



## Energy projects help carry construction backlog in South

By: Christian Moises, News Editor February 14, 2012 0

The South continues to lead the nation with construction projects with a 14.7 percent jump in the fourth quarter compared with the same time frame last year. That's according to the Associated Builders and Contractors construction backlog indicator released today.

The CBI is a forward-looking measure of the amount of construction work under contract to be completed in the future. The backlog in southern states was down a half a month during the fourth quarter compared with the third quarter but up 1.14 months compared with the same time in 2010.

There is now 8.92 months of work waiting in the wings compared with 9.41 months in the third quarter and 7.78 months in the fourth quarter of 2010.

The national backlog was down 3.2 percent over the third quarter, from 8.1 months to 7.8 months, but up was still up 10.9 percent over the year.

Anirban Basu, the ABC's chief economist, says he expects those numbers to grow.

"Overall, the latest CBI numbers indicate a degree of stalling in the recovery of the nation's nonresidential construction industry, likely due to a combination of the soft patch that developed in the broader economy early last year, a number of seasonal factors and the winding down of federal stimulus projects," Basu said. "But the good news is that given the recent acceleration in economic and employment growth, CBI is positioned to rebound more forcefully during the quarters ahead."

Basu noted that investment the South is the region most positively impacted by rebounding nonresidential construction, largely because of its energy-related projects. Companies in the South, some of which are located in high-growth states such as Louisiana, Oklahoma and Texas, reported the lengthiest backlog at 8.9 months, up 14.7 percent from the fourth quarter of 2010.

The average nationwide backlog was the highest among mid-sized firms, or those making between \$50 and \$100 million annually, at 8.6 months, less than the 10.3 months in the third quarter but more than the 6.7 months in the fourth quarter of 2010. Firms in the \$30-\$50 million range saw a quarter-over-quarter drop to 6.7 months from 8.6 months in the third quarter, but made a large gain from 4 months in 2010.

Firms that make more than \$100 million a year, meanwhile, saw a drop to 7.5 months from 9.3 months in the third quarter and from 8.4 months in 2010. Small firms, or those that make less than \$30 million a year, remained flat at 6 months during the fourth quarter compared with the previous quarter but were up from 4.5 months a year earlier.

"The most important finding in this quarter's report is the growing construction activity taking place among smaller firms," Basu said. "Early in the recovery, the lion's share of construction work seemed to favor firms with annual revenues in excess of \$50 million. This had much to do with federal infrastructure spending. As the economic recovery has broadened to encompass more construction segments, work has steadily spread to smaller firms — a trend that is likely to continue."

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