

# Transportation & Logistics Market Update

Industry Specialty | April 2025

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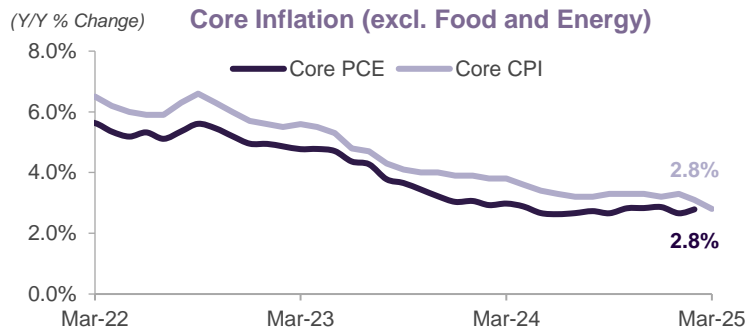
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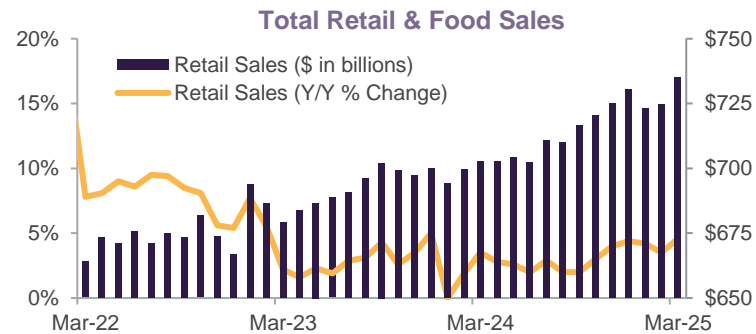
## Macroeconomic Backdrop

- **Tariffs:** In early February, President Trump officially announced that the U.S. will impose tariffs on its three largest trading partners, China, Mexico, and Canada, declaring a national emergency under the International Emergency Economic Powers Act. Since that announcement, U.S. officials have shared several iterations of the new tariff strategy, including reciprocal tariffs on almost all trade partners announced on April 2<sup>nd</sup>, followed by a pause for some countries and for certain products.
- **Interest Rates:** The Federal Reserve ("Fed") ended 2024 with three consecutive rate cuts bringing the Fed Funds Rate to a target range of 4.25%-4.50%. At the March 2025 Federal Open Market Committee meeting, the Fed kept interest rates steady for a second straight meeting. Fed's latest economic projections reflect expectations of slower growth and higher core inflation by year-end in part due to higher U.S. tariffs and consequential retaliation.
- **Consumer Dynamics:** Consumers have remained resilient through volatility in recent years, but recent economic uncertainty has impacted consumer sentiment. In March 2025, U.S. consumer confidence declined for a 4<sup>th</sup> consecutive month to the lowest level in twelve years due to concerns about the economy, inflation and the impact of tariffs.
- **Business Activity:** Economic activity in the manufacturing sector contracted in March after two consecutive months of expansion according to the Manufacturing ISM Report. Demand weakened as the Inventories Index remained in "too low" territory. The Production and Employment indexes also weakened, and factory output contracted indicating that companies are revising production plans.

## Consumer Dynamics

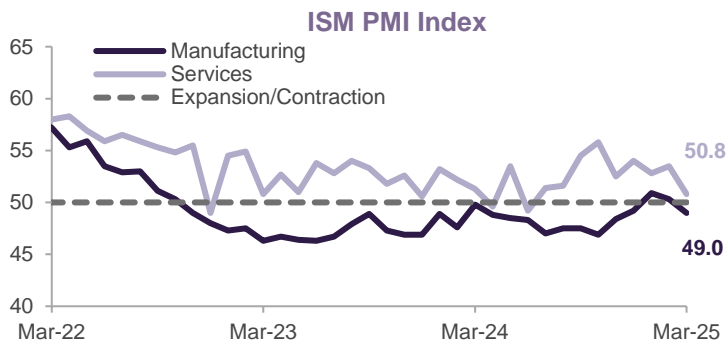


While U.S. inflation has continued to cool, the data does not yet reflect any impact on prices due to tariff changes

