

# THE PARLIMENT PAGES

*November 2021*

## *Continuing a Legacy*

We have had the honor and responsibility of owning Parliment Building Products since the beginning of this year. We sent a letter out to our customers and vendors in late January to introduce ourselves. However, to give a little more background, Marcelo and Jim both come from the steel industry. We have combined close to 60 years of experience in steel manufacturing, processing, distribution, and international trading. We have steel product experience ranging from the raw material side (scrap and pig iron) to long and flat rolled steel. As customers and suppliers, you probably know that about 75-80% of what we buy/sell is steel related either directly or as raw material to our products. This experience has served us well given the supply constraints and the opportunities the market is currently undergoing. We hope to share our steel market perspective and insight with you and get your thoughts on the market. Feel free to reach out to us!

Until you get into the day-to-day operations, you don't really get a firm grasp of your employees and assets. We are blessed with some of the best teammates in the industry. We have a sales group with over 120 years of experience in the building products distribution business and a passion for serving our customers. Our drivers have roughly 60 years of combined experience in hauling building products safely and efficiently across our market service area. Our warehouse team is as committed and engaged as any in the industry.

We were also very fortunate to have acquired a great business with a loyal customer and supplier base. We thank you sincerely for your continued support.

Our goal is to get better and improve every day in every area of the business and increase the value we are providing to our customers, vendors and support our employees.

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**Market Update**

The market continues to defy expectations and explanation. The supply and demand dynamics are not something we have seen in the past.

From a macroeconomic perspective, Gross Domestic Product (GDP) increased at an annual rate of 2.0 % in the third quarter of 2021, following an increase of 6.7 % in the second quarter. The full year 2021 GDP is forecasted to be roughly 5.7% The GDP forecast for 2022 is currently 4.1%.

New home construction is forecasted to be 15% higher in 2021 vs 2020, carried by equal contribution in single family homes (+14.5%) and multifamily structures (+17.5%). The pace of multifamily construction is much stronger than the level of starts index imply. The number of multifamily properties under construction has climbed this year, rising to 714,000 in September, the highest since 1974.

The NAHB Housing Market Index (HMI) rose to 83 in November, the highest level in six months. The future sales component held steady at 84.

New home sales appear to be gathering some momentum. Sales surged 14% in September to a 800K-unit pace, the strongest since March. New home construction is forecasted to be up 3-4% in 2022.

The Leading Indicator of Remodeling Activity projects that improvement and repair spending will rise 9% year-over-year in Q4 and maintain that pace into 2022.

Inflation, as measured by the Consumer Price Index (CPI), rose 5.25% in August from the prior year--slightly slower than the 5.37% increase in July. Inflation is expected to soften. However, supply-side pressure will be present well into 2022. Inflation is something that not only impacts our businesses but also personally. And as you all know the rates reported (CPI) is well under what we all experience both our businesses and personally.

Building material prices continue to soar against a backdrop of strong demand and hard-to-get supply. The Producer Price Index for materials and components for construction was up over 18% in October.

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Steel prices have sky-rocketed, as global steel production continues to be disrupted by the pandemic.

Long products (rebar, merchant bar, wire rod and pipe) prices are up between 40-50% since the beginning of the year and it doesn't show any signs of backing off in the next several months.

Hot rolled coil product pricing is up roughly 90% since the beginning of the year.

Scrap, which is the feedstock for electric arc furnace producers is up 100% since the beginning of the year. November scrap prices have been settled and increased \$65/ton month over month to \$530/ton. Market sources also indicated logistical issues have made moving scrap more costly and delivery targets more challenging. We're also entering the winter months when scrap sourcing becomes more difficult, and if demand continues to be strong, we're likely to see further price increases.

Labor is also in short supply. The level of job openings in the construction industry remains highly elevated near an all-time high. Worker shortages are driving up wages. The Employment Cost Index for construction workers was up 3.3% year-over-year in Q3. Similarly, construction average hourly earnings are up 6.6% on a three-month moving average basis.

Container freight is 250% higher than a year ago. The average composite index of the World Container Index (WCI), assessed by Drewry for year-to-date, is 180% higher than the five-year average of a 40ft container.

Diesel has increased roughly 17% since October and is up over \$1.00 per gallon since the beginning of the year.

The market dynamics will continue to present challenges and opportunities. We at Parliment are not immune to the supply chain issues and market dynamics but we believe we are well positioned to service our customers with quality products, competitive prices, and value-added services.

Great communication and partnerships will continue to be critical. We all look forward to continuing to work with you all in these very interesting times!

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**Guest Perspective – Chuck Parliment**

Periodically, we will be asking people we respect and admire to offer their perspective on a variety of topics. Naturally, we couldn't think of a better person to ask for our first guest perspective than Chuck. Please enjoy!

A day in the life of Chuck Parliment. I am sure you all know I have officially retired. My last day at Parliment Building Products was July 28<sup>th</sup>. It was a sad day and the same time a happy day. As you all know, I was in the two-step distribution chain for 49 years, 29 years at Zambetti Steel and almost 20 years at Parliment. I truly miss my job, particularly miss talking to all my friends, employees, and customers. With that said, I am spending a lot of my time with my 11 grandkids and my wife of 47 years, Pat.

I have had several people call and ask what I do all day. I am about to tell you. I have become an indentured servant (i.e., slave) to Pat. My three main chores are taking the dogs to the vet (we have 8 of them), feed the horses (we have 5 of them), take the trash to the dump (we live on a farm), and I get to do the grocery shopping (Publix). It has been quiet the change from being the boss to being the slave. As stated earlier, I have 11 grandkids from age 11 to less than 2. They are involved in many activities, baseball, basketball, flag football, cheerleading, taekwondo, etc. I get to go to many of their sporting events. I have done a little traveling. We went to the Omni Homestead Hotel in Hot Springs, Virginia. It is the oldest hotel in the US, built in 1766. It has two great golf courses, and both are worth playing, the Cascades golf course particularly.

This is probably my last piece for the Parliment Pages. I want to say I miss all of you and thank you from the bottom of my heart for all you have done for me and my family.

Oh, I also take daily naps. That might be the best thing about retirement!

**Happy Holidays from Marcelo, Jim and the Parliment Team!**