ACADEMIA ONE
PEER REVIEWED JOURNALS

Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4

The End of the Freight Recession: Impacts for 2025

Anvarjon Niyazov

Abstract

The freight industry, a critical backbone of the global economy, has faced an extended period of recession in recent years due to significant disruptions such as the COVID-19 pandemic, geopolitical tensions, and global supply chain bottlenecks. Characterized by declining freight volumes, fluctuating rates, and strained capacity, this recession created substantial challenges for stakeholders, from carriers to shippers. However, emerging indicators suggest that 2025 will mark the end of this downturn, with the industry poised for recovery and growth.

This article provides a comprehensive analysis of the factors driving the freight market's revival, including macroeconomic improvements, technological advancements, and policy interventions. It explores the anticipated impacts on freight demand, operational efficiency, and market dynamics while highlighting the opportunities and challenges stakeholders may encounter during this transformative period. Drawing on a thorough review of recent literature and industry reports, the discussion contextualizes how economic stabilization, digital transformation, and infrastructure upgrades are reshaping the freight landscape. The findings emphasize that while the end of the freight recession offers promising opportunities, proactive strategies and resilience are essential to navigate the complexities of a rapidly evolving market. This study serves as a valuable resource for professionals seeking insights into the future of freight in 2025 and beyond.

Introduction

The freight industry serves as the lifeline of global trade and commerce, facilitating the movement of goods across supply chains that span continents. However, the early 2020s presented unprecedented challenges for this vital sector. The COVID-19 pandemic disrupted global supply chains, causing a significant decline in freight volumes, delays at major ports, and fluctuations in demand. Combined with economic slowdowns, geopolitical uncertainties, and labor shortages, these challenges contributed to what many analysts termed a "freight recession." This period was marked by decreased shipping activity, lower freight rates, and strained financial performance across the industry.

The freight recession has not been a uniform phenomenon. For some regions and sectors, the downturn has been exacerbated by local conditions, such as tighter regulations, inflation, and insufficient infrastructure investment. In others, resilience has been evident through innovations in technology, strategic shifts in supply chain management, and government interventions aimed at mitigating economic shocks. These contrasting dynamics make the recovery process complex yet full of opportunity. Now, as the global economy stabilizes and adapts to post-pandemic realities, there are growing signs that 2025 will mark a turning point for the freight industry. Macroeconomic indicators such as GDP growth, industrial production, and consumer spending are rebounding, which bodes well for increased freight demand. At the same time, advancements in technology—ranging from AI-driven logistics optimization to the adoption of autonomous vehicles—are enabling greater efficiency and cost savings. Governments are also playing a key role, with significant investments in infrastructure and sustainability initiatives aimed at reducing emissions and improving freight networks.

This article explores the anticipated end of the freight recession, providing a detailed analysis of its causes, the drivers of recovery, and the implications for the industry in 2025 and beyond. Through a comprehensive review of recent literature, economic data, and industry reports, this study seeks to illuminate how the freight industry can leverage this turning point to achieve sustainable growth. The discussion will address critical questions: What are the key factors fueling the recovery? What challenges remain, and how can they be overcome? Finally, what

ACADEMIA ONE
PEER REVIEWED JOURNALS
Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4

opportunities can stakeholders—from carriers to policymakers—capitalize on during this transformative period? As the freight sector enters this new phase, the strategies and decisions made by its stakeholders will have far-reaching impacts on global trade, economic growth, and environmental sustainability. This article aims to serve as a valuable resource for professionals, researchers, and policymakers looking to understand and navigate the opportunities and complexities of a post-recession freight market.

Literature review

Rothengatter (2011) provides a comprehensive analysis of the impacts of the 2007/2008 global economic crisis on the transport sector, emphasizing its profound severity as the most significant downturn since the Great Depression of 1929. The crisis, although originating in the financial sector, quickly escalated into a broader economic collapse, exacerbated by the vulnerabilities inherent in globalization. Rothengatter notes that globalization, while a driver of international trade and economic integration, intensified the crisis's effects by magnifying the interconnectedness of markets and industries. As international trade declined sharply during the downturn, the freight transport and logistics sector, which is directly linked to trade activities, suffered significant disruptions and losses. Despite these challenges, Rothengatter identifies potential positive outcomes from such deep economic crises, framing them within the context of the "Schumpeter hypothesis." This hypothesis suggests that crises can act as catalysts for innovation and structural transformation, prompting economic agents to adapt and embrace new technologies and practices to survive and thrive in a changing landscape. The transport sector, facing acute disruptions, became more open to adopting innovations aimed at improving efficiency, sustainability, and resilience. The crisis-induced structural changes highlighted by Rothengatter could lead to shifts in freight transport and logistics patterns. For instance, companies might diversify supply chains, explore nearshoring to mitigate risks, and invest in digitalization and automation to enhance operational efficiency. Furthermore, the necessity to adapt to long-term challenges such as climate change and resource scarcity may accelerate the adoption of sustainable practices within the industry. Rothengatter’s insights underscore the dual nature of economic crises: while they pose immediate challenges, they also present opportunities for long-term growth and transformation. For the freight and logistics sector, the 2007/2008 crisis served as a turning point, spurring innovation and structural changes that continue to shape its trajectory in the face of emerging challenges and opportunities.

