

## **COVID-19 GROUNDS CONSTRUCTION INDUSTRY TO A HALT**

As of this writing, COVID-19 has infected more than 1.3 million people in the U.S. and nearly 70,000 people in Canada. Confirmed deaths across the two countries total nearly 85,000. It has produced the equivalent of an economic depression in North America, with the second quarter of 2020 likely to represent the worst economic quarter of our lives.

Despite plentiful construction backlog coming into the crisis and a status of essential industry in most communities, a combination of social distancing directives, labor force challenges, unavailability of certain key construction inputs, and postponed/cancelled projects, construction has already begun to fully participate in the ongoing recession. After losing 33,000 jobs in March, the U.S. construction industry lost a record 975,000 jobs in April. Canada's construction industry employment contracted by a staggering 21.1 percent in April. In total, 20.5 million jobs were lost in the U.S. in April, easily the single worst month in recorded history.

U.S. Construction industry unemployment stood at 16.6 percent in April, rising from 6.9 percent in March. The last time industry unemployment was this high was in March 2012 when construction was still reeling from the Great Recession. Despite a devastating month for the industry, average construction worker hourly earnings were up 0.2 percent for the month and are up 2.4 percent on a year-ago basis.

### **CONSTRUCTION SPENDING INCHES HIGHER IN MARCH**

According to U.S. Census Bureau data, construction spending rose 0.9 percent in March on a monthly basis and was up 4.7 percent year-over-year. These numbers should be thoughtfully interpreted. The reporting period for that month covered only a portion of the economic damage sustained by the industry. Based on available employment data, April and May data are likely to indicate sharp downturns in overall construction spending. In Canada, where the most recent construction spending data pertains to February, construction spending has already begun to contract; total constructing spending fell 5.6 percent from January.

- COVID-19 continues to ravage North American and international economies;
- U.S. loses 20.5 million jobs in April;
- Canadian employment levels down 11% Y-o-Y
- In April, U.S. construction industry employment declines by nearly a million positions;
- Canadian construction industry loses 1/5<sup>th</sup> of jobs in April;
- U.S. Construction unemployment surges to 16.6 percent in April;
- North American construction spending showing signs of contraction;
- U.S. Infrastructure-oriented stimulus package becomes more likely;
- History indicates that many construction workers will leave the industry.

### **INFRASTRUCTURE STIMULUS ON THE WAY?**

Probably. While there is already significant economic stimulus in the pipeline that will serve to accelerate recovery once the worst of the pandemic is past, once these stimulus measures run out of steam, the economy will again become vulnerable to downturn. An infrastructure-focused stimulus package would supply the U.S. with what is required to help the economic expansion retain its momentum while addressing some of America's most pressing productivity challenges.

### **KEEPING CONSTRUCTION WORKERS ENGAGED**

One of the theoretical silver linings to the crisis is that the challenge of securing enough skilled construction workers has been solved. After all, with demand for construction services materially truncated by the public health crisis, there should be a plentiful supply of workers going forward.

Not so fast. While it is true that demand for construction services will take some time to recover, experience indicates that during times of economic stress, many construction workers depart the industry altogether. Following the Great Recession, the U.S. Department of Labor found that roughly 60 percent of displaced construction workers found employment in another industry.

