



November 2025

Monthly Freight Market Update

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The Final Grade

Quick Hits

- The ingredients for recovery are finally assembling - US-China deal, tariff clarity emerging, rate cuts continuing - but the Thanksgiving feast isn't on the table yet. Expect 3-6 months of prep work (inventory normalization, SNAP/labor headwinds) before the meal is served
- Volumes down 18-20% YoY, yet Van spot linehaul up 3%, Reefer up 5%, Flatbed up 4% - profitability discipline and capacity contraction create rate floors
- Philadelphia Fed crashed 36 points to -12.8 while NY Empire surged 22.6 points to +10.7 - this 24-point regional spread creates coordination chaos in freight networks
- ISM shows contraction (48.7) while S&P Global shows expansion (52.5) - inventories building at 18+ year record pace. Goods moving to warehouses, not customers, creating freight "air pocket" that delays production recovery
- Labor market shows gradual cooling, not collapse - initial claims at 219K (matching prior years), unemployment up just 0.03 points. Real story: hiring froze, not firing. That atrophied hiring infrastructure delays capacity recovery
- SNAP disruption (50% November funding, \$4B reduction) hits 42M recipients during Thanksgiving peak - turkey producers do 40-45% annual volume October-December. Creates immediate grocery spending pullback
- Tractor builds now below replacement levels (down 32% H1 to H2), carriers filtering freight by profitability, coordination friction adding deployment costs. When demand recovers, supply response will lag longer than historical patterns - mid-2026 at earliest per industry analysts

The Landscape

The September Hero Stumbles

Remember Philadelphia Fed's September breakthrough? The +23.2 reading that represented the highest level since January 2025, the 23.5-point surge that seemed to signal manufacturing's turn?

October said: Not so fast.

Philadelphia Fed crashed to -12.8 - a stunning 36-point reversal that landed below the forecast of 8.6 and marked the lowest reading since April. The components tell the story: new orders fell, shipments declined, employment weakened. After one brilliant month, the Mid-Atlantic manufacturing sector returned to contraction.

It gets weirder. While Philadelphia cratered, **New York Empire State surged from -8.7 to +10.7** - a 22.6-point improvement that marked the third positive reading in four months. New orders rose to 3.7, shipments climbed to 14.4. Same month, same broader economic conditions, opposite trajectories. This points to regional specializations and industry concentrations dancing to different beats rather than moving in unison.

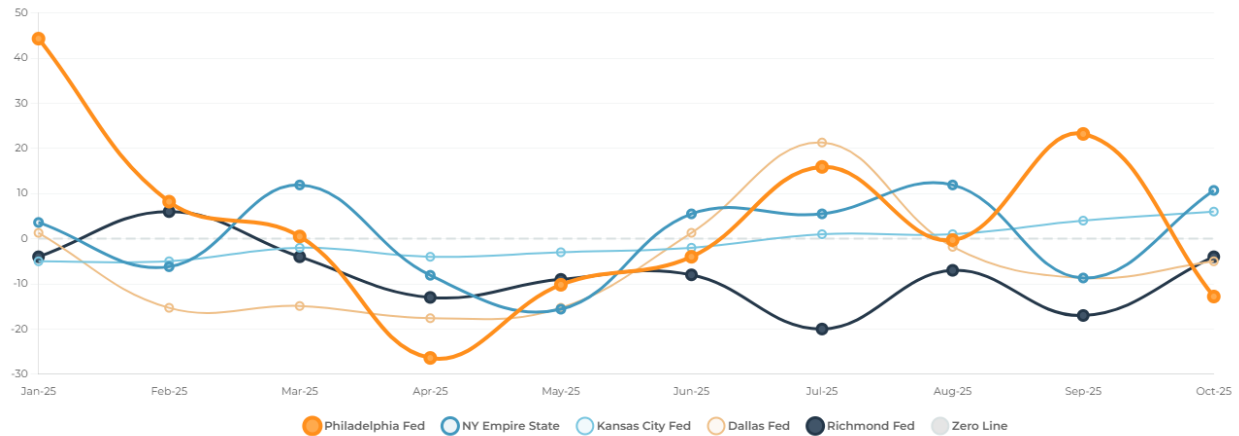
Richmond Fed improved 13 points from -17 to -4. Kansas City Fed continued its steady climb from +4 to +6, hitting its highest 3-month moving average since September 2022. Dallas Fed improved modestly from -8.7 to -5.0, with production steady at 5.2.

October 2025 Current Readings

Regional Survey	October Reading	Monthly Change	Status
Philadelphia Fed	-12.8	-36.0	Sharp reversal from Sept breakthrough
New York Empire State	+10.7	+22.6	Third positive reading in four months
Kansas City Fed	+6.0	+2.0	Continued modest improvement
Richmond Fed	-4.0	+13.0	Significant improvement but still contracting
Dallas Fed	-5.0	+3.7	Modest improvement, production steady
ISM Manufacturing PMI	48.7	-0.4	8th consecutive contraction

Regional Manufacturing Index Trends

2025 Year-to-Date Performance



The result? **A 24 point spread between New York's +10.7 and Philadelphia's -12.8.**

This is the coordination crisis in data form. When one region signals expansion while another contracts sharply, freight networks can't efficiently deploy capacity across disconnected networks. Available trucks in the wrong place. Loads posted in tightening lanes. Geographic mismatches that create rejection pressure even when aggregate volumes stay weak.

The Optimism-Reality Gap

Here's what makes October's data fascinating: Even as Philadelphia Fed's current activity crashed to -12.8, **firms' six-month expectations rose to +36.2**. That's a 49-point gap between today's reality and next quarter's hope.

Why such persistent optimism when current conditions deteriorate?

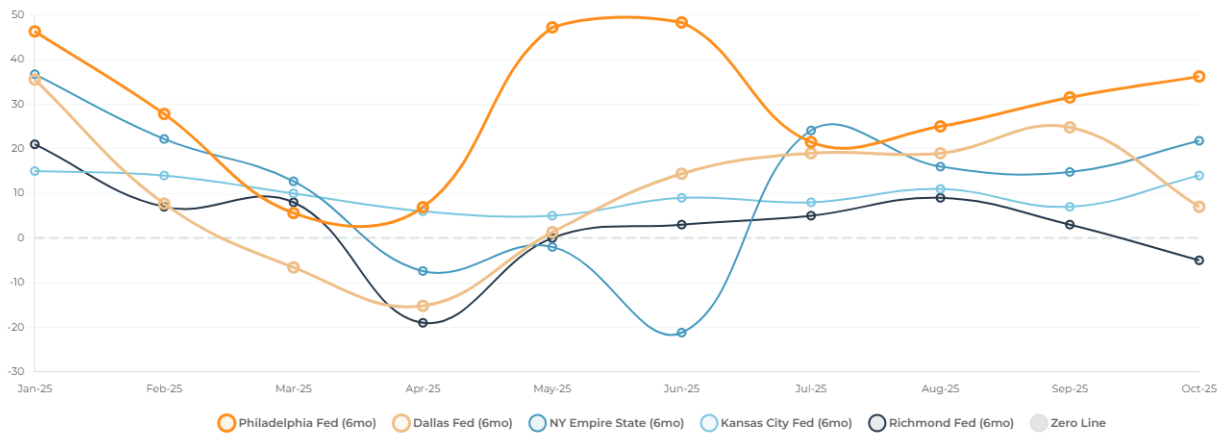
Because the **January 2025 excitement wasn't wrong** - it was just premature. Manufacturers entered the year with good reason for optimism: 100 basis points of rate cuts delivered, expectations for pro-growth policies, potential trade deals on the horizon. The ingredients for recovery were real.

Then came tariff uncertainty. Manufacturing activity stalled. Investment plans paused. Jason Miller's assessment captures it perfectly: **"2025 became a lost year for U.S. manufacturing."**

But manufacturers haven't abandoned the recovery thesis - they've just pushed it forward. The same tailwinds they expected in Q1 2025 could materialize in 2026: trade clarity, rate cut continuation, policy stability, capital investment resumption. The optimism persists because the fundamentals still make sense... eventually.

6-Month Forward Expectations

Regional Manufacturing Outlook



The Manufacturing Divergence: Production vs. Movement

Two major manufacturing surveys tell conflicting stories in October:

ISM Manufacturing PMI: 48.7 (down 0.4 points, 8th consecutive contraction)

- New orders: 49.4 (second month of contraction)
- Production: 48.2 (down 2.8 points)
- Employment: weak

S&P Global Manufacturing PMI: 52.5 (up from 52.0, 3rd month of expansion)

- New orders: Fastest growth in 20 months
- Output: Rising at accelerated rate

- Employment: Modest growth

So which is it - contraction or expansion?

Both. And here's why that matters for freight

The S&P Global survey reveals the critical detail: **Finished goods inventories rose at the fastest pace in 18+ years of survey history.** Production is happening, but it's going into warehouses, not onto trucks for delivery to customers.

