

Economics

WORK-ON-THE-BOARDS Survey

Another Dip in Billings in June

With weak first half, firms have modest expectations for year

Billings at U.S. architecture firms in June show that they are not completely out of the woods yet. After two months of gains, billings dipped again in June, with over a quarter of firms reporting a decline from May levels. Firms in all of the major regions indicated somewhat weaker conditions in June. Through the first half of 2001, firms have reported monthly declines in four of the six months.

Residential firms, and firms with a mixed practice (where no major building sector accounts for half of their business) generally reported the sharpest drop. In contrast, firms concentrating in the commercial/industrial sectors, as well as firms concentrating on institutional buildings, reported flat billings as well as a healthy increase in inquiries for new projects.

Amazing housing starts...

There continue to be optimistic signs in the broader economy, although pockets of weakness remain. The index of leading economic indicators, which tracks emerging trends in the economy, has increased for three straight months. Housing starts continue to amaze. They increased again in June, and are running slightly ahead of last year's levels nationally, and substantially ahead of last year's levels in the West. Consumer confidence figures, which generally gauge the consumer's comfort level with the economic environment, increased in May and June as well as in the preliminary July figures released by the University of Michigan.

...but the news is mixed

However, all is not rosy on the economic front. There was a decline in business payrolls during the second quarter, which could produce a decline in overall economic activity during this past quarter. If that turns out to be the case, it will be the first decline in the economy since the first quarter of 1993. The national unemployment rate has crept up to 4.5%, the highest level since late 1998. And—in spite of falling oil prices, which produced a drop in producer prices last month—consumer prices continue to tick up, igniting renewed concerns about inflation.

Optimism in terms of the near-term outlook comes from the sharp cut in interest rates so far this year, as well as hints from

the Federal Reserve that more cuts may be on the way. The tax cut legislation and tax rebate will also help pump some energy into the economy later this year.

Modest expectations for architects

Even with optimism for improvement in business conditions over the second half of the year, architecture firms have modest expectations for overall growth for 2001. With billings having declined four of the first six months, these modest expectations are no doubt warranted.

Almost a third of firms are expecting their net billings to decline this year. Another 30% are expecting them to remain flat. The remaining 38% anticipate gains, with almost a third of these expecting growth in billings of 10% or more over 2000 levels.

Overall, firms are expecting a 2.0% to 2.5% increase in billings this year.

Firms with an institutional focus are projecting the strongest gains—in the 4% to 5% range—while firms with a commercial/industrial focus are expecting the weakest gains—under 2%. In general, larger firms are expecting stronger growth this year than smaller firms.

—Kermit Baker

