

IMPACT OF TARIFFS ON THE CONSTRUCTION INDUSTRY

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NIA | National Insulation
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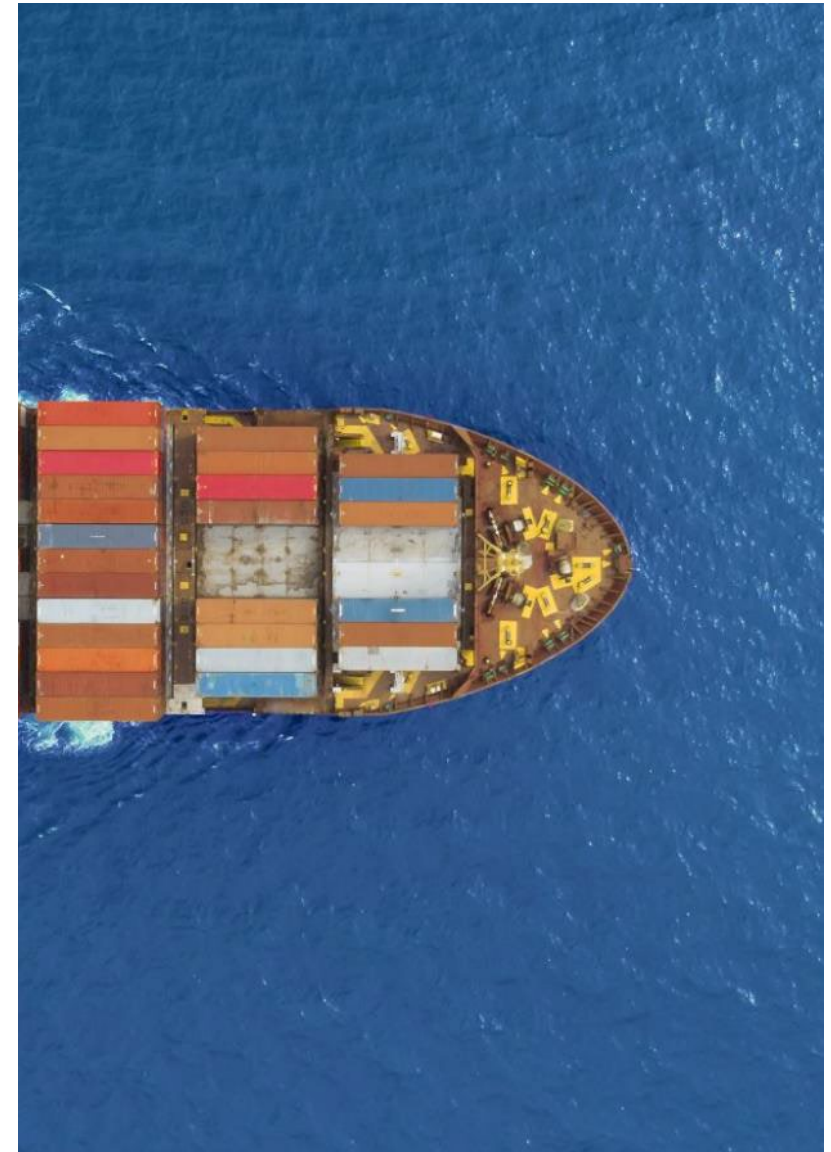
Discussion Topics

