

SMU Community Chat

July 27, 2022

Starting at 11 AM Eastern

Michael Cowden, Steel Market Update

Ken Simonson, The Associated General Contractors of America



SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars

Steel Market Update Team



SMU Newsletter developed for active buyers & sellers of flat rolled steel.

Prices – Momentum – Trends – Analysis – with a guarantee

For more information visit www.SteelMarketUpdate.com

Upcoming Events

Date	Event	Status	Venue
August 22-24	SMU Steel Summit Conference	Live	Georgia International Convention Center, Atlanta
August 22-24	SMU NexGen Leadership Award	Link	SMU Steel Summit Conference

If you would like more information about any of our workshops, you may visit SteelMarketUpdate.com/Events or e-mail our team at Events@SteelMarketUpdate.com



Steel 101 Workshop, Severstal Dearborn 2012

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

We invite over 700 companies to participate in our surveys.

All responses are kept confidential and are never attributed to the individual or company responding.

To become a data provider, contact Brett@SteelMarketUpdate.com



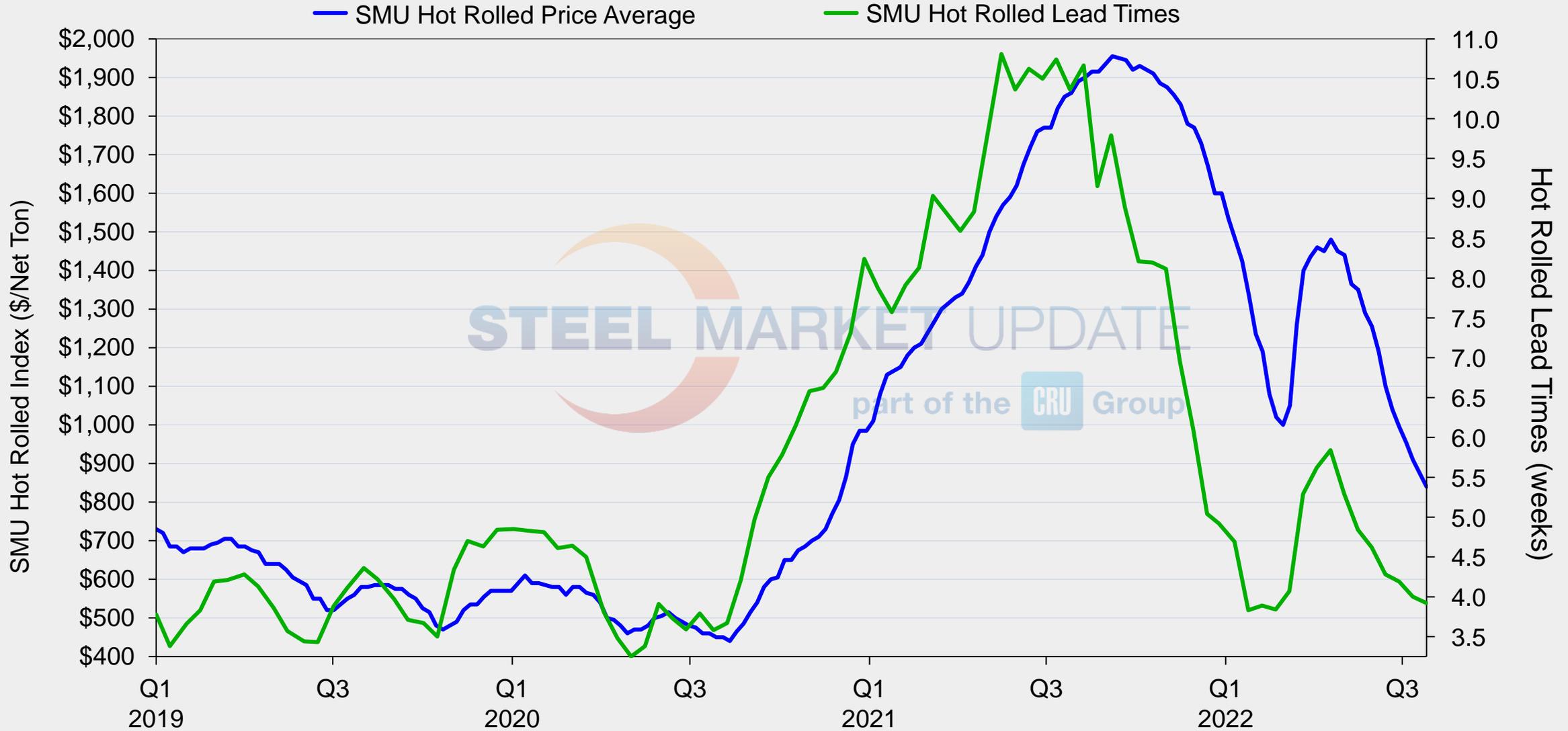
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Don't just read our data, see your
company's experience reflected in it.

Contact Brett@SteelMarketUpdate.com
for participation information.

