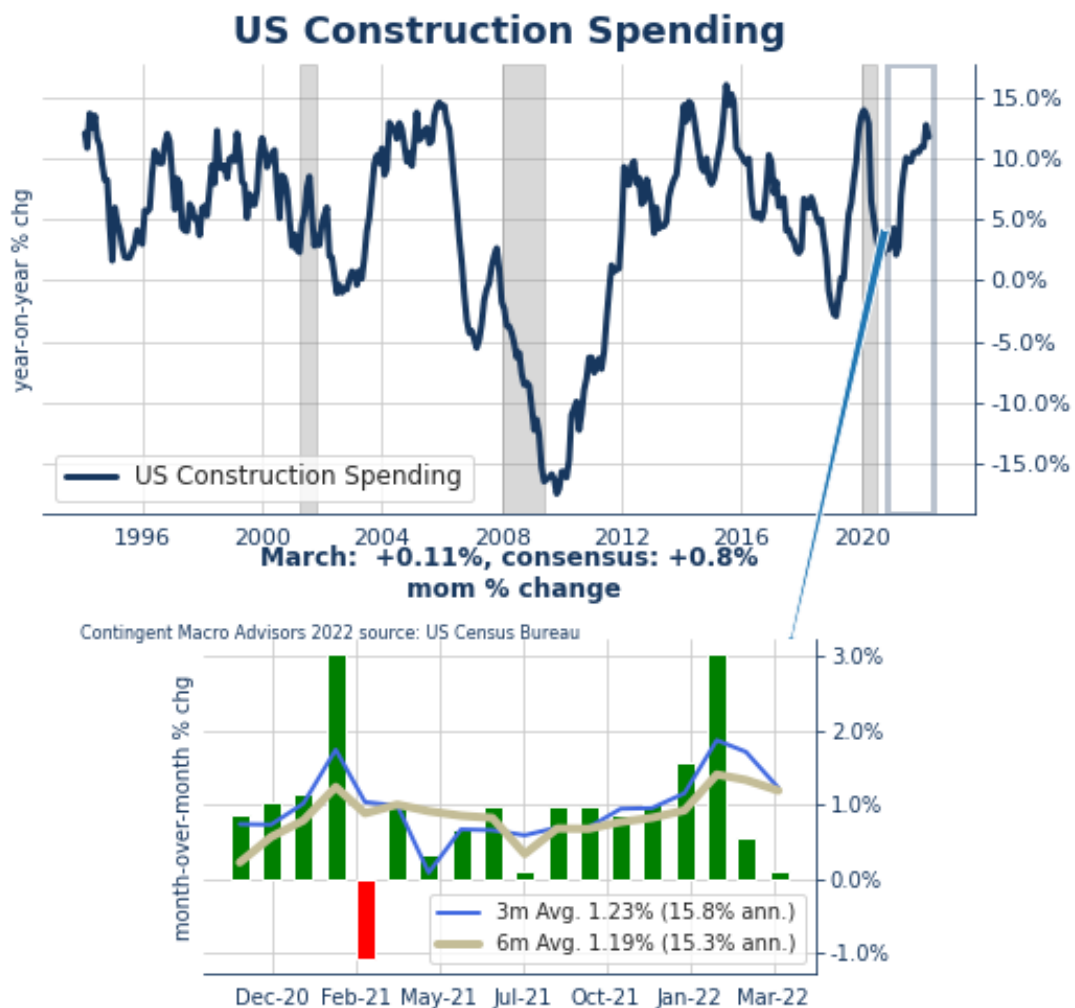


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02.May.2022

Construction Spending: Gains Petered Out As Rates Rose

Bottom Line: Construction spending rose less than expected in March, finishing a quarter of sharply rising interest rates with continued modest gains. Always lagged and prone to heavy revisions, these data confirm strong construction activity in late '21 and into January of this year. As interest rates rose, though, residential construction gains slowed and several nonresidential saw outright declines in activity in February and March. Overall, residential construction activity has proven far more robust relative to prior episodes of sharply rising rates. But nonresidential activity, which was only finally starting to pick up after the pandemic, was starting to slip again as rates rose. Expect construction spending to switch from a strong tailwind to a modest headwind for economic growth over the remainder of the year.



