



July 2025

Monthly Freight Market Update

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Quick Hits

- What goes up, must come down. The laws of physics apply for apples, diesel, truckload and ocean rates -all the same.
- Progress versus resolution will be made by the initial July 9th trade deal deadline. Treasury Secretary Scott Bessent believes a [Labor Day deadline](#) as more likely for top partners and disputes.
- Margins are pulling over, and they can't pull over any further – at least for much longer as manufacturers to wholesalers to smaller businesses have held the line. Without clarity soon, they'll have to cross into paths of pass or cut.
- The lights go out on produce while switching on for hurricane detection for the South and Southeast
- Some eyes are on the July and September Federal Reserve meetings for a rate cut while others wait on what the English Language Proficiency and [non-domiciled CDL](#) enforcements bear their weight.
- Flatbed will receive no favors through tough housing numbers and low energy prices typically seen in the Summer.

The Landscape

Rollin' on a Sliver

Manufacturing has been trapped in what economists call a "rolling recession" since late 2022. Unlike the sharp, V-shaped downturns of previous cycles, this has been a slow run through the grinder.

The ISM Manufacturing PMI, the gold standard for measuring factory health, has spent 25 of the last 26 months below 50—the demarcation between growth and contraction. To put this in perspective, even during the 2008 financial crisis, manufacturing only contracted for 19 consecutive months. This is new territory.

The Margin Vise

Today's manufacturing landscape resembles a hardware store owner buying hammers for \$20 but only able to sell them for \$13. Recent Federal Reserve Bank data reveals the squeeze:

Input Costs (Prices Paid): Surged from 31.2% in December 2024 to 59.8% by May 2025

Output Prices (Prices Received): Limped from 7.3% to 29.5% over the same period

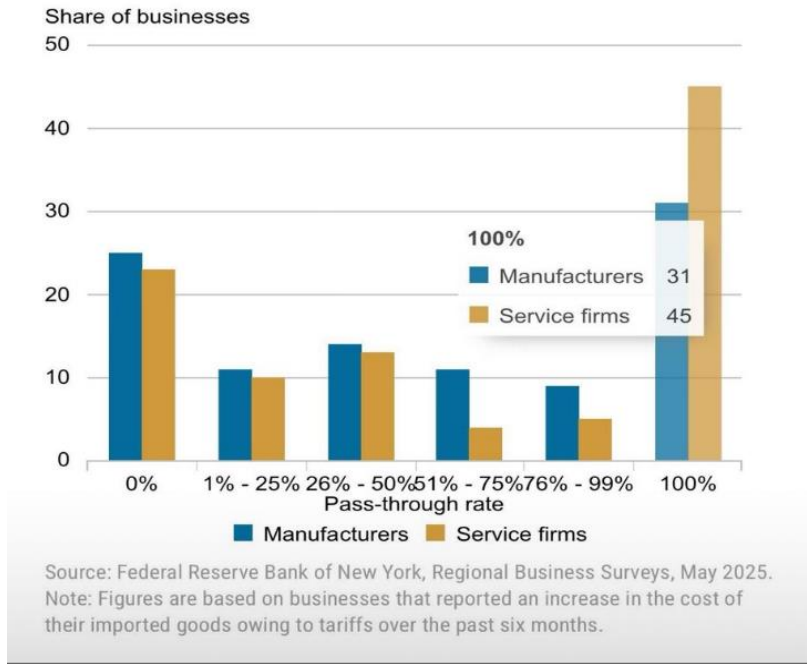


[Philly Fed New Orders and Prices Paid, from the Bloomberg Terminal, shared by Sean Brodrick](#)

This 30-percentage-point gap represents the widest spread in the survey's history. Manufacturers are absorbing massive cost increases rather than passing them to customers—a dynamic that cannot persist.

Think of it as a game of hot potato where manufacturers are refusing to pass the potato (costs) to their customers, fearing they'll simply walk away. Instead, they're holding it, getting burned, and hoping the music stops before they collapse.

Most Businesses Passed Through Some or All of the Tariffs



The Employment Paradox:

Manufacturing employment has now contracted for nine consecutive months, with the June 2025 ISM Employment Index at 43.8%—approaching levels last seen during the 2020 pandemic shutdown. Companies continue cutting through:

- Hiring freezes (affecting 78% of surveyed firms)
- Natural attrition without replacement
- Accelerating early retirement offers
- Selective layoffs expanding beyond underperforming divisions

Yet this creates a dangerous dynamic. Manufacturers have cut muscle along with fat. When demand returns—and the "too low" customer inventory levels suggest it must—who will make the products?

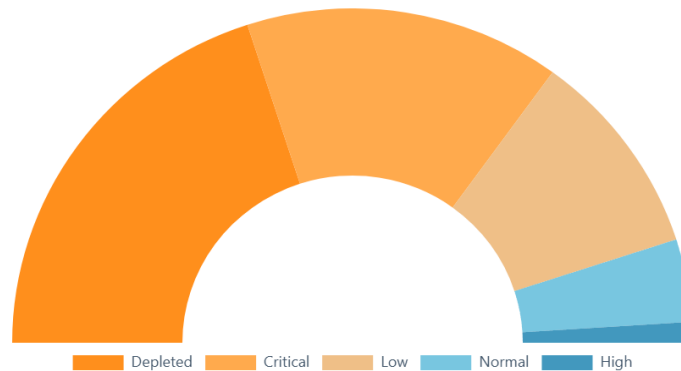
The Hidden Dynamite: Inventory Depletion

Perhaps the most overlooked aspect of current conditions is the inventory situation. For over a year, the ISM's Customer Inventories Index has flashed "too low"—a rare, sustained reading that historically precedes sharp demand surges.

Picture a grocery store that's been gradually emptying its shelves, selling products but not fully restocking, assuming customers won't notice or won't come. This works until it doesn't.

Manufacturing customers—distributors, retailers, and industrial users—have been running down safety stocks for 12+ months.

Inventory Pressure Gauge



Regional Surveys:

While national ISM data provides the headline numbers, regional Federal Reserve surveys offer granular insights into America's manufacturing geography. Together, they paint a picture of synchronized weakness with dangerous divergences.

