

MAY
2025

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SONAR



Oil prices nosedive

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Overview

The dynamics in the freight market continue to evolve as overall demand has declined, but the capacity side of the market has remained fairly stable. Niche markets are facing a more volatile period, which is to be expected during periods of transition.

The macroeconomic picture is similarly volatile. Fears about resurgent inflation have been stoked by chaotic trade policies under the new Trump administration, which has implemented and delayed tariffs on equally short notice. Meanwhile, the U.S. labor market, though softening, is not yet weak enough to compel the Federal Reserve to accelerate quantitative easing. Accordingly, the Fed is expected to maintain interest rates between 4.25% and 4.5% at its upcoming meeting in early May.

Oil markets were rocked by an unexpected boost to supply: In April, OPEC+ announced plans to increase output by 411,000 barrels per day in May — nearly triple its previous target of 122,000 bpd. At the same time, oil prices fell sharply as fears of a global economic recession were stoked by the U.S.' unveiling of new tariffs, with China being the prime target. Domestic oil production set new record highs in March and is forecast to continue doing so over the next several months.

Crude inventories in Cushing, Oklahoma, are low, and efforts to refill the Strategic Petroleum Reserve are slow. U.S. petroleum consumption, however, is well above pre-pandemic levels. Carloads of petroleum products show sustained, if uneven, growth.

Fleet counts (six-month change)

Total for-hire fleets	300,027 (+8.8%)
Total private fleets	158,865 (+1.2%)
For-hire oil field specialization	20,190 (+1.4%)
Private fleet oil field specialization	8,256 (-1%)

Tractor counts (six-month change)

Total for-hire tractors	1,810,000 (+2.3%)
Total private tractors	766,799 (+0.6%)
For-hire oil field specialization	326,544 (-1%)
Private fleet oil field specialization	53,747 (+1%)

Active daily rig count (y/y change)

Permian Basin	267 (-6.3%)
Gulf Coast Basin	67 (+1.5%)
Anadarko Basin	62 (+14.8%)
Total	637 (+0.8%)

Crude oil prices per barrel (y/y change)

WTI crude	\$64.30 (-22.3%)
Brent crude	\$66.87 (-23.2%)
Brent-WTI Spread	\$3.83 (+0.6%)

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Flatbed safety is exacting but essential

Given the open nature of flatbed trailers, it is arguably more important for flatbed drivers to follow best safety practices than for drivers in any other mode. This is compounded by the fact that flatbed drivers are uniquely responsible for ensuring that their loads are properly secured and, if necessary, covered by tarps. Otherwise, cargo can shift or even fall in transit, harming not only drivers and their equipment but also fellow motorists.

Thus, drivers should first choose high-quality straps, chains and binders that are designed to withstand the weight and type of cargo being transported. When loading, drivers must be careful to confirm that cargo is distributed evenly across the deck to maintain stability and to prevent excessive stress on specific areas of the flatbed. If applicable, drivers should employ edge or corner protectors to protect straps from sharp edges as well as sensitive cargo from damage caused by undistributed downward force.

Flatbeds also serve a vital role for the domestic oil and gas industry, in part because safety can be compromised by the (often) time-sensitive nature of such deliveries. As such, it is critical that the pre-trip inspection be fully carried out, not only with regard to the vehicle and trailer but also to the rigging equipment used, checking for frays or other signs of excessive wear.

Finally, special attention should be paid to the surroundings when the flatbed is not in use, particularly during loading and unloading. Trucks should be parked on a surface that is as flat as possible, taking care that the truck is not only level from front to back but also untroubled by side grades. To be sure, side grades need special attention when the truck is in motion, such that a heavy object does not suddenly shift forward into the cab or backward into any traffic. When dealing with hazardous materials, drivers should be aware of potential obstacles during loading and unloading that could impede an evacuation route.

Truck capacity outlook

The trucking capacity outlook is showing signs that capacity is exiting the market, which is needed to firm up pricing, but at a relatively slow rate. The back half of the year is traditionally a period when capacity tightens across modes. But with all the added capacity throughout the year, the usual tightening was muted throughout the fourth quarter of 2023.

The interesting growth areas haven't necessarily been in carriers or tractors but in the number of trailers added over the past few years. When the market reacted to the COVID-19 pandemic, semiconductor shortages prevented new truck order backlogs from being worked through. This led to fleets investing elsewhere, namely in trailer counts, which was one of the first areas addressed when the increased rates were sustained throughout the back half of 2020 and early '21.

With rates falling rapidly, the growth in capacity will likely return to levels closer to 2019 until some of the capacity added over the past year is removed from the market.

Total Fleets, Tractors and Trailers				Percent Change since February 2022		
Time Period	Carriers	Tractors	Trailers	% Carriers	% Tractors	% Trailers
Jul-22	498,170	2,780,000	4,298,588	5.75%	1.83%	14.34%
Feb-22	471,102	2,730,000	3,759,410			
Total For-Hire Fleets, Tractors and Trailers				Percent Change since February 2022		
Time Period	Carriers	Tractors	Trailers	% Carriers	% Tractors	% Trailers
Jul-22	300,027	1,810,000	3,022,330	8.76%	2.26%	1.00%
Feb-22	275,856	1,770,000	2,992,449			
Total Private Fleets, Tractors and Trailers				Percent Change since February 2022		
Time Period	Carriers	Tractors	Trailers	% Carriers	% Tractors	% Trailers
Jul-22	158,865	766,799	1,147,612	1.20%	0.63%	49.63%
Feb-22	156,979	761,967	766,961			

Source: Federal Motor Carrier Safety Administration monthly census data.

Since February 2022, the total number of fleets, which is filtered to those that report having at least one tractor and 20,000 or more annual miles per tractor on their MCS150 forms, has increased by 5.75%. Carriers have to report the data only once every two years, so the growth over the past two years is evident from the rise in July's numbers compared to February's. The average fleet size (number of tractors divided by fleet count) declined from 5.8 to 5.5, which indicates that growth is stemming from smaller carriers entering the market.

Growth in carrier and tractor counts is emerging from for-hire carriers, which is expected as the number of owner-operators has increased dramatically over the past two years. Overall, the number of carriers has jumped by 8.8% since February, but the number of tractors has increased by only 2.3%. This signals that owner-operators are the largest group to experience growth between February and July 2022.

While the for-hire side of the trucking industry is experiencing gains in carriers and tractors, private fleets are where most of the growth in trailer counts is originating. Between February and July 2022, private fleet trailer counts increased by 49%. Again, it is important to note that carriers have to report this number only biennially, so it really shows the growth over the past two years.

The for-hire market may see some consolidation — and bankruptcies — over the next six to 12 months, but it may not actually show up in the data, with carriers having to report only once every two years and new carriers always entering the market. As the freight market softens, the difference is that drivers will return to the umbrella of large enterprise carriers and thus may actually be double counted at some point in the future.

Total Fleets, Trucks and Trailers with oilfield or liquid/gas specialization				6 month % Change		
Time Period	Carriers	Tractors	Trailers	% Carriers	% Tractors	% Trailers
Feb-22	28,446	380,291	1,074,897	0.7%	-0.5%	0.9%
6 months ago	28,260	382,131	1,065,222			
Total For-Hire Fleets, Trucks and Trailers with oilfield or liquid/gas specialization				6 month % Change		
Time Period	Carriers	Tractors	Trailers	% Carriers	% Tractors	% Trailers
Feb-22	20,190	326,544	923,705	1.4%	-0.7%	1.2%
6 months ago	19,906	328,902	912,408			
Total Private Fleets, Trucks and Trailers with oilfield or liquid/gas specialization				6 month % Change		
Time Period	Carriers	Tractors	Trailers	% Carriers	% Tractors	% Trailers
Feb-22	8,256	53,747	151,192	-1.2%	1.0%	-1.1%
6 months ago	8,354	53,229	152,814			

Source: FMCSA monthly census data.

