August 2026 Market Update: The Rearview & the Road Ahead

Demand Levels & Outlook

Softer volumes, sharply higher shipper spend

MANUFACTURING ORDERS HOLD IN EXPANSION

The Institute for Supply Management's July new orders index came in at **56.7**, still expansion territory but well below the 62 average of 2017 to 2018. Informant comments point to very strong demand downstream of the AI buildout and defense, and clearly weaker demand in consumer-oriented sectors.

Prices paid cooled from the low 80s in April and May to the **low 70s**, a level that still signals real input cost pressure.

INPUT COSTS ARE THE NEW DRAG ON ORDERS

An electrical goods producer reported 5% to 25% increases on printed circuit board assembly components and 15% to 45% on bare boards, calling the effect on customer demand into next year unsustainable. A fabricated metal producer is weighing foreign steel as domestic mills push price.

This shows up in the market as orders are firm and input prices sticky, so a September hike stays live. Demand-side upside is capped, which keeps this a **supply-led upcycle** rather than a volume recovery.

SHIPPERS PAY MORE TO MOVE LESS

U.S. Bank's Q2 index shows shipments down 1.1% sequentially and **2.8% year over year**, while spending rose 6.4% and **28.1%**. Capacity, not fuel, was the primary driver.

Q2 FREIGHT PAYMENT INDEX

-2.8%	+28.1%	17%
Q2 shipment volumes, year over year	Q2 shipper spending, year over year	Spending still below its Q2 2022 peak

Regionally the split is stark: Southwest shipments fell 20.2% year over year while spending rose 39.9%, the widest gap in the country. The Midwest was the only region where spending declined.

LABOR MARKET IS THE WILD CARD

July payrolls fell 23k with 169k of downward revisions to May and June, putting three-month average job growth at just **+20k**. Participation has slid from 62.5% in November 2025 to **61.4%**, a 2.4 million drop, 64% of it prime age.

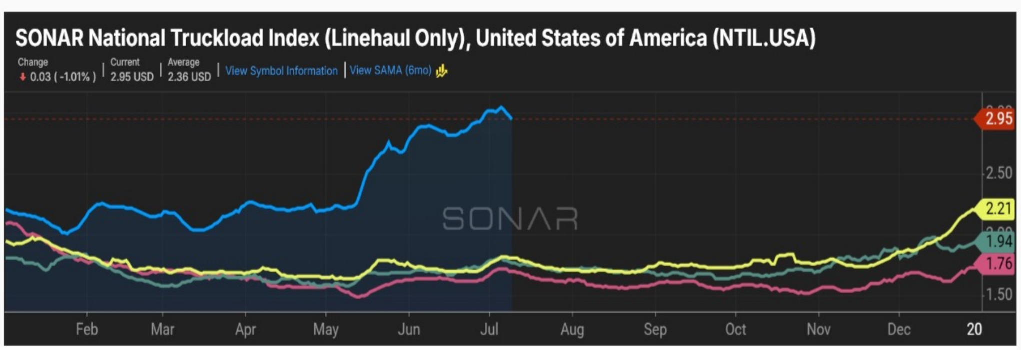
FREIGHT IS SHIFTING FROM ROAD TO RAIL

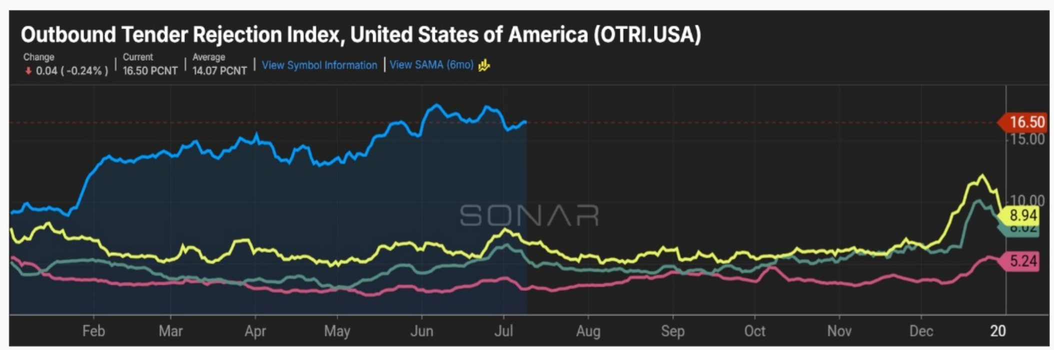
Domestic intermodal volumes are up **10%** year over year while long-haul truckload tenders sit at their lowest point of 2026, unusual for August with California port imports running strong.

