Construction Market Conditions Report

Q3 2025

Gilbane

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Message from Our Experts

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We are pleased to share the Gilbane Q3 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 ongoing tariffs on global construction supply chains.

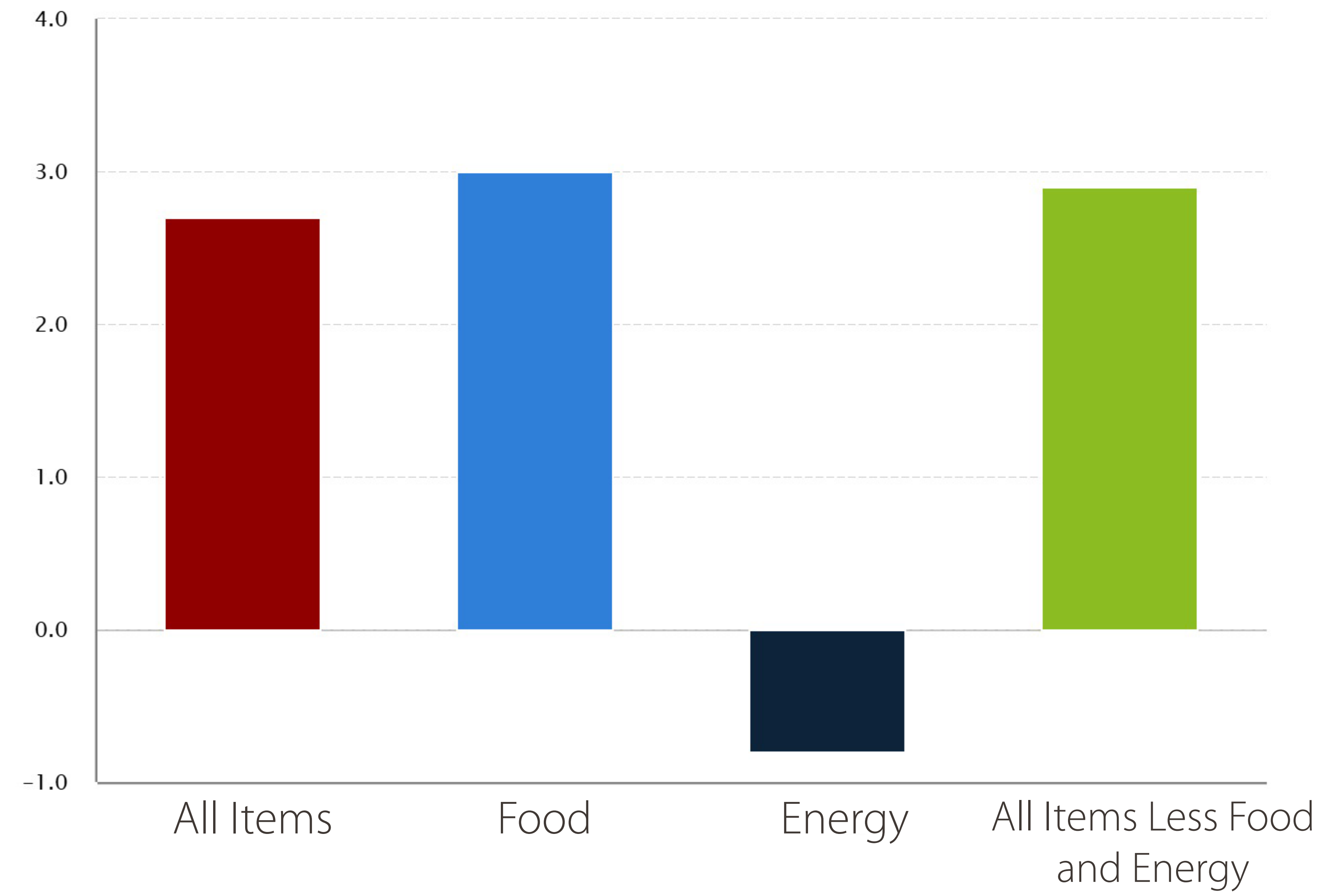
Our overarching goal is to be your leading resource in supply chain management, construction equipment, and material resources. Reach out to our team of experts today; we're here to help.

General Economic Outlook

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

- Consumer spending continued to increase in the second quarter of 2025 at an accelerated rate. Both current dollar personal income and disposable income increased in June. However, after being adjusted for inflation, real personal income fell slightly, and real disposable personal income was stagnant.
- Total nonfarm employment increased by 73,000 in July. 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 decreased 0.1 percent from May 2025 to June 2025 and are up 1 percent from June 2024 to June 2025.
- The value of the U.S. Dollar weakened against the Euro in June 2025 and has been weakening since the start of the year. This decrease in value aligns with the recent uptick in inflation.

12-month percentage change, Consumer Price Index
Selected categories, June 2025, not seasonally adjusted



Source: US Bureau of Labor Statistics

General Economic Outlook

Gross Domestic Product

- Real gross domestic product (GDP) increased 0.75 percent (annual rate of 3 percent) in Q2 2025 from Q1 2025, according to the "advance" estimate released by the Bureau of Economic Analysis. In Q1 2025, real GDP decreased 0.125 percent (annual rate of 0.5 percent) from the previous quarter.
- The growth in real GDP in the second quarter reflects a decrease in imports and an increase in consumer spending, which were partially offset by decreases in investment and exports.
- Construction contributed -0.03 percentage points to the 0.5 percent annualized decline in GDP in Q1 2025. Contributions to percent change in real GDP by industry group are not yet available for Q2 2025.
- From Q2 2024 to Q2 2025, real GDP grew 2.0 percent.

Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in June on a seasonally adjusted basis and rose 2.7 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 0.2 percent in June and 2.9 percent over the past 12 months.
- June 2025 marks the third consecutive month of growth in inflation, following a marginal dip in March.
- After three interest rate cuts in late 2024, totaling 1 percentage point, interest rates have held steady so far in 2025. After its latest meeting in late July, the Federal Reserve has decided to continue to leave the target interest rate range at 4.25 percent to 4.5 percent, where it has remained since December 2024.

General Economic Outlook

Government Investment

- Real government consumption expenditures and gross investment increased 0.1 percent (annual rate of 0.4 percent) in Q2 2025 from Q1 2025, according to the "advance" estimate released by the Bureau of Economic Analysis. In Q1 2025, real government expenditures and investment decreased 0.15 percent (annual rate of 0.6 percent) from the previous quarter.
- From Q2 2024 to Q2 2025, real government consumption expenditures and gross investment rose 2 percent.

Corporate Profits

- Corporate profits decreased 2.3 percent in Q1 2025 from Q4 2024, according to the "third" estimate released by the Bureau of Economic Analysis. By contrast, corporate profits increased 5.4 percent in Q4 2024 from the previous quarter. Corporate profits were 6.3 percent higher in Q1 2025 than in Q1 2024. Corporate profits data for Q2 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

