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ConstructConnect Project Data Analysis in Light of the COVID-19 Economic Crisis

April 27, 2020

We have all witnessed the dramatic changes in the US construction industry (and the global economy) over the past 45 days. And while construction has been affected differently in each geography and segment, we want to provide some national-level insight from our project data collection for our national-level customers.

We also understand that many of our customers are looking for "bottom line" business impact numbers: "Is my market down 20%? 30%? 50%?" As we reviewed our project data, we determined that 2020 – 2019 year-over-year comparison (YoY) is the most consistent calculation to quantify the impact of the COVID-19/economic crisis on US construction.

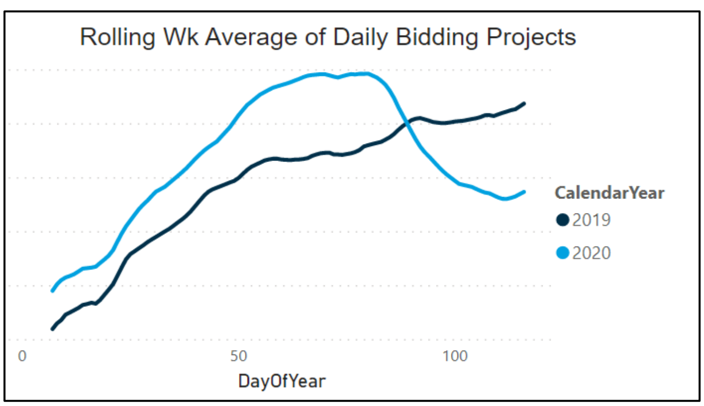
What follows are explanations of trends we are seeing from the 'front lines' of our data collection teams. This is not a forecast of construction activity in the near to mid-term. It is simply a review of the trends we are seeing as we continue to collect and update construction information at the project level. For more detailed analysis of our construction Starts series, please refer to our 2020 Q2 Construction Forecast report, published April 28, 2020.

Note that Analysis below is at the US National level. We also looked at the trends at the US Census Region level and found very similar patterns in each Region.

BIDDING PROJECTS

First and foremost, we have seen a precipitous drop in the bidding projects pool since late March. Until then we were seeing significantly higher rates of projects bidding in 2020 over 2019. In early March we were on track to see a stronger bidding season than recent years. (This, in no small part may be attributed to the positive economic outlook held by most at the beginning of this year – as opposed to the more tepid outlook in early 2019, following significant pullback in US equities in 2018Q4). **It is important to note that the pool of bidding projects in the US is still relatively strong - a rolling weekly average near 20K projects.** Yet, the line graph below demonstrates two very important YoY assessments.

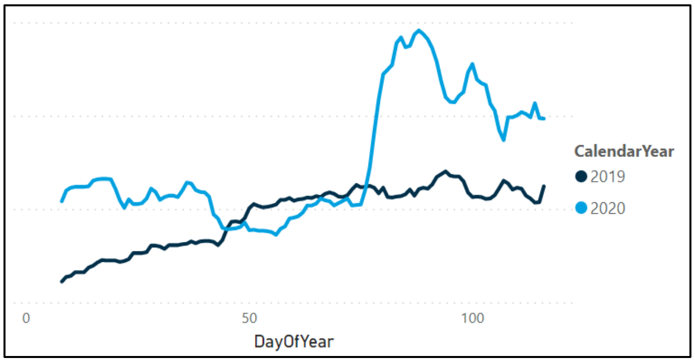
- In the second week of March 2020, we were seeing YoY +15% increase in the rolling weekly average of bidding projects.
- As the decline in the weekly average of Daily Bidding Projects sank to -14.4% around April 22nd, it appears that the decline in YoY trend has leveled off.



PROJECTS PLACED 'ON HOLD' – US All construction Types & Building Uses

Beginning in mid-March we saw a dramatic increase in the amount of projects placed 'On Hold' across most US construction verticals & markets. The exception in this measurement so far has been Privately owned construction projects. The lines in the graphs below represent rolling seven-day totals and demonstrate the significant YoY increase. The dark blue line is for 2019 and the lighter blue is for 2020. The X-axis (along the bottom) is the day number for the year (day 1=January 1; day 100=April 10).