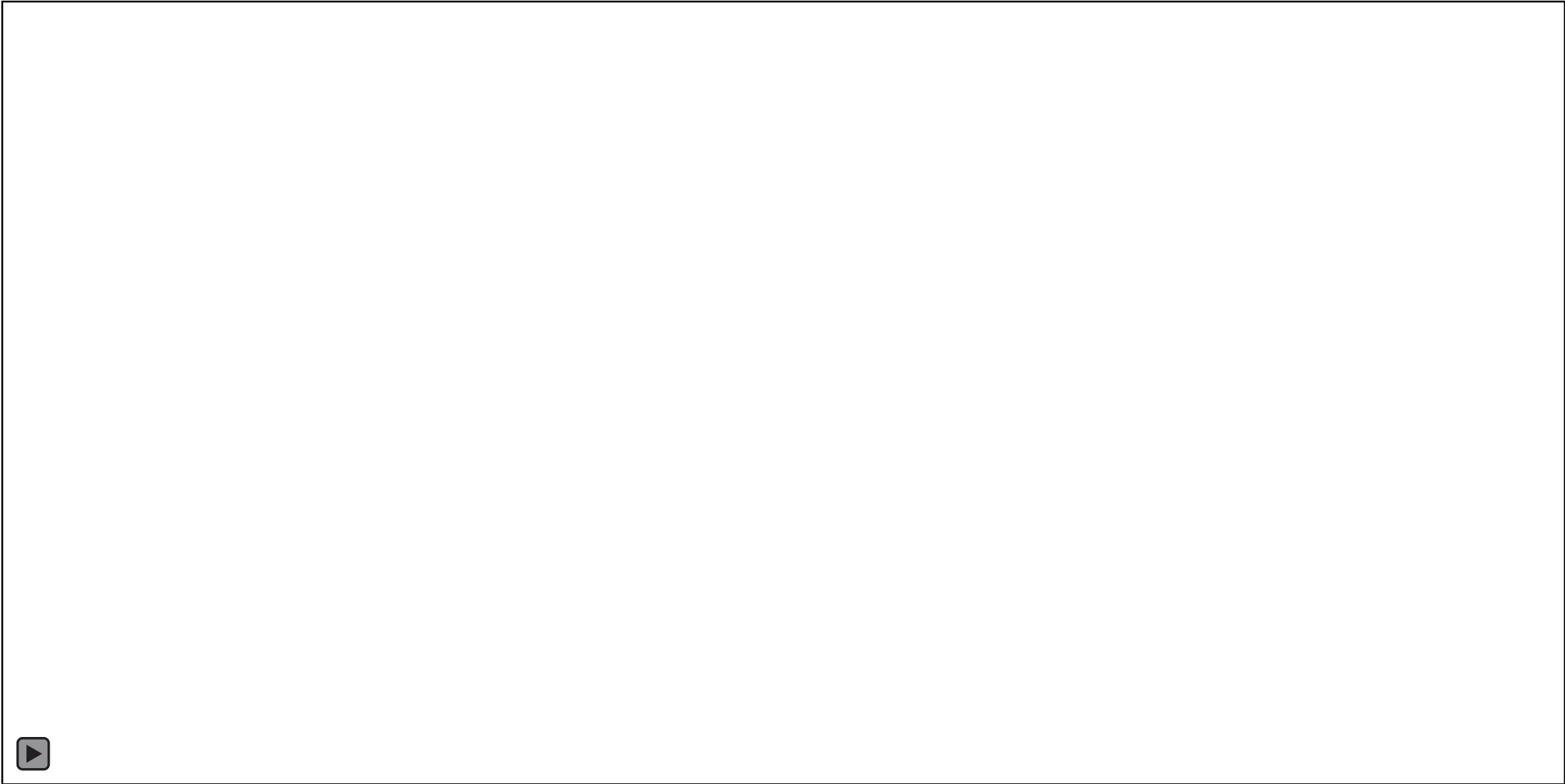
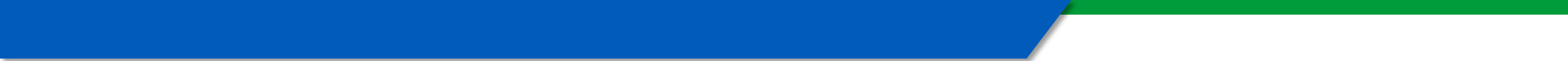
- 01 What are tariffs and what impact have they had?

- 02 Why mechanical insulation sector is uniquely exposed?

