

Over-dimensional Cargo Outlook: Risks, Resilience and the Road Ahead

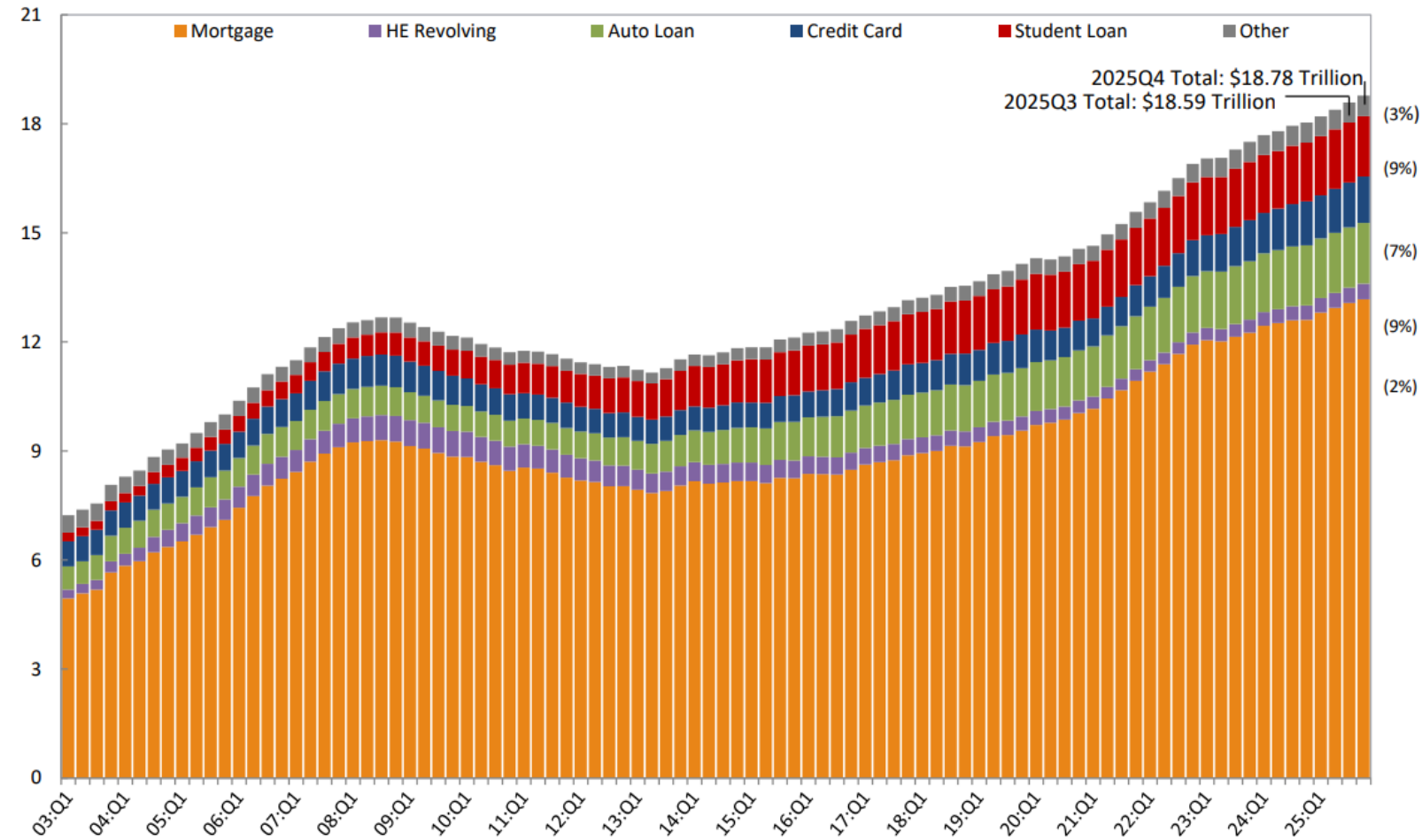


- We are seeing a trend of **longer-term growth** with emphasis on growth supporting services due to aging population, knowledge economy. In the near term there is the risk of a recession.
- US Outlook shifting increasingly in favor of energy and agriculture.
- Hormuz serves to stymie delivery of Middle Eastern ODC while making cost of moving cargo more expensive. Has the potential to shift how goods route and by what mode.
- USMCA renewal negotiations are set to begin in July. If agreements can be reached, **the outcomes would likely be very positive for the over-dimensional cargo (ODC) service industry.**

Total Debt Balance and its Composition

- Household debt increases since 2021 supported consumer spending once the stimulus payments ceased in 2021
- All sources of household debt finance have increased at almost as fast a rate than prior to the Great Recession
- Debt financing may be becoming less sustainable than in the last 4 to 5 years

