NOVEMBER
2025

STATE OF THE INDUSTRY

R E P O R T

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October 24, 2025 | 1 p.m. ET

Overview

Despite stagnant demand, trucking markets were rocked by tightening capacity in October — seemingly due to stricter enforcement of immigration laws in the Midwest and Texas. At the same time, the steady trickle of carrier bankruptcies continued. These two factors led to a surprising rally in spot rates that is, at the time of writing, still ongoing. Contract markets will not reflect this changing dynamic for several months (assuming that current trends persist for that long).

The ocean container market is similarly imbalanced. Globally, volumes are remarkably resilient as China shifts its exports from the U.S. to other nations. This change accelerated as the U.S.-China trade war unexpectedly roared back to life in October. Container rates from China to the U.S. have fallen far from year-ago levels, though there are hints towards a rally for lanes inbound to the West Coast.

In line with the theme, the intermodal sector is a tale of two segments. International volumes are suffering from the U.S.' lull maritime imports — a natural hangover after a 15-month string of solid growth. The domestic segment is the tortoise to the international's hare, with demand proving more consistent and thus predictable. Still, even though intermodal providers were cautiously optimistic in recent earnings calls, intermodal contract rates plummeted in early October. Whether this downturn is an aberrant blip or else a sudden collapse has yet to be determined.

Manufacturing sentiment is divided on whether the sector is expanding or not, though firms agree the degree of change is low. The ongoing shutdown of the U.S. federal government has yet to deal a serious blow against the economy, but this judgment is clouded by the delay of several key indicators, including official reports on inflation and the housing market. At the moment, there is a possible canary warning of a new subprime debt crisis (the last of which triggered the 2007-08 global recession); there is not yet enough data to tell whether this alarm is false.

Macro indicators	**(y/y change)**
Aug. industrial prod. change	+0.1% (+0.9%)
Sept. retail sales change	+0.0% (exp.)
Sept. U.S. Class 8 orders	17,633 (-40%)
Sept. U.S. trailer orders	8,217 (-14%)

Truckload indicators	**(y/y change)**
Tender rejection rate	5.97% (+62 bps)
Average dry van spot rate[1]	$2.34/mi (+2.6%)
LAX to DAL spot rate[2]	$2.42/mi (-5.1%)
CHI to ATL spot rate	$2.74/mi (+3.4%)

Tender volumes	**(y/y change)**
Atlanta	304.49 (-21%)
Dallas	299.21 (-15%)
Los Angeles	253.38 (-19%)
Chicago	175.13 (-19%)

Tender rejections	**(y/y change)**
Atlanta	6.12% (+159 bps)
Dallas	4.9% (+38 bps)
Los Angeles	4.89% (+118 bps)
Chicago	8.39% (+194 bps)

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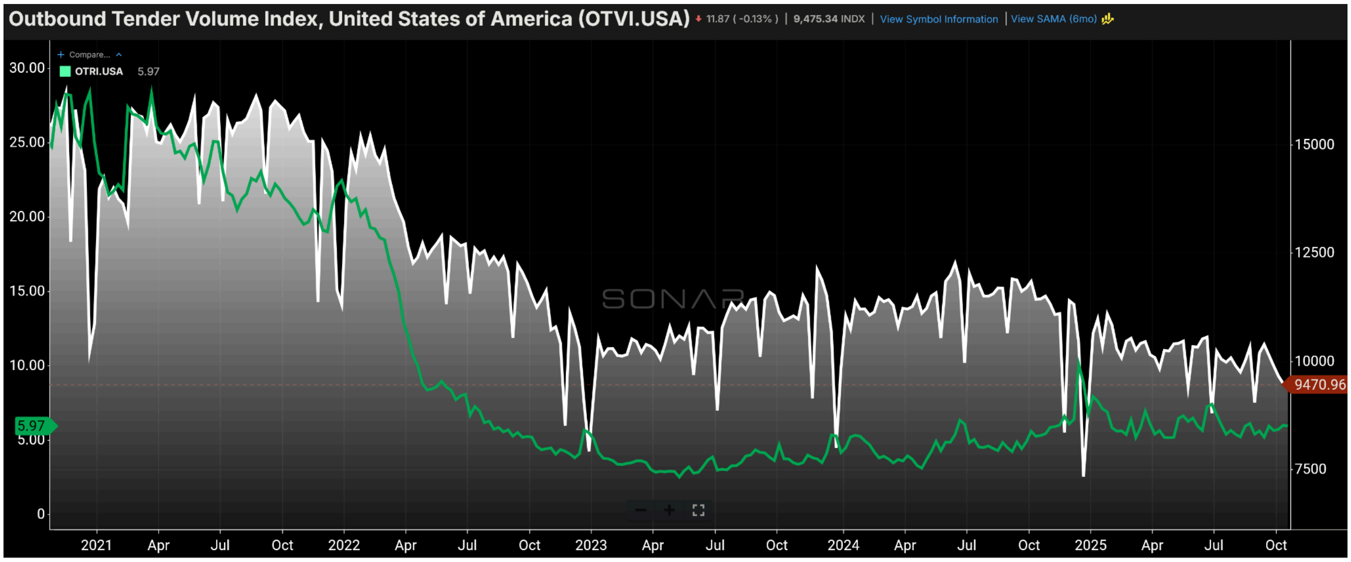
[1] FreightWaves National Truckload Index
[2] FreightWaves TRAC spot rate

Truckload markets

Freight demand remained sluggish throughout September amid unshakeable economic uncertainty, including reignited trade tensions with China and a softening labor market. Trucking capacity — though still abundant on a national scale — tightened as immigration enforcement actions took some foreign drivers out of regional markets, not to mention the impacts from a continued stream of carrier bankruptcies. These factors, coupled with muted seasonal buildup ahead of the fourth quarter, contributed to a market that was increasingly reactive to short-term events rather than one showing signs of a broader recovery.



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

Formerly rangebound between a 10%-15% annual deficit (often trending closer to 15%), tender volumes deteriorated further in October on a yearly basis. Volumes are mostly comparable to 2018 — a backhanded compliment if ever there was one. On the one hand, 2018 represented the tail-end of the pre-pandemic's last trucking boom and was a year in which demand was considered robust at the time. But for volumes in 2025 to remain essentially stagnant since that time implies seven years of lost compounded growth, as demand has failed to advance meaningfully despite earlier pull-forwards related to tariffs. At present, the Outbound Tender Volume Index (OTVI) is down 17.1% year over year (y/y).

Given that it is host to Labor Day, the end of Q3 and (often) disruptions from tropical weather events, September is historically an unpredictable month for truckload demand. This year was little different in that regard: After the noise surrounding Labor Day dissipated, volumes rose to their highest level since March. This strength proved to be a mirage, however, as demand slid into an uninterrupted decline in the latter half of the month, one that has persisted deep into October. Currently, OTVI is down 6.5% month over month (m/m).

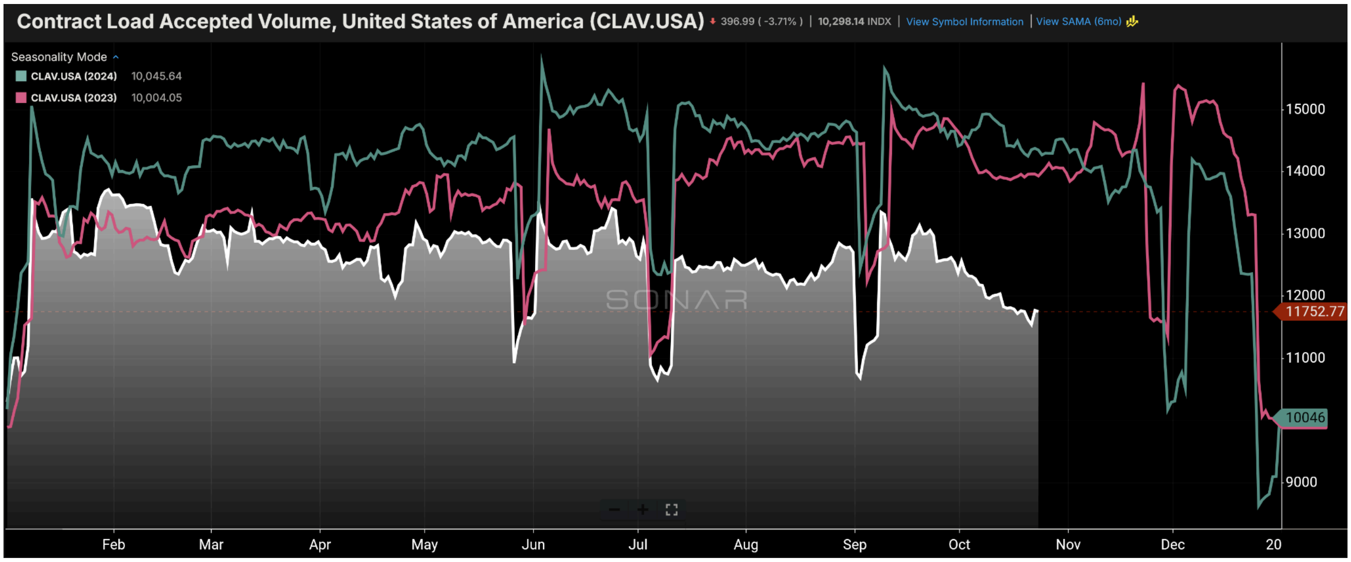
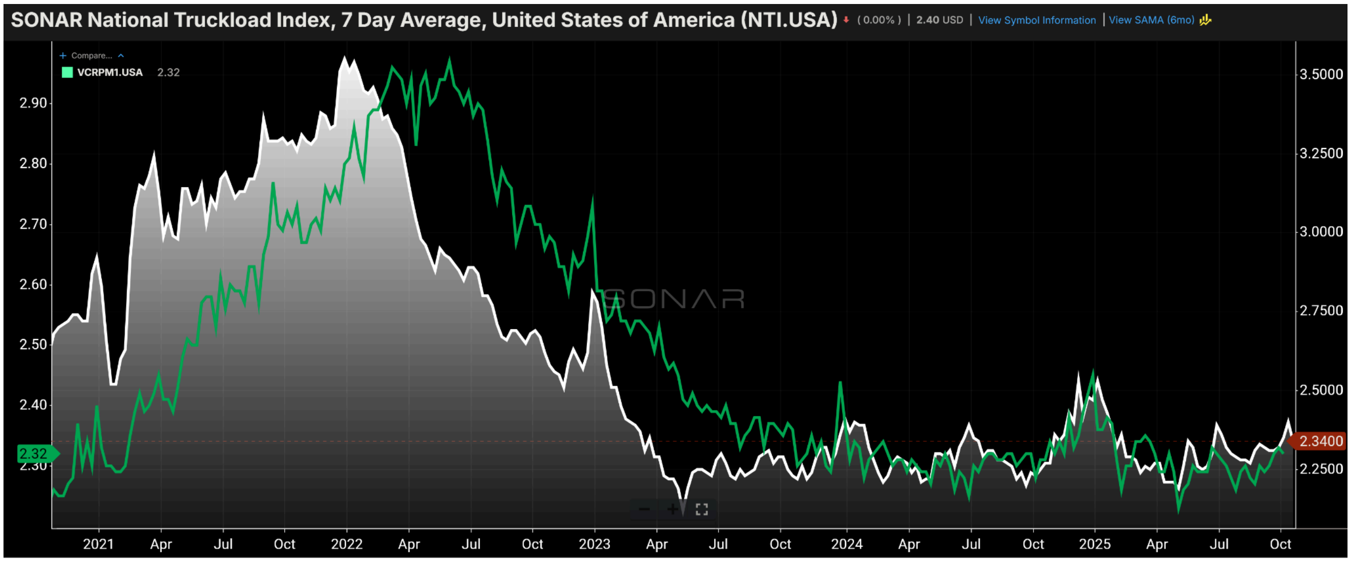


Chart: SONAR. Contract Load Accepted Volume: 2025 (white), 2024 (blue) and 2023 (pink).

