



# Community Chat With Ken Simonson, Chief Economist, AGC

Oct. 4, 2023 | Michael Cowden, Managing Editor



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SMU developed its newsletter 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)

## Upcoming Events



### **35<sup>th</sup> Tampa Steel Conference 2024**

January 28-30, 2024 | Tampa, Fla.

*JW Marriott Tampa Water Street*

For more information about our workshops and conferences visit:  
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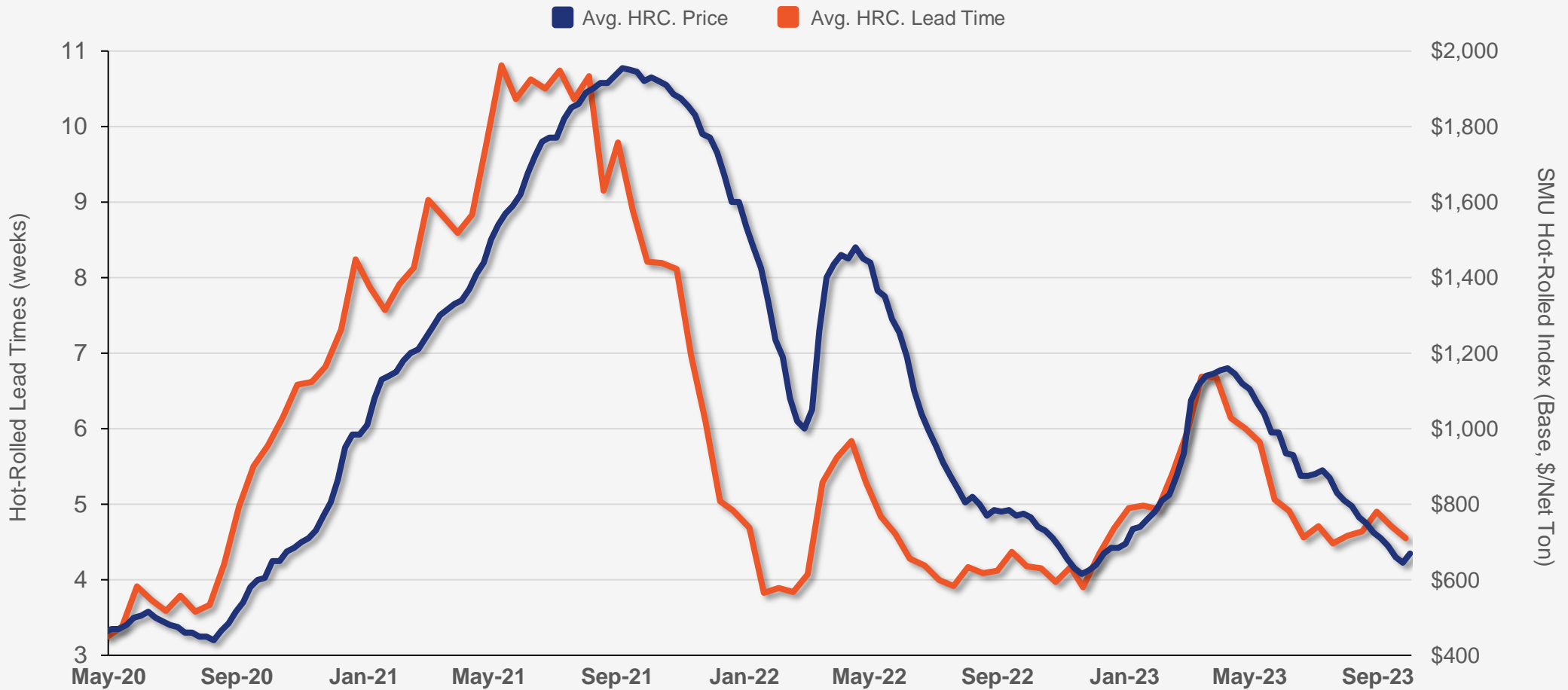
Don't just read our data,  
**see your company's  
experience reflected in it.**

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



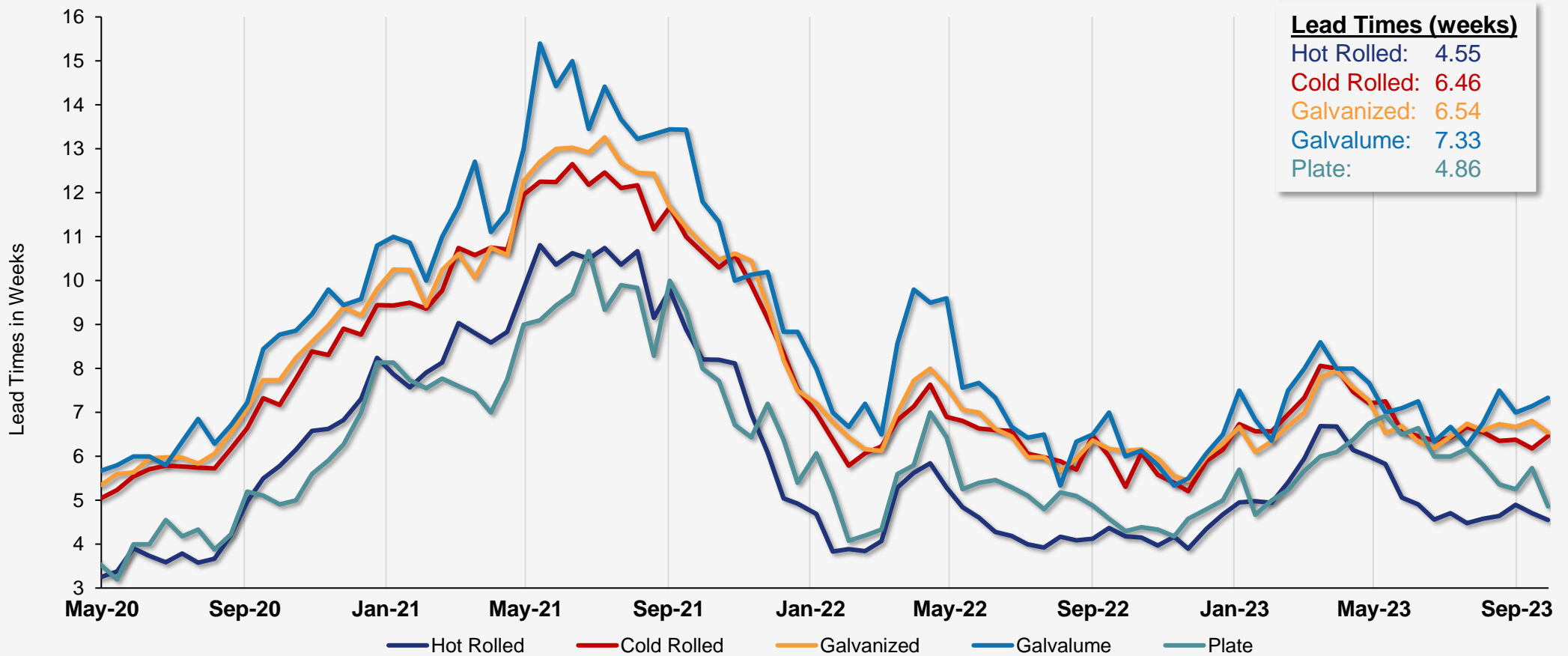
# Hot-Rolled Steel Prices vs Lead Times

SMU's hot-rolled steel prices and lead times, with data through Oct. 3, 2023.



# Steel Mill Lead Times by Product

SMU lead times on new steel orders by product through Sept. 27, 2023.

