

Q1

2026 U.S. ECONOMIC UPDATE

A special report by
Avery Vise of FTR Transportation Intelligence

FTR | Transportation
Intelligence



FTR (Freight Transportation Research) 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.

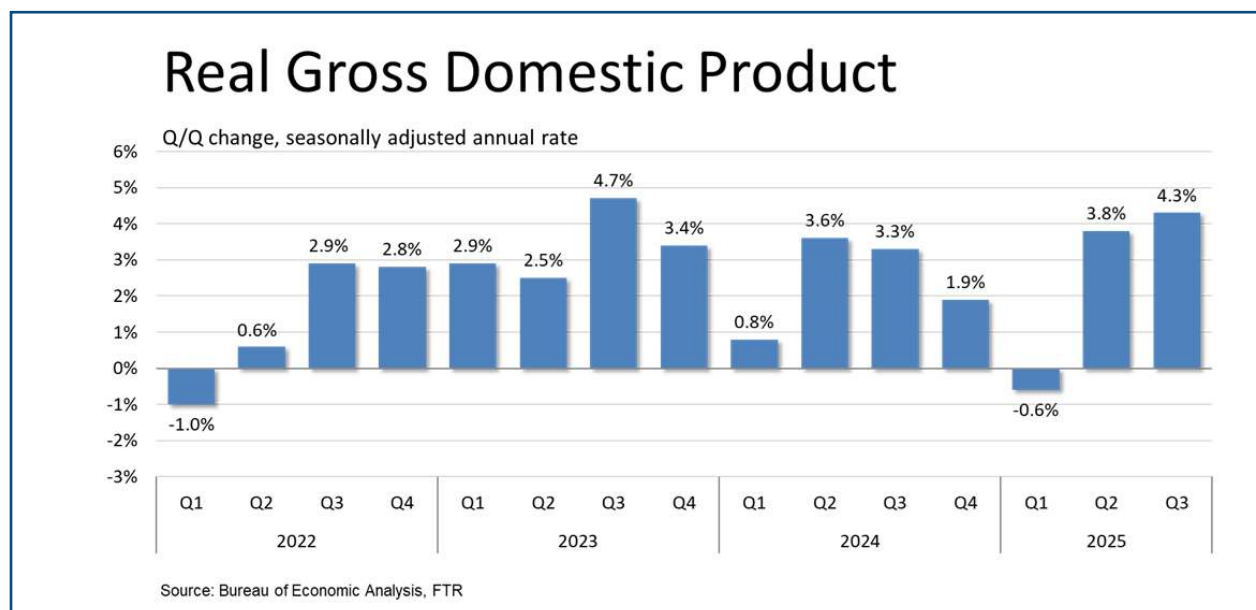
Economic Outlook

While a few gaps remain, a roughly complete view of the U.S. economy has emerged following the unprecedented 43-day lapse in federal government funding that shut down the gathering and reporting of almost all key economic data. The economy is largely stable—stronger in some areas than we previously thought but somewhat weaker in others.

To start with the good news, overall economic growth was much stronger in the third quarter of 2025 than most forecasts anticipated. Adjusted for inflation and seasonal effects, Gross Domestic Product (GDP) rose 4.3% on an annualized basis—the strongest growth in two years.

Perhaps as important as the growth rate was the source of that strength. Volatile goods imports in recent years—first due to COVID-era distortions and more recently due to tariffs—have skewed GDP in misleading ways, since imports subtract from the metric. For example, strong imports in the first quarter of 2025 to avoid expected tariff hikes resulted in slightly weaker GDP while weak imports in the second quarter mostly fueled 3.8% annualized growth.

Although weak imports contributed to GDP growth in Q3, they were far from the dominant factor. Instead, the big drivers were consumption and exports, which contributed more to GDP than weak imports did. Unfortunately for the trucking industry, much of the quarter's economic growth occurred within the services sector rather than in activity that generates substantial freight directly. Almost three-quarters of consumption's contribution to GDP came from services, particularly in health care. Also, services accounted for nearly half of the export contribution. Still, rising GDP—especially when the gains are not driven by falling goods imports—is a positive sign.



The U.S. economy, as measured by real Gross Domestic Product, recorded its strongest growth in two years during Q3 of 2025. The good news is that weak imports did not distort the figures. The downside for trucking is that the quarter's strength came mostly from services, not goods.

