



# Freight Market Outlook

---

# Overall Freight Market Outlook

**While it's good** to know the current conditions of the freight market, it's also important to understand what the future holds. OOFI designed this segment to examine some key economic factors that can impact the forthcoming market and thereby your bottom line.

To do so, we will look at four key categories:

1. **Consumer and Labor Conditions** help us to see how many people are working and how much they are spending.
2. **Manufacturing** is one of the primary movers and shakers when it comes to freight volumes.
3. **Ocean** volumes are a good indicator of the amount of volume the market might expect downstream.
4. **Rail** volumes are leading indicators for freight demand, and a primary driver of pressure on capacity.

**The bottom line:** OOFI will breakdown each category and explain how each one can potentially effect the overall freight market and thus how they pertain to you as a small business owner.



# Consumer and Labor: Employment

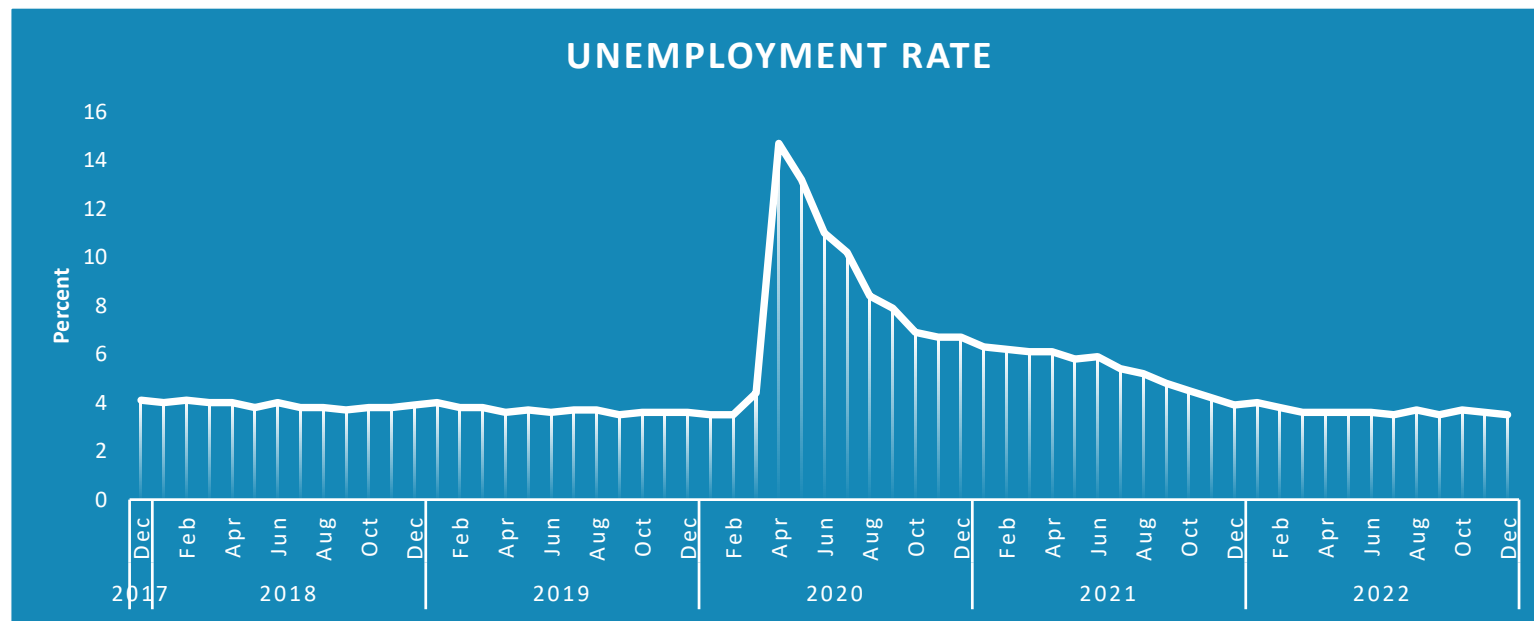
**The big picture:** Employment levels ultimately have a large impact on consumer confidence, consumer spending, and demand.

**Why it matters:** If people aren't working, then they are less likely to purchase goods.

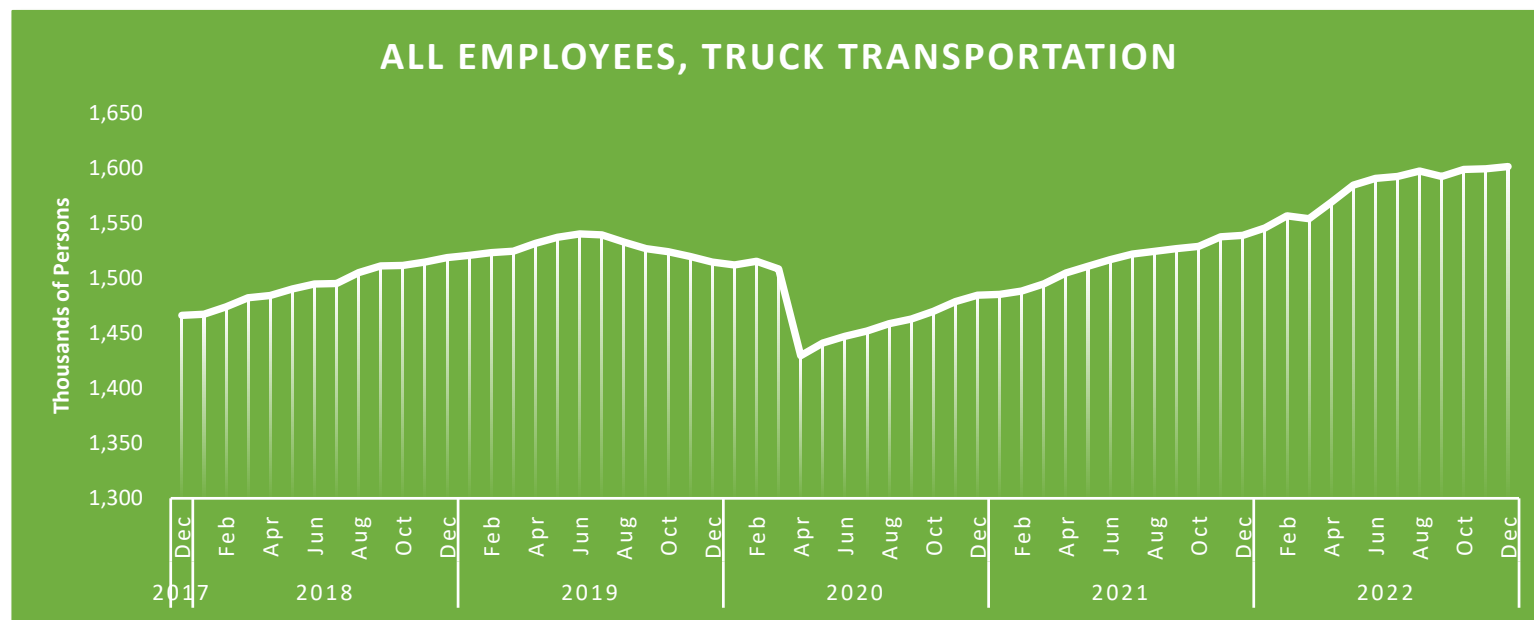
- Overall truck transportation employment is also important, as it helps to show how much capacity is out there in the industry.

