

NGA GLASS CONFERENCE™ ISLE OF PALMS | CHARLESTON

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10 Industry Metrics You Should be Watching

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10 Industry Metrics

- Overall economy
- Supply chain
- Employment
- Construction market



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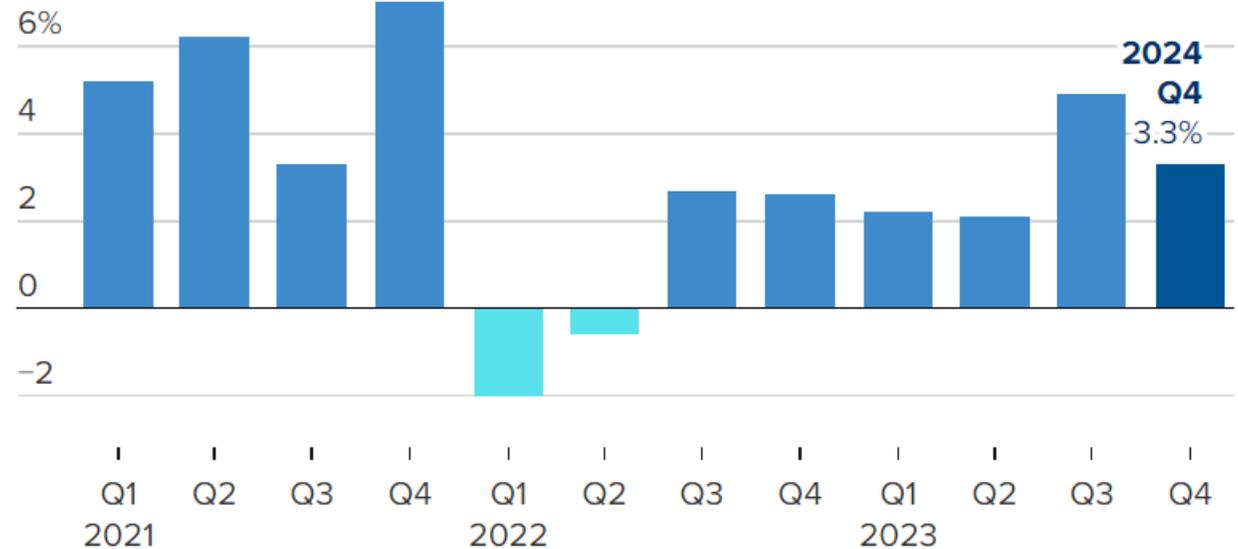
GDP

Did the U.S. manage a soft landing?

- Q4 GDP rose **3.3%** (coming on the heels of 4.9% uptick in Q3 GDP)
- Overall 2023 GDP grew at **3.1%** rate, up from less than 1% in 2022
- Forecasts point to continued growth (albeit slower) in Q1 2024

“Forecasters entered 2023 expecting the Federal Reserve’s aggressive campaign of interest-rate increases to push the economy into reverse. Instead, growth accelerated.”
– NYT, Jan. 25, 2024

