TL, LTL, & INTERMODAL || FORECAST

FREIGHT FORECAST: RATE AND VOLUME OUTLOOK

US, CANADA, AND CROSS-BORDER RATE & VOLUME FORECASTS

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2019 LAWRENCE R. KLEIN BLUE CHIP AWARD WINNER

Contributor to Blue Chip Economic Indicators and WSJ Economic Forecast Panel



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ACT Freight Forecast

Rate and Volume OUTLOOK

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Supply Response Tempers 2025 Rate Upside Potential

VOLUME OUTLOOK

- Pre-tariff restock to add to positive goods demand
- Volumes should improve in early 2025 on safety stocking, with eventual payback

TRUCKLOAD CONCLUSIONS

- Spot and contract rates both rising, first time since early 2022
- Market close to balance and capacity has contracted since FMCSA Clearinghouse-II rule

INTERMODAL CONCLUSIONS

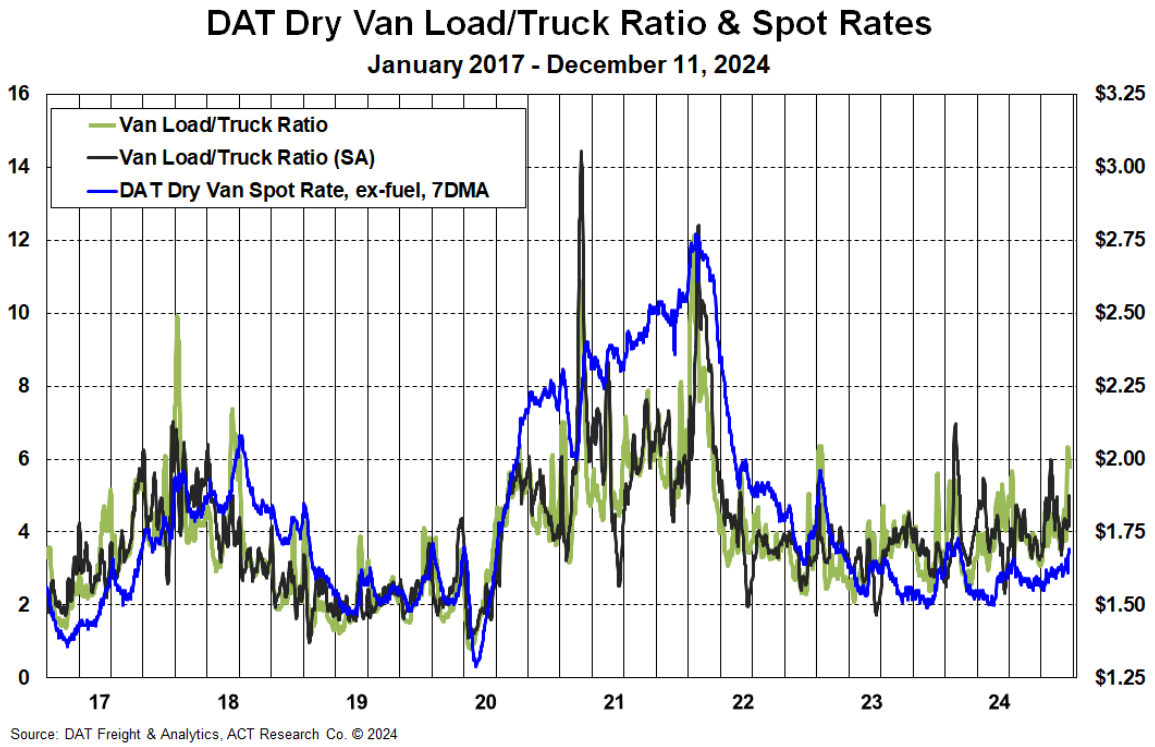
- Positive volume outlook accelerating near term on pre-tariff and pre-strike shipping
- Rate momentum begins to turn positive

LTL CONCLUSIONS

- Rates steadily moving higher, but trajectory to slow
- Tonnage down, but may get some help from better TL conditions in 2025

Chart of the Month

Though robust Class 8 orders in November signal a more sluggish for-hire cycle trajectory in 2025, dry van spot market conditions are still slowly but steadily improving.



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HIGHLIGHTS

Click paragraphs to zoom to more details

FREIGHT EXPECTATIONS

- Though a sugar high of freight activity is likely in 1H'25 as shippers build inventory ahead of likely tariffs and port strikes, these pull-forwards will have paybacks once tariffs and a labor contract are in place, likely by 2026.
- Short-term positioning ahead of tariffs should not be mistaken for improving long-term trends, but the supply response may have longer-term effects. The cyclicality of the trucking industry is firmly rooted in the difficulty of matching short-term changes in demand with long-term assets.
- If large November Class 8 orders mark the start of another wave of prebuying, it would likely have a chilling effect on the TL rate cycle.
- There are an extraordinary number of political "known unknowns" set to impact freight markets, mainly tariffs, taxes, immigration, and EPA rules.
- After raising forecasts for pre-tariff shipping in 1H'25 last month, we revert lower this month partly as the supply response to the election suggests more capacity than expected, and partly as we move to a population model that better reflects the shift to private fleets.
- US freight volumes are poised for change, but the timing is highly uncertain. The Trump administration's 25% tariff threat on inauguration day for Canada and Mexico is a major question.
- Intermodal demand has gained an added sense of urgency since the election, as shippers work to mitigate the impact of looming tariffs.
- LTL rate trends remain uniquely strong relative to the softness in TL and intermodal. Our LTL rate forecasts are not entirely independent of the TL market though, and the prospect of more prebuying even in 2025 does add some risk to the trajectory of LTL rates, if not the direction.

TRUCKLOAD

- The slow downward grind in DAT equipment postings continues with posts down 24% y/y in November and down 30% y/y in early December.
- DAT load postings fell 5% y/y in November.
- US dry van TL spot rates, net fuel, rose 1¢ m/m to $1.64 per mile in November, falling 1¢ in SA terms.
- Aggregate DAT contract rates of $2.16 per mile in November, rose 1¢ from October, in line with the seasonal pattern and up 0.2% y/y.
- The spot / contract rate spread was 37¢ in November, down from 39¢ in October.
- We estimate November Class 8 tractor order intake of 21,000 units, up from 16,043 units in October.
- US dealers sold 14,251 new Class 8 tractors in October, down 9.4% m/m as sales pushed from Q2 to Q3 by a mirror shortage fade.
- The preliminary US Class 8 tractor backlog/build (BL/BU) ratio rose to 6.5 months in November, up from 6.0 months in October.
- US exporters shipped 1,545 used Class 8 tractors abroad in October, down 15% y/y.
- The Supply-Demand Balance increased in October to 57.2 (SA), from 48.8 in September.
- The Capacity Index decreased by 1.1 points m/m to 49.7 in October, from 50.8 in September.
- The Volume Index increased 7.4 points in October to 56.9, from 49.5 in September.

INTERMODAL, RAIL & OCEAN

- North American Class I rail volumes are slowing in Q4, with intermodal volumes maintaining momentum.
- NA intermodal volumes grew about 6% y/y in November, slowing from 8% in September.
- Intermodal spot rates rose 3¢ m/m in November to $1.56 per mile, including fuel, and rose 6¢ per mile SA.
- Shippers will likely add to safety stocks in the near term to mitigate tariff risk.

LESS-THAN-TRUCKLOAD

- The local LTL PPI fell 0.1% m/m in November, after a 0.9% decrease in October, and has held in a 2% band since March.
- Average public LTL tonnage fell 3.0% y/y in November after a 4.8% decline in October.

US ECONOMY

- Major policy shifts on the way.
- The Fed's inflation-fighting efforts have provided positive results, with 75bps of rate cuts so far.

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FREIGHT EXPECTATIONS

FREIGHT FORECAST SUMMARY

U.S. TRANSPORTATION CAPACITY, VOLUMES & RATES

		2024					2025					
	2023	Q1	Q2	Q3	Q4	2024F	Q1	Q2	Q3	Q4	2025F	2026F
CAPACITY												
US CLASS 8 TRACTOR RETAIL SALES	208,400	41,695	41,170	46,774	42,561	172,200	35,069	38,246	38,623	38,062	150,000	209,000
Y/Y	5%	-18%	-27%	-11%	-12%	-17%	-16%	-7%	-17%	-11%	-13%	39%
US CLASS 8 TRACTOR POPULATION, 000s	1,666	1,682	1,692	1,702	1,707	1,707	1,708	1,710	1,714	1,720	1,720	1,770
Y/Y	7.2%	6.2%	4.7%	3.5%	2.5%	2.5%	1.5%	1.0%	0.7%	0.8%	0.8%	2.9%
TL NET INCOME MARGIN	5.0%	2.8%	3.2%	3.5%	4.1%	3.4%	3.3%	4.3%	4.3%	5.1%	4.2%	3.9%
Y/Y	(279bp)	(318bp)	(209bp)	(90bp)	(37bp)	(164bp)	50bp	110bp	82bp	97bp	85bp	(34bp)
VOLUMES												
Cass Freight Index® - Shipments	1.134	1.089	1.091	1.111	1.078	1.092	1.098	1.148	1.143	1.093	1.120	1.107
Y/Y	-5.5%	-5.2%	-5.3%	-2.8%	-1.4%	-3.7%	0.8%	5.2%	2.9%	1.4%	2.6%	-1.2%
ACT FREIGHT COMPOSITE INDEX	118.8	121.2	122.5	123.2	123.4	122.6	123.8	124.2	124.8	125.5	124.6	127.3
Y/Y	0.0%	3.0%	4.1%	3.3%	2.5%	3.2%	2.1%	1.4%	1.3%	1.7%	1.6%	2.2%
TRUCKLOAD RATES												
DAT CONTRACT RATE / MILE, NET FUEL	2.26	2.17	2.13	2.12	2.16	2.15	2.19	2.22	2.25	2.28	2.24	2.28
Y/Y	-13%	-10%	-6%	-3%	0%	-5.0%	1%	4%	6%	6%	4%	2%
DAT CONTRACT RATE / MILE, INCL FUEL	2.77	2.64	2.58	2.55	2.55	2.58	2.58	2.62	2.67	2.71	2.65	2.72
Y/Y	-14%	-11%	-6%	-6%	-5%	-7%	-2%	1%	5%	6%	3%	3%
DAT SPOT RATE / MILE, NET FUEL	1.76	1.75	1.72	1.74	1.81	1.75	1.84	1.96	1.97	1.95	1.93	1.83
Y/Y	-19%	-6%	-2%	2%	4%	-0.6%	5%	14%	13%	8%	10%	-5%
DAT SPOT RATE / MILE, INCL FUEL	2.28	2.22	2.17	2.16	2.20	2.19	2.23	2.36	2.39	2.38	2.34	2.27
Y/Y	-20%	-8%	-2%	-3%	-1%	-4%	1%	9%	11%	8%	7%	-3%
Cass Truckload Linehaul Index®	143.8	140.6	140.1	137.1	138.7	139.1	141.2	144.1	145.8	145.4	144.1	141.8
Y/Y	-10%	-5%	-3%	-3%	-2%	-3%	0%	3%	6%	5%	4%	-2%
LARGE FLEET RATE PER MILE, NET FUEL	2.80	2.70	2.71	2.73	2.72	2.71	2.73	2.76	2.84	2.86	2.80	2.79
Y/Y	-8%	-7%	-3%	-1%	-1%	-3%	1%	2%	4%	5%	3%	0%
LARGE FLEET RATE PER MILE, INCL FUEL	3.29	3.16	3.15	3.14	3.11	3.14	3.12	3.15	3.25	3.28	3.20	3.22
Y/Y	-10%	-8%	-3%	-4%	-4%	-5%	-1%	0%	3%	5%	2%	1%
LESS THAN TRUCKLOAD												
LTL PRODUCER PRICE INDEX - AGGREGATE	152.2	159.3	162.3	163.1	164.3	162.2	170.6	171.4	173.7	173.5	172.3	177.7
Y/Y	0%	6%	8%	6%	6%	7%	7%	6%	7%	6%	6%	3%
LTL RATE / CWT, NET FUEL	24.34	25.78	25.95	26.47	27.13	26.33	27.34	27.70	27.85	28.18	27.77	28.58
Y/Y	5%	9%	9%	8%	7%	8%	6%	7%	5%	4%	5%	3%
LTL TONNAGE (000s)	53,413	11,728	12,481	12,168	11,729	48,105	11,702	12,825	12,588	11,993	49,108	48,485
Y/Y	-14%	-17%	-14%	-6%	-1%	-10%	0%	3%	3%	2%	2%	-1%
INTERMODAL												
INTEK INTERMODAL SPOT RATE / MILE	1.74	1.69	1.50	1.50	1.57	1.57	1.62	1.76	1.79	1.81	1.75	1.74
Y/Y	-20%	-7%	-13%	-11%	-8%	-10%	-4%	17%	20%	15%	11%	-1%
INTERMODAL RATE / LOAD	2,954	2,808	2,770	2,771	2,799	2,787	2,815	2,864	2,920	3,002	2,900	2,906
Y/Y	-11%	-9%	-5%	-5%	-4%	-6%	0%	3%	5%	7%	4%	0%
NA CLASS I INTERMODAL LOADS (MM)	16.78	4.33	4.48	4.58	4.62	18.01	4.58	4.83	4.80	4.62	18.83	18.36
Y/Y	-6%	8%	7%	8%	5%	7%	6%	8%	5%	0%	5%	-3%

FORECAST CHANGE SUMMARY

(CHANGE FROM LAST MONTH)	2023	Q1	Q2	Q3	Q4	2024F	Q1	Q2	Q3	Q4	2025F	2026F
ACT CLASS 8 TRACTOR RETAIL SALES	1pp	0pp	0pp	0pp	0pp	0pp	7pp	8pp	1pp	(4pp)	3pp	(5pp)
CASS FREIGHT INDEX - SHIPMENTS	0pp	0pp	0pp	0pp	(0pp)	(0pp)	(2pp)	(0pp)	(0pp)	2pp	(0pp)	(0pp)
CASS TRUCKLOAD LINEHAUL INDEX	0pp	0pp	0pp	0pp	0pp	0pp	(0pp)	(1pp)	(2pp)	(2pp)	(1pp)	(0pp)
DAT TL SPOT RATE, NET FUEL	0pp	0pp	0pp	0pp	(2pp)	(0pp)	(3pp)	(5pp)	(4pp)	(3pp)	(4pp)	1pp
DAT TL CONTRACT RATE, NET FUEL	0pp	0pp	0pp	0pp	0pp	0pp	(1pp)	(0pp)	(1pp)	(3pp)	(2pp)	(0pp)
LTL RATE, NET FUEL	5pp	3pp	1pp	1pp	(2pp)	1pp	(2pp)	(0pp)	(1pp)	(2pp)	(1pp)	(1pp)
LTL VOLUME	0pp	0pp	0pp	0pp	(1pp)	(0pp)	(3pp)	(2pp)	(2pp)	1pp	(2pp)	(0pp)
INTERMODAL SPOT RATE	0pp	0pp	0pp	0pp	(1pp)	(0pp)	(2pp)	(1pp)	(2pp)	(3pp)	(2pp)	(1pp)
INTERMODAL VOLUME	0pp	0pp	0pp	0pp	2pp	0pp	1pp	0pp	(1pp)	0pp	(0pp)	(1pp)

Notes/Sources:

TL spot and contract data sourced from DAT Freight & Analytics. The total DAT TL Spot Rate is aggregated using ACT Research trailer population data.
TL Large Fleet Rate, LTL and Intermodal data are sourced from quarterly company reports and lag ~1 month on financial reporting timelines.
The under 11 (U11) year-old tractor population is an end of period point in time estimate based on ACT Research Class 8 tractor retail sales data.
TL net income margin sourced from the ACT Research Publicly Traded Truckload Carrier Database and based on core carriers.
TL contract rate data sourced from the ACT Research Publicly Traded Truckload Carrier Database, and include a small fraction of spot business.
LTL tonnage and yield data sourced from the ACT Research Publicly Traded Less-Than-Truckload Carrier Database.
CWT is an acronym for centweight, equal to one hundred pounds.
Intermodal volume and rate data sourced from AAR and the ACT Research Publicly Traded Truckload Carrier Database.
LTL and intermodal Producer Price Indexes (PPIs) sourced from US Bureau of Labor Statistics.
Y/Y % changes are current quarter vs. same quarter one year ago.
Diesel price data sourced from US Energy Information Administration.

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FREIGHT EXPECTATIONS

DAT TRUCKLOAD RATE FORECAST SUMMARY

US CONTRACT RATES ($)	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024F	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025F	2026F
DAT DRY VAN RATE / MILE, NET FUEL	2.13	2.03	2.00	1.99	2.03	2.01	2.05	2.08	2.10	2.13	2.09	2.13
Y/Y	-15%	-13%	-7%	-3%	1%	-6%	1%	4%	6%	5%	3.9%	2%
DAT REEFER RATE / MILE, NET FUEL	2.44	2.37	2.32	2.31	2.33	2.33	2.37	2.42	2.46	2.50	2.44	2.49
Y/Y	-10%	-7%	-5%	-4%	-2%	-4%	0%	4%	7%	7%	4.6%	2%
DAT FLATBED RATE / MILE, NET FUEL	2.60	2.53	2.54	2.54	2.59	2.55	2.61	2.66	2.68	2.74	2.67	2.73
Y/Y	-10%	-7%	-4%	0%	3%	-2%	3%	5%	6%	6%	4.8%	2%
AGGREGATE TL RATE / MILE, NET FUEL	2.26	2.17	2.13	2.12	2.16	2.15	2.19	2.22	2.25	2.28	2.24	2.28
Y/Y	-13%	-10%	-6%	-3%	0%	-5%	1%	4%	6%	6%	4%	2%
DAT DRY VAN RATE / MILE , INCL FUEL	2.63	2.48	2.43	2.40	2.41	2.43	2.43	2.47	2.50	2.54	2.49	2.55
Y/Y	-16%	-13%	-6%	-6%	-4%	-7%	-2%	1%	4%	5%	2%	3%
DAT REEFER RATE / MILE, INCL FUEL	2.98	2.86	2.79	2.75	2.74	2.79	2.79	2.84	2.90	2.94	2.87	2.95
Y/Y	-12%	-8%	-5%	-6%	-6%	-6%	-3%	2%	5%	7%	3%	3%
DAT FLATBED RATE / MILE, INCL FUEL	3.19	3.07	3.06	3.02	3.04	3.05	3.07	3.12	3.16	3.23	3.14	3.24
Y/Y	-12%	-8%	-4%	-4%	-2%	-4%	0%	2%	5%	6%	3%	3%
AGGREGATE TL RATE / MILE, INCL FUEL	2.77	2.64	2.58	2.55	2.55	2.58	2.58	2.62	2.67	2.71	2.65	2.72
Y/Y	-14%	-11%	-6%	-6%	-5%	-7%	-2%	1%	5%	6%	3%	3%

US SPOT RATES ($)	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024F	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025F	2026F
DAT DRY VAN RATE / MILE, NET FUEL	1.64	1.62	1.59	1.61	1.67	1.62	1.71	1.81	1.83	1.82	1.79	1.70
Y/Y	-21%	-7%	-2%	2%	5%	-1%	5%	14%	14%	9%	10%	-5%
DAT REEFER RATE / MILE, NET FUEL	1.97	1.96	1.92	1.96	2.04	1.97	2.04	2.22	2.21	2.16	2.16	2.04
Y/Y	-18%	-5%	-2%	2%	5%	0%	4%	15%	12%	6%	9%	-5%
DAT FLATBED RATE / MILE, NET FUEL	2.00	1.95	2.00	1.93	1.99	1.97	2.08	2.27	2.25	2.22	2.21	2.13
Y/Y	-16%	-7%	-5%	1%	6%	-2%	7%	14%	17%	12%	12%	-4%
AGGREGATE TL RATE / MILE, NET FUEL	1.76	1.75	1.72	1.74	1.81	1.75	1.84	1.96	1.97	1.95	1.93	1.83
Y/Y	-19%	-6%	-2%	2%	5%	-1%	5%	14%	13%	8%	10%	-5%
DAT DRY VAN RATE / MILE , INCL FUEL	2.13	2.07	2.02	2.01	2.05	2.04	2.09	2.19	2.23	2.23	2.18	2.12
Y/Y	-21%	-9%	-2%	-3%	-2%	-4%	1%	8%	11%	9%	7%	-3%
DAT REEFER RATE / MILE, INCL FUEL	2.51	2.45	2.40	2.41	2.46	2.43	2.46	2.63	2.65	2.61	2.59	2.50
Y/Y	-18%	-7%	-2%	-3%	-1%	-3%	0%	10%	10%	6%	7%	-3%
DAT FLATBED RATE / MILE, INCL FUEL	2.59	2.49	2.52	2.42	2.44	2.47	2.54	2.73	2.74	2.71	2.68	2.63
Y/Y	-17%	-9%	-5%	-4%	-1%	-5%	2%	9%	13%	11%	9%	-2%
AGGREGATE TL RATE / MILE, INCL FUEL	2.28	2.22	2.17	2.16	2.20	2.19	2.23	2.36	2.39	2.38	2.34	2.27
Y/Y	-20%	-8%	-2%	-3%	-1%	-4%	1%	9%	11%	8%	7%	-3%

DAT CANADA SPOT RATES / MILE	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024F	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025F	2026F
CANADA DRY VAN RATE, NET FUEL	1.68	1.60	1.56	1.65	1.63	1.61	1.71	1.81	1.83	1.82	1.79	1.71
Y/Y	-15%	-15%	-8%	4%	6%	-4%	7%	16%	11%	12%	11%	-4%
US to CANADA DRY VAN RATE, NET FUEL	1.71	1.62	1.63	1.56	1.50	1.58	1.63	1.79	1.82	1.76	1.75	1.76
Y/Y	-31%	-20%	-10%	0%	4%	-8%	1%	10%	16%	17%	11%	0%
CANADA to US DRY VAN RATE, NET FUEL	1.42	1.41	1.29	1.40	1.61	1.43	1.57	1.55	1.54	1.58	1.56	1.50
Y/Y	-24%	-17%	-7%	12%	20%	0%	11%	20%	10%	-2%	9%	-4%
CANADA DRY VAN RATE, INCL FUEL	2.17	2.06	1.99	2.06	2.01	2.03	2.09	2.19	2.23	2.23	2.19	2.14
Y/Y	-16%	-15%	-7%	-2%	-1%	-7%	2%	10%	9%	11%	8%	-2%
CANADA to US DRY VAN RATE, INCL FUEL	2.20	2.07	2.07	1.97	1.88	2.00	2.01	2.17	2.22	2.17	2.14	2.18
Y/Y	-29%	-18%	-8%	-5%	-3%	-9%	-3%	5%	13%	15%	7%	2%
US to CANADA DRY VAN RATE, INCL FUEL	2.20	2.07	2.07	1.97	1.88	2.00	2.01	2.17	2.22	2.17	2.14	2.18
Y/Y	-29%	-18%	-8%	-5%	-3%	-9%	-3%	5%	13%	15%	7%	2%

FUEL	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024F	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025F	2026F
DRY VAN FUEL SURCHARGE / MILE	0.49	0.45	0.43	0.41	0.38	0.42	0.38	0.38	0.40	0.41	0.39	0.42
Y/Y	-21%	-13%	-3%	-19%	-23%	-15%	-15%	-12%	-1%	7%	-6%	7%
REEFER FUEL SURCHARGE / MILE	0.54	0.49	0.47	0.45	0.41	0.46	0.42	0.42	0.44	0.44	0.43	0.46
Y/Y	-21%	-14%	-3%	-19%	-24%	-15%	-15%	-12%	-2%	8%	-6%	7%
FLATBED FUEL SURCHARGE / MILE	0.59	0.54	0.52	0.49	0.46	0.50	0.46	0.46	0.48	0.49	0.47	0.51
Y/Y	-21%	-14%	-4%	-19%	-24%	-15%	-15%	-11%	-1%	7%	-5%	7%
AGGREGATE FUEL SURCHARGE / MILE	0.51	0.47	0.45	0.42	0.40	0.44	0.40	0.40	0.42	0.42	0.41	0.44
Y/Y	-21%	-14%	-3%	-19%	-24%	-15%	-15%	-12%	-1%	7%	-6%	7%
DIESEL PRICE / GALLON	4.22	3.96	3.87	3.69	3.53	3.76	3.55	3.55	3.67	3.70	3.62	3.78
Y/Y	-15%	-10%	-2%	-14%	-17%	-11%	-10%	-8%	-1%	5%	-4%	5%

FORECAST CHANGE SUMMARY

(CHANGE FROM LAST MONTH)	2023	Q1	Q2	Q3	Q4	2024F	Q1	Q2	Q3	Q4	2025F	2026F
DAT SPOT RATE, NET FUEL	0pp	0pp	0pp	0pp	(2pp)	(0pp)	(3pp)	(5pp)	(4pp)	(3pp)	(4pp)	1pp
DAT SPOT RATE, INCL FUEL	0pp	0pp	0pp	0pp	(2pp)	(0pp)	(3pp)	(4pp)	(3pp)	(2pp)	(3pp)	1pp
DAT CONTRACT RATE, NET FUEL	0pp	0pp	0pp	0pp	0pp	0pp	(1pp)	(0pp)	(1pp)	(4pp)	(2pp)	(0pp)
DAT CONTRACT RATE, INCL FUEL	0pp	0pp	0pp	0pp	(0pp)	(0pp)	(1pp)	(0pp)	(1pp)	(3pp)	(1pp)	(0pp)
DIESEL PRICE ¢ / GALLON		$3.96	$3.87	$3.69	$3.53	$3.76	$3.55	$3.55	$3.67	$3.70	$3.62	$3.78

Sources: DAT Freight & Analytics rates, EIA fuel prices, ACT Research forecasts.

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ACT Research

The Freight Recession is Over.

Long Live the For-Hire Freight Recession.

Freight volumes have been growing since late 2023, yet most for-hire trucking volume indicators continue to decline or remain soft. When for-hire freight volumes return depends on when the private fleet insourcing trend of the past two years plays out. Strong November Class 8 orders push that time further into the future. Some of the strength was likely for-hire fleets' unleashed animal spirits, and/or hope for lower taxes, but we suspect much was private fleets concerned about supply disruptions. Whatever the concern, the outcome includes more capacity and a softer for-hire market outlook in 2025.

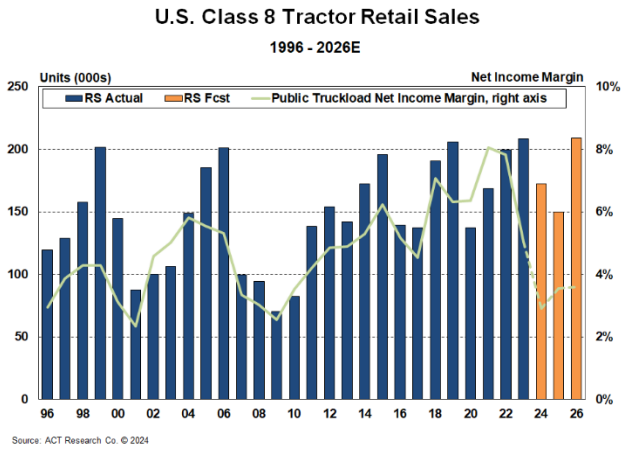
Though a sugar high of freight activity is likely in 1H'25 as shippers build inventory ahead of likely tariffs and port strikes, these pull-forwards will have paybacks once tariffs and a labor contract are in place, likely by 2026. Otherwise, as capacity still seems set to accelerate in 2026, for-hire freight conditions may stay soft and choppy for some time. The prebuy before EPA'07 led to the longest and the sharpest drop in for-hire profitability in recent history. Though contract rates have tentatively started to rise, ongoing capacity additions despite low returns suggest a sluggish for-hire freight cycle.

What to believe in the age of disbelief? With 4.2% of the world's population and nearly one-third of its wealth, we think the US economy is pretty great. That the majority is dissatisfied with this has led to a billionaire takeover. At least it shouldn't be too bad for business. The playbook from the first Trump administration is fairly clear: threats, intimidation, and executive actions that are disruptive in many cases, but don't stand up to legal and market challenges in many others.

As shameless free-market capitalists, we support shoring up security-focused industries, but the goal of lower trade deficits is dangerously misguided. Turning back to Adam Smith's 1776, *The Wealth of Nations*:

"Nothing … can be more absurd than this whole doctrine of the balance of trade … A trade which is forced … commonly is disadvantageous to the country in whose favour it is meant to be established."

The biggest denials we hear are the expectation that other countries won't strike back (like they did in 2019, the 1930s, and the 1890s) and that tariffs may help US manufacturing. In fact, China has already restricted rare earths, cut off battery supply to a US defense and police drone maker, and launched an investigation of Nvidia in November. Negative effects on US manufacturing are



already happening, and counter-tariffs and pull-forwards will likely drive an industrial recession, like 2019 (and the 1930s, and the 1890s), as Trade War II escalates. The inflationary nature of tariffs is already leading to higher interest rates, which restrain manufacturing.

Short-term positioning ahead of tariffs should not be mistaken for improving long-term trends, but the supply response may have longer-term effects. The cyclicality of the trucking industry is firmly rooted in the difficulty of matching short-term changes in demand with long-term assets. If large November Class 8 orders mark the start of another wave of prebuying, it would likely have a chilling effect on the TL rate cycle.

Even without real industrial growth, the US consumer is still driving US freight volume growth this year, although for-hire TL and LTL continue to cede share to private fleets and intermodal. With the market close to balance, it is possible that a driver supply disruption tightens the market balance more in 2025, a key upside risk to the forecast. Spot capacity has declined since the November 18th Clearinghouse rule deadline. We hear concerns in our conversations with fleets about the impact of deportation threats, which is likely to grow.

There are an extraordinary number of political "known unknowns" set to impact freight markets, mainly tariffs, taxes, immigration, and EPA rules. Our base case remains for the EPA'27 Clean Truck rules to take effect, in large part because we're five years into a seven-year process started under the first Trump administration. But it's worth noting that a bill repealing this very rule made it to Biden's desk in 2023 but was vetoed. If this rule changes, so will much else in our forecasts. As we make another fairly considerable adjustment to rate forecasts, we note more change is coming as the way becomes clear.

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TRUCKLOAD

- Pre-tariff shipping helps 1H'25 outlook
- Capacity & tariff risks mute longer-term outlook

TRUCKLOAD SPOT RATE FORECAST

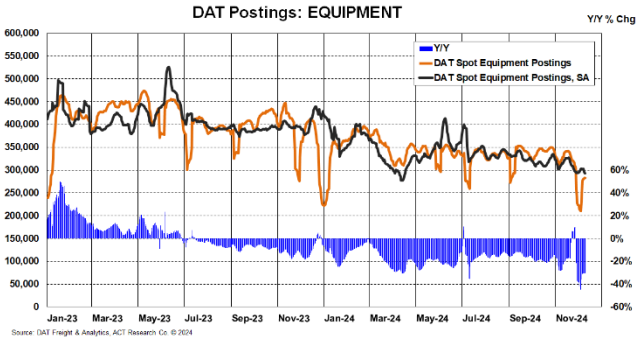
While first cautioning that spot load postings are still not far from cycle lows, in early December spot demand is currently 25%-30% above very soft year-ago levels. The contours will change as timing of new policies becomes clearer, but recent progress in spot demand has remained slow, so we head into 2025 on a slightly lower trajectory than expected last month, with less holiday seasonality in rates than in the past few years.

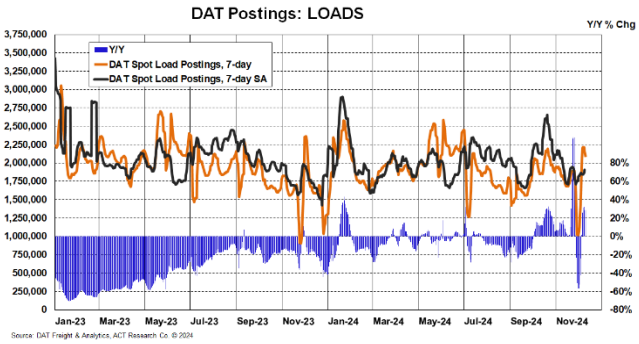
After raising forecasts for pre-tariff shipping in 1H'25 last month, we revert lower this month partly as the supply response to the election suggests more capacity than expected, and partly as we move to a population model that better reflects the shift to private fleets. More on that on the following page. Deportations could tighten driver supply, which remains an upside risk for rates. But with EPA'27 regulations still likely, big November Class 8 orders suggest more insourcing, to the chagrin of the for-hire sector. After a soft start to order season in September and October, the surge in Class 8 orders in November suggests the current modest lull in prebuying may be more short-lived than expected.

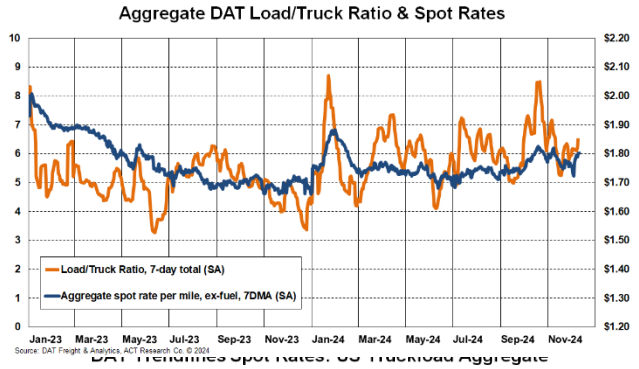
More changes are on the way in the coming months as we learn more about the new administration's priorities and policy timing. While likely a positive for freight demand starting in January, the pulled-forward nature of the cycle suggests it will be short for the for-hire sector, especially since it started a few quarters ago.