The capacity landscape for carriers with oil and gas exposure was relatively unchanged from six months ago as their numbers have increased across the board. The largest rise is in the for-hire market, where the number of carriers has risen by 1.4%.

Even with additional carriers in the market, the number of available tractors has declined by nearly 1%, indicating a couple of things: Smaller carriers are entering the market, and larger carriers with exposure to oil and gas are thinning out their fleets.

While the number of tractors has declined in the past six months, for-hire carriers have added trailer capacity to their fleets, increasing the number of available trailers by 1.2% in the six-month span.

Private fleets haven't experienced the same fate, as there were 98 fewer private carriers operating in the oil and gas space over the past six months. Those continuing to operate have added to their fleets, however, as the number of available tractors has increased by 1%.

Total Fleets, Tractors and Trailers with oilfield or liquid/gas specialization in California

Time Period	Carriers	Tractors	Trailers
Jul-22	993	15,858	11,629

Total For-Hire Fleets, Tractors and Trailers with oilfield or liquid/gas specialization in California

Time Period	Carriers	Tractors	Trailers
Jul-22	549	3,651	5,262

Total Private Fleets, Tractors and Trailers with oilfield or liquid/gas specialization in California

Time Period	Carriers	Tractors	Trailers
Jul-22	395	11,799	5,967

Source: FMCSA monthly census data.

Nearly 1,000 carriers based in California were operating in oil field services or liquid/gas specialization as of last July. The vast majority, in both the overall trucking industry and the oil and gas industry, were for-hire carriers. More than 55% of the fleets in California that operate in the space are for-hire carriers, whereas private fleets make up just under 40% of carriers.

Private fleets do make up the vast majority of tractors in California. Of the 15,858 total tractors that operate in the oil and gas industry, 11,799 are from private fleets, which is roughly 75%. For-hire fleets have an average of 6.65 tractors, compared to private fleets with nearly 300 tractors in operation.

The difference in trailers is less dramatic as for-hire fleets have 45% of the trailers in California. But it is important to note that this data only includes owned trailers and not those that carriers have leased.

Ultimately, the capacity outlook appears quite different than it did at the beginning of 2022. The extreme growth over the past two years has passed its peak and is slowly starting to correct itself. However, having to report counts to the FMCSA only once every two years may mean the data does not show the capacity exiting the market as quickly as it actually does.

National economic outlook

The future of monetary policy, as is the case across so much of the economy, is uncertain. On one hand, recent disinflationary signals have given the Federal Open Market Committee some breathing room to cut interest rates at its upcoming meetings. Following the release of March's Consumer Price Index (discussed below), traders are confident that the Fed will return to quantitative easing at its June meeting and that interest rates will be a full percentage point lower by the year's end.

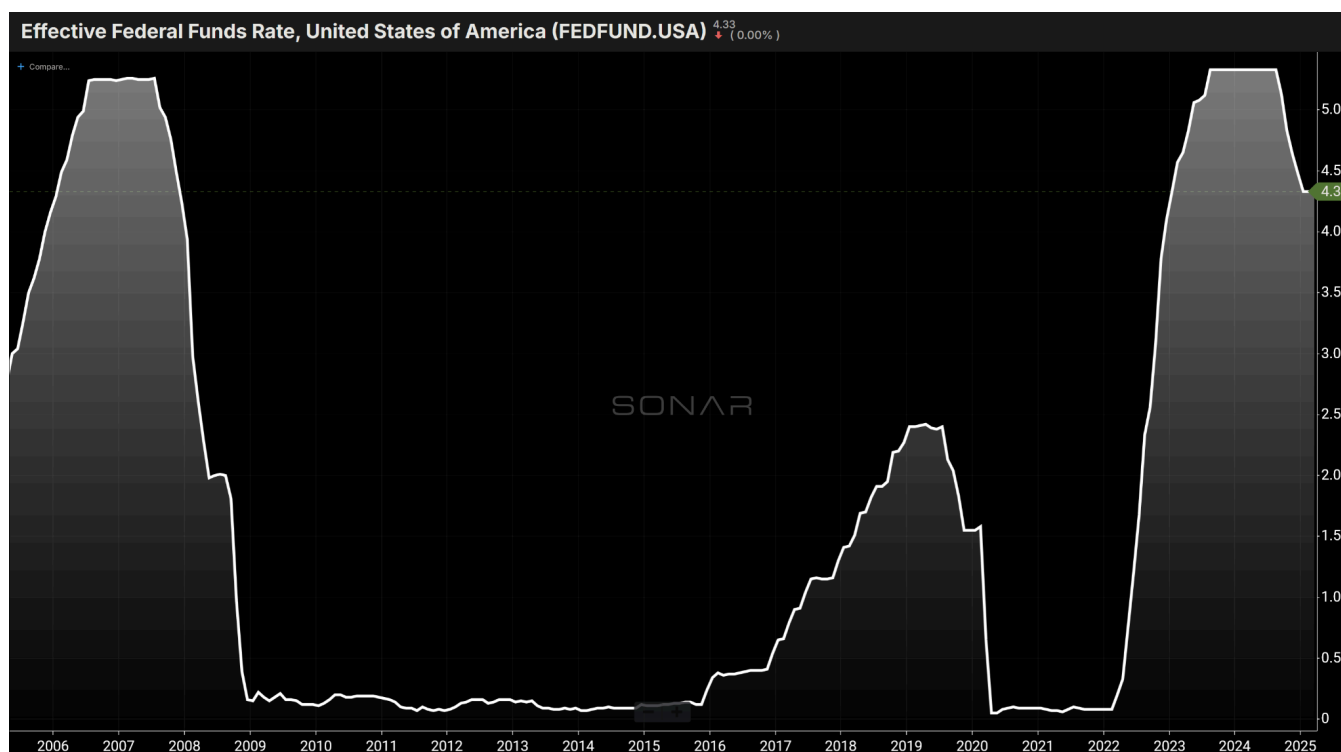


Chart: SONAR. Effective federal funds rate.

On the other hand, the Trump administration's tariff-centric trade policy has been a wild ride.

President Donald Trump announced a comprehensive round of levies targeting the imports of more than 100 countries on April 2, which were to be implemented within the week. A baseline 10% tariff was to be applied to all imports — excepting those from Canada and Mexico — with additional, nation-specific “reciprocal” tariffs to follow.

The manner by which this reciprocity was determined was a matter of some confusion at first: For example, the European Union was targeted with a punitive tariff increase of 20%, despite having an average tariff rate of only 5% for imports to the EU. But it eventually came to light that the formula was simply the target nation's trade surplus with the U.S. divided by its total imports sent to the U.S. in 2024, with the United States' reciprocal tariff being half this amount.

For instance, the U.S. exported \$143.5 billion in goods to China while importing \$438.9 billion worth in 2024. The U.S. thus had a trade deficit of \$295.4 billion with China. Dividing this deficit by the total number of imports yields a 67.3% change in the tariff rate — after halving this figure and then

rounding up, the U.S. would impose an additional 34% levy on all Chinese imports. Taken with the 20% tariffs against China already in place, the effective U.S. tariff rate would now be 54%.

