

Data Digest

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Bids and input prices diverge in January and year-over-year; new price and supply challenges arise

Bid prices and input prices for construction showed mixed monthly and year-over-year (y/y) patterns in January, according to data the Bureau of Labor Statistics [posted](#) today. The **producer price index (PPI) for new nonresidential building construction**—a measure of prices that contractors say they would bid to erect a fixed set of buildings—rose 0.3%, not seasonally adjusted, for the month but declined 1.1% y/y, the first y/y decrease since 2010. The **PPI for material and service inputs** to new nonresidential construction rose 0.6% for the month, the largest one-month increase since August. But the index rose only 1.0% y/y, down from 1.8% between December 2022 and December 2023. As it does each January, BLS adjusted the relative importance weights for inputs. AGC [posted](#) tables of construction PPIs.

There are increasing examples of higher materials prices and supply-chain issues. The average retail **price of on-highway diesel fuel** jumped 21 cents per gallon from February 5 to 12, the Energy Information Administration reported on Monday. Martin Marietta Materials, the largest producer of construction aggregates, stated in its quarterly investor call on Wednesday that it expects **aggregates prices** to increase 10-12% in 2024, with possible additional increases in mid-year. **Insulation** supplier Rockwool notified customers on February 2 that due to high demand it is implementing a “**pause**” **on confirmed orders** as of March 1 and “open orders scheduled for shipment in March and April will be put on hold.” Readers are invited to **report other supply-chain issues and price announcements** to ken.simonson@agc.org.

“A once-booming U.S. **warehousing market** is coping with signs of contraction as businesses consolidate warehouses and in some cases upgrade existing sites rather than add facilities,” the [Wall Street Journal](#) reported on Wednesday. “The shift comes as retailers have turned the corner on a big drawdown of inventories and are aligning their supply chains for more normal, pre-pandemic stocking and consumer spending patterns....The amount of U.S. warehouse space listed for sublease reached a record high of more than 156 million square feet in the fourth quarter of 2023, more than three times the amount available in the fourth quarter of 2021, according to real-estate services firm Savills.” Spending on warehouse construction fell 8% from July to December, according to Census Bureau data [posted](#) on February 1.

Housing starts (units) in January slumped 15% from December and edged down 0.7% y/y at a seasonally adjusted annual rate, the Census Bureau [reported](#) today. Single-family starts fell 4.7% for the month but jumped 22% y/y. Multifamily (five or more units) starts plunged 36% and 38%, respectively. **Residential permits** declined 1.5% for the month but increased 8.6% y/y. Single-family permits increased for the 12th-straight month, by 1.6% from December and 36% y/y. Multifamily permits tumbled 9.0% for the month and 27% y/y.

“Developers and power plant owners plan to add 62.8 gigawatts (GW) of **new utility-scale electric-generating capacity** in 2024, according to our latest” survey, the Energy Information Administration [reported](#) on Thursday. “This addition would be 55% more added capacity than the 40.4 GW added in 2023 (the most since 2003) and points to a continued rise in industry activity. We expect solar to account for the largest share of new capacity in 2024, at 58%, followed by battery storage, at 23%....We expect a record addition of **utility-scale solar** in 2024 if the scheduled 36.4 GW are added to the grid. This growth would almost double last year’s 18.4 GW increase, which was itself a record for annual utility-scale solar installation in the United States. As the effects of supply-chain challenges and trade restrictions ease, solar continues to outpace capacity additions from other generating resources. More than half of the new utility-scale solar capacity is planned for three states: Texas (35%), California (10%), and Florida (6%)....We also expect **battery storage** to set a record for annual capacity additions in 2024. We expect U.S. battery storage capacity to nearly double in 2024 as developers report plans to add 14.3 GW of battery storage to the existing 15.5 GW this year. In 2023, 6.4 GW of new battery storage capacity was added to the U.S. grid, a 70% annual increase. Texas, with an expected 6.4 GW, and California, with an expected 5.2 GW, will account for 82% of the new U.S. battery storage capacity....Operators report another 8.2 GW of **wind capacity** is scheduled to come on line in 2024. Following the record additions of more than 14.0 GW in both 2020 and 2021, wind capacity additions have slowed in the last two years....For 2024, developers report...the least new **natural gas capacity** in 25 years.”