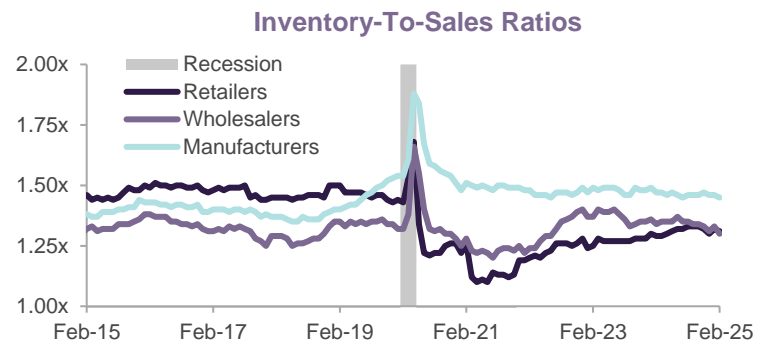


Consumers have continued to spend, but new tariffs will likely pressure retail prices and affect consumer behavior

## Business Activity



After two months of expansion, the Manufacturing Index contracted in March given the tariff and macro uncertainty



Retailers have increased inventory levels due to concerns around port labor strikes and tariff policies



Data updated as of 4/14/2025

Sources: Bloomberg, Wall Street Journal, Capital IQ, Federal Reserve Economic Data, Census Bureau, Descartes Datamyne, Department of Transportation, American Trucking Associations, Cass Information Systems, FTR Transportation, FreightWaves, Institute for Supply Management, U.S. Census Bureau, Journal of Commerce, ACT Research, Bureau of Economic Analysis, White House Press Releases, Company Reports

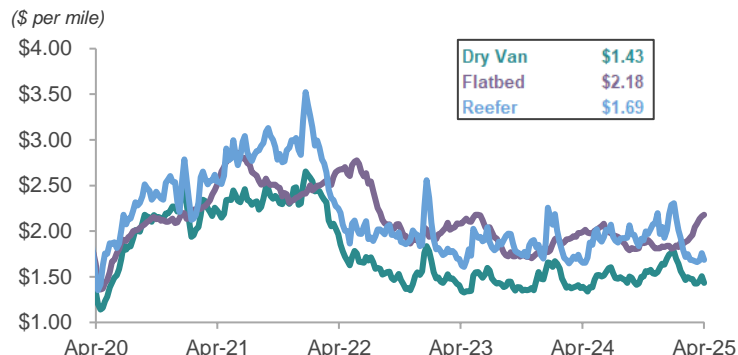
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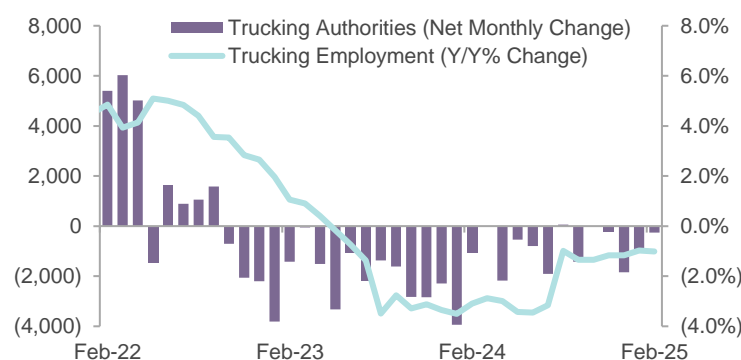
## Trucking Market

