PSA

Infrastructure Advocacy
& Education Organization

PSA - IAEO August 2016 Infrastructure Update

What's in Your Water? Flint and Beyond

In an extensive analysis of official EPA violation and enforcement records, Natural Resources Defense Council (NRDC) mapped lead-related issues in drinking water systems across the United States. The research illustrates the extraordinary geographic scope of America's lead crisis. In 2015, 18 million people were served by water systems with lead violations. These violations were recorded because the systems were not doing everything that they are required to do to protect the public from lead issues, which could include failure to treat to reduce lead levels in the water (health violations), failure to monitor the water for lead as required (monitoring violations), or failure to report lead results to the public or the government (reporting violations).

Even more surprising: Flint doesn't even show up as having violations for lead in the EPA database. This glaring omission illustrates the serious problem of underreporting and gaming of the system by some water supplies to avoid finding lead problems, suggesting that our lead crisis could be even bigger.

Go to https://www.nrdc.org/resources/whats-your-water-flint-and-beyond
To see NRDC's interactive map to find out which communities water systems across the country violated the EPA's Lead and Copper Rule, including health violations, as well as which communities exceeded the EPA's lead action level of 15 parts per billion (ppb).

STATE AND REGIONAL INFRASTRUCTURE REPORT CARDS

Local American Society of Civil Engineers (ASCE) experts have prepared State and Regional Infrastructure Report Cards following the methodology of the ASCE's National Report Card to raise awareness about local infrastructure needs.

To see the report for your state, please go to
http://www.infrastructurereportcard.org/states/.

Infrastructure Show Calendar

- September 25-28, ICMA Annual Conference, Kansas City, MO – International City/County Management Association
- September 24-28, 2016, WEFTEC 2016, Morial Convention Center, New Orleans, LA – Water Environment Federation
- September 27-29, 2016, International Pipeline EXPO, Calgary, Canada, American Society of Mechanical Engineers (ASME) and the Canadian Energy Pipeline Association (CEPA)
- October 20-21, 2016, GIE + EXPO, The Green Industry & Equipment Expo, Kentucky Expo Center, Louisville, KY, National Association of Landscape Professionals (NALP)
- October 30 – November 2, 2016, AWWA Water Infrastructure Conference & Exhibition, Phoenix, AZ, American Water Works Association
- November 12-15, 2016 AASHTO Annual Meeting, Westin Boston Waterfront, Boston, MA, American Association of State Highway and Transportation Officials (AASHTO)
- March7-11, 2017 CONEXPO-CON/AGG, Las Vegas, NV, Association of Equipment Manufacturers (AEM)
- April 9-13, 2017 No-Dig Show, Gaylord Convention Center, Washington, DC, North American Society for Trenchless Technology (NASTT)

Associations Predicted Continued Growth for the Construction Industry in 2017

Associated Builders and Contractors (ABC) Chief Economist Anirban Basu, American Institute of Architects (AIA) Chief Economist Kermit Baker and National Association of Home Builders (NAHB) Chief Economist Robert Dietz predicted continued growth for the construction industry in 2017 during a recent joint economic forecast.

“Nonresidential construction spending growth will continue into the next year with an estimated increase in the range of 3 to 4 percent,” said ABC Chief Economist Anirban Basu. “Growth will continue to be led by privately financed projects, with commercial construction continuing to lead the way. Energy-related construction will become less of a drag in 2017, while public spending will continue to be lackluster.”

“Our forecast shows single-family production expanding by more than 10 percent in 2016, and the robust multifamily sector leveling off,” said NAHB Chief Economist Robert Dietz. “Historically low mortgage interest rates and favorable demographics should keep the housing market moving forward at a gradual pace, but residential construction growth will be constrained by shortages of labor and lots and rising regulatory costs.”

“Revenue at architecture firms continues to grow, so prospects for the construction industry remain solid over the next 12 to 18 months,” said AIA Chief Economist, Kermit Baker. “Given current demographic trends, the single-family residential and the institutional building sectors have the greatest potential for further expansion at present.”