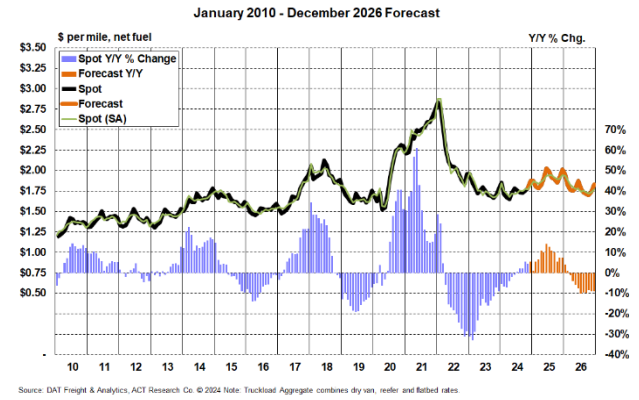
From November 18 through December 10, spot equipment postings are down 10% (SA), over 30k per week. While this could simply be due to unprofitable rates, as it is an extension of a two-year trend, it might also be a sign that the FMCSA's Drug & Alcohol Clearinghouse-II regulations are impacting capacity by downgrading CDLs. There's also a possibility that the election will impact migration trends, which could tighten labor supply generally. The long period of good driver availability may be set to change.

Our aggregated SA DAT load/truck ratio was 6.5 in early December, with very gradual improvements in trend, mainly coming from the supply side. Class 8 demand surprised to the upside this month, but has been soft for the past year. Some post-election jump was inevitable, and this may be isolated in November, but shippers ultimately know best if they'll need to insource more to deal with labor disruptions. If strong demand for tractors since the election reflects this concern, it might not be isolated. After being surprised by private fleet capacity additions, we're reminded of George W. Bush's oft-flubbed line: "Fool me once, shame on you. Fool me twice, shame on me!"









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MEDIUM-TERM TL CONTRACT RATE FORECASTS

After equipment ordering season started out soft, as is justified from a cost perspective, with private fleet costs towering over the for-hire market, US Class 8 tractor orders jumped after the election. If orders remain above the ~15k/month implicit in our forecast the next few months, it would suggest continued prebuying, an ongoing risk to contract rates. But for now, the gradually tightening capacity trajectory continues, with our TL Rate Gauge and DAT contract rates nearly flat y/y, and likely to turn positive soon.

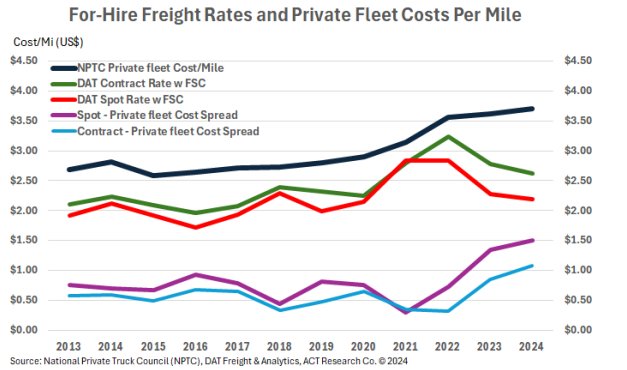
For-hire freight demand remains inconsistent but is at least falling less than capacity. The progress is painstakingly slow, and the trajectory no longer suggests high single digits are likely in late 2025. We think low-single-digit contract rate increases are likely at this point, with about 3% for dry van and 4% overall. After two down years, the significant for-hire capacity contraction should have shippers concerned. Ongoing capacity additions suggest private fleets (shippers) are not too concerned to compete aggressively with their for-hire partners.

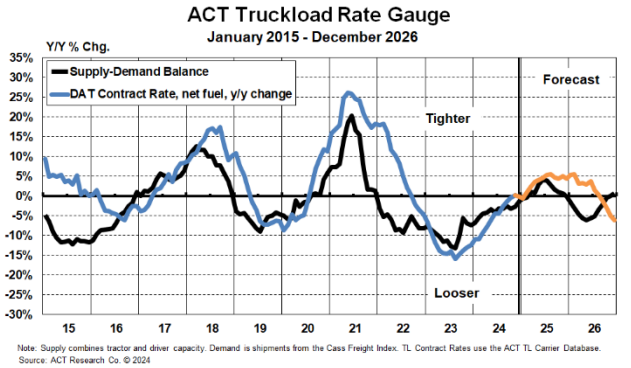
As private fleets have become a larger part of the fleet, we adjust our supply measurement to include a modestly larger population of tractors by adding 11- and 12-year-olds, which we'd previously assumed were mainly on farms and other shorter-haul applications. This change had a slightly negative effect on our rate forecasts, as this larger population isn't likely to contract as much.

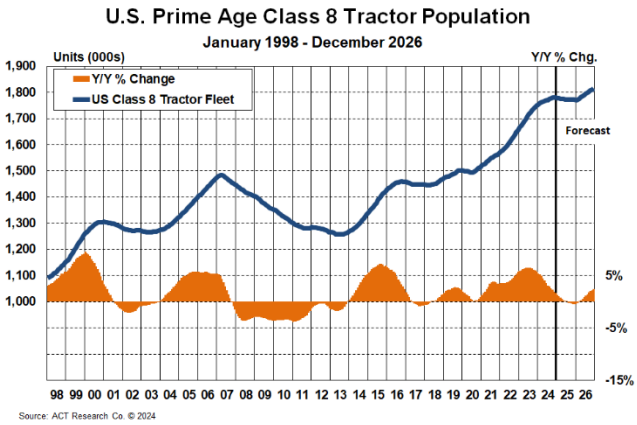
The prebuy lull that appears likely to end in 1H'25 supports a slowly improving contract rate trend in 2025, with acute tightness unlikely. While it may still be led by private fleets, a return to Class 8 tractor prebuying in late 2025 and 2026 will likely lead to a short cycle, driving rates back down in 2026. If the EPA'27 Clean Truck rules change, much else will too. As it stands, Class 8 tractor sales are unlikely to fall much below replacement this cycle, limiting the upside for rates across the forecast horizon.

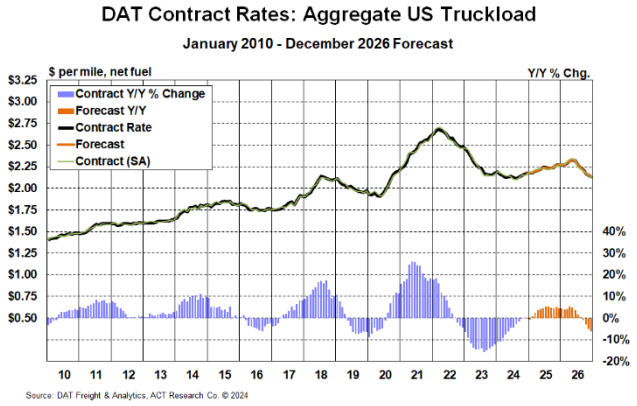
DAT contract rates finally turned positive y/y in November, up 0.2%. The ongoing wide spread between spot and contract is unlikely to impede higher contract rates because of the large gap with private fleet costs, in our view.

Capacity growth is slowing, and for-hire freight declines are moderating, which is setting up a turn toward a modestly tighter 2025 market. At this point, the market is set to turn in fleets' favor around the new year, after which for-hire freight demand growth should start to improve, if slowly in a seasonally soft Q1.









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FREIGHT VOLUME FORECAST

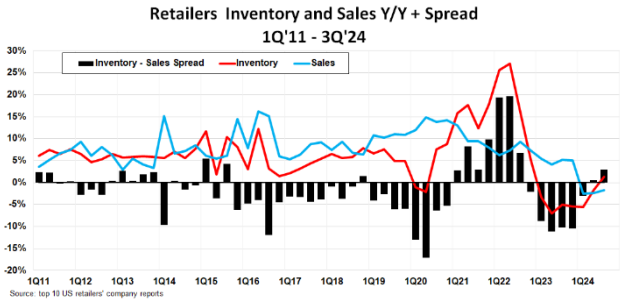
Although the Fed has cut the fed funds rate by 75bps since September, with another 25bps likely (but no lay-up) just a few days after we publish, 10-year Treasury yields have risen about 60bps since the first cut and are back to July/August levels. Similarly, mortgage rates, after falling briefly by about 75bps, have also reversed most of that improvement. The hedge fund manager set to run Treasury is targeting deficit reduction, but so far, bond markets appear to be factoring in inflationary Trump policies, including tariffs, deportations, and larger tax cut-fueled budget deficits. The risk to the Fed's independence is a much larger question, but just based on what bond markets know now, US borrowing costs are trending higher, which will likely slow the economy.

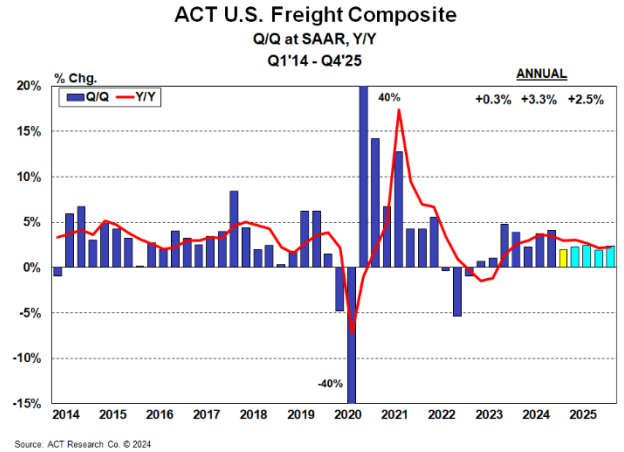
While retail is the largest user of TL freight services, trucking volumes are also overweighted to interest rate sensitive sectors like manufacturing and construction. The surprising tightening in financial market conditions since October leads to a reduction in our volume forecasts, but will likely have a larger effect on the industrial sector than non-durable goods. Our intermodal forecasts hold up because of the need to build safety stocks on the international side, but higher rates hurt the outlook for TL and LTL demand. We also see more insourcing in 2025 than previously, which should partly offset the pre-tariff surge in 1H'25.

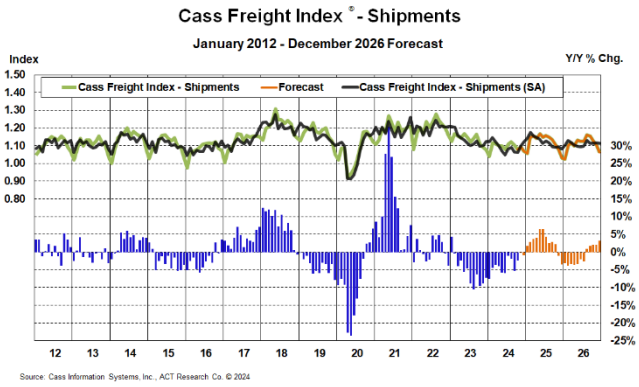
US freight volumes are poised for change, but the timing is highly uncertain (see Trade Policy Uncertainty Index on page 41). The Trump administration's 25% tariff threat on inauguration day for Canada and Mexico is a major question. Can Trump violate the USMCA trade deal he signed with the scheduled review opening in 18 months? If so, it could reduce the amount of pre-tariff shipping, and the hangover, but this seems to run afoul of the law.

Another question is the size of the pre-tariff surge from China. Actions so far suggest reduced US-China trade, but a temporary surge still seems likely. Higher barriers to our markets are inherently inflationary, which suggests tighter financial conditions and slower economic growth. The likelihood of tax cuts in 2026 cushions downside risk, but an overcapacity-led freight demand downturn in 2026 still seems likely, as private fleets intend to keep growing.

Another East Coast port strike is a very real possibility in mid-January, so the westward freight shift will likely continue. Positively, economic activity has continued to exceed expectations, and inventories have hardly grown this year. An unexpected consequence of the port strike was consumers' panic buying a wide range of products, regardless of their source, in a strange pandemic







throwback. With larger retailers' inventories just starting to outpace their sales after six quarters of significant destocking, we see considerable room safety stock building in 2025.

The US GDP-based ACT Freight Composite is on track to rise 3.3% in 2024, following the freight recession of late 2022 through mid-2023. This reflects solid growth in the goods economy broadly, with growing retail sales, imports, cross-border Mexico shipments, intermodal volumes, and even a little inventory stocking. Insourcing from for-hire to private fleets continues to result in very soft demand in the spot market specifically, spot postings are up y/y and Cass data suggest the y/y declines in for-hire volumes are moderating.

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INTERMODAL

- Rates begin to rise
- Pre-tariff surge likely

INTERMODAL RATE FORECAST

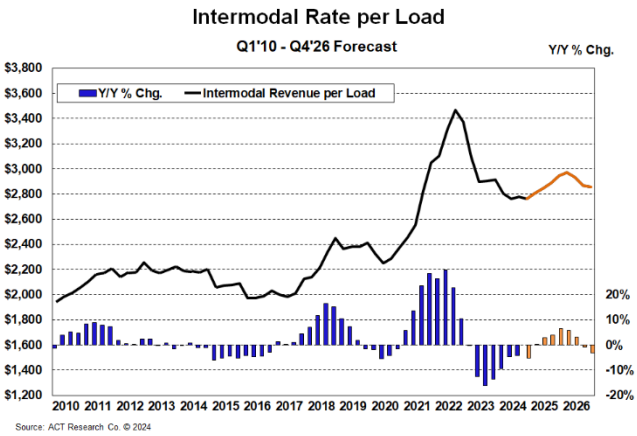
Intermodal demand has gained an added sense of urgency since the election, as shippers work to mitigate the impact of looming tariffs.

The intermodal spot rate discount to TL narrowed considerably from wide levels in recent weeks, as intermodal spot rates are also making steady upward progress in recent months. Similar to the trend in TL contract rates, we believe a TL market close to balance as private fleet costs continue to rise is beginning to provide ballast to help get intermodal rates off the bottom.

Rates have been rising from the West Coast for a few months, but the increases are broadening out to the east more recently. The FMCSA's CDL downgrading starting November 18th hasn't impacted rates yet, though we do see a ~10% drop in spot TL capacity so far, which may be supportive of rates, if marginally.

Our intermodal spot rate, PPI, and fleet rate forecasts are each lowered this month. However, the reductions are smaller than comparable TL forecasts, because about half of the intermodal sector is composed of international volumes which will see an outsized boost from pre-tariff shipping. The recovering freight cycle should also push rates higher in 2025.

Intermodal rates declined about 11% in 2023, with a few points of fuel savings. We estimate another 6% decline in 2024, about 2pps of which is fuel surcharge savings. For 2025, we see a 4% increase, peaking at 7% in Q4'25, with a downcycle in 2026 due to EPA'27 truck prebuying. Subsequent low-buying in 2027 and 2028 set the for-hire sector up for a very strong year in 2028. Rule changes could materially impact our forecasts.



INTERMODAL VOLUME FORECAST

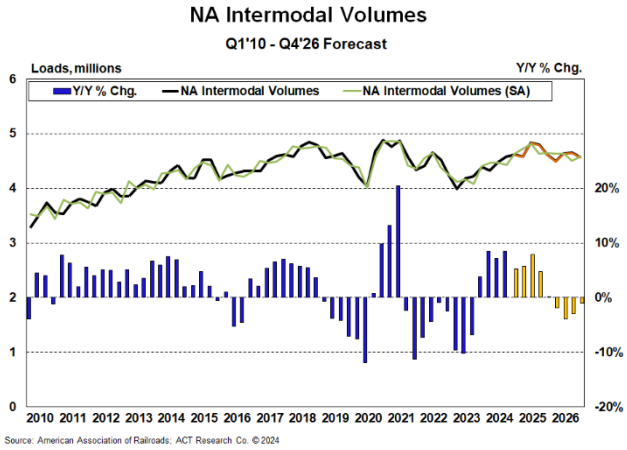
We raise our near-term intermodal volume outlook this month, though by less than last month. November trends slightly exceeded our estimates, and pre-tariff shipping seems very likely to have an outsized effect on the international intermodal market, which has already been strong this year. Though this will change as tariff timing becomes clearer, we assume 2-3 quarters of pre-tariff shipping, mainly on the international side, but domestic intermodal demand should also receive a pre-tariff boost.

The issue with pre-tariff inventory stocking is that it doesn't change end demand, it just pulls forward the timing. While lower tax rates may offset much of the adverse effects of tariffs in 2026, the ongoing likelihood of Class 8 prebuying adding excess capacity still suggests a negative payback in 2026.

We see volumes growing 5% in Q4, 3-4pps above the seasonal pattern, despite the temporary strike and storm effects in October, with underlying improvement in trend from holiday retail volumes. However, much of the improvement is likely due to safety stock building ahead of port strikes and tariffs, pulling future freight forward.

So, as we raise Q4'24 and Q1'25 forecasts, we also lower our 2026 forecasts slightly. We also note upside potential if tariffs take longer than expected to implement. But the upside is tempered by the eventual payback either way, which we guess is late 2025 into 2026. In addition to inventory building, retail sales and real income trends suggest underlying freight demand growth too in 2025.

This outlook will evolve as policy visibility improves, but we expect 5% growth in intermodal volumes in 2025, following 7% in 2024, with the growth still heading toward the West Coast as a result of ongoing East Coast port labor risk and ongoing Houthi threats in the Red Sea. For 2026, we see a Class 8 prebuy-led freight recession.



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LTL

- Rate momentum continues
- Volumes still soft

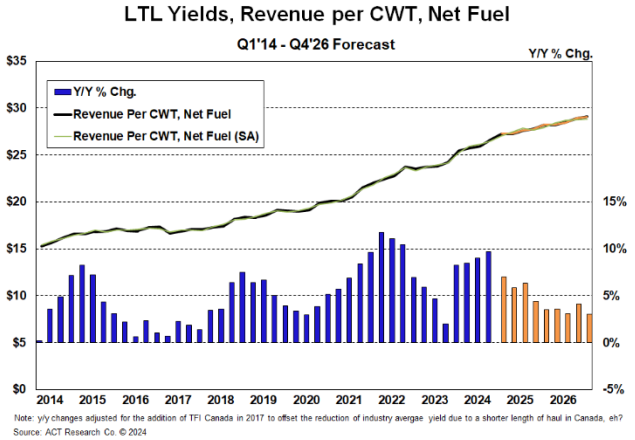
LTL RATE FORECAST

LTL rate trends remain uniquely strong relative to the softness in TL and intermodal. Our LTL rate forecasts are not entirely independent of the TL market though, and the prospect of more prebuying even in 2025 does add some risk to the trajectory of LTL rates, if not the direction. So, we trim LTL rate forecasts slightly this month. While LTL rate increases have begun to slow, they rose 8% y/y in Q3 after 9% in Q2. The upward momentum isn't letting up much as fleets implemented general rate increases, but we do expect a slowdown to 7% in Q4. In the long-distance market, rate increases have slowed, as TL competition limits upside and lower fuel prices help. The recent double-digit increases in local rates weren't expected to continue long, and are finally set to return to high single digits.

The LTL sector has differentiated itself from TL in the past few cycles. As the LTL sector reorganizes post-Yellow, with much of that freight insourced to private fleets and moved to other modes, we see ongoing rate momentum in LTL as a sign that underlying demand, particularly in the industrial sector, remains firm, if underwhelming. This is consistent with the Fed's industrial production index tracking flat to -1% this year after a resilient performance through the freight downturn in 2023.

A slowdown in rate growth is likely to continue as LTL demand remains soft and capacity utilization increases gradually in 2025. Deceleration is set to continue into 2026, particularly with another for-hire downturn likely.

After an 8% increase in 2024 in the LTL fleet rate per cwt, net fuel, we expect LTL rates, net fuel, to slow to 5% in 2025 and 3% in 2026.



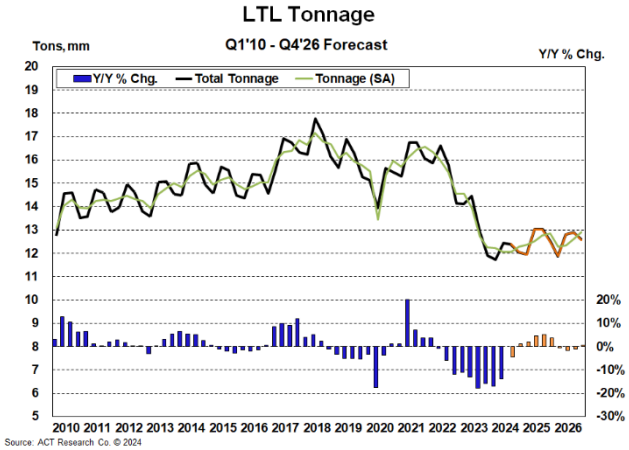
LTL VOLUME FORECAST

LTL tonnage continues to decline modestly for the fleets we track, even as Yellow noise fades into the rearview. Volumes are still down in the low single digits, in part because large LTL rate increases price the mode out in marginal cases to TL, where persistent overcapacity and private fleet insourcing have been shrinking the LTL market. Our publicly traded LTL tonnage data set is on track to decline 9% this year, after a 14% drop last year. Yellow was about 16% of this data set in 2022.

Public LTL tonnage declined 6% y/y in Q3, and fell 2% q/q in SA terms to a new multi-cycle low. The combination of LTL rate increases and TL rate decreases have likely been costing volume, with rates more competitive in long-distance markets, according to PPI data. TL rates have recently (and finally) started to rise broadly, both spot and contract, albeit modestly so far. The recovery of the TL sector, which is likely to accelerate with pre-tariff shipping in coming months, should return some of that marginal freight. The combination of broad economic growth and a little less Class 8 capacity supports a return to tonnage growth in 2025, but we lower our forecast to 2% from 4% on the prospect of more private fleet insourcing.

LTL demand should benefit modestly from pre-tariff shipping in 1H'25, though we still expect a payback in late 2025 and early 2026. For 2026, we expect LTL tonnage to turn to a 1% decline as the Class 8 prebuy adds excess capacity to the TL market again, which will likely lower TL rates and pull freight from LTL, just as we've been experiencing in the past year.

While retail sales have recovered somewhat, industrial production remains flattish with indications of further interest rate driven softness. We often hear LTL fleets prefer industrial freight, as it tends to be more valued than retail freight. Unfortunately, the incoming administration's policies are unlikely to lead to an industrial renewal.



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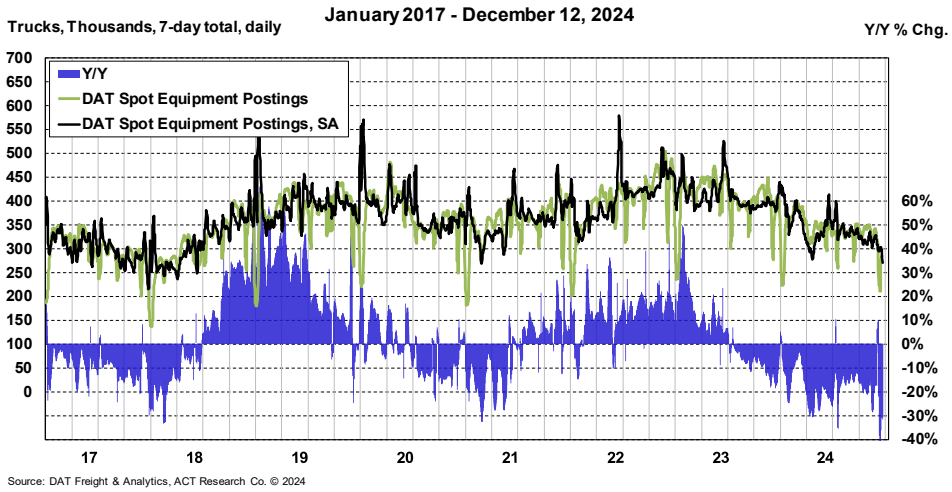
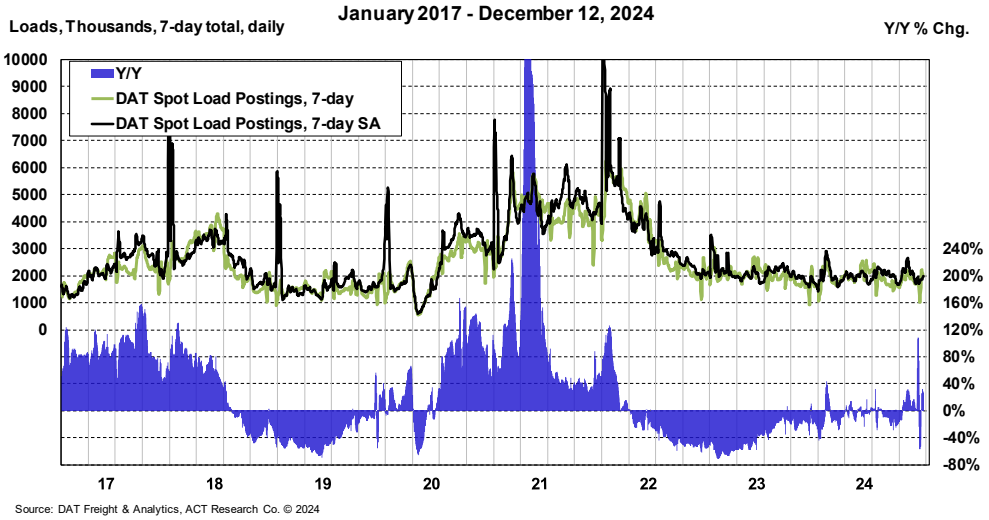
DAT Postings: EQUIPMENT



- The slow downward grind in DAT equipment postings, our favorite proxy for spot market capacity, continues with posts down 24% y/y in November and down 30% y/y in early December.
- After rising in early November, equipment posts fell over 15% in SA terms since the FMCSA Clearinghouse-II rule change on November 18th.
- Equipment posts fell to 300k in early December (SA), from 315k on average in November and 325k on 11/18.
- Aside from the surge in Q2'24 from private fleets, DAT spot equipment postings are about two years into a downtrend, as capacity shifts toward private and contract freight, and for-hire fleets are squeezed by low rates.
- The downtrend in Class 8 sales should continue, which should help tighten capacity. However, the jump in November tractor orders shows more insourcing is still to come, which could add to spot market supply in 2025.

DAT Postings: LOADS



- DAT load posts remain near cycle lows, falling 5% y/y in November after rising 20% y/y in October following the three-day East Coast port strike and two hurricanes.
- Based on recent capacity additions, it still does not look like freight will move into the spot market in a material way in the near term. Pre-tariff shipping should help in 1H'25, and though driver availability is plentiful now, several potential disruptions could have an effect on capacity, leading spot demand to rise in 2025.
- Private fleets' large cost disadvantage from their mostly one-way operations should eventually bring freight back to the for-hire market. But after November orders showed more capacity additions, more insourcing is likely in 2025, which is likely to result in a much slower spot demand trajectory than in recent cycles.

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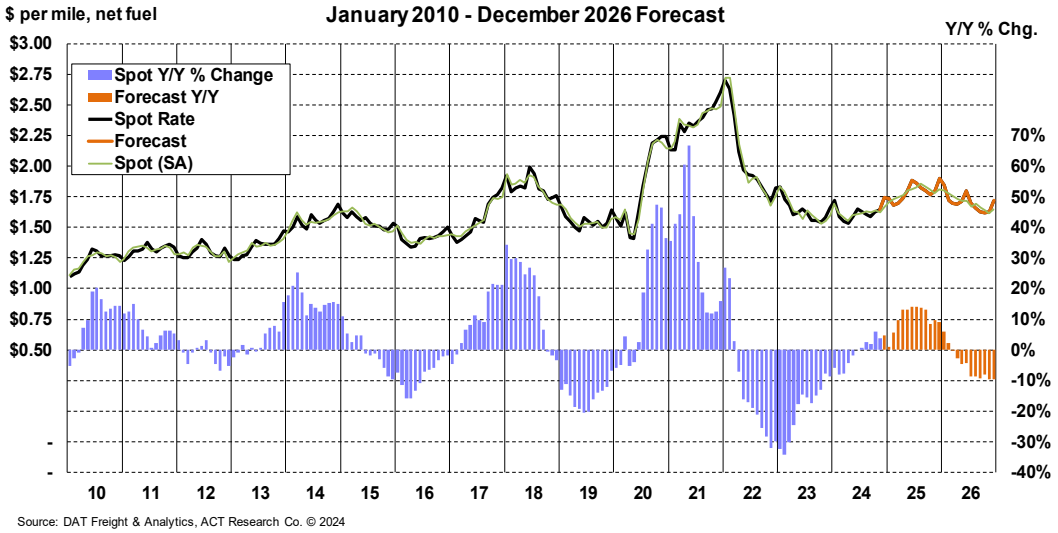
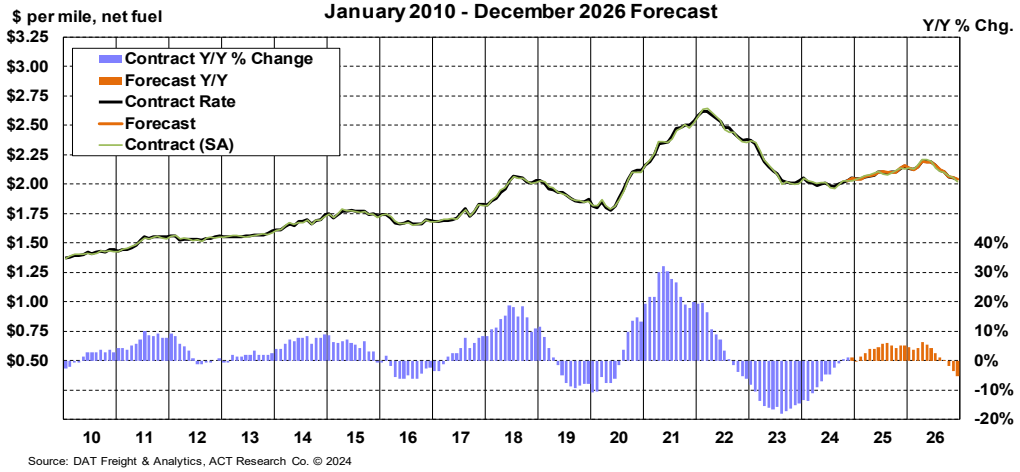
DAT Trendlines Spot Rates: US Dry Vans



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- US dry van TL spot rates, net fuel, rose 1¢ m/m to $1.64 per mile in November, falling 1¢ in SA terms. Rates were up 3.8% from a year ago in November, after a 5.8% y/y increase in October.
- In early December, rate trends were slightly above normal seasonal patterns. With the market near balance and a truncated holiday season likely compressing more freight into December, we expect rates to rise above seasonality.
- The SA van load/truck ratio of 4.2 in early December was up slightly from 4.1 in November and the 4.1 ytd average. With peaks in the 6-8 range in 2018 and 10-12 range in 2021, and troughs in the 1-2 range, the dry van load/truck is roughly a 1 to 10 scale. Competition from private fleets is offsetting for-hire capacity contraction, though fleet growth is slowing. Slower private fleet capacity additions should allow conditions to tighten modestly in 2025.
- After raising 1H'25 forecasts due to pre-tariff shipping last month, we lower forecasts this month due to the supply response after surprisingly large November equipment orders, and note more revisions are likely as policies change. More insourcing and prebuying will likely lead to a muted spot rate cycle, assuming no change to EPA'27 regulations.

DAT Contract Rates: US Dry Van



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- Dry van contract rates, net fuel, were up 1¢ m/m in November to $2.03 per mile, and up 1.0% y/y, the second straight y/y uptick after 25 straight y/y declines. In SA terms, dry van contract rates fell 4¢ m/m after two straight 3¢ m/m increases in September and October.
- While the wide spot-contract spread will continue to weigh on contract rates, we think the even wider spread between contract rates and private fleet costs will eventually more than counter this weight and press contract rates higher.
- We estimate a 6% decline in 2024, followed by a 5% increase in 2025 and 1% in 2026, trending toward a drop in 2027.