SMU Steel Prices vs Lead Times



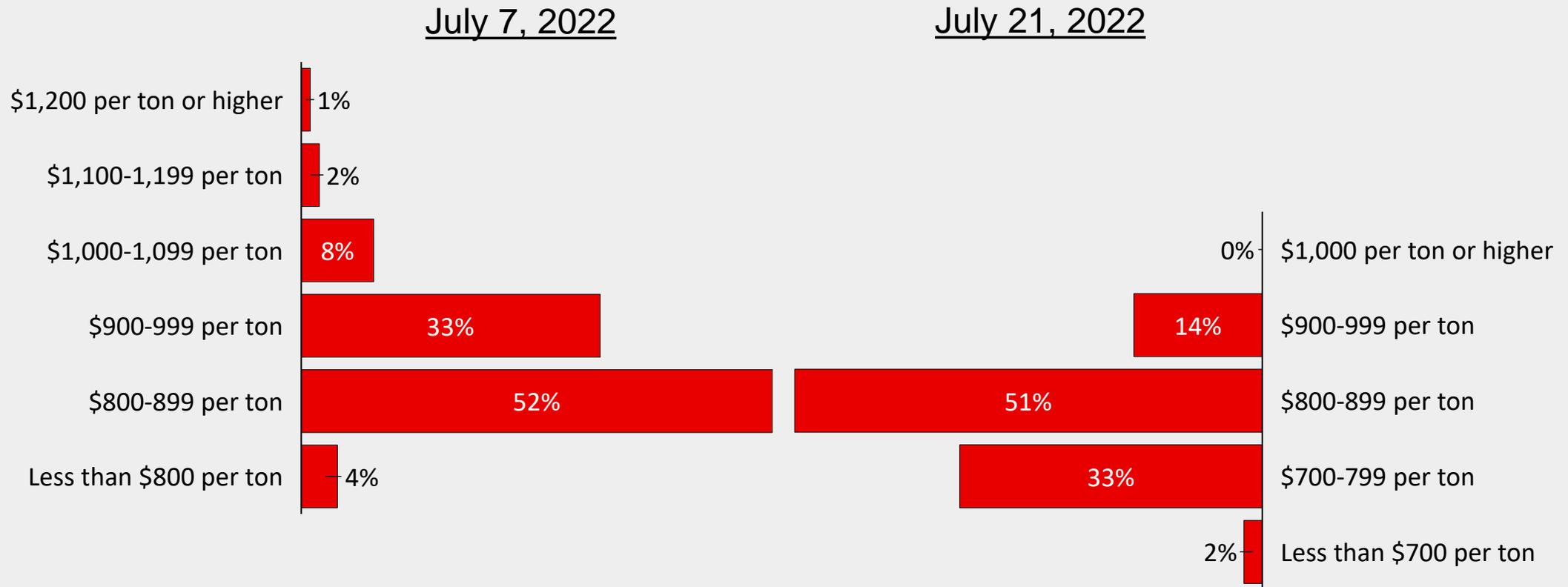
Steel Mill Lead Times by Product

SMU Lead Times Comparison
January 2020 through July 21, 2022



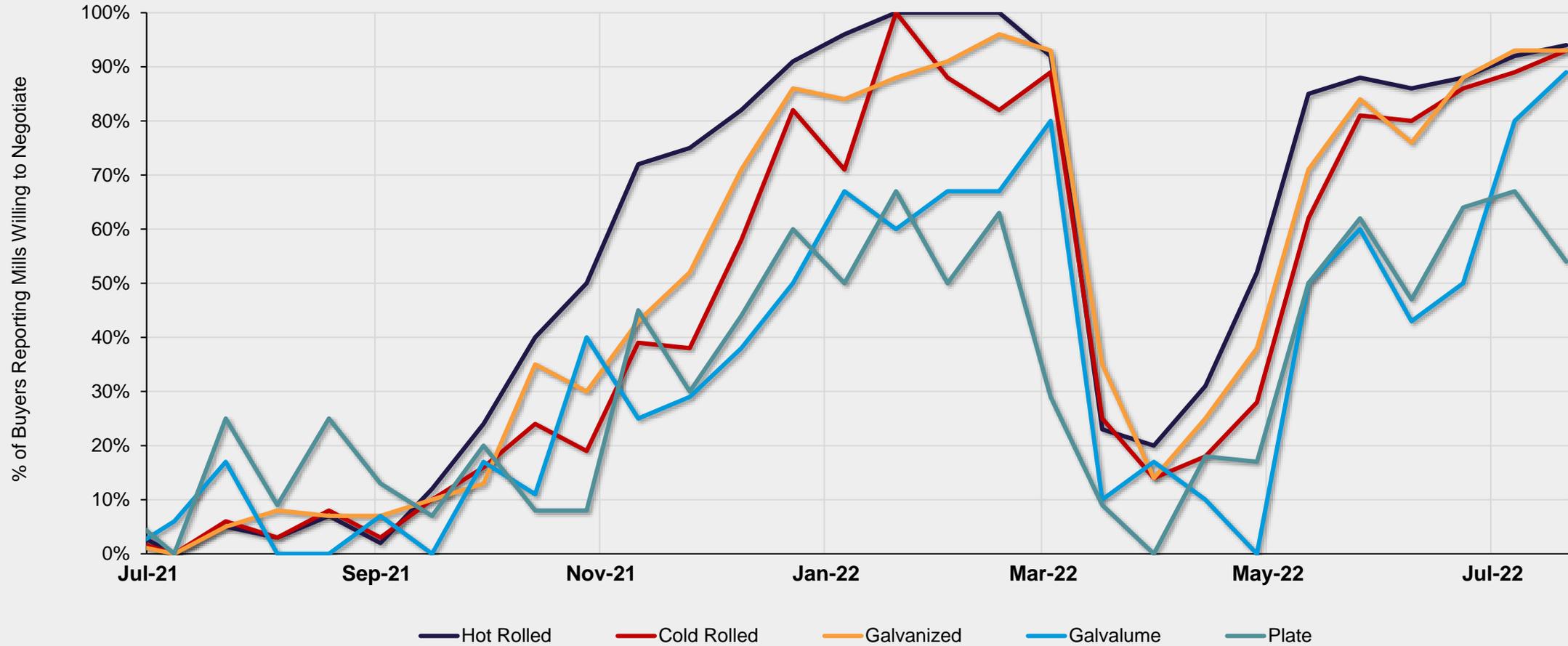
Future HRC Prices

Where do you think HRC prices will be two months from now?



