

MAY
2025

STATE OF THE INDUSTRY

R E P O R T

SUPPLY CHAIN | DEDICATED TRANSPORTATION | FLEET MANAGEMENT SOLUTIONS

SONAR



Showers, but no flowers

April 23, 2025 | 11 a.m. ET

Overview

Freight demand suffered an unseasonal decline in April, likely presaging further deterioration in the coming months.

The truckload market has experienced a significant slowdown in tender volumes, but it is likely a result of multiple factors, including higher inventory levels, uncertainty around tariffs and general seasonal fluctuations. Tender rejection rates have held up better than expected given the decline in volume, showing that the market has in fact bled off a significant amount of capacity the past two years.

While the intermodal sector has taken market share from trucking in recent months, it is running out of steam. Demand is already on a steep decline, and intermodal volumes — from both the domestic and international segments — will likely dip below 2024 levels by the end of April.

The maritime market has seen container rates stabilize somewhat after plummeting in early March, thanks to a widespread destruction in demand brought on by the United States' aggressive tariff policies. The most optimistic forecasts predict that volumes will decline 10% from year-ago levels, with other analysis foreseeing much greater deterioration.

The macroeconomic picture is arguably as cloudy as it has been in quite some time, but that is largely due to uncertainty around policy decisions with the new administration. The labor market has remained fairly strong, with a surprising beat to consensus growth estimates in March. Similarly, retail sales from the month were better than expected, though consumers' use of credit is waning, a possible omen of a Q2 slowdown.

Macro indicators (y/y change)

Mar. industrial prod. change	-0.3% (+1.3%)
Mar. retail sales change	+1.4% (+4.6%)
Mar. U.S. Class 8 orders	14,050 (-4.9%)
Mar. U.S. trailer orders	18,750 (+82%)

Truckload indicators (y/y change)

Tender rejection rate	5.35% (+151 bps)
Average dry van spot rate ¹	\$2.21/mi (-0.9%)
LAX to DAL spot rate ²	\$2.14/mi (+4.9%)
CHI to ATL spot rate	\$2.34/mi (-4.5%)

Tender volumes (y/y change)

Atlanta	347.2 (-12.7%)
Dallas	313.98 (-14.4%)
Los Angeles	210.17 (-24.8%)
Chicago	169.96 (-21.3%)

Tender rejections (y/y change)

Atlanta	7.37% (+356 bps)
Dallas	6.78% (+375 bps)
Los Angeles	2.38% (-160 bps)
Chicago	5.21% (+285 bps)

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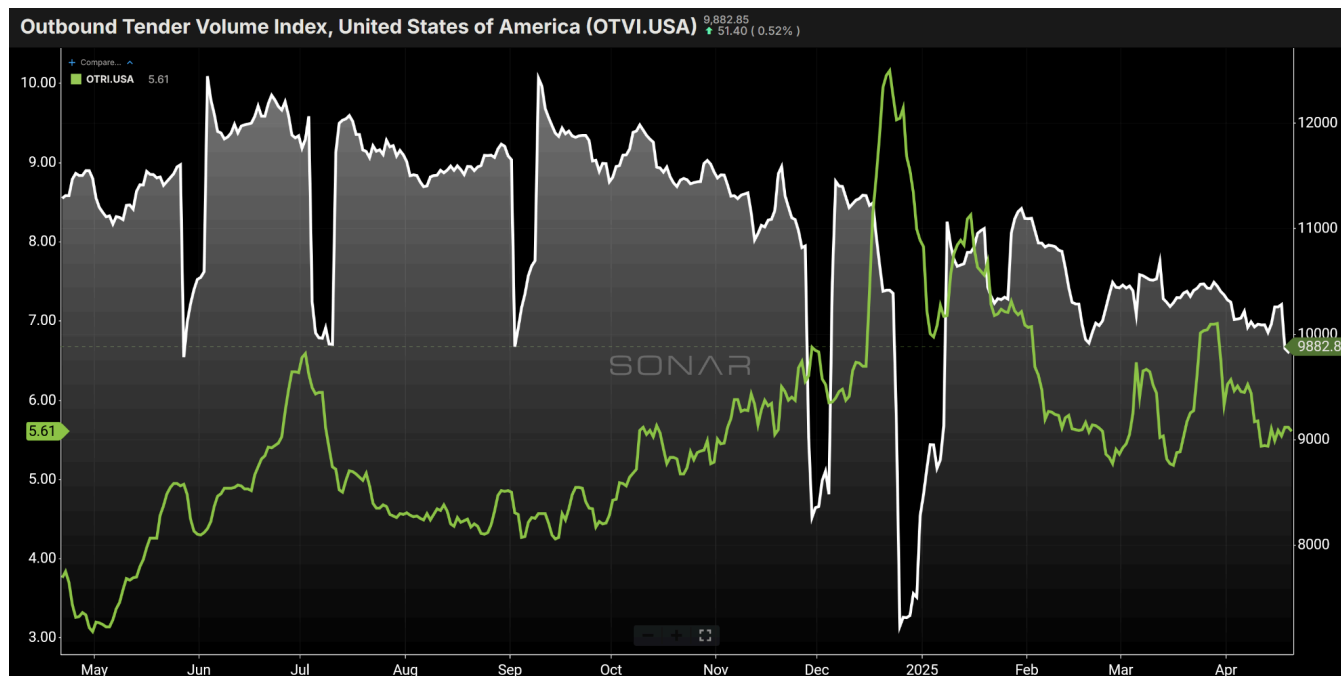
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¹ FreightWaves National Truckload Index

² FreightWaves TRAC spot rate

Truckload markets

Freight demand is waning in April so far, a trend that is troubling carriers for several reasons. First, this decline is unseasonal, as the beginning of the second quarter typically sees demand slowly ramp up in anticipation of summer inventories and produce movements. Second, it is likely that truckload volumes will only fall further from this point forward — import bookings have fallen off a cliff in recent weeks, which will first impact drayage markets and intermodal demand before showing up in truckload volume data.



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

It will take quite some time, possibly even months, before the impact of the United States' 145% tariff on all Chinese goods translates fully into diminished trucking volumes. Shippers were extremely proactive in bringing imports ashore before President Donald Trump fired a barrage of tariffs on all U.S. trading partners in early April (discussed below). This frontloading was initially good news to warehousing operators and intermodal providers, since shippers sought to delay the arrival of their freight to its final destination as much as possible. Given this lack of urgency, truckload markets have received little share in this last tidal wave of imports; accordingly, the Outbound Tender Volume Index (OTVI) is down 12.45% year over year (y/y).

As implied earlier, the current decline in freight activity is something of a seasonal oddity. Even though March is often a dim prelude to the summer spending season, April is typically when produce and retail goods ramp up in shipment volume. Yet flagging consumer demand, high levels of existing inventory and prolonged inflationary pressures — coupled with the impacts of the initial tariffs against Canada and Mexico from February — are all weighing on tender volumes at the start of the second quarter. OTVI is thus down 5.3% month over month (m/m).