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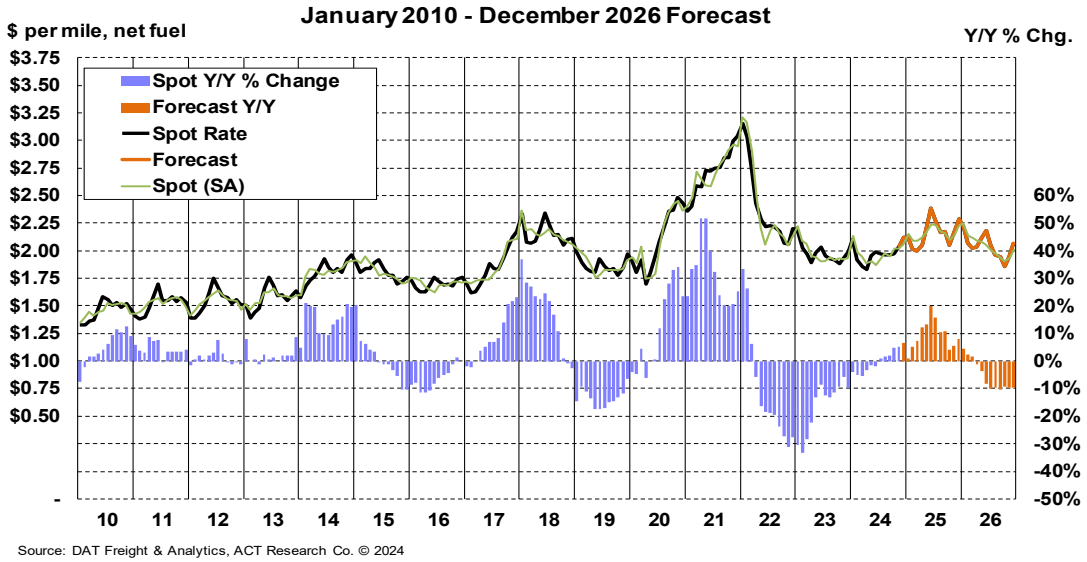
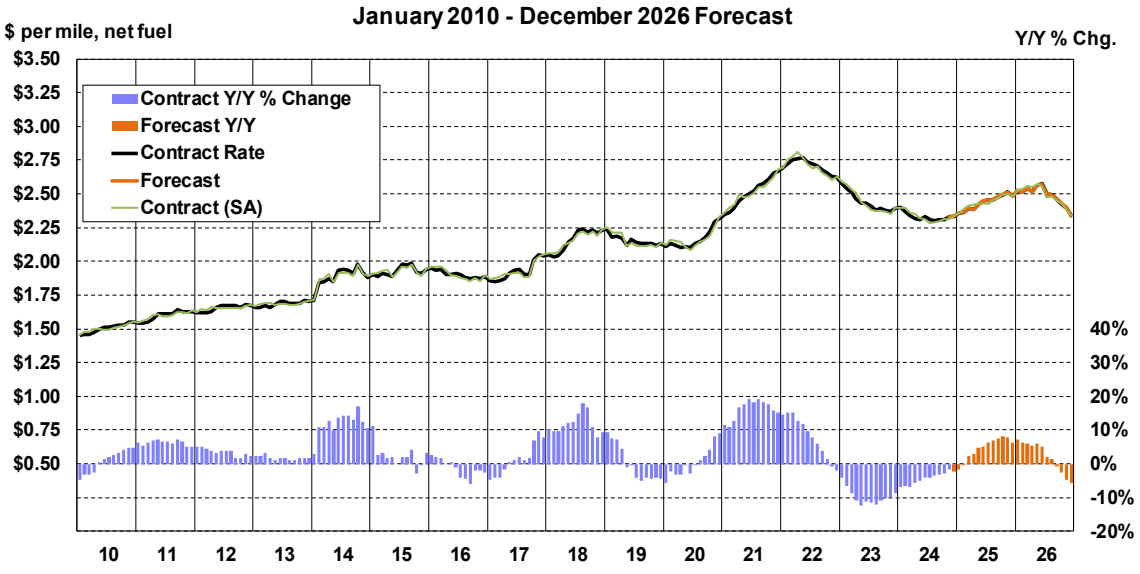
DAT Trendlines Spot Rates: US Reefer



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- DAT reefer spot rates, net fuel, rose 7¢ per mile m/m to $2.04 in November, in line with the normal seasonal pattern, after a 7¢ SA increase in October. On a y/y basis, reefer rates rose 5.2% y/y in November.
- Reefer capacity is tighter than the dry van market, and spot equipment postings contracted quickly in this trailer type in recent weeks. Like dry van rates, reefer rates are also trending above seasonality in early December.
- The SA reefer load/truck ratio rose to 7.1 in early December from 6.1 in November, close to the 6.3 ytd average.
- Similar to dry van, our reefer outlook is lowered this month to account for greater capacity additions in 2025.

DAT Contract Rates: US Reefer



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- DAT reefer contract rates, net fuel, rose 2¢ m/m in November to $2.33 per mile, but remained down 1.7% y/y. In SA terms, rates were flat sequentially after three straight 1¢ monthly increases.
- After a 10% decline in reefer contract rates in 2023, we project a 4% decline in 2024. In 2025, our positive 4% forecast is a bit above dry van, slowing to 1% in 2026, with a downtrend heading into 2027.

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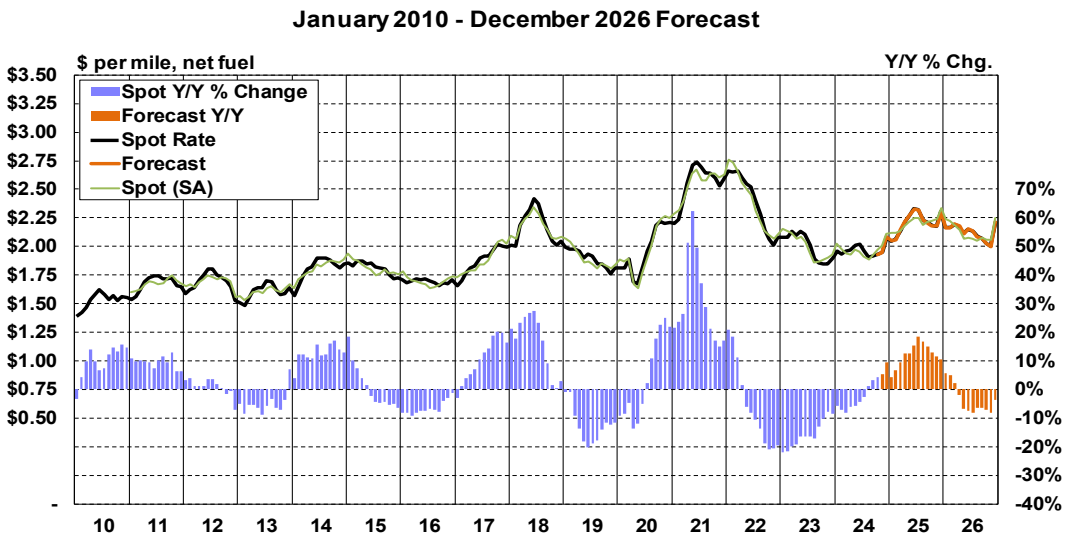
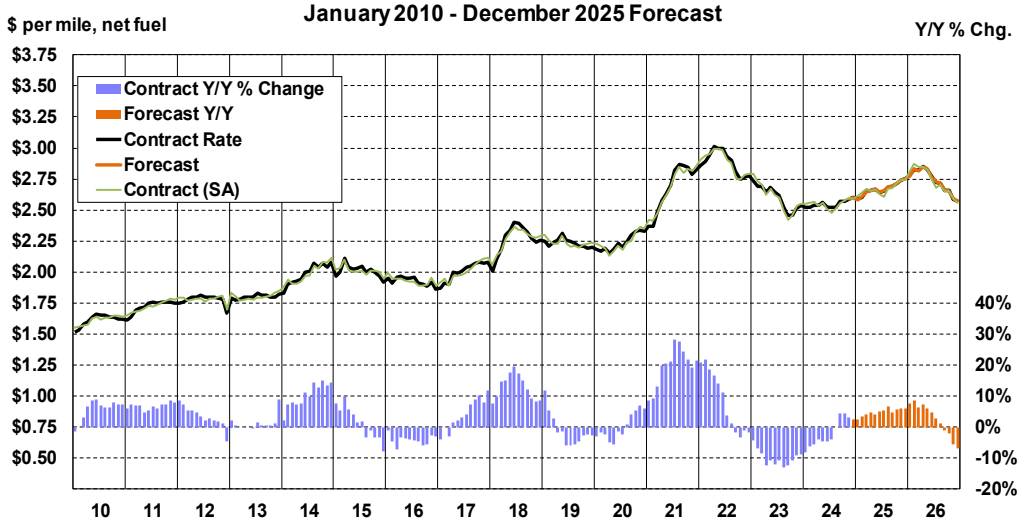
DAT Trendlines Spot Rates: US Flatbed



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- Flatbed spot rates rose 2¢ m/m, net fuel, to $1.95 per mile in November, 4¢ above the seasonal pattern m/m.
- On a y/y basis, flatbed spot rates rose 5.4%, net fuel, after a 4.3% increase in October.
- Construction is seasonally soft, and although Hurricanes Helene and Milton and the port strike drove a brief surge in demand, the flatbed market is softer than the other main trailer types. Hurricane recovery will support 2025 volumes.
- The US industrial sector remains soft but resilient with interest rate headwinds and rolling downturns in some sectors like agriculture. Industrial activity will likely increase near term on pre-tariff shipping, pulling forward future activity, and while much of the IRA may be thwarted, the IIJA and CHIPS Act will likely continue to provide industrial stimulus.

DAT Contract Rates: US Flatbed



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- Flatbed contract rates, net fuel, were up 2¢ m/m at $2.59 per mile in November, 2¢ above the seasonal pattern and up 3.2% y/y. With tougher comparisons in the next few months, this growth rate is likely to slow.
- After a 10% decline in flatbed contract rates in 2023, we estimate a 2% full-year decline in 2024, followed by 4% and 1% increases in 2025 and 2026.

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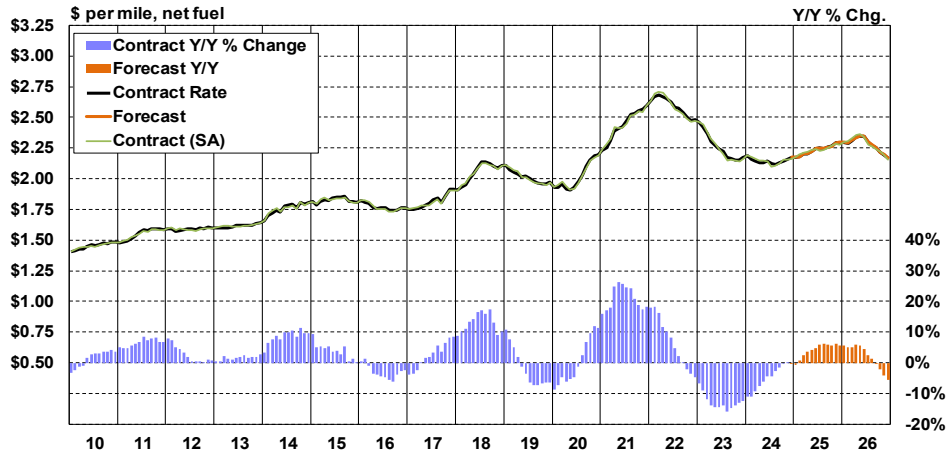
DAT Contract Rates: Aggregate US Truckload

January 2010 - December 2026 Forecast

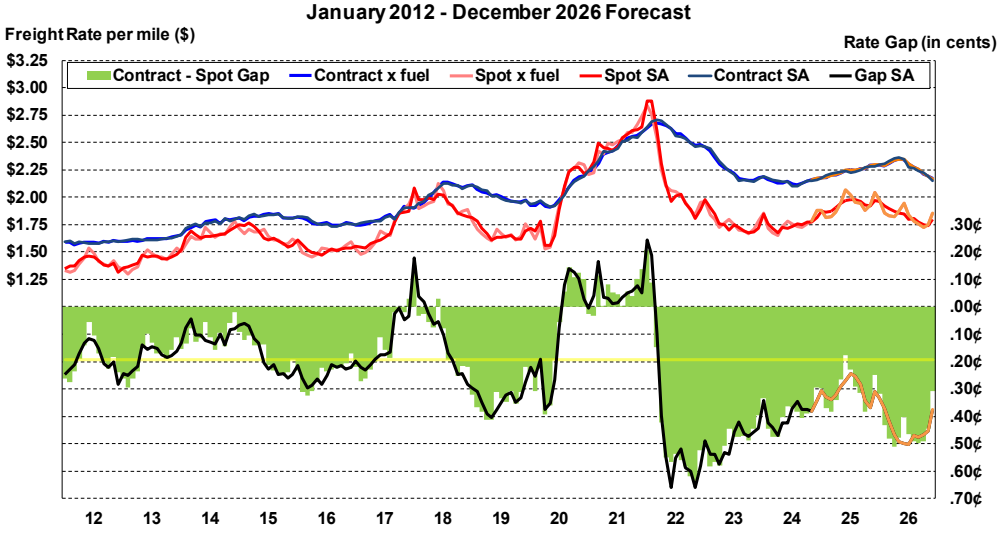


Source: DAT Freight & Analytics, ACT Research Co. © 2024

- Aggregate DAT contract rates—combining dry van, reefer, and flatbed—of $2.16 per mile in November, rose 1¢ from October, in line with the seasonal pattern and up 0.2% y/y.
- Aggregate DAT spot rates have been in a tight range since June 2023. Shippers' focus in our conversations has changed from targeting savings to securing capacity, which will likely cost a little more next year.
- After a 13% decline in DAT contract rates, net fuel, in 2023, we estimate a 5% decline in 2024, a 4% increase in 2025, and a 1% increase 2026. This series aggregates DAT spot rates into one truckload data set, weighting dry van, reefer, and flatbed using adjusted ACT trailer populations.

DAT Aggregate Truckload Spot / Contract Rate Spread

January 2012 - December 2026 Forecast



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- The spot / contract rate spread was 37¢ in November, down from 39¢ in October, virtually unchanged in SA terms, with little change in spot or contract rates, and a significantly wider spread than the 19¢ historical average. Low rates are reducing for-hire capacity, and the spread should continue to narrow gradually as spot rates rise.
- We don't currently see much acute tightness in the forecast period, as prebuying keeps the spread in shippers' favor for longer than usual, but that will likely normalize in 2025. The trajectory would tighten faster in a supply shock.
- Since the line for private fleets that make up over half of the TL tractor fleet is well above this chart, at $3.62 per mile in 2023 according to the recent NPTC survey, we don't think acute tightness is a precondition for rate increases.

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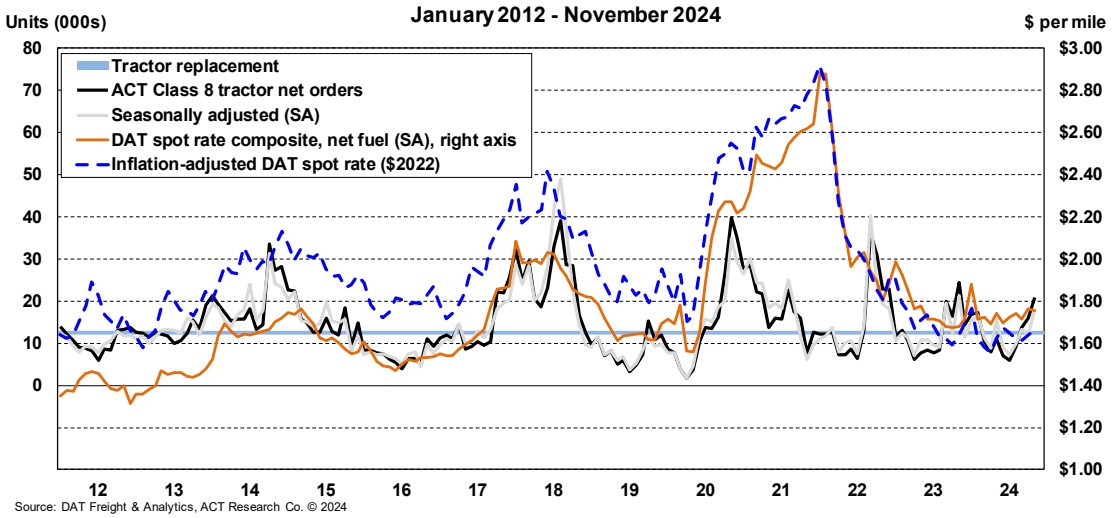
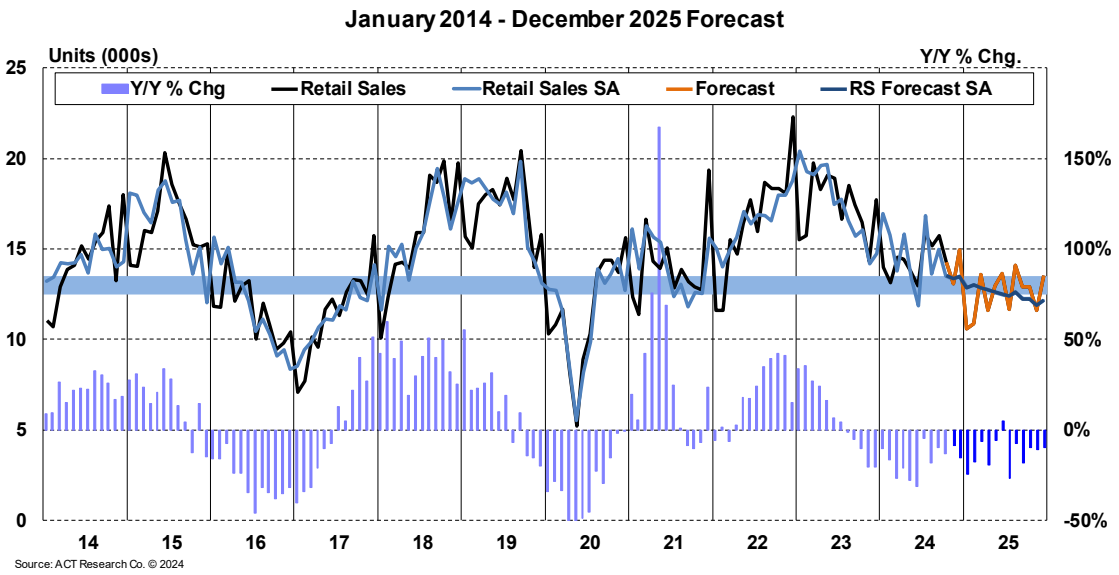
U.S. Class 8 Tractor Net Orders & Spot Rates



- Class 8 orders once again surged well above the level that for-hire sector fundamentals would have suggested in November, implying capacity additions will continue in 2025. We estimate November Class 8 tractor order intake of 21,000 units, up from 16,043 units in October.
- Seasonally adjusted, November orders of 18,400 units annualize to about 220k. Some improvement was likely after the election uncertainty, but this increase exceeded expectations and suggests more private fleet insourcing in 2025.
- Orders in the coming months will remain crucial to the 2025 rate outlook, and higher demand in November suggests more capacity additions will continue to challenge the for-hire TL market in 2025.

U.S. Class 8 Tractor Retail Sales



- US dealers sold 14,251 new Class 8 tractors in October, down 9.4% m/m as sales pushed from Q2 to Q3 by a mirror shortage fade. In SA terms, September sales were slightly above the ytd average.
- This elevated Class 8 tractor sales level continues to add capacity, and we raise our near-term sales forecast to clear the in-process inventory while trimming our 2025 forecast.
- For 2025, we expect Class 8 tractor retail sales of 150k units, down from an estimated 172k in 2024 and 208k in 2023. More prebuying remains in late 2025 and 2026, resulting in a soft rate outlook. A major lowbuy in 2027 in reaction to the prebuy may drive significant rate increases…in 2028.

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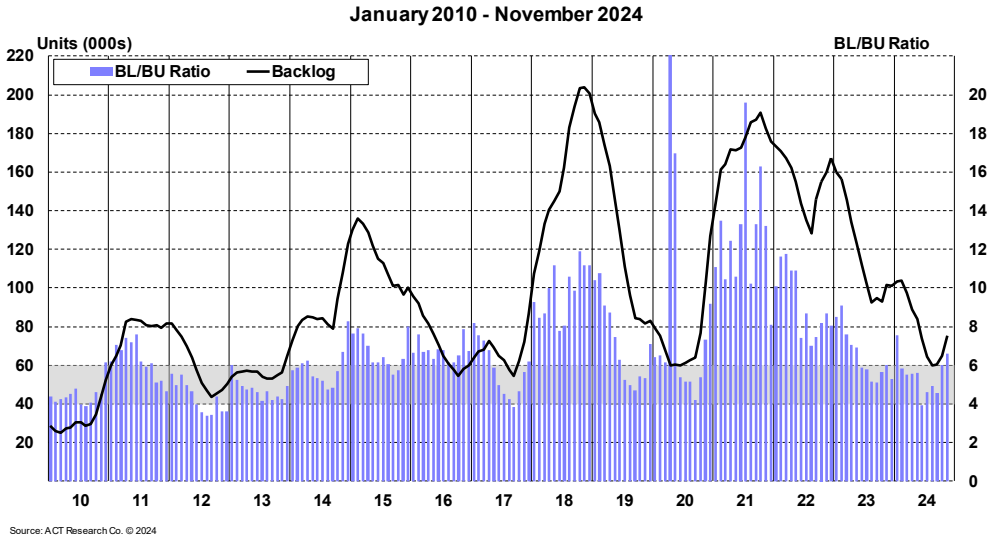
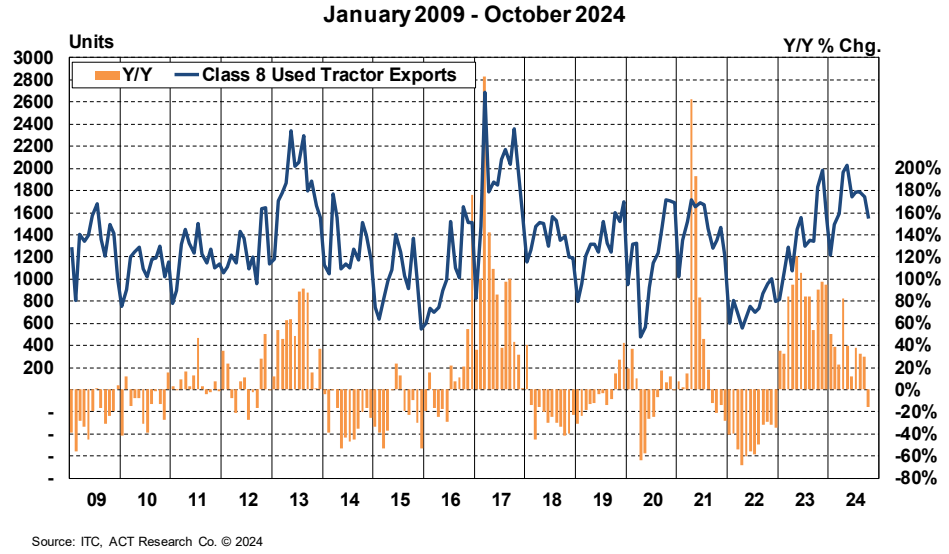
U.S. Class 8 Tractors: Backlog and Backlog/Build Ratio



- The preliminary US Class 8 tractor backlog/build (BL/BU) ratio rose to 6.5 months in November, up from 6.0 months in October, using November build plans and preliminary net orders. Final November data will be released after this report.
- The US Class 8 tractor backlog added about 10,400 units in November, ending the month at ~75k units.
- Lower build rates are supporting the backlog, as manufacturers have pivoted from tractor to vocational production. As for-hire conditions remain soft, backlog accumulation may be limited from here (see 2012, 2016).

Used Class 8 Tractor Exports



- US exporters shipped 1,545 used Class 8 tractors abroad in October, down 15% y/y, with the decline largely concentrated in Mexico. After a strong increase in recent years, the weaker peso may limit exports going forward.
- The Mexican peso dropped sharply against the US dollar after the Mexican election in June and fell further after the US election. But it had appreciated significantly in recent years amid an investment boom, providing more purchasing power for buyers south of the border. The USMCA review in October 2025 may support exports next year.
- In 2023, the US exported 16,623 used Class 8 tractors, up 82% from 9,146 units in 2022. We expect used tractor export volumes in 2024 to be around 21,000 units, with a decline likely in 2025 due to currency pressure.

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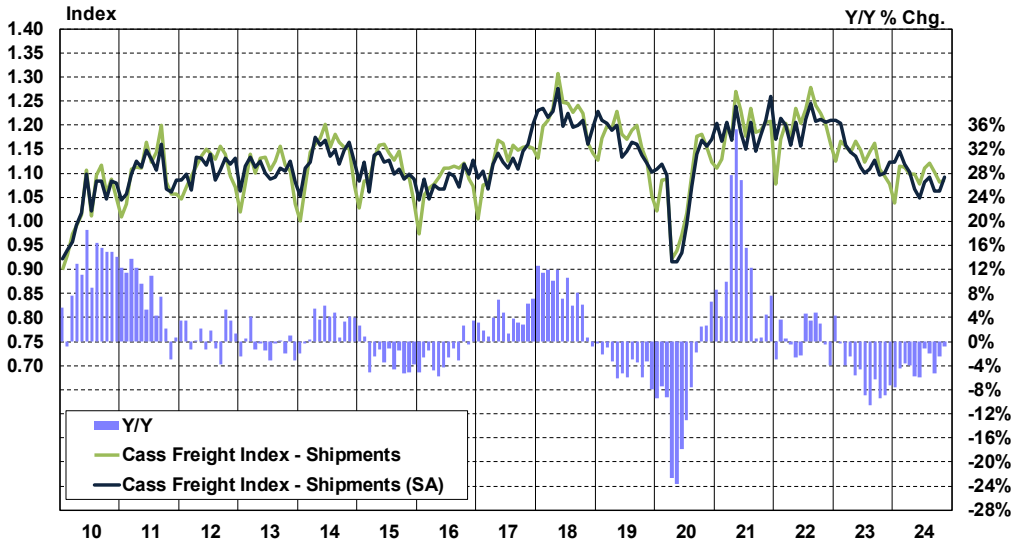
Cass Freight Index - Shipments

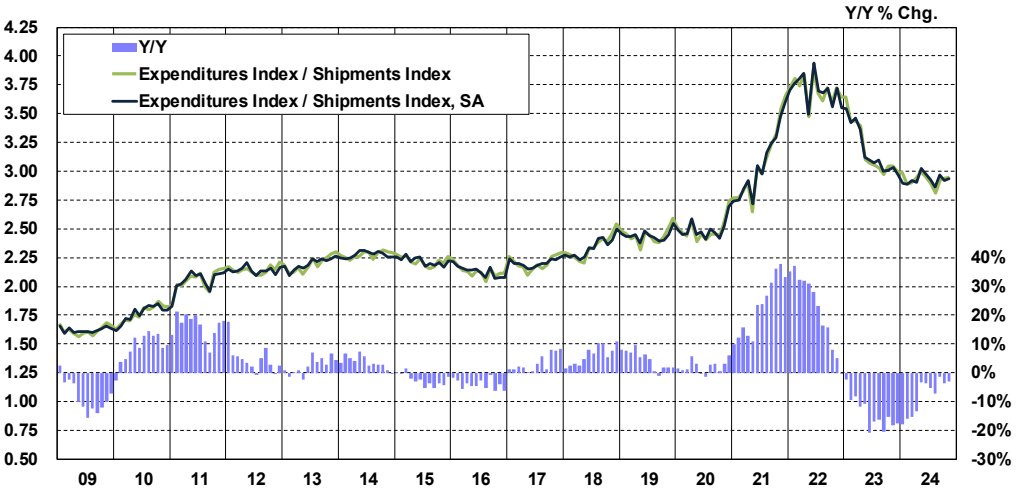
January 2010 - November 2024 (01'1990=1.00)



- The shipments component of the Cass Freight Index® rose 0.5% m/m in November, after two consecutive declines.
- In SA terms, the index jumped 2.8% m/m from October. On a y/y basis, shipments declined by 0.7% in November, the narrowest decline in 21 months.
- Ongoing economic growth and slowing private fleet capacity additions are narrowing the y/y declines, but the normal seasonal pattern would have the index down about 3% y/y in December.

Cass Inferred Freight Rates

January 2009 - November 2024 (01'1990=1.00)



Source: Cass Information Systems, Inc., ACT Research Co. © 2024

- The rates embedded in the two components of the Cass Freight Index® rose 0.4% m/m in November, and 0.4% in SA terms too.
- On a y/y basis, Cass Inferred Freight Rates fell 3.1% y/y in November, after a 3.6% y/y decline in October, with most of the pressure due to lower fuel prices. Underlying rates have started to inch higher more broadly.
- Based on the normal seasonal pattern, this index will largely flatten out y/y in December, then turn positive in Q1'25. The normal seasonal pattern from here would leave inferred rates down 7%-8% in 2024.

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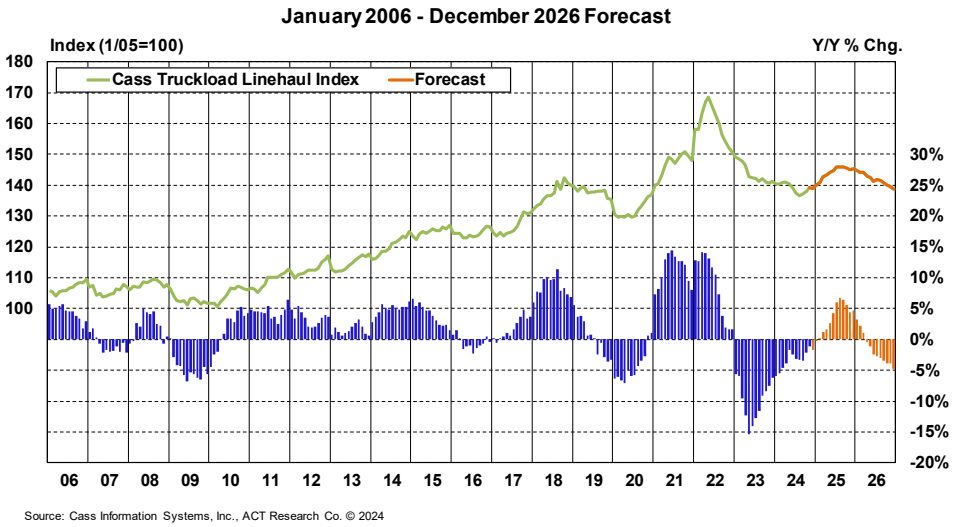
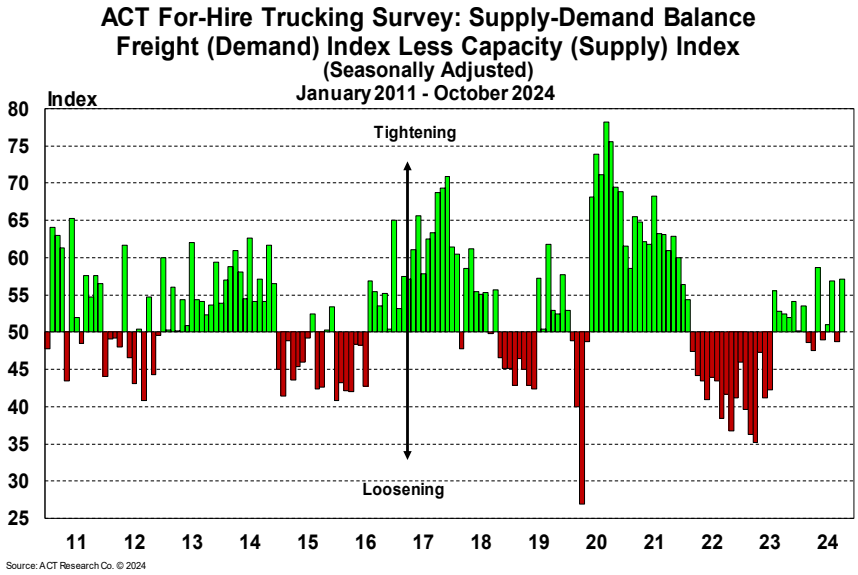
Cass Truckload Linehaul Index ®



Source: Cass Information Systems, Inc., ACT Research Co. © 2024

- The Cass Truckload Linehaul Index® rose 0.8% m/m in November, the third straight small increase from a cycle low in August.
- The y/y decline narrowed to 1.1% from 2.2% in October and 3.5% in September. With a tougher comparison in December, it still seems unlikely to turn positive until early 2025.
- Even contract rates are now starting to turn slightly positive as bid activity picks up seasonally.
- This index fell 10% in 2023, and we forecast a 3% decline in 2024, followed by a 3% increase in 2025, before another downturn in 2026 as tractor capacity floods the market.

ACT For-Hire Trucking Survey: Supply-Demand Balance



Source: ACT Research Co. © 2024

- The Supply-Demand Balance increased in October to 57.2 (SA), from 48.8 in September, as freight volumes increased and fleet capacity decreased. Private fleet expansion, which is not captured in this indicator, has resulted in a longer period with the market close to balance than in past cycles. Slowing US Class 8 tractor sales in recent months are further rebalancing and moving the cycle forward, albeit slowly. Continued strong US economic growth is leading to improved goods demand and will make its way to the for-hire market as private fleet growth slows.
- Disinflation and lower interest rates support the consumer outlook, as rising goods demand and a turning inventory cycle have resulted in improved import volumes. Private fleets are handling an increased share of volumes, which has been the sticking point keeping the for-hire market from turning, but a slowdown in their growth will support an improving for-hire market balance.

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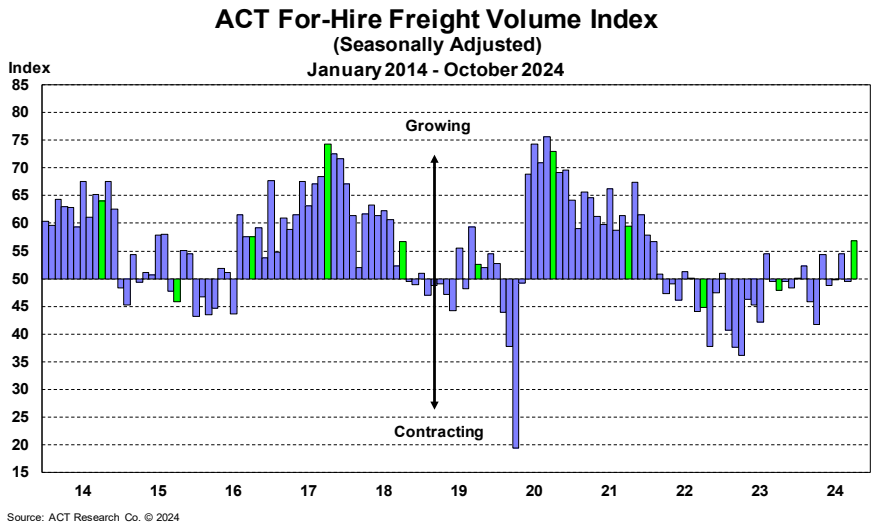
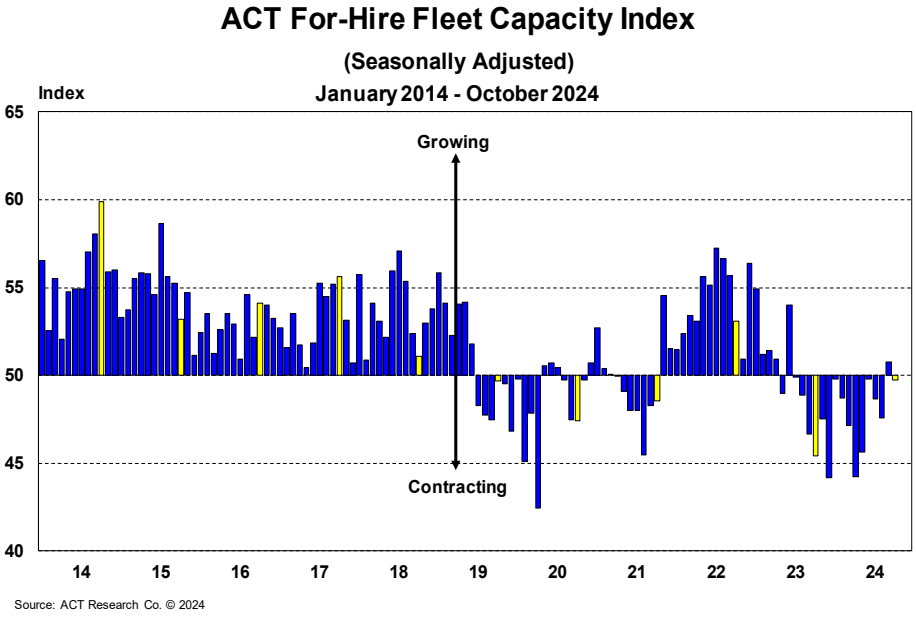


- The Volume Index increased 7.4 points in October to 56.9, seasonally adjusted (SA), from 49.5 in September. The rebound in volumes m/m may be tied to recent port and hurricane disruptions, but broadly speaking, freight demand trends are gradually improving. The economy continues to exceed expectations, and notably in Q3, durable goods spending rose 8.3% q/q SAAR. Threat of another ILA strike on January 15 has likely caused shippers to pull freight forward, and with tariffs on the horizon following the election, the pull-forward in freight is expected to accelerate further. LA/LB ports' loaded imports rose 30% in October. Additionally, after adding considerable capacity the past year, recent data suggest private fleet growth is slowing.



