

SUPPLY CHAIN MARKET UPDATE

North America

June 2025

KEY TRENDS AND CHALLENGES IN SUPPLY CHAIN MANAGEMENT

1

U.S. TRADE NEGOTIATIONS ADVANCE DESPITE LINGERING UNCERTAINTY

- On June 11, the U.S. Administration announced a pending trade agreement with China, subject to final approval. The deal includes a 55% total tariff on Chinese goods and a 10% tariff imposed by China on U.S. goods. Additionally, China has also agreed to continue exporting rare earth minerals.
- Meanwhile, the U.S. Administration has postponed the implementation of a 50% tariff on European Union goods from June 1 to July 9 to allow additional time for negotiations.

2

SHARP RISE IN OCEAN RATES AS AIR FREIGHT FACES POTENTIAL HEADWINDS

- Spot freight rates from Shanghai to the US and Europe surged briefly in June 2025, primarily driven by a renewed wave of pre-tariff frontloading following the pause in the US-China tariff war; however, this surge may be short lived as spot rates are already showing signs of stabilizing.
- Global air freight demand remained strong in 2025, up 6% year-over-year. However, the uptick appears short-lived, as overall sentiment has softened and global air rates have begun to decline.

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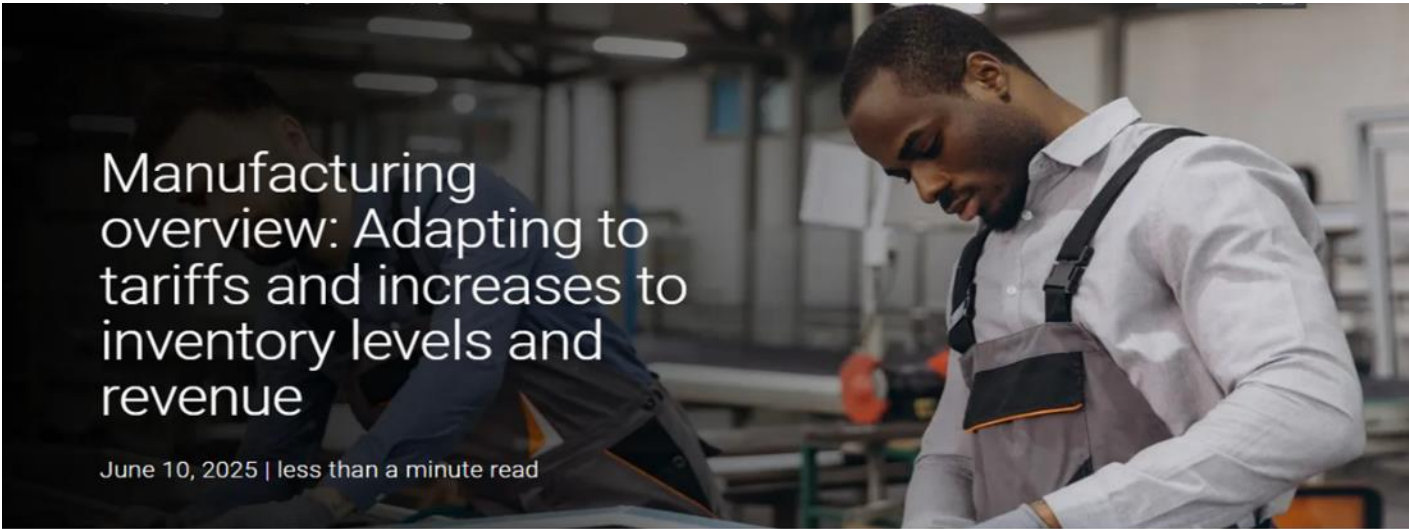
DOMESTIC FREIGHT MARKET STABILITY PERSISTS

- The FTL market remains largely insulated from ongoing trade discussions and continues to face oversupply. Despite a wave of frontloading by U.S. importers in May, rates have stayed soft as trucking capacity remains in excess.
- U.S. total rail carloads rose 5.9% year-over-year in May, showing continued momentum. While West Coast volumes remain volatile due to tariff-related uncertainty, stronger intermodal traffic from Mexico and the Midwest is helping to offset regional softness.

FEATURED TOPIC

Adapting to tariffs and increases to inventory levels and revenue

[ACCESS THIS ARTICLE FOR MORE DETAILS HERE](#)



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Manufacturing businesses have seen higher revenues and increased inventory levels in Q1 2025. Additionally, uncertainties around tariffs emphasize the importance of manufacturers focusing on operational excellence.

Check out our quarterly report below for more insights into these ongoing challenges and the opportunities available for manufacturers to successfully navigate these complex times.

CONTENT SUMMARY



- **Inventory Surge:** Manufacturers saw strong revenue growth in Q1 2025, driven in part by pre-tariff inventory build-up across sectors
- **Tariff Pressure:** Ongoing tariff uncertainty is putting pressure on operations, pushing firms to improve supply chain agility and cost control
- **Freight Shifts:** Freight markets saw sharp shifts, with ocean and air impacted by front-loading, while trucking and rail remain oversupplied
- **Resilience Planning:** Companies are responding by enhancing visibility, rethinking sourcing strategies, and investing in flexible logistics planning

TARIFF MARKET UPDATE

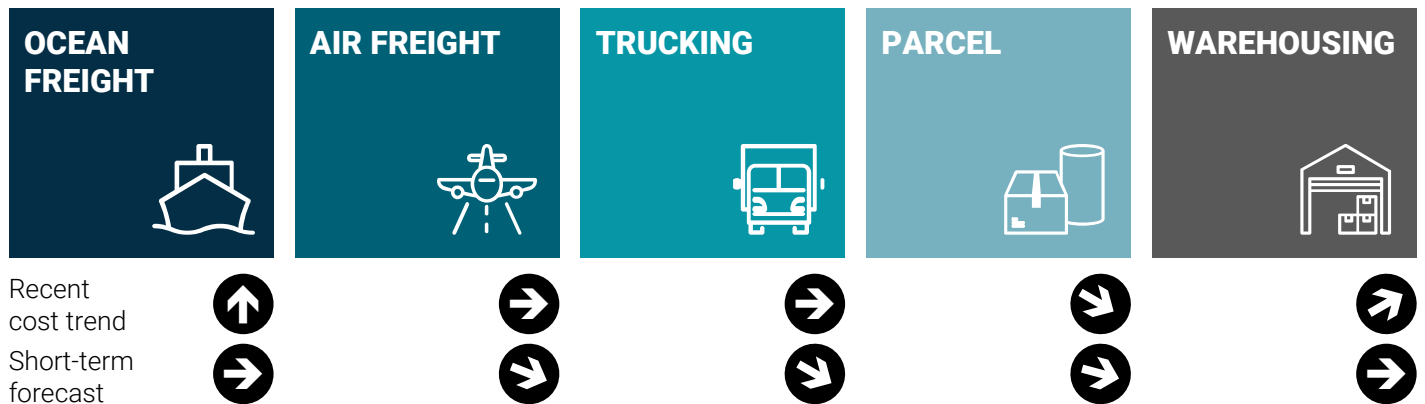
Over the last 60 days, we have seen the U.S. administration use tariffs as both a negotiating tactic and as a protectionist measure in different contexts

	Trump said magnets and “any necessary rare earths” will be supplied up front by China as part of a trade agreement.
	Tariff regime is still uncertain and volatile ; flurry of actions over the last 60 days shows clear protectionism in certain industries (e.g., steel, aluminum, advanced technologies) and opportunistic negotiations with specific countries.
	Section 232 duties on steel and aluminum were doubled to 50 % for almost every source, with the U.K. kept at 25% and a special 200% rate imposed on Russia-origin aluminum.
	A 10% “reciprocal” baseline now covers nearly all imports during a 90-day negotiation pause, but higher country surcharges —55% for China, 20% for the EU, 46% for Vietnam— can snap back once talks lapse .
	China pared its retaliatory tariff from 125% down to 10% as part of a limited truce , leaving a combined 30% rate on most bilateral trade for the pause period.
	Washington threatened a 50% levy on EU goods if negotiations stall , while parallel talks with Mexico aim to swap the 50% steel duty for a quota system that preserves USMCA supply chains.
	A 100% import duty has been proposed on every foreign-made film , pitched as a national-security move to revive U.S. movie production.
	Commerce launched Section 232 national security probes into semiconductor and pharmaceutical imports, the first step toward targeted tariffs of 10-25% on those sectors.
	Tin-plate and other metals groups warn that doubled tariffs could lift canned-food shelf prices by 10-15% and ripple across consumer goods.

