



Overall Freight Market Outlook

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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. **Construction** is a good indicator of the amount of flatbed volume the market might expect downstream.
4. **Ocean and 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

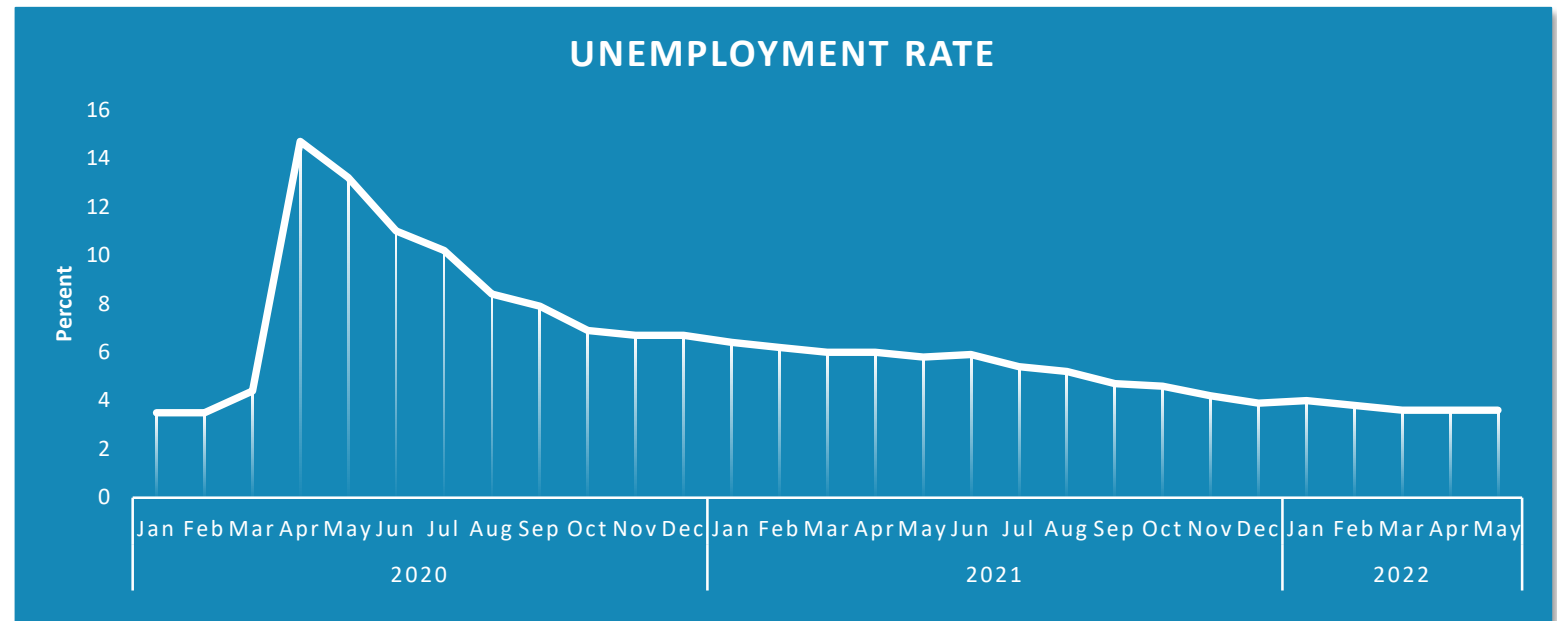
The big picture: Employment levels ultimately have a large impact on consumer confidence, consumer spending, and demand.

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

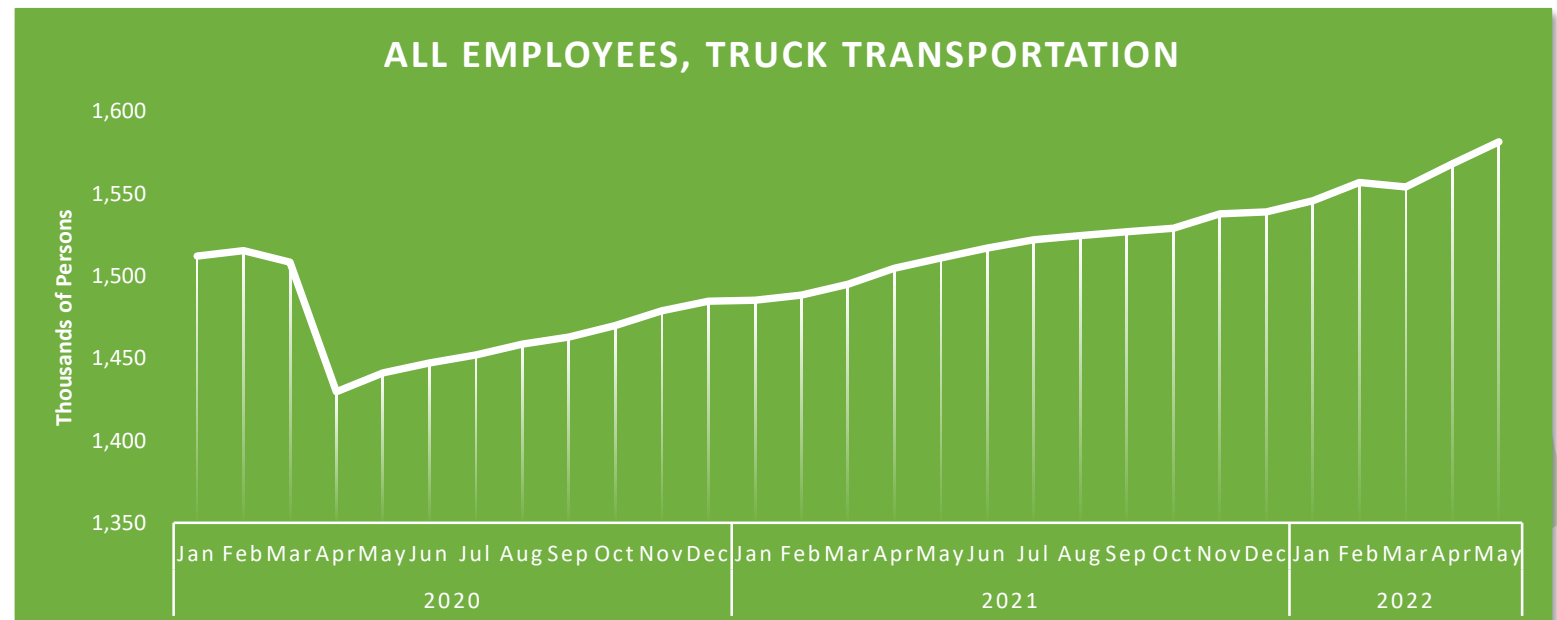
- Overall truck transportation employment is also important, as it helps to show how much capacity is out there in the industry.

Our thoughts: Employment numbers continue to improve since the onset of the pandemic.

- This is a good time to enter the trucking market, as there is so much demand.
- **Yes, but** be aware when the market swings back the other direction as it will put downward pressure on freight rates



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.

