



October 19, 2026

Valued Customer,

Since our September update, the supply chain has not shifted into broad disruption, but the risk profile has become more concentrated and more expensive in the areas that matter most to project schedules, delivered cost and budget confidence. Global supply chain pressure moved slightly higher, manufacturing activity remained in expansion, supplier deliveries stayed slow, and price indicators accelerated. At the same time, tariff policy continued to evolve, International Emergency Economic Powers Act (IEEPA) refund processing advanced, transportation and fuel costs moved sharply higher, and key commodities — especially copper, aluminum, steel, PVC and resin-related products — remained elevated. The current environment is manageable, but uneven. Standard material availability is generally better than it was during peak disruption years, while utility equipment, power distribution products, wire and cable, conduit, steel-related materials, communications and fiber products, gas utility materials, PVF and other project-driven categories still require early planning and active confirmation.

The biggest changes since September are not isolated to one issue. Tariff exposure remains tied to product origin, classification, material content and supplier documentation. Section 232 metals remain a watch item, Section 301 duties remain in place, pending court and customs developments, and the new U.S.–Canada actions reinforce the need to validate affected products instead of assuming whole categories are covered. IEEPA refund activity has progressed, but any downstream customer recovery remains uncertain and should be treated as a possible future recovery rather than guaranteed cost relief. Logistics also moved against customers in September: Surface freight rates turned higher, diesel reached record levels, ocean freight stayed elevated, and capacity remained tight heading into the fourth quarter.

Over the next 30–90 days, watch tariff and court developments, Section 232 scope decisions, supplier documentation, freight and diesel trends, carrier capacity, copper, aluminum, steel, PVC/resin availability and skilled labor conditions. We expect conditions to remain stable but pressured through year-end. Customers should plan for continued cost volatility, selective lead-time pressure and limited transportation relief, especially in metal-intensive and long-lead categories. The best protection remains early visibility: Confirm need dates, lock in quote validity where possible, identify critical-path materials during takeoff, keep approved alternates visible and coordinate closely with suppliers before late-stage project decisions limit options.

Key Indicator Metrics (latest available)

- **Global Supply Chain Pressure Index (GSCPI):** Increased to **1.28 in September**, up from a revised **1.20 in August**, indicating global supply chain pressure rose slightly while remaining above its historical average. Elevated supply chain pressures can contribute to higher inflation by raising costs and restricting the availability of goods. Customers should continue to confirm lead times and material availability that could affect project schedules.
- **ISM Manufacturing PMI:** The index registered **54.5 in September**, down slightly from **54.6 in August**, marking the ninth consecutive month of manufacturing expansion. The overall economy also remained in expansion for the 23rd consecutive month. With

manufacturing activity holding steady, customers should continue planning critical orders early and monitoring supplier capacity.

- **ISM Prices Index:** The index increased to **77.9 in September**, up from **71.1 in August**, marking the 24th consecutive month of reported price increases. Manufacturers are facing a faster rise in raw material costs, highlighting the importance of closely monitoring supplier pricing, quote validity and project budgets.
- **ISM Supplier Deliveries:** The index decreased to **59.0 in September**, compared with **59.3 in August**. Because readings above 50 indicate longer delivery times, suppliers continued to report slower delivery performance, although conditions improved slightly compared with August. Customers should verify availability early for materials and equipment critical to their projects.
- **Federal Reserve (Fed):** In September, the Fed increased the federal funds target range by **25 basis points to 3.75%–4.00%**. The next scheduled Federal Open Market Committee meeting is Tuesday–Wednesday, **October 27–28**. With another hike signaled by year-end, borrowing, project-financing and inventory-carrying costs may remain elevated. Customers should revisit financing assumptions and project budgets for upcoming work.
- **Consumer Price Index (CPI) and Producer Price Index (PPI):** CPI increased **0.6% in September**, up from 0.4% in August, and rose 3.7% year over year, compared with 3.4% in August. Core CPI increased 0.3% for the month, unchanged from August, and rose 2.6% year over year, up from 2.4%. PPI increased **1.3% in September**, up from a revised 0.5% in August, and rose 6.3% year over year, compared with a revised 5.6% in August. Consumer and producer prices rose faster in September, which may place additional pressure on supplier pricing and overall project costs.
- **Labor Market:** Nonfarm payroll employment increased by **29,000 jobs in September**, following revised changes of **+133,000 in August** and **-10,000 in July**. The unemployment rate was **4.2%**, representing **7.1 million unemployed people**, while labor-force participation was **61.8%**. Average hourly earnings increased **0.1% for the month** and **3.0% year over year**. Labor availability and wage conditions vary by region and trade, making early workforce and schedule planning important.

