AUGUST
2025

STATE OF THE INDUSTRY

R E P O R T

SUPPLY CHAIN | DEDICATED TRANSPORTATION | FLEET MANAGEMENT SOLUTIONS

SONAR | Ryder® Ever better.™

Peaked too soon?

July 25, 2025 | 1 p.m. ET

Overview

U.S. freight demand has shown signs of modest recovery over the past 30 days, buoyed by the late-June easing of U.S.-China trade tensions and a tariff pause that reduced effective rates on imports to 21%. Truckload volumes remain below year-ago levels amid well-stocked inventories. Seasonal trends have been muted by economic contraction in manufacturing and construction, as well as modal shifts toward the rails.

The truckload market remains in a slowdown, thanks to trade disruptions, high inventories, and shifts to intermodal amid excess capacity. It has continued to show strength in tender rejections and per-mile pricing, frustrating easy narratives of an industry-wide recession.

Rail intermodal volumes are strong in 2025 so far, though June saw an annual decline due to trade tensions. Late July volumes rebounded, led by Western railroads. International volumes surged. Domestic volumes grew more modestly, supported by consumer spending but hampered by industrial weakness.

Container rates fell sharply in July, reversing June gains amid faltering demand and tariff changes. U.S. import volumes saw a modest rally in June: West Coast ports outperformed due to imports from China. Ocean volumes fell from recent peaks, while bookings have since collapsed. 2025's peak season has already occurred, and has done so far earlier than in previous years.

Broader economic indicators show mixed signals. The Federal Reserve held rates in June, with markets anticipating a September cut amid labor market strength. Trade volatility persists, with the U.S.-China tariff pause expiring August 12 absent a deal.. Consumer sentiment rose modestly but remains low; retail sales rebounded in June, but credit data shows reluctance in short-term borrowing. Inflation ticked up in June, driven by food and energy while core measures cooled.

Macro indicators	(y/y change)
June industrial prod. change	+0.3% (+0.7%)
June retail sales change	+0.6% (+3.5%)
June U.S. Class 8 orders	7,900 (-29%)
June U.S. trailer orders	13,400 (+256%)

Truckload indicators	(y/y change)
Tender rejection rate	5.79% (+114 bps)
Average dry van spot rate[1]	$2.31/mi (-0.9%)
LAX to DAL spot rate[2]	$2.28/mi (-2%)
CHI to ATL spot rate	$2.40/mi (-7%)

Tender volumes	(y/y change)
Atlanta	346.46 (-10.7%)
Dallas	318.75 (-10.6%)
Los Angeles	221.75 (-28.7%)
Chicago	160.88 (-25.8%)

Tender rejections	(y/y change)
Atlanta	7.71% (+23 bps)
Dallas	7.35% (+212 bps)
Los Angeles	4.77% (-114 bps)
Chicago	4.86% (+121 bps)

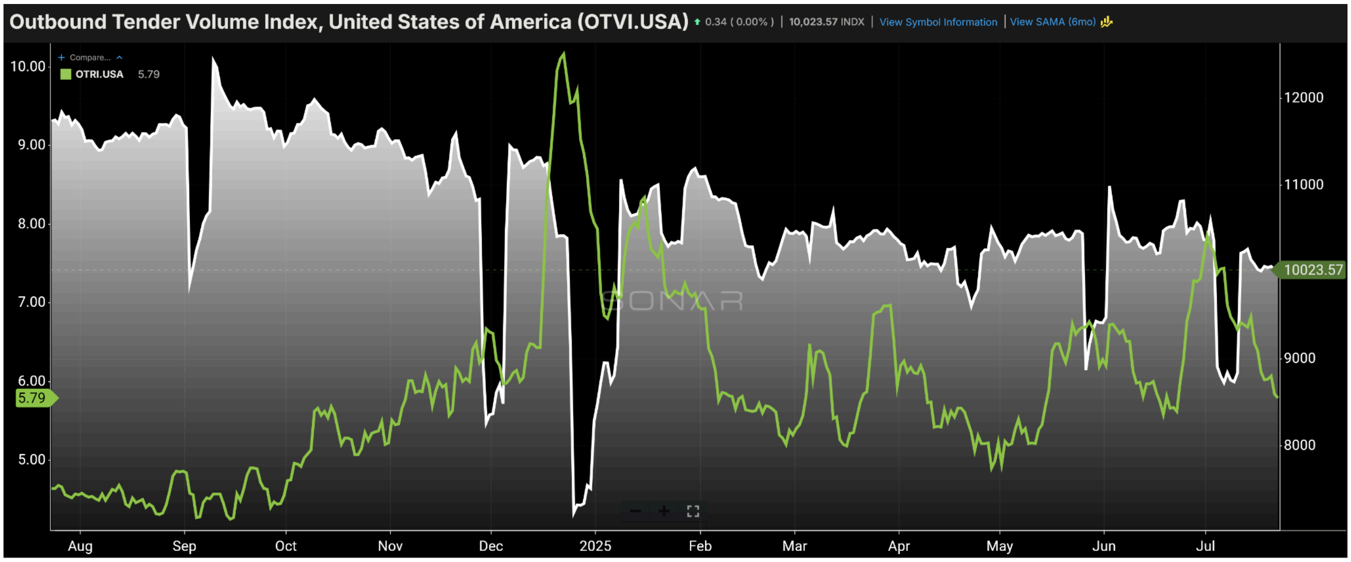
Michael Rudolph
Research Analyst
mrudolph@firecrown.com
(847) 602-3144

[1] FreightWaves National Truckload Index
[2] FreightWaves TRAC spot rate

Truckload markets

Despite the easing of U.S.-China trade tensions in late June, the truckload market remains mired in a significant slowdown, with tender volumes down sharply due to lingering uncertainty from earlier tariff escalations, elevated inventory levels, and subdued consumer demand.

Seasonal trends typically support a ramp-up in freight activity during the summer months, but 2025 has seen continued weakness, exacerbated by broader economic contraction in the manufacturing and construction sectors, as well as shippers shifting more volumes to intermodal to capitalize on cost advantages amid excess trucking capacity. While capacity has grown substantially over recent years — up 18% in the past five years even as volumes declined — carriers are facing persistent pressure from low rates and high turnover, contradicting claims of a driver shortage and highlighting instead a glut in available trucks.



Source: SONAR. Outbound Tender Volume Index (white, right axis) and Outbound Tender Rejection Index (green, left axis).

Truckload tender volumes remained stuck in a pattern of only mild growth throughout June, extending a downturn that intensified in early February amid chaotic tariff announcements. The recent de-escalation in trade policy has yet to translate into meaningful recovery, as many shippers remain cautious, opting to draw down existing inventories rather than accelerate new imports. At present, the Outbound Tender Volume Index (OTVI) is up 1.15% year over year (y/y).

On a national scale, tender volumes underperformed relative to years past but showed minor adherence to seasonal patterns, with the brief uptick around early July's holidays quickly fading. Much of this annual degradation can be attributed to ongoing modal shifts toward intermodal and private fleets, as well as the broader impact of trade disruptions that have reduced import-driven freight. If shippers accelerate restocking efforts during the extended tariff pause, it could provide a modest boost to truckload demand later in Q3, though the rails are still poised to capture the bulk of transcontinental movements. In the meantime, OTVI is down 0.49% month over month (m/m).

