



## Nonresidential Construction Spending Up in December, but Down for the Year

"There is little evidence of an impending rebound in manufacturing-related construction, which suggests that the overall level of confidence in the U.S. economy remains modest." —ABC Chief Economist Anirban Basu

Private nonresidential construction spending rose 0.2 percent in December, but was down 17.7 percent year-over-year, according to the Feb. 1 report produced by the U.S. Census Bureau. Total nonresidential construction spending fell 0.5 percent for the month and 9.8 percent for the year, reaching \$633.8 billion on a seasonally adjusted annual basis. (See [what this means](#) below)



Source: U.S. Department of Commerce

Eight of the 16 nonresidential construction subsectors experienced spending increases in December compared to November, including public safety, up 3.5 percent; communication, up 3.4 percent; and power, up 3.3 percent. Those subsectors that experienced the largest gains year-over-year include power, up 13.5 percent; transportation, up 8 percent; and conservation and development-related construction, up 3.9 percent. Office construction spending rose 1.6 percent and commercial construction spending rose 0.8 percent for the month despite their dismal performance during the past year and the prevalence of high vacancy rates.

Of the eight subsectors that experienced decreases in construction spending in December, lodging's decline was the most pronounced at 7.7 percent, followed by sewage and waste disposal (down 2.3 percent) and manufacturing-related construction (down 4.9 percent). Year-over-year, the sharpest nonresidential construction spending declines in terms of percent change were in lodging, down 46.1 percent; commercial, down 35 percent; and office construction, down 26.2 percent. After holding steady in November 2009, manufacturing-related construction is now down 10.5 percent on a year-over-year basis.

Public nonresidential construction fell 0.3 percent in December, but was up 1 percent on a year-over-year basis. Residential construction was down 2.7 percent for the month and 10.3 percent year-over-year. Total construction fell 1.2 percent for the month and 9.9 percent since December 2008.

### What This Means

"Today's report was not particularly encouraging," said ABC Chief Economist Anirban Basu. "December marked a full 10 months after the American Recovery and Reinvestment Act of 2009 was passed, and recovery in private nonresidential construction remains virtually nonexistent. Although it could be argued that without the stimulus package things would be even worse; for the year, nonresidential construction was down 18 percent."

"Somewhat frustrating is the fact that manufacturing-related construction is now down significantly on a year-over-year basis," Basu said. "The hope had been that as credit markets stabilized, investment in refinery capacity was renewed, American exports rebounded in conjunction with the balance of the global economy, and inventories were rebuilt, manufacturing would help stabilize the nonresidential construction sector and the broader economy. However, to date, there is little evidence of an impending rebound in manufacturing-related construction, which suggests that the overall level of confidence in the U.S. economy remains modest despite the recently released fourth quarter gross domestic product report.

"It remains to be seen whether the monthly increases in nonresidential construction related to office and commercial projects will continue or if it will turn out to be simply a one-month phenomenon," said Basu.