

Indicators

United States

Construction Spending (C30)

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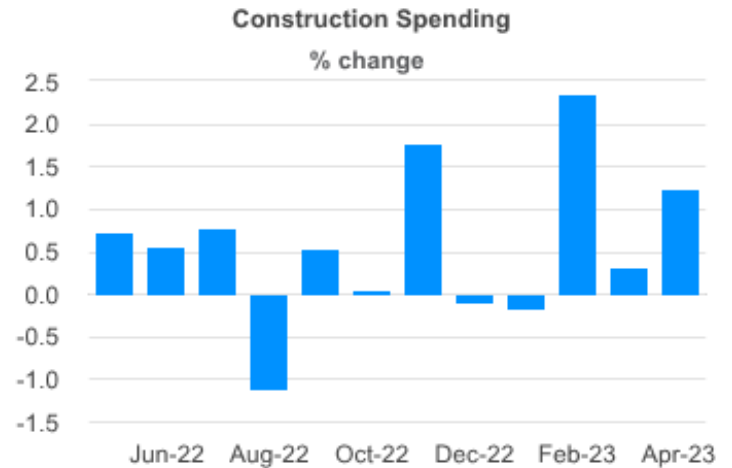
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Actual	1.2% m/m
Previous *	0.3% m/m
Moody's Analytics	0.1% m/m
Coverage	Apr. 2023
Next Release	Jul 03, 2023
Updated	Jun 1, 2023

[Definition](#) [Source](#)

First Take

Construction spending was estimated at a seasonally adjusted annualized rate of \$1.908 trillion in April. The 1.2% increase in April bested our expectation of a much weaker 0.1% increase and follows an upwardly revised March estimate of \$1.885 trillion. Private residential spending jumped 1.3% as both residential and nonresidential development picked up. Private spending on residential and nonresidential construction increased 0.5% and 2.4%, respectively. Meanwhile, nonresidential public construction spending increased 1.1%, led by solid growth in all major categories except educational facilities and sewage and waste disposal.


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Construction Spending, % change

	Apr 23	Mar 23	Feb 23	Jan 23	Dec 22	Nov 22	Oct 22	Sep 22
Total	1.2	0.3	2.4	-0.2	-0.1	1.8	0.0	0.5
Total private	1.3	0.4	2.4	-0.6	-0.3	1.9	-0.4	0.3
Residential	0.5	0.0	0.0	-2.0	-0.1	-0.6	-1.7	-1.8
Ex home-improvement	-0.4	-0.8	-0.8	-0.8	-1.7	-1.6	-1.0	-1.9
Nonresidential	2.4	1.0	5.7	1.4	-0.5	5.8	1.7	3.7
Total public	1.1	0.0	2.3	1.5	0.5	1.1	1.7	1.6

The Numbers

- U.S. construction spending in April totaled \$1.908 trillion, 1.2% above its revised March level and 7.2% higher on a year ago basis. Total residential spending rose 0.4% while nonresidential spending increased 1.9%.
- Private construction spending totaled \$1.501 trillion, which is 1.3% higher than the prior month's estimate. April's total is 4.9% higher than in the same month in 2022.
- Private residential construction spending jumped 0.5% on the month. Private residential spending totaled \$845.4 billion, which is 9.2% lower than in April 2022.
- Of the components of private residential construction spending, outlays for new single-family homes dipped 0.8% month over month and were 24.7% lower than a year ago. Spending on new multifamily homes increased 0.6% from its March level and was 24.9% higher on a year-ago basis.
- Private nonresidential construction spending totaled \$655.3 billion in April, a 2.4% increase from the previous month, or 31.2% on a year-ago basis.
- Of the largest components of private nonresidential construction spending, manufacturing structures posted the strongest growth in April, rising 8.7%. On a year-ago basis, spending on factories has more than doubled. Private building was also strong for lodging, amusement and recreation, and religious facilities.
- Public construction spending totaled approximately \$407.7 billion, up 1.1% from March. Compared with a year earlier, public construction spending was 16.5% higher. Residential public construction outlays contracted 1% while spending on nonresidential development increased 1.1%.

- Of the largest components of public nonresidential construction spending, conservation and development structures posted the strongest growth in April, rising 6%. On a year-ago basis, the increase amounts to 31.5%. Public building was also strong for commercial and office spaces, healthcare facilities, transportation structures, and power plants.

Behind the Numbers

Despite high borrowing costs, builders are being put to work. Construction spending measured by the Census Bureau soared in April, rising 1.2% on a seasonally adjusted basis. This is the third consecutive monthly increase in construction outlays, given a large upward revision to February's data. Both private and public construction made headway in March, led by strength in nonresidential development.

Growth in private nonresidential construction outlays has been trending higher since the second quarter of 2022, and annual growth is hovering around an all-time high. More recent strong momentum can largely be attributed to construction of manufacturing facilities. Outlays for factory development have more than doubled since last year as efforts to re-shore manufacturing activity following the pandemic and the passing of the CHIPS Act of 2022 have increased demand for commercial manufacturing space. Excluding manufacturing outlays, private nonresidential spending was flat in April and has been trending down since the end of 2022.

Overall, risks lean to the upside for construction spending. Construction costs have peaked and are starting to come down. We also expect the Federal Reserve to pause interest rate hikes in June and keep monetary policy restrictive through 2024. This will put a cap on real estate demand for now, but the prospect of no more rate hikes should be an encouragement to builders and spur increased building activity. Labor shortages remain a problem as do labor costs, but this should subside as the economy slows and the labor market loosens.