SMU Community Chat

March 31, 2021
Starting at 11 AM Eastern

Michael Cowden, Steel Market Update

Ken Simonson, Associated General Contractors of America

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SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars

2021 Steel Market Update Events

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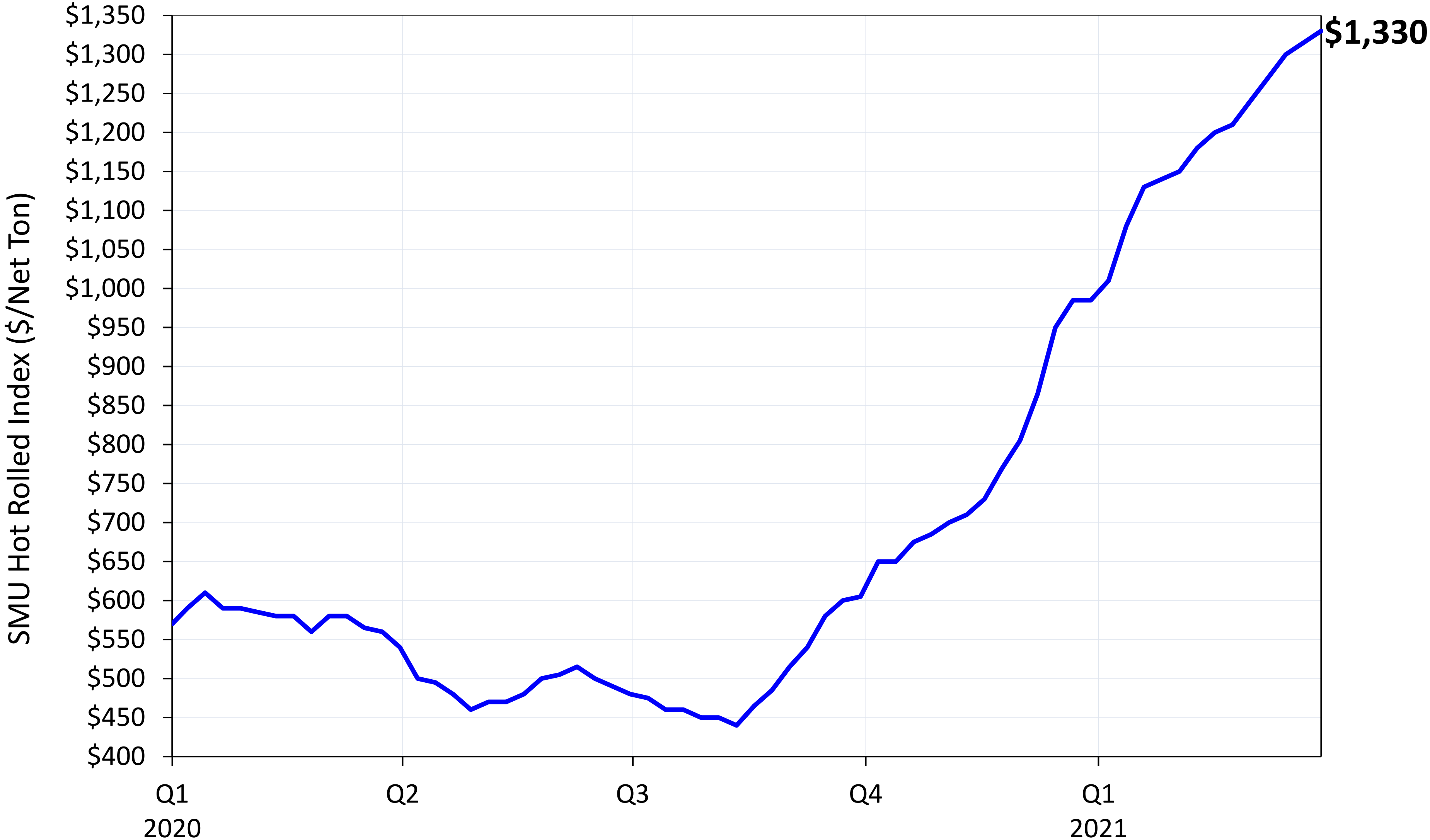
Date	Conference	Status	Venue
April 21	Galvanized Hedging	**Virtual**	Online
May 5-6	Steel Hedging 201	**Virtual**	Online
May 11-12	Steel 101	**Virtual**	Online
May TBD	Steel 201	**Virtual**	Online
June 2-3	Steel Hedging 101	**Virtual**	Online
July 14	Galvanized Hedging	**Virtual**	Online
July 20-21	Steel 101	**Virtual**	Online
July TBD	Steel 201	**Virtual**	Online
August 3-4	Steel Hedging 201	**Virtual**	Online
August 23-25	SMU Steel Summit	**Live**	Georgia International Convention Center

If you would like more information about any of our workshops, you may visit SteelMarketUpdate.com/Events or e-mail our team at Events@SteelMarketUpdate.com