THE SPREAD SHIPPERS ARE CHASING

- **Chicago to Elizabeth, NJ:** truckload contract rates up 31% including fuel, intermodal up 5%
- **Atlanta to Elizabeth, NJ:** truckload up nearly 60%, intermodal up 6%
- **Domestic container growth:** Atlanta over 20%, Chicago 9%, Los Angeles 3%
- **Total tender volumes:** up 6% year over year, with long-haul the only segment not growing

This presents in the market as long-haul truckload is losing its most fungible freight to rail just as intermodal peak season starts in September. The rails can raise rates double digits and still win on cost, so truckload pricing stays **capacity-led**. Tight downstream inventories are the swing factor: any demand shock pulls freight back to trucks fast.





Source: FreightWaves

Supply, Capacity & Carrier Operating Costs

Capacity keeps exiting while operating costs set records

LMI CAPACITY IS CONTRACTING FASTER

The LMI is a diffusion index where 50 divides growth from contraction. Transportation capacity read **28.4** in July, down from 30.8 in June, so capacity is shrinking faster than the month before. The overall index eased to **68.9** from 71.7 but holds nearly 7 points above its 61.7 all-time average.

Utilization fell 9.7 points to 65.0 but held above 50, while pricing eased to 86.9 from 92.4. ATRI notes fleets cut effective capacity **5.5%** in 2025, the most since the pandemic, with truck counts down 2.4% and roughly 10% of trucks parked.

WHAT IT MEANS FOR THE MARKET

With no slack in the network, disruption prices through instead of being absorbed. Spot rates keep their premium, tender rejections hold near 14%, and every bid cycle resets contract rates higher. Capacity is not expected to re-enter at scale before late August.

ENFORCEMENT IS THE NEW GATEKEEPER

Operation Highway Shield pulled more than **750** unsafe trucks or drivers off the road in a late-July Midwest blitz, with 51 immigration detentions and 36 English language proficiency citations. Non-domiciled CDL revocations, driver school shutdowns and ELD providers exiting keep removing low-cost capacity.

14.36%	$2.336	95.6%
Truckload tender rejections vs a 10.9% six-month average	Record cost per mile in 2025, higher in 2026	U.S. refinery utilization, running near maximum

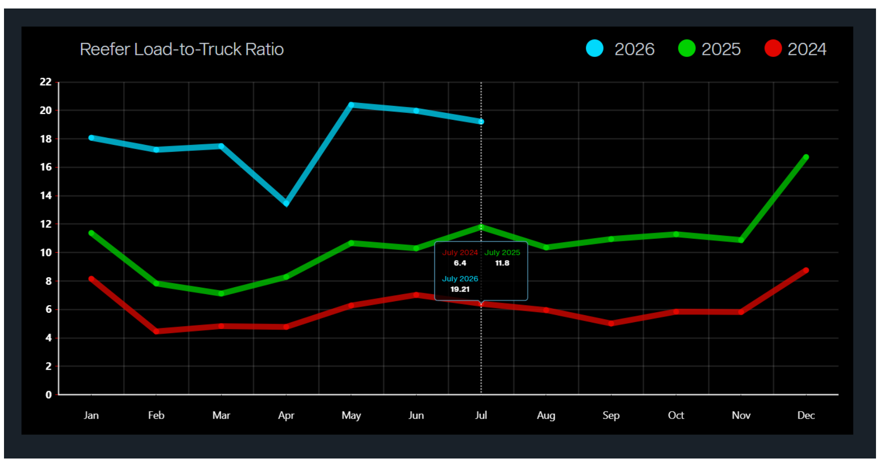
Knight-Swift reported tender rejections at levels it had not seen since 2021, and Werner flagged the same enforcement forces. Carriers see more freight because fewer fleets are chasing it, not because demand grew.