Bingham et al. (2022) provide a detailed overview of the Freight Analysis Framework Version 5 (FAF5) forecasting results, focusing on the projected trends in interregional domestic and international freight flows, tonnage, and value. The forecasts are rooted in macroeconomic assumptions about the U.S. economy's short- and long-term trajectories as of April 2021. These assumptions underpin predictions of national output, consumption, and trade by industry, applied to the FAF5 base-year database to derive the forecasts. A critical aspect of these projections is their integration of the 2020 recession’s effects and the subsequent recovery phases in the U.S. and global economies. The analysis also includes estimates of pandemic conditions in 2021 and 2022, acknowledging the uncertainty surrounding potential COVID-19 variant waves during the forecasting period. These uncertainties highlight the challenges of creating robust predictions amidst an ongoing crisis. While these macroeconomic assumptions were derived from a third-party source, and thus do not represent the official views of the Federal Highway Administration (FHWA) or the Federal Government, they enhance the Government’s published data by combining third-party insights with federally collected data. The FAF5 database is built using information from the Commodity Flow Survey (CFS) and other data sources detailing freight transportation and commodity trade activities. This integrated approach supports forecasts for key years such as 2020, 2022, 2023, and 2025, with

ACADEMIA ONE
PEER REVIEWED JOURNALS
Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4

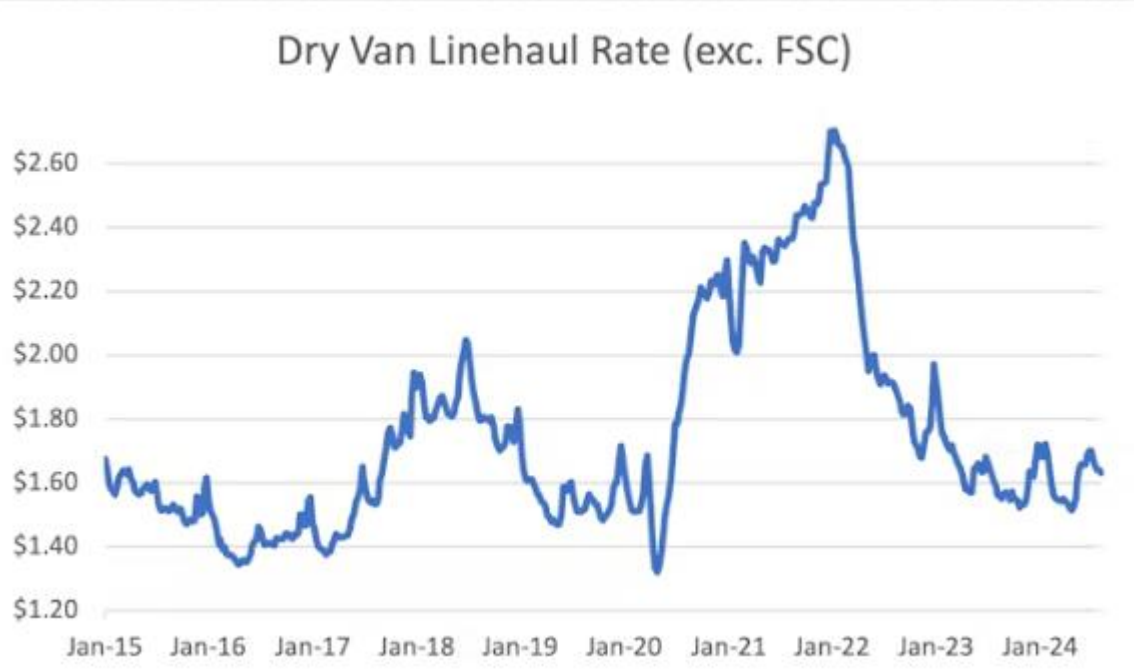
longer-term predictions extending in five-year increments up to 2050. These forecasts provide valuable insights into the evolving dynamics of freight flow and offer a foundation for policymakers and industry stakeholders to plan and adapt to future changes in transportation and trade activities. Bingham et al. (2021) emphasize the importance of using a comprehensive methodology that combines federal and third-party data to enhance the reliability and granularity of freight flow forecasts. While the underlying assumptions were constrained by the pandemic's ongoing uncertainties, the FAF5 forecasts offer critical perspectives on how macroeconomic trends influence freight transport, highlighting the interconnected nature of economic activity and logistics infrastructure. This approach underscores the role of evidence-based forecasting in managing future transportation challenges.

