



# Community Chat with AGC Chief Economist Ken Simonson

March 21, 2023 | Michael Cowden, Managing Editor

# Steel Market Update Team



**Michael Cowden**  
Chicago, Ill.  
**Managing Editor**



**David Schollaert**  
Pittsburgh, Pa.  
**Senior Analyst**



**Laura Miller**  
Erie, Pa.  
**Reporter / Editor**



**Becca Moczygemba**  
Houston, Texas  
**Reporter / Editor**



**Ethan Bernard**  
Austin, Texas  
**Reporter / Editor**



**Jill Waldman**  
Steamboat Springs, Colo.  
**Spons./Expo. Sales Mgr.**



**Lindsey Fox**  
Austin, Texas  
**Account Executive**

The SMU newsletter was developed for active buyers and sellers of flat-rolled steel.

**Prices | Momentum | Sentiment | Trends | Analysis**

For more information visit [www.steelmarketupdate.com](http://www.steelmarketupdate.com)

# SMU Flat Rolled Market Trends Analysis



Steel 101 Workshop 2012, Dearborn, Mich.

Our goal is to provide quality information to the flat-rolled steel industry.

All responses are confidential.

To become a data provider, contact:  
[david@steelmarketupdate.com](mailto:david@steelmarketupdate.com)



# Upcoming Events



**Steel 101 Workshop (LIVE)**  
 April 11-12, 2023 | Cleveland, Ohio  
 Including a tour of Cleveland-Cliffs Cleveland Works



**Introduction to Steel Hedging Training Course**  
 April 26, 2023 | Chicago, Ill. | *Live Workshop*  
 June 20, 2023 | Pittsburgh, Pa. | *Live Workshop*

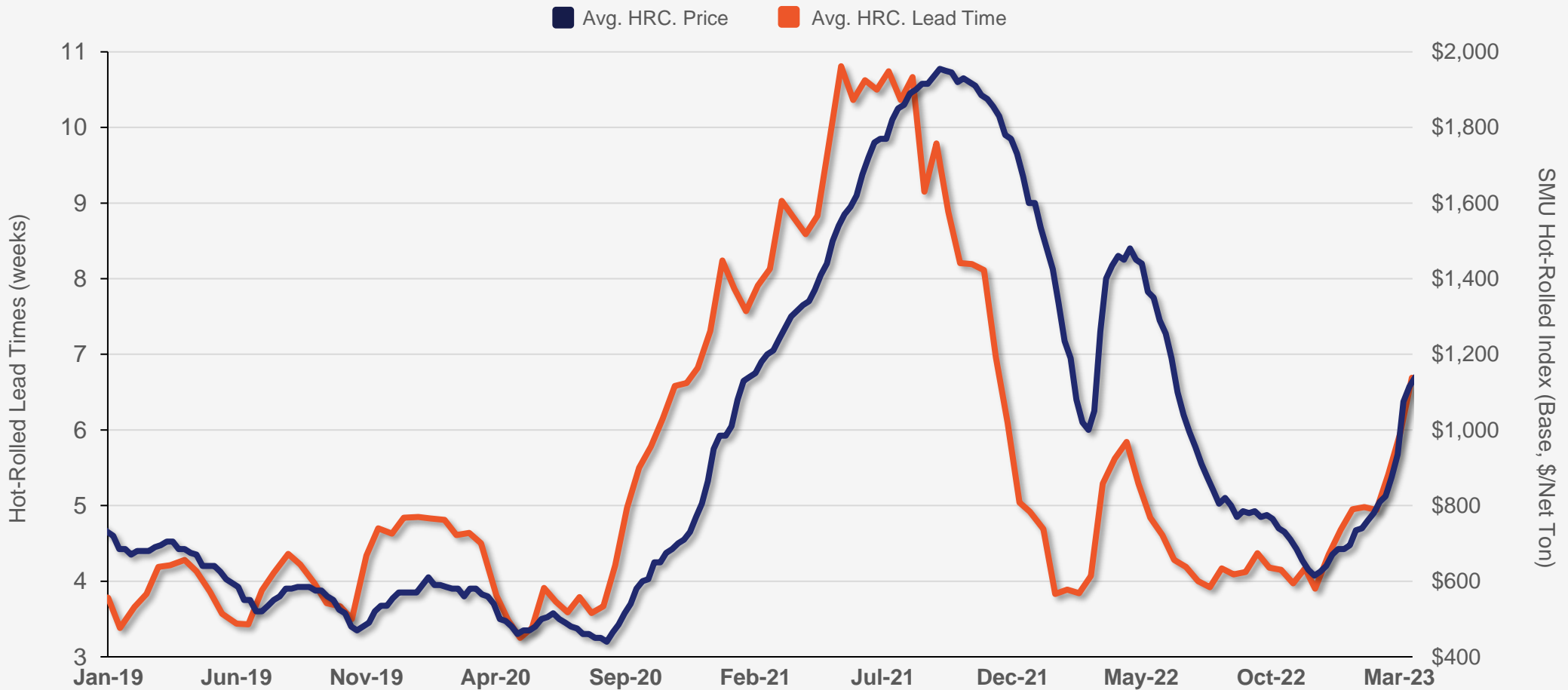


**SMU Steel Summit 2023**  
 August 21-23, 2023 | Atlanta, Ga.  
 Georgia International Convention Center

If you would like more information about any of our workshops and/or conferences, visit [steelmarketupdate.com/events](https://steelmarketupdate.com/events) or email us at [events@steelmarketupdate.com](mailto:events@steelmarketupdate.com)

# Hot-Rolled Steel Prices vs Lead Times

SMU's hot-rolled steel prices and lead times, with data through March 21, 2023.



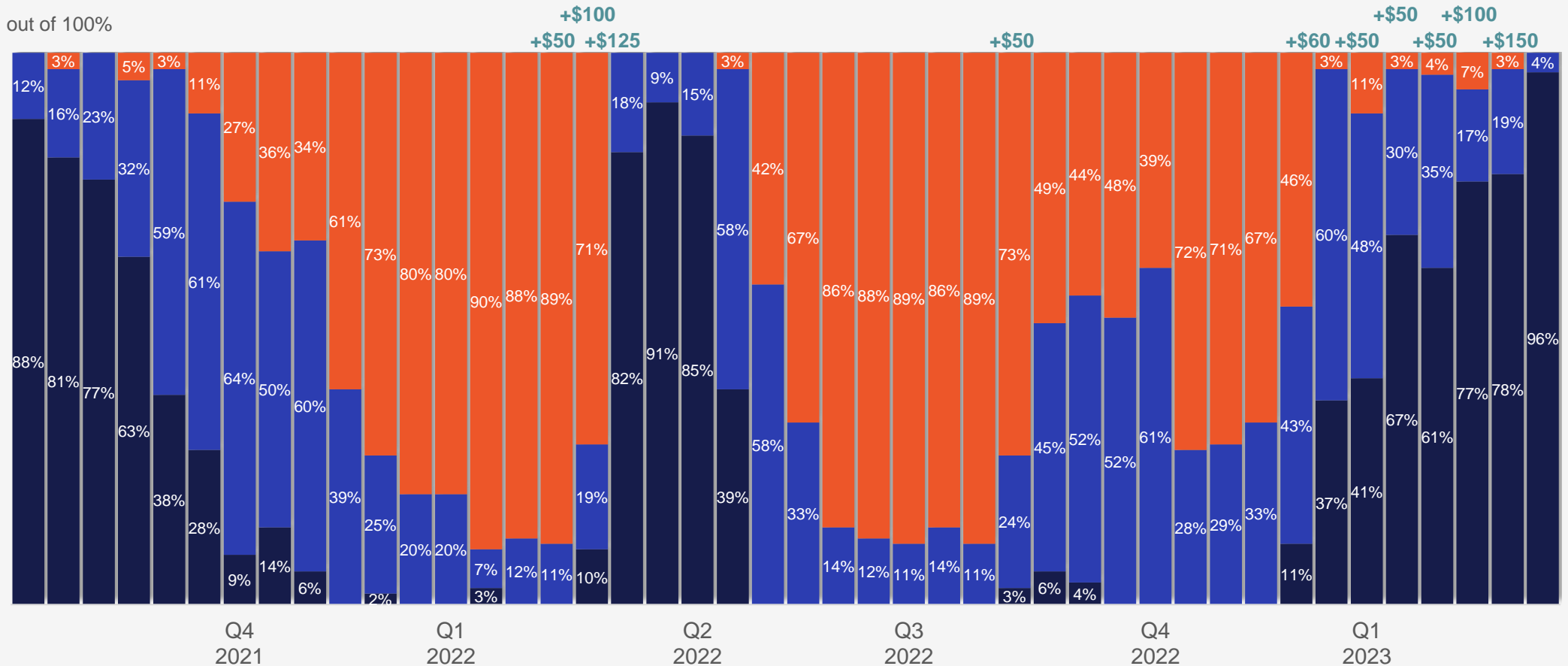
# Service Center View of Selling Prices

## Service Centers

Compared to two weeks ago, how is your company handling spot pricing to your customers?

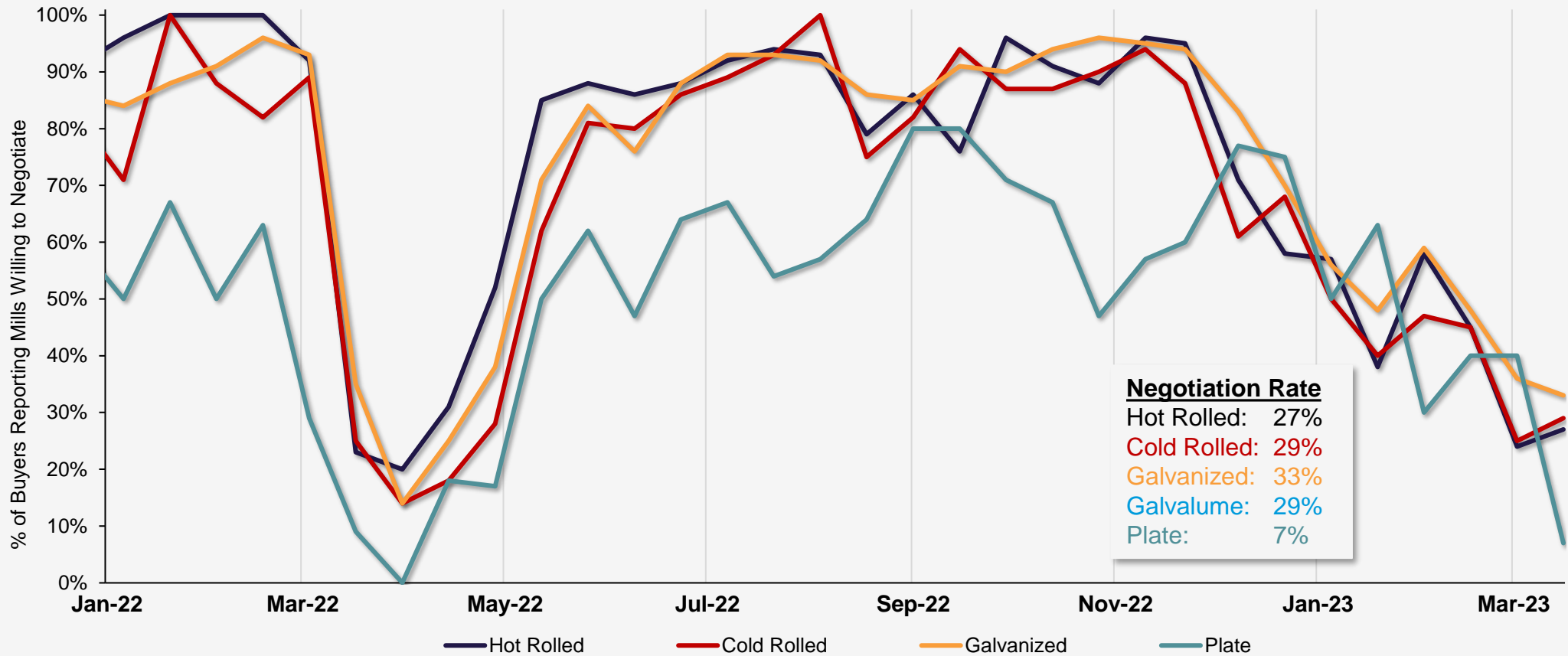
Historical Nucor flat rolled price increase announcements out of 100%

