



Economics Group

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Construction Spending in May Lower-than-Expected

Construction spending rose 0.1 percent in May, the third consecutive monthly gain. Private residential outlays pulled the headline lower, falling 1.5 percent, while private nonresidential rose 1.1 percent.

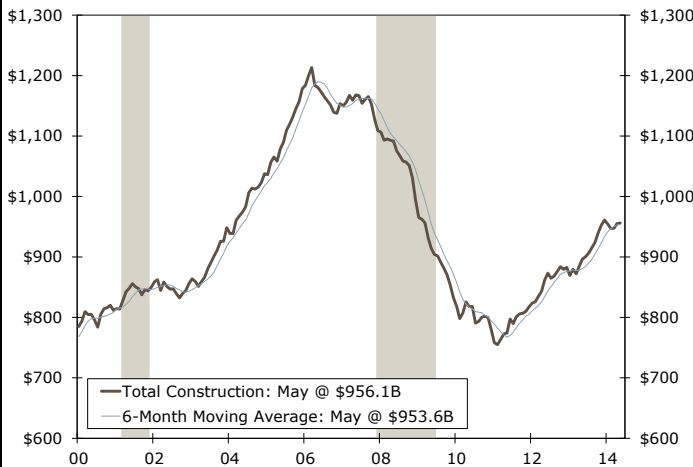
Single-Family Outlays Disappointed in May

- Construction spending rose, a modest 0.1 percent in May, to a \$956.1 billion annual pace. Revisions dating back to the beginning of the year were positive on net. Residential spending fell 1.4 percent on the month. The decline was broad-based across single-family, multifamily and home improvements. The weak single-family reading is consistent with housing starts, but both indicators should improve.

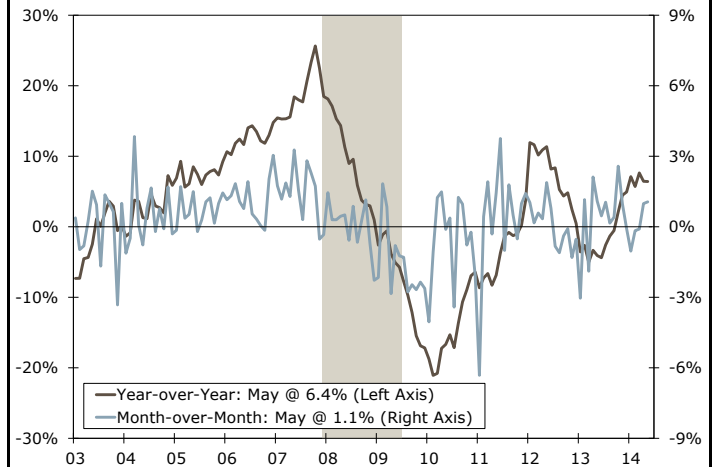
State and Local Outlays Showed Improvement in Q2

- Private nonresidential spending rose 1.1 percent in May with the largest gains in power and communication. Public construction spending rose 1.0 percent in May, with state and local also up on the month. State and local outlays directly feed into the BEA's calculation for real GDP and recent figures suggest the second quarter is off to a good start. Highway & street, however, could slow due to the expected shortfall in the Highway Trust Fund.

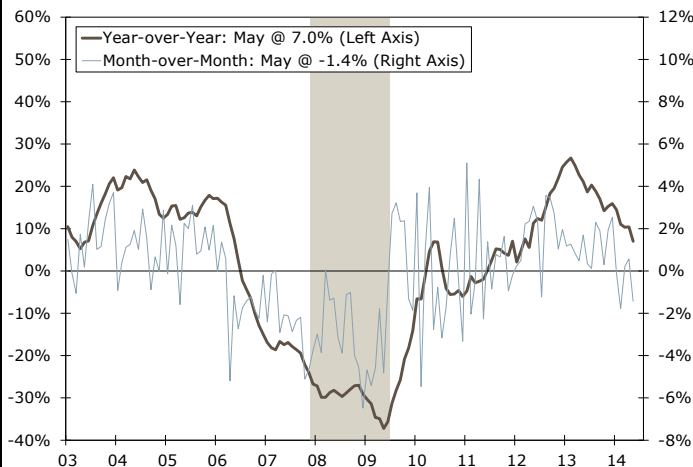
Total Value of Construction Put in Place
 Billions of Current Dollars, SAAR



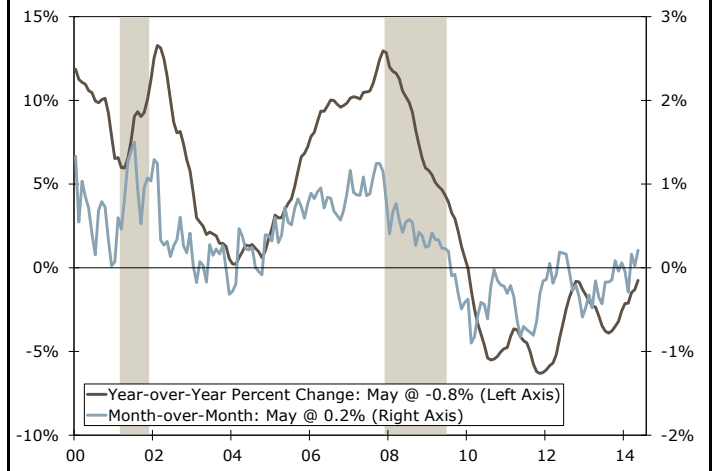
Total Nonresidential Construction
 Percent Change, 3-Month Moving Average



Total Residential Construction
 Percent Change



State and Local Construction Spending
 Percent Change, 12-Month Moving Average



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

Wells Fargo Securities, LLC Economics Group

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