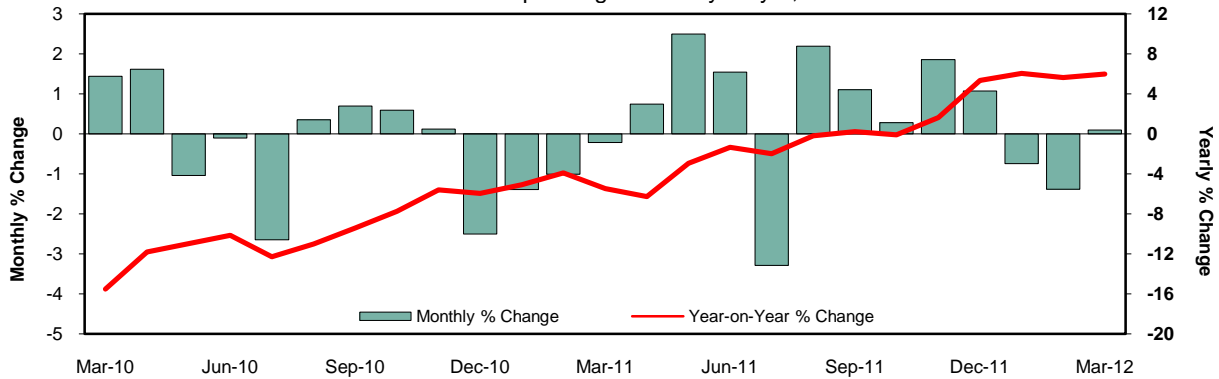


PRIVATE SECTORS GAIN ON THE MONTH, STILL WEAK OVERALL

Construction Spending – Monday May 1, 2012



Construction spending increased 0.1% in March following a downwardly revised decline of 1.4% in February. Construction spending is now 6.0% above its year ago level but still 33.4% below its March 2006 peak. Residential construction spending rose 0.7% in March and is now 7.4% higher than its year ago level. The March gain is consistent with recent gains in housing starts. Even with the annual gain, residential investment remains depressed. A rebound will be dependent on reduction of the current large inventory of existing homes, particularly REOs and other foreclosures. Nonresidential construction also gained 0.7% in March as a surge in office building more than offsetting a decline in commercial construction. Nonresidential construction spending is now up 15.2% over the last year. Public construction expenditures fell 1.1% in March and remain 3.2% lower on the year. The major weak spot in construction spending continues to be the public sector. Fading stimulus dollars and difficult budget positions for many state and local governments significantly downgrade the outlook for public spending going forward. Of the other two categories of spending in the private sector, residential and nonresidential construction, continue to climb out from a very deep hole amid a lower trend and substantial volatility. Recent declines suggest that construction spending will subtract from Q1 GDP after a positive contribution in Q4. The outlook is for more weakness in the months ahead.

PERCENT CHANGE

Forecast:	0.6%	PERCENT CHANGE										
		Monthly % Change			Annual Rates of % Change for							
Consensus**:	0.5%	Relative			Three	Six	Twelve			Five	Ten	
Actual:	0.1%	Weight*	Mar-12	Feb-12	Jan-12	Month	Month	Month	2011	2010	Year	Year
Construction Spending	100.0%	0.1	-1.4	-0.7	-7.9	2.3	6.0	5.4	-6.0	-6	-0.3	
Previous estimate			-1.1	-0.8								
Private Construction	65.8%	0.7	-1.9	0.0	-4.8	7.3	11.5	10.1	-8.1	-9.4	-1.7	
Residential	30.2%	0.7	-2.2	0.5	-3.9	9.4	7.4	7.2	-6.3	-15.2	-4.1	
Nonresidential	35.6%	0.7	-1.7	-0.5	-5.6	5.5	15.2	12.7	-9.7	-1.8	1.0	
Commercial	5.0%	-2.2	-2.1	3.9	-1.8	-4.5	9.5	14.7	-14.3	-12.1	-4.2	
Power	10.5%	0.2	-2.8	-2.7	-19.7	9.3	22.1	16.6	11.1	19.1	7.6	
Office	2.9%	5.4	-2.6	1.5	17.7	8.1	8.6	-0.6	-19.4	-14.7	-5.5	
Health Care	3.8%	-0.3	0.7	0.5	3.6	4.1	7.0	0.9	-1.8	-2.5	4.5	
All Other	13.3%	1.6	-1.1	-0.9	-1.6	6.5	16.3	15.9	-20.1	-2.1	0.9	
Public Construction	34.2%	-1.1	-0.3	-2.1	-13.3	-6.3	-3.2	-2.6	-2.1	1.2	3.2	
Education	8.6%	-1.2	-0.9	-0.1	-8.5	-9.7	-2.7	1.9	-10.6	-1.7	#N/A	
Highways & Streets	9.5%	-0.8	0.7	-6.5	-23.6	-9.6	-0.5	0.0	5.1	2.8	#N/A	
All Others	16.1%	-1.2	-0.7	-0.5	-9.1	-2.5	-5.0	-6.3	-1.5	1.8	#N/A	

Source: Bureau of the Census, Department of Commerce via Haver Analytics. Data, graph & table courtesy of Insight Economics, LLC. **Bloomberg © 2011 HousingMatrix, Inc. <http://www.HousingMatrix.com> All rights reserved. Reproduction and/or redistribution are expressly prohibited. Hot Sheet is a registered trademark of HousingMatrix, Inc. Information herein is based on sources we believe to be reliable, but its accuracy is not guaranteed.