

The Data DIGest

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GDP, nonresidential construction improved in 2004 despite end-of-year slowdown

Real (net of inflation) **gross domestic product** (GDP) rose at a seasonally adjusted annual rate of 3.1% in the fourth quarter, a deceleration from the 4% pace in the third quarter, according to today's "advance" estimate from the Bureau of Economic Analysis. For 2004 as a whole, real GDP climbed 4.4%, the fastest rate since 1999. Fourth-quarter results were dragged down by a 3.9% drop in real exports of goods and services, a turnaround from the 6% advance in the third quarter. **Real gross domestic purchases**, a measure that excludes exports, rose 4.7%, which was comparable to the previous six quarters and showed that U.S. consumers and businesses have not cut back on purchases. **Real gross private investment in nonresidential structures** (including wells and mines) dropped 4.1% in the fourth quarter and 1.1% in the third. For the year, this measure rose 1%, the first increase since 2000, following decreases of 5.6% in 2003, 17.8% in 2002, and 2.3% in 2001. The **price index for private nonresidential structures** jumped 10% for the second straight quarter and accelerated for the sixth time in a row after being unchanged in the second quarter of 2003. In contrast, the GDP price index rose just 2% for the quarter and 2.1% for 2004 as a whole.

The **value of new construction starts** slipped 2% in December, seasonally adjusted, McGraw-Hill Construction reported today. For all of 2004, starts jumped 10%. (The data are not adjusted for price changes.) Of McGraw-Hill's three categories, **residential building** starts fell 2% in December but both single- and multi-family soared 16% for the year; nonresidential building also fell 2% in December and rose 3% for the year; nonbuilding construction was virtually unchanged for the month and rose 2% for the year. Vice president of economic affairs Robert Murray said, "the emerging expansion for commercial building became more broad-based during 2004, including the first increase for office construction after the steep declines in the prior three years. The institutional building sector in 2004 was mixed—renewed growth for healthcare facilities, but school construction was constrained by tight fiscal conditions for states and localities. Public works was also mixed—environmental projects rebounded after a weak 2003, but highway construction was essentially flat and bridge construction weakened." Gains in 2004 for **nonresidential building** categories included: offices, 15% (led by New York City but also in Atlanta, Chicago, Dallas, Los Angeles, and Phoenix); warehouses, 10%; healthcare, 9%; amusement-related, 7%; hotels, 7%; manufacturing-related, 6%; stores, 5%; and public buildings, 4%. School construction fell 7% and religious buildings and transportation terminals each dropped 2%. Among **nonbuilding** categories, water supply systems rose 13%; sewer construction, 8%; and highways, 1%. Electric utility construction tumbled 22%, bridges lost 13%, and river/harbor development work was unchanged.

"Companies leased twice as much new **warehouse space** in the fourth quarter as they did a year earlier and more than they did in the third quarter, according to new statistics from Reis Inc., a New York real-estate research firm," the *Wall Street Journal* reported Wednesday. Another report from Reis showed, "The nation's **retailers** added space in the fourth quarter," the *Journal* reported Tuesday. The net change in occupied space in strip malls was nine million square feet, the most in four years. "Reis projects new **strip-mall construction** of 28.5 million square feet for 2005, about 17% more than was built in 2004."

The **wind energy industry** constructed more than 20 new projects that added 389 megawatts (MW) of new generating equipment in 2004, a 77% decline from 2003, the American Wind Energy Assn. (AWEA) reported Thursday (www.awea.org). The production tax credit that sparked wind energy construction expired at the end of 2003 and was not renewed until October. AWEA predicted a record 2,000 MW of construction in 2005, with 200+ MW projects having been announced in New York, Washington, Wisconsin, and Minnesota.

Total compensation costs for civilian workers increased 0.7% in the fourth quarter, seasonally adjusted, moderating from the 0.9% gain from June to September, the Bureau of Labor Statistics (BLS) reported today. **Benefit costs** rose 1.4%, while **wage and salary costs** increased 0.4%, the smallest quarterly increase in wage and salaries in 2004. For the year, benefit costs accelerated to a 6.9% increase from 6.3% in 2003 and 5% in 2002. In contrast, wage and salary costs rose just 2.4% (vs. 2.9% in 2002 and 2003), the smallest rise in the 19-year history of the series. **Total compensation in construction** rose just 0.3% in the fourth quarter and 2.4% for the year; **wage and salary costs** inched up 0.1% in the quarter and 1.9% for the year.

On Wednesday, BLS released data on the **median usual weekly earnings** of full-time wage and salary workers by occupation and sex, based on the Census Bureau's monthly household survey. Among full-time wage and salary workers in construction and extraction occupations in the fourth quarter, there were 154,000 women (2.3% of the total) and 6,407,000 men. Median weekly earnings were \$471 for women, \$513 for men.