**Our thoughts:** Employment numbers remain strong despite inflationary concerns. Job openings remain elevated, and low weekly initial jobless claims dropped even further in December.

- Unemployment overall is 29% below the 5-year trend at 3.5%, while unemployment rate for transportation and material moving occupation is 27.1% below the 5-year trend at 5.0%.
- Truck employment increased again by 0.1% month-over-month in December, to 1.602 million people,
- Truck employment is 4.2% higher year-over-year and 5.5% above the 5-year trend.



Source: FRED | <https://fred.stlouisfed.org/series/UNRATE> | Monthly



Source: FRED | <https://fred.stlouisfed.org/series/CES4348400001> | Monthly

# Consumer and Labor:

## Personal Consumption Expenditures (PCE)

**The big picture:** The U.S. Federal Reserve uses the PCE Price Index as its primary inflation index when making monetary decisions.

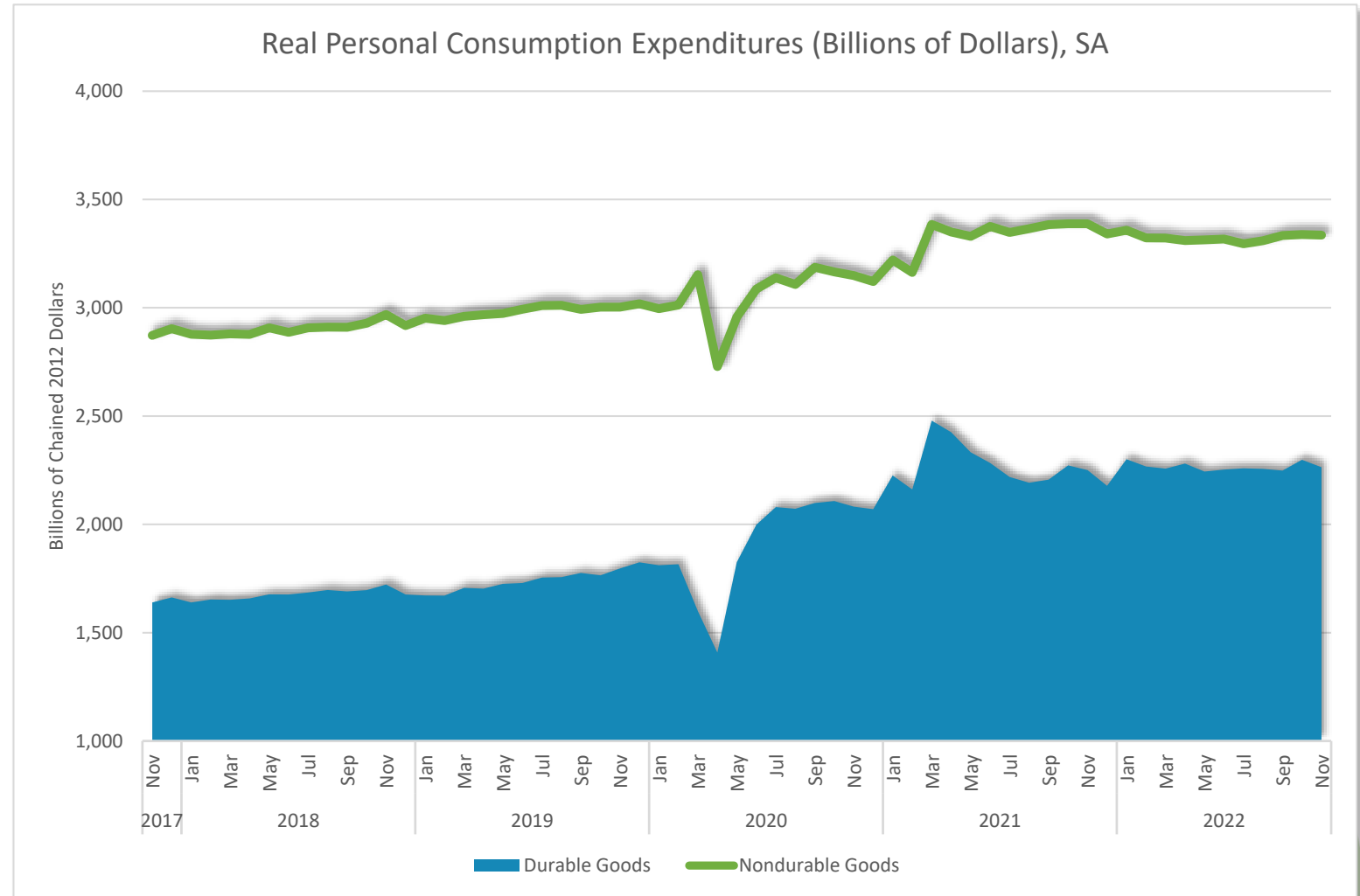
- The PCE measures a broad spectrum of consumer spending for a period of time.

