

SOME GOOD THINGS ARE HAPPENING, TOO

HEADLINE ECONOMIC DATA REMAINS UPBEAT

Finishing contractors should not be blamed for being somewhat alarmed by the recent news cycle with the delta variant, turmoil in Afghanistan, the national debt, skills shortages, elevated materials prices, renewed mask mandates, remote work, commercial real estate dynamics, volatile financial markets. But if one were able to rigidly compartmentalize and simply focus on the big picture economic data, there is considerable reason for optimism.

For instance, over a recent 12-month period, America's economic growth actually outpaced China's, the first time that has occurred since at least the early 1990s. By the second quarter of 2021, U.S. gross domestic product was 0.8 percent above pre-pandemic levels. The fact that employment levels have yet to fully recover reflects a recent surge in American productivity.

The ongoing recovery in North American economies is neatly reflected in other labor market data. In June and July, America added a combined 1.9 million jobs, pushing its official rate of unemployment down to a pandemic low of 5.4 percent. If anything, the labor market is too strong. On June's final day, the U.S. had 10.1 million available, unfilled jobs.

Approximately 340,000 of these unfilled jobs are in construction. The abundance of employment opportunities is inducing many American workers to quit their current jobs in search of better pay, greater flex time, shorter commutes, or all of the above. That stimulates pay increases, turnover, and expanded training costs.

Canada is hardly immune to these dynamics. The Canadian economy added 325,000 jobs on net in June and July, and the unemployment rate there has declined to 7.5 percent. That said, Canada's pandemic-induced downturn was sharper than America's and its recovery has been softer.

Construction employment data has not been as upbeat. In Canada, construction lost 27,300 jobs over a recent two-month period. American contractors have also struggled to consistently increase payrolls, even in the context of rising backlog, due to significant retirement from the industry, a lack of younger workers entering the skilled trades, competition for workers with other industries, and generally low labor force participation among American adults.

- The U.S. economy has recovered 74.5% of the jobs lost in March and April, while Canada has recovered 91.8% of lost positions;
- In July, construction employment increased 0.1% in the U.S., while in Canada, construction employment dropped by 0.3%;
- In June, year-over-year construction spending was up 27.4% in Canada; spending increased in the U.S., rising 8.2%.
- Residential construction spending in June was up 44.9% and 28.8% on a year-over-year basis in Canada and the U.S., respectively;
- Nonresidential construction spending declined on a year-over-year basis both in the U.S. and in Canada, falling 6.6% and 9.1%, respectively;
- U.S. input prices increased 0.6% in July, and are 23.1% higher than a year ago.
- Residential and nonresidential building material prices increased on a year-over-year basis in Canada, rising 18.8% and 5.7%, respectively.

Overall construction spending continues to expand in Canada. Spending in June (the last month for which there is available data) increased by 6.2 percent over the previous month and was up 27.4 percent from the same month one year earlier. The increase was driven exclusively by residential construction, which was up 44.9 percent on a year-ago basis in June.

Nonresidential construction declined 9.1 percent over that span.

In the U.S., construction spending is up 8.2 percent on a year-ago basis, while residential construction spending increased 28.8 percent. Nonresidential spending was down 6.6 percent for the year.

The producer price index for inputs to construction in the U.S. increased 0.6 percent in June compared to the previous month. On a year ago basis, however, input prices are up 23.1 percent. Recent weeks have been associated with declines in softwood lumber and other prices, but global supply chains remain in disarray, and contractors can expect prices to remain unusually high into 2022. Materials prices have charged higher in Canada during the pandemic as well. The building construction price index for residential construction rose 7.4 percent during the second quarter on a quarterly basis and was up nearly 19 percent on a year-ago basis.

U.S. CONSTRUCTION INDUSTRY OVERVIEW					
Indicator	Values			% Change from	
Construction Spending, SA (\$Millions)	Jun-21	May-21	Jun-20	May-21	Jun-20
Total Construction	\$1,552,200	\$1,551,210	\$1,435,020	0.1%	8.2%
Residential	\$772,345	\$764,241	\$599,665	1.1%	28.8%
Nonresidential	\$779,855	\$786,969	\$835,355	-0.9%	-6.6%
Lodging	\$21,204	\$21,369	\$28,904	-0.8%	-26.6%
Office	\$80,566	\$80,531	\$89,108	0.0%	-9.6%
Commercial	\$86,565	\$86,758	\$88,733	-0.2%	-2.4%
Health care	\$47,542	\$47,526	\$49,177	0.0%	-3.3%
Educational	\$96,422	\$97,081	\$107,950	-0.7%	-10.7%
Religious	\$3,008	\$3,096	\$3,535	-2.8%	-14.9%
Public safety	\$11,821	\$11,637	\$18,874	1.6%	-37.4%
Amusement and recreation	\$24,636	\$24,997	\$26,546	-1.4%	-7.2%
Transportation	\$56,160	\$55,900	\$59,853	0.5%	-6.2%
Communication	\$21,673	\$21,639	\$22,605	0.2%	-4.1%
Power	\$112,304	\$113,379	\$112,715	-0.9%	-0.4%
Highway and street	\$92,771	\$97,911	\$100,398	-5.2%	-7.6%
Sewage and waste disposal	\$27,563	\$27,439	\$26,967	0.5%	2.2%
Water supply	\$19,114	\$19,051	\$19,339	0.3%	-1.2%
Conservation and development	\$7,596	\$7,145	\$9,341	6.3%	-18.7%
Manufacturing	\$70,911	\$71,511	\$71,310	-0.8%	-0.6%
Employment, SA (in thousands)	Jul-21	Jun-21	Jul-20	Jun-21	Jul-20
National Total Nonfarm	146,821	145,878	139,566	0.6%	5.2%
Construction	7,421	7,410	7,197	0.1%	3.1%
Residential building	883	874	814	0.9%	8.4%
Nonresidential building	813	816	786	-0.3%	3.5%
Heavy and civil engineering construction	1,043	1,045	1,029	-0.2%	1.4%
Residential specialty trade contractors	2,157	2,157	2,054	0.0%	5.0%
Nonresidential specialty trade contractors	2,525	2,517	2,514	0.3%	0.4%
Producer Price Index	Jul-21	Jun-21	Jul-20	Jun-21	Jul-20
Inputs to Construction Industries	280.5	278.7	227.8	0.6%	23.1%

CANADA CONSTRUCTION INDUSTRY OVERVIEW					
Indicator	Values			% Change from	
Construction Spending, SA (\$Millions)	Jun-21	May-21	Jun-20	May-21	Jun-20
Total Construction	\$19,659	\$18,503	\$15,430	6.2%	27.4%
Residential	\$15,115	\$14,058	\$10,433	7.5%	44.9%
Nonresidential	\$4,544	\$4,445	\$4,997	2.2%	-9.1%
Industrial	\$809	\$787	\$875	2.8%	-7.5%
Commercial	\$2,506	\$2,497	\$2,963	0.3%	-15.4%
Institutional and Governmental	\$1,229	\$1,160	\$1,159	5.9%	6.0%
Employment, SA (in thousands)	Jul-21	Jun-21	Jul-20	Jun-21	Jul-20
Total All Industries	18,883.9	18,789.9	17,802.6	0.5%	6.1%
Construction	1,412.3	1,416.2	1,365.2	-0.3%	3.5%
Building Construction Price Index	2021Q2	2021Q1	2020Q2	2021Q1	2020Q2
Residential Building	132.6	123.3	111.6	7.5%	18.8%
Nonresidential Building	115	110.9	108.8	3.7%	5.7%