August 2025

Monthly Freight Market Update

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Quick Hits

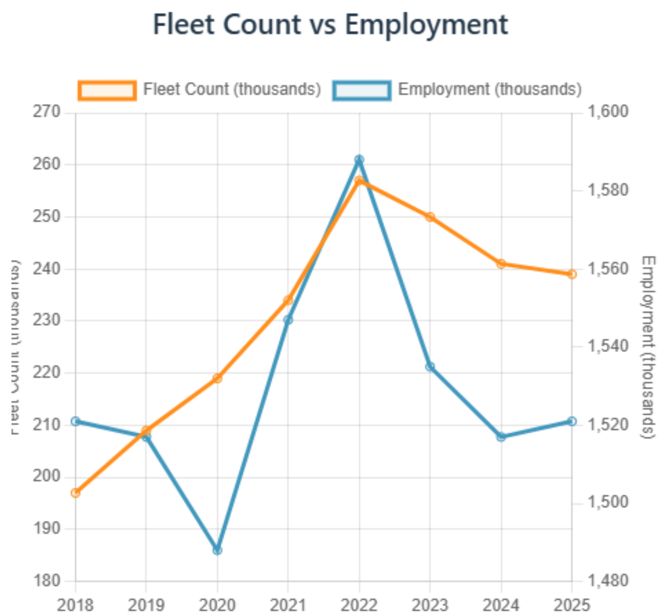
- August is for riding waves—whether heat, imports, or at the beach while squeezing the last days of PTO before the school year.
- The freight market is more fragmented than ever, and a 30% draw down in spot rates since 2023 won't stop the train.
- Go home, manufacturing, you're drunk. Mixed signals remain as two regions finally hit expansion in July. Just don't look at hiring.
- There are two types of business strategies, either you're bundling or unbundling. Rail saw what trucking has done and have chosen to roll up instead.
- Speaking of waves, one storm and two possibles begin our hurricane watch for the most active time of the year.
- There's a new Tariff in town. We're just all waiting for them to show up—and what the price will be.

The Landscape

Fragmented Roads Ahead

The American economy is starting to resemble an old TV—plenty of static, you're never quite sure which station you're actually tuned into. But unlike a TV, you can't just adjust the bunny ears for a clearer reception.

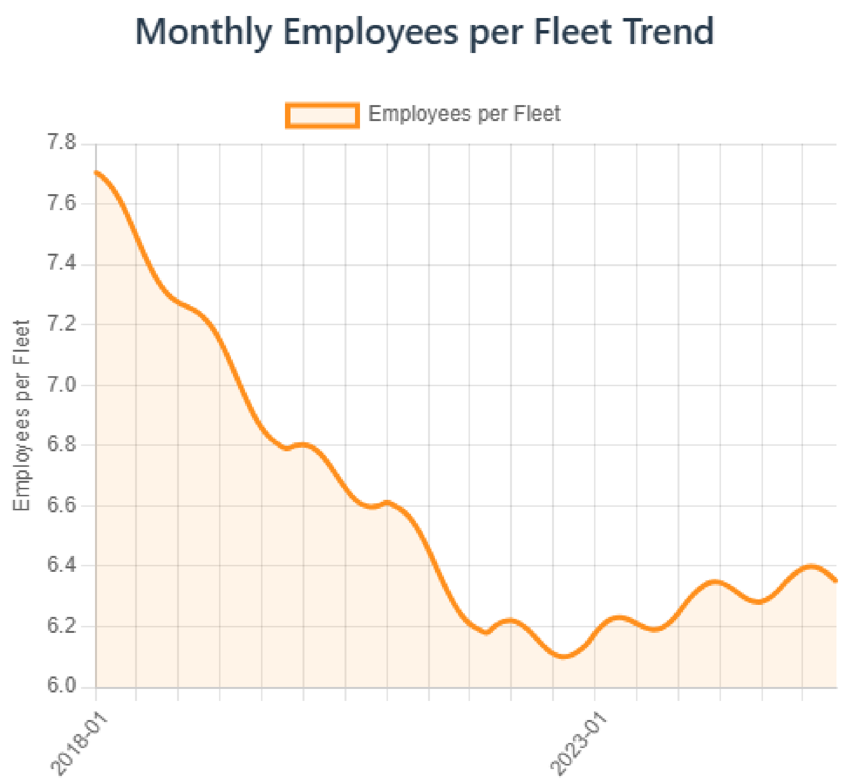
But here's a number that is clear: **There are 39% more trucking fleets on the road today than in 2018, but employment is dead flat.** This isn't just a fun stat—it's the key to understanding why freight markets behave so differently now.



Source: BLS and SONAR For-Hire Fleet Count (FCTC.USA)

We're witnessing the greatest fragmentation in trucking history. The same number of drivers spread across vastly more operations means:

- **18% fewer employees per fleet** since 2018
- Coordination costs that multiply exponentially
- Rate volatility that defies traditional supply-demand logic



Source: BLS and SONAR For-Hire Fleet Count (FCTC.USA)

This means the same amount of people across far more operators.

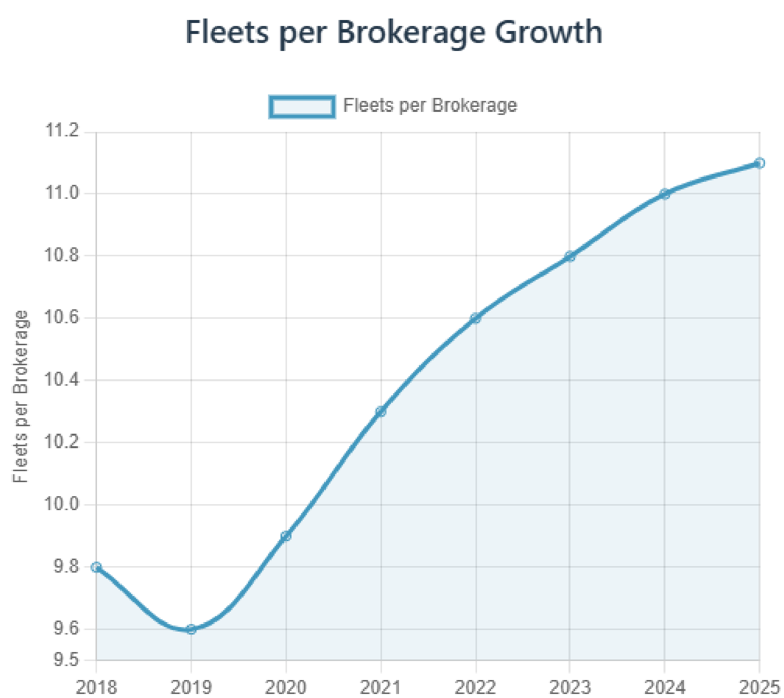
Think of it like this: imagine trying to organize a neighborhood barbecue in 2018 when you had to coordinate with 100 families. Now you need to coordinate with 139 families for the same event, but you still have the same number of people showing up. The logistics nightmare multiplies, even though the fundamentals haven't changed.

The Great Unbundling

All businesses are in the process of bundling for efficiency or unbundling for perceived value. Cutting the cord for optionality then packaging multiple streaming services back together for a deal. Consolidating networks for cost savings in the downswing, then opening the doors to other providers when the best way to service is simply having an option.

The trucking industry has made its choice – it's atomizing. Following suit in chasing this growth is the brokerage industry. To many, this is a side effect more than a necessity. Broker penetration has grown over the same period, but here's why:

The number of brokerage MCs has **grown 23.7%** over the same period. This creates **12% more carriers per brokerage**, as fleet growth outpaces broker expansion.



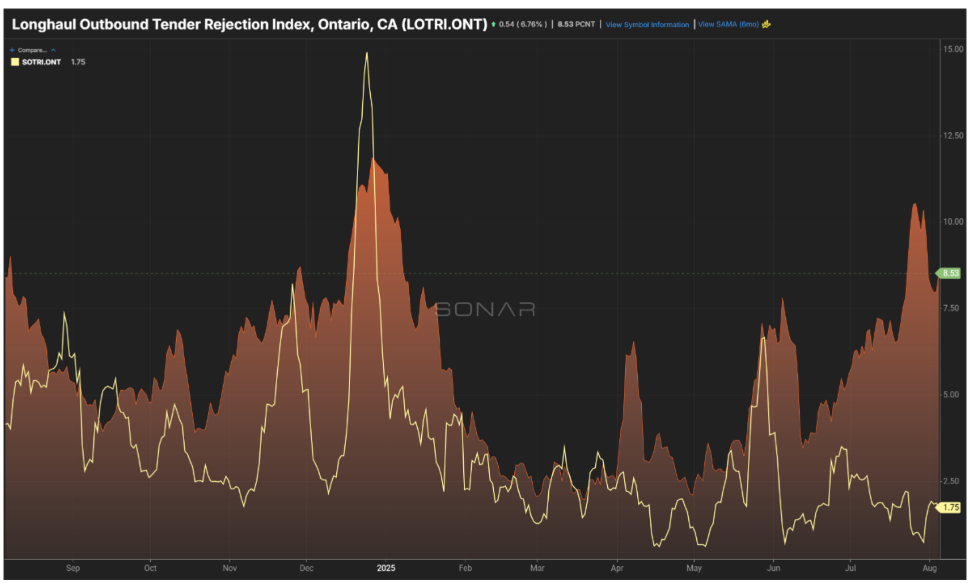
Source: CarrierSource and SONAR For-Hire Fleet Count

Flat freight volumes plus stable driver employment should equal predictable pricing. Instead, we get rejection rates running 25% above last July, and spot rate swings that would make cryptocurrency traders nervous. The missing variable? Coordination costs in a system where 230K+ fleets must be matched with freight through increasingly strained brokerage, TMS, and Shipper networks. And the platforms facilitating in between.

