

A semi-truck is driving on a winding mountain road. The truck is a large, modern model with a white cab and a long trailer. The road is paved and has a guardrail on the left side. The background shows a mountain range with evergreen trees and a cloudy sky. The overall scene is in grayscale.

Market Update

August 2025

by OOIDA Foundation

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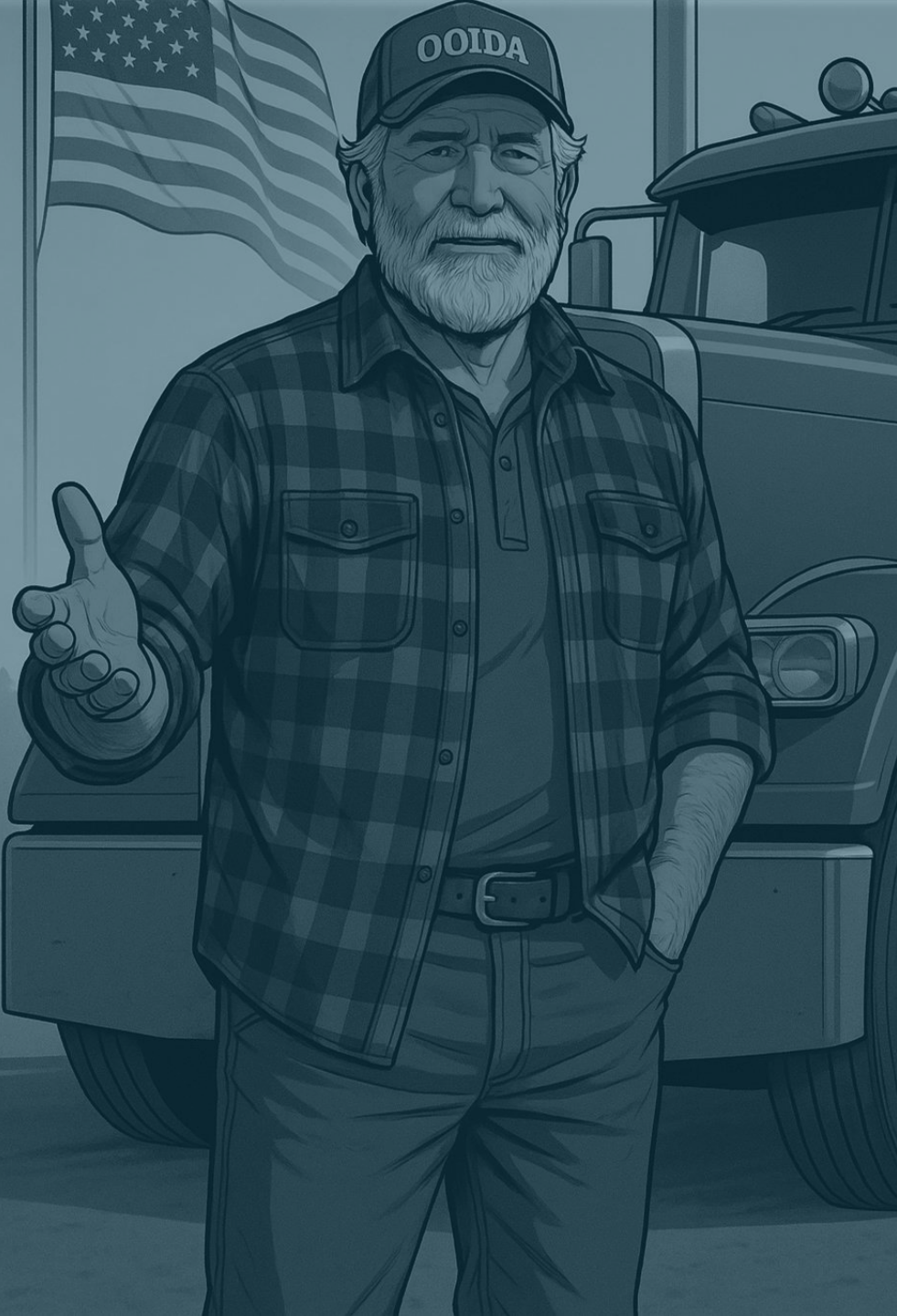
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Guide to the Report

This report is designed to help small business truckers, particularly owner-operators, understand the freight market—both now and in the months ahead.

It is divided into several key sections, each offering insights on different market segments and forces. Here's what each section covers and why it matters to you:

Van Market Outlook

Focuses specifically on dry van freight. It covers:

- **Demand:** How many van loads are available.
- **Rates:** What van operators are earning.
- **Dry Van Composite Index:** Reflects manufacturing and wholesale activity affecting this sector.

Flatbed Market Outlook

Dedicated to the flatbed segment. It includes:

- **Demand:** How much freight needs flatbed equipment.
- **Rates:** What flatbed operators are currently earning.
- **Flatbed Composite Index:** Tied to manufacturing and construction activity.

Reefer Market Outlook

Covers refrigerated freight. It includes:

- **Demand:** Volume of temperature-sensitive loads.
- **Rates:** Earnings for reefer operators.
- **Reefer Composite Index:** Driven by food distribution and seasonal cycles.

Trucking Market Update (Current Conditions)

This section gives a snapshot of the market today, focusing on four key areas:

- **Volume:** How much freight is currently moving.
- **Supply:** How many carriers and drivers are in the market.
- **Rates:** What the average owner-operator is earning now.
- **Operating Costs:** Day-to-day expenses impacting profitability.

Why it matters: Understanding these current conditions helps you evaluate how competitive and profitable the market is right now.

Freight Market Outlook (What's coming next)

This section examines broader economic forces that shape tomorrow's freight demand. It includes:

- **Manufacturing:** Production levels drive freight volume.
- **Housing:** Construction activity affects shipments of building and household goods.
- **Inventory & Intermodal:** These are leading indicators of capacity pressure and demand shifts.

Why it matters: These indicators help you anticipate slowdowns or rebounds in freight activity.

How to Read the Report

Rates: Van Spot Rates

The big picture: Truckstop and FTR have partnered together to provide a comprehensive picture of the spot market for various load types, including dry van.

Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Dry van spot rates mirrored demand and fell month-over-month (M/M) in February, after ticking upward \$0.03 last month.

- Spot rates dropped \$0.19 per mile to \$1.93, but are expected to increase as we move into early spring. Rates are \$0.01 per mile lower than last year.
- Spot rates have only increased year-over-year 5 times in the past 26-months, and are \$0.18 per mile below the 3-year moving average.
- Regionally speaking, rates fell in all 6 regions. The greatest decline was in the Midwest, which decreased \$0.24 per mile.

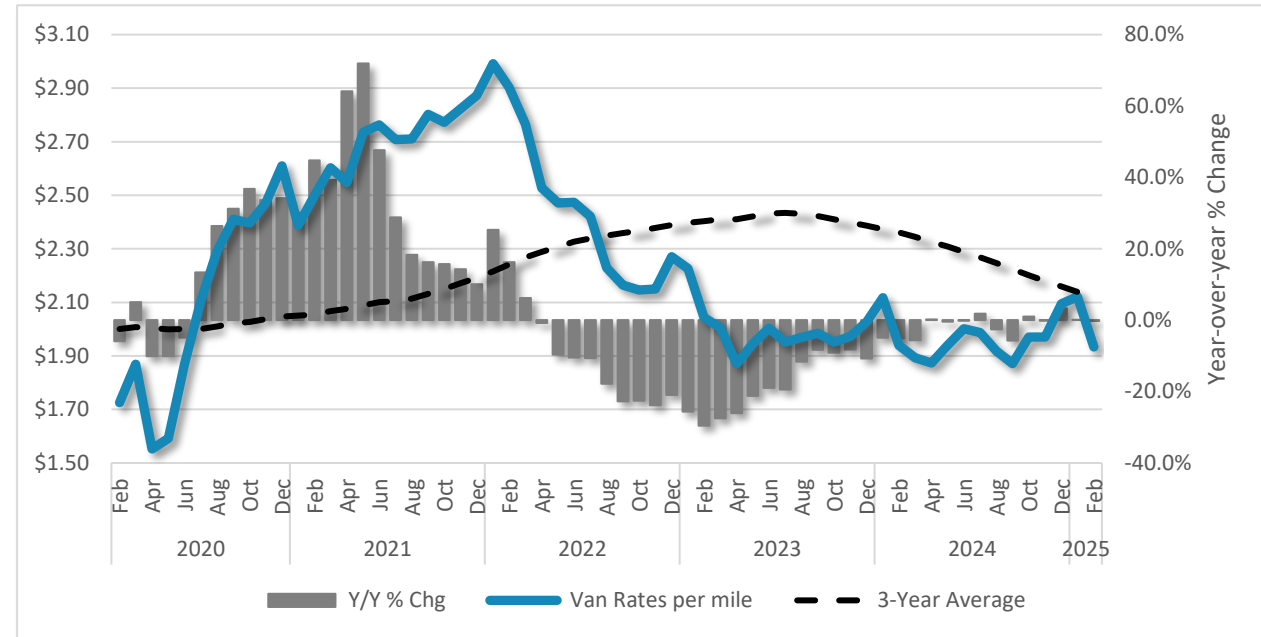
Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the dry van market cycle.

- Overall the spread worsened M/M by \$0.16 per mile, but is \$0.24 better than where we were last year.
- The Southeast region is \$0.21 below the benchmark, which is the worst among all the regions.

“The big picture” gives a brief description of the data and its source.

“Why it matters” explains why this data is important to owner-operators.

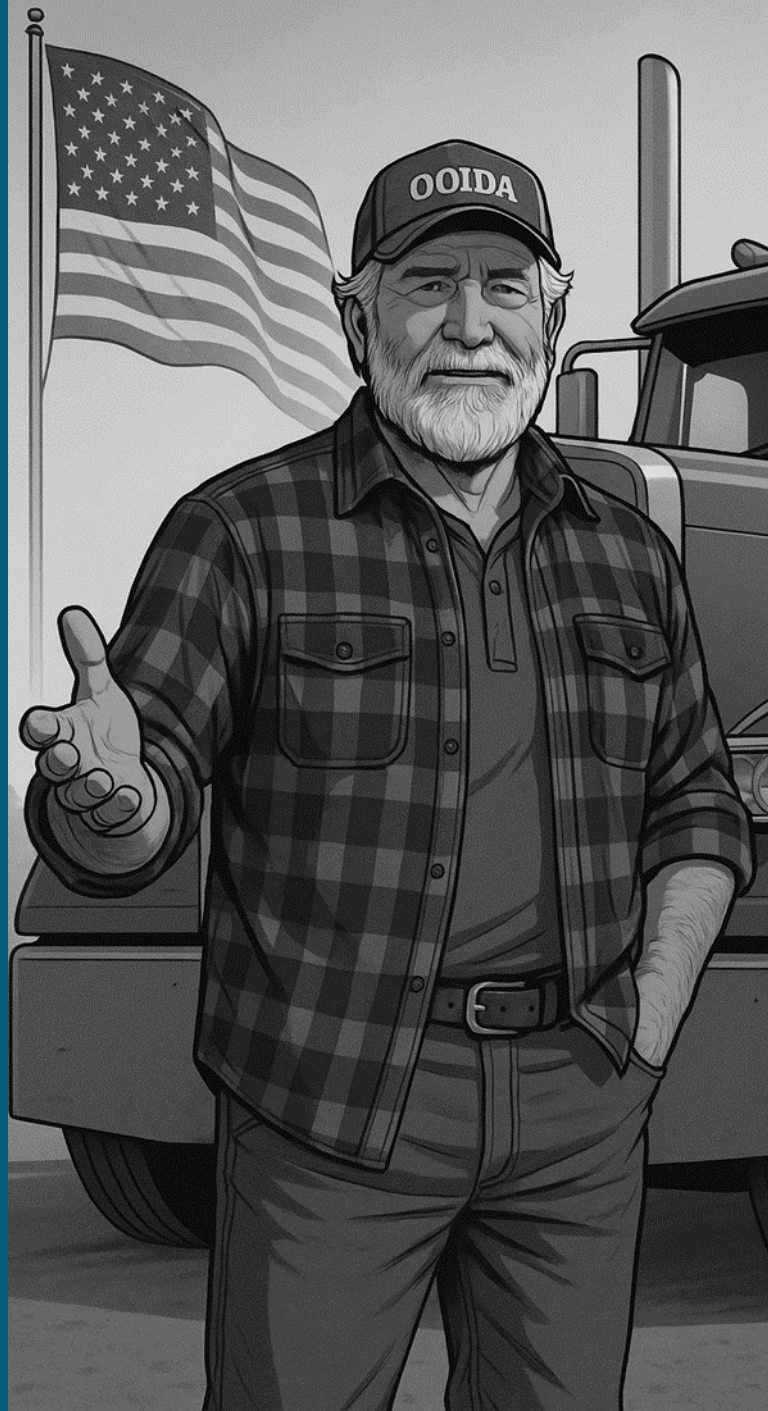
“Our thoughts” is our interpretation of the data. This is the *only* section that will change from month to month.



Source: Truckstop + FTR | <https://freight.frintel.com/spotmarketinsights> | Monthly

We like to give the **data source** in case you want to check it out for yourself.

01



Market Summary

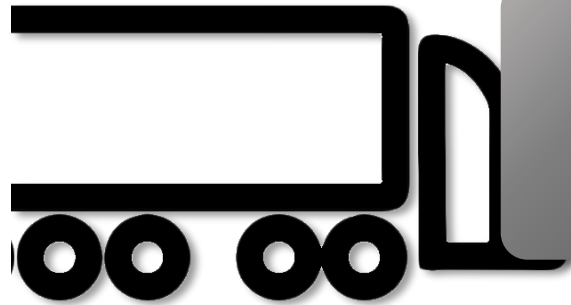
Demand



Weakening



Capacity



Loose



Rates



Flat



Operating Costs



Rising



Future Outlook



Negative



Total Spot Market Cycle Indicator (TSMCI)

The big picture: Data available through Truckstop + FTR has effectively identified previous market cycles by simply measuring the spread between the Total Spot Rate and the 3-year moving average. The OOIDA Foundation calls it the Total Spot Market Cycle Indicator (TSMCI).

Why it matters: Sharp moves in the TSMCI toward zero—whether positive or negative—typically signal a market shift.

- For example, the index predicted an upcycle in May 2017 and July 2020, both of which align with bull markets. Conversely, the index signaled a downcycle in October 2018 and June 2022.

Our thoughts: The TSMCI worsened by \$0.05 per mile month-over-month to **-\$0.04** in July, primarily due to a steep drop in flatbed rates.

- The TSMCI is \$0.25 higher year-over-year and has increased Y/Y for the past 12 months.

Bottom line: The TSMCI turned negative again as we entered the seasonal summer lull. Manufacturing and overall demand [continue to slow](#) under high interest rates and tariff uncertainty.

While the Fed has hinted at a possible rate cut in September, we're doubtful that it will revive manufacturing, especially with [hundreds of products](#) recently being added to the steel and aluminum tariffs under Section 232. [By one estimate](#), these tariffs now affect \$320 billion worth of imports, adding further inflationary pressures, as reflected in [July's Producer Price Index](#) data.

In short—and I know this is frustrating and will garner much disagreement—the market might not recover until mid-2026.



Source: Truckstop + FTR | <https://freight.ftrintel.com/spotmarketinsights> | Monthly

TSMCI = (Total Spot Rate - 3-year moving average)

02



Van Market

Demand: Van Market Demand Index (MDI)

The big picture: The Truckstop and FTR MDI measures the relative demand in the trucking market by calculating the ratio of load postings to truck postings on the Truckstop platform.

