

## Construction Outlook Stable With Room to Grow

Construction in the United States is at the forefront of the economy whether you realize it or not. This is due in part to recent and potential announcements that encompass a large part of the industry.

The long-disputed issue of softwood lumber being imported from Canada came to a head earlier in December when the United States International Trade Commission determined to uphold antidumping and countervailing duties set forth by the U.S. Department of Commerce. More information about the decision can be read [here](#).

Since America doesn't produce enough softwood lumber to meet its needs, it has to look elsewhere. The tariffs are expected to increase the price of an average single-family home next year by more than \$1,300, said National Association of Home Builders Chairman Granger MacDonald in a release. The protectionist measure comes at the expense of U.S. consumers.

Despite the dispute, there are moderate growth expectations in the U.S. in 2018, according to the *Construction Global—2018 Outlook* from Moody's Investors Service. Low interest rates and low debt service ratios are among the factors that will give residential construction a moderate pace. Nonresidential construction will also grow in 2018 behind billions of dollars in transportation funding.

This will likely occur when the long-awaited U.S. infrastructure plan is revealed, which is said to be in January after tax reform is settled. The reform could also play a large part in infrastructure. The Senate version of the bill maintained tax-exempt private activity bonds (PABs), while the House removed them. "It is absolutely crucial to our nation's future prosperity, growth and basic safety that private activity bonds are saved," said former Department of Housing and Urban Development Secretary Henry Cisneros in an article with *The Hill*.

PABs use private funds as construction finance for hospitals, schools, airports and other forms of infrastructure. The planned \$1 trillion infrastructure plan may not be enough, however. The Bipartisan Policy Center predicts the U.S. needs twice that amount in infrastructure, cited Cisneros. Doing away with PABs could cost New York City \$2.6 billion annually in affordable housing as well as shutting down Oregon's Facilities Authority, which helps finance schools.

Up to 20% of the U.S. infrastructure plan will come from federal spending, while the remainder will be from private investments or local funding, among other finance avenues. Despite a large infrastructure promise, U.S. "economic growth remains mostly slow, but persistent," said Associated Builders and Contractors (ABC) Chief Economist Anirban Basu in an article for *Construction Executive*.

Basu highlighted several topics in the construction industry including employment, which has been a well-known problem in construction. "As older, more-skilled construction workers leave the industry in larger numbers, construction firms are induced to look for replacements." The younger generation is not filling the gaps left by the Baby Boomers and others. This is causing firms to hire those without the skills needed, causing costs to go toward training and development rather than wage increases. The recession 10 years ago is also adding fuel to the fire as many skilled workers left and never returned, even when the economy did.

In spite of tax reform, the infrastructure plan, skilled-worker shortage, etc., the construction outlook is stable with the possibility to turn positive. Moody's still gives the industry a chance for a positive

outlook if organic revenue growth exceeds 6% in the next 12 to 18 months. Backlogs will also need to expand. ABC predicts nonresidential construction spending will expand next year, but beyond that is an uncertainty. There are a number of outside factors that could cause the 2019 and 2020 outlooks to falter, such as cyber attacks and asset prices. "For now, the outlook remains stable," concluded Basu.