PSA

Infrastructure Advocacy
& Education Organization

PSA - IAEO April 2016 Infrastructure Update

Creating a National Infrastructure Bank

The current political discussion on Infrastructure emphasizes that the system is failing but offers little vision for how to focus the right investment. Repairing pot holed highways, collapsing bridges and bursting water pipes is clearly urgent. But if we want our economy to really grow and become more advanced then we need to think beyond these immediate needs.

Imagine infrastructure designed specifically to increase the speed at which we get things done! Imagine the competitive advantage to our national economy!

Creating a National Infrastructure Bank would help make this vision a reality, leveraging as much as $1.5 trillion in private capital through 2025 with a large enough initial investment.

Congress Urged to Spur Water Infrastructure Renewal

More than 130 water utility professionals from 47 states visited their members of Congress this month to urge funding for critical loan programs to repair and renew U.S. water and wastewater systems. The water utility leaders were in Washington as delegates of the Water Matters! Fly-In, an annual event hosted by the American Water Works Association.

AWWA members went to Capitol Hill advocating that Congress:

- Support fully authorized funding -- $35 million -- for the Water Infrastructure Finance and Innovation Act (WIFIA).
- Allow WIFIA to more fully realize its potential by removing the cap on WIFIA support of a project.
- Support at least $1.3 billion in funding for the drinking water and $1.3 billion for the wastewater state revolving loan fund programs.
- Remove the annual volume caps for private activity bonds for water infrastructure projects.

Congress passed WIFIA in 2014 to provide communities with low-interest loans for large water projects. To this point, Congress has yet to appropriate money to make loans. “Now is the time for WIFIA to begin making those loans it was designed to make,” said Tracy Mehan, AWWA executive director of government affairs. “And remember, because WIFIA is strictly a loan program, it results in no long-term net cost to the taxpayers.”

Last year, Congress freed WIFIA from a ban on the use of tax-exempt bonds in combination with WIFIA loans. This year, AWWA delegates are encouraging Congress – in the context of reauthorizing the Water Resources and Reform Development Act -- to allow WIFIA to reach its full potential by removing a barrier that allows it to fund only 49 percent of projects.

WIFIA was designed to complement State Revolving Loan funds, making loans to projects that cost $20 million or more. The water utility leaders asked also Congress to fund both the water and wastewater SRF programs at a minimum on $1.3 billion each.

And You Think Flint, Michigan Has Problems…

The American Water Works Association calls it the Replacement Era. An estimated 1.9 million kilometers (1.2 million miles) of distribution pipes supply Americans with drinking water. Many of them are nearing or have past retirement age. A big investment — perhaps as much as $US 1 trillion over the next two decades — must be made to replace them.

Age, however, is only part of the story. The deterioration of any particular pipe depends on a bundle of pressures: What material are the pipes made of? Cast iron, ductile iron, polyvinyl chloride, or, occasionally, wood? Each has a different lifespan. What are the chemical properties of the soil and water? Some are more corrosive. What is the climate? Cycles of freezing and thawing or drought can weaken pipes.

The need to replace these pipes, most of which have a useful lifespan of more than 75 or 100 years, will continue to grow. The U.S. Environmental Protection Agency forecasts that the rate of replacement will rise until 2035, as national investment in water mains peaked in the boom years after World War II.

Water main patterns reflect America’s growth. Older pipes weave beneath the colonial cities on the East Coast. Philadelphia, for one, still uses water mains installed before the Civil War. Cities that grew fast in the latter half of last century have newer systems. More than half of San Antonio’s water mains were laid in the ground between 1980 and 2010 — which seems appropriate given that its population grew by 70 percent in that period.

Source: Brett Walton, Circle of Blue

EPA Survey Shows $271 Billion Needed for Nation's Wastewater Infrastructure

In January, the U.S. Environmental Protection Agency (EPA) today released a survey showing that $271 billion is needed to maintain and improve the nation's wastewater infrastructure, including the pipes that carry wastewater to treatment plants, the technology that treats the water, and methods for managing stormwater runoff.

The survey was a collaboration between EPA, states, the District of Columbia, Puerto Rico, and other U.S. territories. To be included in the survey, projects must include a description and location of a water quality-related public health problem, a site-specific solution, and detailed information on project cost.