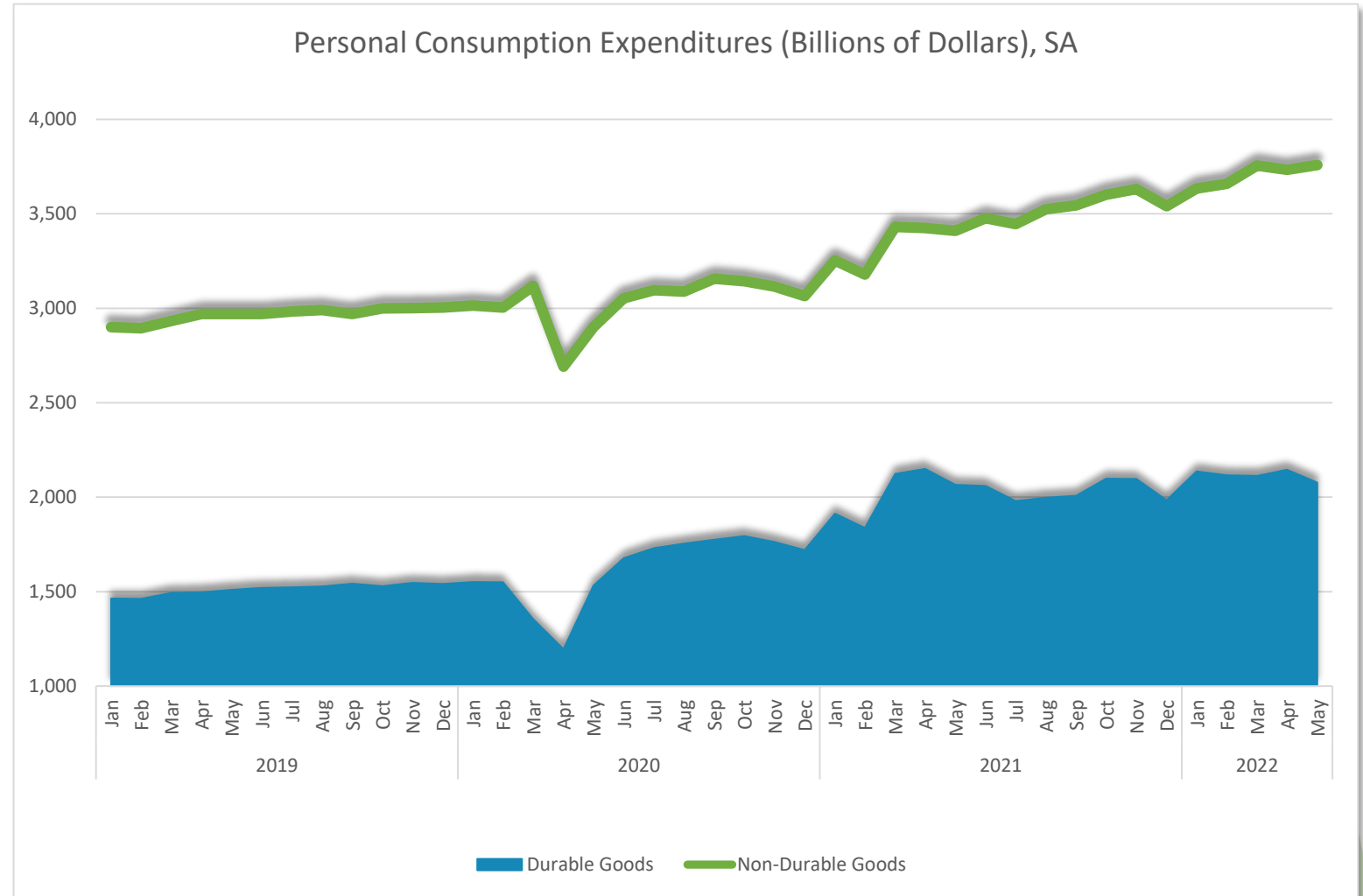
- The PCE measures a broad spectrum of consumer spending for a period of time.

Why it matters: The PCE 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: PCE exploded in 2020 and 2021, but non-durable goods appear to be tapering off

- Look to see the PCE to continue a flattened trajectory over the next couple months.
- Normally, this might equate to less freight to haul, but you will notice that current levels are still significantly higher than pre-pandemic years.



Source: FRED | <https://fred.stlouisfed.org/series/PCEDG> and <https://fred.stlouisfed.org/series/PCEND> | Monthly

Consumer and Labor:

Retail and CPI

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

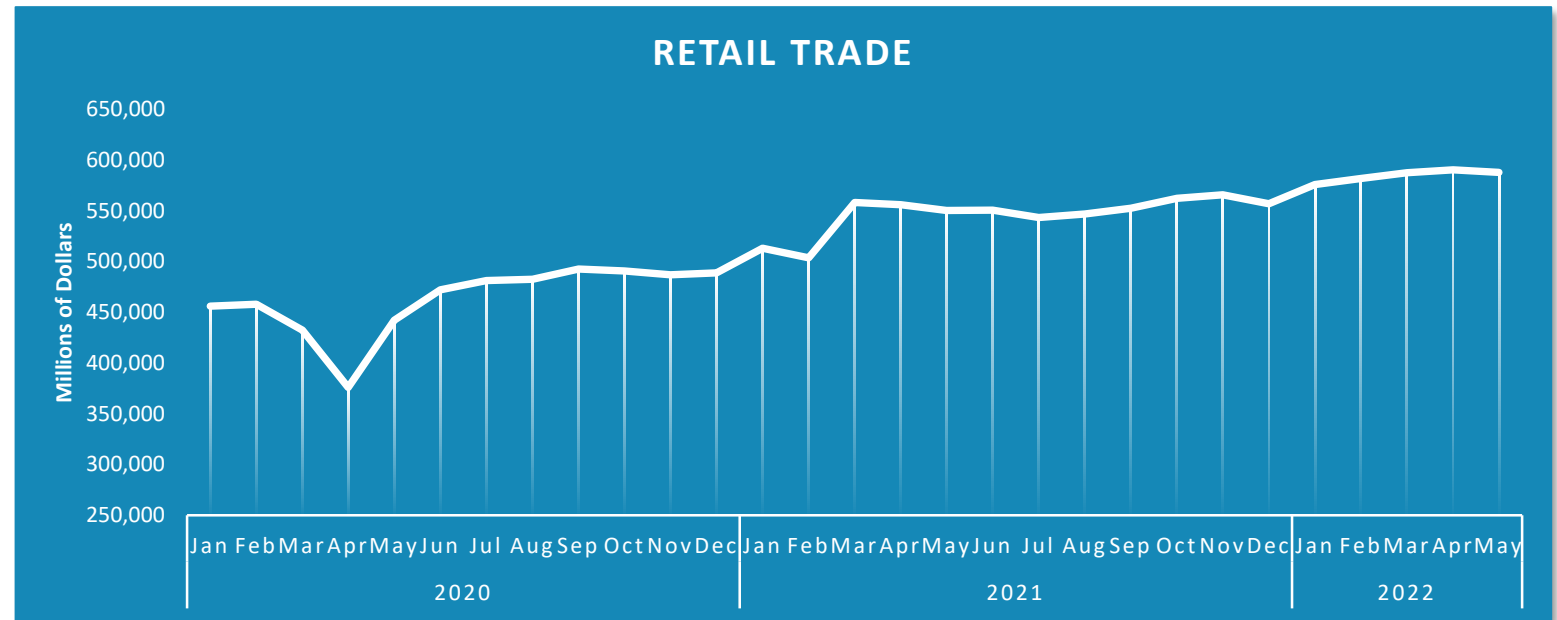
- While CPI measures the average price change for a basket of goods and services over time.