Philadelphia Fed: Topsy-Turvy

- **January 2025:** 44.3 (highest since April 2021)
- **April 2025:** -26.4 (lowest since April 2023)

- **June 2025:** -4.0 (stabilizing but still negative)

This 70-point swing in three months doesn't reflect actual conditions changing dramatically. Instead, it reveals extreme uncertainty among Mid-Atlantic manufacturers. They're like weathervanes in a tornado, spinning wildly as they try to gauge which way the wind is blowing. Historically, such volatility precedes major economic turning points—the question is which direction.

New York Empire State: The Fading Bellwether

- **Current reading:** -6.0 (June 2025)
- **6-month average:** -9.5
- **Correlation with ISM:** 0.48 (down from 0.65 pre-COVID)

Once the premier early indicator, the Empire State survey has lost predictive power. Financial services now dominate the region, making this survey less representative of national trends. Still, its persistent negativity confirms broad-based weakness and relies on higher valued and specialized imports.

Richmond Fed: The Truth Teller

- **Composite Index:** -12.0 (June 2025)
- **Shipments component:** -18.0
- **Correlation with ISM:** 0.68 (highest among regionals)
- Richmond's survey emerges as the most reliable national indicator. Its composite methodology—weighting shipments (33%), new orders (40%), and employment (27%)—captures manufacturing health more accurately than single-question surveys. The deep contraction in shipments (-18.0) suggests Q3 production cuts ahead.

Dallas Fed: The Energy Albatross

- **Production Index:** -15.3 (May 2025)
- **6-month trend:** Consistently below -15
- **Special factor:** 40% of respondents tied to energy sector

Dallas can't shake its oil dependence. With crude prices volatile and natural gas margins compressed, energy-sector weakness infects broader regional

manufacturing. The survey's persistent negativity partly reflects structural challenges unique to Texas—making it less useful for national extrapolation.

Kansas City Fed: The Steady Decliner

- **Composite Index:** -8.0 (June 2025)
- **Trend:** Gradual deterioration for 10 months
- **Agricultural influence:** 25% of survey respondents

Unlike Philadelphia's wild swings, Kansas City shows steady deterioration. Agricultural equipment makers report farmers delaying purchases amid commodity price uncertainty, creating a feedback loop of weakness.

Chicago Fed (CFNAI): The Broad Warning

- **Manufacturing component:** -0.28 (3-month average)
- **Diffusion index:** 42% of indicators improving
- **Unique value:** Covers entire economy, not just manufacturing

Chicago's broader economic index confirms manufacturing weakness is contaminating other sectors. When less than half of economic indicators show improvement, recession risks rise. The manufacturing component's persistent negativity suggests the industrial Midwest hasn't found its floor.

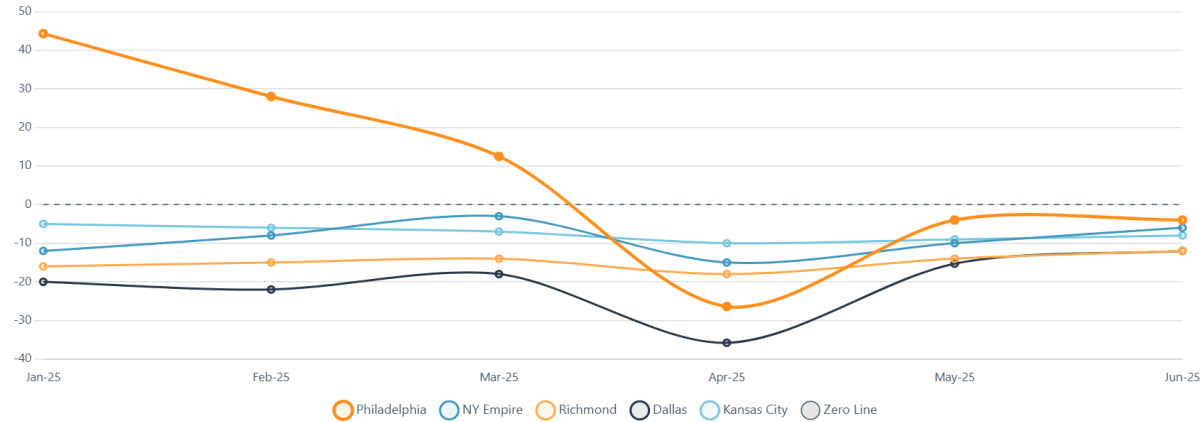
Packaging 'Em All Back Together

Mapping these surveys reveals three critical insights:

- **No Safe Harbors:** Every region shows contraction, debunking hopes of isolated weakness
- **Volatility Increases with Uncertainty:** Philadelphia's swings reflect a region unsure of its manufacturing identity
- **Correlation Breakdown:** Regional surveys increasingly tell local stories rather than national ones
- The Richmond Fed's emergence as the best national predictor—surpassing traditionally dominant Philadelphia and New York surveys—reflects America's manufacturing geography shifting southward. The Southeast's mix of automotive, aerospace, and technical manufacturing better represents the modern industrial base than the Rust Belt's legacy industries.

Regional Survey Trends

Comparing Fed District Manufacturing Indicators



What May Be: Three Scenarios for Q3 2025

Scenario 1: The Inventory Snapback

Customer inventories prove too low for too long. A modest uptick in consumer demand triggers another restocking cycle. Manufacturers, having cut too deep, struggle to meet demand. Prices spike, margins recover, and everyone declares the recession over—temporarily.

Key indicators: Watch July retail sales and August back-to-school numbers. If strong, buckle up.

Scenario 2: The Margin Collapse

Unable to absorb further cost increases, manufacturers finally attempt to pass prices through to customers. Already-weak demand evaporates entirely. Production plummets, layoffs accelerate, and the manufacturing recession deepens into something worse.

Key indicators: July ISM Prices Received Index above 50 while New Orders falls below 45.

Scenario 3: The Muddle Through

Fed rate cuts arrive just in time. Demand stabilizes without surging. Manufacturers slowly rebuild margins through productivity gains rather than price increases. The sector gradually heals through 2025 into 2026.

Key indicators: ISM PMI holds between 48-52 for three consecutive months.

What We're Watching

July 2025 - Federal Reserve Decision Manufacturing's survival may depend on meaningful rate cuts. The sector is uniquely sensitive to interest rates through:

- Capital equipment financing
- Inventory carrying costs
- Customer financing for big-ticket items

Without relief, the margin squeeze tightens further.