The $271 billion is primarily for projects needed within five years. The survey reported the following infrastructure needs:

- Secondary wastewater treatment: $52.4 billion to meet secondary treatment standards. Secondary treatment uses biological processes to meet the minimum level of treatment required by law.
- Advanced wastewater treatment: $49.6 billion to provide upgrades so treatment plants can attain a level of treatment more protective than secondary treatment. Advanced treatment may also treat nonconventional or toxic pollutants such as nitrogen, phosphorus, ammonia or metals.
- Conveyance system repair: $51.2 billion to rehabilitate and repair conveyance systems.
- New conveyance systems: $44.5 billion to install new sewer collection systems, interceptor sewers and pumping stations.
- Combined sewer overflow correction: $48 billion to prevent periodic discharges of mixed stormwater and untreated wastewater during wet-weather events.
- Stormwater management programs: $19.2 billion to plan and implement structural and nonstructural measures to control polluted runoff from storm events.
- Recycled water distribution: $6.1 billion for conveyance and further treatment of wastewater for reuse.

Visit http://www.epa.gov/cwns for more information on the report.

Senate Panel Sets U.S. DOT Highway Funding

The Senate Appropriations Committee advanced a 2017 funding bill that would spend $77.9 billion on programs under the U.S. Department of Transportation, keeping the Highway Trust Fund's highway and transit accounts at levels authorized in the new five-year FAST Act.

The Senate bill would also increase the USDOT's TIGER grant program to $525 million from $500 million this year. It would increase TIGER's rural projects set-aside to 30 percent from 20 percent now, and cut the maximum share that can go to any state to 10 percent from 20 percent now, Eno Transportation Weekly reported.

The appropriations bill would also rescind $2.211 billion for the coming year in state DOTs' unobligated highway contract authority, and require that the cuts be applied in some federal highway programs that are most widely used by the states.

For USDOT discretionary accounts, the bill would provide $16.9 billion, which is $1.7 billion down from this year. As expected, the measure rejected a proposal from President Obama to raise USDOT funding by $17.9 billion and pay for it would a per-barrel tax on crude oil.

The Federal Aviation Administration would receive $16.4 billion, or $131.6 million more than enacted for 2016. The appropriators also used a report released with its bill to sharply criticize efforts in Congress to spin off air traffic control from the FAA.

The bill's rail section would provide the Federal Railroad Administration with $1.7 billion, up $76 million from this year and continues service for all current routes. The Maritime Administration, which supports U.S. shipyards and marine highways that aim to pull more freight off roads and rail lines, would see an $86 million funding increase to $485 million.

The full Senate can now take up the measure, which could eventually be negotiated with an appropriations bill that emerges from the House.

Source: *Roads & Bridges* Magazine

Municipal Spending Set to Rise in 2016

From the 19th Annual Municipal Survey by Underground Construction Magazine

Reflecting the renewed availability of funds at local levels, municipal authorities report spending plans in 2016 for sewer/water/storm sewer piping systems of $10.7 billion in new construction and $8.2 billion for rehabilitation, an increase of 4.2 percent over actual 2015 spending.

Conducted in October and November of 2015, the survey polled U.S. municipalities about their 2016 infrastructure funding plans along with perspectives on technologies, trends, industry issues and working relationships with consulting engineers and contractors. The survey results came from all 50 states and were weighted for regional population density and city sizes to develop a nationwide benchmark that would allow for extrapolated projections.

The survey showed that increased funding was cited by 77.4 percent of respondents as the number one need of their departments. In fact, municipal managers as a whole across the country would ideally like to see an annual increase in their budgets of 37 percent just to meet current needs.

While the availability of more funds in 2015 and the projection to make that increase even more widespread in 2016 is encouraging, it does create a double-edge sword. Those cities who have received budget increases expect even more in 2016 though just how much additional funding will be available is still to be determined in many instances. That has led to other cities feeling the pressure to relax the purse strings and invest in underground infrastructure. For 2016, the majority of respondents (68 percent) do anticipate more project money. That compares to just over 50 percent who received additional funding in 2015. In fact, those cities who are still awaiting budget increases are not shy about expressing their frustrations.

