vizient

Supply Chain Impact Intelligence

August 2025

This monthly brief has three primary sections providing updates on the fundamental factors impacting the cost of goods and services. Each section will cover the current market and trends within energy, freight, raw materials and wages. The first section provides a high-level overview, followed by a heat map containing detailed inflation trends. The third section dives deep into the market fundamentals currently impacting prices and costs of manufacturing.

Energy

Despite the multitude of geopolitical events that could send oil prices soaring at any moment, the continued low demand from Europe, China and the U.S. has prevented oil, gasoline and diesel from escalating. In May, Saudi Arabia and other OPEC+ nations began increasing oil production output. This combination of low demand and solid, rising production will keep prices low. However, July data has shown a drop in oil rig count and production levels in the U.S. as demand and price remain low.

Freight

Due to the combination of continued tariff uncertainty, order panic earlier this year because of the potential tariffs and slumping demand, ocean freight rates have declined significantly since July. Spot prices in late August hover near historic norms.

Trucking costs, both spot and contract, continue to linger in the lower price range as low demand and lower diesel prices keep rates down. However, a decline in fleet size has started to show signs of leading to fewer available trucks which may lead to an increase in trucking costs.

Raw materials

Demand for raw materials remains week, with flat to lower prices shadowing the depressed demand. Concern about new and possibly upcoming tariffs has led to random volatile price spikes as manufacturers stockpiled raw materials before the tariffs went into effect.

Wages for labor in manufacturing and service providers

Wage growth in manufacturing has been on an elevated track for several years. However, the latest data has shown mild wage increases with growth returning back to normal rates. Wage increases for service providers have maintained an annual growth rate of 4% since 2023.

Monthly spotlight

News headlines covering the Consumer Price Index (CPI), are painting a picture that inflation on goods has not been impacted by tariffs and remains under control. However, diving deeper into the Producer Price Index (PPI), which covers the cost of goods production, shows a different picture of inflation. At the current inflation pace, the cost of providing goods and services would experience an inflation rate of 4.8% for 2025. As the impact of tariffs winds its way through the supply chain, anticipate an acceleration of inflation rates, particularly on goods.

Inflation and raw materials heat map

The heat map provides a synopsis of inflation trends month-over-month. It also provides a long-term inflation picture looking at 12-month percent changes, three-year percent change and what has happened since January 2020, right before the pandemic created wild price swings. The colors within the heat map are meant to assist you with capturing the current trend of costs that impact manufacturing, service and distribution. Note: The July % change is not available for construction labor because it lags a month behind.