Construction Spending ROSE by 0.11% in March, compared with market expectations for an increase of 0.8%. The February estimate was unchanged, while the January estimate was revised moderately higher from 1.6% to 3.0%. Construction spending is now 11.7% ABOVE its year-ago level.

Residential Construction ROSE by 1.0%, Homebuilding is now 18.4% ABOVE its year-ago level. Nonresidential Construction FELL by 1.2%.

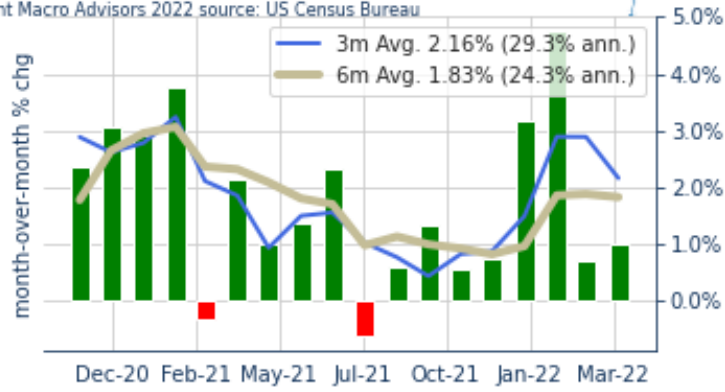
Nonresidential construction growth is now 8.5% ABOVE its year-ago level. Public Construction FELL by 0.2%, and is now 1.7% ABOVE its year-ago level.

Total Residential



mom % change

Contingent Macro Advisors 2022 source: US Census Bureau

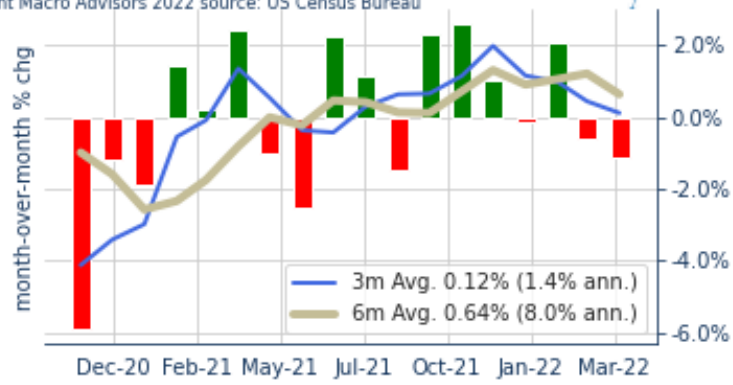


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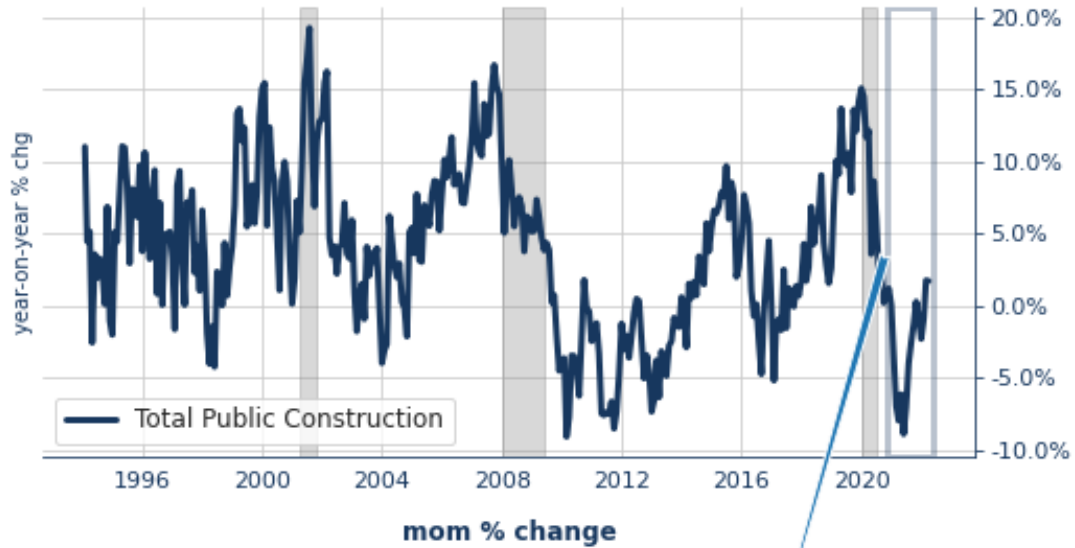