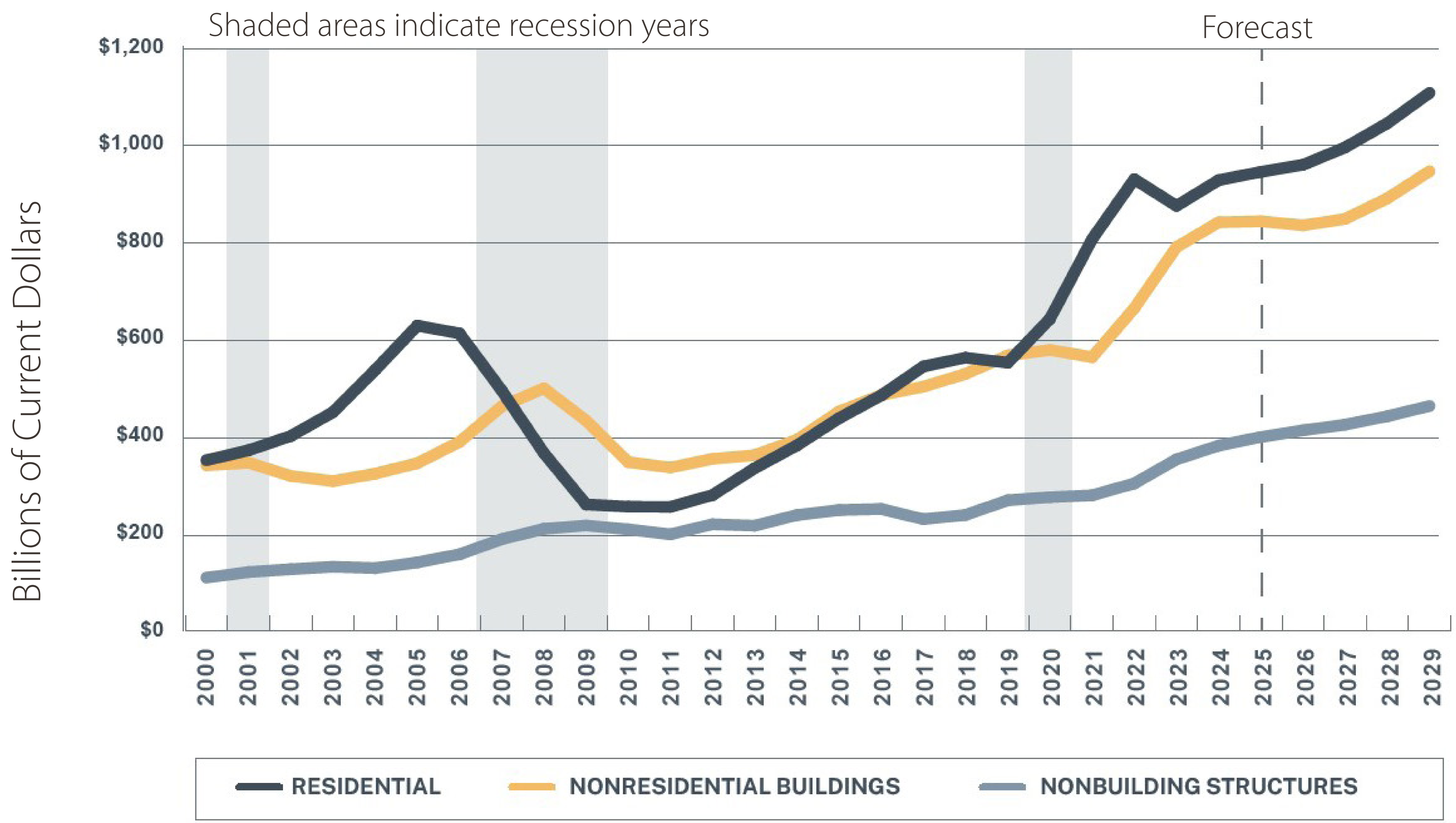
- Real gross private domestic investment decreased 3.9 percent (annual rate of 15.6 percent) in Q2 2025 from Q1 2025, according to the "advance" estimate released by the Bureau of Economic Analysis. In Q1 2025, real private investment increased 5.95 percent (annual rate of 23.8 percent) from the previous quarter.
- From Q2 2024 to Q2 2025, real gross private domestic investment fell 0.1 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 1 percent in 2025. By comparison, total engineering and construction spending ended 2024 up 6.5 percent, according to the U.S. Census Bureau.
- This significant projected slowdown in construction spending is largely attributed to weak performance in the residential sector. Factors such as affordability constraints, rising costs, and tight credit continue to limit activity.
- Nonresidential building and infrastructure segments are expected to exhibit mixed performance in 2025, according to FMI. Notably, road and bridge work are maintaining strong momentum, supported by the 2026 reauthorization of the Surface Transportation Reauthorization Act (STRA-21).
- Total construction spending decreased slightly in June 2025, falling 0.4 percent from May 2025. Meanwhile, construction spending in June 2025 was down 2.9 percent from June 2024, according to the U.S. Census Bureau.
- High-performing segments in 2025 point to strong investment growth across religious, amusement and recreation, 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.
- FMI notes that the construction industry is entering a slower and more selective phase of expansion. Factors such as elevated costs, political and geopolitical uncertainty, and tight credit conditions are all projected to hinder growth through at least mid-2026. Nonetheless, advances in artificial intelligence, digital delivery, and automation are all leading to greater efficiency.

Construction Market Overview

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

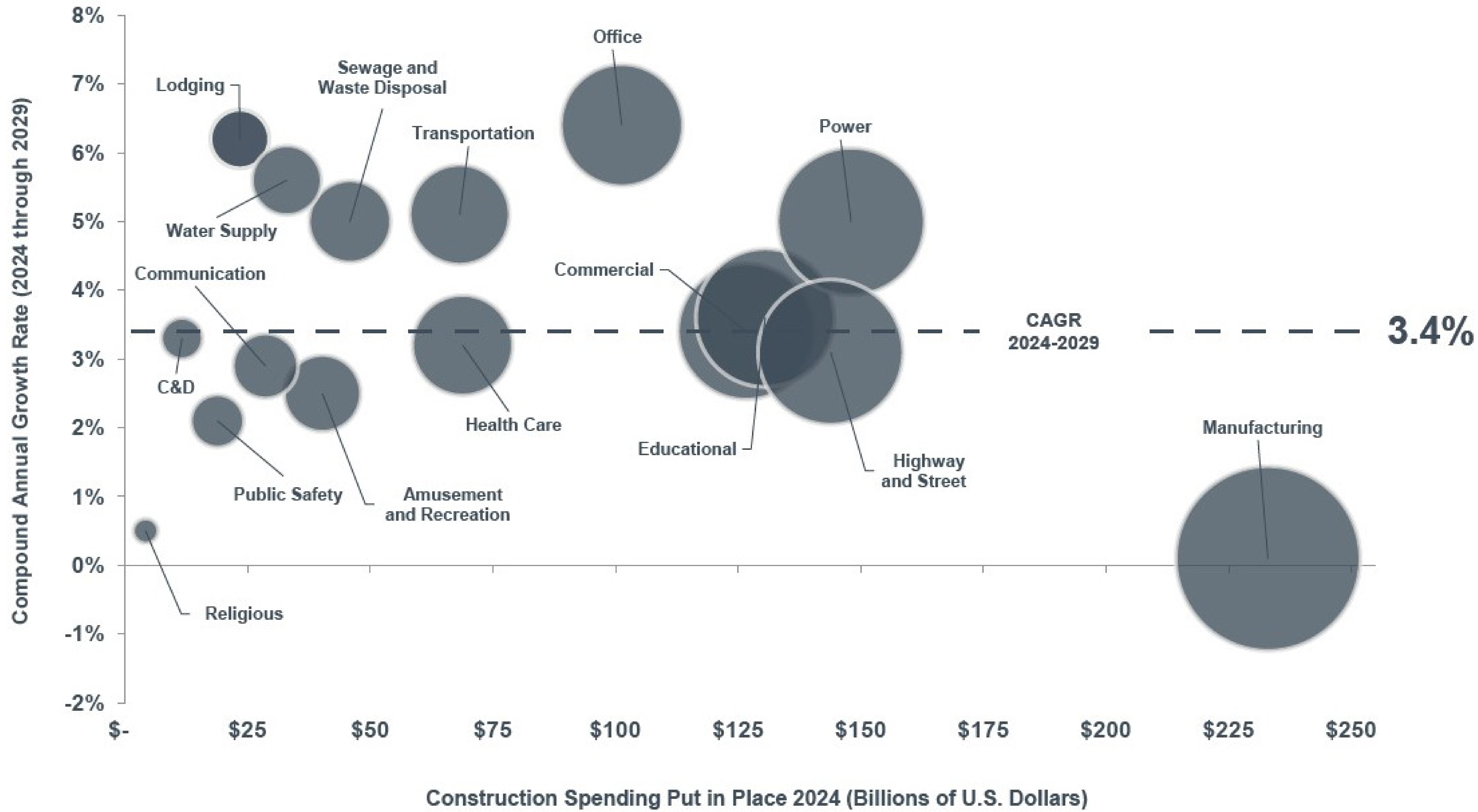


Source: FMI Forecast, August 2025

Construction Market Overview

Non-Residential Construction Spending Put in Place

Forecast Growth by Construction Segment



Source: FMI Forecast, August 2025

Construction Market Overview: Geographic Insights

Southeast

The Southeast market remains busy with the rise of several large projects, particularly for data centers. As a result of high demand, material prices have been escalating on a quarterly basis. Price increases for steel have been particularly noteworthy, and there are growing concerns about availability. Similarly, labor capacity for subcontractors is tightening due to strong market activity. Nonetheless, general building trades are continuing to look for bid opportunities, especially those in markets outside of data centers.

