Tariffs and economic uncertainty cast shadow over freight markets: Q2 TD Cowen/AFS Freight Index

Shifting trade policies, low consumer confidence expected to prolong low demand and delay freight market recovery

ATLANTA (April 8, 2025) – AFS Logistics and TD Cowen announce the second quarter (Q2) 2025 release of the TD Cowen/AFS Freight Index, a snapshot with predictive pricing for truckload, less-than-truckload (LTL) and parcel transportation markets. The latest release highlights the effects of an uncertain economic outlook and rapidly evolving trade policies weighing against a freight market recovery. Data shows truckload pricing staying at depressed levels after a small uptick in Q1, LTL pricing discipline working to keep rates flat and parcel carriers unleashing additional pricing changes to squeeze more revenue from limited volumes.

"Tariffs have become the topic du jour in boardrooms and beyond, and combining those policy changes with a cloudy macroeconomic picture is a recipe for the uncertainty and caution that characterize current market sentiment," says Andy Dyer, CEO, AFS Logistics. "These conditions do not indicate a shift away from the malaise of soft demand that has shaped domestic transportation markets for quite some time."

Truckload: Nine straight quarters with rates at the bottom

In Q1 2025, the truckload rate per mile index came in somewhat higher than expected, at 5.9% above the January 2018 baseline. This uptick can be attributed to shippers pulling inventory forward to get ahead of the latest tariffs, along with the impact of wildfires, natural disasters and continued capacity correction. But a sustained shift toward shorter-haul shipments, defined as those of 500 miles or less, drove the total cost per shipment down to 5% above pre-pandemic levels — the lowest point in over three years, and indicative of a broader trend of more regional distribution and decentralized inventory positioning. In Q2 2025, the rate per mile index is projected to show a slight quarter-over-quarter (QoQ) decline to 5.5% — the ninth straight quarter with rates between 4.3% and 5.9% above the 2018 baseline.

LTL: Carriers judiciously managing low-demand environment to keep rates elevated

Despite economic headwinds and cautious market sentiment, LTL pricing continues to show strength. In Q1 2025, general rate increases (GRIs) took effect and the net fuel surcharge per shipment increased 4%, exerting enough upward pressure to overcome decreased length of haul and sustained low weight to drive a 1.5% QoQ and 0.5% year-over-year (YoY) increase in cost per shipment. For Q2 2025, the rate per pound index is forecast at 63.4%, a slight QoQ drop but a 0.7% YoY increase — the sixth consecutive quarter with a positive YoY trend.

"After 26 months of contraction, the purchasing managers index finally reversed course with two months of growth early in Q1 2025, but March data shows it's back to contraction, which underscores some of the headwinds facing the freight market," says Aaron LaGanke, Vice President, Freight Services, AFS. "Truckload typically feels the impact of macroeconomic forces and trade policy first, then LTL has more of a delayed reaction. For now, LTL carriers are effectively navigating a low-demand environment with a focus on profitable lanes, contractual relationships and reliable freight, rather than chasing volume with pricing concessions."

Parcel: Carriers attempt to regain pricing advantage

The era of parcel price increases announced on a predictable, annual cadence with plenty of advance notice for shippers is over. Over the past 18 months, FedEx and UPS have pursued a different strategy as they fight for revenue in a low demand environment, with more frequent, subtle pricing changes that take effect more quickly. Through the first three months of 2025, UPS has already announced myriad changes, including new ZIP code-zone alignments, new fees on print and paper invoices, fees for check and wire payment, an increase to the late payment fee and a new payment processing fee. Both carriers have also continued to make fuel surcharge changes, the net result of which is the UPS ground fuel surcharge increasing 15% and the FedEx equivalent rising 12% from Q1 2024 to Q1 2025 — even as the price of diesel fuel *fell* 8.4% over the same period.

"These latest changes introduce even more complexity for shippers to digest and negotiate. If they overlook any one of these subtle updates, they can find themselves subject to punitive provisions like a blanket payment processing fee that's in effect a 2% price hike," says Mingshu Bates, Chief Analytics Officer and President of Parcel, AFS. "If you look at the state of the market, these changes fit the carriers' stated aims of prioritizing network efficiency and revenue quality. Competition from the Postal Service and regional carriers has FedEx and UPS looking to defend their slice of a soft market while trying to shift away from the discount-heavy dynamics of the past year and a half."

Despite carriers' emphasis on pricing discipline, the average discount in ground parcel increased 1.9% QoQ in Q1 2025. Yet ground parcel pricing remained exceptionally strong, as the cost per package rose 4% QoQ to a record-high quarterly average in Q1 2025, driven by rate increases, surcharge adjustments and higher billed weight. The ground parcel rate per package index is expected to decrease from 31.3% in Q1 to 29.5% in Q2 2025, which still represents a 2.6% increase YoY.

Express parcel pricing grew in line with seasonal trends in Q1 2025, with GRIs and fuel surcharge increases powering a 5.2% QoQ increase in cost per package. But volume growth remains a challenge in the domestic express parcel market. This is in part driven by carriers' own success in optimizing ground networks, enabling shippers to shift volume to less expensive ground service for similar performance, but is also exacerbated by competition from an increasingly diverse carrier landscape, an example of which is USPS recently launching priority next-day service in 54 markets. Looking ahead to Q2, the rate per package index is expected to hit 3.1% in Q2 2025, a marginal 0.3% QoQ decrease and 1.4% YoY decline.

About the TD Cowen/AFS Freight Index

The TD Cowen/AFS Freight Index launched in October 2021, offering a unique perspective on the transportation market through its dataset and forward-looking view. Expected rate levels are derived from visibility to over $39 billion of annual transportation spend across all modes and includes actual net charges that factor in accessorials such as fuel surcharges. Past performance and machine learning produce predictions for the remainder of the quarter, set against a baseline of 2018 rates for each mode.

About AFS Logistics

AFS is a group of shipping strategists that helps more than 1,800 companies across 35 countries better understand their freight costs. The company has over $11 billion in transportation spend under management, and uses that data along with decades of truckload, LTL and parcel experience to help advise, optimize and manage client shipping programs. AFS provides support throughout the process of buying, planning, executing and settling transportation services, constantly assessing performance to ensure shippers only pay what they should and get the service and operational outcomes they deserve.

The company was founded in 1982 and employs more than 380 teammates across the U.S. and Canada. AFS is regularly part of the Inc. 5000 list of fastest growing companies. To learn more, visit www.afs.net.

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