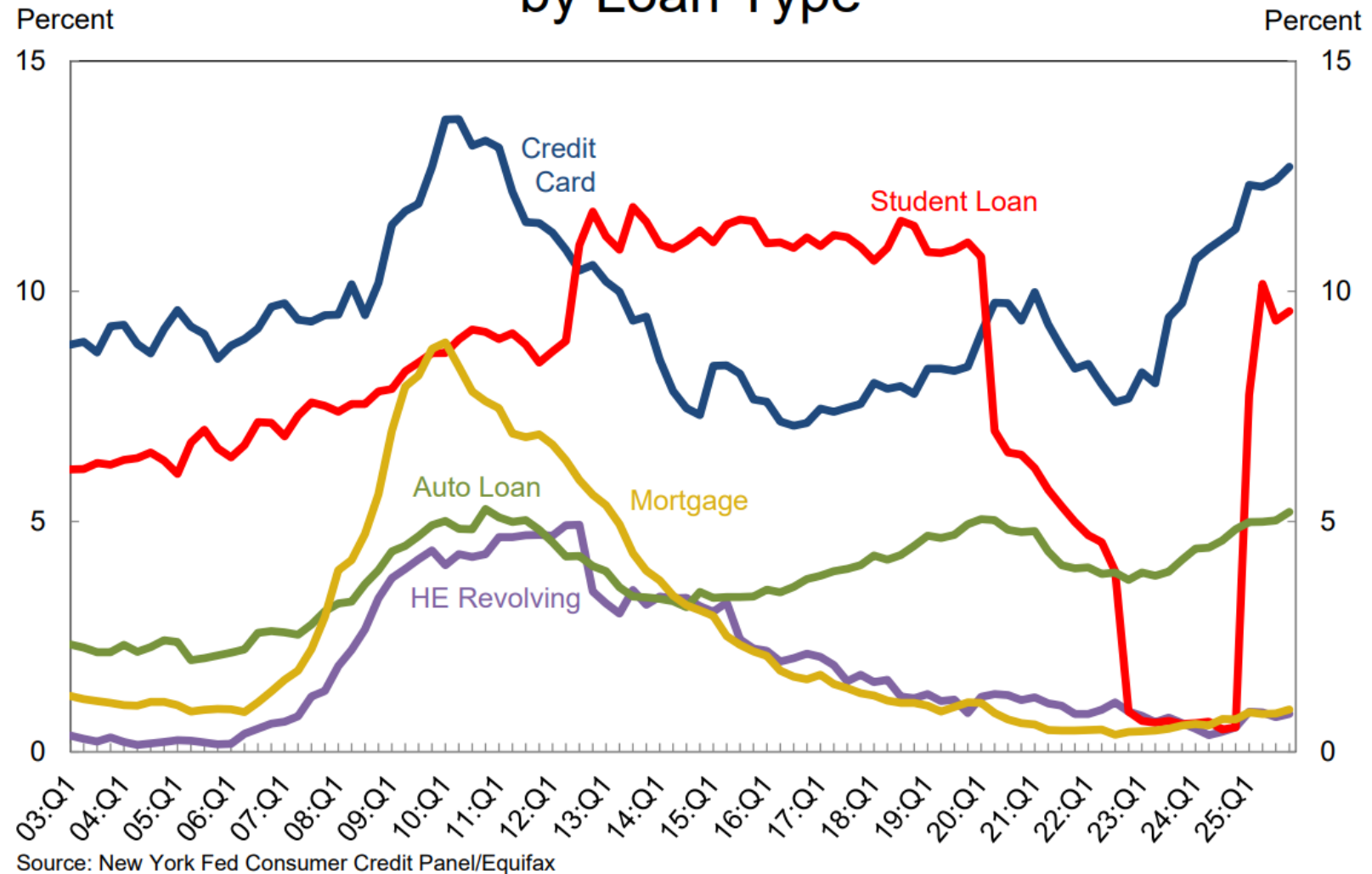
Trillions of Dollars



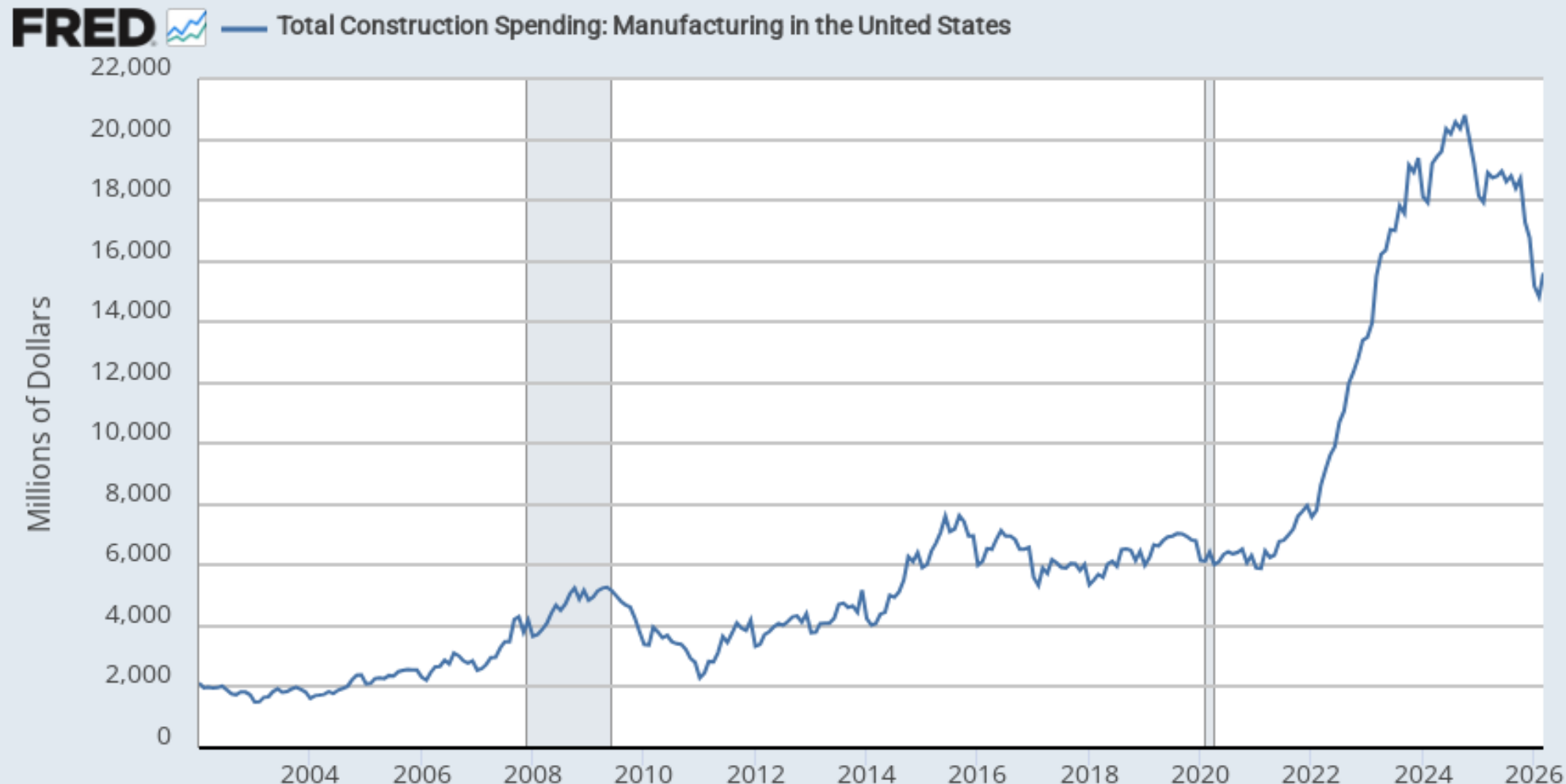
Source: New York Fed Consumer Credit Panel/Equifax

Percent of Balance 90+ Days Delinquent by Loan Type

- Payment delinquency rates have risen significantly in the last few years
- A near term recession is likely even without shifts/cuts to federal government spending and employment, and other consumer spending affordability issues



Construction of Manufacturing Facilities Bottomed Out?



Source: U.S. Census Bureau via FRED®

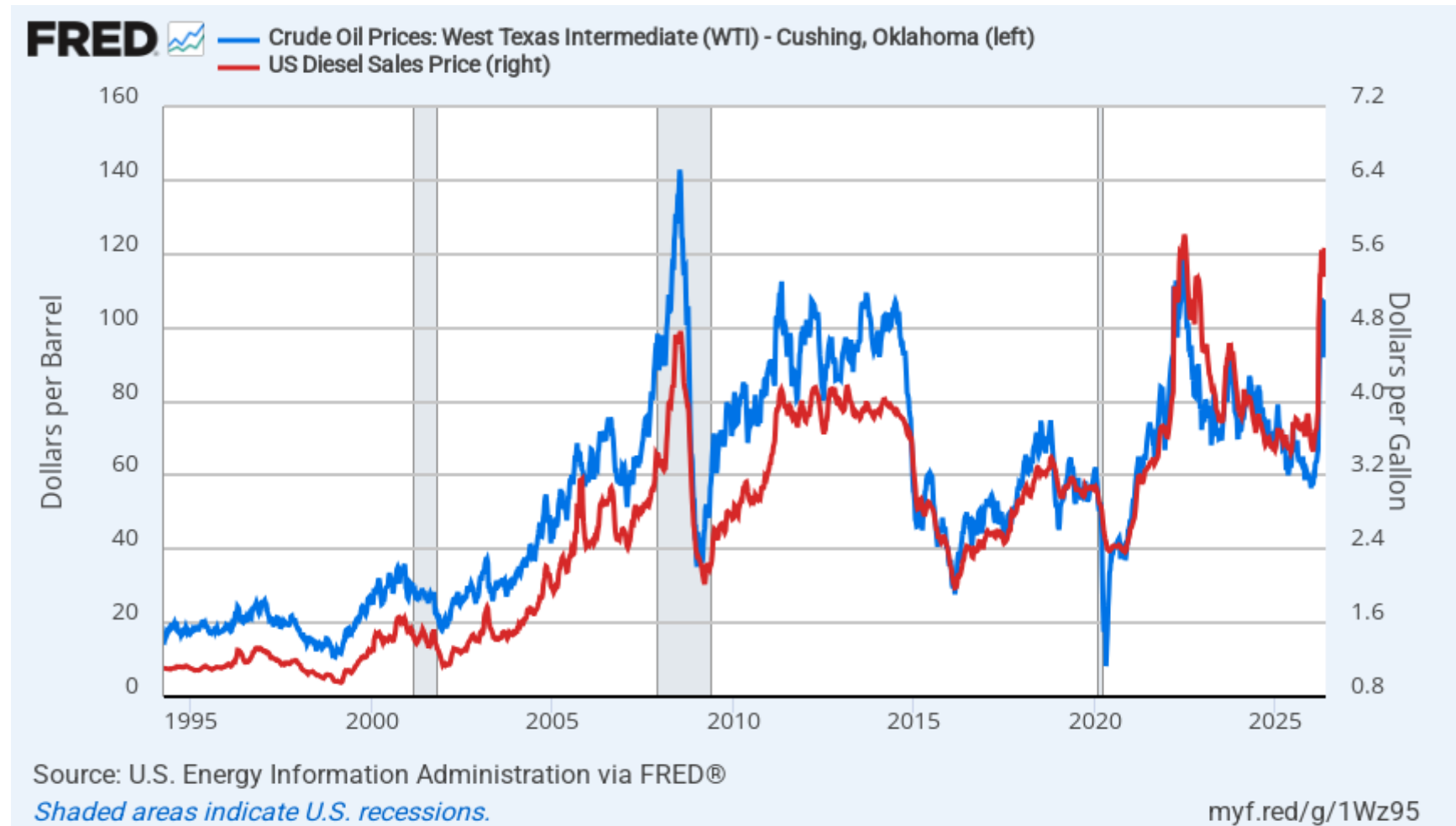
Shaded areas indicate U.S. recessions.