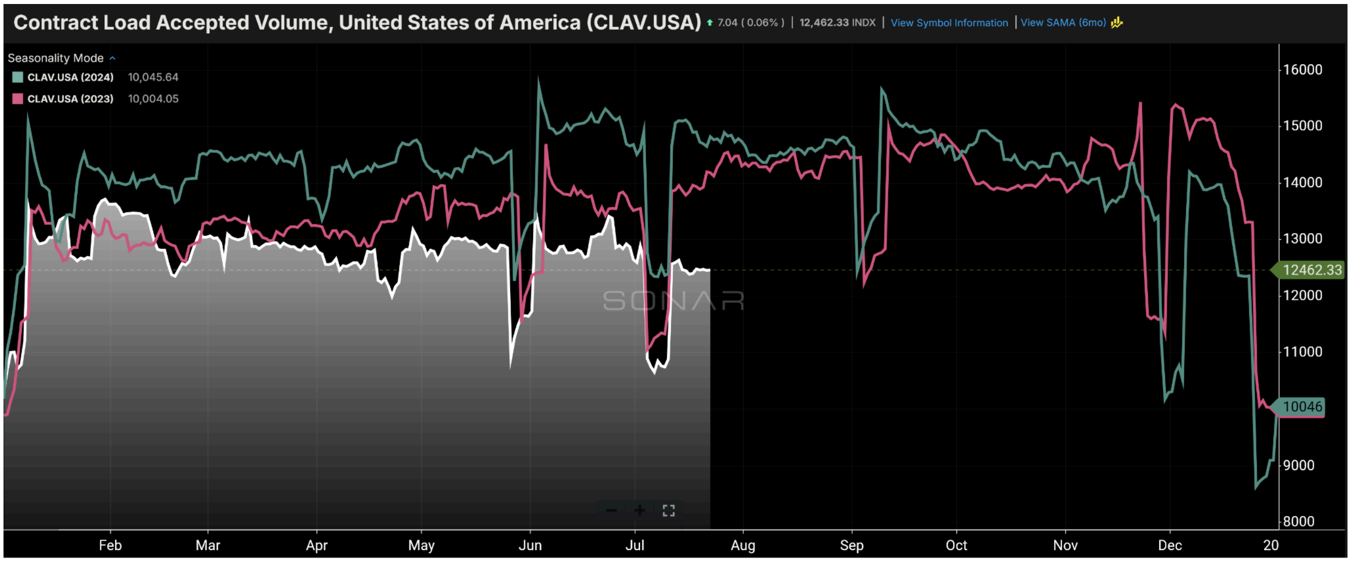
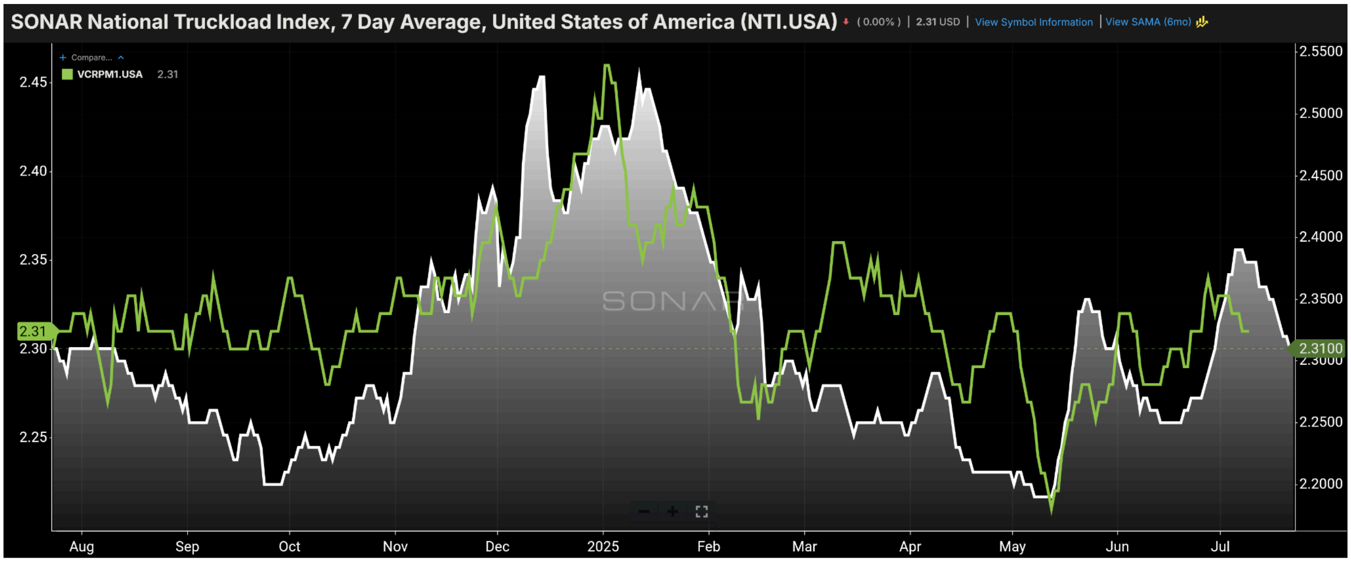


Chart: SONAR. Contract Load Accepted Volume: 2025 (white), 2024 (blue) and 2023 (pink).

Since OTVI accounts for both accepted and rejected tenders, it doesn't necessarily display true freight volume levels because of the inclusion of rejected tenders.

Contract Load Accepted Volume is an index that measures accepted load volumes moving under contractual agreements; in short, it is similar to OTVI but without the rejected tenders. At present, accepted tenders are down 15.6% y/y.

Enterprise fleets' pushback keeps contract rates stagnant



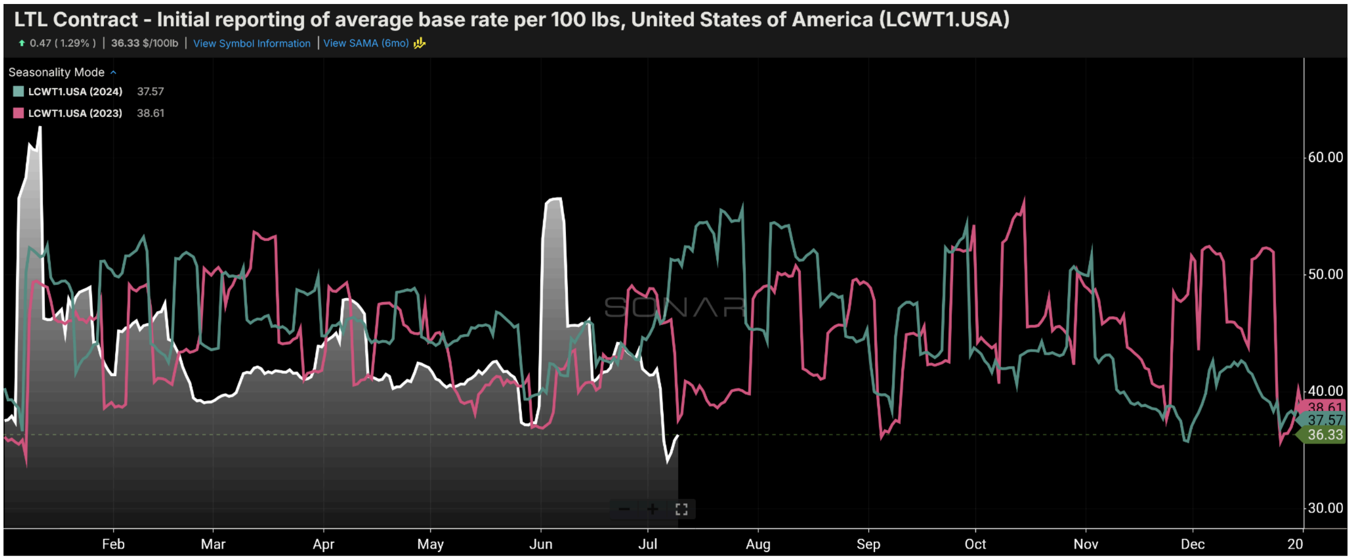
Source: SONAR. National Truckload Index (white, right axis) and initially reported dry van contract rates (green, left axis).

Throughout June and early July, spot rates have shown relative resilience despite depressed volumes, buoyed by a gradual reduction in excess capacity as smaller carriers exit the market and fuel prices stabilize. Tender rejection rates have held steady (albeit at the low-end of normal), indicating that the capacity glut — though significant — is beginning to erode amid sustained low demand and operational challenges for marginal operators.

The National Truckload Index (NTI) — a seven-day moving average of national dry van spot rates that is inclusive of fuel — has edged up slightly from June lows but remains negative on an annual basis, down 0.4% y/y to $2.31 per mile.

In a continued trend, contract rates — which are exclusive of fuel and other accessorials — have faced downward pressure from the recent bid season, where shippers leveraged weak demand to negotiate lower terms. Large carriers pushed back on unsustainably low rates, potentially driving more volumes to the spot market in Q3 and protecting contract pricing from further erosion. This stance is evidenced by the lack of a post-July 4 dip in contract rates, which has been seen in each of the past three years. For the time being, contract rates are up 2.7% y/y at $2.31 per mile.

Despite a bruising Q2, LTL carriers eye Q3 rate increases



Source: SONAR. Initially reported LTL contract rate per hundredweight: 2025 (white), 2024 (blue) and 2023 (pink).

Less-than-truckload carriers are grappling with soft demand tied to trade policy uncertainty, with several reporting volume declines and yield pressures in recent earnings updates. Saia noted its first tonnage drop since Yellow Corp.'s closure, while XPO saw volumes fall in line with guidance, and ArcBest returned to growth but with lagging yields. Overall, the segment faces headwinds from industrial weakness and potential competition from Amazon's expanding for-hire offerings, though some carriers like Old Dominion continue strategic expansions amid easier comps.

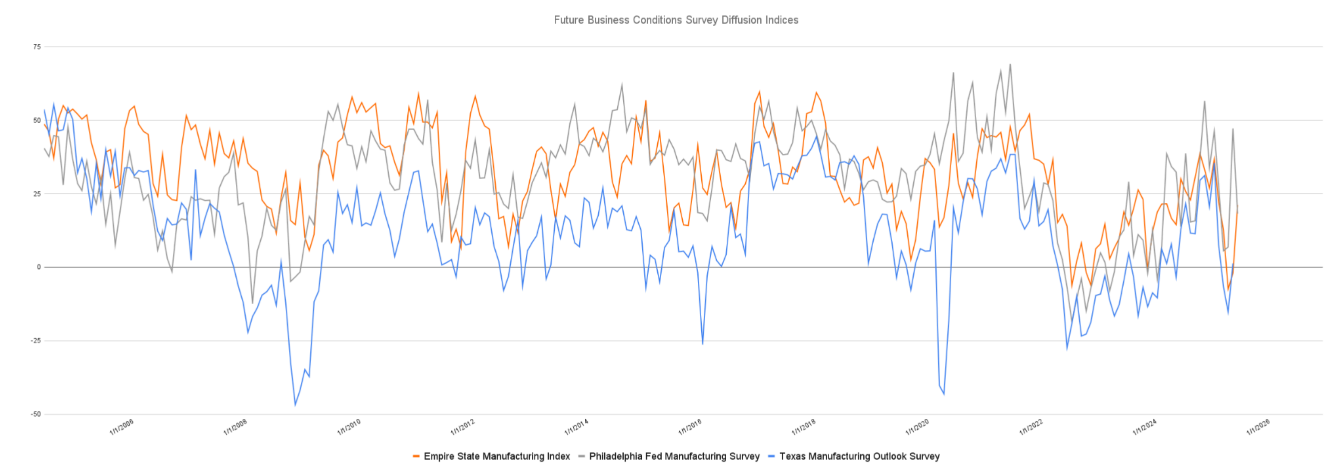
At the time of writing, the average LTL contract rate has fallen $4.81 per hundredweight over the past month. Currently sitting at $35.86 per hundredweight, shipping via LTL is 7.1% less expensive than it was a year ago.

