

2020: A YEAR IN REVIEW

A YEAR OF VICISSITUDES

It started out as the best of times in America. Through February 2020, the U.S. had added jobs for 113 consecutive months. Unemployment had dipped to a 50-year low. Wage growth had accelerated over the course of many years, producing a surge in retail sales and service sector revenues. The result was strong investment in apartment, office, lodging, and many other segments. As if that were not enough, home prices and stock prices were on the rise, helping to create a sense of economic invincibility.

As is well known, the year then turned dramatically for the worse. Over the course of March and April, America lost 22 million jobs, while Canada lost over 3 million jobs. By April, unemployment surged to nearly 15 percent in the U.S. and 13 percent in Canada. Financial markets had already crashed in the preceding month, and many economists concluded that the year was lost.

It wasn't. Beginning in roughly May, the U.S. economy began a period of rapid recuperation. The nation added more than 7 million jobs over the course of May and June, while Canada added 1.2 million over the same time period. Retail sales came surging back, driven by a combination of stimulus and the reopening of state economies.

But shortly after Labor Day, this newfound momentum had begun to wane in the context of a parabolic rise in COVID-19 infections. By December, many economists were predicting yet another recession. As 2021 wound to a close, the "V"-shaped recovery that began in May looked ready to turn into a "W", with hopes for renewed economic vigor resting upon vaccines from the likes of Pfizer and Moderna.

OH, CANADA!

While many U.S. contractors have suffered through declining backlog, multiple project postponements and cancellations, if anything, circumstances in Canada have been worse. While the volume of nonresidential construction has not changed much in the U.S. over the past year as red-hot segments such as fulfillment centers, data centers, and HVAC partially offset weakness in other segments, nonresidential construction spending is down nearly 11 percent in Canada on a year-ago basis. Commercial spending experienced especially significant decreases both on monthly (-4.6%; October) and yearly (-14.3%) bases.

- The U.S. economy has recovered 55.6% of the jobs lost in March and April, while Canada has recovered 80.9% of lost positions;
- Construction employment increased slightly in the U.S. in September and by 1.9% in Canada;
- Construction spending increased 3.7% year-over-year in October in the U.S. and 2.1% in Canada;
- In the U.S., residential construction spending increased 14.6% on a year-over-year basis in October, and increased 7.8% in Canada;
- Nonresidential construction spending decreased on a year-over-year basis both in the U.S. and Canada, by 3.7% and 10.5%, respectively;
- U.S. input prices decreased 0.5% in October, and are 0.9% higher than a year ago

HOUSING EMERGES AS AN OASIS OF PROSPERITY

While commercial construction has faltered in both the U.S. and Canada, single-family home building has not. A combination of ultra-low mortgage rates, the desire to social distance, and demand for more space, including for dedicated home offices, has moved many out of renter status and into the role of homeowner.

In the U.S., residential construction spending was up by nearly 3 percent in October and 15 percent on a year-ago basis. Though monthly residential spending was down in Canada, it was up 7.8 percent compared to the same time last year in October.

MATERIALS PRICES GENERALLY WELL BEHAVED

Input prices in the U.S. were down half a percentage point in November compared to the previous month, while nonresidential prices fell 0.4 percent. Year-over-year, input prices have increased by just under 1 percent. While the price of softwood lumber has commanded much attention due to its surge, most construction input prices have been well-behaved. In the case of energy prices, they are down on a year-ago basis despite efforts by certain global suppliers to artificially lift them by withholding supply.

In Canada, residential input prices were up 2.4 percent in the 3rd quarter, hardly enough to put the average builder in a debtors' prison. On a year-ago basis, these prices have risen 4 percent. Nonresidential construction prices, changed little for the quarter, rising just 0.4 percent. On a year-over-year basis, these prices were up a modest 1.4 percent.

