AGC THE CONSTRUCTION ASSOCIATION

January 2025

Will U.S. Construction Thrive or Dive in ‘25?

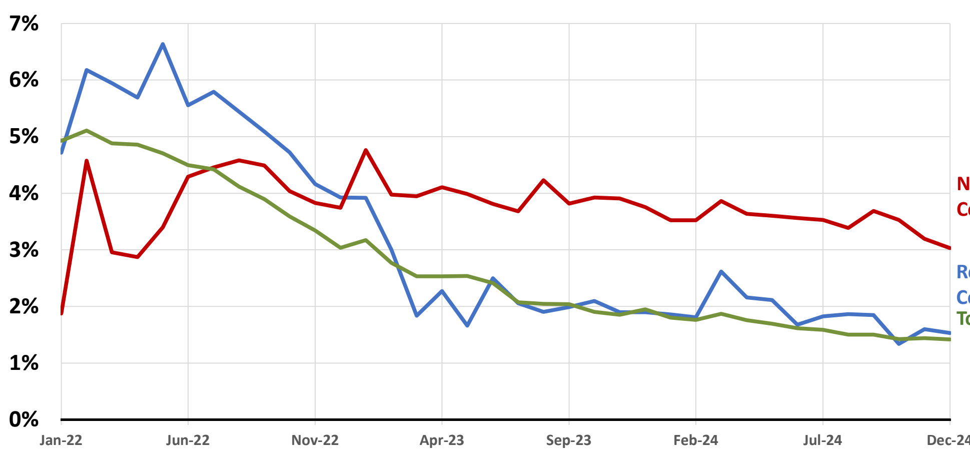
Ken Simonson
Chief Economist, AGC of America
ken.simonson@agc.org

1

Total nonfarm & construction employment, Jan. 2022-Dec. 2024

Year-over-year change, seasonally adjusted

AGC THE CONSTRUCTION ASSOCIATION



% change since:	Dec. 2023	Jan. 2022
Nonresidential Construction	3.0%	11%
Residential Construction	1.5%	7.3%
Total Nonfarm	1.4%	6.3%

