



OOIDA Foundation

RESEARCH
SAFETY
EDUCATION

June 2022

MARKET UPDATE

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Trucking Market Update

Trucking Market Update

OOFI designed this update to help the owner-operator gain insight into the current conditions of today's freight market. To do so, we will look at four key categories:

1. **Volume** levels help us to see how much freight needs to be moved overall.
2. **Demand** shows us how many trucks the market needs to move said volume.
3. **Rates** illustrate how much the average owner-operator can expect to currently earn.
4. **Operating Costs** depict the every-day expenses for the average owner-operator.

The bottom line: OOFI will breakdown each category and explain how they pertain to you as a small business owner.



Volume:

Transportation Service Index (TSI)

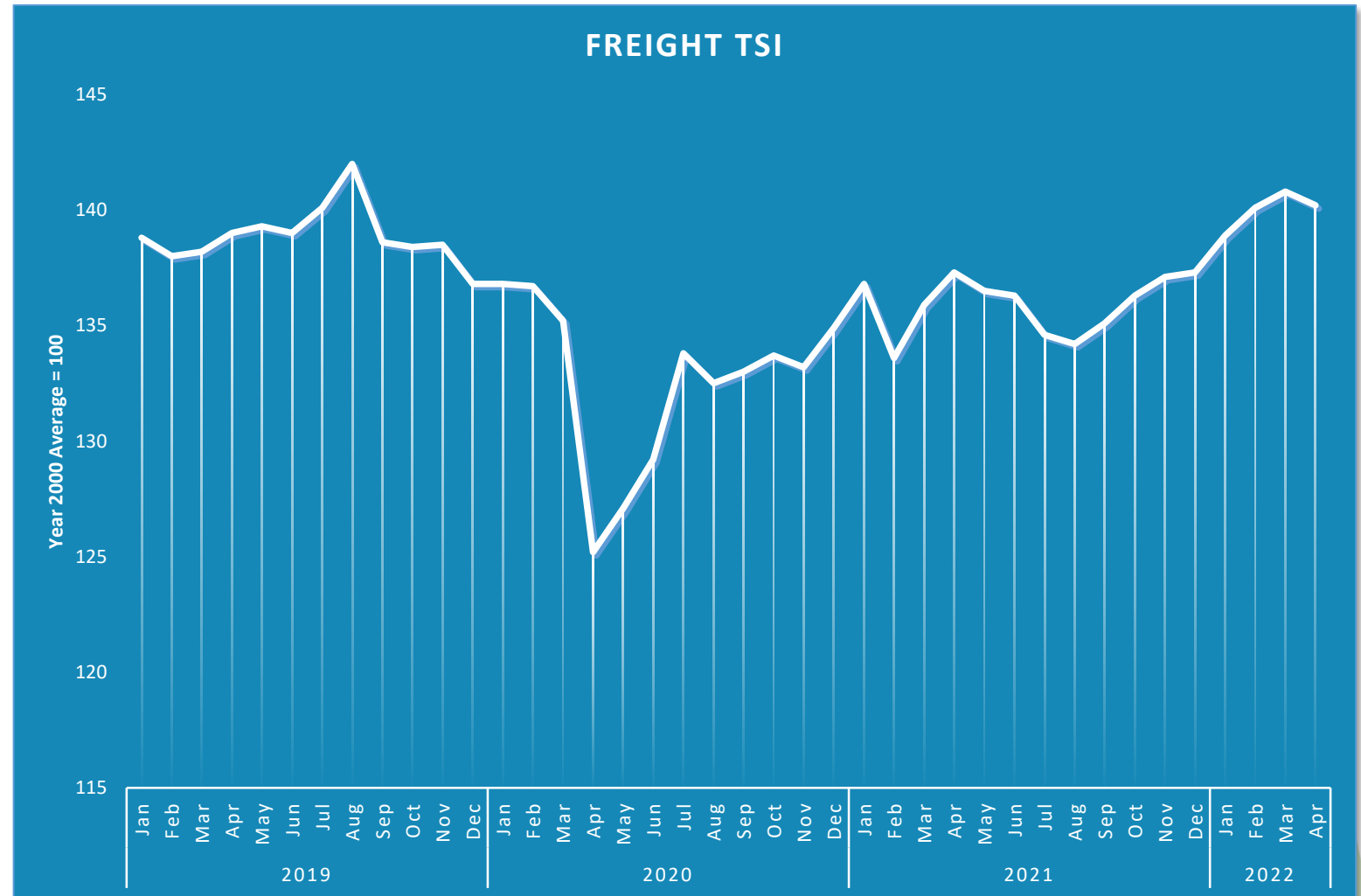
The big picture: TSI measures the volume of freight moved monthly by the *for-hire transportation sector* in the United States.

Why it matters: Changes in the TSI reflect changes in the demand for goods and services.

- For example, demand for freight typically increases in periods of economic expansion.
- The TSI captures this demand for transportation by increasing as well.

Our thoughts: While volume continues to remain elevated, we have noticed a decline in demand which is typical around this time of year.

- Seasonally speaking, volumes tend to drop following the fourth of July holiday.



Source: BTS | <https://data.bts.gov/stories/s/TET-indicator-1/9czv-tjte> | Monthly

Note: TSI Freight Index is a weighted average of monthly data for trucking, freight rail, waterborne, pipeline, and air freight.