- The Capacity Index decreased by 1.1 points m/m to 49.7 in October, from 50.8 in September. While slowing growth from private fleets is helping to ease pressure on for-hire carriers, eight quarters of weak profitability point to capacity additions occurring at replacement levels.
- US Class 8 demand is softening, indicating that tractor fleet growth—a key reason this cycle is the longest on record—may soon be coming to an end. However, further declines are needed for capacity to start tightening.

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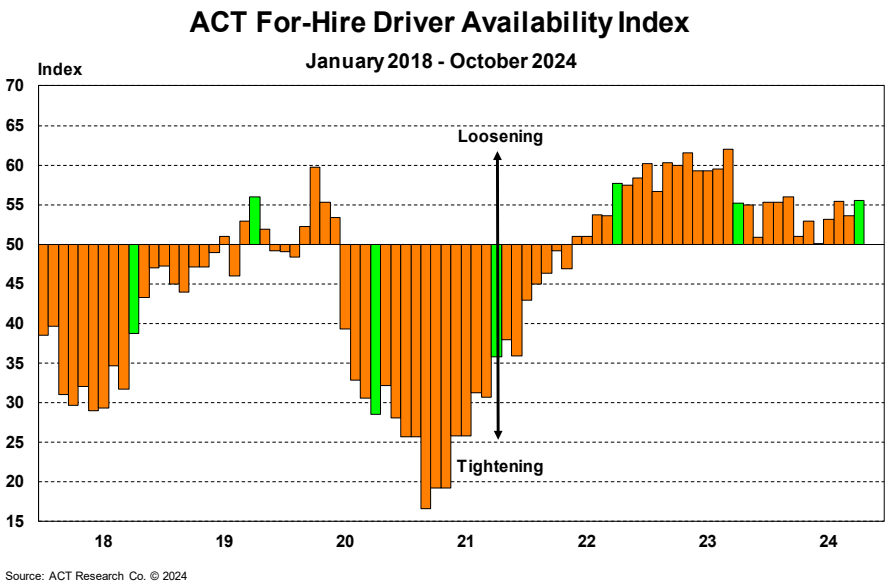
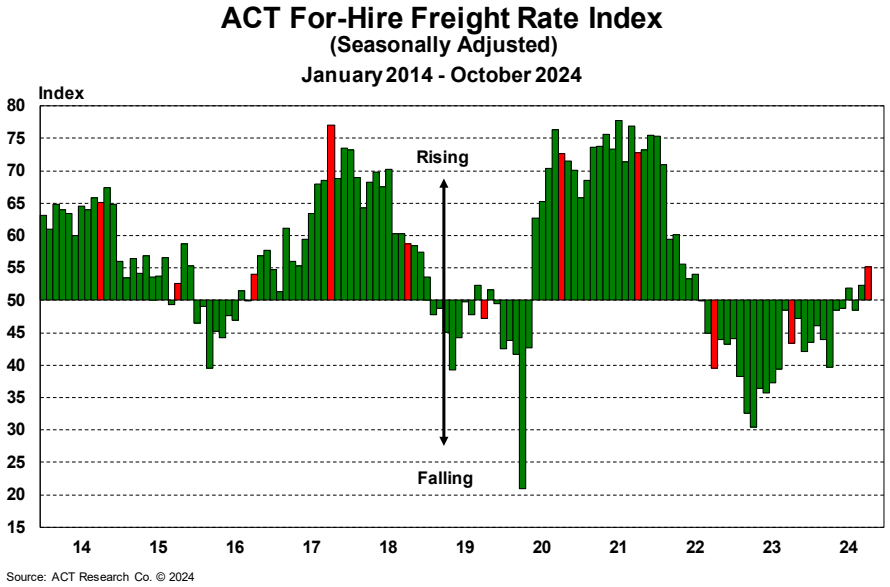


- The Driver Availability Index increased to 55.6 in October, from 53.6 in September. October marks the 29th month in row the index has been at or above 50. Driver availability remains persistently elevated and far from a shortage, partly supported by the large increase in pay during the pandemic and by the rise in migration since. Driver availability may fall on the margins as the FMCSA closes a loophole in the Drug & Alcohol Clearinghouse, likely tightening enforcement, but based on our survey results this month, fleets are doubtful it will have much of an impact.
- A tightening in the driver market, which could come from the long cyclical lag from lower rates, the baby boomer retirement wave, or mass deportations, would press truckload rates higher.



- The Pricing Index increased 2.7 points m/m in October to 55.1 (SA), to the highest level in 2.5 years. Increasing volumes and slowing growth in equipment capacity are helping to rebalance the market and provide some relief in rates after two years underwater. The likely pull-forward in freight ahead of the potential ILA strike and tariffs in January coupled with slowing private fleet growth are all likely to lead for-hire rates higher in the coming months. At a recent industry conference, shippers' expectations coalesced around a 2%-4% increase in contract rates in 2025.
- While we see modest positive momentum for freight rates in the coming months, the fairly mild downturn in equipment sales suggests a gradual recovery looks likely.

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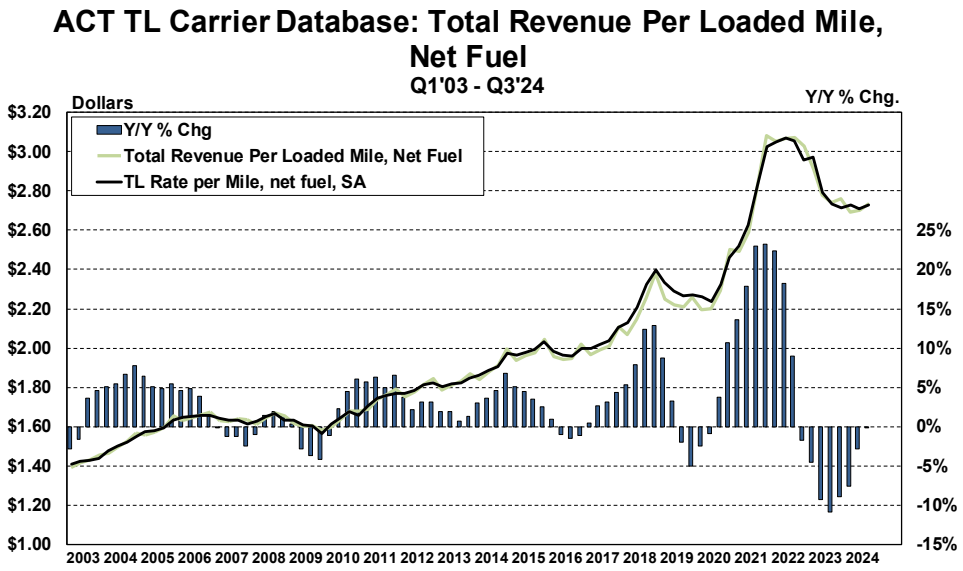
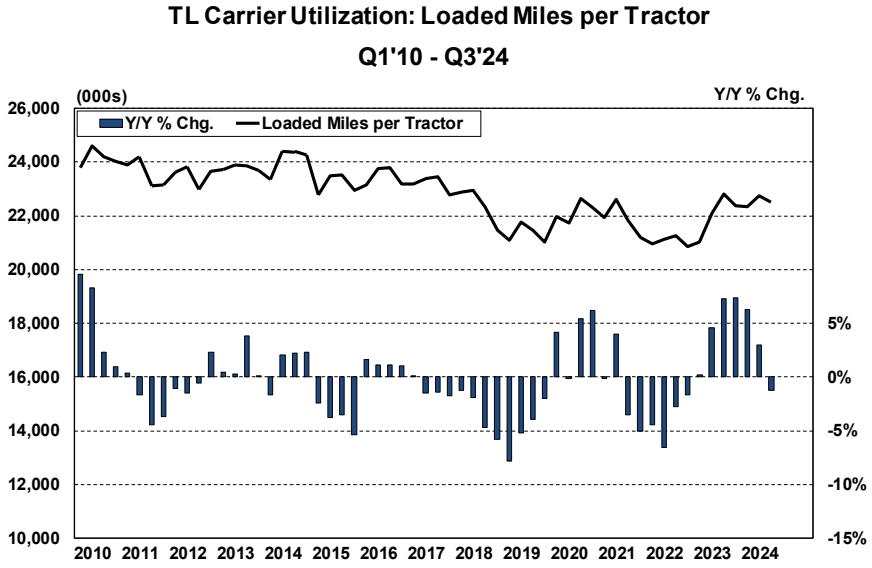


Note: includes "core carriers" which have complete two-decade reporting history. Forecasts based on broader data set.
Source: ACT Research Co. © 2024

- TL contract rates rose 4¢ q/q (1.3%) in Q3'24 to $2.74 per mile, narrowing the decline to just 0.5% y/y after a 2.8% y/y decline in Q2'24. Seasonally adjusted, TL contract rates rose 2¢ q/q in Q3.
- These rates represent the sum of the "core" publicly traded truckload fleets that have reported consistent data for over two decades. The fleet rate forecast in the summary in the front of this report is slightly different, as it includes all carriers reporting publicly in recent years.



Source: ACT Research Co. © 2024

- Large fleet utilization, measured in loaded miles per tractor, fell 1.3% y/y in Q3'24 to 22,508 miles. Note we changed this data series recently to remove Daseke following its acquisition, as their mileage is no longer available.
- The long-term downtrend largely reflects regional fleets becoming more regional and national fleets acquiring more regional capacity. But some of the decline in the past few years was cyclical, and fleets have been successful in the past year at becoming more efficient with their capacity, in large part by reducing it.
- The shift of freight from East to West Coast ports in 2024 has helped truck utilization, but long-term regionalization trends persist, including e-commerce, suggesting limited room for further upside.

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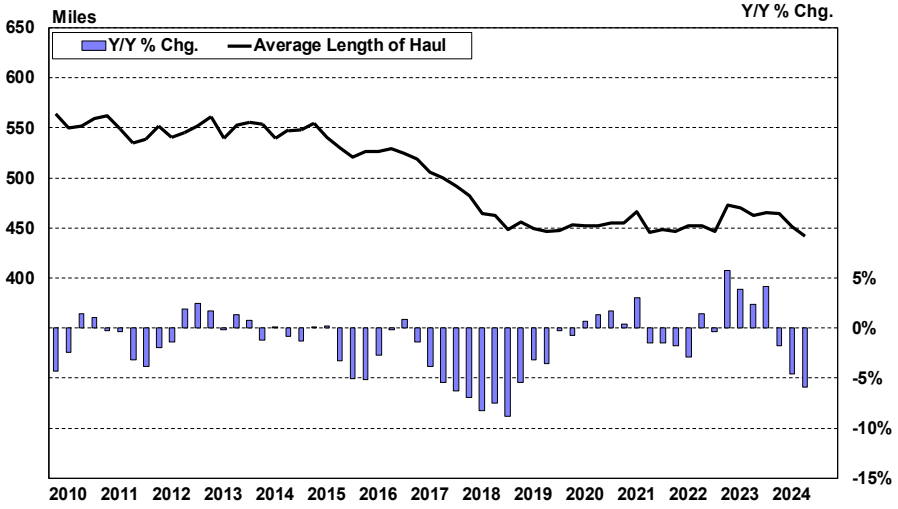
TL Carrier Database: Length of Haul

Q1'10 - Q3'24

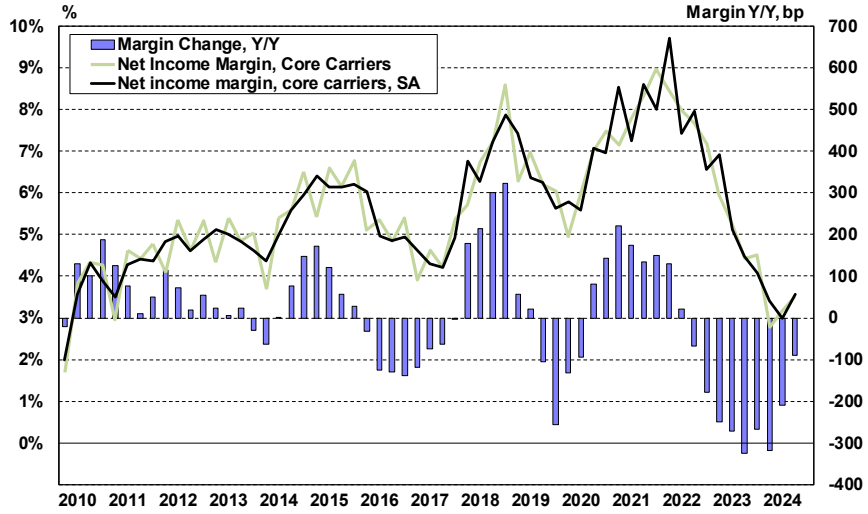


Source: ACT Research Co. © 2024

- The length of haul (LOH) of truckload shipments fell 5.9% y/y, and by 8 miles q/q in Q3'24, to 451 average miles per load for large public truckload fleets.
- The long-term trend toward more regional loads continues, and acquisitions have put downward pressure on this data series too.

TL Carrier Database: Net Income Margin, Core Carriers

Q1'10 - Q3'24



Source: ACT Research Co. © 2024

- Q3 public truckload carrier net profit margins of 3.5% fell 90 basis points (bps) y/y. Net margins rose 40bps q/q, and 60bps in SA terms to 3.6% from a 58-quarter low, the lowest since Q1'10, in Q2.
- This cycle of declining y/y performance began in Q3'22 as lower rates impact fleet margins. A typical downcycle of about two years would suggest the turn is close, but this is a longer than normal downcycle.
- Core carriers are those who have been public and reporting consistently for this full time frame.

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ACT Research

Public For-Hire Truckload Carrier Database

$ in millions, except as noted	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Transportation Revenue, net fuel	**11,369**	**11,057**	**10,862**	**10,832**	**10,396**	**10,476**	**10,523**
y/y	-9%	-14%	-14%	-9%	-9%	-5%	-3%
Organic revenue, y/y	**-11%**	**-16%**	**-16%**	**-11%**	**-10%**	**-10%**	**-7%**
Fuel Surcharge	1,580	1,353	1,506	1,507	1,311	1,289	1,230
y/y	7%	-38%	-27%	-20%	-17%	-5%	-18%
Other Revenue	15	12	118	106	119	121	134
Total Revenue	**12,963**	**12,421**	**12,485**	**12,445**	**11,827**	**11,886**	**11,887**
y/y	-11%	-21%	-17%	-12%	-9%	-4%	-5%
Total Operating Expenses	11,941	11,487	11,668	11,653	11,225	11,222	11,157
Operating Income	**1,022**	**934**	**817**	**792**	**601**	**664**	**730**
y/y	-30%	-46%	-46%	-39%	-41%	-29%	-11%
q/q	-21%	-9%	-13%	-3%	-24%	10%	10%
Operating Ratio (OR)	**92.1%**	**92.5%**	**93.5%**	**93.6%**	**94.9%**	**94.4%**	**93.9%**
Margin change, y/y	(216bp)	(349bp)	(352bp)	(281bp)	(280bp)	(194bp)	(40bp)
OR, net fuel	**91.0%**	**91.5%**	**92.5%**	**92.7%**	**94.2%**	**93.7%**	**93.1%**
Margin change, y/y	(262bp)	(490bp)	(440bp)	(352bp)	(321bp)	(211bp)	(58bp)
Margin change, q/q	(184bp)	(54bp)	(93bp)	(21bp)	(153bp)	55bp	60bp
15-year Average q/q	(207bp)	175bp	0bp	8bp	(204bp)	174bp	5bp
Pretax Income	915	853	733	695	502	543	611
Taxes	223	211	168	148	134	166	148
Tax Rate	24.3%	24.8%	22.9%	21.3%	26.7%	30.6%	24.3%
Net Income	**684**	**638**	**566**	**539**	**387**	**410**	**483**
y/y	-33%	-46%	-47%	-41%	-43%	-36%	-15%
Net Income Margin	**5.27%**	**5.14%**	**4.53%**	**4.33%**	**3.27%**	**3.45%**	**4.07%**
Margin change, y/y	(180bp)	(241bp)	(261bp)	(214bp)	(200bp)	(169bp)	(47bp)
Net Income Margin, Core Carriers	**5.95%**	**5.25%**	**4.42%**	**4.50%**	**2.77%**	**3.16%**	**3.52%**
Margin change, y/y	(250bp)	(272bp)	(325bp)	(267bp)	(318bp)	(209bp)	(90bp)
Fleet Statistics							
Tractors (period average)							
Total Tractors	**117,103**	**115,235**	**113,960**	**112,492**	**111,212**	**107,686**	**107,191**
y/y	2.0%	-2.2%	-3.8%	-5.5%	-5.0%	-6.6%	-5.9%
Additions/Acquisitions	3,650	320	320	320	320	0	0
Organic fleet change, y/y	**-1.2%**	**-2.4%**	**-4.1%**	**-5.7%**	**-5.3%**	**-6.6%**	**-5.9%**

* Heartland estimated; US Xpress acquired by Knight-Swift in Q3'23; Daseke acquired by TFI in Q2'24

- Transportation revenue fell 7% y/y in Q3'24, net of fuel and acquisitions, the eighth straight quarterly decline. Moderating declines will likely continue, with y/y improvements unlikely before Q1'25.
- In Q3'24, publicly held fleet capacity declined 5.9% y/y, moderating a little from the 6.6% y/y decline in Q2'24.
- Fleet operating margins were 55bps above normal seasonality q/q with a 60-bp increase in Q3.
- Net income fell 15% y/y, the slowest pace of decline in seven quarters, and increased 18% q/q.
- The core public TL fleet net income margin declined 90bps y/y to 3.5% in Q3.
- Normal seasonality suggests a core industry net income margin around 3.4% for full-year 2024, which would be the lowest since 2010, when tax rates were 39%.

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ACT Research

Public For-Hire Truckload
Carrier Database

$ in millions, except as noted	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Cash Flow							
Operating Cash Flow	**1,571**	**1,461**	**1,165**	**1,113**	**954**	**1,100**	**1,047**
Gross Capital Expenditures	(1,227)	(1,511)	(1,467)	(1,000)	(788)	(915)	(890)
Equipment Sales	353	345	317	317	191	219	299
Free Cash Flow	**696**	**294**	**15**	**430**	**357**	**404**	**456**
Margin	6.1%	2.7%	0.1%	4.0%	3.4%	3.9%	4.3%
Investing Cash Flow	**(939)**	**(1,312)**	**(1,994)**	**(657)**	**(567)**	**(702)**	**(815)**
Proceeds from Borrowing	1,409	1,942	64	990	379	290	248
Payment of Long Term Debt	(263)	(161)	(95)	(2,181)	(459)	(217)	(217)
Principal Payments on Capital Leases	(13)	(9)	(11)	(9)	(7)	(8)	(8)
Financing Cash Flow	**(526)**	**274**	**(78)**	**(382)**	**(531)**	**(401)**	**(105)**
Net Change in Cash	106	422	(907)	75	(144)	(3)	126
Beginning Cash Balance	1,431	1,538	1,960	1,053	1,128	984	981
Ending Cash Balance	1,538	1,960	1,053	1,128	984	981	1,107
Balance Sheet							
Current Assets	8,757	8,765	8,317	8,183	7,467	7,340	7,309
Net Property & Equipment	17,598	17,656	18,740	19,049	18,461	18,579	18,771
Operating Lease Assets	651	307	616	591	443	422	416
Other Assets	9,687	9,239	10,426	10,312	10,055	10,087	10,207
Total Assets	**36,042**	**35,660**	**37,483**	**37,545**	**35,983**	**36,007**	**36,287**
Current Operating Lease Obligations	217	131	497	520	515	497	283
Current LT Debt/Capital Leases	799	685	1,049	1,121	939	877	1,168
Total Current Liabilities	5,779	5,414	6,254	6,269	5,659	5,695	5,938
Long Term Debt	4,811	4,834	4,944	5,003	4,293	4,526	4,483
Capital Lease Obligations	336	336	326	412	381	440	472
Operating Lease Obligations	515	266	506	479	370	359	344
Other Liabilities	5,019	4,979	5,239	5,023	5,077	4,976	4,764
Total Liabilities	**16,704**	**16,222**	**17,773**	**17,805**	**16,311**	**16,473**	**16,787**
Total Stockholders' Equity	**19,298**	**19,412**	**19,671**	**19,717**	**19,634**	**19,492**	**19,462**
Total Liabilities & Stockholders' Equity	36,042	35,660	37,483	37,545	35,983	36,007	36,287
Performance Ratios							
Current Ratio	152%	162%	133%	131%	132%	129%	123%
Total Debt & Leases	5,946	5,855	6,319	6,536	5,614	5,843	6,123
Total Debt to Equity	30.8%	30.2%	32.1%	33.1%	28.6%	30.0%	31.5%
Return on Invested Capital (annualized)	13.7%	12.6%	10.7%	10.6%	7.6%	9.0%	9.8%

- Free cash flow of $456 million rose in Q3'24 after the public TL carriers collectively generated $404 million in free cash flow in Q2. While lower freight rates continued to impact operating cash flow, lower net capex more than offset to result in the best free cash generation since Q1'23. Free cash flow was just 4.3% of industry revenue in Q3'24.
- The balance sheet has changed recently as we added TFI upon its acquisition of Daseke. From a long-term perspective, the industry balance sheet is still strong at 31.5% debt to equity relative to the 20-year average of about 55%, and about 40% if we remove the tumultuous 2008-2010 period.
- Fleet returns on invested capital (ROIC) rose 80bps q/q to 9.8% in Q3, better than normal seasonality of a 60bp q/q decline in returns.

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Public For-Hire Truckload Carrier Database

$ in millions, except as noted	2019	2020	2021	2022	2023	2024E	2025E	2026E
Transportation Revenue, net fuel	**33,639**	**34,003**	**44,119**	**50,053**	**44,119**	**41,958**	**44,355**	**48,959**
y/y	-1%	1%	30%	13%	-12%	-5%	6%	10%
Organic revenue, y/y	**-3.0%**	**0.0%**	**22.6%**	**8.1%**	**-13.7%**	**-7.5%**	**5.7%**	**10.4%**
Fuel Surcharge	3,571	2,495	4,049	7,623	5,945	5,245	4,910	5,171
y/y	-8%	-30%	62%	88%	-22%	-12%	-6%	5%
Other Revenue	818	706	1,344	1,600	250	501	546	545
Total Revenue	**38,028**	**37,204**	**49,512**	**59,276**	**50,314**	**47,704**	**49,811**	**54,675**
y/y	-1%	-2%	33%	20%	-15%	-5%	4%	10%
Total Operating Expenses	35,087	34,232	44,913	53,293	46,749	44,941	46,476	50,938
Operating Income	**2,942**	**2,973**	**4,599**	**5,983**	**3,565**	**2,763**	**3,335**	**3,737**
y/y	-10%	1%	55%	30%	-40%	-23%	21%	12%
q/q								
Operating Ratio (OR)	**92.3%**	**92.0%**	**90.7%**	**89.9%**	**92.9%**	**94.2%**	**93.3%**	**93.2%**
Margin change, y/y	(76bp)	25bp	130bp	80bp	(301bp)	(129bp)	90bp	14bp
OR, net fuel	**91.3%**	**91.3%**	**89.6%**	**88.0%**	**91.9%**	**93.4%**	**92.5%**	**92.4%**
Margin change, y/y	(85bp)	(0bp)	168bp	153bp	(387bp)	(150bp)	93bp	11bp
Pretax Income	2,669	2,768	4,450	5,713	3,197	2,304	2,849	3,198
Taxes	661	716	1,129	1,343	751	589	637	721
Tax Rate	25%	26%	25%	24%	23%	26%	22%	23%
Net Income	**1,958**	**2,132**	**3,394**	**4,177**	**2,384**	**1,685**	**1,946**	**2,254**
y/y	**-17%**	**9%**	**59%**	**23%**	**-43%**	**-29%**	**15%**	**16%**
Net Income Margin	**5.1%**	**5.7%**	**6.9%**	**7.0%**	**4.7%**	**3.5%**	**3.9%**	**4.1%**
Margin change, y/y	(102bp)	58bp	112bp	19bp	(231bp)	(121bp)	37bp	22bp
Net Income Margin, Core Carriers	**6.31%**	**6.36%**	**8.06%**	**7.82%**	**5.03%**	**3.37%**	**4.10%**	**4.12%**
Margin change, y/y	(77bp)	6bp	169bp	(24bp)	(279bp)	(166bp)	73bp	2bp
Fleet Statistics								
Tractors (period average)								
Total Tractors	**105,779**	**104,018**	**109,153**	**118,037**	**117,610**	**108,377**	**109,946**	**112,781**
y/y	2.5%	-1.7%	4.9%	8.1%	-0.4%	-7.9%	1.4%	2.6%
Additions/Acquisitions	851	0	1,461	3,888	1,153	80		
Organic fleet change, y/y	**1.6%**	**-1.7%**	**3.5%**	**4.6%**	**-1.3%**	**-7.9%**	**1.4%**	**2.6%**

- The publicly traded truckload industry suffered a 43% decline in net income in 2023 following record results in 2021 and 2022. We estimate another 29% drop in 2024. The 5.0% core carrier net margin in 2023 was the second worst in a decade, and our 3.4% estimate for 2024 would be the lowest since 2010.
- Freight rates are, of course, the primary driver of changes in industry profitability, and they have been gradually rising since October 2023, if not by much. A spot rate recovery should soon set up higher contract rates and a return to earnings growth in 2025.
- The 2023-2024 rate downcycle is more severe than that of 2018-2019, partly as a reflection of the sharp increases experienced in 2021 and 1H'22. And margin pressure in 2023 was worse than in 2019 because of sharper rate declines and the inflationary cost environment.
- We see the pricing pendulum beginning to shift from shippers back toward fleets, but capacity additions in the private fleet sector are prolonging the rebalancing, setting up a modest recovery in financial performance in 2025.
- In 2026, we expect a prebuy ahead of 2027 emissions regulations to pressure industry rates and margins, which will likely last well into 2027.

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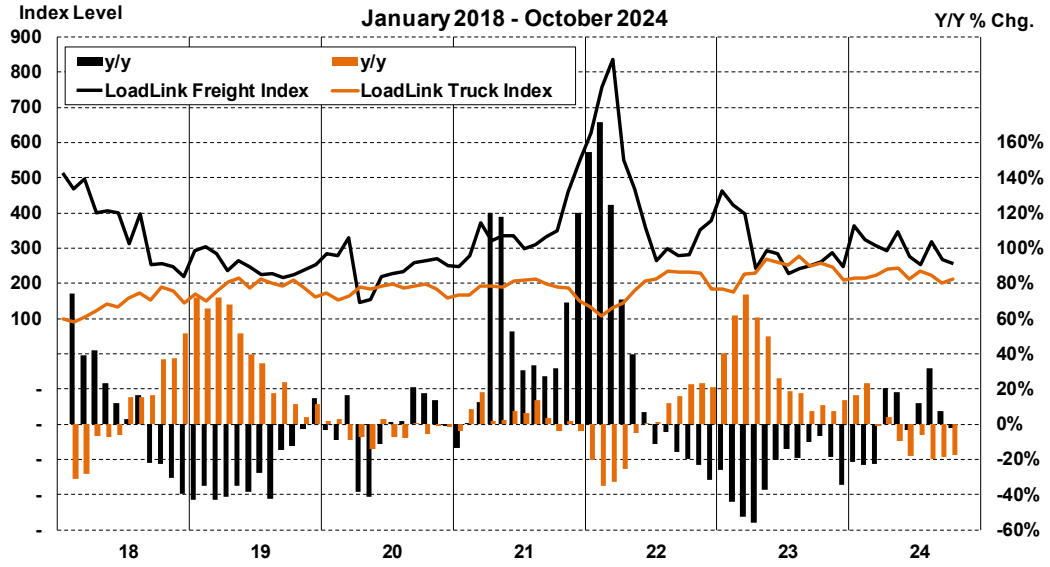
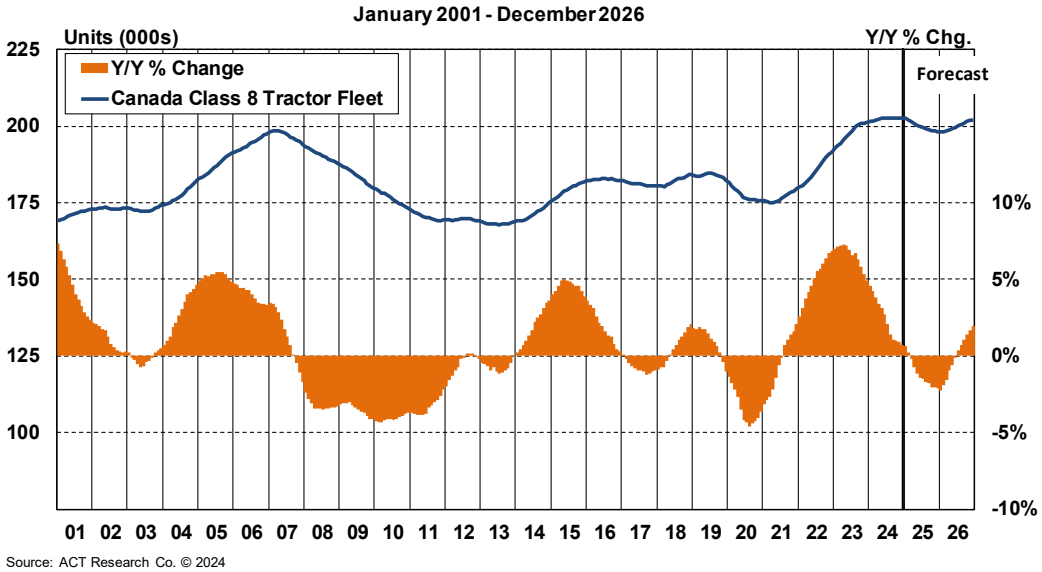
LoadLink Canada TL Spot Market Indexes



Source: LoadLink Technologies, ACT Research Co. © 2024

- The supply/demand balance in the Canadian market made more progress on the supply side in October, according to LoadLink's Truck and Freight Indexes, which respectively track supply and demand in the Canadian TL spot market.
- While still not in the data, the brief port lockout in early November likely reduced freight demand temporarily, in contrast to the August rail strike which drove a surge of spot freight.
- Volumes should pick up from here, with a likely added sense of urgency to make up lost volumes after the port lockout, and to add safety stocks with trading partners. While we're not trade lawyers, the USMCA comes up for a review mid-2026, and the threatened 25% tariffs seem to violate that deal, so it's not clear what will change in the next 18 months.

Canada Prime Age Class 8 Tractor Population



Source: ACT Research Co. © 2024

- Zooming out to the Canadian heavy duty tractor market, we estimate a prime age Class 8 tractor fleet of just over 200,000 units. With sales close to replacement levels, we estimate 0.7% growth in the fleet in 2024, followed by a 2.1% tightening in 2025, which should help press for-hire rates up in 2025. Similar to the US, we've widened the aperture a little to include eleven- and twelve-year-old tractors, as private fleets gain share.

