Construction Market Conditions Report

Q2 2025

Table of Contents

Cover Photo: Richard Reck Photography

Message from Our Experts

Jay Pendergrass
Vice President
Supply Chain Management

Courtney Davis
Supply Chain Supervisor
Supply Chain Management

We are pleased to share the Gilbane Q2 2025 Market Conditions Report. This quarterly report provides a national macroeconomic view of the overall economy and its impacts on the U.S. construction industry, focusing on market-driven data, end-to-end supply chain constraints, equipment and material availability, costs, and risk mitigation strategies. This quarter, in addition to our interactive Geographic Insights, our Supply Chain Spotlight provides updated analysis focused on the impacts of the newly imposed tariffs on global construction supply chains.

Our overarching goal is to be your leading resource in supply chain management, construction equipment, and material resources. Reach out to our team of experts today; we're here to help.

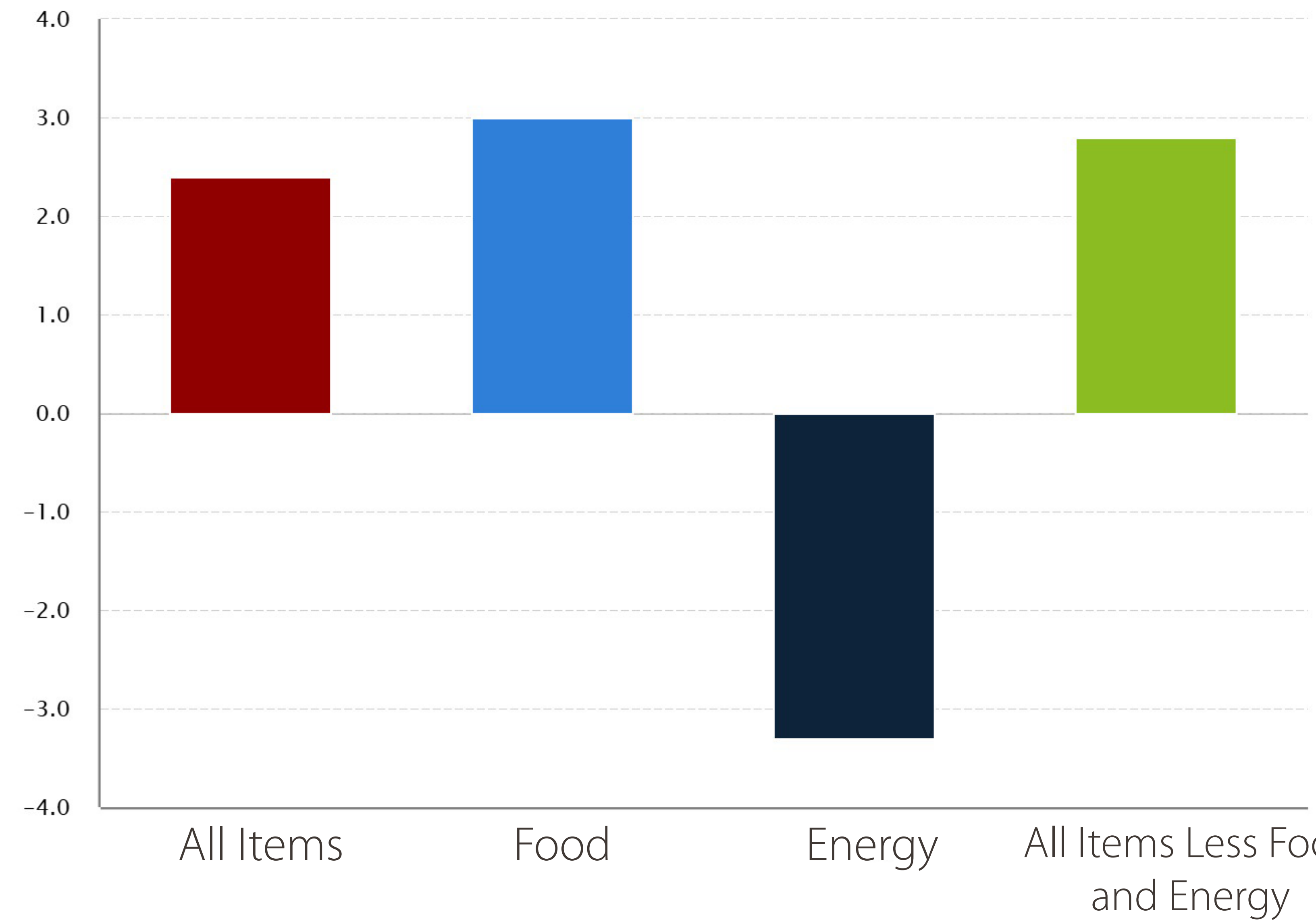
General Economic Outlook

Despite a slight decrease in inflation in March, recent policy changes are having a mixed impact on the U.S. economy.

- Consumer spending continued to increase in the first quarter of 2025, albeit at a decelerated rate. Both real and current-dollar personal income, as well as real and current-dollar disposable income, also increased.
- Total nonfarm employment increased by 177,000 in April. Meanwhile, the unemployment rate remained unchanged at 4.2 percent. After seasonal adjustment, the unemployment rate has remained in the range of 4.0 percent to 4.2 percent since May 2024.
- Real average hourly earnings increased 0.3 percent from February 2025 to March 2025 and are up 1.4 percent from March 2024 to March 2025.
- The value of the U.S. Dollar weakened against the Euro in March 2025 after strengthening in December 2024. Despite this decrease in value, inflation has fallen slightly due to a sharp decline in energy prices.

12-month percentage change, Consumer Price Index

Selected categories, March 2025, not seasonally adjusted



Source: US Bureau of Labor Statistics

General Economic Outlook

Gross Domestic Product

- Real gross domestic product (GDP) decreased 0.075 percent (annual rate of 0.3 percent) in Q1 2025 from Q4 2024, according to the "advance" estimate released by the Bureau of Economic Analysis. In Q4 2024, real GDP increased 0.6 percent (annual rate of 2.4 percent) from the previous quarter.
- The decline of real GDP in the first quarter reflects an increase in imports, which was partially offset by increases in investment, consumer spending, and exports.
- Construction contributed 0.21 percentage points to the 2.4 percent annualized growth in GDP in Q4 2024, the fifth largest of major industry groups. Contributions to percent change in real GDP by industry group are not yet available for Q1 2025.
- From Q1 2024 to Q1 2025, real GDP grew 2.0 percent.

Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.1 percent in March on a seasonally adjusted basis and rose 2.4 percent over the past 12 months, not seasonally adjusted, according to the U.S. Bureau of Labor Statistics.
- The All Items Less Food and Energy Index rose 0.1 percent in March and 2.8 percent over the past 12 months, marking the smallest 12-month increase since March 2021.
- The slight decline in inflation in March comes on the heels of an uptick in inflation in the preceding months, following three interest rate cuts in 2024: 0.5 percentage points in September and 0.25 percentage points in both November and December. After previously projecting a total interest rate cut of 0.5 percentage points in 2025, on May 7th, the Federal Reserve voted to keep interest rates unchanged, maintaining the target range of 4.25% to 4.5%.

General Economic Outlook

Government Investment

- Real government consumption expenditures and gross investment fell 0.35 percent (annual rate of 1.4 percent) in Q1 2025 from Q4 2024, according to the "advance" estimate released by the Bureau of Economic Analysis. In Q4 2024, real government expenditures and investment increased 0.775 percent (annual rate of 3.1 percent) from the previous quarter.
- From Q1 2024 to Q1 2025, real government consumption expenditures and gross investment rose 2.4 percent.

Corporate Profits

- Corporate profits increased 5.4 percent in Q4 2024 from Q3 2024, according to the "third" estimate released by the Bureau of Economic Analysis. By contrast, corporate profits decreased 0.4 percent in Q3 2024 from the previous quarter. Corporate profits were 6.9 percent higher in Q4 2024 than in Q4 2023. Corporate profits data for Q1 2025 is not yet available.
- Corporate profits are a key measure of the financial health of corporate America, according to the Bureau of Economic Analysis.

Business Investment

- Real gross private domestic investment increased 5.475 percent (annual rate of 21.9 percent) in Q1 2025 from Q4 2024, according to the "advance" estimate released by the Bureau of Economic Analysis. In Q4 2024, real private investment decreased 1.4 percent (annual rate of 5.6 percent) from the previous quarter.
- From Q1 2024 to Q1 2025, real gross private domestic investment grew 5.9 percent.