Volume: Cass Shipment Index

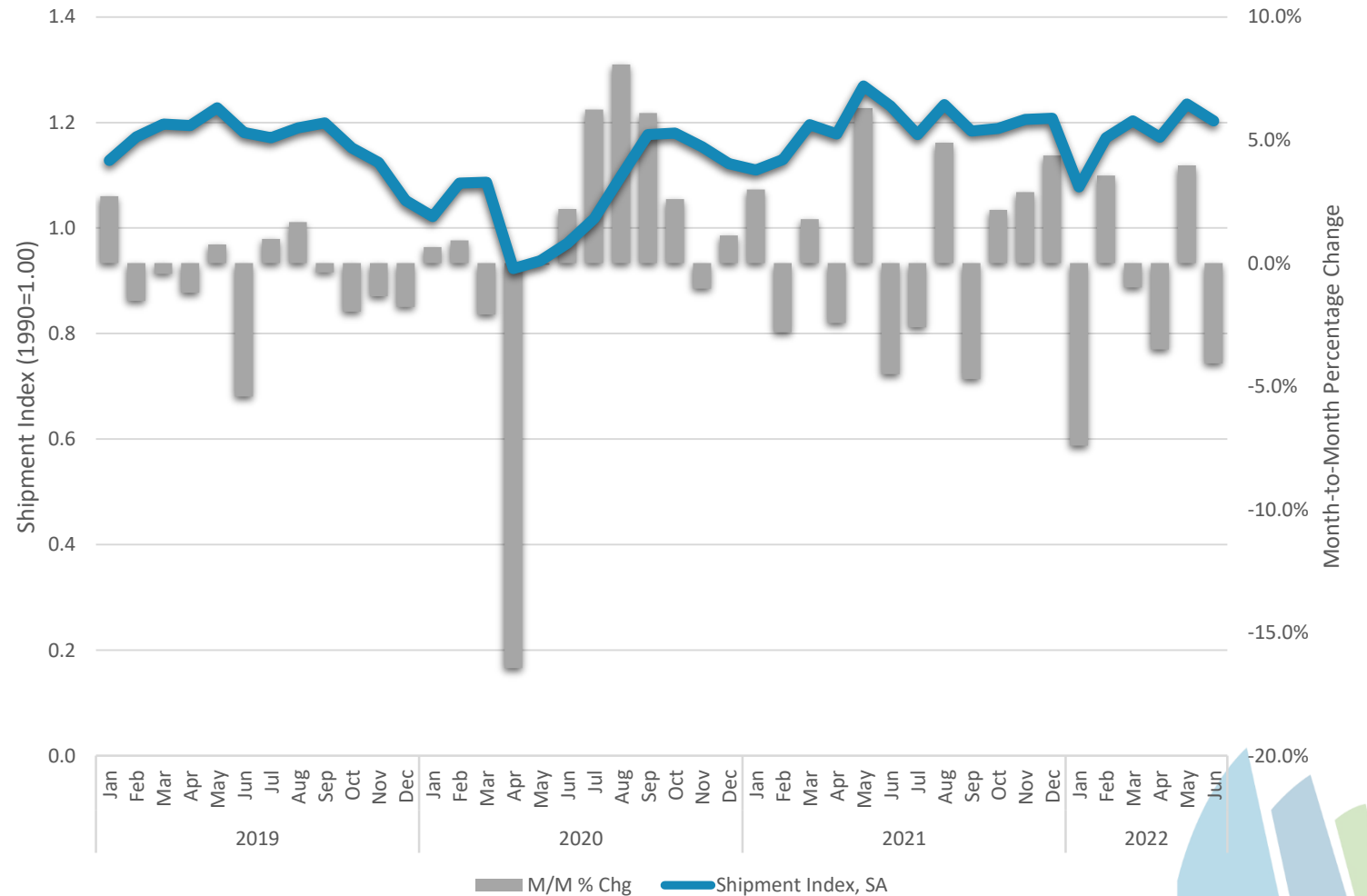
The big picture: The Cass Shipment Index includes data from all domestic freight modes with trucking accounting for more than 75% of all activity.

- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

Why it matters: This index shows monthly shipment volumes from the entire Cass client base.

Our thoughts: the Cass Shipment Index fell 4% from May, marking third month this year that the index was in decline.

- **Yes, but** index remains elevated. In fact, the index is 1.6% above where it was this time in 2019.
- This means that there's still plenty of freight to go around.



Source: Cass Freight Index | <https://www.cassinfo.com/freight-audit-payment/cass-transportation-indexes/cass-freight-index>

Demand: Load-to-Truck Ratios

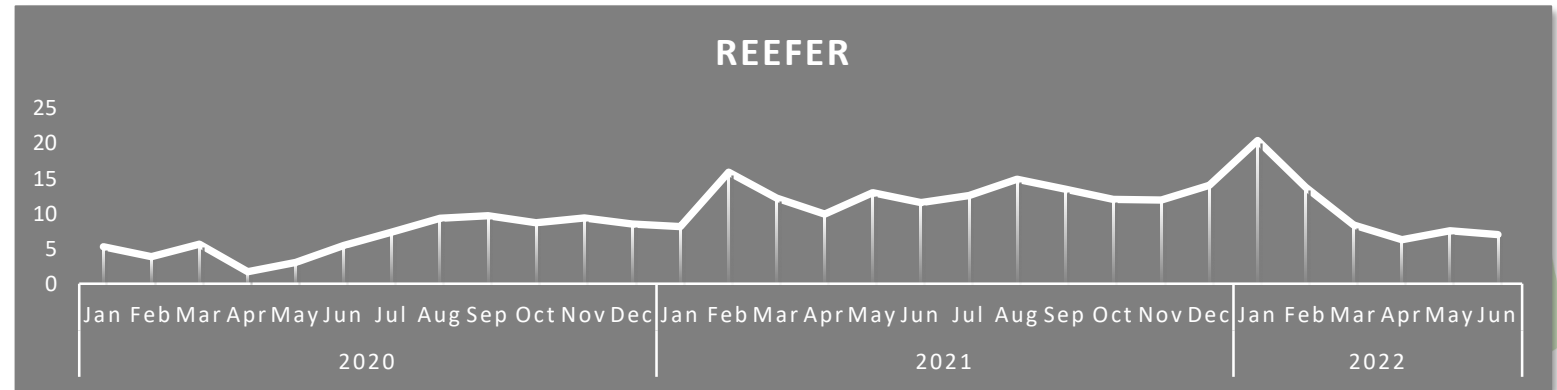
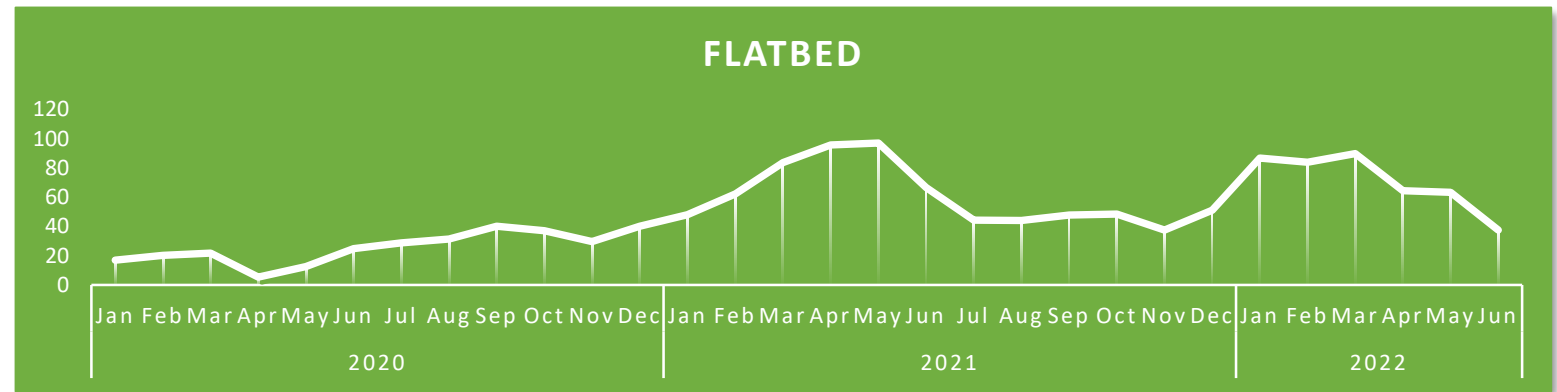
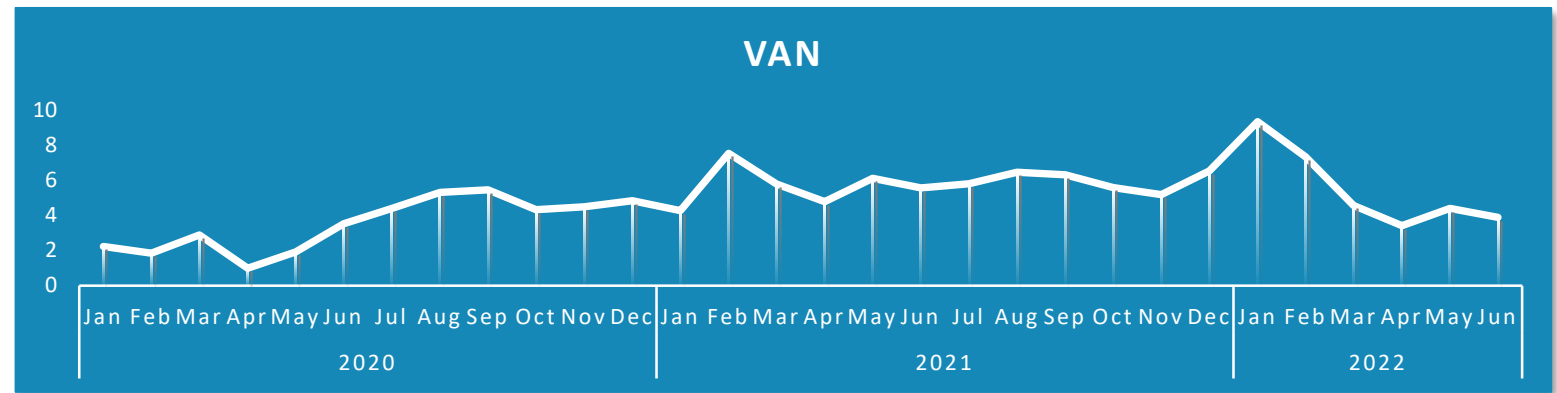
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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: Though volumes have certainly started to level off, the decrease we see in the load-to-truck ratios is more due to an increase in capacity.

