

Economic Outlook 2026

Virginia Transportation
Contractors Association
Winter Meeting

January 2026

Valerie Seidel



Overview



Construction Landscape



What's changed?



Outlook



Labor



Energy



Geopolitics



Materials



Insurance



Innovations

Construction Landscape

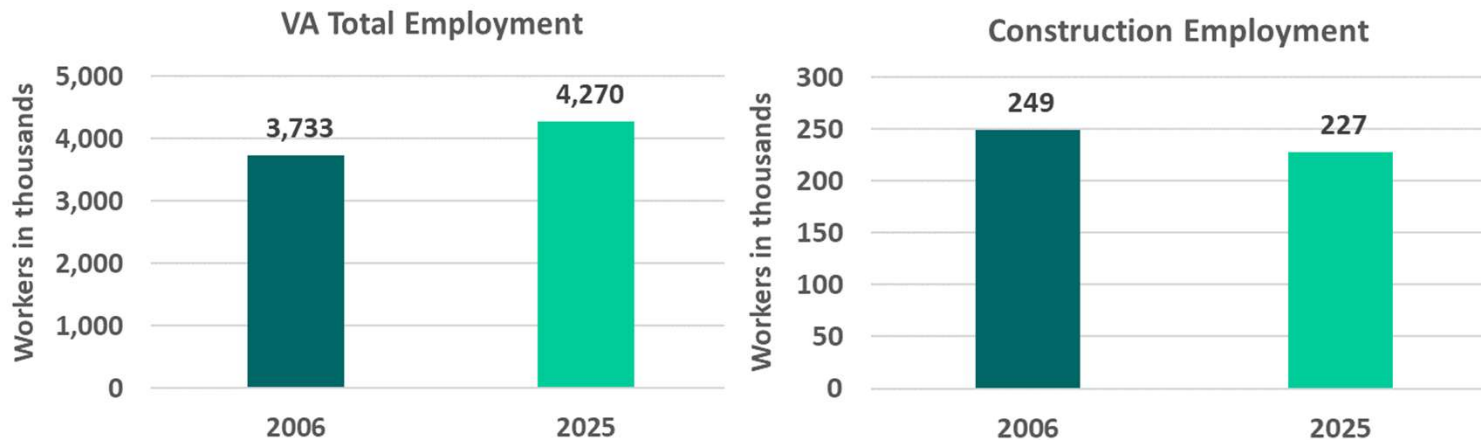
Trends affecting the construction industry

Labor





Tight Labor Market



Note: November 2025 value is Preliminary
Source: BLS; *VA Works Short-term Projections

- Overall *total* Virginia employment has increased by **14%** in comparison to 2006 levels
- VA construction employment remains below 2006 highs
- Range from **2-4%** annual growth since 2020



Virginia Workforce – Next Three Years



2.1% increase in total workforce from 2025 levels

4.3% increase in Construction employment

4.3% increase in VA output

Source: GACRE Nov. 2025 Report

- Most contractors report more stability in labor – but still tight, still very high cost
- 60% of VA construction firms say ICE has affected them – through fear, actual displacement or leaving
- Est. 28% of VA construction workers are foreign-born (77K)



Changing Workplace Priorities



Gen Z and Millennials focus on mental well-being, receiving mentorship, and aligning with their company's values

- Deloitte

		Their values and purpose are aligned to their current organization's	They are very satisfied with the work/life balance	They rate their mental well-being as extremely good or good	They have the power to drive change within their organization	They strongly agree/agree that their employer takes the mental health of employees seriously	They are very satisfied with their pay/financial rewards and workplace benefits	They currently have opportunities to learn, develop new skills, and/or receive mentoring
Gen Zs	Employee promoters*	69%	90%	73%	85%	79%	88%	90%
	Total respondent base	41%	78%	52%	65%	62%	72%	77%
millennials	Employee promoters*	74%	93%	80%	86%	82%	91%	92%
	Total respondent base	46%	79%	58%	65%	61%	72%	76%

*Employee promoters are those who are most likely to recommend their company as a place to work

