KCH Transportation

September 2025

Monthly Freight Market Update

What's Inside?

Quick Hits

- Labor Day rejection trends are as frothy as that Pumpkin Spiced Latte—up 20% in late August, then down 13% post-holiday as reality set in.
- Manufacturing climbed back on the wagon after months of binge uncertainty, but it's still nursing a tariff hangover—functional but not exactly ready to run a marathon.
- Ocean freight hits multi-year lows while tariff rates reach century highs—savings on shipping, premiums on everything inside the containers.
- Soybeans teach hard lessons about long-term relationships: China, our biggest buyer for decades, has zero orders on the books as harvest begins.
- Federal Reserve officials play economic GPS guides, combining official data with 'local road conditions' from regional contacts—and for once, both sources are telling the same story about slower growth ahead.
- ***"Oh, it's a long, long while from May to December / But the days grow short when you reach September"*** — Frank Sinatra knew about agricultural deadlines before November tariff negotiations.

The Landscape

Navigation Without the Full Map

Picture navigating the economy like driving through unfamiliar territory with GPS. The official statistics are like the satellite data that takes time to download and update your route, but the Fed's regional intelligence network is like having local passengers who know these roads—they spot the construction delays, traffic patterns, and detours before your screen refreshes.

The challenge is that economic GPS only shows a small section of the route ahead. You can see the immediate turns, but that steep grade or sharp curve further down the mountain remains off-screen. You'd have to pull over and zoom out to see what's coming—a luxury policymakers rarely have when conditions are changing rapidly.

Regional Voices: Local Road Conditions

August's regional Fed surveys provided essential local knowledge, confirming what Mary Daly describes as learning about **"how the economy actually works"** by combining official statistics with ground-level conversations about actual conditions.

This dual approach proved its value when employment revisions revealed what regional Fed officials had been hearing for months. As Daly observed, the revisions ***"weren't themselves surprising because they actually confirmed what people had been expressing in sentiment surveys for months now."***

Philadelphia Fed crashed from July's outlier +15.9 to -0.3, like discovering that promising shortcut was a dead end. The 16-point reversal exemplifies the extreme volatility businesses experience when trying to navigate uncertain economic terrain with conflicting signals about costs, demand, and competitive positioning.

Richmond Fed showed substantial improvement from July's -20.0 to -7.0, though still signaling rough terrain ahead. Tom Barkin's measured approach reflected this local knowledge—he had questioned initial jobs numbers because businesses kept telling him they weren't hiring: ***"If you're not hiring, then where are the new hires coming from?"***

Philadelphia Fed (MBOS)

Current Activity	-0.3
Monthly Change	-16.2

Dramatic reversal from July's +15.9

New York Empire State

General Business Conditions	11.9
Monthly Change	+6.4

Second consecutive positive month

Richmond Fed

Composite Index	-7.0
Monthly Change	+13.0

Major recovery from July's -20.0

Dallas Fed

General Business Activity	-1.8
Production Index	15.3

Production remains solid despite GBA decline

Kansas City Fed

Composite Index	1.0
Future Expectations	11.0

Steady at 2022 highs, outlook improving

ISM Manufacturing PMI

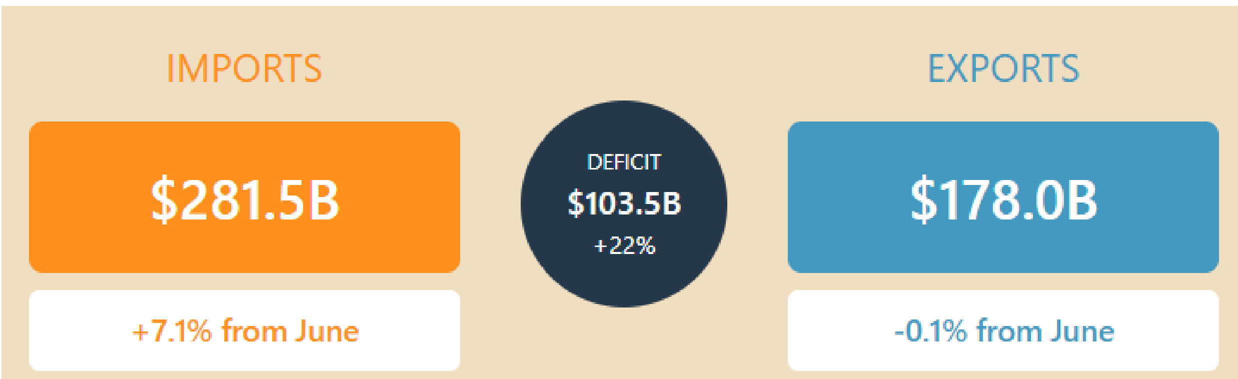
Manufacturing PMI	48.7
New Orders	51.4

First positive new orders in 6 months

Trade Pressures: Road Construction from Both Directions

American manufacturers face construction delays from both directions. July's trade data revealed this traffic jam: imports surged 7.1% month-over-month while exports declined 0.1%. Industrial supplies imports—the raw materials manufacturers need—jumped 25.4%, confirming what Dallas Fed surveys detected: 37% of firms ***"moved up purchases ahead of tariff implementation."***

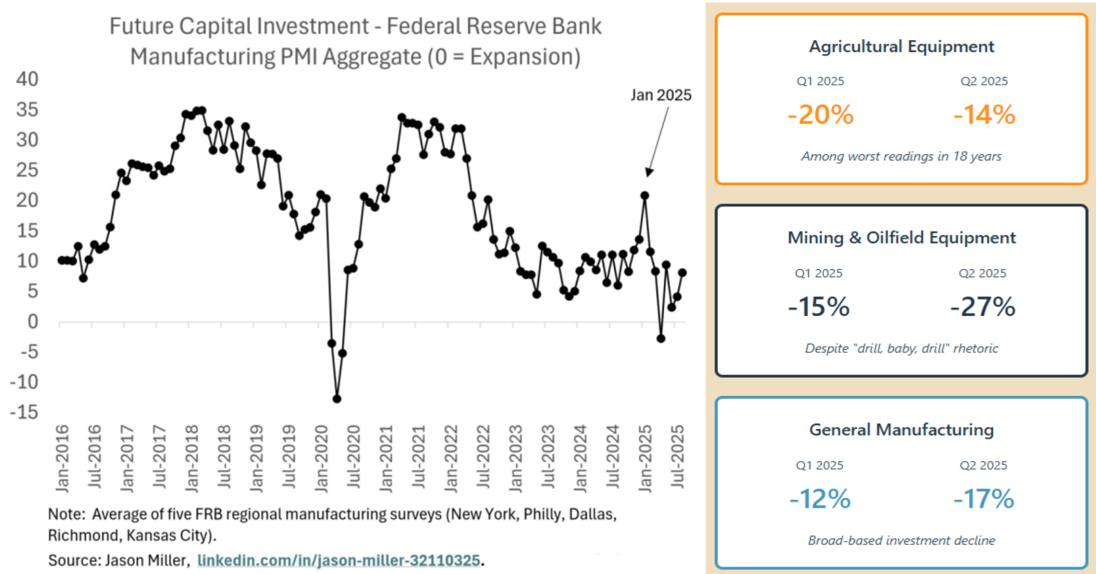
Meanwhile, the export route grows more treacherous as domestic costs rise. A fabricated metal products manufacturer explained: ***"Export demand is falling as customers do not accept tariff impacts, which likely will require some production transfers out of the U.S."***



