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PPIs for building inputs rise in May but fall for year; industry employment stalls in June

The **producer price index** (PPI) for final demand in June, not seasonally adjusted, increased 0.7% from May but only 0.3% year-over-year (y/y) from June 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, increased 0.1% for the month and 2.0% 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 2.0% y/y. Changes ranged from 1.2% y/y for industrial building construction to 1.8% for healthcare buildings, 2.0% for schools, 2.1% for warehouses, and 2.2% for office buildings.* ***PPIs for new, repair and maintenance work*** *on nonresidential buildings fell 1.0% y/y for plumbing contractors and rose 1.7% for roofing contractors, 3.8% for concrete contractors and 4.1% for electrical 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 1.2% for the month but fell 0.9% y/y. The PPI for all goods used in construction climbed 1.1% for the month but decreased 2.5% y/y, as the sub-index for energy jumped 9.7% for the month but plunged 21% y/y, while the PPI for goods less food and energy edged up 0.2% for the month but was unchanged y/y. The index for services rose 1.4% and 1.6%, 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 0.7% for educational and vocational structures to 4.3% for power and communications structures. PPIs for inputs to new single-family construction dipped 0.1% y/y, while the multifamily index increased 0.2%.* ***Materials important to construction*** *that had notable one- or 12-month price changes include diesel fuel, up 6.0% for the month but down 23% y/y; copper and brass mill shapes, -2.1% and -16%, respectively; asphalt paving mixtures and blocks, 0.4% and -7.0%; aluminum mill shapes, 0 and -5.2%; cement, 0.1% and 5.2%; and flat glass, 0.5% and 5.8%.*

Nonfarm payroll **employment** in June increased by 287,000, seasonally adjusted, from May and by 2,451,000 (1.7%) over 12 months, BLS reported on Friday. The unemployment rate declined to 4.6% from 6.3% in May. ***Construction employment*** *(6,643,000) was flat for the month, after dropping by 6,000 in April and 16,000 in May, but increased by 217,000 (3.4%) y/y. Residential construction employment (residential building and specialty trade contractors) rose by 2,300 for the month and 133,900 (5.5%) y/y. Nonresidential employment (nonresidential building, specialty trades, and heavy and civil engineering construction) shrank by 1,500 for the month but increased by 83,400 (2.1%) y/y. The number of* ***unemployed jobseekers*** *who last worked* ***in construction*** *declined from 522,000 in June 2015 to 417,000, and the unemployment rate for such workers dropped from 6.3% to 4.6%, the lowest June 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 2.8% y/y to $28.13, 9.8% above the total private-sector average.*

There were 188,000 ***construction industry job openings****, seasonally adjusted, at the end of May, BLS reported on Wednesday in its monthly Job Openings and Labor Turnover Survey. This was the highest May total since 2007. In contrast, the 303,000* ***hires*** *in May, seasonally adjusted, and the ratio of hires to openings were the lowest May figures in the 17 years since the series began, suggesting that the employment drop in May could have resulted from difficulty finding qualified applicants.*

The ***value of nonresidential construction starts****, not seasonally adjusted, increased 11% year-to-date (YTD) for January-June 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 23%, commercial starts up 15% and miscellaneous nonresidential up 62%, partly offset by a 51% plunge in industrial (manufacturing) starts. Heavy engineering (civil) starts climbed 6.5%.*

"Reports from the 12 Federal Reserve districts indicate that economic activity continued to expand at a modest pace across most regions from mid-May through the end of June," the Fed reported on Wednesday in the latest "Beige Book" (named for the color of its cover), a compilation of informal soundings of businesses in each district. The districts are referenced by their headquarters cities. *"****Wage pressures in the construction industry*** *were highlighted in the Philadelphia, Cleveland and San Francisco districts….****Residential construction*** *activity was mostly positive across districts. Cleveland and Kansas City indicated strong growth in housing starts. Conversely, New York reported that single-family construction tapered off through most of the district, and Chicago reported little change in residential construction activity….****Commercial construction*** *activity grew modestly from the previous reporting period. Construction activity picked up in New York, and Cleveland continued to report project pipelines are strong. Reports on* ***multifamily construction*** *were mixed in Richmond, Atlanta and Dallas. New York noted that multifamily construction has tapered off through most of the district….*Demand increased for **commercial real estate loans** in New York, Philadelphia, Richmond and Kansas City and plateaued in Dallas."