AlixPartners

SUPPLY CHAIN MARKET UPDATE

North America and Europe

December 2025

KEY TRENDS AND CHALLENGES IN U.S. SUPPLY CHAIN MANAGEMENT

1
CHINESE EXPORTS TO THE U.S. SOFTENED, WHILE EXPORTS FROM SOUTHEAST ASIA GAINED SHARE

- China's overall exports climbed in November, pushing its merchandise trade surplus past $1 trillion, yet shipments to the U.S. dropped ~29% year-on-year despite tariff truce efforts — indicating continued tariff drag on Chinese exports to the U.S. market
- Southeast Asia has emerged as a beneficiary from global trade turmoil
- Exports from the Association of Southeast Asian Nations, which comprises 11 countries, to the US surged by 23% in September from a year earlier, led by Thailand and Vietnam

2
INTERNATIONAL FREIGHT SAW TEMPORARY RATE SUPPORT, BUT FUNDAMENTALS REMAIN WEAK

- Ocean spot rates saw a brief early-December lift driven by smaller, more frequent GRIs and short-term seasonal demand, but continued volatility, persistent overcapacity, and month-on-month declines indicate limited pricing durability
- Air freight rates rose temporarily on U.S. shopping season demand, then softened again, suggesting that recent strength was seasonal in nature and insufficient to offset broader softness despite continued growth in cargo ton-kilometers

3
DOMESTIC FREIGHT SHOWS BRIEF RESILIENCE, BUT STRUCTURAL PRESSURES PERSIST

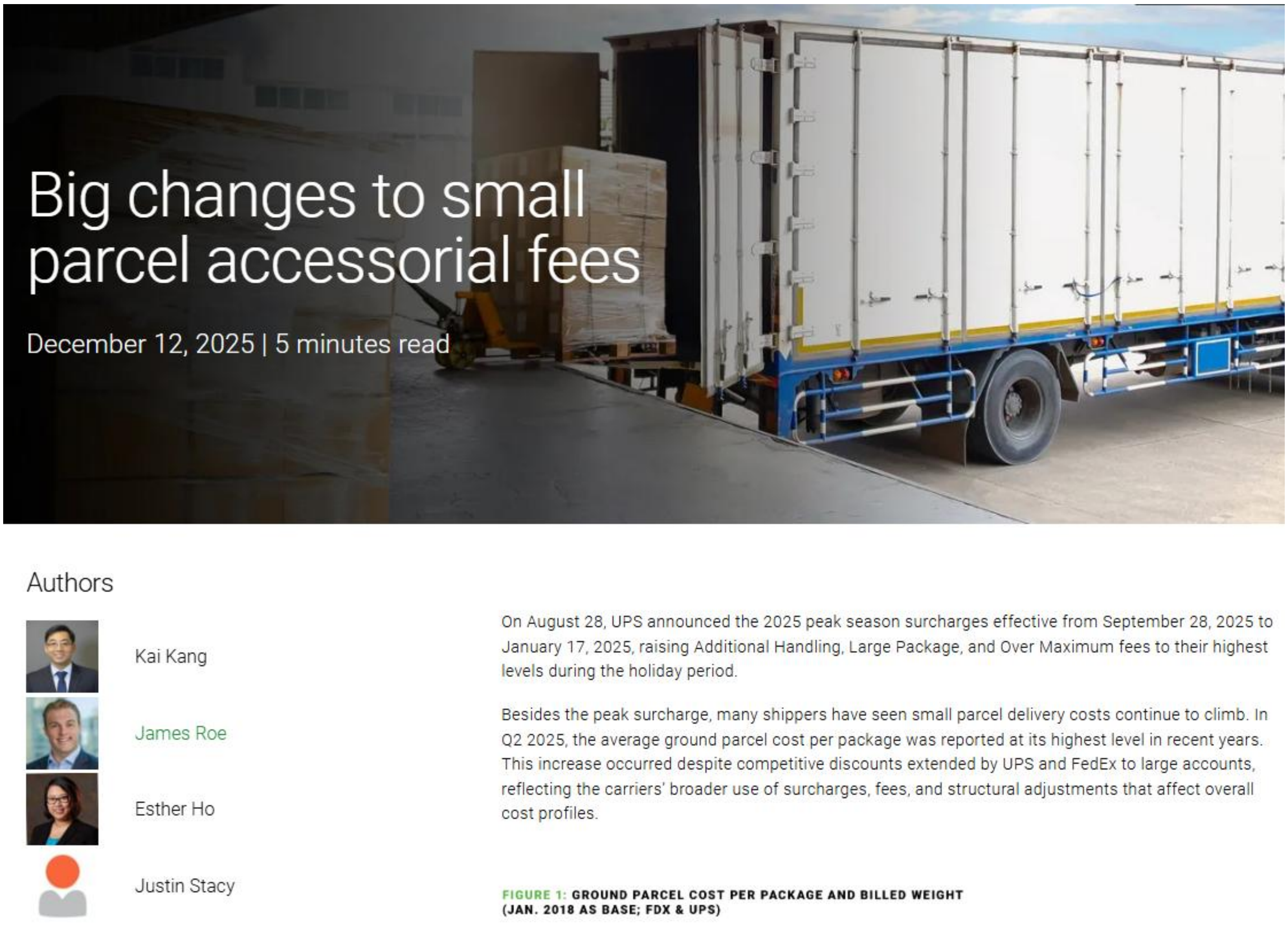
- Trucking saw a brief post-Thanksgiving spot rate lift, but lower contract rates and rising costs continue to pressure carrier margins
- Parcel networks continue to realign as Amazon surpassed both UPS and FedEx in delivery volume, reshaping carrier economics
- Domestic freight activity reflects normalization, with inventory drawdowns and seasonal pricing rather than sustained demand growth

Source: Journal of Commerce, NPR, ABC News, AlixPartners analysis, Reuters, The Economic Times

FEATURED TOPIC

Big changes to small parcel accessorial fees

ACCESS THIS ARTICLE FOR MORE DETAILS HERE



Big changes to small parcel accessorial fees

December 12, 2025 | 5 minutes read

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On August 28, UPS announced the 2025 peak season surcharges effective from September 28, 2025 to January 17, 2025, raising Additional Handling, Large Package, and Over Maximum fees to their highest levels during the holiday period.

Besides the peak surcharge, many shippers have seen small parcel delivery costs continue to climb. In Q2 2025, the average ground parcel cost per package was reported at its highest level in recent years. This increase occurred despite competitive discounts extended by UPS and FedEx to large accounts, reflecting the carriers' broader use of surcharges, fees, and structural adjustments that affect overall cost profiles.