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Oil Prices Are Adjusting To The Iran War Risk Premium



- As of 5/18/2026, oil prices do not yet fully price in a medium to long term closure of the Strait of Hormuz due to threats from Iran
- Under the fog of war uncertainty, it is difficult to intelligently guess when oil prices will return to the marginal cost per barrel prevailing prior to 2/28
- Since 1994, on average, a \$1 dollar increase in the price of oil results in a 4.5 cent increase in the price of diesel





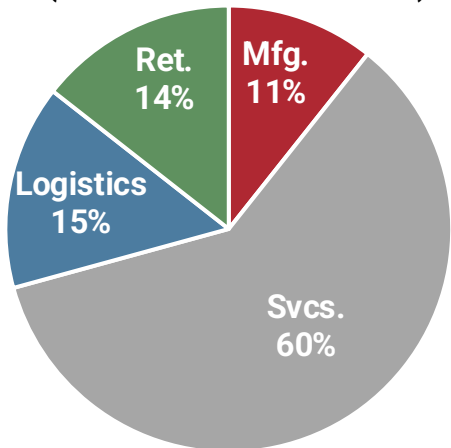
Overdimensional Cargo Market

Economy: Purpose, Core Sector Growth

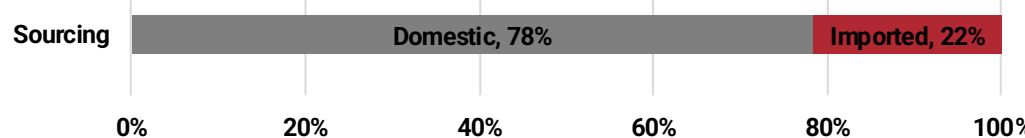
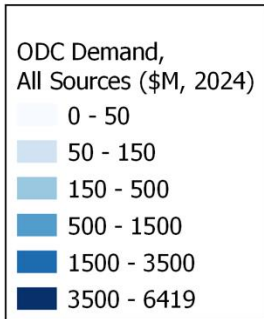
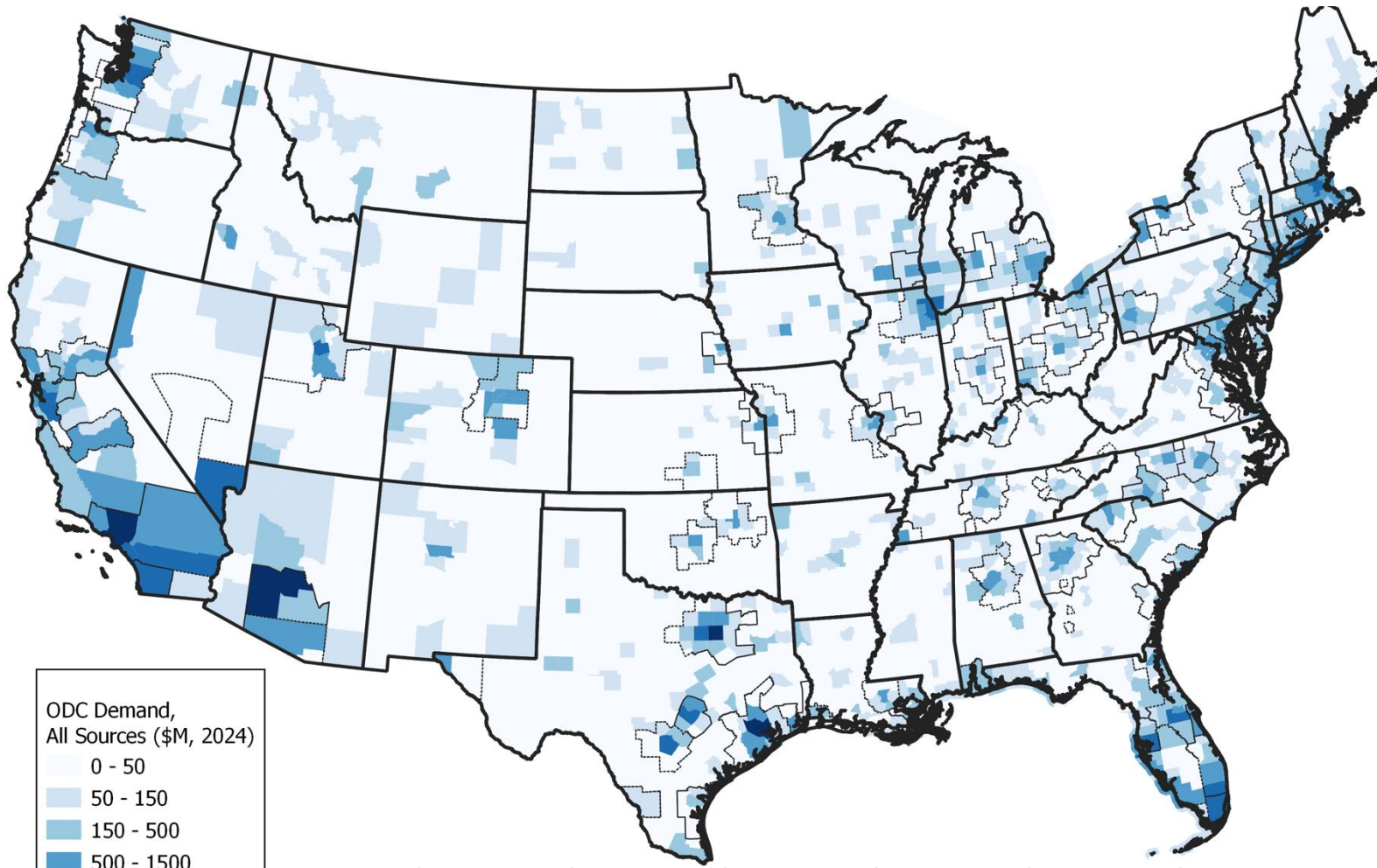
Growth in Real GDP: US 2024 – 2050 (\$Billions)

- Freight Intensive
- Logistics
- Retail
- Services

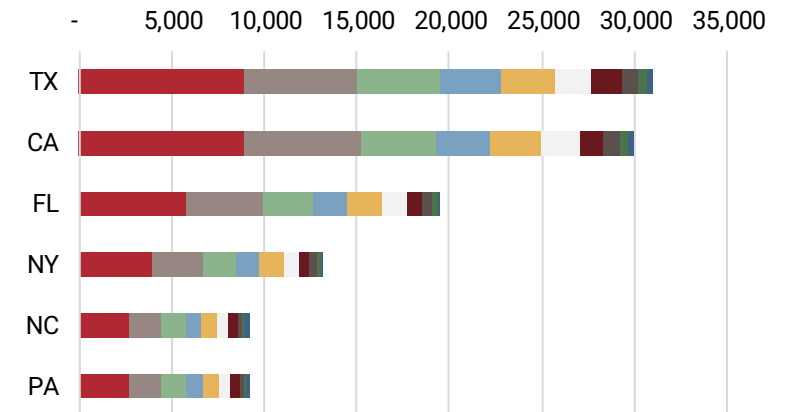
Breakout of Sector Growth
(Real GDP, 2024- 2050)



Where is Demand for Over-Dimension Cargo?

