

Freight Market Update

February 2025



Overall Market Outlook

Two economic concerns facing shippers in 2025 are the impact of tariffs and rising inflation.

Employment

The January 2024 unemployment rate was reported at 4.0% while nonfarm payroll employment increased by 143,000 according to the U.S. Bureau of Labor Statistics (BLS) Employment Situation Summary.

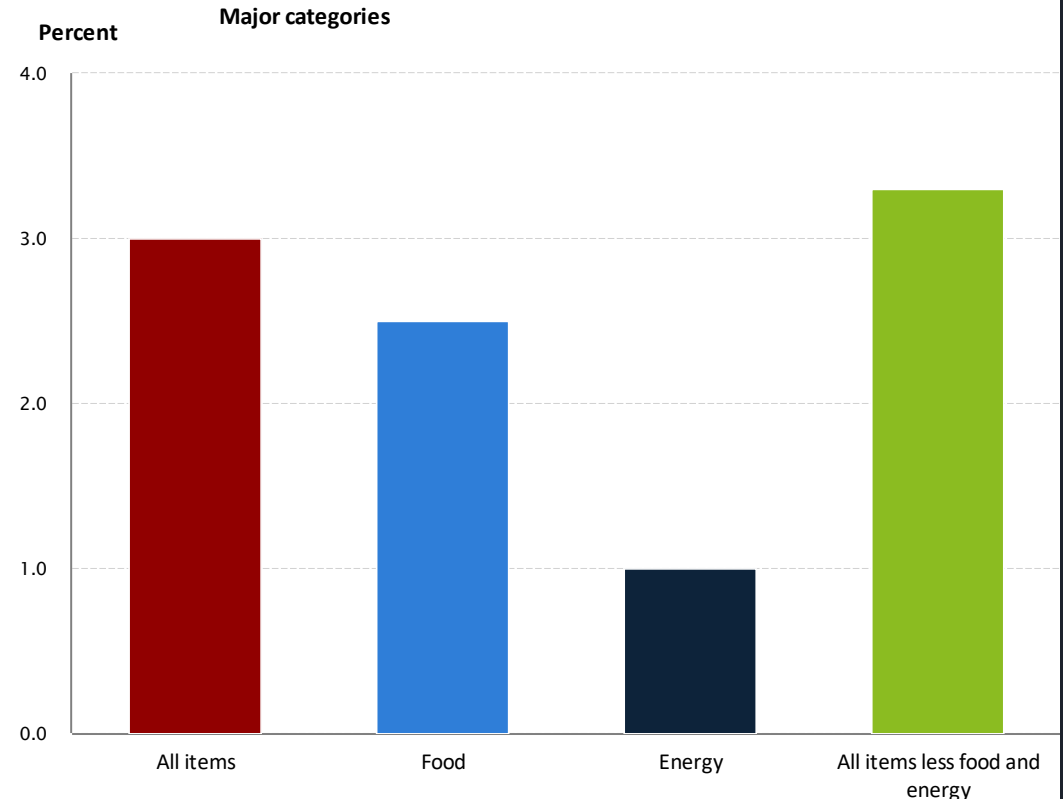
The report noted the changes: “Job gains occurred in health care, retail trade, and social assistance. Employment declined in the mining, quarrying, and oil and gas extraction industry.”

Inflation (Consumer Price Index)

In January, inflation increased 0.5% and has risen 3.0% over the past 12 months, as reported by the Consumer Price Index Summary from the BLS.

Their report noted that shelter was a major contributor to the monthly increase: “The index for shelter rose 0.4 percent in January, accounting for nearly 30 percent of the monthly all items increase.”

12-month percentage change, Consumer Price Index, selected categories



Source: U.S. Bureau of Labor Statistics.

Overall Market Outlook

Imports

In December 2024 (the most recent month available) imports of goods only, increased \$11.4 billion from the previous month to \$293.1 billion.