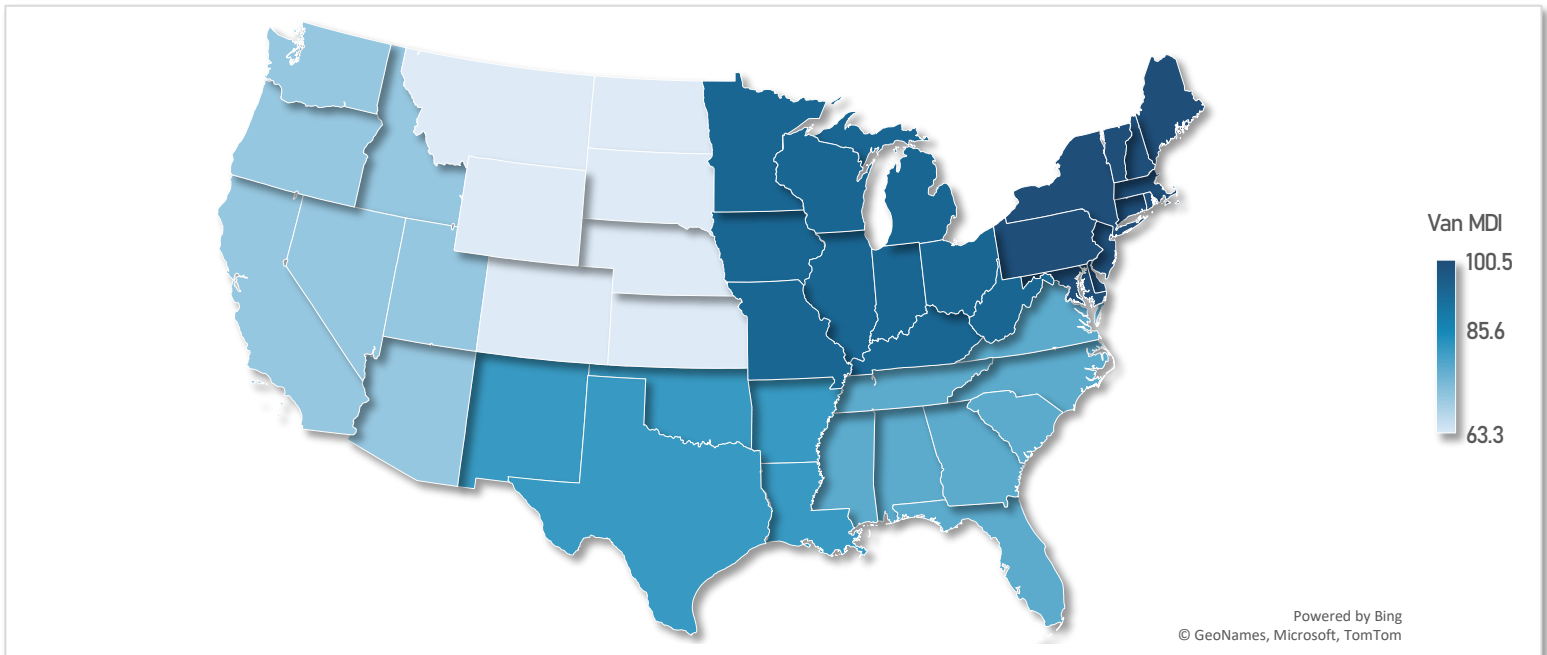
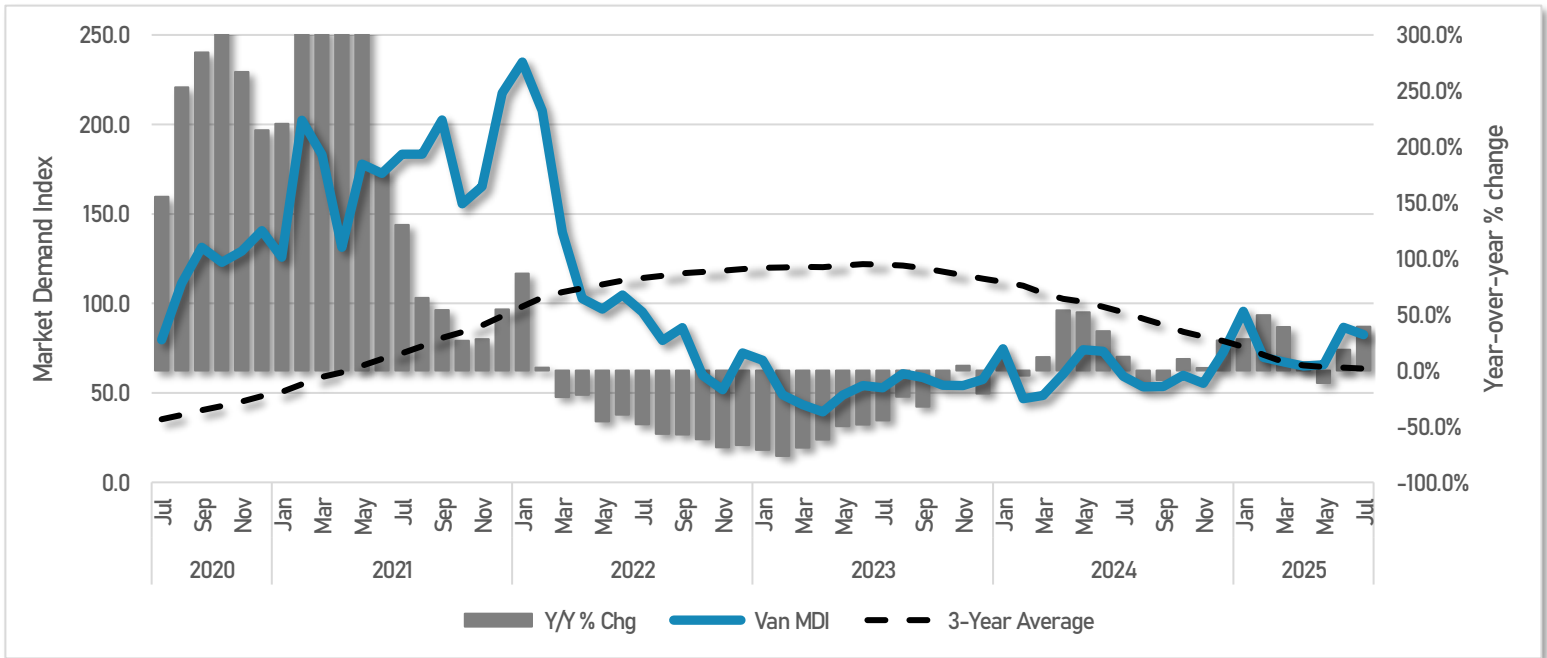
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

Our thoughts: The Van MDI, following seasonal trends, decreased in July, ending two consecutive months of growth as we moved into the summer lull.

- The Van MDI fell 4.8% month-over-month to 82.5, after jumping 31.9% last month.
- The increase was primarily due to a significant increase in truck capacity (+13.7%) relative to the amount of freight (+8.3%) in the market compared to a month ago.
- The ratio was 39.3% higher year-over-year, marking two straight months of increases. However, this was primarily due to tough comparisons from 2024.
- The ratio continues to hover above the 3-year moving average.

Regionally speaking, ratios were more favorable for carriers operating in the Northeast (100.5) and the Midwest (94.2) regions, respectively, compared to other areas in the country.

- 3 of the 6 regions experienced a decrease in MDI. The largest decrease was in the Southeast region, which plummeted 29.1% from 109.6 to 77.7. The largest increase was in the Mountain Central region, which rose 35.1% month-over-month to 63.3.



Rates: Van Spot Rates

The big picture: Truckstop and FTR have partnered to provide a comprehensive picture of the spot market for various load types, including dry van.

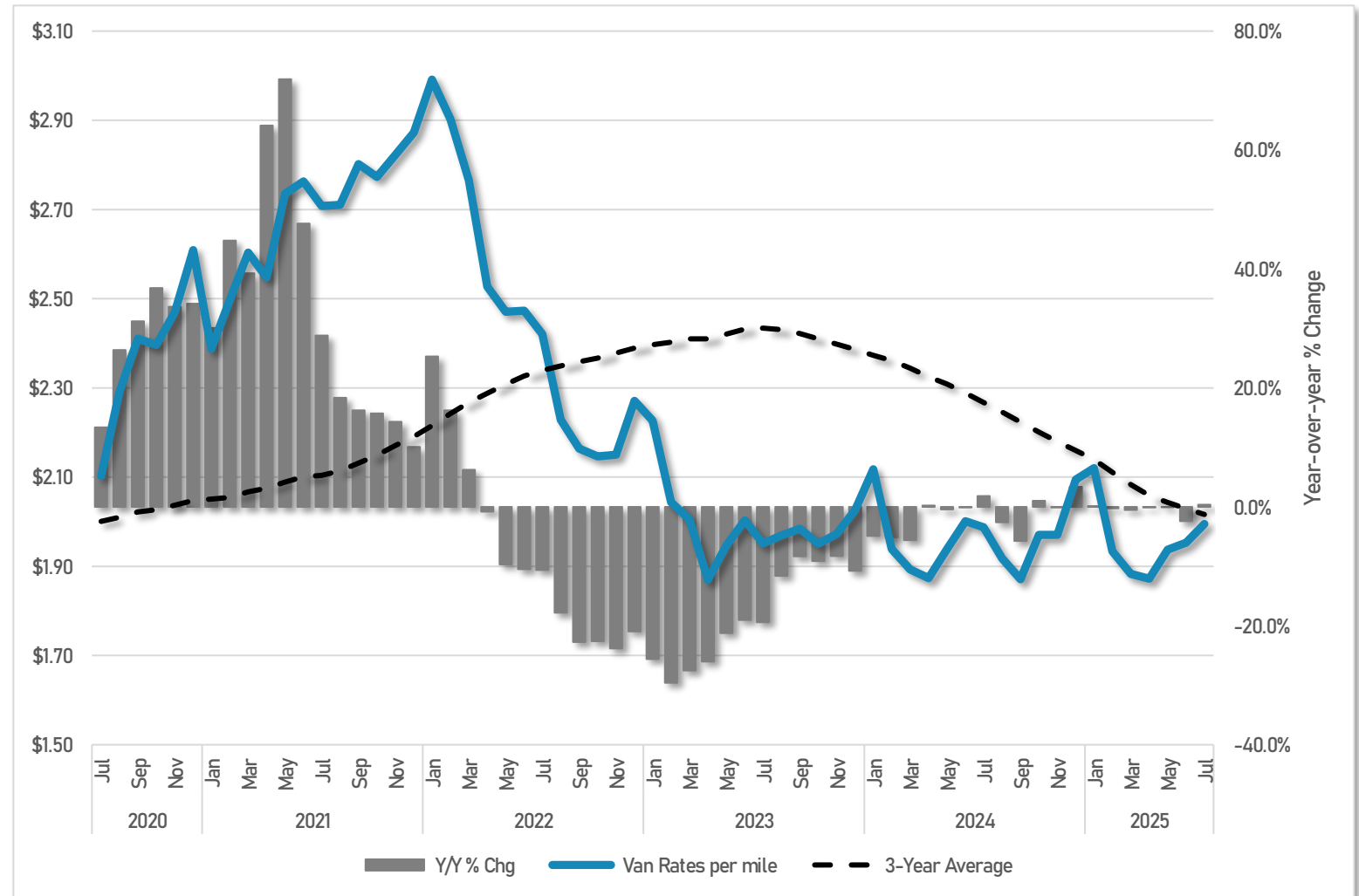
Why it matters: These rates reflect the condition of the freight market in real time. Please note that they include fuel surcharges.

Our thoughts: Dry van spot rates bucked demand and rose month-over-month (M/M) in July, after increasing \$0.02 last month.

- Spot rates increased \$0.04 per mile to \$1.99, which is normal for this time of year, although the increase was much more muted than usual.
- Rates are \$0.008 per mile higher than last year, just barely ending five straight months of decline.
- Regionally speaking, rates increased in 4 of the 6 regions. The greatest increase was in the Northeast region, which rose \$0.12 per mile to \$1.86 after falling \$0.04 the previous month.

Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the dry van market cycle.

- Spot rates are \$0.02 per mile below the 3-year moving average, which is significantly lower than where we projected we'd be back in January 2025.
- Overall, the spread improved M/M by \$0.05 per mile, and is \$0.26 better than where we were last year.



Source: Truckstop + FTR | <https://freight.ftrintel.com/spotmarketinsights> | Monthly

Manufacturing and Wholesale: Dry Van Composite Index

The big picture: Dry van trailers carry a wide range of boxed, palletized, and shelf-stable products, including packaged foods, electronics, plastics, paper goods, and more.

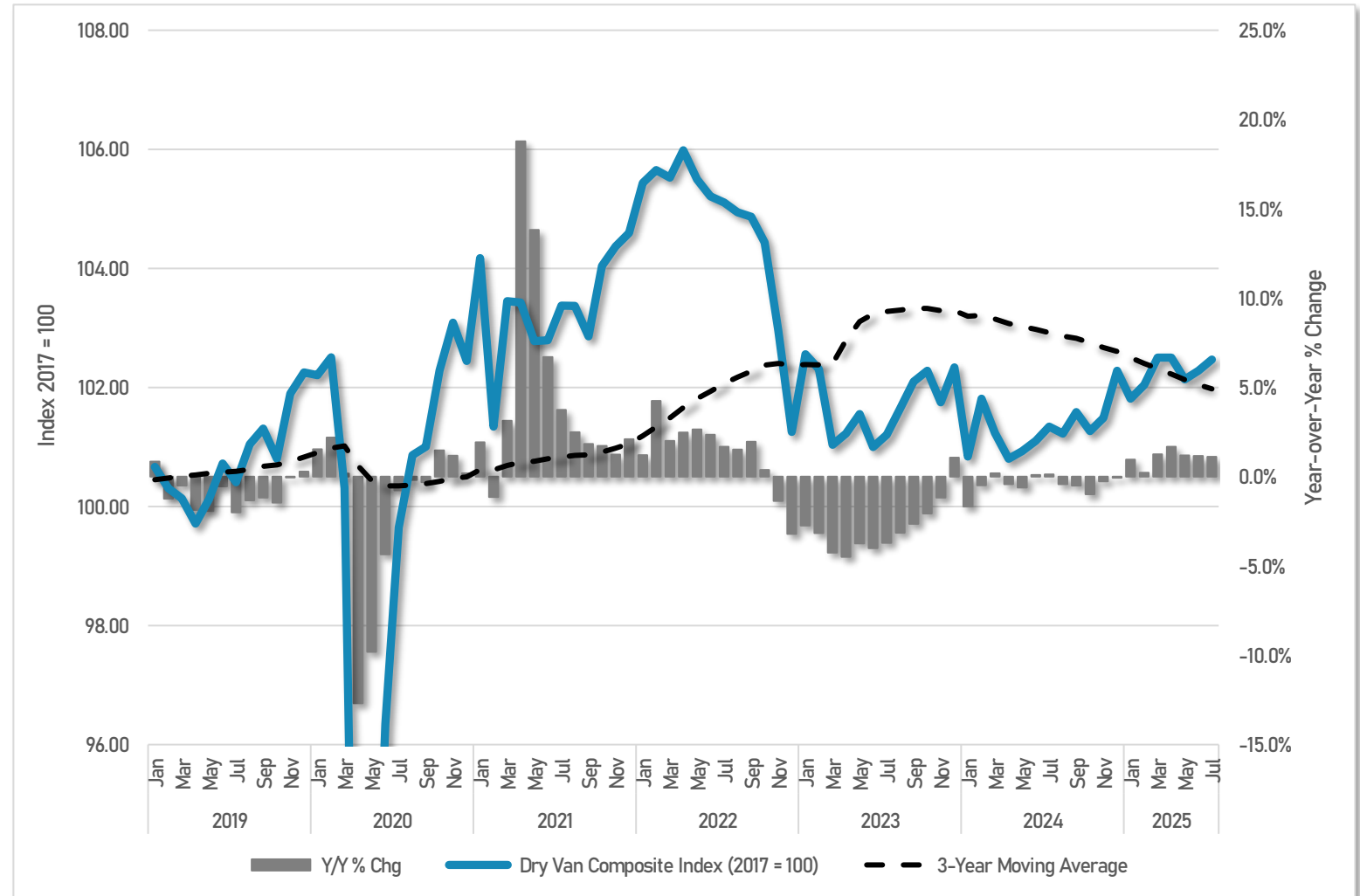
Why it matters: With this in mind, we've created a composite index using industrial and wholesale sectors, which together account for roughly 90% of all for-hire trucking ton miles, with freight that is highly aligned to dry van equipment.

- This index is strongly correlated with the spot market and helps forecast demand for dry van freight.

Our thoughts: The seasonally adjusted dry van composite index (DVCI), increased in July after inching upward 0.1% in June following adjustments.

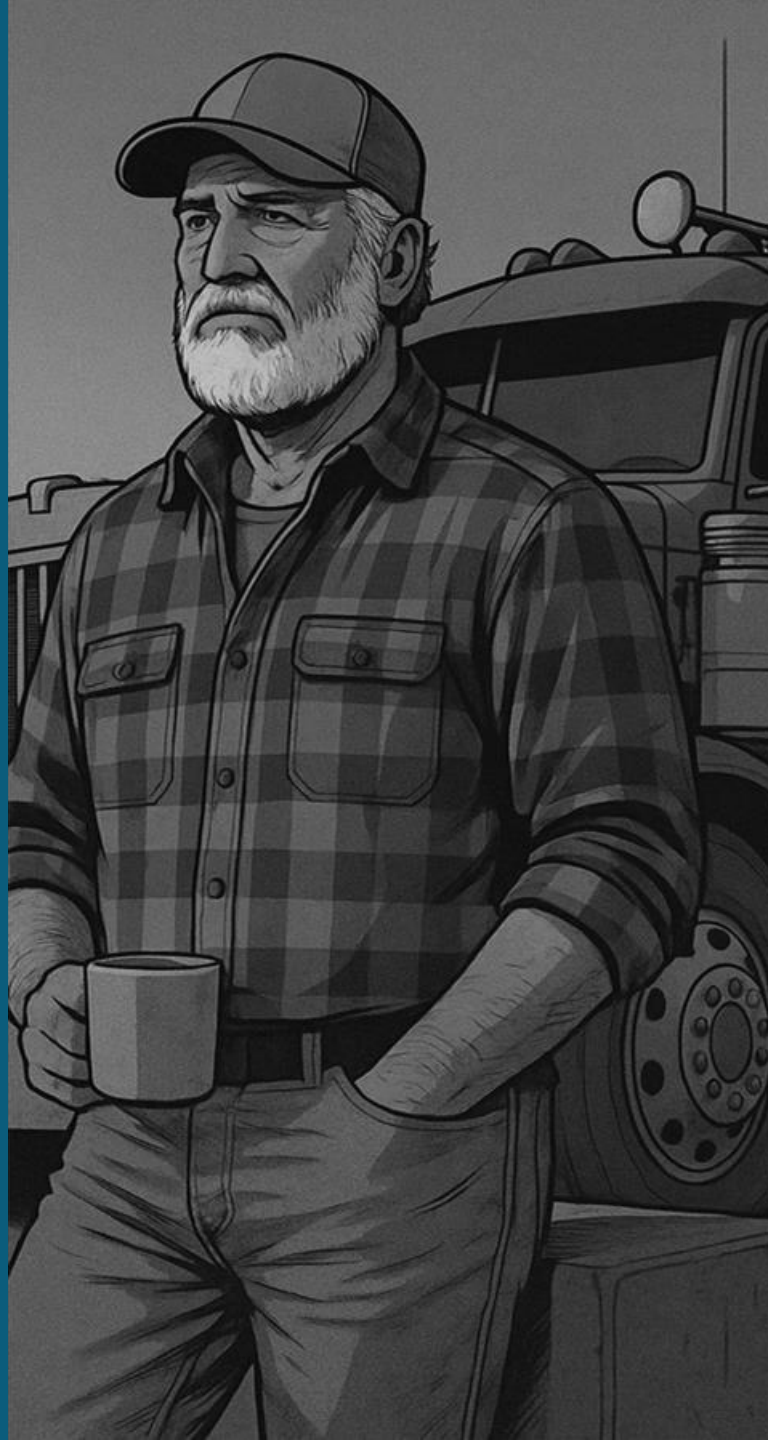
- The DVCI rose 0.19% to 102.47, marking two consecutive months of growth.
- The DVCI is 1.1% higher year-over-year (Y/Y) when the index read at 101.34. This marks the seventh consecutive Y/Y increase, helping to explain the continued resiliency observed in Truckstop and FTR's Van MDI—and, by extension, spot market rates.
- The index is 0.5% above the 3-year moving average, marking five straight months above the benchmark.

