



ABC CONSTRUCTION BACKLOG INDICATOR FALLS 3.3 PERCENT

Lack of momentum in construction segments is “cause for concern”

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WASHINGTON, D.C. – Associated Builders and Contractors (ABC) today reports that its latest Construction Backlog Indicator (CBI) is sliding backward as the nation’s construction contract activity declined 3.3 percent in September to 6.7 months after falling more than 5 percent in August to 6.9 months. CBI is a forward-looking indicator that measures the amount of construction work under contract to be completed in the future.

“CBI is now edging back toward levels observed in early 2010 as new government stimulus-financed construction projects are no longer translating into additional backlog – a lack of momentum in three construction segments that is cause for concern,” said ABC Chief Economist Anirban Basu. “However, CBI remains well above its historic low point of 5.5 months recorded in January of this year.

“Construction backlog in the infrastructure-related sector is no longer expanding because fewer new contracts are being put on the table. For many months, the infrastructure category drove increases in backlog, but that is no longer occurring. Backlog in the infrastructure category is now approaching 9 months, down from more than 11 months during the early summer of 2010 while recovery in privately financed activities remains stalled, with the overall effect that backlog is now shrinking in that sector,” Basu said.

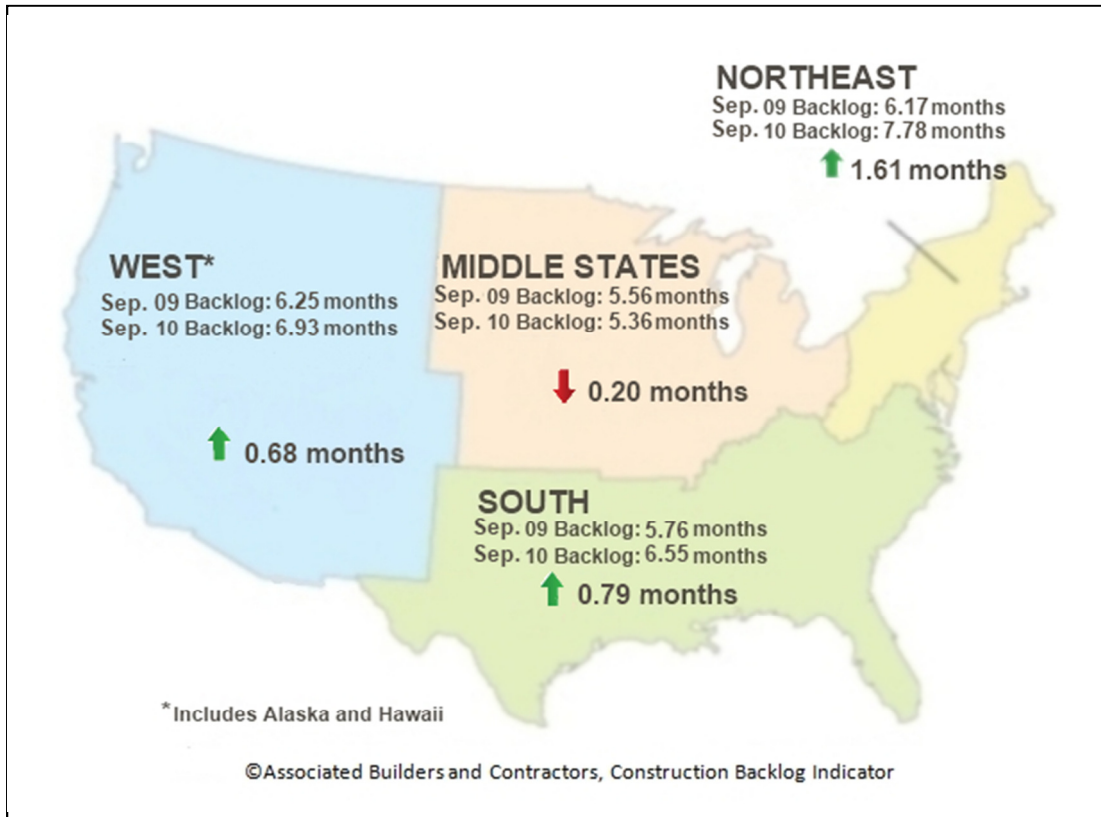
“The U.S. economic recovery is now roughly 17 months old and nonresidential construction activities typically lag the overall economy by 12 to 24 months, with the implication that privately financed activities should soon begin to show signs of rebound. However, through September, backlog in categories dominated by private financing has yet to expand on a sustained basis. ABC anticipates improvement in construction backlog in the industrial and commercial/institutional categories as the economy continues to recover. However, backlog may continue to decline in the infrastructure category as stimulus funds are steadily spent down,” Basu said.

Regional Highlights

- Compared to a year ago, all regions except for the Middle States saw an increase in construction backlog.

- Construction backlog in the Middle States experienced a slight decline from 5.6 months in September 2009 to 5.4 in September of this year.
- The Northeast saw the largest increase in construction backlog at 1.6 months from the same time last September.

CBI Map of Regions, September 2009 v. September 2010



Analysis

“The Northeastern United States has enjoyed a relatively stronger rebound in construction activity due to a host of factors, including healthier investment banks, increased federal government spending on military bases, expansion in the technological sector and stabilizing housing markets in large metropolitan areas. In contrast, the Middle States represent a study in contradictions, as relative economic strength in natural resource states is offset by ongoing economic weakness in the industrial Midwest,” said Basu.

Industry Highlights

- The infrastructure sector continues to report the largest average construction backlog at 9 months, though it is now shrinking. Between July and September, backlog in this category declined by more than one month.
- The heavy industrial category registered the largest expansion in construction backlog from 4.5 months in September 2009 to 6.5 months in September 2010.
- Construction backlog in the commercial and institutional sector grew by nearly one month from the same time last year.

Analysis

“Despite the improvement in year-over-year statistics, the lack of any discernible momentum in backlog across the three construction segments is cause for concern.

Steadily, the backlog data reflect the declining impact of construction starts related to the stimulus package passed in early 2009. The lack of momentum in privately financed activities suggests the construction industry may suffer a period of spending decline in 2011 before sustained momentum becomes apparent,” Basu said.

Highlights by Company Size

- Firms with annual revenues in excess of \$100 million have seen their construction backlog grow over the past year and now it stands at 8.6 months.
- In contrast, construction backlog for firms with annual revenues below \$30 million has fallen to 5.7 months.
- However, in comparison to September 2009, the length of backlog has improved for all firm size categories on average.

Analysis

“Despite the improvement in construction backlog during September among firms with annual revenue in excess of \$100 million per year, their backlog is no higher than it was during the summer months. In comparison, construction backlog among smaller firms has actually declined since the summer. This is an indication that many smaller firms continue to run out of work, which is consistent with other data that indicate a high rate of failure among small construction firms in America,” said Basu.

To read more about the latest CBI, click [here](#).

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