- Truckload Rates:** Linehaul spot rates were almost flat Y/Y in March (+/- 2% across core modes). Rates have cooled from the upward movements in Q4 2024 and early January, as the market transitioned from holiday season demand to normalized seasonal levels. Compared to spot rates, contract prices have been more stable, although significant improvements are not expected until spot rates rise. Rates are expected to increase modestly as the year progresses, barring any prolonged lulls in manufacturing and capital investments due to trade policy uncertainty.
- Capacity:** Trucking capacity has gradually exited freight markets in the last two years, evident by the decline in trucking authorities and trucking employment. Since October 2022, there has been a net loss of ~38,000 trucking authorities as market conditions have pushed out small operators. While carrier exit figures don't provide a definitive perspective on capacity, tightening capacity is further highlighted by a sharp decline in trucking employment. Monthly trucking jobs have been lower than Y/Y comparisons for 22 consecutive months.
- Demand:** ATA's Truck Tonnage Index, which measures U.S. for-hire trucking volumes, has shown positive signs recently. While extreme weather presented challenges in early 2025, the seasonally-adjusted February reading of 115.2 was +3% M/M and +0.6% Y/Y. The ramp up of frontloaded imports likely played a role, and the demand picture appears favorable heading into spring season.
- Equipment Regulation:** The EPA has announced plans to reconsider emissions standards related to the "Clean Trucks Plan", which included rules for reducing carbon emissions for heavy-duty trucks. The Transportation Freedom Act introduced in the U.S. Senate earlier this year seeks to repeal heavy-duty emissions standards, eliminate new and existing emissions waivers granted to states, and set a national standard for emissions. This initiative aims to eliminate burdensome emissions rules for heavy-duty trucks and protect the supply chains.

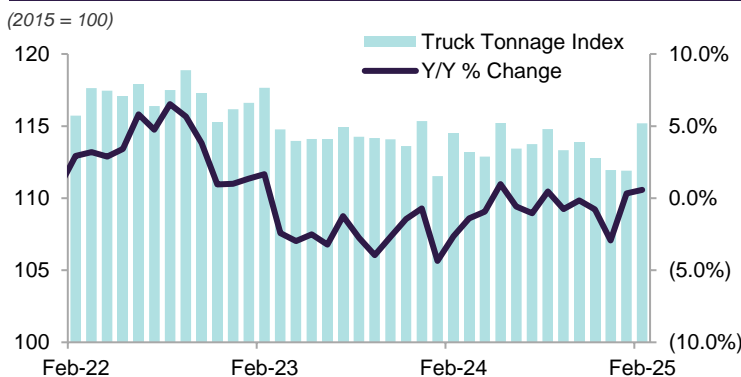
### Spot Rates By Mode (excl. fuel surcharge)



