July 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're also working diligently to provide you with the most current information possible, knowing this information could change at any point.

We continue to see supply chain resiliency challenges, driven by ongoing global armed conflicts, geopolitical actions including tariffs and negotiations, high interest rates to combat inflation, weather-related impacts and economic uncertainty. Prices remain volatile due to continued commodity volatility and tariff impacts. Ocean shipping costs are softening following 90 days of volatility ahead of tariff impacts. While wage growth and labor participation remain stable, we expect ongoing global inflation will continue to drive price pressures this year across each of our core markets.

The Federal Reserve (the Fed) meeting in June resulted in holding the Central Bank's key borrowing rate in a range between 4.25%–4.5%, where it has been since December 2024. Despite the unanimous decision to leave rates unchanged, meeting minutes showed a growing divide over how policy should proceed. "Most participants assessed that some reduction in the target range for the federal funds rate this year would likely be appropriate," the minutes said. However, opinions varied on when the next cut could come and "some" who thought no reduction this year would be appropriate. Many are predicting the Fed will continue to hold interest rates at their July meeting. The Fed's next meeting is scheduled for Tuesday–Wednesday, July 29–30.

President Trump has been vocal in calling for lower rates and has repeatedly criticized Fed Chair Jerome Powell, whose term as Fed Chair is set to expire in March 2026. President Trump is arguing, in part, for lower interest rates to help decrease the cost of servicing government debt. The Fed's dual mandate is to keep the economy healthy by achieving two main goals: Maximum employment and stable prices. This means they work to strike the balance of creating as many jobs as possible while keeping inflation low and steady.

Employers added 147,000 jobs in June and the unemployment rate trended down to 4.1%, suggesting that tariffs, interest rates and other headwinds are not yet causing employers to pull back significantly. Stronger-than-expected job growth, stable consumer demand and moderating wage gains all point to a resilient labor market that supports the Fed's goal of achieving a "soft landing" — slowing inflation without triggering a recession. At the same time, continued job strength reduces urgency for near-term rate cuts.

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, rose 2.7% on an annual basis in June, up from 2.4% in May. This increase was aligned to economists' expectations, as they expect the full impact from tariffs to raise consumer prices more in the months ahead. Despite some early signs of rising prices, analysts say inflation remains subdued, reinforcing predictions that a July rate cut is highly unlikely and raising questions of how persistent inflation could delay future cuts. The Producer Price Index (PPI), which measures the average change over time in the selling prices received by domestic producers for their goods and services and reflects inflation at the wholesale level and which can signal future consumer price changes, were unchanged in June as an increase in the cost of goods due to tariffs was offset by weakness in services as demand for travel-related expenses slowed.

Tariffs can impact both elements of the Fed's dual mandate. By raising the costs of goods, tariffs can contribute to higher inflation, making it harder for the Fed to maintain price stability. At the same time, if tariffs lead to trade disruption or reduced business investment, they can slow economic growth and job creation, putting pressure on employment.

President Trump has made tariffs a central part of his trade policy since taking office. See notable developments from June and July, thus far, below:

June 2025

- President Trump signed an order to **double tariffs on steel and aluminum imports to 50%**.
- President Trump suspended trade negotiations with Canada and threatened additional tariffs over Canada's digital services tax.
- Canada agreed to repeal its digital services tax, prompting the United States to resume talks.
- The United States confirmed the restart of negotiations with Canada after Canada scrapped the digital services tax.
- The United States and China publicly confirmed a tentative truce, with both countries agreeing to the framework announcement (following multiple days of negotiations).

July 2025

- President Trump issued a White House fact sheet **extending reciprocal tariff rate modifications** (previously set to expire on July 9) **through Friday, August 1**.
- President Trump announced plans to raise fentanyl-related tariffs from **25% to between 30%–35%**, effective August 1. These are tariffs on goods from specific countries — primarily Canada and Mexico — created as part of a policy aimed at addressing the fentanyl crisis and trade imbalances. This applies to non-USMCA compliant goods from Canada and Mexico and is separate from sectoral tariffs on steel, aluminum and automobiles.
- President Trump threatened to increase reciprocal tariff baseline rates to **15%–20%** on U.S. trading partners that have not reached tariff deals (pending documentation).
- **50% tariff on copper imports** announced, set to take effect on August 1.
- The United States announced a **35% tariff** on most Canadian goods, effective August 1, citing retaliation and trade deficit concerns.
- Revealed **30% tariffs** on imports from the European Union and Mexico, which also commence on August 1, citing national security and drug trafficking issues.
- Reinforced threats of **100% secondary tariffs on Russia and countries trading with it** if ceasefire demands aren't met.

