



March 2026

Monthly Freight Market Update

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Quick Hits

- One point isn't a trend, but two can help show one. ISM's PMI hits 52.4 in February, a second straight month of expansion after 26 months of contraction. Backlogs surged to 56.6 (highest since May 2022). Customer inventories stuck at "too low" for 16 straight months. Then Chicago PMI said hold my drink and crashed through at 57.7 vs 52.1 expected.
- Red alert again near the Red Sea. The Strait of Hormuz is effectively closed. MSC suspended all Middle East bookings. CMA CGM ordered Gulf-bound vessels to shelter. Emergency surcharges of \$2,000-\$4,000 per container. Diesel near \$80 with oil up 8-9%.
- The LMI confirms the squeeze. **Transportation Capacity crashed to 41.0 (from 55.1 a year ago). Prices popped UP to 76.7 (from 65.5).** ISM Prices Paid exploded to 70.5. Firms traded their storage units for delivery vans. Lean inventories (53.8, down from 64.8) mean more loads, more often, across fewer available trucks. The warehouse bill went down. The freight bill went up.
- **Flatbed rejections at 42.67%, nearly 4x van.** Almost half of tenders rejected. Data centers, ISM-driven backlogs, and Hormuz-boosted O&G are converging on one equipment type. Seasonal strength plus structural demand plus geopolitical tailwinds. Through Memorial Day at minimum.
- Four of five Fed districts positive or flat. KC returned to expansion (+5) with production surging. Philly extended at +16.3 (crushed consensus). Dallas crossed zero. Empire held. Richmond , but nor'easters hit hard in February. Watch March for the clean signal.
- Hey there, Delilah. A Senate bill restricting CDLs to citizens and LPRs could **disqualify 614,000-720,000 drivers (16-19% of the workforce)**. Super cycle or chaos? Either way, the bill welds to the reentry gate. The labor pool was already thin.

Demand: What's Actually Moving?

The Air Pocket Closed. From Below

January's ISM breakout to 52.6 was the question. February's 52.4 is the answer. Two straight months of expansion after 26 months of contraction. The manufacturing recovery is real.

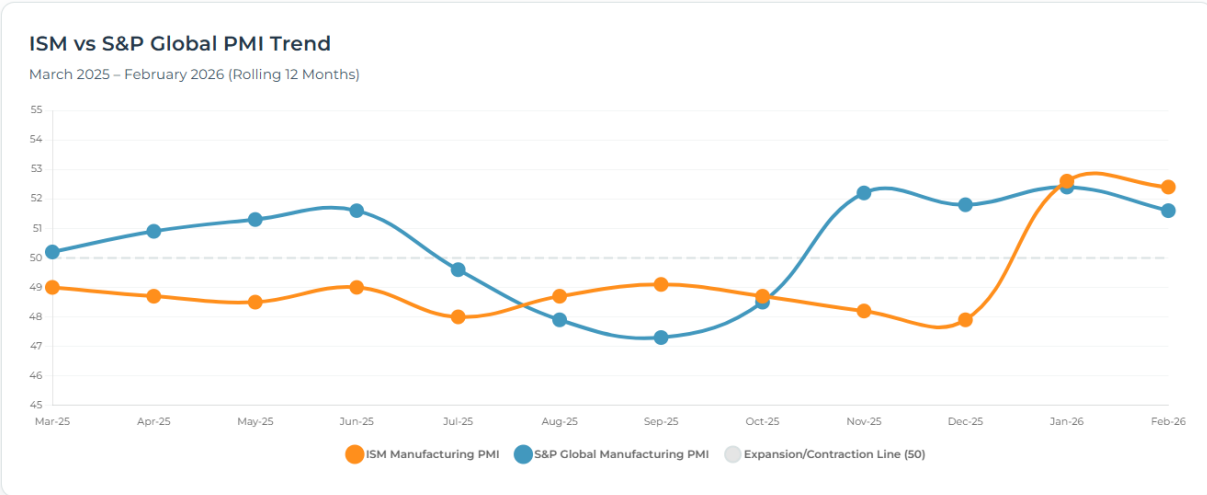
Remember the air pocket? December's thesis was demand falling through a gap between front-loading exhaustion and genuine recovery. Factories producing to order books that weren't there yet. The Wile E. Coyote running off a cliff.

The air pocket didn't fill from above with a flood of new orders. It closed from below. The floor rose to meet it. **Backlogs hit 56.6, the highest since May 2022, meaning incoming orders now exceed production capacity.** Customer inventories stuck at 38.8 ("too low" for 16 straight months) mean downstream buyers must restock. The demand bridge we flagged in January has guardrails now. Chicago PMI printing 57.7 vs 52.1 expected was the exclamation point.

