January 19, 2026

Valued Customer,

At Border States, keeping you informed about the state of the global supply chain remains a top priority. Across our core markets — construction, industrial and utility — we continue to see a mix of resiliency and stabilization, but there are persistent headwinds. We remain committed to providing timely, actionable insights to help you navigate these evolving conditions with confidence. Please note, the information below reflects current market conditions as of today and may evolve rapidly.

As we begin 2026, global supply chains are showing continued signs of resilience, but challenges continue. The U.S. economy is growing moderately based on Gross Domestic Product (GDP) estimates, while policies, including tariffs, Department of Transportation (DOT) regulations and interest rates, continue to have or jeopardize significant supply chain impacts. Transportation costs, both ocean and trucking freight, are rising, driven by growing capacity constraints and carrier price actions, even as fuel prices are stable.

Commodities remain highly volatile, putting continued price pressure on our customers. Copper prices are at or near record highs due to tight global supply, production disruptions at mines and growing demand connected to both electrification and digital infrastructure. Aluminum demand continues to surge, driven by data center and hyperscale projects coupled with high energy costs driving up pricing (energy accounts for an estimated 40% of total production costs). Steel markets face ongoing challenges and price softening driven by tariffs and international competition.

The Federal Reserve (Fed) has a dual mandate of promoting maximum employment and maintaining stable prices. Promoting maximum employment is about ensuring as many people as possible who want to work can find jobs. Maintaining stable prices includes keeping prices low and predictable, around the Fed's 2% inflation target. In 2025, the Fed focused on controlling inflation while stabilizing the labor market, maintaining relatively high interest rates in the 3.50% to 3.75% range for much of the year. Throughout the year, the Fed implemented three interest rate cuts intended to support slowing inflation while also addressing signs of a softening labor market, where unemployment had risen slightly and job growth was moderating. By reducing borrowing costs throughout the year, the Fed aimed to encourage investment and hiring, helping stabilize the economy while maintaining progress toward its 2% inflation target.

Looking ahead to 2026, the economic outlook suggests a gradual easing of interest rates and expectations that the Fed will continue to balance inflation with employment risks in their decisions. The Fed is next scheduled to meet starting Tuesday, January 27. A few key factors when looking further ahead into 2026 are noted below:

- Real GDP, which is the total value of goods and services produced in a country and a primary indicator of economic health, is forecasted to grow moderately in the United States.

- The Fed's policy is expected to gradually reduce interest rates, with forecasts estimating nearing 3% to 3.25% by year end. Forecasts vary; some financial institutions see little or no rate cuts this year, reflecting the continued uncertainty in economic conditions. It is also worth noting that Fed Chair Jerome Powell's current term as Chair of the Board of Governors is scheduled to end Friday, May 15. His broader appointment to the Fed's Board runs longer, remaining a governor until January 2028. While the Federal Open Market Committee (FOMC) ultimately votes on interest rates and policy, a change in chair could potentially shift policy priorities if a successor has different policy outlooks.
- The U.S. labor market is widely expected to moderate this year, with current projections anticipating slow job growth and a gradual rise in unemployment. Slower hiring, modest employment gains and continued uncertainty about how factors, such as tariffs, immigration policy and technology, will affect demand for workers.
- Tariffs (further summarized in the section below) continue to influence the 2026 outlook, impacting both cost and trade patterns. While many early tariff-related cost pressures are easing, higher import costs continue to influence consumer prices and supply chain decisions. Tariffs will continue to contribute to inflationary pressures and are likely to remain a factor in trade dynamics and cost planning, but its net effect on GDP growth is expected to be less severe than in prior years, according to some economists.
- Geopolitical events will continue to have an impact on the economic outlook. Venezuela remains a significant geopolitical and supply risk, especially for energy markets and related trade flows. In early January 2026, the United States conducted operations that led to the capture of Venezuelan President Nicolas Maduro and a shift in control over oil assets, triggering volatility in oil markets and geopolitical tensions (additional details provided in the commodity portion of the letter). Beyond Venezuela, several other geopolitical risks are anticipated in 2026, including ongoing tensions involving Russia and Ukraine, instability in the Middle East with potential escalations involving Iran, competition between the United States and China over technology and trade, and recently heightened tensions regarding control of Greenland and public commentary around the United States having control of the island due to its strategic importance to support national security (i.e., Arctic shipping routes, rare minerals and military bases).

