

Steel Prices Down; Hard to Predict '09 Construction

Editor's Note: The following article was taken from information by Kenneth Simonson, Chief Economist, The Associated General Contractors of America, November 2008.

"Domestic hot-rolled (steel) prices that peaked at around \$1,080 a ton in August are now swimming at below \$800 a ton, some say below \$700 a ton," www.econoplay.com reported. In addition, "deliveries from the mills that normally stretch over a month suddenly showed up in one week," one steel service center told the e-newsletter.

Nevertheless, "more than half a dozen (states) have passed their own economic stimulus packages designed to reinvigorate local business with new construction, loans to hometown banks and other job-creating activities." www.Stateline.org reported. "The governors of New Jersey and California have summoned lawmakers back to their state capitols to take up their governors' economic stimulus packages. Florida, Ohio and Vermont passed plans earlier this year. And the governors of Oregon, Washington and Wisconsin are pitching their ideas for legislators to on in January....California Gov. Arnold Schwarzenegger (R) wants to get a jump on transportation construction next year by using next year's bond proceeds now. Ohio voters approved the final piece of the state's \$1.6 billion stimulus package, when 70 percent of them approved on November 4 \$400 million in bonds for environmental clean-ups. But just two months ago, states could barely sell their bonds on the open market....Since that scare, though, there's been a "sea change" in the bond markets, and states have once again been able to sell their debt," the e-newsletter said, quoting Sujit CanagaRetna, senior fiscal analyst for the Council of State Governments.

"It's hard to find a pulse in this year's batch of construction industry forecasts for 2009," Engineering News-Record reported on November 13. "McGraw Hill-Hill Construction (of which ENR is part) is forecasting a 7.4% decline in construction starts in 2009, following

declines of 12.4% this year and 8.0% in 2007. The U.S. Dept. of Commerce forecasts a 7.5% decline in total new construction put-in-place in 2009, following this year's 6.3% decline. The Portland Cement Association looks for construction put-in-place to fall 13.9% in 2009, after adjusting for inflation. FMI Corp. anticipates a 7.4% decline in total construction work next year. The National Association of Home Builders calls for housing starts to post their fourth consecutive year of double-digit declines, with another 16.2% drop in 2009."

Organizations representing governments have been surveying members to document the large number of construction and other projects "ready to go" if funding becomes available. The U.S. Conference of Mayors recently put out a 222 page report listing nearly 4,600 infrastructure projects submitted by 153 cities that said it would cost a total of \$24 billion and created 256,000 jobs "in metro areas" (www.usmayors.org/mainstreetstimulus). The American Public Works Association (www.apwa.net) released a survey of its members-mainly local public works agencies-that "identified more than 3,600 public works projects in localities, with a funding need totaling more than \$15 billion....Funding these projects, just a sample of the identified local need, would generate approximately 532,794 jobs."

Reports were mixed at the time of this printing with regard to power construction, a market that grew 33% in the first nine months of 2008, according to Census's November 3 construction spending report. "Pennsylvania regulators yesterday approved the construction of a controversial high-voltage power line through part of the state....construction will probably begin before January....on the 1.3 billion, 250-mile line...." However, the Public Service Commission of Wisconsin's three commissioners unanimously rejected a 41.26 billion expansion of the Nelson Dewey Generating Facility located in Cassville, Wisconsin.