Source: Deloitte 2025 Gen Z and Millennial Survey

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Energy



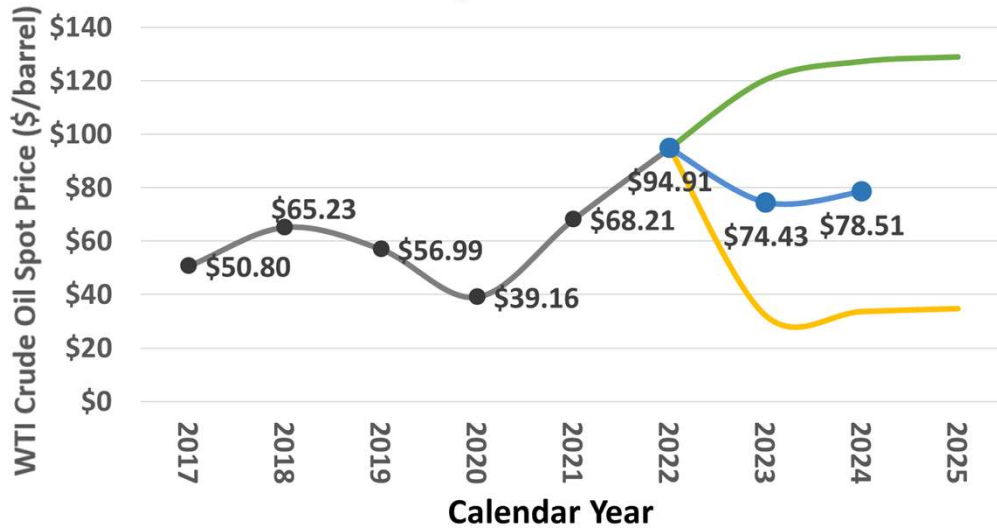


Crude Oil Forecast Comparison

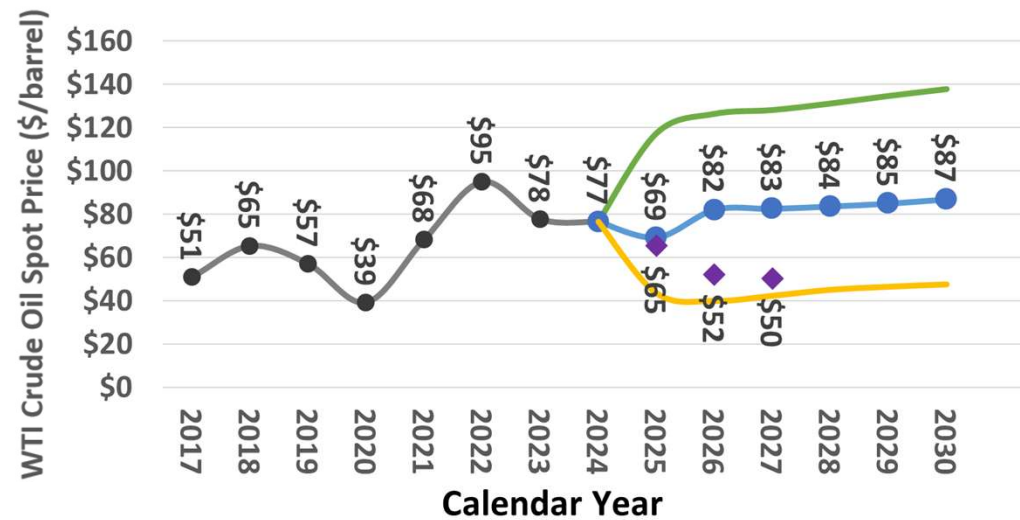


The new wrinkle to the Energy story is its lack of impact

July 2023



December 2025



- Historical
- EIA Annual Forecast (Baseline)
- ◆ EIA Short-term Forecast (Baseline)
- EIA Annual Forecast (High)
- EIA Annual Forecast (Low)

Source: EIA Short-term Forecast and EIA 2025 Energy Outlook.

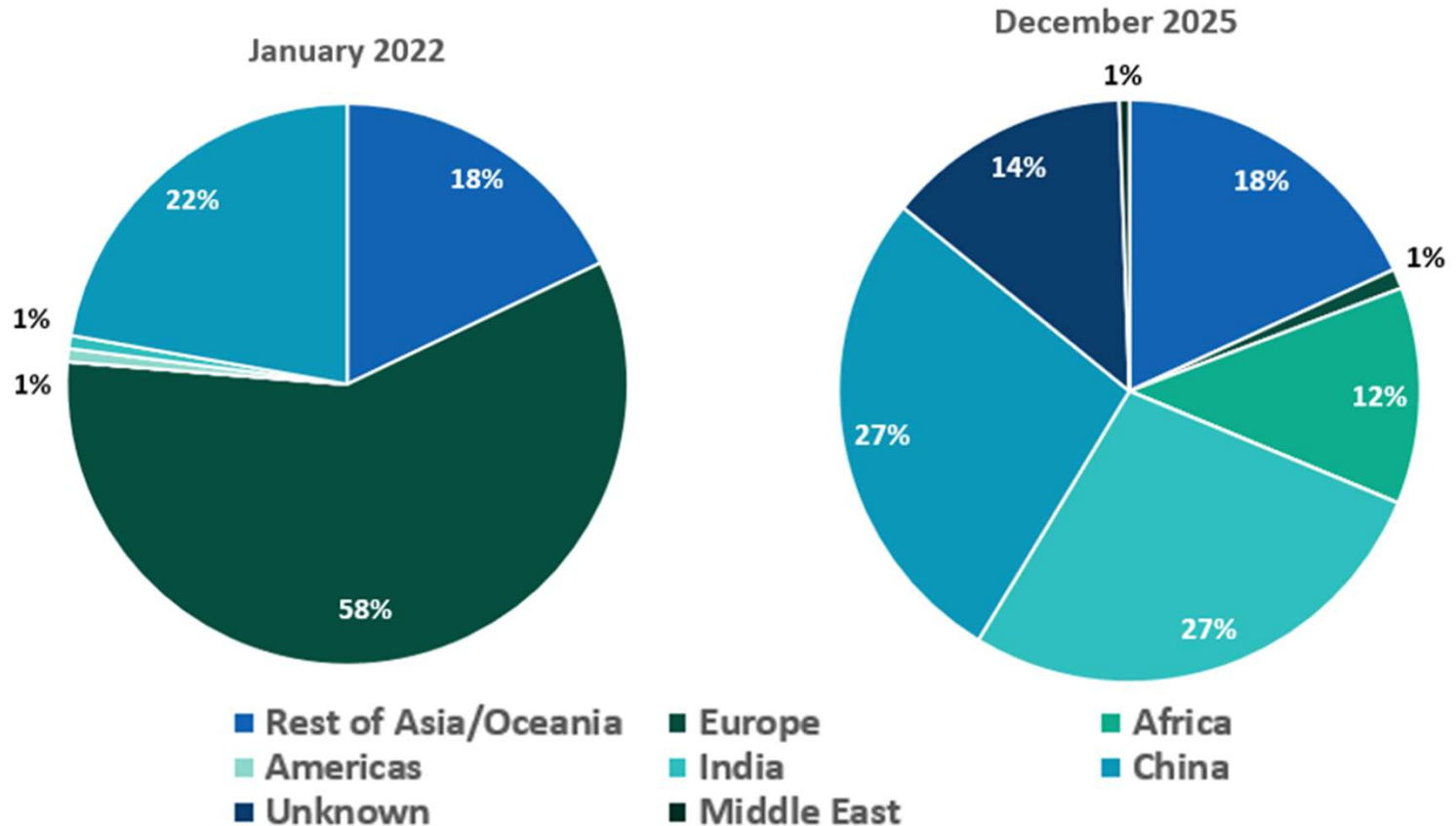
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Change in Russian Oil Exports by Destination



- Exports to India increased by **26%**, while Europe decreased from a **58%** share to around **1%**.
- China's share remained stable.