The Consumer Price Index (CPI), which measures changes in the average prices consumers pay for goods and services over time, rose 2.7% annually in December, showing no change from November. This was in line with many economist predictions and was also being closely watched as October's standalone CPI report wasn't released due to the government shutdown. The year 2025 closed out as one that saw slight progress on inflation, but continued affordability concerns remain for many Americans with the impacts of tariffs being an ongoing risk. The Producer Price Index (PPI), which measures changes in the average prices producers receive for goods and services over time, rose two-tenths of a percentage point to 3% for the year ending in November. The PPI measures inflation at the production level, while CPI measures inflation at the consumer level.

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. 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.

While the tariff environment remains ever-changing, a summary of notable changes by month are included below (but are not reflective of all monthly tariff changes and developments).

- Canada implemented steel import restrictions in late December, reducing the quota for imports from countries without free trade agreements to 20% of 2024 levels before a 50% tariff applies. Imports from countries with free trade agreements, excluding the United States and Mexico, are limited to 75% of the 2024 levels before the same tariff rate applies. Separately, Canada imposed a 25% tariff on a list of steel-driven products affecting approximately 40% of U.S. products.
- India imposed a three-year tariff on select steel products to counter against cheap imports, particularly from China. The tariff starts at 12% in the first year, then falls to 11.5% and 11% in subsequent years.
- On November 5, 2025, the Supreme Court heard oral arguments on the legality of President Trump's use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs. The Court has yet to issue a ruling on whether Trump's use of IEEPA is legal. Under IEEPA, which allows the president to act in response to unusual or extraordinary threats, the Trump administration imposed several categories of tariffs in 2025, including: Tariffs on imports from China, Canada and Mexico tied to alleged threats such as fentanyl trafficking, reciprocal tariffs, 10% baseline tariffs and punitive/secondary tariffs, which include tariffs on all goods imported from countries that import Venezuelan oil. The latest next round of rulings was released on January 14. A summary of tariffs imposed under other authorities is included at the bottom of this section.
- On January 1, the White House announced that the planned tariff rate increases on upholstered furniture, household cabinets and vanities are delayed for one year and will remain at 25%, citing productive negotiations with trade partners. Trump first announced the increased tariffs in September 2025.
- In November 2025, a 25% tariff on medium and heavy-duty truck imports went into effect. The United States reached several trade deals, including with Switzerland, to reduce tariffs from 39% to 15%. The United States also removed tariffs on certain goods from Argentina, El Salvador, Guatemala and Ecuador that cannot be grown, mined or produced in the United States.

When looking at the impacts of tariffs on our business they include, but are 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, bringing production back to a business' home country. 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.

The table below outlines 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

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

December's lead times increased by an average of 0.15 days overall, with all categories showing month-over-month increases, except for construction and commodities, which declined slightly. Compared to 12 months ago, lead times remain flat; however, they have increased by 10% over the past six months. These upward trends continue to be driven by heightened demand for raw materials associated with tariff implementations, which are creating production constraints. Additionally, growing hyperscale project demand is beginning to impact lead time and product availability for materials critical to data center development. We continue to closely monitor these categories for ongoing lead time volatility.

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
- Bypass meter valves and bars
- PE pipe, tap tees, and line stoppers

Logistics and Freight

As we enter January, logistics markets remain more stable than the highly volatile conditions that defined the past few years. The market outlook for 2026 is one of expected demand and fuel price stability offset by tightening capacity and regulations driving up per-mile freight rates.

Ocean freight market

According to Drewry, global container markets saw declines in the week ending January 15, with global container rates dropping by 4% due to a decline in rates on the Transpacific and Asia-Europe trade routes. While import volumes are softening, carriers are holding firm on general rate increases and surcharges tied to geopolitical risk, fuel costs and ongoing repositioning of vessels across major trade lanes. Carriers continue to “blank” sailings to tighten capacity and get market rates to normalize.

Total U.S. container import volumes finished the year 2025 down 0.4% compared to 2024, marked by significant monthly volatility in import volumes driven by tariffs and ongoing trade negotiations. U.S. import volumes from China continue to decline with 2025 imports at 32% of total global imports compared to 38% in 2024. Shippers continue to diversify their supply chains, targeting other Southeast Asian countries, like Vietnam and Thailand. Ongoing trade and tariff negotiations will continue to put pressure on supply chain redundancy and onshoring/nearshoring in 2026.

Select carriers are cautiously resuming shipping through the Red Sea and Suez Canal as peace negotiations continue between Israel and Gaza. There is expected to be a slow build back to normal conditions throughout 2026, barring any deterioration in ongoing negotiations. Most carriers remain cautious and continue to ship around the Cape of Good Hope, adding multiple weeks and significant cost to many ocean freight lanes.

