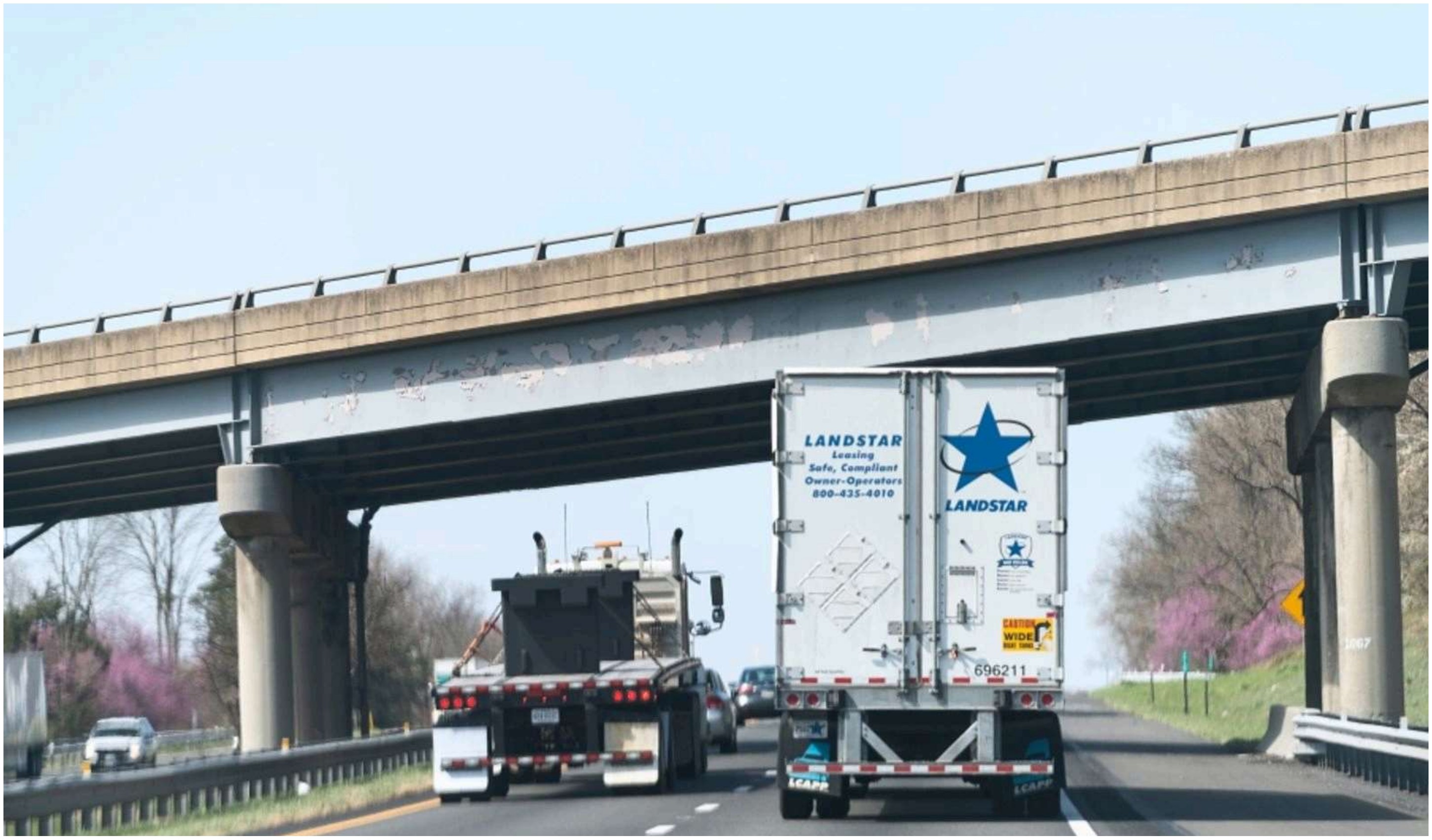
S&P Journal of Commerce

Large US truckload carriers, expecting more demand, rein in capacity cuts



Market conditions still favor the shipper, truckload executives say, but they believe a more neutral market is just down the road in 2025. Photo credit: Andriy Blokhin / Shutterstock.com.

William B. Cassidy, Senior Editor | Feb 18, 2025, 1:29 PM EST

Large US truckload carriers made shallow cuts to their truck counts in the fourth quarter, curbing capacity while anticipating an end to a more than two-year freight downturn.

From the carriers' perspective, that turning point is long overdue. US shippers using truckload services have enjoyed an unprecedented long stretch of pricing power, and the pendulum bearing negotiating leverage hasn't swung back toward the carriers yet.

"Market conditions continue to favor the shipper," Landstar System CEO Frank Lonegro said during a recent earnings call. He cited "choppy conditions" in the industrial economy, which saw an uptick in orders and production in January.

Capacity cuts at large truckload carriers close to bottom

Journal of Commerce Truckload Capacity Index (4Q 2006 = 100)

Source: Company reports, Journal of Commerce analysis

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Even so, the truckload carriers represented by the *Journal of Commerce* Truckload Capacity Index (TCI) are trimming rather than slashing their fleet counts, which they cut deeply from 2022 through mid-2024. That indicates they see a turning point on the horizon.