While the landscape continues to change regarding tariffs, impacts are expected, but not limited to, the following areas:

- Increased costs for components and finished goods coming from impacted countries.
- Tariffs may cause companies to seek alternative suppliers in countries not subject to tariffs, which increases the risk of supply chain disruptions as demand increases and increased logistical complexities potentially enter the supply chain.
- Tariffs can also drive further onshoring. While both onshoring and nearshoring build a more resilient supply chain over time, they also require significant investments in infrastructure and workforce training which can drive up costs in the short term.

- Retaliatory tariffs on U.S. goods from countries responding to additional tariffs could add additional costs and challenges to the supply chain.

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

Tariff summary, as of **July 14:**

Active Tariffs
* Indicates tariffs temporarily blocked by the U.S. Court of International Trade in May before the ruling was paused by a federal appeals court.

- Total of 30% on all imports from China.*
- 10% baseline tariff on all U.S. imports, except for energy, gold, copper, pharmaceuticals, semiconductors, lumber and other products.*
- 25% on automobiles and certain automotive parts (overrides other active tariffs rather than stacking on top of them), plus an additional 25% tariff that includes most automotive parts.
- 25% on imports from Mexico and Canada, excluding USMCA-compliant goods.* This tariff rate will rise to 35% for Canada and 30% for Mexico starting August 1. It's unclear whether USMCA-compliant goods from Mexico will be exempt.
- 10% on energy products from Canada.
- 50% on all steel and aluminum imports, except those from the United Kingdom, which received a 25% tariff while trade talks take place.
- 25% on countries that import Venezuelan oil.
- 20% on Vietnamese goods and 40% on goods passing through Vietnam from other countries.

Upcoming Tariffs
- August 1: 90-day pause extension expires on reciprocal tariffs and higher tariff rates on countries who haven't reached a deal with the United States go into effect.
- August 1: 50% on imports from Brazil.
- August 1: 40% on imports from Myanmar and Laos.
- August 1: 36% on imports from Cambodia and Thailand.
- August 1: 35% on imports from Bangladesh, Canada and Serbia.
- August 1: 32% on imports from Indonesia.
- August 1: 30% on imports from Algeria, Bosnia and Herzegovina, Iraq, Libya, Mexico, South Africa, Sri Lanka and the European Union.
- August 1: 25% on imports from Brunei, Malaysia, Moldova, Japan, Kazakhstan, South Korea and Tunisia.
- August 1: 20% on imports from Philippines.
- 50% tariff on copper imports effective date yet to be announced.
- Tariff on lumber imports: Rate and effective date are yet to be determined by the Department of Commerce's investigation.
- Tariff on semiconductor imports: Rate and effective date are yet to be determined by the Department of Commerce's investigation.

Counter Tariffs
- China: Total of 10% tariff on U.S. goods after negotiations.
- Canada: Initial 25% on certain U.S. imports and a separate 25% on automobiles that don't comply with USMCA
- European Union (paused): Initial set of tariffs on certain U.S. goods.

Material Lead Times
Most categories continue to show lead time improvements compared to one year ago, with overall lead times in June decreasing 0.2 days. All categories, except utility,

remain at or below prepandemic lead times. We continue to closely monitor the impact of imposed tariffs and weather-related restoration efforts on material prioritization and lead times

Recent weather events include but are not limited to:

- Canada has been experiencing significant wildfire activity since July 14, with the country at National Preparedness Level 5, indicating extreme demand for firefighting resources.
- In July, catastrophic flash flooding in central Texas, caused by heavy rainfall from a mesoscale convective vortex and Tropical Storm Barry remnants, led to more than 130 deaths and significant destruction along the Guadalupe River.
- Multiple tornadoes and a derecho (inland hurricane) struck Minnesota and North Dakota in June, causing widespread power outages across multiple metro areas.

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

Subscribe to the **Supply Chain Update** newsletter for information on factors shaping global supply chains.

