

NIBCO REGIONAL ECONOMIC FORECASTS

For Professional Contractors



US OUTLOOK – 2ND HALF 2018

We expect **expansion across the construction sector** for the remainder of 2018. Tight inventory levels and a growing US economy should support additional gains in both residential and nonresidential construction. Housing Starts are up 7.7% ahead of last year and Non-Residential Construction spending is up 4.2%.

Lets start with the positive drivers: the US economy is expanding at its fastest pace since 2015 and tax reform stimulus is opening up more dollars for business investment. The full employment and growing profits/incomes should drive additional construction and renovation spending in the months ahead.

With the good comes the precautions, and the combination of rising interest rates, **record high lumber costs, and labor shortages are restricting new construction** activity both from an affordability and capacity perspective. These trends of higher mortgage rates, and rising prices are expected to continue into 2019 and will hold back younger homebuyers and businesses from entering the market. Those who have existing equity will drive the market: **high-end construction and activity around retirement** living will fair better.



SOUTHEAST REGIONAL OUTLOOK

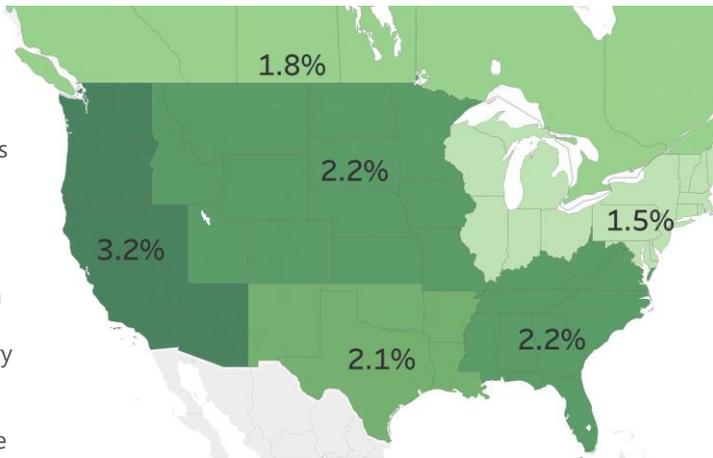
Businesses in the Southeast can expect to see continued economic expansion in the months ahead. However, it should be noted that many indicators are suggesting that the pace of expansion is slowing. Housing activity growth has slowed to 7.9%, off from the 10%+ growth seen in the past few years.

Consumer Spending

2.2% growth in the Southeast retail spending is a normal and sustainable level of expansion.

Price consciousness is going to be a key theme in the months ahead as gas prices and other inflationary factors increase.

Contractors should be aware this might hurt some lower-income consumer project work.



New Housing Permits

The *Southeast Remodeling Market Index* suggests slower growth in the coming quarters.

Contractors are less optimistic on future conditions than current conditions and expectations are lower in the Southeast than the rest of the US, something that hasn't happened in over five years.

