

# Simonson Says...

## AGC's Chief Economist Tells Contractors What He Sees In 2009

With contractors nationwide trying to navigate through uncertain financial waters, it helped to hear from construction's equivalent of an economic lighthouse.

One of the nation's most respected construction economic minds, AGC of America Chief Economist Ken Simonson, gave his overview of current economic conditions and his preview of what contractors can expect in 2009 during the Builders Association's Fall Meeting at the Hyatt Rosemont.

"I've been saying that I don't believe we're in a recession," said Simonson to a room packed with over 100 construction industry representatives. "I would say that my view is a little more pessimistic than it was awhile ago.

"From an industry standpoint, we're in now what I would call a stall. There would be a much needed boost if legislators would

make a sizable investment in infrastructure."

Simonson outlined which materials prices are rising and falling and why, in addition to pinpointing the strongest and weakest segments for construction growth.

Construction employment took over a six percent dive between July of 2007 and July of 2008, but wages went up over four percent in the same time period. Contractors were told they can expect a steady increase in prices for up to five years, with delivery of materials continuing to be subject to rising fuel prices.

Simonson's entire presentation is available online at [www.bldrs.org](http://www.bldrs.org).

Since the Fall Meeting, a stock market shake-up and the resulting bailout of some lenders by Congress, a number of banks have been less likely to lend funds to contractors (see related story). Simonson's publication on the AGC's website, the Data Digest, indicated a five percent dip in new construction starts during the month of September, as well as an anticipated steady dip in starts through 2009.

## Builders Association Honors Retiring Board Member



*At this year's Fall Meeting the Builders Association honored John O'Malley, retiring President of Case Foundation Company. John has spent most of his life in the deep foundations industry and has been President of Case for over 20 years.*

*While attending Loyola University, John worked as a laborer for the company, then advanced to Labor Foreman, Estimator, Project Manager, Vice President, and finally President. John has successfully led Case Foundation Company to become a widely respected full-service deep foundation specialist company.*

*John is a current member of the Builders Association Board of Directors and has served multiple terms on the board.*



Simonson

# Leading segments in 2008

<u>Segment</u>	2007		2008	
	<u>Billion \$</u>	<u>Change</u>	<u>Jan-July</u>	<u>Forecast</u>
Power	53	+34%	+33%	+20 to +30%
Energy	17	+55	+31	+20 to + 30
Communication	27	+22	+4	+5 to + 10
Hospitals	31	+14	+4	+5 to + 10
Higher Education	30	+13	+18	+10 to +15

Source: *Ken Simonson*

# Weaker segments in 2008

<u>Segment</u>	2007		2008	
	<u>Billion \$</u>	<u>Change</u>	<u>Jan-July</u>	<u>Forecast</u>
Lodging	29	+58%	+38%	-5 to 5 %
Office	65	+19	+16	0 to +5
Commercial	88	+16	+3	+ 1 to +4
Primary/Secondary	59	+15	+5	+3 to +6
Highway	76	+6	+3	+3 to +7

Source: *Ken Simonson*