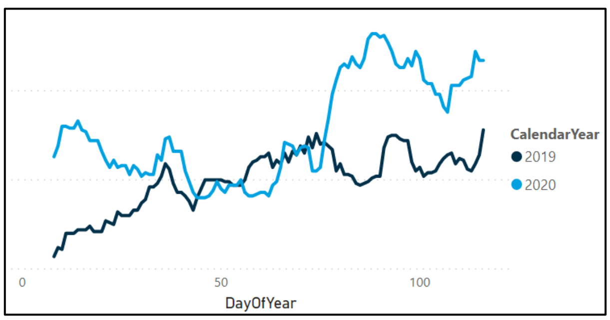
The numbers began to rise dramatically around March 18 peaking at almost 140% over 2019 levels around March 29. The rolling 7-day totals of projects placed 'On Hold' continue to track significantly higher than 2019 levels, averaging +80% YoY in recent days.



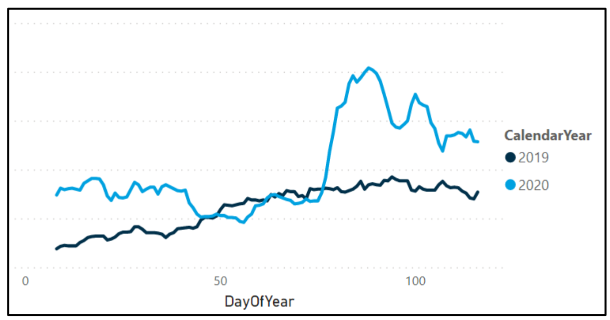
We've seen an unprecedented increase in the number of projects placed 'On Hold' since in mid-March. This 'project placed on hold' activity continues to track at a significantly higher rate than 2019: ~80%. These projects are in planning stages – or had just recently bid – and are now waiting on any number of outside factors to move forward (easing of social distancing guidelines, credit flow, construction deemed essential, etc.)

Rolling 7-day Total – PROJECTS PLACED 'ON HOLD' (x-axis=day of year) – All US construction

After the initial dramatic increase in projects placed 'on Hold', levels have now come back down – but continue at levels higher than 2019 for both Civil/Heavy Engineering and Non-Residential building projects.

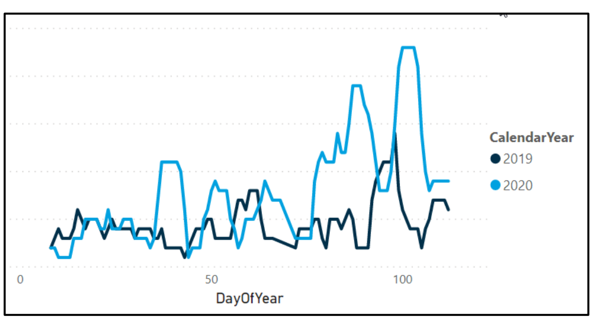


Rolling 7-day Total – PROJECTS PLACED 'ON HOLD' – **US Civil/Heavy Eng**

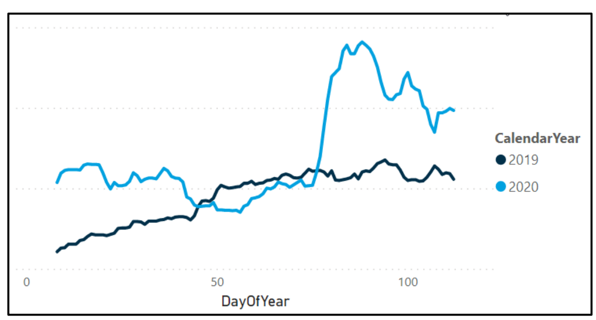


Rolling 7-day Total – PROJECTS PLACED 'ON HOLD' – **US Non-Residential**

Our data shows that Privately owned projects experience significantly smaller rates of Bid Date changes. So, while the volatility of 'On Hold' rates looks significantly higher compared to public projects, keep in mind that that this is a substantially smaller group.



