FTR | State of Freight INSIGHTS

Weekly Transportation Update

Market Updates for Transportation Professionals

May 16, 2025

HEADLINE

Short-term U.S.-China trade deal shifts the near-term potential for freight.

- Industrial production and retail sales basically hold steady in April.
- Housing starts recover slightly in April after a sizable drop in March.
- Spot rates fall sharply ahead of International Roadcheck's certain boost to rates this week.
- Ocean shipping lead times keep intermodal volumes strong ahead of tariff impact.

Overview

At least for the next three months, the U.S. and China have defused a growing trade war just in time, perhaps, to stave off a more damaging collapse in trade than the relatively brief weakness that is inevitable due to ocean shipping lead times.

Meanwhile, economic data released this week showed little change in the key industrial, consumer, and housing sectors during April.

Temporary U.S.-China trade deal

The U.S. and China on Monday announced a major de-escalation of their trade war for at least 90 days as the two sides agreed to continue talking.

Starting with tariffs imposed in March and April tied to China's involvement in supplying precursors needed for fentanyl trafficking, President Trump had escalated tariffs by mid-April to 145% on all Chinese imports except smartphones, computers, and semiconductors, which apparently were still subject to the 20% fentanyl-related tariffs. Meanwhile, China had responded with retaliatory tariffs that culminated in 125% on U.S. imports.

With the short-term deal, U.S. tariffs on imports from China drop to 30%, including the continuation of the 20% fentanyl-related tariffs. China dropped its retaliatory tariffs to 10%. Another concession by the U.S. was dropping to 54% the prior 120% tariffs on imports from China and Hong Kong of goods that previously were subject to the de minimis exemption on lower-value shipments.

Although U.S. tariffs on Chinese imports have fallen from clearly prohibitive levels, they remain substantially higher than they were before the escalating tariffs in February through April. Therefore, it is not yet clear how the new tariffs, which still exceed those on all other trading partners, at least for now, will affect imports. The analysis is complicated by two presumably counteracting factors.

On one hand, if U.S. businesses expect a snapback or substantial increase in tariffs after 90 days, they might be inclined to return to a pull-forward posture. However, after a few months of strong pull-forward activity, they might not be inclined to compound that inventory investment due to the uncertainty over consumer and industrial demand.

Due to the lead times involved in ocean shipping and the off-loading of containers in ports, intermodal activity remains strong due to pre-tariff pull forwards. (*For more discussion, see the Rail/Intermodal section below.*)

Time is running out on an earlier 90-day pause, which reduced planned larger increases on tariffs for many trading partners to the 10% base reciprocal tariffs that were imposed globally on April 5. Barring

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Key Takeaways

- U.S. and China sharply cut tariffs for 90 days.
- Manufacturing output declines in April.
- Retail sales barely change in April.
- Autos account for leaner overall retail inventories.
- Housing starts recover a bit following big drop.
- Mortgage rates increase in the latest week.
- Consumer pricing remains mild in April.
- Producer prices fall sharply due to service margins.
- Diesel prices are the lowest of the year so far.
- Dry van spot rates are the lowest since June 2020.
- Intermodal volume is still strong due to lead times.
- A few commodities power carload growth.

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further action, those tariffs would return to the "Liberation Day" levels in early July.

So far, the only trade deal has been with the U.K. – a country with which the U.S. already enjoyed a goods trade surplus. The U.K. continues to see 10% tariffs, but it will see commodity-specific exceptions related to metals and vehicles. The U.K. also agreed to expand access for U.S. agricultural products.