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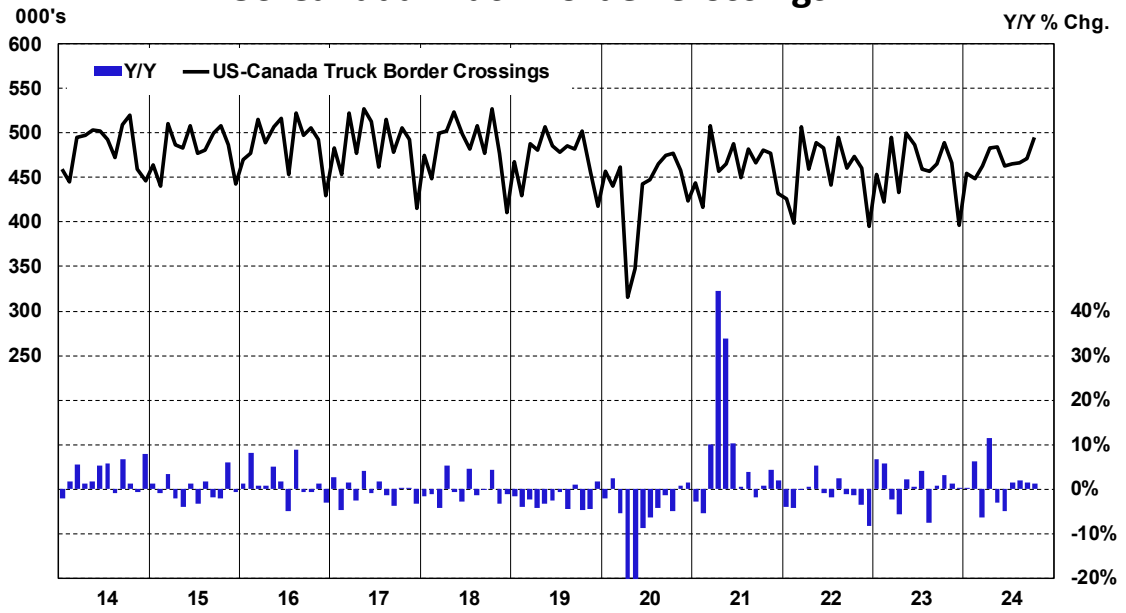
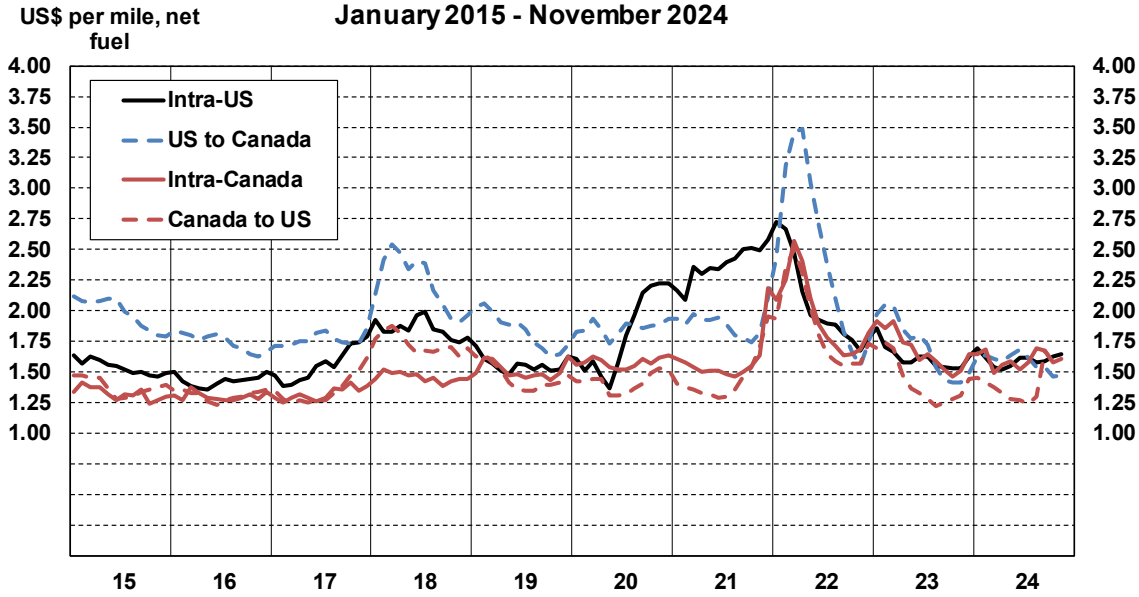
US-Canada Truck Border Crossings



Source: Bureau of Transportation Statistics, ACT Research Co. © 2024

- In October, US-Canada truck border crossings of 495k were up 1.2% y/y, ahead of the 0.7% ytd rate.
- The nearshoring trend hasn't affected our relationship with our northern neighbor, though the 2019 trade war which led to a US industrial recession also led to declines in cross-border trucking.

US & Canada Dry Van Truckload Spot Rates



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- Dry van TL spot rates in Canada rose to $1.61 per mile in November, from $1.58 in October and below the comparable US rate of $1.64.
- Though not the case currently, US-to-Canada rates have historically been slightly above broader market rates with less TL freight heading southbound. This southbound backhaul competition is also likely responsible for generally lower Canada-to-US rates, though southbound rates jumped recently during the rail strike and have held up fairly well since.

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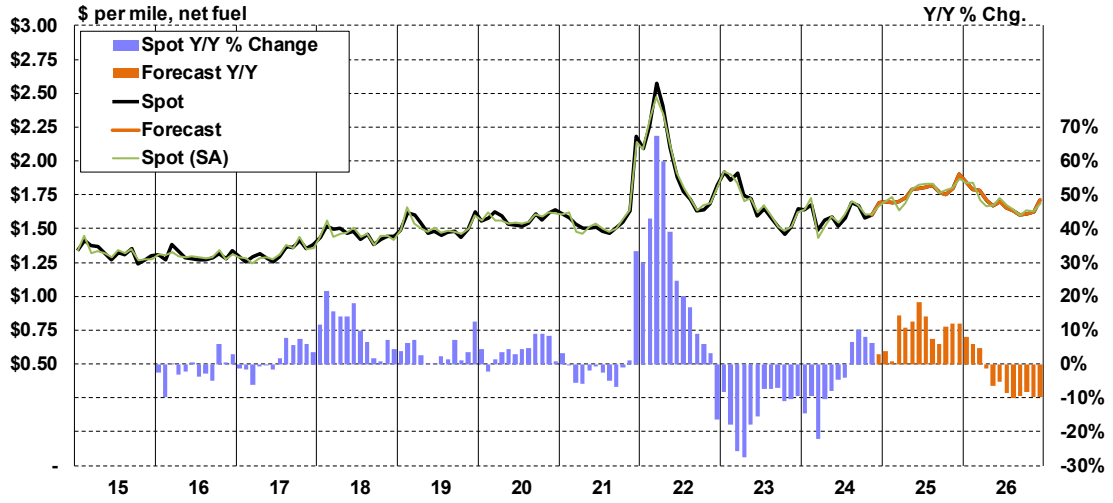
DAT Intra-Canada Dry Van Truckload Spot Rates

January 2015 - December 2026 Forecast

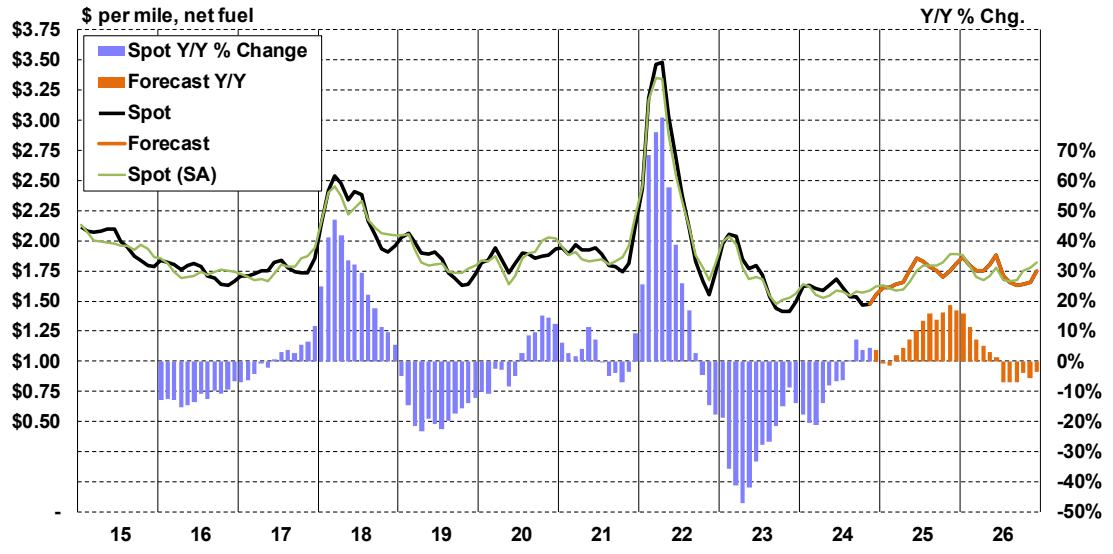


Source: DAT Freight & Analytics, ACT Research Co. © 2024

- DAT Canada dry van spot rates, net fuel, rose 3¢ m/m in November, unchanged in SA terms. In y/y terms, Canada spot rates rose 6.3% y/y in November, slowing from 8.0% in October.
- Canadian TL market dynamics generally move with the US, as shown on the prior page. Based on the interconnection of the US and Canadian economies, our Canada TL spot rate forecasts are heavily influenced by our US forecasts.
- Similar to the US, we lower forecasts with Class 8 tractor sales still suggesting insourcing and muting the rate cycle. However, Canada may not prebuy to the same degree, though Canada tends to follow US rules fairly quickly.
- Since normalizing from the surge during the August rail strike, spot rates have started to grind higher in December, if only slightly ahead of the normal seasonal pattern.

DAT US to Canada Dry Van Truckload Spot Rates

January 2015 - December 2026 Forecast



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- In November, DAT US-to-Canada dry van spot rates, net fuel, rose 1¢ m/m to $1.48 per mile (up 2¢ SA).
- US-to-Canada rates were up 4.3% y/y, net fuel, in November, after rising 3.7% in October.
- In 2025, we expect larger rate increases in Canada than the US, and smaller declines in 2026, due to less prebuying.

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North American Class I Rail Volumes

y/y % change

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24TD
Intermodal	-9.7%	-11.1%	-7.5%	3.3%	6.7%	6.8%	8.7%	5.5%
Chemicals	-3.9%	-3.6%	0.5%	8.8%	3.3%	5.2%	3.2%	1.3%
Metals	5.3%	1.4%	1.8%	7.2%	0.8%	-4.5%	-7.4%	-5.1%
Automotive	10.0%	14.0%	10.4%	10.2%	1.7%	4.0%	-2.8%	-2.8%
Petroleum	5.9%	-4.4%	-0.3%	9.6%	3.7%	10.7%	6.1%	3.3%
Minerals/Sand	5.0%	2.4%	0.6%	-0.7%	-7.2%	-4.1%	-4.8%	-2.4%
Paper/Lumber	-3.9%	-8.6%	-5.9%	0.3%	-0.8%	-0.1%	-4.0%	-2.9%
Grain/Food	5.5%	-1.8%	-0.7%	-3.0%	-3.1%	4.8%	5.1%	5.4%
Coal	1.1%	-0.5%	-3.4%	3.1%	-13.9%	-16.9%	-7.5%	-12.7%
Total	**-3.8%**	**-5.6%**	**-5.0%**	**4.1%**	**1.6%**	**2.2%**	**4.8%**	**1.4%**
Carloads, ex-Intermodal	1.6%	-0.1%	-0.7%	4.8%	-2.6%	-1.9%	-0.6%	-2.3%

Source: Company reports; ACT Research Co. © 2024

- North American Class I rail volumes are slowing in Q4, with intermodal volumes maintaining momentum ahead of seasonal patterns despite deteriorating commodity trends.
- North American goods demand continues to grow slowly, but an imminent post-election, pre-tariff shipping surge will induce an unsustainable boost to domestic export markets, in addition to more international intermodal growth.
- International pre-tariff shipping is unlikely to drive intermodal volumes until January, though domestic pre-tariff shipping may start sooner.
- Intermodal will continue to drive rail demand growth in 2025, led by the West Coast amid ongoing global ocean disruptions. With major risks from tariffs and East Coast port labor negotiations, western import demand will remain robust and should temporarily accelerate in early 2025 as shippers build safety stocks.

Weekly North American Rail Volumes by Segment

y/y % change

Week ending:	9/28/24	10/5/24	10/12/24	10/19/24	10/26/24	11/2/24	11/9/24	11/16/24	11/23/24	11/30/24	12/7/24
Intermodal	5.5%	-0.7%	5.3%	3.8%	6.5%	9.1%	3.0%	2.5%	7.2%	12.1%	6.7%
Chemicals	-0.1%	1.9%	-1.0%	-2.8%	1.8%	3.6%	4.2%	-1.2%	-3.7%	6.2%	5.0%
Metals	-10.4%	-3.3%	-0.5%	-11.8%	-1.3%	-7.1%	-4.9%	-8.9%	-4.8%	-4.9%	-2.2%
Automotive	10.5%	-4.9%	-4.7%	-4.7%	7.4%	9.0%	-4.1%	-2.3%	0.0%	-4.5%	-17.5%
Petroleum	2.4%	5.2%	0.8%	3.8%	2.6%	5.5%	3.0%	3.3%	2.2%	7.7%	-0.1%
Minerals/Sand	-9.2%	-8.1%	-5.8%	-6.6%	0.8%	7.8%	-5.7%	-3.3%	5.9%	-3.6%	-4.3%
Paper/Lumber	-4.1%	-5.2%	0.5%	-0.3%	1.2%	0.4%	-1.5%	-8.4%	-8.3%	-1.5%	-4.5%
Grain/Food	3.7%	0.0%	5.8%	6.0%	7.2%	6.3%	9.1%	3.4%	4.1%	3.0%	8.9%
Coal	-9.9%	-6.4%	-3.3%	-8.4%	-11.2%	-12.7%	-20.6%	-19.9%	-14.6%	-15.9%	-13.0%
Total	**1.0%**	**-1.9%**	**2.3%**	**0.4%**	**3.2%**	**4.6%**	**-0.7%**	**-1.6%**	**2.1%**	**4.3%**	**1.6%**
Carloads, ex-Intermodal	-3.1%	-2.9%	-0.5%	-2.8%	0.3%	0.6%	-4.0%	-5.3%	-2.4%	-2.4%	-3.1%

Note: y/y changes adjusted to normalize Thanksgiving timing.
Source: Company reports; ACT Research Co. © 2024

- Intermodal volume trends remained strong in recent weeks despite tougher y/y comparisons, though some of the recent rebound was likely due to the end of the Canada port lockout that slowed volumes in mid-November.
- Even as for-hire trucking demand is still soft, more complete measures like intermodal, imports, and the ACT Freight Composite all agree the freight recession likely ended in 2H'23. Private fleet insourcing remains the story in the TL market, and the surge in orders since the election suggests this will persist.
- Intermodal growth in 2024 has been concentrated in the international market and from the West Coast due to global ocean shipping disruptions. Panama Canal throughput has improved, but the Suez Canal remains effectively cut off to western ship traffic by Houthi missile attacks, keeping ocean container rates relatively high. With more East Coast port strikes very possible in early 2025, West Coast ports continue to look attractive to shippers.

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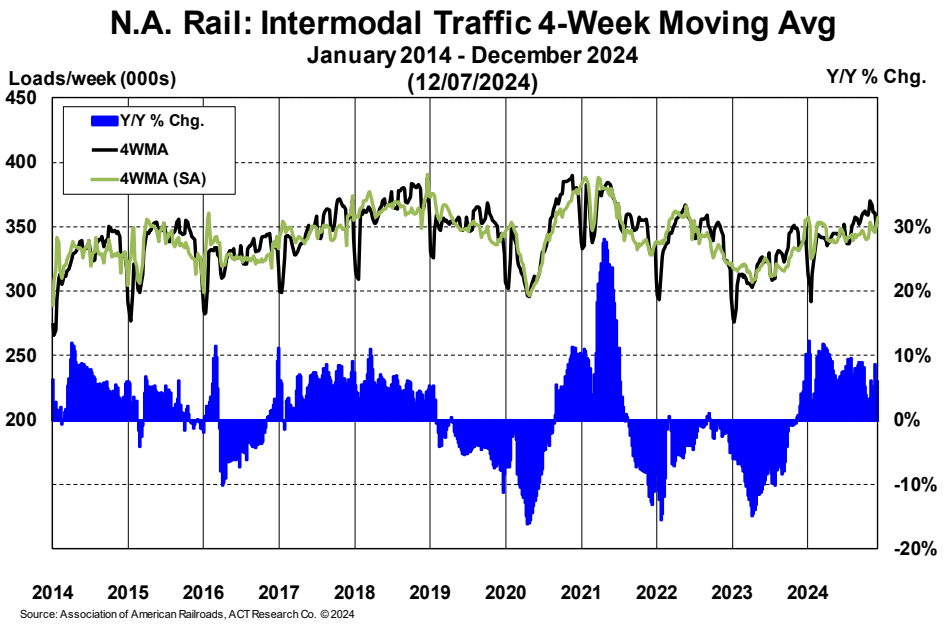
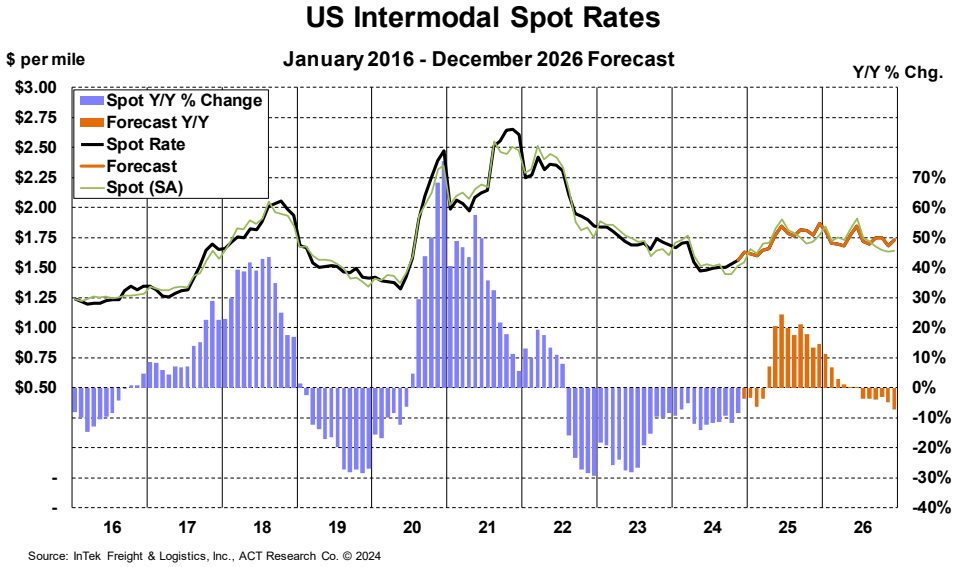


- NA intermodal volumes grew about 6% y/y in November, slowing from 8% in September but in line with our estimate.
- We estimate a weekly rate of 357k loads (SA), up 2.1% from 346k in September.
- International markets have been the main driver, but tariffs threaten both imports and exports, since US tariffs will invariably be met with counter tariffs. So, domestic intermodal markets should see an unsustainable boost related to pre-tariff shipping too. With the US House in Republican control, promised corporate tax cuts could offset these adverse effects, but both tariffs and tax cuts are inflationary in the long run.



- Intermodal spot rates rose 3¢ m/m in November to $1.56 per mile, including fuel, and rose 6¢ per mile SA.
- Rate momentum is picking up, but capacity isn't yet tight. Shipper conversations are changing, and we've heard anecdotes of intermodal rate increases recently. Our forecasts are lowered, but by less than our TL forecasts.
- Relative to the past few cycles, we expect a modest rate cycle in 2025 and 2026 as the overbuy of 2023 and 2024 has kept capacity looser for longer, and 2027 emissions regulations will likely lead to more prebuying.

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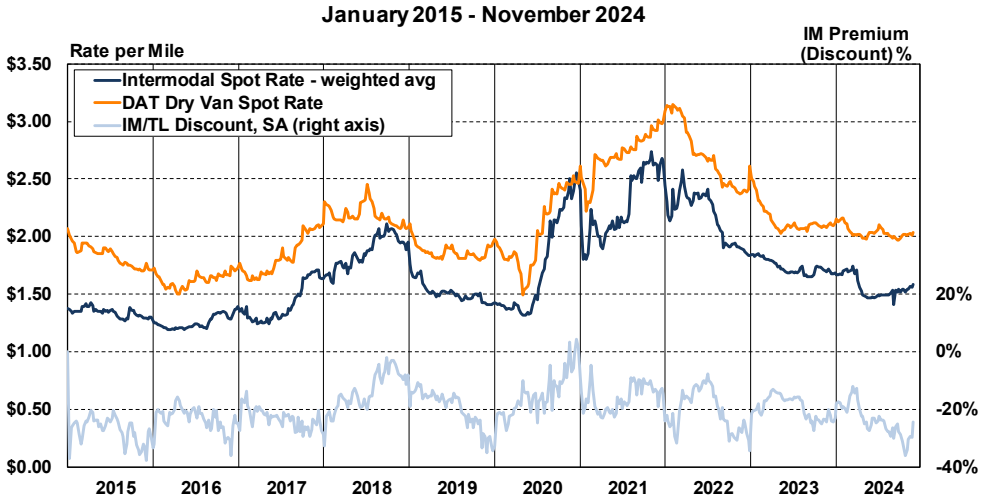
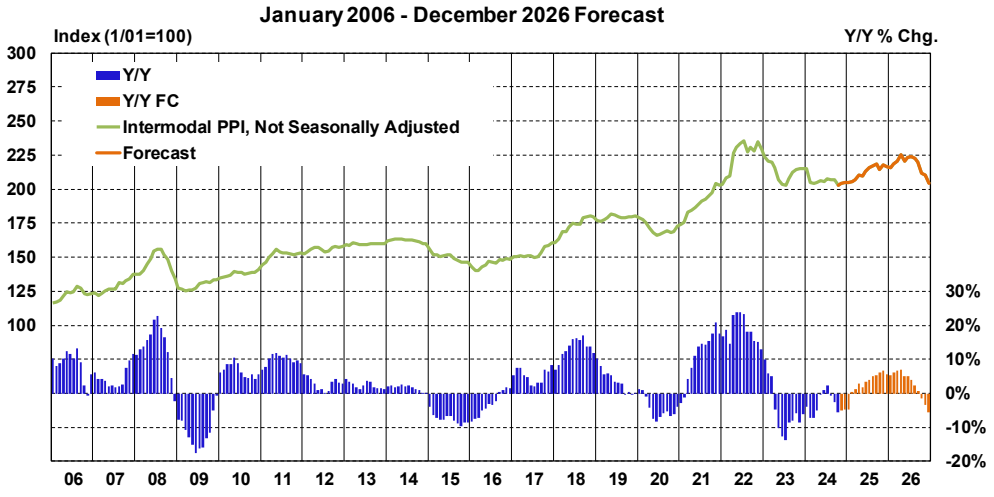
Dry Van TL vs Intermodal Spot Rate Comparison



Source: DAT Freight & Analytics, ACT Research Co. © 2024

- The intermodal spot rate discount to TL was just 23% in nominal terms in November (24% SA), not much wider than the 21% long-term average.
- Given the speed advantage of TL, when the discount widens above the 20% long-term average, shippers tend to shift freight from TL to intermodal. The current spread supports this shift toward intermodal.
- Intermodal rates, net of fuel, are currently about $1.22 per mile, making it by far the lowest cost mode.

Producer Price Index, Intermodal



Source: Bureau of Labor Statistics, ACT Research Co. © 2024

- The intermodal PPI fell 5.5% y/y in October, after a 2.5% y/y drop in September. With tougher comparisons in 2H'24 and fuel prices declining, more y/y declines are quite likely, but intermodal rates are broadly stabilizing.
- The market remains very competitive, but recent, small increases in TL contract rates and anecdotes of intermodal contract rate increases suggest a modest upturn is nearing.
- We expect highly competitive conditions to yield modest increases in 2025, as demand growth eventually rebalances the market, followed by a downturn in 2026, on a likely Class 8 tractor prebuy ahead of 2027 emissions rules.
- After a 5% decline in 2023, we estimate a 4% decline in the intermodal PPI in 2024, followed by 3% increases in both 2025 and 2026.
- The PPI measures an all-in rate including fuel surcharges.

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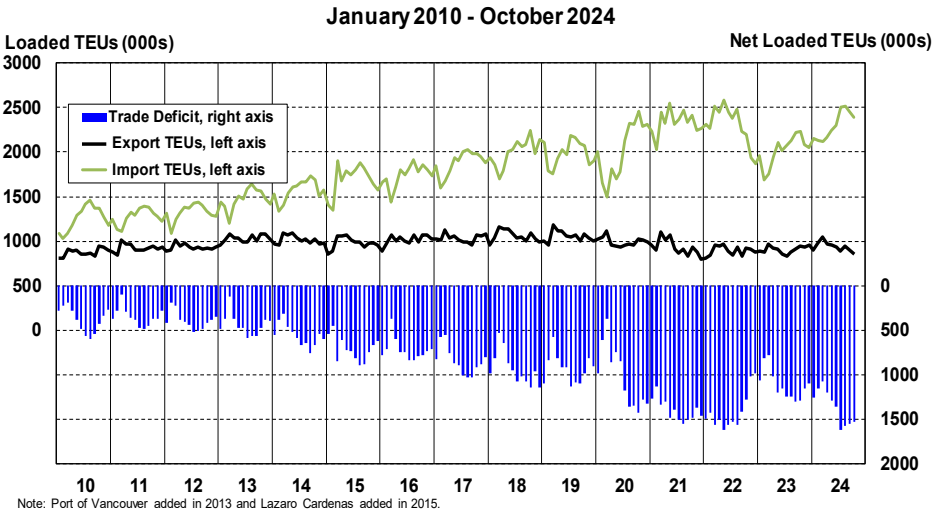
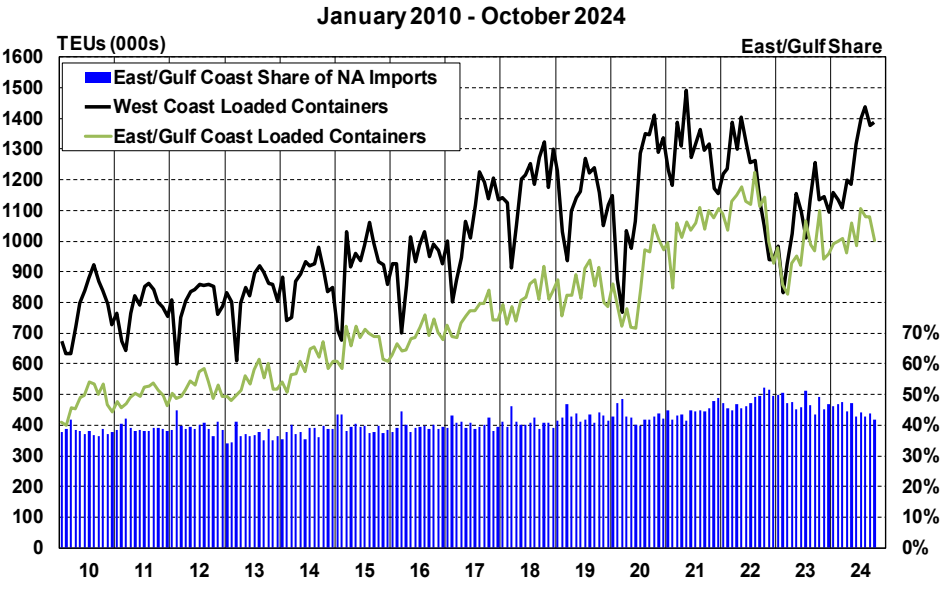
N.A. Ports: Container Trade Deficit



Note: Port of Vancouver added in 2013 and Lazaro Cardenas added in 2015.
Source: ACT Research Co. © 2024

- We considered removing this chart after re-reading Adam Smith's explanation of its absurdity (see pg. 5), but it demonstrates why tariffs fail to support US manufacturing. Since the 2018 tariffs, the long-term trend of imports remains up and to the right, with this year tracking 12% above 2018, whereas exports are tracking about 11% below 2018 levels this year. Tariffs leave US manufacturers significantly less competitive in global markets, both by costing US manufacturers and as counter-tariffs have a larger effect on our smaller exports.

N.A. Loaded Container Imports by Coast



Source: ACT Research Co. © 2024

- The East & Gulf Coast ports handled 41.9% of NA loaded container imports in October, 7.3pps below the year-ago period, in no small part due to the three-day strike that began October 1st. We would expect another pre-strike surge to support East Coast imports as strike risk remains elevated into the January 15th end of the cooling-off period. The Suez Canal is unlikely to reopen to western traffic soon, which continues to augur US imports toward the West Coast.
- Through October, 55.3% of NA container imports have come via West Coast ports ytd, up from 52.4% last year.

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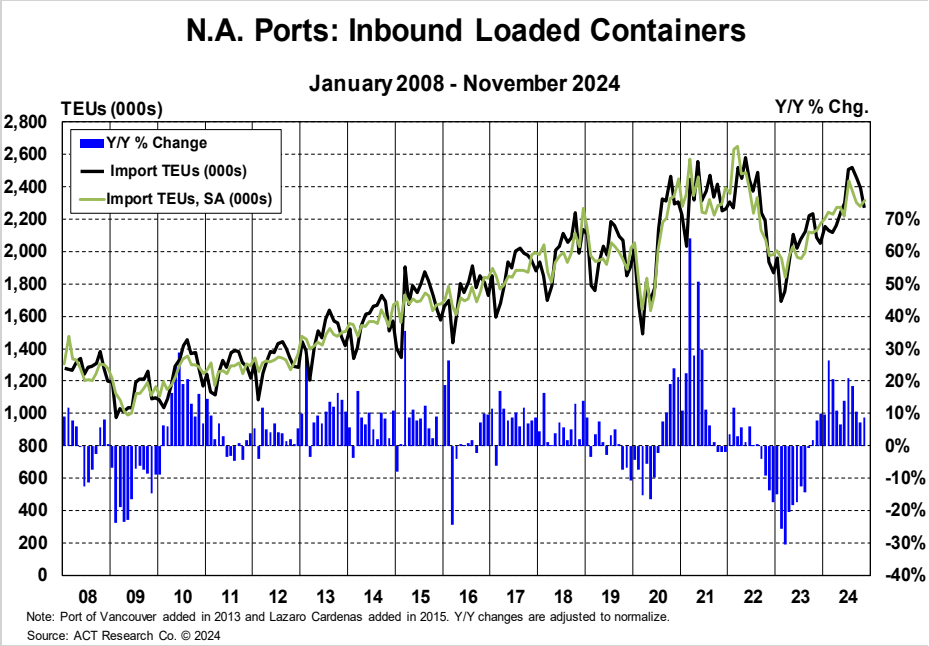
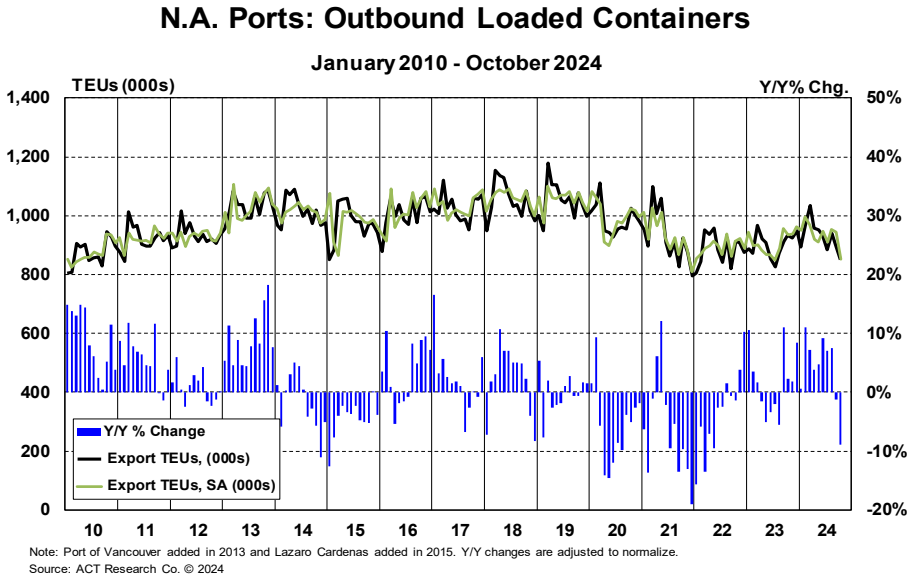


- NA container imports grew about 9% y/y in November, according to early industry data, accelerated from 7% in October, and up 1.6% m/m (SA).
- After significant pre-positioning ahead of October strikes, but little retail inventory growth, we see room for significant additional shipping ahead of upcoming labor and tariff risks. Shippers will likely add to safety stocks in the near term.
- US goods demand continues to grow modestly, and the ILA strike showed that adding safety stocks and rerouting to the West Coast isn't a bad strategy for some. These trends are reinforced post-election, likely at least through 1H'25.
- Container imports are on track for 13% growth in 2024. With Chinese New Year two weeks earlier this year, starting 1/29/25, we expect very strong near-term trade demand, but in seasonally soft trucking months, the effect on spot rates may be limited.



- Loaded container exports fell 8.9% y/y to 850,000 TEUs in October from 900,000 in August. In SA terms, export TEUs fell 9.7% m/m to the lowest level since mid-2023. The port strike appeared to hit exports more than imports.
- International prebuying of US goods likely supported exports for much of this year, and more pre-tariff shipping is likely, setting up post-tariff declines.