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 17.7% y/y.

Despite soft demand, spot rates gain momentum in October



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

Such a dismal portrait of trucking demand must surely imply similar weakness in carrier rates. Not so: While OTVI was falling nearly 20% y/y in mid-October, spot rates were ascendant, rising to their highest non-holiday reading since early February. Historically, October is at best stable (but more often softer than September) regarding spot rates. Odder still, carrier bankruptcies continue to pepper the headlines — one recent article announced the closure of a company that employed roughly 1,000 people, including 600 truck drivers that were actively working on deliveries when the carrier declared bankruptcy.

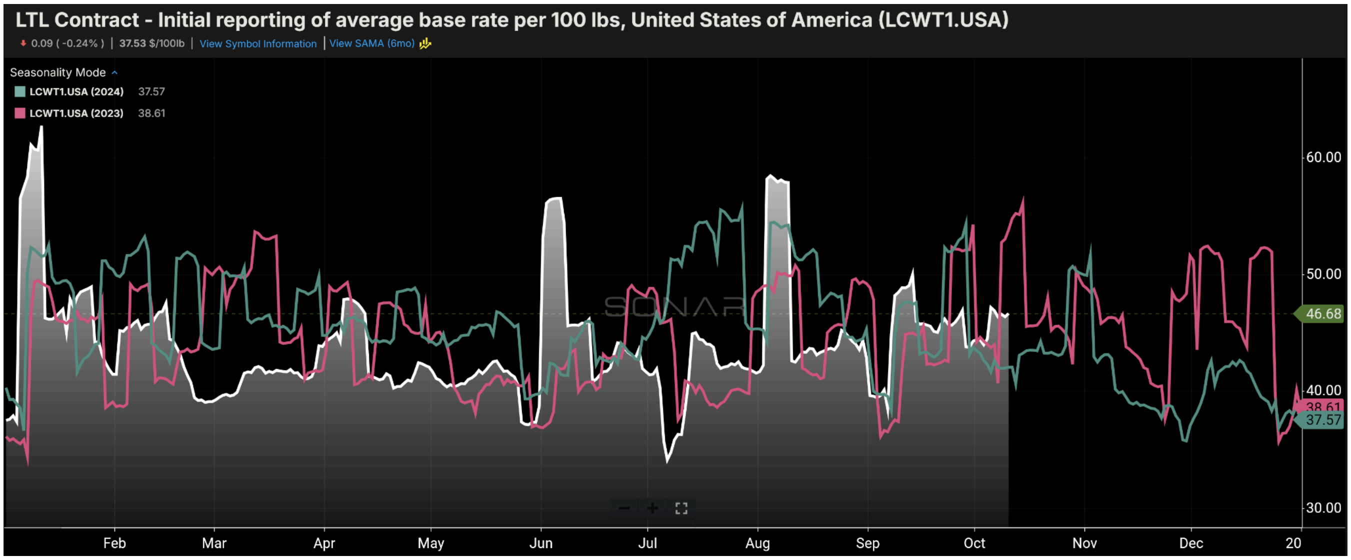
What is behind this potential melt-up in spot rates, then? While this trend is still emergent at the time of writing — and is therefore evolving — the epicenter appears to be Chicago, where Immigration and Customs Enforcement (ICE) launched Operation Midway Blitz on Sept. 9. At its outset, this operation targeted illegal immigrants with criminal records; one month later, the situation escalated as President Donald Trump ordered the federalization of 300 Illinois National Guardsmen to quell the city's growing riots.

Operation Midway Blitz is starting to have a curious knock-on effect for the trucking industry. In October so far, ICE agents arrested dozens of Serbian nationals who work as truck drivers in the region. According to the Serbian Times, these arrests mostly took place at highway weigh stations in the states of Illinois, Indiana, Michigan and Texas, with one such arrest occurring at the Canadian border. The Serbian diaspora is a not-insignificant presence in the industry; spot markets in the Midwest have been the first to feel this impact.

Accordingly, the National Truckload Index (NTI) — a seven-day moving average of national dry van spot rates that is inclusive of fuel — has had not one but two plateaus in October, though it is coming down at the time of writing. The NTI is up 2.6% y/y at $2.34 per mile.

Unsurprisingly, contract rates — which are exclusive of fuel and other accessorials — have not felt much impact from the loss of this capacity, for two reasons. First, contract bid cycles have long since returned to their typical, annual basis after the COVID-era flirtation with mini-bids, and so will not reflect pricing dynamics of the spot market for several months. Second, and more importantly, contracts are rarely awarded to carriers with dubious hiring practices, such as the employ of undocumented migrants. For the time being, contract rates are up 1.3% y/y at $2.32 per mile.

Less-than-truckload carriers retain pricing discipline



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

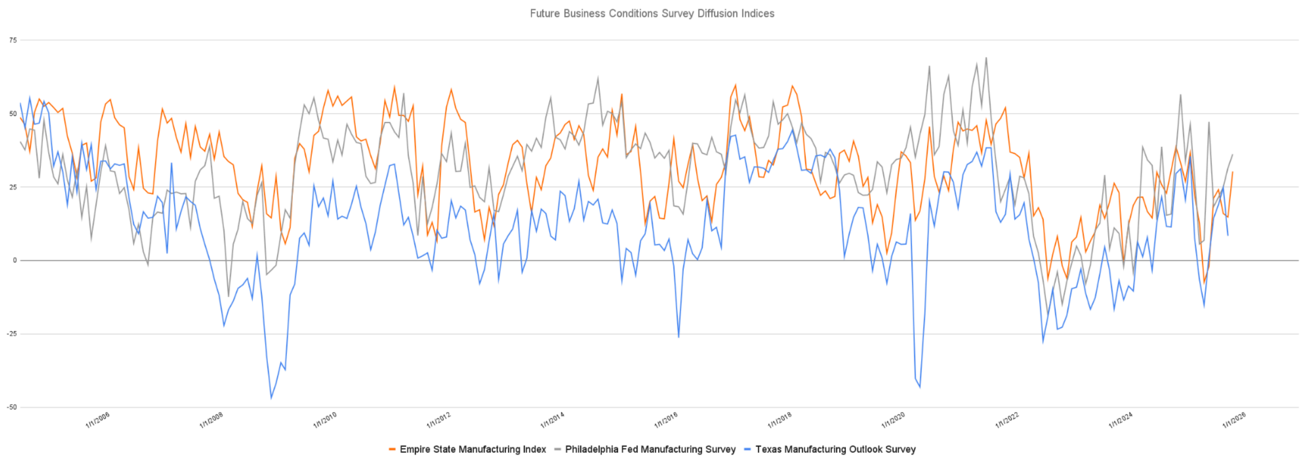
Despite prolonged contraction in the manufacturing sector (discussed below), LTL rates have shown continued resilience, largely owing to carriers' strategy of prioritizing yield over volume. Still, carriers have publicly bemoaned cyclical headwinds and soft industrial demand for weak tonnages. Some analysts, however, suggest alternatives: Morgan Stanley's Ravi Shanker wrote on his suspicion that weak tonnages "could be a symptom of more idiosyncratic pressures with potential share loss to TLs, brokers and privates."

At the time of writing, the average LTL contract rate has fallen $2.21 per hundredweight over the past month. Currently sitting at $46.68 per hundredweight, shipping via LTL is 11% more expensive than it was a year ago.

This strength in LTL rates was also observed in a quarterly report from AFS Logistics and TD Cowen, which is forecasting sustained rate momentum throughout the fourth quarter. The LTL rate-per-pound component of the TD Cowen/AFS Freight Index set a record in Q3, having risen 65% from its January 2018 baseline. The dataset is expected to dip only 30 bps in Q4, which would result in a 180-bps y/y increase and would mark eight consecutive quarters of y/y growth. The spread between cost per shipment (down 0.7% y/y) and weight per shipment (down 7.4% y/y) widened to 670 bps in Q3, reflecting "strong pricing discipline by LTL carriers."

Macroeconomic conditions

Sentiment in the U.S. industrial sector is divided, at least according to the top two Fed surveys from October. Although New York manufacturers saw a rebound in business conditions, the same could not be said for their counterparts in Philadelphia. This bifurcation also held true in two major sentiment indexes, as one barely remained in expansionary territory and the other lingered just below.



After a moderate amount of doom and gloom among New York manufacturers in September, the Empire State Manufacturing Survey — conducted monthly by the Federal Reserve Bank of New York — brightened in October. The headline General Business Conditions Index leapt 19.4 points month over month (m/m) out of the red to 10.7. This surprising growth was driven by impressive gains in the indices for New Orders (up 23.3 m/m to 3.7) and Shipments (up 31.7 points m/m to 14.4). Still, supply-side inflation once again outpaced its demand-side counterpart: The Prices Paid Index gained 6.3 points m/m to reach 52.4, while the Prices Received Index rose 5.6 points m/m to only 27.2.

Whether this imbalance is worth taking seriously is a matter of debate — manufacturers in these surveys traditionally bemoan their price pressures and downplay the costs they pass on, making these indices an imperfect leading indicator for the Producer Price Index. In fact, as discussed further in the following section, most analysts believe that demand-side disinflation from August was more pronounced in September.