Tariff Policy Changes and Updates

Since the September update, U.S. import bans on select Canadian products took effect, the United States and China announced a reciprocal tariff-reduction agreement, and a federal trade court heard a challenge to the Section 301 tariffs covering goods from 60 trading partners. Section 232 metals tariffs remain unchanged, and the proposed addition of 14 metal-containing product categories is still under review. For customers, current duties should remain in cost assumptions until an official change takes effect. Product origin, classification, material content, quote validity and supplier documentation remain the main factors affecting total delivered cost. Border States continues to work with suppliers to understand potential cost and availability impacts and will remain transparent as conditions change.

- **United States-Canada trade actions:** U.S. import bans on certain Canadian goods, including alcoholic beverages, dairy-related products and larger-capacity motorcycles, took effect September 29. The broader 50% U.S. Section 338 tariffs on other covered Canadian goods remain in place, along with Canada's 15% to 50% tariffs on selected U.S. products. These measures are targeted rather than universal. Customers purchasing Canadian-origin products, or products that rely on Canadian inputs, should confirm whether individual items are affected rather than assuming an entire product category is included.

- **United States-China trade agreement:** Following the U.S.-China summit, the White House announced that the two countries agreed to reciprocal tariff reductions covering approximately \$30 billion in non-sensitive goods from each country. The products include U.S. agricultural and medical goods entering China and Chinese household appliances and other consumer products entering the United States. The reductions will take effect after both countries complete their required domestic procedures. The countries also agreed to extend their trade truce until January 10, avoiding higher U.S. tariffs during that period. Until the reductions officially take effect, customers should continue using current tariff rates in cost assumptions.
- **Section 232 metals:** There has been no material change to the current steel, aluminum and copper tariff structure. The Department of Commerce proposal to add 14 additional product categories, including certain electric conductor cables, remains under review and has not taken effect. The proposal does not change current costs, but it remains an important watch item for electrical, industrial and utility products. Tariff exposure continues to depend on the specific product, where it is made, how it is classified and the materials it contains.
- **Section 301:** The tariffs implemented July 24 remain in effect, imposing a 10% or 12.5% tariff on 60 trading partners covering 99.4% of U.S. imports, subject to certain product exemptions. On September 30, the U.S. Court of International Trade heard arguments challenging the legal basis for these tariffs, but no ruling has been issued. Unless a court ruling or official customs guidance changes the current action, manufacturers and importers should continue including these duties in landed-cost and pricing decisions.

When considering how tariffs may affect our business and our customers, areas of impact include, but are not limited to, the following:

- **Compliance and documentation:** Accurate product classification (HTS codes), country-of-origin support, supplier certifications and material-content information continue to be important. Thorough documentation can help minimize shipment delays and validate tariff charges.
- **Cost volatility by product:** Electrical equipment, wire and cable, enclosures, utility materials and other metal-intensive products remain the most exposed to tariff-related cost pressure. Similar products may have different costs based on origin, classification and materials.
- **Delivered pricing and quote validity:** Tariff-related costs continue to affect delivered pricing, even when suppliers attribute increases to raw materials, labor, freight, energy or inflation. Customers should review total delivered cost and quote validity rather than connecting every price movement to a single tariff announcement.
- **Lead times and availability:** Trade actions can change sourcing decisions and redirect demand toward alternative products or countries. These shifts may create longer lead times for sources with lower tariff exposure or clearer documentation.
- **North American sourcing:** Products moving within North America may still be subject to tariffs. The latest U.S.-Canada actions highlight the need to reassess cross-border sourcing assumptions, as the new Section 338 tariffs apply to covered Canadian goods regardless of United States-Mexico-Canada Agreement (USMCA) origin status.
- **Project planning:** Early demand visibility, accurate need dates, flexibility around approved alternatives and early identification of critical materials provide more options for customers and suppliers if tariff coverage, documentation requirements, pricing or availability changes.

Tariff Refund Update (IEEPA)

The IEEPA refund process made meaningful progress in October. As of October 2, U.S. Customs and Border Protection (CBP) had accepted approximately \$136.6 billion in potential and certified refunds for processing. Approximately \$126 billion in duties and interest had been certified and sent to the U.S. Treasury for disbursement — roughly three-quarters of the approximately \$166 billion originally estimated to have been collected. This represents continued progress, but it does not mean every importer has received payment or that recovered duties will ultimately be passed through to customers.