You can see the full survey results at https://ucononline.com/2016/02/17/underground-construction-19th-annual-municipal-survey/.

Public Works Professionals are Finally Receiving Raises, But……

The unemployment rate has dropped to pre-recession levels. Gas prices are lower than they've been in more than a decade. For the second consecutive year, more cities are hiring rather than firing. According to the National League of Cities, 83% increased employee wages and 71% increased infrastructure spending in 2015.

Almost three-quarters (73%) of the 520 *Public Works* Magazine readers who completed the 2016 Annual Salary & Benefits Survey in February got a raise in the last 12 months. The results reflect an upward trend that began when the Great Recession loosened its stranglehold on public budgets.

And yet, many say a raise in and of itself simply isn't enough.

"Wages aren't keeping pace with the cost of living, and benefits costs are continuing to rise faster than pay levels," says an operator from a Colorado grounds/parks (urban forestry)/road maintenance department who makes $40,000 annually.

It's a familiar story that's being told with increased frequency by survey participants. For the full report, please go to http://www.pwmag.com/humanresources/public-works-2016-salary-survey-as-good-as-it-gets_o.aspx?dfpzone=general.

Committee Unanimously Approves Pipeline Safety Bill

The Transportation and Infrastructure Committee today unanimously approved bipartisan legislation to reauthorize the Department of Transportation's (DOT) pipeline safety program and maintain the safety of our nation's pipeline network.

H.R. 4937, the Protecting our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2016, is a four-year reauthorization that improves pipeline safety by closing gaps in federal standards, enhances the quality and timeliness of agency rulemakings, promotes better usage of data and technology to improve pipeline safety, and provides regulatory certainty for citizens, the safety community, and the industry.

The PIPES Act, was introduced on April 14, 2016, by Railroads, Pipelines, and Hazardous Materials Subcommittee Chairman Jeff Denham (R-CA); Railroads, Pipelines, and Hazardous Materials Subcommittee Ranking Member Michael Capuano (D-MA); Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA); and Transportation and Infrastructure Committee Ranking Member Peter DeFazio (D-OR).

"We have a responsibility and opportunity to ensure the efficiency and safety of the 2.6 million miles of pipelines transporting energy resources to Americans across the country," Denham said. "This bipartisan legislation requires PHMSA to complete mandated safety requirements and to evaluate and report to Congress on their rulemaking process, making our pipelines safer than ever before. I'm pleased to see so much support in the Committee for this bill."

"The legislation contains some important safety provisions, including giving the Pipeline and Hazardous Materials Safety Administration authority to act quickly to address industry-wide safety hazards as soon as they are discovered," Capuano said. "The legislation also requires PMHSA to undertake a rulemaking for underground natural gas storage facilities. This bipartisan effort will enhance overall pipeline safety and oversight, and I thank my colleagues for their cooperative efforts." "The bipartisan PIPES Act includes critical reforms and new tools to protect communities across the country from serious accidents involving the transportation of natural gas and hazardous liquids by pipeline," DeFazio said. "The legislation provides critical new authority to allow the Secretary of Transportation to impose needed emergency restrictions and safety measures in the event of a serious accident or unsafe operating practices. It also provides vital grant funding to help states run robust pipeline inspection programs. I thank Chairmen Shuster and Denham for working with me and with Ranking Member Capuano to produce this bipartisan bill, and will work with them to move this legislation through the House."

For a more detailed summary of the PIPES Act please go to http://transportation.house.gov/pipes-2016/.

The $2 billion Eagle Public-Private Partnership (P3) project Celebrates Opening of Denver's "Train to the Plane" Commuter Rail Line

The U.S. Department of Transportation's Federal Transit Administration (FTA) joined top Colorado officials to open the University of Colorado A Line commuter rail service from downtown Denver to Denver International Airport. The rail line is among the nation's first transit projects built by a public-private partnership and represents an important milestone in an ambitious transit expansion plan for the eight-county metropolitan area.

The 2004 voter-approved FasTracks transit plan for Denver's Regional Transportation District (RTD), one of the largest in the nation, is a $7 billion, multi-year program to build 122 miles of new commuter and light rail, 18 miles of bus rapid transit service, and enhanced bus service, with many of the rail projects expected to be completed this year. The University of Colorado A Line connects Denver Union Station to the airport 23 miles away….a trip that would take motorists or city bus riders close to an hour has been halved with the new train service.

