

Persistent Workforce Shortages Challenge Commercial Construction Industry as U.S. Building Demands Continue to Grow

To Offset the Lack of Skilled Workers, Contractors Increase use of Efficient Building Approaches

WASHINGTON, D.C. –The Q1 2018 [USG Corporation + U.S. Chamber of Commerce Commercial Construction Index](#) (Index), released today, reveals nearly two-thirds of contractors are highly confident that demand for commercial construction will increase over the next year, however, continued concerns around labor shortages have put even greater pressure on the industry. To increase jobsite efficiency and improve labor productivity, increasingly more builders are turning to alternative construction solutions, like prefabrication and modularization.

The Q1 Index indicates contractors turn to innovations such as prefabricated and modular building materials to create more efficient jobsites (89 percent), increase labor productivity (85 percent), drive cost savings (58 percent), and provide a competitive advantage in the marketplace (51 percent). In fact, 50 percent of contractors report their companies already use prefabricated and modular components and the number was even higher among general contractors (72 percent). Nearly two-thirds (63 percent) of contractors report at least moderate demand for these building materials.

"Access to skilled labor is a continued concern, which has led contractors to increasingly seek solutions that help offset jobsite challenges," said Jennifer Scanlon, president and chief executive officer of USG Corporation. "There is significant opportunity to introduce innovations that confront jobsite efficiency and strengthen the industry – such as solutions that enable prefabricated and modular building components."

Contractors in the Northeast (69 percent) reported the most frequent usage of prefabricated and modular components, compared to the South where only 24 percent indicate their companies are using these materials. Firms in the Northeast also expect to hire fewer workers—38 percent of contractors in the region expect to employ more staff in the next six months, compared with 57 percent in the South, 59 percent in the West, and 68 percent in the Midwest. Across all regions, concern over the cost of hiring skilled labor has remained consistent over the past year—nearly two-thirds (64 percent) of contractors expect these costs to increase in the next six months.

Despite labor concerns, contractor sentiment remained steady for the first quarter, as a result of strong revenue expectations and higher profit margins, with a composite score of 74.

"As we work to continually build our neighborhoods, towns, regions, and roads, as well as the workforce that supports our growth, innovation becomes a key component in advancing our country into the 21st century," said Thomas J. Donohue, president and CEO of the U.S. Chamber. "We must invest in a skilled, competitive, motivated workforce and embrace new innovations to ensure we are able to compete on a global scale."

The Index looks at the results of three leading indicators to gauge confidence in the commercial construction industry – backlog levels, new business opportunities and revenue forecasts – generating a

composite index on a scale of 0 to 100 that serves as an indicator of health for the contractor segment on a quarterly basis. The Q1 2018 composite score was 74, holding steady from Q4 2017.

The Q1 2018 results from the three key drivers were:

Backlog: On average, contractors currently hold 8.9 months of backlog, relatively close to the average ideal amount of 12.2 months, continuing the stability of the market, although there is room for growth. Down two points from Q4 2017, this represents 73 percent of ideal backlog levels.

New Business: Nearly all (98 percent) contractors report high or moderate confidence in the demand for commercial construction. Year-over-year, the number of contractors who have high confidence in demand over the next 12 months jumped 11 percentage points (from 51 percent in Q1 2017 to 62 percent in Q1 2018).

Revenues: Over half (54 percent) of contractors expect to see revenue gains in the next year. This percentage jumped seven points from last quarter (47 percent in Q4 2017).

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.

About the Index

The USG Corporation + 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. USG Corporation and the U.S. Chamber produce this Index, along with Dodge Data & Analytics (DD&A). Each quarter, researchers from DD&A source responses from their Contractor Panel of more than 2,700 commercial construction decision-makers in order to better understand their levels of confidence in the industry and other key trends. This panel allows DD&A to provide findings that are representative of the entire U.S. construction industry by geography, size, and type of company.

Click [here](#) to see the full report, methodology, and graphics.

Please note the Commercial Construction Index report is intended for general informational purposes only. It is not intended to support an investment decision with respect to USG Corporation, nor is it intended to be used for marketing purposes to any existing or prospective investor of USG. This report is not a forecast of future results for USG and actual results of USG may differ materially from those of the commercial construction industry.

Where the Index is Available

Each quarterly Index published is available on the USG Corporation website at www.usg.com/commercialconstructionindex as well as on the website www.CommercialConstructionIndex.com

About the U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors and regions, as well as state and local chambers and industry associations. For more information, visit www.uschamber.com.

About USG Corporation

USG Corporation is an industry-leading manufacturer of building products and innovative solutions. Headquartered in Chicago, USG serves construction markets around the world through its Gypsum,

Performance Materials, Ceilings, and USG Boral divisions. Its wall, ceiling, flooring, sheathing and roofing products provide the solutions that enable customers to build the outstanding spaces where people live, work and play. Its USG Boral Building Products joint venture is a leading plasterboard and ceilings producer across Asia, Australasia and the Middle East. For additional information, visit www.usg.com.

###

Contacts:

USG Corporation

Kathleen Prause

(312) 436-6607

kprause@usg.com

U.S. Chamber of Commerce

Bridgett Hebert

(202) 463-5474

bhebert@uschamber.com