AlixPartners

SUPPLY CHAIN MARKET UPDATE

North America

August 2025

KEY TRENDS AND CHALLENGES IN SUPPLY CHAIN MANAGEMENT

1 GLOBAL TRADE NEGOTIATIONS SHOW MIXED SIGNALS

- The U.S. extended its tariff truce with China for another three months, citing “significant steps” by Beijing to address American concerns
- Additionally, Mexico secured a 90-day pause on higher U.S. tariffs to allow negotiations to continue
- More country-specific tariff adjustments are expected as new deadlines approach
- The U.S. warned it may double tariffs on India in response to its continued purchases of Russian oil

2 TARIFF FRONTLOADING BOOSTS U.S. IMPORTS; ASIA–EUROPE RATES FALL DESPITE DEMAND

- Tariff-driven frontloading pushed US containerized imports to an all-time high in July, with most ports seeing double-digit growth over June
- A slowdown in U.S. imports is expected in the second half of 2025, as the National Retail Federation forecasts a full-year decline in container imports
- The spot market on the Asia–Europe ocean trade continues to decline as carriers face excess capacity despite solid summer demand and ongoing port congestion in Europe

3 AIR FREIGHT AND TRUCKING DEMAND HOLDS STEADY, BUT OUTLOOK REMAINS CLOUDY

- Air freight demand remains elevated as shippers use it to bypass tariff uncertainty, though the long-term outlook is clouded by the expiration of de minimis exemptions for non-China shipments at the end of August
- Trucking demand remains soft, but carriers are cautiously adding capacity and tender rejection rates are performing better than prior years

Source: Journal of Commerce, NPR, ABC News, AlixPartners analysis

FEATURED TOPIC

Navigating supply chain and tariff turbulence: How data-enabled S&OP can help business get ahead

ACCESS THIS ARTICLE FOR MORE DETAILS HERE

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Tariffs are on… then off, rising… then falling. As supply chain disruptions grow, end-to-end supply chain management, demand planning, and financial forecasting become considerably more complex.

Even companies with advanced Sales and Operations Planning (S&OP) capabilities find that traditional processes alone can't keep up. The problem isn't just speed—it's accuracy. When fundamental demand and supply inputs constantly shift, even the most rigorous S&OP models begin to erode.

To succeed, executives must ensure their organizations move beyond reactive adjustments. By embedding supply chain disruption and tariff impact modeling, real-time visibility, and data-driven analytics into their S&OP process, companies can turn volatility into a competitive advantage through planning and forecasting agility.

Laying the foundation: Fixing data at the core of S&OP

In our experience, many companies have focused on processes and technology to address supply chain disruptions. Current conditions are exposing the limits of these levers. At its core, S&OP requires a

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CONTENT SUMMARY

- **Tariff Volatility:** Constant shifts in rates and trade rules erode accuracy of even advanced S&OP models, requiring organizations to move beyond reactive adjustments
- **Data Foundation:** Clean, validated demand and supply data is the single most important enabler of forecasting accuracy, working capital control, and decision-making speed
- **Demand Planning:** Static, historical forecasts fall short; leaders are moving to real-time sensing, scenario modeling, and tighter customer engagement to stay ahead of volatility
- **Supply Resilience:** Companies are expanding scenario planning, diversifying suppliers, and leveraging digital control towers and network design tools to mitigate disruption
- **Business Impact:** Stronger S&OP reduces inventory tied up in working capital, improves margins through fewer expedites, drives higher revenue with better availability, and builds customer trust

TARIFF MARKET UPDATE

U.S. unveils new tariffs, imposing 50% duties on semi-finished copper and raising tariff Indian at 50% while extending the China truce & granting Mexico a 90-day reprieve

1 WHAT'S ACTIVE NOW & KEY DATES

- Copper rule clarified: refined copper exempt; semi-finished/derivative copper face 50% on copper content from Aug 1; CBP set in-transit carve-outs.
- U.S.–China tariff truce extended 90 days, delaying higher rates until roughly mid-November.

2 TARGETED SECTORS & COUNTRIES

- U.S. added +25% on Indian imports (effective ~Aug 28), lifting some lines to as high as 50%; textiles/jewelry most exposed, phones and pharma exempt.
- White House signaled a "small" initial tariff on pharmaceutical imports, potentially ramping to 150-250% within 12-18 months if enacted

3 BUSINESS & CONSUMER IMPACT

- Coffee is now tariff-exposed: a base 10% duty applies to most imported coffee, and Brazilian coffee faces 50%, compounding already-elevated arabica prices this year
- Near-term inflation effect: Yale estimates +1.8% to overall prices in the short run; shoes +39% and apparel +37% initially, settling to about +19% and +18% long-run

4 LEGAL & TRADE DIPLOMATIC DEVELOPMENTS

- Mexico secured a 90-day pause on higher U.S. tariffs to keep talks going; more country-specific rate tweaks are likely as new deadlines come up
- Diplomatic visits (e.g., U.S. envoy to ASEAN) highlight how unpredictable tariff measures are straining relations with key partners in Asia-Pacific

FREIGHT COSTS

New U.S. administration application of rapid tariffs is creating an environment of near-term uncertainty. Mid to Longer term projections may see muted trade

	OCEAN FREIGHT	AIR FREIGHT	TRUCKING	PARCEL	WAREHOUSING
Recent cost trend	↘	↘	→	↘	↗
Short-term forecast	↘	↘	→	↘	→

WHAT IS MOST IMPORTANT TO KNOW?

Tariff uncertainty is driving short-term market volatility, with prices falling sharply after a period of rapid escalation

- Spot ocean freight rates surged in May following the 90-day tariff pause on Chinese goods, but have since dropped more than 50%
- Airfreight spot rates continue to decline due to ongoing trade regulation changes and uncertainty

Major parcel players are facing volume declines and changes to service models

- Legacy parcel carriers continue to see a drop in volumes, driven by a confluence of factors including muted domestic consumer demand, in-sourcing of final mile volumes by key e-commerce retailers, and the U.S. elimination of De Minimis exemption for goods from China and Hong Kong
- Increases to accessorial fees and expansion of postal codes subject to delivery area surcharges are being used by legacy parcel carriers to offset lower volumes
- Parcel carriers are consolidating networks and plan to use surcharges /additional fees to offset revenue and profit declines due to lower package volumes

Companies need to be adaptive and ready to reconfigure its supply chain to meet the changing trade environment

- Companies have been focusing on reconfiguring their supply chain by adopting a total-cost-of-ownership-driven approach, accounting for factors such as cost structure, tariff impacts, and logistics consideration

WHAT ACTIONS CAN WE TAKE?

Strategically review the network & proactively plan with agility in mind

- Review and use this time as an opportunity to reset the strategic distribution network
- Develop and strengthen key internal capabilities along with strategic external carrier/ logistics provider relationships to prepare for the next growth period and future uncertainty

Review tariff impacts and corresponding inbound freight plans

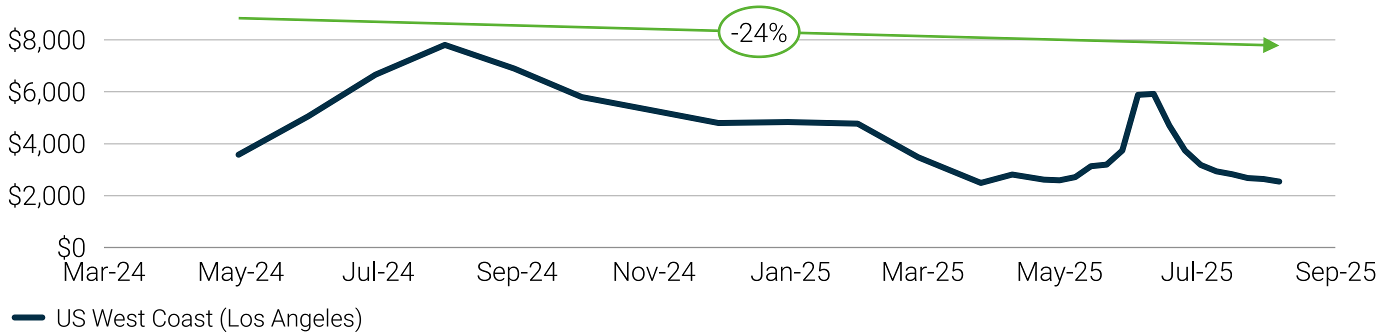
- Review impacts and create mitigation strategies, both short and mid term to optimize for trade implications
- AlixPartners Global Trade Optimizer (GTO) can help accelerate these analyses on tariff and inbound freight impacts. We see this being extremely useful in this type of environment