The University of Colorado A Line is part of the $2 billion Eagle Public-Private Partnership (P3) project, which includes the A Line, the under-construction Gold Line commuter rail project, a commuter rail maintenance facility, and electric-multi-unit vehicles. FTA is providing approximately $1 billion through its Capital Investment Grant Program, or 50 percent, toward the Eagle P3 set of projects. In addition, the U.S. Department of Transportation also provided approximately $62 million in other funds. The remaining cost was covered by state and local sources, including the private contribution.

Under the P3 arrangement, the private team agreed to fund a share of the project, assuming much of the risks, allowing RTD to minimize public costs for construction. In addition to a safety review by the Federal Railroad Administration, FTA reviewed and approved a safety checklist covering platforms, surrounding roads, and pedestrian improvements prior to the A Line opening.

Latest Economic Indicators at a Glance

Annual Employment Report

Total nonfarm payroll employment rose by 215,000 in March, and the unemployment rate was little changed at 5.0 percent. Employment increased in retail trade, construction, and health care. Job losses occurred in manufacturing and mining.

Construction Employment

The U.S. construction industry added 19,000 net new jobs in February. Year-over-year, the industry has added 253,000 net new jobs, an increase of 4 percent. The nonresidential sector added only 2,800 net new jobs in February after adding 3,600 jobs in January (revised upward from 2,900). Nonresidential specialty trade contractors lost jobs for the second consecutive month, while residential specialty trade contractors added 13,800 net new jobs in February—more than the other four subsectors combined. The civil and heavy engineering category continued its tepid growth, adding just 700 net new jobs for the month.

"Though many contractors continue to report significant backlog, the broader macroeconomic data regarding construction do not reflect brisk industry recovery," said Anirban Basu, the Associated Builders & Contractor's chief economist. "Rather, the data are consistent with steady, ongoing recovery in both spending and employment. Though today's employment report will be viewed positively by most stakeholders in the economy, it was not a great report for nonresidential construction. The nonresidential specialty trade contractor subsector lost 1,500 jobs in February and has now lost jobs in two consecutive months. This performance stands in contrast to the initial two months of 2015, when nonresidential specialty trade contractors collectively added 31,000 positions.

"Despite this recent softness in the nonresidential employment data, recent nonresidential construction spending data were quite strong," said Basu. "There is no indication in today's release that the ongoing nonresidential construction recovery is in any way jeopardized. Undoubtedly, seasonal factors are at work, and it is likely that the industry will see progress in the value of construction put in place, employment, profitability and wage growth."

The construction industry unemployment rate climbed to 8.7 percent in February, a 0.2 percent increase from January. The industry's unemployment rate has now increased by 3.2 percent since September 2015. The unemployment rate across all industries remained unchanged at 4.9 percent. Nonresidential building construction employment expanded by 4,300 jobs in February and is up by 14,100 jobs or 1.9 percent on a year-over-year basis.

- Residential building construction employment expanded by 2,100 jobs in February and is up by 32,200 jobs or 4.7 percent on a year ago basis.

- Nonresidential specialty trade contractors lost 1,500 jobs for the month but employment in that category is up by 76,300 jobs or 3.3 percent from the same time one year ago.
- Residential specialty trade contractors added 13,800 net new jobs in February and have added 122,900 jobs or 7.0 percent since February 2015.
- The heavy and civil engineering construction segment gained 700 jobs in February and is up by 7,900 positions or 0.8 percent on a year over year basis.

Consumer Confidence

"Consumer confidence continued on its sideways path, posting a slight decline in April, following a modest gain in March," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions improved, suggesting no slowing in economic growth. However, their expectations regarding the short-term have moderated, suggesting they do not foresee any pickup in momentum."

Consumers' appraisal of current conditions improved somewhat in April. Those saying business conditions are "good" decreased from 24.9 percent to 23.2 percent. However, those saying business conditions are "bad" also declined, from 19.2 percent to 18.1 percent. Consumers' appraisal of the labor market was also mixed. Those claiming jobs are "plentiful" decreased from 25.4 percent to 24.1 percent, however those claiming jobs are "hard to get" also declined from 25.2 percent to 22.7 percent.