Source: Census Advanced Trade Data

Investment Paralysis: Pulling Over, Engine Running

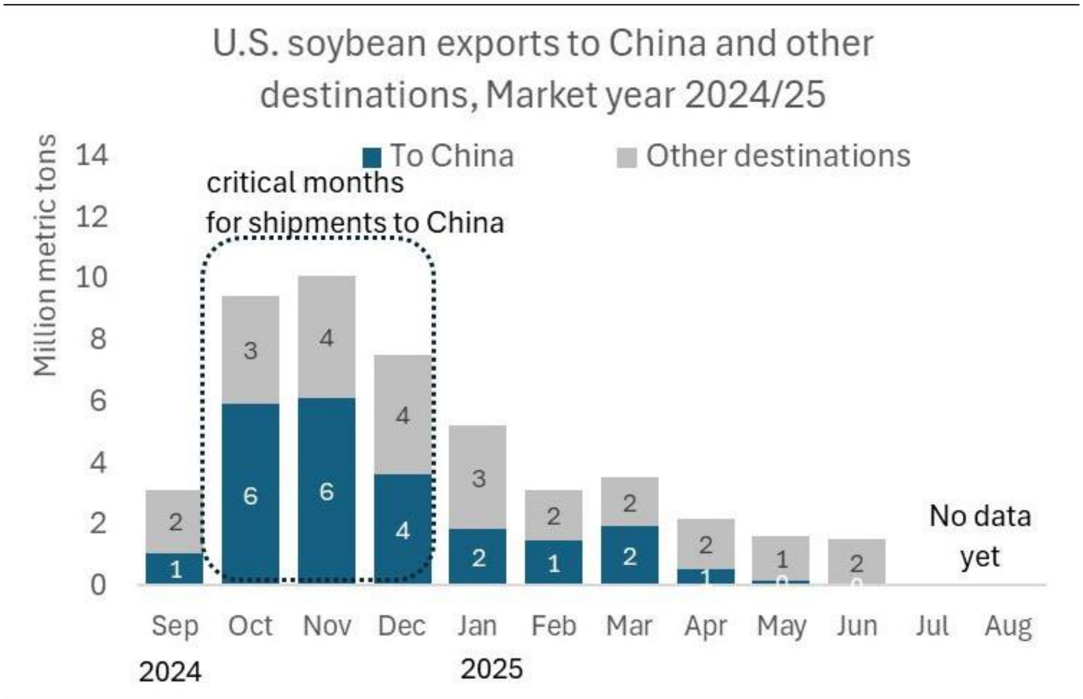
Like drivers uncertain whether to continue an unfamiliar route, manufacturers have essentially pulled over with engines idling. Future capital investment intentions remain near crisis lows—companies are waiting for clearer directions rather than committing to the road ahead.



Source: Jason Miller

The agricultural sector shows the most severe route disruption. Equipment investment fell 20% year-over-year in Q1 and 14% in Q2—among the worst readings in 18 years—while China, historically the destination for half of America's soybeans, has canceled all orders for the marketing year beginning this month.

It's like discovering your primary destination is no longer accepting deliveries, with $12.8 billion worth of soybeans from Illinois, Minnesota, and Wisconsin alone having nowhere to go as harvest begins. The timing compounds the crisis: soybean harvest runs through November while the tariff truce expires November 10th, creating a narrow window where farmers must sell into uncertain markets while trade negotiations hang in the balance.



Source: [Fred Gale, Ag Economist, LinkedIn]

Employment Data: When Local Knowledge Proved Right

When official employment revisions revealed that **national job growth** was actually just 35,000 monthly rather than initially reported 130,000, it validated what regional Fed officials had been hearing about weakening labor demand. Manufacturing employment was contracting during this period—exactly what Austan Goolsbee's manufacturing-heavy Chicago district had been signaling with businesses having their ***"hair on fire"*** during April-June.

The ISM employment index contracting for seven consecutive months to 43.8 reflected what manufacturers were telling their regional Fed presidents directly. Transportation equipment firms reported conditions ***"much worse than the Great Recession of 2008-09... This is 100 percent attributable to current tariff policy."*** Electrical equipment companies described cutting ***"15***

percent of our U.S. workforce... high-paying and high-skilled roles: engineers, marketing, design teams, finance, IT and operations."

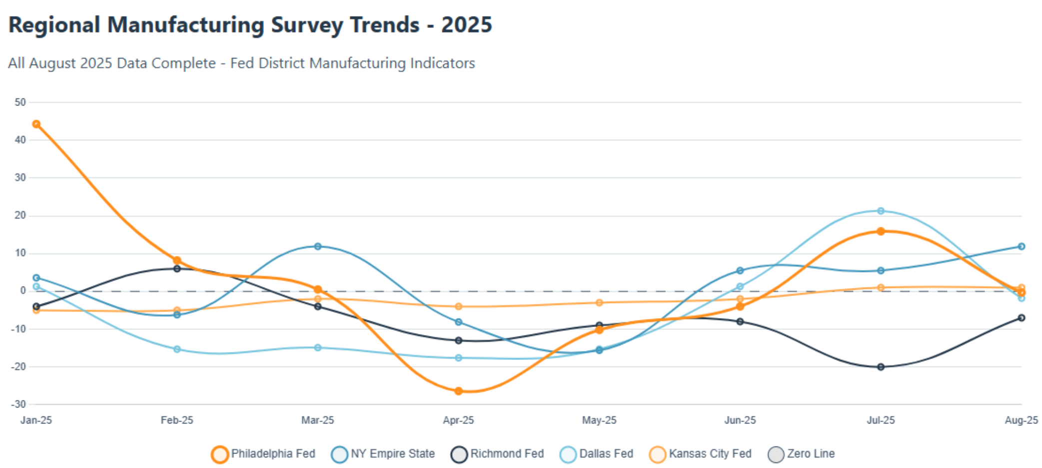
Kansas City Fed survey respondents captured the broader mood: ***"Uncertainty has been the most heard word to describe our machine manufacturing industry."*** Yet one also noted: ***"Business is better, although many of the things affecting us are singular opportunities... not indicative of broad-based improvement in the industrial economy."***

These employment realities reflected in individual company decisions help explain why regional Fed surveys showed such divergent readings—different districts were experiencing varying degrees of the same underlying pressure.

Regional Surveys:

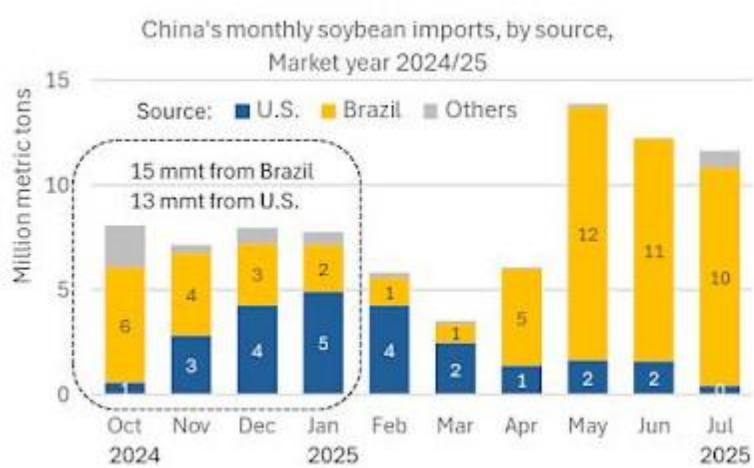
The Navigation Challenge: Seeing Around the Curve

The Fed's regional network provides that crucial ability to see around curves before they appear on the official GPS. Their surveys captured employment weakness, margin compression, and investment hesitation months before national statistics confirmed these trends.