Bottom line: The primary driver of July's increase was an increase in Food Manufacturing (NAICS 311), Miscellaneous Manufacturing (NAICS 339), and Miscellaneous Non-durable Goods Wholesaling (NAICS 4249).



Source: Federal Reserve Board: <https://www.federalreserve.gov/releases/g17/Current/> | U.S. Census Bureau: https://www.census.gov/wholesale/xls/mwts/timeseries_price.xlsx | Monthly

03



Flatbed Market

Demand: Flatbed Market Demand Index (MDI)

The big picture: The Truckstop and FTR MDI measures the relative demand in the trucking market by calculating the ratio of load postings to truck postings on the Truckstop platform.

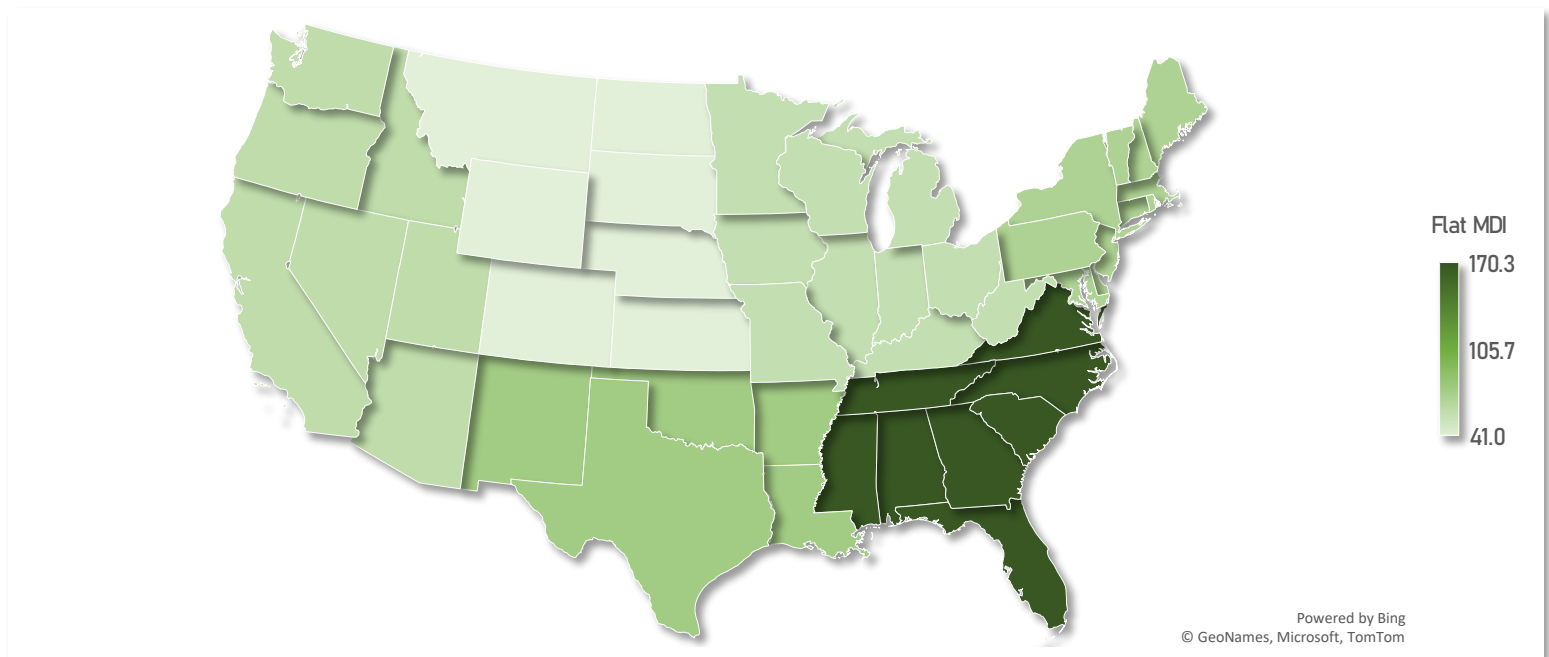
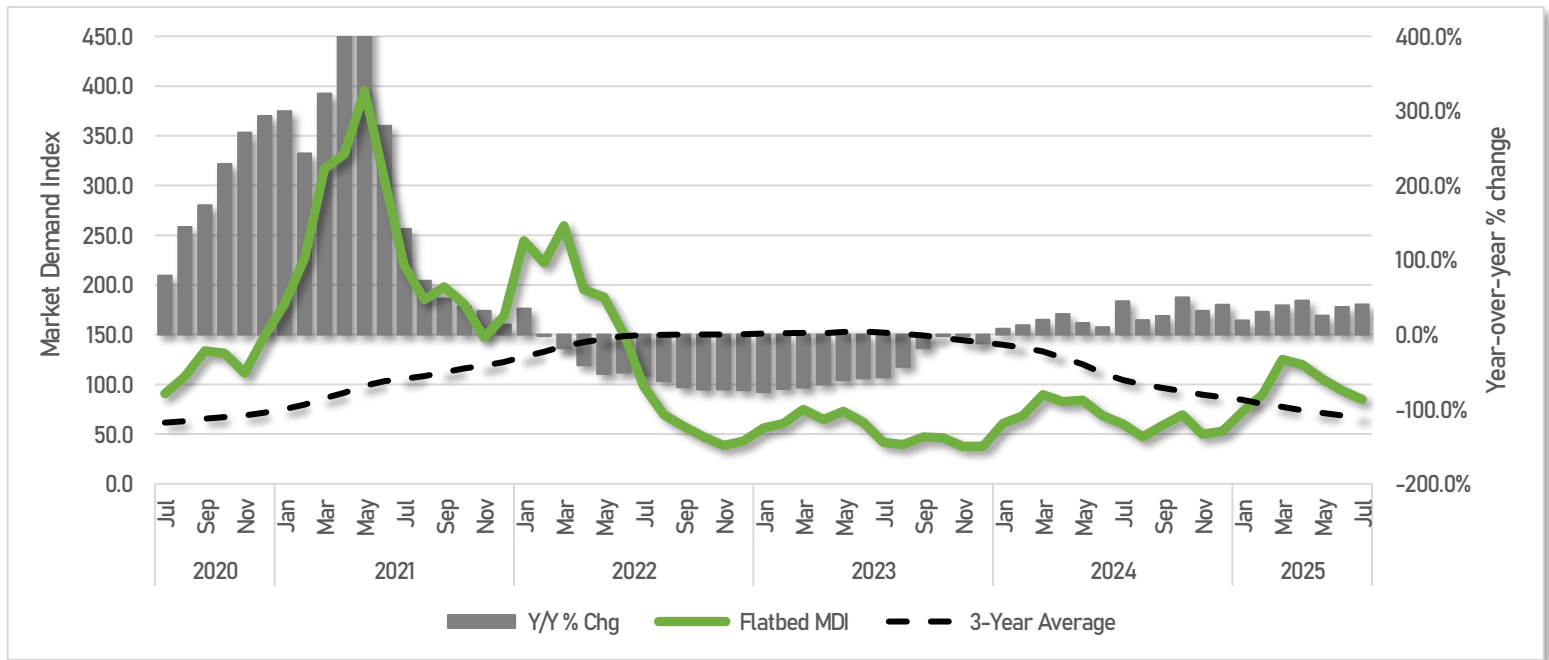
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

Our thoughts: The Flatbed MDI dropped again in July, which is normal for this time of the year as we head deeper into summer.

- The Flatbed MDI decreased 9.4% month-over-month to 84.9, after dropping 11.3% last month. This marks four consecutive months of decreases.
- The decrease was due to a large decrease in the amount of freight (-6.8%) in combination with an increase in available truck capacity (+2.8%) in the market compared with a month ago.
- While the ratio is 40.6% higher than last year, it's still poised to move under the 3-year moving average, which would be a negative indicator of demand for this sector.

Regionally speaking, ratios were more favorable for carriers operating in the Southeast (170.3) and South Central (77.3) regions, respectively, compared with other areas in the country.

- While only 2 of the 6 regions experienced a decrease in MDI, those that did represent a disproportionately large share of the overall market for this sector.
- The largest decrease was in the South Central region, which plummeted 35.1% from 119.2 to 77.3.



Rates: Flatbed Spot Rates

The big picture: Truckstop and FTR have partnered to provide a comprehensive picture of the spot market for various load types, including flatbed.

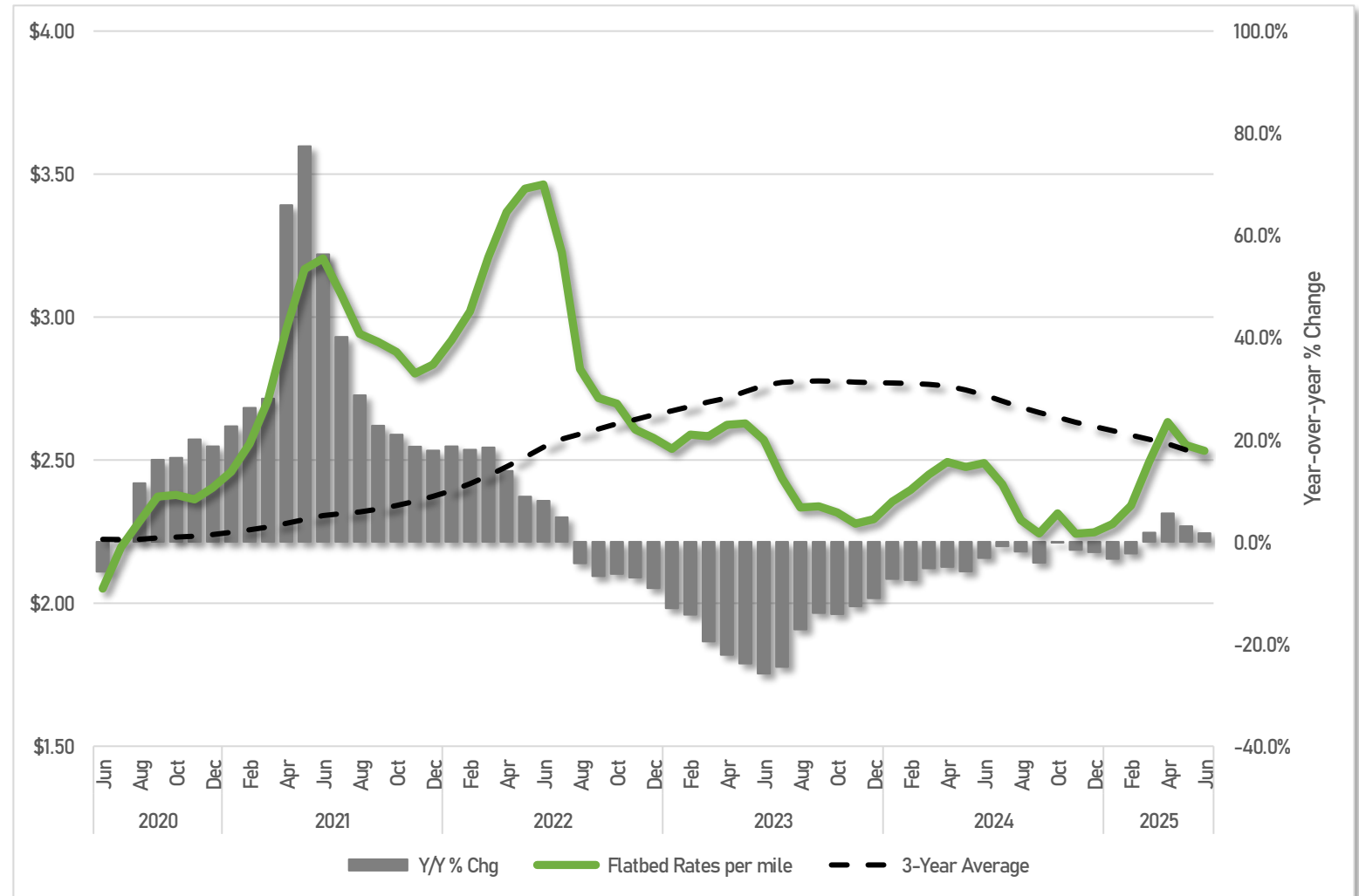
Why it matters: These rates reflect the condition of the freight market in real time. Please note that they include fuel surcharges.

Our thoughts: Flatbed spot rates plummeted month-over-month (M/M) in July, after falling \$0.02 per mile last month, marking three straight months of decline.

- Spot rates dropped \$0.11 per mile M/M to \$2.42, but are 0.3%, or \$0.01 per mile higher than last year.
- Flatbed spot rates increased year-over-year for the fifth straight month, but—as predicted—dropped once again below the 3-year moving average (\$2.48), which is a negative indicator for freight demand.
- Regionally speaking, 5 of the 6 regions experienced a decrease in rates—a continuation from last month. The largest decrease occurred in the West Coast region, which fell \$0.12 to \$1.88 per mile.

Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the flatbed market cycle.

- The spread worsened by eight cents M/M, dropping to -\$0.06 per mile in July. But the spread is \$0.23 better than where we were last year (-\$0.29).



Source: Truckstop + FTR | <https://freight.ftrintel.com/spotmarketinsights> | Monthly

Industrial Production: Flatbed Composite Index

The big picture: The Federal Reserve Board's Industrial Production (IP) index measures the real output of various manufacturing industries.

- Manufacturing makes up about 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

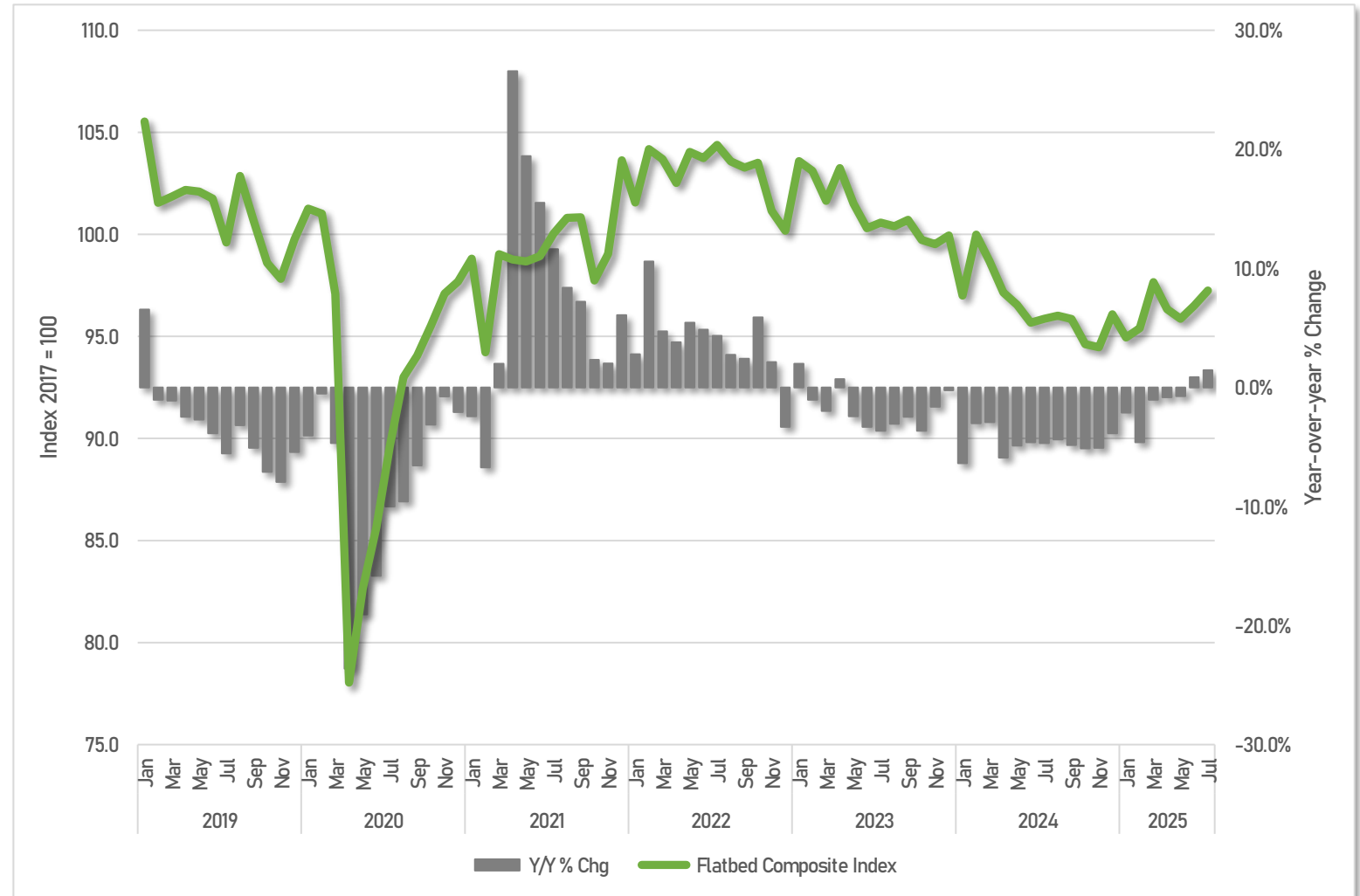
Why it matters: Flatbed trucking is often linked to industries related to steel production, construction materials, mining, agriculture equipment, heavy machinery, oil and gas equipment, and lumber shipments.