Consumers were less optimistic about the short-term outlook in April than last month. The percentage of consumers expecting business conditions to improve over the next six months decreased from 14.7 percent to 13.4 percent, while those expecting business conditions to worsen rose to 11.0 percent from 9.5 percent.

Consumers' outlook for the labor market was also less favorable. Those anticipating more jobs in the months ahead decreased slightly from 13.0 percent to 12.2 percent, while those anticipating fewer jobs edged up from 16.3 percent to 17.2 percent. The proportion of consumers expecting their incomes to increase declined from 16.9 percent to 15.9 percent; however, the proportion expecting a reduction in income also declined, from 12.3 percent to 11.2 percent.

Gross Domestic Product (GDP)

Real gross domestic product -- the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production, adjusted for price changes -- increased at an annual rate of 1.4

percent in the fourth quarter of 2015, according to the "third" estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 2.0 percent.

Consumer Price Index

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in March on a seasonally adjusted basis. Over the last 12 months, the all items index rose 0.9 percent before seasonal adjustment.

The food index declined in March, while the indexes for energy and for all items less food and energy rose, leading to the slight seasonally adjusted increase in the all items index. The food index fell 0.2 percent after rising in February, as five of the six major grocery store food groups declined. The energy index rose for the first time since November, with all of its major components except natural gas increasing.

While the index for all items less food and energy increased in March, the 0.1 percent advance was the smallest increase since August. Major component indexes were mixed in March. The indexes for shelter, recreation, medical care, education, tobacco, and personal care were among those that rose, while the indexes for apparel, airline fares, communication, household furnishings and operations, and used cars and trucks all declined.

The all items index rose 0.9 percent over the last 12 months, a slightly smaller increase than the 1.0-percent change for the 12 months ending February. The index for all items less food and energy has risen 2.2 percent over the last 12 months, and the food index has increased 0.8 percent. Despite rising in March, the energy index has declined 12.6 percent over the last year.

Producer Price Index

The Producer Price Index for final demand fell 0.1 percent in March, seasonally adjusted. Final demand prices decreased 0.2 percent in February and advanced 0.1 percent in January. On an unadjusted basis, the final demand index moved down 0.1 percent for the 12 months ended in March.

Productivity and Costs

Nonfarm business sector labor productivity decreased at a 2.2-percent annual rate during the fourth quarter of 2015 as output increased 1.0 percent and hours worked increased 3.2 percent. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the fourth quarter of 2014 to the fourth quarter of 2015, productivity increased 0.5 percent.

Labor productivity, or output per hour, is calculated by dividing an index of real output by an index of hours worked of all persons, including employees, proprietors, and unpaid family workers.

Unit labor costs in the nonfarm business sector increased 3.3 percent in the fourth quarter of 2015, reflecting a 1.1-percent increase in hourly compensation and a 2.2-percent decrease in productivity. Unit labor costs increased 2.1 percent over the last four quarters.

Factory Orders

New orders for manufactured durable goods in March increased $1.8 billion or 0.8 percent to $230.7 billion. This increase, up two of the last three months, followed a 3.1 percent February decrease. Excluding transportation, new orders decreased 0.2 percent. Excluding defense, new orders decreased 1.0 percent.

Transportation equipment, also up two of the last three months, drove the increase, $2.2 billion or 2.9 percent to $76.0 billion.

Employment Cost Index

Compensation costs for civilian workers increased 0.6 percent, seasonally adjusted, for the 3-month period ending in December 2015. Wages and salaries (which make up about 70 percent of compensation costs) increased 0.6 percent, and benefits (which make up the remaining 30 percent of compensation) increased 0.7 percent.

Civilian Workers

Compensation costs for civilian workers increased 2.0 percent for the 12-month period ending in December 2015. In December 2014, compensation costs increased 2.2 percent. Wages and salaries increased 2.1 percent for the current 12-month period, unchanged from the 12-month period ending in December 2014. Benefit costs increased 1.7 percent for the 12-month period ending in December 2015. In December 2014, the increase was 2.6 percent.