So, GDP itself is complicated enough, but the near-term analysis gets even stickier once we turn to some of the key economic indicators. The protracted government shutdown not only delayed some key data, but it also meant that some figures are missing altogether or were generated in a manner that raises questions over its reliability. For example, we will never know the unemployment rate or Consumer Price Index (CPI) for October. Also, the timing of data collection for the November CPI arguably skewed pricing to the back half of the month—significant because of the deep discounts that typically surround Black Friday and Cyber Monday.

Ultimately, these are minor issues that the passage of time will render moot. Far more significant is a major revision of the government's estimates of industrial activity.

A Weaker View of Manufacturing

One aspect of government statistical data that frustrates many people is the fact that it is not fixed. Almost all economic indicators are subject to revision for several months after they are released initially. Some datasets—notably, payroll employment and industrial production—also are revised annually, usually going back multiple years.

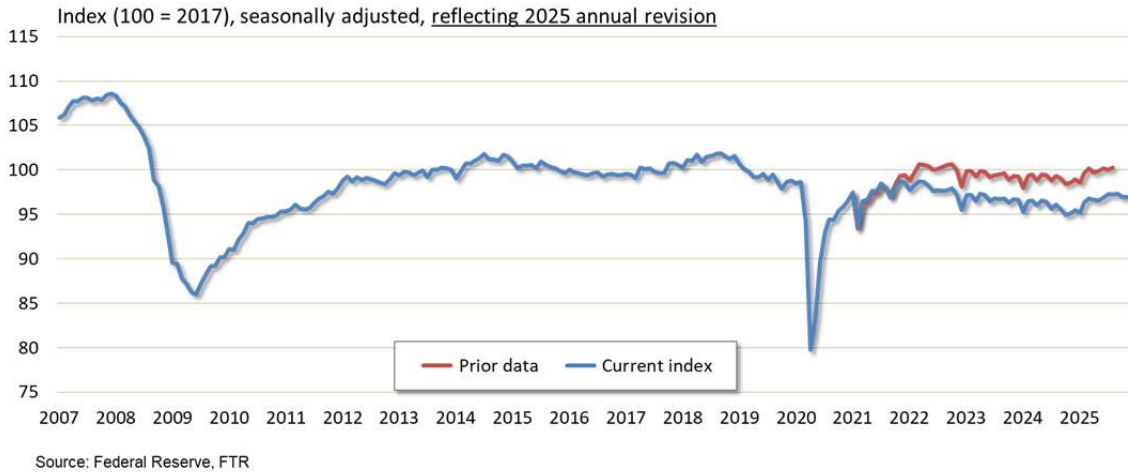
Contrary to some recent political discourse, these revisions do not mean the government entities involved are doing their jobs badly. It's a function of trying to measure the entire economy based on monthly sampling, which is inherently imprecise. Revisions are based on more comprehensive data than was available at the time of the first estimate.

Shortly after the U.S. government's reopening in November, the Federal Reserve released its annual revision of industrial production estimates, and it turns out that the manufacturing sector has been significantly weaker since 2022 than previously indicated.

One way to understand the impact of the annual revision is to compare both the latest data and the pre-revision figures to a month that precedes the period covered by revision. The pre-pandemic month of February 2020 is a logical benchmark as it precedes both the pandemic and substantial revisions in November. (The Federal Reserve did make some minor changes to estimates prior to 2022, but they were not substantive.)

We generally had characterized industrial production (IP) as sluggish previously, but the prior data did indicate at least minor growth versus February 2020. The prior data for August 2025—the latest data prior to the annual revision—indicated that IP was a little more than 2% higher than February 2020. After the revision, IP now appears nearly stagnant at just 0.4% higher in November than the pre-pandemic level.

Manufacturing output



An annual Federal Reserve revision of industrial production estimates shows that manufacturing output has been quite a bit weaker since 2022 than previously thought, helping to explain the protracted weakness in less-than-truckload (LTL) and truckload freight volume.

While that weak growth may not sound too concerning, a closer look helps explain why the less-than-truckload (LTL) and truckload sectors have struggled. Mining is a key IP sector, and that revision was positive. Instead of being up 1.5% in August versus February 2020, mining output in November was 3% higher, according to the latest Federal Reserve estimates.