**Why it matters:** The Real PCE, meaning it adjusts for inflation, allows owner-operators to see how well the economy is fairing, how people are spending their money, and how much demand for goods there will be in the future.

- Durable Goods are costlier items that last longer than 3-years, such as vehicles, electronics, etc.
- Non-Durable Goods are less cost and last less than 3-years, including gasoline, clothing, etc.

**Our thoughts:** Both durable and non-durable goods decreased in November, after two straight months of increases.

- Consumer spending for durable goods declined 1.5% to \$2.263 trillion, 16% above the 5-year trend.
- Spending for non-durable goods ticked down 0.1% to \$3.335 trillion, which is 7% above the 5-year trend.



Source: FRED | <https://fred.stlouisfed.org/series/PCEDGC96> and <https://fred.stlouisfed.org/series/PCENDC96> | Monthly

# Consumer and Labor:

## Disposable Income, Sentiment, DSR, and Delinquency

**The big picture:** Consumers move the U.S. economy. As consumer conditions and sentiments change, so to does business and shipping activity.

**Why it matters:** Disposable income, the price of goods and services, and expectations of the overall economy have great influence on consumers.

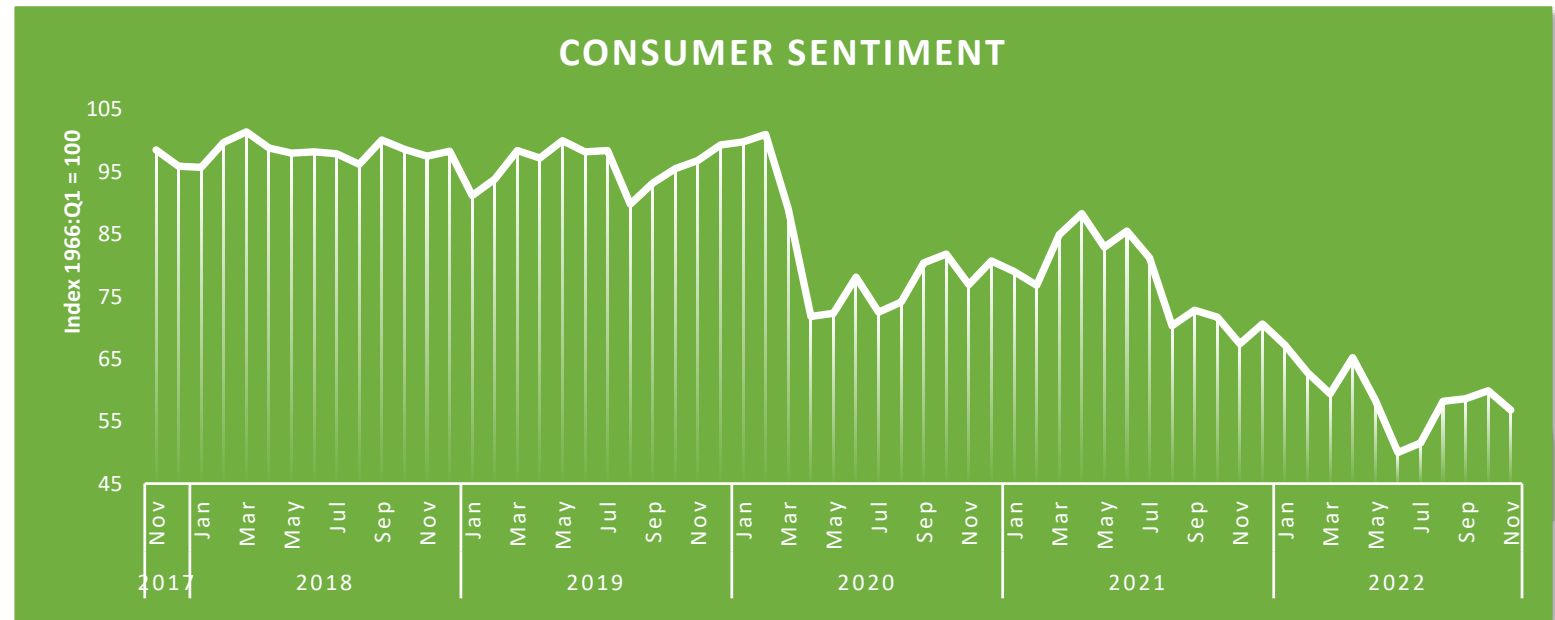
- For example, when disposable income and consumer sentiment are high, people typically purchase more goods, both durable and non-durable.
- This creates more freight demand downstream.

**Our thoughts:** Inflation is high, but wages and salaries are 7.2% higher year-over-year and 17% higher than the 5-year trend, which has helped to keep retail sales elevated.

- Real disposable income, which is adjusted for inflation, increased 0.3% month-over-month to \$15.158 trillion.
- The consumer sentiment index dropped 5.2% in November to 56.8, after four straight increases.
- While household debt service payments as a percentage of disposable income are flat compared to the 5-year trend, they've increased over the past 5 quarters.
- Delinquency rates are also well below their 5-year trends as 97.3% are current. Of those remaining 1.2% are severely derogatory, the lowest since 2006.



