



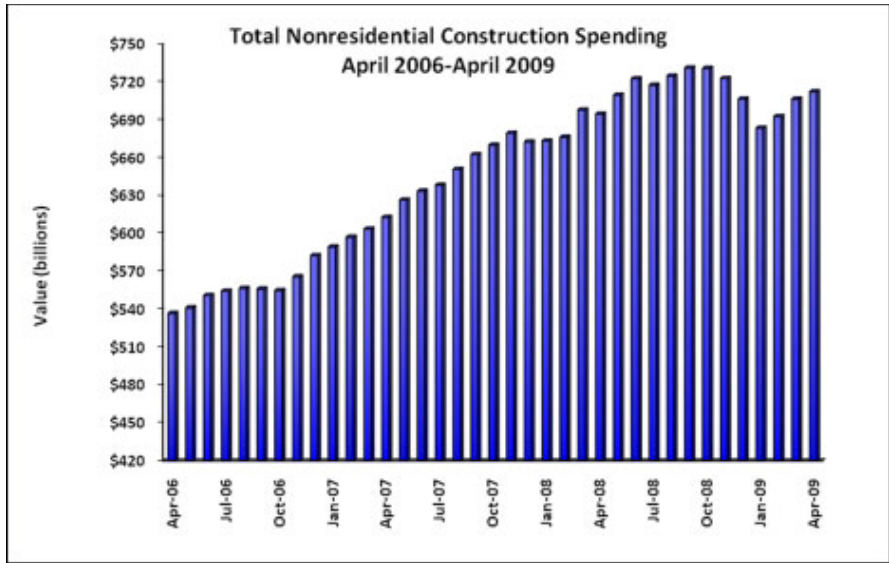
June 1, 2009

Construction Spending Posts Fourth Straight Increase

"While it is true that economic conditions continue to batter office and commercial construction by a combination of job declines, diminished consumer and business spending and tight credit, other nonresidential segments have more than compensated for lost dollar volume in those categories." —ABC Chief Economist Anirban Basu

For the fourth straight month, private nonresidential construction spending increased, rising 1.8 percent in April, according to the June 1 report by the U.S. Census Bureau. On a year-over-year basis, private nonresidential construction spending is up 2.0 percent. Overall, total nonresidential construction spending increased 0.8 percent on the month to \$712.3 billion, up 2.5 percent from April 2008.

(See [what this means](#) below)



Source: U.S. Department of Commerce

Construction subsectors posting the largest gains from the previous month were power plants, up 7.2 percent; communication, up 6.0 percent; and manufacturing, up 3.8 percent. Meanwhile, construction subsectors posting the largest gains from one year ago were manufacturing, up 70.3 percent; power, up 25.9 percent; and conservation and development construction spending, up 16.7 percent.

In contrast, those construction subsectors posting decreases in spending from last month were water supply, down 5.9 percent and commercial construction, down 2.6 percent. Since April 2008, communication construction spending is down 26.1 percent, commercial is down 24.4 percent and office construction spending is down 10.5 percent.

Public nonresidential construction spending fell 0.5 percent for the month, but is still up 3.3 percent from April 2008. Residential construction spending finally increased for the month, up 0.6 percent from March, but still down 34.4 percent from a year ago. Overall, total construction spending increased 0.8 percent on the month, but is down 10.7 percent from April 2008.

What This Means

“In light of the historic downturn in the national economy, and the ongoing credit crunch, the performance of nonresidential construction remains remarkably solid,” said Associated Builders and Contractors (ABC) Chief Economist Anirban Basu. “While it is true that economic conditions continue to batter office and commercial construction by a combination of job declines, diminished consumer and business spending and tight credit, other nonresidential segments have more than compensated for lost dollar volume in those categories.

“Particularly exceptional is the performance of manufacturing and power-related construction, which is a reflection of the enormous transformation taking place in those segments of the economy,” added Basu.

“Undoubtedly, today’s data release will be considered another “green shoot,” indicating that the US economy is now on the mend. However, much of the focus remains on residential construction because its value has not significantly increased since August 2008,” said Basu. “With the overwhelming majority of stimulus dollars yet to be distributed and spent, many nonresidential construction segments can expect even better months ahead, though office and commercial construction will likely lag for the foreseeable future.”