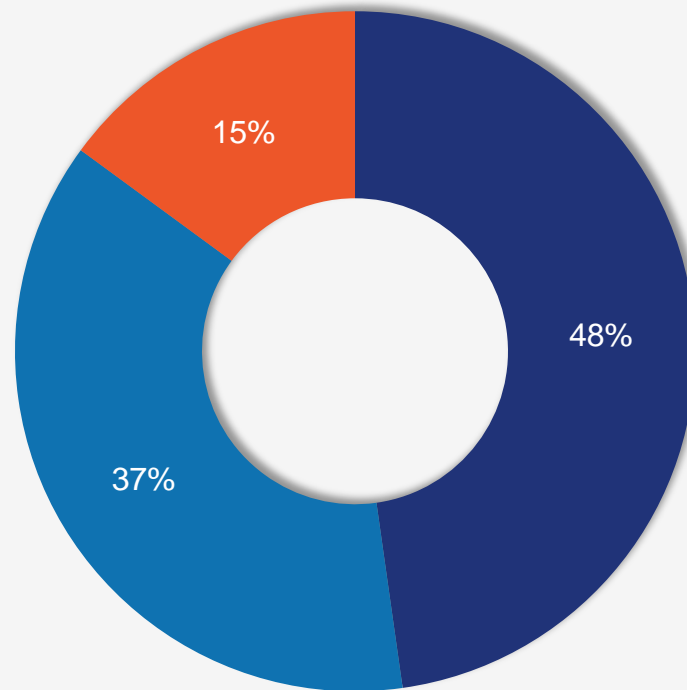


# Direction of Steel Mill Lead Times

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

■ Extending   ■ Flat   ■ Contracting

Sept. 27, 2023

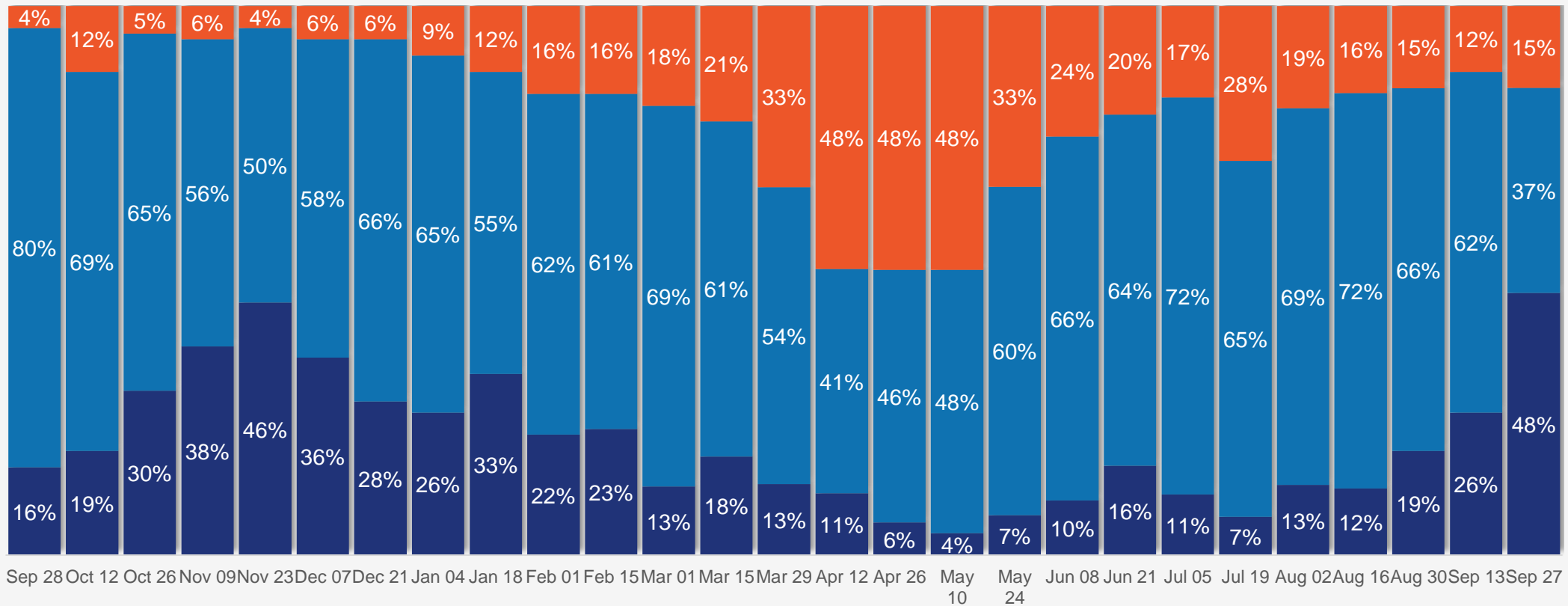


# Direction of Steel Mill Lead Times

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

■ Extending 
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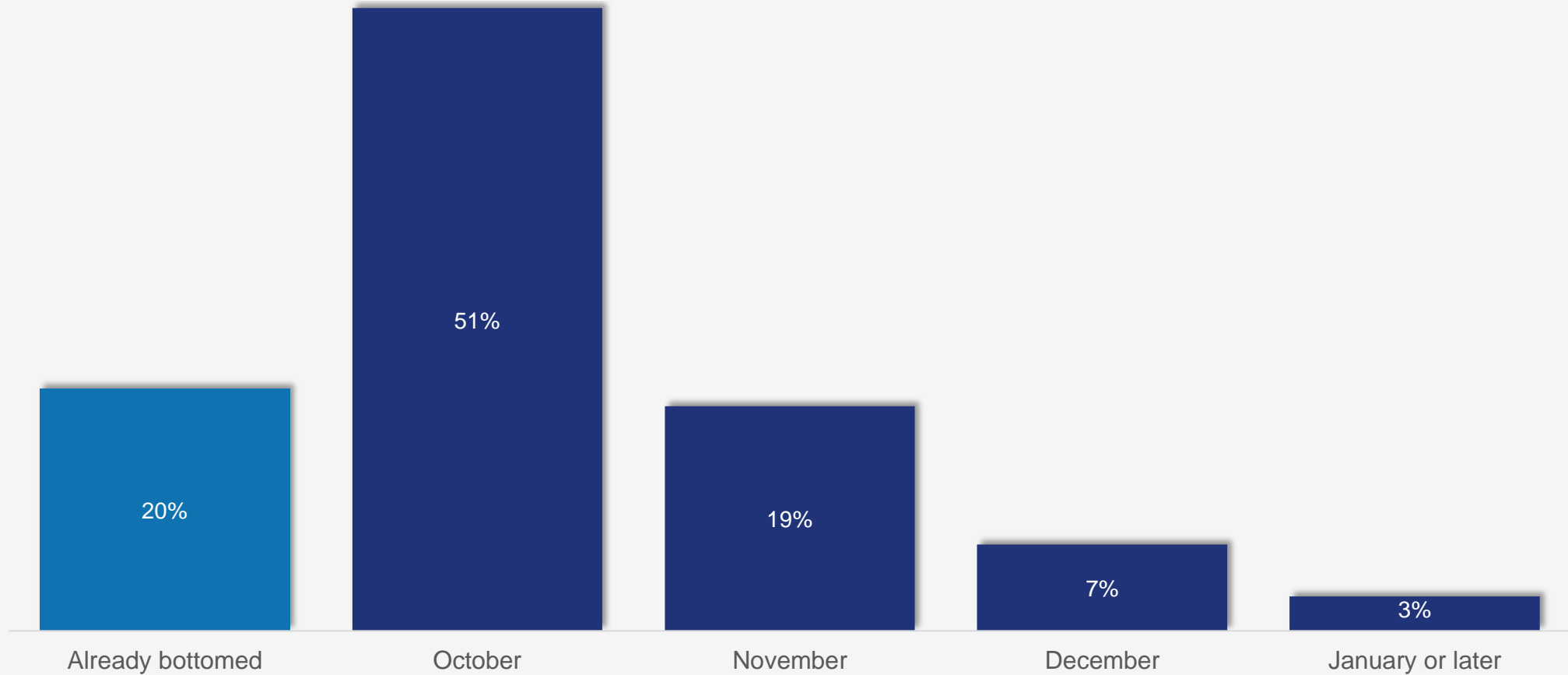
out of 100%





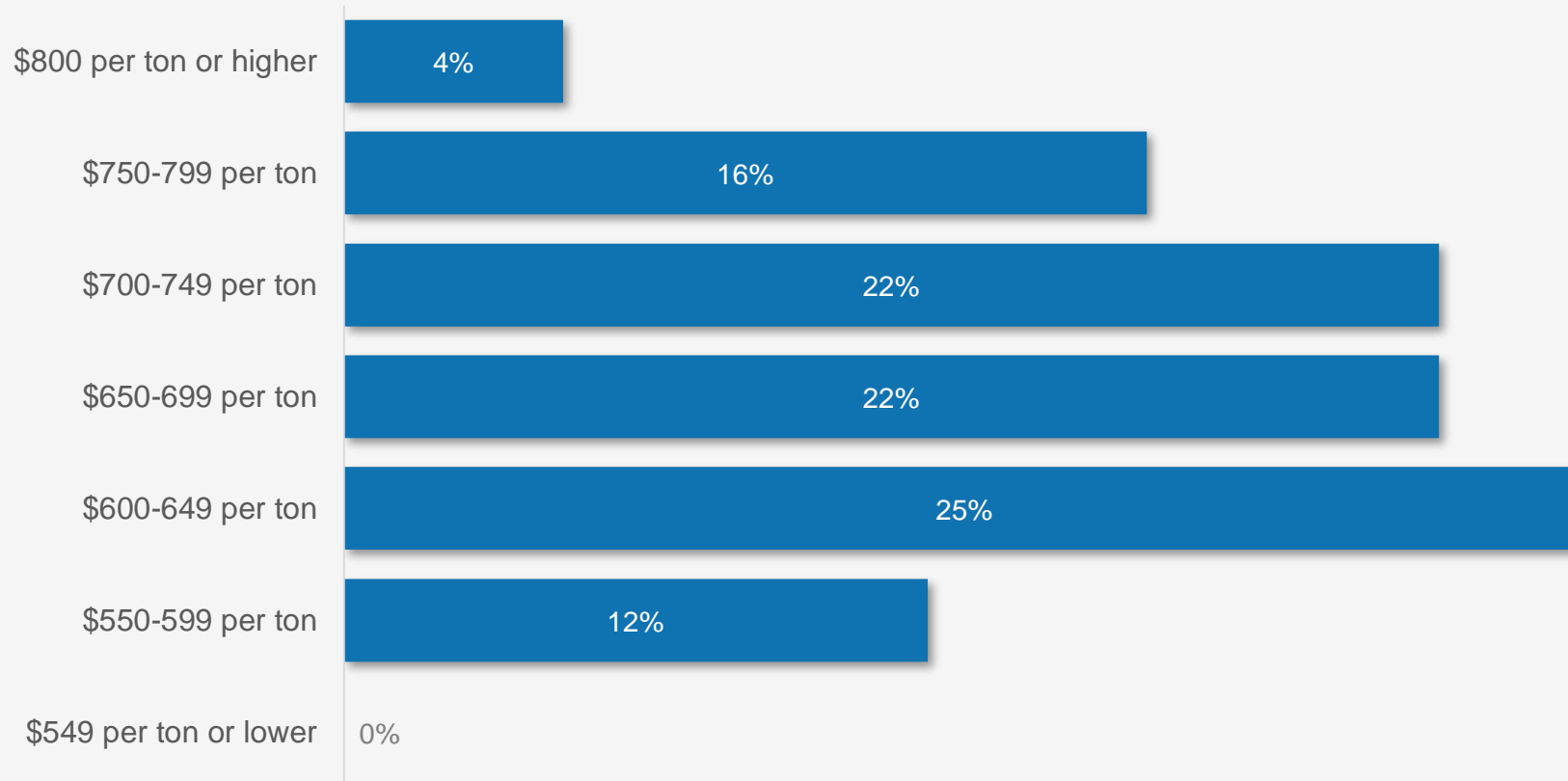
# Hot Rolled Inflection Point

When do you think steel prices will bottom?



# Future Hot Rolled Prices

Where do you think HRC prices will be in two months?

