



Construction Materials Prices Rise in January

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Prices for construction materials and supplies were up 1.3 percent in January, according to the February 18 producer price index (PPI) report by the U.S. Labor Department. Year-over-year, construction materials prices are up 1.6 percent. (See [what this means](#) below)



Source: Bureau of Labor Statistics

Iron and steel prices jumped 4.7 percent for the month and are up 5.9 percent since last January, the first year-over-year increase since November 2008. Nonferrous wire and cable prices went up 0.7 percent since December and are up 25.1 percent since January 2009. Prices for softwood lumber increased 0.6 percent last month and are up 8.0 percent since the same time last year.

Prices for plumbing fixtures and fittings had a slight increase of 0.3 percent on a seasonally adjusted basis and are up 1.1 percent since January 2009. Fabricated structural metal products prices also had little change as they increased 0.2 percent for the month, but are still down 7.1 percent from prices one year ago. Prepared asphalt, tar roofing, and siding prices slid 2.0 percent for the month after a 5.2 percent increase in December. Year-over-year, prices are down 5.0 percent.

Crude energy prices surged 16.8 percent in January as prices for natural gas jumped 25.5 percent. Overall, the nation's wholesale prices increased 1.4 percent since December and are up 4.6 percent since January 2009.

What This Means

"Today's report represents an inflationary shot across the bow," said Associated Builders and Contractors (ABC) Chief Economist Anirban Basu. "For months, economists among others have been predicting the re-emergence of inflationary forces and today's PPI report is consistent with the view that inflation is a part of our near-term future.

"While the monthly increase in PPI was motivated in large part by an increase in energy prices, it is generally thought that monetary policy makers are more focused on core inflation at the wholesale level, which excludes food and energy costs," said Basu.

"However, the increase in construction material prices will impact core items such as housing costs, a fact of which the Federal Reserve is undoubtedly aware," said Basu.

"In other words, today's report makes Federal Reserve monetary tightening during the first half of the current year more likely than it had been," said Basu. "The increase in materials prices is not good news for nonresidential construction contractors hoping for a rebound in commercial and other forms of construction in the near term, since rising materials prices make projects more expensive, unpredictable to bid and thereby reduce the estimated rate of return on investment."