

The Data DIGest

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Federal money boosts construction spending; more metros gain jobs; input costs rise

*Construction spending edged up 0.4% in August to \$812 billion at a seasonally adjusted annual rate but remained 10% below the August 2009 level, the Census Bureau reported today. The good news was limited to **public construction**, which climbed 2.5% for the month, although it was down 1.0% year-over-year. Based on categories with increases, the public uptick appeared to result from federal funds for stimulus, military base realignment, and hurricane reconstruction and prevention, although Census does not list individual projects or sources of funds. Stimulus funds appear to have lifted public housing (up 33% from August 2009 to August 2010), sewage and waste disposal (up 19%), water supply construction (up 5.2%) and highway and street construction (up 0.9%). Reconstruction work around New Orleans may have helped conservation spending rise 18%. In contrast, public educational construction, which is almost entirely funded from state and local revenues, slumped 13%. **Private nonresidential** spending fell 1.4% for the month and 24% year-over-year, with all 11 categories in the Census press release declining from a year earlier, most by double-digit percentages. **Private residential** spending slipped 0.3% for the month and 1.7% since August 2009. New single-family construction fell 4.2% in August, the fourth straight drop since the homebuyer tax credits expired in April, though spending was 3.9% higher than in August 2009. New multi-family construction slumped 11% for the month and 52% year-over-year. Improvements to existing single- and multi-family rose 5.0% and 4.2%, respectively.*

***Unemployment rates** were lower in August than a year earlier in 182 out of 372 **metropolitan areas**, higher in 169 areas and unchanged in 21 areas, the Bureau of Labor Statistics (BLS) reported on Wednesday. Nonfarm payroll **employment** increased in 165 areas, declined in 193, and was unchanged in 14. An analysis by AGC of **construction employment in 337 metro areas** for which BLS provides data showed year-over-year increases in 56 areas, decreases in 245 and no change in 36. The number of areas with increases in construction jobs was the largest since September 2008. BLS combines mining and logging with construction for areas in which there are few employers in one of those industries. Kansas City, Kansas added more construction jobs (2,500 combined jobs, 13%) than any other metro area while Hanford-Corcoran, California added the highest percentage (22%, 200 combined jobs). Other areas adding jobs included Pittsburgh (2,000 construction-only jobs, 4%); Calvert-Charles-Prince Georges Counties, Maryland (1,200 combined, 3%); Chattanooga, Tennessee (700 combined, 8%); and Eau Claire, Wisconsin (600 combined, 19%). Chicago-Joliet-Naperville lost more (22,600 construction-only, 16%) than any other metro area, even after a construction strike ended in July. Napa, Calif. (900 combined jobs, 30%) lost the highest percentage. Other areas experiencing large declines included Las Vegas (13,500 construction-only, 22%); Houston (11,200 construction-only, 6%); Seattle-Bellevue-Everett (9,100 construction-only, 12%); and Riverside-San Bernardino-Ontario, Calif. (8,500 construction-only, 13%).*

*Despite lackluster construction demand, many **materials** used in construction have risen in **price**. Today the Institute for Supply Management reported that respondents to its monthly survey of purchasing executives at manufacturing firms listed aluminum, copper, steel, stainless steel and plastic resins among items that rose in price in September, although steel was also listed as having fallen. Titanium dioxide, used to whiten paint and other products, was listed as being in short supply. "Some types of polyethylene resins continue to be in short supply and some resins are now on allocation," New South Construction Supply e-News (jim.sobeck@newsouthsupply.com) reported on Tuesday. "The September resin increase of \$.05/lb held and resin manufacturers have announced an increase of \$.04/lb for October orders. Because of the rising cost of resins, polyethylene C & A film manufacturers increased prices by approximately 5% in September and most have indicated they will increase prices by another 5% by October 1st. Dry shake metallic floor hardener and topping manufacturers increased prices in September," as did "most major manufacturers of decorative concrete products...in late August or early September. The increases vary between 5 and 12% depending on the item." Engineering News-Record reported on Monday, "The Turner Construction Co.'s **selling price index** showed no change this quarter and is down just 2.7% from a year ago....General-purpose **building-cost indexes**, which only measure labor and materials prices, are starting to ease back. For example, the LSI index compiled by the Sierra West Group, Sacramento, Calif., was down 2.6% from a year ago this quarter. By comparison, three months earlier, it posted an annual increase of 1.1%. [The selling-price index compiled by Rider Levett Bucknall Ltd., Phoenix] inched up 0.3% this quarter but remains 0.5% below a year ago."*

*"After several years of steep declines, **state revenues** are starting to pick up," the National Conference of State Legislatures reported on Tuesday, summarizing a survey of all state legislative fiscal directors. "In some states this means the rate of decline has slowed, but in others, positive revenue performance is occurring in one or more tax categories.... And despite recent revenue improvements, more gaps loom as states confront the phase out of federal stimulus funds, expiring tax increases and growing spending pressures. It increasingly appears that FY 2010 was the trough for state revenues. Nearly every state forecast has fiscal year (FY) 2011 revenues exceeding last year's, although many note that revenues are still well below peak levels." Even states that increase spending may not boost construction for a while.*