Source: BLS current employment statistics, https://www.bls.gov/ces/

2

Construction employment is increasing in most states

41 states & DC up & 9 states down, Nov. 2023-Nov. 2024 **(U.S.: 2.6%)**

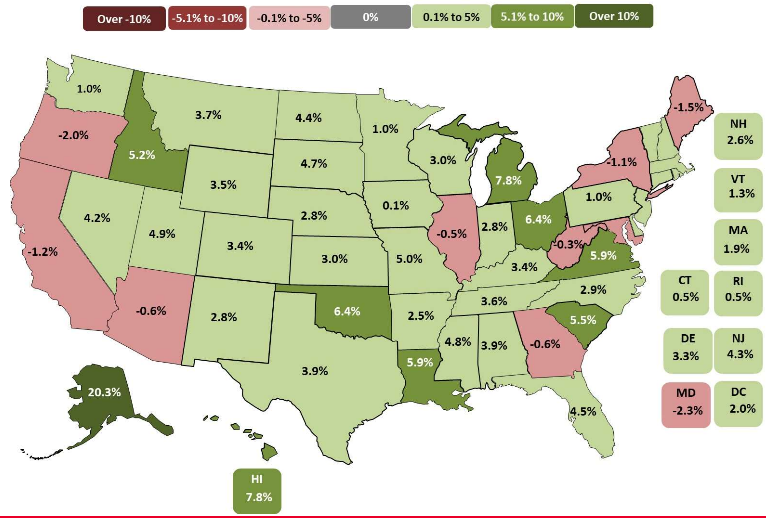
AGC THE CONSTRUCTION ASSOCIATION

Top 5

AK	20%
HI	7.8%
MI	7.8%
OK	6.4%
OH	6.4%

Bottom 5

MD	-2.3%
OR	-2.0%
ME	-1.5%
CA	-1.2%
NY	-1.1%



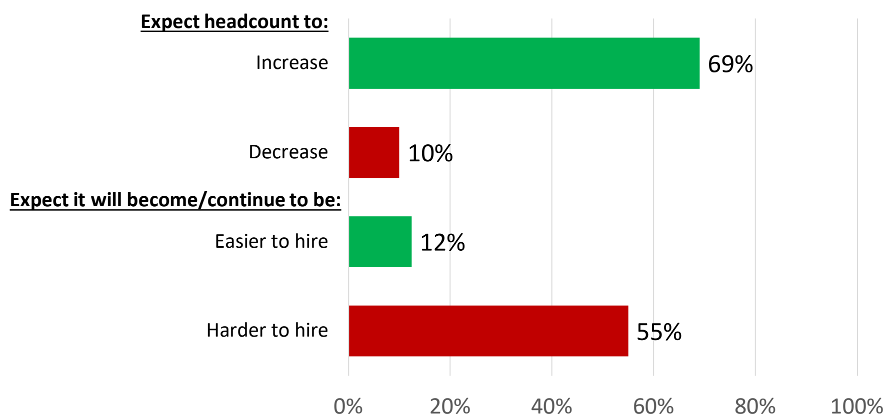
3 | Source: Bureau of Labor Statistics, state and area employment, www.bls.gov/sae

3

Firms' expectations regarding their headcount and ease/difficulty in hiring hourly craft workers over next 12 months

AGC THE CONSTRUCTION ASSOCIATION

% of respondents who:



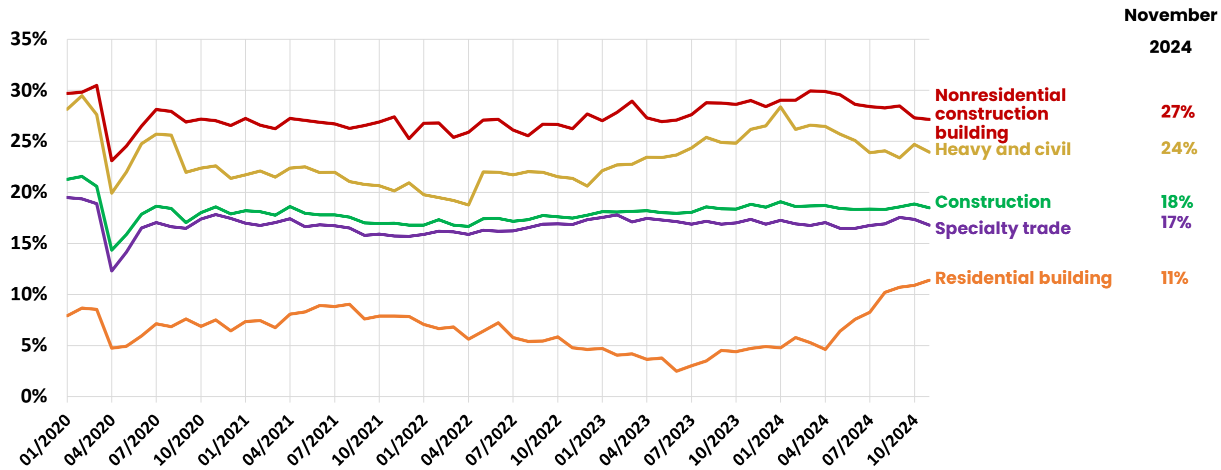
4 | Source: AGC/Sage 2025 Outlook Survey; 1,109 total respondents

4

Wage "premium": Construction subsector vs. total private sector

AGC THE CONSTRUCTION ASSOCIATION

"Premium"=average hourly earnings for production & nonsupervisory employees in construction compared to private sector, Jan 2020- Nov 2024, seasonally adjusted