■ We are raising prices    
 ■ We are keeping prices the same    
 ■ We are lowering prices



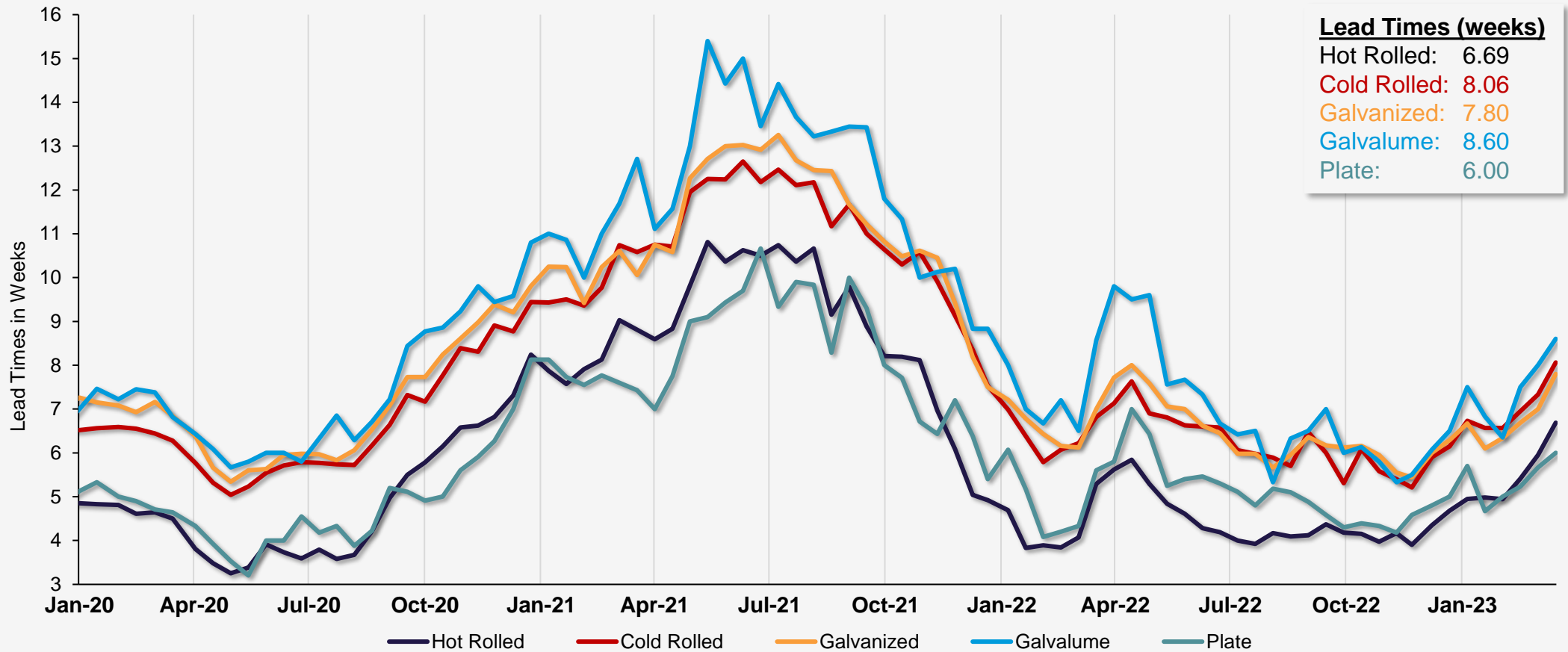
# Steel Mill Negotiations

SMU's price negotiations on new steel orders by product through March 15, 2023.



# Steel Mill Lead Times by Product

SMU lead times on new steel orders by product through March 15, 2023.



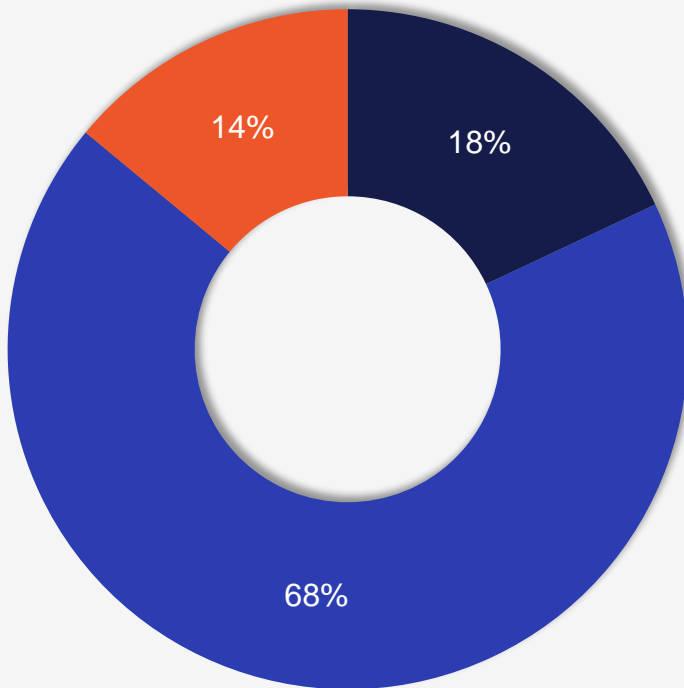


# Business Forecasts

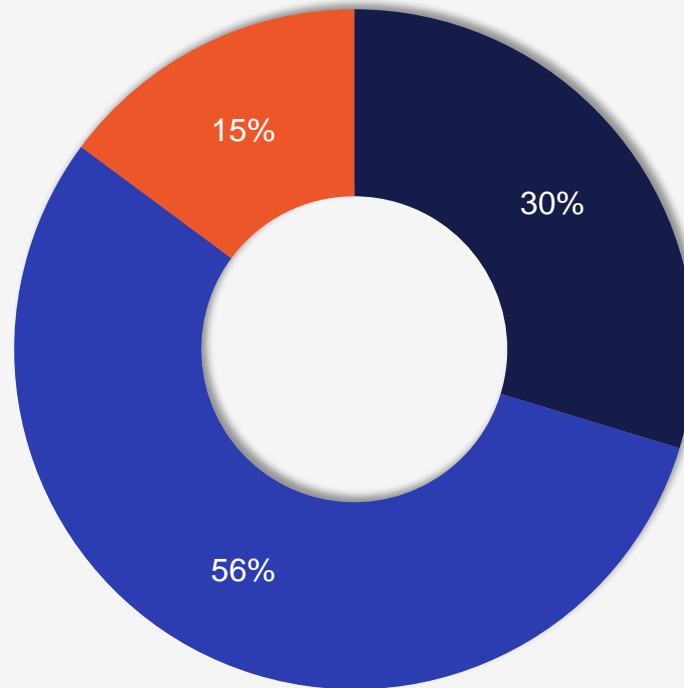
How did your company perform last month compared to your forecast?

■ We will exceed forecast    
 ■ We will meet forecast    
 ■ We will not meet forecast

