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SURGING FUEL, ASPHALT, STEEL COSTS 'CLOBBER' CONSTRUCTION BUDGETS, AGC SAYS

Economist Simonson Warns of Additional Increases for Gypsum, Aluminum, Plastics

Washington, D.C.--"Surging prices for diesel fuel, asphalt, steel and other materials are clobbering construction budgets," Ken Simonson, Chief Economist for The Associated General Contractors of America (AGC), said today. Simonson was commenting on the producer price index (PPI) for June reported today by the Bureau of Labor Statistics (BLS).

The PPI for inputs to construction industries--materials used in all types of construction plus items consumed by contractors, such as diesel fuel--surged 10.4 percent over the past 12 months. The index for highway and street construction leaped 18.9 percent.

"Bad as those figures sound, the increases in asphalt and steel costs have been even worse since these prices were collected in mid-June," Simonson asserted. "In the first two weeks of July, asphalt prices have jumped by 40 percent in several parts of the country. Prices for rebar--steel used to reinforce concrete in highways, bridges and buildings--soared \$200 per ton."

Regarding diesel fuel, the Energy Information Administration reported last night that the average price of highway diesel hit a new record of \$4.76 per gallon, up 12 cents just in the past two weeks. "These figures won't show up in the PPI until next month, but contractors are paying them now," Simonson noted.

"Suppliers have been announcing price increases for many other products as well," Simonson added. "Yesterday, two gypsum makers told contractors that wallboard prices would rise at

double-digit rates in each of the next three months."

In the futures markets, aluminum has been setting records, while natural gas has doubled in price from a year ago. That has triggered jumps in the cost of construction plastics--such as polyvinyl chloride pipe, insulation and flooring--that use natural gas as a feedstock.

"Unless Congress passes additional funding in the next few weeks to keep highway construction funds flowing, many states will stop awarding contracts," Simonson warned. "Other public agencies, as well as private owners, must adjust their budgets promptly to reflect the new price realities for construction."

The Associated General Contractors of America (AGC) is the largest and oldest national construction trade association in the United States. AGC represents more than 33,000 firms, including 7,500 of America's leading general contractors, and over 12,500 specialty-contracting firms. More than 13,000 service providers and suppliers are associated with AGC through a nationwide network of chapters. Visit the AGC Web site at www.agc.org.

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