January 2026

Monthly Freight Market Update

What's Inside?

Quick Hits

- Real imports collapsed 18 percentage points in two quarters. From +15% YoY in Q1 to -3% in Q3. The largest swing outside a recession since the Global Financial Crisis.

- Manufacturing is stabilizing, but imports are in freefall. Industrial production at +1.6% while real imports cratered. For the first time in 25 years outside a recession, they completely decoupled. That's policy-induced volatility, not demand recovery.

- Long-haul collapsed while city freight holds. LOTVI down 26% YoY. COTVI down just 1%. The market isn't uniformly weak, it's bifurcated by length-of-haul. Import-dependent lanes are in depression. E-commerce final-mile is stable.

- ISM hit 47.9—lowest of 2025. But it's destocking (-3.7 inventories), not production collapse (51.0 still expanding). The controlled descent thesis holds. Customer inventories "too low" for 15 consecutive months.

- ~20,000 fleets exited since January 2023. But shipments fell faster (-16% CASS). Remaining capacity works harder. Utilization up despite weak demand. This is why rejection rates hold. Because of capacity concentration, not demand strength.

- Rail is capturing cost-conscious freight. Domestic intermodal at multi-year highs while long-haul trucking collapses. When cost matters more than speed, rail wins. Mode shift accelerating.

- The air pocket has a floor. Corrections clarify. Front-loading exhausted itself. Destocking is running its course. What comes next depends on whether Q1 brings another round of pull-forward or something closer to normal.

The Landscape

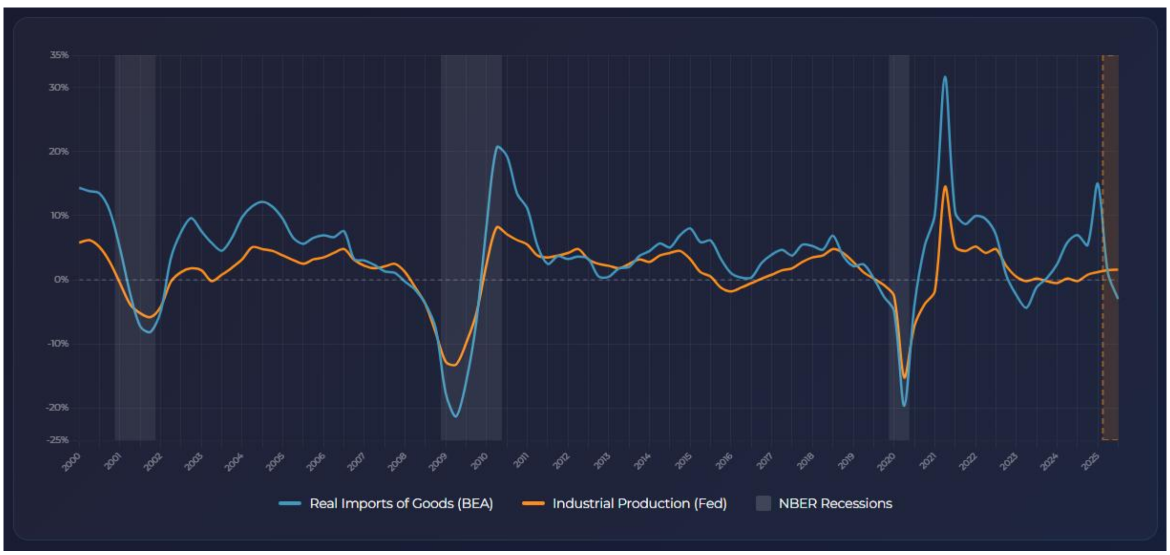
Repeat of the Whiplash

We spent the year on the road—and sometimes in the ditch—but that's hard to notice through the fog if it weren't for the bumps.

The biggest bump of 2025 got lost in the noise. Real goods imports **collapsed 18 percentage points in two quarters. From +15% YoY in Q1 to -3% in Q3**. The largest swing outside a recession since the Global Financial Crisis.

Why didn't you hear about it? Gold obscured the real trade deficit, contrary to what the administration hoped for. Strip out non-monetary gold and the **deficit actually widened 11%**. What we got instead: whiplash. Again.

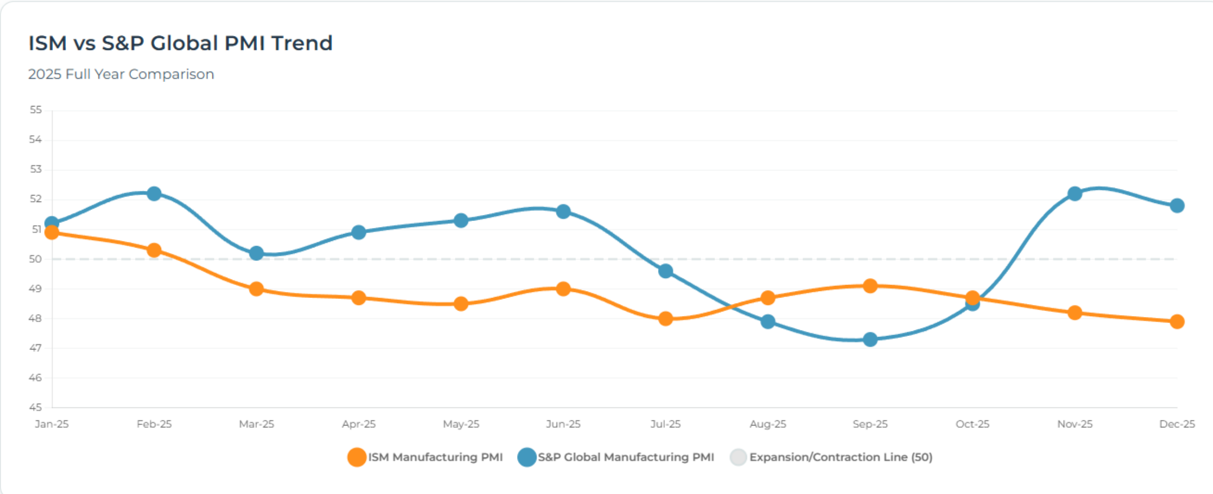
The worst demand swing in 15 years, hidden because we haven't had "normal" in five.



Source: BEA and FRED data

The Coyote's Parachute

December's PMI data confirmed the pattern: manufacturing correcting through inventory draws, not a free-fall collapse.



Metric	ISM (Dec)	S&P Global (Dec)	Interpretation
Headline PMI	47.9	51.8	ISM at 2025 low; S&P weakest in 5-month expansion
New Orders	47.7 (4th month)	Contracting (1st in 12mo)	Both now showing order weakness
Production/Output	51.0	Growing (weaker)	Still running despite weak orders = the cliff
Employment	44.9 (11th month)	Strongest since August	KEY DIVERGENCE: ISM cutting, S&P hiring into 2026
Prices/Costs	58.5 (unchanged)	11-month low but elevated	Tariff pressure persistent; margin compression
Inventories	45.2 (-3.7)	Still accumulating (5th mo)	ISM destocking hard; S&P still building
Supplier Deliveries	50.8 (slowing)	Lengthening (7-mo high)	Supply constraints returning
Exports	46.8 (10th month)	7th consecutive decline	Trade weakness consistent across both

ISM Manufacturing PMI: 47.9 (10th consecutive month of contraction)

- Production: 51.0 (expanding—factories still running)

- New Orders: 47.7 (contracting for 4th month)

- Inventories: 45.2 (crashed 3.7 points—destocking hard)

- Customers' Inventories: 43.3 ("Too Low" for 15th straight month)

- Backlog of Orders: 39th consecutive month of contraction

S&P Global US Manufacturing PMI: 51.8 (5th month of expansion)

- New Orders: Contracted for first time in 12 months
- Finished Goods: Still accumulating (5th month) but slowing
- Production-Orders Gap: "Widest since the global financial crisis"

Why the 3.9-Point Gap?

ISM's panel skews toward large industrial manufacturers—the firms most exposed to tariff impacts, capital goods cycles, and trade policy uncertainty. S&P Global's broader panel captures mid-market manufacturers finding pockets of growth.

Both are right. Large manufacturers are contracting. Broader mid-market is barely holding. The convergence signal: S&P new orders turned negative for the first time in a year. The mid-market is catching down to ISM's reality.

The Production-Orders Gap

Without order improvement, production should fall. ISM's inventories already crashed 3.7 points as factories finally pump the brakes.

> "Order levels have continued to decline: We had a bad October, an awful November and a dismal December. January and February don't look too good, as bookings are down 25 percent compared to the first two months of 2025."
>
> — Fabricated Metal Products

> "Things are not improving in the transportation equipment market. Many customers are ordering for 2026, but those orders are 20 percent to 30 percent below their historical buying patterns. Some large fleets are still completely on hold for 2026, with zero capital expenditures money available to fleet budgets."
>
> — Transportation Equipment

> "2025 revenue was down 17 percent due to tariffs. The lost revenue has inhibited our ability to offer bonuses to employees or create and hire for new positions."
>
> — Miscellaneous Manufacturing

> "Morale is very low across manufacturing in general. The cost of living is very high, and component costs are increasing with folks citing tariffs and other price increases."
>
> — Electrical Equipment, Appliances & Components