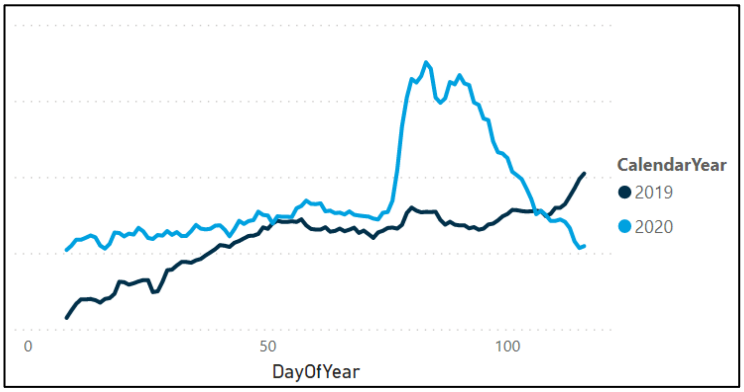
Rolling 7-day Total – PROJECTS PLACED 'ON HOLD' – **Private Sector**



Rolling 7-day Total – PROJECTS PLACED 'ON HOLD' – **Public Sector**

PROJECT BID DATE DELAYS – US ALL CONSTRUCTION TYPES & BUILDING USES

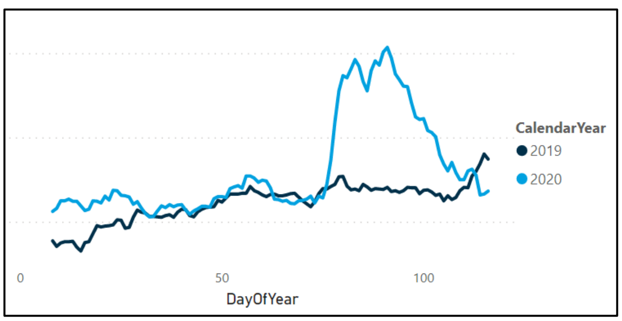
As with projects placed ‘On Hold’, we saw an astonishing increase in the amount of Bid Date delays across most US construction verticals & markets. Again, the exception in this measurement so far has been Privately owned construction projects. However, a significant difference between the YoY trend for Projects Placed ‘On Hold’ (above) and the YoY trend for Bid Date Delays depicted below is that the rate of Bid Date Delays has now dropped dramatically as the pool of bidding projects has contracted: from +80% YoY in late March to -30% as we approach the end of April.



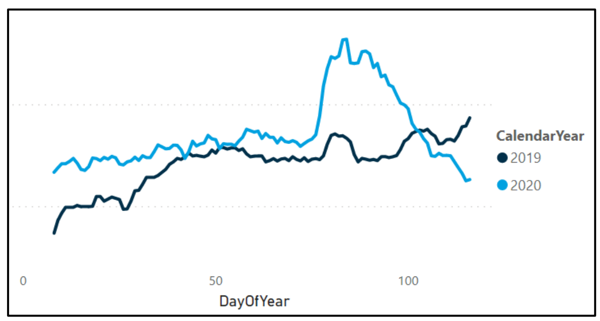
Rolling 7-day Total – BID DATE DELAYED (x-axis=day of year) – **All US construction**

Beginning in mid-March we saw a massive increase in the number of bidding projects that suddenly had their bid date delayed. **At its apex in the last week of March, we saw an increase of 83% over last year’s rate of bid date changes**. We are now seeing that rate fall below last year’s rate as fewer projects are now moving naturally from late stage planning to bidding.

Bid Date Delays in Civil/Heavy Engineering construction appear to have been slightly higher YoY than those in General/Non-Residential construction.