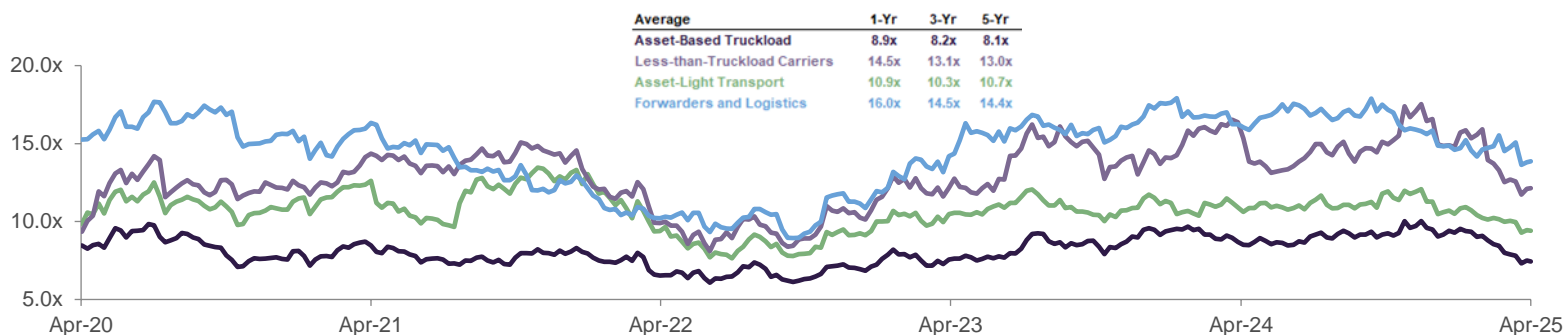
### Trucking Capacity



### ATA Truck Tonnage Index



### Transportation & Logistics EV / NTM EBITDA



Asset-based Truckload: JBHT – J.B. Hunt / KNX – Knight-Swift Transportation Holdings Inc. / WERN – Werner Enterprises, Inc. / HTLD – Heartland Express, Inc. / MRTN – Marten Transport Ltd / CVLG – Covenant Logistics Group / SNDR – Schneider National  
 Less-than-Truckload Carriers: SAIA- SAIA, Inc. / ARCB- Arkansas Best / ODFL- Old Dominion Freight Line, Inc. / XPO – XPO, Inc. / TSX: TFI – TFI International Inc.  
 Asset-Light Transport: LSTR – Landstar Systems, Inc. / FWRD – Forward Air Corp. / HUBG – Hub Group / GXO – GXO Logistics, Inc. / ULH – Universal Logistics Holdings, Inc.  
 Forwarders and Logistics: CHRW – C.H. Robinson Worldwide, Inc. / EXPD – Expeditors International of Washington, Inc. / RXO – RXO, Inc. / SWX: KNIN – Kuehne + Nagel International AG

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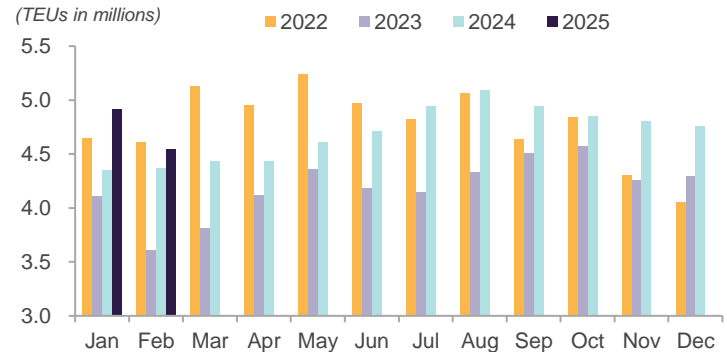
## Maritime Transportation

- **Container Volumes:** U.S. container port volumes increased significantly in 2024 compared to 2023. While most notable seaports saw Y/Y increases, West Coast seaports outperformed other regions. The top five U.S. West Coast ports increased TEU volumes by 17.8% Y/Y, compared to 9.5% at the top East and Gulf Coast ports. Inventory restocking and tariff concerns drove strong import activity, and the West Coast also experienced stronger gains due to concerns of a prolonged ILA strike across East and Gulf Coast ports, which did not materialize. While U.S. trade policy uncertainty has led to continued frontloading of imports, stockpiling activity is expected to decelerate as the year progresses.
- **Ocean Container Shipping Prices:** Ocean shipping rates per forty-foot equivalent ("FEU"), have dipped below historic 3-year averages. After a volatile 2024, rates have declined primarily due to additional capacity in the market as new ocean carrier alliances settle.
- **Geopolitical Factors:** Attacks on ships in the Red Sea continue to cause disruptions in global supply chains. This has led to the rerouting of major shipping lines, extending voyage times and increasing costs.
- **Executive Action / Maritime Action Plan:** On April 9<sup>th</sup>, 2025, President Trump signed an Executive Order to restore American maritime dominance. The order establishes a trust fund to provide consistent funding for maritime programs in addition to a shipbuilding financial incentives program to boost private investment in U.S. shipbuilding.

