Q3

2026 U.S. ECONOMIC UPDATE

A special report by
Avery Vise of FTR Transportation Intelligence

FTR Transportation Intelligence

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National Motor Freight Traffic Association, Inc.

FTR Transportation Intelligence.

Freight Transportation Research (FTR) is the industry's leading provider of transportation intelligence, delivering unbiased, data-driven forecasts and market insights to help manufacturers, shippers, carriers, and industry stakeholders make informed decisions. With over 40 years of expertise, FTR's proprietary Freightcast forecasting methodology leverages economic and industry data to provide a clear, third-party perspective on freight demand, commercial vehicle production, and supply chain logistics.

Avery Vise

Avery Vise has closely studied the transportation industry for nearly 40 years as an editor, analyst, and researcher, including more than 25 years dedicated specifically to the trucking industry. Currently, he is vice president of trucking for FTR Transportation Intelligence, which specializes in forecasting and data analysis in freight transportation. He serves as FTR's chief analyst for trucking-related market data and insights concerning truck freight demand, capacity, rates, and regulatory impacts. Vise is the principal author of FTR's monthly Trucking Update report and contributes to the firm's Shippers Update and Truck and Trailer Outlook services. He leads the weekly Spot Market Insights analysis, hosts the weekly Trucking Market Update podcast, and is a primary contributor to FTR's Weekly Transportation Update publication. Another major focus is tracking trucking fleets' driver and truck capacity and leading client projects to size markets for specific types of trucking operations. Vise also conducts regular webinars for clients and is a frequent speaker at conferences. Prior to joining FTR in 2017, Avery was principal of his own transportation consulting and market research practice. Previously, he served as head of trucking market research and analysis for a media organization and as chief editor of a trucking industry magazine. Vise started his career at McGraw Hill as an editor covering the commercial aviation industry before shifting his focus to the trucking industry in 1998.

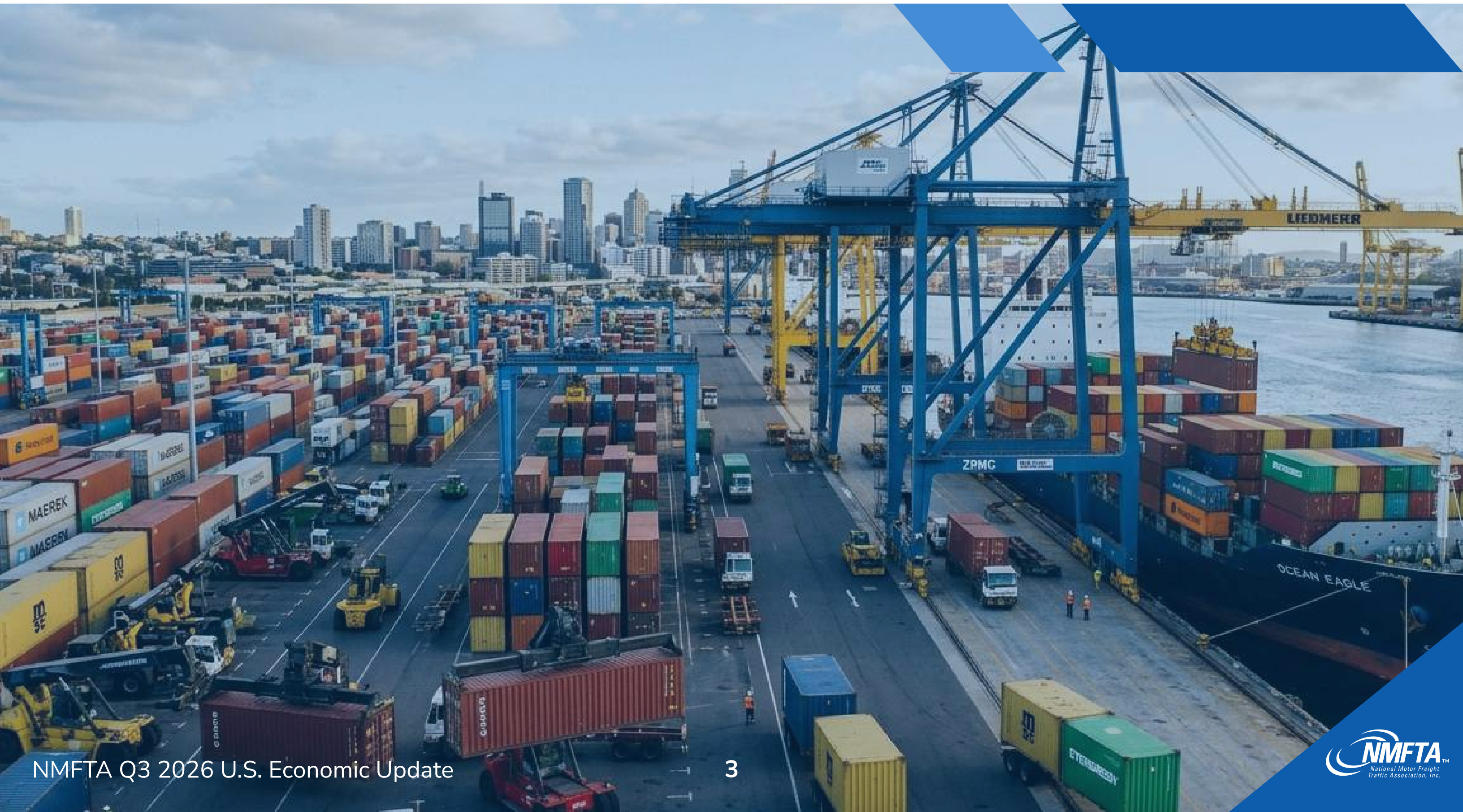
Economic Outlook

Although the U.S.-Iran truce has collapsed and key industrial tariffs remain in place, the U.S. economy seems to be plowing ahead with a modest recovery—or at least stability—in key areas. The big exception is the housing sector, which remains mostly weak owing to a combination of headwinds that are interacting negatively with one another.

