



Materials Price Outlook

September 15, 2009

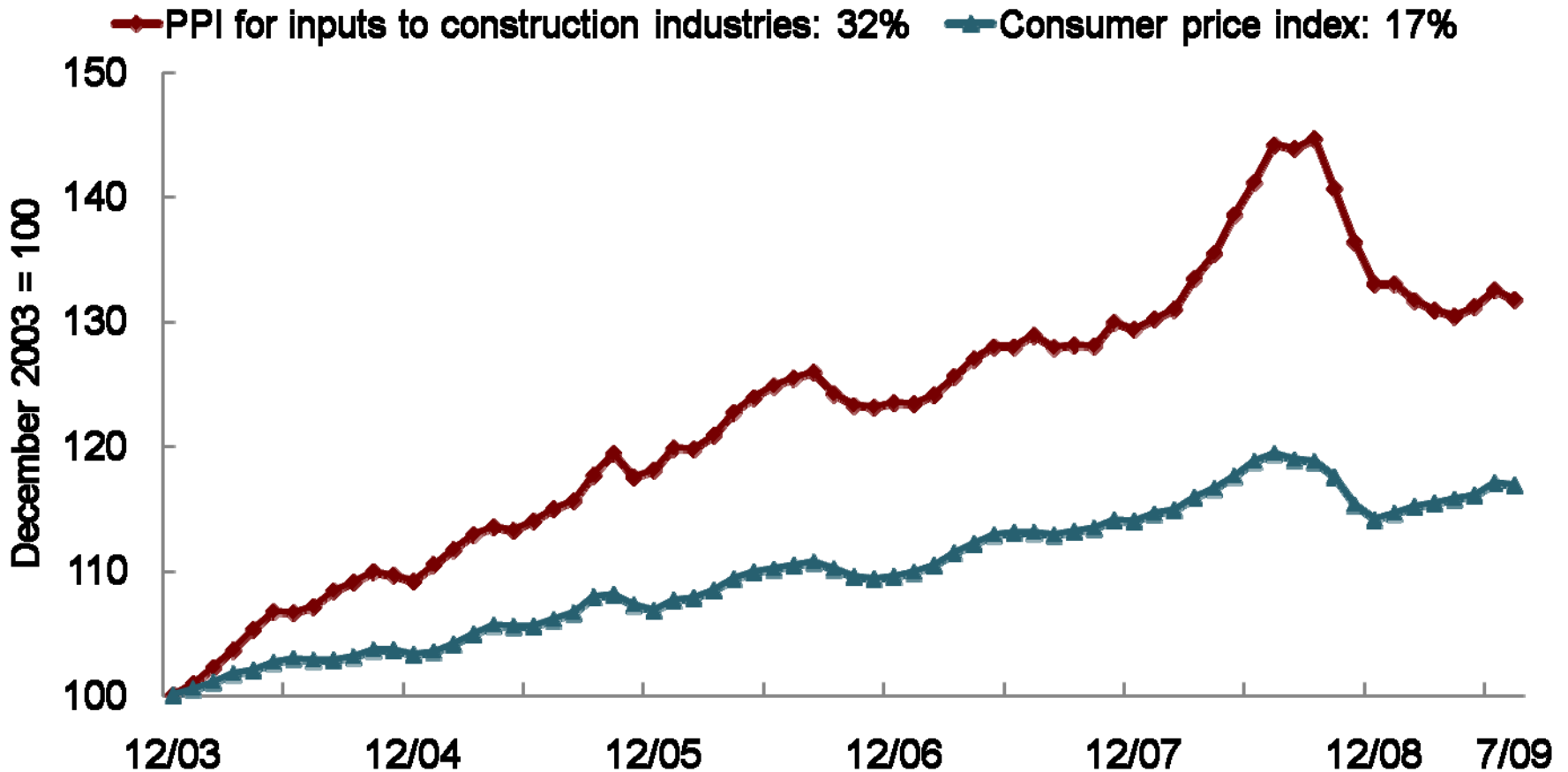
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Producer price index (PPI) for construction vs. consumer price index, 2003-09