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North American Container Import Volumes by Port

Loaded TEUs, y/y % change

Largest to Smallest ---->	Los Angeles	Long Beach	Vancouver	Seattle	Oakland	Prince Rupert	Lazaro Cardenas	West Coast	West Coast % of Total	New York	Savannah	Virginia	Houston	Charleston	Baltimore	East/Gulf Coast	Total	East/Gulf Coast % of Total	y/y chg
Jan-23	-13%	-32%	-8%	-30%	-21%	-6%	38%	-19%	50.2%	-19%	-16%	5%	-6%	-7%	34%	-10%	-15%	49.8%	2.6pp
Feb-23	-41%	-35%	-8%	-34%	-32%	-41%	17%	-33%	49.3%	-25%	-16%	-24%	13%	-22%	-4%	-17%	-26%	50.7%	5.1pp
Mar-23	-35%	-35%	-30%	-37%	-36%	-35%	30%	-33%	52.9%	-35%	-19%	-29%	-12%	-31%	-9%	-27%	-30%	47.1%	2.2pp
Apr-23	-25%	-22%	-19%	-14%	-17%	-48%	29%	-21%	52.5%	-24%	-21%	-17%	-14%	-28%	29%	-20%	-21%	47.5%	0.6pp
May-23	-18%	-17%	-15%	-35%	-28%	-6%	44%	-18%	54.8%	-18%	-26%	-23%	-12%	-22%	-3%	-19%	-18%	45.2%	(0.4pp)
Jun-23	-2%	-34%	-20%	-20%	-31%	-24%	64%	-17%	54.3%	-26%	-24%	-18%	-7%	6%	-5%	-18%	-18%	45.7%	(0.4pp)
Jul-23	-25%	-28%	-26%	0%	12%	-16%	35%	-20%	48.6%	-8%	-9%	-6%	4%	3%	-3%	-5%	-13%	51.4%	4.3pp
Aug-23	7%	-15%	-24%	-19%	-17%	-54%	23%	-10%	53.5%	-19%	-30%	-15%	-17%	-10%	0%	-19%	-15%	46.5%	(2.7pp)
Sep-23	14%	19%	-16%	32%	-4%	-37%	68%	12%	56.5%	-20%	-5%	-9%	-12%	-14%	5%	-13%	-1%	43.5%	(6.2pp)
Oct-23	11%	24%	-7%	5%	-8%	-47%	24%	8%	50.8%	0%	-16%	1%	-4%	0%	8%	-4%	2%	49.2%	(2.9pp)
Nov-23	25%	37%	6%	1%	4%	-15%	69%	22%	54.9%	-7%	-3%	4%	-16%	-1%	1%	-6%	8%	45.1%	(6.4pp)
Dec-23	4%	38%	47%	3%	16%	-25%	0%	16%	53.3%	8%	-4%	-3%	14%	-1%	8%	3%	10%	46.7%	(3.0pp)
Jan-24	19%	24%	21%	2%	8%	-8%	29%	18%	53.8%	6%	4%	-4%	3%	-8%	-3%	2%	10%	46.2%	(3.6pp)
Feb-24	64%	29%	24%	-2%	32%	31%	31%	36%	53.2%	15%	19%	20%	18%	11%	14%	17%	26%	46.8%	(3.9pp)
Mar-24	19%	8%	37%	17%	38%	35%	18%	19%	52.3%	23%	24%	28%	23%	17%	-3%	22%	21%	47.7%	0.5pp
Apr-24	21%	16%	14%	13%	7%	12%	32%	17%	55.5%	9%	8%	23%	4%	6%	-100%	4%	11%	44.5%	(3.0pp)
May-24	-5%	-5%	10%	33%	13%	12%	17%	2%	52.8%	18%	24%	19%	18%	-8%	-93%	11%	6%	47.2%	2.1pp
Jun-24	-2%	53%	13%	42%	27%	6%	7%	20%	57.2%	12%	26%	1%	5%	10%	-86%	7%	14%	42.8%	(2.9pp)
Jul-24	38%	60%	46%	24%	3%	22%	14%	39%	55.9%	13%	7%	4%	-5%	6%	-59%	4%	21%	44.1%	(7.3pp)
Aug-24	18%	40%	15%	49%	15%	35%	22%	27%	57.1%	13%	21%	2%	9%	-3%	-25%	9%	18%	42.9%	(3.7pp)
Sep-24	27%	2%	10%	1%	10%	1%	-18%	10%	56.1%	13%	17%	12%	4%	14%	-5%	11%	10%	43.9%	0.4pp
Oct-24	24%	32%	7%	7%	11%	19%	31%	22%	58.1%	-10%	9%	-14%	-13%	-15%	-32%	-9%	7%	41.9%	(7.3pp)

- As the pre-strike surge into East Coast ports gave way to the early-October strike, 7.3pps of NA container imports shifted west in October. After a 3.4pp shift west in the past year, import activity was similarly split by coast in September. The East Coast handled 41.9% of NA container imports in October, the lowest level in nearly four years.
- Of the three main drivers westward, 1) Panama Canal transits are back to normal, 2) the ILA strike threat remains for January 15th, and 3) the Red Sea remains unnavigable, inhibiting Asia to US trade. So, the shift west will continue in the coming months. A fourth factor arising post-election is a pre-tariff surge in Chinese imports.
- Shippers were already planning around another potential strike in January, which now seems a larger risk as administrations transition. International traders will be highly motivated to ship ahead of tariffs, and as long as the Houthis keep the Suez Canal cut off, signs continue to point west.

North American Container Export Volumes by Port

Loaded TEUs, y/y % change

Largest to Smallest ---->	Los Angeles	Long Beach	Vancouver	Seattle	Oakland	Prince Rupert	Lazaro Cardenas	West Coast	West Coast % of Total	New York	Savannah	Virginia	Houston	Charleston	Baltimore	East/Gulf Coast	Total	East/Gulf Coast % of Total	y/y chg
Jan-23	3%	-14%	20%	4%	-7%	-14%	15%	-2%	42.5%	12%	21%	39%	31%	11%	24%	23%	11%	57.5%	5.6pp
Feb-23	-14%	-6%	25%	0%	-11%	-33%	6%	-4%	42.6%	-5%	7%	9%	42%	12%	-15%	10%	4%	57.4%	3.5pp
Mar-23	-12%	17%	1%	-5%	-6%	16%	-22%	0%	44.6%	-1%	8%	5%	10%	-13%	2%	3%	2%	55.4%	0.6pp
Apr-23	-12%	1%	21%	1%	-4%	-20%	-16%	-1%	44.2%	0%	-6%	-8%	-4%	12%	10%	-2%	-2%	55.8%	(0.3pp)
May-23	-19%	8%	3%	-6%	-15%	0%	-15%	-6%	45.4%	-7%	-5%	-10%	3%	4%	-15%	-4%	-5%	54.6%	0.5pp
Jun-23	15%	-18%	19%	-12%	-21%	-13%	-6%	-5%	44.6%	-8%	-9%	-4%	1%	33%	-18%	-2%	-3%	55.4%	0.6pp
Jul-23	6%	-18%	-34%	-8%	23%	-19%	-24%	-7%	41.5%	5%	-14%	4%	15%	9%	-6%	2%	-2%	58.5%	2.3pp
Aug-23	22%	-23%	-5%	-11%	-7%	-34%	8%	-5%	44.9%	-3%	-15%	-6%	-6%	9%	3%	-5%	-5%	55.1%	(0.0pp)
Sep-23	55%	-10%	7%	34%	9%	17%	0%	16%	46.3%	-3%	11%	-3%	21%	12%	-8%	7%	11%	53.7%	(2.0pp)
Oct-23	35%	-25%	5%	32%	4%	1%	14%	5%	44.4%	-1%	-4%	3%	6%	-4%	-5%	0%	2%	55.6%	(1.2pp)
Nov-23	24%	-13%	-1%	5%	-3%	12%	-7%	2%	44.5%	1%	-1%	9%	-2%	6%	-2%	2%	2%	55.5%	0.1pp
Dec-23	26%	-10%	32%	45%	13%	-1%	-9%	15%	46.8%	1%	5%	1%	12%	-8%	-3%	3%	8%	53.2%	(2.7pp)
Jan-24	23%	-18%	-10%	20%	9%	2%	16%	3%	43.6%	-7%	-5%	-2%	9%	2%	-13%	-1%	1%	56.4%	(1.1pp)
Feb-24	61%	-21%	9%	10%	24%	11%	5%	14%	43.7%	3%	10%	4%	25%	-3%	-3%	9%	11%	56.3%	(1.1pp)
Mar-24	47%	-21%	20%	16%	15%	-1%	63%	12%	46.4%	0%	8%	1%	12%	1%	-23%	4%	7%	53.6%	(1.8pp)
Apr-24	51%	-20%	-9%	16%	7%	-8%	90%	7%	45.3%	7%	4%	14%	8%	-5%	-99%	2%	4%	54.7%	(1.1pp)
May-24	24%	-21%	12%	21%	-2%	21%	46%	4%	45.0%	13%	4%	12%	21%	-11%	-90%	6%	5%	55.0%	0.4pp
Jun-24	13%	4%	4%	13%	23%	9%	11%	11%	45.1%	11%	8%	16%	11%	5%	-44%	8%	9%	54.9%	(0.5pp)
Jul-24	4%	16%	67%	-2%	2%	43%	41%	14%	44.3%	12%	8%	4%	-4%	-4%	-31%	2%	7%	55.7%	(2.7pp)
Aug-24	-3%	12%	12%	18%	-5%	35%	-13%	5%	44.1%	10%	16%	4%	19%	-8%	-17%	9%	7%	55.9%	0.8pp
Sep-24	-5%	-13%	8%	-7%	3%	-1%	-23%	-4%	45.0%	18%	-9%	17%	-8%	-5%	-21%	1%	-1%	55.0%	1.3pp
Oct-24	1%	25%	-4%	-13%	-3%	6%	10%	3%	50.2%	-6%	-11%	-29%	-21%	-25%	-41%	-18%	-9%	49.8%	(5.8pp)

- Container exports from North American ports fell 9% in October, with an 18% y/y decline from the East and Gulf Coasts, and a 3% increase from the West Coast.

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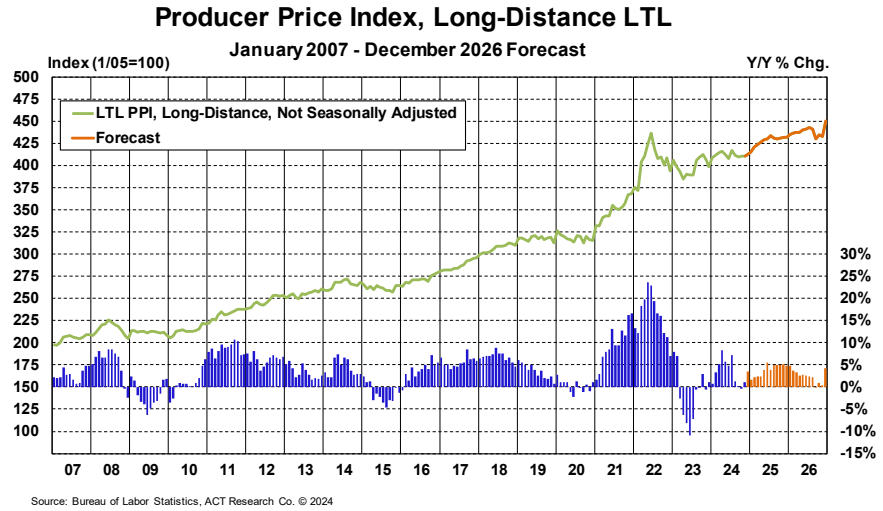
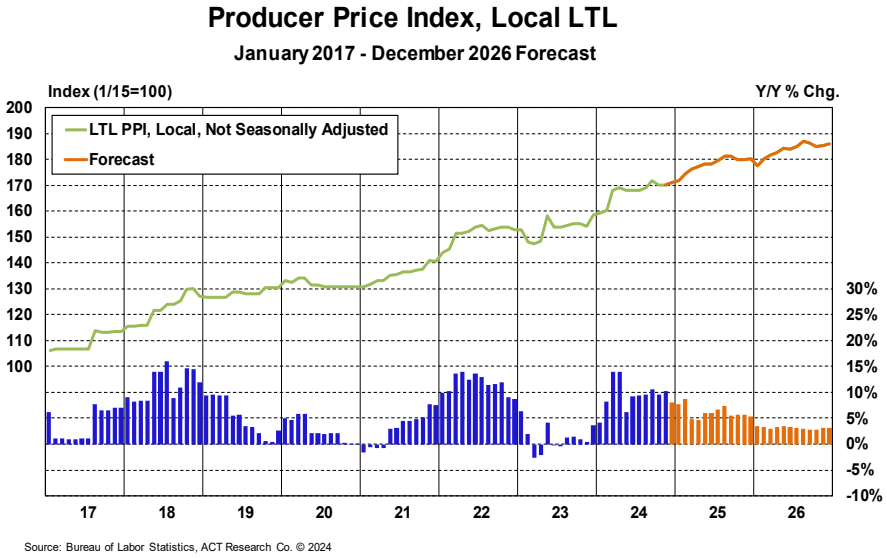


- The long-distance LTL Producer Price Index (PPI) rose 1.0% y/y in November from a 0.4% y/y decline in October. On a m/m basis, the index was flat after rising 0.1% last month. This reflects an all-in rate including fuel. Lower fuel prices are currently a 3pp-4pp headwind, so underlying rates are still rising 4%-5% y/y.
- We expect moderate LTL rate increases as LTL providers retain pricing power as overcapacity narrows in the TL market. We think LTL will remain largely insulated from TL market rate declines, but the long-distance market is typically more competitive.
- Our 3% estimate for 2024 includes 2-3pps of fuel headwind, so we don't really see an acceleration to 4% in 2025, just more stable fuel prices. Our 2% forecast for 2026 reflects TL pressure.



- The local LTL PPI fell 0.1% m/m in November, after a 0.9% decrease in October, and has held in a 2% band since March.
- Still, local LTL rates were up 10.2% y/y in October, including a headwind from lower fuel prices.
- As trajectory of the TL market recovery is likely to remain gradual, LTL pricing trends should slow but remain consistently positive.
- For 2023, this index rose 1%, with about 3pps of fuel surcharge savings and underlying rates up about 4%.
- In 2024 and 2025, we see LTL rates outperforming the softer TL market, at 9% and 6% increases, slowing to 3% in 2026 due to likely Class 8 tractor prebuying. Fuel was a roughly 2pp headwind in 2024 here too.

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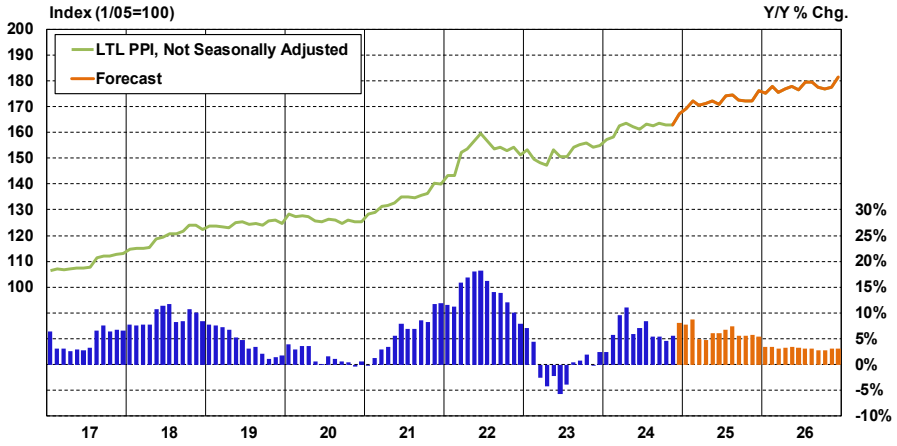
LTL Producer Price Index, Local & Long-distance

January 2017 - December 2026 Forecast

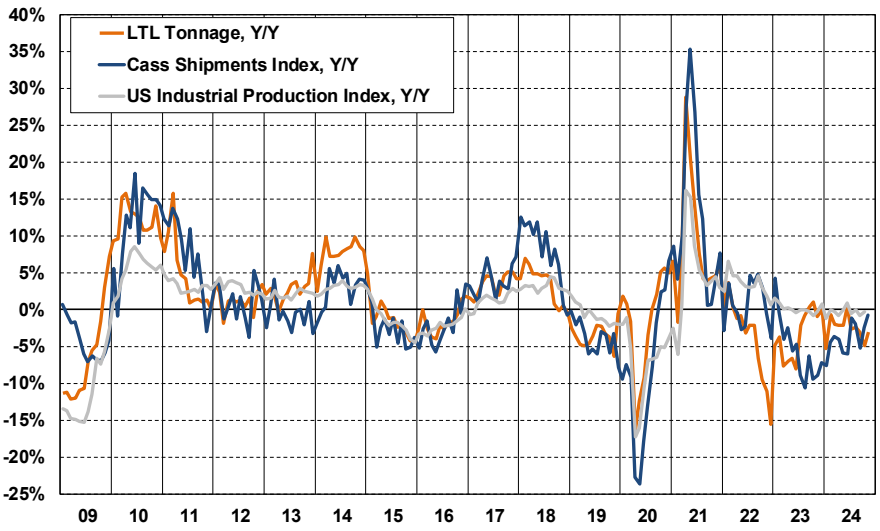


Source: Bureau of Labor Statistics, ACT Research Co. © 2024

- The index above is a combination by ACT Research of the two indexes on the prior page, for those curious about what the two LTL indexes mean for the sector as a whole.
- Over the long run, we expect local and long-haul trends to be generally consistent, with potential for outperformance in local rates driven by regional LTL freight demand, as is evident in the recent data.

LTL Tonnage, IP, and Cass Freight Index® - Shipments

January 2009 - October/November 2024



Source: Cass Information Systems, Inc., Federal Reserve, Company reports, ACT Research Co. © 2024

- Average public LTL tonnage fell 3.0% y/y in November after a 4.8% decline in October, with a wide divergence among fleets. Declines are likely to continue as comparisons have now become more difficult after lapping Yellow's demise. Recent trends have been fairly steady with small declines in all three data series.
- The Fed's US Industrial Production Index was down 0.3% y/y in October after a 0.7% y/y decline in September. The index is down 0.3% ytd. Pre-election slowdowns are typical, as are post-election bounces.
- This monthly LTL series is a simple average of Saia, Old Dominion, ArcBest, and XPO. It is a relatively small sample, but these four fleets represent over one-third of the LTL sector by revenue.

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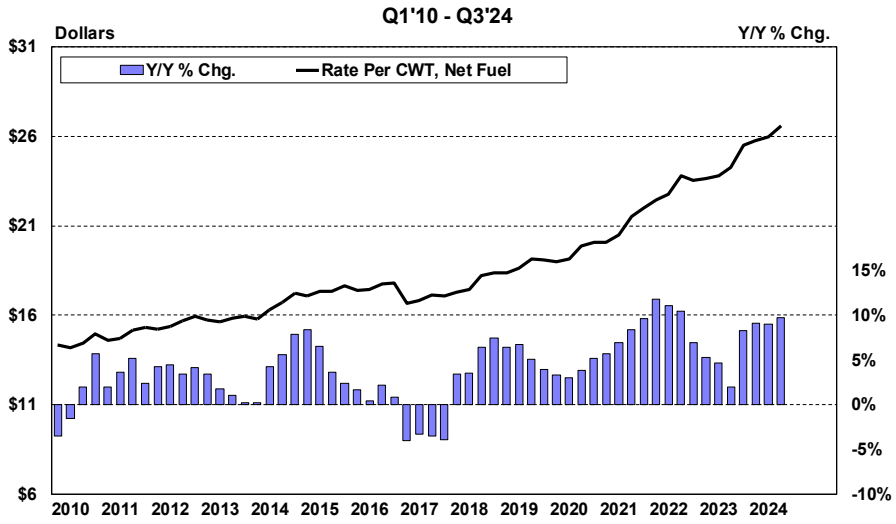
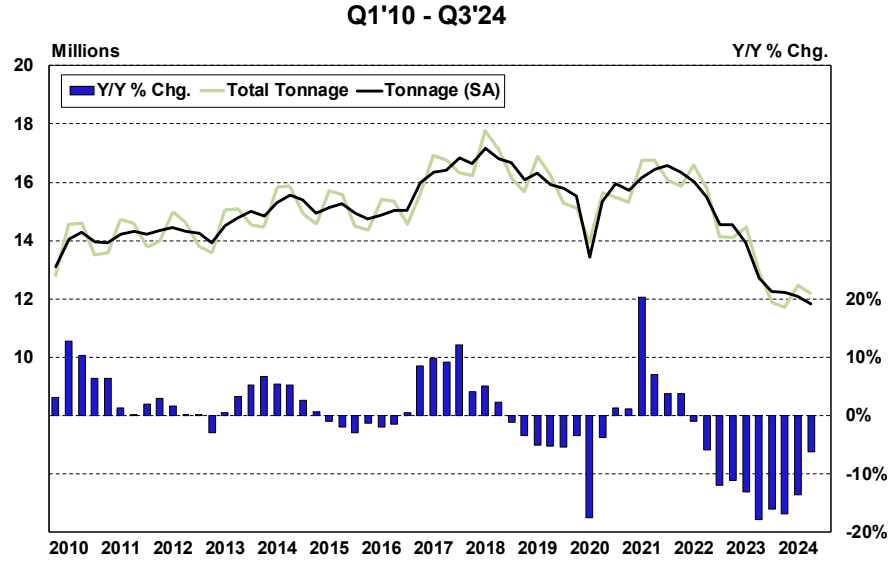
LTL Carrier Database: Rate Per CWT, Net Fuel



Source: ACT Research Co. © 2024

- LTL yield (revenue per hundred pounds [CWT]), net fuel, rose 9.7% y/y in Q3'24, following a 9.0% y/y increase in Q2'24. Yield rose 2.5% q/q after a 0.8% increase in Q2.
- LTL pricing trends remain up, even increasingly at the expense of volumes. LTL demand should benefit from the pre-tariff shipping surge, similar to TL, intermodal, and ocean freight, but will be limited by latent TL capacity.
- LTL rates exceeded our expectations in Q3, and though a medium-term slowdown remains likely, near-term LTL pricing momentum continues.

LTL Carrier Database: Total Tonnage



Source: ACT Research Co. © 2024

- LTL tonnage declined 6.1% y/y for the public fleets in Q2'24, but this is the last quarter of wild comparisons as Yellow starts to fade into the rearview from August.
- On a seasonally adjusted (SA) basis, LTL tonnage was down 1.4% q/q in Q2 from Q1, after a 3.7% q/q drop in Q4.

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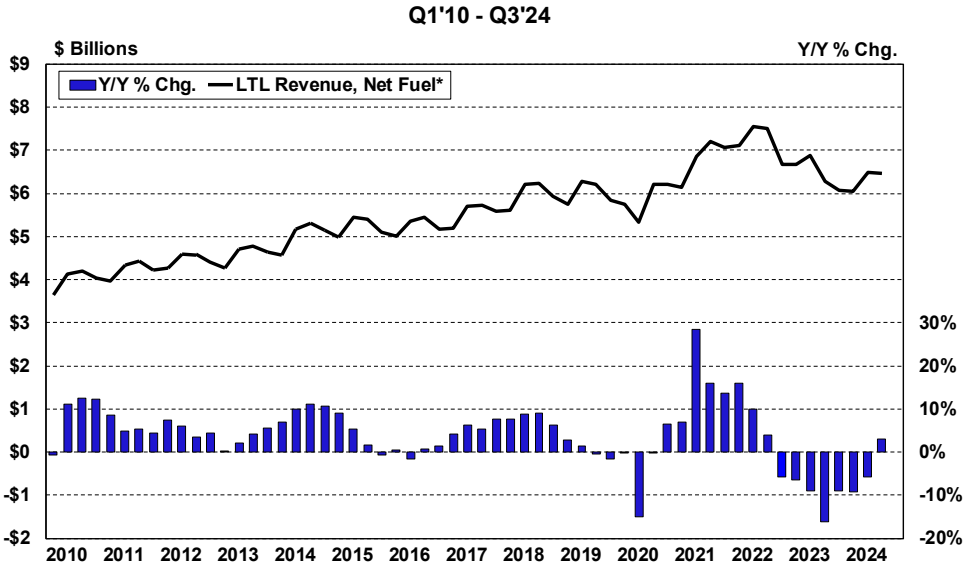
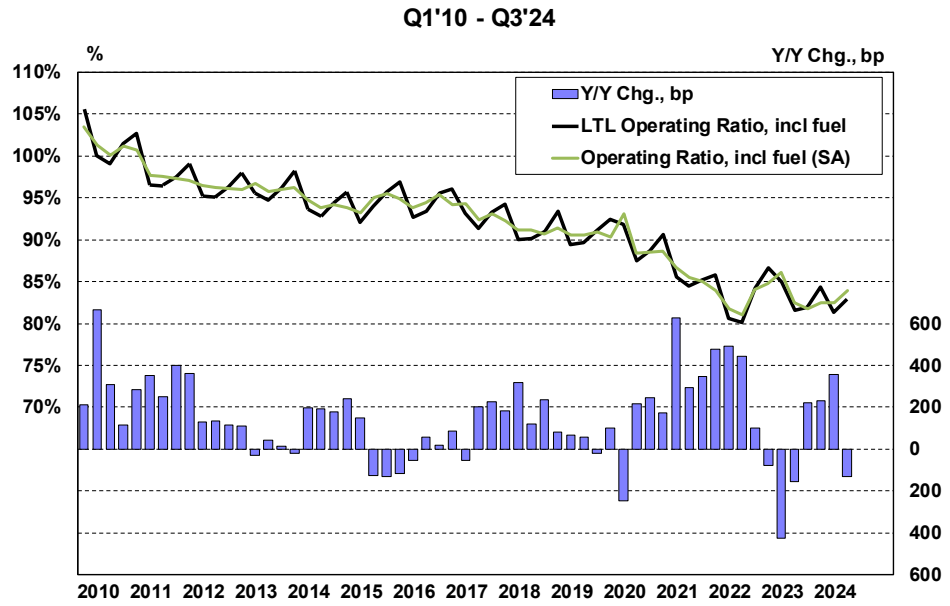
LTL Carrier Database: LTL Revenue, Net Fuel*



*Includes FedEx Freight, TForce Freight/UPS Freight, XPO LTL, Old Dominion, Saia, ArcBest, Forward Air, Yellow Corp.
Source: ACT Research Co. © 2024

- LTL revenue, net fuel, rose 3% y/y in Q3'24, with higher yields outweighing lower tonnage.
- The nine fleets in the ACT For-Hire LTL Carrier Database generated $30.9 billion in LTL revenue in the past year, including fuel, and we estimate represent about two-thirds of the for-hire LTL sector.

LTL Industry Operating Ratio (incl fuel)



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- The LTL sector operating ratio (OR) of 82.9% in Q3'24 deteriorated by 130 basis points (bps) y/y, as fleets added costs faster than revenues. On a q/q basis, the LTL sector OR worsened by 140bps in SA terms.
- Strong pricing has helped LTL margins to improve in recent quarters, but cost inflation and tonnage declines are hindering margin expansion for now.

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ACT Research

Public Less-Than-Truckload (LTL) Industry Database

Financial & Operating History and Outlook

$ in millions, except as noted	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Transportation Revenue, net fuel	**40,995**	**40,243**	**40,238**	**45,190**	**44,458**	**37,705**	**38,293**	**41,185**	**43,132**
y/y	9%	-2%	0%	12%	-2%	-15%	2%	8%	5%
Acquisitions/(Divestitures)	169	109	213	1,519	1,113	(2,781)	(2,372)	0	0
Organic revenue, y/y	**8.7%**	**-2.1%**	**-0.5%**	**8.5%**	**-4.1%**	**-8.9%**	**7.9%**	**7.6%**	**4.7%**
Fuel Surcharge	3,697	3,607	2,982	4,553	7,950	6,065	5,251	5,590	5,847
y/y	28%	-2%	-17%	53%	75%	-24%	-13%	6%	5%
LTL Revenue, net fuel	**23,978**	**24,095**	**23,515**	**27,286**	**28,837**	**25,892**	**25,668**	**28,064**	**29,160**
y/y	8%	0%	-2%	16%	6%	-10%	-1%	9%	4%
Total Revenue	44,692	43,850	43,220	49,743	52,408	43,770	43,543	46,775	48,979
y/y	10%	-2%	-1%	15%	5%	-16%	-1%	7%	5%
Total Operating Expenses	41,950	40,950	40,167	45,029	45,175	38,087	37,490	39,461	41,139
Operating Income	**2,742**	**2,900**	**3,053**	**4,714**	**7,234**	**5,683**	**6,054**	**7,315**	**7,840**
y/y	48%	6%	5%	54%	53%	-21%	7%	21%	7%
q/q									
Operating Ratio (OR)	**93.9%**	**93.4%**	**92.9%**	**90.5%**	**86.2%**	**87.0%**	**86.1%**	**84.4%**	**84.0%**
Margin change, y/y	156bp	48bp	45bp	241bp	433bp	(82bp)	92bp	174bp	37bp
OR, net fuel	**93.3%**	**92.8%**	**92.4%**	**89.6%**	**83.7%**	**84.9%**	**84.2%**	**82.2%**	**81.8%**
Margin change, y/y	176bp	52bp	38bp	284bp	584bp	(120bp)	74bp	195bp	42bp
Pretax Income	1,910	1,794	1,845	3,200	4,674	3,477	3,721	4,978	5,514
Taxes	455	460	485	825	1,148	893	870	1,211	1,339
Tax Rate	23.8%	25.6%	26.3%	25.8%	24.6%	25.7%	23.4%	24.3%	24.3%
Net Income	**1,454**	**1,335**	**1,359**	**2,374**	**3,526**	**2,584**	**2,851**	**3,767**	**4,175**
y/y	101%	-8%	2%	75%	48%	-27%	10%	32%	11%
q/q									
Net Income Margin	**3.9%**	**3.7%**	**3.8%**	**5.8%**	**8.6%**	**7.7%**	**8.6%**	**10.5%**	**11.1%**
Margin change, y/y	178bp	(23bp)	10bp	206bp	274bp	(87bp)	86bp	197bp	58bp
LTL Operations									
Total Revenue Per CWT, incl fuel	$20.91	$21.94	$22.23	$24.85	$30.20	$30.81	$32.37	$33.73	$34.77
y/y	8%	5%	1%	12%	22%	2%	5%	4%	3%
Rate Per CWT, net fuel	$17.82	$18.79	$19.53	$21.03	$23.11	$24.24	$26.31	$27.66	$28.53
y/y	5%	5%	4%	8%	10%	5%	9%	5%	3%
Total Tonnage	67,297	64,108	60,194	64,873	62,403	53,413	48,775	50,732	51,101
y/y	3%	-5%	-6%	8%	-4%	-14%	-9%	4%	1%
Total Shipments (000s)	102,541	99,612	93,493	100,894	98,202	85,500	80,143	82,792	83,001
y/y	1%	-3%	-6%	8%	-3%	-13%	-6%	3%	0%
Average Weight per Shipment (lbs)	1,313	1,287	1,288	1,286	1,271	1,249	1,217	1,226	1,231
y/y	2%	-2%	0%	0%	-1%	-2%	-3%	1%	0%
Revenue per Shipment, net fuel	234	242	252	270	294	303	320	339	351
y/y	7.1%	3%	4%	8%	9%	3%	6%	6%	4%
LTL Operating Ratio, incl fuel	**91.3%**	**90.8%**	**90.0%**	**86.3%**	**82.6%**	**84.1%**	**82.2%**	**80.9%**	**80.7%**
y/y	217bp	45bp	81bp	368bp	375bp	(157bp)	194bp	128bp	19bp

Fleets included: Old Dominion, Saia, XPO Logistics, FedEx Freight, TFI International, Knight LTL, ArcBest, Forward Air, and Yellow Corp (historically).
Source: ACT Research Public Less-Than-Truckload Industry Database. Copyright 2024. Click here for more information.

- This table summarizes the key financial and operating metrics for the public LTL sector. Our data set reflects the addition of Knight LTL and TFI Canada. Data for Yellow end with Q2'23. The forecasts are based on our tonnage and rate forecasts, in addition to general expectations for operating cost inflation.
- The financial data in the top section reflect the entire companies for those that are primarily LTL, with the exceptions of FedEx and Knight-Swift, where we include just their LTL operations.
- The operational data in the bottom section remove all non-LTL business from the operating and financial statistics.
- LTL fleets have shown consistent margin improvement over the past several years, and after a pause that refreshes in 2023, we expect a relatively strong pricing environment to drive further improvement in the years to come.
- However, the forecast also reflects the exit of a large but unprofitable fleet, which cushioned the downturn in 2023 and is responsible for much of the 2024 improvement.

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US ECONOMIC OVERVIEW

With six weeks until the inauguration, President-elect Donald Trump announced several cabinet picks to deliver on his election promises to raise tariffs, cut taxes, secure the border, and increase government efficiency. While financial markets appear optimistic about President-elect Trump's policy agenda, with the S&P 500 stock market index up 5.3% as of December 6—to a record high—since the November 5 election, we believe challenges will likely emerge as the administration's initiatives are implemented. This mix of optimism and uncertainty challenges our macroeconomic outlook as we assess Trump's appointments and policy announcements made at the time of this writing (December 9), influencing how we plan to adjust our forecast.

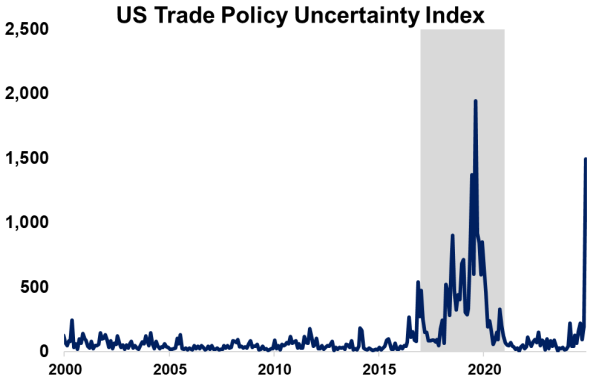
One of the most significant developments is the nomination of Scott Bessent as Treasury Secretary. A well-known hedge fund manager, Bessent's pragmatic and centrist economic views have provided reassurance to financial markets, contributing to a rally in equity prices, lower bond yields, and a weaker US dollar. Bessent outlined a "3-3-3" plan to reduce the budget deficit to 3% of GDP, increase annual GDP growth to 3%, and expand oil production by 3 million barrels per day. While critics have questioned the feasibility of these goals—notably the sustainability of a 3% growth rate and supply of attractive oil reserves to be tapped—Bessent's focus on deficit reduction has gained praise. Businesses are also encouraged by his emphasis on deregulation, which could stimulate growth without reigniting inflation or widening the government's already large fiscal deficit.

