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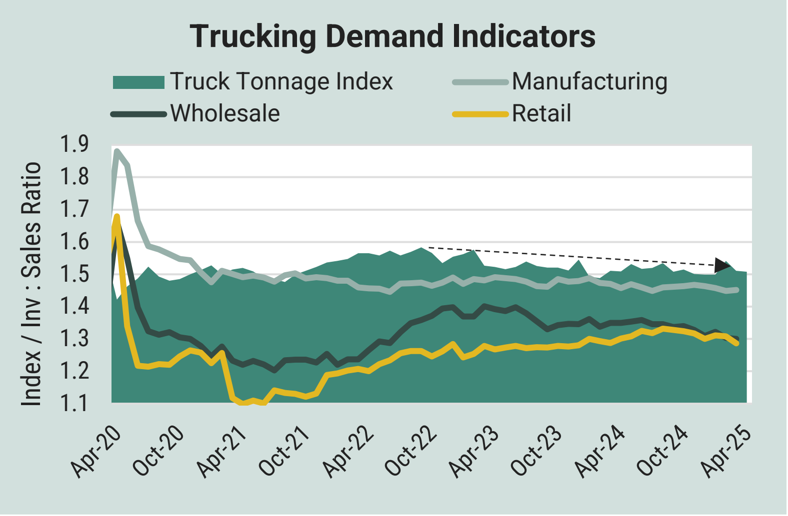
Distribution & Logistics Industry

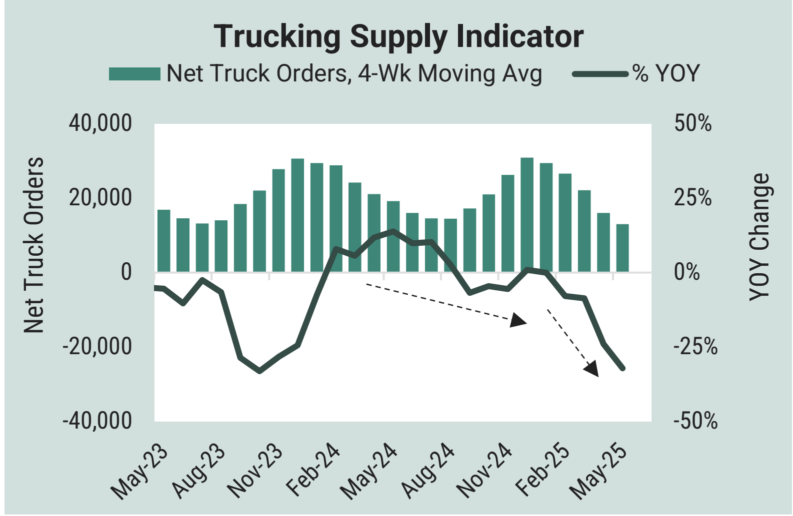
Domestic Trucking Spotlight
June 2025

Tariffs Stall Trucking's Road to Recovery…

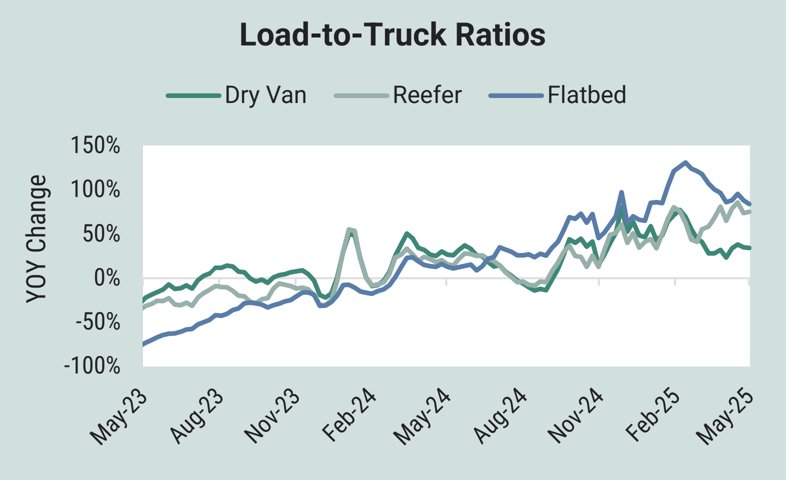
The U.S. trucking industry's fragile recovery has been upended by recent volatility in tariff policy. Load-to-truck ratios and spot rates have been on the rise despite still-low demand, pointing to a market rebalancing through corrections in overcapacity. However, these trends tapered as tariff concerns emerged, creating significant headwinds to truckers' top- and bottom lines. This all but prolongs the industry's path to recovery as carriers adopt a more pessimistic outlook – indeed, statistics around net trucking orders suggest that carriers have accelerated capacity reductions in response to tariff uncertainty.