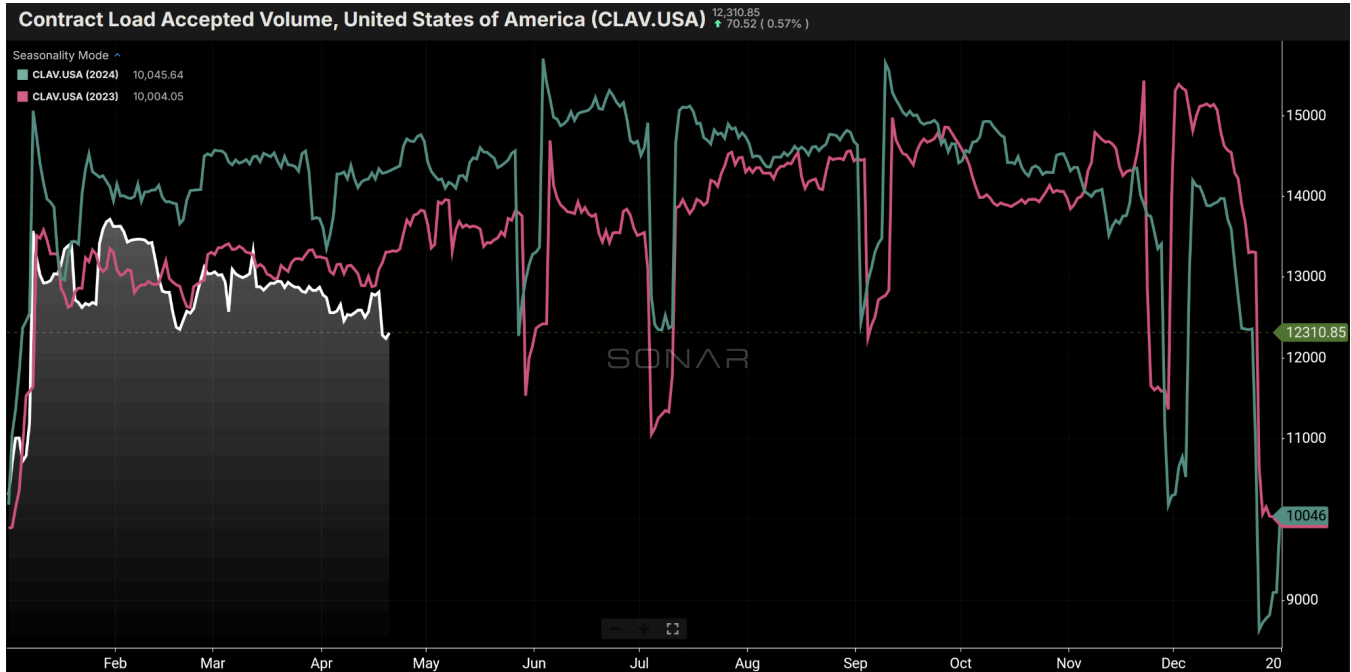
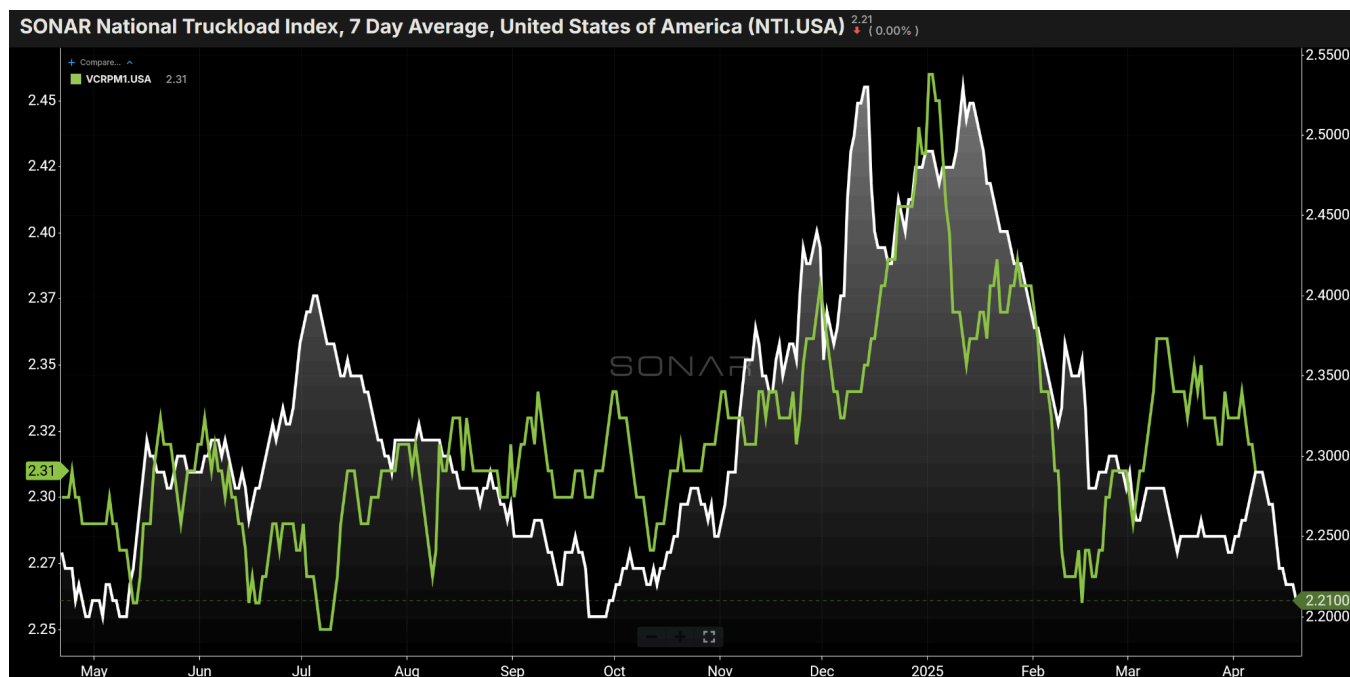


Chart: SONAR. Contract Load Accepted Volume: 2025 (white), 2024 (blue) and 2023 (pink).

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 14.13% y/y.

Falling energy prices sap momentum from all-in spot rates



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

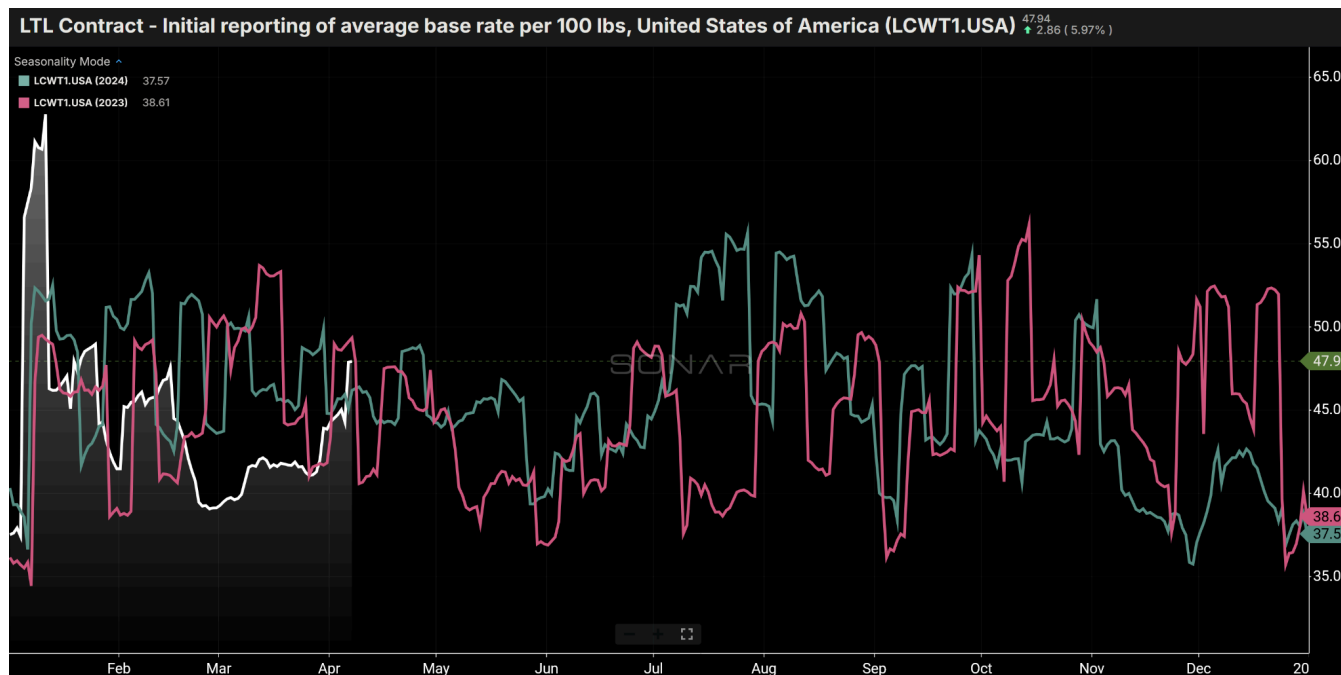
Spot rates have already begun to feel the squeeze on truckload demand, though a large share of their recent decline has been caused by falling fuel prices. Per the Energy Information Administration, the weekly average retail diesel price — the most widely used benchmark for fuel surcharges — suffered this year's second-largest one-week decline in mid-April, falling 6 cents per gallon to \$3.579.

Given that retail diesel prices lag movements in the futures market for crude oil, and that oil prices have collapsed the past few weeks, further declines are expected. For trucking companies, diesel is typically the second-largest operational cost (behind wages), although larger carriers are able to profit off the difference between retail surcharges and wholesale prices.

The National Truckload Index (NTI) — a seven-day moving average of national dry van spot rates that is inclusive of fuel — has fallen from early April's slight uptick, down 11.2% y/y at \$2.21 per mile.

In a reversal of fortune, contract rates — which are exclusive of fuel and other accessorials — have risen on a yearly basis throughout most of 2025. The glaring exception occurred near the start of February when a 25% tariff was imposed on all cross-border imports, convincing most market participants that freight demand would crater and therefore tipping pricing power more in shippers' favor. Yet even though contract rates are up over 2024 at the time of writing, the impact of the recent bid cycle appears to be driving them down, as shippers hardly feel the pull of urgency amid high inventory levels. At present, contract rates are up 1.3% y/y at \$2.31 per mile.

LTL rates rebound despite flagging tonnages



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

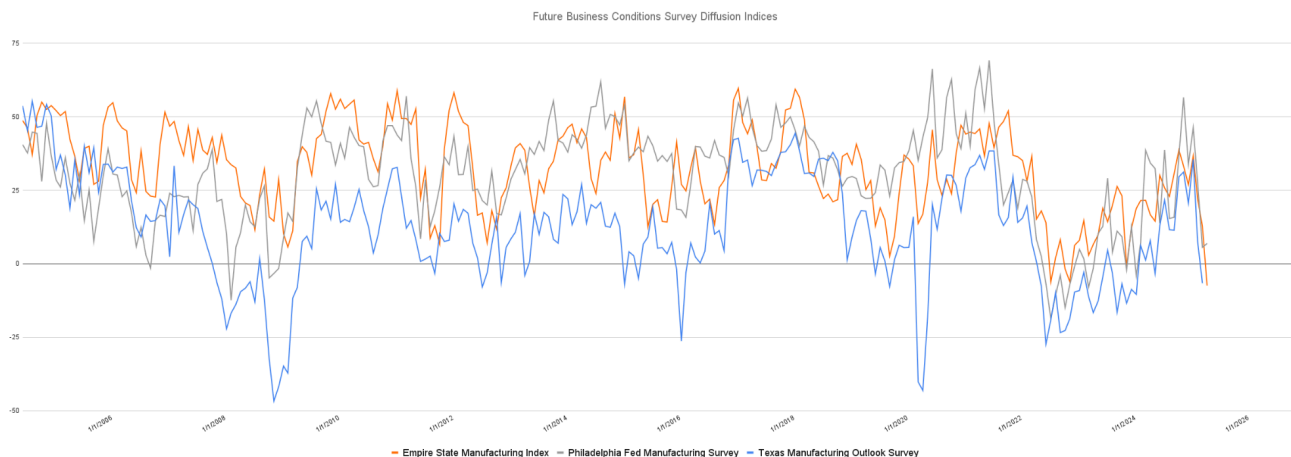
After collapsing at the end of February, less-than-truckload rates have clawed back some of their previous gains in bursts as general rate increases for 2025 took effect. Although volumes are sagging and will likely be depressed in Q2 — especially if a carrier is seeking quality freight over quantity — LTL rates are expected to continue rising in the coming months. A key source of LTL volumes, the U.S. manufacturing sector, has shown strength in recent months, despite rapidly declining sentiment (discussed below).

