



Construction Spending Fell Again in July 2025; Spending To Fall in Second Half of 2025

Headlines

- **Total construction spending fell for a third consecutive month in July.**
- **Multifamily construction spending declined while single-family increased marginally; both were down from last year.**
- **Private nonresidential construction spending fell in July with major sectors down on the month and from last year.**
- **Public construction spending increased on the month and from last year.**
- **PNC expects construction spending to fall under elevated long-term borrowing costs and a decline in government spending.**

U.S. total construction spending dropped for a third straight month in July, falling 0.1% from June to \$2.139 trillion at a seasonally-adjusted annualized rate, from \$2.141 trillion (upwardly revised from \$2.136 trillion) in June, according to the Census Bureau. The drop in July came in line with the consensus expectation. Construction spending has fallen in nine of the past twelve months (Figure 1). On a year-over-year basis total construction spending fell 2.8% in July, the sixth straight year-over-year decline, although this is up slightly from a 3% drop in May. Residential construction spending increased 0.1% in July while nonresidential construction spending dropped 0.2% on the month.

Private new single-family residential construction spending rose 0.1% in July to \$419 billion, but multifamily construction spending declined 0.4% on the month to \$113 billion. This comes against an increase in multifamily and a drop in single-family housing units under construction or started at the end of July. Total private residential construction spending, which also includes private residential improvements, fell 5.3% in July on a year-over-year basis.

Private nonresidential construction spending dropped in July, down 0.5% on the month to \$737 billion. Spending in the largest categories, manufacturing, power, and commercial, all declined on the month by somewhat less than 1% each. Private manufacturing and commercial construction spending were down from last year with a contraction in U.S. factory activity in mid-2025 and reduced demand for office space post-pandemic. Power generation spending increased 2.6% on a year-over-year basis in July. Total private nonresidential construction spending fell 3.7% from the same time last year.

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Total public construction spending increased 0.3% monthly and 3.4% yearly in July. Spending increased broadly, with energy-related, public safety infrastructure, and healthcare spending all up on the month. However, the two largest category of public construction spending, highway and street, fell 0.1% billion, followed by the second largest category educational construction spending, down 0.1% to \$112 billion. Over the past year public construction spending was up 3%, with highway and street spending up 1%, education spending down 1%, and transportation spending up 6%.

PNC expects continued weakness in private construction spending given current high interest rates and weak housing demand. Homebuilder confidence fell in August 2025 to near the lowest level since the COVID-19 pandemic, as current demand for new single-family sales deteriorated in August. The outlook for public construction spending is also to the negative as the federal government cuts outlays. Gradual fed funds rate cuts later in 2025 and in early 2026 should support a recovery in construction spending next year.

Figure 1: U.S. Construction Spending (SAAR, Trillions)