This new bevy of tariffs took effect on the morning of April 9. Later that afternoon, however, Trump announced a 90-day pause on almost all reciprocal tariffs, thus dropping the tariff rate to the 10% baseline.

China was the exception. After the U.S. announced a 34% hike to its effective tariff rate, China responded in kind with a 34% tariff on American imports. Trump then vowed to raise levies against China by 50% if it did not back down from this latest increase, bringing the total tariff rate to 104%.

A spokesperson for China's commerce ministry rejected this ultimatum, cautioning that the country would "resolutely take countermeasures to safeguard its own rights and interests. If the U.S. insists on going its own way, China will fight to the end."

At the time of writing, a 145% levy on all Chinese imports to the U.S. is in effect, while China has raised tariffs on American imports to an effective rate of 125%. China's Finance Ministry stated that "Given that U.S. exports to China already have no market acceptability under the current tariff rates, if the U.S. further imposes additional tariffs on Chinese goods, China will simply ignore them."

On April 11, however, U.S. Customs and Border Protection announced that certain goods will be exempt from this rampant escalation of tariffs against China — namely, semiconductors, computers, smartphones, hard drives, flat-panel monitors and related items.

U.S. Commerce Secretary Howard Lutnick hinted that these exemptions might be temporary, with electronic devices and components potentially subject to "semiconductor" tariffs that could take effect within the next couple of months. "All those products are going to come under semiconductors, and they're going to have a special focus type of tariff to make sure that those products get reshored. We need to have semiconductors, we need to have chips, and we need to have flat panels — we need to have these things made in America. We can't be reliant on Southeast Asia for all of the things that operate for us," Lutnick told ABC News on April 13.

With China being the United States' third-largest trading partner in 2024, what does this escalation imply for truckload markets? Presently, not much: Shippers have long been preparing for this contingency by frontloading imports over the past several months. The recently announced exemption for certain electronic devices and components will likely not impact truckload volumes one way or another, as such goods are typically reserved for airfreight.

Still, there have been reports that some shippers are suffering from tariff-induced whiplash. Bloomberg reported that Amazon has canceled orders for multiple products made in China or other Asian countries, including a \$500,000 wholesale order for beach chairs. Amazon reportedly told the vendor that the order was placed "in error," with no mention of tariffs.

With markets panicking about possible inflation caused by these tariffs, the other side of the Fed's dual mandate — securing maximum employment — has gone somewhat overlooked. Yet in advance of the official payroll data from March, private-sector employment numbers from ADP suggested that the month's job growth could surprise to the upside.

The official data indeed carried a massive surprise, with March's job growth outperforming even the highest Wall Street estimates. A total of 228,000 nonfarm jobs were added in the month — nearly double February's downwardly revised growth of 117,000 and a major beat to the consensus expectation of 140,000.

On the other hand, the unemployment rate was expected to remain unchanged at 4.1% but instead ticked up to 4.2%. Unsurprisingly, federal employment declined by 4,000 net positions with hefty gains seen in health care (up 54,000 jobs), retail trade (up 24,000 jobs), and transportation and warehousing (up 23,000 jobs).

Although most of the growth in the transportation and warehousing sector came from the couriers and messengers subsector (up 15,800 jobs) — a category that includes parcel delivery companies like UPS and FedEx, but also local food and grocery delivery services such as DoorDash and Postmates — the truck transportation subsector did add 9,600 positions.

This last figure complicates the trucking industry's recovery, since linehaul spot rates have been kept afloat by diminishing capacity even as truckload demand is being cannibalized by the rails. If capacity continues to reenter the market at March's pace while demand stagnates, it will disrupt any positive momentum in carrier rates.

Manufacturing

Despite a recent and surprising strength in “hard” data, such as factory orders and orders for durable goods, the U.S. industrial sector is suffering from a collapse in “soft” sentiment data. The April print of the Empire State Manufacturing Survey, conducted monthly by the Federal Reserve Bank of New York, was expected to see its headline index bounce back from March's one-year lows — which it did, as the general business conditions index rose from minus 20 to minus 8.1. Although the index's being negative indicated contraction in April, its reading was marginally better than the minus 13.5 expected by Wall Street consensus.

Unfortunately, the index's forward-looking counterpart collapsed, falling from March's 12.7 to minus 7.4 in April. This latest release marks the seventh time in the survey's 24-year history — and the first time since 2022 — that industrial firms have expected conditions to deteriorate rather than improve in the coming six months. April's reading also has the dubious distinction of being the index's lowest since the aftermath of the terrorist attacks on Sept. 11, 2001.

To be sure, manufacturers tend to be a gloomy and skeptical bunch, even when all hard data points to the contrary. Yet this release likely betrays the struggle of the U.S. industrial economy to adapt to the whirlwind trade policies of the Trump administration, with firms restructuring their supply chains or resourcing imports in response to an ever-shifting tariff strategy.

Another key sentiment index for the industrial sector, the Institute for Supply Management's Manufacturing PMI, flipped into contraction in March. The headline PMI fell 1.3 points month over month to 49, below consensus expectations for a reading at 49.5. The index's primary metrics all declined: The New Orders Index sank further into contraction from 48.6 in February to March's 45.2, the Production Index fell from growth at 50.7 to decline at 48.3, and the Backlog of Orders Index slid from 46.8 to 44.5.