Increases came from the following sources:

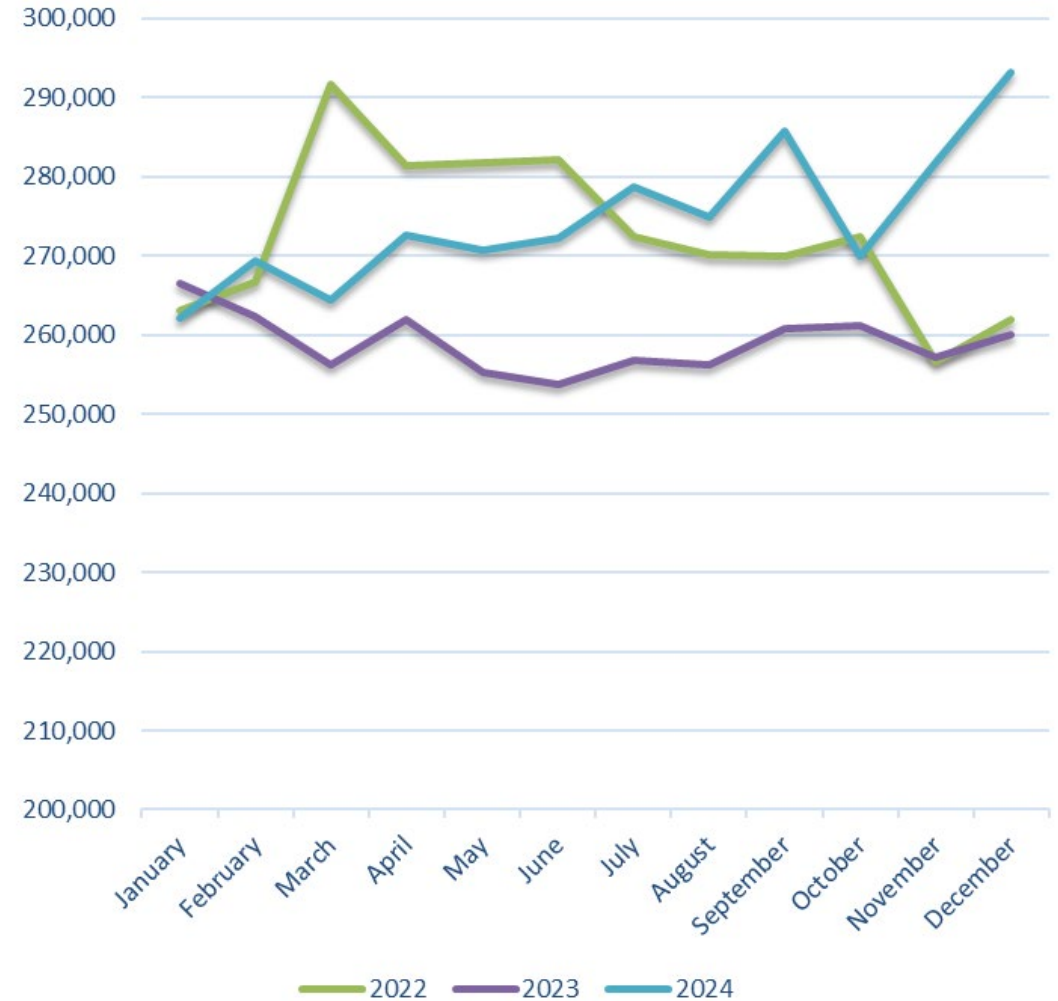
- Industrial supplies and materials increased \$10.8 billion.
- Consumer goods increased \$2.2 billion.
- Capital goods increased \$1.3 billion.
- Automotive vehicles, parts, and engines decreased \$2.2 billion.

U.S. Manufacturing

In December, new orders of manufactured durable goods decreased \$8.7 billion or 3.1% versus the previous month, as reported in the latest Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders.

Shipments of manufactured durable goods increased \$1.3 billion or 0.4% in the same time frame.

