

Economics Group

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Construction Spending Continues to Bounce Back

Construction spending rose 0.6 percent in August, and the prior month's gain was revised up to 1.4 percent. The data point to solid gains in residential and nonresidential construction during the third quarter.

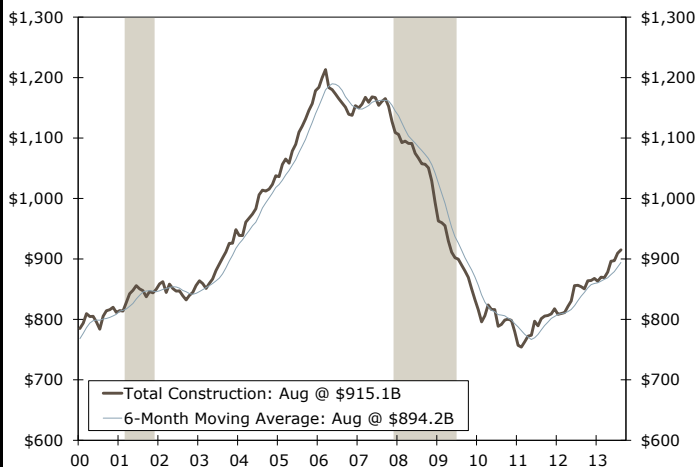
The Housing Recovery Remains On Track

- Fears that this past spring's sudden jump in mortgage rates would derail the housing recovery appear to be misplaced. Private residential construction spending rose 1.2 percent in August, with spending for new multifamily projects surging 3.2 percent, and single-family construction rising 1.6 percent.
- Improvements, 40 percent of total residential construction, remain restrained, following stronger gains earlier this year.

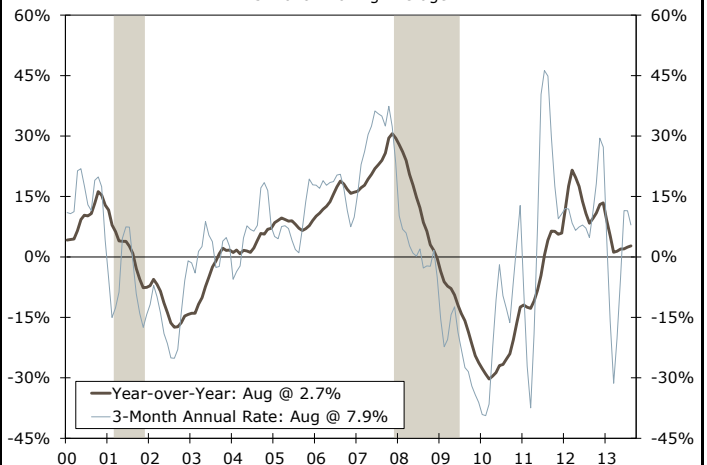
Nonresidential Construction is Showing Signs of Life

- Private nonresidential construction spending rose just 0.1 percent in August, following a 3.7 percent jump in July.
- Private nonresidential spending through the first two months of the third quarter is now up at an 11.4 percent annualized rate. Manufacturing accounts for about 40 percent of the increase, led by gains in industries tied to oil & gas exploration and chemicals. Office and multi-tenant retail are also improving.

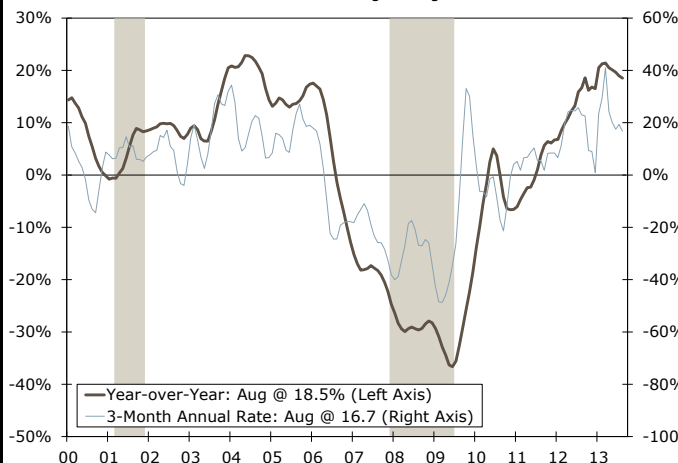
Total Value of Construction Put In Place
 Billions of Current Dollars, SAAR



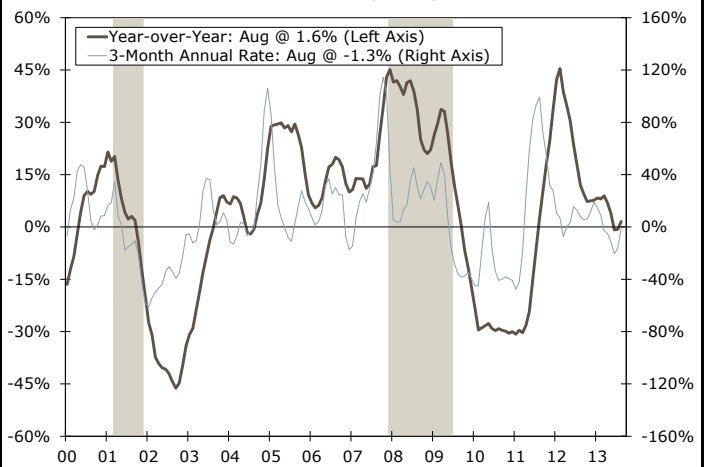
Private Nonresidential Construction Spending
 3-Month Moving Average



Private Residential Construction
 3-Month Moving Average



Private Manufacturing Construction
 3-Month Moving Average



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

Wells Fargo Securities, LLC Economics Group

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