But the floor didn't just rise on demand. It rose on costs.

Think of it like gas prices. When oil goes up, the cost of getting from A to B goes up, even if you're driving the same number of miles. You don't need more cars on the road for gas to get expensive. Same with freight: **ISM Prices Paid exploded to 70.5 (+11.5 in one month, highest since June 2022).** Steel. Aluminum. Tariffs. Diesel near \$80. When every input to moving a load gets more expensive, the minimum rate to keep a truck running goes up. That's cost-push. Carriers don't need more loads to justify higher rates. They need rates high enough to survive the loads they already have.

S&P Global confirms the tightening: supplier delivery times at the worst level since October 2022. The Zachary Rogers insight from the LMI captures why: firms pivoted from stockpiling (2025) to lean-and-turn (2026). **Inventory Levels dropped from 64.8 to 53.8 YoY. But Transportation Prices surged from 65.5 to 76.7.** The money didn't leave the supply chain. It migrated from warehousing to transportation. More loads, more often, across tighter capacity.



Metric	ISM (Feb)	S&P Global (Feb)	Interpretation
Headline PMI	52.4 (-0.2)	51.6 (-0.8)	Both expanding; gap widened to 0.8 pts from 0.2
New Orders	55.8 (-1.3)	Near-stalling	ISM firmly expanding; S&P orders nearly flat—key divergence
Production/Output	53.5 (-2.4)	Weakest since Apr 2025	Both expanding but decelerating; production following orders
Employment	48.8 (+0.7)	Barely changed	ISM still contracting; both panels show reluctance to hire
Prices/Costs	70.5 (+11.5)	Elevated, below peaks	ISM EXPLODED; S&P sees cost pressure but limited pass-through
Inventories	48.8 (+1.2)	Input stocks declining	Both still destocking; ISM rate of decline slowing
Supplier Deliveries	55.1 (+0.7)	Worst since Oct 2022	Supply chains tightening—S&P sees sharpest delay in 3+ years
Exports	50.3 (+0.1)	8th straight decline	PERSISTENT DIVERGENCE: ISM flat; S&P exports falling sharply
Backlogs	56.6 (+5.0)	—	Highest since May 2022; orders outpacing production capacity
Imports	54.9 (+4.9)	—	Surged—tariff front-running signal or genuine restocking?

Source: ISM PMI and S&P Global Flash PMI - February

The Heartland Joins the Recovery

The recovery broadened. No longer a Northeast story.

Current conditions:

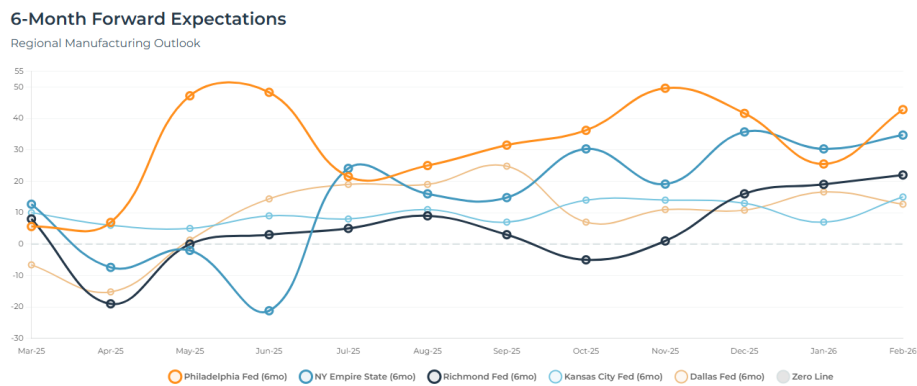
- **Kansas City:** +5 (back to expansion, production surged to +10)
- **Philadelphia:** +16.3 (crushed +8.5 consensus, 3rd straight expansion month)

- **Dallas:** +0.2 (crossed zero for the first time since July 2025)
- **Empire State:** +7.1 (held; employment bounced from -9 to +4)
- **Richmond:** -10 (12th straight contraction, but nor'easters and record snowfall hit the Fifth District hard in February; watch March for the clean read)

Forward expectations: they're going:

- **Philly's 6-month outlook surged** 17.3 points to +42.8
- **KC future composite doubled** to +15 (employment outlook jumped to +22)
- **All five districts positive** on the 6-month horizon, including Richmond at +22
- **But: capital spending plans are being cut** (Philly capex halved, Dallas capex negative). Manufacturers expect orders but won't invest until tariff uncertainty clears.

The ocean-rail divergence tells the import story: IOTI dropped to 1,302, the lowest on the seasonality chart. But we're rolling through Lunar New Year and post-Supreme Court adjustments. March rebound is the tell. Meanwhile, domestic rail (ORAILDOM at 23,499) is hummin'. Both rail and truckload are getting fed. That's demand breadth, not mode substitution. The domestic economy is generating freight across modes.