A sagging industrial economy and disruptions to global trade continue to constrain demand, but carriers are still pushing through rate increases. The LTL rate-per-pound component of the TD Cowen/AFS Freight Index is expected to reach a record high in Q3, which would mark the seventh straight quarter of year-over-year increases. Aaron LaGanke, vice president of freight services at AFS, noted that this resilience reflects carrier pricing discipline and that the upcoming NMFC transition to a density framework will further aid freight classification and pricing management.

Macroeconomic conditions

Amid ongoing — albeit easing — geopolitical tensions in the Middle East that have sustained a rally in energy prices, coupled with the crosswinds of U.S. trade relations following recent deals and impositions, U.S. manufacturing sentiment in July was a mixed bag.

Although current activity remained in contraction across several surveys, forward-looking indicators showed some signs of a renewed optimism, suggesting that manufacturers are increasingly hopeful for a recovery as trade uncertainties ease and demand rebounds.



The July print of the Empire State Manufacturing Survey, conducted monthly by the Federal Reserve Bank of New York, was forecast to see a slight improvement that would nevertheless leave the headline index in contraction. Instead, the report's General Business Conditions Index leapt 21.5 points from June's reading of minus-16.0 to 5.5. While this final reading is indicative only of a mild recovery, it easily outperforms Wall Street's consensus forecast of minus-9.0 and points to a potential strengthening of the U.S. dollar, given the historic correlation between the index and the currency.

Growth in the headline index was driven by growth in the survey's freight-intensive subindices: The New Orders Index jumped 16.2 points to 2.0, while the Shipments Index skyrocketed 18.7 points to 11.5. This recovery is expected to last for at least the coming six months, as most of the survey's forward-looking indices remain expansionary: The headline index ticked up 2.9 points to 24.1, while the New Orders and Shipment indices held at 25.3 and 19.3, respectively.

Another key sentiment for the industrial sector, the Institute for Supply Management's Manufacturing PMI, lingered in contraction during June despite a slight bump. The headline PMI came in at 49 after ticking up 0.5 points, just below the no-change mark of 50. The Prices Index registered 69.7, up 0.3 points from May, underscoring continued inflationary pressures on inputs.

In contrast, the S&P Global US Manufacturing PMI for June rose to 52.9 from May's reading of 52.0, indicating expansion at a quicker pace. Employment increased at a rate not seen since September 2022, though — like the ISM's report — input costs rose sharply to their highest level in nearly three years. Tariffs were unsurprisingly blamed for this inflation, particularly for metals like steel.

Chris Williamson, chief business economist at S&P Global Market Intelligence, commented, "June saw a welcome return to growth for US manufacturing production after three months of decline, with higher workloads driven by rising orders from both domestic and export customers. Reviving demand has also encouraged factories to take on additional staff at a rate not seen since September 2022.

"However, at least some of this improvement has been driven by inventory building, as factories and their customers in retail and wholesale markets have sought to safeguard against tariff-related price rises and possible supply issues. It therefore seems likely that we will get pay-back in the form of slower growth as we head into the second half of the year.

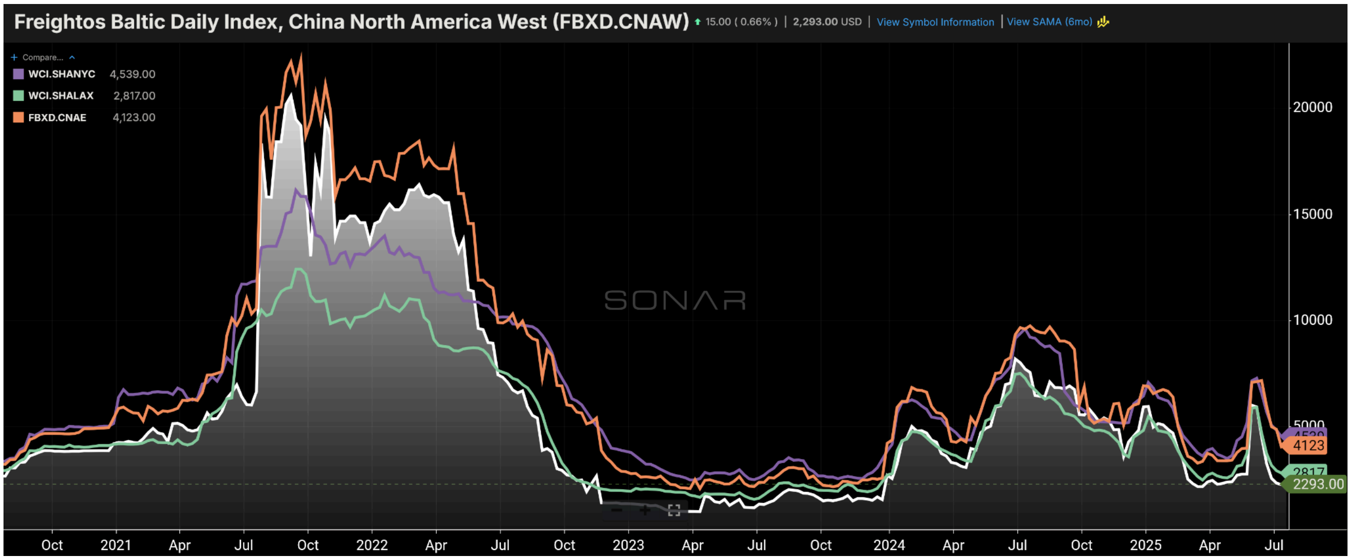
"These price pressures are already building, with factories reporting steep cost increases again in June, linked to tariffs, which they are passing through to customers. The big question of course is whether this merely results in a short-term change in the price level rather than a more worrying return of stubborn inflation."

Turning to hard data, the Fed's latest report on industrial production saw output tumble 0.2% from April to May, though production was up 0.6% over May 2024. Manufacturing output specifically increased 0.1% on a monthly basis, with capacity utilization at 77.4%.

There is more coming down the pipeline, however: New manufacturing orders shot up 8.2% from April to May. Factory orders excluding transportation equipment rose by 0.2%, following a downwardly revised 0.6% fall in April. Durable goods orders surged 16.4%, similarly on the heels of a downwardly revised 6.6% decline in April.

Maritime: Interesting times can't last forever

The global ocean freight market continues to grapple with economic headwinds, geopolitical tensions and the restructuring of industry supply chains. Importers are paying an effective 21% tariff on all containerized imports entering the United States, down from a peak of 54% earlier this year, as the 90-day tariff pause with China is set to expire on August 12, albeit amid ongoing negotiations. Visibility on how these negotiations are progressing, however, remains poor, prompting businesses to shift sourcing and frontload shipments to mitigate risks.



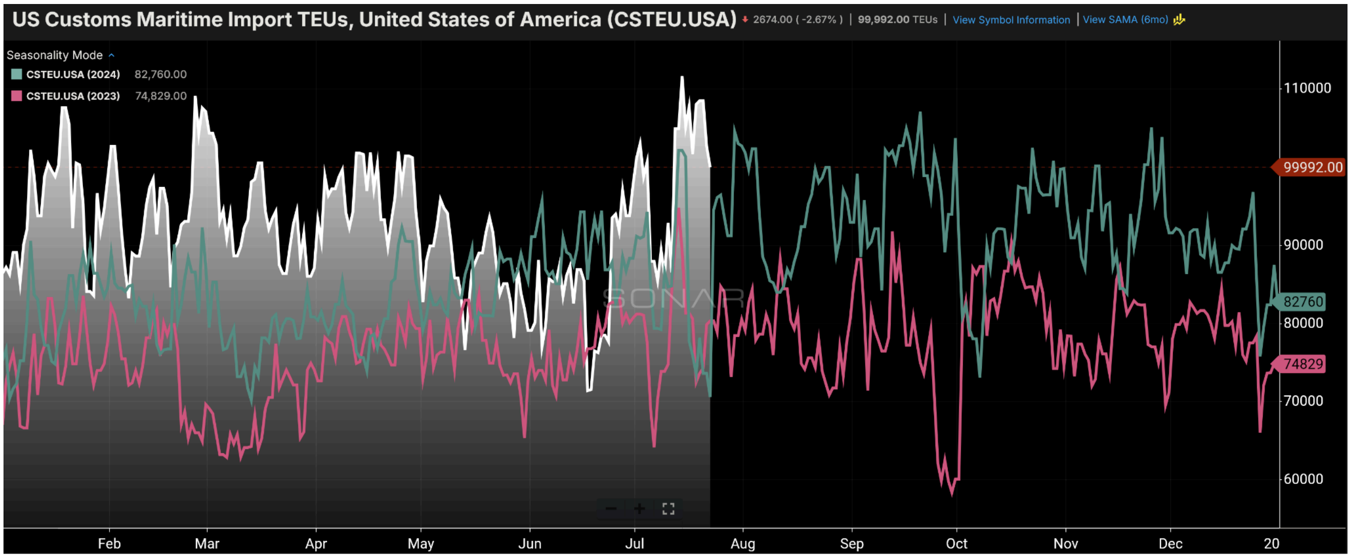
Source: SONAR. Freightos Baltic Daily Index: China to North American West Coast (white) and China to North American East Coast (orange). Drewry World Container Indexes: Shanghai to Los Angeles (green), Shanghai to New York (purple).

Renewed attacks in the Red Sea, including a merchant vessel hit by small arms and grenades on July 6, have heightened security risks, reducing traffic through the Suez Canal and forcing carriers to reroute vessels around Africa's Cape of Good Hope. Labor issues, which last reared their head in late 2024 with the International Longshoremen's Association's (ILA) three-day, multi-coast port strike, are popping up once more. The ILA announced in July that it was coordinating with its global counterparts to plan a protest against automation technologies. At present, this planned action does not appear to pose a direct threat to port operations.

Trans-Pacific container rates declined sharply in July, reversing June's gains amid weakening demand, tariff uncertainties and increased carrier capacity.