FIGURE 1: GROUND PARCEL COST PER PACKAGE AND BILLED WEIGHT (JAN. 2018 AS BASE; FDX & UPS)

CONTENT SUMMARY

- **Total parcel costs are rising despite discounts**, as carriers expand fuel surcharges, DIM rules, handling fees, and delivery area surcharges
- **Pricing changes are increasingly structural and less visible**, including DIM rounding, cubic-inch thresholds, and metro DAS expansion
- **Peak and surcharge inflation is driving parcel cost increases**, with UPS and FedEx raising 2025 holiday fees most heavily on high-volume ground services
- **Shippers must manage the details to control spend**, focusing on packaging optimization, surcharge governance, address quality, and service-level discipline

TARIFF MARKET UPDATE

2025 U.S. Tariff Regime Tightens: De-Minimis Ends, Truck/Bus 232 Duties Begin November 1, China Relief Extended to November 2026, India/Brazil Rates Jump—Driving Rapid Pricing & Sourcing Shifts

1 WHAT'S ACTIVE NOW & KEY DATES

- **Small-parcel/e-commerce**: De-minimis suspended globally (**August 29, 2025**); **postal shipments get a 6-month transition option** (temporary **$80–$200 per-item**) before moving fully to ad-valorem duties
- **Country hits**: India +25% add-on tied to Russian-oil purchases (some lines to ~50%); Brazil ~50% on many goods with key exclusions, then certain ag items carved out effective November 13, 2025 with refunds

2 TARGETED SECTORS & COUNTRIES

- **Vehicles + China**: Section 232 —25% on imported medium/heavy-duty vehicles and key parts + 10% on buses starting November 1, 2025; China reciprocal rate held at 10% through November 10, 2026 under the U.S.-China arrangement
- **China fentanyl/IEEPA duty cut**: Additional duty on PRC-origin goods **reduced from 20% → 10% effective November 10, 2025** (separate from Section 301)

3 BUSINESS & CONSUMER IMPACT

- **Cost + service impact:** Higher landed cost and more paperwork for small parcels is pushing **price increases/shipping-fee changes** and a shift toward **bulk import + U.S. fulfillment**
- **Compliance + sourcing impact:** Tariff volatility (India/Brazil) is driving **rapid repricing, SKU rationalization, and supplier rebalancing** across exposed categories

4 LEGAL & TRADE DIPLOMATIC DEVELOPMENTS

- **Transshipment enforcement hardens:** If CBP finds tariff evasion via transshipment, goods can face a **punitive 40% duty + penalties,** with **no mitigation/remission,** plus a **6-month public list** of circumvention countries/facilities
- **China deal implementation continues:** USTR extended **178 Section 301 exclusions** on China goods **through November 10, 2026** following the deal

FREIGHT COSTS

Fallout from U.S. administrations application of tariffs has maintained an environment of near-term uncertainty throughout 2025, with similar sentiment heading into 2026

	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 due to overall softness in demand

- Ocean spot rates retraced after a brief early-December lift, with persistent overcapacity and weak fundamentals continuing to cap sustained pricing power
- Global air freight demand showed seasonal strength into early December but has begun to soften, signaling that peak-driven gains are fading as underlying demand moderates

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
- USPS transportation expenses declined due to network optimization, but operating costs increased on higher compensation and retirement incentives, highlighting ongoing margin management challenges

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

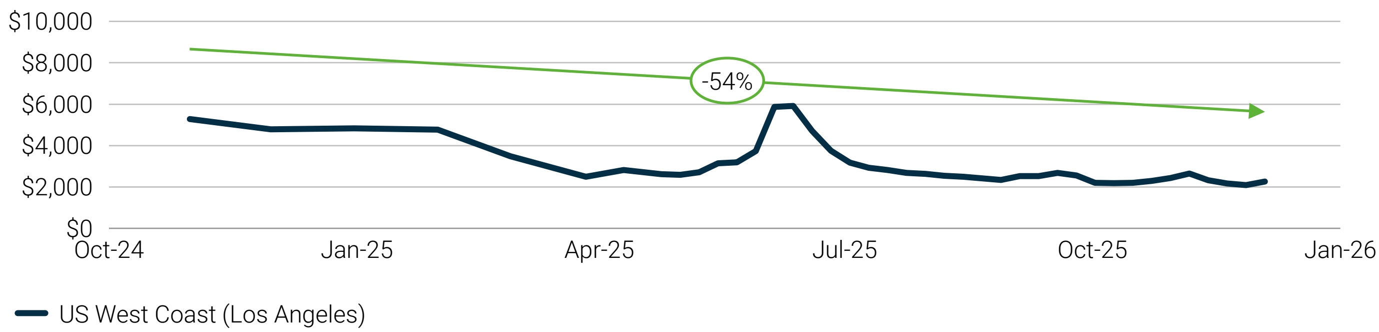
- Review impacts and create mitigation strategies, both short and mid term to optimize for trade implications
- AlixPartners Global Trade Optimizer (GTO) can help accelerate these analyses on tariff and inbound freight impacts. We see this being extremely useful in this type of environment

Source: AlixPartners analysis

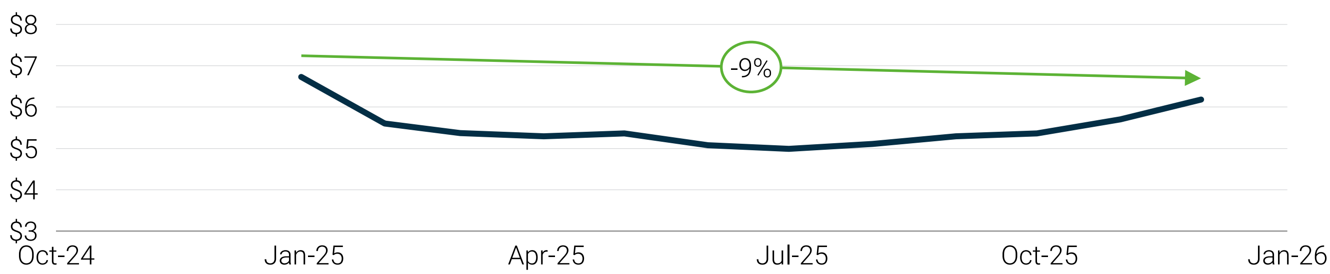
FREIGHT TRENDS

Container shipping rates have risen for four consecutive weeks following a prolonged decline; Domestic trucking remains depressed due to supply/demand imbalance

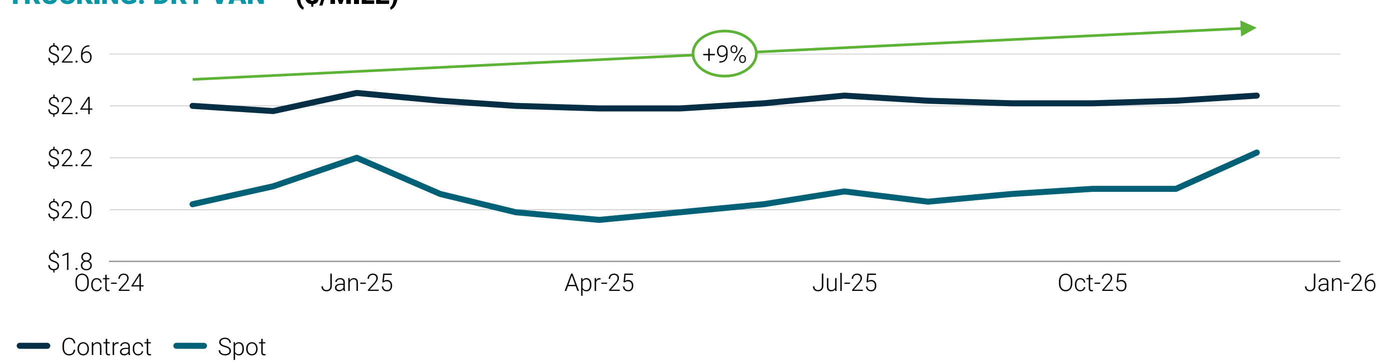
OCEAN FREIGHT – SHANGHAI TO U.S. – ($/40FT)



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



TRUCKING: DRY VAN – ($/MILE)



KEY TRENDS AND FACTS

KEY DRIVERS CAUSING RATE CHANGES ARE:

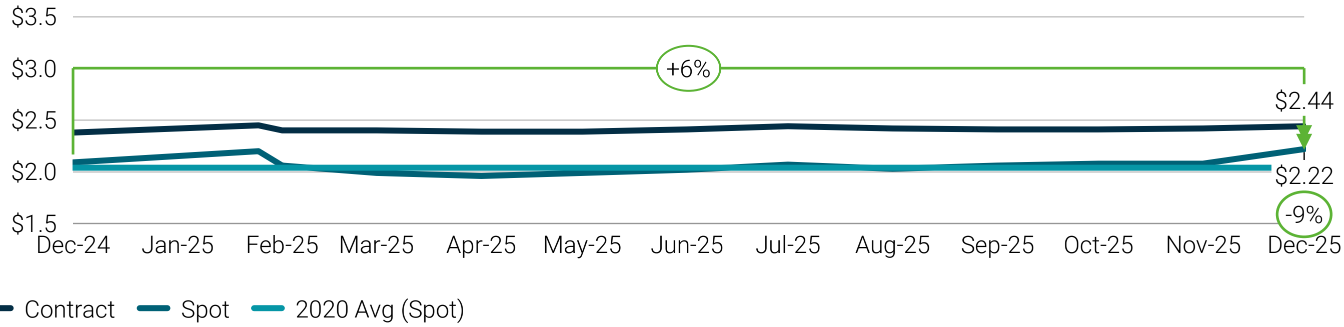
- In the first week of December, Shanghai–Los Angeles spot rates rose slightly to $2,256, reflecting a mild stabilization in pricing
- Air freight rates have increased over the last few months due to seasonality related to US shopping season
- Trucking spot rates experienced an uptick as load post volumes surged following the short Thanksgiving week

Source: DAT, Drewry, TAC database, AlixPartners analysis

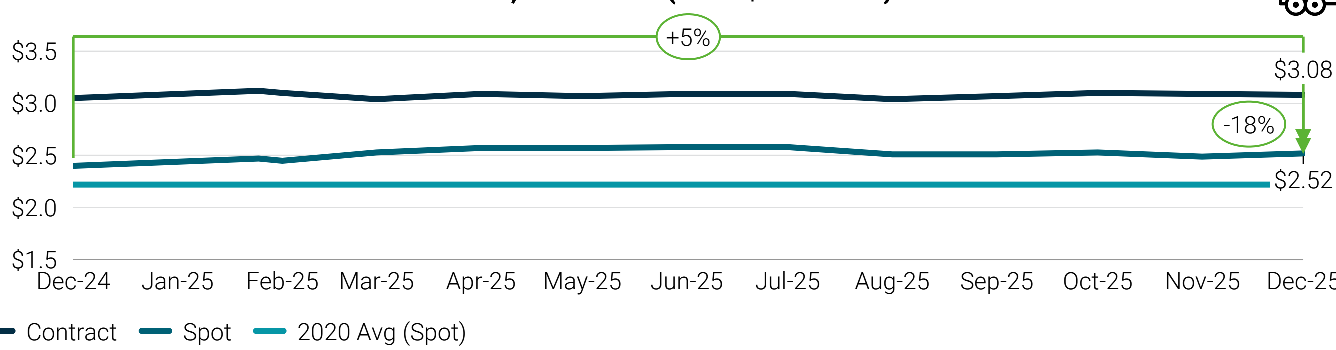
TRUCKING FREIGHT

Truckload spot rates rose 2-6% MoM in December; contract rates are flat to declining amidst a challenging bid season

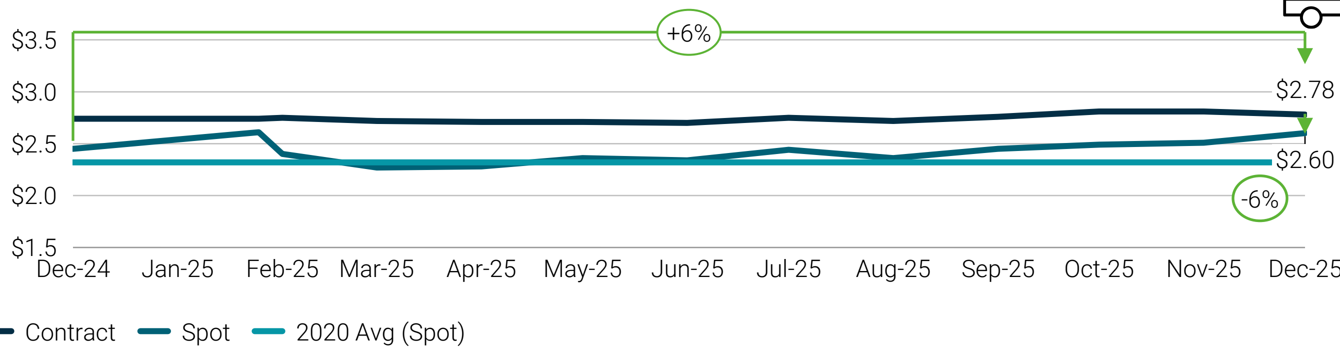
DRY VAN – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:$ PER MILE)



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

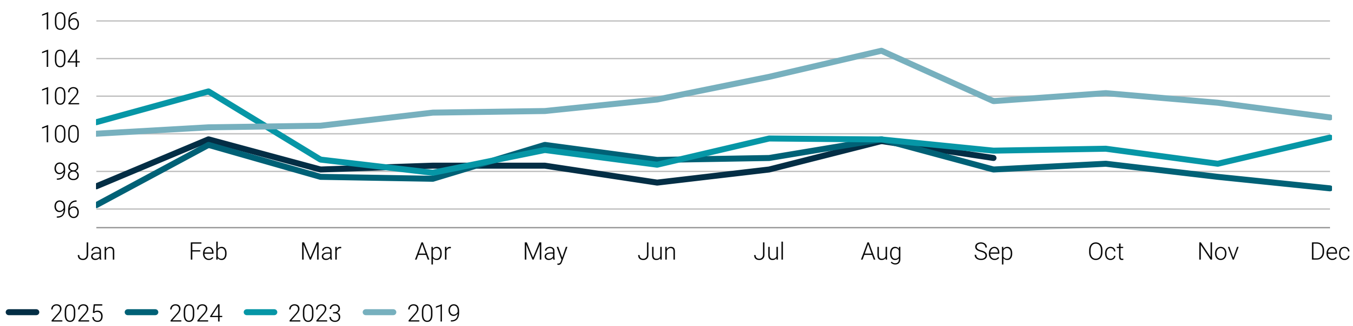
- Spot rates experienced an uptick as load post volumes surged following the short Thanksgiving week (DAT). Capacity also declined during the second half of November, contributing to the increase in spot rates (Freight Waves)
- Meanwhile, newly contracted dry van rates are 1-2% lower than previous rates on average (JoC)

Source: DAT, Freight Waves, AlixPartners analysis

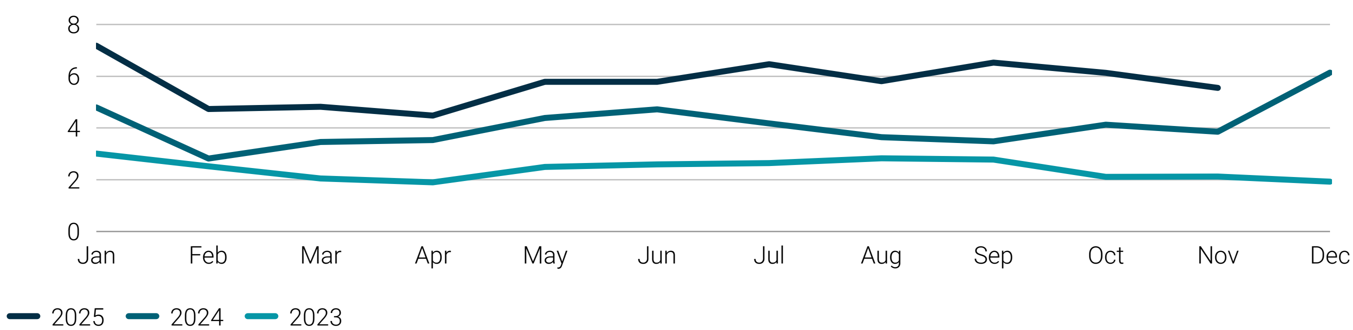
TRUCKING FREIGHT

Trucking companies continue to face weak demand and rising operating costs, driving large carriers to cut back capacity