Source: S&P Global

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Asphalt & Energy Costs



US control of Venezuela refineries – major asphalt binder producer

478,000 tons

Venezuela asphalt exports before sanctions

Jan-May 2025

550,000 tons

Colombia filled the gap of Venezuelan sanctions

2025

Now both are online



\$/ton 25%

Drop in price in Gulf Coast imports

Nov 2025 – Jan 2026

Source: EIA Short-term Forecast, EIA 2025 Energy Outlook, Argus

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Energy Prices



- Demand declining
- In U.S., share of EVs in new car sales is above 50% by 2035 – refiners will shift production to products most in demand

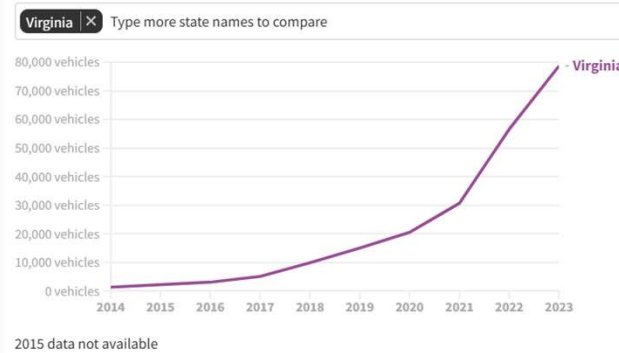
Virginia

Electric vehicle registrations

Electric vehicle registrations 2023: 78,694

Rank for growth of EV registrations 2014-2023: 10

Rank for 2023 EV registrations: 11

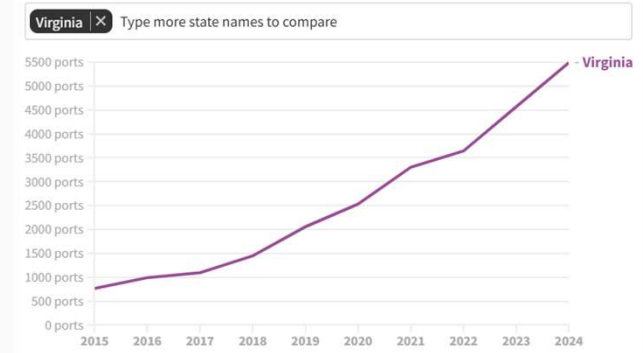


Electric vehicle charging ports

Electric vehicle charging ports 2024: 5,491

Rank for growth of EV charging ports 2015-2024: 9

Rank for 2024 EV charging ports: 9



Source: Environment America, IEA 2025 World Energy Outlook

Geopolitics





U.S.-Venezuela Relations



Some are expecting prices to decline – no prediction on scale
Contractors have no expectations for any major broader market shifts

Jan. 2026
Interference

Energy prices perceive stability
in supply markets
Significant declines in asphalt
prices to Feb. 2021 levels

What We Expect:

Long term
market

Asphalt prices are expected to
significantly decline
Continued movement away from
petroleum energy

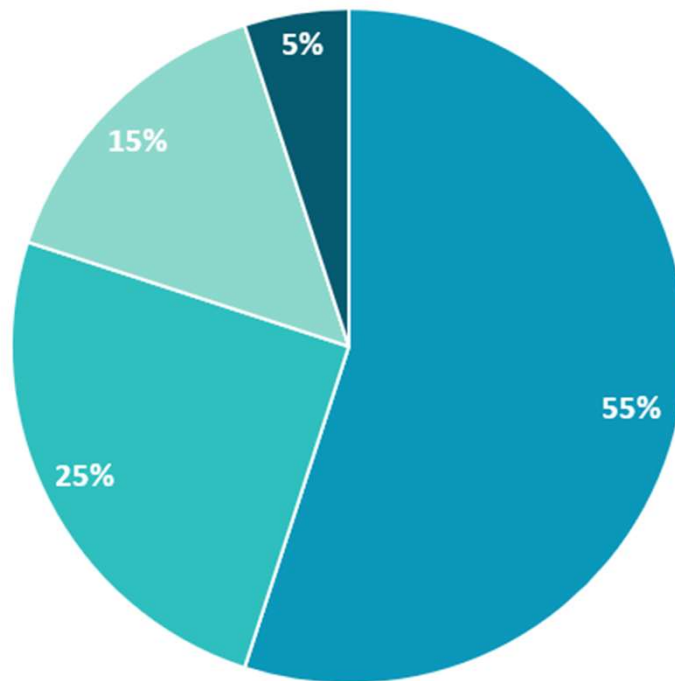
Alternate scenarios

Asphalt production for US Gulf markets
could expand by 100K tons/month if
sanctions lifted.
Potential geopolitical conflict for
future government operations¹⁴

Greenland Geopolitical Conflict



Percent Chance of Potential Outcomes



Scenario 1: Diplomatic agreement

Scenario 2: US pursues direct purchase of Greenland

Scenario 3: US supports Greenland independence

Scenario 4: US military action

Based on next actions taken, prices in steel, precious metals, and other materials could shift, especially if EU enforces retaliatory tariffs on US

Strategic asset due to new sea lanes accessing critical minerals that would reduce reliance on China imports

Source: JP Morgan, Fitch Ratings

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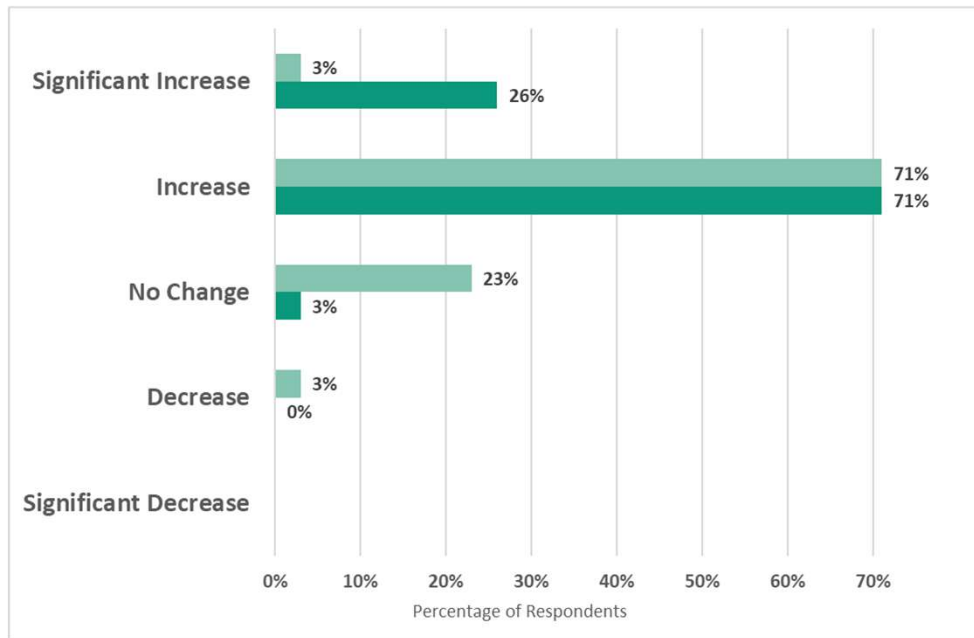