Trucking market

The domestic truckload market is showing signs of tightening after several years of “freight recession.” According to DAT Freight and Analytics, load-to-truck ratios, which highlight the number of loads to available carriers, continue to rise with flatbeds up 11% over prior year and vans up nearly 50%. National average spot per-mile freight rates are up 5%–15% over the past quarter, even as diesel fuel prices soften. While freight demand volumes remain moderate, several forces are exerting continued upward pressure on trucking capacity and pricing.

- Ongoing trends of carriers and drivers “exiting” the market in 2025. While softer than prior years, there are still fewer available commercial driver’s license (CDL) drivers than this time last year.
- Class 8 (semi) truck orders last quarter remain softer than historical levels, although there was a slight rebound seen in December due to

clarifying impacts of Section 232 tariffs on import truck parts and components. This will result in older, fewer trucks on the road over time.

- The DOT "non-domicile" legislation, issued in late September 2025, has introduced one of the most significant shifts in driver eligibility in decades. This legislation impacts CDL holders who are not U.S. citizens or lawful permanent residents — an estimated 5% of the total CDL driver population. This will likely have bigger capacity impacts in states like California and Texas.
- Cargo theft and fraud reached record highs in 2025, driving up carrier losses and insurance rates.

The trucking market outlook for 2026 is noted as a period of "cautious transition" as the market rebounds from a multiyear freight recession to one of stable demand coupled with tight capacity. The primary catalyst driving this change is aggressive capacity contraction driven by record carrier exits, restrictive "non-domicile" driver legislation and slower fleet expansion/equipment replacement. Forecasts suggest both spot rates and contract per-mile rates (net of fuel) could rise 2%–4% this year as a national average.

Raw materials (commodities)

Throughout 2025, commodity markets have been shaped by a complex mix of supply constraints, geopolitical events and risk, evolving trade and monetary policies, and shifting demand patterns and supply constraints.

- Ongoing geopolitical tensions, particularly involving major energy and resource-producing regions periodically disrupted supply expectations and added risk premiums to prices.
- The impact of tariffs also reshaped global trade flows and heightened market risk across many metals, steel, energy and other products.
- Demand growth tied to electrification, renewable energy, data center and infrastructure investments increased consumption of some raw materials, which, at times, outpaced mining, refining and smelting capacity constrained by underinvestment, labor issues and higher costs.

These factors, and many others, contributed to commodity market uncertainty and volatility. This uncertainty is expected to continue into 2026 as new geopolitical risk, like recent events in Venezuela and escalating tensions in Iran, the ongoing impact of tariffs and continued shifts in supply and demand will all continue to influence price and availability.

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

- **Copper** – Copper started 2026 with new record high pricing as strong demand and tight supply outweighed ongoing tariff uncertainty. In December, copper rose after China announced growth would be its top economic priority in 2026. These record highs reflect robust demand in data centers and renewable energy, which is outpacing production due to mining disruptions that have led to supply constraints. Some analysts are predicting short-term volatility due to weak demand in China. Long-term forecasts are currently predicting prices will rise to incentivize the mining and refining sectors with some projecting that, over the next decade, copper may approach $7 per pound on the London Metal Exchange, which is the world's leading exchange for trading industrial metals, setting benchmark prices used by producers, manufacturers and traders worldwide. The 2025 average copper prices were around $4.82, which is 60 cents higher than the 2024 average.

