

01.Aug.2022

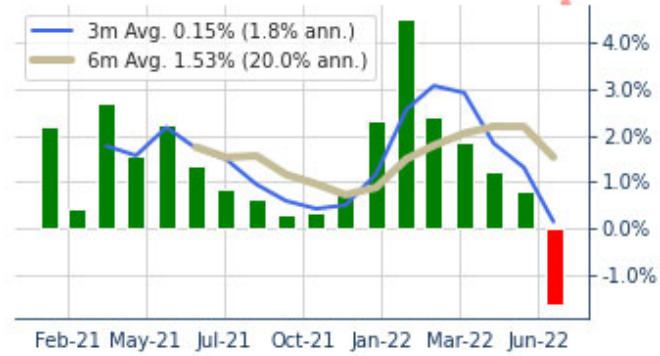
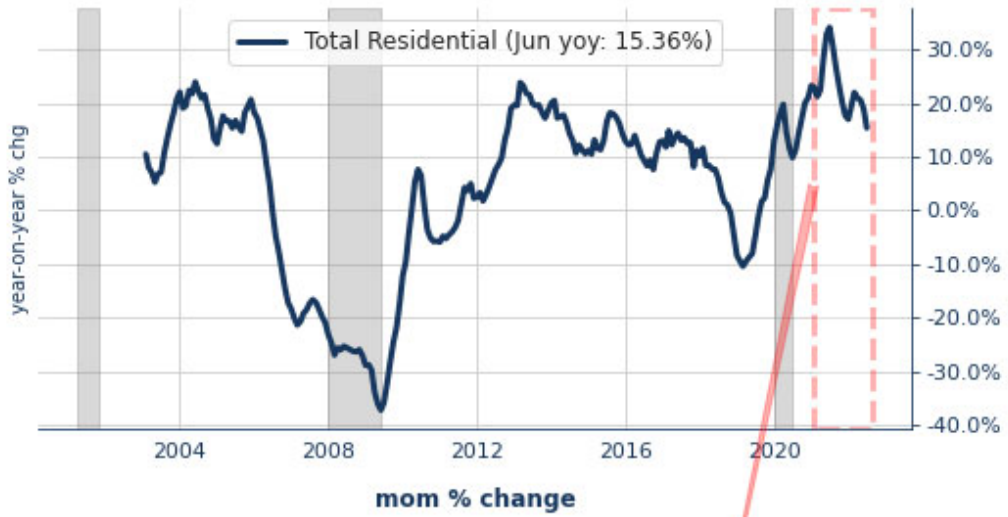
Construction Spending: Sharp Declines

Bottom Line: Construction spending fell sharply, countering expectations for slight gains in June. Residential construction, which has been the sole driver of construction gains since the pandemic, fell for the first time since 2020. The sharp increase in mortgage rates finally caught up with the housing market, which had been holding up remarkably well, and builders are pulling back. Residential construction was still up 15+% in June, but will likely be falling sharply in coming months. Nonresidential construction, which has been slow since the pandemic (up just 1% year-over-year, down 1% in 2021, and down nearly 4% in 2022), fell further in June as commercial construction slid. Public construction, which has yet to benefit from new infrastructure spending plans, also fell in June. Overall, construction shifted from a tailwind to a headwind for economic growth --- while not unexpected given the move in interest rates, activity initially held up better than expected but is accelerating to the downside quickly now.