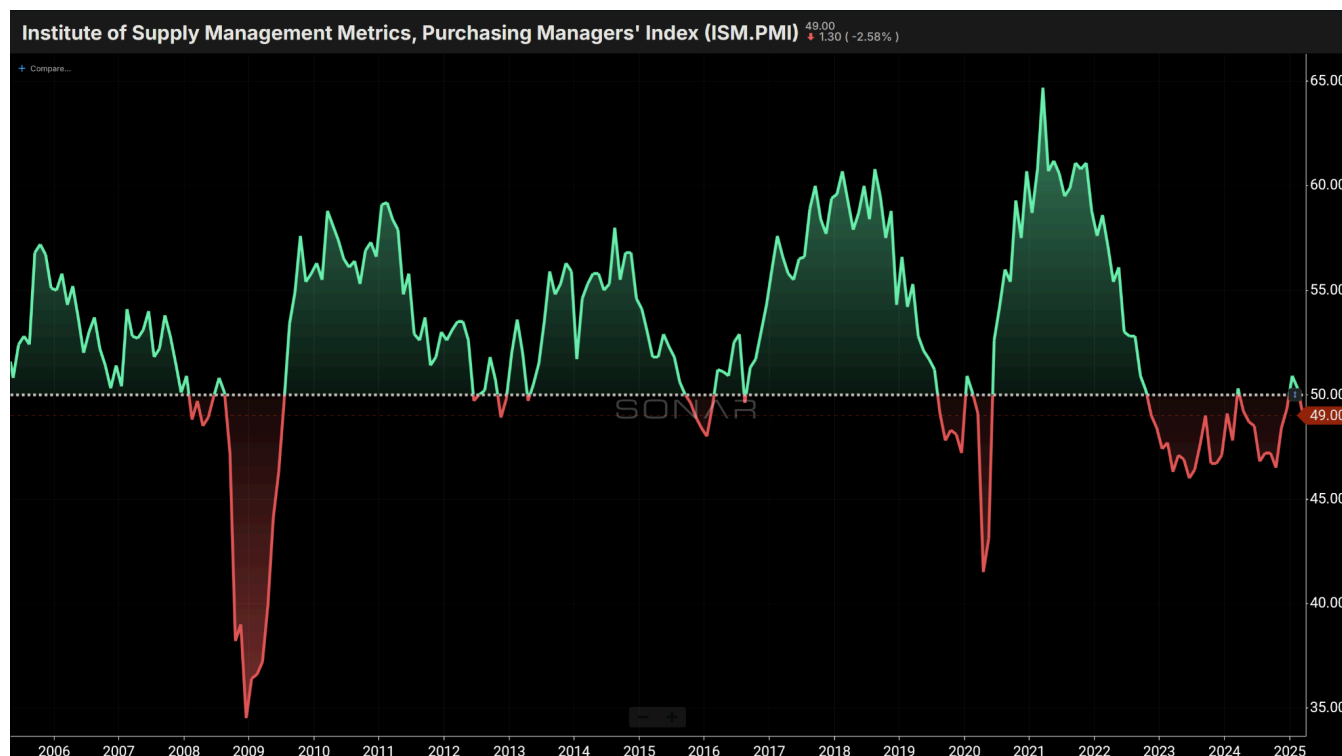


Chart: SONAR. Institute for Supply Management's Manufacturing PMI.

A similar sentiment index, the S&P Global US Manufacturing PMI, remained in expansionary territory, but only just. Down from February's reading of 52.7 at 50.2, the PMI signaled a slight improvement in operating conditions that threatens to evaporate in the next release. Market uncertainty was one of the biggest drivers of sentiment, with concerns over whipsawing tariff implementations weighing on new orders.

The U.S. industrial sector appears to be running out of steam, according to Chris Williamson, chief business economist at S&P Global Market Intelligence: "The strong start to the year for US manufacturers has faltered in March. A combination of improved optimism surrounding the new administration and the need to front-run tariffs had buoyed the goods-producing sector in the first two months of the year, but cracks are now starting to appear. Production fell for the first time in three months in March, and order books are becoming increasingly depleted.

"A key concern among manufacturers," Williamson continued, "is the degree to which heightened uncertainty resulting from government policy changes, notably in relation to tariffs, causes customers to cancel or delay spending, and the extent to which costs are rising and supply chains deteriorating in this environment. Tariffs were the most cited cause of factory input costs rising in March, and at a rate not seen since mid-2022 during the pandemic-related supply shock. Supply chains are also suffering to a degree not seen since October 2022 as delivery delays become more widespread."

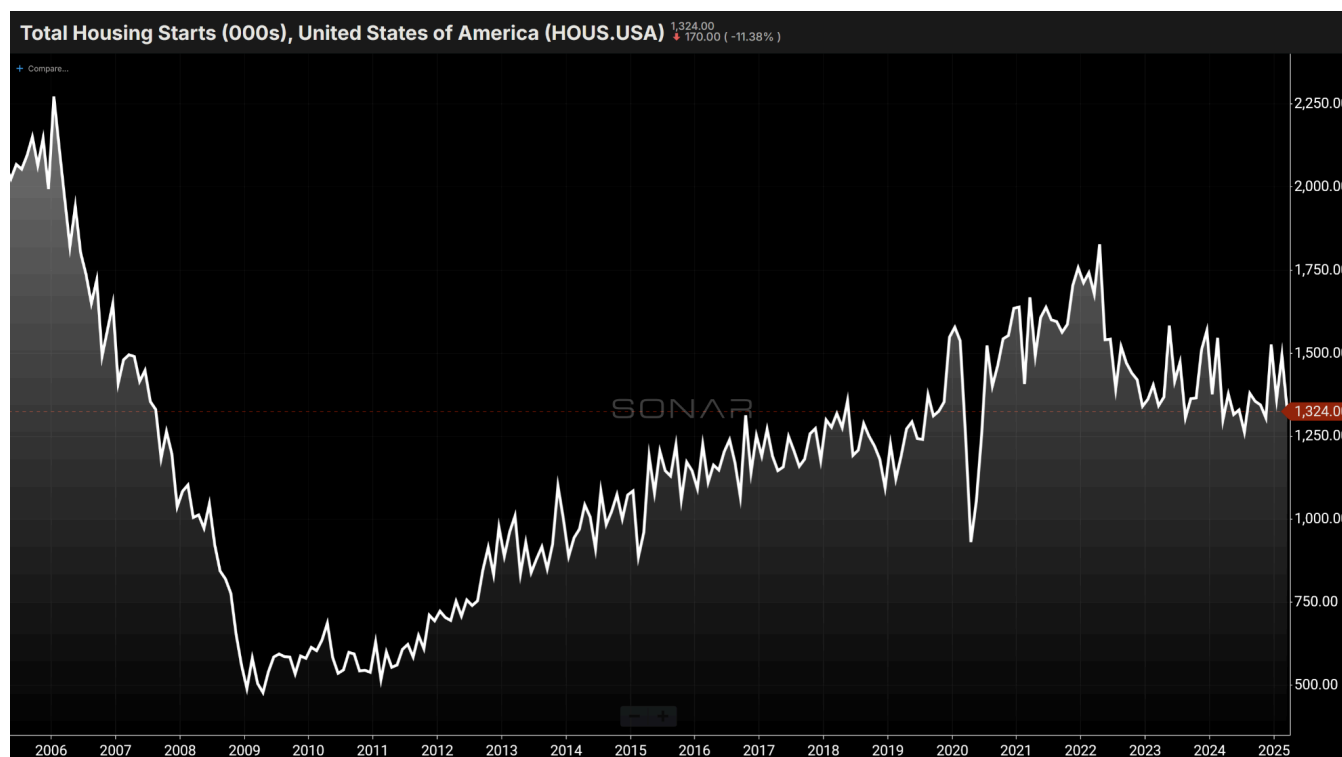
Housing and construction

Since falling from this cycle's peak at 7.79% in October 2023, the average rate on a 30-year fixed mortgage has remained solidly rangebound between 6% and 7%. In 2022-23, rising mortgage rates did not — as they normally do — deter prospective buyers from purchasing homes, given a rare combination of low inventory levels and a nationwide shift to remote work that made rural housing markets more attractive.

But this dynamic has not held over the past year, as intractably high mortgage rates are weighing on housing market activity. Per Freddie Mac, the current average rate on a 30-year fixed mortgage stands at 6.62%, only 3 basis points lower m/m but 26 bps lower y/y.

Existing-home sales, which comprise the vast majority of home sales in the U.S., rebounded in February after severe winter storms depressed sales activity in January. According to the National Association of Realtors, existing-home sales rose 4.2% m/m at a seasonally adjusted annualized rate of 4.26 million units. Still, this gain was not quite sufficient to erase January's 4.9% m/m decline. Furthermore, existing-home sales turned negative on a yearly basis, falling 1.2%. Despite this anemic growth in sales, the median price of an existing home continues to surge, up 3.7% y/y at \$402,500.

It is little surprise, then, that this combination of high prices and mortgage rates is weighing on new construction. In March, housing starts nosedived 11.4% m/m (versus the expected 5.4% loss), driven primarily by a 14.2% m/m collapse in single-family home starts. This decline marks the largest monthly drop since April 2020 — a time when not much economic activity was occurring, for obvious reasons. The more forward-looking data on building permits was not as bad, rising 1.6% m/m, though it too betrayed weakness in the single-family segment with a 2% m/m decline.



