



May 18, 2026

Valued Customer,

As we move into May, supply chain conditions across the construction, industrial and utility markets remain far more stable than the disruptions of recent years, but the operating environment has become more uneven. Today's challenges aren't driven by broad shortages; they're being shaped by a tighter mix of policy decisions, geopolitical risk, energy-driven cost pressure and infrastructure project demand, which is driving challenges concurrently in specific material categories, equipment and logistics capacity.

Cost volatility is once again a central theme. Energy markets have moved higher, creating ripple effects across freight, raw materials and finished goods. Commodity pricing, specifically copper, aluminum and steel remain elevated, supported by long-term infrastructure, grid modernization, and data-center investment, outpacing global supply capabilities.

Transportation markets have become increasingly sensitive to fuel costs and capacity availability. Trucking markets are tightening in pockets, particularly for construction and project-driven freight, while ocean markets have largely stabilized but remain exposed to routing risk and insurance costs tied to ongoing disruption in the Middle East. Even when rates look steady, transit reliability and total land cost can change quickly.

At the policy level, the environment continues to evolve. Tariff methodology changes, heightened customs enforcement and ongoing trade investigations are reshaping material cost assumptions and compliance requirements. For customers importing materials or relying on global supply chains, accurate documentation, early classification review and proactive planning are becoming just as important as first cost.

What this means, in practice, is straightforward: Longer planning windows matter more on long lead time and imported materials; transportation budgets will be elevated and relationships with strategic partners that can perform are critical. Our goal is to help you stay ahead of these shifts, understand where risk is elevated and plan your business with confidence.

Looking ahead, we expect the next 60 to 90 days to remain headline driven. The practical implications for customers are:

- Lock schedules earlier on long-lead electrical gear and wire/cable.
- Anticipate fuel- and policy-driven cost volatility in delivered pricing.
- Preserve flexibility where alternates are acceptable, so projects are not delayed by single-source constraints.



## Tariff Policy Changes and Updates

While the tariff environment remains ever-changing, a summary of notable updates and clarifications from April to May are included below (not reflective of all changes and developments).

- Section 232 metals (steel/aluminum/copper) – May clarifications: April’s shift to assessing duties on the full customs value (effective April 6) remains the headline change; in May, CBP issued technical corrections and filing guidance that clarified which HTS codes are subject to the program and confirmed certain “non-metal” items captured by classification can be entered at 0% under a new Chapter 99 provision (reducing the risk of overpaying duties due to misclassification).
- Equipment impact (important to our markets): The Section 232 framework includes a 15% transitional rate through 2027 for certain metal-intensive industrial equipment and electrical grid equipment, which is directly relevant for long-lead electrical gear categories where imports, assemblies or subcomponents can trigger additional duties, depending on classification and metal intensity.
- Potential next wave (Section 301): USTR’s broad Section 301 investigations (initiated in March) advanced into public hearings in early May (May 5–8). This is a key watch item because determinations could introduce new/additional tariffs later in 2026, potentially affecting a wider set of countries and manufactured inputs beyond metals.
- Enforcement posture (CBP/Enforce and Protect Act or EAPA): CBP continues to emphasize duty-evasion enforcement under EAPA (transshipment/origin fraud and misclassification), underscoring the importance of accurate country-of-origin documentation and supplier declarations — especially when sourcing shifts to avoid tariffs.
- The International Emergency Economic Powers Act (IEEPA) rebate process (movement from April to May): Consolidated Administration and Processing of Entries (CAPE) Phase 1 launched April 20; in May CBP’s public guidance reinforced the Phase 1 scope (certain unliquidated entries and entries within 80 days of liquidation) and the required mechanics (ACE Portal + ACH refunds + CSV submission).

When looking at the impacts of tariff on our business, they include, but are not limited to, the following areas:

- Delivered pricing and quote validity: Tariff methodology changes (especially “full customs value”) can raise the delivered cost of imported components and metal-containing assemblies, increasing the need for shorter quote windows and clear price-adjustment language on long-lead projects.
- Lead times and availability: When tariffs shift, demand often re-routes across countries and suppliers. This can tighten capacity and extend lead times on “tariff-safe” alternates, even if underlying demand is unchanged.
- Compliance and documentation workload: Increased CBP enforcement focus elevates the importance of accurate Harmonized Tariff Schedule (HTS) of the United States classification, origin support and supplier certifications (including metal origin, where applicable) to avoid delays, penalties and unexpected duty bills.

- Cost volatility by product mix: Electrical gear and metal-intensive items (switchgear, enclosures, wire/cable components and certain industrial equipment) can experience disproportionate tariff exposure versus commodity materials, so product-level landed-cost review matters more than broad “headline” rates.
- Working capital and credits timing: Refunds/rebates (e.g., IEEPA via CAPE) are typically back-end recoveries tied to entries and processing timelines; this can create timing gaps between when tariffs are paid in the supply chain and when (or if) credits flow through commercial terms.