- As the various load-to-truck ratios continue to decline, expect to see rates to do the same.
- The rate of decline is still yet to be determined however, as volumes still remain elevated.



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

Rates: Spot and Contract Rates

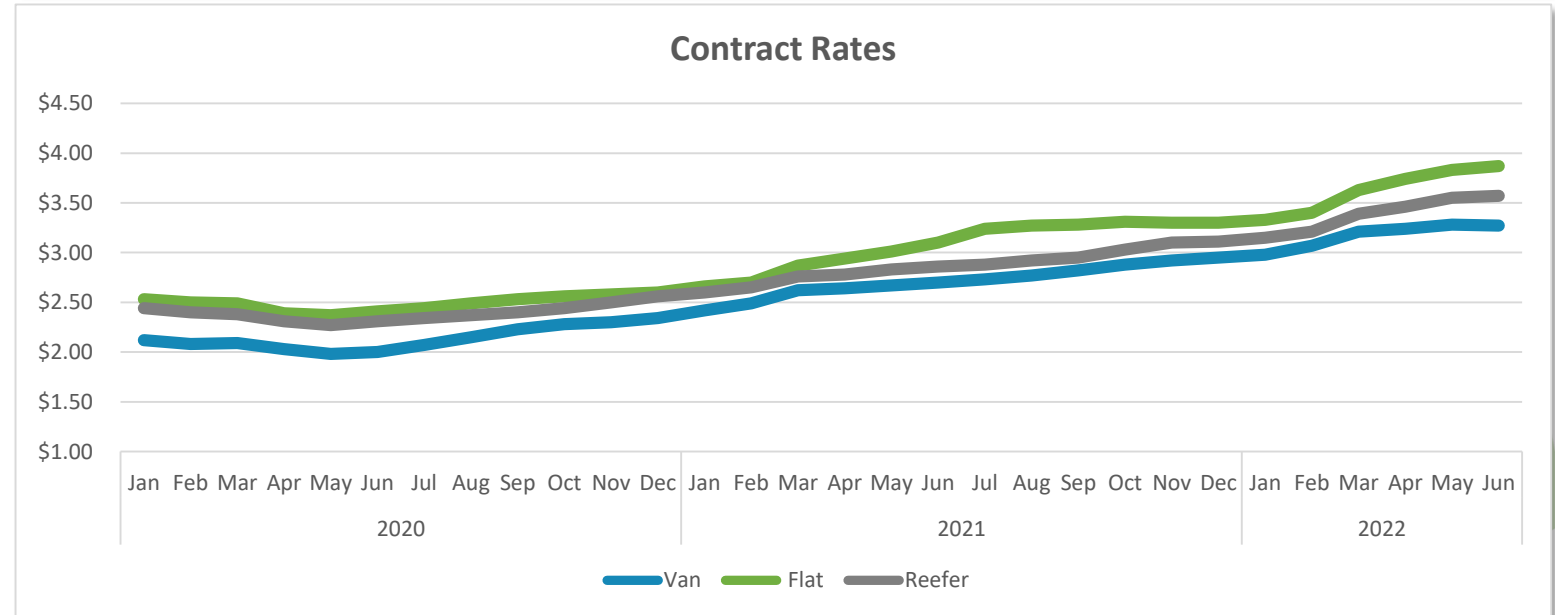
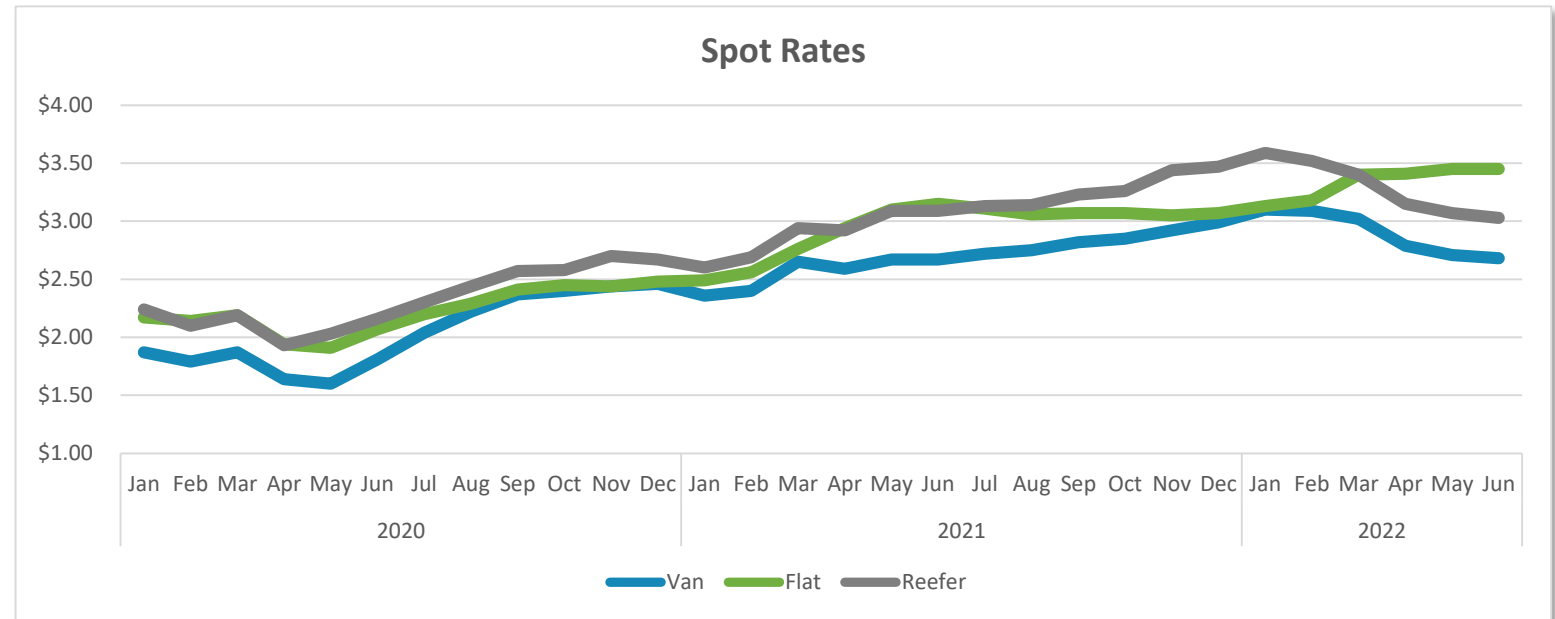
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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.