The Freightos Baltic Daily Index from China to the North American East Coast has fallen 42% m/m to $4,123 per 40-foot equivalent unit but is down only 13% y/y. Spot rates from China to the North American West Coast have dropped 49% m/m to $2,293 per FEU and are down 35% y/y — the largest annual decline among the four major indexes.

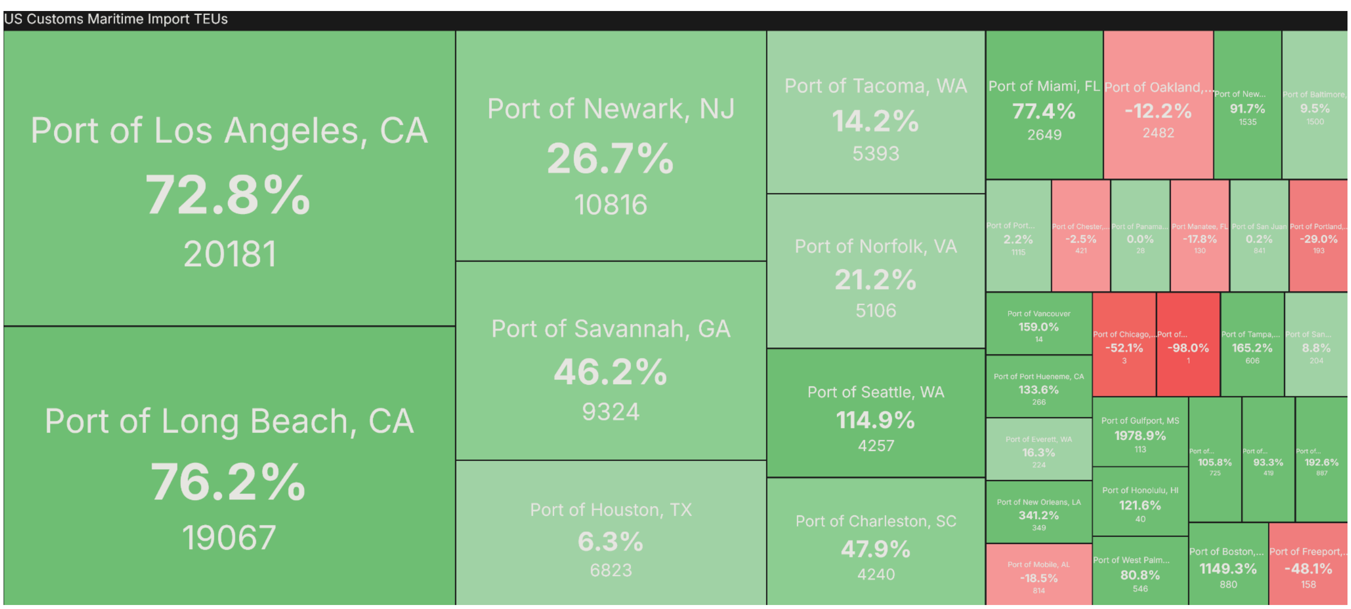
The Drewry World Container Index recorded comparable declines: The WCI from Shanghai to Los Angeles is down 40% m/m to $2,817 per FEU and 27% y/y. The WCI from Shanghai to New York is down 31% m/m to $4,539 per FEU and 13% y/y, mirroring the Freightos East Coast index.



Source: SONAR. U.S. Customs Maritime Import TEUs: 2025 (white), 2024 (blue) and 2023 (pink).

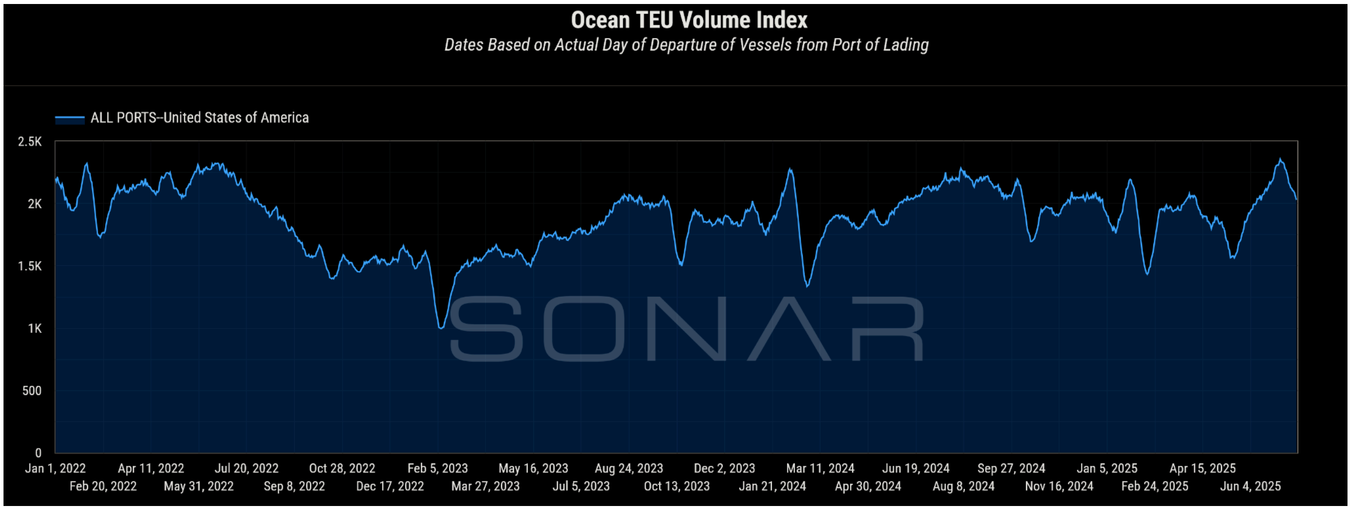
U.S. container import volumes rebounded modestly in June, up 1.8% m/m to 2.2 million TEUs, but declined 3.5% y/y as importers adapted to tariff shifts and diversified sourcing away from China. West Coast ports outperformed East and Gulf Coast gateways, with Los Angeles setting a June record of 892,340 TEUs, up 8% y/y, driven by early holiday cargo amid potential higher tariffs later in the year.

Gulf Coast ports showed mixed results: Houston's loaded imports fell 9% y/y, while Corpus Christi moved 17.2 million tons overall, up 3.6% y/y despite declining crude loads. China-origin imports rose 0.4% m/m but plunged 28.3% y/y, the lowest share in four years at 28.8% of total U.S. imports, with categories like furniture seeing sharp drops. Compared with this time last month, 30.7% more TEUs are clearing U.S. ports. Relative to 2024, TEUs clearing U.S. ports are up 15.2%.



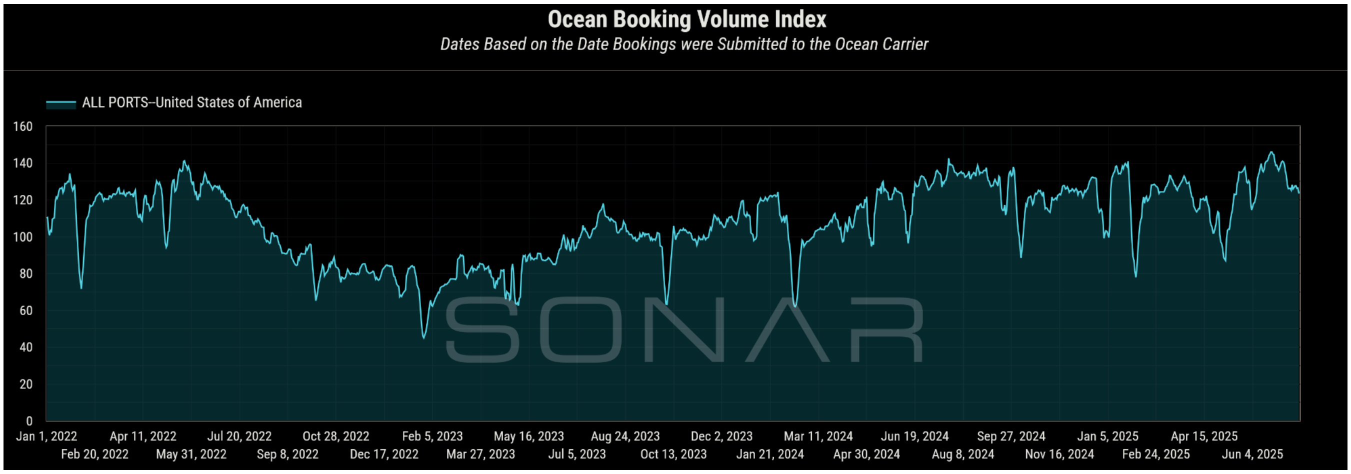
Source: SONAR. Maritime Import Shipments by Port — Tree Map.

A considerable majority of U.S. ports are seeing imported TEUs blazing past year-ago levels, with each one of the top 10 busiest ports posting gains, usually by the high double-digits. Still, seasonal trends dictate that such a ramp-up in volume is to be expected — it is only because the U.S.' multi-front trade war has introduced so much uncertainty (and because 2024 makes for quite soft comps since this year's peak season came early) that this rally seems unusual.



Source: SONAR Container Atlas. Ocean TEU Volume Index — all global ports to all U.S. ports.

