April 21, 2025

Valued Customer,

Border States is committed to keeping you updated on current supply chain trends, including material constraints, inflationary price pressures and other market impacts. 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, global armed conflicts, geopolitical actions — including the threat of additional import tariffs, demand volatility and economic uncertainty. Prices remain volatile due to ongoing commodity uncertainty and import costs. While wage growth, freight costs and labor participation are normalizing, tariffs and trade negotiations are expected to create ongoing price pressures on finished goods and commodities.

Many economists expect March's labor statistics, which outpaced forecasted expectations and remained strong, reinforce expectations the Federal Reserve (the Fed) will hold off on cutting rates in its next meeting on Tuesday–Wednesday, May 6–7, while signaling potential cuts later in the year. The Fed opted to hold interest rates in March's meeting as central bank officials continue to weigh the impact of federal policy changes on the U.S. economy. Some economists also expect that signs of economic weakness will begin showing in harder data next month and beyond, as the impacts of import taxes increase inflation and potentially slow consumer spending. Fed Chair Jerome Powell continues to emphasize a "wait-and-see" stance to assess the impacts of the Trump administration policies on future interest rate decisions.

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, fell to 2.4% in March 2025, down from 2.8% in February, but it remains above the Fed's 2% target. The Producer Price Index (PPI), which measures the average price changes seen by producers and manufacturers, fell to 2.7%, down from 3.4% in February and the first month-over-month decline in 17 months. While March inflation numbers were softer than forecast, led by lower-than-expected gasoline prices, tariffs and ongoing trade negotiations have created much inflation uncertainty looking forward in 2025.

On April 2, President Trump announced additional tariff measures, collectively referring to them as the "Liberation Day" tariffs, marking continued shift in U.S. trade policy. While the administration has since paused these reciprocal tariffs on imports from over 75 countries for 90 days (the 10% universal tariff and the 25% Section 232 tariffs on steel and aluminum remain in place), the key components of this announcement are summarized below.

- Universal Baseline Tariff: A 10% tariff imposed on nearly all imported goods. This measure aims to address longstanding trade imbalances and encourage domestic production.
- Country-specific Reciprocal Tariffs: Additional tariffs targeting specific countries based on existing trade deficits and perceived unfair practices. As a reminder, reciprocal tariffs are trade barriers imposed by a country in response to tariffs levied by another country. Their intent is typically to retaliate against perceived unfair trade practices, protect domestic industries from foreign competition and pressure the initial tariff-imposing country to reconsider or negotiate policies.

- The reciprocal tariffs are on pause for 90 days except for China, where they have escalated to about 145%, which includes the 20% imposed prior to the April 2 additions.
- Automotive Tariffs: 25% tariff on all imported automobiles with similar duties on auto parts anticipated to follow in May. Vehicles assembled in Canada or Mexico that comply with the United States-Mexico-Canada Agreement (USMCA) rules of origin are partially exempt.
- Reciprocal tariff exemptions include automobile and automotive parts, steel and aluminum products, some technology products, such as laptops and smartphones, some copper items (specific products listed in Annex II of the Executive Order), goods from countries subject to Column 2 rates of the Harmonized Tariff Schedule of the United States (HTSUS) and potential future Section 232 tariff subjects.
- Additionally, imports from Canada and Mexico are not subject to these reciprocal tariffs.

Below is a summary of tariffs announced or implemented prior to the April 2 additions:

- Canada and Mexico: 25% tariffs on non-USMCA-compliant goods and 10% on Canadian energy and potash. USMCA-compliant goods continued to be exempt.
- China: An additional 10% tariff on all Chinese imports was announced on March 3, increasing the existing tariff rate from 10% to 20% (prior to April 2 additions).
- Tariffs on steel and aluminum Imports: A 25% tariff on all steel and aluminum imports, aiming to protect domestic industries.
- Retaliatory measures: Several countries have imposed or announced retaliatory tariffs in response to U.S. tariffs. Countries who have implemented or have threatened to implement retaliatory tariffs include China, Canada, Mexico and the European Union.

While the exact and specific impacts of these tariffs are not yet known, impacts are expected, but not limited to, the following areas:

- Provide leverage for negotiating better trade deals and reducing trade deficits with other countries.
- Increased costs for components and finished goods coming from impacted countries.
- Risk of additional reciprocal tariffs in response, creating further supply chain instability.
- Risk of higher consumer prices on many goods, subcomponents and commodities.
- Potential of slowing the U.S. economy through disrupted trade and global tension.
- May cause companies to seek alternative suppliers in countries not subject to tariffs, increasing risk of supply chain disruptions and logistical complexities.
- Expect further onshoring and nearshoring of manufacturing in several sectors, especially those tied to national security. While this will build more resilient supply chains over time and boost the U.S. manufacturing sector, it requires significant investments in infrastructure, creates supply chain risks (e.g. labor availability) and will add cost over time.