Source: AlixPartners analysis

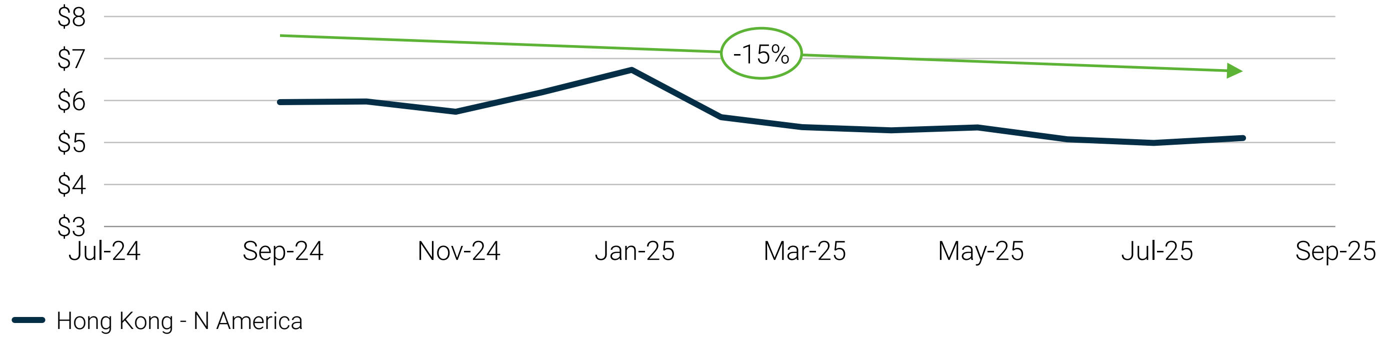
FREIGHT TRENDS

Ocean spot rates continued to drop through July and early August; Domestic trucking remains depressed due to supply/demand imbalance

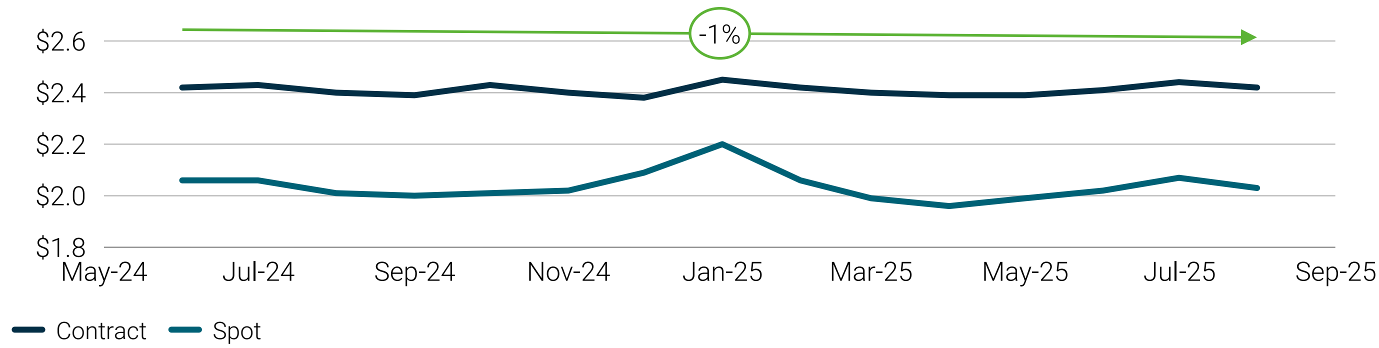
OCEAN FREIGHT – SHANGHAI TO U.S. – ($/40FT)



AIR FREIGHT – HONG KONG TO U.S. – ($/KG)



TRUCKING: DRY VAN – ($/MILE)



KEY TRENDS AND FACTS

KEY DRIVERS CAUSING RATE CHANGES ARE:

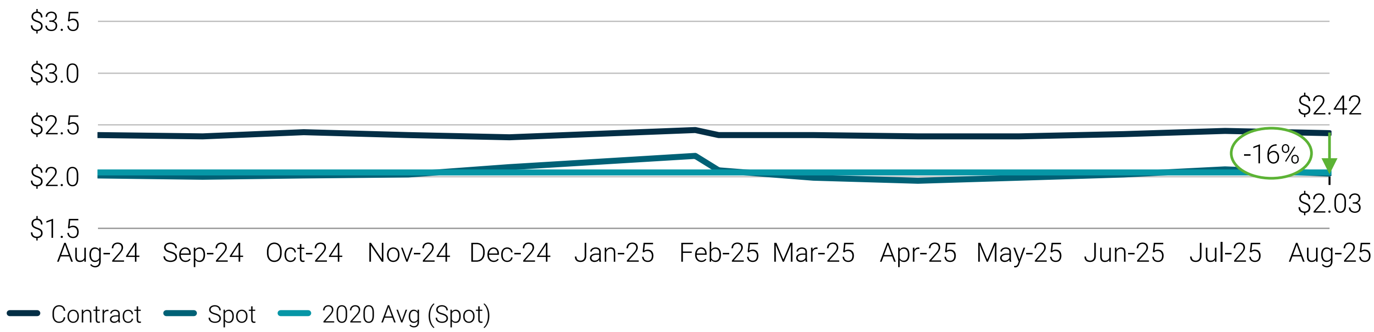
- Ocean carriers declared a GRI in May in reaction to surge in demand ahead of traditional peak season
- Air demand remains elevated, driven by the cargo diversion from the Red Sea Crisis and growth in E Commerce
- TL rates remain low as shippers refrain from building inventory and carrier exits slow, prolonging the road to recovery

Source: DAT, Drewry, TAC database, Freightwaves, AlixPartners analysis

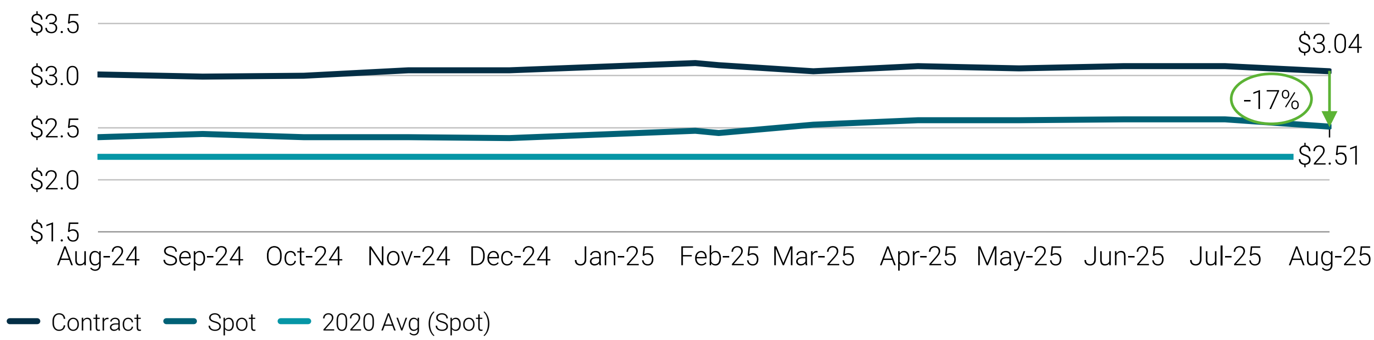
TRUCKING FREIGHT

Truckload rates remain relatively flat; carriers focus on cost control efforts and await signs of market recovery

