



## Q1 2020: RICS/AAACE US Construction and Infrastructure Survey

# Workloads fall as coronavirus outbreak hits economic activity

- Most sectors see workloads decline in Q1
- Twelve-month expectations scaled back significantly with profit margins and headcounts seen falling
- Financial constraints and skill shortages still key impediments across the industry

As the economic fallout from the ongoing Covid-19 outbreak takes hold, it is unsurprising that the Q1 2020 RICS/AAACE US Construction and Infrastructure Survey results show a significant deterioration in market sentiment.

Having increased firmly during the final quarter of 2019, total workloads fell in Q1, with the net balance deteriorating from +45% to -12%. Looking into the breakdown by sector, private industrial and commercial workloads suffered the most noticeable quarterly declines (posting net balances of -17% and -16% respectively). At the other end of the scale, the feedback received points to a more resilient trend in the public residential sector, as workloads reportedly edged slightly higher throughout Q1 as a whole.

In the infrastructure sector, the headline workloads net balance fell to +5% in Q1, down from a reading of +54% previously. Within this, workloads on harbours, road, and rail projects saw the steepest declines over the quarter. By way of contrast, respondents report that activity continued to rise (albeit at a moderated pace) in the communications and airports sectors.

There also seems to be a split between changes in workloads for new projects and those for repair and maintenance work. Indeed, while the former experienced a noticeable fall over the quarter, the latter has held up much better (at least for the time being). Nevertheless, overall profit margins were reported to have fallen in Q1, following a steady trend in Q4.

56% of survey participants view financial constraints as a critical impediment to market activity, while 65% cite a shortage of skilled labour to be causing

difficulties.

Turning to the outlook, twelve-month expectations were downgraded across all categories compared to Q4. For infrastructure, the net balance of respondents expecting an increase in workloads over the year ahead fell to just +5%, sharply lower than +63% last time. For non-infrastructure workloads, expectations have turned completely flat and now standing at zero (compared to a reading of +63% in Q4). Alongside this, a net balance of -12% of contributors now expect headcounts to contract (net balance was +73% in Q4). Lastly, a net balance of -30% of respondents expect profit margins to be further squeezed in the twelve months ahead.