New England

New England is in a unique, almost unprecedented situation where the Massachusetts market remains slow due to the developer market halt. Meanwhile, Rhode Island is in a large commercial boom for K-12, healthcare, and developer projects. While there are specific labor capacity concerns for the Rhode Island market, Rhode Island continues to leverage relationships with the Massachusetts labor market to help offset their slow period. The Connecticut market remains stable with continued large project opportunities in the public and higher education markets.

New York

New York City: In New York City, commercial interior projects remain slow. Many office spaces are downsizing due to ongoing remote work policies. While there has been a continued push for residential conversions of office buildings, these projects often face challenges due to major floor plan challenges. In addition to office to residential conversions, affordable housing projects have also been gaining momentum. Other active markets in New York City include transportation, sports, entertainment, and healthcare. Labor shortages persist due to an aging workforce.

NY State: The Upstate New York market remains active with several ongoing megaprojects. This strong activity means that labor availability is going to be a challenge over the next several years and labor shortages are not expected to ease until at least 2026 or 2027. Advanced manufacturing and sports/recreation are among the most active markets. Additionally, the region is facing rising demand and prices for steel, precast concrete, and specialty equipment.

Mid-Atlantic

While the Mid-Atlantic region remains busy, future opportunities are slowing. This trend is likely driven by funding and tariff uncertainties over the past few months. Tariff impacts vary across trades, with trades that are closely tied to steel and aluminum seeing the greatest impacts. High demand for structural steel is also extending fabrication timelines. With that being said, trade contractors still seem eager to build backlogs for later this year into early 2026. To secure work, trade contractors have been offering competitive pricing, which sometimes offsets material cost increases. Data centers, healthcare, industrial, and multifamily residential are among the most active markets. Labor shortages are expected to ease next year as several major projects are scheduled to be completed between 2025 and 2026. As has been the case with previous quarters, electrical lead times remain significant and continue to drive project schedules.

Southwest

In the Southwest, both material pricing and equipment lead times remain elevated but are stabilizing. While a lack of component availability is becoming less of a concern, increasing industry demand is still straining production capacity. As is the case with other regions, there is ongoing uncertainty surrounding the scope and impact of current tariff policies. Feedback from trade partners suggests that pricing for both domestic and imported raw materials has been affected across the board. Additionally, lead times for electrical equipment remain significantly extended. These delays are becoming a structural norm within the industry and may continue to have long-term implications for project planning and cost forecasting.

Construction Market Overview: Geographic Insights

Midwest

The Midwest market is seeing some pricing volatility with concrete and masonry due to tariffs associated with reinforcement materials. Nearly all manufacturers have advised that tariffs are having a small impact on material pricing and availability. However, while there is some impact, there is not as much uncertainty as previously projected. There are labor concerns across the region due to several large projects occurring simultaneously. Local labor markets, particularly Northwest Ohio, may need to tap into nearby labor pools to meet labor demand. Labor availability in Michigan is expected to start improving by the end of the year or early next year as the bidding environment has begun to slow. Nonetheless, subcontractors remain hungry for work across the region as a whole. Active markets include healthcare, higher education, K-12, life sciences, manufacturing, entertainment, public sector, and corporate. Electrical equipment is currently the largest concern in the market in terms of lead times, with the lead times for switchgear and generators being the longest.

West

The **Arizona** market is seeing continued strength in the advanced manufacturing market, while other markets are remaining sluggish. Projects involving public services, infrastructure, and sister industries to the megaprojects are projected to remain in demand through 2026 as municipalities prepare for a population influx once these facilities are fully operational. Multifamily and student housing developments are stagnant due to an unfavorable lending climate. The light industrial sector is seeing a slowdown in new construction, with the focus pivoting to absorption/fit-out of existing facilities.

The **Southern California** market remains active due to various legislation and events driving demand in certain markets. The statewide Prop 2 bond approvals in late 2024 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 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 healthcare market also continues to see a strong demand driven by the 2030 Seismic SB 1953 regulatory requirements. The combination of these demand drivers will continue to strain labor and material availability within the Southern California region over the next few years.

In **Northern California**, public sector projects such as infrastructure, healthcare, and education continue to see steady growth. Data centers are emerging as a standout opportunity, driven by the expansion of digital infrastructure and AI and machine learning investments in Silicon Valley. Civil construction is also projected to rise due to investments in roads and water/sewer treatment. However, supply chain disruptions, especially for electrical materials, are causing delays and price spikes in data centers, electrification, and EV infrastructure projects. Private development has also slowed due to economic uncertainty and high interest rates. As is the case with Southern California, the statewide 2030 Seismic SB 1953 deadline for hospital retrofits is still driving high rates of healthcare projects for tenant improvements and seismic retrofits.

Architectural Billings Report

National

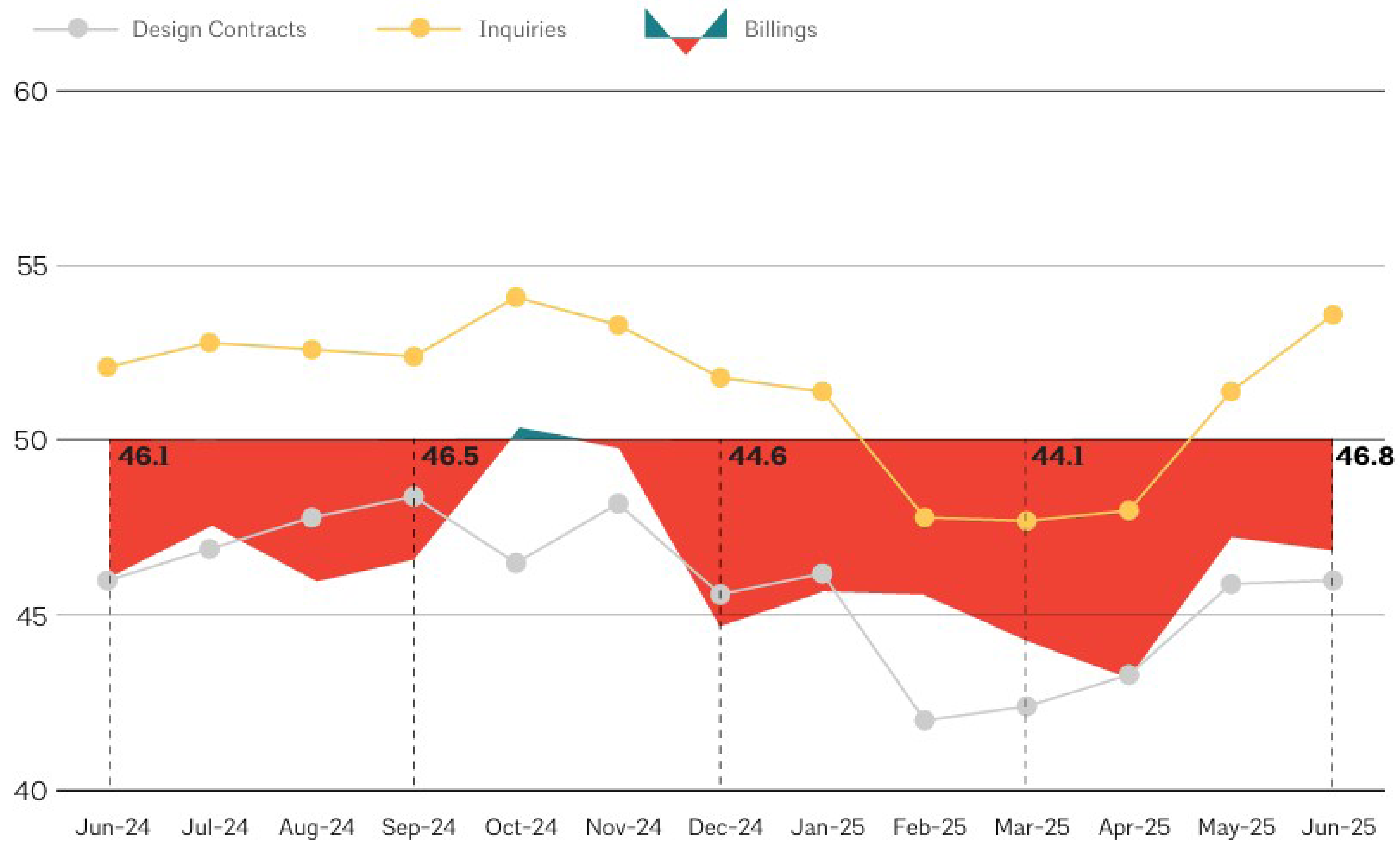
Architecture firm business conditions remain generally soft in June.