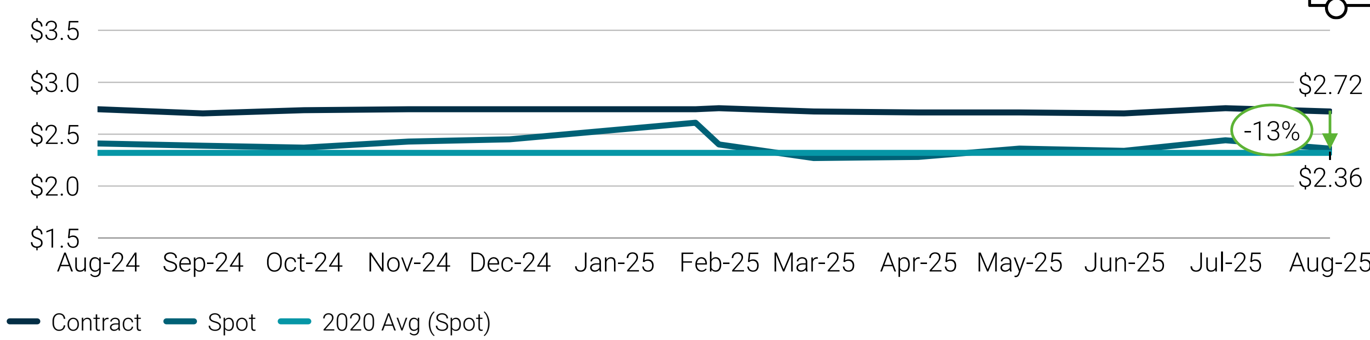
DRY VAN – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:$ PER MILE)



FLATBED – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:$ PER MILE)



REEFER – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:$ PER MILE)



KEY TRENDS AND FACTS

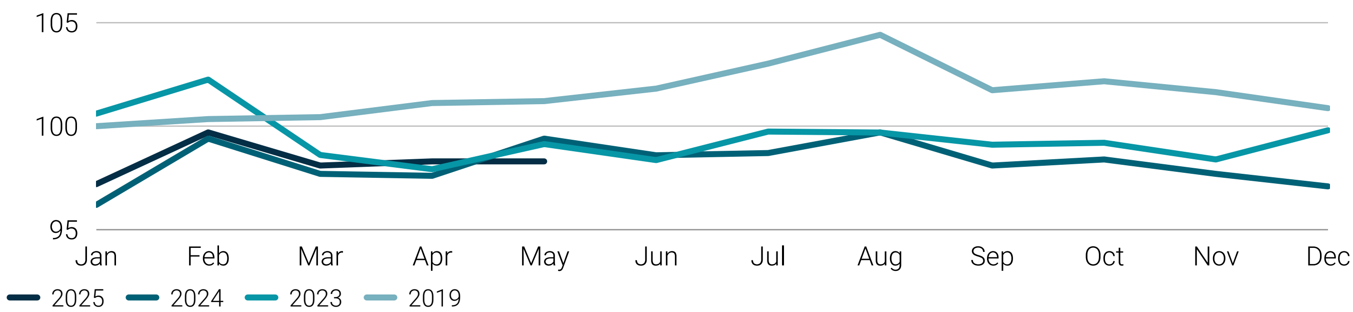
- Transport companies like Werner Enterprises and broker Landstar System reported QoQ improvements in financials in Q2 (Freight Waves); Landstar experienced YoY growth for the first time in 11 quarters in Q2 (Freight Waves)
- National Retail Federation (NRF) projects a decrease in import volumes for 2H 2025, causing uncertainty for the dry van market (DAT)
- Amidst prolonged softness in demand, carriers like Knight-Swift are focusing on initiatives to control costs and asset utilization (Freight Waves)

Source: DAT, WSJ, CH Robinson, Freight Waves, AlixPartners analysis

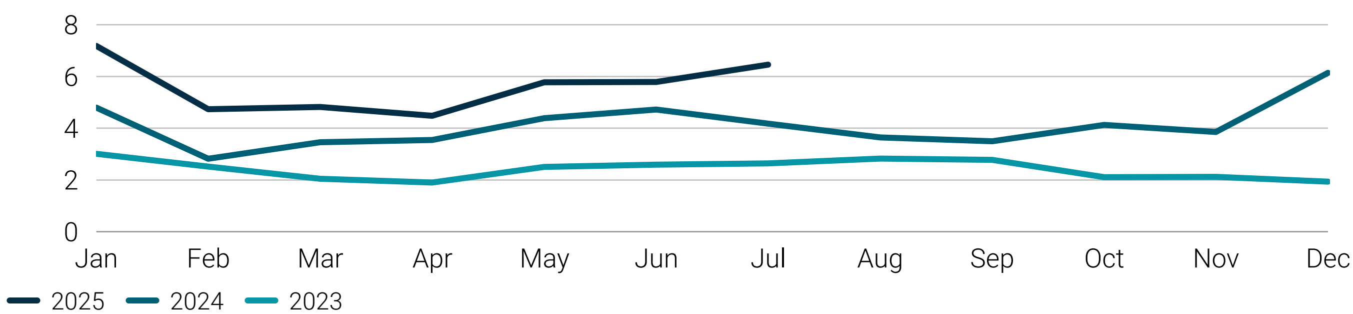
TRUCKING FREIGHT

Truckload market holds steady; load-to-truck ratio increased 12% MoM and continues to outperform 2024

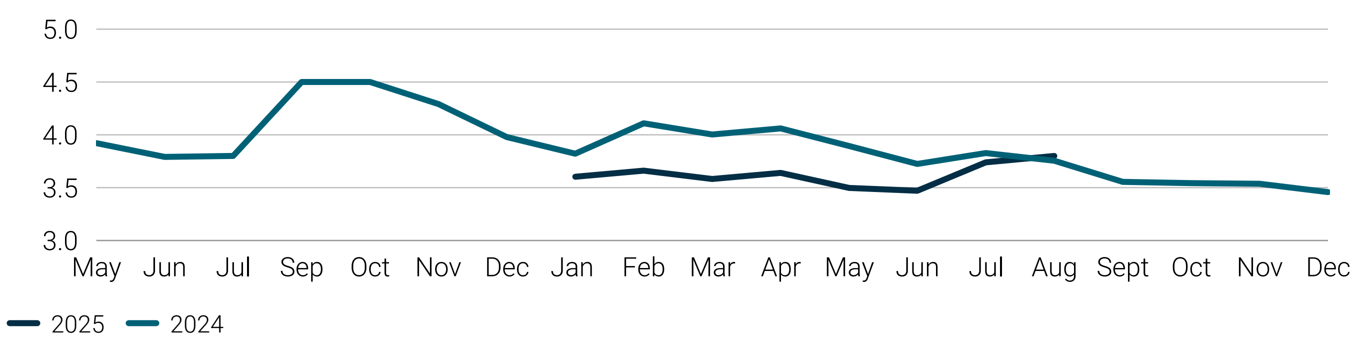
TRUCK DEMAND – TONNAGE, YEAR OVER YEAR, INDEX (100) = JAN 2019



VAN LOAD-TO-TRUCK RATIO – YEAR OVER YEAR



DIESEL – $ PER GALLON



KEY TRENDS AND FACTS

- Outbound tender rejection index continues to outperform 2023 and 2024 at ~5.6 (Freight Waves)
- JoC Truckload Capacity Index increased 1.1 percentage points in Q2 as large US truckload carriers begin to add capacity to their fleets (JoC)
- Trucking companies are adjusting to supply chain issues driven by import tariffs by shifting capacity within their networks (JoC)

