



Data Digest

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Construction employment edges up in October; wages accelerate; September job openings set record

Construction employment, seasonally adjusted, totaled 7,721,000 in October, an increase of 1,000 from September and 266,000 (3.6%) year-over-year (y/y), according to AGC's analysis of data the Bureau of Labor Statistics (BLS) posted on November 4. Residential construction employment, comprising residential building and specialty trade contractors, rose by 900 in October and 105,300 (3.4%) y/y. Nonresidential construction employment—at building, specialty trades, and heavy and civil engineering construction firms—climbed by 300 for the month and 161,000 (3.7%) y/y. The number of unemployed jobseekers with construction experience rose by 21,000 (5.3%) y/y to 419,000, and the industry's unemployment rate edged up from 4.0% to 4.1%. Seasonally adjusted average hourly earnings for production and nonsupervisory employees in construction (craft and office) rose 6.6% y/y to \$32.99 per hour. That exceeded the 5.5% increase for all such private-sector employees. The "premium" for hourly construction workers rose to 18.4% over the private sector average of \$27.86 but remained considerably below the average premium in 2000-2019 of 21.5%.

Wages and salaries in the construction industry rose 1.0%, seasonally adjusted, in the third quarter (Q3) of 2022 and 4.7% y/y, up from 3.3% a year earlier, BLS reported on October 28. The y/y increase was the steepest since the series began in 2001. Wages for the total private sector increased 1.2% in Q3 and 5.2% y/y, up from 4.6% a year ago. Total compensation (wages, salaries, and benefits, including required employer payments) in construction rose 0.9% in Q3 and 4.4% y/y, up from 3.0% a year earlier. Total private industry compensation increased 1.1% in Q3 and 5.2% y/y, up from 4.1% the year before.

There were 412,000 job openings in construction, not seasonally adjusted, at the end of September, a rise of 77,000 (23%) from September 2021, BLS reported on November 1. That was the largest September total in the 22-year history of the series and the 19th consecutive month of rising y/y openings. Hires rose by 9,000 (2.7%) y/y to 348,000. The rate of layoffs and discharges jumped from 1.3% of employees in September 2021 to 2.1% but remained lower than the rate for any September before the pandemic hit in 2020.

Construction spending (not adjusted for inflation) totaled \$1.81 trillion in September at a seasonally adjusted annual rate, up 0.2% from the upwardly revised August rate and up 11% y/y, the Census Bureau reported on November 1. However, without a deflator, it is impossible to say how much of the y/y gain is in units vs. price. Private residential construction was unchanged for the month, with single-family homebuilding down 2.6%, multifamily construction spending up 0.3%, and owner-occupied improvements up 2.9%. Private nonresidential construction spending rose 1.0%. The largest private nonresidential segment (based on seasonally adjusted spending in September 2022)—manufacturing—jumped 7.6% (including computer/electronic/electrical, up 22%, and chemical and pharmaceutical, up 2.1%). Commercial construction fell 0.7% (consisting of warehouse, down 1.2%; retail, down 0.9%; and farm, up 2.6%). Power declined 0.4% (with electric power up 0.1% and oil and gas field structures and pipelines down 2.2%). Private office and data center construction edged up 0.1%. Public construction spending decreased 0.4%. The largest public segment, highway and street construction, rose 1.7%. Public education was flat. Public transportation construction declined 1.3%.

The office construction spending totals do not break out data centers, which appear to remain a fast-growing niche, or remodeling and conversion of offices to apartments or hotels, from new construction. "U.S. real-estate developers are delaying major office projects already under way or in the planning stages, discouraged by high vacancy rates and the reduction in workspace demand resulting from remote work," the Wall Street Journal reported on Wednesday. "With office use only about half of what it was before the pandemic, some of the most active developers are postponing major projects and are losing their appetite for new developments....About 156 million square feet of office space construction currently is under way in the largest 54 U.S. markets, down from

186 million in [Q1] 2020 before the pandemic hit, according to data firm CoStar Group Inc. That figure is expected to decline further as developers confront rising vacancies and falling rents in most markets. The national office vacancy rate stands at 12.5%, up from 9.6% in 2019 and the highest since 2011, CoStar said. Just as worrisome for developers: 37% of the space under development remains available, more than double the rate in 2019 and approaching the record 39% in 2008, CoStar said."

Costs and availability continue to vary greatly by material. A building-supply firm in Utah notified customers on October 27 that it "will be implementing a 10% decrease on November 1...on all rebar products." Pricing and availability of wire mesh have improved for customers, and "Loads of standard sizes and gauges are shipping within one or two weeks," New South Construction News reported on November 2. Steel market analyst Timna Tanners of Wolfe Research wrote in a research note following a webinar she hosted on Wednesday, "Service center CEOs and manufacturer purchasing managers said they had plenty of inventory through Q1 2023, with little optimism on prices rebounding given 73.5% recent utilization plus three mills due to ramp up supply." In contrast, cement shortages are spreading. The Michigan Concrete Association wrote on October 19, "Most of the concrete producers and paving contractors in Michigan have been placed on allocation....According to the Portland Cement Association, currently, 43 states are reporting a similar shortage of the supply of cementitious material" (cement, slag, and fly ash). Readers are invited to send cost and supply-chain information to ken.simonson@agc.org.

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