



Construction & Materials Outlook

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Current economic influences

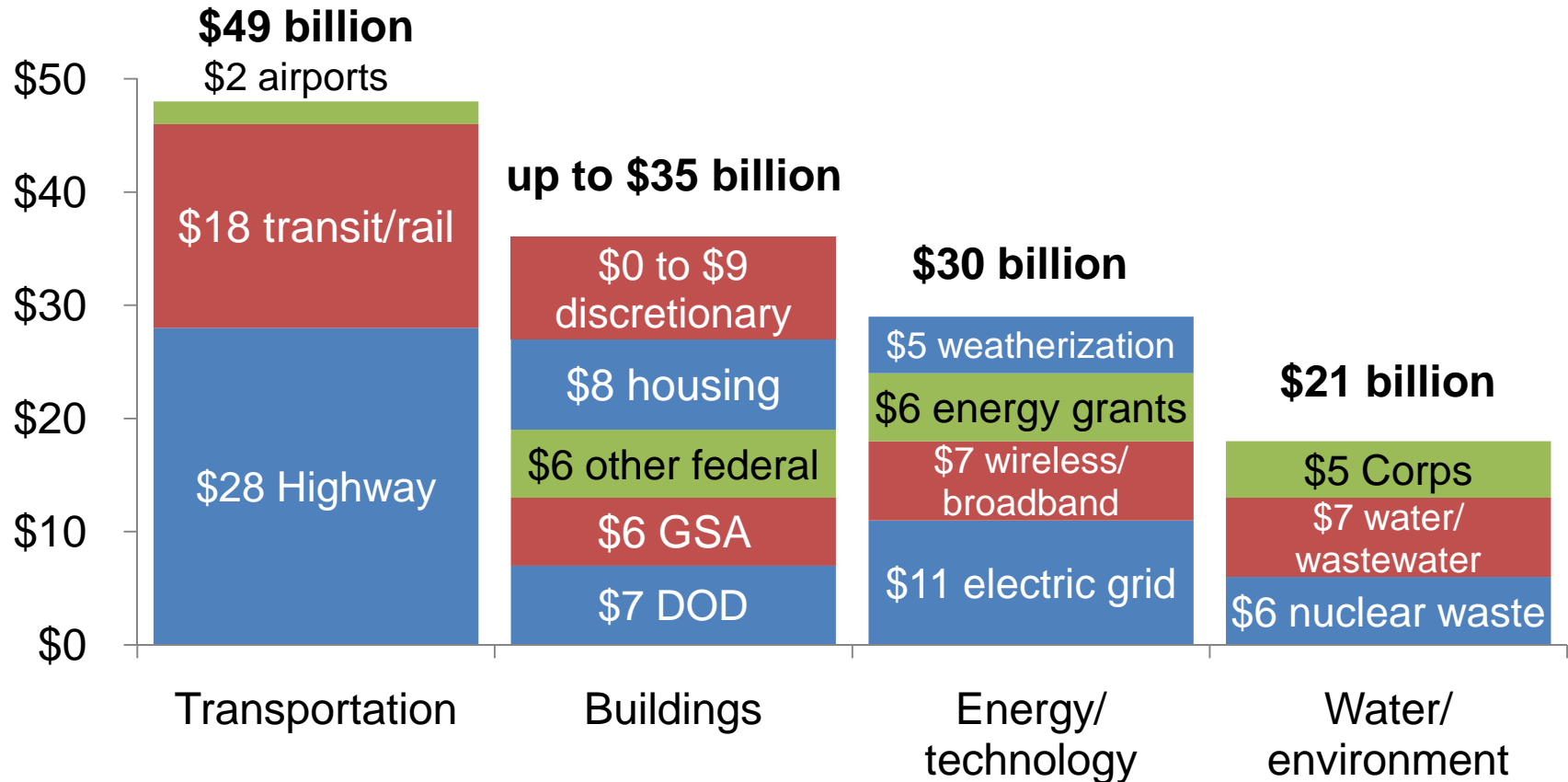


Economic stimulus package

Total : \$787 billion in spending increases, tax cuts



Construction-related stimulus funding (~\$135 bil.)





Stimulus tax provisions affecting construction

- 1-year delay (to 2012) in 3% withholding on gov. contracts
- Increased expensing
- Net operating loss: 5-year carryback of '08 (and '09) NOLs for small business (<\$15 mil. in gross receipts)
- \$8000 homebuyer tax credit, now extended to June '10
- “Build America” bonds



Stimulus timing, strings

- **Timing**
 - 70% of highway money obligated
 - Other agencies: many announcements, few awards
- **Conditions**
 - Davis-Bacon
 - Buy American
 - Reporting requirements: jobs, executives' pay
 - No E-Verify requirement or broad-based FAR
 - No project labor agreement mandate, but...