Logistics and Freight

Ocean freight market

Following recent spikes in ocean shipping costs, many shippers worked to move goods ahead of pending tariffs; however, June saw prices soften. Global container rates, according to the Drewry Container Index, are down 24% over the prior month and 55% over the prior year. Prices are expected to remain volatile through ongoing trade negotiations.

June saw a reversal in container import volume decline in May, up 2% over the prior month. While imports are trending down compared to 2024 levels, volumes remain more than 10% above prepandemic averages, suggesting ongoing strength in the ocean market, despite headwinds. The biggest impact is that import volumes from China are declining, driven heavily by ongoing trade negotiations and tariff impacts.

Import volumes from the country have declined nearly 30% over the last year and have fallen from 40% of total U.S. import volumes to less than 30% over the past three years. Volumes continue to grow in other Southeast Asian countries, specifically Vietnam, Indonesia and Thailand.

Attacks by Yemen-based Houthi rebels have again escalated in the Red Sea, sinking two cargo ships in the last week. They have stated they will continue attacks on container vessels until "Israel ends its military campaign in Gaza." This will create ongoing shipping bottlenecks and additional transportation costs for the foreseeable future. Remember, shipping around the Cape of Good Hope instead of the Suez Canal adds an average of 7–10 days of transit and up to $1 million in fuel costs per sailing. These issues are also causing strain on insurance costs for ocean vessels, with rates more than doubling in the past quarter on several global trade routes. These impacts could add between 0.5%–1% to total ocean transportation costs per sailing.

Trucking market

Despite some positive trends in the first half of the year, freight volumes are expected to remain soft in 2025 with limited growth, driven by tariffs and ongoing economic uncertainty. While capacity is tightening in some areas — most notably flatbed vehicles — there were positive signs in Q2: More carrier entries than exits, per-mile rates remain at historical lows, inflation adjusted, and signals, such as slowing class 8 (semi) truck orders, suggest carriers are not making capital investments at this time. Per-mile spot freight rates (as a national average) are up 3% over the previous month, but flat over prior year and down 3%–5% over the past two years. Most experts continue to believe the industry has hit the "bottom" and will continue a long upward cycle in volumes and rates but will remain a shippers' market through 2025.

Per-gallon diesel fuel prices remain flat over the previous month and 5% below the five-year average. Strong U.S. oil production, easing OPEC+ production restrictions and economic uncertainty are keeping oil prices competitive globally and, in the United States, the U.S. Energy Information Administration forecasts a slight decrease in diesel prices through the remainder of 2025, with a modest uptick in 2026. Geopolitical conflicts in the Middle East and Eastern Europe remain the most glaring area of risk and concern to oil prices, as these are two of the largest producing regions globally.

Raw materials (commodities)

The commodity landscape remains volatile, as evolving tariffs and trade relationships drive uncertainty in both demand and costs (see above for specific tariff details). Looking ahead, much will continue to depend on the outcome of trade negotiations with other countries, how domestic industries adapt to rising costs, evolving global demand and the ability to ensure supply reliability, which will be impacted by onshoring and nearshoring developments, among other factors.

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

• **Copper** – President Trump announced he will impose a 50% tariff on copper imports and suggested additional sector-specific tariffs are expected at the end of July. The tariff aims to boost domestic production and align copper tariffs with those on steel and aluminum, but it could severely impact American manufacturers reliant on imported copper, as nearly half of the copper used by domestic factories is from international suppliers. In late February, President Trump signed an executive order directing the Department of Commerce to investigate potential tariffs on copper imports (raw mined copper, concentrated, alloy, scrap and derivative products). As a response, Chile, Canada and Peru — three of the largest copper suppliers to the United States — sent letters to U.S. officials opposing the investigation and arguing their exports should be exempt from any potential tariffs. The copper import tariff is separate from reciprocal tariffs, the 10% baseline tariff and the recently announced higher rates on over a dozen countries beginning on August 1. Copper prices have increased 8% year over year, and shares for domestic producers rose and futures jumped 13% on July 9, the biggest single-day jump since 1989.

