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Construction costs remain mild, BLS and RLB find; retail construction slumps amid store closures

Input prices and **bid prices for construction** changed little from November to December or year-over-year (y/y), according to data the Bureau of Labor Statistics (BLS) posted on Tuesday. The **producer price index** (PPI) **for new nonresidential building construction**—a measure of prices that contractors say they would bid to erect a fixed set of buildings—rose 0.2% for the month and 1.6% over 12 months. The PPI **for material and service inputs** to new nonresidential construction dipped 0.1% in December and edged up 0.3% y/y. Despite relative stability recently, both indexes rose approximately 37% from February 2020 (just before the pandemic) until December 2024, far more than the 22% increase in the consumer price index. AGC posted tables of construction PPIs. Inputs with notable 1- or 12-month changes include: diesel fuel, down 5.5% for the month and 14% y/y; steel mill products, down 3.0% and 11%, respectively; aluminum mill shapes, up 0.8% and 8.7%; and copper and brass mill shapes, down 2.3% for the month but up 11% y/y. PPIs are based on prices collected around December 11. Since there, there have been sharp increases in the futures prices for copper and crude oil, which may show up in the January or February PPIs for construction inputs. **Readers are invited to send information regarding materials costs** to ken.simonson@agc.org.

Construction consultancy Rider Levett Bucknall (RLB) reported on January 10, "Our research shows construction cost inflation stabilizing in [the fourth quarter] of 2024, with a quarterly rate of 1.1%, similar to the average rate…recorded in the previous two quarters." The y/y change of 4.7% "is lower than the 5.2% registered in the same period five years ago." The y/y change across 12 cities varied from 3.8% in San Francisco to 6.2% in Chicago.

Retail construction had a rough year in 2024. Year-to-date construction spending through November for various retail-type categories fell 6.0% compared to January-November 2023, AGC's analysis of Census Bureau data shows. The bureau's "commercial" subcategories include automotive, up 1.3%; food/beverage, down 5.8%; multi-retail, down 7.3%; and other, down 13%. "Retailers announced more U.S. store closures than openings in 2024, according to data firm Coresight Research, reversing a two-year trend of net openings," the Wall Street Journal reported on January 2. "Home retailers were one of the biggest drivers of the contraction, with companies such as Big Lots and Conn's filing for bankruptcy and announcing plans to close hundreds of locations….Pharmacies were another big driver of store closures, with CVS, Rite Aid and Walgreens closing hundreds of locations due in part to competition from online shopping and discount stores. More closures are on the horizon, with party-supply retailer Party City saying in late December that it will close all of its roughly 700 stores by the end of February." In contrast, some "dollar and discount stores added hundreds of locations in 2024 and are continuing to expand, including Dollar General and Five Below."

Housing starts (units) in December jumped 16% from November but fell 4.4% y/y at a seasonally adjusted annual rate, Census reported today. Single-family starts rose 3.3% for the month but slipped 2.6% y/y. Multifamily (five or more units) starts soared 59% for the month but fell 11% y/y. **Residential permits** dipped 0.7% and 3.1%, respectively. Single-family permits climbed 1.6% for the month but declined 2.5% y/y. Multifamily permits fell 5.8% and 5.4%, respectively. Multifamily units under construction declined for the 15th month in a row, by 1.4% and 22% y/y.

"Year-to-date ending in November, the total **number of multifamily permits** issued nationwide reached 445,357," 15% below the January-November 2023 total, the National Association of Home Builders posted on Wednesday based on an analysis of Census data. "…21 states recorded growth in multifamily permits, while 29 states and the District of Columbia recorded a decline. New York…led the way with a sharp rise in multifamily permits [114%], while Idaho had the biggest decline," -54%. The states with the highest number of multifamily permits issued all experienced steep declines: Texas, -21%; Florida, -25%; and California, -32%. Of the 10 metros with the most year-to-date multifamily permits, only the top permit issuer, New York-Newark-Jersey City, had an increase, 54%.

"**Economic activity** increased slightly to moderately across the 12 regional Federal Reserve districts in late November and December," the Fed reported on Wednesday in its latest Beige Book, which "characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from each district's sources….**Construction activity** decreased overall, with several Districts indicating that high costs for materials and financing were weighing on growth….**Construction employment** increased slightly, while manufacturing employment was flat. Contacts across multiple sectors noted difficulty finding skilled workers, and reports of layoffs remained rare.

Note: The next issue of the Data DIGest will be on Monday, February 17.

Data DIGest is a weekly summary of economic news. Sign up here. Editor: Ken.Simonson@agc.org, Chief Economist, AGC. Go here for Ken's PPT or more construction data.
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