

Building Materials Prices Post Record Year-To-Date Increase through October | Eye On Housing

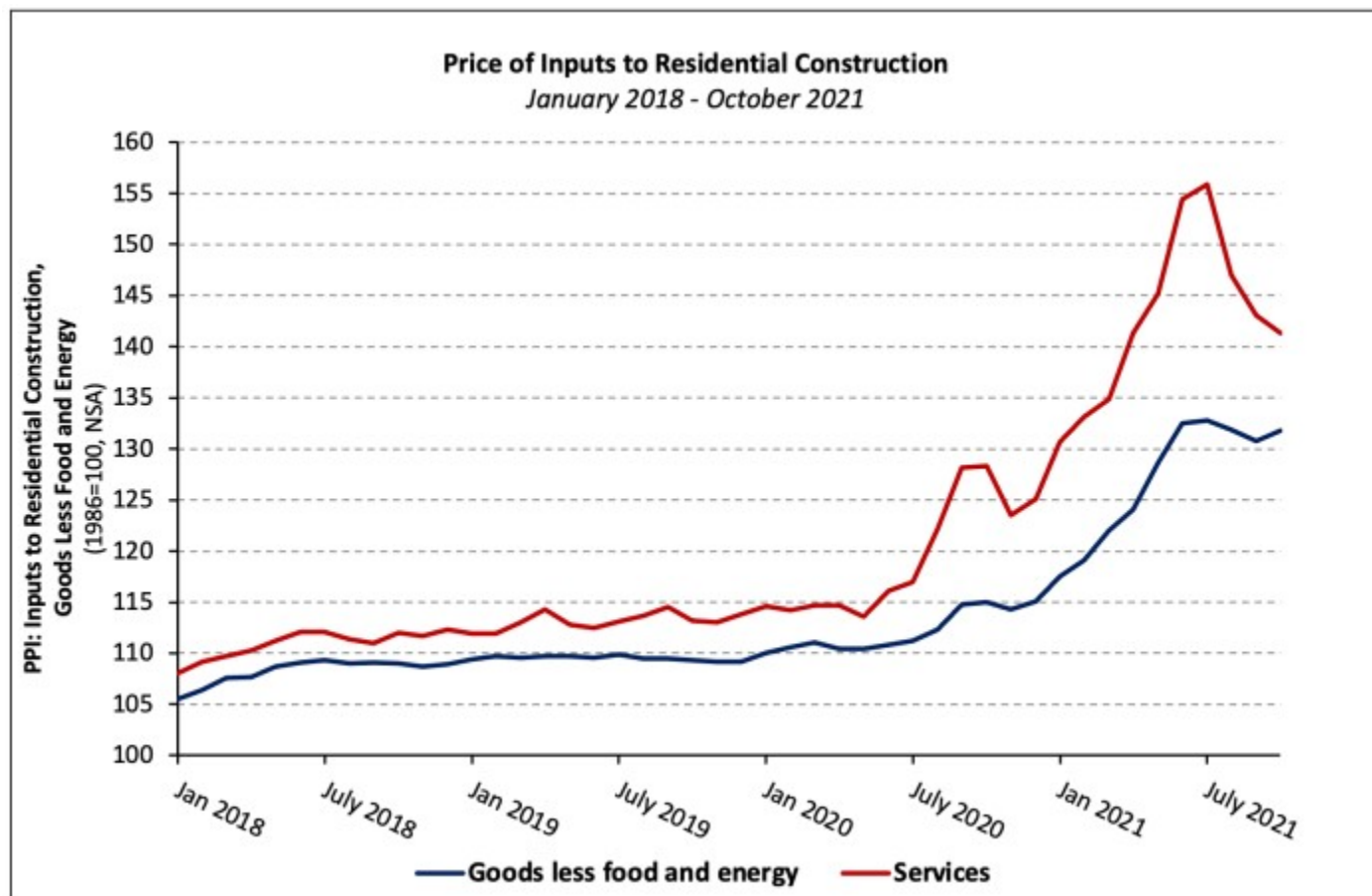
By David Logan

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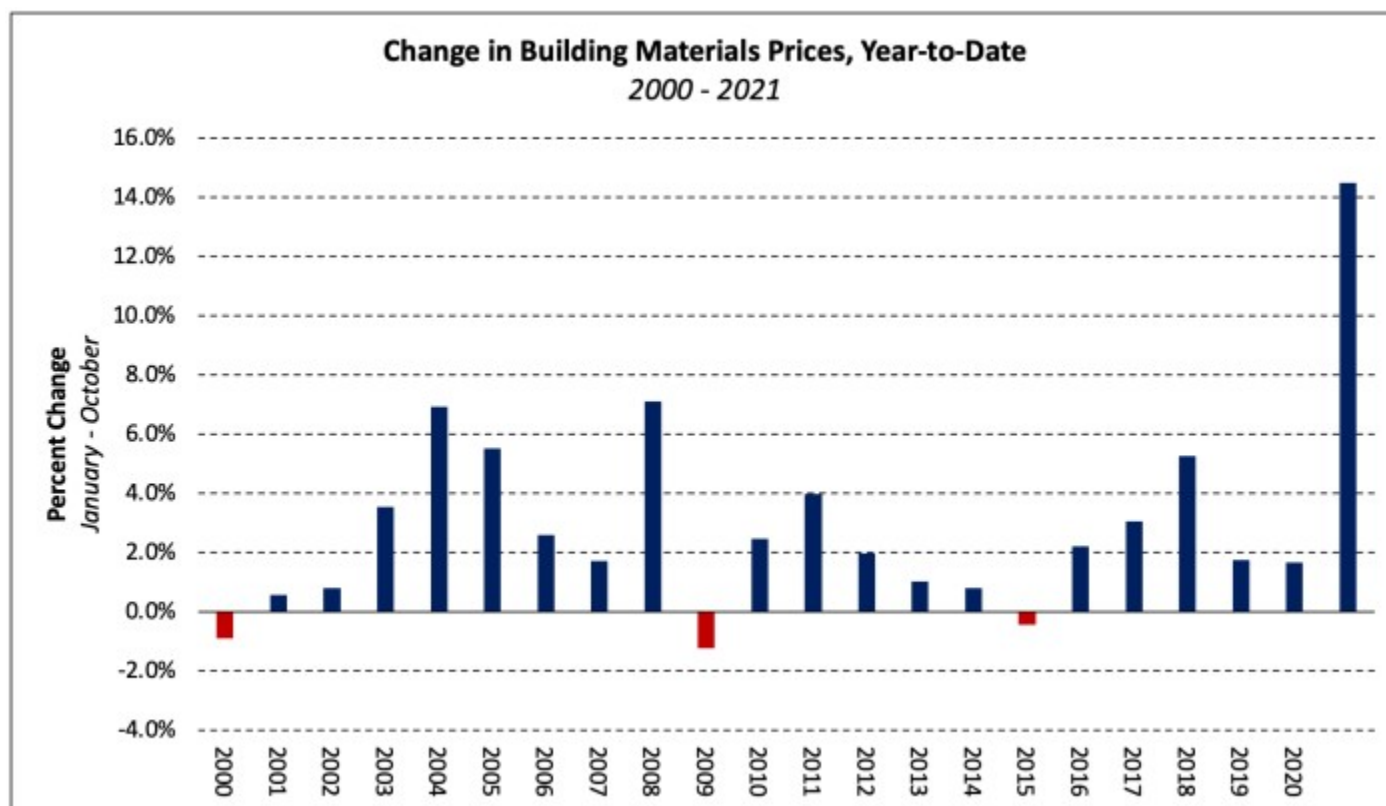
on [November 9, 2021](#) •

The prices of goods used in residential construction ex-energy climbed 0.8% in October (not seasonally adjusted), according to the latest Producer Price Index (PPI) [report](#) released by the Bureau of Labor Statistics. The increase comes on the heels of two consecutive monthly declines largely driven by steep declines in lumber and plywood prices. The price index of services inputs to residential construction decreased 1.3% in October as a reduction in the gross profit margins of wholesalers and retailers outweighed continued increases in transportation, warehousing, and professional services.

Building materials prices have increased 12.2% year-to-date after climbing 4.5% over the same period in 2020. In contrast, the price index of services inputs to residential construction has increased less in 2021 (+8.1%) than it did over the first 10 months of 2020 (+12.0%).