Source: Regional Fed Manufacturing Surveys

Supply: Why Rates are Resetting Higher

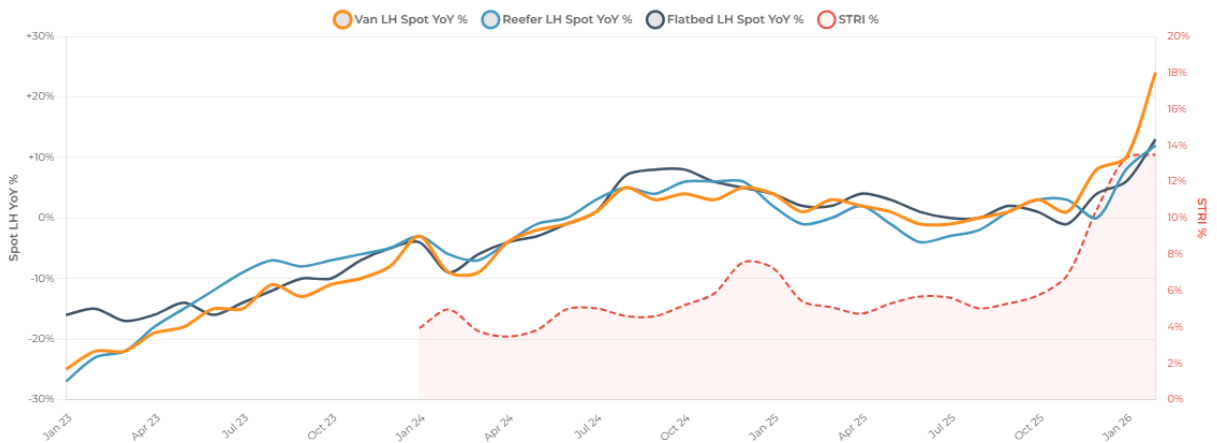
The Two-Front Rate Push

For the first time since mid-2022, carriers have wind at their backs from two directions.

The demand side: ISM backlogs at the highest level in four years. Customer inventories are depleted. Manufacturing expanding across four of five Fed districts. The freight pipeline is filling.

The cost side: Prices Paid at 70.5. Oil near \$80/bbl and retail diesel climbing for seven consecutive weeks to \$3.72/gal (DOE/EIA). Steel and aluminum under tariff pressure.

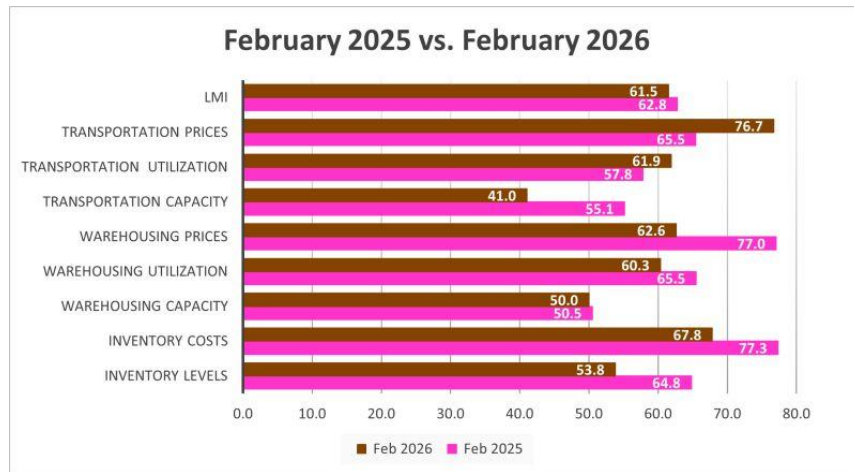
ATRI data shows total per-mile operating costs at \$2.26, an all-time high, even before Hormuz fully transmits. Combined, they push the rate floor up from below whether or not a single additional load enters the market. We've flagged this cost floor pressure in previous updates. Something had to give. ACT Research confirms February is when it gave: **TL contract rates up mid-single digits for the first time in four years (Tim Denoyer, ACT Research)**. Not spot noise. Contract portfolios.



