



## **Construction Backlog Indicator No Longer Expanding**

### **BUT, INFRASTRUCTURE BACKLOG IS HIGHEST AT 10 MONTHS**

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

For Immediate Release  
September 21, 2010

**WASHINGTON, D.C.** – Associated Builders and Contractors (ABC) today reports that its latest Construction Backlog Indicator (CBI) remained virtually unchanged in mid-summer. Based on a national survey of ABC members, construction backlog stood at 7 months in June and 7.3 months in July – up 20.4 percent from July 2009, but down 1.2 percent from CBI’s historic high of 7.4 months in April 2010. CBI is a forward-looking indicator that measures the amount of construction work under contract to be completed in the future.

“Construction backlog is no longer expanding despite the fact that backlog related to infrastructure continues to increase. This suggests that the recovery of privately financed activities remains slow,” said ABC Chief Economist Anirban Basu. “There are no indications, however, that overall construction business volume has begun to shrink; merely that backlog is no longer advancing.

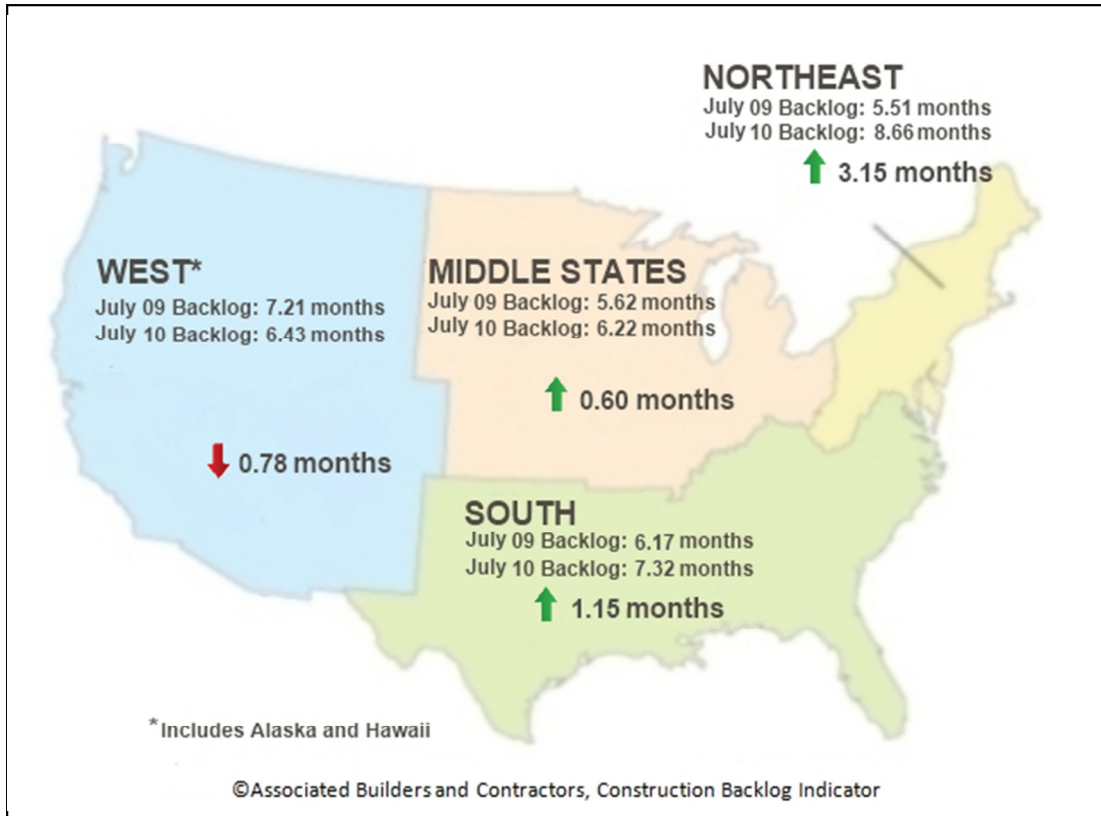
“The U.S. economic recovery is now roughly 12 months old. Nonresidential construction activities typically lag the overall economy by 12 to 24 months, with the implication that privately financed activities should soon begin to show signs of a rebound,” said Basu.

“However, there are reasons to believe that this moment in economic history will be a bit different from other economic recoveries due to a number of factors, including still rising office vacancy rates in many parts of the nation, extraordinarily slow job creation, tight credit and fears that the economic recovery will not persist. Therefore, the future path of the CBI is a mystery because construction’s recovery remains far from guaranteed,” Basu said.

#### **Regional Highlights**

- Compared to a year ago, all regions except for the West experienced a rise in construction backlog.
- The increase in construction backlog has been particularly profound in the Northeast, rising from 5.5 months in July 2009 to 8.7 months in July 2010.
- The Middle States ended July 2010 with the shortest construction backlog at 6.2 months.

## CBI Map of Regions, July 2009 v. July 2010



### Analysis

“The Northeastern U.S. has enjoyed a strong rebound in construction activity for a variety of reasons, including healthier investment banks, increased federal government spending on military bases and expansion in the technology sector. In contrast, the West continues to suffer disproportionately due to ongoing softness in economic activity in Arizona, California, Nevada and New Mexico,” said Basu.

### Industry Highlights

- Construction backlog in the commercial and institutional category now stands at 7.1 months, down from 7.2 months the previous three months.
- In the heavy industrial category, construction backlog slipped from 6.8 months in April to 6.7 months in July.
- Infrastructure backlog has been above 10 months for three consecutive months – the longest stretch for this category in CBI history.

### Analysis

“Construction backlog is roughly flat in sectors of the economy that heavily depend on private financing and remains elevated for segments that depend on public financing. This is cause for concern because publicly financed construction spending is set to decline sometime in 2011, and beyond,” Basu said.

### **Highlights by Company Size**

- Firms with annual revenue greater than \$100 million continue to experience the longest construction backlog at 8 months.
- Construction backlog for firms in the \$50 million to \$100 million category now stands at 7.7 months. However, backlog for this group is below the March 2010 level of 8 months.
- Firms with annual revenue below \$30 million have an average construction backlog of 6.5 months – the highest reading for this group in CBI history.

### **Analysis**

“The construction backlog data has shed considerable insight into the workings of the U.S. nonresidential construction sector. Backlog initially began rising among the largest firms, those with revenues in excess of \$100 million per year,” said Basu. “In contrast, smaller firms with annual revenue below \$30 million did not begin to experience upticks in construction backlog until early this year – a sign that business improvement tends to become apparent among the largest firms first, and then flows down to smaller construction contractors and subcontractors.”

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

###

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).