



Construction Industry Round Table

Economic News

A force for positive change in the design / construction industry

2/04/13 – U.S. Experiencing Elevated Levels of Economic Uncertainty

A great deal of attention has been recently paid to the “uncertainty” being experienced in the U.S. over sweeping new financial regulations, the impact of new taxes, regulatory matters, energy policy, environmental constraints, and the implementation of ObamaCare. These concerns have at times seemed to paralyze the business climate in the country and stalled economic activities, including hiring new employees. Due to the focus on this matter, a relatively obscure little noticed or quoted source has recently gained some notoriety: the “U.S. Policy Uncertainty Index” compiled and published by Scott Baker (a Stanford PhD. Economist and researcher), Nicholas Bloom (Stanford, Economics) and University of Chicago economics professor Steven J. Davis at PolicyUncertainty.com

When the “uncertainty” index spikes or surges, as it has during the past three years, it typically foreshadows declines in business investment and economic growth and employment. This often translates directly into design/construction market issues of less or curtailed business investment in new plants and equipment – or less “capital type” expenditures. Unfortunately, our community has experienced some softness and “fits and starts” when it comes to private sector infrastructure investments – one place to look to possibly forecast these trends is at the “U.S. Policy Uncertainty Index” which has its counter parts for Canada and the EU.

Data for 2012 remained elevated, reaching a 193.69 reading in December, driven in great part by the “fiscal cliff” policy debate and the looming debt ceiling. At the beginning of 2013, the index went down reflecting the compromise on the fiscal cliff legislation and the decision to push-off until May the debt ceiling issue – as a result, the daily tracking index in February 2013 is showing less “uncertainty” with a reading of around 160.

