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Input costs, supply-chain woes, canceled projects vex contractors, AGC survey finds; PPI gap widens

One year after the pandemic struck, construction firms are experiencing **soaring materials costs**, widespread **supply-chain problems**, and continuing **project deferrals and cancellations**, according to a survey AGC [released](#) on Thursday. Of the 1489 respondents, 93% report the pandemic has driven up their costs, with 85% reporting higher costs than a year ago for materials, parts, and supplies, and 81% spending more on personal protective equipment, sanitizers, and other healthcare products. Seventy-one percent are currently experiencing project delays or disruptions, primarily due to shortages of construction inputs. Nine out of 10 attribute delays to backlogs and shutdowns at domestic producers; 51% blame backlogs and shutdowns at foreign producers. Three-fourths (77%) of firms have experienced project cancellations or postponements, while only 21% have won new or add-on work in the past two months. The survey was conducted February 19-March 4; results are available by region, structure type, revenue size, and for 25 states.

The survey reinforces data showing a growing **gap between input costs for construction and contractors' bid prices**. The **producer price index (PPI) for nonresidential building construction**—a measure of the price that contractors say they would charge to build a fixed set of buildings—increased 0.3% from January, while the **PPI for inputs to new nonresidential construction** jumped 1.9%, the Bureau of Labor Statistics (BLS) [reported](#) on Friday. AGC posted [tables](#) and [charts](#) showing PPIs relevant to construction. Since hitting a low in April, the nonresidential building “bid price” PPI has edged up only 0.5%, while PPIs for new-construction inputs have soared 12.8% for nonresidential and 13.9% for residential. (There is no “bid price” index for residential or nonbuilding construction.) PPIs that contributed to the input increases include lumber and plywood, which leaped 6.7% in February and 56% year-over-year (y/y) since February 2020; diesel fuel, up 13% for the month and 37% y/y; copper and brass mill shapes, 3.6% and 30.9%, respectively; steel mill products, 12% and 20%; and plastic construction products, 1.1% and 8.0%. Prices were collected February 11.

Prices have risen even more since then, while delivery times have continued to lengthen and some items have been put on allocation or become unavailable. One reader sent a batch of **price-increase notices** ranging from 6% to 16% received from insulation, packaging, and plastic products makers. A building-products distributor in the Northeast explained other global **supply-chain implications** for construction in a newsletter on March 8, “There are currently 25-30 container ships anchored off the coast of California waiting to get into the port to get unloaded. Some of these vessels almost certainly contain fasteners, electrical supplies, flooring, lighting, appliances, and tools. This equates to about 190,000 truckloads of material. It could be well into spring or early summer before we see any significant relief at the ports from these issues. Trucking has been a challenge as well as there are simply not enough trucks to move all this freight. **Freight rates** on both imported containers and domestic trucking have increased significantly in the last few months. [A nationwide **shortage of resin**] is affecting many product lines, especially manufacturers of OSB, engineered lumber, polyethylene, PVC, vinyl siding, and vinyl windows. Several resin suppliers have declared *force majeure* due to disruptions caused by recent storms in the South and other disruptions that have plagued the resin industry in the past six months....80-85% of US production was shut down due to the severe weather. This shortage is leading to higher prices and production delays [for] categories such as vinyl siding, PVC trim, vinyl railings, PVC conduit, electrical boxes, and PVC pipe to name a few. Shortages of MDI resin in particular grew more acute last week due to the severe weather in Texas....This shortage is expected to last several weeks....**Demand for steel** remains strong, which is causing prices to climb. Steel stud manufacturers had increases January 1, February 1, and March 1. They have announced future price increases of 10% [on both] April 1 and...May 3. Rebar pricing has jumped significantly in the last 60-90 days and is expected to increase again as scrap prices continue to climb. Rebar availability is expected to get very tight as we head into spring. There is very little import bar available and domestic mills are busy making many steel items that produce greater returns for the mill. Expect further increases on all metal products as raw material costs continue to increase....All fiberglass **insulation** manufacturers have announced another increase of 8-12% effective in April....Most, if not all, remain on allocation....Lead times are anywhere from 8-15 weeks. Availability is expected to remain tight through much of 2021 due to strong demand and supply disruptions. **Drywall**: All manufacturers have announced a 20% increase effective late March/early April.” **Readers are invited to email** ken.simonson@agc.org with information about prices, delays, and project postponements or cancellations.

There were 309,000 **job openings in construction**, seasonally adjusted, at the end of January, up 16% from December 2020 and the highest January total in the series' 21 years, BLS [reported](#) on Thursday in its latest Job Openings and Labor Turnover Survey (JOLTS) release. **Hires** in January totaled 361,000, down 9.5% y/y and down 14% y/y. JOLTS data combines nonresidential construction with residential; the latter most likely accounts for a disproportionately large share of hires and openings. BLS [reported](#) on March 5 that residential construction employment increased 1.1% y/y from January 2020 to January 2021, while nonresidential employment decreased 5.3%. BLS made routine annual revisions covering the past five years and introduced seasonal adjustments to series such as construction job openings that had previously not been adjusted. This change makes it possible to make meaningful comparisons across months and not just past years for a given month.

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