



AGC
THE CONSTRUCTION
ASSOCIATION

Data Digest

WWW.AGC.ORG

Vol. 24, No. 14 April 8-12, 2024

Producer price indexes for bids and inputs remain tame in March; Dodge Momentum Index tumbles

Bid prices and input prices for construction showed mixed monthly and year-over-year (y/y) patterns in March, according to data the Bureau of Labor Statistics (BLS) [posted](#) on Thursday. The **producer price index (PPI) for material and service inputs** to new nonresidential construction rose 0.3%, not seasonally adjusted, for the month and 1.8% y/y. The **PPI for new nonresidential building construction**—a measure of prices that contractors say they would bid to erect a fixed set of buildings—inched up 0.1% in March but slipped 1.3% y/y. AGC [posted](#) tables of construction PPIs. The Baltimore bridge collapse occurred after prices were collected for the March PPI but, fortunately, there have been few, if any, reported impacts on prices or supply chains for construction materials or equipment from the collapse. Readers are invited to **report supply-chain issues and price announcements** to ken.simonson@agc.org.

The Dodge Momentum Index (DMI) slumped 8.6% in March from February and 12% y/y, Dodge Construction Network [reported](#) on April 5. The index is “a monthly measure of the initial report for **nonresidential building projects in planning**, shown to lead construction spending for nonresidential buildings by a full year.” The commercial component declined 3.2% for the month and 14% y/y; the institutional component fell 17% and 10%, respectively. “Much of the decline on the institutional side is credited to lower levels of education planning,” stated Sarah Martin, associate director of forecasting. “The surge of lab construction in recent years may lead to decreased planning demand as the market absorbs new supply in 2024.... slower growth in office and hotel planning pulled down [the commercial sub-index] once again.”

“**Economic activity in the services sector** expanded in March for the 15th consecutive month,” the Institute for Supply Management (ISM) [reported](#) on April 3. Construction was listed first among 13 sectors (out of 18) that reported paying higher prices and was among sectors reporting growth (12), an increase in business activity (12 sectors), new orders (11), prices paid (13), employment (6), and order backlogs (6). Construction was one of four sectors that reported slower supplier deliveries. **Items** significant for construction reported **up in price** include construction contractors (3 months in a row) and labor; copper wire; diesel fuel; electrical components and equipment; heating, ventilation and air conditioning products (2 months); lumber; and oriented strand board panels. **Price declines** were reported for steel and steel products. **Items listed in short supply** include construction contractors (3), electrical components (3) and equipment, and switchgear.

The total number of **multifamily permits** declined 22% year-to-date in the first two months of 2024 compared to the same period in 2023, the National Association of Home Builders (NAHB) [reported](#) today, based on Census Bureau data. Permits are a leading indicator for **multifamily construction** but not all permits turn into starts. Permits increased in 21 states and decreased in 29 states and the District of Columbia. Among the top three states for multifamily permits, Texas experienced a decline of 40%, New York saw an increase of 293%, and Florida declined by 45.5%.

“The Census Bureau’s Quarterly Summary of State & Local Tax Revenue shows a 1.3% increase in **property taxes paid**” in the first quarter (Q1) through Q4 of 2023, compared to Q4 2022 through Q3 2023, NAHB [reported](#) on March 28. Property tax receipts are a key source of **funding for school construction** and other local agencies. “The 1.3% quarterly increase in...property tax revenue was the smallest rise since the 0.8% increase in the [four quarters ending in Q3] 2022.”

“Salt Lake City was the country’s **hottest job market** in 2023, followed by three cities in Florida: Jacksonville, Orlando and Tampa,” the [Wall Street Journal](#) reported on Tuesday. Strong job markets imply demand for construction but also competition for workers. “Miami also made the top 10, making Florida the top state last year. [The] “[Journal](#), working with Moody’s Analytics, assessed about 380 metro areas. The rankings determined the strongest labor markets based on five factors: the unemployment rate, the labor-force participation rate, changes to employment levels, the size of the labor force, and wages....High-growth industries in Salt Lake City include life sciences, manufacturing, and supply-chain logistics. [Jacksonville became] the second-hottest job market after placing third in 2022. It is due to a continuation of companies ranging from corporate offices to warehouses relocating from the Northeastern corridor to Jacksonville, said Mike Brady, owner of two Express Employment Professionals staffing offices.”

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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