Industrial production and manufacturing

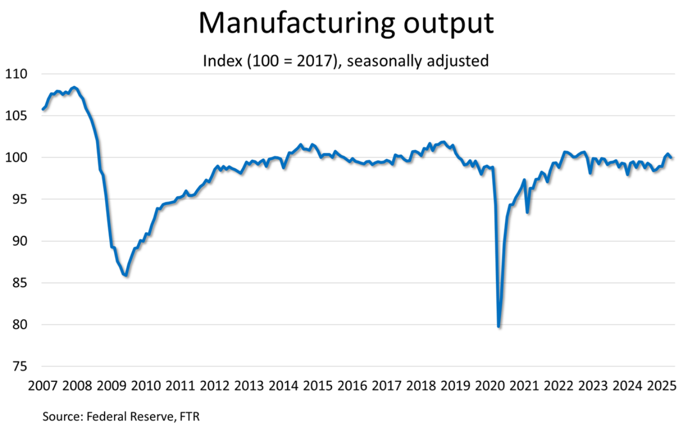
Industrial production (IP) held steady in April as an increase in utilities output offset declines in manufacturing and mining. IP was up 1.5% versus April 2024, close to the y/y comparison for all 2025 so far.

Manufacturing output fell 0.4% and was up 1.2% versus April 2024. Durable goods output declined 0.2% but was up 1.1% y/y. Nondurable goods production fell 0.6% but was up 1.5% y/y. The decline in nondurable goods output was broad-based in April.

Among the hits to manufacturing in April was motor vehicles and parts production, which fell 1.9%. Automotive output was down 3.9% y/y, which was little changed from March's comparison. Excluding motor vehicles and parts, manufacturing production was still down 0.3% m/m but up 1.6% y/y.

The decrease in auto production followed another very strong month for sales of cars and light trucks, leading to even leaner inventories. However, given that March and April sales were driven by consumers' desires to avoid tariff-related price increases, the effect on future auto production is unclear.

A notable offset for lower automotive output was a 1% m/m increase in the production of fabricated metal products. Coincidentally or not, the increase came the month after the imposition of 25% tariffs on steel and aluminum and fabrications thereof.

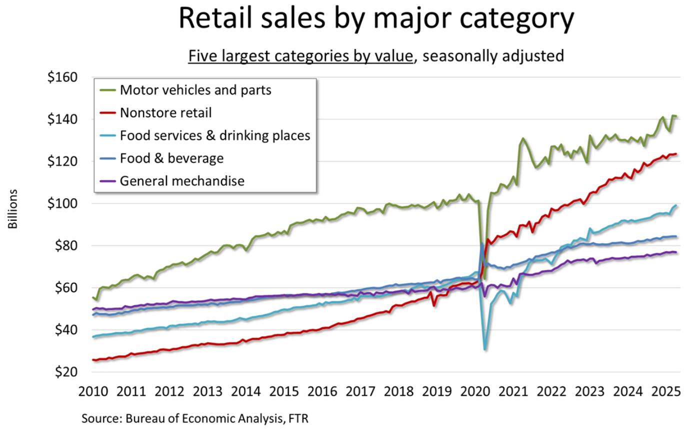


Retail and food service sales

Retail sales basically treaded water in April as a solid increase in sales for restaurants and bars roughly offset the effects of lower gasoline prices.

Total retail and food service sales ticked up 0.1% m/m, seasonally adjusted, and were up 5.2% y/y, matching March for the strongest prior-year comparison since December 2023. Retail trade sales, which exclude food services and drinking places, edged down 0.1% m/m but were up 4.7% y/y.

Sales for restaurants and bars increased 1.2%, and that was the only retail category to see a m/m increase of more than 1%. Three categories saw drops of more than 1%, but all were fairly small: Miscellaneous store retailers, sporting goods and related stores, and department stores.



Motor vehicle and parts dealer sales dipped 0.1% as the sector largely held on to the big gains in March as buyers rushed to buy vehicles ahead of tariff impacts. Sales for that category were up 9.4% y/y, which was the strongest prior-year comparison for any retail category.

Inventories

The leanest retail inventories of motor vehicles and parts in March since November 2023 resulted in the leanest overall retail inventories since December 2023, although inventories have been just as lean twice since then. The inventories-sales ratio for total

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retail was 1.29 as the automotive ratio fell to 1.8 from 1.92 in February.

In a potential signal that pull-forwards of imports could lead to some shifts, the inventories-to-sales ratio for general merchandise stores ticked up to 1.3 in March for the highest ratio since August. That ratio is still quite lean by historical standards.

