

Total Construction Spending Rose Modestly in October, Led by Single-Family Homebuilding

- **Total construction spending rose 0.4% in October. Year-over-year growth was positive but continues to slow.**
- **Single-family construction spending was up both monthly and yearly, while multifamily was down from October of last year. Nonresidential spending was down on the month, but was still up from last year.**
- **Public construction spending was up firmly from last year.**
- **PNC expects improved conditions for housing demand, homebuilding, and construction spending in 2025, but inflation risks for construction materials are tilted to the upside.**

U.S. total construction spending rose 0.4% in October to \$2.174 trillion at a seasonally-adjusted annualized rate, from \$2.165 trillion in September (upwardly revised from \$2.149 trillion). Residential construction spending was up 1.5% on the month while nonresidential spending fell by 0.4%. From a year-ago perspective total spending rose 5.0% in October, down from 5.3% in September, 5.6% in August, and 5.7% in July. Residential construction spending was up 6.4% over the past year, while nonresidential spending fell by 4.3%. The construction spending numbers are not adjusted for inflation.

New single-family construction spending rose 0.8% on the month and 1.3% over the past year. Multifamily construction spending rose 0.2% in October but fell 6.8% over the past year.

Nonresidential private spending was down 0.3% in October from September, but up 3.5% from a year earlier. Most categories of non-residential construction spending are down over the past year, with large declines for commercial and lodging construction, but big increases for manufacturing, transportation, and power construction. Manufacturing construction spending was flat monthly in October, but was still up 16% from a year earlier, backed by federal government support for the industry.

Public construction spending fell 0.5% in October. Over the past year public spending was up 4.5%, with increases in most categories thanks to federal government support from the infrastructure bill. Commercial, public safety, amusement and recreation, water supply, and office spending saw the largest increases. The largest public construction spending category, highway and street spending, was down 1.2% in October from a year earlier. Educational spending fell on the month and increased a small 0.6% over the past year.

Year-over-year growth of construction spending continues to slow and fell in October to the slowest pace since mid-2023. Monetary policy is still weighing on economic growth, although that drag should gradually lift as the Federal Open Market Committee continues to cut the fed funds rate, supporting construction activity. PNC expects improved conditions for housing demand, homebuilding, and construction spending in 2025, but inflation risks are tilted to the upside for construction materials and components. PNC expects homebuilding to gradually pick up as inflation continues to slow and lower mortgage rates support greater housing affordability. However, risks to the interest rate outlook are to the upside, and higher-than-expected rates would be a drag on construction.

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