For additional information on tariffs, please read the **Fact Sheet** on our website.

Material Lead Times

All categories continue to show lead time improvement over the past year, with March lead times decreasing nearly one day overall compared to February. Apart from some utility categories, all other core markets and categories are at or below prepandemic lead times. Utility continues to run higher lead times compared to prepandemic, but they are significantly lower than what has been experienced over the last four years. We continue to monitor the potential impact of imposed tariffs on lead times.

Key areas we are observing include:

Construction and Industrial

- Distribution equipment: Circuit breakers, load centers, panels, switches
- Fuses
- Meter sockets and hubs
- Automation products controls
- Strut
- Cable tray

Utility – Electrical, natural gas, communications

- Wire and cable: 600V aluminum, bare overhead distribution and transmission, primary underground
- Communication cable: loose tube and ribbon
- Transformers, capacitors and voltage regulators
- Pad-mount switchgear
- Fiberglass box pads and enclosures
- Transmission insulators and related hardware
- Underground cable accessories
- Gas regulators
- Excess flow valves
- Meter risers and meter set assemblies
- By-pass meter valves and bars
- PE pipe, tap tees, and line stoppers

Logistics and Freight

- **Ocean freight** – Ocean container shipping costs continue to soften amidst demand uncertainty and ongoing tensions between the United States and China. According to the Drewry World Container Index, the average shipping rates across all global freight lanes have declined more than 11% in the past 30 days and are down 75% from the 2021 peak. Ocean import volumes remain strong with March 2025 ending as the third highest March volume on record. It is expected ongoing tariffs and trade negotiations will create demand uncertainty looking forward, especially with China. The country remains the largest maritime trading partner with the United States; however, March saw Chinese imports into the United States decline nearly 13% over the prior month. Some of this is attributed to many shippers getting ahead of potential tariffs. While there was optimism following a tentative ceasefire negotiation between Israel and Hamas, ongoing hostilities and conflict have left ocean transit through the Red Sea and Suez Canal nearly impossible. This shipping lane may not return to normal operation in 2025 as originally predicted. While this is less of a direct impact on the United States, the Suez Canal historically accounts for 30% of all global trade traffic, particularly in Europe and Asia. Shipping around the Cape of Good Hope, instead of through the Suez, adds 10–14 days of transit time and reduces global shipping capacity.

- **Trucking Market –** Capacity in the U.S. trucking market continues to soften, especially with flatbeds, but spot rates remain relatively soft from a historical perspective. Flatbed spot rates have increased for nine consecutive weeks and to their highest level since 2023. According to the **DAT load-to-truck ratios**, measuring the number of booked shipments compared to available carrier vehicles, available flatbed capacity is down 40% over the prior month and down 120% over the prior year. The transport of several commodities and finished good products, like steel and lumber, have been major drivers in increased flatbed volumes. These volumes remain uncertain as tariff negotiations continue with many countries and have stabilized in both Canada and Mexico as of this update. Carrier exits are expected to continue at a higher rate than new entrants, with an estimated net reduction of 2%–3% in total "for hire" carriers in 2025. Many small carriers (measured as a fleet of 1–6 vehicles) continue to exit the market due to soft prices and higher operating costs. Diesel prices continue to soften based on the cost of oil dropping 10% below the YTD average. Diesel prices have declined for the third consecutive month with costs per gallon now more than 40 cents less than this time last year. While the outlook for the trucking market remains volatile, it is expected that spot rates will rise this year between 2%–5%, especially with flatbeds.

Raw materials (commodities)
From March to April, commodity prices and availability showed varied movement across key materials, influenced by both market and broader economic dynamics. The impact of newly imposed or threatened tariffs added a layer of uncertainty, contributing to pricing volatility as manufacturers, businesses and consumers reassess supply chains and sourcing strategies in response to shifting trade policies. Trade policies and regulatory shifts will play a significant role in shaping costs, supply and demand going forward, increasing the likelihood that volatility is likely to continue in the near term. For some commodities, the impact of tariffs drove costs up. For others, the economic uncertainty and corresponding impact to demand drove prices down.

Sign up for the **Commodity Update** for a monthly overview on what's affecting the prices of copper, aluminum, steel and PVC.

• **Copper** – Copper saw multiple price increases throughout the first quarter of 2025, but in early April, the metal fell nearly 60 cents per pound. Copper prices were on a high as suppliers were rushed to move the metal into the United States after President Trump ordered an investigation into copper imports. Despite copper exemptions from recent reciprocal tariffs, prices declined on major market exchanges like the London Metal Exchange as the impacts of back-to-back trade barriers are anticipated or take effect. Copper prices increased 23% from March 2024 to March 2025.

