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National construction materials prices remain flat in May: reprinted from www.abc.org

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National construction materials prices were unchanged in May and have been flat during the past three months, according to the June 14 report by the U.S. Labor Department. Year over year, construction materials prices are up just 0.8%. Nonresidential construction materials prices increased 0.2% for the month and are up 0.3% from one year ago.

Softwood lumber prices fell for the first time since October, dropping 8.2%—the largest monthly decrease in 33 years. However, prices are 16.8% higher than in May 2012. Iron and steel prices were down for the fourth time in five months, decreasing 2.2% in May and down 10.7% on a year-over-year basis. Steel mill product prices dipped 1.3% for the month and are down 9.5% compared to the same time last year. The price of nonferrous wire and cable slipped 0.8% compared to April and declined 4.7% during the past 12 months. Prices for concrete products declined 0.2% for the month, but are up 2.9% on a year-over-year basis.

Crude energy prices jumped 5 percent as crude petroleum prices rose 5.5%. Year over year, crude energy prices are up 16.5%. Prices for prepared asphalt, tar roofing and siding rose 1.6% in May and are 4.7 higher than one year ago. Prices for plumbing fixtures and fittings inched up 0.3% in May and are 1% higher compared to May 2012. Prices for fabricated structural metal products were flat for the month and are 0.7% lower than one year ago. Overall, the nation's wholesale goods prices increased 0.5% in May and are 1.8% higher compared to the same time last year.

"Once again, the headline number for nonresidential construction materials prices remains well-behaved," said ABC chief economist Anirban Basu. "During the last seven months, the monthly percentage change in nonresidential materials prices has been minimal.

"This elevated level of price stability is somewhat unexpected given shifting monetary policies in much of the world, including in the form of substantial money supply creation, concerns regarding the U.S. fixed income and equity markets—which has rendered investors a bit more skittish of late—and a global economy positioned to expand more than 3% this year," Basu said. "Despite those factors, commodity prices have remained relatively stable and so have nonresidential construction materials prices.

"There is some ongoing price volatility in certain categories, including crude energy, softwood lumber, and iron and steel," added Basu. "However, the increases in certain categories, such as petroleum and natural gas, have been offset by materials price decreases. For the most part, materials prices have not been shifting dramatically and they have not been a source of unwelcome surprise during the past year.

"This could be a period of calm before the storm," said Basu. "With U.S. equity markets rallying, and given fears that the U.S. bond market is overbought, there is a possibility that money will come racing out of those categories and into commodities.

"Something similar to this occurred during the nonresidential materials price spike of early 2008," Basu added. "For now, the lack of robust national or global economic expansion has kept a lid on materials prices and on volatility. That formula may persist for a bit longer as investors continue to look disproportionately to U.S. financial markets for a combination of stability and return."

<http://www.abc.org/NewsMedia/ConstructionEconomics/ConstructionEconomicUpdate/tabid/270/entryid/1135/construction-materials-prices-remain-flat-in-may.aspx>

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