

## Total Construction Spending Dropped in March, Led by a Retreat in Private Spending

- **Total construction spending dropped on the month in March but was up from last year.**
- **The drop in total spending was caused by a drop in private construction spending, led by residential.**
- **Public construction spending was up on the month and from last year.**
- **PNC expects growth in residential investment to pick up in 2024 and 2025.**

U.S. total construction spending in March 2024 dropped 0.2% from February to \$2.08 trillion at a seasonally-adjusted annualized rate from \$2.088 trillion (downwardly revised from \$2.092 trillion) in February 2024. Residential construction spending fell 0.7% on the month but has risen 4.5% over the past year to \$0.90 trillion. Nonresidential construction spending increased 0.2% on the month to \$1.19 trillion, and was up 13.7% over the past year. Spending has flattened out in early 2024 after sharp increases last year.

The 0.2% narrow decline in total spending was caused by a fall in private construction spending. With residential construction spending down 0.7% total private construction spending dropped 0.5% to \$1.60 trillion. Both single-family and multifamily construction spending dropped in March. Total private construction spending still increased 7.3% on a year-over-year basis in March. Manufacturing was the key driver of year-over-year growth in private nonresidential spending.

Public construction spending increased 0.8% on the month to \$0.48 trillion, with increases in most categories. Over the past year public spending was up 17.9%. Power led public spending growth on a year-over-year basis, thanks to federal government support for infrastructure.

PNC expects growth in residential investment to pick up in 2024 and 2025 when interest rates ease in the second half of 2024 and next year. Housing demand is still strong with robust growth in employment. Housing is in short supply with tight inventories of existing homes for sale, and lower interest rates should propel continued growth in residential investments this year. Federal government spending under the bipartisan infrastructure bill, the CHIPS and Science Act, and the Inflation Reduction Act will continue to provide support to nonresidential spending in 2024, despite high borrowing costs.

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