

AUGUST 2026

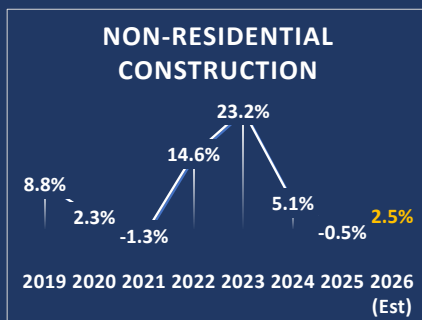
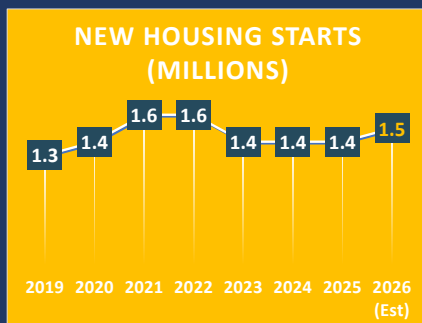
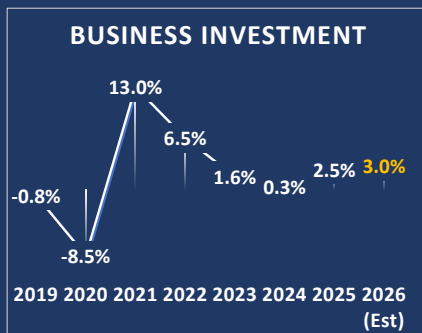
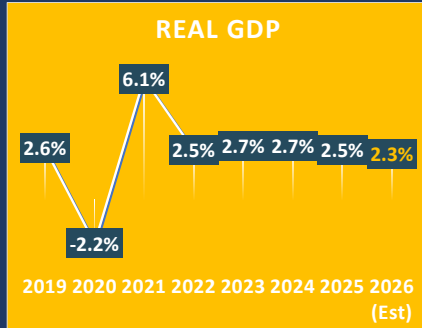
# ECONOMIC NEWSLETTER

for the construction industry



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## Selected Indices



## Big Items

**GDP:** Q2 GDP came in at 1.5%, below the historical norm of nearly 2%. But this hid the real story. Most of the sectors that drive construction and investment did well. Import activity pulls against actual GDP, but it is important for many aspects of construction. Just to underscore how volatile the market is, the current GDPNow estimate shows growth of 5.8% at the start of Q3. That will cool and come down from those levels, but the point is that there are strong underlying growth trends in the economy – for now.

**Housing Permits/Starts:** There has been some better news as far as housing starts are concerned. The private owned rates were 19% above the revised May numbers and 3.5% above the rate from June of 2025. The single family rates were a little below the revised May number but only by 0.2% (3.2% lower Y/Y). The trends in housing have been stronger than expected given higher mortgage rates but there has been increased housing demand and the unemployment rate is still low.

**Raw Material Prices/Availability:** The supply chain issues have not faded and in many cases the situation has worsened. The fuel crisis has affected every part of the transportation sector with 100% hikes in the costs of container shipping. The price for diesel fuel has jumped to between \$5.35 and \$5.37 and that begins to drastically limit trucking availability as smaller operations can't afford these fuel costs and these trucks are subsequently parked. The maritime sector has been hampered and that affects the ability of suppliers to meet demands. Commodity prices have been impacted by the never ending chaos of tariffs and trade wars.

**Labor Situation / Labor Costs:** The latest reading for the Employment Cost Index for construction is still gaining. The overall index is growing faster than inflation at 3.4%, and benefit costs are rising even faster at a 3.8% pace. The inflation concerns of the last few months have been centered on oil, but the impact of wage hikes can't be dismissed. The construction sector has seen wage hikes that are mixed – low skilled jobs are seeing a decline in wages, but high skill jobs are seeing hikes of close to 4%.

**Manufacturing:** The Purchasing Managers' Index put forward by S&P Global as well as the Institute for Supply Management have shown some stability in the last month but there is a caveat to be aware of. The S&P global reading for the US is 53.9, which was unchanged in July vs. June's figures. The global PMI is now at 52.1, marginally down from 52.2 in June. These base PMIs are still much higher than was the case even a few months ago but the catch is that many manufacturers are producing ahead in an attempt to hold off the impact of new tariffs and the continued disruption in the oil markets. That surge will be ending soon.

## Risks

**Oil, Oil, Oil –** Are we all getting really tired of this game? Every day seems to bring either another promise of an imminent breakthrough or the destruction of the just announced deal. What breaks this pattern? It will basically require a capitulation by either Iran or the US and there seems no appetite for such a climbdown by either nation. Long-term plans suggest the oil world is seeking to place more emphasis on Latin America and other suppliers of oil and gas but that will take time.

**Waiting for the Inflation Shoe to Drop –** The most pressing economic issue is now the path of inflation. This is what the Federal Reserve is watching and that became evident at their most recent meeting. There were three members of the Open Market Committee that were urging a rate hike rather than a reduction. It is significant that these three are all from the regional Fed banks as these 12 Fed members are considered the “eyes and ears” of the Fed. Lorie Logan from Dallas, Neel Kashkari from Minneapolis and Beth Hammack from Cleveland are all considered hawks and now think that inflation is enough of an imminent threat to warrant a rate hike.

# Macroeconomic Viewpoints

- Dr. Chris Kuehl

**Managing Uncertain Times** – To be honest, there is never a time when construction doesn't face uncertainty. It is an industry that is always at the mercy of other decisionmakers – those that seek to undertake a project, those that will be providing the finances, those that will supply the project, those that determine what can and can't be built in the first place. That is just the short list. Construction is always managing the unmanageable and now that challenge is as intense as it has been in a while. Four areas of volatility stand out. These are interest rate and bond market status, supply chain constraints, appetite for non-residential and residential development and the status of the workforce.

The interest rate and bond market environments remain unsettled. The last Fed meeting showed a major divergence developing between the "hawks" and "doves". There were several on the Open Market Committee that advocated for a rate hike and several lobbied for a reduction and in the end, they elected to wait before making a call. The key factor for many has been inflation and if the rate continues to climb the Fed is very likely to hike rates by at least a quarter point. The bond market has also been heading in the wrong direction from the standpoint of the construction sector. Yields are well above that "magic" number of 4.0%. Anything above that level slows residential activity as mortgage rates stay high. At the time of this writing the 30-year rate was as high as it has been in over a year at 6.77%. The 10-year treasury was sitting at 4.6% and that is very near recent record territory. This stymies a lot of construction activity. The bond market traditionally dislikes geopolitical unrest, high inflation and overall deficit spending and the bond buyers are staring down all three.

The supply chain crisis has been building rapidly and has been triggered by both the obvious and not so apparent. The most important factor has been the price of fuel. Per barrel prices have been bouncing up and down over news from the Middle East. That has driven price hikes in all areas of transportation as ocean cargo has seen hikes of over 100% at the same time that trucking has seen jumps of over 35%. Ports are running out of fuel for the ships docking there. In addition to the oil crisis, there have been reactions to tariffs and trade wars that radically alter patterns and add to the overall costs of transport. Production levels are down in many nations, and this has resulted in shortages and higher prices – for commodities as well as a wide variety of finished goods needed to complete projects.

Then there is the matter of consumer demand. Some sectors of the construction environment are healthy but many of the traditional sectors are flagging. Data center development remains strong, but this kind of project has become politicized and communities are rejecting them. The rush to expand transportation related activity has slowed and office development remains a shadow of what it once was. The health care sector is still expanding fast and there are still public sector projects underway. The municipal bond market has been flat and that inhibits project development as well. Residential expansion is still significant as people seek to move to locations with a lower cost of living.

Finally, there is the ongoing issue of labor force. As has been pointed out before, there is a looming demographic crisis as the Boomer generation retires. This is an issue for every industry but an acute one for construction as the labor force can't be expected to work into their 60s and 70s and 80s. Where will these skilled people come from as the current workforce leaves? Many industries can turn aggressively to technology and robotics but that is not an option for much of the construction world.

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# Regional MSA Construction Potential Index

The following section shows the Construction Potential Index developed by Armada in conjunction with Pioneer IQ for the largest Metropolitan Statistical Areas (MSAs) in the country. This index measures growth potential and construction spending per capita to create the construction potential index. The score itself is not as important as the index in relation to all other markets. The index incorporates both residential and nonresidential construction potential. Q1 2026 Census Construction GDP data is the latest available.

