Business

Construction, pending home sales rise

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Associated Press

WASHINGTON — Hopes that the recession is easing got a boost Monday from reports that construction spending and pending home sales both fared better than expected in March. The news pushed stock prices higher.

The Commerce Department said construction spending increased 0.3 percent in March, the best showing since a similar rise last September. Economists surveyed by Thomson Reuters had expected spending to drop 1.5 percent for a sixth straight monthly decline.

Meanwhile, the National Association of Realtors said its index of pending home sales rose 3.2 percent to 84.6 in March, the second monthly increase after it hit a record low in January. The pending sales index also is 1.1 percent above last year's levels. Typically, there is a one- to two-month lag between a contract and a done deal, so the index is a barometer for future home sales.

Economists called the new data faint glimmers of hope that construction activity may be stabilizing, although at very low levels.

"Things certainly look a bit less bad than in the dark days at the turn of the year," Ian Shepherdson, chief U.S. economist at High Frequency Economics, wrote.

The economic reports triggered a rally on Wall Street. The Dow Jones industrial average added about 190 points in afternoon trading and broader indices also rose.

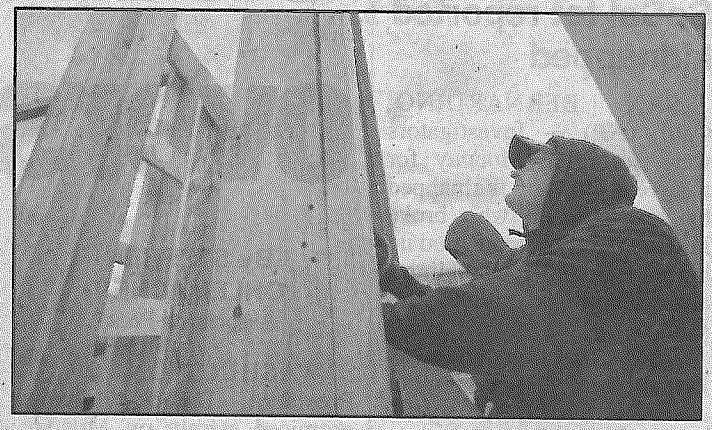
However, economists cautioned that the construction rebound could be temporary, given all the problems facing the industry as a severe financial crisis has made it hard for builders to obtain financing.

Spending on private residential projects fell 4.2 percent in March, the latest in a series of declines that began three years ago when the housing bubble burst with disastrous effects for the home industry and the overall economy.

Nonresidential construction rose 2.7 percent in March, the biggest advance in nine months. It marked the second straight increase and was led by gains in office construction, hotels and power plants.

Government building activity also showed strength in March, rising 1.1 percent. A 1.3 percent gain in state and local activity offset a 1.7 percent drop in spending on federal projects. The rise in state and local activity could be early signs of the impact of the $787 billion economic stimulus bill that Congress passed in February in an effort to get money to the states for "shovel ready" building projects.

The various changes left total construction spending at a seasonally adjusted annual rate of $969.7 billion in March.



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John Martin, right, and Brad Rollman work on the frame of a new home for Landmark Homes, in Hummelstown, Pa. The Commerce Department said Monday, construction spending rose unexpectedly in March after five straight declines.