SMU Hot Rolled Price Average



SMU Buyers Sentiment Index

Down 7 points to +65

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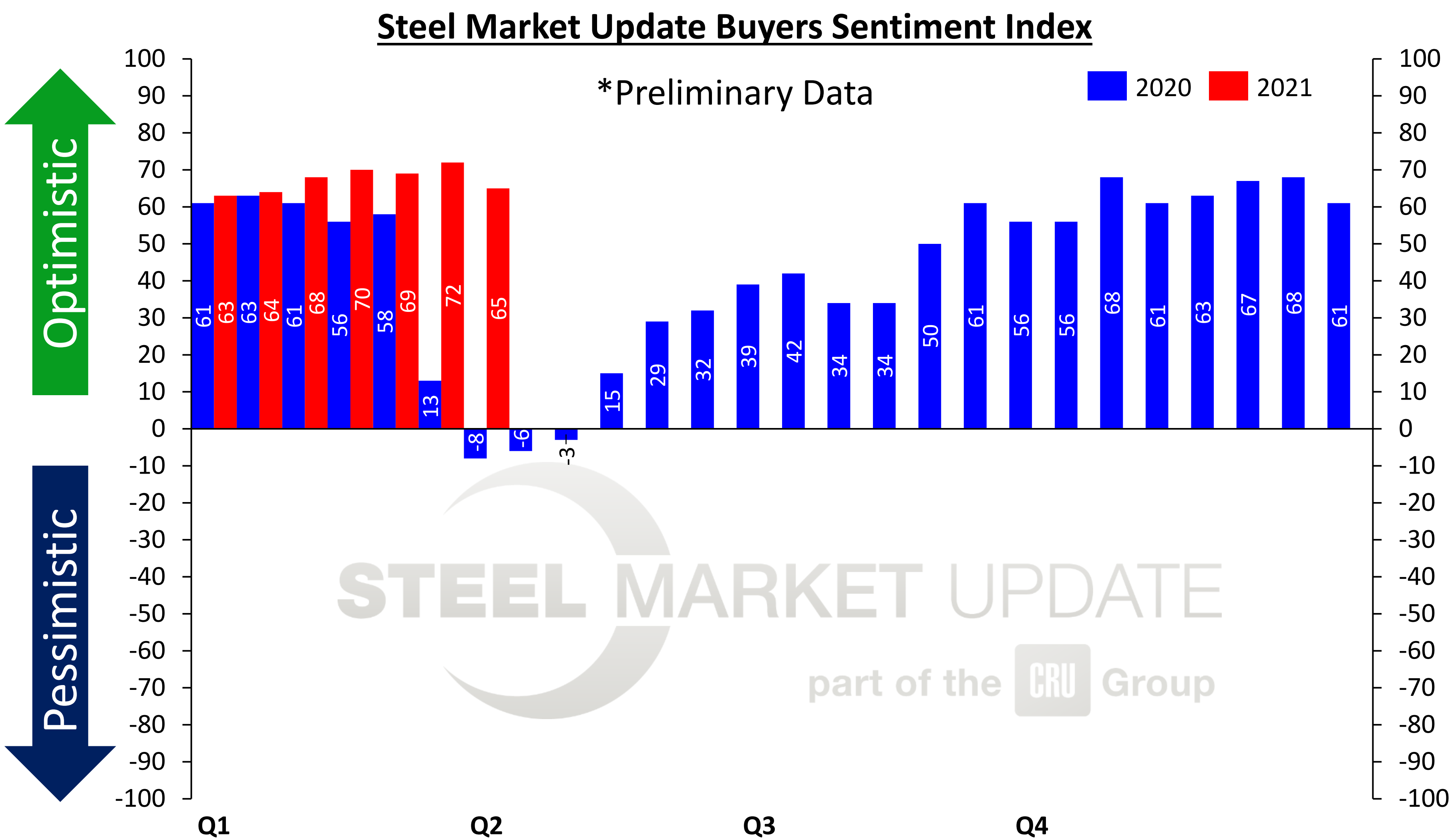
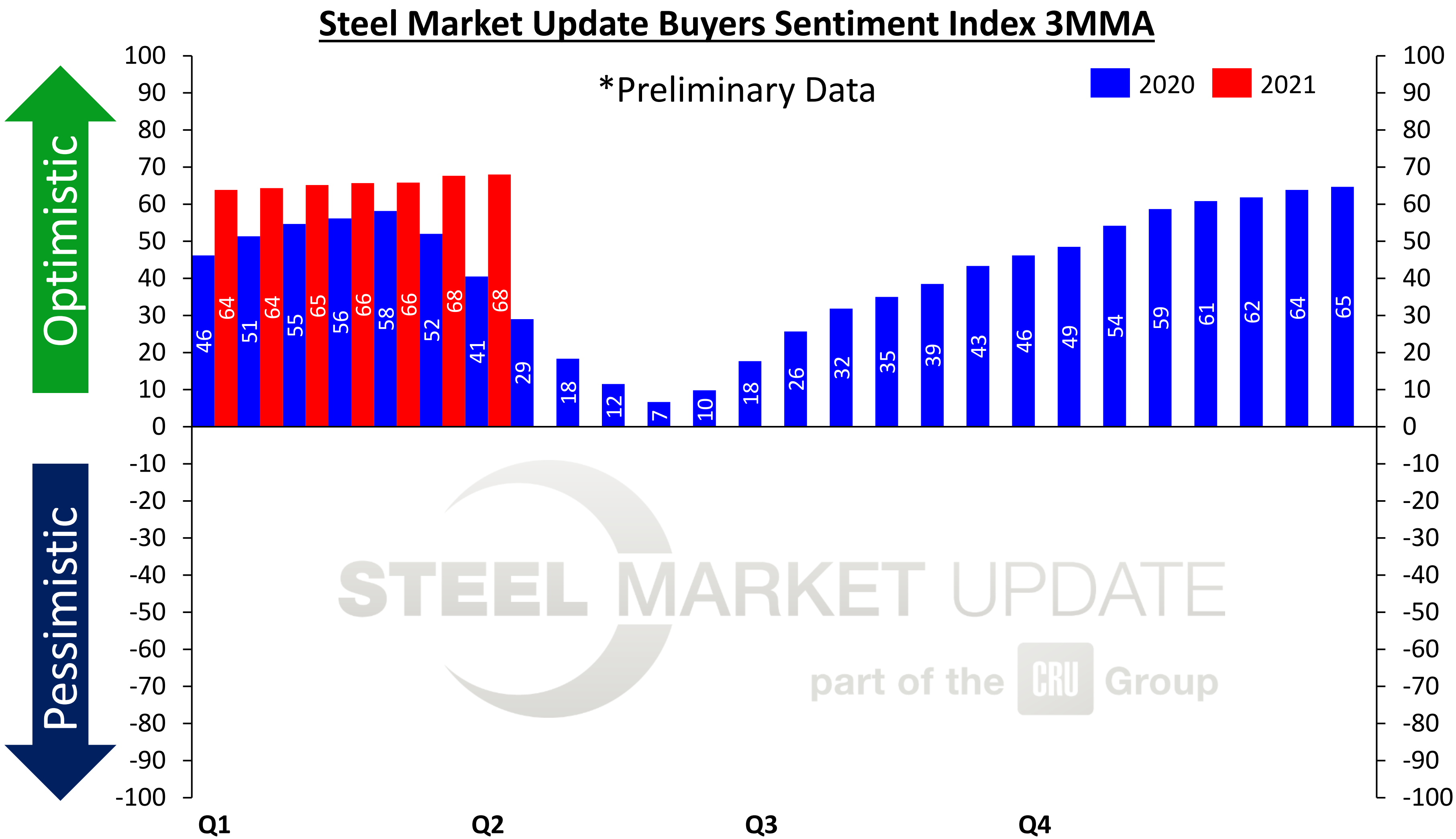