Source: ISM and S&P Flash US PMI's

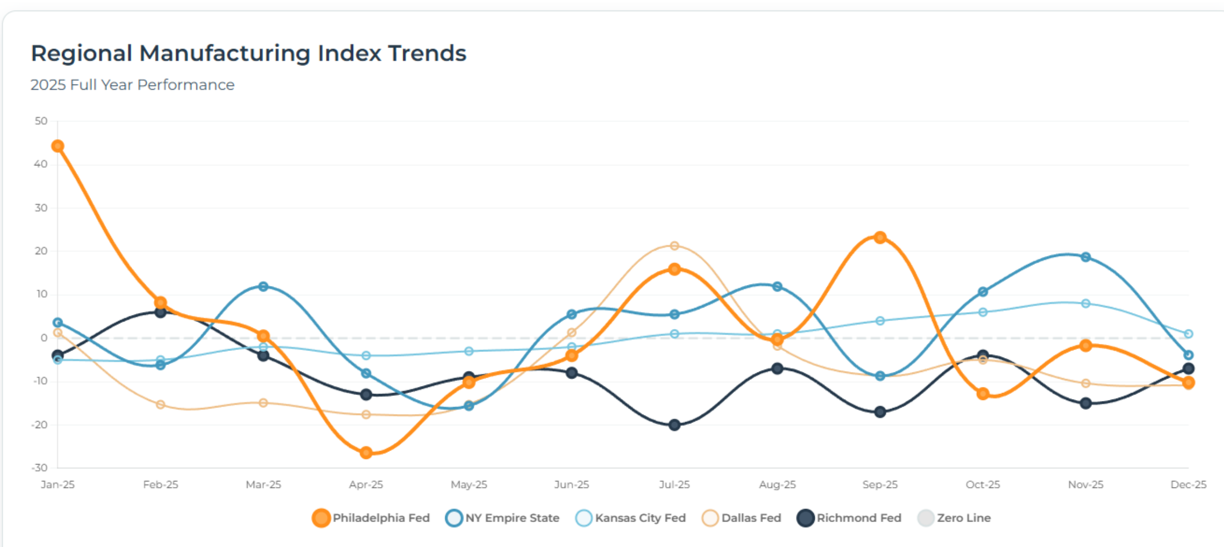
Regional Federal Reserve Surveys: The Punt to 2026

December 2025 Current Readings

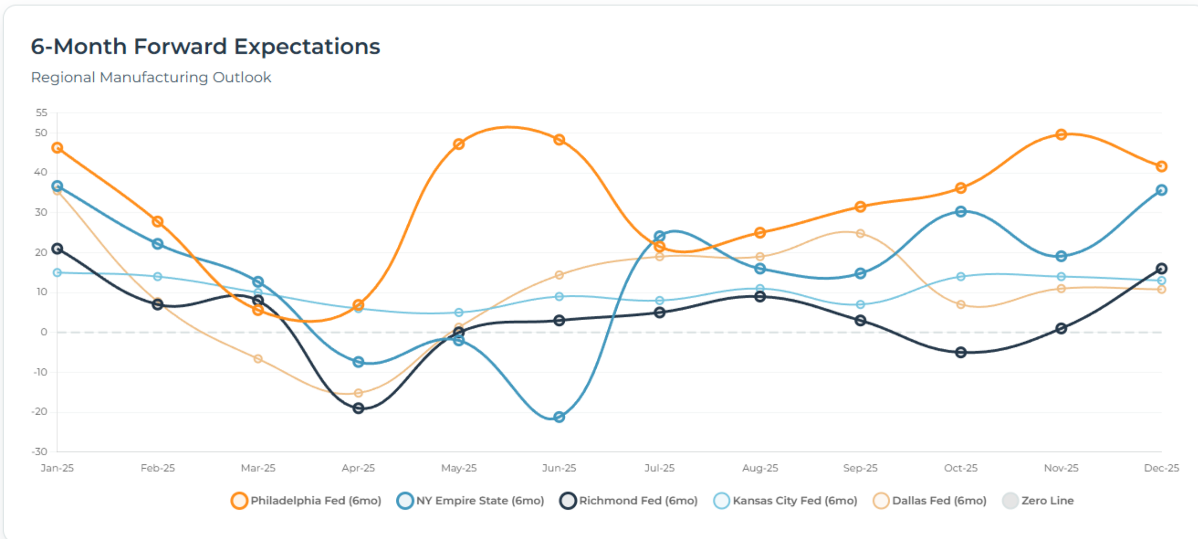
Regional Survey	December Reading	Monthly Change	Status
Kansas City Fed	+1.0	-7.0	Largest decline since January 2024; still positive
New York Empire State	-3.9	-22.6	Collapsed from year-high; back to contraction
Richmond Fed	-7.0	+8.0	Best reading since August; 10th straight negative
Philadelphia Fed	-10.2	-8.5	Third consecutive negative; deepest since April
Dallas Fed	-10.9	-0.5	Lowest since June; production crashed 24 points
ISM Manufacturing PMI	47.9	-0.3	10th consecutive contraction; lowest of 2025
S&P Global Manufacturing PMI	51.8	-0.4	5th month of expansion; weakest in sequence

The Pattern: Current conditions weakened across the board (except Richmond improving from deeper negatives), but 6-month expectations remain firmly positive. Manufacturers are punting to 2026. Again.

Kansas City—the only survey in expansion territory—fell back toward the zero growth line. The heartland's quiet climb from -5 to +8 over eleven months hit a speed bump.



Philadelphia sits at -10.2 today but expects +41.6 in six months. That's a 52-point gap between where they are and where they think they're going. Others may not be as *excitable*, let's say, but all are trending more positive than their current realities.



The Silver-linings Playbook

Optimism doesn't generate freight orders. Paralysis doesn't either. The recovery thesis keeps getting kicked down the road. It is worth noting, however, Richmond's rosier outlook among the eternal optimists.

We've noticed how well this district has correlated with overall manufacturing activity, making December's improvements in both current conditions **and** future expectations lend more credence to what the crowd is saying.

The better converging of outputs and expectations in the latest month may also point to the 11 different GPS' all finally linking to the satellite.

The Decoupling

Manufacturing and Imports Moved Together for 25 Years. In 2025, They Completely Decoupled.

Industrial production stabilized at +1.6% YoY. Real imports cratered from +15% to -3%. For the first time in 25 years outside a recession, they moved in opposite directions.

The Historical Relationship:

- Imports ↔ Industrial Production correlation: 0.86 (2001-2022)

- Imports ↔ Industrial Production correlation: -0.06 (2023-2025)

The correlation collapsed to essentially zero. The previous whiplash and Tariff policy broke the normal relationship.

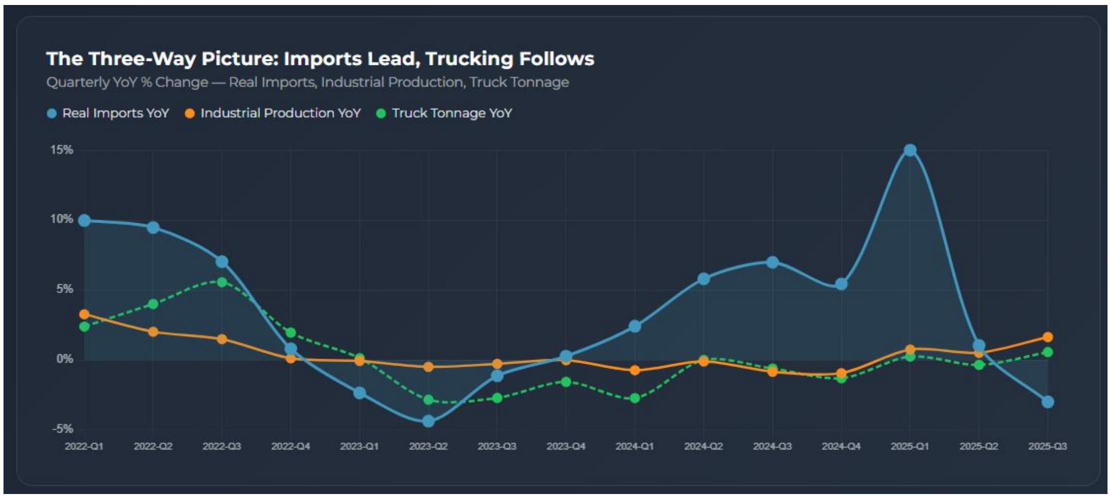
The Tariff Whiplash Mechanism:

- Q4 2024 / Q1 2025: Front-loading ahead of expected tariffs

- Q2-Q3 2025: Inventory appetite exhausted, imports collapse

- Result: 18pp swing in demand that has nothing to do with underlying consumption

This isn't a demand story. It's policy-induced volatility with freight implications nobody's pricing in.



Why Trucking Underperforms:

Trucking historically ran 2 points above industrial production growth. Now it's running below. October showed the widest negative divergence on record.

The ~20% of trucking tied to import flows is in freefall. The ~60% tied to domestic manufacturing is stabilizing. The mix shift explains the divergence.

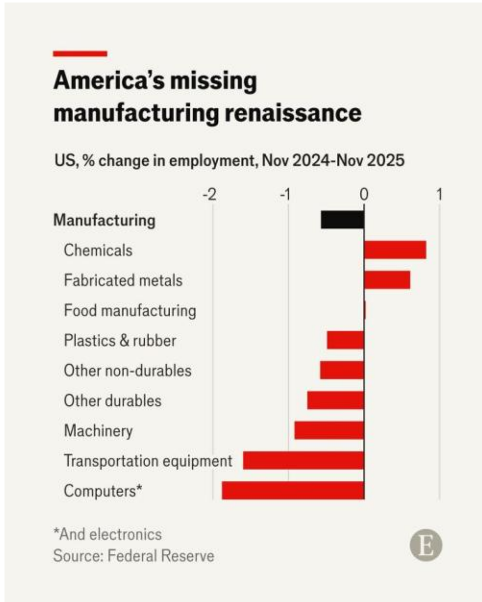
Quarter	Imports YoY	IndPro YoY	Truck YoY	Imp-Truck Gap
2023-Q1	-2.4%	-0.1%	+0.1%	-2.5pp
2023-Q2	-4.4%	-0.5%	-2.8%	-1.5pp
2023-Q3	-1.1%	-0.3%	-2.7%	+1.6pp
2023-Q4	+0.3%	0.0%	-1.6%	+1.8pp
2024-Q1	+2.4%	-0.7%	-2.7%	+5.1pp
2024-Q2	+5.8%	-0.1%	0.0%	+5.8pp
2024-Q3	+7.0%	-0.8%	-0.6%	+7.6pp
2024-Q4	+5.4%	-0.9%	-1.3%	+6.7pp
2025-Q1	**+15.0%**	+0.8%	+0.2%	**+14.8pp**
2025-Q2	+1.0%	+0.5%	-0.4%	+1.4pp
2025-Q3	**-3.0%**	+1.6%	+0.6%	**-3.6pp**

O'er The Road

Demand Indicators

The Heavyweights

Manufacturing employment dropped another 8k jobs in December, bringing the total to -**75,000** over the last year. Not surprisingly, the transportation sector was one of the hardest hit, sandwiched between low demand and concentrated cost increases via tariffs.

