



Economics Group

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Construction Spending Ends the Year on a Positive Note

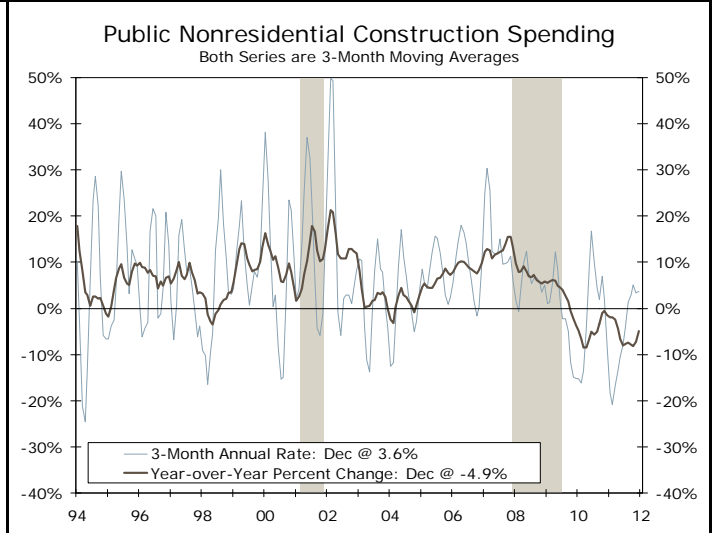
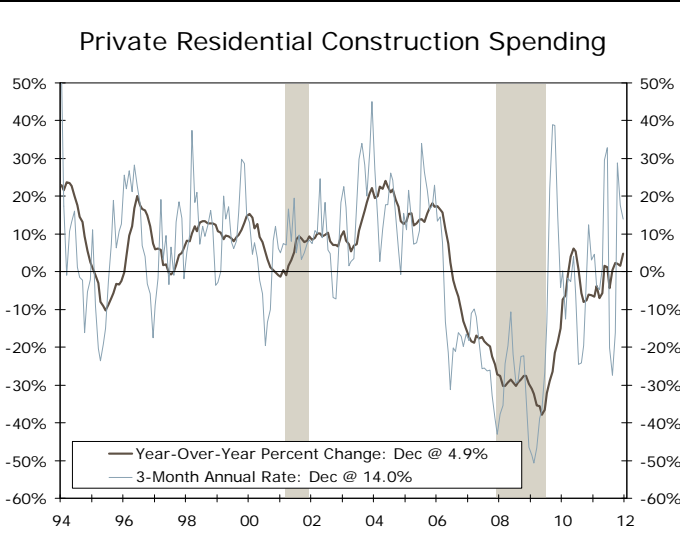
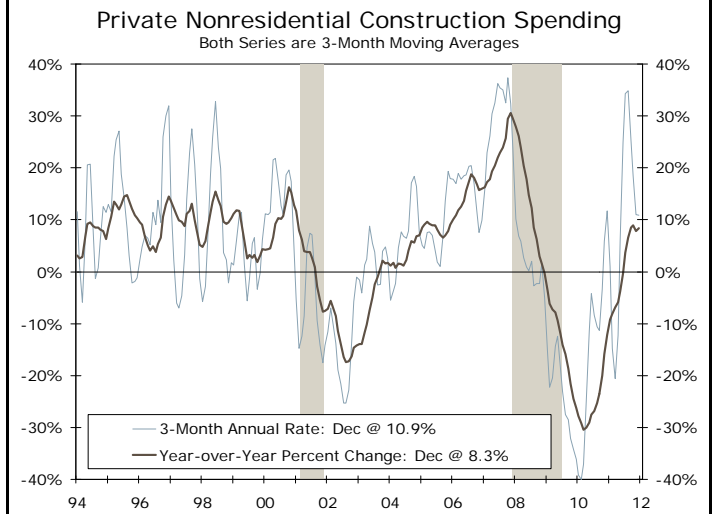
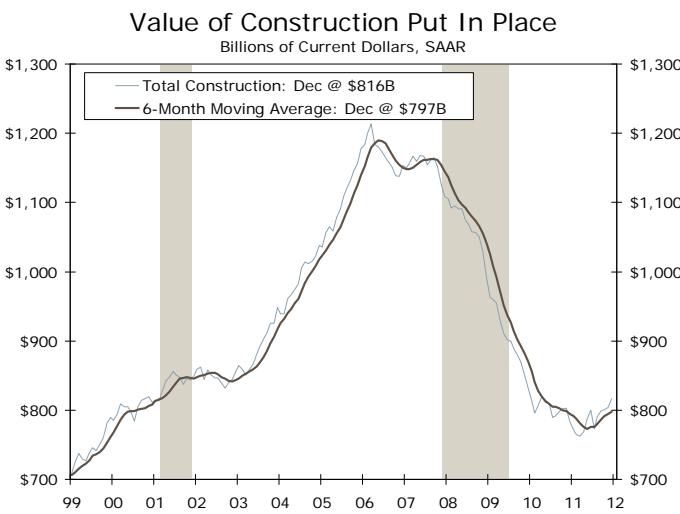
Total construction spending rose 1.5 percent in December, with broad-based gains. Private residential outlays increased 0.8 percent and nonresidential rose 3.3 percent. Construction will likely add to fourth-quarter GDP.

Structures Should Add to Fourth-Quarter Real GDP

- Construction spending rose to an \$816.4 billion annual pace, up 4.3 percent on a year-ago basis. Prior months' data were revised downward. However, based on the BEA's assumption for fourth-quarter economic growth, we now expect structures to add 0.1 percentage point to real GDP growth. Private nonresidential outlays were up 3.3 percent on the month, with manufacturing of computer and electronics leading the way.

Single-Family Outlays Continue Impressive Gains

- Private residential outlays rose 0.8 percent, with gains in single-family and home improvements. Consistent with improving builder sentiment, single-family outlays were up 1.5 percent on the month and have now increased seven consecutive months. Multifamily, however, fell 0.3 percent and has fallen three of the past four months, suggesting a slowdown. Public spending rose 0.5 percent, with the gain concentrated in nonresidential.



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

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