The Fragmentation Multiplier

When container volumes surge at Long Beach (135,453 TEU in late July), it doesn't smoothly distribute across the transportation network. Instead, it creates intense pressure points in Southern California while capacity sits idle in secondary markets that can't easily relocate.

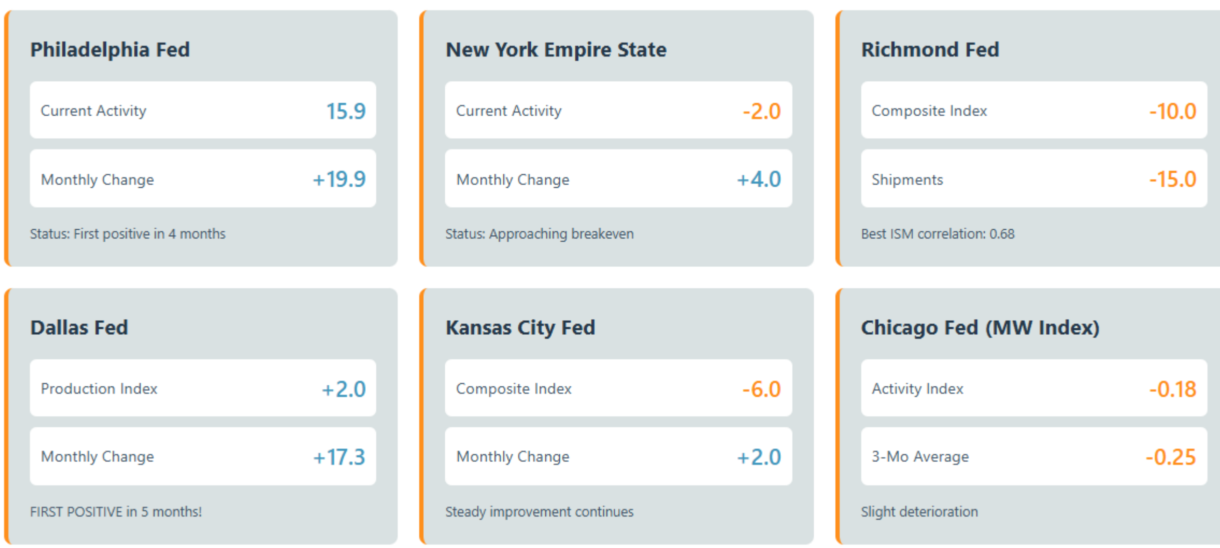
Below are long haul (800+ mi) rejections out of Southern California in Orange, ripping earlier than usual, and already passing prior year levels while the 100-250 local distribution networks remain more flush with capacity. Something the drayage industry knows well. **Positioning matters.**



Source: SONAR

When manufacturing finally shows signs of life, it doesn't translate into broad-based hiring because companies have learned to squeeze more from existing workers rather than expand their footprint. When consumer spending shifts, it happens through increasingly specialized channels that don't communicate with each other easily.

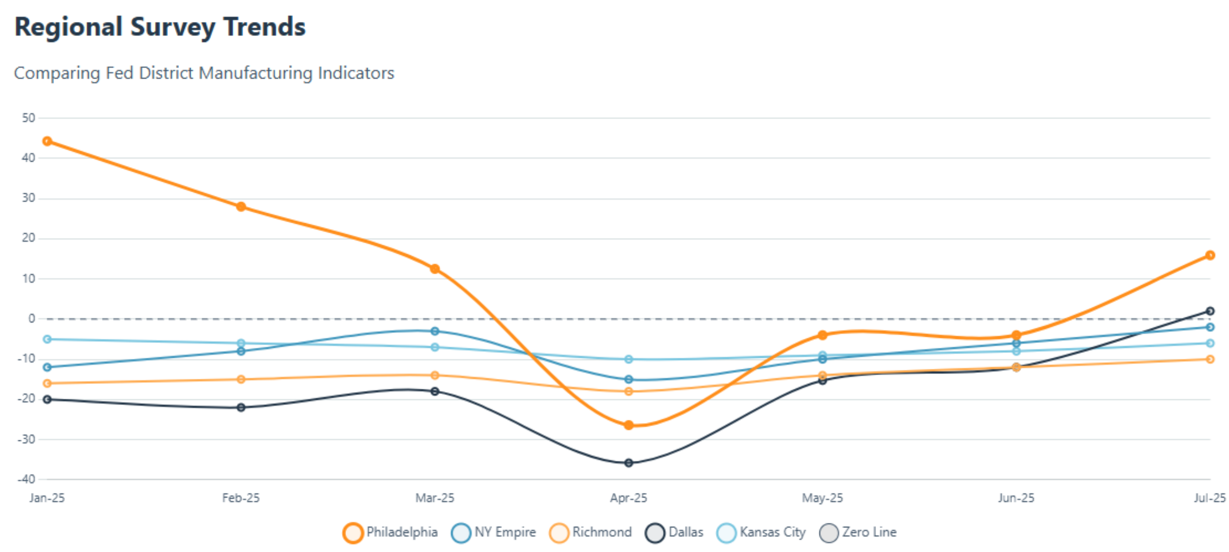
Regional Surveys:



Source: Regional FED Manufacturing Surveys

Manufacturing's Mixed Drink

The fragmentation theme extends beyond trucking into manufacturing's increasingly goofy signals. July delivered the **widest regional divergence on record**: **Philadelphia surged to +15.9** while **Dallas turned positive at +2.0** for the first time in five months—yet **Richmond remains mired at -10.0** with shipments at -15.0.



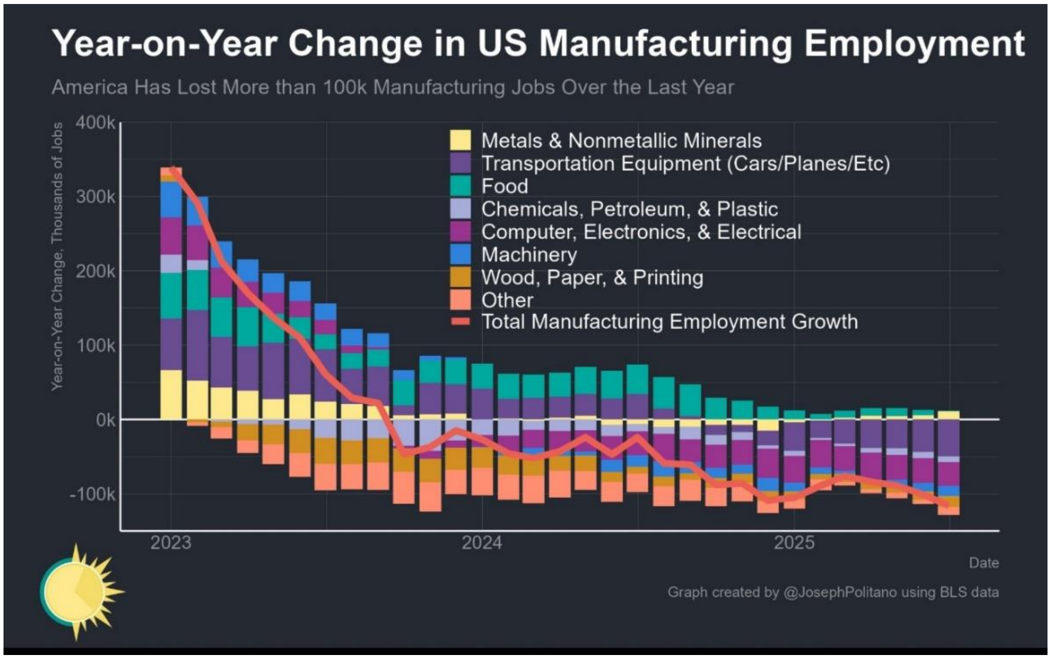
Source: Regional FED Manufacturing Surveys

This isn't normal variance. **Philadelphia's +19.9 monthly swing** combined with **Dallas's stunning +17.3 jump** suggests either leading indicators of recovery or data gone haywire. They're spinning like weather vanes in a tornado, each trying to gauge which way the economic wind is blowing.

The Production-Expectation Problem

Here's where the real fragmentation comes home to roost: **Richmond's -15.0 shipments** signal Q3 production cuts ahead, yet the positive regions suggest demand recovery. But manufacturers aren't planning for growth through hiring—they're preparing for efficiency gains instead.

The S&P Global flash PMI at 49.8 reveals the truth behind the regional noise: **companies are depleting existing inventories rather than sourcing new inputs**, and employment declined for the first time since April as firms show "reluctance to replace leavers." The contradiction is stark—if manufacturers truly believed in sustained demand, they'd be rebuilding inventory, not running it down.



Source: Joseph Politano | Apricitas

Inventory isn't the only metric declining—**manufacturing has 100,000 fewer jobs** than a year ago.

Scenario Update: The Plot Thickens

The July divergence complicates our three scenarios from July's report. **Dallas turning positive (energy-heavy region)** suggests commodity stabilization, while **Philadelphia's sustained surge** hints at genuine Mid-Atlantic recovery.

But **Richmond's persistent weakness,** most highly correlated with broad activity, and **S&P Global's PMI inventory depletion** commentary point toward continued fragility.