- With this in mind, we've created a composite index using these sectors to forecast demand for flatbed trucking.

Our thoughts: The seasonally adjusted flatbed composite index (FCI), which correlates strongly with the spot market, increased again in July after rising 0.7% in June following adjustments.

- The FCI rose 0.8% to 97.2, marking two consecutive months of growth.
- The FCI is 1.4% higher year-over-year when the index read at 95.9. This is the second time the FCI has increased Y/Y in 26 months.
- The index is 1.6% below the 3-year moving average.

Bottom line: The primary driver of July's rise was an increase in Cement and Concrete Product (NAICS 3273), perhaps due to data center construction, and Oil and Gas Manufacturing (NAICS 212).



Source: Federal Reserve Board | <https://www.federalreserve.gov/releases/g17/Current/> | Monthly

04



Reefer Market

Demand: Reefer Market Demand Index (MDI)

The big picture: The Truckstop and FTR MDI measures the relative demand in the trucking market by calculating the ratio of load postings to truck postings on the Truckstop platform.

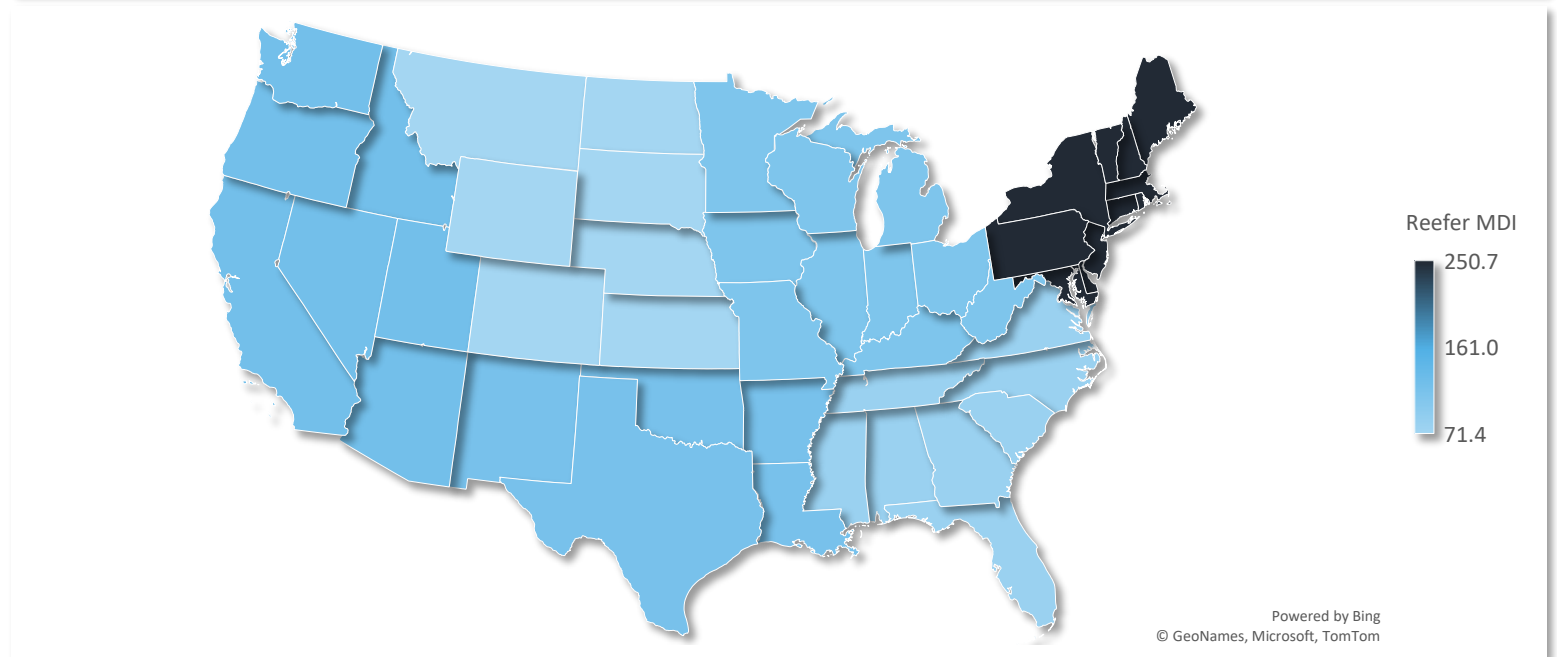
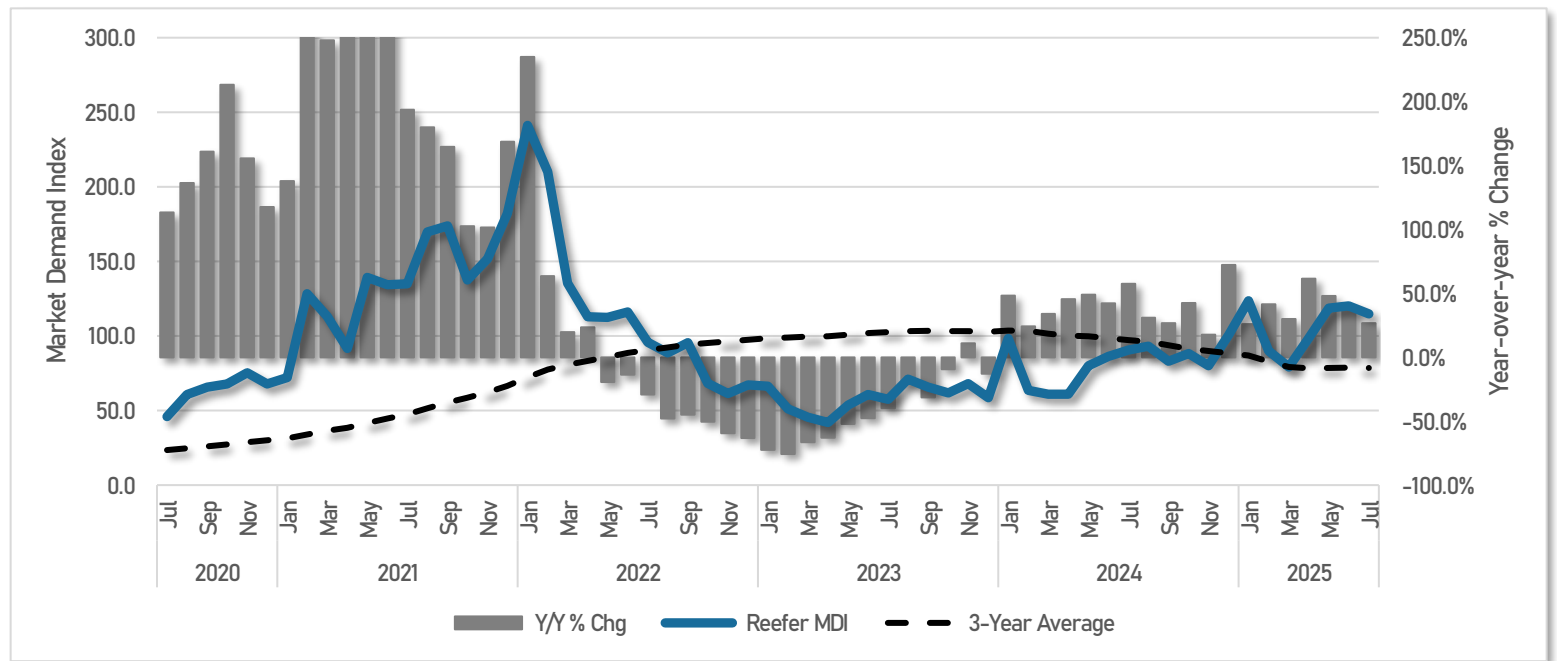
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

Our thoughts: The Reefer MDI fell in July—a typical seasonal decrease as produce season slows down after the fourth of July until we get closer to the holiday season.

- The Reefer MDI decreased 4.5% month-over-month to 114.9, after increasing 1.4% last month.
- The decrease was primarily due to a significant increase in truck capacity (+10.9%) relative to the amount of freight (+5.9%) in the market compared with a month ago.
- In other words, both loads and capacity increased, but because capacity rose more than the number of loads, the MDI decreased overall.
- The ratio is 26.8% higher than last year, marking 19 consecutive months of increases, and is 46.1% above the 3-year moving average.

Regionally speaking, ratios were more favorable for carriers operating in the Northeast (250.7) and the West Coast (123.7) regions compared with other areas in the country.

- Surprisingly, MDI increased in 5 of the 6 regions. The largest increase was in the Northeast region, which skyrocketed 72.7% from 145.2 to 250.7. However, MDI fell overall due to the disproportionate impact of the decrease in the Southeast region.



Rates: Reefer Spot Rates

The big picture: Truckstop and FTR have partnered together to provide a comprehensive picture of the spot market for various load types, including dry van.

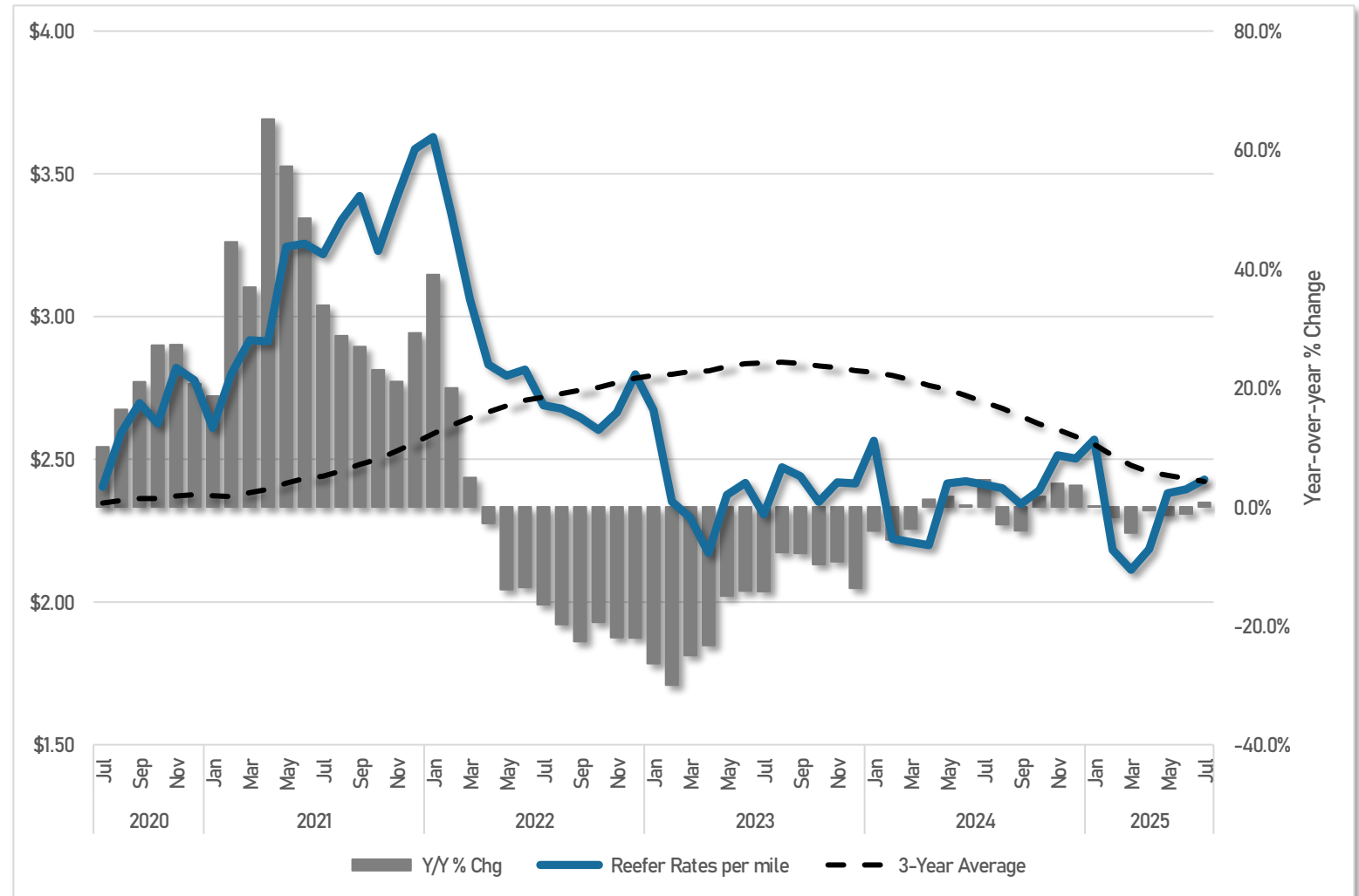
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Reefer spot rates moved contrary to demand and increased month-over-month (M/M) in July, after ticking upwards \$0.01 per mile in the previous month.

- Spot rates rose \$0.03 per mile M/M to \$2.33, marking 4 consecutive months of growth, and are \$0.02 higher than last year.
- Spot rates have increased year-over-year for the first time in six months, and are \$0.01 per mile above the 3-year moving average.
- Regionally speaking, 5 of the 6 regions experienced an increase in rates. The largest increase occurred in the Northeast, where rates rose \$0.25 per mile to \$2.11, while the only decrease occurred in the Southeast, where rates dropped \$0.13 to \$2.52 from \$2.65

Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the reefer market cycle.

- The spread improved by \$0.05 per mile M/M, and is \$0.30 better than last year when the spread was -\$0.29.



Source: Truckstop + FTR | <https://freight.ftrintel.com/spotmarketinsights> | Monthly

Manufacturing and Wholesale: Reefer Composite Index

The big picture: Refrigerated trailers are essential for transporting perishable foods like meat, dairy, and produce, as well as frozen and temperature-sensitive goods such as medical supplies and certain beverages.

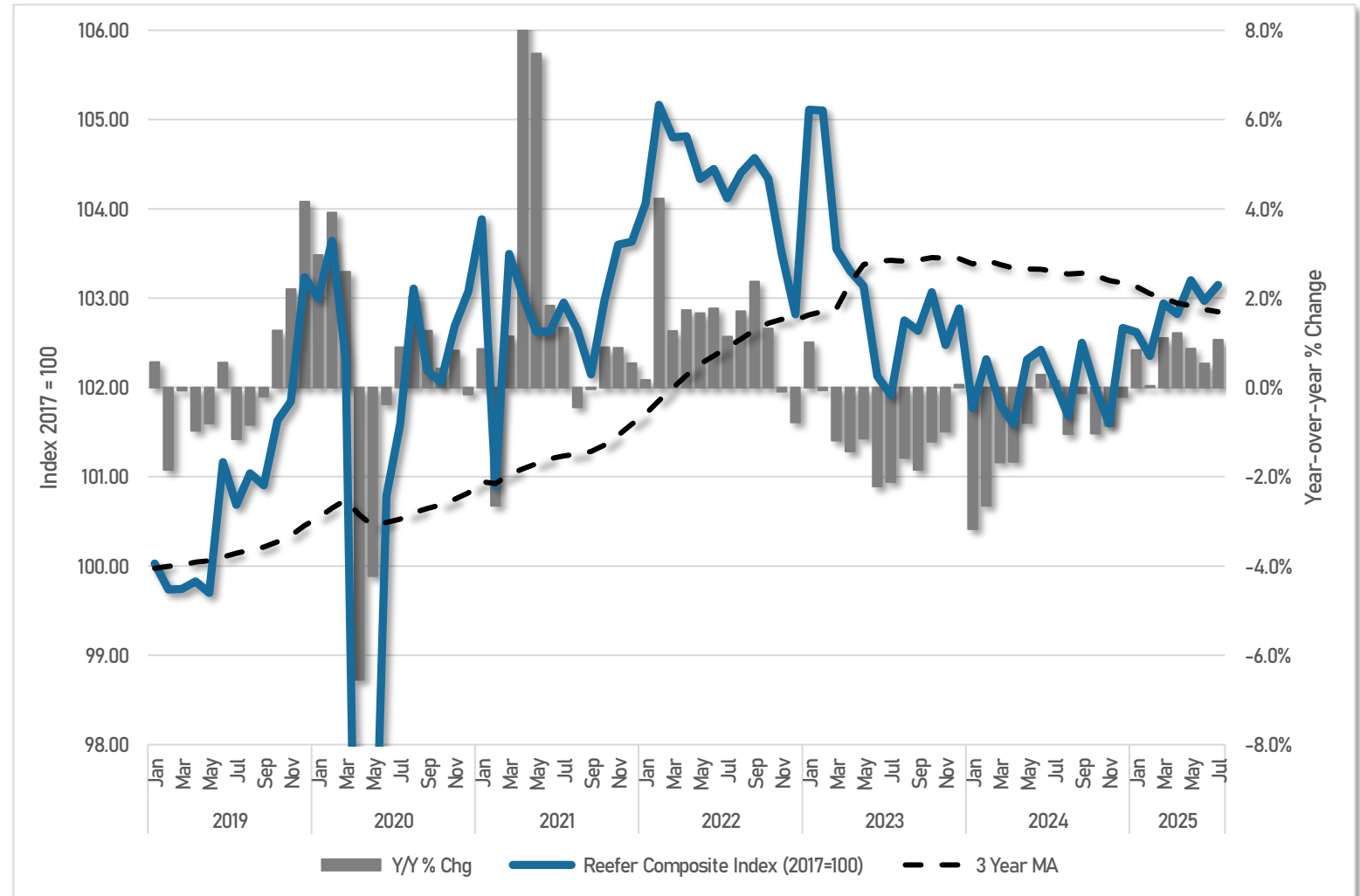
Why it matters: With this in mind, we've constructed a composite index focused on industrial and wholesale sectors that account for roughly 90% of all for-hire trucking ton miles, and whose freight is highly aligned with reefer equipment.