Nonetheless, manufacturing appears to be stabilizing—regional readings now cluster between -7.0 and +11.9—but it's stabilizing on a rougher section of road. Companies have adjusted their driving for the new terrain: slower speeds, higher costs, and more cautious route planning.

The agricultural crisis represents the steep downgrade that was visible to those looking ahead but didn't show up on the main screen until harvest season arrived with empty order books. **Austan Goolsbee's recent visit to Iowa** revealed the deeper structural damage beyond immediate price impacts. As he explained: ***"In agriculture they were particularly heartened by some of the negotiations... but they're still nervous in that space that in some ways the damage has already been done and it takes a lot long time to build up these export relationships. And if you smash that, and they start buying soybeans from Brazil that even if you go back to zero tariffs, they might have already set it up."***



Source: Fred Gale, Ag Economist, China Policy

Iowa farmers described the permanence of losing long-term trading partners—relationships built over decades that competitors like Brazil have now captured. ***"There is like a nagging that the longer run impact will be***

different than the short run impact," Goolsbee noted, capturing the farmers' understanding that some market share may never return.

The Fed officials saw this challenging terrain approaching because they maintain direct contact with drivers who've been navigating these roads daily.

You can't always see the full route on your economic GPS, but having local guides who know the territory makes the difference between arriving safely and getting lost in unfamiliar terrain. The Fed's dual approach—satellite data plus local intelligence—provides both the official directions and the street-smart navigation needed when the road conditions don't match what's on the map.

The Off Ramp

Oceanside

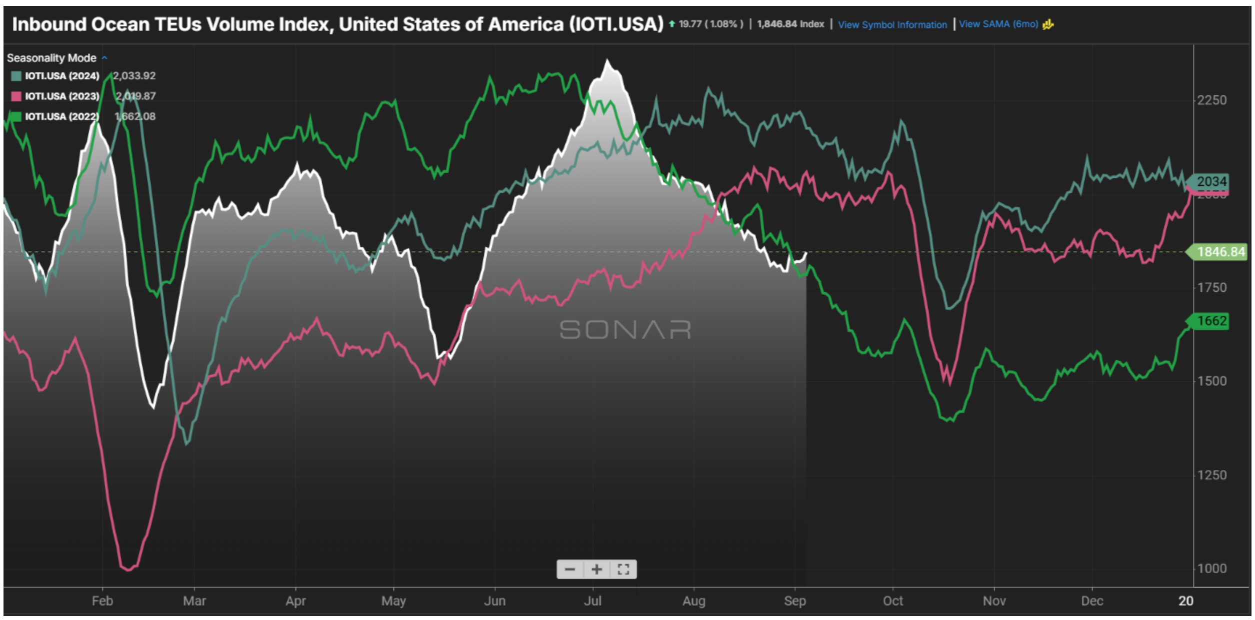
The ocean shipping data confirms exactly what Dallas Fed surveys detected in real-time: companies front-loading purchases created a pricing whiplash that's still working through the supply chain. The timing reveals why Fed officials heard about margin compression months before it appeared in official statistics.

The Price Path Pipeline

Ocean TEU bookings peaked around July 4th as importers rushed to beat additional tariff announcements, creating what Dallas Fed surveys captured: **37% of firms "moved up purchases ahead of tariff implementation."** These premium-priced containers are now flowing through the distribution system on a predictable schedule:

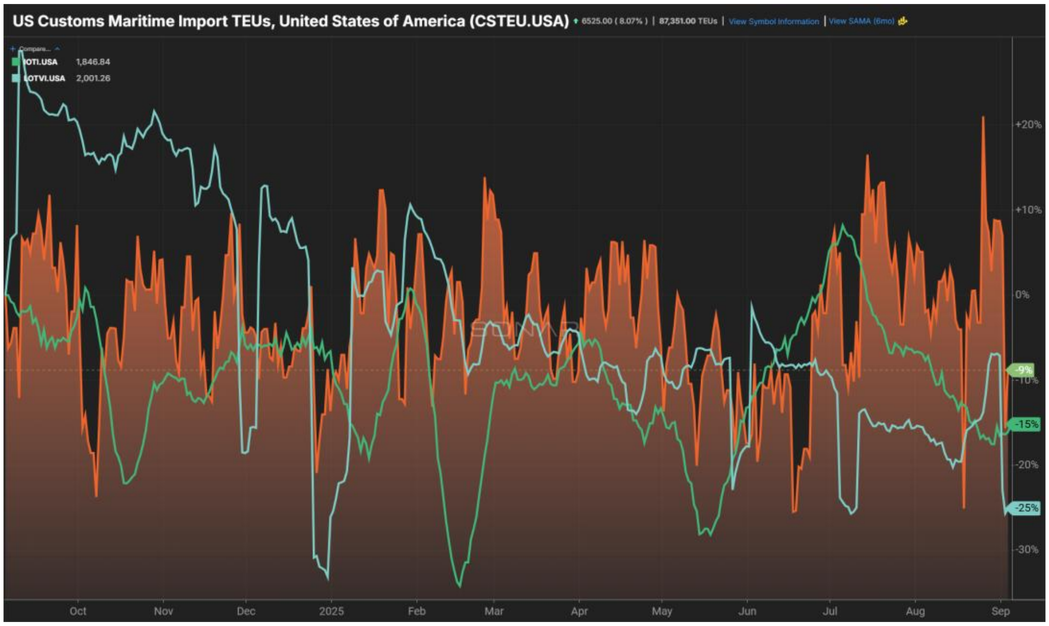
- **Late June/Early July**: Peak ocean freight rates as front-loading peaked

- **Late July/August**: High-cost containers hit U.S. ports (Port of LA +35% YoY throughput)
- **August/September**: Expensive inventory moves inland via rail and trucking
- **September/October**: Businesses face the absorption vs. pass-through decision



Source: SONAR

The front-loading surge created its own timing trap. Orders peaked around July 4th as importers rushed to beat additional tariff announcements, then collapsed as companies shifted from panic buying to inventory management. Container bookings fell sharply through late July, though some recovery emerged as businesses realized they still needed peak season inventory.



