2025 SUPPLY CHAIN STABILITY INDEX

KEY INSIGHTS FOR FUTURE-READY SUPPLY CHAINS

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THE STABILITY INDEX: A CRITICAL COMPASS

Understanding the current and future stability of U.S. supply chains is paramount for industry professionals. The KPMG Supply Chain Stability Index, developed in association with the Association for Supply Chain Management (ASCM), serves as an essential guide, providing actionable, data-driven insights. It also functions as a crucial barometer for the wider global supply chain community, offering critical intelligence on the resilience of our interconnected networks. Use this research to help translate complex market dynamics into functional intelligence, anticipate disruption and mitigate risk, ensure consistent flow of goods, and cultivate more resilient operations in an ever-uncertain global landscape.

Executive Summary

The current economic and geopolitical climate has ushered in an era of persistent volatility for global supply chains. This unpredictable environment demands that organizations rethink their operational strategies, moving beyond traditional cost efficiencies to prioritize enabling capabilities. Such a strategic shift will enhance visibility, fostering more agile, flexible and resilient networks.

Understanding this dynamic backdrop, our analysis of global supply chains in Q4 2024 and Q1 2025 reveals several significant developments that specifically shaped the U.S. landscape. Monetary policy faced new challenges as the Federal Reserve navigated inflation amid evolving tariff policies. The Fed cut interest rates by 25 basis points in December 2024 but indicated that higher rates would likely persist. With a cautious, wait-and-see stance, markets are still forecasting one rate cut for 2025. The 10-year Treasury yield at 4.32% reflects persistent inflation concerns and economic uncertainty.

Manufacturing unemployment hit a two-year high, rising 10 basis points year-over-year; while transportation unemployment remained elevated at 4.3%. Job openings fell 8.4% in Q1, yet the unemployment rate held steady at 4.2%, signaling a cooling but resilient labor market. Despite intentions to boost domestic manufacturing jobs through recent government actions, historical data from prior tariff implementations indicates a net loss in broader manufacturing employment, making widespread job growth challenging.

Meanwhile, U.S. manufacturing output showed signs of stabilization, primarily driven by technological advancements and strategic investments. Output increased by 2%, with construction spending also rising by 2%. This strengthening of U.S. manufacturing, plus continued reshoring efforts, benefited key industries such as steel, automotive, advanced technology and agriculture.

Despite these positive manufacturing trends, consumer sentiment dropped in February 2025 amid policy-driven uncertainty. At the same time, one-year inflation expectations reached their highest point in more than 18 months. By Q2 2025, GDP growth was 3% — although it is expected to slow as tariffs continue taking effect. This combination of cautious consumers plus rising import costs from tariffs is likely to exert downward pressure on spending and overall market performance in the coming months.