Most telling: **S&P's Chris Williamson explicitly states** the recent strength "reflects the passing of a busy period of tariff-related inventory accumulation in prior months." This validates that June's apparent recovery was artificial—companies weren't experiencing real demand growth, just pulling forward purchases.

Scenario 3 (Muddle Through) still leads, but with higher volatility. The extreme regional divergence suggests we're not getting smooth, gradual healing—we're getting pockets of strength and weakness that create unpredictable freight flows and supply chain disruptions.

The Coordination Crisis

This manufacturing uncertainty amplifies freight market volatility. When **Philadelphia signals recovery** while **Richmond shows production cuts**, freight flows become tougher to predict. Regional manufacturing divergence doesn't translate into smooth capacity adjustments—it creates disconnected capacity across the country in which the industry struggles to coordinate across their expanded fleet networks. This is exactly why rate pressure barometers are at multi-year highs when volumes are lower, and there **should** be enough capacity to spread around.

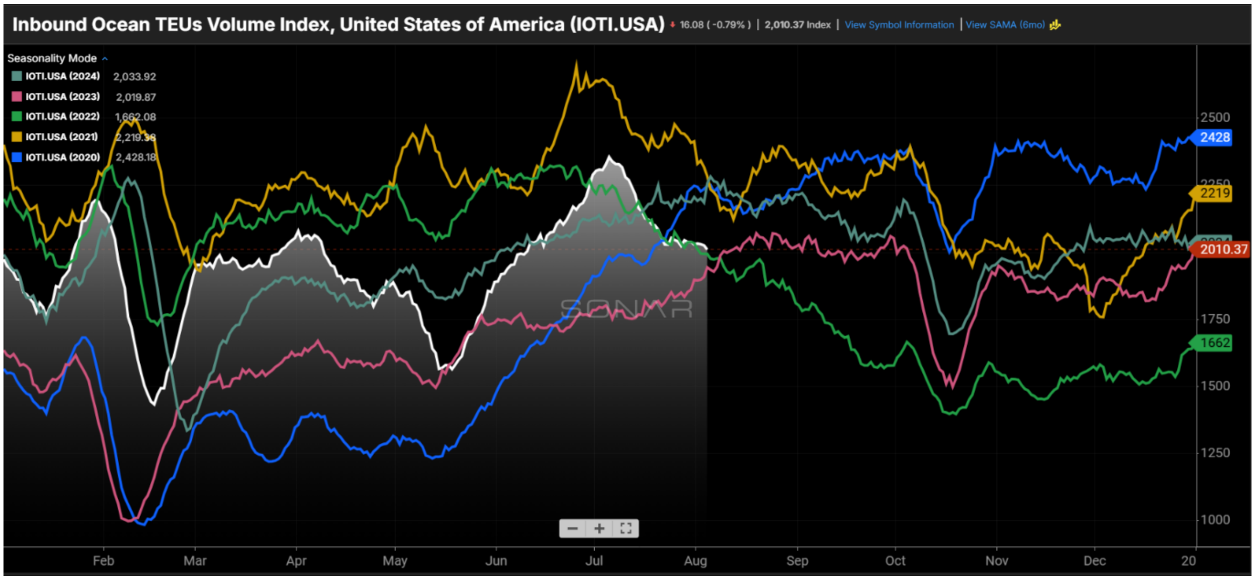
The result: Freight cycle indicators have become less reliable in the economy since the pandemic. The market is more disjointed and disconnected by continuous impacts. The curve isn't as smooth anymore.

August will be critical—if more regions join the positive column, recovery gains credibility. If not, Philadelphia and Dallas become statistical outliers in an otherwise weak landscape

The Off Ramp

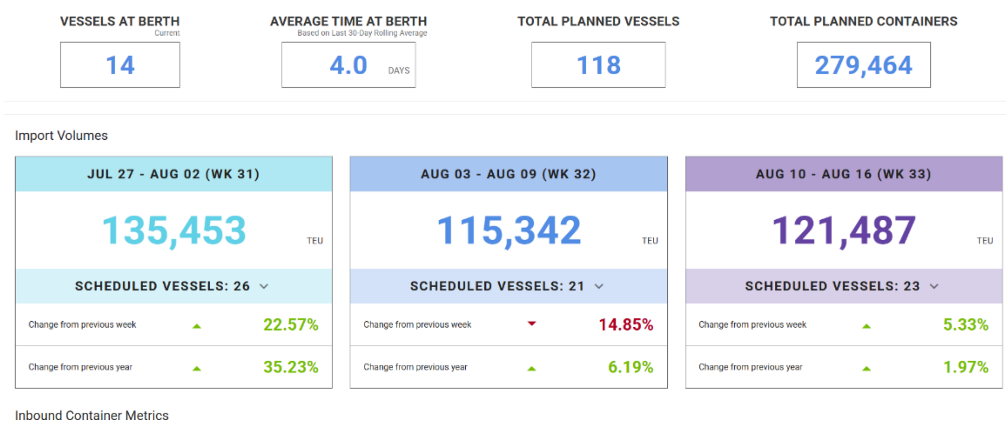
Oceanside

That import 'tsunami' was just a wave. The party ended July 4th for TEUs headed to the The fall in the back part of the month has slowed as there's still some time momentum for new "Peak" inventory. The big question is if these orders can regain strength above 2023 levels by end of quarter. The pink and green lines in the chart below make an X not to cross under.



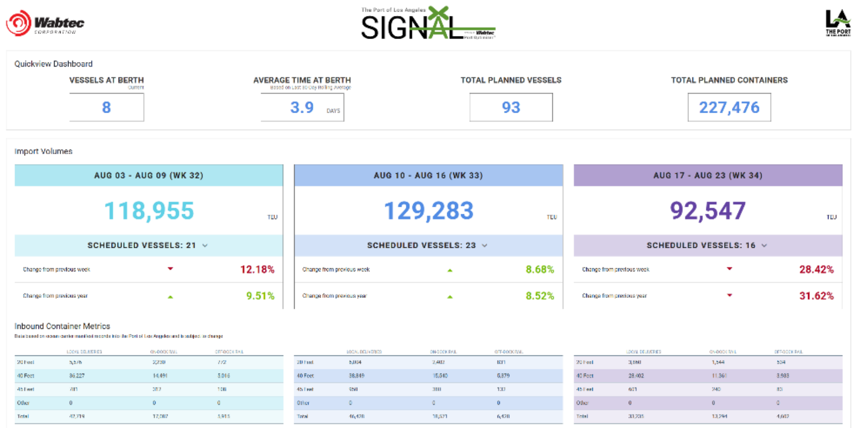
Source: SONAR

Flipping back to today, that July 4th crest in departing TEUs are now making their way through the U.S. ports that we projected last month. **The Port of Los Angeles had an increase in containers of 35% YoY** in the last week of July into August.



Source: Port of LA

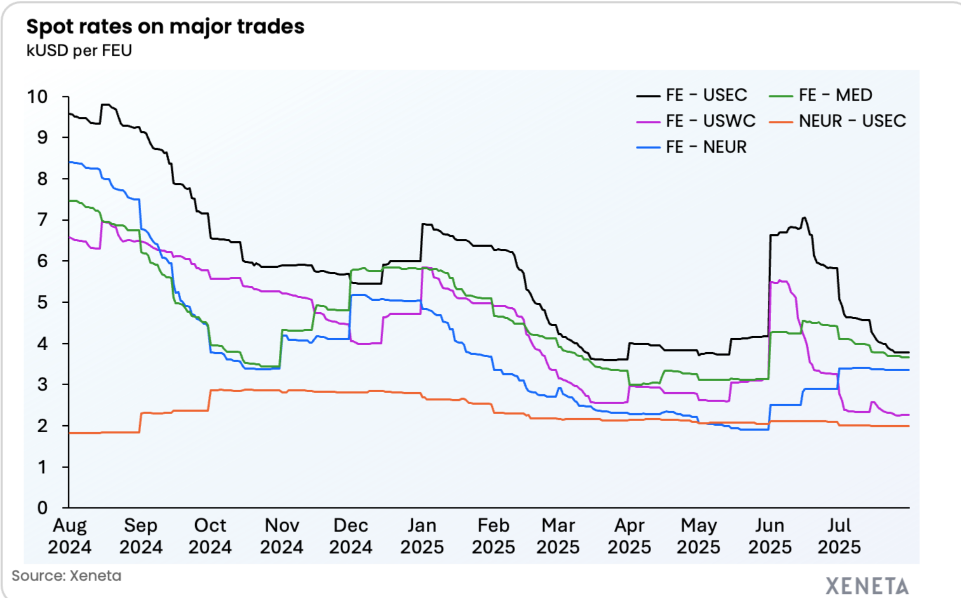
The flipside is just as evident, seeing a **32% drop YoY expected by the third week of the month**, going from 135K containers back to 93K. This will obviously contribute to wild volatility over the next few weeks for SoCal markets as discussed in the fragmentation multiplier section.



Source: Port of LA

Ocean rates found bottom for the time being, reaching their lowest levels since December 2023. Right after the Red Sea crisis erupted. Strong order books and softening global demand are converging into a situation long awaited by importers. It just won't be enough to offset the brunt of tariffs. Lower rates are no good if you're not buyin'.

Northern Europe and the Mediterranean are, however, giving early signs of shifts in trade from the Far East as tariff levels cement.