Private Industry Workers

Compensation costs for private industry workers increased 1.9 percent over the year, slowing from the December 2014 increase of 2.3 percent. Wages and salaries increased 2.1 percent for the current 12-month period. In December 2014, the increase was 2.2 percent. The increase in the cost of benefits was 1.3 percent for the 12-month period ending in December 2015, lower than December 2014 when the increase was 2.5 percent.

Employer costs for health benefits increased 3.0 percent over the year. In December 2014, the increase was 2.4 percent.

Among occupational groups, compensation cost increases for private industry workers for the 12-month period ending in December 2015 ranged from 1.4 percent for natural resources, construction, and maintenance occupations to 2.6 percent for production, transportation, and material moving occupations.

Among industry super sectors, compensation cost changes for private industry workers for the current 12-month period ranged from -1.4 percent for information to +2.6 percent for other services, except public administration.

State and Local Government Workers

Compensation costs for state and local government workers increased 2.5 percent for the 12-month period ending in December 2015. In December 2014, the increase was 2.0 percent. Wages and salaries increased 1.8 percent for the 12-month period ending in December 2015, and in December 2014 the increase was 1.6 percent. Benefit costs increased 3.5 percent in December 2015, higher than in December 2014 when the increase was 2.9 percent.

Real Earnings

All employees:

Real average hourly earnings for all employees increased 0.2 percent from February to March, seasonally adjusted. This result stems from a 0.3-percent increase in average hourly earnings being partially offset by a 0.1-percent increase in the Consumer Price Index for All Urban Consumers (CPI-U).

Real average weekly earnings increased 0.2 percent over the month due to the increase in real average hourly earnings combined with no change in the average workweek.

Real average hourly earnings increased 1.4 percent, seasonally adjusted, from March 2015 to March 2016. This increase in real average hourly earnings combined with a 0.3-percent decrease in the average workweek resulted in a 1.1-percent increase in real average weekly earnings over this period.

Production and nonsupervisory employees:

Real average hourly earnings for production and nonsupervisory employees were unchanged from February to March, seasonally adjusted. This result stems from a 0.2-percent increase in average hourly earnings being offset by a 0.1-percent increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

Real average weekly earnings increased 0.1 percent over the month due to no change in both real average hourly earnings and average weekly hours.

From March 2015 to March 2016, real average hourly earnings increased 1.8 percent, seasonally adjusted. The increase in real average hourly earnings combined with a 0.3-percent decrease in the average workweek resulted in a 1.5-percent increase in real average weekly earnings over this period.

Construction Spending

Construction spending during February 2016 was estimated at a seasonally adjusted annual rate of $1,144.0 billion, 0.5 percent below the revised January estimate of $1,150.1 billion. The February figure is 10.3 percent above the February 2015 estimate of $1,037.5 billion. During the first 2 months of this year, construction spending amounted to $157.1 billion, 11.2 percent above the $141.3 billion for the same period in 2015.

Private Construction

Spending on private construction was at a seasonally adjusted annual rate of $846.2 billion, 0.1 percent below the revised January estimate of $847.2 billion. Residential construction was at a seasonally adjusted annual rate of $447.9 billion in February, 0.9 percent above the revised January estimate of $443.8 billion. Nonresidential construction was at a seasonally adjusted annual rate of $398.3 billion in February, 1.3 percent (±1.0%) below the revised January estimate of $403.4 billion.

Public Construction

In February, the estimated seasonally adjusted annual rate of public construction spending was $297.8 billion, 1.7 percent below the revised January estimate of $302.8 billion. Educational construction was at a seasonally adjusted annual rate of $66.4 billion, 4.2 percent below the revised January estimate of $69.3 billion. Highway construction was at a seasonally adjusted annual rate of $99.6 billion, 2.1 percent below the revised January estimate of $101.7 billion

Nonresidential Construction Spending

Nonresidential construction spending dipped in February, falling 1.4 percent on a monthly basis according to analysis of U.S. Census Bureau data released today by Associated Builders and Contractors. Spending in the nonresidential sector totaled $690.3 billion on a seasonally adjusted, annualized basis in February. While this represents a step back from January's figure of $700.3 billion (revised down from $701.9 billion), it is still 1.5 percent higher than the level of spending registered in December 2015 and 10.1 percent higher than February 2015.

