

The Data DIGest

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Construction shows vim in employment, value put in place, new orders, but also costs

Nonfarm payroll employment grew by 207,000 in July, seasonally adjusted, and the **unemployment rate** remained at the three-year low of 5% set in June, the Bureau of Labor Statistics (BLS) announced today. *BLS Commissioner Kathleen Utgoff commented, "Job gains continued over the month in **architectural and engineering services**....**Real estate employment** rose by 10,000 over the month and by 54,000 over the year....In the goods-producing sector, **construction employment** continued to trend up. Thus far this year, job gains in construction have averaged 21,000 per month, about in line with the average monthly increase during 2004." From July 2004 to July 2005, construction employment rose by 270,000 (3.9%) to a record 7,235,000 and accounted for 12% of total nonfarm employment growth, although construction represents just 5.4% of the workforce. Over the past 12 months, growth in construction employment was very evenly spread through BLS's five subcategories: +58,000 (6.5%) in residential building; +13,000 (1.8%) in nonresidential building; +37,500 (4.2%) in heavy and civil engineering; +87,000 (4.1%) in residential specialty trades; and +75,500 (3.2%) in nonresidential specialty trades. Seasonally adjusted **average hourly earnings** in construction moved up to \$19.50, only 1.5% higher than in July 2004 but 21% higher than the all-private industry average for production or nonsupervisory workers.*

*The **value of construction put in place** in June totaled \$1.093 trillion at a seasonally adjusted annual rate, down \$3 billion (0.3%) from the downwardly revised May figure, the Census Bureau reported on Monday. For the first half of 2005 compared to the same months of 2004, construction spending rose 9.3%. Private residential construction spending slipped 0.4% in June but jumped 12% year-to-date; private nonresidential spending rose 0.2% and 6%; and public construction dropped 0.5% for the month but increased 7% year-to-date. The apparent decline in residential was caused by a drop in "improvements," an estimate derived from a new methodology implemented a month ago. New private single-family construction edged up 0.2% for the month and 11% year-to-date, and new private multi-family was up 1.1% and 19%. Other standouts for the first half of 2005 included manufacturing construction, +28%; multi-retail (general merchandise stores such as "big box" and discount stores, plus shopping centers and malls), +22%; communication, +15%; and lodging, +12%. The private total was held down by an 18% year-to-date drop in electric power construction and by feeble gains in office, +3%, and health care, +4%. Most public construction categories were higher than in the first half of 2004, with educational rising 6.5% and highway and street, +8.5%.*

*Factory construction should remain strong. **New orders for U.S. manufactured goods** (excluding semiconductor manufacturing) climbed 1% in June, seasonally adjusted, to the highest level in the 13-year history of the series. The increase followed gains of 3.6% in May and 0.7% in April and brought the year-to-date total 6.3% higher than in the first half of 2004. **New orders for construction machinery** jumped 5.3% in June, following monthly increases of 11% and 6.2% and a year-to-date gain of 23%. **New orders for construction materials and supplies** moved up 1.8% in June, 0.4% in May, 0.1% in April, and 6.3% year-to-date.*

*Neither the construction put in place nor the new orders data is adjusted for inflation. Several reports this week suggest that prices are still rising more for construction inputs than overall. On Wednesday, the Institute for Supply Management (ISM) reported that **purchasing executives in the nonmanufacturing sector** "indicated that price increases are one of their primary concerns at the present time." The percentage of respondents reporting price increases rose to 39% from 27% in June, while the percentage reporting decreases dropped to 3% from 5%. **Items significant to construction that rose in price** included: asphalt, building/construction materials/supplies, cement, concrete, copper, diesel fuel, freight charges and fuel-related surcharges, lighting/lighting products, and pipe/pipe conduit, as well as construction/construction services. **Price cuts** were reported for lumber, PVC/PVC pipe, steel, and steel pipe and fittings. **Short supplies** were reported for roofing materials/shingles. In contrast, ISM's survey of **manufacturing purchasing executives** reported on Monday that, for the first time in 41 months, more respondents reported price decreases (27%) than increases (24%). That survey listed fewer price increases but some respondents listed higher steel prices; some listed lower prices for steel, and for aluminum products. A survey in July by the National Assn. of Home Builders found that over the past three months, 82% of the 472 responding **builders reported price increases** for ready-mix concrete (an average of 11% for those reporting increases), 78% for cement (9% average increase), 70% for gypsum wall board (8% average increase), and 66% for roofing materials (9% average increase).*