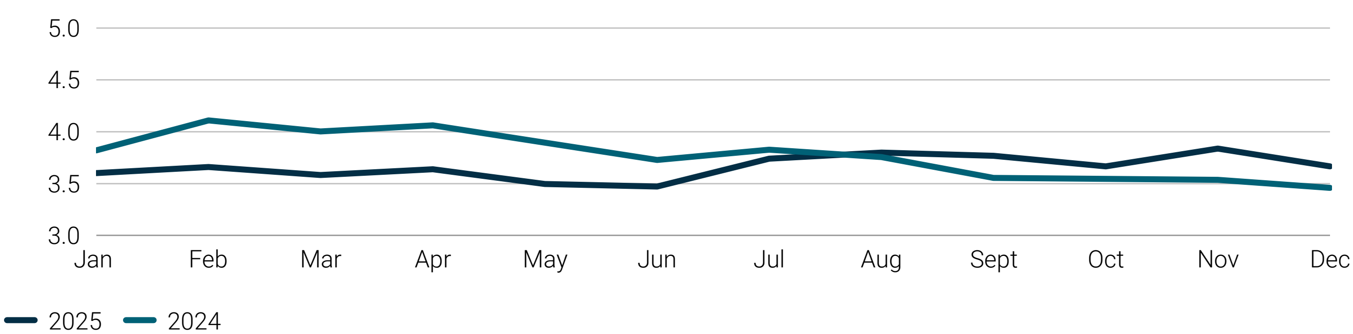
TRUCK DEMAND – TONNAGE, YEAR OVER YEAR, INDEX (100)=JAN 2019



VAN LOAD-TO-TRUCK RATIO – YEAR OVER YEAR



DIESEL – $ PER GALLON



KEY TRENDS AND FACTS

- Rising insurance premiums, trucking wages, and equipment costs continue to compress margins as revenues remain flat (Trucking Dive)
- Truckload rejection index has increased over the last several weeks, reaching 7.15, indicating more load being rejected by carriers (Freight Waves)
- Carriers supporting auto shippers continue to experience notable demand fluctuations, especially for cross-border lanes, amidst tariff uncertainty (Trucking Dive)

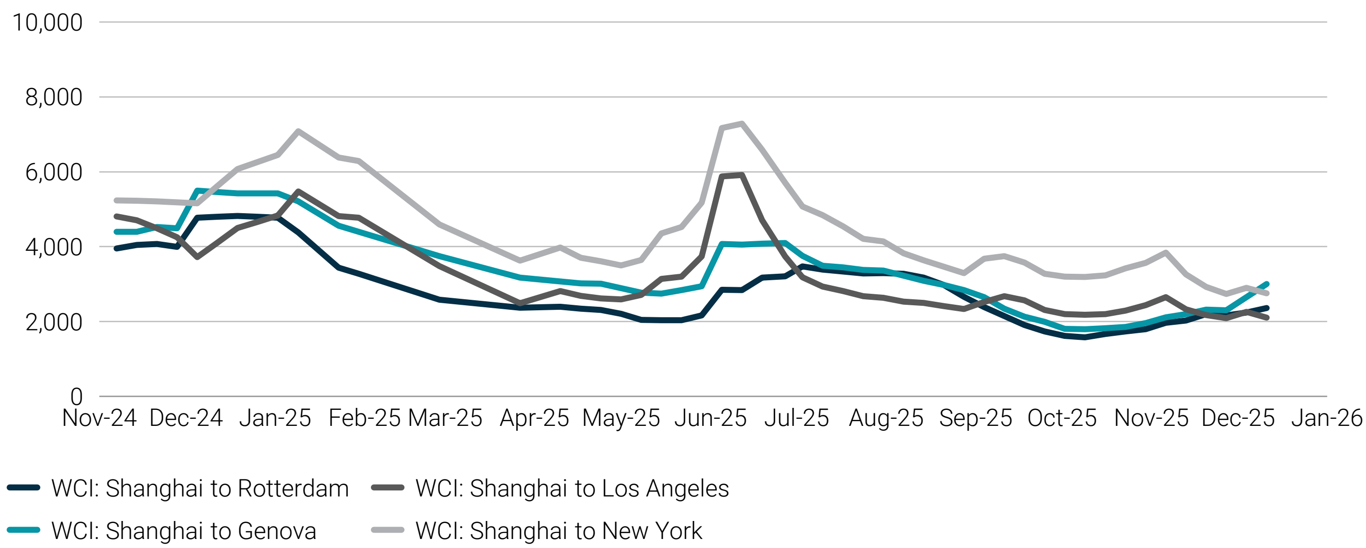
Source: DAT, Freight Waves, FRED, AlixPartners analysis

OCEAN FREIGHT

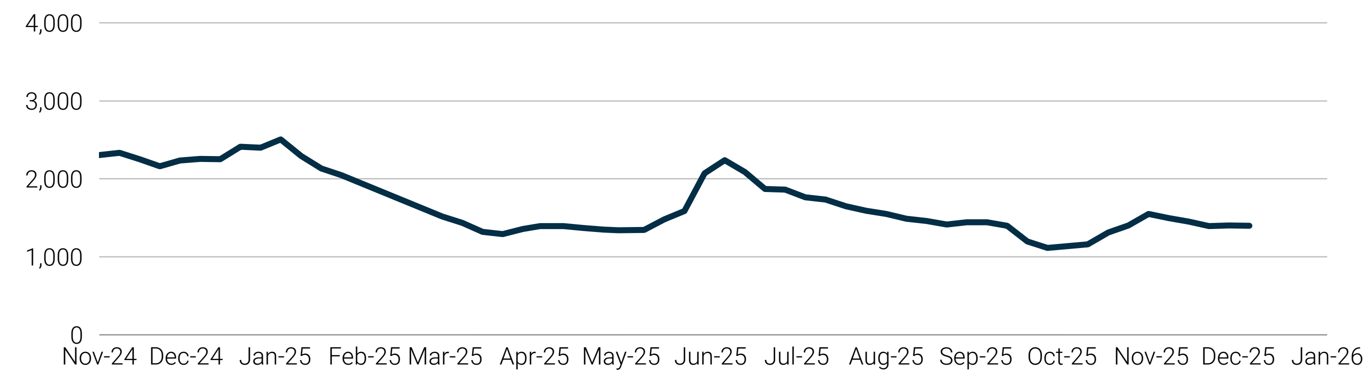
Early December spot-rate upticks slightly on Asia – U.S. lanes signal a brief stabilization, but rates remain well below earlier-month levels, the transpacific market is still volatile