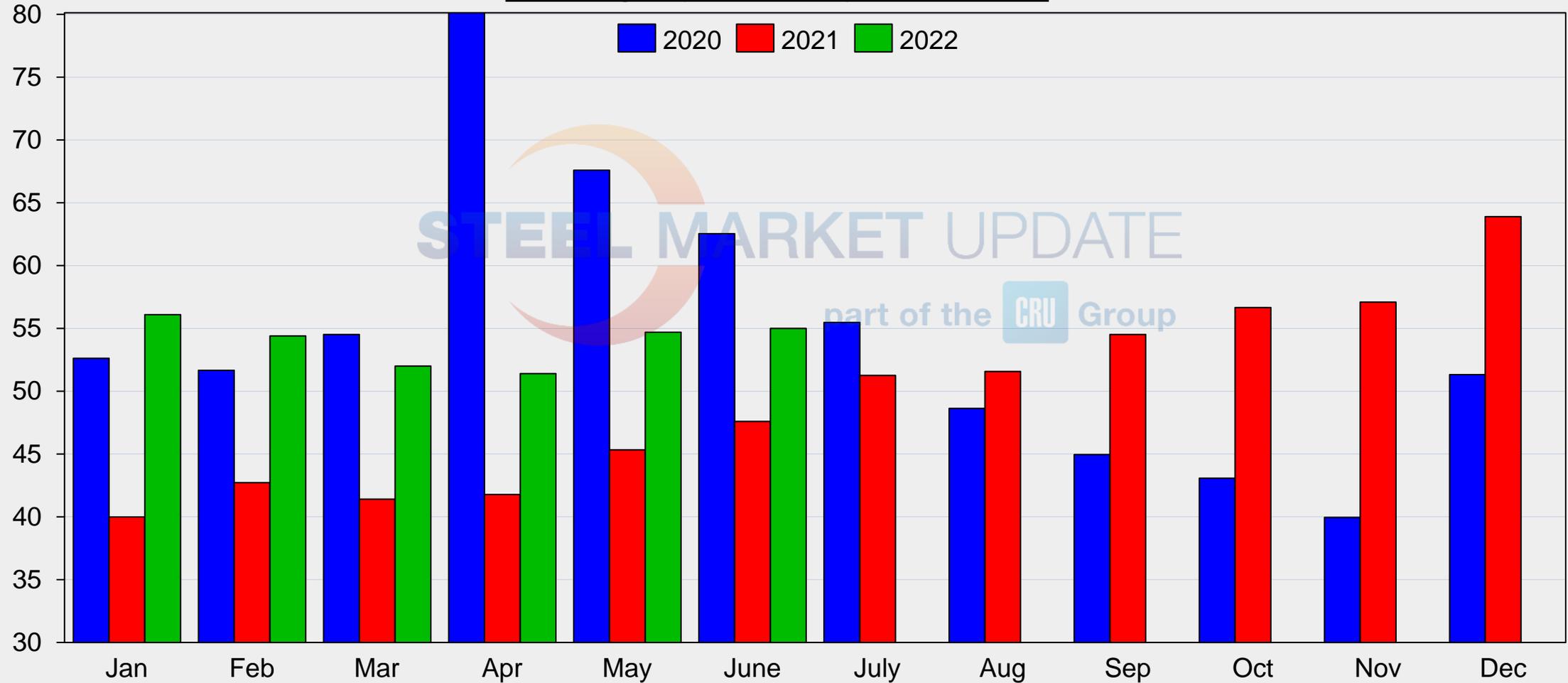
Steel Mill Negotiations

SMU Price Negotiations on New Steel Orders
July 2021 through July 21, 2022



Service Center Inventories

Shipping Days of Supply – Flat Rolled

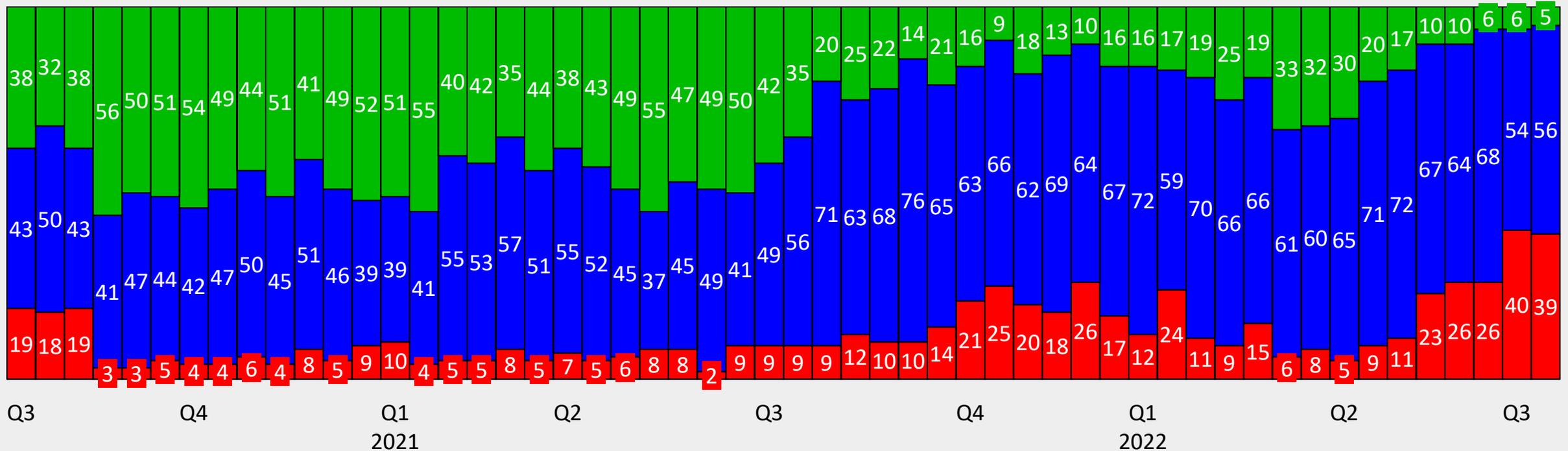


Overall Demand History

How are you seeing demand for your products?

- Demand is improving
- Demand is stable
- Demand is declining

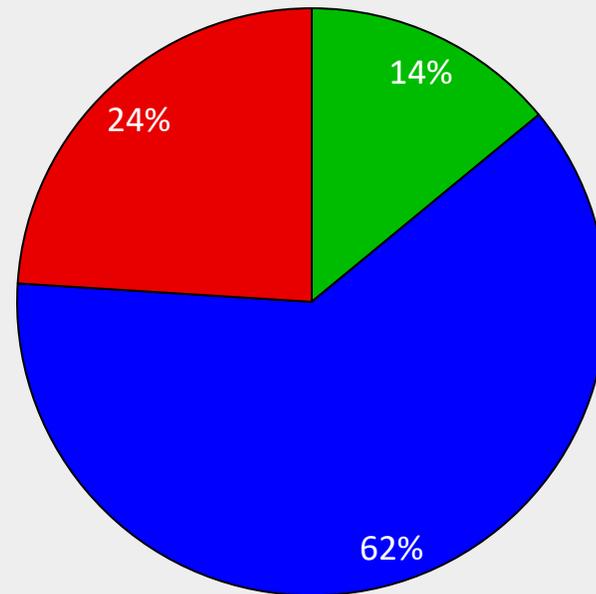
out of 100%



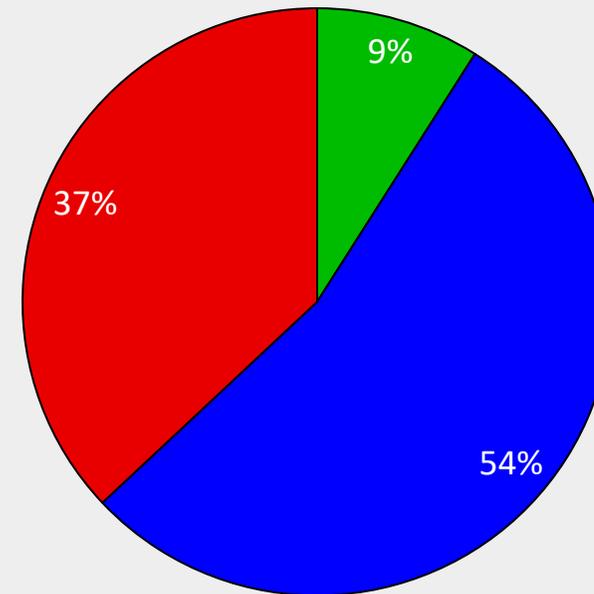
How is your company performing this month compared to forecast?

- We expect to exceed our forecast
- We expect to meet our forecast
- We expect to not meet our forecast

