

Total Construction Spending Flat in November as Yearly Pace Continues To Drop

- **Total construction spending was unchanged in November. Year-over-year growth was positive but continued to slow, to its weakest pace in five years.**
- **New single-family construction spending rose more than new multifamily construction declined on the month; both are still up from last year.**
- **Public construction spending was firmly up from last year in most categories despite a small decline in November.**
- **The current weakness will extend into December, but PNC expects improved conditions for housing demand, homebuilding, and construction spending in 2025.**

U.S. total construction spending was unchanged in November from October, at \$2.153 trillion at a seasonally-adjusted annualized rate. October's construction spending was downwardly revised from \$2.174 trillion. From a year-ago perspective total spending rose 3% in November, down from 3.9% in October, 4.2% in September, and 5.6% in August. Residential construction spending was up marginally on the month while nonresidential spending fell slightly. Residential construction spending was up 3.2% over the past year, with nonresidential spending up 2.8%.

In private construction spending, new single-family construction spending rose 0.3% over the month and 3.1% over the past year, more than offsetting declines for multifamily spending of 1.3% monthly and 9.5% year-over-year. Nonresidential construction spending was flat on the month in November, and was up 1.7% from a year earlier, with the biggest annual gains in manufacturing and power. Commercial construction spending lagged in 2024 with high interest rates and a structural shift to online work after the COVID-19 pandemic.

Public construction spending was firmly up from last year in most categories despite a 0.1% retreat in November. Over the past year public spending was up 4.6%, with increases in most categories thanks to federal government support from the infrastructure bill, the CHIPS and Science Act, and the Inflation Reduction Act. Commercial, public safety, amusement and recreation, and water supply spending were up the most in percentage terms. The largest public construction spending category, highway and street spending, was down 3.5% in November from a year ago. Educational spending fell on the month but has increased 3% over the past year.

Growth in construction spending lost momentum in mid-2024, roughly flat since May. From a year-over-year perspective, growth in construction spending has steadily slowed through 2024 and in November was at its softest pace since 2019, even as the Federal Reserve has started to ease monetary policy. The 30-year fixed mortgage rate has increased over the past few months after hitting a one-year low in September. Continued

high interest rates could weigh further on housing demand and homebuilding in December. However, slower inflation should allow for further fed funds rate cuts and lower interest rates next year, supporting construction spending. PNC expects improved conditions for housing demand, homebuilding, and construction spending in 2025, but inflation risks for building materials are tilted to the upside.

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