October 20, 2025

Valued Customer,

At Border States, keeping you informed about the state of our supply chain remains a top priority. Across the core markets we serve (construction, industrial and utility), our industry continues to see a mix of resiliency and stabilization, coupled with persistent headwinds. As always, we aim to provide timely insights to help you plan your business with confidence. While accurate to the best of our knowledge, the information in this letter reflects current conditions and may evolve rapidly.

October began with a federal government shutdown that has now extended into its third week, further stressing economic uncertainty in our country. At Border States, our customers continue to respond to rising energy demands, digitalization and labor pressures, and infrastructure modernization needs. From AI-driven data center expansion and investment in automated manufacturing to electrification, these forces are reshaping the demand and requirements of the global supply chain.

Commodity pricing remains volatile, particularly with copper, and other critical rare earth minerals, as trade negotiations and tariff enforcement intensify. However, there are encouraging signs: Transportation costs remain competitive and capacity readily available, and material lead times across most categories remain stable, allowing for improved forecasting and availability. Phase one of the peace deal between Israel and Hamas, while fragile, creates optimism of stabilization in the Middle East that will be felt in the transportation industry and energy sectors.

The U.S. federal government entered a shutdown on October 1 after Congress failed to pass appropriations bills for the new fiscal year. The impasse stemmed from disagreements over healthcare subsidies, federal spending levels and the scope of government operations under President Trump's administration. At the time this letter was written, the shutdown had entered its third week, producing a range of immediate impacts and potential downstream implications. The Internal Revenue Service has furloughed nearly half of its workforce, while staffing shortages in the aviation sector have led to widespread flight delays due to air traffic controller absenteeism. Other immediate effects include delays in federal services, uncertainty for federal workers and disruptions across numerous government programs and operations. The longer the impasse continues, the more pronounced these effects may become. Anticipated next steps involve continued negotiations in the senate, with further votes expected on competing funding measures. Without bipartisan agreement, the shutdown could extend further, intensifying impacts on federal operations and public services.

While the government shutdown does not directly affect interest rates, its broader implications, such as economic disruptions, uncertainty, delayed economic data and diminished consumer and business confidence, can influence the Federal Reserve's (the Fed) policy considerations. In evaluating both elements of its dual mandate, the Fed may take into account the potential downstream effects of the shutdown, including slower spending, investment disruptions and overall uncertainty in labor and financial markets.

At its last meeting, the Fed reduced interest rates by a 0.25 percentage point, which was the first cut since December 2024. According to the meeting minutes, most Fed officials noted growing risks to the labor market, while observing that inflation pressures "had either diminished or not increased." The minutes also showed a majority of the Fed's rate-setting committee supported additional cuts later this year. Fed Chair Jerome Powell noted the uncertainty ahead, stating at the post-meeting press conference, "There are no risk-free paths now. It's not incredibly obvious what to do." The next Fed meeting is scheduled for Tuesday–Wednesday, October 28–29, and while opinions remain divided, most economists anticipate another rate cut.

When considering the Fed's dual mandate, promoting maximum employment and stable prices, tariffs can affect both elements. 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 continued to make tariffs a central part of his trade policy, using them to protect U.S. industries and pressure trading partners. A major legal development occurred in August, when the U.S. Court of Appeals ruled that most tariffs issued under the International Emergency Economic Powers Act (IEEPA), including the “Liberation Day,” exceeded presidential authority. The court stayed its decision until October, allowing the administration time to appeal. The Trump administration has since petitioned the U.S. Supreme Court for expedited review, and the tariffs remain in effect pending that outcome. The ruling does not apply to tariffs imposed under other statutory authorities, such as Section 232 (national security) or Section 301 (unfair trade practices), which remain in force.

