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In this December edition of WPS Intel, supply chain and logistics developments reflect a freight market caught between early signs of recovery and continued structural pressure. Trucking remains constrained by policy uncertainty, immigration-driven labor disruption, and manufacturing weakness, while intermodal and Southeast Asia trade lanes strengthen. At the same time, tariff recalibrations between the U.S. and China introduce short-term stability but keep long-term risks alive. Packaging markets are also feeling the ripple effects of broad trade measures, prompting companies to rethink sourcing and regulatory alignment.



1. State of Freight Takeaways: Early Signals Turning Upward

FreightWaves leaders outline mixed but improving market indicators

Overall Context

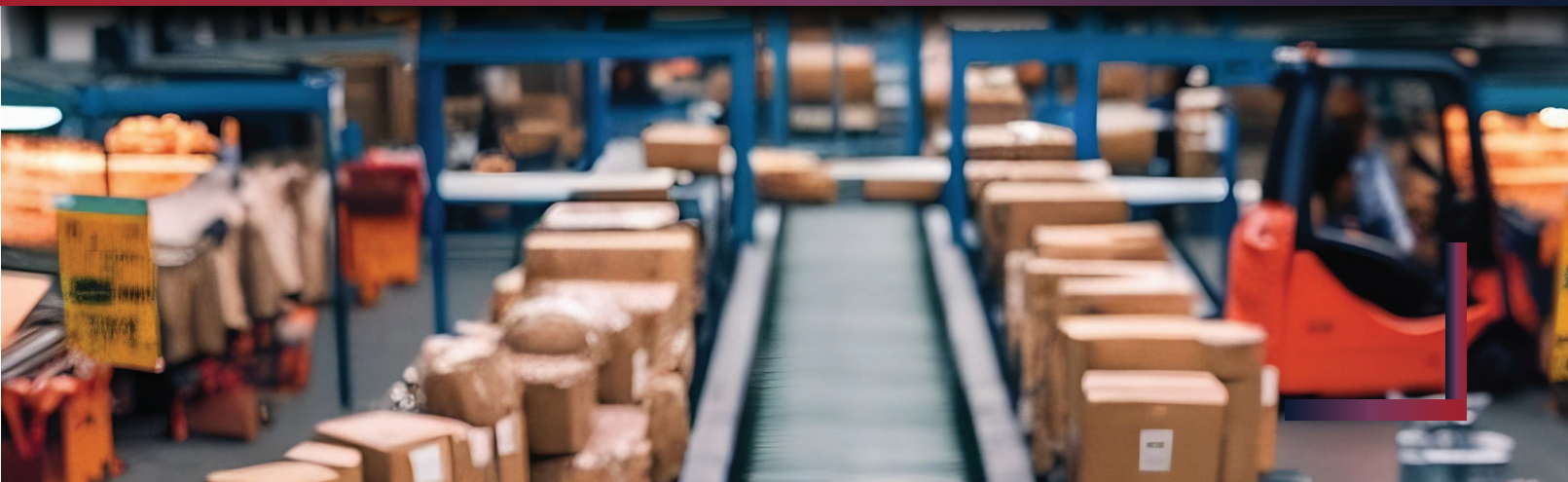
- Freight Waves and SONAR executives Craig Fuller and Zach Strickland outlined signs of recovery after a prolonged freight recession that began in 2022.
- Despite cautious optimism, trucking continues to face structural and policy-related challenges.

1. Drivers Are Staying Home

Southern California trucking remains unstable due to volatile import volumes linked to shifting U.S. tariff policies.

Impact:

- ◆ Reduced drayage capacity.
- ◆ Higher spot rates in markets like Southern California, Chicago, and Dallas.
- ◆ Additional capacity loss as small carriers close operations.



2. Operating at a Loss

Morgan Stanley data shows truckers are losing money on every mile:

- Some non-domiciled operators are working outside Hours-of-Service limits (18–20 hours per day), giving them artificially low operating costs.
- Tightening immigration enforcement is pushing these operators toward compliance or exit.
- **Result:** A shrinking driver pool and reduced low-cost competition may help stabilize rates.



3. Signs of a Bull Market Forming

- Positive indicators include rising spot rates and an uptick in the Outbound Tender Rejection Index (OTRI).
- Potential macro tailwinds: 2025 tax cuts, improved auto and mortgage activity, strong corporate earnings.
- Additional pressure: a 25% tariff on imported heavy-duty trucks. Forecast: Recovery likely in mid-2025, though momentum may soften before a clear upward turn.





4. Diverging Freight Patterns

- SONAR data shows steep declines in long-haul freight but stable short-haul volumes.
- ◆ **Short-haul:** supported by retail and local distribution strength.
- ◆ **Long-haul:** manufacturing-related freight down ~30%.
- **Insight:** Consumers remain active, but U.S. manufacturing is in severe contraction, contradicting narratives of resurgence.