Tax reform remains a central focus of the Trump Administration. The administration is prioritizing the extension of personal tax cuts from the 2017 Tax Cuts and Jobs Act (TCJA), which are set to expire in 2025. This extension aims to prevent a tax increase that could otherwise hinder economic growth. However, concerns have been raised about the potential impact on the federal deficit, with estimates suggesting that extending these cuts could add approximately $4 trillion to the deficit over the next decade. The Federal Reserve views the extension of these tax cuts not as new stimulus but as a measure to maintain the current tax landscape, thereby avoiding a potential drag on economic growth that a tax increase might cause.

Many of the Trump campaign's other tax proposals—such as exemptions for earnings from tips, overtime hours, or Social Security—are not traditional Republican Party positions, perhaps making them less likely to secure the necessary votes in the House and Senate. This is particularly true for the Social Security exemption, which, under Senate rules, cannot be included in a "reconciliation" vote that bypasses the 60-vote threshold.

Trade policy under the Trump administration is already proving contentious—resulting in a surge in trade policy uncertainty last seen in the first Trump Administration. On November 25, President-elect Donald Trump announced 25% tariffs on imported goods from Canada and Mexico and an additional 10% tariff on China to 35%. As a result of the announced tariffs, Mexican President Claudia Sheinbaum threatened to retaliate. At the same time, Canadian Prime Minister Justin Trudeau said he was prepared to work with the US in "constructive ways." While these tariffs could have a negative regional economic impact if fully implemented, they are likely being used as leverage for concessions on tighter border security. Mexico is expected to face more pressure than Canada due to its role in undocumented immigration and drug trafficking. Renegotiations of the USMCA are scheduled for 2026, with the US likely to seek modifications that will limit the potential for Chinese companies to bypass US tariffs by transiting goods through Mexico. We also cannot discount the possibility that the USMCA could be broken into separate trade agreements with Canada and Mexico that better reflect the different economic realities of the two countries.

US-China trade tensions have intensified and could get worse. On November 29, the Biden administration increased tariffs on solar products from Cambodia, Malaysia, Thailand, and Vietnam, where



Note: Gray shading reflects first Trump Administration
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Chinese firms have set up operations to avoid tariffs. On December 2, the US Commerce Department updated its export controls, adding 140 Chinese companies to its "entities list," a move that prevents them from buying high-powered US technology. This included the semiconductor foundries that supply companies, including China's tech giant Huawei. The new rules also expand the list of US-made semiconductor equipment that cannot be sold to certain Chinese firms.

China responded in kind. On December 2, it banned the export of key minerals such as antimony, gallium, and germanium to the US. These are critical ingredients for manufacturing cutting-edge technology and weapons. Also, on December 2, four key Chinese trade associations told their members to stop purchasing US chips.

These announcements could just be the beginning. The full scale of this trade conflict will become more transparent after the Trump Administration takes office on January 20. China is not holding back. Its export bans strongly convey its readiness to engage in this trade conflict.

Lastly, Trump has also threatened the BRICS economies (Brazil, Russia, India, China, and South Africa) with 100% tariffs if they move to create a new BRICS currency or back any other currency to replace the US dollar. Recent summits among the BRICS nations have focused on plans to rely less on the US dollar, including plans for new financial systems or even a shared BRICS currency. The motivation for the BRICS economies to establish alternative financial systems stems from shared frustrations with the dominance of the US dollar, which is often leveraged in economic sanctions and global trade negotiations. These moves are viewed as a direct challenge to US economic dominance. Stating that the US would not "stand by and watch" such actions, Trump demanded commitments from BRICS countries to avoid supporting any currency aimed at replacing the US dollar. He warned that failure to comply would lead to tariffs and loss of access to the US market.

The bottom line is that tax cuts and immigration are expected to be the easiest decisions on which the new administration can make progress, while decisions about the magnitude and timing of tariff hikes have a greater range of uncertainty. However, with potential new tariffs on Canada, Mexico, and China already in the spotlight, we might expect announcements shortly after January 20. There will be no winners from new tariffs, as consumers and exporters are likely to be the most impacted. On the other hand, if tariffs are successful in gaining concessions, there may be some unexpected trade benefits. We are currently skeptical of the measures to be taken by Elon Musk and Vivek Ramaswamy regarding the spending cuts needed to increase the government's operational efficiency. The role of the Fed will also be important, as decisions about rate cuts will depend on how the government's actions impact the central bank's inflation and full employment targets. The Fed has already acknowledged that they may not need to cut rates as aggressively or as low as previously thought.

Based on the second estimate of Q3 GDP, the US economy maintained strong growth driven by robust consumer spending. As reported, real GDP expanded at a 2.8% q/q SAAR, unchanged from the initial estimate and matching consensus expectations. While consumer durable and nondurable goods spending and exports saw slight downward revisions based on the second estimate, these revisions were balanced by increases in private inventory accumulation and non-residential fixed investment.

Following the second release of Q3 GDP, we kept our economic growth outlook unchanged for 2024 at 2.7% y/y. We project a quarterly growth rate of 1.8% q/q SAAR in Q4, with a further deceleration to 1.5% in Q1'25. As conditions continue to normalize from post-pandemic imbalances and monetary policy eases—albeit more gradually than we initially assessed—we expect growth to moderate to 2.0% y/y in 2025, also unchanged from our previous forecast.

Real Gross Domestic Product

Q/Q% SAAR or Chained 2017$

	2Q2024	3Q2024	
	Final Estimate	Advanced	2nd Estimate
Real GDP	3.0%	2.8%	2.8%
Consumption	2.8%	3.7%	3.5%
Durables	5.5%	8.1%	7.6%
Nondurables	1.7%	4.9%	4.6%
Services	2.7%	2.6%	2.6%
Gross Investment	8.3%	0.3%	1.1%
Nonresidential	3.9%	3.3%	3.8%
Residential	-2.8%	-5.1%	-5.0%
Δ Inventories	71.67	60.17	64.14
Government	3.1%	5.0%	5.0%
Net Exports	-1,035.7	-1,077.1	-1,077.6
Exports	1.0%	8.9%	7.5%
Imports	7.6%	11.2%	10.2%

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Calculations: ACT Research

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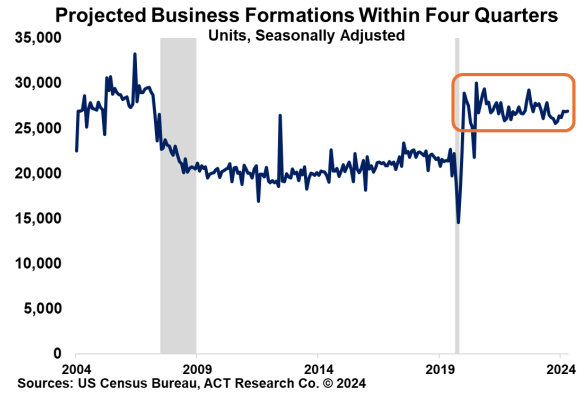
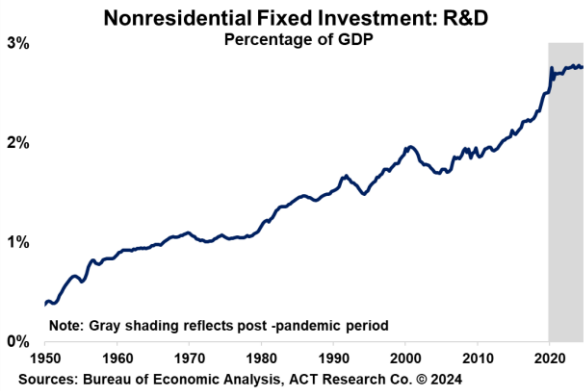
While we are again holding our economic growth forecast unchanged this month, we continue to gather information on the new administration's policies needed to recalibrate our forecast. Understandably, the dramatic shift in policies expected next year is complex, so finding the right balance is key to minimizing forecast error.

The resiliency of the US economy has been a continuing theme during 2024. US economic growth has been exceptionally strong, with real GDP growth exceeding 2%—our estimate of potential growth—in eight of the past nine quarters. While robust consumer spending, steady business investment, and aggressive government spending have garnered most of the attention, a more overlooked driver has been the growth in labor productivity. Labor productivity growth within the business sector has averaged 2.4% y/y from Q2'23 through Q3'24, above the 1.4% average during 2016-2019 (prior to the pandemic). Three key factors have supported higher productivity growth. First is a structurally higher level of new business formations since the start of the pandemic. The growth of new business formations created dynamic opportunities and encouraged innovation, thanks to the pandemic stimulus payments provided by the government. These new businesses aligned with the rapid and







dramatic changes in consumer demand composition and changing work and lifestyle preferences. Second, in addition to the creation of new innovative businesses, the increase in productivity growth was also about workers moving to jobs that better match their skills. Economists have pointed to this job rotation during the early stage of the pandemic as a key reason for the upturn in US labor productivity growth. The subsequent rapid recovery in consumer demand was met with many workers moving to better-paying and more productive positions. Lastly, businesses have prioritized investments in research and development (R&D), which has provided the groundwork for sustained expansion. This support for higher productivity growth is reflected in the rise in R&D investment spending as a percentage of GDP, to 2.8% as of Q3'24. With this understanding of why economic growth has been so strong during the post-pandemic period, the new administration and the Fed should focus on directing their policies to sustain the progress made so far.

The health of the consumer remains strong. In addition to productivity growth's contribution to US economic activity, consumer spending is the backbone of the economy on the expenditure side, representing roughly 70% of GDP. While elevated price levels and high interest rates have posed challenges during the past year, the data still point to a healthy pace of spending, more recently for services such as leisure, hospitality, travel, and dining.

The dichotomy between lower- and higher-income households is an essential component of strong aggregate consumer spending. In addition to positive inflation-adjusted income gains, higher-income households have also benefited from increased wealth effects from record-high equity and home prices. To be sure, the top 40% of income earners have accounted for 60% of total consumer spending. While moderating inflation is essential for sustaining

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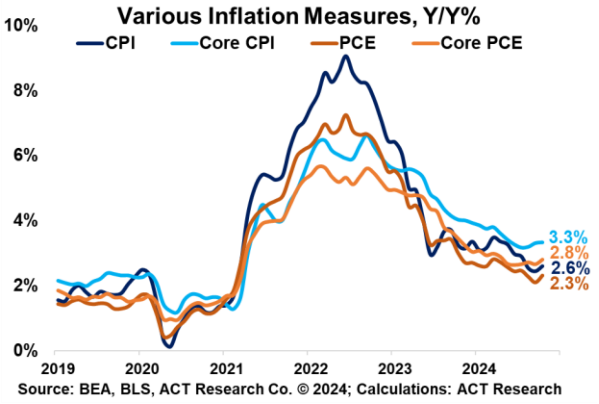
broad-based consumer spending, the potential for higher tariffs poses a key risk to this trend in 2025.

CPI inflation picked up in October. Consumer price inflation accelerated to 2.6% y/y in October, compared with 2.4% in September. This is the first increase in annual inflation since March. Core inflation also increased in October, rising 0.3% m/m for the third consecutive month. As a result, core inflation held steady at 3.3% y/y in October. Housing was the most significant driver of October inflation, contributing to more than half of the overall increase in the CPI.

PCE inflation rose 0.2% m/m in October, matching the September increase and the fastest pace since April. The acceleration in monthly inflation pushed the annual increase to 2.3% y/y. The Fed's preferred core PCE inflation measure, which excludes volatile food and energy categories, matched last month's 0.3% m/m gain and is now running at 2.8% y/y, up from 2.6% in June 2024. We believe core PCE's movement away from the Fed's long-run 2% target is a concern. The key suspect driving higher inflation is non-energy services excluding housing, which was up 3.5% y/y, a six-month high. This category includes everything from health care to financial services and recreation.



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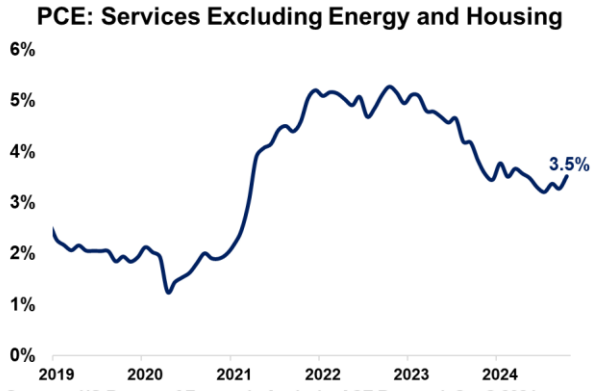

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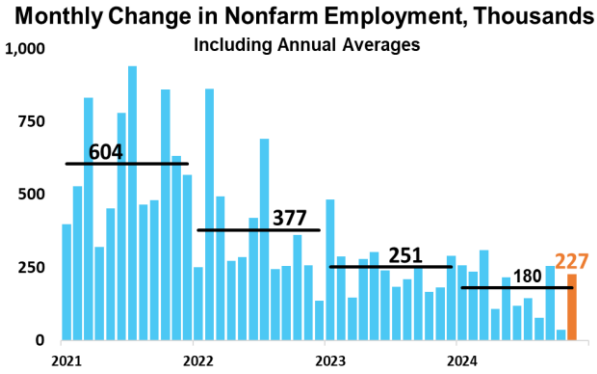
The latest inflation data suggest that the "last mile" in the fight against inflation is proving more challenging than initially expected. In late 2023, after a notable decline in inflation, many economists and analysts were optimistic about progress on inflation and achieving a soft landing. However, a year later, inflation remains above the Fed's 2% target, and the progress toward price stability appears evasive. The timing of the Fed's initial interest rate hikes in March 2022, despite nearly a year of elevated inflation, had sparked debate. Additionally, the decision to reduce rates by 50bps in September 2024, while inflation is still elevated, has also raised questions about the central bank's approach. If inflation remains above the 2% target for a fourth consecutive year, it could further dent the Fed's credibility. Based on the October inflation readings alone, the Fed might consider adopting a more cautious approach in the upcoming policy meetings.

The labor market continues to be a source of strength for the consumer. As evidence suggests, consumers tend to be more willing to spend when they feel confident in their jobs. November's employment report confirmed that the labor market remains healthy. In November, 227k new jobs were created, above forecasts of 220k. Upward revisions in the prior two months totaled 56k. If we adjust for the impact of the Boeing strike and lost jobs due to Hurricane Milton, the adjusted job gains for November were closer to 115k, reflecting a cooler labor market. Still, the average monthly job gains this year now totals 180k, down from 251k in 2023, but roughly in line with the 2015-2019 pre-pandemic monthly average of 190k.

The usual sectors posted the largest job gains in November: private education & healthcare services (79k), leisure & hospitality (53k), and government (33k), which, in total, accounted for 165k, or 72.7%, of the total 227k increase. This is in line with the average share (73.9%) from these three sectors since



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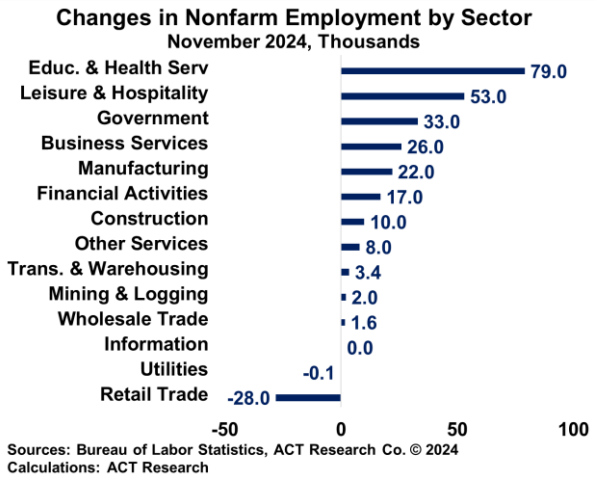

June 2022. Retail trade lost 28k jobs in November, the largest decline among all sectors.

The unemployment rate inched up last month to 4.2%—albeit it was close to 4.3% when taking the unemployment rate to three decimal places (4.246%)—from 4.1%, but remains comfortably in line with full employment. We see 2024 as a year of labor market normalization, after three years of outsized gains following the pandemic.

While we expect some further moderation ahead, we forecast that the unemployment rate will peak at 4.5% in 2025, before seeing a reacceleration of job growth in the second half of next year. Despite several headwinds on the horizon, job growth could be stimulated by lower interest rates and tax policies that may induce the need for new workers.

Based on the November 6-7 FOMC meeting minutes, Fed officials appeared divided over how much more they might need to lower interest rates. More generally, the committee conveyed optimism that inflation is subsiding and that the labor market remains robust, supporting the possibility of further interest rate cuts, albeit at a measured pace. Officials noted that monetary policy decisions are contingent on economic trends and cautioned against making premature rate cuts. The volatility in recent data and uncertainty about the neutral interest rate's impact on economic activity has made policymaking particularly challenging. Some participants suggested keeping rates at restrictive levels if inflation persisted, while others advocated for accelerated cuts if labor markets weakened. The meeting avoided addressing the economic implications of Donald Trump's recent presidential election victory, but acknowledged the need for flexibility.

One can debate whether the Fed should pause in December, given that the economy is growing at a rate close to 3%, inflation remains above target, and unemployment is still very low from a historical perspective. Also, equity markets and home prices are at all-time highs, providing support to consumer spending. However, the rationale for further easing is that the 2022-23 rate-hike cycle was the most aggressive in 40 years, and the period between the last rate hike and the first rate cut has been unusually long at 14 months. Monetary policy operates with long and varied lags, and the Fed wants to achieve a soft landing. The fact that it has a dual mandate of 2% inflation and maximum employment means they have to set monetary policy to optimize for both goals.

This perspective supports the Fed moving policy from restrictive territory to one that's less restrictive (i.e., still above the 3% neutral policy rate). With the upper end of the Fed's policy rate currently at 4.75%, there is plenty of room for the central bank to manuever. By the time of the March FOMC meeting, the Fed should have greater clarity regarding the government's tariff, tax, and spending plans. The prospect of domestic tax cuts supporting growth while tariffs push up inflation certainly argues for a slower and more gradual rate-cutting path next year.

With the difficult balancing act of achieving low and stable inflation while maintaining full employment, we expect the Fed to lower the policy rate by 25bps in December—in line with current market expectations. Considering the strong economic backdrop and potentially inflationary policy shifts, we have revised our view for Fed easing during 2025 to 100bps from 150bps, essentially one 25bp rate cut per quarter. Given the uncertainty of the new administration's policies, it would not be unexpected if Fed Chair Powell chose to deliver a "hawkish" cut, lowering the policy rate but signaling a January pause. The bottom line is that there is a compelling case for the Fed to slow. When officials update their own forecasts this month, that might become clear. Still, there is one CPI report to be released before the December 17-18 meeting, and if that number comes in hot, expectations for a December rate cut could shift.

Manufacturing remains in a neutral zone, looking for direction. The ISM Manufacturing Index rose to 48.4 in November from 46.5 in October, a five-month high. This reading was above the 47.5 consensus forecast, but remains below the 50 breakeven level. In fact, it has posted an above-50 reading only once in the past 26 months. On a positive note, new orders

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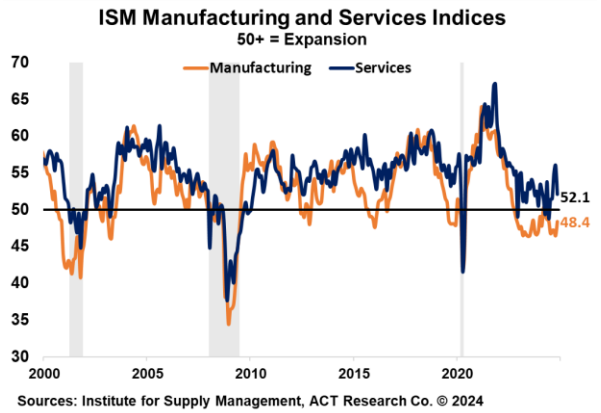

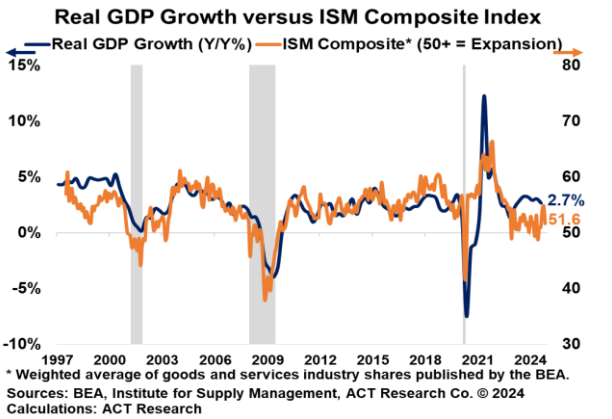

broke marginally above breakeven—to 50.4—for the first time since March, which could be due to post-election clarity resulting in some manufacturers pushing through delayed orders. However, production remained soft at 46.8, and employment, while improving, remains weak at 48.1.

There was good news on the inflation front, with prices paid dropping to 50.3 from 54.8, with the ongoing softness in energy costs being a major contributor.

Tariff uncertainty contributes to a challenging manufacturing outlook. While President-elect Trump initially suggested tariffs would be used to raise tax revenue and incentivize reshoring, they appear to be increasingly tied to achieving broader aims, including restrictions on immigration and drug trafficking. This gives US manufacturers little visibility regarding potential tariffs' impact on the sector. In theory, domestic manufacturers would gain a competitive price advantage from tariffs versus higher prices charged for foreign-made goods. However, there would be negative consequences for exporters due to foreign retaliation.

The manufacturing sector has already been in a slump due to the impact of restrictive Fed policy rates. With the expectation that Fed policy easing might be more gradual than initially estimated, this will further weigh on the manufacturing sector. As a result, we can expect material improvement in the manufacturing sector once (1) there is some clarity on the international trade environment, and (2) inflation is on a sustainable path toward the Fed's 2% target, ensuring lower policy rates.

The November reading of the ISM Services Index was weaker than expected. The headline ISM Services Index fell to 52.1 in November from 56.0 in October. The consensus forecast was for a 55.7 reading. This is the lowest result in three months, but remains above the breakeven 50 level. Business activity declined 3.5 points to 53.7, while new orders fell 3.7 points, also to 53.7.

On balance, both ISM manufacturing and services results support a Fed rate cut at the December FOMC meeting. Combining the ISM Services Index—with a weighting of 87.4%—with the ISM Manufacturing Index (12.6% weight) lowered our ISM Composite Index from 54.8 in October to 51.6 in November, the lowest reading since August 2024. This result pushes the composite index closer to breakeven, indicating a weaker near-term economic outlook. However, the new orders components—often considered a leading indicator of economic activity—provide optimism for expansion in both the manufacturing and services sectors. In our view, the US manufacturing sector may be set to stabilize and improve in the year ahead alongside a resilient services economy, which should provide support to overall economic growth.

As we head into 2025, the US economy will undoubtedly face challenges. These include uncertainty around policy coming from the Trump Administration. Policy changes affecting tariffs and immigration could affect consumer confidence, inflation, and overall economic growth. Escalation of trade conflicts will undoubtedly create volatility and uncertainty. However, our baseline expectation is that the most extreme versions of these policies are unlikely to be adopted, and the overall economic impact will be contained.

In addition to government policy uncertainty, there will be uncertainty around Fed policy easing. If growth remains robust and any inflation risk re-emerges, the rate-cutting cycle may be slower than expected. Nonetheless, our baseline view is that the Fed will ease cautiously, ensuring that they are achieving the targets of their dual mandate while also providing support to consumers and businesses.

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U.S. ECONOMIC ACTIVITY

	2022 (A)	2023 (A)	2024 (F)	2025 (F)	2026 (F)	2027 (F)	2028 (F)	2029 (F)
Real GDP (bil. US$17)	22035	22671	23289	23765	24278	24723	25209	25702
Y/Y % Chg.	**2.5%**	**2.9%**	**2.7%**	**2.0%**	**2.2%**	**1.8%**	**2.0%**	**2.0%**
Personal Consumption (bil. US$17)	15236	15622	16041	16434	16783	17131	17494	17850
Y/Y % Chg.	**3.0%**	**2.5%**	**2.7%**	**2.4%**	**2.1%**	**2.1%**	**2.1%**	**2.0%**
PCE: Durable Goods (bil US$17)	1910	1984	2039	2102	2152	2197	2264	2339
Y/Y % Chg.	**-1.9%**	**3.9%**	**2.8%**	**3.1%**	**2.4%**	**2.1%**	**3.1%**	**3.3%**
Nonresidential Fixed Investment (bil. US$17)	3193	3385	3519	3620	3732	3840	3937	4051
Y/Y % Chg.	**7.0%**	**6.0%**	**4.0%**	**2.9%**	**3.1%**	**2.9%**	**2.5%**	**2.9%**
Residential Fixed Investment (bil. US$17)	832	763	792	799	830	866	901	930
Y/Y % Chg.	**-8.6%**	**-8.3%**	**3.9%**	**0.8%**	**3.9%**	**4.3%**	**4.1%**	**3.2%**
Government Purchases (bil. US$17)	3670	3812	3939	4024	4045	4065	4088	4106
Y/Y % Chg.	**-1.1%**	**3.9%**	**3.3%**	**2.2%**	**0.5%**	**0.5%**	**0.5%**	**0.5%**
Exports (bil. US$17)	2456	2524	2606	2693	2770	2855	2954	3059
Y/Y % Chg.	**7.5%**	**2.8%**	**3.3%**	**3.4%**	**2.9%**	**3.0%**	**3.5%**	**3.5%**
Imports (bil. US$17)	3498	3457	3656	3837	3957	4091	4230	4375
Y/Y % Chg.	**8.6%**	**-1.2%**	**5.8%**	**5.0%**	**3.1%**	**3.4%**	**3.4%**	**3.4%**
Net Exports as % of GDP	**-4.7%**	**-4.1%**	**-4.5%**	**-4.8%**	**-4.9%**	**-5.0%**	**-5.1%**	**-5.1%**
Consumer Price Index - All (82-84=100)	292.6	304.7	313.6	320.3	326.7	333.3	339.9	346.7
Y/Y % Chg.	**8.0%**	**4.1%**	**2.9%**	**2.1%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Unemployment (%)	**3.63%**	**3.63%**	**4.05%**	**4.40%**	**4.03%**	**4.00%**	**4.00%**	**4.00%**
Industrial Production	102.7	102.9	102.6	103.0	104.2	105.4	106.7	108.1
Y/Y % Chg.	**3.4%**	**0.2%**	**-0.3%**	**0.4%**	**1.1%**	**1.2%**	**1.3%**	**1.3%**
Oil Price Assumption (US$/Bbl.)	**94.8**	**77.6**	**76.6**	**74.4**	**80.9**	**83.3**	**85.7**	**88.2**
ACT Freight Composite Index (2004=100)	119.1	119.5	123.5	126.5	129.5	132.4	135.7	139.1
Y/Y % Chg.	**2.6%**	**0.3%**	**3.4%**	**2.5%**	**2.4%**	**2.2%**	**2.5%**	**2.6%**

Source: ACT Research Co.

U.S. ECONOMIC ACTIVITY Real GDP & Components

	Q1 2024 (A)	Q2 2024 (A)	Q3 2024 (P)	Q4 2024 (F)	Q1 2025 (F)	Q2 2025 (F)	Q3 2025 (F)	Q4 2025 (F)
Real GDP (bil. US$17)	23053.5	23223.9	23386.7	23493.6	23579.2	23694.9	23822.9	23964.4
Q/Q % Chg. @ SAAR	**1.6%**	**3.0%**	**2.8%**	**1.8%**	**1.5%**	**2.0%**	**2.2%**	**2.4%**
Personal Consumption (bil. US$17)	15856.9	15967.3	16106.4	16233.4	16304.0	16397.2	16478.1	16554.9
Q/Q % Chg. @ SAAR	**1.9%**	**2.8%**	**3.5%**	**3.2%**	**1.8%**	**2.3%**	**2.0%**	**1.9%**
Nonresidential Fixed Investment (bil. US$17)	3471.0	3504.1	3536.8	3562.2	3583.4	3606.4	3631.4	3659.2
Q/Q % Chg. @ SAAR	**4.5%**	**3.9%**	**3.8%**	**2.9%**	**2.4%**	**2.6%**	**2.8%**	**3.1%**
Residential Fixed Investment (bil. US$17)	800.8	795.2	785.1	788.0	791.5	795.6	800.5	807.1
Q/Q % Chg. @ SAAR	**13.7%**	**-2.8%**	**-5.0%**	**1.5%**	**1.8%**	**2.1%**	**2.5%**	**3.3%**
Government Purchases (bil. US$17)	3887.7	3917.0	3964.7	3987.3	4008.1	4020.0	4030.0	4038.1
Q/Q % Chg. @ SAAR	**1.8%**	**3.1%**	**5.0%**	**2.3%**	**2.1%**	**1.2%**	**1.0%**	**0.8%**
Net Exports as % of GDP	**-4.2%**	**-4.5%**	**-4.6%**	**-4.7%**	**-4.8%**	**-4.8%**	**-4.8%**	**-4.8%**
Oil Price Assumption (US$/Bbl)	**77.6**	**81.7**	**76.2**	**71.0**	**72.5**	**72.5**	**75.0**	**77.5**
ACT Freight Composite Index (2004= 100)	121.8	123.0	124.3	125.0	125.6	126.3	126.8	127.5
Q/Q % Chg. @ SAAR	**2.3%**	**3.9%**	**4.3%**	**2.3%**	**1.9%**	**2.2%**	**1.6%**	**2.4%**

(A): Actual, (I): Initial, (P): Preliminary, (F): Forecast
Source: ACT Research Co.

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INDUSTRY DEMAND, SUPPLY AND CYCLICALITY

The US transportation industry is a vast service business with several modes. We estimate it generated $1.15 trillion in revenue in 2023 using Department of Commerce, company data, and private fleet estimates. The modes in this report—TL, LTL, and intermodal—generated 56% of that total, or $640 billion, looking at Class 8 tractors, and $815 billion with vocational vehicles like dump, refuse, cement, and distribution trucks.

Full truckload freight includes just about every physical product that is made or sold in the economy. We like the old axiom: if you bought it, a truck brought it. Truckload is the largest sector of the US transportation industry, generating about 47% of 2022 industry revenue. The largest market for the truckload industry is the retail sector, moving finished goods through distribution networks to consumers, followed by the industrial sector, moving inputs through the supply chain and finished goods to distribution.

The truckload sector is split between for-hire carriers which represent 21% of US freight market revenue, or $242 billion, and private fleets which we estimate are slightly larger at 26%, worth $397 billion. Combined, truckload represented about $540 billion in revenue of the $1.15 trillion US freight market in 2023.

Our Publicly Traded LTL Carrier Database tracks the top eight for-hire LTL providers, which accounted for $33 billion in LTL revenue in 2023 (excluding non-LTL revenues by LTL companies). Though our database does not include privately held LTL fleets, we think it represents just under 65% of the LTL industry, so the LTL sector is about $51 billion in all.

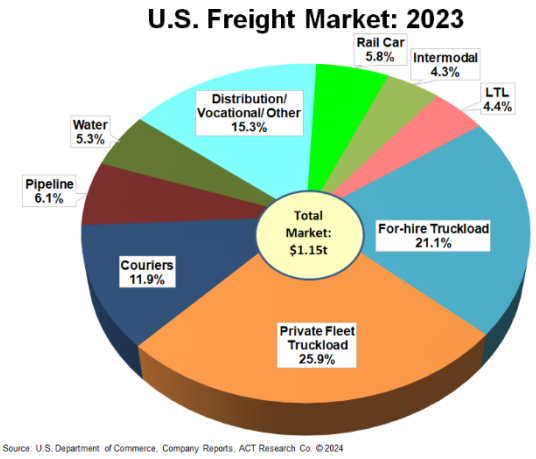
The intermodal segment generated $50 billion in 2023 revenue, 4.3% of the industry based on rates forecast in this report, applied to industry volume data.

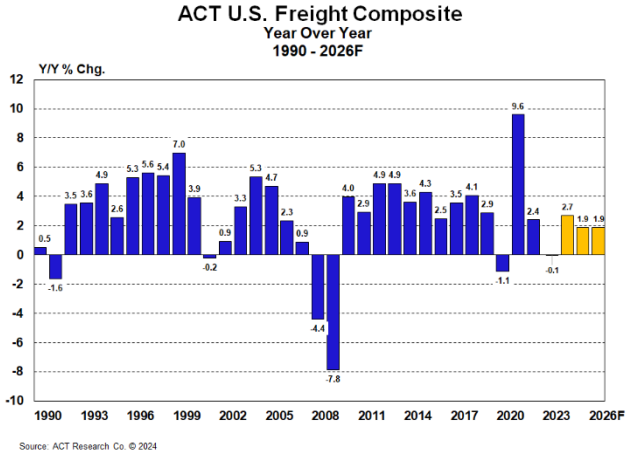
This report focuses on TL, LTL, and intermodal, but the rest of the rail sector represented roughly an additional $66 billion of revenue, or 5.8% of the industry in 2023. We also estimate the courier segment at $136 billion, or 12% of the US freight market, using Census data. Lastly, barges on the waterways and pipelines for the energy sector are about 5.3% and 6.1% of the business.