Macroeconomic Effects



Predicted change in global defense government spending in context of international geopolitical pressures

53% expect global conditions to **weaken** in 2026



Source: Chief Economists Outlook January 2026

■ Emerging Markets
■ Advanced Economies

- AI investment sparks hope for gains
- **56%** view tariffs as a likely strategy for public revenue in next 5 years – current geopolitical tension can amplify effects
- Record global military spending reaching past **\$2.7 trillion**



Tariff Effects



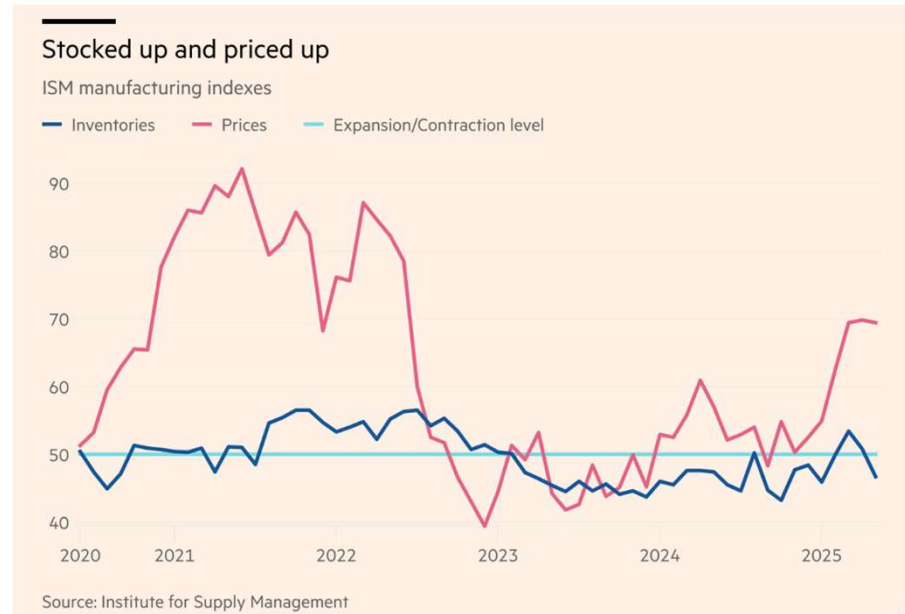
2024 Effective Rate:

2.5%

2025 Effective Rate:

16.8%

78% of respondents believe the tariff rate on U.S. **imports** will range between **2.5%-18%** in **2026**



Source: Financial Times, Institute for Supply Management, NABE January 2026 Survey

- Drop in inventories due to frontloading orders running out
- Leads to restocking at higher prices, passing costs to customers



Tariff Effects



Economists expect that as price increases from tariffs and other factors reduce household purchasing power, demand will slow.

On the supply side, the productivity boost from AI is likely to be too slow to offset the impact of reduced immigration and other policy changes that are weighing on investment and innovation.