60-Day Update and Upcoming Plans - SPT will host another webinar regarding tariffs on June 18th at 10 AM ET.

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 implications are creating near-term volatility across markets. Pricing has potential to increase in the near-term while mid-term remains uncertain.

- Ocean freight rates and volumes surged sharply following the 90-day pause in tariffs on Chinese goods.
- Shippers are accelerating cargo movement to capitalize on the temporary window of reduced tariffs.
- Airfreight rates are expected to decline in the coming weeks amid signs of market softening.

Major parcel players are facing revenue 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.
- 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.
- Align where the organization needs to be physically, and from a capability standpoint to take advantage of the next growth period.

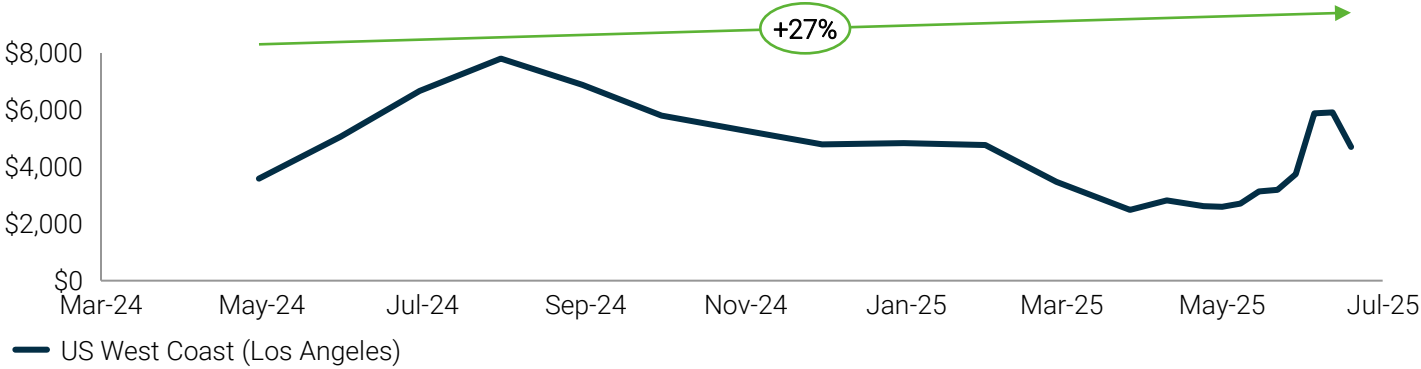
Review tariff impacts and corresponding inbound freight plans.

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

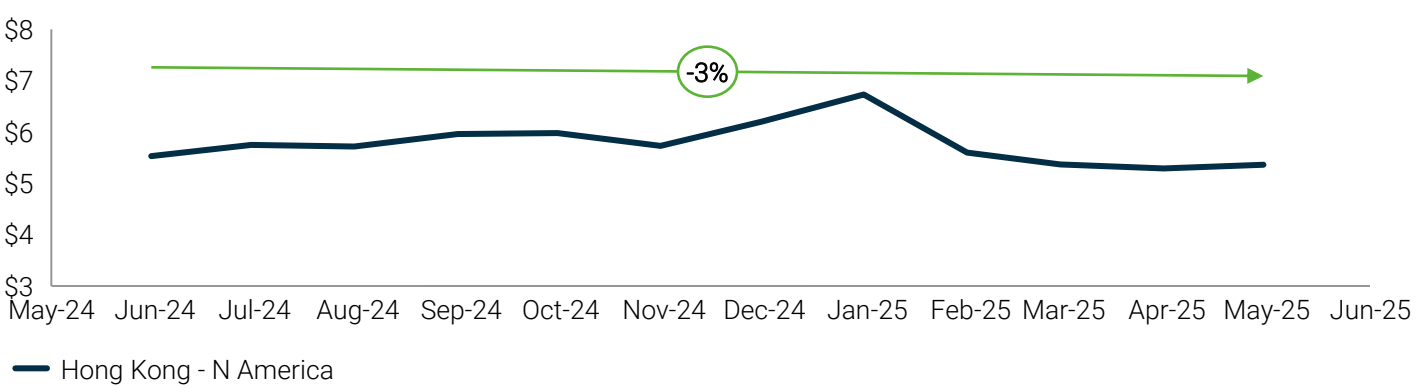
FREIGHT TRENDS

Ocean rate jumped 117% compared to May 8 from SHA to LAX; Domestic trucking remains depressed due to supply/demand imbalance

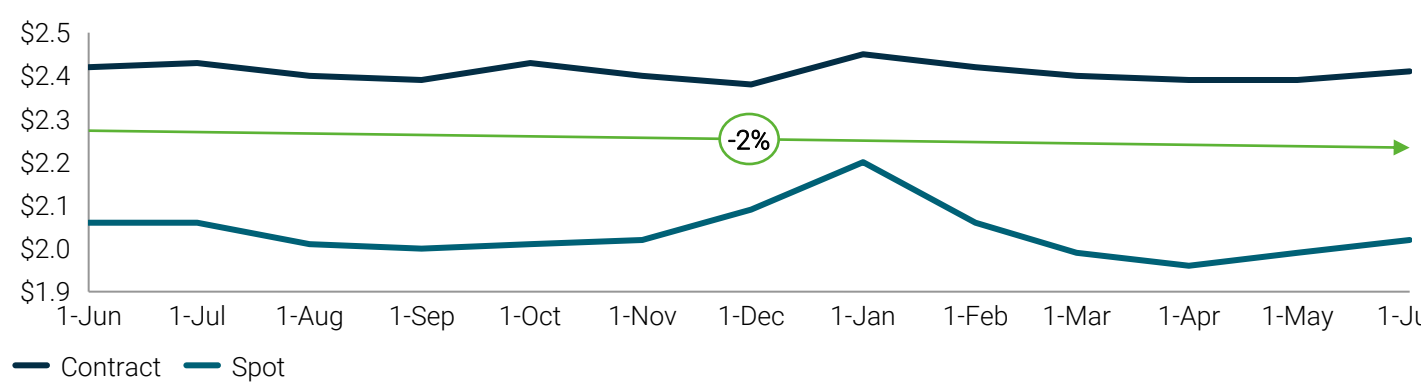
OCEAN FREIGHT – SHANGHAI TO U.S. (\$/40FT)



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



TRUCKING – DRY VAN (\$/MILE)





KEY TRENDS AND FACTS

KEY DRIVERS CAUSING RATE CHANGES ARE:

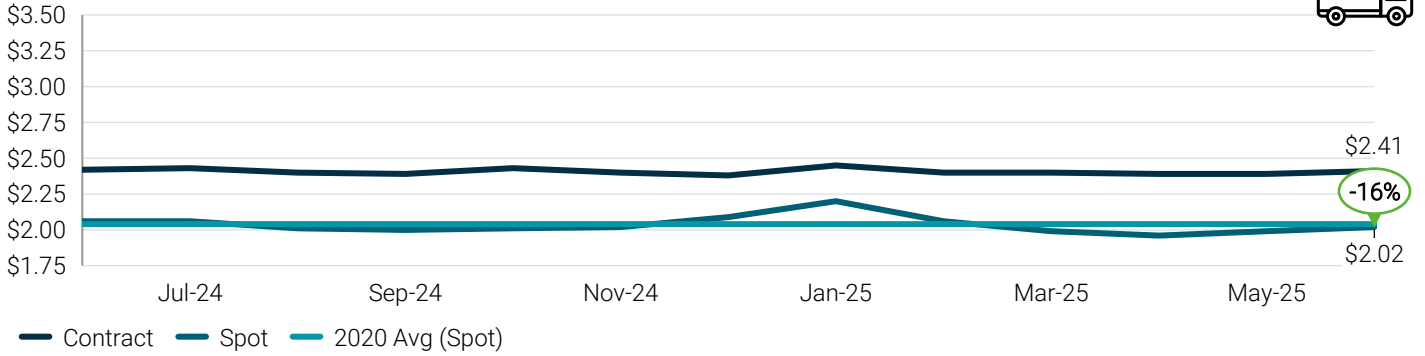
- Spot freight rates from Shanghai to the US and Europe surged briefly in June 2025, primarily driven by a renewed wave of pre-tariff front-loading following the pause in the US-China tariff war; however, this surge may be short lived as spot rates are already showing signs of stabilizing.
- 2025 global air freight demand remains strong, up 6% YoY, driven by strength in the Asia – EU lanes.
- Truckload spot rates remain depressed amidst softened demand and uncertainty surrounding tariffs.

