Data Digest

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Outlays slip in January but climb year-over-year; spending bills expected to spur demand for crafts

Construction spending (not adjusted for inflation) totaled $2.10 trillion in January at a seasonally adjusted annual rate, down 0.2% from December but up 12% year-over-year (y/y), the Census Bureau reported today. However, without a deflator it is impossible to say how much of the gain is in units vs. price. **Private residential construction** rose 0.2% for the month and 5.2% y/y. Single-family homebuilding rose 0.6% (the ninth monthly gain in a row); multifamily construction spending declined 0.3%; and owner-occupied improvements inched down 0.1%. **Private nonresidential construction** spending edged down 0.1% for the month but jumped 15% y/y. The largest private nonresidential segment—manufacturing construction—rose 2.0% for the month (including computer/electronic/electrical, up 4.0%, and chemical and pharmaceutical, down 2.8%). Commercial construction fell 0.5% (comprising warehouse, down 1.2%; retail, down 1.2%; and farm, down 21%). Power and energy construction rose 0.3%. Private office and data center construction rose 0.1%. **Public construction** spending declined 0.9% for the month but rose 20% y/y. Severe weather may have impeded outdoor work on infrastructure projects. The largest public segment, highway and street construction, slumped 2.1% for the month, sewage and waste disposal fell 1.0%, water supply decreased 1.4%, and conservation and development work declined 0.8%.

"Investments from the Inflation Reduction Act, the Bipartisan Infrastructure Law, and the CHIPS and Science Act programs are expected to generate, in total, an average of 2.9 million jobs per year and 19 million job-years over the time span of these laws," the National Skills Coalition and BlueGreen Alliance reported on Wednesday. "The analysis identifies 48 specific **occupations expected to experience significant increases in demand** due to these investments, with the top five being construction laborers, first-line supervisors of construction trades and extraction workers, electrical power-line installers and repairers, operating engineers and other construction equipment operators, and general and operations managers. Approximately two in three jobs directly created by these three investments are expected to occur in the construction and manufacturing sectors, representing 453,000 jobs and 230,000 jobs annually, respectively. In construction, the occupations that will experience the most significant increases are laborers, operating engineers, electrical power-line installers and repairers…Twenty occupations will face labor shortages, resulting in an anticipated total labor shortage of nearly 1.1 million workers…The construction sector is projected to have the highest concentration of potential shortages."

State revenues are important for funding numerous types of construction. "States now anticipate weak revenues in the remainder of fiscal year 2024 followed by modest growth in fiscal year 2025 across all major tax categories," Tax Policy Center state fiscal analyst Lucy Dadayan posted on Tuesday. "During the first half of fiscal year 2024, spanning July to December 2023, many states saw decelerating revenue growth. Median state tax revenues edged up by just 0.5% in nominal terms during this period….For the remainder of fiscal year 2024…total tax revenues are projected to decline by 0.7% [, followed by 2.8%] revenue growth in fiscal year 2025. [38 states] anticipate an uptick in overall revenues. Conversely, 10 states project revenue declines, though for most, these declines are relatively modest…North Dakota stands alone in forecasting a significant revenue contraction, which is partly due to legislative changes, including significant income tax cuts. The largest projected revenue growth is anticipated in Alaska…Revenue growth for fiscal year 2025 is also projected to be strong in Oregon."

"The 2024 first-quarter **Civil Infrastructure Construction Index** (formerly Heavy Civil Construction Index) increased to 55.4 from 52.6, marking the sixth consecutive quarter of anticipated and ongoing sector expansion," construction consultancy FMI reported on Monday. Readings above 50 (on a 0-100 scale) mean more respondents expect expansion than expect contraction. "Three out of four economic measures strengthened, including the outlook toward the overall U.S. economy, the economy where respondents do business, and their engineering and construction (E&C) business. Key findings include: More than half of the respondents indicated that their backlogs are higher this quarter compared to a year ago. Despite growing backlogs, contractors surveyed continue to report a competitive market, with nearly three-quarters of respondents (72%) citing an increase in competitive pressures. Contractors continue to expect that most heavy civil segments will strengthen through next quarter."