



Uncertainty Is the New Norm

Tariff confusion creates a rising sense of unpredictability for electrical construction

By Chuck Ross

The cliché opening for a story like this is often, “We are living in uncertain times.” And, like many clichés, this one is rooted in truth. In April, the Trump administration imposed tariffs on all its trading partners; this has left manufacturers and importers around the globe questioning their own economic futures.

These tariffs shifted over the course of April. By mid-May, fees stood at 10% on most products coming into the country. Steel, aluminum and automobile imports, though, face a 25% tariff. A separate rate of 145% imposed on imports from China was later shifted down to 30% in May. However, non-China rates could shoot up again if negotiations don’t prove successful by early July, when a 90-day pause on retaliatory tariffs with those other countries is set to expire.

At these rates, trade with China—which imposed its own retaliatory penalties on imports of U.S. goods—virtually ceased, leading many economists to look back to supply-chain shortfalls from the pandemic for a model of what could be coming next. Economists say that uncertainty comes with its own financial risk, the cost of which could accumulate over time.

How things have changed

In December 2024, the fourth-quarter GDP came in with a 2.4% growth rate. By March, first-quarter 2025 GDP growth figures had contracted to -0.3%, the first negative reading since the first quarter 2022. The U.S. Bureau of Economic Analysis attributed the contraction to a surge in imports as U.S. companies built up their stocks in advance of tariffs, plus a drop in government spending. And this data point was set before most tariffs actually took effect in early April.

The second phase of tariff impacts started to become evident by mid-May, as U.S. ports began seeing a significant drop in shipping traffic, especially from Chinese freight carriers. In addition to the potential for shortages of some goods, this slowdown has implications for transportation industry work-



ers, including port and trucking employees, with layoffs a possibility. If end-of-June figures show GDP declined again in the second quarter of 2025, the United States will have met the formal definition of a recession.

For manufacturers and retailers, the tariffs are creating havoc for business planning, because no one knows just how long—and at what level—tariffs will stay in place. Corporate leaders feel stymied by the lack of clear targets economic negotiations would need to reach. By early May, a number of major corporations had either softened their previous predictions of growth in 2025 or scrapped their forecasts completely. Those tasked with managing the economy's direction are finding themselves just as puzzled in their efforts to grasp what the next few financial quarters will hold.

This includes Ron Wirtz, director of regional outreach for the Minneapolis branch of the Federal Reserve. His job involves keeping up with businesses across his region, which covers much of the upper Midwest and northern Plains, to gather qualitative information that helps fill in the blanks between quarterly GDP readings.

"That data is very often time-lagged," he said, meaning GDP figures are describing conditions that could have begun three months earlier. "That's where outreach comes in—we can get a general sense of where business is headed. It's not scientific data, but it's useful, nonetheless. We want all the information we can find, quan-

titative and qualitative—understanding a state or national economy is very complex."

Speaking in late April, he said he was seeing signs of the tariffs' effects. "We're maybe flat overall in economic growth, with rising uncertainty, not only in our district, but across the entire country," he said. "It was much more positive in November."

These reactions were elicited from surveys Wirtz's group runs through partners in the Fed's Ninth District—including many areas served by electrical contractors.

These surveys include questions regarding respondents' opinions on the current economic direction.

"Sentiment can be squishy stuff," Wirtz conceded, noting the qualitative nature of opinion, adding, though, that the Fed still sees value in information that can't be reduced to a numerical equation. "We can get a general sense of where business is headed. It's not scientific data, but it's useful, nonetheless—you can anticipate things better. We're not using it for monetary policy."

When asked what might help turn sentiment around for construction industry members, Wirtz first made clear that his statements reflected his own thoughts, not official Federal Reserve policy, and then noted simply, "They would need to see that the conditions that created the uncertainty are no longer in place—that the terms of the competitive market are stable and will remain certain."

So far, he said, “The circumstances don’t seem to be changing.”

The view closer to home

Chris Kuehl, **ELECTRICAL CONTRACTOR**’s economist and a longtime observer of the construction industry, noted that the attitude of Americans experiencing today’s economic uncertainty depends on where they fit into the economy as it has been for the last several years. He describes the current economy as “K-shaped.”

