



# THE PULSE

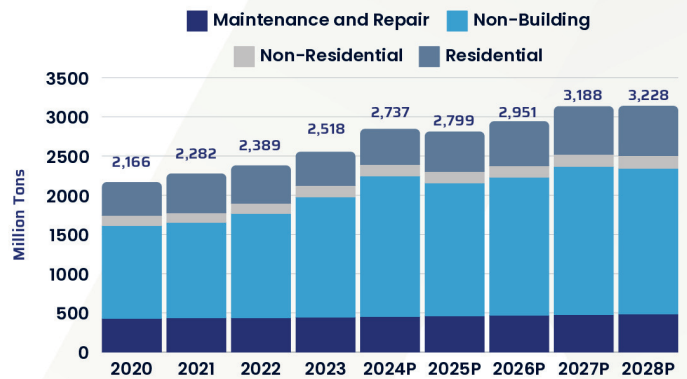
By Allen-Villere Partners

## THE PULSE: CONSTRUCTION MATERIALS MARKET ANALYSIS

- The Federal Reserve has held rates steady for just over a year now, at 5.3%, and a 50 basis point cut took place in mid-September, beginning what will no doubt be a string of regular cuts in the months ahead.
- The current annual inflation rate decreased to 2.5% in August from 2.9% in July. This is the lowest since February 2021. However, prices are still 21.2% more expensive since the pandemic in February 2020. A return to 2% is not expected until 2026. The Consumer Price Index (CPI) increased slightly in August, up 0.2% and up 2.5% over the last 12 months
- The continuation of inflated housing prices, the presidential election, and the pace of the Fed's rate cuts are all things to watch in the months ahead as they will have a significant impact on the overall economy
- Both Concrete Products and Construction Aggregates prices held steady this month, after consistent increases over the past year
- ABC's Construction Backlog Indicator declined to a most recent monthly reading of 8.2 months in August 2024 from 8.4 months in July. This is down 1.0 months from August 2023, which was 9.2 months
- The Infrastructure Investment and Jobs Act has provided a safety net to the Construction Materials industry by increasing infrastructure investments which will help offset the slowdown in residential construction that was driven by higher interest rates and a slowing overall economy

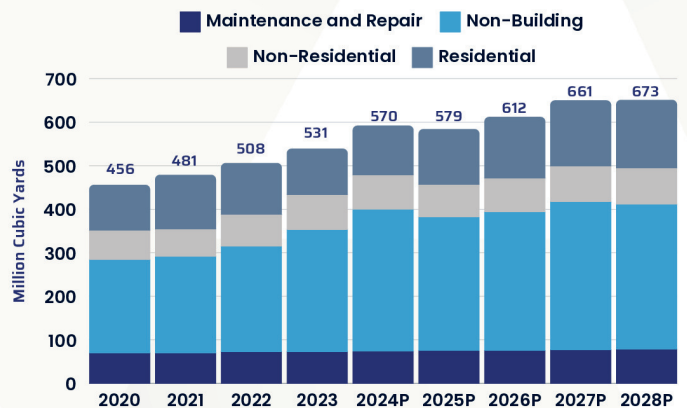
## CONSTRUCTION AGGREGATES U.S. DEMAND

Source: Dodge Data and Analytics



## READY MIX CONCRETE U.S. DEMAND

Source: Dodge Data and Analytics



# AVP PULSE INDEX

Measuring the Trend in the Construction Materials Industry

**-0.4%**

AVP Pulse Index dropped -0.4% month-over-month, while increasing +3.5% year-over-year, and up +14.0% over the past 36 months



## DODGE DATA MOMENTUM INDEX

**+2.9%**

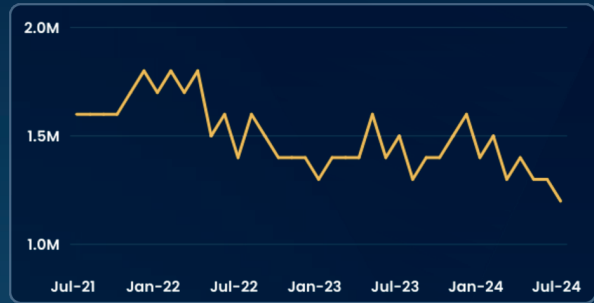
Monthly Project Planning rose +2.9%, while yearly Project Planning increased +23.8%



