Economic Update

June 2, 2025

Construction Spending Fell for a Third Straight Month in April; Risks Are Tilted to the Downside

- **Total construction spending fell again in April.**
- **Both single-family and multifamily construction spending dropped.**
- **Private nonresidential construction spending fell in most categories.**
- **Public construction spending increased on the month and from last year.**
- **PNC expects construction spending to remain weak through the rest of 2025, with downside risks.**

U.S. total construction spending dropped for a third straight month in April, falling 0.4% on the month to $2.152 trillion at a seasonally-adjusted annualized rate from $2.162 trillion in March. March's construction spending was downwardly revised from $2.196 trillion, showing a larger contraction (down 0.8%). On a year-over-year basis total construction spending fell 0.5% in April, the first year-over-year decline since mid-2019. Both residential and nonresidential construction spending fell on the month, down 0.9% and 0.1%, respectively.

Private single-family and multifamily construction spending, which includes residential improvements, fell in April. According to a previous release on U.S. housing starts from the Census Bureau, there was a jump in multifamily housing starts in April, while single-family housing starts dropped. This is consistent with construction spending; the value of single-family housing construction dropped 1.1% to $429 billion on the month. Multifamily construction spending fell a slight 0.1% in April to $116 billion.

Nonresidential construction spending fell 0.1% in April to $1.248 billion. The largest categories were manufacturing, power, and highway and street, down 0.6%, 0.7%, and up 0.5%, respectively. Even with the monthly declines spending was up in all three areas from a year earlier. However, temporary weakness will likely persist as credit conditions remain tight. Private manufacturing construction spending, which received grants and credits from the Inflation Reduction Act and Chips and Science Act over the past couple years, dropped 0.6%, but remained flat on a year-ago basis at $231 billion. Commercial construction spending continued to fall on the month, down 5.4% from April 2024, as the industry is still struggling to recover from a structural shift in demand post the COVID-19 pandemic. Private power spending increased 6.3% on a year-over-year basis in April, while public power construction spending fell 9.1% from a year ago.

Total public construction spending increased 0.4% monthly and 5.5% yearly in April. As the federal budget plan for the 2026 fiscal year (starting on October 1) evolve, the second-largest public construction spending, education, could face curbs in the coming year. As of April 2025, public education construction spending fell 0.1% to $111 billion on the month, but was up more than 8% from a year earlier. While the Department of

Gus Faucher	Jay Hawkins	Stuart Hoffman	Kurt Rankin	Ershang Liang
Chief Economist	*Senior Economist*	*Senior Economic Advisor*	*Senior Economist*	*Economist*

Education and the Department of Housing and Urban Development face proposed cuts for the 2026 fiscal year, highway projects will likely benefit as the Budget increased grants on the Infrastructure for Rebuilding America program under the U.S. Department of Transportation. Highway and street construction spending rose 0.5% on the month and 0.4% from a year ago.

The outlook for total construction spending is negative in 2025 with elevated borrowing costs and likely federal government budget cuts. Homebuilder confidence took a dip in May with a withdraw in housing demand for single-family homes as well as falling future sales expectations. The 30-year fixed mortgage rate near 7% could further drag on homebuilding in the coming months, especially with a slowing labor market. PNC expects the Federal Open Market Committee to cut the fed funds rate once later this year.

PNC Economics
Ershang Liang, Economist
economics@pnc.com

Visit pnc.com/economicreports for more information from PNC Economics.