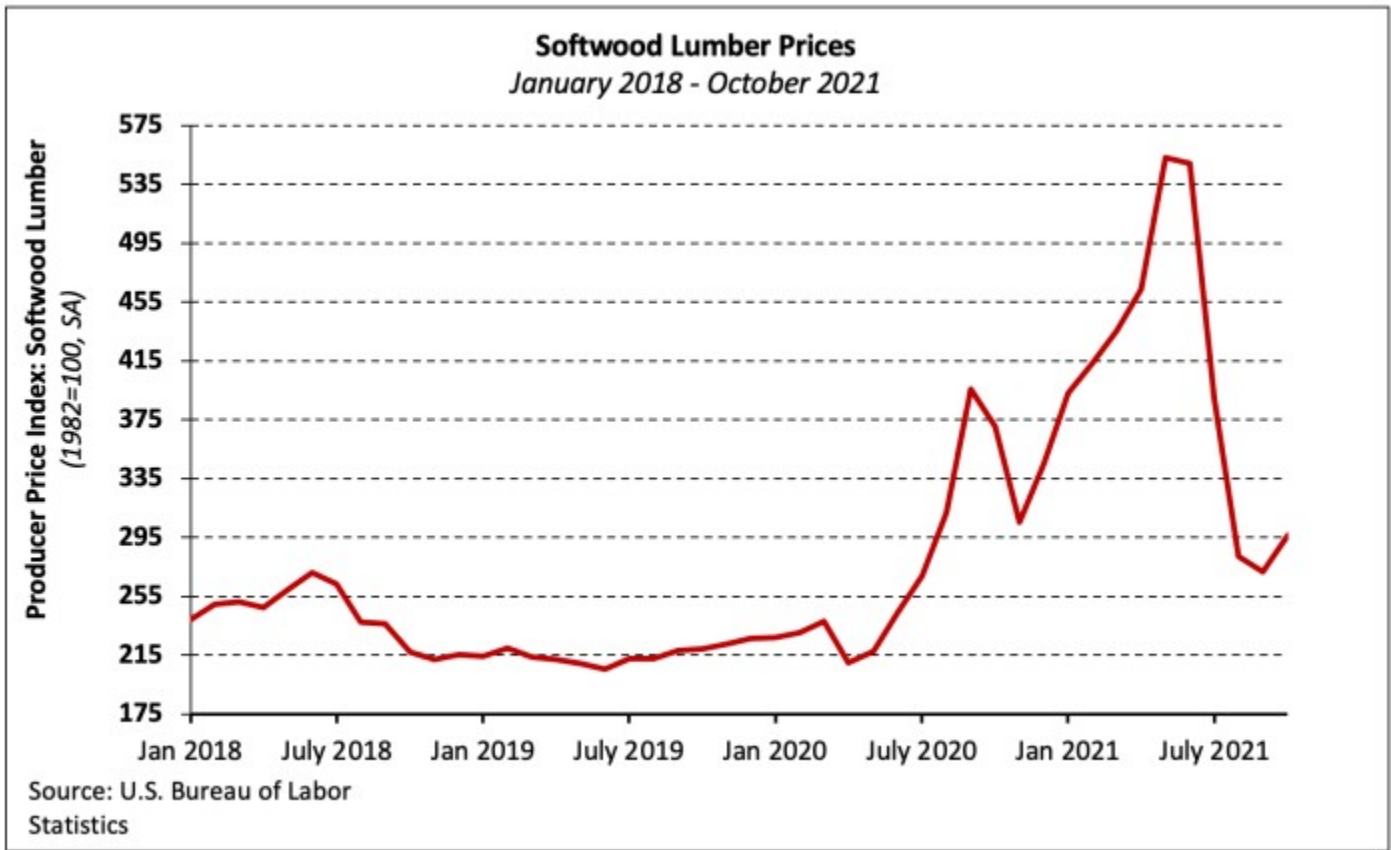
The price of all goods inputs to residential construction (including energy) has risen 14.5% thus far in 2021, climbing more than eight times faster than over the first 10 months of 2020. The year-to-date increase is double that of the previous year-to-date October increase (+7.1% in 2008).