At the time of writing, the average LTL contract rate has risen \$8 per hundredweight over the past month. Currently sitting at \$47.94 per hundredweight, shipping via LTL is 3.8% more expensive than it was a year ago.

Rumors that e-commerce giant Amazon was preparing to upend the LTL industry proved to be half-true: On April 3, Amazon sent a memo to its customers announcing the launch of its new LTL service. The service will be offered via Amazon Freight, which touts a fleet of more than 60,000 trailers and 20,000 intermodal containers. This offering, however, is available only for inbound delivery to Amazon facilities and does not allow shippers to ship freight directly to customers. Still, other LTL companies' fears that Amazon might become a fully fledged LTL carrier were not fully dispelled, as the memo concluded by stating that Amazon is "constantly evaluating lanes and services to meet shippers' changing needs."

Macroeconomic conditions

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. To be sure, manufacturers tend to be a gloomy and skeptical bunch, even when all hard data points to the contrary. Yet recent surveys likely betray 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 (discussed below).



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.

Following this dismal report out of New York, analysts were bracing for similarly bad news out of Philadelphia. April's print of the Manufacturing Business Outlook Survey, conducted by the Federal Reserve Bank of Philadelphia, was not as grim as was feared, however. To be sure, the headline index for current business conditions did suffer a massive tumble, falling 38.9 points from March into contraction at minus-26.4.

Unfortunately, this deterioration was not caused by any one specific defect: The current New Orders Index took an even worse hit, falling into contraction at minus-34.2 following a major 42.9-point loss; the freight-intensive Shipments Index flipped into the red at minus-9.1 after shedding 11.1 points; and the Unfilled Orders Index, which is a proxy for manufacturers' backlogs, declined 1.7 points to minus-1.1.

With such a performance as described, it might be difficult to imagine how this report could be any less grim than feared. But the ray of sunshine breaking through the clouds was to be found in the survey's forward-looking headline index, which tracks expectations for the coming six months. Far from taking a massive tumble as with New York, Philly's forward-looking headline index actually saw a slight 1.3-point bump to 6.9. Firms are anticipating growth in new orders, the index for which rose 4.3 points to 6.6, with a concordant rise in the future Unfilled Orders Index (up 12 points to 11.4).

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.

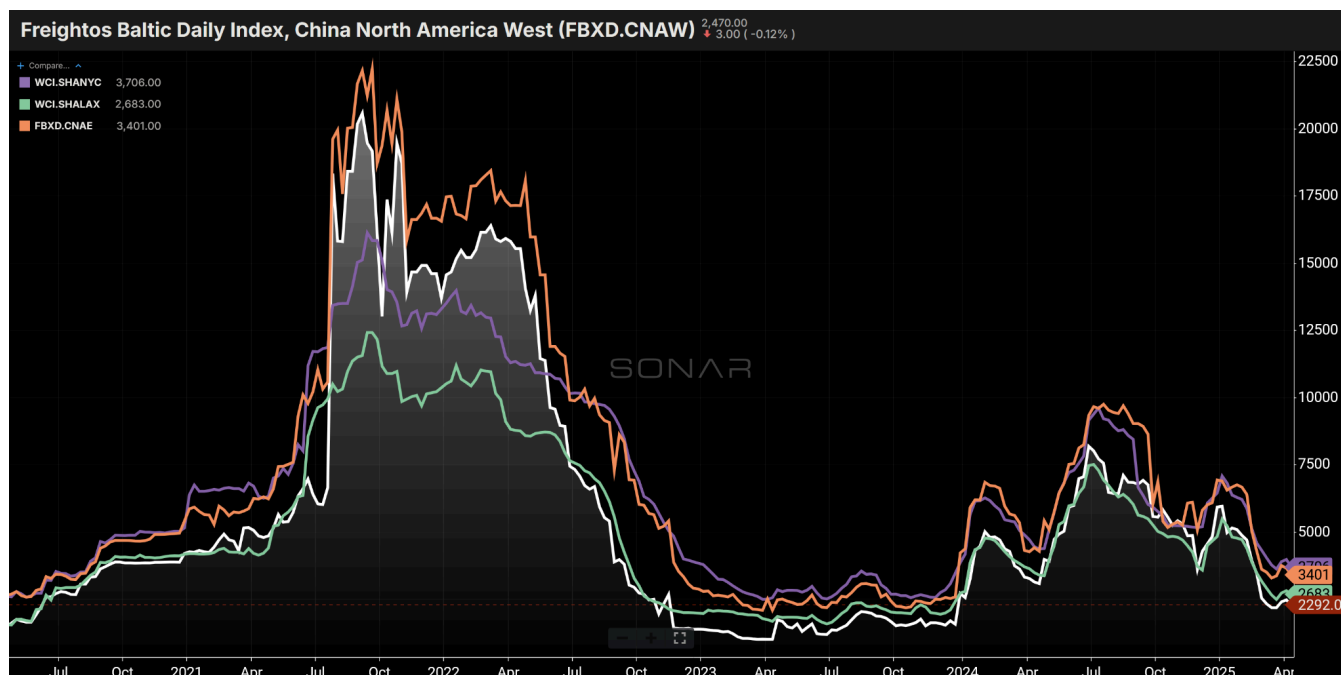
A similar sentiment index, the S&P Global US Manufacturing PMI, remained in expansionary territory, but only just. Down from February's reading of 52.7 at 50.2, the PMI signaled a slight improvement in operating conditions that threatens to evaporate in the next release. Market uncertainty was one of 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."

Maritime: Rough seas ahead

The global ocean freight market is imperiled by economic headwinds, geopolitical tensions and the restructuring of industry supply chains. In mid-March, S&P Global cut its global real GDP growth projection for 2025 to 2.5% — excluding the pandemic, this growth would be the lowest since the fallout of the Great Financial Crisis in 2009. North America is the region hit hardest with downward revisions to GDP growth, including the U.S. (2%), Canada (1.8%) and Mexico (0.6%).



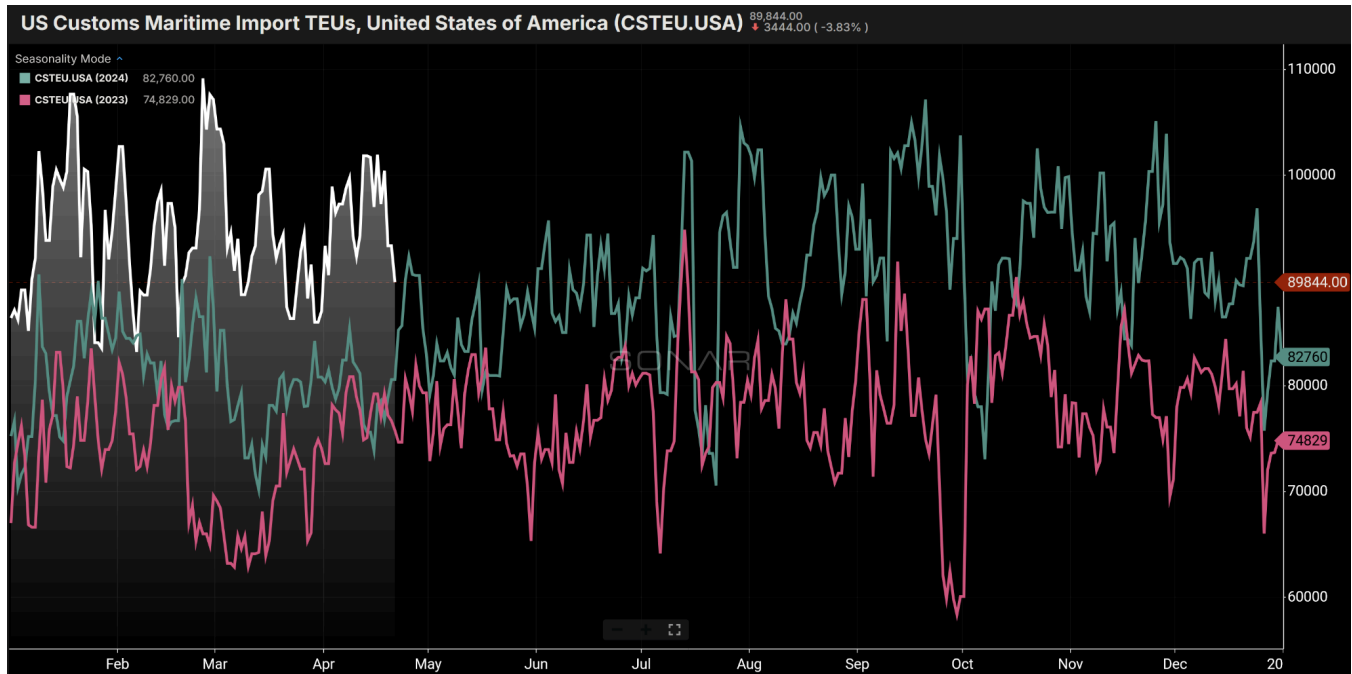
Source: SONAR. Freightos Baltic Daily Index: China to North American West Coast (white) and China to North American East Coast (orange). Drewry World Container Indexes: Shanghai to Los Angeles (green), Shanghai to New York (purple).

