

Freight Market Update

March 2025



Overall Market Outlook

Tariffs are expected to influence the economy and freight markets significantly this year in ways that many are still trying to determine.

Employment

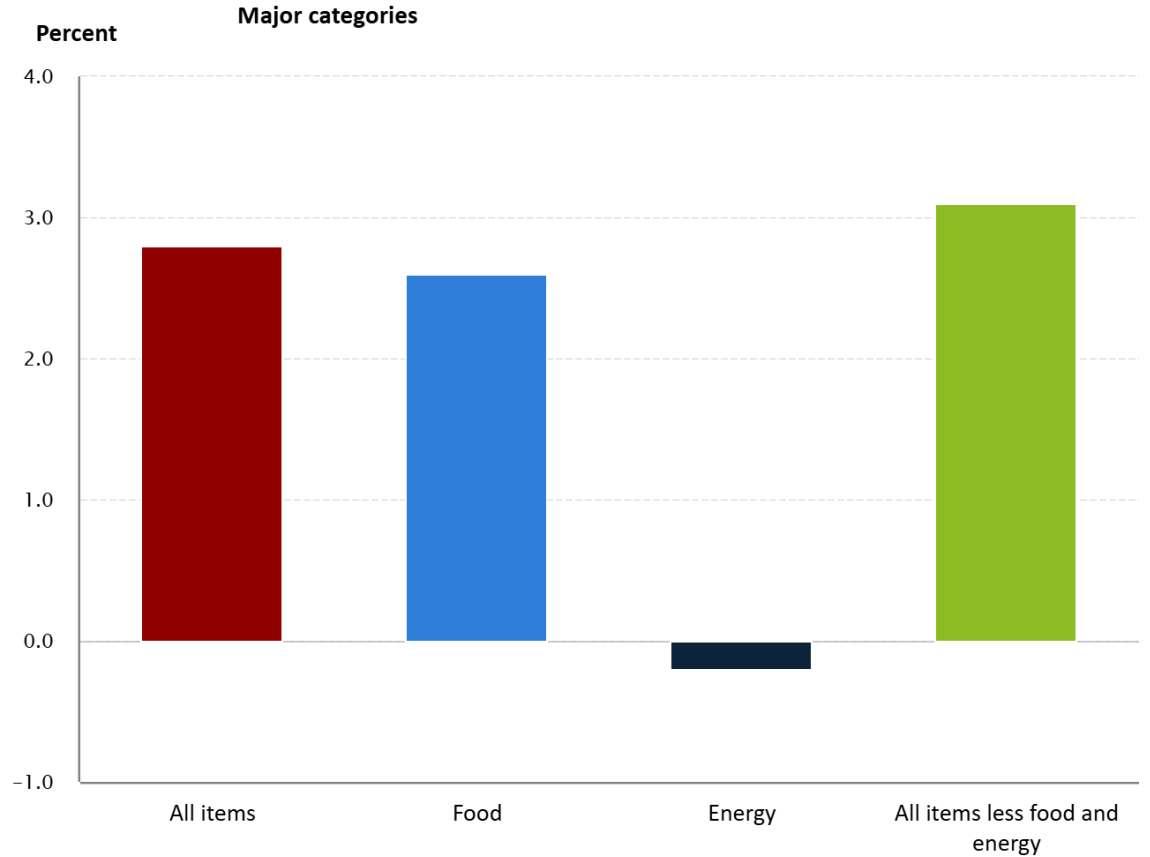
The February 2025 unemployment rate was reported at 4.1% while nonfarm payroll employment increased by 151,000 according to the U.S. Bureau of Labor Statistics (BLS) Employment Situation Summary.

The report noted the changes: "Employment trended up in health care, financial activities, transportation and warehousing, and social assistance. Federal government employment declined."