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

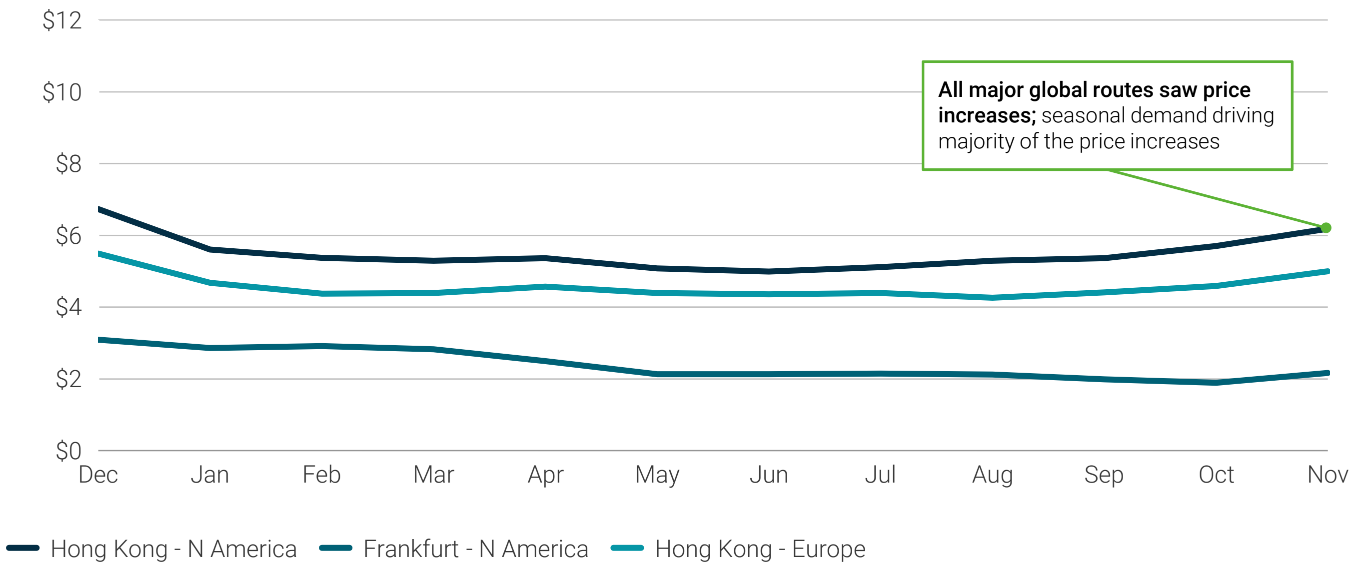
- Asia–U.S. West Coast spot rates climbed ~8% from late November to early December but slipped again in the second week of December, and remain ~30% below earlier-month levels, showing that the brief uptick was only a partial rebound (Freight Waves)
- Some China → U.S. lanes saw modest week-over-week increases as carriers shifted to smaller, more frequent GRIs to slow the rate slide, replacing the large but ineffective GRIs seen earlier (ICIS)
- Overall spot-rate behavior indicates continued volatility, recent gains represent a short-term lift rather than a sustained recovery, with month-on-month levels still significantly lower (Xeneta)

Source: Drewry Ocean report, Freight Waves, Xeneta, ICIS, AlixPartners analysis

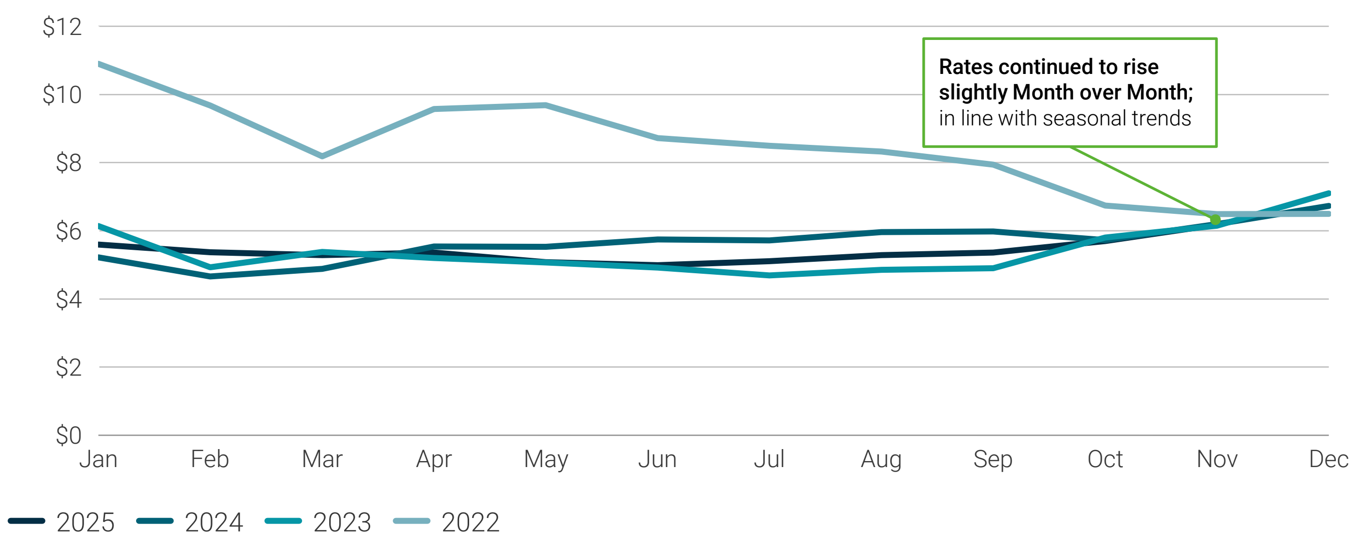
AIR FREIGHT

Global air freight average spot rate increased moderately to $2.73/kg; remain down 5% YoY

KEY INTERNATIONAL ROUTES (UNIT:$ PER KG)



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



KEY TRENDS AND FACTS

- Black Friday demand, specifically on Vietnam to US routes, strained available capacity pushing up rates for the month of November (JOC)
- China e-commerce export values dropped 51% YTD in the new post de minimis environment (Xeneta)
- Carriers appear to be chasing market share; keeping price increases limited as they discount to gain volume (SupplyChainDive)

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

RAIL FREIGHT

U.S. rail intermodal volume fell -6.5% this November, driven by consumer caution and earlier inventory build up. Despite the decline, intermodal remains up 1.9% YoY

U.S. RAIL VOLUME BY COMMODITY – NOVEMBER ‘25 VS. NOVEMBER ‘24

INTERMODAL	-6.5%
COAL	3.1%
INDUSTRIAL PRODUCTS	-0.0%
MOTOR VEHICLES AND PARTS	-7.0%
PRIMARY METAL PRODUCTS	3.4%
CHEMICALS	-1.4%
GRAIN MILL PRODUCTS	0.1%
GRAIN	8.4%
PETROLEUM AND PRODUCTS	-7.3%
CRUSHED STONE, SAND AND GRAVEL	2.4%