Even so, the upheaval in global trade following the United States' most recent tariff announcements (discussed in a later section) has reversed the long, slow decline of container rates — if only modestly and temporarily. Shippers have scrambled to load their final shipments before the tariffs took effect in early April, leading to a short-term surge in demand for container space. But this last burst of activity is expected to give way to a significant drop in container demand to the U.S. in the coming months.

Trans-Pacific container rates have plummeted since the start of the year, with all four major indexes from China to both North American coasts down on a yearly basis and all but one up slightly on a monthly one.

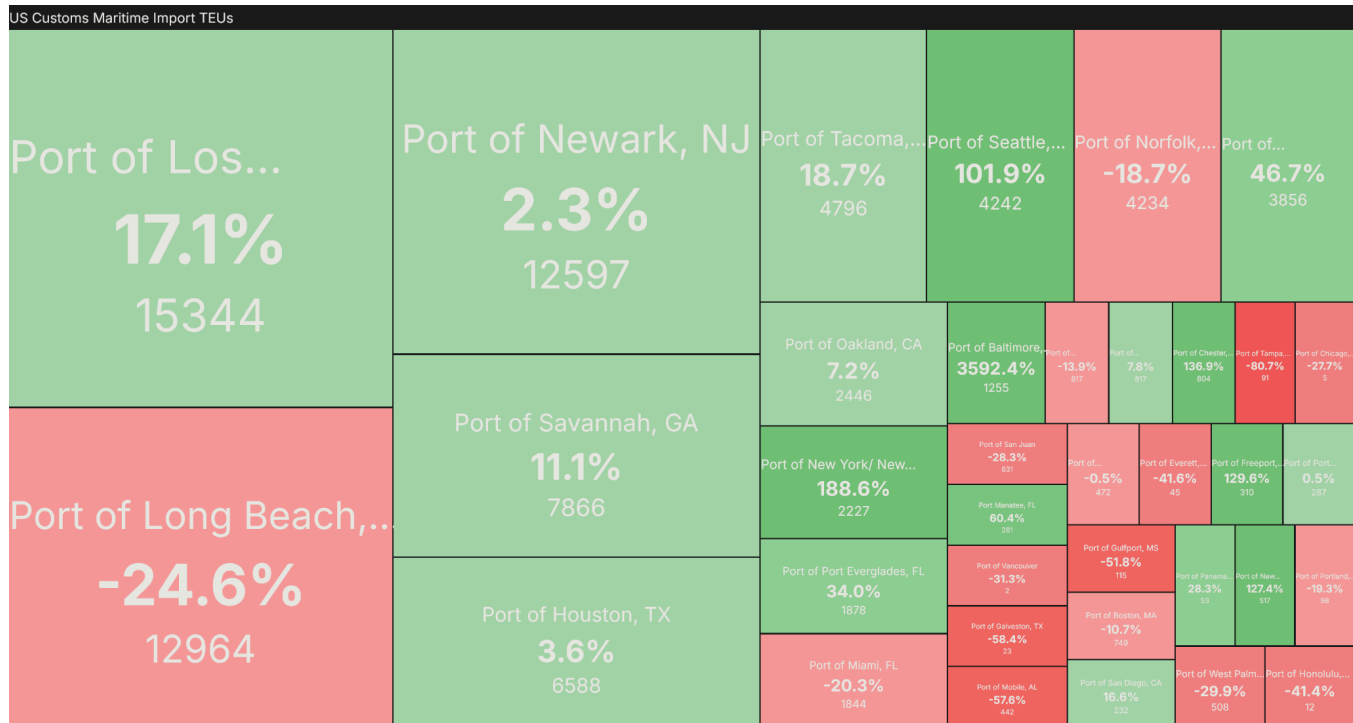
The Freightos Baltic Daily Index from China to the North American West Coast saw the largest recovery, such as it is, as the index has risen 1.8% m/m to \$2,292 per 40-foot equivalent unit. On a yearly basis, however, rates along this lane are down 27% — the largest such decline among the four. From China to the North American East Coast, spot rates have risen 1.3% m/m to \$3,401 per FEU but are down 23% y/y.

The Drewry World Container Index likewise saw significant declines on a yearly basis, though the WCI from Shanghai to Los Angeles is up a paltry 0.94% m/m to \$2,683 per FEU, down 23.1% y/y. The WCI from Shanghai to New York, however, had the dubious distinction of being the only one of these four indexes to decline further from March's bloodbath, down 1.8% m/m and 16.8% y/y at \$3,706 per FEU.



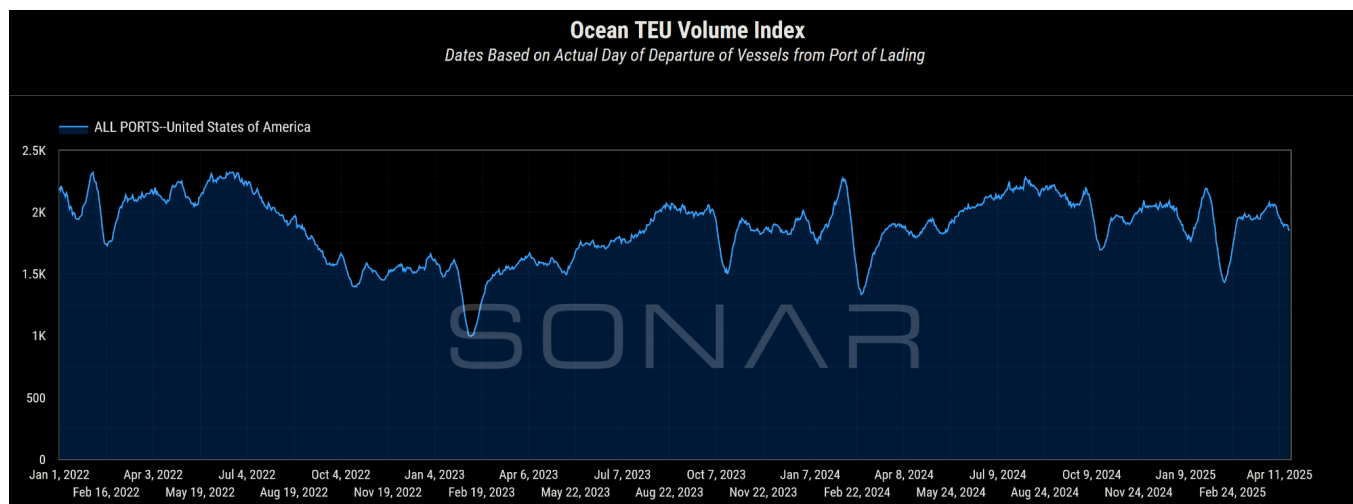
Source: SONAR. U.S. Customs Maritime Import TEUs: 2025 (white), 2024 (blue) and 2023 (pink).

For the time being, volumes have continued to pour through U.S. ports, showing growth on a yearly basis, though such growth is sure to evaporate in the coming weeks as the impact of a 145% tariff on all Chinese goods desiccates imports from China. For now, what little y/y growth can be seen in imports is primarily coming from shipments that were booked prior to the new tariffs' enactment. Compared with this time last month, 0.13% more TEUs are clearing U.S. ports, though this metric is prone to volatility from one day to the next. Relative to 2024, TEUs clearing U.S. ports are up by an appreciable 11.4%, though this growth is already waning from early April's peak gain of 33.3% y/y.



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

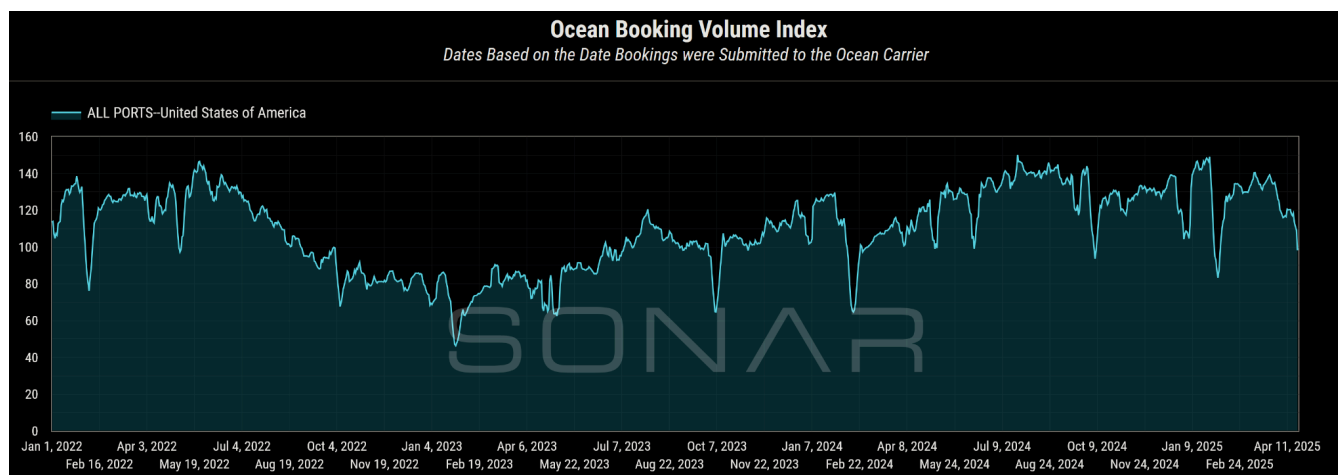
A comfortable majority of U.S. ports are still seeing imported TEUs outpacing year-ago levels, with only one of the top five busiest ports (the Port of Long Beach, California) seeing a y/y decline. Though there is necessarily some delay between a ship's arrival at a port of discharge and its goods' clearing customs, the United States' busiest container ports have very slim backlogs at present.



