MEANINGFUL SIGNALS OF RECOVERY AT LAST

To date, the nation’s construction and real estate sectors have arguably been the most resistant to improvement. Though the nation has been in recovery for roughly seven quarters, construction and real estate have remained mired in their own recessionary cycles.

But, CFMA’s most recent CONFINDEX reading confirms that the construction industry’s recovery is approaching. While other leading indicators of construction activity have also indicated an onset of recovery, the March 2011 CONFINDEX reading represents a particularly bold forecast regarding near-term construction industry prospects. The overall CONFINDEX is now at 131, up 12% from last quarter (117), and 30% from a year ago (101).

CONFINDEX data indicates that industry momentum is set to accelerate over the course of 2011. The Current Confidence Index stands at 120, which indicates that present conditions have improved. In fact, 57% of survey respondents agree that construction industry business conditions are either “slightly better” (51%) or “significantly better” (6%) than they were a year ago.

Importantly, the 2011 Outlook Index stands at 141, which signifies that additional improvement is forthcoming and that the rate of improvement is set to gain speed. And, 77% of respondents believe that industry business conditions will be better one year from now, while only 4% believe that these conditions will deteriorate.

Industry backlog also appears to be expanding, albeit gradually. Slightly more than half of respondents (52%) reported a higher backlog compared with last year’s levels, while 25% reported less backlog.

Despite the ongoing improvement in general business conditions, issues constraining recovery remain, including challenges regarding the availability of bank credit. Only 1% of respondents rate the level of improvement in bank credit availability for their company as “significantly better” relative to year-ago conditions.

That said, there are signs of impending improvement – even in the category of bank credit. Thirty-three percent of respondents believe that credit availability will have improved in a year while only 3% expect conditions to deteriorate. And, 26% of respondents believe that bonding credit conditions will improve over the next year, while only 6% expect them to worsen.
A SIMPLE EXPLANATION OF CONFINDEX™

• The Overall Confindex Number
  Is a form of a Composite Index
  • Within Overall Index we have 4 Sub Indices
    1) Business Conditions
    2) Financial Conditions
    3) Current Conditions
    4) 2011 Outlook – look ahead to March 2012

• Measurements taken using 8 questions
  • Current Business Conditions
  • Future (1 year) Business Conditions
  • Current Bank Credit Availability
  • Future (1 year) Bank Credit Availability
  • Future (1 year) Bonding Credit Availability
  • Line of Credit Status
  • Current Backlog
  • Future (1 year) Backlog

• We calculate indices by taking “the net” of positive responses minus negative responses and adding 100. (Neutral and No Answers are excluded).

• Any index greater than 100 reflects more positives than negatives
  Any index less than 100 reflects more negatives than positives.