

Market Update – The Rearview & the Road Ahead

Demand Levels & Outlook

A Front-Loaded Year with Fading Momentum

- Q1 2025 truckload volumes were buoyed by a 19% quarter-over-quarter spike in freight-moving imports, as shippers rushed to bring in goods ahead of anticipated tariffs.
- That activity has since cooled: dry van volumes are forecast to fall 0.9% YoY in 2025, and total truckload volume is expected to remain flat for the year.
- While manufacturing activity was strong early in the year, it is now slowing, reducing its contribution to freight demand. The goods transport sector, excluding services, is expected to grow by only 2.5% in 2025, and most of that growth is already behind us.

Tariffs Are the Central Disruptor

- U.S. effective average tariff rate has risen to 20.6% pre-substitution, the highest level since 1910. After substitutions in sourcing/import behavior, the effective rate remains 19.7%, still the highest since 1933.
- Tariffs implemented so far in 2025 are forecast to reduce U.S. real GDP growth by -0.9 percentage points this year and shrink the long-run size of the U.S. economy by 0.5%, or \$135 billion annually.
- The average U.S. household will lose \$2,800 in purchasing power in 2025 due to higher consumer prices stemming from tariffs.

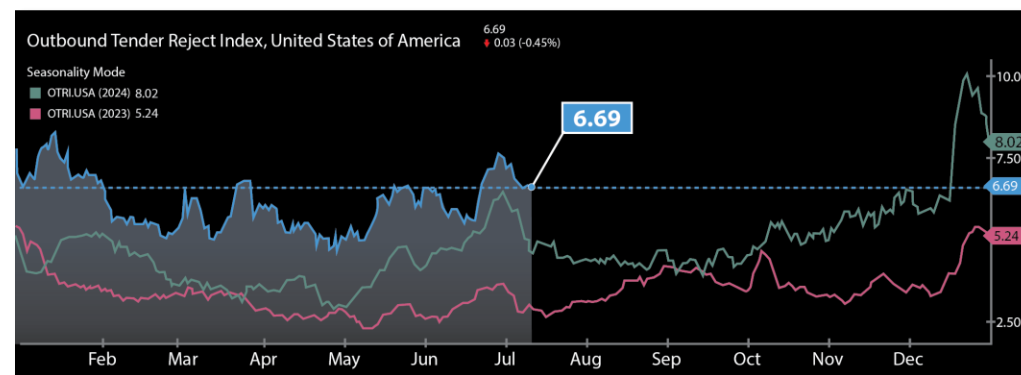
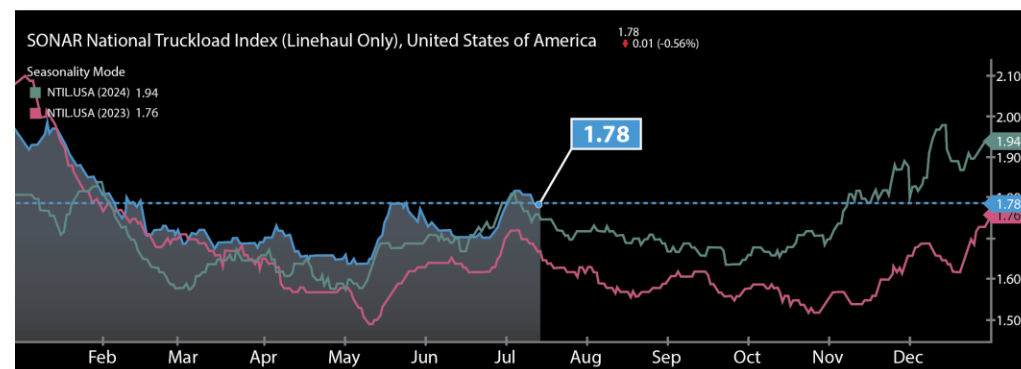
These pressures are already suppressing retail and consumer goods shipments, and they're expected to continue distorting both import behavior and domestic production through at least early 2026.

Trade Flow Shifts Are Creating Winners and Losers

- In May 2025, 52.9% of containerized imports arrived through East Coast ports—the highest since summer 2023, compared to 31.6% on the West Coast and 15.4% through the Gulf. These changes increase reliance on trucking over rail for inland freight.
- U.S. imports from China have dropped, but much of that volume has shifted to Vietnam, Malaysia, India, and Thailand, helping maintain overall freight volume. However, this too appears to be stabilizing.

Market Outlook is Tepid Through Year-End

- FTR's revised forecast anticipates choppy GDP growth through 2026 and a continued shift away from goods-centric demand toward service-sector growth.
- Truck utilization is slightly above historical norms, but soft demand is keeping it well below 2021 highs. More small carriers are entering the market again as of Q2 2025, but turnover remains high.
- Class 8 inventory is at record highs, reflecting both overcapacity and hesitation to invest in new equipment due to uncertainty around EPA regulations and demand visibility.



