Van Market Outlook

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The trucking industry consists of several different types of operations and segments. While one size certainly doesn't fit all, market analysts typically breakdown the industry into three main sectors based on trailer type: Van, Flatbed, and Reefer.

It's good to know the current conditions of the freight market, but it's also important to understand what the future holds, especially for your segment of the industry.

To examine the van market outlook, we will look at:

1. **Demand** shows us how many trucks the market needs to move freight.
2. **Rates** illustrate how much the average owner-operator can expect to earn.

We will also examine four key economic indicators that directly impact the van market:

1. Retail Sales
2. CPI
3. E-commerce
4. Advanced Retail Sales Categories

Demand: Van Load-to-Truck Ratios

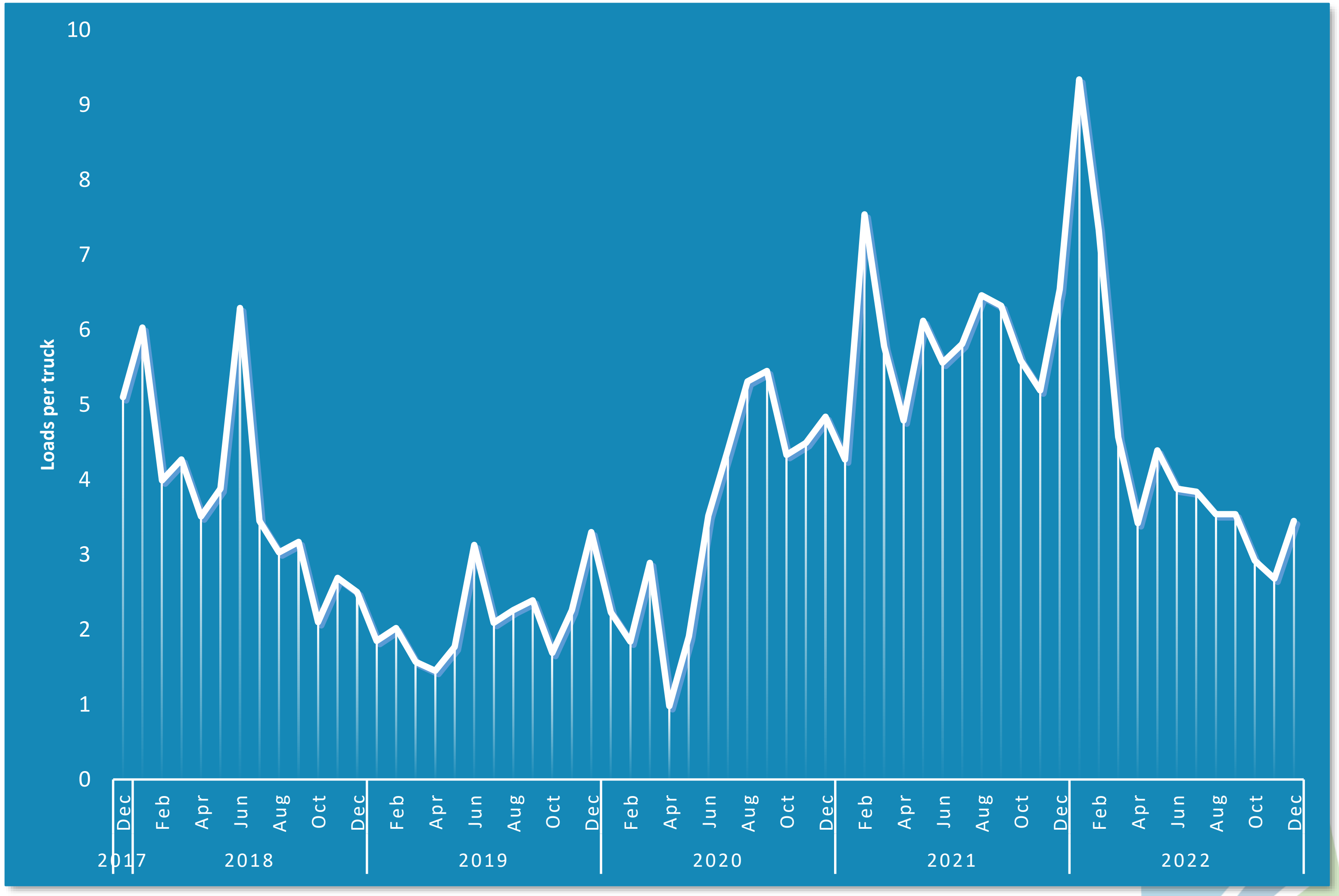
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- The Load-to-Truck Ratio is a sensitive, real-time indicator of the balance between spot market demand and capacity

Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: The Van Load-to-Truck ratio reversed course in December, as the number of load posts outstripped the number of equipment posts. This is typical, as a number of truckers take time off during the holidays.