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.

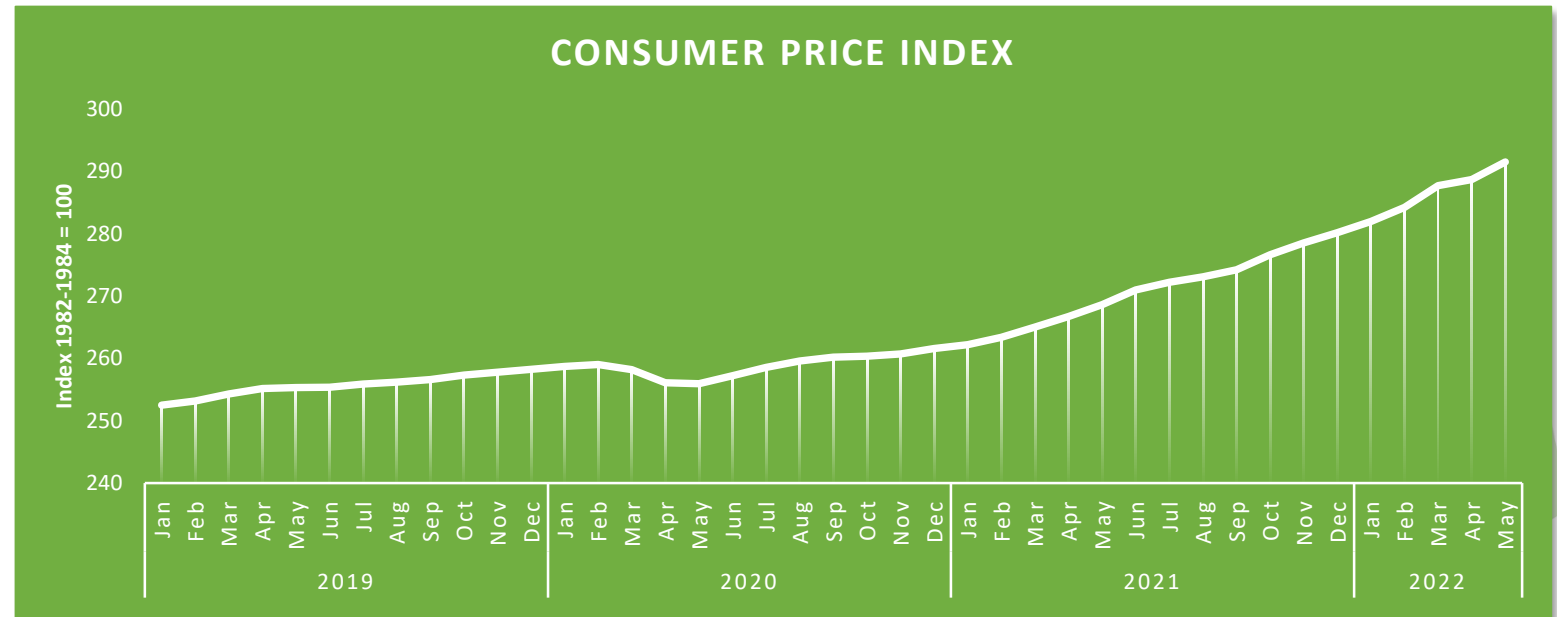
Our thoughts: Even though CPI is rising exponentially due to inflation, people are still purchasing goods.

- Contrary to popular belief, the economy is still moving strong as shown in the top chart above.
- Retail trade continues remain high, meaning that freight will still need to be shipped.



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

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



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

Consumer and Labor:

Disposable Income, Expenditures, Sentiment, Revolving Credit

The big picture: Consumers move the U.S. economy. Where consumer conditions and sentiment flows, business and shipping activity will follow.

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

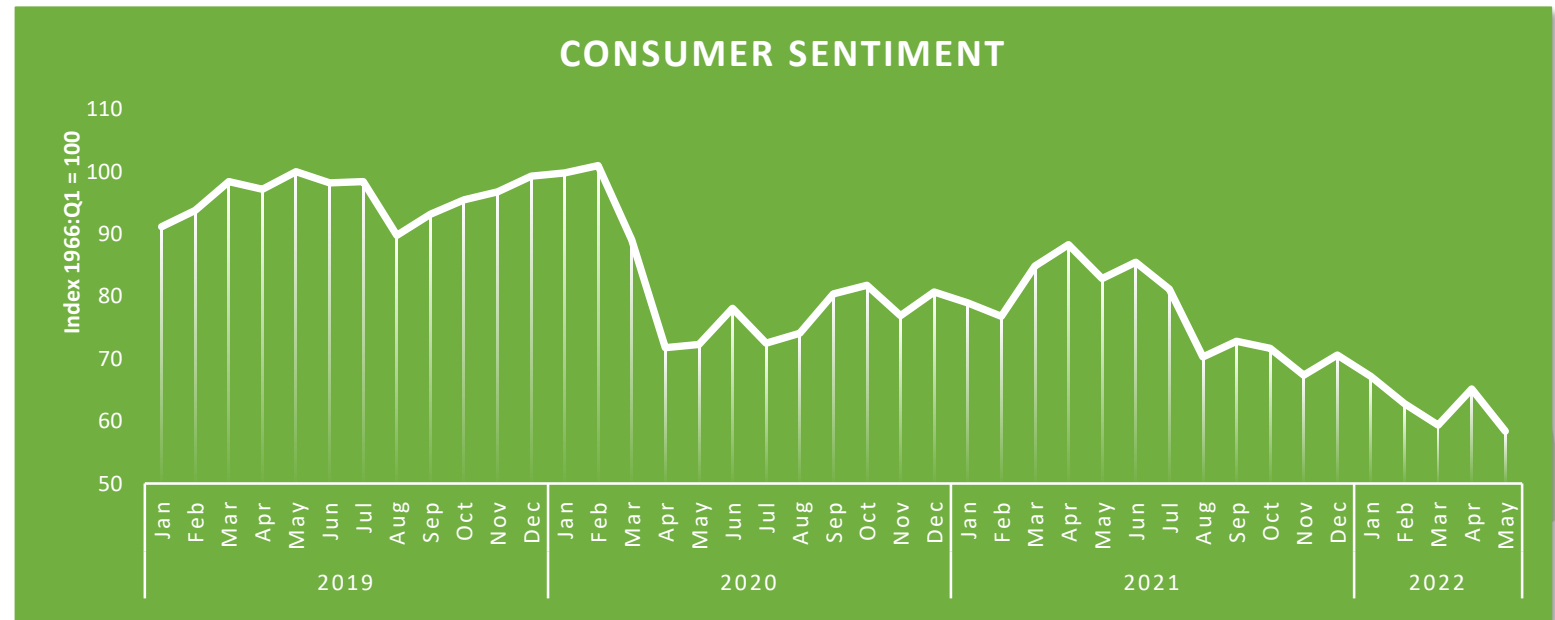
- For example, when disposable income and consumer sentiment are high, people purchase more goods, both durable and non-durable.
- This creates more freight demand downstream.