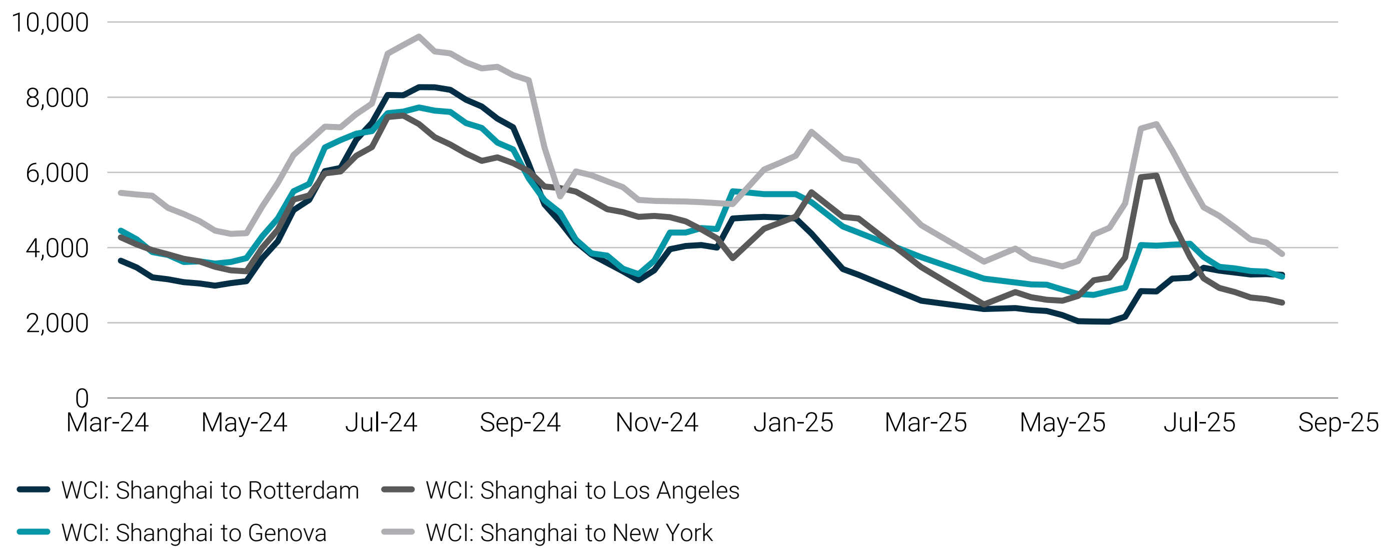
Source: DAT, Freight Waves, FRED, Bloomberg, AlixPartners analysis

OCEAN FREIGHT

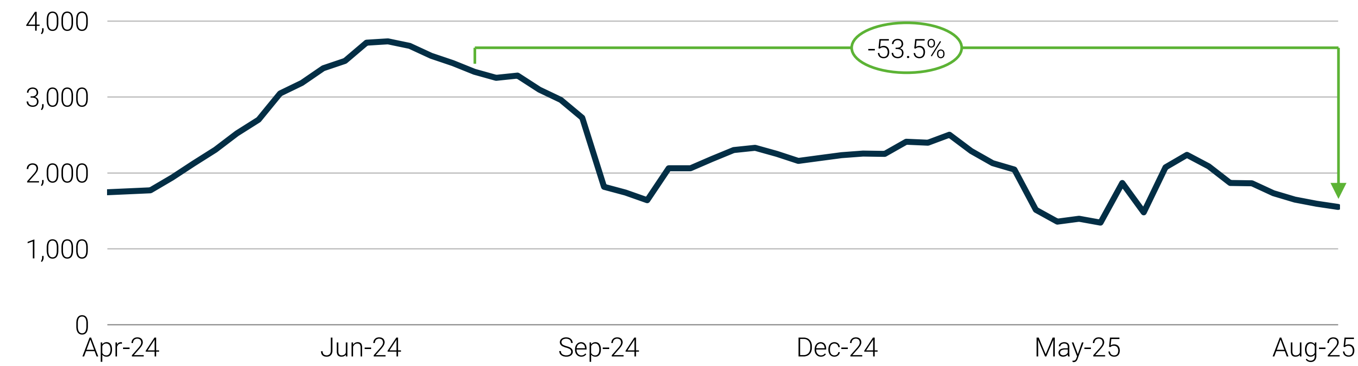
Ocean freight rates continued to decline across major trade lanes in July and early August, driven by post-tariff demand cooldown and excess capacity

TRANSPACIFIC: CENTRAL CHINA (SHANGHAI) TO U.S. MONTHLY SHIPPING RATE FOR 40FT CONTAINER EVOLUTION (UNIT: $)

Drewry: Trade Routes from Shanghai (US$/40ft)



Shanghai Container Freight Index (US$/20ft)



KEY TRENDS AND FACTS

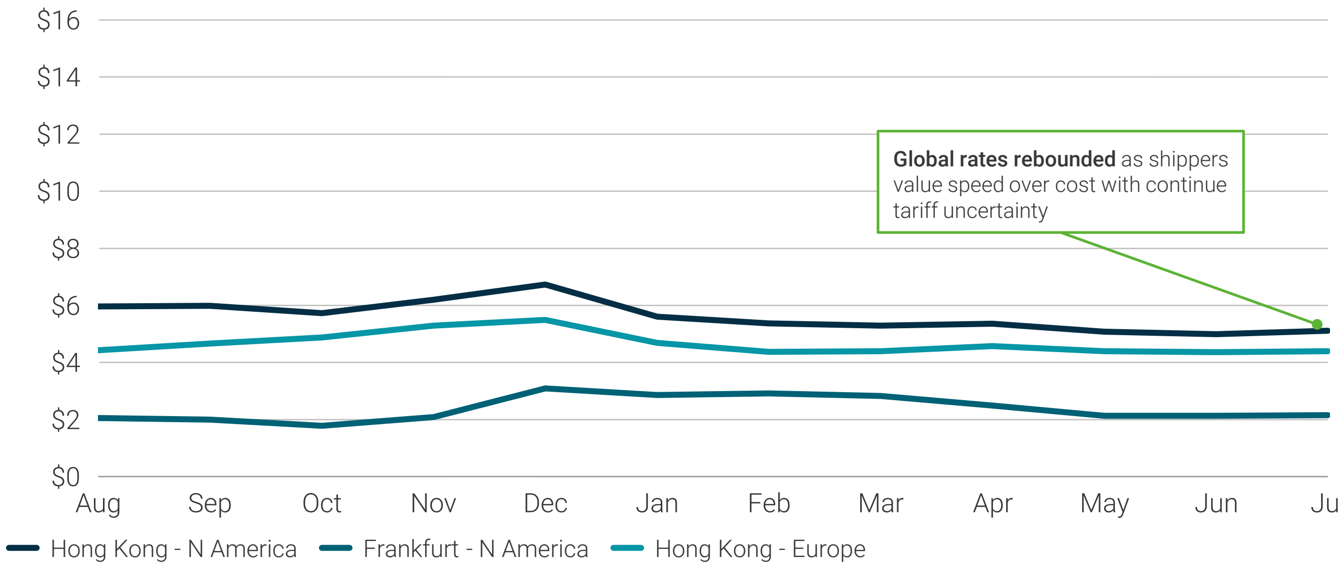
- Drewry's World Container Index fell another 3% to $2,424 per 40-ft container in early August, continuing the deceleration trend that began after the volatile tariff-induced spike in May–June (Drewry)
- A.P. Moller-Maersk upgraded its full-year container-volume growth forecast to 2–4%, citing strong demand in Europe and other regions that offsets softness in U.S. markets (Reuters)
- The U.S. and China have extended their tariff truce by 90 days to November 10, 2025, averting steep duty hikes and providing short-term stability for ocean freight volumes, rates, and holiday supply chains, though uncertainty looms if no long-term deal is reached (Seatrade Maritime)