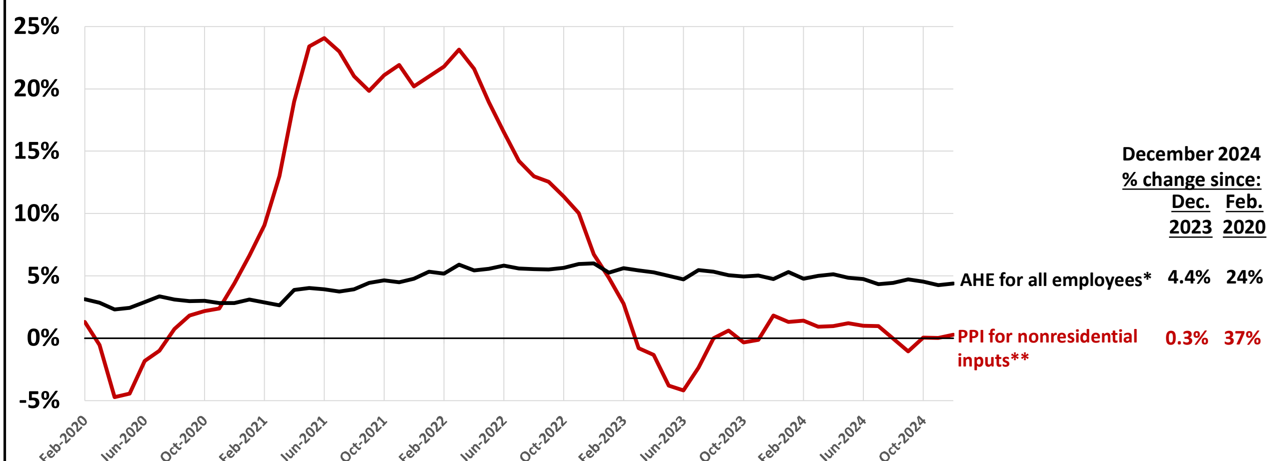
5 | Source: BLS current employment statistics, https://www.bls.gov/ces/

5

Change in construction materials and labor costs, 2020-2024

AGC THE CONSTRUCTION ASSOCIATION

Year-over-year change in producer price index (PPI) for nonresidential inputs and average hourly earnings (AHE) for construction, Feb. 2020 – Dec. 2024



*Seasonally adjusted (SA)
**Not seasonally adjusted (BLS does not post SA data for this series)

6 | Source: Bureau of Labor Statistics, PPI, www.bls.gov/ppi ; AHE, https://www.bls.gov/ces/

6

Input and bid price changes, December 2024

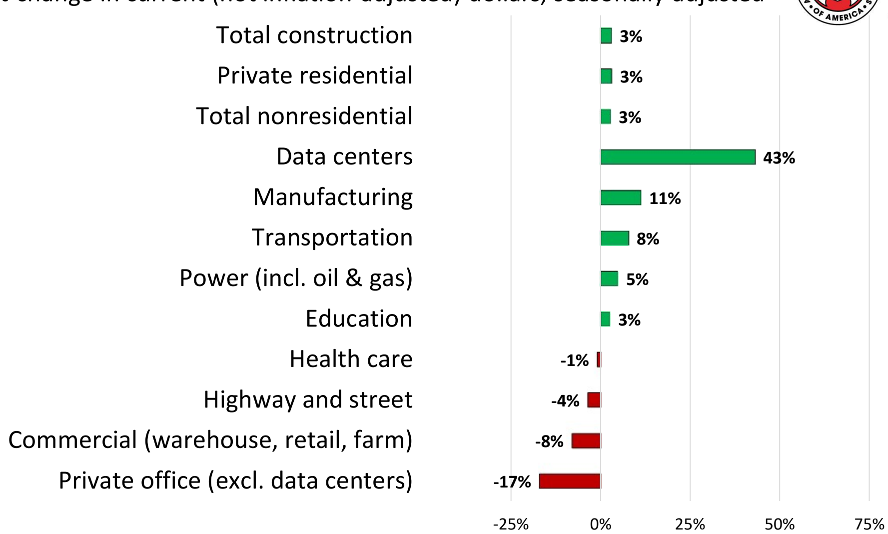
producer price indexes (PPIs), 1 - & 12-mo. change (not seasonally adjusted)

	December 2024 change from:		
	Nov. 2024 (1 month)	Dec. 2023 (12 months)	Feb. 2020 (58 months)
Overall input costs and bid prices have moderated			
PPI for inputs to new nonresidential construction	-0.1%	0.3%	37%
Output (bid price) PPI for new nonresidential buildings	0.2%	1.6%	38%
Consumer Price Index (CPI)	0.0%	2.9%	22%
...but remain elevated compared to pre-pandemic levels			
Output PPI for roofing contractors (new, repair & maintenance work)	0.1%	3.3%	53%
Bldg & const fabricated plastics (excl foam, fixtures, hardware)	0.2%	1.1%	34%
Prepared asphalt & tar roofing & siding products	-0.1%	1.6%	44%