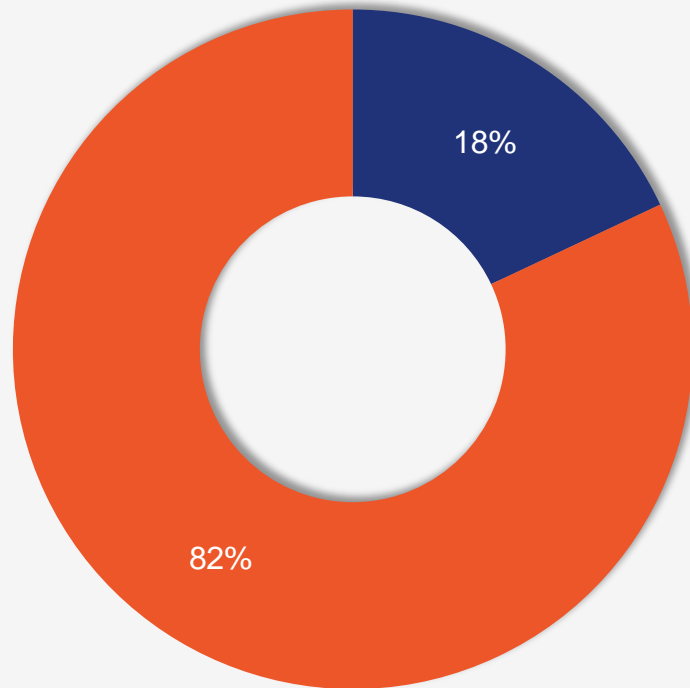


# New Foreign Steel Orders

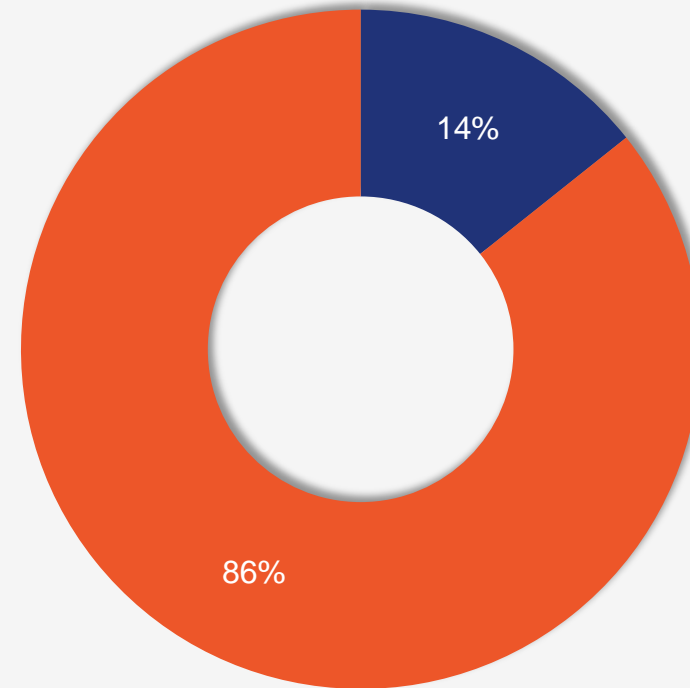
Are you buying new orders of foreign steel for future delivery?

■ Yes   ■ No

Manufacturers



Service Centers



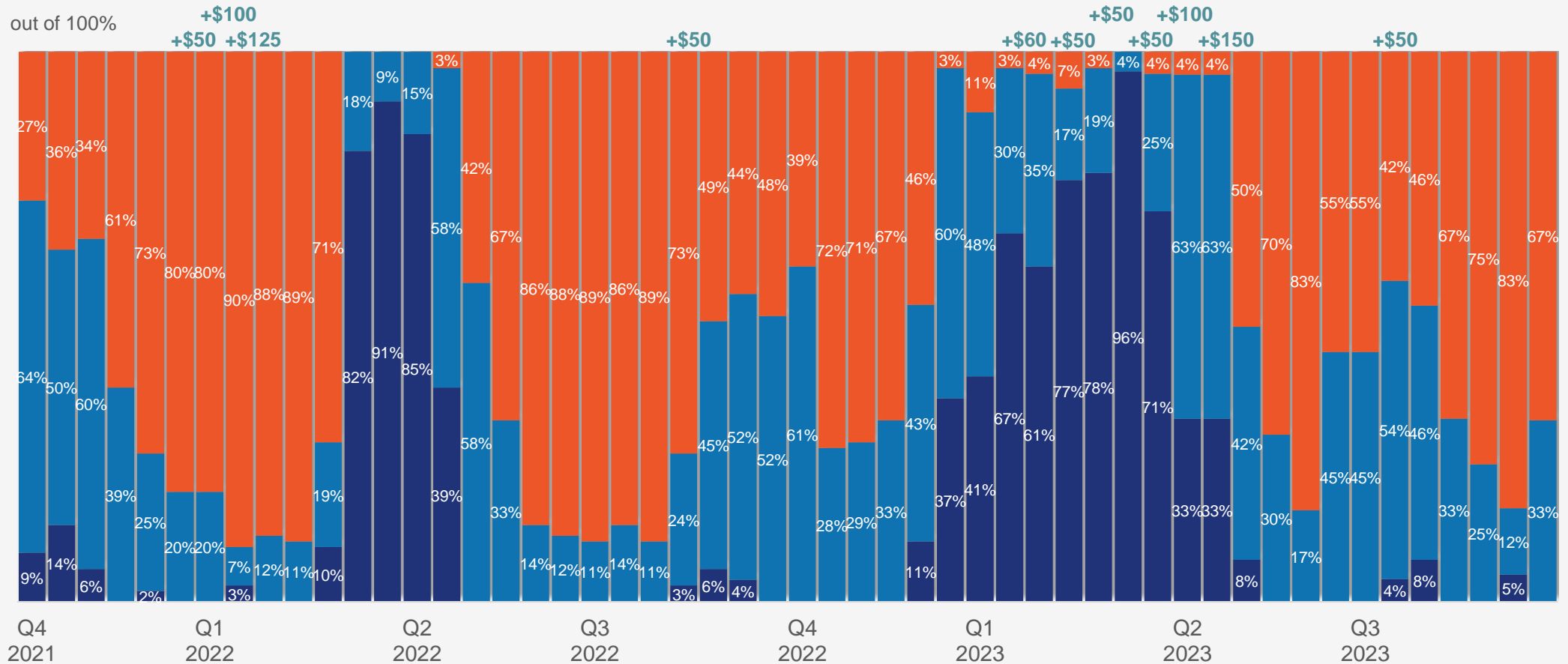
# Service Center View of Selling Prices

## Service Centers

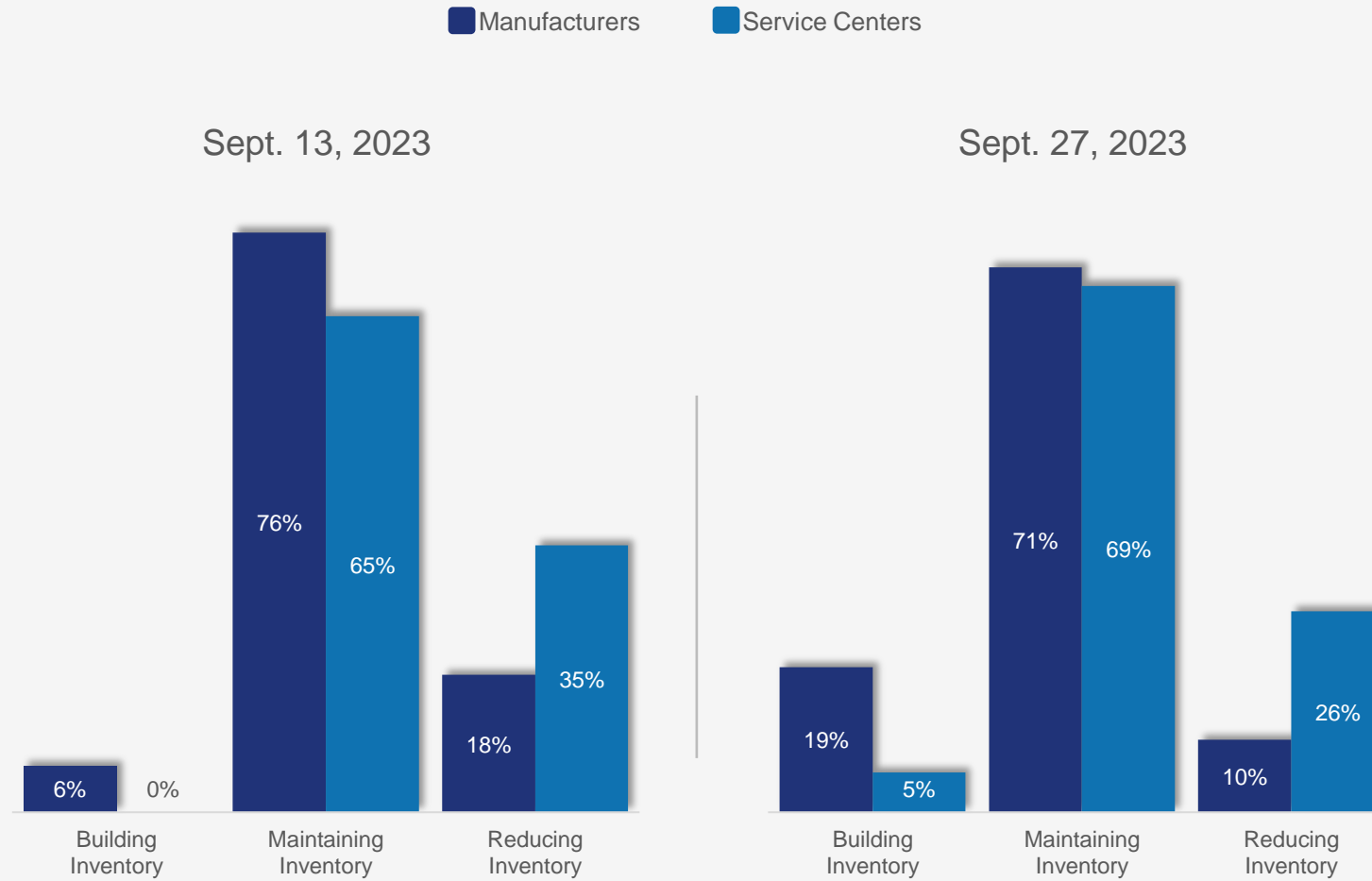
Compared to two weeks ago, how is your company handling spot pricing to your customers?

