-March 4 Coronavirus Survey
Media Call Remarks
2 pm EST, March 11, 2021

Welcome and thank you for joining us today. I'm Ken Simonson, chief economist for the Associated General Contractors of America. With me on this call are Curt Hellen, president of Tulsa, Oklahoma-based Stava Building Corporation, and Ali Mills, executive vice president of Plum Contracting, Inc. a highway construction company based in Pittsburgh, PA.

Today I'll lay out some of the key findings from our latest survey of construction firms' experiences and expectations regarding the impact of the pandemic on their projects, costs, labor force and outlook. Specifically, we wanted to measure how the pandemic has impacted the construction industry during the past 12 months. I will then ask Curt and Ali to share their observations about how the pandemic has impacted their businesses.

Our members perform every type of construction other than single-family, and we have been fortunate that they have responded in large enough numbers—more than 1400 filled out this survey—that we can break out our survey results by region, company size, and project type. We also have enough responses from 25 states that we have presented those results individually.

One year after the pandemic struck, it is still having severe—but also diverse effects—on construction firms. The survey results make it clear that the construction industry faces a variety of challenges that threaten to leave many firms and workers behind, even as some parts of the economy are recovering or even thriving. The pandemic has left the supply chain for a range of key construction components in tatters and undermined demand for a host of private-sector projects.

An overwhelming 93 percent of the survey's respondents report the pandemic has driven up their costs. Four out of five are spending more on personal protective equipment, sanitizers, and other health-related expenses. More than half say that projects are taking longer than previously.

Costs and delayed deliveries of materials, parts, and supplies are vexing many contractors. Eighty-five percent of respondents report those costs have increased over the past year. In addition, 71% of the firms are currently experiencing project delays and disruptions, mainly due to shortages of materials, equipment, or parts. That is only a slight improvement from the 78% who reported such problems in our October survey. Nine out of ten firms that are incurring such delays cite backlogs and shutdowns at domestic producers, such as factories, mills, and fabricators. Half of the firms also blame backlogs or shutdowns at foreign producers.

More than three-fourths of the respondents reported having at least one project canceled or postponed in the past year, including roughly one out of five with a 2021 project that has been canceled or postponed. Meanwhile, only one-fifth of respondents say they have won new projects or add-ons to existing projects in the past two months as a result of the pandemic.

The prevalence of those shortages varies by project type. About six out of 10 building contractors reported shortages of materials, equipment, or parts, compared to roughly five out of 10 firms doing utility infrastructure or federal and heavy construction and four out of 10 highway contractors.

In contrast to the nearly universal reports of higher costs, just under one out of three firms reports any cost *savings* as a result of the pandemic. Most of those firms cited reduced travel costs, while only 5% say they have achieved savings through new or expanded use of jobsite techniques or technologies.

In a sign that the pandemic has had very different effects on construction firms, about one-third of firms say business matches or exceeds year-ago levels, while another third say it will take more than six months to reach that mark, and one-fifth say they don’t know. That split is almost unchanged from what contractors reported in our October survey. Respondents in the Northeast are the most pessimistic about the outlook, followed by firms in the South. Firms from the Midwest are divided along the same lines as the full survey, while respondents in the West are more optimistic, on balance.

The largest firms—those with more than $500 million in revenue—were the most likely to have won additional work and to say their revenues match or exceed year-ago levels. More than two-fifths of those firms reported winning additional projects and more than half say revenue is equal to or higher than a year ago. Those percentages were roughly double the shares for firms with less than $50 million in revenue.

Despite these differences in experience to date and the near-term outlook, contractors from all regions,