- **Aluminum** – Aluminum futures have increased above $3,000 per ton on the London Metal Exchange, the highest level in more than three years, driven by tightening global supply and strong demand from the construction and renewable energy sectors. Efforts being made by China to curb overcapacity, high energy costs, geopolitical risk and disruptions to smelters in countries, like Iceland, Mozambique and Australia, have all contributed to the increase. In additional news related to aluminum, the Aluminum Association's President and CEO testified during the first joint review of the United States-Mexico-Canada Agreement (USMCA), urging for stronger enforcement to curb the influx of subsidized Chinese aluminum entering North America. He also called for a renegotiated USMCA, with a focus on five concrete steps, including harmonized tariffs and stricter rules of origin and monitoring systems to protect jobs and markets.
- **Steel** – Nucor, the largest U.S. steel producer, kept its hot-rolled coil prices steady in the last week of December 2025, ending nine weeks of consistent price increases. The pause offers some temporary price stability as the market enters the new year. Additionally, China implemented a steel export licensing framework on January 1, requiring exporters to obtain permission to ship roughly 300 steel products, including stainless steel. This announcement came days after China's trade surplus surpassed $1 trillion for the first time. China's steel exports rose 6.7% between January and November 2025. Experts believe the new measure will have a marginal impact on 2026 export levels and is more of a procedural step than a significant barrier to trade. Canada also implemented steel import restrictions in late December, reducing the quota for imports from countries without free trade agreements to 20% of 2024 levels before a 50% tariff applies. Imports from countries with free trade agreements, excluding the United States and Mexico, are limited to 75% of the 2024 levels before the same tariff rate applies. Separately, Canada imposed a 25% tariff on a list of steel-driven products affecting approximately 40% of U.S. products. In other tariff news impacting aluminum, shares of major Indian steelmakers rose around 5% after the country imposed a three-year tariff on select products to counter against cheap imports, particularly from China. The tariff starts at 12% in the first year, then falls to 11.5% and 11% in subsequent years.
- **Resins** – A report from Market Research Future projects the global PVC market value could grow approximately 4.28% through 2035, driven by higher demand from hyperscale projects, such as AI facilities and data centers, and from the construction and automotive sectors. PVC is typically preferred in these sectors due to its versatility and durability for making pipes, fittings and more.
- **Lumber** – Lumber futures have increased to nearly $530 per thousand board foot, up from September lows. Seasonal demand expectations have increased as builders begin positioning ahead of the spring construction period, where consumption and demand typically improve. Forecasts are currently anticipating a modest increase in U.S. housing statistics, including repair and remodel activity in 2026 as interest rates have eased slightly. Longer term supply growth does remain constrained by ongoing tariffs on Canadian softwood and slower capacity expansion across North American sawmills, which limits surplus.
- **Crude Oil** – WTI (West Texas Intermediate) crude oil futures fell below $59 per barrel in early January, as market dynamics shifted after a U.S. military operation in early January led to the capture of Venezuelan President Nicolas Madura and effectively placed control of Venezuela's oil exports under U.S. oversight with agreements to release tens of millions of barrels of previously sanctioned crude to U.S. refiners. U.S. officials have indicated Caracas, the capital city of Venezuela, could release up to 50 million barrels of previously restricted oil to the U.S. market,

prompting oil companies to line up tanker shipments as soon as mid-January. This potential resumption of Venezuelan oil exports put downward pressure on prices, outweighing concerns over potential supply disruptions from escalating protests in Iran. The Strait of Hormuz, a narrow waterway through which roughly one-fifth of the world's oil shipments transit, makes Iran's export flows particularly sensitive to geopolitical instability, where even the threat of disruption tends to push prices higher because it could impact a significant share of global supply. Iran currently exports nearly two million barrels per day and ranks as the Organizations of the Petroleum Exporting Countries' (OPEC) fourth-largest producer. OPEC represents major oil-producing nations that coordinate production levels to influence global oil prices and supply.

Labor

In December, labor market data pointed to a cooling, but still stable, employment environment, which has been the sentiment throughout 2025. According to the Bureau of Labor Statistics, the unemployment rate declined to 4.4%, a 0.1 percentage point improvement compared to November, while the labor force participation rate declined to 62.4%, indicating limited new worker reentry. Nonfarm payrolls increased by approximately 50,000 jobs, which is below November's levels and lower than what economists predicted for December, reinforcing the trend of slower hiring momentum. Average hourly earnings rose 0.3% month over month, reflecting steady but contained wage growth. Below, you will find a summary of each key metric noted above.

- Job growth: Job growth measures the net number of jobs added or lost in the economy over a given period. It indicates the pace of hiring and overall economic expansion or contraction.
- Labor force participation rate: The labor force participation rate represents the share of the working age-population that is either employed or actively seeking work. It helps to explain whether people are choosing or able to work, not just whether jobs are available. A low or declining rate can mean fewer people are entering the workforce. A higher rate means a larger share of people are working or actively seeking work.
- Unemployment rate: The unemployment rate measures the percentage of people in the labor force who are actively looking for work but cannot find a job. Lower rates typically indicate stronger demand for workers, while higher rates suggest weaker hiring conditions. Unemployment rate does not capture people who have stopped looking for work, so it should be interpreted alongside labor force participation and job growth.
- Average hourly earnings: Average hourly earnings track changes in worker pay over time. This metric is important for understanding wage pressure, consumer spending power and potential inflation risks.

Overall, in 2025, factors, including economic volatility, slower growth and elevated interest rates contributed to a cooling but stable employment environment. Hiring declined throughout the year, with job gains primarily concentrated in a few industries, such as health care and leisure. Labor force participation remained largely flat, highlighting ongoing constraints in labor supply. The year marked a transition away from the robust post-pandemic labor expansion toward a more measured, employer-driven market, shaped by uncertainty, productivity focus and more selective hiring.

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 VP Procurement	Tony Serati VP Supply Chain Strategy and Optimization

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