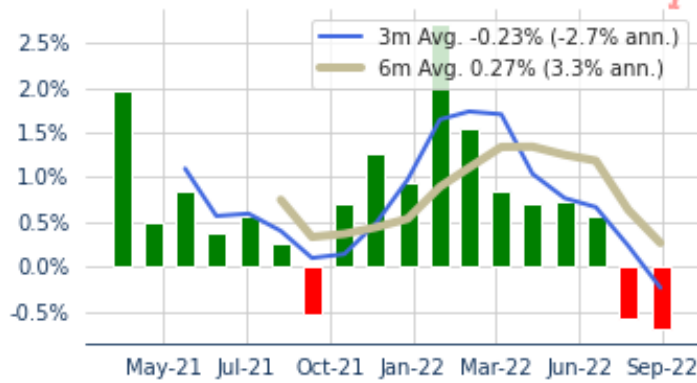
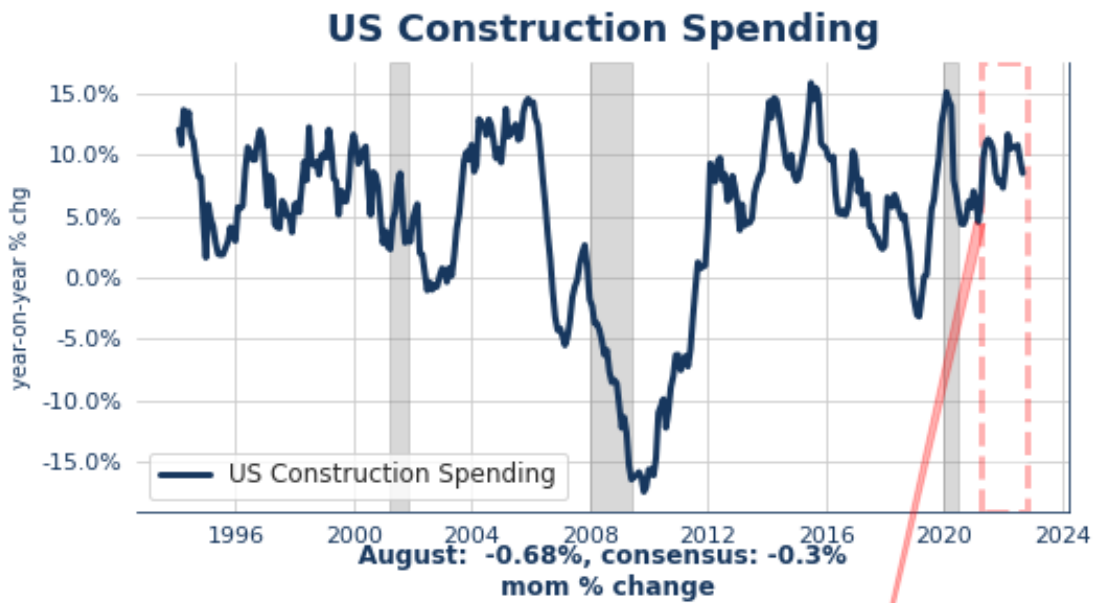


