

## ECONOMIC INDICATORS

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Indicators	June 2014	July 2014	August 2014	Sept. 2014	Oct. 2014	Nov. 2014	Dec. 2014
<b>ABC Construction Backlog</b> Amount of commercial construction to be performed in coming months			8.5 mo. 2nd Qtr.			8.8 mo. 3rd Qtr.	
<b>AIA Architectural Billing Index</b> 50 or above indicates growth	53.5	55.8	53	55.2	53.7	50.9	52.2
<b>FMI Non-Residential Construction Indicator</b> 50 or above indicates growth			65.8 2nd Qtr.			62.5 3rd Qtr.	
<b>Unemployment Rate</b>	6.1%	6.2%	6.1%	5.9%	5.7%	5.8%	5.6%
<b>Housing Starts</b> - Single Family Declining trend indicates slowing economy	606,000	659,000	643,000	646,000	647,000	639,000	648,000
<b>Capacity Utilization</b> 80% indicates a healthy economy	79.1%	79.2%	78.8%	79.2%	78.9%	79.2%	79.8%

## Performance Key

Good ■  
Average ■  
Poor ■

### Construction Backlog Indicator Reaches Another All-Time High

“Associated Builders and Contractors (ABC) Construction Backlog Indicator (CBI) reached a new all-time high during the 3rd quarter of 2014 at 8.8 months, eclipsing the previous all-time high of 8.5 months in the 2nd quarter of 2014. The 2014 3rd quarter backlog is 6.9 % higher than the third quarter of 2013 and the continued growth of backlog during the last six months likely indicates that 2015 will be a strong year of recovery for the nation’s nonresidential construction industry.”

“Every region of the nation experienced expanding backlog during the 3rd quarter and so did every industry segment,” said ABC Chief Economist Anirban Basu. “Recent data regarding nonresidential construction and employment has shown only sporadic gains, which is consistent with the less optimistic backlog readings registered earlier this year. But the last two quarters tell a positive story that the average nonresidential contractor in America is positioned to get busier.

“Given the recent acceleration in job growth, the improvement in the quality of jobs being added, and a still-accommodative Federal Reserve, the U.S. macroeconomic outlook for 2015 represents the most upbeat assessment of economic prospects during the post-recession period,” said Basu. “The nation has added more than 2.6 million jobs over the past 12 months and, for the first time in six years, the nation’s unemployment rate has dipped below 6%. While there are a number of headwinds, including a still-shaky global economy and a meaningful dip in oil prices that is likely to impact both oil production and related capital spending, most leading indicators remain positive. Lending conditions appear to be easing and a booming stock market has generated both positive wealth and confidence effects.”

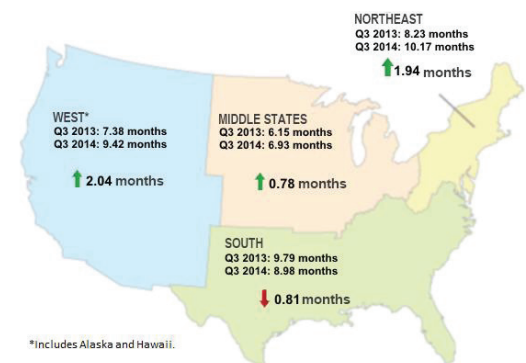
#### Regional Highlights

- Average backlog is up by nearly two full months in the Northeast over the past year and by more than two months in the West. This is consistent with a rapid rebound in many East and West Coast communities that previously were held back by the housing and financial crisis of several years ago.
- Average backlog is at or nearly at a record high in three regions, the Northeast, Middle States, and the West.
- Backlog in the South has not progressed over the past year, but is positioned to expand due to the recent acceleration of economic growth in Louisiana, Georgia, Florida, Texas, and a number of other states.

#### Industry Highlights

- Based on recent CBI readings, investment in the nation’s industrial sector should be significant in 2015. Once beholden to foreign energy producers, America is now on the verge of becoming the world’s leading oil producer and is already its preeminent provider of natural gas. This is contributing to a significant uptick in investment in the nation’s factories and distribution facilities.
- Consumer spending remains strong and the professional services sector is adding more jobs than any segment of the economy. Not surprisingly, average backlog in the commercial segment remains at a lofty level.
- Rebounding state and local government budgets may help keep backlog rising in the infrastructure segment despite ongoing gridlock at the federal level.