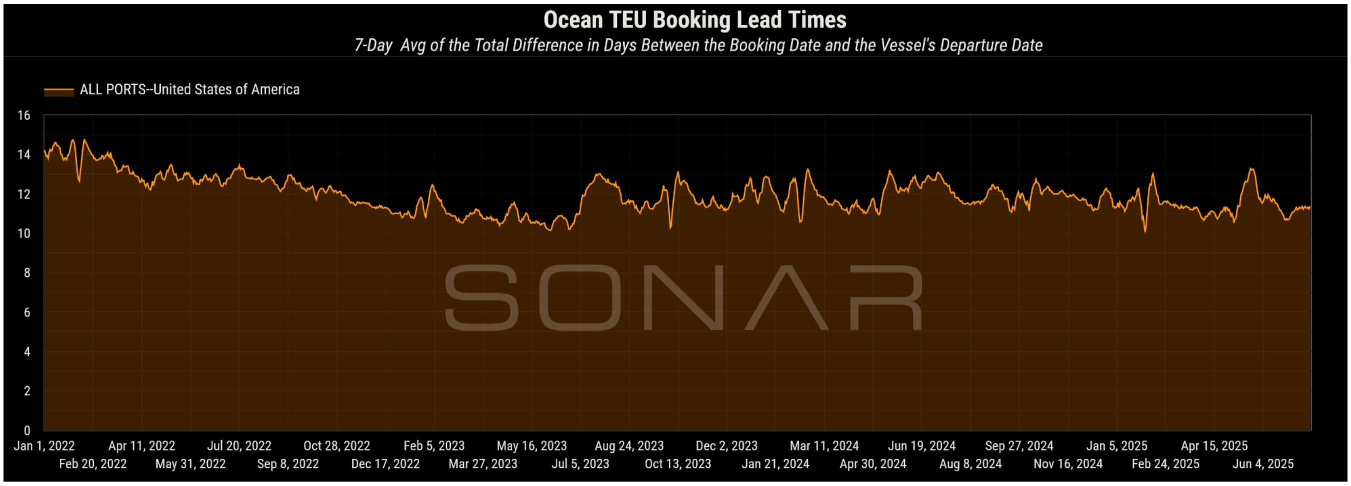
The Ocean TEU Volume Index, a gauge of container trade from all global ports to all U.S. ports as TEUs leave origin ports, is coming down from its early-July peak but still remains close to its year-to-date highs. Over the past month, the Ocean TEU Volume Index inbound to all U.S. ports has fallen 4.3%, with this year's peak season likely in the rearview mirror. Inbound TEU volumes are also down a more significant 7% y/y, reflecting the forward shift in seasonality compared to 2024.



Source: SONAR Container Atlas. Ocean Booking Volume Index — all global ports to all U.S. ports.

Further upstream, bookings appeared to have peaked in late June. This statement will likely remain true until a more permanent U.S.-China trade deal is announced, with the deadline set for August 12 at the time of writing. Relative to this peak, then, the Ocean Booking Volume Index is down a steep

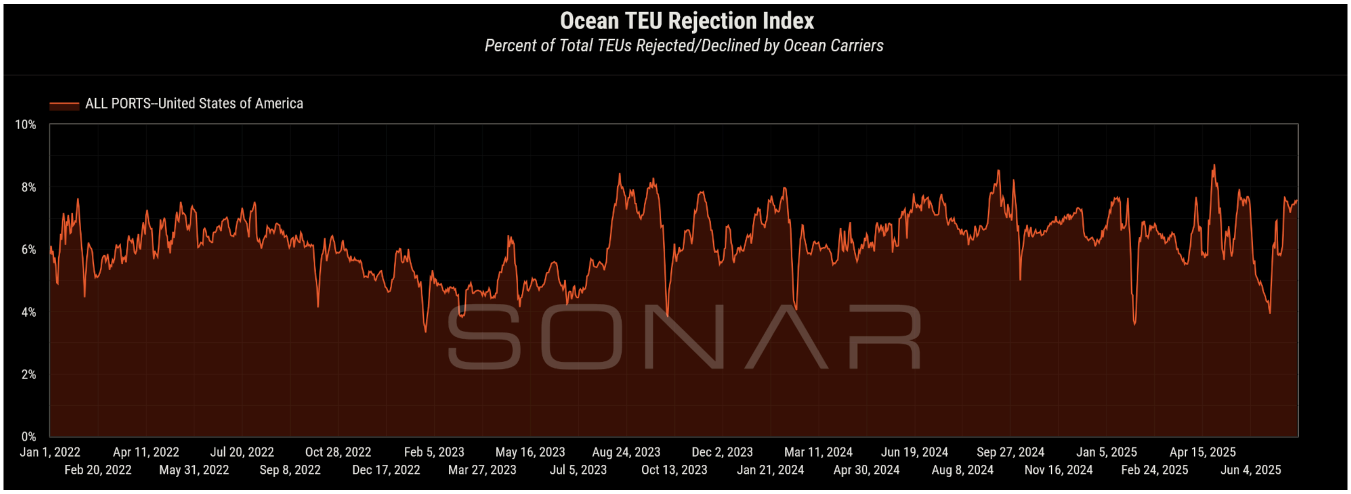
14.7% m/m. Bookings are also down 7.12% y/y; in 2024, bookings to the U.S. peaked in late July rather than June.



Source: SONAR Container Atlas. TEU booking lead times — all global ports to all U.S. ports.

Ocean TEU Booking Lead Times finally found some stability after months of unusual volatility. The uncertainty surrounding U.S. trade policy has had the greatest impact on maritime lead times since the COVID import boom, which hardly feels like a fair comparison. Still, although they have found some stability, lead times are slightly shorter than they have been in recent years.

Shorter lead times can be interpreted a handful of ways, but the most likely explanation at present is that shippers are desperate to get their imports stateside while U.S.-China tensions are cooling. Merely the promise of a more permanent trade deal with China — especially one for which there has been no apparent progress in nearly two months — is unlikely to assuage shippers completely. Over the past month, booking lead times ticked up 1.9% to an average of a little more than 11 days.



Source: SONAR Container Atlas. Ocean TEU Rejection Index — all global ports to all U.S. ports.

The Ocean TEU Rejection Index has rallied after bottoming out in June, signaling that ocean carriers are attempting to reassert (seemingly artificial) constraints on capacity to stanch their rapidly falling container rates. Whereas rejections plummeted in June as carriers struggled to accommodate a tidal wave of demand from Asia with capacity limited by the need to reroute vessels from the Strait of Hormuz, no such urgency is present as of late July. Over the past month, ocean TEU rejection rates have jumped 325 bps to 7.59%, 54 bps higher than they were at the same time last year.

Rail intermodal: Industry at a crossroads

The rail industry is abuzz with merger speculation, as Union Pacific and Norfolk Southern are reportedly in early-stage talks to create the U.S.' first coast-to-coast single-line railroad. This move would reduce interchanges and boost transcontinental routes, though critics highlight potential rate hikes and reduced competition. For its part, the Surface Transportation Board is gearing up for heavy regulatory scrutiny of this potential merger.

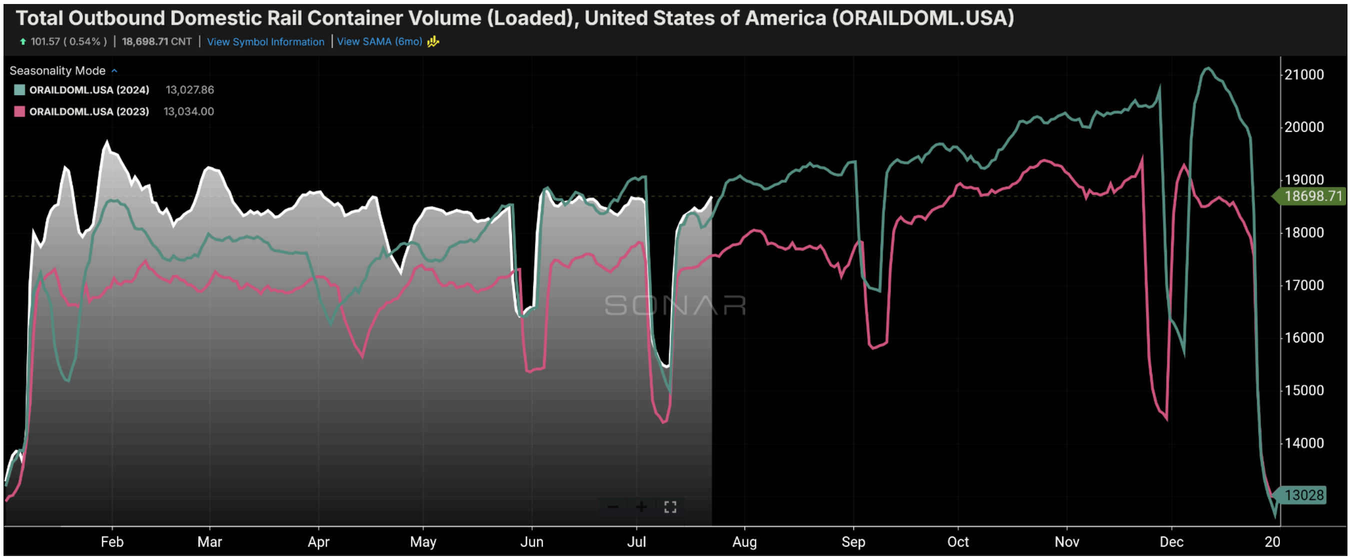


Chart: SONAR. Loaded domestic intermodal container volumes for 2025 (white), 2024 (blue) and 2023 (pink).

Amid broader efforts to grow carload traffic, the industry is pursuing service upgrades, including reduced terminal dwell times, increased switching frequency for merchandise customers and strengthened partnerships with short lines to cut interchange delays and drive volume growth. Canadian National has cut its outlook due to trade disputes hitting volumes, furloughing crews and storing equipment amid declining merchandise traffic, reflecting wider challenges from economic uncertainty and supply chain disruptions.

Labor tensions persist, with unions polling on strikes over job cuts and seniority amid service crises, while a court setback vacates a switching rule exceeding STB authority, limiting options for affected rail shippers.