### Tariff Rebate Update (IEEPA)

CBP rolled out a phased refund process for certain IEEPA-related duties through the CAPE tool on the CBP’s Automated Commercial Environment (ACE) Portal. Only the Importer of Record (IOR) or the customs broker that filed the qualifying entry can submit a claim — refunds are not automatic and require correct entry identification and established electronic refund capability.

- **Where things stand:** CAPE Phase 1 is live in ACE. Claims are submitted via the CAPE tool in the ACE Portal (CSV upload) by the IOR or the qualifying broker — no other parties can access or file in CAPE tool, including Border States.
- **Border States’ position:** Border States is **not** the Importer of Record and does **not** act as a customs broker. We cannot file within CAPE/ACE refund claims on a customer’s behalf. Our role is advisory only — sharing information and, where available, documentation from the supply chain.
- **Who typically controls the filing:** In many cases, the manufacturer (or another upstream party) is the IOR and will decide whether to pursue refunds and how/if any recovered duties are passed through.
- **What we can help with:** We can help customers understand where tariff-related costs may be embedded in pricing, provide supporting documents, when available (e.g., invoice detail, country-of-origin statements, supplier declarations) and coordinate with manufacturers on timing/eligibility and potential pass-through mechanisms (credits vs. price adjustments) once refunds are received.
- **What are we doing now:** We have been tracking vendor cost increases where IEEPA tariffs were cited, proactively re-engaging those vendors to reassess scope of impacted materials, confirming whether they are filing claims in the CAPE tool and working to identify which materials were impacted (often embedded in overall material cost vs. line-itemed). Vendors have indicated some claims have been initiated, but we have **not** received any refund notifications to date and there have been no updates on customer credits/reimbursements. We will continue to monitor activity and share confirmed updates.
- **What customers should do:** If you self-imported, work directly with your broker/IOR to identify eligible entries and submit through CAPE tool. If you purchased through distribution, any refund benefit depends on the upstream actions of the IOR or Customs Broker as well as the applicable commercial terms of the underlying transaction — timing is uncertain.
- **Key takeaway:** Things are evolving, and we expect continued litigation to cause further uncertainty to distributor and end user obligations and how we manage the process. Please treat IEEPA rebates as a potential back-end recovery, not guaranteed project cost relief. Border States is a conduit for information and does not assume liability or responsibility for filing, recovery outcomes or the

administration of refunds. Only the IOR or customs broker, of which Border States is neither, have access to file through CAPE tool.

**Note:** Tariff applicability and the exact duty paid depend on product classification (HTS), country of origin, and program eligibility. Some duties can apply in combination (while others are designed not to “stack”), so landed-cost impact should be evaluated on a product-by-product basis.

Policy authority	Goal/purpose	Current status	Tariff impact / %
Section 232	National security tariffs on strategic materials.	Active; updated rules effective April 2026	Tiered and applied to full customs value: Commonly 25% for derivatives substantially made of metal and 50% for articles made almost entirely of steel/aluminum/copper. Certain equipment categories use a 15% transitional regime (through 2027). Lower rates may apply for qualifying U.S.-origin metal content (10%).
Section 301	Targets unfair foreign trade practices	Ongoing investigations	Rates vary by product/country and are not yet set for the new 2026 investigations; outcomes can range from no action to new/additional duties depending on findings.
AD/CVD	Prevent dumping and unfair subsidies	Broad enforcement activity	Product/country/company-specific rates; can be material and can change at periodic reviews. (Often layered on top of base duty rates).
Section 201	Temporary safeguard relief for industries	Used selectively	If adopted, relief can be tariffs, quotas or tariff-rate quotas; rates vary by case and are time-limited.
IEEPA tariffs	Emergency-based tariff authority	Currently invalidated by court ruling	No longer in effect. Importers may be eligible for refunds depending on entry status and CBP processing.
CBP enforcement/EAPA	Prevent duty evasion and fraud	Active investigations	Not a tariff “rate” by itself — can result in collection of unpaid duties, cash deposits and other enforcement actions tied to the underlying AD/CVD orders.

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

Lead times are trending more mixed entering May, with overall supply conditions stabilizing in some categories but remaining elevated in others tied to hyperscale/data-center demand and project-driven ordering behavior. The most notable shift versus April is that select conduit categories are showing improvement (especially steel conduit), while PVC conduit lead times are moving higher with broader impacts across diameters from certain suppliers. Across both construction/industrial and utility, we continue to see pockets of extended lead times where metal-intensive content, specialized manufacturing capacity and large-project schedules are absorbing available production, reinforcing the need for early planning and alignment on forecasted demand. Key areas we are observing are noted below.