CONSTRUCTION BACKLOG INDICATOR			
Region	% Change		Change from Q2 2014
Northeast	8.7%	+	0.81 months
South	1.1%	+	0.1 months
Middle States	7.9%	+	0.51 months
West	2.2%	+	0.2 months
Industry			
Commercial/Institutional	0.1%	+	0.01 months
Heavy Industrial	11.8%	+	0.71 months
Infrastructure	10.7%	+	0.92 months
Company Size			
<\$30 Million	8.8%	+	0.67 months
\$30-\$50 Million	10.7%	-	0.96 months
\$50-\$100 Million	3.5%	-	0.36 months
>\$100 Million	0.5%	+	0.06 months



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## Architecture Firms Remain in Growth Mode

"Business conditions at architecture firms remained positive in October, with the national Architecture Billings Index (ABI) score of 53.7. With solid ABI scores for six straight months, a broader recovery in the construction market—particularly regarding nonresidential buildings—seems assured. Since new project inquiries remain strong, and new design contracts continue to build, architecture firms are expected to see a steady flow of new project activity over the coming months."

"Regionally, firms in the Northeast reported surprisingly weak conditions in October. Conditions were very strong in this region over the summer, with no hint of the recent softening. However, firms in the other three regions of the country are very healthy from a revenue perspective, as firms in each of these regions reported accelerating ABI scores for the month."

"By specialization, institutional firms continue to report unexpectedly strong growth. Having remained weak since the beginning of the last building downturn, institutional ABI scores have been above 50 for three straight months. Scores for residential firms also remain very high, although they have been easing somewhat in recent months. Commercial/industrial firms are reporting improving business conditions recently, but billings are not accelerating as much as for residential and institutional firms."

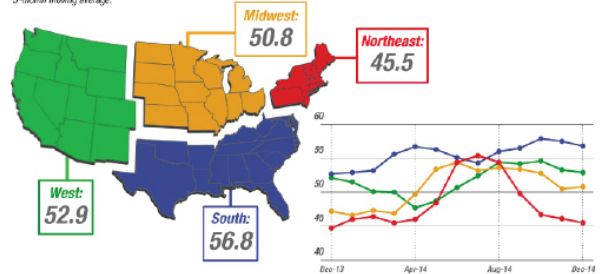
Adapted from: <http://www.aia.org/practicing/AIAB10490>

### REGIONAL

Despite Softness in the Northeast, Business Conditions Remain Strong in other Regions of the Country

Graphs represent data from December 2013 – December 2014 across the four regions.

50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



## NRCI Third Quarter 2014 Highlights

### Overall Economy:

NRCI panelists' view of the overall economy slipped 6.3 points this quarter compared to last quarter; however, the component index is still in growth territory at 74.8, 2.8 points higher than the third quarter 2013.

### Overall Economy Where Panelists Do Business:

The economy where panelists do business slipped 6.9 points in line with the overall economy to a score of 75.0.

### Panelists' Construction Business:

Panelists' outlook for their construction business fell back just 2.5 points to 76.6, still in positive range and six points higher than Q3 2014.

### Nonresidential Building Construction Market Where Panelists Do Business:

Panelists see the markets they are working in as a little weaker than last quarter, dropping from 79.3 to 74.2.

### Expected Change in Backlog:

Despite some pullback in optimism about the economy and markets, panelists are still expecting backlogs to improve, as the median backlog for the group has moved up from nine months to 10 months for the last two quarters.

### Cost of Construction Materials and Labor:

The two components of the NRCI that have had the most influence on the drop in the overall score are the rising cost of materials and strong increase in the cost of labor. On one hand, these components indicate continued difficulty for improving profit margins. On the other hand, increased prices for materials and labor generally indicate business is improving to the point where material and labor can command higher prices and wages.

### Productivity:

Productivity improvement can help offset higher costs, and a 1.4-point improvement in this component is a good sign. The challenge for contractors now is finding qualified employees to help maintain and improve productivity now that backlogs are increasing.

Adapted from: [http://www.fminet.com/media/pdf/forecasts/NRCI\\_Q3\\_2014.pdf](http://www.fminet.com/media/pdf/forecasts/NRCI_Q3_2014.pdf)