“You have an upper arm that hasn’t felt much of the inflation—they’ve made their money on the markets,” he said. “[For] the bottom third, the economy crushed them two years ago, if not three years ago. The middle third is looking around going,

‘when do the layoffs start, and will that affect me?’”

It’s into this middle territory where Kuehl sees most electrical contractors falling.

“There’s still a lot of demand for the skills they have, but what’s become uncertain is the market isn’t doing very well. You get this contradictory situation—you still see retail growth and investment on the corporate side. Why? It’s that upper third is still buying houses and expensive cars—or at least they were,” he said.

Kuehl described the conflict at the heart of the tariffs—the economic standoff between the United States and China—in very simple terms: “It’s become a massive game of economic chicken. They need us, and, ultimately they’re going to feel the pinch,

but they’re a command economy,” he said, describing the top-down structure of China’s communist model.

In this staring contest, there is no clear winner. However, Kuehl added, “We may end up blinking, only because there’s pressure.”

Electrical manufacturers, many of whom count on Chinese production capability, are in a particularly challenging position, Kuehl added. Finding new suppliers in other nations or bringing that manufacturing back to the United States are both choices that would involve time and a lot of investment.

“It’s not easy ... [because] it’s all in executive orders, not law. If the tariffs do become permanent, you’ll see a lot more manufacturing [in the United States], which will benefit the electrical contractor,” he said.

While Kuehl sees definite downsides to the current tariff confusion, including the possibility of higher inflation and slower growth, he stops short of predicting a recession.

“Before it reaches a crisis point, this would literally have to go through an entire year. Right now, you still have a lot of people that are just on hold. They’re ready to move if something changes,” Kuehl said. “A lot of companies began to build inventory when all this started, and they say they’re good to go through, probably, mid-summer. Unless there’s some significant escalation in tension by June or July, you’ll probably see a lot of the deals having been made.”

But not going into recession doesn’t mean the economy will suddenly reset back to 2024 performance levels, Kuehl said. “I don’t see us going into two quarters of negative growth. What I do see is going from 2.5% to 3% growth to getting excited over 1% or 1.5%, because some parts of the economy are going to continue on, regardless.”

The bigger issue, he said, is not recession, but inflation. “We were getting pretty comfortable with 2% to 2.5% inflation, and now we’re looking at 4.5% or maybe 5%.” ⚡

Editor’s note: This article, written in mid-May, comes with its own uncertainty, because it’s possible additional tariff negotiations could have wrapped up by the time this issue hits your desk—or not.

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A view from our northern neighbor

It’s not unusual for projects on one side of the U.S./Canadian border to be bid on by electrical contracting firms on the other side. The tariff situation is now making that practice more complicated. It’s also beginning to affect the cost of some of the goods both U.S. and Canadian contractors need to keep their businesses running.

Graeme Aitken is the executive director of the Electrical Contractors Association of Ontario, an official NECA chapter. In a late-April phone interview, he described the impacts his members are seeing since U.S. tariffs went into place.

One notable element is the 25% tariff each country now imposes on steel and aluminum from the other, except for products compliant with the U.S.-Mexico-Canada Agreement (USMCA).

“I can tell you, in Ontario, I’ve been told of increases since the tariff stuff started in early March,” he said. “They’ve seen price increases on steel conduit, aluminum, light fixtures, cable and wire.”

Additionally, he’s heard estimates that costs for new pickup trucks could be increasing \$9,000–\$12,000 on both sides of the border. And then there are products such as personal protective equipment, boots and coveralls that fall under clothing-related tariffs for both countries. Even more complicated are possible effects on bidding, and whether Canadian branches of U.S. contracting firms could bid on Canadian projects.

In a way, Aitken said, the tariffs also create an uncertainty tax for his member companies.

“If we knew it was 10%, and it would be 10% for 6, 12, 18 months, I would say it’s a 3- to 4-month adjustment period. That certainty eases a lot of things. It allows manufacturers to plan on new plants; it allows businesses to project what their economic future looks like. It’s really about that uncertainty,” he said. —C.R.