Source: DAT Linehaul Rates YoY (left axis) and SONAR STRI (Monthly)

The LMI Tells the Strategy Story

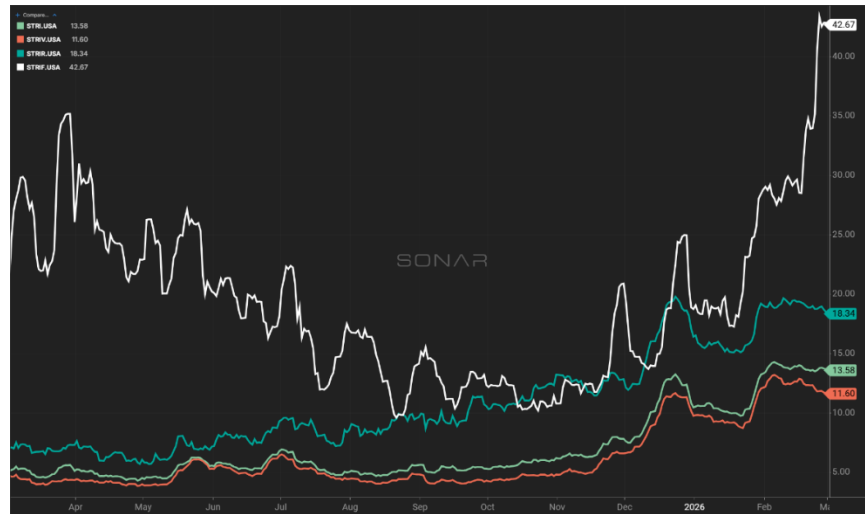
A sneak peek into February’s LMI from Zachary Rogers of Colorado State University, and one it’s author’s, shows the supply chain traded its storage unit for a delivery van. A year ago, firms were renting warehouse space to stockpile ahead of tariffs (Inventory Levels at 64.8, Warehousing Prices at 77.0). This year, they’re keeping shelves lean at 53.8 and ordering just-in-time. The warehouse landlord lost a tenant. The carrier gained a customer. Transportation Capacity crashed to 41.0 (from 55.1). Transportation Prices popped to 76.7 (from 65.5). Same supply chain spend, different muscle doing the work, and the freight muscle is cramping.



Source: [Zachary Rogers](#) / CSU Logistics Manager’s Index

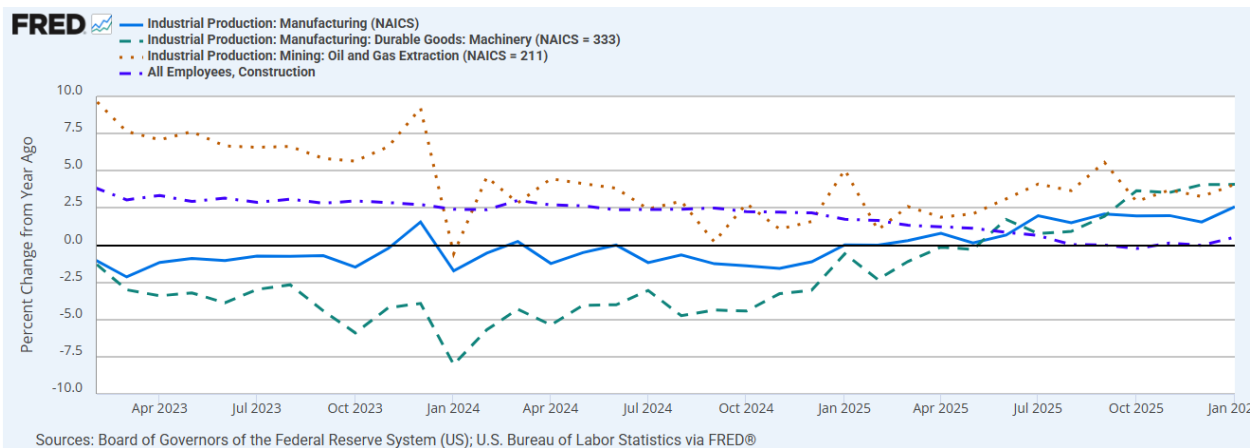
Flatbed: First Into the Squeeze

Rejection rates tell you where the cramp hits hardest. Flatbed at 42.67%, nearly half of tendered loads turned away. Van at 11.6%. Reefer at 18.3%.



Source: SONAR Tender Rejections Index, National and by Mode

Three forces converging on one equipment type: data center buildout (steel, generators, transformers, all ride flatbed), ISM-driven manufacturing backlogs (durable goods machinery just inflected positive YoY), and Hormuz-boosted O&G extraction (pipe, equipment, materials). Layer seasonal construction ramp (Mar-May) on top of structural demand on top of geopolitical tailwinds. That's not a seasonal trade. It's a seasonal trade with a rocket strapped to it.



Source: Federal Reserve Economic Data

Employment: The Structural Constraint

Even expanding districts won't hire. ISM Employment still contracting at 48.8. KC employment dropped to -6. Manufacturers are meeting surging orders by running existing workers harder, not adding headcount. The LMI's capacity crash to 41.0 is the downstream consequence: there aren't enough drivers and trucks for the lean-inventory freight pattern. The ~20,000 fleets that exited since January 2023 aren't coming back quickly.