Combined effects of tariffs, immigration and reduced federal jobs

-2%

GDP growth

About what was predicted

2.7%

Inflation

Below what was predicted

Source: Peterson Institute for International Economics, October 2025

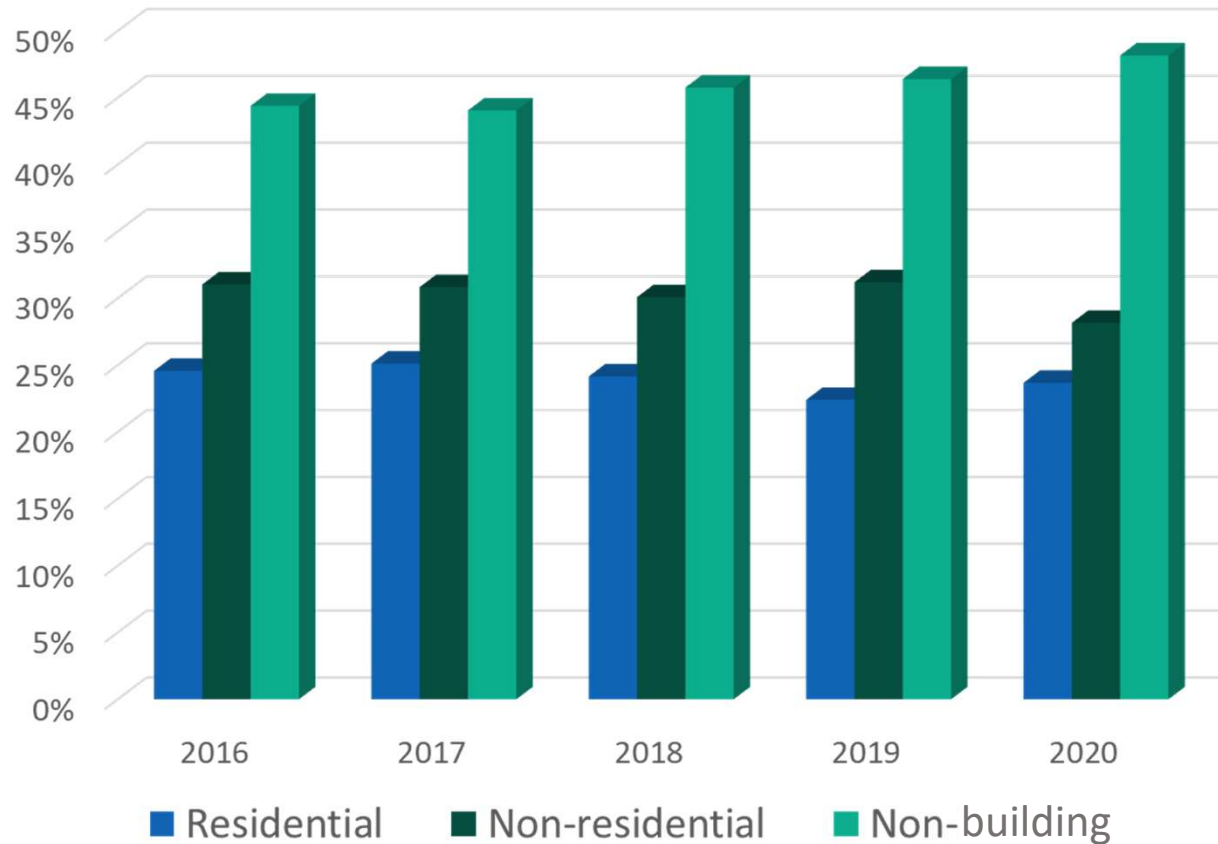
Materials





Aggregate Consumption by Sector, pre-COVID

Post-housing boom, pre-COVID, consumption by sector was fairly stable



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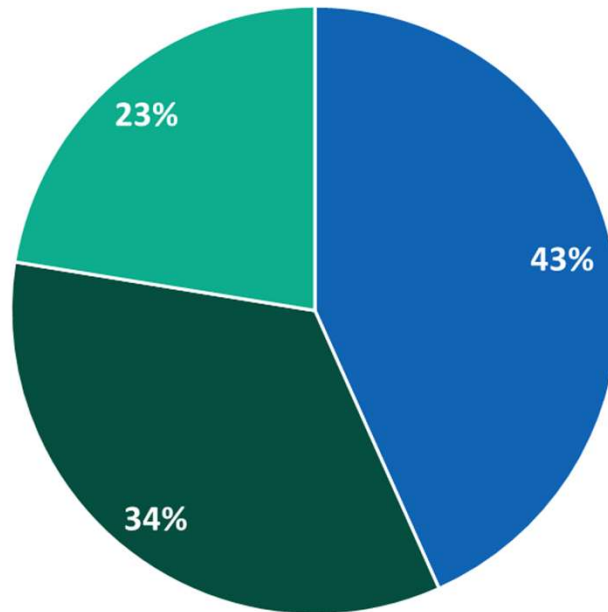


2025 Results vs. Prior Years

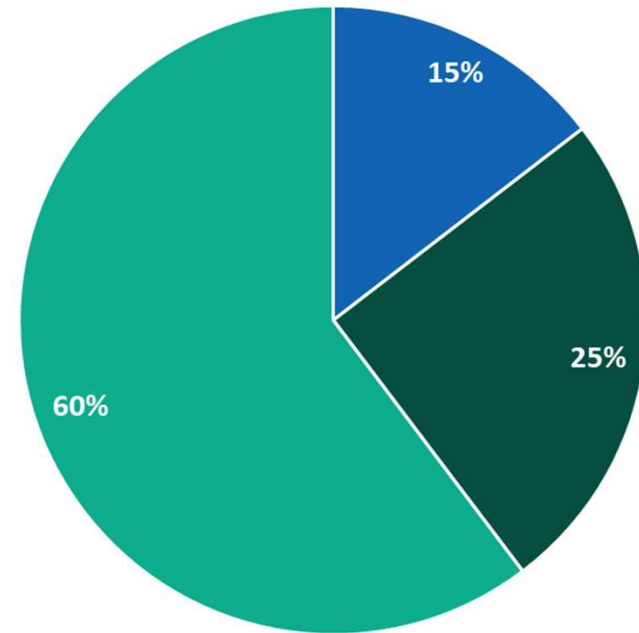


Aggregate Production 2017

- % used in FDOT work
- % used in non-FDOT public roadway work (City/County/Expressway Authority/etc)
- % used in non-roadway work (Residential/Commercial/Environmental/etc)



Aggregate Production 2025





Emerging importance of Resilience



Multiple new resiliency projects and programs focused on flooding, coastal protection, etc. in VA showcasing increased demand

- VA Community Flood Preparedness Fund Round 6 – announced Jan 15, 2026 with \$99 million for reducing flood impacts
- VA Beach Flood Protection Program – \$567 million
- Norfolk/USACE floodwall, barriers - \$400 million

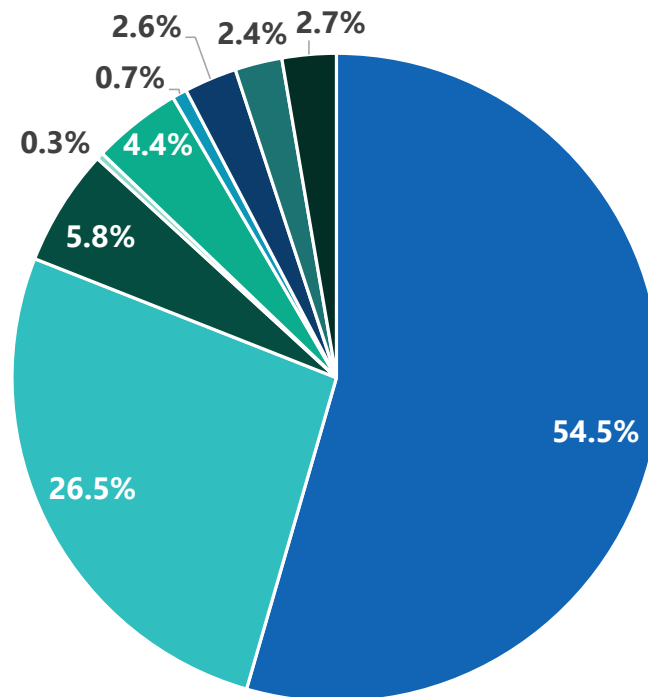


Job Security: Other Major Initiatives



IIJA Program Allocation Breakdown in VA

- National Highway Performance
- Surface Transportation Block Grant
- Highway Safety Improvement
- Railway-Highway Crossings
- CMAQ
- Metropolitan Planning
- National Highway Freight
- Carbon Reduction
- PROTECT Formula



- Total estimated FY26 funds: **\$1.5 billion**
- Start-to-date: **\$7 billion**
- Lots of competition for resources
- Continued and future efforts for resiliency programs

