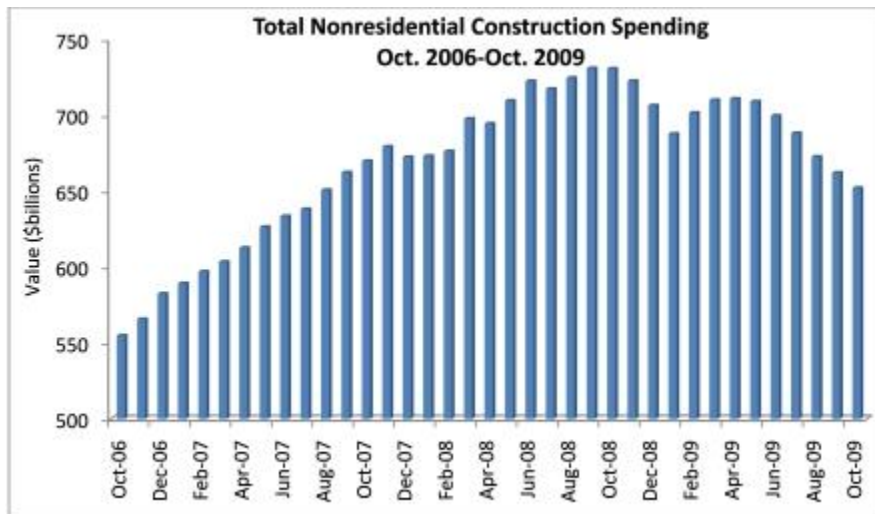


## Nonresidential Construction Shows Continued Weakness in October

**"Given a still tight credit and weak labor market, building construction is not positioned for recovery in the near term." —ABC Chief Economist Anirban Basu**

Private nonresidential spending continues to slump, falling 2.5 percent in October, and is down 20.6 percent from one year ago, according to the December 1 report by the U.S. Census Bureau. Total nonresidential construction, which includes both private and public construction, fell 1.5 percent for the month and 10.5 percent on a year-over-year basis to \$652.2 billion. (See [what this means](#) below)



Source: U.S. Department of Commerce

Only four subsectors experienced increased spending in October and only two were up more than one percent. These were conservation and development construction, up 18.2 percent, and religious-related construction, up 2.5 percent. Those subsectors with the largest increases from October 2008 were transportation, up 7.7 percent, public safety construction, up 5.0 percent, and highway and street construction, up 4.6 percent.

In contrast, subsectors posting the largest decreases for the month include lodging, down 5.8 percent, communication construction, down 5.1 percent and water supply construction, down 5.1 percent. On a year-over-year basis, lodging construction is down 45 percent, commercial

construction, down 37.8 percent and office construction, down 27.9 percent. Manufacturing construction is now down 5.9 percent on a year-over-year basis after being a bulwark of stability for many months.

Meanwhile, residential construction spending increased 4.2 percent for the month, but is still down 22.9 percent from October 2008. Total construction spending is unchanged from September and down 14.4 percent year-over-year.

### What This Means

“Over the course of three years, the nation’s construction industry has turned upside down,” said Associated Builders and Contractors (ABC) Chief Economist Anirban Basu. “Three years ago, residential construction was entering its worst slump in generations, with housing starts collapsing and many homebuilders failing. Nonresidential construction, by contrast, was still in the midst of its growth cycle; one that would last well into 2008.

“Today, residential building is now in expansion mode, with the value of residential construction rising in recent months, including 4.2 percent in October,” said Basu. “However, nonresidential building construction remains very much in the midst of its cyclical downturn, falling 10.5 percent on a year-over-year basis.

“Given a still tight credit and weak labor market, building construction is not positioned for recovery in the near term,” said Basu. “Certain forms of nonresidential construction have held up relatively well, including segments susceptible to public financing and public policy, such as highway/street construction and sewage/waste disposal-related construction. However, it remains to be seen whether those subsectors that were down for the month will continue to slide.

“One of the most striking aspects of the construction spending report is the reversal of fortune in the category of manufacturing-related construction. This segment has been one of the primary stabilizing segments of nonresidential construction for many months, but with the slowing of refinery-related construction, that segment is now in decline. ABC predicts a significant decline in manufacturing-related construction next year,” said Basu.