In response to legal uncertainty around IEEPA, the administration has leaned more heavily on Section 232 authority, issuing new tariffs in late September on softwood timber, lumber derivatives, upholstered furniture and kitchen cabinets. Additional Section 232 actions on household goods and other manufactured products are reportedly under consideration, signaling a shift toward more targeted, sector-specific trade measures framed under national security grounds. Analysts suggest this approach is intended to strengthen the legal durability of tariff policy while maintaining political and economic leverage abroad. The Supreme Court is expected to hear oral arguments on the IEEPA case in November, leaving the ultimate direction of U.S. tariff strategy uncertain in the near term.

To better understand the landscape, the table below outlines the key features and differences among the main statutory authorities for imposing tariffs: IEEPA, Section 232, Section 301 and Section 201.

Law/authority	**Trigger**	**Goal**	**Who investigates?**	**Current legal status**
IEEEPA (1977)	National emergency	Sanctions, trade controls	None (President acts directly)	Court struck down tariffs
Section 232 (1962)	National security	Protect defense supply chains	Commerce Department	Legal, active
Section 301 (1974)	Unfair foreign practices	Retaliation/pressure	U.S. Trade Representative (USTR)	Legal, active
Section 201 (1974)	Surge of imports harming industry	Temporary relief	U.S. ITC	Legal, less used

In other developments, China’s Commerce Ministry announced this week that starting on Monday, December 1, a license will be required for foreign companies to export products with more than 0.1% of rare earths from China or those made with Chinese production technology. That prompted President Trump to announce he will impose an additional 100% tariff on China and limit U.S. exports of software. Today, China produces more than 90% of the world’s processed rare earths and rare earth magnets, which are used across industries.

The Consumer Price Index and the Producer Price Index were not available at the time this letter was written.

Additional developments from September and October are noted below:

- October:
    - The Trump administration implemented a 100% tariff on pharmaceutical products from companies that do not manufacture in the United States and a 25% tariff on heavy-duty trucks.

- September:
  - The United States and Japan reached a trade deal in which Japan will receive a reduced 15% baseline tariff rate on most of its imports and sector-specific levies, and will invest in select U.S. projects.
  - The Trump administration created tariff exemptions for more than 45 product categories that "cannot be grown, mined or naturally produced in the United States" or that have a large deficit between domestic supply and demand for countries that have a finalized trade deal with the United States.
  - The Supreme Court will review the legality of President Trump's use of the IEEPA to impose tariffs in the first week of November.
  - President Trump issued a proclamation authorizing a 10% tariff on timber and lumber imports and a 25% tariff on upholstered furniture and other wooden household cabinets and vanities effective October 14.
  - Effective Thursday, January 1, 2025, the tariff on upholstered furniture will rise to 30%, and the tariff on household cabinets and vanities will increase to 50% from countries that fail to reach a deal with the United States.
  - Some countries with trade deals with the United States will receive lower rates: 10% on wood products from the United Kingdom and 15% on similar products from the European Union and Japan.

While the landscape regarding tariffs is ever evolving, continued 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 also add additional costs and challenges to the supply chain.

For additional information on tariffs, including a list of active, upcoming and counter tariffs, please read the **Fact Sheet** on our website.

Material Lead Times

September lead times increased by 0.95 days overall and are still down compared to 12 months ago. All categories experienced an increase in lead time compared to the previous month, with utility, data and industrial seeing the largest increases.

Increases can largely be attributed to increased demand for raw materials related to tariff implementations, subsequently, this increase in raw material demand has impacted some production schedules. We continue to monitor these impacts, taking action, where needed, to support inventory service.

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
- Ground Rods

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 market

The ocean freight market continues to experience softness, highlighted by declining container shipping rates due to fragmented demand and overcapacity. Carriers are responding with General Rate Increases (GRIs) and blank sailings planned in Q4 in an effort to raise rates, but the sustainability and effectiveness of these pricing actions remains uncertain. Container shipping rates, on average across all global freight lanes, declined 19% over prior month and are down more than 50% over the last 12 months.