Source: Drewry Ocean report, Reuters, AlixPartners analysis

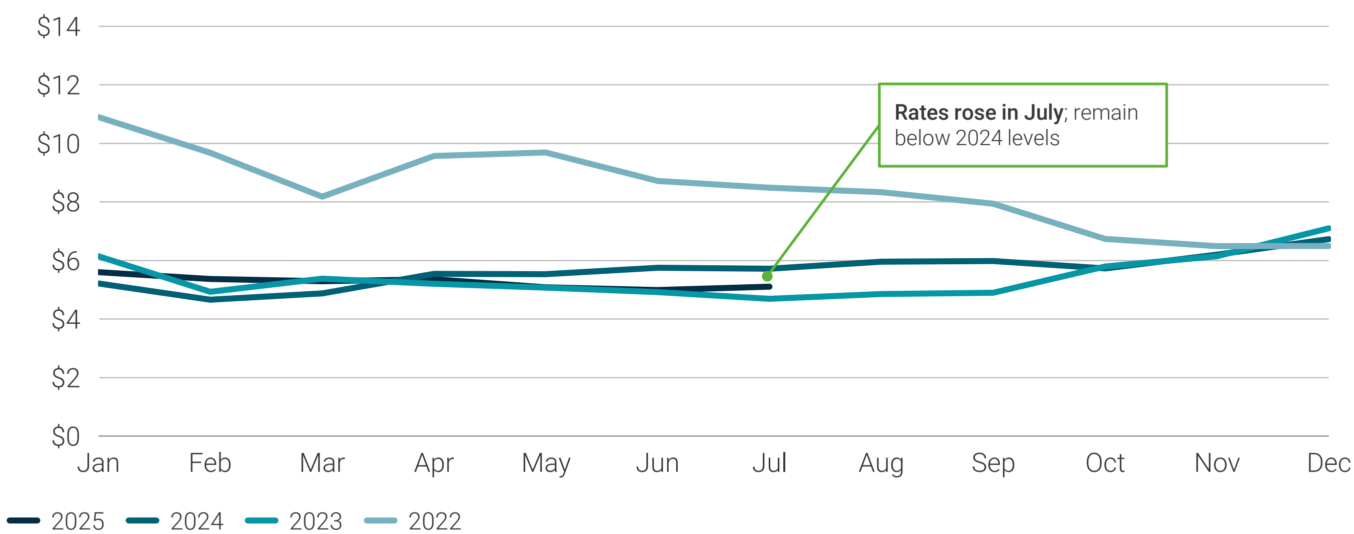
AIR FREIGHT

Global air freight average spot rate increased month-over-month to $2.55/kg; rates remain down 2% YoY

KEY INTERNATIONAL ROUTES (UNIT:$ PER KG)



HONG KONG TO NORTH AMERICA HISTORY (UNIT:$ PER KG)



KEY TRENDS AND FACTS

- Companies are continuing to use air freight to circumvent exposure to the evolving tariff market (JOC)
- The transatlantic corridor is the only major route that showed price increases; reduced capacity from passenger flights and increased activity to avoid tariffs drove these rates up YoY (Xeneta)

Source: Baltic Exchange Air Freight Index - TAC database, Air Cargo News, American Journal of Transportation, AlixPartners analysis

RAIL FREIGHT

In July, intermodal traffic rebounded following last months decline. U.S. carloads rose 4.6% in July for the fifth straight increase.

U.S. RAIL VOLUME BY COMMODITY – JULY '25 VS. JULY '24

INTERMODAL	2.4%
COAL	4.5%
INDUSTRIAL PRODUCTS	3.6%
MOTOR VEHICLES & PARTS	8.7%
PRIMARY METAL PRODUCTS	13.2%
PETROLEUM AND PRODUCTS	3.8%
GRAIN	13.5%
GRAIN MILL PRODUCTS	2.1%
CHEMICALS	3.3%
CRUSHED STONE, SAND, & GRAVEL	2.7%

Source: Association of American Railroads

KEY TRENDS AND FACTS

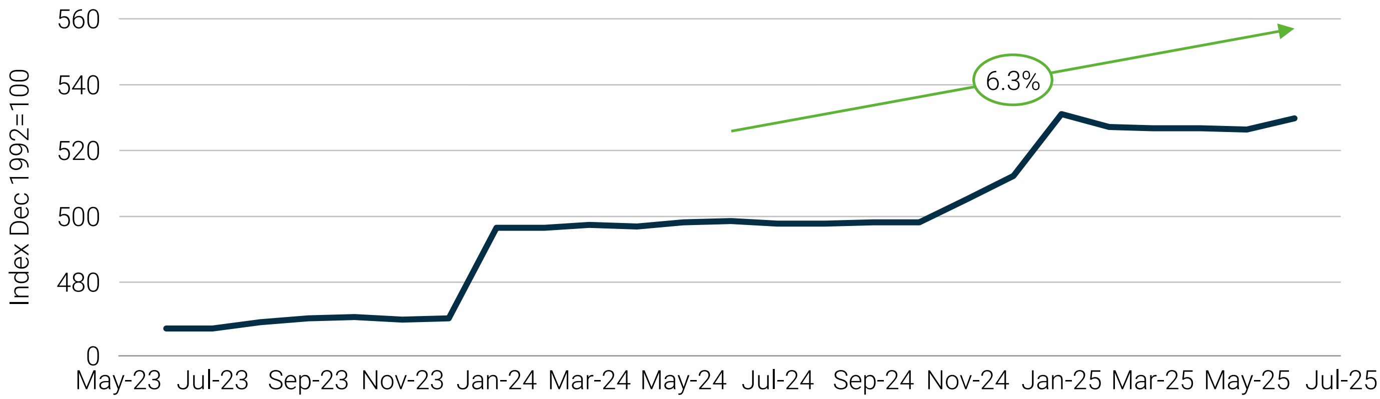
- Union Pacific announced plans to acquire Norfolk Southern in a $85B deal to form the first single railroad to connect the U.S. West and East coasts. The merger will be subject to Surface Transportation Board (STB) regulatory approval, which is likely to not be granted before 2027. The merger is expected to improves rail transit time and targets converting a significant amount of freight from trucks to rail.
- The Journal of Commerce's Intermodal Savings Index (ISI) mid-year results showed shippers saving an average of 17% on spot market freight and nearly 24% on contract loads in the second quarter by using domestic intermodal instead of long-haul trucking. These results in Q2 showed savings narrowing given trucking carriers competing on long-haul lanes (while overall savins gap still remains significant).