Graphs represent data from June 2024–June 2025.

Above 50

Below 50

No change from previous period



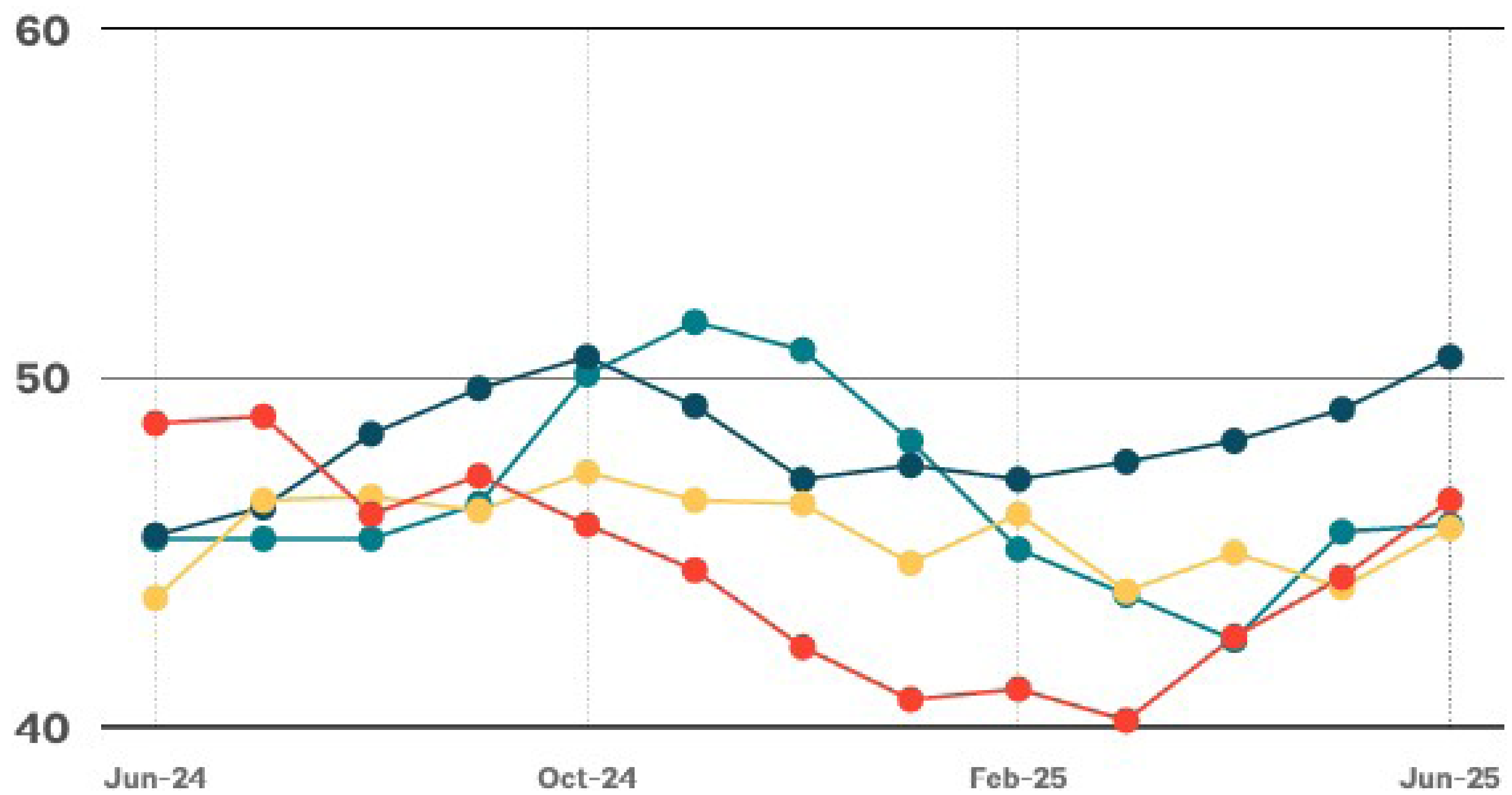
Source: American Institute of Architects (AIA)/Deltek, Architecture Billings Index (ABI), April 2025.