- The Van Load-to-Truck Ratio increased 28.7% month-over-month to 3.45.
- The ratio is still 53% lower than January and 13% lower than the 5-year trend.
- While the large increase in demand is certainly welcomed, we need to wait and see if this growth is due to seasonal trends, or if the market is truly starting to stabilize.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Rates: Van Spot and Contract Rates

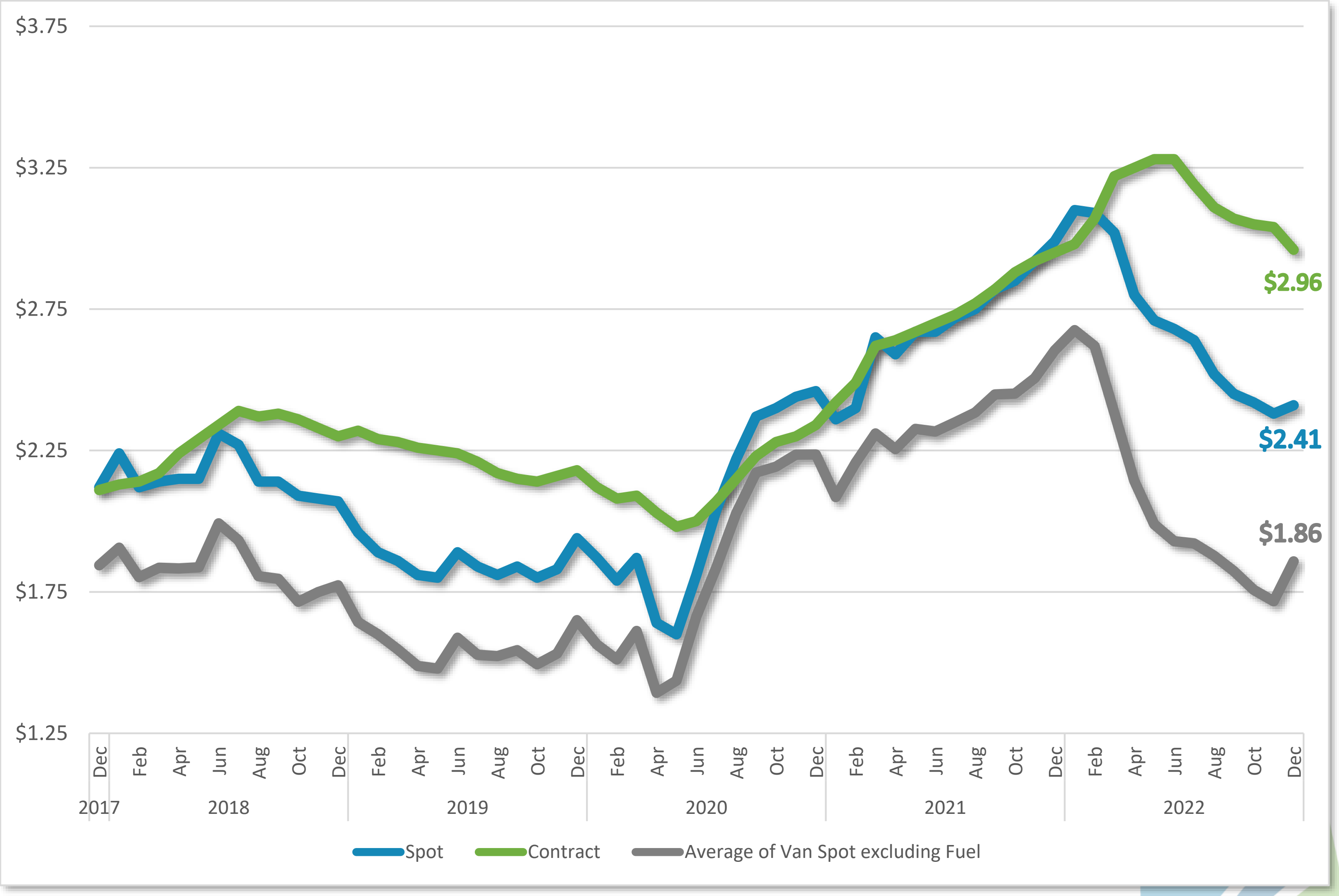
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- RateView's database is comprised of more than $110 billion in freight bills in over 68,000 lanes

Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: As typical with the holiday season, trucking capacity often tightens. However, this season also saw an increase in load posts, pushing spot rates upward, even while contract rates decreased.

