

A YEAR OF Opportunity & Challenge



ECONOMIC WILD CARDS AND STRUCTURAL CHANGES TO
HOW WE LIVE AND WORK TEMPER OPTIMISM FOR 2022.

by Joe Sullivan

MODERATE OPTIMISM FOR 2022, TEMPERED WITH CONCERN ABOUT inflation and interest rates, characterized the comments of the participants in *tED*'s annual Economic Roundtable. Still, the group noted more than the usual number of potential economic "wild cards" that could unpredictably change America's economic direction. Also noted were the implications of apparent long-term structural changes to the ways people choose to live, work, and use space. These will certainly offer opportunities and challenges to electrical distributors.

Here, this year's participants—Robert Dietz, senior vice president and chief economist at the National Association of Homebuilders (NAHB), with economist Fan-Yu Kou of the NAHB; Kermit Baker, chief economist at the American Institute of Architects (AIA); and Erin Prinster, NAED research and data analyst—provide an exceptional depth of information and analysis.

MODERATOR

Joe
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Q: *What key indicators do you think are the most meaningful for 2022, and how are they performing?*

DIETZ, KOU: There are three indicators:
1. GDP growth: The U.S. economic recovery remains strong and healthy. However, as supply chain issues persist, the expansion will become increasingly uneven. We forecast a 5.5% growth rate for 2021, the fastest pace since 1984, but we expect growth to slow in 2022 and 2023.

2. Inflation/interest rates: With clear signs of rising material prices and expected wage gains from a hot labor market, the Federal Reserve is reducing its accommodative monetary policy stance.

3. The labor market: We expect unemployment to remain below 5%...with further declines over the next two years. Lower unemployment will exacerbate ongoing labor access issues in construction and manufacturing.

BAKER: Here at the AIA, we most closely follow our own Architectural Billings Index (ABI), which is a strong leading indicator. At the date of this discussion, our most recent ABI, in October, scored 54.3. That means that business conditions remain generally strong, and that most architecture firms are still seeing billings growth. In addition, inquiries and the value of new design contracts—both indicators of future work at firms—

strengthened in October, which means that clients are continuing to start conversations about new projects and signing contracts to begin those projects in the coming months.

In the broader economy, employment continues to recover from the losses sustained in 2020, with 210,000 new nonfarm payroll positions added in November—though overall employment remains 2.8% below its prepandemic peak. Construction employment continued to expand modestly as well, adding 44,000 new positions.

That said, rising inflation is worrisome, with the Consumer Price Index up by 6.2% from one year ago. Energy and food prices have continued to increase