SMU Buyers Sentiment Index

Three Month Moving Average at +68.00



Mill Lead Times

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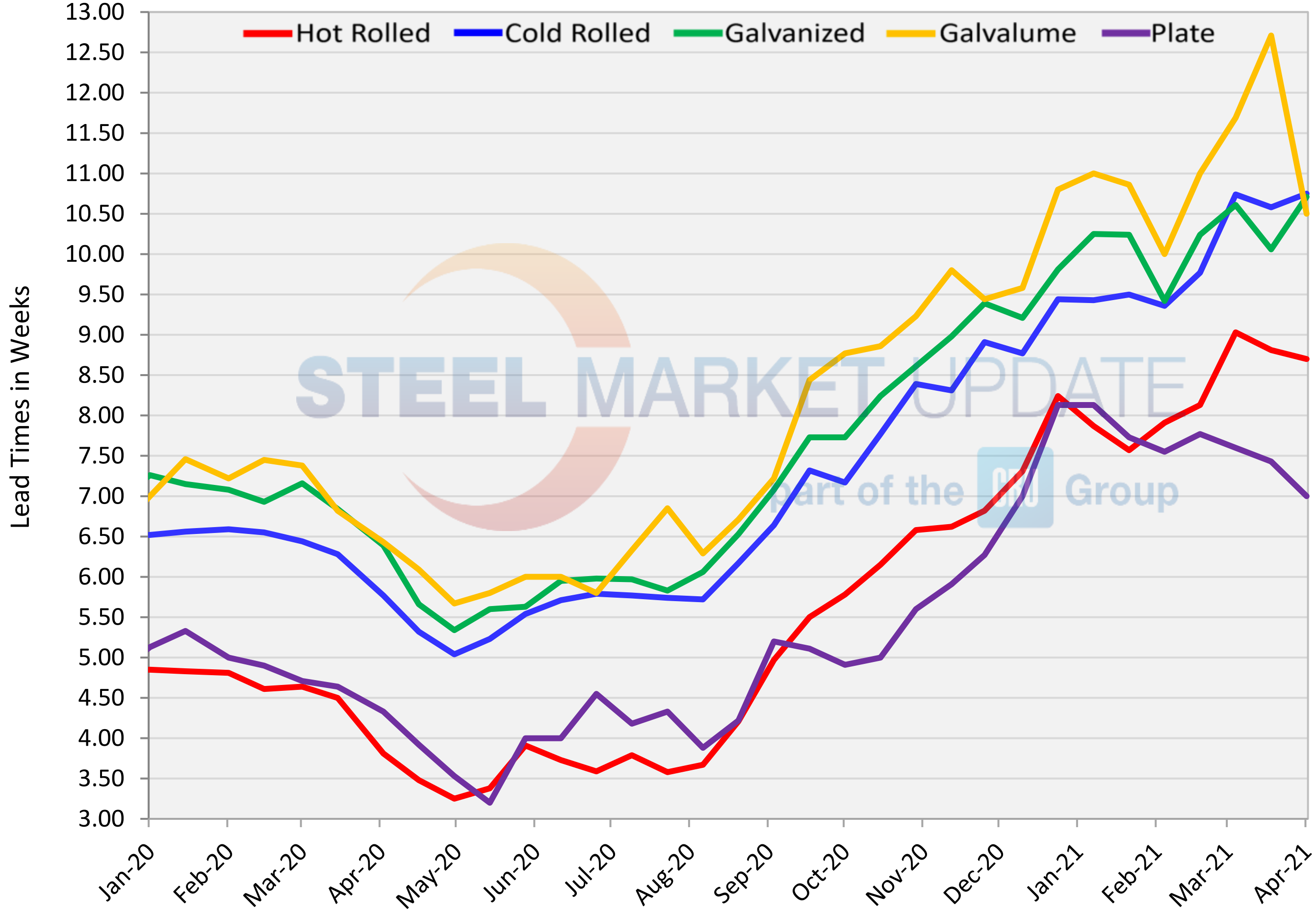

*Preliminary Data

Lead Times in Weeks

Cold Rolled: 10.75

Galvanized: 10.71

Galvalume: 10.50

Hot Rolled: 8.70

Plate: 7.00

Ken Simonson

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Ken Simonson has been Chief Economist for the Associated General Contractors of America, the leading trade association for the construction industry, since 2001. He provides insight into the economy and what it implies for construction and related industries through frequent media interviews, presentations and the *Data DIGest*, his weekly one-page e-newsletter that goes to over 50,000 subscribers.

Ken has more than 40 years of experience analyzing, advocating and communicating about economic and tax issues.

He currently serves on the Census Bureau's Scientific Advisory Committee. He is a Fellow and past president of the National Association for Business Economics, and he is co-director of the Tax Economists Forum, a professional meeting group he co-founded in 1982.

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The Post(?)-Pandemic Outlook for U.S. Construction

March 31, 2021

Ken Simonson
Chief Economist, AGC of America
ken.simonson@agc.org

AGC March 2021 Survey Highlights

Survey conducted Feb. 19-March 4; 1,489 responses

(Note: All percentages are % of respondents, not % of projects, dollars, etc.)

Scheduled project was **postponed or canceled**: 77% of respondents

ppd indefinitely or canceled in ‘20: 40%; ppd/canceled in Jan.-June ‘21: 17%

Won additional project or add-on to project **in past 2 months**: 21%

Time until volume of business matches/exceeds year-ago level:

already there: 32%

1-6 months: 13%

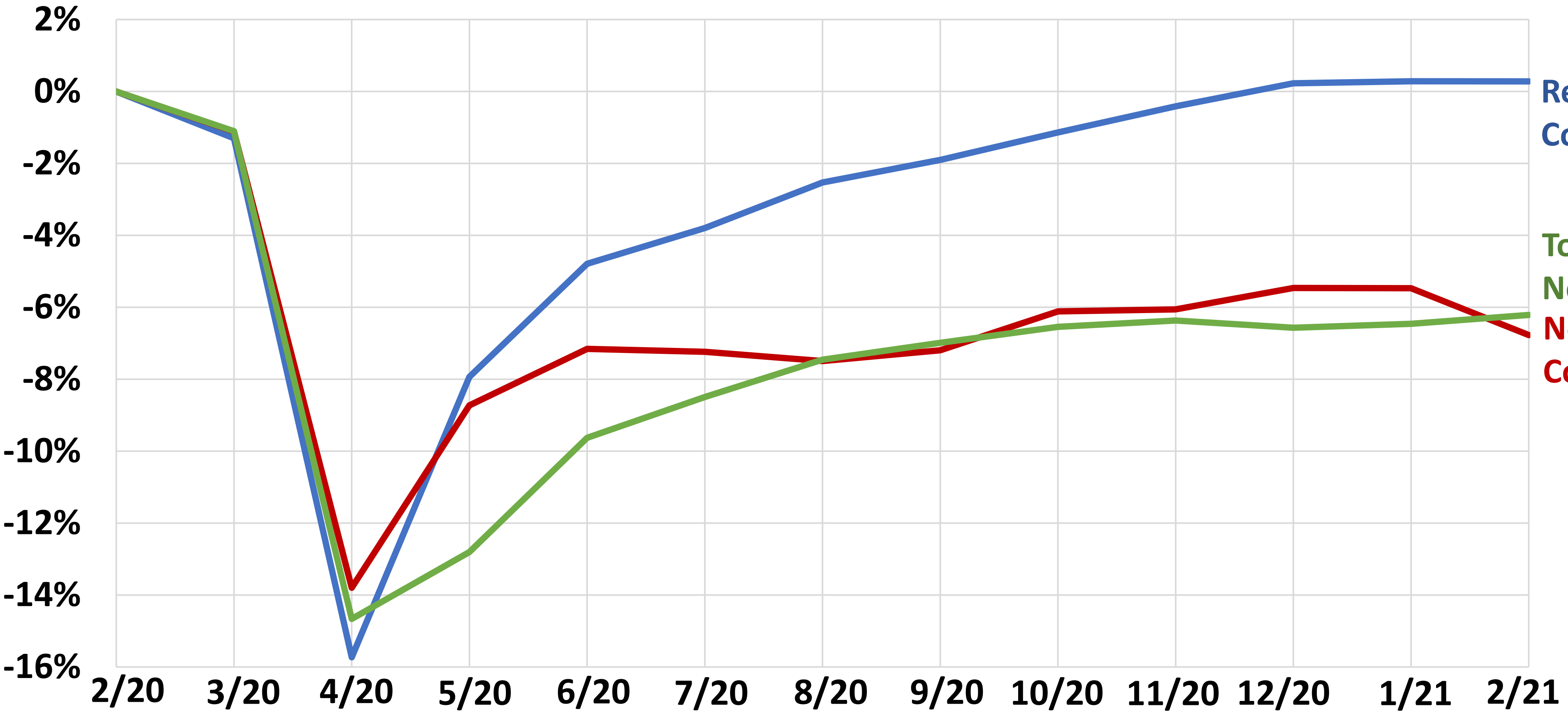
will take more than 6 months: 34%

don’t know: 22%

Source: Author; AGC March 2021 coronavirus survey; conducted Feb. 19-Mar. 4, 2021; 1,489 total respondents

Total Nonfarm & Construction Employment, Feb. 2020-Feb. 2021

cumulative change (seasonally adjusted)



