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Tariff volatility continues; Administration threatens huge funding cuts; reports differ on power outlook

Changes in announced **tariff** rates, dates, and exclusions continued this week. President Trump today threatened higher tariffs on China. A 25% tariff on heavy trucks that he had posted would take effect on October 1 was later announced for October 14, then November 1, and was extended to medium-duty trucks but not trucks covered by the United States-Mexico-Canada Agreement. **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 Trump administration announced widespread **cuts to federal funding for hundreds of transportation and climate projects**. "Early-stage climate projects across the U.S., from Louisiana to New York to Washington state, are on the chopping block," the Wall Street Journal reported on Thursday. "Funding for more than 600 projects is set to be axed, totaling $23.8 billion….Last week, the Trump administration announced climate funding cuts amounting to more than $7 billion, targeting mostly Democratic-led states and districts. The latest move from the DOE builds on these cuts and now impacts Republican-led districts too." The administration also canceled billions of dollars in aid to the California High Speed Rail Authority, the Gateway rail tunnel project between New York and New Jersey, and transit funding in New York and Chicago. Some cancellations are likely to face court challenges but, at a minimum, many projects will be delayed.

"The International Energy Agency slashed its **forecast for renewable energy** capacity growth in the U.S.…by 2030–down by almost 50% from last year's projections–as a result of fresh import restrictions, the suspension of new offshore wind leasing and a crackdown on permitting for onshore wind and solar projects on federal land," the Journal reported on Wednesday. "A key factor in the U.S. downgrade was the One Big Beautiful Bill Act, the IEA said, which has accelerated the phase-out of tax credits and imposed new construction-start requirements for wind and solar…projects. 'With the pushing forward of deadlines, renewable capacity additions are now projected to peak in 2027, then decline in 2028 and remain stable through 2030,' the agency said."

In contrast, two new reports point to stepped-up investment in **electricity generation, transmission and distribution** (T&D). "Utilities are sharply increasing [capital expenditures (capex)] to keep pace with multi-hundred-megawatt data center interconnects," Data Center Frontier reported today, citing examples from five large utilities. "These capex expansions fund both new generation capacity in the form of modern combined-cycle and combustion-turbine plants, nuclear pilots, and renewables, and grid-side investments to move bulk power to where data centers are locating." Investment analysts from Stifel posted on Thursday that their third-quarter (Q3) survey of T&D engineering and construction firms found "activity notably accelerated and was above expectations; bidding and awards saw notable improvement; labor and equipment availability tightened sequentially; [and] improvement was widespread across distribution, transmission, gas and particularly substation work."

"The amount of vacant **warehouse space** in the U.S. held steady around an 11-year high in [Q3], but it didn't expand for the first time in three years as demand rose and the amount of newly built space continued to fall," the Journal reported on Wednesday, citing a report from Cushman & Wakefield. In Q3, "the amount of warehouse space completed was down 14.6% from the previous three months [and] nearly 33% lower than a year earlier. The amount of space under construction nudged 1% higher from [Q2], but was down more than 13% from [Q3 2024]. The South accounted for 44% of new space delivered,…with build-to-suit projects making up 31% of completions to date this year, up 22% from the same period last year. Thirty-nine percent of the new buildings under construction are build-to-suit, the report says."

The Dodge Momentum Index (DMI)—"a monthly **measure** based on the three-month moving value **of nonresidential building projects going into planning**, shown to lead construction spending for nonresidential buildings by a full year to 18 months"—climbed 3.4% in September from a downwardly revised August reading, Dodge Construction Network reported on Tuesday. "Over the month, commercial planning expanded 4.7% while institutional planning ticked up 0.9%. Year-to-date, the DMI is up 33% from the average reading over the same period in 2024…. On the commercial side, activity slowed down for warehouses, traditional office buildings and hotels but gained momentum in data centers and retail stores. Without data centers, commercial planning would have only increased 0.5% this month. On the institutional side, education and recreational planning slowed down, while healthcare and public planning continued to grow. Year-over-year, the DMI was up 60% when compared to September 2024. The commercial segment was up 53% (+44% when data centers are removed) and the institutional segment was up 75% over the same period."