U.S. International Trade - Imports of Goods
Seasonally Adjusted. In millions of dollars



Overall Market Outlook

Inventories

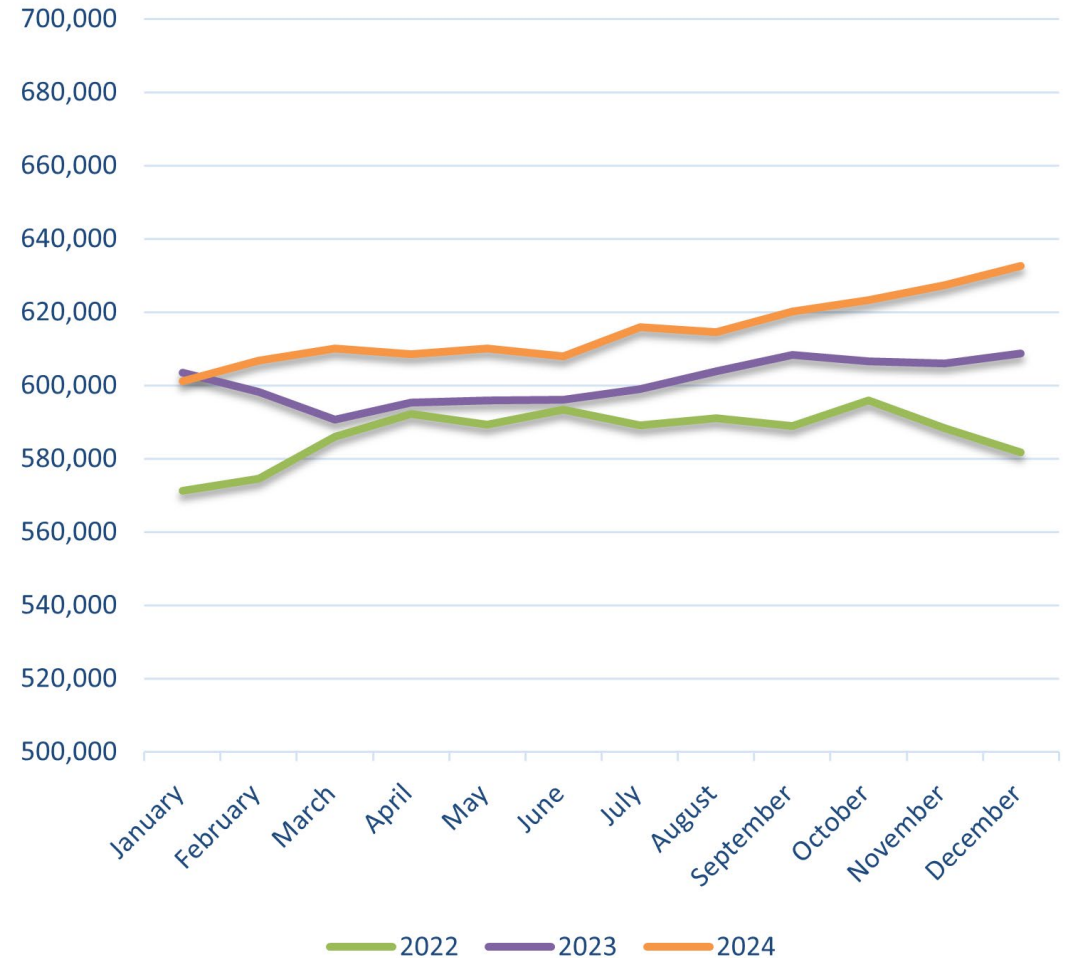
Inventories of manufactured durable goods increased \$0.5 billion in January versus the previous month, according to the latest Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders.

Retail Sales

In January, U.S. retail and food services sales were down 0.9% vs the previous month and up 4.2% versus a year ago, according to the Advance Estimates of U.S. Retail and Food Services.

