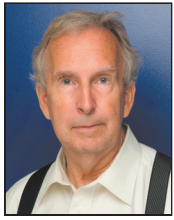


Economy at a Glance

Prepared by Alex Carrick, ConstructConnect® Chief Economist

PPI measures of construction material costs are still shouting warnings (Part I)



Alex Carrick

This article focuses on the latest U.S. building material cost increases as laid out in the Producer Price Index (PPI) data set compiled and published by the Bureau of Labor Statistics (BLS).

The PPI series measures prices for goods 'as they leave the factory gate.' They're not necessarily as up-to-the-minute relevant as some other measures. For example, there have been sighs of relief in the marketplace because of recent perceived price softening in the forestry sector. The moderation relates to transactions on commodity exchanges covering 'spot' and 'futures' prices.

Therefore, some easing may be imminent, and again especially relating to lumber and its byproducts, but there are still numerous cost hikes among other construction material inputs to raise an eyebrow or two.

Prices for steel, aluminum and copper products, along with gasoline and diesel fuel, have all been climbing significantly higher, to some extent under the cover of the more attention-grabbing advances in forestry products.

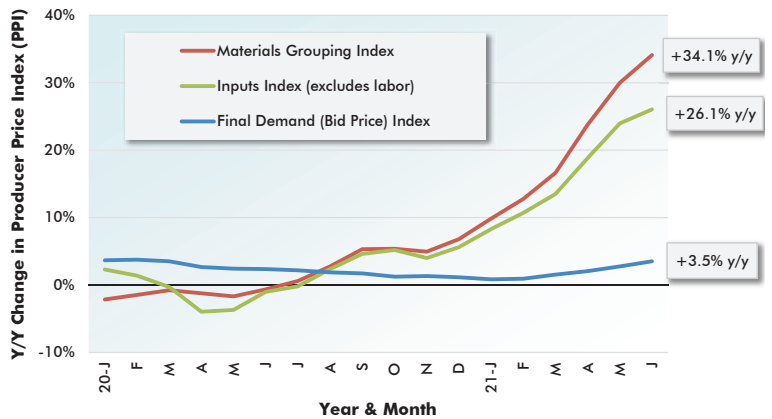
In any event, Graph 1 shows the dilemma faced by contractors. In hopes of being awarded work, they've been keeping their bid prices low, while their expenses have been increasing alarmingly.

Appearing below are 30 graphs and a detailed table. 28 of the graphs are in clusters of four each. The graphs and table feature latest monthly updates of what has appeared before at ConstructConnect's website.

Recently, many of the slopes in the cluster graphs have taken on a steepness rarely, if ever, seen before.

To be continued in *Economy at a Glance*, Vol. 17, Issue 111.

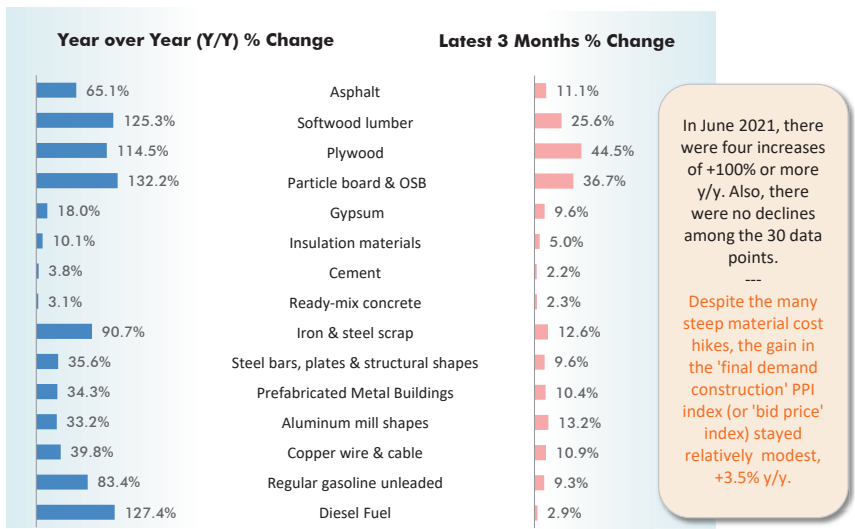
Graph 1: U.S. Construction Bid Prices vs Material Input Costs



Since the Fall of last year, construction material costs have been skyrocketing, most recently climbing in a range of +26% to +34% y/y, according to two PPI measures. Contractors, in a fiercely competitive marketplace, have not been able to pass along their spiking expenses. The 'final demand' or bid price index in June 2021 rose by a relatively tepid +3.5% y/y.