Source: SONAR. Total U.S. housing starts (in thousands).

“The drop in March housing starts is a clear signal that affordability pressures are intensifying,” said Buddy Hughes, chairman of the National Association of Home Builders (NAHB). “Elevated mortgage rates and rising construction costs are making it increasingly difficult to deliver homes at price points accessible to entry-level buyers. We’re seeing demand soften as more potential home owners are priced out of the market.”

This pessimistic outlook was likewise reflected in homebuilder sentiment from April. The NAHB/Wells Fargo Housing Market Index, which surveys builders of single-family homes, saw all three of its components languish in contraction with readings below 50. Current sales conditions rose 2 points m/m to 45, thanks to the aforementioned bump in sales of existing homes. But expectations for sales in the coming six months soured, falling 4 points m/m to 43, with the traffic of prospective buyers still near rock-bottom at 25, even after a slight 1-point m/m bump.

Oil market

Oil prices have plummeted to pandemic-era lows following the escalation of the U.S.-China trade war, in which both countries have retaliated against each other with numerous tariff increases (see above). This precarious hostility between two of the world’s largest economies has triggered widespread fears of a global recession. In particular, further growth in Chinese demand for oil is at risk if this trade war persists long enough.

This risk, among other implications of the United States’ new tariff regime, has sent Brent crude prices below \$60 per barrel for the first time since February 2021. Despite this collapse in oil prices,

however, OPEC surprised markets in early April by announcing it would increase output by 411,000 barrels per day in May — nearly triple its previous target of 122,000 bpd.

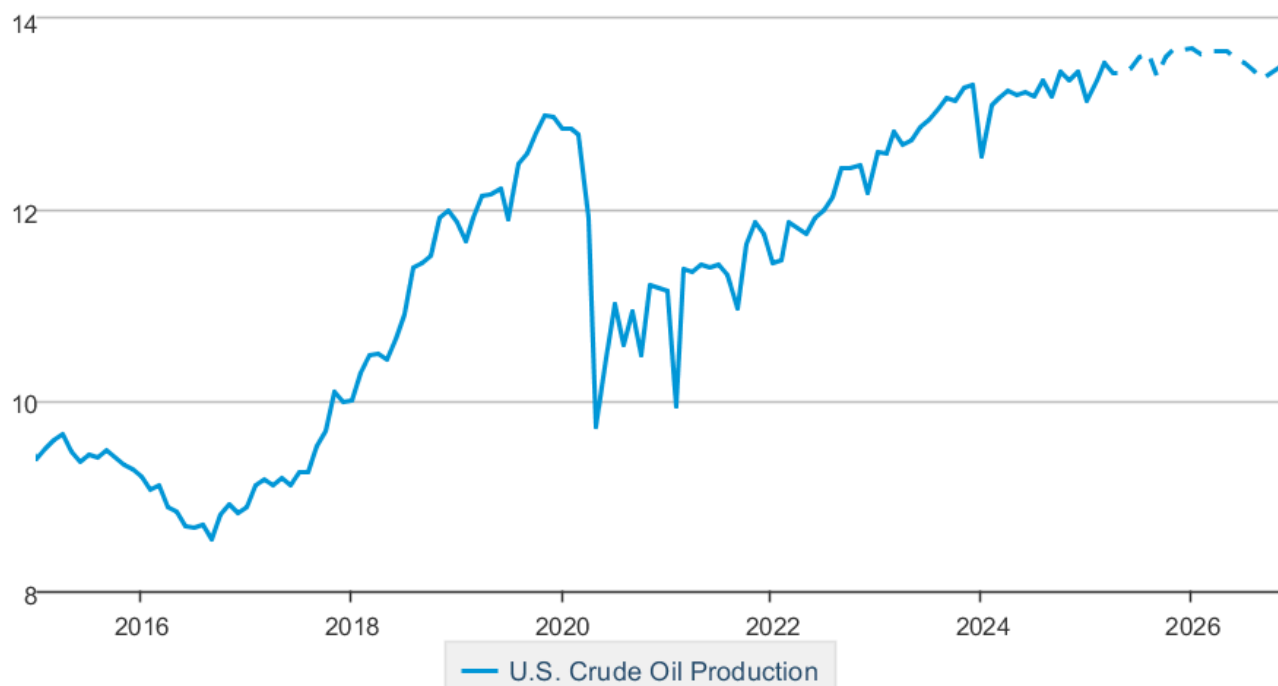
Such a hefty and unexpected increase betrays OPEC leader Saudi Arabia's desperation to fund its ambitious Vision 2030 investment program, which the nation sees as its primary means to decouple its economy from simple resource production. Per analysis from the International Monetary Fund, Saudi Arabia needs Brent to trade at \$96.20 per barrel to balance its books. Yet the kingdom has borne the brunt of previous OPEC+ production decreases, which failed to keep oil prices at such a level. In other words, Saudi Arabia — which is currently outputting 8.9 million bpd, its lowest production since 2011 — has been selling less oil for less money and is now seemingly resigned to letting oil prices fluctuate as they may.

In March, gross domestic oil production shot up by 200,000 bpd m/m to 13.55 million bpd, maintaining February's growth of equal measure to 13.35 million bpd. Production figures from previous months continued to be heavily revised, however, as February's data was pulled down from an initial reading of 13.54 million bpd.

In a prior print of its Short-Term Energy Outlook, the U.S. Energy Information Administration forecast that domestic crude oil production would tick up by 30,000 bpd m/m to 13.57 million bpd in March. Although the month's growth handily beat this forecast, thanks to the massive downward revision to February's figures, March's output fell 20,000 bpd short of the EIA's production forecast.

U.S. Crude Oil Production

million barrels per day



Data source: U.S. Energy Information Administration

After factoring in revisions to prior months' data, the EIA now predicts that domestic crude oil production will decline from March's peak until July. The U.S. is expected to see its output peak at 13.7 million bpd in January 2026, after which production will begin a slow decline for the remainder of the year. The EIA continued to predict that the full years of 2025 and '26 will outpace 2024's production average of 13.21 million bpd, solidifying the United States' status as the top oil producer globally. In April, the EIA projects that crude oil production will fall 110,000 bpd m/m to 13.44 million bpd.

The Baker Hughes active rig count is thought to signal future demand for drilling as well as inputs into the oil industry. The Baker Hughes active rig count for the U.S. as a whole totaled 583 rotary rigs as of April 11. This latest count marks a steep decline of 5.5% y/y, continuing a series of y/y losses.

Breaking that down into basins, Enverus, a leading SaaS company focused on the energy market, releases daily active rig counts.

Basin	Daily Active Rig Count	1-mo. Change	M/M Percent Change	1-yr. Change	Y/Y Percent Change
Anadarko Basin	62	3	5.1%	8	14.8%
Appalachia	37	5	15.6%	-2	-5.1%
DJ Basin	12	2	20%	0	0%
Gulf Coast Basin	67	4	6.3%	1	1.5%
Permian Basin	267	-1	-0.4%	-18	-6.3%
Williston Basin	31	-1	-3.1%	-7	-18.4%
Other	161	14	9.5%	23	16.7%
Total	637	26	4.3%	5	0.8%

Source: Enverus daily active rig count as of April 21.