Regardless, surveyed firms are hopeful for future improvements: The forward-looking general business conditions index leapt 15.5 points m/m to 30.3, again driven by massive gains in the New Orders (up 18.3 points m/m to 34.9) and Shipments (up 18.1 points m/m to 31.6) indices. Taken as a whole, this performance implies that manufacturers in the region will keep their local freight markets supplied with demand over the coming six months.

Very few signs of optimism were present in Philadelphia, however. October's Manufacturing Business Outlook Survey — conducted monthly by the Federal Reserve Bank of Philadelphia — saw the headline index for general business activity crater 36.0 points m/m to minus-12.8. Bizarrely, despite this horrific performance, neither the index for new orders (up 5.8 points m/m to 18.2) nor for shipments (down 20.1 points m/m to 6.0) flipped into contraction. These two indices are typically the major drivers behind a radical change in the headline index.

Stranger yet, it is difficult to tell which of the survey's indices triggered such a plummeting sentiment. The Prices Received Index (up 8.0 points m/m to 26.8) rose at a faster rate than the Prices Paid Index (up 2.4 points m/m to 49.2), even though most surveyed firms agree that the latter's expansion is more concerning. Inventories also shrank, while employment remained stable and unfilled orders ticked down only slightly.

Even in the face of this unexpected dourness, optimism for the next six months was not yet erased. Quite the contrary: The forward-looking headline index ticked up 4.7 points m/m to 36.2, a strong and healthy reading. Judging by their indices, new orders (up 7.4 points m/m to 49.8) and shipments (up 17.4 points m/m to 48.4) are both expected to skyrocket — a rare spot of good news for a much-beleaguered trucking industry.

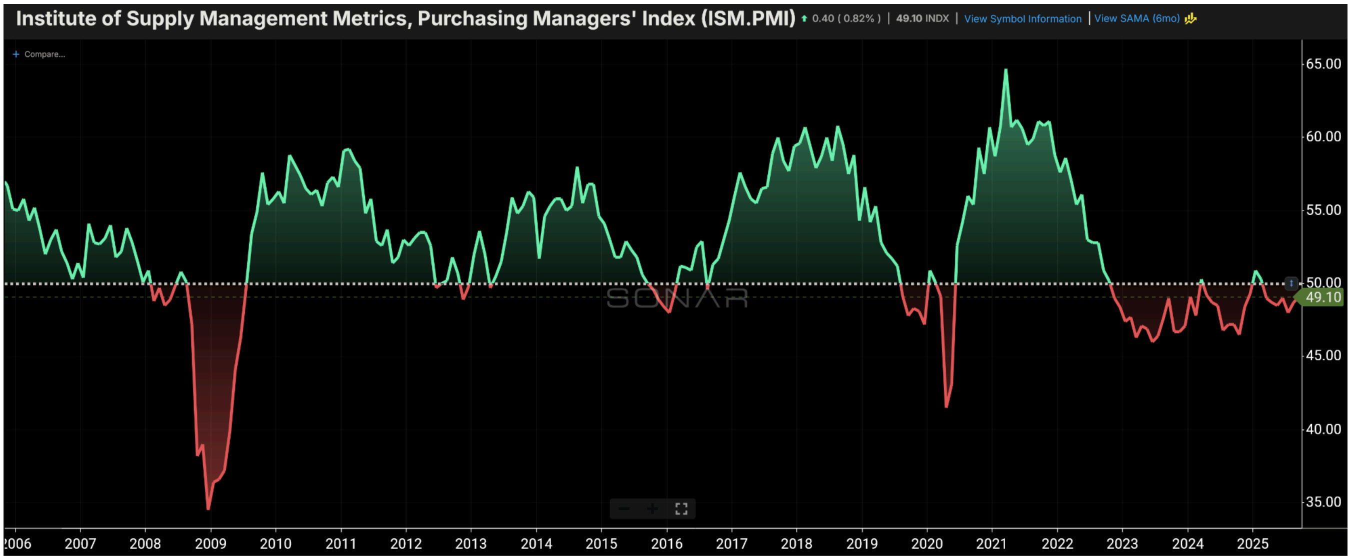


Chart: SONAR. Institute for Supply Management's Manufacturing PMI.

National sentiment indices were similarly confusing. The Institute for Supply Management's Manufacturing PMI registered 49.1% in September, marking a slight improvement of 40 bps from August but remaining in contraction for the seventh consecutive month. The subindices were also mixed: the New Orders Index fell 2.5 points m/m to 48.9%, falling back into the red after one month of growth; the Production Index rose 3.2 points m/m to 51%; and the Supplier Deliveries Index climbed 1.3 points m/m to 52.6% which, contrary to the other subindices, is actually indicative of slower deliveries.

Among the six largest manufacturing industries, only Petroleum and Coal Products expanded as two-thirds of the overall industrial sector's GDP contracted in September. Worse still, 28% of manufacturing GDP is not only contracting but is strongly contracting. Even so, other smaller industries did report growth in the month, namely primary metals, textile mills, fabricated metal products and miscellaneous manufacturing. One thing that all of these expansionary industries have in common is that they mostly produce inputs upstream to the rest of the sector; this news is welcome, since the U.S. economy seeks to decouple itself from China and other overseas suppliers.

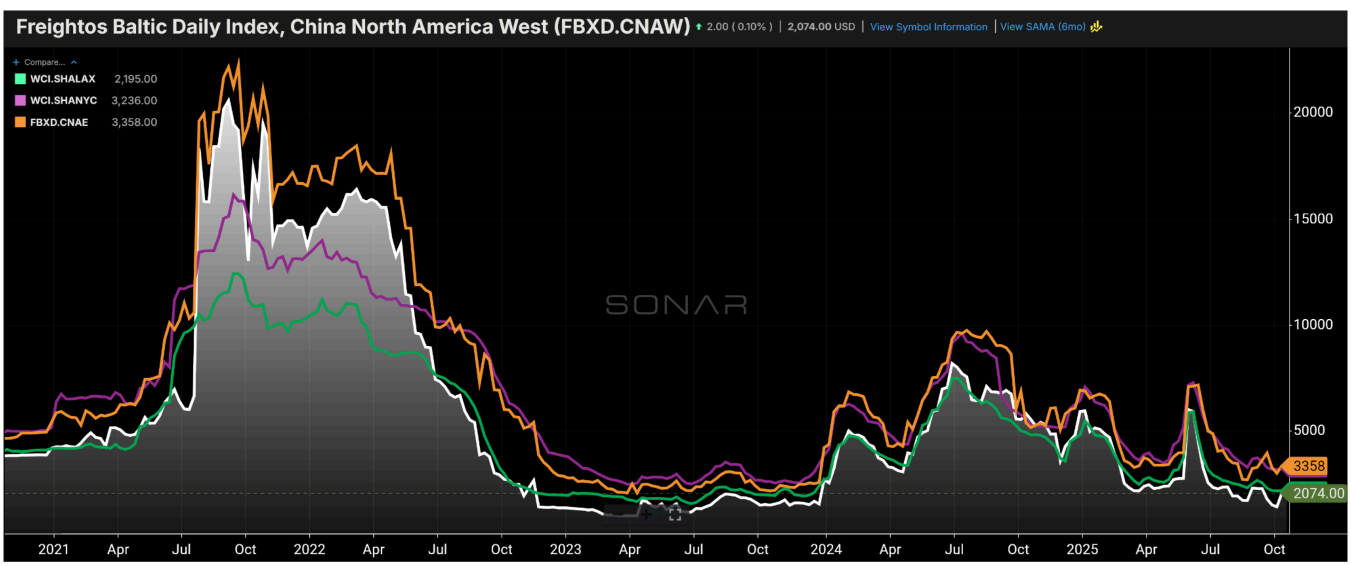
Maintaining its optimistic bent relative to the ISM, the S&P Global US Manufacturing PMI fell 1.0 point m/m but remained in growth at 52.0. September thus marked the ninth consecutive month of expansion for the index, albeit at a pace below the historical average. Weaker gains in production and new orders were to blame for the month's slower rate of growth, but these ills were offset by expectations of reshoring manufacturing production.

Chris Williamson, chief business economist at S&P Global Market Intelligence, summarized the report's findings: "Despite a slowing in demand growth, many factories produced more goods, using up raw materials that had been stockpiled ahead of tariff implementation. This poses a downside risk to future production in the absence of a pickup in demand, though also hints at some alleviation of price pressures: there is already evidence of companies offering excess stock to customers at reduced rates."

This latter insight aligns more with recent trends in the Producer Price Index (discussed further below) than the performance of price indices in New York's manufacturing survey. "A growing uncertainty," Williamson continued, "relates to supply chains, with September seeing an increase in tariff-related vendor delays, which threaten to curb production and push up prices if these difficulties persist or intensify." Unfortunately, this observation correlates with findings from the ISM's PMI, which also saw supplier deliveries slow in the month.

Maritime

On a global scale, container volumes have been remarkably resilient throughout 2025 so far — even considering the impact of the U.S.' multi-front trade war on North American freight flow. Industry data from Container Trade Statistics showed that August was host to a new record of 16.61 million twenty-foot equivalent units shipped in a month, with global TEUs up 4.4% y/y in the year-to-date. This growth came despite a 0.5% m/m decline in North American imports, as China has sustained its overall export momentum by diversifying to other Asian nations, Africa and Europe.



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).

U.S. importers frontloaded goods in early summer before Aug. 12, when the 90-day tariff truce between the U.S. and China was initially set to expire. That truce was renewed hours before the deadline and will be in effect until Nov. 10 — though this date is subject to change. Recent comments from President Trump and Treasury Secretary Scott Bessent have given conflicting guidance on how U.S.-China trade will be conducted going forward.