August 2025 - Back-to-School Restocking The first major seasonal demand test. Retailers typically order fall merchandise in June-July for August delivery. Their decisions will reveal whether the inventory famine breaks.

Today's manufacturing sector resembles a rubber band stretched to its limits. The margin squeeze, inventory depletion, and employment cuts have created enormous potential energy. When released—through either recovering demand or collapsing supply—the snapback could knock it out of bed.

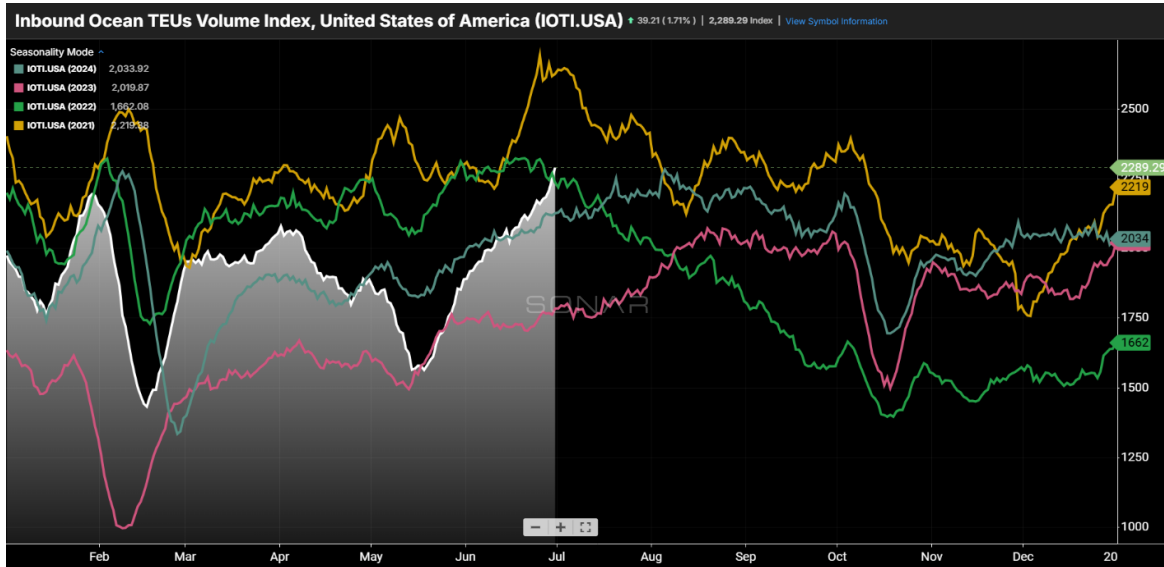
The Off Ramp

Oceanside

The below index tracks the amount of TEU volumes slated to leave ports of lading towards the U.S. on a rolling two-week basis. It is a forward indicator of domestic landings, around 30 days in advance for West Coast operations and 50+ for East Coast, so 1-2 months.

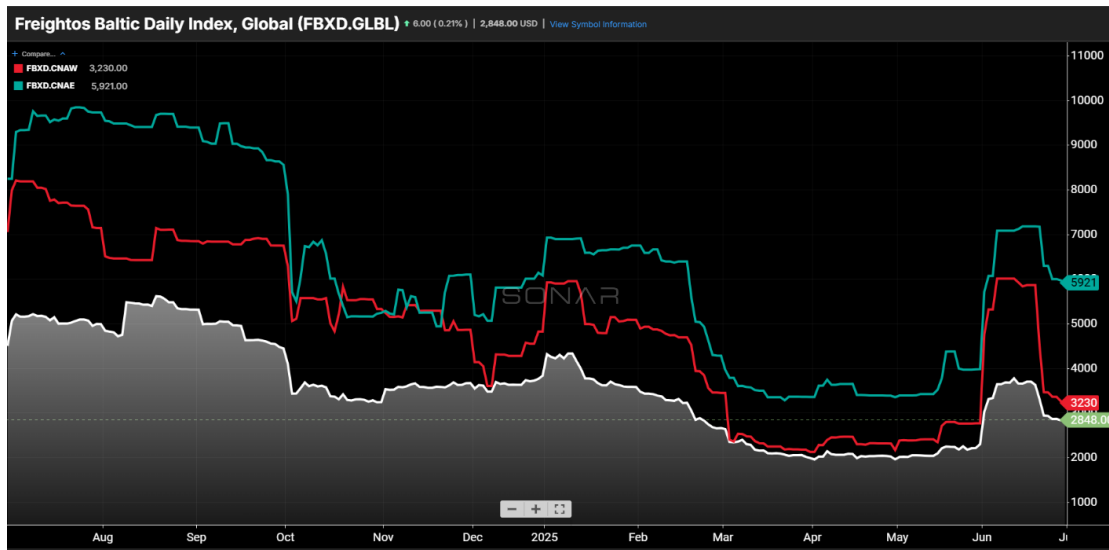
The rebound in movement is just now beginning to show on the West Coast, with the East Coast just days after the holiday. The bulk of this lift, however, is another

month or two out and will coincide with Labor Day pressures, especially for Southern California.



Source: SONAR

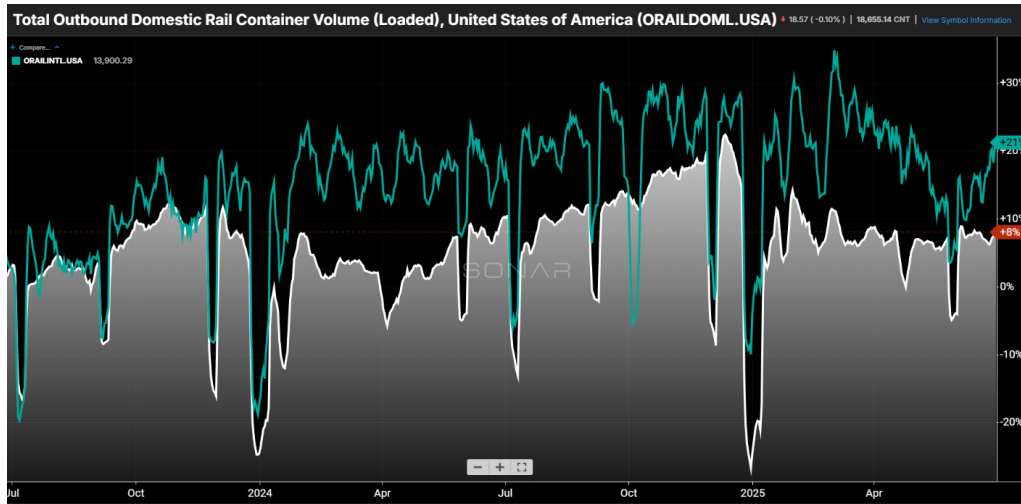
Ocean rates are indicating a lack of staying power in this rebound. Leveling off would be a bull case through July, with cooling back between '23 and '24 as more reasonable.