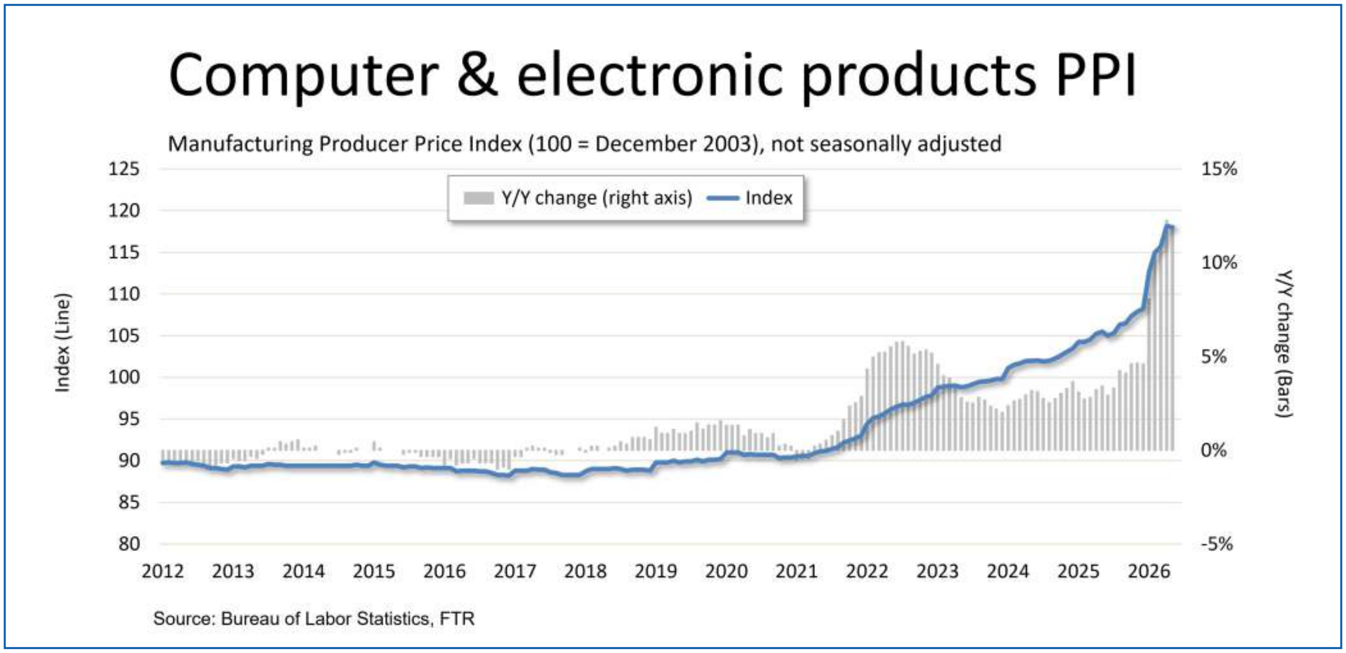
Manufacturing output continues to run ahead of prior-year levels, and the closely watched Institute for Supply Management's (ISM) manufacturing index has been in expansion territory for six straight months. Improvement does not equal strength, however, and nowhere is that more evident than in manufacturing as discussed below.

Most other economic indicators are expressed in dollar value and have been harder to assess due to much stronger tariff- and demand-related pricing for key materials and components and, more recently, because of the recent surge followed by a sharp pullback in energy prices.

Although the average person probably thinks of inflation in terms of gasoline and food, pricing is distorting figures on metrics like manufacturing orders, imports and exports, construction spending, and more. For example, due largely to the impact of hefty tariffs even on domestically produced aluminum, the Producer Price Index (PPI) for extruded aluminum shapes has been soaring and has set a record every month since October. Costs for computer and electronics manufacturing had risen steadily for four years before rising sharply at the beginning of this year.



Even adjusted for inflation, the industrial and consumer sectors mostly have been experiencing at least minor growth. However, as addressed below in the discussion of manufacturing, figures adjusted for pricing often look nothing like the raw numbers published by the Census Bureau and other agencies.



Soaring costs are distorting dollar value-based economic indicators like manufacturing orders, for example, that are reported without inflation adjustments. Based on the Producer Price Index (PPI), aluminum pricing has been setting records every month since October. The PPI for computer and electronic products manufacturing had been rising steadily, but pricing has soared since the beginning of this year.

Businesses and consumers might be weathering pricing shocks and other disruptions, but uncertainty over trade remains a concern. For example, having lost its Supreme Court case over tariffs imposed based on emergency powers, the Trump administration continues to explore tariffs through other avenues and to modify existing tariffs, such as those on steel and aluminum, in ways that make imported goods even more expensive.

The biggest trade issue—and especially so for trucking—is the U.S.-Mexico-Canada Agreement, or USMCA. As fully expected, the U.S. government formally informed Mexico and Canada on July 1 that it objects to the automatic renewal of USMCA for 16 years in its current form. For now, the trade agreement remains in place as the U.S. attempts to negotiate separately with the two North American trading partners. However, the U.S.—or any of the three countries, for that matter—could withdraw from USMCA on six months' notice. Absent cancellation or renegotiation, USMCA will expire in 2036.

