AlixPartners

SUPPLY CHAIN MARKET UPDATE

North America

October 2025

KEY TRENDS AND CHALLENGES IN SUPPLY CHAIN MANAGEMENT

1 GLOBAL TRADE FRICTIONS REIGNITE AS POLICY SHIFTS INTENSIFY

- U.S. set 25% tariffs on imported trucks and 10% on buses (Nov 1) alongside a 3.75% credit for U.S.-made vehicles and engines through 2030
- New vehicle prices up ~3.6% YoY on higher input costs and trade uncertainty
- China extended its tariff truce through Nov 10; however, tensions rose due to new rare-earth export controls and reciprocal port fees; Mexico and Canada stay cushioned by USMCA
- End of de minimis rule cut U.S. parcel inflows ~70% week-over-week

2 SHIFTING TRADE FLOWS AND OVERCAPACITY WEIGH ON GLOBAL FREIGHT

- Ocean freight rates declined further amid continued weak demand and vessel oversupply; new U.S. port fees on Chinese-built ships has potential for short-term disruption risk
- Air freight demand remained positive but slowing, with China–U.S. volumes down and Vietnam capacity rising, reflecting shifts in Asian sourcing
- Overall international trade sentiment remains cautious, with structural overcapacity in ocean freight and regional realignment in air freight likely pushing rate recovery out to 2026

3 DOMESTIC FREIGHT REMAINS SOFT AMID WEAK DEMAND

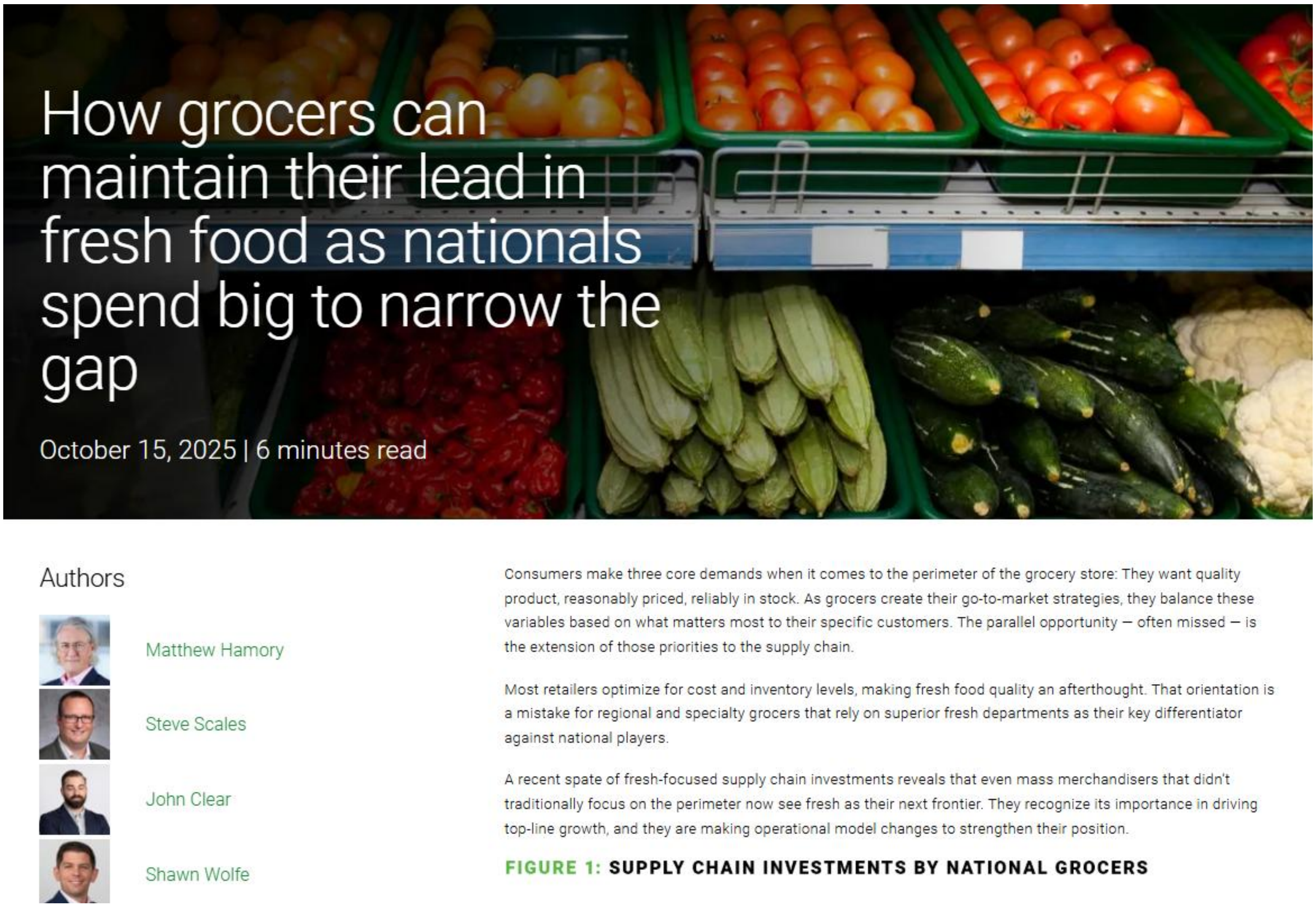
- Trucking remains soft, with weak demand, excess capacity, and cost pressure limiting rate recovery; carriers are focusing on cost control, automation, and M&A to improve efficiency
- Rail volumes are declining, with leadership changes and restructuring aimed at addressing competition and sluggish growth
- Warehousing demand is strengthening, supported by rising utilization and stable rents, while seasonal hiring is falling to its lowest level since 2009, signaling cooling labor conditions ahead

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

FEATURED TOPIC

How grocers can maintain their lead in fresh food as nationals spend big to narrow the gap

ACCESS THIS ARTICLE FOR MORE DETAILS HERE



How grocers can maintain their lead in fresh food as nationals spend big to narrow the gap

October 15, 2025 | 6 minutes read

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Consumers make three core demands when it comes to the perimeter of the grocery store: They want quality product, reasonably priced, reliably in stock. As grocers create their go-to-market strategies, they balance these variables based on what matters most to their specific customers. The parallel opportunity — often missed — is the extension of those priorities to the supply chain.

Most retailers optimize for cost and inventory levels, making fresh food quality an afterthought. That orientation is a mistake for regional and specialty grocers that rely on superior fresh departments as their key differentiator against national players.

A recent spate of fresh-focused supply chain investments reveals that even mass merchandisers that didn't traditionally focus on the perimeter now see fresh as their next frontier. They recognize its importance in driving top-line growth, and they are making operational model changes to strengthen their position.

FIGURE 1: SUPPLY CHAIN INVESTMENTS BY NATIONAL GROCERS

CONTENT SUMMARY

- Consumers value quality, price, and reliability in fresh foods, but most retailers still prioritize cost and inventory, risking differentiation for regional and specialty grocers
- National chains are investing in fresh supply chains to boost frequency and growth, narrowing the quality gap with regionals
- Prioritizing freshness improves turns, reduces waste, and strengthens loyalty, making it essential for regionals to compete effectively

FEATURED EVENT

NORTH AMERICAN FREIGHT OUTLOOK 2026 – Leveraging Technology for Operational Efficiency in the Truckload & LTL Ecosystem

TO REGISTER FOR THIS EVENT: HERE

Meet the Panelists:

Erik Mattson, Partner, AlixPartners

Erik Mattson is a supply chain expert with experience across both industry and advisory. With +15 years of experience, he has held various roles across the End-to-End supply chain including procurement, manufacturing, and logistics within a Fortune 500 company, as-well-as advising companies to optimize their businesses. Erik has worked around the globe taking on complex Supply Chain issues with extensive working experience within North America, Europe, Latin America, and Asia.

Marc Iampieri, Global Co-Leader Logistics & Transportation, AlixPartners

Marc applies 25 years of experience to help companies resolve complex supply chain and distribution challenges. Although much of his career has focused on improving the supply chain performance of manufacturing and distribution intensive companies, Marc also focuses on the operational improvement of fleet operators and logistics services providers. Based on this experience, he frequently advises clients in the consumer goods, retail, energy and industrial industries regarding their logistics strategy and operations.