• **Aluminum** – Aluminum wire prices rose three times in the first quarter of 2025. Aluminum imports were exempted from U.S. reciprocal tariffs, since they were already subject to a 25% tariff in March. Goods that are not covered under the USMCA are subject to 25%. Canada's energy resources, which include critical minerals, like aluminum, will require a reduced 10% tariff on goods if they don't meet USMCA requirements. In 2024, the United States imported more than one-half of its aluminum use from Canada, valuing it about $11.49 billion. Trade experts say U.S. manufacturers who depend on Canadian metals will face substantially high prices due to tariffs and may have trouble finding alternate materials not covered under tariffs. Aluminum prices have increased 34% from March 2024 to March 2025.

• **Steel** – In the first quarter of 2025, there were five price increases. Steel pipe suppliers are reporting solid stock levels and lead times of about 2–3 weeks, as domestic competition heats up. About $178 billion of imported steel and aluminum products from last year are now subject to 25% tariffs. With limited domestic production capacity for key components, manufacturers are struggling to meet demand. The European Union is reducing steel imports to the United States by 15%. Nippon Steel was granted an extension to continue with U.S. government officials. President Trump directed the U.S. National Security Panel to review Nippon Steel's bid to determine if further action is appropriate.

• **Resins** – In the first quarter, resin experienced weakened demand, seasonal factors (demand typically dips after the holiday season) and broader economic uncertainty — the impact of the U.S. dollar on exports and global pricing benchmarks were all contributing factors. PVC resin prices were 6% lower in March. From March 2025 to March 2024, prices declined about 45%. Vendors are reporting good supply with lead times of about 2–3 weeks heading into construction season.

• **Lumber** – The prospect of higher costs on imported goods as a result of President Trump's 10% tariff on all U.S. imports has heightened some recessionary fears, causing home construction and renovation projects that drive lumber prices to decline. Lumber prices have increased around 7% since the beginning of the year, but predications are prices will decline as Canada's exports decline, weaker economic conditions and uncertainty slow construction and lumber demand, and as the Canadian dollar strengthens against the U.S. dollar (making Canadian lumber more expensive for U.S. buyers).

• **Crude oil** – Crude oil prices have declined, hitting their lowest levels since April 2021. This downturn has been driven by two key factors: Escalating trade tensions and tariffs and increased oil production by the Organization of the Petroleum Exporting Countries (OPEC+). OPEC+ decided to increase oil production by 411,000 barrels per day starting in May 2025. This boost in supply added downward pressure on oil prices, with analysts suggesting the move was driven by a desire to maintain market share amid global uncertainty.

Labor

The labor market remained resilient despite federal government layoffs and economic uncertainty from recent tariffs. Employers across the United States added 228,000 jobs in March, beating forecasted expectations from economists for the month. Federal government employment was down 4,000 in March. That number does not include federal workers who no longer have jobs but are collecting severance or are on temporary paid leave (expectations are that number will increase in future months). The unemployment rate rose slightly from 4.1% to 4.2%, also easing fears of immediate concerns — recessions are typically accompanied by a sharp increase in unemployment. The labor force participation rate rose slightly to 62.5%, up from 62.4%, indicating more Americans are re-entering the workforce.

Summary

While our supply chain continues to improve, we anticipate seeing ongoing challenges and pressures across all core markets we serve through the balance of 2024 and likely will never return to a pre-pandemic state.

Even in the face of these ongoing supply chain resiliency challenges, we understand our customers’ work cannot stop — you are unstoppable businesses, and we understand the importance of maintaining your operations while managing your costs.

At Border States, we continue to invest in working inventories, maintaining emergency and storm response inventories in core markets and working diligently to justify all price increases align with current market conditions. We are focused on more tightly integrating supply chains, improved forecasting and planning with customers and vendors and delivering better insights through technology to ensure your long-term success. Communication and partnership remain key in continuing to navigate the challenges.

Although we cannot control the global supply chain issues, we will continue to be transparent and straightforward with you about the challenges and work closely with our best customers and vendors to navigate these challenges together. If you have additional questions, please reach out to your Border States Account Manager for more information.

Richelle Bishoff
VP Procurement

Tony Serati
VP Supply Chain Strategy and Optimization

Disclaimer: Our information is compiled from several sources that, to the best of our knowledge and belief, are accurate and correct. It is always our intent to present accurate information. Border States accepts no liability or responsibility for the information published herein. These materials are provided for informational use only and do not, nor are they intended to, constitute legal advice. Customers should not take, or refrain from taking, any action based on any information contained in this alert without first seeking independent legal advice.