

## ECONOMIC ALERT

### U.S. CONSTRUCTION SPENDING - MAR 2018

Released Tuesday, May 1, 2018

**Construction Spending:** -1.7% month-over-month (Cons: +0.5%), +3.6% year-over-year

**Residential Construction Spending:** -3.5% month-over-month, +5.3% year-over-year

**Nonresidential Construction Spending:** -0.3% month-over-month, +2.5% year-over-year

#### **Quick Take:**

March's pace of total construction spending declined -1.7% month-over-month, which was lower than the expected +0.5% increase. February's pace of total construction was revised to a +1.0% increase from a +0.1% increase originally. On a year-over-year basis, construction spending rose +3.6%, down from +5.7% growth as of February.

The pace of construction spending fell in March for the first time in eight months, though the decline comes after four consecutive months of at least +1.0% month-over-month growth. As a result, total construction spending is up +8.0% on a six-month annualized basis.

Meanwhile, year-over-year growth in residential construction spending, which accounted for almost three-quarters of total construction spending growth in calendar year 2017, slowed to +5.3% in March, the lowest level of growth since April 2012. With single family home construction accounting for over half of year-over-year growth in total construction spending, we remain mindful that a rising rate environment and a particularly tight market for construction labor could potentially slow the pace of spending across the construction industry.

#### **Notable Data:**

Residential construction spending fell -3.5% month-over-month in March, led by a -8.0% monthly decline in home renovation spending. On a year-over-year basis, home renovation spending growth decelerated to +3.7%, the lowest pace of growth in two years. Single-family home construction spending fell -0.4% in March but continues to be the primary driver of overall residential construction spending, growing +9.7% year-over-year. Spending on multi-family home construction fell -2.7% month-over-month in March and declined -8.2% year-over-year.

# WESTEND

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## ADVISORS

The pace of year-over-year nonresidential construction growth was -0.3% as of March. Lower spending on commercial (-2.3% month-over-month), health care (-2.0% month-over-month), and transportation (-1.6% month-over-month) construction drove the decline. However, construction spending on power, education, and roads, the three largest categories of nonresidential construction spending, increased in March.