Residential construction

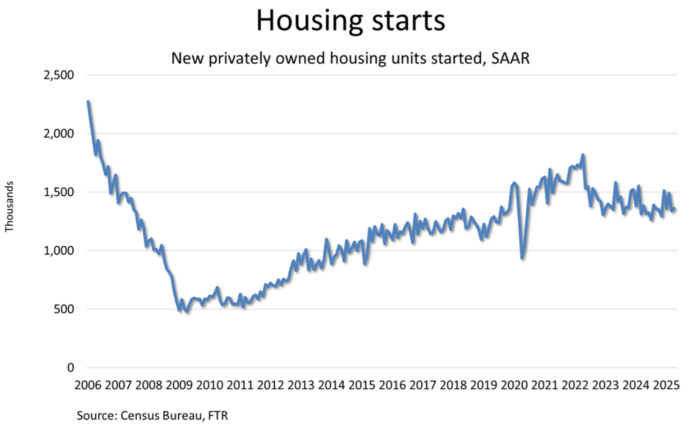
After falling about 10% m/m, seasonally adjusted, in March, housing starts recovered slightly in April, rising 1.6%. Starts were down 1.7% y/y in a return to negative prior-year comparisons.

Despite the sharp drop in March, residential construction had been even worse in March 2024, so starts had been up 2.1% y/y for the first positive comparison since August.

April's modest strength came solely from starts of homes in multi-family dwellings of five or more units, which were up 11.1% m/m and 28.8% y/y. Starts of single-family homes were down 2.1% m/m and were down 12.0% y/y.

A potentially worrisome sign for residential construction was a 4.7% drop in permits authorized for future residential construction. That is the largest decrease in over a year, and the level of permits was the lowest since May. Permits were down for both single-family and multi-family units.

The number of homes under construction continued to decline, easing 0.6% m/m. The number has now fallen in 16 of the past 17 months. The number of units in multi-family dwellings has fallen for 18 straight months.



Mortgage rates

Mortgage rates moved slightly higher in the latest week. The average rate on a 30-year fixed-rate mortgage was 6.81%, according to Freddie Mac.

Consumer Price Index

Consumer prices overall ticked up slightly m/m in April, although the 12-month change edged down slightly. The Consumer Price Index for all items increased 0.2% m/m, seasonally adjusted, after easing 0.1% in March.

The shelter index rose 0.3% and accounted for more than half of the all-items increase in April. The energy index increased slightly, but the food index dipped 0.1% due to a 0.4% drop in prices for food at home that more than offset a comparable increase in prices for food away from home. The 12-month change in the all-items index was 2.3%, down from 2.4% in March.

The CPI less food and energy increased 0.2% m/m, and the 12-month change was 2.8%, which is the same as March.

Producer Price Index

Pricing at the producer level fell by the most m/m since April 2020 due mostly to drops in margins for final demand trade services. Prices for final demand services fell 0.7% while prices for final demand goods were unchanged.

The overall Producer Price Index for final demand fell 0.5%, seasonally adjusted, and was up 2.4% for the 12 months ended in April. The 12-month change was the lowest since September.

Pricing related to freight transportation services saw little change in April. The overall PPI for truck transportation of freight declined 0.2% m/m after a sharper 1.4% decrease in March. The largest change was a 0.5% decrease for general freight truckload, which was up 0.6% y/y.

The LTL PPI was flat m/m but up 4.9% y/y. The PPI for long-distance specialized trucking declined 0.2% m/m and was down 0.8% y/y.

Diesel and petroleum prices

The national average retail price of on-highway diesel declined 2.1 cents to $3.476 a gallon during

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the week ended May 12. The national average is slightly higher than it was in December and only 7 cents higher than it was in September 2021.

Crude prices traded slightly higher during the week, near $64 a barrel, but moderated a bit as the week ended.

Trucking

Broker-posted spot rates in the Truckstop system fell substantially for all equipment types during the week ended May 9 (week 18). Dry van spot rates fell to their lowest level since June 2020.

After jumping in the prior week, refrigerated spot rates fell by the most in 12 weeks. Flatbed spot rates saw their largest week-over-week drop since June 2023. Flatbed also saw declining rates for a third straight week for the first time since November.