Goods

Softwood Lumber

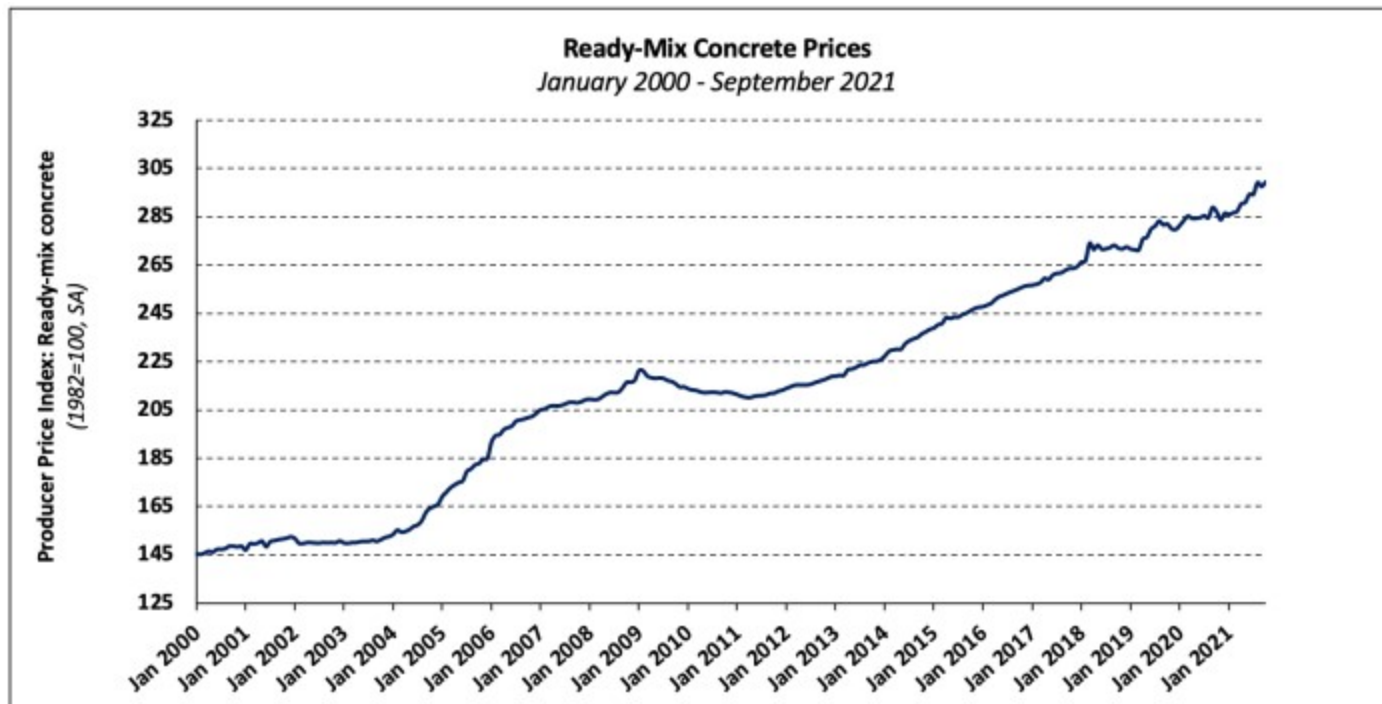
The PPI for softwood lumber (seasonally adjusted) increased 9.1% in October—its first monthly increase since May. The index had declined by more than half over the four months prior but, as was noted in last month's [PPI post](#), the recent trend of cash prices “[suggested] the softwood lumber PPI [would] increase in October.”



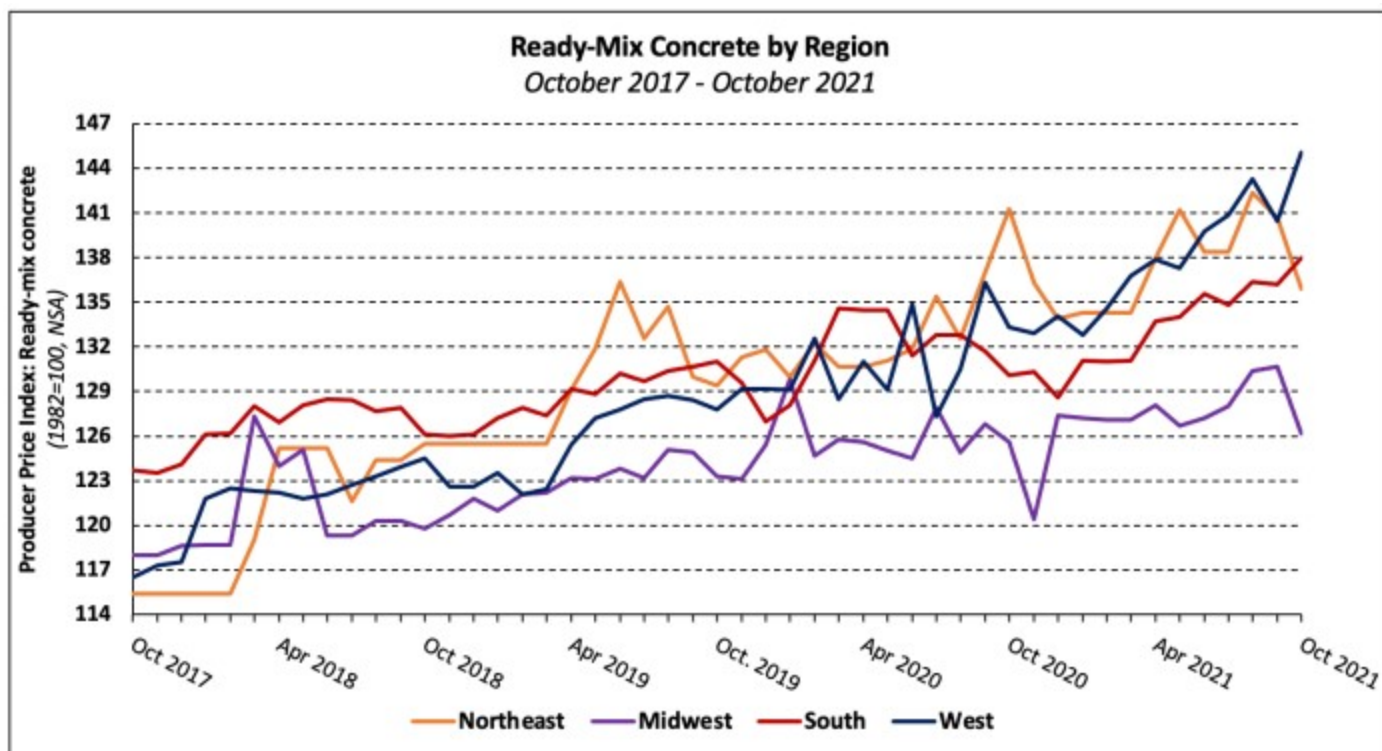
The PPI of most durable goods for a given month is largely based on prices paid for goods shipped in the survey month. This can result in lags relative to cash market prices during periods of long lead times.