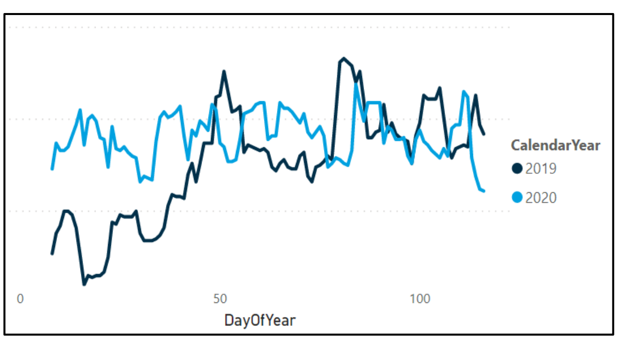


Rolling 7-day Total – BID DATE DELAYED – **US Civil/Heavy Eng**

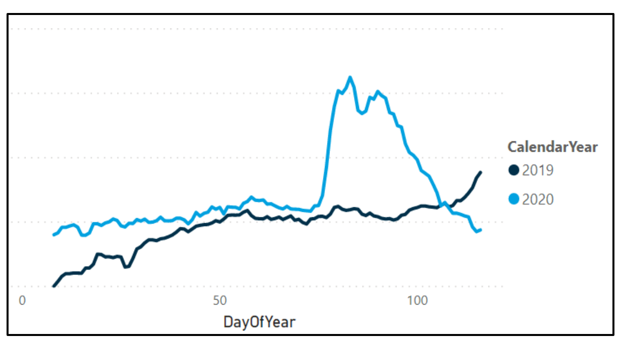


Rolling 7-day Total – BID DATE DELAYED – **US Non-Residential**

It is important to note that projects with Public Owners have seen far more Bid Date Delays than projects with Private Owners/Developers.



Rolling 7-day Total – BID DATE DELAYED – **Private Sector**



Rolling 7-day Total – BID DATE DELAYED – **Public Sector**

2 ADDITIONAL POINTS OF INTEREST

Abandoned Projects

We have also been tracking the number projects that are outright 'Abandoned', in a rolling 7-day total trend. While we did see an uptick in projects that were outright abandoned beginning in mid-March, that trend has since come back to levels that are only slightly higher than 2019 (averaging around +10% YoY in recent days). **It is important to note the average previous 7-day total of projects 'Abandoned' in our data has been rarely more than 100 recently. Therefore, in comparison to the total number of active planning and bidding projects we are tracking, this is a fraction of percent. To be clear, we are not witnessing an alarming tidal wave of projects that have been outright cancelled.**

The Expansion Index

Our Expansion Index monitors the number of projects in planning across the US and Canada by comparing monthly YoY totals. In this simple calculation, we arrive at an easily understood index that demonstrates growth or contraction in the planning projects pipeline. Any value greater than 1.0 demonstrates an increase in the planning projects pool – and any value less than 1.0 reveals reduction in the planning projects pool.

At the beginning of March, the total US Expansion Index value stood at 1.1048. By the beginning of April that value had risen to 1.2117. That is a significant increase in the National Index (+9.68% increase on the index value MoM). When you consider this increase in conjunction with the recent results from the AIA's Architectural Billings Index (an historically negative outlook in April), the significant increase in our projects in planning pool seems to suggest that many projects that were out to bid or had recently bid have been moved back to planning while participants wait out the storm.