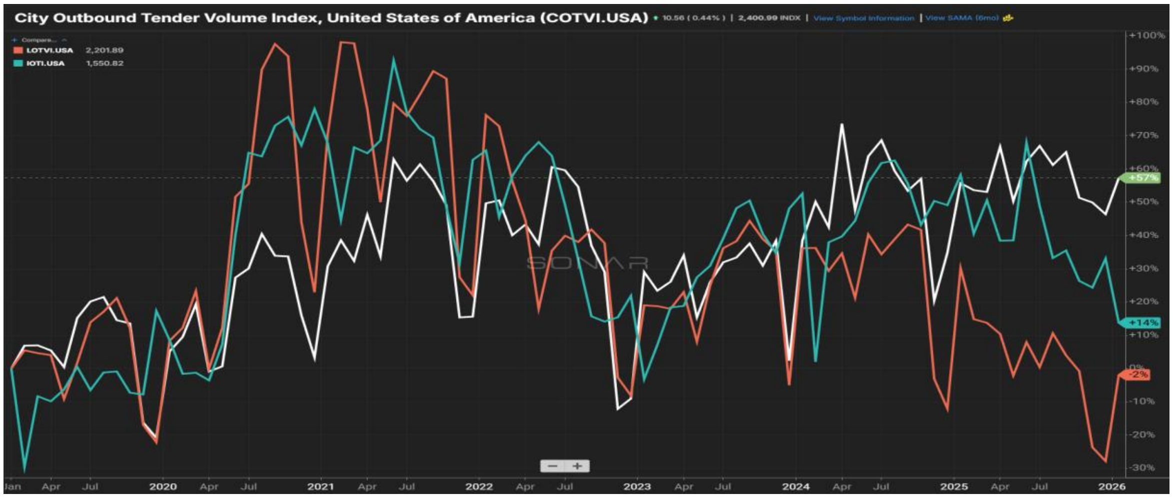


Source: The Economist

While many others also suffered – wood, machinery, and computers among them – there were a select number that actually grew. The ones that matter most for truckload volumes anyway. The heaviest hitters, accounting for nearly a third of these volumes did see positive momentum.

This bifurcation then shows in regional surveys and among the PMI's that we've discussed, and have only made for a more erratic demand environment in 2025 than already thought.

Three Markets, Three Realities

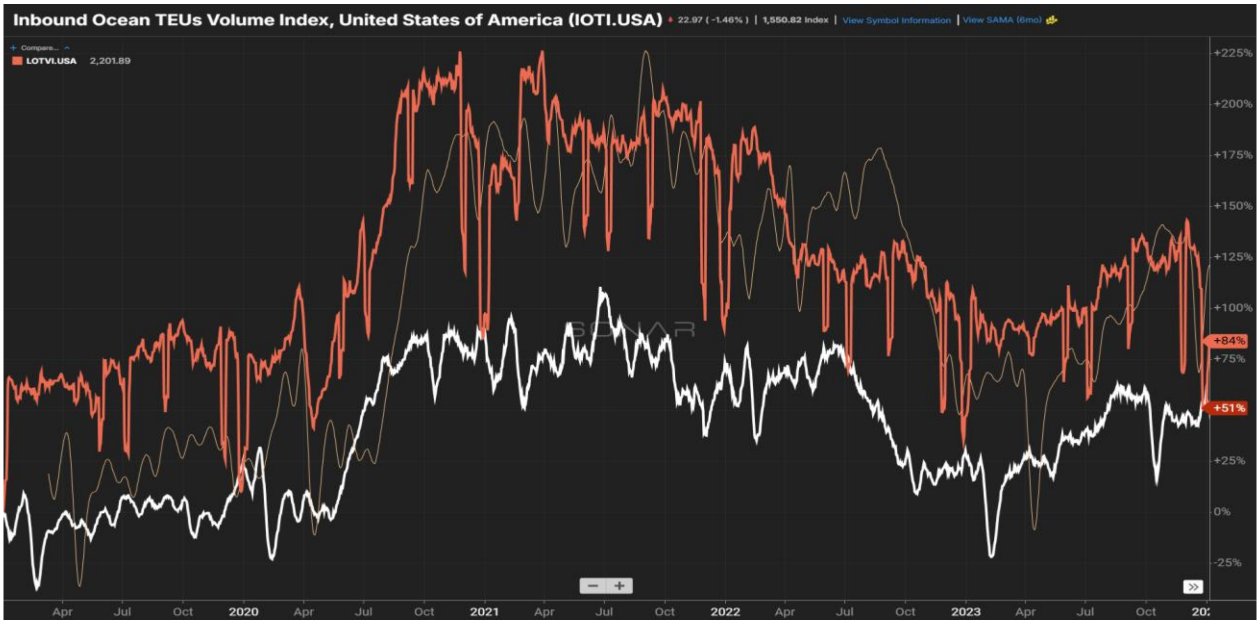


The market isn't uniformly weak. It's bifurcated by length-of-haul.

Pre-pandemic: City or local (<100 mi) freight underperformed long hauls. The economy moved goods from factories and ports to warehouses to stores—long linehaul moves dominated.

Post-pandemic: City freight tracks ABOVE long-haul. E-commerce shifted the mix permanently. More short-haul, final-mile moves. Less long-haul, B2B manufacturing moves.

Today: Import collapse hits long-haul hardest because that's where containerized goods flow after landing. Port → transload → DC → regional hub—the entire middle-mile cascade is in freefall.

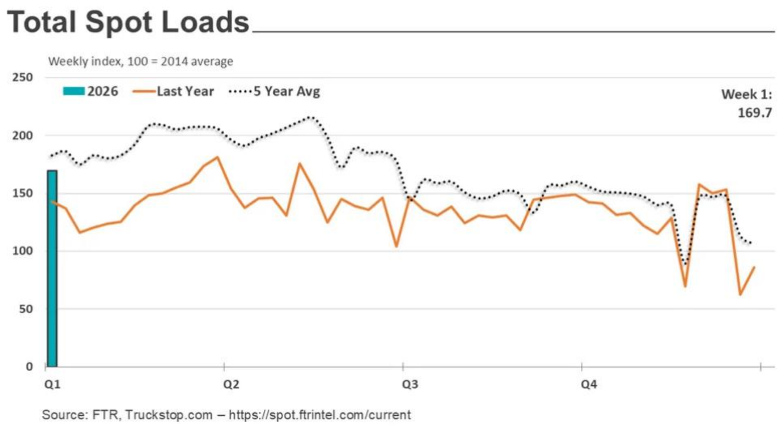


In the above, the long haul volumes or LOTVI (–orange line) tracking IOTI (white) shows when ocean imports tank, long-haul trucking follows. The 2-month lag we've documented is playing out in real time (faint light orange).

FTR | Freight Intelligence

Activity skyrocketed out the gates to start the New Year reaching levels not seen since the May Road Check. The caveat being it was highly driven by Flatbed. Overall volumes and spot rates had a modest gain versus the first week of 2025, but still under the 5-year average.

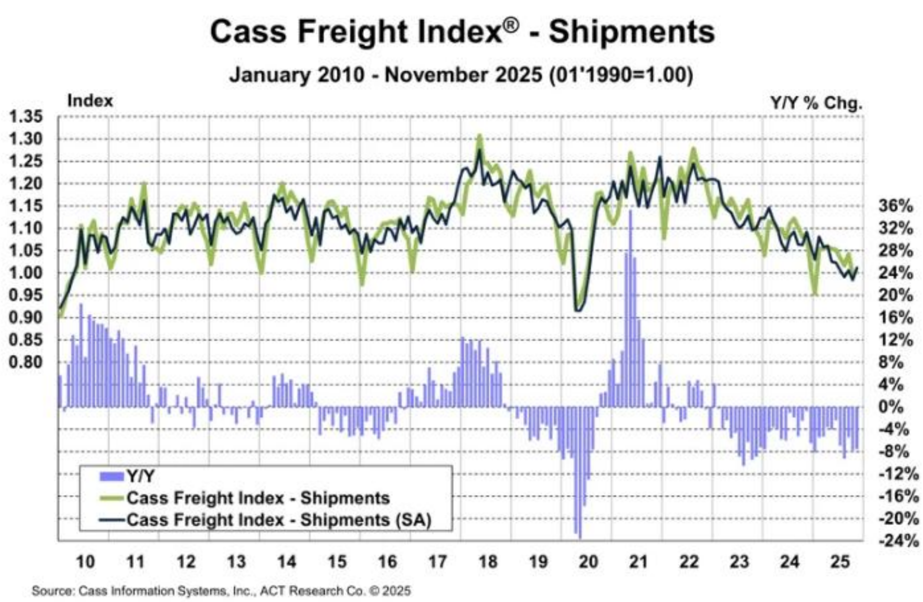
Reefer is the lone exception, having surpassed both the previous and 5-year average into the New Year.



Source: FTR | Freight Intelligence

CASS

The overall index is cruising toward a 6% decline YoY if December's numbers come in close to the YTD average through November. That would mark the second consecutive year of contraction—and the third in four years.