| Rank | MSA                                          | NAED Construction Scoring System | Outlook Region | Change in Gross Construction GDP             |                                              | BEA Region |
|------|----------------------------------------------|----------------------------------|----------------|----------------------------------------------|----------------------------------------------|------------|
|      |                                              | Construction Potential Score     |                | Q1 2026 Q/Q Change in Gross Construction GDP | Q1 2026 Y/Y Change in Gross Construction GDP |            |
| 1    | Dallas-Fort Worth-Arlington, TX              | 2781.9                           | South          | 0.2%                                         | 1.2%                                         | SW         |
| 2    | Chicago-Naperville-Elgin, IL-IN-WI           | 2651.0                           | Midwest        | 1.4%                                         | 5.2%                                         | GL         |
| 3    | Houston-The Woodlands-Sugar Land, TX         | 2583.9                           | South          | 0.2%                                         | 1.2%                                         | SW         |
| 4    | New York-Newark-Jersey City, NY-NJ-PA        | 2474.6                           | Northeast      | 0.4%                                         | -1.3%                                        | ME         |
| 5    | Los Angeles-Long Beach-Anaheim, CA           | 2109.8                           | West           | -0.6%                                        | -2.6%                                        | FW         |
| 6    | Phoenix-Mesa-Scottsdale, AZ                  | 1959.9                           | South          | 0.2%                                         | 4.0%                                         | SW         |
| 7    | Atlanta-Sandy Springs-Roswell, GA            | 1781.1                           | South          | 0.3%                                         | 6.5%                                         | SE         |
| 8    | Miami-Fort Lauderdale-West Palm Beach, FL    | 1500.7                           | South          | -0.5%                                        | -1.8%                                        | SE         |
| 9    | San Francisco-Oakland-Hayward, CA            | 1387.2                           | West           | -0.6%                                        | -2.6%                                        | FW         |
| 10   | Minneapolis-St. Paul-Bloomington, MN-WI      | 1301.1                           | Midwest        | 2.6%                                         | 4.4%                                         | GL         |
| 11   | Seattle-Tacoma-Bellevue, WA                  | 1287.8                           | West           | -1.1%                                        | -4.1%                                        | FW         |
| 12   | Washington-Arlington-Alexandria, DC-VA-MD-WV | 1242.4                           | Northeast      | -52.3%                                       | -51.9%                                       | ME         |
| 13   | Boston-Cambridge-Newton, MA-NH               | 1237.6                           | Northeast      | 1.4%                                         | 0.6%                                         | NE         |
| 14   | Las Vegas-Henderson-Paradise, NV             | 1130.6                           | West           | 0.1%                                         | 3.9%                                         | FW         |
| 15   | Denver-Aurora-Lakewood, CO                   | 1094.5                           | West           | -0.4%                                        | -1.3%                                        | RM         |
| 16   | Baltimore-Columbia-Towson, MD                | 1048.1                           | Northeast      | 0.4%                                         | 3.7%                                         | ME         |
| 17   | Riverside-San Bernardino-Ontario, CA         | 999.9                            | West           | -0.6%                                        | -2.6%                                        | FW         |
| 18   | Austin-Round Rock, TX                        | 992.9                            | South          | 0.2%                                         | 1.2%                                         | SW         |
| 19   | Orlando-Kissimmee-Sanford, FL                | 966.3                            | South          | -0.5%                                        | -1.8%                                        | SE         |
| 20   | Tampa-St. Petersburg-Clearwater, FL          | 919.5                            | South          | -0.5%                                        | -1.8%                                        | SE         |
| 21   | Portland-Vancouver-Hillsboro, OR-WA          | 899.1                            | West           | 1.4%                                         | -1.2%                                        | FW         |
| 22   | Salt Lake City, UT                           | 886.1                            | West           | 0.4%                                         | -0.5%                                        | RM         |
| 23   | Indianapolis-Carmel-Anderson, IN             | 808.5                            | Midwest        | 1.1%                                         | 2.9%                                         | GL         |
| 24   | Nashville-Davidson-Murfreesboro-Franklin, TN | 804.9                            | South          | -0.2%                                        | 1.0%                                         | SE         |
| 25   | Charlotte-Concord-Gastonia, NC-SC            | 732.6                            | South          | 1.2%                                         | 4.8%                                         | SE         |
| 26   | St. Louis, MO-IL                             | 731.8                            | Midwest        | 1.4%                                         | 5.5%                                         | P          |
| 27   | Sacramento-Roseville-Arden-Arcade, CA        | 713.5                            | West           | -0.6%                                        | -2.6%                                        | FW         |
| 28   | Detroit-Warren-Dearborn, MI                  | 710.4                            | Midwest        | 0.7%                                         | 2.1%                                         | GL         |
| 29   | Raleigh, NC                                  | 679.8                            | South          | 1.2%                                         | 4.8%                                         | SE         |
| 30   | Columbus, OH                                 | 678.2                            | Midwest        | 0.7%                                         | 6.7%                                         | GL         |
| 31   | San Diego-Carlsbad, CA                       | 666.2                            | West           | -0.6%                                        | -2.6%                                        | FW         |
| 32   | San Antonio-New Braunfels, TX                | 650.0                            | South          | 0.2%                                         | 1.2%                                         | SW         |
| 33   | Kansas City, MO-KS                           | 585.2                            | Midwest        | 1.7%                                         | 4.8%                                         | P          |
| 34   | Cincinnati, OH-KY-IN                         | 569.0                            | Midwest        | 1.0%                                         | 2.6%                                         | GL         |
| 35   | Baton Rouge, LA                              | 564.0                            | South          | 1.6%                                         | 3.6%                                         | SE         |
| 36   | San Jose-Sunnyvale-Santa Clara, CA           | 537.6                            | West           | -0.6%                                        | -2.6%                                        | FW         |
| 37   | Jacksonville, FL                             | 516.3                            | South          | -0.5%                                        | -1.8%                                        | SE         |
| 38   | Provo-Orem, UT                               | 427.6                            | West           | 0.4%                                         | -0.5%                                        | RM         |
| 39   | Charleston-North Charleston, SC              | 413.2                            | South          | -1.0%                                        | 5.0%                                         | SE         |
| 40   | Boise City, ID                               | 409.7                            | West           | 1.5%                                         | 7.9%                                         | RM         |
| 41   | Louisville-Jefferson County, KY-IN           | 364.3                            | South          | 0.9%                                         | -0.7%                                        | SE         |
| 42   | Richmond, VA                                 | 363.6                            | South          | -1.4%                                        | -1.1%                                        | SE         |
| 43   | Grand Rapids-Wyoming, MI                     | 337.6                            | Midwest        | 0.7%                                         | 2.1%                                         | GL         |
| 44   | Urban Honolulu, HI                           | 324.6                            | West           | 0.1%                                         | 3.1%                                         | FW         |
| 45   | Reno, NV                                     | 318.8                            | West           | 0.1%                                         | 3.9%                                         | FW         |

| Rank | MSA                                           | NAED<br>Construction<br>Scoring<br>System | Outlook<br>Region | Change in Gross<br>Construction GDP                      |                                                          | BEA Region |
|------|-----------------------------------------------|-------------------------------------------|-------------------|----------------------------------------------------------|----------------------------------------------------------|------------|
|      |                                               | Construction<br>Potential<br>Score        |                   | Q1 2026 Q/Q<br>Change in<br>Gross<br>Construction<br>GDP | Q1 2026 Y/Y<br>Change in<br>Gross<br>Construction<br>GDP |            |
| 46   | Philadelphia-Camden-Wilmington, PA-NJ-DE-MD   | 317.3                                     | Northeast         | 0.5%                                                     | 1.4%                                                     | ME         |
| 47   | North Port-Sarasota-Bradenton, FL             | 317.2                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 48   | New Orleans-Metairie, LA                      | 317.1                                     | South             | 1.6%                                                     | 3.6%                                                     | SE         |
| 49   | Ogden-Clearfield, UT                          | 313.8                                     | West              | 0.4%                                                     | -0.5%                                                    | RM         |
| 50   | Cape Coral-Fort Myers, FL                     | 308.6                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 51   | Milwaukee-Waukesha-West Allis, WI             | 304.3                                     | Midwest           | 0.8%                                                     | 4.0%                                                     | GL         |
| 52   | Greenville-Anderson-Mauldin, SC               | 296.3                                     | South             | -1.0%                                                    | 5.0%                                                     | SE         |
| 53   | Des Moines-West Des Moines, IA                | 279.3                                     | Midwest           | 0.5%                                                     | -0.5%                                                    | P          |
| 54   | Oklahoma City, OK                             | 270.4                                     | South             | 1.2%                                                     | -3.0%                                                    | SW         |
| 55   | Colorado Springs, CO                          | 253.1                                     | West              | -0.4%                                                    | -1.3%                                                    | RM         |
| 56   | Omaha-Council Bluffs, NE-IA                   | 244.2                                     | Midwest           | 2.8%                                                     | 4.0%                                                     | P          |
| 57   | Columbia, SC                                  | 240.0                                     | South             | -1.0%                                                    | 5.0%                                                     | SE         |
| 58   | Birmingham-Hoover, AL                         | 234.5                                     | South             | 1.8%                                                     | 6.0%                                                     | SE         |
| 59   | Tucson, AZ                                    | 220.7                                     | South             | 0.2%                                                     | 4.0%                                                     | SW         |
| 60   | Memphis, TN-MS-AR                             | 219.0                                     | South             | 27.3%                                                    | 0.4%                                                     | SE         |
| 61   | Lakeland-Winter Haven, FL                     | 212.8                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 62   | Durham-Chapel Hill, NC                        | 208.4                                     | South             | 1.2%                                                     | 4.8%                                                     | SE         |
| 63   | Myrtle Beach-Conway-North Myrtle Beach, SC-NC | 205.7                                     | South             | 1.8%                                                     | 4.9%                                                     | SE         |
| 64   | Tulsa, OK                                     | 197.3                                     | South             | 1.2%                                                     | -3.0%                                                    | SW         |
| 65   | Madison, WI                                   | 195.1                                     | Midwest           | 0.8%                                                     | 4.0%                                                     | GL         |
| 66   | Greensboro-High Point, NC                     | 189.8                                     | South             | 1.2%                                                     | 4.8%                                                     | SE         |
| 67   | Albuquerque, NM                               | 185.3                                     | South             | 0.1%                                                     | 9.4%                                                     | SW         |
| 68   | Naples-Immokalee-Marco Island, FL             | 173.7                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 69   | Fresno, CA                                    | 172.2                                     | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 70   | Deltona-Daytona Beach-Ormond Beach, FL        | 170.9                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 71   | Fayetteville-Springdale-Rogers, AR-MO         | 170.4                                     | South             | 2.2%                                                     | 4.5%                                                     | SE         |
| 72   | Bridgeport-Stamford-Norwalk, CT               | 165.7                                     | Northeast         | 0.3%                                                     | 3.2%                                                     | NE         |
| 73   | Lancaster, PA                                 | 164.8                                     | Northeast         | 0.2%                                                     | 1.1%                                                     | ME         |
| 74   | Palm Bay-Melbourne-Titusville, FL             | 162.7                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 75   | Knoxville, TN                                 | 158.3                                     | South             | -0.2%                                                    | 1.0%                                                     | SE         |
| 76   | Augusta-Richmond County, GA-SC                | 157.9                                     | South             | 0.3%                                                     | 5.4%                                                     | SE         |
| 77   | Stockton-Lodi, CA                             | 156.9                                     | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 78   | Albany-Schenectady-Troy, NY                   | 154.2                                     | Northeast         | -1.1%                                                    | -3.3%                                                    | ME         |
| 79   | Greeley, CO                                   | 152.8                                     | West              | -0.4%                                                    | -1.3%                                                    | RM         |
| 80   | Little Rock-North Little Rock-Conway, AR      | 147.9                                     | South             | -0.4%                                                    | -0.9%                                                    | SE         |
| 81   | Santa Rosa, CA                                | 144.0                                     | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 82   | Corpus Christi, TX                            | 141.9                                     | South             | 0.2%                                                     | 1.2%                                                     | SW         |
| 83   | Rochester, NY                                 | 141.1                                     | Northeast         | -1.1%                                                    | -3.3%                                                    | ME         |
| 84   | Huntsville, AL                                | 140.2                                     | South             | 1.6%                                                     | 3.6%                                                     | SE         |
| 85   | Bakersfield, CA                               | 134.1                                     | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 86   | Anchorage, AK                                 | 129.3                                     | West              | 1.5%                                                     | 7.0%                                                     | FW         |
| 87   | Lexington-Fayette, KY                         | 129.0                                     | South             | 0.0%                                                     | -7.3%                                                    | SE         |
| 88   | Salisbury, MD-DE                              | 127.7                                     | Northeast         | 0.6%                                                     | 4.0%                                                     | ME         |
| 89   | Fort Collins, CO                              | 126.6                                     | West              | -0.4%                                                    | -1.3%                                                    | RM         |
| 90   | Oxnard-Thousand Oaks-Ventura, CA              | 124.9                                     | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 91   | Pensacola-Ferry Pass-Brent, FL                | 122.3                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 92   | Wichita, KS                                   | 121.3                                     | Midwest           | 0.0%                                                     | 5.3%                                                     | P          |
| 93   | Vallejo-Fairfield, CA                         | 115.4                                     | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 94   | Spokane-Spokane Valley, WA                    | 113.5                                     | West              | -1.1%                                                    | -4.1%                                                    | FW         |
| 95   | Port St. Lucie, FL                            | 111.2                                     | South             | -0.5%                                                    | -1.8%                                                    | SE         |
| 96   | Savannah, GA                                  | 106.2                                     | South             | 0.3%                                                     | 6.5%                                                     | SE         |
| 97   | Fargo, ND-MN                                  | 105.4                                     | Midwest           | 1.5%                                                     | 2.7%                                                     | P          |
| 98   | Killeen-Temple, TX                            | 103.9                                     | South             | 0.2%                                                     | 1.2%                                                     | SW         |
| 99   | McAllen-Edinburg-Mission, TX                  | 96.9                                      | South             | 0.2%                                                     | 1.2%                                                     | SW         |