 Source: BLS, producer price indexes, www.bls.gov/ppi

Change in construction spending: November 2023-November 2024

Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted



 Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending

Change in construction spending by subcategory

current dollars, seasonally adjusted, November 2023-November 2024

AGC THE CONSTRUCTION ASSOCIATION

Total 3%: Private residential 3% (single-family -1%; multi -9%; improvements 13%); public residential 12%)

Nonresidential 3% (private 2%, public 4%)

Nonresidential segments (in descending order of November 2024 spending; combined new & renovation spending)

- Mfg. 11% (computer/electronic 7%; chemical 12%; transportation equipment 25%; food/beverage/tobacco -4%)
- Power 5% (electric 7%; oil/gas fields & pipelines -11%)
- Highway and street -4%
- Education 3% (primary/secondary 2%; higher ed 5%)
- Commercial -8% (warehouse -13%; retail -9%; farm 11%)
- Office including data centers 0.1% (data centers 43%; other private office -17%; public office 10%)
- Transportation 8% (air 18%; private rail/truck 3%; transit -14%)
- Health care -1% (hospital 6%; medical building -13%; special care 14%)
- Sewage/waste 5%; Amuse/recreation 9%; Water supply 14%; Communication -1%; Lodging -5%; Public safety 19%; Conserv/development -4%

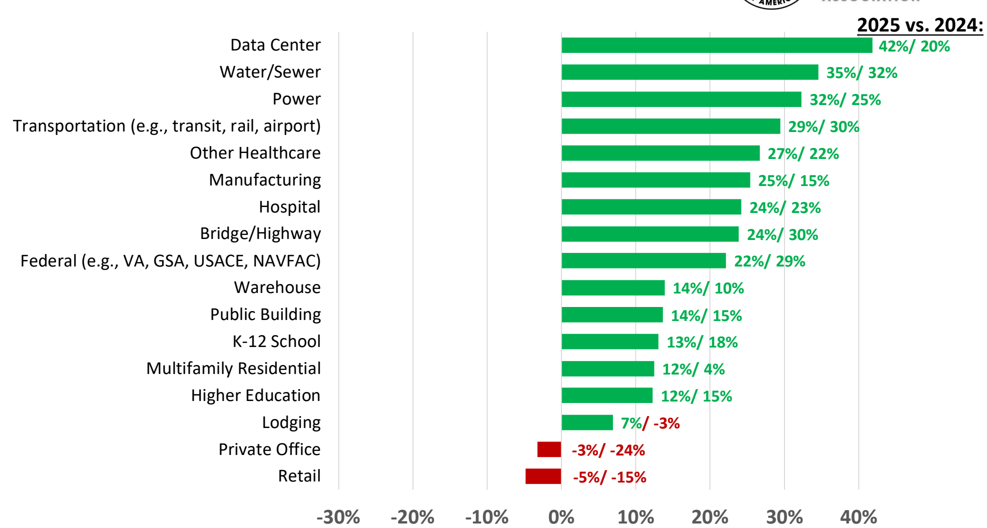
9 | Source: Author, from U.S. Census Bureau, www.census.gov/constructionspending

9

Net* % who expect value of projects to be higher/lower than in previous year

* Net = % expecting higher value - % expecting lower value than in previous year

AGC THE CONSTRUCTION ASSOCIATION

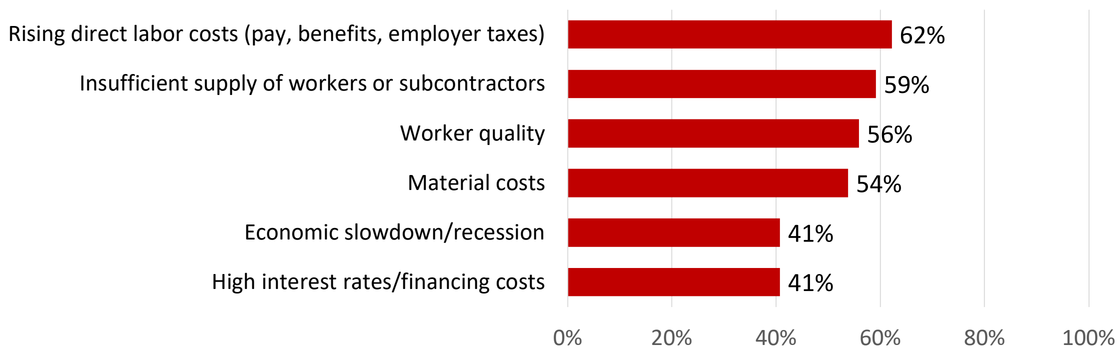


10 | Source: AGC/Sage 2025 Outlook Survey; 1,109 total respondents; 2024 Survey: 1,293 respondents