- This index is strongly correlated with the spot market and provides a focused measure of reefer demand.

Our thoughts: The seasonally adjusted reefer composite index (RCI), which correlates strongly with the spot market, expanded in July after declining 0.2% in the previous month following adjustments.

- The RCI rose 0.2% to 103.15, marking three increases over the past six months.
- The RCI is 1.1% higher year-over-year (Y/Y) when the index was at 102.06. This is the seventh straight Y/Y increase, reflecting the ongoing strength in Truckstop and FTR's Reefer MDI—and, in turn, continued spot rate resiliency.
- The index is 0.3% above the 3-year moving average, marking three consecutive months above this benchmark.

Bottom line: The primary driver for July's increase was a 0.1% rise in Food Manufacturing (NAICS 311) and 0.8% increase in Grocery and Related Product Wholesaling (NAICS 4244).



Source: Federal Reserve Board: <https://www.federalreserve.gov/releases/g17/Current/> | U.S. Census Bureau: https://www.census.gov/wholesale/xls/mwts/timeseries_price.xlsx | Monthly

05



Trucking Market

Volume: Cass Shipment Index

The big picture: The Cass Shipment Index includes data from all domestic freight modes, with trucking accounting for more than 75% of all activity.

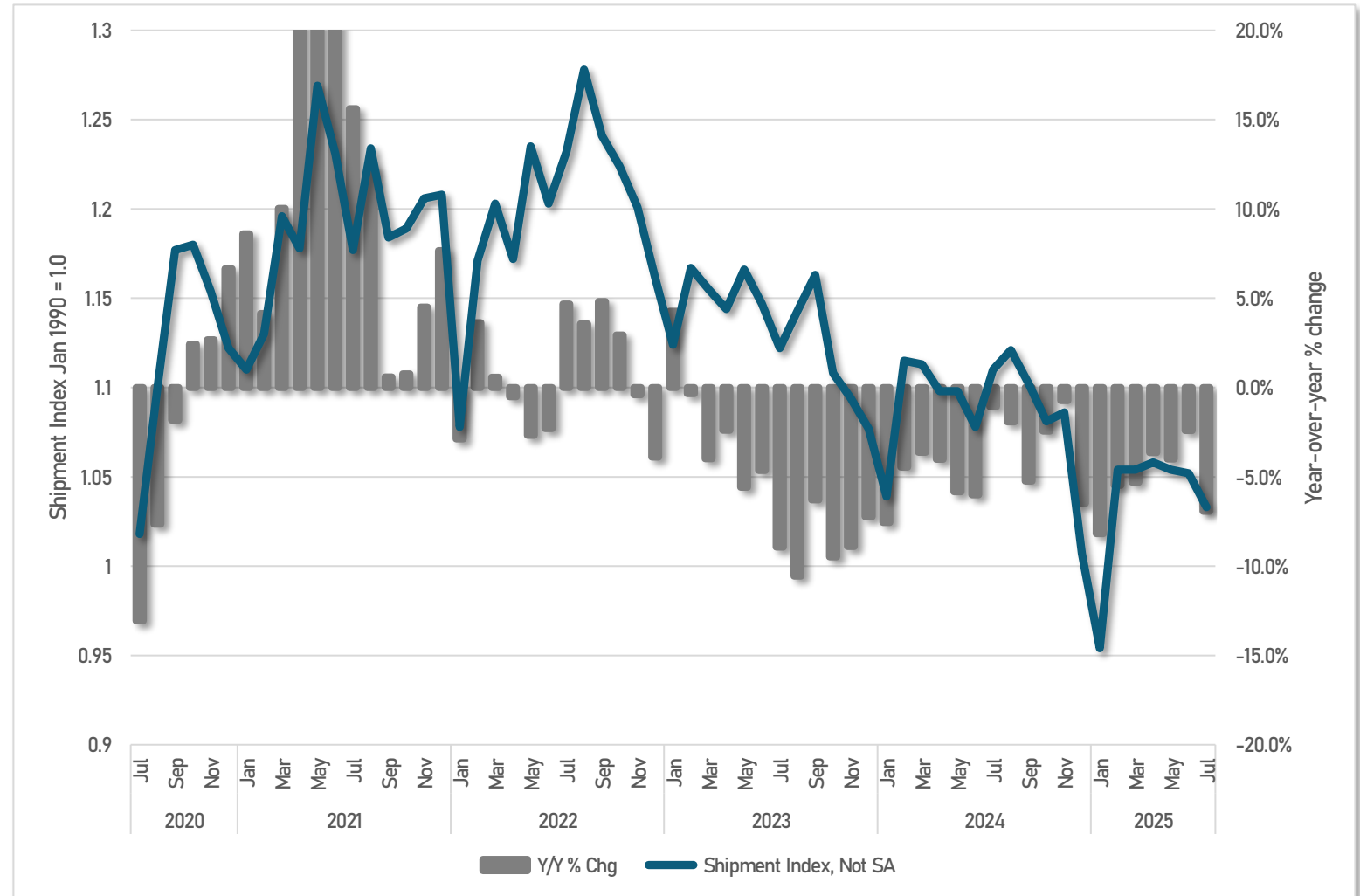
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

Why it matters: This index shows monthly shipment volumes from the entire Cass client base.

Our thoughts: The Cass Shipment Index fell 1.8% month-over-month to 1.03 in July after declining slightly in the previous month. The Shipment Index fell 6.9% year-over-year.

- The Truckload Linehaul Index (TLLH), which measures fluctuations in both spot and contract rates for the truckload sector, decreased 0.6% to 140.8, effectively wiping out last month's gains.
- The TLLH Index was positive Y/Y for the seventh straight month—though largely due to weak 2024 comparisons.

Bottom line: Cass states, “As the economy is likely to absorb the effects of tariffs over the next several months, our freight demand outlook remains cautious. But the silver lining of lower vehicle production and lost manufacturing jobs is that tighter capacity will likely drive freight back to the for-hire market next year.”



Source: Cass Freight Index | <https://www.cassinio.com/freight-audit-payment/cass-transportation-indexes/cass-freight-index>

Supply: Truck Capacity

The big picture: The FMCSA and the Bureau of Labor Statistics release monthly data on active for-hire motor carriers and payroll figures, respectively.

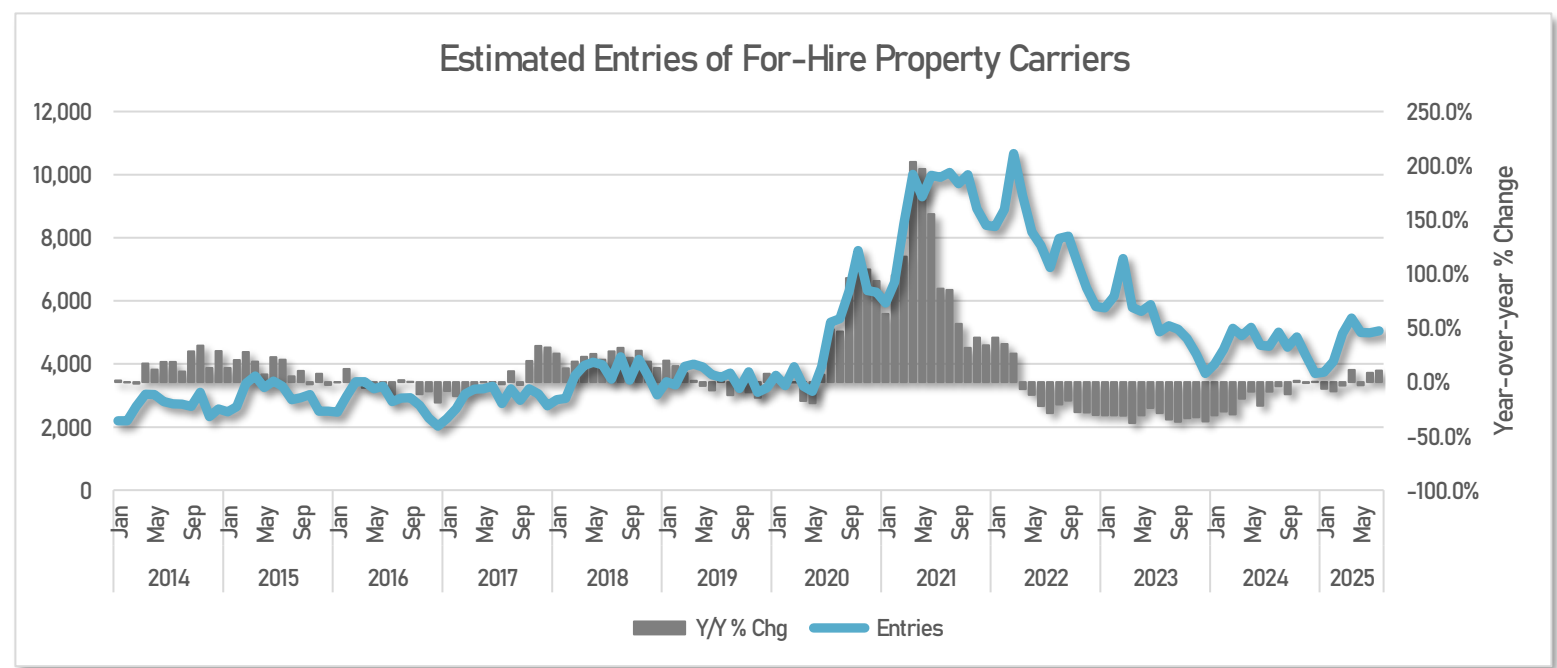
Why it matters: We've adjusted the data to better estimate true capacity in the trucking industry.

- Active for-hire carrier counts and truck employment serve as useful indicators of available capacity, which closely relates to overall demand and rates.
- Rates and wages typically increase to attract more capacity—and the reverse is also true.

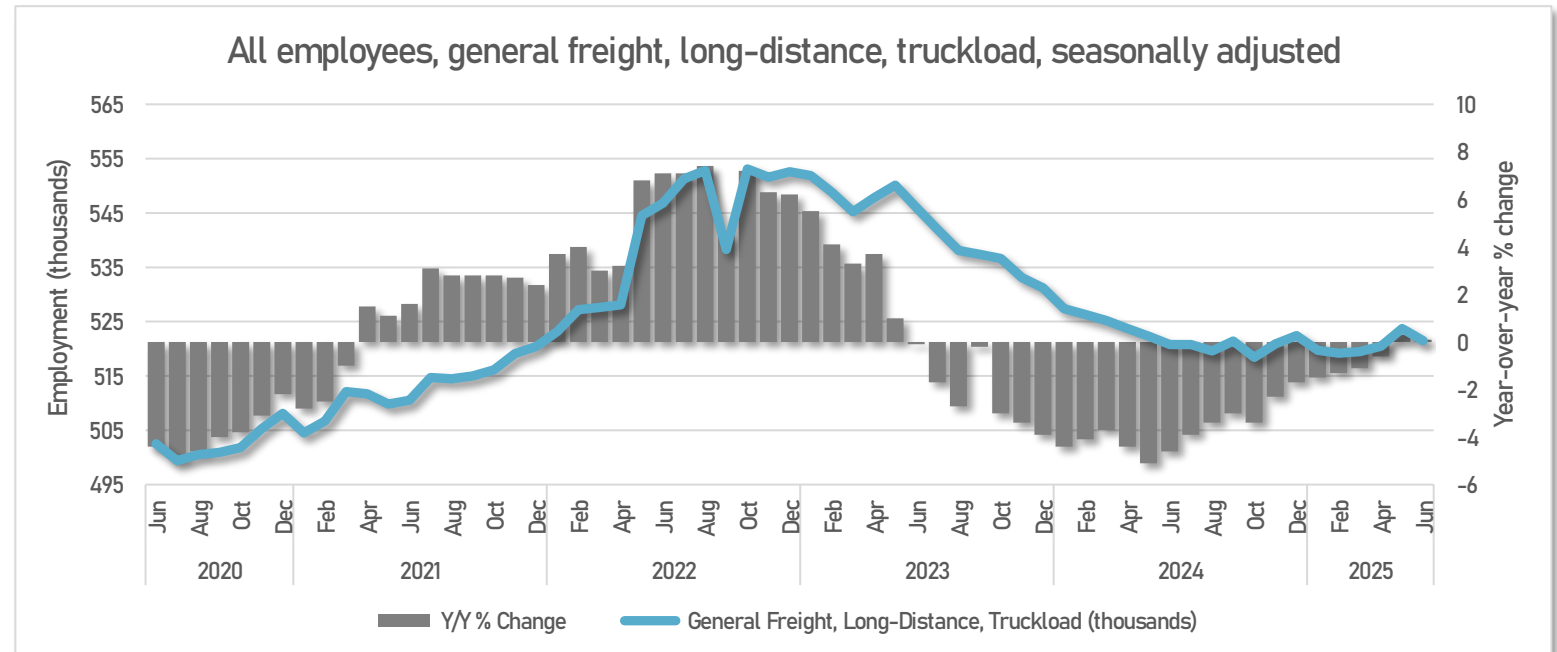
Our thoughts: Estimated for-hire carrier entries ticked upward month-over-month in July after declining by 0.2% in the previous month following adjustments.

- Estimated entries rose 1.18% to 5,048 and are up 9.9% year-over-year (Y/Y). Entries have increased Y/Y for five straight months following adjustments.
- Employment for general freight trucking, long-distance, truckload, which best represents our members even though it contains more than just drivers, decreased 0.4%, or 2,200 jobs, month-over-month in June.
- It's 0.13%, or 700 jobs, higher Y/Y, which is the second Y/Y increase in 24 months. Employment is 0.4% below 2019 levels—the last freight recession.

Bottom line: While estimated for-hire carrier entries increased slightly in July, August is poised to be significantly less if numbers hold their present course. Trucking employment typically lags other indicators—such as demand and rates—so we fully expect Y/Y figures to turn negative once again.



Source: BLS | <https://data.transportation.gov/> | Monthly



Source: BLS | <https://beta.bls.gov/dataViewer/view/timeseries/CES4348412101> | Monthly

Rates: Logistics Managers' Index (LMI)

The big picture: The LMI is a diffusion index that measures supply chain conditions.

- The LMI consists of eight key logistics metrics ranging from inventory levels to transportation utilization.
- Any number below 50 is indicative of contraction, while any number above 50 is indicative of expansion.

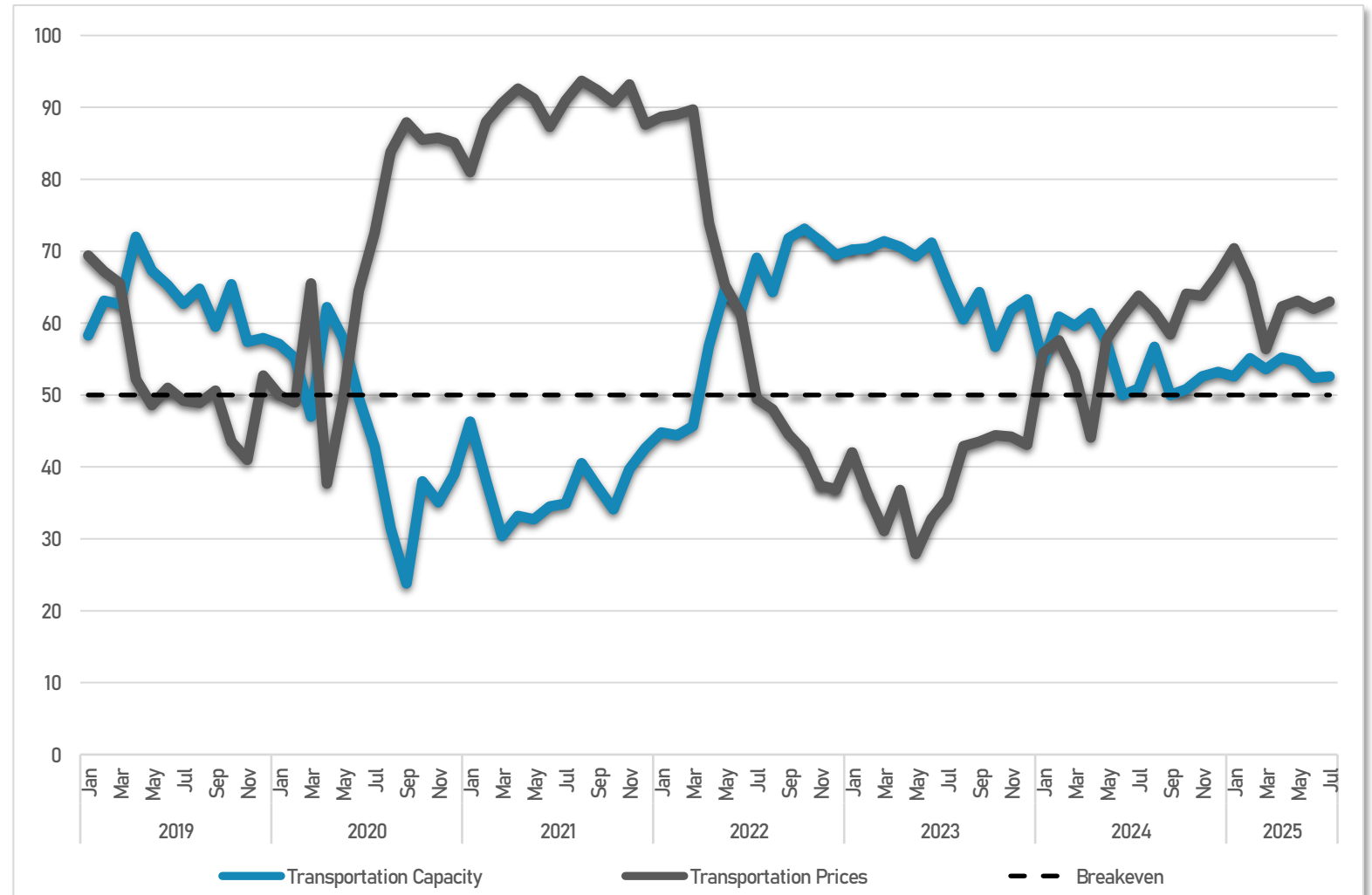
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- When the two curves depicted in this chart invert, meaning transportation capacity exceeds prices, it signals bad news for freight rates.