June 23, 2022 – For June



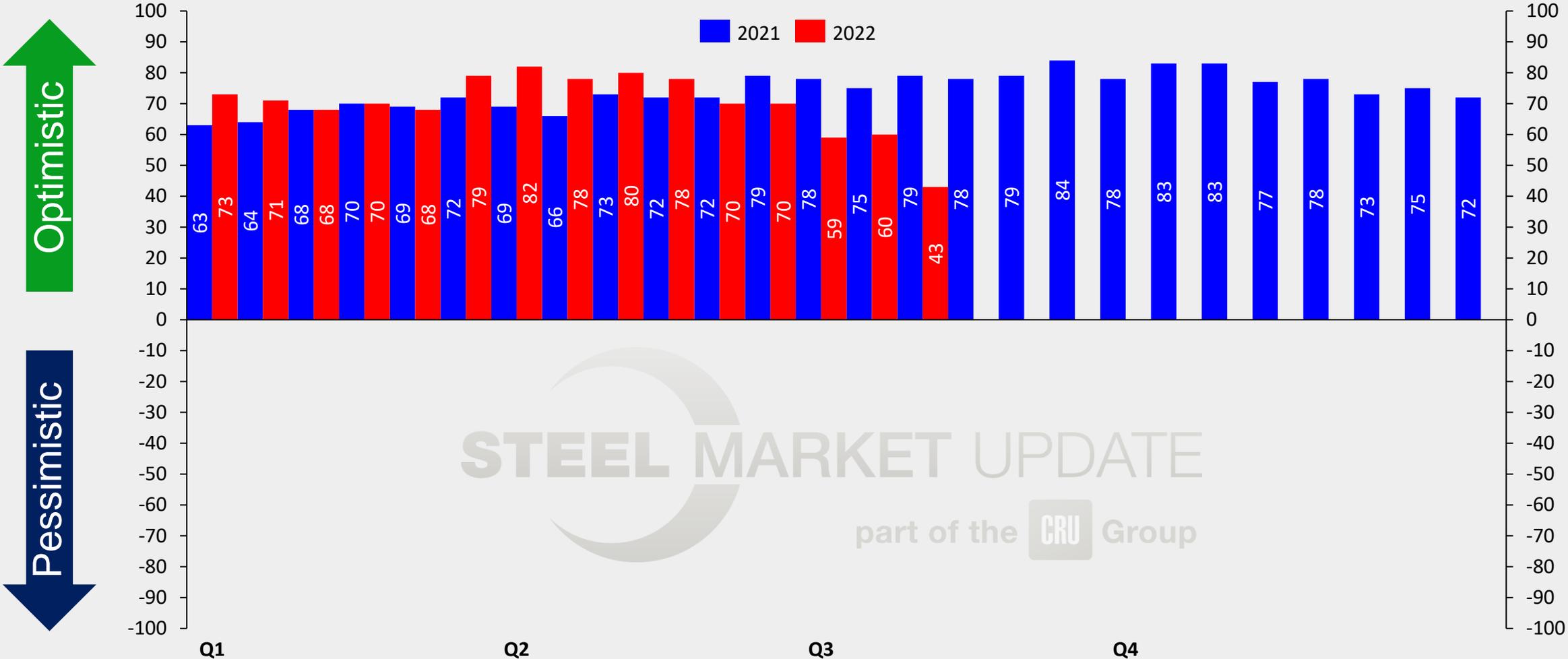
July 21, 2022 – For July



Steel Buyers Sentiment

Down 17 points to +43

Steel Market Update Steel Buyers Sentiment Index





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



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July 2022

U.S. Construction Outlook: Workforce Worries, Cost Challenges, Project Prospects

Ken Simonson

Chief Economist, AGC of America

ken.simonson@agc.org

Total Nonfarm & Construction Employment, Feb. 2020–Jun. 2022

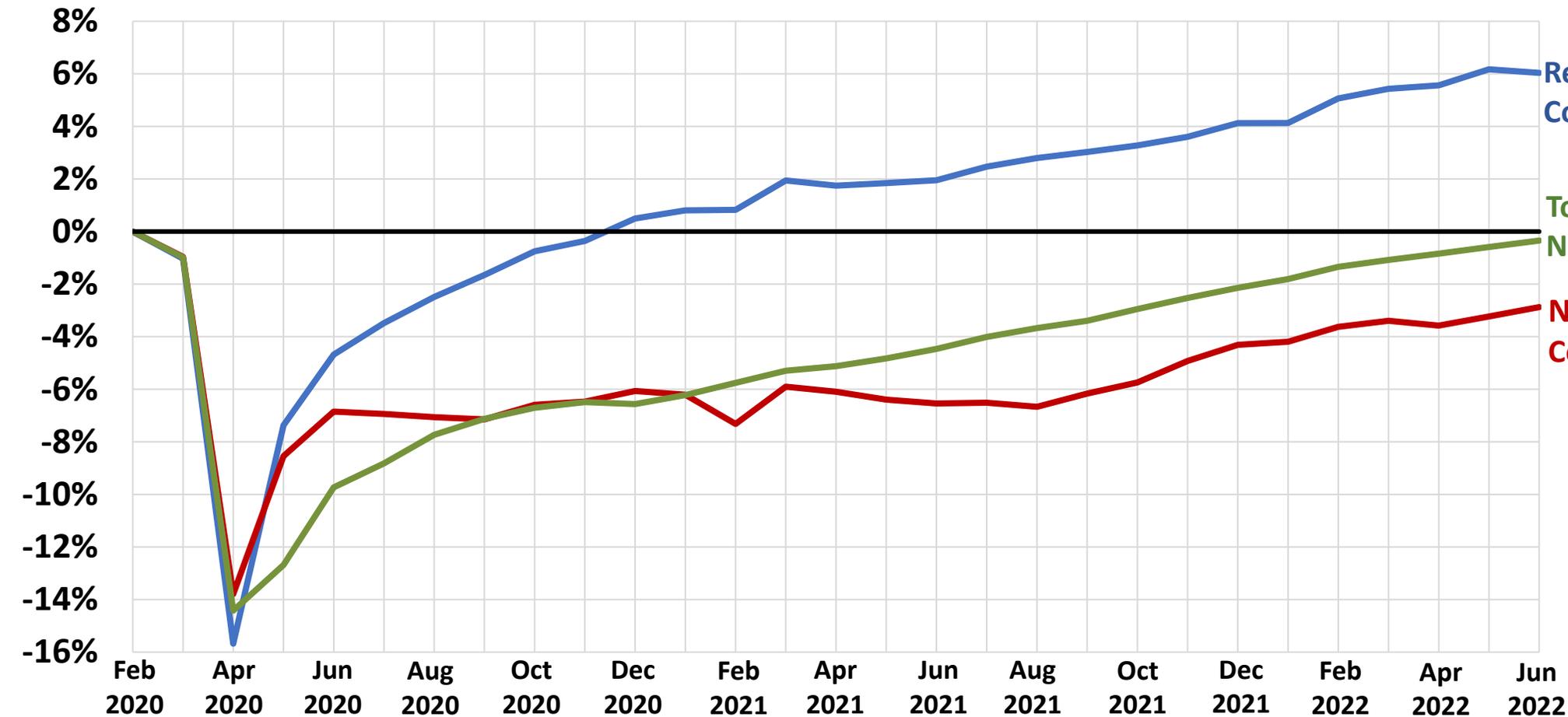
cumulative change (seasonally adjusted)



Change since Feb. 2020:

Number Percent

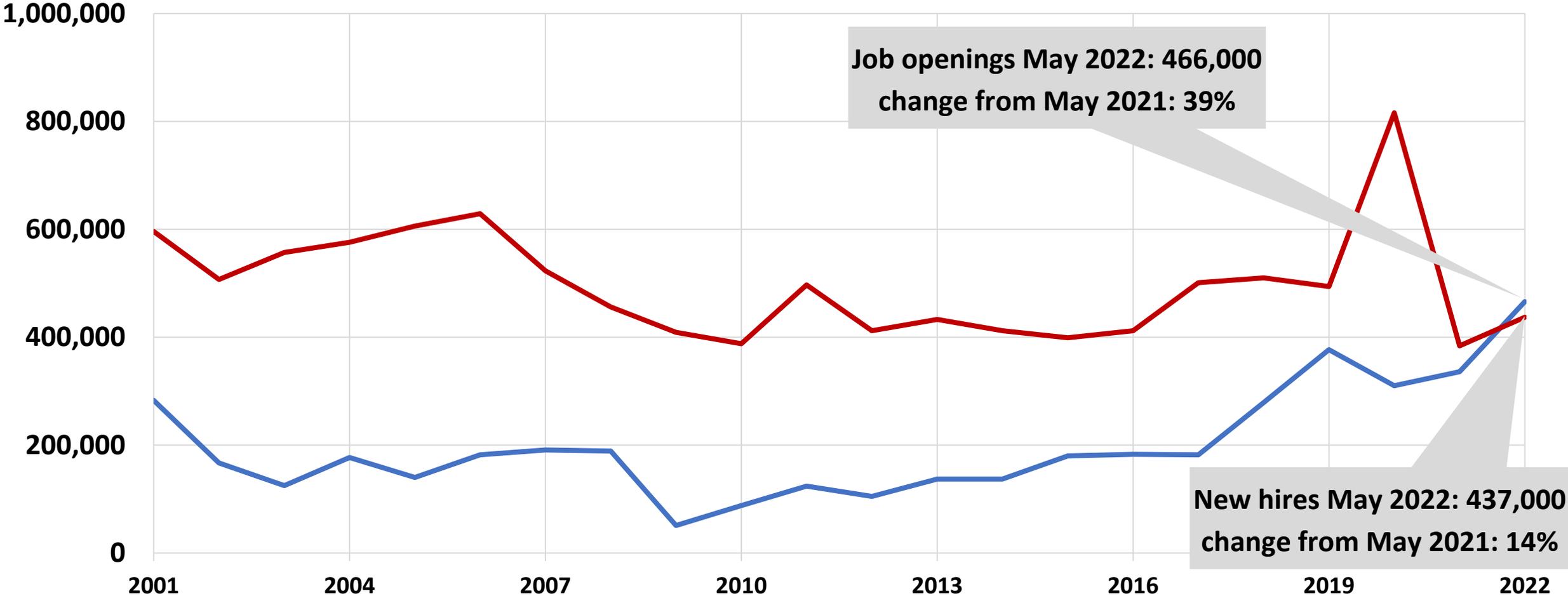
Residential Construction	179,500	6.0%
Total Nonfarm	-524,000	-0.3%
Nonresidential Construction	-133,700	-2.9%