5. Intermodal Strength Rising

- J.B. Hunt's strong intermodal performance suggests growing sector momentum.
- Intermodal continues to take share from trucking due to efficiency and cost advantages.
- **Potential future catalyst:** A Union Pacific–Norfolk Southern merger could further increase rail competitiveness.
- **Implication:** Trucking could see reduced freight volumes as more cargo shifts to rail.

Lessons and Actionables

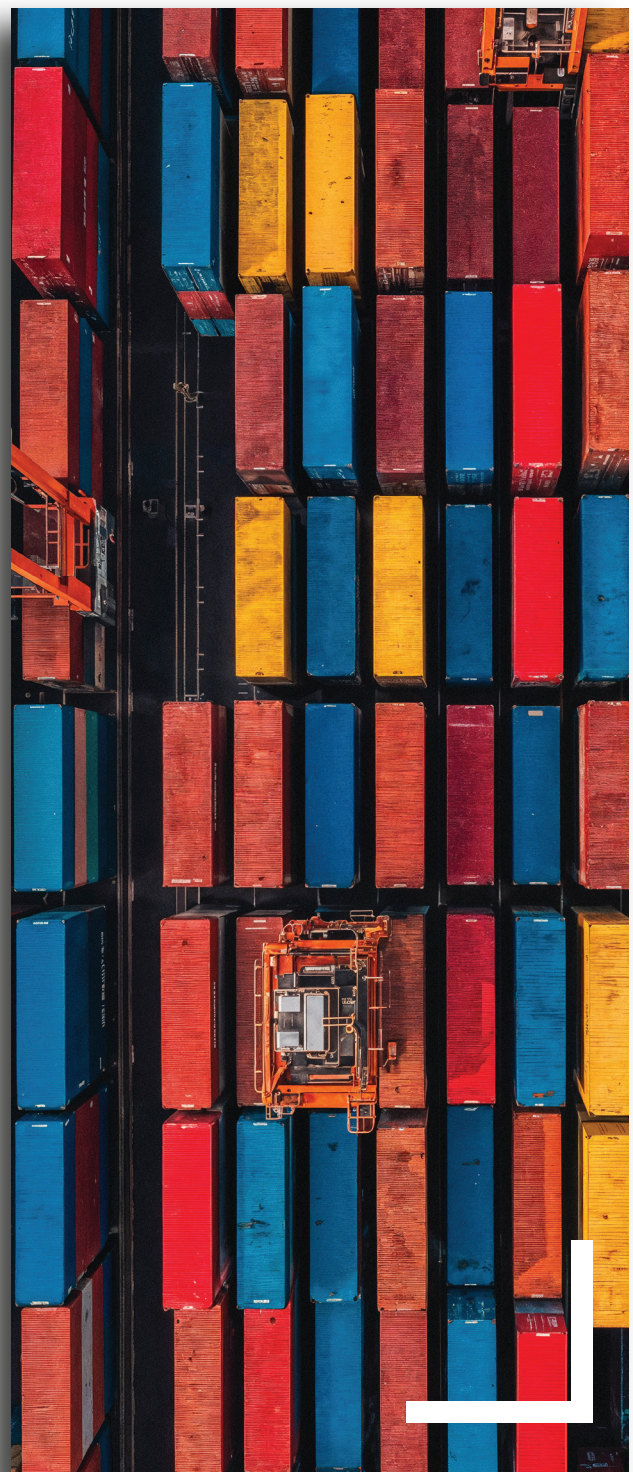
Watch for capacity tightening and shifting modal share. Intermodal strength, driver withdrawal, and manufacturing weakness will shape 2025 planning, even as recovery signals emerge.

2. U.S. to Lower China Tariffs as Part of Trade War Truce

Tariff easing offers temporary relief amid ongoing cross-border tensions

Tariff Reduction Measures

- The U.S. will reduce tariffs linked to fentanyl trafficking on Chinese imports from 20% to 10%, effective immediately.
- China confirmed the reduction and noted the U.S. will extend its pause on reciprocal tariffs for another year.
- Despite cuts, Chinese goods will still face roughly 47% total duty, according to President Trump and USTR Jamieson Greer.
- Some products may continue to face tariffs up to 100% under Section 301 and Section 232 measures.