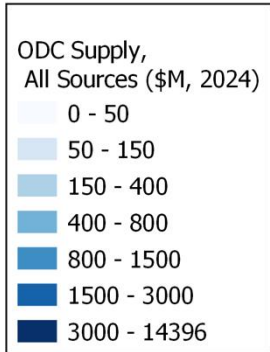
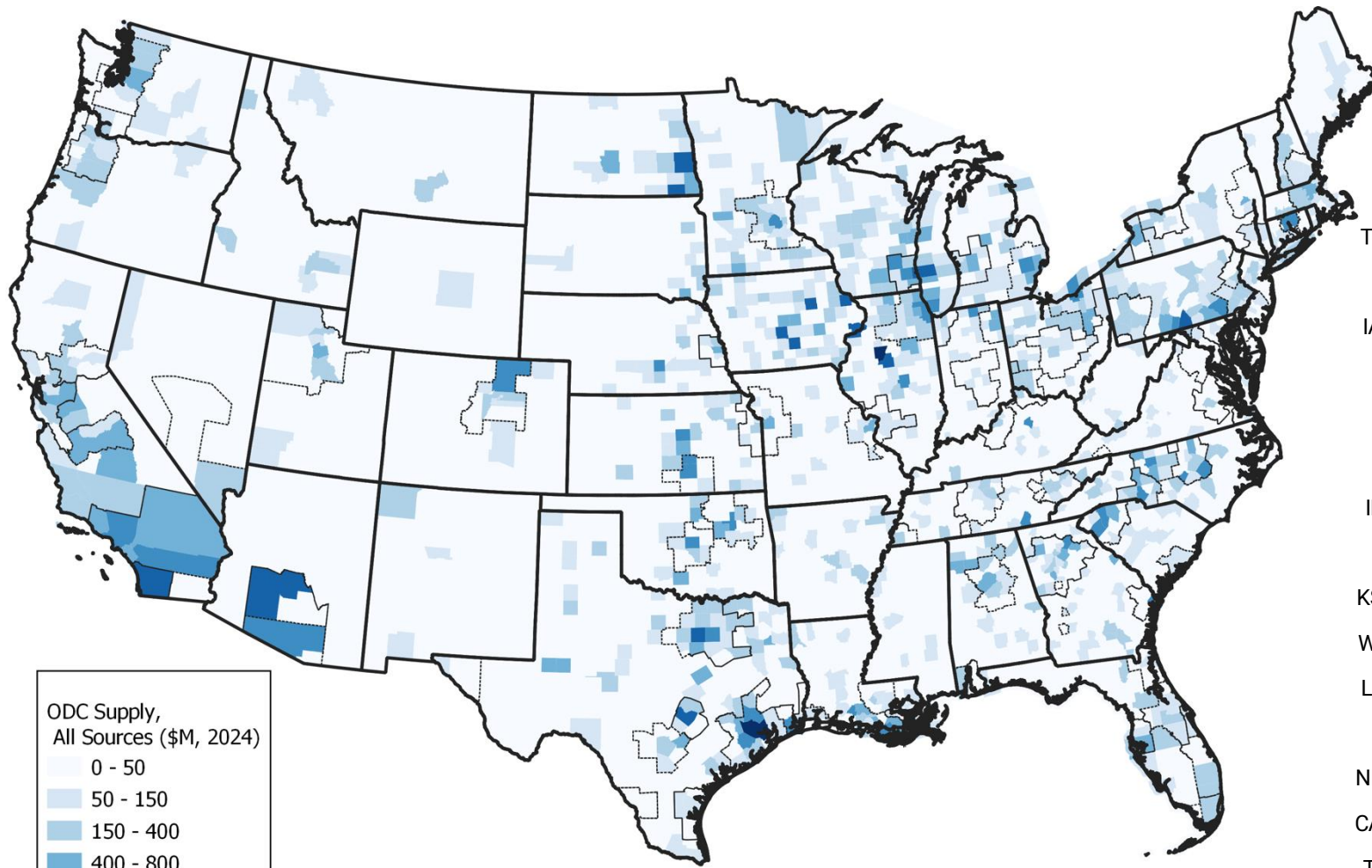


Top States by Demand Type Over-Dimension Cargo, 2024 \$M



- Construction machinery Mfg
- Farm Machinery
- Prefabricated Buildings
- Oil & gas field machinery & equipment Mfg
- All other industrial machinery Mfg
- Machine tool Mfg
- Fabricated Pipes & Pipe Fitting
- Turbine & turbine generator set units Mfg
- Mining machinery & equipment Mfg
- Mechanical power transmission equipment Mfg

