PCEA

Professional Costruction Estimators Association

Orlando, FL

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PCEA MISSION STATEMENT

The Professional Construction Estimators Association of America, Inc. has as its purpose to promote and improve the construction industry through education of the Association's membership, through the continuing education of construction professionals and craftsmen. The Association will work to define and encourage high ethical standards of conduct among its members and will promote the fraternity of the construction industry through social interaction.

THANK YOU TO EVERYONE WHO ATTENDED OUR CLAY SHOOT

OUR TOP SCORES

ENERGY AIR – 256

MECHANICAL SERVICES FL – 245

BALFOUR BEATTY – 229

UPCOMING EVENTS

to register visit our website

www.pcea-orlando.org

- **PCEA Monthly Meeting**
  March 22, 2022 – 5:30 PM
  Citrus Club, 285 S. Orange Avenue #1800, Orlando

  Attendees must register in advance.

- **Seafood on the Lake**
  April 14, 2022 – 4:30 PM
  Orange County Sportsmans Club

REPORT: MATERIALS PRICES SOARED 20% IN 2021

• Although the prices of some raw materials fell in December, costs are still sky high for contractors looking to purchase them, according to a new analysis by the Associated General Contractors of America. Overall, the price of construction materials jumped nearly 20% in 2021, the group said Thursday.

• The price index for steel mill products rose 0.2 % in December, its smallest rise in 15 months, but soared 127.2% over 12 months, according to a press release from the AGC shared with Construction Dive. The index for diesel fuel declined 5.3% for the month but increased 54.9% for the year. The index for aluminum mill shapes slid 4.9% in December but rose 29.8%over 12 months, while the index for copper and brass mill shapes fell 3.3% in December but rose 23.4% over the year.

• With an influx of new civil projects on the horizon with funding from the federal infrastructure act, contractor optimism is high for the coming year, according to a separate member survey from the AGC. The association found that 74% of surveyed firms planned to hire in 2022 despite supply chain issues and other challenges.

The producer price index for inputs to new nonresidential construction — the prices charged by goods producers and service providers, such as distributors and transportation firms — increased by 0.5% in December and 19.6% in 2021 as a whole, according to the release.

The index price for plastic construction products, for example, climbed 1.3% for the month and 34% over 12 months, according to the release. The index for lumber and plywood rose 12.7% and 17.6%.

One key issue, said the AGC in the release, is that the rising materials prices are threatening to set back a strong picture of economic growth and recovery for the construction industry and damage its outlook in 2022. In particular, the AGC asked that President Joe Biden reconsider the administration's plans to double tariffs on softwood lumber coming in from Canada, and remove mechanisms that are driving inflation of key construction materials.

"Making lumber and other materials even more expensive will not tame inflation, boost supplies of affordable housing or help the economy grow," said AGC CEO Stephen Sandherr in the release. "Instead, the administration should be removing tariffs and beating inflation."

Feeling the squeeze

Contractors have had an uphill battle dealing with price escalations throughout the course of the pandemic, and many felt squeezed from pre-pandemic contracts that lacked flexibility in regards to materials shortages and price hikes. To help mitigate this, experts recommend locking in different material price clauses into new contracts.

"Contractors have the most difficult job in America today because every decision is fraught with risk and uncertainty," Anirban Basu, chief economist for Associated Builders and Contractors, told Construction Dive.

The U.S. has butted heads with the European Union over tariffs imposed during the Trump era, but came to an agreement to ease the ones on steel and aluminum late last year. Under the two-year agreement, the U.S. lifted tariffs on a certain amount of steel and aluminum from the EU, and the EU removed billions in retaliatory tariffs on American products such as bourbon.

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THE US ECONOMY AS 2022 BEGINS

The Federal Reserve Bank of New York puts out a monthly publication called "U.S. Economy in a Snapshot," a compilation of figures and short notes about the most recently available major macroeconomic statistics.
As we take a deep breath and head into 2022, it seemed a useful time to consult pass along some these figures as as a way of showing the path of the US economy since the two-month pandemic recession of March and April 2020. Here's the path of GDP growth. It has clearly bounced back from the worse of the recession, but it still remains about 2% below the trend-line from before the recession occurred.

Part of the reason why GDP has not rebounded more fully lies in what is being called the "Great Resignation"–that is, people who left the workforce during the pandemic and have not returned. Just to be clear, to be counted as officially "unemployed" you need to be both out of a job and actively looking for a job. If you are out of a job but not looking, then you are "out of the labor force." Thus, you can see that while the unemployment rate based on those out of a job and actively looking for work is back down to pre-pandemic levels, the labor force participation rate–which combines those who have job and the unemployed who are looking–has not fully rebounded. A smaller share of the labor force working will typically translate into a smaller GDP. When or if these potential workers return to the workforce will have a big effect on the future evolution of the economy and public policy.

Meanwhile, inflation is a worry. The measure of inflation used by the Federal Reserve is called the Personal Consumption Expenditure deflator, which is preferred to the more familiar Consumer Price Index for a variety of technical reasons like broader coverage of consumer spending, although the two numbers move very much in synch. In particular, the Fed focuses on "core" inflation, which means stripping out any effects of energy and food prices. The thinking is that energy and food prices can bounce around a lot for reasons specific to those markets, so if you want to know about inflation spreading over the breadth of the economy, it's more useful to look at everything else.

What's interesting here is that inflation in prices of goods is leading the way, as opposed to inflation in prices of services.

During the aftermath of the pandemic recession, a lot of services industries were hindered by the need for greater in-person contact. Thus, while consumer spending on both goods and services has bounced back, the bounceback has been bigger for goods. If inflation can be roughly defined as too much money chasing too few goods, the demand in the economy has been chasing goods with more enthusiasm than it has been chasing services.

The patterns of real investment in the economy are not unexpected, but they are vivid. Business investment in equipment has spiked back to pre-pandemic levels. One suspect that a certain share of this equipment is what was needed for much greater online interaction.
However, business investment in structures has dropped a lot. With vacancies in business real estate apparent everywhere, the reasons to build more have diminished quite a bit.

On the residential side, there has been a boom in new building. One consequence of the aftermath of the pandemic is that a lot of what was formerly classified as "residential" real estate was quickly repurposed as, in effect, "commercial" real estate that was a common workplace. My suspicion is that this change is causing a lot of people to rethink their residential space: if it's also going to be a workspace for extended periods, then maybe just planning to drop your laptop on the kitchen table is not a sufficient solution.

In the area of international trade, imports have bounced back, while exports have not. I haven't seen a fully satisfactory breakdown of why this is so, but one reason is related to the resurgence in purchases of goods just mentioned–including goods with an imported component. Also, "imports" is a category that includes foreign tourism: that is, a US tourist buying German-made goods and services while visiting Germany is viewed as "importing" those goods, while a Japanese tourist buying US goods and services while visiting the US is counted as buying US exports. A surge of overseas US travel helped increase US imports, but there has not been a corresponding surge of tourists coming to the US.