**U.S. CONSTRUCTION INDUSTRY OVERVIEW**

Indicator	Values			% Change from	
	Mar-20	Feb-20	Dec-19	Feb-20	Dec-19
<b>Construction Spending, SA (\$Millions)</b>					
<i>Total Construction</i>	\$1,360,512	\$1,348,386	\$1,299,118	0.9%	4.7%
<i>Residential</i>	\$557,895	\$545,237	\$512,055	2.3%	9.0%
<i>Nonresidential</i>	\$802,618	\$803,148	\$787,063	-0.1%	2.0%
Lodging	\$29,742	\$30,405	\$34,231	-2.2%	-13.1%
Office	\$79,264	\$79,558	\$78,982	-0.4%	0.4%
Commercial	\$88,522	\$89,411	\$86,293	-1.0%	2.6%
Health care	\$45,651	\$45,022	\$45,095	1.4%	1.2%
Educational	\$97,682	\$98,152	\$97,485	-0.5%	0.2%
Religious	\$2,858	\$2,973	\$2,941	-3.9%	-2.8%
Public safety	\$13,275	\$12,598	\$9,141	5.4%	45.2%
Amusement and recreation	\$26,541	\$27,001	\$28,209	-1.7%	-5.9%
Transportation	\$55,463	\$55,882	\$52,492	-0.7%	5.7%
Communication	\$23,470	\$23,397	\$23,961	0.3%	-2.0%
Power	\$104,654	\$106,482	\$100,734	-1.7%	3.9%
Highway and street	\$108,567	\$103,928	\$103,079	4.5%	5.3%
Sewage and waste disposal	\$25,710	\$25,837	\$24,829	-0.5%	3.5%
Water supply	\$18,539	\$18,598	\$15,051	-0.3%	23.2%
Conservation and development	\$8,705	\$9,563	\$8,984	-9.0%	-3.1%
Manufacturing	\$73,975	\$74,343	\$75,556	-0.5%	-2.1%
<b>Employment, SA (in thousands)</b>	<b>Apr-20</b>	<b>Mar-20</b>	<b>Apr-19</b>	<b>Mar-20</b>	<b>Apr-19</b>
National Total Nonfarm	131,072	151,572	150,492	-13.5%	-12.9%
Construction	6,631.0	7,606.0	7,469.0	-12.8%	-11.2%
Residential building	722.1	839.7	811.6	-14.0%	-11.0%
Nonresidential building	753.0	841.5	837.8	-10.5%	-10.1%
Heavy and civil engineering construction	1,015.9	1,094.8	1,078.8	-7.2%	-5.8%
Residential specialty trade contractors	1,815.0	2,112.4	2,079.2	-14.1%	-12.7%
Nonresidential specialty trade contractors	2,324.7	2,717.8	2,661.8	-14.5%	-12.7%
<b>Producer Price Index</b>	<b>Mar-20</b>	<b>Feb-20</b>	<b>Mar-19</b>	<b>Feb-20</b>	<b>Mar-19</b>
Inputs to Construction Industries	227.2	229.6	231.5	-1.0%	-1.9%

**CANADA CONSTRUCTION INDUSTRY OVERVIEW**

Indicator	Values			% Change from	
	Feb-20	Jan-20	Feb-19	Jan-20	Feb-19
<b>Construction Spending, SA (\$Millions)</b>					
Total Construction	\$13,620	\$14,432	\$12,125	-5.6%	12.3%
Residential	\$8,614	\$9,322	\$7,538	-7.6%	14.3%
Nonresidential	\$5,005	\$5,110	\$4,586	-2.0%	9.1%
Industrial	\$909	\$948	\$856	-4.2%	6.1%
Commercial	\$2,976	\$3,020	\$2,650	-1.4%	12.3%
Institutional and Governmental	\$1,121	\$1,142	\$1,080	-1.8%	3.7%
<b>Employment, SA (in thousands)</b>	<b>Apr-20</b>	<b>Mar-20</b>	<b>Apr-19</b>	<b>Mar-20</b>	<b>Apr-19</b>
Total All Industries	16,184.9	18,178.7	19,041.6	-11.0%	-15.0%
Construction	1,173.9	1,487.5	1,464.0	-21.1%	-19.8%
<b>Building Construction Price Index</b>	<b>2020Q1</b>	<b>2019Q4</b>	<b>2019Q1</b>	<b>2019Q4</b>	<b>2019Q1</b>
Residential Building	111.1	110.4	108.7	0.6%	2.2%
Nonresidential Building	108.6	108.1	106.7	0.5%	1.8%