For Border States, this confirms our role is advisory only. Border States is neither the Importer of Record nor a customs broker. Accordingly, we do not have the authorization, visibility or control required to file, review or amend claims or to determine refund status in CBP systems. Any potential refund should be treated as a possible future recovery, rather than guaranteed relief from project costs.

- **Where things stand:** Refund processing continues to expand, including progress on certain older entries. However, eligibility still depends on the individual entry and ongoing court proceedings. Customer-level recovery remains uncertain because refunds are paid to the Importer of Record first, and any downstream benefit depends on how those recovered duties are handled commercially.
- **Border States' position:** Border States is not the Importer of Record and does not act as a customs broker. We cannot file, review or amend CAPE declarations, access claim status in CBP systems or control refund processing. Our role remains advisory and informational.
- **What we can help with:** Border States can help identify manufacturers or suppliers that have previously communicated tariff-related pricing impacts, provide supporting documentation when available and share updates on potential refund recoveries, credits, reimbursements or pricing adjustments if that information becomes available from manufacturers or suppliers.
- **What we are doing now:** Border States is actively validating supplier filing status, potential recovery amounts and how any recovery may be handled commercially. This includes evaluating possible credits, reimbursements, true-ups or future pricing adjustments. These discussions do not establish or guarantee customer entitlement.
- **What customers should know:** A government refund to an Importer of Record does not automatically create downstream customer credit. Any pass-through depends on the supplier's recovery, applicable commercial terms and the supplier's treatment of the recovered duties.
- **Key takeaway:** Treat IEEPA-related refunds as a potential future recovery — not guaranteed project cost relief. Refund processing has progressed, but outcomes depend on importer eligibility, court developments and upstream pass-through decisions. Border States provides information and support but does not assume responsibility for filing, recovery outcomes or refund administration.

Note: Tariff applicability and the exact duty paid depend on product classification, country of origin and program eligibility. Some duties can apply together, while others are designed not to stack. As a result, tariff exposure and any potential recovery should be evaluated on a product-by-product basis.

Tariff-Authority Reference Table

Authority	Status	Range	Duration	Geography	Purpose/product scope
IEEPA	Tariffs invalidated; refunds ongoing.	Varied; 10%–41%	February 2025–February 2026	Most countries.	Emergency-based tariff authority. Broad goods coverage.
Section 122	Expired.	10%	February 24, 2026–July 24, 2026	Most countries.	Global import duty. Most imports; exemptions.
Section 232	In effect.	Varies; 15%–50%	No fixed end	Global; exceptions.	National security. Strategic products, including steel, aluminum, copper and derivatives.
Section 301	In effect.	10%–12.5%*	No fixed end	60 countries. *	Targets unfair foreign trade practices. 2026 forced labor action; most goods, with exemptions.
Section 338	In effect	50%; some import bans	No fixed end	Canada.	Responds to discriminatory trade treatment. Selected Canadian goods.
Section 201	Active; product-specific.	Varies	Case-specific	Global; exclusions.	Temporary safeguards for import surges. Specific safeguard products.
AD/CVD	Active; order-specific.	Varies	Case-specific	Country/producer.	Offsets dumping and unfair subsidies. Products under AD/CVD orders.
CBP / EAPA	Active enforcement.	N/A	Case-specific	Case-specific.	Investigate AD/CVD duty evasion. AD/CVD evasion investigations.

* Reflects the 2026 Section 301 action discussed in this letter; other Section 301 actions may have different rates and scopes.

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

There have been no significant changes to lead times in October. They remain more stable than peak periods, but planning risk is still concentrated in specific project-driven categories. The broader supply chain environment is more predictable than it was a year ago, but some materials are still running longer than normal, depending on product type, manufacturer capacity, documentation requirements and regional demand. In several categories, lead times are modestly higher than last year, with some products extending by several weeks where demand, production capacity or sourcing constraints remain tight. The biggest risk for customers is critical-path material identified too late in the project cycle.

- **Plan early around utility and power distribution equipment:** Transformers, capacitors, regulators, switchgear, underground accessories, enclosures and related utility materials remain important schedule-risk categories. Some products continue to

carry longer planning windows, especially when projects require specific configurations, approvals or documentation.