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

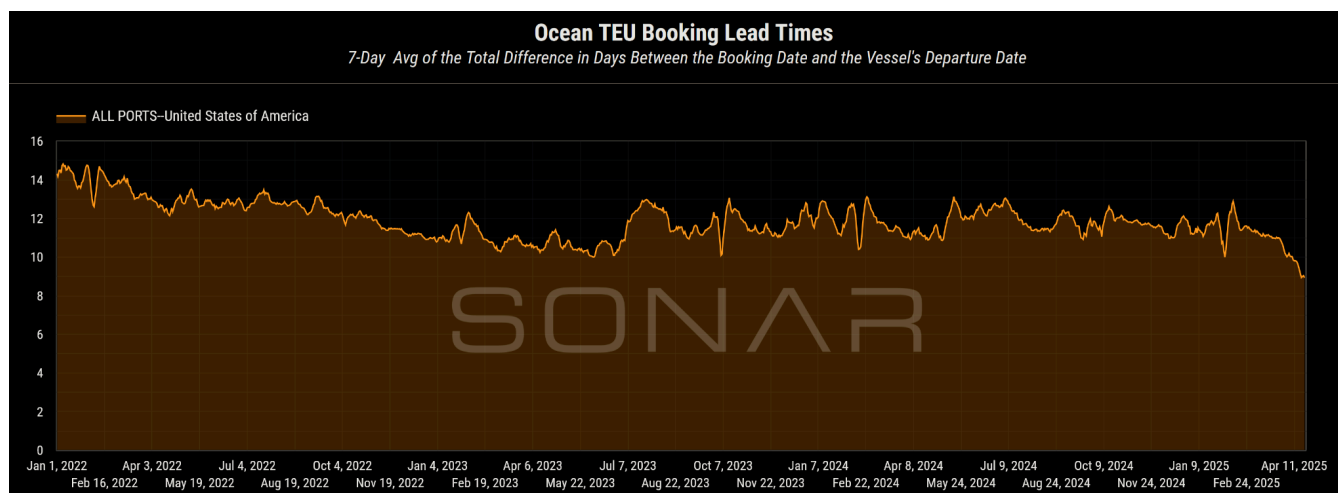
The Ocean TEU Volume Index, a gauge of container trade from all global ports to all U.S. ports as TEUs leave origin ports, has declined steadily throughout April and has returned to yearly lows. Over the past month, the Ocean TEU Volume Index inbound to all U.S. ports fell 6.5%, showing the

depreciation of maritime volumes from the pre-tariff tidal wave. Even so, TEU volumes remain up a respectable 3.1% y/y for the time being.



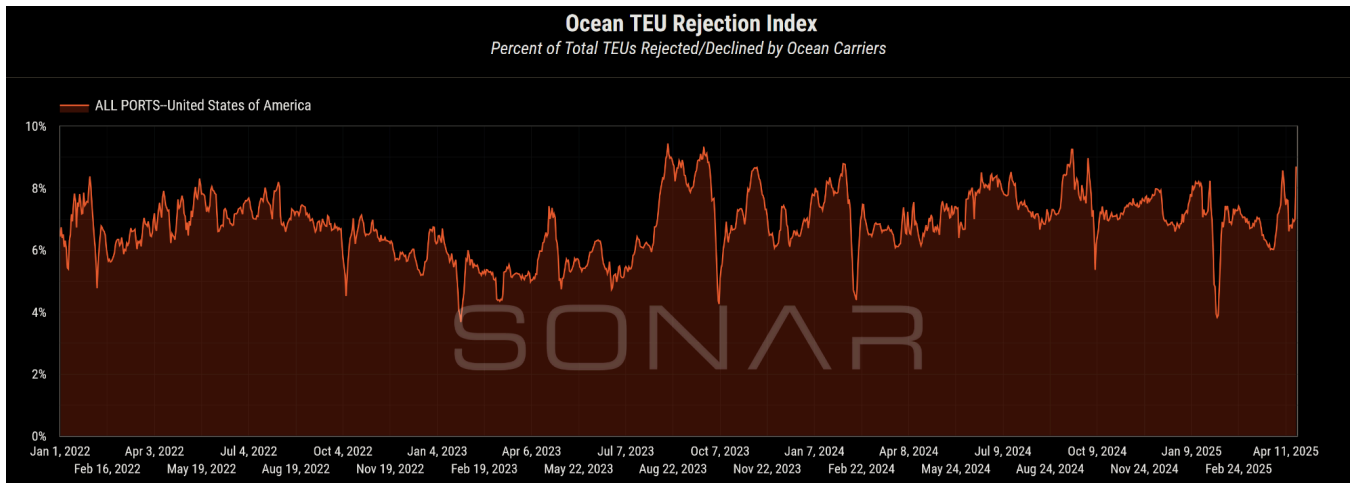
Source: SONAR Container Atlas. Ocean Booking Volume Index — all global ports to all U.S. ports.

Further upstream, bookings have fallen quite precipitously in April in two bursts, presumably triggered by the respective “Liberation Day” tariff announcement on April 2 and by the rapid escalation of the U.S.-China trade war, which has resulted (for now) in the United States’ imposition of a 145% levy on Chinese imports. The Ocean Booking Volume Index is down 29% over the past month, lacking any seasonal justification for this decline. Bookings are already down 17% compared to this time last year, though this y/y gap is expected to widen further over the next few months.



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

Ocean TEU Booking Lead Times are shorter than they have been at any point in the past four 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 before the multifront trade war escalates further with even more new tariffs and possible retaliation. Luckily, there is plenty of available capacity on vessels, so bookings can occur closer to a vessel’s departure date. Over the past month, booking lead times fell 19% to an average of fewer than nine days.



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

The Ocean TEU Rejection Index signals that ocean carriers are trying to adjust capacity in an effort to hold rates elevated, though that is not having the desired effect. Over the past month, ocean TEU rejection rates have increased by 259 bps to 8.7%, 245 bps higher than they were this time last year.

Rail intermodal: End of the line?

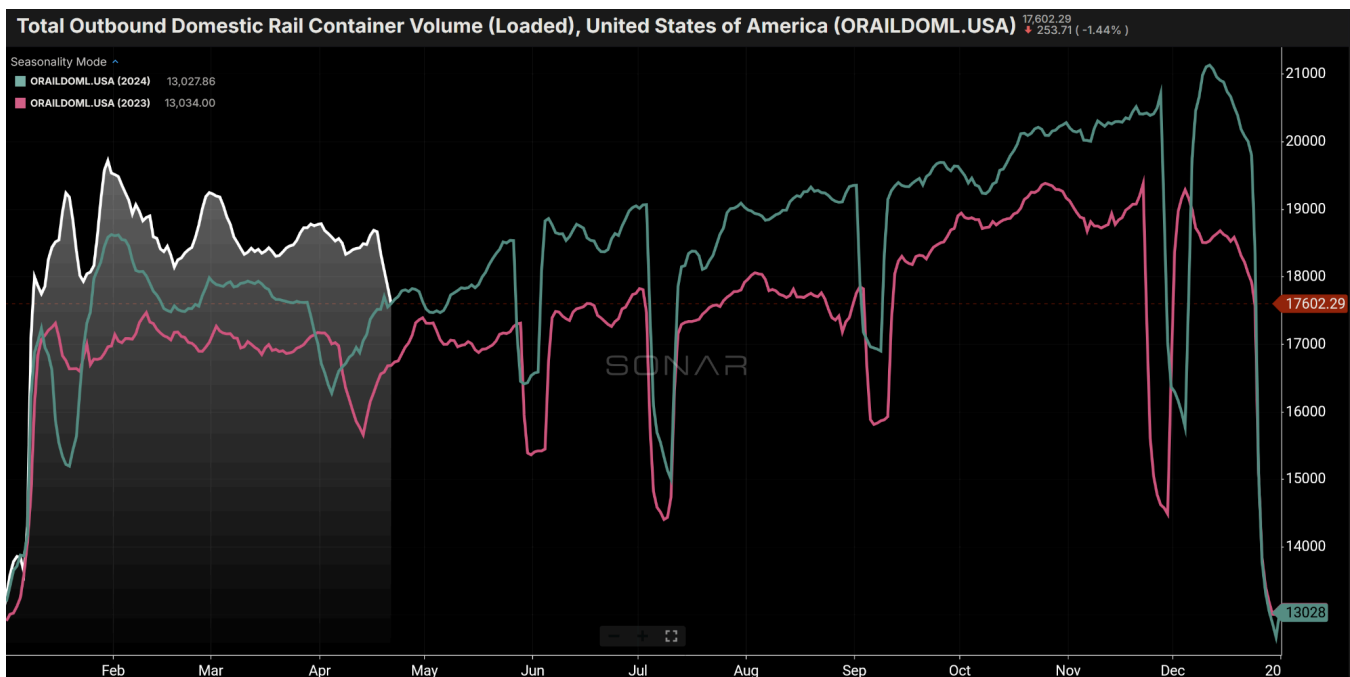


Chart: SONAR. Loaded domestic intermodal container volumes for 2025 (white), 2024 (blue) and 2023 (pink).