Our thoughts: As capacity increases, and volumes begin to level off, spot rates will continue to normalize.

- While contract rates have trended higher than spot rates over the past couple months for vans and reefers, this trend has finally caught up with flatbed rates as well.
- Contract rates continue to move upward due to the elevated volume of freight. We will continue to watch to see if this changes in the next couple months.



Rates: Logistics Managers' Index (LMI)

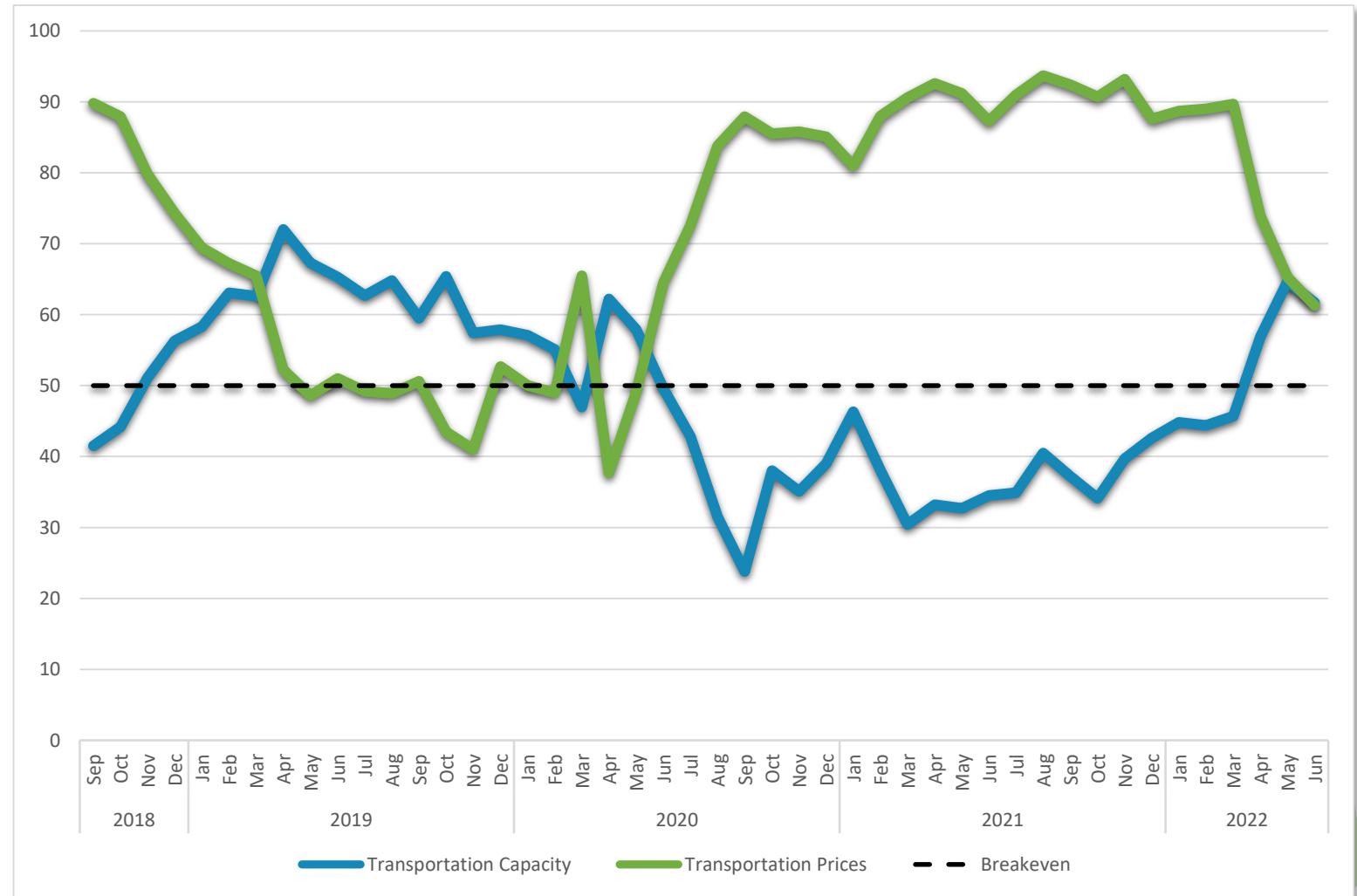
The big picture: The LMI is a diffusion index that measures supply chain conditions.

- The LMI consists of eight key logistics metrics ranging from inventory levels to transportation utilization.
- Any number below 50 is indicative of contraction, while any number above 50 is indicative of expansion.

Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- When the two curves depicted in this chart invert, it signals bad news for freight rates.

Our thoughts: Though the two curves haven't inverted yet, it suggests the freight market is cooling off.