Source: Association of American Railroads

KEY TRENDS AND FACTS

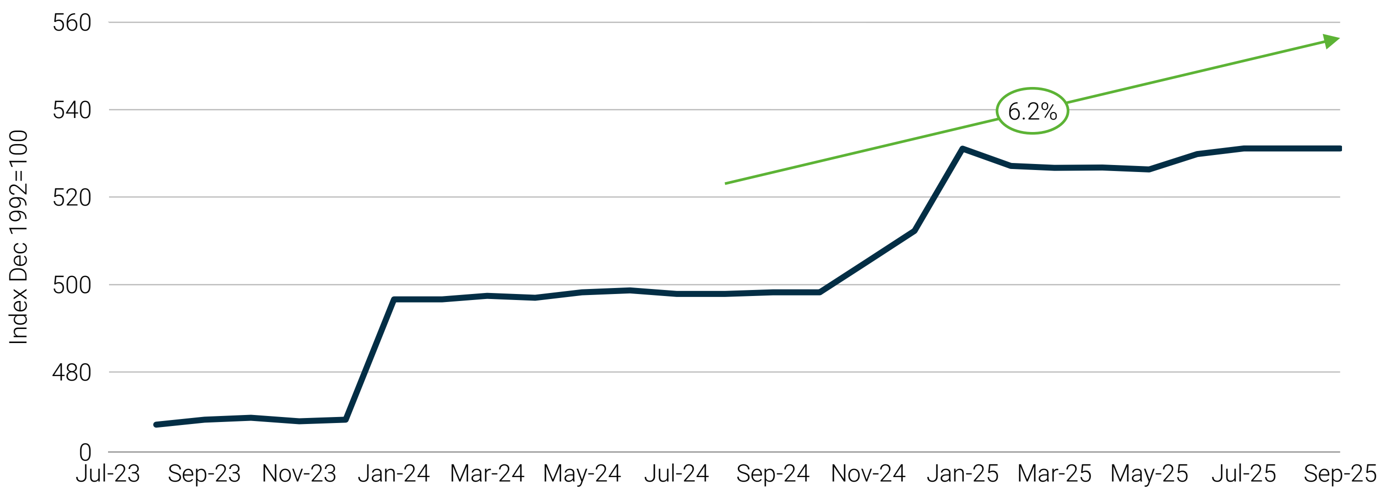
- Union Pacific and Norfolk Southern shareholders have approved the proposed rail merger. Next, Union Pacific is expected to file the merger application with the STB around December 16th. Upon receipt, STB has approximately 30 days to determine whether the application is complete. While the full procedural schedule will be set by the STB once they accept the application, it is expected for there to be at least a 90-day deadline for public comments
- BNSF has filed with the STB to request they review UP’s compliance with conditions that the board imposed to preserve competition after UP’s acquisition of Southern Pacific (SP) in 1996. BNSF officials said UP has shown a "longstanding pattern of obstructive conduct, which has eroded competition and harmed customers”

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, Trains, STB, BNSF Railway, FreightWaves, Reuters

USA PARCEL

USPS’ reduced its net loss to $9B in 2025, with plans to continue the USPS transformation to become closer to break-even

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

USPS FINANCIAL RESULTS FY2025

METRIC	USPS FY25	USPS FY24
Operating revenue	$80.5B	$79.5B
Net income	($9.0B)	($9.5B)
Controllable income[1]	($2.7B)	($1.8B)
Network optimization initiatives	‘Delivering for America’ plan, reducing transportation expense through more effective use of distribution centers and consolidation	
Strategic Focus	Network optimization and revenue growth in small parcel	

1. Income before workers compensation and unfunded pension liabilities
Source: USPS

KEY TRENDS AND FACTS

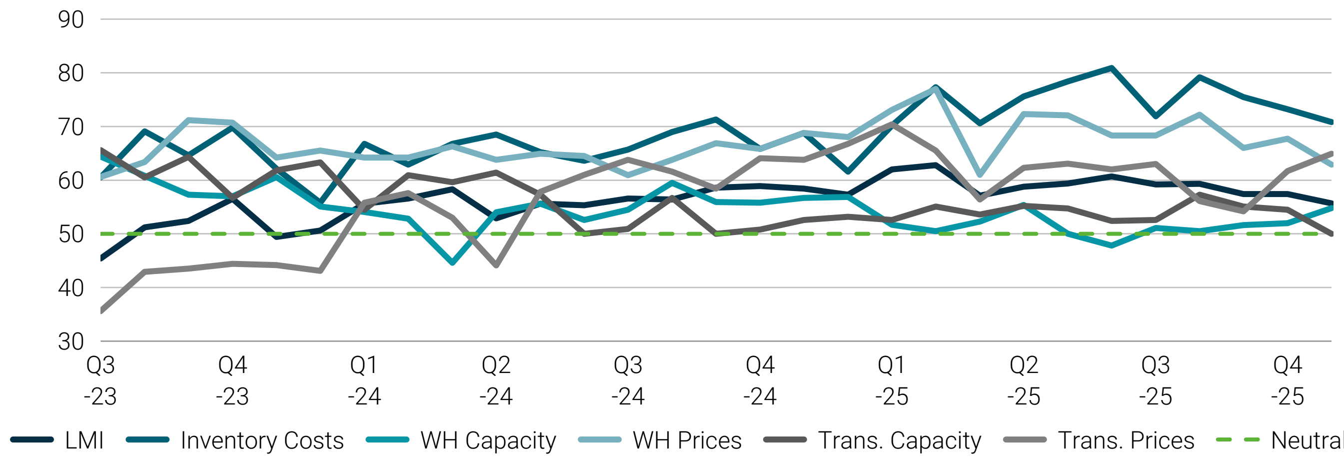
- USPS reported a 1.2% increase in operating revenue, driven by USPS Ground Advantage and price increases
- Piece volume declined from 112M to 109M pieces, with a reduction in all categories
- Transportation expenses declined by $422M, reflecting improvements from network optimization efforts
- Operating costs increased by $317M, driven by increases in compensation and voluntary early retirement incentives

Sources: Federal Reserve Economic Data (FRED); FreightWaves; USPS

WAREHOUSING TRENDS

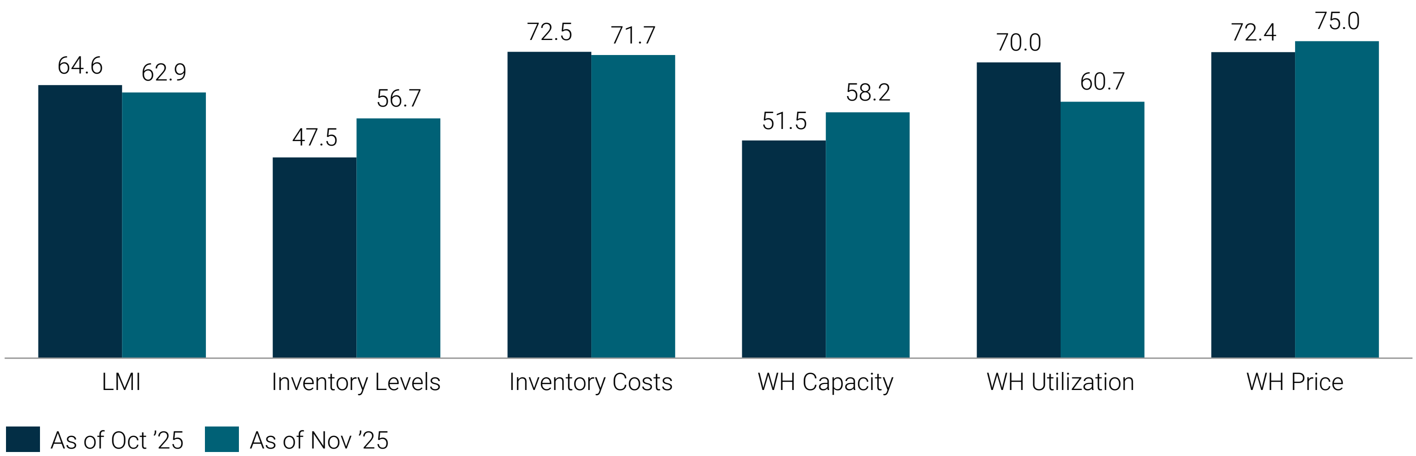
Logistics Manager’s Index in November remained flat at 55.7 (-1.7) from October, with greatest change in warehouse utilization and transportation prices