Inflation (Consumer Price Index)

In February, inflation increased 0.2% and has risen 2.8% over the past 12 months, as reported by the BLS Consumer Price Index Summary. Their report noted that shelter was a major contributor to the monthly increase: "The index for shelter rose 0.3 percent in February, accounting for nearly half of the monthly all items increase. The shelter increase was partially offset by a 4.0-percent decrease in the index for airline fares and a 1.0-percent decline in the index for gasoline."

12-month percentage change, Consumer Price Index February 2025



Source: U.S. Bureau of Labor Statistics.

Overall Market Outlook

Imports

In January 2025 (the most recent month available) imports of goods only, increased \$36.2 billion from the previous month to \$329.5 billion.

Increases came from the following major sources:

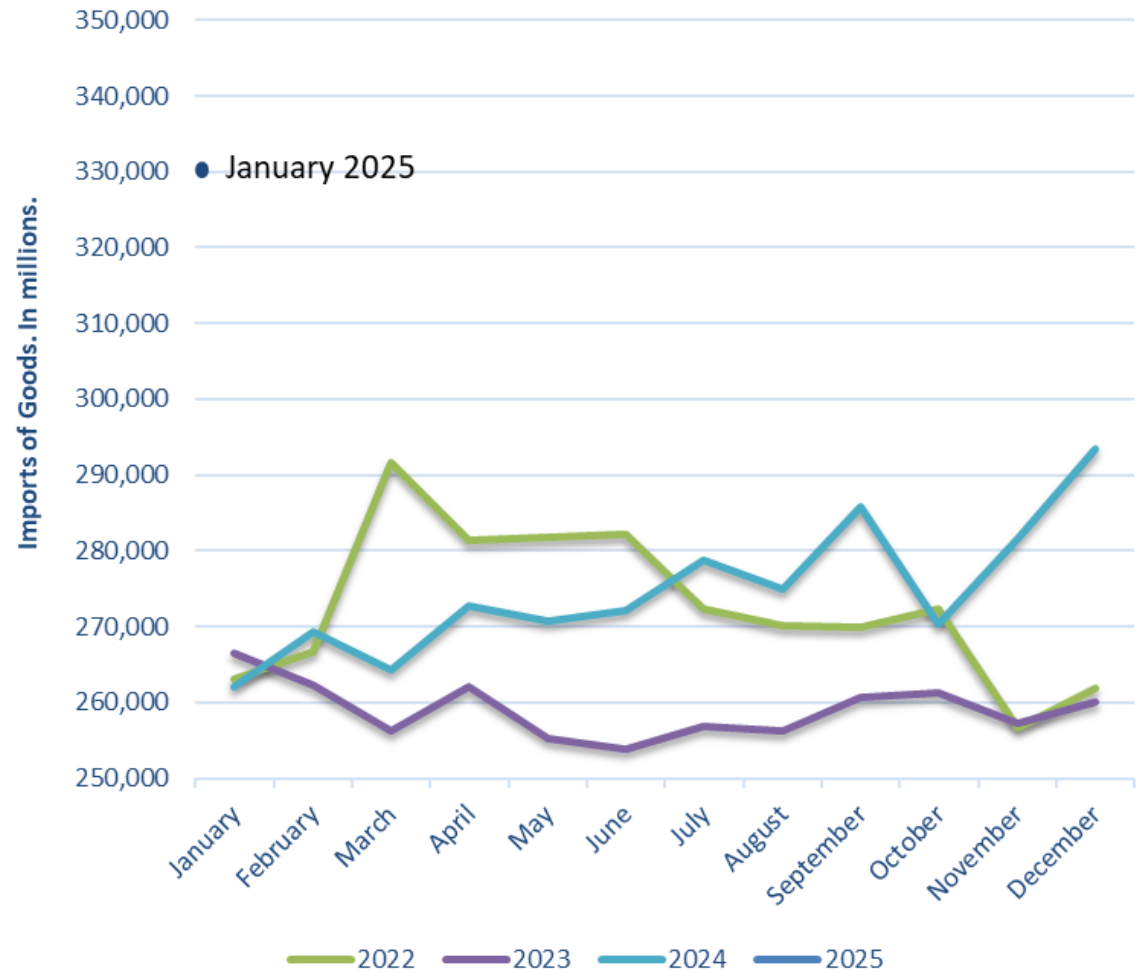
- Industrial supplies and materials increased \$23.1 billion.
- Consumer goods increased \$6.0 billion.
- Capital goods increased \$4.6 billion.