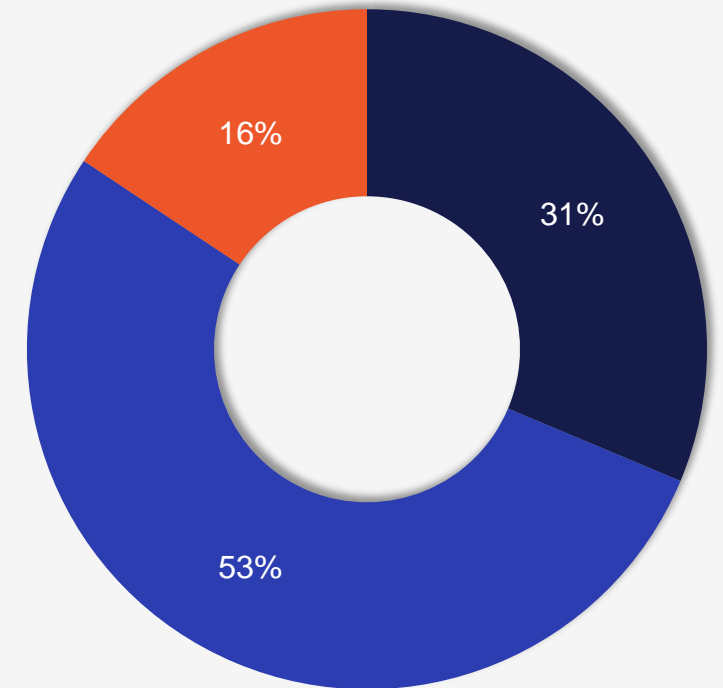
Jan. 18, 2022



Feb. 15, 2023



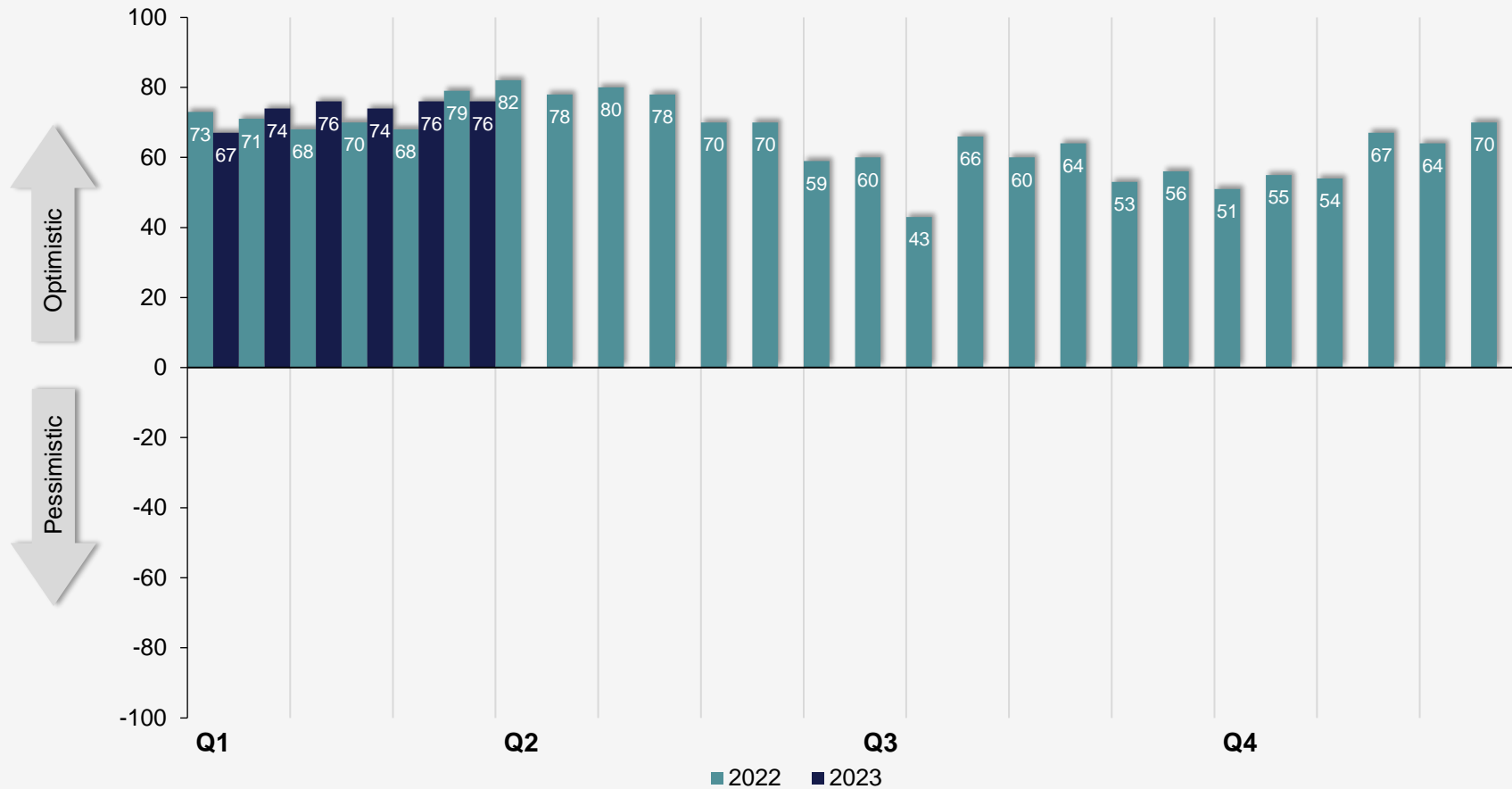
March 15, 2023



# Steel Buyers Sentiment

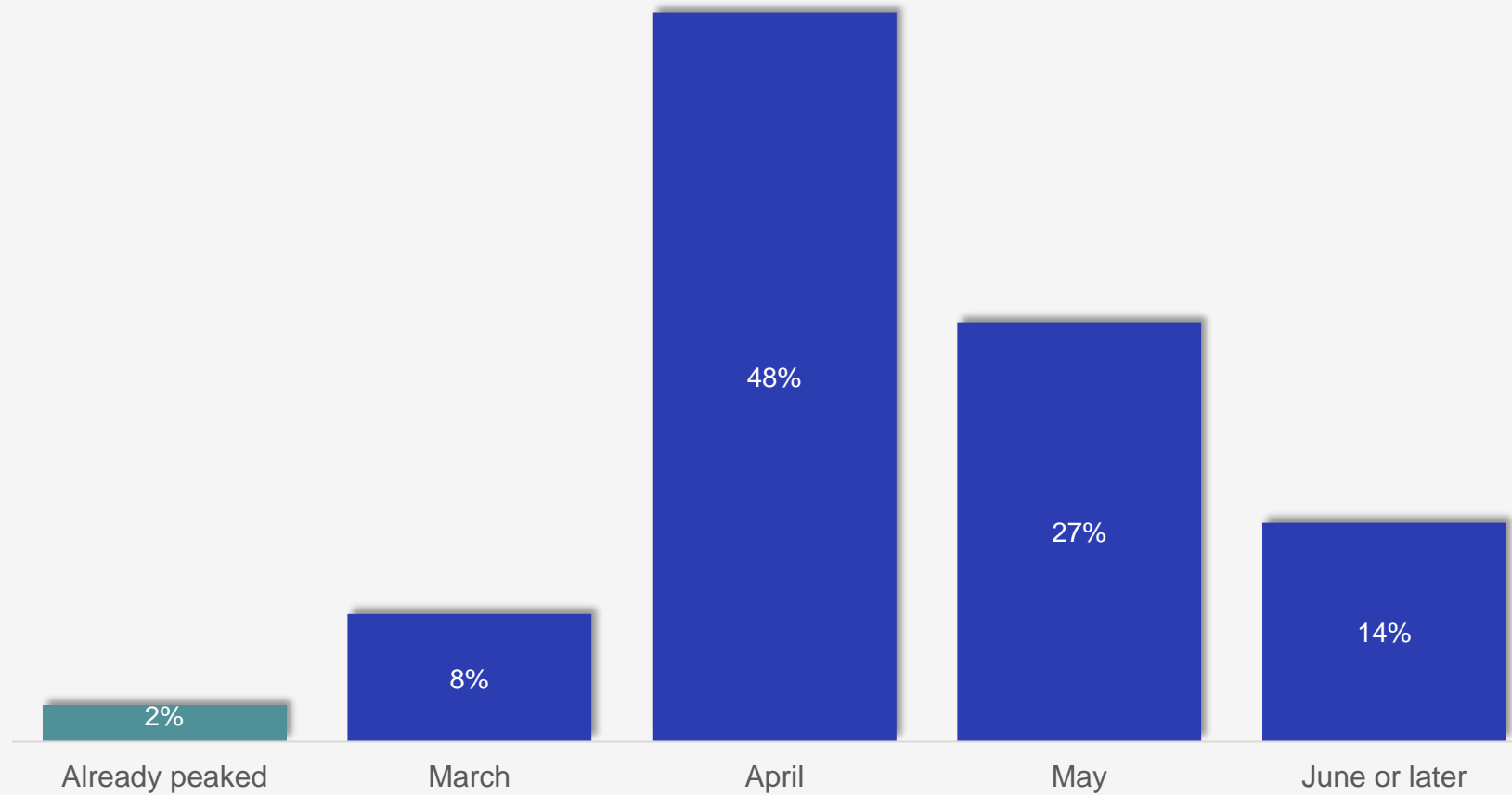
*Unchanged at +76*

SMU's current steel buyers sentiment index, with data through March 15, 2023.



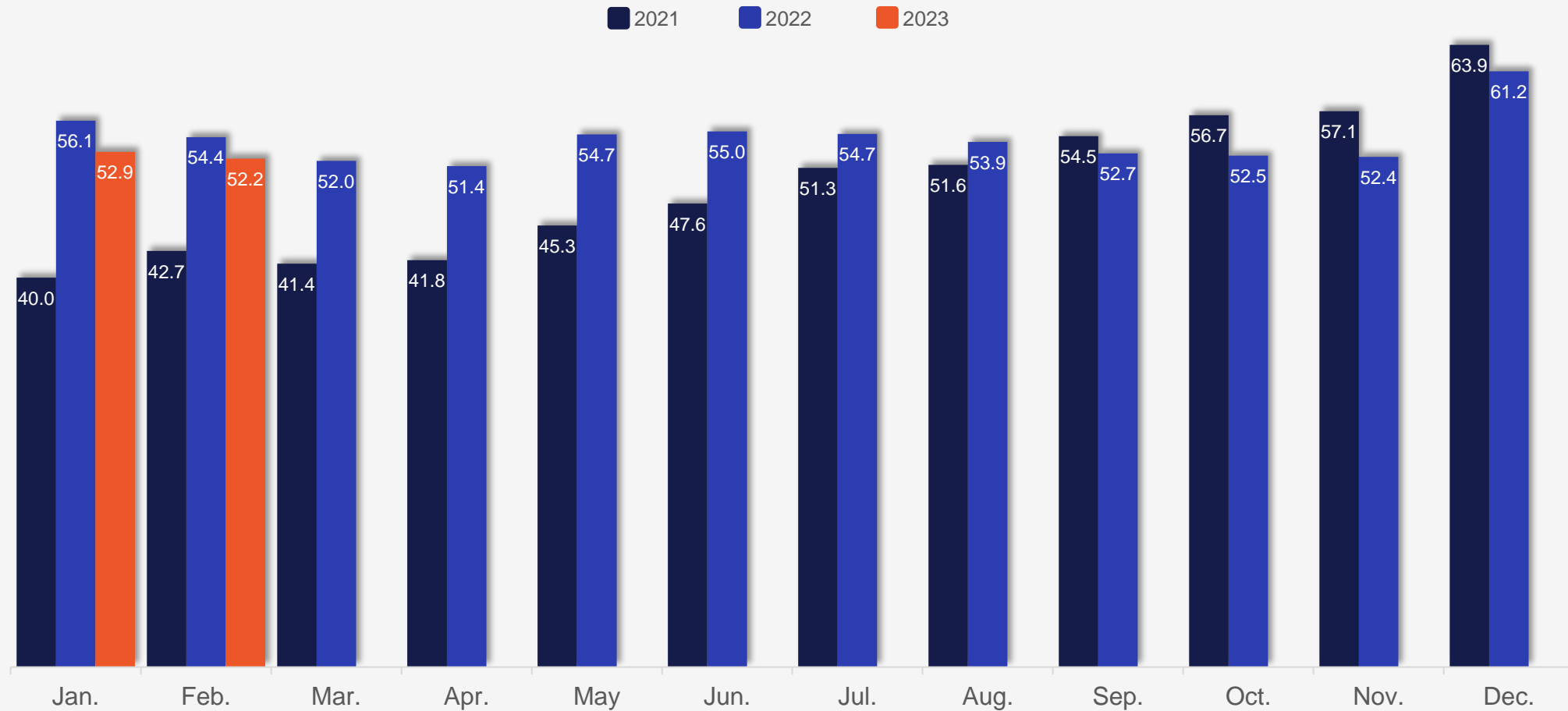
# Hot Rolled Inflection Point

When do you think steel prices will peak?