Each economist discussed leading, present and future indicators for sector performance, including ABC’s Construction Backlog Indicator (CBI), AIA’s latest Architecture Billings Index (ABI) and Construction Consensus Forecast and the NAHB/Wells Fargo Housing Market Index (HMI).

Source: National Association of Home Builders (NAHB).

2016 State of the Cities Report

The National League of Cities recently released 2016 State of the Cities report. In it the League reports that, as the economy rebounds and fiscal health stabilizes, mayors across the country are using their State of the City speeches to tout the progress their communities have made through hard work, innovation and collaboration. The State of the City speech is a mayor's opportunity to reflect on the city's recent accomplishments, current challenges and roadmap for the future. Its words provide unique insight into the state of municipal leadership, revealing the issues that matter most to city leaders.

In 2016, mayors are focusing most on economic development, public safety, budgets, infrastructure and housing as broad strategies to advance their cities. The prominence of these top-line issues, or those receiving what we call "significant coverage" within mayors' speeches, has been consistent in the three years since we started the analysis. Economic development has been the most widespread issue addressed by mayors in 2014, 2015 and 2016. Infrastructure, public safety and budgets have remained in the top five, and education and housing have vied for a spot in the top rankings over the past few years.

The top 10 issues are economic development, public safety, budgets, infrastructure, education, housing, environment/energy, demographics, data/technology, and health care.

DOT Awards Nearly $500 Million in TIGER Grants

U.S. Transportation Secretary Anthony Foxx recently announced that nearly $500 million will be made available for transportation projects across the country in the eighth round of the highly successful and competitive Transportation Investment Generating Economic Recovery (TIGER) grant program.

The highly competitive TIGER grant program supports innovative projects, including multi-modal and multi-jurisdictional projects, which are difficult to fund through traditional federal programs. This year's awards focus on capital projects that generate economic development and improve access to reliable, safe and affordable transportation for communities, both urban and rural.

Demand for the 2016 TIGER grant program continued to far exceed available funds; the DOT received 585 eligible applications from all 50 States, and several U.S. territories, tribal communities, cities, and towns throughout the United States, collectively requesting over $9.3 billion in funding.

To see a description of this year's awards by state, please go to https://www.transportation.gov/sites/dot.gov/files/docs/TIGER%20Fact%20Sheets%20-%207-28.pdf.

New Report on Cities and Drones

The National League of Cities (NLC) announced the release of Cities and Drones, a new report that provides cities with insight on the recently released Federal Aviation Administration (FAA) rules relating to drone operation. The report also provides suggestions for how local governments can craft their own drone ordinances to encourage innovation while also protecting their cities. In addition to the report, NLC posted a blog to help city officials understand the impact drones are having in cities.

The term "drone" can refer to any type of unmanned aircraft, from small model airplanes that have been flown by hobbyists for years to larger military drones that conduct stealth reconnaissance or targeted strikes. In 2015, world sales of drones hit 4.3 million. Cities are using drones in a variety of ways, including for law enforcement and firefighting, as rural ambulances, and for inspections, environmental monitoring and disaster management. Commercial uses include precision farming, aerial photography, and - in the near future - package delivery.

"This report serves as a primer on drones for local officials," said National League of Cities (NLC) CEO and Executive Director Clarence E. Anthony. "Whether they are revolutionizing search and rescue capabilities or helping realtors show off their homes, drones are lowering the cost and increasing the reach of airborne services. As our skies are becoming more crowded, cities must be able to decide how and when they want to see drones used in their communities."

There are three spheres of drone activity which city officials must tackle: private use, public use and commercial use. To protect communities, promote innovation and avoid preemptive regulatory action, cities should focus on the following issues when enacting a drone related ordinance:

- Using land use and zoning powers to designate when and where drones may take off, land and operate, as well as any operational limitations or criteria.
- Creating an ordinance that punishes operators for operating an unmanned aircraft in a manner that recklessly endangers persons or property while considering appropriate enforcement infrastructure.

To learn more about the ways cities can both protect and innovate using drones, see the full Cities and Drones report at http://www.nlc.org/find-city-solutions/city-solutions-and-applied-research/governance/cities-and-drones.

Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy

The U.S. International Trade Commission recently released its report on the impact the Trans-Pacific Partnership Agreement (TPP) is likely to have on the U.S. economy and on specific industrial sectors.

The report encompasses TPP's impact on the United States' gross domestic product (GDP), exports, and imports; U.S. aggregate employment and employment opportunities; the production, employment, and competitive position of U.S. industries likely to be significantly affected by TPP; and the interests of U.S. consumers. The report also reviews other assessments of TPP's economic effects available in the literature, and discusses areas of consensus and divergence between the Commission's analyses and conclusions and those in the literature reviewed.

The Executive Summary and full report are available at https://www.usitc.gov/publications/332/pub4607.pdf.

$199 Million Available for Positive Train Control Implementation on Commuter Railroads

The U.S. Department of Transportation today announced that it will accept applications for $199 million in competitive grant funding for Positive Train Control (PTC) implementation. The grants, which will be selected by the Federal Railroad Administration (FRA) and awarded and administered by the Federal Transit Administration (FTA), will help commuter railroads implement PTC, which prevents accidents and saves lives.

"With more passengers depending on rail for transportation, Positive Train Control is needed more than ever," said U.S. Transportation Secretary Anthony Foxx. "I encourage all commuter railroads to take full advantage of this opportunity to invest in the most important rail safety technology in more than a century."

Congress authorized the funding in the Fixing America's Surface Transportation (FAST) Act, and the funding is available for Fiscal Year (FY) 2017. PTC technology can prevent certain train-to-train collisions, over-speed derailments, incursions into established work zones, and trains routed to the wrong tracks because a switch was left in the wrong position.

FRA will accept applications until 5 p.m. EDT on Sept. 28, 2016. Projects eligible for grants must develop information that assists in implementing PTC systems, such as costs of installing PTC systems; back office systems; PTC interoperability; technologies that will lower costs, accelerate implementation, enhance interoperability between host and tenant operations, and improve reliability of PTC systems; and support PTC system certification. Eligible applicants include any entity that is eligible to receive grants from the FTA, such as commuter railroads, operators, and state and local governments.

"This funding will get us a bit closer to activating Positive Train Control on some of the most important railroads in the country that transport millions of passengers to their jobs each morning and to their families each night," said FRA Administrator Sarah E. Feinberg. "We urge railroads to submit strong applications that make these dollars go as far as possible, and we remain hopeful that Congress will act on the President's request for more funding to make PTC a reality as quickly as possible."

In 2008, Congress mandated PTC implementation on certain railroad main lines where railroads transport poisonous-by-inhalation (PIH), or toxic-by-inhalation (TIH), hazardous materials, or any line where a railroad provides regularly scheduled passenger service. Last October, Congress extended the original deadline from December 31, 2015, to at least December 31, 2018.

To view a list of when railroads predict that they will achieve full PTC implementation, visit https://www.fra.dot.gov/Page/P0628.
To learn more about this grant, visit www.grants.gov.

Latest Economic Indicators at a Glance

Annual Employment Report

Total nonfarm payroll employment rose by 255,000 in July, and the unemployment rate was unchanged at 4.9 percent. Job gains occurred in professional and business services, health care, and financial activities. Employment in mining continued to trend down.

Construction Employment

The U.S. construction industry has rebounded strongly, adding 14,000 net new jobs in July according to an analysis of Bureau of Labor Statistics data released today by Associated Builders and Contractors (ABC). This gain comes after the construction sector lost a combined 27,000 jobs from April to June. The construction industry's unemployment rate inched lower in July, shedding a tenth of a percentage point to reach 4.5 percent, the industry's lowest unemployment rate since October 2006.

The nonresidential sector accounted for a majority of July's gains, adding 11,500 net new jobs. The residential sector remained stagnant for the month, adding only 700 net new positions. Heavy and civil engineering employment, which lost 8,800 jobs from January to June, experienced a modest rebound in July by adding 1,900 net new jobs.

"After several months of disappointing construction spending and employment data, today's release was most welcome," said ABC Chief Economist Anirban Basu. "If there is a slowdown in construction, it appears to be in residential as opposed to nonresidential activity. Today's release provides evidence that the nonresidential construction recovery has not yet stalled.