Intermodal demand has gained massively at the expense of dry van truckload volumes; J.B. Hunt, the largest domestic intermodal carrier, posted record first-quarter volume. The two main reasons

behind the rails' gain in market share are time and cost. Intermodal volume has risen substantially along certain dense corridors, such as those transcontinental lanes outbound from Los Angeles where intermodal has a distinct cost advantage over long-haul trucking.

But time is the other key factor at play. The tariff-induced frontloading of imports has all but eliminated the time sensitivity of many shipments. If imports are not lingering at warehouses along the coasts, shippers are slow-walking them on the rails, which serves as a means of stashing inventory without renting warehousing space at exorbitant rates. Rail carriers have also gone some way to improve their service after the catastrophic failures of recent years, making this mode more viable for shippers.

This dynamic is unlikely to benefit intermodal for much longer, however, since the volume of maritime imports is drying up. Ironically, thanks to its recent exposure to these imports, the intermodal segment will be among the first (behind drayage) to feel the full effects of this sea change.

Intermodal volumes are up 3.6% y/y but have already fallen 2.9% m/m. Carriers generally have enough capacity to handle incremental volume; domestic intermodal carriers have an excess of containers, and ocean lines have sufficient international containers to make them willing to send containers inland intact.

Given that there is less transloading of imports from international containers into domestic containers, the international segment of intermodal has been the stronger of the two. Total international intermodal volumes are down only 1.6% m/m compared to the 3.9% m/m tumble in total domestic volumes. Similarly, the yearly gains in domestic volumes are drying up at a faster rate than those of international, with the latter up 6.1% y/y and the former up only 1.5% y/y.

Still, it is worrisome that the international segment's strength is coming from the return of empty containers back to the ports, a trend that must necessarily be ephemeral. Empty international volumes are up 11.2% m/m and 35.5% y/y, while loaded international intermodal volumes are down 6.1% m/m and 2.6% y/y. A similar dynamic has taken hold of the domestic segment, which has seen its empty volumes up 0.36% m/m and 9.8% y/y, with loaded volumes down 4.7% m/m and virtually unchanged from last year (down 0.02% y/y).

Intermodal contract rates ebb

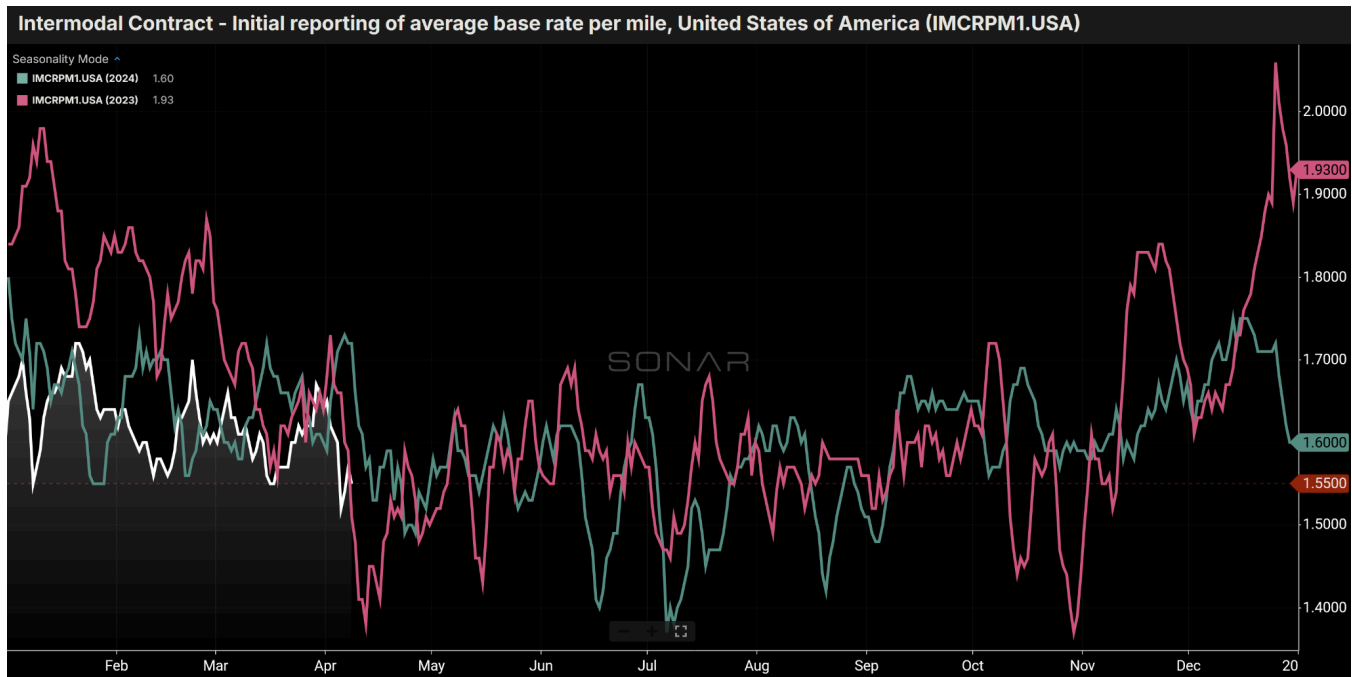


Chart: FreightWaves SONAR. Intermodal contract rates on a sample of domestic intermodal lanes in 2025 (white), 2024 (blue) and 2023 (pink).

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. At the time of writing, initially reported intermodal contract rates are averaging \$1.55 per mile, down 7 cents from the month prior. This initially reported average is 17 cents per mile lower than it was at this time last year.

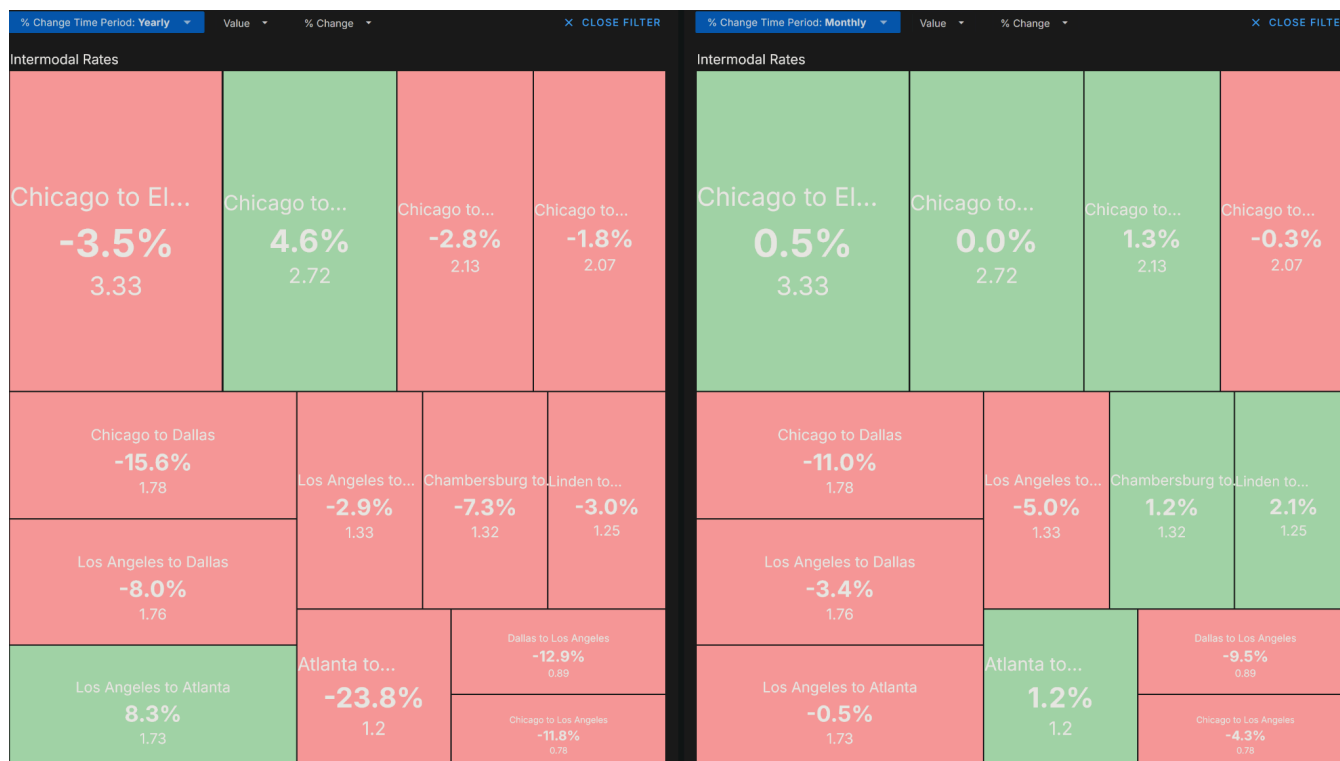


Chart: SONAR. Intermodal spot rates to move 53-foot containers door to door, including fuel surcharges and their respective y/y (left) and m/m changes.

On the other side of the equation, intermodal spot rates suggest that there is almost no need for carriers to protect contracted capacity. The national intermodal spot rate has decayed to its lowest level — excepting the first few months of the pandemic — since September 2017. On average, intermodal spot rates are down 7.1% y/y but remain unchanged on a m/m basis. Looking at the densest lanes, spot rates are down on a yearly basis for all but two — Los Angeles to Atlanta and Chicago to Chambersburg, Pennsylvania — in which rates are up in the single digits.