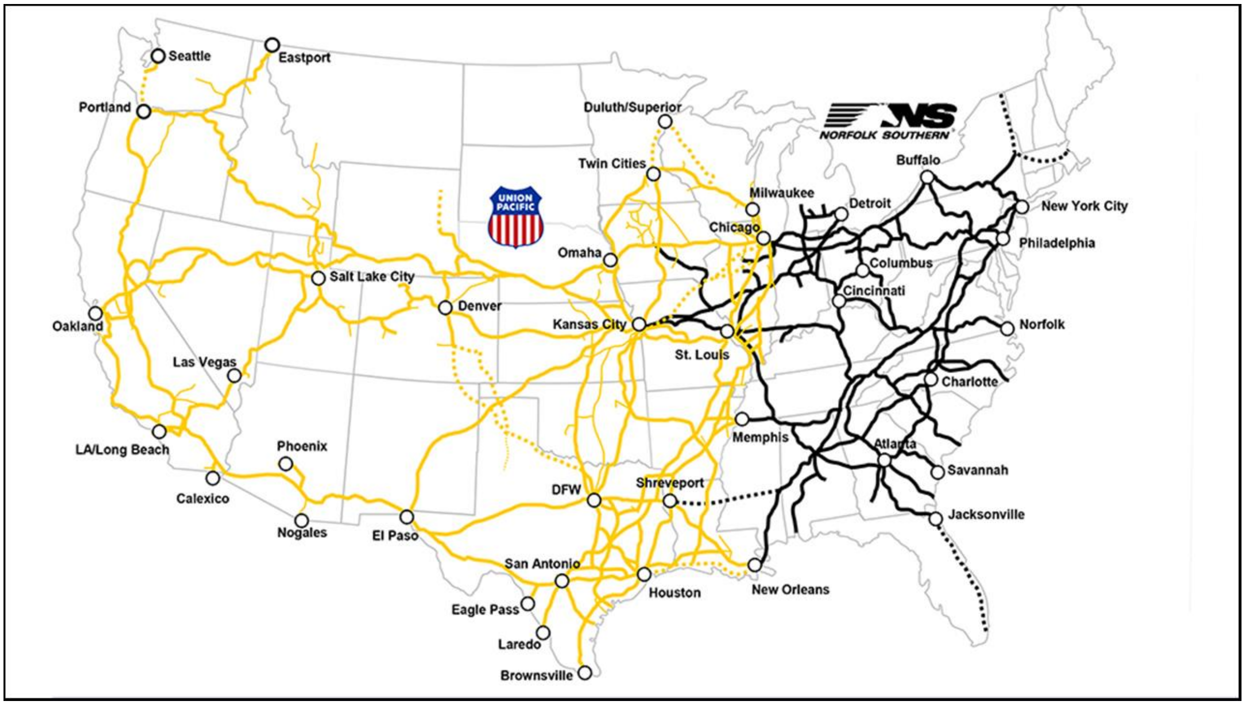
Source: Xeneta

Riding the Rails

Rail has seen what fragmentation brings and chose the opposite path—they're making peanut butter and jelly sandwiches instead.

Union Pacific is one half of the sandwich, covering the Western half of the country. Norfolk Southern will be the Eastern half, and together they'll command **43% of the market.**

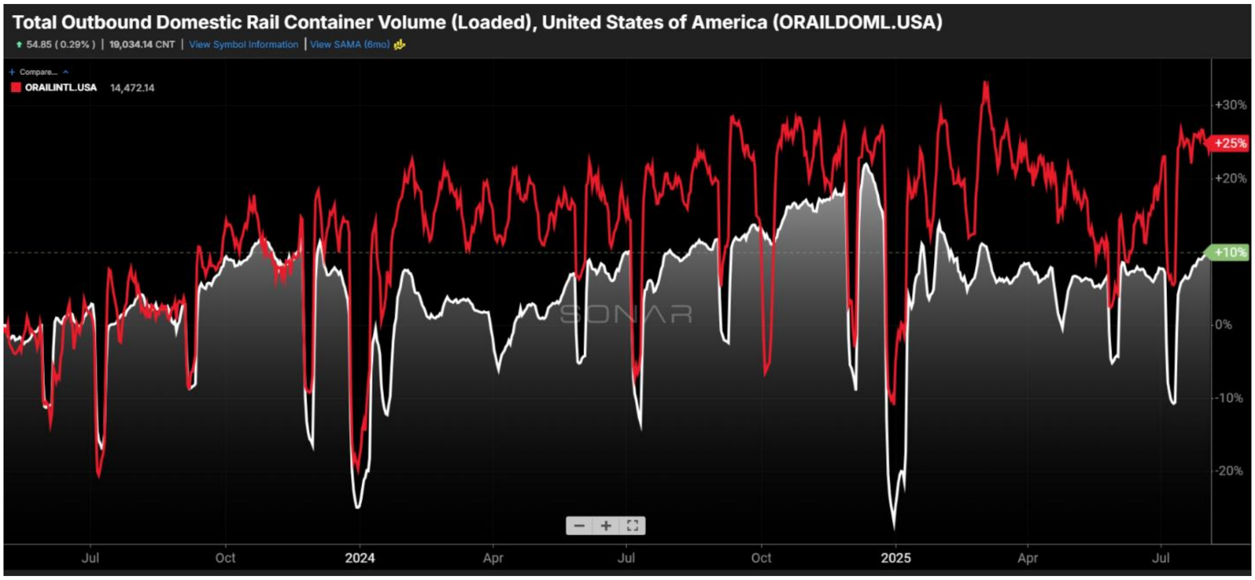
Most notably. These two have already deep connections in the chemical and auto industries. But not to be outdone, rumblings of an oncoming CSX/ BNSF merger have run across the newswires.



Source: [Railway Age]

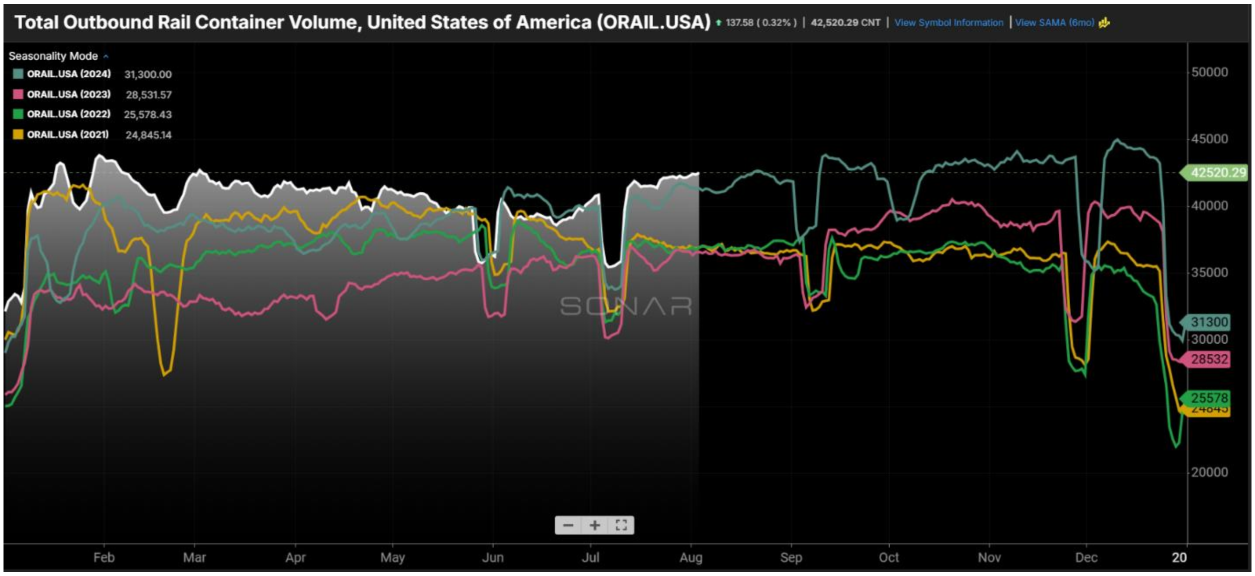
The mergers ultimately try to address the bifurcation and flexibility needed between domestic and international volumes. The 20' and 40' boxes have been screaming across the rails to the detriment of domestic 53' boxes, via rail or longer haul truckloads, as they have higher switching costs.

In red below are these international moves while the white line is the domestic. Not having to transload and having little urgency allows flexibility to take these swings for the international boxes.



Source: SONAR

Luckily, domestic volumes have ticked up, and are moving along their usual trajectory starting in August that should continue through October. If we add them back together, **total rail volumes are already moving 3% above last year.** If they grow by the same pace as 2024, they'll hit 5 year highs.



Source: SONAR

Eyeing a future of lower imports, it make sense these lines are wanting to be as efficient as possible, so they can pivot to domestic demand or more easily direct exports from the heart of the country.

Others warn, however, big mergers could cause bigger headaches.

