

The Data DIGest

Ken Simonson, Chief Economist, Associated General Contractors of America
Phone: 703-837-5313 • Fax: 703-837-5407 • simonsonk@agc.org

Value of starts plummets, Reed says; construction jobs shrink, local wages diverge

The value of new nonresidential construction starts fell 8% from March to April, Reed Construction Data reported on Wednesday, based on its own data collection. Institutional building starts plunged 47% and commercial building starts tumbled 45% from record highs in December, while heavy project starts were off 16%. For the first four months of 2009 compared to the same period in 2008, the value of all starts fell 3.4%, with commercial, -22.7%; institutional, -6.2%; and heavy, +24.5%.

*Construction again bore a disproportionate share of **job losses** in April. The Bureau of Labor Statistics reported on Friday, "Construction employment declined by 110,000 in April, with losses spread throughout the sector. Over the past six months, job losses have averaged 120,000 per month, compared with 46,000 per month from December 2007 through October 2008." Construction accounted for more than one out of five job losses in the private sector for the month and year, even though the industry employs only one out of 20 workers. The April **unemployment rate** in construction, 18.7%, not seasonally adjusted, was more than double the 8.6% rate in the private economy as a whole. But **average hourly earnings** in construction rose 4.4%, compared to 3.2% among all private nonsupervisory or production workers.*

*Construction wages rose sharply a year ago when nonresidential construction was booming. Some union contracts included large increases for both 2008 and 2009, but recent settlements have been as small as zero for wages (albeit with continuing increases in pension and health/welfare contributions). The May 11 edition of Engineering News-Record reported that its index for **common-labor wages** rose 0.8% in May and 6% compared to May 2008. The 12-month change among 20 cities ranged from 0 in Denver to 19%.*

*are not included in the www.agc.org/fy_2010_budget). The Budget includes an estimate that the **Highway Account** of the Highway Trust Fund will only be able to support spending of \$32 billion in FY10, down from \$40 billion in FY09, without a transfer from the general fund or other revenue source. However, "the Administration is developing a comprehensive approach for surface transportation reauthorization. Consequently, the Budget contains no policy recommendations for programs contained in the reauthorization legislation, including Federal-Aid Highways."*

*"Preliminary **tax collection data** for the January-March quarter of 2009 show widespread and sharp declines for most **states** for all three major sources of tax revenue, as well as total taxes," the Rockefeller Institute reported on Wednesday (www.rockinst.org). "Total tax revenue declined in 45 of 47 early reporting states. We expect revenue collections, particularly collections from the personal income tax, to deteriorate even further in the April-June quarter based in large part on declines in financial markets and income tax returns due in April. Total state tax revenue fell by 12.6% in the first quarter of 2009, compared to the same quarter a year earlier, based on data for 47 early-reporting states....Personal income tax revenue fell sharply and represented the bulk of the decline, with a 15.8% year-over-year decrease. This is the largest such decline since 2002. Sales tax collections continued their fall with a decline of 7.6%, while corporate tax collections dropped 16.2%. This is the second quarter in a row that revenue from all three major sources declined." *The falling revenues are ominous for state-funded construction, which is often easier to cut than ongoing programs or personnel.**

*"**Prices [of steel products]** over the past week have stabilized on all products with the exception of cold rolled and galvanized steel which continued to trend lower," the e-newsletter Steel Market Update (www.steelmarketupdate.com) reported on Wednesday. "Price momentum continues to point toward lower prices over the near term (30-60 days) on all products....*On the residential and commercial construction side of the market sheet metal distributors termed the new normal as another way of saying business is 'crappy.'* In a normal market HVAC companies would be beginning their busy season right now - instead demand has been determined to be 'flat' at the putrid 1st Quarter levels....*The HARDI (Heating, Airconditioning, Refrigeration Distributors International) members with whom I spoke on Tuesday are indicating the commercial construction market is down much more than originally anticipated or projected. The consensus of opinion was commercial is down at least 25% and some markets are much [worse] than that.*" ThyssenKrupp Steel, which had earlier postponed construction of a new stainless plant next to a steel plant it is building in Alabama, announced on Tuesday that it may also postpone finishing the steel plant.*