With total IP softer but mining stronger, the manufacturing sector obviously looks weaker than we previously thought. The pre-revision estimate was that manufacturing production was 1.4% higher than in February 2020—hardly robust, but still positive.

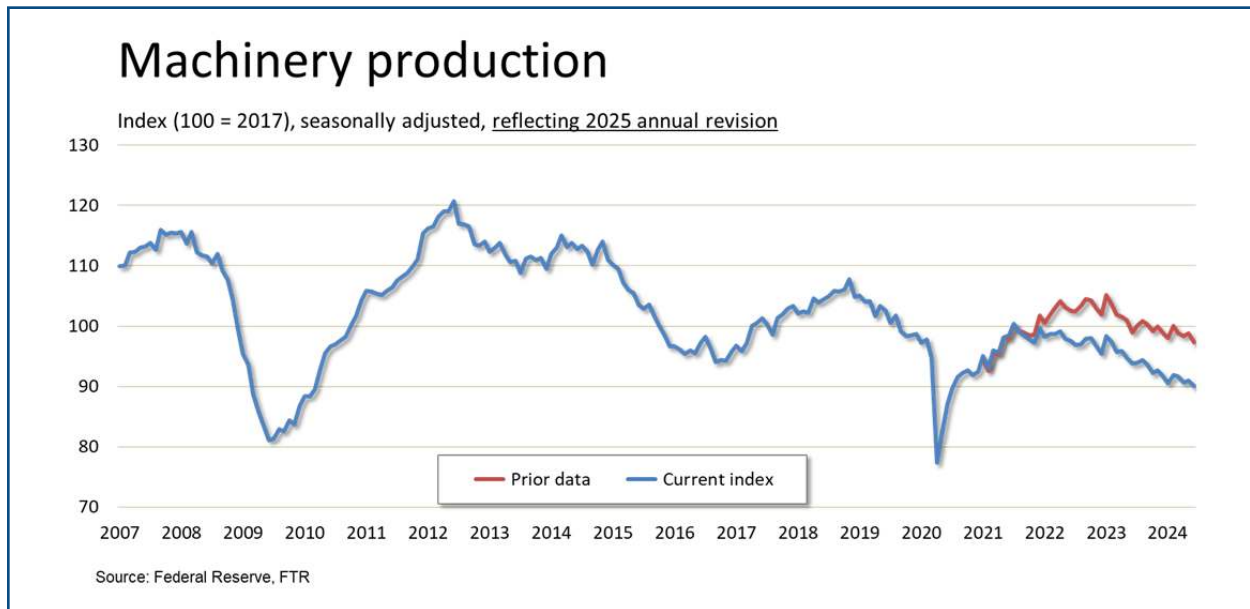
The updated data through November shows manufacturing output at 1.7% below February 2020. In other words, the Federal Reserve’s annual revision resulted in a downward swing of just over three percentage points in estimated output.

The largest revision occurred in 2022, but output since then has continued to be a bit weaker than indicated by the prior data. It’s not simply that the revision lowered the base several years ago. Manufacturing output has been fading slightly since then.

The Federal Reserve’s revision helps explain the past better, but obviously it doesn’t change history or what trucking companies have already experienced. Nor does the overall revision tell us anything about the outlook. Past results are no guarantee of future performance. However, the details raise some red flags.

Most manufactured goods are either consumed directly—items like food and clothing, for example—or are used as parts and components for other manufactured goods. As such, weaker production today does not necessarily say much about the future.

However, some manufactured capital goods are used for future production. Machinery is a major such capital good. A reduction in machinery production could constrain how much other stuff can be manufactured, and that is precisely what the revision shows. Prior data showed machinery production in August at 1.9% higher than February 2020, although it did still show production weakening since early 2023. The revised data through November indicates that machinery output is 6.8% below February 2020. In other words, the production of machinery apparently is nearly nine percentage points weaker than we thought it was before the revision.



Machinery is an especially notable manufacturing sector because it is used for future industrial production. The Federal Reserve's annual revision indicates much weaker output since 2022 than the prior estimates suggested.

