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Union pay rises 4.7%; tariffs hit buyers, new studies show; little change in economy, Beige Book finds

"The first year of **new settlements** [wages, health and welfare, retirement, apprentice, and other employer payments] reached from January through September of 2025…**for union craft workers in the construction industry** had an average [mean] increase of 4.7%," the Construction Labor Research Council (CLRC) reported on Tuesday. "From 2020 to 2023, increases rose sharply…going from 2.8 to 4.7% in just three years. In the two years following 2023, the average percentage increase for settlements remained consistent at 4.7%." Among seven regions, the average increase ranged from 4.4% in the Northeast region to 5.6% in the Northwest. Among 17 crafts, the median increase ranged from 3.7% for plumbers to 5.8% for insulators. "The average total package increase…for all contract years for union crafts in construction was 4.0%. CLRC projects increases to reach approximately 4.2% by 2027. These results include those from all years of active settlements (e.g., previous years such as 2023 and 2024 as well as future years)."

"'Most of the cost [of **tariffs**]seems to be borne by U.S. firms,' Harvard University professor Alberto Cavallo said in an interview to discuss his findings," Reuters reported on Tuesday. "Cavallo and researchers Paola Llamas and Franco Vazquez…found that imported goods have become 4% more expensive since Trump started imposing tariffs in early March, while the price of domestic products rose by 2%. The biggest increases for imports were seen in goods that the United States cannot produce domestically, such as coffee, or that come from highly penalized countries, like Turkey. These price hikes, while material, have been generally far smaller than the tariff rate on the products in question—implying that sellers were absorbing some of the cost as well….'This suggests foreign producers are not absorbing much if any of the U.S. tariffs, consistent with prior economic research,' researchers at Yale University's Budget Lab think-tank said in a blog post….Adapting to Trump's tariffs—a still-incomplete set of levies that pushed import taxes from an average of around 2% to an estimated 17%—is still underway. It is seen taking months longer as exporters, importers and consumers jostle over who pays duties." **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.

"**Economic activity** changed little on balance since the previous report" on September 3, the Federal Reserve reported on Wednesday in its latest Beige Book. The report is issued eight times a year and "characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly" from sources in the 12 districts, which are identified by their headquarters cities. "Conditions in…commercial real estate, were mixed; some reports noted improved business lending in recent weeks due to lower interest rates, while other reports continued to highlight muted activity. [Labor] supply in the [construction sector] was reportedly strained in several districts due to recent changes to immigration policies….Tariff-induced input cost increases were reported across many districts, but the extent of those higher costs passing through to final prices varied….Waning demand in some markets reportedly pushed prices down for some materials, such as steel in the [Atlanta] district and lumber" in the San Francisco district.

The boom in **data center construction** is fueling a surge in related **power construction**. "In West Texas, natural-gas-fired power generation is under construction as part of the $500 billion Stargate project from OpenAI and Oracle," the Wall Street Journal reported today. "Gas turbines are in use at…the massive data centers…xAI is building in Memphis, Tenn. More than a dozen Equinix data centers across the country are using fuel cells for power. [Data center] growth is intense, too. The U.S. had around 522 hyperscale data centers at the end of the second quarter,…according to Synergy Research Group. Another roughly 280 are expected to come online through 2028 in the U.S. [Consultancy] ICF forecasts the U.S. will deliver almost 80 gigawatts of new generation starting in 2027, doubling the average pace of the past five years. [But] projects of all kinds face hurdles obtaining permits, equipment shortages, a labor crunch and rising costs, exacerbated by Trump's tariffs on steel and aluminum, as well as some copper products. [Analysts] expect spending on wind and solar to drop and project cancellations to rise because they are set to lose key federal tax benefits under Trump's tax-and-spending law….Already, at least $22 billion in new **factories and electricity projects** have been **canceled or scaled back** this year, according to data tracked by advocacy group E2, including everything from offshore wind to battery factories. The Energy Department is slashing another nearly $24 billion of funding for early-stage climate projects."

Liquefied **natural-gas** exporters "have announced plans to more than double U.S. **liquefaction** capacity" by 2029, the Energy Information Administration reported on Thursday. New "**pipeline** projects will be built to transport natural gas from production areas [to these facilities]. However, pipeline construction delays remain a supply risk for new terminals."