The Dalilah Law: Welding the Reentry Gate

A Senate bill called the Dalilah Law would restrict commercial driver's licenses to U.S. citizens, lawful permanent residents, and specific visa holders, with 180-day recertification. An estimated 614,000-720,000 foreign-born drivers, roughly 16-19% of the workforce, could face disqualification.

The debate splits two ways. One camp sees the capacity shock as a rate super cycle catalyst: **remove 16-19% of drivers and rates spike 50-100% on some lanes**. The other camp sees chaos: safety outcomes worsen (new entrants are less experienced), supply constraints cascade through manufacturing and retail, disruptions spill into rail and ports (the 2021 playbook), and rates eventually spike so high that capacity overshoots then crashes (the 2023 playbook). The better alternative: targeted safety enforcement regardless of driver nationality.

Our CDL capacity model from last quarter (see: Non-Domiciled CDL Net Impact visual) showed the smaller non-domiciled CDL rule was a "headwind to growth, not a capacity collapse," **with scenarios of 24K-97K drivers affected. The Dalilah Law operates at 5-10x that scale**. The 614K number dwarfs everything we previously modeled.

What's more: the Dalilah Law doesn't need to pass to matter. It just needs to exist in the conversation. The Triple-Locked Gate already has three locks: labor scarcity, capital starvation, and profitability requirements. The Dalilah Law welds them. Carriers considering reentry now ask: "Do I recruit foreign-born drivers if their CDLs might get pulled in 12 months?" Driver schools serving immigrant communities face pipeline uncertainty. Existing fleets with significant foreign-born rosters start

hedging.

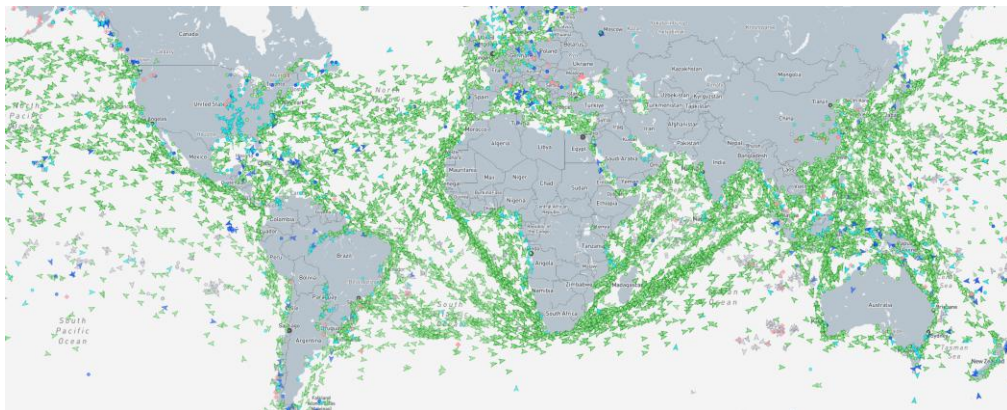
The ~20,000 fleets that exited since January 2023? The on-ramp back was already narrow. The Dalilah Law puts a “ROAD MAY CLOSE” sign on the on-ramp. Some percentage of potential reentrants just don’t bother. The gate was triple-locked. Now they’re getting welded together. Even if nobody turns the key, you’re not getting through any faster.

Source: FreightWaves / Jason Miller, Michigan State

Modal Shifts

The Strait, The Sea, and The Rail

According to [Lars Jensen, Vespucci Maritime](#), MSC has suspended all bookings for worldwide cargo to the Middle East. CMA CGM ordered all Gulf-bound vessels to shelter, suspended Suez Canal passage, and introduced Emergency Conflict Surcharges: \$2,000/20’, \$3,000/40’, \$4,000/reefer. Maersk once again reroutes sailings round-Africa. Approximately 200,000 TEU of container vessel capacity is trapped inside the Persian Gulf, equivalent to 0.6% of global container capacity, or the world’s 13th-largest carrier fleet vanishing.