Jeffrey Leppert, Executive Vice President, Modal Operations, Redwood Logistics

With over 25 years of supply chain experience, Jeff Leppert leads multimodal strategy and operations as Executive Vice President of Modal Operations at Redwood Logistics. He develops commercial strategies and execution, creating value and driving efficiency for customers. During his 17+ years at Redwood, Jeff has played a key role in expanding capacity solutions, strengthening carrier partnerships, and leading Redwood's contact brokerage. Jeff founded the Treppel Group, LLC, which merged into Redwood in 2013 to build the company's asset-light intermodal division.

Christopher Thornycroft, Executive Vice President, Operations, Redwood Logistics

Christopher Thornycroft is the Executive Vice President of Operations for Redwood Logistics, a top 25 freight brokerage company in the U.S. and next generation leader in third-party logistics. He works directly with Redwood's President to drive and sustain company growth, establish strategic partnerships, and develop programs for future business leaders within Redwood. He also hosts the weekly Redwood Rundown series, covering the latest supply chain news and market trends.

Moderator: James Roe, Director, AlixPartners

James has over 10 years of experience in industry and consulting, split evenly between the United States and Germany. With a focus on operations and supply chain management, James has guided companies through large transformation projects. Prior to joining AlixPartners, James was a Senior Manager in Deloitte's M&A Advisory based in Munich, Germany.

EVENT PREVIEW

WHAT: Expert-led discussion on how technology, data exchange, and collaboration between shippers and carriers are driving operational efficiency and long-term value in the North American truckload and LTL markets, featuring insights on 2025 performance, 2026 outlook, and best practices for operational excellence

WHEN: November 4 at 2:00 pm ET

WHO: Industry experts from AlixPartners and Redwood Logistics sharing perspectives on digital connectivity, market trends, and efficiency transformation across the transportation ecosystem

TARIFF MARKET UPDATE

U.S. Tariffs Reset 2025 Trade: 25% Truck/Bus Duties Start Nov 1, De-Minimis Ends, China Truce Extends 90 Days, and India/Brazil Face 50%—Forcing Fast Supply-Chain Replans

1 WHAT'S ACTIVE NOW & KEY DATES

- U.S. announced 25% tariffs on imported medium- & heavy-duty trucks (effective Nov 1, 2025) and 10% on buses; paired with an expanded 3.75% credit through 2030 for U.S.-assembled vehicles/engines.
- **China**: 90-day **tariff truce extension** (keeps escalations paused through **Nov 10, 2025**); further extension under discussion

2 TARGETED SECTORS & COUNTRIES

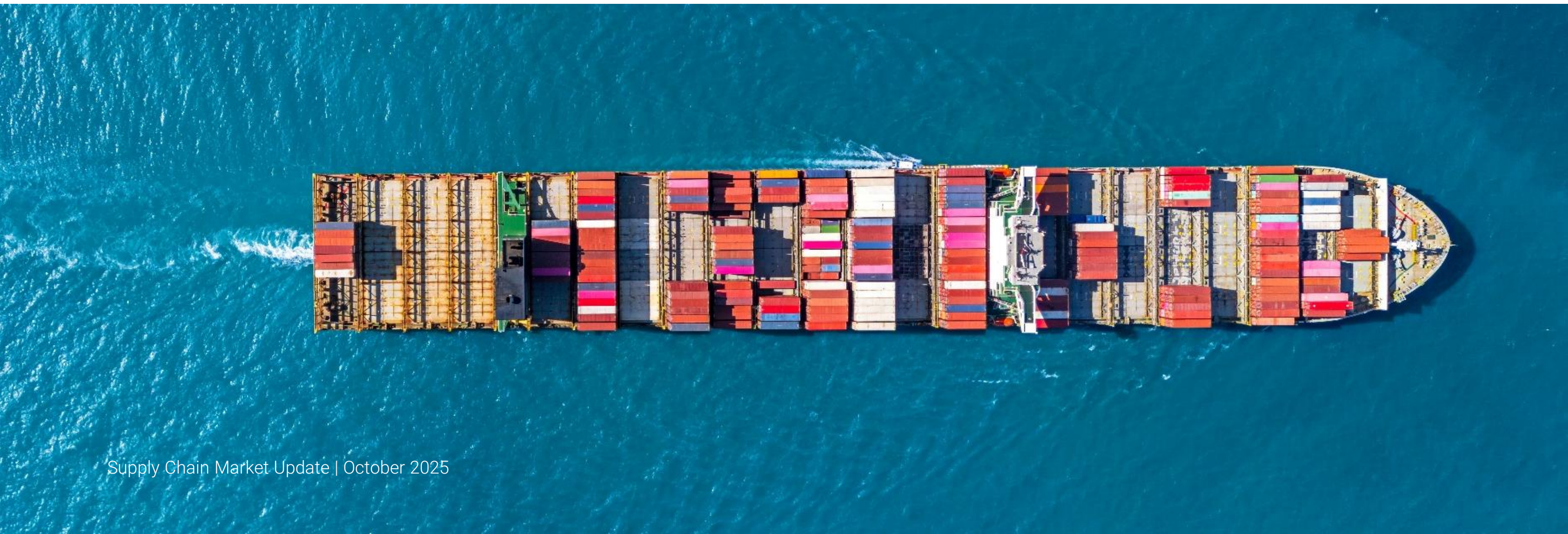
- **Autos & parts/trucks/engines** (new Nov 1 measures); **buses** (10%); plus existing elevated rates on **steel, aluminum, copper** and selected sectors
- **Brazil (50%), India (25–50% ranges by line item), EU (15% general rate; metals remain higher), China (truce-capped for now), Mexico/Canada** (reprieve/USMCA content rules moderate impact)

3 BUSINESS & CONSUMER IMPACT

- **E-commerce shock**: With de minimis ended, parcel flows to the U.S. fell **~70%** week-over-week as low-value imports now face duties/fees
- **Vehicle affordability**: Added tariffs + parts costs pressure prices; average new-car price rose **~3.6% YoY** in September amid policy uncertainty

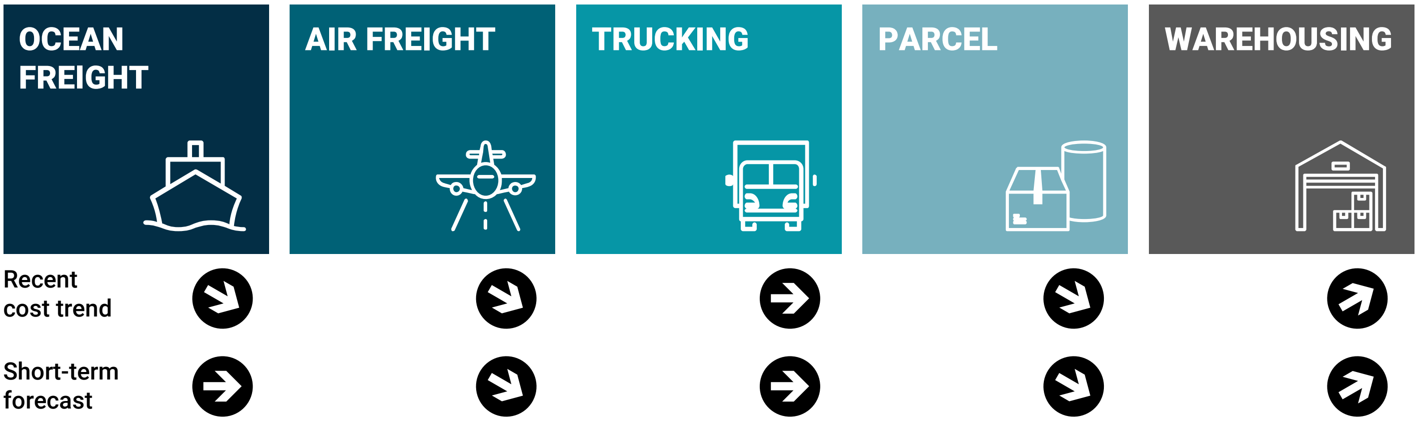
4 LEGAL & TRADE DIPLOMATIC DEVELOPMENTS

- **Reciprocal tariff regime**: A series of 2025 EOs re-baselined country rates (e.g.**, EU 15%** general; metals higher) and created room for China truce adjustments
- **Brazil response**: Financial relief + WTO-compatible mitigation measures underway; wider Latin-America diplomacy intensifying



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



WHAT IS MOST IMPORTANT TO KNOW?

