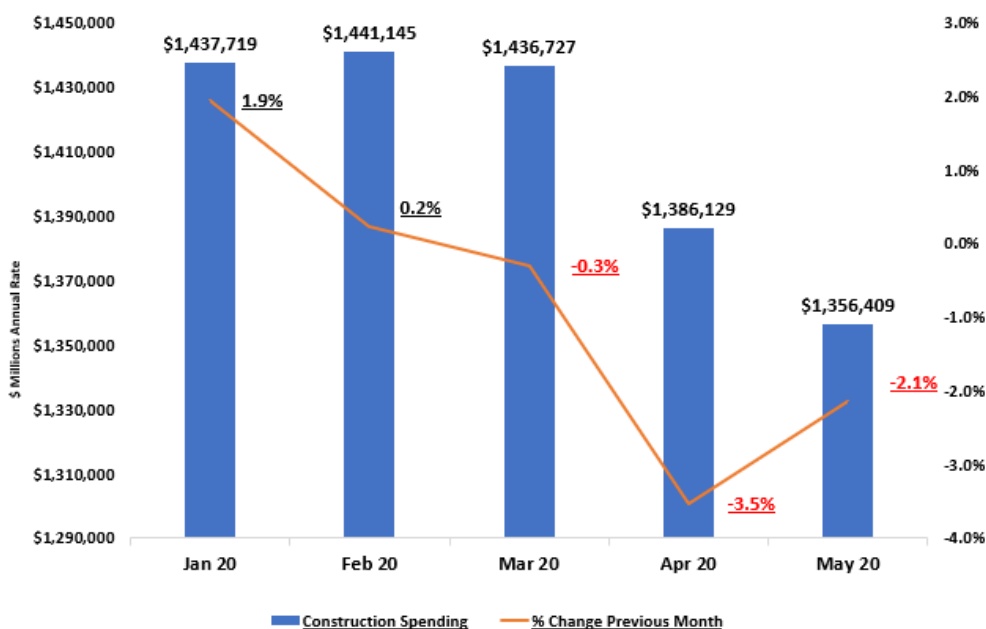


# Construction Spending Down During the Pandemic

We have written how important the housing sector will be in driving the recovery from the Great Pause. Construction spending is related to the housing market and will also be important in the recovery.

Last week, the [Census Bureau reported](#) that construction spending fell 2.1% in May. That was the third straight month of declines. It fell 0.3% in March and 3.5% in April. It is down almost \$85 billion on an annualized basis since February.

## Construction Spending Down Since COVID-19 Crisis



In May, residential construction fell 4% and nonresidential 0.9%. Health care and lodging saw big declines, 5.3% and 3.3% respectively. Public construction *increased* 1.2%. Strong increases in highway and power spending contributed largely to that bump.

The decline for total construction spending for March through May is not surprising as the COVID-19 crisis started in earnest in March. Construction spending data lags a few months. Those data we have for June show the economy was in better shape than in May. It is likely construction spending will follow a similar pattern and show an increase in June when we get that data.

Nevertheless, it is disappointing construction would decline so much because, by its nature, it is socially-distanced work. Most projects should have been able to continue with relatively minimal disruptions. But the depth of the contraction caused businesses, families and individuals to cut back on spending, including on bigger-ticket items like investing in structures.

Construction could be poised for a solid rebound, like housing, because interest rates are going to remain low and banks have ample reserves. Banks should be able to loan out those reserves for

construction projects, assuming their capital levels hold up as bankruptcies and non-payments rise as the crisis continues. Businesses and families that can show they are still good credit risks should be able to borrow the funds they need to carry out the projects they desire. This will bump construction spending as the recovery plays out.

–Curtis Dubay, Senior Economist, U.S. Chamber of Commerce