



www.agc.org/learn/construction-data

Vol. 16, No. 28 · July 25-29, 2016

Construction pay rises at fastest rate since 2008, BLS finds; cost reports for July vary

Compensation costs (wages, salaries and benefits, including required employer payments such as unemployment and workers compensation) in private industry in the second quarter of 2016 (Q2) increased 0.6%, seasonally adjusted (and also 0.6% in Q1), and 2.4% over 12 months, the Bureau of Labor Statistics (BLS) [reported](#) today. Wages and salaries rose 0.6% in Q2 (vs. 0.7% in Q1) and 2.6% over 12 months. *Compensation in construction increased 0.8% in Q2 (vs. 0.5% in Q1) and 2.5% over 12 months, the largest three- and 12-month increases since 2008. Construction wages and salaries rose 0.8% in Q2 (vs. 0.5% in Q1) and 2.7% over 12 months, also the biggest 12-month gain since 2008. (BLS does not report benefits in construction.) Readers with construction firms are invited to fill out [AGC's Workforce Survey](#), which closes today.*

Consultancy IHS Markit and the Procurement Executives Group (PEG) [reported](#) on Wednesday that “construction costs almost hit the neutral mark in July....The headline current IHS PEG **Engineering and Construction Cost Index** registered 49.8 this month, up from 48.1 in June. The headline index has been consistently below the neutral mark,” in which a reading higher than 50 represents upward pricing strength; below 50, downward pricing strength for 19 months. “An uplift in materials and equipment prices was not enough to shift the pricing environment higher, due to lower escalation in labor costs. This month, the current **materials/equipment price** index rose above the neutral mark for the first time since December 2014. The sub-index registered 50.5 in July, indicating rising prices. Out of the 12 categories, only four showed falling prices: two ocean freight indices as well as exchangers and pumps. The previous two months' price increases in steel began to show up in carbon steel pipe and alloy steel pipe....The index for **subcontractor labor prices** fell once again in July. Despite a slight increase over last month's index figure, the sub-index has recorded its third consecutive month below the neutral mark, at 48.2.”

Distributor New South Construction Supply [reported](#) on Thursday, “Stable is the best word to describe prices in July as prices for most of the products we distribute have been unchanged since our June newsletter and most manufacturers have indicated there will be few, if any, changes in August. Domestic **rebar** mills continued to hold the line on **prices** in July and no price changes are expected for August. [**Prices for southern yellow pine**] dimensional **lumber and plywood** fell between 2 and 4% in July and most analysts expect prices to continue to fall by another 2% in early August. [**Polyethylene prices**] were unchanged in July....As **wire rod prices** have been unchanged since May, **concrete reinforcing wire mesh prices** have basically remained unchanged since the industry wide June price increase. **Masonry reinforcing** manufacturers are holding firm on pricing after increasing prices in June.”

In contrast, one reader passed along a letter from a supply company announcing that its vendors of **asphalt shingles and accessories** “have announced this year's second price increase of 5% to go into effect on August” 1 or 8. Another reader reported “a cement supplier who has noticed a 22% increase in their **cement/fly ash material price**” in Alabama. Fly ash is a by-product of burning coal in power plants. Low natural-gas prices and new regulations on power-plant emissions have led to a steep reduction in coal use and, thus, in availability of fly ash. Supplies are likely to dwindle further, although if the price rises enough, it may become economical to transport fly ash more than the short distances that are typical now. Readers are invited to submit pricing announcements to simonsonk@agc.org.

Gross domestic product, net of inflation (real GDP), increased 1.2% at a seasonally adjusted annual rate in Q2, compared with a downwardly revised 0.8% in Q1, the Bureau of Economic Analysis (BEA) [reported](#) on Thursday. (The report included routine “benchmark” revisions back to 2013.) *Private real **nonresidential fixed investment in structures** (including mining) tumbled at a 7.9% rate Q2 after inching up 0.1% in Q1. There was considerable variation among private nonresidential structure types. Investment in commercial and health care structures rose 2.7%, following a 23% jump. Investment in manufacturing structures sagged 8.9% (compared to -11% in Q1 and -17% in 2015Q4). Investment in power and communication structures rose 2.0% (and 0.6% in Q1). Investment in other nonresidential structures advanced 11% after a 4.2% gain. Real **residential fixed investment** slumped 6.1% after rising 7.8%, with multifamily investment increasing 14% and 20%, while single-family fell 16% and 5.6%. Real **government investment in structures** plummeted at a 13% rate in Q2 following a 19% leap in Q1. The **price index for GDP** accelerated to a 2.2% rate of increase from 0.5%. The price index for private nonresidential structures investment increased 3.0% following a 1.5% decline. The price index for residential investment climbed 5.2% and 2.0%, respectively. The price index for government investment in structures increased 3.7%, following a 1.3% drop.*

Real GDP in construction grew 9.0% at a seasonally adjusted annual rate in Q1 (based on unrevised data), BEA [reported](#) on Wednesday—“the eighth consecutive quarter of growth for this industry. This industry contributed to growth in 47 states and the District of Columbia and 1.1 percentage points to the 1.7% growth in real GDP in Hawaii. [GDP] by state is the market value of goods and services produced by the labor and property located in a state.” *Construction contributed 0.73 percentage points in Iowa, where GDP shrank by 2.6%; 0.70 points in Oklahoma, where GDP declined 0.5%; and 0.69 points in Nevada, where GDP was unchanged. Construction GDP fell 1.2 percentage points out of an 11% drop in North Dakota; 0.46 points out of a 4.9% decrease in Wyoming; and 0.23 points against a 0.9% increase in GDP in Connecticut.*

The Data DIGest is a weekly summary of economic news; items most relevant to construction are in italics. All rights reserved. Sign up at <http://store.agc.org>.