BUSINESS

Construction spending rises

Analysts say 0.6% increase shows housing recovery is continuing its upward trend

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Construction spending rose 0.6 percent in August, and the prior month's gain was revised up to 1.4 percent, pointing to solid third-quarter advances in residential and nonresidential construction, economists said Tuesday.

"Fears that this past spring's sudden jump in mortgage rates would derail the housing recovery appear to be misplaced," Mark Vitner, senior economist for Wells Fargo Securities, said in a research report.

The Commerce Department estimated construction spending in August at a seasonally adjusted annual rate of $915.1 billion, 0.6 percent above the revised July estimate of $909.4 billion. The August figure was 7.1 percent above the August 2012 estimate of $854 billion, government officials said.

Private residential construction spending rose 1.2 percent in August, with spending for new multifamily projects surging 3.2 percent, and single-family construction rising 1.6 percent, Vitner said.

Improvements, 40 percent of total residential construction, remain restrained, following stronger gains earlier this year, he said.

Nonresidential construction also is showing signs of life, Vitner said.

Private nonresidential construction spending rose 0.1 percent in August, following a 3.7 percent jump in July, he said.

Private nonresidential spending through the first two months of the third quarter was up at an 11.4 percent annualized rate, Vitner said.

Manufacturing accounts for about 40 percent of the increase, led by gains in industries tied to oil and gas exploration and chemicals, he said. Office and multi-tenant retail are also improving, Vitner said.