

ABC: We Might Have Reached Peak Inflation

Construction materials prices in June were up 20% from a year ago.

By Paul Bergeron

Contractors and their customers might have seen the peak in materials prices, according to the Associated Builders and Contractors (ABC) analysis of US Bureau of Labor Statistics' Producer Price Index data released this week.

"The global supply chains are readjusting to disruptions caused by the Russia-Ukraine war," according to ABC chief economist Anirban Basu, in prepared remarks.

Construction input prices increased 1.9% in June compared to the previous month and 20.1% compared to the previous year.

Non-residential construction input prices were up 1.8% and 20.3%, respectively.

Moving downward, at least this week, are oil prices, which dipped below \$100 per barrel. Natural gas prices also have fallen.

Decline in Profit Margin Expectations

"It's no secret that contractors and their customers have been walloped by massive increases in construction materials prices," Basu said.

"That inflation continued through June, as reflected in the decline in profit margin expectations seen in the most recent reading of ABC's Construction Confidence Index. But more recently, key commodity prices have declined, so it may be possible we have achieved peak inflation.

"Indeed, with much of the world at risk of recession, there is likely to be further downward pressure on commodity prices going forward.

"The war creates an ongoing risk of sudden spikes in certain commodity prices, but we appear to be entering a new phase in input price trajectory."

On a monthly basis, input prices were down in four of 11 subcategories in June, with the largest decline registered in the softwood lumber category (-24.8%).

All three energy subcategories experienced price increases, with natural gas prices rising 24.3% for the month.