Change to 2/21 from:

	2/20	4/20
Residential Construction	0.3%	19%
Total Nonfarm	-6.2%	9.9%
Nonresidential Construction	-6.8%	8.1%

State construction employment change, Feb. 2020-Feb. 2021

6 states up, 44 states and DC down (U.S.: -4.0%)

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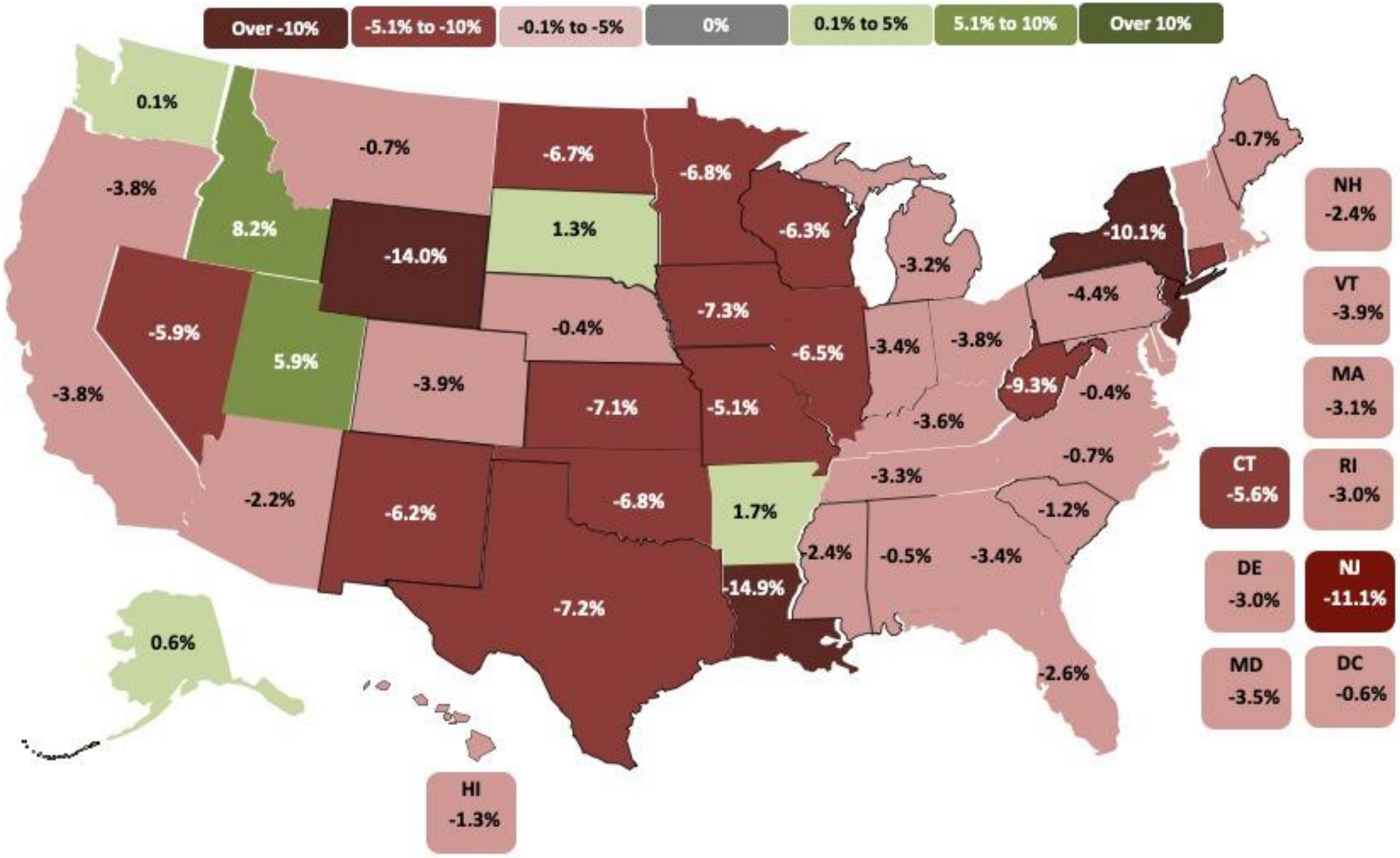
Top 5

Idaho	8.2%
Utah	5.9%
Arkansas	1.7%
South Dakota	1.3%
Alaska	0.6%

Bottom 5

Louisiana	-14.9%
Wyoming	-14.0%
New Jersey	-11.1%
New York	-10.1%
West Virginia	-9.3%



Note: Shading based on unrounded numbers

Source: BLS state and regional employment report

Construction spending impacts: January 2020-January 2021

seasonally adjusted at annual rate

- Total 6%; private residential 21% (single-family 24%; multi 17%); private nonres -10%; public 3%

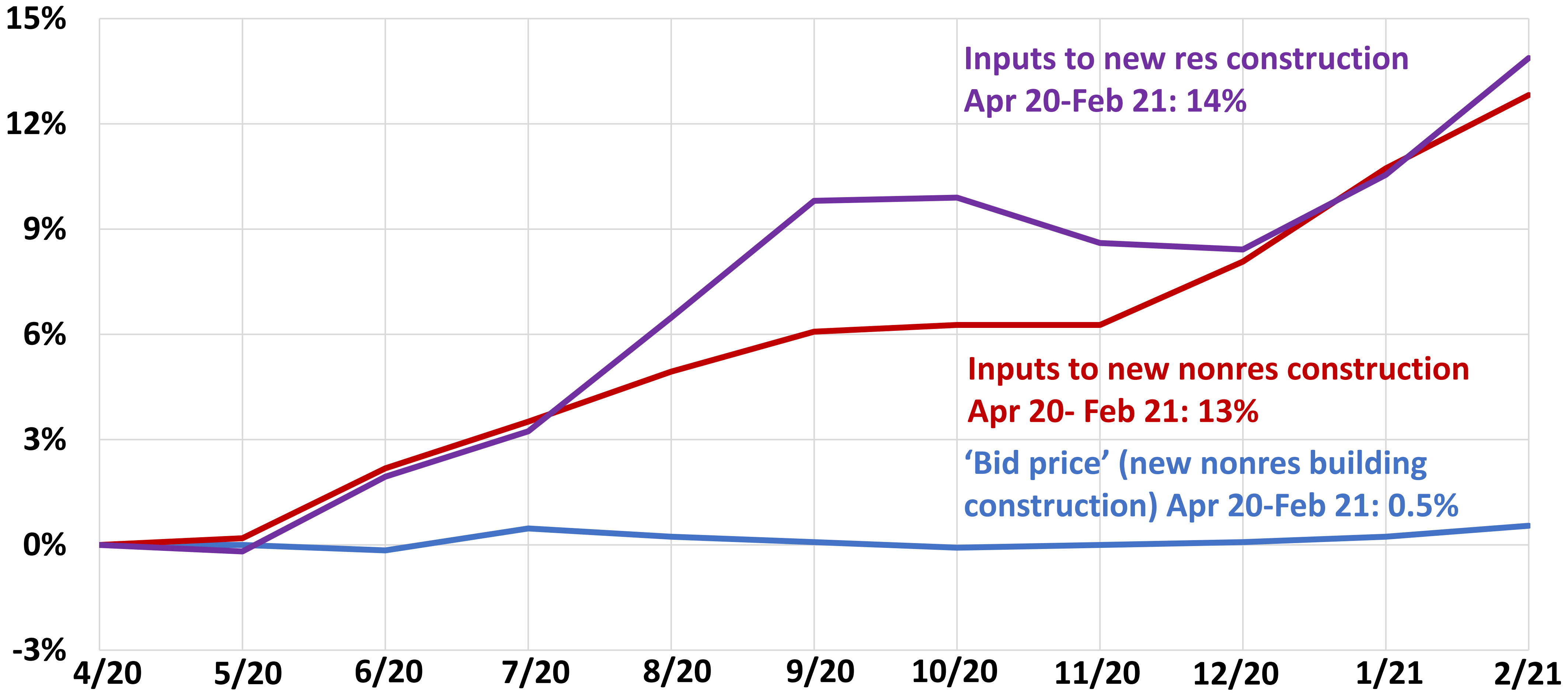
Largest segments (in descending order of January 2021 spending)