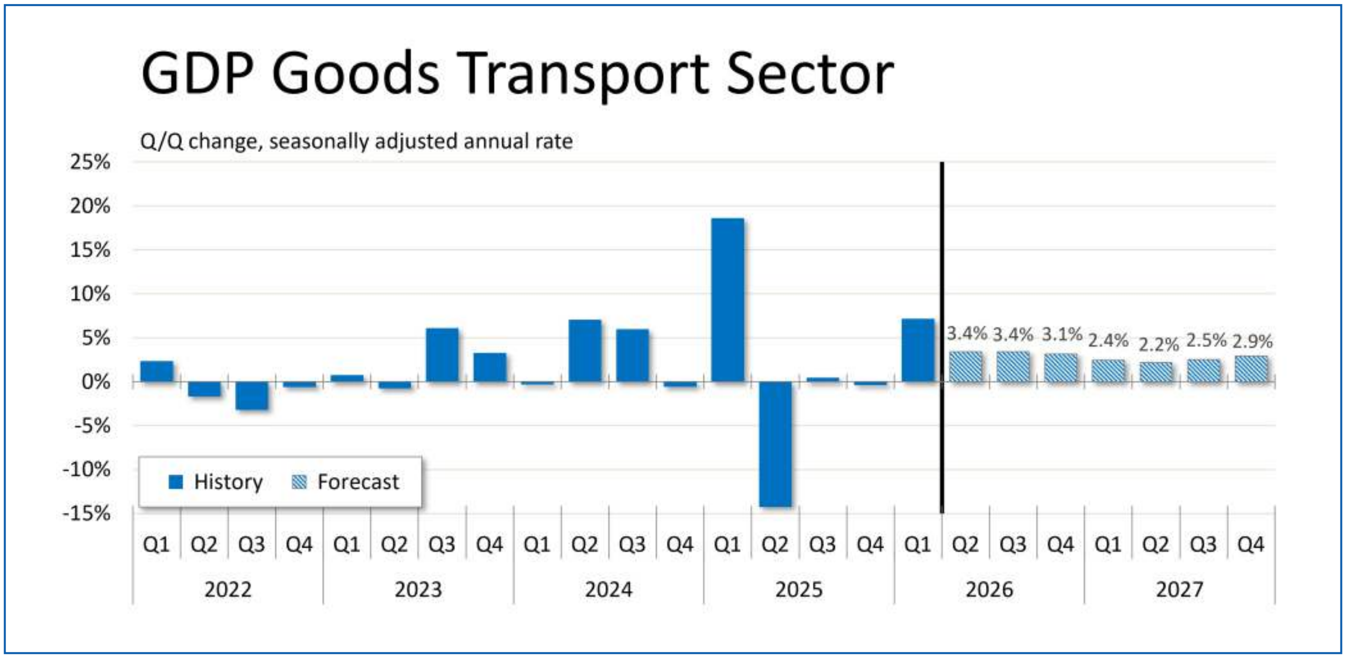
The lack of clarity on USMCA is a challenge for U.S. businesses deciding whether and where to make investments. On the one hand, U.S.-based production is a safe move and one that the Trump administration obviously encourages. However, businesses choosing that path could lose out on cost advantages should USMCA remain in place for the long term. If President Trump ultimately plans to withdraw from USMCA, in some ways it would be ideal if he did that sooner rather than later.

Otherwise, economic growth looks solid, though not really robust. Real Gross Domestic Product (GDP) rose 2.1% in 2025. While that was notably softer than growth of 2.9% and 2.8% in 2023 and 2024, respectively, a key factor was the surge in imports early in 2025 to avoid tariffs. As we have noted previously, imports count as a negative in the calculation of GDP. Our forecast for this year is 2.0% growth, and again, imports are a factor due especially to the need for computer products for data centers and the AI buildout. The 2027 GDP forecast is +2.2%.

FTR estimates and forecasts the portion of the economy linked to freight transportation—what we call the GDP Goods Transport sector, or GTS. This view is based on the same inflation-adjusted dollar value activity captured by GDP, but it strips out the services portion of the economy and treats imports as a positive rather than a negative.

On a quarter-over-quarter basis, GTS looks quite a bit stronger than GDP at +3.4% annualized for the second and third quarters of this year. However, for all of 2026, the GTS forecast is only slightly stronger than GDP because 2025—while highly volatile quarter to quarter—was stronger for GTS at +2.5%.

As noted, GTS is based on the dollar value of goods adjusted for inflation, so it does not necessarily match our freight forecast. Currently, we project total truck loadings growth of just 1.5% year over year in 2026. A key factor is the huge investment in AI because computer-related products and components are high in value but low in freight impact. Another strength generally has been pharmaceuticals, which fit that same profile.



FTR's forecast for the portion of the economy linked to freight transportation has improved since the beginning of this year, but it is still not very robust as a driver of freight volume. One reason is that all goods are not equal in terms of a freight impact, and one of the biggest strengths for the GDP Goods Transport Sector has been computer-related products that are high value but low cube.

Manufacturing: A Work in Progress

In this year's Q2 report, we discussed at some length the improvement in the manufacturing sector. Compared with a year ago, manufacturing continues to perform better than it did three months ago, but the recovery has not accelerated.

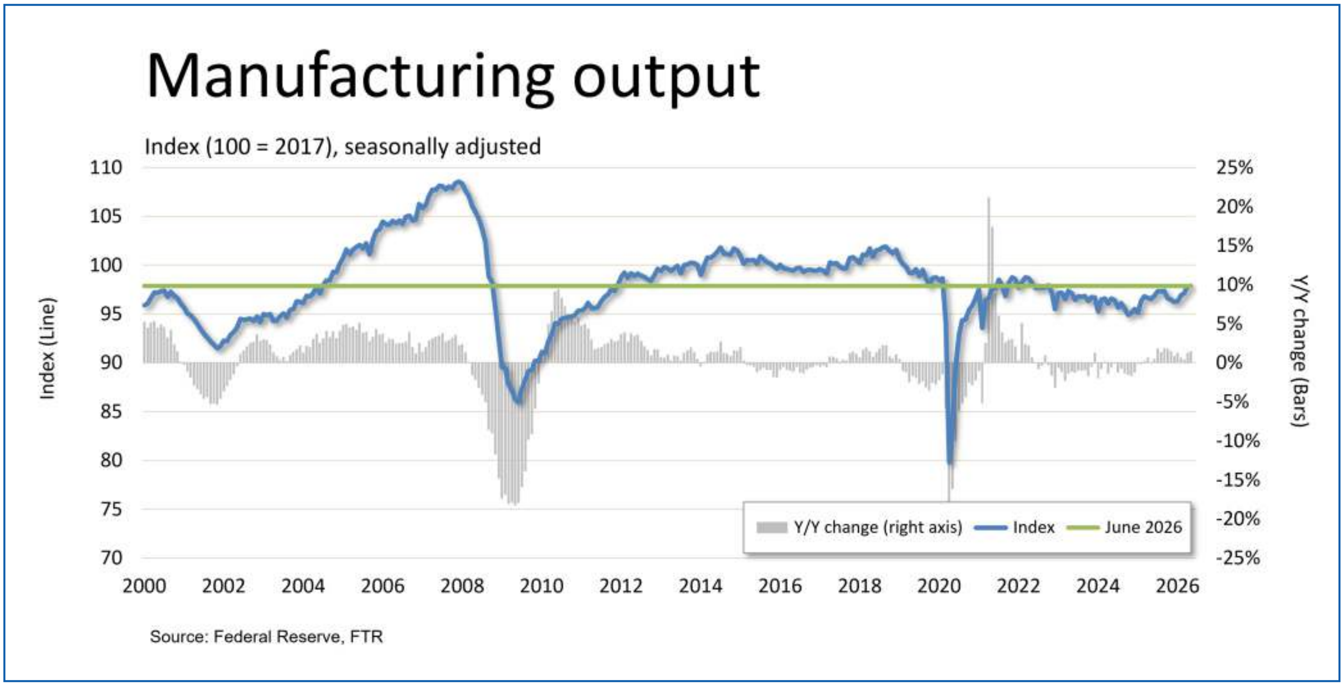
First, the good news. The closely watched ISM's manufacturing index now has indicated a sector in overall expansion for the past six months, and that expansion has applied consistently to key freight-related components: Production and new orders.