- 03 Tariff mechanisms and what “volatility” really means.

- 04 Impacts by stakeholder: manufacturers, distributors, contractors, and project owners.





Setting the Stage

Tariffs are now a recurring variable in project economics

- **What is a tariff:**
 - Tax or duty imposed by a government on imported goods
 - A charge for imported goods or equipment
 - In construction – AIA documents treat “tariffs” as “taxes”
- **Are tariffs “working”?**
 - Has income from tariffs helped with the national debt?
 - Have projects in the planning stages been canceled or tabled due to tariff impacts?



U.S. Tariff Update

What do we know?

- There is certainly a lot of “noise” surrounding tariffs
- SCOTUS ruling on tariffs implemented under the International Emergency Economic Powers Act (IEEPA)
 - Invalidates tariffs implemented under IEEPA
 - Section 232 and 301 tariffs were not impacted by the SCOTUS ruling on IEEPA
 - What happens to tariffs paid under IEEPA – can/will they be refunded – that was remanded to the U.S. Court of International Trade to sort out
- Trump Administration implemented new tariffs under Section 122 of the Trade Act of 1974 – initially was 10% then increased to 15% – for 150 days (effective through July 24, 2026)

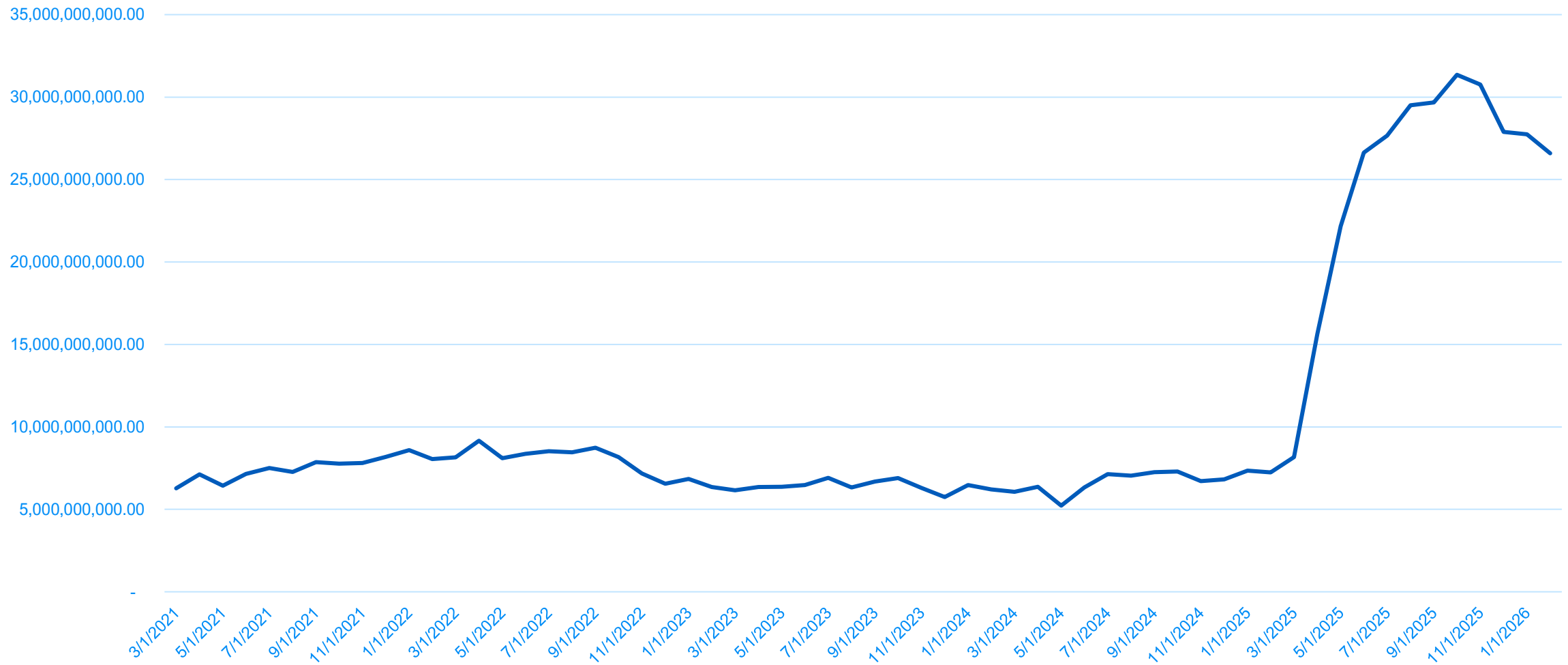
U.S. Tariff Update

U.S. Department of the Treasury – Bureau of Fiscal Service

- U.S. Government Customs Duties Receipts (net of refunds) – through January (fiscal year is October – September)
 - Current fiscal year-to-date – \$117.7 billion
 - Prior fiscal year-to-date – \$28.2 billion
 - Fiscal year ending 9/30/2025 – \$194.9 billion
 - Fiscal year ending 9/30/2024 – \$77.0 billion
 - Fiscal year ending 9/30/2023 – \$80.3 billion
 - Fiscal year ending 9/30/2202 – \$99.9 billion

Customs Duties – By Month