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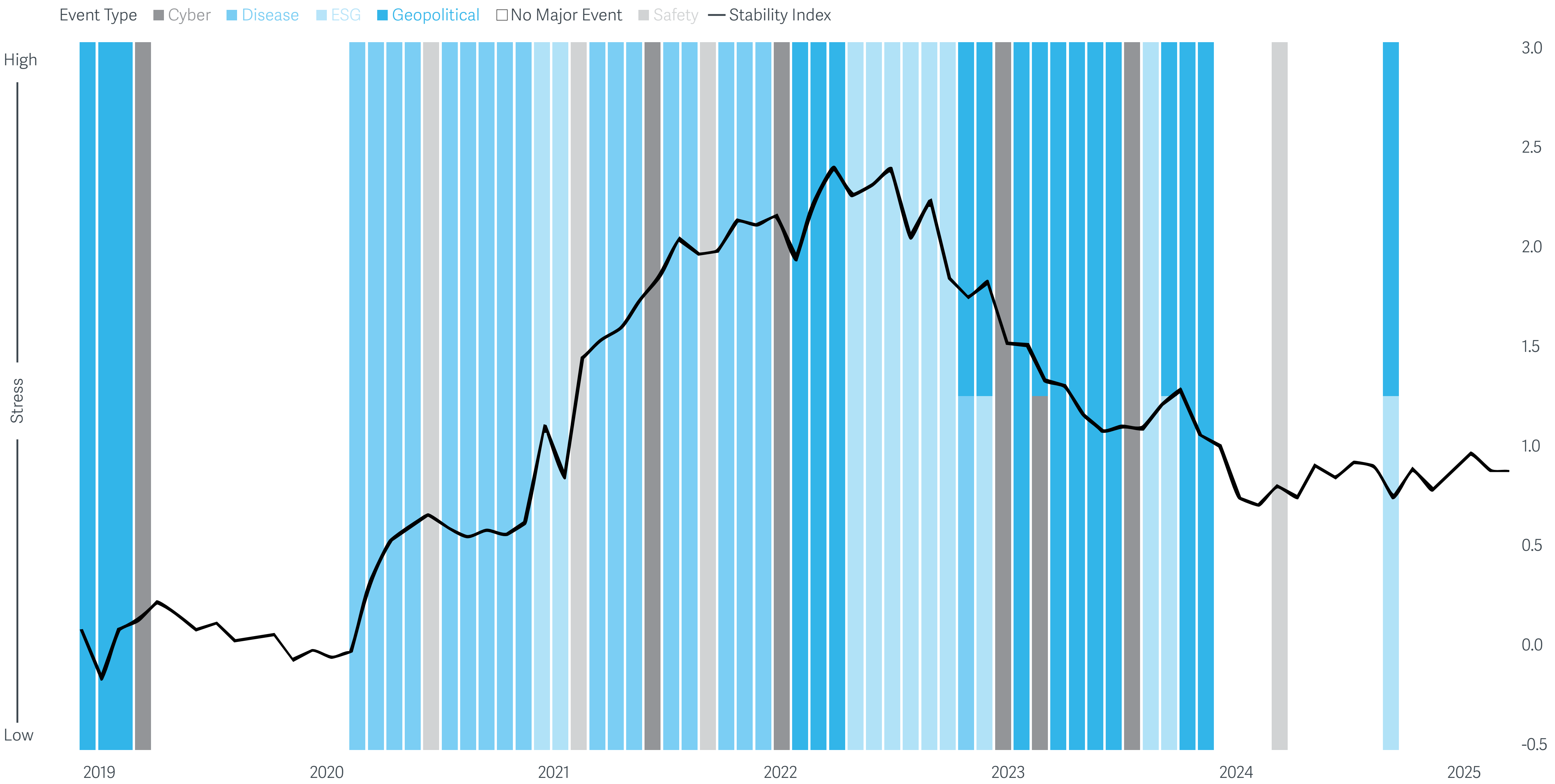

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MARKET APPLICATIONS

The global supply chain landscape currently grapples with unprecedented complexity, driven by an evolving tariff environment and dynamic trade policies. These shifts create significant ripple effects across both global economies and labor markets, fundamentally challenging the resilience and efficiency of existing supply networks. To understand these critical interdependencies and prepare for future disruptions, it is essential to examine the multifaceted impacts of current trade policies alongside broader global forces that are actively reshaping how supply chains operate.

Tariff and Trade Policy

Newly imposed U.S. tariffs — along with the potential for retaliatory measures from key trade partners — are triggering market disruptions, increasing input costs for manufacturers and contributing to inflationary pressures across various sectors. The recent wave of U.S. tariffs adds layers of uncertainty, making it difficult to forecast long-term outcomes. Supply chain organizations must prepare for potential disruptions, ranging from rising input costs to delayed shipments.

Geopolitical Forces

Beyond the continuous evolution of the tariff environment, escalating conflicts, trade tensions and the rise of cyberattacks are intensifying geopolitical risks. This includes the active elimination of trade loopholes, such as routing goods through intermediary countries to bypass tariffs, a trend clearly evidenced by the significant increase in trade from China to Mexico over the last five years. These forces, coupled with a transforming U.S. manufacturing sector, are driving companies to diversify sourcing strategies away from high-risk regions, prioritize cybersecurity and secure logistics networks, and strategically invest in automation and reshoring initiatives. This shifting landscape also brings significant labor impacts, with potential government and private sector job cuts alongside persistent shortages, creating strain on critical infrastructure and leading to workforce dislocation and regulatory volatility within global supply chains.

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TARIFF AND TRADE POLICY: ECONOMIC IMPACTS

Our global supply chains have entered a period of heightened volatility as newly imposed U.S. tariffs begin to take effect. These measures have already triggered significant market disruptions, prompting businesses to accelerate imports in anticipation of rising costs. While GDP growth reached 3% in Q2 2025, this momentum may be slowing as the economic drag from tariffs becomes more pronounced.

The increased cost of imported goods will continue leading to higher input prices for manufacturers, particularly in sectors reliant on raw materials and components from affected countries. This could compress margins; delay production schedules; and force companies to pass costs onto consumers, contributing to inflationary pressures. Additionally, retaliatory tariffs from trade partners may further complicate international trade flows, reducing export competitiveness for U.S. firms and altering long-standing supplier relationships.