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

- Ocean spot rates surged in May following the tariff pause on Chinese goods but have since retreated by more than 50%
- Global air freight demand remains strong in 2025 as shippers shift modes to hedge against tariff risks, though the outlook ahead remains uncertain

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 and larger discounts offered to high-volume shippers
- FedEx beat expectations with Q1 adjusted EPS of $3.83 vs. $3.59 consensus, despite one-time costs from network consolidation and the Freight spin-off; it announced a 5.9% U.S. parcel rate hike effective Jan 5, while UPS and USPS have yet to disclose 2026 increases

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

- Shippers should leverage this time of available capacity to tackle strategic initiatives
- 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

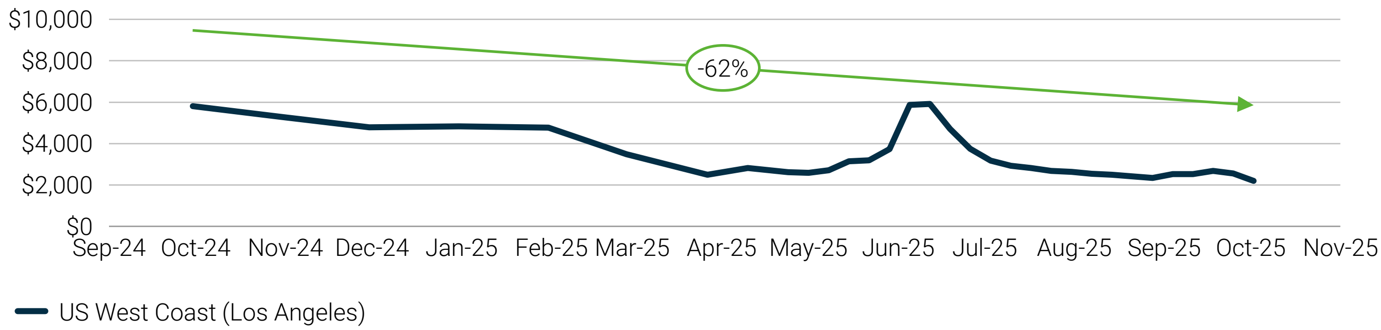
- Review impacts and create mitigation strategies, both short and mid term to optimize for trade implications
- AlixPartners Global Trade Optimizer (GTO) can help accelerate these analyses on tariff and inbound freight impacts. We see this being extremely useful in this type of environment

Source: AlixPartners analysis

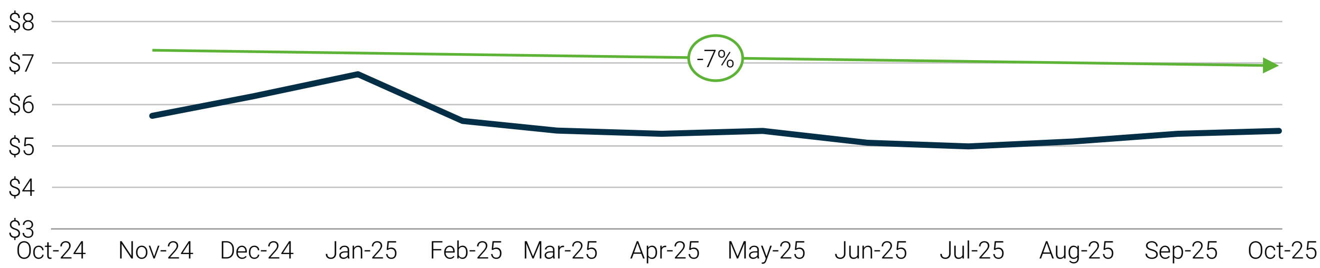
FREIGHT TRENDS

Container shipping rates hit 20-month low; Domestic trucking remains depressed due to supply/demand imbalance

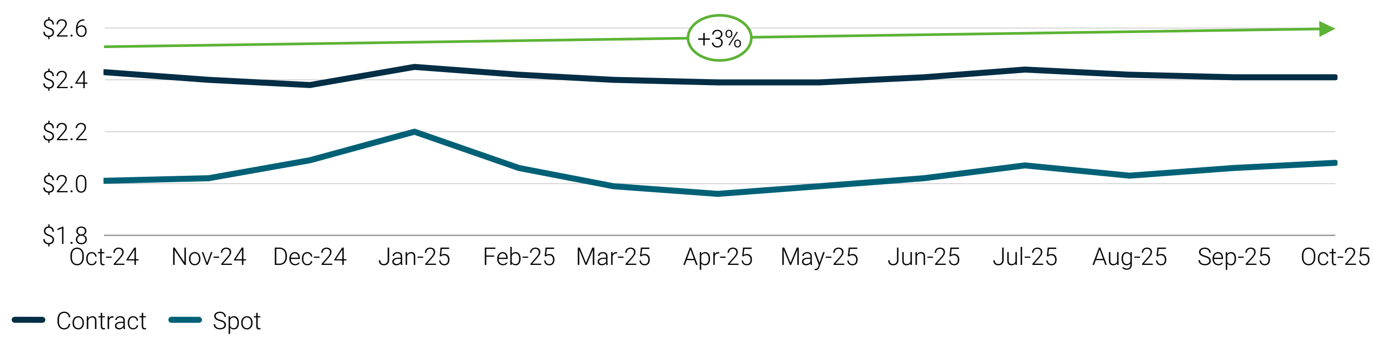
OCEAN FREIGHT – SHANGHAI TO U.S. – ($/40FT)



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



TRUCKING: DRY VAN – ($/MILE)



KEY TRENDS AND FACTS

KEY DRIVERS CAUSING RATE CHANGES ARE:

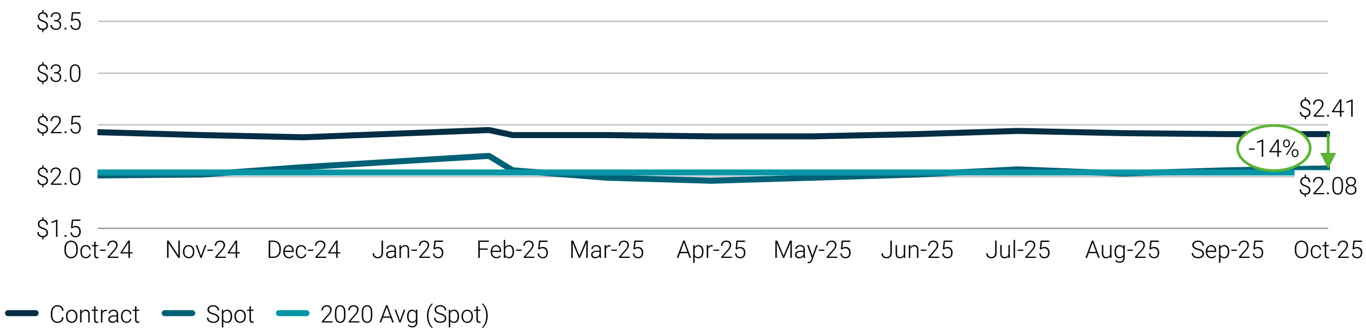
- Container freight rates continued to fall through October as soft demand, excess vessel capacity, and reduced exports during China's Golden Week sharply weakened spot pricing across all major east-west lanes
- Air freight rates have continued to decrease year-over-year as cargo capacity grows and demand expectations weaken
- Dry van spot rates rose slightly while contract rates remained flat; Despite this small uptick, overall market conditions remained soft, with subdued consumer demand and excess capacity continuing to suppress broader rate recovery