- Power -10% (electric -11%; oil/gas fields & pipelines -5%)
- Highway and street 6%
- Education -2% (primary/secondary 7%; higher ed -14%)
- Office -5%
- Commercial -8% (warehouse 2%; retail -20%)
- Mfg. -15% (chemical 0.1%; transp. equip. -29%; food/beverage/tobacco -11%; electronic -41%)
- Transportation -1% (air -0.4%; freight rail/trucking -3%; mass transit 7%)
- Health care -3% (hospital -3%; medical building -6%; special care 4%)
- Lodging -22%

Source: Author

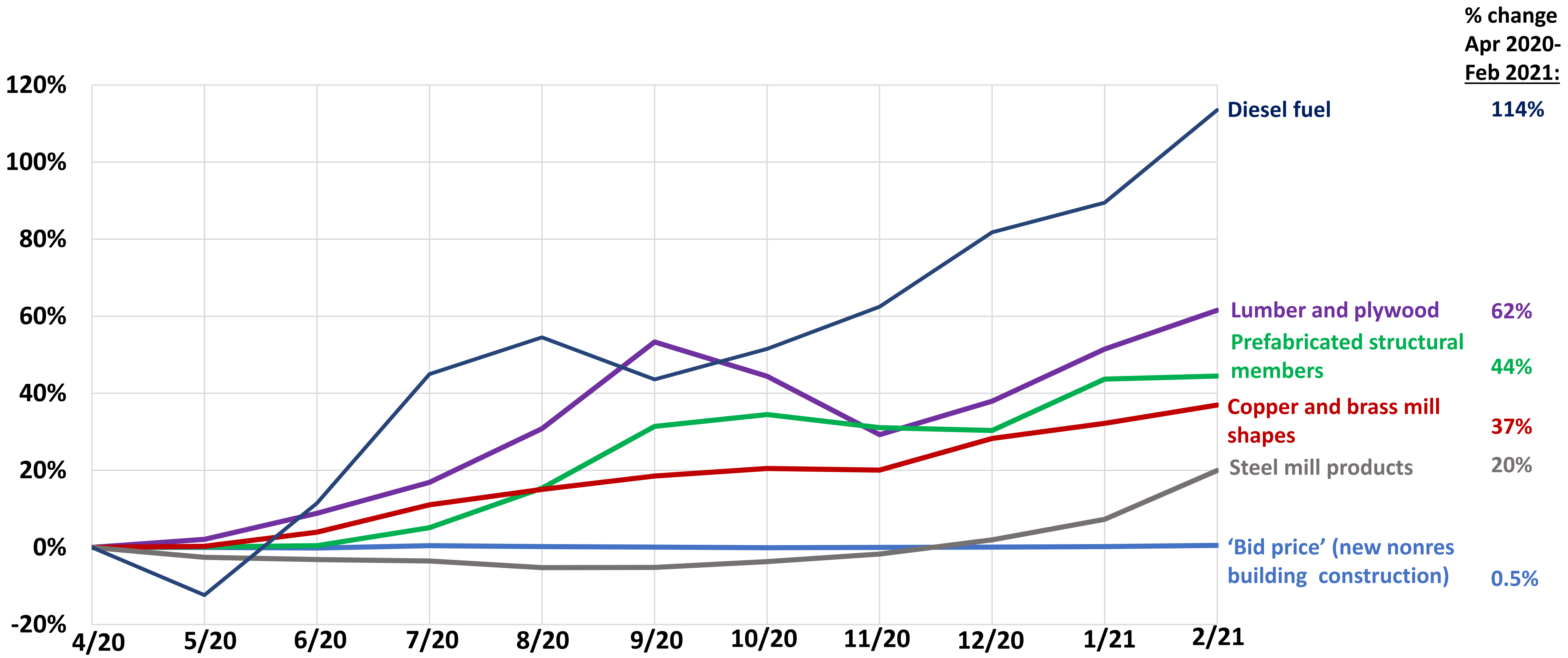
Construction input and 'bid price' producer price indexes (PPIs)

cumulative change in PPIs, Apr 2020 -Feb 2021 (not seasonally adjusted)

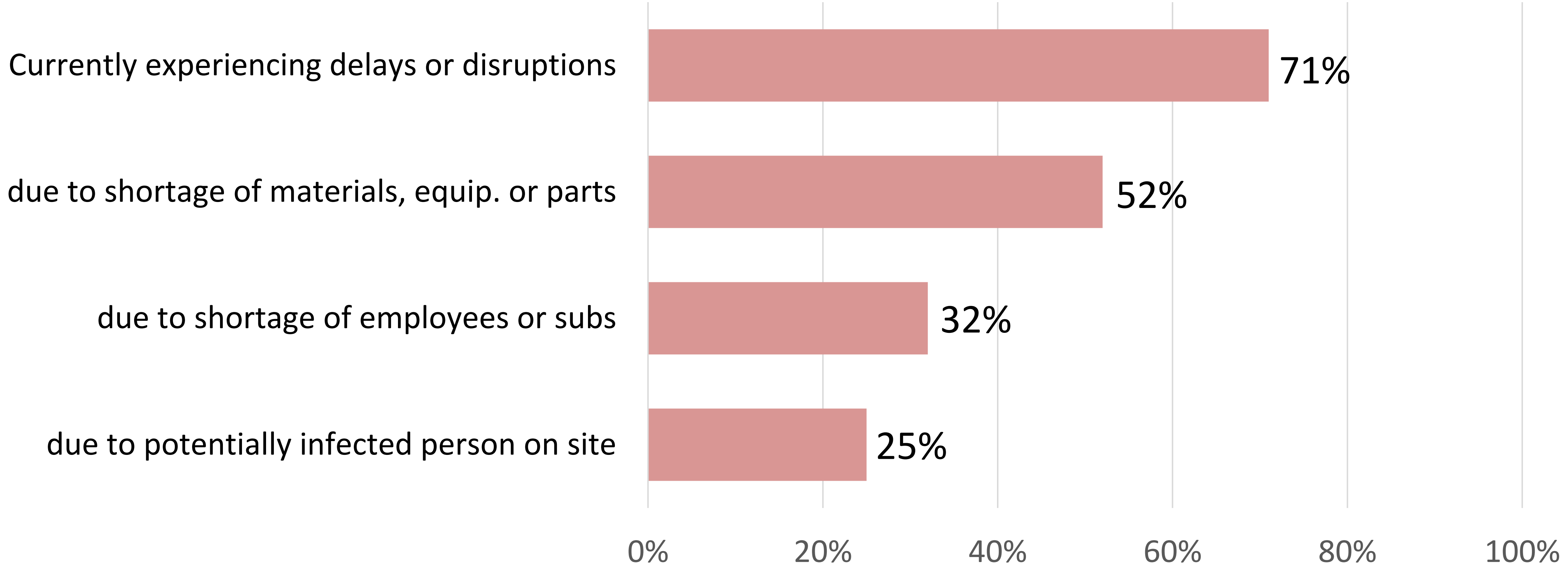


PPIs for construction and selected inputs

cumulative change in PPIs, Apr 2020 -Feb 2021 (not seasonally adjusted)

