

AGC's Data Digest: March 6-10, 2017

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March 13, 2017

Employment jumps in February; “Momentum” looks positive for building, power projects

Nonfarm payroll employment in February increased by 235,000, seasonally adjusted, from January and by 2,350,000 (1.6%) year-over-year (y/y), the Bureau of Labor Statistics (BLS) [reported](#) today. The unemployment rate dipped to 4.7% from 4.8% in January. Construction employment (6,881,000) increased by 58,000 from the upwardly revised January total to the highest level since November 2008 and rose by 219,000 (3.3%) y/y. The monthly increase was the largest since March 2007 and probably reflected exceptionally mild weather in much of the U.S. in February. There was an increase of 15,100—the largest for February since 1996—in heavy and civil engineering construction employment, which is likely more affected than building or specialty trade contractors by winter weather. Average hourly earnings in construction increased 2.7% y/y to \$28.48, or 9.2% higher than the average for all private-sector employees (\$26.09, a y/y gain of 2.8%).

The Dodge Momentum Index rose 1.6% in February from a month earlier, Dodge Data & Analytics [reported](#) on Tuesday. Dodge calls the index “a monthly measure of the first (or initial) report for nonresidential building projects in planning, which have been shown to lead construction spending for nonresidential buildings by a full year. February’s increase was due to a 4.4% jump in institutional planning, while commercial planning slipped slightly, falling 0.3%

for the month. The Momentum Index has now increased for five consecutive months; however, the underlying components continue to be volatile on a month-to-month basis as large projects continue to sway the data. The overall trend, however, is rising. On a year-over-year basis the Momentum Index is 22% higher, with commercial planning up 28% and institutional planning moving 15% ahead of last year. This suggests that construction activity will continue to see further growth as the year progresses.”

Wind, solar and natural-gas power construction were strong markets in 2016 and appear headed for further growth in 2017. “More than 27 gigawatts (GW) of electricity generating capacity was added to the U.S. power grid during 2016, the largest amount of added capacity since 2012,” the Energy Information Administration [reported](#) in Today in Energy on February 27. “Of the 2016 total utility-scale capacity additions, more than 60% were wind (8.7 GW) and solar (7.7 GW), compared with 33% (9 GW) from natural gas. [The solar additions were] the most ever...greater than all utility-scale solar that had been added through 2013....another 3.4 GW of distributed solar photovoltaic capacity (i.e., rooftop systems) were added in 2016.” On January 30, EIA [reported](#), “The electricity industry is planning to increase natural gas-fired generating capacity by 11.2 gigawatts (GW) in 2017 and 25.4 GW in 2018, based on information reported to EIA. If these plants come online as planned, annual net additions in natural gas capacity would be at their highest levels since 2005....Construction timelines for these plants are relatively short: more than half of the natural gas-fired generat-

ing capacity scheduled to come online in 2017 and 2018 was not yet under construction as of October 2016.

From the third quarter of 2015 (3Q 2015) to 3Q 2016, “Total state government tax revenue from all sources grew 1.2%, which is much lower than historical averages and reflects slowing growth in sales tax and declines in estimated and final payments of income tax,” the Rockefeller Institute of Government [reported](#) on Thursday. “Preliminary data for [4Q] 2016 indicate continued weakness in personal income and overall state tax revenue collections. The outlook for state budgets for the remainder of state fiscal year 2016-17, which began on July 1 in 46 states, remains gloomy.” State tax revenue is a major source of state and local construction funding.

“In March 2016, 60.4% of construction workers worked in business establishments with fewer than 50 employees,” BLS noted in [The Economics Daily](#) posted on March 3. That was a higher share of employment working in small establishments than in seven other sectors and was topped only by the broad “other services” sector. Only 2.3% of workers in construction firms worked in business establishments with 1,000 or more employees, a smaller share than in the other seven sectors.

Total revenue for architectural and related services firms increased 1.4%, not seasonally adjusted, from the third quarter of 2016 (3Q 2016) to Q4 2016 and 9.4% from Q4 2015 to Q4 2016, the Census Bureau [reported](#) on Thursday as part of its Quarterly Services Survey. Revenue for engineering services firms increased 0.8% for the quarter and 3.4% y/y.

In a report on working-age population trends through 2035 [posted](#) on Wednesday, the Pew Research Center finds, “The relatively weak growth rate projected for the total working-age adult population – averaging 0.3% per year for both the decades between 2015 and 2035 – is well under the increases in recent decades. The annual growth peaked at 2% in the decade from 1975 to 1985, when the Baby Boomers were coming of age, and growth rates were at least 0.8% in all other decades since 1965.” Further, “The projections indicate that 17.6 million new immigrants will be added to the working-age population by 2035, offsetting the aging or death of other working-age immigrants. Without them, the number of working-age immigrants would decline by 2035 and the total U.S. working-age population would drop by almost 8 million (or more than 4%) from the 2015 working-age population.” These projections imply that construction, along with other industries, will increasingly depend on immigrants to replace retiring workers. Policies that reduce immigration, increase deportations or cause foreign-born workers to leave or avoid the U.S. may add to the difficulty contractors have been reporting in filling positions. A decrease or reversal of net immigration would also diminish demand for many types of structures.

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