Source: LMI | <https://www.the-lmi.com/> | Monthly

Costs: Producer Price Index (PPI) Long-Distance, Truckload

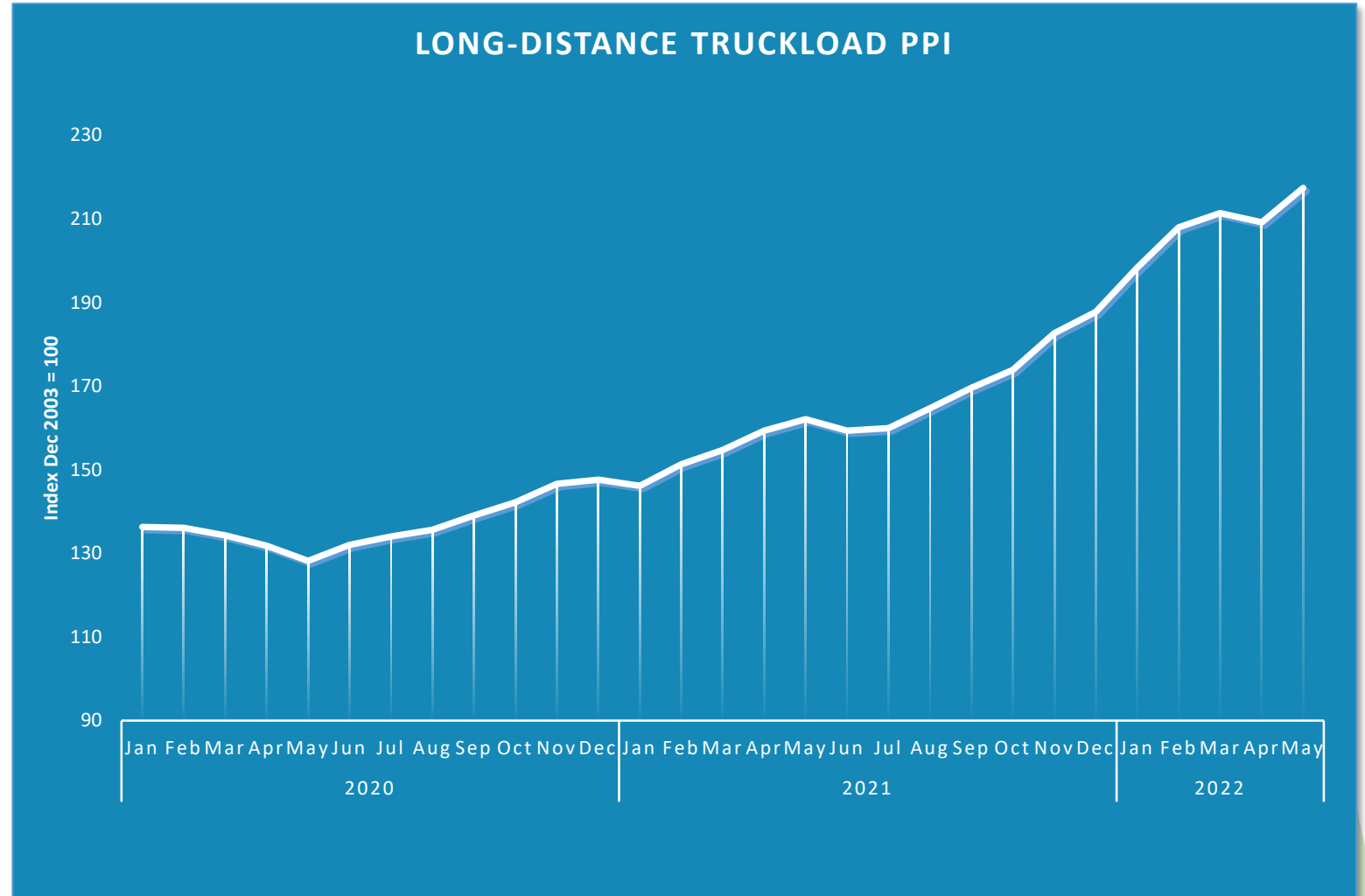
The big picture: The PPI is a group of indexes that measures how much it costs for industries to make their products.

- One index focuses on the operating costs for long-haul, truckload carriers.

Why it matters: Changes in this particular index reflect the current operating costs for long-haul owner-operators.

Our thoughts: While freight rates are falling, the cost of doing business continues to rise.

- It's imperative that owner-operators know their cost of operations so that they can better control their variable expenses.
- New carriers might find the next few months difficult as we enter into a seasonal slowdown.



Source: FRED | <https://fred.stlouisfed.org/series/PCU484121484121> | Monthly

Costs: Diesel Fuel

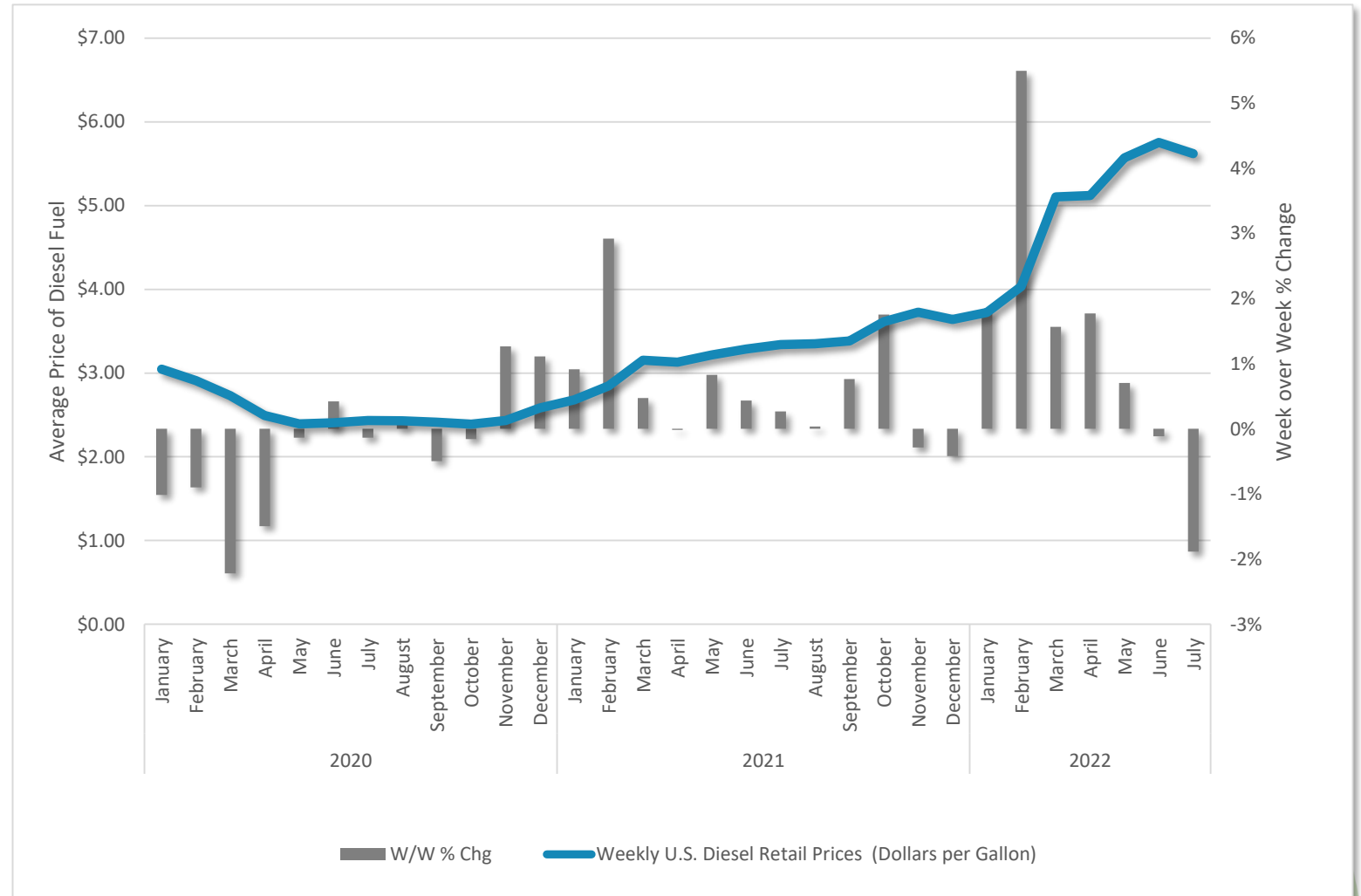
The big picture: The U.S. Energy Information Administration tracks the weekly changes in on-highway diesel fuel prices throughout the country.