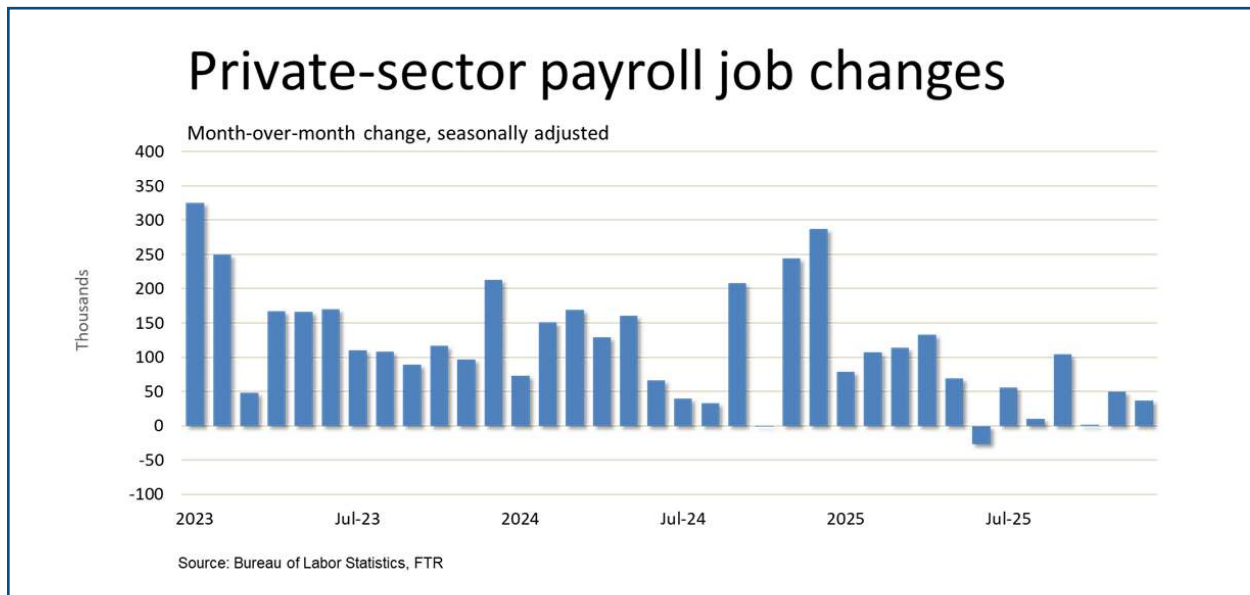
Of course, not all machinery is produced for the U.S. market, so to the extent that reduced output was due to lower export demand, the implications would not be as troubling for future U.S. industrial production. Also, businesses could be substituting lower machinery production with more imported machinery. Both are plausible contributors but are not likely to account for the concerning levels of machinery production.

A Complicated Employment Situation

Weakening job growth was already a worry heading into the government shutdown, so delays in getting figures regarding payroll employment and unemployment were especially concerning. The latest data available before the shutdown showed just 22,000 new jobs, seasonally adjusted, in August and an unemployment rate of 4.3%, the highest since October 2021.

The Bureau of Labor Statistics (BLS) finally caught up in mid-December, though some October data is permanently unavailable. The overall estimates for the missing months were mixed. The economy added 108,000 jobs in September—the most since April—and 56,000 jobs in November. The jobs report for December showed 50,000 added jobs. However, BLS estimates that the economy shed 173,000 jobs in October, and it revised the earlier estimate of 22,000 new jobs in August to a loss of 26,000. The unemployment rate dipped to 4.4% in December after November's 4.5%, which was the highest since September 2021.

The October drop in total payroll employment was the largest—and only the third—decrease since December 2020. However, that decline was both inevitable and widely expected. Federal government workers who accepted buyout packages earlier in 2025 were paid through the end of the fiscal year on September 30 and, thus, were counted as being employed until then. Therefore, the October jobs report was destined to show a significant drop in federal employment.



Government employment took a major hit in October 2025 as that month reflected the government buyouts taken during the year, but private-sector employment has been more stable. The softening in the back half of 2025 is a concern but not as much of one that many feared would be the case just a few months ago.

