Economic Outlook and Revenue Assessment Committee
January 5, 2012
Construction Outlook

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Idaho AGC
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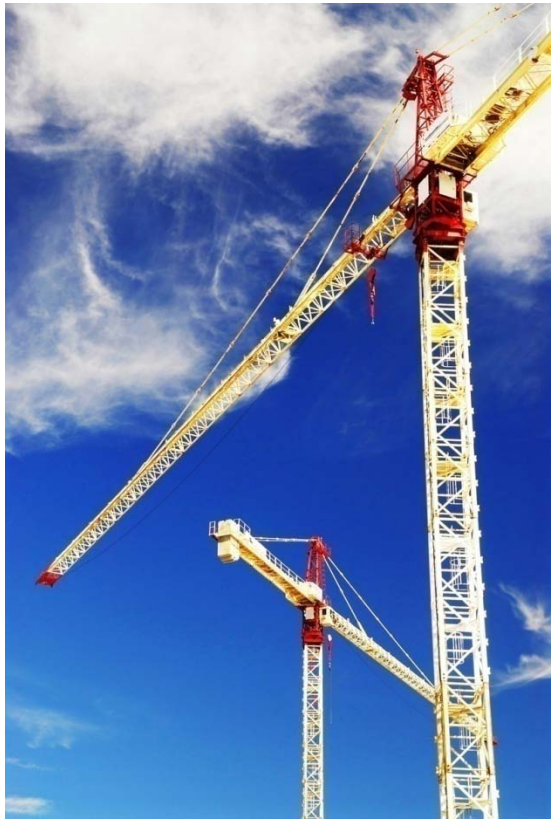
- Founded in 1934, we have 760 member companies throughout Idaho – down from a historic high in 2008 of 1,100 and the economy is continuing to cause concern for membership renewal as the economy continues to suffer
- Of that, 88 (down from 93 last year) are "General Contractors" and the rest are specialty contractors and associate members
- Four offices in Idaho: Boise, Coeur d'Alene, Idaho Falls, and Twin Falls
- Various member services including the Idaho AGC Health Plan covering over 6,000 Idahoans
- The Idaho AGC does *NOT* represent the residential construction industry…we are commercial and road contractors

Commercial Construction defined… "Non-Residential" includes:



- Schools, college & university buildings
- Retail & warehouse
- Highways & local roads
- Office
- Healthcare
- Sewer, water & public works
- Religious
- Utilities

Current economy & construction outlook?

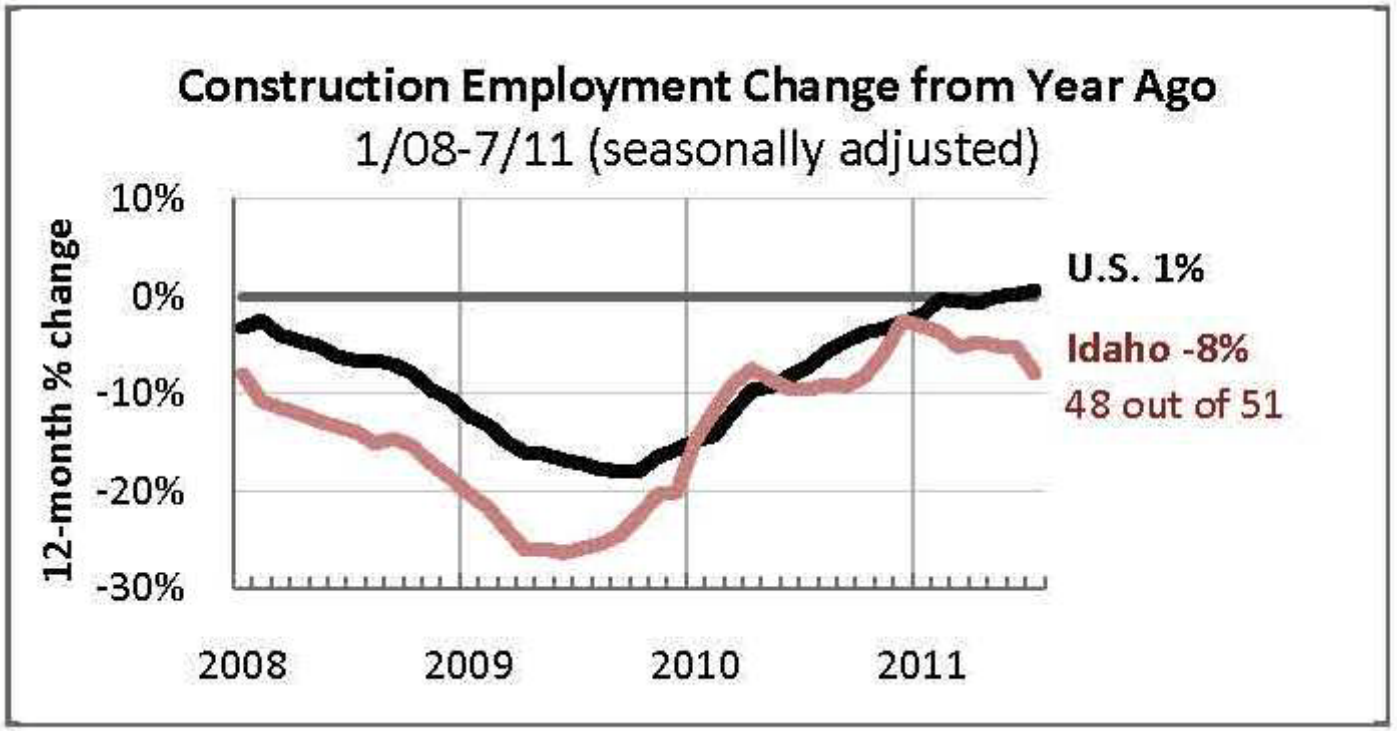
- GDP, personal income, jobs: weak gains should improve
- Continuing problems for office, retail
- Power, mfg., warehouse/distribution, hospitals will grow
- Apartments may increase; single-family still a mystery
- Federal, state, local cuts will continue
- Materials costs not extreme but will outpace CPI
- More of a “flat line” recovery….