Source: Freightwaves

Supply, Capacity & Carrier Operating Costs

Margins Squeezed by Non-Fuel Increases

In 2024, the average cost to operate a truck decreased slightly by 0.4% to \$2.260 per mile. However, that modest relief masks a troubling trend: non-fuel costs hit a record high of \$1.779 per mile, according to ATRI's latest data.

Key contributors to cost pressure:

- Truck and trailer payments rose 8.3% to \$0.390 per mile.
- Driver benefits climbed 4.8% to \$0.197 per mile.
- Driver wages increased 2.4%, even as inflation outpaced that growth.

Only fuel and maintenance showed cost reductions, underscoring the limited avenues for relief. As a result, operating margins have dropped below 2% across most sectors, with truckload carriers averaging a -2.3% margin.

Shrinking Labor Pool and Excess Equipment

The market continues to struggle with a capacity overhang, despite signs of structural tightening:

- Truck capacity declined by 2.2%
- Carrier attrition is trending at a 1.7% annual rate
- Class 8 truck orders dropped 45% year-over-year, suggesting fewer equipment investments ahead
- Drivers per truck fell to 0.93, and non-driver staff levels declined 6.8%

While supply is slowly retreating, the excess remains, especially in short-haul markets where route guide depth is just 1.13 (well below typical levels). That figure reflects how often primary carriers accept loads before tenders are passed down the routing guide, with lower values indicating ample supply and soft pricing power.

Empty Miles and Equipment Utilization: A Growing Concern

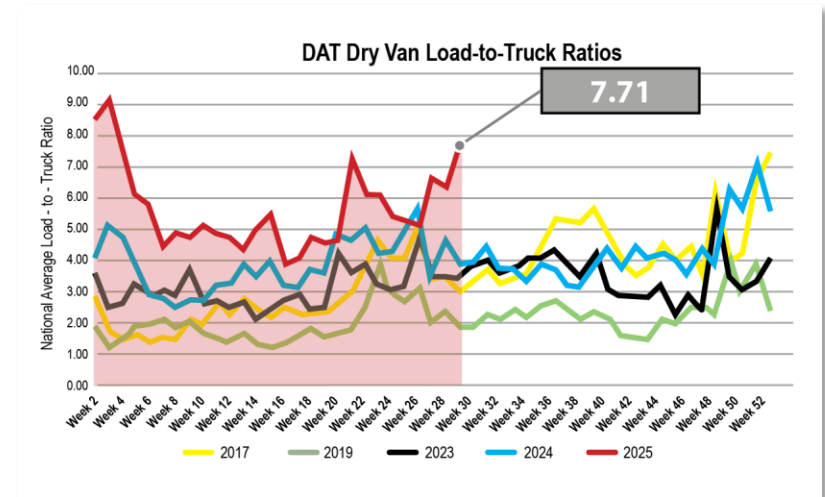
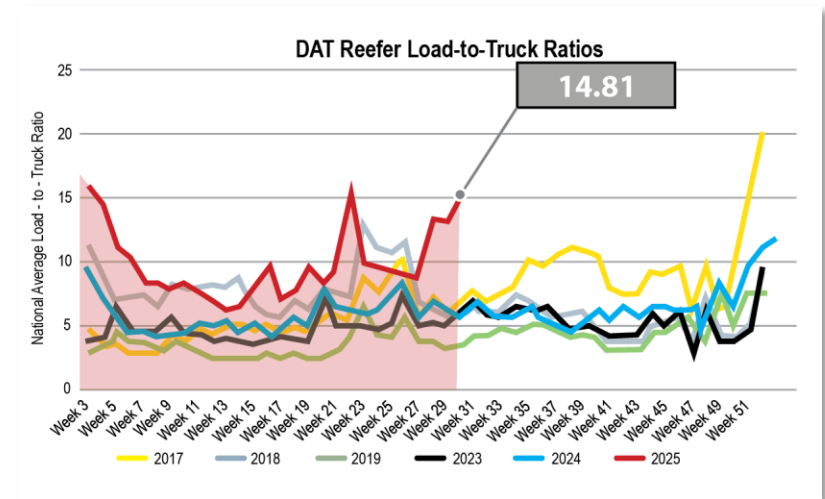
- Empty miles rose to 16.7%, reflecting inefficiencies in freight matching and lane balance.
- Even with a decline in average truck age and improved dwell times, productivity gains have not been enough to offset rising input costs.

Cost Shocks Around the Corner

Although not an immediate operational cost, looming tariff changes threaten to further disrupt carrier economics:

- A 25% tariff on Canadian and Mexican imports could suppress new truck sales by 17% in 2025.
- Steel tariffs have pushed cold-rolled steel prices up 9.4%, increasing the cost of truck manufacturing and repairs.

These upstream effects will likely be passed downstream, contributing to long-term operating cost inflation.