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

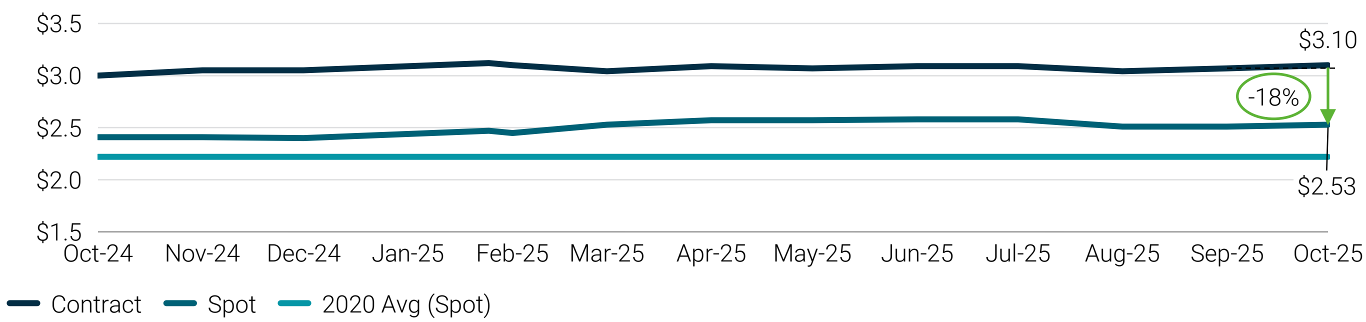
TRUCKING FREIGHT

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

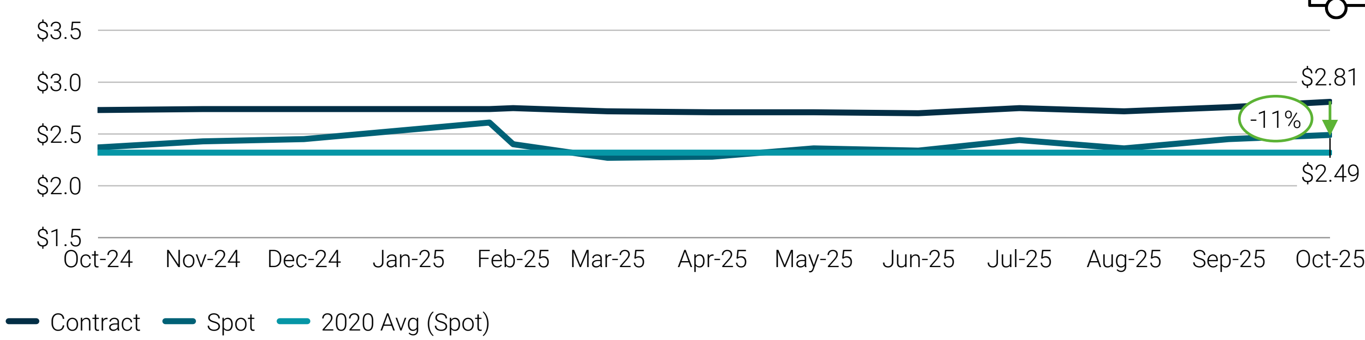
DRY VAN – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:$ PER MILE)



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

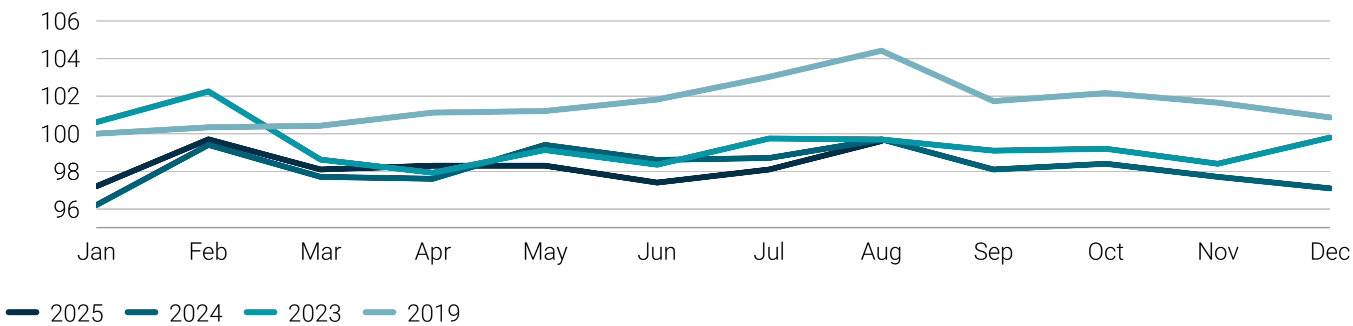
- Trucking executives are focusing on cutting costs amidst an environment of high operating costs and volatility. Investments in AI and technology are being explored to increase efficiency, lower cost-to-serve, and increase customer satisfaction. For example, JB Hunt has succeeded in increasing its operating income by 8% YoY by challenging and reducing cost items (Freight Waves)
- Many trucking executives expect more M&A activity, which has already been seen with Kenan Advantage Group, Republic Services, and others (Trucking Dive).

Source: DAT, Freight Waves, AlixPartners analysis

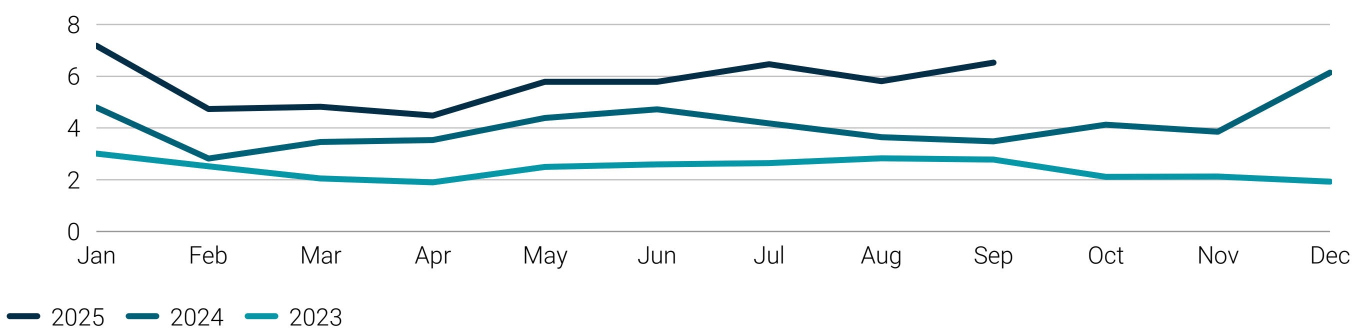
TRUCKING FREIGHT

Truckload market holds steady; load-to-truck ratio increased 12% MoM in September with greater market exits

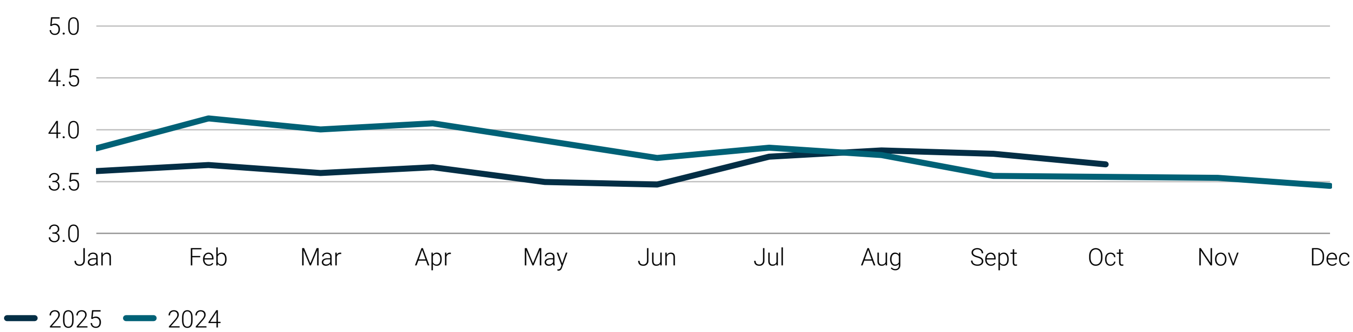
TRUCK DEMAND – TONNAGE, YEAR OVER YEAR, INDEX (100)=JAN 2019



VAN LOAD-TO-TRUCK RATIO – YEAR OVER YEAR



DIESEL – $ PER GALLON



KEY TRENDS AND FACTS

- National average diesel price has stayed below $4 per gallon since April 2024; low fuel prices may be helping smaller carriers manage costs and remain in the market (Trucking Dive). However, market exits exceeded entrants in Q3, with September showing a notable drop in grants in operating authority (Trucking Dive).
- Outbound spot truckload capacity tightened at the beginning of October, driven by fewer US imports and seasonal demand (JoC).
- DOT has tightened rules on non-domiciled CDL issuance, which could tighten driver supply over time (CH Robinson).