- Overall lead times: Mixed month-over-month — broad stabilization in several categories, with select project-driven items still extended.
- Conduit: Steel conduit is improving (notably EMT/IMC/GRC), while PVC conduit is extending (more consistent increases across diameters from certain suppliers).
- Utility programs: Wire/cable and grid components remain the primary long-lead drivers, especially where large project schedules are absorbing capacity.
- Equipment/power distribution: The planning window remains extended on distribution equipment and larger assemblies tied to backlog and build-slot management.
- Implication for customers: Earlier forecasting and release timing matters most on conduit (PVC), cable and larger equipment, where lead time risk is highest.

## **Construction and Industrial**

- Distribution equipment: Circuit breakers, load centers, panels, switches
- Fuses
- Meter sockets and hubs
- Automation products controls
- Strut
- Cable tray
- Ground rods
- Steel conduit (EMT, GRC, IMC)

## **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**

In early May, logistics markets remain relatively stable compared to the extremes of recent years — but current conditions are heavily shifting, driven by fuel costs, geopolitical risk and capacity tightening in select equipment modes. While overall U.S. freight demand is not surging, transportation costs and consistent service reliability are the headline.

Looking ahead for the balance of 2026, we expect freight markets to remain generally stable, with fewer systemwide disruptions than in recent years. That said, capacity is likely to stay tighter than prepandemic norms — particularly flatbeds, and transportation costs will remain sensitive to fuel prices, regulatory policy enforcement and the pace of U.S. infrastructure investment. The primary risk is not broad inflation, but episodic variability, reinforcing the importance of early planning and realistic assumptions for cost and transit timing.

### **Ocean freight market**

Ocean freight markets have largely stabilized from a pricing standpoint, with rates holding relatively steady across major trade lanes as global capacity remains balanced and U.S. import demand is softening slightly. The Drewry container index shows global freight rates across all freight lanes are flat from prior month and down nearly 30% over the past two years.





**Lumber** – Lumber remained steady entering May, with CME Lumber May 2026 futures trading around \$580. The National Association of Home Builders is reporting framing lumber pricing is essentially flat week-over-week, with modest improvement versus last month and still up year over year — reinforcing a stable-to-firm cost backdrop rather than a sharp correction. The bigger swing factor remains trade policy: Preliminary Canadian softwood AD/CVD rates are lower, but with Section 232 still in place, effective import costs could remain elevated once finalized later this year. From a procurement standpoint, we’re maintaining disciplined buy strategies while keeping flexibility to respond quickly if housing-driven demand softens or duties shift unexpectedly.

**Crude Oil** – Crude markets remain volatile entering May as the Strait of Hormuz disruption continues to drive a meaningful risk premium. Latest reported spot data shows WTI at \$109.76 per barrel May 4, reaffirming an elevated cost backdrop for diesel and other petroleum-linked inputs. In its April Short-term Energy Outlook, the U.S. Energy Information Administration (EIA) estimates ~7.5 million barrels per day of Middle East crude production was shut in during March, rising to ~9.1 million barrels per day in April, with an assumption that shut-ins could ease to ~6.7 million barrels per day in May if traffic gradually resumes. Even with partial normalization, EIA continues to carry a risk premium through the forecast period given uncertainty around future supply disruptions and shipping capacity constraints. Operationally, we expect fuel surcharges and freight-related costs to stay sensitive to headlines until shipping lanes stabilize and inventory rebuilds become clearer.

### Labor

For April (reported in early May), the U.S. labor market continued its “low-hire, low-fire” pattern: job growth slowed from March but remained positive, unemployment held steady and wage growth stayed contained. At the same time, several underlying indicators point to a more cautious labor backdrop — participation edging lower and more workers reporting part-time employment for economic reasons, which could translate into tighter staffing availability in specialized trades even as overall hiring cools.

Key labor indicators (April data, released May 8):

- Nonfarm payrolls: 115,000 in April (down from 185,000 in March, revised).
- Unemployment rate: 4.3% (unchanged month over month).
- Labor force participation: 61.8% (down slightly from 61.9%).
- Average hourly earnings (private): Rose 0.2% month over month and 3.6% year over year (wage growth remains modest).
- Underemployment signal: people working part time for economic reasons increased by 445,000 to 4.9 million.

What changed from April’s perspective is not a labor market “break,” but a continued cooling in the pace of hiring alongside stable unemployment and moderating wage growth. The key indicators to watch next are labor force participation, the share of workers who are underemployed (part-time for economic reasons) and sector-level hiring in construction and transportation — since those channels most directly affect lead times, install capacity and freight

execution. For the coming months, we expect labor conditions to stay uneven by sector: Broader hiring may slow, but skilled-trade availability can remain tight, keeping upward pressure on installed/field labor rates and reinforcing the need to lock schedules early on labor-intensive projects.

**Conclusion**

While the supply chain remains more stable than recent years, we anticipate seeing ongoing challenges and pressures across all core markets we serve through 2026 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.



Tony Serati  
VP Supply Chain Strategy



Zach Kincaid  
VP Procurement

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