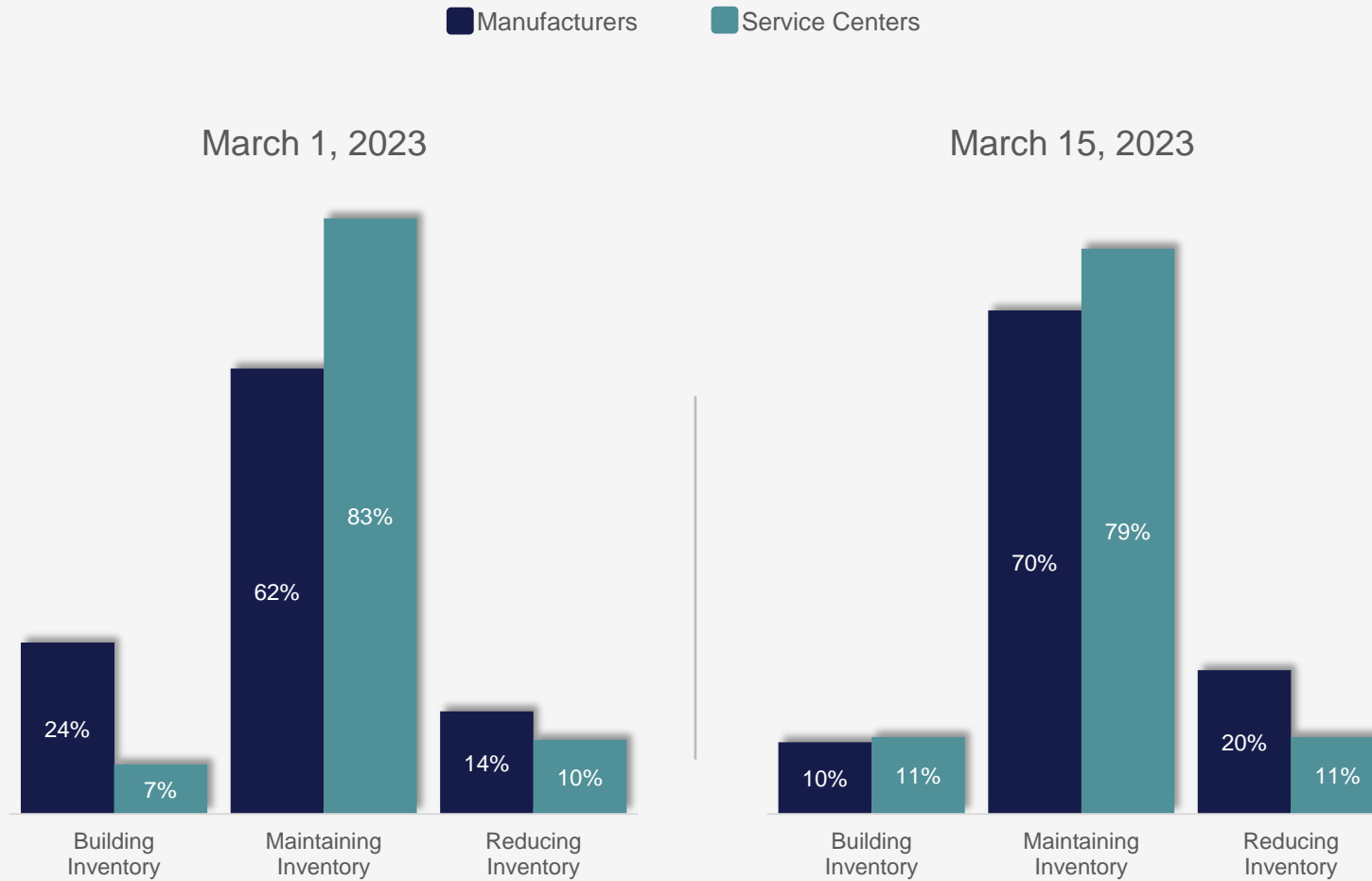


# Service Center Inventories

SMU's flat rolled product shipping days of supply, with data through February 2023.



# Manufacturer and Service Center Inventory Buying Patterns

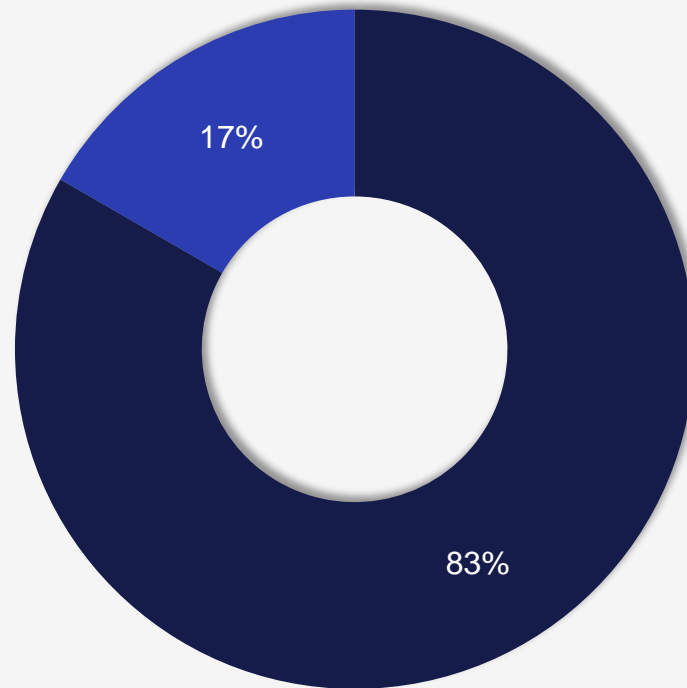




# Trading Companies

Are foreign products attractive to US buyers?\*

■ Yes   ■ No



\*Limited number of responses to this question

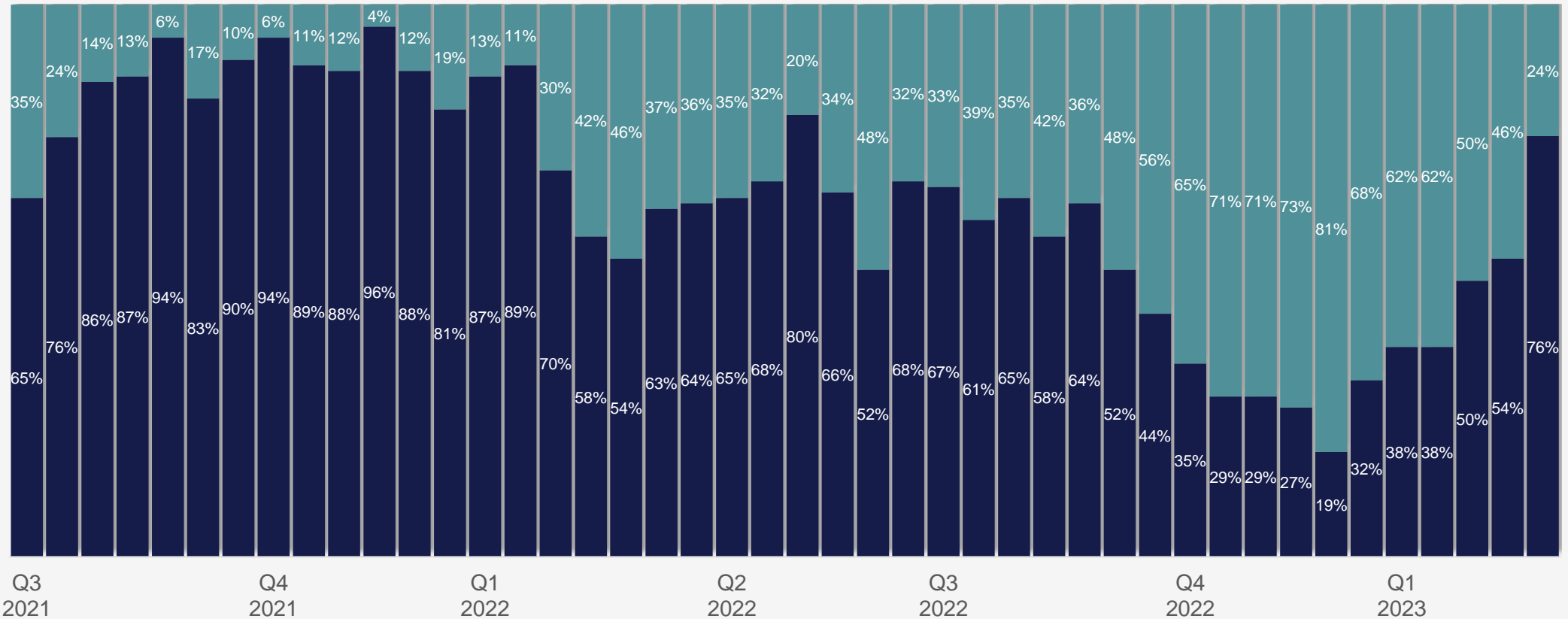
# Foreign Steel Competitiveness History

## Service Centers

Are your foreign steel suppliers quoting you competitive prices for new orders for future delivery?

