



ABC CONSTRUCTION BACKLOG INDICATOR (CBI) UP 8.9%

Nonresidential Construction Industry May Have Hit Bottom

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

For Immediate Release
September 22, 2009

WASHINGTON, D.C. – Associated Builders and Contractors (ABC) today reports that the nation’s Construction Backlog Indicator (CBI) for July rose 8.9 percent to 6.1 months from 5.6 months in June. The CBI is a gauge on the amount of construction work to be completed, measured in time, currently under contract.

“While the magnitude of the monthly increase was significant and impressive, June was the lowest point for the CBI since ABC began collecting national data in November 2008. At that time, the CBI stood at 7.1 months, or 14 percent above its current level of 6.1 months,” said ABC Chief Economist Anirban Basu.

“The July data strongly reflect the effects of the stimulus package signed into law in February on the commercial, institutional, industrial and infrastructure construction segments,” said Basu. “In the months ahead, we expect higher levels of actual construction spending, a welcome sign for the industry and the economy at large, and an indication that the downturn may be over for the nonresidential construction industry, though not all segments.”

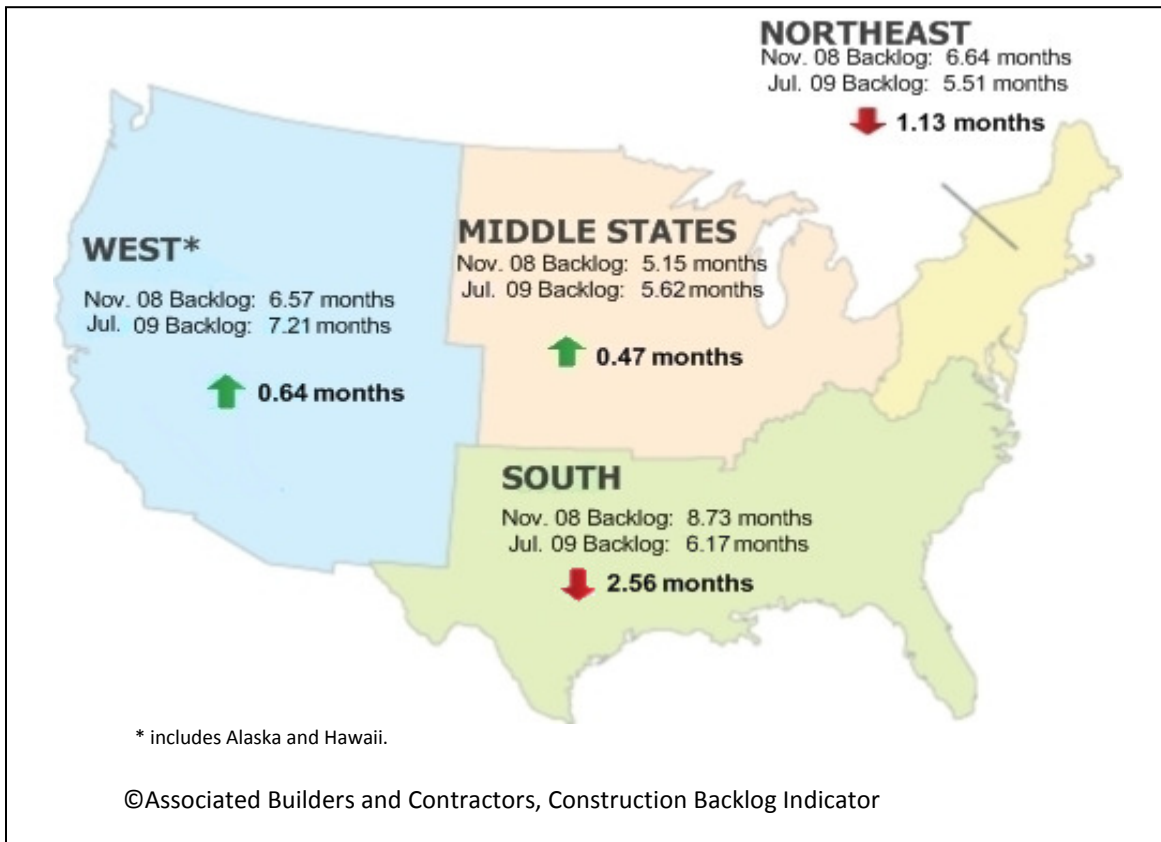
ABC’s CBI represents the only reliable leading economic indicator focused on the U.S. commercial, institutional, industrial and infrastructure construction industries at this level of detail. The indicator is published bi-monthly and data are collected from ABC members on an ongoing basis.

Regional Highlights

- Compared to June, the average backlog in July rose in the Northeast, Middle States and the West. However, the Northeast has the shortest backlog at 5.5 months.
- The longest backlog is in the West, where backlog rose 1.4 percent from 7.1 months in June to 7.2 months in July. Contractors in the Middle States collectively report a backlog of 5.6 months for July, up 21.7 percent from 4.6 months in June.

- In the South, backlog has declined steadily, falling 17.2 percent from 8.7 months in November 2008 to 6.2 months in July 2009.

CBI Map of Regions, November 2008 v. July 2009



“The most severe retrenchment in contracting activity since the nonresidential construction downturn began last year has been within the financial services on the East Coast and the economically weak South,” said Basu. “Presently, the South is disproportionately represented among the states with the highest unemployment rates, including Florida, Georgia, South Carolina, North Carolina and Mississippi. This is consistent with falling demand for construction services, and this is the region that has experienced the sharpest decline in backlog since November 2008.”

Industry Highlights

- All three industry segments: commercial/institutional, heavy industrial and infrastructure reported an increase in backlog in July relative to June. However, among the three industry groups, only infrastructure has experienced an increase in average backlog since November 2008.
- The infrastructure category backlog declined slightly in July compared to June, but still stands at 9.5 months, the best showing of any industry category.
- CBI for both the commercial/institutional and heavy industrial segments remains below 6 months.

“According to the CBI, the stimulus package passed in February has had the most direct impact on infrastructure construction,” said Basu. “Consequently, this is the nonresidential construction segment that has experienced the most improvement in

backlog since February. Backlog in the other two segments has been flat to declining since that time.”

Highlights by Company Size

- Backlog improved among smaller companies and declined slightly among larger companies. Companies with less than \$30 million in revenue collectively registered an increase in average backlog to 4.7 months in June compared to 5.7 months in July.
- Companies with annual revenues between \$30 million and \$50 million registered an average backlog of 4.7 months in July, up from 4.2 months in June.
- Conversely, companies with annual revenues in excess of \$100 million experienced a slight decline in average backlog from 7.5 months in June to 7.3 months in July.
- Since November 2008, average backlog is up in only one of the five firm size categories that ABC monitors, those with annual revenues between \$50 million and \$75 million.

“In July, the pre-existing trend shifted as smaller firms appeared to pick up a bit of momentum. This may be because these firms have been the most eager to line up new work in recent months and aggressive marketing and bidding among this group appears to be reflected in the backlog data. That said, larger firms generally continue to command longer and more stable average backlogs,” said Basu.

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 projects are due to begin in the near term, with predictable overall economic benefits. Conversely, a low backlog indicates fewer work 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 revenues.

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 2008 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 maximize consistent reporting among survey sample participants. The effort has been supported by the longstanding relationships 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.

Download a PDF of the CBI [charts and graphs](#) and the CBI [methodology](#).