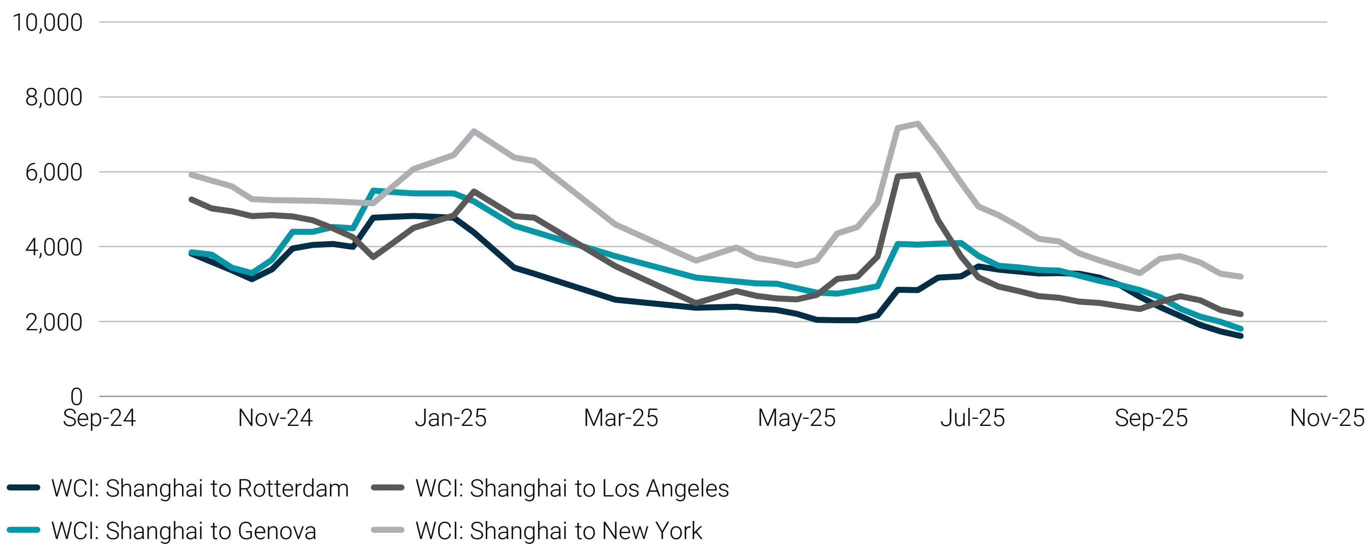
Source: DAT, Freight Waves, FRED, AlixPartners analysis

OCEAN FREIGHT

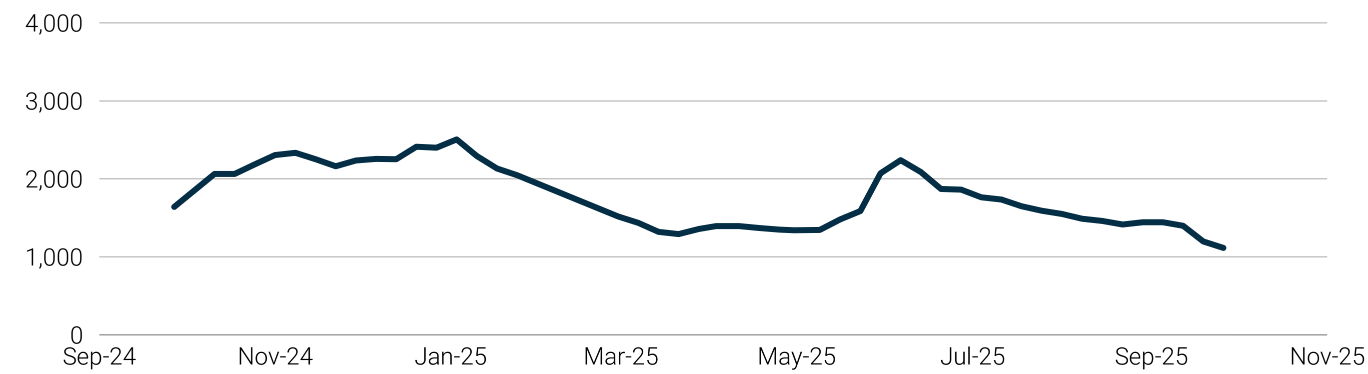
Spot rates have dropped over 30% YOY, reaching their lowest level since early 2024 as soft U.S. import demand and excess capacity continue to pressure pricing

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$/40ft)



KEY TRENDS AND FACTS

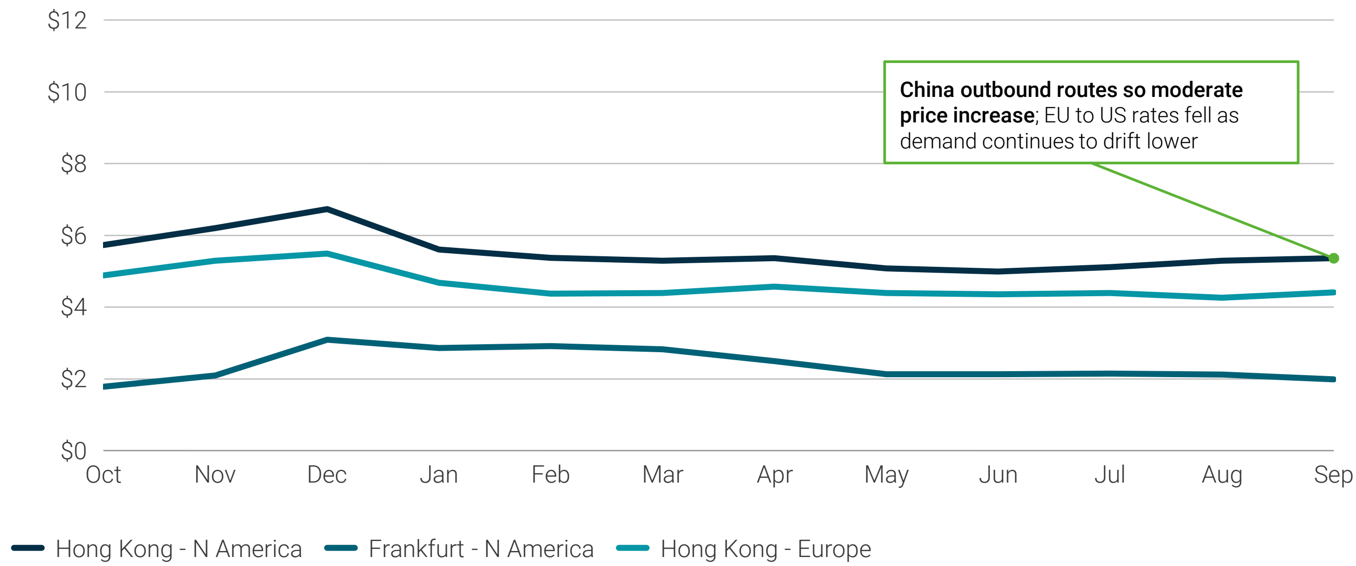
- The Drewry World Container Index (WCI) fell 5% to $1,669 per 40ft container, marking the 16th consecutive weekly decline and reaching the lowest level since January 2024 (Drewry)
- Spot rates from Shanghai to Los Angeles decreased 5% to $2,196 per 40ft container, while those from Shanghai to New York decreased 2% to $3,200 per 40ft container (Drewry)
- Spot rate declines are being driven by weak demand, excess capacity entering service, and normalization post-disruptions; current rates are under pressure especially in Transpacific trades (Reuters)