"While hiring in July was strong both in the broader economy and in key nonresidential construction segments, ongoing job creation exacerbates the issue of rampant skilled labor shortage," said Basu. "The construction unemployment rate is now down to 4.5 percent. The implication is that wage pressures continue to build. Therefore, contractors will likely need to more aggressively pass along cost increases to purchasers of construction services in order to simply maintain their current level of profitability.

"For now, America's economic recovery remains in place," said Basu. "Not only does the economy continue to add jobs, but labor force participation has begun to rise again. This should position America's ongoing consumer-led expansion to continue, creating demand for commercial construction and other forms of construction in the process."

The economy-wide unemployment rate remained unchanged at 4.9 percent. The nation's labor force expanded by 407,000 persons for the month. This represents the largest growth for the month of July since the labor force expanded by 587,000 persons in July 1996.

<u>Consumer Confidence</u>

"Consumer confidence held steady in July, after improving in June," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers were slightly more positive about current business and labor market conditions, suggesting the economy will continue to expand at a moderate pace. Expectations regarding business and labor market conditions, as well as personal income prospects, declined slightly as consumers remain cautiously optimistic about growth in the near-term."

Consumers' assessment of present-day conditions improved slightly in July. Those stating business conditions are "good" increased from 26.8 percent to 28.1 percent, however those saying business conditions are "bad" also rose, from 18.3 percent to 19.0 percent. Consumers' appraisal of the labor market was little changed from last month. Those claiming jobs are "plentiful" declined marginally from 23.2 percent to 23.0 percent, however those claiming jobs are "hard to get" also decreased, from 23.7 percent to 22.3 percent.

Consumers' optimism regarding the short-term outlook was slightly less favorable in July. The percentage of consumers expecting business conditions to improve over the next six months decreased from 16.6 percent to 15.9 percent, while those expecting business conditions to worsen increased from 11.2 percent to 12.3 percent.

Consumers' outlook for the labor market was marginally more favorable than last month. The proportion expecting more jobs in the months ahead was virtually unchanged at 14.0 percent, while those anticipating fewer jobs decreased from 17.7 percent to 17.0 percent. The percentage of consumers expecting their incomes to increase declined from 18.2 percent to 16.6 percent; however the proportion expecting a decrease also declined, from 11.3 percent to 10.8 percent.

Gross Domestic Product (GDP)

Real gross domestic product increased at an annual rate of 1.1 percent in the second quarter of 2016 (table 1), according to the "second" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 0.8 percent.

Consumer Price Index

The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in July on a seasonally adjusted basis .Over the last 12 months, the all items index rose 0.8 percent before seasonal adjustment.

The energy index declined in July and the food index was unchanged. The index for all items less food and energy rose, but posted its smallest increase since March. As a result, the all items index was unchanged after rising in each of the 4 previous months.

The energy index fell 1.6 percent after rising in each of the last four months. The decline was due to a sharp decrease in the gasoline index; other energy indexes were mixed. The food at home index declined 0.2 percent as four of the six major grocery store food group indexes decreased, while the index for food away from home rose 0.2 percent.

The index for all items less food and energy increased 0.1 percent in July after rising 0.2 percent in June. The shelter index rose 0.2 percent, its smallest increase since March, and the indexes for medical care, new vehicles, and motor vehicle insurance also rose. In contrast, the indexes for airline fares, used cars and trucks, communication, and recreation were among those that declined in July.

The all items index rose 0.8 percent for the 12 months ending July, a smaller increase than the 1.0 percent rise for the 12 months ending June. Similarly, the index for all items less food and energy rose 2.2 percent for the 12 months ending July, a smaller increase than the 2.3 percent rise for the 12 months ending June.

Producer Price Index

The Producer Price Index for final demand decreased 0.4 percent in July, seasonally adjusted. Final demand prices rose 0.5 percent in June and 0.4 percent in May. On an unadjusted basis, the final demand index moved down 0.2 percent for the 12 months ended in July.