No doubt, this trend is encouraging, but there are some caveats. For starters, the ISM index is not accelerating. All year, it has ranged from 52% to 54%, which indicates only mild expansion. In 2017 and 2018, for example, the ISM index was never below 54% and averaged about 58% over the two years. Similarly, the index was above this year's high from July 2020 through May 2022, though clearly much of that strength represented recovery from the collapse in manufacturing production during lockdowns.

Another key point about the ISM index is its methodology. It is a diffusion index, which means that it is designed to gauge how widespread changes are, not how strong they are. In other words, the index currently shows that more manufacturers are recovering, but not by how much. That doesn't necessarily mean that overall growth is weak, but the ISM index doesn't tell us. Other data suggests that the improvement in manufacturing is, indeed, weak and even if it is stronger than current figures indicate, as we noted at the beginning, improved manufacturing output is not the same as strong output.

Since late 2022, manufacturing production generally has been below historical levels dating back to mid-2004 except for the early pandemic period and the Great Recession. Moreover, the peak of post-recession activity in 2018 was significantly below output immediately before the recession. Also, even before the pandemic, manufacturing production had faded to a level not seen since the recession.

The bottom line: Manufacturing remains relatively weak, even though conditions have improved.



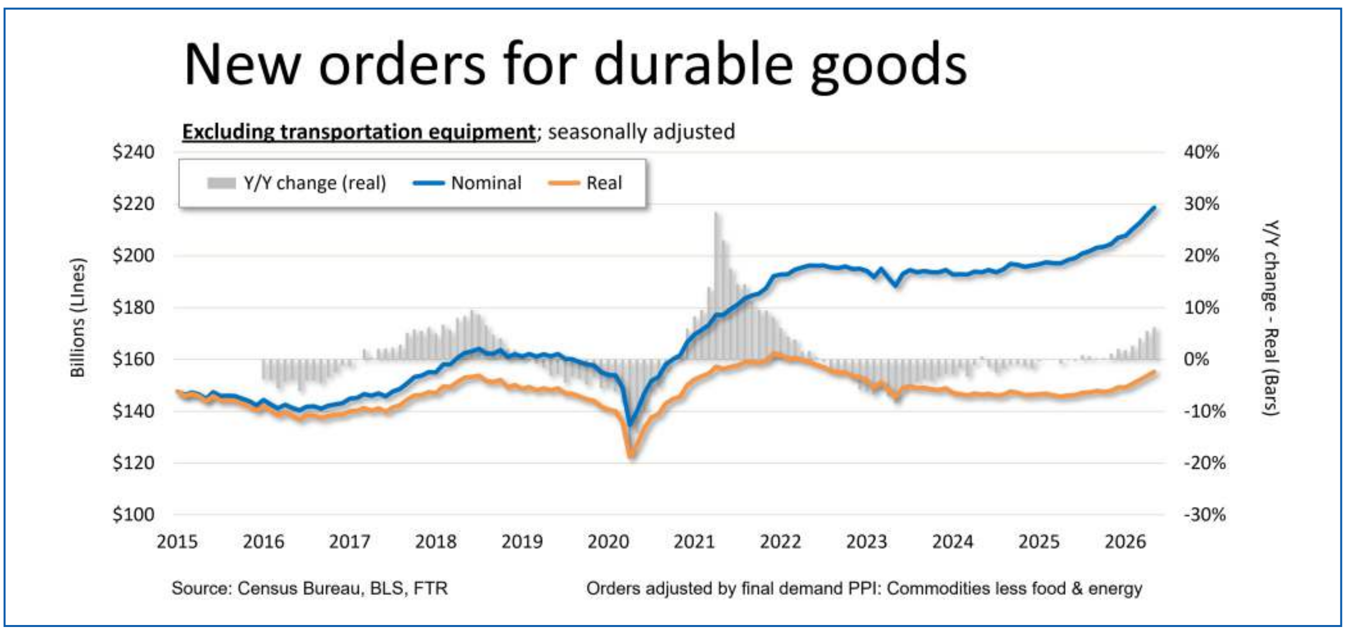
> Manufacturing production has improved but it is far from robust. The good news is that year-over-year comparisons have been positive for 15 straight months. The bad news is that prior-year comparisons were negative almost every month from the summer of 2022 through the beginning of 2025, and output wasn't very strong in the summer of 2022 to begin with.

The bigger question, of course, is where manufacturing is going, and data on new orders for durable manufactured goods is a good place to look for near- and medium-term intelligence. However, here is a case in which looking only at the figures published by a government agency presents a greatly distorted view of the situation.