U.S. oil producers are currently mired in a crisis that will inform their operations for years to come. After the Trump administration announced a barrage of new tariffs in early April, oil prices fell upwards of 16%, pushing them below the breakeven level for many producers. In April, research firm Rystad Energy found that additional corporate pressures — including “higher hurdle rates, dividend payments and debt service costs” — have sent oil's breakeven price to \$62.50 per barrel for operators in the Permian Basin.

Yet prices have remained below this level more or less consistently in the first half of April, which could force the industry to idle rigs as it fears unfavorable comparisons with the 2015 price crash. Trump has stated a desire to get oil down to \$50 per barrel, a level which industry experts argue would force many existing operators out of the market and trigger a massive wave of mergers and acquisitions — even building upon the record M&A activity of 2023. S&P Global Commodity Insights cautioned that \$50/bbl oil could cause U.S. production to decline by more than 1 million bpd.

Crude prices tank after April tariff announcement, only recovering modestly to \$64/bbl

As mentioned previously, oil prices plummeted at the beginning of April as markets reacted negatively to Trump's “Liberation Day” tariff announcement. The International Energy Agency, which has a propensity toward bearishness even in times of high demand, slashed its 2025 forecast for oil demand growth by roughly a third, from 1.03 million bpd to 730,000 bpd. It also signaled that further

reductions in its forecast would be contingent on how U.S. trade policy evolves over the coming weeks and months.

About half of the IEA's downward revision was due to reduced demand in the U.S. and China. "While imports of oil, gas and refined products were given exemptions from the tariffs announced by the United States, concerns that the measures could stoke inflation, slow economic growth and intensify trade disputes weighed on oil prices," the IEA wrote. "With arduous trade negotiations expected to take place during the coming 90-day reprieve on tariffs and possibly beyond, oil markets are in for a bumpy ride and considerable uncertainties hang over our forecasts for this year and next."

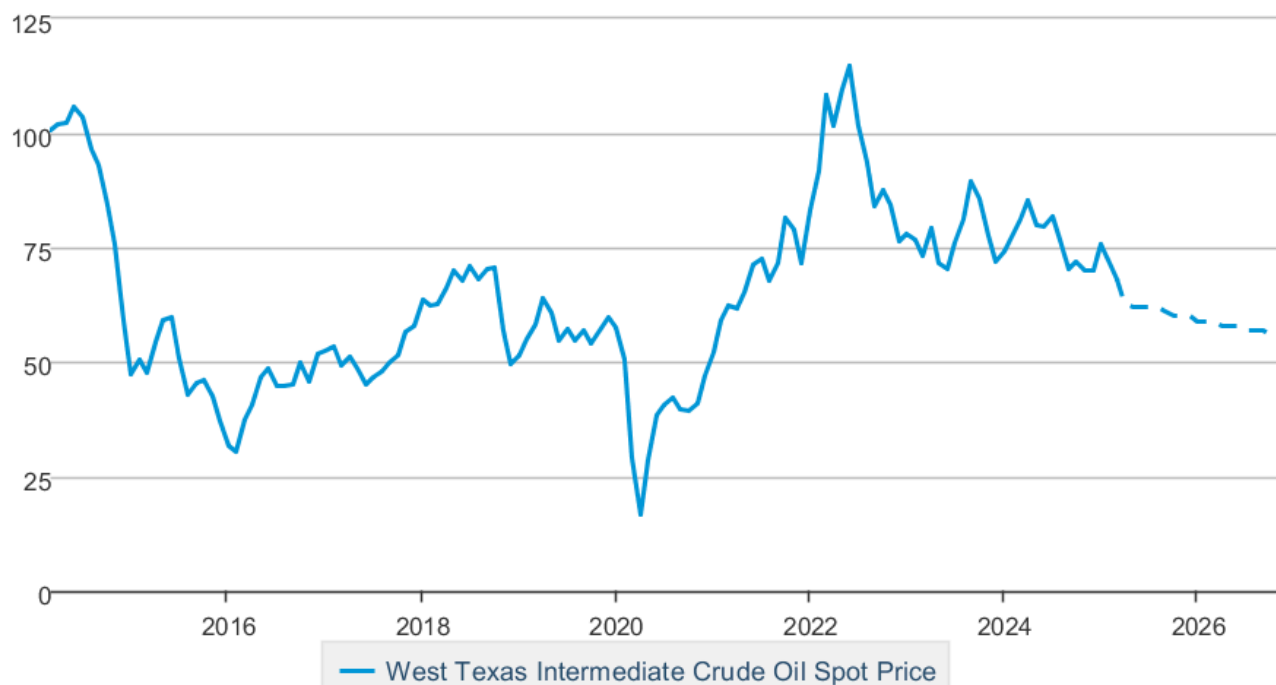
Interestingly enough, although the IEA can usually be expected to give pessimistic forecasts, OPEC can equally be expected to be bullish on oil demand — for obvious reasons, given the cartel's vested interests. But in its latest Monthly Oil Market Report, OPEC lowered its demand forecast for 2025 by 150,000 bpd, or about half of the IEA's downward revision. OPEC currently foresees oil demand growing 1.3 million bpd y/y, stating that while "the global economy showed a steady growth trend at the beginning of the year," its "near-term trajectory is now subject to higher uncertainty given the recent tariff-related dynamics."

Accordingly, prices of West Texas Intermediate crude (WTI) — a domestic benchmark — fell more than \$12/bbl in the immediate wake of Trump's Liberation Day tariff announcement on April 2, dropping from \$71.71/bbl to \$59.58/bbl on April 8. Since then, WTI prices stabilized and have even rebounded to \$65/bbl in recent days, thanks to news that Trump was mulling exemptions on certain Chinese goods such as smartphones and semiconductors. Even so, the market is still jittery and subject to knee-jerk reactions followed by corrections.

According to EIA projections, WTI will continue its descent through 2026 to \$56/bbl, with most analysts in agreement.