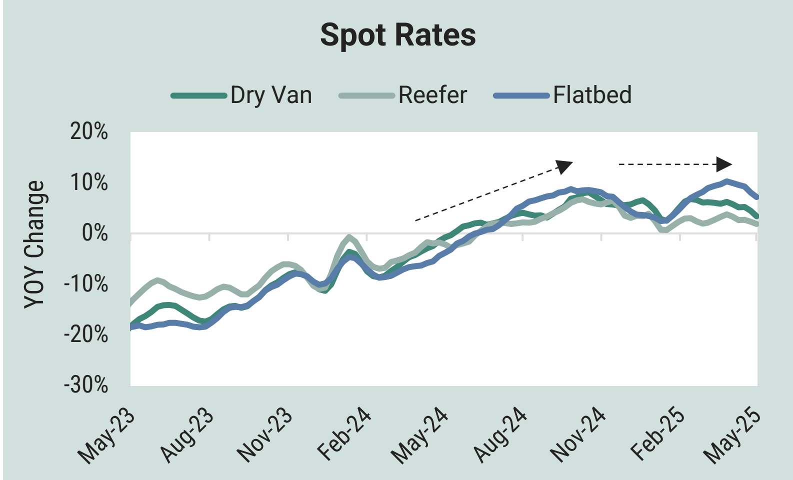
Source: Bureau of Transportation Statistics, ATA, U.S. Census Bureau



