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Economic outlook for construction is optimistic despite challenges: According to Basu of ABC, Baker of AIA and Crowe of NAHB

August 14, 2014 - Construction Design & Engineering

According to recent economic indicators and the predictions of three industry economists, the construction industry can be optimistic about its future. In particular, Associated Builders & Contractors' chief economist Anirban Basu expects nonresidential construction to achieve 7% nominal growth in 2014, despite ongoing challenges in the public construction segment.

2014 Mid-Year Economic Forecast

During a mid-year economic forecast Aug. 4, Basu was joined by economists representing the American Institute of Architects (AIA) and National Association of Home Builders (NAHB) who all offered their take on the future of the construction industry throughout 2014.

In addition to Basu's prediction, AIA chief economist Kermit Baker predicted optimism for commercial and industrial sectors, although a lack of spending by state and local governments is hindering spending for the industry as a whole. NAHB chief economist David Crowe expects modest growth for residential construction, although home prices are likely to rise due to a limited supply of labor and land.

Latest construction spending numbers

The Aug. 1 U.S. Census Bureau report showed nonresidential construction spending fell 2.8% in June after posting significant growth during the prior two months, but remains 4.6% higher than last year. According to Basu, the monthly decline can be attributed to a rough winter, which delayed construction.

"With job growth accelerating, consumer outlays expanding, industrial production rising and energy production surging, the outlook for nonresidential construction remains good," Basu said.

Latest employment data

The jobs report was also positive, with the Bureau of Labor Statistics Aug. 1 release showing that the construction industry added 22,000 jobs in July and nonresidential adding 6,600 of them.

Basu expected this to indicate better times ahead for nonresidential construction, but cautioned that "emerging wage pressures are likely to translate into higher interest rates."

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540