Why it matters: Fuel is the number one expense for owner-operators.

- Fuel comprises over 45% of the average owner-operator's cost of operation.
- **Yes, but** it normally represents 25-30%.

Our thoughts: While fuel prices have started to decline ever so slightly, they still remain a serious concern for the owner-operator.

- Higher fuel costs eat into shippers budgets. Hence, there's less left over to pay carriers.
- This is partly why freight rates are decreasing even as fuel is increasing.



Source: U.S. EIA | <https://www.eia.gov/petroleum/gasdiesel/> | Weekly

Costs: Used Truck Prices

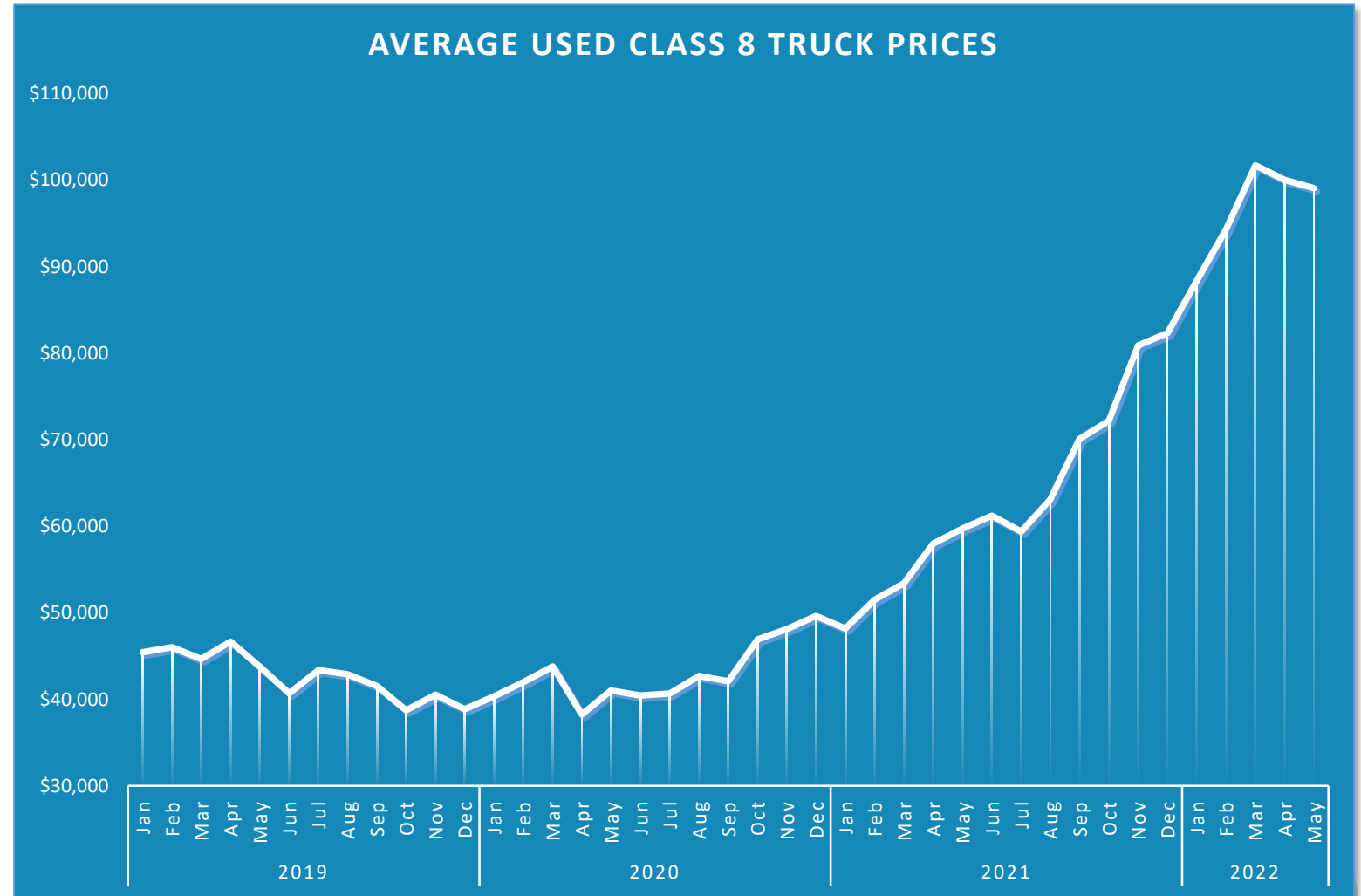
The big picture: Most individuals seeking to become an owner-operator first look to the used truck market due to the high cost of new trucks.

Why it matters: Used truck prices are a good indicator strong freight market.

- As spot rates turn upward, the number of individuals seeking to become an owner-operator also increase, pushing used prices higher.

Our thoughts: The average price of a used truck according to FTR hovered at \$43,000 before the pandemic.

- That price jumped to \$63,000 in 2021 and \$96,000 so far in 2022.
- With costs rising and spot rates normalizing, this might not be the best time to become an owner-operator or seek to expand your business.