| Rank | MSA                           | NAED<br>Construction<br>Scoring<br>System | Outlook<br>Region | Change in Gross<br>Construction GDP                      |                                                          | BEA Region |
|------|-------------------------------|-------------------------------------------|-------------------|----------------------------------------------------------|----------------------------------------------------------|------------|
|      |                               | Construction<br>Potential<br>Score        |                   | Q1 2026 Q/Q<br>Change in<br>Gross<br>Construction<br>GDP | Q1 2026 Y/Y<br>Change in<br>Gross<br>Construction<br>GDP |            |
| 100  | Kennewick-Richland, WA        | 93.9                                      | West              | -1.1%                                                    | -4.1%                                                    | FW         |
| 101  | Sioux Falls, SD               | 91.6                                      | Midwest           | 0.7%                                                     | -3.5%                                                    | P          |
| 102  | Modesto, CA                   | 83.0                                      | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 103  | Santa Maria-Santa Barbara, CA | 73.5                                      | West              | -0.6%                                                    | -2.6%                                                    | FW         |
| 104  | Lafayette, LA                 | 72.6                                      | South             | 1.6%                                                     | 3.6%                                                     | SE         |
| 105  | Visalia-Porterville, CA       | 47.4                                      | West              | -0.6%                                                    | -2.6%                                                    | FW         |

# Residential Construction

The following section includes viewpoints on factors in the residential construction sector.

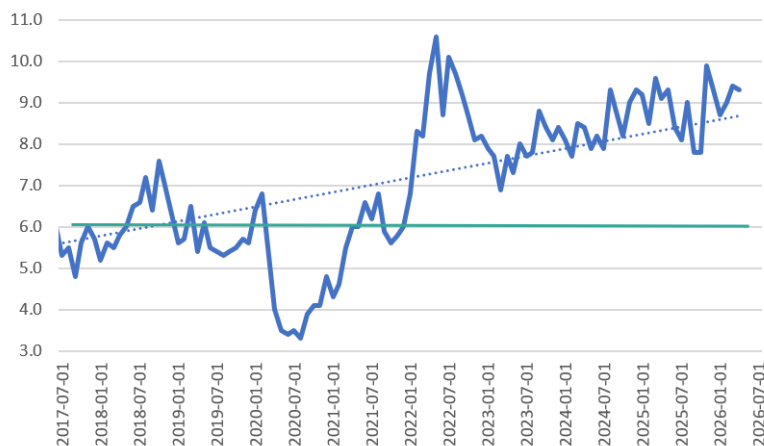
**Total Residential Construction**  
Year-over-Year Percent Change



## Total Residential Construction (PRRESCONS)

- Total residential construction in May (latest available), was up by 1.8% Y/Y (up 1.5% last month). It was up 0.3% M/M.
- **Outlook:** While remodeling remains a stable baseline, the most critical storyline is the persistent freeze in existing home turnover. With the 10-year Treasury keeping mortgage rates elevated, the "lock-in effect" continues to suppress existing home sales. For residential contractors, this lack of existing inventory creates a mixed dynamic: it funnels available buyers into new construction, providing a crucial floor for homebuilder demand. However, capturing this demand often requires builders to offer margin-compressing incentives, such as mortgage rate buydowns, to offset affordability issues. The broader residential sector will struggle to find robust volume growth until rates drop enough to thaw the existing home market.

**Monthly Supply of New Houses in the US**



## Monthly Supply of Homes (MSACSR)

- The monthly supply of homes came in at 9.3, which is elevated historically. A balanced market would be roughly 6 months of inventory on hand.
- **Outlook:** The monthly supply of homes data has remained in this higher band now since 2023. This, and a sluggish buyer market, has kept many spec home developers on the sidelines except in specific markets and regions where population growth is helping with local home sales. Multifamily homes have also gone through an overbuilding phase in some of the bigger markets, and they are also sitting. The good news here is that absorption rates of multifamily have improved in most markets, and 2027 could be a good year for construction activity in that sector. Single-family construction will rely more on a softening bond market (lower interest rates) in order to spur demand.

## Housing Permits (<https://www.census.gov/construction/bps/>)

- Housing permits were down 1.8% Y/Y through the end of June (latest available). Single-family was down a modest 0.1% from a year ago and multi-family was down 5.5% from last year (multi-family rates can be volatile M/M).
- **Looking Ahead:** Much of the lack of activity in the housing market can be tied to a high US bond market. Bond traders will demand higher yields in high risk environments such as this one, and bond rates have returned to levels not seen since 2007. Mortgage rates sit on top of bond rates, and current mortgage rates are approaching 6.7% (as opposed to sub-6% at the start of the conflict in the Middle East in February). Other demographic factors are also delaying new spec home starts, but most consumer generations show a willingness to make purchases when interest rates are higher. Higher material rates can often be compensated by builders (smaller square footage, cheaper fixtures, etc.). Really, growth is being hampered primarily by bond yields.

| Month    | United States |        |         |              |                 |
|----------|---------------|--------|---------|--------------|-----------------|
|          | Total         | 1 unit | 2 units | 3 to 4 units | 5 units or more |
| Jun 2025 | 128.5         | 79.9   | 2.8     | 1.5          | 44.3            |
| Jul 2025 | 121.5         | 79.0   | 3.2     | 1.5          | 37.7            |
| Aug 2025 | 113.9         | 72.4   | 2.9     | 1.5          | 37.1            |
| Sep 2025 | 118.2         | 73.4   | 3.1     | 1.7          | 40.0            |
| Oct 2025 | 125.3         | 76.4   | 3.5     | 1.7          | 43.3            |
| Nov 2025 | 94.1          | 58.5   | 2.7     | 1.2          | 31.7            |
| Dec 2025 | 117.6         | 63.6   | 2.4     | 1.5          | 50.0            |
| Jan 2026 | 100.2         | 62.0   | 2.5     | 1.2          | 34.5            |
| Feb 2026 | 113.7         | 69.8   | 2.6     | 0.9          | 40.4            |
| Mar 2026 | 121.8         | 82.2   | 2.7     | 1.4          | 35.5            |
| Apr 2026 | 129.4         | 84.5   | 3.2     | 1.6          | 40.1            |
| May 2026 | 120.5         | 79.2   | 3.0     | 1.3          | 36.9            |
| Jun 2026 | 130.5         | 83.8   | 3.1     | 1.7          | 41.9            |

The following section shows housing permits authorized by region for total, single-family, and multi-family.