Source: FRED | <https://fred.stlouisfed.org/series/DSPIC96> | Monthly



Source: FRED | <https://fred.stlouisfed.org/series/UMCSENT> | Monthly

# Consumer and Labor: E-Commerce and Local Trucking Producer Price Index (PPI)

**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.

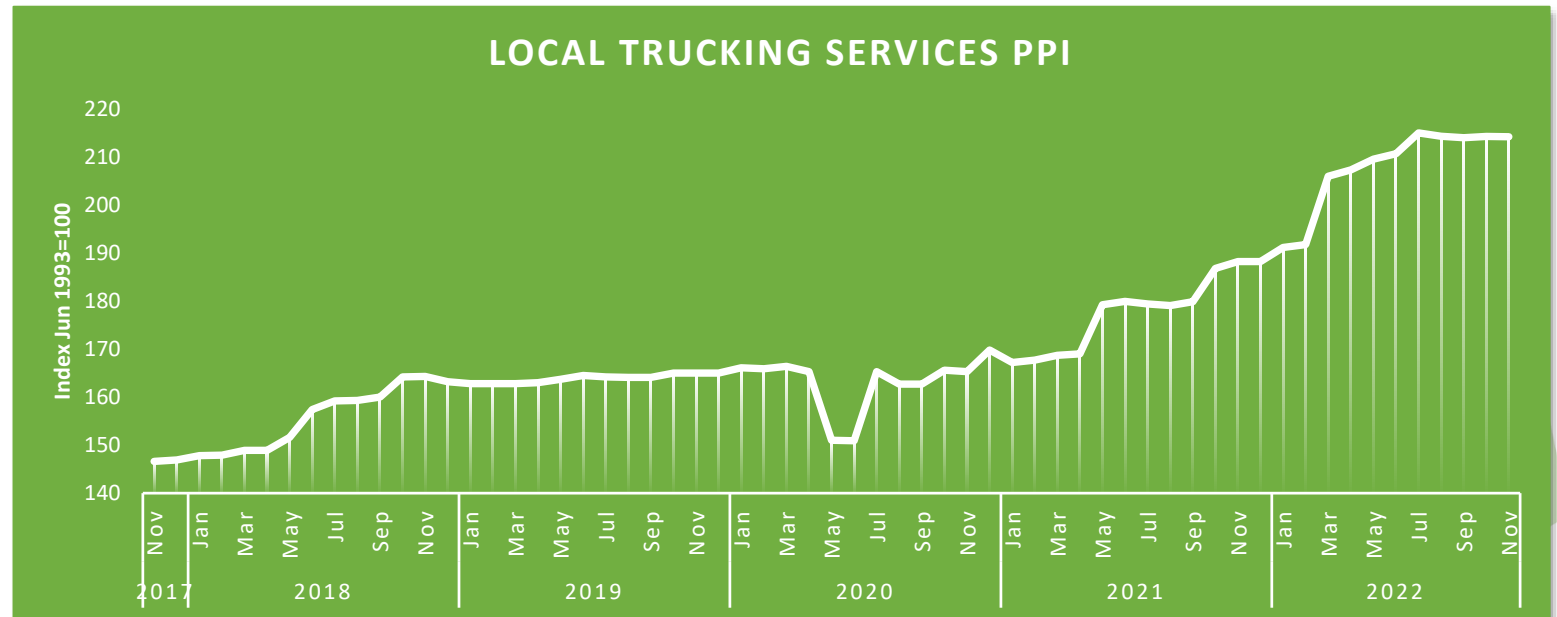
- More shippers are looking to final mile delivery services, which coincides with an increase in rates for local trucking companies.
- The higher the PPI, the more an industry will charge consumers to make up for extra costs.

**Our thoughts:** Rates for expedited services, hot-shots, and general LTL remain strong, but rates have peaked as the Local PPI continues to move sideways.

- The Local PPI has basically stayed flat for the past three months around 214.2.
- The Local PPI is 19.1% higher year-over-year and 35.8% above the 5-year trend.
- Look for rates in the LTL market to continue strong.



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



Source: FRED | [https://fred.stlouisfed.org/series/PCU4841104841101?mod=article\\_inline](https://fred.stlouisfed.org/series/PCU4841104841101?mod=article_inline) | Monthly

# Manufacturing: New Orders: Total Manufacturing

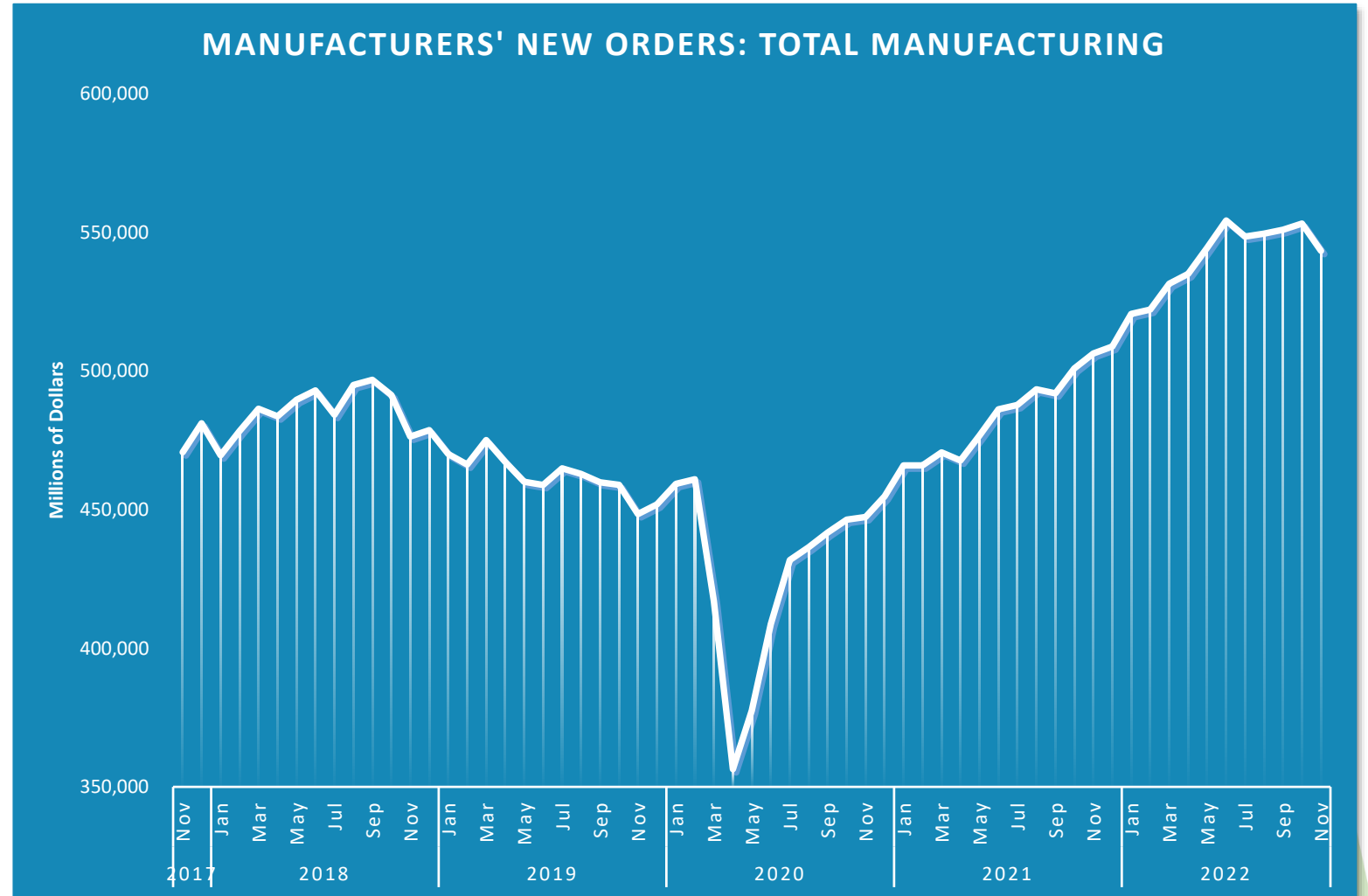
**The big picture:** Manufacturing new orders are an important economic indicator. They signify an overall direction of the market and economy.

