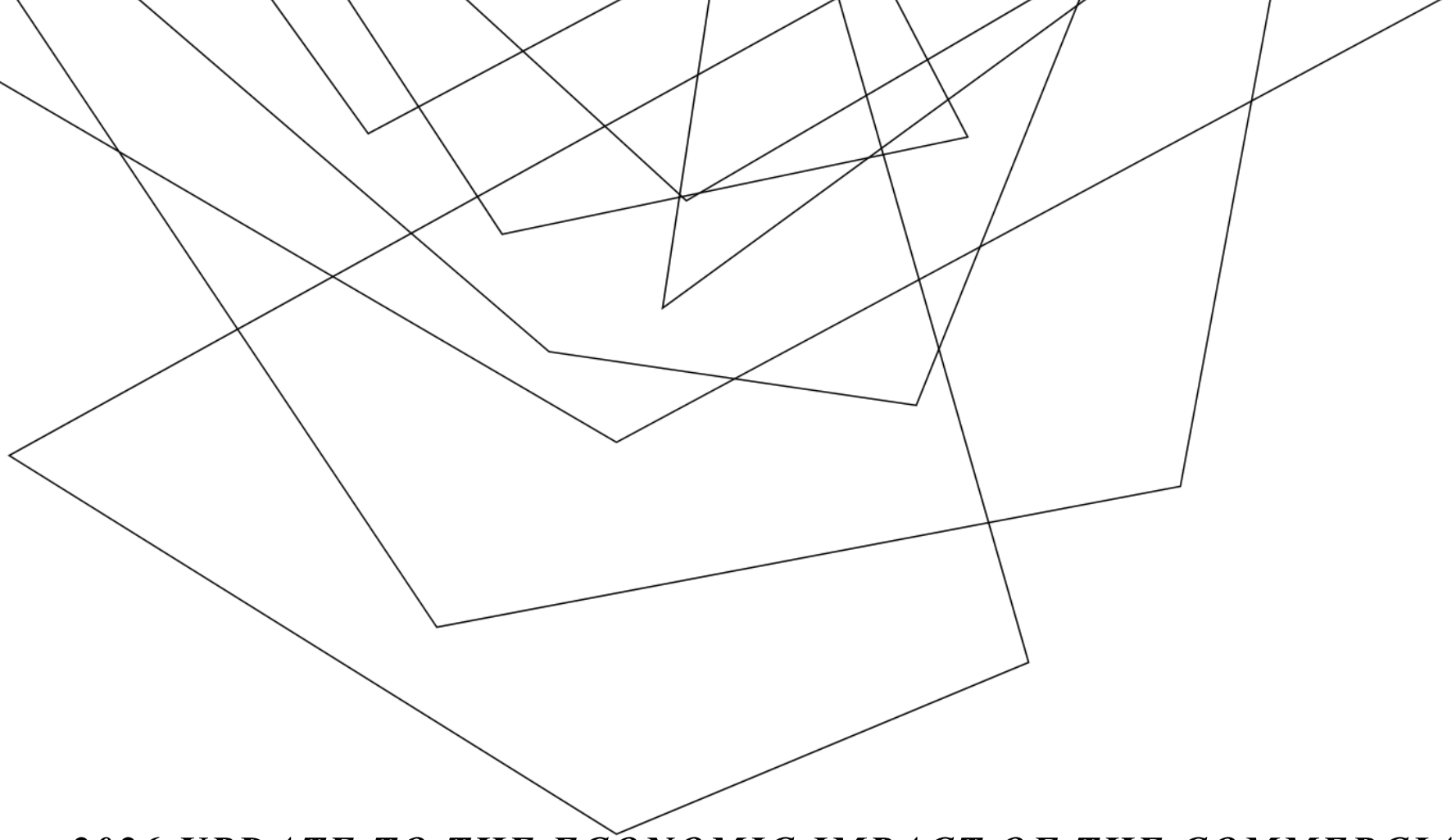

2026 UPDATE TO THE ECONOMIC IMPACT OF THE COMMERCIAL CONSTRUCTION INDUSTRY ON THE ECONOMY OF THE STATE OF ALABAMA

THE INDUSTRY

The construction industry is a vital component of the state's economy.