Customs Duties (Net Dollars Collected)



U.S. Debt Outstanding



U.S. Tariff Resource

- For some “light reading” on tariff schedules – check out “The Harmonized Tariff Schedule of the United States” – <https://hts.usitc.gov/> (over 4,400 pages long)
- For a complete listing of all tariffs in place – refer to the Tariff Database – <https://dataweb.usitc.gov/tariff/annual> – compiles a complete listing of 12,935 different tariff lines in place

Tariff Impact on Mechanical Insulation Sector



Mechanical Insulation & Tariffs

- Policy shifts can outpace project cycles (bid → award → procurement → install)
- Mechanical insulation combines exposure to metals, energy inputs, and petrochemical derivatives
- Volatility drives: repricing, lead-time uncertainty, and contract disputes

Potential Impacts of Tariffs

Lack of firm price quotes

Change order requests

Potential delays in the project

Decreased availability in materials or equipment

Increased demand on U.S. supply of materials or equipment

Escalation/inflation in material or equipment pricing

Where Mechanical Insulation Gets Hit

Metals & accessories

- Aluminum jacketing (coil/sheet)
- Stainless/galvanized bands, fasteners, shields

Barriers & sealants

- Vapor barrier films
- Adhesives, mastics, tapes (petrochemical-based)

Core insulation inputs

- Mineral wool / fiber glass / cellular glass inputs
- Energy-intensive manufacturing costs

Mechanical Insulation – Tariff Exposure

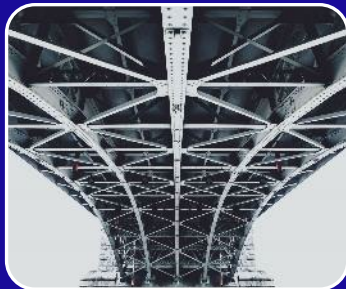
Component	Tariff exposure
Pipe insulation material (fiber glass, mineral wool)	Moderate
Aluminum jacketing	High
Stainless steel jacketing	High
Banding & fasteners	High
Duct insulation	Moderate
Vapor barriers & adhesives	Low

Current Tariffs



Aluminum

- 50% – other than UK (25%) and Russia (200%)



Steel

- 50% – other than UK (25%)