| Month    | Northeast |        |                     |        |        |        |                     |        |        |        |                     |        |
|----------|-----------|--------|---------------------|--------|--------|--------|---------------------|--------|--------|--------|---------------------|--------|
|          | Total     | Y/Y    | 3-Month Moving Avg. | M/M    | 1 unit | Y/Y    | 3-Month Moving Avg. | M/M    | 5 unit | Y/Y    | 3-Month Moving Avg. | M/M    |
| Jun 2025 | 10.1      | -14.4% | -0.5%               | -6.5%  | 5.1    | -10.5% | -2.5%               | -1.9%  | 5.0    | -18.0% | 1.8%                | -10.7% |
| Jul 2025 | 10.9      | -11.4% | 0.5%                | 7.9%   | 4.9    | -9.3%  | -3.8%               | -3.9%  | 6.0    | -13.0% | 5.0%                | 20.0%  |
| Aug 2025 | 10.6      | -15.9% | -0.4%               | -2.8%  | 4.8    | -20.0% | -2.6%               | -2.0%  | 5.8    | -12.1% | 2.0%                | -3.3%  |
| Sep 2025 | 12.1      | 19.8%  | 6.4%                | 14.2%  | 5.0    | -2.0%  | -0.6%               | 4.2%   | 7.1    | 42.0%  | 13.0%               | 22.4%  |
| Oct 2025 | 12.1      | 9.0%   | 3.8%                | 0.0%   | 5.4    | -6.9%  | 3.4%                | 8.0%   | 6.7    | 26.4%  | 4.5%                | -5.6%  |
| Nov 2025 | 9.0       | -18.2% | -3.8%               | -25.6% | 3.9    | -9.3%  | -5.2%               | -27.8% | 5.1    | -23.9% | -2.4%               | -23.9% |
| Dec 2025 | 16.0      | 15.1%  | 17.4%               | 77.8%  | 4.4    | 0.0%   | -2.3%               | 12.8%  | 11.6   | 22.1%  | 32.6%               | 127.5% |
| Jan 2026 | 11.4      | 16.3%  | 7.8%                | -28.8% | 3.9    | -11.4% | -8.8%               | -11.4% | 7.5    | 38.9%  | 22.7%               | -35.3% |
| Feb 2026 | 10.9      | 43.4%  | 14.9%               | -4.4%  | 3.3    | -19.5% | -4.6%               | -15.4% | 7.6    | 117.1% | 31.1%               | 1.3%   |
| Mar 2026 | 9.9       | -3.9%  | -14.1%              | -9.2%  | 4.4    | -20.0% | 2.2%                | 33.3%  | 5.5    | 14.6%  | -20.5%              | -27.6% |
| Apr 2026 | 10.3      | -4.6%  | -3.2%               | 4.0%   | 5.0    | -9.1%  | 10.5%               | 13.6%  | 5.3    | 0.0%   | -10.0%              | -3.6%  |
| May 2026 | 11.4      | 5.6%   | 1.8%                | 10.7%  | 4.6    | -11.5% | 13.0%               | -8.0%  | 6.8    | 21.4%  | -1.0%               | 28.3%  |
| Jun 2026 | 14.8      | 46.5%  | 14.8%               | 29.8%  | 5.0    | -2.0%  | 4.8%                | 8.7%   | 9.8    | 96.0%  | 22.9%               | 44.1%  |

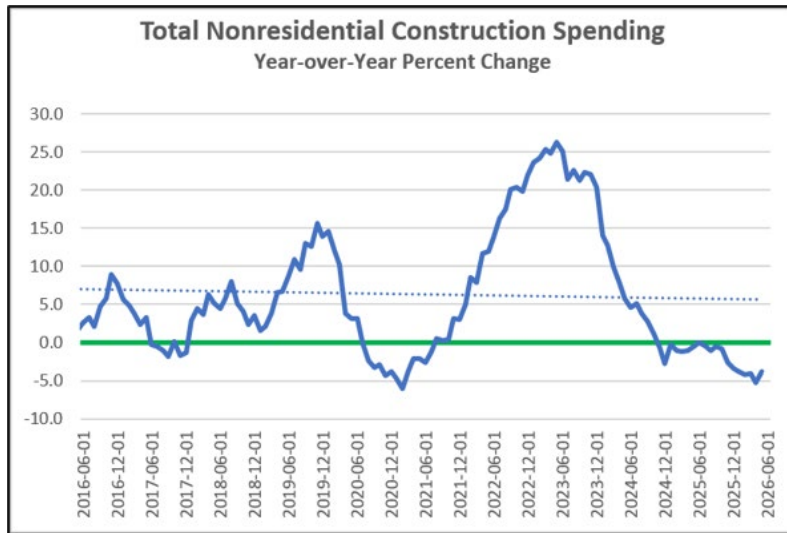
| Month    | Midwest |        |                     |        |        |       |                     |        |        |        |                     |        |
|----------|---------|--------|---------------------|--------|--------|-------|---------------------|--------|--------|--------|---------------------|--------|
|          | Total   | Y/Y    | 3-Month Moving Avg. | M/M    | 1 unit | Y/Y   | 3-Month Moving Avg. | M/M    | 5 unit | Y/Y    | 3-Month Moving Avg. | M/M    |
| Jun 2025 | 20.8    | 14.9%  | 7.3%                | 0.0%   | 11.8   | 5.4%  | 4.1%                | -4.8%  | 9.0    | 30.4%  | 15.0%               | 7.1%   |
| Jul 2025 | 20.0    | 15.6%  | 3.3%                | -3.8%  | 11.7   | 3.5%  | -2.4%               | -0.8%  | 8.3    | 38.3%  | 15.6%               | -7.8%  |
| Aug 2025 | 18.4    | -7.1%  | -3.9%               | -8.0%  | 11.2   | -3.4% | -3.3%               | -4.3%  | 7.2    | -12.2% | -4.6%               | -13.3% |
| Sep 2025 | 19.0    | 3.8%   | -2.9%               | 3.3%   | 12.4   | 6.9%  | 1.9%                | 10.7%  | 6.6    | -1.5%  | -9.8%               | -8.3%  |
| Oct 2025 | 20.4    | -0.5%  | 0.9%                | 7.4%   | 12.1   | -4.0% | 1.3%                | -2.4%  | 8.3    | 5.1%   | 1.4%                | 25.8%  |
| Nov 2025 | 13.8    | -16.9% | -7.2%               | -32.4% | 8.1    | -9.0% | -8.3%               | -33.1% | 5.7    | -26.0% | -4.6%               | -31.3% |
| Dec 2025 | 14.1    | -0.7%  | -7.6%               | 2.2%   | 7.6    | 0.0%  | -13.9%              | -6.2%  | 6.5    | -1.5%  | 2.8%                | 14.0%  |
| Jan 2026 | 12.8    | -0.8%  | -13.1%              | -9.2%  | 6.6    | -9.6% | -17.5%              | -13.2% | 6.2    | 10.7%  | -7.3%               | -4.6%  |
| Feb 2026 | 13.1    | -7.7%  | -1.6%               | 2.3%   | 7.9    | 3.9%  | 0.1%                | 19.7%  | 5.2    | -21.2% | -2.2%               | -16.1% |
| Mar 2026 | 18.3    | 8.3%   | 10.9%               | 39.7%  | 10.9   | 2.8%  | 14.8%               | 38.0%  | 7.4    | 17.5%  | 7.2%                | 42.3%  |
| Apr 2026 | 21.9    | 19.7%  | 20.6%               | 19.7%  | 12.4   | -1.6% | 23.8%               | 13.8%  | 9.5    | 66.7%  | 18.2%               | 28.4%  |
| May 2026 | 17.6    | -15.4% | 13.2%               | -19.6% | 11.8   | -4.8% | 15.6%               | -4.8%  | 5.8    | -31.0% | 10.6%               | -38.9% |
| Jun 2026 | 20.2    | -2.9%  | 4.9%                | 14.8%  | 12.5   | 5.9%  | 5.0%                | 5.9%   | 7.7    | -14.4% | 7.4%                | 32.8%  |

| Month    | South          |        |       |        |        |        |                |        |        |        |                |        |
|----------|----------------|--------|-------|--------|--------|--------|----------------|--------|--------|--------|----------------|--------|
|          | 3-Month Moving |        |       |        | 1 unit | Y/Y    | 3-Month Moving | M/M    | 5 unit | Y/Y    | 3-Month Moving | M/M    |
|          | Total          | Y/Y    | Avg.  | M/M    |        |        |                |        |        |        |                |        |
| Jun 2025 | 70.0           | 4.2%   | 0.2%  | 7.4%   | 46.8   | -3.1%  | -2.4%          | -4.1%  | 23.2   | 22.8%  | 8.4%           | 41.5%  |
| Jul 2025 | 66.2           | -5.3%  | -2.1% | -5.4%  | 46.5   | -8.3%  | -3.4%          | -0.6%  | 19.7   | 2.6%   | 3.5%           | -15.1% |
| Aug 2025 | 59.3           | -18.3% | -2.8% | -10.4% | 42.2   | -15.8% | -4.7%          | -9.2%  | 17.1   | -24.0% | 4.4%           | -13.2% |
| Sep 2025 | 61.5           | 4.1%   | -4.0% | 3.7%   | 41.1   | -4.4%  | -4.2%          | -2.6%  | 20.4   | 26.7%  | -3.0%          | 19.3%  |
| Oct 2025 | 63.1           | -3.8%  | -1.4% | 2.6%   | 42.9   | -10.4% | -2.5%          | 4.4%   | 20.2   | 14.1%  | 1.7%           | -1.0%  |
| Nov 2025 | 47.4           | -13.3% | -6.2% | -24.9% | 34.1   | -12.3% | -6.2%          | -20.5% | 13.3   | -15.8% | -5.3%          | -34.2% |
| Dec 2025 | 56.0           | -6.5%  | -1.4% | 18.1%  | 36.5   | -11.6% | -3.0%          | 7.0%   | 19.5   | 4.8%   | 3.8%           | 46.6%  |
| Jan 2026 | 54.2           | -17.9% | -3.3% | -3.2%  | 38.2   | -14.7% | -2.9%          | 4.7%   | 16.0   | -24.5% | -1.8%          | -17.9% |
| Feb 2026 | 61.4           | -2.2%  | 9.4%  | 13.3%  | 43.7   | -5.8%  | 8.7%           | 14.4%  | 17.7   | 7.9%   | 13.1%          | 10.6%  |
| Mar 2026 | 65.2           | -7.0%  | 5.4%  | 6.2%   | 49.3   | -2.4%  | 10.6%          | 12.8%  | 15.9   | -18.9% | -5.8%          | -10.2% |
| Apr 2026 | 69.9           | -1.7%  | 8.9%  | 7.2%   | 49.6   | -3.9%  | 9.3%           | 0.6%   | 20.3   | 4.1%   | 9.4%           | 27.7%  |
| May 2026 | 64.1           | -1.7%  | 1.7%  | -8.3%  | 47.3   | -3.1%  | 2.9%           | -4.6%  | 16.8   | 2.4%   | 0.1%           | -17.2% |
| Jun 2026 | 66.1           | -5.6%  | 0.7%  | 3.1%   | 48.7   | 4.1%   | -0.4%          | 3.0%   | 17.4   | -25.0% | 4.7%           | 3.6%   |