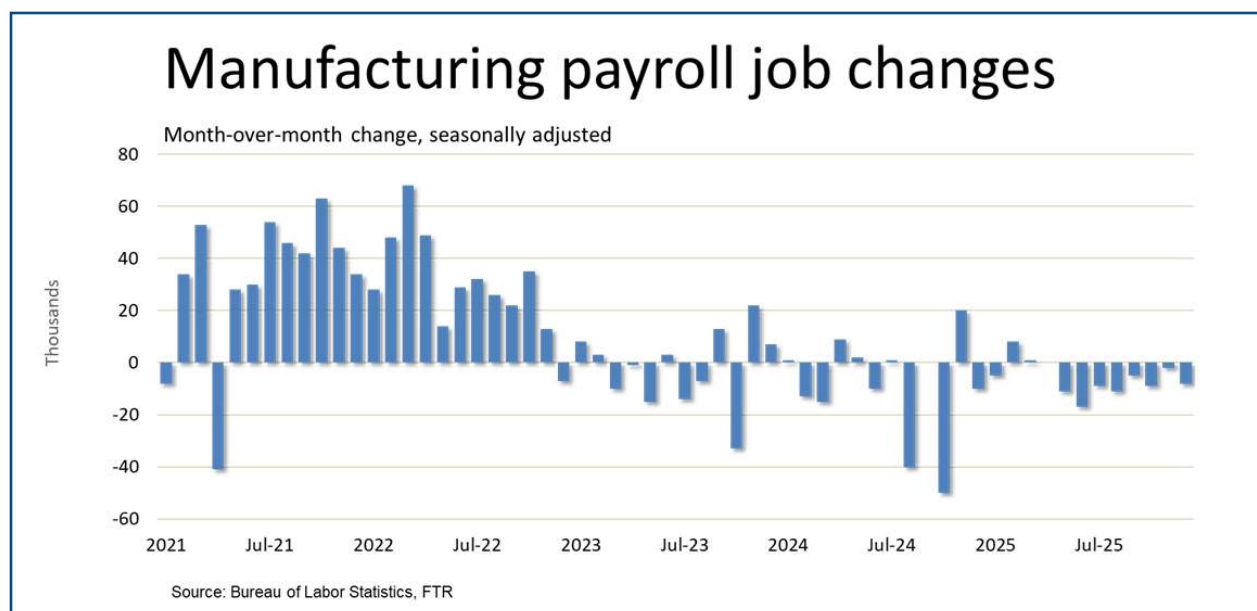
Total government employment fell by 174,000 jobs, seasonally adjusted, in October as a net gain of 5,000 state and local jobs slightly offset a loss of 179,000 federal jobs. The private sector added just 1,000 payroll jobs. Government employment has been much more stable since October while the private sector added 87,000 jobs in November and December combined.

So, private-sector job growth has been softer since the middle of 2025 than it had been for years, but excluding the distortion from the government buyouts, the latest figures still show growth. June 2025 is still the only month since December 2020 to show a significant seasonally adjusted month-over-month decline in private-sector employment. (Private-sector employment also was down in October 2024, but only by 1,000 jobs, seasonally adjusted.)

For the overall economy and freight activity linked to consumer spending, the resilience of job growth—even at a reduced level—is at least mildly reassuring. However, it is notable that employment in service-providing sectors continues to outpace that in goods-producing sectors.

December jobs for goods-producing sectors were down 0.3% year-over-year (y/y) while employment was up 0.5% y/y in the services sector. In 2024, goods-producing employment was up just 0.3% y/y; service-providing employment rose by 1.4%, and health care has been the principal driver. Payroll employment for health care was up 2.3% y/y in December and rose 3.9% y/y in 2024. Compared to February 2020, goods-producing payroll employment in December was up 2.7% while service-sector jobs were up 5.1%. Health care employment was up 11.4%.

Within the goods-producing sector, construction employment is up 9.1% versus February 2020 while logging and mining jobs are down 11.1%. Manufacturing employment is roughly where it stood before the pandemic, down 0.4% versus February 2020. The manufacturing sector has seen some volatility in the past couple of years due to labor strikes in automotive and aerospace, but aside from those outliers, the sector has been mostly losing jobs since early 2023.



The manufacturing sector was a consistently negative contributor to U.S. payroll employment in 2025.

Just as the Federal Reserve revised its industrial production estimates in November, BLS will publish its own annual benchmark revision of payroll employment estimates in February. Preliminary data from the Quarterly Census of Employment and Wages (QCEW) suggests that true employment levels as of June 2025 were around 2% below what BLS currently reports. We will address that data as appropriate in the Q2 2026 U.S. Economic Update.

Stability in Spending on Goods?