Počuča and Zanne (2009) explore the effects of the global economic crisis on the dry bulk shipping industry, focusing on the relationship between industrial cycles, trade demand, and maritime transport. The demand for shipping services is closely linked to industrial processes, making the sector highly susceptible to global economic fluctuations. Periods of economic recession often lead to downturns in shipping, forcing many companies out of business. Following years of robust global economic growth, particularly driven by developing countries, the economic crisis brought stagnation to trade and industrial development, disrupting the maritime sector. As approximately 80% of global trade relies on maritime transport, the economic slowdown had a pronounced effect on shipping companies. The dry bulk segment, a major part of the shipping industry, experienced a sharp decline in freight rates, presenting significant challenges to shipowners and operators. The crisis exposed the vulnerability of this segment, with its sub-segments differentiated by vessel size, cargo type, and employment method. The authors focus on strategies to mitigate these challenges, emphasizing the importance of achieving at least the breakeven point to maintain operational viability during the crisis. They analyze the time charter employment of a Handymax ship as well as its spot market employment, particularly in transporting grain from the U.S. Gulf to Japan. Their findings highlight that while the drastic fall in freight rates posed severe challenges, careful planning and employment strategies allowed some operators to cover their variable costs and avoid financial collapse.

Analysis and Discussion

The freight industry, a critical component of global trade, has historically been highly sensitive to economic cycles. The recent period of recovery following the freight recession presents significant implications for both short-term adjustments and long-term transformations across the sector.

ACADEMIA ONE
PEER REVIEWED JOURNALS
Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4



Graph 1. Dr Van Linehaul rate for a period of 2015 – 2024. Source: Jeremy Wolfe, (2024).

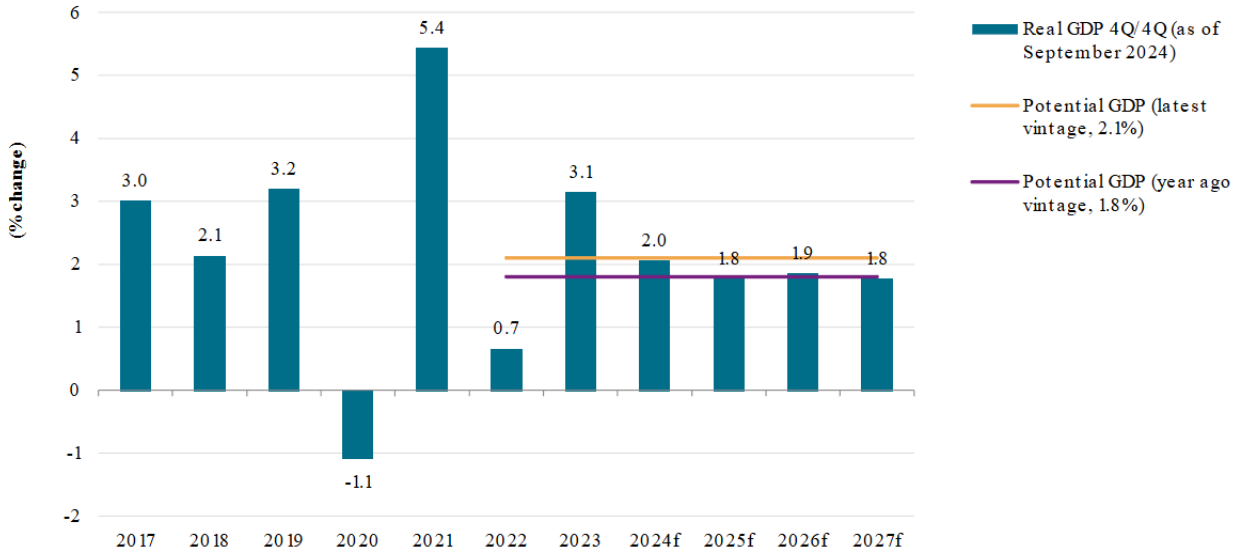
As it can be observed from the graph 1, today's rates are effectively low compared to 2022 and 2023, with no indication yet that we are on an upswing, highlights the persistent challenges in the freight market despite broader signs of economic recovery. This situation can be attributed to several interconnected factors that influence supply, demand, and pricing dynamics in the industry.