Construction Market Overview

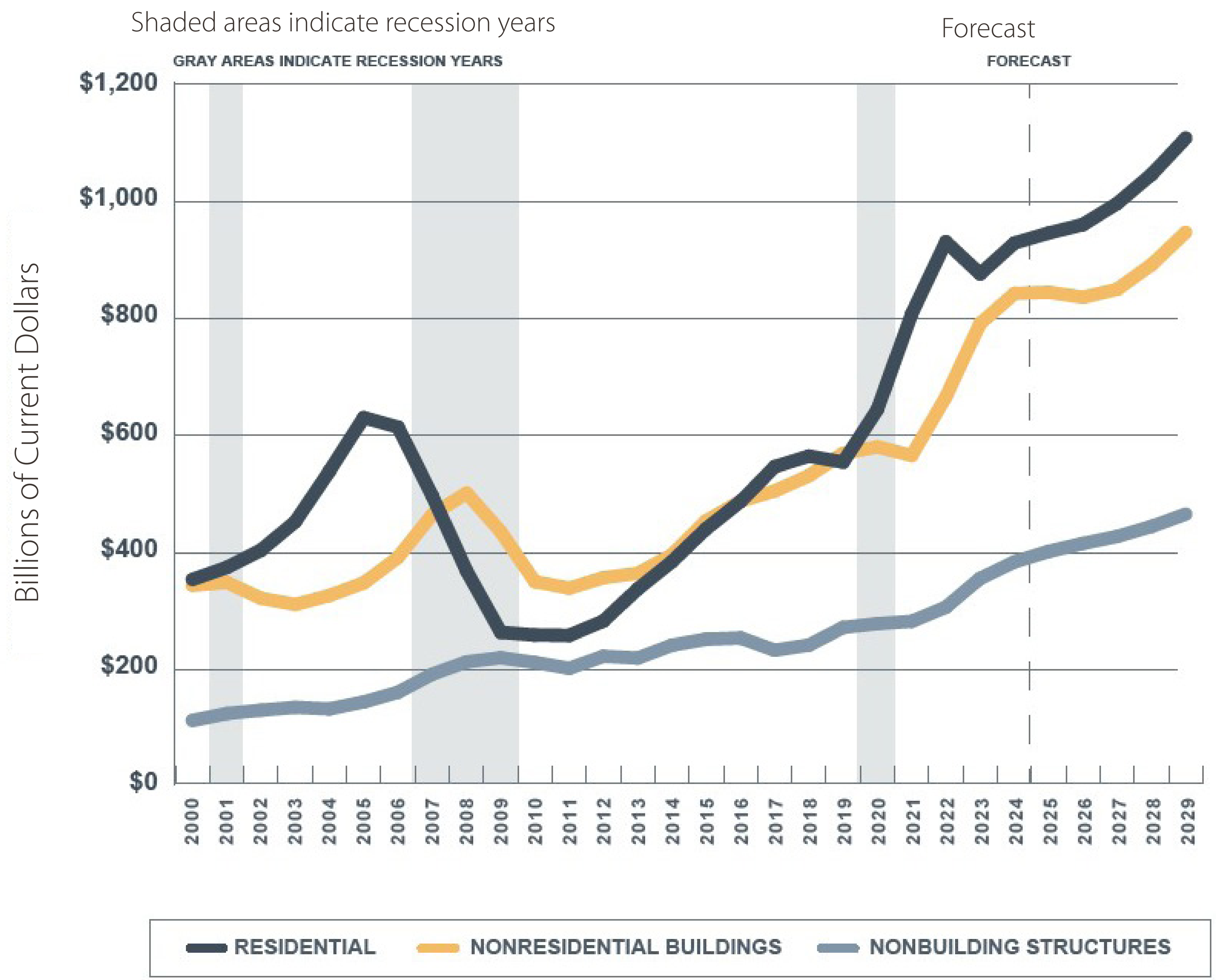
The construction industry is projected to continue growing in 2025, albeit at a slower rate than in previous years.

- FMI forecasts total U.S. construction spending will increase 2 percent in 2025, led by growth in nonresidential nonbuilding segments, particularly water, wastewater, and power infrastructure. Stabilization in several of the strongest market segments, coupled with mixed performance in others, are expected to contribute to slower spending growth than in previous years. FMI notes that this projected 2 percent growth, when compared against potential increases in inflation, may not feel like growth. By comparison, total engineering and construction spending ended 2024 up 6.5 percent, according to the U.S. Census Bureau.
- Total construction spending decreased slightly in March 2025, falling 0.5 percent from February 2025. Meanwhile, construction spending in March 2025 was up 2.8 percent from March 2024, according to the U.S. Census Bureau.
- FMI expects most building segments will remain stable in 2025 due to lasting support from the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the CHIPS and Science Act.
- High-performing segments in 2025 point to strong investment growth across residential improvements and religious, amusement and recreation, power, sewage and waste disposal, and water supply segments, each with anticipated year-end growth of 5 percent or more above 2024 levels. Meanwhile, multifamily, lodging, commercial, manufacturing, and conservation and development are contracting.
- Government budgets are becoming increasingly strained as growth in U.S. national debt continues to outpace GDP growth. Over the next five years, this trend will incentivize government investment in essential projects, such as transportation networks, healthcare facilities, and energy infrastructure.

Construction Market Overview

- With support from federal investments and a shift in monetary, tax, and international trade policies likely to create new opportunities over the next five years, FMI projects the construction industry will remain resilient long-term. Notably, major IIJA components are set to be reauthorized in 2026 and are expected to surpass current investment levels.
- Through 2030, government-backed industrial projects, including reshoring initiatives in semiconductor manufacturing, clean energy expansion, and AI-enabled logistics facilities, present significant opportunities for growth.

Total Construction Spending Put in Place Estimated for the U.S.

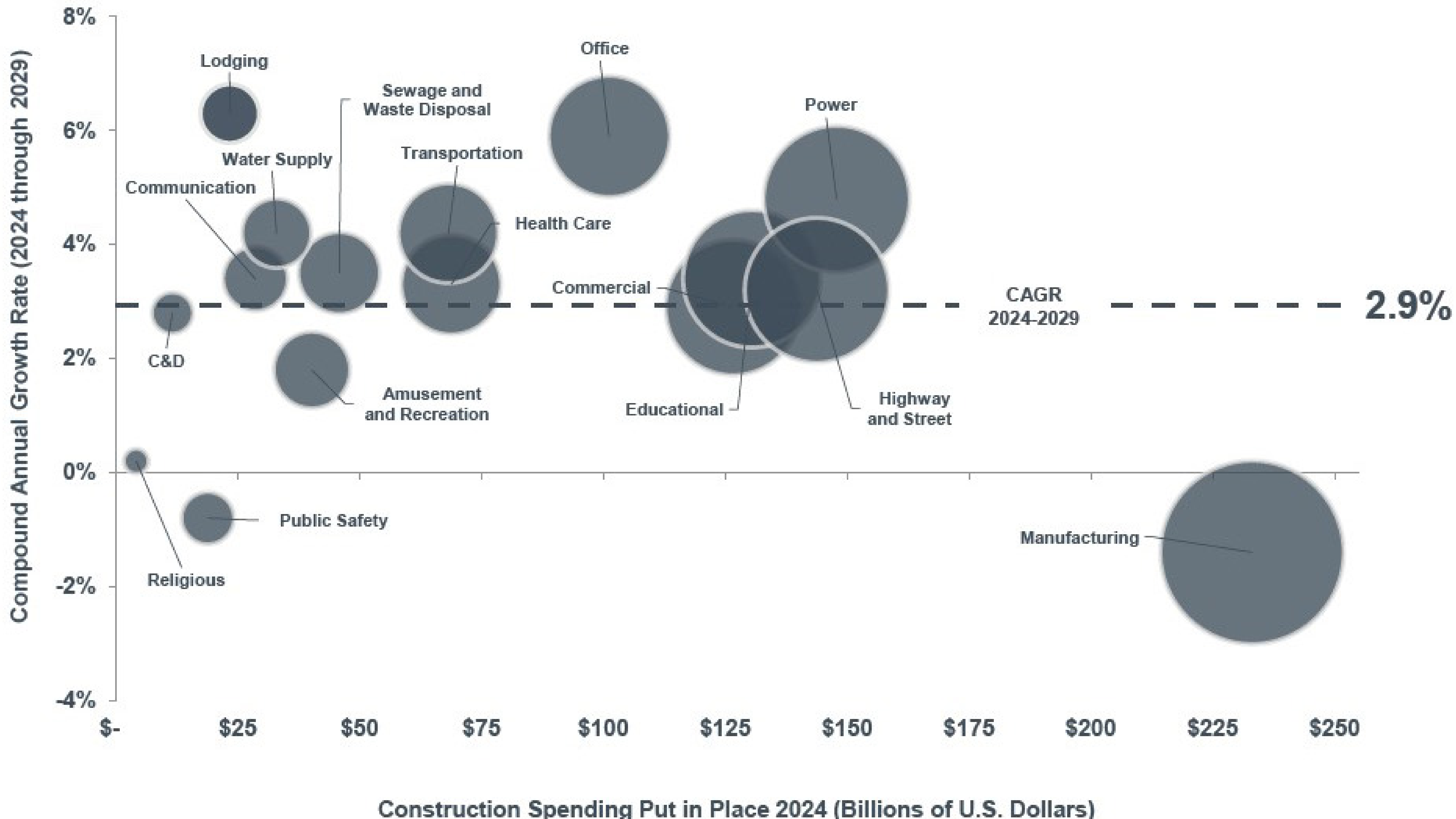


Source: FMI Forecast, April 2025

Construction Market Overview

Non-Residential Construction Spending Put in Place

Forecast Growth by Construction Segment



Source: FMI Forecast, April 2025

Construction Market Overview: Geographic Insights

Southeast

In the Southeast, most electrical equipment lead times are returning to normal, with the exception of electrical switchgear and generators. However, electrical equipment pricing is still on the rise and is unlikely to become stable in the near term. The extent to which tariffs will impact lead times and prices is currently unclear. The region continues to see demand for large life science projects, which will put pressure on the skilled labor force and likely keep labor costs elevated.