Paul A. Hart
ConstructConnect
April 27, 2020

Next page: Latest Macroeconomic news from our Chief Economist

LATEST REVIEW OF INFLATION AND INITIAL JOBLESS CLAIMS

From our Chief Economist **Alex Carrick**

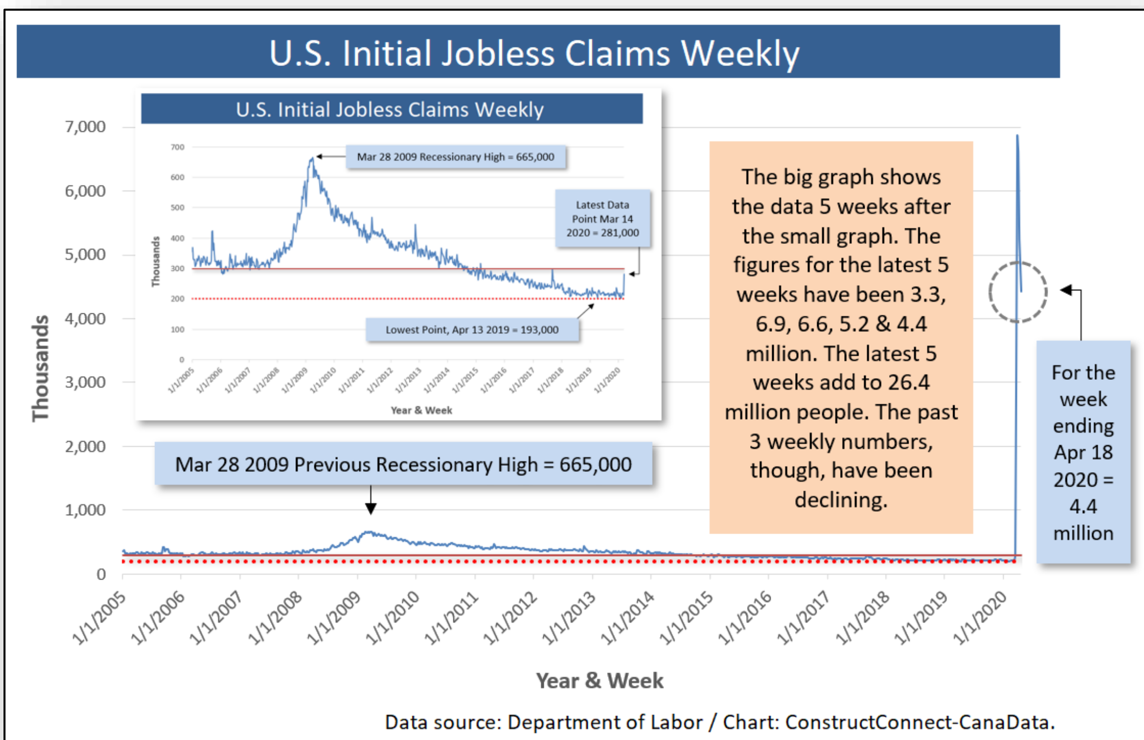
April's Unemployment Rate will be 15% at Best

U.S. *initial jobless claims* for the latest week, ending April 18th, were 4.4 million. Only a minimal amount of encouragement can be taken from the fact the figure has been declining for three weeks in a row. A level of 4.4 million reached in only seven days is still horrifically high.

The sum of the weekly figures for the past five periods is 26.4 million. Not all that number will appear in the monthly unemployed tally to be reported by the Bureau of Labor Statistics (BLS) in May, for April. A certain unknown percentage of UI seekers still have jobs, but they've moved from full-time to part-time.

Nevertheless, when one crunches the numbers and compares a likely figure for the number of unemployed versus the size of the civilian labor force (163 million), the best the unemployment rate can be at this time is 15.0%. And it doesn't take much of an adjustment in assumptions to yield a 20.0% result.

