



## CONSTRUCTION ECONOMIC UPDATE

### Private Nonresidential Construction Inches Down in August

#### Summary

Private nonresidential construction spending inched down in August, according to the Oct. 1 report by the U.S. Department of Commerce. Spending totaled \$415.95 billion in August, which despite the decline in July, was still 13 percent higher than the level of construction recorded in August 2007. Overall, total nonresidential construction spending reached \$720,459 billion, or a 10.7 percent increase from August 2007 (see graphic below).

Of the 16 subsectors that comprise total nonresidential construction, 12 produced year-over-year gains, including manufacturing (up 61.5 percent), lodging (up 29.3 percent) and public safety (up 22.5 percent). In terms of gains from July 2008 to August 2008, highway and street spending led the way (up 3.8 percent) and lodging increased (up 2.1 percent).

In contrast, communications-related construction decreased from one year ago (down 11.2 percent), religious structures also fell (down 7.6 percent), commercial, such as retail construction, posted lower (down 4.9 percent) and amusement and recreation construction decreased (down 4.2 percent). From the period of July 2008 to August 2008, 12 subsectors recorded spending declines including communication (down 4.9 percent), public safety (down 3.4 percent), waste disposal (down 3.2 percent), amusement and recreation (down 2.8 percent), religious (down 2.1 percent), power (down 1.8 percent), sewage and water supply (down 1.1 percent), commercial (down 0.6 percent), transportation (down 0.6 percent), conservation and development (down 0.5 percent) and manufacturing (down 0.3 percent).

Public nonresidential construction was up 0.8 percent in August, compared to the previous month, and has increased 7.7 percent year-over-year. Residential private construction has increased slightly since July yet continues to post large declines year-over-year. However, that sector's construction value is up 0.3 percent since July 2008, but down 28.4 percent since August 2007.

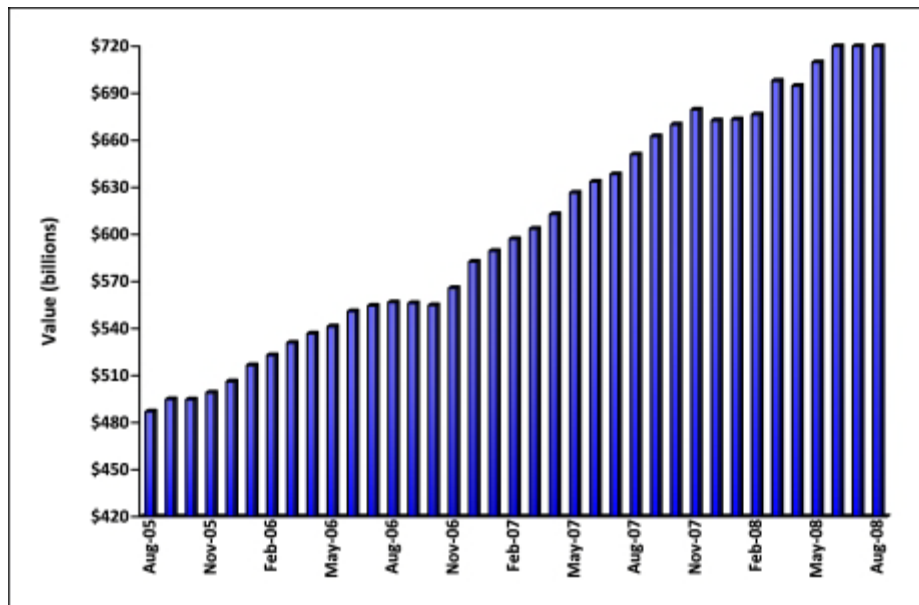
#### What This Means

"A decline in the value of private nonresidential construction has been predicted for many months and it appears to have finally arrived," said Associated Builders and Contractors (ABC) chief economist Anirban Basu. "The August data confirm that the July data were no fluke.

"With the credit crisis deteriorating significantly in September, it is likely that the volume of construction will continue to trend lower in the months to come," said Basu. "Growing fiscal pains among states and municipalities also foreshadow declines in public nonresidential construction in future periods, though construction volumes may hold up for a time due to lag effects. This is because public projects financed earlier in the decade remain under construction in many contexts. However, once these projects are completed, the volume of replacement work will likely decrease.

"Naturally, matters will deteriorate even more if Congress fails to pass a meaningful rescue package for the nation's beleaguered financial sector," added Basu. "ABC members should also be aware that the global economy is slowing rapidly, which means construction related to the U.S. export sector is also likely to slow in future periods."

### Total Nonresidential Construction Spending, August 2005-August 2008



Source: U.S. Department of Commerce

For more information, contact Gerry Fritz, [fritz@abc.org](mailto:fritz@abc.org)