Economic uncertainty shapes stagnant freight markets: Q3 TD Cowen/AFS Freight Index

Unsettled trade policies and continued low demand delay freight market recovery, push carriers to tightly manage revenue

ATLANTA (July 15, 2025) – AFS Logistics and TD Cowen announce the third quarter (Q3) 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 shows the effects of a freight market in stasis, mired in prolonged low demand as businesses wait to see how evolving trade policies unfold. Data shows a 10th straight quarter of depressed truckload pricing, LTL carriers carefully managing profitability from weak volumes and parcel carriers working to shift pricing power back in their favor.

“Despite plenty of international travel by world leaders, trade policy remains an unsettled picture and businesses are opting for a wait-and-see approach and delaying spending decisions,” says Andy Dyer, CEO, AFS. “With no catalyst to ignite demand, some carriers are buckling under the pressure of unrelenting low volumes while others are deploying all available mechanisms to capture revenue.”

Truckload: Still stuck in the same rut

After peaking at 25.7% above the January 2018 baseline in Q1 2022, truckload rates began a sustained decline, bottoming out at just 4.3% above the baseline in Q2 of the following year. The index projects a 10th straight quarter with rates at or near the bottom, with Q3 2025 projected at 5.6% above the 2018 baseline, a slight quarter-over-quarter (QoQ) decline. Looking back at Q2 2025, distance and cost per shipment showed increased alignment, a potential indicator of stable market behaviors, though the continued uncertainty around trade policies clouds whether this represents a structural shift or a temporary phenomenon. Excess capacity continued to suppress truckload rates, though ongoing carrier exits and new regulatory guidance for stricter labor and language standards for truck drivers could ease some downward pressure.

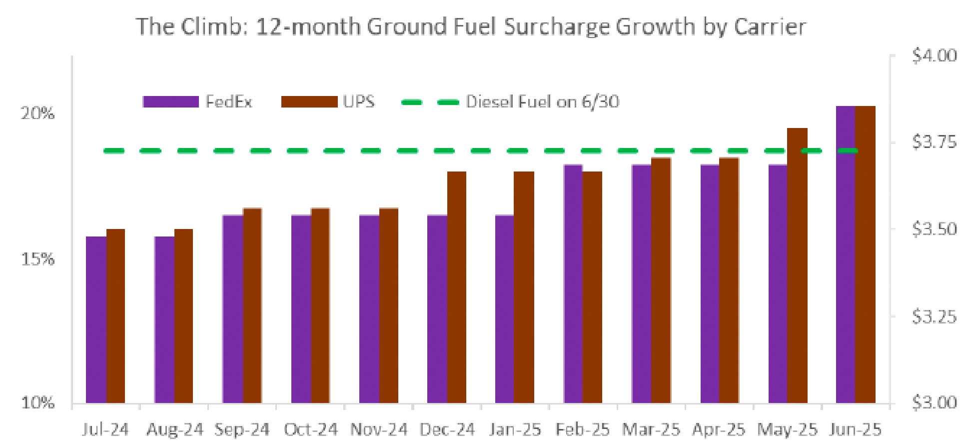
LTL: Carriers strictly manage pricing to maximize revenue from low volumes

With soft demand an inescapable reality and shifting trade policies posing additional challenges, LTL carriers are pivoting to tightly managing revenue, keeping a close eye on lanes and prioritizing profitability. In Q2 2025, weight per shipment declined by 5.1% year-over-year (YoY) but cost per shipment only fell by 2.9%, indicating the success of carriers’ revenue strategies. The LTL rate per pound index projects Q3 to be the seventh straight quarter with a positive YoY trend, reaching a new high of 65.9% above the January 2018 baseline, driven in part by seasonal factors and carrier pricing actions.

"While there's some evidence that the steady decline we've observed in weight per shipment is in part driven by mode shifting, it's also indicative of a simpler reality — carriers moving lighter pallets because of soft LTL demand," says Aaron LaGanke, Vice President, Freight Services, AFS. "The continued resilience of the rate per pound index shows the effect of carrier pricing discipline, and the upcoming NMFC transition to a density framework should equip carriers with another method to tightly manage freight classification and pricing."

Parcel: Discounts cool, carriers push hard to regain pricing power

Pressure to meet Wall Street expectations in the face of headwinds like high labor costs and low demand is driving increasingly aggressive efforts by UPS and FedEx to wrestle back control of pricing from shippers. The heavy discounting that played a major role in parcel pricing for well over a year is finally starting to ease and UPS is taking a particularly aggressive approach, overhauling rating logic and rolling out new surcharges. Incessant changes by carriers to fuel surcharge logic continue to decouple it from the actual cost of fuel and solidify the surcharge as a revenue extraction tool, rather than its original intent as a cost-recovery mechanism. The figure below shows changes to the Ground fuel surcharge over the past 12 months set against a constant diesel fuel price level, highlighting increases driven by carrier actions, rather than fuel price fluctuations — a cumulative increase of approximately 30%.



In express parcel, the U.S. Gulf Coast (USGC) kerosene-type jet fuel index fell 10.3% in Q2, but the express fuel surcharge rates actually saw a modest 0.6% increase due to carrier adjustments. Discount levels held steady in Q2 after a decline in the previous quarter, suggesting an emerging trend of pricing power favoring carriers. The express parcel rate per package is forecast to reach 2.3% above the January 2018 baseline in Q3, a QoQ decrease in line with seasonal trends, but a 1.1% increase YoY.

In ground parcel, cost per package reached a record high of 32% in Q2. But rather than an indication of carrier pricing strength, this result was driven by shippers diverting lower-value, lightweight packages away from the chronic rate increases of FedEx and UPS to slower, cheaper services from other providers. This loss of lightweight volume resulted in a higher average billed weight per package that in turn drove up cost per package. Looking ahead to Q3, evolving pricing dynamics are expected to keep the ground parcel rate per package elevated, coming in at 29.2% above the January 2018 baseline, a 2.2% QoQ decrease but 7.0% higher YoY.

"Low demand and competition from other players have pushed both FedEx and UPS to focus on right-sizing networks to hold onto the volumes they can profitably serve," says Mingshu Bates, Chief Analytics Officer and President of Parcel, AFS. "Carriers typically prioritize volume or profitability, and the pullback on discounting, aggressive pricing changes and earnings call commentary on 'improvement in the pricing environment' indicate the pendulum is swinging to prioritize higher yields."

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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