

ECONOMIC ALERT

U.S. CONSTRUCTION SPENDING – JAN 2018

Released Thursday, March 1, 2018

Construction Spending: +0.0% month-over-month (Cons: +0.3%), +3.2% year-over-year

Residential Construction Spending: +0.2% month-over-month, +4.3% year-over-year

Nonresidential Construction Spending: -0.1% month-over-month, +2.4% year-over-year

Quick Take:

January's pace of total construction spending was lower than expected, though upward revisions to growth in the prior two months totaled +0.7 ppt. Spending in January may have been impacted by adverse weather in the South and Northeast.

Construction spending slowed in January after exhibiting healthy growth in December and November. Total construction spending was up +8.4% on a 3-month annualized basis, primarily due to improved growth in non-residential construction spending. On a year-over-year basis, non-residential construction spending accelerated to +2.4% in January, the highest level of growth in 11 months. Meanwhile, year-over-year growth in residential construction decelerated to the slowest pace of growth since April 2012. While construction spending could continue to be a positive contributor to GDP, we remain cautious of rising rates and their potential to slow both residential and nonresidential construction spending in the coming quarters.

Notable Data:

In January's report, December construction spending growth was revised to +0.8% from +0.7%, while November's pace was revised to +1.2% from +0.6%.

Residential construction spending was up +4.3% year-over-year in January, with gains driven by new single-family home construction (+8.8% year-over-year). Growth in home renovation spending, which makes up over a third of residential construction spending, has slowed significantly in recent months. Home renovation spending was up +0.1% year-over-year in January, down from +20.5% growth in June 2017. Spending on multi-family home construction was down -2.4% year-over-year in January, the lowest level of growth since April 2011.

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The pace of year-over-year nonresidential construction growth was +2.4% as of January. Declines in spending on power, manufacturing, and offices have offset healthy year-over-year gains in transportation, commercial, and health care facilities. Spending on power, the second largest area of non-residential spending, was down -6.7% month-over-month and -8.9% year-over-year in January.