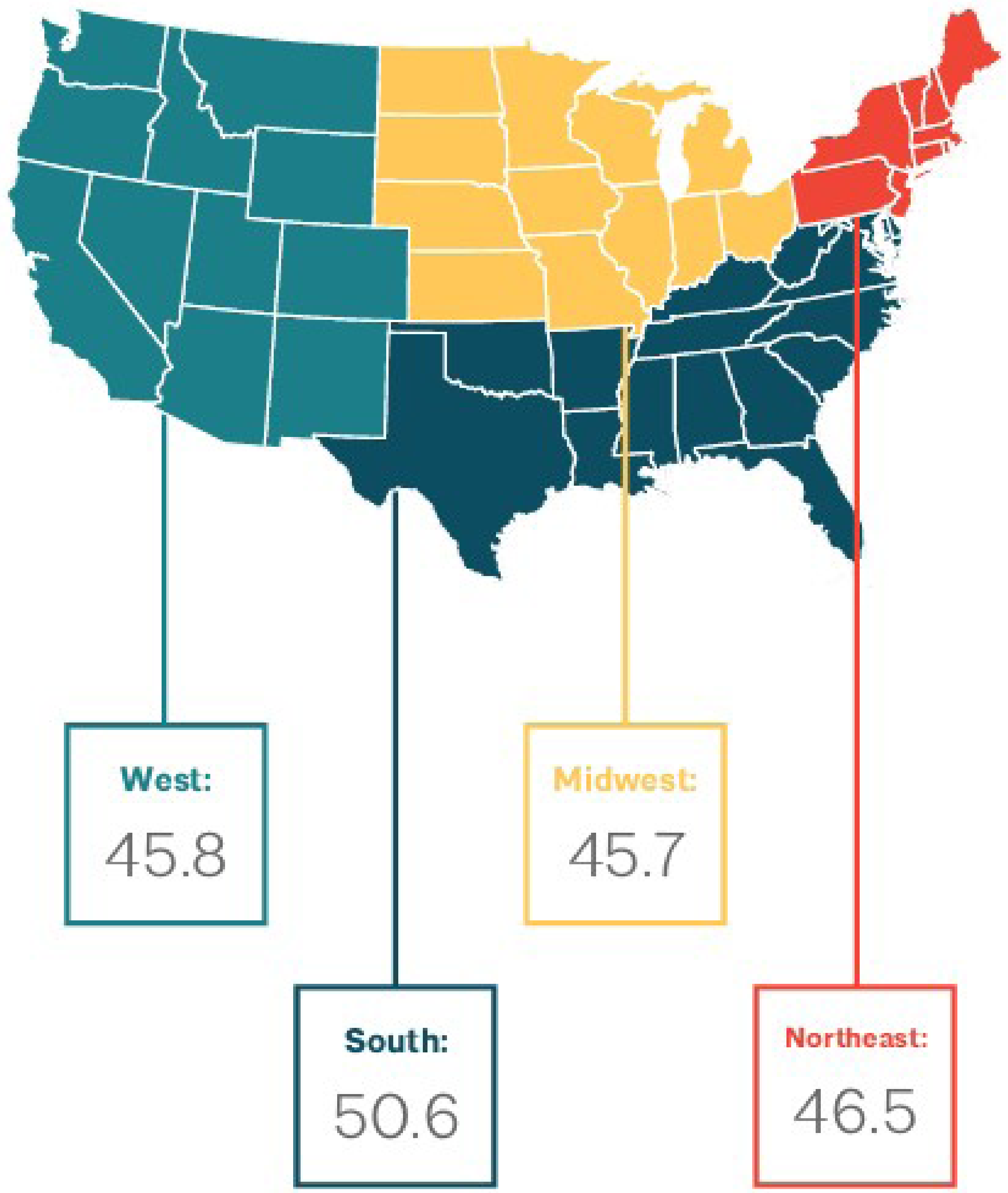
Architectural Billings Report

Regional

Billings increase slightly at firms located in the South.

Graphs represent data from June 2024–June 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 rose 0.5 percent in the last week of July 2025, with six of the 10 subcomponents increasing. This marks the third consecutive weekly increase in the MPI. With that being said, the MPI sits 5 percent lower than the same week in 2024, indicating commodity prices have eased in the past year.

- Rising energy prices were the main driver of the recent increase in the MPI. Oil prices increased in response to concerns about secondary tariff sanctions on countries that import Russian oil.

- Alternatively, declining nonferrous metal prices helped limit the recent MPI increase. Notably, copper prices fell in response to tariff exemptions for refined copper, with the recent 50% copper tariffs only applying to imports of semi-finished copper products.

- 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)

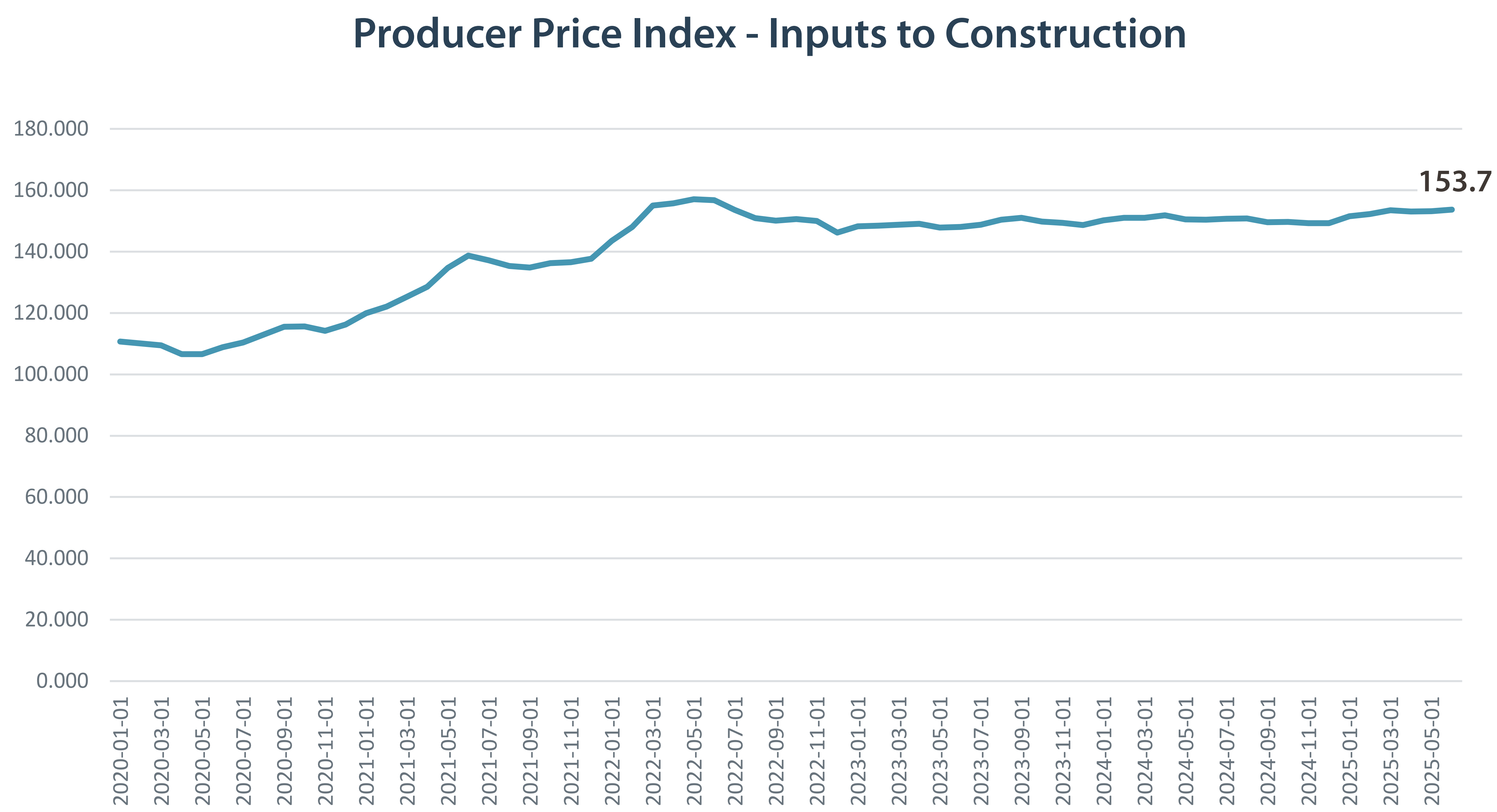
Date Compiled: Aug. 5, 2025
Source: S&P Global Market Intelligence

Commodity/Input Cost Insights

Producer Price Index – Inputs to Construction

- The PPI – Inputs to Construction came in at 153.7 in June 2025, 0.2 percent higher than in March 2025, as reported by the U.S. Bureau of Labor Statistics.

- The index has also increased 2.2 percent year-over-year from June 2024. The index is down 2.1 percent since its peak in May 2022.