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

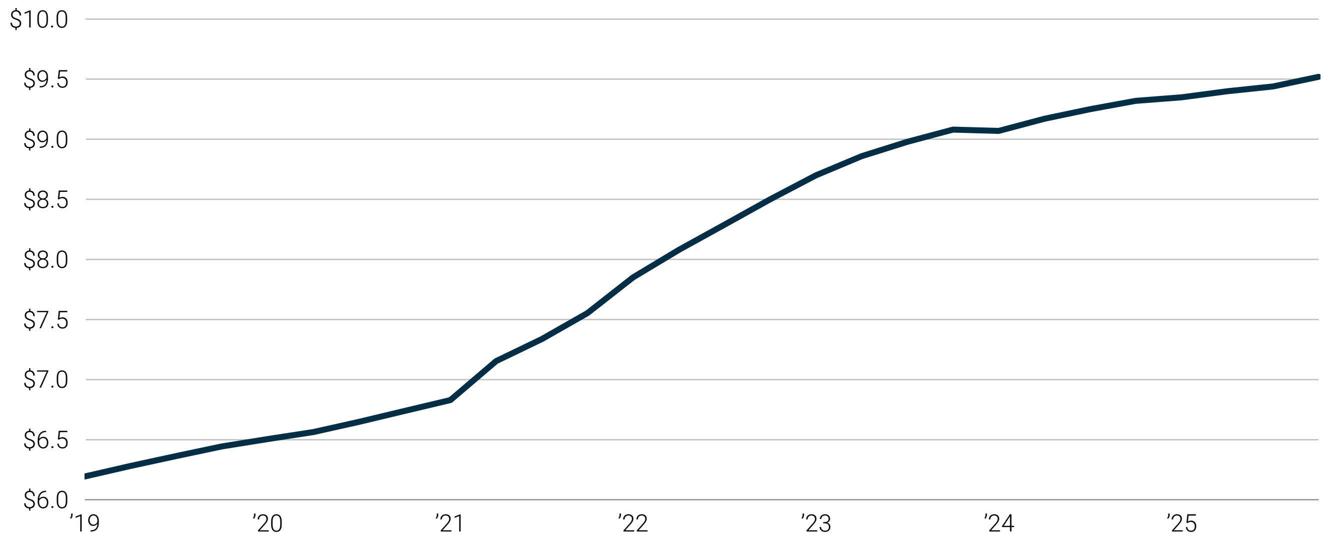
- Overall Logistics Managers' Index November reading came in at 55.7 (-1.7). The largest shifts were in warehouse utilization (-9.0), transportation utilization (-5.8), and warehouse prices (-4.8) (LMI)
- Warehousing Utilization fell to 47.5 (-9.0), marking the first time this metric has ever dropped below 50.0. This historic contraction is a result of firms running down large inventory stockpiles built up earlier in the year, which subsequently led to an increase in available Warehousing Capacity (+2.8) and a slowdown in Warehousing Price growth (-4.8) (LMI)
- Transportation metrics strengthened as Transportation Prices rose to 64.9 (+3.2) and Transportation Capacity tightened to a neutral 50.0 (-4.5). This pricing was driven largely by Downstream retailers (reporting 63.0) and occurred primarily in the first half of the month, suggesting the activity was tied to seasonal inventory movements for the holidays. (LMI)

Source: Logistics Managers’ Index, AlixPartners analysis

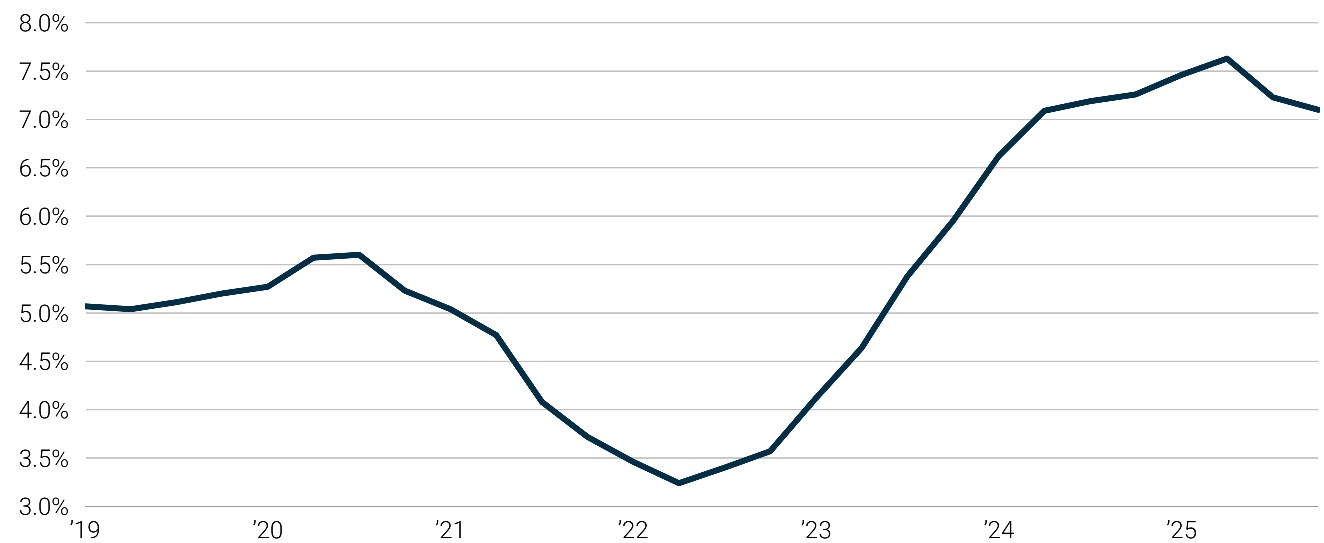
WAREHOUSING TRENDS

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

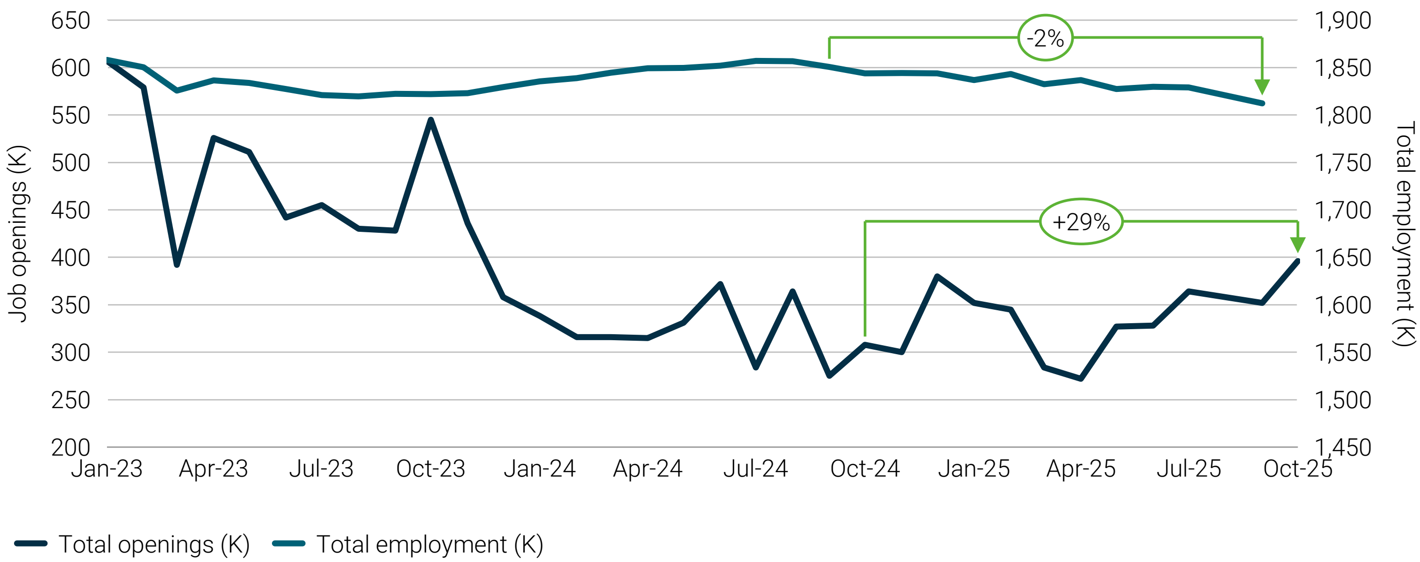
- **Quarterly rents rose** gradually to an estimated $9.52 per square foot in Q4 2025 while **vacancy rates** dropped slightly to 7.1%
- PepsiCo tests combined snack, beverage warehousing to cut costs (SCD)
- Warehouse demand at coastal gateways to return in 2026 (Freight Waves)