03.Oct.2022

Construction Spending: Drag on 3Q Growth

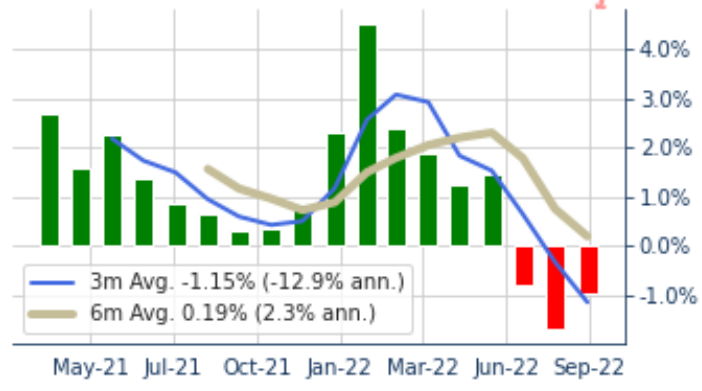
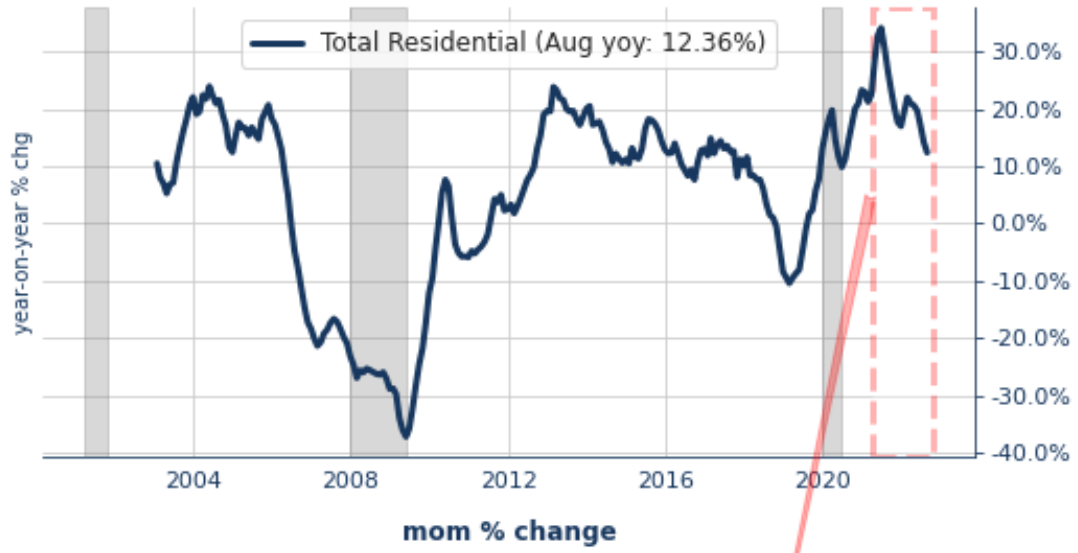
Bottom Line: Construction spending fell again in August and was revised even lower for July as residential spending slowed sharply. There were positive revisions to the June data, mostly due to stronger non-residential construction, as already reflected in GDP reports. But the first two months of the 3rd Quarter suggest construction will be a material drag on growth. The move in mortgage rates has crushed residential activity since late May, with spending in the sector down nearly 13% annualized in the three months ended in August. Nonresidential construction, very weak throughout the pandemic, continues to recover modestly but is unlikely to provide enough boost to investment to offset the losses in residential. **Overall, construction shifted from a tailwind to a headwind for economic growth in the 3rd Quarter and will likely remain a drag on growth for at least the remainder of the year and probably well into 2023.**