U.S. real gross domestic product
Percent change from previous quarter



Note: Seasonally adjusted annual rate

Source: [U.S. Bureau of Economic Analysis](#) via FRED

Data as of Jan. 25, 2024

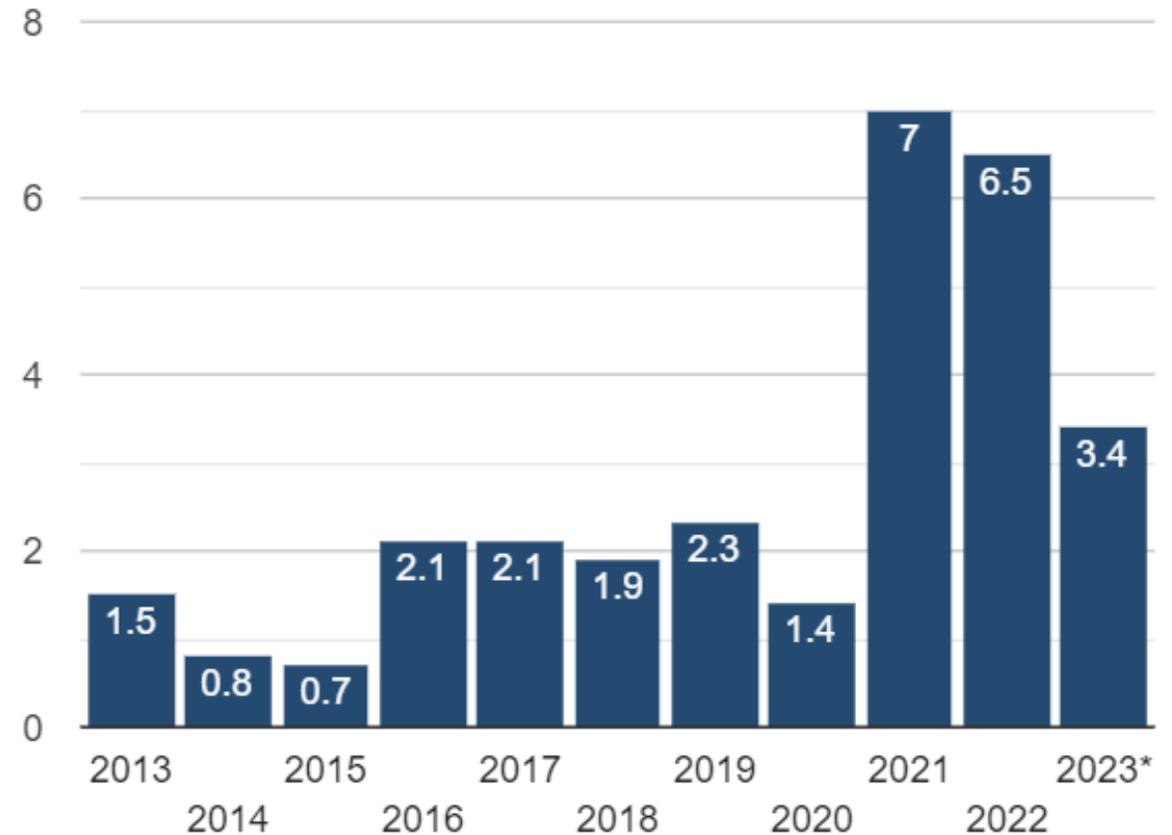
Inflation

Still up, but falling

- Overall inflation declined from 9.1% in June 2022 to **3.4%** in December 2023.
- Energy inflation is down **41.6%** to **-2.0%**
- Private sector forecasters expect inflation to drop below **2.5%** in 2024, according to the Federal Reserve Bank of St Louis.

“Over the 6 months ending in October, core inflation ran at an annual rate of 2.5%, and while the lower inflation readings of the past few months are welcome, that progress must continue if we are to reach our 2% objective.” – Fed Chair Jerome Powell, Jan. 3, 2024

Chart: United States Annual Inflation Rates (2013 to 2023)

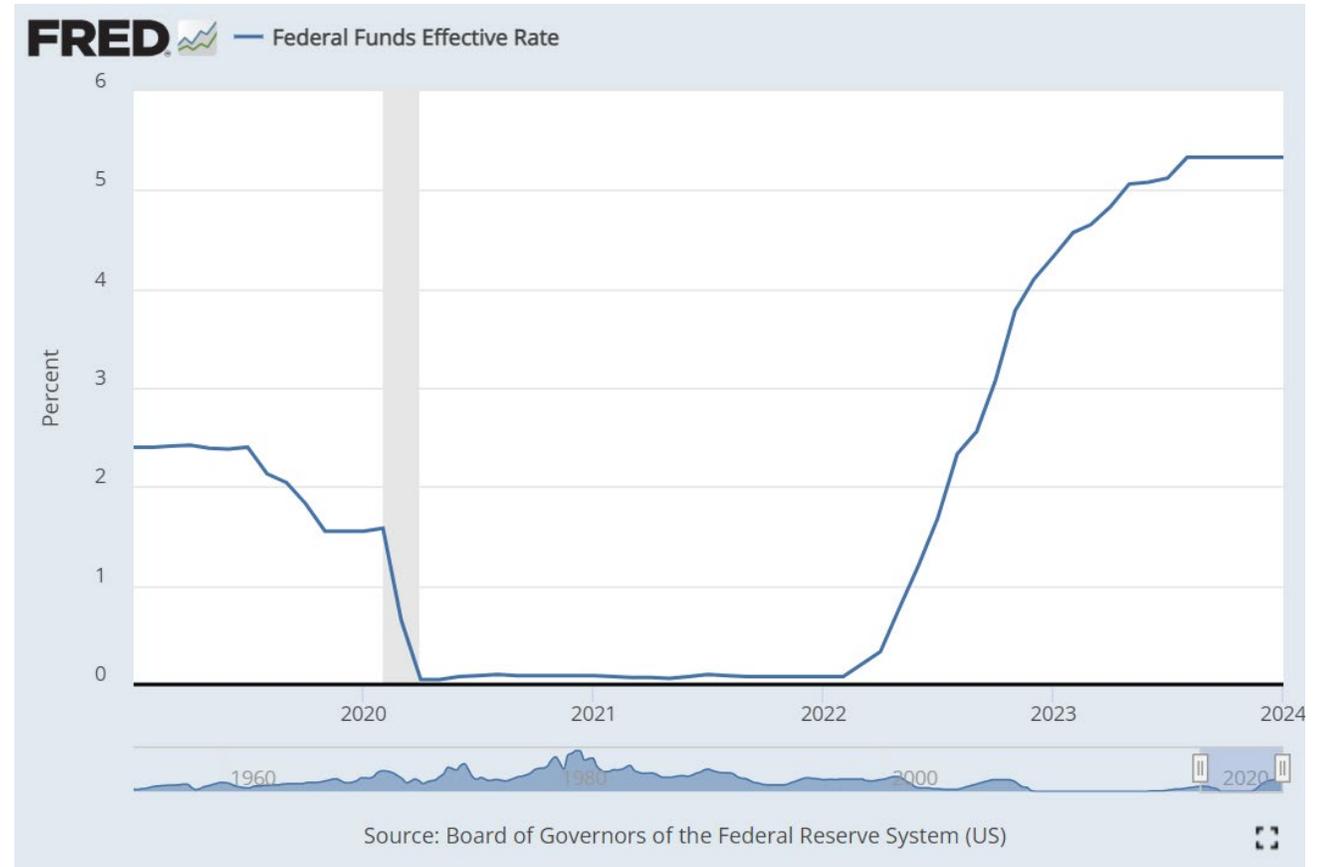


Interest Rates

Holding until inflation comes down

- Federal Reserve holding benchmark borrowing rate in a range between **5.25%-5.5%**
- Unlikely to cut rates in March
- However, mortgage rates are edging down. Average mortgage rate was **6.6%**, down from the recent peak of nearly **8%** at the end of last year

