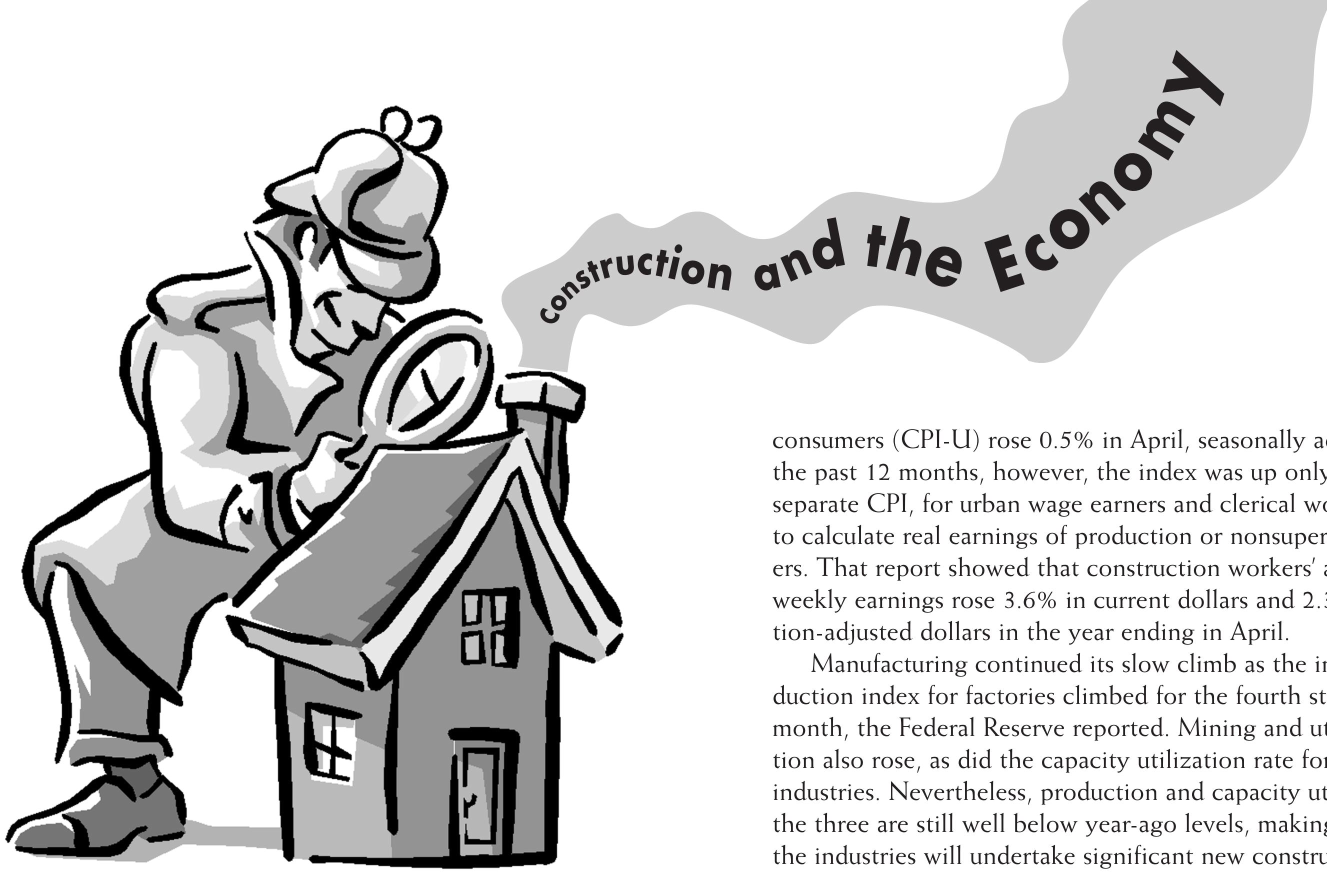

STATES SHOW WIDE VARIATION IN CONSTRUCTION EMPLOYMENT

By Ken Simonson

The unemployment rate jumped in April to a nearly eight-year high of 6.0%, seasonally adjusted, from 5.7% in March. The Bureau of Labor Statistics pointed out: "Employment in construction fell by 79,000, after seasonal adjustment. Much of April's job loss was in special trades (-61,000), though general building contractors and heavy construction lost 12,000 and 6,000 jobs, respectively. Following the turn of the business cycle in March 2001, construction employment was relatively flat through the end of the year. So far in 2002, however, the industry has lost 155,000 jobs," more than 2% below the year-ago total of 6.85 million.

The BLS recently released state-by-state employment counts for major industries. Seasonally adjusted payroll employment in construction fell in 29 states and DC, rose in 17, and was virtually unchanged in five, compared to the previous month.

But of the employers interviewed, 38% plan to add workers, while only 6% are set to reduce the size of their payrolls. When seasonal variations are removed, the construction sector is predicted to experience a 17% net gain in job creation. The strongest employment trends are expected in the South.

Bad news for construction began with the release of the Dodge index of construction activity, which declined 11%, seasonally adjusted, from February to March. All three components of the index — residential building, nonresidential building, and nonbuilding construction — slumped by 10-11%. The index measures the full expected value of new contracts.

The BLS reported that the consumer price index for all urban consumers (CPI-U) rose 0.5% in April, seasonally adjusted. For the past 12 months, however, the index was up only 1.6%. A separate CPI, for urban wage earners and clerical workers, is used to calculate real earnings of production or nonsupervisory workers. That report showed that construction workers' average weekly earnings rose 3.6% in current dollars and 2.3% in inflation-adjusted dollars in the year ending in April.

Manufacturing continued its slow climb as the industrial production index for factories climbed for the fourth straight month, the Federal Reserve reported. Mining and utility production also rose, as did the capacity utilization rate for all three industries. Nevertheless, production and capacity utilization for the three are still well below year-ago levels, making it unlikely the industries will undertake significant new construction in the near future. The Fed's release noted, "The output of construction supplies fell back 0.3% after a string of four monthly gains; nonetheless, output in this category has recovered all the losses incurred in 2001 and has returned to its level in January 2001."

The latest Fed survey of senior bank loan officers addressed how the lack of terrorism insurance has affected lending for high-profile commercial real estate. Overwhelmingly, the banks said their rejection rate on these loans has stayed the same as before September 11. Most also said they had experienced little or no change in demand for such loans. In contrast, the *Wall Street Journal's* "Property Report" noted that investment bankers and traders predict Moody's Investor Service will soon downgrade debt ratings on 10 to 20 well-known buildings "absent substantial progress toward a federal backstop" on terrorism insurance.

The Census Bureau reported on the value of construction put in place in March, a series that measures the amount of work completed in the month. The seasonally adjusted total, $874 billion, was down less than 1% from February's revised $881.5 billion. Residential and nonresidential private buildings were virtually unchanged, but public construction fell 6%, with every public category showing a decline. Read together, these reports suggest that current construction levels are likely to drop as projects now underway are completed. ■

Editor's Note: This series on the economy and its impact on the construction industry is published monthly in Interface. *This month's column is prepared by Kenneth D. Simonson, Chief Economist for the Associated General Contractors of America (AGC). Before joining AGC, Simonson spent three years as senior economic advisor in the Office of Advocacy of the U.S. Small Business Administration and 13 years as vice president and chief economist of the American Trucking Association. Simonson may be reached at simonsonk@agc.org.*

