



CONSTRUCTION BACKLOG UP 4.5 PERCENT IN FIRST QUARTER OF 2010

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For Immediate Release
May 25, 2010

WASHINGTON, D.C. – Associated Builders and Contractors (ABC) today released its Construction Backlog Indicator (CBI) for the first quarter of 2010 showing a 4.5 percent increase in construction backlog orders to 6.07 months, up from 5.81 months in the fourth quarter of 2009. Over the two-month period from February to March of this year, CBI shot up 17 percent and now stands at 6.5 months.

While the CBI rose in all areas of the country except the West from February to March, the Northeastern United States is the only region to see a higher backlog when compared to March 2009. CBI is a forward-looking indicator that measures the amount of construction work under contract to be completed in the future.

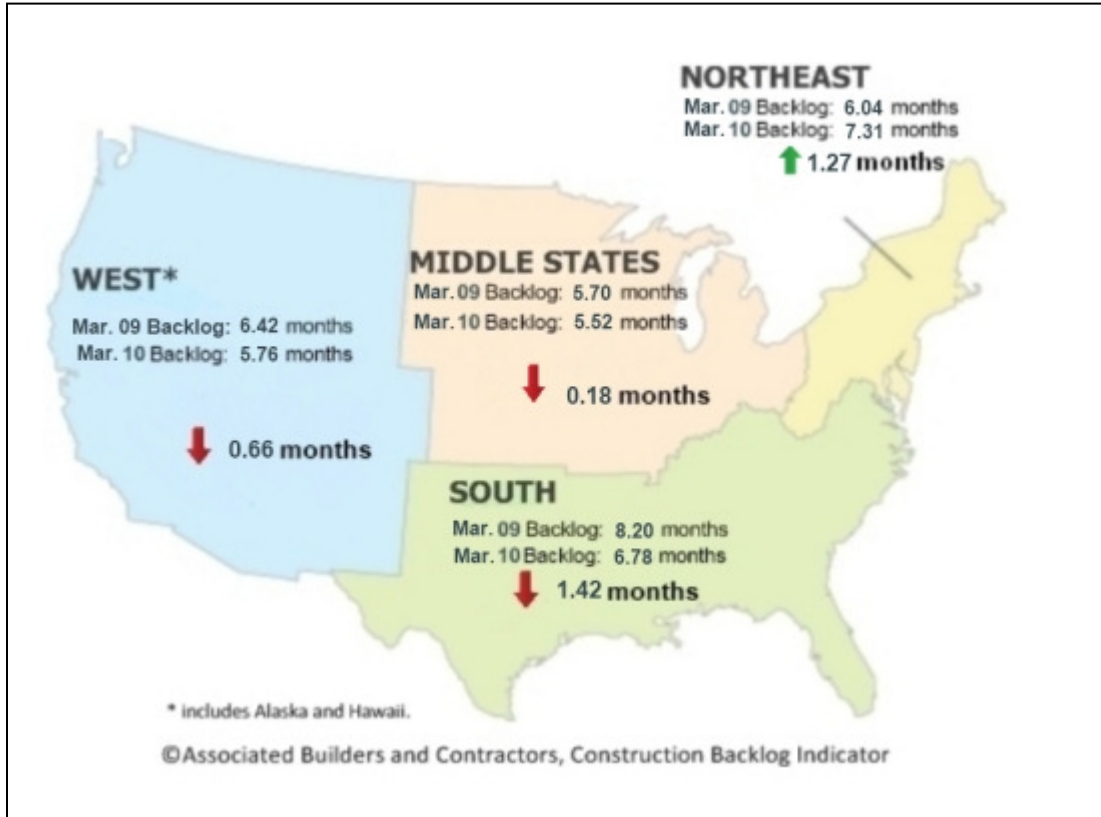
“The fact that the CBI is on the rise illustrates that the improvements recently seen in various other indicators, including construction spending, will continue through much of the balance of 2010,” said ABC Chief Economist Anirban Basu. “However, the overall impact of the recession may not be at an end or approaching an end. It remains too soon to tell whether the current momentum will continue through 2011.

“As an indicator, the nonresidential construction industry tends to lag the overall economy by 12 to 24 months. With the broader economy having been in recovery for the better part of a year, and with stimulus spending still having an impact, the expectation is that for now, backlog will remain stable or better in the months ahead,” Basu said. “Still, there are many forces at work that suggest that the sector’s recovery may not be sustained as stimulus monies are steadily drawn down and commercial construction remains weak due to high vacancy rates and tight credit,” Basu said.

Regional Highlights

- The Northeast presently enjoys the highest construction backlog at 7.31 months in March 2010.
- The South and Middle States have also been experiencing a rise in backlog, but are still down compared to the same time last year.
- In the West, backlog stands at 5.76 months in March 2010, roughly the same level as in August 2009, and has yet to demonstrate significant momentum.

CBI Map of Regions, March 2009 v. March 2010



Analysis

“Overall, the nation’s nonresidential construction industry is in the early stages of a rebound, and this is apparent in CBI statistics for the Northeast, South and Middle States. However, it appears momentum has stalled in the West, which may be due in part to the prevalence of serious state and local fiscal issues, as well as weak housing market performance,” said Basu.

Industry Highlights

- Backlog has been roughly flat for several months in the infrastructure category, posting at 9.33 months in March 2010.
- Backlog in both the heavy industrial and commercial/institutional categories have been on the rise, coming in respectively at 6.61 months and 6.31 months in March 2010.

Analysis

“Construction backlog is no longer falling, and in fact, was rising during the first quarter of 2010 – a sign that nonresidential construction’s rebound is spreading beyond government-financed projects and is increasingly private-sector motivated. It is important to note that the relative flatness of construction backlog in the infrastructure category shows that much of the money associated with the stimulus package has been obligated and is already reflected in backlog,” Basu said.

Highlights by Company Size

- Those firms with annual revenue less than \$30 million, those with revenue between \$50 million and \$100 million, and companies with revenue in excess of \$100 million reported the greatest backlog increase in March 2010 compared to the previous month.
- Firms reporting revenue between \$50 million and \$100 million saw their backlog rise more than one month in March 2010 and now stands at 8 months compared to February 2010.
- In contrast, firms with annual revenue between \$30 million and \$50 million saw their backlog decrease 0.5 months from February to March.

Analysis

“Average backlog is now at its lowest level among firms with annual revenue in both the \$50 million to \$75 million category and the \$75 million to \$100 million category. Many of these firms appear to be general contractors that continue to be underbid by larger firms with greater resources and greater capacity to undertake projects with little or no profit margin built into their bids. In addition, larger firms may also be more likely to maintain productive banking relationships, allowing them to more nimbly access available contractual opportunities,” said Basu. “As for contractors in the \$30 million and under category, the impact of the federal stimulus package, as well as an improving economy, is channeling down to them through subcontracting.”

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

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