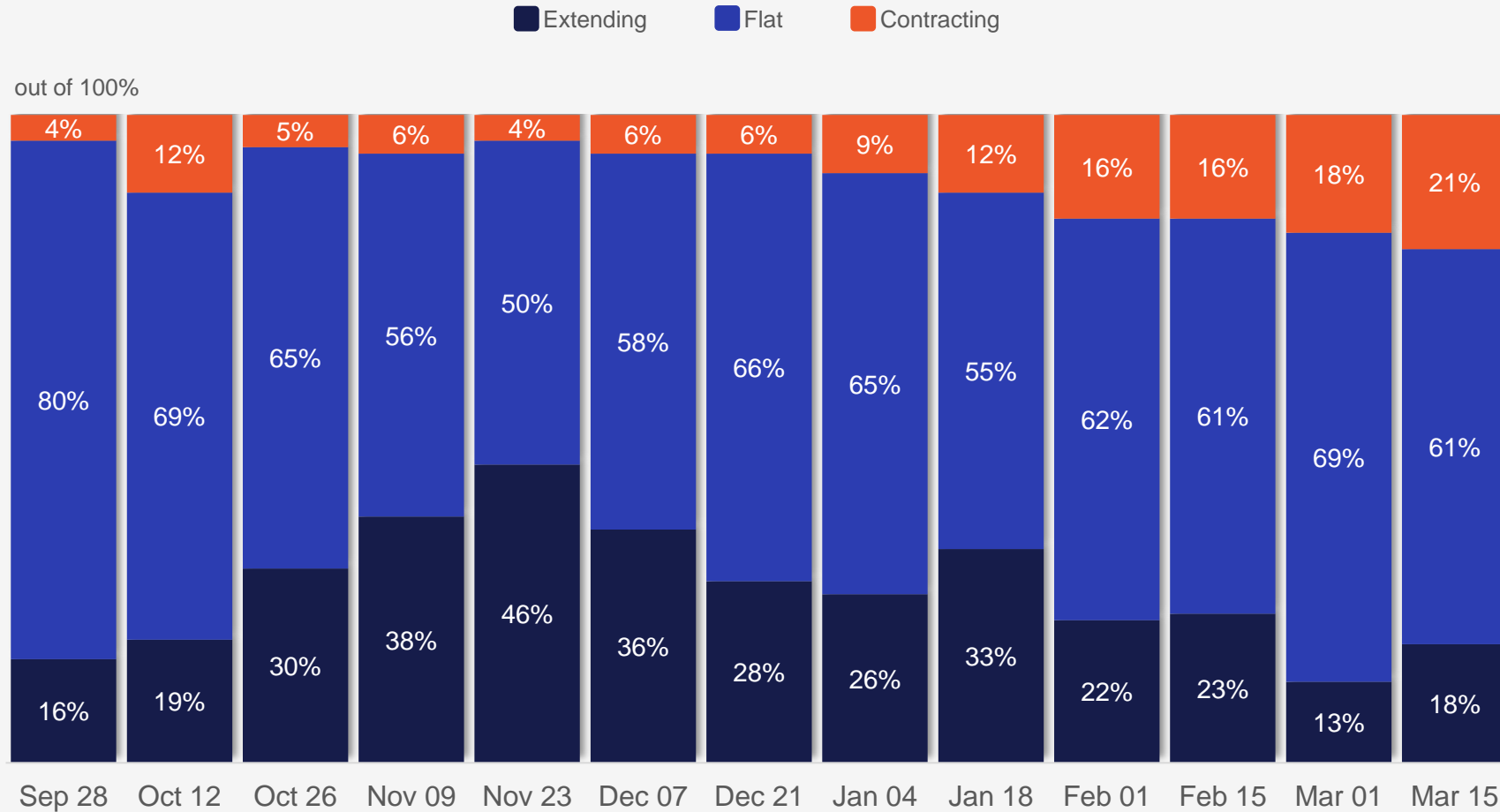
■ Yes    ■ No

out of 100%



# Direction of Steel Mill Lead Times

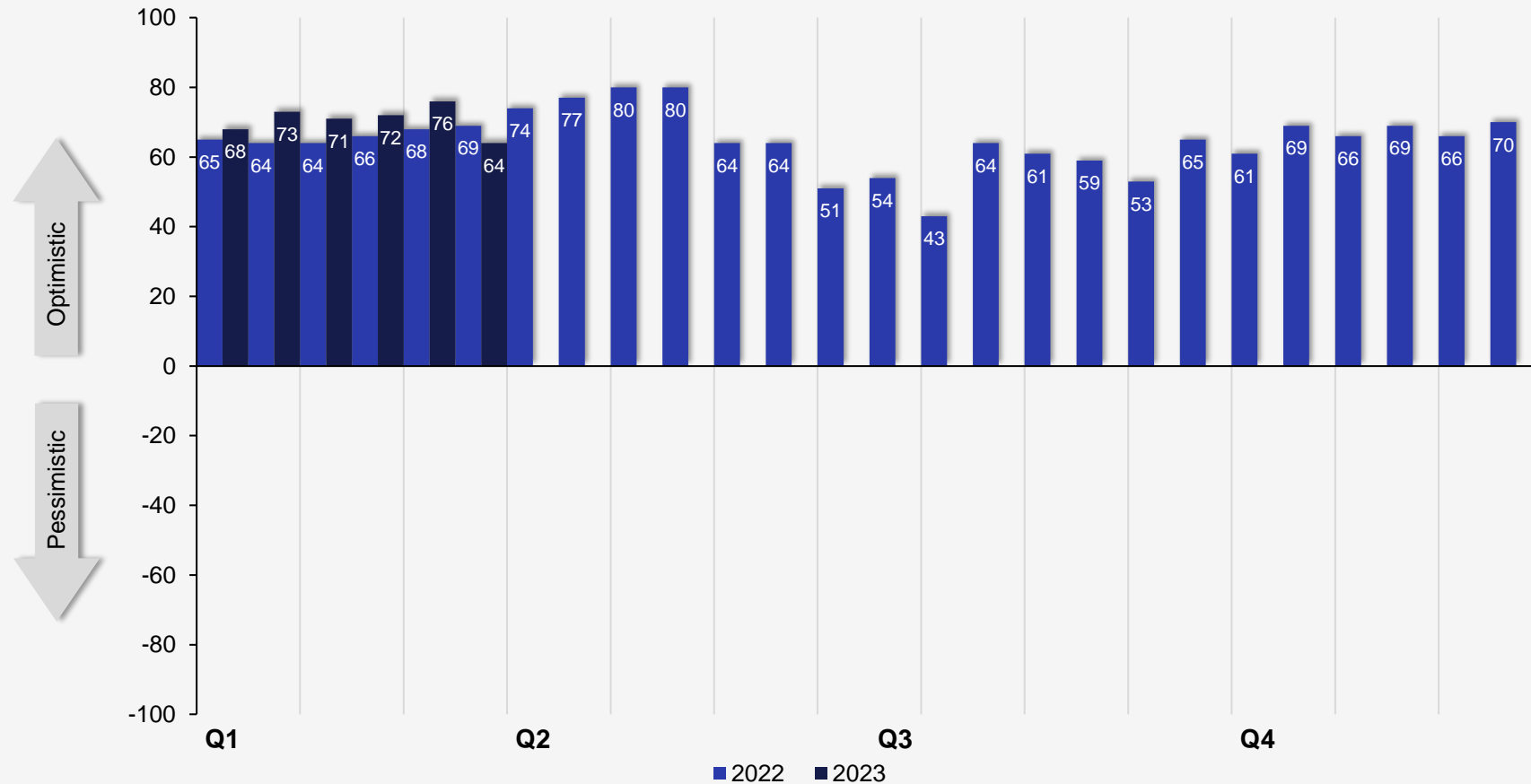
Two months from now, will lead times be extending, flat, or contracting?



# Steel Buyers Future Sentiment

*Down 12 points to +64*

SMU's future steel buyers sentiment index, with data through March 15, 2023.



## Ken Simonson



**Ken Simonson** has been chief economist for the **Associated General Contractors of America**, the leading trade association for the construction industry, since 2001.

He has more than 40 years of experience analyzing, advocating and communicating about economic and tax issues. Among his outside activities, he advises the Census Bureau on overhauling its construction data. He is a fellow and past president of the National Association for Business Economics, and he is co-director of the Tax Economists Forum, a professional meeting group he co-founded in 1982.

Ken has a BA in economics from the University of Chicago and an MA in economics from Northwestern University.

[www.SteelMarketUpdate.com/blog/SMU-Community-Chat-Webinars](http://www.SteelMarketUpdate.com/blog/SMU-Community-Chat-Webinars)





**AGC**  
THE CONSTRUCTION  
ASSOCIATION

**March 2023**

# **U.S. Construction Outlook: Rotation or Retreat?**

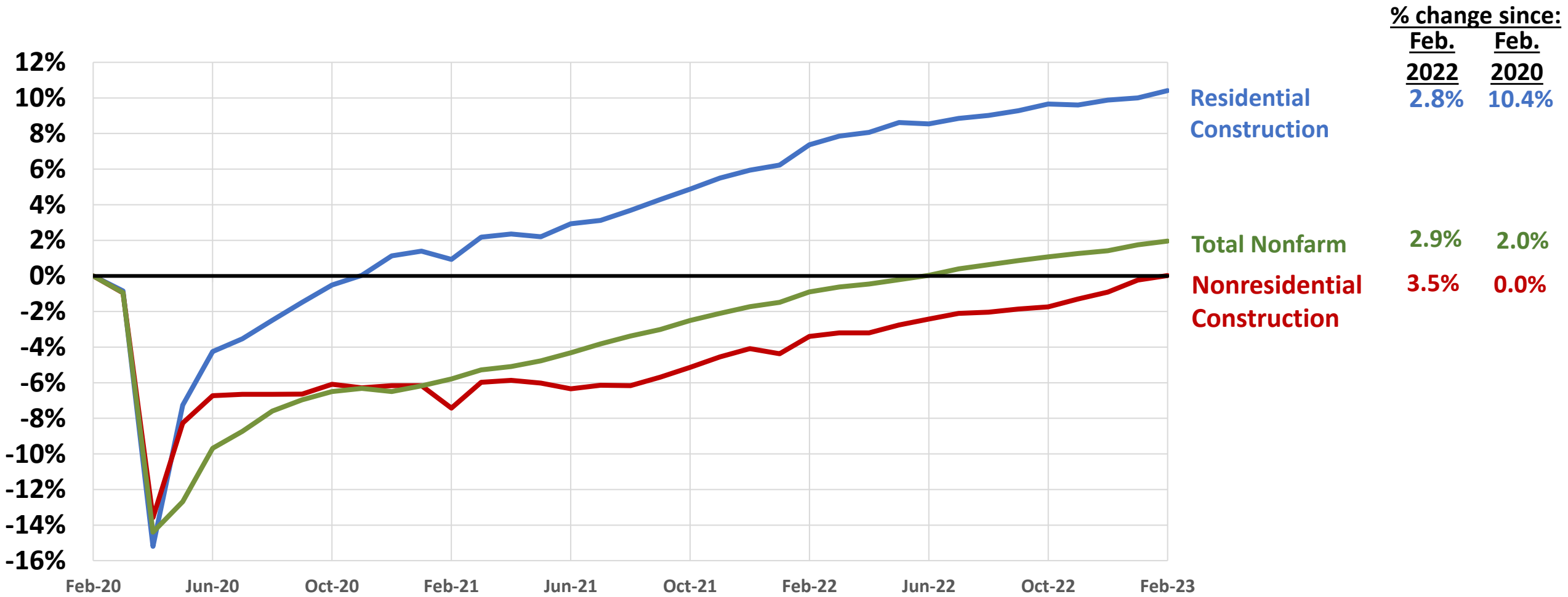
Ken Simonson

Chief Economist, AGC of America

[ken.simonson@agc.org](mailto:ken.simonson@agc.org)

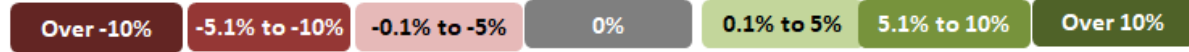
# Total nonfarm & construction employment, Feb. 2020–Feb. 2023

cumulative change (seasonally adjusted)