Given pressures due to price inflation and a clear shift toward spending on health care services, many observers have been surprised by the resilience of consumer spending on goods. Spending was notably volatile in 2025 due mostly to consumer behavior related to tariff expectations surrounding autos and light trucks. Overall, though, retail sales have continued to grow. As of November, total retail trade sales are up 3.1% y/y and 1.3% when adjusted for price inflation on commodities.

Consistent retail sales growth is not surprising, however. Due to population and job growth, we can presume some level of consumer spending increases in a stable economy; sustained declines in consumer spending typically occur only during economic recessions.

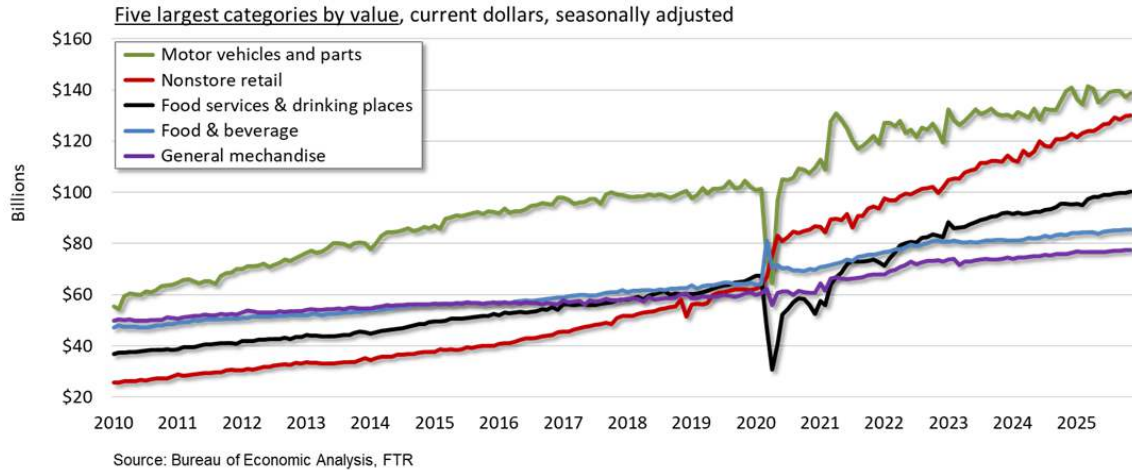
As discussed in some detail in the Q4 installment of the 2025 U.S. Economic Update, the impact on consumer spending on goods on freight demand is more complicated. The limited growth seen has been centered within sectors that are not major drivers of freight: Computer-related goods—including software—and pharmaceuticals. We will not revisit that discussion here as the current situation seems largely unchanged.

One trend previously mentioned only in passing is the ongoing shift in sales toward nonstore retail. While other major categories have been either volatile or relatively sluggish, nonstore retail has a nearly unbroken string of month-over-month (m/m) increases over the past year. The steady improvement in sales pushed nonstore retail sales' share of total retail and food service sales in November to 17.7%—the highest ever except for the pandemic lockdown month of April 2020.

Steady growth in nonstore retail does not equate to the same in home delivery, however. Nonstore retail sales in 2025 through November were about 8% higher than they were during the same 2024 period while couriers and messengers (or what we would call “parcel and local delivery”) employment is no higher than it was in the same 2024 month.

Why aren't nonstore retail sales and parcel and local delivery employment more closely correlated? For starters, much of the strength in nonstore retail in recent years has come in the form of curbside or in-store pick-up, not just home or business deliveries. The distribution channels are no different than those for normal brick-and-mortar store sales. Also, nonstore retail does not necessarily involve a physical delivery. Spending on computer software and digital downloads is almost entirely nonstore retail, for example.

Retail sales by major category



Other than the volatile motor vehicle and parts sector, most major retail categories have posted slight gains in nominal sales, although price inflation accounts for a significant portion of the gains. However, nonstore retail sales continue to rise consistently and account for their highest share of total retail and food service sales ever except for the lockdown month of April 2020.

Questions Surround Trade and Housing

Due to data lags and a fluid situation regarding tariffs and interest rates, we will postpone a more detailed analysis of two areas—international trade and the housing market—until the Q2 installment. However, it is worth noting that both sectors are at crucial stages.