“Powell vowed in an interview aired Sunday that the central bank will proceed carefully with interest rate cuts this year and likely will move at a considerably slower pace than the market expects.”—CNBC, Feb. 2, 2024



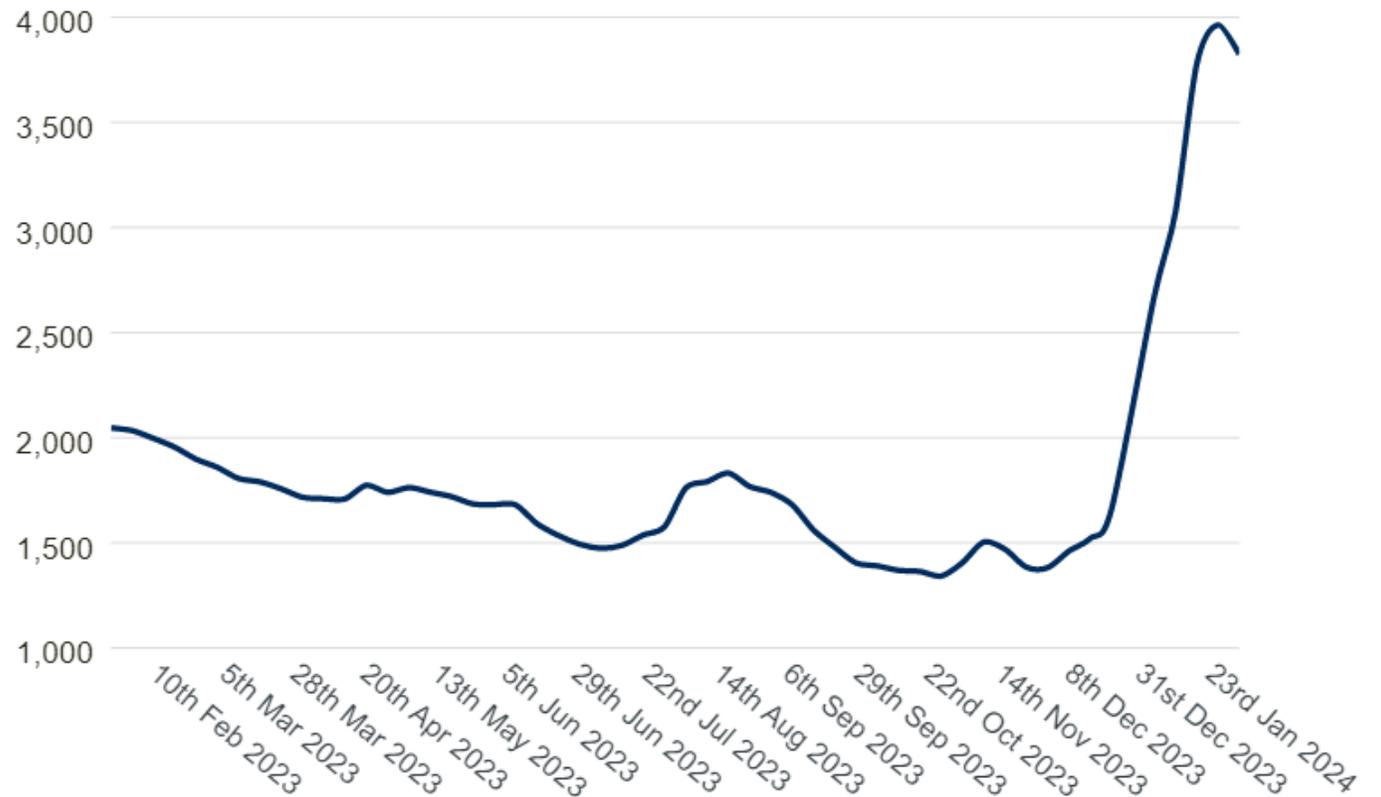
Supply Chain

Back to normal until recent Red Sea attacks

- Global Supply Chain Pressure Index was at low or normal levels in 2023
- Drewry World Container Index (WCI) Global Composite jumped to **\$3,777** per forty-foot equivalent unit for the week ended Thursday.
- Peak of **\$10,377** reached in September 2021

“The Red Sea impact is most disruptive on the Far East westbound, India and Middle East trades, but have no doubt, it is a global-network-impacting event and it has brought instability to the TPEB [trans-Pacific eastbound] trade as well.” —Kyle Beaulieu, Flexport’s head of trans-Pacific, during Thursday’s presentation