U.S. Manufacturing

In February, new orders of manufactured durable goods increased \$2.7 billion or 0.9% versus the previous month to \$289.3 billion, as reported in the latest Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders.

Shipments of manufactured durable goods increased \$3.4 billion or 1.2% to \$292.3 billion in the same time frame.

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



Overall Market Outlook

Inventories

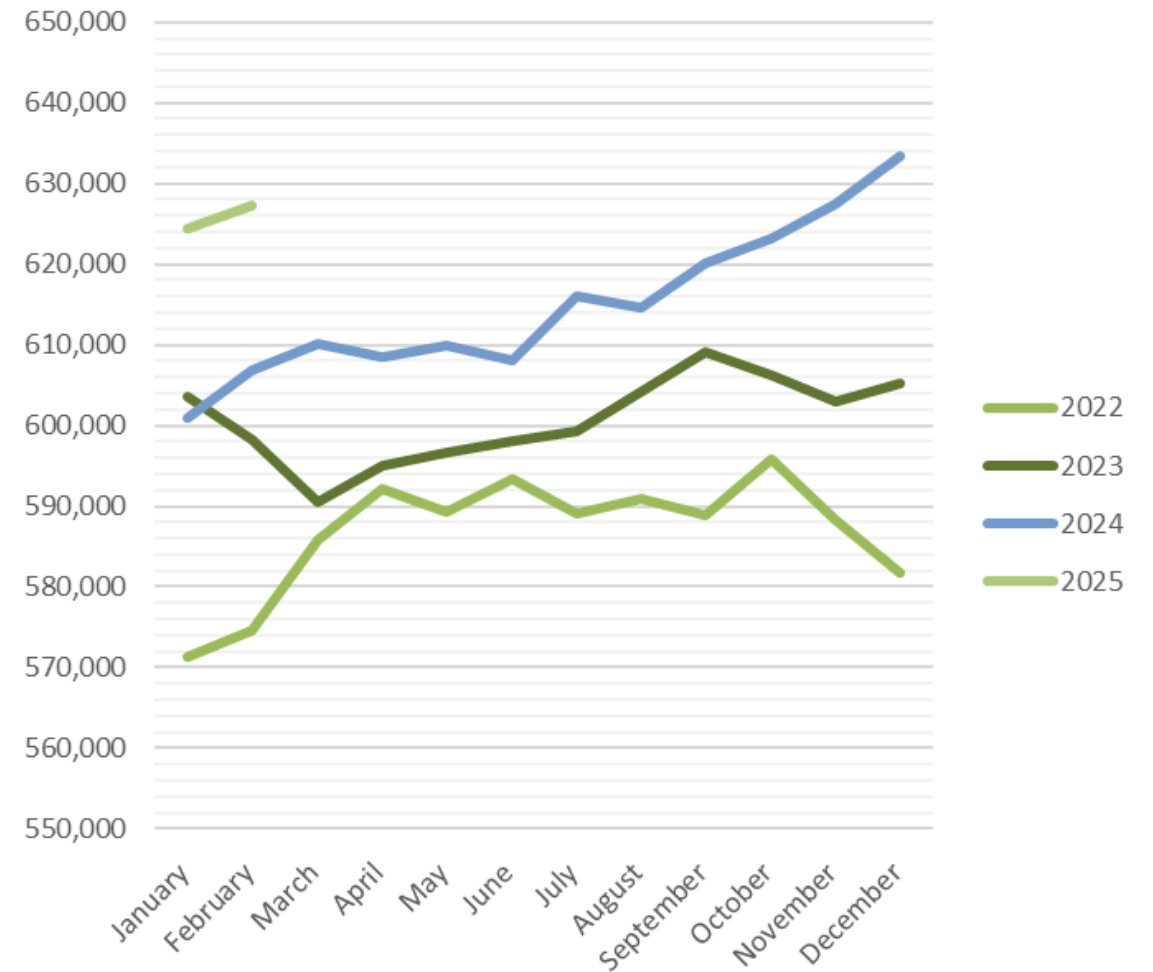
Inventories of manufactured durable goods increased \$0.4 billion or 0.1% in February versus the previous month to \$533.2 billion, according to the latest Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders.