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

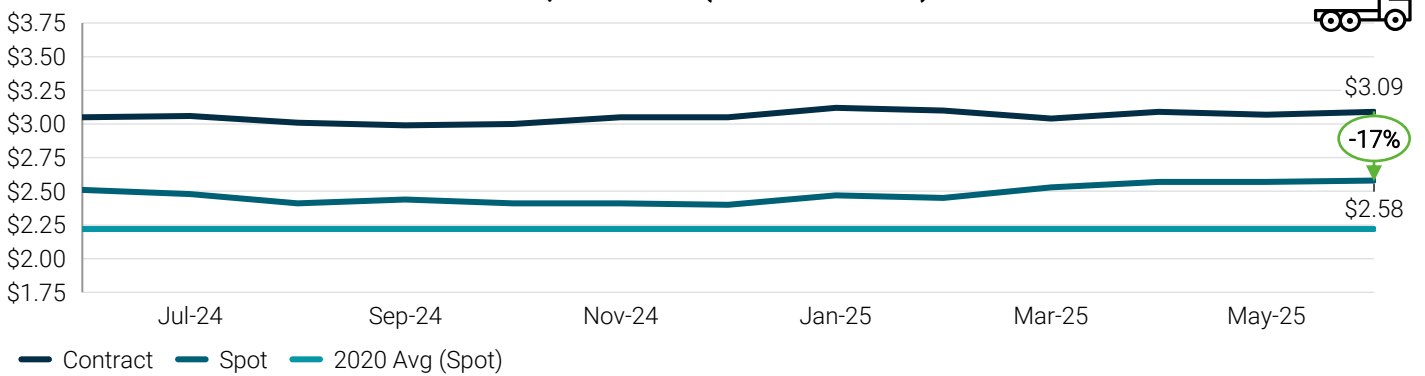
TRUCKING FREIGHT

Seasonal demand drove small increases in rates; market recovery is not expected until a rebalancing of FTL supply/demand

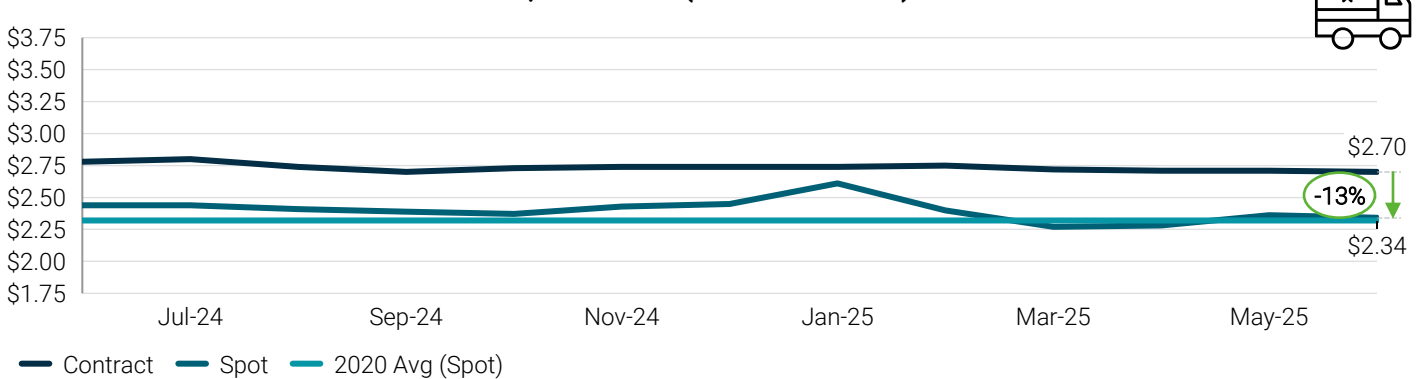
DRY VAN – U.S. DOMESTIC FREIGHT RATES, INCL. FUEL (UNIT:\$ PER MILE)



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

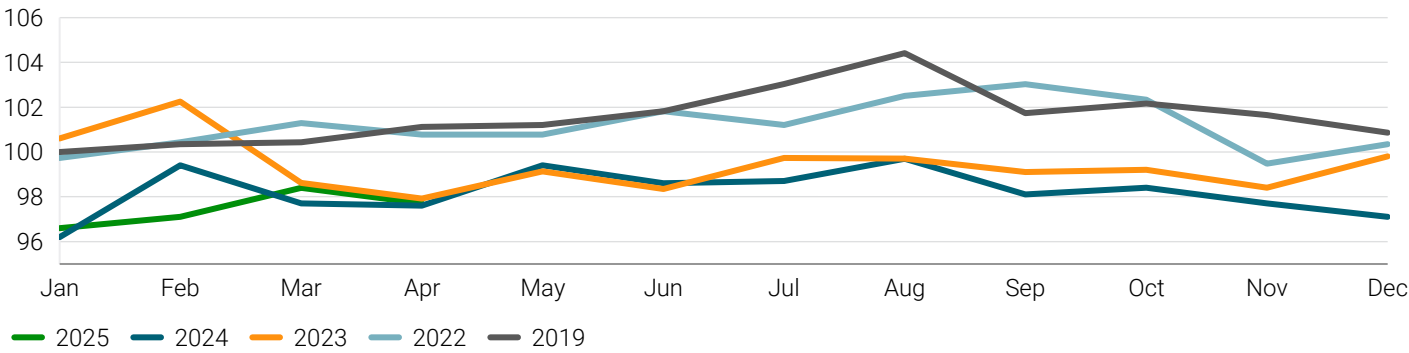


- The FTL market continues to remain in a state of oversupply, even with seasonal demand increases for dry van and flatbed loads which are not significant enough to prompt a supply/demand rebalance ([CH Robinson](#)).
- U.S. importers frontloaded freight from China in May, but rate hikes were limited to ocean freight and did not reach trucking which continues to experience challenges of overcapacity ([S&P JoC](#)).

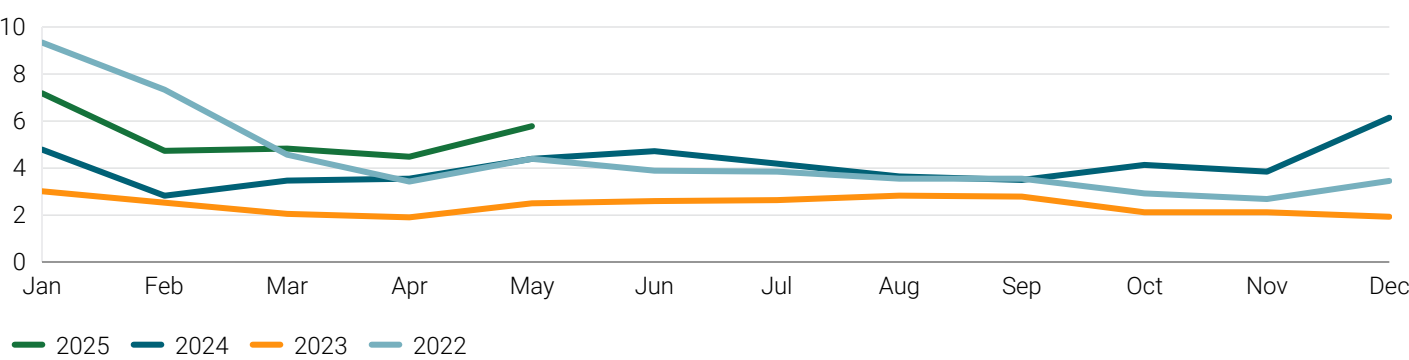
TRUCKING FREIGHT

Truckload demand remains soft even with tender rejection rates outperforming the prior two years

