This survey is based on Net Rising Indexes. We take the positive answers and detract the negative ones, creating a net rising index. Anything below zero means a market contraction, anything above growth. The stronger the contraction or growth, the stronger the market consensus.

**U.S. Construction Industry Outlook**

After an expected decline of 1% in 2019, headline put-in-place construction is set to rebound in 2020, with growth of 2.8% forecast. The residential sector has been the major drag on US construction in 2019, but Oxford Economics sees conditions in this sector starting to ease. Mortgage applications have steadily risen and both housing starts and permits have shown strong growth in recent months. Looking ahead, there remains scope for catch-up growth in the residential sector, particularly within the single-family component. Oxford Economics’ relative optimism for residential construction remains guarded. There is an ongoing issue surrounding potential labor supply into the construction sector, with a recent NAHB survey citing a shortage of framing, carpentry and masonry professionals as a constraint on activity amongst most respondents. With US unemployment at multi-decade lows and the JOLTS survey showing elevated numbers of unfilled construction jobs, the scope for a significant pickup in construction employment remains limited. **US infrastructure spending is set to moderate in 2020** after having displayed impressive growth this year. The outlook for infrastructure spending is constrained by relatively weak federal and state & local budgets and a lack of political consensus on implementing any significant public investment.
U.S. Construction Equipment Industry Outlook

Our survey results indicated that at the end of 2019, the construction industry improved slightly after a larger deterioration in the middle of the year. The reductions of tariffs and an overall change of tone in the trade wars improved the business conditions. Though, the outlook for 2020 remains flat. Members are overall hopeful, but continue to keep their eyes on key indicators that could indicate a reversal.

While our industry is technically still in the boom-growth phase as the NRI for demand over the last 12 months and the next 12 months is positive, it is at the cross points. Consensus on growth over the last 12 months is almost non-existent. One third of the members feels the market has grown, one third feels its declining and one third feels the market is stable. A big difference from 12 months ago.
Our economic partners indicate that the construction industry is still growing, but based on the economic and policy headwinds our nation is facing have lowered their machinery outlook to low single digits. Members are overall hopeful, but continue to keep their eyes on key indicators that could indicate a reversal.

According to Oxford Economics, we might see a slight rebound in machinery for mining and construction in 2020 with growth of 2.9%, before moderating to 3% in 2021. Averaging 2.1% in the medium term 2024-28. This was mostly driven by higher investor sentiment. It is important to note that these forecasts were made in early 2020, prior to the emergence of the Corona Virus.

With regards to the U.S. economy, just as the weakness in business activity appeared to be bottoming out, the coronavirus outbreak has brought back high levels of uncertainty. Assuming immediate disruption to tourism activity, supply chain constraints for the frail manufacturing sector and heightened uncertainty restraining business and consumer outlays, we currently estimate that GDP growth may be dampened by 0.15ppt in 2020 as a result of the virus. With real GDP growth slowing from 2.3% in 2019 to 1.6% in 2020, we anticipate at least one Fed rate cut this year, in June. The US coronavirus research briefing should provide more information.

For equipment manufacturers specifically, the virus is set to affect more the foreign demand side for construction machinery manufacturers given the trade linkages with China – but some of this will hopefully be offset by stronger domestic construction activity.

Note: Axis starts at $14USbn
Unit Volume of Demand

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

-100%
-50%
0%
50%
100%


100/105 Unit Volume of Demand Compared with the same quarter last year, the unit volume of demand for my company's products has been:

41.0% ± 9.6% Rising
32.0% ± 9.1% Falling
27.0% ± 8.7% Staying about the same

100/105 Compared with the previous quarter, the unit volume of demand for my company's products has been:

40.0% ± 9.6% Rising
40.0% ± 9.6% Staying about the same
20.0% ± 7.8% Falling
Unit Volume of Inventories

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

At the present time, my company’s unit volume of inventories is:

- **65.0% ± 10.5%** About right
- **21.3% ± 9.0%** Too high
- **13.8% ± 7.5%** Too low

Over the past three months, my company’s unit volume inventory has been:

- **57.5% ± 10.8%** Staying about the same
- **22.5% ± 9.2%** Rising
- **20.0% ± 8.8%** Falling
Dealer Owned Rental Fleets

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Over the past three months, dealer owned rental fleet inventories have been

- **48.1% ± 11.0%** Staying about the same
- **34.2% ± 10.5%** Our equipment is not in dealer owned fleet inventories
- **13.9% ± 7.6%** Rising
- **3.8% ± 4.2%** Falling
Employment

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Compared with the same quarter last year, my company's employment has been:

- **46.8% ± 11.0%** Staying about the same
- **36.7% ± 10.6%** Rising
- **16.5% ± 8.2%** Falling

Compared to the previous quarter, my company's employment has been:

- **57.0% ± 10.9%** Staying about the same
- **31.6% ± 10.3%** Rising
- **11.4% ± 7.0%** Falling