Construction job openings exceed hires, set record high for May

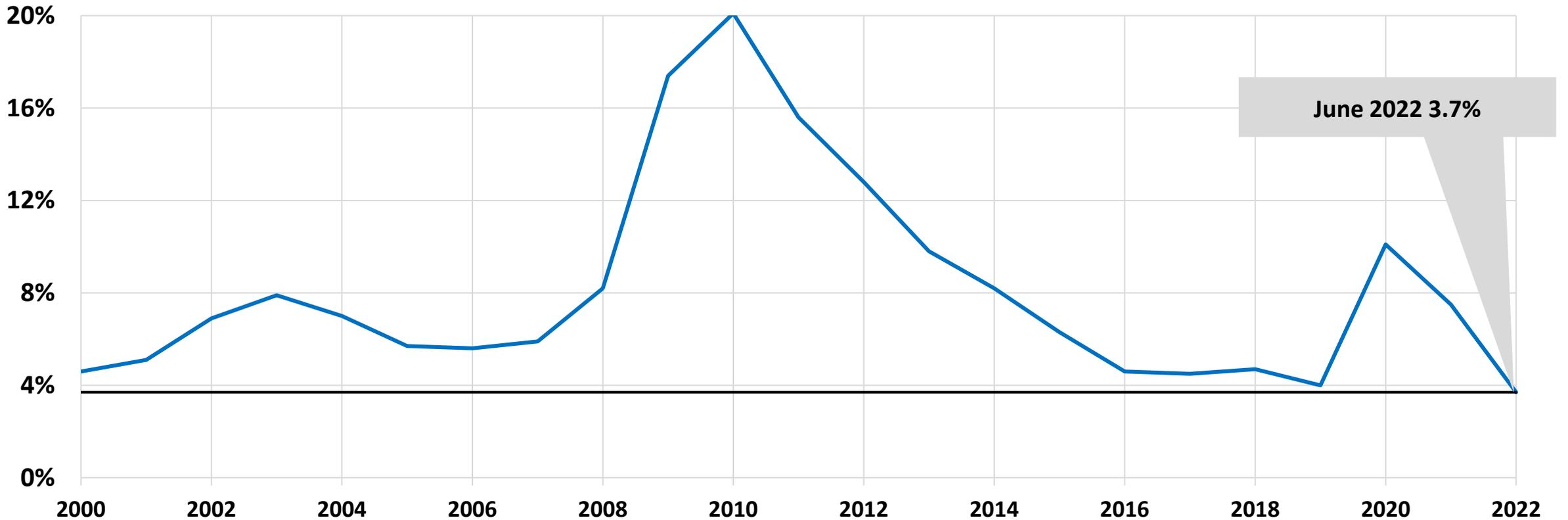


Job openings and hires, May 2001-May 2022, not seasonally adjusted



Rate of construction unemployment

June 2000–June 2022, not seasonally adjusted



State construction employment change, Feb. 2020–May 2022

31 states **up**, 2 **flat**, 17 states and DC **down** (U.S.: 0.5%)