U.S. CONSTRUCTION INDUSTRY OVERVIEW					
Indicator	Values			% Change from	
Construction Spending, SA (\$Millions)	Oct-20	Sept-20	Oct-19	Sept-20	Oct-19
<i>Total Construction</i>	\$1,438,515	\$1,420,355	\$1,386,826	1.3%	3.7%
<i>Residential</i>	\$646,109	\$628,164	\$563,877	2.9%	14.6%
<i>Nonresidential</i>	\$792,407	\$792,191	\$822,950	0.0%	-3.7%
Lodging	\$26,063	\$26,799	\$34,032	-2.7%	-23.4%
Office	\$80,046	\$80,620	\$86,493	-0.7%	-7.5%
Commercial	\$82,013	\$82,710	\$82,441	-0.8%	-0.5%
Health care	\$47,786	\$47,562	\$46,913	0.5%	1.9%
Educational	\$103,488	\$102,563	\$108,325	0.9%	-4.5%
Religious	\$3,044	\$3,109	\$3,512	-2.1%	-13.3%
Public safety	\$16,221	\$14,883	\$11,624	9.0%	39.5%
Amusement and recreation	\$26,216	\$26,491	\$28,926	-1.0%	-9.4%
Transportation	\$56,782	\$56,239	\$56,461	1.0%	0.6%
Communication	\$22,593	\$22,504	\$21,959	0.4%	2.9%
Power	\$113,079	\$113,789	\$123,136	-0.6%	-8.2%
Highway and street	\$92,881	\$91,407	\$88,235	1.6%	5.3%
Sewage and waste disposal	\$25,828	\$26,618	\$25,534	-3.0%	1.2%
Water supply	\$18,735	\$18,807	\$17,240	-0.4%	8.7%
Conservation and development	\$7,889	\$7,705	\$9,064	2.4%	-13.0%
Manufacturing	\$69,742	\$70,385	\$79,057	-0.9%	-11.8%
Employment, SA (in thousands)	Nov-20	Oct-20	Nov-19	Oct-20	Nov-19
National Total Nonfarm	142,629	142,384	151,814	0.2%	-6.1%
Construction	7,360	7,333	7,539	0.4%	-2.4%
Residential building	835	834	830	0.2%	0.6%
Nonresidential building	814	811	840	0.4%	-3.1%
Heavy and civil engineering construction	1,030	1,021	1,086	0.9%	-5.2%
Residential specialty trade contractors	2,112	2,098	2,091	0.7%	1.0%
Nonresidential specialty trade contractors	2,569	2,570	2,691	0.0%	-4.5%
Producer Price Index	Nov-20	Oct-20	Nov-19	Oct-20	Nov-19
Inputs to Construction Industries	232.0	233.1	230.0	-0.5%	0.9%

CANADA CONSTRUCTION INDUSTRY OVERVIEW					
Indicator	Values			% Change from	
Construction Spending, SA (\$Millions)	Oct-20	Sept-20	Oct-19	Sept-20	Oct-19
Total Construction	\$16,467	\$17,220	\$16,133	-4.4%	2.1%
Residential	\$11,922	\$12,503	\$11,054	-4.6%	7.8%
Nonresidential	\$4,546	\$4,718	\$5,079	-3.6%	-10.5%
Industrial	\$848	\$860	\$936	-1.4%	-9.4%
Commercial	\$2,540	\$2,663	\$2,963	-4.6%	-14.3%
Institutional and Governmental	\$1,158	\$1,195	\$1,180	-3.1%	-1.9%
Employment, SA (in thousands)	Nov-20	Oct-20	Nov-19	Oct-20	Nov-19
Total All Industries	18,615.6	18,553.5	19,097.2	0.3%	-2.5%
Construction	1,404.1	1,377.8	1,468.3	1.9%	-4.4%
Building Construction Price Index	2020Q3	2020Q2	2019Q3	2020Q2	2019Q3
Residential Building	114.3	111.6	109.9	2.4%	4.0%
Nonresidential Building	109.2	108.8	107.7	0.4%	1.4%