Note: Carloads are traffic classified into 20 major commodity categories. Rail intermodal units are shipping containers and t ruck trailers moved on railcars
Source: AAR, STB, Journal of Commerce

USA PARCEL

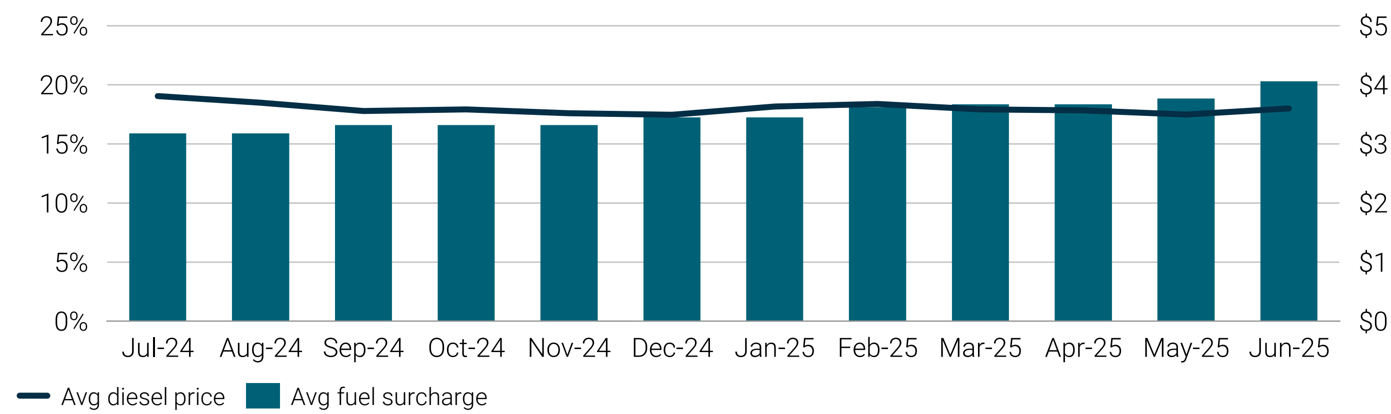
Ground and Express Parcel cost per package increased to all time highs in Q2, driven by price and surcharge increases, per the TD Cowen/AFS Freight Index

PRODUCER PRICE INDEX – STANDARD COURIER SERVICES INDEX[1]



1. Measures the average change over time in the selling prices received by domestic producers for their output. For e.g.: If a 1kg package average parcel selling price in U.S. was $5 in Dec 1992, today it is about 5*530/100=$26.50

UPS/FEDEX GROUND FUEL SURCHARGE GROWTH



Sources: TD Cowen/AFS Average UPS/FedEx Fuel Surcharge; EIA On-Highway Diesel Prices

KEY TRENDS AND FACTS

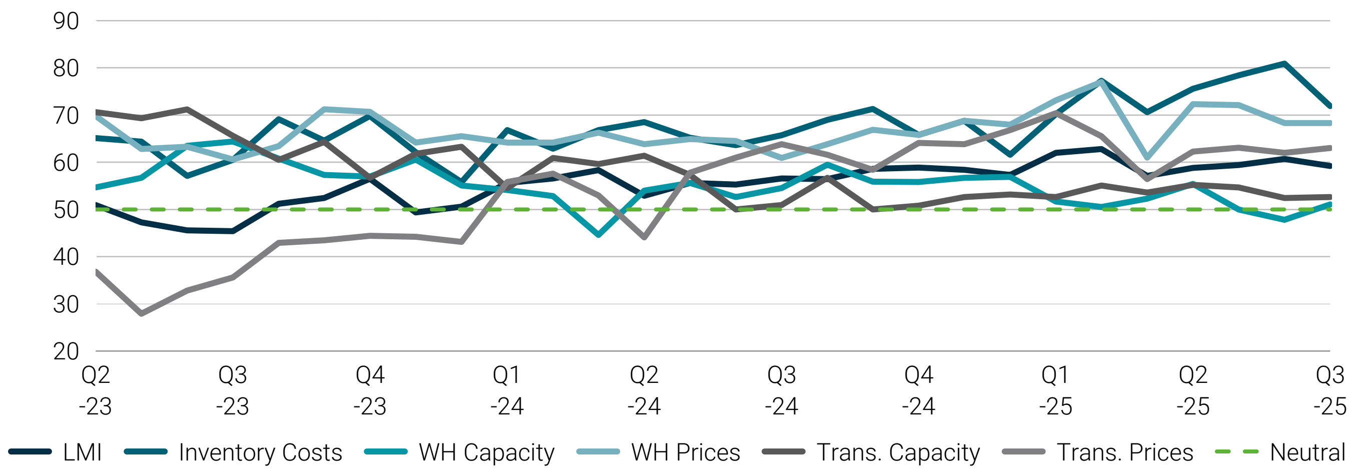
- UPS has steadily increased rates, added surcharges, and increased surcharge rates this year, with FedEx following closely behind.
- Fuel surcharges have uncoupled from fuel prices, increasing throughout the past year while diesel prices have slightly declined.
- As prices have increased, shippers have been moving volume to lower classes of parcel service when possible, but retail customer expectations limit their options.
- FedEx and USPS announced their peak season surcharges in the past few weeks, which will start as early as September 29th.
- UPS updated their logic to round up package dimensions, following a similar change by FedEx last month.

Sources: Federal Reserve Economic Data (FRED); TD Cowen/AFS; FreightWaves; Supply Chain Dive; USPS; FedEx

WAREHOUSING TRENDS

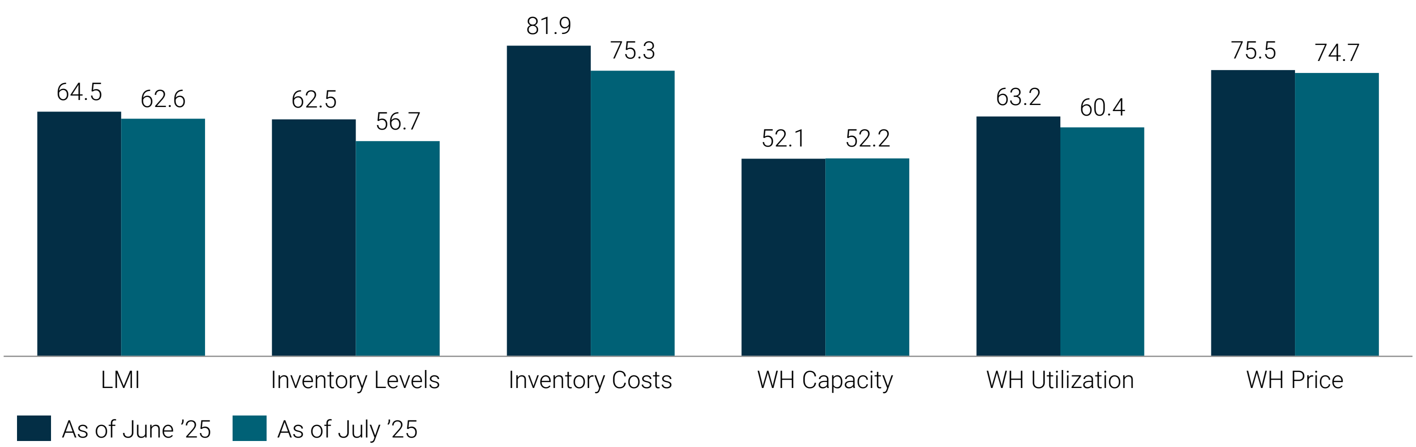
Logistics Manager's Index in June decreased to 59.2 (-1.5) from May, with greatest change in inventory costs

FLUCTUATION OF LMI INDICES



Logistics Manager Index (LMI) Legend: +50 = Increasing -50 = Decreasing

LMI SURVEY – NEXT 12-MONTH PREDICTION[1]



Note: 1- LMI respondents' predictions for movement in LMI metrics 12 months from now