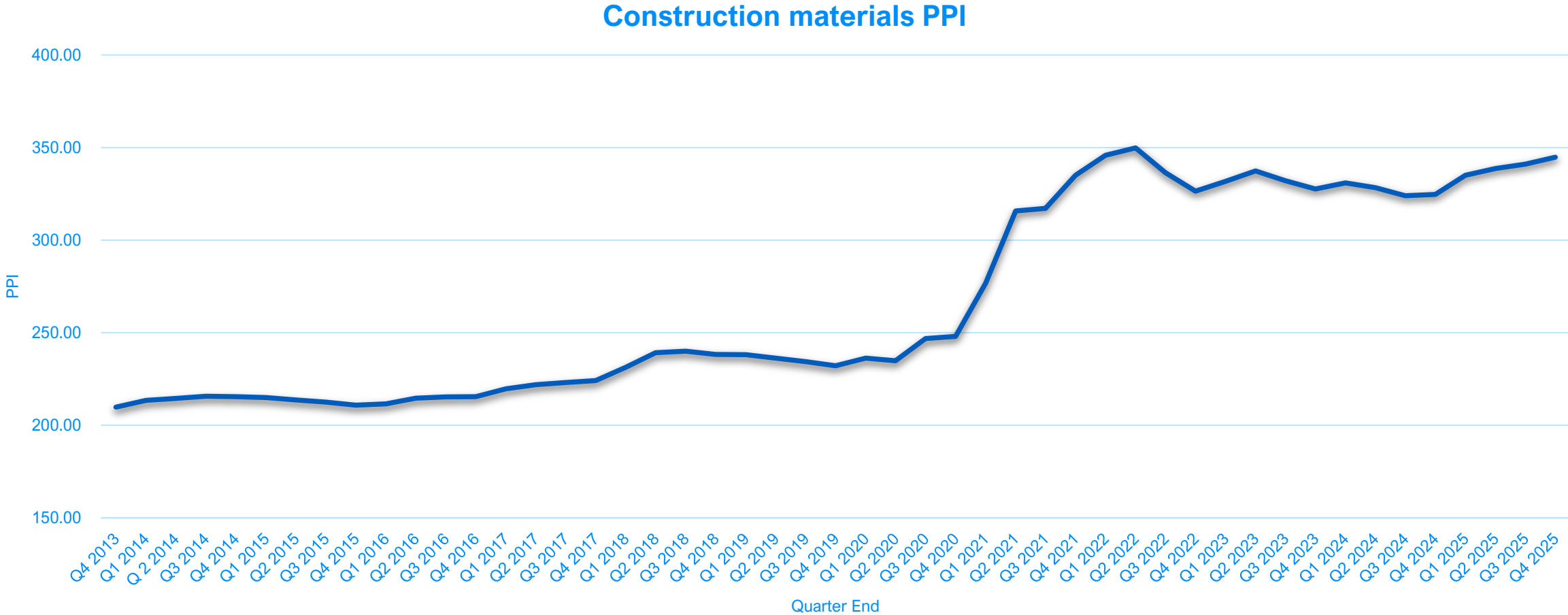


Fiber glass & mineral wool

- Canada and Mexico biggest suppliers – 10% per the new Section 122 tariff surcharge

