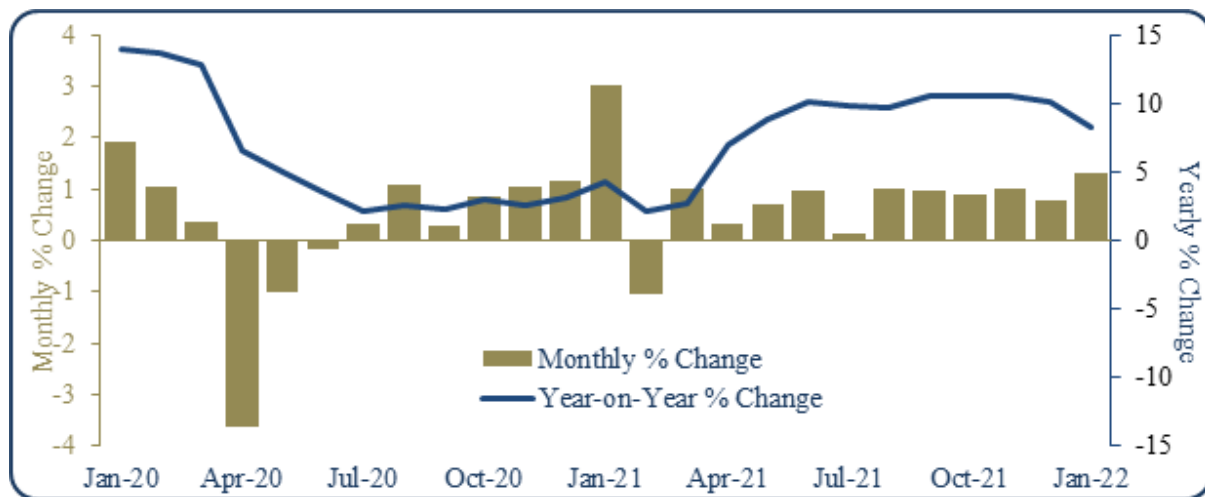
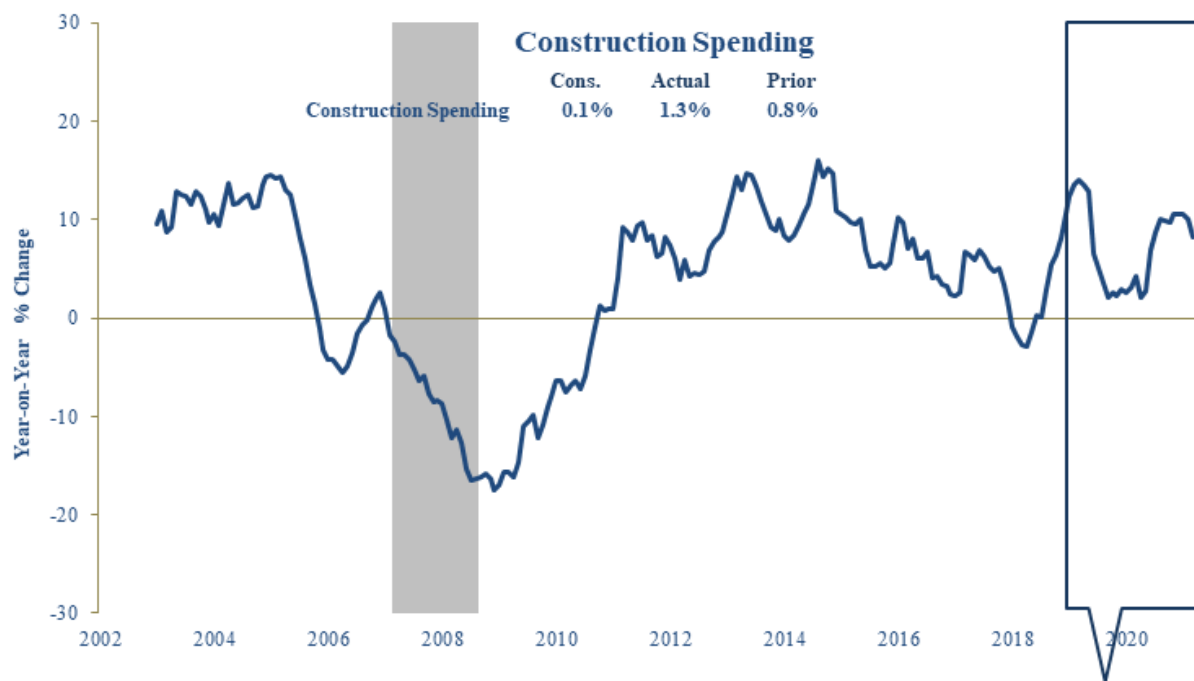


01.Mar.2022

## **Construction Spending: Stronger End To '21, Solid Start to '22**

**Bottom Line:** Construction spending rose more than expected in January, and there were upward revisions to 4th Quarter '21 data. Always lagged and prone to heavy revisions, these data confirm strong construction activity in late '21 and early '22. Most of the strength was in residential construction, but nonresidential continued to improve after contracting in 2020. Construction related to manufacturing was notably strong. The only glaring weakness remains public construction with federal, state, and local budgets stretched thin from pandemic-relief programs. Overall, expect construction spending in the residential sector has likely already started to slow due to higher mortgage rates, but the pace of activity prior to the increase in rates suggests the slowdown should be modest. Nonresidential construction excluding public construction will likely prove less negatively correlated with rates and offer a tailwind for growth for at least the 1st half. Public construction, meanwhile, appears likely to suffer from underinvestment for several years, barring federal legislation.