Source: FTR | <https://www.ftrintel.com/> | Monthly



Van Market Outlook

Van Market Outlook

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: Load-to-Truck Ratios

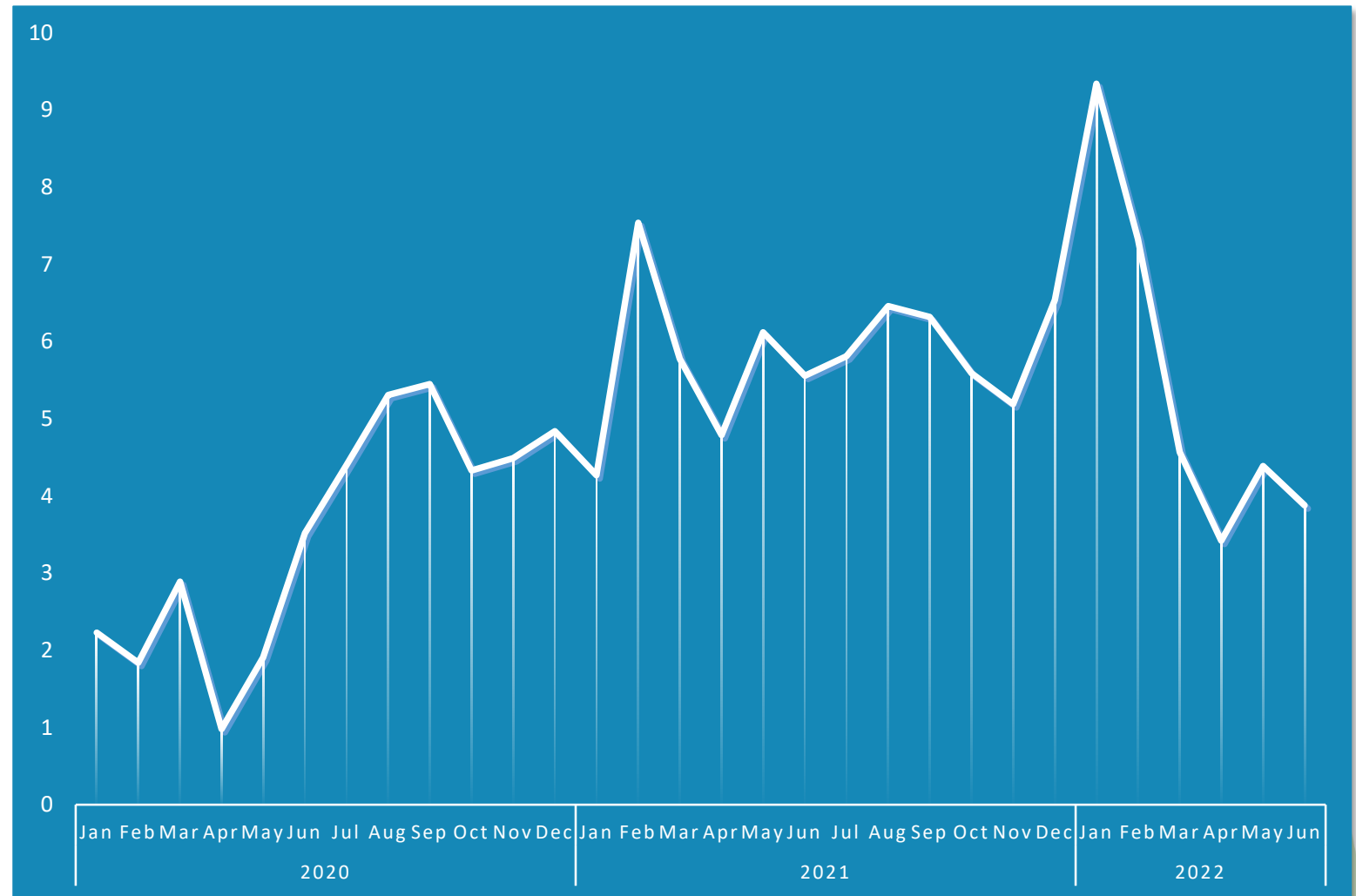
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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: Though volumes have certainly started to level off, the decrease we see in the load-to-truck ratios is more due to an increase in capacity.

- As the various load-to-truck ratios continue to decline, expect to see rates to do the same.
- The rate of decline is still yet to be determined however, as volumes still remain elevated.



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

Rates: Spot and Contract Rates

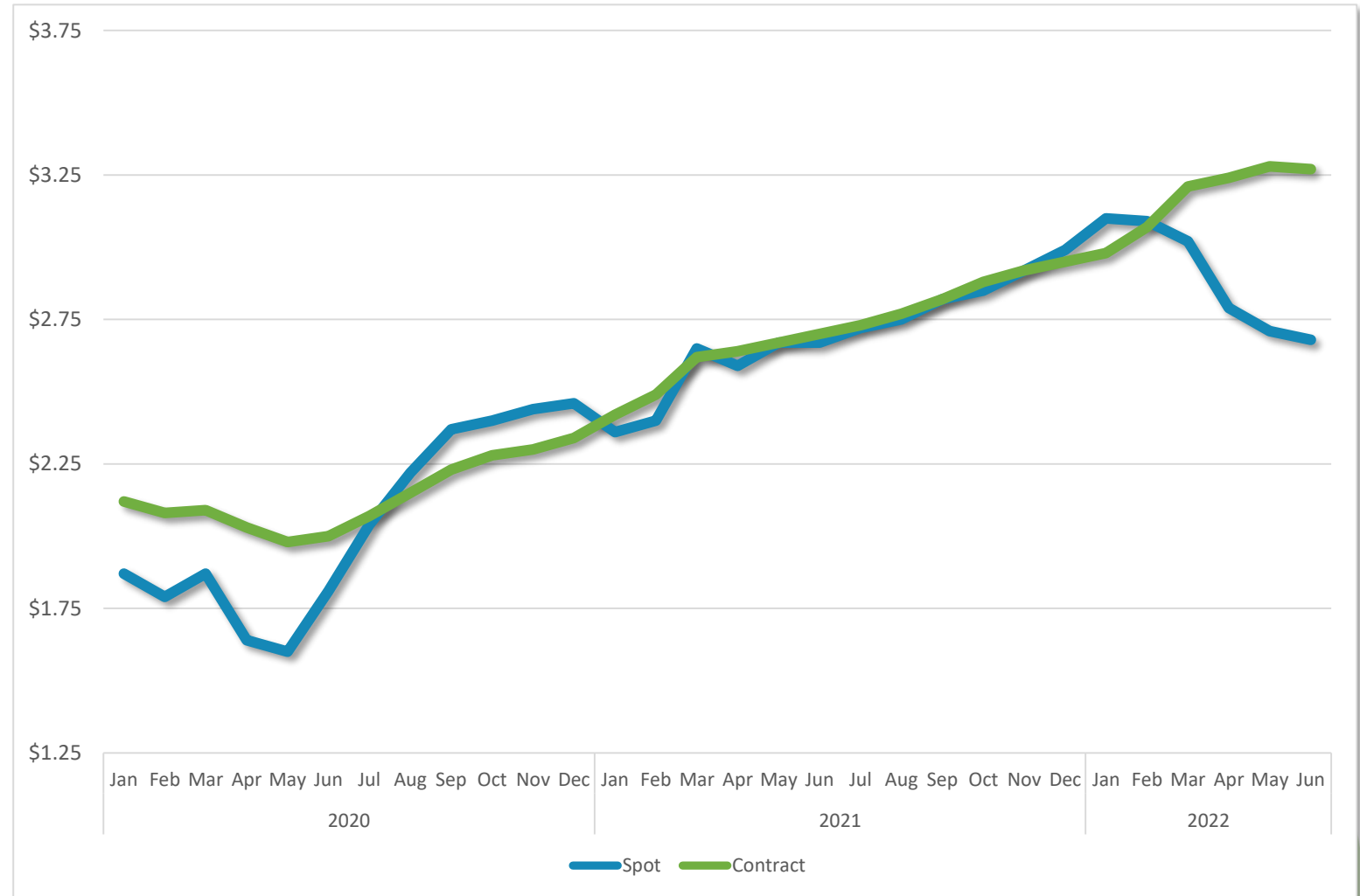
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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.