- Spot rates for vans increased by $0.03 per mile month-over-month in December, but have dropped $0.69 per mile since January 2022.
- Contract rates on the other hand decreased $0.08 per mile, a welcomed sign. However, the spread between contract rates and spot rates is $0.55 per mile.
- Spot rates are 4% above the 5-year trend, while contract rates are 24% higher.
- DAT expects rates to bottom out and start bouncing back some around the middle of February.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Retail and Consumer Price Index (CPI):

The big picture: The term "retail sales" is an economic metric that tracks consumer demand for finished goods.

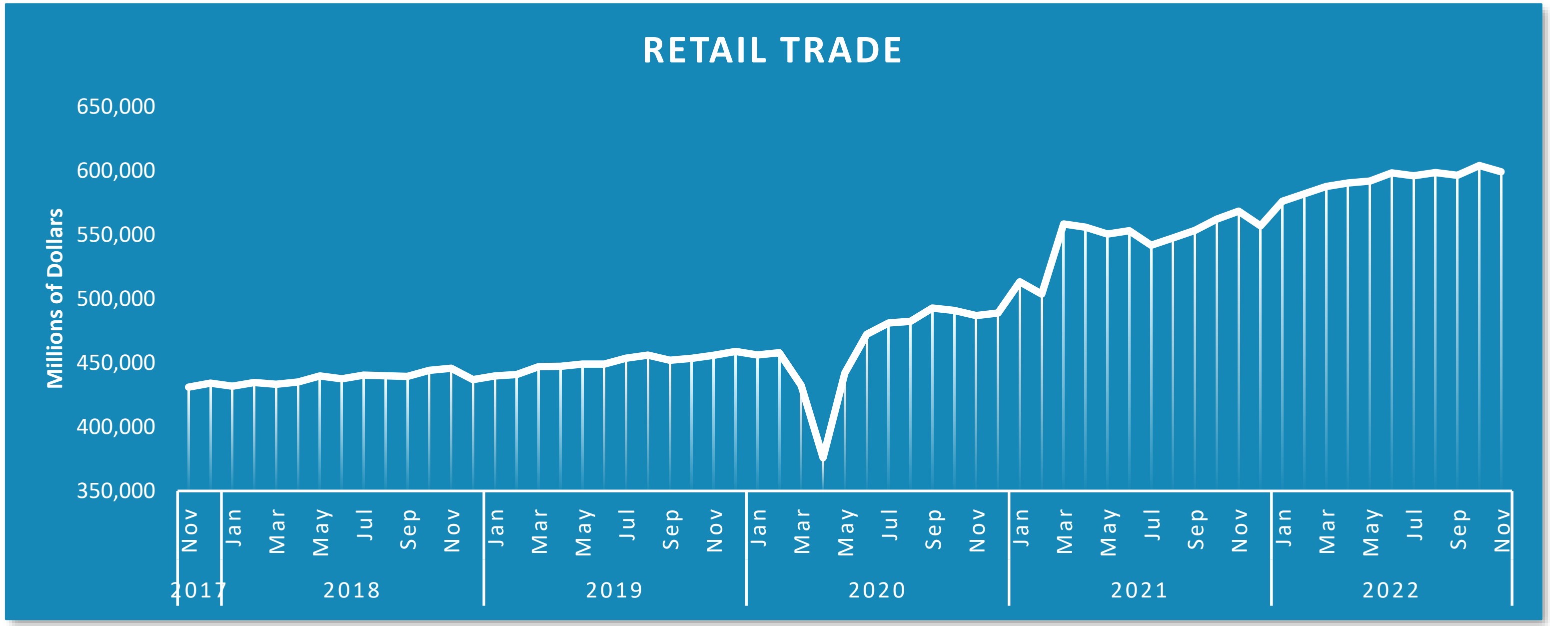
- While CPI measures the average price change for a basket of goods and services over time.

Why it matters: Both retail sales and CPI can help the owner-operator gauge the economic health of the country and thereby the freight market.

- Consumer spending accounts for two-thirds of GDP.
- If prices are stable and retail sales are high, it means that there's a greater demand for freight.