Source: SONAR

The question now: can new orders climb back above 2023 levels by quarter-end, or will tariff uncertainty keep import volumes suppressed?

The Margin Compression Reality

This timing explains the stark choices manufacturers described to their regional Fed banks. The **Dallas Fed's special tariff questions** revealed the impossible math: **48% of firms reported passing cost increases through to customers, while 39% absorbed costs internally**—a nearly even split indicating widespread margin compression.

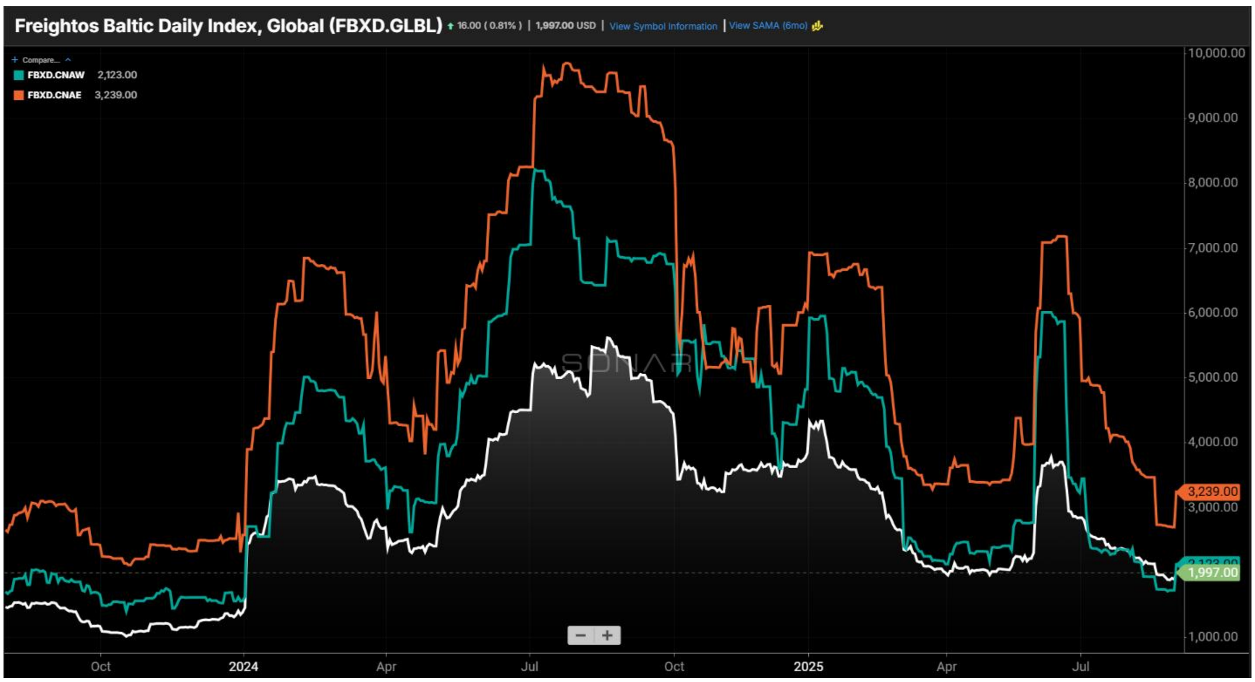
But the **Philadelphia Fed's pricing survey** showed why pass-through remains limited: **50% of customers became more price sensitive** since last quarter. Companies that paid premium ocean rates in June and July must now sell that inventory to increasingly resistant buyers.

The partial pass-through reality is brutal: among firms attempting to pass costs through, **only 21% achieve full pass-through** while **43% can only pass through**

"some" costs. This partial absorption explains why manufacturing employment continues contracting despite regional survey stabilization—companies cut workforce rather than lose customers.

Ocean Rate Relief That Doesn't Help

Ocean freight rates crashed to multi-year lows through August, reaching levels not seen since December 2023. But this relief can't undo the damage already flowing through the 60-90 day distribution pipeline. Companies must absorb losses on expensive inventory already purchased while benefiting from cheaper rates only on future orders.



Source: Freightos Baltic | SONAR

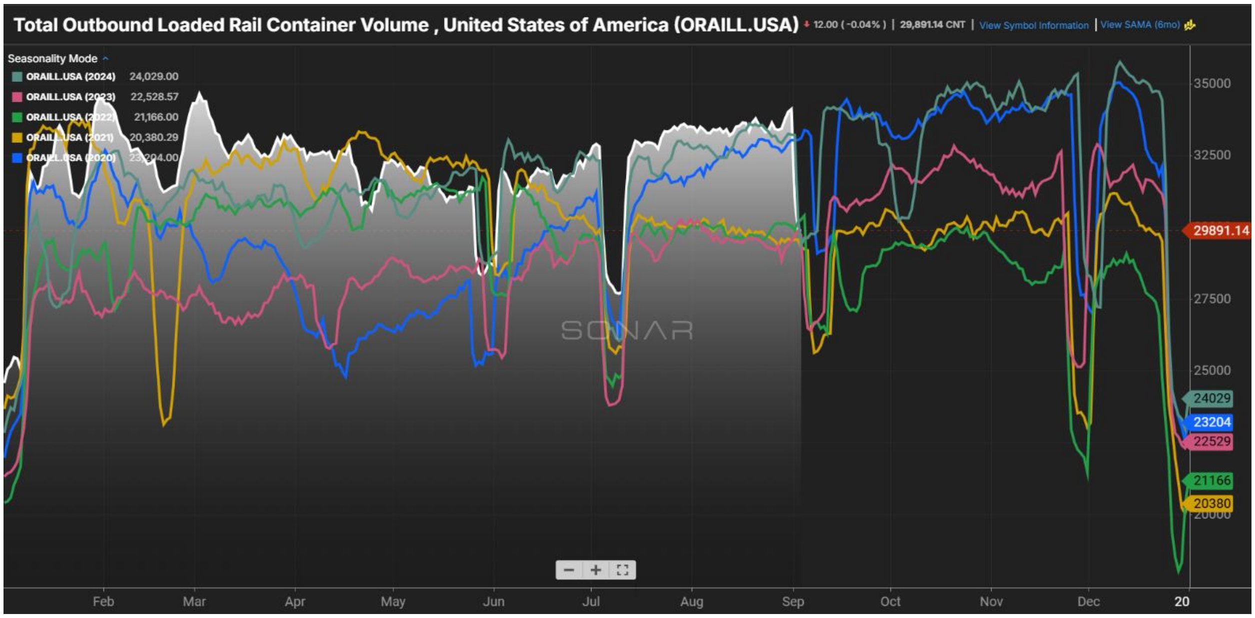
The **Kansas City Fed manufacturer's comment** captures this disconnect: ***"Uncertainty has been the most heard word to describe our industry"***—

businesses know they're processing high-cost inventory while new bookings reflect lower rates they may never fully capture.

