Future infrastructure spending in the US
Manufacturing sector dominates through 2025

2015
Infrastructure spending in the US is expected to grow by approximately 3% per year on average over the forecast period, taking the total from slightly over $700bn in 2014 to more than $975bn by 2025. As a share of US GDP, infrastructure spending is forecast to fall from 4.1% in 2014 to 3.5% by 2025.

For this analysis, our definition of infrastructure is wide-ranging, encompassing a number of broad sectoral groupings and economic activities. We cover the sectors traditionally classified as infrastructure such as transportation and utilities, but also analyze enabling capital projects in sectors such as extraction, manufacturing, and social infrastructure.

China overtook the US as the world’s largest infrastructure market in 2007 and is poised to widen its lead in the years ahead.

**Weak extraction growth despite shale boom; cheap energy boosts manufacturing**

Since 2006, the US has experienced growth in infrastructure spending of just over 5% per year on average, with the shale energy boom making extraction the fastest growing sector.

However, in response to the sharp decline in global commodity prices, a significant slowdown in extraction investment is forecast. Growth of less than 1% per year is expected in the extraction sector over the next decade, making extraction among the weaker growth sectors in the US. Still, with total investment reaching some $200bn by 2025, extraction represents a significant area of investment.

In contrast, manufacturing is expected to experience the strongest growth in US infrastructure spending through 2025, boosted by lower energy costs and particularly strong growth in the chemicals sector, thanks to the shale gas boom. Total manufacturing infrastructure spending is projected to grow by an average of between 5% and 6% per year over the next decade, with total annual spending reaching almost $120bn by 2025.

After especially strong growth of more than 7% per year on average since 2006, utilities infrastructure spending in the US is likely to return to normal over the next 10 years. Growth of between 4% and 5% per year is expected, with total annual spending reaching almost $200bn by 2025.

In the social infrastructure sector, growth is projected to accelerate to an average of 4% per year until 2025—twice the rate recorded between 2006 and 2014 (a particularly weak period due to the effect of the global recession). Healthcare’s share of total spending is expected to increase as the population ages over the next decade.

Despite the increasing need to repair or replace transportation infrastructure in the US, only moderate spending growth of about 3% per year until 2025 is forecast for that sector.

**Modernizing water infrastructure**

An important downside risk to the infrastructure investment outlook is the slow pace of government action in the US. Political impasses in the US Congress over infrastructure spending bills could create bottlenecks that dampen growth in future spending. However, on the upside, the Water Resources Reform and Development Act of 2014, the first major water resources bill to become law in seven years, offers the possibility of significant new infrastructure announcements as the US seeks to modernize its critical water infrastructure.
Figure 1: Growth in infrastructure, investment and GDP

Source: Oxford Economics

Figure 2: Infrastructure spending in a national context

Source: Oxford Economics

Figure 3: Infrastructure spending by broad sector

Source: Oxford Economics

Figure 4: Investment in extraction infrastructure

Source: Oxford Economics

Figure 5: Manufacturing infrastructure investment

Source: Oxford Economics

Figure 6: Utilities infrastructure investment

Source: Oxford Economics
Figure 7: Transportation infrastructure investment
$bn, current prices, 2014 exchange rates
Source: Oxford Economics

Figure 8: Social infrastructure investment
$bn, current prices, 2014 exchange rates
Source: Oxford Economics

Figure 9: US versus peers
Index, 2014=100
Source: Oxford Economics

Figure 10: Demographic change
Source: Oxford Economics
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To have a deeper conversation about this subject, please contact:

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This report from PwC, with research by Oxford Economics forecasts through 2025 capital project and infrastructure spending by country for investors, public officials and companies planning capital investments. It provides insight into factors driving the expected investment growth. In developing this analysis, Oxford Economics used data sets to provide consistent, reliable, and repeatable measures of projected capital project and infrastructure spending by country. Historical spending data is drawn from government and multinational organisations statistical sources. Projections are based on proprietary economic models developed by Oxford Economics at the country level. The results for this report have been estimated using the following underlying data sources: World Health Organisation, UNESCO, World Bank, Annual Capital Expenditures Survey, Association of American Ports, Edison Electrical Institute, Office of Highway Policy Information, Federal Highways Authority, Department of Transportation, National Clearinghouse of Educational Facilities, Department of Education and Oxford Economics. The analysis, completed over the first half of 2015, incorporates all available information at that time.