Retail Sales

In February, U.S. retail and food services sales were up 0.2% vs the previous month and up 3.1% versus a year ago, according to the Advance Estimates of U.S. Retail and Food Services.

Retail trade sales alone were similarly down 0.5% from the previous month and up 3.4% from last year.

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





Truckload

Market Update

Truckload supply and demand

SUPPLY/ CAPACITY: The Van load to truck ratio has declined from January to 4.7 in February. This is still above all of the reported ratios for 2023 and 2024, except for December 2024.

DEMAND: In February 2025, spot load posts were down 11.7% versus the previous month, and up 14.8% versus a year ago according to DAT Trendlines. The ATA Truckload Tonnage Index reported a gain for February 2025. "Trucking activity in the United States surged 3% in February, marking the largest sequential increase in several years. February's gains followed a slight decline in January, according to the American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index."

RATES: In February, rates for van and reefer declined and are projected to decline again in March. Flatbed rates were flat from January to February and are expected to increase overall for the month of March. Contract rates are still above spot rates with no indication of narrowing.

Truckload costs

As of the week of 3/24/25, U.S. diesel was \$3.57 per gallon nationwide, a decrease of \$0.47 from a year ago.

Tariffs could affect the truckload market in many ways such as decreasing demand if consumers pull back spending, or increasing demand if there is an increase in U.S. based manufacturing.

Less than Truckload (LTL)

Market Update

NMFC changes approaching

There are only a few months left for shippers to prepare for upcoming changes to freight classification being implemented by the NMFTA on July 19, 2025. The organization has resources on their website and have planned webinars to provide information.

In a recent article by Logistics Management's John Schulz, he cautioned, "Enlightened trucking executives are hoping these density-based changes will create dialogues with shippers to find common ways to cut costs and create efficiencies in freight moves and dock practices. The overall goal is modernization of a practice that is both viewed as essential and arcane. In fact, it's a bit of both with a system that dates to 1935."

Tough LTL times

Several LTL carriers are dealing with a market downturn. For February, many LTL carriers have been reporting tonnage declines while Saia reported an increase. FedEx Freight, the largest LTL carrier, reported declines in shipments and other metrics for their fiscal Q3 recently. According to Transport Topics, "FedEx Freight Q3 segment revenue decreased 5% to \$2.09 billion from \$2.21 billion, while operating income fell 23% to \$261 million from \$341 million. Results were affected by lower fuel surcharges, reduced weight per shipment and fewer shipments".

TFI has also been dealing with a disappointing past quarter due to declining volumes. As reported by FreightWaves, "negative aspects of the TFI earnings report and call with analysts about the issues at TForce were cited by Merrill Lynch: declining market share in profitable small to medium business". Recently, TFI reversed a decision to move its headquarters from Canada to the U.S. in response to tariffs.

Parcel

Market Update

Changes at USPS

After welcoming help from the DOGE team to reduce USPS costs, the Postmaster General Louis DeJoy stepped down on March 25. He communicated his confidence that the postal service is capable of modernizing and emphasized his support for the future of the organization saying in his last address, "I shall cheer on America's 76th Postmaster General and the 640,000 men and women of the United States Postal Service who I have called my colleagues and friends for close to five years." The DOGE is looking into several options for the postal service such as using it to help other federal agencies. There has also been talk about privatizing the postal service or merging it with the Commerce Department.

