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# Tariffs affecting products take hold; DMI soars in July; ISM construction respondents are downbeat

Numerous **tariffs** affecting construction inputs took effect this week. On Thursday, a 50% tariff took effect for copper products such as wire and pipe, but not unprocessed copper. The "baseline" tariff rose from 10% to 15% on imports from the European Union, Japan, South Korea, and other countries, with higher rates on dozens more countries. On August 1, tariff rates rose to 50% on some products from Brazil and 35% on some goods from Canada not covered by the U.S.-Mexico-Canada Agreement. "At the same time, negotiators are seeking further clarity on U.S. tariff plans, the Wall Street Journal reported on Thursday. "Key details of many of the pacts agreed so far are still not finalized, or in some cases are being interpreted differently by each side." **Readers are invited to consult AGC's Tariff Resource Center for the latest details and to send information about project timing, materials price changes, and supply chains** to ken.simonson@agc.org.

The Dodge Momentum Index (DMI)—"a monthly measure of the **value of nonresidential building projects going into planning**, shown to lead construction spending for nonresidential buildings by a full year"—jumped 21% in July from an upwardly revised June reading, Dodge Construction Network reported on Thursday. "Over the month, commercial planning grew 14%, while institutional planning expanded 35%....On the commercial side, all sectors gained momentum over the month—notably led by strength in data centers and warehouses….Most of this month's growth took place on the institutional side—with education, healthcare, and public projects seeing substantial growth in planning activity…. In July, the DMI was up 41% when compared to year-ago levels. The commercial segment was up 24% from July 2024 and the institutional segment was up 85% over the same period. If all data center projects between 2023 and 2025 are excluded, commercial planning would be up 26% from year-ago levels, driven by an uptick in warehouse planning."

"**Economic activity in the services sector** grew in July for the second consecutive month," the Institute for Supply Management (ISM) reported on Tuesday. However, a bare majority of respondents reported growth: the reading was 50.1%, down from 50.8% in June. **Construction respondents** were among seven sectors (out of 18) reporting contraction, along with decreases in business activity (5 sectors), new orders (7), employment (9), inventories (5), imports (7), and order backlogs (10). Construction was among the sectors reporting faster supplier deliveries (4) and higher prices paid (15). **Items significant for construction reported up in price** include aluminum products (2 months in a row), copper, lumber (also reported down in price), personal protective equipment, and steel products (7 months). **Price declines** were reported for diesel fuel (5), lumber, and oriented strand board. **Items listed in short supply** include skilled labor and steel products.

"**Multifamily developer confidence** experienced a slight increase compared to last year, most notably from the subsidized subcomponent," the National Association of Home Builders reported on Thursday, based on its latest quarterly Multifamily Market Survey. "This is due in part to optimism surrounding the expansion of federal affordable housing resources flowing from the recent congressional reconciliation bill. However, high interest rates, rising construction costs, limited land availability and restrictive local regulations are still significant issues in certain parts of the country. Even with these headwinds, multifamily starts are becoming less constrained as the number of apartments under construction falls and normalizes. [The survey] asks multifamily developers to rate the current conditions as 'good', 'fair', or 'poor' for multifamily starts in markets where they are active. The index and all its components are scaled so that a number above 50 indicates that more respondents report conditions as good rather than poor. [The] component measuring subsidized units jumped 10 points to 61 and the components measuring mid/high-rise rose seven points to 36. The component measuring garden/low-rise and built-to-sale units both fell three points year-over-year to 50 and 35, respectively."

"In June, growth in the pre-construction **project pipeline** [for utility-scale solar, battery, and on-shore wind projects] was +64%" year-over-year (y/y), Brian Brophy at investment firm Stifel posted on July 25. Stifel's proprietary latest twelve months (LTM) "project 'starts' were +37% y/y, and projects under construction were +25% y/y….The project pipeline /LTM 'starts' ratio of 2.3x continues to suggest a healthy outlook. Additionally, the size of the clean energy project pipeline remains near all-time highs. Historically, >90% of projects in the pre-construction pipeline are ultimately constructed."

**Contractors are invited to complete the AGC/NCCER Workforce Survey by August 15**.