New England

Division-wide in New England, trade contractors are experiencing different reactions driven by tariff uncertainty. Some trades are refraining completely from pricing projects until volatility reduces, while others are proceeding as they typically would. Pricing given by trade contractors for steel and miscellaneous metals is typically only valid for two to three business days due to rapid price fluctuations. Locally, clients are still experiencing budget increases related to energy code changes occurring in Rhode Island. Given that the energy code change occurred roughly two years prior in Massachusetts, the Rhode Island market is more prepared to respond both from a budget perspective and in terms of finding qualified trade contractors. Division-wide, markets remaining steady are Higher Education, Healthcare, and K-12.

New York

New York City: In New York City, labor availability remains a persistent issue due to an aging workforce. However, the labor pool is currently stable as commercial fit-out projects remain slow. Businesses are continuing to assess their office space needs, while office building owners are considering office-to-residential conversion projects. Demand is on the rise for transportation, sports, entertainment, healthcare, and affordable housing projects. Market price volatility is stabilizing, although lead times are still extended for specialty equipment.

NY State: In Upstate New York, megaprojects continue to strain the availability of qualified labor. With major sports and recreation projects underway and new opportunities emerging in the advanced technology sector, labor availability is expected to be limited until 2026 or 2027. In order to fulfill labor demand, projects have been sourcing labor from nearby markets, which has been driving up labor costs. There is currently an increased demand for steel, precast concrete, mechanical, electrical, cleanroom, and specialty equipment. Prices and lead times for these materials and equipment are expected to rise. Tariffs are projected to exacerbate price increases due to general escalation.

Mid-Atlantic

Uncertainties related to tariff impacts continue to fuel concern and speculation across the Mid-Atlantic. There was a surge in early steel procurement in the first quarter of 2025 as projects attempted to lock in steel pricing ahead of potential tariff impacts. Steel fabrication lead times continue to be closely monitored and are anticipated to increase as a result of this surge in material orders. Expansion of New Jersey's Aspire Tax Credit Program for developers is expected to have a positive impact on new construction starts in New Brunswick, Camden, and East Orange. Meanwhile, in D.C., subcontractors are eager to build backlogs. Mechanical and electrical equipment lead times continue to drive schedules.

Southwest

While Texas has faced shortages of subcontractor labor in previous quarters, no labor issues have been recently reported. Most subcontractors are anticipating price escalation across a variety of material categories, but so far these warnings have only been precautionary, without substantial increase notices. In particular, there are concerns about the price and possible availability of light fixtures, given that the majority of them are manufactured in China.

Construction Market Overview: Geographic Insights

Midwest

In the Midwest, as is the case with other regions, there is uncertainty surrounding the impact of tariffs on prices and lead times. Many suppliers bought futures in copper, and it is possible that some of these futures may expire, or inventory may be exhausted by the third to fourth quarter of 2025. In this case, price increases are likely. Steel lead times have increased due to tariffs and the current state of trade relations. Some subcontractors are including disclaimers on quotes due to rapid changes in tariff policies. The region has seen an influx of megaprojects, including datacenter work and advanced manufacturing projects. Given the current lack of qualified labor, the region is facing a growing labor shortage and rising labor costs, particularly for mechanical and electrical trades. Compressed schedule timelines are driving a need for overtime, further exacerbating the current labor shortage. Other active markets include corporate, public sector, K-12, entertainment, and healthcare. Meanwhile, office, retail, and higher education projects are on the decline in the Midwest region.

West

Confidence in the resilience of the Arizona market remains strong heading into Q3 and Q4. The state continues to see demand for megaprojects, predominantly in the advanced manufacturing market, bolstering the projection for continued market growth into 2026. Related projects involving public services, infrastructure, and sister industries to the mega projects are projected to remain in demand through 2025. Multifamily and student housing developments are slowing due to market oversaturation, while single family housing still remains in high demand.

In Southern California, the healthcare market continues to see a strong demand driven by the 2030 Seismic SB 1953 regulatory requirements. Demand in the K-12 and higher education markets is steady but tempered for 2025 due to uncertainty about the impacts of federal funding cuts. The recent statewide Prop 2 bond approvals will significantly bolster the education sector across K-12 education facilities and community colleges, although the publicly funded education construction programs will take time to go through planning and design. Public sector demand is also expected to increase as Los Angeles plans for the FIFA World Cup in 2026 and the 2028 Summer Olympics, as most projects are focused on infrastructure upgrades to existing facilities. The combination of drivers coming from demand in healthcare, education, and public sectors, coupled with the need to rebuild communities impacted by the January 2025 LA wildfires, will put an additional strain on labor and material resources locally in the Southern California region.

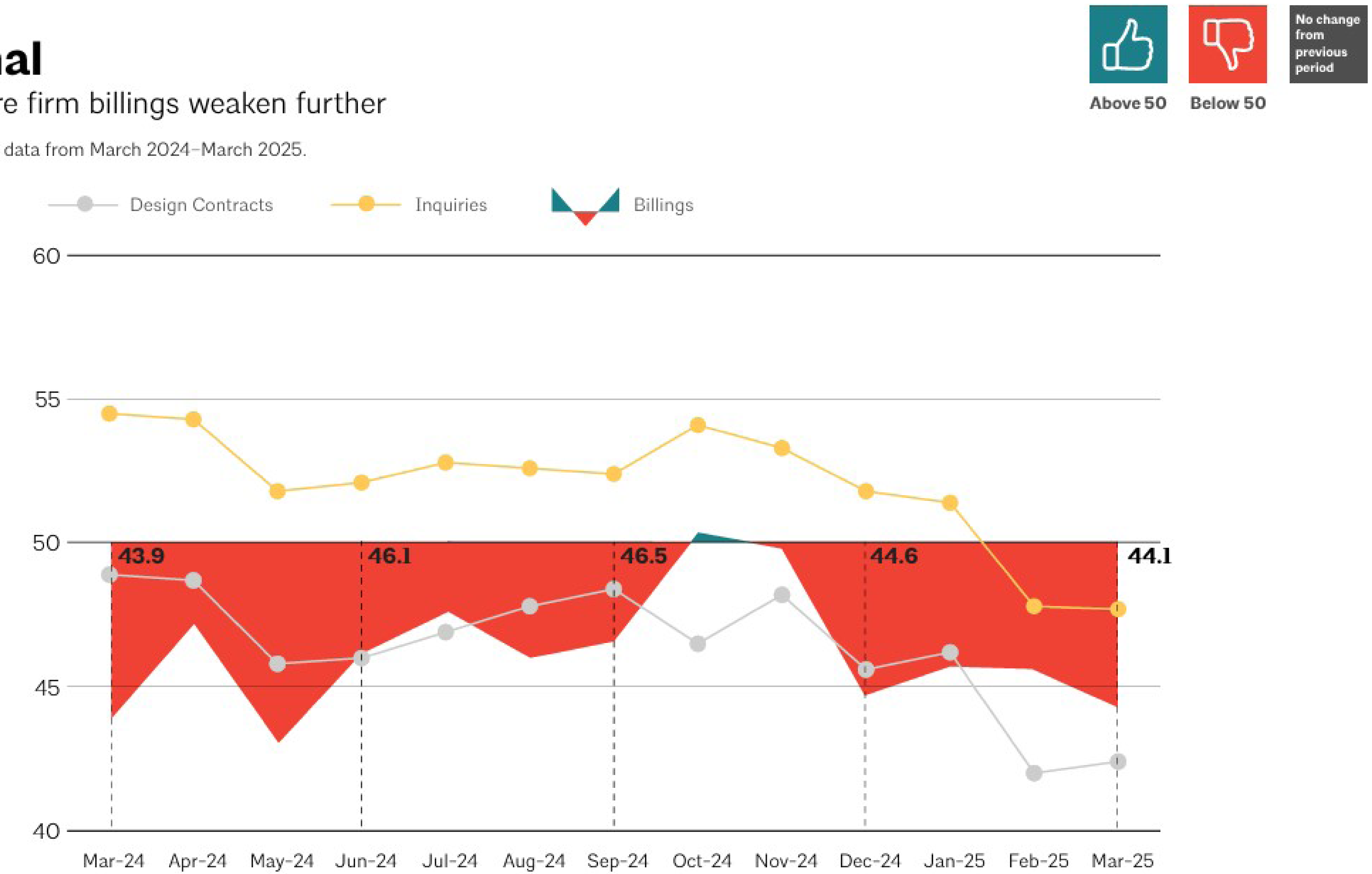
The commercial construction market in Northern California is experiencing mixed trends in 2025. While public projects, such as infrastructure, healthcare, and education, continue to see steady growth, private development has slowed due to economic uncertainty and high interest rates. On the other hand, AI and machine learning investments are driving demand in Silicon Valley, with vacancy rates declining and rental rates increasing slightly. Civil construction is projected to rise, driven by investments in roads and water/sewer treatment. Additionally, data centers are emerging as a standout opportunity, reflecting the expansion of digital infrastructure. However, supply chain disruptions, especially for electrical materials, are causing delays and price spikes in data centers, electrification, and EV infrastructure projects. The 2030 Seismic SB 1953 deadline for hospital retrofits is still driving high rates of healthcare tenant improvements and seismic retrofit projects. Moreover, subcontractors are hungry for work and have been actively participating in bids.