Data source: Producer Price Index Series (BLS)/Chart: ConstructConnect — CanaData.

Graph 2: U.S. Construction Material Cost Changes From Producer Price Index (PPI) Series – May 2021



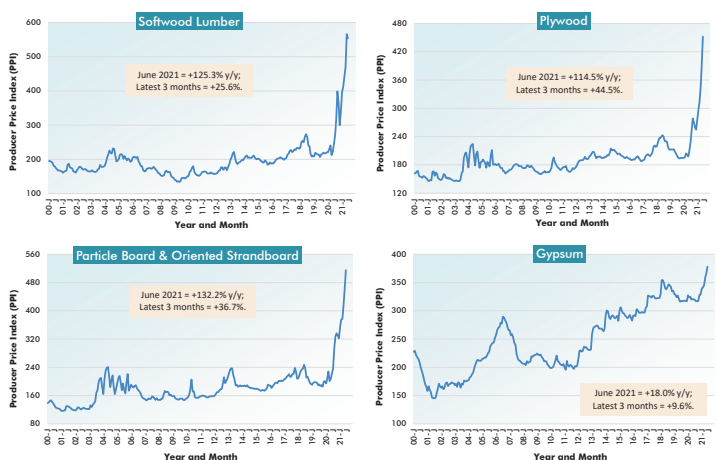
In June 2021, there were four increases of +100% or more y/y. Also, there were no declines among the 30 data points. — Despite the many steep material cost hikes, the gain in the 'final demand construction' PPI index (or 'bid price' index) stayed relatively modest, +3.5% y/y.

Data source: Bureau of Labor Statistics (BLS) / Chart: ConstructConnect — CanaData.

Graph Cluster 1 – Forestry Products: U.S. Construction Material Costs (I) – From Producer Price Index (PPI) Series

The last data points are for June, 2021.

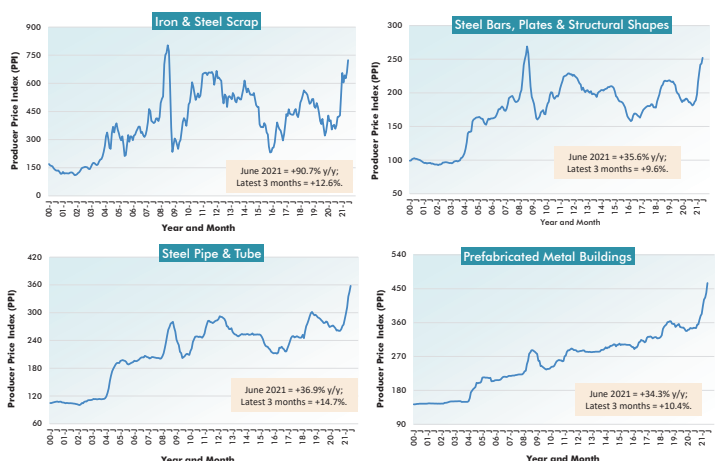
Data source: U.S. Bureau of Labor Statistics (BLS), Producer Price Index (PPI) series, not seasonally adjusted (NSA). Charts: ConstructConnect — CanaData.



Graph Cluster 2 – Steel Products: U.S. Construction Material Costs (2) – From Producer Price Index (PPI) Series

The last data points are for June, 2021.

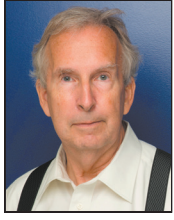
Data source: U.S. Bureau of Labor Statistics (BLS), Producer Price Index (PPI) series, not seasonally adjusted (NSA). Charts: ConstructConnect — CanaData.