Source: FWHA

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VA Data Center Locations

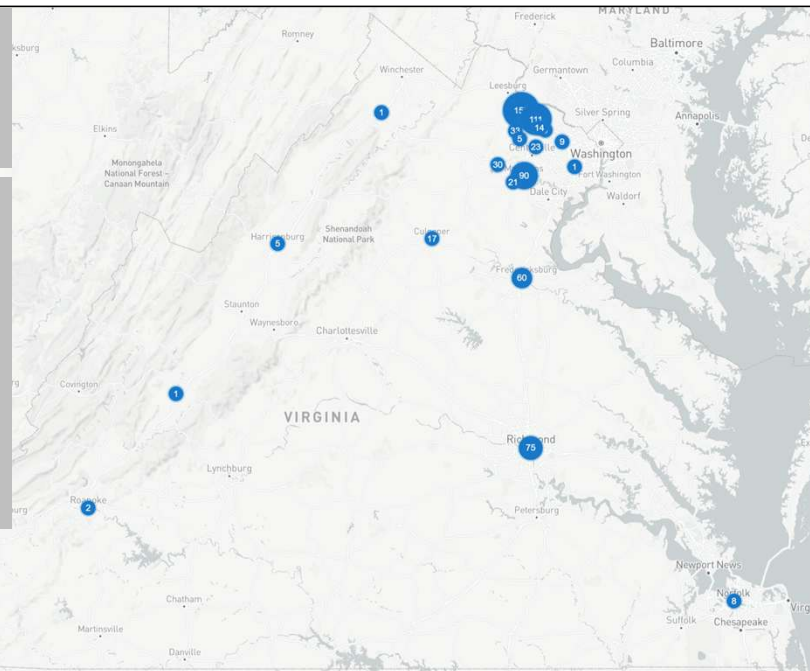


"...Virginia hosts the largest data center market in the world and is home to more than 35% (~150) of all known hyperscale data centers worldwide." **(VA Economic Development Partnership)**

- 74% (495) in NOVA
- 11% (75) in Richmond
- 9% (60) in Fredericksburg

Major Materials:

- Steel & alum. for structure
- Concrete for foundations
- Plastics for containment
- Copper for wiring
- Silicon for chips/semicon.
- Lithium for batteries



- Virginia currently has **666** total data centers
- Continued competition for concrete, earthwork, and aggregate materials
- Contractors report continued concerns about tariffs, stockpiling materials, and issuing POs for purchases well before needed

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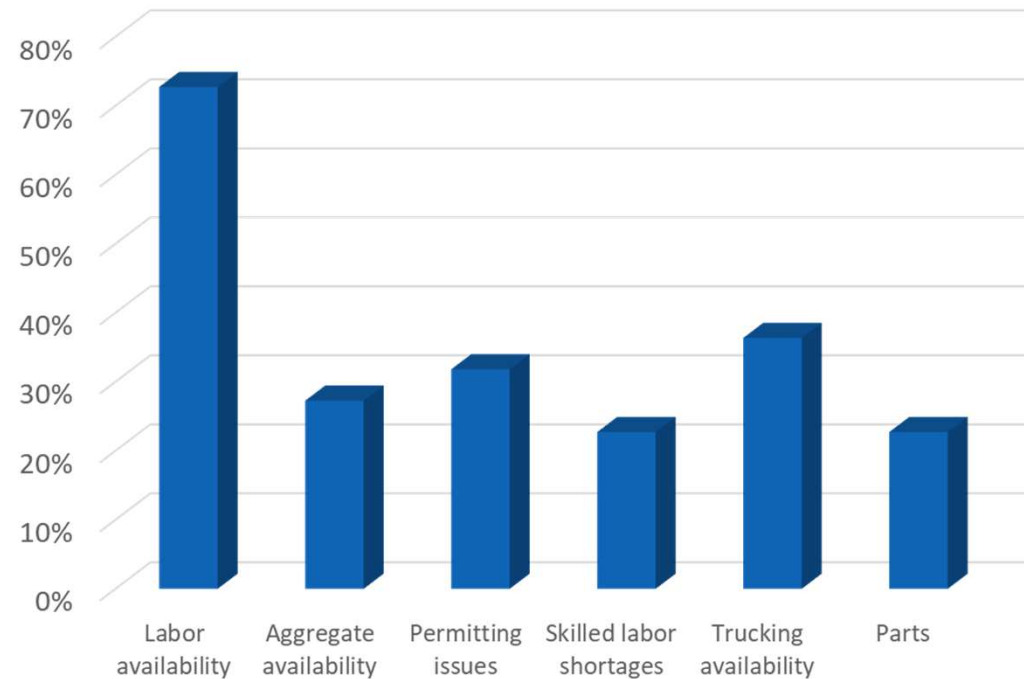


