

March 5, 2018

### **Tariff Impacts on Structural Steel Markets**

Following the March 1 announcement by President Trump that the Administration intends to impose a 25% tariff on imported steel, AISC has received many questions about the potential impacts on the structural steel fabrication and construction markets. Here is what we see at this point:

- The proposed tariff arises out of recommendations made by the Department of Commerce at the conclusion of a nine-month investigation into the effects of imported steel on national security. Based on its findings, Commerce recommended a 24% tariff on a wide range of steel products that would affect many industries, not just construction. On March 1, the President announced his intention to impose a 25% tariff, and to issue an Executive Order implementing the tariff shortly. As reported in the media, many industries and countries that would be impacted by this tariff have been attempting to influence the final language of the Executive Order, which has not yet been disclosed. So while the President has set the broad parameters of the tariff plan, it is possible that the final language will be modified, either with respect to its scope or the tariff rate.
- As for the precise impact of a tariff on steel projects, the answer is that it will depend. However, a 25% tariff on imports would not mean a 25% increase in the overall cost of a project. First, the cost of material is just one of several components in the cost of a steel structure. And while percentages vary from project to project, even if the full impact of a 25% tariff on material cost was passed on to a project, it would likely impact the cost of the steel package by 5-10%, and the total project cost by less than 2%. But ultimately, whatever percentage of a tariff-based cost increase is passed on to the market will be determined by the market itself. And of course, AISC is never involved in individual pricing decisions, and has no control over marketplace pricing. Engineers and contractors with specific pricing questions should contact an AISC Member Fabricator to discuss individual projects.
- It is also important to put any discussion of construction material costs in context, as the factors that affect costs have never been static. For example, over the past four years, the index cost of ready-mix concrete has increased by 17%, while the index cost for steel has declined. And to the extent a tariff applies to rebar imports as well as structural products, it will also affect overall costs for concrete. So on any individual project, the actual impact of a tariff will need to be evaluated against overall market factors, just like any other volatility in material costs.
- Finally, the cost of steel construction is responsive to market forces, and the structural steel industry operates in a competitive environment. AISC has long believed that the best way to increase the utilization of domestic steel is to increase the size of the market, and has advocated for market-building activities that keep structural steel as the Material of Choice for America's great buildings, bridges and infrastructure projects.

As events unfold, we will continue to monitor developments, and report back to our membership and our customers as timely as we can.