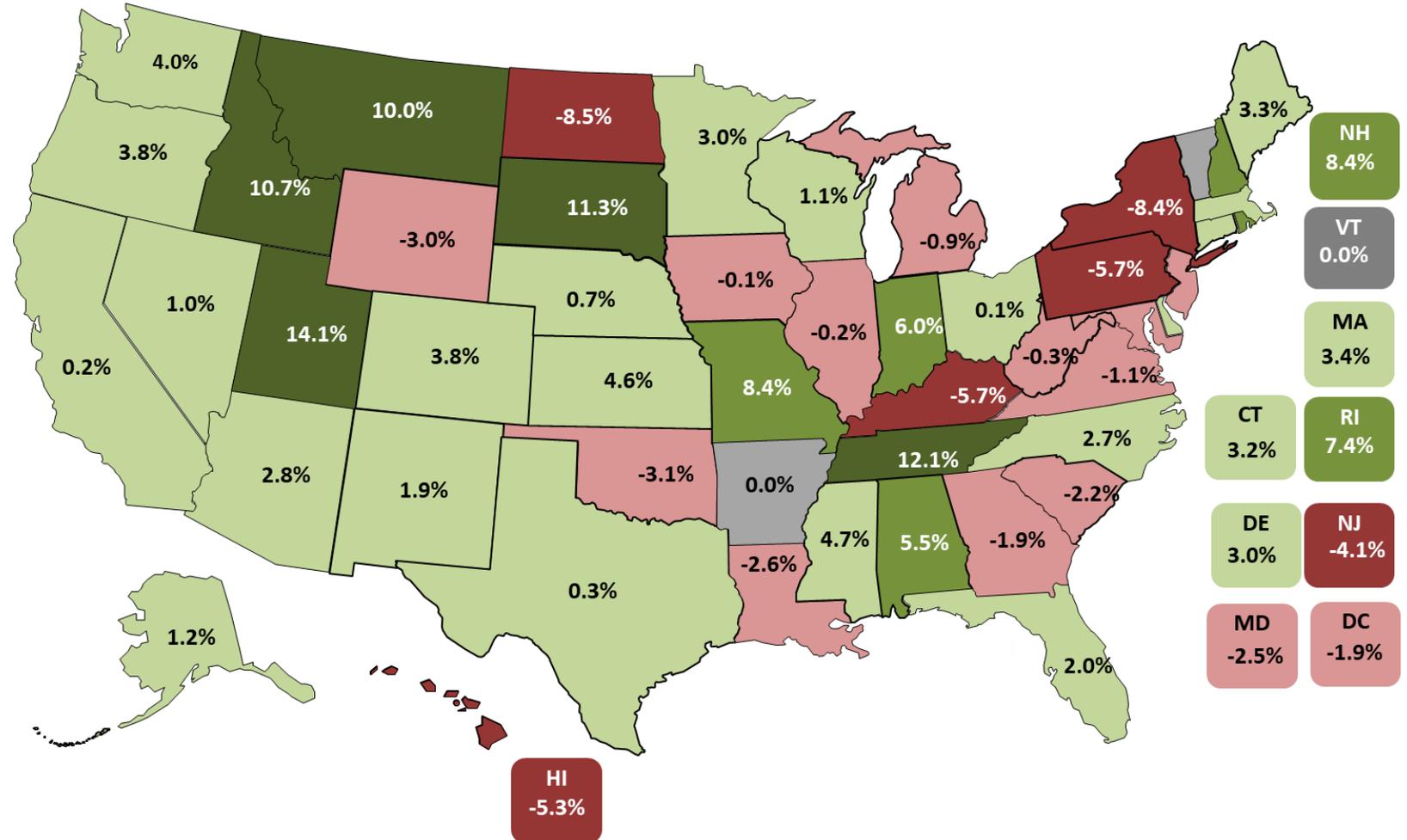


Top 5

Utah	14.1%
Tennessee	12.1%
South Dakota	11.3%
Idaho	10.7%
Montana	10.0%

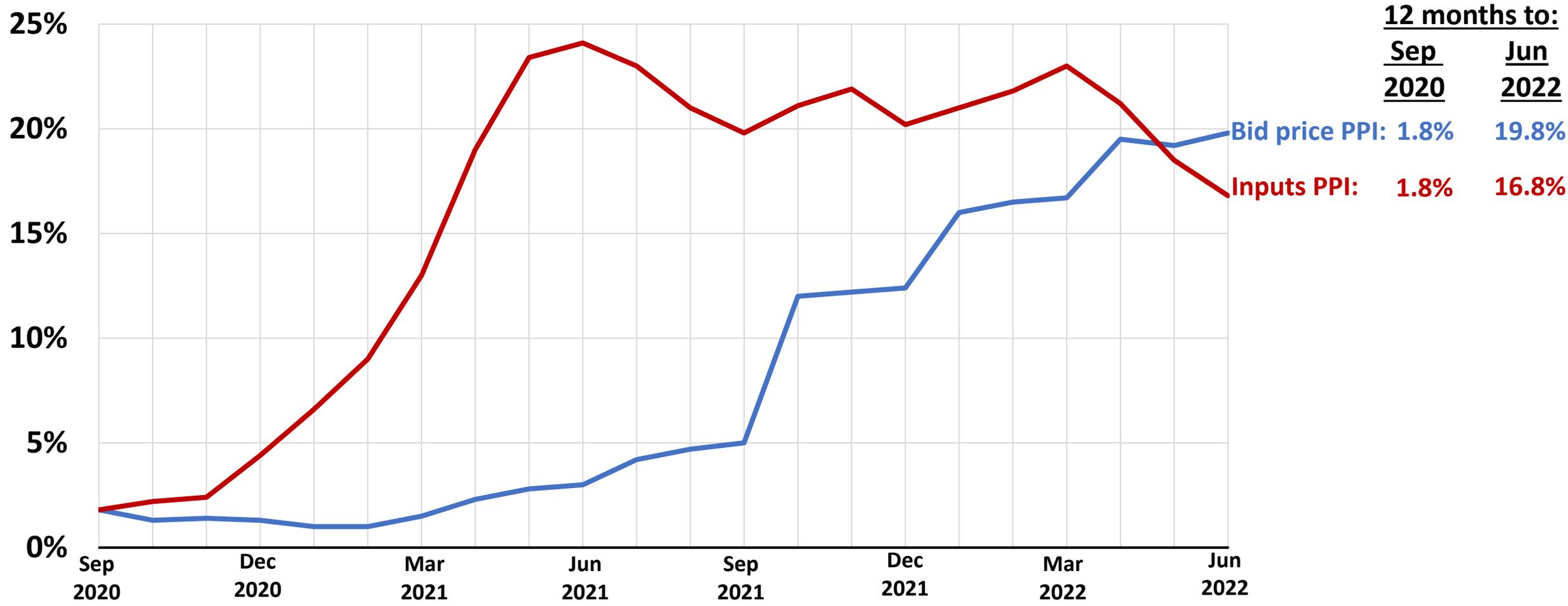
Bottom 5

North Dakota	-8.5%
New York	-8.4%
Pennsylvania	-5.7%
Kentucky	-5.7%
Hawaii	-5.3%



Costs vs. bid prices for new nonresidential construction

Year-over-year change in PPIs, Sep 2020–Jun 2022, not seasonally adjusted



12 months to:

<u>Sep</u>	<u>Jun</u>
<u>2020</u>	<u>2022</u>

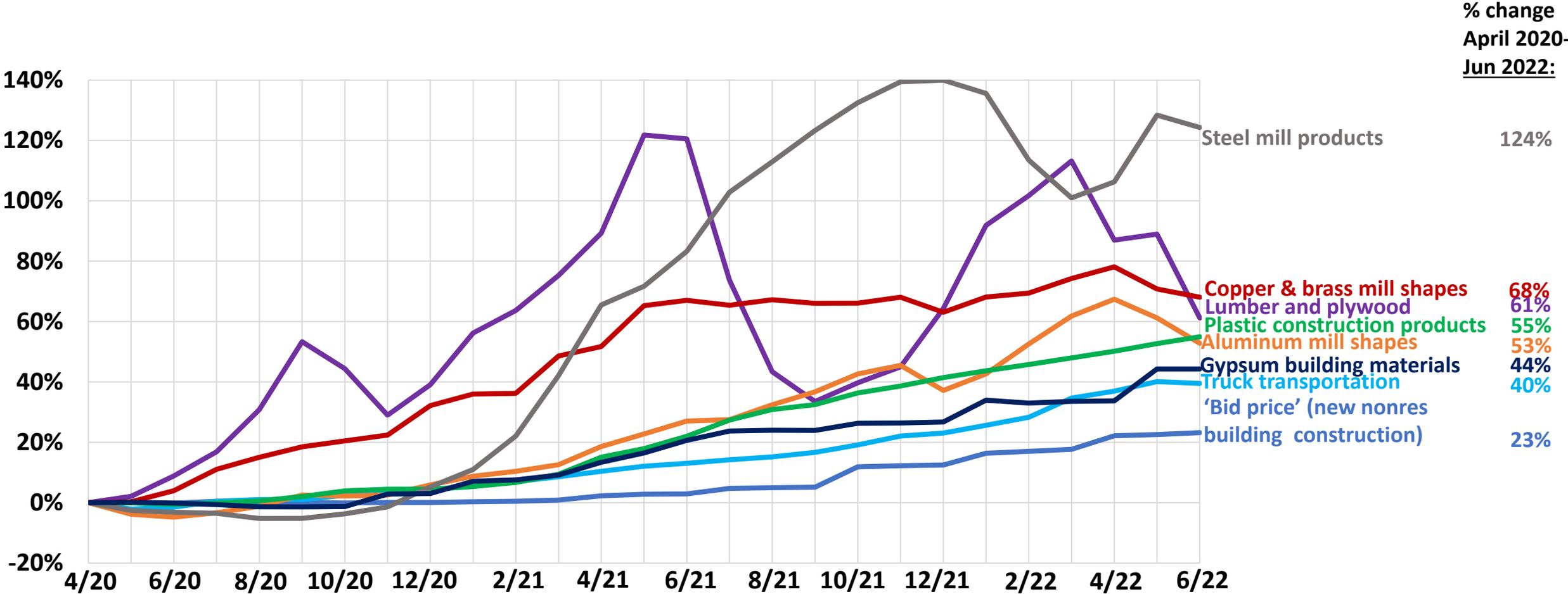
Bid price PPI: 1.8% **19.8%**

Inputs PPI: 1.8% **16.8%**

20 Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

PPIs for construction bid prices and selected inputs

cumulative change in PPIs, April 2020–June 2022 (not seasonally adjusted)