Historical Nucor flat rolled price increase announcements out of 100%

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



# Manufacturer and Service Center Inventory Buying Patterns

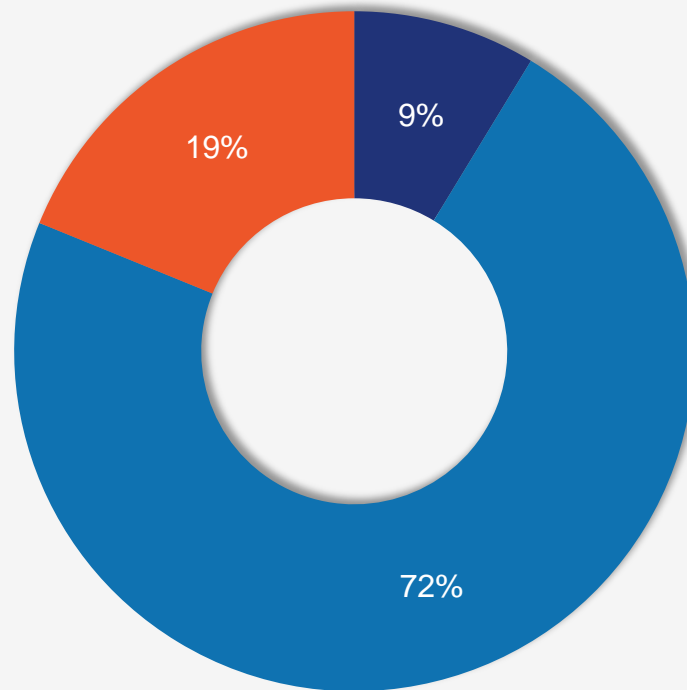


# Overall Demand

How is demand for your products?

■ Improving   ■ Stable   ■ Declining

Sept. 27, 2023

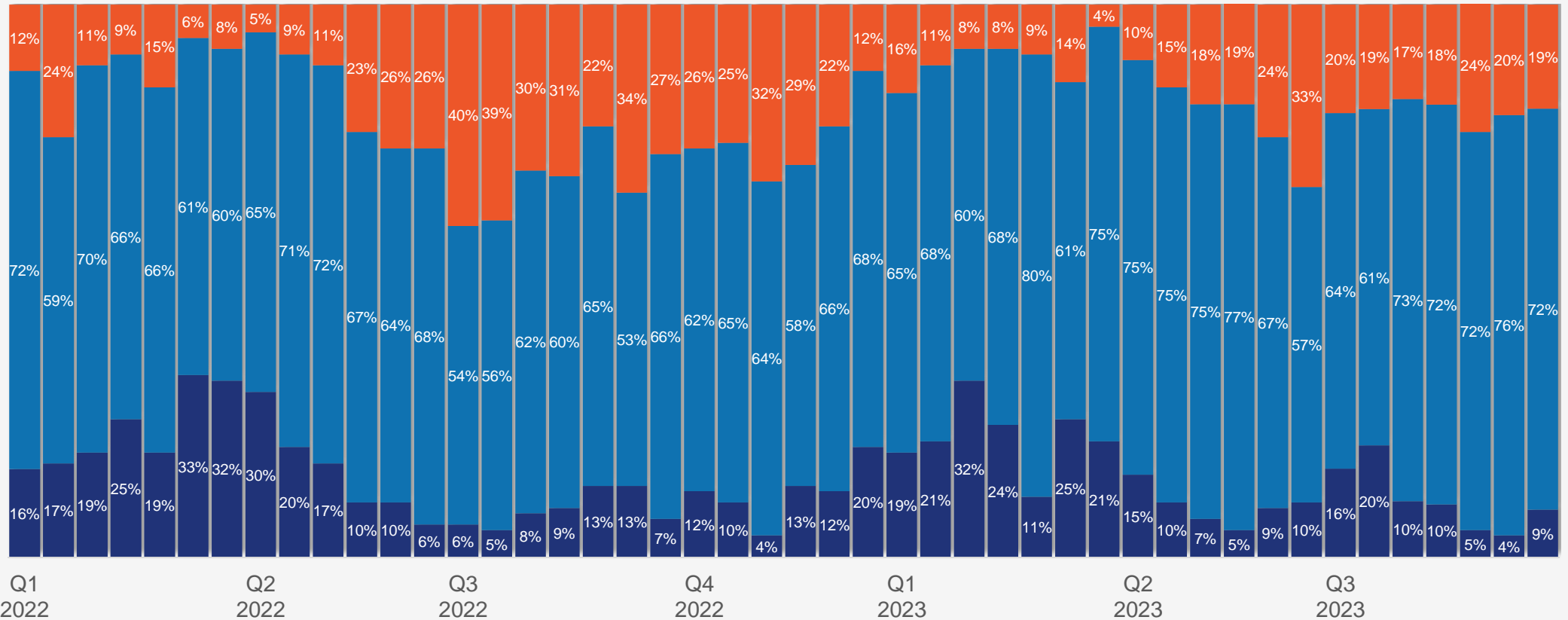


# Overall Demand History

How is demand for your products?

■ Improving    
 ■ Stable    
 ■ Declining

out of 100%





**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)





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**October 2023**

# **US Construction Outlook: Lively, Level, or Lackluster?**

Ken Simonson

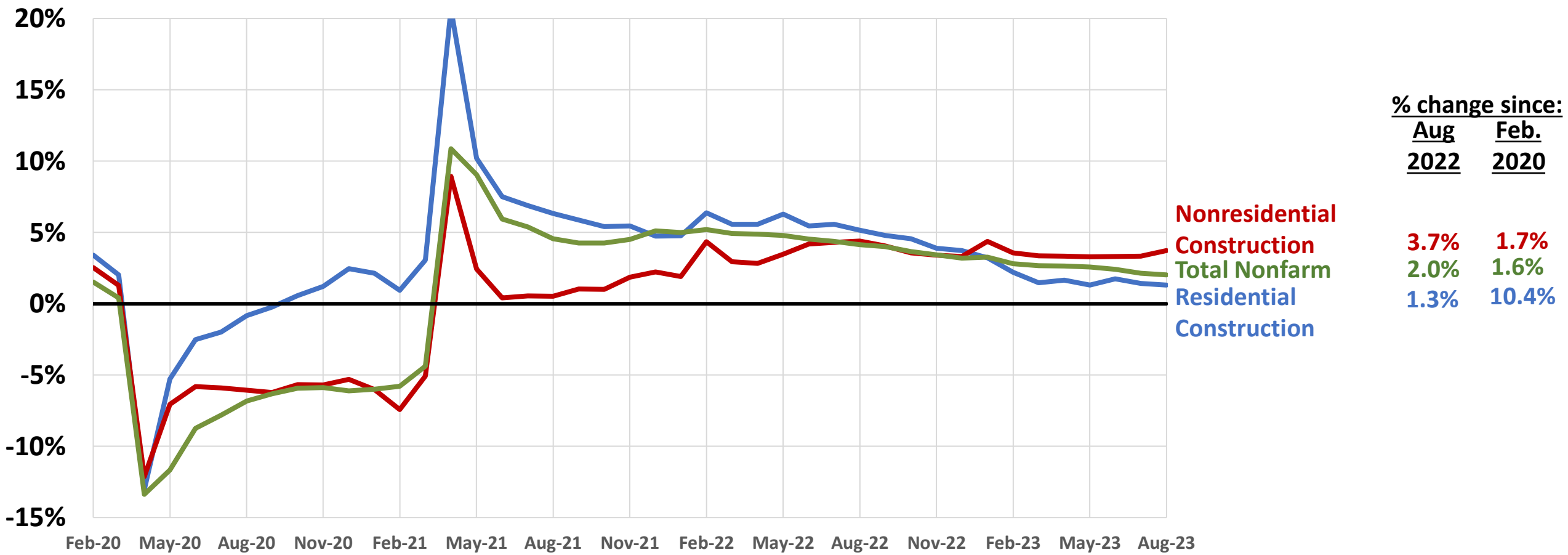
Chief Economist, AGC of America

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



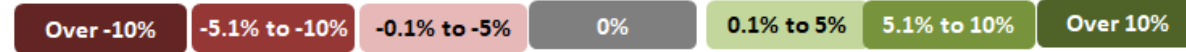
# Total nonfarm & construction employment, Feb. 2020–Aug. 2023