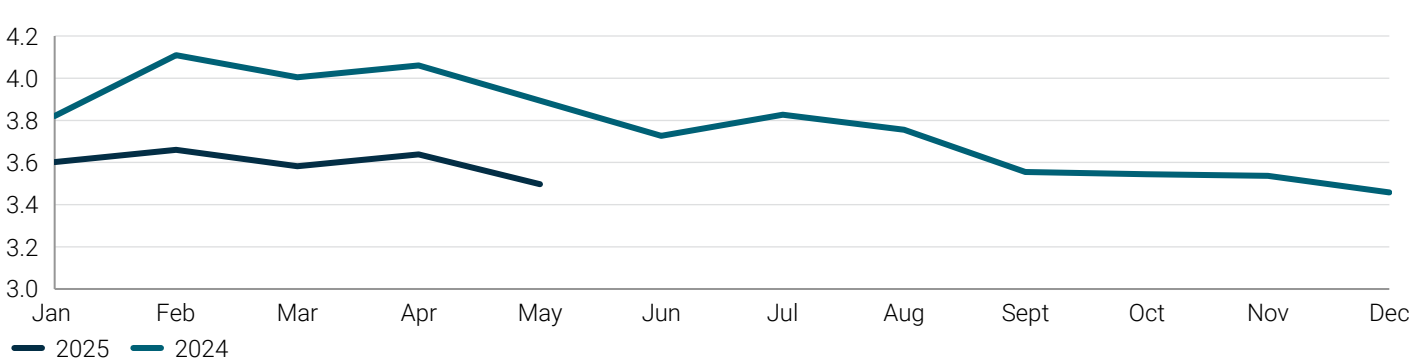
TRUCK DEMAND – TONNAGE, YEAR OVER YEAR, INDEX (100)=JAN 2019



VAN LOAD-TO-TRUCK RATIO – YEAR OVER YEAR



DIESEL – \$ PER GALLON



KEY TRENDS AND FACTS



- Rates, capacity, and utilization grew in May, with rates outpacing capacity, but not significantly enough to indicate recovery ([Freight Waves](#)).
- Several carriers including AZA Transportation and Balkan Express have filed for Chapter 11 bankruptcy protection ([Trucking Dive](#)).
- Tender rejections are outperforming 2023 & 2024 but potential for a recovery is still uncertain ([Freight Waves](#)).

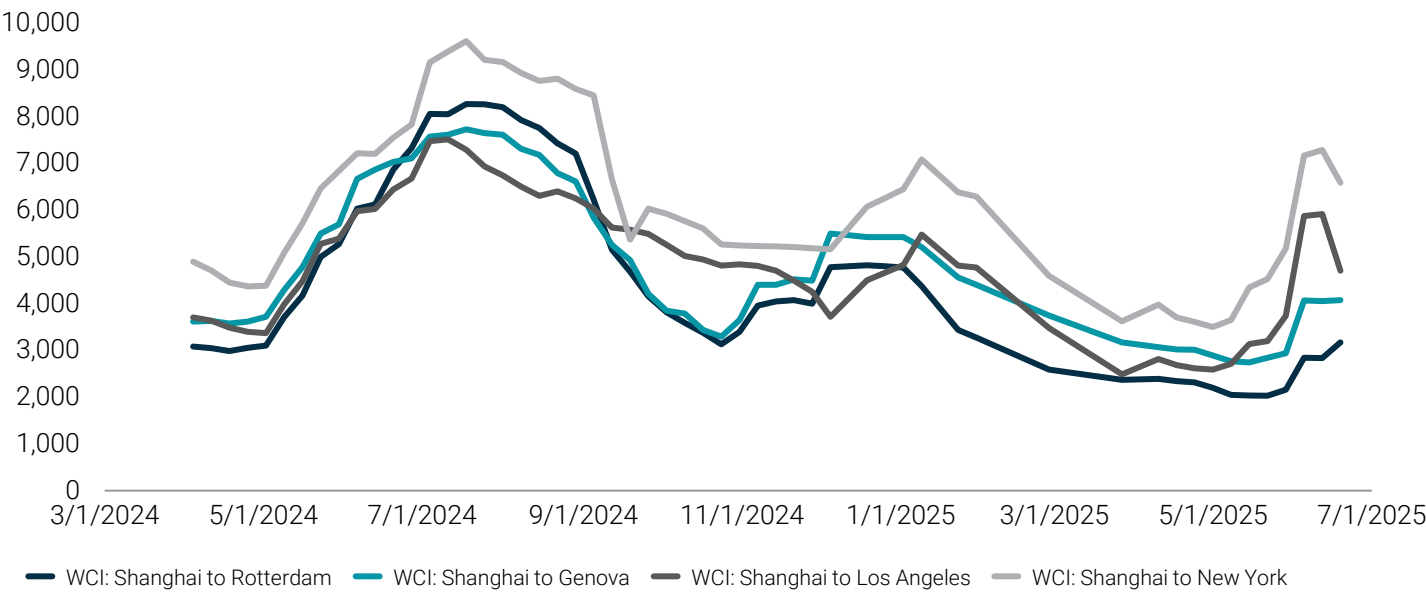
Source: DAT, Freight Waves, FRED, Bloomberg, AlixPartners analysis

OCEAN FREIGHT

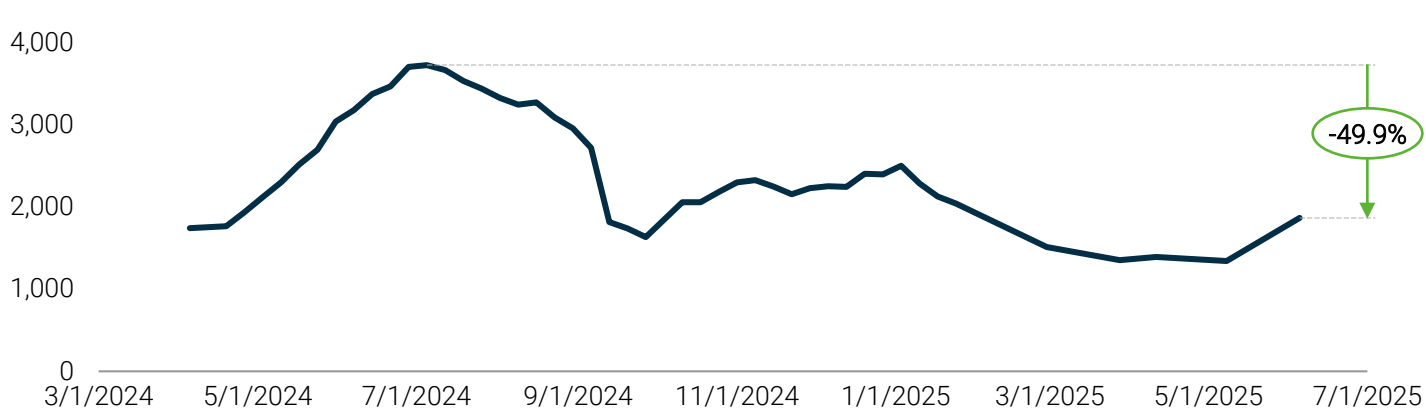
Trans-Pacific freight rates surged in June 2025, driven by pre-tariff front-loading and tight capacity amid a temporary U.S.-China tariff pause

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

Drewry: Trade Routes from Shanghai (U.S. \$/40ft)



Shanghai Container Freight Index (U.S. \$/20ft)



KEY TRENDS AND FACTS



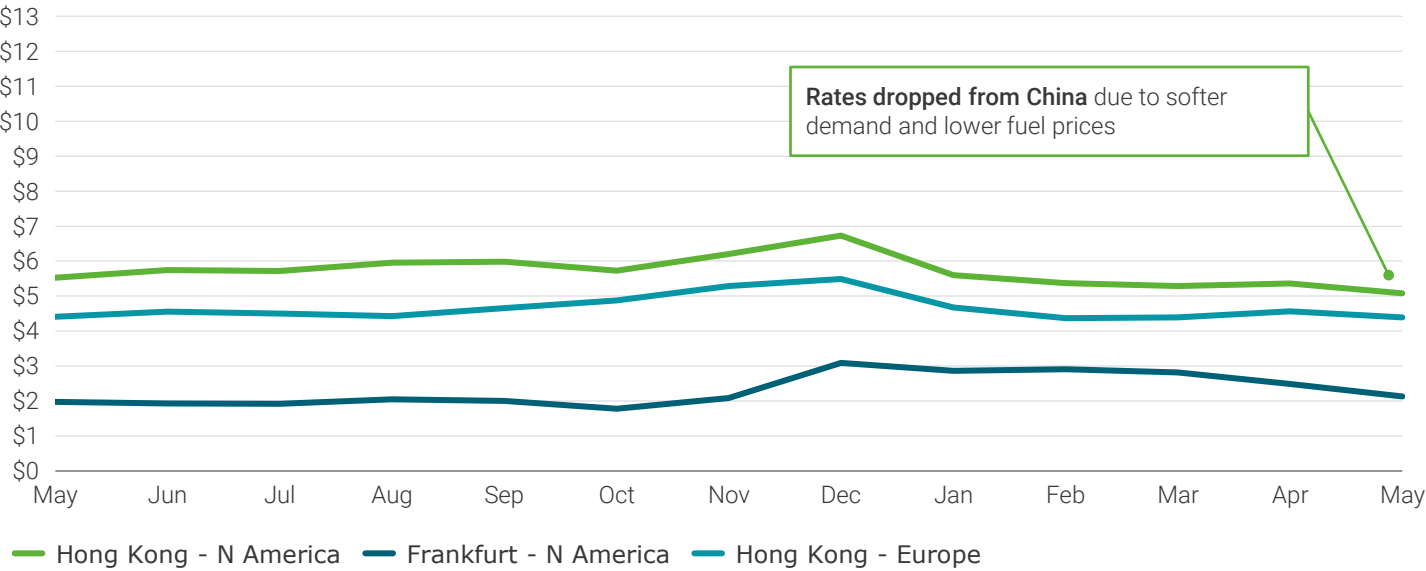
- Trans-Pacific container rates have spiked steeply in early June, with Drewry's WCI showing a ~41 % jump to around \$3,527/40 ft, while Shanghai–Los Angeles climbed 57% in just one week to ~\$5,876/FEU—a clear reflection of sudden demand pressure ([Drewry](#)).
- The temporary 90-day tariff truce (145% → 30%) has ignited aggressive booking behavior: China–US bookings reportedly more than doubled, with U.S. container import forecasts for June up ~5% versus May, and a 9% weekly volume uptick in early June ([Market Watch](#)).
- Carriers are rapidly redeploying tonnage: liner capacity to US West Coast rose ~5%, with another ~11%–18% expected in early to mid-June; Demand is outpacing supply, pushing short-term rates higher ([Kuehne + Nagel](#)).

