

Delta Variant Slowing Down Construction Recovery

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The Delta variant casts a cloud over the construction industry's prospects in 2022. But without it, Anirban Basu, chief construction economist for **Marcum**, a national accounting and consulting services company, warned. Basu also sees inflation as a threat. Elevated inflation is expected to persist until 2022 as global suppliers try to catch up with the growing demand for goods and services. As a result, contractors should carefully incorporate contingencies into their contracts to guard themselves against material price spikes.

According to the recently published **Marcum Commercial Construction Index** for the second quarter of 2021, the building sector has trailed behind the broader economic recovery, with residential development outperforming nonresidential construction.

According to Richard Branch, chief economist at Dodge Data & Analytics, the Covid-19 Delta variant has the potential to impede construction starts this year, saying that this risk cannot be entirely discounted.

Dodge Data & Analytics said that construction starts dropped 3% in July to a seasonally adjusted annual rate of \$854.8 billion. Each of the three main sectors—residential, nonresidential building, and nonbuilding—has dropped in spending.

According to a recent GlobeSt.com story, Dodge discovered that commercial planning decreased 3%, and institutional planning plummeted 9% in July due to increased material costs and skilled labor shortages. Despite the decrease, the Dodge Momentum Index remains around 2018 levels, according to the firm. Additionally, the index was 25% higher than in July 2020, with institutional planning increasing by 27% and commercial planning increasing by 25% year over year.

The National Association of Home Builders (NAHB) projected in July that labor shortages would become a growing issue for contractors and civil engineering companies in the coming months. NAHB Chief Economist Robert Dietz stated that the building sector needs more employees to expand home supply. He said that to achieve this, labor force participation must improve beyond the present rate of 61.6 percent in both construction and the entire economy.