**Why it matters:** An increase in new orders signifies a higher demand for goods and services, which in turn requires retailers and suppliers to place more orders.

- An increase in new orders also indicates future demand for transportation.
- Orders placed in one month may provide work in factories for several months down the road.

**Our thoughts:** Manufacturing overall decreased, which coincides with a decrease in the Freight TSI.

- Total manufacturing declined 1.8% month-over-month in November to \$543.3 billion, ending two consecutive months of growth.
- Total manufacturing is 7% higher year-over year and 13.4% above the 5-year trend.



Source: FRED | <https://fred.stlouisfed.org/series/AMTMNO> | Monthly

# Manufacturing:

## Manufacturers with Unfilled Orders and Inventory-to-sales

**The big picture:** Manufacturers with Unfilled Orders is a special subset of manufacturing that the U.S. Census Bureau views as a “make-to-order basis.”

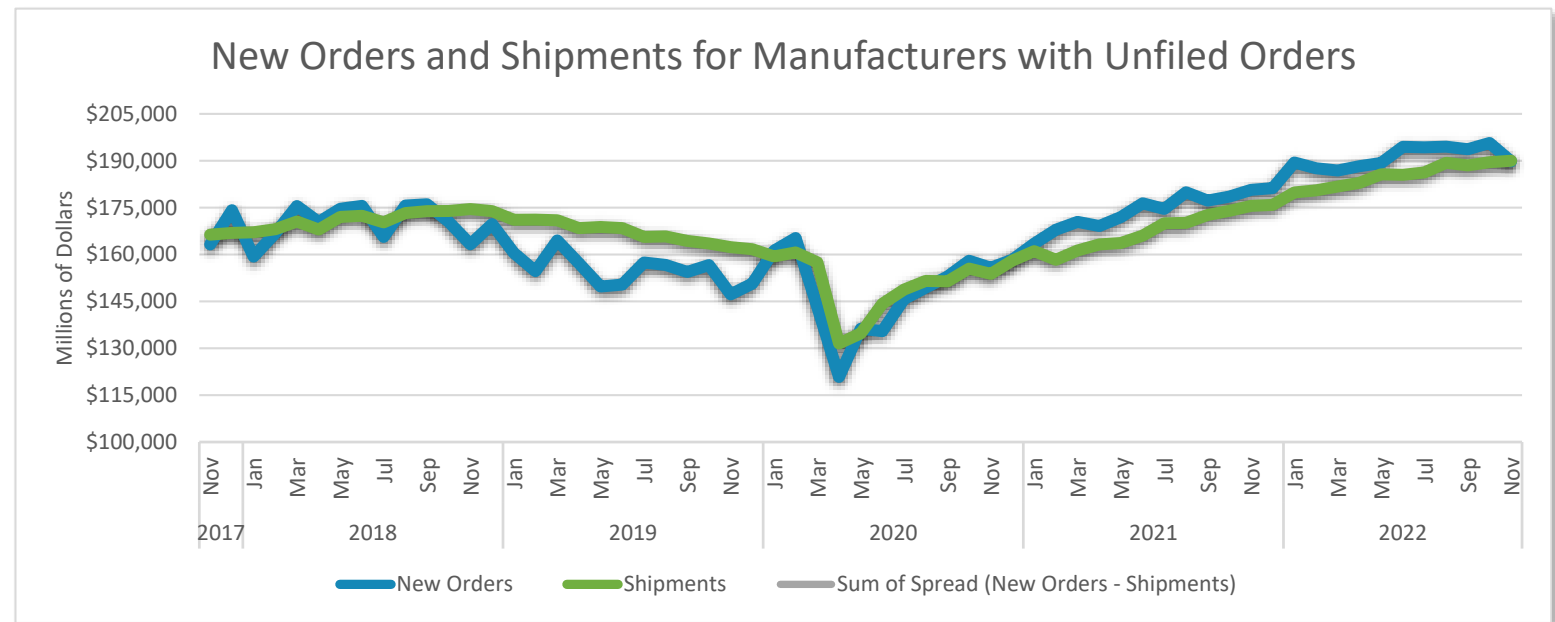
- This represents 70% of durable goods manufacturing by value.
- Moreover, the inventories-to-sales ratio measures how much inventory businesses have on hand.

**Why it matters:** When unfilled new orders outperform shipments for unfilled orders, backlogs increase and we see growth in manufacturing activity. The reverse is also true.