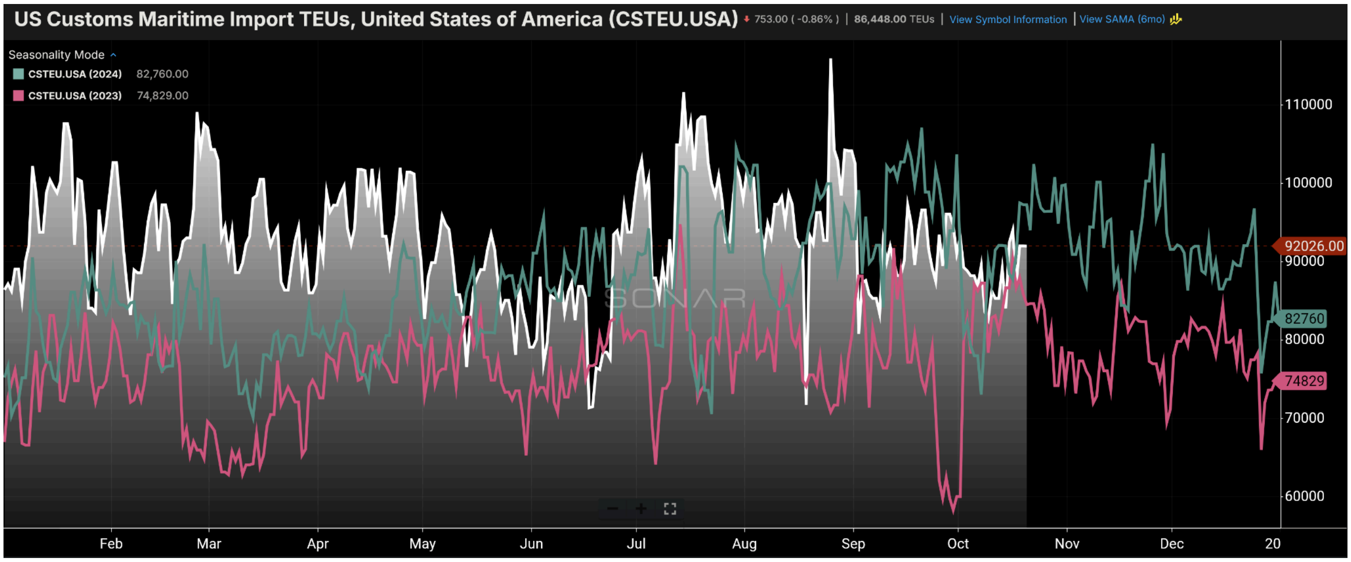
As discussed further below (“What else we’re watching”), China unveiled new restrictions for rare-earth exports on Oct. 9. This move was viewed as “extremely hostile” by President Trump, who threatened to hike the tariff rate by 100% on Chinese goods, effective Nov. 1 “or sooner.” At the time of writing, no deescalation around this threat has been made explicit: During an Oct. 15 press conference, U.S. Trade Representative Jamieson Greer stated that China’s restrictions on rare earths “have not been implemented yet,” and that the U.S. has “signaled [its] intent to raise tariffs if their system goes into effect.”

At the same press conference, Secretary Bessent noted that the U.S. is “currently on a 90-day roll on the tariffs. Is it possible that we could go on a longer roll? Perhaps. But that’s all going to be negotiated in the coming weeks.” A meeting between Chinese President Xi Jinping and Trump is expected on or around Oct. 30, though hopes of a permanent trade deal emerging from such a meeting should be tempered.

Given the hostility and uncertainty surrounding U.S.-China trade relations — and despite the global health of ocean shipping — trans-Pacific container rates nosedived in late September, bringing rates along many lanes to their lowest levels since mid-2023.

The Freightos Baltic Daily Index from China to the North American East Coast has fallen 15.2% m/m to $3,358 per 40-foot equivalent unit and is down 34.8% y/y. Still, the barest hint of a rally can be seen in this index, as rates have jumped nearly $400 per FEU over the past week. This upturn is more pronounced (and presumably more mature) in spot rates from China to the North American West Coast, which have risen 10% m/m to $2,074 per FEU but are still down a brutal 62.5% y/y.

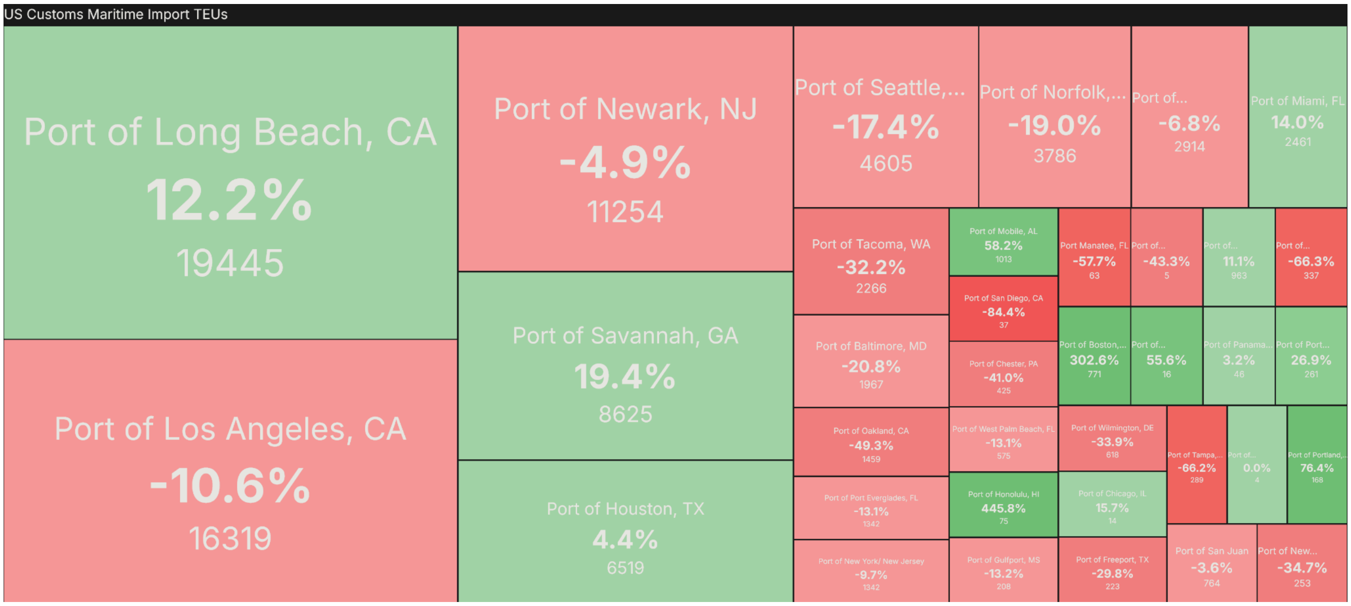
The Drewry World Container Index, being released weekly, has yet to reflect any potential rally. The WCI from Shanghai to Los Angeles is still down 14.3% m/m to $2,195 per FEU and is down 55.6% y/y. The WCI from Shanghai to New York has fallen 9.4% m/m to $3,236 per FEU and is 42.3% below year-ago levels.



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

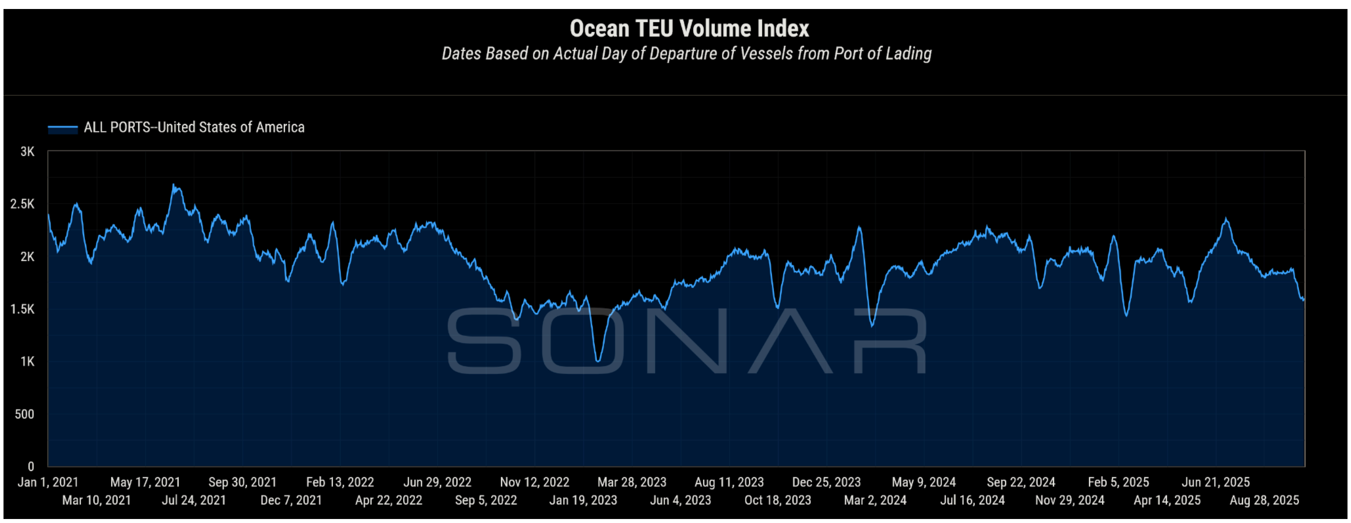
After peaking to a new all-time high in late August, U.S. container import volumes receded in September but have somewhat regained those losses in October. Yet forecasts for Q4 are not hopeful: Monthly import volumes are expected to slip below the 2 million TEU mark for the remaining months of 2025, according to the latest Global Port Tracker report released by the National Retail Federation and Hackett Associates. Still, SONAR data shows that October is on track to see 2.74 million import TEUs, which would slightly outpace September's 2.73 million performance.

The Port of Los Angeles handled 883,053 TEUs in September, down 7.5% y/y but sufficient to help the U.S.' busiest import gateway to its best quarter on record. The record volume comes amid the whipsaw of on-again, off-again tariffs, volatile decisions on trade policy, and murky economic indicators. "As trade policy unfolds," said the port's executive director Gene Seroka, "we can only predict more unpredictability… The supply chain has been on a roller coaster all year and that ride continues."



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

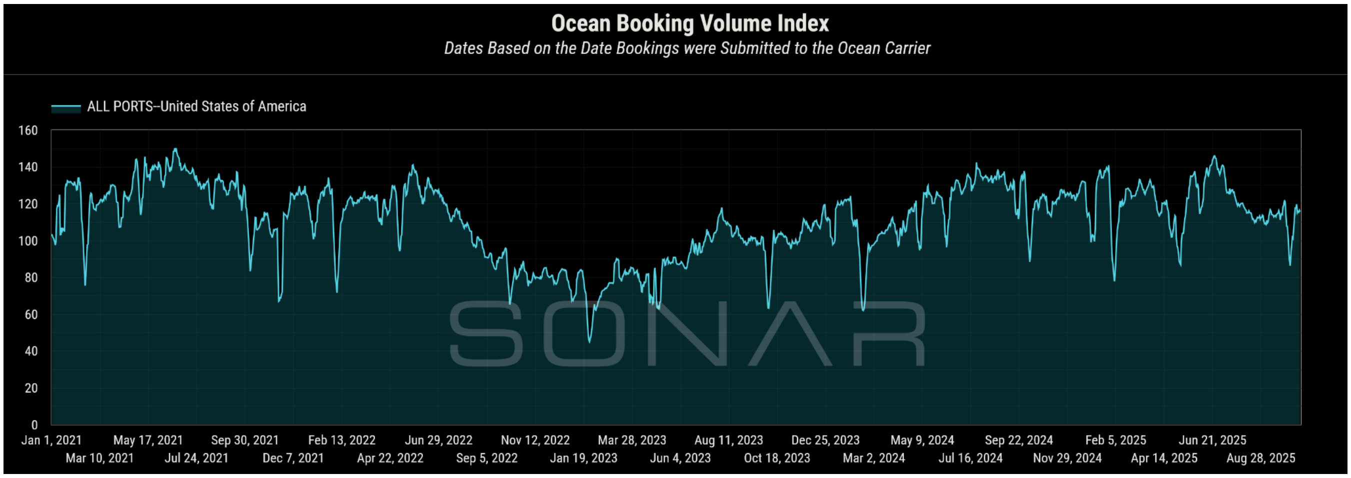
As can be seen in the image above, ports' performance against year-ago comps is all over the map with few clear trends. On the one hand, the Port of Long Beach is currently handling the largest volume of import TEUs, which are up 12.2% y/y. Meanwhile, the neighboring Port of Los Angeles is seeing a yearly decline by almost equal measure. The Port of Savannah, GA is able to find room for nearly 20% y/y growth, but the Port of New York/New Jersey has seen imports fall 5% y/y. Overall, it looks as though East Coast ports are gaining more market share, and this trend is set to continue over the coming months.