Year-over-year change, seasonally adjusted



# Construction employment change by state, Aug. 2022-Aug. 2023 (U.S.: 2.7%)

45 states & DC **up** & 5 states **down**

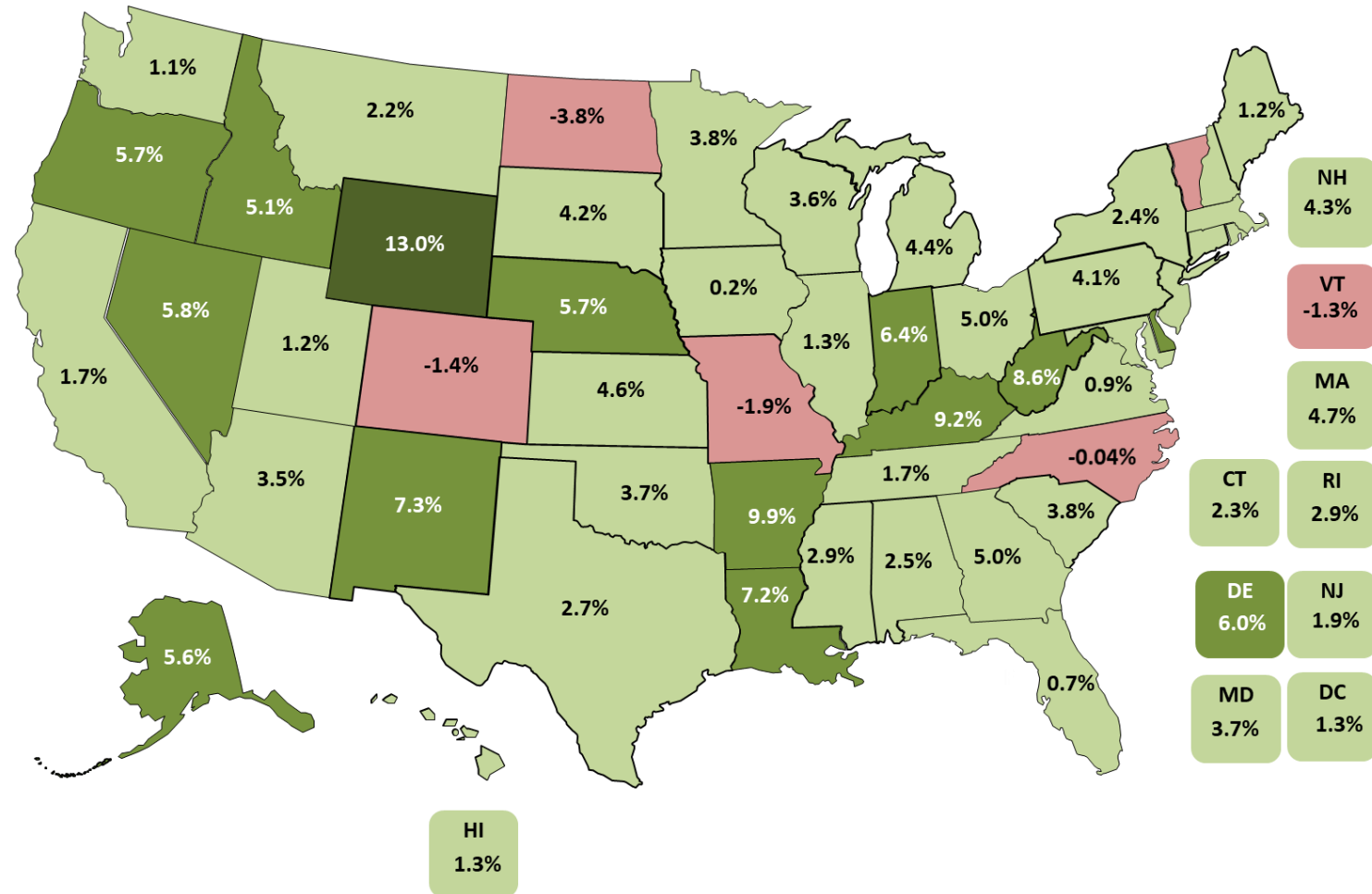


## Top 5

WY	13.0%
AR	9.9%
KY	9.2%
WV	8.6%
NM	7.3%

## Bottom 5

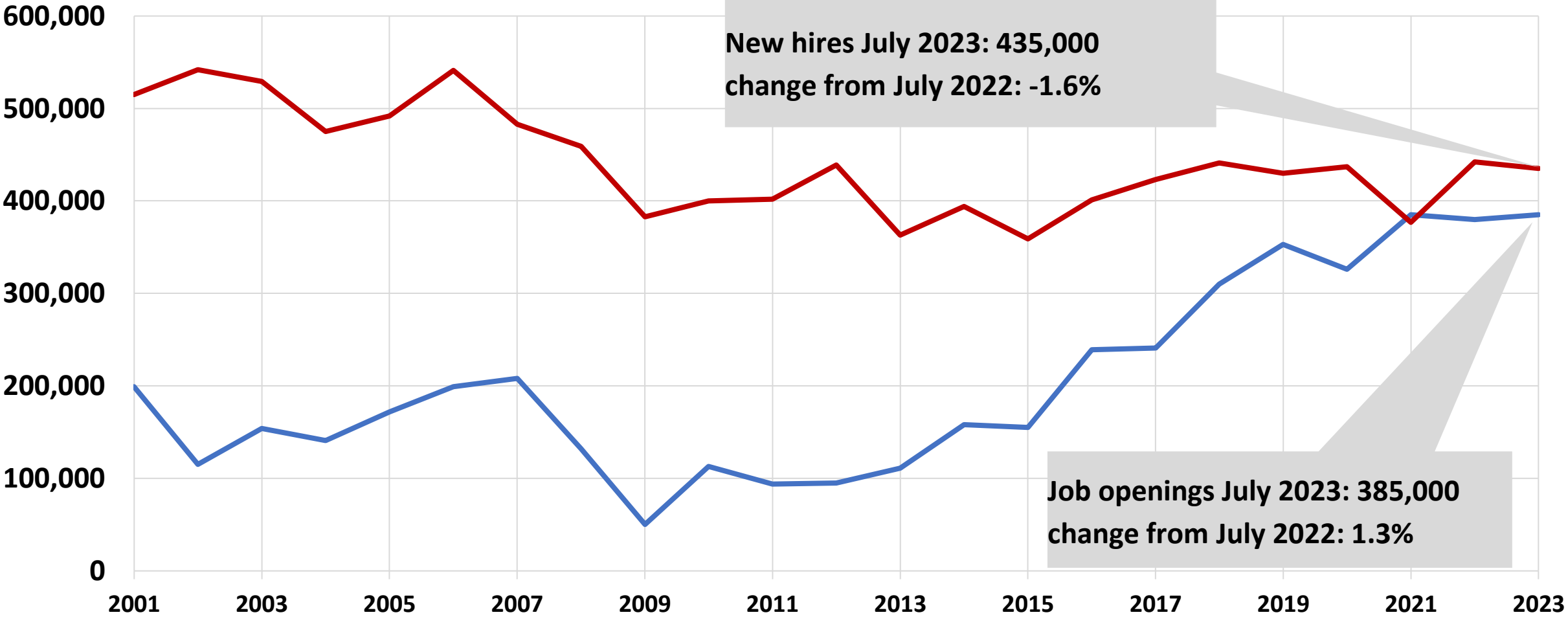
ND	-3.8%
MO	-1.9%
CO	-1.4%
VT	-1.3%
NC	-0.04%