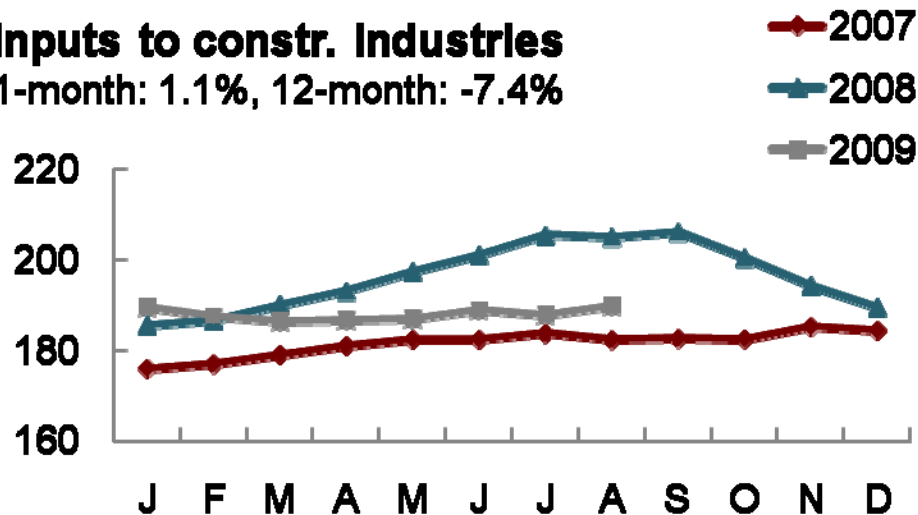




Producer price indexes, 1/07-8/09

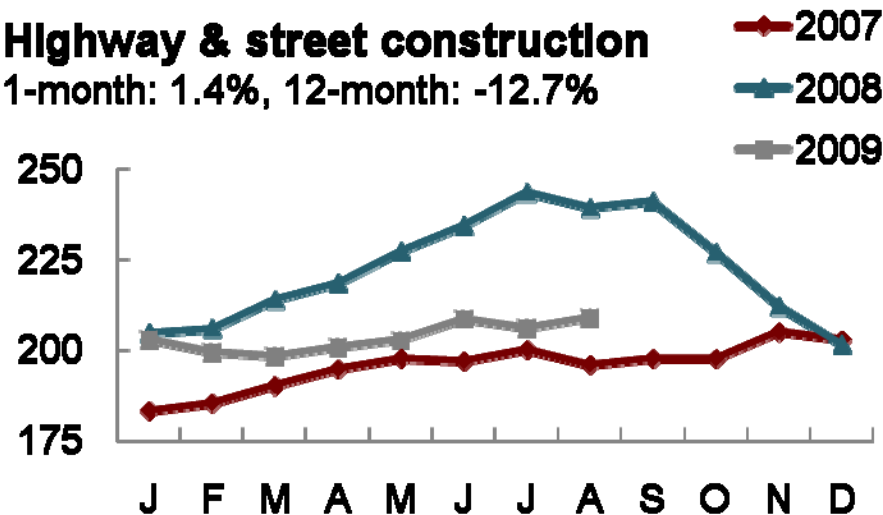
Inputs to constr. Industries

1-month: 1.1%, 12-month: -7.4%



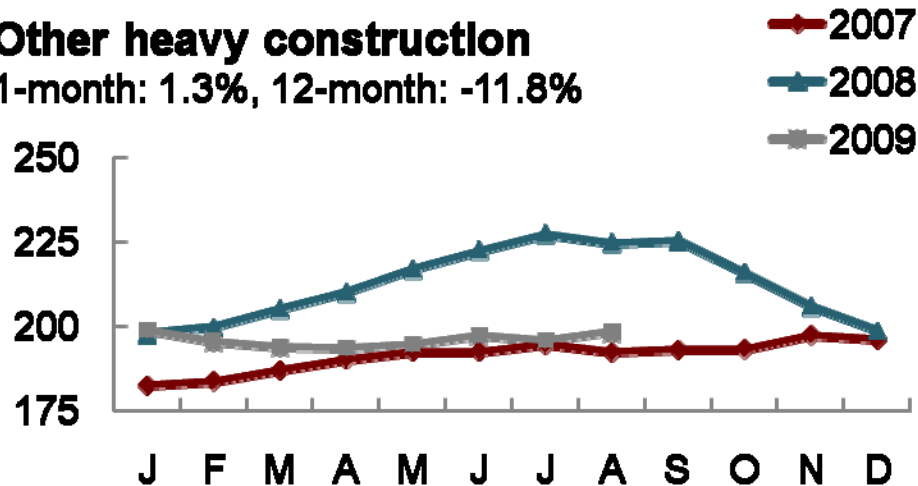
Highway & street construction

1-month: 1.4%, 12-month: -12.7%



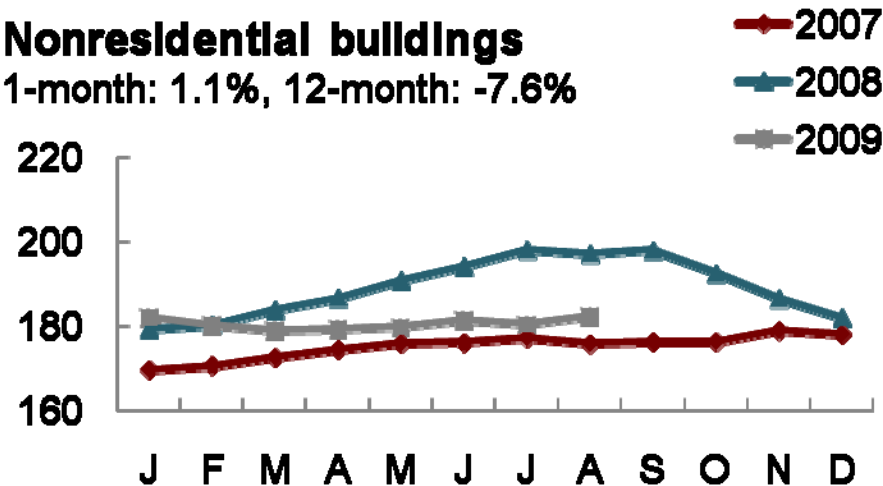
Other heavy construction

1-month: 1.3%, 12-month: -11.8%



Nonresidential buildings

1-month: 1.1%, 12-month: -7.6%

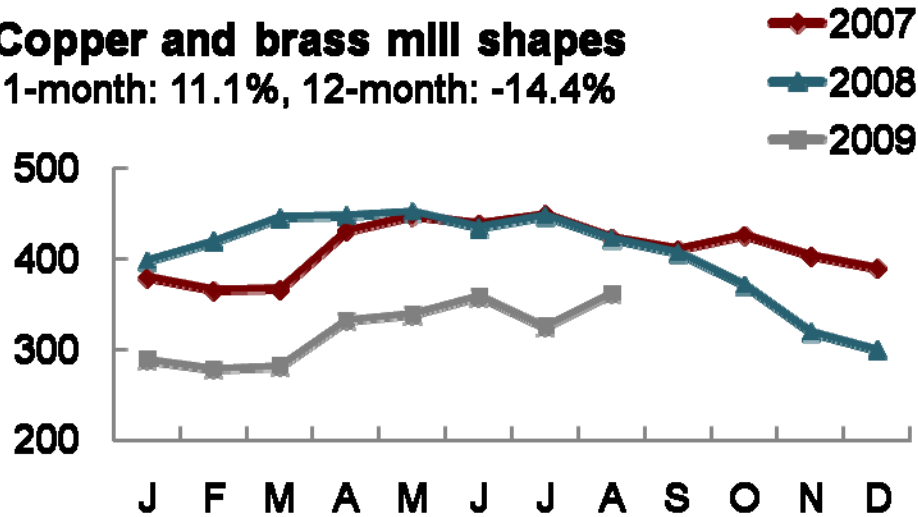




Producer price indexes, 1/07-8/09

