S&P Journal of Commerce

US shippers resisting truckload rate hikes amid ongoing market softness

Uber Freight said truckload demand rose 1.2% in the second quarter from a year earlier, but the logistics firm expects a slow supply-driven truckload recovery. Photo credit: William B. Cassidy, Journal of Commerce.

William B. Cassidy, Senior Editor | Aug 7, 2024, 2:29 PM EDT

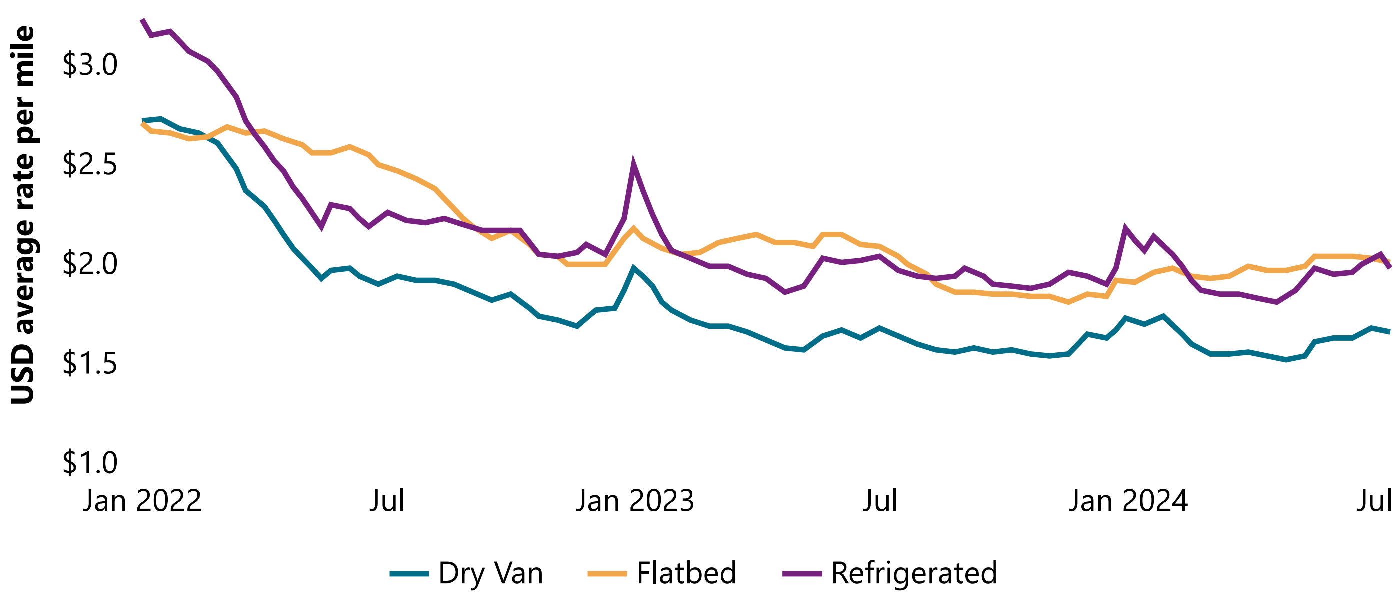
Fewer US shippers are expecting significant rate increases from truckload carriers in early 2025 as economic indicators and reports point to slower economic growth than recently anticipated and uncertainty about freight demand.

Spot US truckload rates have risen since May but are sticking close to last year's prices. The national average dry-van spot rate from DAT Freight & Analytics was $1.64 per mile for the week ending Aug. 4, up 1 cent per mile from the same week one year ago.

DAT's average spot rate has ranged between 1 and 6 cents per mile higher than one year ago, excluding fuel surcharges, since the second week of June, indicating that an "inflection" has already hit the spot market.

Dry-van truckload spot rates inching higher

Average US truckload spot rates, in USD per mile, excluding fuel surcharges



Source: DAT Freight & Analytics

1M 6M 2Y YTD MAX

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"We're seeing more upward movement in national average spot rates," Dean Croke, principal analyst at DAT, told the *Journal of Commerce*. "The market is trying its hardest to claw its way back off the bottom, but it's slow going."

But the truckload contract market hasn't reached a turning point, Croke said. "Shippers are still beating contract rates down on average," he said. Replacement rates in truckload contract routing guides are down about 2% year over year.

"Across our data, shippers still have pricing power," said Croke. DAT's national average dry-van contract rate dropped from $2.01 per mile in July to $1.97 in August to date, excluding fuel surcharges, down from $2.04 per mile in August 2023.

Shippers that were expecting an increase in contract truckload rates early next year are now having second thoughts. Logistics executives have told the *Journal of Commerce* they will try to hold the line on truckload pricing longer to keep rates flat year over year.

"If the market increase is only 1% to 2%, we're going to go for flat," said a large consumer goods shipper who didn't want to be identified.

However, that shipper and others also have said they want to keep and reward incumbents when contracts come up for renewal.

Cautious optimism

In recent second-quarter earnings calls, truckload executives have been cautiously optimistic about the second half and the first quarter of 2025.

"We've actually taken three rate increases in the last 45 days and we haven't done that in two years," David Ray Parker, CEO of Covenant Logistics, told Wall Street analysts during a July 25 earnings call.