Architectural Billings Report

National

Architecture firm billings weaken further

Graphs represent data from March 2024–March 2025.



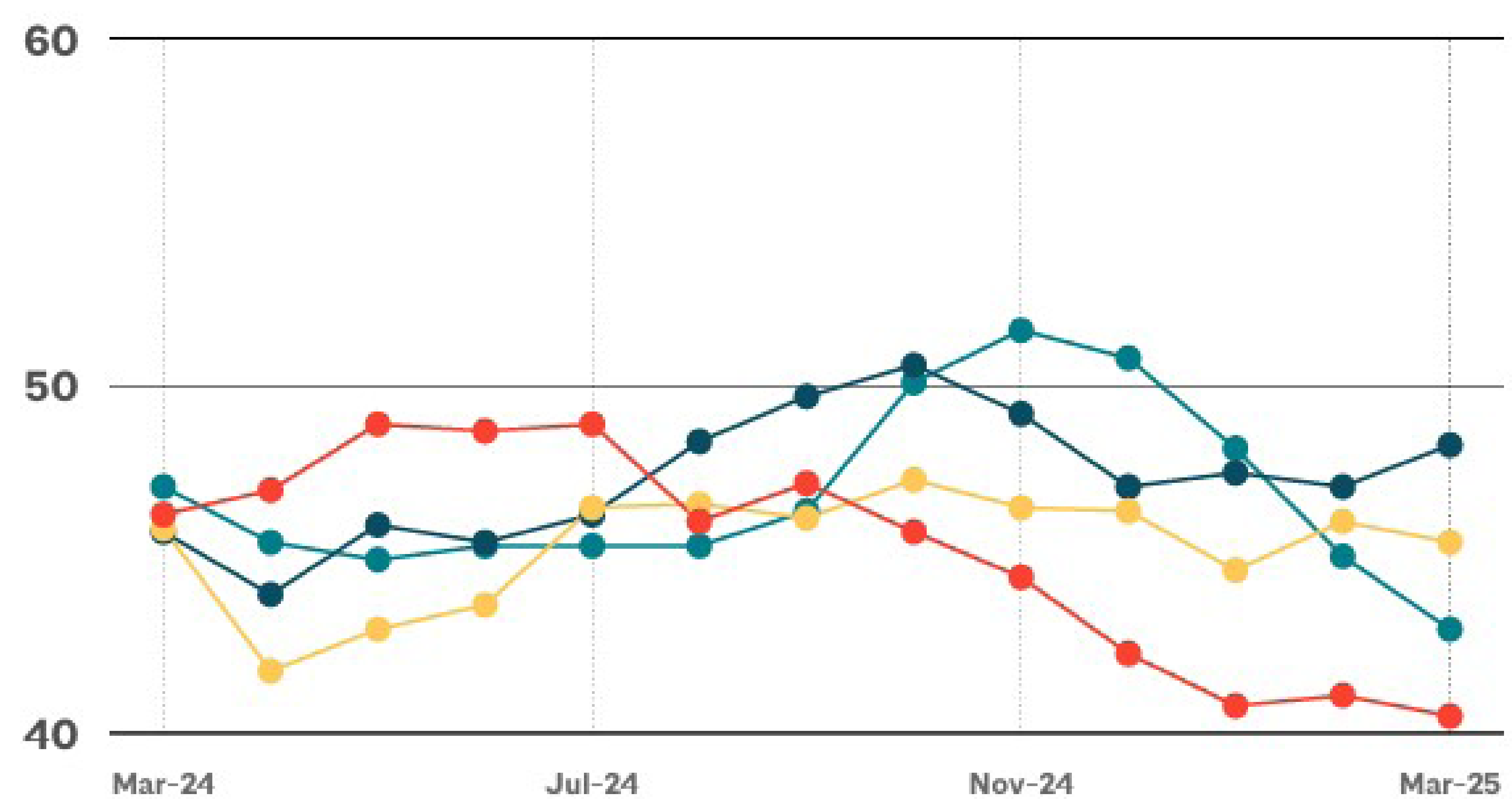
Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), April 2025.

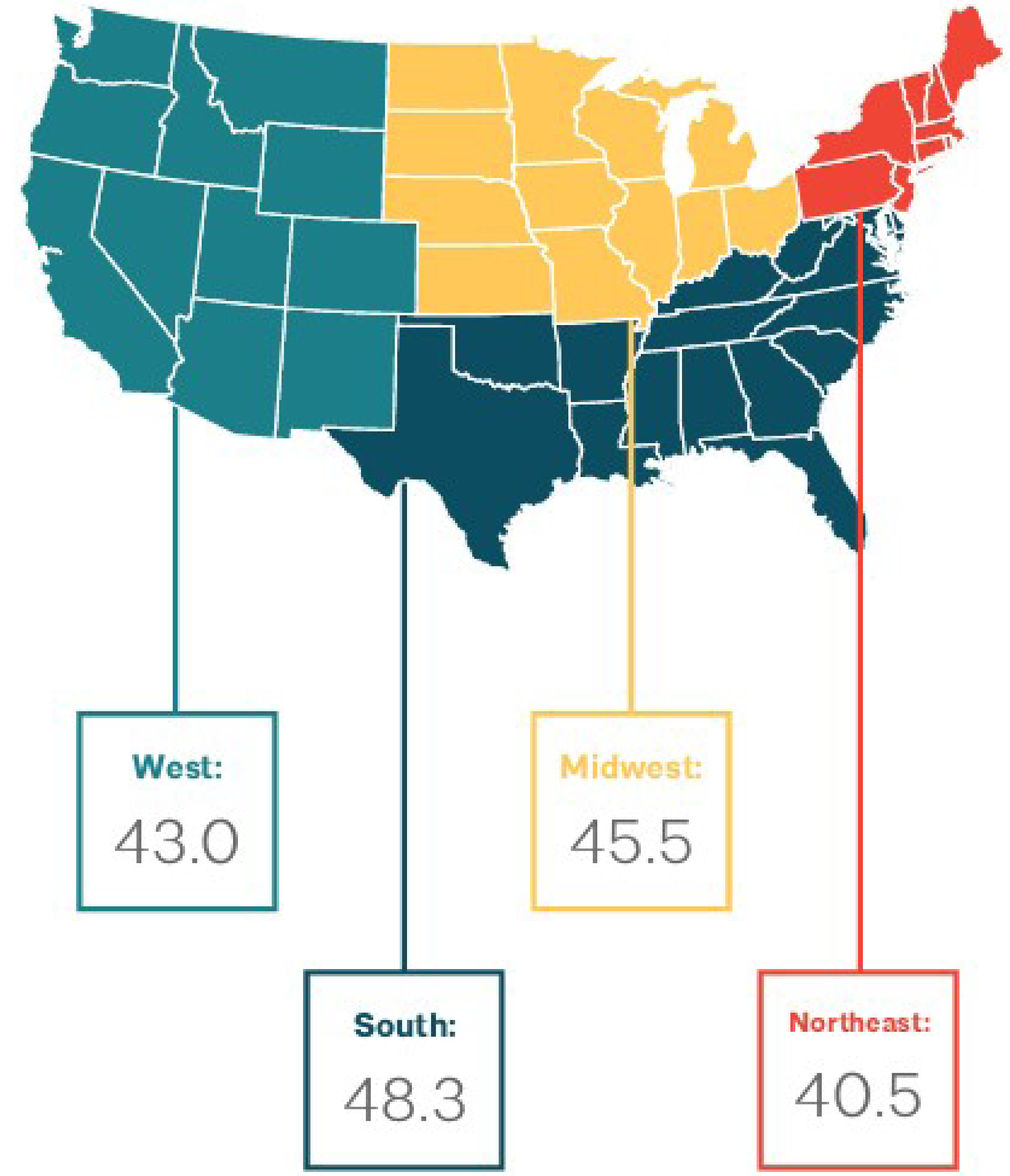
Architectural Billings Report

Regional

Business conditions remain soft in all regions of the country

Graphs represent data from March 2024–March 2025 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.





Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), April 2025.

Commodity/Input Cost Insights

Material Price Index

- The Materials Price Index (MPI) by S&P Global Market Intelligence fell 1.7 percent in the last week of April 2025, with five of the 10 subcomponents falling. This decline follows a smaller decline in the previous week. The MPI sits 12 percent lower than the same week in 2024.
- Decreasing energy prices were the main driver of the recent decline in the MPI. Oil prices tumbled due in part to fear that escalating trade tensions will harm global oil demand. Natural gas prices fell due to warm weather coupled with high supply.
- Falling chemical prices were the second largest contributor to the recent decline in the MPI. Chemical prices fell in response to falling oil prices and the chemicals subindex sits at its lowest point since July 2023.
- The MPI is a weighted average of weekly spot prices for a key collection of globally traded manufacturing inputs.

Materials Price Index by S&P Global Market Intelligence

(week 1 2002 = 1.00)

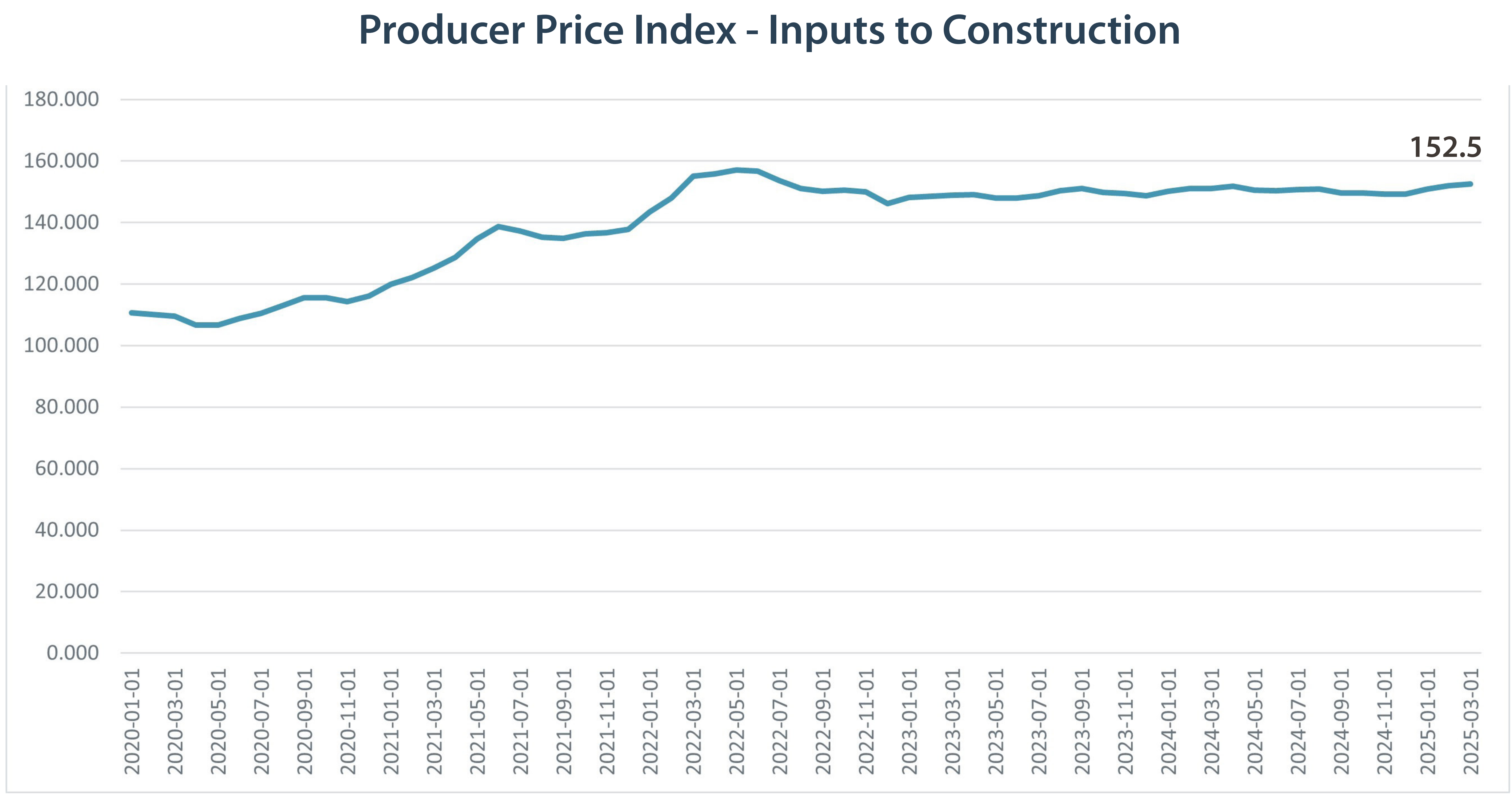
Date Compiled: May 6, 2025
Source: S&P Global Market Intelligence

Commodity/Input Cost Insights

Producer Price Index – Inputs to Construction

- The PPI – Inputs to Construction came in at 152.6 in March 2025, 2.2 percent higher than in December 2024, as reported by the U.S. Bureau of Labor Statistics.

- The index has also increased 1 percent year-over-year from March 2024. The index is down 2.9 percent since its peak in May 2022.



Commodity/Input Cost Insights

Construction Materials

The following chart illustrates year-to-date through March 2025 percent (%) changes for select materials.

Material	% Change from last quarter	% Change Mar 2024 - Mar 2025	Material	% Change from last quarter	% Change Mar 2024 - Mar 2025
Ready Mix Concrete	0.5	0.5	**#2 Diesel Fuel**	-2.4	-25.2
Concrete Pipe	1.7	7.2	**Aluminum Shapes**	6.2	16.8
Paving Mixtures and Blocks	13.0	7.0	**Copper and Brass Shapes**	0.5	9.5
Lumber and Plywood	3.8	7.1	**Flat Glass**	0.8	1.4
Steel Mill Products	8.2	-5.6	**Gypsum Products**	-0.2	1.0
Fabricated Structural Steel	4.5	4.6	**Steel Pipe and Tube**	3.2	-3.7

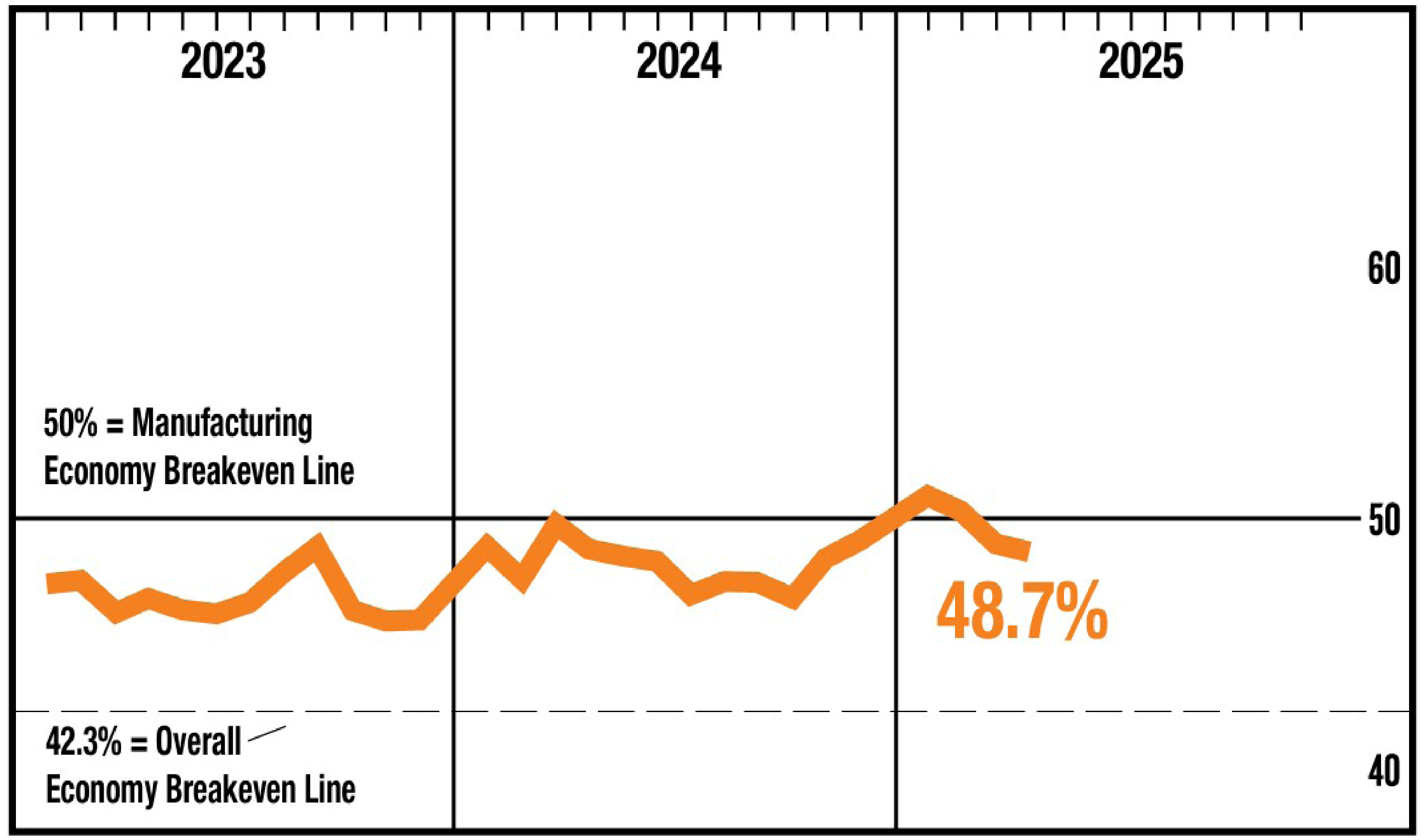
Source: Select data taken from AGC PPI Tables, Updated April 11, 2025 (compiled from www.bls.gov/ppi)