Graph 1



U.S. Inflation in March -0.4% M/M

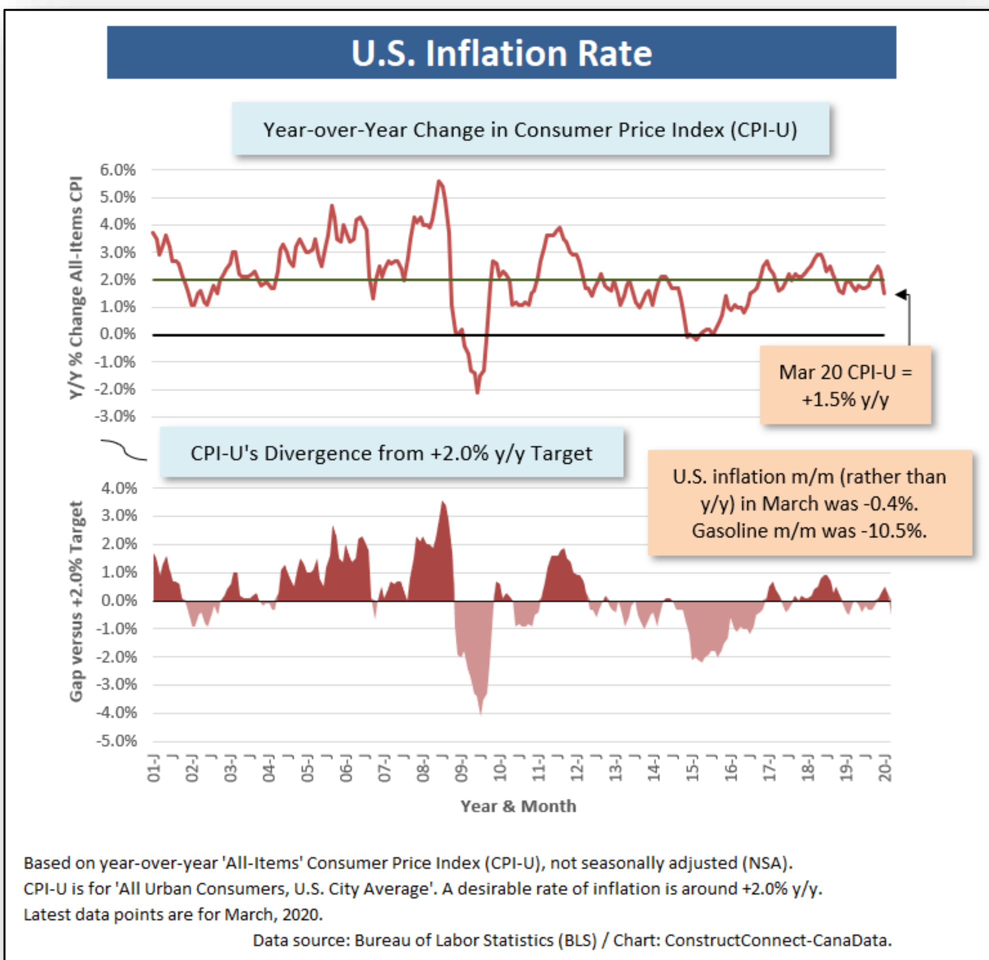
The *inflation rate in the U.S.* in March was still positive on a year-over-year basis, +1.5%. The 'core' rate (which omits volatile energy and food items) was +2.1% y/y. But month to month in March, 'all-items CPI-U, for urban consumers', was -0.4%. And 'core' was -0.1% m/m.

Prices were dragged down by weakness in the energy sector. Saudi Arabia, in what would prove to be an ill-advised move to demonstrate its clout, jacked up production, significantly lowering the international price of crude. In March, the U.S. energy sub-index of the CPI was -5.7% y/y and -5.8% m/m. Gasoline was -10.2% y/y and -10.5% m/m.

March's results don't come close to capturing the big decline in economic activity that has come since, due to the full onslaught of the coronavirus pandemic. Commuter, airline and basically all other forms of travel have unwound to a fitful stall, slashing the need for oil and lowering its price next to zero. Other commodity prices, buffeted by evaporating demand, are also on the downslide.

April's inflation results will be considerably more negative than March's.