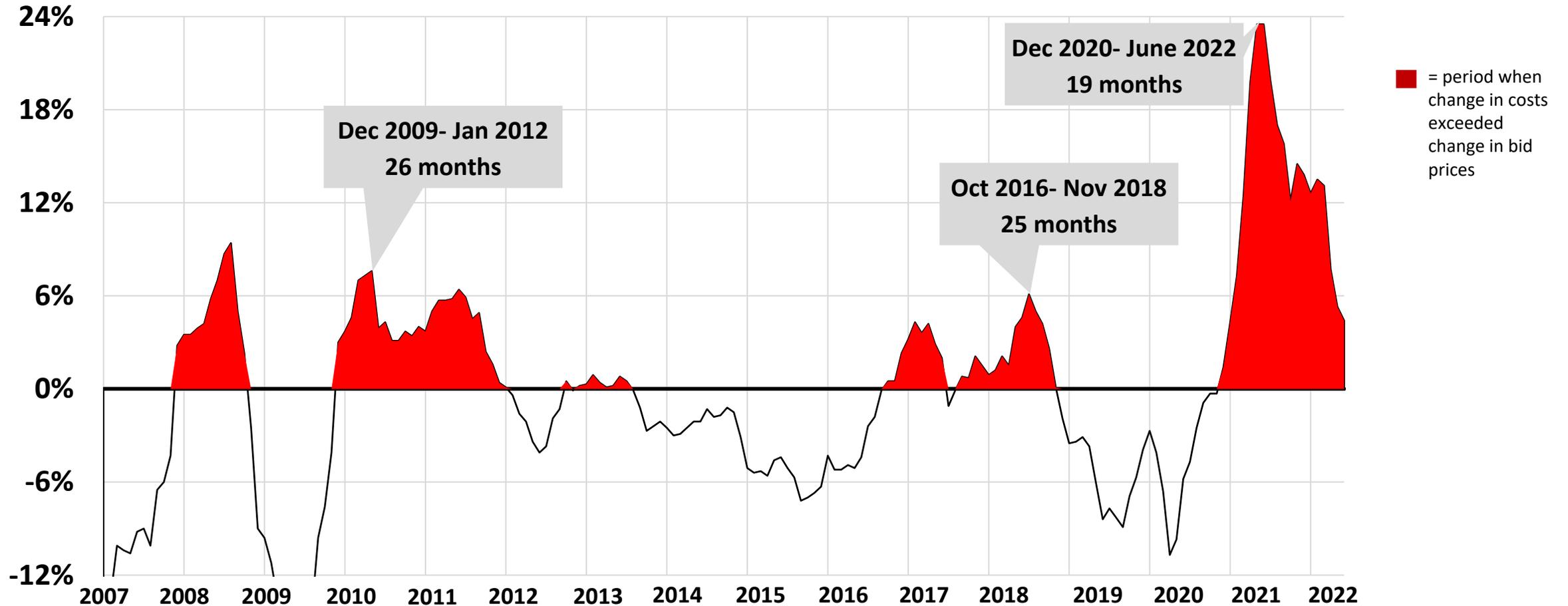


Cost squeeze on contractors can last two years or more

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-June 2022



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Change in construction spending: May 2022 vs. 2021

current (not inflation-adjusted) dollars, seasonally adjusted



- Total 10%; private residential 19% (single-family 15%; multi -4%); private nonres 4%; public -3%

Largest segments (in descending order of 2021 spending)

- Power -6% (electric -7%; oil/gas fields & pipelines - 0.5%)
- Commercial 10% (warehouse 15%; retail 6%; farm 7%)
- Highway and street -6%
- Education -3% (primary/secondary 2%; higher ed -7%)
- Mfg. 34% (chemical 0%; computer/electronic 256%; food/beverage/tobacco -2%; transp. equip. -27%)
- Office -2%
- Transportation -4% (air -14%; freight rail/trucking 5%; mass transit 2%)
- Health care 5% (hospital 8%; medical building 6%; special care -3%)
- Lodging -12%

Forward-looking indicators



Indicator	Latest date	Current value	Year-ago value
Architecture Billings Index (ABI)	June	53.2	57.7
Dodge Momentum Index (DMI)	June	174	165
Multifamily permits not yet started	June	134,000	94,000

Medium-term impacts as recovery begins

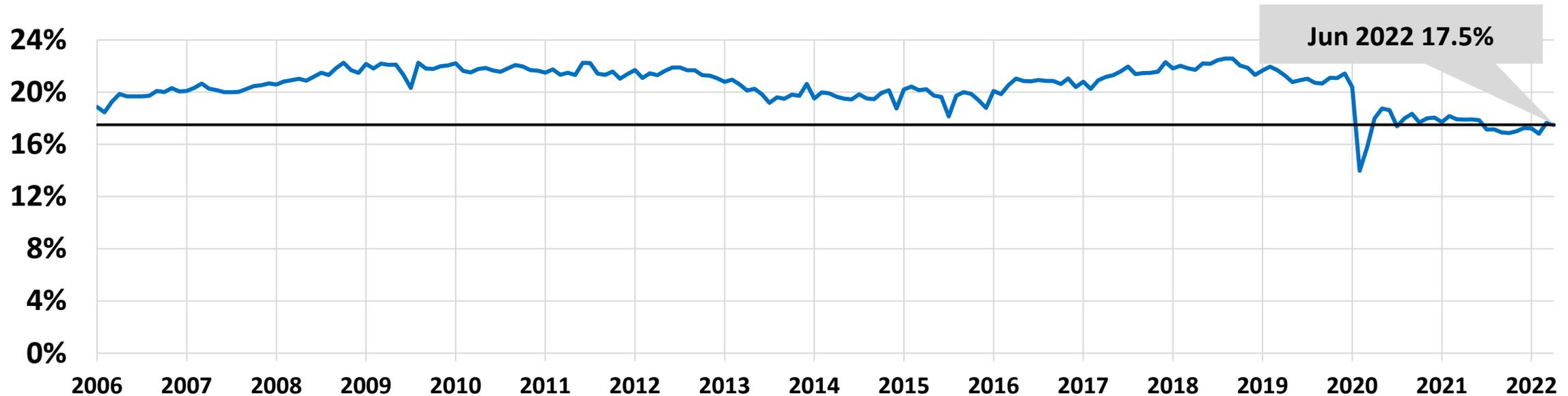


- Economic recovery should continue but invasion of Ukraine and Western sanctions add to cost and supply-chain pressures
- Slower rebound than for other sectors as owners, investors/lenders, institutions, and public agencies face uncertainty about future demand, costs, and completion times
- Continuing cost and supply challenges may lead to more project deferrals
- Infrastructure funds will take time to distribute and award to individual projects, muting the medium-term impact on labor and materials “shortages”
- Best current prospects: manufacturing, data centers, renewable energy
- At risk of slowdown: warehouse, multifamily

Wage premium for construction has shrunk

- “Premium” for construction wages relative to total private sector has shrunk from 20-23% pre-pandemic to 17.5% for production & nonsupervisory employees as other sectors boost pay, benefits and offer flexible hours and locations
- Implications: Contractors will have raise pay still more, pay more overtime, invest more in labor-saving software and equipment

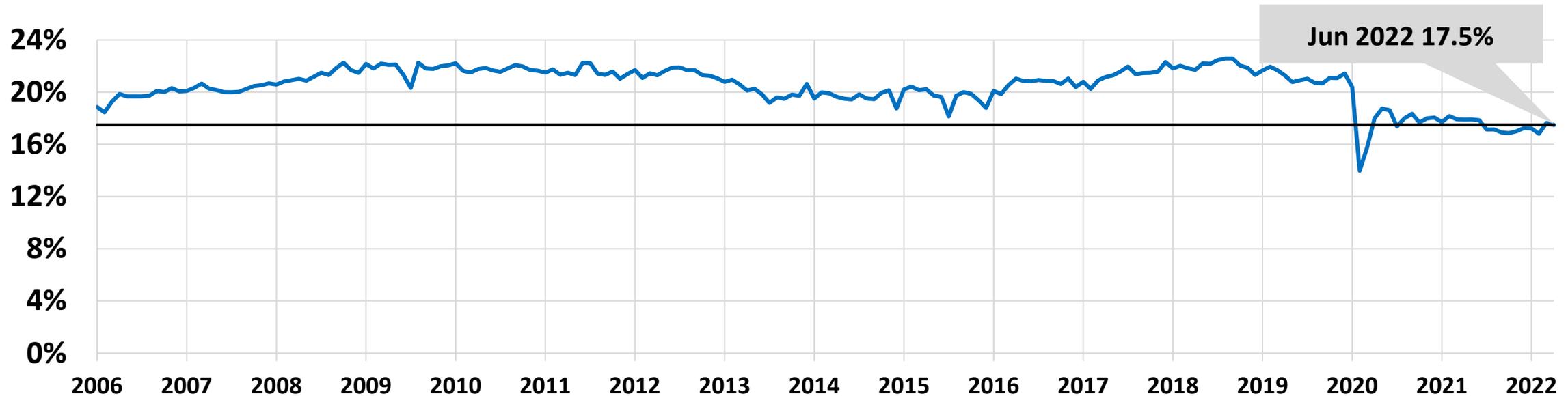
Average hourly earnings in excess of total private sector, Mar 2006-June 2022