Intermodal volumes have shown resilience amid uncertainty, with year-to-date figures up 5% over 2024, though June averaged a 2.9% y/y decline due to supply chain disruptions and trade tensions. As of late July, however, intermodal volumes have bounced back 7.6% m/m and 5.2% y/y. Western railroads are leading this current growth, with eastern carriers posting marginal gains if not a slight downturn.

International intermodal volumes (up 14.7% m/m and 7.3% y/y) are benefiting from diversified export markets and strong Asian demand. Loaded international volumes (up 8% m/m and 6.7% y/y) reflect robust container traffic from West Coast ports, supporting overall intermodal strength, and empty volumes (up 38.7% m/m and 8.7% y/y) indicate equipment repositioning amid fluctuating global trade.

Domestic intermodal volumes (up 2.1% m/m and 3.4% y/y) are displaying mixed trends, with slower growth compared to their international counterpart that is tied to sluggish industrial output over the past 18 months. Loaded domestic volumes (up 1.3% m/m and 2.1% y/y) are supported by consumer spending momentum, though empty volumes (up 6.6% m/m and 10.8% y/y) highlight sporadic demand patterns.

Intermodal contract rates fade from recent gains

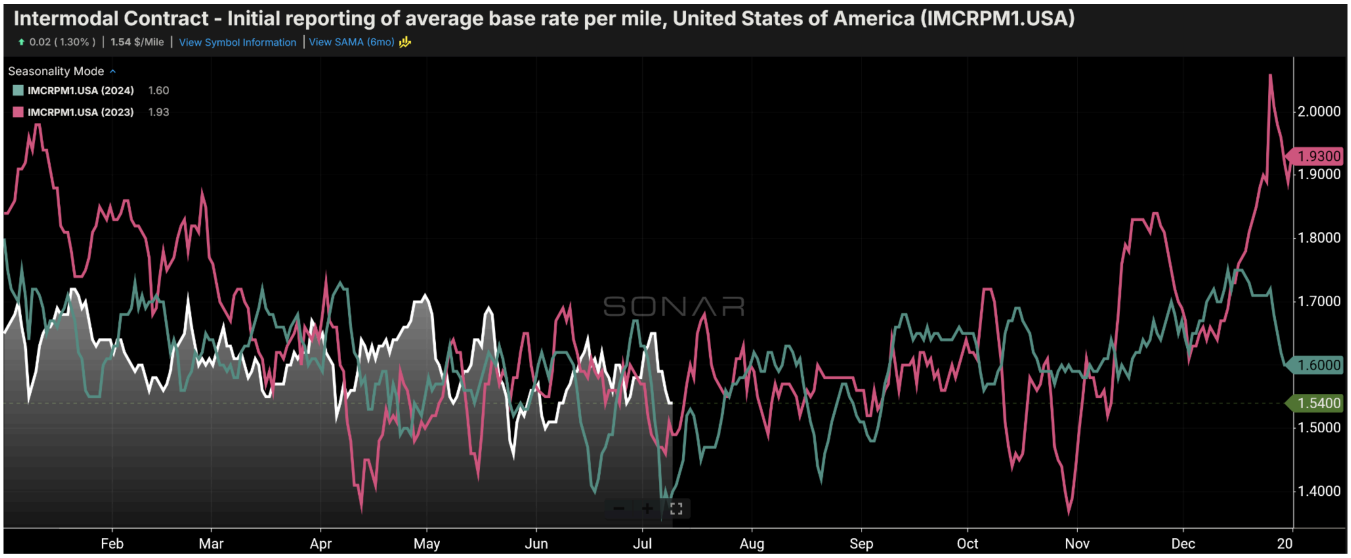


Chart: FreightWaves SONAR. Intermodal contract rates on a sample of domestic intermodal lanes in 2025 (white), 2024 (blue) and 2023 (pink).

For the most part, intermodal contract rates were tightly rangebound between $1.50 and $1.75 per mile in 2024. This trend has continued into 2025, though preliminary data suggest shorter peaks and wider valleys to be the defining feature of rates' natural fluctuations this year. Intermodal contract rates averaged $1.60 per mile in July 2025, up slightly from $1.59 per mile in June 2025 but down 3 cents from July 2024, as carriers balance competitive pricing with service improvements amid uncertain volumes.

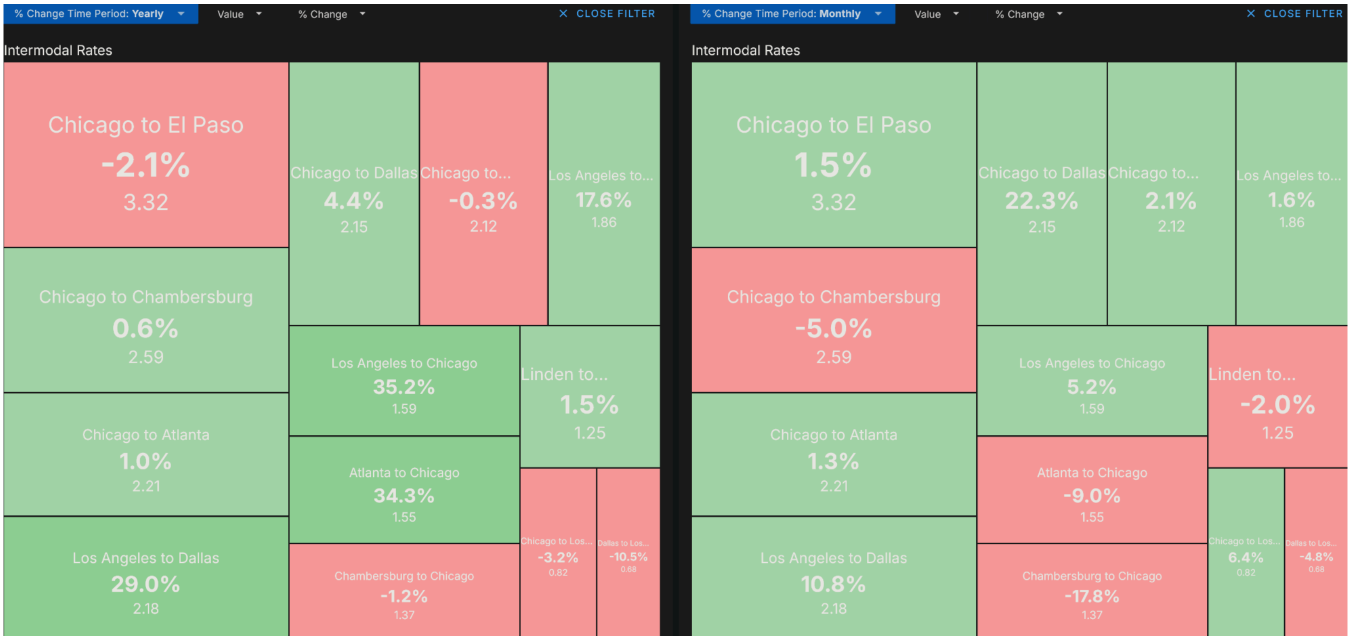


Chart: SONAR. Intermodal spot rates to move 53-foot containers door to door, including fuel surcharges and their respective y/y (left) and m/m changes.

On the other side of the equation, intermodal spot rates suggest that there is almost no need for carriers to protect contracted capacity. In July, the national intermodal spot rate rallied only slightly from June's nearly decade-low. On average, intermodal spot rates are down 4% y/y but are up from $1.47 in June.

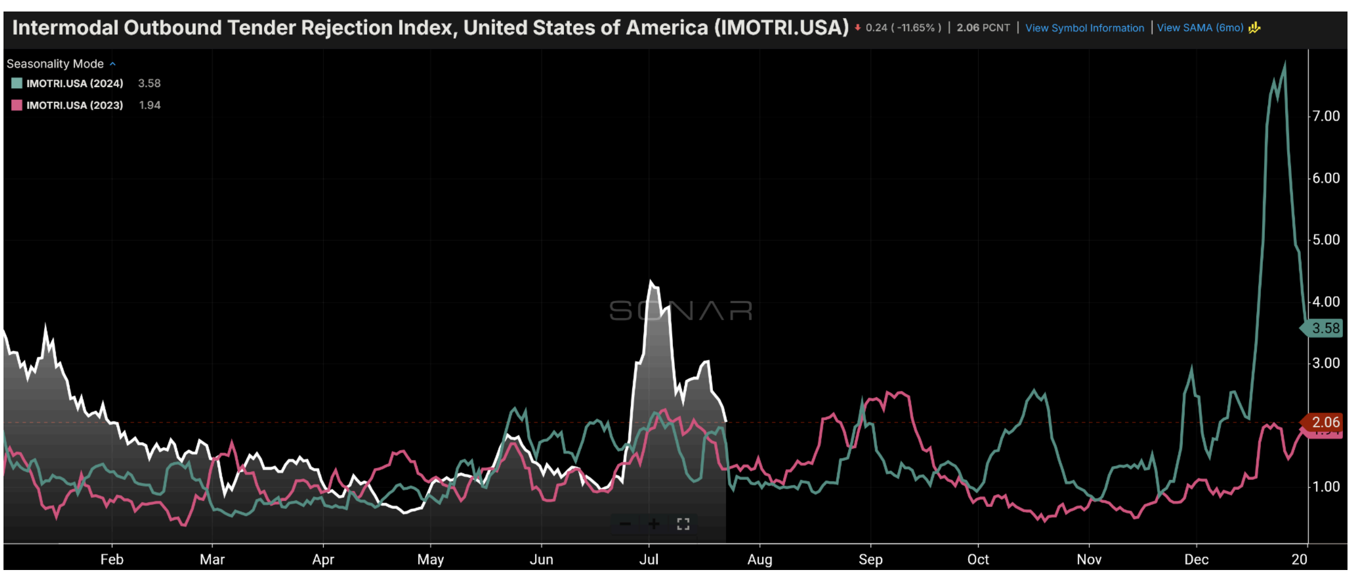


Chart: SONAR. National intermodal outbound tender rejection rates in 2025 (white), 2024 (blue) and 2023 (pink).