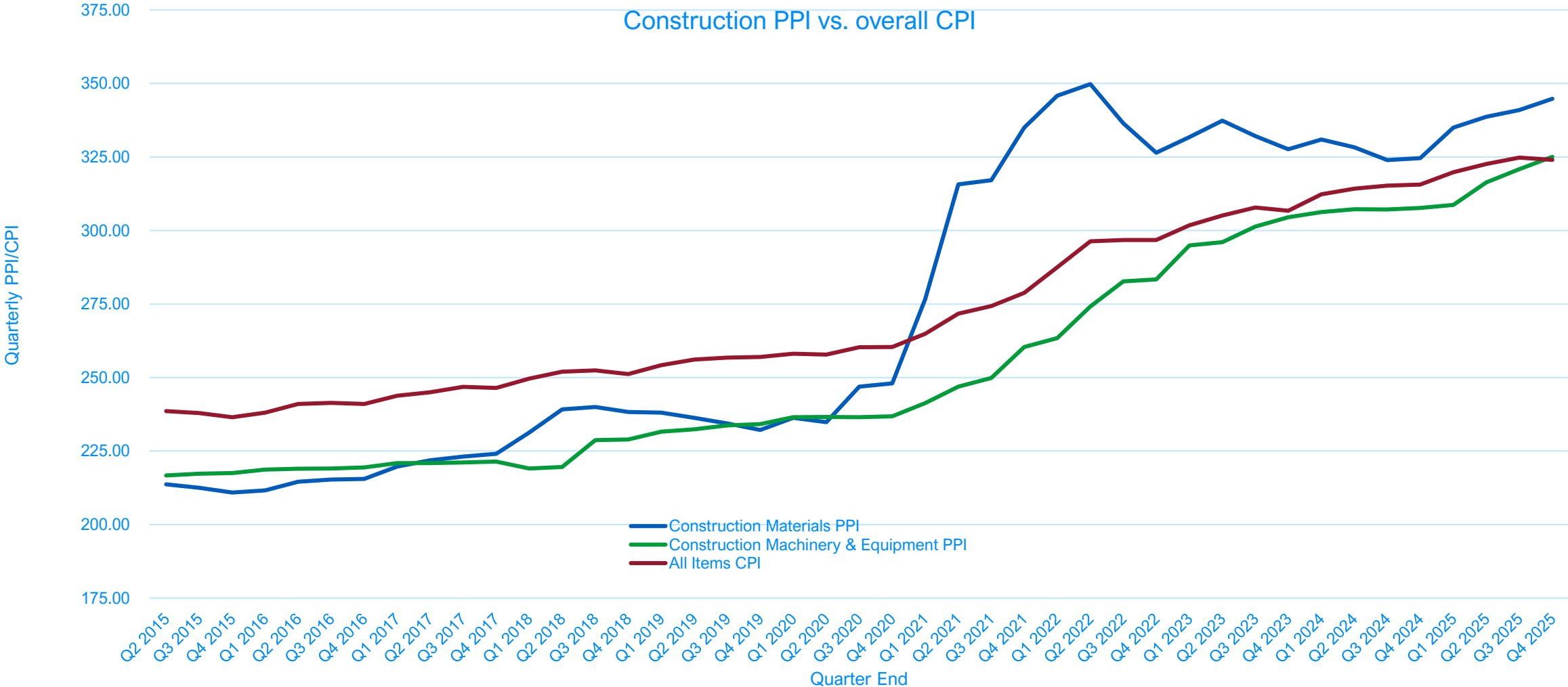
INDUSTRY UPDATE

Construction Materials – PPI



INDUSTRY UPDATE

Construction PPI vs. Overall CPI



ENR Material Cost Index – National

- The Materials Cost Index is the materials component of ENR’s building and construction cost indexes. It tracks the weighted price movement of structural steel, portland cement, and 2 X 4 lumber.

Material Cost Index



1913=100	INDEX VALUE	MONTH	YEAR
MATERIAL COST ⓘ	6481.14	0.0%	+2.9%
CEMENT \$/TON ⓘ	302.47	-1.8%	+10.2%
STEEL \$/CWT ⓘ	121.47	-1.5%	+8.6%
LUMBER \$/MBF ⓘ	865.26	+4.6%	+1.7%

Material Cost Index



1913=100	INDEX VALUE	MONTH	YEAR
MATERIAL COST ⓘ	6517.43	+0.3%	+4.0%
CEMENT \$/TON ⓘ	304.53	+0.7%	+11.1%
STEEL \$/CWT ⓘ	121.84	+0.3%	+7.1%
LUMBER \$/MBF ⓘ	871.44	+0.7%	+4.9%