New product launches

Parcel carriers are launching new products to deal with costs. UPS recently announced a new service called UPS Global Checkout which provides an upfront guarantee on the costs online shoppers pay for duties, fees and taxes, according to their press release. FedEx is launching FedEx Easy Returns which is their own box and label free return offering with around 3,000 drop-off locations initially.

Rail & Intermodal

Market Update

Rail safety improved in 2024

While train derailments continue to get widespread attention, overall rail safety improved greatly in 2024 according to new data from the Federal Railroad Administration (FRA). The AAR recently reported, “Railroads continue to make strides to improve employee safety with Class I railroads setting a second consecutive all-time record-low rate of injuries and fatalities last year. Additionally, the train accident rate declined for all railroads by 33% since 2005 and 15% year-over-year.” The article also noted that in 2023 the rail transportation directly employed 153,000 workers.

Railroad volumes

For the first 12 weeks of 2025 vs the same period last year, total U.S. carloads decreased 0.6% and intermodal units increased 8.2%. Combined, there was a 4.2% increase in U.S. rail traffic, according to the American Association of Railroads (AAR).

In the same time frame, Canadian rail volumes were down 1.8% and Mexican railroad volumes were down 8.4%.

Ocean

Market Update

Tariffs and Fees

Tariffs and the response to them are shifting rapidly. The potential port fees for Chinese container ships are also drawing a response. The Wall Street Journal's Logistics Report's Paul Berger reported that "Saadé, the billionaire chief executive of Marseille's CMA CGM, intends to triple the size of the container line's U.S.-flagged fleet, upgrade its U.S. port facilities and create a Chicago airfreight hub, among other moves. The investments will create 10,000 direct new jobs, Saadé said in an interview, adding most of the announced investment is new money that is being found or reallocated from other areas."

The WSJ also noted a response to tariffs coming from India. "India is increasingly seen by U.S. retailers and manufacturers as an alternative to China. Prime Minister Narendra Modi wants to keep it that way and is introducing a series of tariff cuts intended to head off reciprocal duties."

Spot Rates

Ocean container spot rates have declined significantly so far this year. Drewry's World Container Index decreased 4% to \$2,168 per 40ft container for the week of March 24, 2025 which is almost a 50% decline from beginning the year. The JOC recently reported that trans-Atlantic rates are down as well due to orders being held in response to tariff changes.



Market Update

Air Rates Falling

After a long period of strong demand, air freight rates have been dropping. The Journal of Commerce reported, "While strong e-commerce demand last year filled all available air freight capacity out of China and kept the industry in peak season mode, recent US moves to clamp down on low-value Chinese imports have rattled the market." The future of the U.S. de minimis tariff exemption is still in question as the White House faces the challenge of determining how to collect duties from these shipments.

Capacity Grows Faster than Demand in Early 2025

In IATA's January 2025 Air Cargo Market Analysis, air cargo demand continued a long streak of growth. "Global Cargo-Tonne-Kilometers (CTK) rose 3.2% year-over-year (YoY) in January, marking a year and a half of consistent expansion." However, unlike previous months, capacity grew at a faster pace. "Global air cargo capacity, measured in Available Cargo Tonne-Kilometers (ACTK), increased by 6.8% YoY in January."

Future Concerns

In the near future, demand for air freight could be influenced by tariff policy and the Red Sea situation, among other factors. In an article by Xenata about the TPM25 conference, they noted that many shippers are falling back on air freight due to uncertainty. "During the panel 'Air Cargo: Make It Part of Your Supply Chain or Pay the Price', most attendees admitted to making unplanned air freight moves in the past year to combat ocean delays. And while rates are currently falling as ocean reliability improves, the future is still a question mark. If e-commerce slows or Red Sea routes reopen, air rates could swing dramatically downwards."

While the large labor contracts at the U.S. East and West Coast ports are settled for the time being, the potential of large port fees or the need to reroute quickly in response to tariff policy could make air freight an appealing option in some situations ahead.



About TranzAct

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