KEY TRENDS AND FACTS

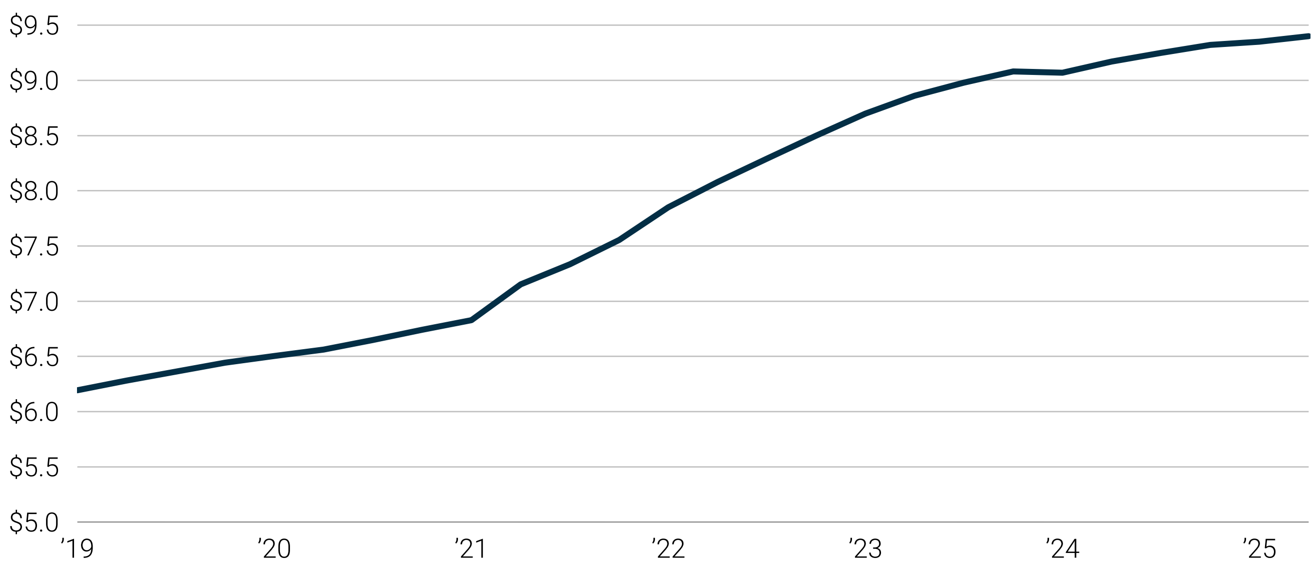
- Overall Logistics Managers' Index **decreased slightly in July, (-1.5) from June's reading of 60.7** with largest shift in inventory costs (-9.0), transportation utilization (+6.6), and inventory levels (-4.2)
- Trade Questions, Slow Leasing Hold Back Warehouse Dealmaking (WSJ)
- Cold storage warehouse operator Lineage reduced full-year guidance due to high food prices and tariff uncertainty (FreightWaves)

Source: Logistics Managers' Index, WSJ, FreightWaves, AlixPartners analysis

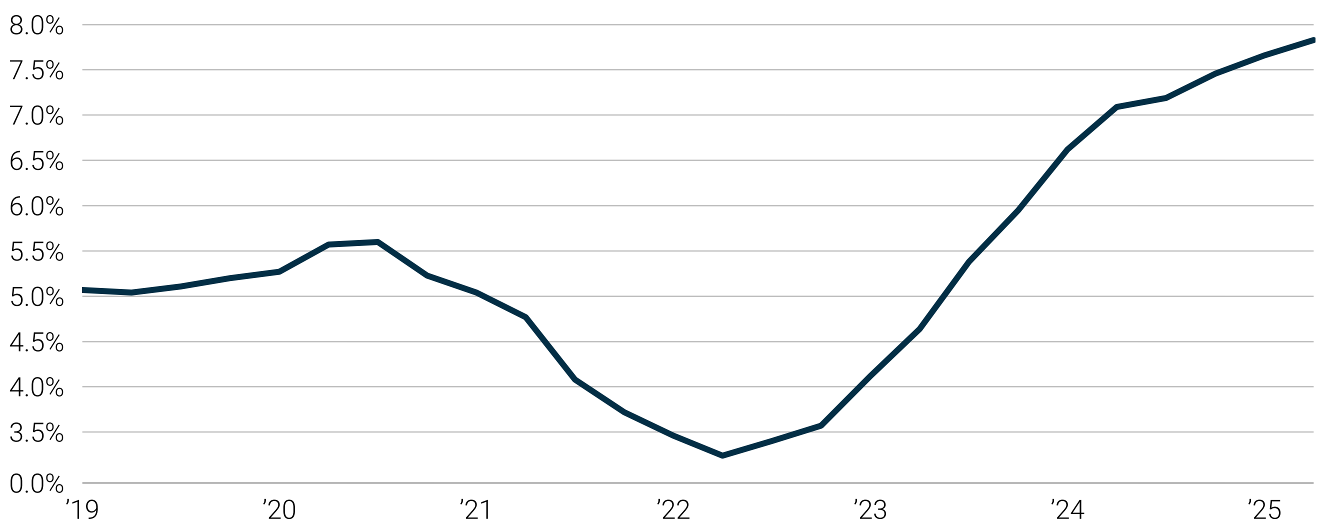
WARehousing Trends

National warehousing vacancy continues to grow at a slow pace, likely linked to declining inventory levels

NATIONAL AVERAGE MARKET RENT/SQ FT ($)



NATIONAL AVERAGE VACANCY RATE (%)



KEY TRENDS AND FACTS

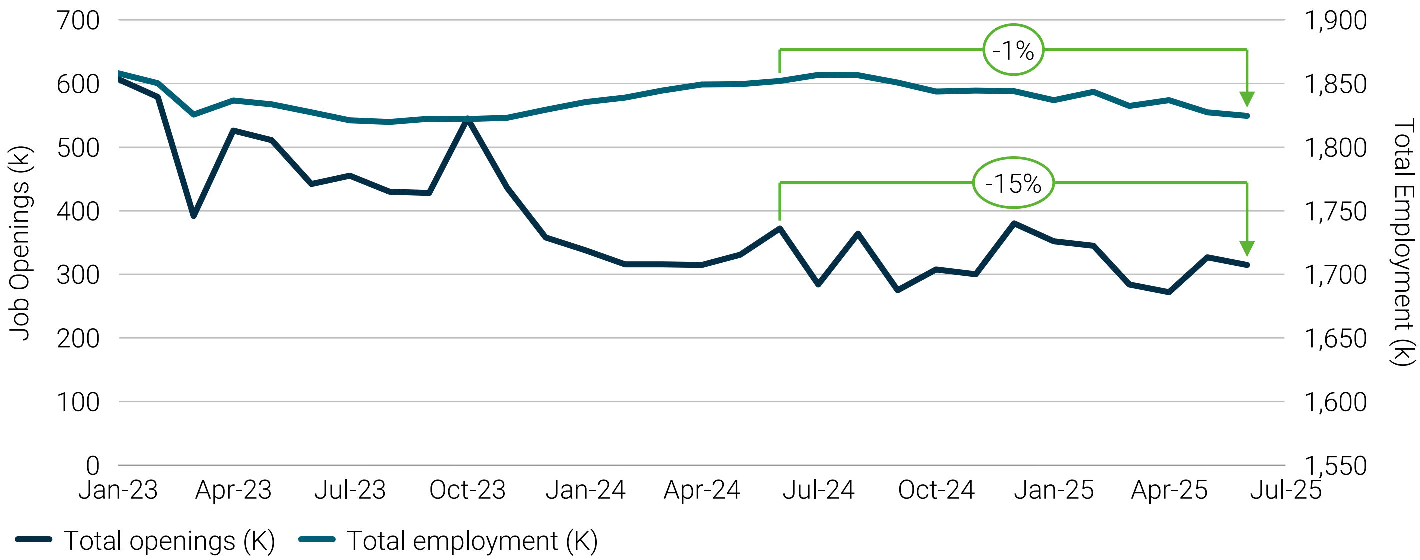
- **Quarterly rents rose** gradually to an estimated $9.40 per square foot in Q2 2025 while **vacancy rates** ticked up to over 7%
- Trade Questions, Slow Leasing Hold Back Warehouse Dealmaking (WSJ)