Source: Drewry Ocean report, Market Watch Report, Kuehne + Nagel Report; AlixPartners analysis

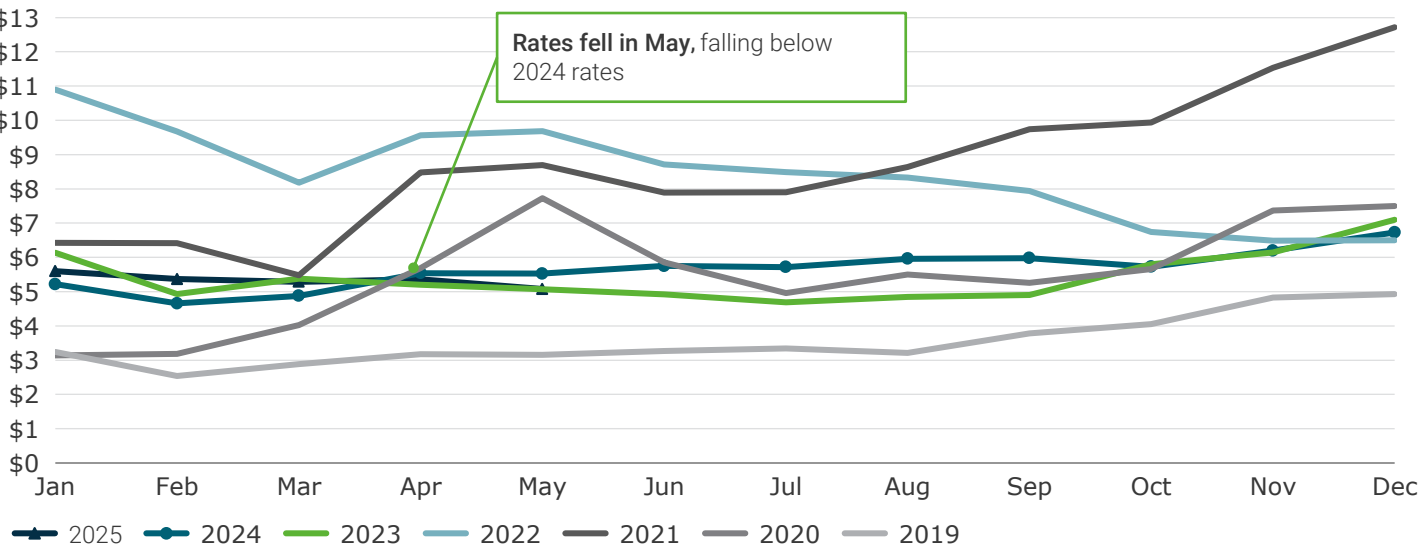
AIR FREIGHT

Global air freight average spot rate decreased month-over-month to \$2.44/kg; rates down 4% YoY


KEY INTERNATIONAL ROUTES (UNIT:\$ PER KG)



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



KEY TRENDS AND FACTS



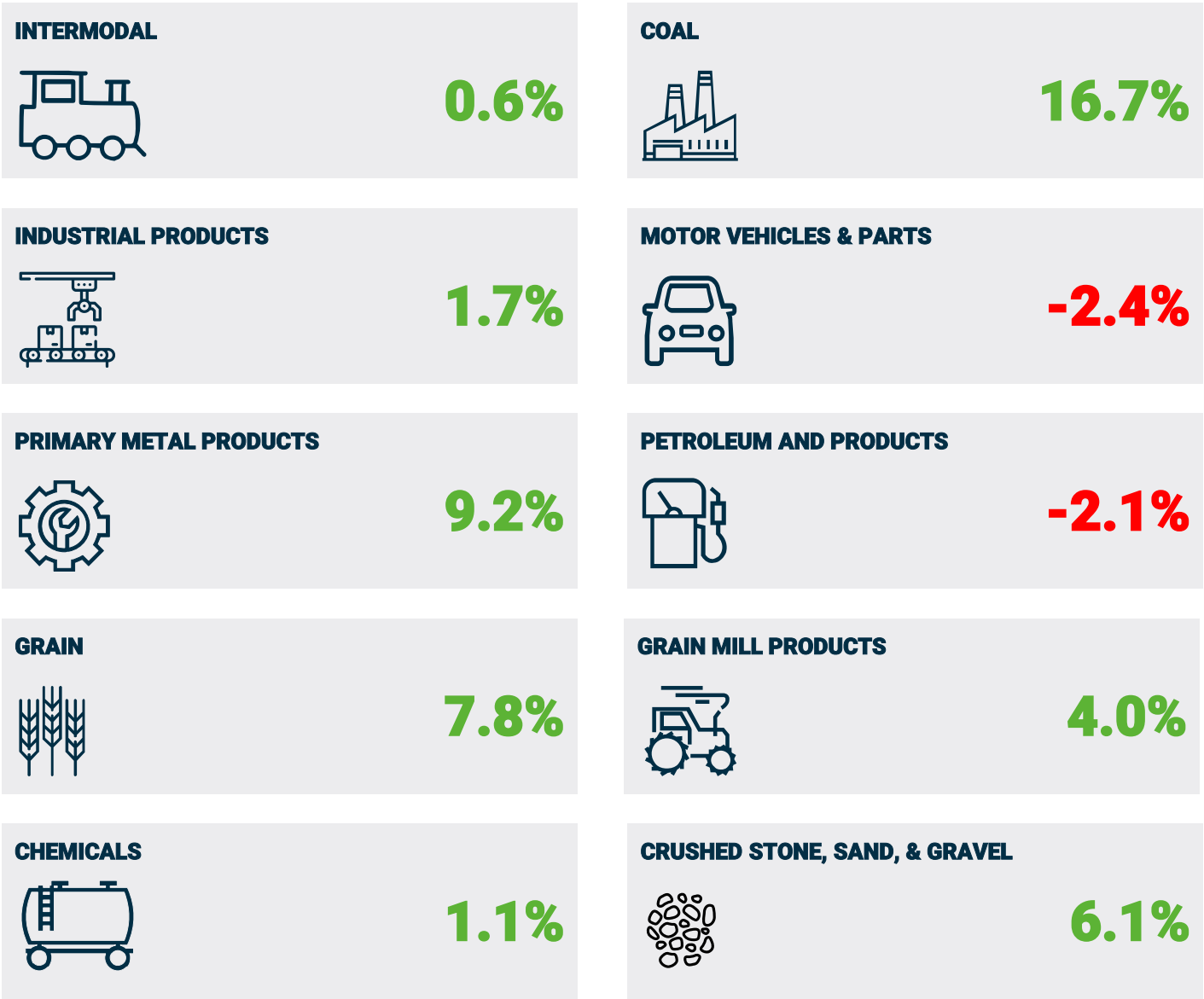
- Recent trade policy agreements have provided a short-term relief to air cargo demand and rates; however, this appears to be short term according to Airbus as e-commerce demand is likely to fall ([JOC](#)).
- Fuel prices are down over 17% YoY; helping to drive lower rates and reduce the disparity to ocean transit ([IATA](#)).