Chart 1: Current Workloads

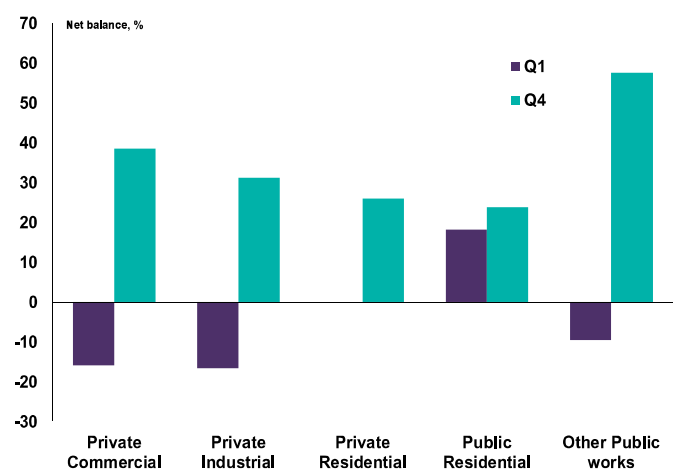


Chart 2: Current Conditions

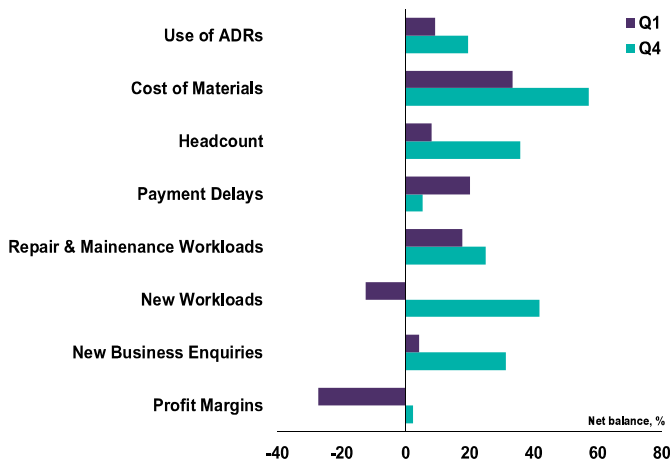


Chart 3: Infrastructure Workloads

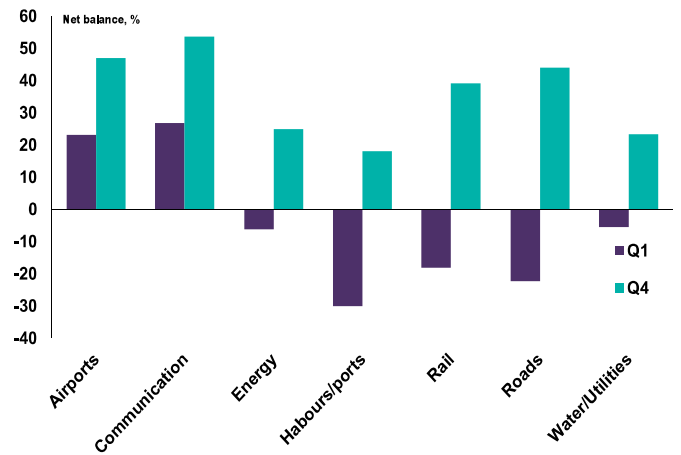


Chart 4: Factors Holding Back Activity



Chart 5: Skills Shortages

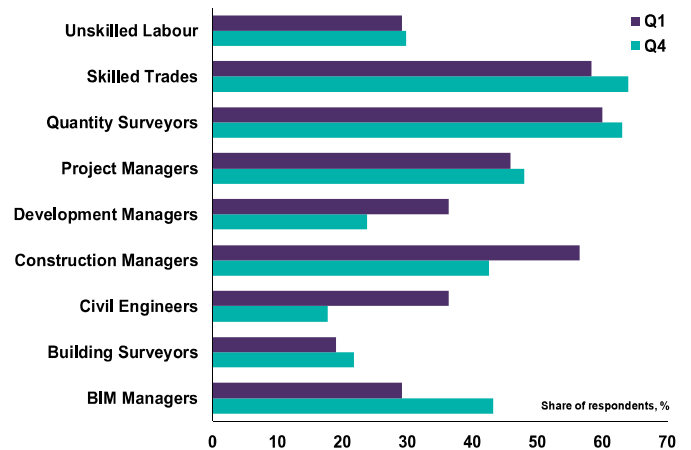


Chart 6: 12-month Expectations

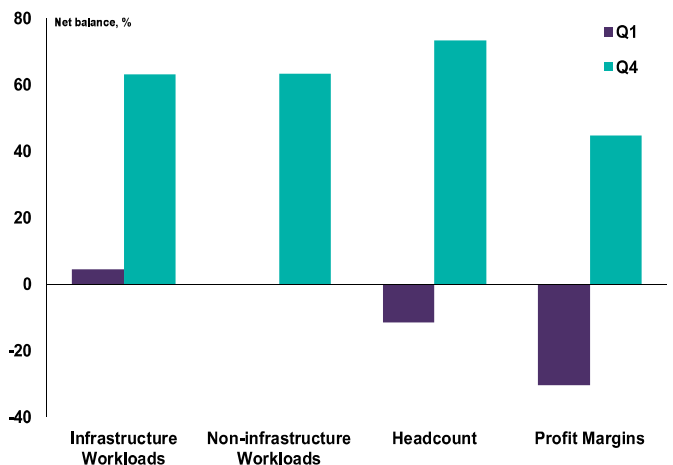
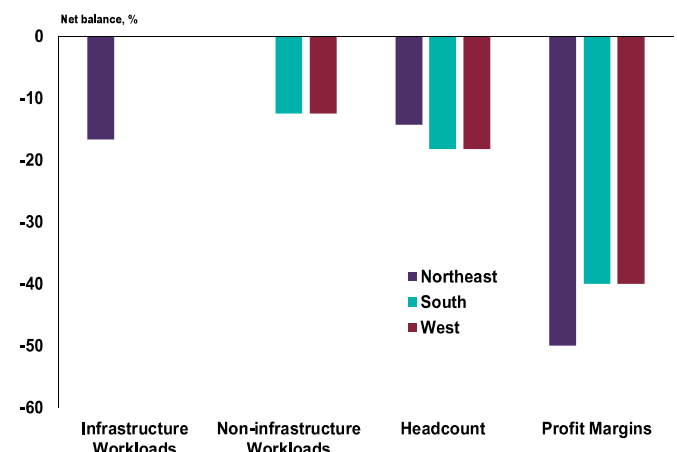