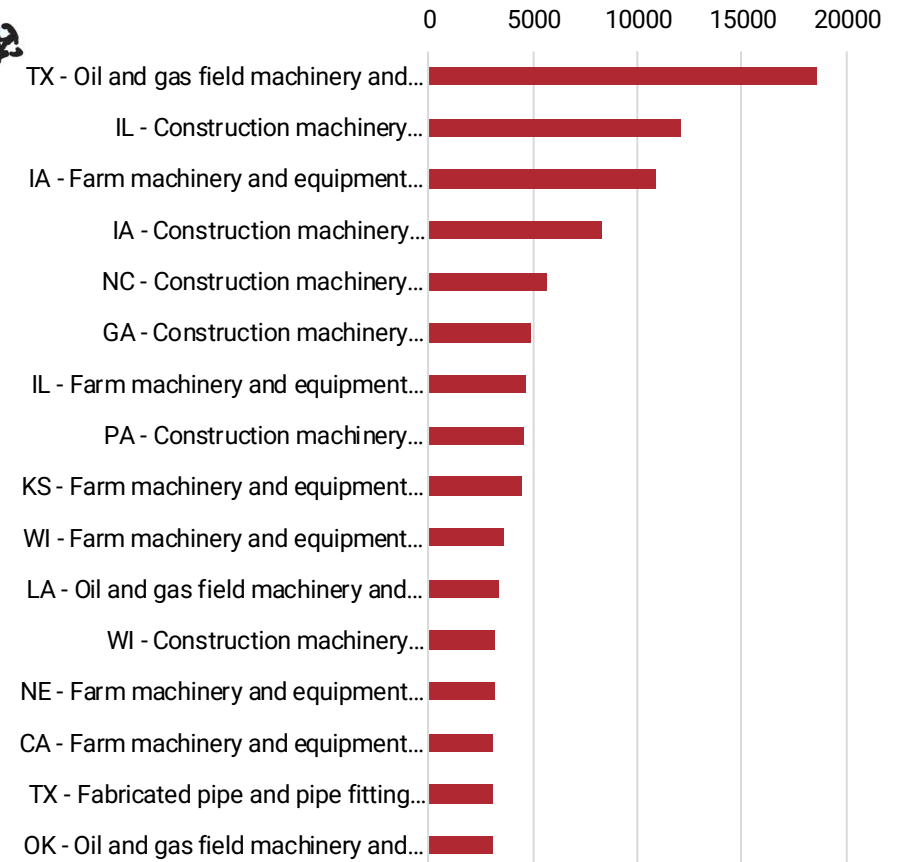
Regions Supplying ODC



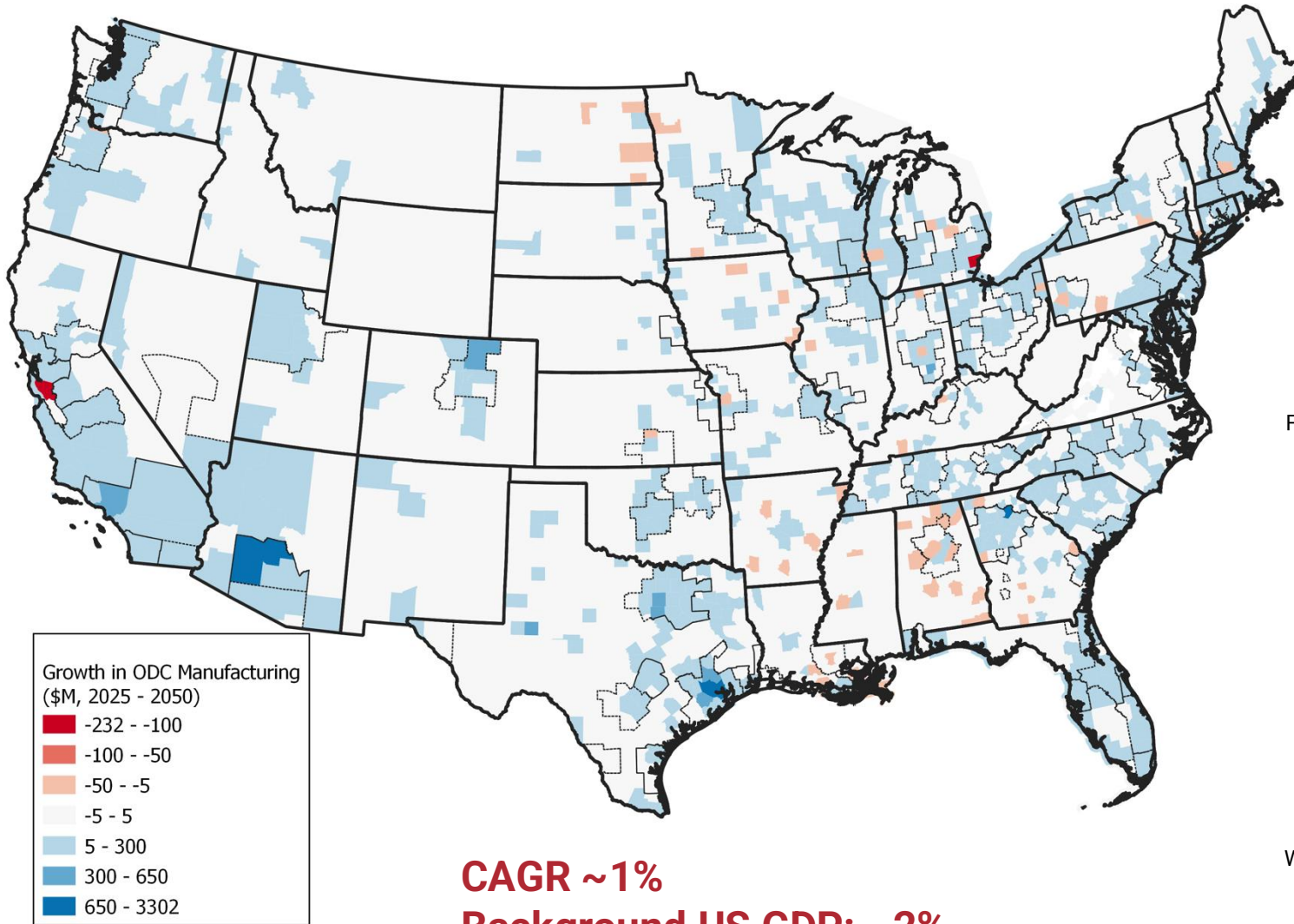
Sourcing: Domestic, 87% Exported, 13%



Projected Growth in ODC Producing Sectors: (Real GDP, \$M, 2025 - 2050)

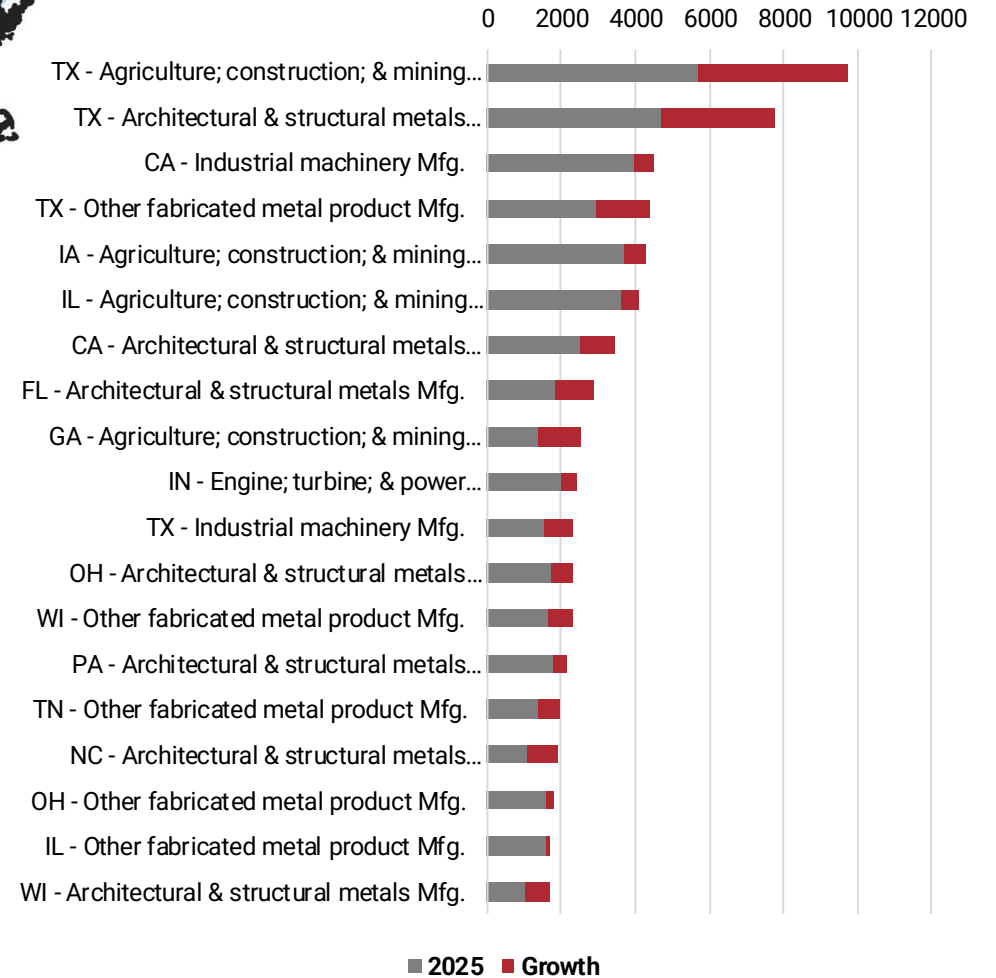


Where is the growth in Manufacturing of ODC?