Contingent Macro Advisors 2022 source: US Census Bureau

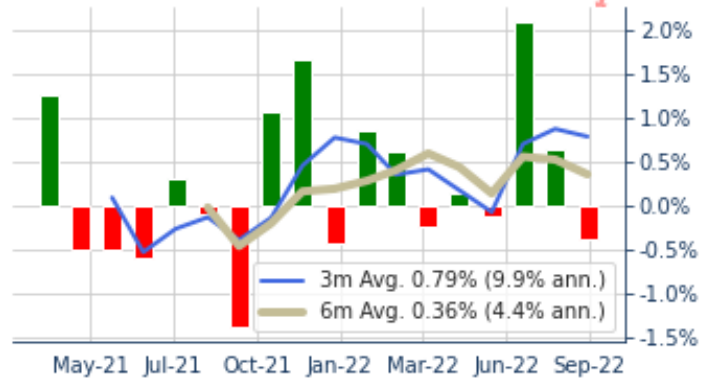
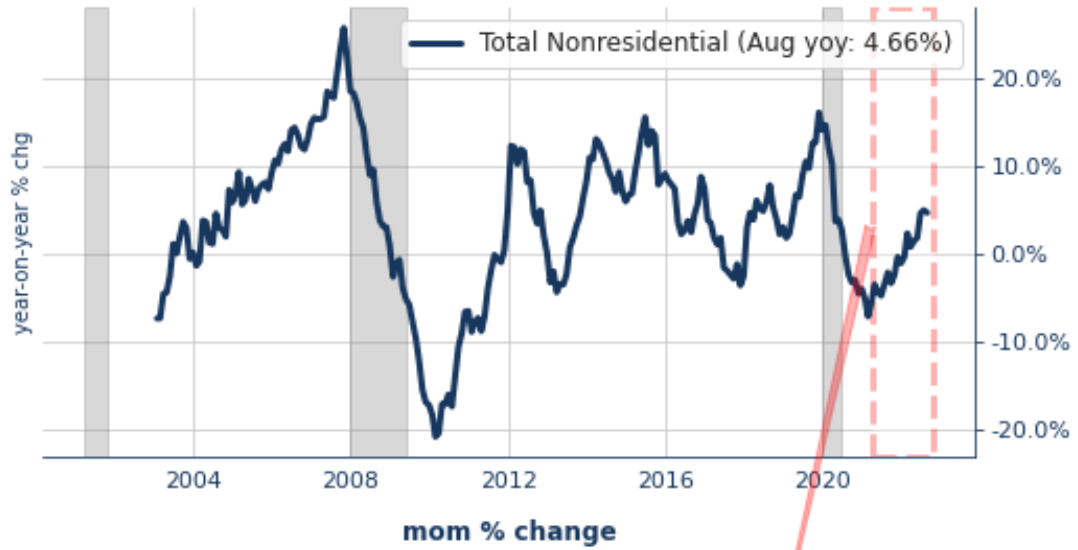
- Total Construction for June was revised up from -0.53% to +0.56%
- Total Construction for July was revised down from -0.39% to -0.57%

Residential Construction

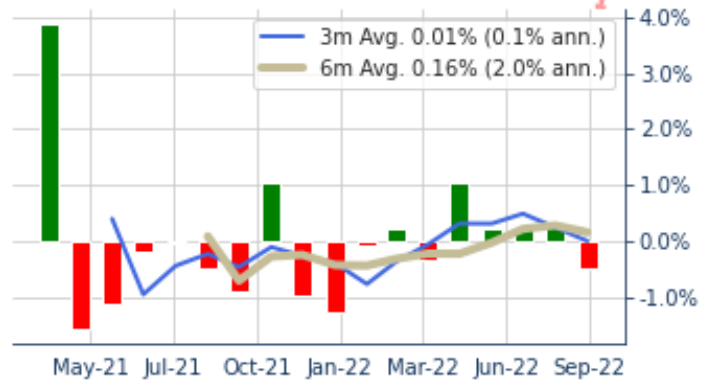
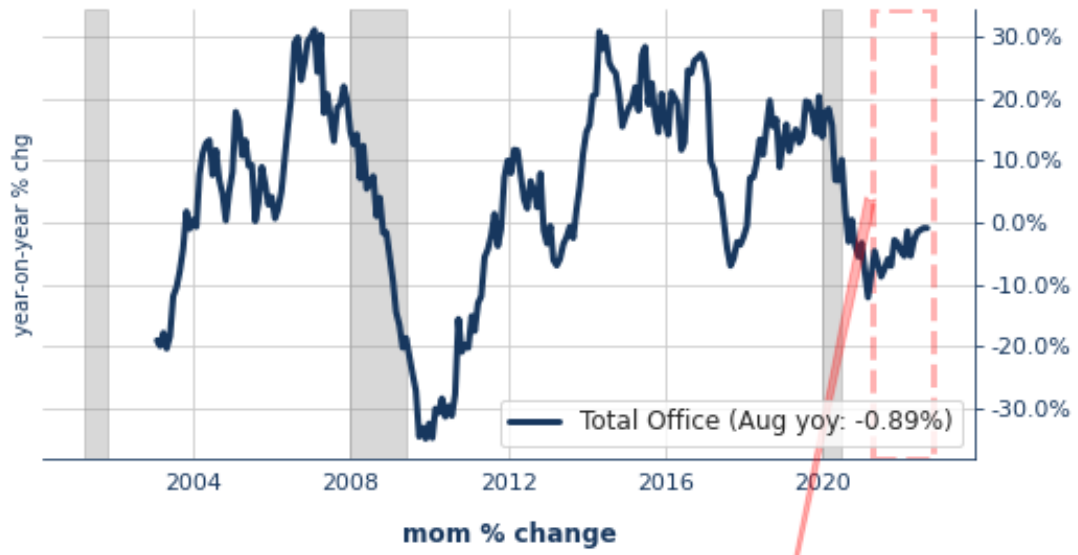