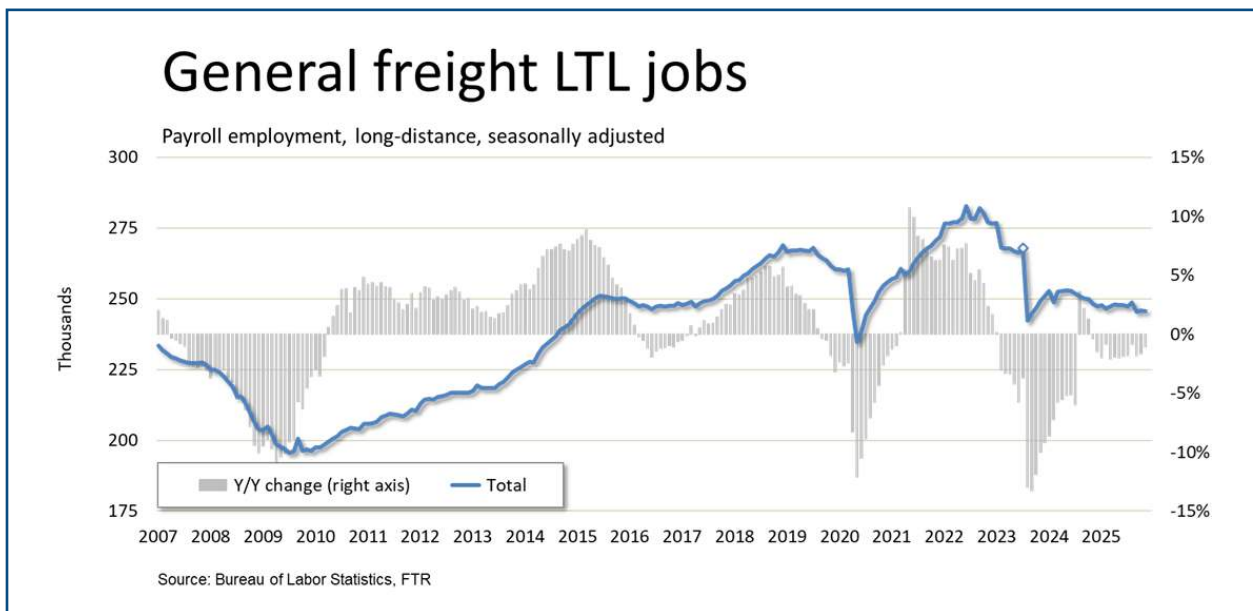
Regarding trade, two upcoming developments are especially significant. One is a U.S. Supreme Court ruling that could be issued at any time on whether President Trump could rely on emergency powers to impose widespread country-specific tariffs. The other is an expected renegotiation of—or possible cancellation of—the United States-Mexico-Canada (USMCA) Agreement.

For the housing market, developments will be far more incremental. Affordability has been a major challenge for home sales, but the key inputs—home prices and mortgage rates—appear to be heading in an encouraging direction. Prices for existing homes recently have been only slightly higher than they were a year earlier—notably below wage growth, which certainly had not been the case until 2025. Mortgage rates have been sticky and consistently above 6%, but the rate on a 30-year fixed-rate mortgage at the end of 2025 was the lowest of the year.

LTL Industry Dynamics

For the most part, LTL has continued the pattern observed through most of 2025: Tight headcount and improving—though historically low—levels of worker utilization. As noted several times, this is hardly surprising given the volatility and uncertainty surrounding the economy, tariffs, etc., and a truck freight market that remains weak by historical standards.

According to BLS estimates, seasonally adjusted payroll employment in LTL declined rather sharply in September after an uptick in August. The September decrease of 3,300 was the largest since February 2024. LTL jobs basically seesawed in October and November, and November employment ended up only marginally stronger than September. Aside from September, LTL payroll employment is at the lowest level since September 2023—one month after YRC’s shutdown.