Chris Williamson, S&P Global's Chief Business Economist, nails it: "**Most worrying is the unprecedented rise in unsold stock reported in October, widely linked to weaker than anticipated sales to customers, especially in export markets, which could trigger a downshifting of production in the coming months unless demand revives.**"

The breakdown:

- **Domestic orders:** Strong (fastest growth in 20 months)
- **Export orders:** Falling for 4th straight month (tariffs hitting Canada, China, Europe, Mexico)
- **Production:** Rising to meet domestic orders
- **Sales:** Not keeping pace with production
- **Result:** Record inventory build

For freight, this is worse than simple contraction. Production creates freight when goods move from factory → distribution → retail. But when production exceeds sales, goods move from factory → warehouse... and stop. You get one freight movement instead of three.

The LMI Data Confirms the Air Pocket

September's Logistics Manager's Index provides real-time evidence of this dynamic:

Transportation Utilization: 50.0 (no movement) - This is the lowest reading since November 2023, and it happened **during what should be peak season.** The 8-year average for Transportation Utilization in September is **65.1** (robust expansion). September 2025 came in 15.1 points below that historical norm.

LMI researchers note: "It is unusual for logistics costs to drop in September, which is usually at the heart of peak season ahead of the holiday shopping season. Even more unusual is Transportation Utilization dipping to 50.0."

Why the disconnect? The LMI data reveals the mechanism:

Upstream firms (manufacturing/wholesale): "Have been relatively stagnant in terms of new inventories **because so many of them front-loaded goods early in the year**. Upstream firms are still weighed down by these, as evidenced by their **tight Warehousing Capacity of 50.8**."

Translation: Goods produced or imported earlier in 2025 made their initial move to warehouses. Now they're sitting there. Warehouses are full (tight capacity), but goods aren't moving to the next stage of the supply chain.

Small firms holding inventory, not moving it: "Smaller firms are **loaded down with inventory but not moving it**. This is likely an expensive endeavor and may offer some explanation for the loss of 40,000 small firm jobs that was reported for September."

Downstream retailers staying lean: When asked to predict inventory levels 12 months out, Downstream firms predict **contraction at 47.2**, while Upstream firms predict expansion at 60.7. Retailers want to keep inventories lean going forward.

The Freight Implication: When manufacturers eventually work through this overhang in Q4/Q1, production must slow to let inventory normalize - even if end-customer demand stabilizes. That creates an "air pocket" in freight volumes: the front-loaded goods already made their initial move, subsequent moves aren't happening at normal rates, and future production must slow before it can ramp back up.

Business confidence among consumer goods producers: Lowest in two years. Federal shutdown concerns, household spending worries, export market deterioration.

The question isn't **whether** demand matters (it does, enormously). But when those record inventories start working down in Q4/Q1, manufacturing production could slow even if underlying end-demand stabilizes. That's a freight headwind on top of existing weakness - and the LMI data shows it's already happening.

October LMI Shows the Air Pocket Resolving - But Late and Compressed

September showed goods stuck. October shows them finally moving - but the compressed timing validates the front-loading thesis.

Transportation Utilization jumped to 57.3 from September's 50.0 as holiday inventory finally started flowing. But the pattern was unusual: early October sat at 53.7, then late October surged to 60.3. LMI researchers noted **"the three transportation metrics (Utilization, Capacity, Prices) jumped a cumulative 37.9 points in the second half of October - the most significant within-month increase we have ever observed."**

LOGISTICS AT A GLANCE					
Index	October 2025 Index	September 2025 Index	Month-Over-Month Change	Projected Direction	Rate of Change
LMI®	57.4	57.4	+/-0.0	Expanding	No Movement
Inventory Levels	49.5	55.2	-5.6	Contracting	From Expansion
Inventory Costs	73.2	75.5	-2.3	Expanding	Slower
Warehousing Capacity	52.0	51.6	+0.5	Expanding	Faster
Warehousing Utilization	56.5	65.3	-8.8	Expanding	Slower
Warehousing Prices	67.7	66.0	+1.8	Expanding	Faster
Transportation Capacity	54.5	55.1	-0.7	Expanding	Slower
Transportation Utilization	57.3	50.0	+7.3	Expanding	From No Movement
Transportation Prices	61.7	54.2	+7.5	Expanding	Faster

Source: [Logistics Managers Index October Report](#)

Normal peak season spreads across August-October. This year: weak through early October, then compressed surge in late October as retailers pulled holiday inventory. That's the front-loading effect playing out - **goods sat in warehouses longer than normal seasonal patterns.**

Transportation Prices surged to 61.7 (up 7.5 points from September), with Downstream prices hitting 70.0 while Upstream lagged at 56.4. Even during

compressed late-season demand, carriers maintained pricing power - validating the rate floor thesis.

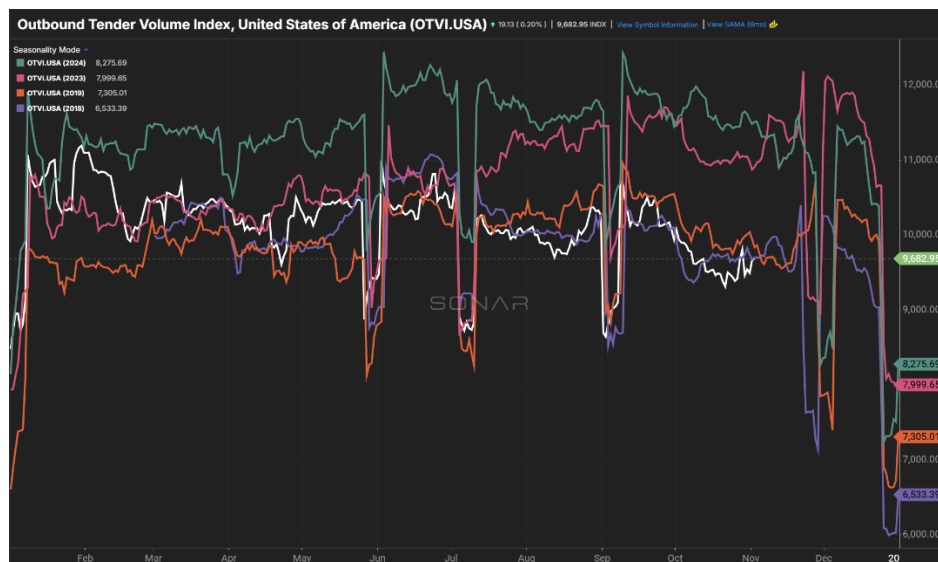
Inventory Levels dropped to 49.5 - the first contraction after months of expansion. The drawdown is beginning, confirming the Q4/Q1 production headwind we described.

O'er The Road

Demand Indicators

SONAR

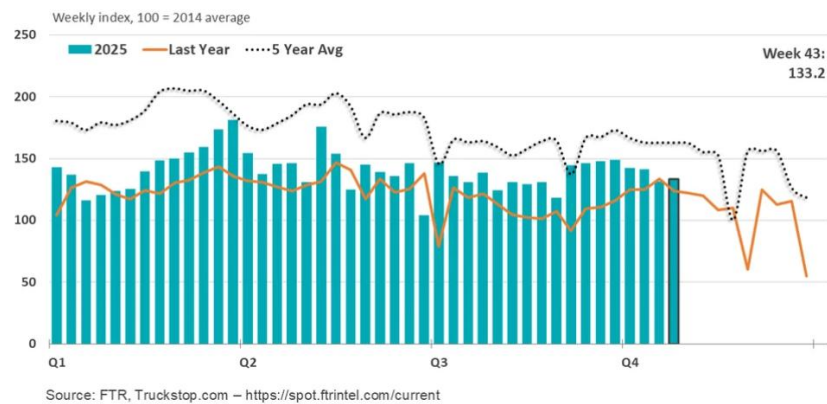
Seasonality came to haunt the month of October, seeing declines in tender volumes below **pre-pandemic lows**. Fortunes have made for a slight turn exiting the month, but this puts volumes 16% lower vs 18% lower than 2024. Expect volumes to build in the second week of the month ahead of Thanksgiving then bring a final push for the year in its wake to start December.



FTR | Freight Intelligence

Spot activity rose in the final week of the month, after falling each of the three weeks prior, but remains 7.5% above 2024 levels keeping consistently positive each week. The pull forward of port – inland moves also looks more evident as the peak volume period in 2024 came later in October.