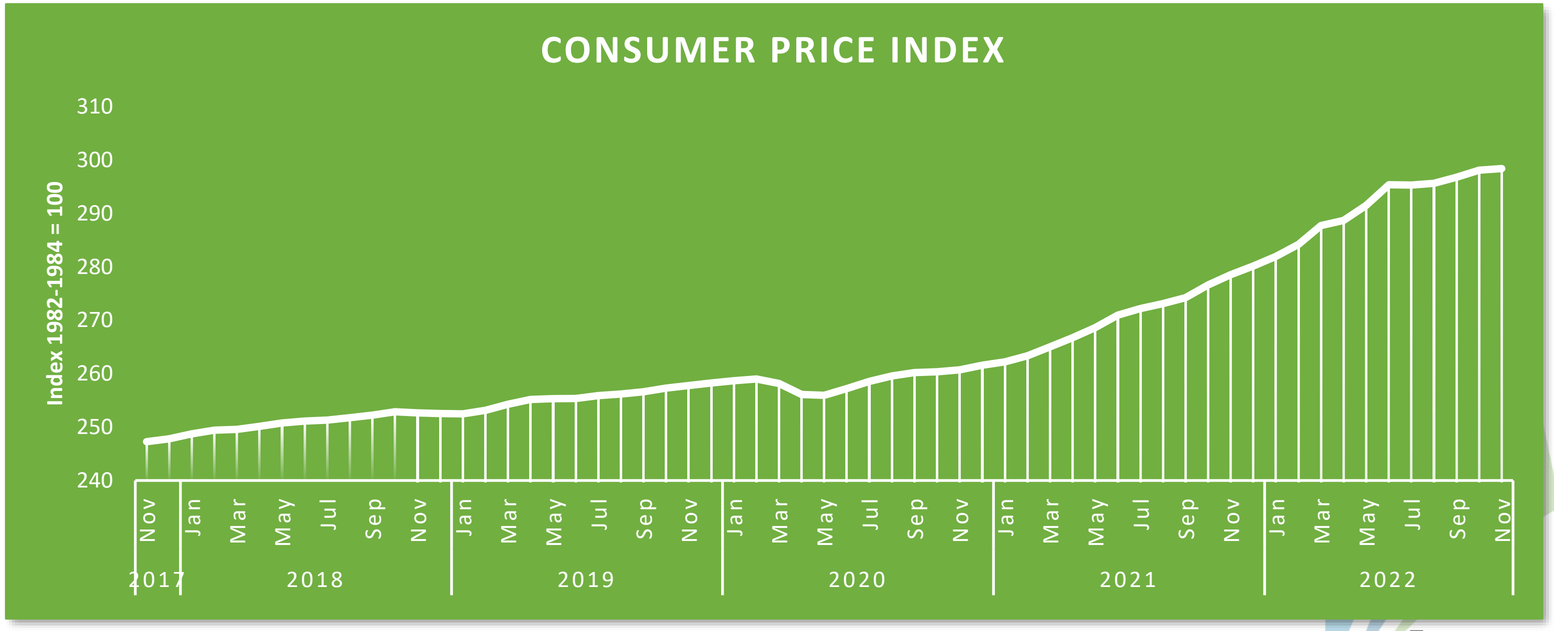
Our thoughts: People are still purchasing goods even despite what the media is stating about high inflation. This may be due to the fact that wages and salaries overall are 17% higher than the 5-year trend.

- Unlike typical trends, retail trade actually decreased 0.8% month-over-month in November to $599.1 billion, which lead some to believe that holiday spending would be depressed.
- CPI increased again by 0.1% to 298.3, which is 7.1% higher than it was a year ago and 12.7% higher than the 5-year trend.



Source: FRED| https://fred.stlouisfed.org/series/RSXFS | Monthly

Note: E-commerce sales are included in the total monthly estimates



Source: FRED| https://fred.stlouisfed.org/series/CPIAUCSL#0 | Monthly

E-Commerce Retail

The big picture: E-commerce has changed the way people purchase goods, as more and more people move to online orders.

