Southeast Region Update

Trevor Storck, Regional Economist

May 2022
Regional Focus

East South Central

South Atlantic
Households in a strong position

Employment Recovery
Total Nonfarm, Jan. 2012 = 100

Household Debt Service Ratio
Debt as % of Disposable Income

Source: BLS, Board of Governors of the Federal Reserve System
Labor Market remains extremely tight

JOLTS: Job Openings Rate, Seasonally Adjusted

Source: BLS
Participation Rate has not fully recovered

Labor Force Participation Rate

Source: BLS
Rising Wages

Employment Cost Index – Compensation (Y/Y %)

Source: BLS
Inflationary Pressures

Price Indices

- CPI
- CPI: South Region
- PCE

ENR Construction Cost Index

Source: BLS, ENR
Regional Impact

Southeast MSA Level Inflation outpacing national

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**Chart 1. Over-the-year percent change in CPI-U, Miami-Fort Lauderdale-West Palm Beach, FL, February 2019–February 2022**

<table>
<thead>
<tr>
<th>Percent change</th>
<th>All items</th>
<th>All items less food and energy</th>
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Source: U.S. Bureau of Labor Statistics

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**Chart 1. Over-the-year percent change in CPI-U, Atlanta-Sandy Springs-Roswell, GA, February 2019–February 2022**

<table>
<thead>
<tr>
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Source: U.S. Bureau of Labor Statistics
The Federal Reserve appears ready to take an aggressive stance towards correcting inflation

- 50 Basis points hikes likely at the next two meetings
- Reduction of Balance Sheet to begin June 1st

Source: Federal Reserve
Residential Update
Housing Permits: Southeast

East South Central

South Atlantic

Source: U.S. Census Bureau
Residential Cement Share: Historic Levels

Source: PCA
Residential Market driving overall growth

East South Central, Consumption Contribution (MT)

Source: USGS, PCA
Residential Market driving overall growth

South Atlantic, Consumption Contribution (MT)

2020

- Residential
- Non Residential
- Public

2021

- Residential
- Non Residential
- Public

Source: USGS, PCA
Affordability Erosion Impacts

Increase in Affordability Index from 2019 to 2021

- Average 2019 Interest Rate: 3.93
- Average 2021 Interest Rate: 2.96
- Average increase from 2017 to 2019 for this region was 1.2%

Source: PCA, U.S. Census Bureau, National Association of Realtors
Affordability Erosion Impacts

Higher Interest Rate Scenario: Annual Mortgage Payments Share of Household Income

Nashville

Atlanta

Interest Rates
2022: 5%
2023: 6%

Source: PCA, U.S. Census Bureau, National Association of Realtors
Affordability Erosion Impacts

Higher Interest Rate Scenario: Annual Mortgage Payments Share of Household Income

Interest Rates
2022: 5%
2023: 6%

Source: PCA, U.S. Census Bureau, National Association of Realtors
Residential Cement Consumption: Southeast

(000) Metric Tons

East South Central

Source: PCA
Nonresidential Update
Nonresidential Cement Consumption Share: Southeast

% Share Cement 2000-2005
- Agricultural: 45%
- Other: 6%
- Commercial/Hotel: 13%
- Industrial/Mfg: 27%
- Office: 4%
- Institutional: 5%

% Share Cement 2015-2020
- Agricultural: 46%
- Other: 9%
- Commercial/Hotel: 14%
- Industrial/Mfg: 17%
- Office: 6%
- Institutional: 8%
Lingering Effects of Pandemic on Various Segments

Southeast Put-in-Place Construction Spend, $1996, Jan. 2019=100

Source: PCA
Lingering Effects of Pandemic on Various Segments

Institutional Buildings Cement Consumption

East South Central

South Atlantic

Source: PCA
Nonresidential Cement Consumption: Southeast

(000) Metric Tons

East South Central

South Atlantic

Source: PCA
Public Update
On a state weighted basis, 2022 general fund expenditures are expected to increase 9.3%.
## Strong migration to the Southeast

<table>
<thead>
<tr>
<th>State</th>
<th>Net Migration Rank 2020</th>
<th>Net Migration Rank 2021</th>
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<tbody>
<tr>
<td>Alabama</td>
<td>21</td>
<td>16</td>
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<tr>
<td>Kentucky</td>
<td>26</td>
<td>24</td>
</tr>
<tr>
<td>Mississippi</td>
<td>40</td>
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<td>Tennessee</td>
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<tr>
<td>Virginia</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>West Virginia</td>
<td>39</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: US. Census Bureau
More Reliance on State Gas Tax

Cents Per Gallon

States with Gas Tax Holidays: Florida, Georgia, Maryland
States Proposing Gas Tax Holidays: Alabama, Mississippi, Virginia, West Virginia

Source: Federal Tax Administrators, FHWA, PCA
• Represents $545 billion in new spending

• Bill reauthorizes current surface transportation bills (FAST Act, WRDA, FAA, etc.) at current levels for 5 years, which totals $1.2 trillion

• Much less in dollar size than previous proposals but heavier emphasis on traditional infrastructure
### Infrastructure Timing Distribution

**Highway & Bridges**

The processes are repeated across all construction segments that are impacted by the Infrastructure Program.

<table>
<thead>
<tr>
<th>Spending Allocation (Billion $)</th>
<th>Fiscal Year Spending</th>
<th>Total Spent</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2023</td>
<td>2024</td>
<td>2025</td>
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<td>2023</td>
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<td>2025</td>
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<tr>
<td>2026</td>
<td>$14</td>
<td>$3</td>
<td>$9</td>
</tr>
<tr>
<td><strong>Total Spending</strong></td>
<td><strong>$70</strong></td>
<td><strong>$3</strong></td>
<td><strong>$9</strong></td>
</tr>
</tbody>
</table>
Public Cement Consumption: Southeast

(000) Metric Tons

East South Central

- 2021: 5.9%
- 2022: 0.9%
- 2023: 3.5%
- 2024: 6.9%
- 2025: 5.0%
- 2026: 3.4%

South Atlantic

- 2021: 1.9%
- 2022: 3.5%
- 2023: 3.2%
- 2024: 5.9%
- 2025: 5.7%
- 2026: 4.0%

Source: PCA
Total Cement Consumption: Southeast

(000) Metric Tons

East South Central

2021 8.8%
2022 0.3%
2023 -1.9%
2024 2.2%
2025 3.4%
2026 3.3%

South Atlantic

2021 9.3%
2022 2.2%
2023 -3.1%
2024 1.0%
2025 3.4%
2026 3.1%

Source: PCA