Total Spot Loads



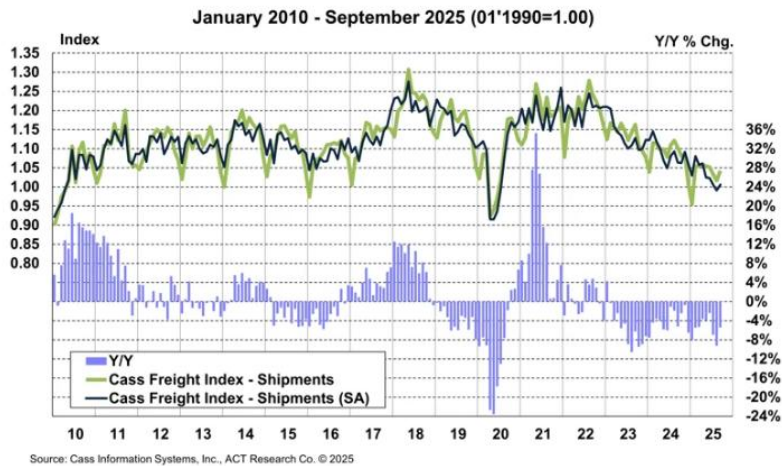
Source: FTR | Freight Intelligence

CASS

Less negative can be positive, at least when it comes to declines. The 6% y/y decline is slightly better than September. Shipments rose 2.5% month-over-month and for the second straight for truckloads.

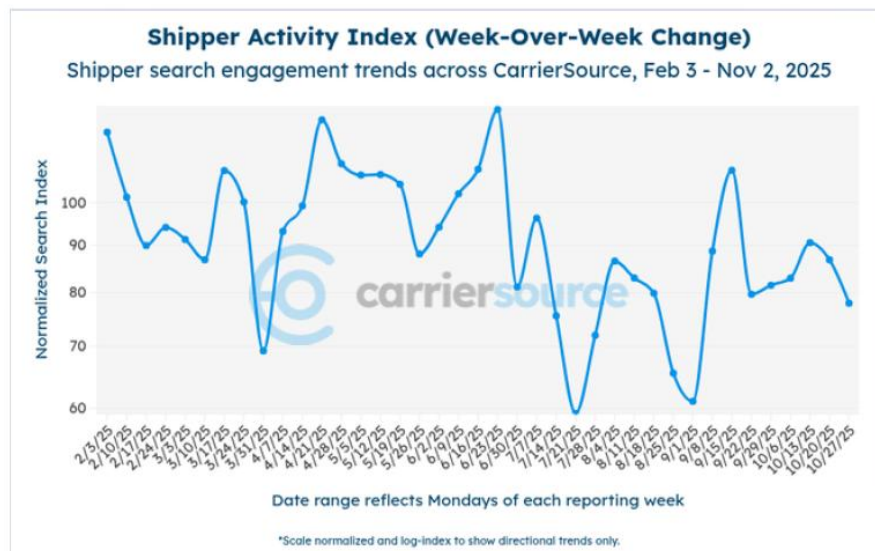
*“...We think the LTL declines reflect ongoing available TL capacity—where low rates lead shippers to consolidate LTL loads into truckloads—and private fleet insourcing. The positivity in TL volumes may be temporary, as pre-tariff shipping may lead to **more air pockets in demand.**”*

Cass Freight Index® - Shipments



CarrierSource

CarrierSources Shipper Activity Index has made its way back to August levels as mid term needs get tabled for more immediate needs during the holidays. It will be interesting to watch these numbers closer to the New Year as planning gears closer to 2026, which will tell a little better which way the winds may blow next year.



Supply: Understanding Current Rate Dynamics

The freight market is showing an unusual pattern worth examining.

Tender volumes are down 16-18% year-over-year - a significant decline by any measure. Historical freight cycle patterns suggest: Weak volumes → Excess capacity → Downward rate pressure. Reduced demand typically creates competition for scarce freight, with rates declining until capacity exits to restore balance.

The current environment shows a different dynamic.

All three equipment types are showing year-over-year rate gains: Van spot linehaul +3%, Reefer +5%, Flatbed +4%. Contract rates have stabilized at \$2.42/mile (dry van all-in) since July. The contract-spot spread has narrowed to \$0.35 from \$0.52 earlier in the year.

What explains rate stability despite weak volumes?

The Rate Floor Effect: Dual Forces

Force 1: Profitability Discipline ("Shedding for Survival")

PAM Transport's 104% adjusted operating ratio tells you everything. You can't run unprofitable freight indefinitely.

When spot linehaul at **\$1.69 sits 11¢ below most carriers' break-even of ~\$1.80**, continuing to chase that freight accelerates death rather than prevents it. Pure spot operators are choosing bankruptcy over continued operation at these rates.

Fleets with more balanced portfolios can survive - **their 70% contract at \$2.42, 30% spot at \$2.07 averages around \$2.33/mile, marginally profitable**. But they won't expand unprofitable spot exposure just because volumes are weak.

Result: High rejection rates even with weak demand. Carriers are filtering freight through a profitability lens, not a utilization lens.

Traditional cycle logic assumes carriers will take any freight at any price to keep wheels turning. But that only works above break-even. Below break-even, you're just burning capital faster.

Like a restaurant **refusing to serve \$5 steaks when the ribeye costs \$12** - yes, you lose the customer, but you don't go bankrupt serving them. Carriers are choosing survival over market share.

Carriers are rejecting freight below their break-even, forcing spot rates up despite weak volumes. The market is repricing to carrier economics, not demand levels.



Force 2: Coordination Friction

Jason Miller makes an important point about the ELP/CDL enforcement debate. He's identified two key flaws in the "massive capacity loss" argument:

1. **OOS violations aren't permanent:** The 7,248 ELP violations through October are mostly temporary out-of-service, not permanent exits
2. **CDL issuance vastly exceeds employment changes:** Texas issued 3.2M CDLs since 2015, but employment only increased 60K

Miller concludes: "Carriers increasingly need to plan for a scenario where we don't see much capacity exit due to ELP enforcement."

He's correct about the numbers. Capacity hasn't permanently vanished. And as Miller notes in his deterrence theory framework, actual carrier behavior depends on

their perceptions of enforcement risk and compliance costs - not just objective enforcement levels. Most carriers will adapt their operations rather than exit entirely.

The impact we're observing is more subtle - coordination costs that matter at the margin, especially with uncertainty around future enforcement escalation under Transportation Secretary Sean Duffy.

Think of it like **airport security after new regulations**. The number of gates hasn't changed, but throughput drops because additional screening steps add friction. Same capacity, lower efficiency.

What coordination friction looks like:

- Available trucks are harder to match to loads
- Geographic concentration (TX/AZ enforcement intensity) creates regional bottlenecks
- Carriers avoid lanes with regulatory uncertainty
- Shippers build larger buffers
- Administrative overhead reduces effective capacity utilization
- The same physical trucks move less freight per week

The evidence? Rejection rates staying elevated despite weak volumes. If capacity was abundant and freely deployable, rejection rates would collapse as carriers competed for scarce freight. They haven't.

This isn't about massive permanent capacity loss. It's about **available capacity becoming more selective** - primarily due to profitability filters (Force 1) and coordination costs (Force 2) adding friction at the margin. We're simply noting it adds another layer of deployment friction to an already selective market.

What This Means Going Forward

The Current State (Q4 2025 - Q1 2026):

- Multiple demand headwinds converging (SNAP lapse, layoffs, manufacturing weakness)

- Carriers filtering freight by profitability
- Coordination friction adding costs even where capacity exists
- Rate floors holding despite weak volumes

Why? The Triple-Locked Gate + Coordination Friction:

- **Lock 1** - Labor: Aging workforce, insufficient training pipeline, non-domiciled CDL timeline creating known constraint
- **Lock 2** - Capital: Tight lending, elevated rates, high insurance costs
- **Lock 3** - Profitability: Can't expand below break-even, and break-even is higher than spot rates
- **Plus:** Coordination friction makes available capacity harder to deploy efficiently

Historical Pattern: Demand improves → Rates rise → Capacity responds in 6-9 months → Equilibrium

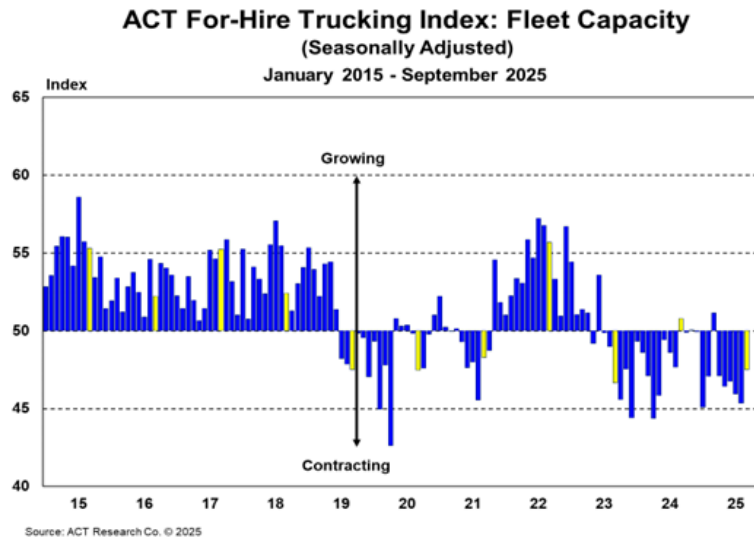
Current Pattern: Demand improves → Rates rise → Capacity struggles to respond → Extended lag of 12-18+ months

This isn't prediction, it's mechanics: If carriers can't profitably operate at current rates, and capital/labor constraints limit their ability to scale, and coordination costs add friction to deployment, then supply can't quickly flood back when demand turns.

