



January 20, 2025

Valued Customer,

As we turn the calendar to 2025, Border States remains committed to keeping you updated regarding material impacts, inflationary pressures and other market trends. We continue to work diligently to provide you with the most current information possible, knowing this information could change at any point.

Our supply chain remains unpredictable with consideration to ongoing labor disputes, conflicts in the Middle East and Ukraine, geopolitical actions — including the threat of additional import tariffs, demand volatility and economic uncertainty. Prices remain volatile due to ongoing commodity uncertainty and elevated ocean container costs. While wage growth and labor participation are normalizing, we expect ongoing global inflation will continue to drive price pressures this year.

The International Longshoremen's Association (ILA) and the U.S. Maritime Alliance (USMX) reached a tentative agreement on a new labor deal six days ahead of the planned strike date of January 15. The new agreement will replace the expiring contract, which had been extended after a short strike in October 2024. The agreement covers approximately 25,000 union workers at 14 East and Gulf Coast ports and maritime cargo centers. Both sides previously agreed to a 62% pay increase following the October 2024 strike, but the agreement was contingent on completing a new contract. The main sticking point in achieving a new agreement was automation. Sources close to the agreement have noted terminal operators and ocean carriers will receive broader rights to introduce semi-automated cranes and other technology needed to improve efficiency in container-handling, while the union received some protections of existing positions and guarantees of new jobs related to the addition of new automation equipment.

The Federal Reserve (Fed) lowered interest rates by another one-quarter percentage point in December 2024, marking its third straight rate cut. Inflation has cooled after peaking in the summer of 2022; however, prices are still above the Fed's 2% target. December 2024's strong employment figures suggest the labor market is stabilizing, which could influence a slowing of rate cuts into 2025 as the Fed works to balance its dual mandate of price stability and keeping unemployment low. Many economists are predicting the Fed is likely to refrain from aggressive rate cuts going forward. Current forecasts anticipate two rate cuts for 2025, down from the four predicted for the year in September 2024. Fewer rate cuts will likely mean borrowing costs for consumers and businesses will remain elevated this year. The Fed meets again Tuesday–Wednesday, January 28–29.

After December 2024's meeting, Fed Chairman Jerome Powell said it's too soon to say what President-elect Donald Trump's proposed economic policies will do to the economy and how they might impact the central bank's policy choices. Specific details and impacts regarding policy, including tariffs, will not be known until Trump takes office. Trump is scheduled to be inaugurated on January 20. For additional details on tariffs and potential impacts, please see the special tariff update published in December 2024.

The Consumer Price Index (CPI), which measures price changes across commonly purchased goods and services and the average change over time in the price paid for those goods, increased more than predicted in December 2024, rising 2.9% on an annual basis. The Producer Price Index (PPI), which measures the average price changes seen by producers and manufacturers, rose less than