“February’s weather was particularly harsh in certain parts of the country, including in the economic activity-rich Mid-Atlantic region, and that appears to have had an undue effect on construction spending data,” said Anirban Basu. “February data are always difficult to interpret, and the latest nonresidential construction spending figures are no different. Seasonal factors have also made state-level data very difficult to interpret.

“Beyond meteorological considerations, there are other reasons not to be alarmed by February’s decline in nonresidential construction spending,” said Basu. ”Today’s positive construction employment report indicates continued economic growth. Moreover, much of the decline in volume was attributable to manufacturing, but the ISM manufacturing index recently crossed the threshold 50 level, indicating that domestic manufacturing is now expanding for the first time in seven months.”

Eight of the sixteen nonresidential subsectors experienced spending decreases in February, though almost half of the total decline in spending is attributable to the 5.9 percent decline in manufacturing-related spending.

Eight of the following 16 nonresidential construction sectors experienced spending increases in February on a monthly basis:

- Spending in the amusement and recreation category climbed 0.4 percent from January and is up 13.7 percent from February 2015.
- Lodging-related spending is up 0.4 percent for the month and is up 30.1 percent on a year-ago basis.
- Water supply-related spending expanded 1.9 percent on a monthly basis and 3.2 percent on a yearly basis.
- Spending in the office category grew 3.8 percent from January and is up 25.3 percent on a year-ago basis.
- Transportation-related spending expanded 0.5 percent month-over-month and 5.8 percent year-over-year.
- Health care-related spending expanded 2 percent from January and is up 3.3 percent from February 2015.
- Public safety-related spending is up 1.8 percent for the month, but is down 5.3 percent for the year.
- Commercial-related construction spending inched 0.1 percent higher for the month and grew 11 percent for the year.

Spending in eight of the nonresidential construction subsectors fell in February on a monthly basis:

- Educational-related construction spending fell 2.4 percent from January, but has expanded 8.5 percent on a yearly basis.

- Communication-related spending fell 15 percent month-over-month, but expanded 11.8 percent year-over-year.
- Spending in the highway and street category fell 2 percent from January, but is 24.5 higher than one year ago.
- Sewage and waste disposal-related spending fell 2.4 percent for the month, but is up 2.3 percent for the year.
- Conservation and development-related spending is 4.6 percent lower on a monthly basis and 16.8 percent lower on a year-over-year basis.
- Spending in the religious category fell 4 percent for the month and is up just 0.7 percent for the year.
- Manufacturing-related spending fell 5.9 percent on a monthly basis and is up only 0.8 percent on a yearly basis.
- Spending in the power category fell 0.6 percent from January, but is 4.8 percent higher than one year ago.

Construction Materials Prices

Construction input prices rose on a monthly basis in March for the first time in nine months according to an analysis of the Bureau of Labor Statistics (BLS) Producer Price Index released by Associated Builders and Contractors. Input prices expanded 0.9 percent on a monthly basis in March but are still down 3.4 percent on a year-over-year basis.

Nonresidential construction input prices behaved similarly, expanding 1 percent for the month but down 3.5 percent from a year ago. The monthly price gain was largely driven by crude petroleum, which expanded 40.7 percent for the month, the largest increase since BLS began tracking the series in August 1991. Despite the large monthly gain, crude petroleum prices are still down 26 percent from March 2015.

"Despite the rather profound percentage gain in oil prices and the overall nonresidential construction material price increase, rapid material price inflation remains unlikely going forward," said Anirban Basu. "There are a number of reasons for this, but perhaps the most important is the ongoing sluggishness of the global economy. Though we just entered the second quarter, the International Monetary Fund has already downgraded its outlook for current year global growth twice. World output is only expected to expand 3.2 percent this year.

"Meanwhile, central banks in much of the world continue to take steps to fight off deflation and a number of oil producing nations have either announced expected reductions in production and/or are actively seeking to enter agreements that freeze production," said Basu. "These occurrences have helped to stabilize a number of commodity prices, including oil and iron ore. However, there are no guarantees that meaningful production cut agreements will be reached and faithfully implemented by oil producers. While global oil production growth is likely to slow, demand will continue to be weak, implying an uncertain price trajectory."