Intermodal tender rejections offer a way to gauge service disruptions as carriers often operate on "auto-accept," especially when contract rates are competitive with spot rates. Intermodal rejection rates averaged 3.05% in July 2025, up 174 bps from June 2025 and 271 bps from July 2024, signaling sufficient capacity and improved reliability despite economic headwinds.

What else we're watching

With the Federal Reserve's next meeting fast approaching, monetary policy remains one of the key determinants for how the U.S. economy will fare in the latter half of 2025 and beyond. Recent forecasts peg Q2's GDP growth at an annual rate of 2.6% — a marked rebound from Q1's contraction of 0.5%, but one that will likely be fueled by a steep drop in imports. (Imports count negatively towards GDP.) The Fed's mid-June meeting maintained the target range for federal funds rates between 4.25% and 4.5%, with the minutes indicating that some members are pushing their projections for rate cuts further into 2026. Still, market pricing anticipates a cut of 25 basis points (bps) at the Fed's September meeting.

Trade policy under the Trump administration continues to be characterized by volatility, rapid escalations, subsequent de-escalations and some renewed threats. Despite promising talks between U.S. and Chinese officials in early June, a more permanent trade deal has yet to be finalized or even announced between the two countries. As a result, the current 90-day pause on most U.S. levies against China is still set to expire on August 12. This ceasefire has allowed Chinese exports to the U.S. to beat expectations in June, though President Trump reiterated threats of reciprocal tariff hikes to 55% if concessions on AI chip sales and rare earth exports are not met.

Elsewhere, Asian nations like Indonesia and Taiwan are accelerating trade deals with the U.S. to sidestep potential barriers, while India has further reduced duties on select U.S. goods, like bourbon, to advance ongoing negotiations. Adding to this uncertainty, the administration has announced a 50% tariff on all Brazilian imports effective August 1, citing national security concerns and frustration over Brazil's treatment of former president Jair Bolsonaro. This reveal prompted Brazilian President Lula da Silva to threaten retaliatory 50% duties on U.S. goods.

Simultaneously, Trump sent letters announcing 25% tariffs on Japan and South Korea starting the same date, citing their trade surpluses in autos and electronics. The letters did note that rates could adjust based on negotiations. Talks with these allies have accordingly intensified, with Japan and South Korea seeking exemptions or deals to mitigate the potential impact on their export-driven economies. The Aug. 1 deadline applies broadly to new reciprocal tariffs on 14 countries without finalized agreements, sparking a global scramble for deals and raising fears of broader trade disruptions that could weigh on the U.S.' GDP by 0.5% to 1% if fully implemented, according to analyst estimates.

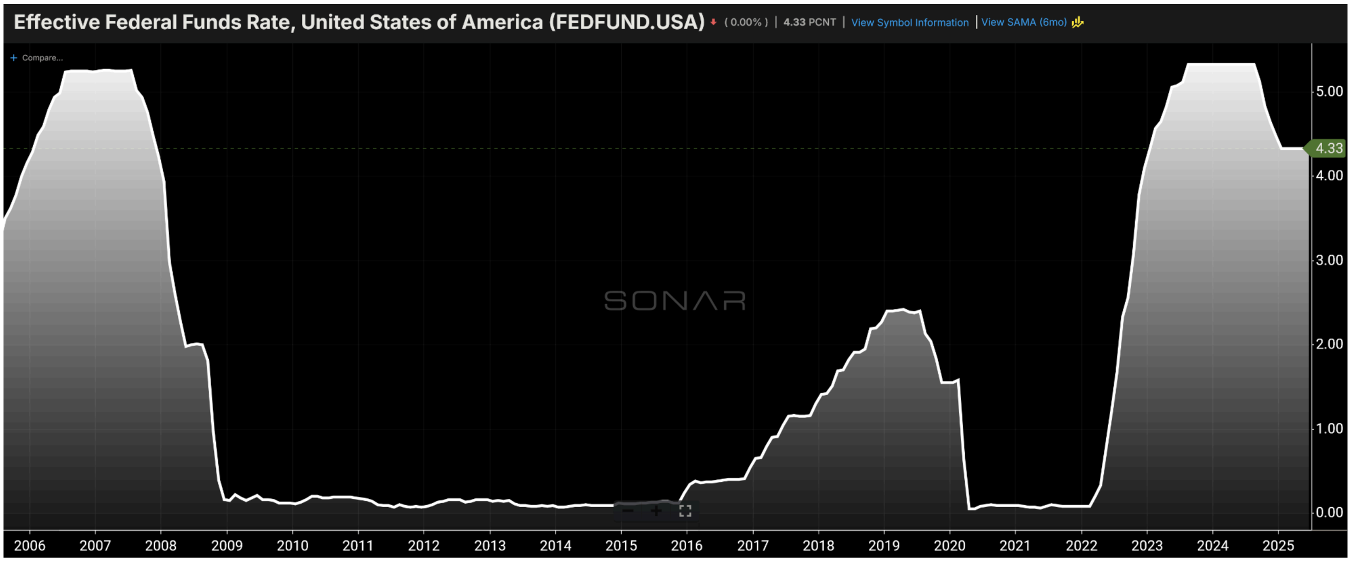


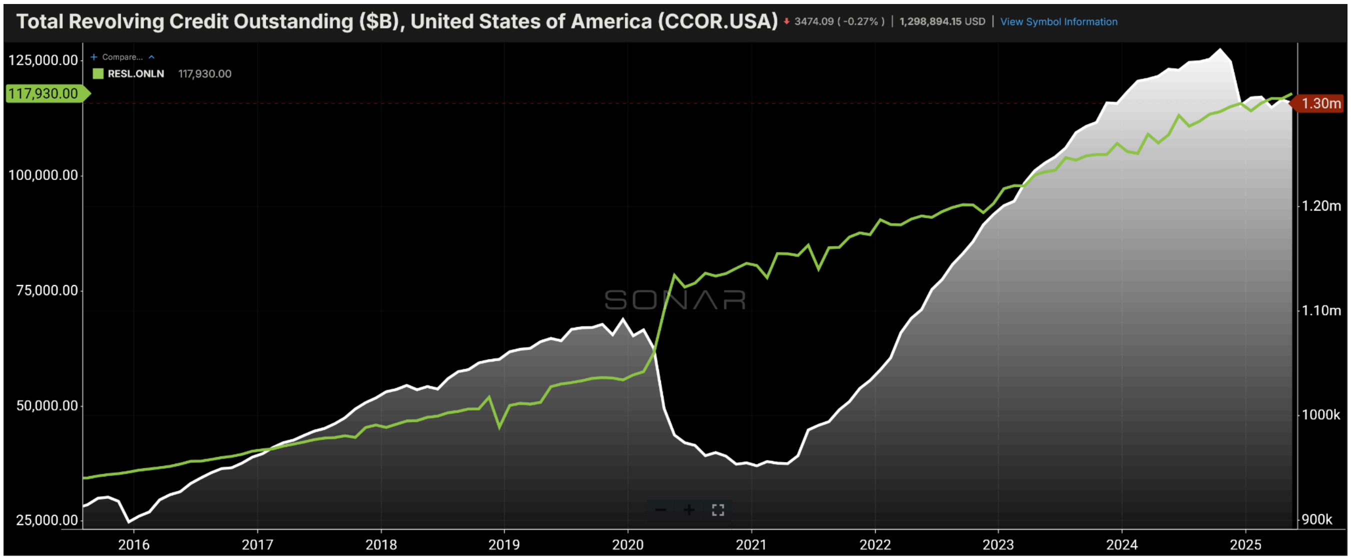
Chart: SONAR. Effective federal funds rate.

Despite these headwinds, the Fed's cautious approach to quantitative easing is secured by the continued health of the labor market. Blowing past the consensus forecast of 110,000 and topping all but one Wall Street forecast, a total 147,000 nonfarm jobs were added in June. The unemployment rate ticked down to 4.1% from 4.2%, defying expectations for a rise to 4.3%.

As has been the case for the past several months, payroll growth in the transportation and warehousing sector (up 7,500 jobs) was driven by the couriers and messengers subsector (up 4,800). This category includes parcel delivery companies like UPS and FedEx — the latter of which announced the closure of two distribution centers and the layoff of nearly 500 workers — but also local food and grocery delivery services such as DoorDash and Postmates. The truck transportation subsector, on the other hand, saw a net loss of 2,700 positions. This grim news is actually welcome for all those hoping to rebalance capacity to shippers' demand, a task that has proved nigh-impossible for years now.

Following May's worrisome destruction of consumer demand, a small rebound in U.S. retail sales was expected for June. Although the consensus prediction was for a modest 0.1% m/m gain, the actual data proved more resilient: Headline retail sales rose 0.6% m/m in June. This growth, which left retail sales up 3.9% y/y — the highest yearly increase since late 2023 — was yet unable to undo May's unrevised 0.9% m/m decline. Spending across specific categories was mixed, with some strength in core retail sales (also up 3.9% y/y). Still, the uptick has eased broader economic concerns driven by tariff-related anxieties.

Despite this positive print, there are signs of strain on U.S. consumer health as tariffs begin to pass through to prices. Lower-income households are feeling the pinch most acutely, with rising costs for everyday goods exacerbating affordability issues: Walmart, for instance, raised prices on items like baby gear and home goods. As discussed in previous reports, Walmart is the ultimate bellwether for broader industry trends; if the low-cost retailer is forced to raise its prices and thus risk alienating its base, it will give the go-ahead to more upscale retailers to follow suit.



Source: FreightWaves SONAR. Total revolving credit outstanding, in billion USD (white, right axis) versus online retail sales, in million USD (green, left axis).