- **Watch wire, cable, conduit and steel-related products:** Select wire and cable, conduit, cable tray, ground rods, strut, enclosures and fabricated metal products should be reviewed early for availability, quote validity and approved alternates. Steel-related categories have seen lead times move higher in recent weeks, with some products extending into multi-week planning windows.
- **Treat communications and fiber products as long-lead categories:** Fiber, specialty communications products and materials with domestic-content requirements should be confirmed early. Availability can vary significantly, depending on project specifications, compliance needs and acceptable alternates.
- **Monitor gas utility and PVF materials closely:** Regulators, meter-related products, valves, fittings, risers and specialty gas distribution materials remain areas where early planning can help reduce schedule risk. Lead times vary by product family, but certain categories continue to require longer advance notice.
- **Customer takeaway:** Lead-time risk is targeted rather than broad. The best protection is early coordination, clear need dates, confirmed quote validity, identification of critical-path materials during takeoff and flexibility around approved alternates where available.

Transportation and Logistics

September brought the brief August cooldown to an end, as surface rates turned back up and fuel set new all-time records. DAT monthly average spot rates rose to \$3.01/mi for dry van and \$3.62/mi for flatbed, up 4.2% and 2.3% month over month and now running 46.8% and 44.2% above year-ago levels. Contract rates kept pace, climbing to \$3.24/mi for van and \$4.07/mi for flatbed, each up roughly 4% on the month, confirming August's softness in spot was a seasonal pause rather than a turn in the cycle. Tender rejections settled near 13% after Labor Day before climbing back to roughly 14.5% in the final weeks of the month. Fuel was again the headline: National diesel averaged \$6.38/gal in September, up 14.1% month over month and 70.2% year over year, with weekly prices reaching the highest level since the U.S. Energy Information Administration (EIA) began publishing the series in 1994. Ocean freight held steady at an elevated level, with the Drewry World Container Index closing September at \$4,434/FEU, essentially flat to August but more than two and a half times where it stood a year ago.

Heading into the fourth quarter, the market is positioned for another leg of cost pressure rather than relief. New trucking capacity is not answering the rate signal; tractors in new for-hire fleets fell in August even as tender rejections held near three times their 2023 to 2025 range, and spot equipment postings sit at their lowest level in more than a decade. That leaves very little cushion for winter weather and holiday demand. Fuel remains the largest single variable, with East Coast distillate inventories roughly 32% below their five-year average and the EIA expecting diesel to stay above \$6/gal through October. On the ocean side, the extended United States–China tariff truce runs through early January, creating a defined restocking window with a hard deadline. Shippers should secure Q4 contract coverage now rather than wait for a softening that is not materializing, account for accelerated less-than-truckload and parcel rate increases and build sustained fuel exposure into 2027 budgets.

Ocean freight market

Ocean freight spent September holding its ground, with the headline index flat, while the underlying trade lanes moved in opposite directions. The Drewry World Container Index (WCI) finished the month at \$4,434/FEU, down slightly from August's \$4,473/FEU, as

- Drewry WCI Composite: \$4,473/FEU (August) → \$4,434/FEU (September), -0.9%, while still up roughly 166% year over year.
- Shanghai → New York (USEC): \$9,333/FEU (late August) → \$10,394/FEU (mid-September), +11.4%.
- Shanghai → Los Angeles (USWC): \$6,818/FEU (late August) → \$7,712/FEU (mid-September), +13.1%.
- Blank sailings: 47 blank sailings planned across major east–west trades from late August through early October, roughly 6% of scheduled capacity.
- Panama Canal: Drought restrictions limited daily transits to 34 in early September and 32 later in the month, with carrier surcharges taking effect.
- Port congestion: Shanghai vessel waiting times eased from 94 hours to 64 hours early in the month before climbing back to 78 hours.
- Tariff timeline: The U.S.–China tariff truce was extended two months through early January, opening a post-peak restocking window.
- Strait of Hormuz: Tanker traffic remained far below normal levels, keeping bunker costs and fuel surcharges elevated across all trades.

U.S surface transportation market

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- **Next 60–90 days:** Expect continued volatility across metal-intensive and project-driven categories. Demand from electrification, grid modernization, utility investment and hyperscale data centers continue to support copper, aluminum, steel and PVC markets. The biggest risks remain higher costs, selective lead-time pressure and changes in delivered costs driven by trade policy, transportation expenses and large-project demand. Customers should continue focusing on early planning, quote validity, alternative supply options, and project visibility.