Source: Drewry Ocean report, Reuters, AlixPartners analysis

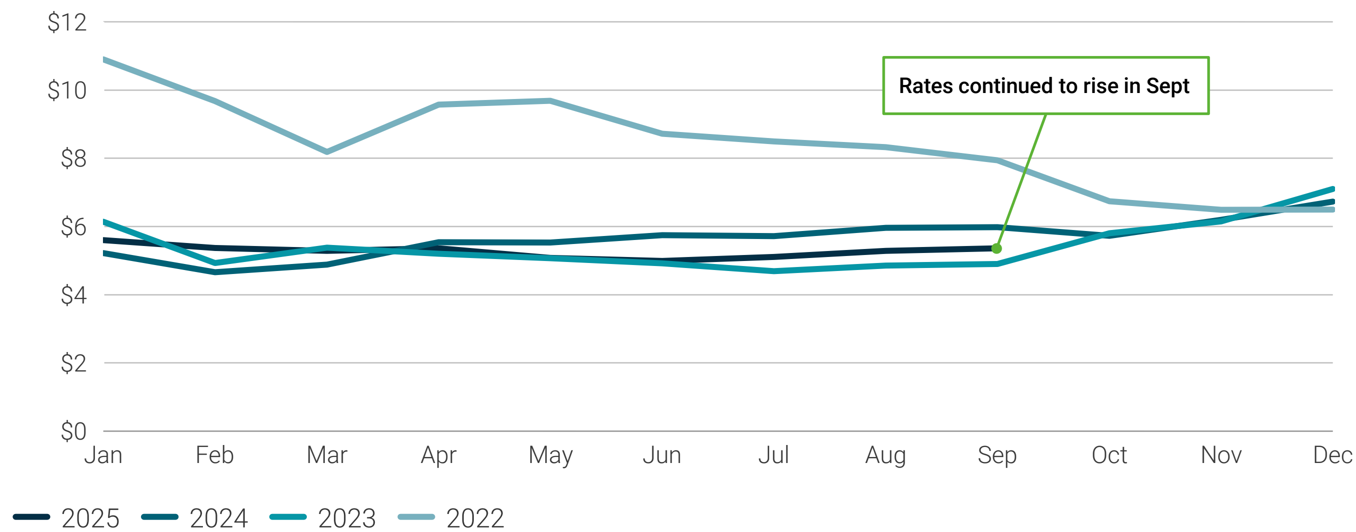
AIR FREIGHT

Global air freight average spot rate declined slightly to $2.54/kg; rates down 4% YoY

KEY INTERNATIONAL ROUTES (UNIT:$ PER KG)



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



KEY TRENDS AND FACTS

- 2026 rate expectations are indicating a rate decline due to soft demand and continued capacity growth - (AirCargoNews)
- Forwarders continue to source more of their volume through the spot market; 48% was sourced via spot market in Q3 vs 44% in Q3 2024 – (Xeneta)

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

RAIL FREIGHT

Carload traffic fell -1.2% YoY in September driven by coal's first decline in seven months. Intermodal saw a decline vs last September, although YTD remains up 3.5%

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

Commodity	Change	Commodity	Change
INTERMODAL	-1.3%	COAL	-3.8%
INDUSTRIAL PRODUCTS	0.1%	MOTOR VEHICLES AND PARTS	3.3%
PRIMARY METAL PRODUCTS	2.3%	CHEMICALS	-0.7%
GRAIN MILL PRODUCTS	-2.0%	GRAIN	3.5%
PETROLEUM AND PRODUCTS	-4.5%	CRUSHED STONE, SAND AND GRAVEL	0.3%

Source: Association of American Railroads

KEY TRENDS AND FACTS

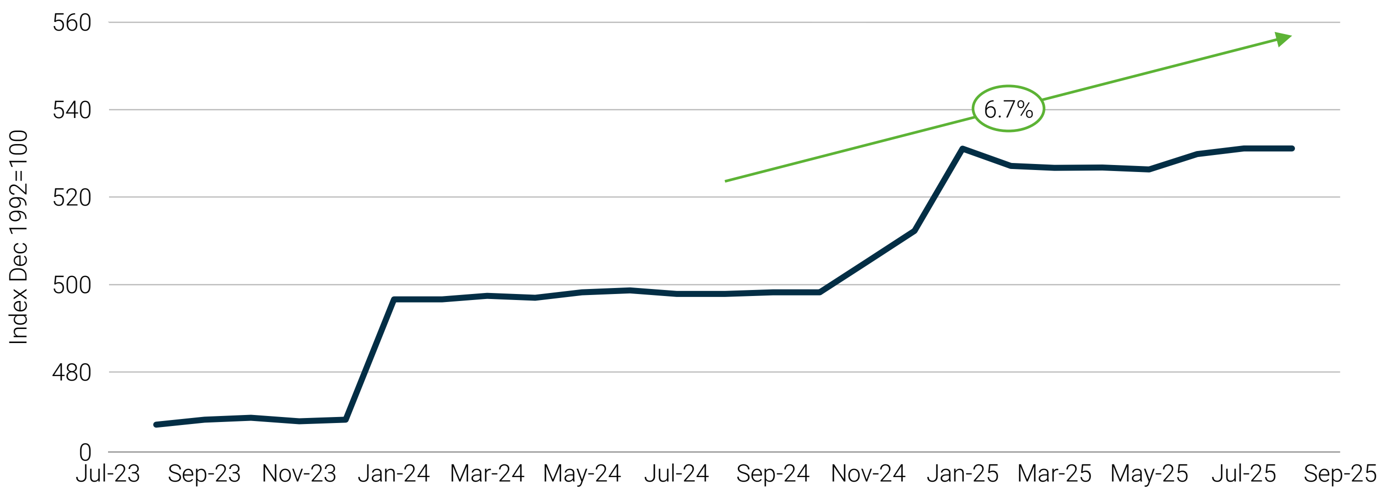
- CSX ousts CEO Joe Hinrichs after activist pressure for a leadership change, naming Steve Angel new CEO. While Angel has rail background from GE's locomotive business, what's more notable is Angel's experience leading the successful $50B+ merger & integration of Linde AG and Praxair, which targeted more than $1B in synergies. This may position CSX strategically given competitors Norfolk Southern–Union Pacific proposed merger.
- Domestic intermodal rates have fallen to their lowest level since mid-2024; only Southern California remains firm, though rates may decline further once tariff-driven restocking eases.

Note: Carloads are traffic classified into 20 major commodity categories. Rail intermodal units are shipping containers and truck trailers moved on railcars
Source: AAR, FreightWaves, Railway Age, Journal of Commerce, InTek Logistics

USA PARCEL

FedEx surpassed analyst expectations in their first fiscal quarter, benefiting from 6% growth in parcel volumes, and despite headwinds from tariff impacts

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 1 kg package average parcel selling price in US was $5 in Dec 1992, today it is about 5*530/100=$26.50

FEDEX FINANCIAL RESULTS Q1 FY2026 (ADJUSTED, NON-GAAP)

METRIC	FEDEX Q1 FY26	FEDEX Q1 FY25
Revenue	$22.2B	$21.6B
Operating income	$1.30B	$1.21B
Net income	$0.91B	$0.89B
Diluted EPS	$3.83	$3.60
Strategic focus	Network optimization and cost reduction	