ACT Research Validates the Capacity Constraint Thesis

ACT Research's October For-Hire Trucking Index confirms the structural capacity constraints we've been describing:

Capacity Index: 47.5 (September) - Below 50 signals contraction, and it's been contracting consistently.



The Equipment Constraint: [Carter Vieth, analyst at ACT Research](#), highlights a critical development: **"A key piece regarding capacity is the 32% reduction in tractor build from H1 to H2 of this year, which notably took tractor build below replacement levels."**

Read that again: **Below replacement levels.** The fleet isn't expanding - it's shrinking in absolute terms. Every retired tractor isn't being fully replaced.

ELP Enforcement Impact: ACT estimates 10% of truck drivers might not meet ELP standards. Vieth notes this will "potentially create a capacity crunch in the less compliant lower end of the spot market, where many freight brokers cover their shipments."

This is consistent with Miller's framework - not massive permanent loss, but reshuffling that adds friction where brokers previously found ultra-cheap spot capacity. Future uncertainty around Secretary Duffy's enforcement priorities creates additional caution in deployment decisions.

Current Market Dynamics:

Capacity continues to contract (Index at 47.5), volumes are expanding month-over-month (Volume Index at 55.1, highest in over a year), yet pricing is only modestly improving. **Pricing Index: 53.5**, translating to just **1-2% spot market gains**. With inflation at 3%, carriers aren't seeing real profit growth.

Important Note: ACT's Volume Index measures month-over-month changes (above 50 = expansion from prior month), not year-over-year. Volumes are recovering from recent lows but remain well below year-ago levels - consistent with broader tender volume data showing 18-20% YoY declines.

Why are rates only modestly up despite capacity contraction? Because the capacity that's left is being selective. ACT's data shows capacity shrinking while volumes recover sequentially, yet rates improve only modestly - exactly the dynamic we described with profitability discipline creating rate floors.

Vieth's Mid-2026 Outlook: "Looking ahead to mid-next year, as tariffs are worked through, capacity continues to contract, and if the economy continues to grow (even if at a slower rate) would support for-hire demand recovery."

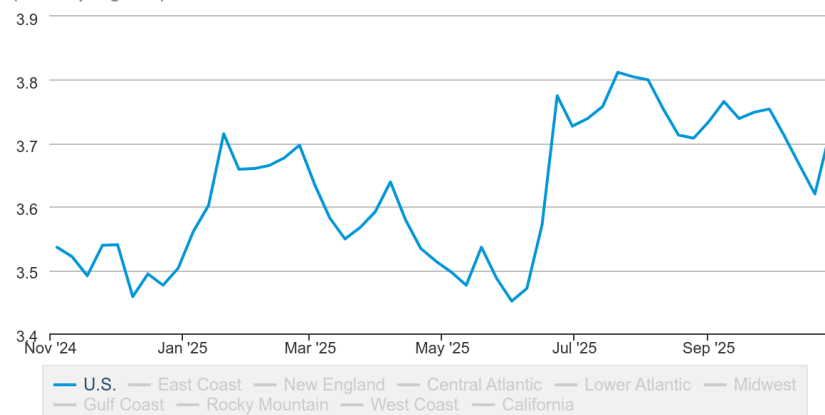
Mid-2026 for recovery. Capacity continuing to contract. Economy needing to grow even slowly to support demand. This is precisely the setup we've outlined - recovery timing uncertain but supply constraints certain.

Fuel

Diesel prices reflect some of the volume trend since July – a slow march downhill. The magnitudes are much less, however, as the 10¢ in pump price translates to 2¢/mi in fuel surcharge changes. This is not enough, then, to explain the full 4¢/mi difference in dry van spot linehaul rates over the same period.

On-Highway Diesel Fuel Prices

(dollars per gallon)

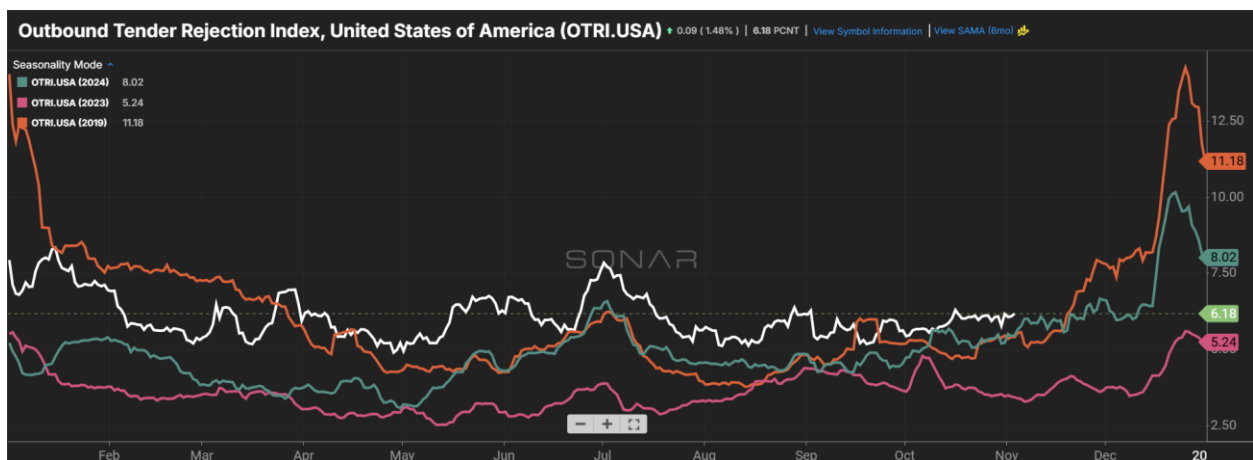


Data source: U.S. Energy Information Administration

Source: EIA Weekly U.S. Diesel Data

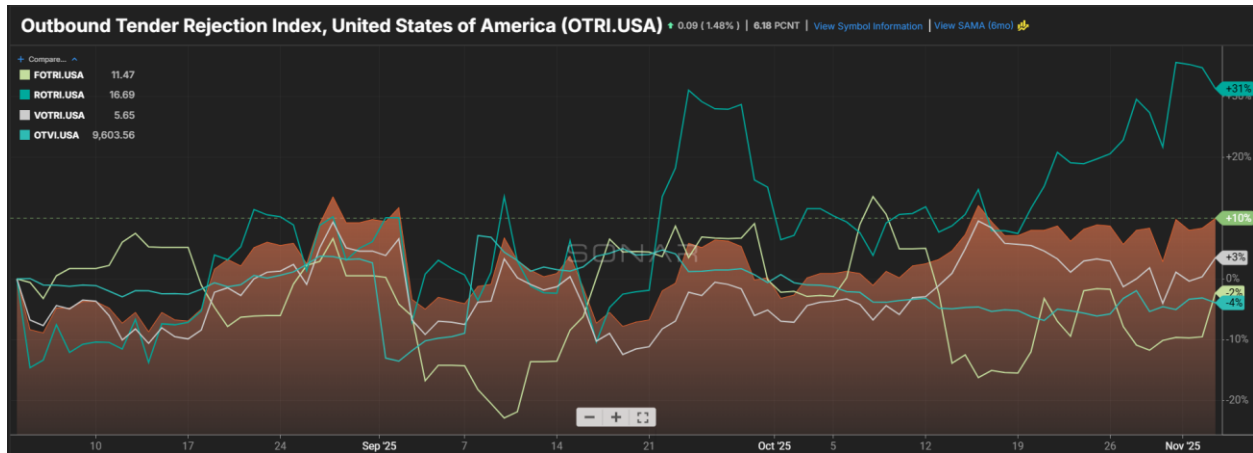
Rejections and Pressures

A rejection floor has developed, to help solidify the dislocation of volumes usually leading rejection rates. The soft demand environment gives a hard gravity sitting on a boiler. The safety valve is rattling as cost pressures balloon. As tends with the market flips and blown safety valves – the pressure comes all at once.



