



# Market Update: The Rearview & the Road Ahead

# Demand Levels & Outlook

## WHERE DEMAND STANDS

The February 2026 for-hire trucking ton-mile index shows freight demand essentially unchanged from a year ago. The freight recession's worst phase is behind us, but aggregate demand has not yet provided meaningful upward lift to the market.

Metric	Reading
Ton-Miles MoM	-0.3%
Ton-Miles YoY	+0.1%
6-Month Avg YoY	+0.2%
Trend	Neutral

## THE K-SHAPED SPLIT

Beneath the flat headline, two opposing forces are at work: an AI infrastructure buildout pulling industrial freight higher, and a soft housing/consumer sector dragging volume lower. They are nearly canceling each other out.

### ^ Gaining

- Construction steel
- Metal fabrication
- Construction machinery
- Switchgear & batteries
- Electrical wholesale

Driven by AI data center buildouts

### ∨ Declining

- Wood products
- Paper & printing
- Appliances
- Furniture
- Housing supply chain

Tied to soft single-family housing

## LEADING INDICATORS

Two of the most reliable forward indicators for freight demand are now aligned positively for the first time since 2022, packaging paper and the pallet Producer Price Index. These signals sit at different points in the goods supply chain. When both move together, it is typically a genuine trend, not a single data point acting in isolation.

### Packaging & Paper (AF & PA, Feb 2026)

<b>+4%</b>	<b>83.9%</b>	<b>+4 pts</b>
Shipments YoY	Mill Op. Rate	vs. Feb. 2025

Mills don't run at 84% capacity when business is slow. This rate means box manufacturers are ordering material because they have production to fill, a signal that goods movement is active several steps before a load hits a board.

### Pallet Producer Price Index (BLS FRED)

The pallet PPI tracked the freight cycle with near-perfect accuracy through the 2022-2025 recession and recovery: it surged to 440 during the 2021 boom, then fell back toward 325 through the freight recession. It has now stabilized, and all 7 leading sub-indicators tied to the pallet market are pointing constructively simultaneously for the first time since 2022

- Historically, when pallet PPI turns from declining to stabilizing to firming, freight volumes follow within 1–2 quarters
- De minimis exemption elimination (Aug 2025) adds structural pallet demand, a lasting tailwind, not a one-time event

## CLASS 8 ORDERS AS A DEMAND SIGNAL

Strong Class 8 truck order volumes reflect carrier confidence in future freight demand, a forward-looking economic signal. March 2026 orders increased 137% year-over-year, marking the fourth consecutive month of >20% YoY growth.

- 280,000+ units ordered over the past 12 months, up 69% YoY since the December demand inflection
- This is a "clear inflection" representing the early stages of recovery, driven by improving freight volumes and firmer rate expectations
- Average fleet age of 6.5 years signals pent-up replacement demand reentering the market, itself a confidence indicator

## 90-DAY DEMAND OUTLOOK

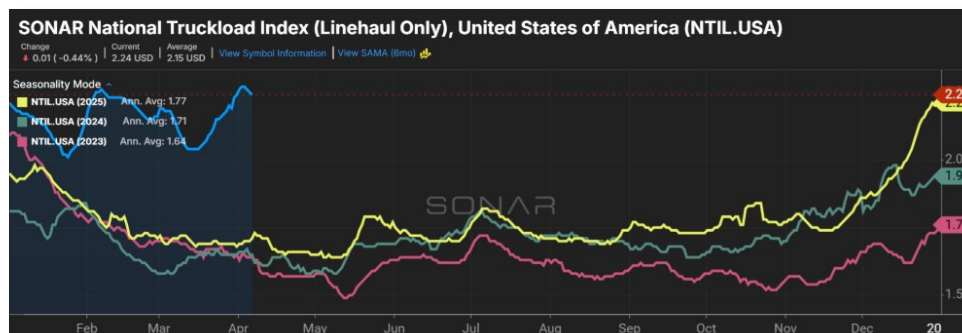
### Q2 | Apr - Jun

Best demand window in 3 years. Produce season + improving packaging & pallet signals point to genuine goods-movement pickup.