Our thoughts: The LMI overall decreased 1.5 points to 59.2, due to a decreased rate in expansion of inventory costs attributable to a dip in inventory levels.

- Prices increased 1.0% month-over-month to 63.0, but are 1.3% lower year-over-year (Y/Y), when the index read 63.8.
- Transportation capacity increased 0.2% to 52.6, which is 3.3% higher Y/Y.

Bottom line: According to LMI, Transportation Utilization rose to 59.5, but Transportation Capacity and Transportation Prices remained fairly flat compared with last month. As such, trucking remains in a holding pattern.



Source: LMI | <https://www.the-lmi.com/> | Monthly

Rates: Producer Price Index (PPI) Long-Distance, Truckload, Primary Services

The big picture: The PPI is a group of indexes that measures selling prices domestic producers receive for their output.

- One index focuses on long-haul, truckload carriers.
- The primary index shows how much carriers are charging their customers for their main service – hauling truckloads.

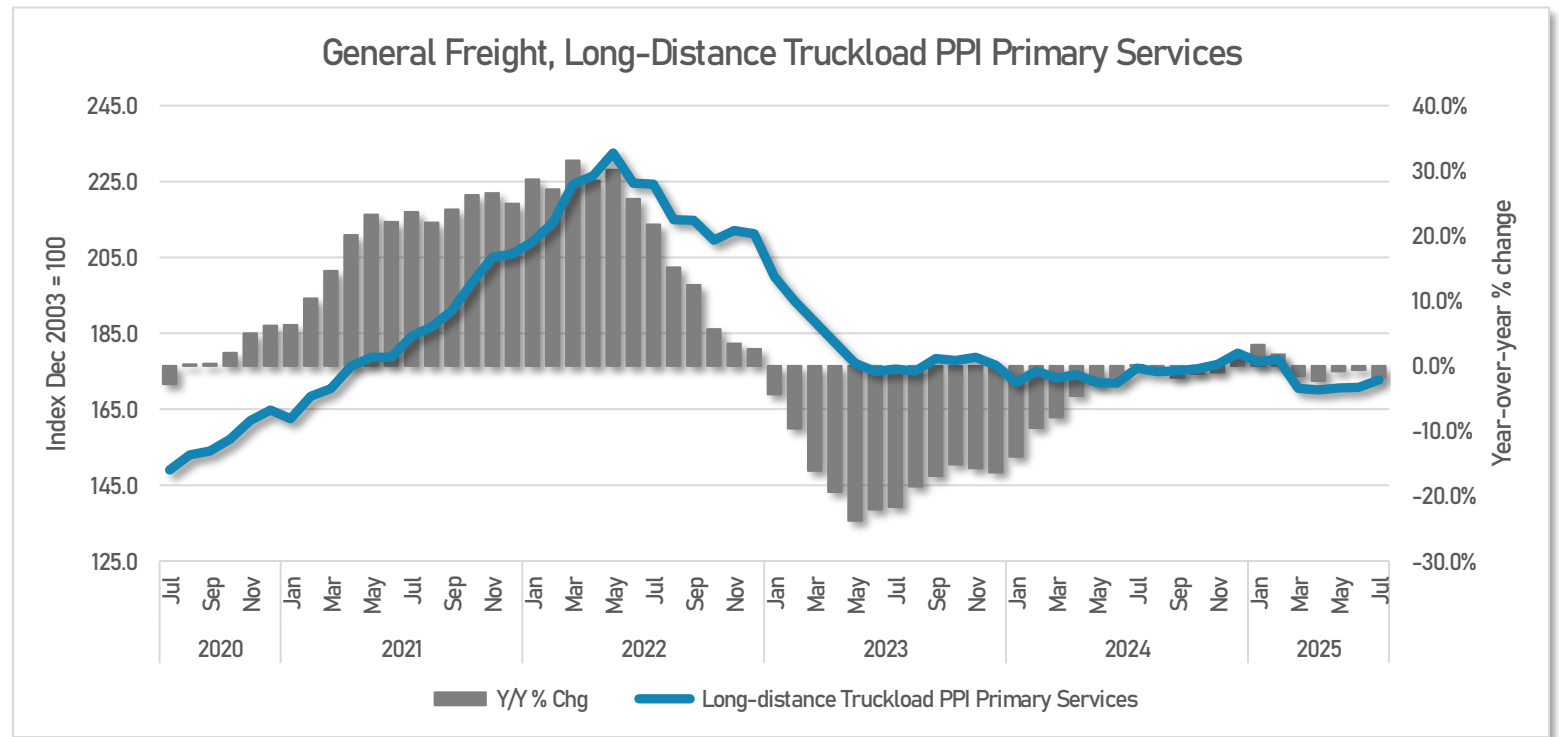
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index increased in July, following an 0.1% increase in June following readjustments.

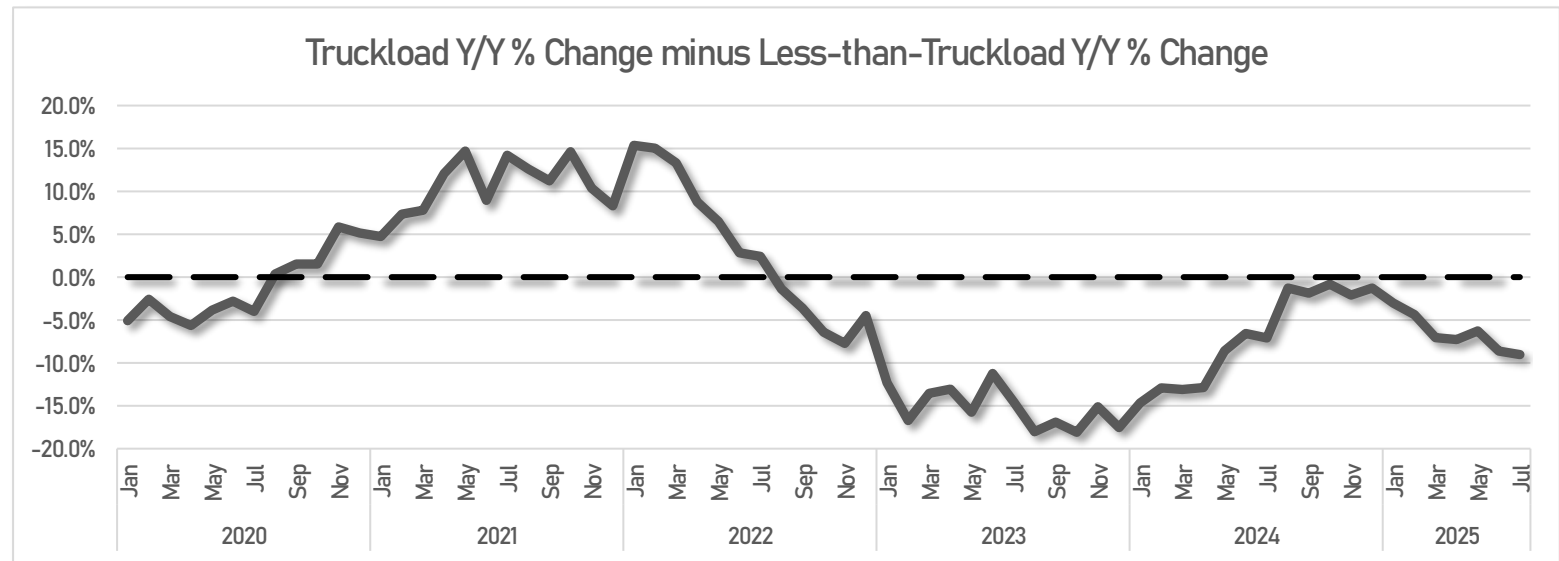
- The long-haul PPI fell 3.7 percentage points to 175.0, month-over-month.
- However, the PPI is 1.8% lower year-over-year, marking 5 straight months of Y/Y decreases following adjustments. With those adjustments, the PPI now aligns with expectations.

1 big thing: When TL rates fall, LTL shippers shift volume to the TL sector to reduce costs. As a result, subtracting the Y/Y % change for LTL's PPI from TL's PPI provides a useful market indicator.

- A value above 0% suggests an improving market, while a value below 0% indicates a downturn.
- TL minus LTL Y/Y % change fell 0.4 percentage points month-over-month to -9.0%. The value—which was poised to turn positive in early 2025—has now declined in 6 of the past 7 months.



Source: FRED | <https://fred.stlouisfed.org/graph/?g=1CiSq> | Monthly



Source: FRED | <https://fred.stlouisfed.org/graph/?g=1tIFP> | Monthly

Costs: Diesel Fuel

The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

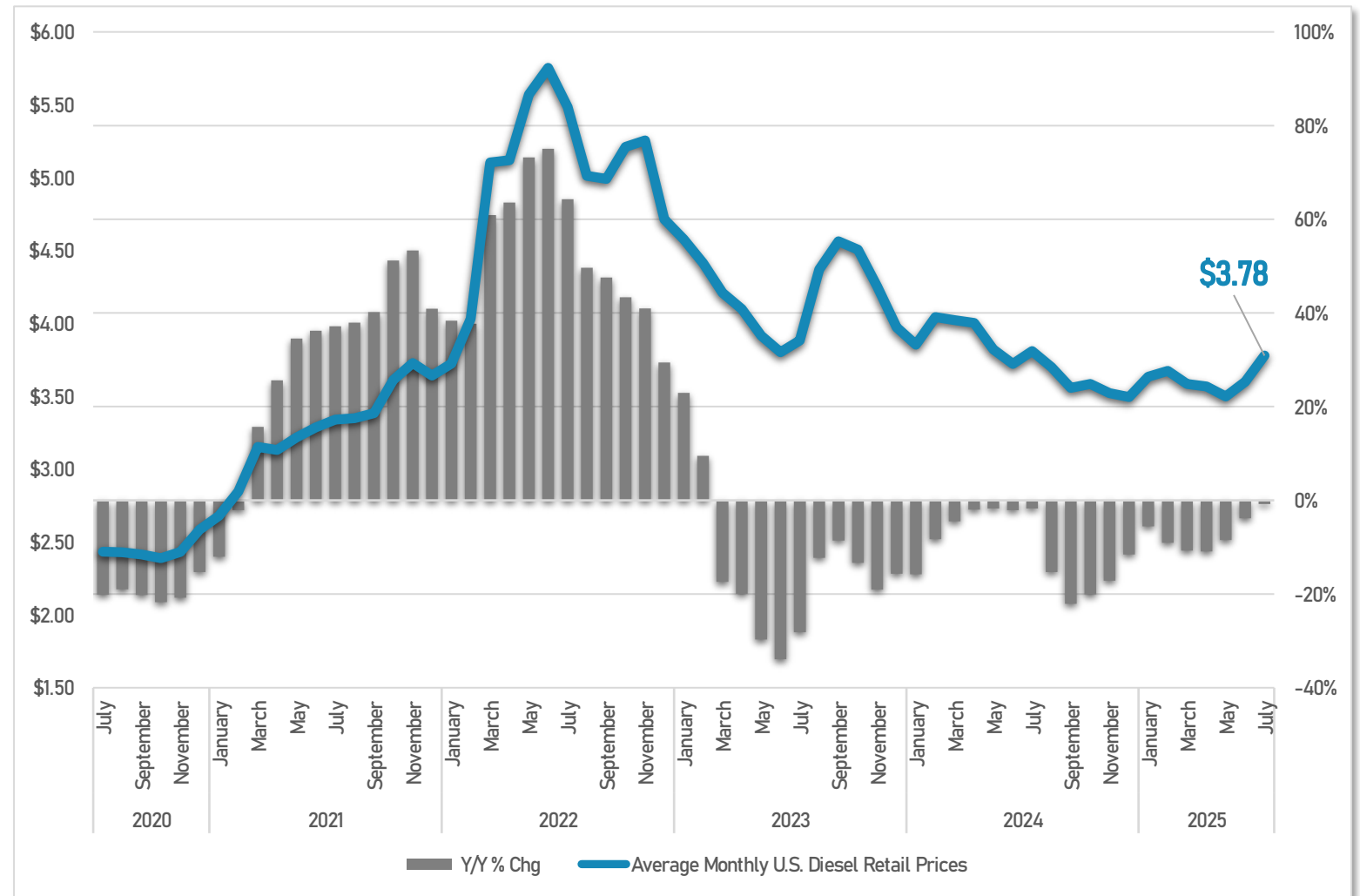
Why it matters: Fuel is the number one expense for owner-operators.

- Fuel comprises over 45% of the average owner-operator's cost of operation.
- **Yes, but** it typically represents 25-30%.

Our thoughts: Fuel prices jumped \$0.18 per gallon in July after rising \$0.10 in June and declining \$0.07 in May.

- The average price for diesel fuel increased 5.0% month-over-month to \$3.78 per gallon, marking two consecutive months of increases.
- The average diesel price was 0.8% lower year-over-year when the cost was \$3.81 per gallon, and is \$0.28 per gallon, lower than the 3-year average.
- The average diesel price has declined year-over-year for 29 straight months, which has helped to reduce operating costs for owner-operators.

Bottom line: While tariffs typically lower fuel demand, refinery maintenance and outages, unexpected demand, EU sanctions on Russian-linked refiners, and low inventory levels have shaken the diesel market, causing prices to rise.



Source: U.S. EIA | <https://www.eia.gov/petroleum/gasdiesel/> | Weekly

Costs: Used Truck Prices

The big picture: Most individuals seeking to become an owner-operator first look to the used truck market due to the high cost of new trucks.

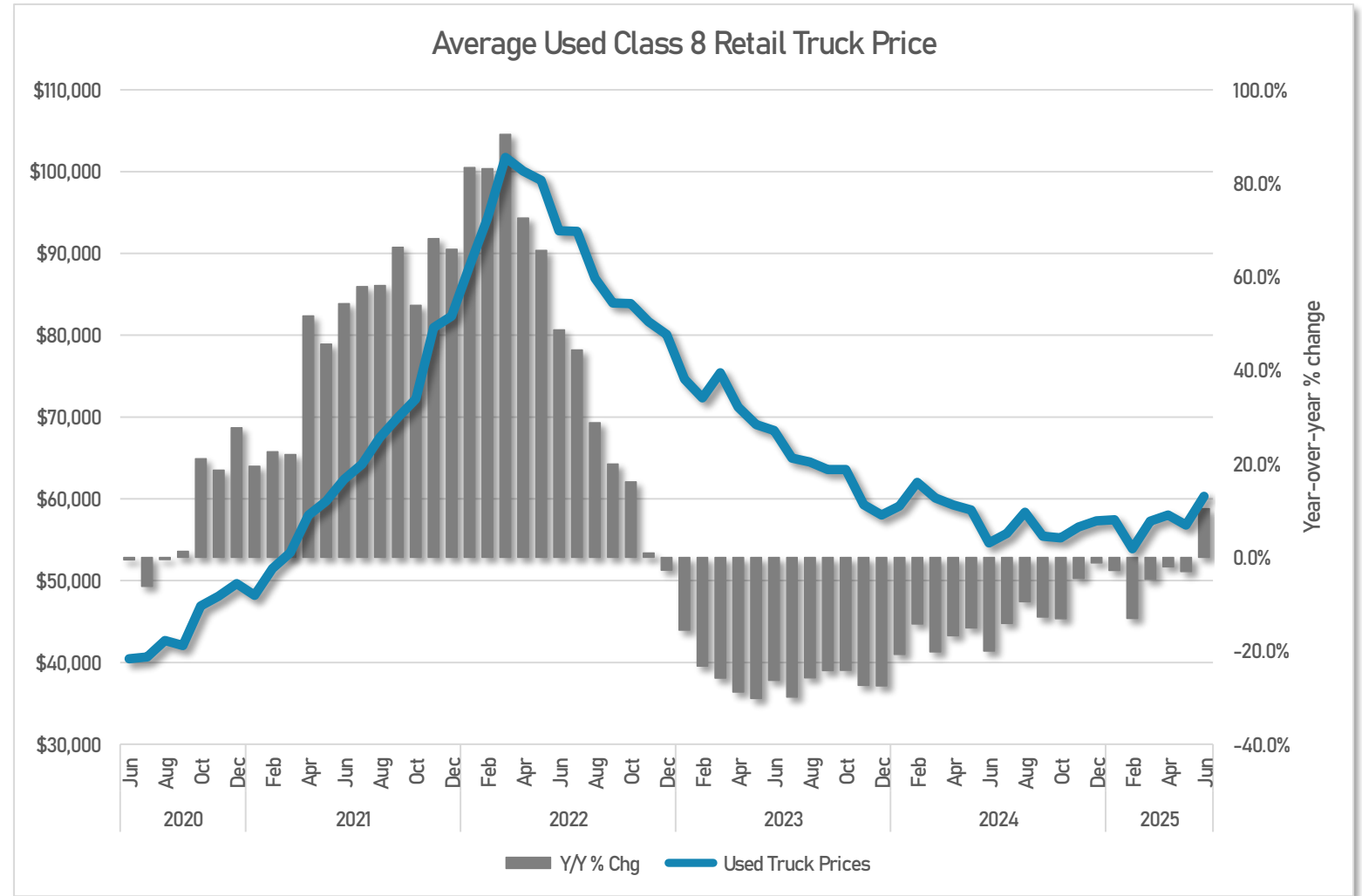
Why it matters: Used truck prices provide a good picture of the strength or weakness of the freight market. For example, monthly year-over-year decreases indicate that the market is in a downcycle due to weak demand.