Ready-Mix Concrete

The PPI for ready-mix concrete (RMC) gained 0.6% in October after falling 0.5% in September. The index for RMC has risen 6.4% since January 2020 and 4.8% YTD—the largest year-to-date increase in October since 2006.

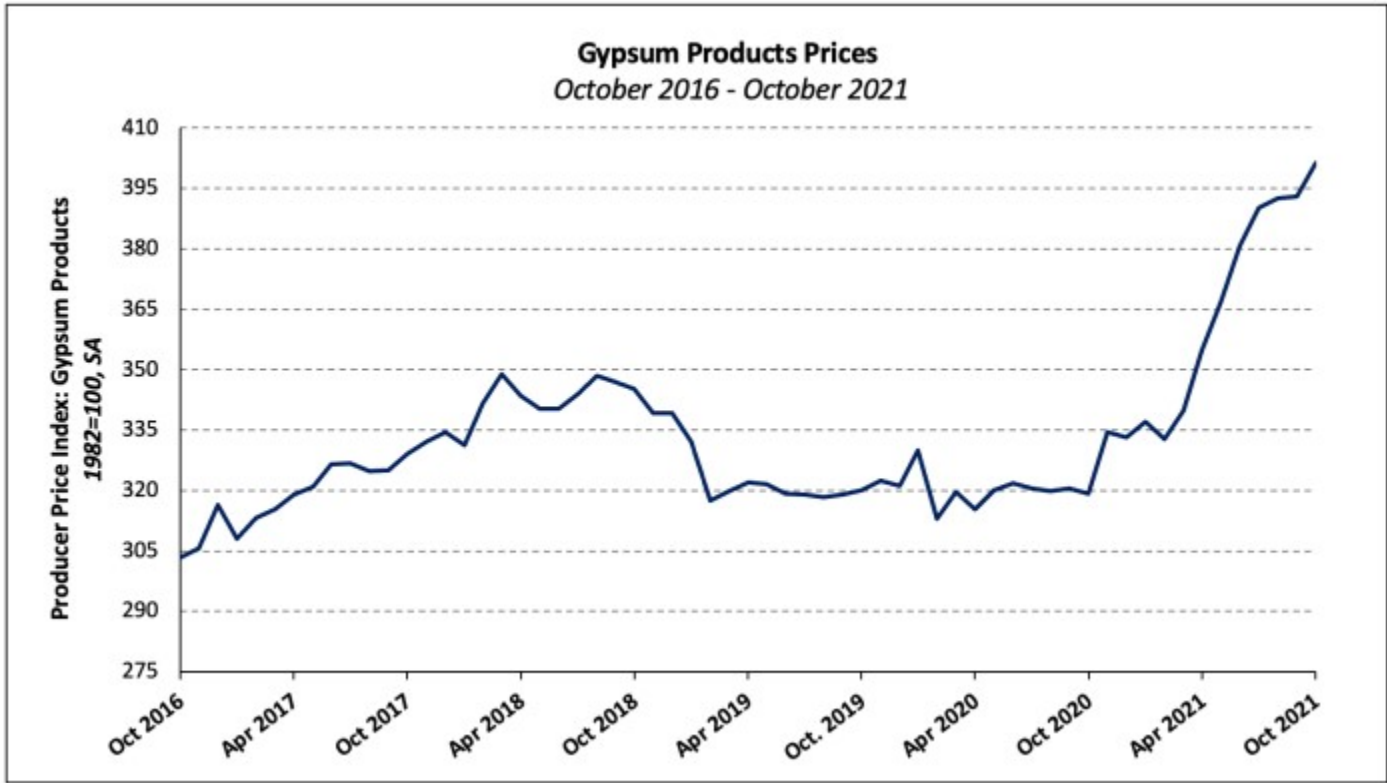


At the regional level, prices decreased in the Northeast (-3.4%) and Midwest (-3.4%) while prices edged higher in the South (+1.3%) and West (+3.3%) regions.

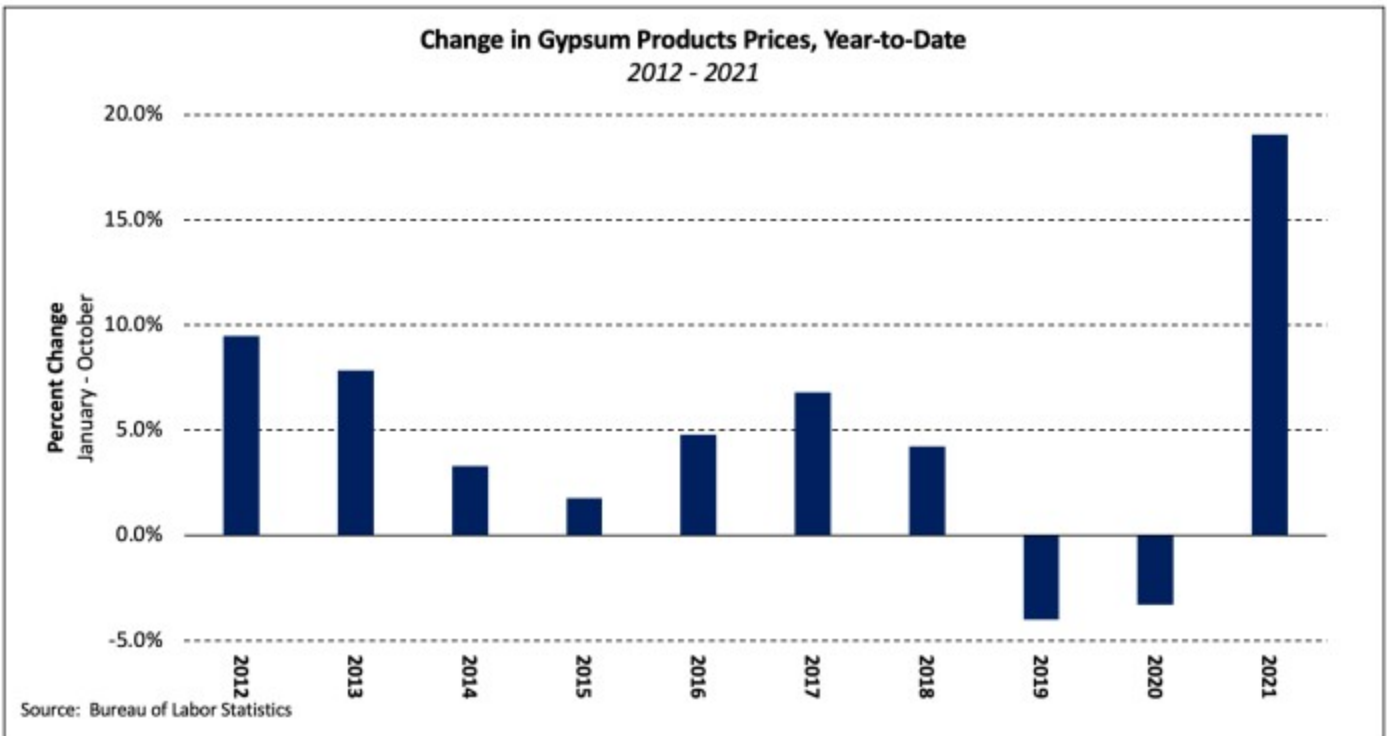


Gypsum Products

The PPI for gypsum products increased 2.1% in October—the eighth consecutive monthly increase. Although gypsum products prices fell 3.3% between January and October 2020, the index has increased 25.7% in the months since.