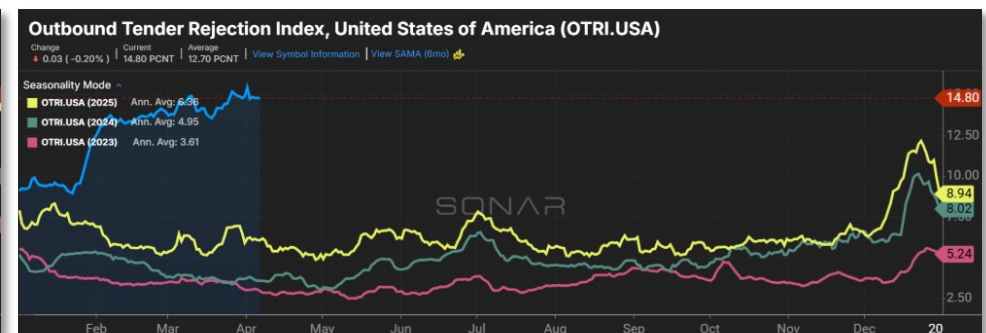
### Q3 | Jul - Sep

Depends on whether the mill inventory build draws down through Q2. If box manufacturers pull that stock into production, Q3 confirms the demand turn. Watch April & May American Forest & Paper Assoc. releases

If tariffs escalate on consumer goods, they directly undercut what the packaging data is signaling. Stabilization is a prerequisite for the recovery to materialize.

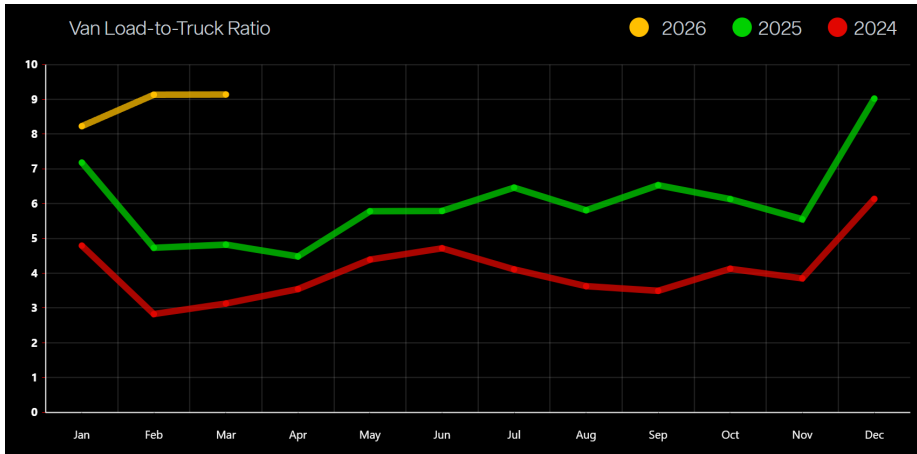


Source: Freightwaves

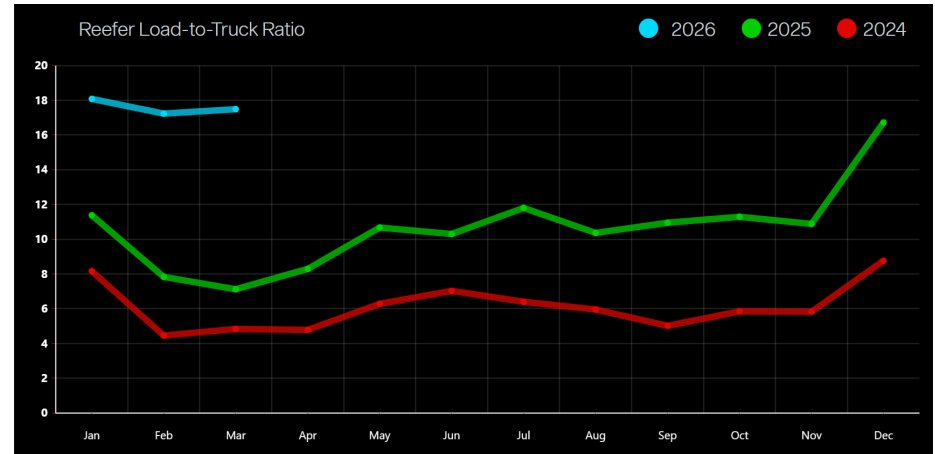


# Supply, Capacity & Carrier Operating Costs

Van Load-to-Truck Ratio - 2026 running at 9.2 vs. 4.7 at same point in 2025. Nearly double year-over-year.



