Carriers fight for revenue amid cloudy economic outlook, muted peak forecast: Q4 TD Cowen/AFS Freight Index

Despite some positive macroeconomic signals, sluggish demand and shifting tariff policies continue to shape freight markets

ATLANTA (Oct. 14, 2025) – AFS Logistics and TD Cowen announce the fourth quarter (Q4) 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 data shows truckload carriers battling continued excess capacity and depressed rates, LTL carriers wielding pricing power to maintain profitability in a soft market and parcel carriers continuing to deploy so-called “self-help” in the form of surcharges and other pricing changes to squeeze more revenue from soft volumes.

“While the initial shock and awe of high-profile tariff announcements has subsided from earlier this year, businesses continue to grapple with the effects of shifting policies,” says Andy Dyer, CEO, AFS. “We’re also in year three of an unusually long downward freight cycle, and carriers are relying on hard-won lessons of the past to prioritize profitability and hang on in a soft environment.”

Parcel: Carriers make their own luck with pricing changes

The steady pricing changes and selective targeting of profitable volumes described by FedEx senior leadership as “self-help” in the September earnings call have driven ground parcel rates to record levels. In Q3 2025, ground commercial shipments increased in share by 3 percentage points compared to residential, which supports carriers’ focus on growing B2B volumes. As it relates to pricing, the cumulative effects of fuel surcharge adjustments resulted in ground fuel surcharge rates increasing 26.1% year-over-year (YOY) in Q3 2025, though the actual on-highway diesel fuel price rose just 1.3% over the same interval.

Looking ahead to Q4, FedEx and UPS are implementing nearly identical surcharge structures for the holiday season and shifting away from traditional rounding rules for package measurement to instead always round up to the next-highest whole number. For example, rather than rounding a measurement of 11.2 inches down to 11, the carriers will now round up to 12 inches, considering the package to be larger and thus more expensive to ship. Looking more broadly at overall pricing, the ground parcel freight index is expected to reach 32.4% above the January 2018 baseline in Q4 2025, driven in part by the previously mentioned holiday surcharges and dimensional rounding changes. This Q4 2025 projection represents a

0.9% quarter-over-quarter (QOQ) and 4.8% YOY increase, and pushes the full-year average rate per package to a new all-time high.

"While parcel pricing has become increasingly complex and unpredictable, shippers can still count on FedEx and UPS to move in lockstep with various rate adjustments and recalculations that steadily raise the industry baseline," says Mingshu Bates, Chief Analytics Officer and President of Parcel, AFS. "The cumulative impact of steady fuel surcharge adjustments and other prices have enabled carriers to maintain elevated package rates while selectively offering targeted discounts to attract profitable volumes."

In express parcel, Q3 2025 saw the cost per package rise more than expected thanks to a "perfect storm" of factors collectively pushing rates higher, including higher average billed weight, a shift in service mix toward expensive premium services and higher accessorial costs, driven in part by mid-quarter changes implemented by carriers. And although carriers did not adjust their fuel surcharges in Q3, the cumulative effects of previous changes resulted in the carrier fuel surcharge rising 17.1% YOY, even as the actual USGC jet fuel price fell 5.9% over the same interval. Another formative development is the elimination of the de minimis duty-free exemption, which is driving a reduction in low-value parcel volume and pushing carriers to continue their emphasis on careful pricing discipline. Looking ahead to Q4 2025, the express parcel rate per package index is projected to reach 2.1% above the January 2018 baseline, a 1.8% QOQ decline in line with seasonal trends, but a 3.9% YOY increase.

LTL: Carriers continue to flex pricing power

The relationship between weight and cost per shipment continues to showcase strong pricing discipline by LTL carriers, with Q3 2025 data showing weight down 7.4% YOY but cost per shipment down just 0.7% over the same interval. A longer-term indication of carriers' successful yield management and margin protection efforts is that cost per shipment has held steady at elevated levels since Q2 2023 – a period of nine straight quarters. In Q4 2025, the LTL rate per pound index is projected to reach 64.8% above the January 2018 baseline, marking the eighth straight quarter with YOY growth.

"Even as LTL networks pick up smaller shipments and experience some turnover, carriers have kept a keen eye on profitability and network efficiency," says Mich Fabriga, Vice President of LTL Pricing, AFS. "Emphasizing yield rather than volume has proven to be a successful formula for carriers in previous down freight cycles and rates are again proving resilient, even in the face of negative indicators like the ISM Manufacturing PMI index showing contraction for 33 of the last 35 months."

Truckload: Some mixed signals, but no turnaround yet

Recent data reveals a handful of positive signs for truckload rates. Linehaul cost per shipment reversed a longstanding trend of YOY decline, recording a 1.5% YOY increase in Q3 2025. Some macroeconomic indicators also paint a more encouraging picture, including higher-than-expected GDP growth in Q2 and a quarter point rate cut in September by the Federal Reserve, with the possibility of two more cuts by year's end. However, the truckload market continues to face headwinds from sluggish demand and shifting trade policies, which do not indicate relief from the excess capacity that has suppressed rates for nearly three years. In Q4 2025, the truckload rate per mile index is projected to reach 6.1% above the January 2018 baseline – a modest 0.1% QOQ increase and 0.9% YOY increase, but the 11th straight quarter with rates at or below 6.2%.

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.

###

Media contact:

Dan Gauss

Koroberi

336.409.5391

dan@koroberi.com