| Month    | West  |        |                     |        |        |        |                     |        |        |        |                     |        |
|----------|-------|--------|---------------------|--------|--------|--------|---------------------|--------|--------|--------|---------------------|--------|
|          | Total | Y/Y    | 3-Month Moving Avg. | M/M    | 1 unit | Y/Y    | 3-Month Moving Avg. | M/M    | 5 unit | Y/Y    | 3-Month Moving Avg. | M/M    |
|          |       |        |                     |        |        |        |                     |        |        |        |                     |        |
| Jun 2025 | 27.6  | -3.5%  | 1.1%                | -1.8%  | 16.1   | -13.0% | -3.3%               | -9.0%  | 11.5   | 13.9%  | 9.3%                | 10.6%  |
| Jul 2025 | 24.4  | -10.0% | -6.4%               | -11.6% | 15.8   | -14.6% | -5.2%               | -1.9%  | 8.6    | 0.0%   | -7.3%               | -25.2% |
| Aug 2025 | 25.7  | -4.5%  | -2.7%               | 5.3%   | 14.1   | -23.0% | -7.2%               | -10.8% | 11.6   | 34.9%  | 6.7%                | 34.9%  |
| Sep 2025 | 25.6  | -1.2%  | -2.2%               | -0.4%  | 14.8   | -12.9% | -2.6%               | 5.0%   | 10.8   | 21.3%  | 0.9%                | -6.9%  |
| Oct 2025 | 29.4  | 5.8%   | 6.6%                | 14.8%  | 15.8   | -12.7% | 0.3%                | 6.8%   | 13.6   | 40.2%  | 18.0%               | 25.9%  |
| Nov 2025 | 23.8  | -4.8%  | -1.5%               | -19.0% | 12.2   | -15.9% | -3.7%               | -22.8% | 11.6   | 10.5%  | 1.4%                | -14.7% |
| Dec 2025 | 31.4  | 27.6%  | 9.2%                | 31.9%  | 15.0   | 0.0%   | 2.3%                | 23.0%  | 16.4   | 70.8%  | 17.5%               | 41.4%  |
| Jan 2026 | 21.7  | -4.8%  | -6.0%               | -30.9% | 13.3   | -19.9% | -3.7%               | -11.3% | 8.4    | 35.5%  | -7.4%               | -48.8% |
| Feb 2026 | 28.2  | 28.8%  | 10.3%               | 30.0%  | 14.9   | -5.1%  | 7.9%                | 12.0%  | 13.3   | 114.5% | 17.0%               | 58.3%  |
| Mar 2026 | 28.4  | 5.6%   | -0.1%               | 0.7%   | 17.5   | -2.2%  | 6.0%                | 17.4%  | 10.9   | 21.1%  | -2.8%               | -18.0% |
| Apr 2026 | 27.2  | -8.7%  | 8.8%                | -4.2%  | 17.4   | -6.5%  | 9.6%                | -0.6%  | 9.8    | -12.5% | 10.1%               | -10.1% |
| May 2026 | 27.3  | -2.8%  | -1.0%               | 0.4%   | 15.6   | -11.9% | 2.2%                | -10.3% | 11.7   | 12.5%  | -2.9%               | 19.4%  |
| Jun 2026 | 29.4  | 6.5%   | 1.3%                | 7.7%   | 17.6   | 9.3%   | 0.6%                | 12.8%  | 11.8   | 2.6%   | 3.4%                | 0.9%   |

| NAHB/Wells Fargo National and Regional Housing Market Index (HMI) |      |      |      |      |             |              |             |        |        |  |
|-------------------------------------------------------------------|------|------|------|------|-------------|--------------|-------------|--------|--------|--|
| NATIONAL                                                          |      |      |      |      |             |              |             |        |        |  |
| (Seasonally Adjusted)                                             | 2026 |      |      |      |             |              |             |        |        |  |
|                                                                   | Jan. | Feb. | Mar. | Apr. | May Revised | June Revised | July Prelim | M/M    | Y/Y    |  |
| Housing Market Index                                              | 37   | 37   | 38   | 34   | 37          | 36           | 34          | -2.7%  | 3.0%   |  |
| Housing Market Index Components                                   |      |      |      |      |             |              |             |        |        |  |
| Single Family Sales: Present                                      | 41   | 41   | 41   | 37   | 40          | 38           | 37          | -5.0%  | 2.8%   |  |
| Single Family Sales: Next 6 Months                                | 49   | 47   | 49   | 42   | 45          | 45           | 43          | 0.0%   | 0.0%   |  |
| Traffic of Prospective Buyers                                     | 24   | 22   | 25   | 22   | 25          | 25           | 23          | 0.0%   | 15.0%  |  |
| REGIONAL HMI                                                      |      |      |      |      |             |              |             |        |        |  |
| (Seasonally Adjusted)                                             | 2026 |      |      |      |             |              |             |        |        |  |
|                                                                   | Jan. | Feb. | Mar. | Apr. | May Revised | June Revised | July Prelim | M/M    | Y/Y    |  |
| Northeast                                                         | 47   | 43   | 42   | 39   | 44          | 50           | 41          | 13.6%  | -14.6% |  |
| Midwest                                                           | 42   | 41   | 45   | 39   | 45          | 45           | 46          | 0.0%   | 7.0%   |  |
| South                                                             | 35   | 35   | 36   | 34   | 36          | 31           | 31          | -13.9% | 6.9%   |  |
| West                                                              | 34   | 30   | 31   | 26   | 27          | 27           | 25          | 0.0%   | 0.0%   |  |

# Nonresidential Construction



## Total Non-Residential Construction (TLNRESCONS)

- Total Non-Residential Construction was 3.8% lower than it was a year ago (5.2% lower last month). The latest data available was through May – this data lags. Overall spending was at an annual rate of \$1.267 Trillion.
- **Outlook:** Datacenter construction continues to dominate and distort the nonresidential landscape, with AI infrastructure investment driving a boom that generates relatively limited paper and packaging demand per dollar compared to traditional builds. The more paper-intensive segments (such as office, retail, and light commercial) remain sluggish, constrained by elevated borrowing costs and tariff-driven material inflation that continue to delay groundbreakings. The most reliable bright spots for paper and packaging demand remain manufacturing facility construction, driven by ongoing supply chain reshoring, and healthcare expansion, both of which maintain robust project pipelines heading into late 2026.

| Type of Construction         | Jun 2026 <sup>p</sup> | May 2026 <sup>f</sup> | Jun 2025         | Percent change Jun 2026 from - |             |
|------------------------------|-----------------------|-----------------------|------------------|--------------------------------|-------------|
|                              |                       |                       |                  | May 2026                       | Jun 2025    |
| <b>Total Construction</b>    | <b>2,166,539</b>      | <b>2,168,496</b>      | <b>2,237,719</b> | <b>-0.1</b>                    | <b>-3.2</b> |
| <b>Residential</b>           | <b>889,365</b>        | <b>892,448</b>        | <b>933,267</b>   | <b>-0.3</b>                    | <b>-4.7</b> |
| New single family            | 408,864               | 411,194               | 422,981          | -0.6                           | -3.3        |
| New multifamily              | 114,836               | 115,654               | 116,626          | -0.7                           | -1.5        |
| <b>Nonresidential</b>        | <b>1,277,174</b>      | <b>1,276,048</b>      | <b>1,304,452</b> | <b>0.1</b>                     | <b>-2.1</b> |
| Power                        | 177,635               | 176,512               | 171,601          | 0.6                            | 3.5         |
| Manufacturing                | 172,674               | 174,697               | 219,564          | -1.2                           | -21.4       |
| Highway and street           | 152,065               | 152,283               | 147,730          | -0.1                           | 2.9         |
| Educational                  | 137,656               | 138,055               | 138,555          | -0.3                           | -0.6        |
| Office                       | 132,750               | 129,312               | 118,009          | 2.7                            | 12.5        |
| Commercial                   | 121,245               | 122,774               | 128,841          | -1.2                           | -5.9        |
| Health care                  | 74,811                | 74,649                | 75,954           | 0.2                            | -1.5        |
| Transportation               | 72,461                | 71,969                | 70,918           | 0.7                            | 2.2         |
| Sewage and waste disposal    | 52,871                | 53,457                | 53,969           | -1.1                           | -2.0        |
| Amusement and recreation     | 49,111                | 48,803                | 47,714           | 0.6                            | 2.9         |
| Water supply                 | 35,689                | 35,806                | 35,388           | -0.3                           | 0.9         |
| Communication                | 29,420                | 29,263                | 28,764           | 0.5                            | 2.3         |
| Lodging                      | 24,524                | 24,405                | 26,968           | 0.5                            | -9.1        |
| Public safety                | 21,187                | 21,569                | 22,831           | -1.8                           | -7.2        |
| Conservation and development | 16,593                | 16,015                | 12,591           | 3.6                            | 31.8        |
| Religious                    | 6,483                 | 6,480                 | 5,056            | 0.0                            | 28.2        |

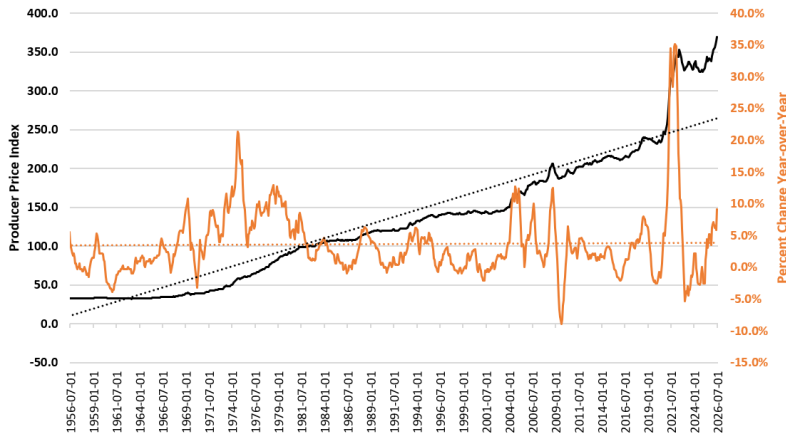
## Non-Residential Spending by Sector

(<https://www.census.gov/construction/c30/c30index.html>)

