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CONSTRUCTION MATERIALS PRICES INCREASE BETWEEN DECEMBER AND JANUARY AND FOR THE YEAR, EVEN AS SEQUESTRATION RISKS BILLIONS IN CONSTRUCTION CUTS

Large Increases in Prices for Gypsum, Insulation, Lumber and Plywood Offset Declines in Asphalt, Steel Mill Products, and Iron Ore Cost To Boost Materials Prices 0.7 Percent for the Month, 1.3 Percent for the Year

Prices for construction materials moved higher in January, propelled by large jumps in items used in new housing and nonresidential building renovations, according to an analysis of new federal figures released today by the Associated General Contractors of America. Association officials said that contractors were paying more for materials even as the pending federal spending “sequestration” threatens to cancel an estimated \$4 billion worth of construction activity this year.

“Contractors had to contend with huge leaps in prices for gypsum, wallboard and lumber, as well as significant increases in the cost of insulation and architectural coatings such as paint,” said Ken Simonson, chief economist for the construction trade association. “Based on pump prices for diesel fuel and price announcements by various manufacturers, it is clear that costs are rising significantly higher in February.”

The producer price index for all construction inputs – what contractors pay for construction materials – rose 0.7 percent between December and January and is now up 1.3 percent compared to 12 months ago, Simonson noted. He added that bid levels for finished structure rose at comparable rates during the past year. The index for new school buildings rose 0.9 percent; new industrial construction, 1.4 percent; new office construction 1.0 percent and new warehouses, 2.9 percent.

The producer price index for gypsum products such as wallboard and plaster soared 11.8 percent in January alone and 20.4 percent over the past 12 months, Simonson noted. Lumber and plywood prices climbed 4.2 percent and 15.1 percent, respectively. Insulation prices rose 2.0 percent and 5.4 percent, while the price index for architectural coatings increased 1.1 percent and 0.5 percent.

Prices for fuel, paving and structural materials also increased for the month but were mixed over the past year, Simonson pointed out. The index for diesel fuel rose 0.7 percent in January but fell 1.0 percent from a year ago. Asphalt paving prices climbed 0.6 percent for the month and 3.7 percent over 12 months, while concrete prices increased 0.5 percent and 2.2 percent, respectively. Copper and brass mill prices rose 0.6 percent and 2.9 percent. Aluminum mill prices climbed 0.3 percent in January but inched down 0.1 percent over 12 months, while the price index steel mill products slid 0.1 percent and 8.3 percent.

Association officials cautioned that contractors are paying more for a range of key construction materials even as the looming federal spending “sequestration” threatens to cancel an estimated \$4 billion worth of publicly-funded construction projects this year. They added that a [revised analysis](#) of the impacts of the sequestration identified a host of federal construction programs that will experience significant cuts this year.

“After years of struggling to survive extremely difficult market conditions, it would be a shame to see firms close shop because Washington officials can’t solve a funding crisis of their own making, said Stephen E. Sandherr, the association’s chief executive officer.

Click [here](#) to view the January 2013 PPI table.

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