Our thoughts: Though inflation continues to be an ongoing issue, consumers are still spending their income.

- **Yes, but** an increasing amount of consumer spending is being funded by debt as revolving credit continues its upward trajectory.
- If this continues and the job market deteriorates, look for freight volumes to fall.



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)

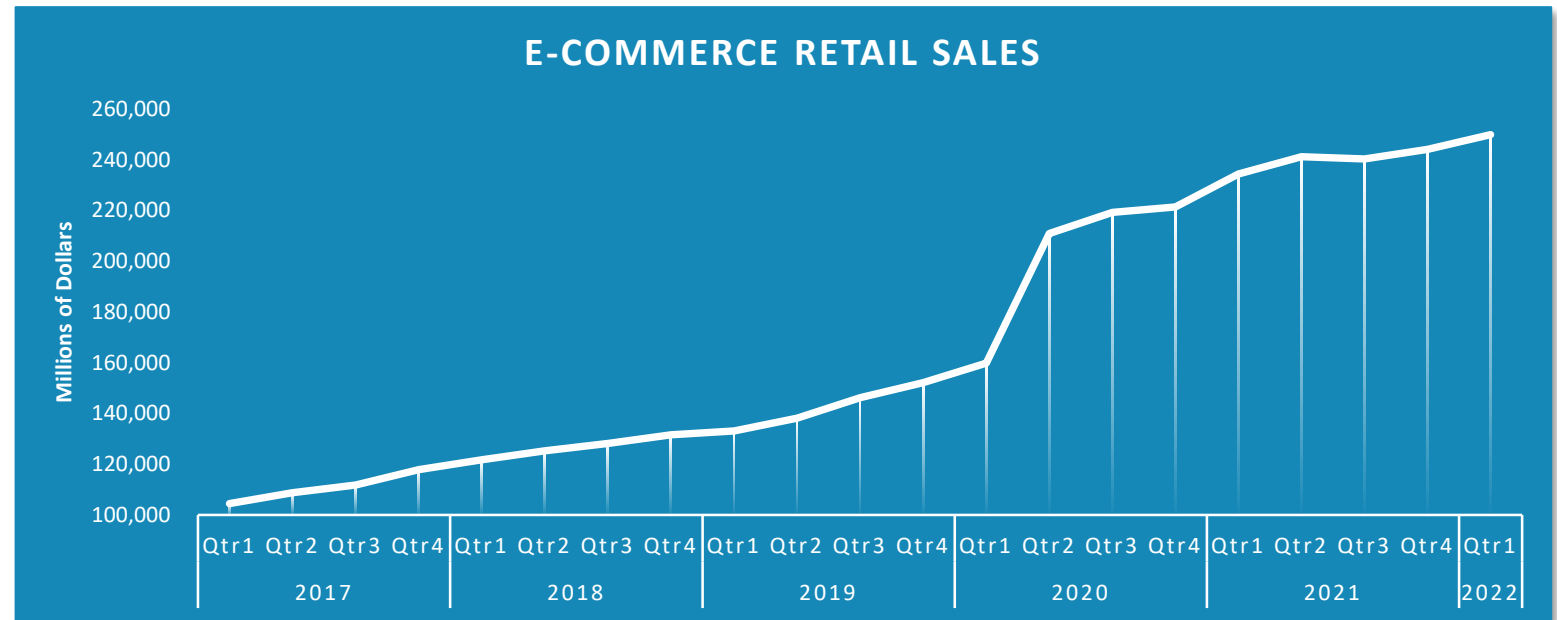
The big picture: E-commerce has changed the way people purchase goods, as more and more people move to online orders.

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

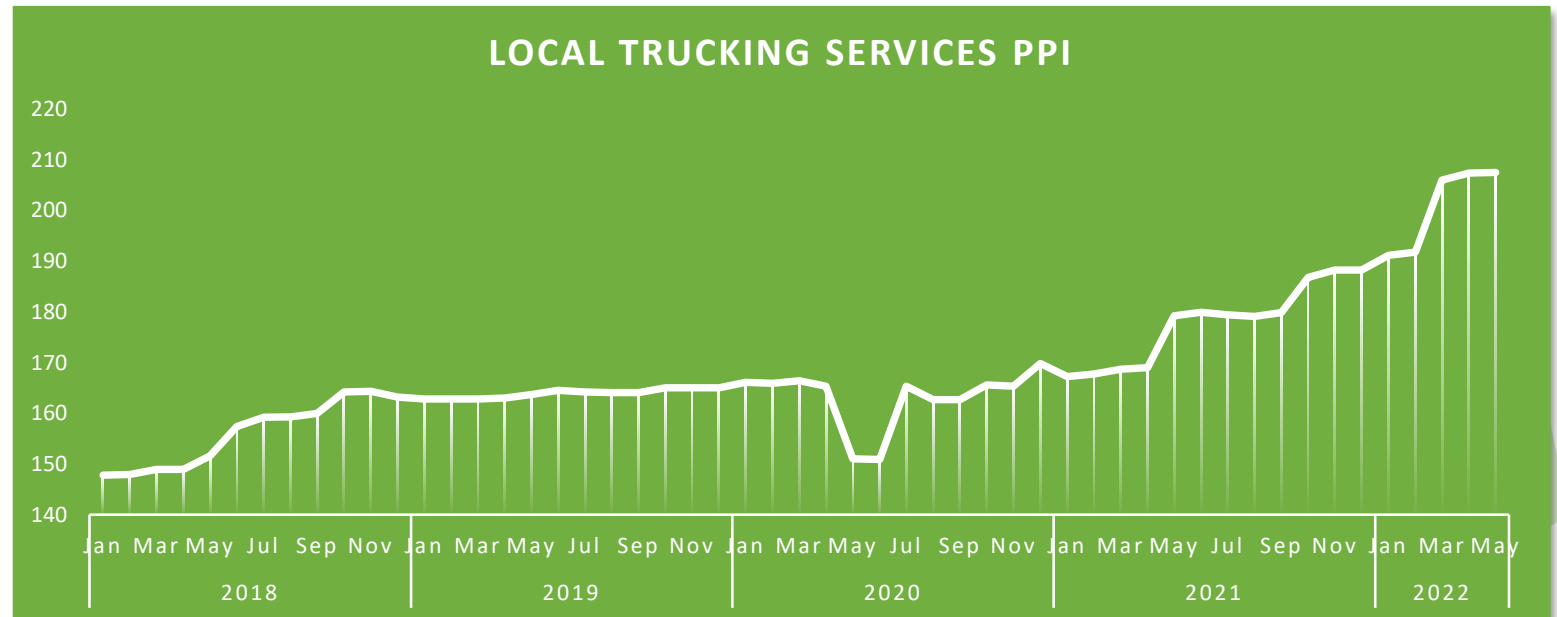
Why it matters: With so many online retailers now offering one or two day deliveries, trucking logistics has been turned on its head.