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Wages

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Over the past three months, the wage rates and salaries my company pays have been:

- 57.0% ± 10.9% Staying about the same
- 43.0% ± 10.9% Rising

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Capital Spending

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Capital Spending  Over the past three months, measured in constant dollars, my company's capital spending has been:

53.2% ± 11.0%  Staying about the same
31.6% ± 10.3%  Rising
15.2% ± 7.9%  Falling
Prices Charged

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Over the past three months, the prices my company charges for its goods or services output have been:

- **68.4% ± 10.3%** Staying about the same
- **26.6% ± 9.7%** Rising
- **5.1% ± 4.8%** Falling
Prices Paid

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Over the past three months, the prices my company pays for materials used as inputs have been:

- **54.4% ± 11.0%** Staying about the same
- **38.0% ± 10.7%** Rising
- **7.6% ± 5.8%** Falling

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Exports

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

As compared with the previous quarter, my company's exports have been:

- **67.2% ± 12.1%** Staying about the same
- **22.4% ± 10.7%** Rising
- **10.3% ± 7.8%** Falling

As compared with the same quarter last year, my company's exports have been:

- **39.7% ± 10.9%** Staying about the same
- **25.6% ± 9.7%** We do not export
- **20.5% ± 9.0%** Rising
- **14.1% ± 7.7%** Falling
Profit Margins

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Profit Margins Q2Q

Over the past three months, my company's profit margins have been:

- **50.6% ± 11.0%** Staying about the same
- **26.6% ± 9.7%** Falling
- **22.8% ± 9.2%** Rising

Shortages

Over the past three months, my company has experienced shortages in the following items:

- **57.7% ± 11.0%** Skilled Labor
- **24.4% ± 9.5%** No shortages have been experienced
- **14.1% ± 7.7%** Intermediate Inputs (partially processed goods components)
- **14.1% ± 7.7%** Unskilled Labor
- **7.7% ± 5.9%** Don't know
- **6.4% ± 5.4%** Raw Material Input
- **3.8% ± 4.3%** Capital Goods
Which of the following scenarios now best describes the outlook underpinning your firm's business plan for the next 12 months?

- **Normal Growth**: 40.2% ± 10.6%
- **Flat**: 29.3% ± 9.8%
- **Sluggish Growth**: 18.3% ± 8.4%
- **Above Normal Growth**: 9.8% ± 6.4%
- **Recession**: 2.4% ± 3.3%

### Credit

Are you hearing of problems with obtaining credit from customers?

- **No**: 93.9% ± 5.2%
- **Yes**: 6.1% ± 5.2%

Are you hearing of problems with obtaining credit from suppliers?

- **No**: 93.8% ± 5.2%
- **Yes**: 6.2% ± 5.2%
Employee Training

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Employee Education & Training Compared to the same quarter last year, my company’s budget for employee training (including management training, safety, etc.) has been:

- **59.0% ± 10.9%** Staying the same
- **33.3% ± 10.5%** Rising
- **7.7% ± 5.9%** Falling
Exhibition Participation

Net Rising Index (% Rising minus % Falling): Above Zero = Rising, Below Zero = Falling

Planned Participation in Trade Shows

Compared with the same quarter last year, my company's level of planned participation as an exhibitor at trade shows has been:

- **69.5% ± 10.0%** Staying about the same
- **23.2% ± 9.1%** Rising
- **7.3% ± 5.6%** Falling
Miscellaneous

8/105 Comments:

Data points to a bottoming of the latest business cycle (PMI Rate-of-Change). Q1 YoY will be down, but sequentially flat with an uptick expected for H2.
Goo survey, can publish the types of personal who are filling out survey -position / titles
Moving some production back to US from China
n/a
Overall we anticipate a small decline for 2020 due to world economic uncertainties which we expect most will be resolved by the end of 2020.
Politics continues to get in the way of business. They are not doing the work needed to move our country forward.
Thank you for the opportunity to share our experiences.
The next round of Tariffs will probably cause another round of material price increases on the metals markets....

10/105 What market intelligence would you like AEM to provide, that we aren't providing now?

Any forecast subject matter specific to parts/components makers would be helpful.
Attachment volume
construction technology adoption trends
Data on state and federal spending on infrastructure -- historical and planned. Ideally broken down by categories (roads, bridges, mass transit, etc)
Forward looking indicators for folks serving utilities, construction, pipelines etc
I would like to more in Capital mining Spend, Oil and Gas.
Monthly CE reports (as available for AG)
More Electronics / IoT coverage
n/a
Ranking of best dealers by region or by state: growth, hiring, sales.

Demographics

105/105 My company is primarily:

- **43.8% ± 9.5%** Heavy Equipment
- **38.1% ± 9.3%** Component and/or Attachment
- **14.3% ± 6.7%** Light Equipment
- **3.8% ± 3.7%** Publisher/Service Provider