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Construction PPIs drop in January; Dodge starts rebound; ABI slips; housing is mixed

The **producer price index (PPI) for final demand** decreased 0.7%, not seasonally adjusted (-0.8%, seasonally adjusted), in January and was flat over 12 months, the Bureau of Labor Statistics (BLS) [reported](#) on Wednesday. BLS introduced numerous **new indexes for inputs to construction** and updated the “relative importance” weights for the inputs to each series (available to readers by request to simonsonk@agc.org). AGC posted an [explanation](#) and [tables](#) 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, rose 0.4% in January and 1.9% over 12 months. The overall **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—climbed 2.0% since January 2014. The 12-month increases ranged from 1.0% for healthcare construction to 1.6% for schools, 1.9% for industrial buildings, 2.3% for warehouses, and 2.4% for offices. **PPIs for new, repair and maintenance work** on nonresidential buildings by electrical contractors 1.0% over 12 months; plumbing contractors 1.2%; concrete contractors, 2.3%; and roofers, 4.0%. A new set of **PPIs for inputs to construction**, excluding capital investment, labor and imports, adds services to the previous PPI for inputs to construction industries, now renamed inputs to construction industries, goods. Goods now constitute 60% of the index (including 7% for energy); services, 40% (trade services, 25%; transportation and warehousing services, 4%; other services, 10%). While the overall PPI for inputs to construction fell 1.0% from December to January, a 19% plunge in energy prices (mainly diesel fuel) accounted for the decline. In contrast, PPIs rose 0.3% for goods less foods and energy and 0.5% for services. Materials with notable one- or 12-month price changes included diesel, -21% and -40%, respectively; copper and brass mill shapes, -3.6% and -9.3%; aluminum mill shapes, -2.2% and 7.9%; and cement, 3.6% and 8.4%. Prices for gypsum products rose 4.3% in January but this was less than in the previous three Januarys, and the 12-month change was only 0.2%.

The **value of new construction starts** climbed 9% at a seasonally adjusted annual rate in January following a 16% plunge in November, Dodge Data & Analytics (formerly McGraw Hill Construction) [reported](#) on Friday, based on data it collected. “The increase for total construction was the result of an especially strong performance by the nonbuilding construction sector, which benefitted from the start of a massive liquefied natural gas [LNG] terminal facility in Texas. Meanwhile, nonresidential building lost momentum for the second month in a row and residential building pulled back due to a slower pace for multifamily housing. On an unadjusted basis, total construction starts in January were reported...up 18% from the same month a year ago.... ‘During 2014 and now early 2015, the month-to-month pattern for construction starts has often reflected the presence or absence of exceptionally large projects,’ stated [Chief Economist Robert Murray]. ‘For much of 2014, a substantial share of this work was petrochemical-related, such as a \$3.0 billion Exxon petrochemical plant expansion in Texas. Towards the end of last year, a pickup in [LNG]-related facilities emerged, led by the start of the \$3.6 billion Dominion Cove Point Liquefaction Project in Maryland, and January included \$6.0 billion estimated for the start of two segments of a huge [LNG] export facility in Texas. The month-to-month variation for overall construction starts is taking place around what is still a rising trend. For nonresidential building, the continued improvement by its commercial and now its institutional project types should enable this sector to register more growth in 2015, notwithstanding a sluggish January. For residential building, the strengthening job market and some easing of lending standards for home mortgages are expected to help single-family housing see moderate improvement relative to a flat 2014.’...Useful perspective is made possible by looking at 12-month moving totals, in this case the 12 months ending January 2015 versus the 12 months ending January 2014, which lessens the volatility present in one-month comparisons. For the 12 months ending January 2015, total construction starts were up 9%,” with nonresidential building up 18%; residential building, up 8%; and nonbuilding construction, up 1%.

The Architecture Billings Index, which measures whether **architecture firms’ billings** rose or fell from the prior month (any score over 50 denotes more firms reported growth than reported decline) declined to a near-neutral reading of 49.9 in January from a revised level of 52.6 in December, the American Institute of Architects (AIA) [reported](#) on Wednesday. “Likely some of this can be attributed to severe weather conditions in January,” AIA Chief Economist Kermit Baker. Among four practice segments (based on three-month moving averages) the reading for multifamily residential decreased to 51.4 from 53.5 but remained above 50 for the 40th consecutive month; commercial/industrial slipped to 50.9 from 51.1 but was above 50 for the 22nd month in a row; institutional rose to 53.0 from 52.0; and mixed practice declined from 47.8 to 46.9, the third-straight reading below 50.

Housing starts declined 2.0% at a seasonally adjusted annual rate in January from December and soared 19% from January 2014, the Census Bureau [reported](#) on Wednesday. Single-family starts slumped 6.7% from a month earlier and increased 16% from a year ago. The often-volatile multifamily (buildings with 5 or more units) starts increased 12% in January and 25% over 12 months. **Building permits** slipped 0.7% for the month and rose 8.1% over 12 months, as single-

family permits fell 3.1% from December and gained 5.8% from a year ago, while multifamily permits increased 3.3% and 14%, respectively.

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