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

RAIL FREIGHT


Total U.S. rail carloads showed momentum in May, up 5.9% in May. Intermodal traffic growth showed signs of slowing for the 1st time in 2 years – growing only 0.6%

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



Source: Association of American Railroads

KEY TRENDS AND FACTS



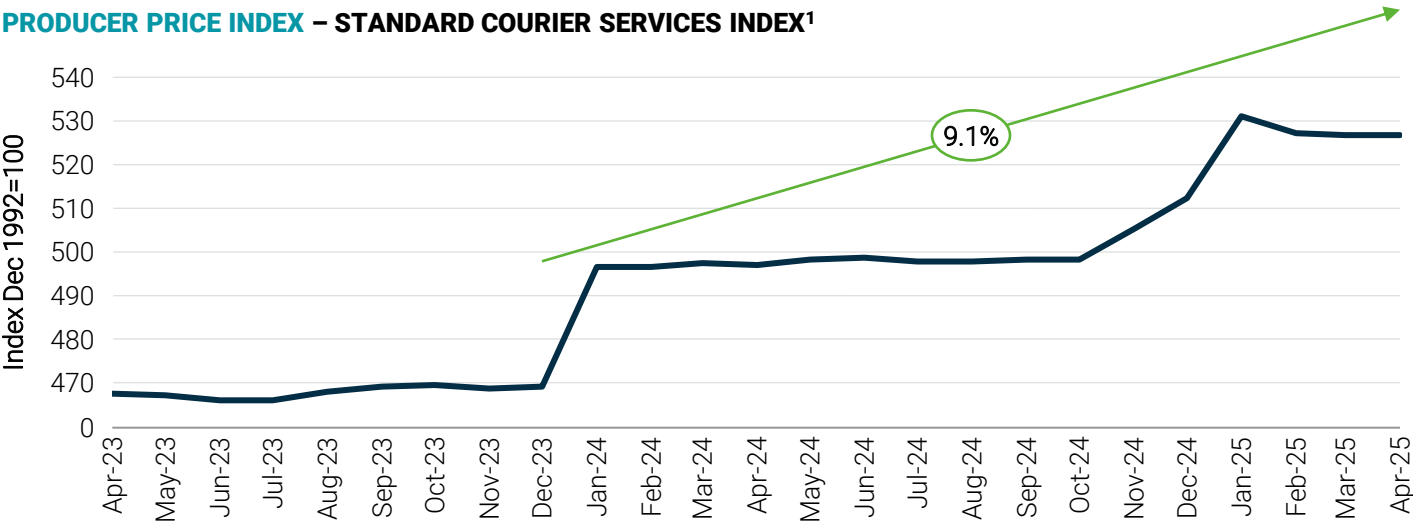
- Coal carloads jumped 16.7% this May due to comparison to 2024 following the Baltimore bridge collapse (lost coal exports) and low natural gas prices. Excluding coal, U.S. carloads were still up 2.6% this May for the largest gain in 8 months.
- Intermodal service provider Schneider announced that while volume weakness on the US West Coast remain in flux given tariff impacts, rail intermodal traffic out of Mexico and the Midwest are helping offset West Coast volumes.
- BNSF Railway, Ferromex, and J.B. Hunt announced their expanded intermodal service to Mexico with a 95+% on-time guarantee and service that is 1 day faster than traditional intermodal. The service, called Quantum de México, will compete against UP's Falcon Premium, CPKC's Midwest Express services, and traditional OTR-trucking.

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, Journal of Commerce

USA PARCEL

UPS and FedEx increasing surcharges at mid-year

PRODUCER PRICE INDEX – STANDARD COURIER SERVICES INDEX¹




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 US was \$5 in Dec 1992, today it is about $5 \times 526 / 100 = \$26.30$

USPS RATE HIKES – JULY 13, 2025

UPS SURCHARGE CHANGES	FEDEX
Increased International Fuel Charge	Increased International Fuel Charge
Increased Domestic Fuel Surcharge	Increased Domestic Fuel Surcharge
Delivery Area Surcharge applied to new ZIPs	Delivery Area Surcharge applied to new ZIPs
New International Collect on Delivery Fee	Increased Late Payment Fee
Higher Additional Handling and Large Package Surcharges for Zone 2 and above	Increased Disbursement Fee
Remote Area Surcharge applied to Ground Saver shipments in certain ZIPs	Increased Duty and Tax Forwarding Fee
Domestic Large Package Surcharge applied on weight/cube instead of length + girth	
Domestic Additional Handling Charge applied on cube instead of length + girth	

Source: [Supply Chain Dive](#), [FedEx](#)

KEY TRENDS AND FACTS



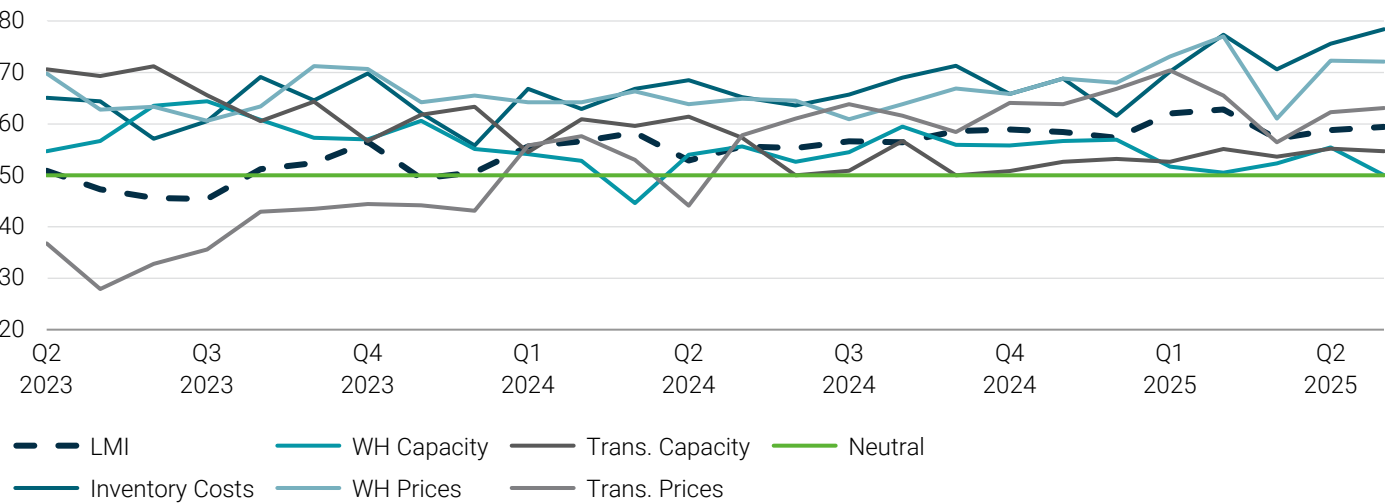
- While there has been price pressure from smaller carriers, UPS and FedEx have avoided competing on price.
- UPS and FedEx have strategically focused on preserving margins over growing market share over the prior year.
- This round of surcharge changes follows a number of other rate hikes in January.
- The frequency of rate changes is similar to USPS, which has announced its intent to conduct bi-annual rate hikes for the foreseeable future.

Sources: Federal Reserve Economic Data ([FRED](#)); [Axios](#); [Supply Chain Dive](#)

WAREHOUSING TRENDS

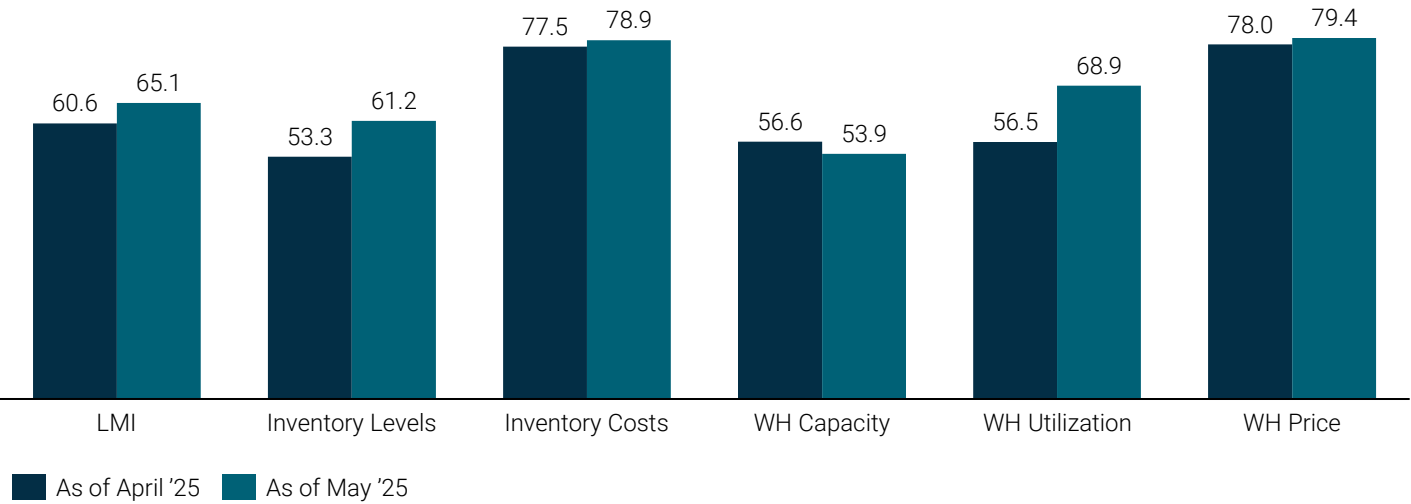
Logistics Manager’s Index in April decreased to 58.8 (+1.6) from March, with greatest change in warehouse and transportation prices