REEFER Load-to-Truck Ratio - 2026 running at 17.5 vs. 7.5 at same point in 2025. More than double year-over-year.



Source: DAT

## A MARKET IN CONTRACTION

Truck capacity is contracting at a pace not seen since the pandemic freight boom. The LMI returned a transportation capacity reading of 39.2 in March 2026, the fourth consecutive month of contraction, while pricing surged to 89.4, its fastest growth since March 2022. The 50.2-point gap between those two readings was the widest positive inversion since November 2021.

LMI Metric	March 2026
Transport Capacity	39.2 (contracting)
Transport Pricing	89.4 (surging)
Capacity vs. Pricing Gap	50.2 pts inversion
Last time gap this wide	November 2021
Transport Utilization	62.9 (expanding)

## THE DIESEL CRISIS

A diesel spike triggered by the Iran conflict has become the defining cost pressure of 2026. At \$5.64/gallon as of April 6, diesel is up \$2.00 year-over-year, directly compressing linehaul margins even as total rates climb.

### Fuel Surcharge Movement – March 2026

**\$0.61/mi**

Van surcharge from \$0.41 / highest since late 2022

**\$0.67/mi**

Reefer surcharge +\$0.22 in one month

**\$0.73/mi**

Flatbed surcharge +\$0.24 in one month

Van surcharges averaged \$0.40/mile throughout most of 2025. The March reading represents a 50% increase from that baseline

### CARRIER BEHAVIOR UNDER COST PRESSURE

A March survey of 543 carriers reveals how operators are adapting:

**94%**

of say fuel costs have materially affected load decisions

**45%**

are pursuing shorter routes and lighter loads to manage costs

Fuel now accounts for 30-40% of total operating costs for many fleets. For small and mid-sized carriers on thin margins, extreme price swings place immediate pressure on working capital and profitability.

## WHAT IS DRIVING CAPACITY OUT?

### Regulatory Enforcement

- English-language proficiency requirements reducing eligible driver pool
- Non-domiciled CDL restrictions removing foreign-licensed drivers
- ELD provider crackdowns forcing some fleets off the road
- Forced driver school closures limiting new entrant pipeline

### Carrier Attrition

- Nearly 18% of carriers already sidelining trucks due to fuel costs
- Small and mid carriers on thin margins most exposed to cost spikes
- Fleet sizes have right-sized considerably since 2022, less buffer than prior cycles

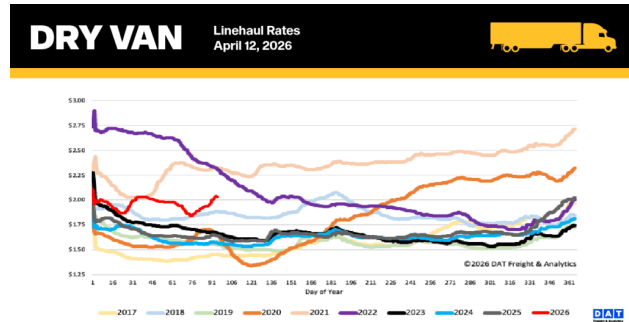


### Interest Rate Outlook

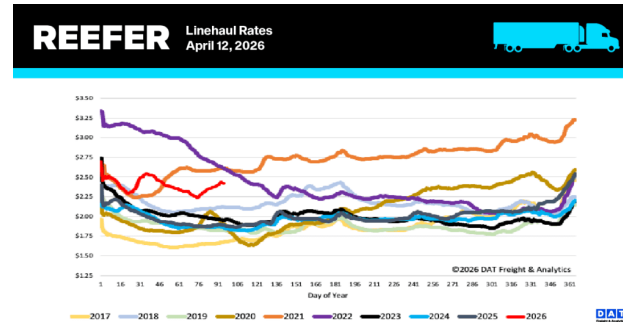
Experts expect March and April PPI readings to come in well above FOMC comfort levels due to diesel's role in industrial costs. No rate cuts before September at earliest, and possibly December, even if hostilities cease. Elevated financing costs continue to pressure fleet expansion decisions.