Total container import volumes softened considerably in September, down 8% both over prior and month and prior year. This is a direct result of many shippers frontloading shipments ahead of known and potential tariff impacts. While Chinese imports still account for more than 30% of U.S. container volumes, the shift toward Vietnam, India and Thailand continues as shippers diversify sourcing strategies based on continued strain in relations. Trade uncertainty between the United States and China remains elevated as President Trump announced additional tariff levies of 100% on China's U.S.-bound exports scheduled for Saturday, November 1, in response to China's announcement last week regarding additional restrictions on critical mineral exports.

As shared last month, the suspension of the de minimis import exemption on August 29, which previously allowed goods valued under $800 to enter the U.S. duty-free, had a significant impact on freight costs over the past month, particularly for small-scale importers and e-commerce businesses. Some noted impacts from this change over the past 45 days:

- Carriers and customs brokers are scrambling to adapt to the new rules, requiring full customs declarations and duty collection for all parcels.
- The lack of automated systems and guidance has led to processing delays, confusion and increased administrative costs.
- Several foreign postal services have paused or have threatened to pause shipments to the United States, citing inability to comply with new customs requirements.
- Many retailers and small businesses have noted significant impacts on costs of over 20%.

Phase one of the peace agreement between Israel and Hamas, signed on October 9, marks a significant diplomatic milestone that, while fragile, will have impacts in the ocean freight market moving forward. If the ceasefire is held, a gradual normalization of Red Sea shipping could begin within the next several weeks, shortening transit times and costs of many freight lanes. However, carriers are expected to exercise caution and maintain contingency plans near term.

Trucking market
The U.S. trucking sector remains in a fragile recovery from the prolonged freight recession over the past three years. While spot rates are up 3%–5% year over year, they remain historically low, even as load-to-truck ratios increase. Flatbed and dry van capacity is tightening, especially in construction-heavy regions and near ports which had some impact on several product categories.

The government shutdown has introduced new risks, with furloughs slowing documentation and inspections at ports and border crossings. Carriers are now facing delays in permitting and compliance reviews, which could create further challenges and delays in the market.

Fuel prices remain stable, but Middle East tensions and the Atlantic hurricane season pose volatility risks. Diesel fuel stocks are below the five-year average in the United States but continued strong oil production domestically, coupled with slowing freight demand, has kept prices stable this past quarter.

The Federal Motor Carrier Safety Administration (FMCSA) announced on September 26, that it will no longer allow states to issue a Commercial Driver's License (CDL) to "non-domiciled" individuals unless they are lawfully present in the United States and authorized to work. This ruling went into effect immediately via an emergency interim final rule. This change aligns CDL issuance with broader federal immigration and employment eligibility standards. What this means is individuals on temporary visas or without work authorization will no longer be eligible for CDLs. It is estimated this ruling will impact approximately 200,000 licensed CDL drivers, which accounts for about 10% of total licenses issued. This change is expected to have notable impact on driver availability — they are unable to renew their licenses moving forward with a high percentage expected to exit the industry.

Raw materials (commodities)
Markets remain volatile as supply disruptions, trade policies and shifting demand continue to drive short-term price swings with recent developments influencing global trade and production. A major breakthrough in the Middle East eased some uncertainty, with Israel and Hamas agreeing to the first phase of a peace plan. The agreement, supported by the United States and Qatari mediation, offers a potential path toward a broader ceasefire.

Despite easing tensions, uncertainty persists as inventories, production adjustments and ongoing policy changes continue to create price and demand swings.

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

• **Copper** – Global copper forecasts took a hit after two natural disaster incidents at major mines in Indonesia and Chile disrupted production, pushing prices higher. With supply tightening and demand staying strong from clean energy projects and AI infrastructure, Bank of America now expects copper prices to climb more than 11% over the next two years. Still, companies are working to boost future output, including BHP's $555 million investment to expand operations in South Australia and a new recycling plant in Georgia to support U.S. copper recovery. However, the U.S. government shutdown could slow new mining projects. To date, copper prices have increased 9% from 2024 to 2025. Copper prices have climbed above $5 at the beginning of the month import premiums and the slow production of refined copper.