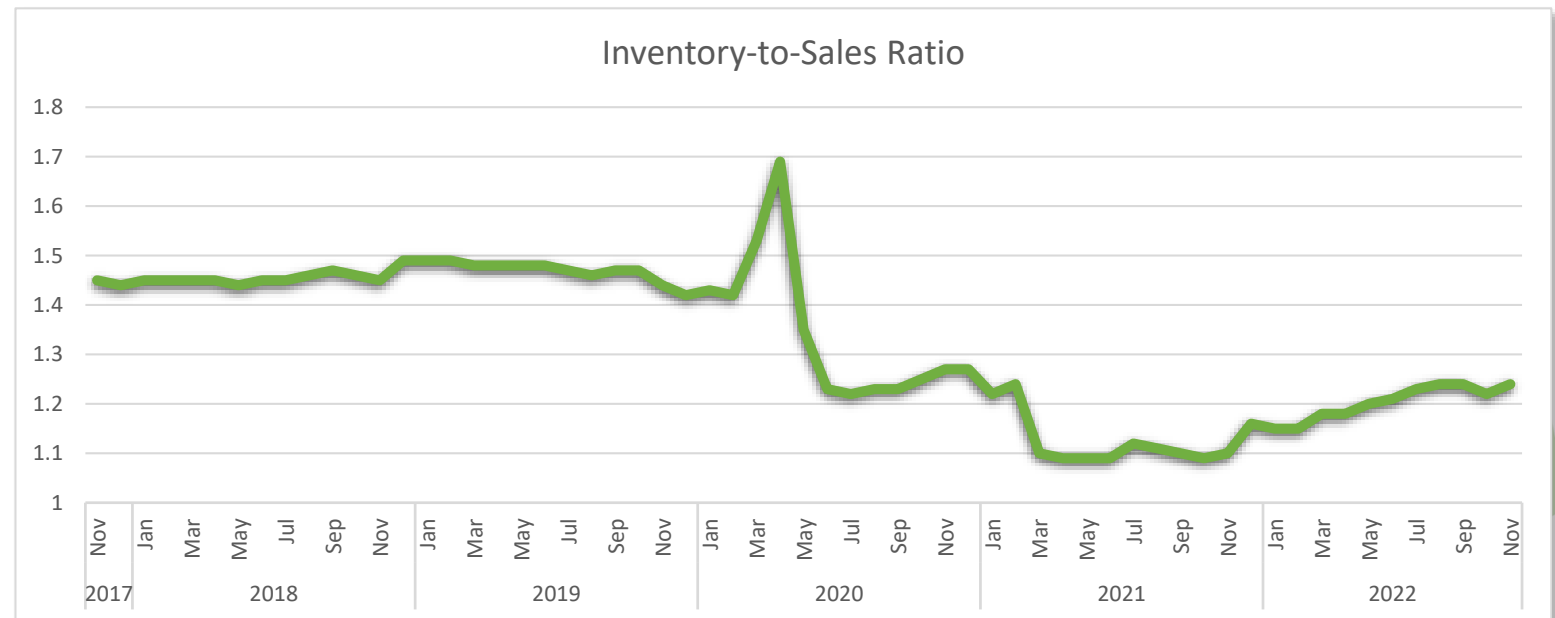
- And the less amount of inventory that businesses have on hand, the greater they need freight transportation to restock their goods.

**Our thoughts:** The manufacturing data suggests that activity is still strong, but shipments eclipsed new orders for the first time since August 2020. This could be a troubling sign if this persists.

- The spread between new orders and shipments plummeted 103% from positive \$6.15 billion to negative \$189 million.
- The inventory-to-sales ratio rose 1.6% month-over-month to 1.24, which virtually wiped out the progress made in the previous month.
- Yes, but it still appears that general merchandise stores have started to clear their glut of inventory.



Source: New Orders: <https://fred.stlouisfed.org/series/AMTUNO> | Shipments: <https://fred.stlouisfed.org/series/AMTUVS> | Monthly



Source: FRED | <https://fred.stlouisfed.org/series/RETAILIRSA> | Monthly



# Ocean: Exports and Imports

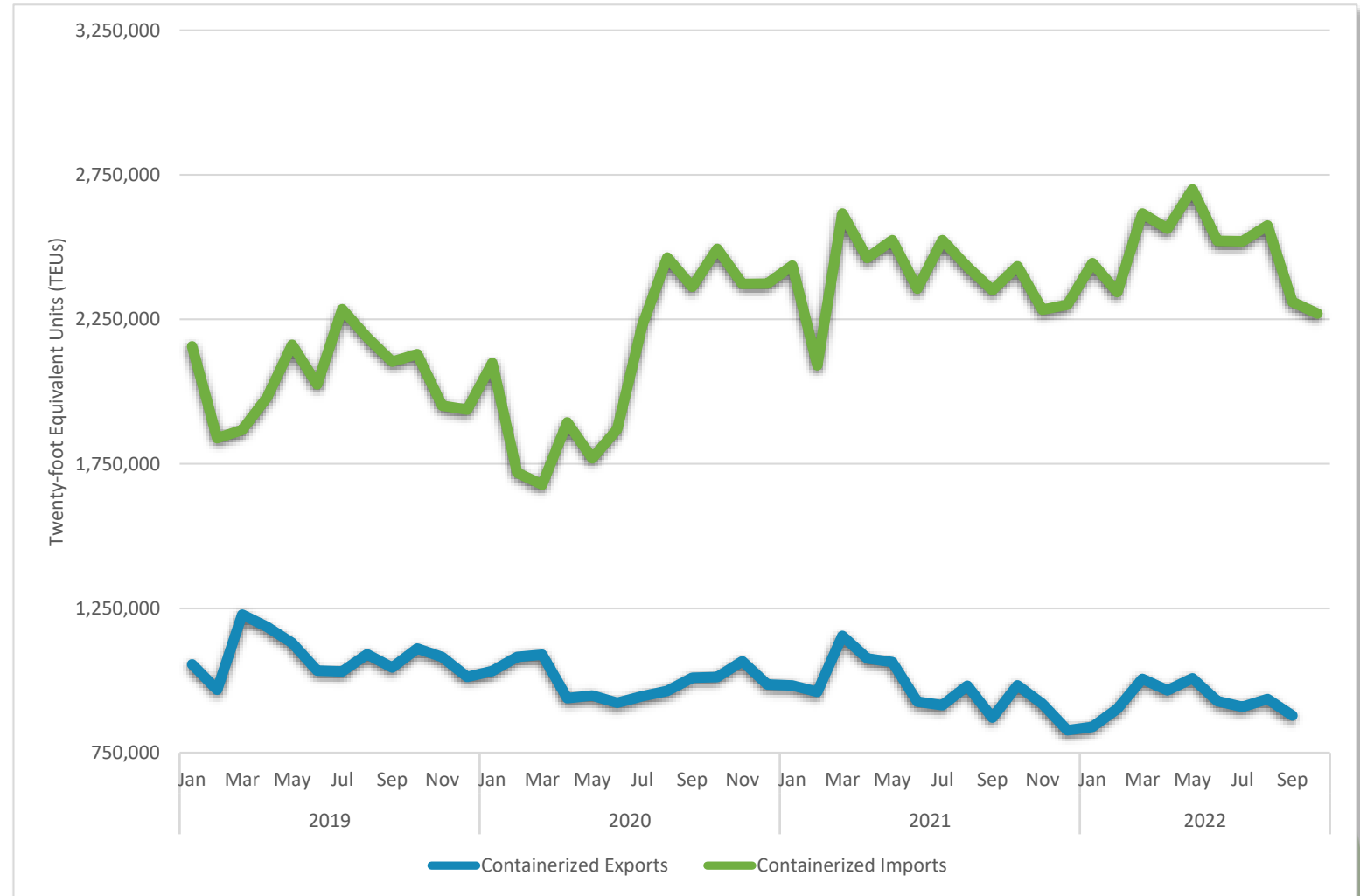
**The big picture:** It's common today to see products from all over the world in local stores as we truly live in a global economy.