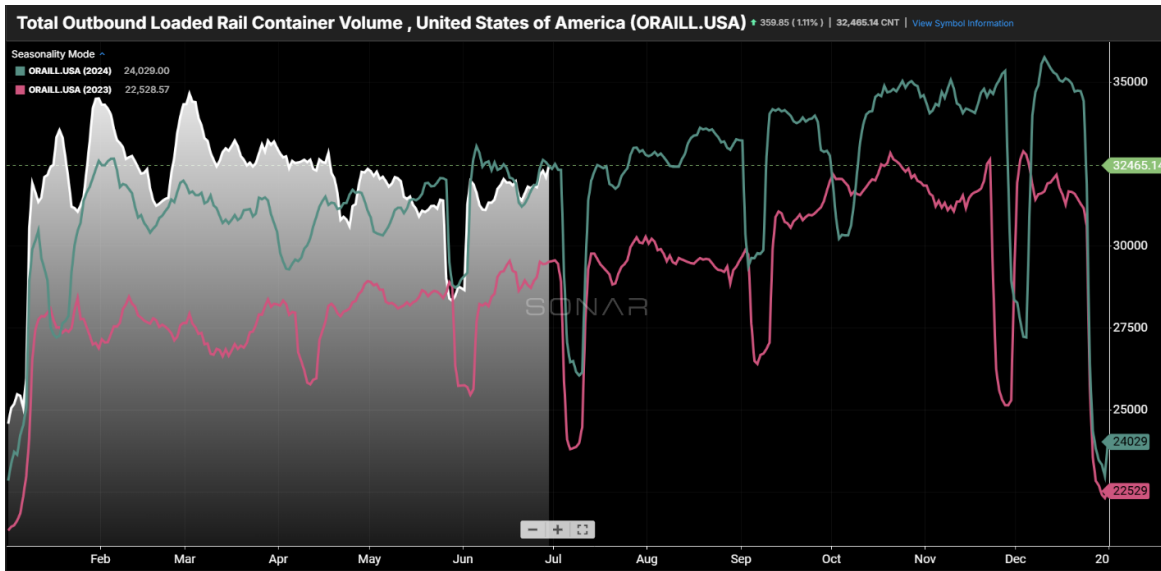
Left: SONAR/ Ocean Container Rates -- Freightos Global (white) and China/East Asia --> US East (teal)/West Coast (red)

Riding the Rails

Total rail volumes have been subdued by pauses in imports, but that will reverse course as the imports arrive in flocks through the next quarter - particularly the TEU surge we outlined in "The Off Ramp" section hitting West Coast operations through Labor Day.



Although rejections have begun to strongly rise through the holiday, many will still opt for rail on transcontinental moves out of the West Coast to hold on costs. Overall consumer and economic momentum will dictate how much gets pushed here vs Truckload around Labor Day.



Source: SONAR

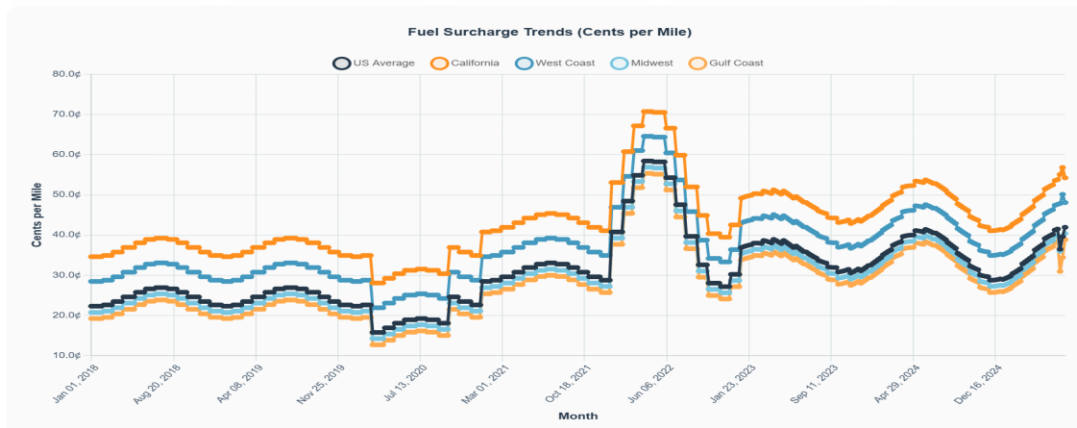
O'er The Road

Supply

Fuel

Combat abroad in Iran provided a rapid response in Brent crude oil prices in June, bringing Diesel prices with them by 30¢ a gallon over the month. This spike has since piled on spot rates to end the month, quarter, and July 4th weekend into one combustible bubble.

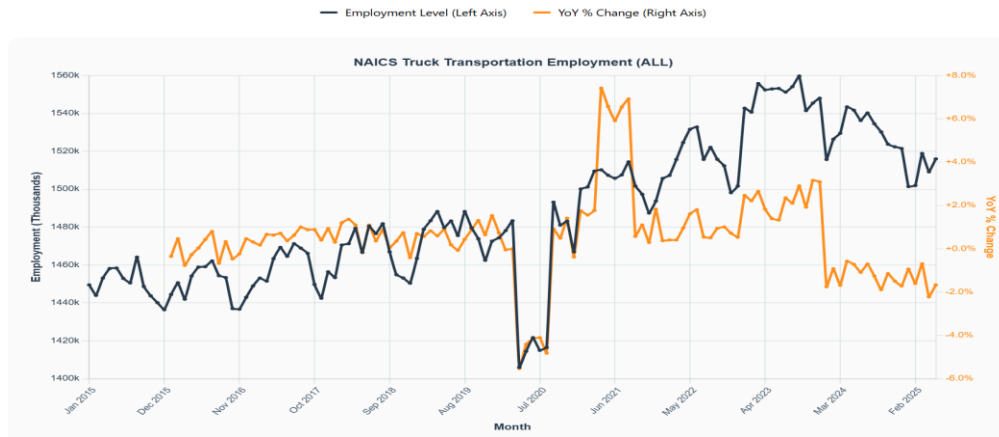
Ceasefire agreements have abruptly ended the clamp on prices, seeing Brent back in the mid \$60s. Fuel surcharges typically fall in Q3 with lower outputs, giving a lot of tailwinds for decreasing rate pressures after the holiday. Last July to September saw a 30¢/gal decrease, showing more may be coming too.