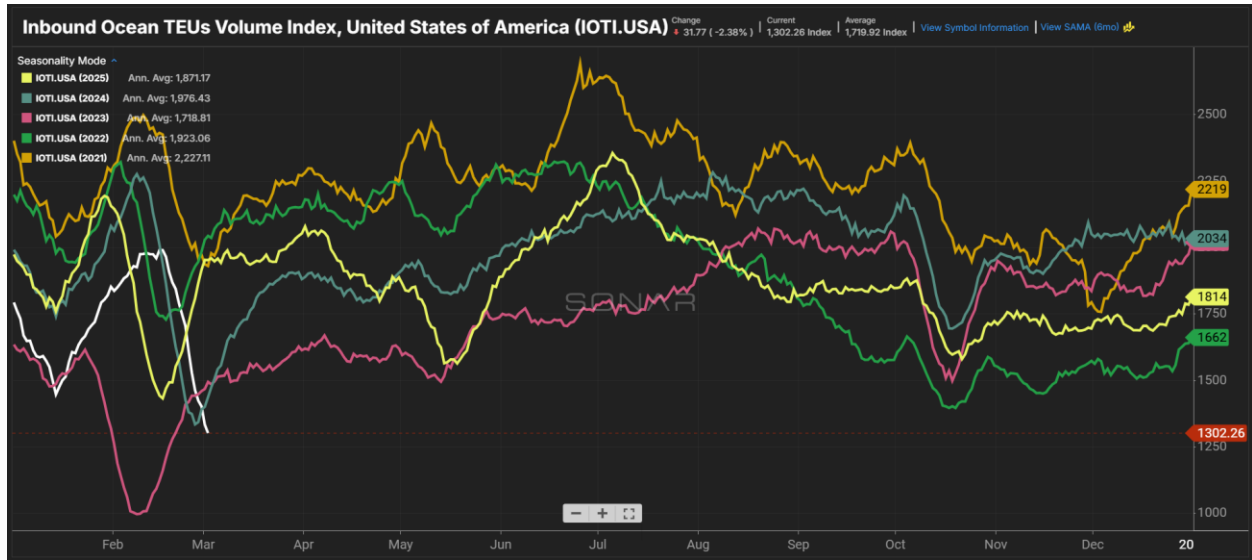


Source: MarineTraffic

The cascade is already building: congestion at transshipment ports (Salalah, Khor Fakkan, Sohar, Duqm, Colombo) as Gulf-bound cargo is discharged and rerouted via smaller vessels. Asian hub ports (Singapore, Tanjung Pelepas, Port Klang) risk becoming bottlenecks as carriers refuse to load cargo without confirmed Gulf delivery.

Ocean Imports: The Lunar New Year Trough

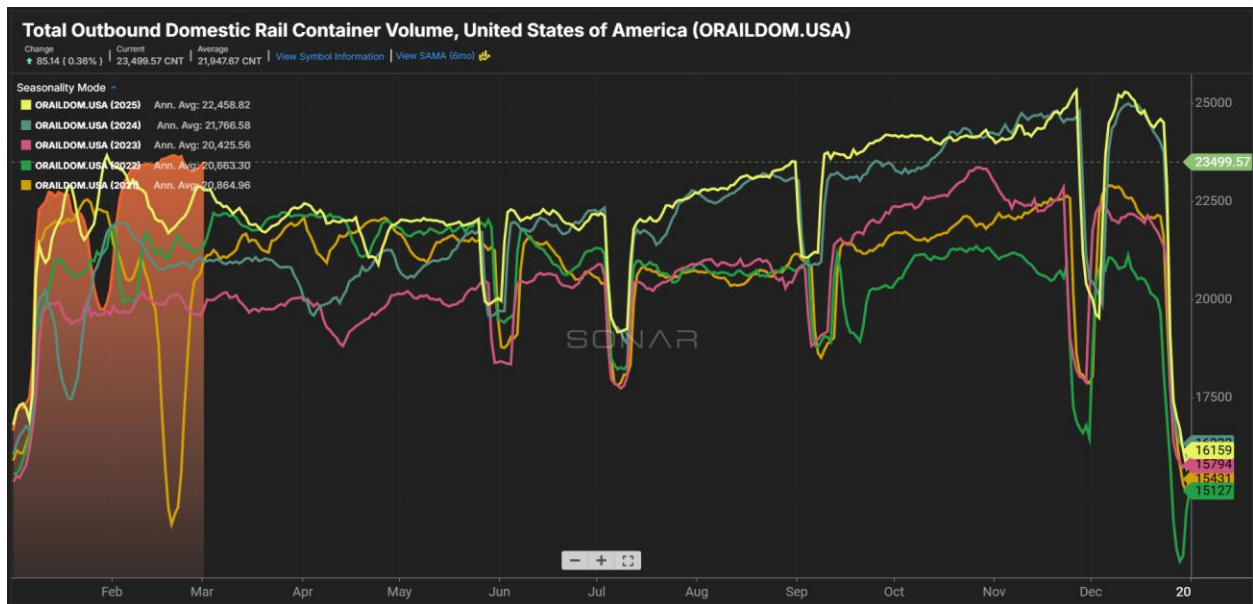
IOTI (Inbound Ocean TEUs) dropped to 1,302, well below the 2025 average. This is the lowest reading on the seasonality chart since 2023. But we're rolling through Lunar New Year AND the post-Supreme Court tariff decision adjustment period. The March-April rebound is the tell. If IOTI recovers toward the 1,600-1,800 range, it's seasonal. If it stays depressed, Hormuz is constraining the import pipeline on top of the tariff recalibration. ISM Imports surging to 54.9 suggests manufacturers WANT to import. Whether the ocean lanes can deliver is the question Hormuz may answer.