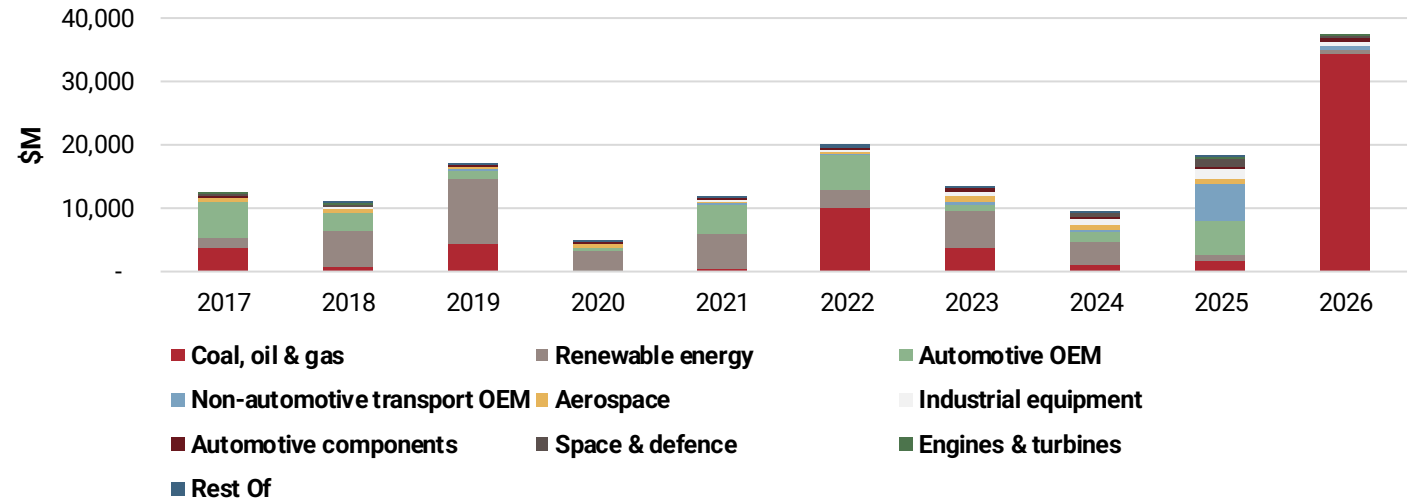
CAGR ~1%
Background US GDP: ~2%

Projected Growth in ODC Producing Sectors: (Real GDP, \$M, 2025 - 2050)

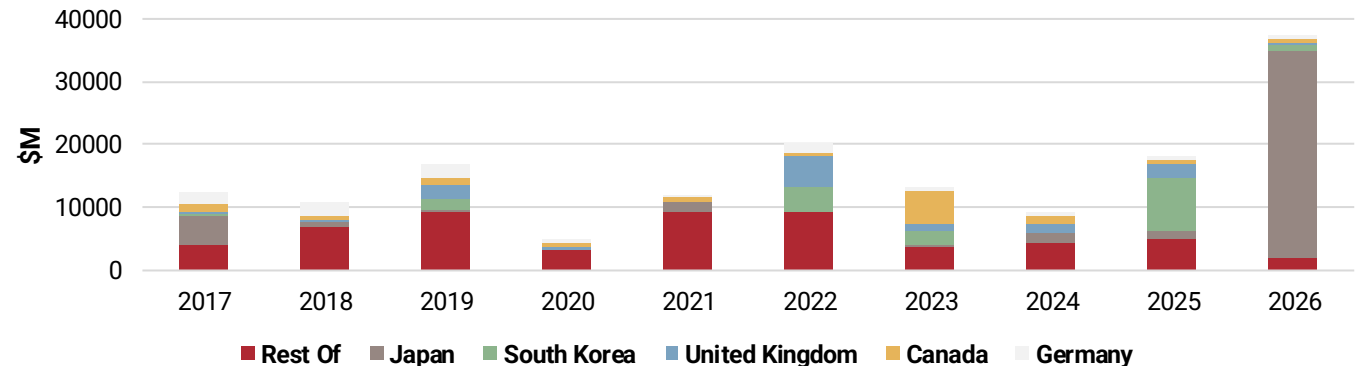


- Continued pattern of investment
 - Tariff wars not as large of impediment for investment,
- Shifting Pattern of investment
 - Focus on investment in automotive and fuel supply chains
 - Largest investors: South Korea, Japan
 - Japan fund investments by SB Energy
 - LNG Power (OH)
 - Oil Terminal (TX)
 - Industrial Diamonds (GA)

**Foreign Direct Investment in ODC Related Sectors
2017 - 2026, \$M CAPEX**



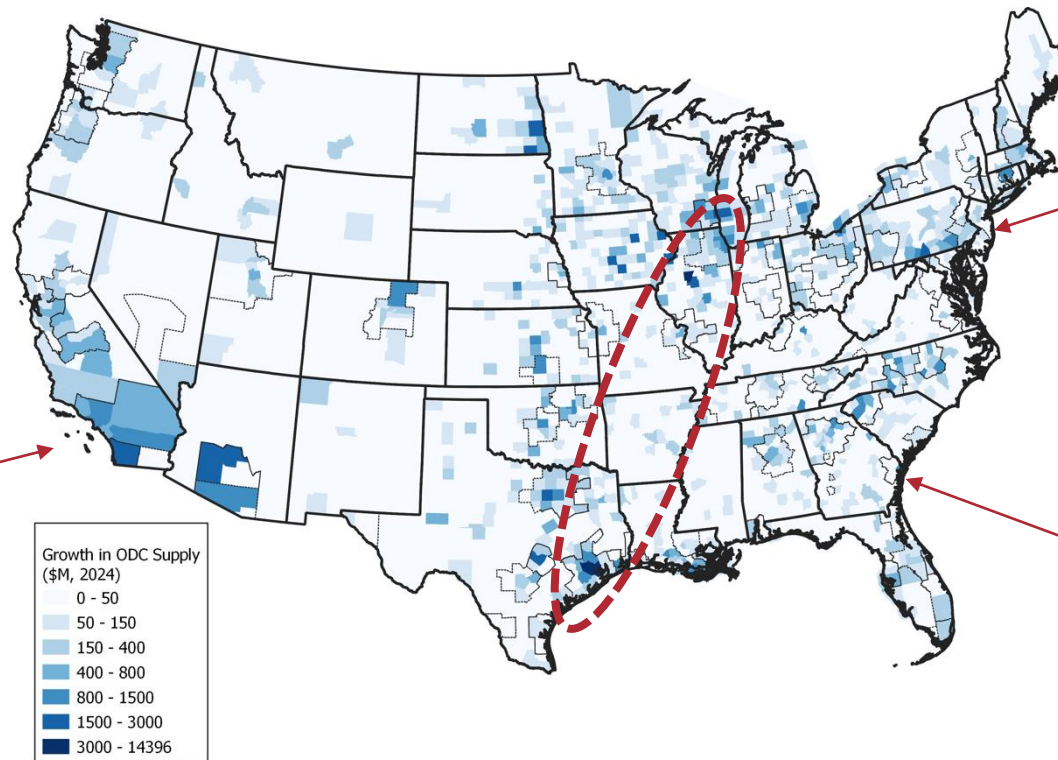
**Foreign Direct Investment in ODC Related Sectors
By Country, \$M CAPEX**



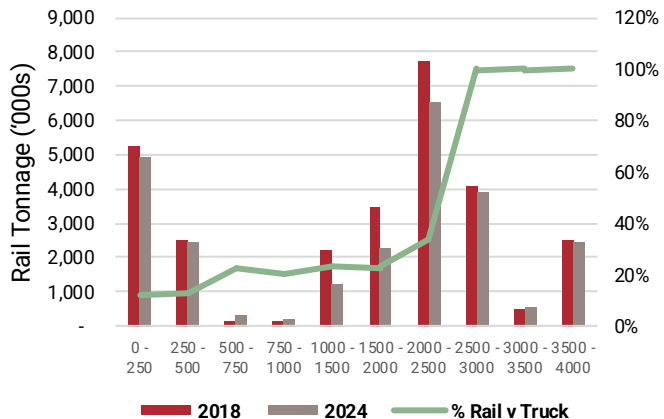
How is ODC Moving?



