Coronavirus Impacts and Implications for US, CA and Los Angeles Area Construction

Ken Simonson
Chief Economist, AGC of America
ken.simonson@agc.org
California Construction Employment
January 2005–March 2020; seasonally adjusted

Peak: June 2006
945,100

Current: March 2020
885,300

12-mo % change

Peak mo/yr % change from peak
5% 6/06 -6%
California Metro Construction Employment

March data 2005-2020; not seasonally adjusted

% Change to Mar 2020 from

<table>
<thead>
<tr>
<th>City</th>
<th>Mar 2019</th>
<th>Peak Mar</th>
<th>Peak Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles-Long Beach-Glendale</td>
<td>1%</td>
<td>-5%</td>
<td>2007</td>
</tr>
<tr>
<td>Anaheim-Santa Ana-Irvine</td>
<td>-2%</td>
<td>-2%</td>
<td>2019</td>
</tr>
</tbody>
</table>

Source: BLS
AGC Coronavirus Survey Summary

conducted April 20-23, 849 responses

- Owner ordered **halt to current work**: 50% of respondents (March 38%, April 31%)
  - canceled scheduled project: 28% (April 19%, May 16%, June 16%)
- Are you experiencing **project delays/disruptions** (total: 67% of respondents) due to:
  - shortage of personal protective equipment (PPE): 33%
  - shortage of construction materials, equipment or parts: 26%
  - shortage of craftworkers (incl. subs): 28%
- Have suppliers sent notice that **deliveries will be late/cancelled**: 49% of respondents
- **Laid off** workers: 35% of respondents (March 25%, April 22%)
- **Added** workers: 13% of respondents (March 4%, April 12% incl. 3% laid off in March)
- **PPP loan**: 74% applied (funded 44%; approved, awaiting funds 15%; no answer 8%)
Current economic impacts on construction

• Owners are increasingly halting projects, canceling scheduled starts
• Some governors, local officials tightened previous exemptions
• Disruptions are increasing due to shortages of PPE, materials, workers
• Growing number of suppliers are warning of late/canceled deliveries
• Layoffs are widespread but quick funding of PPP loans may be helping

A few positives:
• Small # of new projects to respond to crisis (healthcare, mfg., lodging)
• A few cases of accelerated highway, airport work as traffic declines
• Substantial price reductions for fuel, other commodities

Source: Author
Construction outlook for 2020

• Virtually no new private starts except pandemic-related and emergency repair work
• State DOTs likely to continue lettings but with some delays, cutbacks
• Other infrastructure will depend on amount of advance or assured funding
• Many state/local building projects will be canceled or postponed
• Contractor layoffs, closures/bankruptcies will increase sharply
• PPP loans may keep many firms afloat if disbursed in time

Source: Author
Likely longer-term economic impacts on construction

- Slower rebound than for other sectors as owners, consumers await certainty and repair of balance sheets
- Public spending will vary according to revenue source, amount of unbudgeted costs incurred to combat pandemic
- Less demand than pre-crisis for retail, offices, higher ed, cultural facilities
- Possibly less demand for sports, entertainment, lodging & travel-related
- Possibly even greater demand for distribution facilities, data centers
- Little long-term change in outlook for K-12 education, water/sewer, federal
- Unclear: additional infrastructure funding, healthcare construction

Source: Author
AGC economic resources
(email ken.simonson@agc.org)

• *The Data DIGest*: weekly 1-page email (subscribe at [http://store.agc.org](http://store.agc.org))
• Monthly press releases: spending; producer price indexes; national, state, metro employment with ranking
• Yearly employment & outlooks surveys, state and metro data, fact sheets: [www.agc.org/learn/construction-data](http://www.agc.org/learn/construction-data)
• Coronavirus resources: [www.agc.org/coronavirus](http://www.agc.org/coronavirus)