For starters, we basically ignore the total new orders figure because aircraft orders are subject to big swings month to month and distract from what is happening more fundamentally. Instead, we focus on new orders excluding transportation equipment. Often, we look at an even more specific metric: New orders for core capital goods, which are nondefense capital goods excluding aircraft.

In the early stages of a recovery, though, the broader category of durable goods excluding transportation equipment is useful because it picks up on things like primary and fabricated metals, which are not capital goods but rather materials needed to manufacture capital goods.

If you were to look only at the data reported by the Census Bureau, you would assume that manufacturing demand is surging and is at a record level. Orders expressed in current, or nominal, dollars have been rising notably since the spring of last year and especially since the end of 2025. However, if we adjust the data for pricing using the PPI for commodities less food and energy, the figures still show a recovery but at a much more modest pace. Sure, it's good news and a welcome development, but it's not the surge in real terms that the nominal data would imply.

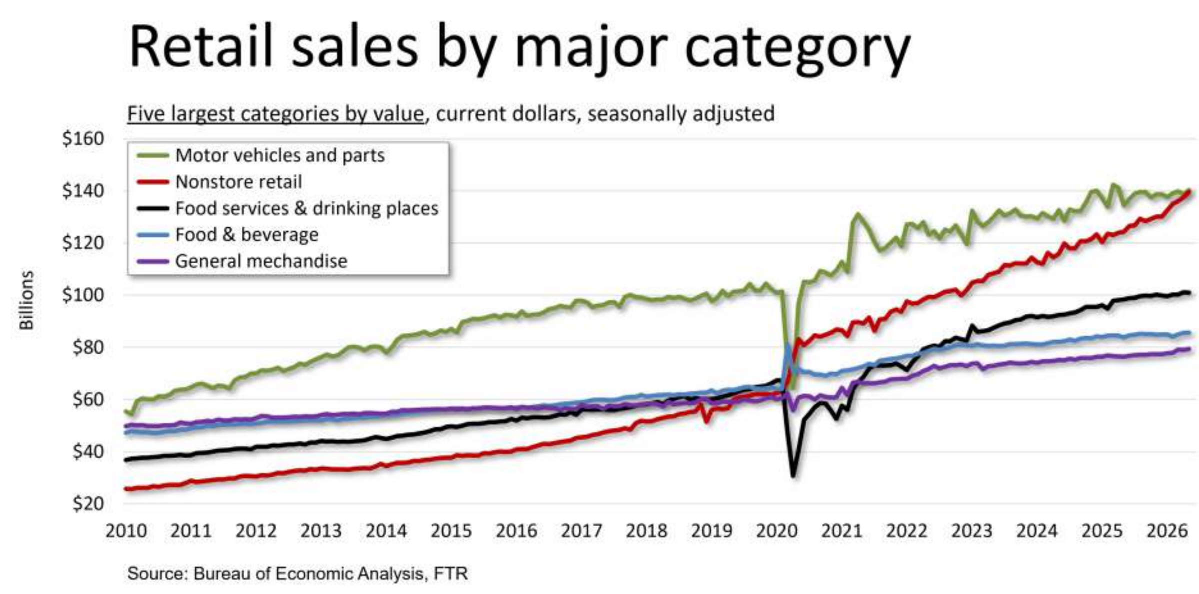


A notable example of how pricing can distort analysis of dollar value data from the government is new orders for durable manufactured goods. In real terms, demand is rising, but the gains are not as robust as those expressed in current dollars, and real demand still trails the peak of post-pandemic recovery. Nominal figures are at a record level.

Nonstore Retail: On the Verge of Being Top Dog

In general, the American consumer recently has continued to spend at generally typical levels but not significantly above them. The widely predicted surge in consumer spending due to higher tax refunds this year either hasn't happened or was dedicated largely to buying cars, trucks, and SUVs. Vehicle sales this spring—especially in June—have been running stronger than they had been since early last fall. Other than vehicles, the lack of a spending spree might have something to do with the fact that soaring gasoline prices and higher prices in general coincided with tax refund season.

One major exception to lackluster performance is nonstore retail sales, which have posted month-over-month seasonally adjusted increases in 13 of the past 14 months. In fact, that steady growth has put nonstore retail essentially on an equal footing with motor vehicle and parts sales as the No. 1 retail category in dollar volume.