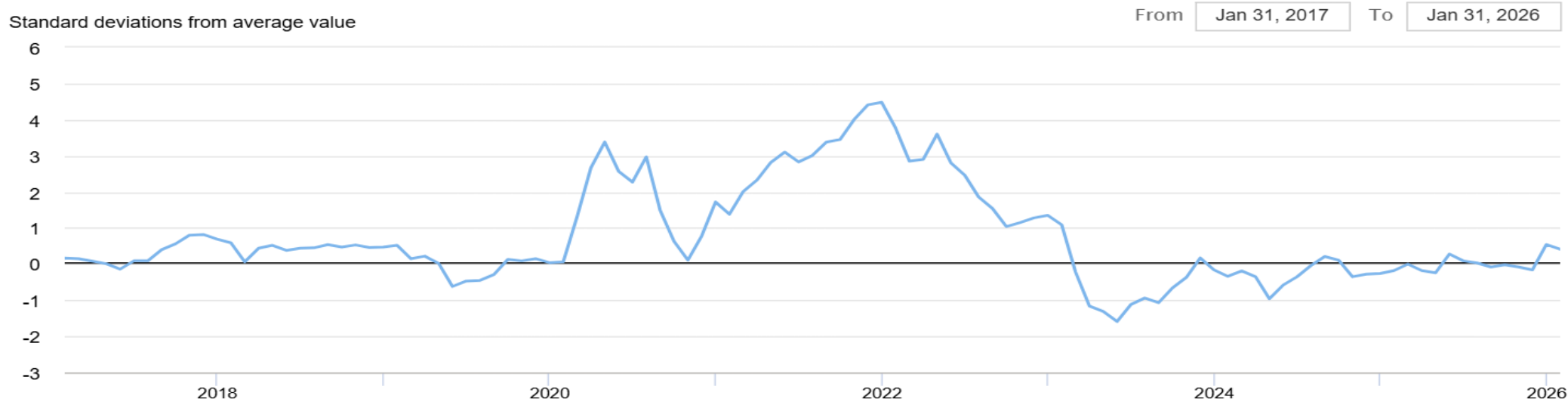
INDUSTRY UPDATE

Supply Chain Pressure Index

- Data source – Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/policy/gscpi#/interactive>
- Value of 0 represents an average value – positive numbers indicate the supply chain is under pressure; negative numbers indicate the supply chain is functioning well and experiencing limited disruptions

Latest Update January 2026

Enter a date range to see monthly estimates or use the slider below to view a specific date range.



Big Questions Facing Contractors

1

How do you price, procure, and bond work when tariff-driven costs can change mid-contract?

2

How do you share risk fairly across owner-GC-trade-supply chain?

3

What does this mean for distributors of mechanical insulation on construction projects?



January 2026 AIA Consensus Construction Forecast

	Actual	Forecast	
	\$ 2025	2026 % Change	2027 % Change
Nonresidential Total	—	1.0	2.2
Commercial Total	—	3.0	3.5
Office	—	6.0	3.9
Data Centers	—	26.3	16.5
Retail & Other Commercial	—	0.2	2.8
Hotel	—	3.2	5.3
Warehouse	—	-2.2	2.8
Manufacturing	—	-3.9	-0.9
Institutional Total	—	2.7	2.8
Health	—	4.6	4.0
Education	—	1.5	1.1
Amusement & Recreation	—	1.3	1.6

- Dodge Construction Network
- S&P Global
- Moody's Analytics
- FMI
- ConstructionConnect
- Associated Builders and Contractors
- Wells Fargo Securities
- Markstein Advisors
- Piedmont Crescent Capital

How Volatility Shows Up On Real Projects

Price sheets
update more
frequently than
bid/quote holds

Lead times
stretch as
sourcing shifts

Substitutions
increase (and
approvals slow)

Change orders
spike—especially
on GMP/fixed-
price work

Strategies to Deal With Tariffs

- Pricing mechanisms
 - Premium in bid
 - Allowances
 - Contingencies in cost plus contracts
- Pre-purchasing materials and equipment
- Price locks for materials and equipment
- Supplier diversification
- Communication with and collaboration between project owners, contractors, and suppliers



Questions?



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