Productivity and Costs

Nonfarm business sector labor productivity decreased at a 0.5-percent annual rate during the second quarter of 2016, as output increased 1.2 percent and hours worked increased 1.8 percent. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the second quarter of 2015 to the second quarter of 2016, productivity decreased 0.4 percent, the first four-quarter decline in the series since a 0.6-percent decrease in the second quarter of 2013.

Labor productivity, or output per hour, is calculated by dividing an index of real output by an index of hours worked of all persons, including employees, proprietors, and unpaid family workers.

Unit labor costs in the nonfarm business sector increased 2.0 percent in the second quarter of 2016, reflecting a 1.5-percent increase in hourly compensation and a 0.5-percent decline in productivity. Unit labor costs increased 2.1 percent over the last four quarters.

Factory Orders

New orders for manufactured durable goods in July increased $9.7 billion or 4.4 percent to $228.9 billion. This increase, up following two consecutive monthly decreases, followed a 4.2 percent June decrease. Excluding transportation, new orders increased 1.5 percent. Excluding defense, new orders increased 3.8 percent.

Transportation equipment, also up following two consecutive monthly decreases, led the increase, $7.5 billion or 10.5 percent to $78.9 billion.

Employment Cost Index

Compensation costs for civilian workers increased 0.6 percent, seasonally adjusted, for the 3-month period ending in June 2016. Wages and salaries (which make up about 70 percent of compensation costs) increased 0.6 percent, and benefits (which make up the remaining 30 percent of compensation) increased 0.5 percent.

Civilian Workers

Compensation costs for civilian workers increased 2.3 percent for the 12-month period ending in June 2016. In June 2015, compensation costs increased 2.0 percent. Wages and salaries increased 2.5 percent for the current 12-month period, and increased 2.1 percent for the 12-month period ending in June 2015. Benefit costs increased 2.0 percent for the 12-month period ending in June 2016. In June 2015, the increase was 1.8 percent.

Private Industry Workers

Compensation costs for private industry workers increased 2.4 percent over the year, higher than the June 2015 increase of 1.9 percent. Wages and salaries increased 2.6 percent for the current 12-month period. In June 2015, the increase was 2.2 percent. The increase in the cost of benefits was 1.7 percent for the 12-month period ending in June 2016, and in June 2015 the increase was 1.4 percent. Employer costs for health benefits increased 2.8 percent for the 12-month period ending in June 2016

Among occupational groups, compensation cost increases for private industry workers for the 12-month period ending in June 2016 ranged from 1.9 percent for management, professional, and related occupations to 3.1 percent for sales and office occupations.

Among industry supersectors, compensation cost changes for private industry workers for the current 12-month period ranged from 1.8 percent for information to 3.0 percent for trade, transportation and utilities.

State and Local Government Workers

Compensation costs for state and local government workers increased 2.3 percent for the 12-month period ending in June 2016. In June 2015, the increase was 2.2 percent. Wages and salaries increased 1.7 percent for the 12-month period ending in June 2016. In June 2015, the increase was 1.9 percent. Benefit costs increased 3.4 percent for the 12-month period ending in June 2016, a higher rate than in the prior year when the increase was 2.7 percent.

Real Earnings

All employees

Real average hourly earnings for all employees increased 0.4 percent from June to July, seasonally adjusted. This result stems from a 0.3-percent increase in average hourly earnings combined with essentially no change in the Consumer Price Index for All Urban Consumers (CPI-U).

Real average weekly earnings increased 0.6 percent over the month due to the increase in real average hourly earnings combined with a 0.3-percent increase in the average workweek.

Real average hourly earnings increased 1.7 percent, seasonally adjusted, from July 2015 to July 2016. This increase in real average hourly earnings combined with a 0.3-percent decrease in the average workweek resulted in a 1.4-percent increase in real average weekly earnings over this period.

Production and nonsupervisory employees

Real average hourly earnings for production and nonsupervisory employees increased 0.3 percent from June to July, seasonally adjusted. This result stems from a 0.3-percent increase in average hourly earnings combined with a 0.1-percent decrease in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Real average weekly earnings increased 0.7 percent over the month due to the increase in real average hourly earnings combined with a 0.3-percent increase in average weekly hours.