- The chart on the left shows a number of primary sectors of non-residential construction, and its M/M and Y/Y growth rate. The next 3 and 5 year annual growth rates are in a chart now shown in the forecast section at the end of the quarterly report. The sectors are ranked based on size of spending.
- Not surprisingly, data centers are expected to grow at the fastest pace at nearly 32% over the past year and the outlook shows it remaining strong through 2028. Moratoriums currently have more than \$130B in planned spending either stalled or looking for alternative locations. A small percentage (about 30%) can be located anywhere. Other facilities face latency issues and need to be closer to pockets of data utilization.
- Manufacturing is still going through a transitional phase in which many projects started in 2021/2022 are delivering and new projects are facing kickoff delays. As mentioned earlier, tariff uncertainty, bond rates, and higher material costs/shortages are stalling many projects.
- Power creation still goes hand-in-hand with data center construction and now has become the largest sector by nominal dollars of spending. All different forms of power generation are seeing growth, with SMR's coming into play toward the end of the decade.
- Other sectors (when adjusted for inflation) are either down Y/Y or are showing only modest growth at a national level. Obviously, pockets of nonresidential construction strength (especially in health care, education, civil projects, and light commercial) are good in those local markets where population growth and suburban sprawl are present.

# Raw Materials

Construction Materials Producer Price Index



## Construction Materials Price Index (WPUSI012011)

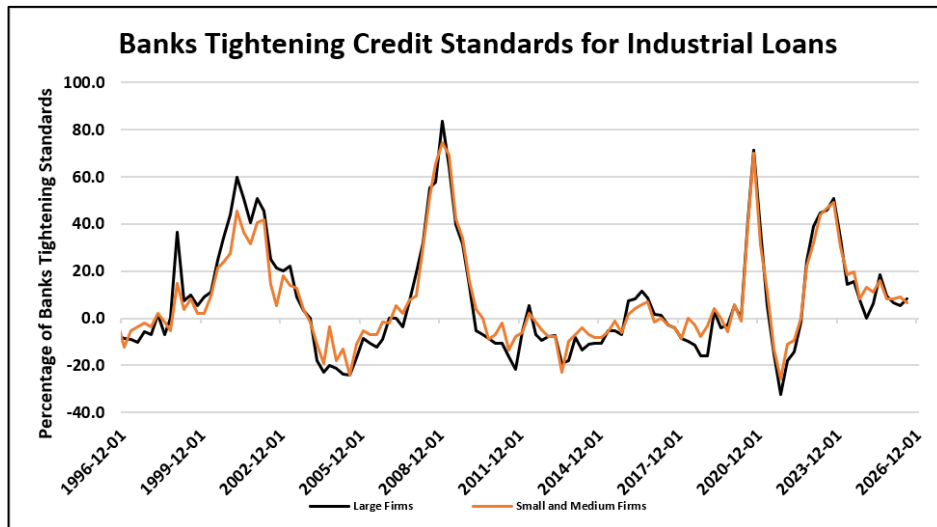
- The Producer Price Index for Construction Materials was higher by 1.4% M/M and was up 9.0% Y/Y through June (latest available). The current index is at 369.3 points; a new peak in the index.
- **Outlook:** Construction materials pressure is growing for copper, steel, aluminum, electrical control panels, electrical transformers, and many other products. The conflict in the Middle East was part of the story, new 301 tariffs on key supplier countries was also a factor on the supply-side of the equation. Obviously, demand is higher in key sectors including data centers, power generation, some pockets of advanced manufacturing, some health care projects, and pockets of higher ed. Civil projects are still strong and materials used for water and wastewater systems, some highway and bridge materials, etc.

Producer Price Index - Key Industry Products

| Category                                            | PPI Code       | Jun-26 | May-26 | M/M% Chg | Jun-25 | Y/Y % Chg | Annual Forecast |
|-----------------------------------------------------|----------------|--------|--------|----------|--------|-----------|-----------------|
| <b>Core Materials</b>                               |                |        |        |          |        |           |                 |
| Copper                                              | WPUSI019011    | 777.1  | 774.3  | 0.4%     | 599.1  | 29.7%     | 0.1%            |
| Lumber                                              | WPU081         | 280.1  | 281.1  | -0.4%    | 266.6  | 5.1%      | -1.2%           |
| Nickel                                              | WPU102504      | 220.4  | 219.4  | 0.5%     | 211.1  | 4.4%      | -3.5%           |
| Cement                                              | PCU32732032732 | 402.0  | 401.7  | 0.1%     | 394.7  | 1.8%      | 4.1%            |
| <b>Pipe, Valves and Fittings</b>                    |                |        |        |          |        |           |                 |
| Metal valves, except fluid power                    | WPU114902      | 506.0  | 506.8  | -0.2%    | 473.5  | 6.9%      | 5.8%            |
| Gates, globes, angles and check valves              | WPU114902011   | 189.6  | 189.6  | 0.0%     | 184.4  | 2.8%      | 6.0%            |
| Ball valves                                         | WPU11490202    | 630.1  | 641.8  | -1.8%    | 610.8  | 3.2%      | 3.9%            |
| Butterfly valves (formerly W2421490203)             | WPU11490203    | 381.4  | 381.4  | 0.0%     | 354.8  | 7.5%      | 2.7%            |
| Industrial plug valves                              | WPU11490204    | 366.5  | 366.5  | 0.0%     | 345.8  | 6.0%      | 7.1%            |
| Solenoid valves                                     | WPU11490208    | 372.2  | 372.2  | 0.0%     | 372.2  | 0.0%      | 1.5%            |
| Other industrial valves, including nuclear          | WPU11490209    | 450.1  | 449.4  | 0.2%     | 435.5  | 3.4%      | 9.3%            |
| Automatic valves                                    | WPU11490211    | 289.5  | 289.5  | 0.0%     | 277.1  | 4.5%      | 4.6%            |
| Metal pipe fittings, flanges and unions             | WPU11490301    | 544.3  | 544.0  | 0.0%     | 513.5  | 6.0%      | 3.8%            |
| Steel pipe and tube                                 | WPU101706      | 421.0  | 410.9  | 2.4%     | 386.3  | 9.0%      | -0.5%           |
| Steel pipe and tube, stainless                      | WPU10170674    | 156.5  | 151.3  | 3.5%     | 144.1  | 8.6%      | 1.2%            |
| Copper and Brass Mill Shapes                        | WPU102502      | 803.3  | 804.0  | -0.1%    | 637.4  | 26.0%     | 1.2%            |
| Plastic pipe                                        | WPU07210603    | 182.6  | 181.2  | 0.8%     | 177.7  | 2.8%      | -4.9%           |
| Plastic pipe fittings and unions                    | WPU07210604    | 354.7  | 352.4  | 0.7%     | 327.2  | 8.4%      | 11.8%           |
| <b>Plumbing Fixtures, Fittings and Trim</b>         |                |        |        |          |        |           |                 |
| Bath and shower fittings                            | WPU10540211    | 286.7  | 286.7  | 0.0%     | 286.7  | 0.0%      | 0.0%            |
| Lavatory and sink fittings                          | WPU10540218    | 218.3  | 218.3  | 0.0%     | 211.1  | 3.4%      | 1.4%            |
| Enameled iron and metal sanitary ware               | WPU1056        | 284.5  | 284.5  | 0.0%     | 284.5  | 0.0%      | 0.0%            |
| <b>Steam and Hot Water Equipment</b>                |                |        |        |          |        |           |                 |
| Cast iron heating boilers, radiators and convectors | WPU10610106    | 333.1  | 331.9  | 0.4%     | 304.2  | 9.5%      | 12.1%           |
| Domestic water heaters                              | WPU106601      | 646.2  | 646.2  | 0.0%     | 641.4  | 0.7%      | 8.2%            |
| Electric water heaters                              | WPU10660101    | 640.4  | 640.4  | 0.0%     | 638.5  | 0.3%      | 8.5%            |
| Non-electric water heaters                          | WPU10660114    | 393.3  | 393.3  | 0.0%     | 389.4  | 1.0%      | 7.9%            |
| <b>Warehousing, Storage and Related Services</b>    |                |        |        |          |        |           |                 |
|                                                     | WPU321         | 146.7  | 148.5  | -1.2%    | 141.4  | 3.7%      | -1.0%           |

# Banking Credit and Finance

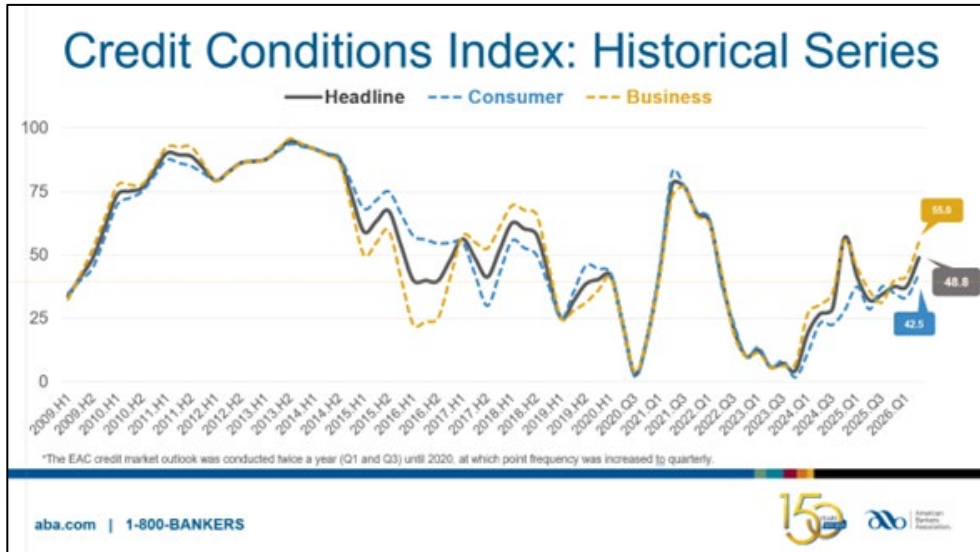
**Overall Observations:** The Federal Reserve kept its decision on interest rates unchanged in its latest meeting in July. Inflation was still well above the Fed's 2% target rate, and other economic measures were steady at the time of writing. Some analysts are building in a rate hike in the second half of 2026; 3 Fed Governors voted in favor of a hike in the July meeting. As mentioned last quarter, most eyes are still on the 10 Year Treasury, and concerns over the conflict, inflation, and US deficits are keeping rates high, which keeps mortgage rates above accommodative levels. The 30-Year US Treasury yield rate has gotten close to 2008 levels, which will tighten borrowing.



