

01. Mar.2023.

Construction Spending: Resi Lower Still, Manufacturing Booms

Bottom Line: Construction spending, lagged and prone to significant revisions, helps pin down the impact of residential investment on quarterly growth -- and the first quarter started on a dour note. Residential construction spending fell 0.55% in the first month of 2023 after sliding sharply throughout the 2nd half of 2022. While still too early to say the contraction in residential is reaching a turning point, the pace of declines is at least slowing. Moreover, nonresidential spending saw a surprise rebound, buoyed by increased manufacturing-related construction. While that segment has been very volatile, there is a positive trend in fixed investment in manufacturing facilities. Additionally, the office segment has been trending higher, despite high vacancies in existing urban space, as companies demand new space uniquely built for hybrid work. **Overall, the trend in residential construction remains firmly lower, albeit at a slower pace of decline, while the overall trend in construction looks to be stabilizing, thanks to a modest rebound in nonresidential spending.**

US Construction Spending

January: -0.1%, consensus: +0.2%



Contingent Macro Advisors 2023 source: US Census Bureau

Residential Construction



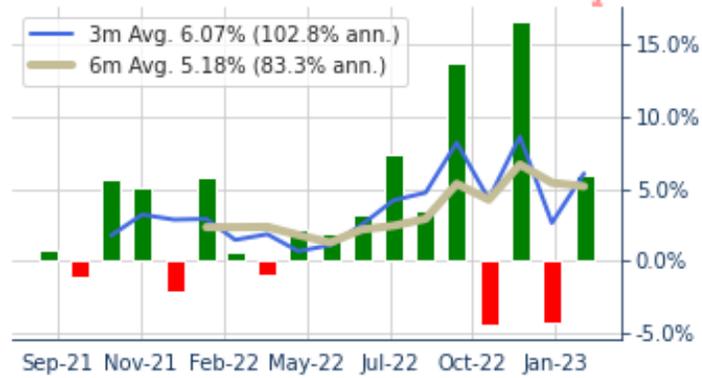
Contingent Macro Advisors 2023 source: US Census Bureau

Nonresidential Construction



Contingent Macro Advisors 2023 source: US Census Bureau

Manufacturing Construction



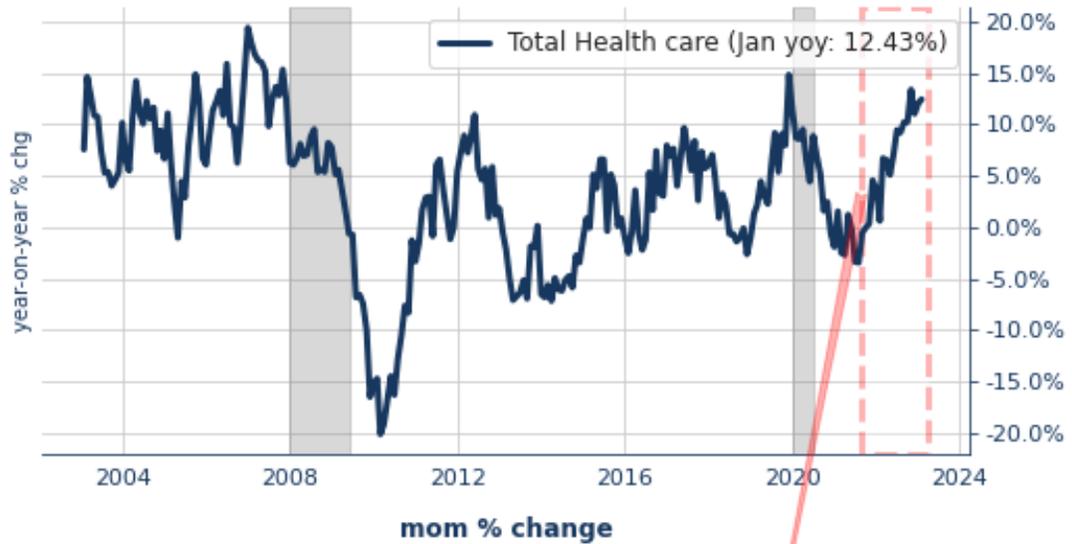
Contingent Macro Advisors 2023 source: US Census Bureau

Public Construction



Contingent Macro Advisors 2023 source: US Census Bureau

Health care Construction



Contingent Macro Advisors 2023 source: US Census Bureau

Office Construction



Contingent Macro Advisors 2023 source: US Census Bureau

US Construction Spending	Jan-23	Dec-22	Nov-22	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Total Construction	-0.10%	-0.69%	1.77%	3.88%	0.86%	5.74%	8.71%	7.32%	8.35%
Total Residential	-0.55%	-0.88%	-0.55%	-7.64%	-16.36%	-3.80%	1.10%	16.97%	12.76%
Total Nonresidential	0.30%	-0.53%	3.93%	15.61%	20.94%	15.90%	16.55%	-1.07%	5.33%
Total Lodging	0.85%	-0.13%	-0.33%	1.57%	48.42%	39.69%	37.56%	-32.20%	-6.35%
Total Office	0.74%	0.02%	6.03%	30.30%	23.25%	13.77%	12.84%	-4.65%	3.86%
Total Commercial	-3.13%	-0.20%	3.14%	-1.15%	16.86%	22.11%	25.48%	17.45%	12.14%
Total Health care	0.20%	-0.40%	1.29%	4.42%	12.19%	12.43%	11.98%	3.78%	5.45%

Total Manufacturing	5.90%	-4.30%	16.61%	95.03%	77.05%	53.56%	53.42%	16.17%	16.57%
Total Public Construction	-0.63%	-0.24%	1.15%	1.11%	11.11%	11.08%	12.53%	-7.24%	4.74%

Source: US Census Bureau via FRED