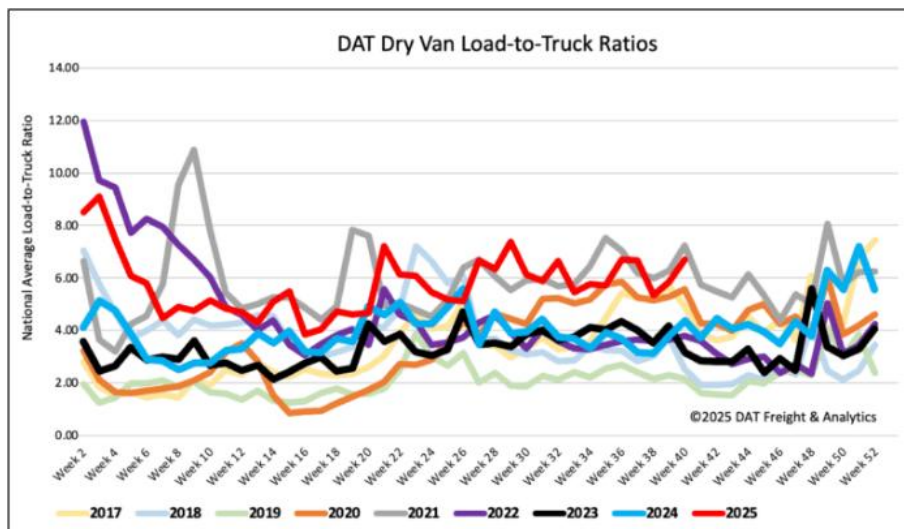
Source: FreightWaves SONAR

Reefer has led the charge in rejections the last 3 months as holiday food runs mix with protect from freeze in an already squeezed capacity market. Flatbed is the only negative as it hits it trudges through lackluster housing and oil & gas environments. Overall volumes are down 3% from the August lows while rejections sit 10% higher in aggregate.



Source: FreightWaves SONAR

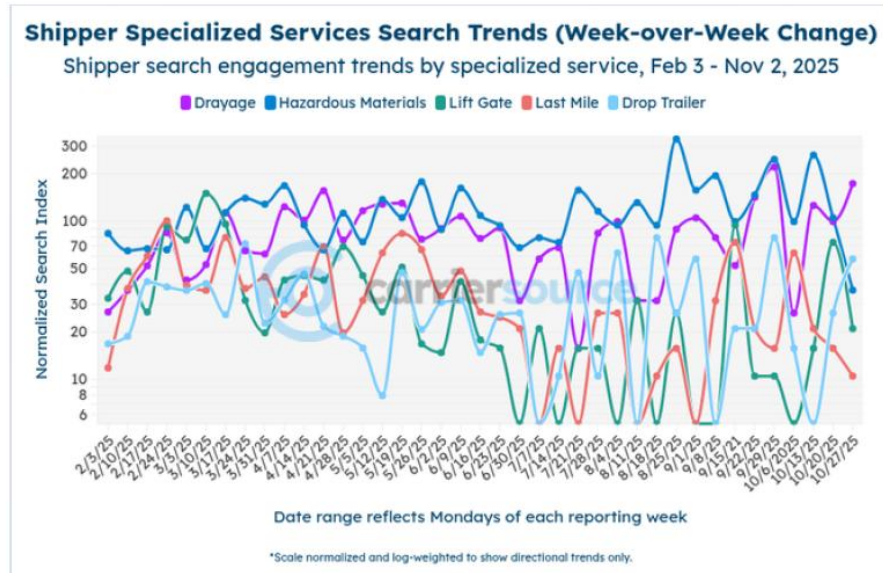
Load-To-Truck Ratios hovered around 6.23:1 in the month of October.



Source: DAT (through September)

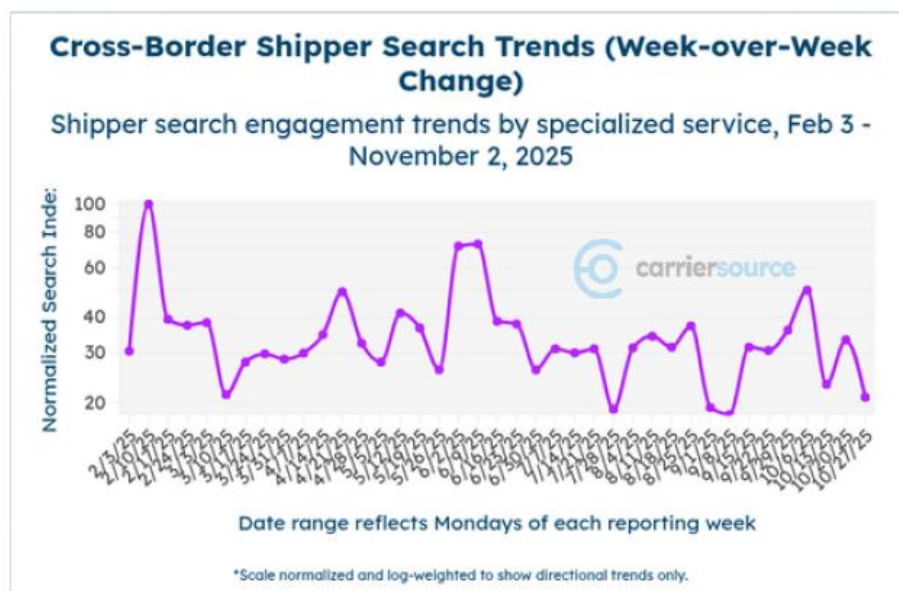
Hazardous materials interest has finally given up its crown to the resiliency of

drayage. Drop trailer and lift gate service needs have also picked up as final mile positioning increases for the holidays.



Source: CarrierSource

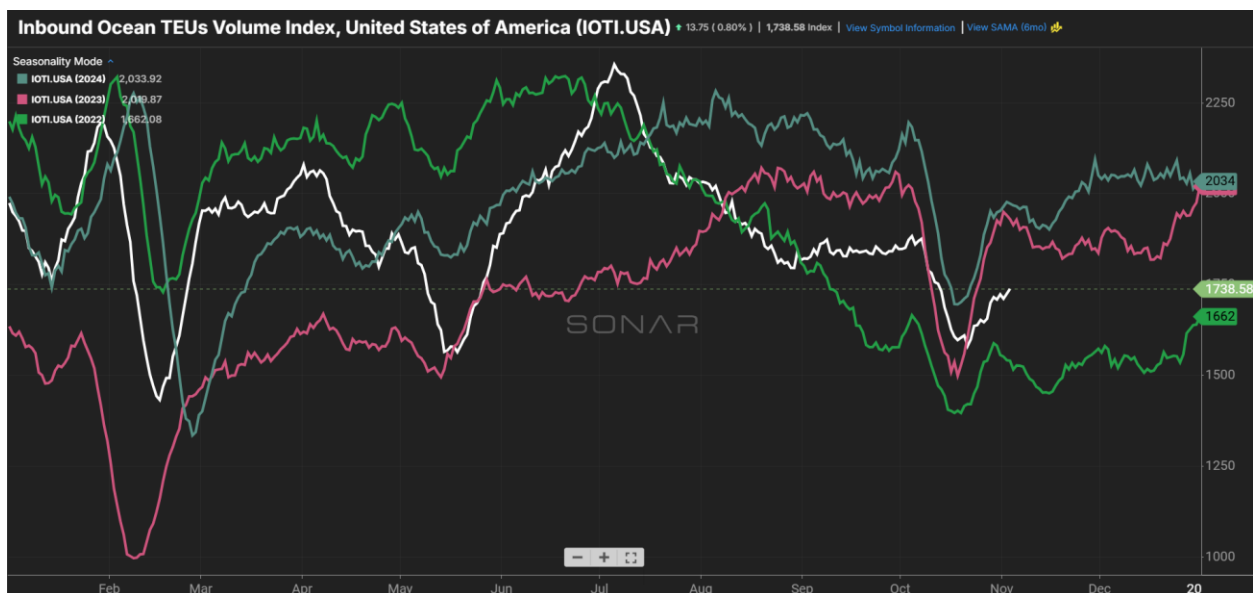
Not so lucky are cross-border movements as impasses still exist between our neighbors to the North and South on trade. Ones that will likely persist until court orders or renegotiations of the USMCA transpire into the 2026 deadline.