Supply Chain and Labor

Purchasing Managers' Index®

- The U.S. manufacturing sector contracted in April 2025 for the second month in a row, following a two-month expansion and preceded by 26 consecutive months of contraction. The Manufacturing Purchasing Managers' Index (PMI®) registered 48.7 percent in April, down 0.3 percentage points from the March reading of 49 percent. This is reported by the Manufacturing ISM® Report On Business®.
- The New Orders Index registered 47.2 percent in April, up 2 percentage points from the March reading of 45.2 percent. This is the third consecutive month that the New Orders Index has been in contraction territory, following three months of expansion. Despite an overall increase in the New Orders Index, several construction-related industries reported a decrease in new orders in January, including Wood Products, Transportation Equipment, and Nonmetallic Mineral Products.
- The delivery speed of suppliers to manufacturing organizations was slower in April, as the Supplier Deliveries Index registered 55.2 percent, 1.7 percentage points higher than the 53.5 percent recorded in March. Accelerated delivery requests, port delays, and tariff negotiations are making it more difficult for suppliers to deliver in a timely manner. While delivery speeds declined overall, the Machinery industry reported faster delivery speeds in April.

Manufacturing PMI



Source: Institute for Supply Management Report On Business, May 2025

Supply Chain and Labor

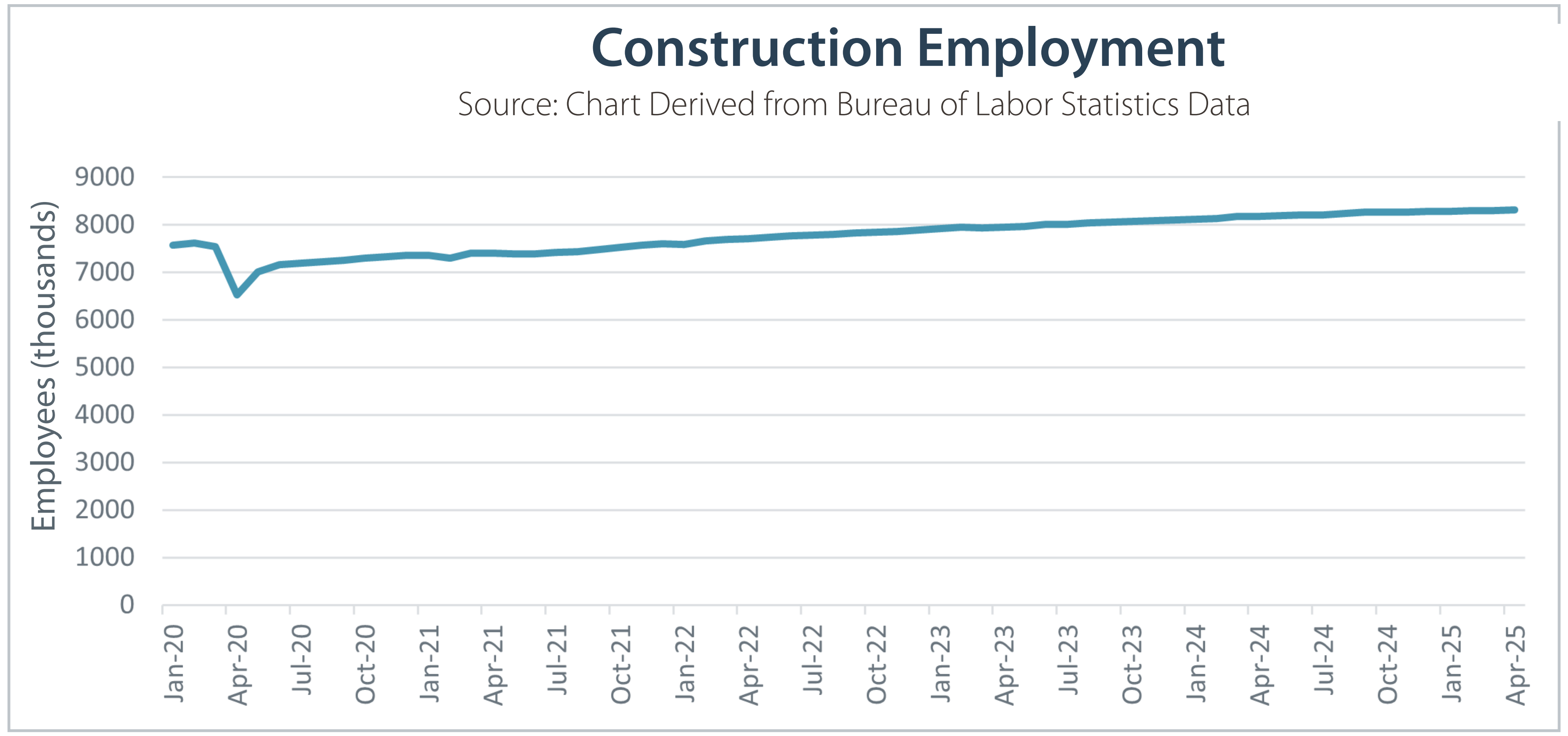
Purchasing Managers' Index®

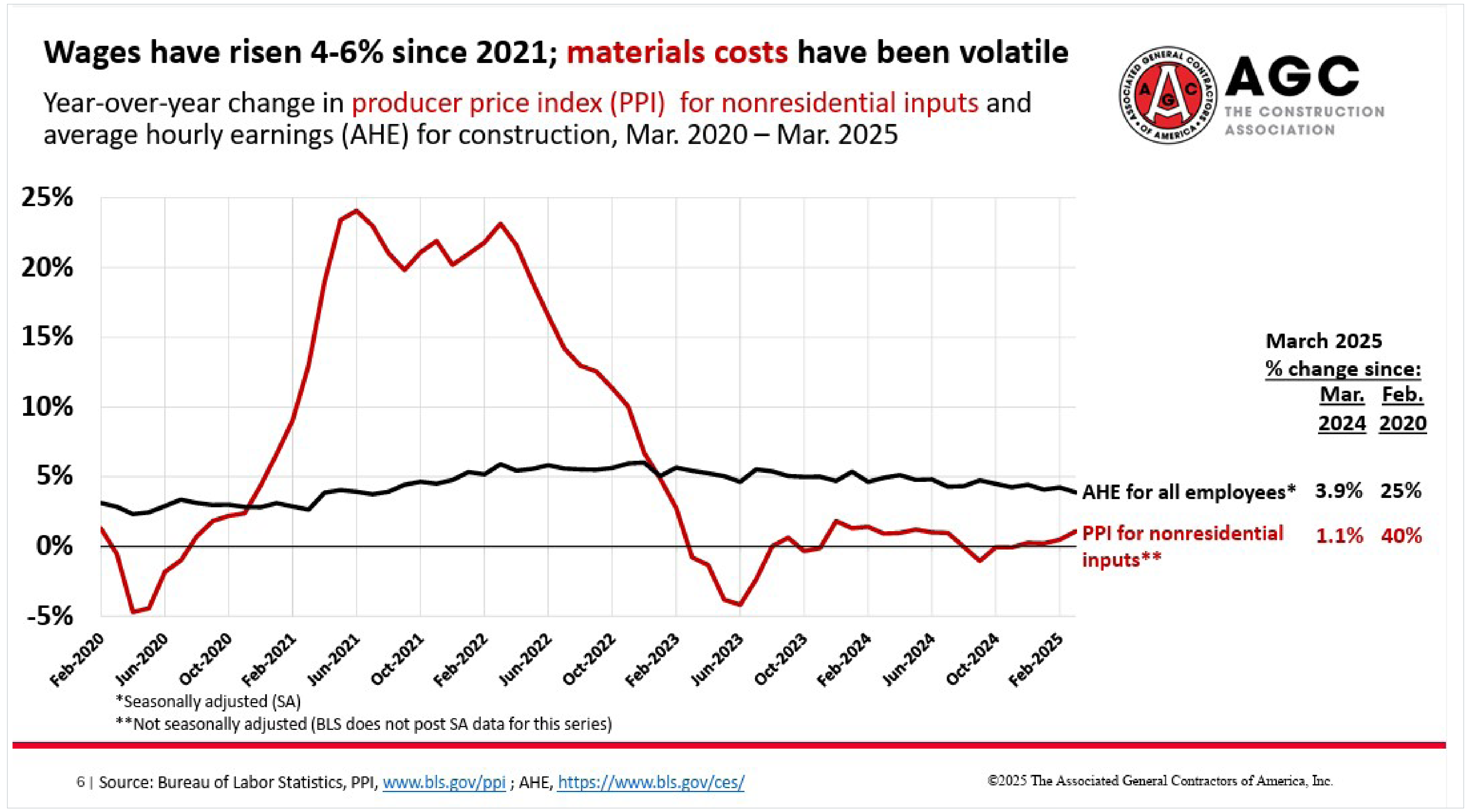
- The Inventories Index registered 50.8 percent in April, 2.6 percentage points lower than the March reading of 53.4 percent. Despite this decline, the Inventories Index remains in expansion territory. Expanding inventories makes it easier for suppliers to deliver on time, supporting accurate revenue projections and high-quality customer service. However, several industries reported lower inventories in April, including Petroleum & Coal Products, Plastics & Rubber Products, Chemical Products, Primary Metals, and Electrical Equipment, Appliances & Components.
- The Backlog of Orders Index decreased in April, registering at 43.7 percent, down 0.8 percentage points from the 44.5 percent recorded in March. The Index has contracted for 31 consecutive months due to weak new orders and, more recently, reduced production output in key industries. Trade issues and geopolitical tensions are expected to continue to hinder backlog expansion in the near term. Despite this overall contraction, Nonmetallic Mineral Products, Primary Metals, Miscellaneous Manufacturing, and Electrical Equipment, Appliances & Components all reported growth in backlogs in April.
- Electronic Components, Plastic Resin, and Semiconductors are the materials and commodities most reported as in short supply by the purchasing executives responding to the ISM® Report on Business® survey.