FLUCTUATION OF LMI INDICES



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

LMI SURVEY – NEXT 12-MONTH PREDICTION¹



KEY TRENDS AND FACTS



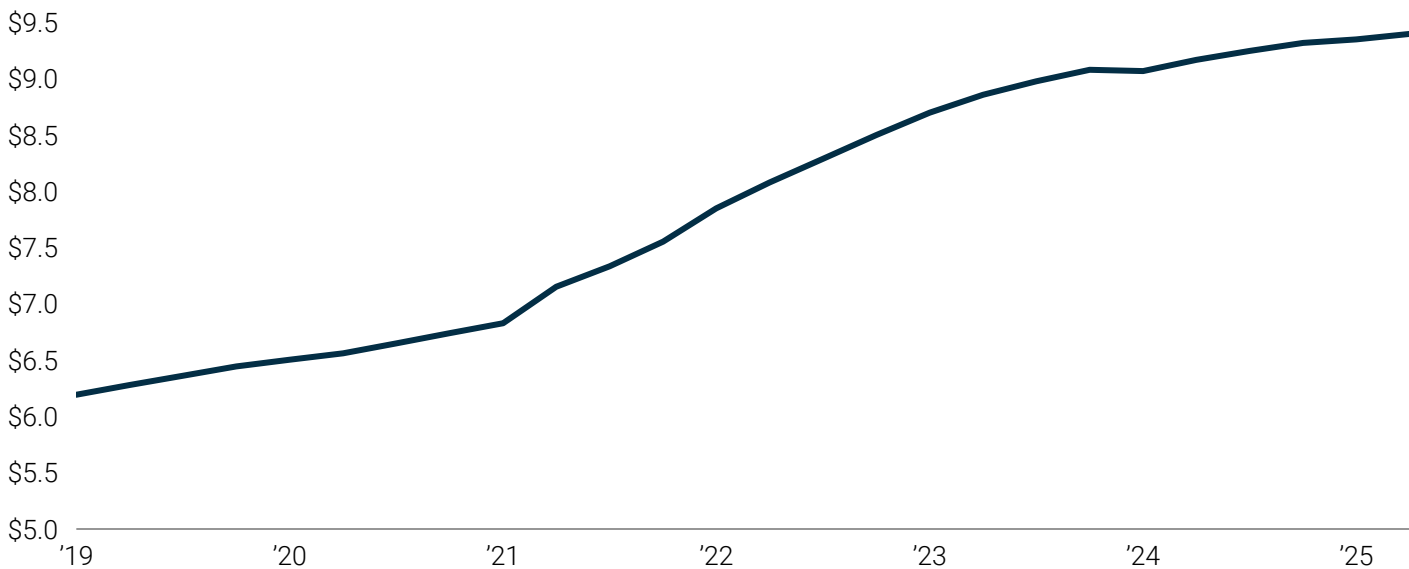
- **Overall Logistics Managers' Index increased slightly in May, up (0.6) from April's reading of 58.8** with largest shift in inventory levels (-5.6), warehouse capacity (-5.0), and inventory costs (+2.8).
- Amazon plans fourth robotics fulfillment center in Virginia ([SCD](#)).
- Bonded warehouses are seeing increased interest because of the tariffs ([FreightWaves](#)).

Source: Logistics Managers' Index, FreightWaves, DHL, AlixPartners analysis
Note: 1- LMI respondents' predictions for movement in LMI metrics 12 months from now

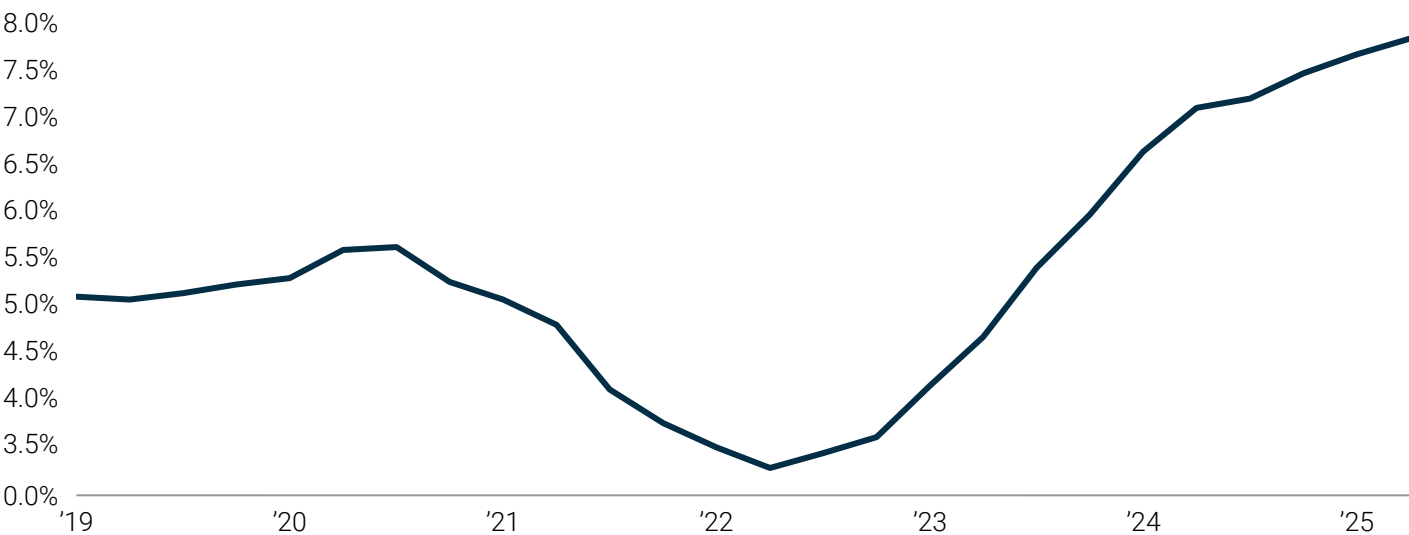
WAREHOUSING TRENDS

National average rents for industrial logistics space edge up slightly along with vacancy

NATIONAL AVERAGE MARKET RENT/SQ FT (\$)



NATIONAL AVERAGE VACANCY RATE (%)