# Construction employment change by state, Jan. 2022-Jan. 2023 (U.S.: 4.0%)

45 states **up**, 4 states + DC **down**, 1 unchanged

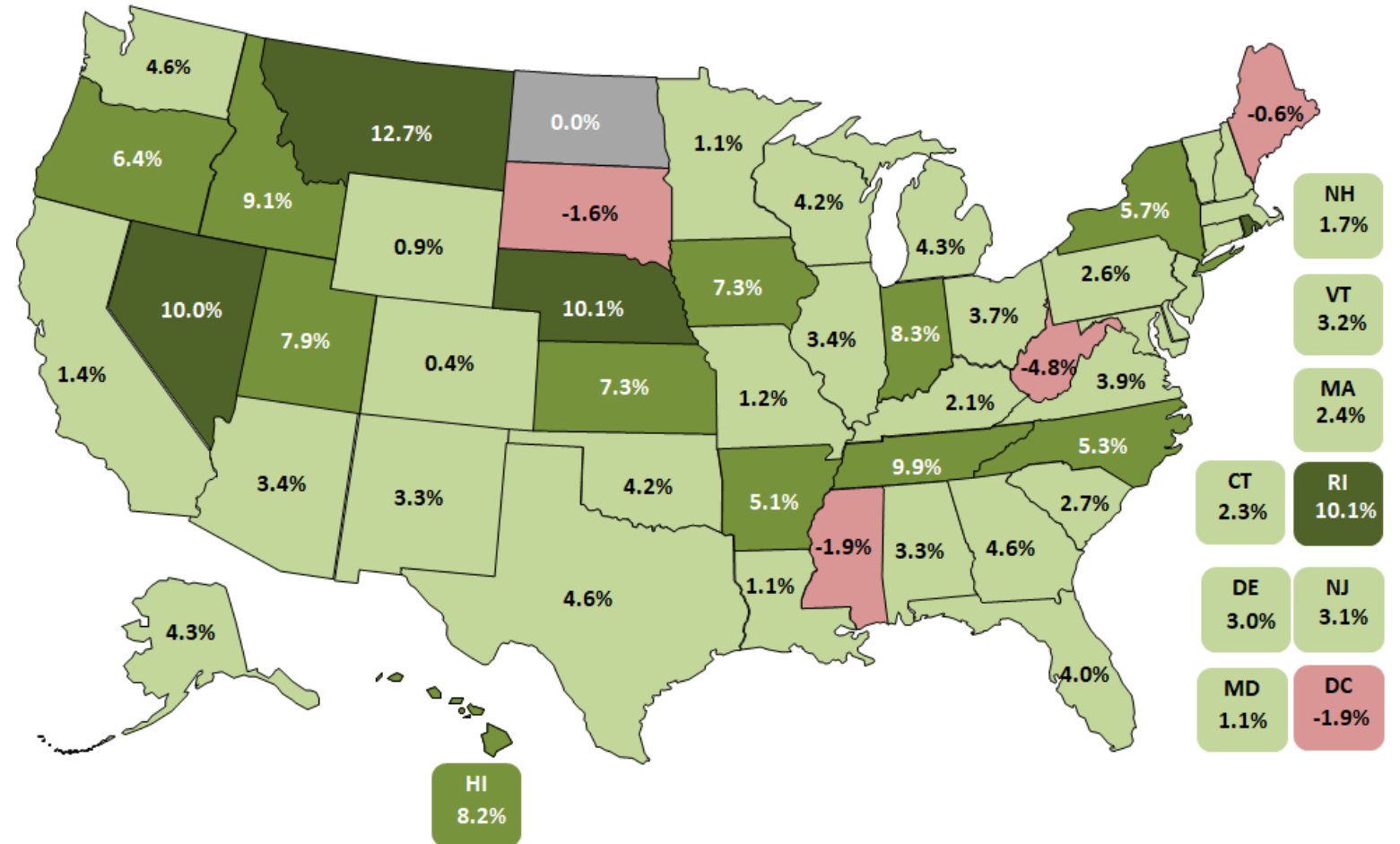


## Top 5

MT	12.7%
NE	10.1%
RI	10.1%
NV	10.0%
TN	9.9%

## Bottom 6

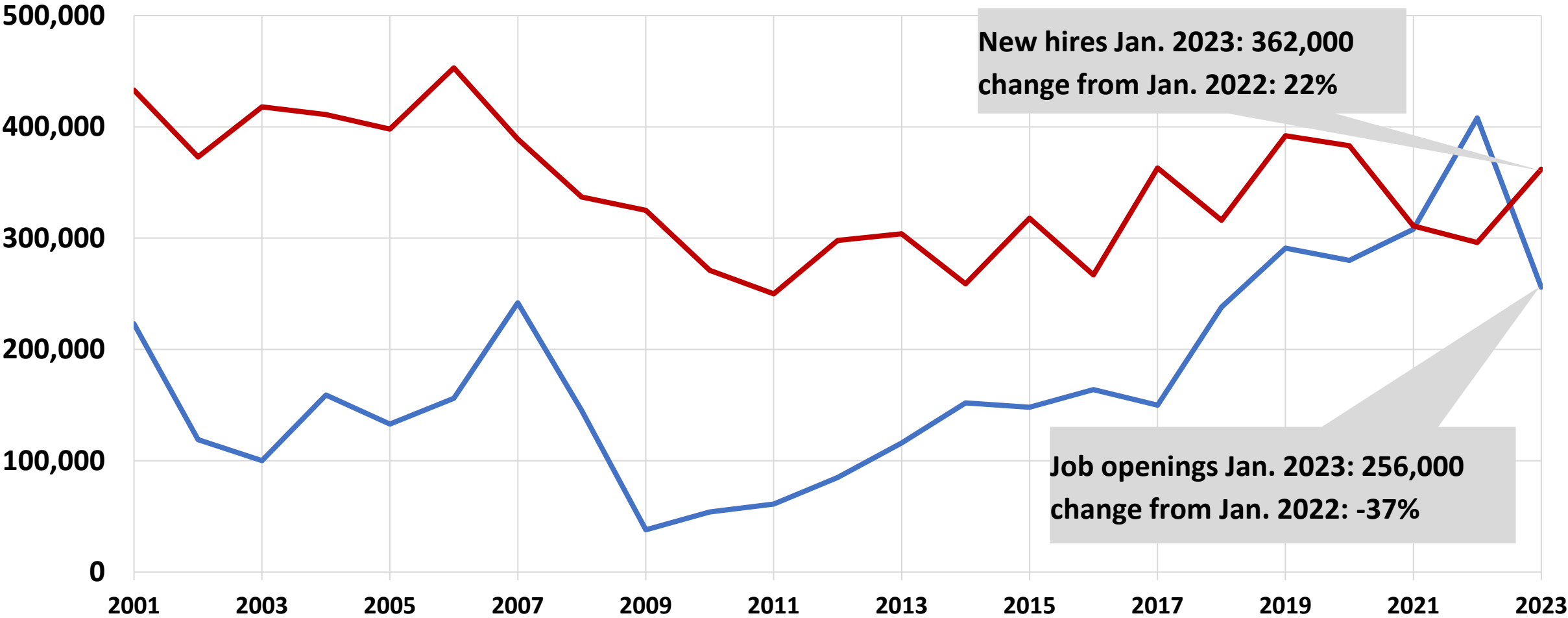
WV	-4.8%
DC	-1.9%
MS	-1.9%
SD	-1.6%
ME	-0.6%
ND	0.0%



# Construction job openings & new hires



Job openings and hires, Jan. 2001-Jan. 2023, not seasonally adjusted

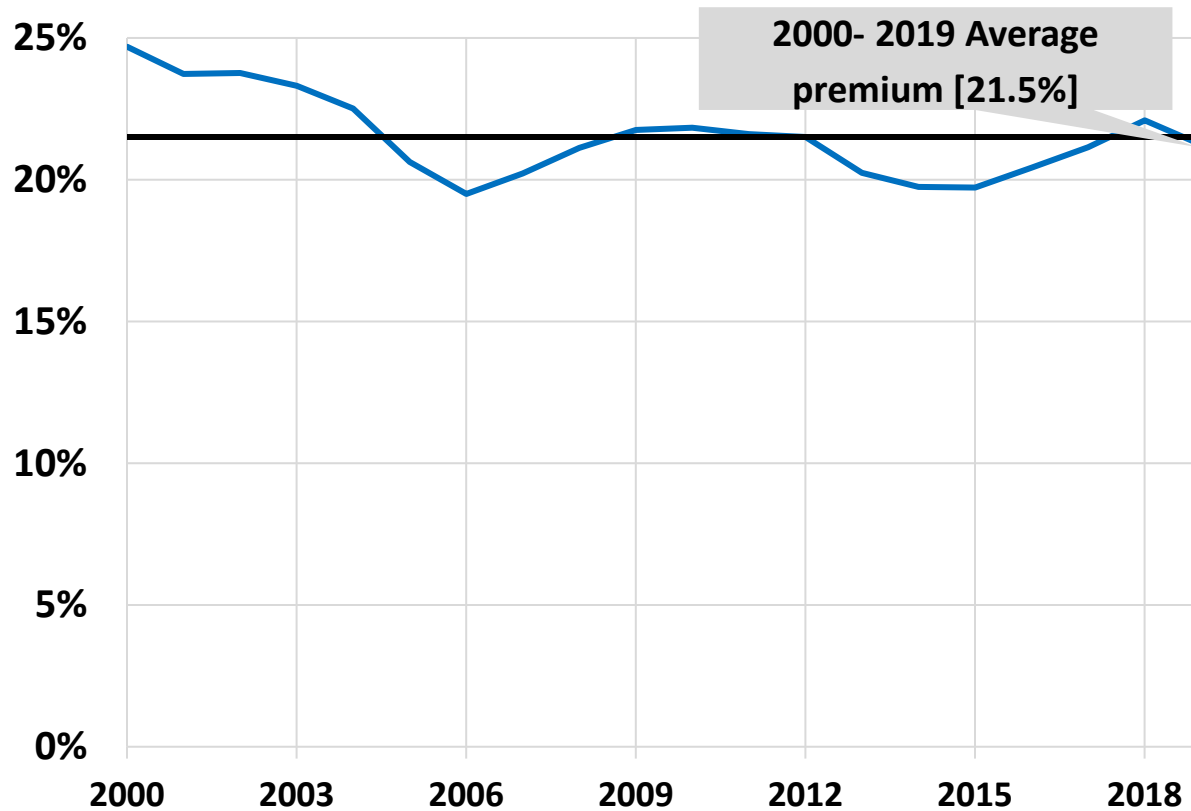


# Construction wage “premium” vs. total private sector

Excess of average hourly earnings (AHE) for production and nonsupervisory employees in construction vs. private sector

