



## **ABC’S CONSTRUCTION BACKLOG INDICATOR SHOWS NEW CONSTRUCTION ACTIVITY DOWN 18 PERCENT IN THE LAST YEAR**

**Despite Major Impact of Stimulus Package in 2009,  
New Construction Dramatically Declined**

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**WASHINGTON, D.C.** – Associated Builders and Contractors (ABC) today released its Construction Backlog Indicator (CBI) highlighting a full year’s worth of data in commercial, industrial, institutional and infrastructure construction. The most recent CBI of 5.8 months from November 2009 is down 18 percent from November 2008. CBI is a forward-looking measurement of the amount of construction work currently contracted to be completed in the future.

“You can summarize three important points from the recent CBI data – the worst is over for the construction industry as a whole; the recovery may not be a sustained one; and the United States is rebuilding its infrastructure capacity,” said ABC Chief Economist Anirban Basu.

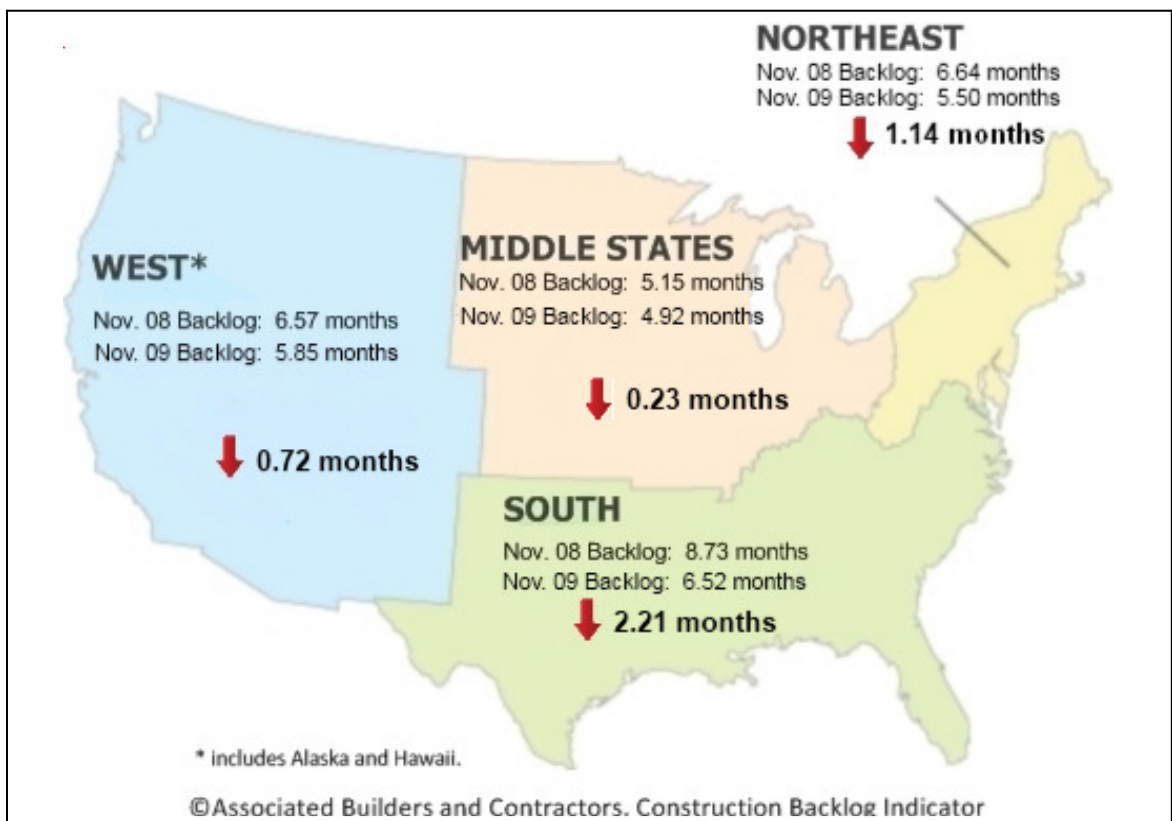
“Throughout 2009, the CBI for the infrastructure category has risen as stimulus spending began to flow, and that is now the healthiest average backlog at 10.9 months. However, despite the massive amount of federal dollars involved, smaller construction firms continue to suffer abnormally short backlogs, and there is very little evidence of improvement in backlog within the commercial and institutional category,” Basu added.

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.

## 2009 Regional Highlights

- Backlog in November 2009 in all four regions remains below levels from November 2008.
- November 2009 average backlog, compared to October 2009, expanded in the South and Middle States while declining in the West and Northeast. This is consistent with broader economic data that indicate the most forceful economic recoveries are taking place in commodity-intensive states such as Nebraska, South Dakota, Louisiana and Mississippi.
- The average backlog in the South is now 6.5 months, the longest of any region.
- Despite recent improvement, the Middle States continue to suffer the shortest average backlog at 4.9 months, largely a reflection of the ongoing economic malaise impacting the upper Midwest.

### CBI Map of Regions, November 2008 v. November 2009



### Regional Analysis

“There is ample evidence that the worst period of decline for nonresidential construction across the United States is now behind us. Though backlog remains well below levels from November 2008, backlog has bounced back from its cyclical low in each region of the nation,” said Basu. “For instance in February 2009, backlog in the Northeast stood at 4.7 months. Since that time, backlog has increased by more than four weeks. This pattern is repeated in all other geographies that ABC monitors. While this trend is encouraging, we cannot assume ongoing improvement will be sustained. Once stimulus monies begin to run out, backlog could begin to trend lower again.”

## **2009 Industry Highlights**

- In November 2009, the heavy industrial CBI category, at 7.53 months, experienced massive improvement in average backlog. Backlog has not been this high in this category since January 2009.
- The commercial and institutional category was the only segment that sustained a decline in backlog compared to November of 2008.
- Average backlog in the infrastructure category bounced back toward 11 months after weaker performance in September and October.

## **Industry Analysis**

“Improving confidence in the domestic and global economies, expanding exports, and rising inventory investment, as well as some thawing in credit markets, are likely responsible for the CBI’s increase,” said Basu. “America is rebuilding its capacity. Though the commercial and institutional category remains weak due to still sluggish labor markets, rising office vacancy rates and declining hotel occupancy rates, renewed investment in the heavy industrial and infrastructure categories indicates a brighter future for this sector.”

## **2009 Company Size Highlights**

- ABC monitors five firm size categories (less than \$30 million; \$30 million to \$50 million; \$50 million to \$75 million; \$75 million to \$100 million; and more than \$100 million). Of the five categories, three experienced an expansion in backlog in November 2009 from October 2009.
- With the exception of firms in the \$50 million to \$75 million category, firms in the remaining categories have seen average backlog below November 2008 levels.
- Larger companies, which are also often the most closely aligned to heavy industrial and infrastructure-related construction, continue to enjoy the longest average backlog at 8.5 months.
- By contrast, firms with revenues between \$10 million and \$30 million report average backlog of roughly 5 months, and firms with revenues between \$30 million and \$50 million report backlog of less than 5 months.

## **Company Size Analysis**

“Although CBI reflects a generally improving climate for nonresidential construction, it is apparent that many firms continue to struggle,” said Basu. “For instance, average backlog is now lower in the \$30 million to \$50 million annual business revenue category than it has been during any CBI survey period.”

## **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.

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*Associated Builders and Contractors (ABC) is a national association with 77 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).*