The Off Ramp

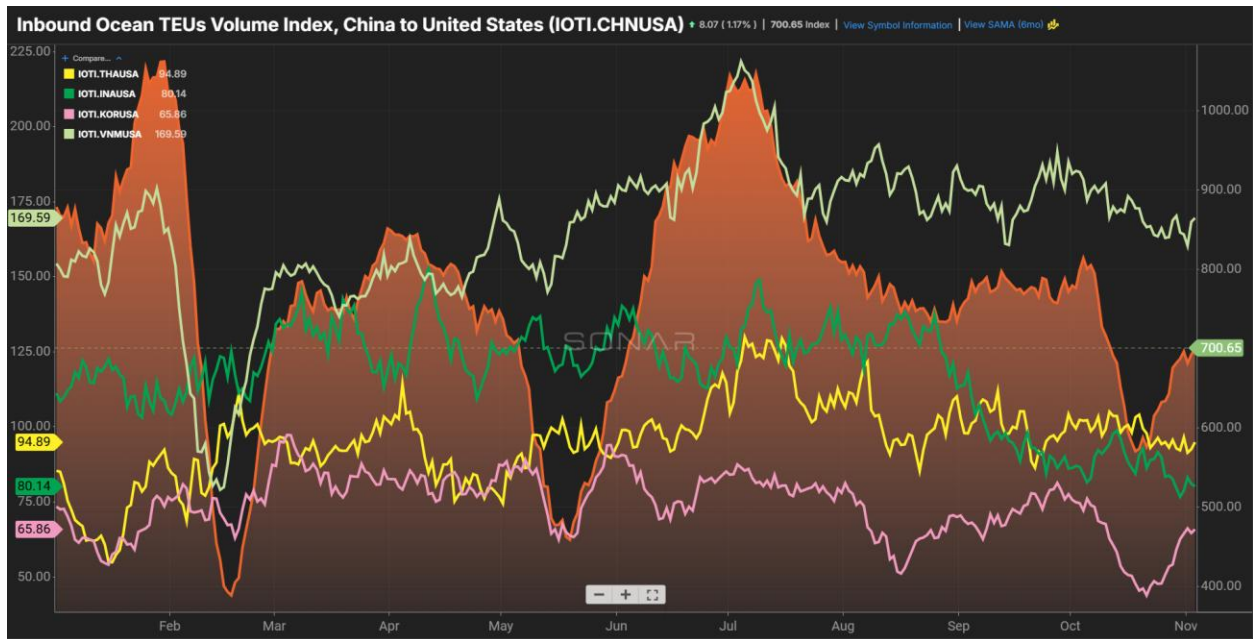
Oceanside

Inbound Ocean TEUs give us the starting/going meme in October as final volumes meant for peak season marched higher than where they began on Labor Day weekend. Only to come out the other end of Golden Week a leg lower. The question ahead is if they can make it closer to the 2023 levels they were headed towards -now that a deal and other deferments are in place with China.



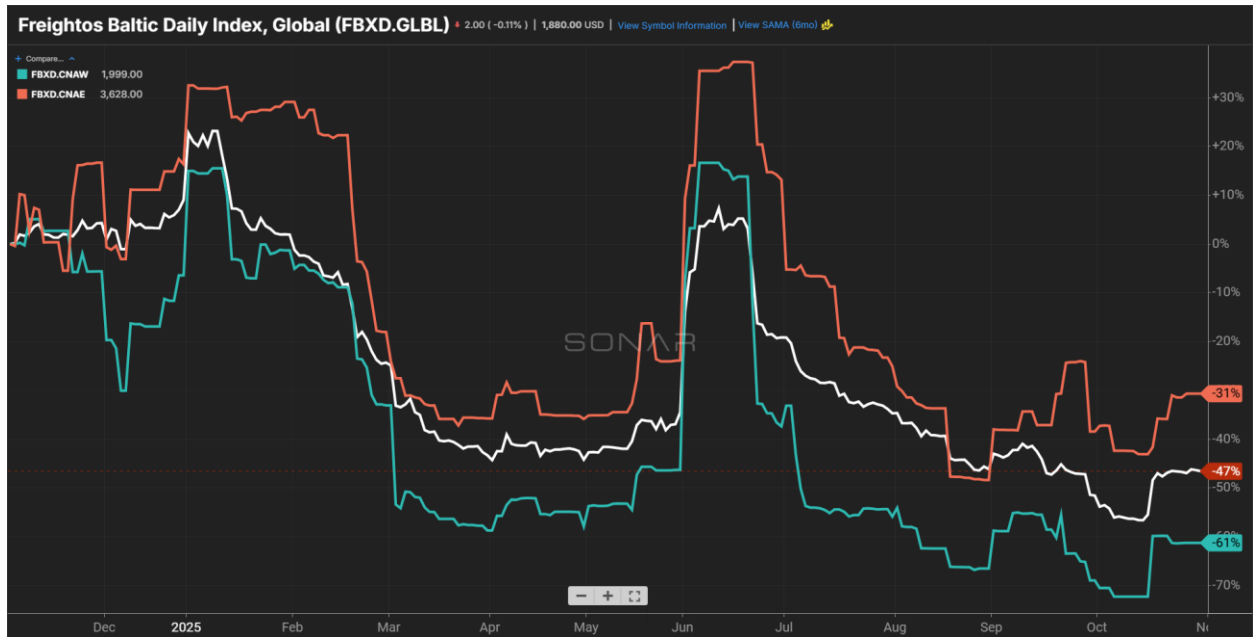
Source: SONAR

India has continued its decent while all other partners have either been subdued or sleepy leaving Golden Week. China has obvious weight, but it is not alone as all have drifted in some manner since July. It will be December before we can gather insight into preparations for Q1 with a less opaque window into trade policy in 2026.



Source: SONAR

The ability for liners to pass the mid-month/return from holiday GRIs potentially indicate a floor has developed, lest volumes erode again. This does not imply pricing power the rest of the year either.

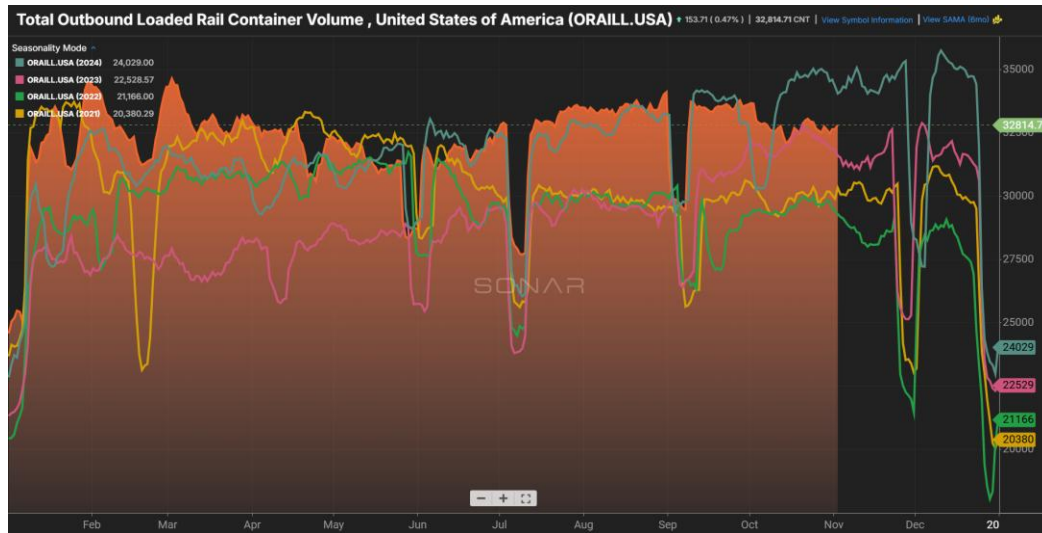


Source: Freightos Baltic | SONAR

Most likely, they stay rangebound +/- \$500 from the \$2000 mark for West Coast and \$3600 for East Coast out of China until December.

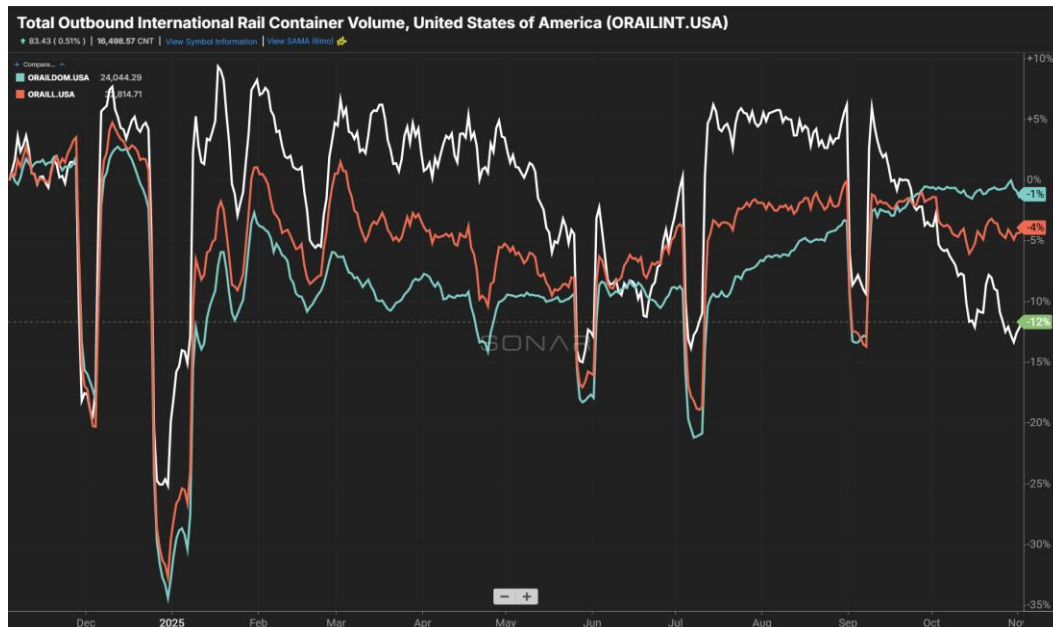
Riding the Rails

Total loaded rail volumes, counting both the domestic 53' boxes and the 20 | 40' types together, continued to lose steam against the prior year and has begun to settle like inbound TEUs, somewhere between '23 and '24.



