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Construction outlays rise in November; most metros add workers; population growth slows

Nonfarm payroll employment in December increased by 145,000, seasonally adjusted, from November and by 2,108,000 (1.4%) for the year, BLS [reported](#) today. The unemployment rate remained at November's level of 3.5%, matching the 50-year low reached in September. **Construction employment** rose by 20,000 for the month and 145,000 (2.0%) year-over-year (y/y) to 7,551,000, the most since October 2007. Average **hourly earnings in construction** rose 2.3% y/y to \$31.11, 9.9% above the average for all private-sector employees (\$28.32, a 3.1% y/y increase). The **unemployment rate in construction**, not seasonally adjusted, dipped from 5.1% in December 2018 to 5.0%, and the number of unemployed jobseekers with construction experience inched down from 493,000 to 489,000—the lowest December levels in the 20-year history of both series. (Not-seasonally-adjusted data varies with normal weather and holiday patterns and thus should not be compared to levels in other months.) The AGC-Sage 2020 Hiring and Business Outlook Survey, [released](#) on December 18, found that 75% of the 956 respondents expect their firms to add employees in 2020. But 81% said hiring was difficult in 2019 and 65% expect it to remain as hard or harder.

Similar to the AGC-Sage survey, the fourth quarter (Q4) 2019 Contractor & Surety Survey that investment research firm Thompson Research Group [released](#) today found, "Respondents indicate solid current activity, full backlogs, and robust pipeline of projects to bid on in the **nonresidential construction market**. Macro data on construction and low unemployment are also supportive and positive. The outlook for 2020 is mostly positive, and many contractors' backlogs are filling up for 2020-2021. Compared to TRG's prior surveys:...Industry contacts had expressed cautious optimism to start the year. That said, as the year progressed, nonresidential contractors grew in optimism as backlogs were building and the pipeline of projects to bid on remained significant....Survey respondents remain bullish on end-market activity, which is supported by strength in multiple verticals....The lack of labor continues to extend the length yet minimize the growth curve of the cycle."

Construction data provider Dodge Data & Analytics [reported](#) on Wednesday that its momentum index increased 1.5% from November to December. The index "is a monthly measure of the first (or initial) report for **nonresidential building projects in planning**, which have been shown to lead construction spending for nonresidential buildings by a full year. Both components of the Momentum Index rose over the month—the institutional component gained 2.3%, while the commercial component rose 0.9%. For the full year, the Momentum Index averaged...a decline of 3.7% from 2018's average. In 2019, the commercial component was 2.3% lower than the previous year, while the institutional component dropped 5.9%. Last year's slip in the dollar value of projects entering planning suggests that construction spending for nonresidential buildings could see a setback in the year to come. However, the Momentum Index did end the year on a high note indicating that a decline in 2020 construction is likely to be modest in nature."

Construction compensation consultancy PAS [reported](#) on Monday in its latest Contractor Compensation Quarterly, "Based on 178 companies...., contractors are projecting construction support staff wage increases to average 3.5 % by 2019 year end (excludes 0% projections)....Building and industrial contractors had the highest average increase of more than 3.6%, followed by highway and heavy contractors at 3.4%, while municipal contractors averaged below 3.2%....In 2019 the percentage of firms improving their benefit programs was 32.5%. The percentage of firms reducing their level of benefits...was 0.5%. And continuing a 17-year trend, voluntary benefits (health, retirement, paid time off, etc.) averaged approximately 25% of payroll."

The outlook for **retail construction** remains grim. "J.C. Penney Co., Kohl's Corp. and Victoria's Secret parent L Brands, Inc. reported lower sales for the critical months of November and December," the [Wall Street Journal](#) reported today. "The sales updates came a day after Macy's Inc. reported its comparable sales fell 0.6% in the holiday period and said it would close 29 stores. Bed Bath & Beyond Inc. also reported a drop in comparable sales for the third quarter....Urban Outfitters...said comparable retail sales at its namesake stores fell 1% for the two-month period ended December 31." On Monday, Pier 1 Imports announced it will close 450 stores. Coresight Research reported that in 2019, "U.S. retailers announced 9,302 store closings, a 59% jump from 2018 and the highest number since [the firm] began tracking the data in 2012," CNN.com [reported](#) on December 19. "Online sales make up around 16% of retail sales today, but they will rise to 25% by 2026, UBS analysts estimated in a research report. That could force up to 75,000 more stores to close by 2026, including more than 20,000 clothing stores and about 10,000 consumer electronics stores, UBS estimates. Thousands of home furnishings and sporting goods stores will also need to close as online shopping grows rapidly." Census Bureau data [posted](#) on January 3 show spending in January-November 2019 tumbled 43% for multi-retail construction (shopping centers, malls and general merchandise stores) and 22% for automotive structures (sales, service/parts and parking) but increased 1% for dining/drinking establishments, 20% for food stores and 16% for "other commercial" (drug, building supply and "other" stores).

"**Real gross output**—principally a measure of an industry's sales or receipts, which includes sales to final users in the economy (GDP [gross domestic product]) and sales to other industries (intermediate inputs)—increased 2.5%" in Q3 2019, up from 2.0% in Q2, the Bureau of Economic Analysis [reported](#) on Thursday. Real gross output in construction slipped 0.1% in Q3 and 3.2% in Q2. The industry's share of GDP remained steady at 4.1%.