Prices low/declining — Prices high/increasing

	2023	1 month % change				2024					1 month % change							2025			1 month % change				Historic inflation rates 12-month	3 year	Jan. 2020
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	% change	% change	% change
Materials																											
Resins	-0.2%	0.1%	-1.5%	-0.3%	-0.3%	-1.1%	1.8%	-1.5%	2.6%	-0.3%	0.2%	1.1%	-1.3%	-2.2%	1.9%	-0.6%	-0.7%	0.7%	0.3%	1.1%	-0.6%	-1.1%	0.9%	-0.9%	-0.4%	-11.3%	-6.9%
Metals	-0.4%	-0.5%	-0.6%	-0.7%	-0.1%	0.7%	0.4%	0.5%	1.1%	1.8%	0.5%	-1.3%	-1.3%	-0.4%	0.9%	1.2%	-1.1%	1.2%	0.6%	-0.4%	0.8%	-0.1%	0.7%	3.8%	2.4%	-5.2%	42.1%
Chemicals	-0.4%	-0.1%	0.3%	-0.5%	-0.3%	-0.5%	0.5%	-0.1%	0.7%	0.1%	0.1%	0.6%	0.1%	-0.4%	-0.2%	-0.3%	0.0%	0.6%	0.7%	0.3%	0.0%	-0.5%	0.2%	0.4%	1.4%	-0.6%	22.8%
Paper	-0.7%	0.7%	-1.6%	0.1%	0.0%	0.7%	-0.1%	-0.8%	0.3%	0.7%	0.1%	1.4%	-0.7%	-0.1%	1.0%	-0.2%	-0.1%	-0.6%	0.8%	0.7%	0.7%	-0.2%	0.1%	1.5%	2.9%	8.0%	28.8%
Sanitary paper	-0.6%	0.0%	-1.5%	-0.7%	-0.6%	-0.2%	0.0%	-0.1%	-0.1%	0.0%	0.0%	0.1%	0.0%	1.1%	-0.2%	0.1%	-1.5%	0.0%	0.1%	0.2%	-0.1%	0.2%	-0.6%	-0.5%	-1.1%	2.1%	16.7%
Packaging	-0.4%	0.5%	0.6%	0.1%	0.1%	-0.1%	0.8%	0.6%	0.4%	-0.2%	0.1%	-0.3%	0.7%	0.1%	0.1%	-0.7%	-0.1%	-0.8%	0.9%	0.1%	0.5%	-0.3%	-0.3%	-0.6%	-0.4%	0.1%	27.5%
Fibers	0.2%	0.2%	0.9%	-0.1%	-2.4%	1.3%	0.0%	1.5%	0.3%	0.5%	0.9%	1.1%	0.5%	-0.6%	-0.6%	0.0%	0.0%	1.4%	0.0%	0.0%	0.6%	-0.6%	0.0%	0.0%	0.7%	-2.2%	39.6%
Cotton	2.2%	-1.2%	-2.5%	-4.4%	0.4%	5.4%	7.6%	-9.1%	-8.9%	-2.1%	-1.4%	-3.5%	1.6%	2.5%	1.2%	-2.5%	-2.0%	-2.1%	-0.3%	-0.4%	1.0%	-0.6%	0.4%	0.6%	-0.6%	-41.8%	-0.3%
Energy																											
Oil	7.0%	9.9%	-4.2%	-9.3%	-7.5%	3.1%	4.2%	5.2%	5.0%	-6.2%	-0.3%	2.5%	-6.3%	-8.4%	2.5%	-2.8%	0.2%	8.0%	-5.6%	-4.6%	-6.9%	-2.2%	9.7%	0.3%	-16.4%	-32.7%	18.9%
Diesel	12.6%	4.3%	-1.1%	-5.8%	-6.5%	-3.0%	4.9%	-0.5%	-0.5%	-4.5%	-2.6%	2.4%	-2.9%	-3.8%	0.7%	-1.8%	-0.8%	4.0%	1.0%	-2.2%	-0.6%	-2.0%	2.9%	5.0%	-0.8%	-31.1%	24.0%
Natural gas	1.2%	2.3%	12.9%	-9.1%	-7.0%	26.2%	-45.9%	-13.4%	7.4%	32.5%	19.8%	-18.5%	-3.9%	14.6%	-3.5%	-3.6%	42.0%	37.2%	1.5%	-1.7%	-17.0%	-8.8%	-3.2%	6.0%	54.6%	-56.0%	58.4%
Electricity - industrial	0.6%	0.3%	-5.9%	-1.6%	0.2%	0.6%	2.9%	-1.8%	-0.9%	-1.4%	8.4%	0.7%	0.0%	0.1%	-5.2%	-3.2%	0.5%	0.7%	1.4%	0.4%	0.1%	-2.1%	7.1%	4.7%	4.0%	12.0%	42.9%
Logistics																											
Ocean shipping	3.6%	-4.5%	-5.5%	-3.1%	3.1%	2.9%	-2.4%	-2.9%	0.6%	3.5%	4.9%	1.1%	-1.6%	-4.3%	-1.2%	-3.2%	-0.6%	8.7%	2.1%	-5.0%	-1.3%	-2.6%	4.7%	1.3%	-3.7%	-4.8%	32.0%
Trucking	4.4%	0.9%	0.6%	-1.4%	-2.0%	2.6%	0.8%	0.5%	0.6%	-0.9%	-1.2%	2.4%	-1.5%	-0.3%	0.1%	0.0%	0.0%	5.7%	0.7%	-0.1%	0.0%	-0.4%	1.1%	1.7%	7.3%	6.8%	10.3%
Labor *(index of average hourly wage for production and nonsupervisory employees)*																											
Manufacturing	-0.3%	1.1%	0.0%	0.9%	1.3%	0.0%	0.1%	0.5%	0.5%	-0.1%	0.6%	0.7%	-0.2%	0.9%	-0.1%	0.8%	0.6%	0.4%	0.1%	1.0%	-0.2%	-0.1%	0.5%	0.0%	3.7%	15.6%	29.0%
Services	-0.5%	0.9%	0.9%	-0.4%	0.3%	1.2%	-0.1%	0.3%	0.5%	0.0%	0.2%	-0.1%	0.3%	1.3%	-0.1%	0.1%	0.9%	0.5%	0.7%	0.1%	-0.1%	-0.1%	0.3%	-0.1%	3.9%	13.0%	30.2%
Construction labor	1.7%	0.0%	0.2%	0.2%	0.2%	0.7%	0.0%	1.0%	-0.5%	0.3%	-0.6%	0.5%	0.4%	1.3%	-0.9%	-0.1%	1.5%	-0.7%	0.1%	1.1%	-0.5%	0.6%	-0.5%		2.7%	13.7%	29.1%

