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Construction Spending Fell for a Second Straight Month in June 2025; Spending To Fall in Further in Second Half of 2025

- **Total construction spending fell in June, and has fallen in nine of the last ten months.**
- **Single-family building dragged on total private construction spending while multifamily was flat on the month; both were down from last year.**
- **Private nonresidential construction spending fell in June 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 through the rest of 2025 under elevated long-term borrowing costs and a decline in government spending.**

U.S. total construction spending dropped for a second straight month in June, falling 0.4% from May to \$2.136 trillion at a seasonally-adjusted annualized rate, from \$2.144 trillion (downwardly revised from \$2.152 trillion) in May, according to the Census Bureau. The drop in June came against the consensus expectation for no decline. Construction spending has fallen in nine of the past ten months. On a year-over-year basis total construction spending fell 2.9% in June, the fifth straight year-over-year decline, although this is up slightly from a 3.2% drop in May. Both residential and nonresidential construction spending fell on the month, down 0.7% and 0.1%, respectively.

Private new single-family residential construction spending declined 1.8% in June to \$413 billion, and multifamily construction spending remained flat on the month at \$114 billion. This coincides with housing starts in June, with multifamily housing starts up while single family housing fell 5%. Total private residential construction spending, which also includes private residential improvements, fell 6.2% in June on a year-over-year basis.

Private nonresidential construction spending also dropped in June, down 0.3% on the month to \$739 billion. 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 2.8% on a year-over-year basis in June. Total private nonresidential construction spending fell 4% from the same time last year.

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Total public construction spending increased 0.1% monthly and 5.2% yearly in June. Spending on energy-related construction and public safety infrastructure increased on the month, while public health care, commercial, conservation and development spending were down in June. The largest public construction spending category, highway and street, rose 0.6% in June to \$144 billion. Over the past year public construction spending was still up more than 5%, with highway and street spending up 4%, education spending up almost 2%, and transportation spending up more than 7%.

PNC expects continued weakness in private construction spending given current high interest rates and weak housing demand. The outlook for public construction spending is also to the negative as the federal government cuts outlays. Homebuilder confidence inched up in June 2025 but still signals contraction and remains near a 12-year low. Gradual fed funds rate cuts later in 2025 and in early 2026 should support a recovery in construction spending next year.

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