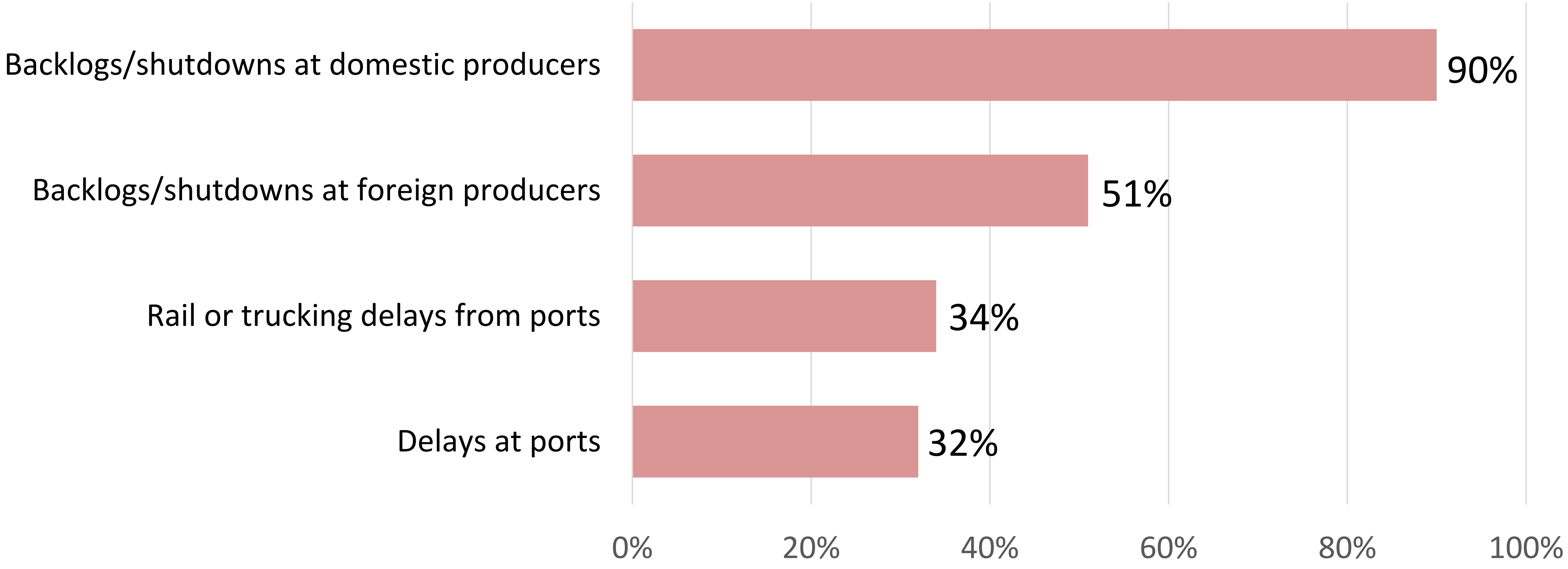


AGC Survey: Firms cite pandemic impact as cause for higher cost and delays



Source: AGC March 2021 coronavirus survey, conducted Feb. 19-Mar. 4, 2021; 1,489 total respondents

AGC Survey: Firms cite multiple reasons for delays



Source: AGC March 2021 coronavirus survey, conducted Feb. 19-Mar. 4, 2021; 1,489 total respondents

AGC's responses to material cost and supply-chain issues

- *Construction Inflation Alert*: https://www.agc.org/sites/default/files/AGC%202021%20Inflation%20Alert%20-%20Ver1.1.pdf
- Webinar, April 14, 3:30 ET/2:30 CT/1:30 MT/12:30 PT:

https://www.agc.org/learn/education-training/events/webed-soaring-material-and-supply-chain-costs-and-delays-what-expect

- Presentations to government contracting officials and owner groups
- Participating in coalitions lobbying for tariff relief on lumber, steel, aluminum and products
- Directly lobbying White House officials for relief on lumber