West Texas Intermediate Crude Oil Spot Price

dollars per barrel



Data source: U.S. Energy Information Administration

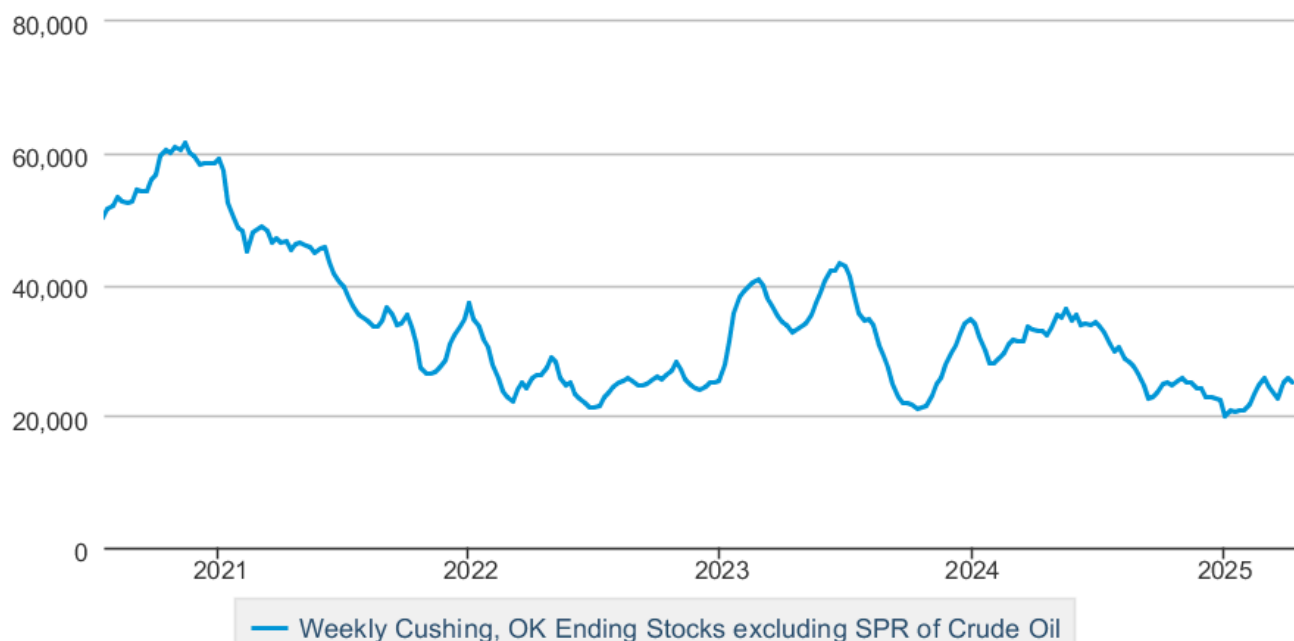
The EIA's latest Short-Term Energy Outlook, published in early April, was notable for its total collapse of confidence for WTI prices going forward. Generally, the EIA's monthly revisions to its production and price forecasts are relatively minor, more useful for their directionality than the magnitude of their revisions. But April's report was a rare exception: While in March, the EIA had forecast that WTI would hit \$70.50/bbl in October before ending 2025 at \$68.50/bbl, the EIA now predicts that WTI prices will suffer an uninterrupted decline throughout the next 21 months, sinking to \$60 by year's end and \$56 by the end of 2026.

And though traders and analysts tend to be more bearish than EIA projections, since they are more vulnerable to reactionary impulses, most institutional firms are in agreement with the EIA's latest forecast. Four days before the EIA's April print, Goldman Sachs' analysts cut their 2026 oil price forecasts by \$4/bbl, expecting Brent to average \$58/bbl in the full year with WTI averaging \$55. The EIA is only slightly more optimistic, foreseeing \$57.48/bbl for WTI and \$61.48 for Brent in 2026. In either case, these forecasts are below the \$62.50/bbl breakeven point calculated by Rystad Energy, implying that investment in the Permian Basin will recede unless oil prices rally.

What else we're watching

Weekly Cushing, OK Ending Stocks excluding SPR of Crude Oil

Thousand Barrels



Data source: U.S. Energy Information Administration

Despite some uneven growth in the back half of March, U.S. crude stocks have grown in April to their highest level since last July, even with a concordant rise in exports. Crude inventories rose by 515,000 barrels to 442.9 million barrels in the week ending April 11, beating analysts' expectations for a weekly gain of 507,000 barrels.

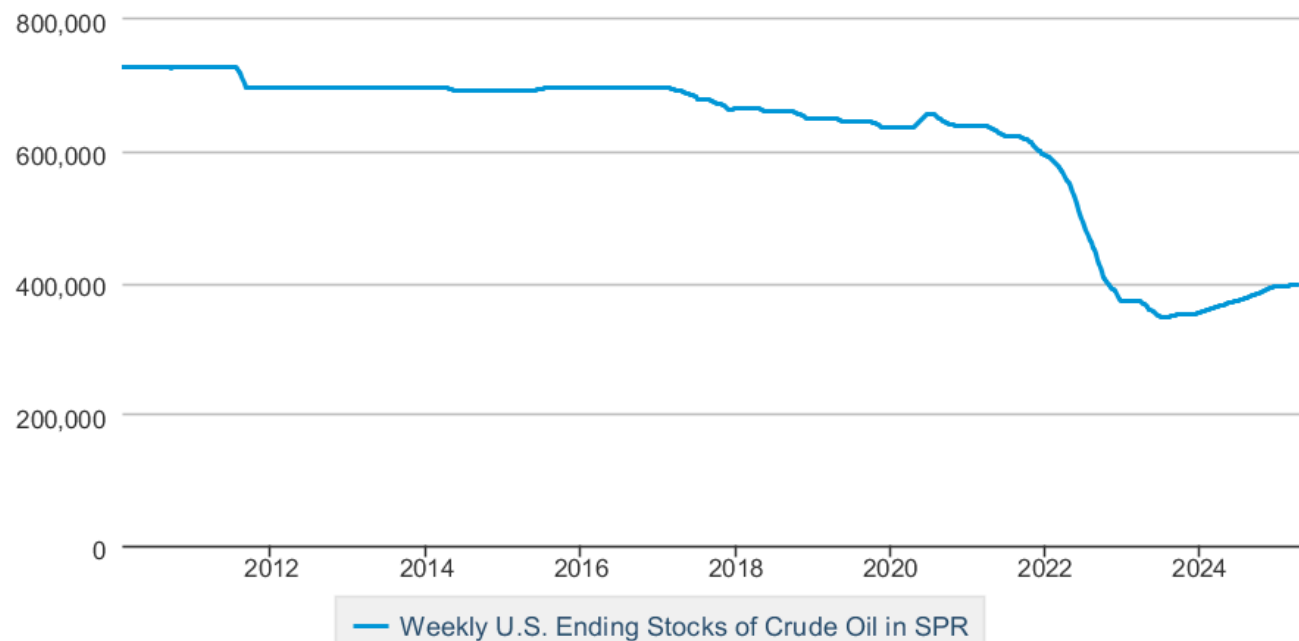
Meanwhile, U.S. crude exports rose 1.8 million bpd to 5.1 million bpd. One likely cause behind this abrupt increase in exports is the sudden willingness of disparate countries to reduce their trade deficit with the U.S. by purchasing energy products. For instance, Pakistan — which is facing a 29% tariff once the 90-day grace period expires — is reportedly seeking to buy U.S. oil for the first time ever. In 2024, Pakistan imported roughly 140,000 bpd, with the bulk of these imports coming from OPEC heavyweights like Saudi Arabia and the United Arab Emirates.

Still, one might expect either inventories or exports to rise, but not both. This discrepancy was resolved, however, as the EIA posted an adjustment in "unaccounted-for crude oil" of 722,000 bpd. "You would think an increase in exports of almost 2 million barrels would force a draw — storage should theoretically go down," Bob Yawger, director of energy futures at Mizuho, told Reuters. "The EIA basically wiped that out with the adjustment number."

Since falling to a 10-year low in January, crude inventories at Oklahoma's Cushing Hub have rebounded somewhat, though they continue to prove volatile on a weekly basis. In the week ending April 11, the Cushing Hub had 25.11 million barrels of WTI on hand, marking a 24% y/y decline.

