

Understanding Our Economy

Decline in U.S. Construction Market Activity Predicted For 2001

(NAPS)—Experts predict a decline in U.S. construction market activity for 2001, according to the 25th annual Construction Industry Forecast, conducted by CIT Equipment Financing. Based on telephone interviews with more than 900 contractors and distributors throughout the United States, the survey reports Optimism Quotients (OQs) for the nation, as well as nine regional segments throughout the United States.

This year's survey participants have reported a national 93 OQ. This marks a nine-point drop versus last year and the first time the Optimism Quotient has fallen below 100 since 1997. Of the nine regions in the survey, the South Atlantic has the highest OQ this year at 112, while the New England region has posted the lowest at 78.

"An OQ index below 100 indicates a likelihood that construction activity will decline," explained Kay Russell, Senior Vice President, Construction Sales, CIT Equipment Financing. "In the past few years, the construction industry has seen tremendous growth, reaching historically high levels that would be difficult to maintain long-term."

While most industry executives expect to maintain status quo, those predicting increased activity cite a strong economy or more bidding/building opportunities. Less optimistic executives are worried that high interest rates will lead to a decrease.

Survey participants agree that costs will continue to rise for service, parts, maintenance, and financing in 2001. Executives this



New buildings will rise again when optimism rises, economists explain.

year have shown a willingness to venture into cyberspace and explore emerging opportunities on the Internet. They use it mostly to communicate with customers or locate product information. Contractors and distributors also use the 'Net to buy, lease, or rent equipment.

Respondents indicate that the most serious problem facing the industry is the lack of a qualified workforce. Since 1998, contractors and distributors have expressed a concern that the competitive job market has caused the industry to accept workers who do not always have the training and skills necessary to get the job done.

"On a positive note, however, even in an environment of slowed activity, qualified construction professionals are gainfully employed," said Russell. "They have the continued opportunity to market themselves in any number of the industry's segments that are seeking such experienced personnel."

For a 2001 CIT booklet or CD-ROM, e-mail, laura.plemenik@cit.com or call 973-740-5466 or access it on-line at www.efinanceit/ad/NAPS.