Commodity/Input Cost Insights

Construction Materials

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

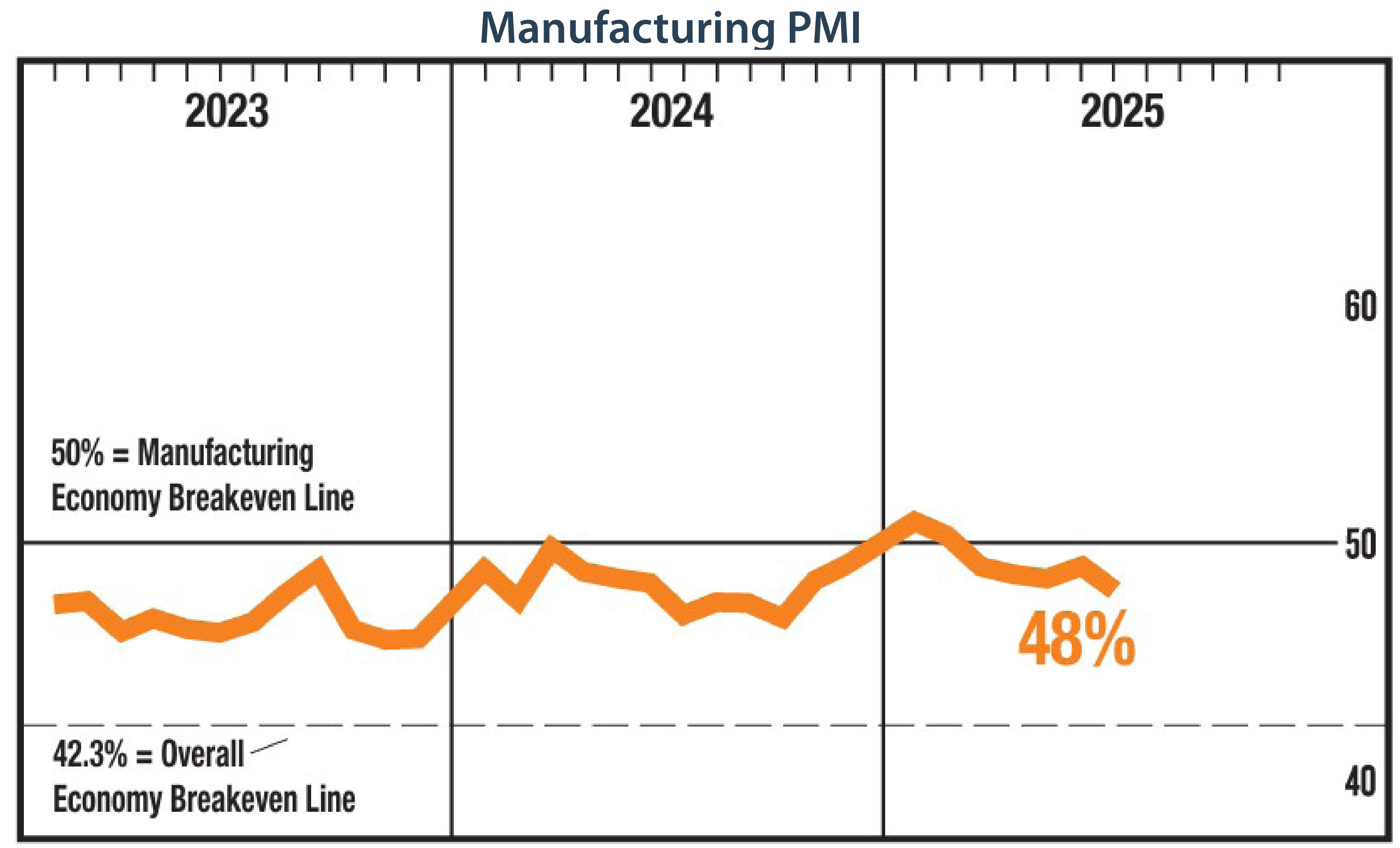
Material	% Change from last quarter	% Change Jun 2024 - Jun 2025	Material	% Change from last quarter	% Change Jun 2024 - Jun 2025
Ready Mix Concrete	0.5	2.0	**#2 Diesel Fuel**	-0.8	-7.1
Concrete Pipe	0.0	10.3	**Aluminum Shapes**	-2.2	6.3
Paving Mixtures and Blocks	-10.5	1.0	**Copper and Brass Shapes**	-0.5	-2.2
Lumber and Plywood	-3.2	4.8	**Flat Glass**	-1.6	0.1
Steel Mill Products	6.9	5.1	**Gypsum Products**	1.2	1.4
Fabricated Structural Steel	2.9	8.9	**Steel Pipe and Tube**	4.6	4.3

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

Supply Chain and Labor

Purchasing Managers' Index®

- The U.S. manufacturing sector contracted in July 2025 for the fifth 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 percent in July, down 1 percentage point from the June reading of 49 percent. This is reported by the Manufacturing ISM® Report On Business®.
- The New Orders Index registered 47.1 percent in July, up 0.7 percentage points from the June reading of 46.4 percent. This is the sixth consecutive month that the New Orders Index has been in contraction territory, following three months of expansion. New orders have remained in contraction territory since February 2025 amid tariff uncertainty. Despite an overall increase in the New Orders Index, signaling slower contraction, several construction-related industries reported a decrease in new orders in July, including Paper Products, Wood Products, Petroleum & Coal Products, Fabricated Metal Products, Machinery, Chemical Products, and Nonmetallic Mineral Products.
- The delivery speed of suppliers to manufacturing organizations was faster in July, as the Supplier Deliveries Index registered 49.3 percent, 4.9 percentage points lower than the 54.2 percent recorded in June. Decreasing demand is making it easier for suppliers to deliver in a timely manner. While delivery speeds increased overall, the Nonmetallic Mineral Products, Paper Products, Plastics & Rubber Products, Primary Metals, Fabricated Metal Products, and Electrical Equipment, Appliances & Components industries reported slower deliveries in July.