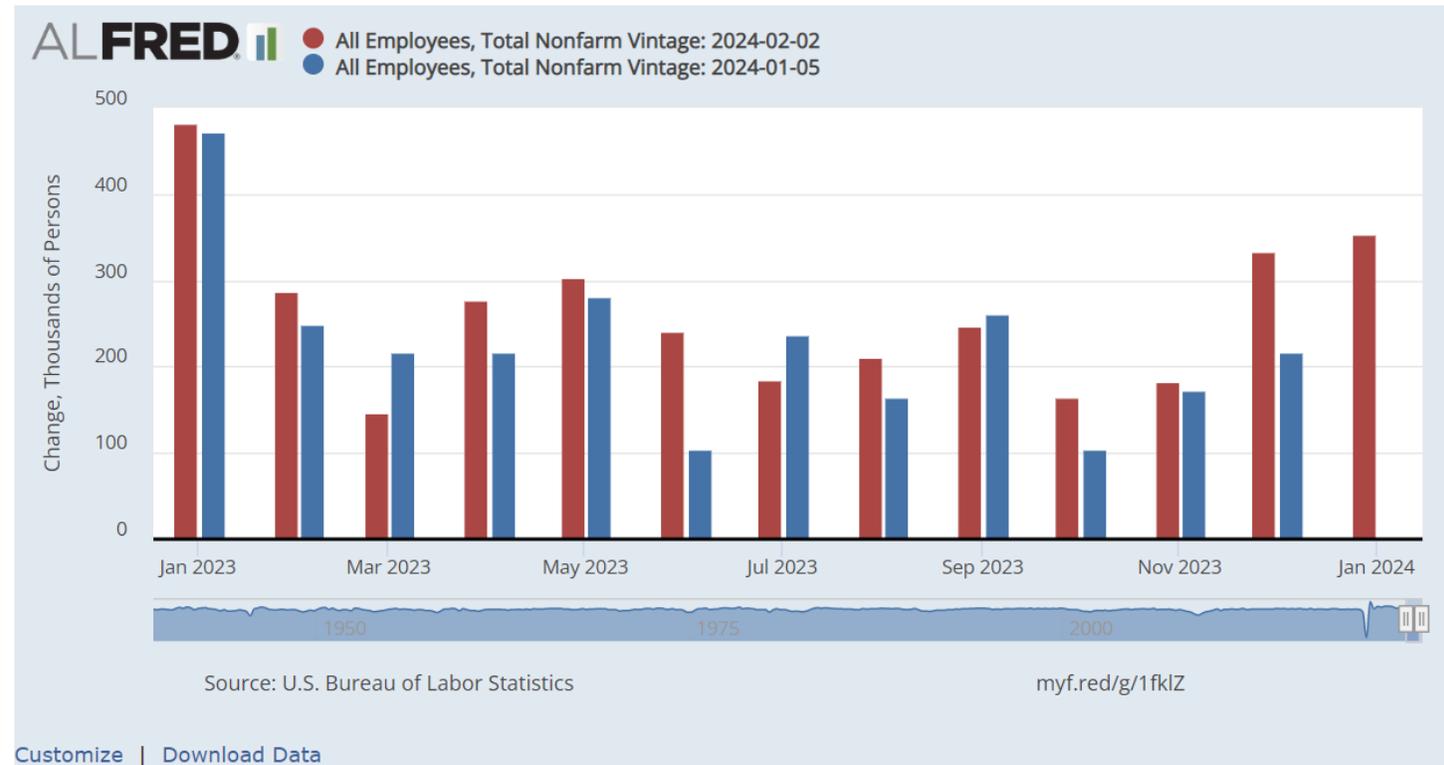
Drewry World Container Index (WCI) - 01 Feb 24 (US\$/40ft)



Jobs

Growth defies expectations (still)

- U.S. economy added **353,000** jobs in January
- More than double the median forecast of **175,000** jobs
- More than **3 million** jobs added over 2023
- Forecasters project annual growth of **1.4 million** jobs in 2024. (From 2011 through 2019, the economy added on average 2.3 million jobs each year.)
- Unemployment rate at **3.7%**



Construction Jobs Employment and wages are on the rise (still)