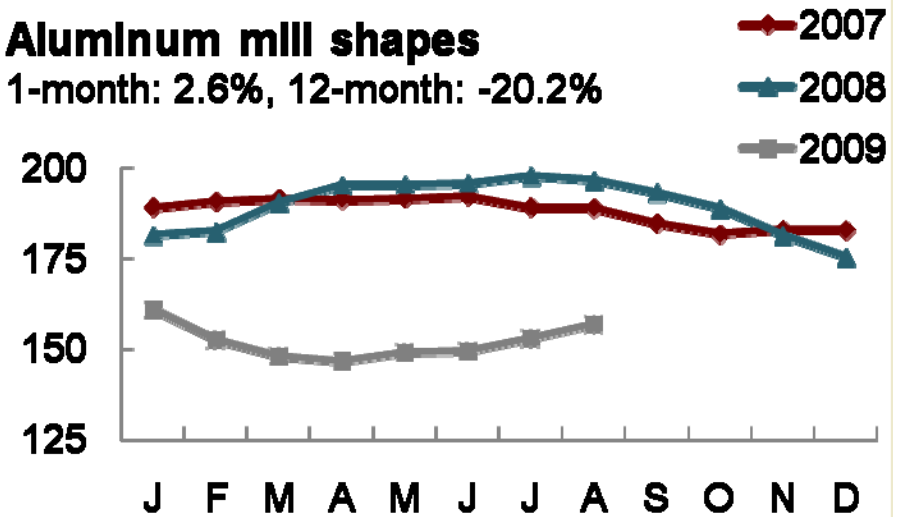
Copper and brass mill shapes

1-month: 11.1%, 12-month: -14.4%



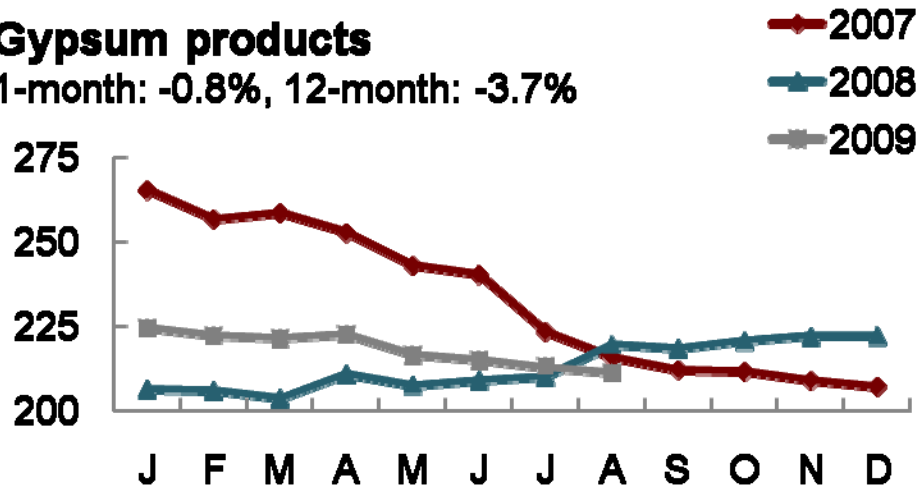
Aluminum mill shapes

1-month: 2.6%, 12-month: -20.2%



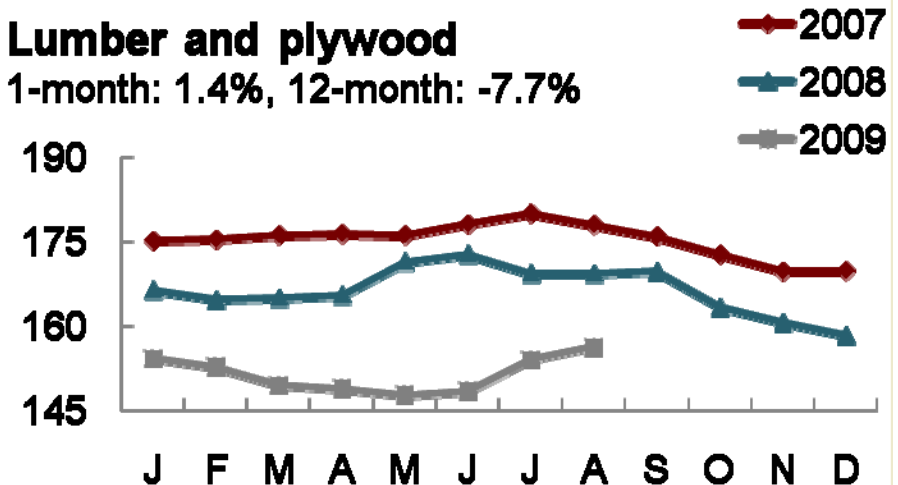
Gypsum products

1-month: -0.8%, 12-month: -3.7%



Lumber and plywood

1-month: 1.4%, 12-month: -7.7%

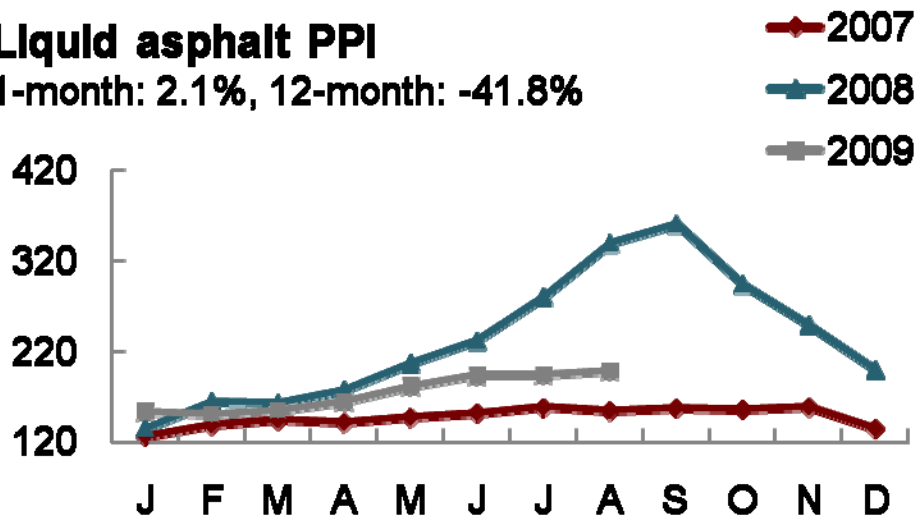




Asphalt price indicators, 2007 - 2009

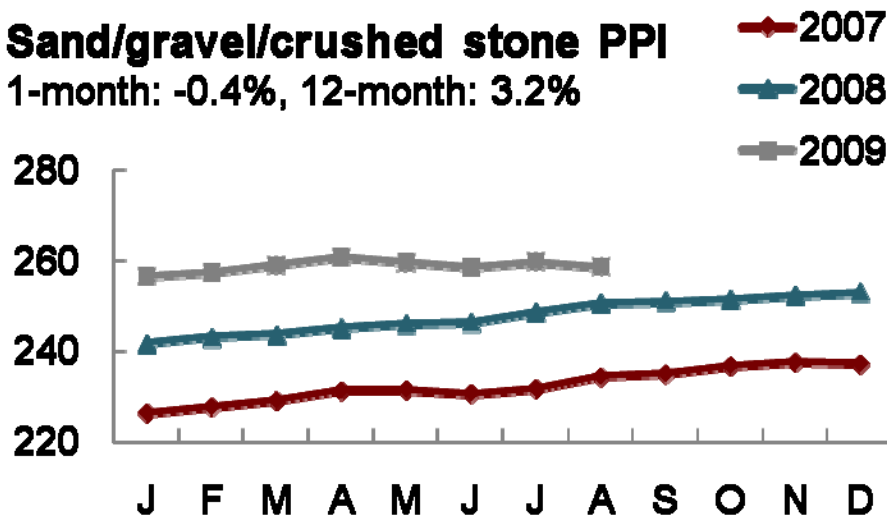
Liquid asphalt PPI

1-month: 2.1%, 12-month: -41.8%



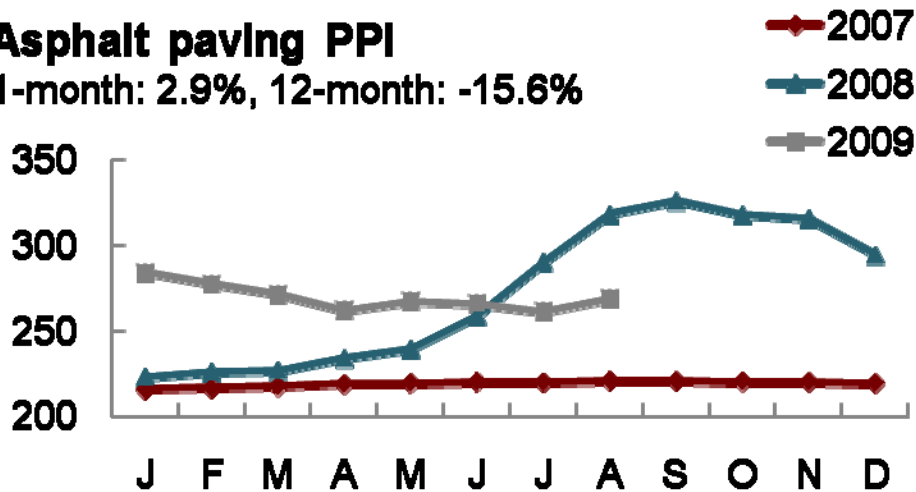