Source: AlixPartners & Mohr Partners, CRE Daily, WSJ, AlixPartners analysis

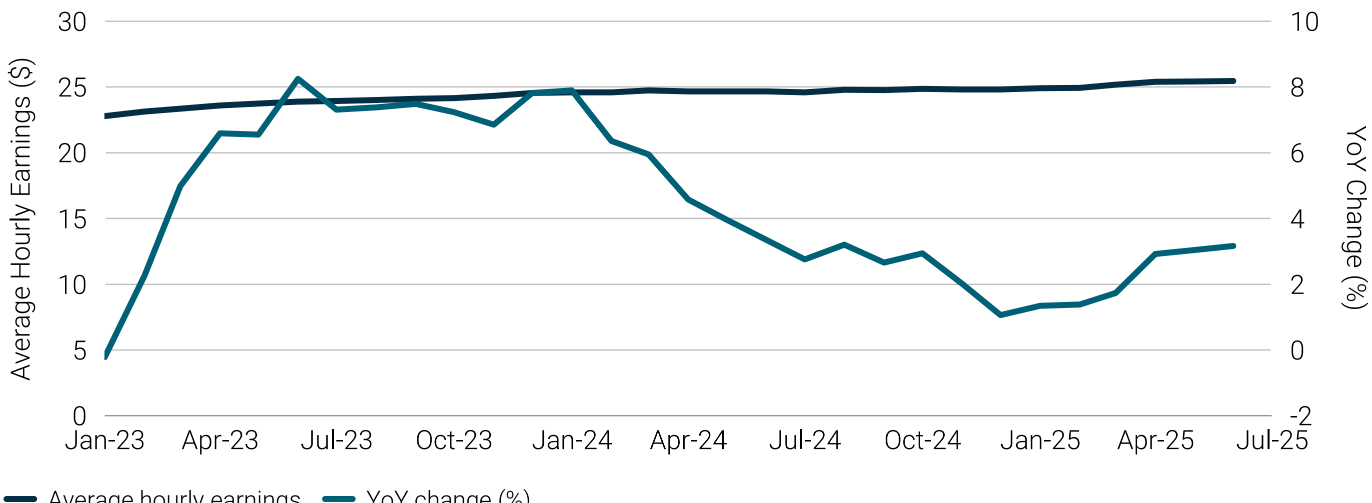
LABOR

Logistics job openings in June were down 15% YoY, average hourly earnings rose over 3% YoY and total employment declined by 1% YoY

JOB OPENINGS AND TOTAL EMPLOYMENT[1]



AVERAGE HOURLY EARNINGS[1]



1. Job Openings and Labor Turnover Survey used the Transportation, warehousing, and utilities industry group. Total Employment and Earnings used warehousing and storage industry group from the Current Employment Statistics survey. Data is seasonally adjusted.

KEY TRENDS AND FACTS

- BLS estimated that there were 315k job openings in the warehousing, transportation, and utilities sector in June; down 4% from April's revised number of 327k and down 15% YoY (BLS)
- Total employment decreased slightly to 1.8M (-2% YoY) while average hourly earnings rose 0.1% MoM and 3.2% YoY (BLS)
- Canada's transportation and warehousing sector added 26,000 jobs in July (CBC)
- Amazon deploys its 1 millionth robot (TechCrunch)

Source: U.S. Bureau of Labor Statistics seasonally adjusted data, AlixPartners analysis, CBC, TechCrunch

IMPORT TRENDS

China had been a go-to hub for U.S. manufacturers, but US/China relations and tariffs have been pushing trade towards other countries (Vietnam, Mexico, India gained most)

	TOTAL U.S. IMPORTS			COUNTRY WISE CHANGES (2018 VS. LTM JUNE 2025)				
				CHINA	VIETNAM	INDIA	MEXICO	CANADA
CATEGORIES	2018 ($B)	LTM JUNE 2025 ($B)	CHANGE (%)	CHG. %	CHG. %	CHG. %	CHG. %	CHG. %
Apparel & Textiles	$116	$116	0% ▲	(35%) ▼	35% ▲	33% ▲	1% ▲	(23%) ▼
Automotive & Transportation Parts	$340	$407	20% ▲	(13%) ▼	235% ▲	(4%) ▼	41% ▲	(3%) ▼
Chemicals & Allied Industries	$233	$423	81% ▲	21% ▲	213% ▲	108% ▲	52% ▲	16% ▲
Computer & Electronics	$363	$496	37% ▲	(29%) ▼	337% ▲	1115% ▲	40% ▲	45% ▲
Food & Beverage	$151	$236	56% ▲	(12%) ▼	40% ▲	34% ▲	71% ▲	63% ▲
Footwear, Headgear & Others	$32	$34	6% ▲	(30%) ▼	58% ▲	14% ▲	71% ▲	(1%) ▼
Furniture	$67	$66	(1%) ▼	(53%) ▼	179% ▲	47% ▲	17% ▲	8% ▲
Leather Goods	$15	$14	(1%) ▼	(63%) ▼	43% ▲	41% ▲	16% ▲	9% ▲
Mechanical & Electricals	$379	$569	50% ▲	(40%) ▼	1239% ▲	114% ▲	101% ▲	30% ▲
Metals, Parts and Products	$139	$166	19% ▲	(16%) ▼	125% ▲	94% ▲	31% ▲	19% ▲
Misc. Goods & Manf. Products	$476	$626	31% ▲	(6%) ▼	308% ▲	(2%) ▼	22% ▲	50% ▲
Plastics & Rubber products	$86	$107	24% ▲	(14%) ▼	403% ▲	114% ▲	56% ▲	13% ▲
Special Classification Provision	$85	$109	28% ▲	90% ▲	902% ▲	92% ▲	56% ▲	10% ▲
Temporary Legislation	$18	$26	42% ▲	63% ▲	360% ▲	75% ▲	15% ▲	1% ▲
Wood & Pulp Products	$47	$53	12% ▲	(38%) ▼	330% ▲	161% ▲	62% ▲	5% ▲
TOTAL	**$2548**	**$3448**	**35%**	**(27%)**	**224%**	**78%**	**51%**	**27%**
	LTM May 2025 U.S. Imports ($B)			**$399**	**$165**	**$98**	**$520**	**$405**

Key nearshoring trends:

- Over the past 7 years (2018 to Last Twelve Months ending May 2025), overall imports into the US increased by 36%. However, imports from China decreased by 24% from $543B to $415B.
- **Vietnam, India, Mexico and Canada** have been the biggest gainers.
  - Vietnam has seen 215% increase to reach $161B; All categories have grown in imports from Vietnam.
  - Imports from Mexico increased by 50% to $517B (which is now more than China); 'Mechanical & Electricals' have seen biggest increase in Mexico.
  - Imports from India have seen a consistent growth across industries, overall increase of 76% in imports into US to $97B.
  - Imports from Canada have seen a steady growth across industries except for 'Apparel & Textile' & 'Automotive & Transportation Parts'. Overall increase of 29% in imports into US to $410B.

Mexico is now the biggest vendor base for U.S. based corporation; Vietnam and India have seen the fastest growth since 2018

ALIXPARTNERS SUPPLY CHAIN EXPERTS – REACH OUT TO LEARN MORE

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Brian Nemeth
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Managing Director

Joe Cubellis
Partner

Erik Mattson
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Mark Scales
Director

Andrew Kerr
Sr Vice President

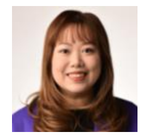
Venky Ramesh
Sr Vice President

James Roe
Director

Kai Kang
Sr Vice President

Katherine Arnold
Sr Vice President

Miriam Hall
Sr Vice President



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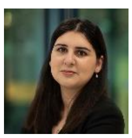
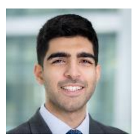
Vikas Chandra
Vice President



Resham Begg
Vice President

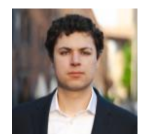


Karan Ranger
Vice President

Justin Stacy
Vice President

Vahid Nokhbeh
Vice President

Andrew Talerico
Vice President



Max Steele
Analyst

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