Contingent Macro Advisors 2022 source: US Census Bureau

Nonresidential Construction

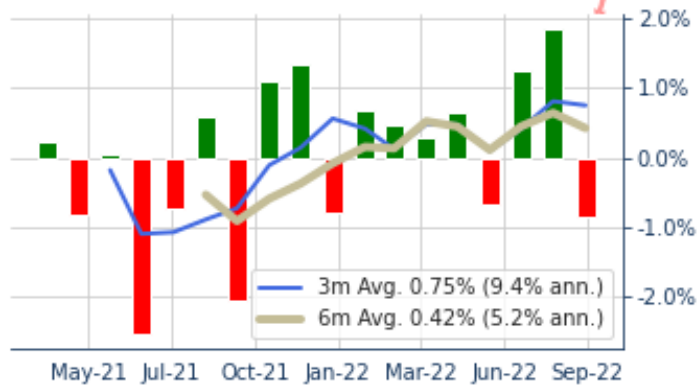
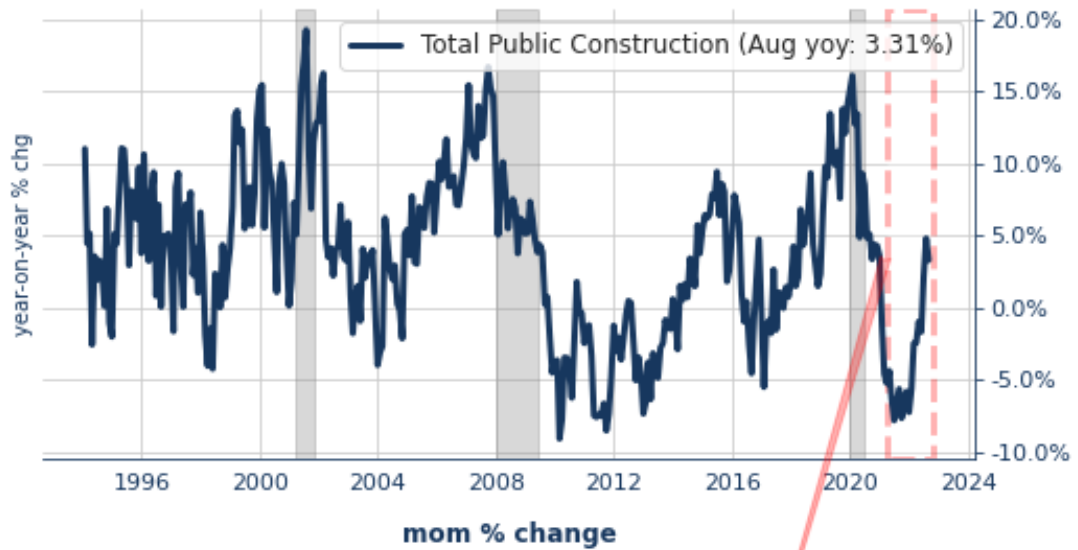