Drawing on the findings from key literature and recent data, this section analyzes the drivers of recovery, challenges, and opportunities in the post-recession freight industry, with a focus on structural changes and market dynamics anticipated in 2025.

Drivers of Recovery

The end of the freight recession is closely tied to broader economic stabilization and the resurgence of trade and industrial activity. Several macroeconomic indicators, such as GDP growth, consumer spending, and industrial production, have shown signs of improvement, providing a strong foundation for increased freight demand. For instance, the Freight Analysis Framework (FAF5) forecasts anticipate significant growth in interregional freight flows, tonnage, and value by 2025, reflecting the recovery in both domestic and international trade (Bingham et al., 2022). Furthermore, the easing of pandemic-related disruptions, including labor shortages and port congestion, has contributed to more stable supply chain operations.

ACADEMIA ONE
PEER REVIEWED JOURNALS
Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4



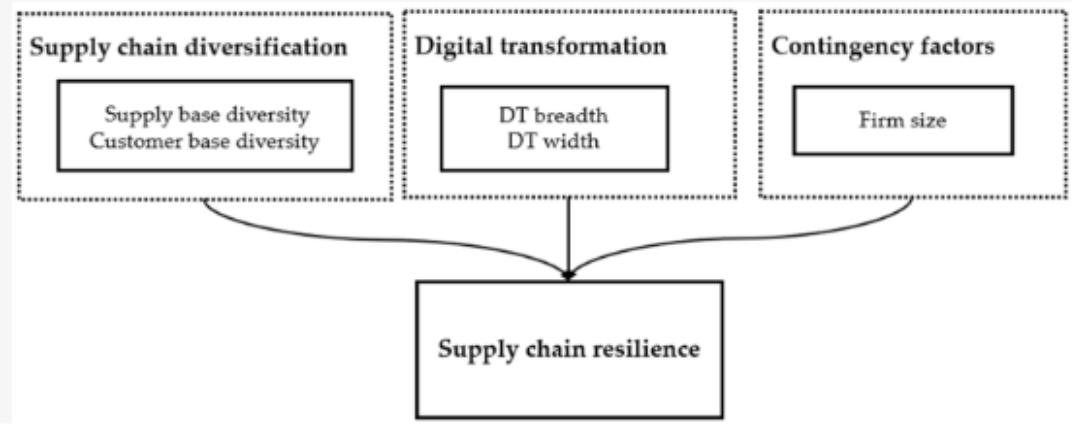
Graph 2. Gross Domestic Product as of 2017 – 2024. Source: S & P Global.

Graph 2 shows that the GDP percentage change as of September of 2024, at just 2%, has been consistently lower than the levels observed in 2017, 2018, and even earlier in 2023. This decline reflects the effects of economic recessions in the U.S., which have slowed growth and impacted overall economic performance.

Technological advancements are another critical driver of recovery (Sudan & Taggar, 2021). The adoption of digital tools such as AI, blockchain, and Internet of Things (IoT) devices has improved efficiency and transparency in logistics operations. These innovations allow for real-time tracking, better demand forecasting, and optimized route planning, enabling freight companies to adapt more effectively to market changes. The rise of autonomous vehicles and electrification in the transportation sector also represents a shift toward sustainability and cost reduction, addressing both operational challenges and environmental concerns.

Structural Changes in Freight Patterns

As Rothengatter (2011) noted, economic crises often lead to long-term structural changes in freight transport and logistics. The global economic crisis of 2007/2008 induced significant shifts, and similar patterns are evident in the wake of the COVID-19 pandemic. One prominent trend is the diversification of supply chains.



Graph 3. Estimated casual relationship in the structural model. Source: Yin & Ran, 2022.

ACADEMIA ONE
PEER REVIEWED JOURNALS
Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4

According to graph 3, using the resulting data, the study investigated whether there is a complementary or substitute relationship between supply chain diversification and digital transformation in enhancing supply chain resilience. Additionally, the relationship between firm size and both supply chain diversification and digital transformation was examined.

