

Economics Group

Anika R. Khan, Senior Economist
anika.khan@wellsfargo.com • (704) 715-0575

Construction Spending In Line with Expectations in June

Construction spending rose 0.4 percent in June with upward revisions to prior months' data. Residential outlays rose 1.3 percent, while nonresidential and government spending were flat on the month.

Second Quarter Looking a Bit Brighter

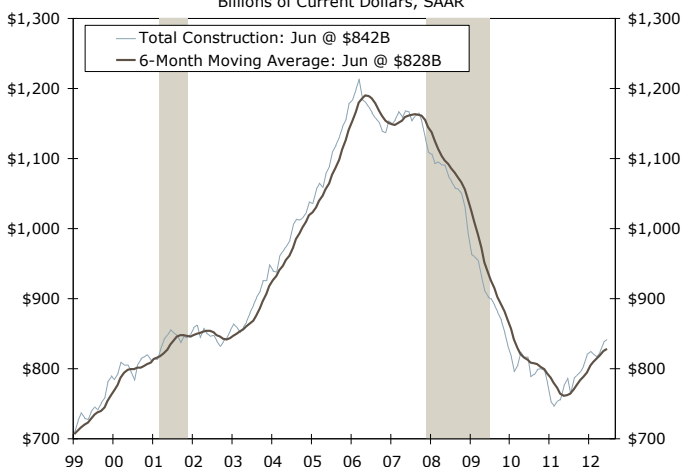
- Construction spending rose to an \$842.1 billion annual pace in June, up 7.0 percent on a year-ago basis. Based on conservative assumptions by the BEA, upward revisions suggest real GDP growth could be a bit stronger in the second quarter, all else equal. Residential construction spending is now at the highest level since December 2008, and single family activity continues to show gains as builder sentiment improves.

Structures Continue to Show Improvement

- Nonresidential construction spending continues to show improvement and is up 5.4 percent over the past year. Consistent with previous trends, much of the growth continues to be concentrated in power, manufacturing, and lodging. We expect structures to show modest improvement in the second half of the year as economic growth remains below trend. Residential investment should also continue to show gains.

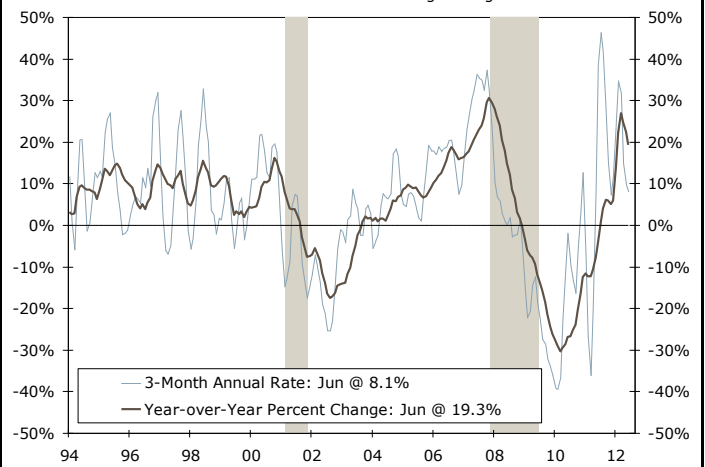
Value of Construction Put In Place

Billions of Current Dollars, SAAR



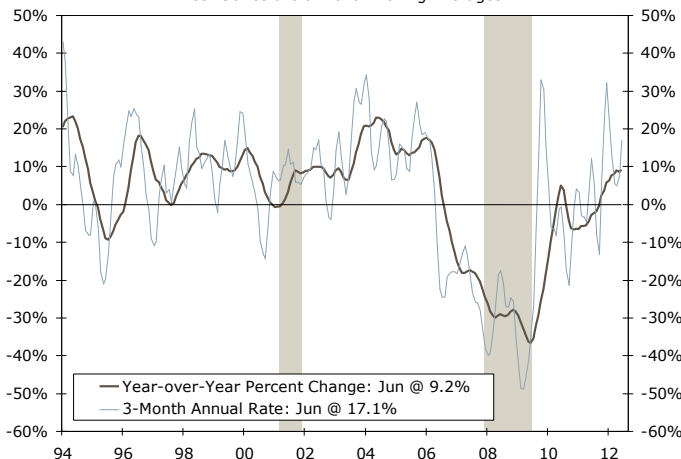
Private Nonresidential Construction Spending

Both Series are 3-Month Moving Averages



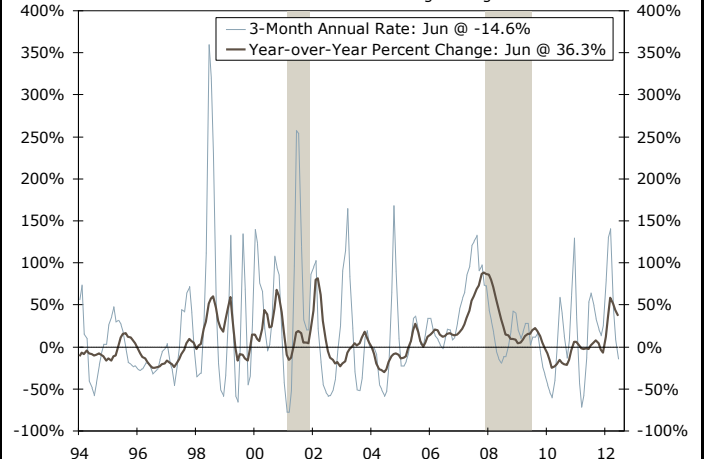
Private Residential Construction Spending

Both Series are 3-Month Moving Averages



Private Power Construction Spending

Both Series are 3-Month Moving Averages



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Senior Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com
Kaylyn Swankoski	Economic Analyst	(704) 715-0526	kaylyn.swankoski@wellsfargo.com
Peg Gavin	Executive Assistant	(704) 383-9613	peg.gavin@wellsfargo.com
Cyndi Flowe	Administrative Assistant	(704) 715-3985	cyndi.h.flowe@wellsfargo.com

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