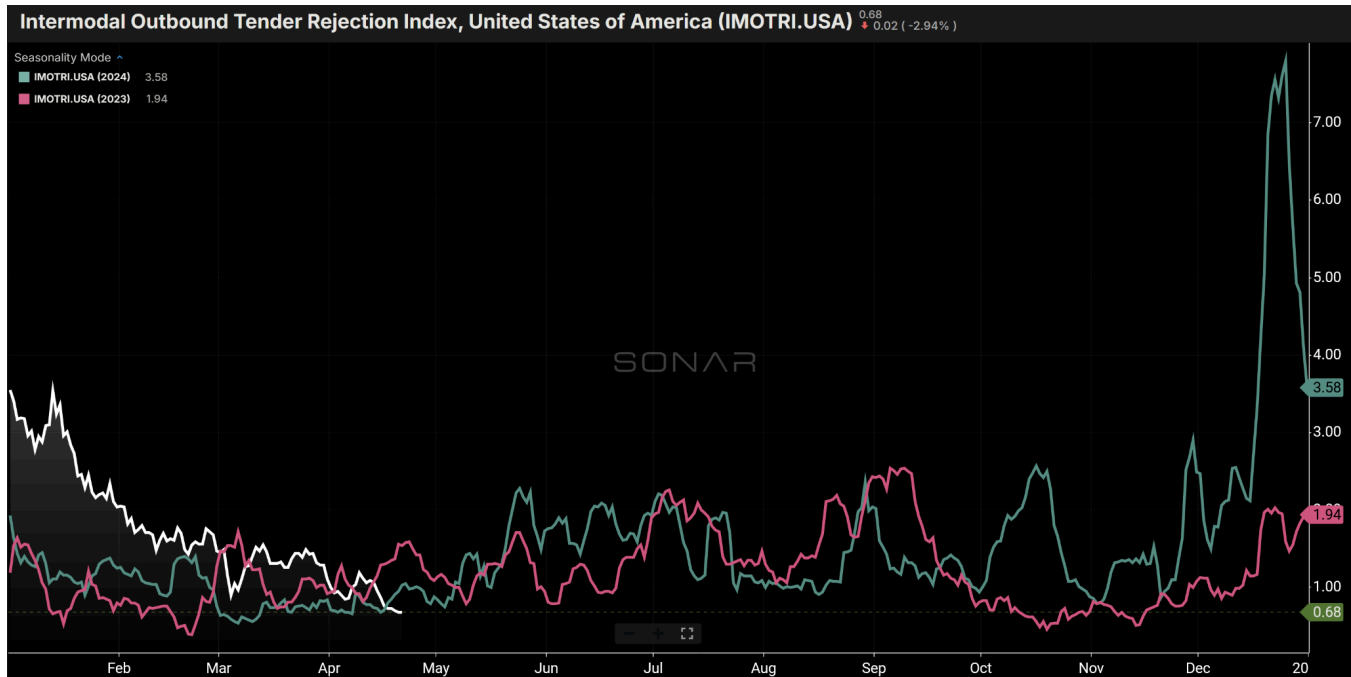


Chart: SONAR. National intermodal outbound tender rejection rates in 2025 (white), 2024 (blue) and 2023 (pink).

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 tender rejection rates have fallen by 71 bps over the past month to 0.68%, 35 bps lower than they were this time last year.

What else we're watching

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.

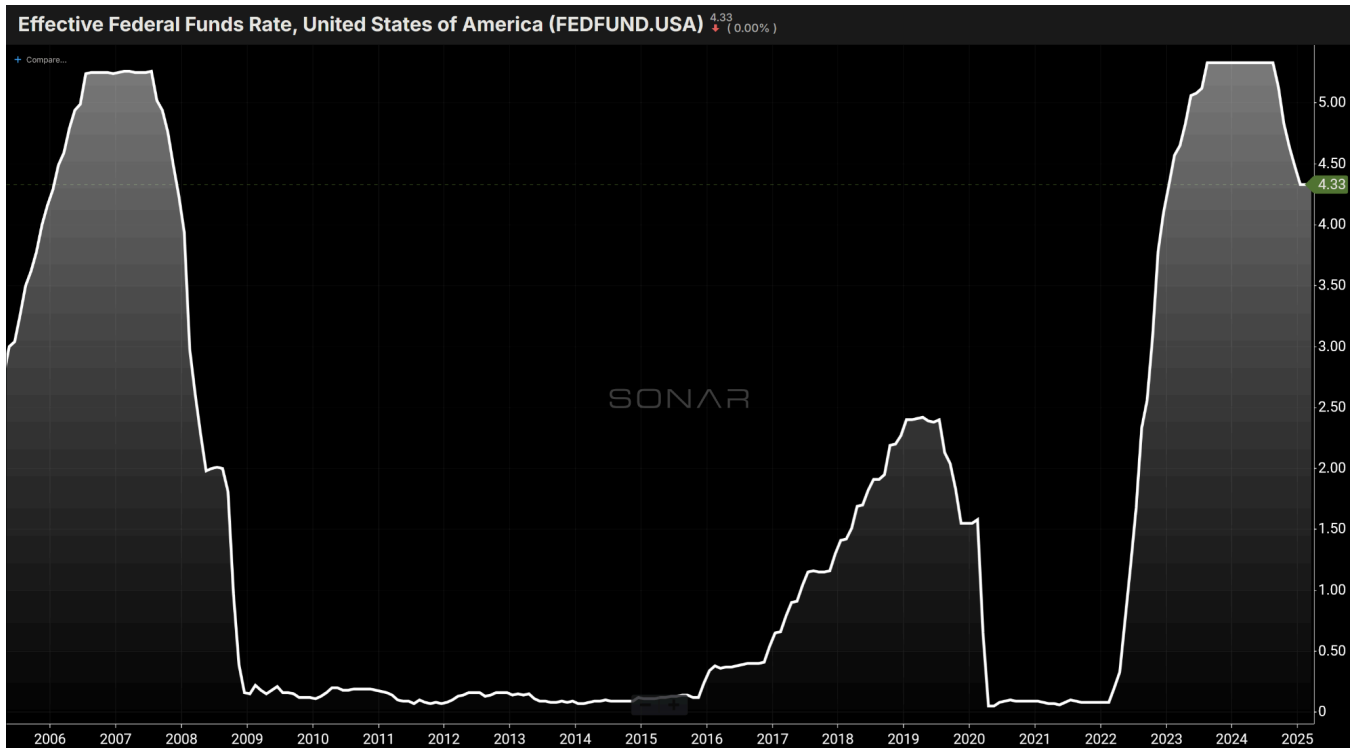


Chart: SONAR. Effective federal funds rate.

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.

On April 23, however, the Wall Street Journal reported that an anonymous senior White House official said that the Trump administration was considering reducing U.S. tariffs on China by a substantial amount — possibly bringing the existing 145% levy down by as much as 65%. In response to the report, White House spokesman Kush Desai stated, "When decisions on tariffs are made, they will come directly from the president. Anything else is just pure speculation."

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.

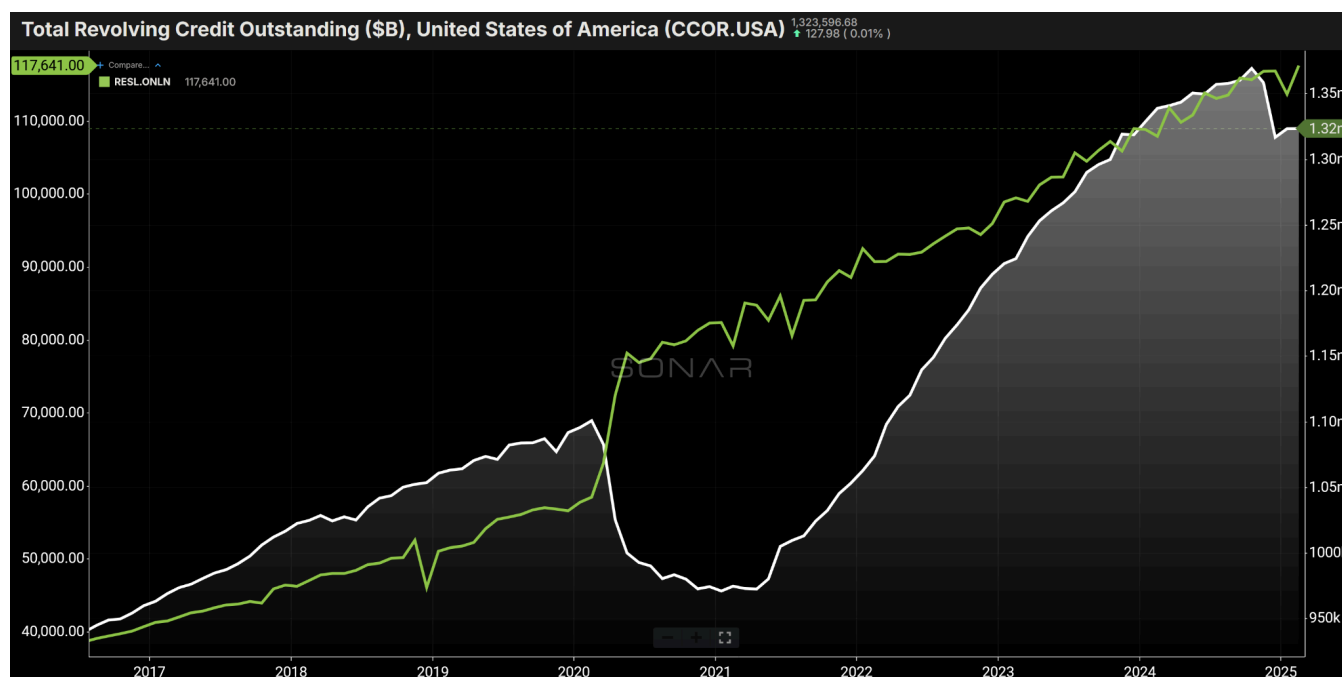
The official data indeed carried a massive surprise, with March's job growth outperforming even the highest Wall Street estimates. A total of 228,000 nonfarm jobs were added in the month — nearly double February's downwardly revised growth of 117,000 and a major beat to the consensus expectation of 140,000.