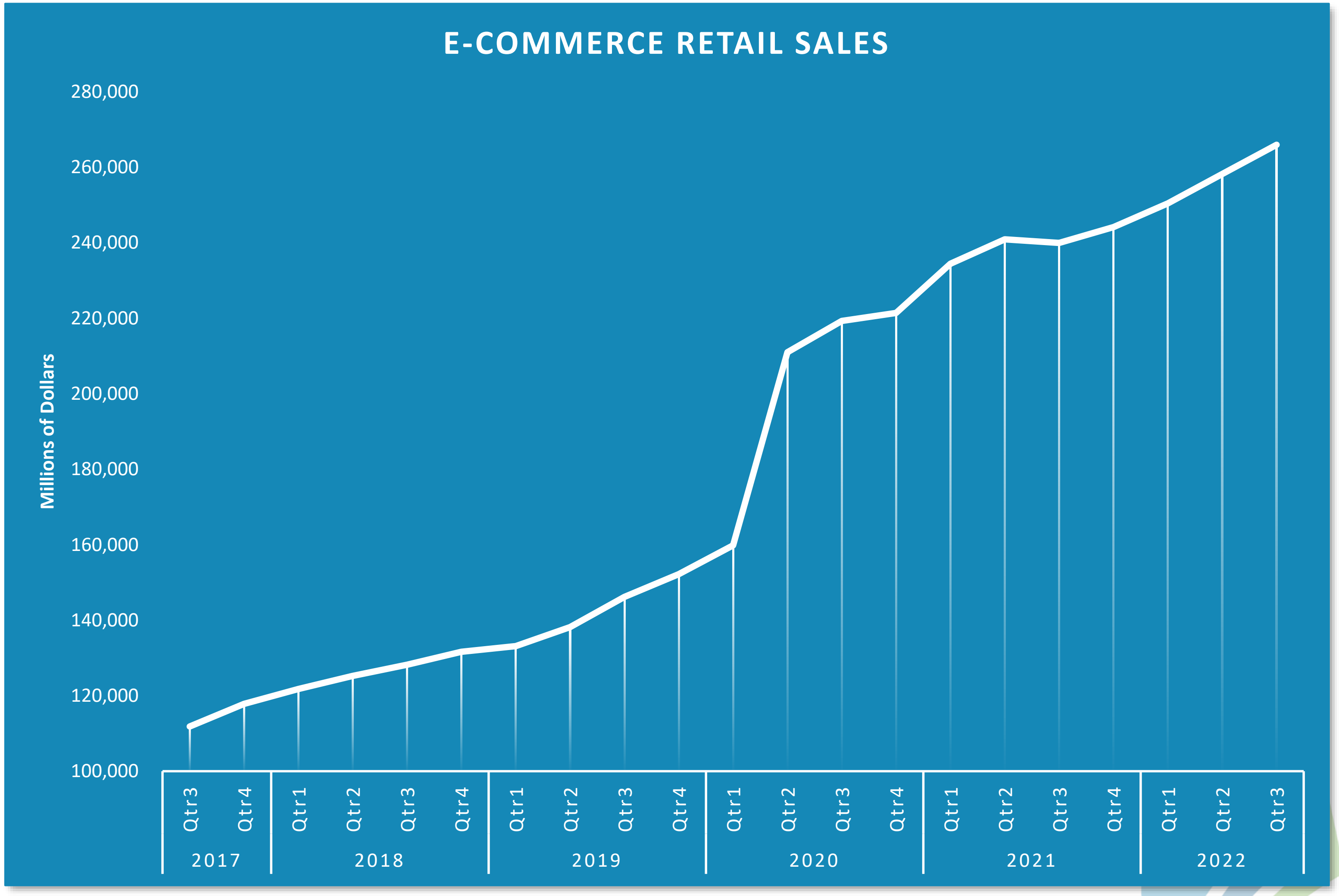
- Technology has made it easier than ever for people to shop online.

Why it matters: With so many online retailers now offering one or two day deliveries, trucking logistics has been turned on its head.

- This means freight needs to be moved to a central warehouse where it can be distributed from there.
- As e-commerce grows or shrinks, so too do freight volumes.

Our thoughts: E-commerce activity represents about 14.8% of total retail sales.

- While this percentage has flattened since its high in the second quarter of 2020, e-commerce continues to elevate freight volumes.
- E-commerce increased 3% quarter-over-quarter to $265.9 billion. This is 48% higher than the five-year trend.



