

## Economics Group

Sam Bullard, Economist  
[sam.bullard@wellsfargo.com](mailto:sam.bullard@wellsfargo.com) • 704-383-7372

# Construction Spending Falls Further in February

**Construction spending fell 1.3 percent in February, with large downward revisions to prior months' data. Weakness was broad based as consumers, businesses and state & local governments are still struggling.**

### Construction Spending Languishes

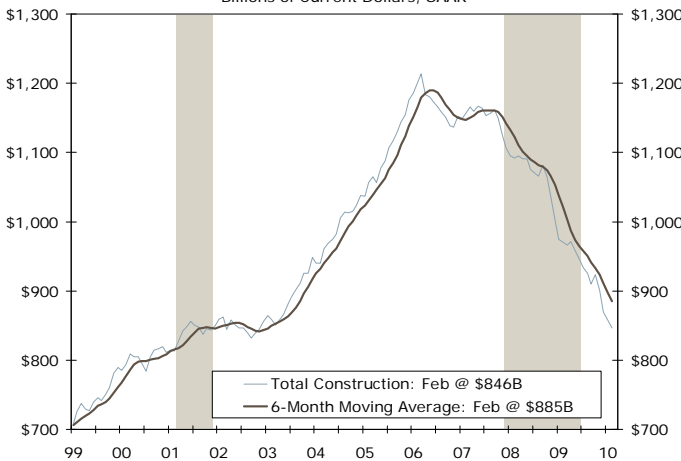
- For the first two months of 2010, total construction spending is down 14.4 percent compared to the same period last year.
- Weakness persisted in the private nonresidential sector as construction spending slipped 0.4 percent on the month and is now down 24.3 percent over the past year. Ongoing issues with commercial real estate likely ensure continued weakness in this sector for the remainder of the year.

### Residential Construction Better than Expected

- The 2.1 percent decline in private residential spending is misleading on first glance. Almost the entire drop was associated with a 4.3 percent slide in home improvement. Single family and multi-family spending was basically flat on the month.
- The large downward revisions to construction spending over the past three months places downside risk to our -2.0 percent forecast for residential construction spending in the first quarter.

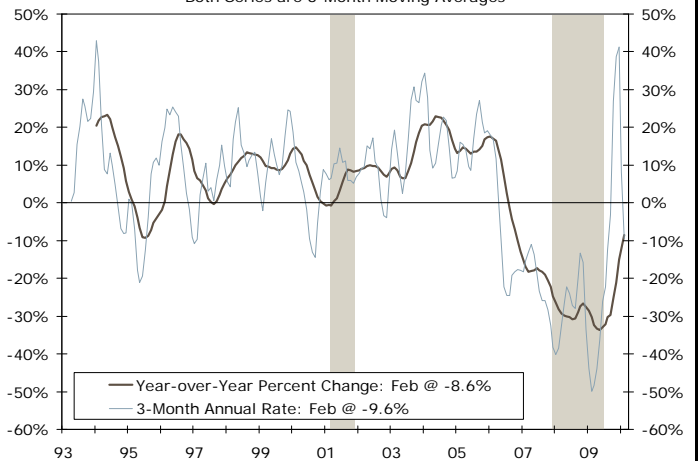
#### Value of Construction Put In Place

Billions of Current Dollars, SAAR



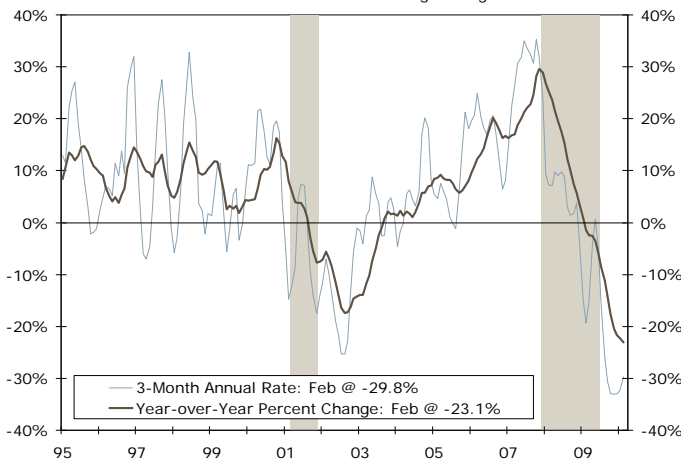
#### Private Residential Construction Spending

Both Series are 3-Month Moving Averages



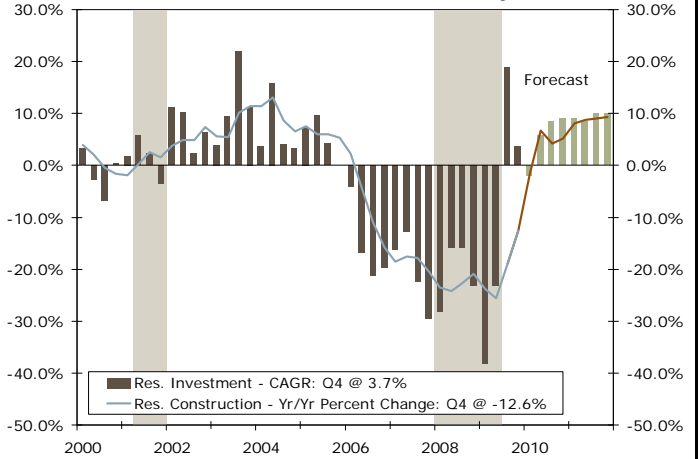
#### Private Nonresidential Construction Spending

Both Series are 3-Month Moving Averages



#### Real Residential Investment

Bars = CAGR Line = Yr/Yr Percent Change



## 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
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667-0168	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Adam G. York	Economist	(704) 715-9660	adam.york@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wellsfargo.com
Yasmine Kamaruddin	Economic Analyst	(704) 374-2992	yasmine.kamaruddin@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A, Wells Fargo Advisors, LLC, and Wells Fargo Securities International Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2010 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