Materials costs impacting our industry?

- Industry depends on specific materials that:
  - are in demand worldwide
  - have erratic supply growth
  - are heavy, bulky or hard to transport
- Construction requires physical delivery
- Thus, industry is subject to price spurts, transport bottlenecks, fuel price swings
- Expect 5-6% Dec-Dec PPI increase but periods of 6 to 9%

Construction Employment….

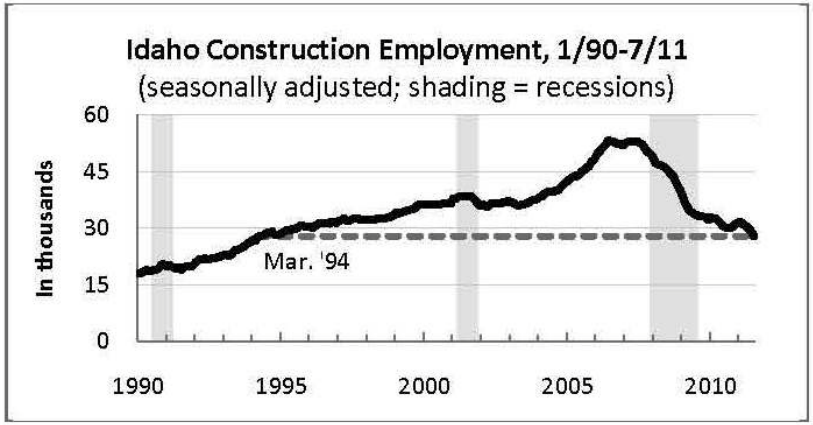
- Construction employment has been fluctuating:



Note this reflects July, 2011….when we jump to October, 2011 we are down about 1%

Construction employment

- The construction industry *(residential plus nonresidential)* employed:
  - 42,800 workers in November 2008
  - 38,100 workers in September 2009
  - 36,800 workers in October 2009
  - 37,500 workers in November 2009
  - 30,300 workers in July 2010
  - 27,900 workers in July 2011



BUT….32,600 workers in October 2011

Nevertheless, we are at mid-1990 employment levels

Employment by region….