Top Concerns Meeting Market Demand - 2022



77% expect difficulty meeting market demand
23% said no issue

Top Concerns for those expecting issues



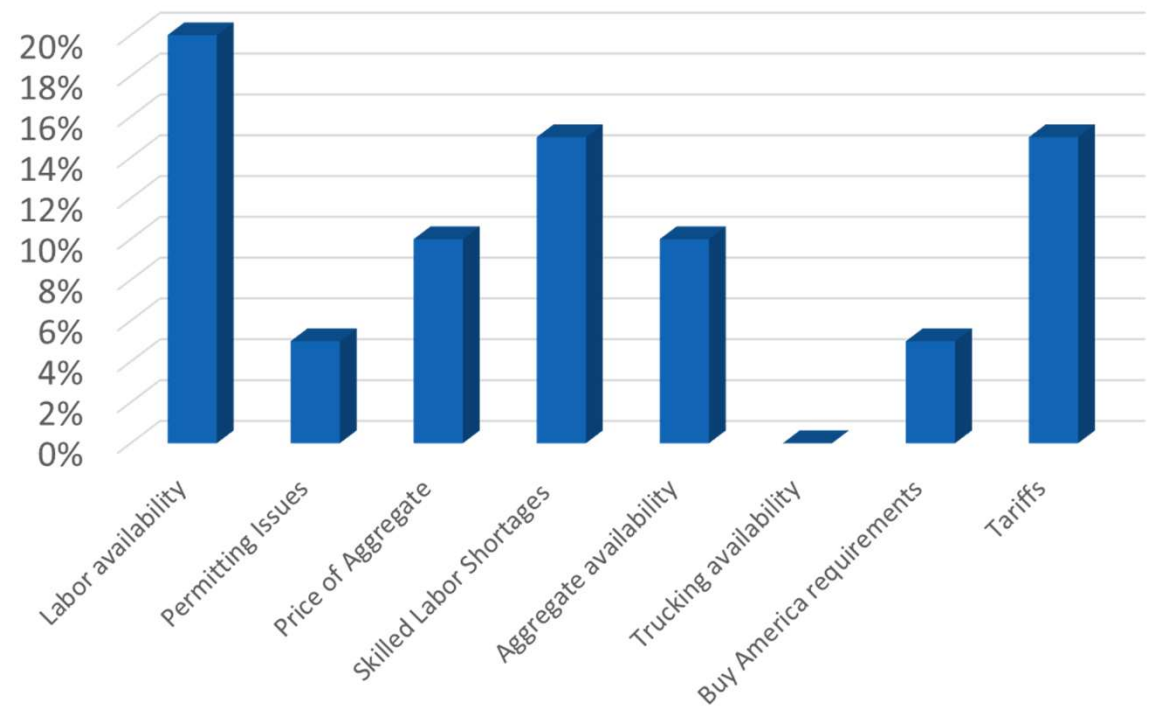


Top Concerns Meeting Market Demand - 2025



48% expect difficulty meeting market demand
52% said no issue

Top Concerns for Producers



Insurance





Insurance



Issue

- Excited Risk Managers requesting excessive insurance riders

Impact

- Penalizes local smaller firms
- Contractors pass on cost as insidious add-ons, invisible to DOT
- DOT rarely makes claims against these policies; cost is not aligned with risk

Alternative

- Carrot, not stick: incentive to avoid claims



Insurance: WPC Incentive



- The Department shall establish a Whole Project Contingency (WPC) for potential resolution of any Errors & Omissions (E&O) issues that exceed a GMPs total value throughout the life of the Project. This WPC shall be valued at \$11,500,000. This in lieu of requiring and compensating the Design-Build Firm for Project Specific Professional Liability Insurance or CPPI. At any time, the Design-Build Firm may make an E&O claim to the Department for claimed errors or omissions caused by the designer of the Project.
- This claim will be evaluated by the Executive Review Board, and if approved by the Department members of the Executive Review Board, compensation for the E&O claim would come from the WPC. Third-party claims may not be compensated out of the WPC. The WPC is only intended to cover claims made by the Design-Build Firm (including subcontractors) concerning its consultant designer (including subconsultants). Any claim made by subcontractors or referencing subconsultants must be supported by and brought by the Design-Build Firm. No other parties' or entities' claims shall be governed by this section.



Insurance: Incentive Approach



- Once the Project has been submitted to the Department for Final Acceptance and has been completed within allowable Contract Time (adjusted per Contract Documents) and there is no outstanding or anticipated litigation by the Design-Build Firm (certified by the Design-Build Firm that none exist), and if no E&O claim has been made on the Project, the **Department shall pay the Design-Build Firm \$5,750,000 of the WPC (\$2,875,000 earned by the Design-Build Firm's Contractor and \$2,875,000 earned by the Design- Build Firm's Designer).**



Insurance: Incentive Approach



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Innovations



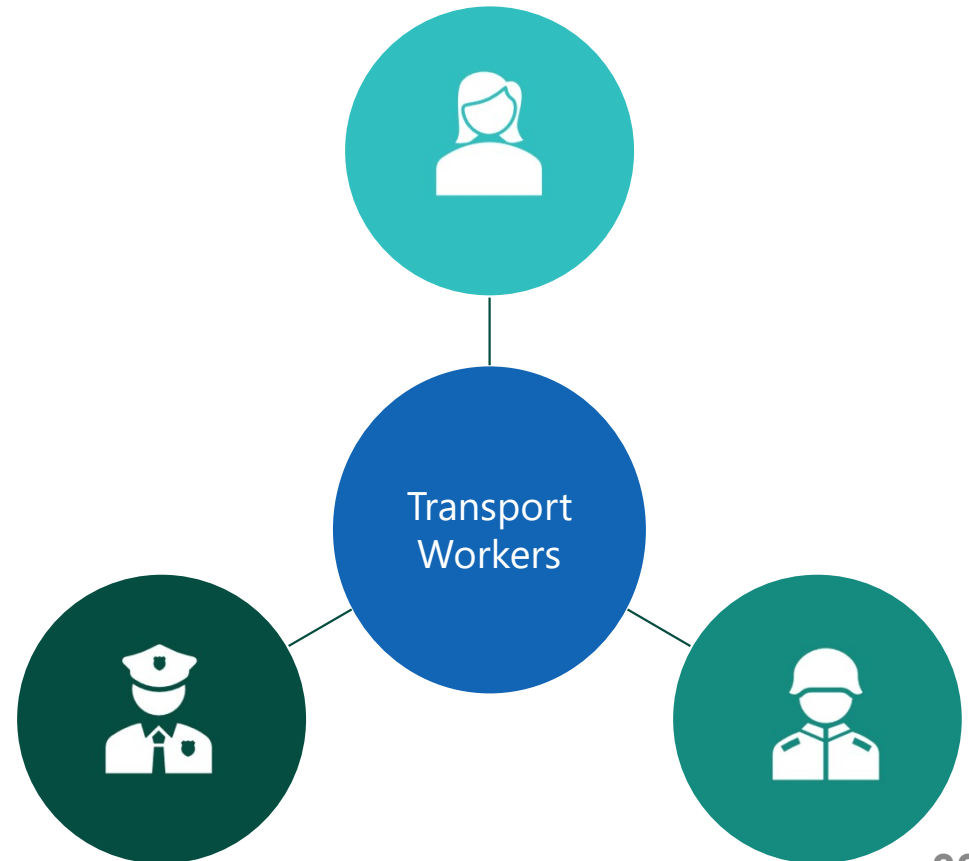


Evolving Transportation Innovation



Labor Sources:

- Female construction employment increasing by > 1%/year.
 - vs. overall construction employment < 1%/year.
- Non-traditional employment: formerly incarcerated, veterans, career changes
- Higher growth potential than traditional sources





AI Impacts on Highway & Heavy Civil Construction



Impacts Through:

- Automating dangerous and/or repetitive tasks
- Optimizing project schedules
- Enhancing safety via computer vision
- Predicting equipment maintenance needs to reduce time

Global AI in Construction market projected to hit **\$4.9 billion** in 2026

Automated safety monitoring reduces onsite accidents by **39%**

AI for project estimating – anticipating issues, extracting data, reading construction prints



Virginia EV Status



- Virginia EV Plan: charging infrastructure along key corridors to ensure no gaps
- Efforts paused Feb. 2025 due to federal freeze, and resumed Aug. 2025
- Currently, 1 site under construction, 52 planned, 0 operational



Source: U.S. Department of Energy/VDOT, interactive map [here](#)