Source: EIA Weekly U.S. Diesel Data

Authorities, Regulation & labor

It is too early to tell the significance of the ELP enforcements on the broader truckload market. Another layer comes as non-domiciled CDLs receive more scrutiny, however, making the case that any lulls ahead will only go so far, and any restrictive periods that much more volatile.

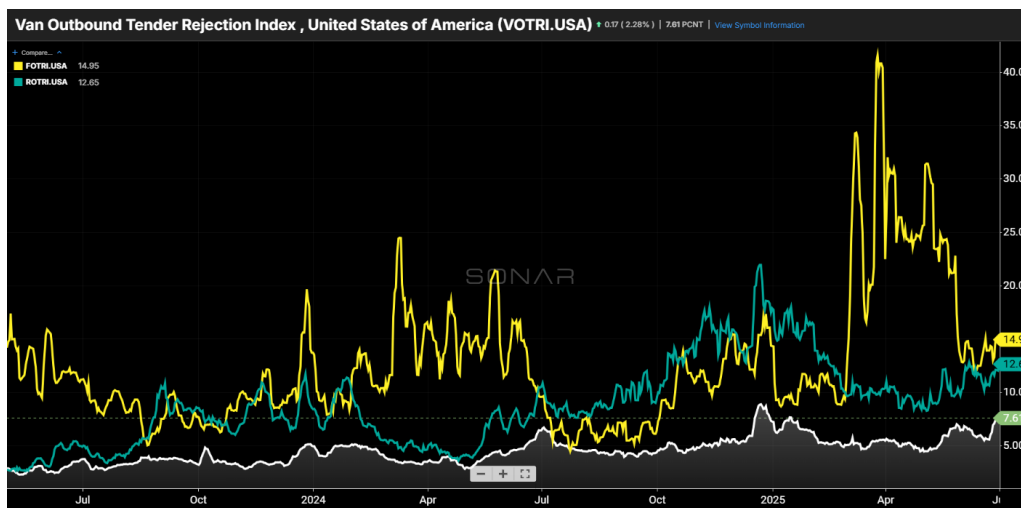


Source: Bureau of Labor Statistics (BLS)

Although Month-to-month changes were flat, overall truck transportation employment is 1.7% lower than last May. The flat line in negative territory in YoY changes in yellow since last year indicates a continuous deterioration versus total employment actually holding flat.

Rejections and Pressures

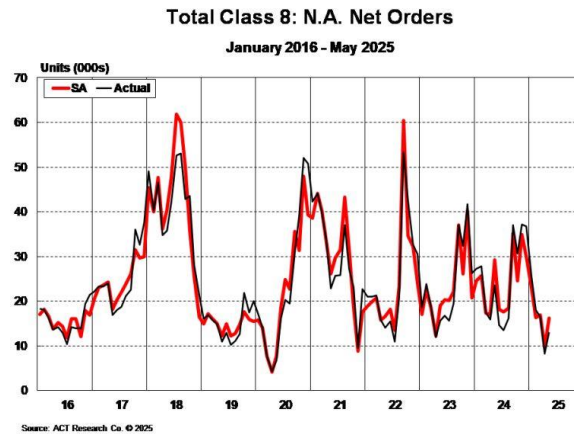
National rejection rates for Van, Reefer, and Flatbed all end the month on a high note, and at least 15% higher than the year prior. Van rejections are on par with highs to begin the year at 7.5%



Source: FreightWaves SONAR

Equipment

ACT Research shows no surprise in the continued fallout in orders for physical assets. New orders for Class 8 trucks were down 45% year-over-year.



Source: ACT Research

Moves in the Used Truck market was more subdued, yet negative as well. New trailer orders fell 26% m/m, yet have the silver lining of being up versus last May.

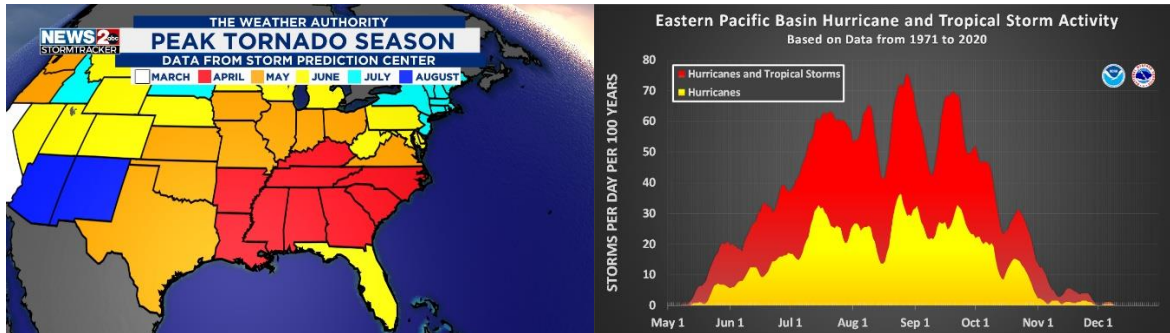
Most telling is the average age continuing to increase on used vehicles. This only exacerbates maintenance costs and equipment failures.

ACT's USED CLASS 8 RETAIL SUMMARY – MAY (F) 2025				
TOTAL CLASS 8	UNITS <small>(Same Dealer Sales)</small>	AVERAGE PRICE	AVERAGE MILES	AVERAGE AGE
MONTH/ MONTH	↓ -10%	↓ -2%	↑ 3%	↑ 3%
YEAR/ YEAR	↓ -2%	↓ -3%	↓ -1%	↑ 7%

Source: ACT Research

Weather

The Dixie Alley closes its Tornado season along with produce harvests, but in comes the heights of Hurricane season through the third quarter, reaching its apex around Labor Day.

