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CONSTRUCTION SPENDING POSTS BIGGEST INCREASE SINCE 2006, RISING 9.3 PERCENT FOR THE YEAR AMID GROWING DEMAND FOR PUBLIC AND PRIVATE

Growth Comes Despite Harsh Winter Weather in Many Parts of the Country Economist Says; But Continued Gains Depend on New Federal Infrastructure Investments, Broader Economic Growth

Total construction spending in January posted the steepest year-over-year increase since 2006, with growth in public construction as well as private residential and nonresidential spending, according to an analysis of new Census Bureau [data](#) by the Associated General Contractors of America (AGC). Association officials warned that federal investments in highway repairs could decline rapidly this summer because of funding shortfalls, undermining the sector's recovery.

“Overall construction spending increased in January compared with both December and January 2013 despite uncommonly adverse weather conditions,” said Ken Simonson, the association's chief economist. “The monthly gains were limited to homebuilding and multifamily residential construction, although private nonresidential work should rebound in the next few months. Public construction is up for now on a year-over-year basis, but funding remains questionable.”

Construction put in place totaled \$943 billion in January, 0.1 percent higher than the December total, which was revised up \$12 billion from the initial estimate. The January mark was 9.3 percent higher than in January 2013, the fastest rate of growth for total construction spending since May 2006. Private residential construction spending increased by 1.1 percent in January and jumped 15 percent over 12 months. Private nonresidential spending slipped 0.2 percent for the month, but rose 9.7 percent compared to January 2013. Public construction spending dropped 0.8 percent for the month, but increased 2.5 percent from a year earlier.

“Contractors are clearly more optimistic about the outlook for private nonresidential markets this year, as shown by their upbeat answers to an AGC [survey](#) in January,” Simonson commented. “In addition, apartment construction is still very strong in much of the country, and homebuilding should remain positive.”

Simonson added that the Census Bureau estimates for January and December may not accurately reflect the impact of severe winter weather because the agency relies in part on models as well as field reports. He noted that the bureau will hold a [webinar](#) on March 12 explaining its estimation process.

Association officials cited highway and street construction as an example of a category that may be revised. The preliminary data show spending soared 3.7 percent in January and 15 percent year-over-year. But they cautioned that federal highway funding could decline abruptly as early as this summer if the federal highway trust fund runs out of money as predicted. They urged Congress and the president to work together to pass new transportation funding measures as quickly as possible.

“Even with spending on the rise, the construction industry remains vulnerable to any sudden downturn in demand,” said Stephen E. Sandherr, the association’s chief executive officer. “Letting highway investments lapse will only hurt overall economic growth and put more construction jobs at risk.”

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