Source: AlixPartners & Mohr Partners, Freight Waves, SCD, AlixPartners analysis

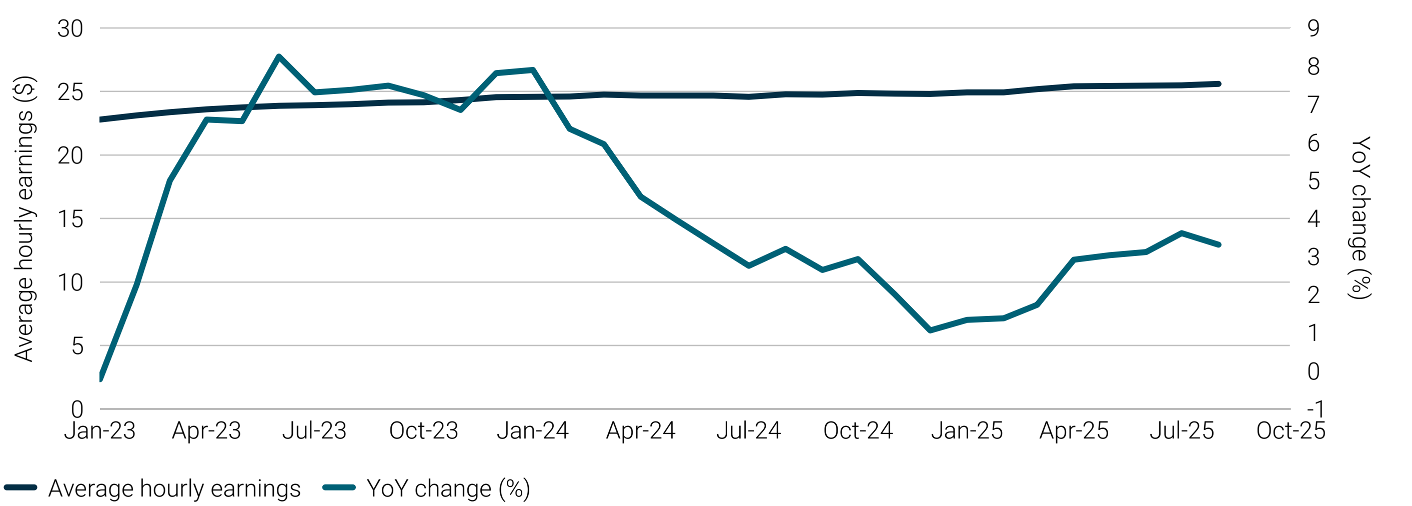
LABOR

The BLS has started publishing some of their data again; job openings rose 12.5% MoM in October to 396K while total employment continues to slide down 0.6% MoM to 1.81M

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

- The BLS has started publishing some of the data delayed because of the Government Shutdown. JOLTS was updated in September and October while Total Employment was updated in September. Average Hourly Earnings has not been updated since August.
- Layoffs slam transport, logistics, manufacturing sectors ahead of the holidays (Freight Waves)
- AI is turning peak season challenges into opportunities (Freight Waves)

Source: U.S. Bureau of Labor Statistics seasonally adjusted data, Freight Waves

IMPORT TRENDS

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

				COUNTRY WISE CHANGES (2018 VS. LTM SEPTEMBER 2025)				
	TOTAL U.S. IMPORTS			CHINA	VIETNAM	INDIA	MEXICO	CANADA
CATEGORIES	2018 ($B)	LTM SEPT 2025 ($B)	CHANGE (%)	CHG. %	CHG. %	CHG. %	CHG. %	CHG. %
Apparel & Textiles	$116	$114	(2%) ▼	(44%) ▼	39% ▲	35% ▲	(0%) ▼	(25%) ▼
Automotive & Transportation Parts	$340	$386	14% ▲	(23%) ▼	246% ▲	(6%) ▼	37% ▲	(6%) ▼
Chemicals & Allied Industries	$233	$416	79% ▲	7% ▲	219% ▲	120% ▲	49% ▲	10% ▲
Computer & Electronics	$363	$494	36% ▲	(39%) ▼	375% ▲	1394% ▲	42% ▲	44% ▲
Food & Beverage	$151	$234	55% ▲	(21%) ▼	38% ▲	37% ▲	68% ▲	62% ▲
Footwear, Headgear & Others	$32	$33	4% ▲	(39%) ▼	61% ▲	21% ▲	73% ▲	(8%) ▼
Furniture	$67	$64	(4%) ▼	(58%) ▼	177% ▲	49% ▲	16% ▲	6% ▲
Leather Goods	$15	$14	(3%) ▼	(68%) ▼	47% ▲	45% ▲	22% ▲	11% ▲
Mechanical & Electricals	$379	$595	57% ▲	(49%) ▼	1498% ▲	126% ▲	116% ▲	30% ▲
Metals, Parts and Products	$139	$160	15% ▲	(25%) ▼	127% ▲	105% ▲	28% ▲	10% ▲
Misc. Goods & Manf. Products	$476	$616	29% ▲	(18%) ▼	385% ▲	(11%) ▼	22% ▲	46% ▲
Plastics & Rubber products	$86	$106	23% ▲	(21%) ▼	433% ▲	122% ▲	58% ▲	10% ▲
Special Classification Provision	$85	$113	33% ▲	97% ▲	901% ▲	148% ▲	62% ▲	13% ▲
Temporary Legislation	$18	$28	52% ▲	99% ▲	442% ▲	82% ▲	18% ▲	2% ▲
Wood & Pulp Products	$47	$52	10% ▲	(44%) ▼	361% ▲	173% ▲	59% ▲	2% ▲
TOTAL	**$2548**	**$3427**	**34%**	**(35%)**	**253%**	**89%**	**53%**	**24%**
	LTM SEPT 2025 U.S. imports ($B)			$351	$180	$103	$525	$395

Key nearshoring trends:

- Over the past 7 years (2018 to Last Twelve Months ending Sept 2025), overall imports into the US increased by 34%. However, imports from China decreased by 35% from $543B to $351B
- **Vietnam, India, Mexico and Canada** have been the biggest gainers.
  - Vietnam has seen 253% increase to reach $180B; All categories have grown in imports from Vietnam
  - Imports from Mexico increased by 53% to $525B (which is now more than China); 'Mechanical & Electricals' have seen biggest increase in Mexico
  - Imports from India have seen a consistent growth across all industries except 'Automotive & Transportation Parts' and Misc. Goods & Manf. Products', overall increase of 89% in imports into US to $103B
  - Imports from Canada have seen a steady growth across industries except for 'Apparel & Textile', 'Automotive & Transportation Parts' and 'Footwear, Headgear & Others'. Overall increase of 24% in imports into US to $395B

Mexico is now the biggest vendor base for US 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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Sudeep Suman
Partner/ Managing Director

Brian Nemeth
Partner/ Managing Director

Joe Cubellis
Partner/ Managing Director

Erik Mattson
Partner

Mark Scales
Partner

Sven Vogele
Director

Andrew Kerr
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