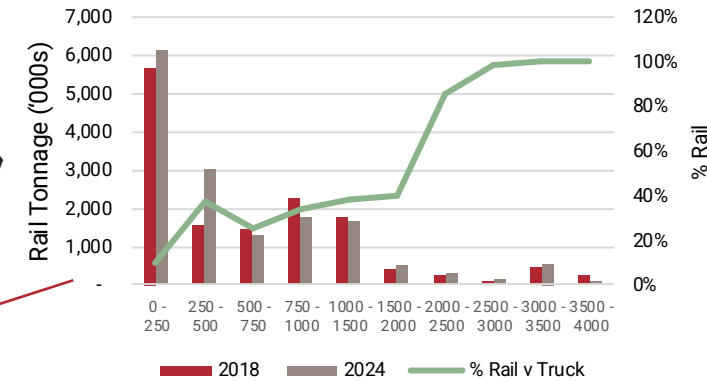
- Demand driven by Infrastructure, Manufacturing
- Longer hauls favor rail
 - Average Domestic Haul by Truck: 400 miles, 5% Rail, 700 miles
 - Import/Export 20% Rail, 1300 miles, Truck: 650 miles



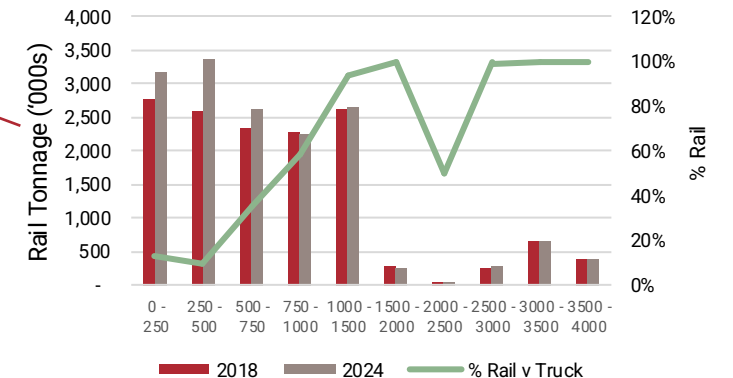
Ports of Los Angeles/Long Beach



Ports of NY/NJ



Ports of Savannah, Charleston





Looking at Shifts, Uncertainty

How has the last year changed growth expectations?

- Examine how professional forecasters have changed their outlook pre and post Tariffs
 - No newer data post supreme court tariff ruling
 - Heavy emphasis on energy and petroleum byproducts (positive for ODC), consumer goods
 - TX, FL Growth revised to exceed NY, CA
- Uncertainty on viability of long-term Retail trade in the face of growing income inequality

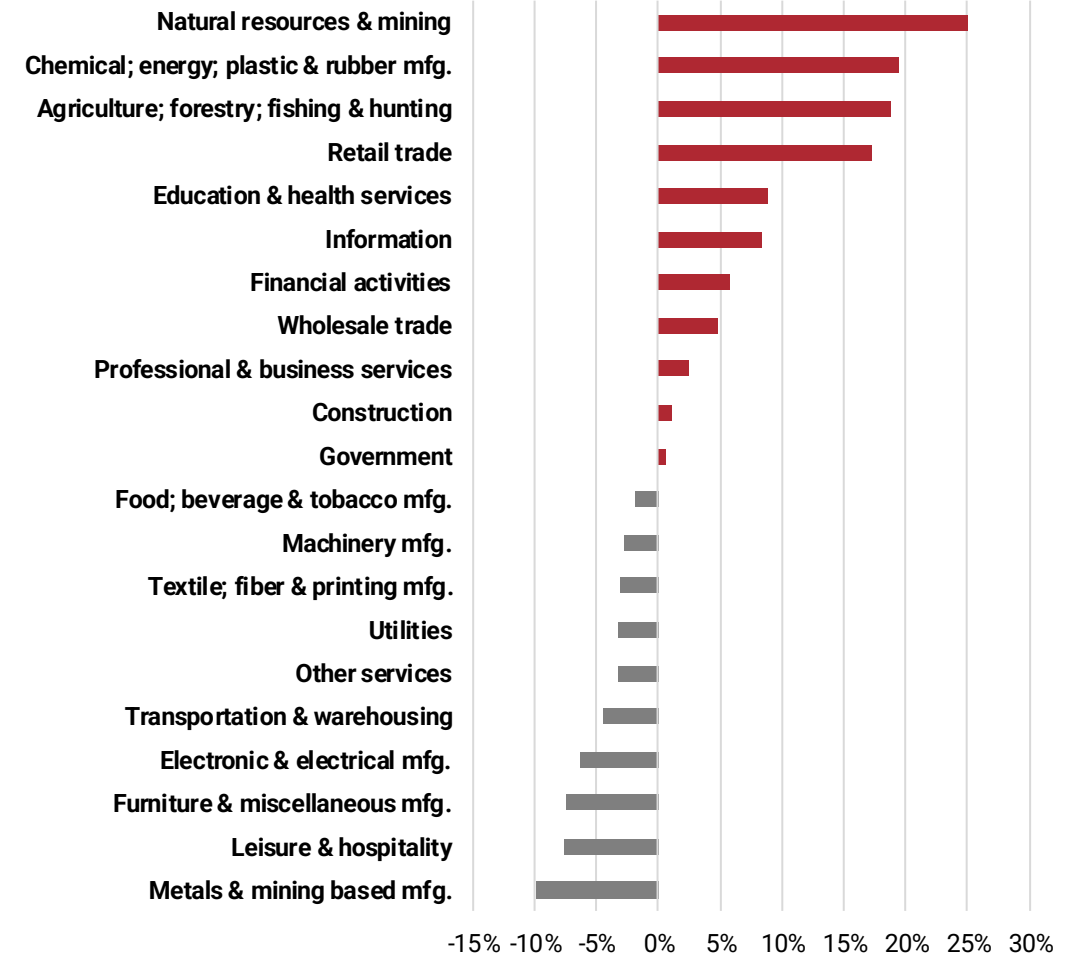
Top 5 Increasing States

State	Change in GDP (\$B)
Texas	403,000
Florida	190,000
New York	139,000
California	106,000
North Carolina	58,000

Top 5 Decreasing States

State	Change in GDP (\$B)
Oregon	(12,000)
Colorado	(14,000)
District Of Columbia	(15,000)
Nevada	(27,000)
Arizona	(56,000)