Sand/gravel/crushed stone PPI

1-month: -0.4%, 12-month: 3.2%



Asphalt paving PPI

1-month: 2.9%, 12-month: -15.6%





Outlook for materials in '09 compared to '08

- Lower average prices: diesel, copper, steel, aluminum
- Possible increases: concrete, gypsum
- Uncertain: asphalt, lumber
- Year-over-year PPI change: -4% to 0%
- A limited-time sale...



Outlook for materials (beyond '09)

- **Industry depends on specific materials that:**
 - are in demand worldwide
 - have erratic supply growth
 - are heavy, bulky or hard to transport
- **Construction requires physical delivery**
- **Thus, industry is subject to price spurts, transport bottlenecks, fuel price swings**
- **Expect 6 to 8% PPI increases, higher spikes**



Summary for 2009

- Nonres spending: -3 to -7% (up: power, mfg., BRAC, stimulus; down: developer-, state & local gov-funded)
- Res: -30 to -40% (SF up in 2d half, MF down all year)
- Total res + nonres (full year 09 vs. 08): -12 to -18%
- Materials costs (Dec. 09 vs. Dec. 08): -4% to 0%
- Labor costs (Dec. 09 vs. Dec. 09): +3% to +4%



Summary for 2010

- Nonres spending: 0 to -5% (more stimulus put in place, maybe gains in retail, higher ed, hospitals)
- Res: +5 to +10% (SF up, MF down all year)
- Total construction spending: -4% to +2%
- Materials costs: 0% to +8%
- Labor costs: +3% or less



AGC economic resources

(sign up by email to simonsonk@agc.org)

- *The Data DIGest*: weekly one-page email
- PPI tables: emailed monthly
- State and metro data
- Stimulus information: www.agc.org/stimulus
- Webinars (next construction outlook: 10/22)
- Feedback on stimulus jobs, credit market