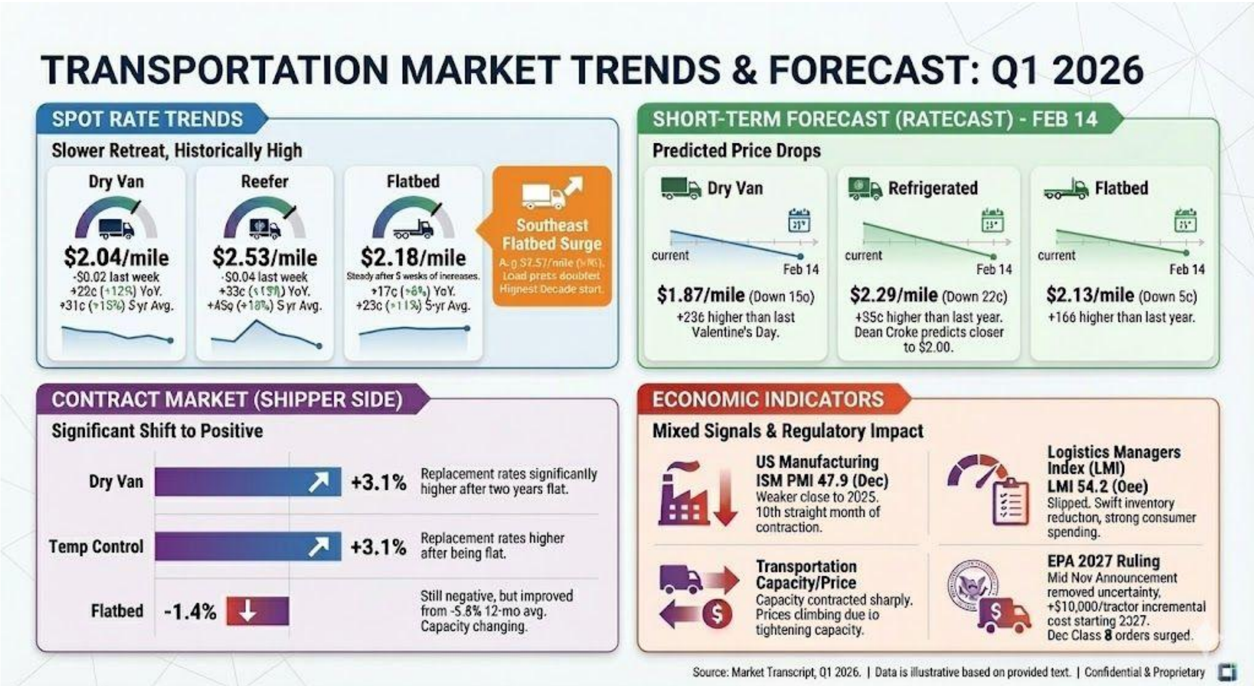
Underlying Data: [CASS Transportation Index Report]

The seasonally adjusted numbers graphed above show the depths reached on the second leg down in 2025. What the CASS data reveals most clearly: shipments are falling faster than capacity is exiting.

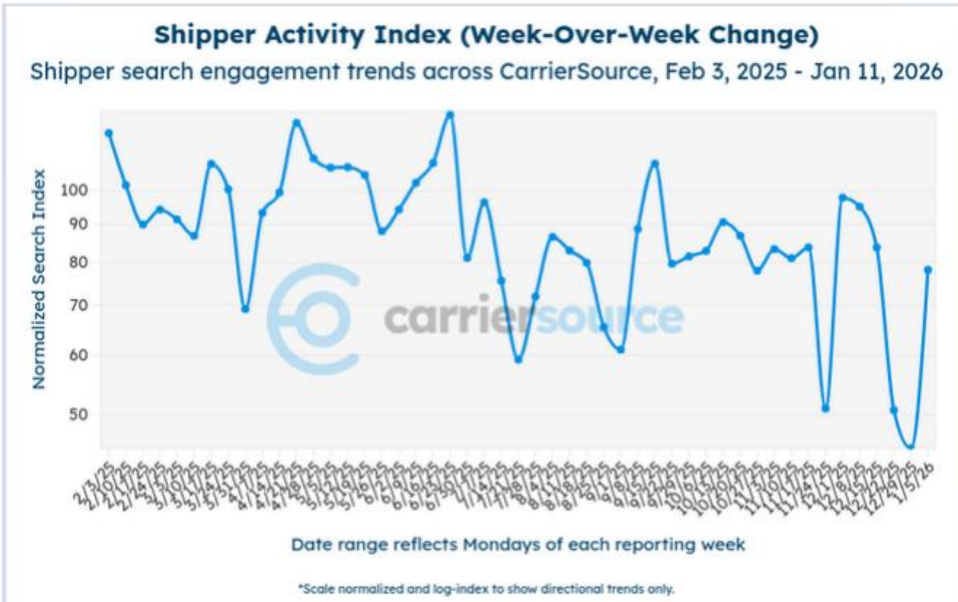
DAT

The DAT iQ Update to start 2026 comes with a summary forecast that indicates all modes will see the Q1 seasonality bring spot rates closer to reality by Valentine's Day.

On the contract end, however, the consistent year end pressures bring higher replacement rates than the last two years. This puts added risk to any new awards for 2026 that modeled lower budgets than last year.



CarrierSource



CarrierSource's Shipper Activity Index corroborates demand levels in the final weeks of the year (outside holiday weeks), being some of the best in the previous six months.

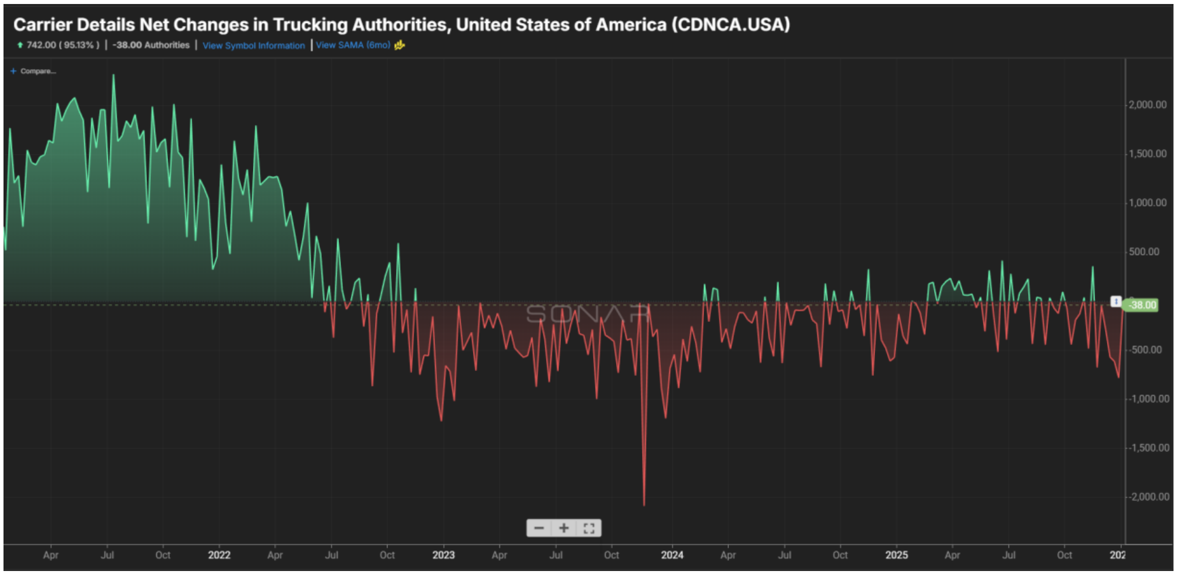
Whether it clears the October watermark will signal appetite for Q1 moves.

Source: CarrierSource

Drayage and Hazardous Materials searches continue to punch above their weight versus the other services, but for different reasons. The employment figures covered in the landscape section regarding Chemicals manufacturing being better than the bunch translates into strength seen here.

Supply: The On-Paper Tiger

Trucking authorities are a good proxy for capacity conditions. Like a PMI or any other baseline index, you can get an idea of pace-of-change in fleet expansion or capacity loss. In economics this represents a sort of birth-death model for trucking.



Source: Carrier Details Net Changes in Trucking Authorities, United States of America (CDNCA.USA)

Above is a view into these **net** changes in trucking authorities. For the better part of three and a half years, more have seen the exit versus expanding further.

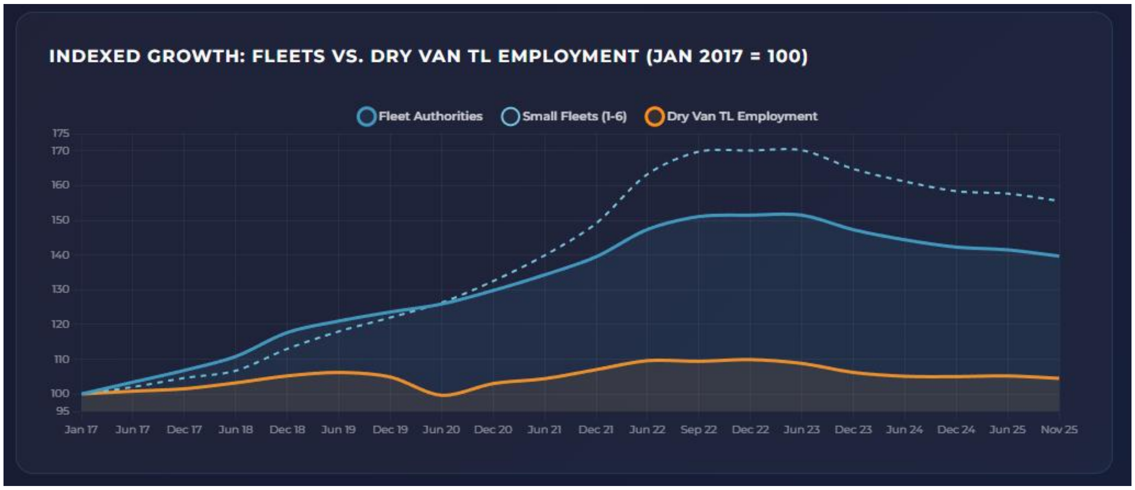
Confusion arises when only looking at these numbers and taking them to mean a good representation of total capacity.