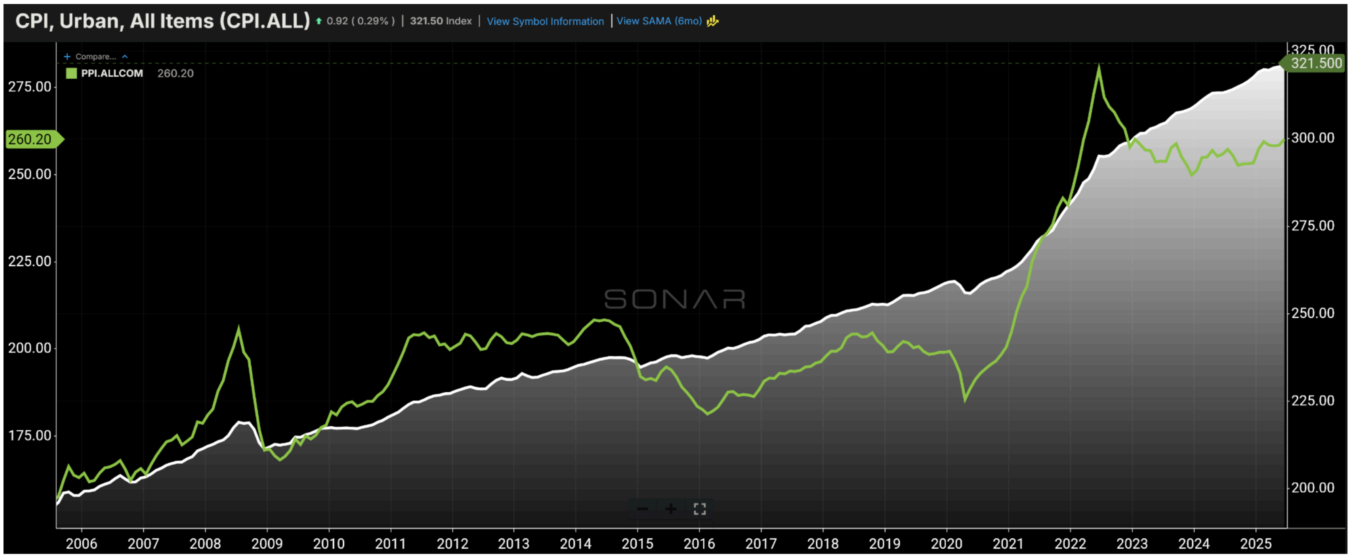
Consumer credit data offers further pause: Total consumer credit increased at a seasonally adjusted annual rate of only 1.2%, or $5.1 billion (vs. $11 billion expected), in May. Revolving credit, which includes credit card debt, fell at an annual rate of 3.2%, while nonrevolving credit (e.g., mortgages, auto and student loans) rose 2.8%, indicating consumers' reluctance around short-term borrowing amid economic uncertainty.

Consumer sentiment, per the University of Michigan's monthly Survey of Consumers, showed little change in July's preliminary results. The headline index rose a modest 1.8% m/m to 61.8 but remained down 6.9% y/y, lingering well below historical averages and 16% under the levels at the end of 2024. Year-ahead inflation expectations did, however, ease to 4.4% from June's 5%, with long-run expectations falling to 3.6% (the lowest reading since February). Still, these expectations are apocalyptic compared to both the Fed's expectations and recent releases of official inflation data.

Speaking of which, June's print of the Consumer Price Index proved to be a Rorschach test for analysts. In line with consensus forecasts, headline inflation rose 0.3% m/m and 2.7% y/y — up from May's 2.4% y/y growth and the highest yearly increase since February, with the Fed's 2% target slipping further out of reach.

But this growth was primarily driven by the volatile costs of food and energy: Coffee prices rose 2.2% m/m (vs. 1.2% m/m in May), a trend that will likely continue following the new 50% tariffs on all Brazilian imports. Energy switched from deflation to inflation with a 0.9% m/m uptick (vs. minus-1% in May) as geopolitical unrest in the Middle East rocked oil markets. Beef and veal prices similarly saw growth of 2% m/m (vs. minus-0.1% in May) as cattle herds have been systematically — and almost literally — decimated by years-long droughts, diseases and accelerated culling of female cattle. At the start of the year, the number of cattle and calves was down more than 8% from its 2019 peak.

Yet food and energy prices are, as intimated above, by nature volatile. Although rising costs in these categories still impact consumers, economists favor core inflation (which excludes such volatility) as a more reliable metric for long-run inflationary trends. The core CPI was up 0.2% m/m against expectations of a 0.3% m/m rise. In short, June's report was not comforting and did represent a setback in the Fed's fight against inflation, but it is less than obvious that the much-feared tariffs were the most culpable factor behind this growth.



Source: SONAR. Consumer Price Index (white, right axis) versus Producer Price Index (green, left axis).

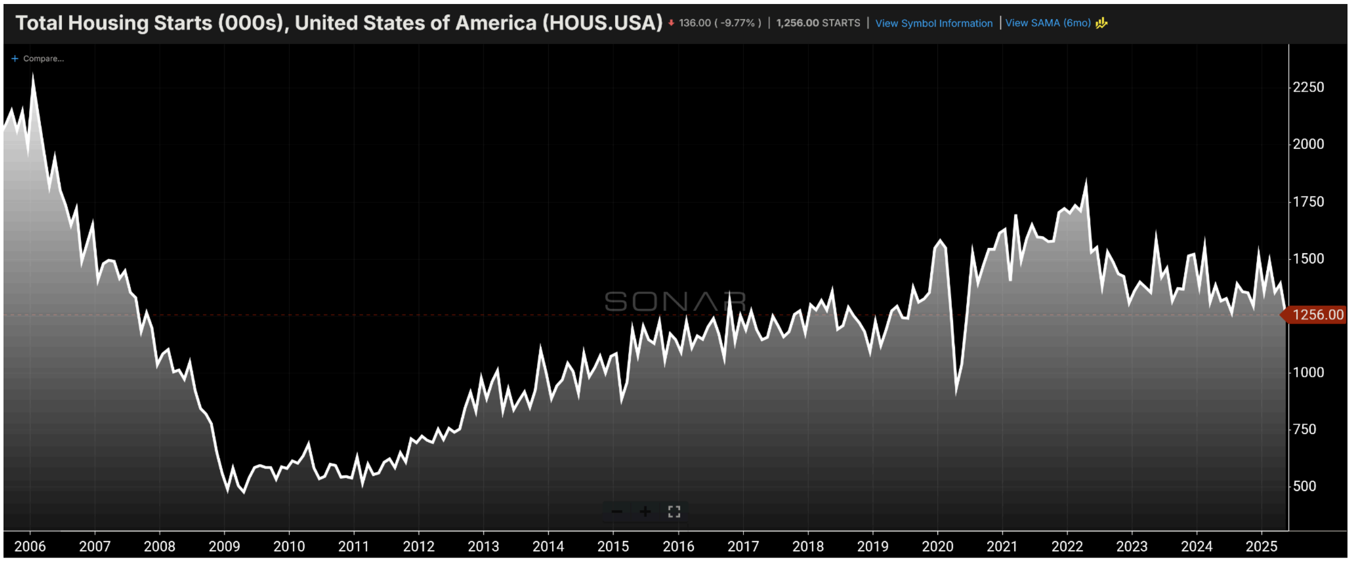
Better news was to be found further up the pipeline, as the supply-side Producer Price Index remained unchanged in June, cooler than the expected 0.2% m/m gain and down from May's revised 0.4% m/m growth. On a yearly basis, the headline PPI rose 2.3%, the lowest y/y growth since September 2024. The core PPI, excluding food and energy, advanced 0.2% m/m — also cooler than expected — and 2.6% y/y, the smallest yearly gain since July 2024. Though June's report bodes well for the odds of a September rate cut, its lack of growth was achieved in part by a considerable 0.9% m/m drop in final demand transportation and warehousing services.

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 6.75%, 1 basis point lower m/m and 2 bps lower y/y.

Existing-home sales, which comprise the vast majority of home sales in the U.S., rebounded modestly in May after a period of weakness. According to the National Association of Realtors, existing-home sales rose 0.8% m/m at an annualized rate of 4.03 million units. Still, this gain was insufficient to offset the prevailing headwinds of 2025, with sales down 0.7% y/y. Despite this subdued activity, the median price of an existing home continues to surge, up 5.8% y/y at $419,300.

It is little surprise, then, that this combination of high prices and mortgage rates is weighing on new residential construction. In June, housing starts jumped 4.6% m/m, above consensus' predicted 3.5% m/m gain but only erasing less than half of May's 9.7% m/m decline. While the headline number appears positive, June's growth was due entirely to a 30.6% m/m surge in multi-family (five or more units) starts. Single-family starts, on the other hand, declined 4.6% m/m, with June's completion of single-family projects falling 12.5% m/m.



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

"Single-family building conditions continued to weaken in June as housing affordability challenges caused builder traffic to move lower as buyers moved to the sidelines," said Buddy Hughes, chairman of the National Association of Home Builders (NAHB). Robert Dietz, NAHB's Chief Economist, added: "Single-family conditions are measurably weakening as resale inventories levels rise, particularly in previously fast-growing areas such as the U.S. south."

This pessimistic outlook was reflected in homebuilder sentiment from July. The NAHB/Wells Fargo Housing Market Index, which surveys builders of single-family homes, was up a scant point from the previous month. Still, with a sub-50 (that is, contractionary) reading of 33, such improvement is hardly worth the title. Current sales conditions rose one point to 36, thanks to a slight easing in some regional markets. But while expectations for sales in the coming six months rose three points to 43, the traffic of prospective buyers sub-index fell one point to 20.

TO LEARN MORE, VISIT RYDER.COM