Associated Builders and Contractors, Inc.

Construction Backlog INDICATOR

CONSTRUCTION BACKLOG INDICATOR EXPANDS TO 7 MONTHS

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WASHINGTON, D.C. – Associated Builders and Contractors (ABC) today reports that its latest Construction Backlog Indicator (CBI) increased to 7 months in May – a 27 percent increase from January of this year. CBI is a forward-looking indicator that measures the amount of construction work under contract to be completed in the future.

“Construction backlog continues to edge higher and has generally been on an upward trajectory since late-2009,” said ABC Chief Economist Anirban Basu. “But it’s not clear whether this level can be sustained.

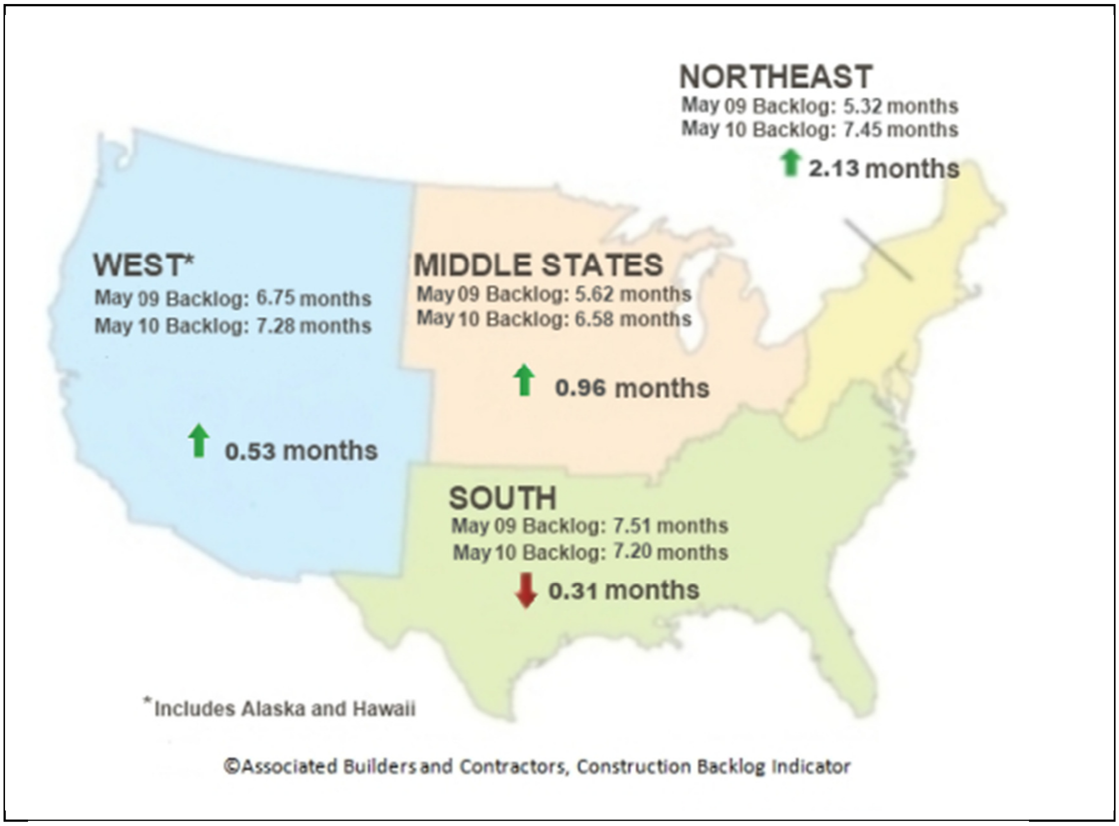
“While this latest data indicate a broader improvement in nonresidential construction activity, there may be several alarming reasons for the increase including the financial failure of competitor firms leaving more opportunities for surviving companies, or contractors accepting projects with lower profit margins,” Basu said.

“Backlog in the infrastructure category remains relatively high and there was improvement over the past two months in the commercial/institutional and heavy industrial categories, as well. However, whether the nonresidential construction rebound will continue to strengthen and broaden for the remainder of 2010 remains to be seen,” said Basu.

Regional Highlights

- Compared to a year ago, all regions but the South experienced a rise in backlog.
- As of May 2010, the Northeast reports the lengthiest backlog at roughly 7.5 months, the highest level for this region in the history of the survey.
- The Middle States report the shortest backlog at roughly 6.6 months. However, that represents a significant improvement over the 5.6 months in May 2009.

CBI Map of Regions, May 2009 v. May 2010



Analysis
"The impact of seasonal forces is apparent in the 2010 springtime data. However, the improvement in regional performance is explained by more than seasonality," said Basu. "As a greater share of stimulus-financed projects moves from money-obligated status to groundbreaking status, the expectation is that the improvement observed in recent months will continue in all major regions of the nation."

Industry Highlights

- Backlog in the commercial and institutional category stood at 7.2 months in April and 6.9 months in May. These figures represent some of the best performances since late-2008.
- Backlog related to the heavy industrial category is now at 7.86 months – the highest level in the history of the survey.
- Infrastructure continues to report the lengthiest backlog an 8.75 months; however, the May backlog reading for this category was at its lowest level in nearly a year.

Analysis
"The April-May report appears to be one of the most hopeful in the history of the series. For the first time, there is indication of a broadening nonresidential construction recovery, perhaps a reflection that credit conditions are beginning to thaw and that the broader economic recovery is finally being reflected in privately-financed nonresidential construction activities," Basu said.

Highlights by Company Size

- The firms with greater than $100 million annual revenue continue to enjoy the longest backlog at 9.4 months.
- Firms with revenue between $30 million and $50 million saw their backlog drop just one half month between April and May 2010.
- One year ago, firms with revenue less than $30 million reported a combined backlog of just 5 months. In May 2010, backlog in this category is up to 6.3 months.

Analysis

"With the exception of firms in the $100 million or more category, average backlog is up on a year-over-year basis in every size category. However, there is still reason to doubt the sustainability of the emerging nonresidential construction recovery for a variety of reasons, including ongoing underperformance of commercial real estate. There will need to be at least several more months of strengthening performance before one can conclude that nonresidential construction is on solid ground."

To read more about the latest CBI, click here.

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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.