

## Total Construction Spending Contracted Slightly in February; Spending Has Flattened Out in Early 2024 After Sharp Increases Last Year

- **Total construction spending dropped on the month but was up from last February.**
- **Residential construction spending was down in February year-over-year but increased from January; nonresidential construction spending has fallen in the first two months of the year.**
- **Both private and public construction spending were up from last year.**
- **PNC expects easing credit conditions to support growth in construction spending in 2024.**

U.S. total construction spending in February 2024 fell 0.3% from January to \$2.09 trillion at a seasonally-adjusted annualized rate from \$2.10 trillion (downwardly revised from \$2.12 trillion) in January 2024. Residential construction spending increased 0.7% on the month and 6.5% over the past year to \$0.91 trillion. Nonresidential construction spending dropped 1% on the month to \$1.18 trillion, but was up 14.2% over the past year. A broad-based retreat in nonresidential construction spending drove the month-over-month drop in total (private and public) construction spending in February; the exception was transportation construction spending, which increased 0.7% on the month.

Total residential construction spending peaked in mid-2022 and then fell through the spring of 2023 as interest rates rose. But residential construction spending has risen more than 9% after bottoming out in April 2023, and in February was up on a year-over-year basis at the fastest pace since April 2023. Total nonresidential construction spending reached an all-time high in December 2023 and has dropped in each of the first two months of 2024, down by about 1%, but year-over-year growth is running at close to its pre-pandemic peak.

Private construction spending was flat on the month at \$1.62 trillion, and public construction spending was down 1.2% to \$0.47 trillion. Both private and public construction spending were up on year-ago basis in February. Manufacturing was the key driver of year-over-year growth in private nonresidential spending. Power led public spending growth, thanks to federal government support for infrastructure.

Federal government spending under the bipartisan infrastructure bill, the CHIPS and Science Act, and the Inflation Reduction Act will continue to provide support to commercial construction spending in 2024, despite high borrowing costs. Lower mortgage rates and an undersupply of homes, especially single-family homes, over the past 15 years will support residential construction in the near term.

**PNC Economics**  
[economics@pnc.com](mailto:economics@pnc.com)

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