Higher spot rates during the current week are virtually a lock due to the annual International Roadcheck roadside inspection event, which occurred May 13-15. Many truck drivers take time off during Roadcheck to avoid the hassle and scrutiny of additional roadside inspections, and the result invariably is higher spot rates.

For more on week 18 spot metrics for truck freight, visit https://freight.ftrintel.com/spotmarketinsights.

Rail/Intermodal

For the week ended May 10, total rail traffic rose 5.4% y/y across North America with carloads up 4.9% and intermodal rising 5.9%.

Despite the initial 145% tariffs levied against China, intermodal rail traffic across North America has remained strong, growing 4.9% y/y on average over the past four weeks with even stronger levels in the past two weeks.

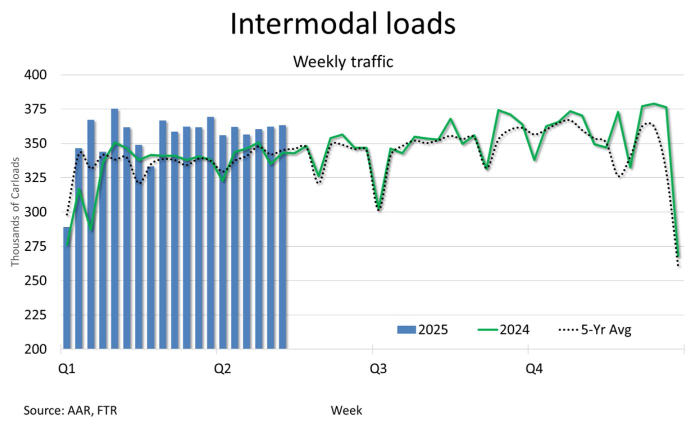
This outcome is due, at least in part, to the lead time required for a container to cross the Pacific Ocean from China to the U.S. as well as the planning time required to schedule and handle shipments. However, those lead times also mean that intermodal activity will be depressed for the coming four to six weeks even with the sharp drop in tariff rates as set out in the 90-day deal.

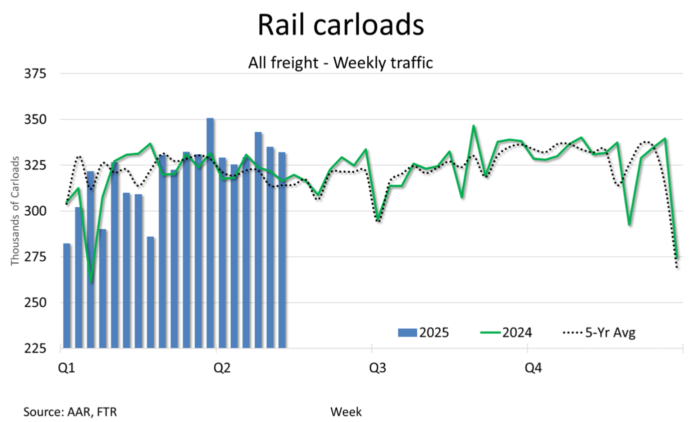
The reduction should mean a rebound in container imports after that four- to six-week period. However, 30% tariffs on goods from China are still substantially higher than they were in prior years, so import levels likely will still be less than what would have been expected absent tariffs. Of course, these tariffs are in addition to tariffs on all other countries as well as on certain commodities, such as steel and aluminum and automotive parts.

Carload volume

Carload activity has also been doing well in recent weeks. Carloads were up 4.9% y/y in the most recent week and 3.6% over the past four weeks. However, just a few commodities have been driving this growth. The most significant drivers last week were coal, up 15.6% y/y; grain, up 22.1%; and metal scrap, up 12.6%.

Each of the other commodities, however, has been flat to down. The worst-performing commodities last week were metallic ores, down 15.4% y/y; nonmetallic minerals, down 14.3%; and primary forest products, down 13.9%.





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Written and Published by:

FTR
1720 N. Kinser Pike
Bloomington, IN 47404
Phone: (888) 988-1699
Fax: (877) 222-9060
International: (812) 988-1699
Email: ftr@ftrintel.com
Website: www.FTRintel.com