1. Adjustments include business optimization costs and FedEx Freight spin-off
Source: FedEx

KEY TRENDS AND FACTS

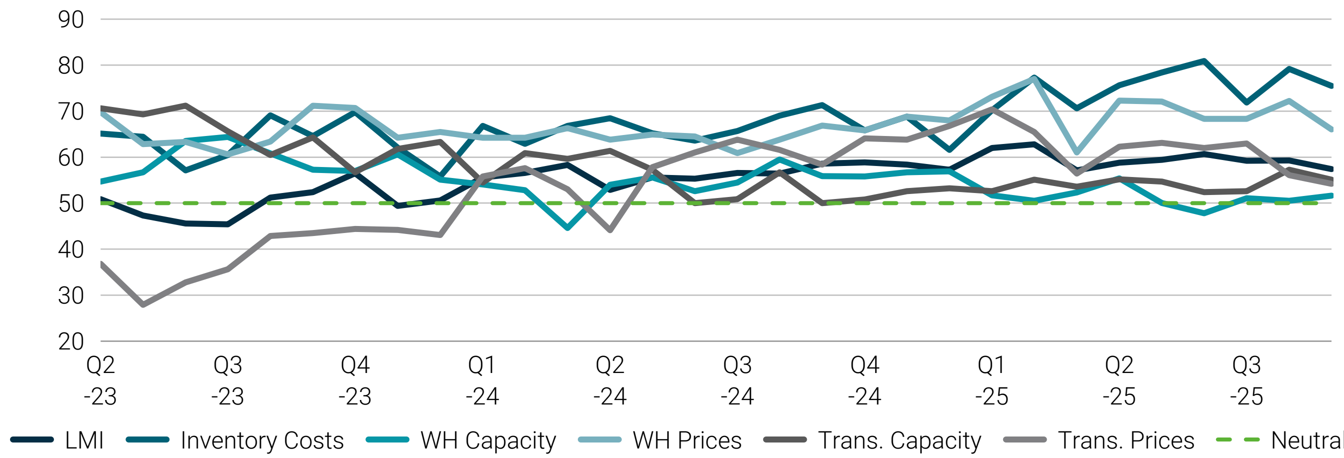
- FedEx posted first quarter adjusted earnings per share at $3.83, beating the consensus estimate of $3.59.
- One-time costs for the period include costs from ongoing network consolidation and the FedEx Freight spin-off.
- FedEx has also announced their rate increases for next year, which take effect on Jan 5th.
- Standard retail rates for US parcel services will increase by an average of 5.9%, consistent with the prior two years' rate hikes.
- Other major carriers such as UPS and USPS have not yet announced their 2026 rate increases.

Sources: Federal Reserve Economic Data (FRED); FreightWaves

WAREHOUSING TRENDS

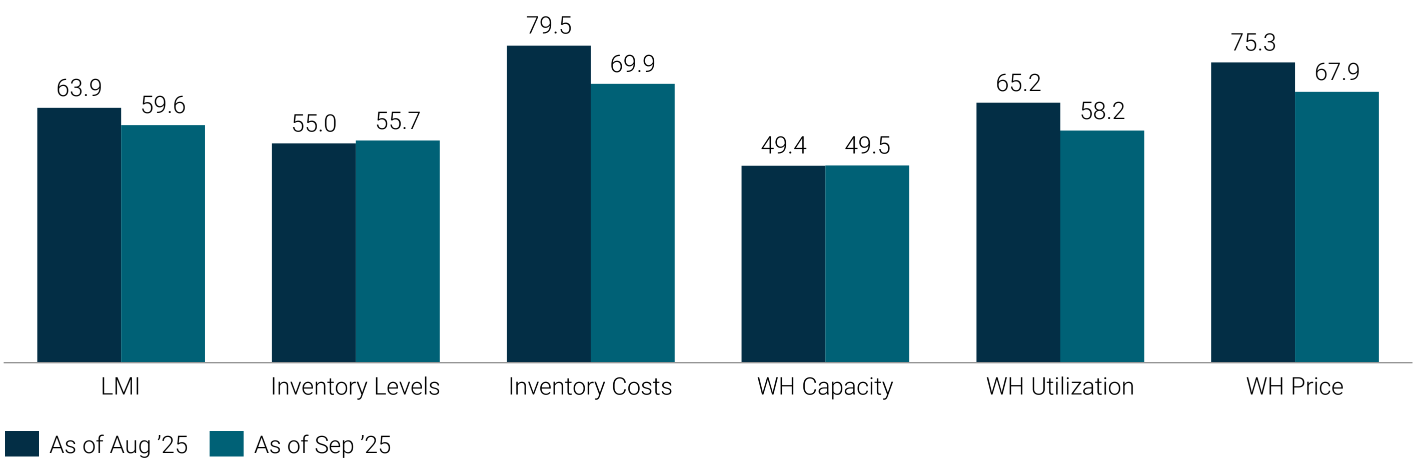
Logistics Manager's Index in September decreased to 57.4 (-1.9) from August, with greatest change in transportation utilization and transportation capacity

FLUCTUATION OF LMI INDICES



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

LMI SURVEY – NEXT 12-MONTH PREDICTION[1]



1. LMI respondents' predictions for movement in LMI metrics 12 months from now

KEY TRENDS AND FACTS

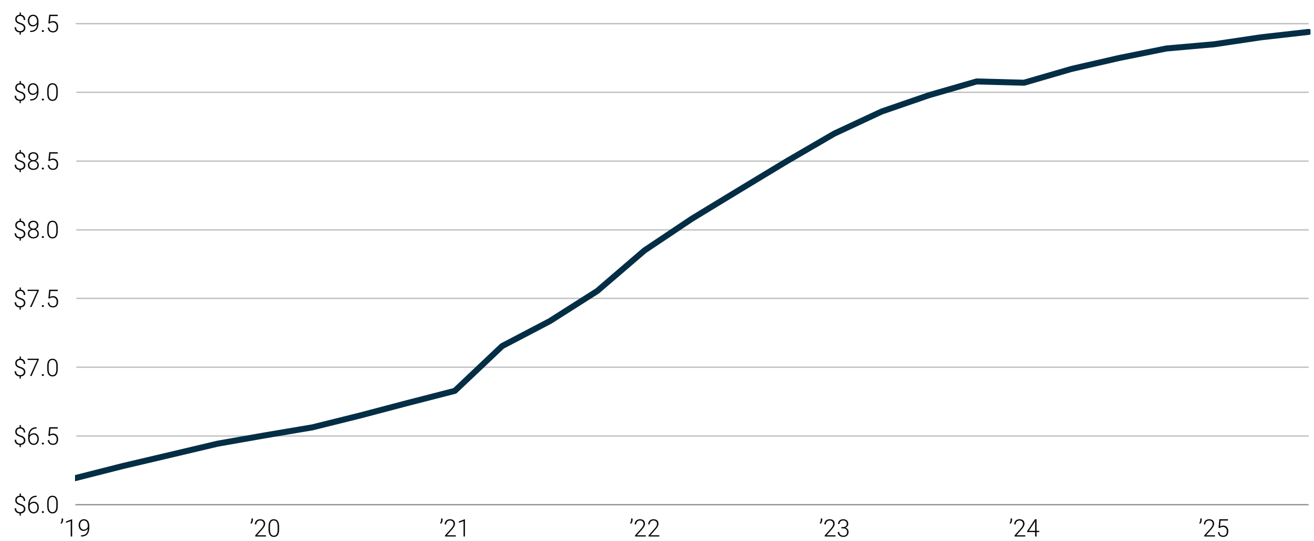
- [Overall Logistics Managers' Index] **decreased slightly in September, (-1.9) from August's reading of 59.3** with largest shift in transportation utilization (-4.7), transportation utilization (-2.2), and transportation prices (-1.9)
- September saw a deceleration in the growth of Transportation Utilization, which dropped to a neutral reading of 50.0. This indicates a halt in utilization growth and represents the metric's lowest reading since November 2023 (LMI)
- The persistence of a negative freight inversion (that started last month), a classic indicator of a softening market where the growth rate of Transportation Capacity (55.1) outpaces that of Transportation Prices (54.2) (LMI)