• **Aluminum** – Aluminum markets are under pressure from heightened U.S. tariffs, prompting industry leaders to call for renewed negotiations and government intervention. Aluminum prices have increased 25% year over year, reflecting the growing strain on global supply chains. In response, Canada is considering financial assistance for its aluminum producers if the United States maintains its 50% tariff rate. The situation intensified in early July, when the United States announced a new 35% tariff on Canadian goods that do not meet the terms of the U.S.-Mexico-Canada Agreement, effective August 1 — an increase from the 25% rate imposed earlier this year. With approximately half of U.S. aluminum imports sourced from Canada, these tariffs pose a significant threat to both nations' aluminum industries. Canadian producers warn of long-term financial challenges if a deal is not reached by Monday, July 21, and are calling for government support in the absence of a resolution. Meanwhile, Indian exporters are also feeling the impact of steep U.S. tariffs. Struggling to compete both domestically — due to cheaper Chinese imports — and internationally, they face growing uncertainty. India exported about $4.5 billion in aluminum, steel and iron goods to the United States last year, but exporters now report canceled orders and payment delays. U.S. and Indian officials are reportedly close to finalizing a trade agreement that could ease these tensions.

• **Steel** –In June, the United States and United Kingdom agreed to lower tariffs on British steel imports to 25%, though the British government continues to push for a full exemption. Countries, like Japan and South Korea, that received tariff warning letters from the Trump administration, are urgently seeking better terms for key exports, such as automobiles, auto parts and machinery, before new tariffs take effect on August 1. In Asia, Malaysia has imposed provisional anti-dumping duties on galvanized steel imports from China, South Korea and Vietnam, following a February investigation, with a final decision expected by Monday, November 3. Domestically, these rising tariffs have begun to weigh on the U.S. oil and gas sector. Higher input costs, especially for steel used in drilling equipment, contributed to a slight contraction in Q2 activity in Texas, Louisiana and New Mexico, with companies pulling back on well development plans for 2025 — despite record-high crude oil production.

• **Resins** – PVC prices faced slight downward pressure due to oversupply, weak downstream demand and slower construction activity. PVC manufacturers continue to report strong inventory, aside from larger diameter pipes and special radius bends. Rising input and logistics costs, including steel tariffs affecting infrastructure projects, added potential for future strain on demand outlooks.

• **Lumber** – Lumber prices declined slightly month over month but are still roughly 25% higher than last year. Upcoming U.S. tariffs on Canadian softwood, which are expected to rise to around 35%, have the potential to cause continued volatility to lumber cost and availability. Canadian softwood lumber makes up roughly 85% of America's imports and almost a quarter of the U.S. supply, according to the National Association of Home Builders. Additional factors, such as ongoing Canadian wildfires and softening housing demand, are also adding pressure to both pricing and availability.

• **Crude oil** – Brent crude oil prices rose approximately $7 per barrel month over month, with Western Texas Intermediate (WTI) prices following a similar trend. Throughout June and July, crude oil prices experienced volatility driven by geopolitical tensions and supply shifts. Prices increased after Israeli strikes on Iranian nuclear sites and Iran's threat to close the Strait of Hormuz, a key oil transit route.

Rising OPEC+ outputs, economic outlook and the impact of tariffs on the economy and global trade are all factors that have, and will continue to, impact oil price and availability.

Labor

The Bureau of Labor Statistics' June report showed employers added 147,000 jobs, above the projected 110,000, signaling continued strength in the labor market. Key sectors, like education and healthcare, saw gains, while manufacturing faced some losses. Wage growth remained moderate, with average hourly earnings rising 0.2% for the month. The unemployment rate fell to 4.1%, beating economists' expectations of 4.3%. Additionally, job gains in April and May were revised upward, adding a combined 16,000 more jobs than initially reported. The labor force participation rate held steady at 62.3%, showing little change from previous months. A higher participation rate suggests a more active workforce and greater economic engagement, while a declining rate can signal discouraged workers, demographic shifts or barriers to employment. Overall, June's data continues to reinforce the trend of cautious optimism (higher than expected job growth, declining unemployment), as the labor market balances solid demand with some underlying pressure from inflation and broader economic uncertainty (moderate wage growth, losses in manufacturing sectors).

Conclusion

While our supply chain continues to improve, we anticipate seeing ongoing challenges and pressures across all core markets we serve through the balance of 2025 and likely will never return to a prepandemic 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	Tony Serati
VP Procurement	VP Supply Chain Strategy and Optimization

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