**Why it matters:** High levels of imports signal a strong domestic demand and a growing economy.

- The U.S. trade deficit tends to worsen when the economy is growing strongly.
- **Yes, but** a healthy economy is one where both exports and imports are growing.

**Our thoughts:** Both imports and exports decreased month-over-month heading into the holiday shopping season.

- Exports, which are a month behind imports, dropped in September to 879,035 twenty-foot equivalent units (TEUs).
- Imports dropped 1.7% in September to 2.27 million TEUs, marking the second straight decline.
- While volumes are slowing, they are still hovering above 2019 figures.
- It's important to note that exports and imports are not very large drivers of freight movement overall. Instead, manufacturing is the most important component.



Source: MARAD Office of Policy | <https://www.bts.gov/freight-indicators#freight> | Monthly

# Ocean: Number of Containerships Awaiting Berth

**The big picture:** The number of containerships awaiting berth at U.S. ports increased dramatically starting in 2020 and into 2021.

- Especially for the ports of Los Angeles and Long Beach (LA-LB) which focus mostly on imports.

**Why it matters:** The number of containerships awaiting berth highlighted two issues:

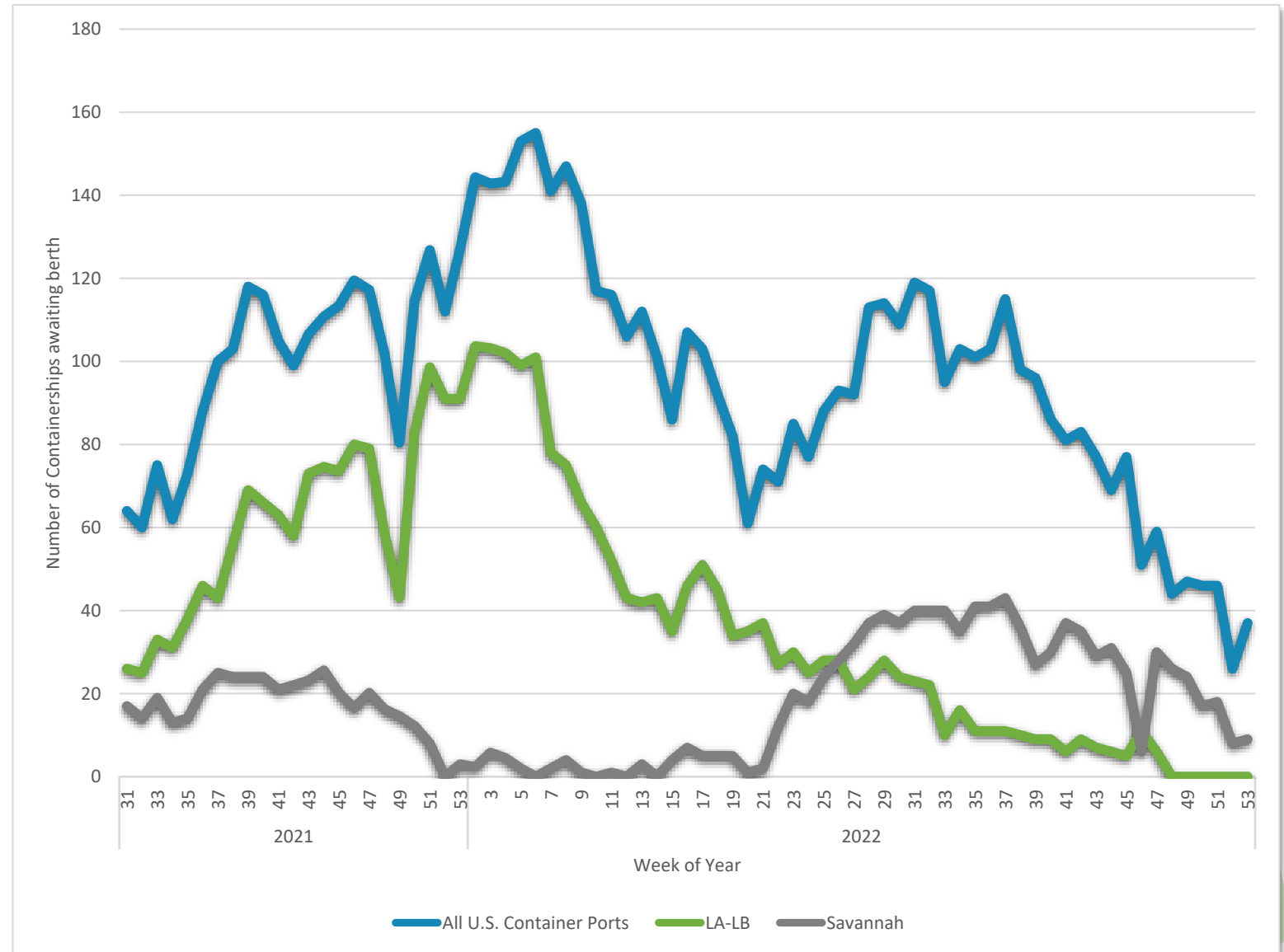
1. Record-levels of demand, and thereby freight volume.
2. Supply chain inefficiencies which helped to push spot rates even higher in 2021.