Source: Logistics Managers' Index, AlixPartners analysis

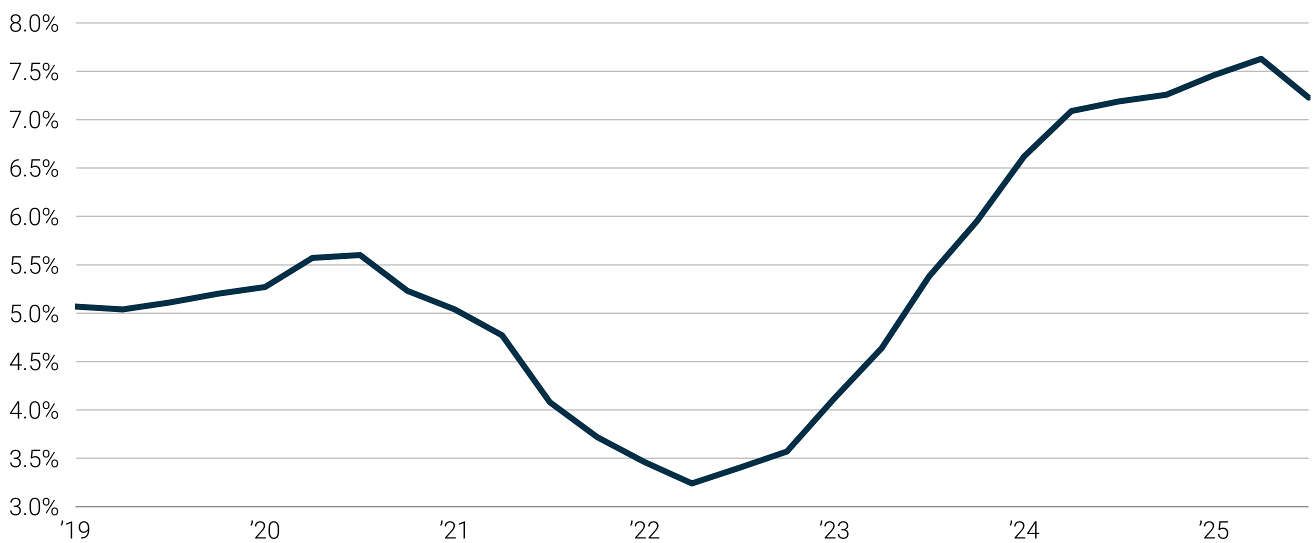
WARehousing TRENDS

National average rents for industrial logistics space edge up slightly while vacancy dropped slightly

NATIONAL AVERAGE MARKET RENT/SQ FT ($)



NATIONAL AVERAGE VACANCY RATE (%)



KEY TRENDS AND FACTS

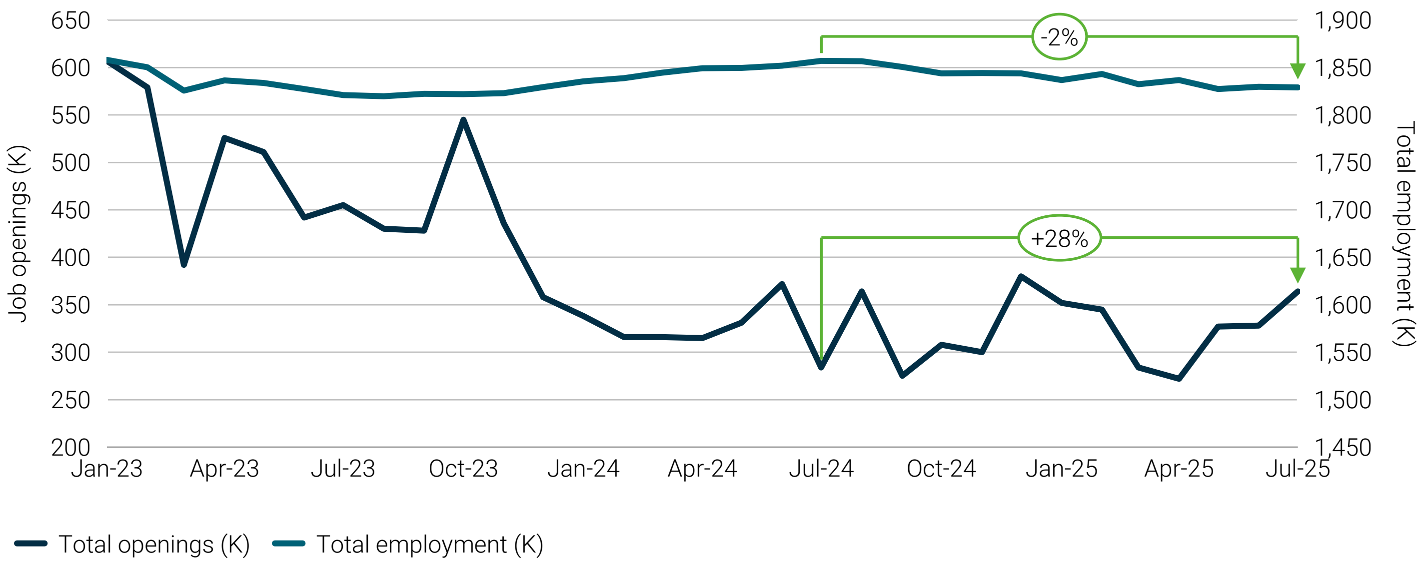
- **Quarterly rents rose** gradually to an estimated $9.44 per square foot in Q3 2025 while vacancy rates dropped slightly, but remained over 7%
- U.S. Warehouse Vacancies Steady as Demand Rises With Less New Space (WSJ)
- Prologis Raises Outlook as Warehouse Leasing Picks Up (WSJ)
- Tariff costs, need for speed seen reshaping retail inventory strategies (JOC)

Source: AlixPartners & Mohr Partners, WSJ, JOC, AlixPartners analysis

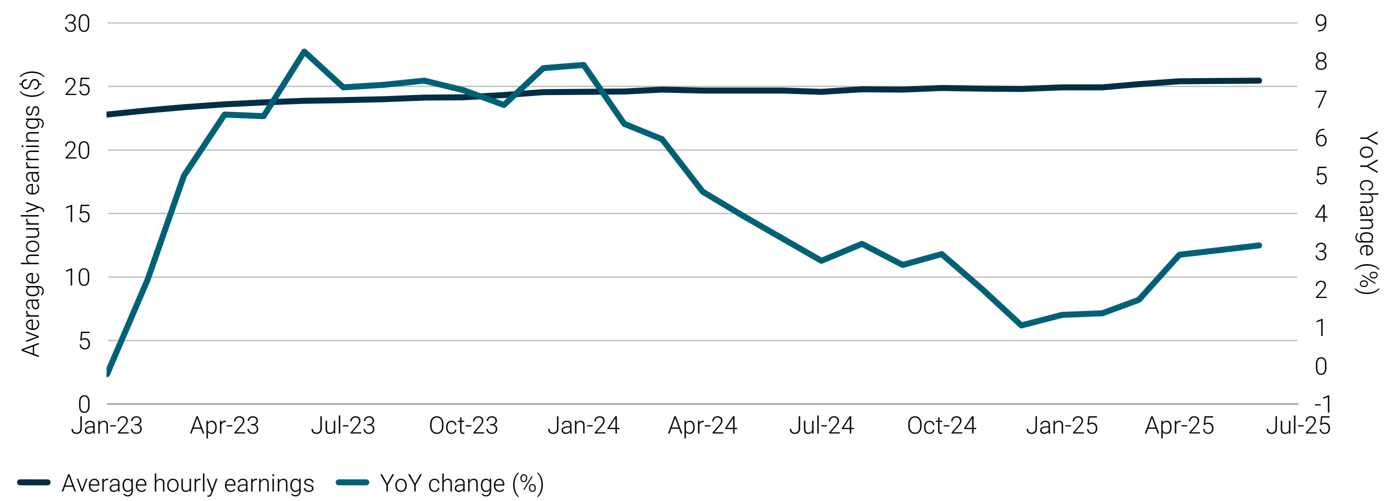
LABOR

Holiday 2025 seasonal hiring estimates are expected to drop by ~8% from 2024

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

- Because of the ongoing US Government shutdown, the BLS did not publish August data
- Seasonal hiring hiring to fall to lowest level since 2009, signaling trouble for holidays (CNBC)
- Retailers are expected to add less than 500,000 positions in the last three months of the year, which is down 8% from 2024 (LMI)

Source: U.S. Bureau of Labor Statistics seasonally adjusted data, CNBC, LMI

ALIXPARTNERS SUPPLY CHAIN EXPERTS – REACH OUT TO LEARN MORE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Joe Cubellis
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Sven Vogele
Director


Mark Scales
Director


Andrew Kerr
Director


Venky Ramesh
Director


James Roe
Director


Kai Kang
Sr Vice President


Katherine Arnold
Sr Vice President


Miriam Hall
Sr Vice President


Esther Ho
Sr Vice President


Ryan Nelis
Sr Vice President


Vikas Chandra
Sr Vice President


Resham Begg
Vice President


Karan Ranger
Vice President


Justin Stacy
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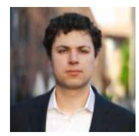
Vahid Nokhbeh
Vice President


Andrew Talerico
Vice President


Max Steele
Analyst

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