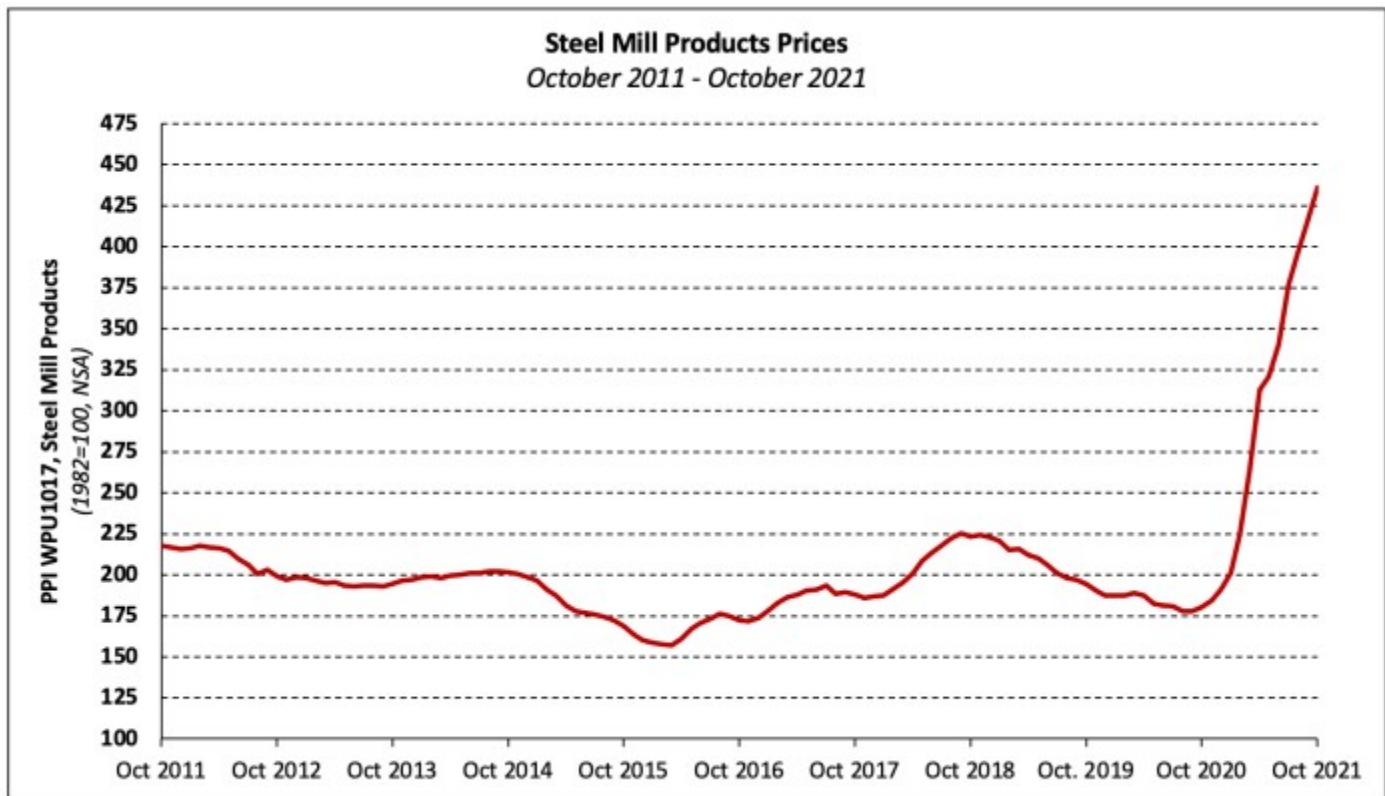


Gypsum products prices are up 19.0%, year-to-date, by far the largest October YTD increase since seasonally adjusted data became available in 2012.