This pricing transmission perfectly validates why the Fed's regional intelligence proved superior to headline statistics. Regional Fed presidents heard about these margin compression decisions in real-time, while official data couldn't capture the complexity of partial cost absorption until quarters later. The ocean data simply provides the timestamps showing when expensive inventory entered the system that businesses are still struggling to profitably sell.

Riding the Rails

Outbound loaded rail container volumes may be riding high right now (+3% YoY), flexing their strongest levels in five years, but the victory lap looks short-lived. With imports slipping back toward the troughs of 2022, the pipeline feeding those rail cars is starting to dry up.



Source: SONAR – Outbound Loaded Rail Container Volume (5 year Seasonality)

As we discussed in the last update, with the rails eyeing a future of lower imports, it make sense these lines are wanting to be as efficient as possible, so they can pivot to domestic demand or more easily direct exports from the heart of the country.

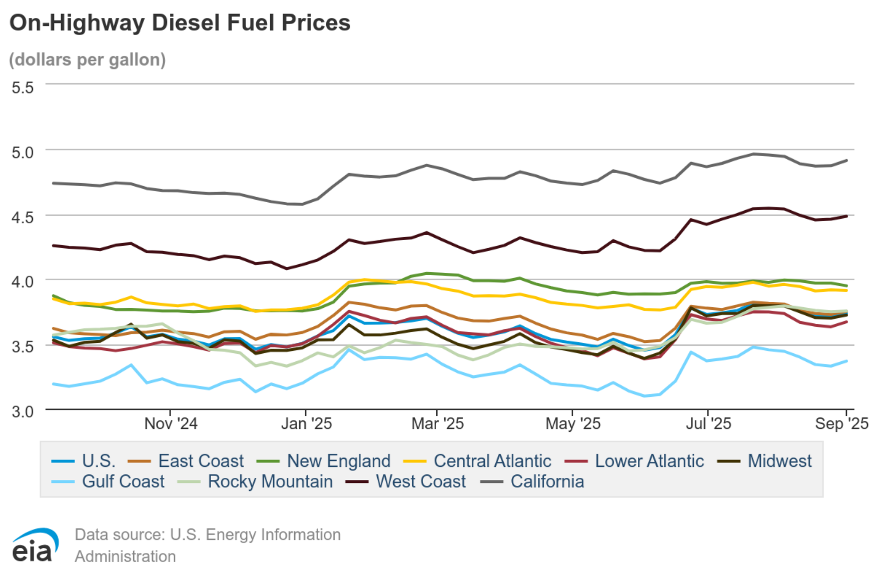
Big mergers are still on the table, but some warn they could cause bigger headaches.

O'er The Road

Supply

Fuel

Rangebound is the best way to describe Diesel prices. All are out of the dearth's of late May. Around $65/barrel nets $3.70/gallon in diesel since July. Showing the economic barometer as stable*ish* over the quarter.



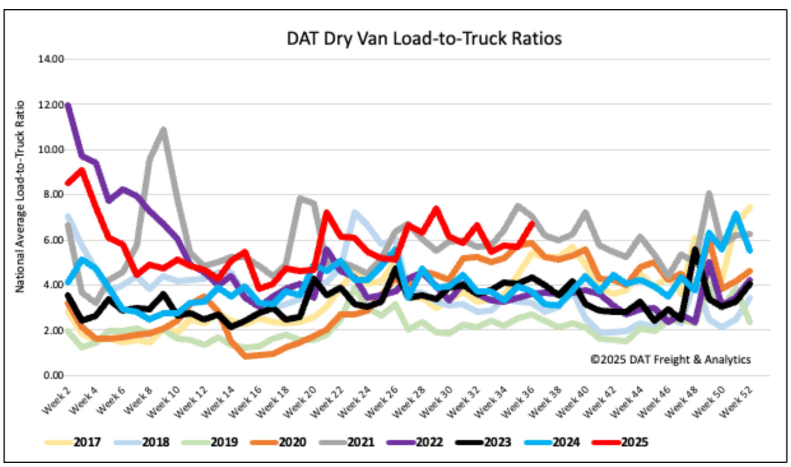
Source: EIA Weekly U.S. Diesel Data

Rejections and Pressures

Recently, looking at any index measuring truckload volumes feels like the same old story: freight demand scraping alongside 2018/2019 levels and stubbornly refusing to show signs of real recovery. You'd think with freight this scarce, outbound tender rejections would be buried right alongside volumes, but they're not. Outbound tender rejections, the measure in which tenders rejected versus total sent for any given period is still up 25% YoY.

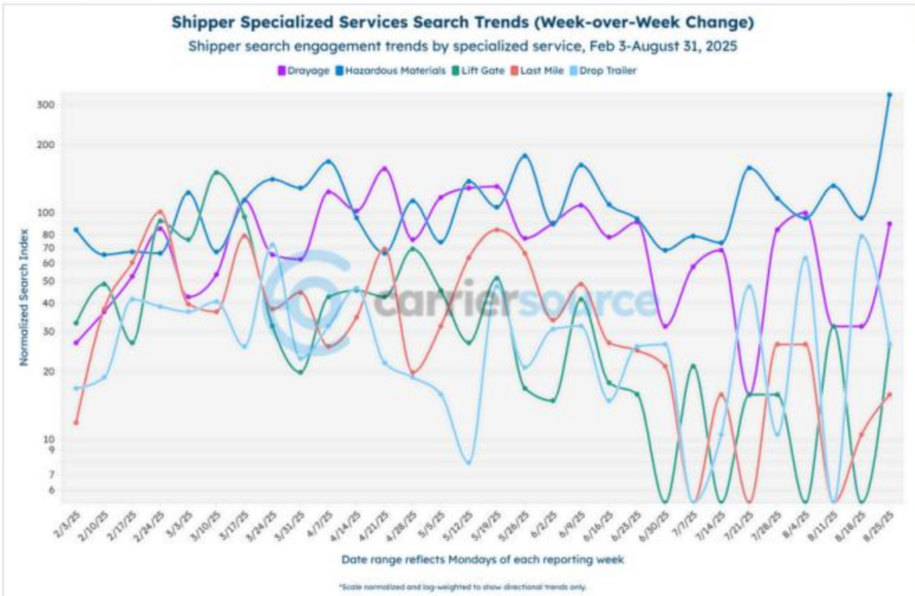
Source: FreightWaves SONAR

Load-To-Truck Ratios join the late month foray.