Retail trade sales alone were similarly down 1.2% from the previous month and up 4.0% from last year.

Retail Trade: U.S. Total
Seasonally Adjusted Sales. In millions.





Truckload

Market Update

Truckload volumes in 2025

In the truckload market, although flat or declining volumes have persisted for two years, the ATA is hopeful that 2025 will finally be a year of growth. According to a press release from the ATA, “In the latest edition of its annual freight forecast, the American Trucking Associations projects that after two years of declines, truck volumes are expected to grow 1.6% in 2025, and ultimately rise to nearly 14 billion tons by 2035.” In January, tonnage remained unchanged after decreasing in December 2024 from both the previous month and December 2023.

Truckload supply and demand

The Van load to truck ratio has increased over the past two months and stood at 7.2 for January 2025, which is higher than typical. In 2023 and 2024, this ratio ranged between 2 to 5, except for in December of 2024. In January 2025, spot load posts were up 27.4% versus December, and down 0.5% versus a year ago according to DAT Trendlines.

Truckload costs

Two areas of cost relief on the horizon are the move to rescind congestion pricing and rewrite fuel economy rules. While congestion pricing is still in effect, a challenge to this may pull it back and prevent it from expanding to other areas. According to Transport Topics, “Newly appointed Transportation Secretary Sean Duffy ordered a rewrite of more stringent U.S. fuel economy rules, following through on one of President Donald Trump’s first directives.” Another area of relief is diesel. As of the week of 2/17/25, diesel is \$3.68 per gallon, a decrease of \$0.43 from a year ago.

Less than Truckload (LTL)

Market Update

NMFC changes ahead

One of the biggest changes in the LTL industry is coming up in July when freight classifications from the NMFTA will go into effect. The next step in this process is an in-person meeting on March 3 in Florida to discuss and potentially finalize the changes in the freight classification system.

LTL carrier performance

Looking back at Q4 of 2024, several publicly traded LTL carriers experienced a decrease in revenue both versus the previous quarter and versus the same quarter a year ago. Knight Swift and Saia were two exceptions, and both saw growth in Q4 2024 vs Q4 2023.

LTL network changes

FedEx Freight could be in for changes soon, as the current president, Lance Moll, retires ahead of the spin off. TFI is moving to America. In response to tariff pressure, TFI has announced plans to move their headquarters from Canada to the U.S. where most of their client base is already located. We'll be watching for other changes resulting from tariffs.

Parcel

Market Update

New directions for the U.S. Postal Service

With a new administration comes new direction for USPS. One change is that there are plans for the governing board that oversees USPS to be disbanded. Another change is that Postmaster General Louis DeJoy will be stepping down from his role after five years that began in spring 2020. This comes four years into his 10 year Delivering for America plan which outlined ways to increase income and reduce costs.

According to a recent USPS press release in Q4 2024 (which is Q1 2025 for USPS) there was significant improvement from the previous year. "Controllable income, which excludes certain expenses that are not controllable by management, doubled to \$968 million for the quarter, compared to \$472 million for the same quarter last year. Net income for the quarter was \$144 million due in substantial part to the success of strategic initiatives under the Delivering for America plan, compared to a net loss of \$2.1 billion for the same quarter last year."

Changes at UPS

Significant changes are also taking place at UPS. One change is that their contract with USPS for SurePost expired without renewal and the service is now being handled internally by UPS. This may lead to future changes for the SurePost service. Another change is their recent announcement of plans to cut half of their Amazon business over 18 months.

Additionally, the Wall Street Journal reported in late January that "UPS plans to reconfigure its U.S. network, including cutting work hours and the size of its vehicle and aircraft fleets. It will launch an efficiency drive that the company expects to generate \$1 billion in savings."

Revenue and operating profit rose at UPS in the fourth quarter of 2024. According to their January 30 press release, "UPS (NYSE:UPS) today announced fourth-quarter 2024 consolidated revenues of \$25.3 billion, a 1.5% increase from the fourth quarter of 2023. Consolidated operating profit was \$2.9 billion, up 18.1% compared to the fourth quarter of 2023, and up 11.2% on a non-GAAP adjusted basis."