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

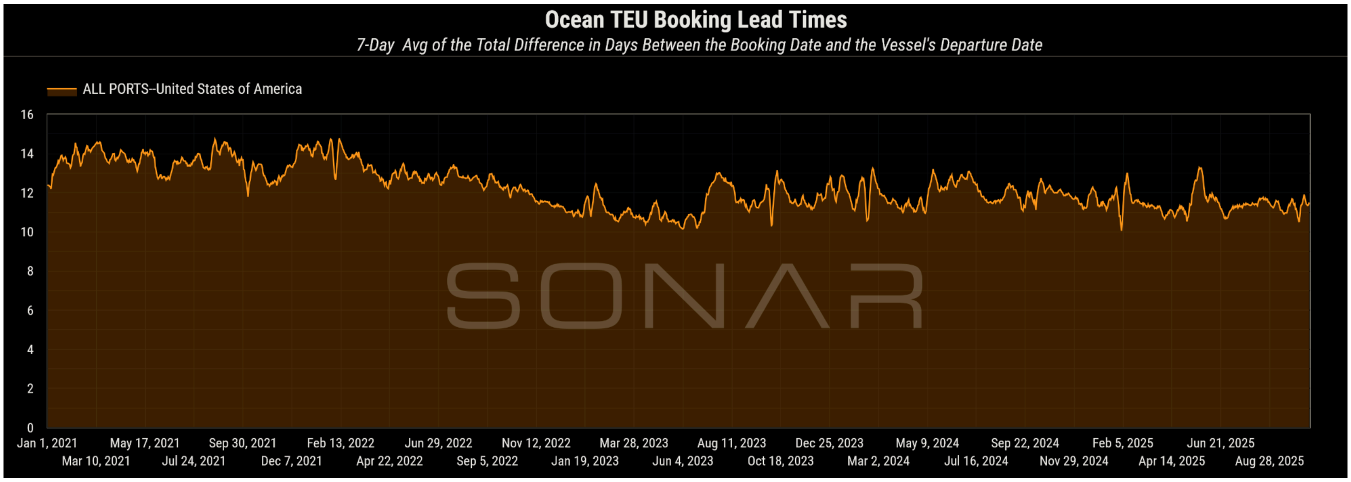
The Ocean TEU Volume Index, a gauge of container trade from all global ports to all U.S. ports as TEUs leave origin ports, has been on an uninterrupted decline throughout all of October. While not quite at the lows of mid-May — before the U.S.-China tariff ceasefire took effect — the index is close to them. Over the past month, the Ocean TEU Volume Index inbound to all U.S. ports has tumbled

13.4% with little hope for a major recovery in the final months of 2025. Inbound TEU volumes are also down 8.5% y/y, reflecting the pull-forward measures shippers have taken relative to last year.



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

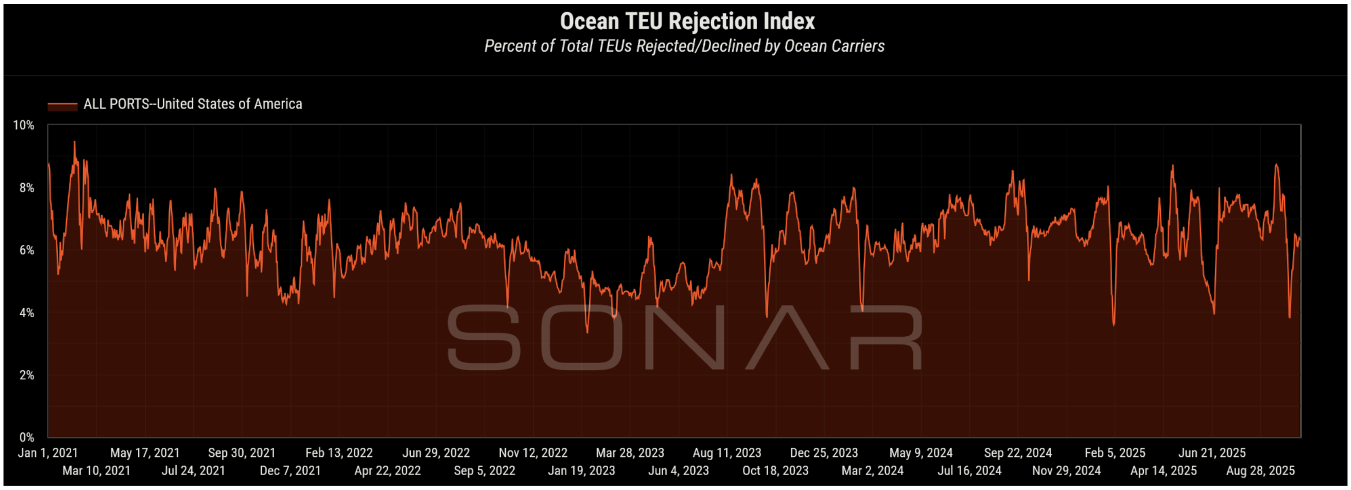
Further upstream, bookings have made an appreciable recovery from their early October lull and have stabilized around their levels from August and September. This increase reflects the unexpected ratcheting of U.S.-China trade tensions over the past several weeks, as shippers are no longer certain that the tariff truce will hold until Nov. 10 (or are at least skeptical that it will be renewed). Relative to September, the Ocean Booking Volume Index is up a slight 4% m/m. But bookings are nevertheless down 6.3% y/y against relatively weak comps.



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 rising. Over the past month, booking lead times have been virtually unchanged at an average of 11.5 days.



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

The Ocean TEU Rejection Index has rebounded from an extraordinary dip at the beginning of the month, albeit at a lower rate than the preceding months. While ocean carriers have tried to goose this metric in the past so as to stanch their rapidly falling container rates, this latest recovery appears to be mostly organic: As mentioned previously, bookings to the U.S. are on the rise as shippers try to get ahead of new, potential catastrophes with China and/or Russia. Over the past month, ocean TEU rejection rates have tumbled 195 bps to 6.29%, 33 bps lower than they were at the same time last year.

Rail intermodal

The proposed $85 billion merger between Union Pacific and Norfolk Southern, announced in late July, continues to dominate discussions within the intermodal segment. Little surprise, as the merger would create the nation’s first single-line transcontinental rail network, spanning 52,000 miles across 43 states. The proposed deal garnered support from President Trump in mid-September, who stated that it “sounds good to me.”

The merger also found support in the U.S.’ largest rail union, SMART-TD (Sheet Metal, Air, Rail and Transportation Workers—Transportation Division). The union has nearly 6,000 members working trains and yards at Union Pacific; its support for the deal followed written guarantees that it would suffer no job losses as a result of the merger. SMART-TD had initially opposed the deal in July, in part over concerns about potential job losses.

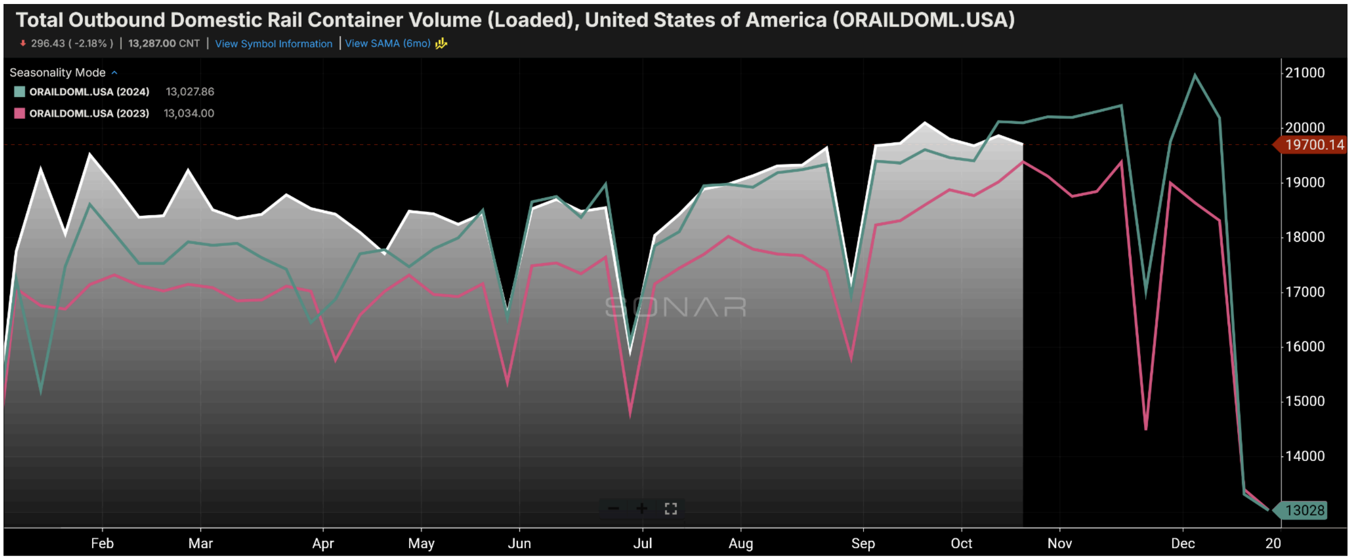


Chart: SONAR. Loaded domestic intermodal container volumes for 2025 (white), 2024 (blue) and 2023 (pink).

Not all have been as enthusiastic about the UP-NS merger, however. BNSF Railway, the other Class I railroad in the Western U.S. along with Union Pacific, encouraged its customers to voice their concerns with the Surface Transportation Board, which will review the proposed merger. “No customer is asking for a UP-NS merger to happen,” BNSF said. “It’s driven by Wall Street on the promise of a big shareholder payout.” BNSF further argues that the merger will reduce rail competition, raise rates, degrade service, and likely lead to an operational meltdown.