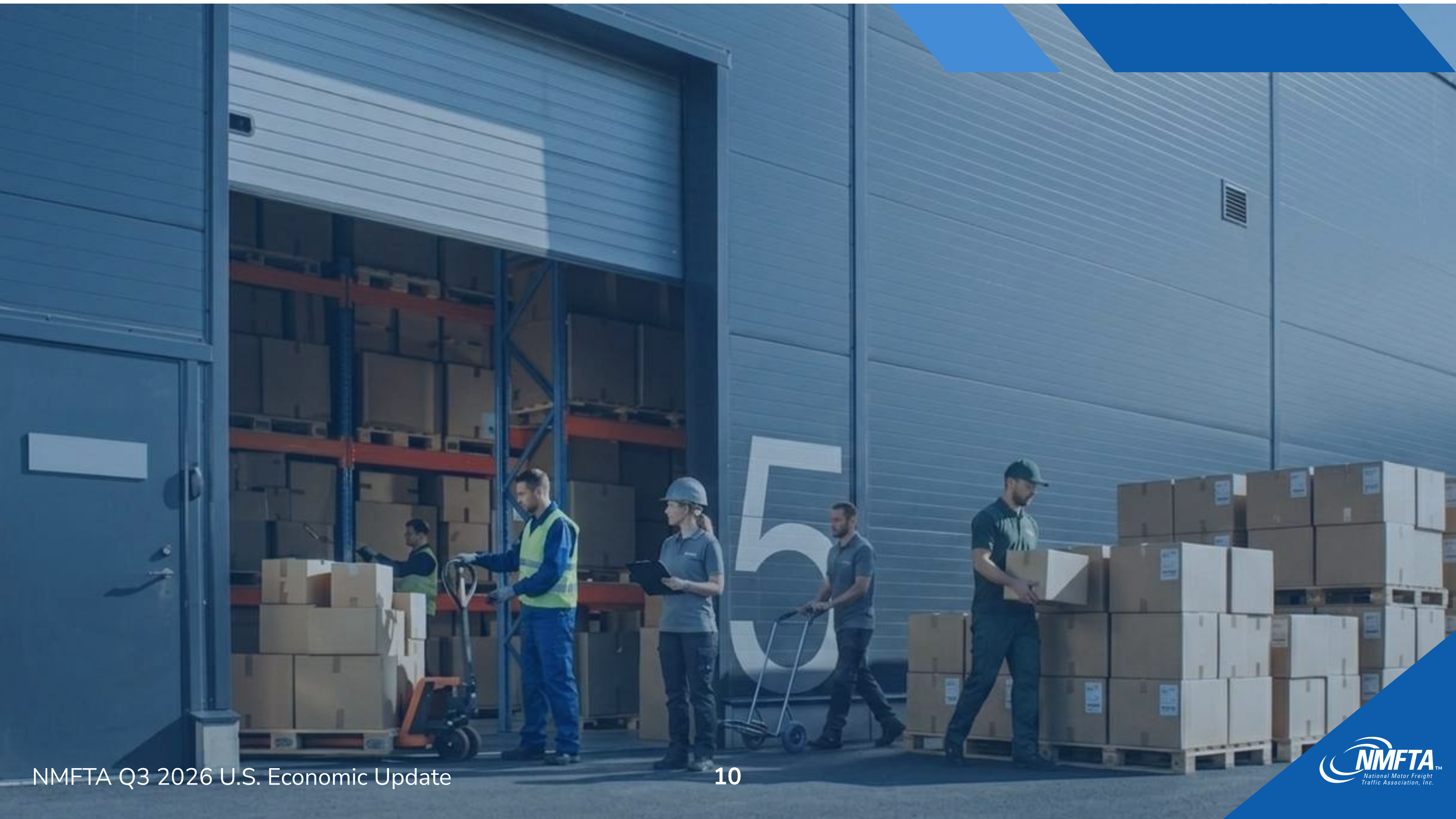
Nonstore retail sales are on the verge of overtaking motor vehicles and parts sales as the largest retail category and have represented the most consistently growing aspect of the retail sector during the 2020s.

Based on preliminary Census Bureau retail sales figures, nonstore retail sales in May came within $700 million of motor vehicles and parts sales—basically a rounding error for sectors that each generated roughly $140 billion in sales during the month. Although strong vehicle sales in June might keep that category in the lead for now, it seems clear that soon there will be months when nonstore retail will be the No. 1 retail category.

The rise in nonstore retail is even more remarkable when you consider that as recently as mid-2019, it ranked No. 5 in total retail dollars behind vehicle and parts dealers, restaurants and bars, grocery stores, and general merchandise stores. Even before the pandemic, nonstore retail had nearly matched all but vehicle and parts sales, and the abrupt shift in consumer behavior during and following the 2020 lockdowns catapulted nonstore retail into second place.

In the context of truck freight, a couple of points are key. One is that nonstore retail does not necessarily mean home delivery. Big box retailers, grocery stores, and others provide curbside and in-store pickup options that apparently count as nonstore retail in many cases if the purchase is initiated online rather than in a brick-and-mortar store. In that situation, the distribution patterns from the perspective of transportation providers are not much different than they were in the “old days.”

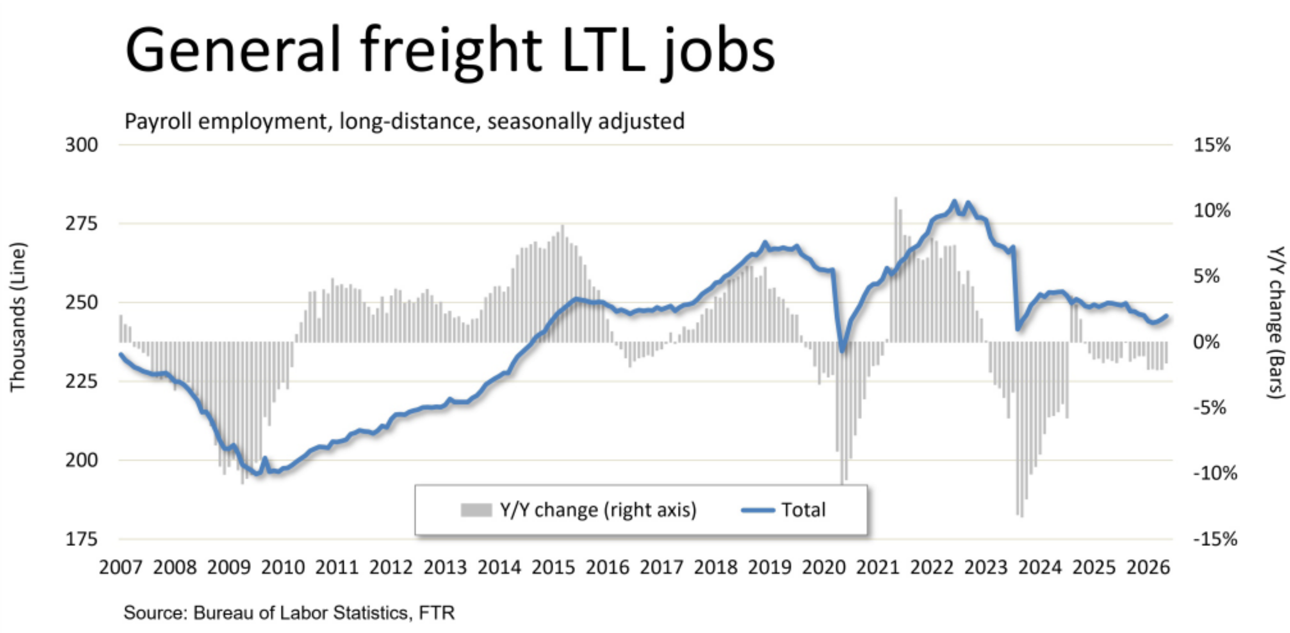
Second, nonstore retail doesn't necessarily involve a commodity that has a physical footprint. In most cases today, software and digital downloads like video games are purchased online and count as goods. Video and audio streaming is considered a service, but based on government data regarding consumers' software spending, spending on software is one of the largest drivers of consumer spending on goods as we have noted in prior updates.



