

Market Update: The Rearview & the Road Ahead

Demand Levels & Outlook

Industrial and Manufacturing Demand

- The Federal Reserve's Industrial Production Index for industrial equipment, including machinery, electrical equipment, and metalworking tools, ↓ 2.2% since April, marking the first sustained decline in nearly a year.
- The Institute for Supply Management and several Federal Reserve district surveys confirm new manufacturing orders have entered contraction territory, signaling slower freight generation from long-haul, capital-intensive sectors.
- Orders for heavy machinery have slowed as tariffs weigh on demand for high-end industrial equipment.
- This retreat in big-ticket industrial orders removes a significant source of high-value truckload freight.

Tariffs and Trade Disruption

- Goods from China (including Hong Kong and Macau) still carry a 10% baseline tariff, with an additional 34% reciprocal tariff now delayed until November 10.
- Product-specific tariffs on timber, furniture, and cabinetry are fully in effect, while pharmaceuticals and truck parts face potential hikes ranging from 25% to 100%.
- The effective U.S. tariff rate has jumped from 2.3% to 5.3% this year and could reach 20% by year-end, translating to \$250 – 300 billion in additional duty costs across supply chains.
 - To offset that uncertainty, many importers front-loaded shipments earlier in the year, leaving late-year import volumes softer than usual.

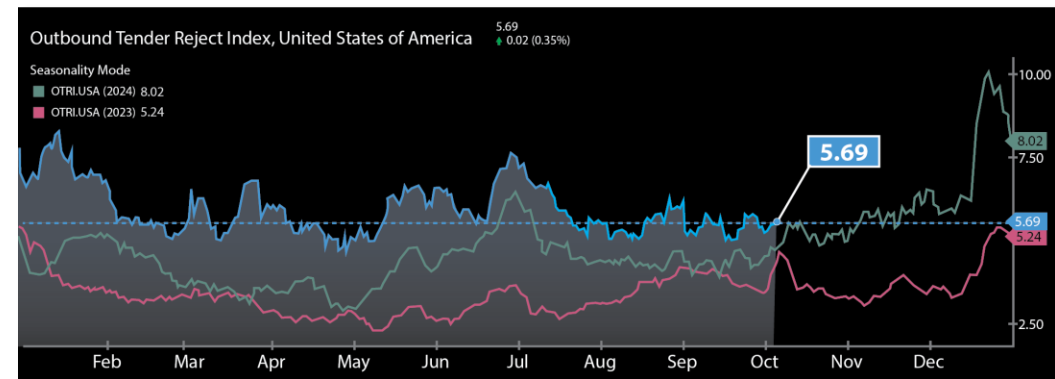
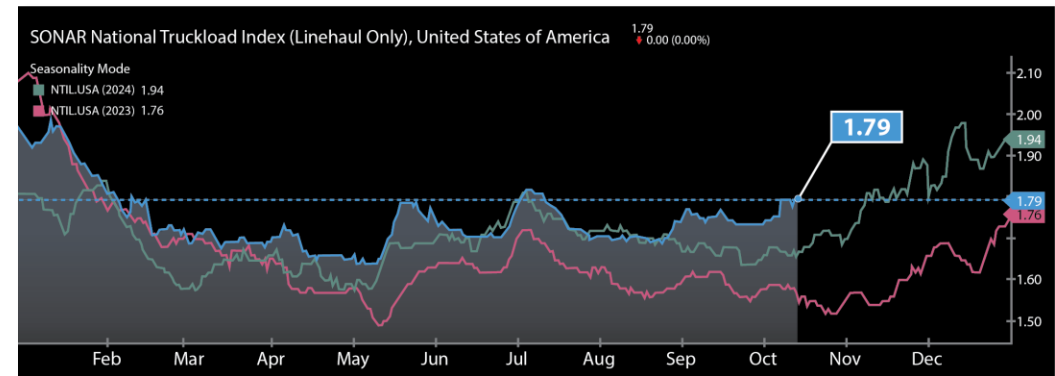
Construction and Housing

- Single-family housing permits are ↓ 11% year-over-year, signaling weaker freight flows in building materials and furnishings.
- Tariffs on lumber and furniture (10 – 25%) are further raising input costs and discouraging new project starts.
- Shipments tied to home improvement, cabinetry, and flooring have all cooled, particularly on regional and short-haul routes serving distribution hubs.