Market fundamentals impacting costs

The table below highlights the factors creating an upward or downward pressure on the cost of manufacturing, providing services and distribution. The information details pressures on energy and raw material prices, costs of trucking and shipping, and wage changes within goods manufacturing and service providers. The **upward** section identifies factors that may lead to future price increases while the **downward** section indicates what may lead to lower costs.

Table of contents

Energy →

Freight →

Raw materials →

Labor →

Market fundamentals putting **upward** and **downward** pressure on prices:

Energy

Oil market fundamentals

Upward pressures

- Geopolitical pressures and conflicts from the Russia/Ukraine war to multiple potential areas in the Middle East have the potential of leading to significant increases of oil, gasoline and diesel prices.
- Growing demand of fossil fuels in developing countries, especially from India and Southeast Asia, will contribute to increased price pressures during the next few years.
- Oil rig counts in the U.S. have dropped this summer due to low demand and low prices. As production and supply levels decline, prices tend to rise.

Downward pressures

- Saudi Arabia’s increased production levels have created solid supply levels and, in turn, lower prices.
- China has boosted its oil drilling and discovered a large oil deposit offshore, and Brazil has grown its offshore drilling production.
- In 2024, the U.S. reached record levels of oil production and the Energy Information Administration (EIA) believes the high U.S. production levels will continue under the Trump administration. Most production growth will come from the Gulf of America and not shale oil.
- Less oil and its derivatives will be needed from Europe and China as government policies push them toward green energy. Europe and China will continue investing heavily to increase green energy, reducing dependance on fossil fuels. The purchase of EVs has exploded in China, creating a noticeable decline in fuel demand.

Diesel market fundamentals

Upward pressures

- Two U.S. refineries will shut down in 2025 and another in 2026, decreasing refining capacity by 3%. The refinery shutdowns are primarily related to aging facilities and climate policies that impact the ability to remain in production. The EIA has forecasted low inventory levels in 2025 and 2026, leading to higher prices.
- Europe, which no longer receives diesel from Russia, continues to rely on the U.S. for diesel imports, leading to further price pressures in the U.S.

Downward pressures

- New refining plants have come online outside the U.S., along with capacity upgrades of several current U.S. plants. In 2023, China became the largest refiner of diesel and gasoline.

Natural gas market fundamentals

Upward pressures

- Russia and Ukraine have been targeting each other's energy infrastructure, which could lower global supply availability.
- Long term, global natural gas demand is projected to surge 90% by 2040. Asia will account for 70% of the increase as it hopes to switch from more polluting resources to liquified natural gas, yielding continued Asian economic growth.

Downward pressures

- High inventory levels, especially in the U.S., will keep prices at or below historically normal levels.
- Qatar broke ground in October 2023 on the world's largest new liquified natural gas (LNG) project, the North Field expansion project, which will supply LNG to Europe and China.
- Significant discoveries of natural gas were made in northern Africa on land and offshore. Several major oil companies are investing heavily to produce and provide natural gas and oil to Europe as a replacement for Russia.

