

Economics

WORK-ON-THE-BOARDS Survey

Business Conditions at Firms Remain Stalled in July *Institutional buildings strengthening; commercial/industrial weakening*



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Billings at U.S. architecture firms dropped again in July, having now declined for five of the first seven months of the year. Potentially of greater concern, however, is that almost as many firms reported a decline in inquiries for new projects as reported an increase. So, while the index for billings is off modestly from a year ago, inquiries have fallen sharply.

Curiously, trends in billings and inquiries vary considerably across firms serving different building sectors. Residential firms (with half or more of their work in this sector) reported stable billings in July compared to June levels, but a sharp decline in inquiries for new work. In contrast, commercial/industrial firms reported a substantial decline in billings in July but a sharp growth in inquiries for new work. Firms serving the institutional sector reported stable billings and a modest increase in inquiries. The weakness in inquiries, therefore, is largely centered in the residential sector.

Regionally, billings were stable among firms in the South and off for firms in other regions. The decline was steepest among firms in the West. Over the past year, billings have fallen off the most among firms in the Northeast.

Waiting for improvement

While the national economy seems to have stabilized, signs of improvement are elusive. Business payrolls have declined three of the past four months. Though the economy eked out a small gain during the second quarter (0.7% at an an-

nual rate), even that sobering report overstates the economy's health. When government purchases are netted out, the private economy actually showed a small decline during the quarter.

The construction sector is beginning to mirror the broader economy. Construction employment declined two of the three months last quarter and was flat in July. F.W. Dodge reports that construction contracts through the first six months of the year are essentially unchanged from year-ago levels, with declines in the nonresidential sector and modest gains in the residential and nonbuilding sectors.

Conditions vary by sector

While there continues to be an easing in the construction industry, conditions vary considerably from sector to sector. We asked our panel of firms this month to report on construction conditions in their area for the sectors that they serve. The commercial/industrial markets are clearly

the weakest, with three to four times as many firms reporting weakening conditions among these building types as reported strengthening.

The residential sectors are generally holding their own. A higher share of firms, however, reports weakening in the multifamily sector compared to single-family homes. The institutional sectors are uniformly very strong. Educational buildings,

in particular, are viewed with a great deal of optimism. Over 40% of firms that serve this sector report strengthening conditions. Justice, other institutional (e.g. cultural, religious, amusement, recreational), and health facilities are all viewed favorably, with about a quarter of firms viewing conditions as strengthening and 15-20% viewing them as weakening. ■