The weakness of U.S. import demand has fully passed through to the intermodal sector, with total volumes down 3.1% m/m and 4.6% y/y. In a nearly perfect inversion of 2023’s Q3 strength, intermodal demand has steadily declined since Labor Day and is set to continue doing so for the remainder of 2025.

Its weakness, of course, is driven by the international segment’s steep losses in volume. This downturn is itself driven by the end of a 15-month rally in import volumes, a rally that was at first driven by port labor issues and later sustained by shippers pulling freight forward ahead of new U.S. tariffs. International intermodal volumes (down 8.6% m/m and 9.9% y/y), especially empty international volumes (down 19.1% m/m and 8.9% y/y), are expected to contract further with double-digit y/y declines in Q4 as comps become more difficult. Besides the overall loss of import volumes, the ports’ market share is forecast to shift more to the East Coast, another factor detrimental to the international segment.

Domestic intermodal volume (up 1.3% m/m but down 0.6% y/y) has been far more consistent, however, posting a much better performance in September and the first half of October. J.B. Hunt, the largest domestic intermodal provider, said on its Q3 earnings call that its customers are forecasting a coming peak in the fall — despite the pull-forward of imports and this year’s unusually early “peak season surcharges.” The rationale is that there should be considerable demand forthcoming tied to positioning inventories from upstream port locations (such as California’s Inland Empire) to downstream locations closer to consumption centers. As this momentum builds, so too does the velocity of empty domestic containers (up 8.2% m/m and 6.3% y/y).

Intermodal contract rates: An early warning, or a head fake?

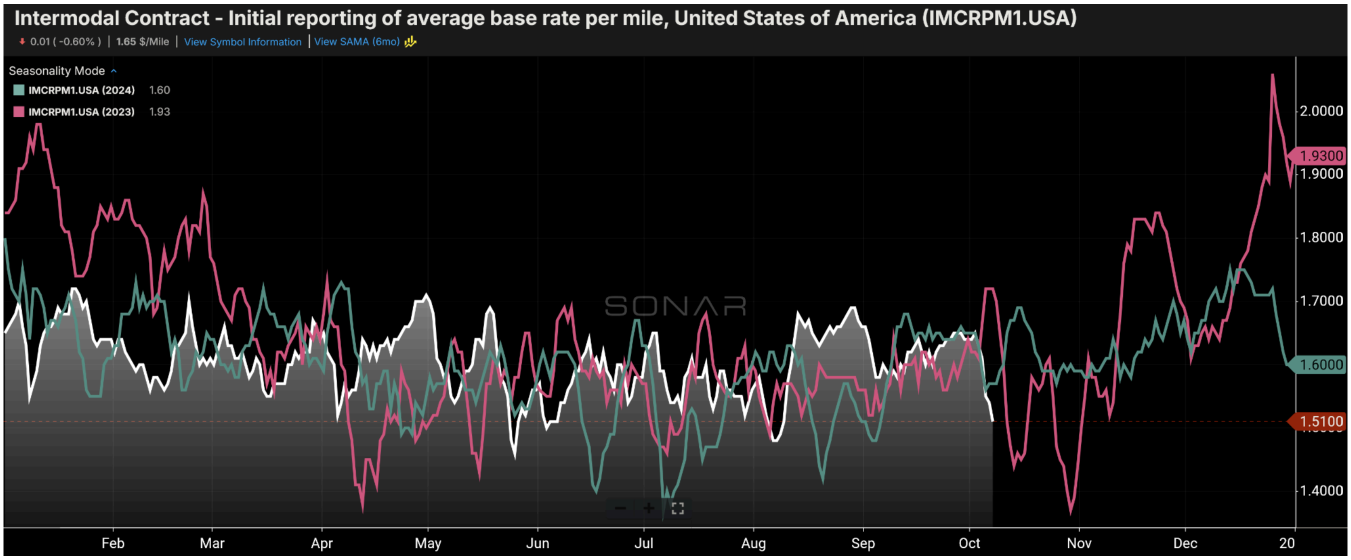


Chart: FreightWaves SONAR. Intermodal contract rates on a sample of domestic intermodal lanes in 2025 (white), 2024 (blue) and 2023 (pink).

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, with the caveat that the defining feature of rates' natural fluctuation this year has been shorter peaks and wider valleys. Intermodal contract rates averaged $1.62 per mile in September 2025, unchanged from August's average and from year-ago levels.

A stall such as this one typically precedes a nosedive; preliminary data from October indicates that intermodal contract rates are in a freefall that has yet to be arrested. Rates fell 8.5% over the first week of October and are sitting, at the time of writing, at $1.51 per mile. If this trend continues for even a few more days, it would mark the first non-holiday break below $1.50 and would indicate even more volatility in an already-volatile segment.

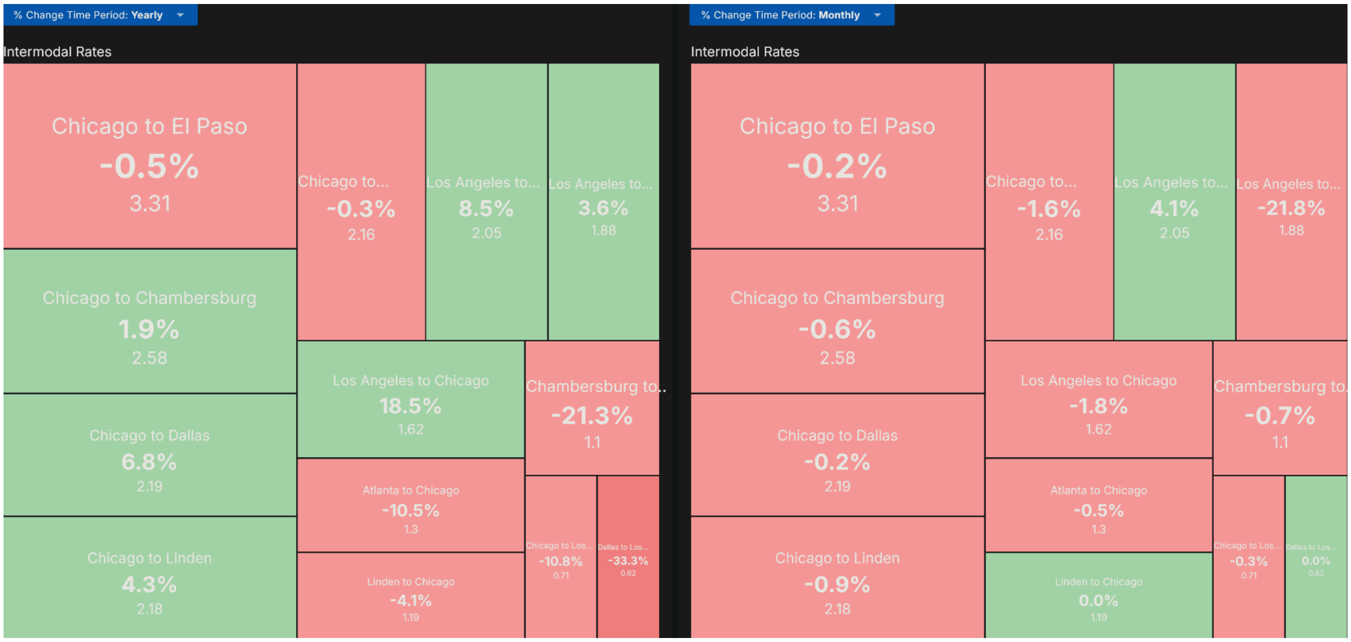


Chart: SONAR. Intermodal spot rates to move 53-foot containers door to door, including fuel surcharges and their respective y/y (left) and m/m (right) changes.

On the other side of the equation, intermodal spot rates suggest that there is almost no need for carriers to protect contracted capacity. In October, the national intermodal spot rate has more or less stabilized just above year-to-date lows — an inauspicious start to Q4. On average, intermodal spot rates are down 4.7% y/y and 1.4% from September's end-of-month peak.

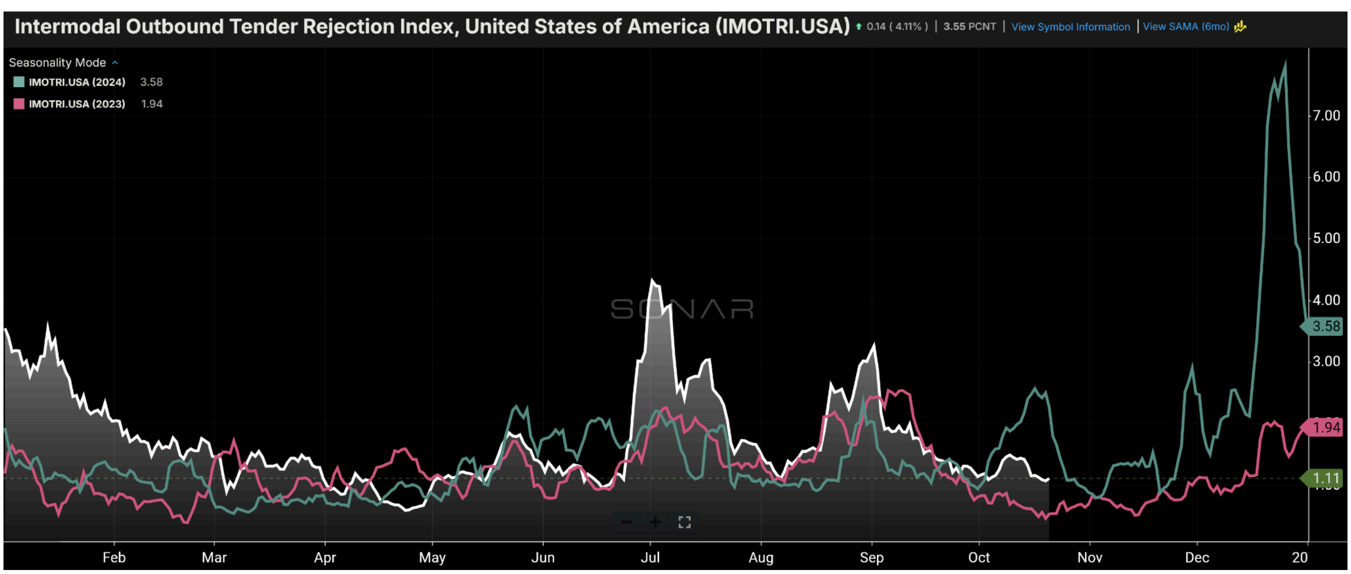


Chart: SONAR. National intermodal outbound tender rejection rates in 2025 (white), 2024 (blue) and 2023 (pink).