• **Aluminum** – Aluminum demand in the United States and Canada dropped 4.4% in the first half of 2025 compared to last year, mainly because of lower domestic shipments and a surge in scrap use and imports. Through June, demand hit about 13 billion pounds, while producer shipments were down 4.5%. Scrap inventories jumped nearly 15% as tariffs pushed more companies to use recycled metal. Industry leaders say current trade policies, like the 50% tariff, are putting pressure on producers and calling for a targeted approach that safeguards jobs and competitiveness. Despite the drop in demand, aluminum prices remain elevated as the impacts of tariffs have pushed producers towards recycling scrap in place of imports.

• **Steel** – Steel demand remains strong and lead times have extended one week compared to normal. U.S. steel imports dropped in August, falling 16.8% from the previous month, with year-to-date totals down 7% for all steel and 10.6% for finished steel, compared to 2024. The slowdown reflects shifts in demand and trade dynamics, but the ongoing U.S. government shutdown is complicating things. Federal agencies can't fully monitor imports in real time, raising concerns about potential unfair trade practices or overproduction. On the domestic front, the federal government stepped in to keep U.S. Steel's Granite City Works plant in Illinois operating, using its stake from a national security agreement with Nippon Steel to prevent the closure. Internationally, China's steel exports are expected to hit record highs this year, with shipments rising between 115 million and 120 million metric tons as Chinese producers push to move metal despite ongoing trade barriers. Meanwhile, the European Commission is cutting steel import quotas by nearly 50% and imposing duties up to 50% on excess volumes to protect its industry from oversupply, particularly from subsidized Chinese production.

• **Resins** – PVC prices continued their slight downward trend due to oversupply, weak downstream demand and slower construction activity. Manufacturers are reporting healthy stock levels, apart from large diameter and special radius bends, which have lead times of approximately 3 to 4 weeks.

• **Lumber** – Lumber futures have declined to around $600 per thousand board feet, down from the near two-month high of $615.50 on October 3. Demand has slowed because homebuilders and material buyers are pulling back due to higher construction costs and tighter mortgage rules making new housing starts more expensive. Many buyers had also stocked up ahead of the U.S. 10% Section 232 tariff on softwood lumber and higher duties on wood furniture and cabinets. On the supply side, U.S. sawmills are shipping more to make up for earlier shortages, while Canadian exporters are still held back by heavy anti-dumping and countervailing duties.

• **Crude Oil** – West Texas Intermediate (WTI) crude oil stayed just above $62 a barrel earlier this month, swinging a bit as tensions in the Middle East eased. The change came after President Trump said Israel and Hamas had agreed on the first phase of a peace plan, including the release of hostages in Gaza. WTI is a type of U.S. crude that's light and sweet, making it easy to refine, and it's a key benchmark used worldwide to set oil prices. On the supply side, U.S. crude inventories rose, but, overall, levels are still close to seasonal lows. Stocks at the Cushing, Oklahoma, hub — a key storage and delivery point for WTI crude — fell, and refined product inventories, like gasoline and diesel, also dropped. That means, while there's slightly more crude coming in, there's still tightness in the refined fuel market. At the same time, demand remains strong, showing that people are using more fuel for travel, industry and other needs.

Labor

Last month, the Bureau of Labor Statistics (BLS) released a report revealing significant downward revisions to previous employment data from early 2024 to March 2025, marking the largest downward adjustment since 2009. These revised figures indicate job growth had been weaker than originally reported, with notable declines in the manufacturing and construction sectors. Revisions also suggest the labor market's recovery may have been less robust than previously thought. These revisions are not necessarily a reflection of current conditions, as they go back more than a year. Coupled with recent months' data, they do point to a softening labor market.

When the government shut down on October 1, BLS also shut down, and the September jobs report was put on hold. Several firms and economists have released estimates for the labor market, which are noted below.

- Initial estimates indicate job growth declined below August's numbers, while actual results are not yet available.
- The unemployment rate is estimated to hold steady at 4.3%.

- The labor force participation rate, which measures the number of Americans actively working, held steady and is estimated to have increased to 62.3%.

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.

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