Freight

General freight trucking

Upward pressures

- Trucking capacity has been declining since late 2023 with it accelerating in 2025, leading to upward pressure on rates despite low market demand. When demand turns around, the low market trucking capacity will lead to a significant jump in trucking costs.
- On Aug. 21, the Trump administration put a pause on all new commercial truck driver work visas. There is potential this could lead to a shortage of drivers and higher freight costs.

Downward pressures

- Truckload volumes are down 15% in 2025 vs. 2024 volumes. Low demand levels continue with analysts anticipating it to last into 2026.
- Diesel fuel prices remaining near or under $4 per gallon for an extended period helps keep freight costs lower.

Deep-sea freight shipping

Upward pressures

- With current and potential tariffs on the horizon, organizations continue frontloading, leading to the Los Angeles port seeing record volume in July.
- Due to the Houthis' persistent attacks in the Red Sea, shippers continue to take longer routes around Africa, requiring additional insurance, labor, fuel and ships which all elevate operating costs.

Downward pressures

- Strained global demand, outside of the tariff-related inventory-building mentioned above, is placing downward pressure on prices.

Raw materials

Steel

Upward pressures

- A tariff of 50%, effective June 4, was placed on all steel imported into the U.S. The UK will remain at 25%. In late August, the Trump administration expanded the tariff on steel and aluminum products to an additional 400 product types. This expansion now applies to a large range of goods and components.
- Solid U.S. supply levels and production that nearly meet the low demand have helped keep prices from escalating substantially from the tariffs.

Downward pressures

- Globally, weak demand will keep lower pressure on prices.
- The U.S. will have two new steel mills opening in 2025, combined with new facilities opening in Australia and China.
- Production growth from India, China and other Asian countries accelerated in 2024, leading to a growth in inventories.

Stainless steel/nickel

Upward pressures

- There is an import tariff of 50%.
- Low pricing of nickel and a flooded market have led to several countries shutting down mines, reducing investments and slowing nickel production, with the hope of lowering supply and increasing price.

Downward pressures

- Weak demand continues globally, especially from China, Europe and the U.S.
- Nickel's prices are declining with surplus production from China, Chinese-owned production in other countries and Indonesia, which provide nearly half of global nickel, creating strong inventory levels.
- Growing investment in mining, exploration and discovery may lead to higher supply levels meeting future demand.

Aluminum

Upward pressures

- A tariff of 50%, effective June 4, was placed on all steel imported into the U.S. The UK will remain at 25%. In late August, the Trump administration expanded the tariff on steel and aluminum products to an additional 400 product types. This expansion now applies to a large range of goods and components. The tariffs seem to be heavily impacting spot aluminum prices.

Downward pressures

- New aluminum smelting plants that came online in 2023 have kept supply levels solid.
- The U.S., China and global economies continue tepid demand.

Copper

Upward pressures

- 50% tariff placed on imported copper started Aug 1; see below for exemptions.
- Long term, copper prices will maintain an elevated state as a shortage of raw copper ore will persist with global production not meeting demand growth, despite a 3% anticipated growth in global production.
- China, the world's largest producer of refined copper, announced in October 2024 that refined copper production will be reduced due to the ore shortages and will, instead, increase its focus on recycling copper.

Downward pressures

- Chile, the largest refined copper supplier to the U.S., with more than 50% of the market, received an exemption on the copper tariff.
- The renewed focus on recycling copper in China and globally in 2024 will partially provide an opposite price effect, helping keep a cap on the cost of copper.

Resins

Upward pressures

- Prices have fluctuated up and down the first half of 2025, with demand increasing as manufacturers build inventory ahead of potential new tariffs.
- Domestic demand increased in July, leading to a jump on several resins
- There is unexpectedly high export demand on U.S. producers.
- Dow Chemical will close three petrochemical feedstock plants in Europe by the end of 2026.
- Feedstock used to create resins experienced significant price jumps during Q1 2025. This has led to producers slowly pushing out price increases to resin buyers.
- A UN environment program is working on a global treaty to increase plastic recycling and limiting the use of harmful chemicals. These potential changes would raise the cost of plastic-/resin-based products significantly.