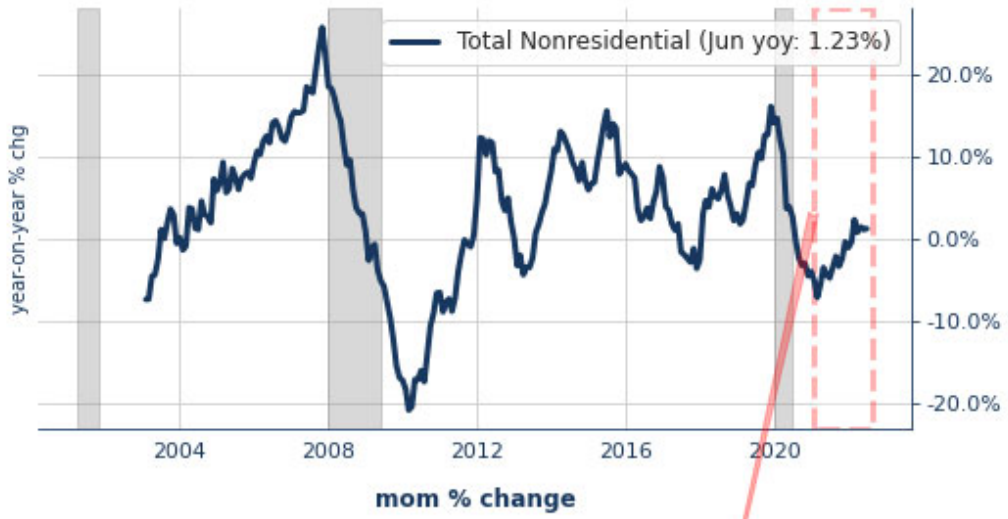
US Construction Spending



Residential Construction

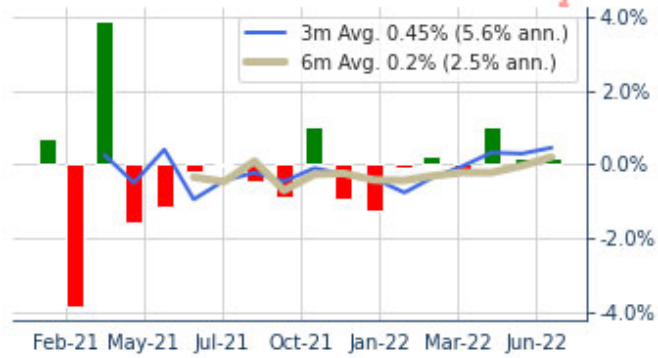
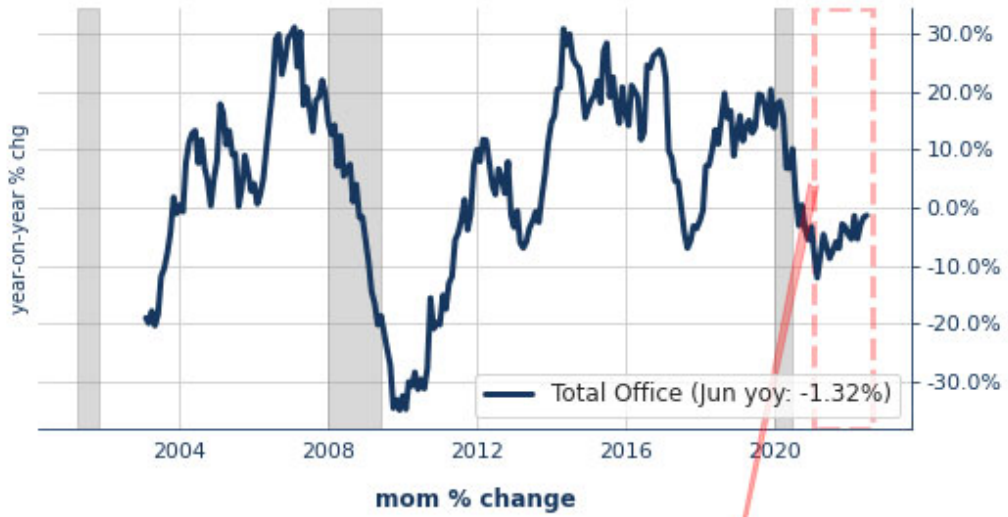


Nonresidential Construction

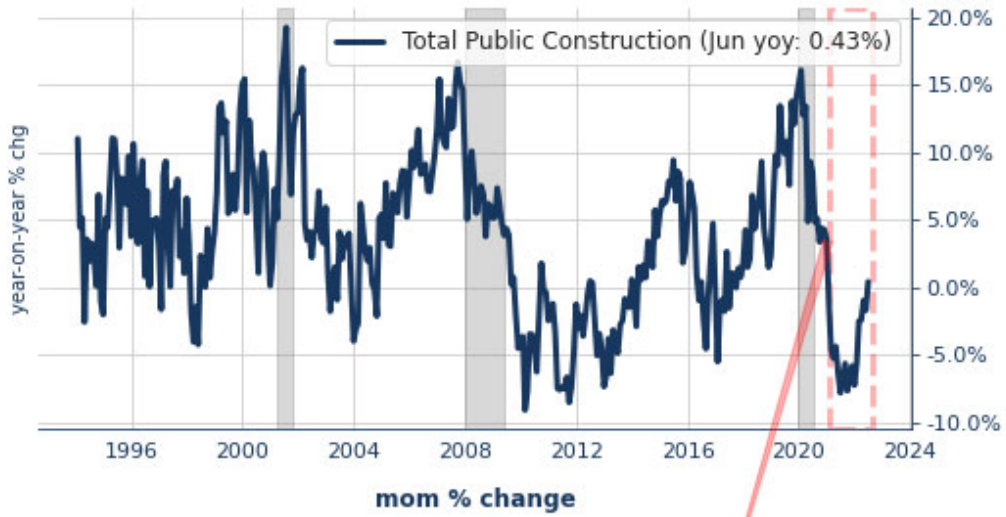


Contingent Macro Advisors 2022 source: US Census Bureau

Office Construction



Public Construction



Manufacturing Construction



Contingent Macro Advisors 2022 source: US Census Bureau

US Construction Spending	Jun-22	May-22	Apr-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Total Construction	-1.10%	0.06%	0.72%	-1.32%	9.90%	8.25%	7.32%	7.03%	6.83%
Total Residential	-1.62%	0.82%	1.25%	1.68%	19.81%	15.36%	16.97%	23.25%	12.66%
Total Nonresidential	-0.50%	-0.80%	0.14%	-4.56%	0.16%	1.23%	-1.07%	-3.97%	2.35%
Total Lodging	-0.33%	0.19%	3.57%	14.39%	12.37%	-7.36%	-32.20%	-30.57%	-8.68%
Total Office	0.16%	0.16%	1.03%	5.56%	2.44%	-1.32%	-4.65%	-3.28%	3.99%
Total Commercial	-0.50%	-0.79%	-0.00%	-5.07%	-0.64%	10.49%	17.45%	-0.02%	3.16%
Total Health care	-0.34%	-1.58%	0.07%	-7.20%	1.58%	4.39%	3.78%	-1.91%	2.62%
Total Manufacturing	-0.03%	0.12%	2.27%	9.78%	16.78%	20.31%	16.17%	-8.05%	6.33%
Total Public Construction	-0.45%	-0.67%	0.66%	-1.85%	1.97%	0.43%	-7.24%	3.60%	2.86%

