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Construction Backlog Indicator (CBI) Down 9 Percent in January

WASHINGTON, D.C. (March 24, 2010) - Associated Builders and Contractors (ABC) today reports that its Construction Backlog Indicator (CBI) sharply declined by 9 percent between November 2009 and January 2010. CBI has slipped 16.3 percent during the last year and currently stands at 5.5 months, the lowest point reported in the 15 months ABC has gathered data. CBI is a forward-looking indicator that measures the amount of construction work under contract to be completed in the future.

"The fact that the CBI is now at its lowest point since ABC began measuring the statistic in November 2008 indicates that the nation's nonresidential construction industry remains mired in its own recession," said ABC Chief Economist Anirban Basu.

"Nonresidential construction tends to lag the overall economy by 12 to 24 months. With the broader economy having been in a slow recovery for roughly three quarters, and with the stimulus package still having an impact, the hope had been that some signs of backlog stability would be apparent by now. However, all indications continue to point toward an ongoing decline in the commercial and industrial construction industry," Basu said.

Regional Highlights

Between January 2009 and January 2010, average backlog was down in each of the geographic regions, except for the Middle States. Particularly sharp declines occurred in the Northeast and the South,

which have both experienced declines of roughly half a month of backlog during the past two months.

The sharpest regional decline occurred in the South, falling from 8.12 months in January 2009 to 6.03 months in January 2010.

CBI Map of Regions, January 2009 v. January 2010



Regional Analysis

"While most regions experienced a decline in average backlog during the latest two-month period, with the exception of the Middle States, the pace of decline was quite modest. Overall, the data are consistent with the notion that while the pace of decline continues to slow, the downward trend is evident in virtually every region of the nation."

Industry Highlights

The average backlog fell in all three industry segments – commercial/institutional, industrial and infrastructure – between January 2009 and January 2010.

Between November 2009 and January 2010, average backlog in the infrastructure category fell by precisely two months.

At 5.3 months, backlog in the commercial and institutional category now stands at its lowest level in the survey's history.

Industry Analysis

"The data indicate that infrastructure-related work, attributable to the stimulus package passed in February 2009, is no longer generating substantial new backlog now that the funds have largely been obligated to current projects under way. The elevated backlog readings of previous months are associated with substantial levels of ongoing construction, but the decline in backlog signals an eventual downturn in infrastructure-related construction spending."

Highlights by Company Size

With the exception of firms in the \$30 million to \$50 million category, average backlog declined for every size category.

No firm in the \$75 million to \$100 million category reported an average backlog of more than five months, and many reported backlog between three and four months.

Firms with annual revenues in excess of \$100 million reported the lengthiest backlog, although backlog for this group has been declining overall in recent months.

Company Size Analysis

"Average backlog is now at its lowest level in both the \$50 million to \$75 million and the \$75 million to \$100 million categories. Many of these firms appear to be general contractors that continue to be underbid by larger firms with greater resources and greater capacity to undertake projects with little or no profit margin built into their bids. Larger firms also may be more likely to maintain productive banking relationships, allowing them to more nimbly access available contractual opportunities."

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