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Basu, ABC chief economist, predicts modest recovery to continue in 2013

December 20, 2012 - Construction Design & Engineering

In a 2013 construction forecast released Dec. 4, Associated Builders and Contractors chief economist Anirban Basu predicted nonresidential construction spending to expand 5.2% next year, with much of the expansion coming from privately financed projects.

"With the elections now behind us, the hope is the White House and Congress will be able to successfully navigate the nation past its fiscal cliff," Basu said. "If that happens, the latter half of 2013 could be surprisingly good for nonresidential activity given the large volume of construction projects that were put on hold during the course of 2012. However, the baseline forecast calls for only moderate expansion in nonresidential construction spending next year."

According to Basu, rising consumer confidence will lead to a 10% expansion in total commercial construction. He also noted the fastest growing major U.S. industry during the last year in terms of absolute job creation was professional and business services and because many firms in this category use office space, office-related construction spending is expected to rise 10%. In addition, power is likely to increase 10%, lodging 8%, health care 5% and manufacturing 5%.

In terms of jobs, Basu expects nonresidential building construction employment to expand 2.1% in 2013 - only slightly better than the 1% performance estimated for 2012. Basu also expects construction materials prices to rise a bit more rapidly in 2013 than they did in 2012, with substantially more volatility to be experienced from month to month next year.

"Despite ongoing slowdown in many of the world's largest economies, ABC anticipates many investors will opt to invest in hard assets as a way to avoid volatility in equity and bond markets," Basu said.

As part of the overall economy, Basu said "whether or not the nation falls off its fiscal cliff" a collection of spending cuts and tax increases that kick in at the end of the year "certain taxes likely are headed higher."

Specifically, Basu predicted increases in marginal income tax rates to pre-Bush levels, increases in tax rates on capital gains and dividend income, and expiration of the payroll tax credit in the first quarter of 2013.

Basu's prediction for Gross Domestic Product (GDP) growth for 2013 is between 1-2%, unless the nation falls off its fiscal cliff, which Basu would expect to cause GDP to fall between 2-3%.

"The U.S. economy is presently expanding at a 2% rate," said Basu. "Even in the absence of a dive off the federal precipice, the nation will struggle to achieve 2% growth next year as certain tax rates rise and as federal spending growth slows and perhaps turns sharply negative."

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