LTL Industry Dynamics

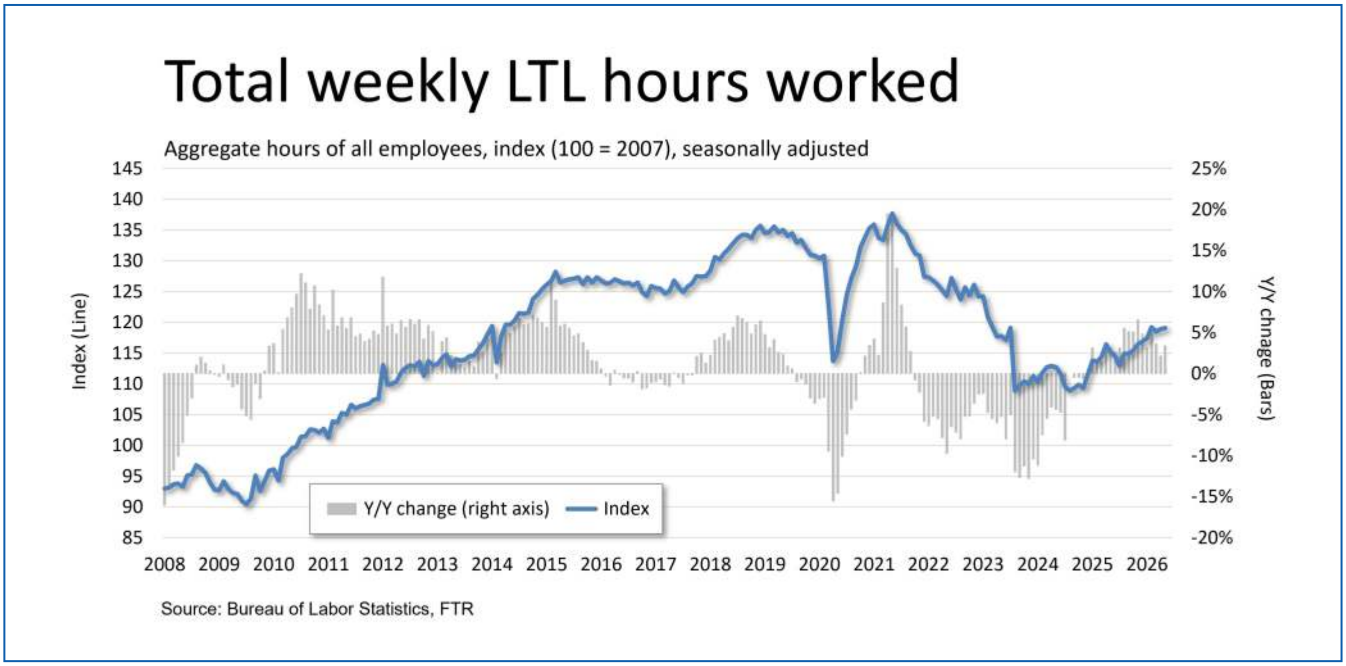
Preliminary data from the Bureau of Labor Statistics shows that LTL carriers as a group increased payroll employment, seasonally adjusted, for three consecutive months (March through May), which is the most recent month for which figures are available. The LTL sector had not recorded at least three straight month-over-month gains since the beginning of 2024 when the industry was still adjusting to the collapse of YRC. After employment plunged by about 26,000 jobs in August 2023, it rose by more than 11,000 in the following five months.

The total gain in the recent string of increases is far more modest at just 2,100 payroll jobs, but it is notable that each month in March through May saw a stronger increase than the month before. LTL in May added 1,000 jobs, seasonally adjusted, for the largest increase since September 2024. Stronger employment is hardly surprising given the modest but notable recovery in manufacturing output noted earlier.