# Construction job openings & new hires



Job openings and hires, July 2001-July 2023, not seasonally adjusted

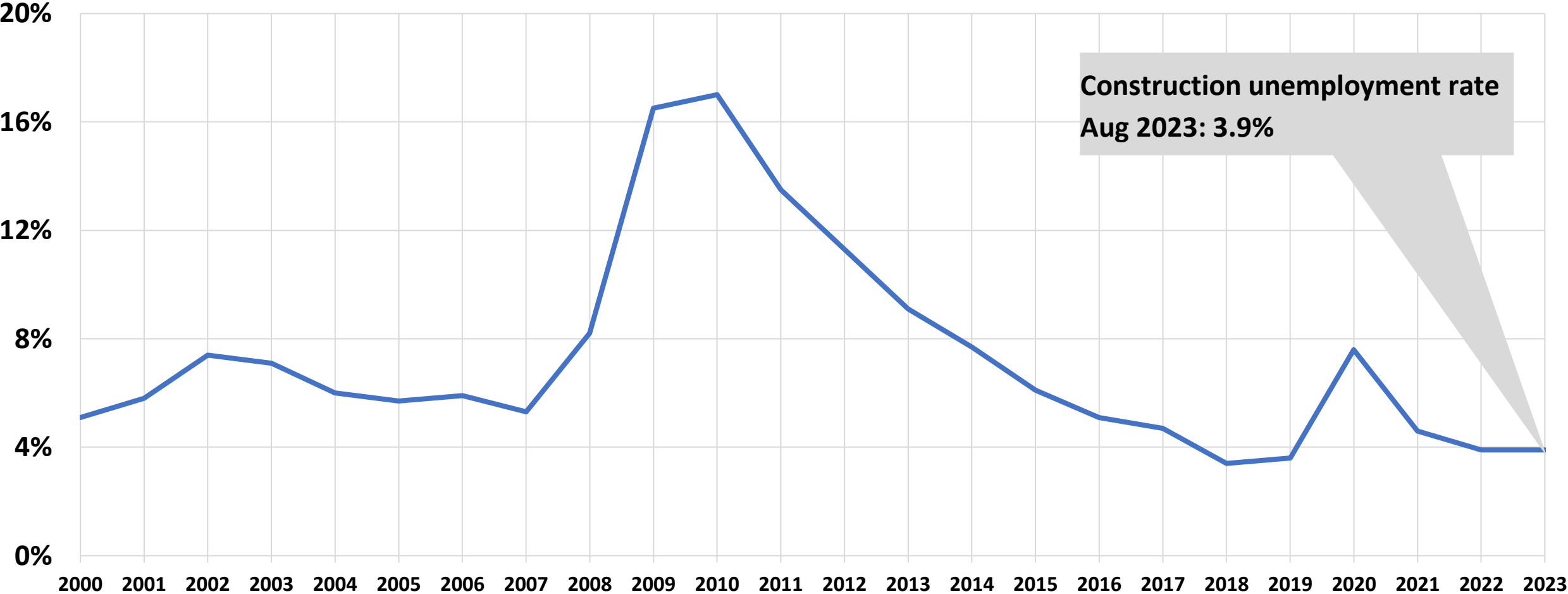


**New hires July 2023: 435,000**  
**change from July 2022: -1.6%**

**Job openings July 2023: 385,000**  
**change from July 2022: 1.3%**

# Construction unemployment rate

Aug 2000-Aug 2023, not seasonally adjusted



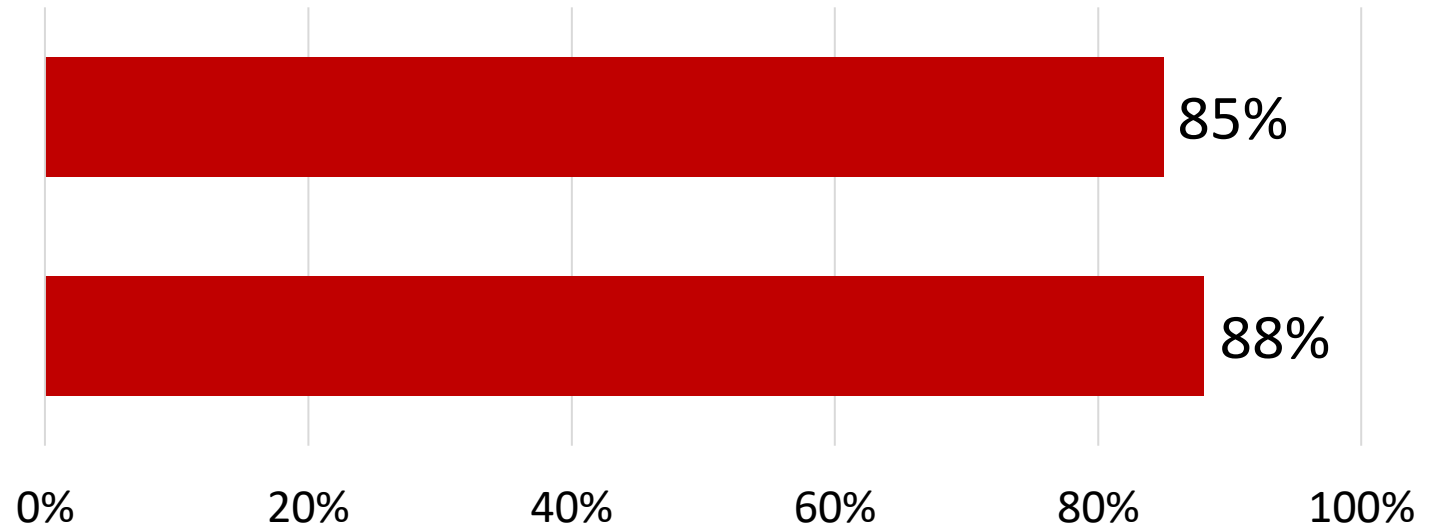
Construction unemployment rate  
Aug 2023: 3.9%

2023 AGC of America/Autodesk Workforce Survey results:

## Workforce challenges for hourly craft workers

Share of contractors that say they have openings

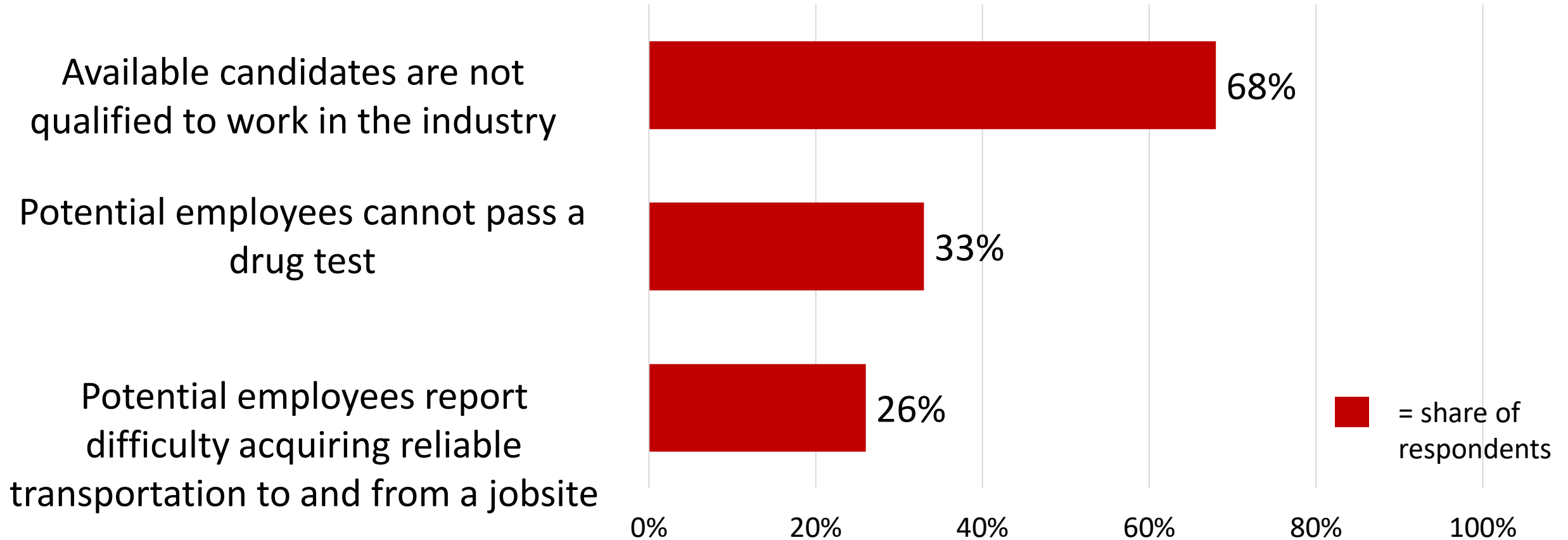
Share of contractors with openings that report difficulty filling positions



 = share of respondents

2023 AGC of America/Autodesk Workforce Survey results:

## Difficulty filling positions—share of respondents that report:

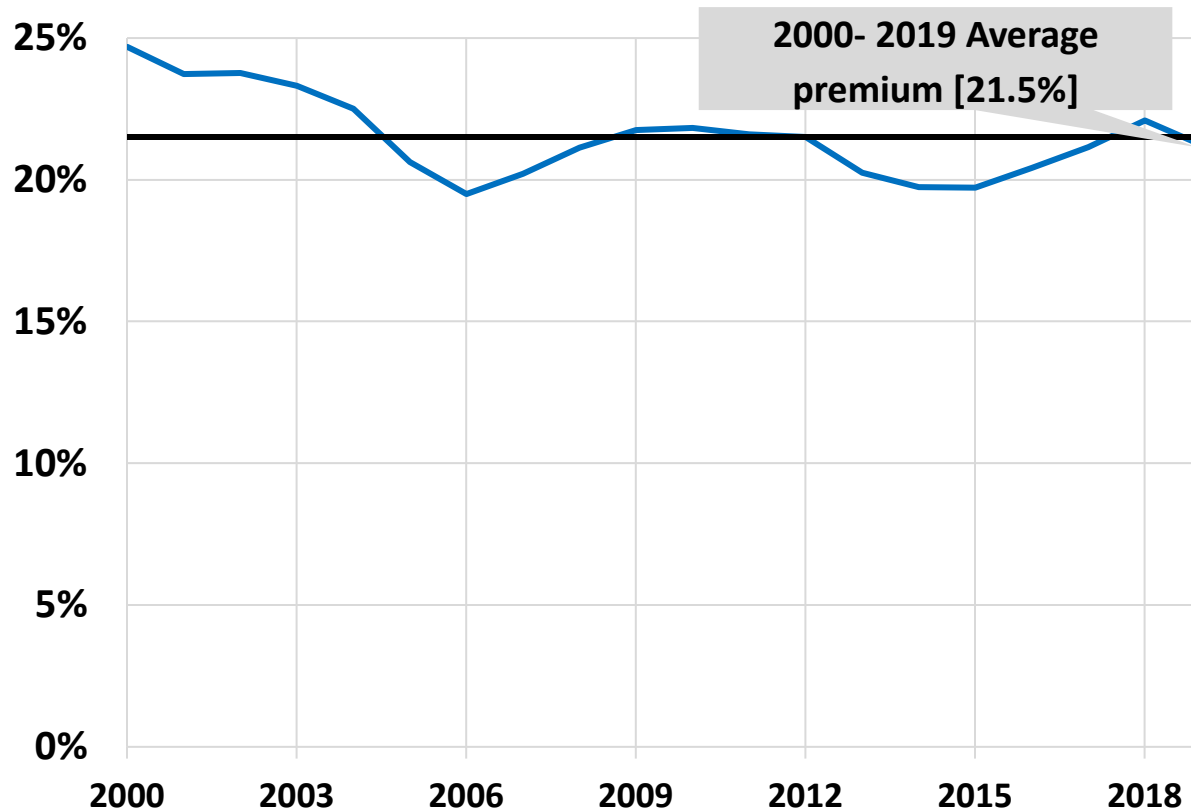


# Construction wage “premium” vs. total private sector

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

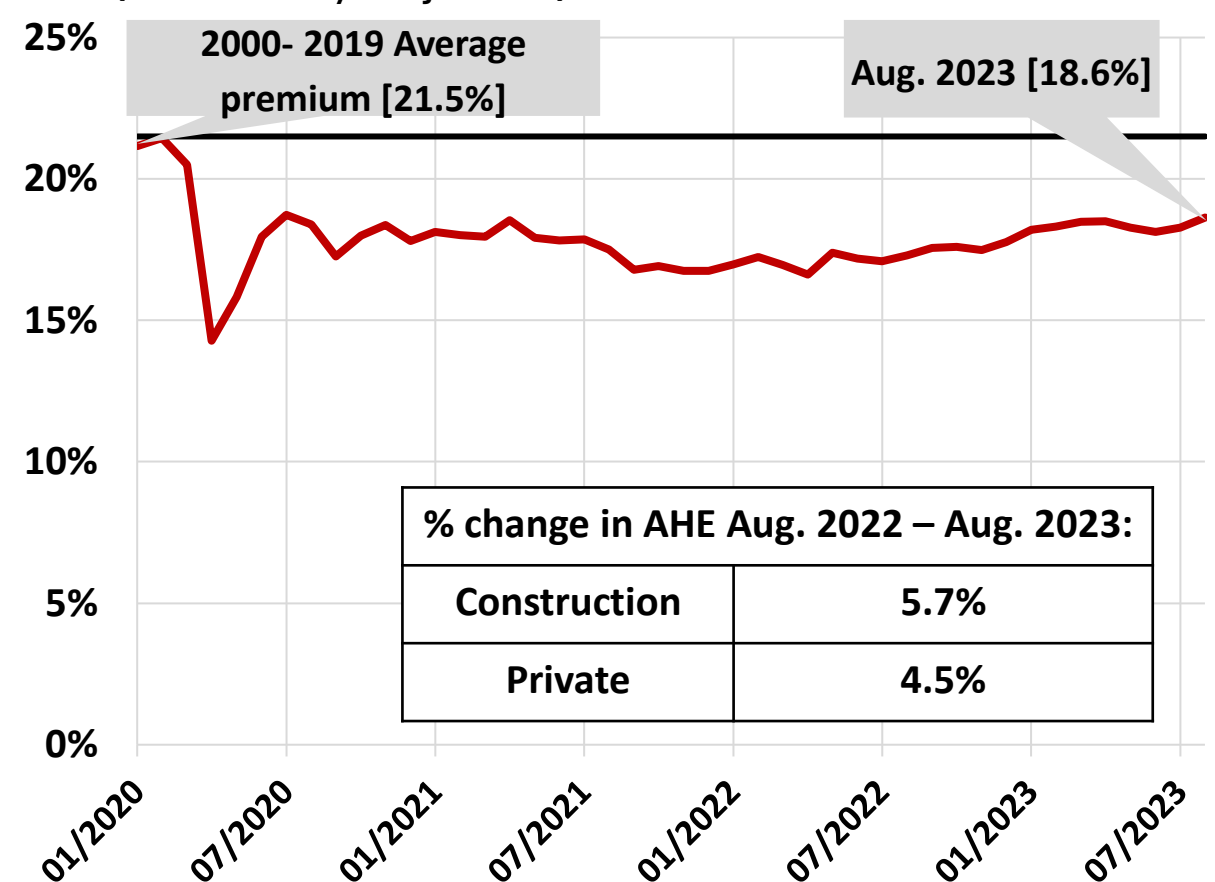


## Annual premium, 2000–2019



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

(seasonally adjusted)