WHERE THE COST PRESSURE SHOWS UP

- **Fuel:** DAT put Q2 cost at 75 cents per mile, up 47.1% sequentially and 78.6% year over year
- **Operating cost:** 2025 set a record $2.336 per mile and ATRI expects 2026 higher
- **2025 margins:** LTL 11.6%, tanker 4.0%, truckload 0.4%, reefer 0.6%, flatbed at a 0.5% loss
- **Rejections by mode:** flatbed 23.5%, reefer 19.46%, national 14.36%

DIESEL IS BACK ABOVE $5

Distillate inventories fell about 3.3 million barrels last week and now sit **6.6% below** last year, with exports running 18% above the same week in 2025 and refineries at 95.6% utilization. Diesel peaked at $5.64 in April, fell to $4.67 late in Q2, then jumped 33 cents to **$5.13**. Sub-$5.00 diesel looks unlikely near term.



Source: DAT

Contract & Spot Market Rate Trends

A soft week, still 33% to 39% above last August

DRY VAN LINEHAUL : As of 8/10. $2.28/mi, -$0.04 wk, +39.2% YoY

REEFER LINEHAUL : As of 8/10, $2.64/mi, -$0.01 wk, +33.7% YoY

FLATBED LINEHAUL : As of 8/10, $2.79/mi, -$0.04 wk, +37.3% YoY

Source: DAT

SPOT LINEHAUL EASED, STILL WELL ABOVE 2025

Week 32, August 3 to 9, saw linehaul rates slip modestly across all three modes as summer volumes softened. Every mode still sits far above the same week in 2025.

LINEHAUL RATES, WEEK 32

- **$2.28** Van: down $0.04 for the week, +39.2% YoY
- **$2.64** Reefer: down $0.01, +33.7% YoY
- **$2.79** Flatbed: down $0.04, +37.3% YoY

Weekly softness is seasonal. The year-over-year gap is the signal, and it has not narrowed.

VS. THE NINE-YEAR SEASONAL AVERAGE

Van runs **27.5%** above its $1.78 nine-year average, reefer 26.2% above $2.09 and flatbed 30.2% above $2.14, all near the top of their historical ranges.

CAPACITY IS LEAVING FASTER THAN FREIGHT

Load posts fell across every mode last week, but truck posts fell further, holding load-to-truck ratios near double last year's levels.

LOAD-TO-TRUCK RATIOS, WEEK 32

- **10.38** Van: 10.71 a week ago, 5.45 a year ago
- **19.51** Reefer: 18.86 a week ago, 9.17 a year ago
- **36.97** Flatbed: 40.07 a week ago, 20.31 a year ago

Reefer was the only mode to tighten week over week, with capacity thinning 9.4%.

BELLWETHER STATE OUTBOUND RATES

Van **$3.01** (+44.9% YoY), reefer $3.60 (+40.7%), flatbed $3.57 (+39.5%). Those 10-state rosters carried 36% to 52% of national outbound volume.

SPOT HAS ALL BUT CAUGHT CONTRACT

Q2 spot averaged $3.02 per mile, up 18.9% sequentially and 41.1% year over year. Contract averaged $3.06, up 13% and 20.9%. The gap is now **$0.04**, against $0.39 a year ago.

Contract rates hold at $2.71 plus fuel, 18% above last year. As routing guides stand back up at those levels, more contract freight is accepted, and tender rejections have normalized to 13.84%.

Load posts fell 3% to 2.76 million in the prior week while equipment posts dropped 11% to 166,704, a second straight week of capacity falling faster than demand.

35-DAY RATECAST, MID-SEPTEMBER

- **$2.23** Van, plus or minus $0.08, the widest band
- **$2.61** Reefer, plus or minus $0.06, the narrowest
- **$2.70** Flatbed, plus or minus $0.07

Spot leads and contract follows, so the harder market for shippers is the next bid cycle, not the last one.