## Banks Tightening Conditions

(DRTSCILM; DRTSCIS)

- Bank tightening was mixed in Q2. Approximately 8.1% of large commercial firms were getting tighter conditions while only 6.6% of smaller and medium sized firms were seeing tightening, one of the first inversions in quite some time.
- Outlook:** Although not being widely and publicly announced, banks went through a modest tightening phase in Q2 relative to other cycles. That being said, conditions remain "accommodative" on a historical basis. Although conditions are not as "loose" as was seen prior to the pandemic, they are certainly down from the peaks hit in 2023, 2020, and dramatically during the financial crisis in 2008/2009. The conflict uncertainty has some in the credit market uneasy, but they continue to look for opportunities to lend.



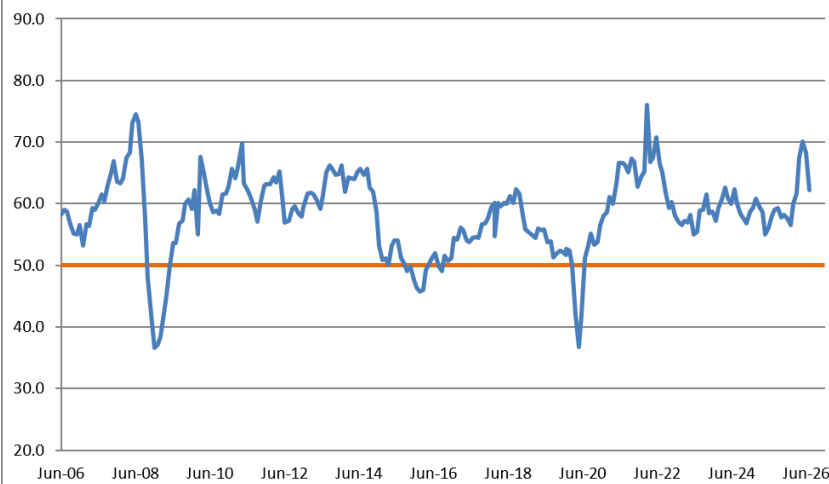
## ABA Credit Conditions

(ABA)

- The American Bankers Association's Credit Conditions Index for business credit increased 11.3 percentage points in Q2 at 48.8 (latest available at the time of publication). "Credit conditions are still expected to weaken over the next six months, with an improvement in business credit conditions offset by a weaker outlook for consumer credit".
- The Business Credit Index "rose 13.3 points to 55.0 in the second quarter, following a 1.7-point jump in the previous quarter. The outlook for business credit quality remained unchanged, however the conditions for business credit availability improved into expansionary territory over the quarter indicating a more positive outlook".
- Outlook:** According to the ABA: "While bank economists anticipate some softness in credit conditions over the next six months, expectations have become somewhat more favorable. Despite elevated inflation and modest job growth, the economy is still projected to expand." ABA Chief Economist Sayee Srinivasan

# Supply Chain and Transportation Situation

Composite Transportation Demand Index (TDI)



## Transportation Demand Growing

- The Transportation Demand Index shows the current demand environment for freight services, and it was still above 50 in June, but was decelerating.
- The composite TDI index came in 8.7% lower M/M in June, but it was 7.2% higher Y/Y (5.0% last month).
- **Outlook:** Although the index remains elevated, it has decelerated from the peak hit in April, which was deeper into the initial phases of the Iran Conflict. Readings closer to 50 are the midpoint between expansion and contraction, and this shows that the demand environment for transportation services remains elevated. Tight capacity is also pushing rates higher, especially in trucking. If a firm is using flatbed transportation, rates are up 35% Y/Y and an additional 25% fuel surcharge is being added to most spot shipments.

## All Modes Sharply Higher Y/Y But Decelerated M/M

- All modes of transportation are reacting to a wave of factors, a portion of which are tied to the conflict in the Middle East. Domestic trucking and rail transportation are both higher by 6.9% and 7.8% Y/Y respectively, despite both being down M/M in June. This softening is likely short-lived however, fundamentally tight capacity conditions are leaving shipping rates elevated. Even more expensive expedited air cargo is elevated with prices up 20-30% in many regions. Maritime rates are up 120% Y/Y headed into the US West Coast from Asia vs rates at this time from a year ago.

|                  | Jun-26 | May-26 | Jun-25 | Y/Y<br>Change % | M/M<br>Change % |
|------------------|--------|--------|--------|-----------------|-----------------|
| <b>Composite</b> | 62.3   | 68.2   | 58.1   | 7.2%            | -8.7%           |
| <b>Rail</b>      | 60.0   | 65.4   | 55.7   | 7.7%            | -8.3%           |
| <b>Trucking</b>  | 62.0   | 68.1   | 58.0   | 6.9%            | -9.0%           |
| <b>Air</b>       | 75.4   | 79.3   | 70.0   | 7.7%            | -4.9%           |
| <b>Maritime</b>  | 74.0   | 78.1   | 67.5   | 9.6%            | -5.2%           |

## What we are Watching in Transportation

**Prices and Capacity Up Across the Board.** This is the most inflated transportation environment since the Global Supply Chain Crisis hit in 2021. As of the end of July, here is the current macro situation with each primary mode of transportation.

- **Trucking.** The spot trucking market is facing tighter capacity (accelerating retirements, CDL revocations, deportations, and higher demand across construction and sectors that compete for CDL drivers), higher demand, and increased fuel costs. Spot rates are up 28.7% Y/Y and an additional 31.2% fuel surcharge is hitting rates. Capacity was down 17% Y/Y. For those using flatbed truck services, there were 139.7% more loads looking for every available truck (nearly 60 loads for every available truck) which pushed spot rates up 34.7% Y/Y and then with the additional fuel surcharge on top.
- **Maritime.** Drewry is reporting that the cost to move a container is 118% higher Y/Y for loads moving between Asia and the US West Coast. They were 83% higher headed into the US East Coast from Asia. The rate for a standard container between Asia and the US West Coast has hit \$5,739 while those from Asia to the US East Coast are \$7,578.
- **Rail.** Although spot rail rates are not readily available, intermodal shipment volumes are up 3.7% in the US through Week 29. The Producer Price Index, which does measure some changes in prices at a macro level, show them 4.7% higher Y/Y. This is much lower than the rates from trucking which were up 21.4% according to the Producer Price Index. Less-than-truckload rates were also elevated and were 18% higher Y/Y.

# Construction Industry Outlook

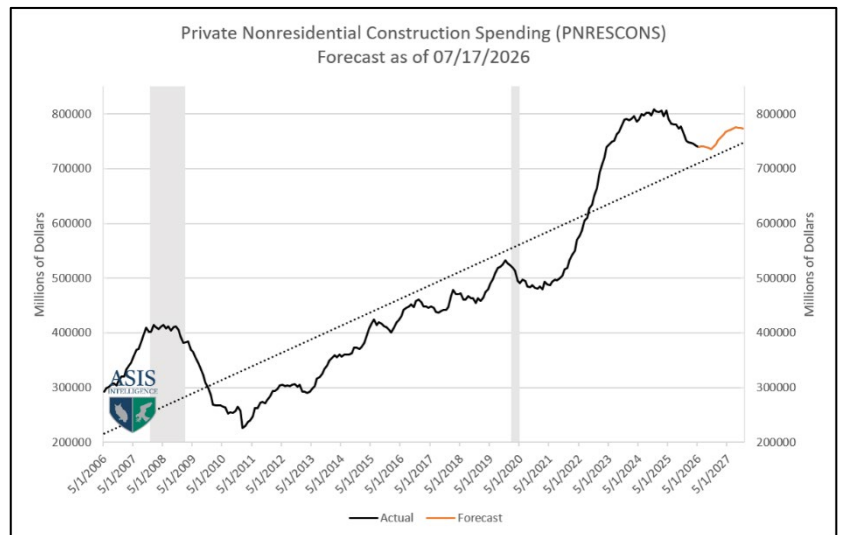
|                           | 2025 |     |     |     | 2026 |     |     |     | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---------------------------|------|-----|-----|-----|------|-----|-----|-----|------|------|------|------|------|------|------|------|------|
|                           | Q1   | Q2  | Q3  | Q4  | Q1   | Q2  | Q3  | Q4  |      |      |      |      |      |      |      |      |      |
| Real GDP                  | -0.6 | 3.8 | 4.4 | 1.4 | 1.6  | 1.5 | 2.0 | 2.3 | 2.3  | -2.8 | 5.9  | 2.1  | 2.9  | 2.7  | 2.2  | 1.8  | 2.5  |
| Unemployment rate (%)     | 4.2  | 4.1 | 4.2 | 4.3 | 4.3  | 4.3 | 4.4 | 4.4 | 3.7  | 8.1  | 5.4  | 3.6  | 3.6  | 4.2  | 4.3  | 4.4  | 4.2  |
| PCE Inflation (%Y/Y)      | 2.5  | 2.5 | 2.8 | 3.0 | 2.4  | 3.5 | 2.3 | 2.3 | 1.5  | 1.1  | 4.0  | 5.6  | 3.7  | 2.5  | 2.9  | 2.5  | 2.3  |
| Core PCE Inflation (%Y/Y) | 2.6  | 2.7 | 2.9 | 3.0 | 2.5  | 2.8 | 2.4 | 2.4 | 1.7  | 1.3  | 3.5  | 4.8  | 4.1  | 2.5  | 3.0  | 2.5  | 2.3  |
| Fed Funds Rate            | 4.3  | 4.1 | 3.8 | 3.6 | 3.6  | 3.4 | 3.4 | 3.4 | 1.6  | 0.1  | 0.1  | 4.4  | 5.4  | 4.3  | 3.6  | 3.4  | 3.2  |
| Canada Real GDP           | 0.6  | 0.9 | 1.0 | 1.6 | 0.6  | 1.0 | 1.0 | 1.6 | 1.8  | -5.2 | 4.5  | 3.4  | 1.1  | 1.6  | 1.7  | 2.0  | 2.0  |
| Unemployment rate (%)     | 6.7  | 6.5 | 6.5 | 6.5 | 6.2  | 6.4 | 6.5 | 6.6 | 5.8  | 9.7  | 7.5  | 5.3  | 5.8  | 6.5  | 6.5  | 6.6  | 6.3  |
| Mexico Real GDP           | 0.6  | 1.0 | 1.0 | 2.1 | 1.8  | 1.8 | 1.8 | 2.5 | -1.8 | -8.2 | 5.0  | 2.7  | 1.6  | 1.3  | 1.5  | 2.5  | 2.5  |
| Unemployment rate (%)     | 3.2  | 3.4 | 3.3 | 3.2 | 3.0  | 3.1 | 3.2 | 3.2 | 5.0  | 7.9  | 7.1  | 4.1  | 2.6  | 3.2  | 3.2  | 3.2  | 3.2  |