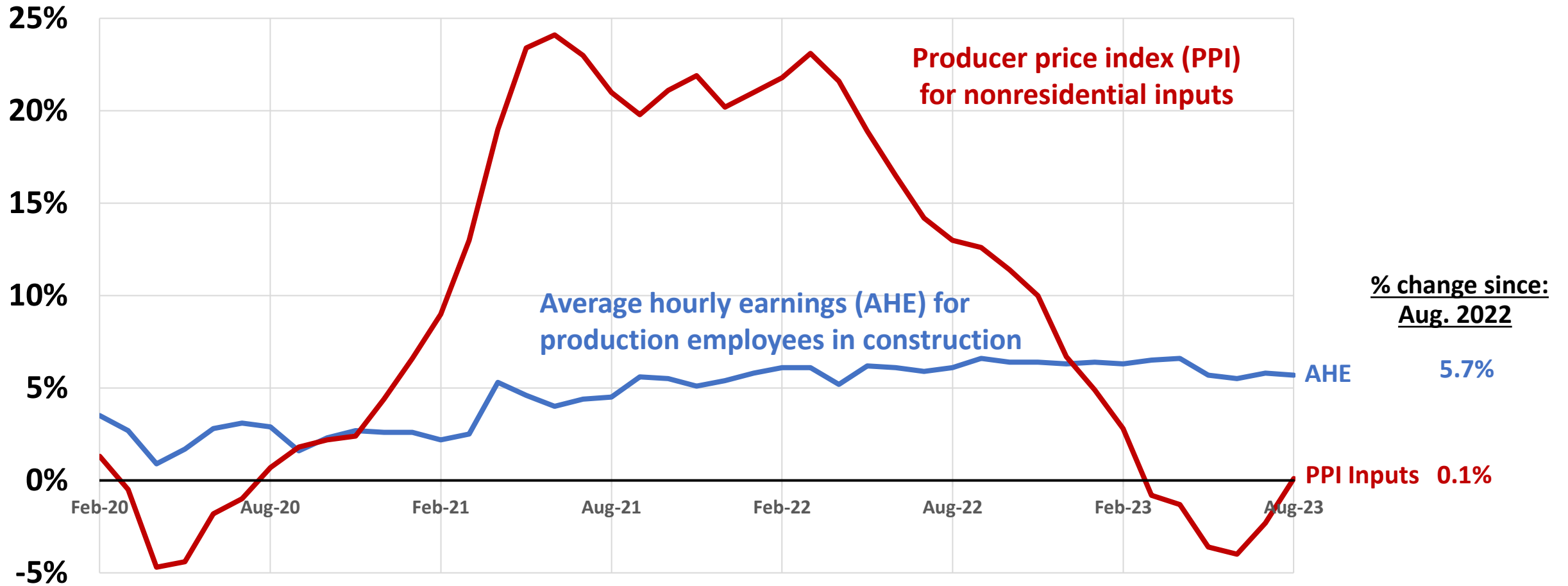




# Construction inputs & labor costs



Year-over-year change in PPI for nonresidential inputs & AHE for production employees in construction, Feb. 2020 – Aug. 2023



# Some construction costs remain volatile

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



**August 2023 change from:**  
**July 2023    August 2022**  
**(1 month)    (12 months)**

Cement	0.0%	11.0%
Ready-mix concrete	0.4%	9.6%
Diesel fuel	34.6%	-14.4%

## Subcontractor price indexes, nonresidential building work

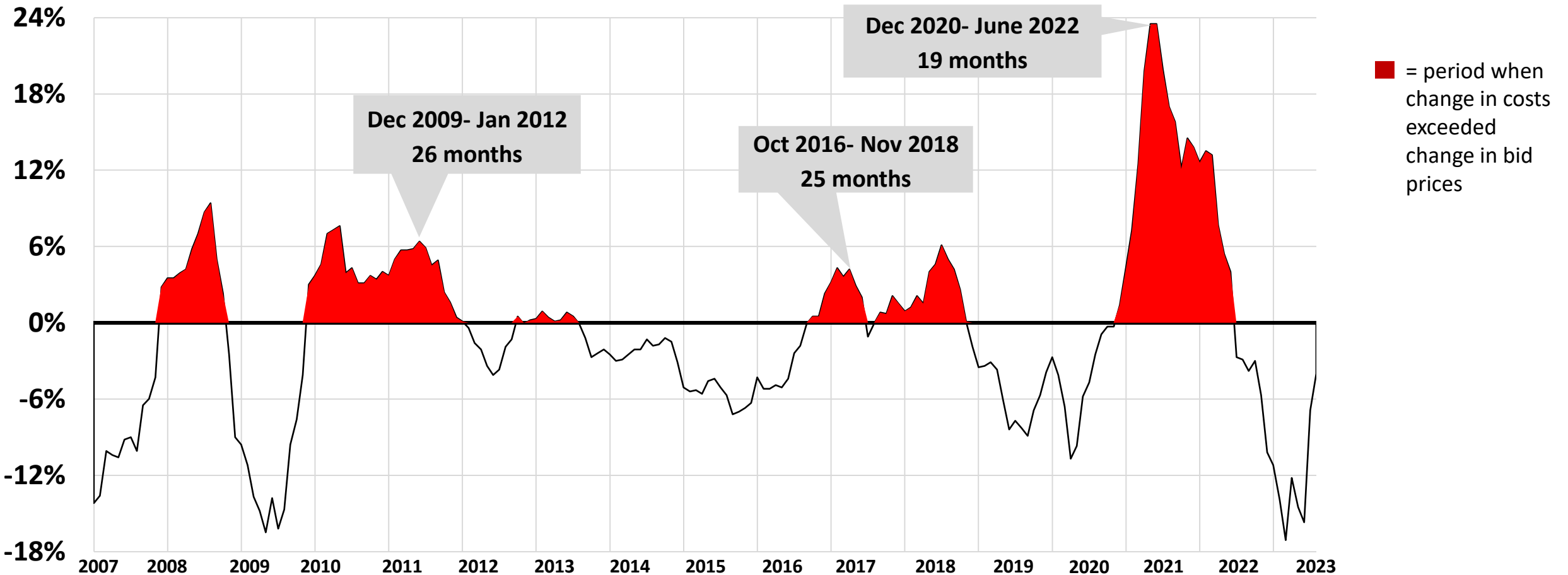
Roofing contractors	-0.1%	11.9%
Plumbing contractors	-1.5%	7.1%
Electrical contractors	-1.4%	4.7%
Concrete contractors	0.1%	-1.8%

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

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



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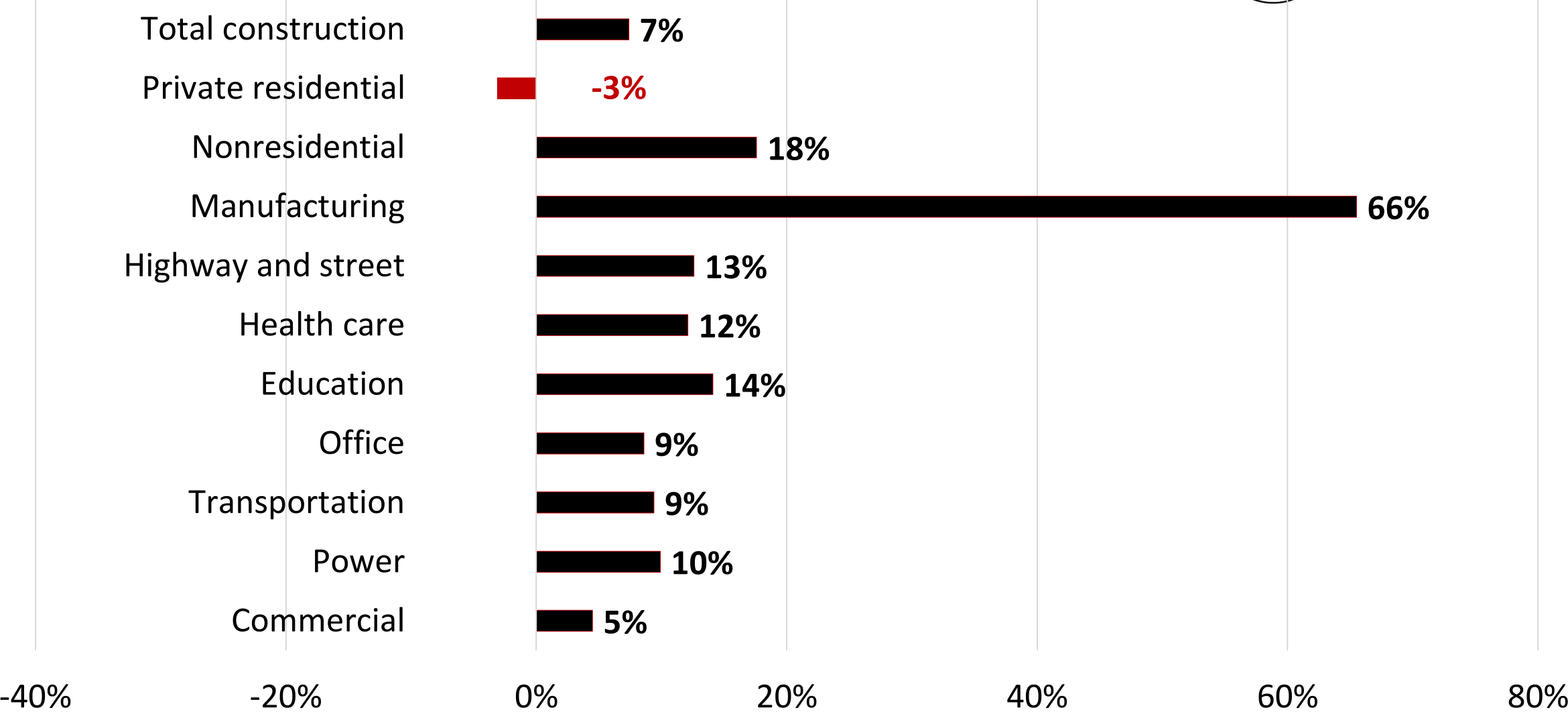
Source: BLS, [www.bls.gov/ppi](http://www.bls.gov/ppi), producer price indexes for goods inputs to nonresidential construction (material costs)