Weekly U.S. Ending Stocks of Crude Oil in SPR

Thousand Barrels



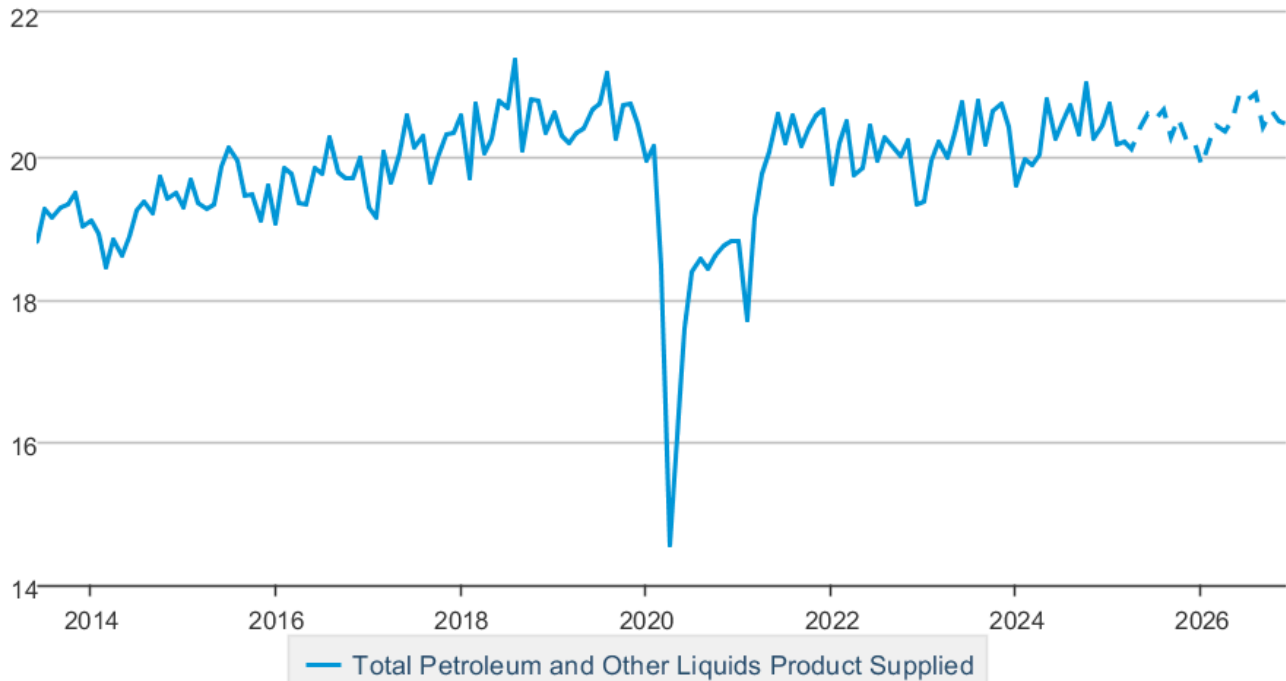
Data source: U.S. Energy Information Administration

Levels of the U.S. Strategic Petroleum Reserve have been diminished ever since the previous administration drew heavily (and controversially) from it in 2022, in an effort to protect against the sudden loss of Russian supply. This sale of nearly 300 million barrels pushed the SPR to its lowest level in 40 years.

Efforts to refill the SPR are underway, however slowly. In March, U.S. Energy Secretary Chris Wright stated the administration's intention to purchase \$20 billion, or roughly 301 million barrels, of crude oil, putting the SPR just below its maximum capacity of 727 million barrels at 700 million barrels. If fully realized, this effort would refill the SPR to its highest level since late 2011.

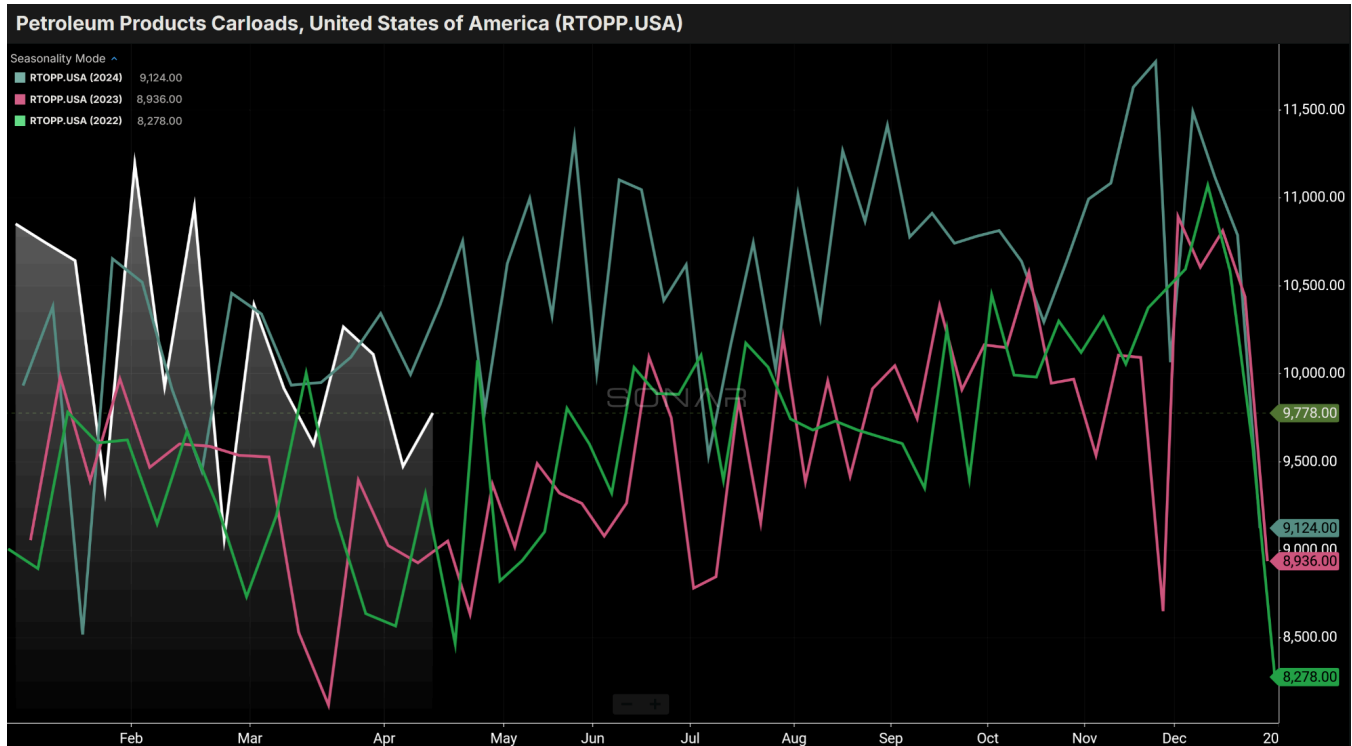
Total Petroleum and Other Liquids Product Supplied

million barrels per day



Data source: U.S. Energy Information Administration

Although, at 397 million barrels, its stocks are currently far below this goal, the SPR is at its fullest since October 2022, with inventories up 8.8% y/y. In an emergency, assuming that both domestic production and imports were entirely halted, the SPR would be sufficient to meet U.S. demand for just over 19 days. U.S. consumption of petroleum and all other liquid fuels has yet to return to 2019's pre-pandemic high of 20.54 million bpd, and, unlike its previous report in March, the EIA no longer expects consumption to exceed this rate in 2026. At present, U.S. consumption averages 20.21 million bpd.



Source: SONAR. Rail carloads of petroleum products: 2025 (white), 2024 (green), 2023 (pink) and 2022 (dark green).

Strong production levels throughout the final quarter of 2024 and the early stages of 2025 have allowed the railroads to use petroleum products as a growth engine. Total petroleum product carloads are off the highs established in November but showed sustained growth compared to the previous three years in 2025 so far. While carloads took a hit in April, there is reason to believe that this lull is only seasonal, given comparable ebbs in 2022-24. Over the past month, total petroleum product carloads are up 1.9% but are down 5.9% compared to the same week last year.

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