Market Update – The Rearview & the Road Ahead

Demand Levels & Outlook

Import Demand Rebounds For Now

After a sharp drop in April and May due to historic tariffs, U.S. import demand is showing signs of recovery:

- April TEUs: 2.21M, ↑ 9.6% YoY
- May TEUs (projected): 1.91M, ↓ 13.4% from April and ↓8.1% YoY
- June–August Forecasts: Modest recovery to 2.01M–2.13M TEUs, still below 2024 levels

This spike is largely driven by a 90-day pause in U.S.–China tariffs, with rates temporarily lowered from 145% to 30%. Retailers who paused or reduced orders earlier in the year are now racing to restock ahead of renewed tariff enforcement.

Canadian Tariffs Surge: A Hidden Shock

While China has dominated the headlines, Canadian imports are bearing the brunt of new tariffs under the current administration:

- Average monthly tariffs in 2024: $34M
- March & April 2025 tariffs: $660M and $675M, a 19.5x increase
- June is expected to surge again due to 50% tariffs on steel/metal

Top affected categories

- Unwrought aluminum: $123.7M
- Auto parts: $67.5M
- Finished vehicles: $52.2M

Surface Transportation Lags Behind Port Activity

Despite the rebound in port imports, inland freight volumes have not yet followed suit:

- Intermodal (international): ↓8% April to May
- Truckload & domestic intermodal: Flat
- Cass Shipments Index (May):
  - ↓ 0.4% MoM
  - ↓ 4% YoY
  - On track for a 2% YoY drop in June

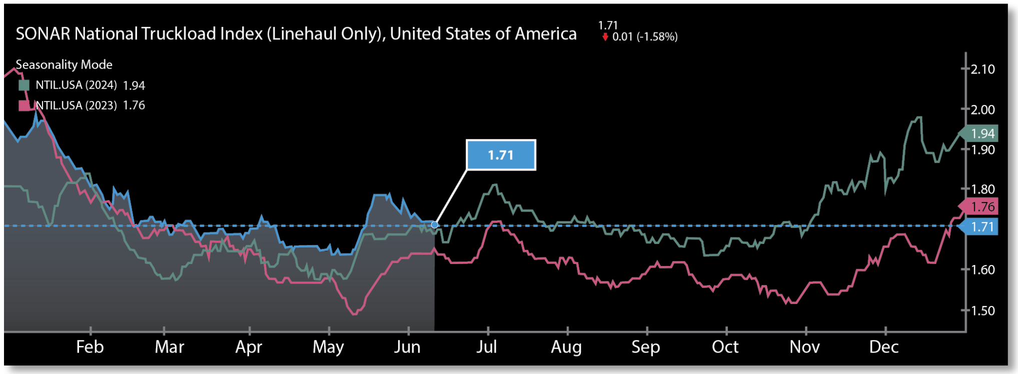
The lag is due to high inventory levels, especially among retailers that pre-stocked ahead of tariff hikes.

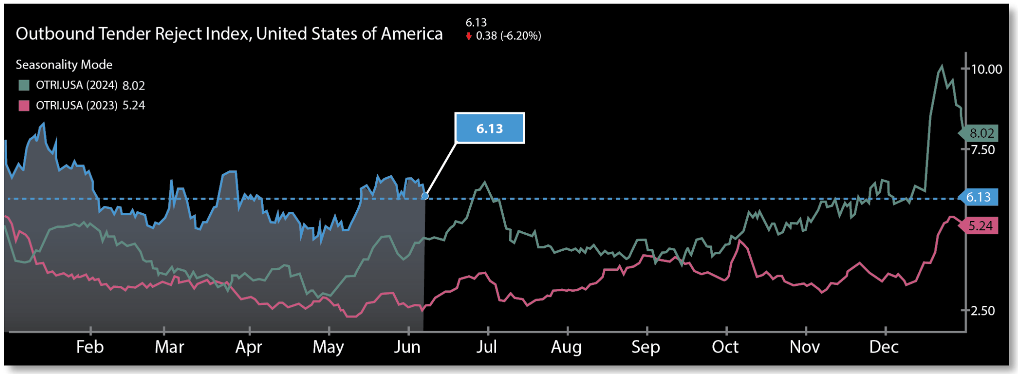
Freight Pricing Trends Up Amid Soft Demand

Though volumes remain subdued, freight rates are rising, a sign of shifting momentum:

- Cass Expenditures Index (May):
  - ↑ 1.4% MoM
  - ↑ 0.8% YoY (2nd straight positive YoY print)
- Inferred freight rate (Cass): ↑ 5% YoY and MoM
- TL Linehaul Index: ↑ 0.6% YoY despite a slight MoM decline

Diesel prices are helping margins for now (↓ 8% YoY), but rate increases aren't yet sufficient to fully offset cost headwinds.