Source: SONAR Inbound Ocean TEU Volume Index

Domestic Rail: Demand Breadth, Not Mode Substitution

ORAILDOM (Outbound Domestic Rail) is at 23,499, exceeding every prior year on record (2025 avg: 22,458; 2024: 21,766; 2023: 20,425; 2022: 20,663). Domestic intermodal is humming. The critical observation: rail isn't pulling away from truckload. Both modes are getting fed. When rail surges alongside stable TL volumes, that signals demand breadth: the domestic economy is generating freight across modes. This is a healthier setup than the 2024-2025 pattern where rail was capturing cost-conscious freight AT THE EXPENSE of long-haul TL.



Source: SONAR Total Outbound Domestic Rail Container Volume

The drayage connection persists: domestic intermodal requires truck moves on both ends. Containers don't load themselves at the railhead. Rail gaining share creates drayage demand. Combined with lean inventory strategies driving more frequent replenishment (LMI Inventory Levels at 53.8), the intermodal pipeline stays full.

Macro Drivers

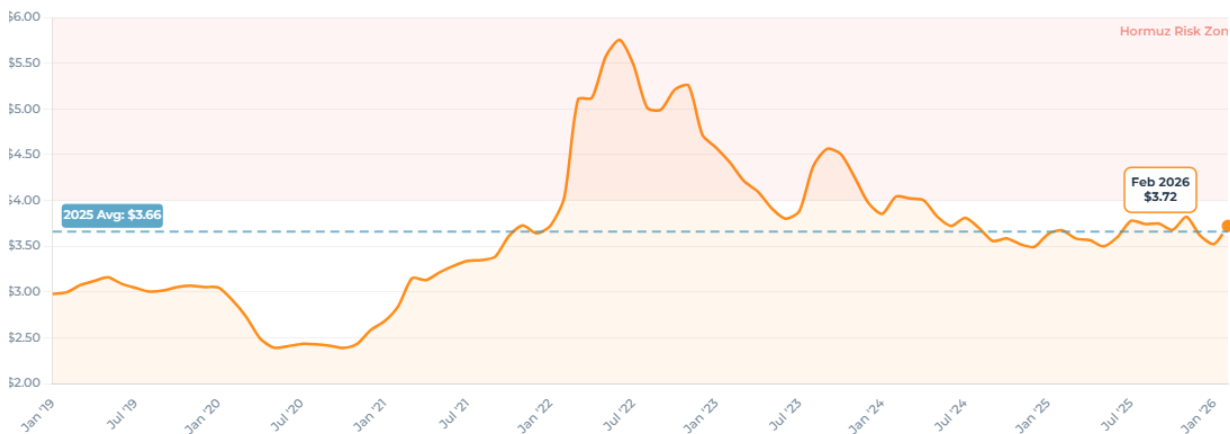
Cost-Push Meets Demand-Pull: The Macro Setup

The Diesel-Energy Complex

Oil near \$80/bbl before Hormuz fully transmits. Up 8-9% in the first days of the crisis. With 20-30% of global oil exports transiting the Strait, sustained closure pushes energy costs higher through Q2. **DOE data shows retail diesel jumped \$0.20 in a single month to \$3.72/gal in February**, the seventh consecutive weekly increase (DAT). Year-over-year, February diesel is up modestly (+1.3%), but the 2025 average of \$3.66/gal was already sitting on a structural cost floor.