TARIFF AND TRADE POLICY: LABOR IMPACTS

The U.S. labor market remains relatively stable for now, with new unemployment claims in February 2025 falling more than expected — an encouraging sign of resilience. However, this stability may be short-lived as looming economic pressures mount. Chief among these are the effects of sweeping federal government layoffs. In February alone, a leading global outplacement firm tracked 62,000 announced job cuts across 17 federal agencies, with the vast majority — more than 61,000 — occurring in Washington, D.C. Although the impact of these layoffs won't be fully understood until the fall, this marks a dramatic increase from just 60 layoffs in the same region during 2024 and likely signals a sharp pivot in public sector employment trends.

The potential impact of these labor developments on the global supply chain is massive. First, widespread federal layoffs could reduce government capacity to manage and support critical infrastructure, including customs processing, transportation oversight and regulatory enforcement — all functions that are essential to smooth international trade. Delays or inefficiencies in these areas could ripple across supply chains, increasing lead times and compliance costs for businesses. However, these recent layoffs could also present a potential upside by expanding the available labor pool, thus helping to alleviate manufacturing's persistent talent shortage. The key, though, will be how readily the displaced workers are absorbed into the private sector; if that doesn't happen smoothly, we could see further layoffs, especially in industries that lean heavily on global sourcing or export markets.

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HOW GEOPOLITICAL FORCES ARE RESHAPING SUPPLY CHAINS

Escalating conflicts, trade tensions, political instability and sanctions are all causing significant disruptions. In particular, tensions involving the United States and China, as well as the Russia-Ukraine conflict, could lead to a 20-30% increase in global shipping disruptions over the next five years. As a result, companies are expected to diversify sourcing strategies, shifting away from high-risk regions toward countries with more stable political climates. Additionally, the rise in cyberattacks and trade barriers is prompting businesses to prioritize cybersecurity and invest in secure logistics networks. Indeed, the interplay between trade policy and labor dynamics will be a critical factor in determining how supply chains adapt and evolve in the months and years ahead, potentially leading to workforce dislocation and regulatory volatility.

In response, companies are expected to reconfigure their supply chains by diversifying sourcing strategies, investing in domestic production and accelerating reshoring initiatives. While potentially beneficial for long-term resilience, these actions may incur short-term inefficiencies and capital expenditures. Additionally, logistics networks could face strain from elevated import volumes and shifting trade routes, increasing the risk of bottlenecks and delivery delays.

Over time, these dynamics are likely to accelerate structural changes and reshape global trade patterns, emphasizing regionalization and supply chain agility as key strategic priorities. Companies may invest more aggressively in automation and AI to offset labor volatility, while diversifying their geographic footprint to reduce exposure to U.S.-centric risks. The upshot could be a more fragmented but resilient global supply network — one that is less dependent on any single labor market, but more complex and costly to manage.

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LOOKING AHEAD

While tariffs are increasingly being used as negotiation tools rather than purely economic levers, their long-term scope and duration remain uncertain. Many companies will need to reconfigure their supply chains to mitigate associated risks. This evolving landscape underscores that enduring supply chain complexity is now the standard operating environment, making end-to-end visibility crucial for maintaining agility. The trend of reshoring and nearshoring will continue, with U.S. domestic production expected to increase through 2030. This is coupled with investments in advanced technologies such as AI, automation and robotics, which will play a key role. Even with a significant portion of U.S. manufacturing jobs being automated by 2030, which should help reduce labor costs, the industry still faces a serious talent shortage. Projections indicate a potential gap of up to 1.9 million workers by 2033 if current challenges aren't addressed. Finally, investing in capabilities that boost visibility is paramount for organizations to stay nimble and respond effectively.

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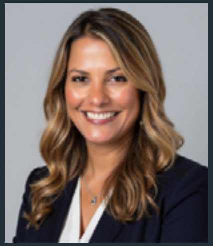
ASCM is built on a foundation of world-class APICS education, certifications and career resources, which encompass award-winning workforce development, relevant content, groundbreaking global standards and a diverse community of professionals who are driven to create a better world through supply chain.

ASCM solution sets address your organization's biggest challenges while accelerating transformation initiatives. Mentoring and capability training from ASCM will fast-track your team's strategic improvement projects. Through specially designed learning programs and APICS certifications, your teams will be better equipped to help streamline operations and drive transformation across your end-to-end supply chain.

To learn more, visit **ascm.org**



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