Companies are increasingly adopting nearshoring and regionalization strategies to reduce reliance on distant suppliers and mitigate risks associated with global disruptions. This change has led to a realignment of freight routes, with more emphasis on intra-regional trade and shorter haul distances.

The shift in commodity flows is another noteworthy development. We can highlight the vulnerability of sectors like dry bulk shipping during economic downturns. However, the gradual recovery in freight and time charter rates in this segment provides optimism for the industry. By focusing on breakeven points and strategic employment, owners in the logistics companies have been able to maintain profitability in specific routes and sub-segments. This adaptability reflects the industry's resilience and its capacity to adjust to new economic realities.

Challenges Ahead

Despite these positive developments, significant challenges remain for the freight industry as it moves toward recovery. One of the most pressing issues is the ongoing uncertainty surrounding geopolitical tensions and trade policies (Leal-Arcas et al., 2024). Disputes such as U.S.-China trade relations and the war in Ukraine have introduced volatility in global trade flows, complicating long-term planning for freight operators. Furthermore, inflationary pressures and fluctuating fuel prices continue to strain operational budgets, particularly for small and medium-sized enterprises (SMEs) in the logistics sector.

Infrastructure limitations also pose a significant obstacle. Many regions, particularly in developing countries, suffer from inadequate transportation networks, hindering the efficient movement of goods. Investments in infrastructure, as highlighted by government initiatives in the United States and other countries, are critical to addressing this issue. However, the time lag between planning and implementation means that immediate benefits may not be realized.

Opportunities and Strategic Implications

The end of the freight recession opens new opportunities for innovation and growth. Companies that leverage digital transformation and automation stand to gain a competitive advantage (Agustian et al., 2023). The integration of predictive analytics, for example, allows firms to anticipate demand shifts and optimize inventory levels, reducing costs and improving service quality. Additionally, the emphasis on sustainability presents an opportunity for businesses to invest in green technologies, such as electric and hydrogen-powered vehicles, which align with global efforts to reduce carbon emissions. Collaboration among stakeholders is also emerging as a key strategy for addressing systemic challenges. Partnerships between carriers, shippers, and technology providers can drive efficiency and innovation across the supply chain. Similarly, public-private partnerships are essential for advancing infrastructure projects and promoting regulatory harmonization to facilitate seamless trade.

Conclusion

The freight industry has faced significant disruptions in recent years, primarily driven by the COVID-19 pandemic, geopolitical tensions, and global economic uncertainties. These factors contributed to a prolonged period of recession in the sector, marked by declining freight volumes, fluctuating rates, and strained capacity. However, as the global economy stabilizes and adapts to post-pandemic realities, there are growing signs that the freight industry is on the path to recovery. This article has analyzed the factors driving this revival, focusing on the macroeconomic improvements, technological advancements, and policy interventions that are expected to shape the industry’s future. The findings indicate that while 2025 is anticipated to

ACADEMIA ONE
PEER REVIEWED JOURNALS
Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4

mark the end of the freight recession, there are both opportunities and challenges ahead for the sector.

Macroeconomic indicators, such as GDP growth, industrial production, and consumer spending, are showing positive signs, contributing to the anticipated increase in freight demand. These indicators, along with the easing of pandemic-related disruptions, suggest a recovery trajectory for the industry. Moreover, technological advancements in logistics, such as AI-driven optimization tools, blockchain, and IoT, are improving operational efficiency and cost-effectiveness. These innovations not only help firms adapt to market fluctuations but also address long-term sustainability challenges. The rise of autonomous vehicles and electrification in the transport sector signals a shift toward greener, more efficient freight operations, positioning the industry for future growth.

However, the recovery is not without its complexities. The freight industry remains highly sensitive to global economic cycles, and several uncertainties continue to shape its path forward. Geopolitical tensions, such as the U.S.-China trade conflict and the war in Ukraine, have created volatility in trade flows, posing challenges for long-term strategic planning. Additionally, inflationary pressures, fluctuating fuel prices, and infrastructure limitations represent significant obstacles to smooth recovery. While large firms may have the resources to weather these challenges, smaller companies in the logistics sector may struggle to remain competitive, particularly as operational costs continue to rise.

