AGC THE CONSTRUCTION ASSOCIATION

Data Digest

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AGC posts new construction impact model; wages rise but lag other sectors; price hikes continue

AGC posted an updated version of its **Construction Impact Model**, created for AGC by Brian Lewandowski, University of Colorado, Boulder, a leading regional economist. The model projects the direct, indirect, and induced impact on U.S. or state-specific employment, labor income, and output (sales), as well as 10 sectors with the largest increase in sales. Users can specify project amount, starting date, duration, and more than a dozen types of investment in construction, maintenance and repair, and architectural and engineering services. Users may contact ken.simonson@agc.org or macrina.wilkins@agc.org for assistance.

Wages and salaries in the construction industry rose 0.7%, seasonally adjusted, in the first quarter (Q1) of 2022 and 3.6% year-over-year (y/y), up from 3.0% a year earlier, BLS reported today. Wages for the total private sector increased 1.3% in Q1 and 5.0% y/y, matching the Q4 2020-to-Q4 2021 increase as the most in the 21-year history of the series and up from 3.0% a year ago. Total **compensation** (wages, salaries, and benefits, including required employer payments) **in construction** rose 0.8% in Q1 and 3.4% y/y, up from 2.7% a year earlier. Total private industry compensation increased 1.4% in Q1 and 4.8% y/y, up from 2.8% the year before. The steeper increases in sectors other than construction may be one reason contractors are having trouble filling jobs.

"**Engineering and construction costs** reached a new [Engineering and Construction Cost] index high" in April, data firm IHS Markit and the Procurement Executive Group reported on Wednesday. The index measures the share of respondents reporting price increases minus the share reporting decreases. "Shipping costs rose for the 20th consecutive month…The sub-indexes for [structural steel and carbon steel pipe] prices surpassed the previous peaks set in March," while the sub-index for alloy steel pipe remained at peak, with nearly all respondents reporting price increases. "According to survey responses, labor costs continued to rise in all regions."

A $40 per ton **rebar price** increase "was pushed through on April 14 by one major mill in our region with all other mills following over the next two days," New South Construction News reported on Wednesday. "The surprising aspect of this increase is that the…increase only impacts stock 20' length rebar. With little to no competition from import rebar, domestic mills were able to push this increase through with little pushback. Demand for all lengths of rebar continues to soar, and mills are already selling out on future months' rollings. Lead times are stretching out to four or five weeks depending on each mill's rolling schedule. **Poly sheeting** saw a 4% increase in mid-April." In contrast, "**Wire mesh** remained flat through April with no change in pricing since the mid-March increase." A Wisconsin-based **wall products** supplier notified customers on April 8 of price increases effective on May 2 of "up to 30%" on gypsum wallboard products and mineral wool, up to 20% on all joint treatment and plaster, up to 10% on batt insulation and foam, and 6% on steel studs and trim. **Readers are invited to send price and supply chain information** to ken.simonson@agc.org.

Inflation-adjusted **gross domestic product** (real GDP) fell 1.4% at a seasonally adjusted annual rate in Q1 2022, the Bureau of Economic Analysis (BEA) reported on Thursday, following a 6.9% gain in Q4 2021. The decline reflected an increase in imports, a decrease in exports and government spending, and a drawdown of inventories, not a pullback in consumer or business spending. Real **residential investment** in permanent-site structures jumped 12% (single-family structures, 14%; multifamily, 1.1%). There was a 0.9% dip in real gross private domestic **investment in nonresidential structures** (commercial and health care, -16%; manufacturing, 12%; power and communication, -1.6%; and other non-mining structures, 2.8%; but investment in wells and mining structures jumped 25%). Real **government gross investment in structures** declined 14%, including federal investment for defense structures, up 0.7%; nondefense structures, 11%; and state and local structures investment, -15%. The **GDP price index** increased 8.0%, with price indexes for nonresidential structures investment up 19%; residential investment, 18%; and government investment in structures, 14%.

At the end of Q1, "the total U.S. **[hotel] construction** pipeline stands at 5,090 projects/606,302 rooms…, up 2% by projects, but down 3% by rooms" y/y, lodging data provider Lodging Econometrics reported on Monday. "There are 961 projects/128,784 rooms currently under construction, down 27% by projects and 28% by rooms y/y. Projects scheduled to start in the next 12 months, at 1,911 projects/223,030 rooms, are up 2% by projects and 3% by rooms y/y. Projects and rooms in early planning reached a record high in the first quarter, standing at 2,218 projects/254,488 rooms, up 24% by projects and 12% by rooms y/y. Notably, the upscale and upper-midscale chain scales dominate the pipeline in Q1 with 63% of projects in the total pipeline concentrated in these two chain scales. This has been the case for several years. Also of note is that there are a total of 1,420 projects/184,692 rooms in the renovation or conversion pipeline in the U.S. during [Q1, with project] and room conversions reaching an all-time high and increasing 59% by projects and 48% by rooms y/y. New projects and development planning that was previously on hold are now getting the green light from investors and developers with buoyed confidence thanks to rather robust domestic leisure travel during the first part of the year." On Tuesday, the firm reported, "Dallas leads all U.S. markets in the number of pipeline projects," followed by Atlanta, Los Angeles, New York, and Phoenix. New York has the greatest number of projects already under construction.

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