- As spot rates turn upward, the number of individuals seeking to become an owner-operator also increases, pushing used prices higher.

Our thoughts: Preliminary used truck price estimates grew 3.2% in June after falling 2.1% in May following adjustments.

- Our preliminary estimate for used Class 8 truck prices rose \$1,837 to \$58,650. If this trend holds, it would mark the third month-over-month increase so far this year.
- Estimated prices are 7.9% higher year-over-year, but 7.2% below the 3-year moving average.
- Though our preliminary estimate turned positive year-over-year for the first time in 31 months, we expect this figure to shift once final adjustments are made.

Bottom line: According to Steve Tam, vice president of ACT Research, “The market continued to outperform historical seasonality, which called for a scant 0.5% month-over-month increase.” But while retail sales are on the upswing, auction sales and wholesale withered. Total July preliminary sales numbers were actually down 10%.



Source: ACT Research | <https://www.actresearch.net/> | Monthly | August's numbers are preliminary

06



Freight Market

Manufacturing: Industrial Production

The big picture: The Federal Reserve Board's Industrial Production (IP) index measures the real output of various manufacturing industries.

Why it matters: Manufacturing makes up approximately 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

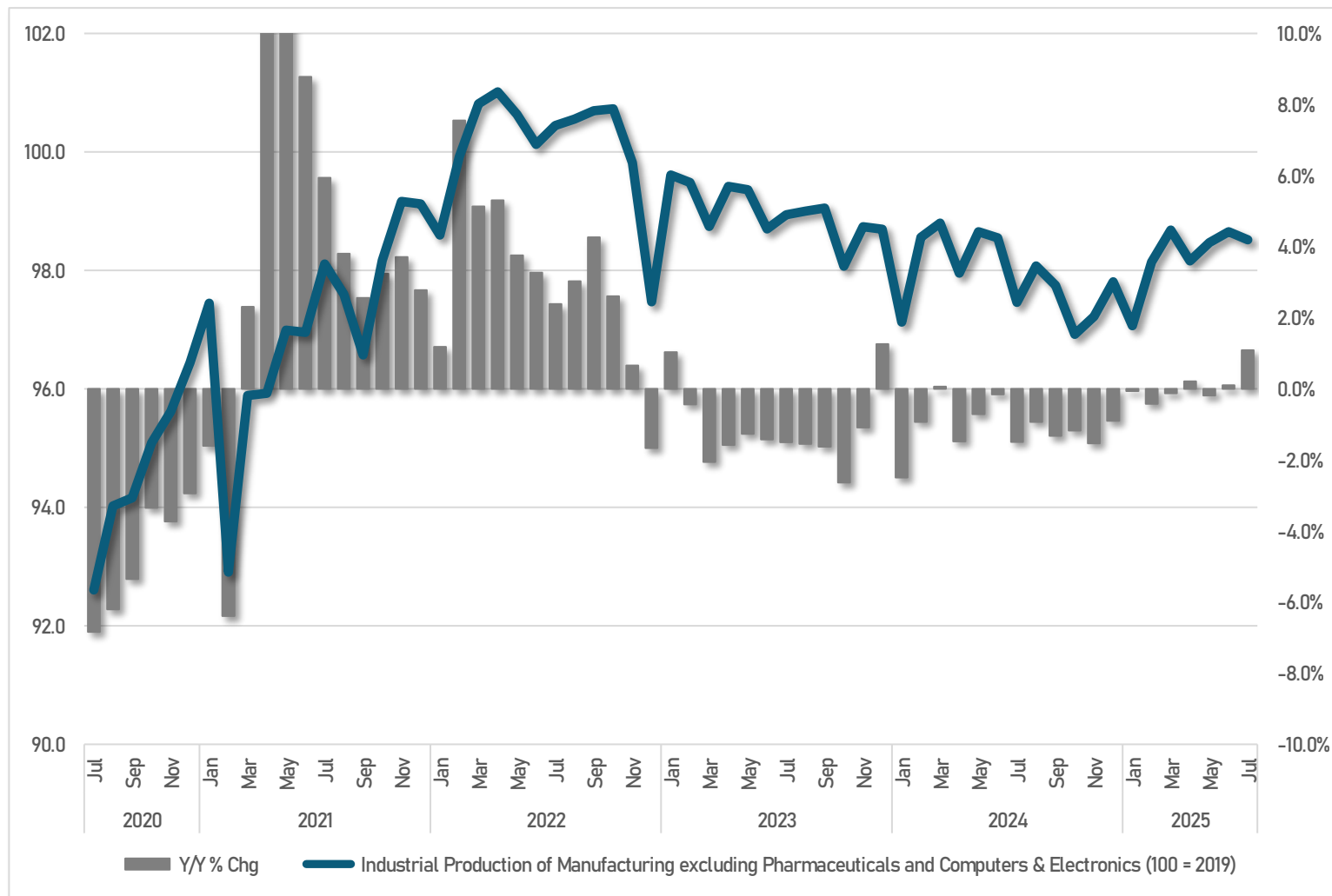
This is especially true when removing pharmaceuticals (NAICS 3254) and computer and electronic products (NAICS 334), as these sectors have an outsized influence on the overall manufacturing index considering how little freight they generate.

- Historically, decreases in manufacturing activity have corresponded with either the start, or worsening, of a freight recession in the trucking sector.
- These cycles often take years to correct themselves.

Our thoughts: Manufacturing activity excluding pharmaceuticals and computer and electronics declined month-over-month, while simultaneously increasing year-over-year (Y/Y) in July.

- Manufacturing activity fell 0.14% to 98.52 after increasing 0.2% last month following adjustments, but is up 1.1% Y/Y.
- Activity has been up Y/Y three times in the past four months.
- Activity was 1.5% below 2019 levels.

Bottom line: Manufacturing activity decreased primarily due to contractions in beverage and tobacco product (NAICS 312), chemical (NAICS 325), paper (NAICS 322), primary metals (NAICS 331), and machinery (NAICS 333) manufacturing. The next couple of months will clarify the extent to which tariff-driven inflation may be impacting manufacturing.



Source: Federal Reserve Board | <https://www.federalreserve.gov/releases/g17/Current/> | Monthly

Manufacturing: ISM

Manufacturing PMI

The big picture: The Institute for Supply Management's (ISM) Manufacturing PMI is a diffusion index based on data compiled from purchasing and supply executives.

- The PMI measures 10 different leading indicators, including new orders, production, backlogs, inventories, etc.
- Any number below 50 indicates contraction, while any number above 50 indicates expansion.

Why it matters: The ISM Manufacturing PMI is a reliable economic indicator that provides a sense of direction for the trucking market as shown in the chart. The ISM is highly correlated with spot rates.

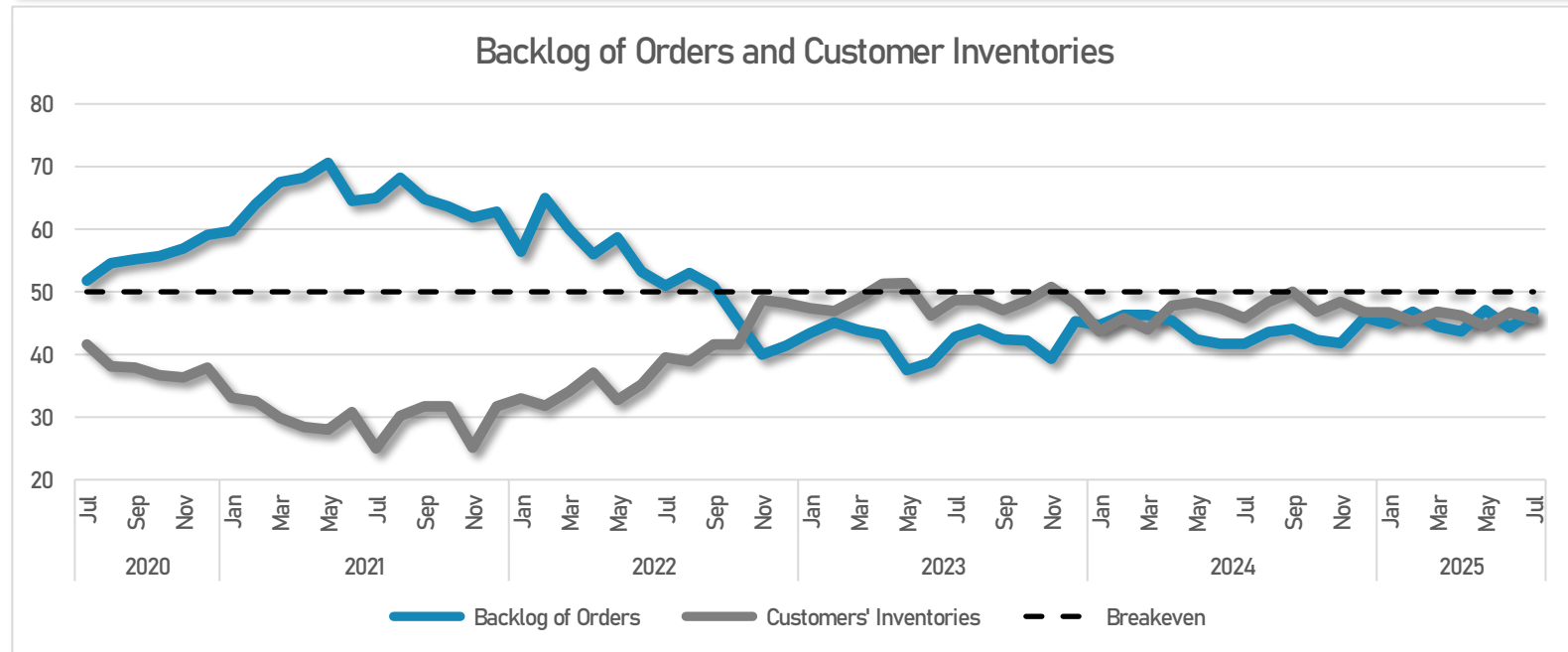
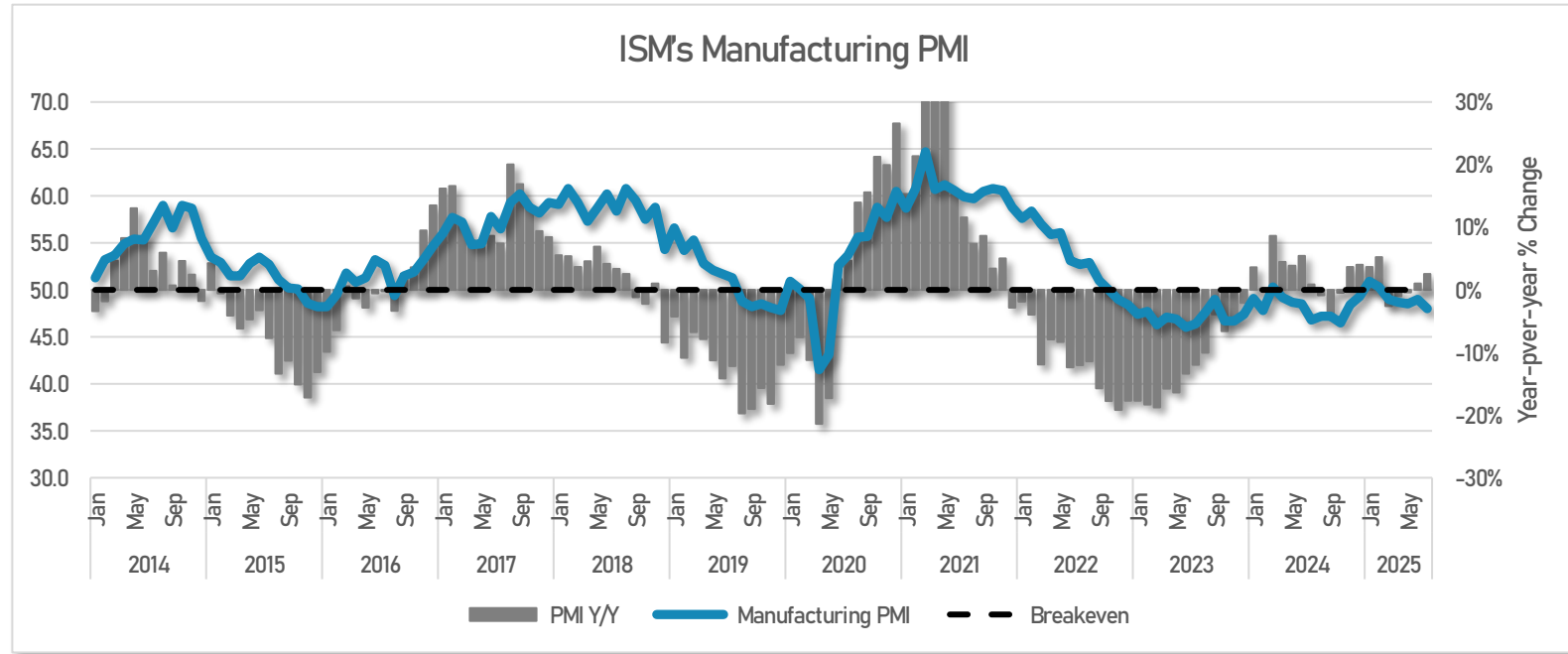
- When backlogs increase and customers' inventories move downward, rates rise. The opposite is also true.

Our thoughts: According to ISM, the U.S. manufacturing sector contracted in July for the 5th consecutive month to 48.0. The New Orders Index (not pictured) ticked upward but contracted for the sixth straight month, falling 0.6% year-over-year to 47.1.

- Backlogs jumped 5.6% to 46.8, ending two consecutive months of decline. But backlogs have been in contraction territory for 34 straight months, contributing to the freight recession.
- Customers' inventories decreased 2.1% to 45.7. They are 0.2% lower year-over-year when they were 46.7.

The bottom line: Demand indicators improved overall. Regarding output, the Production Index moved further into expansion territory, but the Employment Index dropped even further into contraction as companies continue to manage headcount rather than hire. Inputs declined further into contraction territory.

- 10 of the 17 industries reported contraction in July.



Housing: Starts, Under Construction, Completed

The big picture: The U.S. Census Bureau publishes monthly estimates on the number:

- Housing starts, and
- Housing under construction.