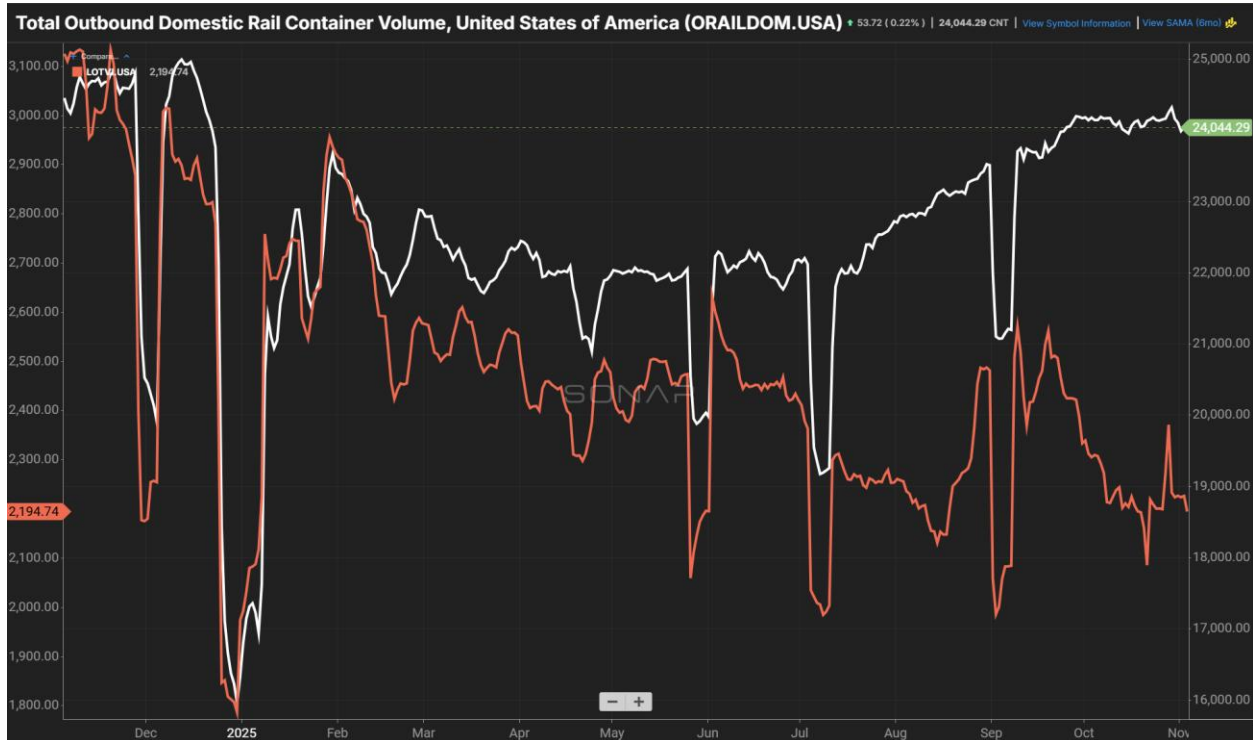
Source: SONAR – Outbound Loaded Rail Volume (Seasonality view)

The stabilization of international moves post-Golden Week aligns with the October LMI surge - goods that arrived earlier finally flowing through the system in compressed timeframe.



Source: SONAR – Domestic Rail, International, and Aggregated Container Volumes (% change YoY)

The desire to keep costs low still reigns supreme as long haul tender volumes continue to sit 30% below last year's levels.



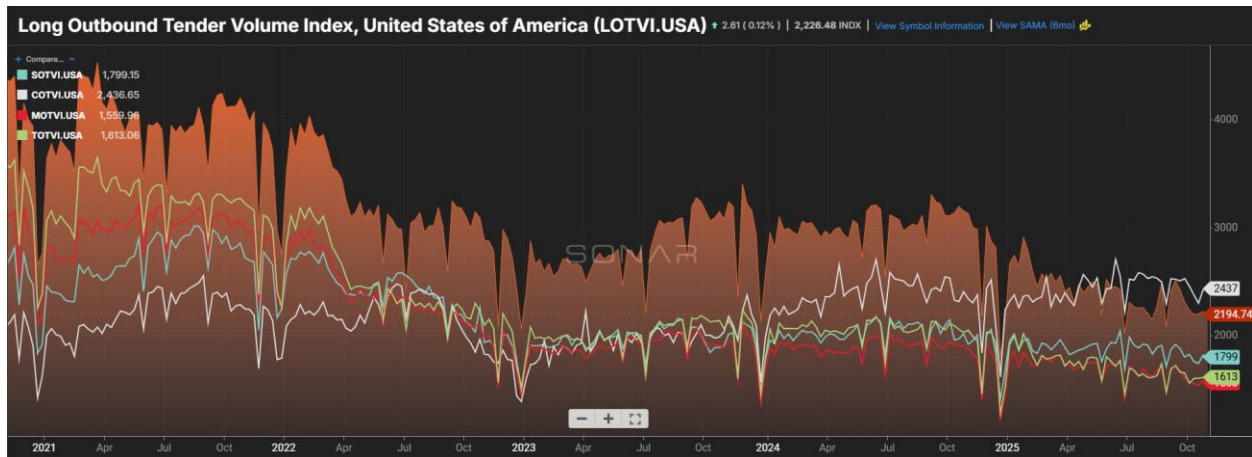
Source: SONAR – Outbound Loaded Domestic Rail Container Volume vs Long Haul (800+ mi) Tender Volumes

Volumes between the two segments will continue to pop and plunge over the holiday period as time sensitive moves move to truckload by the middle of the month, only to quickly revert back.

This is no more evident than in the long slide in long haul truckloads the last three years. Consolidations and cost savings provided the first knock down from 2022 into 2024, then uncertainty and trade conflict meddled with the timing and magnitude of these volumes. Where they once lead the pack of all length of haul types, it has now been overtaken by local hauls which skew more toward e-commerce.

This shift from long-haul to local reflects the air pocket: goods move from port/factory → warehouse (one short move), but don't continue to DC or final

destination (eliminating the long-haul moves). Front-loaded inventory sitting in warehouses creates local movements without the full supply chain flow.

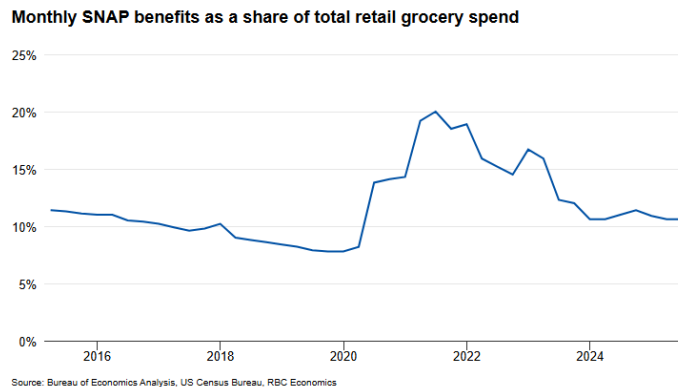


Source: SONAR (Tender Volumes by Length of Haul)

Economic Indicators

Consumer Spending Headwinds

Government transfer payments play a measurable role in freight demand through their impact on consumer spending. Pandemic-era programs demonstrated this connection - expanded unemployment benefits, stimulus payments, and enhanced SNAP funding drove consumer spending increases that translated into goods movement and freight activity.



Source: RBC

Current developments show these dynamics working in the opposite direction.

SNAP benefits face disruption due to government shutdown. After a court loss in the shutdown fight, the Trump administration announced partial funding - DOJ says funds are available for **50% of November benefits**. This means **~\$4 billion of the usual \$8 billion monthly** faces uncertainty or reduction:

- 42 million recipients averaging \$187/month
- SNAP shoppers spend 20% more on groceries than average
- Currently represents ~10-11% of total retail grocery spend
- Supports entire supply chain: retail → distribution → production → transportation

The timing problem? **Turkey production** - Butterball, Jennie-O, and other major producers do 40-45% of their annual volume between October and December. Reduced grocery spending (\$4B less) plus **uncertainty** about future months hits right as these seasonal producers ramp for peak demand. Same pattern for cranberry growers, stuffing manufacturers, dozens of food categories depending on holiday sales.

Even partial SNAP disruption matters. Households cutting grocery budgets by \$93/month (50% of \$187) adjust purchasing patterns immediately. And the **uncertainty** about December funding creates additional caution.