"We don't have the momentum yet to go full-fledged and roll out rate increases all over to every customer, but we're looking at that," he said.

"With better freight choices expected in the second half, we will be methodical and proactive in transitioning our one-way [truckload] portfolio to higher rates throughout the end of the year and into 2025," Derek Leathers, CEO of Werner Enterprises, said in a July 30 earnings call.

However, rising US unemployment and turmoil in stock markets have dampened some economic enthusiasm since July.

Stuck in slow motion

In its 2024 Q3 market update, released Wednesday, Uber Freight said it expects a slow, supply-driven recovery in the second half, "at best."

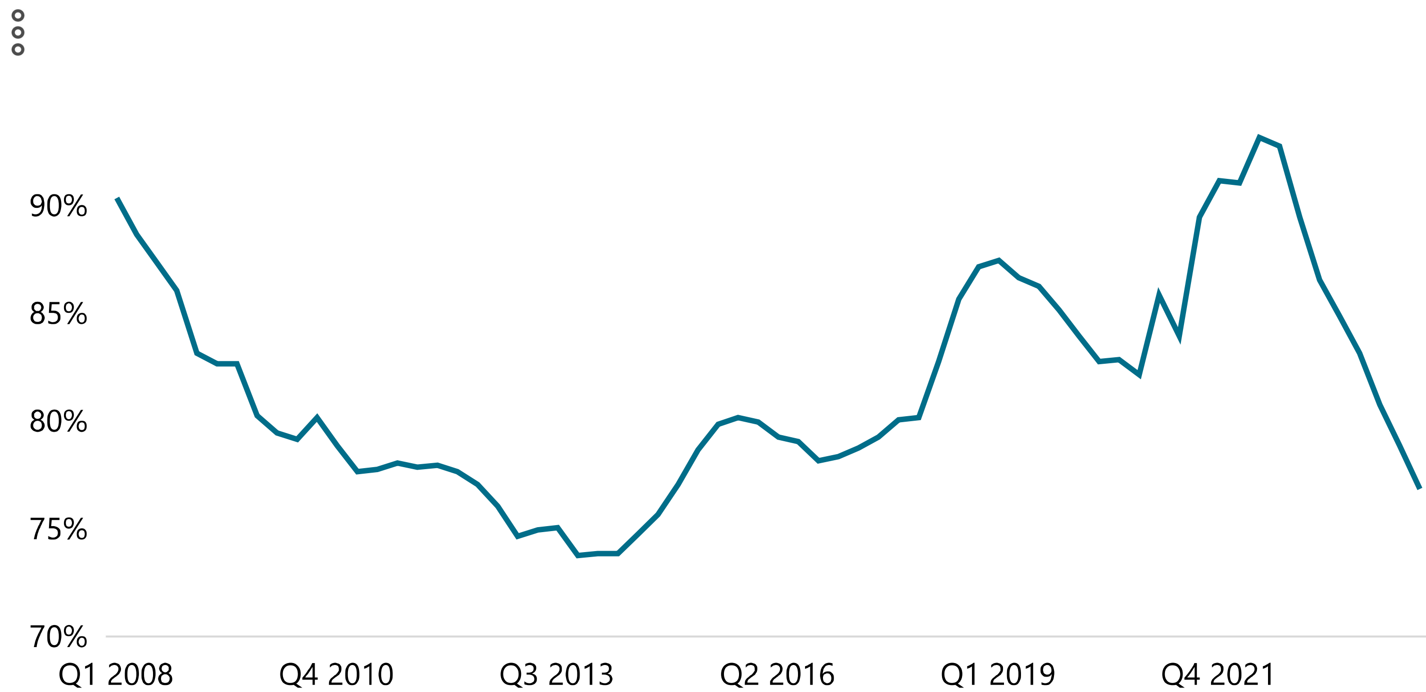
The logistics provider did see truckload improvement in the second quarter, with overall demand flat from the first quarter but up 1.2% year over year. Uber Freight attributed those gains mostly to a 2.3% year-over-year rise in consumer spending.

Long-distance truckload employment also dropped 1.7% year over year in the second quarter but was still higher than in 2019.

The *Journal of Commerce* For-Hire Trucking Employment Index was 4 percentage points lower in July than a year earlier. Unadjusted employment numbers show trucking employment is down about 2% from July 2023, according to the US Bureau of Labor Statistics.

Large truckload carriers culled even more trucks in Q2

Journal of Commerce Truckload Capacity Index



Source: Company reports, JOC analysis

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The drop in truckload employment, along with continued cuts to large truckload fleet tractor counts and the departure of smaller carriers from the market, have yet to make a dent big enough in truckload capacity to shift pricing power back to carriers.

“While long-distance truckload employment decreased slightly [in the second quarter] compared to 2023, the overall supply only fell 0.3% year over year thanks to higher-than-anticipated sales of Class 8 trucks,” Uber Freight said in its report.

The report noted that first tender acceptance rates in truckload fell to 92% in July but remained near record highs. “These numbers suggest that most spot volume on the market is intentional or attributable to one-off shipments," Uber said.

They also show contract truckload carriers continue to haul most of the freight offered to them, even when prices trend lower than a year ago.

Contact William B. Cassidy at bill.cassidy@spglobal.com.