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Average hourly earnings in excess of total private sector, March 2006 - June 2022



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 2020–July 2021 (U.S.: 0.12%)

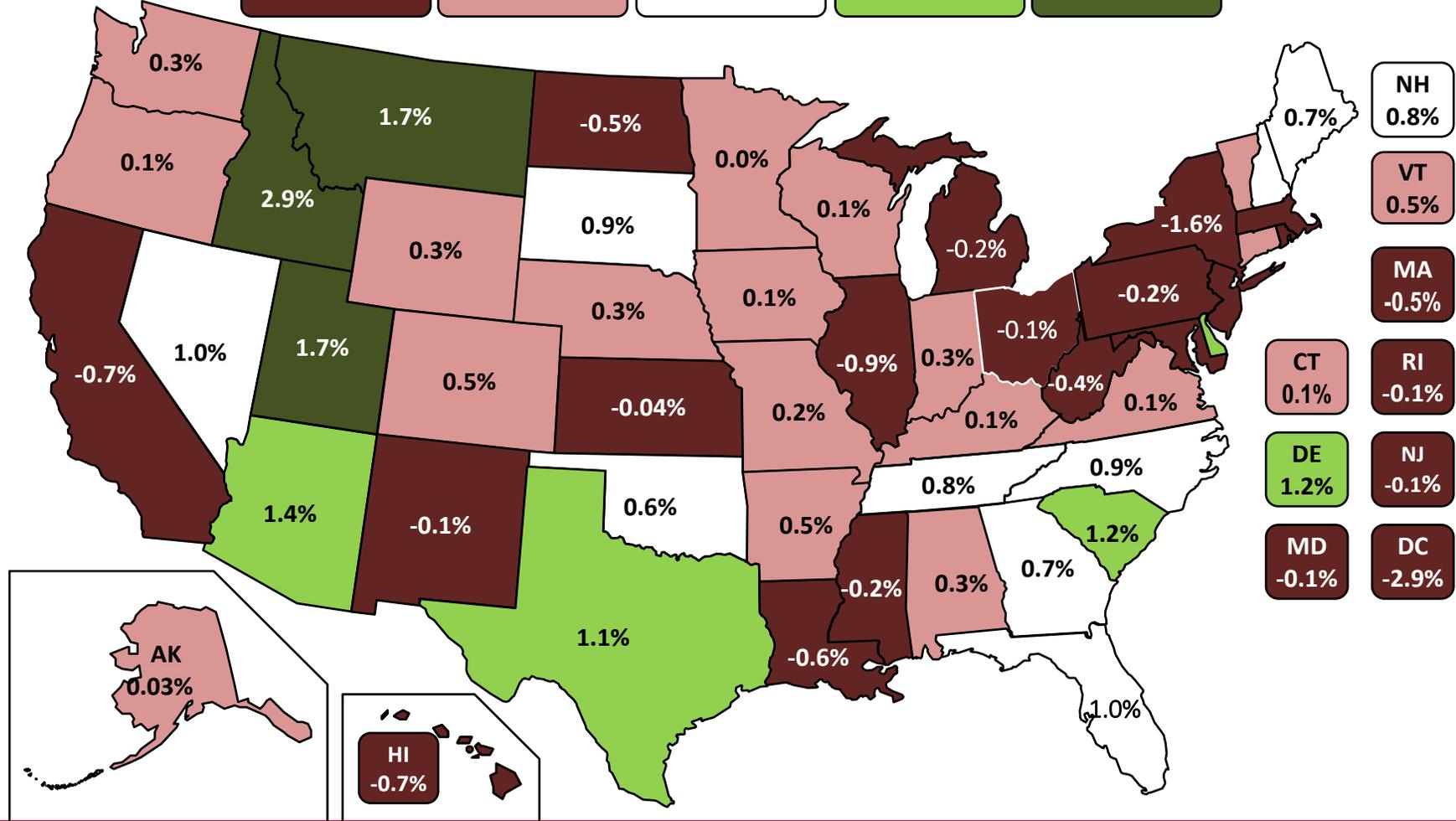


Top 6

ID	2.9%
UT	1.7%
MT	1.7%
AZ	1.4%
SC, DE	1.2%

Bottom 5

DC	-2.9%
NY	-1.6%
IL	-0.9%
HI	-0.7%
CA	-0.7%



AGC economic resources

(email ken.simonson@agc.org)



- *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-clause/>
- Surveys, state and metro data, fact sheets: 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>



Thank You

Thank you for attending our SMU Community Chat. And a special thank you to Mr. Simonson for his participation today.

To contact Ken: ken.simonson@agc.org

To contact Michael Cowden: Michael@SteelMarketUpdate.com

For to subscribe to SMU, contact Paige Mayhair:
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To participate in our survey, contact Brett Linton:
Brett@SteelMarketUpdate.com

To become a data provider for our service center inventory report, contact Estelle Tran: Estelle.Tran@CRUGroup.com

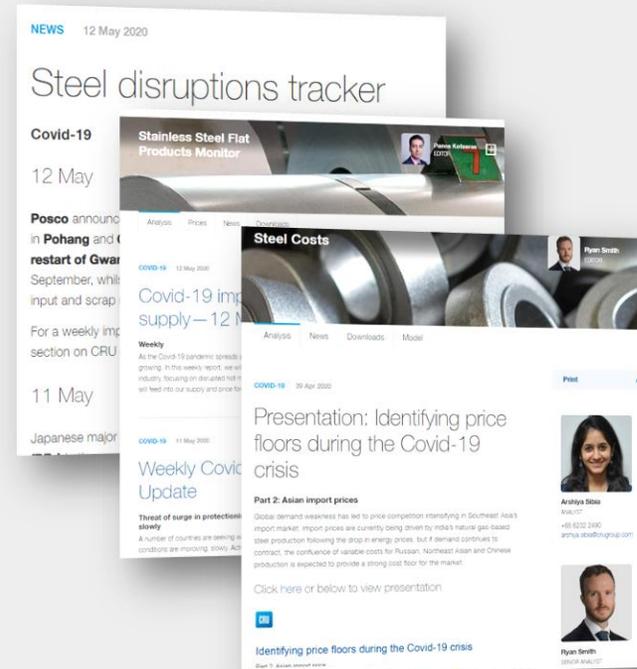
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The logo features a stylized circular element on the left, composed of two curved segments. The top segment is orange and the bottom segment is red, meeting at a point on the right side. The text 'STEEL MARKET UPDATE' is written in a bold, white, sans-serif font across the middle of the circular element.

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The CRU logo consists of the letters 'CRU' in a white, bold, sans-serif font, enclosed within a white square.

When you need answers... www.SteelMarketUpdate.com