AGC THE CONSTRUCTION ASSOCIATION

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Input prices climb in August as tariffs hit metals, lumber; pricing outlook is mixed; DMI soars in July

Input prices for new nonresidential construction rose 0.2% in July, not seasonally adjusted, and 2.5% year-over-year (y/y), according to producer price index (PPI) data the Bureau of Labor Statistics (BLS) posted on Wednesday. The y/y change was the largest since February 2023. In contrast, the **PPI for new nonresidential building construction**, a measure of what contractors say they would charge to construct a new building, dipped 0.1% for the month and rose only 0.9% y/y. The gap between input prices and bid prices suggests contractors are not fully passing along higher costs. AGC posted tables and a chart of PPI changes relevant to construction. There were notable y/y increases in the PPIs for aluminum mill shapes (23%), steel mill products (13%), copper and brass mill shapes (4.9%), and lumber and plywood (4.8%). Although PPIs exclude foreign producers' prices, some domestic producers were quick raise prices once tariffs took effect. Tariffs on aluminum and steel from most countries increased from 25% to 50% on June 4. A 50% tariff on copper products and components took effect on August 1 and longstanding duties on Canadian softwood lumber jumped from 14.5% to 35% in early August. The PPI for construction machinery and equipment rose 4.0% y/y, while the index for parts for construction machinery and equipment, sold separately, jumped 36% y/y. **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 **outlook for materials prices** varies. **Copper futures prices** have been volatile but are currently 15% higher than at the beginning of the year. "Michael Haigh, head of fixed-income and commodities research at Société Générale,… expects global benchmark copper prices to rise from current levels around $9,800 a ton to an average of $11,500 over 2026 and 2027," based on rising military demand as well as ongoing demand for electric vehicles, consumer electronics, data centers, and renewable energy facilities, the Wall Street Journal reported on Thursday. Regarding **steel prices**, "Trader sources note a sharp drop in import appetite and competitiveness, which we expect to fuel less supply and higher U.S. sheet prices in" the fourth quarter, Wells Fargo analyst Timna Tanners posted on Wednesday. In contrast, **lumber prices** "have been whipsawed of late by trade uncertainty and a deteriorating housing market," the Journal reported on Tuesday. "Futures have dropped 24% since hitting a three-year high at the beginning of August and ended Monday at $526.50 per thousand board feet….Matt Layman, a market analyst and consultant who publishes Layman's Lumber Guide, [said,] 'There is easily enough wood on the ground in the U.S. to cover several months of anticipated fall demand.'"

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"—climbed 7.5% in July from a downwardly revised June reading, Dodge Construction Network reported on Monday. "Over the month, commercial planning expanded 8.7% while institutional planning grew 5.4%. Year-to-date, the DMI is up 30% from the average reading over the same period in 2024….On the commercial side, all sectors sustained momentum over the month –notably led by strength in data centers, warehouses, and hotels. Parking garages and service stations also experienced steady gains. On the institutional side, education and healthcare planning decelerated from last month's growth but remained positive. A slew of detention facility and court building projects also drove lofty gains in the public building sector throughout August. In August, the DMI was up 51% when compared to year-ago levels. The commercial segment was up 38% from August 2024 and the institutional segment was up 84% over the same period. If all data center projects between 2023 and 2025 are excluded, commercial planning would still be up 38% from year-ago levels, driven by an uptick in warehouse and automotive planning."

AGC posted an updated set of factsheets with information about the role of construction in each state's economy and employment in the United States, each state and major metro areas.

"Tourism hubs from Hawaii to New York are reeling from a **decrease in Canadian visitors**," Stateline posted today. "[H]ospitality businesses this summer reported a sharp decline in visitors from the North—Canadian travel to New Hampshire is down about 30% this year, according to state officials. Border crossings into Vermont hit their lowest levels since 2021, according to federal data…A decline in international travel has hit border communities across the country—from New York state to Washington state. North Dakota estimated that Canadian visitors spent about $14.4 million less in the first half of the year compared with last year, as the number of personal vehicles crossing the border from Canada declined by 30%. Other hubs for international visitors, including Las Vegas and Hawaii, are also seeing significant declines." If they persist, these declines are likely to drag down retail, lodging, and amusement construction.