VTOLs & Alt Fuels in Aviation

Market is predicted to hit **\$2.6 billion** in 2026, reaching **\$5.6 billion** in 2030

- Government-supported programs and corporations such as ZeroAvia and Boeing propelling commercial adaptation
 - 2024 - American Airlines announced purchase agreement for 100 hydrogen-electric engines
- Advent Technologies announced agreement with Airbus for advancements to fuel cells – critical component in hydrogen-powered aircraft



Source: Business Wire, American Airlines, Fortune Business, NASDAQ

Universal Hydrogen aircraft
"Lightning McClean" successful
launch from 2023

Strategic
partnerships
and
advanced
technology
pave the way

Prototypes
being tested
continuously

Outlook



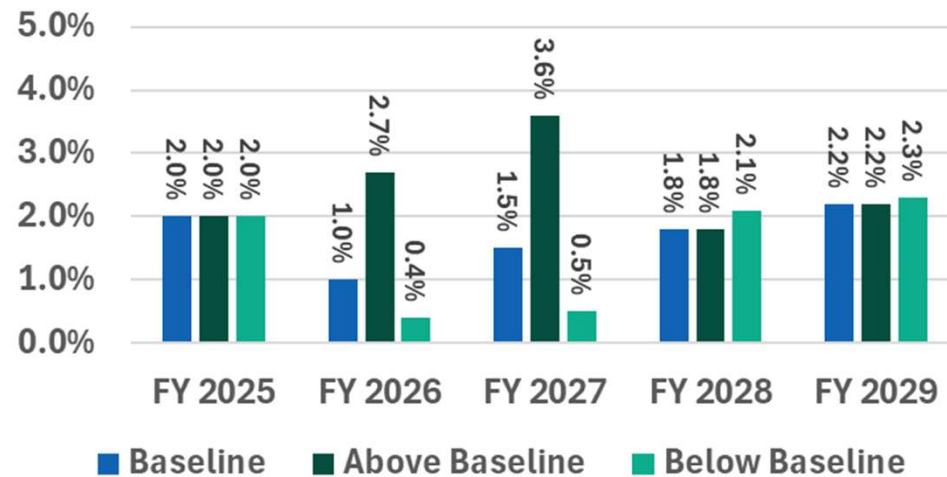


Things Looking Up



- Material price increases have remained relatively stable
- Material availability has been good according to interviews
- Interviews indicate limited to no issues with transportation and lead times

VA Real Gross State Product



Source: VDOT Interviews, GACRE Nov 2025

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Things Not Looking Up As Much



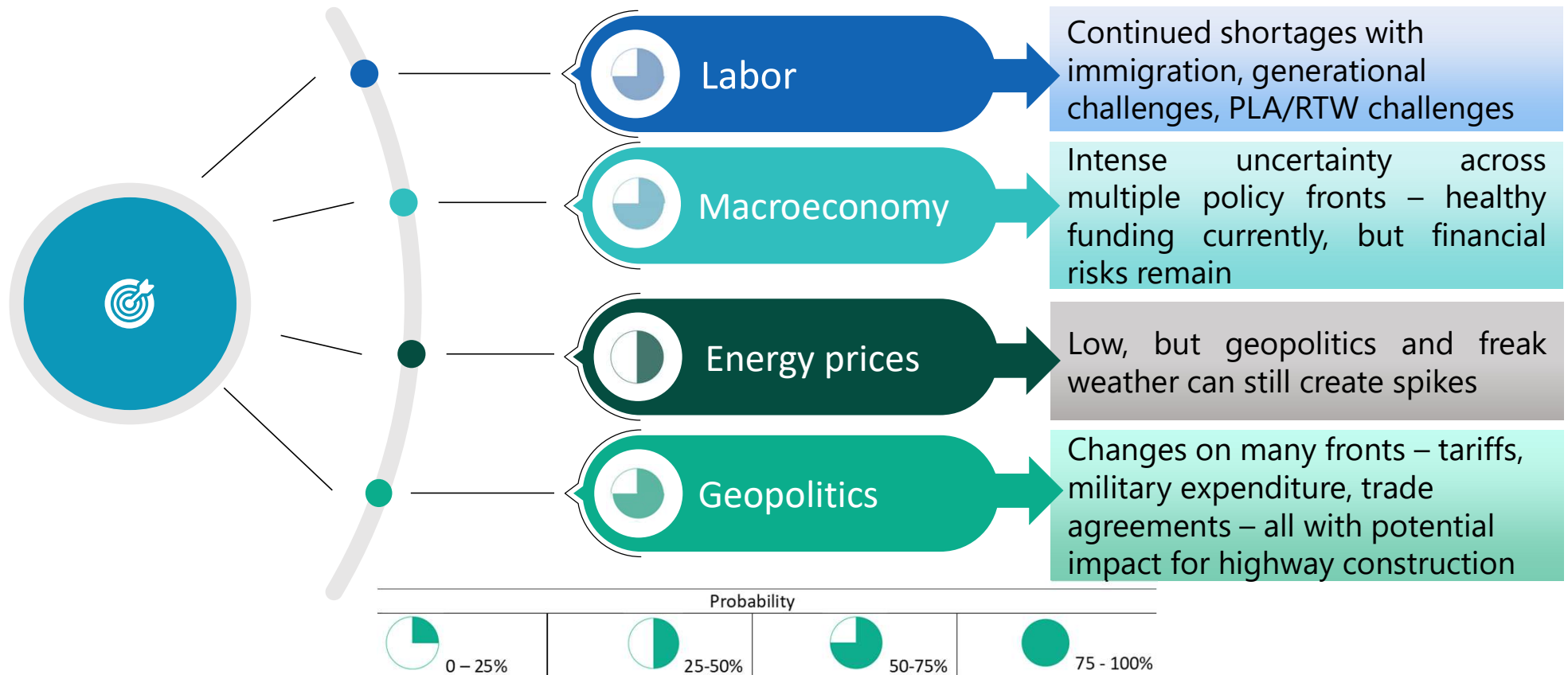
- Labor – not getting worse but still not great, skilled labor hard to find, and limited amount of applicants
- Aggregate has seen higher than normal price increases according to contractors
- Price increases with aggregate, steel, and asphalt are expected to continue in the future based on interview responses



Source: VDOT Interviews



Things to Watch – Next 24 Months



Questions? Thank you!



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