Investigations and Countermeasures

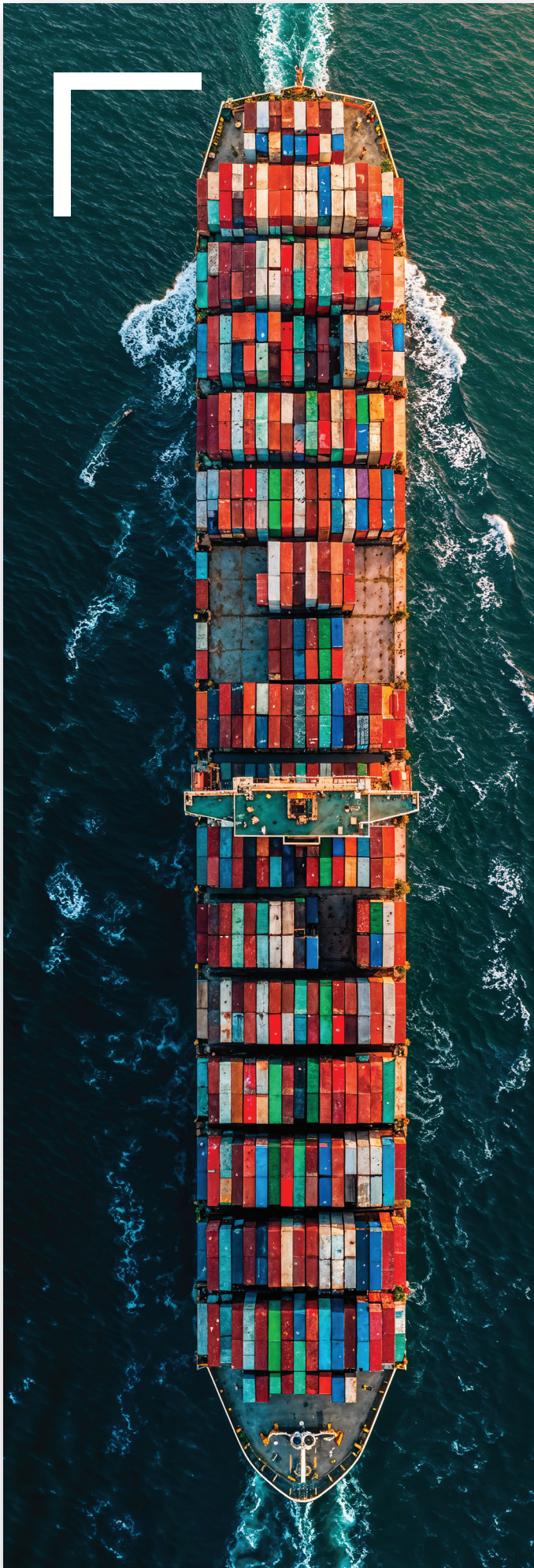
- The U.S. will suspend its Section 301 investigation into China's maritime and logistics industries for one year.
 - ◆ This investigation had imposed fees on China-linked ships entering U.S. ports.
- China will remove its countermeasures for one year following the U.S. suspension.

Export Controls and Trade Measures

- China will pause planned rare earth export controls for one year.
- The U.S. will suspend a September rule restricting exports to companies 50% or more owned by entities posing national security risks.

Trade Commitments

- President Trump announced that China agreed to purchase:
 - ◆ "Massive amounts" of U.S. soybeans, sorghum, and other agricultural products.
 - ◆ American energy products (not confirmed by China's Ministry of Commerce).



Next Steps

- Provisions will be renegotiated annually.
- Both sides will work to finalize remaining details and address broader trade issues.
- The truce was reached at the APEC Summit in South Korea during a meeting between Presidents Trump and Xi.

Lessons and Actionables

Short-term tariff relief creates breathing room, but annual renegotiations mean planning cycles must remain flexible. Supply chains should prepare for recurring shifts in duties and countermeasures.



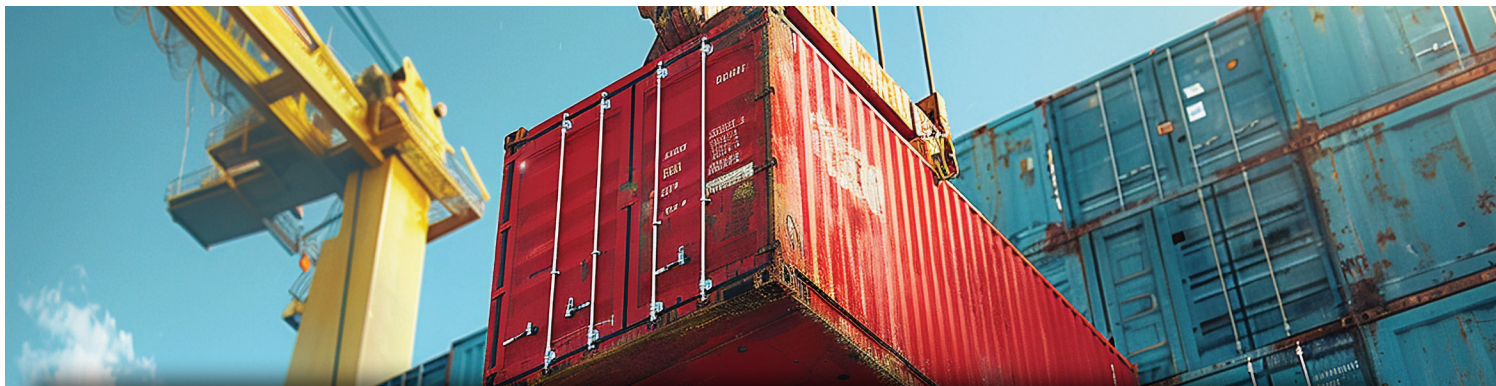
3. Packaging Industry Undergoes a Paradigmatic Change