The structural shifts within the industry, as highlighted by recent trends toward supply chain diversification and regionalization, are reshaping freight patterns and logistics strategies. The diversification of supply chains, including nearshoring and regional sourcing, aims to reduce reliance on distant suppliers and mitigate risks associated with global disruptions. This realignment has resulted in more intra-regional trade and shorter supply chains, which are expected to further influence freight flow dynamics. The dry bulk shipping segment, for example, has experienced a gradual recovery in freight and time charter rates, driven by careful planning and strategic employment. This demonstrates the resilience of the industry and its capacity to adapt to new economic and logistical realities.

Infrastructure development remains a critical factor for long-term recovery. Investments in transportation networks, particularly in developing regions, are essential for improving the efficiency of global trade. Although government initiatives in the United States and other countries are targeting infrastructure upgrades and sustainability efforts, the implementation of these projects is often delayed, which could impede short-term progress. The freight industry will need to continue working closely with governments to expedite infrastructure development and ensure the smooth movement of goods across borders.

Looking ahead, the end of the freight recession presents new opportunities for innovation and growth. Digital transformation, automation, and sustainability will continue to drive the industry's evolution. Companies that embrace these trends will be better positioned to gain a competitive edge in a rapidly changing market. Collaboration among stakeholders, including carriers, shippers, technology providers, and governments, will be key to overcoming systemic challenges and fostering a more resilient and efficient freight system. Public-private partnerships, in particular, will play an important role in advancing infrastructure projects and promoting regulatory harmonization to facilitate seamless global trade.

In conclusion, while the freight industry is poised for recovery in 2025, it must navigate a complex landscape shaped by economic, technological, and geopolitical factors. Stakeholders will need to adopt proactive strategies, invest in innovation, and collaborate to capitalize on emerging opportunities while mitigating potential risks. The decisions made by industry players today will shape the future of global trade, with far-reaching implications for economic growth, sustainability, and the efficiency of supply chains worldwide. As the freight market

Open Academia: Journal of Scholarly Research
Volume 2, Issue 12, December 2024
ISSN (E): 2810-6377
Website: https://academiaone.org/index.php/4

continues to evolve, resilience, adaptability, and strategic foresight will be crucial for ensuring its continued success in the coming years.

References:

1. Agustian, K., Mubarok, E. S., Zen, A., Wiwin, W., & Malik, A. J. (2023). The Impact of Digital Transformation on Business Models and Competitive Advantage. *Technology and Society Perspectives (TACIT)*, *1*(2), 79-93.
2. Bingham, P., Maguire, A., O'Rourke, L., Pandey, B., & Markit, I. H. S. (2022). *Freight Analysis Framework Commodity Flow Forecast Study (FAF Version 5): Final Forecasting Results* (No. FHWA-HOP-22-037). United States. Department of Transportation. Federal Highway Administration. Office of Operations.
3. Leal-Arcas, R., Alsheikh, A., Maqtoush, J., Althunayan, N., Dal Berto, H., Alsayyed, L., ... & Afaneh, B. (2024). Trade, geopolitics, and environment. *Journal of Infrastructure, Policy and Development*, *8*(7), 5114.
4. Počuča, M., & Zanne, M. (2009). The impact of global economic crisis on the dry bulk shipping industry. *Pomorstvo*, *23*(2), 477-493.
5. Rothengatter, W. (2011). Economic crisis and consequences for the transport sector. In *Transport Moving to Climate Intelligence: New Chances for Controlling Climate Impacts of Transport after the Economic Crisis* (pp. 9-28). New York, NY: Springer New York.
6. S&P Global. (2024). Economic Outlook U.S. Q4 2024: Growth And Rates Start Shifting To Neutral. https://www.spglobal.com/ratings/en/research/articles/240924-economic-outlook-u-s-q4-2024-growth-and-rates-start-shifting-to-neutral-13258419
7. Sudan, T., & Taggar, R. (2021). Recovering supply chain disruptions in post-COVID-19 pandemic through transport intelligence and logistics systems: India's experiences and policy options. *Frontiers in future transportation*, *2*, 660116.
8. Verschuur, J., Koks, E. E., & Hall, J. W. (2021). Global economic impacts of COVID-19 lockdown measures stand out in high-frequency shipping data. *PloS one*, *16*(4), e0248818.
9. Wolfe, J. (2024). Freight recovery not ‘for another two years,’ say analysts. FleetOwner
10. Yin, W. & Ran, W. (2022). Supply Chain Diversification, Digital Transformation, and Supply Chain Resilience: Configuration Analysis Based on fsQCA. Resilience Strategies for Post-COVID-19 Supply Chains 23 June 2022. https://doi.org/10.3390/su14137690