Changes in 2050 Outlook: % change versus 2024 Expectations



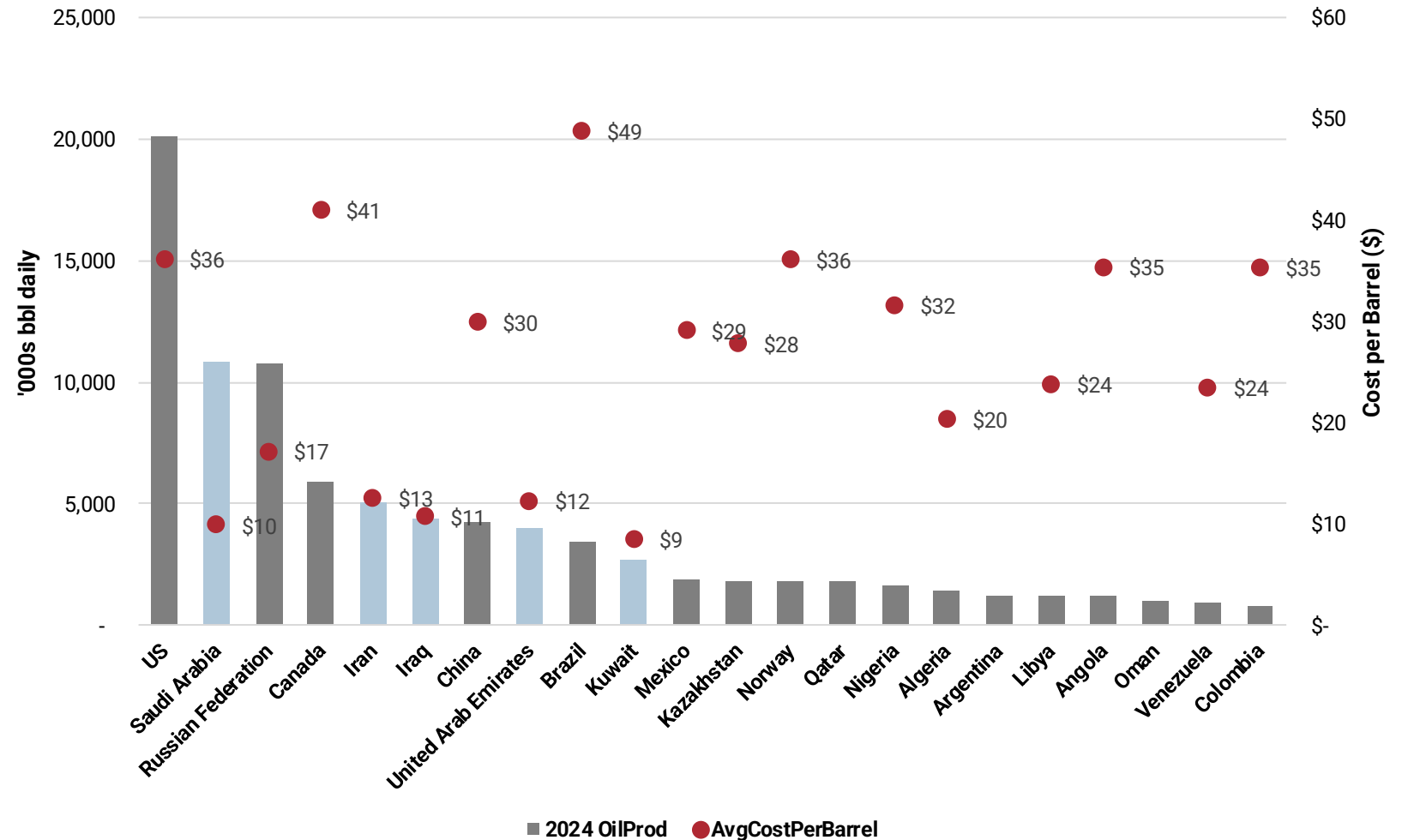
- **Delays to UAE/Saudi Arabia Imports of Project Cargo**
- **Fuel Costs Drive Mode Choice, Cost of Business**

Large Jump in Price of Next Nearest Scale Supplier

- ~ \$10/bbl (Middle East)
- ~ \$17/bbl (**Russia**)
- ~ \$30/bbl (**China**)
- ~ \$36/bbl (USA)
- ~ \$41/bbl (Canada)

* Cost Per Barrel figures based on 2015 Rystad Energy study

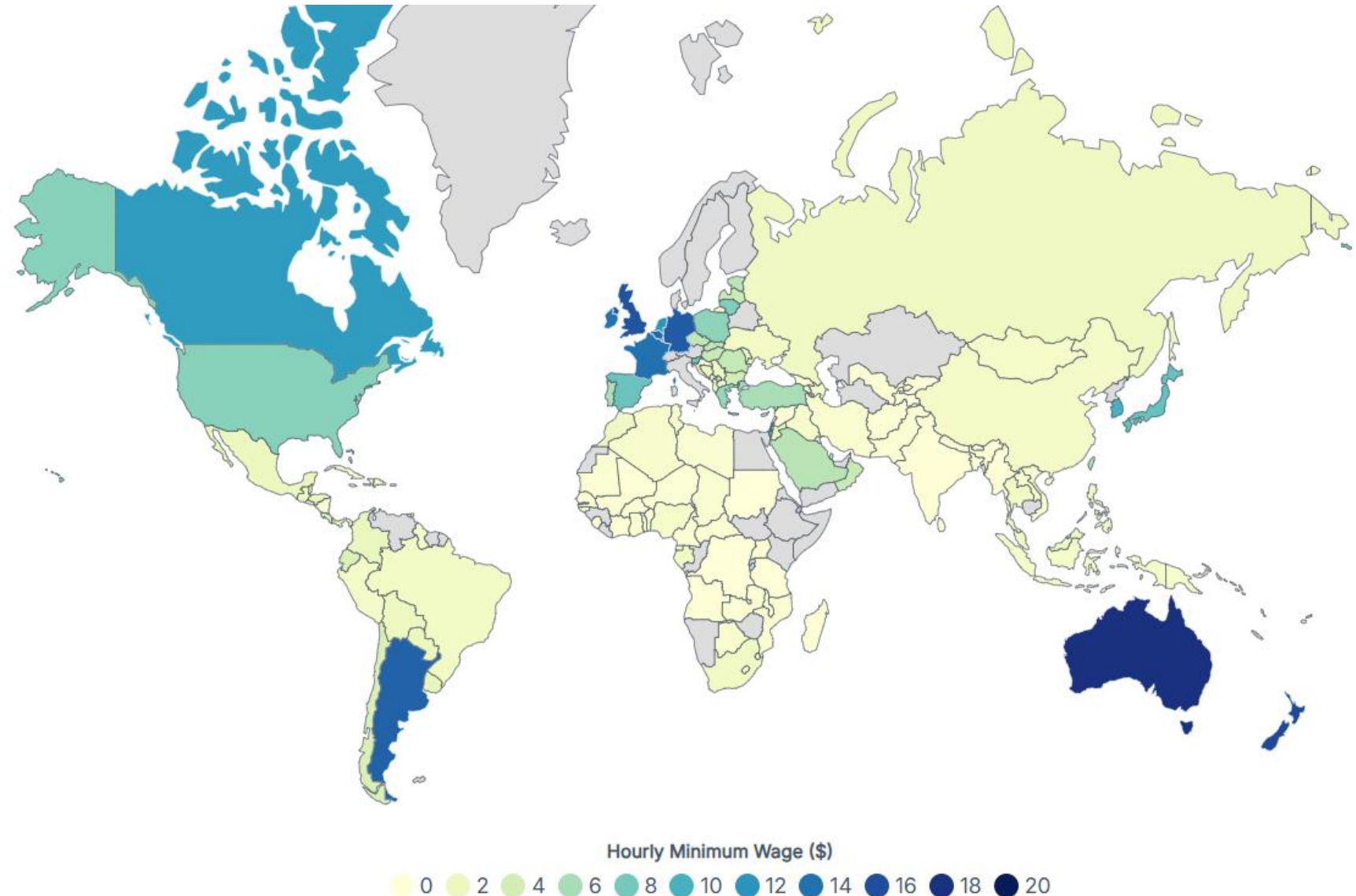
Crude Oil Production and the Cost per Barrel



- USMCA strengthens long-term demand for **OD cargo service providers**, but it also raises the bar:
 - Stronger: Tighter rules of origin (75%), higher labor content, customs modernization mean more North American manufacturing. Means more cross-border infrastructure investment involving OD cargo
 - MX becomes a greater destination for OD and higher growth for other top OD corridors
 - More cross-border infrastructure investment that provides more routing flexibility for OD
 - Likely energy & critical minerals provisions mean refining plant upgrades and steadier long-term demand
 - Risks: regulatory fragmentation, permitting delays, and uneven state/provincial harmonization.
 - USMCA doesn't harmonize state/provincial OD weight/height/width limits, escort requirements, weekend/holiday travel restrictions, bridge engineering reviews
 - Lagging infrastructure (lane width, turning radii, escort/inspection areas)
 - Political risk: (renegotiations, tariff re-imposition if talks fail)

Tariffs: Uncertainty, and the Attempt at Reshoring

- Tariffs could be seen as attempt to not just level playing field, but incentivize reshoring to avoid altogether
- US competing for market share with significantly lower wage countries
 - More feasible when not such a wide gap



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Derek Cutler: derek.cutler@ebp-us.com
Walter Kemmsies: walter@kemmsiesgroup.com

