Construction Spending Rises in January

Total outlays climbed 1.8% during January, with gains mostly widespread. Mild weather and low rates are giving construction a boost. However, the coronavirus may soon push up material prices and hamper activity.

Mild January Weather Boosts Outlays
- Total spending rose 1.8% during January, as residential and nonresidential climbed 2.0% and 1.6%, respectively. Unusually mild weather likely allowed for some building activity to be pulled forward, and there may be some payback this spring.
- Lower mortgage rates continue to spur residential activity, which is up 9.2% over the year. Weakening financial conditions will likely keep mortgage rates low and further support activity.

Coronavirus May Hit Material Prices
- Nonresidential spending picked up 1.6% in the month, owed to a sturdy 2.6% gain in public spending. Federal expenditures jumped 9.9%. Private non-res. outlays edged up 0.8%, thanks to solid upturns in power, manufacturing and commercial projects.
- Supply chain disruptions stemming from COVID-19 may exert upward pressure on a wide array of imported materials prices, ranging from steel and cement to fixtures and furnishings.

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