Fleet authorities grew **+51% from 2017-2022 but employment only +10%.** Implied employees per new fleet: 0.56. Put simply: most new authorities added during the boom weren't adding proportional drivers. They were single-truck operators or shell authorities.

Metric	Jan 2023 (Peak)	Nov 2025	Change
Total Fleets	256,589	236,918	-7.7%
Small Fleets (1-6)	196,755	180,419	-8.3%
CASS Shipments	1.208	1.011	-16.3%
Employment	1,587K	1,510K	-4.9%

Source: SONAR's FCTC and FTCTCOH, CASS, and BLS data

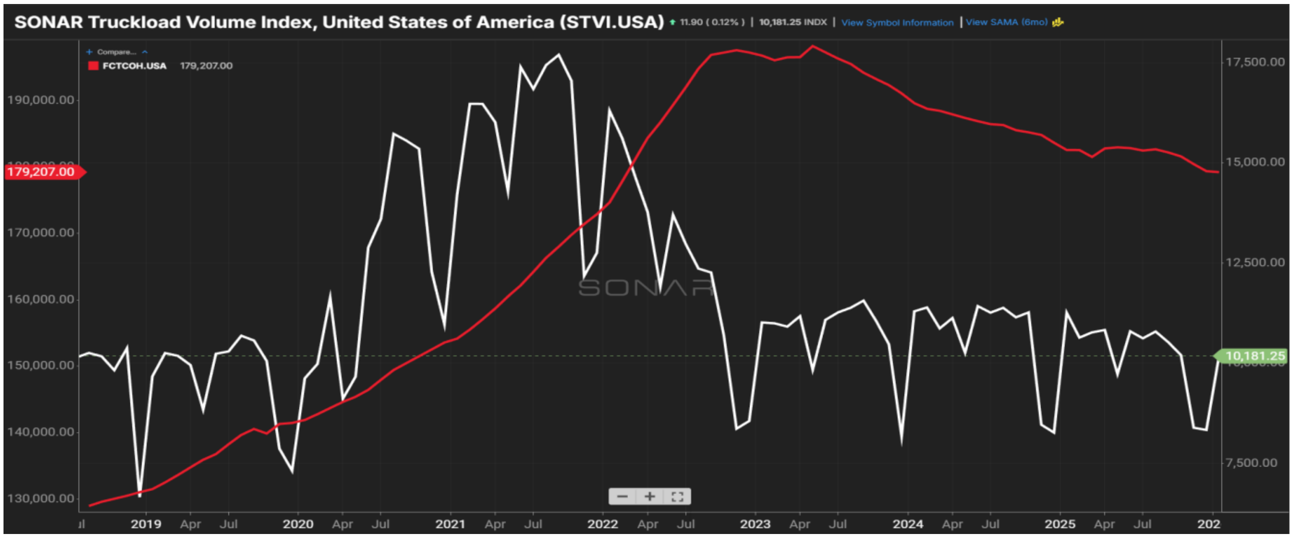
Now employment has returned to **2017 levels while 67,000 "extra" fleet authorities** remain. The drivers who left came from across the industry—not just the new fleets. The paper tiger had claws on paper only.



Net Enforcement

The pandemic-era surge in employment and fleet counts—particularly among smaller operators—threw the market into hyper-utilization the moment demand started normalizing in 2022. Orders fell, and also consolidated from two half-full boxes into one, waiting for the full volume to fill in one shipment every other week instead of weekly.

Thus the need for the extra driver or truck and trailer evaporated. Capacity didn't just authorize overnight.



Source: SONAR Truckload Volume and 1-6 Truck Fleet Counts

Now those totals have softened. Employment has returned to 2017 levels while fleet fragmentation remains elevated. The result: underutilization spread across a more fragmented carrier base. More mouths, smaller bites.

This context matters for understanding the enforcement narrative circulating in the market. Yes, efforts to curb non-domiciled CDL holders are adding strain to capacity deployment. But enforcement is not the primary driver of the tightness we saw this holiday season.

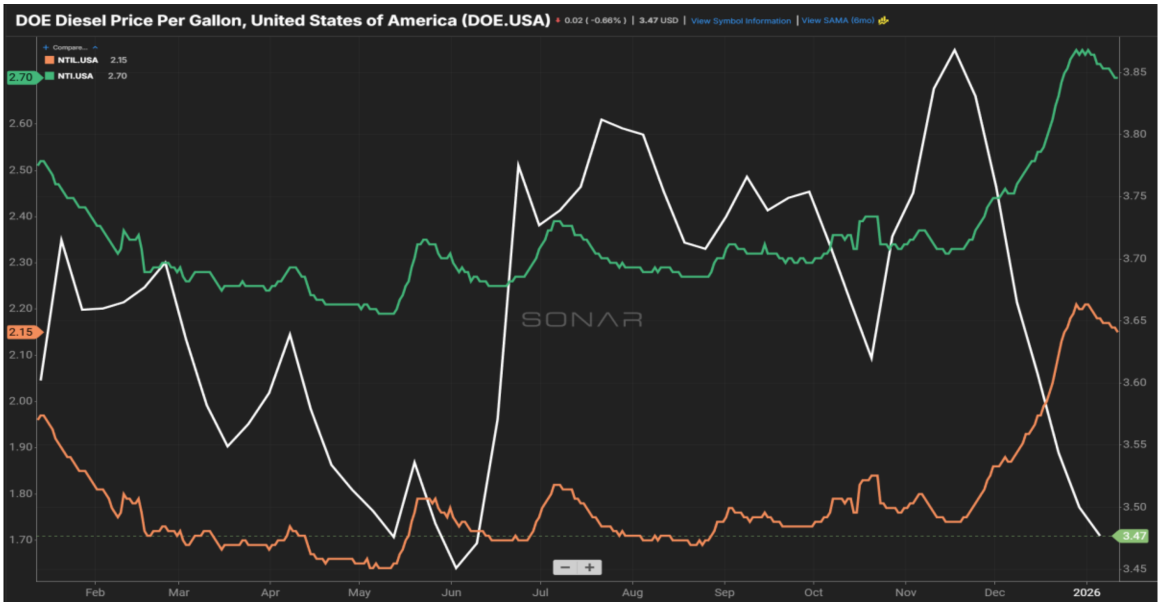
Here's the test: if enforcement were removing the excess supply accumulated during the pandemic, we'd see it clearly in the employment data. Fleet counts and driver exits would move in lockstep. One authority revoked, one driver gone. They haven't. Employment has **declined 4.9% from peak while small fleet counts dropped 8.3%.** As Jason Miller's Census analysis showed, most pandemic-era fleet growth was single-truck operators. The capacity never matched the paper.

The enforcement story matters for ***future*** capacity response, not current market conditions. When demand eventually recovers, the typical 6-9 month supply response could stretch to 12-18 months as new entrants face higher barriers. That's a 2027 story, not a January 2026 story.

Don't confuse the kindling with the spark.

Fuel

Diesel continued to nosedive into the New Year**, falling nearly 40¢ from mid-November.** Instead of keeping a lid on spot linehauls as expected, just the opposite happened.

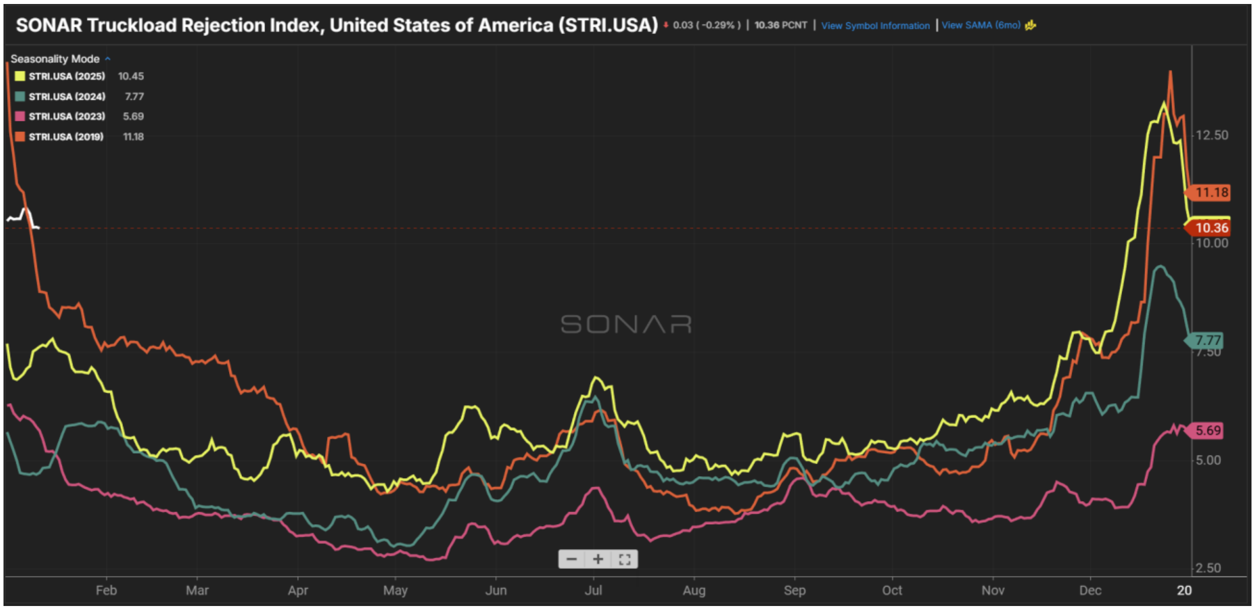


Source: SONAR National Truckload Indexes (with and w/o fuel) and Diesel $/gal

The 6¢/mi drop in fuel surcharge allowed linehaul rates to catch a sail into year end, being propelled by the highest rejection rates in years.