Economic impact of nonresidential construction

- **Jobs:** 28,500 per \$1 billion
 - 1/3 direct, onsite construction
 - 1/6 indirect, supplying industries
 - 1/2 induced by direct, indirect spending
- **GDP:** \$3.4 billion
- **Personal Earnings:** \$1.1 billion

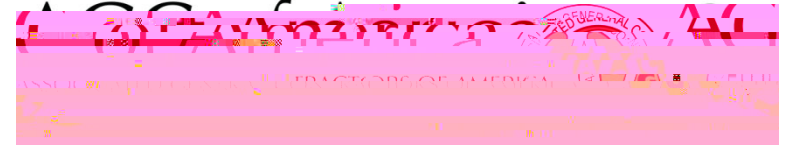


Construction spending by segment, 1- & 12-month change



Definition example

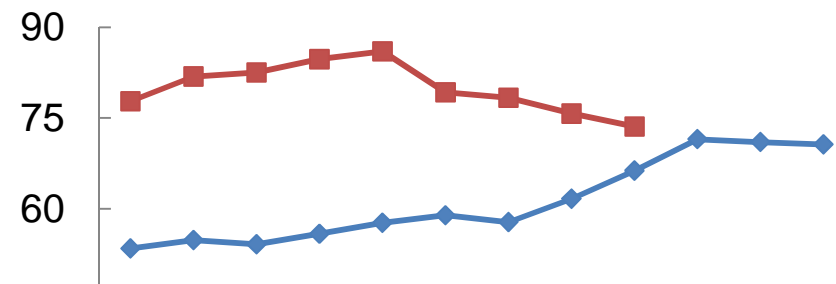
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Construction spending: industrial, heavy (billion \$, SAAR)

Mfg. (99% private)

1-month: -2.8%, 12-month: 11.0%



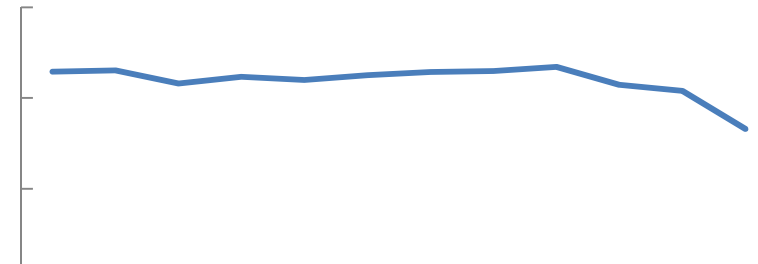


Construction spending: public works (billion \$, SAAR)



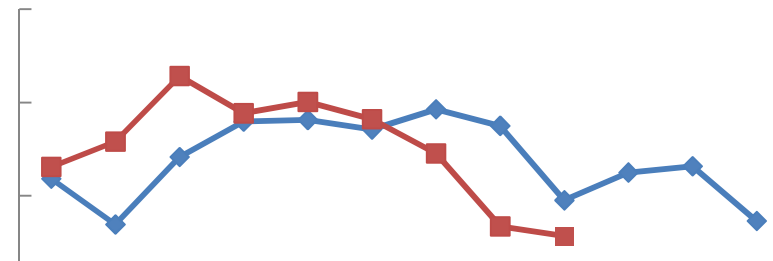


Construction spending: developer-financed (billion \$, SAAR)





Construction spending: institutional (private + state/local)



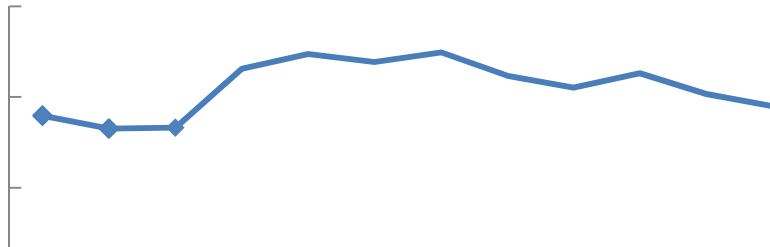


Producer price indexes, 1/07-10/09

—◆— 2007

—■— 2008

—▲— 2009





Producer price indexes, 1/07-10/09



Outlook for materials in '09 compared to '08

- Lower average prices: diesel, copper, steel, aluminum
- Possible increases: concrete, gypsum
- Uncertain: asphalt, lumber
- Year-over-year PPI change: -4% to 0%
- A limited-time sale...



Outlook for materials (beyond '09)

- **Industry depends on specific materials that:**
 - are in demand worldwide
 - have erratic supply growth
 - are heavy, bulky or hard to transport
- **Construction requires physical delivery**
- **Thus, industry is subject to price spurts, transport bottlenecks, fuel price swings**
- **Expect 6 to 8% PPI increases, higher spikes**



Summary for 2009



Summary for 2010

- Nonres spending: 0 to -5% (more stimulus put in place, maybe gains in retail, higher ed, hospitals)
- Res: +5 to +10% (SF up, MF down all year)
- Total construction spending: -4% to +2%
- Materials costs: 0% to +8%



AGC economic resources (email simonsonk@agc.org)

- *The Data DIGest*: weekly one-page email (sign up: www.agc.org/datadigest)
- PPI tables: emailed monthly
- State and metro data
- Stimulus info: www.agc.org/stimulus
- Webinars
- Feedback on stimulus, credit, costs