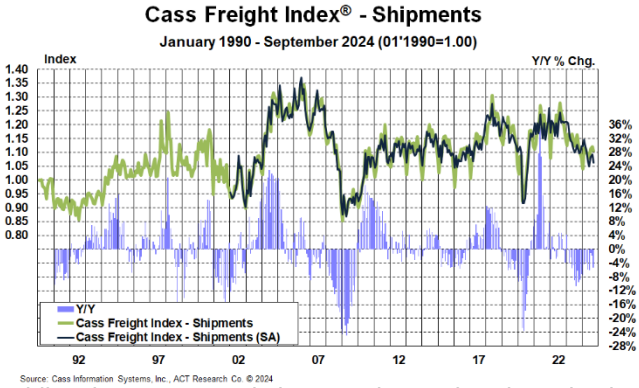
As a general rule, freight generation per capita is fairly stable over the long term, as observed by former Federal Reserve Chairman Alan Greenspan. Slower population growth clearly has longer-term ramifications on economic activity broadly and freight generation.

We find freight tends to grow fastest early in the economic cycle when businesses are both growing and adding inventory, and then tends to slow later in the cycle. Looking at recent history of the seasonally adjusted Cass Freight Index, the freight cycle tends to last about two years on the upside and downturns tend to last anywhere from a few months to two years. *There have been six such cycles over the past two decades.*

In the long term, this volume metric tracks fairly well with our ACT Freight Composite, which is constructed from the freight-driven components of US GDP, excluding services and overweighting durable goods and housing investment. One difference is the Freight Composite represents both the for-hire and private TL markets.







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APPENDIX A – DEMAND DRIVERS AND POPULATION METRICS

The Classic Cycle of the U.S. Truckload Sector

1) **Early Cycle: Demand Recovery / Undersupply.** If we start in a loose to roughly balanced supply-demand environment, the cycle begins with freight demand rising, and/or equipment and driver supply slowing, leading to tightening capacity. This forces the pendulum of pricing power to the fleets, initially realizing higher rates in the spot market, then in the contract market over the next few quarters. These periods are typically characterized by low Class 8 tractor production, rising spot load-to-truck ratios and rates, and accelerating Class 8 orders.

2) **Mid-Cycle: Demand Growth / Supply Response.** Capacity tightness and higher rates allow fleets to expand profit margins after lean times, eventually enabling them to add capacity. Fleets attract more drivers mainly through higher pay, and as cash flow improves, fleets invariably order new trucks and trailers, pressing up industry production rates. Because of the industry's high degree of fragmentation, similar decisions are made by thousands of fleets at similar times, leading to the strong tendency to add more capacity than needed when times are good. This part of the cycle is associated with high Class 8 tractor build rates and long order backlogs.

3) **Late-Cycle: Demand Slows / Supply Ramps / Rates Fall.** Meanwhile, the shipping community is finding new ways to reduce their recently raised shipping costs by becoming more productive and moving freight to their private fleets. At the same time, the freight cycle is also getting long in the tooth. This typically slows or reverses for-hire freight volume growth just as industry capacity growth is accelerating, creating a supply-demand imbalance that drives truckload rates down. This hurts carrier profitability and leads to lower order rates and higher order cancellations.

4) **Cycle Bottom: Demand Falls / Survival Mode / Rates Stabilize.** At this point, driver shortage noise fades (but never really disappears), and operators respond by reducing equipment budgets and cancelling orders. Lower rates push out marginal capacity, and equipment acquisition rates decline, which begins to bring supply and demand back into balance, until freight demand starts the cycle over again.

The Pricing Pendulum. We think an effective way of thinking about the state of supply and demand in the truckload market is the concept of a pendulum. During times when demand grows faster than capacity and drivers or tractors are short, the pendulum swings to the capacity owner and prices rise. At times when supply growth outpaces demand growth, the pendulum swings to the shipper and prices fall. There is an inherent cyclicality in trying to match long-term business with short-term fluctuations in freight demand. New entrants respond to loud but short-term price signals meant to attract fleets in tight markets, to meet demand which fluctuates. Just as that capacity shows up, consumer spending patterns can shift and inventory is restocked, reducing freight demand.

Freight Cycles Are Shorter than Economic Ones

Looking at ATA Tonnage, ATA Loads, Cass Shipments or Rail Carloadings, freight rarely grows for much more than two years before hitting soft spots, or freight recessions, which happen more frequently than broader economic recessions. We see a few reasons that freight is more cyclical than the broad economy.

1) First, freight is more sensitive to the **inventory** cycle than the total economy. As the economy moves more to e-commerce, the trend among retailers is to add more inventory closer to consumers to meet demand for ever-faster delivery. There is a structural element here with growing e-commerce warehousing networks that supports higher levels of inventory.

2) Second, **private fleet** dynamics are always at work. Most freight data series focus on the for-hire market, which is just under half of the US truckload industry. We regularly caution against reading "truckload industry" conclusions from "for-hire" data because more than half of the industry is private; we estimate 53%. For the private fleets, higher for-hire rates justify greater internal fleet investments, as was the case in 2018, and is the case again. Higher private fleet capacity took freight away from the for-hire market in 2019, as the for-hire truckload market is essentially the swing supplier of transportation capacity. This is also why our Freight Composite shows more consistent growth than for-hire market measures like the Cass Shipments Index and the ATA Load Index. In our view, the Freight Composite is a better gauge of "freight GDP," reflecting the whole US economy, whereas the truckload sector represents one critically important segment of the industry.

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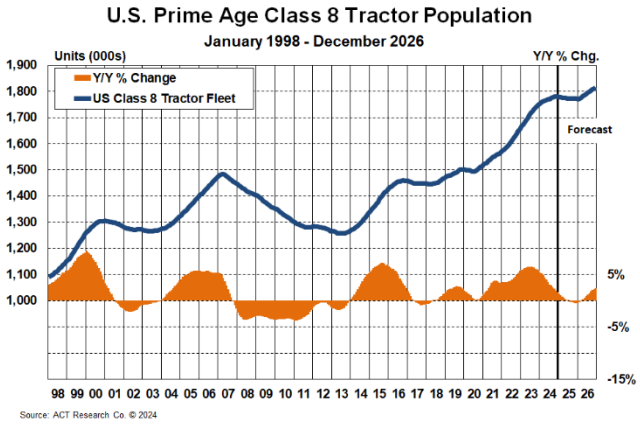
3) Third, the US **industrial** sector generates an outsized amount of freight, and it is more cyclical than the broader US economy. For example, one only has to look to 2015-2016 to find an industrial recession, which did not push the economy into a recession because the consumer and service sectors carried us through, but it still drove a freight recession. The strong US dollar, lower oil and other commodity prices and rising tariffs were all causes of the US industrial recession in 2019, from our perspective. In 2021, a weaker dollar, rising commodity prices, and the coiled spring of pent-up demand should bring the industrial cycle back to a strong growth rate.

This is a source of considerable confusion due to the near-impossibility of measuring private fleet loads, and this is why we model the U-11 active truckload population based on retail tractor sales data – one of the few data sets which includes the whole industry, both for-hire and private fleets. While our for-hire survey data showed disciplined capacity trends in 2019, we know someone bought many trucks, so we can pretty safely infer it is private fleets, as supported by leasing company and trade association data.

Population Modeling for TL, LTL and Drayage

Stock replacement modeling has long been the foundation of ACT's Class 8 forecasts, and here we discuss which "stocks" or populations of trucks are applicable to each mode of freight movement. We believe we are uniquely positioned to use ACT Research data to estimate the number of Class 8 tractors running on US roads in TL and LTL operations, which correspond to the Class 8 tractor sleeper and day cab segments of the commercial vehicle industry. Beginning with historical tractor retail unit sales, we apply life cycle assumptions to estimate the number of tractors actively competing in the TL and LTL markets, and adjust for used tractor exports.

For the TL and LTL markets, we recently moved to an under 13-year (U-13) population based on several factors. We had previously used a U-11 population, and both are predictive of freight rates, but as private fleets, who tend to own equipment longer, have increased their market share, a larger population seems to fit better. The y/y change in both populations are highly inversely predictive of the y/y change in truckload contract pricing six months in the future. Since we have strong visibility on Class 8 production, this provides a foundation for forecasting TL rates.



We also found from our vast used truck database, where we have mileage and age data on hundreds of thousands of trucks, that Class 8 tractor mileage declines after age ten. And logically, it makes sense that at this age, it is not really competitive in the truckload sector or LTL linehaul anymore. There are many other jobs it can do, with farm product hauling, port drayage and oilfield work among the lower mileage applications for old tractors, but its days on highway routes often don't last into the high mileage bands. We econometrically tested several different population sizes, from 8 to 15 years, to determine which had the most predictive historical relationship with truckload contract pricing.

Of course, the concept of truck capacity is fluid. In a normal environment, our data suggest Class 8 tractors over eleven years old are generally not competing in the TL and LTL markets, but that is not uniform across fleets. When conditions tighten enough, older trucks are brought back on the highway because the OEMs and parts suppliers cannot immediately respond to spikes in demand. And when capacity becomes loose, older and less efficient trucks are pushed out by lower rates.

But our modeling suggests the truckload capacity crunch of 2017-2018 was driven in no small part by the exit of pre-bought 2004-2006 tractors from the truckload market, as evidenced by the 4% decline in the U-11 tractor population in 2017. By contrast, the 2020 capacity crunch was primarily a driver capacity shock.

While not the only factor, this helped drive the record TL rate increases of 2018. But production responded and TL capacity grew 5% in 2018. As a result of both the decline in replacement demand and the elevated rate of new tractor production, we estimate the average size of the U-11 population grew 6% in 2019, reversing course in 2020 on lower retail tractor sales.

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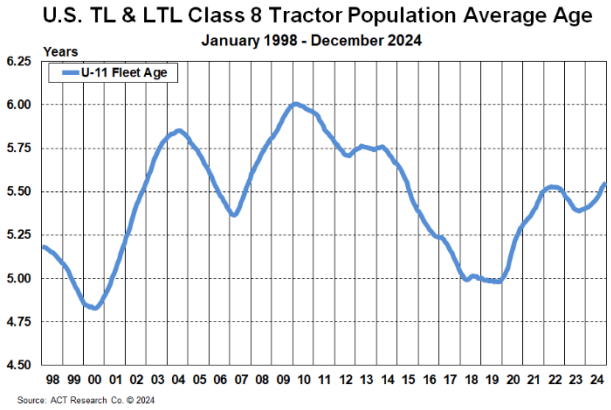
In addition, we estimate the average age of the U-11 population in the chart below. The fleet was younger than normal in 2018 and 2019, in fact the youngest since 2001, just before a used truck price downturn, which pressured freight rates. We expect aging to continue in 2021 as manufacturers ramp up based on fleet demographics, but as production heads toward peak in 2022, the average age will start to decline again.



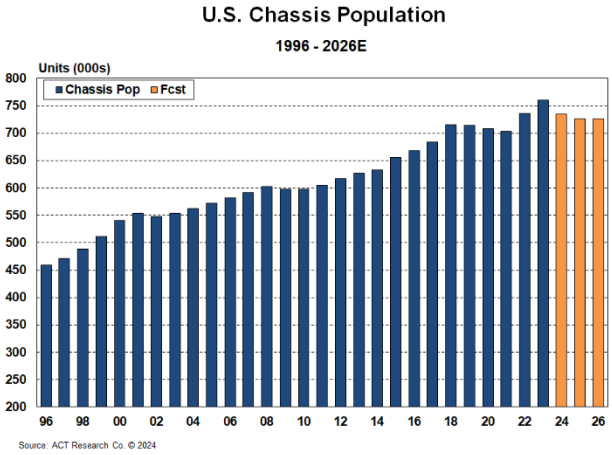
The U-11 tractor population has averaged 5.4 years old over the past five years, 5.6 over the past ten years and 5.5 over the past twenty years. Weaker TL pricing in 2019 negatively impacted demand for new equipment, leading to lower Class 8 tractor production in 2020. This should begin to increase the average age in early 2020, setting the stage for a recovery in TL pricing.

In drayage, tractors are younger where required, but we think the older 12-33-year-old tractor population is where trucks keeping to 50 to 100 miles per day tend to operate. Drayage operations typically employ many of the oldest tractors in the industry, in part because it is one of the lowest paying types of truck freight.

Based on intermodal loads and port traffic data, we estimate the US drayage tractor population is about 133,000 units. This is a small subset of the total population of 12–31-year-old tractors, which we estimate at about 660,000 units, which has declined about 12% since 2018 but will stabilize and return to growth in 2022-2025. Roughly half a million of these tractors are employed in the agricultural sector, and tens of thousands of others serve the oil and gas industry, as well as a wide variety of other applications. It is this population from which the truckload sector sources its swing capacity at times when demand is strong and capacity constrained. These are typically the least fuel-efficient, highest-cost trucks.

In 2021, large tariffs on imported Chinese chassis put the spotlight on the chassis market as sales and production fell and lack of availability snarled the intermodal network. Large orders were placed in late-2020, but domestic manufacturers struggled to ramp for much of 2021 due to labor constraints and as most domestic capacity was mothballed.

In 2021, we estimate a 0.7% decline in the US chassis population, following similar declines in 2019 and 2020. In 2022 and 2023, we saw a strong supply response,



with an estimated 4.6% and 3.7% growth in the chassis population. This has helped alleviate the intermodal network congestion, and returned the chassis fleet to new highs. Demand for chassis is understandably quite low for 2024 and beyond, with plenty of underutilized equipment.

Industry Load Volumes

The segments of the US freight transportation sector covered by this report represent the vast majority of the US freight market. While rail, pipeline, water and air cargo represent 10%, 16%, 7% and 0.03% of US freight tonnage using BTS data, truck and intermodal are the dominant modes, accounting for 68% of the weight shipped by the industry.

The truck and intermodal sectors covered by ACT Research generate roughly 500 million loads. By sector, 60% of the loads were full truckloads, 28% were smaller loads in the LTL sector, 4% went by intermodal rail and 8% were drayage moves associated with intermodal and port activity. These estimates are based on several industry sources, including the US Census Bureau, Association of American Railroads, the Intermodal Association of North America, the top twelve North American container ports, and the for-hire LTL service providers.

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Industry Structure

In terms of competition, the TL and LTL sectors are quite different. The eight LTL service providers in our database compose a large majority, roughly 70% of the sector, resulting in a high level of concentration and a generally lower level of price competition, at least since the last price war in 2008-2009.

In contrast, the TL sector is much closer to what economists call perfect competition, with hundreds of thousands of carriers in a very price efficient and highly cyclical market. As shown in the following table, there are about 750k licensed fleets operating in the US, mostly in TL operations. The largest swings in these fleet counts, both in good and bad times, tend to come from the small fleets who play the role of swing capacity. Medium and large fleets grew considerably faster than small fleets (ten trucks or less) in the 2012-2017 period shown here. So, concentration has risen over time in TL, but the shock of the pandemic drove it down significantly in the early 2020s. Heading into the mid-2020s, concentration is rising again.

Fleet Count by Power Units	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2022 CAGR
1	254,781	248,088	257,650	249,972	261,116	278,448	289,408	317,791	407,872	445,673	
y/y	0.3%	-2.6%	3.9%	-3.0%	4.5%	6.6%	3.9%	9.8%	28.3%	9.3%	5.2%
2	93,533	92,665	95,997	93,596	95,979	99,221	101,044	104,620	117,742	125,856	
y/y	0.8%	-0.9%	3.6%	-2.5%	2.5%	3.4%	1.8%	3.5%	12.5%	6.9%	2.8%
3–10	137,465	137,817	141,952	139,549	143,248	147,710	149,225	150,545	161,525	168,198	
y/y	1.1%	0.3%	3.0%	-1.7%	2.7%	3.1%	1.0%	0.9%	7.3%	4.1%	2.0%
11–100	44,780	45,600	47,099	47,117	48,515	50,075	51,211	52,121	54,355	56,361	
y/y	2.0%	1.8%	3.3%	0.0%	3.0%	3.2%	2.3%	1.8%	4.3%	3.7%	2.3%
>100	3,870	4,012	4,182	4,176	4,282	4,396	4,572	4,604	4,753	4,908	
y/y	-0.9%	3.7%	4.2%	-0.1%	2.5%	2.7%	4.0%	0.7%	3.2%	3.3%	2.1%
NA	4,885	3,842	3,952	3,639	5,853	6,870	7,082	8,040	11,405	12,848	
Total	**539,314**	**532,024**	**550,832**	**538,049**	**558,993**	**586,720**	**602,542**	**637,721**	**757,652**	**813,844**	
y/y	**0.7%**	**-1.4%**	**3.5%**	**-2.3%**	**3.9%**	**5.0%**	**2.7%**	**5.8%**	**18.8%**	**7.4%**	**3.9%**

In terms of the private versus for-hire fleet breakdown, there were 540,093 for-hire carriers at the end of 2022, according to the FMCSA, 66% of the fleet count. There were also 200,904 private carriers, or 25% of the total, and 70,129 fleets, or 9% which are registered as both for-hire and private. Private fleets are on average much larger than for-hire fleets, so the equipment counts are more equal. It appears that outsourcing has found its limit, and the private fleet insourcing of 2023 will result in fewer for-hire fleets as the industry consolidates.

Fleet Count	2018	2019	2020	2021	2022
For-hire	311,135	335,642	373,238	484,970	540,093
Private	193,445	206,378	201,807	202,467	200,904
Both	53,138	56,704	59,609	67,334	70,129
Neither (govt)	3,091	3,818	3,067	2,881	2,718
Total	560,809	602,542	637,721	757,652	813,844
For-hire	55.5%	55.7%	58.5%	64.0%	66.4%
Private	34.5%	34.3%	31.6%	26.7%	24.7%
Both	9.5%	9.4%	9.3%	8.9%	8.6%
Neither	0.6%	0.6%	0.5%	0.4%	0.3%
Source: Federal Motor Carrier Safety Administration					

Drivers

We recognize the vital role truck drivers play, which is seemingly at odds with the long-term pressure on real driver pay. Long term, we expect the hiring environment to become ever more challenging as baby boomers retire and not enough new entrants come into the labor market. It even seems possible that demographics could reverse that long-term wage pressure. Although we see the longstanding driver shortage as structural, due to the natural tendency of shippers to use the lowest cost transportation option, drivers respond to the cycle of pay. We also expect the 65+ population to operate as a sort of swing capacity, returning to the market in strong spot markets as they did in 2018, and hopefully enjoying retirement in weak ones.

So, drivers are not included in our model because we believe it is the amount of freight that determines the number of drivers, not the other way around. We tested the data in many different ways, but did not find trucking employment to be a leading indicator of rates or volume. We found that the driver population tends to follow pay, up and down, by about six months, and driver pay follows contract rates and utilization.

Key Regulatory Issues

Trucking is a heavily regulated industry and this discussion is by no means exhaustive, but how the government regulates the driver's work day has a direct impact on industry capacity. So, in this section we discuss how historical changes in Hours of Service (HOS) regulations have impacted freight rates.

History of Hours of Service Regulations. In the post-war era there have been six different regulatory regimes enforced by the Federal Motor Carrier Safety Administration (FMCSA) governing how truck drivers spend their time, the latest taking effect September 29, 2020. The latest changes add minor flexibility on breaks and the sleeper berth provision, which could help with productivity and thus add to capacity. Our carrier survey shortly after showed a mix of reactions with several seeing "no impact" and many seeing "modest benefits."

HOS changes are meant to improve safety, but there are often unintended consequences. For example, the provision from 2013 which forced two consecutive overnight periods from 1am to 5am during the weekly restart artificially tightened industry capacity and caused significant morning rush hour congestion as drivers all hit the road at the same time. This had a substantial positive exogenous impact on truckload sector pricing.

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However, although the industry sighed with relief when this provision was removed in December 2014, the increased flexibility removed this artificial capacity constraint, and rates fell. While 2015 was also a weak year for the US industrial sector, truckload sector pricing weakened materially after this loosening of HOS.

ELDs: While not included in our table since it is not actually a change in the HOS rules, the requirement of Electronic Logging Devices (ELDs) also had a material impact on capacity. On December 18, 2017, the FMCSA started a soft enforcement of requiring all fleets to electronically log their hours. While not a rule change, this per se forced any operators who were previously under-reporting their driving time to play by the rules. We estimate that small fleets and owner-operators who represent about half of the for-hire truckload sector were likely under-reporting by 10%-15%, which was a 3%-4% impact on US tractor capacity, or 50k – 70k tractors.

The key question regarding the effect of ELDs on future industry productivity surrounds the effect reported by many large fleets who were early adopters of ELDs. Many regained some, if not all or even more of the productivity they initially lost during ELD implementation.

Personal Conveyance Guidance: One of the longtime complaints about the HOS regulations is what drivers who have not reached their destination when hours run out should do. Prior guidance (1997) excluded the use of laden vehicles as personal conveyance. The May 2018 FMCSA guidance allows drivers to continue to operate the laden truck with the ELD in personal conveyance mode until the driver finds safe parking.

While this is reasonable, we believe the effect in reality was an increase in driving capacity. Most private fleet and for-hire fleet drivers would not benefit financially from moving their loads toward their destination in personal conveyance mode. However, the owner-operators who were the largest paper log HOS violators would earn revenue by continuing to advance the load toward the destination, making incremental cheating possible, even likely.

Also, we doubt state police will be able to check whether or not a driver could find a safe parking place, allowing those who want to keep driving beyond legal HOS to do so. This driving will still be logged, so likely will not be too brazen since it could be audited. However, if one-third of the industry drives 5%-10% more, it would add 2%-3% to TL capacity, reversing much of the 3%-4% tightening experienced when ELD regulations went into effect in late-2017 and early-2018.

HOS Changes: In September, 2020, the DOT changed the HOS regulations as detailed in the table below. While modest, these increases in flexibility could be additive to capacity, but did not seem to have a measurable impact at the industry level. Rather, the pandemic-related externalities and the Drug & Alcohol Clearinghouse seemed to have the opposite effect.

History of Hours of Service Rules

	1962 - 1/3/2004	1/4/2004- 10/1/2005	10/2/2005- 6/30/2013	7/1/2013- 12/15/2014	12/16/2014- 9/28/2020	9/29/20- present
Driving Hours	10 hours	11 hours	No change	11 hours, with 30 minute break required after 8 or more consecutive hours **on-duty**	No change	11 hours, with 30 minute break required after 8 or more consecutive hours of **driving**
On-Duty Window	15 hours	14 consecutive hours after coming on duty	14 consecutive hours after coming on duty	14 consecutive hours after coming on duty, with 30-minute rest break now included and now excluded are resting times and up to two hours riding in passenger seat right after hours in sleeper berth	No change	Extends window to 16 consecustive hours from 14 to allow for adverse weather
Off-duty Hours (consecutive)	8 hours	10 hours	No change	No change	No change	No change
Cumulative On-Duty Weekly Max	60 hours per 7 days or 70 hours per 8 days	No change	No change	No change	No change	No change
Cumulative On-Duty Restart	None	Driver may restart the weekly clock after at least 34 consecutive hours off duty	No change	Driver may restart the weekly clock after at least 34 consecutive hours off duty, but limits to once a week and must include two periods from 1am to 5am home terminal time	Driver may restart the weekly clock after at least 34 consecutive hours off duty	No change
Sleeper Berth Provision	May be split into two periods adding to at least **eight** hours and at least two hours each	May be split into two periods adding to at least **ten** hours and at least two hours each	Driver must take at least eight consecutive hours in the sleeper, plus a separate two hours either in the sleeper, off-duty or both	No change	No change	Allows drivers to meet the 10-hour off-duty requirement with at least 7 hours in the berth and at least 2 hours inside or outside the berth, provided the two periods total at least 10 hours

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Table 1: TL and LTL Capacity Forecast Detail

		2024					2025					
CAPACITY	2023	Q1	Q2	Q3	Q4	2024F	Q1	Q2	Q3	Q4	2025F	2026F
US CLASS 8 TRACTOR RETAIL SALES	208,400	41,695	41,170	46,774	42,561	172,200	35,069	38,246	38,623	38,062	150,000	209,000
Y/Y	5%	-18%	-27%	-11%	-12%	-17%	-16%	-7%	-17%	-11%	-13%	39%
CANADA CLASS 8 TRACTOR RETAIL SALES	21,337	4,569	5,085	4,777	5,067	19,498	3,044	4,185	3,961	4,410	15,600	23,800
Y/Y	7%	-12%	-11%	-12%	1%	-9%	-33%	-18%	-17%	-13%	-20%	53%
US CLASS 8 TRACTOR POPULATION, 000s	1,666	1,682	1,692	1,702	1,707	1,707	1,708	1,710	1,714	1,720	1,720	1,770
Y/Y	7.2%	6.2%	4.7%	3.5%	2.5%	2.5%	1.5%	1.0%	0.7%	0.8%	0.8%	2.9%
CA CLASS 8 TRACTOR POPULATION, 000s	201	202	203	202	203	203	201	200	199	198	198	202
Y/Y	4.9%	3.8%	2.7%	1.0%	0.7%	0.7%	-0.2%	-1.4%	-1.8%	-2.1%	-2.1%	2.0%
TL NET INCOME MARGIN	5.0%	2.8%	3.2%	3.5%	4.1%	3.4%	3.3%	4.3%	4.3%	5.1%	4.2%	3.9%
Y/Y	(279bp)	(318bp)	(209bp)	(90bp)	(37bp)	(164bp)	50bp	110bp	82bp	97bp	85bp	(34bp)
LTL NET INCOME MARGIN	7.6%	7.2%	8.7%	7.6%	9.2%	8.2%	8.2%	10.5%	8.3%	9.2%	9.1%	9.5%
Y/Y	(85bp)	98bp	248bp	(169bp)	28bp	59bp	92bp	185bp	73bp	7bp	88bp	43bp

Table 2: Freight Volume Forecast Detail

		2024					2025					
VOLUMES	2023	Q1	Q2	Q3	Q4	2024F	Q1	Q2	Q3	Q4	2025F	2026F
Cass Freight Index® - Shipments	1.134	1.089	1.091	1.111	1.078	1.092	1.098	1.148	1.143	1.093	1.120	1.107
Y/Y	-5.5%	-5.2%	-5.3%	-2.8%	-1.4%	-3.7%	0.8%	5.2%	2.9%	1.4%	2.6%	-1.2%
ACT FREIGHT COMPOSITE INDEX	118.8	121.2	122.5	123.2	123.4	122.6	123.8	124.2	124.8	125.5	124.6	127.3
Y/Y	0.0%	3.0%	4.1%	3.3%	2.5%	3.2%	2.1%	1.4%	1.3%	1.7%	1.6%	2.2%
PRODUCTIVITY	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%	-1%
Y/Y, NET PRODUCTIVITY	-1%	2%	3%	2%	1%	2%	2%	1%	1%	1%	1%	2%

Table 3: Truckload Rate Forecast Detail

		2024					2025					
TRUCKLOAD RATES	2023	Q1	Q2	Q3	Q4	2024F	Q1	Q2	Q3	Q4	2025F	2026F
DAT CONTRACT RATE / MILE, NET FUEL	2.26	2.17	2.13	2.12	2.16	2.15	2.19	2.22	2.25	2.28	2.24	2.28
Y/Y	-13%	-10%	-6%	-3%	0%	-5.0%	1%	4%	6%	6%	4%	2%
DAT CONTRACT RATE / MILE, INCL FUEL	2.77	2.64	2.58	2.55	2.55	2.58	2.58	2.62	2.67	2.71	2.65	2.72
Y/Y	-14%	-11%	-6%	-6%	-5%	-7%	-2%	1%	5%	6%	3%	3%
DAT SPOT RATE / MILE, NET FUEL	1.76	1.75	1.72	1.74	1.81	1.75	1.84	1.96	1.97	1.95	1.93	1.83
Y/Y	-19%	-6%	-2%	2%	4%	-0.6%	5%	14%	13%	8%	10%	-5%
DAT SPOT RATE / MILE, INCL FUEL	2.28	2.22	2.17	2.16	2.20	2.19	2.23	2.36	2.39	2.38	2.34	2.27
Y/Y	-20%	-8%	-2%	-3%	-1%	-4%	1%	9%	11%	8%	7%	-3%
Cass Truckload Linehaul Index®	143.8	140.6	140.1	137.1	138.7	139.1	141.2	144.1	145.8	145.4	144.1	141.8
Y/Y	-10%	-5%	-3%	-3%	-2%	-3%	0%	3%	6%	5%	4%	-2%
LARGE FLEET RATE PER MILE, NET FUEL	2.80	2.70	2.71	2.73	2.72	2.71	2.73	2.76	2.84	2.86	2.80	2.79
Y/Y	-8%	-7%	-3%	-1%	-1%	-3%	1%	2%	4%	5%	3%	0%
LARGE FLEET RATE PER MILE, INCL FUEL	3.29	3.16	3.15	3.14	3.11	3.14	3.12	3.15	3.25	3.28	3.20	3.22
Y/Y	-10%	-8%	-3%	-4%	-4%	-5%	-1%	0%	3%	5%	2%	1%
FLEET FUEL SURCHARGE PER MILE	0.50	0.46	0.45	0.42	0.39	0.43	0.39	0.39	0.41	0.42	0.40	0.43
Y/Y	-16%	-11%	-3%	-20%	-24%	-15%	-15%	-12%	-1%	7%	-6%	7%

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Table 4: Truckload Fuel Surcharge Forecast Detail

FUEL	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024F	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025F	2026F
DRY VAN FUEL SURCHARGE / MILE	0.49	0.45	0.43	0.41	0.38	0.42	0.38	0.38	0.40	0.41	0.39	0.42
Y/Y	-21%	-13%	-3%	-19%	-23%	-15%	-15%	-12%	-1%	7%	-6%	7%
REEFER FUEL SURCHARGE / MILE	0.54	0.49	0.47	0.45	0.41	0.46	0.42	0.42	0.44	0.44	0.43	0.46
Y/Y	-21%	-14%	-3%	-19%	-24%	-15%	-15%	-12%	-2%	8%	-6%	7%
FLATBED FUEL SURCHARGE / MILE	0.59	0.54	0.52	0.49	0.46	0.50	0.46	0.46	0.48	0.49	0.47	0.51
Y/Y	-21%	-14%	-4%	-19%	-24%	-15%	-15%	-11%	-1%	7%	-5%	7%
AGGREGATE FUEL SURCHARGE / MILE	0.51	0.47	0.45	0.42	0.40	0.44	0.40	0.40	0.42	0.42	0.41	0.44
Y/Y	-21%	-14%	-3%	-19%	-24%	-15%	-15%	-12%	-1%	7%	-6%	7%
DIESEL PRICE / GALLON	4.22	3.96	3.87	3.69	3.53	3.76	3.55	3.55	3.67	3.70	3.62	3.78
Y/Y	-15%	-10%	-2%	-14%	-17%	-11%	-10%	-8%	-1%	5%	-4%	5%

Table 5: Less Than Truckload Forecast Detail

LESS THAN TRUCKLOAD	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024F	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025F	2026F
LTL PRODUCER PRICE INDEX - LOCAL	153.3	162.5	168.3	169.6	170.5	167.7	174.1	177.8	180.7	180.0	178.1	183.7
Y/Y	1%	9%	10%	10%	9%	9%	7%	6%	7%	6%	6%	3%
LTL PRODUCER PRICE INDEX - LONG-HAUL	398.5	411.4	412.2	412.7	410.9	411.8	419.9	428.3	431.4	431.3	427.7	438.2
Y/Y	-2%	3%	6%	3%	1%	3%	2%	4%	5%	5%	4%	2%
LTL PRODUCER PRICE INDEX - AGGREGATE	152.2	159.3	162.3	163.1	164.3	162.2	170.6	171.4	173.7	173.5	172.3	177.7
Y/Y	0%	6%	8%	6%	6%	7%	7%	6%	7%	6%	6%	3%
LTL RATE/CWT, INCL FUEL	30.89	32.53	32.20	32.51	33.12	32.59	33.33	33.69	33.84	34.18	33.76	34.57
Y/Y	3%	7%	7%	6%	2%	6%	2%	5%	4%	3%	4%	2%
LTL RATE / CWT, NET FUEL	24.34	25.78	25.95	26.47	27.13	26.33	27.34	27.70	27.85	28.18	27.77	28.58
Y/Y	5%	9%	9%	8%	7%	8%	6%	7%	5%	4%	5%	3%
LTL RATE PER SHIPMENT, NET FUEL	303	312	314	317	325	317	334	335	331	336	334	344
Y/Y	3%	4%	5%	3%	6%	5%	7%	7%	5%	3%	5%	3%
LTL TONNAGE (000s)	53,413	11,728	12,481	12,168	11,729	48,105	11,702	12,825	12,588	11,993	49,108	48,485
Y/Y	-14%	-17%	-14%	-6%	-1%	-10%	0%	3%	3%	2%	2%	-1%

Table 6: Intermodal Forecast Detail

INTERMODAL	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024F	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2025F	2026F
INTEK INTERMODAL SPOT RATE / MILE	1.74	1.69	1.50	1.50	1.57	1.57	1.62	1.76	1.79	1.81	1.75	1.74
Y/Y	-20%	-7%	-13%	-11%	-8%	-10%	-4%	17%	20%	15%	11%	-1%
INTERMODAL PRODUCER PRICE INDEX	213.2	208.0	205.5	207.1	204.0	206.1	205.6	210.9	216.9	216.3	212.4	217.9
Y/Y	-5%	-6%	-2%	0%	-5%	-3%	-1%	3%	5%	6%	3%	3%
INTERMODAL RATE / LOAD	2,954	2,808	2,770	2,771	2,799	2,787	2,815	2,864	2,920	3,002	2,900	2,906
Y/Y	-11%	-9%	-5%	-5%	-4%	-6%	0%	3%	5%	7%	4%	0%
NA CLASS I INTERMODAL LOADS (MM)	16.78	4.33	4.48	4.58	4.62	18.01	4.58	4.83	4.80	4.62	18.83	18.36
Y/Y	-6%	8%	7%	8%	5%	7%	6%	8%	5%	0%	5%	-3%

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