Tariffs, regulation, and supply chain pressure are reshaping packaging markets

Tariffs Driving Up Packaging Costs

- The U.S. implemented a universal 10% import tariff and raised steel/aluminum duties.
- **Impact:** Higher costs for cans, foils, closures, cartons, and plastics.
- Companies are front-loading orders and seeking alternative suppliers, driving price volatility and added warehousing and procurement costs.
- Retaliatory moves from China and other partners plus rare-earth export risks are increasing pressure on packaging inputs, machinery, inks, and electronics.





Economic & Supply Chain Impact

- Analysts say the 2025 tariff wave is weighing on U.S. growth, reducing exports, and raising recession risk.
- Global packaging demand faces uncertainty as rising costs affect investment and sourcing.
- Tariffs may push beverage companies from aluminum cans back to lower-cost plastics, challenging sustainability goals.

Regulatory Rollback Creating

- Federal deregulation is easing some environmental and climate compliance burdens.

- However, divergence across:
 - ◆ Federal vs. state rules, and
 - ◆ U.S. vs. international sustainability standards is increasing complexity for brands.
- FDA labeling guidance updates may require changes to packaging artwork, inspections, and import compliance.



Strategic Priorities for Packaging Companies

- Diversify sourcing for steel, aluminum, paper, and resins.
- Prepare for scenarios involving universal and country-specific tariffs.
- Align sustainability strategies with tightening rules in Europe and Asia while managing fragmented U.S. state regulations.

Lessons and Actionables

Companies must simultaneously adapt to higher input costs, regulatory fragmentation, and shifting material preferences all while maintaining sustainability commitments.



4. Freight Market Update – November 2025

Trade stability in Asia, shifting capacity, and rising airfreight demand

Overall Trade Conditions

- Asia trade activity remains steady as carriers continue optimizing their networks.
- Transpacific ocean freight is soft due to seasonal slowdown, while Southeast Asia air cargo demand rises.
- U.S. importers are emphasizing customs compliance to navigate new tariff measures.

Transpacific Ocean Freight

- Space from Asia to North America is widely available as slack season continues.
- Fewer blank sailings after Week 47 indicate more stable schedules.
- Far East–U.S. volumes fell 7.2% YoY in October after a 10% decline in September.
- Retail forecasts point to continued moderation into early 2026.
- China's export share to the U.S. dropped 6.5%, while Southeast Asia exports grew 20%+.
- A one-year suspension of reciprocal U.S.–China port fees (effective Nov 10) provides short-term stability.

Southeast Asia Export Trends

- Momentum shifts toward Vietnam, Thailand, Cambodia, and Malaysia driven by expanding trade agreements.
- Carriers launching new express services, especially from Vietnam.
- Saigon → U.S. West Coast space is tightening; eastbound remains normal.
- Major ports across the region (Haiphong, Hong Kong, Shenzhen, Tianjin, Shanghai, Ningbo, Qingdao) are operating with minimal congestion.



Air Cargo

- Strong demand across Hong Kong, Vietnam, Thailand, Malaysia, and Indonesia.
- Growth fueled by e-commerce, solar projects, and industrial shipments.
- Carriers running at high load factors and prioritizing e-commerce ahead of U.S. Thanksgiving.
- Capacity to both U.S. coasts remains tight.
- Parcel carriers planning Asia-linked air network expansions for 2026.

Tariff & Customs Compliance

- Accurate U.S. Customs classification remains essential for managing Section 232 and 301 duties.
- Recent tariff adjustments reinforce the need for verified HTSUS classifications and documented reasonable care.
- Structured audits help identify duty overlaps and confirm trade preference eligibility.
- Regular classification reviews have become a strategic tool for tariff planning.

Lessons and Actionables

Southeast Asia continues to strengthen as a sourcing hub, while air cargo tightens ahead of peak e-commerce flows. Compliance discipline remains essential as tariff complexity rises.

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Sources: FreightWaves, ManufacturingDive,
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