The U.S. Bureau of Economic Analysis (BEA) estimates that in 2025, the contribution of Alabama construction industry (both residential and commercial) to the State's Gross Domestic Product (GDP) amounted to $16.6 billion, $4.8 billion higher than the 2021 figures used in the latest study.

In terms of GDP-share, construction activities represented 4.9% of Alabama's GDP. Likewise, the industry's employment accounted for 4% of the payroll employment in Alabama.

EXECUTIVE SUMMARY

The Purpose

This report updates the 2021 economic impact of nonresidential (commercial) construction activities on the economy of the State of Alabama.

The Data

First, we concentrated on and started our analysis with the 2023 construction data, since 2023 was the latest year for which detailed information was available.

Next, we extrapolated the data to get the 2025 estimates using an in-house survey of the membership of the Associated Builders and Contractors, Inc.–Alabama Chapter.

THE DATA

Direct Impact

	Production (Nominal GDP)	Payroll	Employment
Commercial Construction in Alabama in 2023	$11,060,812,000	$5,511,241,100	69,920
Commercial Construction in Alabama in 2021	$9,460,134,126	$4,663,051,800	64,454

For 2023, it is our estimate that the commercial construction industry generated a total direct output of $11.1 billion.

Compared to the 2021 figures, the 2023 values were 18% larger.

The data showed that the commercial construction industry had a payroll of $5.5 billion and 69,920 jobs in 2023.

Payroll and employment for the nonresidential subcomponent of the construction industry increased by $.9 billion and 5,000 from 2021 to 2023, respectively.

THE DATA

Industry Identifier	*(North American Industry Classification System) NAICS*
New Multifamily Construction	236116
Nonresidential Building Construction	2362
Utility System Construction	2371
Land Subdivision	2372
Highway, Street, and Bridge Construction	2373
Specialty Trade Contractors	238
Architectural, Engineering , and related Services	5413
Specialized Design Services	5414

Source: The U.S. Census, County Business Patterns

TOTAL ECONOMIC IMPACT -2023

Our estimate summarizes the economic impact of commercial construction in 2023 as:

- **Total output impact of $20.1 billion**
- **Total earnings impact of $13.5 billion**
- **Total employment impact of 223,00 FTE jobs**

	2021	2023
Total Economic Impact - Employment	200,547	223,167
Total Economic Impact - Expenditure (output)	$17,155,040,849	$20,067,461,938
Total Economic Impact - Earnings	$11,444,977,813	$13,461,696,705

Our calculation shows that the total output impact of the non-residential construction industry on Alabama's economy in 2023 was $20.1 billion. This is an increase of 17% over the 2021 estimate.

INDUSTRY SHARE

	Output
Agriculture, Forestry, and Fisheries	0%
Mining	2%
Construction	56%
Manufacturing	10%
Transportation, Communication, and Utilities	8%
Wholesale and Retail Trade	8%
Finance, Insurance, and Real Estate	3%
Services	12%
Total	100.0%

- According to our model, the largest beneficiaries of the economic impact of the commercial construction are as follows:

✓ Construction
✓ Manufacturing sector
✓ Service sector
✓ Wholesale trade
✓ Finance sector
✓ Transportation sector

TAX (FISCAL IMPACT) -2023

According to our model, the commercial construction industry is estimated to have generated $746 million in taxes for the state coffers in 2023.

These are the categories of taxes that we can directly attribute to the operation and spending of this industry.

Based on our estimate, commercial construction was responsible for $401 million in income taxes, $294 million in sales and use taxes, and $50 million in utility taxes.

These taxes are net of deduction and collection fees and are net contributions to the State's Education Trust Fund.

2024 AND 2025 IMPACT ESTIMATES

The research team conducted a survey of board members from the Associated Builders and Contractors (ABC)–Alabama Chapter to assess expected changes in project volume, workforce levels, and overall business activity between 2023 and 2025.

Survey responses were combined with construction output trends reported by the U.S. Bureau of Economic Analysis (BEA) to generate forecast values used in the economic impact model.