Seven key input prices rose in March on a monthly basis:

- Crude petroleum prices expanded 40.7 percent from February 2016, but are down 26 percent from March 2015.
- Unprocessed energy material prices were up 6.1 percent on a monthly basis, but fell 24.1 percent on a year ago basis.
- Prices for steel mill products increased 0.4 percent on a monthly basis, but are down 15.8 percent on a yearly basis.
- Nonferrous wire and cable prices expanded 2.2 percent on a monthly basis, but fell 5.9 percent on a yearly basis.
- Iron and steel prices rose 1.6 percent month-over-month, but have declined 14.7 percent year-over-year.
- Softwood lumber prices were up 2.8 percent for the month, but have fallen 1.6 percent from the same time last year.
- Concrete product prices edged up 0.8 percent month-over-month and are up 3 percent year-over-year.

Four key input prices declined on a monthly basis:

- Prices for prepared asphalt, tar, roofing and siding products fell by 1.1 percent from February 2016 and are down 1.3 percent from March 2015.
- Natural gas prices were down 22.2 percent for the month and are down 40.2 percent from the same period one year ago.
- Fabricated structural metal prices products declined 0.1 percent month-over-month and are down 2.4 percent year-over-year.
- Prices for plumbing fixtures and fittings fell 0.3 percent for the month but are up 0.1 percent from the same time last year.

Retail Sales

U.S. retail and food services sales for March, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $446.9 billion, a decrease of 0.3 percent from the previous month, and 1.7 percent above March 2015. Total sales for the January 2016 through March 2016 period were up 2.8 percent from the same period a year ago. The January 2016 to February 2016 percent change was revised from down 0.1 percent to virtually unchanged.

Retail trade sales were down 0.2 percent from February 2016, and up 1.3 percent from last year. Building material and garden equipment and supplies dealers were up 10.8 percent from March 2015, while gasoline stations were down 15.6 percent from last year.

New Residential Sales

Sales of new single-family houses in March 2016 were at a seasonally adjusted annual rate of 511,000, according to estimates released jointly today by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 1.5 percent below the revised February rate of 519,000, but is 5.4 percent above the March 2015 estimate of 485,000.

The median sales price of new houses sold in March 2016 was $288,000; the average sales price was $356,200. The seasonally adjusted estimate of new houses for sale at the end of March was 246,000. This represents a supply of 5.8 months at the current sales rate.

New Residential Construction

Privately-owned housing units authorized by building permits in March were at a seasonally adjusted annual rate of 1,086,000. This is 7.7 percent below the revised February rate of 1,177,000, but is 4.6 percent above the March 2015 estimate of 1,038,000.

Single-family authorizations in March were at a rate of 727,000; this is 1.2 percent below the revised February figure of 736,000. Authorizations of units in buildings with five units or more were at a rate of 324,000 in March.

Privately-owned housing starts in March were at a seasonally adjusted annual rate of 1,089,000. This is 8.8 percent below the revised February estimate of 1,194,000, but is 14.2 percent above the March 2015 rate of 954,000.

Single-family housing starts in March were at a rate of 764,000; this is 9.2 percent below the revised February figure of 841,000. The March rate for units in buildings with five units or more was 312,000.

Privately-owned housing completions in March were at a seasonally adjusted annual rate of 1,061,000. This is 3.5 percent above the revised February estimate of 1,025,000 and is 31.6 percent above the March 2015 rate of 806,000.

Single-family housing completions in March were at a rate of 734,000; this is 0.3 percent below the revised February rate of 736,000. The March rate for units in buildings with five units or more was 316,000.

U.S. Trade Balance

The goods and services deficit was $47.1 billion in February, up $1.2 billion from $45.9 billion in January, revised. February exports were $178.1 billion, $1.8

billion more than January exports. February imports were $225.1 billion, $3.0 billion more than January imports.

The February increase in the goods and services deficit reflected an increase in the goods deficit of $0.9 billion to $64.7 billion and a decrease in the services surplus of $0.3 billion to $17.7 billion.

Year-to-date, the goods and services deficit increased $10.8 billion, or 13.1 percent, from the same period in 2015. Exports decreased $20.5 billion or 5.5 percent. Imports decreased $9.7 billion or 2.1 percent.