From July 2015 to July 2016, real average hourly earnings increased 2.0 percent, seasonally adjusted. The increase in real average hourly earnings combined with no change in the average workweek resulted in a 2.1-percent increase in real average weekly earnings over this period.

Construction Spending

Construction spending during June 2016 was estimated at a seasonally adjusted annual rate of $1,133.5 billion, 0.6 percent below the revised May estimate of $1,140.9 billion. The June figure is 0.3 percent above the June 2015 estimate of $1,130.5 billion.

During the first 6 months of this year, construction spending amounted to $539.8 billion, 6.2 percent above the $508.1 billion for the same period in 2015.

PRIVATE CONSTRUCTION

Spending on private construction was at a seasonally adjusted annual rate of $851.0 billion, 0.6 percent below the revised May estimate of $856.6 billion. Residential construction was at a seasonally adjusted annual rate of $445.8 billion in June, nearly the same as the revised May estimate of $445.9 billion. Nonresidential construction was at a seasonally adjusted annual rate of $405.2 billion in June, 1.3 percent below the revised May estimate of $410.7 billion.

PUBLIC CONSTRUCTION

In June, the estimated seasonally adjusted annual rate of public construction spending was $282.5 billion, 0.6 percent below the revised May estimate of $284.3 billion. Educational construction was at a seasonally adjusted annual rate of $67.5 billion, 0.5 percent below the revised May estimate of $67.8 billion. Highway construction was at a seasonally adjusted annual rate of $88.0 billion, 1.4 percent below the revised May estimate of $89.2 billion.

<u>Nonresidential Construction Spending</u>

Nonresidential construction spending dipped 1 percent in June and has now contracted for three consecutive months according to analysis of U.S. Census Bureau data released today by Associated Builders and Contractors (ABC). Nonresidential spending, which totaled $682 billion on a seasonally adjusted, annualized rate, has fallen 1.1 percent on a year-over-year basis, marking the first time nonresidential spending has declined on an annual basis since July 2013.

“On a monthly basis, the numbers are not as bad as they seem, as May’s nonresidential construction spending estimate was revised higher. However, this fails to explain the first year-over-year decline in nearly three years,” said ABC Chief Economist Anirban Basu. “There are many forces at work, most of them negative, with the noteworthy exception of construction materials prices, which are down on a year-over-year basis. To the extent that savings are being passed along to purchasers of construction services, spending would appear lower in dollar terms than when measured in physical terms such as square footage.

“Thanks in part to the investment of foreign capital in America, spending related to office space and lodging are up by more than 16 percent year-over-year,” said Basu. "The global economy is weak, and international investors are searching for yield and stability. U.S. commercial real estate has become a popular destination for foreign capital. However, the weakness of the global economy may also help explain the decline in manufacturing-related construction spending of nearly 5 percent for the month and more than 10 percent year-over-year.

“Though many contractors continue to report extensive backlog, the data suggest that average firm backlog may begin to retrench,” warned Basu. “The only significant driver of economic growth in America presently is consumer spending. Corporate profits remain stagnant and business investment remains underwhelming. Public sector spending does not appear positioned to accelerate anytime soon despite the passage of a federal highway bill last year.”

Precisely half of the 16 nonresidential subsectors expanded in June. Two of the largest subsectors—manufacturing and commercial—experienced significant contractions in June, however, and were responsible for a majority of the dip in spending.

Tepid spending by public agencies also continues to shape the data. Despite a monthly pick-up in spending, water-supply construction spending is down 14 percent on a year-over-year basis. Public safety construction spending is down 8.4 percent from a year ago, sewage and waste disposal by nearly 15 percent, highway and street by about 6 percent, education by 4 percent and transportation by more than 3 percent.

Construction Materials Prices

Nonresidential construction input prices were unchanged in July according to an analysis of the Bureau of Labor Statistics Producer Price Index released today by Associated Builders and Contractors. Input prices for both the nonresidential construction segment and construction as a whole are 2.3 percent lower than they were a year ago.