The results show that commercial construction remains a significant contributor to Alabama's economy and is projected to continue expanding over the forecast period.

	2023	2024	2025
Total Economic Impact - Employment	223,167	235,301	246,778
Total Economic Impact - Expenditure (output)	$20,067,461,938	$22,265,807,942	$23,176,404,841
Total Economic Impact - Earnings	$13,461,696,705	$14,867,807,127	$15,626,807,084

2024 AND 2025 IMPACT ESTIMATES

Total employment supported by the sector is expected to increase from 223,167 jobs in 2023 to 235,301 jobs in 2024 and 246,778 jobs in 2025.

This represents an increase of approximately 23,600 jobs, or 10.6 percent growth over two years.

Economic output generated by commercial construction activity is projected to rise from $20.07 billion in 2023 to $22.27 billion in 2024 and $23.18 billion in 2025.

This reflects an overall increase of roughly $3.11 billion, representing a growth of approximately 15.5 percent.

Labor earnings associated with the sector are similarly expected to expand, increasing from $13.46 billion in 2023 to $15.63 billion in 2025, a gain of about $2.17 billion, or 16.1 percent.

CONCLUSION

Overall, the projected increases in employment, output, and earnings show that commercial construction will continue to serve as an important driver of economic activity in Alabama through 2025.

The sector’s growth generates substantial multiplier effects across the state economy, supporting jobs in manufacturing, professional services, transportation, retail trade, and other industries that supply goods and services to construction projects or benefit from increased household spending.

CONSTRUCTION LABOR SHORTAGES

Despite the strong wages and career opportunities available within the construction industry, many states—including Alabama—face persistent shortages of skilled construction workers. Several factors contribute to these workforce challenges:

Aging Workforce

A significant portion of the construction workforce is approaching retirement age. As experienced craftsmen retire, replacing this institutional knowledge requires the development of new workers through apprenticeship and workforce training programs.

Growing Demand for Construction Projects

Population growth, infrastructure investments, and expanding commercial development have increased the demand for construction services. This increased demand has intensified competition for skilled labor across the industry.

Decline in Vocational Training Participation

Over the past several decades, many educational systems have shifted emphasis toward four-year college pathways, reducing the number of students entering vocational and technical training programs. As a result, fewer young workers are entering the skilled trades.

Competition from Other Industries

Industries such as manufacturing, logistics, and energy often compete with construction firms for workers who possess similar technical skills.

IMMIGRATION AND CONSTRUCTION LABOR SUPPLY

Immigration policy plays a significant role in shaping labor availability in the U.S. construction industry.

Construction is one of the industries most dependent on immigrant labor due to the physically demanding nature of many jobs and the cyclical demand for workers tied to economic growth and infrastructure investment.

Nationally, approximately 25–26 percent of construction workers are foreign-born, representing more than 3.5 million workers in the industry.

The share is even higher in certain construction trades, where nearly one-third of workers are immigrants, particularly in occupations such as carpentry, drywall installation, roofing, and painting.

By comparison, immigrants represent about 19 percent of the overall U.S. labor force, highlighting the disproportionate importance of immigrant workers within construction relative to most other industries.

Because of this reliance, immigration policy can significantly influence the size and stability of the construction workforce.

IMMIGRATION AND CONSTRUCTION LABOR SUPPLY

Immigrant workers are especially concentrated in several key construction occupations that frequently experience labor shortages. For example:

42 percent of construction laborers are foreign-born

About one-third of carpenters are foreign-born

More than half of drywall installers and plasterers are immigrants

Approximately half of roofers and painters are foreign-born

Immigration and overall Labor Force Growth

Immigration has also been a major driver of labor force growth in recent years. In 2024, foreign-born workers accounted for roughly 19.2 percent of the U.S. labor force, continuing a long-term upward trend.

More than 1 million immigrants entered the U.S. workforce in 2024 alone, helping offset demographic trends such as the aging of the native-born workforce and declining labor force participation among younger workers.

Without this inflow of workers, many labor-intensive industries—including construction—would face even greater labor shortages.