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CONTACT: Brian Turmail
(703) 459-0238; turmailb@agc.org

CONSTRUCTION SPENDING EDGES DOWN IN SEPTEMBER AND IS UP MODESTLY FOR THE FIRST NINE MONTHS OF THE YEAR AMID PRIVATE-SECTOR GROWTH & PUBLIC-SECTOR DECLINES

Construction Officials Caution that Declining Public-Sector Investments in Infrastructure are Undermining Sector's Recovery, Urge Congress to Pass Water Measure and Voters to Pass Building and Repair Measures

Construction spending remained in a yearlong holding pattern in September as declining public outlays offset strong growth in multifamily spending and several private nonresidential categories, according to an analysis by the Associated General Contractors of America. Association officials said declining investments in public infrastructure are undermining the sector's recovery and urged Congress to act on pending water resources legislation and voters to support ballot measures designed to rebuild aging infrastructure.

"There is still plenty of oomph in private demand for construction and growing support for school construction, but public infrastructure investment is crumbling just when it is needed most," said Ken Simonson, the association's chief economist. "These conflicting trends have left total construction spending nearly flat for the past 15 months."

Construction spending in September totaled \$1.150 trillion at a seasonally adjusted annual rate, down 0.4 percent the month before and down 0.2 percent from the September 2015 level, Simonson said. He added that the year-to-date total for January through September 2016 compared to the first nine months of 2015 remains positive, with an overall increase of 4.4 percent despite a deterioration in public spending, thanks to gains in private nonresidential and residential spending.

Public construction spending declined 0.9 percent from a month before—the sixth decrease in the past seven months—bringing the year-to-date total for the first nine months of 2016 down 2.2 percent from the same period in 2015. Public educational spending rose 3.8 percent year-to-date but public infrastructure spending declined across-the-board. Public spending on highway and street construction slipped 0.7 percent; other transportation facilities such as transit and airports dropped 4.8 percent; sewage and waste disposal slumped 8.9 percent; water supply fell 8.3 percent; and conservation and development declined 4.5 percent.

Private nonresidential construction spending decreased 1.0 percent for the month but is up 7.8 percent year-to-date. The largest private nonresidential segment in September was power construction (including oil and gas pipelines), which declined 1.4 percent for the month but is up 7.4 percent year-to-date. The next-largest segment, manufacturing, dropped by 1.5 percent for the month and is down 2.5 percent year-to-date. Commercial (retail, warehouse and farm) construction decreased by 2.4 percent in September but climbed 8.6 percent year-to-date. Private office construction slipped 0.4 percent for the month but soared 27 percent year-to-date.

Private residential construction spending increased by 0.5 percent between August and September and rose 5.8 percent year-to-date. Spending on multifamily residential construction increased by 2.0 percent for the month and 18.8 percent year-to-date, while single-family spending inched up 0.1 percent for the month and rose 6.0 percent year-to-date.

Association officials said that even though a handful of states have recently passed measures to increase investments in infrastructure, many other states have cut back on their funding for public works. They urged voters to approve state and local funding measures to repair aging infrastructure. They also urged Congress to enact legislation to finance repairs to the nation's aging waterways and port systems.

"Public-sector funding cuts for infrastructure aren't just hurting the construction industry, they are also slowing commutes and undermining quality of life in many communities," said Stephen E. Sandherr, the association's chief executive officer. "Voters should send a strong message that they want to drive better roads, drink better water and learn in better facilities."

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