**Our thoughts:** Ports continue to be less congested around the country. This is especially true for LA-LB, as freight has shifted from the west coast to the east coast as shippers seek to avoid issues with potential longshoremen labor issues.

- Notice how LA-LB has zero containerships awaiting berth for the last six weeks.
- Containerships awaiting berth overall dropped 74% since January 2022.

Flexport's Ocean Timeliness Index (OTI) measures the amount of time it takes to ship freight from the moment the cargo is ready to leave the exporter to the moment the cargo is collected from its destination port.

- OTI is reporting transpacific eastbound cargo is taking 69 days, while far east westward (FEWB) bound cargo is taking 74 days.
- This is significantly shorter than in early 2022 when FEWB was over 120 days.



Source: MARAD Office of Policy | <https://www.bts.gov/freight-indicators#freight> | Weekly

# Rail: Rail Carloads and Intermodal

**The big picture:** Railroads are a very cost-effective and fuel-efficient way to move freight.

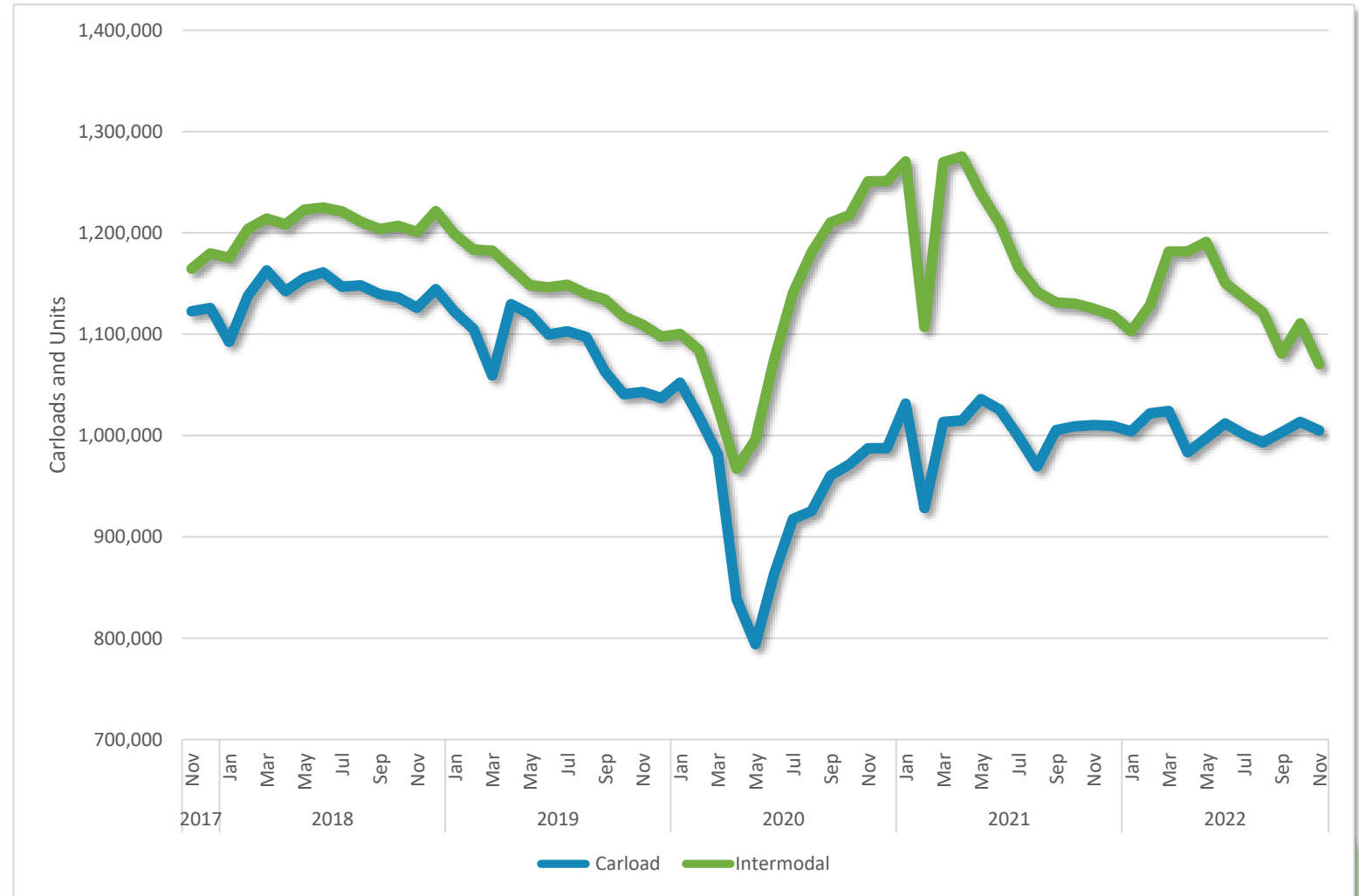
- While the rail and truck industries often compete with each other, they also work hand in hand.

**Why it matters:** Most freight that is transported by rail, will require a truck for the final mile.

- An increase in rail and intermodal freight will translate into greater demand for trucks downstream.
- Intermodal is a subset of rail that involves the movement of highway-capable units, such as containers or trailers.

**Our thoughts:** The intermodal industry continues to struggle with service issues, but there are signs of improvement with the labor issues concerning the class 1 railroads largely resolved.

- Carloads decreased 0.8% month-over-month in November to 1.00 million, and are down 0.5%, or 8,457 carloads, year-over-year.
- Intermodal decreased 3.6% to 1.07 million, and are down 4.9%, or 54,732 loads, year-over-year.
- Both carloads and intermodal are below their 5-year trend line by 3.3% and 7.7% respectively.



Source: Carloads | <https://fred.stlouisfed.org/series/RAILFRTCARLOADSD11#0> | Intermodal: <https://fred.stlouisfed.org/series/RAILFRTINTERMODALD11> | Monthly