



Contact: Gerry Fritz, (703) 812-2062  
Julian Teixeira, (202) 965-7808

For Immediate Release  
July 22, 2009

## **ABC UNVEILS NEW CONSTRUCTION BACKLOG INDICATOR (CBI)**

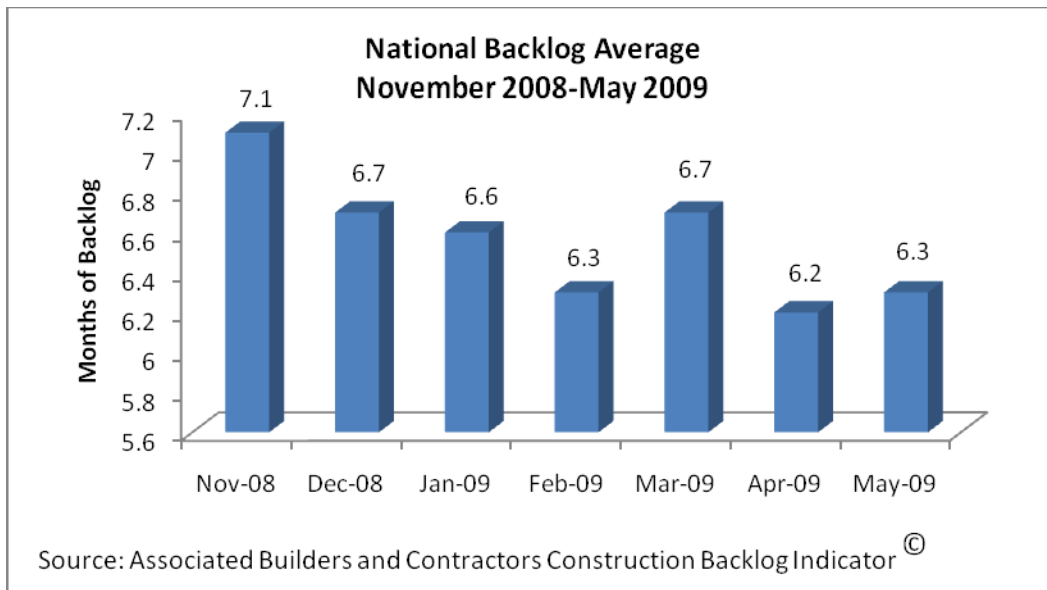
### **DATA POINTS TO FUTURE TRENDS IN CONSTRUCTION; MAY 2009 CONSTRUCTION BACKLOG RISES TO 6.3 MONTHS**

WASHINGTON, D.C. (July 22, 2009) - Associated Builders and Contractors (ABC) today released its inaugural Construction Backlog Indicator (CBI), a forward-looking measurement reflecting the amount of work to be performed by contractors in the months ahead.

The CBI in the nation's nonresidential construction industry rebounded in May to 6.3 months, up from 6.2 months in April, but still down by roughly 0.8 months since November 2008, when ABC began collecting data. During the past seven months, nonresidential backlog is down by an average of 24 days.

This new, national economic data set is the only reliable leading economic indicator offering this level of specificity focused on the U.S. commercial and institutional, industrial, and infrastructure construction industries. ABC will compile this data on an ongoing basis, releasing the latest CBI every other month to track industry trends.

“Commercial and industrial construction is a major part of the American economy. We have developed this new, innovative measurement not only to track the level of commercial and industrial construction activity, but also to look into the future for signs of recovery,” said ABC Chief Economist Anirban Basu. “Significantly, we are able to track backlog by region as well as by industry sector and company revenue to paint a complete picture of this critical economic segment on an ongoing basis.”



“CBI rose in each of the three industry segments that ABC monitors – commercial and institutional, industrial, and infrastructure – but the increase in work under contract was particularly profound in the infrastructure category, an indication that the stimulus package passed in February is beginning to have a material impact on the industry’s near-term prospects. An increasing CBI is also consistent with the notion of broader economic stabilization,” said Basu.

### Regional Highlights



Source: Associated Builders and Contractors Construction Backlog Indicator ©

\*The West includes Alaska and Hawaii (not pictured).

- The average construction backlog from November 2008 to May 2009 declined by nearly 1.3 months in the Northeast and by 1.2 months in the South. However, backlog is up by 0.4 months in the Middle States and is 0.2 months higher in the West.
- Compared to April, the average backlog in May rose in each of the four regions that ABC monitors, with the exception of the South. At 7.5 months, the South now reports the longest average backlog. At 5.3 months, the Northeast reports the shortest average backlog.

“Based on Associated Builders and Contractors’ CBI, the most severe retrenchment in business activity in recent months has been along the East Coast and in the South. This comes as little surprise because these areas are home to a significant share of the rapidly declining white-collar sectors, including financial and professional services,” said Basu. “In contrast, the Middle States, which depend more on commodities and energy supply, have been considerably more stable. Several large firms in the western U.S. have reported significant increases in their respective backlogs in recent months.”

### **Industry Highlights**

- Average backlog in the infrastructure category jumped from 6.6 months in April to 8.6 months in May.
- Backlog declined in the commercial/institutional and heavy industrial categories. Between November 2008 and May 2009, each category lost at least one full month of backlog, falling 1.4 months for heavy industrial and one month for commercial/institutional.

“Over the past six months, the average backlog had markedly declined in each of the industry segments that ABC monitors. This jump in contractual activity in the infrastructure segment may be credited to the stimulus package, a potential sign that federal funds are beginning to flow,” said Basu. “This implies that the infrastructure segment is poised to experience a significant increase in value of construction put in place over the next several months.”

### **Company Revenue Highlights**

- Compared to April, the average backlog rose to 5 months for the \$10 million-\$30 million category and remained unchanged for the \$30 million-\$50 million category. For the \$50 million-\$75 million annual revenue segment, average backlog increased 0.4 months to 7.5 months.
- Compared to November 2008, average backlog in May 2009 fell roughly 1.1 months for the \$10 million-\$30 million and the \$30 million- \$50 million annual revenue segments.
- Firms with annual revenues in excess of \$100 million continue to report the longest average backlog at 9.9 months, down from 10.3 months seven months earlier.

“The largest firms, those with annual revenues in excess of \$100 million, report the largest and most stable backlog. This may be due in part to the participation of these firms in construction segments that continue to expand, including power generation

and large-scale infrastructure projects,” said Basu. “Many smaller firms, which are more commercially oriented, are less likely to be direct beneficiaries of the stimulus package, and are experiencing declines in backlog.”

### **About the CBI**

Construction backlog is the amount of work, measured in dollars, that companies are contracted to complete in the future. A high backlog value (measured in months) indicates abundant work is due to begin in the near term, with predictable overall economic benefits. Conversely, a low backlog indicates fewer projects are under contract, leading to more uncertain economic impact. Excessively small backlogs mean contractors are running low on available work and need to identify and secure additional sources of future revenue.

The formula ABC uses to convert reported backlogs measured in dollars into months of available work is: current month’s level of backlogs (reported in dollars) ÷ fiscal year 2007 revenues (base year) × 12 = total months of forward-looking work under contract. To maximize the comparability of one month versus another, ABC has worked to achieve consistent reporting among survey sample participants. The effort has been supported by the longstanding relationship between ABC and its members, as well as carefully crafted communications with those responsible for responding to each monthly survey.

###

Associated Builders and Contractors (ABC) is a national association with 79 chapters representing 25,000 merit shop construction and construction-related firms with two million employees. Visit us at [www.abc.org](http://www.abc.org).

For more detailed regional, segment and company revenue specific data, download a PDF of the [charts and graphs](#) and the [methodology](#).