- More and more shippers are looking to final mile delivery services, which coincides with higher operating costs for local trucking companies.
- However, this means freight needs to be moved to a central warehouse where it can be distributed from there.

Our thoughts: As e-commerce continues to boom, so to does freight volume, especially for expedited services and hot-shots.



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



Source: FRED | https://fred.stlouisfed.org/series/PCU4841104841101?mod=article_inline | Monthly

Manufacturing: New Orders: Total Manufacturing

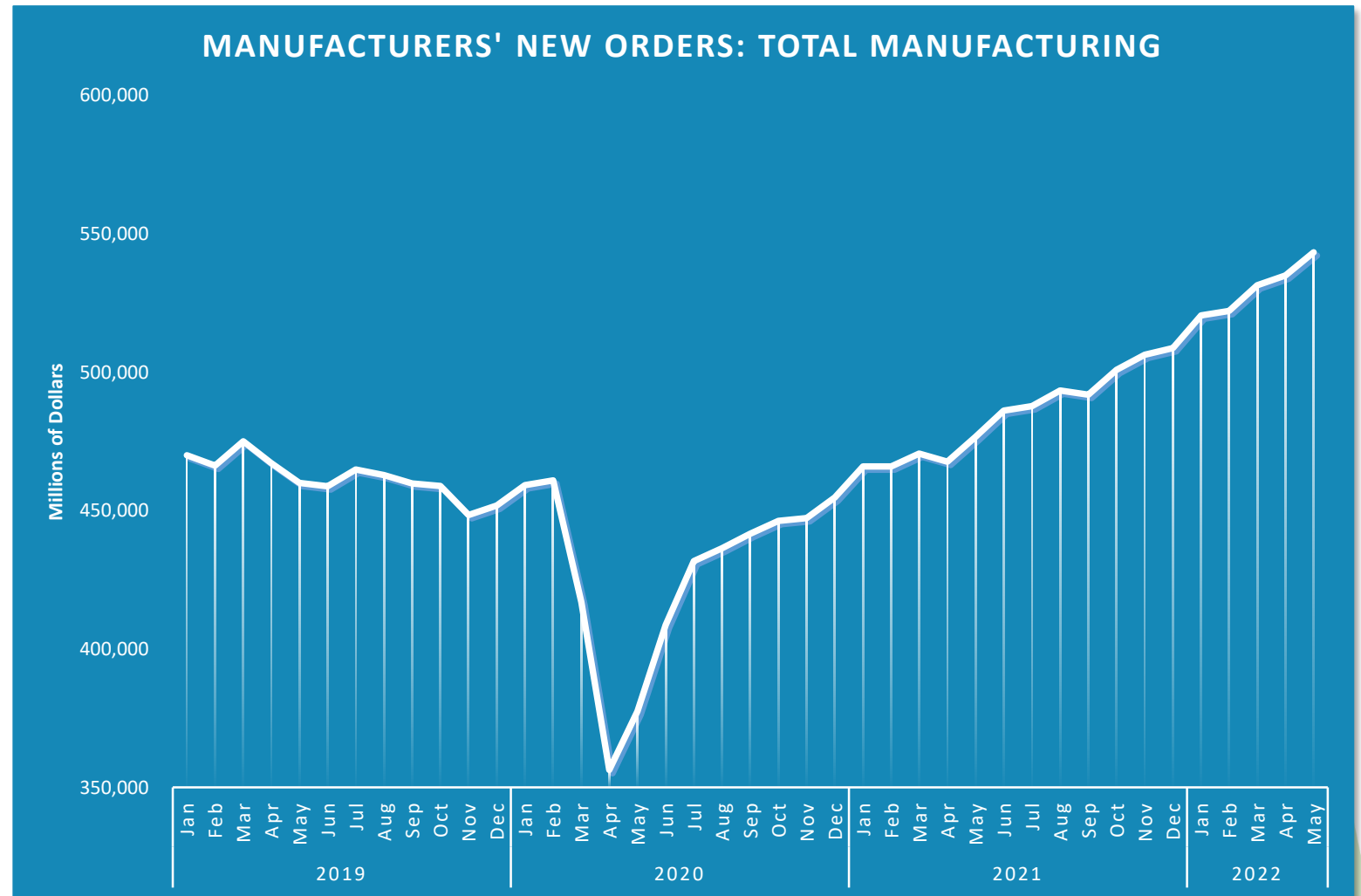
The big picture: Manufacturing new orders are an important economic indicator. They signify an overall direction of the market and economy.

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: New orders continue to grow, which indicates that though freight rates might level off in the first part of 2022, they should remain elevated.

- Freight volumes are still elevated overall so don't believe all the doom-and-gloom.



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

Manufacturing: Industrial Production, Shipments, and Inventory-to-sales

The big picture: Industrial production is perhaps the single largest contributor to domestic surface freight movements in the economy.

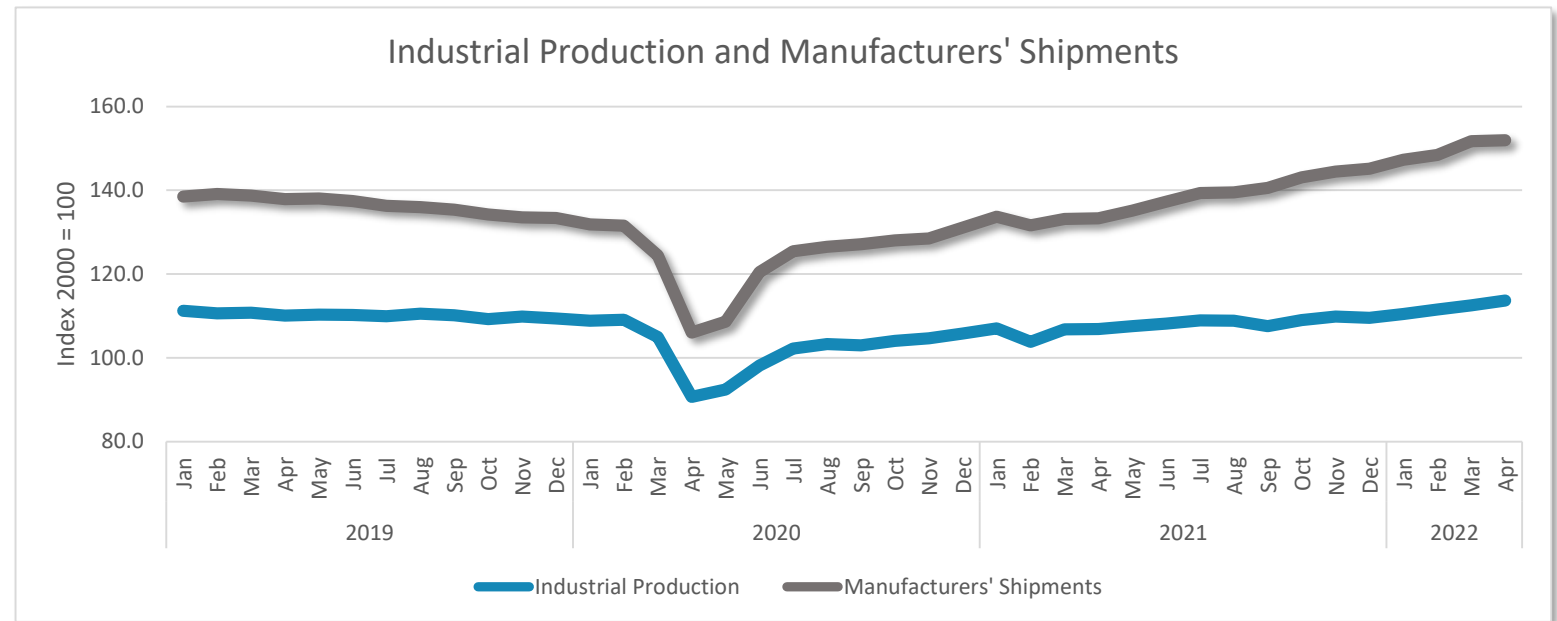
- Most of the goods that flow through the supply chain begin with industrial production.
- Moreover, the inventories-to-sales ratio measures how much inventory businesses have on hand.