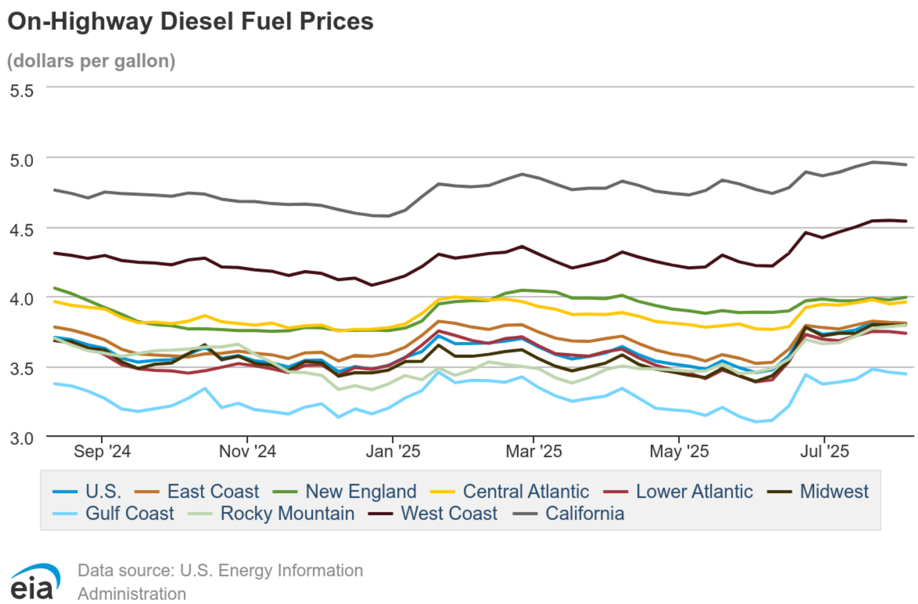
O'er The Road

Fueling the supply chain, one tomato at a time

What does a cup of diesel have to do with a tomato or loaf of sourdough? Well, this is about how much diesel is needed to grow the fruit or the grain going into the loaf. A pack of greenhouse grown tomatoes for the family picnic may be as much as 5 cups. (Now I'm not hungry anymore).

Then there's transporting the stuff on diesel trucks and many other energy demands powered by fuels. If there are high yields you'll need more trucks, and in turn more production in other areas, and so on. It too becomes a barometer of economic activity.

The good news for the last month is that demand has been more steady, and above much of the doldrums in Q2.

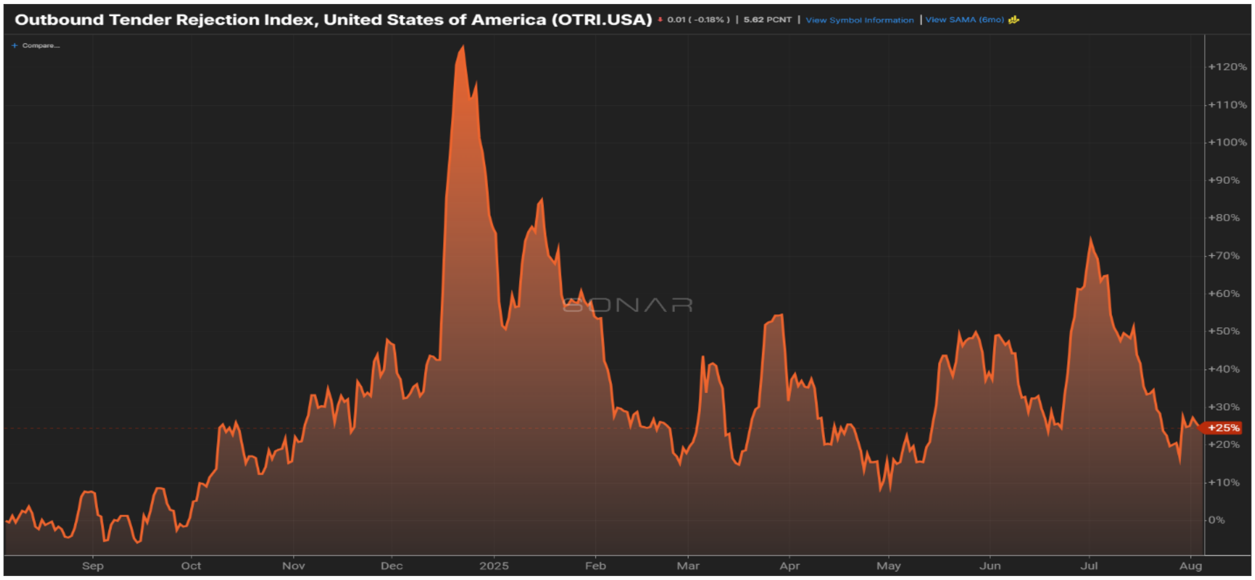


Source: EIA Weekly U.S. Diesel Data

Rejections and Pressures

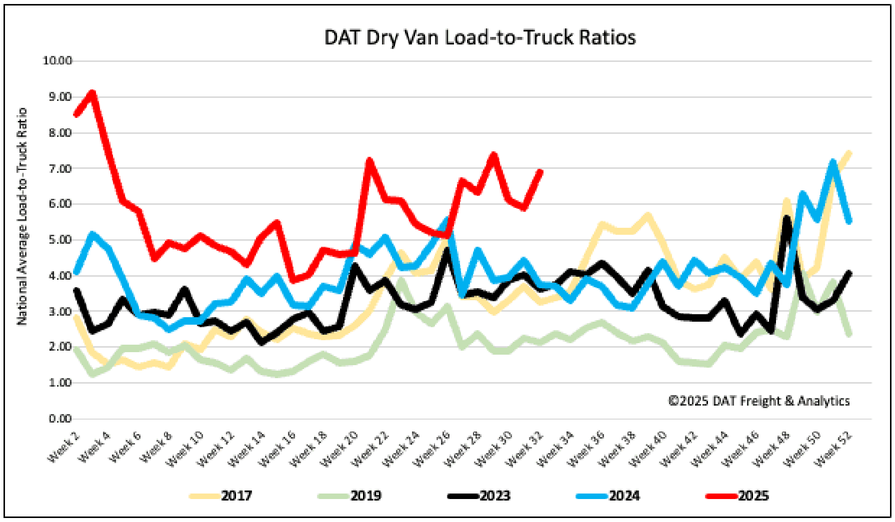
Looking at any volume indicator for the trucking industry is an exercise in pain tolerance lately. It would be assumed that rate pressures would also be in the tank, but they're not. Outbound tender rejections, the measure in which tenders rejected versus total sent for any given period is up 25% YoY as noted before.

All may be waiting inflections, but the range and volatility of these measures show how brittle capacity is today. But again, not because of headcount or truck counts. Rejections today are **174% higher than 2019** – with the same amount of drivers and >25% less fleets. And flat to down volume.



Source: SONAR

Load-To-Truck Ratios tell a similar story.

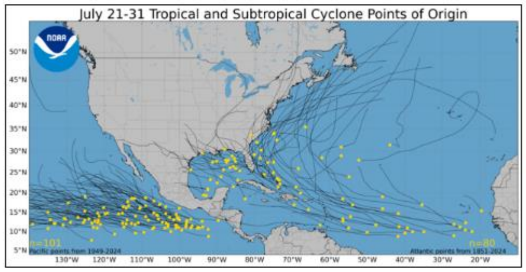


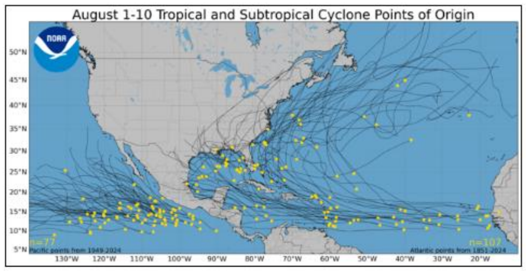
Yet none of these measures have translated into broad moves in the national van rates. They're instead a lot more volatile around holidays and inflection points, that then dive back to operational floors. ATRI's latest Operational Costs of Trucking report, **it takes $2.26 to run a truck.** Spot rates have held at $2/mi for months. Every inflection matters for carriers to recoup.

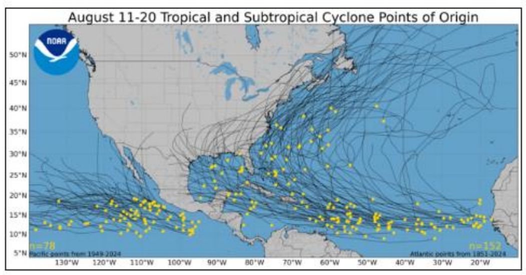
Weather

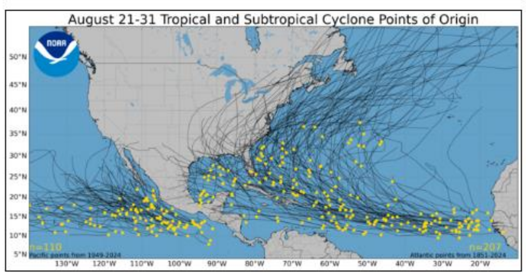
As the dog days of summer progress, warmer water in the Atlantic builds into low pressure system that intensify and inevitably become the hurricanes and tropical storms we've seen year in and out.

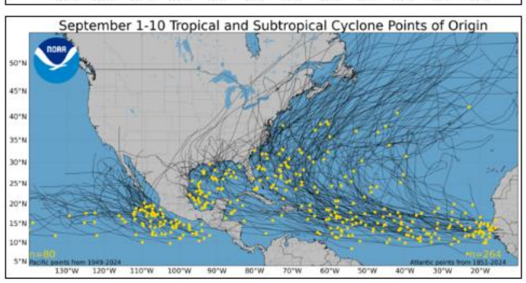
The chart from the NOAA on the next page shows this intensity, and why the peak landings for storms reside over Labor Day.