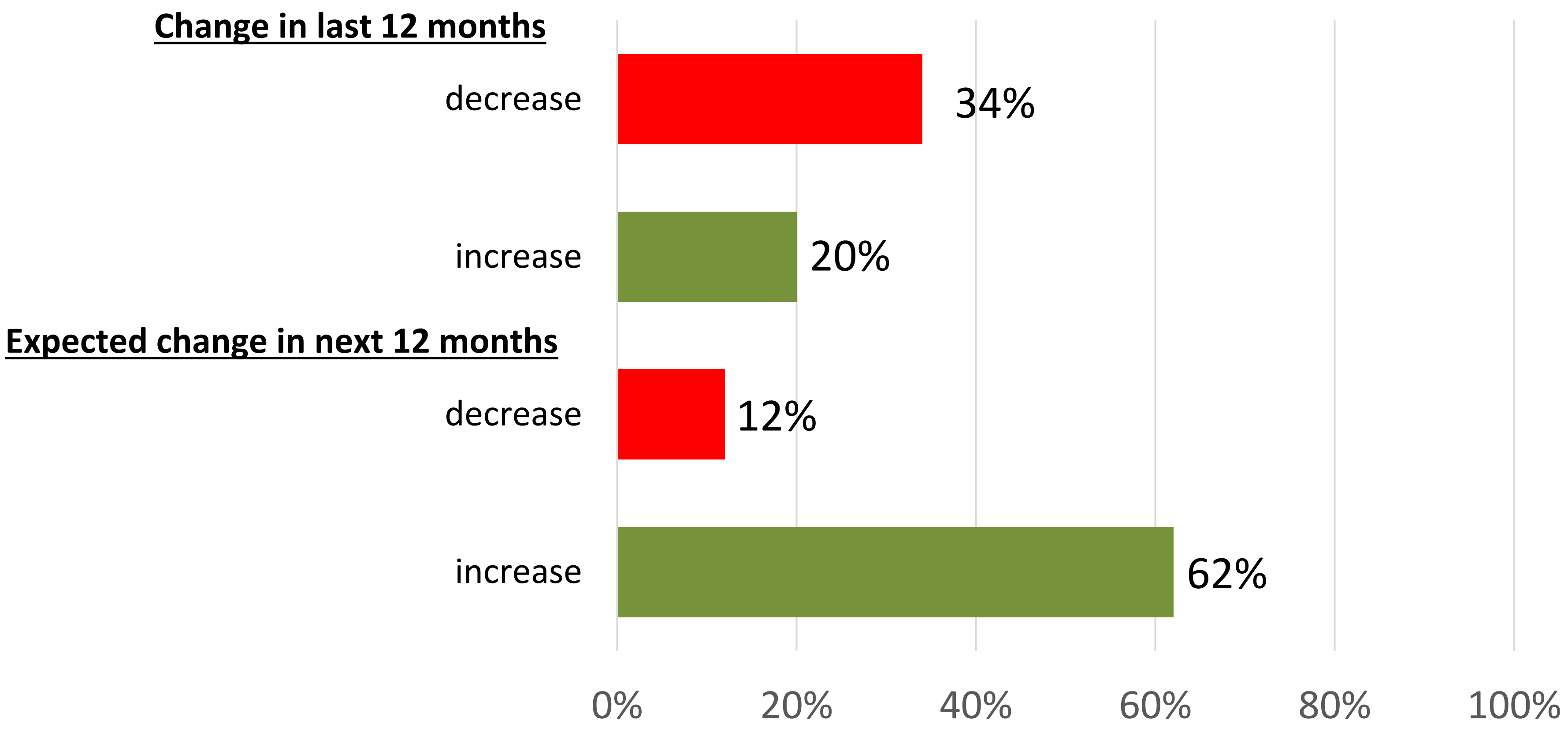
Source: Author

Construction impacts to date

- Steep job loss, February-April 2020: -1.1 million (15% of Feb. 2020 total)
- Rebound, April 2020-February 2021: 805,000 (72% of Feb.-April 2020 loss)
- Diverging job gains as % of loss: residential, 100%; nonresidential, 51%
- Fast-rising materials costs, delivery delays, higher onsite costs and completion times
- Few new project announcements; cancellations are continuing

Source: Author

2021 AGC Survey: Optimism about headcount in next 12 months contrasts with cuts in last 12



Source: AGC March 2021 coronavirus survey, conducted Feb. 19-Mar. 4, 2021; 1,489 total respondents

Medium-term impacts as recovery begins

- Economic recovery looks more certain but virus risks remain
- Slower rebound than for other sectors as owners, investors/lenders, institutions and public agencies have lost revenue and face uncertainty about future demand
- Best private prospects: remodeling, local distribution centers, data centers
- Less demand than pre-crisis for retail, offices, higher ed, lodging & travel-related
- Less near-term demand for sports, entertainment, cultural facilities
- Best public prospects: K-12 schools; other types vary by state and funding source
- Additional federal highway funding likely; other infrastructure remains uncertain
- Less state & local building construction, especially higher ed

Source: Author

Long-run construction outlook (post-pandemic)

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- Slower population growth means slower demand growth for most construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized and online healthcare facilities; fewer hospitals, nursing homes
- Continuing demand for K-12 but much less for higher ed construction
- Demand for restaurants should revive sooner than hotels, travel-related construction
- Not clear if offices will decentralize or remain in less demand
- No sign of change yet in urban/rural or state-to-state trends

Source: Author

Population change by state, July 2019–July 2020 **(U.S.: 0.35%)**

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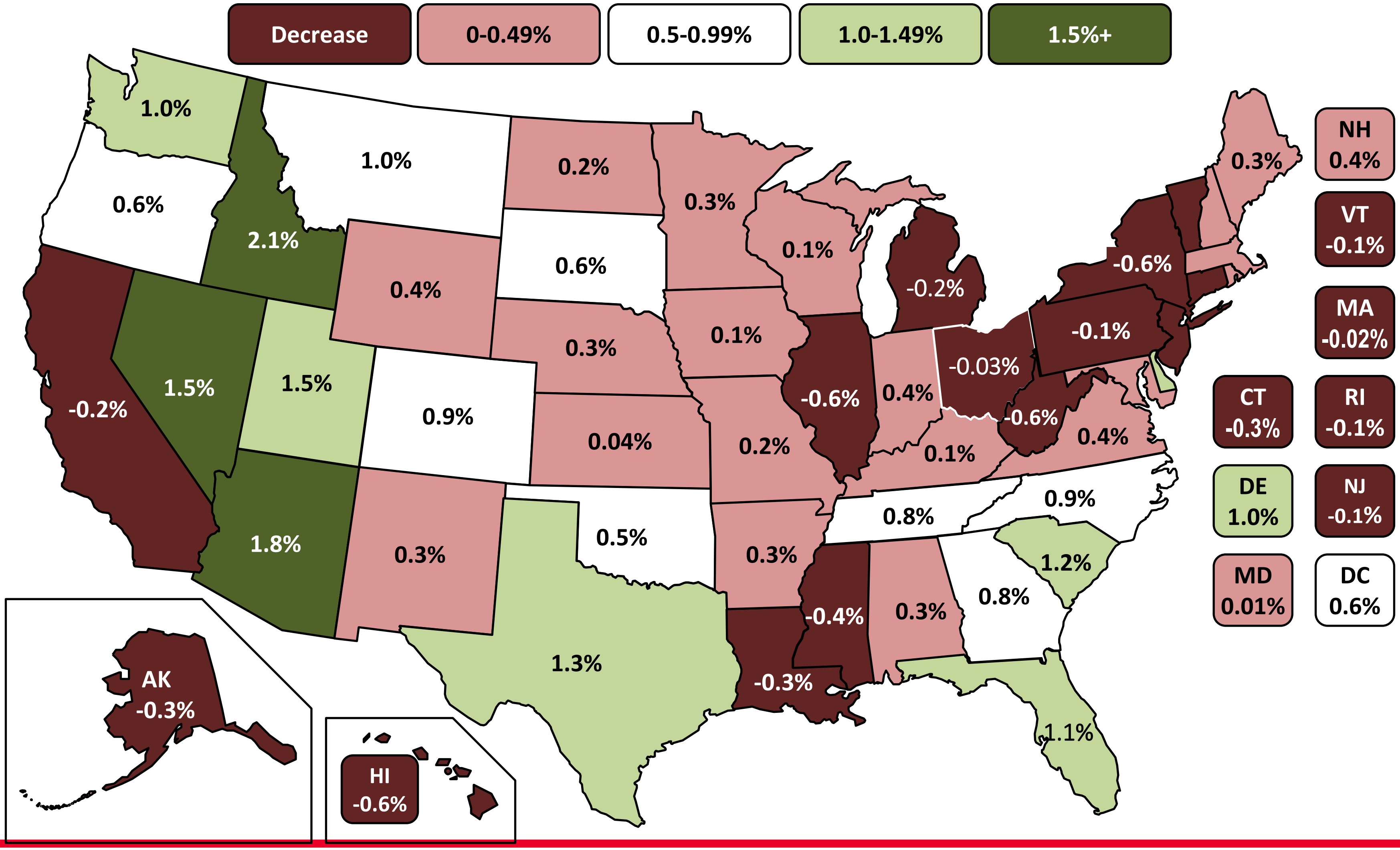
Top 5

ID	2.1%
AZ	1.8%
NV	1.5%
UT	1.5%
TX	1.3%

Bottom 5

NY	-0.6%
IL	-0.6%
HI	-0.6%
WV	-0.6%
MS	-0.4%



Source: U.S. Census Bureau

AGC economic resources

(email ken.simonson@agc.org)

- *The Data DIGest*: weekly 1-page email (subscribe at http://store.agc.org)
- *Construction Inflation Alert*:

https://www.agc.org/sites/default/files/AGC%202021%20Inflation%20Alert%20-%20Ver1.1.pdf

