

# Changes in Input Costs, Construction Employment by State are Mixed: Starts Rise, ABI Slips

By Ken Simonson

Contractors' input costs were mixed in October 2022, as increases in fuel, cement, glass, and paint costs offset tumbling metals and lumber prices, according to Bureau of Labor Statistics (BLS) data posted<sup>1</sup> in mid-November. The producer price index (PPI) for material and service inputs to construction was unchanged for the month and up 10.0% year over year (y/y) (versus 11.2% from September 2021 to September 2022). The PPI for inputs to new non-residential construction rose 0.2% for the month and 11.2% y/y, while inputs to new residential construction dipped 0.2% from September but rose 8.1% y/y. The PPI for diesel fuel leaped 9.8% and 61.5%, respectively; cement, 2.5% and 13.4%; flat glass, 1.4% and 10.0%; and architectural coatings, 1.1% and 27.5%. PPIs plunged for steel mill products, -6.6% and -22.9%; copper and brass mill shapes, -4.9% and -11.5%; aluminum mill shapes, -3.3% and -9.3%; and lumber and plywood, which fell -2.7% for the month but increased 1.3% y/y. The PPI for new nonresidential building construction—a measure of the price that contractors say they would bid to build a fixed set of buildings—rose 3.0% for the month and 20.2% y/y, down from the record 24.2% y/y rise in September.

Seasonally adjusted construction employment rose from September to October in 27 states, declined in 19 states, and was unchanged in 4 states and the District of Columbia, according to the Associated General Contractors of America's (AGC's) analysis<sup>2</sup> of BLS data in mid-November. New York added the most construction jobs over the month (4500, 1.2%), followed by Colorado (2600, 1.4%) and Utah (2000, 2.6%). North Dakota had the largest percentage gain (2.0%, 600 jobs), followed by Mississippi (1.9%, 900) and Nebraska (1.7%, 1000). Pennsylvania lost the most jobs in October (-3500, -1.4%), followed by Louisiana (-3400, -2.7%) and Florida (-2900, -1.4%). Louisiana had the largest percentage loss, followed by Wyoming (-1.8%, -400) and West Virginia (-1.5%, -500). Compared to February 2020, construction employment last month was higher in 37 states and lower in 13 states and DC (February 2020 was the month

in which employment peaked nationally before plummeting during widespread shutdowns in March and April 2020.) Utah added the most jobs over 33 months (23,200, 20%), followed by Florida (21,000, 3.6%) and Tennessee (18,600, 14%). The top percentage gains were in Utah, South Dakota (15%, 3600 jobs), and Tennessee. New York lost the most construction jobs since February 2020 (-26,900, -6.6%), followed by Pennsylvania (-15,300, -5.7%) and Louisiana (-13,100, -9.5%). Louisiana had the largest percentage shortfall, followed by Wyoming (-7.0%, -1600 jobs) and New York. (For DC, Delaware, and Hawaii, which have few mining or logging jobs, BLS posts combined totals with construction; AGC treats the changes as all from construction.)

Two construction-data firms reported a rise in the value of construction starts in current dollars (i.e., not inflation-adjusted) in October. Starts soared 22% y/y, not seasonally adjusted, ConstructConnect reported. Nonresidential building starts jumped 46% y/y, with institutional starts up 54%, industrial (manufacturing) starts up 189%, and commercial starts down 7.2%. Engineering (civil) starts climbed 35% y/y, with roads up 15%, water/sewage up 56%, bridges up 69%, dams/marine down 15%, power and miscellaneous civil up 56%, and airports up 28%. Residential starts slipped 0.9% y/y, with single-family down 20% and apartments up 45.5%. Dodge Construction Network reported total starts climbed 8% from September at a seasonally adjusted annual rate. Nonbuilding starts jumped 26%, with highway and bridge up 57%, utility/gas plants up 19%, environmental public works up 13%, and miscellaneous down 20%. Nonresidential building starts rose 9%, with commercial up 19%, institutional up 8%, and manufacturing down 5%. Residential starts fell 3%, with single-family down 3% and multifamily down 4%.

The Architecture Billings Index (ABI) registered a score of 47.7 in October, down from 51.7 in September and the first reading below 50 since January 2021, the American Institute of Architects (AIA) reported.<sup>3</sup> AIA calls the index "a leading economic indicator that leads nonresidential construction activity by approximately

9–12 months." The ABI is derived from the share of responding architecture firms that report a gain in billings over the previous month less the share reporting a decline in billings, presented on a 0-to-100 scale. Any score below 50 means more firms reported decreased billings than increased billings. Readings for practice specialties (based on three-month averages) varied: institutional, 54.3 (down from 55.7 in September); mixed practice, 50.8 (up from 50.4); residential (mainly multifamily), 46.1 (down from 47.1); and commercial/industrial, 45.9 (down from 47.7).

Housing starts (units) in October declined 4.2% at a seasonally adjusted annual rate from the September rate and 8.8% y/y, the Census Bureau reported.<sup>4</sup> Single-family starts fell 6.1% for the month and 21% y/y. Multifamily (five or more units) starts dipped 0.5% for the month but climbed 17% y/y. Residential permits fell 2.4% for the month and 10% y/y. Single-family permits declined for the eighth-straight month, by 3.6% from September and 22% y/y. Multifamily permits decreased 1.9% for the month but rose 11% y/y. The number of authorized multifamily units that have not started increased 0.7% from September and 32% y/y. Although a growing backlog of unused permits frequently indicates a likely increase in near-term starts, the rapid rise in both financing costs and construction costs could cause some developers to defer or cancel projects that have yet to break ground.

## REFERENCES

- 1 US Bureau of Labor Statistics. <https://www.bls.gov/pPI/>
- 2 AGC State Construction Employment (seasonally adjusted), February 2020 to October 2022. [https://www.agc.org/sites/default/files/users/user21902/State%20Emp%202022\\_October\\_Alpha33\\_V2.pdf?utm\\_source=informz&utm\\_medium=email&utm\\_campaign=informz\\_email&\\_zs=IT1dk1&\\_zl=1bih8](https://www.agc.org/sites/default/files/users/user21902/State%20Emp%202022_October_Alpha33_V2.pdf?utm_source=informz&utm_medium=email&utm_campaign=informz_email&_zs=IT1dk1&_zl=1bih8).
- 3 Constructconnect. Construction Industry Snapshot. October 2022. [https://www.constructconnect.com/hubfs/Industry%20Snapshot%20Packages%20\(PDF\)/Construction\\_Industry\\_Snapshot\\_Package-October\\_2022.pdf](https://www.constructconnect.com/hubfs/Industry%20Snapshot%20Packages%20(PDF)/Construction_Industry_Snapshot_Package-October_2022.pdf).
- 4 United States Census. New Residential Construction. <https://www.census.gov/construction/nrc/index.html>.