KEY TRENDS AND FACTS



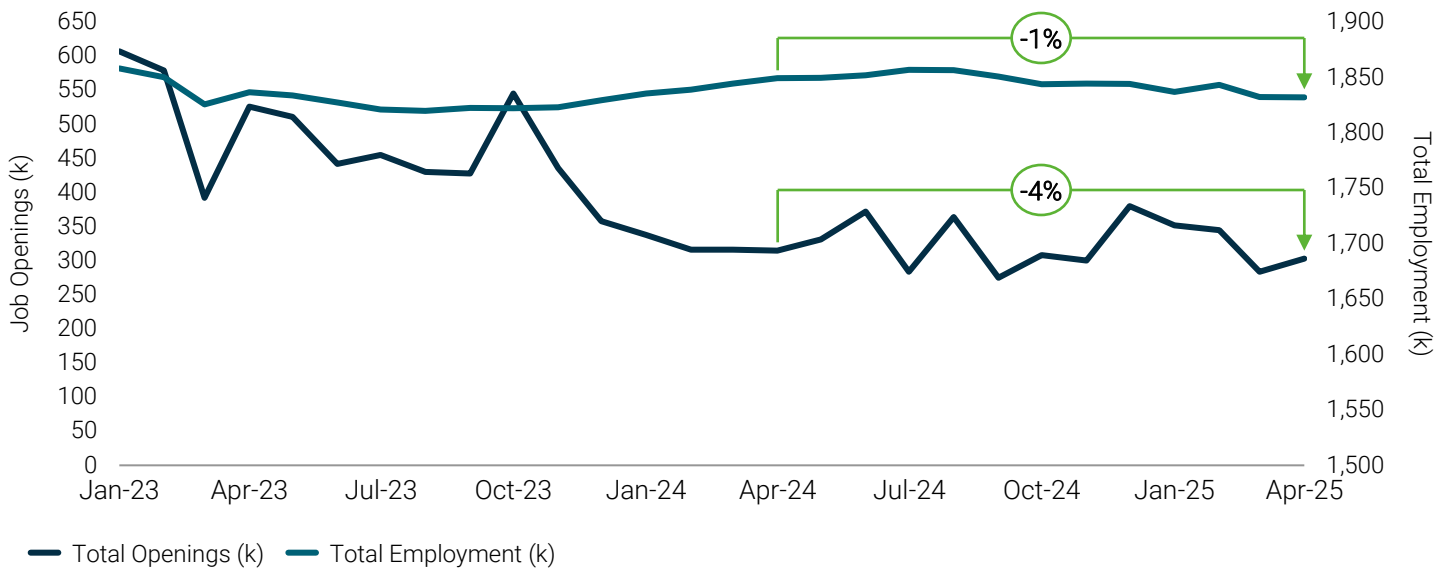
- **Quarterly rents rose** gradually to an estimated \$9.40 per square foot in Q2 2025 while **vacancy rates** ticked up to over 7%.
- Warehouse Vacancy Rises As Oversupply Hits US Industrial Market: ([CRE Daily](#)).
- Americold breaks ground on first temperature controlled import-export hub in Canada ([FreightWaves](#)).

Source: AlixPartners & Mohr Partners, Supply Chain Dive, Wall Street Journal, AlixPartners analysis

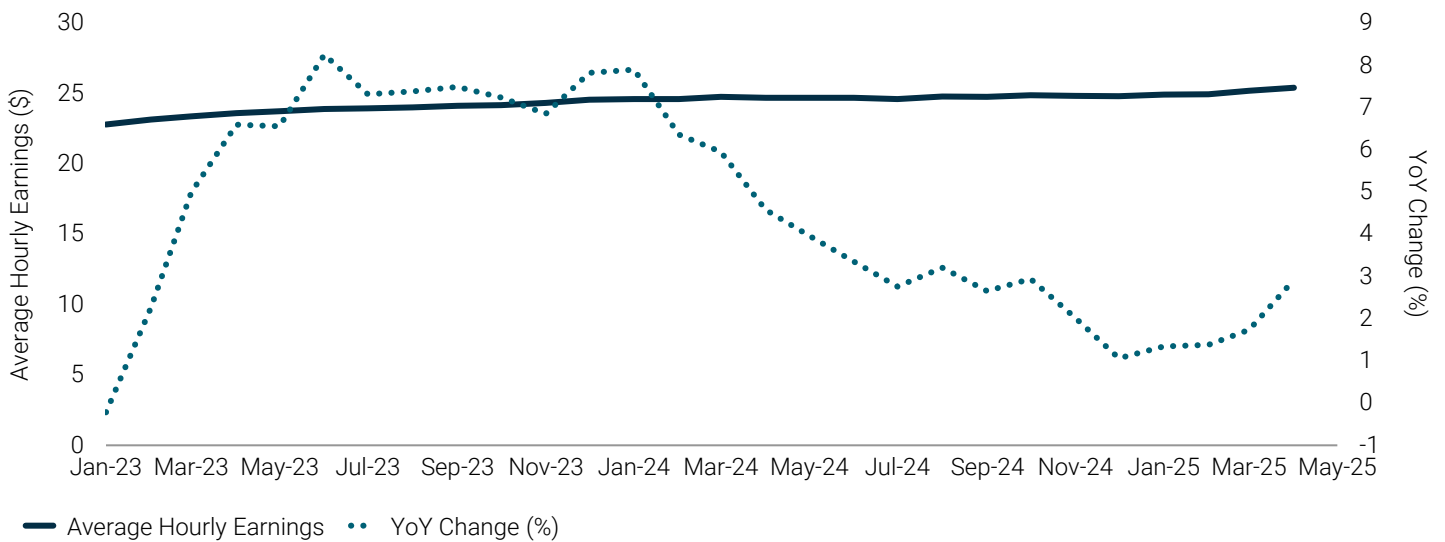
LABOR

Logistics job openings in April were down 4% YoY, average hourly earnings rose 3%YoY and total employment remained flat

JOB OPENINGS AND TOTAL EMPLOYMENT¹



AVERAGE HOURLY EARNINGS¹



KEY TRENDS AND FACTS



- BLS estimated that there were 303k job openings in the warehousing, transportation, and utilities sector in April; up 7% from March and down 4% YoY (BLS).
- Total employment remained flat at 1.8M (<1% YoY and MoM) while average hourly earnings rose 0.9% MoM and 2.9% YoY (BLS).

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
Source: U.S. Bureau of Labor Statistics seasonally adjusted data, AlixPartners analysis, Wall Street Journal

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, India, Mexico, Canada gained most)

Categories				COUNTRY WISE CHANGES (2018 VS. LTM MARCH 2025)				
	TOTAL U.S. IMPORTS			CHINA	VIETNAM	INDIA	MEXICO	CANADA
	2018 (\$B)	LTM APRIL 2025 (\$B)	CHANGE (%)	CHG. %	CHG. %	CHG. %	CHG. %	CHG. %
Apparel & Textiles	\$116	\$117	1% ▲	(30%) ▼	31% ▲	32% ▲	0% ▲	(22%) ▼
Automotive & Transportation Parts	\$340	\$419	23% ▲	(7%) ▼	221% ▲	(2%) ▼	43% ▲	0% ▲
Chemicals & Allied Industries	\$233	\$420	80% ▲	28% ▲	199% ▲	100% ▲	55% ▲	22% ▲
Computer & Electronics	\$363	\$495	37% ▲	(23%) ▼	319% ▲	1022% ▲	39% ▲	46% ▲
Food & Beverage	\$151	\$233	54% ▲	(5%) ▼	33% ▲	30% ▲	73% ▲	64% ▲
Footwear, Headgear & Others	\$32	\$35	8% ▲	(26%) ▼	56% ▲	13% ▲	71% ▲	1% ▲
Furniture	\$67	\$67	1% ▲	(48%) ▼	177% ▲	47% ▲	18% ▲	10% ▲
Leather Goods	\$15	\$15	0% ▲	(60%) ▼	39% ▲	41% ▲	17% ▲	8% ▲
Mechanical & Electricals	\$379	\$551	46% ▲	(33%) ▼	1098% ▲	110% ▲	89% ▲	30% ▲
Metals, Parts and Products	\$139	\$166	19% ▲	(11%) ▼	126% ▲	84% ▲	34% ▲	25% ▲
Misc. Goods & Manf. Products	\$476	\$642	35% ▲	0% ▲	261% ▲	8% ▲	24% ▲	55% ▲
Plastics & Rubber products	\$86	\$108	25% ▲	(7%) ▼	385% ▲	111% ▲	56% ▲	16% ▲
Special Classification Provision	\$85	\$108	26% ▲	83% ▲	1014% ▲	80% ▲	49% ▲	9% ▲
Temporary Legislation	\$18	\$25	38% ▲	48% ▲	339% ▲	71% ▲	9% ▲	1% ▲
Wood & Pulp Products	\$47	\$54	14% ▲	(34%) ▼	313% ▲	162% ▲	62% ▲	7% ▲
TOTAL	\$2548	\$3455	36%	(21%)	207%	76%	49%	30%
LTM March 2025 U.S. Imports (\$B)				\$430	\$157	\$96	\$514	\$415

Key nearshoring trends:

- Over the past 7 years (2018 to Last Twelve Months ending April 2025), overall imports into the US increased by 36%. However, imports from China decreased by 21% from \$543B to \$430B.
- Vietnam, India, Mexico and Canada** have been the biggest gainers.
 - Vietnam has seen 207% increase to reach \$157B; All categories have grown in imports from Vietnam.
 - Imports from Mexico increased by 49% to \$514B (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 \$96B.
 - Imports from Canada have seen a steady growth across industries except for 'Apparel & Textile'. Overall increase of 30% in imports into US to \$415B.



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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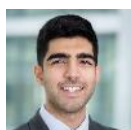
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