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AGC's Data DIGest



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Real GDP rises but investment in structures plummets; BLS projects 10-year job growth

Register [here](#) for a free webinar on the "2018 Design & Construction Outlook: Cheery or Dreary?" with the chief economists for AGC (Ken Simonson), AIA (Kermit Baker) and ConstructConnect (Alex Carrick) on Wednesday, November 1, 2:00-3:30 pm ET.



Inflation-adjusted gross domestic product (real GDP)—the value of all goods and services produced in the U.S., net of imports—increased 3.0% at a seasonally adjusted annual rate in the third quarter of 2017 (2017Q3), following a 3.1% rise in Q2, the Bureau of Economic Analysis [reported](#) on Friday. **Real private fixed investment in nonresidential structures** slumped 5.2% (vs. a 7.0% gain in Q2). The category includes mining exploration, shafts, and wells, which jumped 22%; investment in other private nonresidential structures plunged 11% (commercial and health care, -8.8%; manufacturing, -34%; power and communications, -3.4%; and other, -3.8%. Other "consists primarily of religious, educational, vocational, lodging, railroads, farm, and amusement and recreational structures, net purchases of used structures, and brokers' commissions on the sale of structures.") **Real residential investment** slid 6.0% (vs. a 7.3% drop in Q2), with single-family up 1.2% and multifamily down 8.8%. **Real government gross investment in structures** tumbled 17% for the second quarter in a row, with federal investment down 52% (national defense structures, -70%, nondefense structures, -45%) and state and local investment down 13.5%. These estimates are adjusted for inflation, unlike the Census Bureau's spending put-in-place [data](#). The **GEP price index** rose 2.2% (vs. 1.0% in Q2). The **price index for private nonresidential structures** investment climbed 4.6% (vs. 3.8% in Q2), the largest increase since 2014Q4 and the fourth consecutive quarter of acceleration. The **price index for residential investment** increased 5.1% (vs. 4.6% in Q2). The **price index for gross government structures** investment increased 4.5% (vs. 0.7% in Q2).



On Tuesday, the Bureau of Labor Statistics [issued](#) the latest biennial update of its 10-year projections of output, labor force and employment growth, this time covering 2016-2026. Real "GDP is projected to grow 2.0% annually over the projections decade, about 1.5 times the rate of the previous decade, 2006-16, when GDP grew 1.4% annually. [Real] **Output in the construction sector** is expected to grow 2.7% annually, offsetting the 1.3% annual decline in output that occurred during the 2006-16 decade....The labor force and changing demographics in the population affect **employment growth**, just as they affect GDP and other macroeconomic measures. An aging population leads to a declining participation rate, limiting the number of workers available for employment. Employment is expected to grow [0.7% per year or] slightly faster than it did over the previous 10 years [0.5%]—a decade heavily affected by the 2007-09 recession—but much slower than it did over the 1980s, 1990s, and mid-2000s....**Employment in the construction sector** is expected to increase substantially, adding 864,700 jobs [1.2% per year]. This increase almost makes up for the 980,200 jobs [-1.4% per year] that were lost during the 2006-16 decade, nearly bringing the construction sector back to its prerecession level....**occupational** groups in which **employment** is projected to grow markedly faster than the average for all occupations (7.4%) include...**construction** and extraction **occupations**" (11.1% or 758,400 jobs).

Also on Tuesday, BLS [posted](#) an article on occupations projected to have the fastest or most growth between 2016 and 2026. *The fastest-growing occupation (105%) is projected to be solar photovoltaic installers. The construction occupation with the most job growth is projected to be construction laborers (153,300). Among occupations that typically require a bachelor's degree, construction managers are on a list of those projected to have the most new jobs (46,100). Several construction occupations are among the jobs requiring a high school diploma that are projected to have the most new jobs: carpenters (87,000); first-line supervisors of construction and extraction workers (76,300); and plumbers, pipefitters and steamfitters (75,800). "Of occupations that typically do not require a formal educational credential to enter and are projected to add the most jobs, construction and maintenance painters is the only one that had a median annual wage [\$37,570 in May 2016] higher than the median annual wage for all workers" (\$37,040).*

In a report [issued](#) today, Noelle Dilts of investment analyst Stifel, Nicolaus wrote, "Our work indicates that 2018 will be an extremely strong year for mainline **pipeline construction**, with the industry likely to reach full utilization during the year. We are currently tracking \$38.5 billion in spending proposed by pipeline developers for 2018. Given that some proportion of this spend will be delayed or fail to move forward, we take a probability-weighted approach to our spending forecast. On this basis, we see potential for 30% growth in 2018 to \$33.1 billion in spending, following 5.1% growth in 2017. We are tracking \$30 billion of projects that we believe could be awarded in the next ~12 months and estimate that a robust \$4.5 billion is currently out for bid." Pipelines support "downstream" construction of natural gas-fired power plants, petrochemical plants and natural gas liquefaction and export facilities.

"Just six large **malls** were built between 2006 and 2015, compared with 54 during the previous decade, according to Green Street" Advisors, a real-estate research firm, the Wall Street Journal reported on Wednesday. "Rather than building new centers, mall owners are spending to redevelop existing properties, often by replacing aging or troubled chains such as Sears Holdings Corp. and Macy's Inc. with discount stores, movie theaters and grocers that are better drivers of foot traffic." Other articles recently have cited examples of medical offices, child-care facilities, local government agencies and churches (and a synagogue) locating in malls. The Census Bureau counts all new and renovation construction in malls as part of "commercial" construction, based on a structure's owner, not the tenant. In January-August 2017 combined, mall construction spending put in place jumped 38% from the same period in 2016, most likely because of spending on tenant improvements and remodeling.

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