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

Supply Chain and Labor

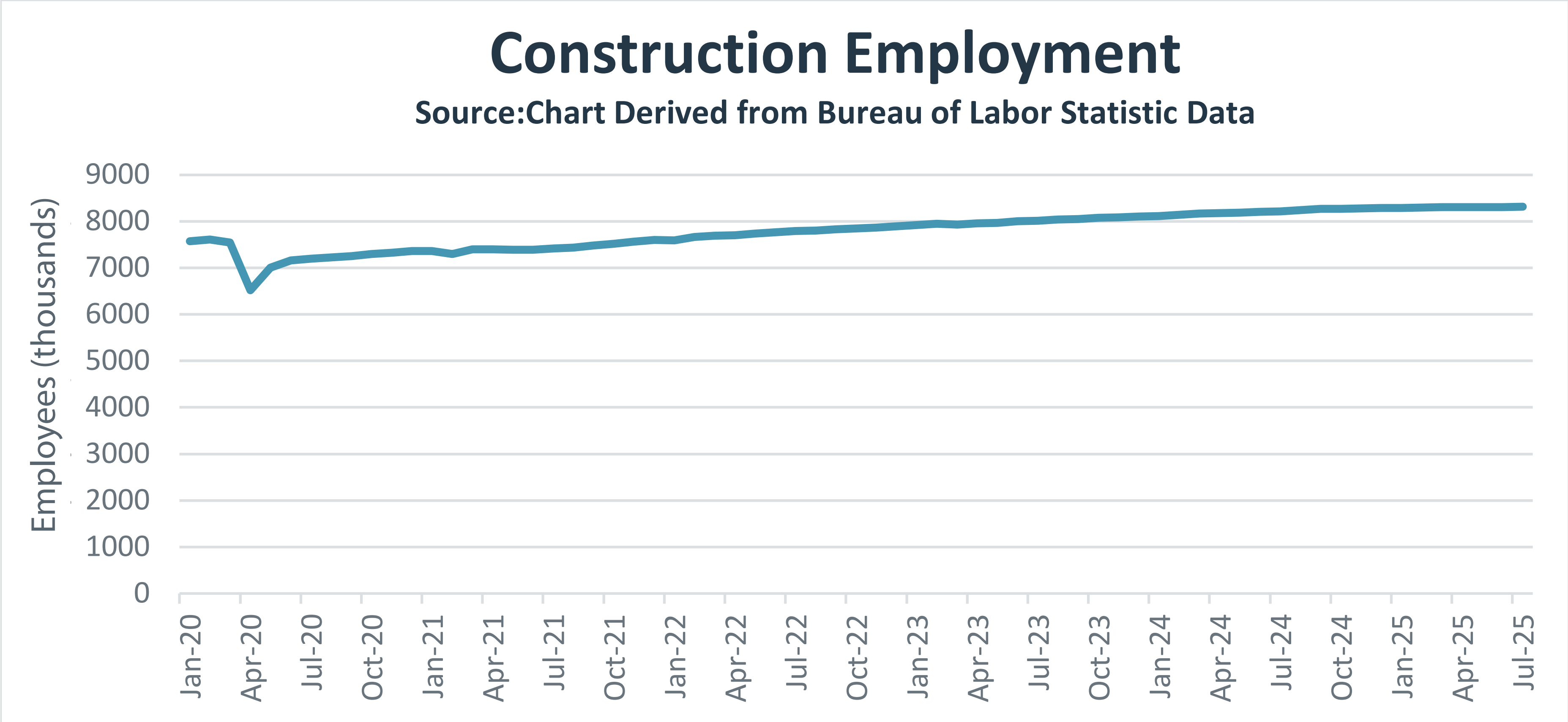
Purchasing Managers' Index®

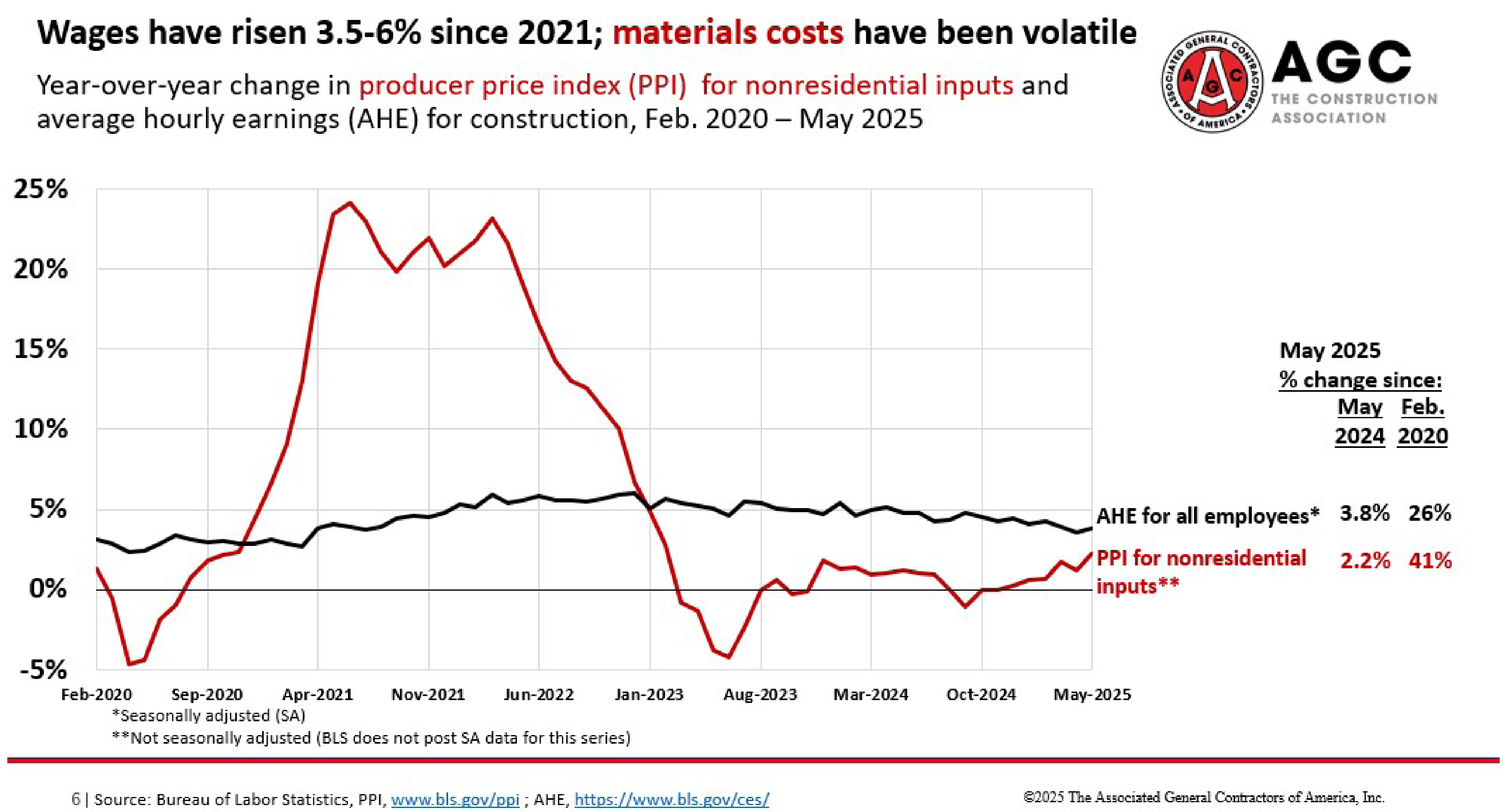
- The Inventories Index registered 48.9 percent in July, 0.3 percentage points lower than the June reading of 49.2 percent. This decline indicates that inventories are contracting at a faster rate. Contracting inventories makes it harder for suppliers to deliver on time, hindering accurate revenue projections and high-quality customer service. However, several industries reported higher inventories in July, including Paper Products, Nonmetallic Mineral Products, Primary Metals, Primary Metals, Plastics & Rubber Products, Miscellaneous Manufacturing, Fabricated Metal Products, and Electrical Equipment, Appliances & Components.
- The Backlog of Orders Index increased in July, registering at 46.8 percent, up 2.5 percentage points from the 44.3 percent recorded in June. The Index has contracted for 34 consecutive months due to continued contraction in new orders. Trade issues and geopolitical tensions are expected to continue to hinder backlog expansion in the near term. Despite this increase in the Index, indicating slower contraction, Paper Products, Nonmetallic Mineral Products, Plastics & Rubber Products, Wood Products, Machinery, Fabricated Metal Products, and Chemical Products all reported declines in backlogs in July.
- Electrical Components, Electronic Components, and Rare Earth Magnets 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 3.4 percent in July 2025, 2.2 percentage points lower than it was in April.
- The Bureau of Labor Statistics also reported an increase of 2,000 construction jobs in July.
- 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 3.8 percent in 2025 and 3.5 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 June 2025, before seasonal adjustment.

Labor Category	% Change Mar 2025 – Jun 2025	% Change Jun 2024 – Jun 2025	Labor Category	% Change Mar 2025 – Jun 2025	% Change Jun 2024 – Jun 2025
Private Industry Workers – All	1.1	3.5	**Private Industry Workers – Construction**	1.0	3.8
Private Industry Workers – All Union	1.4	4.3	**Private Industry Workers – Mining, Construction, & Manufacturing – Union**	1.5	4.2
Private Industry Workers – All Nonunion	1.0	3.4	**Private Industry Workers – Mining, Construction, & Manufacturing – Nonunion**	1.0	3.4

Source: U.S. Bureau of Labor Statistics (BLS) Employment Cost Index (ECI), August 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	**29-49 weeks** (longer for larger/complex)	Slightly Increasing	Manufacturers' lead times continue to gradually improve, but are becoming harder to estimate because lead times for certain configurations are improving faster than others. Tariffs are contributing to price increases across the board. However, price increases vary by manufacturer.
Panelboards	**15-26 weeks** (longer for larger/complex)	Slightly Increasing	
Pad Mounted Transformers	**39-65 weeks** (lead times continue to improve)	Slightly Increasing	
Switchgear LV	**34-57 weeks** (slight improvement in deliveries)	Slightly Increasing	
Switchgear MV	**41-69 weeks** (still steady, slight improvements)	Slightly Increasing	
Generators	**39-65 weeks** (longer for larger generators)	Slightly Increasing	
Chillers (Water Cooled, <500 tons)	**22-36 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)	**23-38 weeks**	Slightly Increasing	
Chillers (Air Cooled)	**18-28 weeks**	Slightly Increasing	
AHUs (Commercial Grade)	**16-22 weeks**	Stable	
AHUs (Custom)	**21-35 weeks**	Slightly Increasing	
RTUs (<50 ton)	**9-15 weeks**	Stable	
RTUs (>50 ton)	**10-17 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