Graph 2



Canada's March Inflation Rate -0.6% M/M

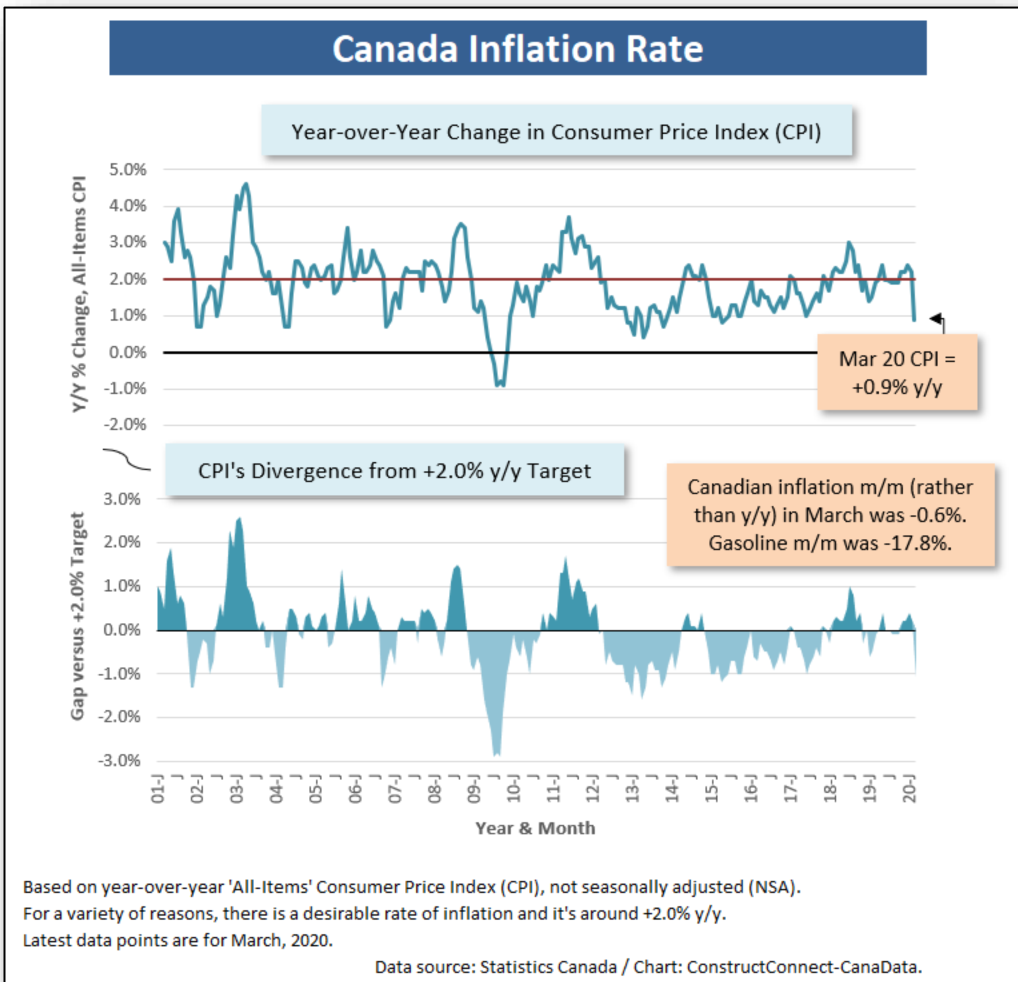
CPI deterioration was a little more severe in *Canada* than in the U.S. in March.

All-items CPI north of the border in the latest reporting month was only +0.9% y/y and -0.6% m/m. Canadian 'core' was +1.7% y/y and +0.1% m/m.

