**TRANSPORTATION & LOGISTICS** | 3Q26

# Industry Update

## 2026 Progress & Outlook

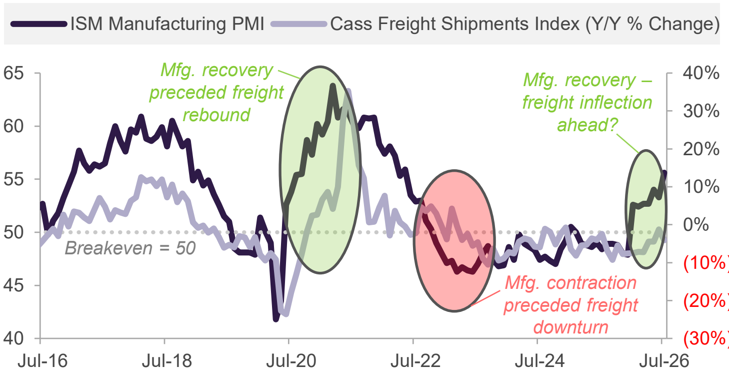
- Freight market fundamentals are improving, led by tighter capacity and firmer pricing, while underlying shipment demand remains uneven across modes and end markets.
- Operators with scalable networks, technology-enabled operations, and diversified customer portfolios are increasingly gaining share as shippers prioritize reliability, visibility, and service consistency.
- Market conditions remain challenging for smaller operators, supporting continued industry consolidation and creating opportunities for well-capitalized providers to expand market share through acquisitions and organic growth.
- While macro and trade policy uncertainty remains, current indicators support a constructive outlook for the sector heading into 2027.

**+18%**
Dry Van Contract Linehaul Rates YoY — July 2026

**55.6**
ISM Manufacturing PMI — July 2026 Highest Since May 2022

## Manufacturing Recovery Signals Potential Freight Inflection

- ISM Manufacturing PMI has historically served as a leading indicator for freight demand, with changes in industrial activity often preceding shifts in freight volumes.
- Manufacturing momentum strengthened further in July, with the ISM Manufacturing PMI reaching its highest level since May 2022, and new orders expanding for a 7th consecutive month, suggesting greater stability across key sectors and a more constructive demand environment.
- Historically, changes in manufacturing activity have often preceded changes in freight shipment trends, making the recent improvement in PMI and new orders a constructive signal for freight demand outlook.




## What We're Watching

### Manufacturing Momentum

The ISM Manufacturing PMI has expanded for seven consecutive months, providing a **more constructive backdrop for freight demand**. Continued strength in industrial production and new orders could support higher shipment volumes across truckload, intermodal, and industrial logistics markets. Improving freight demand could support asset utilization and renewed fleet and network investment.

### Capacity Rebalancing

Carrier exits and reduced equipment ordering have **improved supply-demand balance** across portions of the freight market. As capacity tightens and utilization improves, transportation providers may benefit from firmer pricing and improved profitability. Improving carrier profitability could support balance sheet improvement, selective equipment investment and inorganic growth.

### Trade Policy & Supply Chain Realignment

Tariffs, customs changes, and shifting trade flows continue to influence sourcing decisions and transportation networks. Logistics providers with flexible networks and trade expertise may be well positioned to **capitalize on evolving customer supply chain strategies**.

### Inventory Restocking Activity

Many **industrial supply chains remain relatively lean** following several years of inventory correction. As inventory levels normalize, restocking activity could provide incremental freight demand and support higher asset utilization through 2027.

*Data updated as of 8/31/2026.*
*Sources: Bloomberg, DAT Freight Data, Institute for Supply Management, Cass Information Systems, FTR Intel, Truckstop, U.S. Dept. of Energy, Cushman & Wakefield, Drewry*

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**Transportation & Logistics Industry Specialty Team**

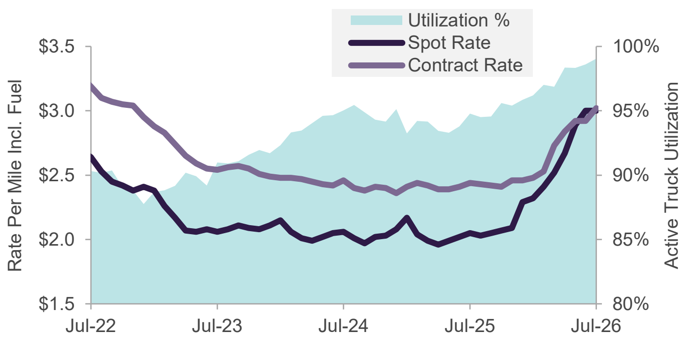

**Ramona Burada** | Specialist | Ramona.Burada@Truist.com | (770) 597-6965
**Carlos Yepez** | Vice President | Carlos.Yepez@Truist.com | (786) 318-9315
**Sachin Kadam** | Analyst | Sachin.Kadam@Truist.com | (678) 763-7467
**Zach Zhao** | Analyst | Zachary.Zhao@Truist.com | (404) 615-8131

# Trucking Market

Tighter capacity and rising truck utilization are supporting stronger contract and spot pricing, suggesting the truckload cycle has entered a more favorable phase for carriers.

