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Construction pay appears to dip; other costs are mixed; injury rate declines again

Compensation costs (wages, salaries and benefits, including required employer payments such as unemployment and workers compensation) in private industry in the third quarter of 2016 (Q3) increased 0.5%, seasonally adjusted (after rising 0.5% in Q2), and 2.3% over 12 months, the Bureau of Labor Statistics (BLS) **reported** today. Wages and salaries also rose 0.5% in Q3 (vs. 0.6% in Q2) and 2.4% over 12 months. **Compensation in construction declined 0.1% in Q3 (vs. an increase of 0.8% in Q2) and increased only 1.9% over 12 months. Construction wages and salaries also dipped 0.1% in Q3 (vs. a rise of 0.8% in Q2) and rose 2.0% over 12 months. The decreases were the first since the series began in 2001. One possible explanation is that the industry has added workers with less or no construction experience, at lower pay, because of a dearth of experienced workers, thus bringing down average compensation for the industry even though pay for each worker may be steady or rising.**

Construction cost reports have been mixed. Consultancy Rider Levett Bucknall reported on Thursday that its National Construction Cost Index on July had risen 1.5% from April 1 and 5.8% since July 1, 2015. The 12-month rise was the largest since the index was "recalibrated" in April 2011. The index "tracks the 'true' bid cost of construction, which includes, in addition to costs of labor and materials, general contractor and subcontractor overhead costs and fees (profit). The index also includes applicable sales/use taxes that 'standard' construction contracts attract." Among 12 city indexes, increases since April ranged from 0.8% in Las Vegas to 4.5% in San Francisco. In contrast, consultancy IHS Markit and the Procurement Executives Group (PEG) reported on Wednesday that "construction costs fell for the 22nd month in a row in October....The headline current IHS PEG Engineering and Construction Cost Index registered 48.7 this month, up from 48.1 in September," where a reading higher than 50 represents upward pricing strength; below 50, downward pricing strength. "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 came in at 48.8. Since April, this sub-index has been oscillating between 47 and 50, a reflection of the volatility in commodity markets. More than half of the categories in materials sub-index showed falling prices, with three showing rising prices; prices remained unchanged in two categories....The current subcontractor labor index fell once again in October...with the index figure rising from 43.7 to 48.5. The sub-index recorded its sixth consecutive month below the neutral mark....In the survey comments, respondents have noted no shortages in supply of materials."

Distributor New South Construction Supply **reported** today, "With the industry-wide Portland cement price increase in January, several concrete block, concrete lintel, and pre-cast **concrete** manufacturers have announced a January **price** increase." On October 14, Aggregate Industries notified customers in mid-Atlantic states, "All pricing for fixed locations and new project work in 2017 will be increased by at least 12%." On September 30, Vulcan Materials informed customers in the same region that it will increase prices \$8 per yard effective January 1. Readers are invited to submit pricing notices to simonsonk@agc.org.

The **incidence rate of nonfatal workplace injuries** and illnesses decreased to 3.0 per 100 equivalent full-time workers in 2015 from 3.2 in 2014 and 3.3 in 2013, BLS **reported** on Thursday. *The rate in construction declined to 3.5 in 2015 from 3.6 in 2014 and 3.8 in 2013. Declines occurred across all three construction subsectors: construction of buildings, 3.1 in 2015, down from 3.3 in 2014 and 2013; heavy and civil engineering construction, 2.8, down from 3.0 in 2014 and 3.2 in 2013; and specialty trade contractors, 3.7, down from 3.8 in 2014 and 4.2 in 2013.*

Gross domestic product, net of inflation (real GDP), increased 2.9% at a seasonally adjusted annual rate in Q3, up from 1.4% in Q2 and the fastest rate in two years, the Bureau of Economic Analysis (BEA) **reported** today. *Private real nonresidential fixed investment in structures (including mining) increased at a 5.4% rate in Q3 after sliding at a -1.2% rate in Q2. There was considerable variation among private nonresidential structure types. Investment in commercial and health care structures soared at a 26% rate, following a 12% jump. Investment in manufacturing structures rebounded 7.6% (compared to -8.2% in Q2 and -11% in Q1). Investment in power and communication structures slipped 1.8% (after rising 6.9% in Q2). Investment in other nonresidential structures (excluding mining) advanced at a 2.0% rate after a 22% gain. Real residential fixed investment slumped 6.2% after sinking 7.8%, with multifamily investment increasing 9.0% and 2.4%, while single-family fell 14% and 17%. Real government gross investment in structures plummeted at a 13% rate in Q3 following a 20% dive in Q2. The price index for GDP slowed to a 1.5% rate of increase from 2.3%. The price index for private nonresidential structures investment decreased at a 0.4% rate, following a 3.2% rise. The price index for residential structures investment climbed 6.0% and 5.2%, respectively. The price index for government investment in structures increased 0.9% and 4.1%.*

Wind generation construction remains strong. "Wind's share of total U.S. electricity generation has risen every year since 2001," the Energy Information Administration **reported** on Wednesday in its "Today in Energy" blog. "In 2015, 11 states generated at least 10% of their total electricity from wind....Two additional states, Texas and New Mexico, are on track to surpass a 10% wind generation share in 2016, based on data through July. Wind facilities produced...4.7% of net U.S. electric power generation. This level represents a doubling of wind's generation share since 2010, when the share was 2.3%. Based on monthly data through July, wind has provided 5.6% of U.S. generation in 2016."

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