## HOUSING STARTS

**-6.8%**

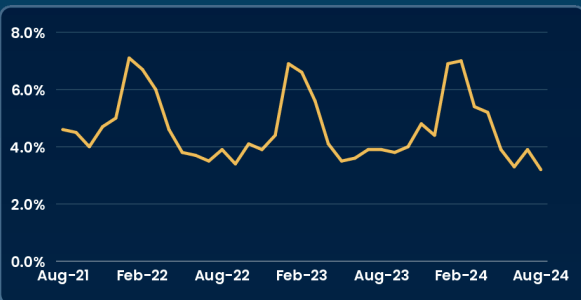
Monthly Housing Starts dropped -6.8%, while yearly Housing Starts decreased -16.0%



## CONSTRUCTION UNEMPLOYMENT RATE

**-0.7%**

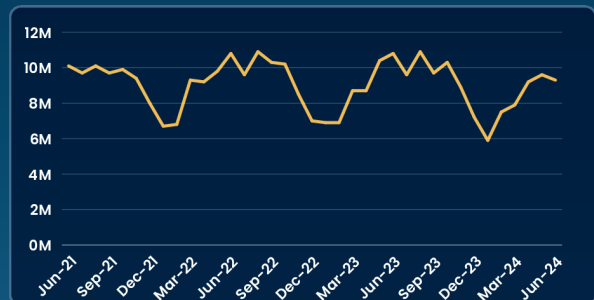
Monthly Construction Unemployment dropped -0.7%, while yearly Construction Unemployment decreased -0.7%



## U.S. CEMENT CONSUMPTION

**-2.3%**

Monthly Cement Consumption dropped -2.3%, while yearly Cement Consumption decreased -13.2%



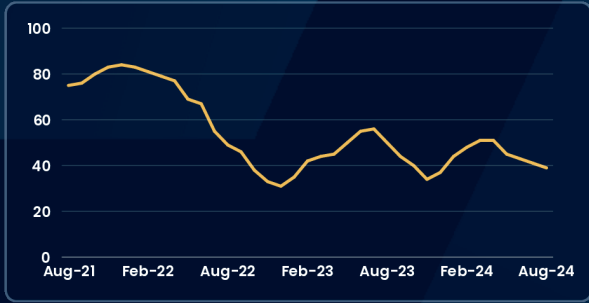
### CONSTRUCTION CONFIDENCE INDEX (AVG)

**-4.5%** Monthly Construction Confidence dropped -4.5%, while yearly Construction Confidence decreased -8.8%



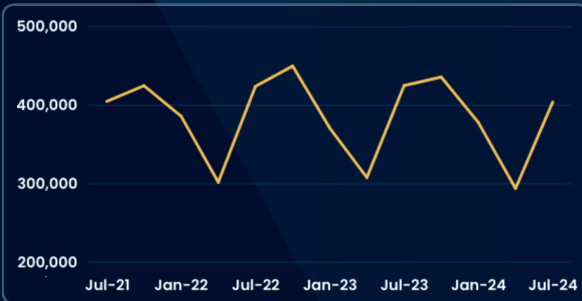
### NAHB/WELLS FARGO HOUSING MARKET INDEX

**-2.0%** Monthly Housing Market Index dropped -2.0%, while yearly Housing Market Index decreased -11.0%



### DOMESTIC CRUSHED STONE CONSUMPTION

**+37.4%** Domestic Crushed Stone rose +37.4% in Q4, while decreasing -4.9% year-over-year



### DOMESTIC SAND & GRAVEL CONSUMPTION

**+37.4%** Domestic Sand & Gravel dropped -27.2% in Q4, while decreasing -1.2% year-over-year



### PPI: CONCRETE PRODUCTS

**-0.2%** Monthly Concrete Products PPI dropped -0.2%, while yearly Concrete Products PPI increased +4.3%



### PPI: CONSTRUCTION SAND, GRAVEL, & STONE

**+0.1%** Monthly Construction S,G,&S PPI rose +1.0%, while yearly Construction S,G,&S PPI increased +7.7%



### TOTAL CONSTRUCTION SPENDING

**-0.3%** Monthly Construction Spending dropped -0.3%, while yearly Construction Spending increased +6.7%



### CONSTRUCTION BACKLOG INDICATOR

**-2.4%** Monthly Construction Backlog dropped -2.4%, while yearly Construction Backlog decreased -10.9%





## ARCHITECTURE BILLINGS INDEX

**+3.9%**

Monthly Architecture Billings rose +3.9%, while yearly Architecture Billings decreased -3.6%