10

Firms' biggest concerns for 2025

% of respondents who listed as among their biggest concerns:



11 | Source: AGC/Sage 2025 Outlook Survey; 1,109 total respondents

11

Medium-term outlook for construction

- Economic growth will continue but policy uncertainty has risen:
  - higher tariffs will raise costs, invite retaliation, may disrupt supply chains
  - harsh immigration/deportation actions will worsen construction labor shortages
  - expectation of larger deficits may push interest rates higher
  - less support for renewables may slow solar and EV related projects
  - lessened federal regulatory hurdles may help projects start sooner
- Single-family: gradual pickup but vulnerable to higher mortgage rates
- Multifamily, warehouse, office: steep drops likely as vacancies and costs climb
- Data center, power, infrastructure: strong growth; mfg construction: slower growth
- Materials costs: up 1-3%; lead times: few problems except electrical gear
- Labor costs: up 4-5%; availability remains the #1 challenge for many contractors
- BUT costs could rise much more, depending on tariffs and immigration policies

12 | Source: Author

12

Population change by state, July 2023–July 2024
(U.S.: 0.98%)

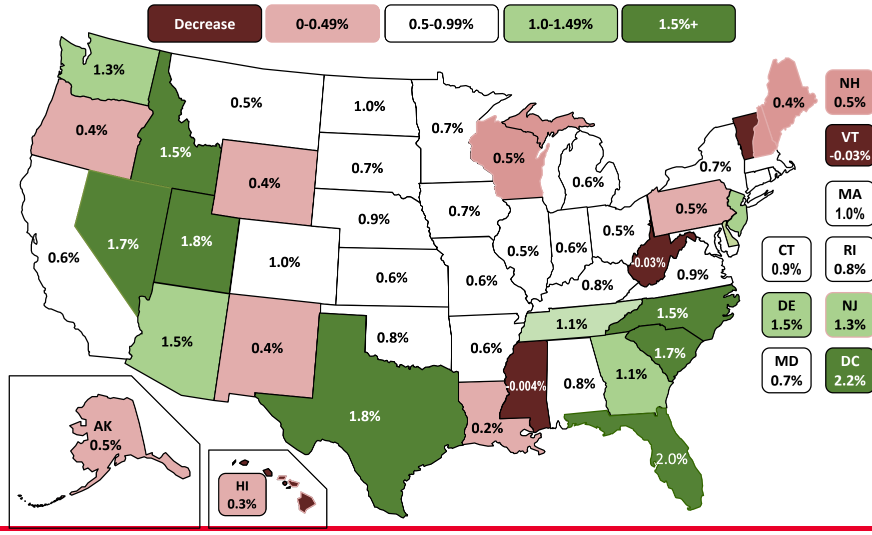
AGC THE CONSTRUCTION ASSOCIATION

Top 6

DC	2.2%
FL	2.0%
TX, UT	1.8%
SC, NV	1.7%

Bottom 5

WV, VT	-0.3%
MS	-0.004%
LA	0.2%
HI	0.3%



 Note: Shading is based on unrounded %s.
Source: U.S. Census Bureau, Dec. 2024 population estimates, www.census.gov/popest

AGC economic resources
(email ken.simonson@agc.org)

AGC THE CONSTRUCTION ASSOCIATION

- *Data DIGest*: weekly email summary of construction economic news (subscribe: https://marketplace.agc.org/Store/ItemDetail?iProductCode=4401&OrderLineId=901649fd-c733-4103-93e0-a251778cd084)
- AGC/Sage 2025 Outlook Survey:

https://www.agc.org/2025-construction-hiring-and-business-outlook

- State and metro data, fact sheets: www.agc.org/learn/construction-data
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings: https://www.agc.org/newsroom
- Construction impact model: https://www.agc.org/agc-construction-impact-model
- ConsensusDocs Price Escalation Resource Center: https://www.consensusdocs.org/price-escalation-clause/

 Source: Author