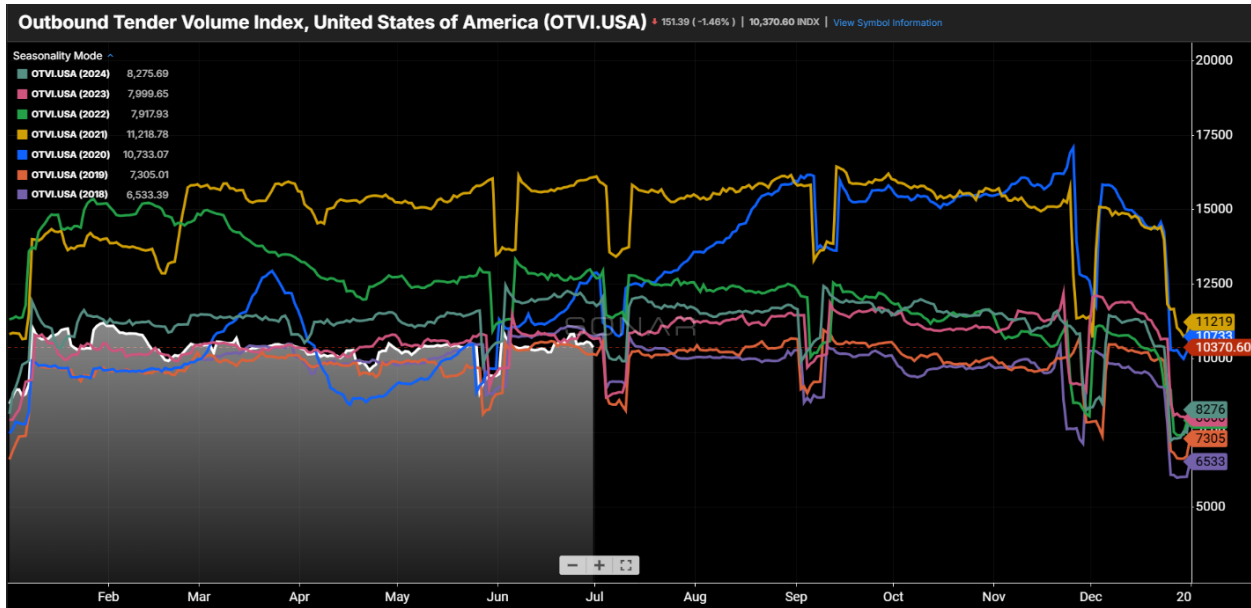


Demand/Volumes

SONAR

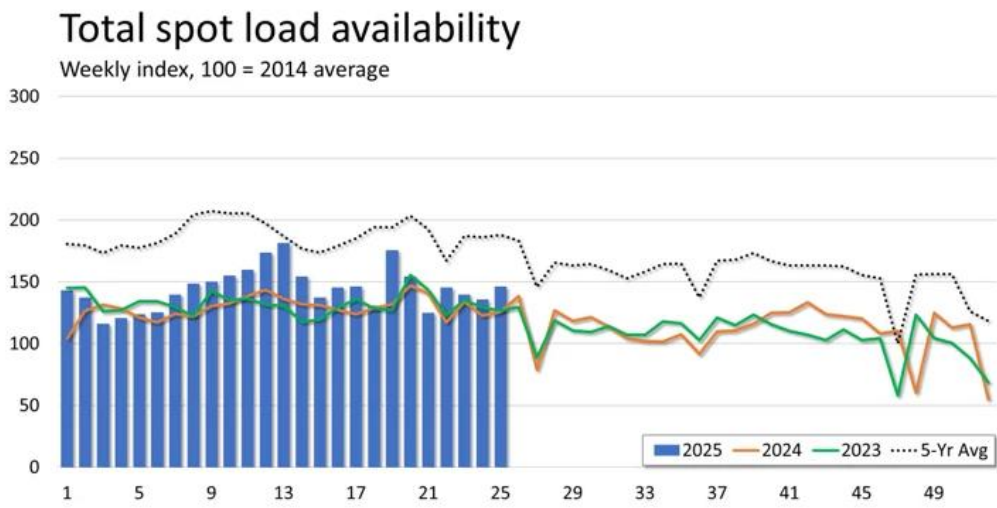
One would expect SONAR's outbound tender volumes to be above the past two years' levels given the hearty rejection rates, but they are instead meandering below 2023 and only slightly above where the index began in 2018.

This disconnect reinforces the supply-demand imbalance we've seen throughout - tight capacity meeting lackluster demand, consistent with the manufacturing margin squeeze detailed in our landscape analysis.



FTR | Freight Intelligence

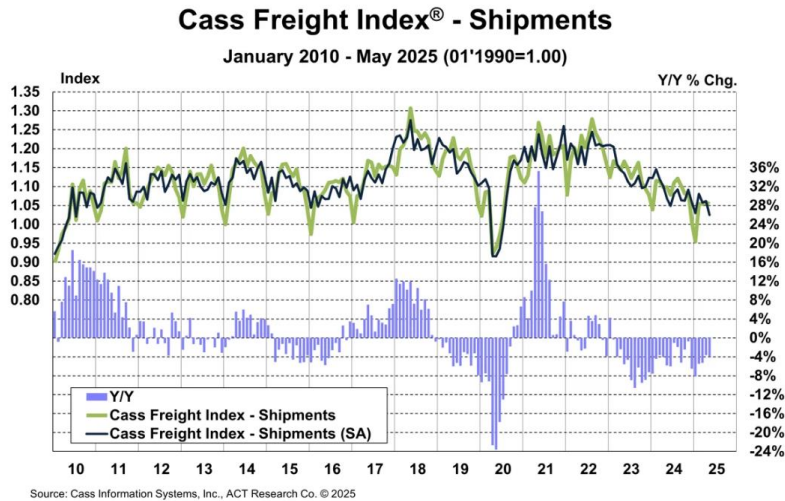
Total spot load availability via FTR has been more active in 2025 as well, yet most of the heavy lifting came via Flatbed tightening in Q1 and recent inflections in Reefer. Otherwise, they all remain below the 5-year average.