July 21-31 Tropical and Subtropical Cyclone Points of Origin


August 1-10 Tropical and Subtropical Cyclone Points of Origin

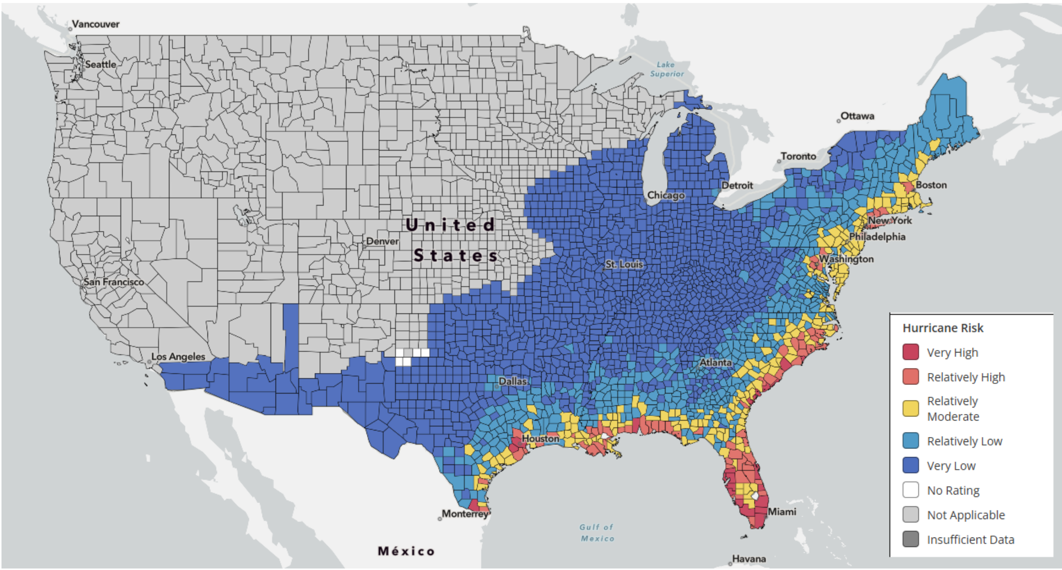

August 11-20 Tropical and Subtropical Cyclone Points of Origin


August 21-31 Tropical and Subtropical Cyclone Points of Origin


September 1-10 Tropical and Subtropical Cyclone Points of Origin

Source: NOAA

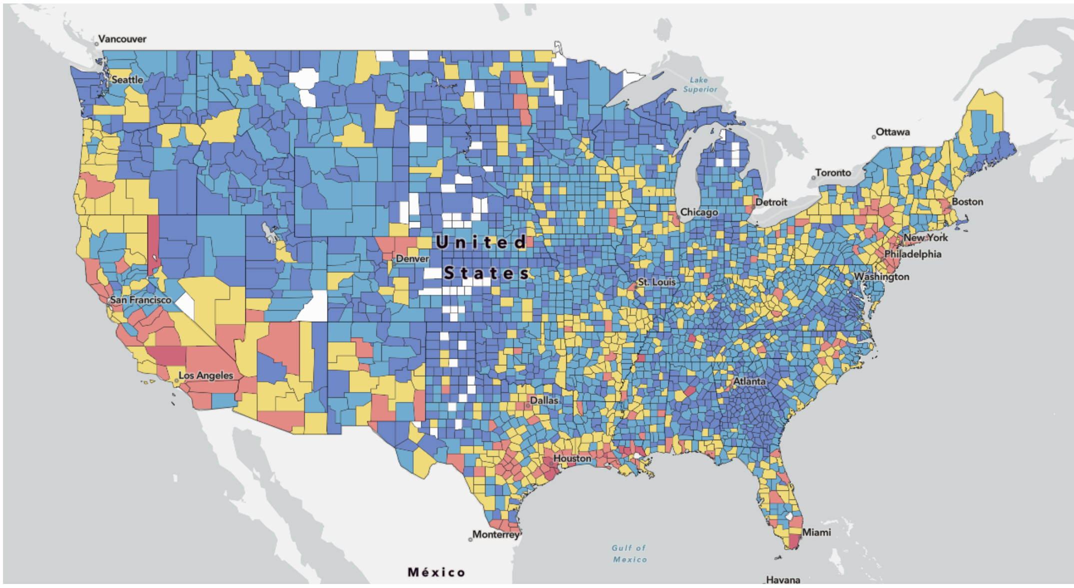
Florida almost literally sticks out as a sore thumb, but high and very high risks for hurricane impacts reside all along the Gulf and Eastern seaboards.



Source: FEMA

Where it felt like these were worries for the most coastal communities, it has become clear that the rains that come with these biggest storms bring flood and debris risks all their own.

The second map shows vulnerabilities for riverine flooding. Notice how far secondary impacts can travel as we've well seen with Helene and the TX floods this year



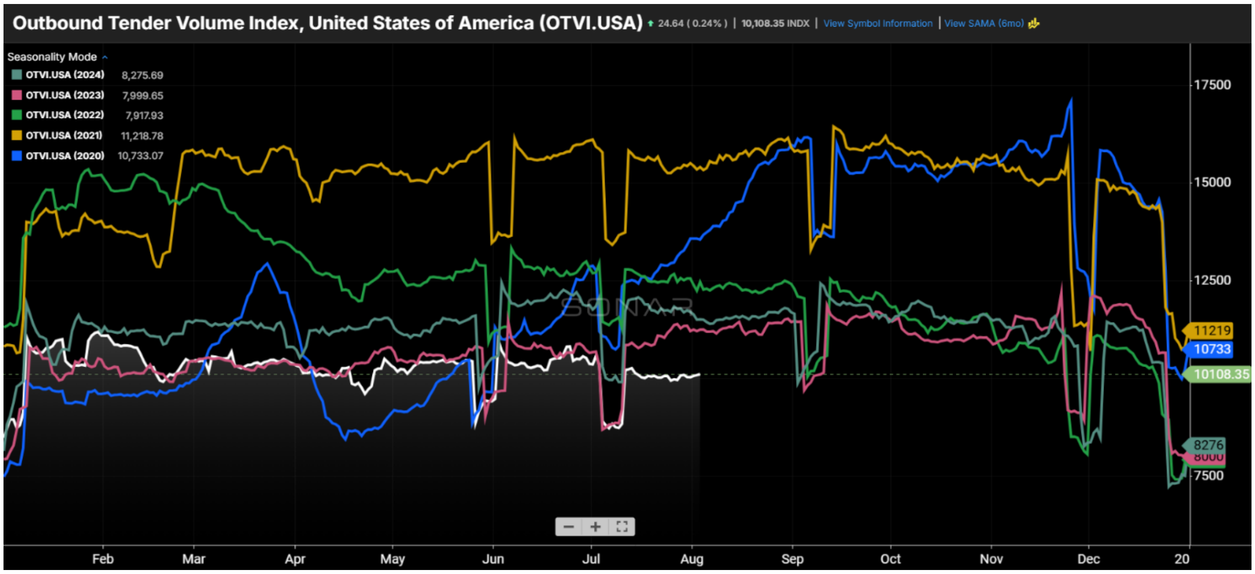
Source: FEMA

Demand

Volumes

SONAR

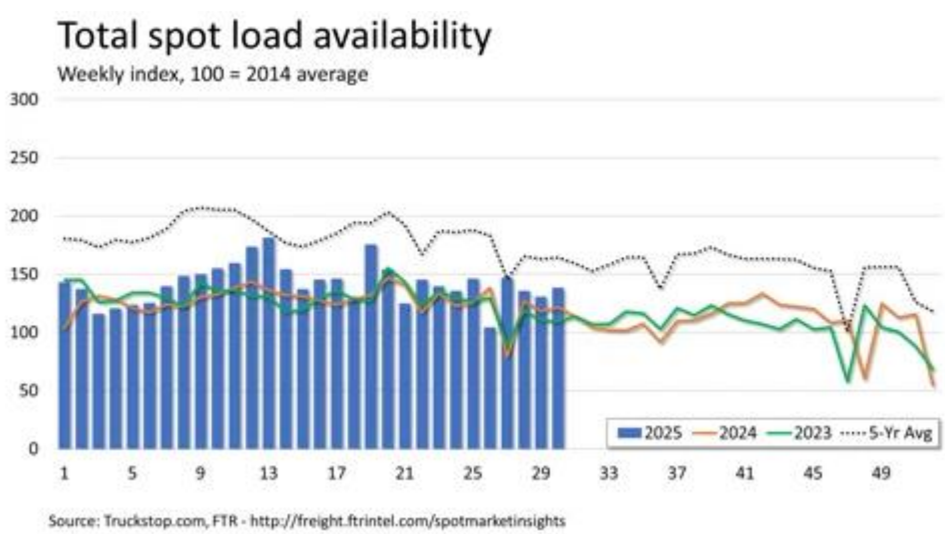
Extending tender volumes back over 5 years just goes to show how much different 2025 has gone since February when the first tariffs were announced. At 10,000 bps, 2025 volumes return to the level when the index began, March of 2018.