Source: DAT

Contract & Spot Market Rate Trends

Spot Market Cooling After Holiday Catch-Up

Dry Van

- National average rate: \$1.69 per mile, ↑ \$0.01 from the previous week, but ↑ \$0.07 from the same time last year.

Reefer

- ↓ \$0.05 last week, settling just under \$2.00 per mile, a typical pattern following the July 4 produce peak.
- Despite the drop, rates remain ↑ \$0.02 from this time last year, showing moderate year-over-year strength.
- Industry trends suggest reefer rates may lose about \$0.10 per mile between now and Labor Day as demand softens seasonally.

Flatbed

- Rates held steady at \$2.10 per mile, unchanged from the previous week ↑ \$0.10 year-over-year.
- This consistency reflects typical summer trends in building and industrial demand.

Contract Market Exhibits Modest Inflation, But Guides Holding Steady

Dry Van Contracts:

- Spot Premium Ratio:** Spot rates are currently 9.4% lower than contract rates.
- New Rate Differential:** New contracts are being signed at 1.9% higher than the ones they're replacing. That's a sign of moderate inflation returning to the market after months of downward pressure.
- Contract Rate Index:** A broad index tracking overall contract trends shows a 1.3% year-over-year increase for June, driven mainly by the uptick in new contract awards.

Reefer Contracts:

- Spot rates are 7% lower than contract, but the new contract rate differential is up 2.4%, one of the largest jumps in recent months. That means shippers are paying more to secure future reefer capacity, even as current rates decline.

- Still, overall contract reefer rates were flat to slightly negative for June, showing that long-term pricing pressure remains mild.

Looking Ahead:

- A second wave of contract bids is expected to roll out in late July through August. The first wave typically hits in March–April, and this second wave may reset pricing and routing guide benchmarks.

Exhibit35: National Average Spot Van Rates ex. Fuel Surcharge

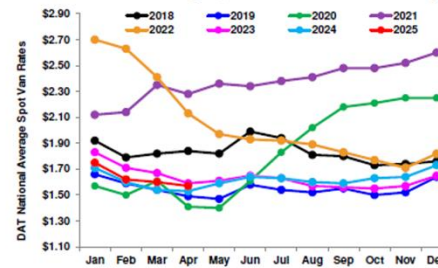


Exhibit36: National Average Contract Van Rates ex. Fuel Surcharge

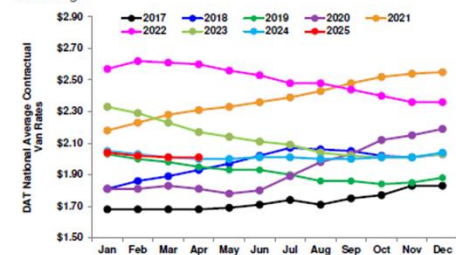


Exhibit37: National Average Spot Reefer Rates ex. Fuel Surcharge

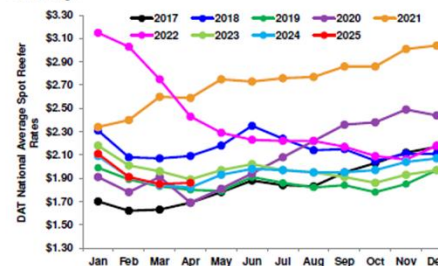


Exhibit38: National Average Contract Reefer Rates ex. Fuel Surcharge

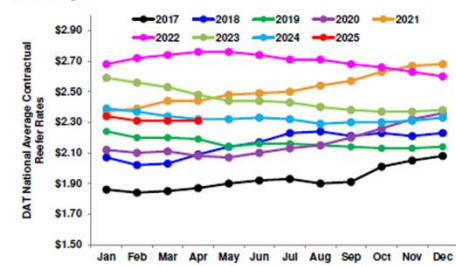


Exhibit39: National Average Spot Flatbed Rates ex. Fuel Surcharge

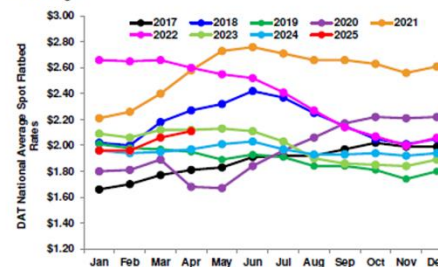
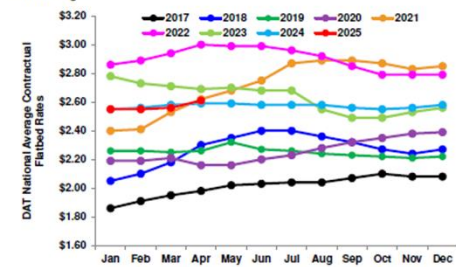



Exhibit40: National Average Contract Flatbed Rates ex. Fuel Surcharge



Source: DAT



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