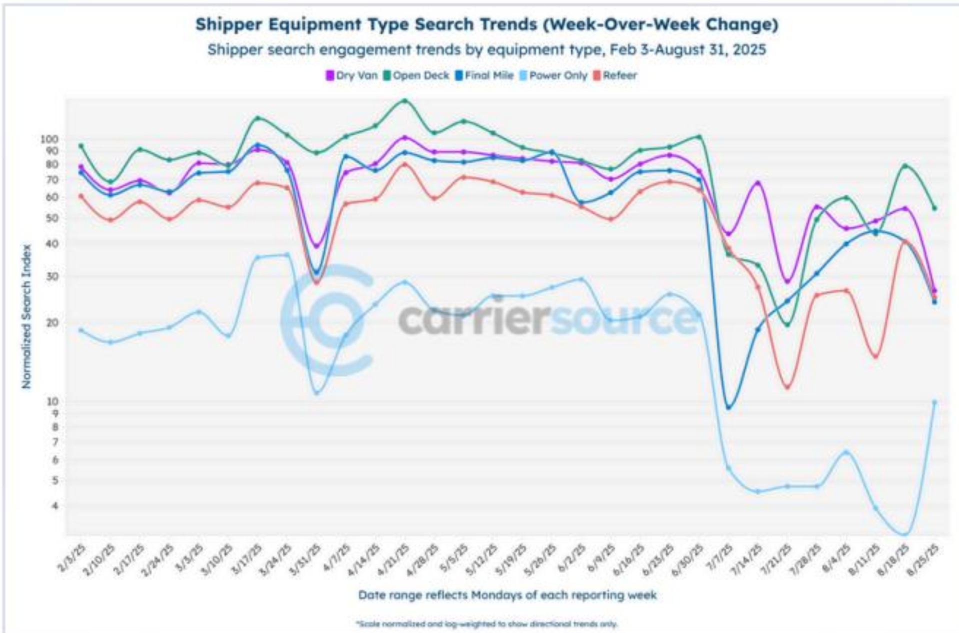
Source: DAT

Mad dashes for specialized equipment search through CarrierSource ended the month as general search activity took the holiday off in the final week.



Source: CarrierSource

Flatbed equipment searches were also the most active of the bunch.

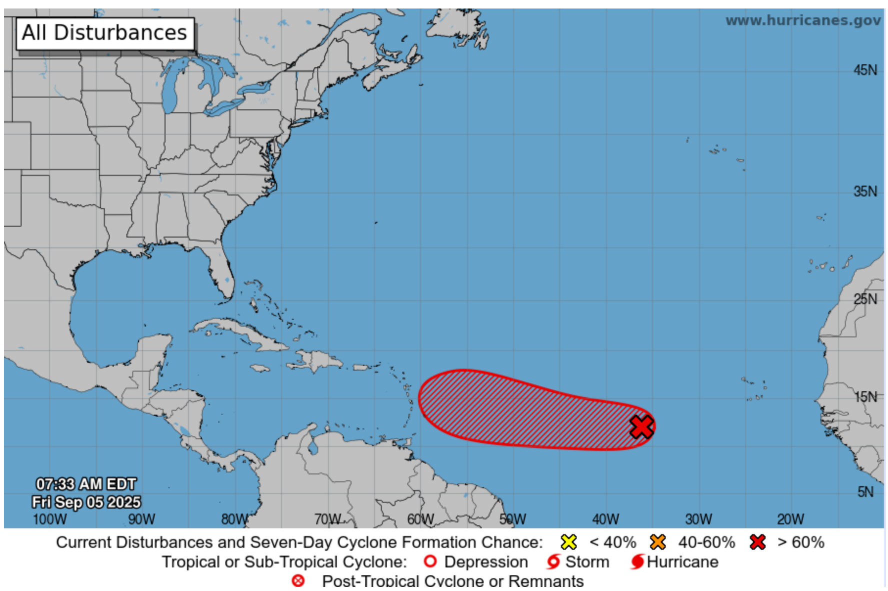


Source: CarrierSource

Weather

We lucked out in August. The almighty Lance Stephenson (cool New England waters) kept Erin off the coast.

The latest disturbance looks more centered towards the Carribean, with a 90% chance of turning up the heat.

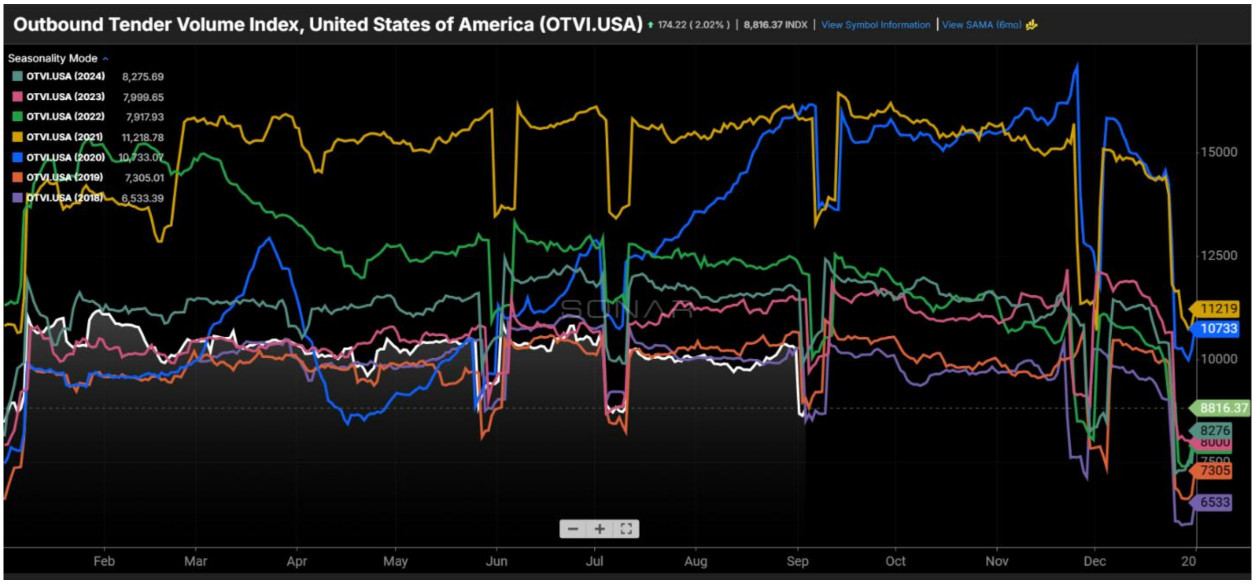


Demand

Volumes

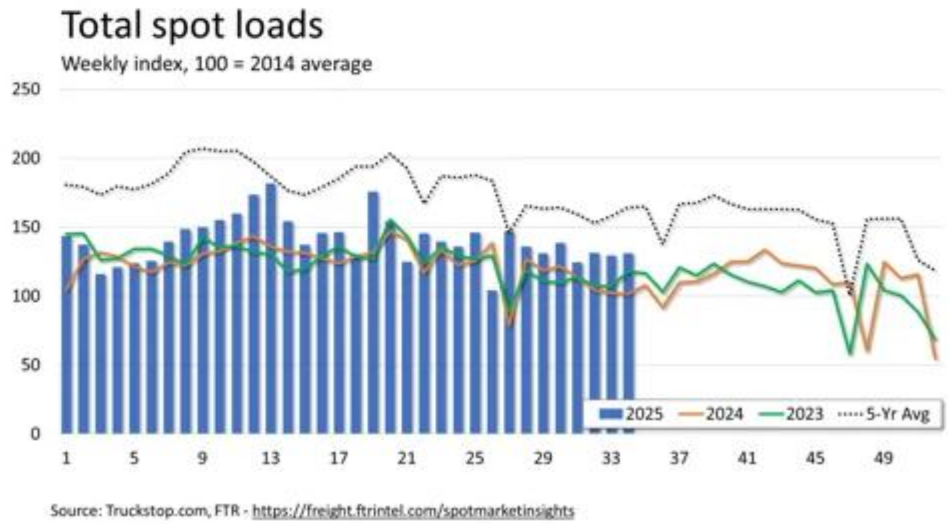
SONAR

If you're looking for a fair benchmark on just how weak 2025 truckload volumes have been, you'd have to rewind the clock back 7 years. Since February, when the tariffs were announced, outbound tender volumes have been losing ground each month and now reside between 2018 and 2019 levels. Volumes did experience a decent increase over the last week in the run up to Labor Day, but they still reside ~15% lower than 2024 levels.