Technology and Capital Investment

High-tech and capital-investment freight, a rare bright spot early in the year, is losing momentum.

- Imports of computers and electronic components were ↑ 132% above 2013 levels in July, but growth has since plateaued.
- The Bank of England recently warned that inflated valuations in AI-linked technology and supply-chain bottlenecks could lead to a slowdown in infrastructure investment.
- Should this pullback occur before industrial production rebounds, it could erase one of the last remaining demand stabilizers.



Source: Freightwaves

Supply, Capacity & Carrier Operating Costs

Carrier Supply and Market Exits

- FMCSA data shows that more trucking companies exited than entered the market in Q3, marking the first clear net decline in operating authorities since early 2023.
- Payroll data from the Quarterly Census of Employment and Wages indicates truck transportation employment at 505,000 in March 2025, ↓ roughly 3.1% from a year earlier and back to 2018 levels.
- While these losses suggest progress toward equilibrium, small carriers still make up an outsized share of active capacity, with 39% more drivers than before the pandemic.

Regulatory and Labor Pressures

- The FMCSA's non-domiciled CDL rule, issued in late September, is projected to remove up to 194,000 commercial drivers over two years, nearly the entire population of currently operating foreign CDL holders.
- ICE enforcement activity is amplifying the effect as drivers exit proactively due to deportation risk.
- Additional immigration measures, including a \$100,000 H-1B visa petition fee and annual in-person renewal requirements for non-domiciled CDLs, will further tighten access to new entrants.
- Combined with ongoing drug and alcohol Clearinghouse removals (roughly 35,000 drivers per year), these developments could meaningfully reduce driver availability.

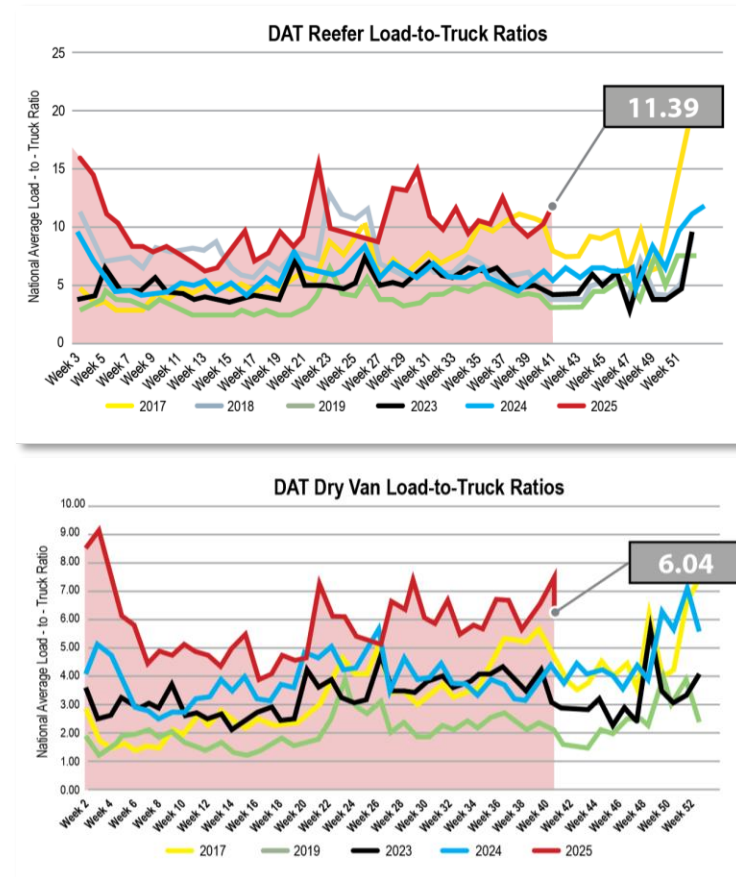
Carrier Operating Costs

- Insurance costs continue to trend upward, with the full impact expected to hit as policies renew in late 2025 and early 2026.
- Tariff-driven costs on steel, aluminum, and imported truck parts are inflating equipment prices and maintenance budgets.
- A new 25% tariff on heavy-duty trucks (effective November 2025) will increase replacement costs for fleets reliant on imported chassis and components.
- Rising vessel and container fees for shipments from Chinese-owned carriers are adding cost pressure to drayage and intermodal segments.