Why it matters: When industrial production and manufacturers' shipments grow, the demand for trucks increases as well.

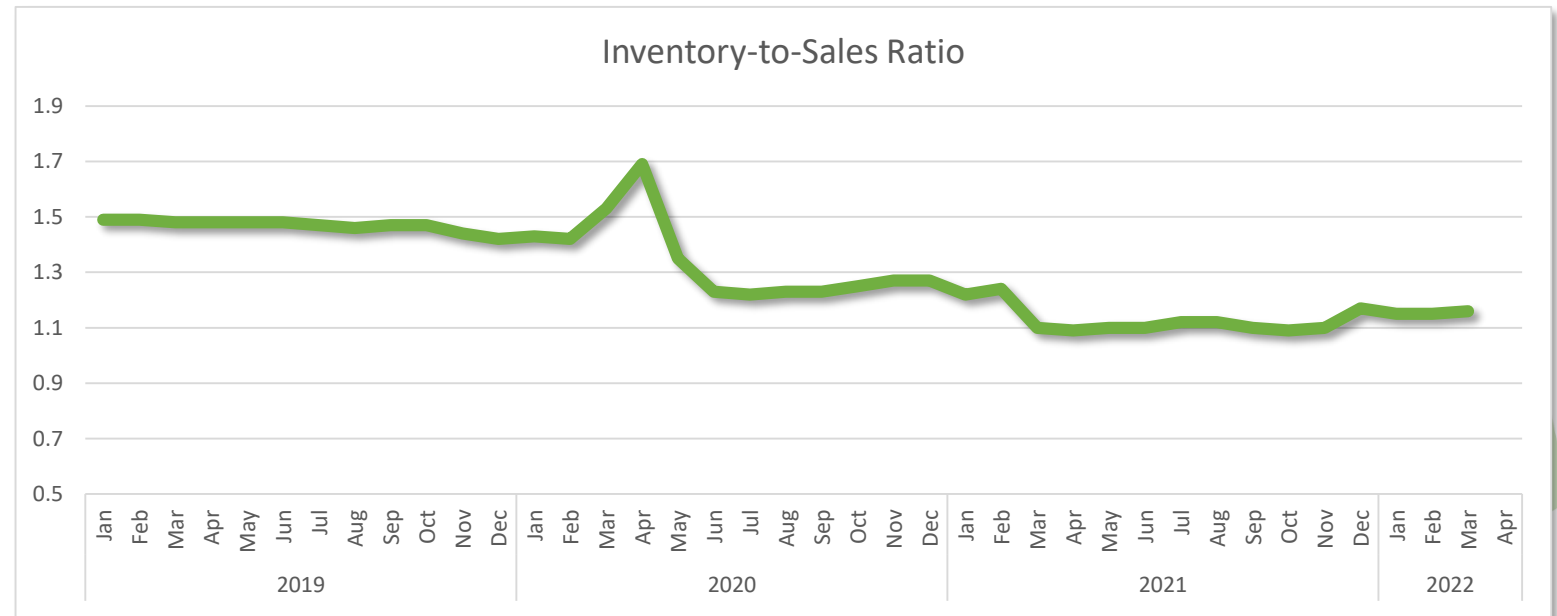
- And the less amount of inventory that businesses have on hand, the greater they need freight transportation to restock their goods.

Our thoughts: Both of these graphs point to a healthy freight market in which production is elevated and inventories are low.

- Don't believe the hype that inventories are growing. The data shown here demonstrates otherwise.



Source: Industrial Production: <https://fred.stlouisfed.org/series/INDPRO> | Manufacturers' Shipments: <https://www.census.gov/manufacturing/m3/index.html> | Monthly



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

Construction: Overall and Streets

The big picture: The U.S. Census Bureau measures the amount of spending that goes toward new construction every month.