National Average Diesel Price

Source: U.S. Energy Information Administration (EIA) — monthly national average



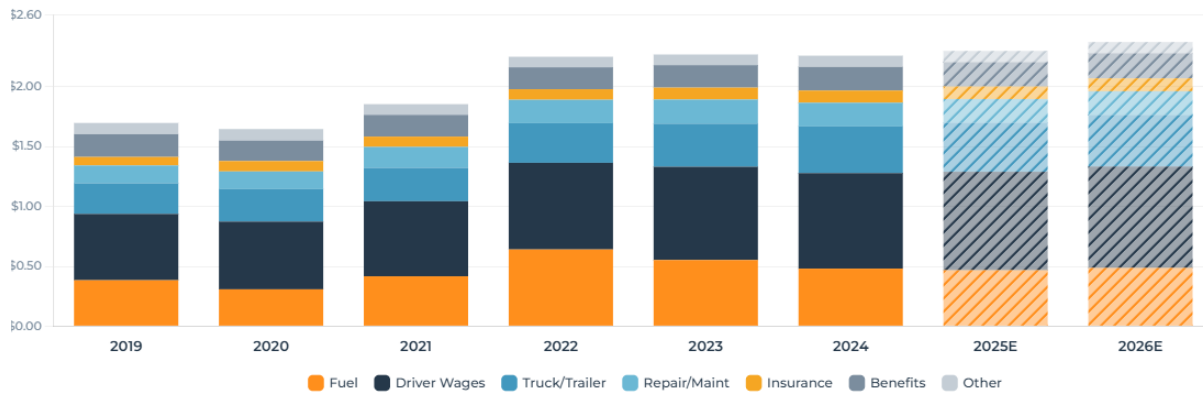
ATRI's 2024 Operational Costs of Trucking report pins total per-mile operating costs at \$2.26, an all-time high. **Fuel is roughly a fifth of that total (21%). Driver wages at \$0.80/mi (35%) and truck/trailer payments at \$0.39/mi (17%) are the dominant cost layers now.** Even a Hormuz-driven spike to \$4.25/gal only adds \$0.06/mi. The dollar impact is manageable. **The margin impact is not.** When the non-fuel cost floor is \$1.78/mi and carriers are already operating with thin margins, even small diesel moves transmit directly to rate pressure because there is no cushion left to

absorb them.

Combined with ISM Prices Paid at 70.5 (steel, aluminum, tariffs), the cost floor under rates is the firmest since 2022. **LMI Transportation Prices at 76.7 confirms what the cost inputs predict: rates are already resetting higher.** ACT Research calls it precisely: the weather spike will revert, but to a **"new, higher floor."** Capacity contraction in both equipment and drivers, Denoyer notes, will be challenging to reverse. The structural tinder was already stacked. Hormuz is the match.

ATRI Marginal Cost per Mile

American Transportation Research Institute — Annual Operational Costs of Trucking



The Final Grade

The table is being served. The order arrived. So did the bill.

The Order: The demand story is confirmed and broadening. ISM expanding two straight months. Chicago PMI crushed at 57.7 (strongest in years, leads national ISM). Backlogs at highest since May 2022. Four of five Fed districts positive or flat. ORAILDOM at all-time highs alongside stable TL volumes, showing demand breadth, not substitution. The LMI’s lean-inventory strategy is generating higher-turnover freight that fills the transportation pipeline. The Wile E. Coyote isn’t just walking. He found a road.

The Bill: The cost story threatens to choke what the demand story is building. ISM Prices Paid at 70.5. Oil near \$80/bbl, retail diesel at \$3.72 and climbing seven straight weeks. Hormuz disrupting 20-30% of global oil transit. Emergency surcharges \$2K-\$4K/container. LMI Transportation Prices at 76.7. Manufacturers absorbing costs, not

passing through. Margin squeeze accelerating. The Dalilah Law hangs over capacity planning. The FOMC can't cut into this inflation backdrop. Capital starvation lock on the Triple-Locked Gate stays shut.

Three Legs, Two Wildcards

Manufacturing: Turning. ISM expanding, regionals firming, tariff relief giving room to run. The broadening from Northeast to heartland (KC, Dallas) means the recovery isn't fragile. But employment still contracting and capex being cut means firms expect demand without trusting it.

Imports: Tailwinds stacking: bonded release, front-loading into the 150-day window, ISM Imports surging to 54.9. But Hormuz introduces a countervailing headwind. You can't rush imports through a closed strait. The collision between restocking demand and ocean supply disruption will define Q2 freight volumes.

Housing: The groundhog sees industrial light, not residential. Flatbed demand is driven by data centers, ISM backlogs, and O&G, not mortgage rates. STRIF at 42.67% confirms it. The flatbed market doesn't need the Fed to cut rates. It needs the manufacturing recovery to hold, and February says it's holding.

The Two Wildcards: Hormuz (cost-push from energy + ocean disruption) and the Dalilah Law (capacity risk from legislative shock). Neither is priced into current rate structures. Hormuz is already here. The Dalilah Law is a when-not-if for political debate season. Both could accelerate the upcycle timeline, or create the kind of supply chain chaos that chokes recovery before it breathes.

What This Means for Your Next 90 Days: Shippers with Q2 contracts repricing now face the firmest cost floor since 2022. Carriers with capacity have leverage they have not had in four years. The air pocket closed. The question is no longer if rates reset, but how fast and how far.

Crafted by [Beau King](#) and [Henry Byers](#) | KCH Transportation