Source: FRED| https://fred.stlouisfed.org/series/ECOMSA | Quarterly

Advanced Retail Sales: Clothing, Electronics, and Furniture

The big picture: Retail sales capture in-store, catalog, and out-of-store sales of both durable and non-durable goods. These are broken down into several categories, including:

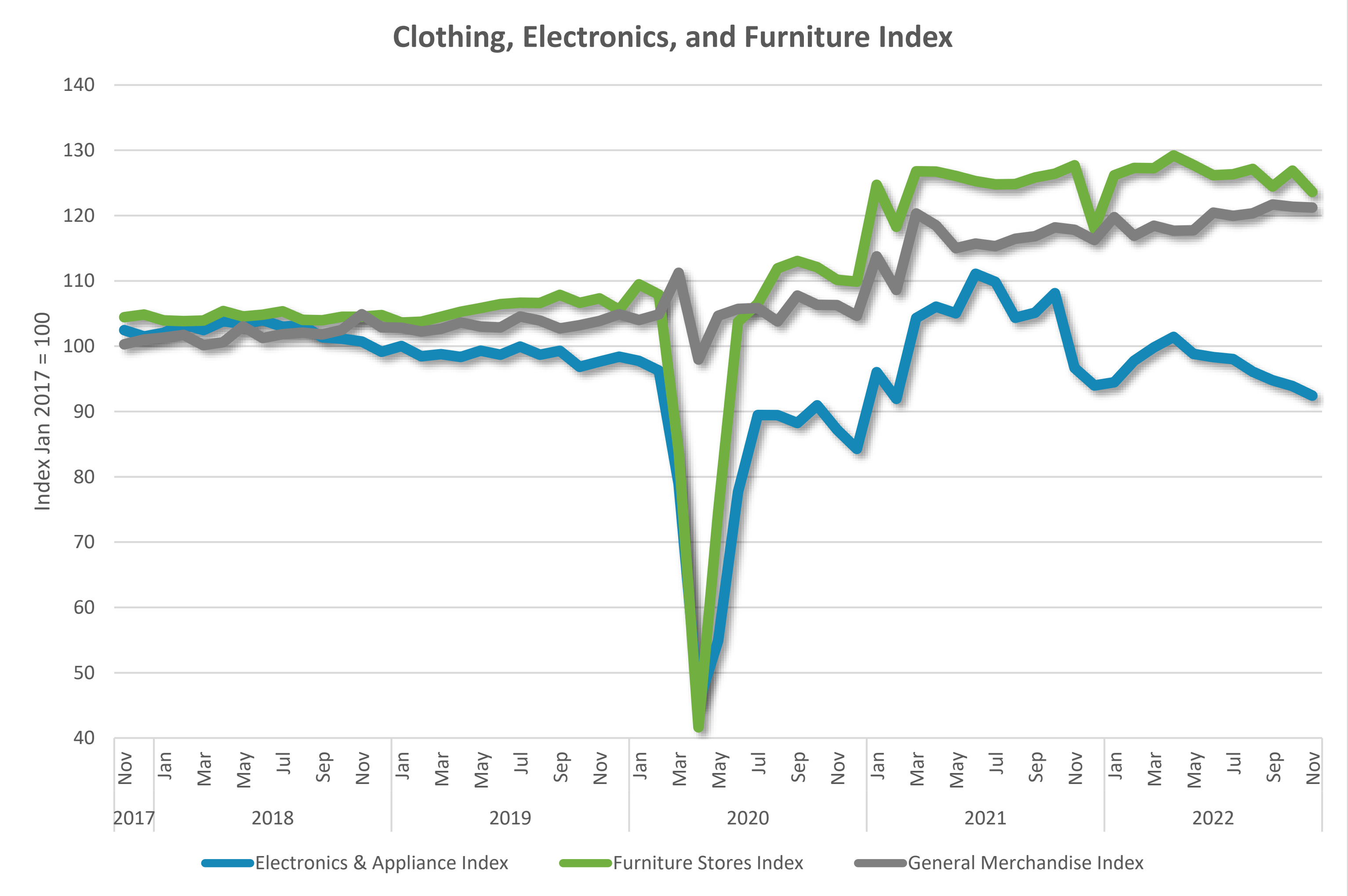
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco

Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

- **Advanced Sales** categories provide us an early snapshot from large retailers.

Our thoughts: Retail sales continue to move sideways, except for EAS, which has dropped 15.5% since its high in June 2021.

- EAS, FS, and GMS all experienced a drop in sales in November, 1.5%, 2.6%, and 0.1% respectively to $7.21 billion, $12.06 billion, and $70.14 billion.
- Two of the three are above their 5-year trend, namely FS and GMS, both by 11%.



Source: FRED | https://fred.stlouisfed.org/series/RSEAS | https://fred.stlouisfed.org/series/RSFHFS | https://fred.stlouisfed.org/series/RSGMS | Monthly