

State of the US Construction Market (Midway 2019)

Recent Dodge Data & Analytic Studies show the U.S. economy in 2018 grew 2.9%, following 2.2% in 2017. The GDP for 2019 Q1 rising up 3.1%.

The leading indicators of growth in the construction Industry are construction starts and construction spending statistics. They show that the expansion is continuing, although there's been some deceleration, including a sluggish 2019 Q1. Below are the key factors for the market activity.

Tailwinds

- Long-term interest rates have stayed low; rate hikes by Federal Reserve on hold for now.
- Numerous state and local construction bond measures passed in recent years.
- Fiscal 2019 federal appropriations passed in February 2019 –had 2% increase for highway funding.
- Agreement reached in May between US, Canada, and Mexico to remove tariffs on steel, aluminum.
- Agreement reached in June with Mexico to provide greater immigration controls, averting tariffs
- Market fundamentals for commercial, multifamily strengthened in 2018 after earlier deceleration.

Headwinds

- Lift to the economy from December 2017 tax cut bill now waning.
- Material prices still rising, construction labor markets remain tight.
- Trade tensions with China have increased, contributing to uncertainty.
- Federal budget deficit will approach \$1 trillion in 2019, may limit gov't. spending.
- Market fundamentals for commercial, multifamily expected to weaken with slower economy.

These issues will shape the future for spending and activity for our market and play a role in how we run our businesses. The national infrastructure rebuild program is one of uncertainty and with the presidential election on the horizon, it is certain to be a very hot topic of the campaign.

Dodge Data & Analytics reports some key markets to watch through 2019 and into 2020 include Highway & Bridge projects with a 5% increase to \$81 billion. The Power Plant segment is rebounding with a projected 39% increase to \$33.2 billion along the continuing growth in the Water & sewer segment continues a four-year streak with an 6% increase to \$41.6 billion for 2019.

In Summary, 2019 will be a year of continued growth in our industry, but for 2020 and beyond is potentially unstable. The recent flux in the money markets and trade activities show the ability to impact our growth potential.