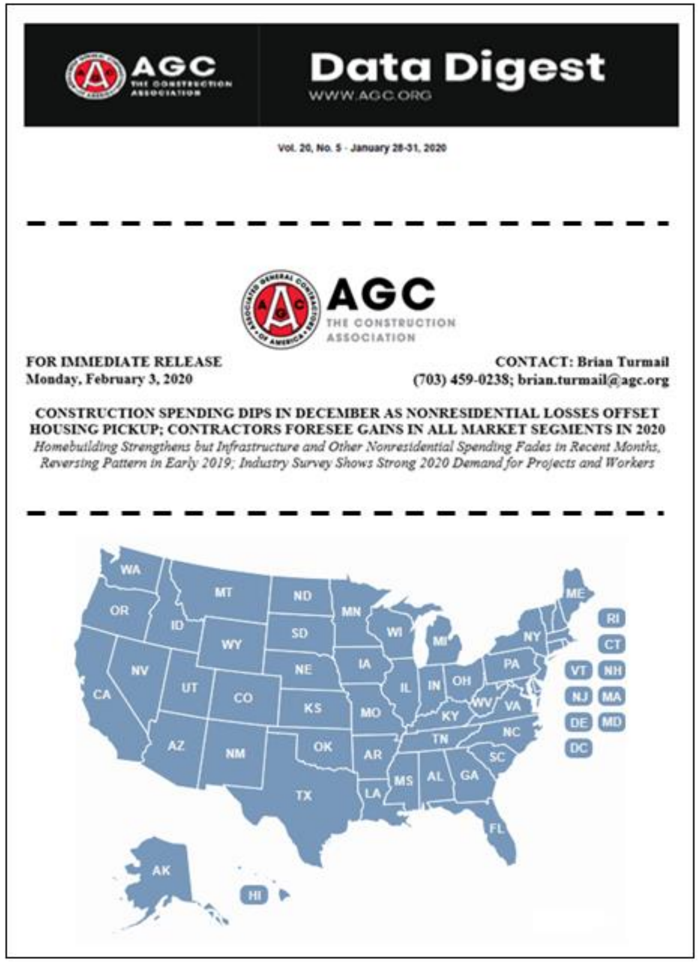
- Webinar, April 14, 3:30 ET/2:30 CT/1:30 MT/12:30 PT:

https://www.agc.org/learn/education-training/events/webed-soaring-material-and-supply-chain-costs-and-delays-what-expect

- March 2021 Survey:

https://www.agc.org/news/2021/03/11/latest-coronavirus-survey-results

- Other surveys, state and metro data, fact sheets: www.agc.org/learn/construction-data
- Monthly press releases: construction spending; national, state, metro employment with rankings



Source: Author

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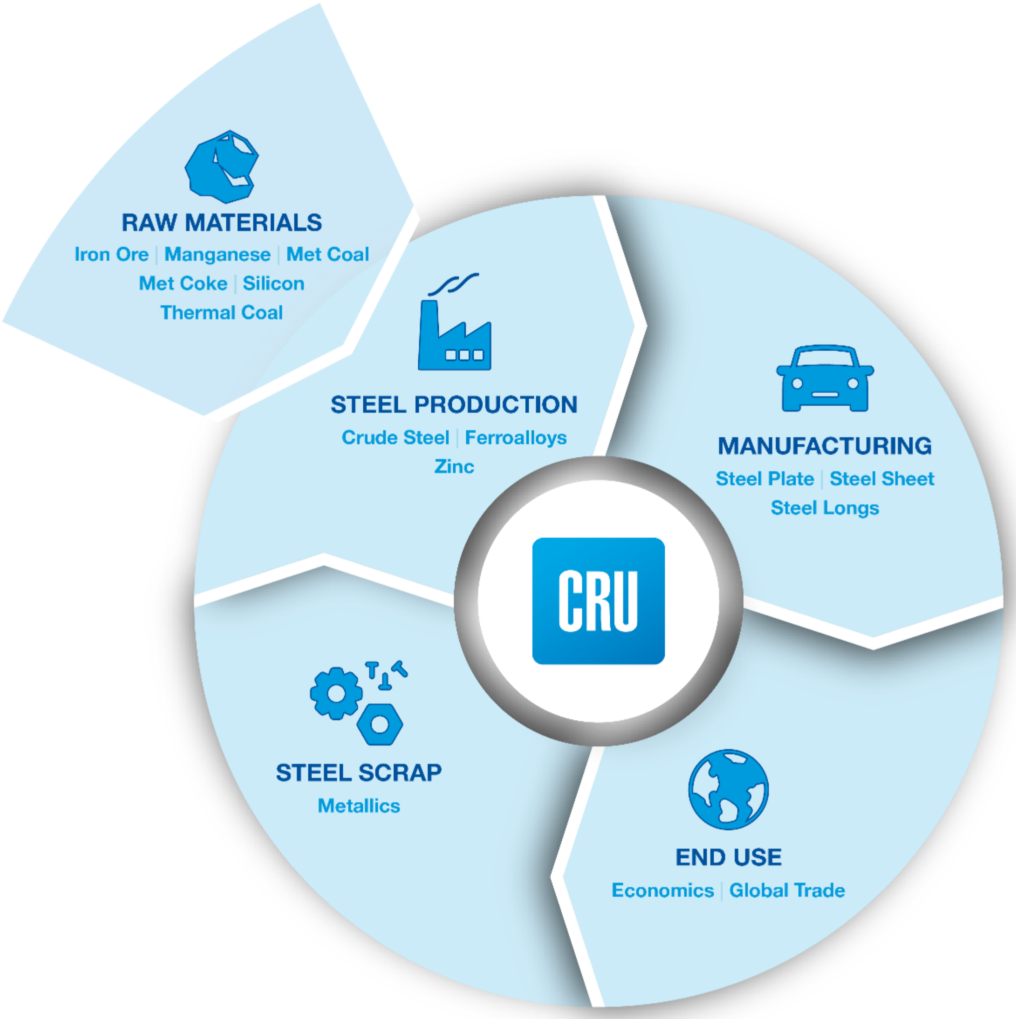

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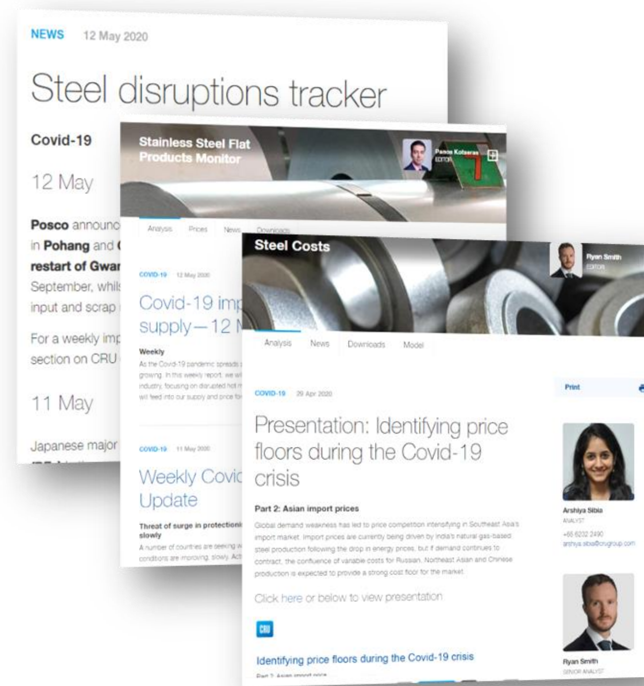

Learn more

Get in touch for more information or a demo

Thank You

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Thank you for attending our SMU Community Chat Webinar.

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