Construction Spending Slips in October

Total outlays fell 0.8% in October, with residential and nonresidential both declining during the month. Overall construction outlays appear weak relative to anecdotal reports and are now down 1.7% year-to-date.

Nonresidential Activity Remains Soft
- October’s surprising 0.8% drop in construction outlays was widespread, with residential down 0.9% and nonresidential off 0.7%. Moreover, September’s 0.5% rise was revised to a 0.3% drop. This series is notoriously volatile and often revised.
- Private nonresidential outlays fell 1.2% and are now down 0.7% year-to-date. Every major subcategory slipped during the month with the exception of healthcare (+0.3%) and religious (+6.3%).

Residential Still a Bright Spot
- The decline in total residential spending was mostly owed to a pullback in the highly volatile home improvement (-4.5%) and multifamily (-1.6%) categories. Multifamily activity remains fairly elevated, with spending up 4.5% year-to-date.
- Meanwhile, lower interest rates and material costs continue to be a boon for single-family builders. Private single-family outlays rose a sturdy 1.6%, the strongest monthly gain since early 2018.

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