# Contract & Spot Market Rate Trends

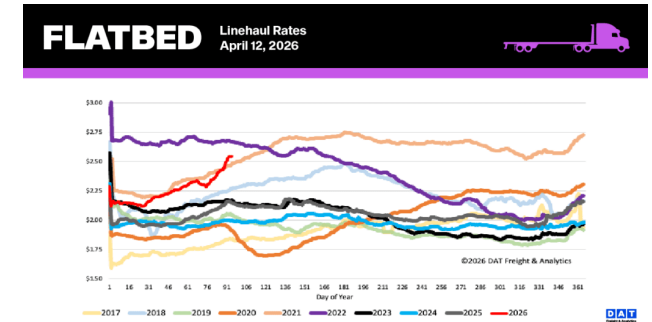
DRY VAN LINEHAUL RATES 2026 (red) sharply above all recent years — Apr 12, 2026



REEFER LINEHAUL RATES 2026 (red) tracking well above 2024 and 2025



FLATBED LINEHAUL RATES 2026 (red) on a sustained climb — 15-week rally



## SPOT RATE SNAPSHOT

All three modes are running significantly above year-ago levels. The moves are being driven by a combination of genuine capacity tightening and fuel cost pass-through. Linehaul rates, the underlying demand signal once fuel is stripped out, tell a more nuanced story by mode.

Mode	Spot Rate	Vs. Last Year	Vs. 5-Yr Avg
Dry Van	\$2.00/mi	+\$0.40 (+25%)	+\$0.43 (+22%)
Reefer	\$2.39/mi	+\$0.51 (+27%)	+\$0.54 (+23%)
Flatbed	\$2.58/mi	+\$0.45 (+21%)	+\$0.54 (+23%)

## LINEHAUL vs. ALL-IN: THE KEY DISTINCTION

All-in spot rates include fuel. Linehaul rates strip it out and show what the market is paying for truck capacity. The two are telling different stories right now.

### Van & Reefer Linehaul

Linehaul rates declined month-over-month in March (-\$0.09 van, -\$0.13 reefer). Fuel is carrying the all-in rate higher, not pure demand.

### Flatbed Linehaul

Linehaul rose +\$0.13 month-over-month in March. The only mode where underlying demand is driving the rate, not just fuel.

## CONTRACT RATES

Contract rates surged in March, driven by the same fuel-cost dynamics affecting spot. RFP season is playing out in one of the most volatile cost environments in years, forcing shippers and carriers to negotiate with significant uncertainty baked in.

Mode	Contract Rate	MoM Change
Dry Van	\$2.72/mi	+\$0.20
Reefer	\$3.10/mi	+\$0.22
Flatbed	\$3.43/mi	+\$0.30

## FTR TRUCKING INDEX

**10.2**

Trucking Conditions Index  
Feb 2026 4-year high

Driven by strengthening freight rates. Despite diesel volatility pushing March into potentially negative territory, experts view that as an outlier.

## MODE-BY-MODE FORWARD OUTLOOK

### Dry Van

- Rates dipped \$0.04 week-over-week as diesel pulled back to \$5.80/gal, but still 25% above last year

- Midwest bellwether lanes at \$2.37/mi, \$0.37 above the national rolling average, signaling continued tightness on core lanes
- Shippers must revise fuel surcharge language now to avoid painful Q2 rate resets

### Reefer

- Salinas-Watsonville opened for produce season at Slight Shortage, the seasonal inflection reshaping California reefer allocation through summer
- Yakima Valley posted the biggest rate moves of 2026: Chicago +42%, Dallas +38%. PNW carriers in the driver's seat
- Spring produce season is entering its most active window. Expect further reefer tightening through June

### Flatbed

- 15-week rate rally continues. \$2.58/mi linehaul, up \$0.27 in the past four weeks alone
- Flatbed L/T ratio at 83.11. Load posts 60% above year-ago levels and 63% above 5-year average
- Construction demand trough likely bottoming: January housing starts up 7.2% MoM, Home Depot and Lowe's comps turned positive after two years of declines