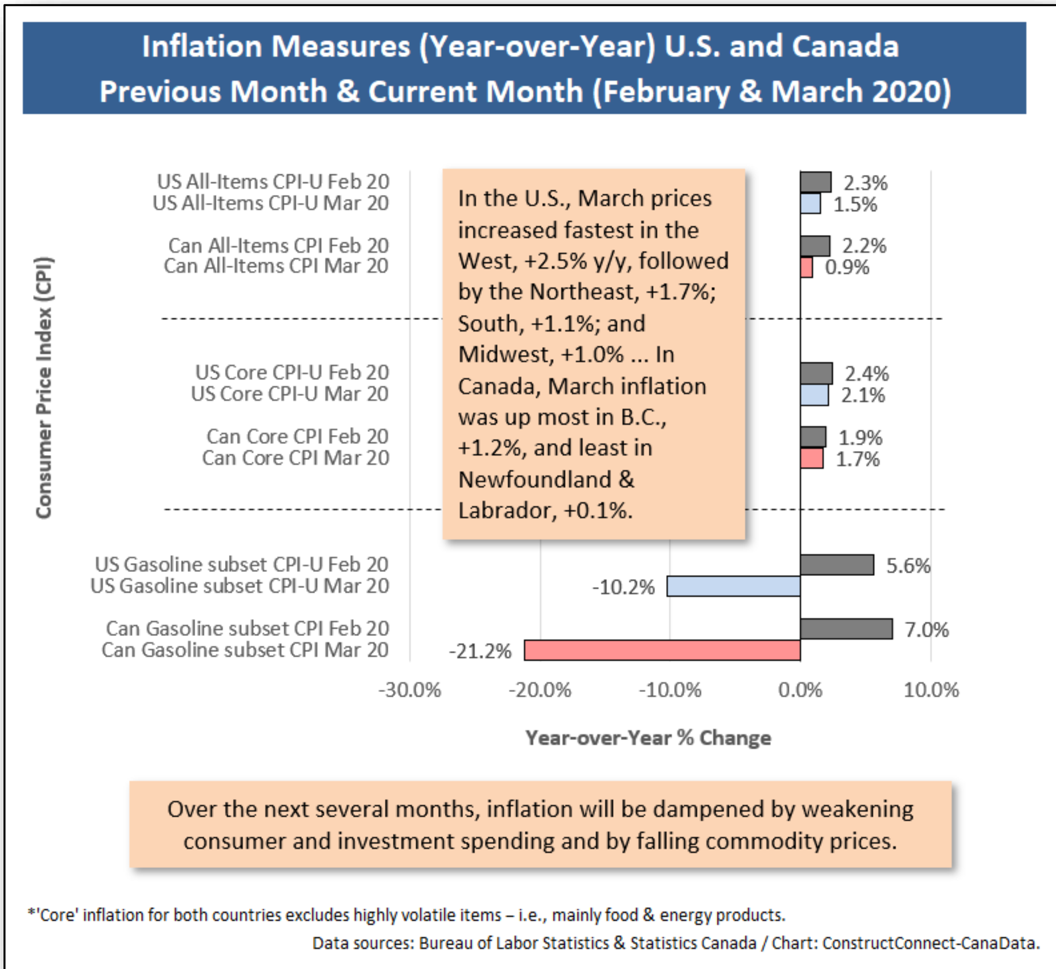
The 'all-items' rate excluding food and energy was mildly positive m/m only because the energy and gasoline sub-indices went so deeply in the hole.

Energy was -11.6% y/y and -10.2% m/m. Gasoline was -21.2% y/y and -17.8% m/m.

Graph 3



Graph 4


Inflation Measures (Year-over-Year) U.S. and Canada
Previous Month & Current Month (February & March 2020)
Consumer Price Index (CPI)
US All-Items CPI-U Feb 20
US All-Items CPI-U Mar 20
Can All-Items CPI Feb 20
Can All-Items CPI Mar 20
US Core CPI-U Feb 20
US Core CPI-U Mar 20
Can Core CPI Feb 20
Can Core CPI Mar 20
US Gasoline subset CPI-U Feb 20
US Gasoline subset CPI-U Mar 20
Can Gasoline subset CPI Feb 20
Can Gasoline subset CPI Mar 20
2.3%
1.5%
2.2%
0.9%
2.4%
2.1%
1.9%
1.7%
5.6%
-10.2%
7.0%
-21.2%
In the U.S., March prices increased fastest in the West, +2.5% y/y, followed by the Northeast, +1.7%; South, +1.1%; and Midwest, +1.0% ... In Canada, March inflation was up most in B.C., +1.2%, and least in Newfoundland & Labrador, +0.1%.
-30.0%
-20.0%
-10.0%
0.0%
10.0%
Year-over-Year % Change
Over the next several months, inflation will be dampened by weakening consumer and investment spending and by falling commodity prices.
*'Core' inflation for both countries excludes highly volatile items – i.e., mainly food & energy products.
Data sources: Bureau of Labor Statistics & Statistics Canada / Chart: ConstructConnect-CanaData.