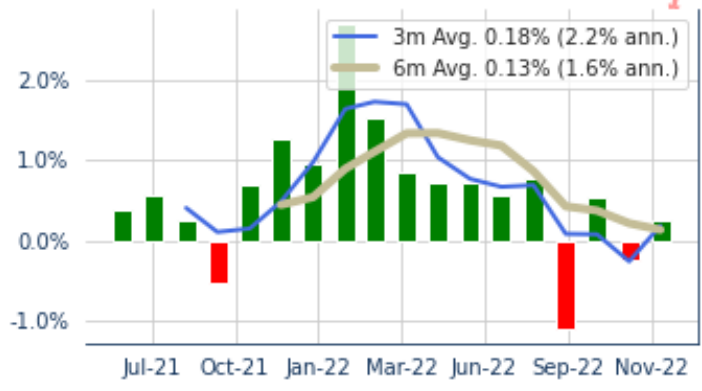


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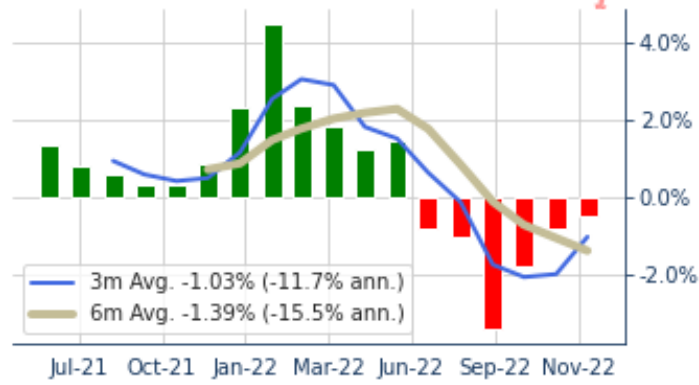
Construction Spending: Nonresidential Drove Gains

Bottom Line: The New Year's U.S. economic data releases started with one of the more lagged and revised series, construction spending -- but the report offered encouraging signs, at least for 4th Quarter growth. Residential spending declined again and remained in a sharp downtrend through November. However, manufacturing-related construction projects rebounded sharply and were annualizing at 75+% gains as investments in new plants grew with onshoring and heavy investment in new technologies related to electric vehicles. While residential was declining at an alarming pace of 15.5% annualized in the six months ending in November, nonresidential construction was running at 22+% annualized gains. Overall, investments in new manufacturing facilities will help relieve the blow of sharply slower residential spending. However, the volatility in nonresidential construction will likely still mean that net construction activity remains a drag on U.S. economic growth, at least through the first half, as the trend in residential construction looks unlikely to turn anytime soon.

US Construction Spending

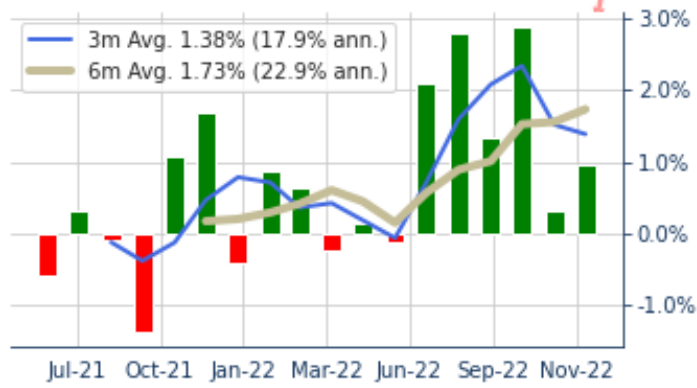
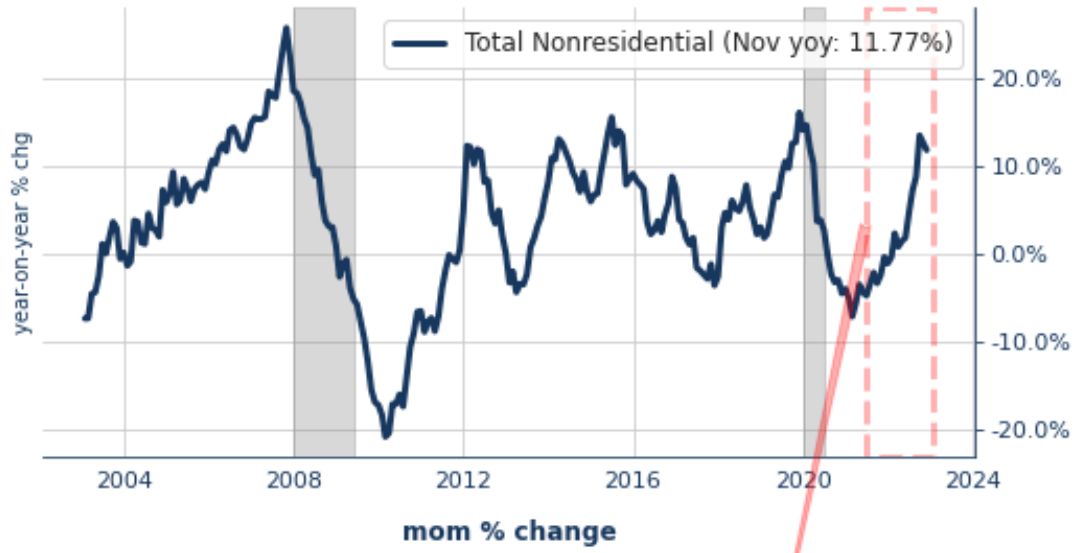