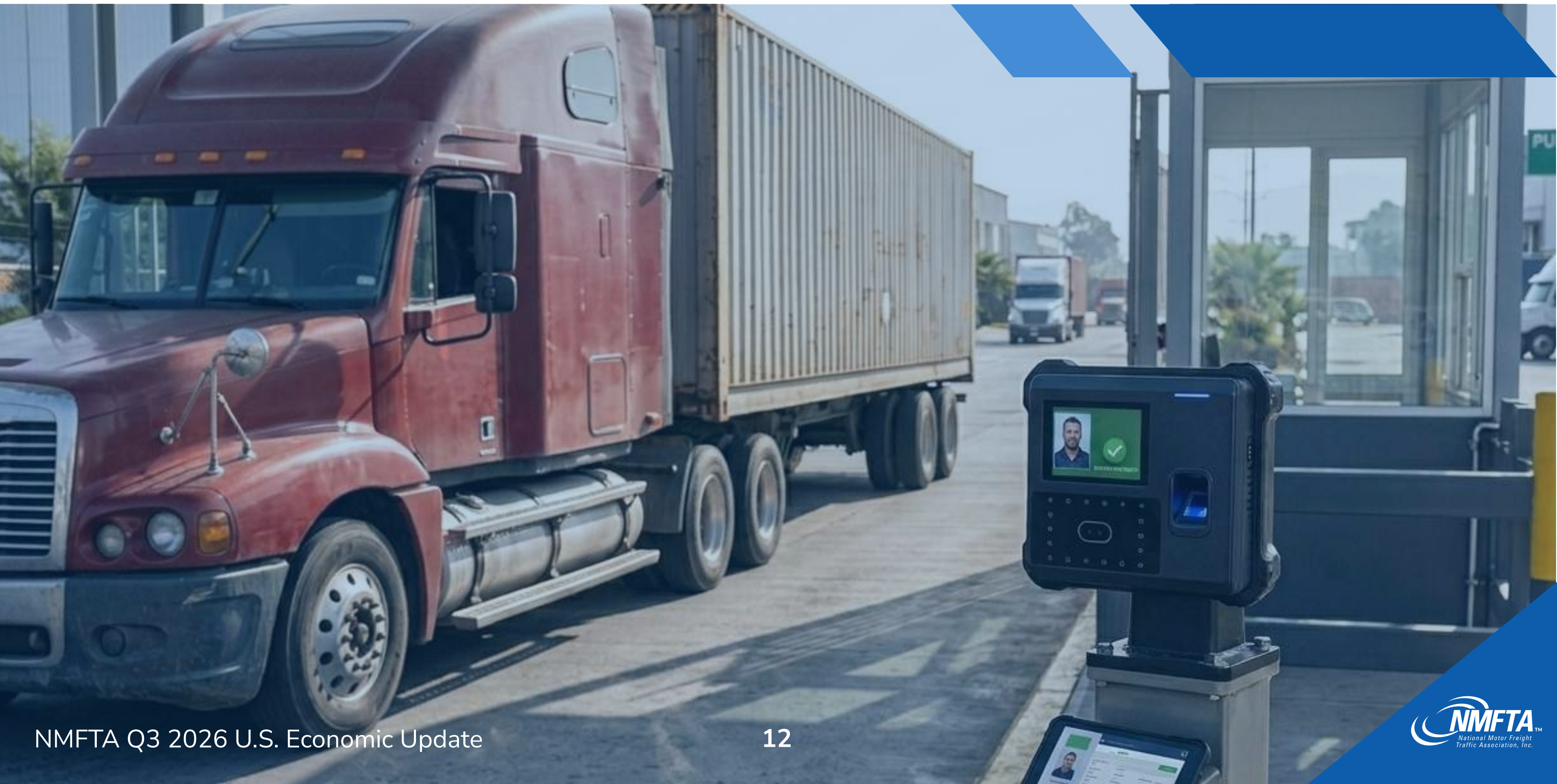


Preliminary estimates show LTL payroll employment down 1.6% year over year in May, but the sector has, on a seasonally adjusted basis, added jobs sequentially for three straight months.

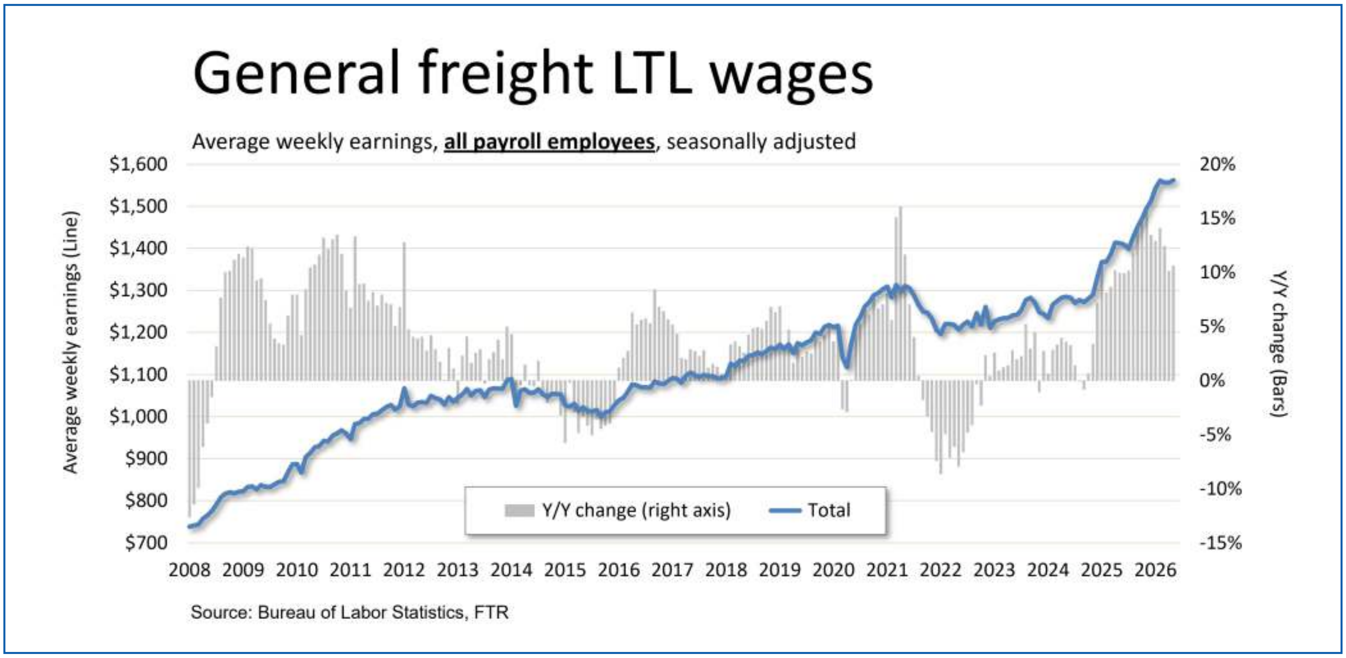
Another indication of improved demand is the consistent increase in total LTL hours worked by employees since August of last year, according to BLS figures. During that period, hours worked dipped only once—in March of this year—and are at their highest level since early 2023, although July of that year matched May's total. The increases have slowed in recent months, including the decrease in March, but total hours worked remain significantly higher than a year earlier at +3.4%.



Total LTL hours worked as of May matched July 2023 for the highest level since February 2023.



Total hours worked have been rising but until March, LTL payroll employment had declined in nine of 10 months. Not surprisingly, then, wages rose as LTL carriers generated greater output from existing workers. Average weekly earnings for LTL employees were at a record level of $1,561.66 in May, according to BLS, although earnings have mostly plateaued. That result is hardly surprising given the increase in payroll employment since March.



Average weekly earnings for LTL employees ticked up to a record level, seasonally adjusted, in May, but the surge that began in late 2024 has stalled out—at least temporarily—as carriers recently have hired more workers.

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