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**Construction Spending** ROSE by 1.29% in January, compared with market expectations for an increase of 0.1%. The December estimate was revised modestly higher from 0.20% to 0.78%, while the November estimate was revised modestly higher from 0.6% to 1.0%. Construction spending is now 8.2% ABOVE its year-ago level.

**Residential Construction** ROSE by 1.3%, Homebuilding was 13.4% ABOVE its year-ago level. Nonresidential Construction ROSE by 1.8%.

**Nonresidential construction** growth was 7.3% ABOVE its year-ago level. Public Construction ROSE by 0.6% and is now 1.3% BELOW its year-ago level.

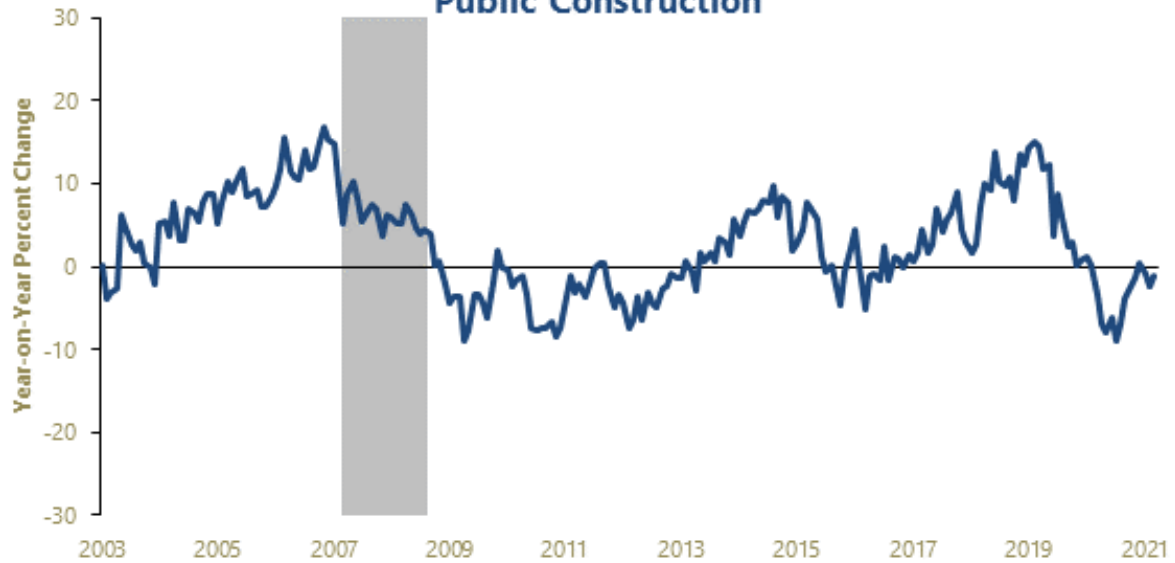
**Private Residential Construction**



**Private Nonresidential Construction**



**Public Construction**



	Relative Weight *	Percent Change									
		Monthly % Change			Annual Rates of % Change for						
		Jan-22	Dec-21	Nov-21	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
<b>Construction Spending</b> <i>previous estimate</i>	100.0%	<b>1.29</b>	<b>0.8</b> <i>0.2</i>	<b>1.0</b> <i>0.6</i>	<b>13.1</b>	<b>12.5</b>	<b>8.2</b>	<b>3.1</b>	<b>13.5</b>	<b>5.2</b>	<b>6.7</b>
<b>Private Construction</b>	79.1%	<b>1.5</b>	1.3	1.3	17.6	14.6	11.0	4.1	13.0	5.7	8.7
	49.4%	<b>1.3</b>	2.2	0.8	18.3	14.3	13.4	21.2	12.6	9.2	11.4
<b>Nonresidential Commercial</b>	29.6%	<b>1.8</b>	-0.2	2.3	16.6	15.1	7.3	-15.0	13.4	1.3	5.6
	5.6%	<b>-0.5</b>	0.3	4.7	19.0	17.8	18.0	-8.0	13.6	2.4	8.5
<b>Power Office Manufacturing</b>	6.4%	<b>2.7</b>	0.2	-0.2	10.9	3.5	-1.4	-20.4	44.9	0.7	2.6
	4.3%	<b>-0.1</b>	0.9	1.0	7.4	7.3	1.7	-13.2	12.8	6.7	11.8
<b>Health Care All Other</b>	5.6%	<b>8.4</b>	-3.9	4.2	38.8	54.2	31.4	-16.3	4.6	-3.3	7.7
	2.4%	<b>-0.7</b>	-0.3	3.2	9.2	1.5	2.5	-7.1	12.8	4.0	2.2
<b>Public Construction Education</b>	5.3%	<b>-0.2</b>	1.7	1.3	12.0	8.4	-3.8	-17.1	-3.8	0.5	4.2
	20.9%	<b>0.6</b>	-1.0	-0.1	-2.2	5.3	-1.3	0.1	15.1	3.8	2.0
<b>Highways &amp; Streets All Other</b>	4.8%	<b>0.0</b>	-1.3	0.2	-4.3	5.8	-9.9	-0.9	8.3	5.4	2.4
	6.3%	<b>-0.1</b>	1.2	0.2	5.4	14.7	5.2	6.1	7.8	0.8	2.3
	9.8%	<b>1.3</b>	-2.3	-0.5	-5.8	-0.4	-0.5	-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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March 1, 2022

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