FTR | Freight Intelligence

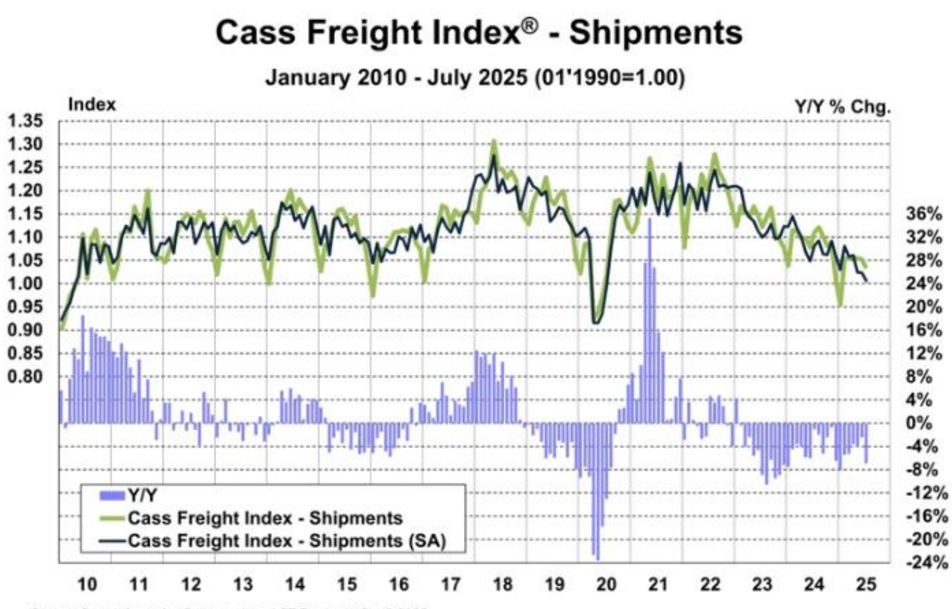
Although still under the 5 year average, spot availability persists predominantly over the last two years. Although there may be less total demand overall, the market structure is keeping spot availability afloat.



Source: FTR | Freight Intelligence

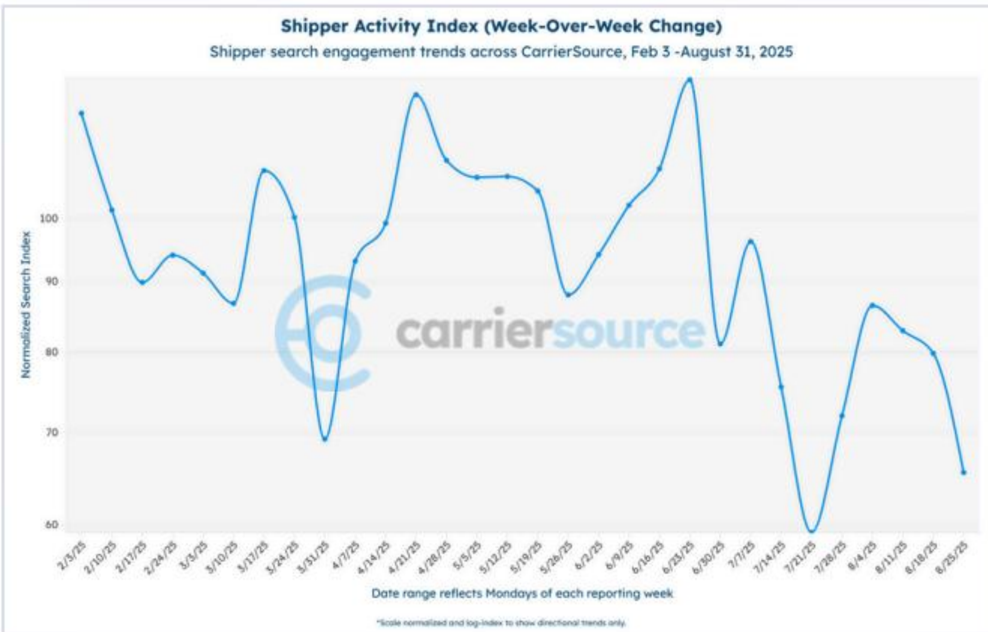
CASS

The gap between this year's shipments and last, sank 6.9% lower in July vs 2% in June. If seasonal projections hold, this will dig down to 8% lower y/y for August's numbers.



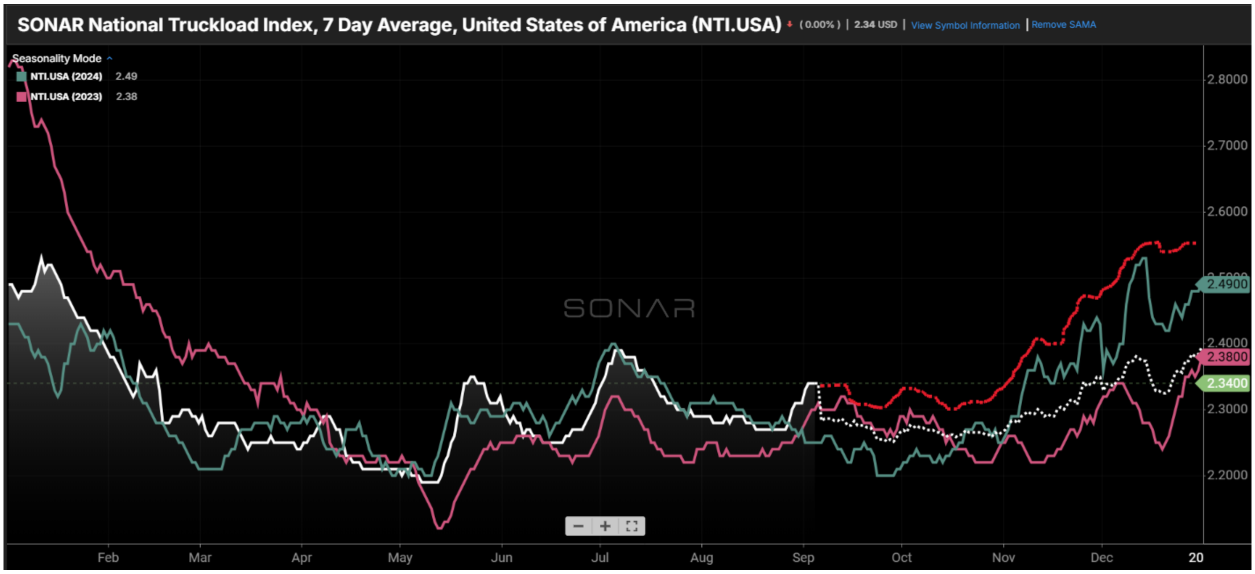
CarrierSource

Mid-term or project-based searches fell into the holiday week, and will likely pick up as yearend deadlines fast approach.



