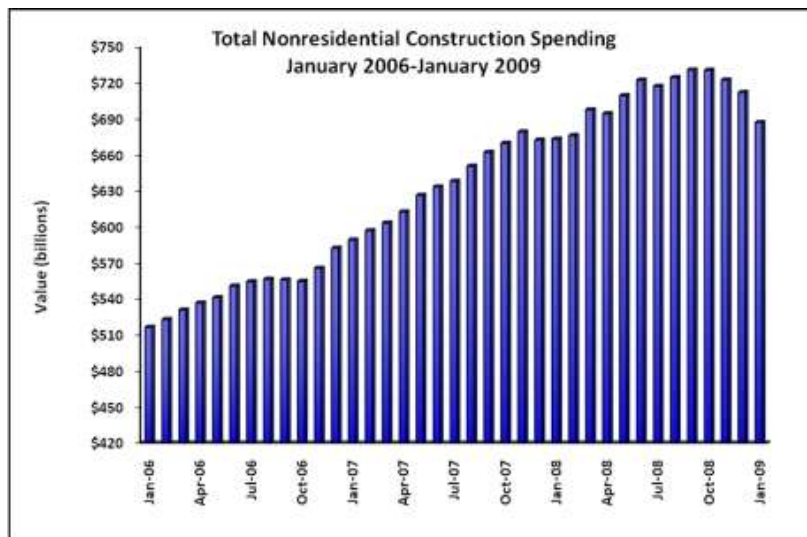


Private Nonresidential Construction Spending Drops Further in January

"The ongoing U.S. recession has become increasingly apparent in the level of nonresidential construction activities. January data show the nonresidential construction marketplace is now deteriorating at an accelerating rate." —ABC Chief Economist Anirban Basu

Private nonresidential construction spending dropped 4.3 percent in January compared to December 2008, according to the March 2 report by the U.S. Census Bureau. On a year-over-year basis, private nonresidential construction spending is up only 0.3 percent. Total nonresidential construction spending reached \$687.3 billion, down 3.5 percent on a monthly basis, but up 2.1 percent from last January. (See [what this means](#) below)



Source: U.S. Department of Commerce

Half of the subsectors in nonresidential construction showed spending increases on a year-over-year basis with manufacturing posting the largest increase (up 48.5 percent), followed by public safety (up 21.2 percent) and water supply (up 15.2 percent). Education construction spending was the lone subsector posting increases on a monthly basis, up just 0.6 percent from December.

Subsectors posting decreases in spending on a year-over-year basis include communication (down 25.1 percent) and commercial (down 18.8 percent). Subsectors with the largest decreases on a monthly basis are conservation and development (down 19.6 percent), power (down 12 percent) and religious construction (down 10.2 percent).

Public nonresidential construction spending also dropped 2.4 percent compared to December 2008, but is still up 4.5 percent on a year-over-year basis. Residential construction spending fell 2.8 percent compared to last month and is down 27.4 percent from one year ago. Overall construction spending is down 3.3 percent on a monthly basis and 9.1 percent compared to January 2008.

What This Means

“The ongoing U.S. recession has become increasingly apparent in the level of nonresidential construction activities,” said Anirban Basu, Associated Builders and Contractors (ABC) chief economist. “January data show the nonresidential construction marketplace is now deteriorating at an accelerating rate. Education was the only subsector of the 16 that reported a monthly gain in nonresidential construction put-in-place activities, posting an increase of less than one percent. By contrast, monthly losses in several key subsectors were quite deep, including power and health care. Moreover, subsectors that have been lifting the industries’ fortunes in recent months have now begun to weigh on the industry, including manufacturing, which is down for the month of January.

“Even with the recently passed stimulus package, the near-term outlook for most nonresidential construction activities remains bleak, and as contractors continue to work through their accumulated backlogs, more participants in the marketplace are likely to experience cash flow issues,” Basu added. “Fortunately, there are several positive elements in the economic environment, including the infrastructure component of the stimulus package, ongoing military-related construction in many parts of the United States and falling construction input prices.”