mom % change

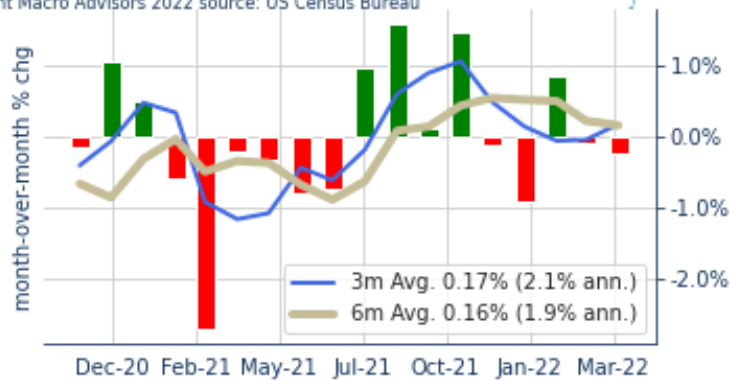
Contingent Macro Advisors 2022 source: US Census Bureau



Total Public Construction



Contingent Macro Advisors 2022 source: US Census Bureau



	Relative Weight *	Percent Change									
		Monthly % Change			Annual Rates of % Change for						
		Mar-22	Feb-22	Jan-22	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
Construction Spending <i>previous estimate</i>	100.0%	0.11	0.5 0.5	3.0 1.6	15.6	15.2	11.7	3.1	13.5	5.2	6.7
Private Construction	79.7%	0.2	0.7	3.6	19.4	19.0	14.6	4.1	13.0	5.7	8.7
Residential	51.0%	1.0	0.7	4.8	29.1	24.3	18.4	21.2	12.6	9.2	11.4
Nonresidential	28.8%	-1.2	0.7	1.6	4.4	10.4	8.5	-15.0	13.4	1.3	5.6
Commercial	5.5%	-1.9	-0.7	0.8	-7.2	9.2	15.5	-8.0	13.6	2.4	8.5
Power	6.2%	-1.2	2.1	2.2	12.7	5.4	-0.3	-20.4	44.9	0.7	2.6
Office	4.2%	0.0	0.0	-0.3	-1.2	3.9	4.9	-13.2	12.8	6.7	11.8
Manufacturing	5.5%	-1.6	1.0	7.4	29.3	32.3	31.9	-16.3	4.6	-3.3	7.7
Health Care	2.3%	-1.9	0.0	-2.1	-14.9	-0.9	6.2	-7.1	12.8	4.0	2.2
All Other	5.1%	-0.6	1.1	-0.6	-0.5	8.6	-2.2	-17.1	-3.8	0.5	4.2
Public Construction	20.3%	-0.2	-0.1	0.9	2.1	1.8	1.7	0.1	15.1	3.8	2.0
Education	4.6%	-0.8	-0.8	0.7	-3.3	-4.2	-6.2	-0.9	8.3	5.4	2.4
Highways & Streets	6.0%	-0.4	-1.5	-0.4	-8.4	3.7	7.5	6.1	7.8	0.8	2.3
All Other	9.7%	0.1	1.1	1.7	12.3	3.7	2.5	-2.8	23.9	5.0	1.6

Source: Bureau of the Census, Department of Commerce via Bloomberg. Our calculations.

* Weights are relative to total construction spending.

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May 2, 2022

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