

Economics

Weak Business Conditions Continue at Firms in November *In spite of uncertain outlook, substantial share of firms plan on expanding next year*



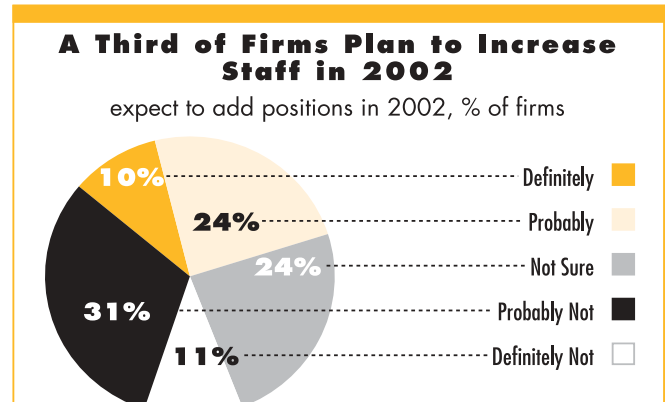
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Billings at U.S. architecture firms declined in November, marking the third straight month that a significantly higher share of firms reported declines from the previous month than reported increases. However, there is some evidence that business conditions will improve in the near future. For the first time since August, more firms reported gains in inquiries for new projects than reported declines.

Regionally, the greatest decline in billings continues to be among firms in the Northeast and the West. Inquiries, however, increased in November at firms in all regions except the Northeast. By building sector, billings were stable at firms that concentrate their practice in the residential sector, while inquiries for new work increased substantially. Firms that concentrate in the commercial/industrial sector saw a sharp decline in billings and a modest decline in inquiries. Firms concentrating in the institutional sector reported a slight decline in billings, with stable inquiries.

The overall economy, which was recently announced to have entered into recession beginning last April, remains weak. Economic activity declined by more than 1% at an annual rate in the third quarter, and the expectation is for a decline of that magnitude or greater when the fourth quarter numbers are released. The employment numbers are particularly troubling. Since March, U.S. payrolls have declined by over 1.2 million, with almost a million of those losses occurring since August. The national unemployment rate has climbed from 4.3% in March to 5.7% in November and is expected to exceed 6% by early next year.

However, there are signs that the greatest declines of this recession are behind us. Consumer sentiment figures as computed by the University of Michigan have shown constant improvement since a September low. The housing sector continues to show steady strength. While the strong showing in November was undoubtedly aided by unusually warm weather that month, the figures through the first 11 months of the year are in excess of the first 11 months of 2000. Finally, reasonably solid consumer spending has lifted retail sales figures. With a good showing in



October and November, retail spending is about 3% above 2000 levels.

Hiring prospects positive

In spite of a weak year at many architecture firms, hiring prospects are surprisingly positive for the coming year. Overall, over a third of firms indicate that they expect to add positions in 2002, and an additional quarter of firms are unsure of their 2002 hiring plans at present. An encouraging aspect of the relative optimism among firms is that favorable hiring plans are fairly uniform across firms of all types. At least 30% of firms in each region of the country are planning on adding staff next year, and an equal share of firms serving each of the major building sectors are planning on increasing their staffing. Even smaller firms are planning on expanding next year, though more than 40% of firms with over \$5 million in billings are expecting to add staff in 2002.

Of those firms expecting to add staff, a majority of the new hires will be concentrated in traditional architect positions. Almost three-quarters of firms expecting to add staff are looking to increase architect positions, while almost two-thirds look to add intern or student positions. Over one in five firms are targeting other design professionals (engineers, interior designers, landscape designers, planners), and somewhat fewer than one in

five firms expect to increase other technical staff. Over a quarter of firms looking to add positions plan on increasing their administrative staff. ■