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 1.26% in October 2025, down 42 bps from the month prior and 43 bps from year-ago levels, signaling sufficient capacity and improved reliability among carriers.

What else we're watching

The U.S. economy continues to contend against a mix of domestic policy shifts and external pressures in the lead-up to the fourth quarter of 2025. Real GDP increased at an annual rate of 3.8% in Q2, reflecting a pickup from the first quarter's negative growth albeit one primarily driven by declining imports (which weigh on GDP). Economists surveyed by the National Association for Business Economics expect U.S. GDP growth to accelerate to 2.6% in 2025 from last year's 2.4%, though job growth and inflation concerns persist. Similarly, the IMF's World Economic Outlook projects U.S. growth at 2.6% for this year, with inflation expected to pick up in the second half due to tariff impacts.

There is hardly a dull moment concerning U.S. trade policy, and recent weeks have proved to be no exception. On Sept. 25, President Donald Trump announced new tariffs — effective Oct. 1 — which included a 100% tariff on branded pharmaceuticals from certain countries as well as Section 232 investigations into imports like robotics and medical equipment. Trump's trade war continues with upcoming (at the time of writing) tariff deadlines, such as a 25% tariff on all imported medium- and heavy-duty trucks effective later in October, new tariffs on timber, lumber and furniture — including 10% on softwood timber and 25% on certain upholstered wooden furniture — and an additional tariff hike on China's U.S.-bound exports.

In fact, the U.S.-China trade war — once thought to be dormant until Nov. 10, when the 90-day tariff ceasefire extension was to expire — has recently reignited. On Oct. 9, China announced enhanced restrictions on rare-earth exports, citing national security concerns. This chokehold, along with the U.S.' vice grip on technology necessary for advanced AI, has been a major point of contention in the two countries' protracted bargaining. Trump responded to the restriction by calling it "extremely hostile" and retaliating with a threat of a 100% tariff hike against China by Nov. 1 "or sooner."

The impact of these trade policies is already evident: China's exports to the U.S. fell a yearly 27% in September even as global shipments rose. Global trade expanded by roughly $500 billion in the first half of 2025 despite volatility and policy shifts. The Tax Foundation, which is known to have a conservative bias that advocates for lower U.S. corporate tax rates, estimates that the current administration's tariffs amount to an average tax increase of nearly $1,300 per U.S. household in 2025. If accurate, it is likely that this rise will be offset by the estimated $100 billion stimulus during 2026's tax refund season effected by the One Big Beautiful Bill Act.

Speaking of Washington, Treasury Secretary Scott Bessent stated that the ongoing federal government shutdown is beginning to impact the U.S. economy and citizens' lives after two weeks. Analysts estimate the shutdown could shave 10 to 20 basis points (bps) off economic growth for each week it persists, though much of the lost activity might soon be recouped once the impasse is resolved. Over 600,000 federal workers have been furloughed with states' repayment in doubt, potentially costing the national economy $15 billion per week.

Sadly for this report, the shutdown has also delayed key economic data releases, including the September labor market data.

Alternatives for official payroll data are limited, but indicated continued sluggishness in the labor market. ADP's National Employment Report — which has had a dubious correlation to official data in recent years — showed that the private sector shed 32,000 jobs in September, far below the consensus forecast of a 50,000 gain as well as August's revised loss of 3,000. The Federal Reserve Bank of Chicago estimates that the national unemployment rate most likely remained steady at 4.3%. Challenger, Gray and Christmas reported that planned layoffs fell 37% in September, but year-to-date job cuts neared 950,000 — the highest since 2020. In the trade, transportation and utilities sector (which includes transportation and warehousing), ADP data indicated a loss of 7,000 jobs.

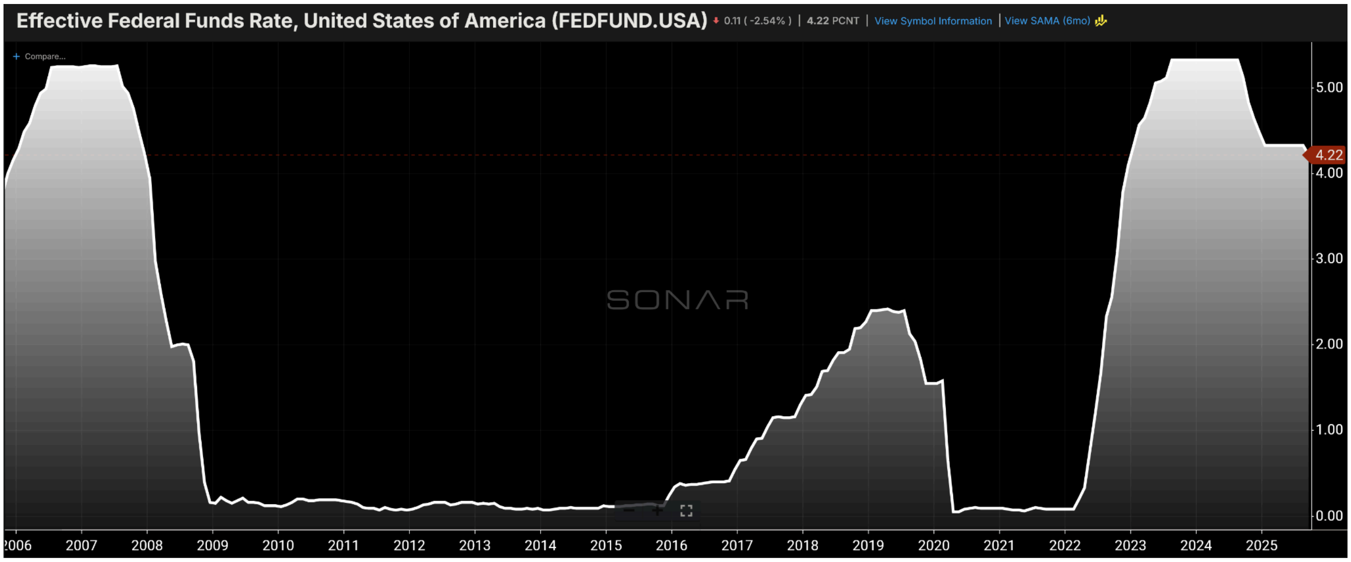


Chart: SONAR. Effective federal funds rate.

On the monetary policy front, the Fed resumed its interest-rate cutting cycle at its meeting in mid-September, bringing down rates by 25 bps. There are further indications that the Fed is making a dovish pivot: Speaking in mid-October, Fed Chair Jerome Powell remarked that "the downside risks to unemployment have risen" — the strongest hint so far that the Fed will feel justified in another 25-bps cut at its late October meeting.

Still, though the Fed is feeling an increased urgency to intervene before the labor market falls into severe contraction, the mood has not totally soured. Philadelphia Fed President Anna Paulson stated in a mid-October speech that she "anticipate[s] that 2026 will see growth near potential, and inflation rising and then subsiding as tariffs — together with current and past monetary policy restrictiveness — work their way through." Although Paulson is not presently a voting member of the Federal Open Market Committee, she will be one in 2026, making her opinion on monetary policy an important bellwether.

As seen in the rapid shifts of the U.S.-China trade war, the FOMC will find that geopolitical risk is in no short supply going forward. The IMF warns that U.S. inflation could rise in the second half of 2025 due to tariffs no longer being absorbed by importers. JPMorgan Chase CEO Jamie Dimon highlighted a heightened degree of uncertainty from tariffs and geopolitical tensions threatening the U.S. economy, despite its apparent health.

One possible canary for a new subprime debt crisis — the last of which, relating to subprime mortgages, crippled the global economy in 2007 — is the mid-September liquidation of auto lender Tricolor Holdings. Tricolor specialized in high-interest car loans to buyers with no credit history or Social Security number, including undocumented migrants in the U.S. Southwest. Its collapse could be a harbinger of many things, not least of which is higher enforcement of immigration policy. But the most concerning sign would be young peoples' inability to make payments on both student and auto loans, should Tricolor prove more than a mere outlier.

Given the federal government shutdown that began on Oct. 1, no official data on retail sales as well as on consumer or producer inflation has yet been released. That said, Bank of America forecasted that headline retail sales in September was likely flat on a monthly basis, with sales minus automobiles and gasoline down 0.4%. This prediction runs counter to the consensus forecast for a 0.4% m/m rise in both categories, but Bank of America has a stellar track record whenever its prediction diverges from the norm.

	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25
Gas	2.8%	0.6%	-1.1%	1.1%	-2.3%	-0.3%
Furniture	-1.3%	0.3%	1.0%	-0.2%	-0.6%	-0.4%
Home improvement	-0.2%	-0.3%	0.9%	1.8%	-3.8%	-1.5%
Clothing	-1.1%	0.4%	0.9%	1.2%	-0.3%	-1.7%
Grocery	0.2%	0.0%	0.3%	1.0%	-1.3%	0.0%
General Merchandise	0.2%	0.3%	0.7%	1.2%	-0.7%	0.2%
Department Store	-1.4%	-0.8%	0.4%	0.8%	-0.5%	-2.2%
Restaurants	-0.1%	0.4%	-0.1%	0.6%	0.1%	0.1%
Lodging	0.2%	-0.3%	0.9%	-1.1%	0.0%	0.1%
Airlines	-1.0%	2.5%	8.5%	-1.9%	0.4%	-1.9%
Total online retail (card not present)	-1.1%	2.1%	1.1%	0.7%	0.4%	0.4%

Source: BAC internal data. Card not present is largely online but could include purchases made over the phone. Gas includes convenience store purchases as well. The Home improvement, General Merchandise and Department store categories have been adjusted and restated. This has no impact on total retail spending.

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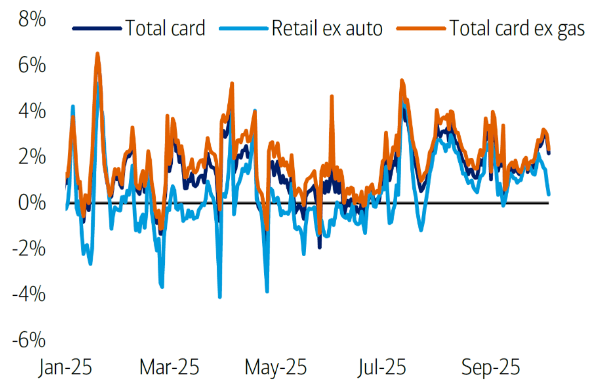
This track record is, in no small part, due to its direct access to card spending data. Total card spending per U.S. household, as measured by Bank of America's aggregated credit and debit cards, was up 2% y/y in September and only a modest 0.2% m/m. Aside from spending on gas (up 2.8% m/m, likely owing to increased demand from the back-to-school season), spending was weak in several key categories, including online retail and clothing (both down 1.1% m/m), furniture (down 1.3% m/m), and department stores (down 1.4% m/m).