Rates

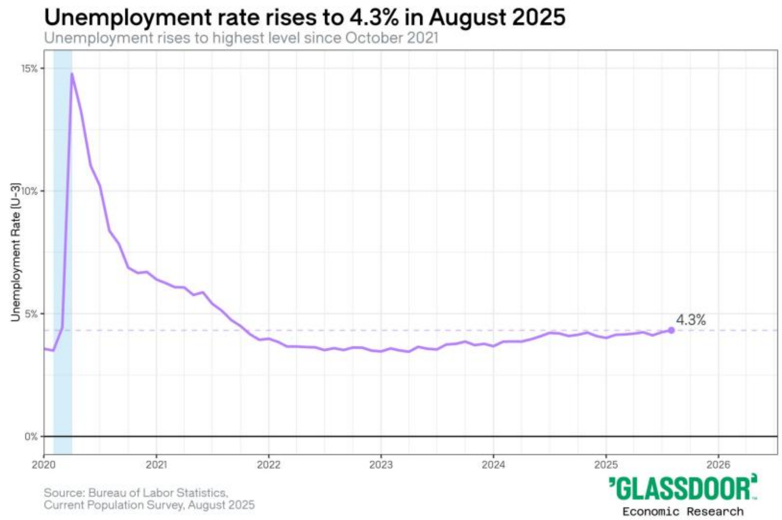
National dry van spot rates in 2025 have been acting like a mashup playlist borrowing from 2023's sluggishness and 2024's resilience, but with one key remix: they're finally moving in step with tender rejections, especially prior to Labor Day. That's sharper market coordination than we saw a year ago, though the dance floor still isn't exactly crowded. With demand expected to limp through the rest of the year weaker than both prior years, the most realistic outcome is spot rates meandering between "steady enough" and "wishful thinking."



Economic Indicators

Labor

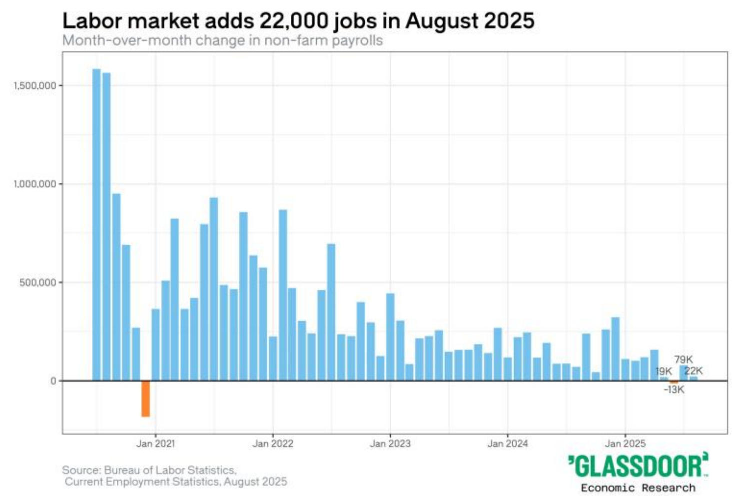
The unemployment rate climbed to 4.3% in August—the highest since October 2021. Think of it like a slow leak in your tire: you'd rather catch it early than have a blowout on the highway. While any increase stings, this gradual rise gives policymakers time to adjust course before hitting more dangerous territory.



Source: Daniel Zhao, Glass Door

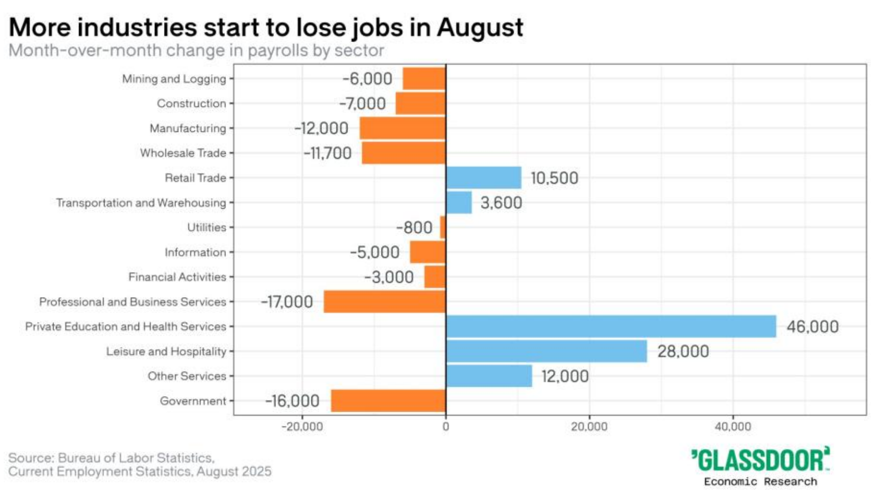
And paychecks are the gatekeepers of consumption. Consumption drives 70% of the economy. Consumer confidence mirrors this cautious equilibrium—like drivers checking the fuel gauge every few miles on an unfamiliar route. Current financial situations register 'adequate,' but six-month outlooks actually improved in August, suggesting people expect better conditions ahead even while running on economic fumes today.

The labor market is walking a tightrope between 'Goldilocks' and 'too cold.' Job growth has slowed to a crawl...



The labor market is walking a tightrope between 'Goldilocks' and 'too cold.' Job growth has slowed to a crawl—20-40K monthly may be the new normal as the economy operates with fewer workers than it needs, but also fewer than it can afford to hire.

Diving into the sectors, another cleave across industrial sectors. Leading the way are Professional and Business services, however. Discontinuing orders from abroad will negate needs for providers, or marketing teams and engineers of product lines.



All the blue bars in the chart above show consumption remains king as retailers, hospitality, and others gear up for the holiday season.

The Final Grade

Picture the economy as a car sputtering along in second gear when it should be cruising in fourth. We started 2025 with the engine purring (B+ territory), but by Q2, we were running on fumes and bad gas—tariff uncertainty acting like sugar in the tank.

September brought some relief. Manufacturing stopped hemorrhaging quite so badly, and employment data showed we're walking a tightrope rather than falling off a cliff. But here's the rub: having stability isn't the same as having momentum.

The freight market sits at a crossroads. Ocean rates hit multi-year lows while domestic trucking rates can't find their floor. It's like shopping for Christmas gifts in July—great deals everywhere, but nobody's buying because they're not sure what next month will bring.

Grade: C+ - Improvement from the D-range doldrums, but still waiting for someone to shift into third gear.

The September employment report (due October 4th) will reveal whether manufacturing's job losses accelerated or if the sector found its footing. Even more critical—October retail sales data will show if consumers opened their wallets for early holiday shopping, or if the "great deals everywhere but nobody's buying" dynamic persists through peak prep season.

Crafted by Beau King and Henry Byers | KCH