Supply Chain and Labor

Labor Outlook

- According to the U.S. Bureau of Labor Statistics, the unemployment rate for construction workers registered 5.6 percent in April 2024, 0.9 percentage point lower than it was in January.
- The Bureau of Labor Statistics also reported an increase of 11,000 construction jobs in April.
- Labor demand will likely ease somewhat in 2025 as projects tied to the Inflation Reduction Act, Infrastructure Investment and Jobs Act, and CHIPS Act approach completion. However, major IIJA components are set to be reauthorized in 2026, which is expected to reinvigorate labor demand.
- Skilled construction wages are expected to rise around 3.3 percent in 2025 and 3.7 percent in 2026, according to S&P Global Market Intelligence.





Supply Chain and Labor

Employment Cost Index

The following chart illustrates percent (%) changes in the Employment Cost Index (ECI) for total compensation in select labor categories through March 2025, before seasonal adjustment.

Labor Category	% Change Dec 2024 – Mar 2025	% Change Mar 2024 - Mar 2025	Labor Category	% Change Dec 2024 – Mar 2025	% Change Mar 2024 - Mar 2025
Private Industry Workers – All	1.2	3.4	**Private Industry Workers – Construction**	1.4	2.9
Private Industry Workers – All Union	1.2	4.6	**Private Industry Workers – Mining, Construction, & Manufacturing – Union**	1.0	4.3
Private Industry Workers – All Nonunion	1.3	3.3	**Private Industry Workers – Mining, Construction, & Manufacturing – Nonunion**	1.2	2.9

Source: U.S. Bureau of Labor Statistics (BLS) Employment Cost Index (ECI), Apr. 2025

Supply Chain and Labor

Selected Equipment and Material: General Lead Times (from Internal Survey Results and Supplier/MFG data)*

Material	Lead Time	Cost	Explanation
Switchboards	**35-60 weeks** (longer for larger/complex)	Slightly Increasing	Manufacturers' schedules have seen slight improvements generally. There is the expectation of additional price increases.
Panelboards	**12-26 weeks** (longer for larger/complex)	Slightly Increasing	
Pad Mounted Transformers	**40-80 weeks** (lead times continue to improve)	Slightly Increasing	
Switchgear LV	**35-60 weeks** (slight improvement in deliveries)	Slightly Increasing	
Switchgear MV	**45-70 weeks** (still steady, slight improvements)	Slightly Increasing	
Generators	**40-70 weeks** (longer for larger generators)	Slightly Increasing	
Chillers (Water Cooled, <500 tons)	**20-34 weeks**	Stable	Some manufacturers are implementing price increases. Tariffs are increasing costs and tariff surcharges are being applied to some quotes.
Chillers (Water Cooled, >500 tons)	**20-34 weeks**	Slightly Increasing	
Chillers (Air Cooled)	**18-28 weeks**	Slightly Increasing	
AHUs (Commercial Grade)	**16-20 weeks**	Slightly Increasing	
AHUs (Custom)	**24-40 weeks**	Slightly Increasing	
RTUs (<50 ton)	**12-20 weeks**	Slightly Increasing	
RTUs (>50 ton)	**16-26 weeks**	Slightly Increasing	

*Lead times are typical and indicative general ranges for each category and may differ based on specifications, requirements, manufacturer, production facility, and other supply chain factors. Shorter lead times than those shown may be available for stock/quick ship catalog items and longer lead times may apply for large and more custom specifications. Lead times are after the release of the order or release to fabrication, as applicable, and do not include the procurement cycle, submittals process, performance/witness tests, or transportation. These should be planned as applicable.

Supply Chain and Labor

Selected Equipment and Material: General Lead Times (from Internal Survey Results and Supplier/MFG data)*

Material	Lead Time	Cost	Explanation
Packaged Rooftop Heat Pumps	15-25 weeks	Slightly Increasing	
Modular Air-to-Water Heat Pumps	20-33 weeks	Slightly Increasing	
Computer Room A/C Units - Air Cooling	14-18 weeks	Stable	
Cooling Towers	13-21 weeks	Slightly Increasing	
Lab Exhaust Fans	14-24 weeks	Slightly Increasing	
Energy Recovery Units	16-27 weeks	Slightly Increasing	
Exhaust AHUs	12-16 weeks	Slightly Increasing	
Heat Recovery Skids	20-24 weeks	Slightly Increasing	
Steel	15-25 weeks (shorter for mill cycle)	Increasing	
Millwork	11-19 weeks	Stable	
Elevators	22-36 weeks	Slightly Increasing	
Curtainwall	19-32 weeks	Increasing	
Roofing	13-22 weeks	Stable	

*Lead times are typical and indicative general ranges for each category and may differ based on specifications, requirements, manufacturer, production facility, and other supply chain factors. Shorter lead times than those shown may be available for stock/quick ship catalog items and longer lead times may apply for large and more custom specifications. Lead times are after the release of the order or release to fabrication, as applicable, and do not include the procurement cycle, submittals process, performance/witness tests, or transportation. These should be planned as applicable.

Supply Chain and Labor

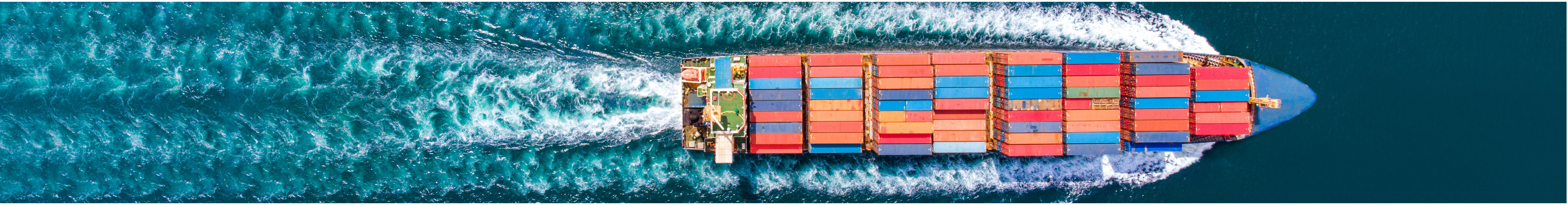
Transportation and Logistics

- Global container freight prices have decreased 45.5 percent since the start of 2025, according to Trading Economics. After decreasing steadily from the beginning of January through late March, freight prices rebounded slightly in early April before levelling off. The Containerized Freight Index tracked by Trading Economics considers the most current freight prices for container transport from the most important ports in China.