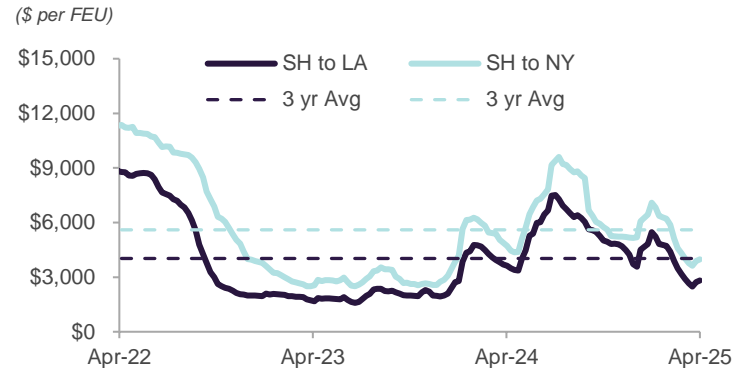
## Industrial Warehousing

- **Industrial Storage:** Vacancy rates continued to increase throughout 2024 reaching 6.7% in 4Q 2024. This is the 9<sup>th</sup> straight period of increasing vacancy rates as excess supply persists. Construction deliveries decreased 45% Y/Y and reached a 4-year low as 85.3 million sq. ft. were delivered in 4Q 2024. Asking rent has continued to increase reaching an all-time high of \$10.13 in 4Q 2024. Net absorption decreased 28% Y/Y as occupiers consolidated operations to reduce costs and improve efficiency.
- **Growth Markets & Trends:** In 2024, most markets posted a deceleration in net absorption, with a few exceptions in markets with increasing industrial activity and stronger population growth. As industrial construction activity continues to moderate and return to pre-pandemic levels, warehousing supply and demand is expected to rebalance. Overall, delivery of new warehousing space is unlikely to increase significantly until more existing supply is utilized. Another key theme is that logistics providers are seeking ways to maximize capacity and gain efficiencies using technology and automation.

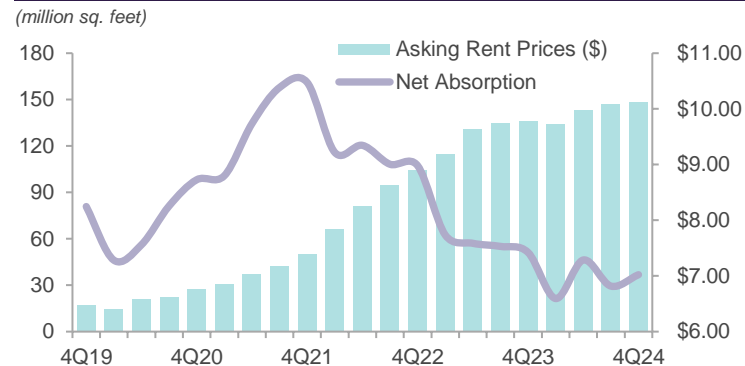
### Port Volumes at Major North American Gateways<sup>1</sup>



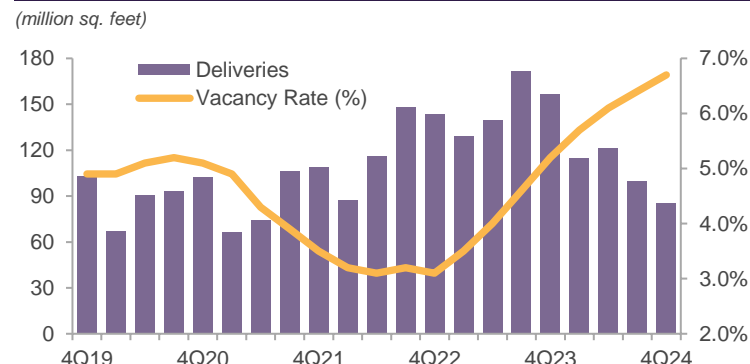
### Benchmark Ocean Freight Rates



### Asking Rent & Net Absorption



### Deliveries & Vacancy Rates



(1) Container ports included: Los Angeles, Long Beach, New York/New Jersey, Savannah, Vancouver, Seattle/Tacoma, Oakland, Virginia, Houston, Charleston, Prince Rupert, Jacksonville, Baltimore