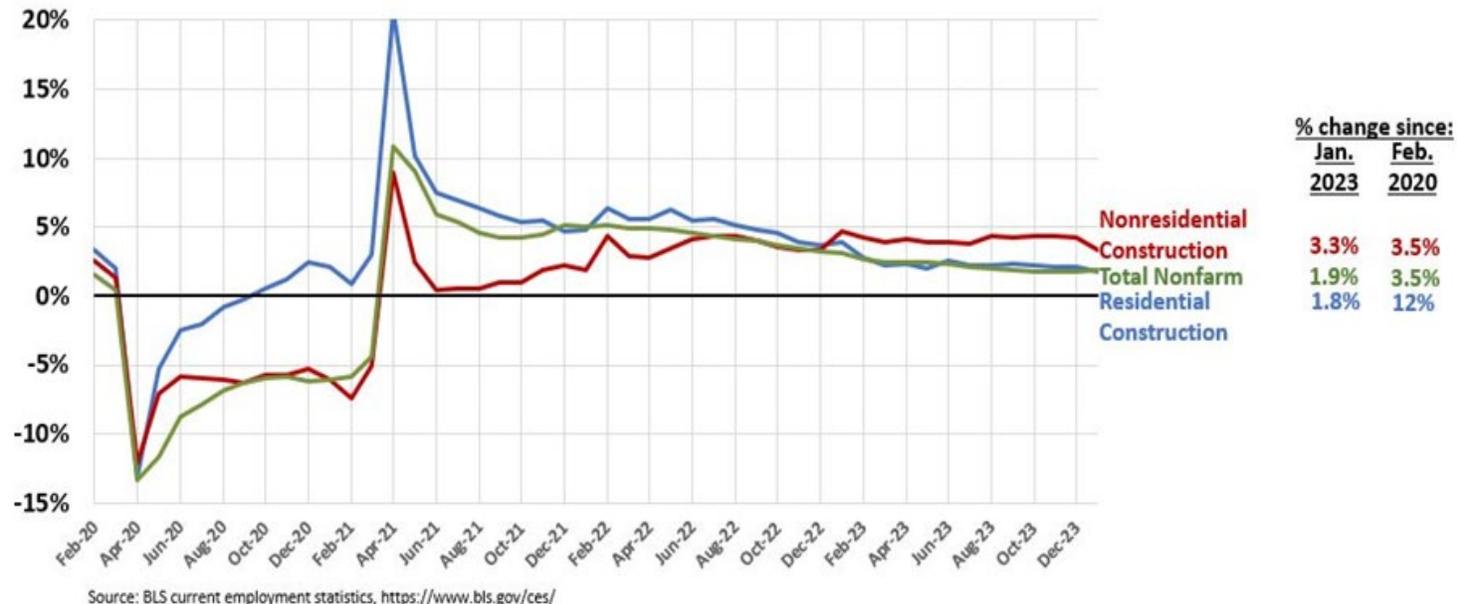
- Construction added **11,000** jobs in January
- Sector employment is up 216,000 (**2.7%**) year-over-year
- **374,000** job openings in construction, not seasonally adjusted, at the end of December, down **4.1%** y/y
- Hires for the full month totaled **227,000**, down **3.4%** y/y

“The large excess of openings over hires, as well as the increase in construction spending suggests that the small y/y declines in openings and hires more likely reflect difficulty in filling positions than a weakening of demand.”—Ken Simonson, Chief Economist for AGC of America, Feb. 2, 2024

Construction employment grows in January

Total nonfarm & construction employment, Feb. 2020–Jan. 2024

Year-over-year change, seasonally adjusted



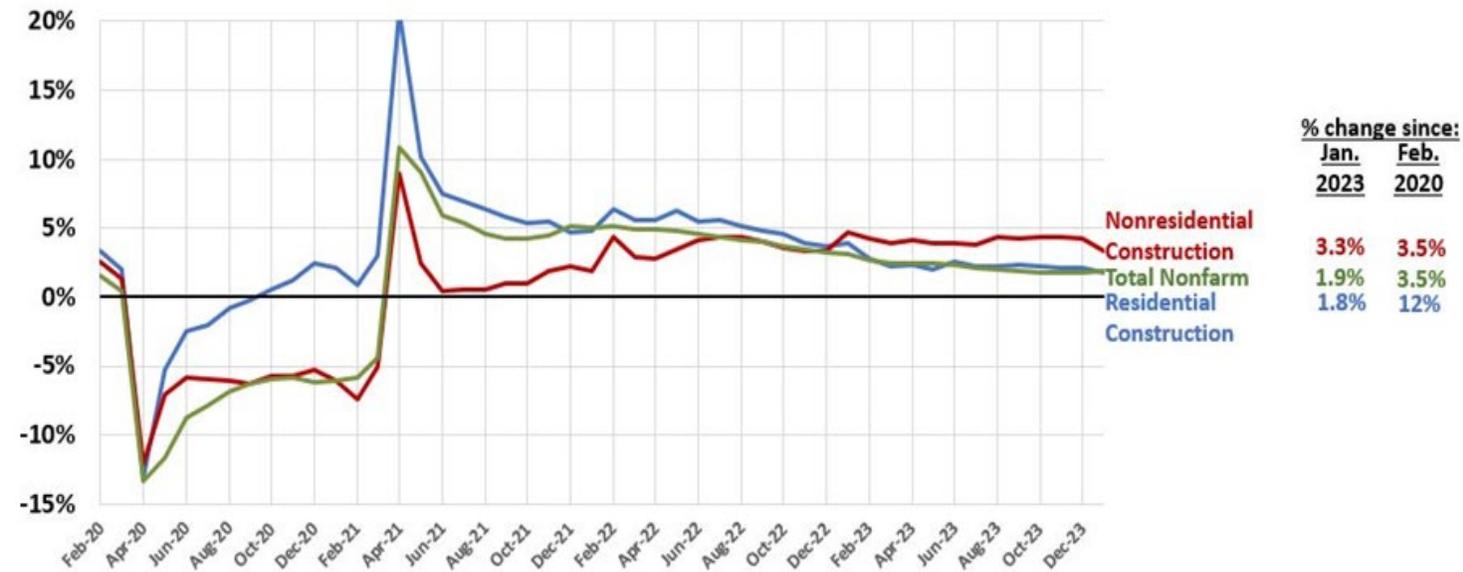
Construction Jobs Employment and wages are on the rise (still)

- Hourly earnings for production and nonsupervisory employees in construction (craft and office) rose **5.3%** y/y to \$35.21 per hour
- The “premium” for nonsupervisory construction workers rose to **18.7%** over the private sector average of \$29.66 but remains considerably below the average premium in 2000-2019 of **21.5%**.