- The truckload capacity surplus has narrowed in 2025. In March 2025, the DAT Truckload Volume Index (TVI) increased 5 percent for van, 1 percent for reefer, and 13 percent for flatbed. Year-over-year, the TVI for all three categories is up at least 7 percent, suggesting that the capacity surplus, while still in existence, is narrowing.

- Despite increasing loads, national average spot truckload rates decreased in March for van (down 5 cents) and reefer (down 9 cents). Meanwhile, flatbed spot rates increased 8 cents in March.

- Alternatively, contract truckload rates declined for all three equipment types: van (down 3 cents), reefer (down 3 cents), and flatbed (down 1 cent), according to DAT Freight & Analytics (via Business Wire).



Supply Chain Spotlight: Clarifying Tariff Impacts on Construction Materials

Section 232 Tariffs

- Section 232 tariffs currently in effect include a 25% tariff on steel, aluminum, automobiles, and select automobile parts from all countries, with exceptions for the United Kingdom. In early May 2025, the U.S. and U.K. reached an agreement that removed Section 232 tariffs on U.K. steel and aluminum and the first 100,000 automobiles imported from the United Kingdom.
- Section 232 tariffs do not stack with reciprocal tariffs. However, they do stack with other country-specific tariffs.
- Section 232 tariffs on automobiles and automobile parts do not stack with tariffs on steel, aluminum, or any imports from Canada and Mexico.
- Section 232 tariffs on steel and aluminum do not stack with tariffs on imports from Canada and Mexico. However, tariffs on steel and aluminum will stack with one another on items that contain both materials.
- The United States imports roughly a quarter of the steel and half the aluminum that it consumes

Supply Chain Spotlight: Clarifying Tariff Impacts on Construction Materials

Reciprocol Tariffs

- Initial reciprocal tariffs went into effect in early April. While goods from Canada and Mexico are exempt from reciprocal tariffs, goods from all other countries, including China, are currently subject to a 10% reciprocal tariff.
- Various higher reciprocal tariff rates for specific countries, ranging from 11% to 50%, are scheduled to go into effect on July 9th. Meanwhile, higher reciprocal tariffs on Chinese goods are suspended for 90 days, effective May 14, 2025.
- Reciprocal tariffs stack with country-specific tariffs (e.g., China) but do not stack with Section 232 tariffs, including those on steel, aluminum, automobiles, and automobile parts.
- Copper, pharmaceuticals, semiconductors, lumber articles, energy and energy products, and certain critical minerals not available in the United States are all exempt from reciprocal tariffs.

Supply Chain Spotlight: Clarifying Tariff Impacts on Construction Materials

Country-Specific Tariffs: Mexico & Canada

- Energy, energy products, and critical minerals imported from Canada that do not comply with the United States-Mexico-Canada Agreement (USMCA) are subject to a 10% tariff. All other non-USMCA-compliant imports from Canada and Mexico are subject to a 25% tariff.
- As of April 29, 2025, tariffs on imports from Canada and Mexico no longer stack with tariffs on imports of steel and aluminum, regardless of USMCA-compliance. This order applies retroactively to all entries of merchandise made on or after March 4, 2025. Tariffs paid on impacted materials are subject to refunds in accordance with U.S. Customs and Border Protection's standard procedures.
- However, most steel and aluminum products coming from Canada and Mexico are USMCA-compliant. This means that refunds due to the retroactive change to stacking rules are unlikely to impact a large percentage of steel and aluminum imports from Canada and Mexico.
- Most construction materials, including curtainwall and window wall systems, piping and ductwork, mechanical and electrical components, and lumber, are USMCA-compliant. This means most construction materials from Canada and Mexico will not face any tariffs. Non-USMCA-compliant construction materials will be taxed up to 25%.
- Most energy and energy products are USMCA-compliant. This means most energy and energy products will not face any tariffs. Non-USMCA-compliant energy products from Canada will be taxed up to 10%, while non-USMCA-compliant energy products from Mexico will be taxed up to 25%.
- Imports from Canada and Mexico are exempt from reciprocal tariffs.

Supply Chain Spotlight: Clarifying Tariff Impacts on Construction Materials

Country-Specific Tariffs: China

- The United States and China reached an agreement to temporarily reduce the tariffs they have imposed on each other. In a joint statement, the countries said they would lower their respective reciprocal tariff rates to 10% for 90 days and continue negotiations, effective May 14, 2025. This agreement brings the U.S. tariff rate on most Chinese imports to 30% from its current 145%, while China's import duty on U.S. goods falls to 10% from 125%. U.S. Treasury Secretary Scott Bessent stated that the agreement is a starting point for the current rounds of talks, which he expects to come to a more "fulsome agreement." As it currently stands, the United States' reciprocal tariff rate against Chinese goods will rise to 34% after the 90-day period has passed.
- All goods from China are currently subject to a 20% IEEPA tariff, while most goods are also subject to a 10% reciprocal tariff and Section 301 tariffs ranging from 7.5% to 100%.
- Section 232 tariffs, which include the 25% tariff on steel and aluminum from every country, stack with the 20% tariff on all Chinese goods, but not the additional 10% reciprocal tariff. This means steel and aluminum imports from China are currently taxed at 45%. However, because China imports Venezuelan oil, Chinese goods may be subject to an additional 25% tariff, which could bring the total tariff on Chinese steel and aluminum imports to 70%.
- Moreover, the 20% country-specific tariff on Chinese goods stacks with the 10% reciprocal tariff, meaning that most imports from China are taxed at a minimum of 30%. Additionally, Section 301 tariffs of 7.5% to 100% on specific Chinese goods bring the total tariff rate on some Chinese imports to 130%. If Chinese goods are subject to the additional 25% tariff on countries that import Venezuelan oil, some Chinese goods may face tariff rates as high as 155%.
- Demand for goods and materials from China is expected to increase in response to the reduced reciprocal tariff rate. Shipping rates and lead times are likely to rise in the near term.

External Sources

- American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), March 2025, 23 Apr. 2025.
- Associated General Contractors of America (AGC), Percentage Change in Producer Price Indexes (PPIs) and Employment Cost Indexes (ECIs) for Construction, 2019-2025, 11 Apr. 2025. (Sourced from Bureau of Labor Statistics & Compiled by Ken Simonson, Chief Economist, Associated General Contractors of America.)
- Bureau of Economic Analysis, U.S. Department of Commerce, BEA Industry Facts – Construction, 27 Mar. 2025.
- Bureau of Economic Analysis, U.S. Department of Commerce, Gross Domestic Product, 1st Quarter 2025 (Advance Estimate), 30 Apr. 2025.
- Bureau of Economic Analysis, U.S. Department of Commerce, Gross Domestic Product, 4th Quarter and Year 2024 (Advance Estimate), 30 Jan. 2025.
- Bureau of Economic Analysis, U.S. Department of Commerce, Personal Income and Outlays – March 2025, 30 Apr. 2025.
- Bureau of Labor Statistics, U.S. Department of Labor, Consumer Price Index – March 2025, 10 Apr. 2025.
- Bureau of Labor Statistics, U.S. Department of Labor, Employment Cost Index – March 2025, 30 Apr. 2025.
- Bureau of Labor Statistics, U.S. Department of Labor, Current Employment Statistics – CES (National), The Employment Situation – April 2025, 2 May 2025.
- Bureau of Labor Statistics, U.S. Department of Labor, Current Employment Statistics – CES (National), Real Earnings – March 2025, 10 Apr. 2025.
- Bureau of Labor Statistics, U.S. Department of Labor, PPI Detailed Report – March 2025, 11 Apr. 2025.
- Bureau of the Fiscal Services, U.S. Department of the Treasury, Treasury Reporting Rates of Exchange – March 2025, 15 Apr. 2025.
- Census Bureau, U.S. Department of Commerce, Value of Construction Put in Place Survey (VIP), March 2025, 1 May 2025.
- "DAT: Spot flatbed volumes surged in March." Business Wire, 16 Apr. 2025.
- FMI, 2025 North American Engineering and Construction Outlook – Second Quarter, 8 Apr. 2025.
- Institute for Supply Management (ISM®) Report On Business® – Manufacturing (PMI®), April 2025, 1 May 2025.
- Meierhans, Jennifer. "What is in the UK-US tariff deal?" BBC News, BBC, 9 May 2025.
- Obando, Sebastian. "The construction materials most at risk for tariffs." ConstructionDive, TechTarget Inc., 25 Mar. 2025.
- Saphir, Ann. "Fed signals rates will remain unchanged despite market bets on looming cuts." Reuters, 30 Apr. 2025.
- S&P Global Market Intelligence, Pricing Analysis – Construction Wages, 28 Mar. 2025.
- S&P Global Market Intelligence, Pricing Analysis – Steel Overview, 21 Jan. 2025.
- S&P Global Market Intelligence, Weekly Pricing Pulse – Industrial Materials, 6 May 2025.
- Trading Economics, Containerized Freight Index, 6 May 2025.

Gilbane