Downward pressures

- An economic slowdown has led to declining resin and polymer demand, resulting in declining price levels.
- After a flurry of inventory building before tariffs, demand has slowed as manufacturers wait for more information about tariffs.
- New production capacity has come online in the U.S. and China. The new capacity has provided strong supply levels on most grades of polyethylene and other resins. Supply levels remain remarkably high in 2025.

- Supply levels of resins remain solid despite production rate cuts.

Cotton

Upward pressures

- Much of global mill use occurs in China, and due to the tariffs, items made from cotton will likely see higher prices.

Downward pressures

- Global stocks will remain at elevated levels despite the anticipated uptick in mill usage and a decline in 2025/26 production estimates compared with the high production of 2024/25.

Wood pulp, writing and printing paper

Upward pressures

- The current tariff rate on Canadian softwood lumber is 14.54%. This rate was set by the U.S. Department of Commerce in August 2024 during its fifth administrative review, nearly doubling the previous rate of 8.05%. For context, Canadian lumber accounts for roughly 30% of the U.S. softwood lumber supply.
- The additional 25% tariff proposed in March was delayed and ultimately exempted for lumber on April 2, avoiding a jump to 39.5%. This exemption was a critical win for the forest value chain, maintaining the status quo at 14.54% and avoiding a cost spike that could have disrupted markets. Future increases are anticipated, with the Commerce Department’s next review, possibly pushing rates to 27% or more by late 2025, and the Section 232 investigation adding further uncertainty.
- Elevated wood pulp prices, which impact paper prices, will remain going forward due to growing demand and lower production levels.

Downward pressures

- On March 1, 2025, the Trump administration ordered the Bureau of Land Management and the U.S. Forest Service to increase forest maintenance and lumber production by end of 2025/early 2026. U.S. production in the Pacific Northwest and South would increase, leading to lower lumber and pulp prices.

Packaging

Upward pressures

- Net-zero environmental targets are encouraging movement away from plastic packaging toward paper packaging.
- Higher wood pulp, paperboard and resin prices will keep packaging cost on an upward trend.

Downward pressures

- Several expansion projects began production in 2024.

Labor

Manufacturing wages

Upward pressures

- The trend toward domestic and near-sourcing will expand the workforce shortages as additional labor will be needed.
- In 2016, Mexico made the decision to start raising the minimum wage more than other wages in a bid to even-up earnings. Since then, the minimum wage has increased 280%. Medical device manufacturing in Mexico pays more than minimum wage, but these increases have put pressure on raising these wages as well.

Downward pressures

- Decline in domestic demand for goods has led to a decline in production rates, meaning less manufacturing labor is needed in the short term.

Service wages

Upward pressures

- Deportation of immigrants may lead to a shortage of available service labor, leading to additional wage inflation as suppliers attempt to attract new service providing labor.

Downward pressures

- A slow economy has led to lower demand for services, and thus, declining wage increases.

Sources

- U.S. Bureau of Labor Statistics, Producer Price Index
- Manufacturers' Outlook Survey - NAM, WSTS
- EIA, IEA, OilPrice.com,
- FreightWaves, American Trucking Associations, Hellenic Shipping News, Supply Chain Dive, Freightos
- MetalMiner: Buy Metal With Confidence, Forecasts for Metal Prices, Plastics Industry News Resintel, Cotton Grower: Dedicated Coverage and Reporting of the Cotton Industry, Cotton Inc., Fisher: Global Pulp & Paper Business Intelligence
- Institute for Supply Management

Additional resources

Supply assurance webpage; Vizient Newsroom
Want to receive weekly Supply Assurance updates?
Update your preferences through our Subscription Manager by selecting Supply Assurance Weekly Digest.

Questions? Contact disasterresponse@vizientinc.com, pharmacyquestions@vizientinc.com, novaplus@vizientinc.com