

Strong Growth Admst Talk of Recession

Labor Force Recovers in Canada, Lags in U.S.

As of July, construction employment continues to expand in both the U.S. and Canada. In America, construction added a surprisingly large tally of 32,000 jobs in July despite higher interest rates and growing weakness in the single-family construction market. In Canada, 7,700 construction jobs were added in July.

Because real gross domestic product declined during 2022's initial two quarters, a debate rages regarding whether or not the U.S. economy is already in recession. GDP declined 1.6 percent during the 2022's initial quarter in real terms, and then shrank 0.9 percent during the second.

But recessions are typically characterized by too little demand chasing too much supply. America's challenge has been the polar opposite – too much demand chasing too little supply. Employers continue to try to meet unmet demand, helping to explain why the U.S. added 528,000 jobs in July, well above consensus expectations. U.S. unemployment sits at 3.5 percent, which matches the 50-year low that prevailed in February 2020, just before COVID-19 undid the economy. Economic recoveries in both the U.S. and Canada continue to be erratic. Total employment in the latter declined by 30,600 jobs in July. Though the two economies have generally tracked one another in terms of decline and recovery, there remain differences. America's downturn was not as sharp, and the initial phases of recovery were more robust. But perhaps the biggest difference between the two economies is the rate at which people between the ages of 25 and 54 have returned to the workforce. The labor force participation rate has actually recovered more rapidly in Canada. Prior to COVID-19, participation of this demographic subset in Canada was 87.3 percent. It fell to 83.3 percent by May 2020. As of July 2022, the Canadian participation rate of this core group of workers was 88.2 percent, above where it was when the pandemic commenced. In the U.S., however, participation for the same age group dropped from 83.0 percent in February 2020 to 79.9 percent in May 2020. It has since increased to 82.4 percent as of July 2022, but remains below its pre-pandemic level.

- The U.S. economy has recovered all of the jobs lost in March and April of 2020.
- Canada's total employment is 2.2% above its pre-pandemic level;
- In May, construction employment increased 0.4% in the U.S. and 0.5% in Canada;
- In June, total construction spending was up 10.0% in Canada compared to the previous month, while nonresidential construction spending increased 11.7%;
- In June, total construction spending in the U.S. fell 1.1%, while nonresidential construction spending dipped 0.5%;

Construction Spending Rebounds in Canada

Nonresidential construction spending fell 0.5 percent on a monthly basis in the U.S. in June 2022, the last month for which these data are available. Over the past 12 months, spending has increased a mere 1.2 percent, and that's before one accounts for inflation. In Canada, nonresidential construction spending rose 4.6 percent in June and is up 15.8 percent on a year-over-year basis. As is often the case, data can be misleading, especially when not contextualized. Construction worker strikes in Ontario, involving roughly 43,000 workers demanding higher wages in the context of rapidly rising inflation, suppressed the May nonresidential construction spending numbers, rendering June's rebound facially impressive, but also predictable.

Inflation Slows in the U.S., but Continues Rising in Canada

The biggest news recently has been the apparent peak of inflation, both with respect to the broader economy and construction materials prices. U.S. Bureau of Labor Statistics data indicate that construction input prices

fell 1.8 percent on a monthly basis in July. On a year-over-year basis, prices are still up 17.4 percent and are up an astounding 42.9 percent compared to their pre-pandemic level. However, the pace of year-over-year increases has been dipping in recent months. By contrast, Canadian construction input prices, which are measured on a quarterly basis (building construction price index), have increased in recent months. During the second quarter, residential input prices rose 5.3 percent and are up 20.3 percent over the past year. Nonresidential input prices were up 3.5 percent during the second quarter and have expanded 12.8 percent over the past year.

U.S. CONSTRUCTION INDUSTRY OVERVIEW					
Indicator	Values			% Change from	
Construction Spending, SA (\$Millions)	June-22	May-22	June-21	May-22	June-21
<i>Total Construction</i>	\$1,762,317	\$1,781,909	\$1,627,985	-1.1%	8.3%
<i>Residential</i>	\$932,911	\$948,318	\$808,662	-1.6%	15.4%
<i>Nonresidential</i>	\$829,406	\$833,591	\$819,324	-0.5%	1.2%
Lodging	\$16,757	\$16,813	\$18,089	-0.3%	-7.4%
Office	\$85,492	\$85,354	\$86,634	0.2%	-1.3%
Commercial	\$102,918	\$103,435	\$93,143	-0.5%	10.5%
Health care	\$50,082	\$50,254	\$47,975	-0.3%	4.4%
Educational	\$95,488	\$95,995	\$96,755	-0.5%	-1.3%
Religious	\$2,777	\$2,856	\$2,793	-2.8%	-0.6%
Public safety	\$11,178	\$11,183	\$11,952	0.0%	-6.5%
Amusement and recreation	\$26,296	\$26,116	\$25,269	0.7%	4.1%
Transportation	\$54,918	\$55,484	\$57,034	-1.0%	-3.7%
Communication	\$23,913	\$23,666	\$24,802	1.0%	-3.6%
Power	\$107,484	\$109,303	\$122,804	-1.7%	-12.5%
Highway and street	\$98,026	\$100,829	\$98,923	-2.8%	-0.9%
Sewage and waste disposal	\$30,579	\$30,424	\$28,615	0.5%	6.9%
Water supply	\$21,526	\$20,113	\$19,170	7.0%	12.3%
Conservation and development	\$9,007	\$8,776	\$8,091	2.6%	11.3%
Manufacturing	\$92,966	\$92,990	\$77,274	0.0%	20.3%
Employment, SA (in thousands)	July-22	June-22	July-21	June-22	July-21
National Total Nonfarm	152,536	152,008	146,387	0.3%	4.2%
Construction	7,706	7,674	7,395	0.4%	4.2%
Residential building	902	899	861	0.3%	4.7%
Nonresidential building	814	809	785	0.6%	3.7%
Heavy and civil engineering construction	1,081	1,078	1,034	0.3%	4.6%
Residential specialty trade contractors	2,267	2,256	2,187	0.5%	3.7%
Nonresidential specialty trade contractors	2,642	2,632	2,528	0.4%	4.5%
Producer Price Index	July-22	June-22	July-21	June-22	July-21
Inputs to Construction Industries	328.3	334.3	279.6	-1.8%	17.4%

CANADA CONSTRUCTION INDUSTRY OVERVIEW					
Indicator	Values			% Change from	
Construction Spending, SA (\$Millions)	June-22	May-22	June-21	May-22	June-21
<i>Total Construction</i>	\$22,347	\$20,321	\$20,016	10.0%	11.6%
<i>Residential</i>	\$17,085	\$15,292	\$15,472	11.7%	10.4%
<i>Nonresidential</i>	\$5,261	\$5,029	\$4,544	4.6%	15.8%
Industrial	\$960	\$889	\$816	7.9%	17.7%
Commercial	\$2,922	\$2,829	\$2,501	3.3%	16.9%
Institutional and Governmental	\$1,379	\$1,311	\$1,228	5.2%	12.3%
Employment, SA (in thousands)	July-22	June-22	July-21	June-22	July-21
Total All Industries	19,566.5	19,597.1	18,879.5	-0.2%	3.6%
Construction	1,540.9	1,533.2	1,409.3	0.5%	9.3%
Building Construction Price Index	2022Q2	2022Q1	2021Q2	2022Q1	2021Q2
Residential Building	159.5	151.5	132.7	5.3%	20.2%
Nonresidential Building	130	125.6	115.2	3.5%	12.8%