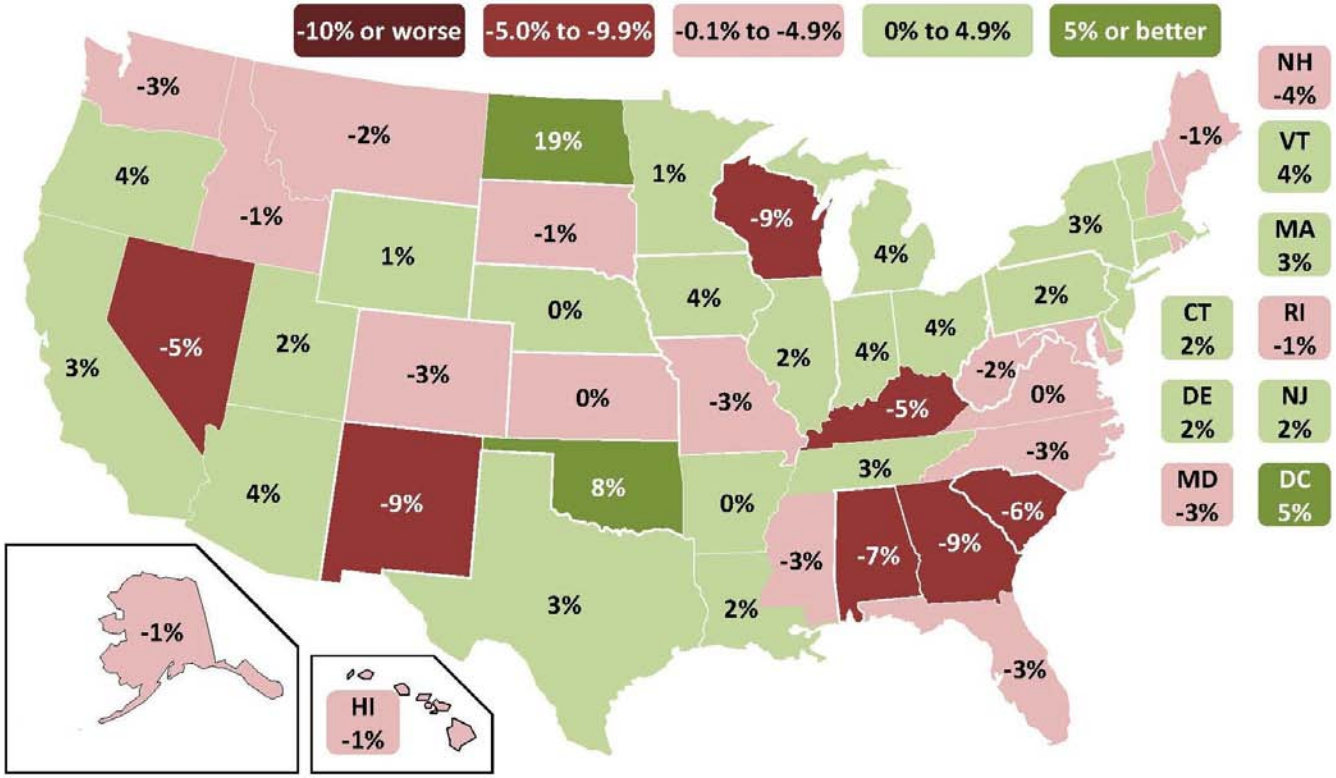
Empl. Change by Metro (not seasonally adjusted)		Rank
Metro area or division	7/10-7/11	(out of 337)
Statewide (Construction only)	-7%	
Statewide* (Const/mining/logging)	-6%	
Boise City-Nampa*	3%	91
Coeur d'Alene	-3%	219
Idaho Falls*	-9%	310
Lewiston, ID-WA	-18%	336
Pocatello*	6%	47
*Logan, UT-ID**	0%	137

**The Bureau of Labor Statistics reports employment for construction, mining and logging combined for metro areas in which mining and logging have few employers. To allow comparisons between states and their metros, the table shows combined employment change for these metros. Not seasonally adjusted statewide data is shown for both construction-only and combined employment change.*

The national construction employment picture….

State construction employment change (U.S.: -0.2%)

10/10 to 10/11 (seasonally adjusted)



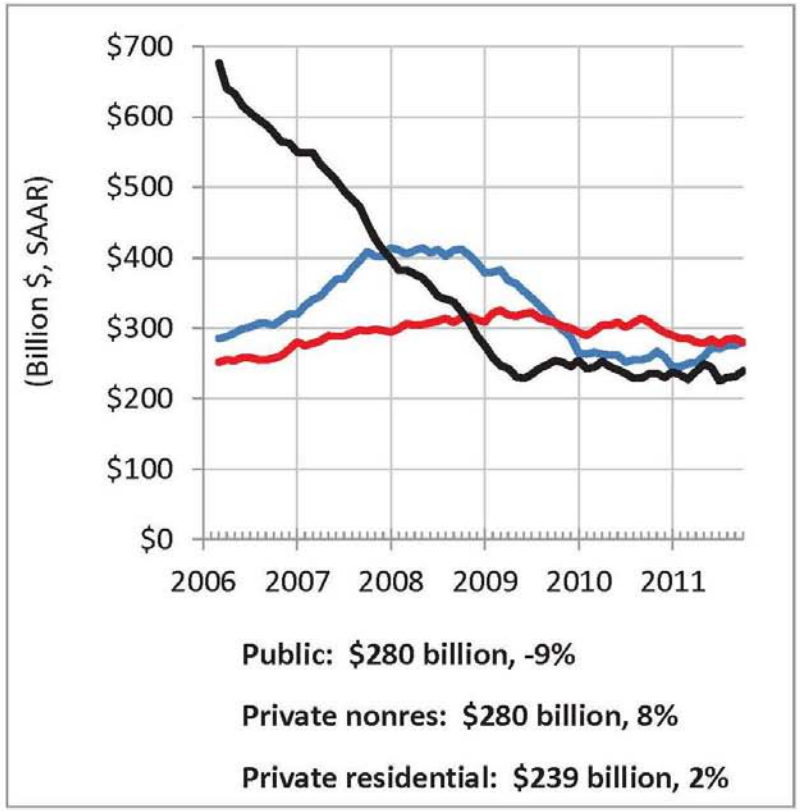
Construction spending, level and 12-month change