Source: Truckstop, FTR - <http://freight.ftrintel.com/spotmarketinsights>

CASS

This June will mark the third year in a row in declines for Cass Freight Shipment's Index, falling 5.5% in 2023, another 4% in 2024, and heading toward 2% lower in 2025. This index measures more than just truckload volumes as part of its aggregation.



CarrierSource

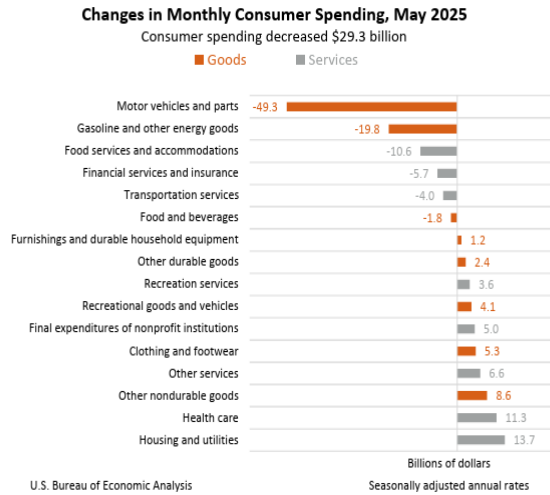
CarrierSource's Shipper Activity Index is similarly breaching year-to-date high-water marks to end the first half of the year. Both exemplify the volatility seen this Spring in an otherwise softer shipping environment.



Economic Indicators

Credit & Consumer Spending

Front-loading wasn't unique to shippers. Consumers pumped auto sales in the early spring, then fell almost 50% Y/Y in May as tariff rates escalated.



Source: Bureau of Economic Analysis (BEA)

Seasonally adjusted credit and debit card spending came down across the board in May.

Exhibit 1: Consumers pulled back on spending, with spending down 0.9% on an annualized basis in May 2025

Total credit and debit card spending growth per household, based on Bank of America card data (monthly, MoM%, seasonally adjusted (SA) and 3-month moving average, SAAR, SA)

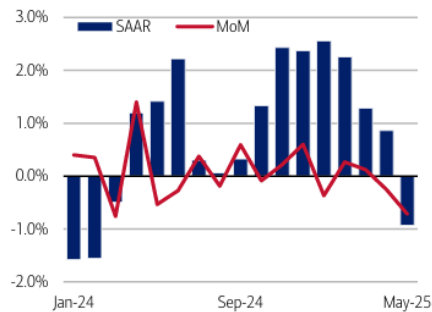
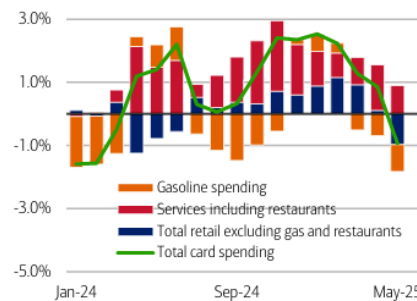


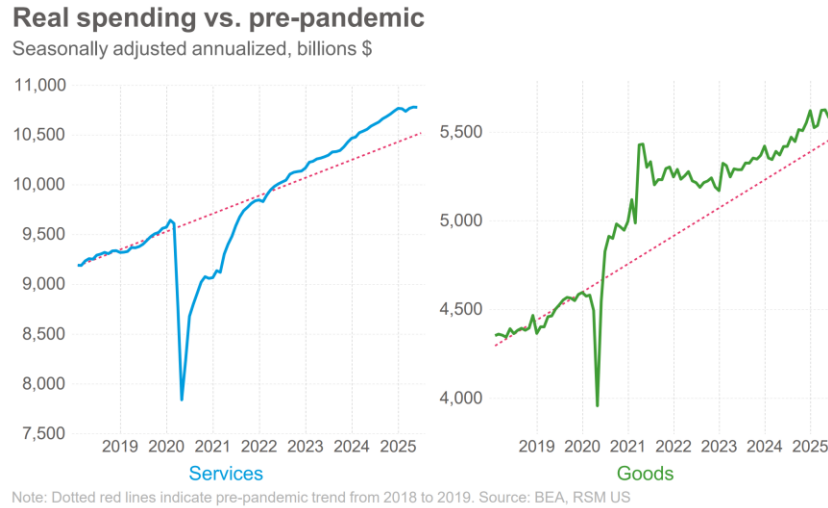
Exhibit 2: Services spending continued to grow, while consumers pulled back on retail and gasoline spending

Total credit and debit card spending growth per household, based on Bank of America card data (3-month moving average, SAAR, SA) and percentage point contributions to SAAR growth (3-month moving average)



Source: Bank of America

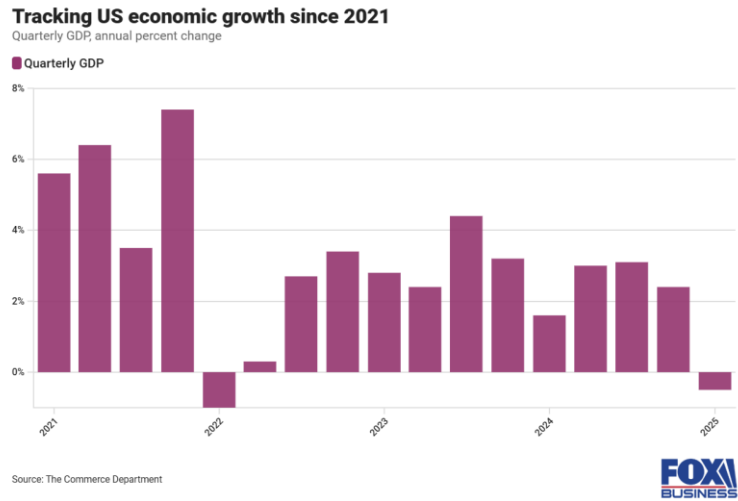
Airline travel and other discretionary services bring growth in Service-side spending down a peg, but not to the benefit of goods as it stagnates.