With tender volumes already down 18-20% YoY, even partial SNAP disruption creates compounding effects on freight demand.

The supply chain connection is direct: SNAP spending supports retail grocery activity, which drives distribution center throughput, which creates inbound freight from food manufacturers. When that spending declines or faces uncertainty - even temporarily - each link in the chain experiences reduced activity.

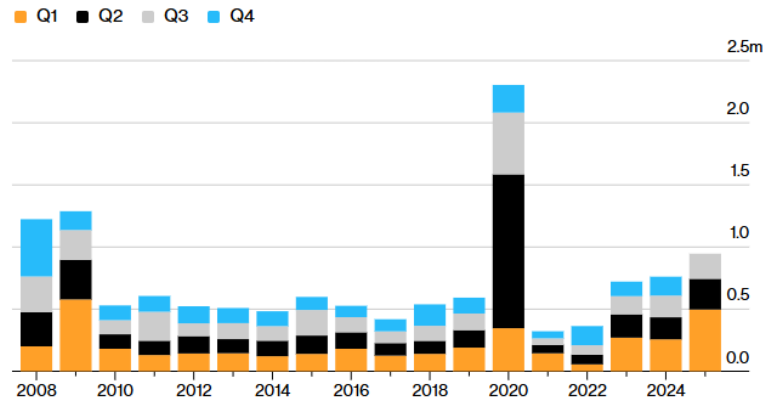
And this is along with any spending declines from the ~400,000 government workers without paychecks for the last month plus.

Labor Market Context: Hiring Slowdown, Not Layoff Surge

Headlines about mass layoffs (Amazon 14,000, UPS 48,000, Target 1,800, Starbucks 900) create the impression of labor market collapse. The reality is more nuanced.

Layoffs Already Higher Than for Any Full Year Since 2020

Announced US job cuts by quarter



Source: Challenger, Gray & Christmas
Note: Q4 2025 data has not yet been released

Important Context on Layoff Data:

Challenger, Gray & Christmas announced layoff data (950K through Q3 2025) captures only about **5% of actual US layoffs**, according to labor economists. Even during 2024 - a period of **lower than typical layoffs** - the US averaged **1.73 million layoffs per month**. The Amazon and UPS announcements combined represent what the US labor market experiences roughly every 26 hours.

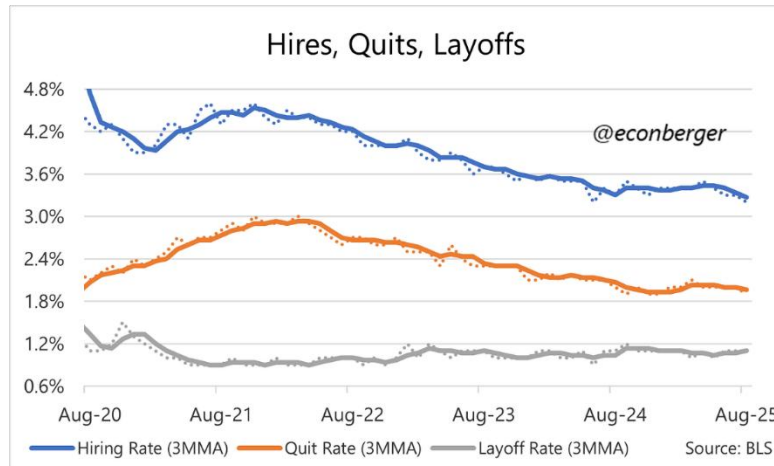
The Better Measures Show Stability:

Initial claims for unemployment insurance (the most reliable layoff indicator) remain around 219K as of late October - virtually identical to October 2023 and 2024 levels. Regular continuing claims are rising very slowly, consistent with what Fed Chair Powell describes as "very gradual cooling" rather than deterioration.

Federal worker claims have spiked (10K initial, 23K continuing), but represent only 4-5% of total initial claims and 1% of continuing claims - small in the grand scheme.

The Real Story: Hiring Collapsed, Not Firing

Guy Berger, economist focusing on high-frequency labor data: **"A massive decline in hiring (which paused in mid-2024, but may have resumed in late summer) was a much bigger culprit"** than layoffs in explaining labor market cooling over the past 3+ years.



Source: [Guy Berger](#)

The "low-hire, low-fire" dynamic hasn't cracked into a firing wave - it's remained stubbornly low-hire. There are stories about young people struggling to find jobs, but fewer about "mass hiring freezes" - yet hiring freezes explain far more of current labor market softness than layoffs.

Chicago Fed Unemployment Nowcast: Over past 2 months, unemployment rose just 0.03 percentage points. Extrapolated over next year: 4.50% - close to Fed's current projections.

	Latest Release (Oct 2025 Advance)	Previous Month (Sep 2025)	Year-Ago Month (Oct 2024)
Layoffs and Other Separations Rate	2.09%	2.08%	2.06%
Hiring Rate for Unemployed Workers	45.18%	45.38%	47.10%
Real-Time Unemployment Rate Forecast	4.35%	4.34%	4.14%* *BLS actual

Why This Still Matters for Freight:

Whether from layoffs or hiring slowdowns, weaker labor market conditions → reduced consumer spending → weaker goods movement. And the hiring dynamic matters even more for our capacity thesis: if carriers aren't hiring during the downturn, they'll struggle even more to ramp up staffing when demand recovers. The infrastructure for rapid hiring expansion has atrophied during this extended low-hire period.

The Final Grade

The Thanksgiving Table

We're in the kitchen now. November 2025 is prep work - measuring ingredients, preheating ovens, chopping vegetables. It looks chaotic. It smells like hard work. Nothing resembles the feast yet.

But all of it leads somewhere.

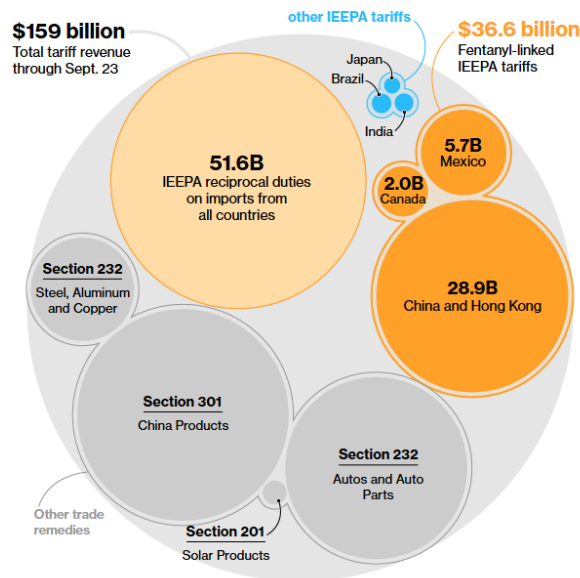
What's Being Prepared:

- Major Policy Breakthrough (November 1): US-China trade deal provides the clarity manufacturers wanted - suspended retaliatory tariffs, 25 MMT annual soybean purchases through 2028, fentanyl cooperation. This is the foundation for 2026 recovery, even if timing remains uncertain.

- Tariff uncertainty persists (Supreme Court IEEPA case this week), but effective rates likely settling around 20% - down from peak chaos, up from pre-2025 baseline.
- Rate cuts continue, capacity constraints clear unprofitable operators, creating healthier base for eventual recovery.

Trump's Tariff Revenue at Risk in Supreme Court Case

Court may toss fentanyl, reciprocal, and other IEEPA tariffs



Source: Customs and Border Protection

Source: [Bloomberg](#)

Near-term headwinds remain: SNAP disruption, labor market cooling, record inventory overhang, coordination friction, export weakness.

The 3-6 Month Outlook: The China deal provides policy foundation, but doesn't immediately reverse weak fundamentals. Manufacturing must work down record inventories. Consumer spending faces SNAP/labor headwinds. 3-6 months of softness likely before recovery takes hold.

Why 2026 Setup Improves:

Current weakness clears unprofitable capacity. When demand recovers - from manufacturing improvement, trade stability, policy tailwinds - it meets a supply base

that's smaller, more selective, constrained by labor/capital/coordination challenges, and slower to respond than historical patterns.

Not Predicting a Date: We don't know if recovery starts Q2 2026, Q4 2026, or Q1 2027. Manufacturing must lead it, and that takes time.

Predicting the Dynamics: When it happens, the supply response lags longer than historical patterns. That creates extended tightness and rate sustainability.

The Thanksgiving Table Reveal:

All this prep work - the chopping, the measuring, the sweating over hot stoves - it leads to the feast. 2026 isn't guaranteed to be the feast (timing uncertain), but the table is being set. The ingredients are being assembled. The foundation is being laid.

And when it's time to serve, there won't be enough capacity to quickly meet the demand - because we spent 2025 clearing out the operators who couldn't afford to survive the prep work.

Crafted by [Beau King](#) and [Henry Byers](#) | KCH Transportation