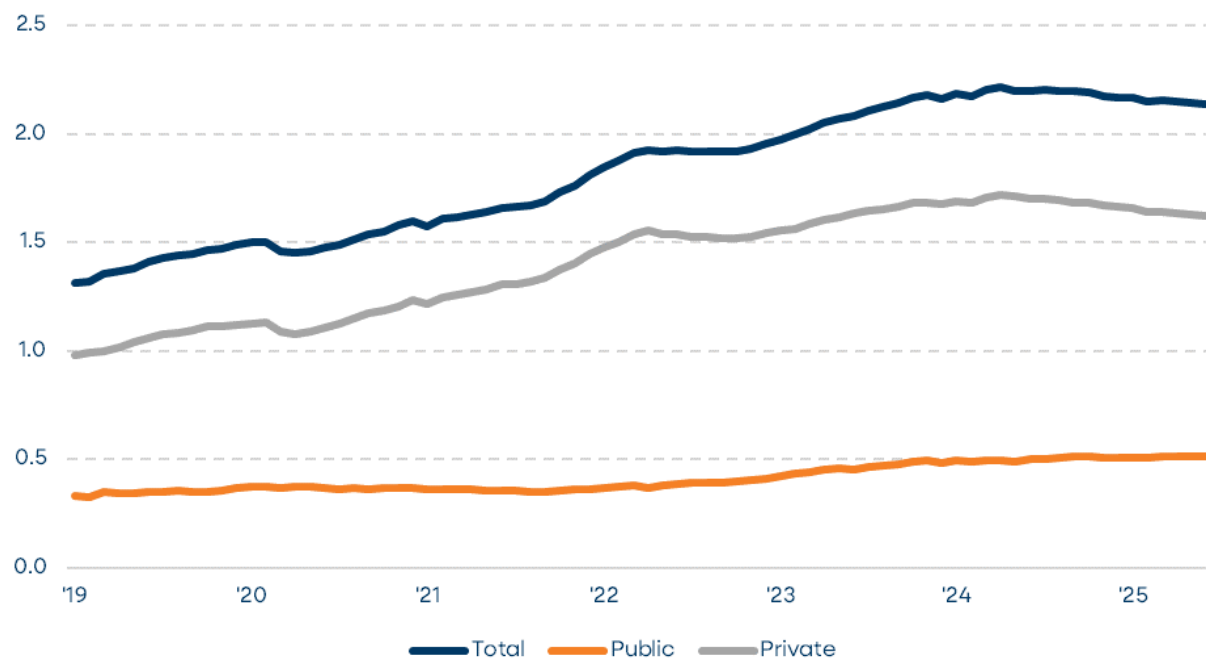
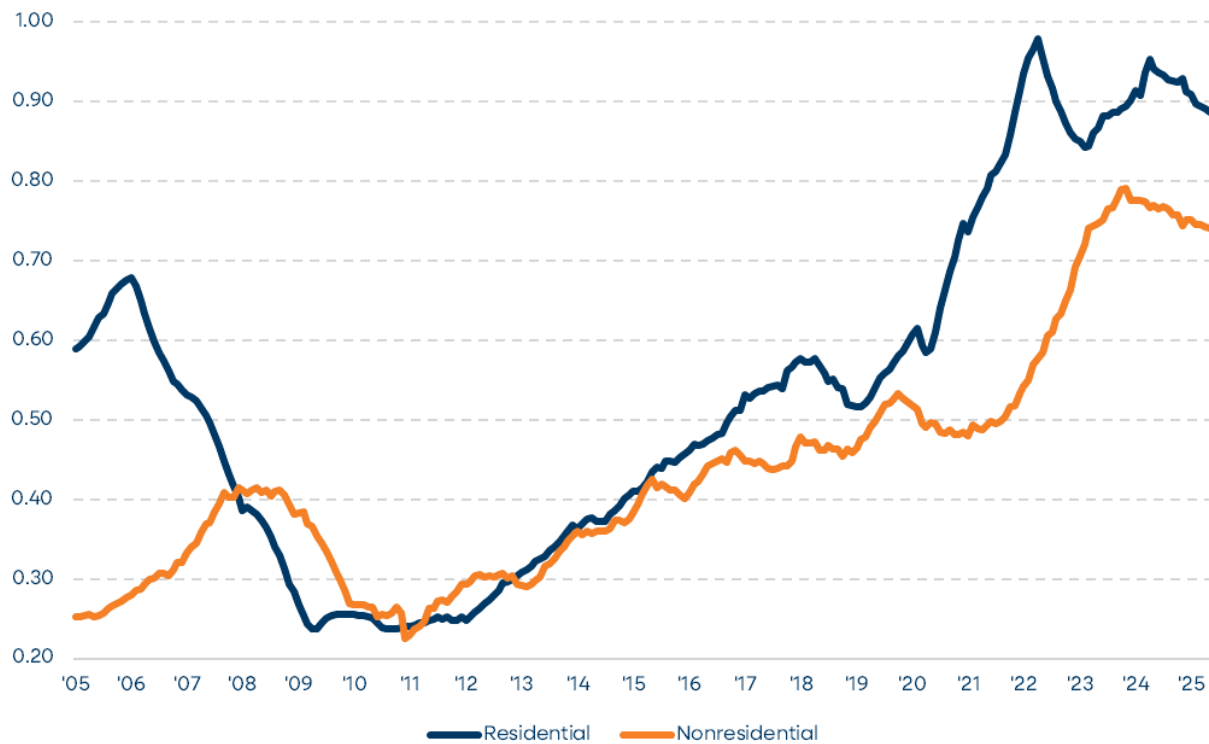




Figure 2: Private Construction Spending by Type (SAAR, Trillions)



Source: U.S. Census Bureau

Please reach out with any questions,

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