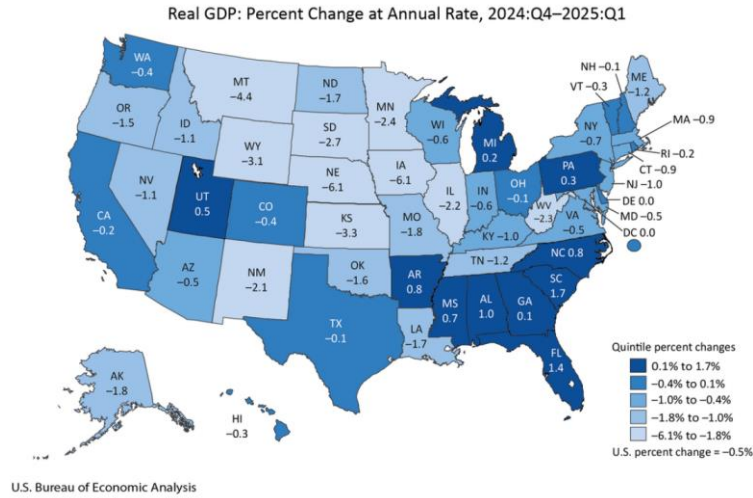
Source: RSM | Tuan Nguyen

GDP

First Quarter GDP numbers were revised lower after solidifying softer consumer spending data. The negative print was predominantly from the weight of front-loaded imports.



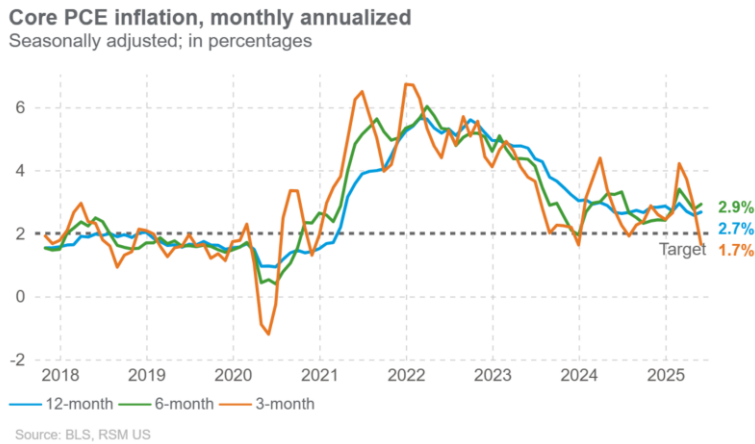
Most of the economic activity in the first quarter was concentrated in the Southeast region of the country.



Source: Bureau of Economic Analysis (BEA)

PCE

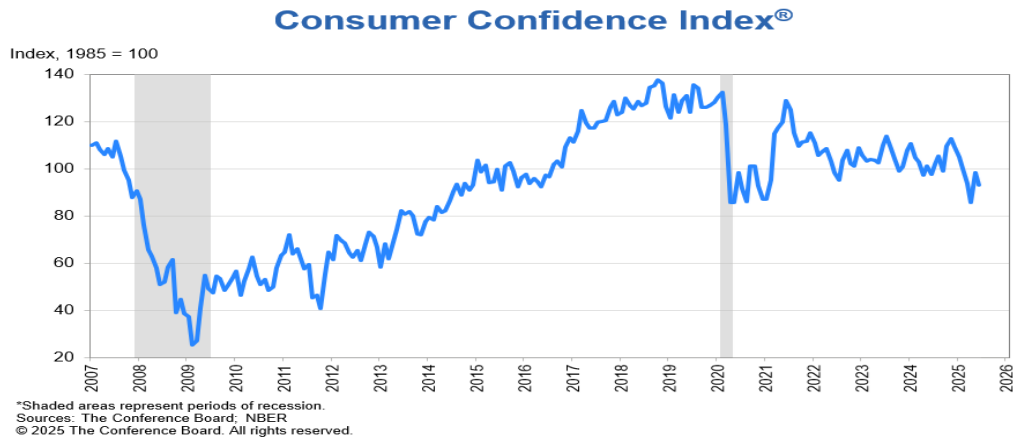
Keeping a lid on the Federal Reserve’s motivation to cut rates is the Personal Consumption Expenditures Price Index, or PCE. Annualized rates remain above the 2% target and backtracked in May.



Source: Toan Nguyen, RSM

Consumer Confidence

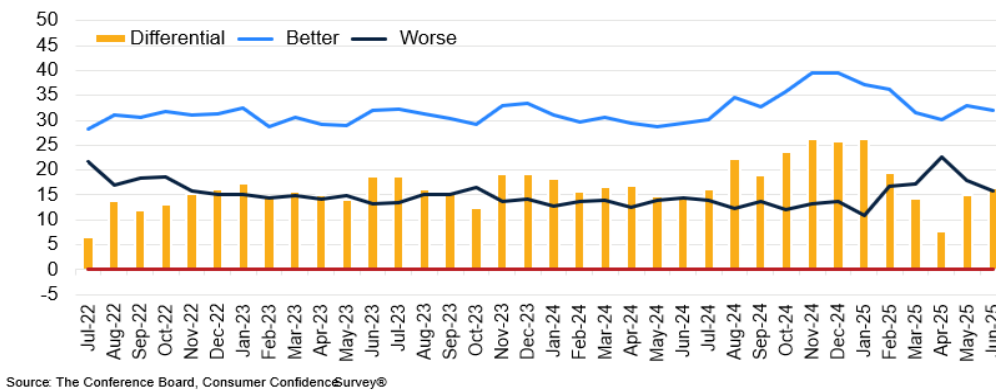
Although unreliable narrators for economic cycles, the directionality of confidence survey results offer idea of intentions to keep buying, what drives ~2/3rd of the U.S. economy.



June gave back gains in May, in terms of overall sentiment. Of the data closest to home, it's worth noting that current financial situations continue to be ok.

The kicker? Outlooks *improved* when looking 6 months from now.

Family's Expected Financial Situation, Six Months Hence (Percent)



Source: The Conference Board

The Final Grade

Not great, Bob.

The real test is endurance. Manufacturers squeezed between 59.8% input cost increases and only 29.5% output price gains can't absorb losses indefinitely. U.S. households facing elevated prices at the pump and store while borrowing costs remain elevated are tapping the brakes on spending. How relief arrives matters less than concrete ideas of when.

Key inflection points ahead:

July's Fed decision on rates, August back-to-school restocking patterns, and September's traditional inventory build cycles.

Any one could trigger the inventory snapback scenario - or accelerate the margin collapse. The freight market has every excuse in the book for an upcycle - import surges, depleted inventories, rejection rates double last year's levels - with no help on the immediate horizon to get there.

Until the margin vise loosens, expect more of the same: manufacturers holding the line on costs while freight demand stays trapped in neutral. □