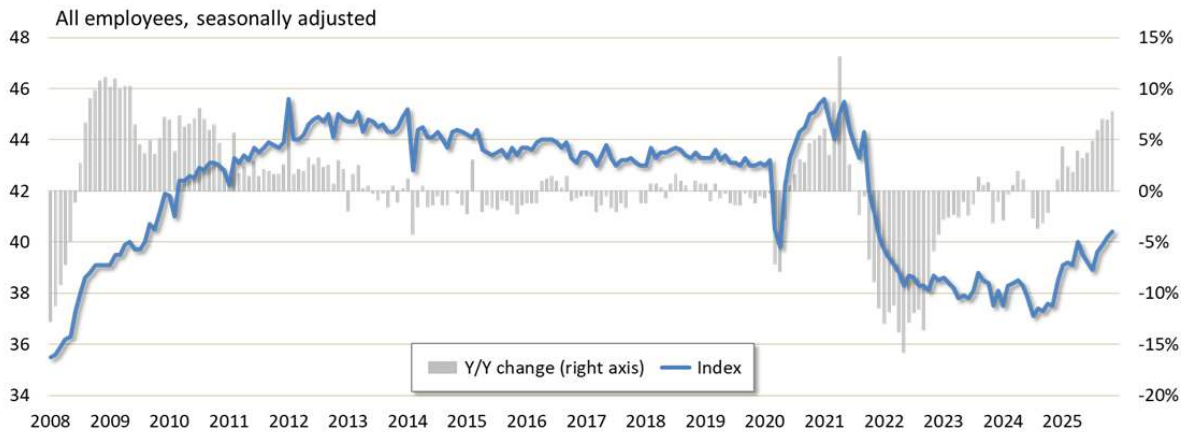


Payroll jobs in LTL in November 2025 were about 0.7% below the level at the end of 2024 and were at the lowest level since September 2023—the month following YRC’s collapse.

Productivity is improving compared to the situation over the past three years, but that’s a low bar. According to BLS figures, total hours worked by LTL employees in November essentially matched April as the highest since the month before YRC’s shutdown. Average working hours per employee were even stronger at 40.4 hours—the highest since November 2021.

However, productivity has been historically weak since the Fall of 2021, when average hours worked began to plunge following the extremes from earlier in the year. The average per LTL employee during the 2010s was 43.7 hours worked weekly. It’s hardly surprising, therefore, that rising employee productivity has yet to exert any upward pressure on headcount.

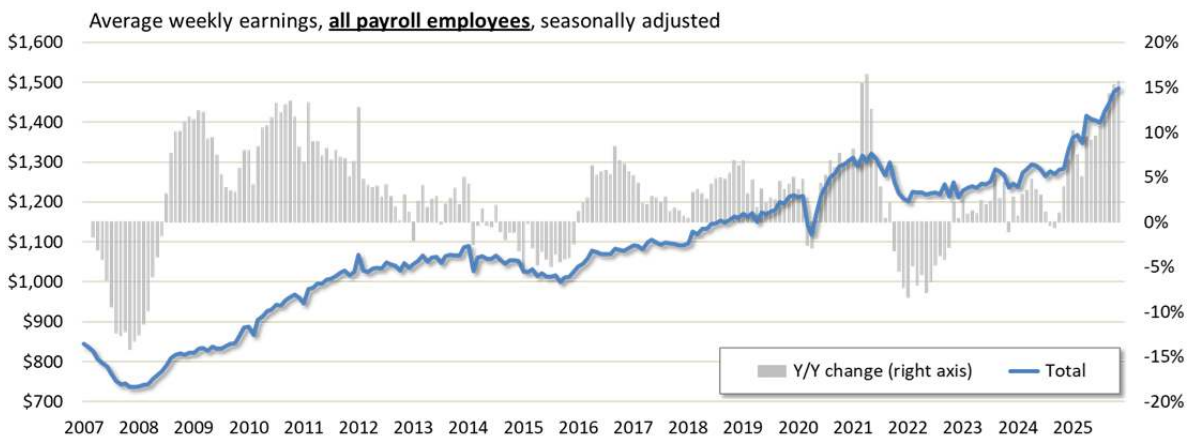
Average weekly LTL hours worked



Improved volume has resulted in more work per LTL employee, but it's a mixed picture. Average hours worked are the highest in four years and otherwise among the lowest since the Great Recession.

With employment levels basically steady but more work performed, the natural consequence has been rising employee wages. According to preliminary BLS figures, average weekly earnings rose strongly in August through November, hitting a record of just under \$1,500 per week. On a y/y basis, earnings in November were up 15.7%—the second-strongest comparison on record. The y/y comparison has risen for seven straight months.

General freight LTL wages



LTL employees as of October were enjoying their highest wages ever as work performed has risen but headcount has not.



1001 N. Fairfax Street, Suite 600

Alexandria, VA 22314-1798

(866) 411-6632

www.nmfta.org