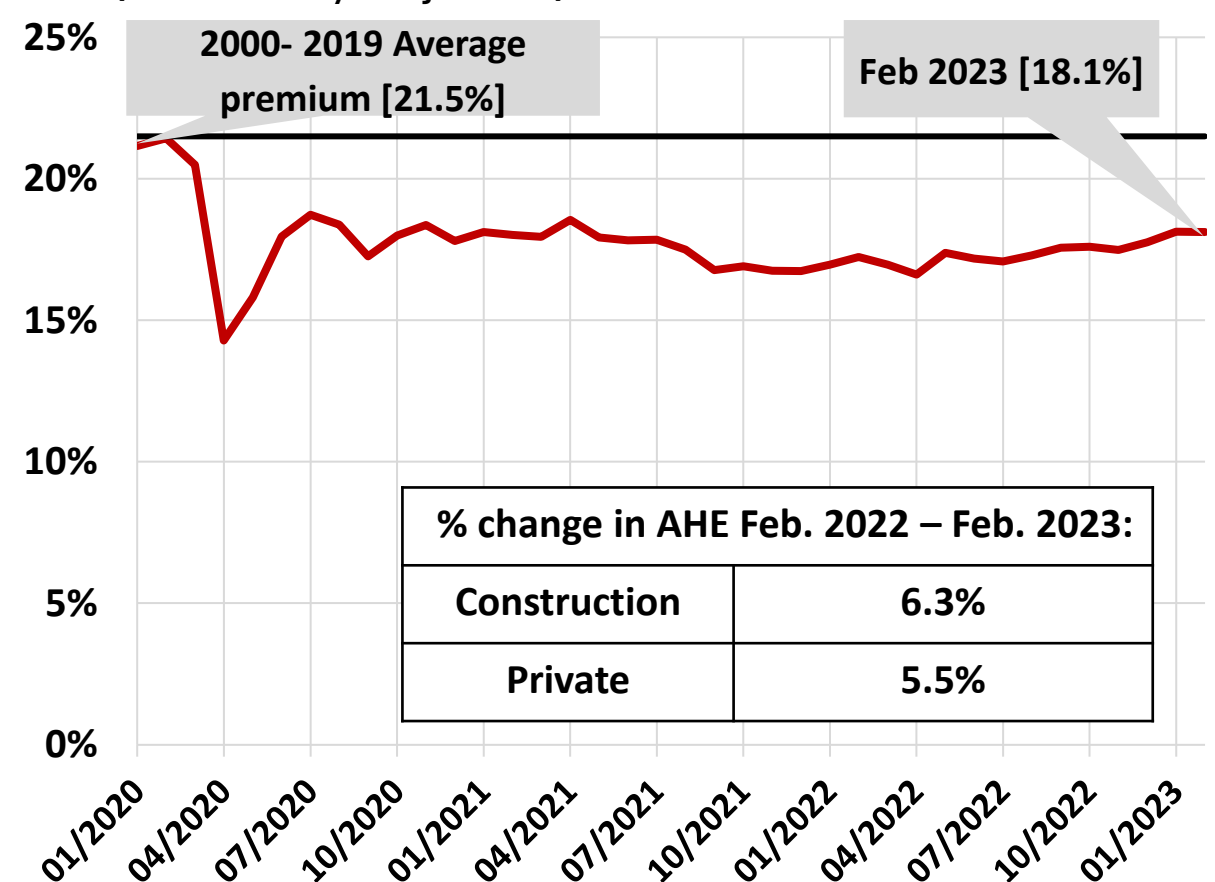


## Annual premium, 2000–2019



## Monthly premium, Jan. 2020–Feb. 2023

(seasonally adjusted)





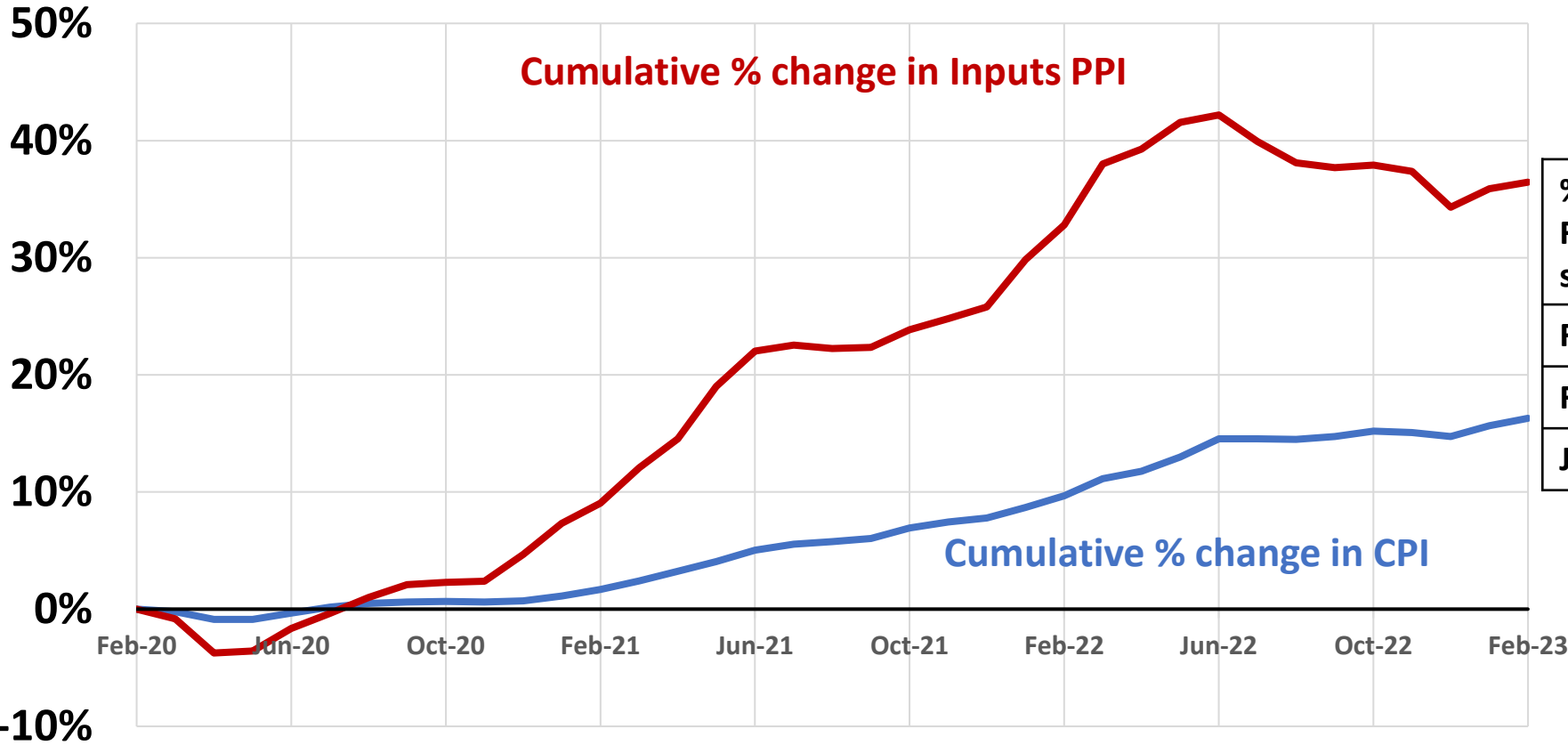
# Costs for new nonresidential construction vs. consumer prices

Cumulative change in PPI for new nonresidential construction inputs and CPI

February 2020 - February 2023, not seasonally adjusted



**AGC**  
THE CONSTRUCTION  
ASSOCIATION



% change to Feb. 2023 since:	Inputs PPI	CPI
Feb. 2020	34%	16%
Feb. 2022	2.7%	6.0%
Jan. 2023	0.4%	0.6%

24 Source: Bureau of Labor Statistics, consumer price index, [www.bls.gov/cpi](http://www.bls.gov/cpi); producer price index, [www.bls.gov/ppi](http://www.bls.gov/ppi)

# Not all construction costs are cooling!



producer price indexes, 1 - & 12-mo. change (not seasonally adjusted)

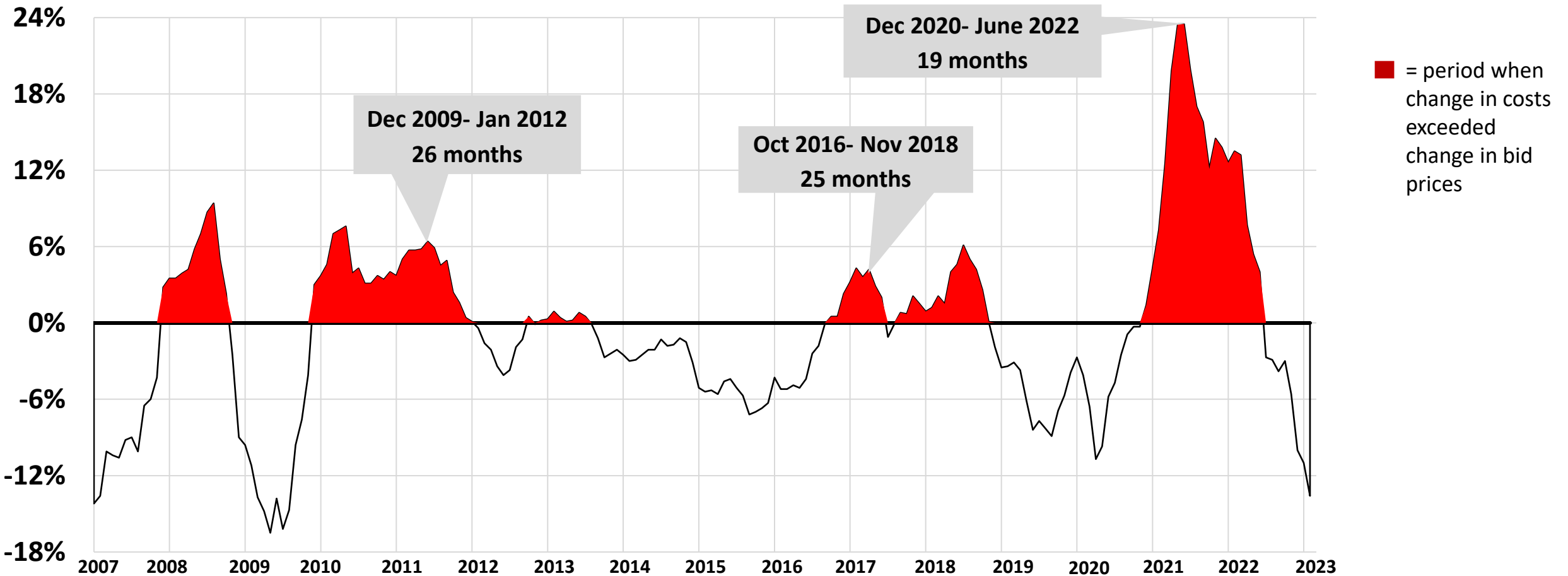
	<b>Feb 2023 change from:</b>	
	<b>Jan 2023</b>	<b>Feb 2022</b>
	<b>(1 month)</b>	<b>(12 months)</b>
Cement	1.1%	15.0%
Asphalt paving mixtures and blocks	2.2%	14.5%
Flat glass	4.0%	11.7%
Gypsum building products	0.4%	12.5%
<b><u>Subcontractor price indexes, nonresidential building work</u></b>		
Roofing contractors	0.5%	22.2%
Plumbing contractors	0.2%	12.3%
Electrical contractors	0.3%	20.0%
Concrete contractors	0.2%	8.3%

# Cost squeeze on contractors can reappear suddenly, last 2+ years

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Feb 2023



**AGC**  
THE CONSTRUCTION  
ASSOCIATION



# Change in construction spending: January 2023 vs. January 2022

current (not inflation-adjusted) dollars, seasonally adjusted



**Total 6%:** Private residential -4% (single-family -18%; multi 21%; improvements 9%)

Private nonresidential 19%

Public 11%

Nonresidential segments (in descending order of January 2023 spending)

- Mfg. 54% (computer/electronic 158%; chemical 3%; food/beverage/tobacco 34%; transportation equipment 57%)
- Commercial 22% (warehouse 22%; retail 28%; farm 21%)
- Highway and street 16%
- **Power -5%** (electric -5%; oil/gas fields & pipelines -4%)
- Education 6% (primary/secondary 5%; higher ed 7%)
- Office 14%
- Transportation 9% (air 5%; freight rail/trucking 16%; **mass transit -9%**)
- Health care 12% (hospital 10%; medical building 19%; special care 1%)
- **Other: Sewage/waste disposal 17%; Amusement/recreation 11%; Communications 3%; Water supply 31%; Lodging 40%**