Construction employment grows in January

Total nonfarm & construction employment, Feb. 2020–Jan. 2024

Year-over-year change, seasonally adjusted



Source: BLS current employment statistics, <https://www.bls.gov/ces/>

Glazing Jobs

Firms still struggle to find workers

- **62%** say recruitment is biggest hurdle
- Most difficult positions to fill:
 - Glaziers and field labor (53%)
 - Project managers (51%)
 - Estimators (27%)

“Labor, especially skilled labor, continues to be a significant challenge to growth.”

- Glass Magazine Top 50 Glaziers 2023 Annual Report

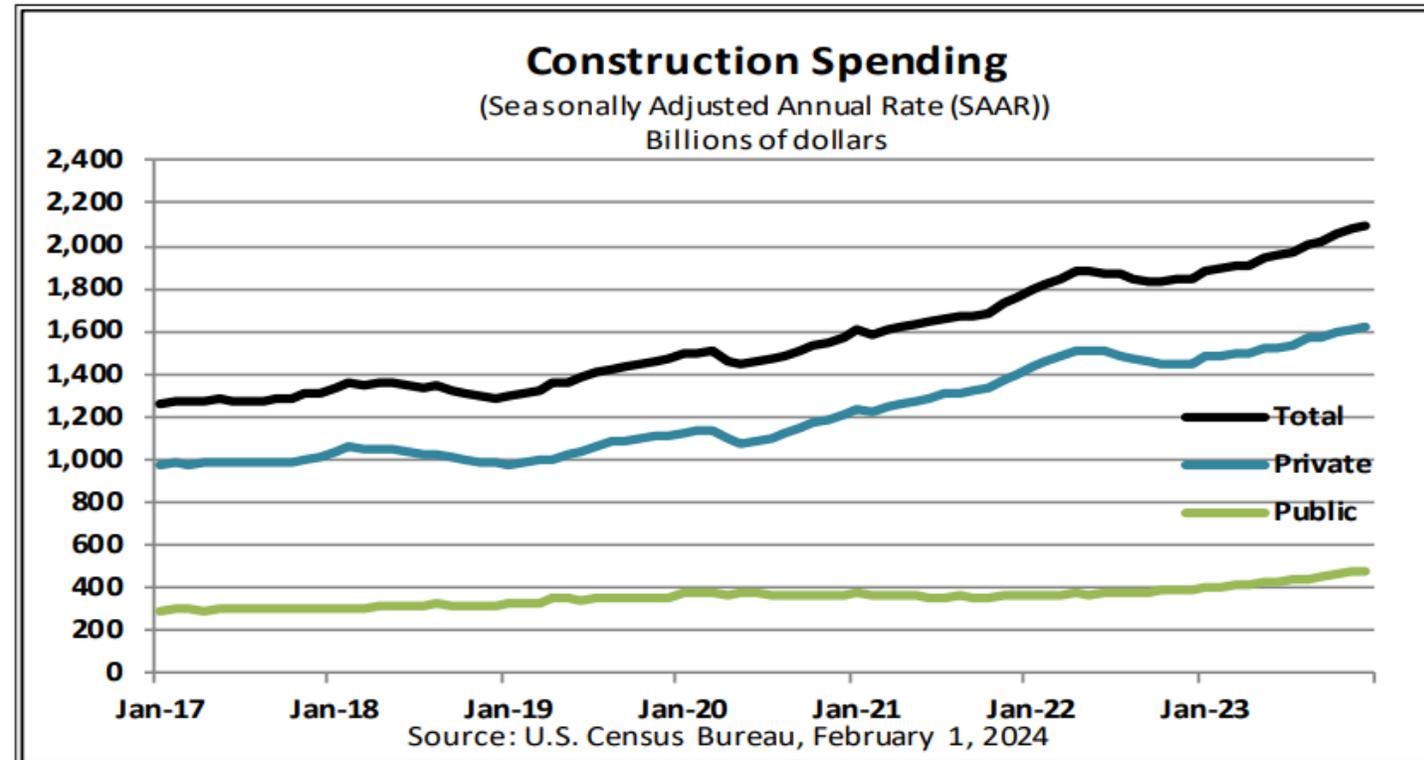


Construction Spending

Up, but what about inflation?

