

Construction Jobs Sprouted Widely in March

**Reed, Fed Mixed Activity Levels, says
The Associated General Contractors of America (AGC)**

April 10, 2010—Construction employment expanded in 26 states and the District of Columbia between February and March 2010, fell in 22 and was unchanged in Montana and Rhode Island, the Bureau of Labor Statistics (BLS) reported on Friday. Many states with gains may have experienced rebounds from unusually harsh February weather that delayed project starts and hiring. March employment levels exceeded January totals in 16 states plus D.C. Compared to March 2009, employment shrank everywhere except in Arkansas (up 300 jobs or 0.6%) and North Dakota (up 100 jobs or 0.5%). The largest year-over-year percentage losses were in Nevada, 30%; Colorado and Arizona, 20% each; Washington, 18%; and Idaho, 17%. The national average was -11%.

The value of nonresidential construction starts in March starts was 4.5% higher than in March 2009, Reed Construction Data reported on Wednesday, based on information it compiled. For the first quarter as a whole, starts rose 8.6% from the same period of 2009. Commercial starts fell 16% and industrial (manufacturing) starts dropped 9.4% but institutional starts climbed 11.5% and heavy engineering starts jumped 28%. "The total value of starts is expected to be steady to slightly down in the next few months and then begin to rise slowly later in the year," Chief Economist Jim Haughey said.

"Overall economic activity increased somewhat since the last report across all Federal Reserve Districts except St. Louis, which reported 'softened' economic conditions," according to the Fed's latest Beige Book, a summary of informal soundings of businesses in the 12 districts (which are referenced by their headquarters cities) that was released on Wednesday. "Manufacturing activity increased since the last report across most of the country...However, for construction-related goods, Chicago and Dallas reported mixed conditions, Boston reported flat activity and St. Louis reported decreases... Residential construction activity increased slightly in New York, Atlanta, St. Louis, Minneapolis and Dallas, but remained weak in Cleveland, Chicago and San Francisco....Commercial construction continued to be weak in most Districts. Cleveland saw some development in the energy and industrial segments....Philadelphia reported that prices of most goods and services have been steady, although there were increased reports of rising prices for basic materials and construction-related products. Apart from rising prices for steel and petroleum-based products in Cleveland, raw materials and product pricing were generally stable. Richmond noted moderate price increases in the manufacturing and services sectors. Chicago reported upward pressure on prices for plywood, industrial metals and petroleum-based fuels."

Costs for construction inputs are taking divergent paths. Nucor-Yamato Steel announced on April 13 that it would leave its "transaction pricing for beam products unchanged" in May. But National Gypsum notified customers on April 6 of a 20% price increase on "our entire gypsum wallboard product line," effective May 10. The national average retail

price of on-highway diesel fuel rose 0.5 cents per gallon to \$3.07 on Monday, the Energy Information Administration reported.

On a seasonally adjusted basis, the consumer price index for all urban consumers (CPI-U) increased 0.1% in March, BLS reported on Wednesday. Over the last 12 months, the index increased 2.3%. The CPI for urban wage earners and clerical workers (CPI-W), used to adjust many construction and other wage contracts, rose 3.0% over 12 months.

"Manufacturing output rose 0.9% in March, led by widespread gains among durable goods industries," the Fed stated in its industrial production release on Thursday. "Factory production was likely held down in February by the winter storms but nonetheless rose at an annual rate of 6.6% for the first quarter as a whole." Output of construction supplies rose 2.3% in March but was still 0.2% below the March 2009 level. Manufacturing capacity utilization rose from 69.4% of capacity in February to 70.0% in March but remained far below the long-term average of 79.2%. Rising output and above-average capacity utilization are both required to sustain demand for factory construction.

"State tax revenues continued to deteriorate in the fourth quarter of 2009, marking a record fifth consecutive quarter of year-over-year declines," the Rockefeller Institute of Government reported on Friday. "Overall, revenues showed a drop of 4.2% from the same quarter a year earlier and a decline of 8.6% from the same period two years earlier." These figures are a bad sign for state funding of future construction. Nevertheless, decreases are moderating and becoming less widespread. "Total tax revenue declined in 41 states in the fourth quarter of 2009, down from 48 states during the third quarter of 2009. Double-digit declines were reported in seven states in the fourth quarter of 2009, compared to 22 states in the third quarter of 2009. Wyoming experienced the largest decline of 46.2 percent in the fourth quarter of 2009-not surprising as its revenue collections were unusually high in the past few quarters due to high oil prices and strong growth in severance taxes....Revenue gains were reported in nine states. While most of these increases were modest, collections rose 9.9% in North Carolina and 5.7% in New Hampshire....Motor fuel tax revenue continued to decline for the 12th consecutive quarter with a drop of 4.0%." Motor fuel revenues are the principal funding source for highway construction. Preliminary figures for January and February for 45 early-reporting states show continued weakness, with personal income tax collections dropping 7.1% and overall tax collections dropping 2.2% from a year earlier....Local tax revenue increased 4.6% [from the fourth quarter of 2008 to the fourth quarter of 2009], mostly driven by growth in property taxes."