Source:Freightwaves

Supply, Capacity & Carrier Operating Costs

Supply & Capacity: A Market in Contraction

- **Carrier Exits Hit New High**
  In April 2025, 7,474 trucking companies exited the market, a 12-month peak and a 26% increase from March. Weekly revocation rates remain elevated, with more than 1,500 carriers losing authority each week.

- **New Entrants Defy the Trend**
  Despite exits, new carrier authorities rose 48% month over month in April. Seasonal optimism and the lure of an eventual rate rebound keep new players entering the market, though many may be underestimating the financial headwinds.

- **Regional Disparities Emerging**
  Tightest capacity conditions are now seen in Atlanta, Chicago, and Dallas, while the West Coast lags behind. The Southeast saw tender rejections surpass 10%, a sign of firming carrier pricing power in select regions.

Operating Costs: Inflation Without Pricing Power

- **Stagflation Strains Margins**
  Carriers face the worst of both worlds, flat volumes and rates paired with rising costs. This stagflationary environment has forced many into cost-deferral decisions that may backfire long term (e.g., delayed maintenance, equipment replacement).

- **Insurance a Top Pressure Point**
  Premiums are skyrocketing due to increased litigation and nuclear verdicts (claims >$10M). Carriers are also contending with cargo theft risks, including sophisticated scams like identity manipulation and double brokering.

- **Equipment & Parts Inflation**
  Proposed tariffs on imported components are expected to raise costs on truck parts and repairs. Combined with high labor costs for technicians and parts shortages, maintenance is becoming increasingly expensive to defer.

Dry Van & Reefer Still Oversupplied

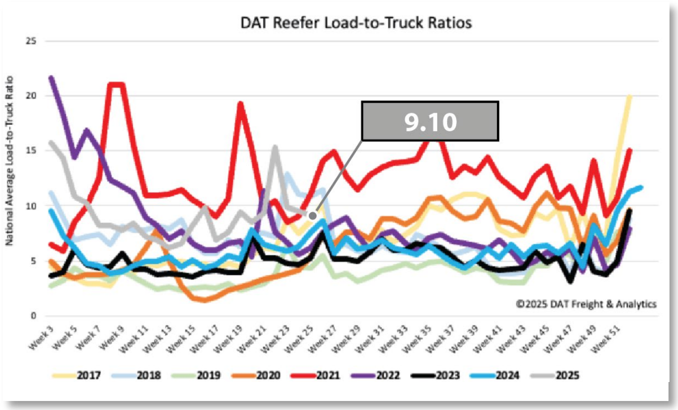
- As of early June, dry van load-to-truck ratio dropped to 5.46 despite a slight bump in post-Memorial Day volumes.

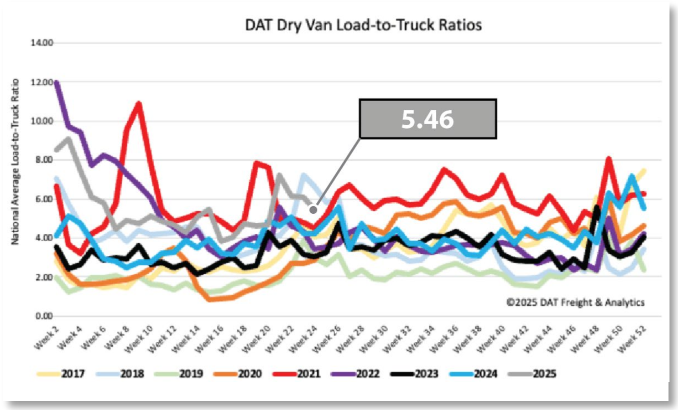
- Reefer loads ↓ 4% week-over-week, and the ratio dipped to 9.10, even with the produce season underway.

Flatbed: Seasonal Boost Falls Short

- Load volumes ↑ after Memorial Day, but a 30% surge in truck posts pushed the load-to-truck ratio ↓ 11% to 25.91.

- Spot rates ↓ $0.01 to $2.18/mile, slightly above this time last year, but not strong enough for June.





Source: DAT

Contract & Spot Market Rate Trends

Contract Market: Stability Amid Uncertainty

Dry Van

- New contract rates: ↓ 0.7%
- Year-to-date: ↑ 0.8%
- 1-year trend: ↑ 6%
- 2-year trend: ↓ 2%

Despite a slight year-over-year gain, recent bids show rates slipping as carriers cut prices to hold volume—classic behavior in an oversupplied, softening contract market.

Reefer

- New contract rates: ↓ 4.1%
- Year-to-date: ↓ 0.4%
- 1-year trend: ↓ 1.1%
- 2-year trend: ↓ 2.4%

Reefer rates are falling even during peak produce season, as a delayed harvest and excess capacity drive unseasonal declines, leaving many refrigerated carriers running below breakeven.