Office Construction



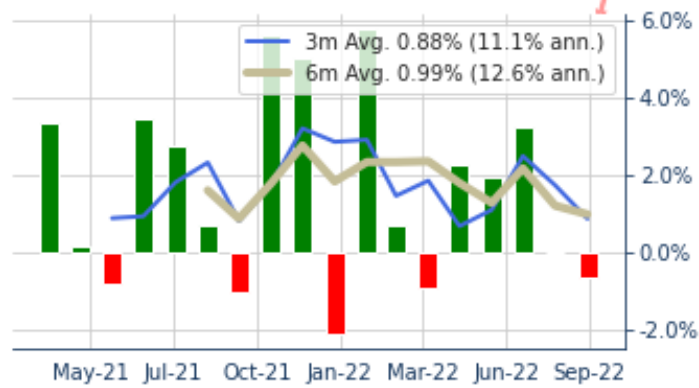
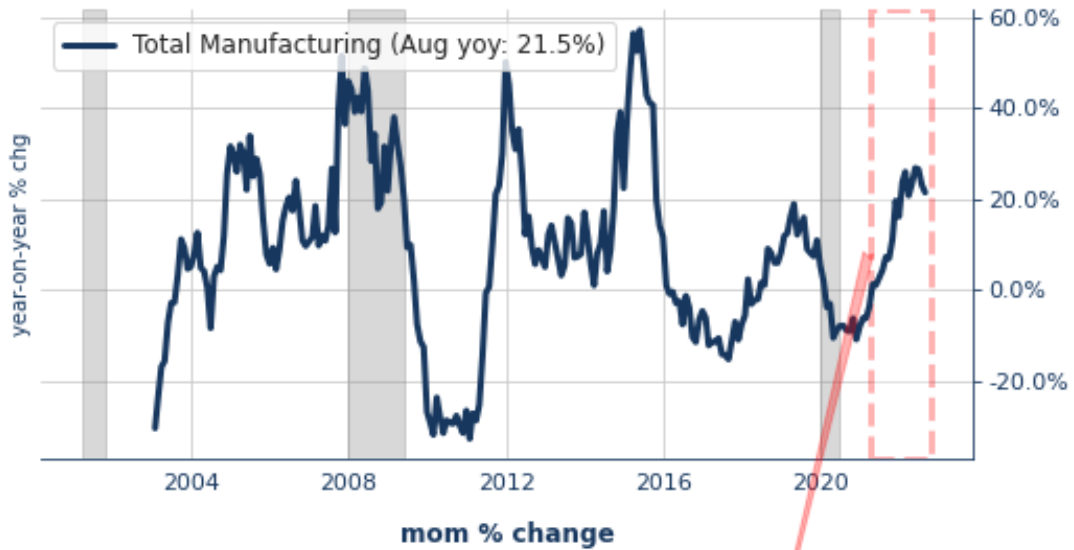
Contingent Macro Advisors 2022 source: US Census Bureau

Public Construction



Contingent Macro Advisors 2022 source: US Census Bureau

Manufacturing Construction



Contingent Macro Advisors 2022 source: US Census Bureau

US Construction Spending	Aug-22	Jul-22	Jun-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Total Construction	-0.68%	-0.57%	0.56%	-2.76%	3.24%	8.51%	7.32%	7.03%	7.12%
Total Residential	-0.96%	-1.68%	-0.80%	-12.93%	2.19%	12.36%	16.97%	23.25%	12.28%
Total Nonresidential	-0.38%	0.65%	2.10%	9.87%	4.38%	4.66%	-1.07%	-3.97%	3.15%
Total Lodging	1.61%	0.22%	4.93%	30.35%	19.87%	9.09%	-32.20%	-30.57%	-7.74%
Total Office	-0.49%	0.30%	0.22%	0.09%	1.97%	-0.89%	-4.65%	-3.28%	3.98%
Total Commercial	-0.09%	-0.08%	5.61%	23.58%	16.68%	19.14%	17.45%	-0.02%	5.38%
Total Health care	-0.38%	-0.47%	3.53%	11.02%	5.80%	7.93%	3.78%	-1.91%	3.51%

Total Manufacturing	-0.62%	-0.01%	3.28%	10.89%	12.43%	21.50%	16.17%	-8.05%	7.53%
Total Public Construction	-0.85%	1.85%	1.25%	9.31%	5.15%	3.31%	-7.24%	3.60%	3.49%

Source: US Census Bureau via FRED