Total card, retail ex auto and total card ex gas spending, per HH, based on BAC aggregated card data (y/y %change of the 7-day ma of spending levels)



Source: BAC internal data

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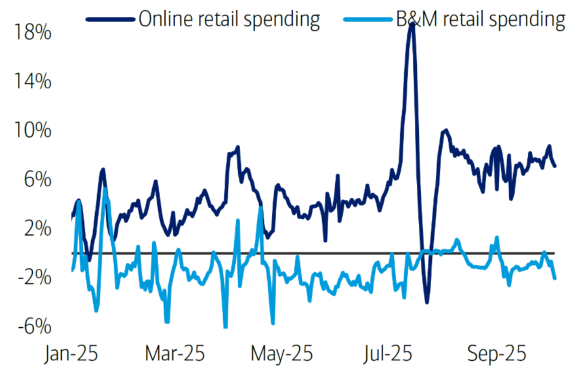
Online (card not present) and B&M retail spending, per HH, based on BAC aggregated card data (y/y %change of 7-day ma of spending levels)



Source: BAC internal data. Note: B&M retail means retail purchases at the store. Card not present is largely online but could include purchases made over the phone.

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In breaking with consensus, Bank of America's analysts noted that August's retail sales figures were buoyed (as expected) by a favorable seasonal adjustment — namely, Labor Day's being on Sept. 1, which pulled much of the spending for Labor Day weekend forward into August. Yet August's gain must necessarily be September's loss, with the bank forecasting a 0.4% m/m loss in retail sales excluding autos, gas, building materials and restaurants.

Bank of America is quick to caution that undue weight should not be placed on a September slowdown, given the three-month surge in consumer spending from June to August. Were a weak month for retail sales the only alarm bell ringing, it might be easier to follow this advice. But there is a growing wave of unease as cracks begin to form in the portrait of U.S. consumer health.

Restaurants, for instance, are historically a useful leading indicator of discretionary spending trends when the U.S. consumer suffers economic hardship. A team of analysts at UBS, led by Dennis Geiger, have warned that "lower-income consumer weakness [is] spreading to at least middle-income consumers," judging by restaurant traffic data and conversations with public and private restaurant chains. It goes without saying that, since consumer spending accounts for roughly three-quarters of GDP, early signals of a slowdown should not be taken lightly.

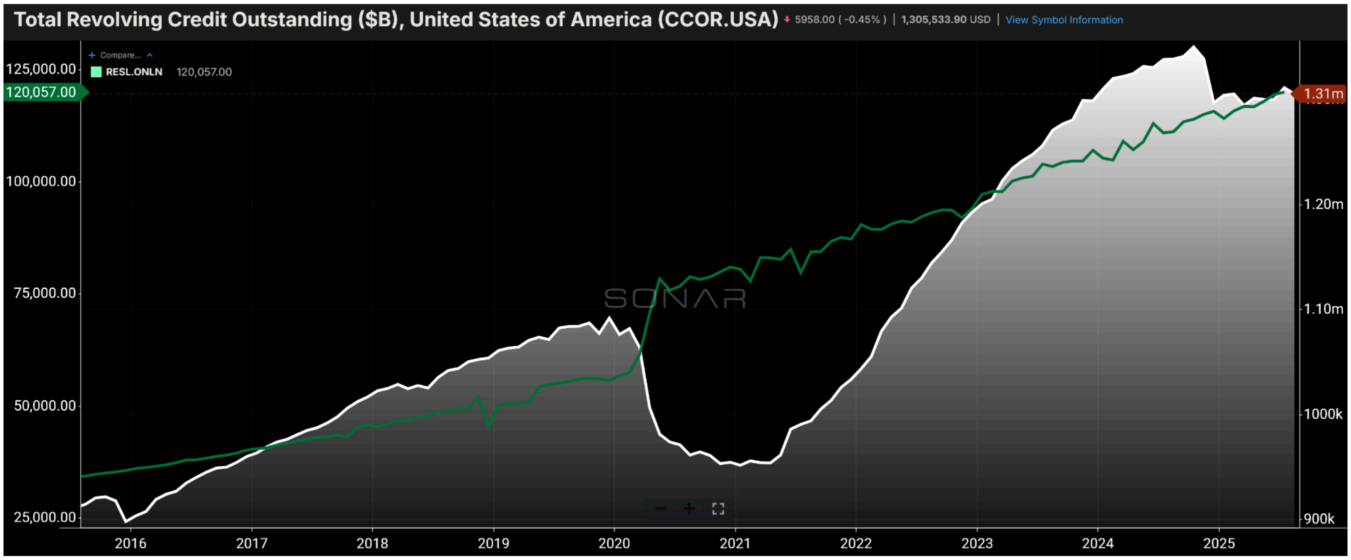

Chart: SONAR. Total revolving credit outstanding, in billion USD.

U.S. households are indeed growing more wary of relying on credit as inflation continues its upward march. The latest Fed data showed that total credit rose in August at an annualized rate of only 0.1%, a sharp correction from July's 4.3% gain and the slowest pace in six months. While the consensus forecast was for a $14 billion rise, the actual increase of $363 million was less than 3% of that prediction.

Most concerning for trucking markets, however, was the fact that August's tepid performance was driven by a major slowdown in revolving credit (a category that includes credit card debt). Revolving credit fell 5.5% or $6 billion in August, in line with Bank of America's analysis above. In times of economic uncertainty, it is always difficult to interpret trends in revolving credit — if demand for credit slows, it could mean that consumers are simply unable to afford taking on more debt. On the other hand, if revolving credit accelerates, it might instead imply that consumers are running out of cash on hand, and instead papering over the gaps with credit.

To avoid getting caught in such a double-bind, consumer sentiment data can serve as the tiebreaker. The University of Michigan's preliminary Index of Consumer Sentiment for October favors the bearish interpretation, as it edged down to 55.0 — marking a five-month low and a 22% y/y loss as households expressed pessimism about their finances. "Pocketbook issues like high prices and weakening job prospects remain at the forefront of consumers' minds," wrote Joanne Hsu, director of consumer surveys at the Institute for Social Research. "At this time, consumers do not expect meaningful improvements in these factors." On the bright side, the survey also revealed that consumers have largely shrugged off the government shutdown.

A separate sentiment survey, the Conference Board's Consumer Confidence Index, affirmed this pessimism. The headline index declined 3.6 points to 94.2 in September — its lowest level since April — largely caused by a 7-point drop in the Present Situation Index. The Expectations Index also fell 1.3 points m/m to 73.4. September thus marks the eighth consecutive month in which this latter index was below the threshold of 80 that has historically signaled a looming recession. The silver lining here (if any) is that while such indicators might have been reliable prior to the pandemic, many of them have since been exhausted of their predictive powers.

Indeed, recent comments from banking executives suggest the opposite trend: In an October earnings call, Wells Fargo's chief financial officer Mike Santomassimo stated, "You see strong consumer spend and stable deposits. Those things kind of paint a picture of a consistently strong consumer. Even though what you read about … would lead you to believe that they're being more cautious, our results just say that there's a high degree of consistency without any real pockets of slowing."

Similarly, JPMorgan CFO Jeremy Barnum noted that the "current facts on the consumer side" show that spending is robust, delinquency rates are below expectations, and the consumer is healthy overall. Even so, Barnum cautioned: "There are risks, and the fact that things are fine now doesn't mean they're guaranteed to be great forever." One such risk would obviously be a resurgence of inflation that stifles consumer spending.

Official releases of supply- and demand-side inflation data have been delayed by the federal government shutdown, though the Federal Reserve Bank of Cleveland posted its "nowcast" of the Consumer Price Index. The Cleveland Fed predicts that the CPI rose 0.4% m/m and 3% y/y in September, in line with Wall Street's consensus.

If true, this performance would mark an unwelcome continuation of August's 0.4% m/m rise, which was slightly higher than the 0.4% m/m gain forecasted. If September's inflationary pressures match those of August, such a gain would largely be driven by rising prices in the services sector. On the one hand, service-driven inflation is not greatly connected to U.S. trade policy but, on the other, it threatens to be indicative of a far stickier trend than if goods prices were to rise.

Similarly, September's print of the Producer Price Index has been delayed indefinitely, but the median forecast put the headline PPI at 3.3% y/y growth. This forecast translates to a 0.5% m/m drop, keeping up August's disinflationary 0.1% m/m decline. The lack of positive growth in the PPI makes the survey data from manufacturers — which claims inflationary pressures that are greater upstream than downstream — somewhat difficult to take at face value.

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 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 6.27%, 1 bp lower m/m and 17 bps lower y/y.

Existing-home sales, which comprise the vast majority of home sales in the U.S., stalled out in August. According to the National Association of Realtors, sales of existing homes edged 0.2% down from July at an annualized rate of 4 million. August's performance barely made a dent compared to July's upwardly revised 2% m/m rise, however. Yearly comparisons varied by region, with sales rising in the Midwest and West but falling in the Northeast and South. The median sales price of an existing home thankfully retreated 0.8% m/m yet remained 2% above year-ago levels at $422,600.

As with most official datasets typically covered in this report, details on September's housing starts and building permits have been delayed by the government shutdown. At the time of writing, the consensus forecast is for housing starts to remain unchanged from August's 1.31 million but for building permits to see a healthy 3% m/m bump.

This forecast is made more credible with the October release of the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index, which gauges national sentiment around single-family construction. The headline index rose 5 points from September to 37 — its highest reading since April and the largest m/m jump since the beginning of 2024. Also, for the first time since last January, future sales expectations broke above the no-change mark of 50 into expansion, with a 9-point m/m rise bringing the index to 54. The other components, current sales conditions and traffic of prospective buyers, also saw growth but remained stuck in deep contraction.

"While recent declines in mortgage rates are an encouraging sign for affordability conditions," wrote NAHB Chairman Buddy Hughes, "the market remains challenging. The housing market has some areas with firm demand, including smaller builders shifting to remodeling and ongoing solid conditions for the luxury market. However, most home buyers are still on the sidelines, waiting for mortgage rates to move lower."

The future nevertheless seems bright, with NAHB Chief Economist Robert Dietz adding, "The HMI gain in October is a positive signal for 2026 as our forecast is for single-family housing starts to gain ground next year." Dietz continued, "Combined with anticipated further easing by the Fed, builders expect a slightly improving sales environment, albeit one in which persistent supply-side cost factors remain a challenge."

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