Source: FTR Intel, Trucking Dive



Source: DAT, Trucking Dive

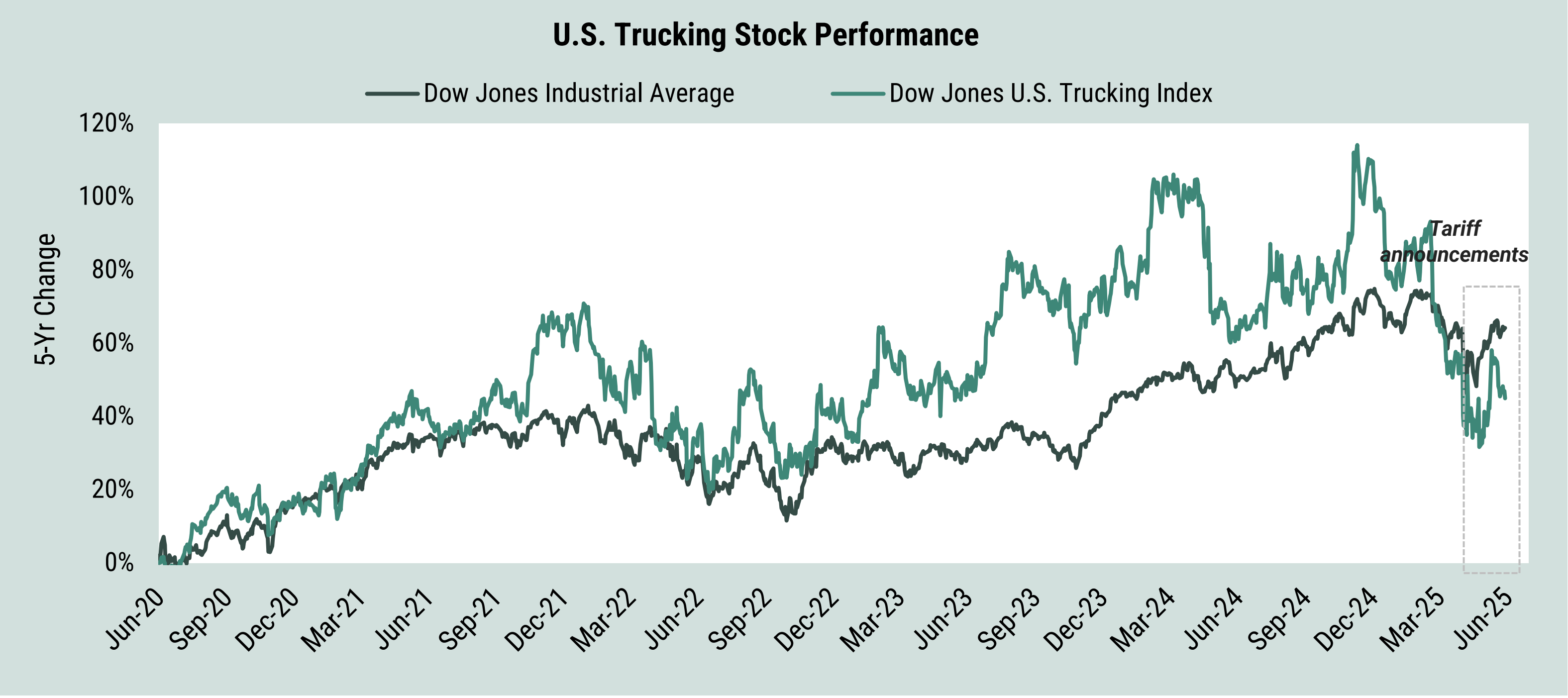


Source: DAT, Trucking Dive

…and Subsequent Aftershocks Deepen Industry Setbacks

The trucking industry's inherent sensitivity to trade, manufacturing, and consumer spending gives it greater exposure to the Trump 2.0 tariffs vis a vis other sectors. Compounding this is the fluctuating nature of the policies, which raises significant uncertainty and challenges for carriers and shippers alike.

- **Continued Decline in Consumer Confidence**. Despite a recent 16% increase from historic lows, consumer sentiment remains cautious, as it is still significantly below December 2024 levels, reflecting ongoing concerns about the economy's future trajectory and various downside risks.
- **Intensified Stagflationary Conditions**. The tariffs negatively impact both freight demand and operating costs, challenging carrier profitability and restricting growth potential.
  - **Threats to Domestic Freight Volume.** Tariffs raise prices in a broad array of sectors and stifle growth in retail, manufacturing and construction freight volumes.
  - **Erosion in Port Volume.** While the tariffs resulted in initial "panic importing", port volumes have subsequently declined, leading to a reduction in drayage and intermodal freight activity.
  - **Escalating Equipment Costs**. Over 40% of Class 8 trucks and parts are imported from Mexico and Canada. As such, tariffs have increased fleet acquisition and maintenance costs.
  - **Increasing Insurance Costs**. Trucking companies continue to face rising insurance premiums and carriers list rising insurance costs among their top business challenges.
  - **Prolonged High Interest Rates.** The persistent high-interest rate environment continues to hinder CAPEX investments for growth and equipment modernization.
- **Supply Chain Volatility from Tariff Swings**: The fluctuating nature of tariffs has led to volatility in import volumes, making operational planning and resource allocation highly challenging.



Source: CapIQ. The Dow Jones U.S. Trucking Index typically includes JB Hunt, Knight-Swift, Old Dominion, XPO Logistics, Schneider, Werner and Saia

Shippers Must Adapt and Navigate Persistent Headwinds

As the trucking industry navigates a protracted downturn, shippers must proactively adapt:

- **Stay Informed.** Monitor economic and market indicators, tariff policy shifts, and their direct impact on carriers to inform strategic decisions.
- **Evaluate Network Resilience.** Update network models to assess the total landed cost of goods and potentially offset tariff impacts. Explore long-term nearshoring or reshoring to mitigate future tariff exposure.
- **Build Agility.** Develop contingency plans for demand shifts or capacity disruptions due to trade policy volatility. This includes flexible contracts, negotiating volume flexibility and dynamic rate management.
- **Strengthen & Diversify Carrier Partnerships.** Diversify your carrier base to support consistent capacity. Prioritize financially stable partners and work out mutually beneficial commercials to support long-term viability.
- **Collaborate on Efficiencies.** Partner with carriers on operational improvements like route optimization, load consolidation and reducing wait times. These efforts help mitigate rising carrier costs and build resilient relationships.

OUR EXPERTS


KEITH JELINEK
Sr. Managing Director
keith.jelinek@ankura.com


RICK MAICKI
Sr. Managing Director
rick.maicki@ankura.com


DAVID TAIT
Managing Director
david.tait@ankura.com


CORINNE LIM
Senior Director
corinne.lim@ankura.com


BEN KIM
Director
ben.kim@ankura.com

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