27 | and new school building construction (bid prices)

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

Year-over-year % change in current (not inflation-adjusted) dollars, seasonally adjusted



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

current (not inflation-adjusted) dollars, seasonally adjusted



**Total 7%:** Private residential -3% (single-family -11%; multi 24%; improvements -2%); public residential 4%

Nonresidential 18% (private 20%, public 14%)

Nonresidential segments (in descending order of August 2023 spending; combined new & renovation spending)

- Mfg. 66% (computer/electronic 149%; chemical 29%; food/beverage/tobacco 6%; transportation equipment -1%)
- Highway and street 13%
- Commercial 4% (warehouse 6%; retail -0.3%; farm 18%)
- Power 10% (electric 14%; oil/gas fields & pipelines -8%)
- Education 14% (primary/secondary 9%; higher ed 21%)
- Office (including data centers) 9%
- Transportation 9% (air 10%; private rail/truck 12%; transit -8%)
- Health care 12% (hospital 13%; medical building 16%; special care -12%)
- Other: Sewage/waste 22%; Amuse/recreation 10%; Water supply 10%; Communication 2%; Lodging 16%; Conservation/development 18%

# Medium-term outlook for construction



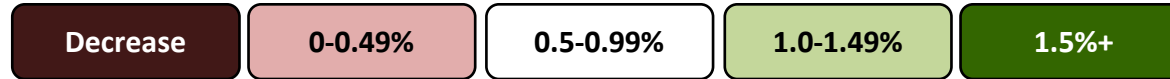
- Economic recovery should continue but risk of recession remains
- Homebuilding appears poised for slow recovery
- Multifamily, warehouse, retail, office, lodging: slowdown likely due to rising rates
- Data center and manufacturing construction should remain hot
- Infrastructure Investment & Jobs Act, “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 costs, lead times: mostly better except electrical gear, some electronics
- Labor availability has resumed being the #1 challenge for many contractors

# Long-run construction outlook



- Finding workers will be a challenge for much longer than materials costs or supply
- Slower population growth → fewer workers but also slower demand growth
- 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%)

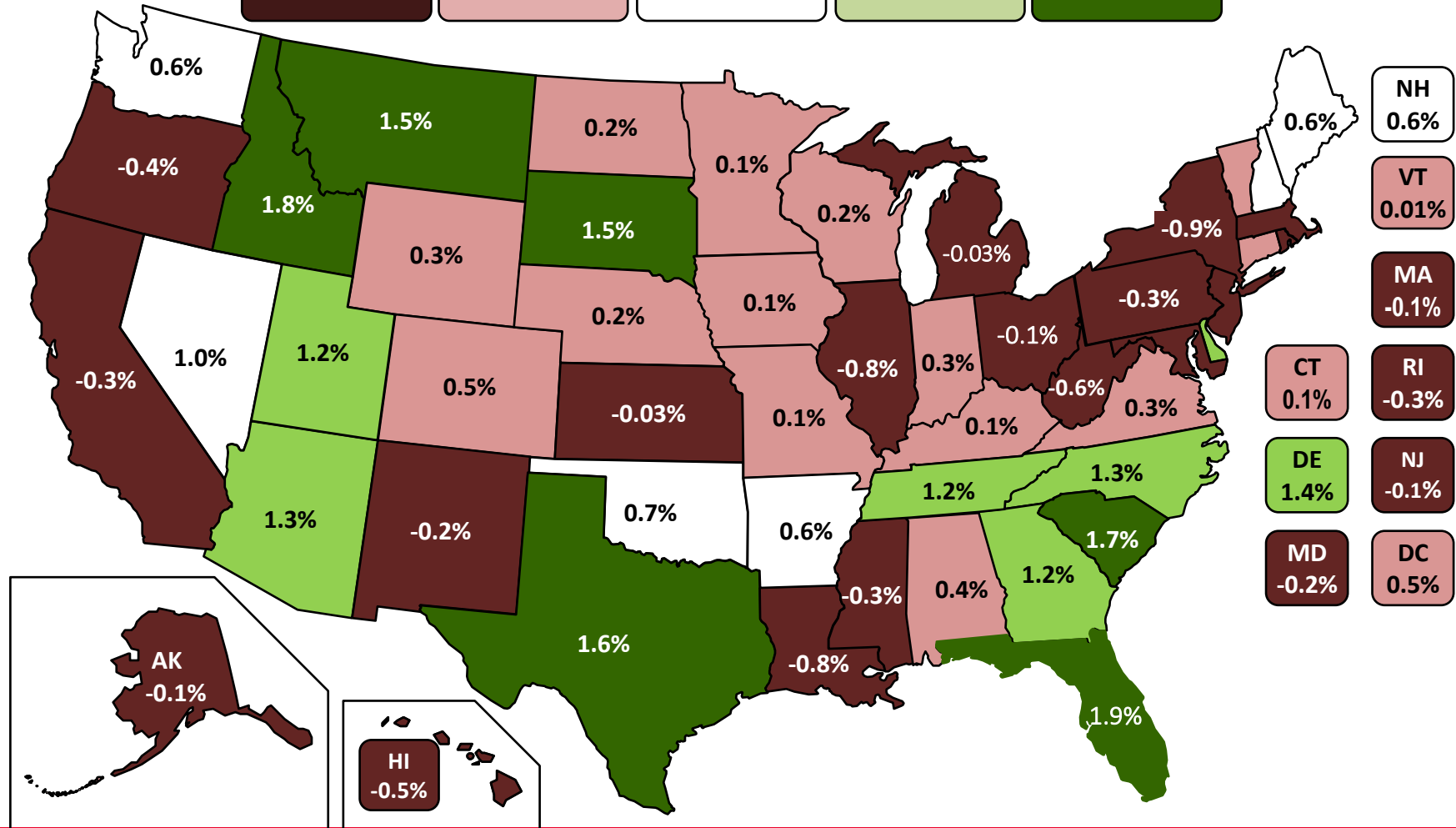


## Top 6

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))



- *Data DIGest*: weekly 1-page email (subscribe at <http://store.agc.org>)
- Surveys (2023 Workforce Survey: <https://www.agc.org/news/2023/09/06/new-survey-shows-significant-flaws-nations-approach-preparing-workers-construction-careers-and-how>)
- 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>
- Construction impact model: <https://www.agc.org/agc-construction-impact-model>
- ConsensusDocs Price Escalation Resource [Center](https://www.consensusdocs.org/price-escalation-center/): <https://www.consensusdocs.org/price-escalation-center/>



Vol. 23, No. 17 May 9-12, 2023

**PPI for inputs rises in April but dips over 12 months; pay in construction tops U.S. median by 18%**

**Prices show mixed trends in April**

The producer price index (PPI) for material and service inputs to new nonresidential construction rose 0.5% from March to April but declined 1.1% year-over-year (y/y), according to Bureau of Labor Statistics (BLS) data posted on Thursday.

[Read more](#)

**Construction pay tops U.S. median by 18%**

"Half of payroll workers in construction earn more than \$54,540," 18% more than the U.S. median wage of \$46,310, "and the top 25% make at least \$77,030," 4.9% higher than the U.S. top quartile base of \$73,460, the National Association of Home Builders reported on Tuesday, based on its analysis of May 2022 Occupational Employment and Wage Statistics posted by BLS...

[Read more](#)

**Child counts decline in 35 states**

In a trend with implications for school and other construction, "Thirty-five states have fewer children than they did five years ago, a situation caused by declining birth rates nationwide, but also by young families migrating across state borders in search of cheaper housing," Stateline reported on Thursday...

[Read more](#)

**Results from RICS-AAACE construction survey**

Firms reporting declining profit margins outnumbered firms reporting rising margins by 27 percentage points (a net balance reading of -27%) in the first quarter (Q1) 2023 RICS-AAACE USA Construction Monitor, covering 60 responses between March 8 and April 21 and posted by RICS on Monday...

[Read more](#)

**AGC Highway safety survey closes tonight**

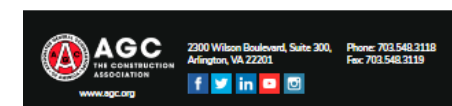
Highway contractors are invited to complete AGC's annual highway work zone safety survey by tonight, May 12. Responses will be kept confidential.

[Read more](#)

**Census of Construction reminder**

The Census Bureau reminded firms in all industries, "The due date for responding to the 2022 Economic Census has passed, but it's not too late to respond." ...

[Read more](#)





# Thank You

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

Stay safe and stay tuned to Steel Market Update!