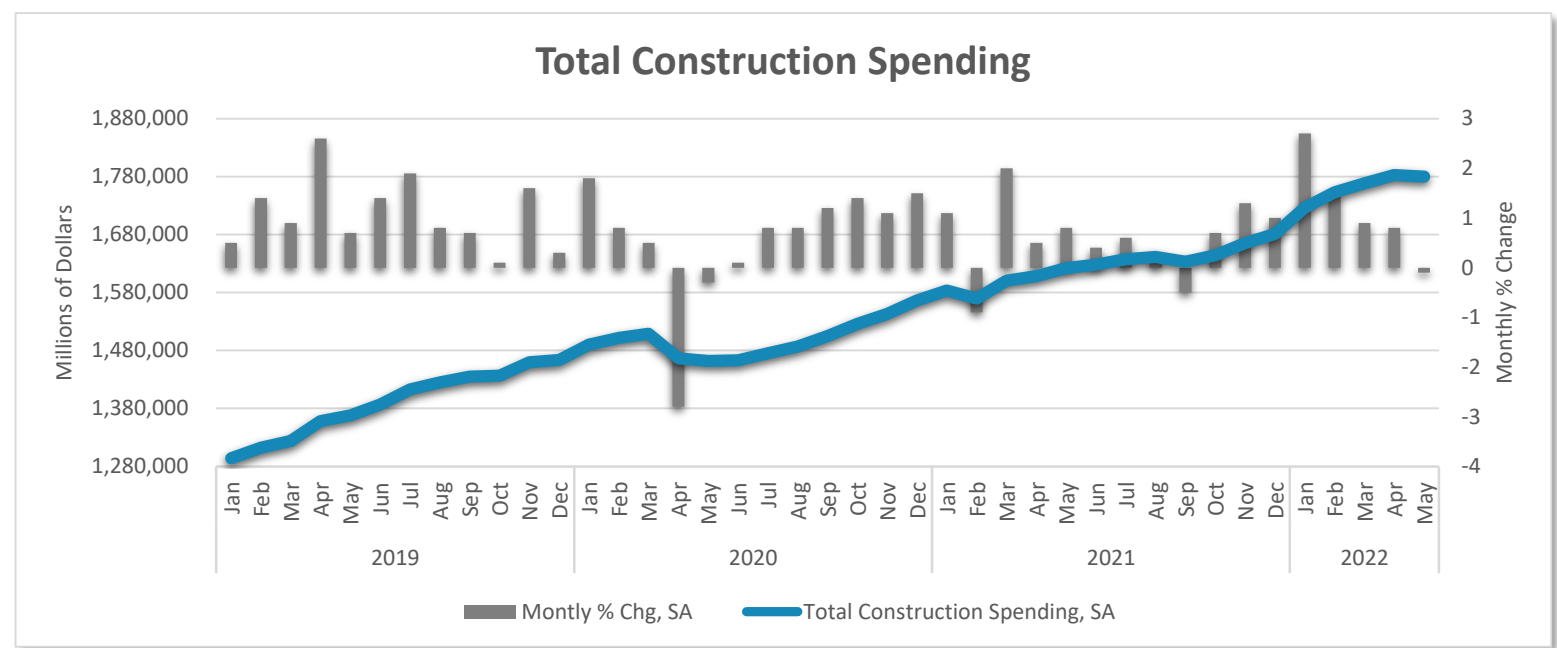
- Construction spending encompasses various expenses, such as labor and materials,
- and sectors, such as highway and street spending.

Why it matters: Construction spending helps boost the economy, especially spending that is dedicated to building roads and bridges.

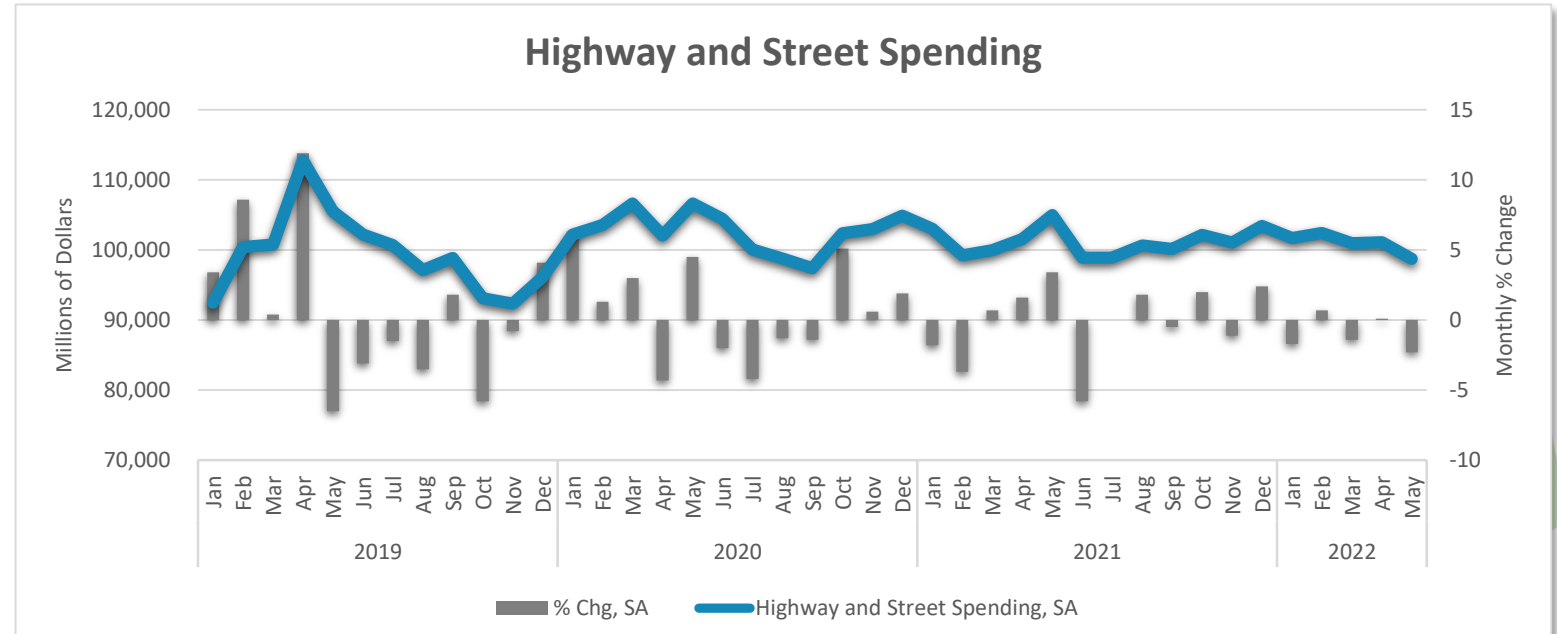
- It also is a good indicator of future demand for those owner-operators pulling flatbed trailers, as a variety of materials and goods are transported this way to construction sites.

Our thoughts: While the dry van and refrigerated segments are starting to cool off, the flatbed sector is continuing its boon.

- Look for the flatbed market to continue to prosper.