Cost Highlights

- **Fuel:** Stable but remains the single largest cost driver.
- **Equipment:** New truck and trailer acquisition costs rising 10–20% from pre-2024 levels.
- **Insurance:** Premiums up mid- to high-single digits for most carriers, with higher volatility for small fleets.
- **Labor:** Wage inflation has eased, but driver turnover remains high, sustaining elevated recruiting costs.

These pressures are most acute for small and midsize carriers, which typically have limited cash reserves and less leverage with insurance providers.



Source: DAT

Contract & Spot Market Rate Trends

National Spot Market Overview

The market remains supply-driven, not demand-driven. Freight volumes are flat, yet rates are edging upward across van, reefer, and flatbed segments.

- Tender rejections remain low at 5.5%, signaling that most contract freight continues to move without issue.
- Spot market rates have climbed sharply, even though shipment volumes have remained steady. The surge seems to be driven by behavioral responses within the driver community, as increased immigration enforcement has tightened available truck capacity, particularly across border regions.

Dry Van

Dry van pricing remains broadly stable, though regional rate behavior is diverging.

- National average linehaul spot rate: \$1.70 per mile, unchanged week-over-week.
 - ↑ \$0.06 YoY and \$0.13 higher than 2023.
- **DAT Top 50 lanes:** averaged \$2.00 per mile, \$0.30 above the national average.
- **Midwest corridor:** representing 46% of national volume, spot rates ↑ \$0.01 per mile to \$1.93, a strong signal of short-term firmness.
- The Laredo–San Francisco lane continues to be an outlier, ↑ \$0.08 per mile, as ongoing ICE activity at the southern border limits available equipment.

Reefer

Reefer rates are climbing more noticeably, driven by supply constraints along the southern border.

- National average spot rate: \$2.07 per mile, ↑ \$0.02 week-over-week.
 - \$0.10 higher than last year, \$0.18 higher than 2023.
- Outbound McAllen, TX loads to Los Angeles ↑ 70% year-over-year, now averaging roughly \$1,000 more per load than 2024.

- Loads from McAllen to Chicago are 6% higher, and to Brooklyn, 17% higher YoY.
- Immigration enforcement has intensified driver risk aversion, with some carriers avoiding border lanes entirely, tightening regional supply.

Flatbed

Flatbed activity reflects industrial fragility but modest price resilience.

- National flatbed spot rate: \$2.07 per mile, ↑ \$0.01 for the week.
 - \$0.10 higher YoY and \$0.20 higher than 2023, tracking closely with 2017 levels, historically a healthy industrial cycle.
- The Southeast (Birmingham, Montgomery, Jackson) saw outbound loads surge 23%, pushing regional rates \$0.06 higher to \$2.69 per mile.
- The Logistics Managers' Index fell to 57.4, its slowest expansion since March; transportation utilization dropped 4.7 points to 50.0, signaling no growth.
- Analysts caution that continued negative freight inversion (capacity > pricing) could foreshadow a late-2025 slowdown if trends persist.

Contract Rate Landscape

- Contract rates remain stable but under gentle downward pressure as shippers retain leverage in negotiations.
- The contract-to-spot spread remains historically wide, indicating limited carrier pricing power.
- Large fleets continue to prioritize utilization and contract compliance over chasing short-lived spot market premiums.
- Analysts expect contract rates to stay mostly flat through early 2026, with any inflation tied primarily to rising carrier operating costs rather than demand.
- FTR forecasts dry van contract rate growth under 1% for 2025 and only modest gains in 2026, absent a demand resurgence.



Our Greatest Asset

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