Source: SONAR

FTR | Freight Intelligence

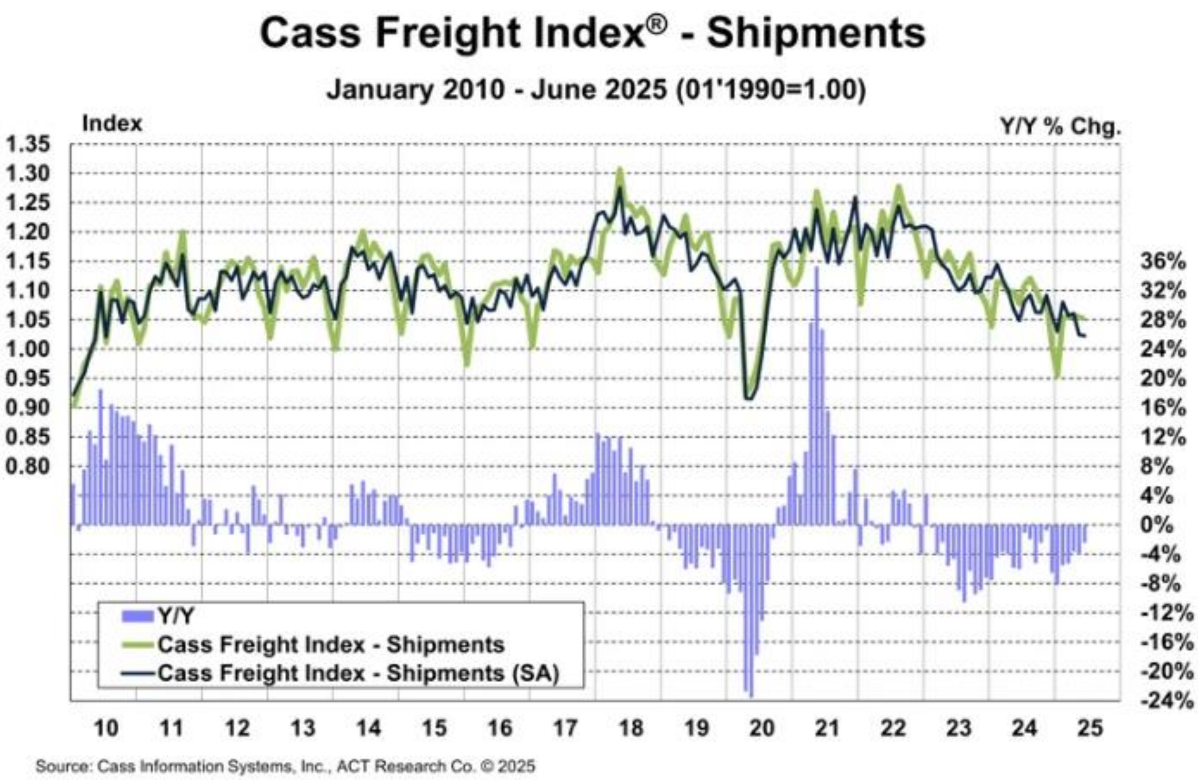
Although still under the 5 year average, spot availability persists predominantly over the last two years. Although there may be less total demand overall, the market structure is keeping spot availability afloat.



Source: FTR | Freight Intelligence

CASS

The July report is not yet out, but the updated chart from June paints the picture over the long term as well. About **75% is split between Truckload and LTL**, and the index is down a whopping **14.5% decline in shipments since 2018**.



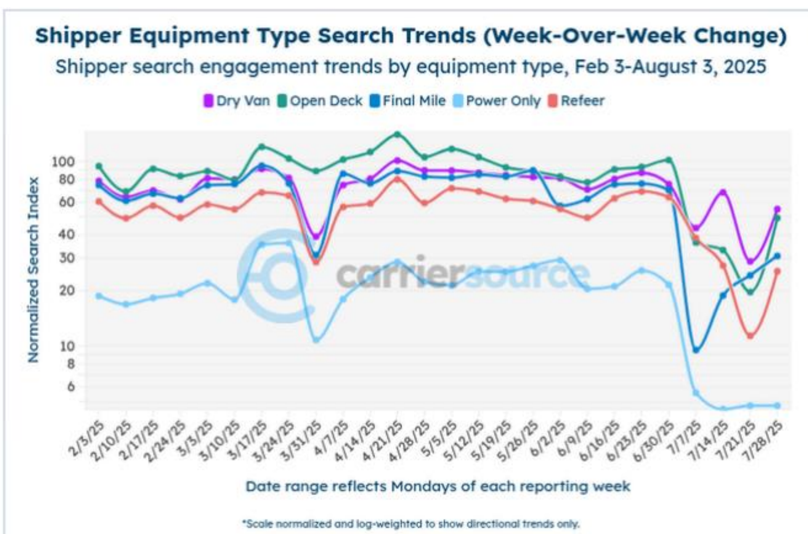
Source: CASS Freight Systems

CarrierSource

CarrierSource's Shipper Activity Index is showed YTD highs in the last report, and helps exemplify just how liquid these conditions can be.

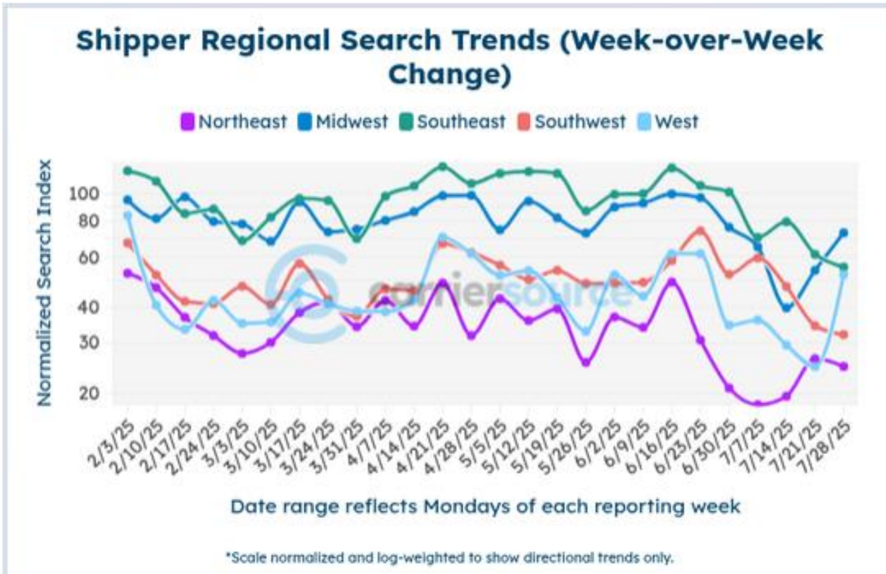
Source: CarrierSource

And for the more specialized segments.



Source: CarrierSource

And across regional divergences.



Source: CarrierSource

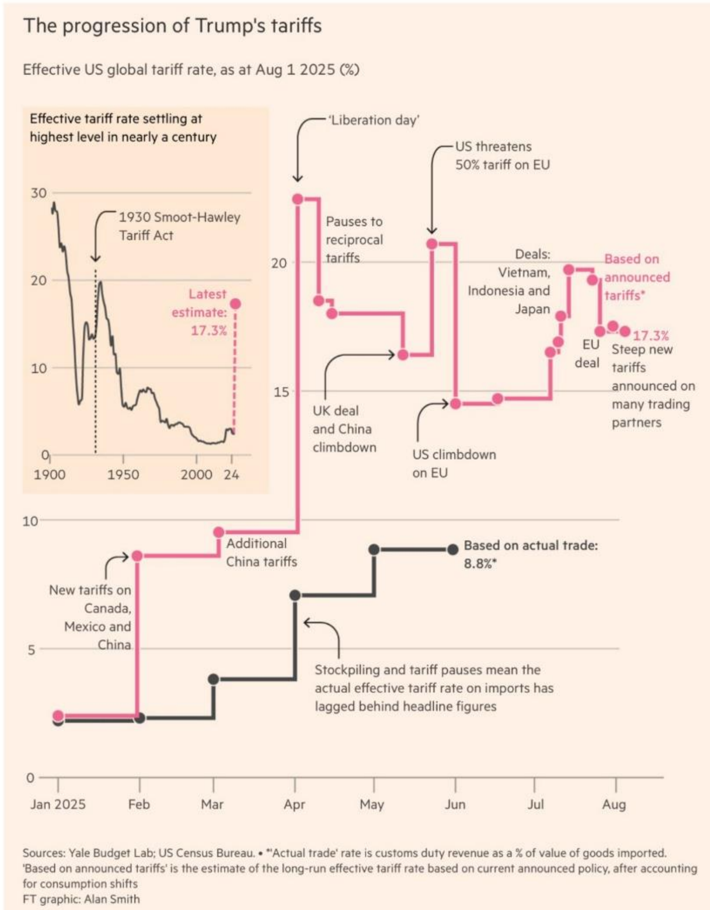
Economic Indicators

You're Tariffing Me Apart, Lisa

Large questions still loom ahead. How much are prices going to go up? When?

Although tariff rates have floated around like a loose balloon in a room, the actual prices paid in aggregate are in line with February and March announcements. The effective 8.8% in June is still 3x where the year began, and will double again shortly.

Simply looking at lags between these trends, one could expect those May and June levels to begin reaching shores in earnest by the end of August.



Source: The Financial Times

The Price Pathway

Prices Paid vs Sold in the manufacturing space have already shown these increases being consumed by manufacturers, but not yet fully passed on to consumers. Our friend, the tomato, can provide a good example of how this plays out over time.

A previous anti-dumping duty was reinforced during the height of inbound shipments from **Mexico, where 70% of tomatoes come from**. By June, Fresh Fruits and Vegetables saw the impact in PPIs.

Although many of us love tomatoes by themselves, they are far more utilized for ingredients to cook other dishes, sauces, and so on.

We may see these prices jump more quickly at the grocer, but it takes time for those same increases to travel into tomato sauces for the local pizza joint, who hold as long as they can, before passing on. Then, all the way back to the grocer again -now for a bottle of ketchup.

Source: Bloomberg | KCH

A [joint paper](#) between Harvard and Universidad de San Andres released this week is already capturing short-run price impacts driven by tariffs.