Rail & Intermodal

Market Update

Rail volumes growing in 2025

Rail volumes have started 2025 strong. According to the AAR, “January brought the first carload increase in five months and a 10.3% surge in intermodal, fueled by strong consumer demand. However, industrial shipments remain weak, with coal declining and metals struggling, while chemicals and grain continue to drive gains.”

At a recent conference, rail carriers from CSX and Union Pacific commented that they didn’t expect tariffs to have a major impact. The AAR has noted, “Intermodal and construction-related shipments benefit from strong consumer spending, but rising inflation, tariff debates and shifting trade policies pose risks.”

Railroad volumes

For the first 8 weeks of 2025 vs the same period last year, total U.S. carloads decreased 2.4% and intermodal units increased 8.4%. Combined, there was a 3.4% increase in U.S. rail traffic, according to the American Association of Railroads (AAR).

In the same time frame, Canadian rail volumes were down 0.6% and Mexican railroad volumes were up 8.3%.

Ocean

Market Update

Growth outlook

Across the United States, ports experienced growth in 2024 according to the Wall Street Journal. “U.S. ports capped off 2024 with solid growth, as most major facilities reported volume increases for December.”

In January, growth has been bolstered by tariff concerns. Transport Topics reported that at the Port of Los Angeles, “The busiest trade hub in the U.S. moved more containers last month than in any previous January, as importers rushed to bring in goods before President Donald Trump’s potential tariff hikes.”

For 2025, A.P. Moeller-Maersk is forecasting 4% growth in container shipping.

Ocean rate considerations

The increased demand has led to higher rates year over year. As reported by FreightWaves, “Ocean container rates on trans-Pacific services to the United States are trending lower but remain elevated from year-ago prices.” There are concerns that a return to the Red Sea could cause over capacity and a significant rate decline.

U.S. port charge potential

Recently, the United States Trade Representative (USTR) proposed substantial port charges for Chinese vessels calling at U.S. ports. The proposal includes a charge of up to \$1 million per call for a Chinese-operated vessel. It also includes a refund of up to \$1 million for U.S. built vessels. Currently, there are a small number of around 18 U.S. built container ships.

The proposal also includes rules which would immediately require 1% of U.S. exports move on U.S.-flagged and -operated ships, which would gradually increase to 15% within seven years. The decision on whether or not to implement this proposal is expected to come after March 24.



Market Update

Air cargo volumes grew significantly in 2024

In 2024, air cargo demand grew throughout the year and has grown for 17 consecutive months. As reported by IATA in their December 2024 Air Cargo Market Analysis, “The full year 2024 saw industry-wide CTK surpass 2023 levels by 11.3%, setting a new record by exceeding 2021’s volumes.”

Capacity grew at a slower pace. “Global air cargo capacity, measured in Available Cargo Tonne-Kilometers (ACTK), grew 3.7% YoY in December. Year-to-date, ACTK increased by 7.4% compared to 2023.”

Anticipate volatility

The increased demand could make obtaining favorable rates more challenging for shippers. Xenata advised, “with the potential volatility anticipated in 2025, proactive planning in specific markets will be crucial to mitigate buying capacity in the short-term market. Shippers exceeding their allocated volumes may risk being pushed onto the escalated spot market.”

Looking ahead, several factors will impact air freight such as tariffs, the Red Sea outcomes, and other geopolitical events.



About TranzAct

A Nationally and Internationally Certified Women's Business Enterprise, our superior technology, quality processes, and comprehensive network help our customers reduce costs while improving services.

Our solutions provide shippers of all modes with freight audit and payment, reporting and TMS applications, rate negotiation and procurement savings, contract development, consulting and analysis. With offices around the globe, we serve our clients on a 24/7 basis.

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