Rejections and Pressures

In the prior update we suggested rejections would stretch over 10% by year's end, but to take heed on the seasonal versus structural signal at play. The persistent rise in rejections pushed past 13% by Christmas. This shows the coordination problem at play. Pockets of the country or of the year will bring outsized reactions in rate pressures over any of the last 5 years.



Source: SONAR

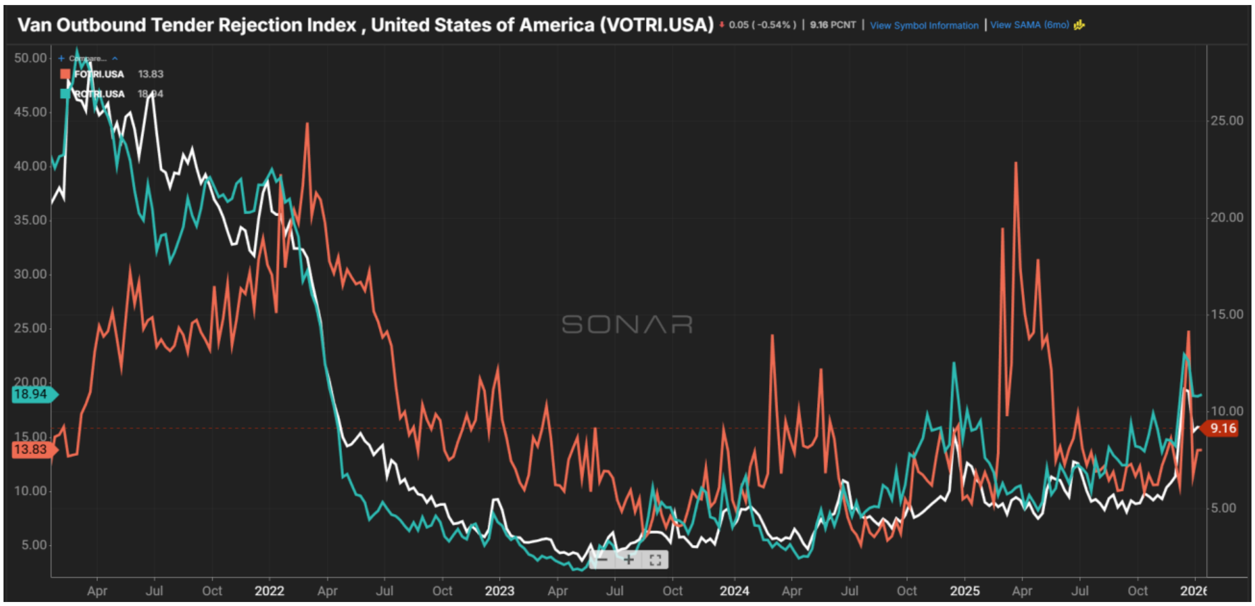
Rejections have fallen almost 3% since. By the end of the month this should be another 2-3% lower. The lack of structural support on the volume side, however, will put a lid on how this materially changes contract rates and future expectations.

They will continue to hover above 2025 levels in yellow above in the year ahead. The LMI confirms the dynamic: **December's Transportation Capacity reading of 36.9—the lowest since October 2021**—combined with **Transportation Prices at 66.7 creates a 29.8-point freight inversion**, the largest since March 2022

The 7.5% rejection line would be considered pretty active under any normal circumstances. It will also ensure that contract rates do not fall. DAT already reports replacement costs on contract freight at +3%.

Nonetheless, there will need to be sustained growth on the shipment side to see the next tide in the cycle come to fruition –pushing rejections more immediately over

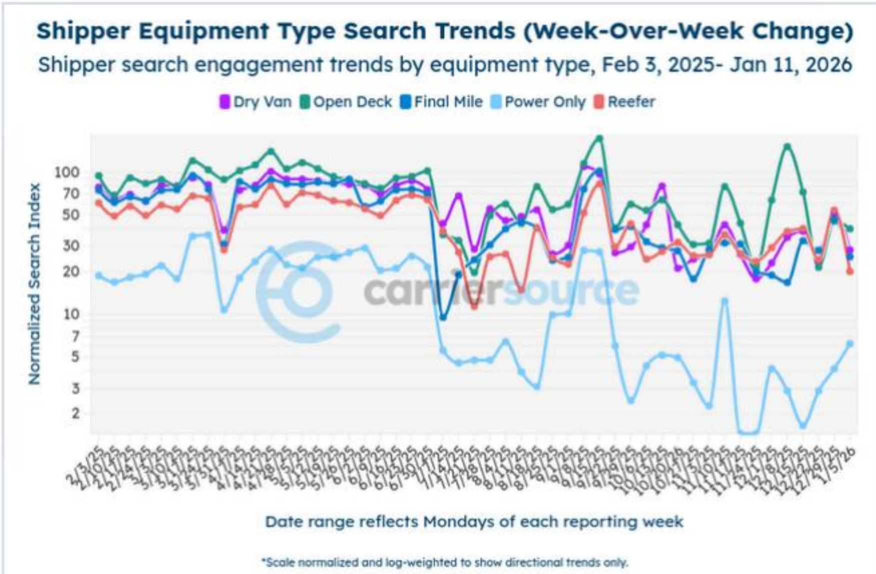
10% for a couple months.



Source: SONAR

All three modes are beginning to move more in rhythm again. They all marched higher in the last quarter with Reefer hitting its highest mark since March of 2022. Strength in the non-dominant dry boxes further prove how brittle capacity is today.

Another major litmus test comes next month when Flatbed comes out of its burrow to see if the sun is shining on mortgage rates or not.



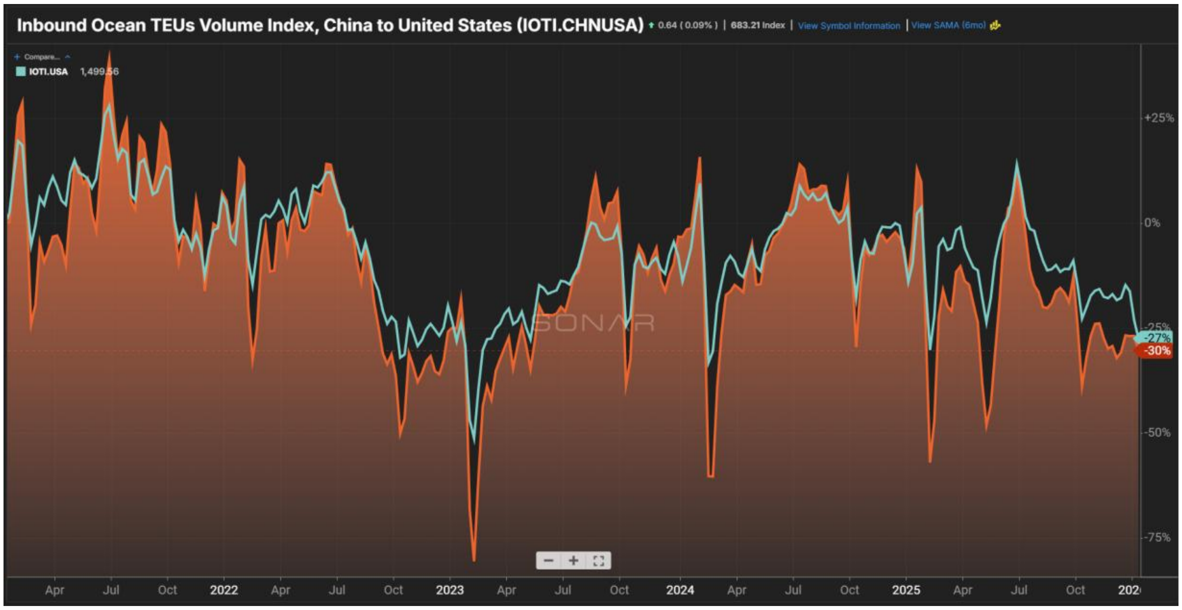
All modes from CarrierSource data saw gradual gain in the last half of the year outside of Power Only, which looks similar to Drop Trailer searches. Given the major declines in backlogs seen on the manufacturing front, this makes sense due to lack of storage necessity or expediency.

The Off Ramp

Oceanside: The Import Cascade

Quarter	Real Imports YoY	What Happened
Q1 2025	+15.0%	Tariff front-loading peak
Q2 2025	+1.0%	Rapid deceleration
Q3 2025	-3.0%	Collapse

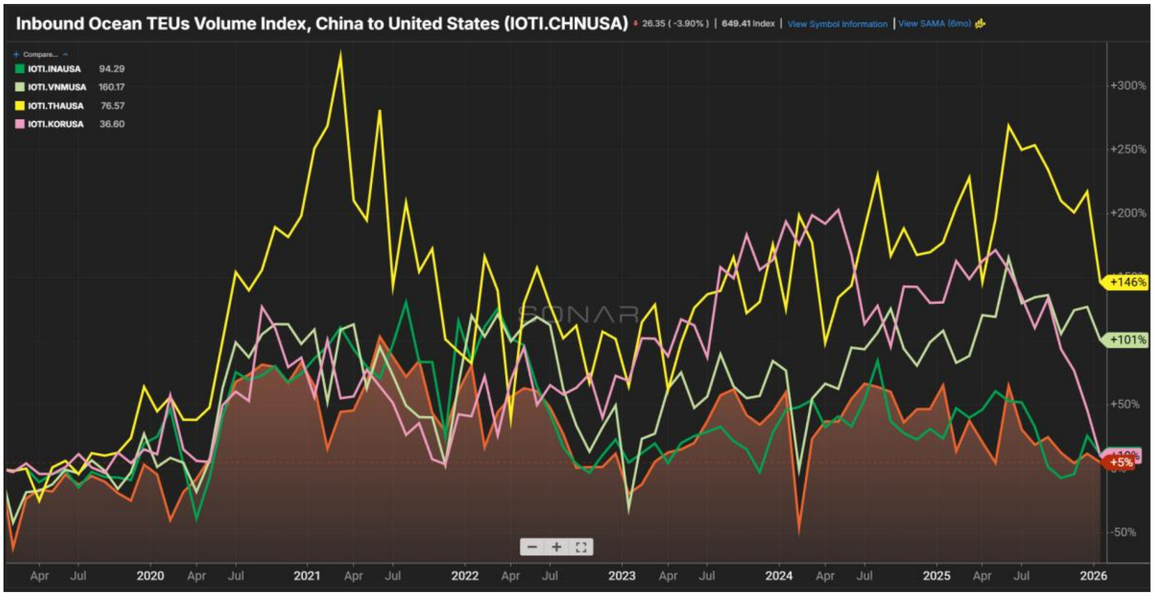
Policy was able to push import TEU volumes down at least 15% to start 2026 versus how we began 2025. A lot of this can be attributed to base effects from front loading. If you extend things out, these levels are 25-30% lower than the heights of the pandemic.