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.

Following two disappointing months at the start of 2025, U.S. retail sales were up significantly in March. Presumably scrambling to get ahead of tariffs, consumers rushed to purchase motor vehicles and electronics, driving total retail sales to 1.4% m/m growth — the highest monthly gain in over two years. A seasonal uptick in sales of building materials, gardening equipment and supplies was also a boon to the retail sector.



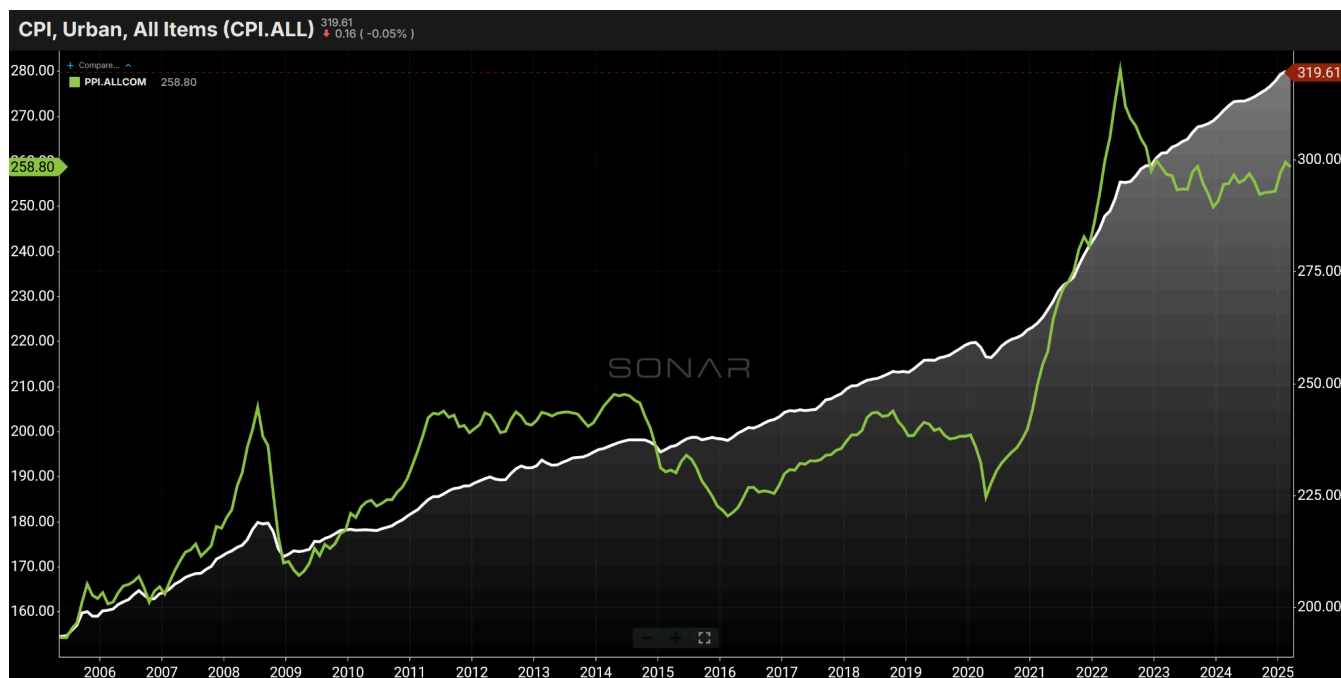
Source: FreightWaves SONAR. Total revolving credit outstanding, in billion USD (white, right axis) versus online retail sales, in million USD (green, left axis).

Despite a strong month of retail sales, there is cause for concern about the U.S. consumer's health. Total consumer credit sank by nearly \$810 million in February — a shocking miss against the \$15 billion rise expected by Wall Street. Nonrevolving credit, including student and auto loans as well as mortgages, dropped significantly, pointing to a general hesitance among consumers about taking on long-term financial commitments. Yet revolving credit, which includes credit card debt, saw only a weak annualized 0.1% bump, far below January's 6% gain.

For lower-income households, the challenges are particularly acute. High car prices coupled with elevated interest rates have led to a surge in subprime auto loan delinquencies, with the share of loans at least 60 days past due climbing to 6.56% in January — a record high in a dataset that stretches back to 1994.

March's print of the Consumer Price Index was noteworthy: Headline inflation fell on a monthly basis to a degree not outdone since May 2020 — nearly five years prior. The CPI was down 0.1% m/m, beating the 0.1% m/m gain expected by Wall Street analysts. Consumer prices rose 2.4% year over year, better than the 2.6% y/y gain forecast.

Core inflation, which excludes goods with volatile pricing like food and energy, rose 0.1% m/m, again beating the 0.3% monthly gain anticipated. Core inflation was up 2.8% y/y, the lowest yearly print in exactly four years. Falling energy prices were a major contributor to headline inflation's decline: Gasoline prices tumbled 9.8% m/m and were down 6.3% y/y. On the other hand, the price of groceries rose 0.5% from February, aided by an eye-watering 5.9% increase in the cost of eggs.



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

On the heels of this unexpectedly cool report on consumer inflation, the Producer Price Index — which tracks supply-side inflationary pressures across a number of industries — was another surprise to analysts. The headline PPI fell 0.4% from February to March, dramatically cooler than the 0.2% m/m rise forecast. March's decline marks the largest monthly drop since April 2020, when industrial markets were rocked by a pandemic.

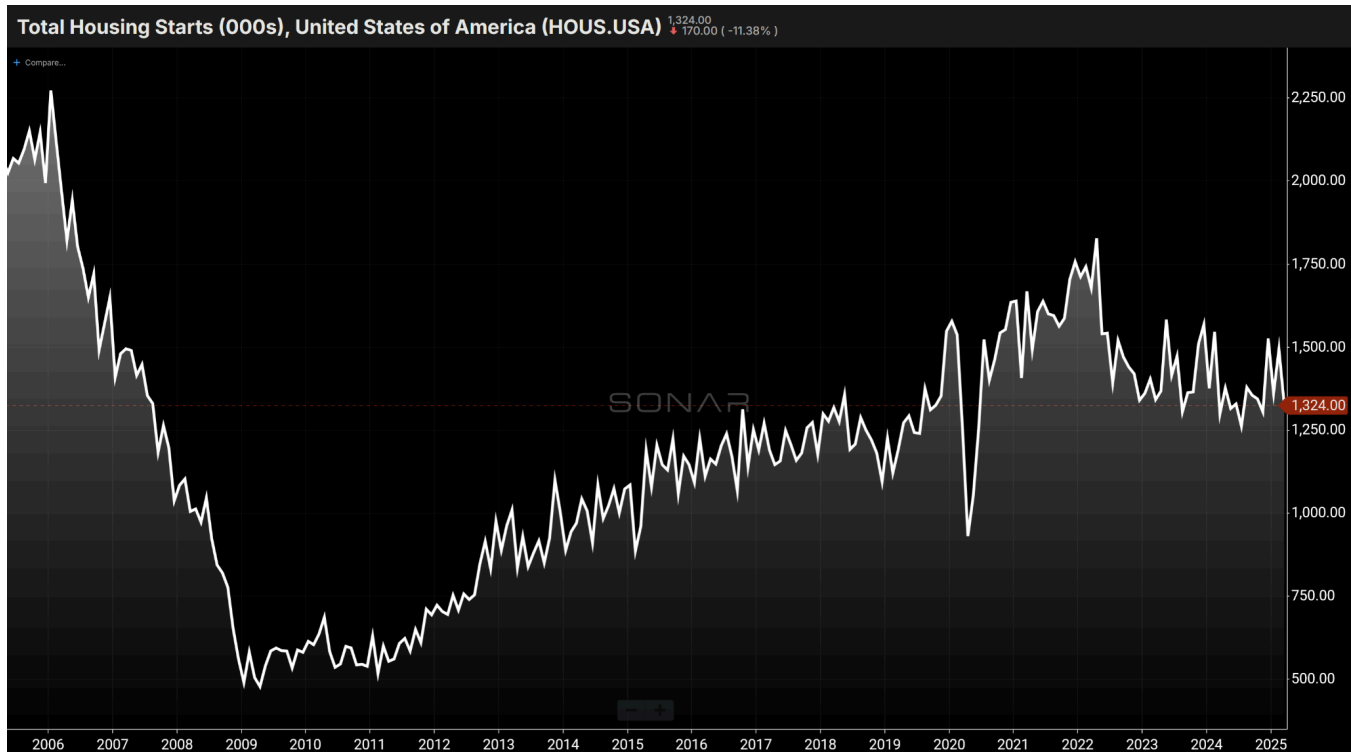
More than 70% of March's drop in final demand prices was attributable to final demand goods, prices of which moved 0.9% from February — the largest such decline since falling 1.4% in October 2023. Moreover, costs for transportation and warehousing of final demand goods rose 0.5% from the month prior and were up 3.7% over March 2024. Taken together, this data suggests that goods inflation is slowing, which should stimulate demand. In turn, high demand for goods should continue to drive up truckload rates.

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.

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