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Construction spending rises in February but annual growth slows; job openings, hires, layoffs decline

Construction spending (not adjusted for inflation) totaled $2.20 trillion in February at a seasonally adjusted annual rate, up 0.7% from January and up 2.9% year-over-year (y/y), the Census Bureau reported today. The y/y increases in February and January (2.7%) were the slowest since 2019. **Private residential construction** increased 1.3% for the month and 1.6% y/y. Single-family homebuilding climbed 1.0% for the month and owner-occupied improvements rose 2.0%. Multifamily construction spending fell for the 15th consecutive month but only 0.03%. **Private nonresidential construction** spending edged up 0.4% for the month and 2.5% y/y. The largest private nonresidential segment—manufacturing construction—inched up 0.1% for the month and has been nearly flat since May 2024. Power construction rose 0.1%. Commercial construction rose 0.9% (comprising warehouse, up 1.0%; retail, up 1.8%; and farm, down 0.4%). Private "office" construction increased 0.2% (comprising data centers, up 1.7%, and other, down 0.8%). **Public construction** spending increased 0.2% for the month and 6.0% y/y. Among the largest public segments, highway and street construction rose 1.2% for the month, educational construction 0.3%, and transportation construction declined 1.2%.

There were 264,000 **job openings in construction**, seasonally adjusted, at the end of February, down 38% y/y, the Bureau of Labor Statistics reported today. The job openings rate (openings as a share of employment plus openings) fell to 3.1%, the lowest February rate since 2018. **Hires** for the full month totaled 354,000, down 5.3% y/y, while the hires rate (hires as a share of employment) fell from 4.6% to 4.3%, the lowest February rate since 2007 (also 4.3%). The steep declines in openings and hires suggests contractors have become more cautious about expanding. But **layoffs** also fell, by 27% y/y, and the 1.7% layoff rate (layoffs as a share of employment) was the lowest February rate in the 25-year history of the series, suggesting firms are keeping current workers.

Tariffs are already affecting the price of various construction inputs. "Rising **costs for screws** are rippling through manufacturing supply chains," following the imposition of 25% tariffs on steel and aluminum that took effect on March 12, the Wall Street Journal reported on Monday. "Manufacturing executives said the U.S. doesn't have the plants to churn out the amount of steel wire or screws and other fasteners needed to displace imports….Some construction contractors may delay projects until they get a handle on how to blunt the effects of import duties. About $178 billion of steel and aluminum products imported by the U.S. last year are now subject to a 25% tariff, according to Jason Miller, a supply-chain management professor at Michigan State University. That is more than three times greater than the import products affected by the original 2018 tariffs…As tariffs make imports more expensive, American steel wire producers are raising their prices at the same time….Annie Mecias-Murphy, president of commercial construction company JA&M Developing in Florida, said **costs for steel building materials**, including steel cable and concrete reinforcing bars, have increased by 5% to 8% on average in recent months. She said the cost of nails has climbed by 4%." **Copper** futures hit a record closing price on the Comex exchange of $5.24 per pound on Wednesday, up 30% from January 2, before closing on Monday at $5.08. Nucor notified customers on Friday that "Nucor Plate Group will be increasing all **plate products** (Carbon, Normalized, Quench & Tempered) $40/ton," effective immediately. Strong Man **Safety Products** notified customers on March 25 that it "has implemented a 7% tariff surcharge," effective today. Readers are invited to send examples of **tariff-related costs or delays** to ken.simonson@agc.org and to view **AGC's Tariff Resource Center**.

Total **construction starts** rose 0.5% from January to February at a seasonally adjusted annual rate, Dodge Construction Network reported on March 24. **Nonresidential building starts** grew 2%, **residential starts** declined 1%, and **nonbuilding starts** were unchanged. On a year-to-date basis through February, total starts were down 2% from last year. Nonresidential starts were down 14%, residential starts were down 3%, and nonbuilding starts were up by 16%.

Executive pay at construction firms surveyed by PAS rose 5.2% in 2024, the firm reported on March 25. "Contractors are projecting a 2025 executive increase of 4.4%. Historically predictions are about .3% to .5% low, so we expect the 2025 year-end actual increase to grow by year end. The actual 2024 increase compared to the 2024 projected increase was .5% higher, so it is possible we will see this same trend in 2025. For comparison, WorldatWork projected a 3.8% average increase for all executives in 2024 and 3.8% in 2025….The 2025 Construction/Construction Management **Staff Salary** Survey was recently completed [and indicated] a 2024 actual pay increase of 4.6%. and an overall projected increase of 4.1% for 2025."