# Medium-term outlook for construction



- Economic recovery should continue but likelihood of recession remains high
- Homebuilding is likely to fall for several months until prices, interest rates flatten
- Multifamily, warehouse, retail, office, lodging are at risk from slowdown, rising rates
- Infrastructure Investment & Jobs Act, “Chips+” Act, Inflation Reduction Act will give major boost to infrastructure, manufacturing, and power construction. BUT
  - money will be slow to turn into construction awards and spending
  - Buy America(n), labor, environmental strings may tie up project starts for years
- Materials cost and lead time trends are mixed, no longer all upward
- Labor availability has resumed being the #1 challenge for many contractors

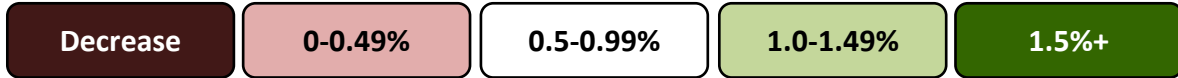


# Long-run construction outlook (post-pandemic)



- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth means slower demand growth for most construction
- Slowing demand for K-12, decline for higher ed construction
- Permanent shift from retail to e-commerce/distribution structures
- More specialized and online healthcare facilities; fewer hospitals, nursing homes
- More wind, solar, battery storage and charging facilities, and related manufacturing
- Not clear if offices will decentralize or remain in less demand
- Not clear if recent urban/rural or state-to-state migration will remain or reverse

# Population change by state, July 2021–July 2022 (U.S.: 0.38%)

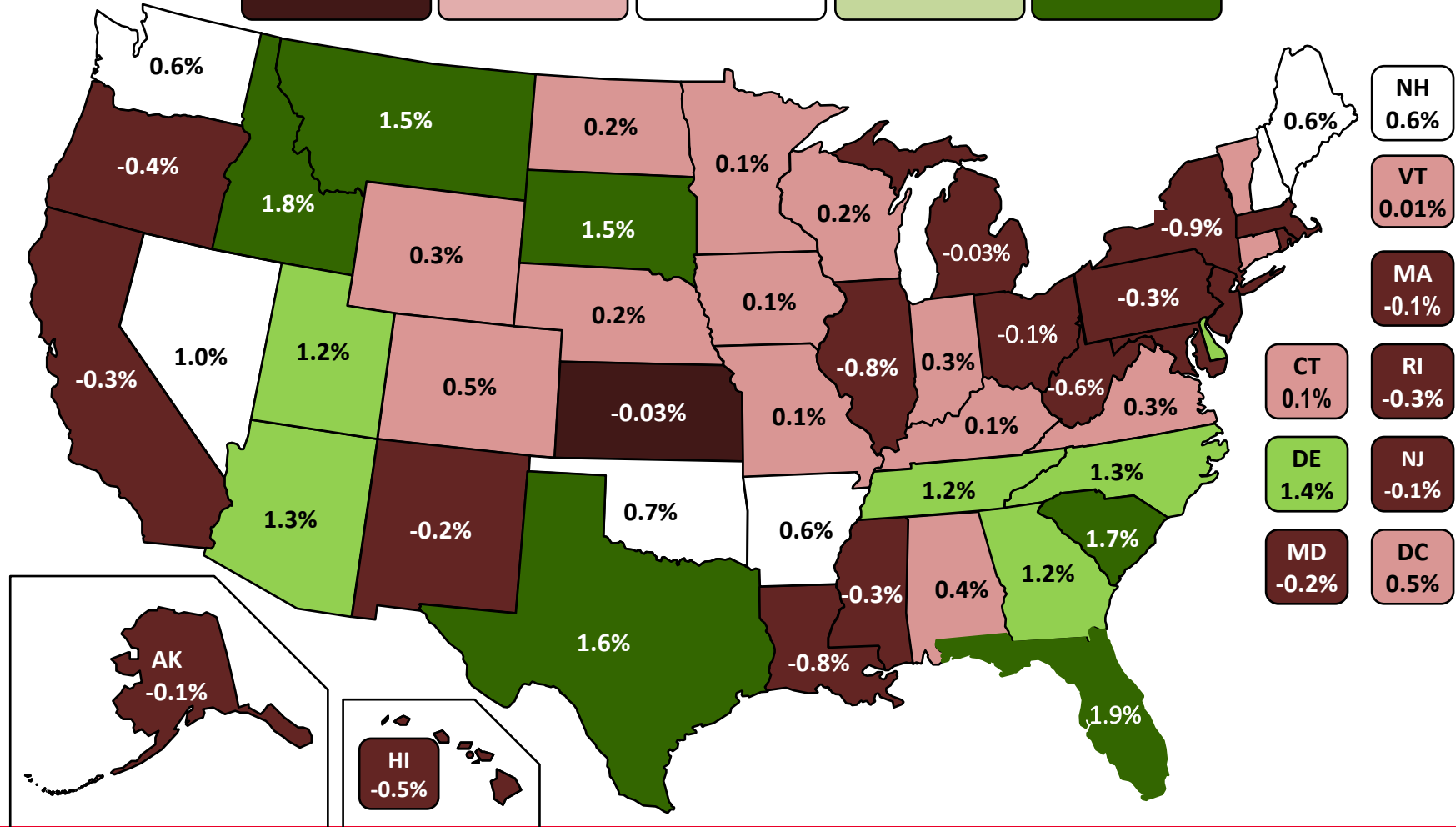


## Top 6

FL	1.9%
ID	1.8%
SC	1.7%
TX	1.6%
SD, MT	1.5%

## Bottom 5

NY	-0.9%
IL	-0.8%
LA	-0.8%
WV	-0.6%
HI	-0.5%



# AGC economic resources

(email [ken.simonson@agc.org](mailto:ken.simonson@agc.org))



- 2023 AGC/Sage Construction Hiring & Business Outlook Survey Results: <https://www.agc.org/2023-construction-hiring-and-business-outlook>
- *The Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- *Construction Inflation Alert*:  
<https://www.agc.org/learn/construction-data/agc-construction-inflation-alert>
- ConsensusDocs Price Escalation Resource [Center](https://www.consensusdocs.org/price-escalation-center/):  
<https://www.consensusdocs.org/price-escalation-center/>
- Surveys, state and metro data, fact sheets: [www.agc.org/learn/construction-data](http://www.agc.org/learn/construction-data)
- Monthly press releases: construction spending; producer price indexes; national, state, metro employment with rankings:  
<https://www.agc.org/newsroom>



# Q&A



# Thank You

---

Thanks for attending our Community Chat. A special thanks to Ken Simonson for his participation.

For information on subscribing to SMU, contact Lindsey Fox: [lindsey@steelmarketupdate.com](mailto:lindsey@steelmarketupdate.com)

To participate in our survey, contact us: [david@steelmarketupdate.com](mailto:david@steelmarketupdate.com)

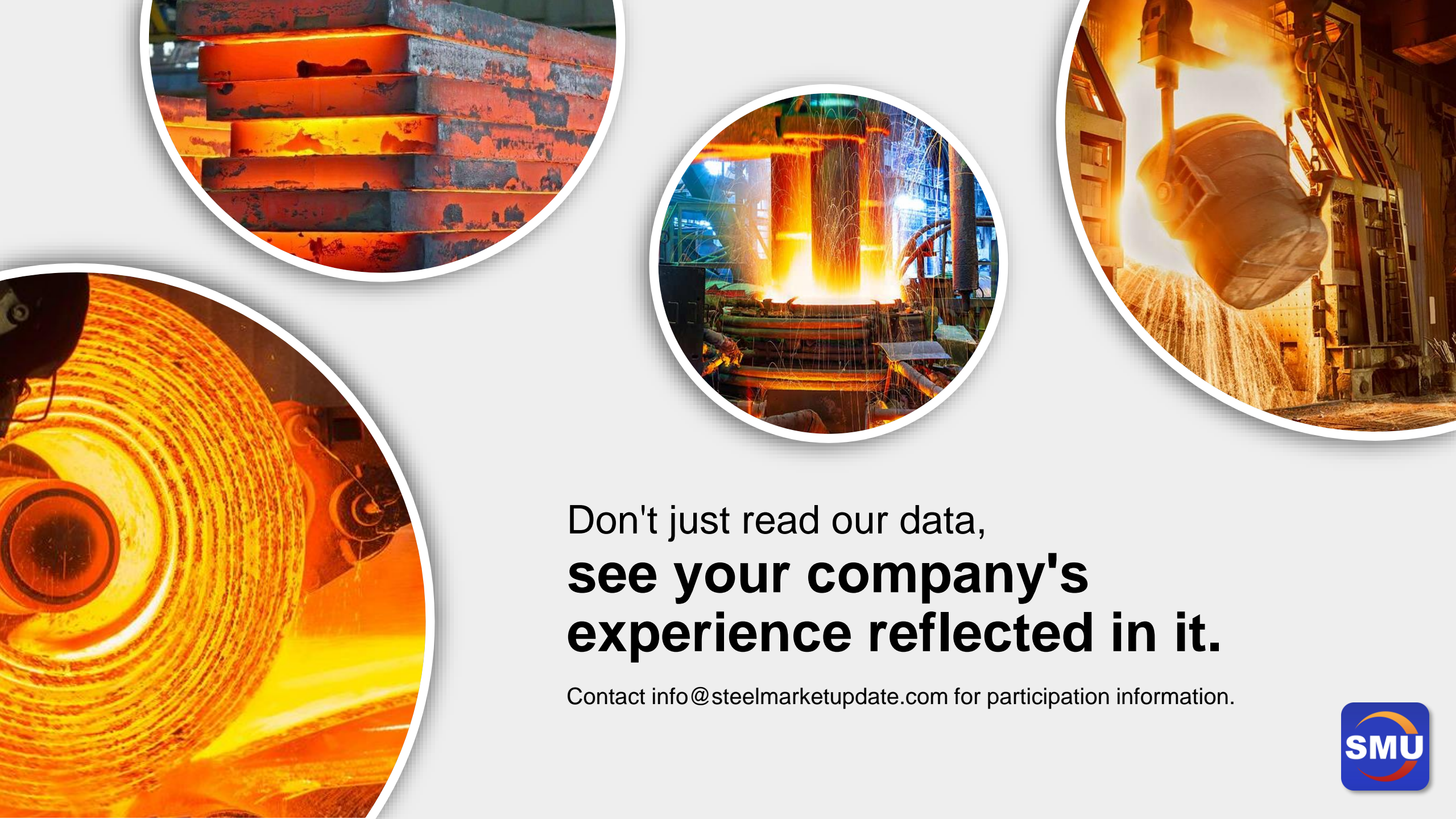
To become a data provider for our service center inventory report, contact Estelle Tran:  
[estelle.tran@crugroup.com](mailto:estelle.tran@crugroup.com)

To contact Michael Cowden: [michael@steelmarketupdate.com](mailto:michael@steelmarketupdate.com)

To contact Ken Simonson: [ken.simonson@agc.org](mailto:ken.simonson@agc.org)

Stay safe and stay tuned to Steel Market Update!





Don't just read our data,  
**see your company's  
experience reflected in it.**

Contact [info@steelmarketupdate.com](mailto:info@steelmarketupdate.com) for participation information.