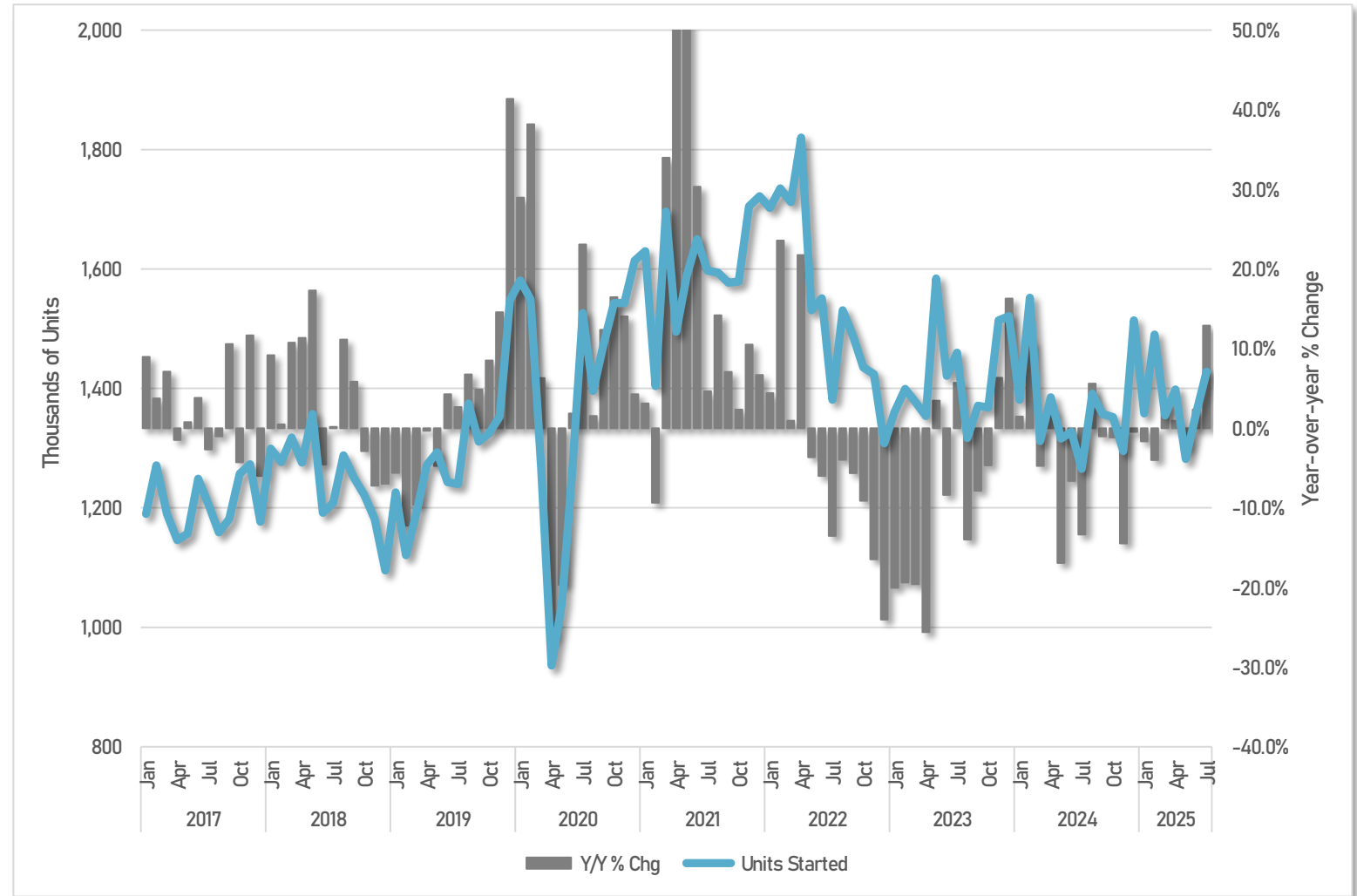
Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

- It's a key economic indicator, especially for the flatbed trucking sector, which hauls a variety of building materials.

Our thoughts: Housing starts expanded in July after rising 5.9% in the previous month after adjustments. The uncertainty surrounding tariffs—which is raising the costs of construction goods—and inflation are still putting a damper on the housing market.

- New starts rose 5.2%, or 70,000 houses, month-over-month to 1.428 million, and is up 12.9%, or 163,000 homes year-over-year (Y/Y), marking 4 Y/Y increases in 5 months.
- Houses under construction (not pictured) increased in July, ending four consecutive months of contraction. Construction increased 0.1% to 1.357 million, but are 12.4% lower Y/Y.
- Completed houses (not pictured) rose 6.0% month-over-month, but are down 13.5%, or 220,000 homes, Y/Y.

Bottom line: The 10-year U.S. Treasury Yield (not pictured), which directly impacts mortgage rates, remained flat in July at 4.4%. The median price for existing single-family homes (not pictured) was 0.3% higher in June compared to the previous year, while housing inventory rose 15.3% Y/Y. This presents a headwind for the housing market and, in turn, for freight demand.



Source: FRED | <https://fred.stlouisfed.org/series/HOUST> | Monthly

Inventory: Machinery Wholesalers Inventories-to-Sales Ratio

The big picture: The inventories-to-sales ratios show the relationship of the end-of-month values of inventory compared with monthly sales.

- For example, a ratio of 2.5 would indicate that a firm has enough product on hand to cover two and a half months of sales.
- The machinery, equipment, and supplies wholesalers' ratio consists of firms that sell bulldozers, farm equipment, industrial machines, supplies for those machines, and transportation equipment excluding motor vehicles.

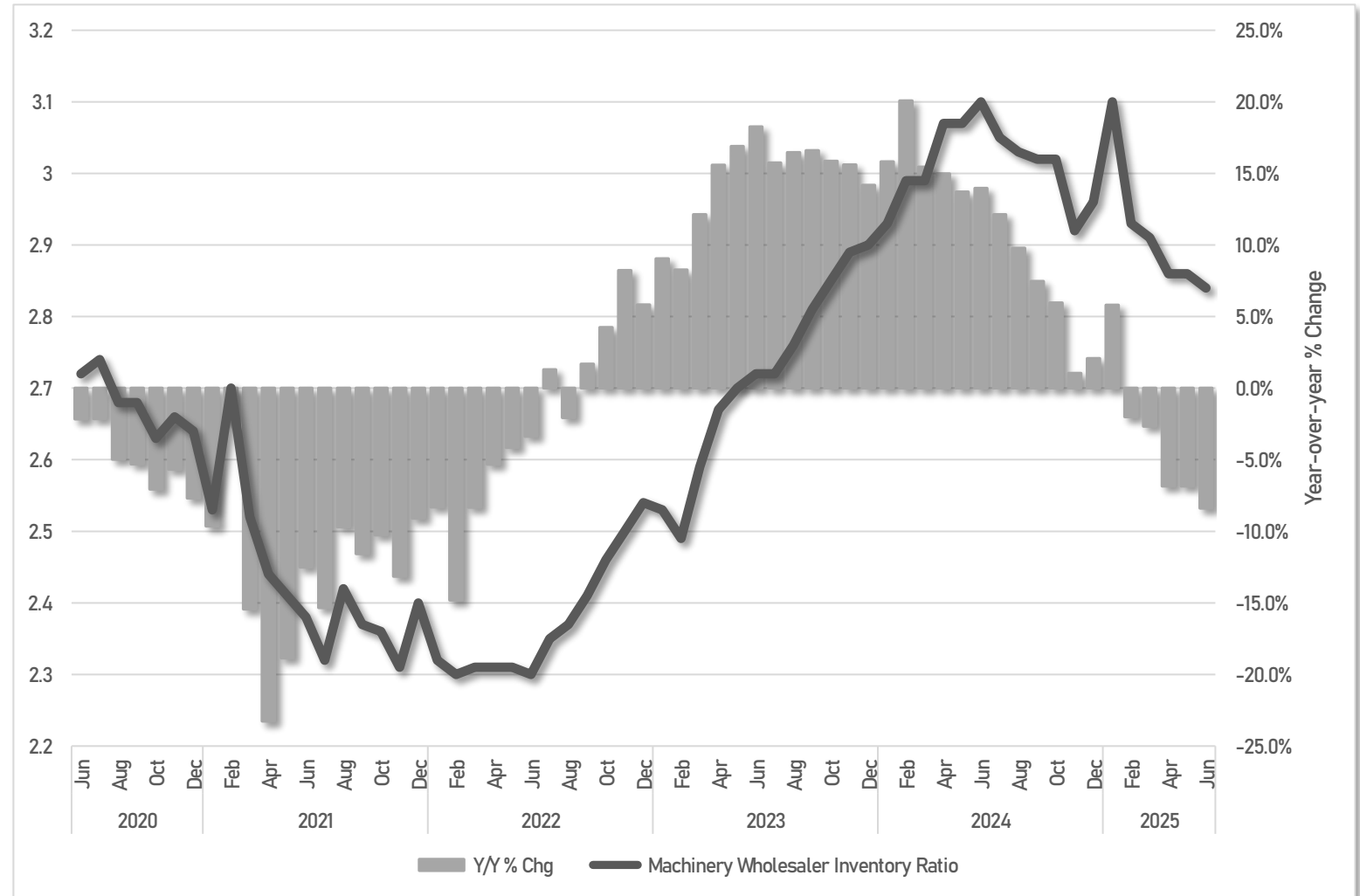
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

- When inventory levels are high, spot rates contract, while the opposite is also true.

Our thoughts: Inventory levels declined in June while sales continued to rise. Wholesalers front-loaded inventories to get ahead of tariffs but now those inventories are being drawn down. This may be due to an increase in construction and industrial machinery equipment surrounding data centers.

- The inventories-to-sales ratio declined 0.7% to 2.84.
- The ratio is 8.4% lower year-over-year, marking 5 months of Y/Y decline after 32 straight months of increases.

A respondent to ISMs survey who operates in this sector warned, "Tariff policies are uncertain, which slows down (1) our investment in new projects, (2) component sourcing for new products, (3) blanket orders and (4) replenishment of large inventory quantities... We are impacted by the higher tariffs on costs of raw materials and components both sourced domestically and from overseas, and we expect expenses will be higher in the third and fourth quarters..."



Source: FRED | <https://fred.stlouisfed.org/series/R4238IM163SCEN#0> | Monthly

Intermodal: Containers and Trailers

The big picture: Trucking is a key part of the intermodal transportation system.

- Intermodal involves moving freight using two or more modes of transportation—such as rail, truck, and ship—without handling the actual cargo when changing modes.

Why it matters: Trucking is used for both first and last mile.

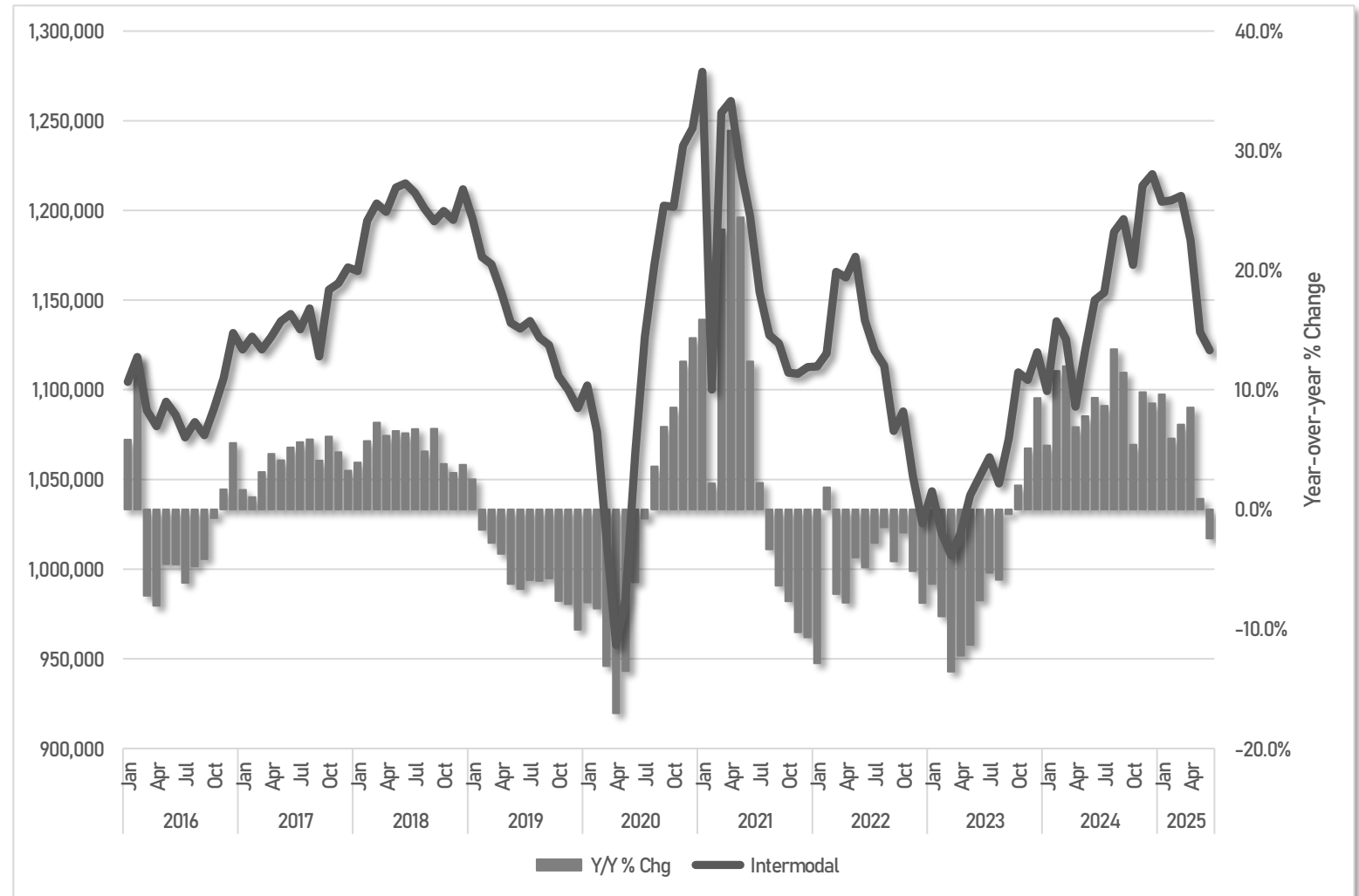
- An increase in intermodal freight will translate into greater demand for trucks downstream as the chart demonstrates.
- Notice how sharp increases in intermodal volumes in 2017 and 2020 correlate with upcycles in trucking. The reverse is also true.

Our thoughts: While the temporary 90-day tariff reductions have brought in a steady increase of containerized freight from China according to [C.H. Robinson's Freight Market Update](#), “normal seasonal patterns are expected to continue” for those intermodal lanes that don't touch the West Coast.

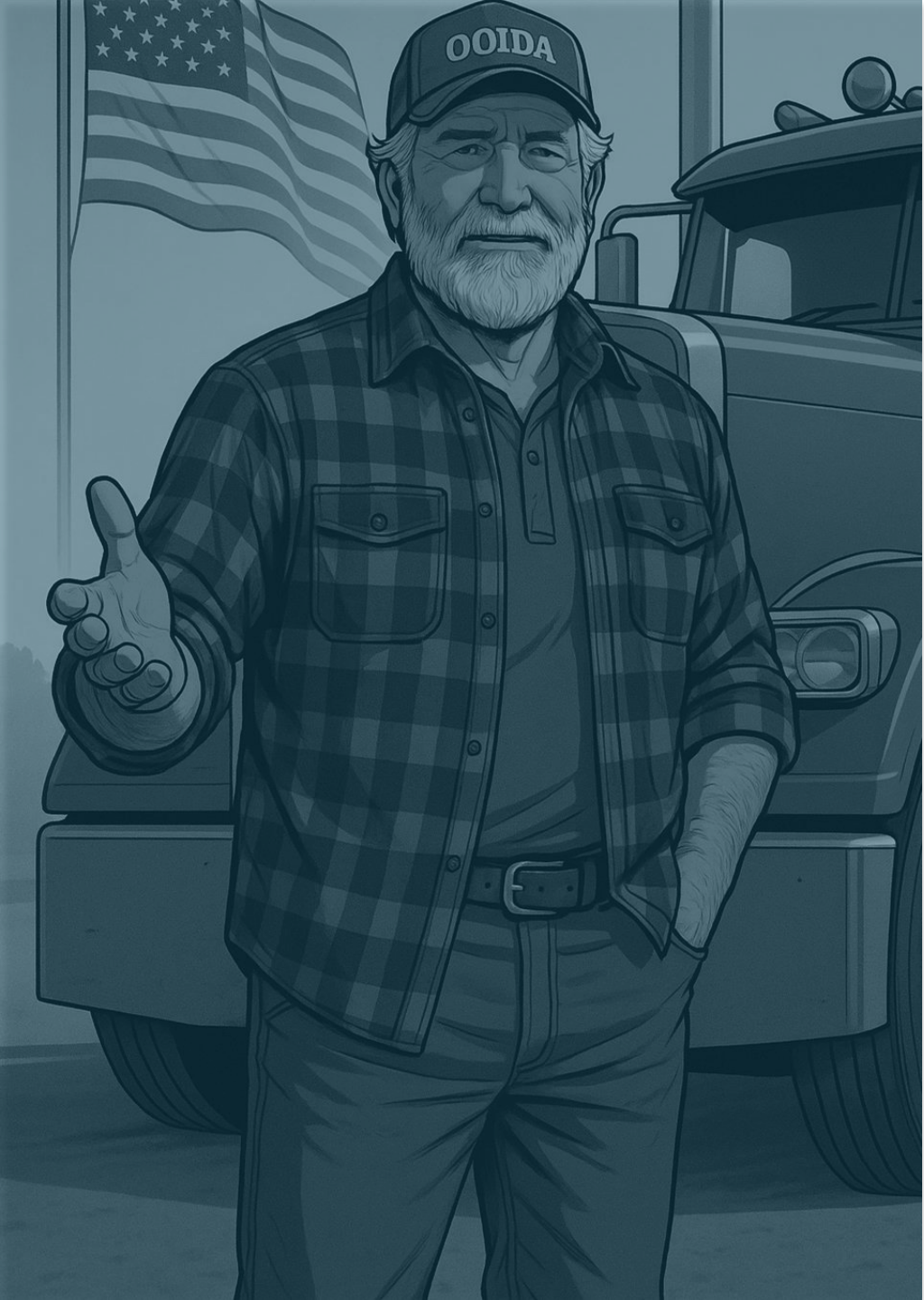
- Intermodal fell 10,169 loads to 1.22 million, and is down 2.4%, or 28,026 loads, year-over-year. This is the first Y/Y decline in 21 months.

Bottom line: According to C.H. Robinson, the National Retail Federation is forecasting double-digit declines in import volumes from mid-August through November.

- However, many shippers maintained standard import timelines either because their suppliers in Asia couldn't ramp up production during the 90-day pause or due to optimism on a possible trade deal with China.



Source: Intermodal: <https://fred.stlouisfed.org/series/RAILFRTINTERMODALD11> | Monthly



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