Seasonally adjusted annual rate (SAAR), March 2006 – October 2011

Total construction

October 2011: $799 billion

October 2010-October 2011: 0%



Public: $280 billion, -9%

Private nonres: $280 billion, 8%

Private residential: $239 billion, 2%

Source: Census Bureau construction spending reports

Industry specific questions….

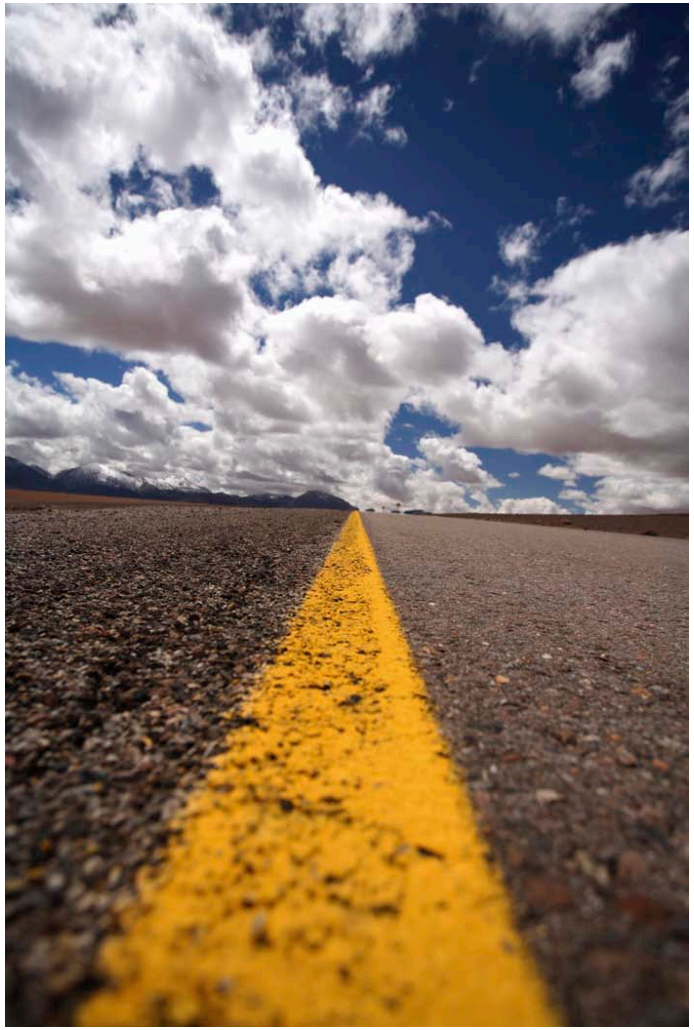
- Construction accounts for approximately 6% of the state's payroll
- In 2000, construction was 6% of Idaho's economy; today it is 4.6%
- Average annual construction wage is about $39,000 per Idaho Department of Labor
- 96% of Idaho's construction firms are considered "small business" (<20)
- Tough to isolate construction impact of sales and income tax receipts….anecdotally it is obviously significant
- Impact on other businesses?

Economic impact of an additional $1 billion public/private investment in Idaho?

- An additional $1 billion invested in nonresidential construction would add $3.4 billion to Gross Domestic Product (GDP) helping with "Project 60",
- Result in $1.1 billion to personal earnings and create or sustain 28,500 jobs.
- About one-third (9,700) of these jobs would be on-site construction jobs.
- About one-sixth (4,600) of the jobs would be indirect jobs from supplying construction materials and services. Most jobs would be in-state, depending on the project and the mix of in-state suppliers.
- About half (14,300) of the jobs would be induced jobs created when the construction and supplier workers and owners spend their additional incomes. These jobs would be a mix of in-state and out-of-state jobs. Conversely, investments elsewhere would support some indirect and induced jobs in the state.

The road ahead?

- Credit crunch continues
- Commercial real estate inventory is an issue but getting better
- Government budget crisis
- Transportation funding
- State and Federal Legislative impacts coupled with election season
- Other Factors: Yogurt plant, JUMP, Areva, Boise State, Sales Tax on Services, Local government self-performing, etc.
- The economy continues to be a challenge but it seems to be getting a bit better…"***flat line recovery***"



Are there any questions?