Source: SONAR

Policy implementation created different whiplash patterns than the pandemic era. Mismatched announcements and bilateral dealing created erratic moves, separate from the true intended target. The result was the unusual undulations of port off-loadings through the Summer and Fall in different parts of the country.

The ports of Los Angeles/ Long Beach saw the feasts and famine first-hand with outsized exposure to China while secondary ports on the East Coast moved around routings from increased trade with other partners.



Source: SONAR

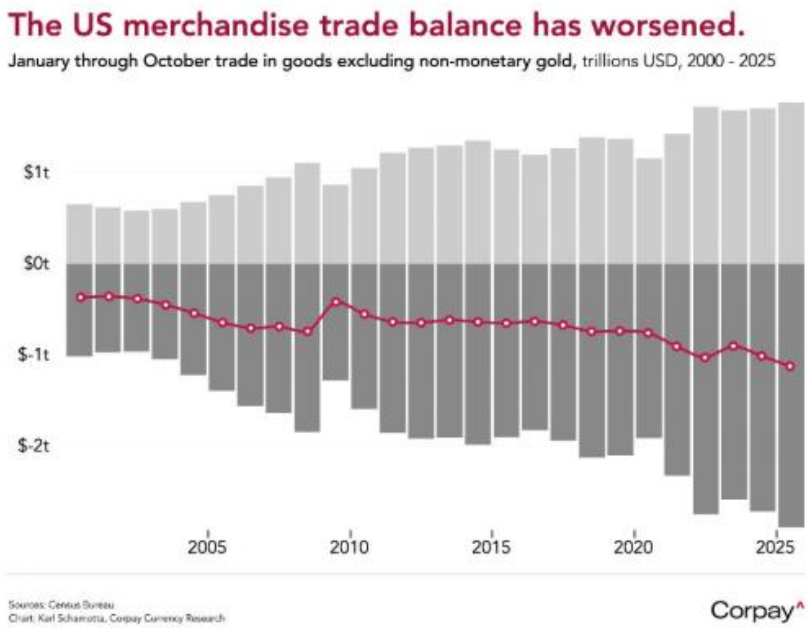
For all the efforts to move the needle on the overall trade deficit, however, it actually **widened** on the goods side YoY. Overall imports have not yet returned to pre-pandemic levels nor give impression they intend to.

Even China going back to flat will give runway for overall trade due to diversification. Water went around the rock.

The Gold Distortion:

Karl Schamotta flagged it: "*The folks claiming US trade imbalances have narrowed are getting absolutely rugged by bullwhip effects—when non-monetary gold shipments are excluded, the US goods trade deficit was up +11.1%.*"

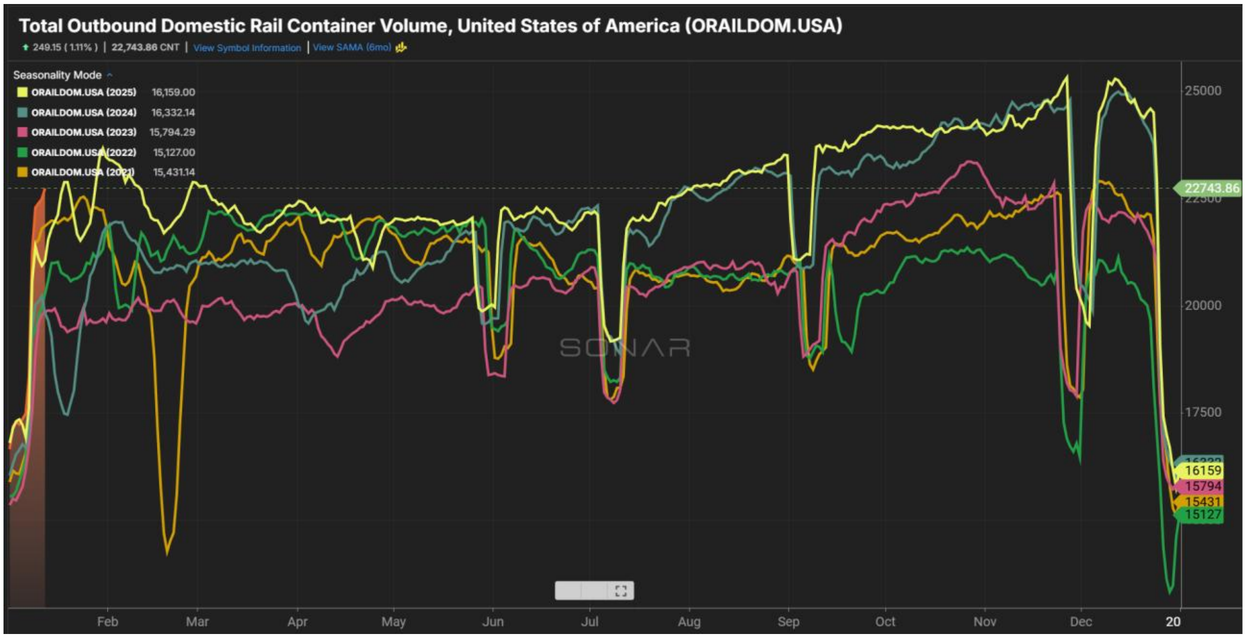
The headline improved. The reality worsened. Trucks move goods, not gold bars. The -18pp swing is what actually hit the docks—and the trailers.



Source: Shared by Karl Schamotta, Corpay

Riding the Rails: Capturing the Cost Conscious

Domestic intermodal is at multi-year highs while long-haul trucking collapses. When cost matters more than speed, rail wins. This shift is happening now because cost discipline has overtaken service urgency



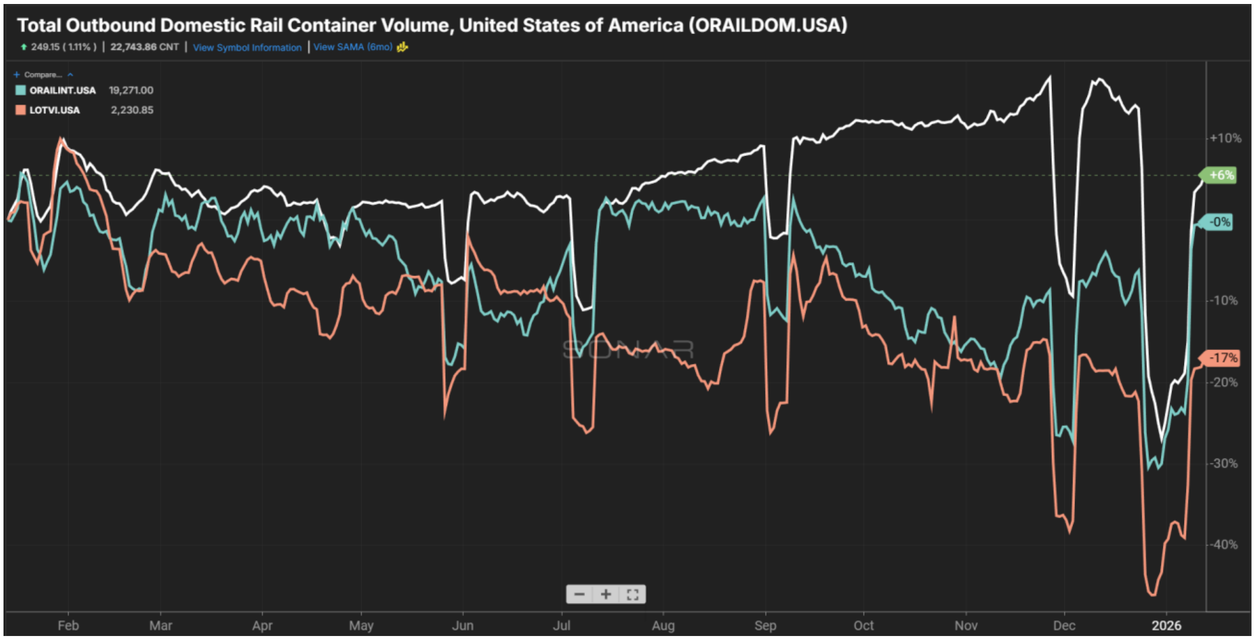
Source: SONAR – Outbound Loaded Rail Volume (Seasonality view)

The modal shift:

During COVID, speed mattered more than cost. One train move turned into two TLs for expedience. Shipment counts grew even when order volumes weren't exceptional because shippers split loads across modes for speed.

When that urgency collapsed, so did available trucking shipments. What would be destined for long-haul truckload is being translated into rail moves to keep a lid on costs.

ORAILDOM (Domestic Rail): Up while LOTVI (Long-haul TL) collapses.



Rail captures the cost-conscious middle-mile. Trucking is left with urgent and short-haul—which happens to be where e-commerce lives. The bifurcation extends to mode choice, not just length-of-haul.

The story to start 2025 was of front loaded demand pushing new highs while the year ended because of cost control. The tortoise beat the hare.

The Drayage Connection:

Domestic intermodal requires truck moves on both ends. Containers don't load themselves at the railhead. Rail gaining share creates drayage demand in the process. This explains the elevated drayage interest in CarrierSource data even as long-haul search activity falls.