Steel Products

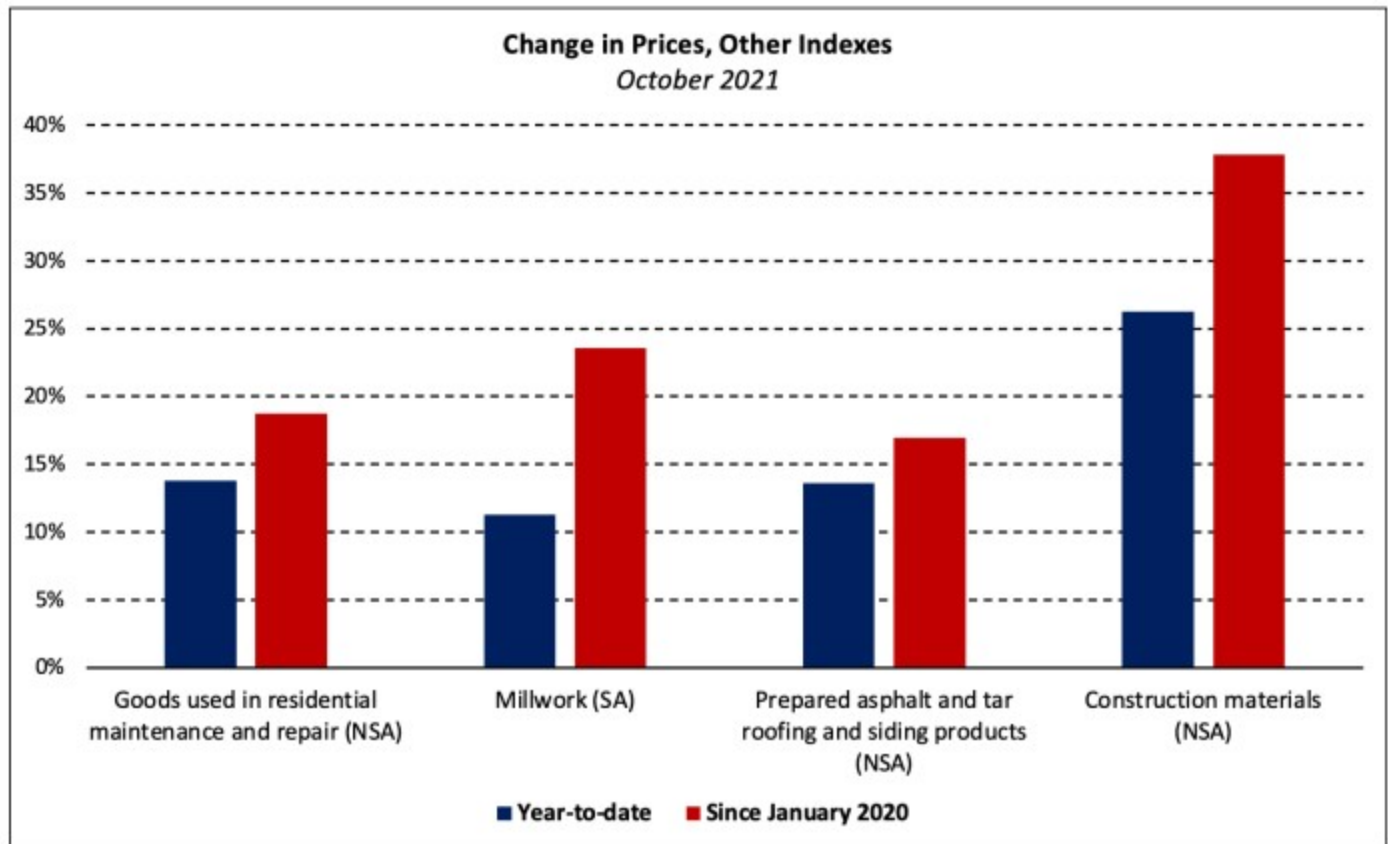
Steel mill products prices climbed 4.8% in October following 5.0% and 5.1% increases in August and September, respectively. Since its last decline in August 2020, the index has climbed 145.6% and prices have risen 116.9% in 2021, year-to-date.



The monthly change in the steel mill products PPI increased by more than 10% only three times (in 1947, 1948, and 2008) over the 80-year period ending in 2020. Monthly increases have exceeded that mark four times in 2021.

Other Building Materials

The chart below shows the 12-month and year-to-date price changes of other price indices relevant to the residential construction industry.



With the recent passage of the [Infrastructure Investment and Jobs Act](#) (a.k.a. the Bipartisan Infrastructure Bill), the Construction Materials index is particularly salient. This index, which has increased 26.3% year-to-date and 37.8% since January 2020, is much more heavily weighted with products used in large amounts in the production of “traditional” infrastructure (e.g., roads, bridges, rail).

Services

The price of services used as inputs to residential construction decreased for the fourth consecutive month in October and has fallen 10.5% over that period. The decline can be attributed to a 14.6% drop in the relevant wholesale and retail indexes which together [account for roughly two-thirds](#) of the PPI for “inputs to residential construction, services.”

The trade services PPI measures changes in the nominal gross margins for goods sold by retailers and wholesalers. Unsurprisingly, hardware and building materials retailers account for most of the trade services included as residential construction inputs. The PPI for building materials retailers decreased 2.6% in October, although nominal gross margins for building materials wholesalers increased 4.8%.

Tags: [Gypsum](#), [lumber](#), [ppi](#), [ready-mix concrete](#), [steel](#)