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AGC Data DIGest: December 7-16, 2022

Input costs are mixed in November; 38 states add jobs; ConstructConnect, AIA data suggest slowing

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Contractors' input costs were mixed again in November, as decreases in fuel, lumber, steel, and aluminum costs outweighed increased prices for copper, glass, and trucking, according to Bureau of Labor Statistics (BLS) data posted (<https://www.bls.gov/pPI/>) on December 9. The producer price index (PPI) for material and service inputs to new nonresidential construction declined 0.4% for the month. The index rose 10.1% year-over-year (y/y)—markedly more than the 7.1% increase in the consumer price index, the most widely watched measure of inflation. The PPI for inputs to new residential construction slipped 0.2% for the month but increased 9.2% y/y. There were notable one-month declines in PPIs for diesel fuel (-3.4%, but up 60% y/y), lumber and plywood (-3.1% for the month and -5.8% y/y), steel mill products (-3.0% and -27%, respectively), and aluminum mill shapes (-1.9% and -13%). The PPI increased by more than 1% from October for copper and brass mill shapes (5.4% but down 7.8% y/y), flat glass (1.5% for the month and 12% y/y), and truck transportation of freight (1.1% and 11%, respectively). Other items that contributed to the double-digit y/y increase in input costs include architectural coatings (unchanged for the month but up 26% y/y), paving mixtures and blocks (-0.9% and 20%), gypsum building materials (0.4% and 18%), concrete products (0.8% and 14%), insulation materials (-0.2% and 14%), asphalt felts and coatings (0.6% and 12%), and plastic construction products (-0.5% and 11%). In addition, indexes rose at double-digit rates for new, repair, and maintenance work by subcontractors: roofing contractors (0 and 21%), plumbing (0.3% and 15%), electrical (0.1% and 14%), and concrete contractors (0.3% and 11%). The PPI for new nonresidential building construction—a measure of the price that contractors say they would bid to build a fixed set of buildings—rose 0.2% for the month and 19.8% y/y. AGC posted (https://www.agc.org/sites/default/files/users/user21902/PPI%20Tables%202022_11.pdf?utm_source=informz&utm_medium=email&utm_campaign=informz_email) tables of construction PPIs. The December edition of AGC's Construction Inflation Alert (https://www.agc.org/sites/default/files/users/user21902/Construction%20Inflation%20Alert%20Dec%202022_V4.pdf?utm_source=informz&utm_medium=email&utm_campaign=informz_email) discusses materials costs (through October), supply chain, and labor availability challenges for contractors.



Seasonally adjusted construction employment rose from October to November in 38 states, declined in eight states, and was flat in four states and the District of Columbia, according to AGC's analysis (https://www.agc.org/sites/default/files/users/user21902/State%20Empl%202022_November_Rank_1mo_V2.pdf?utm_source=informz&utm_medium=email&utm_campaign=informz_email) of data BLS posted (<https://www.bls.gov/sae/>) today. Florida

added the most construction jobs over the month (5,400, 0.9%), followed by Ohio (4,800, 2.0%), Louisiana (3,400, 2.7%), and Michigan (3,300, 1.8%). Rhode Island had the largest percentage gain (3.6%, 800 jobs), followed by Nebraska (3.3%, 2,000), Louisiana, Ohio, and Vermont (2.0%, 300). Texas lost the most jobs in November (-3,900, -0.5%), followed by Colorado (-3,400, -1.8%), Minnesota (-1,300, -1.8%), and South Carolina (-700, -0.7%). Colorado and Minnesota had the largest percentage loss, followed by New Mexico (-0.7%, -400) and South Carolina. Compared to November 2021, construction employment last month was higher in 42 states and lower in eight states and D.C. California added the most jobs y/y (37,200, 4.2%), followed by Texas (29,200, 3.9%) and Florida (22,600, 3.9%). The top percentage gains were in North Dakota (16%, 4,000 jobs), Rhode Island (13%, 2,700), and Utah (12%, 14,500). South Carolina lost the largest number and percentage of construction jobs y/y (-4,700, -4.5%), followed by New Jersey (-4,600, -2.9%). (For D.C., Delaware, and Hawaii, which have few mining or logging jobs, BLS posts combined totals with construction; AGC treats the changes as all from construction.)

The value of construction starts in current dollars (i.e., not inflation-adjusted) in November plunged 18% y/y, data firm ConstructConnect reported (<https://f.hubspotusercontent00.net/hubfs/2347101/Blog%20Images%20and%20Media/Construction%20Industry%20Snapshot%20Package-November%202021.pdf>) today. Nonresidential building starts slumped 17% y/y, not seasonally adjusted, with institutional starts up 7.0%, industrial (manufacturing) starts down 9.9%, and commercial starts down 40%. Engineering (civil) starts climbed 5.8% y/y, with roads up 4.5%, water/sewage up 14%, bridges down 21%, dams/marine down 22%, power and miscellaneous civil up 46%, and airports up 42%. Residential starts plummeted 28% y/y, with single-family down 20% and apartments down 45%.

The Architecture Billings Index (ABI) registered a score of 46.6 in November, down from 47.7 in October and the second-straight reading below 50 since January 2021, the American Institute of Architects (AIA) reported (<https://www.aia.org/pages/6576981-abi-november-2022-architecture-firm-billin>) on Wednesday. AIA calls the index "a leading economic indicator that leads nonresidential construction activity by approximately 9-12 months." The ABI is derived from the share of responding architecture firms that report a gain in billings over the previous month less the share reporting a decline in billings, presented on a 0-to-100 scale. Any score below 50 means more firms reported decreased billings than increased billings. Readings for practice specialties (based on three-month averages) varied: mixed practice, 51.5 (up from 51.4 in October); institutional, 47.7 (down from 51.5); residential (mainly multifamily), 46.1 (down from 46.3); and commercial/industrial, 44.2 (down from 45.4).

"Year-to-date [YTD], ending in October, the total number of multifamily permits issued nationwide reached 575,671," 17% more than in January-October 2021," the National Association of Home Builders posted (<https://eyeonhousing.org/2022/12/single-family-permits-continues-on-a-downward-trend-in-october-2022/>) today, based on Census Bureau data (<https://www.census.gov/construction/bps/statemonthly.html>). "Between October 2021 YTD and October 2022 YTD, 39 states and the District of Columbia recorded growth, while 11 states recorded a decline in multifamily permits. Georgia led the way with a sharp rise (168.7%) in multifamily permits from 9,237 to 24,818 while Delaware had the largest decline of 61.5% from 968 to 373."

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