Data Digest

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PPI for inputs rises in August as diesel price soars; commercial building is cooling, Wells Fargo finds

The **producer price index** (PPI) **for material and service inputs to new nonresidential construction** rose 1.1%, not seasonally adjusted, from July to August, propelled by a 34.6% jump in the price index for diesel fuel, according to BLS data posted on Thursday. The diesel increase was the largest in 30 years. There were also notable one-month increases in the PPIs for truck transportation of freight, 1.6%, and copper and brass mill shapes, 1.5%. But PPIs declined by 1% or more for lumber and plywood, -2.7%; aluminum mill shapes, -1.4%, flat glass, -1.2%; and asphalt felts and coatings, -1.0%. The inputs PPI inched up 0.1% year-over-year (y/y). The index for **new nonresidential building construction**—a measure of the price that contractors say they would bid to erect a fixed set of buildings—rose 0.2% for the month and 4.0% y/y. Changes in **PPIs for new, repair, and maintenance work by subcontractors** were mixed: roofing contractors (-0.1% for the month and 11.9% y/y), plumbing contractors (0.4% and 7.1%, respectively), electrical contractors (0.1% and 4.7%), and concrete contractors (0.1% and -1.8%). AGC posted tables of construction PPIs.

Although most prices have moderated, there are exceptions. The **retail price of** on-highway **diesel fuel** increased 77 cents per gallon (21%) over 10 weeks, based on survey data the Energy Information Administration posted on Monday. A reader forwarded notices from three major **insulation** suppliers of 6-8% **price** increases planned for the week of September 25 or November 1. Readers are invited to send information on price and supply-chain changes to ken.simonson@agc.org.

The "resilient economy…continues to bolster demand for space," Wells Fargo Economics opined in its second-quarter (Q2) review of commercial real estate markets, posted on Tuesday. [**Retail**] **development** "continues to be tepid as material, labor, and financing costs remain elevated.…The mounting [**apartment**] supply pipeline has given developers pause about starting new projects. While still hovering around record highs, the number of units under construction in Q2 ticked down for the first time in nearly two years….New [**office**] supply continues to come to market despite the downshift in demand. Net new deliveries measured roughly 14.0 million square feet in Q2, an increase from 12.3 million in [Q2 2022]. Much of the new construction is concentrated in large primary markets and Boston currently leads the nation in total square feet under construction….The new [**industrial**] supply pipeline is also moderating slightly. The 108.3 million square feet delivered in Q2 represented a downshift from 123.9 million in Q1. With more supply than demand, the vacancy rate edged up to 4.7%. That said, industrial construction still far exceeds pre-pandemic levels. In Q2, 3.2% of industrial inventory was under construction, dwarfing the 2019 average of 1.9%....**Demand for hotel rooms** appears to be softening a bit. Occupancy rates averaged 66.3% in Q2 2023, which was roughly on par with [Q2 2022]. Occupancy is still slightly below pre-COVID averages, reflecting the rise of remote work and sluggish recovery in business travel."

"Year-to-date, ending in July, the total number of **multifamily permits** issued nationwide reached 337,730," 14.3% below the January-July 2022 level of 394,215," the National Association of Home Builders posted today. "16 states recorded growth, while 34 states and the District of Columbia recorded a decline." Among the top three states for multifamily permits issued year-to-date, trends were mixed: Texas, -19.3%; Florida, -2.9%; California, 4.5%. Trends varied also among metro areas issuing the most multifamily permits: New York-Newark-Jersey City, N.Y.-N.J.-Pa., -43%; Dallas-Fort Worth-Arlington, -23%; Houston-The Woodlands-Sugar Land, -22%; Phoenix-Mesa-Scottsdale. 7%; Los Angeles-Long Beach-Anaheim, -5%; Austin-Round Rock, -32%; Miami-Fort Lauderdale-West Palm Beach, 25%.

"Out of 16 industries analyzed, the construction industry had the third-highest share of **motivated and committed workers**," based on a new Employee Motivation and Commitment (EMC) index that the ADP Research Institute unveiled in its Q3 Today at Work report, posted on Thursday. The index "tracks how people think and feel about their jobs, their place on the org chart, and their employers," based on a survey with "responses from 2,500 workers every month, data we use to measure employee engagement, resilience, and inclusion….we found that workers who score high in motivation and commitment have less intent to leave an organization, showing a clear relationship between retention and the EMC Index." Over a 21-month period, 34% of surveyed employees in construction and related trades were deemed to have high motivation and commitment compared to an overall average of 25%. "The takeaway: worker motivation and commitment… is measurable and, with thoughtful intent, can be nurtured to boost productivity and help organizations thrive."

Data DIGest is a weekly summary of economic news. Sign up here. Editor: Ken.Simonson@agc.org, Chief Economist, AGC. Go here for Ken's PPT or more construction data.