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Commercial Construction Contractors Upbeat on Outlook Despite Worsening Material Shortages, Worker Shortages

88% indicate difficulty in finding skilled workers; of those, 35% report turning down work because of it

WASHINGTON, D.C. – Contractors continue to face a shortage of building materials like lumber and steel, while cost fluctuations for the building products are having increasing impact on business, according to second quarter data from the [U.S. Chamber of Commerce Commercial Construction \(Index\)](#). This quarter, 84% of contractors are facing at least one material shortage. Almost half (46%) of contractors say less availability of building products has been a top concern lately, up from 33% who said the same last quarter.

Despite the materials challenges, the overall Index score rose three points to 65 (its highest reading since a score of 74 in Q1 2020 ahead of the pandemic) and contractors are optimistic on outlook for revenue expectations, new business opportunities, hiring plans, and equipment spending.

- 89% of contractors report a moderate to high level of confidence in new business opportunities in the next 12 months, up from 86% in Q1. Those indicating a high level of confidence jumped 10 points to 34% from last quarter.
- Over half (52%) of contractors say they will hire more employees in the next six months, up from 46% in Q1.
- More contractors (39%) expect their revenue to increase in the next year, up from 36% saying the same in Q1.
- For the first time in a year, the percentage of contractors planning to spend more on tools and equipment in the next six months (44%) is higher than those who say they will not spend more (42%).

“Businesses are experiencing a great resurgence as vaccines allow the economy to fully reopen. Rising optimism from the commercial construction industry reflects what we’re seeing across the broader economy,” said U.S. Chamber of Commerce Executive Vice President and Chief Policy Officer Neil Bradley. “However, contractors continue to face challenges navigating materials shortages and finding enough skilled workers to avoid having to turn down projects. That’s why the U.S. Chamber is calling on elected leaders at the federal and state level to take action to address the [workforce crisis](#).”

Materials Shortages Worsen

Most (84%) contractors say they face at least one material shortage, up from 71% in Q1. One in three (33%) are experiencing a shortage in wood/lumber, and 29% are seeing a shortage of steel. Of those

contractors experiencing shortages, 46% say they are having a high impact on projects, up from 20% saying the same in Q1.

Additionally, almost all (94%) contractors say cost fluctuations are having a moderate to high impact on their business, up 12 percentage points from Q1 and up 35 points year-over-year. Wood/lumber and steel are the products of highest concern.

Contractors Face Worker Shortage Crisis

In the midst of a [deepening workforce crisis](#), finding skilled labor continues to be a challenge for contractors. This quarter, 88% report moderate to high levels of difficulty finding skilled workers, of which, nearly half (45%) report a high level of difficulty. Of those who reported difficulty finding skilled labor, over a third (35%) have turned down work because of skilled labor shortages.

Most (87%) contractors also report a moderate to high level of concern about the cost of skilled labor. Of those who expressed concern, 64% say the cost has increased over the past six months, and more than three-quarters (77%) expect it to continue to increase over the next year.

Trade and Tariff Concerns are Up

This quarter, contractors expressed increasing concern about the potential effect of tariffs and trade wars on access to materials over the next three years.

More (45%) say steel and aluminum tariffs will have a high to very-high degree of impact, up from 35% in Q1. Forty percent now say new construction material and equipment tariffs will have a high to very-high degree of impact, up from 29% in Q1. And 30% expect high impacts from trade conflicts with other countries, up from 19% in Q1.

About the Index

The [U.S. Chamber of Commerce Commercial Construction Index](#) is a quarterly economic index designed to gauge the outlook for, and resulting confidence in, the commercial construction industry. The Index comprises three leading indicators to gauge confidence in the commercial construction industry, generating a composite Index on the scale of 0 to 100 that serves as an indicator of health of the contractor segment on a quarterly basis.

The Q2 2021 results from the three key drivers are:

- **Revenue:** Contractors' revenue expectations over the next 12 months increased to 61 (up four points from Q1 2021).
- **New Business Confidence:** The overall level of contractor confidence increased to 62 (up three points from Q1 2021).
- **Backlog:** The ratio of average current to ideal backlog rose three points to 72 (up three points from Q1 2021).

The research was developed with Dodge Data & Analytics (DD&A), the leading provider of insights and data for the construction industry, by surveying commercial and institutional contractors.

Visit www.CommercialConstructionIndex.com to access the full report, methodology, and shareable graphics.

About the U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business organization representing companies of all sizes across every sector of the economy. Our members range from the small businesses and local chambers of commerce that line the Main Streets of America to leading industry associations and large corporations.

They all share one thing: They count on the U.S. Chamber to be their voice in Washington, across the country, and around the world. For more than 100 years, we have advocated for pro-business policies that help businesses create jobs and grow our economy.