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## PPIs show little change in July; job growth resumes; openings rise as hiring dips in June

The **producer price index** (PPI) for final demand in July, not seasonally adjusted, decreased 0.3% from June and 0.2% year-over-year (y/y) from July 2015, the Bureau of Labor Statistics (BLS) [reported](#) today. AGC *posted [tables](#) and an [explanation](#) focusing on construction prices and costs. Final demand includes goods, services and five types of nonresidential buildings that BLS says make up 34% of total construction. The **PPI for final demand construction**, not seasonally adjusted, declined 0.6% for the month but rose 0.8% y/y. The PPI for new nonresidential building construction—a measure of the price that contractors say they would charge to build a fixed set of five categories of buildings—also rose 0.8% y/y. Changes ranged from -0.4% y/y for industrial building construction to 0.1% for schools, 0.9% for healthcare buildings, 1.4% for office buildings and 1.5% for warehouses. **PPIs for new, repair and maintenance work** on nonresidential buildings fell 2.0% y/y for plumbing contractors and rose 0.4% for electrical contractors, 1.3% for roofing contractors and 4.7% for concrete contractors. The **index for inputs to construction**—excluding capital investment, labor and imports—comprises a mix of 59% goods (including 5% for energy) and 41% services (including trade services, 26%; transportation and warehousing, 4%; and other services, 10%). The overall PPI for inputs to construction was flat for the month but fell 1.0% y/y. The PPI for all goods used in construction was unchanged for the month but decreased 2.3% y/y, as the sub-index for energy fell 2.5% and 22%, respectively, while the PPI for goods less food and energy rose 0.3% and 0.4%. The index for services dipped 0.1% in July but moved up 1.1% y/y. PPIs for inputs to seven categories of new nonresidential structures were little changed for the month but declined y/y, with y/y decreases ranging from 0.6% for educational and vocational structures to 2.3% for power and communications structures. PPIs for inputs to new single-family construction declined 0.2% y/y, while the multifamily index was flat. **Materials important to construction** that had notable one- or 12-month price changes include diesel fuel, up 2.5% for the month but down 19% y/y; copper and brass mill shapes, 4.2% and -8.4%, respectively; asphalt paving mixtures and blocks, 0.1% and -6.9%; and cement, 0.3% and 5.4%.*

Nonfarm payroll **employment** in July increased by 255,000, seasonally adjusted, from June and by 2,447,000 (1.7%) over 12 months, BLS [reported](#) on August 5. The unemployment rate (4.9%) was unchanged from June. **Construction employment** (6,652,000) increased by 14,000 from June, after dropping by 27,000 in prior three months, and was up by 215,000 (3.3%) y/y. Residential construction employment (residential building and specialty trade contractors) rose by 700 for the month and 120,100 (4.9%) y/y. Nonresidential employment (nonresidential building, specialty trades, and heavy and civil engineering construction) increased by 13,400 for the month and 94,700 (2.4%) y/y. The number of **unemployed jobseekers** who last worked **in construction** declined from 474,000 in July 2015 to 410,000, and the unemployment rate for such workers dropped from 5.5% to 4.5%, the lowest July figures for these series since 2000. (Industry unemployment data are not seasonally adjusted and should only be compared y/y, not across months.) **Average hourly earnings** rose 3.0% y/y to \$28.20, 9.8% above the total private-sector average.

There were 208,000 **construction industry job openings**, seasonally adjusted, at the end of June, BLS [reported](#) on Wednesday in its monthly Job Openings and Labor Turnover Survey. This was the highest June total since 2006 and the 3.0% job openings rate (end-of-month openings as a percent of employment plus openings) was the highest in the 16-year history of the series. In contrast, the 282,000 **hires** in June, seasonally adjusted, equaled just 4.2% of monthly employment, tying the lowest ratio since the series began. Together, the near-record openings and low hire rate suggest that contractors continue to experience difficulty finding qualified applicants.

The **value of nonresidential construction starts**, not seasonally adjusted, increased 3.4% y/y in July and 12% year-to-date (YTD) for January-July combined, compared with the same months of 2015, ConstructConnect (formerly CMD, Reed Construction Data) [reported](#) on Wednesday, based on data it collected. The value of nonresidential building starts rose 14% YTD, with institutional starts (the largest subcategory) up 19%, commercial starts up 16% and miscellaneous nonresidential up 79%, partly offset by a 40% plunge in industrial (manufacturing) starts. Heavy engineering (civil) starts climbed 6.8%.

*“Instead of **spending on aging roads, bridges and buildings**, many state and local governments are scaling back,” the [Wall Street Journal](#) reported on Monday. “New government-bond issues have dropped to levels not seen in the past 20 years....As a share of the economy, state and local governments are investing less in capital projects than they have since the early 1980s, according to Commerce Department data....Many struggling legislatures and city halls are instead focusing on underfunded employee pensions and rising Medicaid costs. Some cash-strapped areas...face high annual debt payments.”*

The outlook for most types of **retail construction** remains bleak, even though ConstructConnect reported a 45% YTD rise in the value of retail/shopping starts. Retail sales increased 2.3% YTD through July, the Census Bureau [reported](#) today. But department store sales (excluding leased departments) slumped 3.9%, while sales at “nonstore retailers” (online and mail-order) jumped 10.5%. On Thursday, the largest department store owner, Macy’s Inc., announced it would **close** 100 more **stores** in the U.S. The [Journal](#) today listed these U.S. store closure announcements so far in 2016: Sports Authority, 460; Office Depot, 300; Hancock Fabrics, 255; Wal-Mart, 154; Aeropostale, 154; Finish Line, 150; Kmart, 68; Ralph Lauren, 50; and Staples, 50.