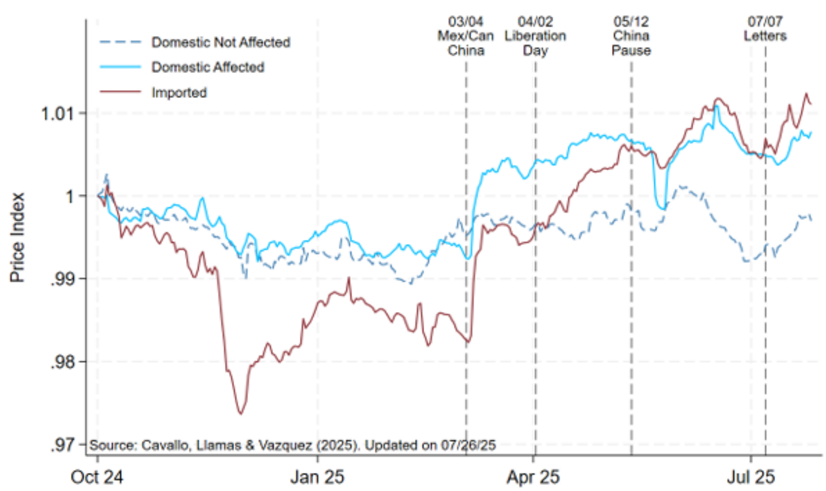


Figure 2: U.S. Retail Price Indices in Affected and Unaffected Categories

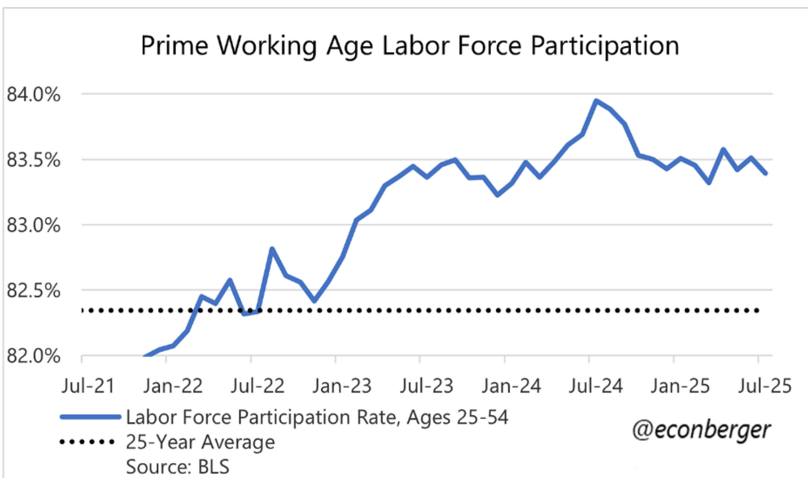
Source: Tracking the Short-Run Price Impact of U.S. Tariffs (Cavallo, Llamas, Vasquez)

The key word for now is short run increases. It's yet to be seen if this is a bigger one-time increase in price level, or if they will accumulate.

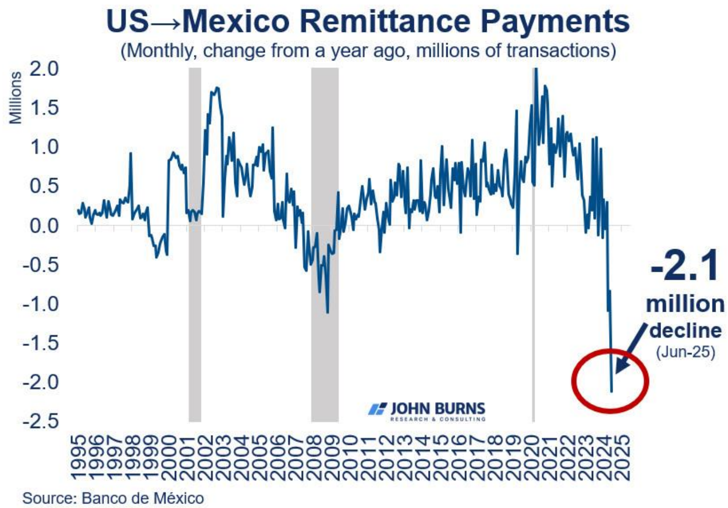
Laboring Along

The unemployment rate hitting 4.25% masks bigger structural changes:

Prime Age (25-54) employment-to-population ratio dropped to 80.4%— the country is aging out of the workforce while slowing new participant growth.

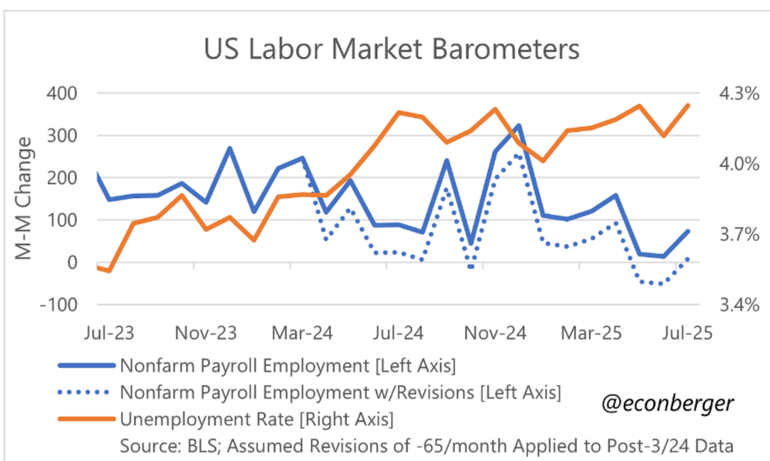


Source: Guy Berger



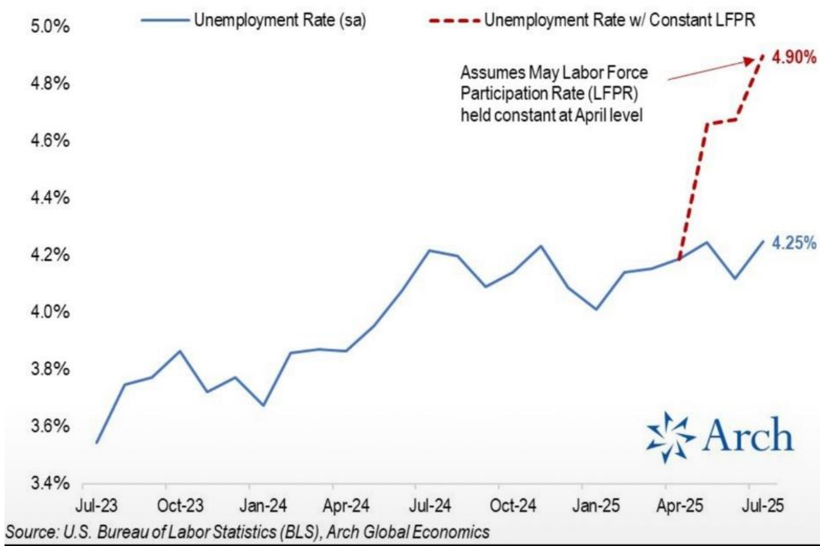
Source: John Burns Research

The graph above shows US → Mexico Remittance declines this year. The drain in labor supply from new entrants + exits which help offset some slack. The supply and demand curves are both lowering in some parallel fashion.



Source: Guy Berger

As the ratios drop, they can hide some otherwise uncomfortable numbers. The chart below shows that holding April's Labor Force Participation Rate constant, unemployment would actually be 4.9%.



Source: Parker Ross | Arch Global Economics

Any revisions aside, the most recent jobs report shows underperformance versus expectations, but even more than that, take out healthcare services (driven by demographic trends), and the economy actually **lost jobs** in recent months:

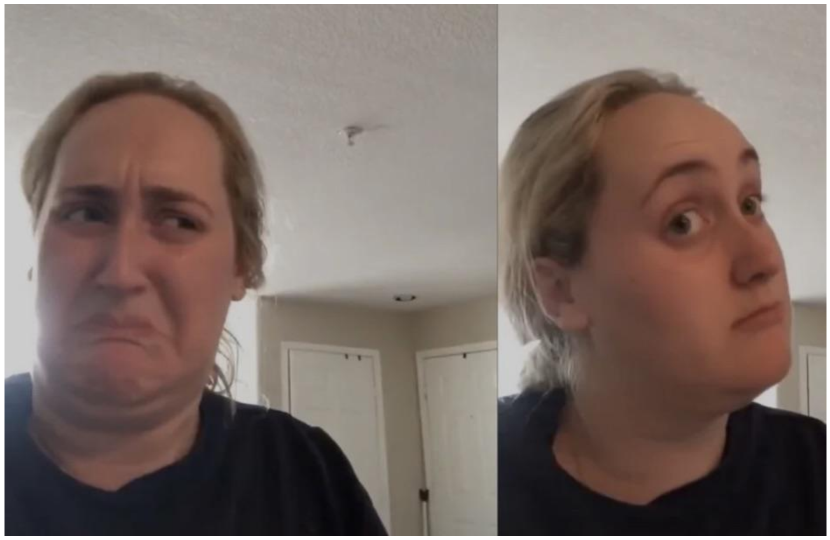
May: -53K jobs

June: -45K jobs

July: -300 jobs

The Final Grade

Picture a rubber band stretched to its limit. The fragmented transportation system, manufacturing margin squeeze, inventory depletion, and employment cuts have created enormous potential energy. Watching it shake out is like this meme:



Two scenarios seem nearby:

1. **The Snapback:** Fed cuts arrive, manufacturers rebuild margins through productivity gains, fragmented capacity gradually finds coordination
2. **The Snap:** Tariffs hit August 7th, De Minimis closures later in the month, Fed reacts too slowly, fragmented system can't adapt fast enough

Bottom line: We're not in a normal cycle. The rules changed when the system fragmented. Whether that creates opportunity or chaos depends on how quickly everyone adapts to the new coordination costs of doing business in America's most atomized transportation system ever.