Economic Indicators

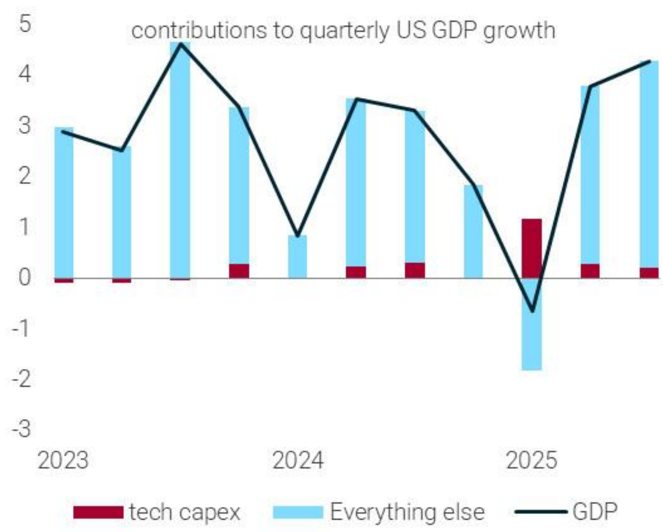
Q3 GDP: The Growth Puzzle

Q3 GDP jumped above expectations, printing 4.3% annualized. A consensus narrative quickly formed: AI capex is carrying the economy.

The reality is more nuanced.

Tech capex investments have been astronomical in dollar terms—hundreds of billions flowing into data centers, chips, and infrastructure. But the GDP accounting tells a different story. As Dario Perkins at TS Lombard documented, **tech capex contributed less than one percentage point to quarterly growth across 2023-2025**. Also echoed by Hatzius and Snider of Goldman Sachs on a recent [OddLots episode.]

Much of the spending hits import lines (chips from overseas) or gets categorized as construction with different depreciation timelines. The AI narrative is running ahead of the accounting.

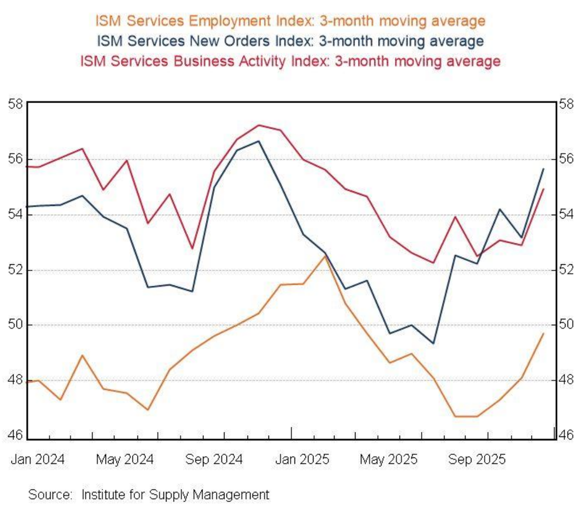


Source: Dario Perkins, MD Global Macro

What actually drove Q3? Three factors: the trade balance swing from front-loading exhaustion, surging service-sector spending, **and a rebound in government outlays. These pushed growth back to 2.2% on a sustainable basis.**

The third factor deserves attention: productivity. Output is exceeding hours worked. Companies are doing more with less.

This isn't primarily an AI story—at least not yet. Goldman's Hatzius estimates AI has contributed roughly 20 basis points to productivity growth over the past few years, with larger gains expected in the 2026-2030 window. What we're seeing now is the tail end of the Great Reshuffling. Roles filled during 2021-2022's hiring frenzy are no longer new. Employees who survived the subsequent layoff waves are hitting their stride. Institutional knowledge is compounding.



Source: Shared by Gad Levanon, The Burning Glass Institute

The productivity gains are real. But they cut both ways for freight.

Where are the Jobs?

The flip side of productivity: employers aren't hiring.

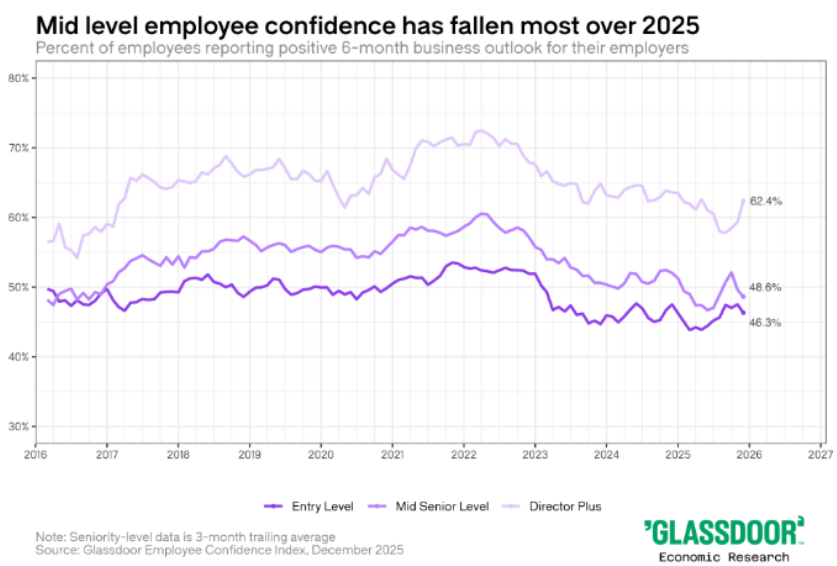
The hiring rate has collapsed to levels last seen in 2014—yet unemployment has only drifted up modestly, tracking the same gradual pace as 2023 and 2024. The expected correlation (low hiring → rising unemployment → recession) hasn't materialized.

The result is an economy more adrift than degrading. Job seekers report the lowest expectations of finding employment in the NY Fed survey's history. Yet layoffs remain contained. Companies are holding their current workforce while refusing to expand it.

This creates two risks worth watching:

Risk One: The labor market has lost its buffer. With hiring rates this low, any uptick in layoffs translates directly to rising unemployment. There's no absorption capacity.

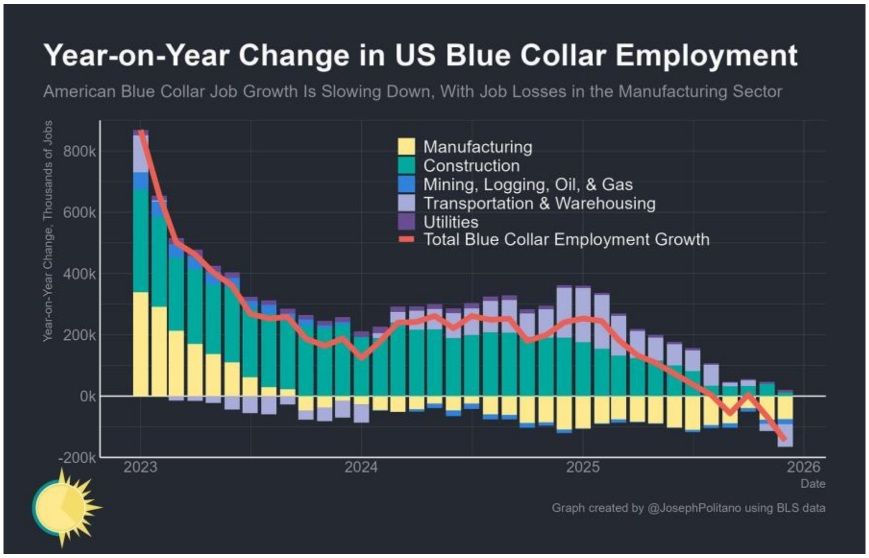
Risk Two: The freight demand trigger isn't materializing. **Manufacturing employment fell another 8,000 jobs in December**, bringing the 12-month total to -75,000. Transportation and warehousing shed 22,000. When your business is moving goods, you need the jobs that make and move goods to grow. They aren't.



Source: Daniel Zhao, Glassdoor

The Glassdoor data offers one silver lining: Director Plus confidence is ticking up even as entry and mid-level sentiment sags. Companies don't budget for senior hires if they expect deterioration. Someone is planning for growth—even if the hiring hasn't started.

For freight, the implication is clear: the employment-led demand recovery we'd typically expect 4-6 months after manufacturing stabilization isn't queued up. Watch the January jobs report for any shift in this pattern.



Source: Joey Politano, Apricitas

The Final Grade

The Air Pocket Has a Floor

The fog doesn't lift. But the bumps tell you where the road is.

The Good News: Front-loading exhausted itself. Destocking is running its course—the LMI's Inventory Levels hit 35.1, the lowest in the index's 9-year history. The 18pp import swing that distorted 2025 has played out.

The Bad News: Q1 depends on whether importers pull forward again or normalize. Trade policy remains the wildcard. Manufacturers need a demand bridge to absorb the increased production or it's the white flag for Wile.

Three Markets, Three Realities

Segment	Status	What to Watch
Import-Dependent (Long-Haul)	Depression. LOTVI -26% YoY.	Q1 import volumes via IOTI
Manufacturing (B2B Dry Van)	Controlled descent. IP +1.6%, orders weak.	January PMI new orders
E-Commerce (Final Mile)	Stable. COTVI -1% YoY.	Consumer spending holds

Understanding which freight you move determines your 2026 reality.

What to Watch

January PMI (Feb 3): Does new orders stabilize toward 50? Above 48.5 suggests destocking exhaustion. Below 46 signals deeper trouble.

Import Volumes: Does front-loading resume? IOTI turning positive = safety stock rebuild. Continued negative = air pocket persists.

LOTVI vs COTVI Spread: 20+ point divergence = bifurcation holds. Convergence signals either import recovery (bullish) or e-commerce weakness (bearish).

Domestic Rail: ORAILDOM at multi-year highs = trucking losing middle mile. Reversal = urgency returning.

Tariff Wildcard: Don't plan around legal resolution. Court decisions could whipsaw volumes in either direction. Uncertainty is the planning variable.

Crafted by Beau King and Henry Byers | KCH Transportation