# Methodology for ABC's Construction Backlog Indicator/Construction Confidence Indicator

Associated Builders and Contractors' monthly Construction Backlog Indicator is a forward-looking national economic indicator that reflects the amount of work already under contract but not yet performed by commercial, industrial and heavy highway/infrastructure contractors. A natural leading indicator, ABC's economic dataset incorporates more than a decade of responses from contractors located throughout the United States. It is the only leading indicator of its type that offers such an acute level of specificity regarding the future level of activity among construction firms.

## What Is Backlog?

Backlog is the amount of work, measured in dollars, that construction companies are already contracted to perform but have not yet completed. This figure is then converted to years/months based on the annual pace of construction sales. The greater the duration of backlog, the more comfortable contractors can be with respect to their near-term economic circumstances. Likewise, the smaller the value of backlog as a share of annual revenues, the less comfortable contractors are as they steadily work off that backlog. Backlog will tend to decline during periods of economic stress as contractors continue to deliver services yet enter into fewer new contracts.

## Methodology

This national assessment of construction backlog is based upon a confidential monthly survey sent to ABC member companies active in various nonresidential construction segments located throughout the United States. Each surveyed firm reports its respective revenues for the previous year along with its current level of backlog. Results are disaggregated by firm size, geography and construction segment. The formula ABC's chief economist utilizes to convert backlog measured in dollars into months of available work is:

$$\left( \frac{\textit{Current month's level of backlog}}{\textit{Prior fiscal year revenues}} \right) \times 12 = \textit{total months of forward-looking work under contract}$$

In order to maximize comparability of results from one month to the next, ABC has striven to encourage consistent reporting by individual member firms. This effort is supported in large measure by longstanding relationships between ABC and its members as well as by carefully crafted and timed communications with those responsible for responding to monthly surveys.

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## Segments and Regions

Backlog is calculated for each of the following segments and regions:

**Commercial/Institutional/Light Industrial:** office, retail, malls, restaurants, multifamily, mixed use, hotels/convention centers, arenas, stadiums, hospitals, nursing homes, assisted living centers, K–12 schools, colleges/universities, military bases, government research centers, distribution/fulfillment centers, warehouse space, flex space, data centers, etc.

**Heavy Industrial:** manufacturing facilities, refineries, agricultural processing plants, automotive factories, cracker facilities, etc.

**Infrastructure:** water supply, wastewater disposition, power generation/distribution, roads/highways/bridges, ports, telecommunications infrastructure, etc.

| Northeast | South | Middle States | West |
|---|---|---|---|
| Connecticut | Alabama | Illinois | Alaska |
| Delaware | Arkansas | Indiana | Arizona |
| District of Columbia | Florida | Iowa | California |
| Maine | Kentucky | Kansas | Colorado |
| Maryland | Louisiana | Michigan | Hawaii |
| Massachusetts | Mississippi | Minnesota | Idaho |
| New Hampshire | North Carolina | Missouri | Montana |
| New Jersey | Oklahoma | Nebraska | Nevada |
| New York | South Carolina | North Dakota | New Mexico |
| Pennsylvania | Georgia | Ohio | Oregon |
| Rhode Island | Tennessee | South Dakota | Utah |
| Vermont | Texas | Wisconsin | Washington |
| West Virginia | Virginia | | Wyoming |

## Methodology for ABC's Construction Confidence Index

Informed from the same ABC member survey as CBI, the **Construction Confidence Index** is a forward-looking national indicator reflecting contractors' expectations over the coming six-month period along three dimensions: sales, profits and staffing. Survey respondents indicate whether they expect activity/levels in each category to

**a) increase significantly,**

**b) increase slightly,**

**c) remain unchanged,**

**d) decrease slightly, or**

**e) decrease significantly.**

Survey results are then transformed into scaled readings ranging from 0 to 100, with 100 signifying that every respondent expects significant increases over the next six months. CCI readings above 50 indicate an expectation of generally improving conditions in the U.S. nonresidential construction industry, while readings below 50 indicate expectations of deteriorating conditions.

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