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Dodge, ConstructConnect diverge on construction starts trend; PPIs rise in April

Two firms that collect data on the **value of new construction starts** issued starkly different assessments of April and year-to-date (YTD) starts for the first four months of 2016 combined compared to year-ago periods. April starts slumped 8% from March's level at a seasonally adjusted annual rate, Dodge Data & Analytics [reported](#) on Wednesday. "Nonresidential building pulled back [-19%] following its sharp March increase, and residential building also declined [-8%] due to a slower pace for multifamily housing. Meanwhile, the nonbuilding construction sector showed improvement [+10%], with public works strengthening after its lackluster March performance. Through the first four months of 2016, total construction starts on an unadjusted basis were reported...down 12% from...a year ago. The first four months of 2015 had been lifted by several exceptionally large projects, including three liquefied natural gas (LNG) terminals with a total value of \$15.4 billion and three large petrochemical plants with a total value of \$11.9 billion, which substantially increased last year's January-April amounts for the electric utility/gas plant and manufacturing building categories. If [those] categories are excluded, total construction starts during the first four months of 2016 would be down a modest 4% from a year ago."

The **value of new nonresidential construction starts** in April, not seasonally adjusted, soared 31% from April 2015, ConstructConnect (formerly CMD) reported on Monday. The YTD total for the first four months of 2016 combined was up 14.5% from the same months of 2015. Growth was very evenly distributed: heavy engineering (civil) construction climbed 13% YTD and nonresidential building construction increased 15%, with commercial buildings up 24% and instructional buildings up 18%, partially offset by a 55% plunge in industrial (manufacturing) buildings.

The **producer price index (PPI) for final demand** in April, not seasonally adjusted, increased 0.1% from March but was flat year-over-year (y/y) from April 2015, the Bureau of Labor Statistics (BLS) [reported](#) on May 13. 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, increased 0.8% for the month and 1.9% 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 1.9% y/y. Changes ranged from 1.7% y/y for healthcare construction to 1.8% for office buildings, 1.9% for schools and industrial buildings, and 2.7% for warehouses. **PPIs for new, repair and maintenance work** on nonresidential buildings fell 0.3% y/y for plumbing contractors and rose 1.7% for roofing contractors, 4.1% for electrical contractors and 4.3% 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 rose 0.3% for the month but fell 1.7% y/y. The PPI for all goods used in construction climbed 0.5% for the month but decreased 2.9% y/y, as the sub-index for energy jumped 3.6% for the month but plunged 23% y/y, while goods less food and energy edged up 0.3% for the month but fell 0.4% y/y. The index for services rose 0.1% and 0.3%, respectively. PPIs for inputs to seven categories of new nonresidential structures all increased for the month but declined y/y, with y/y decreases ranging from 1.3% for educational and vocational structures to 3.0% for power and communications structures. PPIs for inputs to new single- and multifamily construction posted y/y declines of 0.8% and 1.1%, respectively. Materials important to construction that had notable one- or 12-month price changes include diesel fuel, up 3.9% for the month but down 33% y/y; copper and brass mill shapes, -2.8% and -15%, respectively; steel mill products, 2.0% and -11%; aluminum mill shapes, -0.6% and -9.7%; asphalt paving mixtures and blocks, -3.7% and -5.2%; and flat glass, 0.6% and 6.9%. BLS made routine final revisions to December 2015 PPIs; most changes for construction-related indexes were minor.

Recent **price increases for several construction inputs** suggest the PPI for construction will rise again in May. One roofing supply company in the Southeast sent its customers a letter on May 1 announcing "a price increase of between 3 and 5% to go into effect between now and May 31" for **asphalt shingles and accessories** based on manufacturers' pricing letters that it forwarded. Investment research firm Thompson Research Group [reported](#) on May 10 that its monthly survey of building materials firms found **steel studs** experienced "a spike in pricing in recent weeks (+70%+) given tighter mill supply after the successful passage of tariffs on low priced imports." The Energy Information Administration reported on Monday that the average national retail price of on-highway **diesel fuel** was \$2.30 per gallon, up 17 cents (8%) from four weeks earlier, but 61 cents (21%) lower than a year before.

There were 210,000 **open construction sector jobs**, seasonally adjusted, at the end of March, BLS [reported](#) on May 10 in its latest Job Openings and Labor Turnover Survey. That was the highest total since May 2007. Expressed as a percent of openings plus filled positions, the 3.0% rate was the highest since July 2006. The industry hired 344,000 workers in March, a rate of 5.1 per 100 employees, similar to the total and rate for the past three years. The spike in unfilled positions suggests the industry is having increasing difficulty finding qualified workers, which is consistent with reports from contractors.