Residential Construction



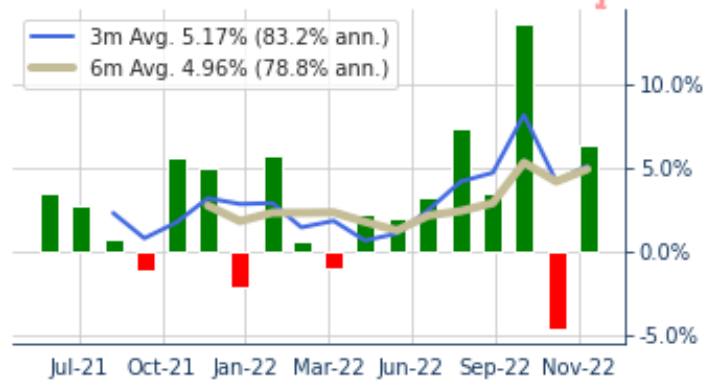
Contingent Macro Advisors 2023 source: US Census Bureau

Nonresidential Construction



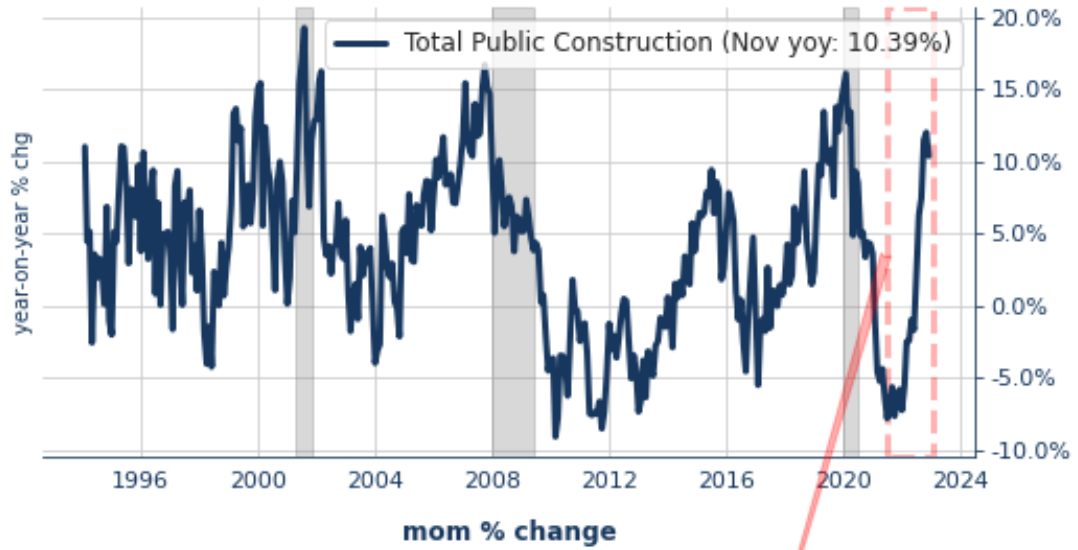
Contingent Macro Advisors 2023 source: US Census Bureau

Manufacturing Construction



Contingent Macro Advisors 2023 source: US Census Bureau

Public Construction



Contingent Macro Advisors 2023 source: US Census Bureau

Health care Construction



Contingent Macro Advisors 2023 source: US Census Bureau

US Construction Spending	Nov-22	Oct-22	Sep-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Total Construction	0.24%	-0.24%	0.54%	2.18%	1.54%	8.55%	7.32%	7.03%	7.52%
Total Residential	-0.50%	-0.81%	-1.77%	-11.69%	-15.50%	5.33%	16.97%	23.25%	10.72%
Total Nonresidential	0.95%	0.32%	2.89%	17.85%	22.82%	11.77%	-1.07%	-3.97%	5.06%
Total Lodging	0.21%	0.60%	8.53%	43.34%	42.86%	30.01%	-32.20%	-30.57%	-6.29%
Total Office	0.36%	0.38%	0.77%	6.23%	6.04%	2.84%	-4.65%	-3.28%	4.69%
Total Commercial	-0.07%	0.55%	1.63%	8.71%	27.20%	20.33%	17.45%	-0.02%	7.15%
Total Health care	-0.13%	2.28%	-0.57%	6.42%	13.31%	7.28%	3.78%	-1.91%	4.38%

Total Manufacturing	6.43%	-4.57%	13.67%	77.62%	75.86%	42.94%	16.17%	-8.05%	15.58%
Total Public Construction	-0.13%	1.60%	1.61%	13.02%	20.29%	10.39%	-7.24%	3.60%	5.19%

Source: US Census Bureau via FRED