“The fundamentals of the general freight industry have improved to a level that is now allowing us to negotiate pricing from a better posture than the last two years,” James Grant, CFO of Covenant Logistics, told Wall Street analysts during a January earnings call.

Lowest TCI in 10 years

The TCI, a measure of truck capacity at some of the largest US truckload providers, dropped from 76.6 in the third quarter to 75.7 in the fourth quarter, its lowest reading in 10 years. The index is down 18.8% from its mid-2022 peak reading of 93.2.

But the purge of equipment from large truckload fleets has slowed in the past two quarters, as business for many companies began to gradually and incrementally improve.

Capacity is still readily available to shippers in truckload lanes, with only occasional pockets of tightness, according to trucking executives. That underscores just how much small-carrier truckload capacity entered the market from 2020 through 2023.

The number of active motor carrier operating authorities — mostly truckload carriers — rose 53% from 2019 through 2022, according to the US Federal Motor Carrier Safety Administration (FMCSA). Since 2022, about 35,000 to 40,000 trucking companies have left the market, whether through shutdowns or acquisitions.

“While capacity has continued to exit the market, the pace has been slow,” Derek Leathers, CEO of Werner Enterprises, said during a Feb. 6 earnings call. That shows carriers are finding ways to stay on the road despite low rates.

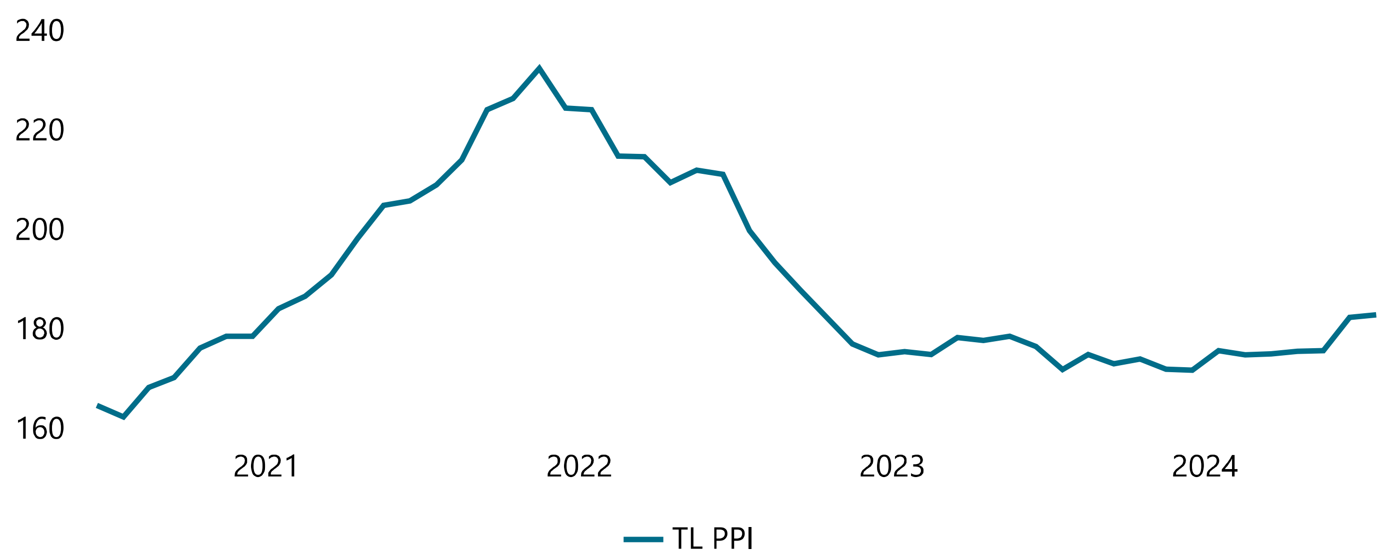
A coming bounce?

There are indicators that the *Journal of Commerce* TCI may begin to climb again in the next few quarters, possibly turning upward by the third quarter of 2025.

From mid-2022 through mid-2024, the US long-distance truckload producer price index (PPI) fell 24.2%. The PPI represents all-inclusive, mostly contractual selling prices. From last June through January, however, the PPI climbed 6.5%, mostly since November. Last month, the truckload PPI was up 6.4% year over year.

Long-haul truckload PPI rises 6.4% year over year in January

US long-haul truckload producer price index (PPI)



Source: US Bureau of Labor Statistics data, Journal of Commerce analysis

6M 1Y 3Y YTD MAX

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The *Journal of Commerce* TCI typically lags the PPI and other pricing measures by several months. Most truckload pricing indexes were largely flat from mid-2023 through late 2024. Improvements in pricing are likely to show up in the TCI in the second half of 2025.

Leathers expects fairly limited truck count growth in the first half of 2025, with most of that growth in dedicated fleets.

“We’re not looking to grow that one-way truckload fleet intentionally, at least until we get a much improved rate environment,” Leathers said.

Lonegro expects Landstar’s truck count to continue to drop in the first quarter.

“I’d like to think that we’re in the beginning of the next cycle, but I could also argue that we’re at the end of the prior cycle,” he said. “It does feel like some capacity needs to continue to come out."

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