Flatbed

- New contract rates: ↓ 4.8%
- Year-to-date: ↓ 6.4%
- 1-year trend: ↓ 5%
- 2-year trend: ↓ 4.7%

Flatbed contract rates have fallen for two years, pointing to structural overcapacity. With weak industrial demand and too much equipment still in service, rates remain suppressed.

Spot Market: Unsteady and Undervalued

Load Volumes Falling: Spot market load postings fell 3.2% in early June, marking the lowest activity since late April.

- Dry van: ↓6.8% WoW
- Refrigerated: ↓11.2% WoW (over 50% lower YoY)
- Flatbed: ↑1.1% WoW but still 11% below the 5-year average

Spot Rates Decline

Average broker-posted rate dropped to $2.17 per mile, excluding fuel.

- Dry van: ↓$0.03 WoW (↓12% YoY)
- Refrigerated: ↓$0.04 WoW (↓13% YoY)
- Flatbed: ↓$0.04 WoW (↓6% YoY)

Load-to-Truck Ratios:

- Dry van: ↓ 2.16 (from 2.27)
- Reefer: ↓ 3.29 (from 3.56)
- Flatbed: ↓ 25.92 (from 27.05)

- **Fuel Costs**: Diesel ↑ $0.026 to $3.73/gallon. While below last year's levels, this uptick squeezes margins for spot-reliant carriers.

Exhibit35: National Average Spot Van Rates ex. Fuel Surcharge

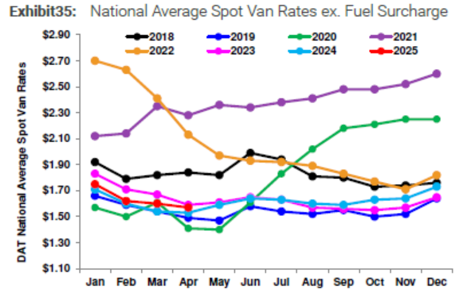


Exhibit36: National Average Contract Van Rates ex. Fuel Surcharge

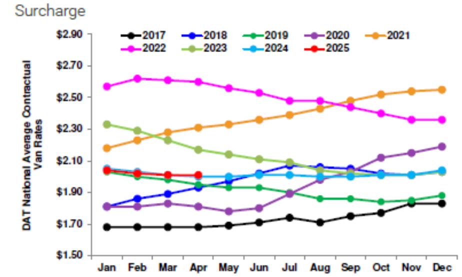


Exhibit37: National Average Spot Reefer Rates ex. Fuel Surcharge

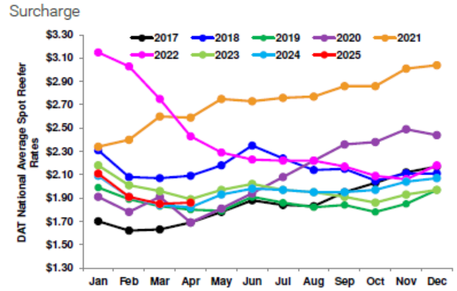


Exhibit38: National Average Contract Reefer Rates ex. Fuel Surcharge

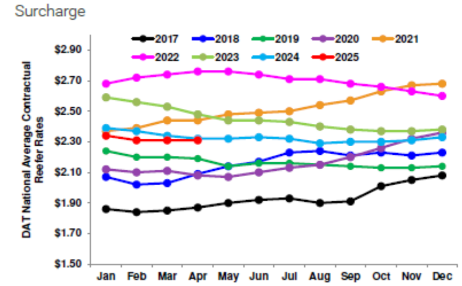


Exhibit39: National Average Spot Flatbed Rates ex. Fuel Surcharge

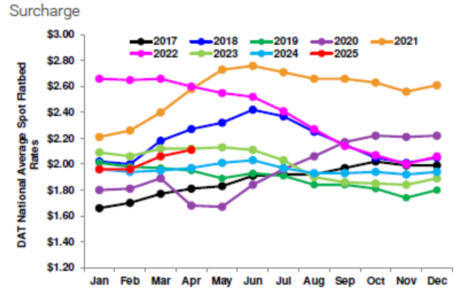
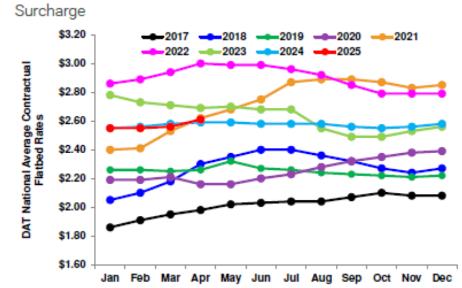


Exhibit40: National Average Contract Flatbed Rates ex. Fuel Surcharge



Source: Morgan Stanley, DAT

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