- Construction spending totaled **\$2.10 trillion** in December at a seasonally adjusted annual rate
- Up **0.9%** from November
- Up **14%** y/y

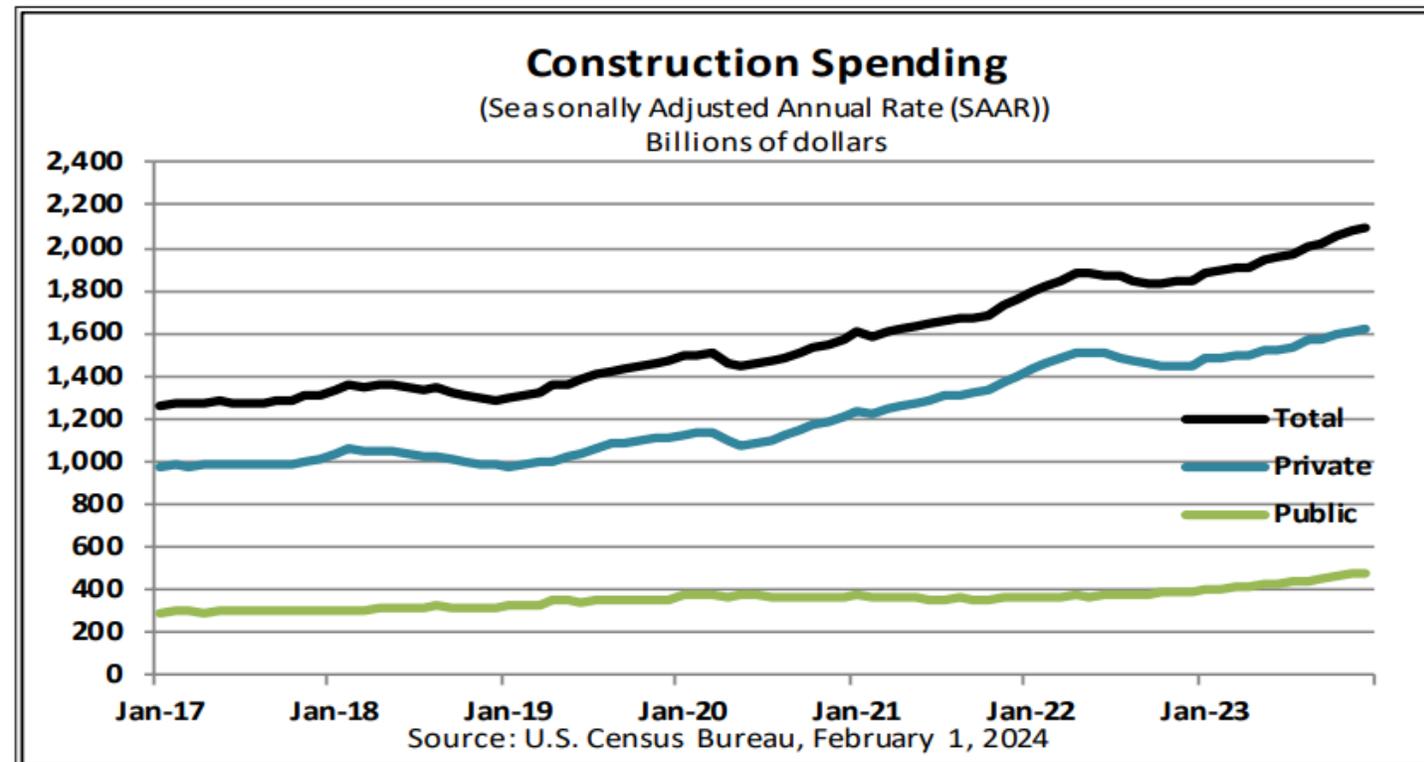
“Without a deflator it is impossible to say how much of the gain is in units vs. price.”—Ken Simonson, Chief Economist for AGC of America, Feb. 2, 2024



