

Commercial Construction Index Falls Sharply in the Second Quarter

The USG + U.S. Chamber [Commerical Construction Index](#) (CCI) for the second quarter stands at 56. That is an 18-point drop from the first quarter when the index stood at 74. This is the steepest drop in the CCI since its inception in 2017. However, there is reason for optimism for the industry despite this decline.

It is not surprising that the index would dip in the second quarter. The survey of contractors was conducted from April 4th to the 27th in the middle of the peak of the COVID-19 pandemic and Great Pause of the economy. The health and safety of their workers was the contractors' main concern according to the survey.

The CCI measures the health of the contractor segment of the U.S. commercial construction industry, which includes the following types of buildings: office, retail, hospitality, education, healthcare, multifamily residential (mid- and high-rise), government, warehouses, airport terminals and other transportation buildings.

The CCI consists of three components: contractor's backlogs, confidence in new business, and expected revenue growth. All three segments of the index declined in the second quarter. Confidence and revenue expectations both fell by 26 points. Backlogs only dropped 3 points from the first quarter. The steep declines in confidence and revenue expectations drove the overall index to its large fall.

It is likely that the commercial construction industry is doing better than it was when the survey was conducted though. The economy has reopened in many places in recent weeks. This has allowed construction to pick up in places where it stopped or was slowed.

The housing market is a good comparison for the commercial construction industry. Housing data rebounded strongly for May, including housing starts and building permits, which should be good barometers of commercial construction. If conducted now, the CCI would likely see a similar rebound.

Although the economy has a long way to go to recover from the COVID-19 shock, the commercial construction industry should improve in the third quarter along with the rest of the economy.

Tomorrow at 11:00 a.m. ET the U.S. Chamber is hosting a panel to discuss COVID-19's impact on the commercial construction industry and its implications for broader economic recovery. Register [here](#).

–Curtis Dubay, Senior Economist, U.S. Chamber of Commerce