## INDUSTRY STOCKS AVERAGE PRICE

**+4.4%**

Monthly Industry Stocks Average rose +4.4%, while yearly Industry Stocks Average increased +43.6%



## PIERRE VILLERE'S MARKET ASSESSMENT

In the latest update on the construction materials industry, the AVP Pulse Index experienced a noticeable drop of -0.4% for the month, punctuating the recent trend of a flattening line in the Index. Nevertheless, it continues to gain ground with steady, but not overly strong, year-over-year growth of 3.5%, down from 3.8% last quarter. Over the past 36 months, the index increased 14.0%; this stands in contrast to this same period last year, when the 36-month lookback showed a growth rate of 21.8%.

After a first quarter with big increases in cement consumption, the second quarter showed a slowdown in cement shipments with a 2.3% decrease in monthly consumption, but this is expected after a torrid 28.9% increase in the first quarter, and a 10.3% increase year-over-year. A period of breath-catching is to be expected, especially as backlogs shrink against the backdrop of still-high interest rates, despite signals of reductions from the Fed.

Just as in the first quarter, strong showings in the Dodge Data Momentum Index and the Architectural Billings Index portend a positive outlook for the foreseeable future. These forward-looking indices reflect expectations of an improved construction environment in the months and years ahead. But some of the inputs into the Index were a drag on the second quarter results as was to be expected, as indices with big drops such as the Construction Confidence Index, the NAHB/Wells-Fargo Housing Market Index, and Housing Starts all served to push the Index into negative territory for the quarter. A silver lining on the slowdown in the Index, and a keen indicator of the future, is that Industry Stocks have continued to stay strong, gaining another 4.4% in the quarter. The continuously upward trend in this one indicator tells us the markets remain bullish on the greater construction economy as expectations for another strong year in 2025 are widely anticipated by Wall Street.

As we stated in our first quarter report, Allen-Villere Partners continues to remain bullish on the construction materials industry for the foreseeable future, buoyed by strong demand fueled by increasing federal outlays for construction projects under the Infrastructure Investment and Jobs Act (IIJA), the CHIPS Act, and the Inflation Reduction Act. Against this backdrop, coupled with the industry's resilience and positive indicators such as pricing strength and sustained construction spending, the outlook remains favorable. What has added to this sentiment is the reality that interest rates really are coming down now, and we expect that will boost housing starts and commercial construction that has been sidelined by the interest rate environment. As we stated before, falling rates will unleash pent-up homebuyers, anxiously sitting on the sidelines, and they will come flying off the benches in droves. Likewise, commercial construction also hindered by high interest rates will surely experience a resurgence.

It is worth repeating that the AVP Pulse Index is a trend measure, like an arrow, albeit a crooked one; it points up or down depending on the direction of the construction industry. As stated above, the outlook is for continued growth and profitability for our industry based on the trailing trends and the overall positive direction of the Index over the past 36 months.

## CASE-SHILLER NATIONAL HOME PRICE INDEX

**+0.5%**

Monthly National Home Prices rose +0.5%, while yearly National Home Prices increased +5.4%



## ABOUT ALLEN-VILLERE PARTNERS

Allen-Villere Partners ("AVP") is the premier mergers & acquisition advisors and valuation services firm to the construction materials industry, focused exclusively on the ready-mixed concrete, construction aggregates, concrete products, and asphalt industries. For over 40 years, AVP has developed a special emphasis on representing the independently owned, middle-markets companies that play such a key role in the competitive landscape of construction materials. With over 60 years in combined experience and highly specialized, industry-specific skills, Allen-Villere Partners has a national reputation for excellence in its client representation.

Pierre G. Villere serves as president and senior managing partner of Allen-Villere Partners. He has a career spanning almost five decades, and volunteers his time to educating the industry as a regular columnist in various publications and through presentations at numerous industry events.

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