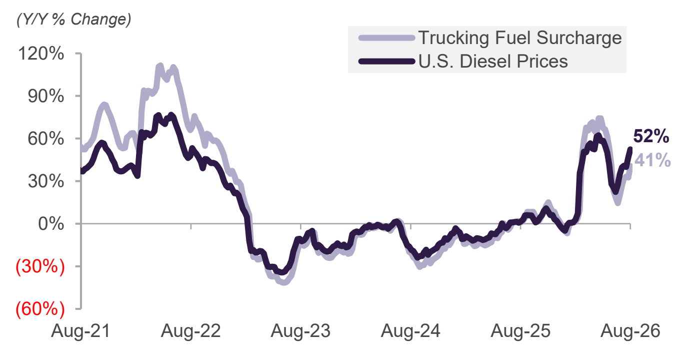
### Active Truck Utilization & Dry Van Truckload Rates

*Utilization levels and contract pricing have continued to improve, indicating a healthier operating environment for carriers*




### Fuel Surcharges Adjust with Diesel Costs

*Fuel surcharge mechanisms largely pass through higher diesel costs, but timing lags and empty miles can still pressure carrier margins*

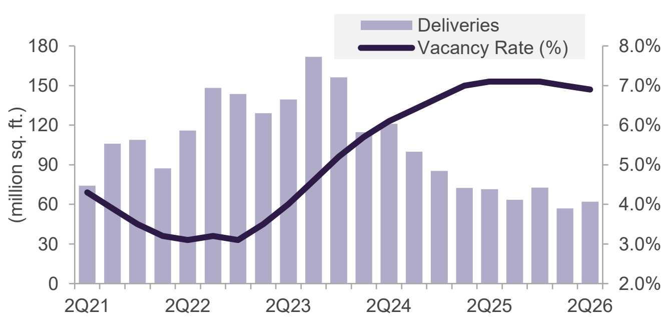



# Industrial Warehousing

The industrial real estate market is progressing through a normalization phase as slower development activity and steady tenant demand improve supply-demand balance. For logistics providers, a more stable warehouse market supports network optimization and long-term facility planning.

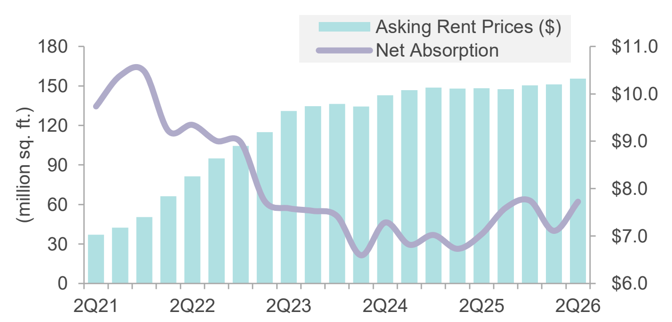
### Vacancy Rates & Construction Deliveries

*New deliveries have slowed meaningfully, helping absorb recently delivered inventory*




### Asking Rent & Net Absorption

*Leasing fundamentals continue to improve gradually, with tenant demand supporting absorption*



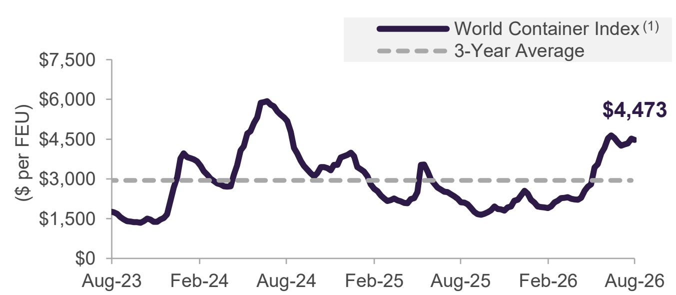

# Maritime Updates

Global supply chains continue shifting from efficiency-focused designs toward resilience-focused operating models, contributing to evolving trade flows and transportation network adjustments.

- **Red Sea Disruptions:** Ongoing Red Sea disruptions continue to alter vessel deployment patterns and extend transit times, prompting many importers to prioritize supply chain resilience over lowest-cost routing.
- **Panama Canal & El Niño:** Strengthening El Niño conditions and below-average rainfall are again pressuring Panama Canal water levels, prompting reduced transit capacity and draft restrictions.
- **Extension of Jones Act Waiver:** The waiver has been extended through Nov. 15, allowing qualifying foreign-flag vessels to transport certain covered products between U.S. ports, although the latest extension narrows eligible products and adds vessel-availability requirements.
- **Container Volumes Remain Resilient:** U.S. import volumes remain relatively healthy, supported by inventory restocking and ongoing supply chain realignment.

### Ocean Shipping Rates

*The WCI remains above historical averages, reflecting ongoing carrier capacity management and route-specific market dynamics*




*[1] The Drewry World Container Index tracks actual spot freight rates in USD per 40-foot container across eight major East-West trade routes.*
*Data updated as of 8/31/2026.*
*Sources: Bloomberg, DAT Freight Data, Institute for Supply Management, Cass Information Systems, FTR Intel, Truckstop, U.S. Dept. of Energy, Cushman & Wakefield, Drewry*