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PPI measures of construction material costs are still shouting warnings (Part 2)

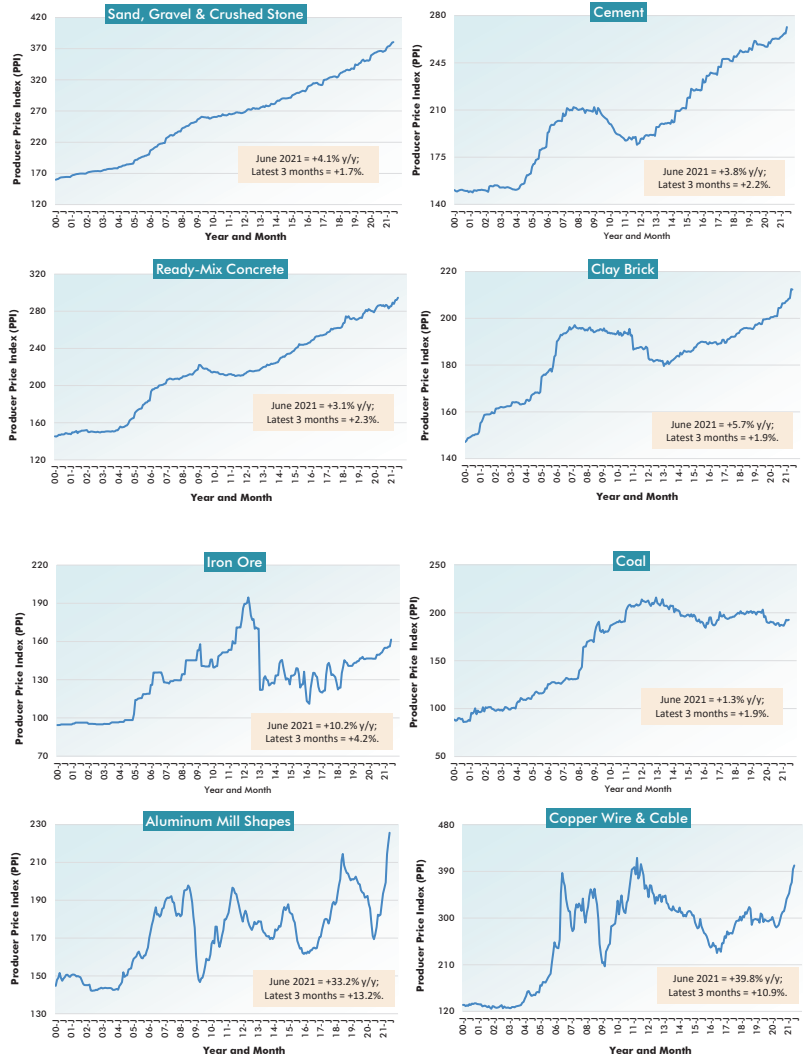


Alex Carrick

Continued from *Economy at a Glance*, Vol. 17, Issue 110. (To view Graph Cluster 5 – Energy Products, Graph Cluster 6 – Accessories & Arterial and Graph Cluster 7 – Equipment, visit <https://bit.ly/3AQqsCc>)

For more articles by Alex Carrick on the Canadian and U.S. economies, please visit: www.constructconnect.com/blog.

Graph Cluster 3 – Cement, Concrete and Brick: U.S. Construction Material Costs (3) – From Producer Price Index (PPI) Series



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Graph Cluster 4 – Base Materials: U.S. Construction Material Costs (4) – From Producer Price Index (PPI) Series

The last data points are for June, 2021.

Data source: U.S. Bureau of Labor Statistics (BLS), Producer Price Index (PPI) series, not seasonally adjusted (NSA). Charts: ConstructConnect — CanaData.

Table 1: U.S. Producer Price Index (PPI) Results % Change in the June 2021 Index from:

	3 Years Ago	1 Year Ago	6 months Ago	3 months Ago	1 month Ago
Final Demand/Service/Commodity/Energy/Input:					
Final Demand Construction	11.6%	3.5%	3.3%	2.4%	0.7%
New warehouse building construction	11.0%	4.0%	3.8%	3.6%	0.7%
New school building construction	10.9%	1.5%	1.6%	1.1%	0.1%
New office building construction	12.6%	5.1%	4.6%	1.9%	0.5%
New industrial building construction	12.0%	2.1%	1.4%	1.1%	0.3%
New health care building construction	11.9%	4.0%	4.4%	4.1%	0.9%
Architectural & engineering services	5.6%	3.2%	1.5%	0.6%	0.1%
Construction machinery & equipment	11.2%	3.2%	3.1%	1.8%	0.4%
Asphalt	2.6%	65.1%	58.1%	11.1%	10.9%
Plastic construction products	23.5%	21.8%	15.9%	9.5%	3.1%
Softwood lumber	102.4%	125.3%	62.7%	25.6%	-2.1%
Hardwood lumber	17.6%	37.4%	24.6%	7.5%	0.0%
Millwork	26.0%	23.0%	15.1%	9.9%	3.0%
Plywood	85.9%	114.5%	77.4%	44.5%	15.2%
Particle board & oriented strandboard (OSB)	108.6%	132.2%	59.9%	36.7%	11.7%
Gypsum	11.9%	18.0%	15.1%	9.6%	3.3%
Insulation materials	12.8%	10.1%	10.5%	5.0%	2.4%
Construction sand, gravel & crushed stone	13.3%	4.1%	3.7%	1.7%	0.2%
Cement	6.8%	3.8%	3.3%	2.2%	1.8%
Ready-mix concrete	8.3%	3.1%	3.4%	2.3%	0.8%
Precast concrete products	15.8%	7.7%	6.0%	3.8%	0.2%
Prestressed concrete products	13.4%	8.6%	11.8%	9.2%	6.7%
Brick (clay)	8.4%	5.7%	2.8%	1.9%	-0.1%
Coal	-3.4%	1.3%	2.8%	1.9%	0.3%
Iron ore	11.1%	10.2%	5.1%	4.2%	3.5%
Iron & steel scrap	32.0%	90.7%	35.0%	12.6%	9.9%
Steel bars, plates & structural shapes	20.0%	35.6%	33.6%	9.6%	3.5%
Steel pipe & tube	26.0%	36.9%	30.6%	14.7%	4.0%
Fabricated structural metal products	26.9%	25.0%	23.1%	14.0%	5.7%
Prefabricated Metal Buildings	31.1%	34.3%	23.0%	10.4%	6.0%
Aluminum mill shapes	5.2%	33.2%	19.8%	13.2%	2.5%
Flat glass	8.6%	6.5%	4.1%	3.3%	2.5%
Paints, architectural coatings	16.7%	5.5%	5.5%	3.2%	0.7%
Lighting fixtures	12.6%	3.9%	3.6%	2.5%	0.3%
Plumbing fixtures & fittings	9.7%	2.7%	2.1%	0.9%	0.5%
Elevators & escalators	10.2%	3.7%	3.6%	2.4%	1.1%
Heating equipment	16.5%	9.8%	9.5%	7.0%	3.0%
Air conditioning equipment	14.0%	8.0%	6.9%	3.5%	1.8%
Copper wire & cable	27.4%	39.8%	19.3%	10.9%	1.8%
Regular gasoline unleaded	-0.3%	83.4%	60.4%	9.3%	0.0%
Diesel Fuel	19.9%	127.4%	39.5%	2.9%	-3.3%
Inputs to new construction					
Inputs to new residential construction	24.7%	26.1%	18.0%	10.5%	3.8%
Inputs to new non-res construction	27.5%	28.3%	20.0%	12.1%	4.5%
Inputs to commercial construction	21.8%	23.5%	16.1%	8.9%	3.1%
Inputs to healthcare structures	21.0%	22.3%	15.2%	8.8%	3.1%
Inputs to industrial structures	22.1%	22.8%	15.5%	9.0%	3.2%
Inputs to highways & streets	21.4%	19.7%	13.2%	7.5%	2.9%
Inputs to power & communication structures	17.4%	21.6%	15.4%	8.3%	2.9%
Inputs to educational & vocational structures	20.9%	24.3%	16.9%	9.4%	3.1%
Inputs to educational & vocational structures	23.7%	23.8%	15.9%	9.3%	3.1%
Construction materials (PPI 'Special Index')	31.6%	34.1%	27.0%	14.3%	3.8%

The 'final demand' indices (at top) reflect the prices paid by owners for the construction of projects. They include material, labor & markups. The 'service', 'commodity' and 'energy' indices (in the middle section of the table) are based on 'factory-gate' sales prices. The 'input' indices (at bottom) reflect costs faced by contractors. They exclude capital investment (i.e., machinery & equipment), labor & imports. The 'input' indices are built up from the 'service' (design, legal, transport & warehousing, etc.) 'commodity' and 'energy' indices.

Data source: Producer Price Index (PPI) series from Bureau of Labor Statistics (BLS) / Table: ConstructConnect — CanaData.