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# The Data DIGest

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## State construction employment slows but hiring plans stay high; Beige Book finds mix

***Construction employment by state** slowed in May, according to Bureau of Labor Statistics (BLS) data released Friday. Only 19 states posted seasonally adjusted increases from April, while 20 had declines, and 11 plus the District of Columbia were unchanged. The month before, 37 states and DC had monthly gains. However, the apparent slowdown may reflect special factors or quirks in seasonal adjustment rather than an actual change. The national gain that BLS reported two weeks ago, 20,000, was triple the net gain among the individual states, and the May 2004-May 2005 tally of states showed 44 with gains and only four states (Iowa, Michigan, Minnesota, and South Carolina) and DC with losses. As usual, the largest year-over-year percentage gains were in Nevada, (16%), Arizona (11%), Hawaii, Idaho, and Utah (10% each).*

*Construction has the strongest **employment outlook** in the third quarter, according to the quarterly survey of 16,000 employers' hiring plans released on Wednesday by Manpower Inc. Construction "employers are slightly more confident about adding staff than they were last quarter, and the employment outlook shows solid improvement from a year ago. Employers in the West are most likely to welcome job seekers, while those in the Midwest report decidedly less optimistic hiring plans." In the Northeast, "Compared with last year at this time, construction employers are considerably more upbeat about hiring," while most sectors in the South, including construction, are more confident about hiring. Manpower's chairman and CEO, Jeffrey Joerres, said the outlook for construction jobs was at its highest level since 1984, the Wall Street Journal reported.*

*The 12 regional Federal Reserve Banks reported mixed **market conditions for commercial real estate and construction** in the "Beige Book" summary of local business conditions released on Wednesday. "Several Districts reported improvements in commercial real estate markets. New York and Dallas saw signs of strengthening activity, with office vacancy rates retreating in several local markets. Leasing activity has been fairly strong, according to Philadelphia, and Richmond noted that rents firmed and new construction has increased. Atlanta saw solid improvements as firms moved forward with expansion plans; development also increased at a steady pace in Cleveland and Chicago and continued to improve in San Francisco. Modest improvements were noted by Kansas City and Minneapolis. However, St. Louis reported that commercial markets were mixed, and Boston noted that local markets continued to struggle."*

***Building permits** in May slipped 5% from April's level and 4% from May 2004, the government reported on Thursday. Single- and multi-unit permits both fell. But for the first five months of 2005 combined, permits were 2% higher than in the same period of 2004, with a 1% gain for single-unit and 8% for multi-unit permits. In another upbeat report on the housing outlook, the National Association of Home Builders said on Wednesday that its monthly survey of builders' expectations for the next six months rose two points in May to 79.*

***Industrial production of construction supplies** rose 0.3% in May, seasonally adjusted, following an increase of 0.4% in April and a drop of 0.1% in March, the Fed reported on Tuesday. Since May 2004, output has risen 2.6%, comparable to the 2.7% increase in overall industrial production.*

*The **producer price index** (PPI) **for construction materials and components** eased significantly in May, BLS reported on Tuesday. The index dropped 0.2% from April, seasonally adjusted, and the 12-month increase slowed to a 4.8% rate.* The PPI for all finished goods also dropped 0.2% for the month, and rose 3.5% for the year. *BLS noted, "In May, declining prices for softwood lumber, steel mill products, plywood, building paper and board, nonferrous wire and cable, and wiring devices outweighed increasing prices for paving mixtures and blocks, plastic construction products, fabricated structural metal products, gypsum products, architectural coatings, and concrete products." But the increases from May 2004 to May 2005 were substantial for several categories: gypsum products, 16%, copper and brass mill shapes, 12%, cement, 11%, concrete, 10%, steel mill products, 9%, construction machinery and equipment and aluminum mill shapes, 8% each.*

In addition, the PPI for **diesel fuel** fell 2.6% in May. However, that drop is over. The Energy Information Administration reported that the average retail price of on-highway diesel today was $2.313, just 0.3 cents below the record set on April 11 and a near-complete reversal of the decline that occurred from then to May 23.

The **consumer price index** for all urban consumers (CPI-U) dropped 0.1% in May, seasonally adjusted, BLS reported on Wednesday, and rose 2.8% over the past 12 months. *The CPI for urban wage earners and clerical workers (CPI-W), which is used to adjust many labor contracts in construction and other industries, also fell 0.1% for the month; it rose 2.9% from May 2004 to May 2005. **Average hourly earnings** in construction rose just 0.9% before inflation over that span and dropped 2% after adjusting for the change in the CPI-W.*

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