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

Material	Lead Time	Cost	Explanation
Packaged Rooftop Heat Pumps	17-24 weeks	Stable	
Modular Air-to-Water Heat Pumps	17-28 weeks	Stable	
Computer Room A/C Units - Air Cooling	16-27 weeks	Slightly Increasing	
Cooling Towers	10-14 weeks	Stable	
Lab Exhaust Fans	14-23 weeks	Stable	
Energy Recovery Units	12-20 weeks	Stable	
Exhaust AHUs	12-16 weeks	Stable	
Heat Recovery Skids	20-24 weeks	Stable	
Steel	**17-29 weeks** (shorter for mill cycle)	Increasing	
Millwork	12-19 weeks	Stable	
Elevators	26-43 weeks	Slightly Increasing	
Curtainwall	22-37 weeks	Slightly Increasing	
Roofing	13-21 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 37 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. Prices spiked again from mid-May to mid-June but have been on the decline again since. 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 reversed in 2025 to the extent that large U.S. truckload carriers are beginning to add capacity to their fleets for the first time in three years. However, summer freight activity has been mixed. In June 2025, the DAT Truckload Volume Index (TVI) decreased 2 percent for van, 5 percent for reefer, and increased 1 percent for flatbed. Year-over-year, the TVI is up 4 percent for van, 10 percent for reefer, and 12 percent for flatbed.

- Despite mixed trends in loads, national average spot truckload rates increased in June for van (up 3 cents) and reefer (up 1 cent). Meanwhile, flatbed spot rates have remained unchanged for the third consecutive month.

- Similarly, contract truckload rates increased for all three equipment types: van (up 2 cents), reefer (up 2 cents), and flatbed (up 1 cent), according to DAT Freight & Analytics.

Supply Chain Spotlight: Ongoing Tariff Impacts on Construction Materials

Section 232 Tariffs

Goods currently subject to Section 232 tariffs include steel, aluminum, automobiles, automobile parts, and copper.

- Other materials currently being assessed by the U.S. Department of Commerce for potential Section 232 tariff applicability include timber and lumber, semiconductors, pharmaceuticals, trucks, critical minerals, commercial aircraft, polysilicon, and unmanned aircraft systems.

Steel and Aluminum:

- Section 232 tariffs on imports of steel, aluminum, and their derivative products have increased to 50% for all countries of origin except for the United Kingdom. Steel and aluminum imports from the United Kingdom remain subject to a 25% tariff.
- Section 232 tariffs on steel will not apply to derivative steel articles processed in another country from steel articles that were exclusively melted and poured in the United States. Similarly, Section 232 tariffs on aluminum will not apply to derivative aluminum articles processed in another country from aluminum articles that were exclusively smelted and cast in the United States. In this case, only the non-steel and non-aluminum content will be subject to applicable reciprocal and IEEPA tariffs.

Automobiles and Automobile Parts:

- Section 232 tariffs on automobiles remain at 25%, with exceptions for certain automobiles imported from Canada, Mexico, and the United Kingdom. For automobiles that qualify for preferential tariff treatment under the United States-Mexico-Canada Agreement (USMCA), the 25% Section 232 tariff on automobiles will only apply to the non-U.S. content of the automobile. Meanwhile, the first 100,000 automobiles imported from the United Kingdom will be subject to a 10% tariff.
- Section 232 tariffs on automobile parts that are intended for use in automobiles that undergo final assembly in the United States will only apply to 15% of the total value of the final vehicle. This means that vehicles intended for final assembly in the United States will face a total automobile parts tariff of 3.75% of the vehicle Manufacturer's Suggested Retail Price (MSRP) through April 30, 2026. From May 1, 2026, through April 30, 2027, Section 232 tariffs on automobile parts that are intended for use in automobiles that undergo final assembly in the United States will only apply to 10% of the total value of the final vehicle, equal to a 2.5% tariff on the vehicle's MSRP.
- Automobile parts that qualify for preferential tariff treatment under the USMCA are exempt from Section 232 tariffs on automobile parts but may be subject to Section 232 tariffs on steel and aluminum.

Copper:

- Imports of semi-finished copper products and intensive copper derivative products from all countries are subject to a 50% Section 232 tariff.
- Copper input materials (such as copper ores, concentrates, mattes, cathodes, and anodes) and copper scrap are exempt from Section 232, reciprocal, and IEEPA tariffs.
- Consistent with the United States-United Kingdom Economic Prosperity Deal, the United States will coordinate with the United Kingdom to adopt a structured, negotiated approach to addressing the national security threat in the copper sector.

Supply Chain Spotlight: Ongoing Tariff Impacts on Construction Materials

Reciprocol Tariffs

- Updated reciprocal tariff rates for most U.S. trading partners went into effect on August 7, 2025. These range from 10% to 41%, depending on the country.
- Imports from Canada and Mexico continue to be exempt from reciprocal tariffs.
- The reciprocal tariff rate on Chinese goods has been temporarily reduced to 10% since May 14, 2025. While negotiations between the U.S. and China have been ongoing, the reciprocal tariff rate is set to increase to 34% on November 10, 2025, if no deal is reached before then.
- Reciprocal tariffs on goods from the European Union will face a tiered approach. Goods that currently face tariffs of 15% or less will face a reciprocal tariff rate of 15%. Goods that already face tariffs of more than 15% will maintain their current rates.
- Japan and South Korea now face reciprocal tariff rates of 15%.
- 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: Ongoing Tariff Impacts on Construction Materials

IEEPA & Secondary Tariffs

- Imports from Canada, Mexico, and China continue to be subject to IEEPA tariffs related to concerns about the flow of fentanyl into the United States. USMCA-compliant goods from Canada and Mexico are exempt from these tariffs.
- The IEEPA tariff rate on non-USMCA-compliant Canadian goods (excluding energy, energy products, and critical minerals) was recently increased from 25% to 35%. Canadian energy, energy products, and critical minerals that fail to comply with the USMCA remain subject to a 10% tariff.
- The IEEPA tariff rates for non-USMCA-compliant imports from Mexico and all imports from China have held steady at 25% and 20%, respectively.
- Imports from Brazil are now subject to a 40% IEEPA tariff due to actions taken by the Brazilian government that are deemed as a threat to U.S. national security. Exemptions include certain silicon metal, pig iron, civil aircraft and parts and components thereof, metallurgical grade alumina, tin ore, wood pulp, precious metals, energy and energy products, and fertilizers.
- Imports from India are scheduled to face a 25% secondary tariff, effective August 27, 2025, in response to security concerns arising from India importing Russian oil.

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Stacking Rules

- Reciprocal, IEEPA, and any additional tariffs will not apply to the content of an article already subject to Section 232 tariffs, with the exception of the 20% IEEPA tariff on imports from China.

- When assessing the applicability of Section 232 tariffs, tariffs on automobiles and automobile parts are assessed first. Articles that are subject to Section 232 tariffs on automobiles and automobile parts are wholly exempt from IEEPA tariffs on goods from Canada and Mexico, reciprocal tariffs on goods from other countries, and other Section 232 tariffs, including those on steel, aluminum, and copper.

- Section 232 tariffs on steel and aluminum derivatives will only apply to the steel and aluminum content within the imported article, respectively. All other content will be subject to the reciprocal tariff rates for the country of origin, along with any other existing applicable tariffs, except for IEEPA tariffs on goods from Canada and Mexico. Derivative articles that contain both steel and aluminum will be subject to Section 232 tariffs on both steel and aluminum.

- Section 232 tariffs on copper derivatives will only apply to the copper content within the imported article. All other content will be subject to the reciprocal tariff rates for the country of origin, along with any other existing applicable tariffs, except for IEEPA tariffs on goods from Canada and Mexico.

- China and Brazil are the only two countries facing both reciprocal tariffs and additional IEEPA tariffs. Reciprocal and IEEPA tariffs on imports from these countries will stack unless superseded by Section 232 stacking rules.

- Reciprocal and secondary tariffs on imports from India will stack unless superseded by Section 232 stacking rules.

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