Sign up for the [Commodity Update](#) for a monthly overview on what's affecting the prices of copper, aluminum, steel and PVC.

Copper: Although prices have eased from September highs, demand from electrification, utility infrastructure, grid modernization and data centers continues to support the market. Supply constraints increasingly appear structural rather than temporary, driven by mining challenges, declining ore grades, limited processing capacity and long development timelines. The market is also watching potential future Section 232 actions, including possible copper derivative tariffs beginning in 2027. For customers, wire, cable, grounding products and other copper-intensive materials remain exposed to elevated cost risk.

Aluminum: Prices moved modestly lower since September but remain above year-ago levels. Domestic pricing continues to be influenced by tariffs, regional premiums, freight costs and geopolitical uncertainty. The U.S. Midwest Premium remains a major driver of delivered costs. Customers purchasing cable, HVAC systems, utility hardware and enclosures should continue to expect pricing pressure even when global aluminum benchmarks are relatively stable.

Steel: Steel market remains elevated entering October. Infrastructure spending, utility investment, manufacturing activity and data center construction continue to support both demand and pricing. While lead times have improved from peak conditions, suppliers continue reporting strong demand across conduit, cable tray, structural products and fabricated assemblies. Customers should continue monitoring pricing and lead times on steel-intensive products, particularly for larger projects.

Resins: Resin markets remain elevated, although conditions vary by product and application. Pricing continues to be influenced by feedstock costs, transportation expenses and construction-related demand. Most suppliers expect pricing to remain elevated throughout the remainder of 2026.

PVC: Demand remains strong, particularly for conduit and larger-diameter products used in utility, infrastructure and data center projects. Hyperscale construction continues to consume significant volumes of PVC conduit, supporting pricing and extending lead times on larger-diameter products. Customers with significant conduit requirements should continue planning and validating availability early.

Lumber: Remains one of the more stable commodity categories. Housing activity, construction demand, freight costs and Canadian trade developments continue to influence pricing, but volatility remains far lower than in copper, aluminum and steel markets. Current supply and demand conditions remain relatively balanced, providing customers more predictability than most other commodity categories.

Crude oil: Remains an important market to watch because of its impact on diesel, freight and petrochemical-related products. Recent volatility has been driven by Middle East supply concerns and the prospect of increased Russian diesel exports. For customers, the largest

impact is often indirect through fuel surcharges, transportation costs, resin production economics and petroleum-based materials rather than oil prices alone.

Labor

The U.S. labor market softened again in September as hiring slowed, unemployment moved modestly higher and wage growth continued to moderate. While the broader labor market appears to be cooling, conditions remain very different depending on industry, geography and skill set. For customers, the biggest challenge is finding enough qualified workers in specialized trades and project-specific roles. Those labor constraints can still affect project schedules, installation capacity and overall project timing even as national hiring slows.

Key labor indicators (September data released October 2):

- **Nonfarm payrolls:** +29,000 jobs in September, down from a revised +133,000 in August and below expectations.
- **Unemployment rate:** 4.2%, up from 4.1% in August.
- **Labor force participation:** 61.8%, up from 61.6% in August.
- **Average hourly earnings:** +0.1% month over month and +3.0% year over year, indicating continued moderation in wage growth.
- **Sector trends:** Employment across most major industries changed little during September. While hiring momentum has slowed, labor demand remains relatively stable in many infrastructure- and project-related industries.

What changed vs. last month: September continued the gradual cooling trend, but without signs of a broad labor market breakdown. Payroll growth slowed considerably from August, unemployment edged higher, and wage growth softened further. At the same time, labor force participation improved, suggesting more workers are entering or re-entering the workforce. For customers, the message remains largely unchanged: General labor availability may gradually improve, but specialized labor remains difficult to replace quickly.

What we are watching: We are monitoring payroll growth, unemployment, labor force participation and wage trends, along with hiring activity in construction, manufacturing, transportation and energy-related sectors. We are also watching what economic growth means for labor availability in the skilled trades.

Next 60-90 days: We expect labor conditions to remain stable but uneven through year-end. Labor challenges are likely to remain concentrated in electricians, utility crews, field service technicians, transportation-related positions and other skilled project-specific roles. Customers can best mitigate labor-related risk through realistic schedules, early contractor engagement and strong coordination across projects and supply chains.

Conclusion

While our supply chain continues to improve, we anticipate seeing ongoing challenges and pressures across all core markets we serve through 2026 and likely will never return to a pre-pandemic state.

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

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

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



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