The Atlanta Fed was showing the start of Q3 at an aggressive 5.8% GDP growth rate. This will adjust lower as the quarter progresses, but general economic activity was stronger than expected across many sectors. Consumer spending was robust (growing at 6.2% in the latest available data) and investment in some pockets of the economy was also robust.

The construction sector is seeing one of the most bifurcated markets in memory. Record investments in data centers, power generation, and high historical spending (but decelerating) in advanced manufacturing was creating record earnings for some GC's and was tying up capacity for many firms. Some civil construction categories were also seeing strong growth, but that could have a limited window as Federal funding tightens in the coming years.

This near-term growth in activity pushed job openings in construction to more than 350,000 in the latest reading, and that comes with a housing market that is largely sluggish. Deportations, removal of non-compliant CDL drivers, retirements, and improving-but-still-not-sufficient new entrants into the construction sector are keeping labor tight. Despite that, the employment cost index (which includes benefits) remained at a reasonable 3.5% annual growth rate while the wage only estimate was growing at a sharper 4.3% rate. That defies what we are hearing and thinking at a national level, but that data comes from official Census and Department of Labor data. It may be reflecting weaker compensation levels in some of the markets where project volumes are sluggish.

But that is only half of the equation. When adjusting for inflation, there were a majority of sectors in nonresidential construction that were lower year-over-year. Headwinds ranging from financing rates to higher material costs, preferred GC's tied up on large projects and other factors were keeping starts sluggish. The overall market outlook in the forecast (chart on the right) shows growth flat across the industry through the end of the year and then accelerating in 2027. This assumes that the US Treasury rates ease (based on some sort of conflict resolution in the Middle East). This model has a 99.1% accuracy rate six months out.

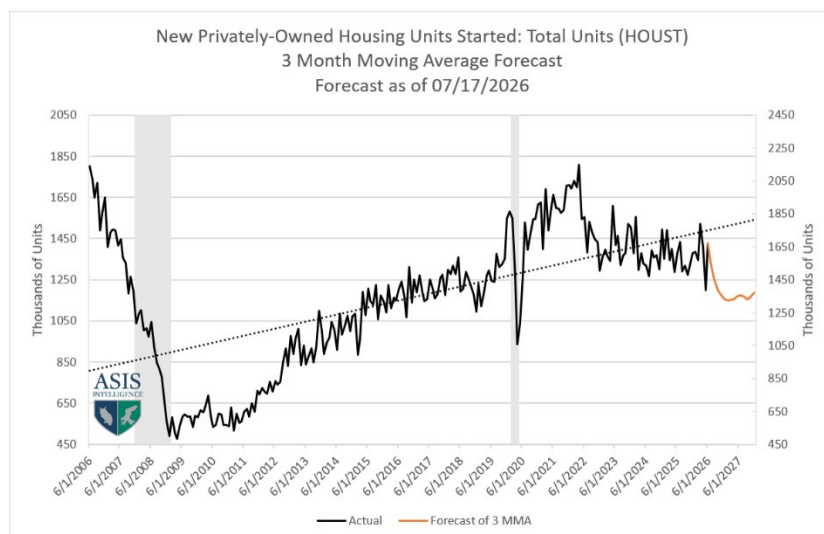


Mortgage rates and commercial bond rates will sit at a premium to US Treasury yield rates. Most banks will set rates based on 10 and 30 year yield rates, placing a 1.5 to 2 percentage point premium on yields. Current yield rates are 4.67% and are close to highs not seen since 2022 of 4.92% and prior to that we have to go back to 2007 to find a higher yield rate. This has consumers, spec home builders, and some new nonresidential projects staying on the sidelines.

The residential construction market needs some relief on the interest rate front in order to spur growth. New buyers are still being choked out of the market because of higher rates and rising material costs. Again, the current bond market showed a tendency to lean into lower yield rates (suggesting that they are hungry to buy and invest in US Treasuries), but they need to see improvement on the inflation and deficit front. Both of those will be directly tied to some sort of resolution in the Persian Gulf.

The outlook for the residential market took a sharp leg downward in the latest forecast, largely because US bond rates are one of the 22 economic measures that go into the model. As we can see in the chart on the right, the market shows a sharp drop off coming in the next quarter or two, and then it hangs there through much of 2027. We would expect this forecast to adjust upward if there are improvements in the Treasury yield rate. Based on comments out of the Federal Reserve, there won't be any help on that front.

Overall, the outlook is still highly bifurcated as mentioned. There are segments including defense, data centers, power generation and some civil projects in which interest rates simply don't matter. Those projects will move forward without rate easing. But other sectors will remain sensitive to rate hikes, spanning advanced manufacturing, residential, education, health care, and many others. That will keep the outlook choppy for now as the US works through the Middle East conflict.



| Category                         | Current Spending (\$M) | 2024 Annual (\$M) | 2025 Annual (\$M) | Forecast CAGR 3Y % | Forecast CAGR 5Y % |
|----------------------------------|------------------------|-------------------|-------------------|--------------------|--------------------|
| Total Private Construction       | \$1,661,190            | \$1,696,044       | \$1,650,755       | 3.5%               | 3.0%               |
| Residential (inc. Improvements)  | \$932,950              | \$929,547         | \$908,177         | 0.8%               | 1.8%               |
| New single family                | \$410,014              | \$433,280         | \$419,245         | 2.2%               | 2.8%               |
| New multifamily                  | \$115,115              | \$125,113         | \$114,671         | -3.8%              | -1.5%              |
| Nonresidential                   | \$728,241              | \$766,497         | \$742,578         | 5.5%               | 4.5%               |
| Manufacturing                    | \$195,309              | \$234,872         | \$218,899         | 7.0%               | 6.0%               |
| Power (inc. Gas and Oil)         | \$144,171              | \$136,761         | \$140,539         | 6.5%               | 5.5%               |
| Electric                         | \$118,899              | \$114,967         | \$118,899         | 7.0%               | 6.0%               |
| Commercial (broad inc. Farm)     | \$115,583              | \$126,815         | \$115,061         | 0.8%               | 1.5%               |
| Computer/ electronic/ electrical | \$103,658              | \$122,332         | \$103,658         | 4.0%               | 5.0%               |
| Office                           | \$93,209               | \$87,376          | \$89,868          | 1.5%               | 1.8%               |
| Warehouse                        | \$55,351               | \$62,833          | \$55,351          | 3.5%               | 4.0%               |
| Health care                      | \$52,947               | \$54,713          | \$53,213          | 3.2%               | 3.5%               |
| General commercial (Mixed use)   | \$49,276               | \$55,878          | \$49,276          | 5.1%               | 6.0%               |
| General                          | \$46,062               | \$52,950          | \$46,062          | -2.5%              | -1.0%              |
| Chemical                         | \$43,737               | \$39,989          | \$43,737          | 4.0%               | 3.5%               |
| Data center                      | \$41,100               | \$31,141          | \$41,100          | 28.0%              | 22.0%              |
| Communication                    | \$28,808               | \$28,754          | \$28,566          | -1.0%              | -0.5%              |
| Hospital                         | \$27,521               | \$26,666          | \$27,521          | 3.0%               | 3.2%               |
| Educational                      | \$25,988               | \$25,807          | \$25,142          | 4.5%               | 4.8%               |
| Lodging                          | \$23,304               | \$23,695          | \$22,909          | 3.5%               | 3.2%               |
| Medical building                 | \$20,441               | \$23,613          | \$20,441          | 3.5%               | 3.8%               |
| Transportation                   | \$19,593               | \$19,737          | \$19,354          | 4.5%               | 4.5%               |
| Amusement and Recreation         | \$19,969               | \$19,188          | \$19,482          | 7.5%               | 7.0%               |
| Multi-retail                     | \$16,008               | \$17,467          | \$16,008          | 1.9%               | 2.2%               |
| Food/beverage/ tobacco           | \$15,268               | \$15,602          | \$15,268          | 2.0%               | 2.5%               |
| Transportation equipment         | \$14,655               | \$15,658          | \$14,655          | 4.0%               | 3.5%               |
| Higher education                 | \$13,089               | \$13,231          | \$13,089          | 5.2%               | 5.5%               |
| Land                             | \$12,857               | \$13,841          | \$12,857          | 0.6%               | 0.8%               |
| Food/beverage                    | \$4,912                | \$5,573           | \$4,912           | 2.0%               | 2.5%               |