“ABC has been predicting relative stability in input prices, and that is precisely what July’s report delivered,” said ABC Chief Economist Anirban Basu. “A weak and disappointing global economy has not been able to drag prices higher. Persistently low prices have placed a lid on the quantity supplied in many input categories, which has helped prevent widespread materials price declines recently. The result has been that many input prices have remained within a tight range after a period of remarkable volatility.

“With construction labor costs rising more rapidly in much of the country, including in quickly growing communities in the southeast and Pacific northwest, the stability in materials prices takes on greater importance from a profit margin perspective," said Basu. "The pace of nonresidential construction spending is no longer expanding as it had been during prior years. With demand no longer expanding briskly, construction firms may have greater difficulty passing cost increases along to purchasers of services. Unexpected increases in materials prices could therefore place significant downward pressure on industry margins.

"However, a sharp increase is unlikely as the forces that have resulted in relative input price stability recently remain in place," said Basu. "The global economy will post another disappointing year in 2016. The U.S. dollar continues to be stable relative to most currencies, which will also help suppress sharp materials' price increases."

Among 11 key inputs to the delivery of construction services in the U.S., only crude petroleum experienced a monthly price decline. Crude petroleum has a disproportionate impact on the Producer Price Index, however. By contrast, natural gas prices surged 40.3 percent for the month, with the input's index value rising from 77 in June to 108 last month.

Retail Sales

U.S. retail and food services sales for July, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $457.7 billion, virtually unchanged from the previous month, and 2.3 percent above July 2015. Total sales for the May 2016 through July 2016 period were up 2.5 percent from the same period a year ago. The May 2016 to June 2016 percent change was revised from up 0.6 percent to up 0.8 percent.

Retail trade sales were virtually unchanged from June 2016, and up 1.9 percent from last year. Non store retailers were up 14.1 percent from July 2015, while Health and Personal Care Stores were up 7.8 percent from last year.

New Residential Sales

Sales of new single-family houses in July 2016 were at a seasonally adjusted annual rate of 654,000. This is 12.4 percent above the revised June rate of 582,000 and is 31.3 percent above the July 2015 estimate of 498,000.

The median sales price of new houses sold in July 2016 was $294,600; the average sales price was $355,800. The seasonally adjusted estimate of new houses for sale at the end of July was 233,000. This represents a supply of 4.3 months at the current sales rate.

New Residential Construction

Privately-owned housing units authorized by building permits in July were at a seasonally adjusted annual rate of 1,152,000. This is 0.1 percent below the revised June rate of 1,153,000, but is 0.9 percent above the July 2015 estimate of 1,142,000.

Single-family authorizations in July were at a rate of 711,000; this is 3.7 percent below the revised June figure of 738,000. Authorizations of units in buildings with five units or more were at a rate of 411,000 in July.

Privately-owned housing starts in July were at a seasonally adjusted annual rate of 1,211,000. This is 2.1 percent above the revised June estimate of 1,186,000 and is 5.6 percent above the July 2015 rate of 1,147,000.

Single-family housing starts in July were at a rate of 770,000; this is 0.5 percent above the revised June figure of 766,000. The July rate for units in buildings with five units or more was 433,000.

Privately-owned housing completions in July were at a seasonally adjusted annual rate of 1,026,000. This is 8.3 percent below the revised June estimate of 1,119,000, but is 3.2 percent above the July 2015 rate of 994,000.

Single-family housing completions in July were at a rate of 743,000; this is 0.4 percent below the revised June rate of 746,000. The July rate for units in buildings with five units or more was 275,000.

U.S. Trade Balance

The goods and services deficit was $44.5 billion in June, up $3.6 billion from $41.0 billion in May, revised. June exports were $183.2 billion, $0.6 billion more than May exports. June imports were $227.7 billion, $4.2 billion more than May imports.

The June increase in the goods and services deficit reflected an increase in the goods deficit of $3.8 billion to $66.0 billion and an increase in the services surplus of $0.3 billion to $21.5 billion.

Year-to-date, the goods and services deficit decreased $5.8 billion, or 2.3 percent, from the same period in 2015. Exports decreased $54.2 billion or 4.7 percent. Imports decreased $60.0 billion or 4.3 percent.