Chart 7: 12-month Expectations - Regional



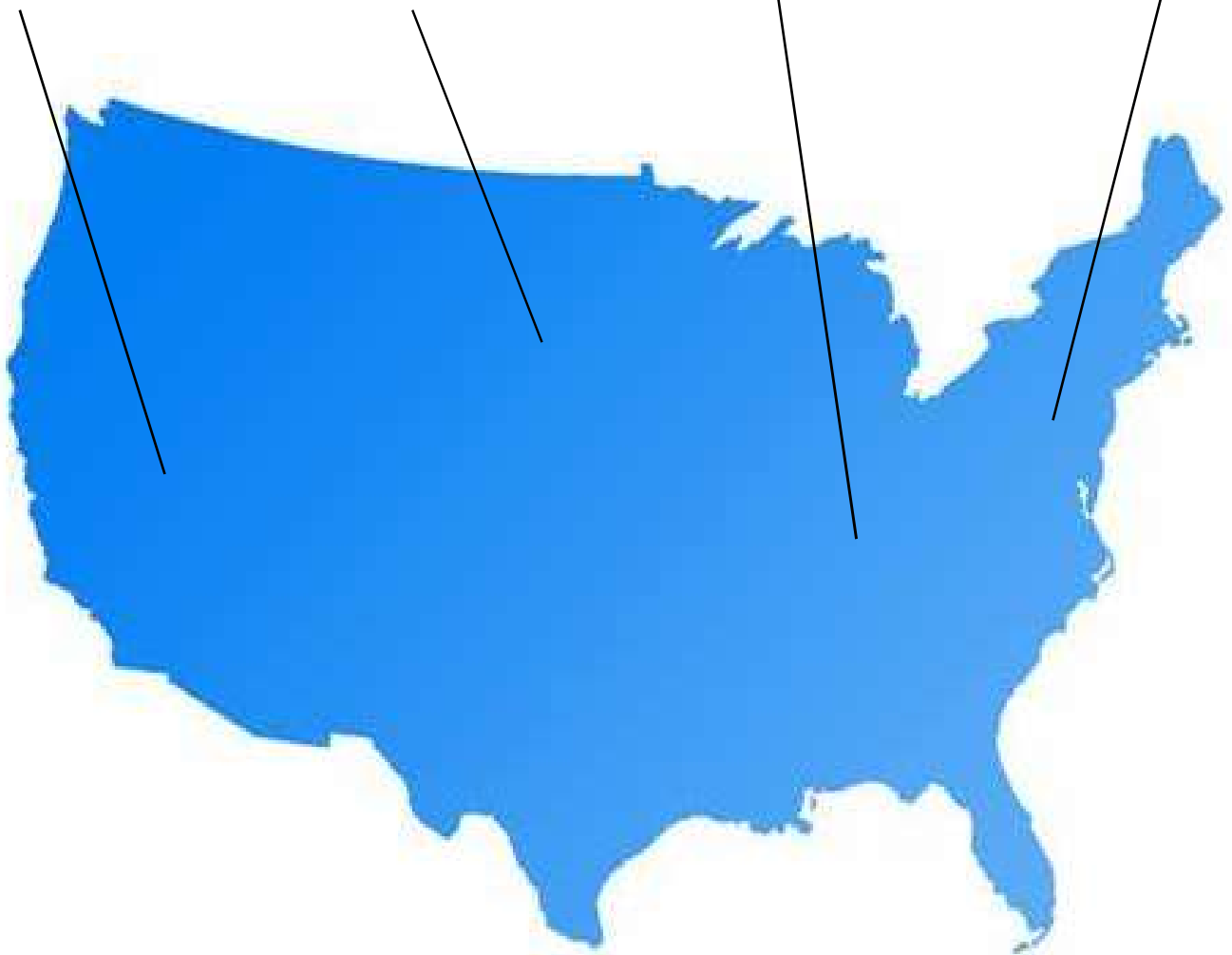
## Comments from Survey Participants in US

“Coronavirus / Covid-19 impacting on travel i.e. labour, materials and equipment”

“The Covid-19 outbreak has shut a lot of work down. Any new work will have a lot of competition.”

“Clearly the industry is affected by quarantine restrictions due to COVID-19.”

“Coronavirus will decimate workloads”



## RICS/AACE Consensus Expectations

### Tender Prices & Construction Costs (Next 12 months)

	Tender Prices	Tender Prices	Construction Costs	Construction Costs	Construction Costs
	Building	Civil Engineering	Commercial	Residential	Total
<b>US</b>	<b>2.40</b>	<b>2.04</b>	<b>2.44</b>	<b>1.70</b>	<b>1.81</b>
North East	2.29	0.17	-0.60	-0.50	0.71
South	4.13	4.38	3.38	1.63	4.13
West	1.23	1.30	3.14	2.85	0.82

# Information

## Construction and Infrastructure Survey

The RICS/AACE US Construction and Infrastructure Survey is a quarterly guide to the trends in the construction and infrastructure markets. The report is available both on the RICS website [www.rics.org/economics](http://www.rics.org/economics) and the AACE website <https://web.aacei.org/>.

## Methodology

Survey questionnaires were sent out on 11 March 2020 with responses received until 16 April 2020. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1323 company responses were received globally. Results are collated at a country level with regional results only reported if a minimum of ten responses received. Responses in Canada were collected in conjunction with the Canadian Institute of Quantity Surveyors. Responses in the United States were collected in conjunction with the Association for the Advancement of Cost Engineering.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

## Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: [economics@rics.org](mailto:economics@rics.org)

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