Construction Spending

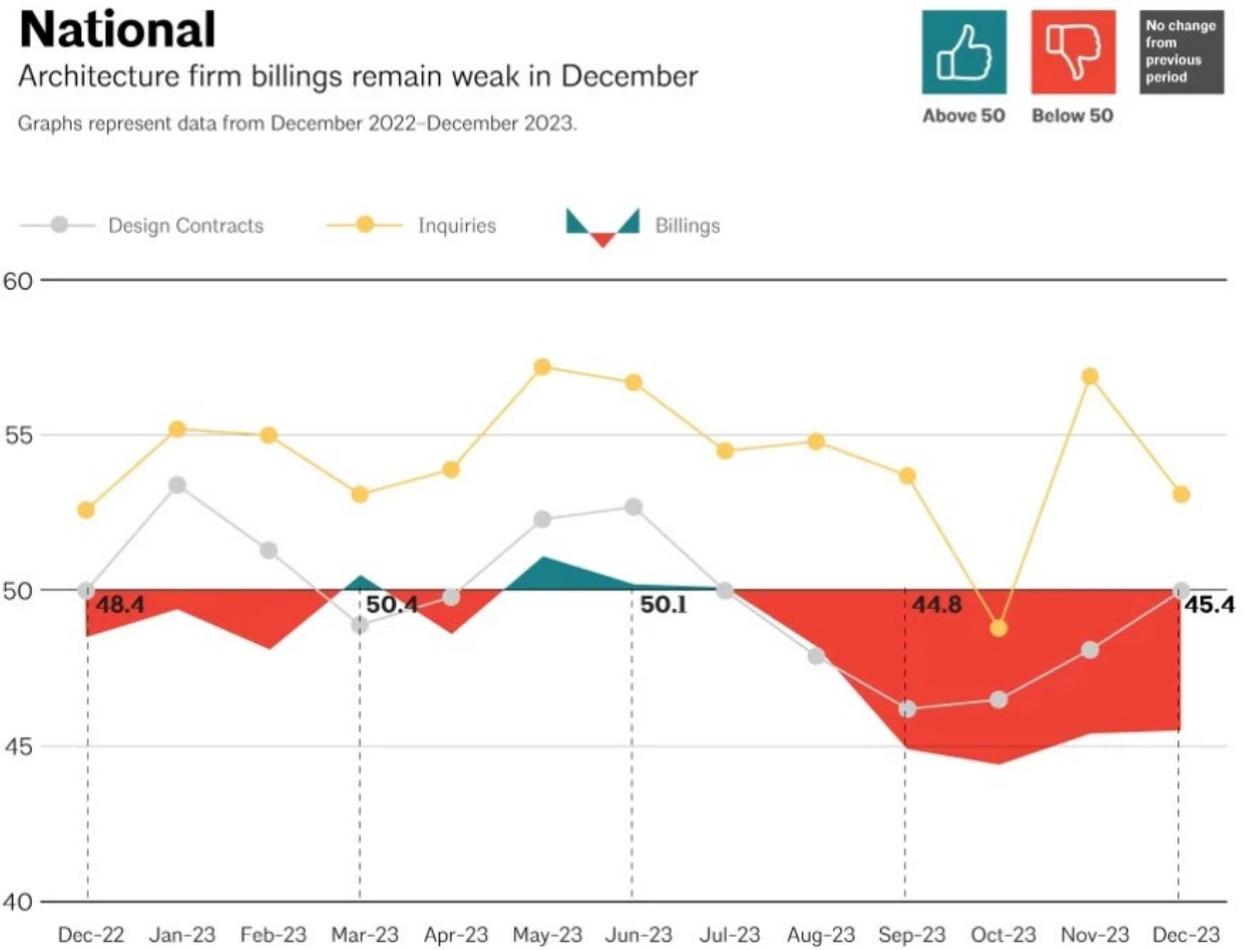
Up, but what about inflation?

- Private residential construction: +0.6% for the month and **6.8%** y/y
- Single-family homebuilding: **+1.6%** (the eighth monthly gain in a row)
- Multifamily construction spending: **+0.3%**, and owner-occupied improvements, **+1.7%**
- Private nonresidential construction: -0.2%, but **+19%** y/y
- Commercial construction: **-0.5%** (comprising warehouse, down 0.9%; retail, up 0.2%; and farm, down 0.6%)
- Public construction: +1.3% for the month, **21%** y/y



Construction Forecast: ABI Soft to end the year

- Any score above 50 indicates increase in billings
- Billings at firms declined for 8 months of the year
- Backlogs at firms remained quite strong throughout 2023, despite declining from a record-high peak in 2022.
- Backlogs at firms stood at an average of 6.7 months in December, indicating that most firms still have a significant amount of work in the pipeline



Construction Forecast: DMI Heading upwards

- The Dodge Momentum Index (DMI) rose 3% in December
- Over the month, commercial planning grew 1.0% and institutional planning improved 6.1%.

“While ongoing labor and construction cost issues will persist in 2024, a substantive amount of projects are sitting in the planning queue and will support construction spending going into 2025.” - Sarah Martin, Dodge Construction Network

DODGE MOMENTUM INDEX

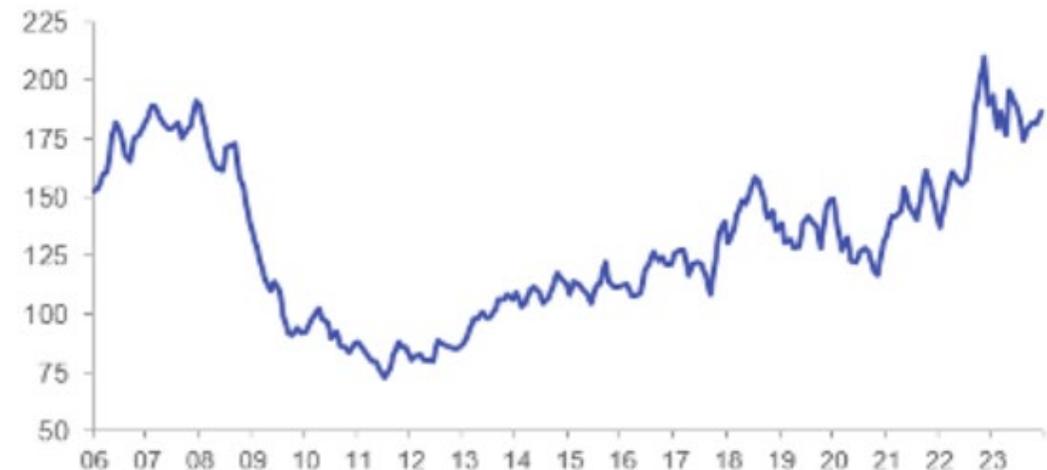
(2000=100, Seasonally Adjusted)

	Dec-23	Nov-23	% Change
Dodge Momentum Index	186.6	181.5	2.8%
Commercial Building	212.1	210.0	1.0%
Institutional Building	155.1	146.2	6.1%

Source: Dodge Construction Network

DODGE MOMENTUM INDEX

(2000=100, Seasonally Adjusted)





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