Source: FRED | <https://fred.stlouisfed.org/categories/11> | Monthly



Source: FRED | <https://fred.stlouisfed.org/categories/11> | Monthly

Ocean and Rail: Exports and Imports

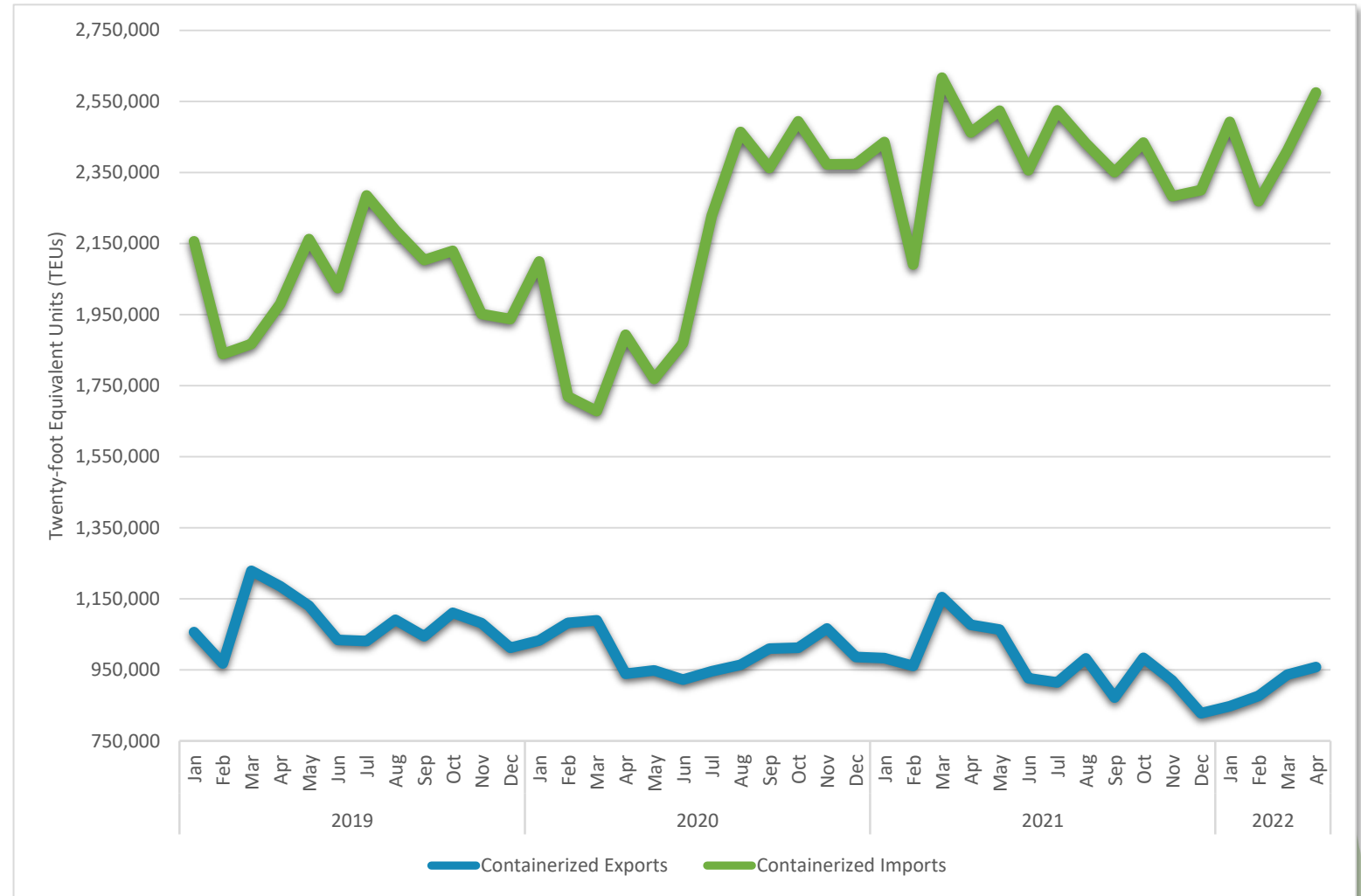
The big picture: It's common today to see products from all over the world in local stores as we truly live in a global economy.

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.
- These are both good indicators of freight volume and demand for trucks.

Our thoughts: With imports continuing to remain elevated, expect for freight volumes to remain at historic highs for at least the first half of 2022.

- The next data release for exports and imports won't be until September.



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

Ocean and Rail: 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.

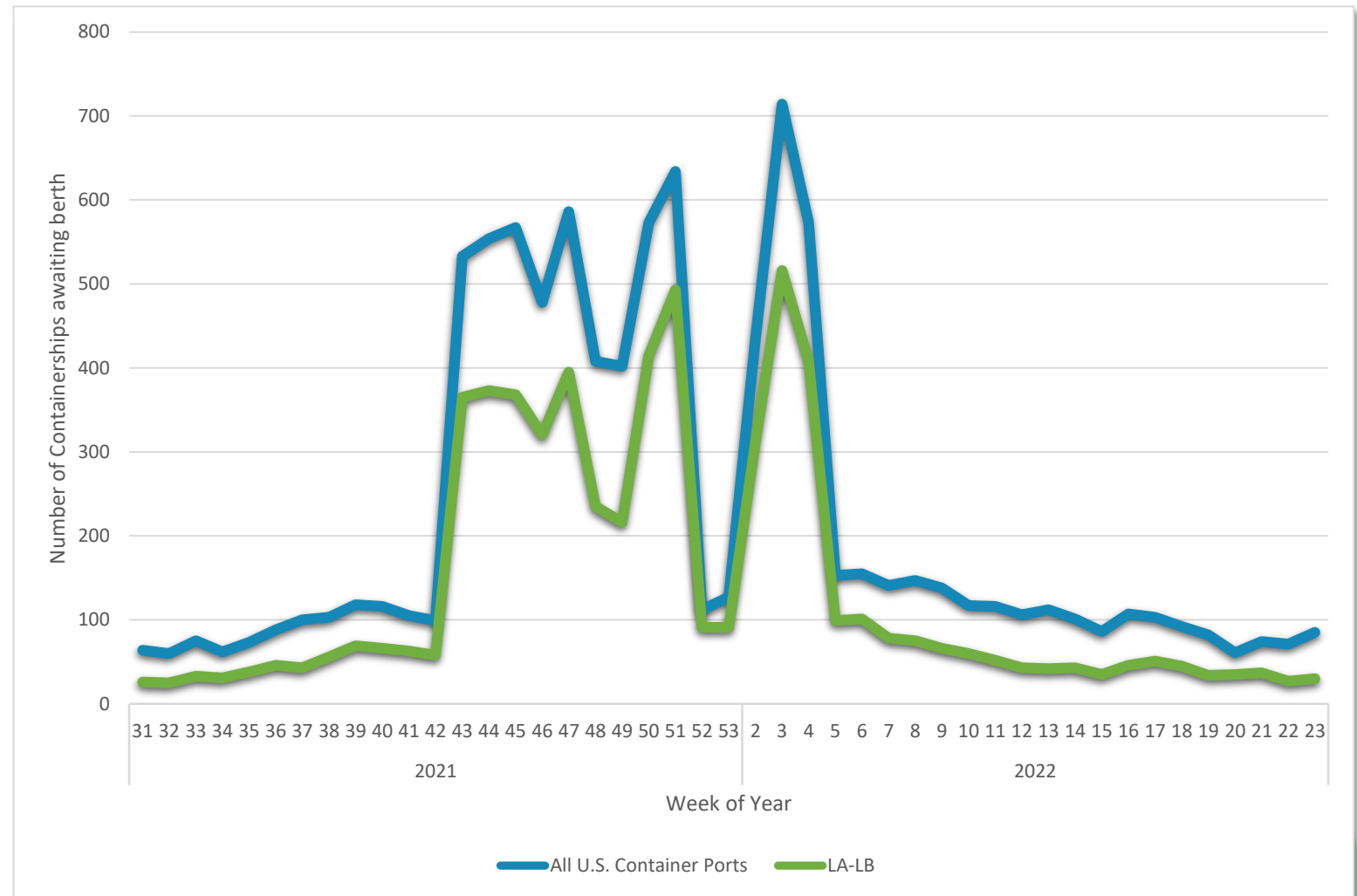
- Especially for the ports of Los Angeles and Long Beach (LA-LB) which focus mostly on imports.

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: As import volumes start to normalize, and ports around the country start to become more efficient in handling freight, it should be a signal that:

1. Freight volumes across the board are starting to wane.
2. Spot rates may continue to slide.



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

Ocean and 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.

- Yes, but there was a sharp uptick in March, which seems to follow a seasonal trend.



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