Our thoughts: As volumes decline and fuel costs and capacity increases, shippers will continue to gain the upper hand in negotiations, pushing rates downward.

- **It is important** for you to attempt to negotiate for higher rates and/or fuel surcharges.
- It's also important for you to attempt to build direct relationships with small shippers rather than relying solely on brokers or load boards.



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.

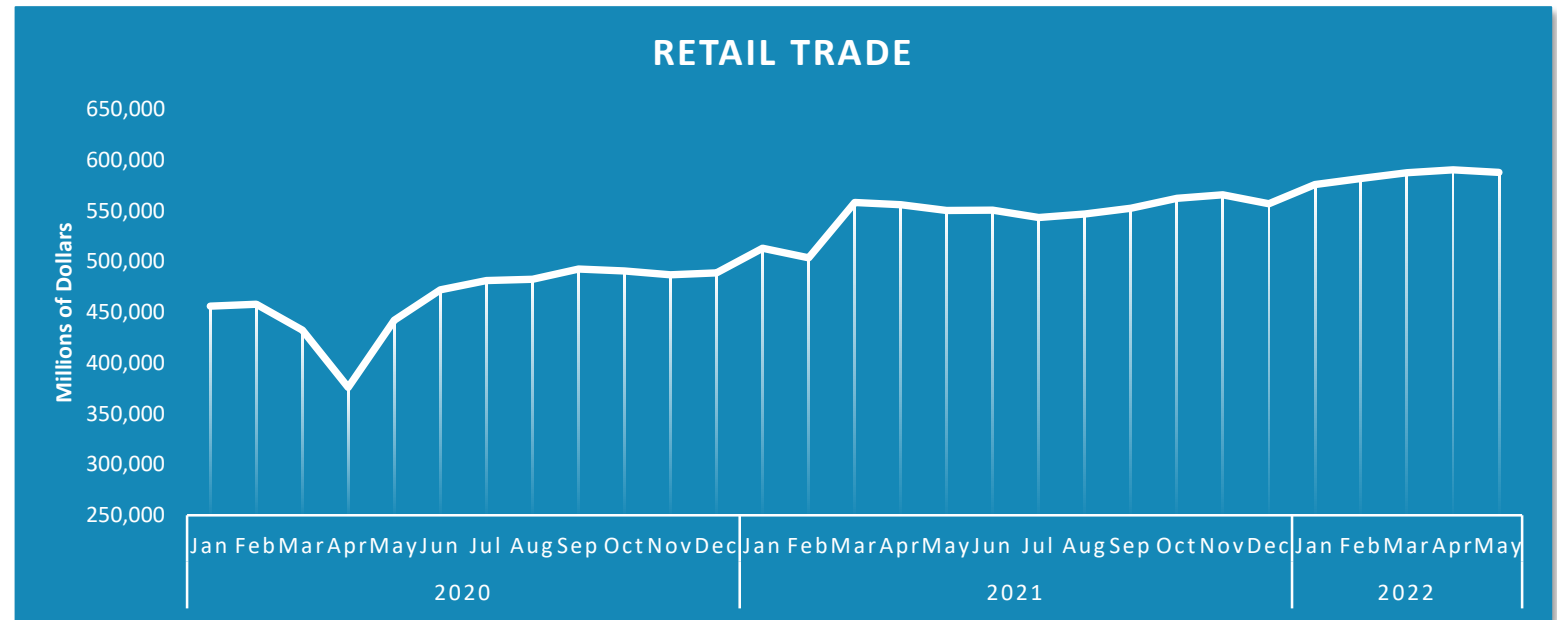
- While CPI measures the average price change for a basket of goods and services over time.

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.

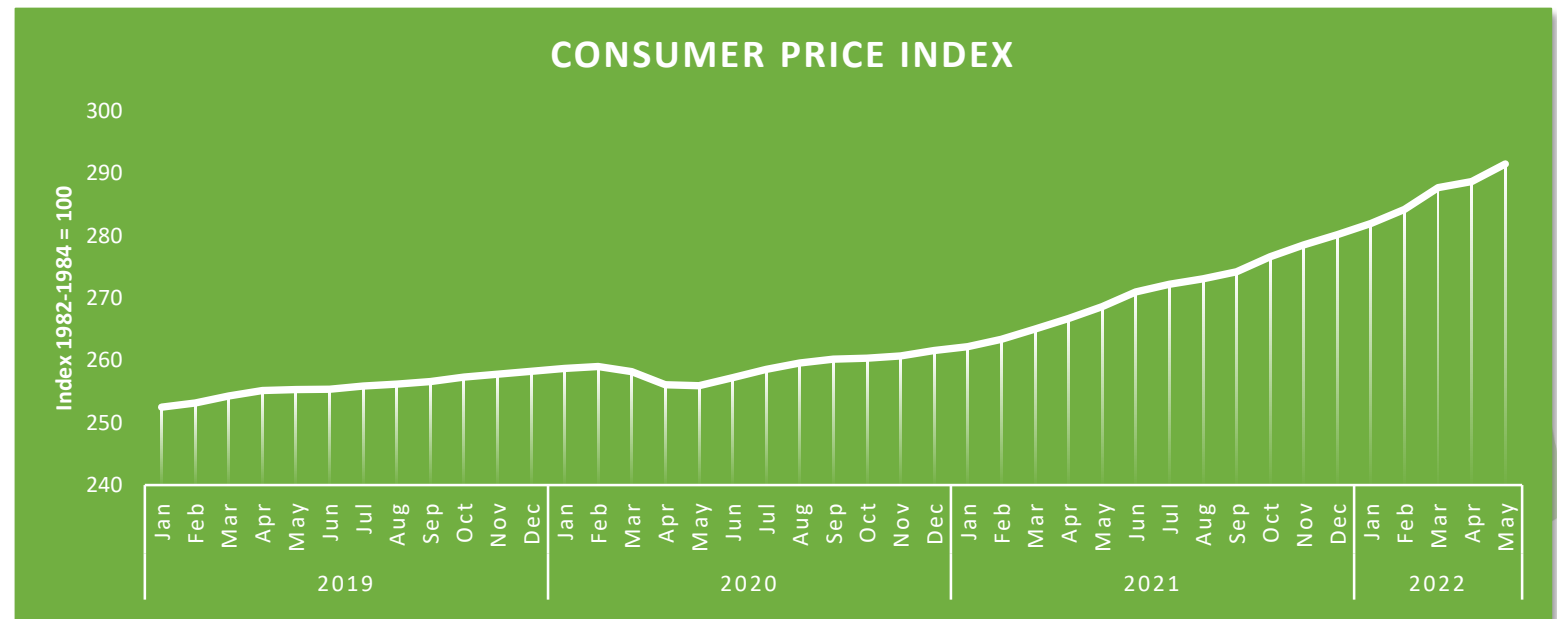
Our thoughts: Even though CPI is rising exponentially due to inflation, people are still purchasing goods.

- Contrary to popular belief, the economy is still moving strong as shown in the top chart above.
- Retail trade remains 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

E-Commerce Retail

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

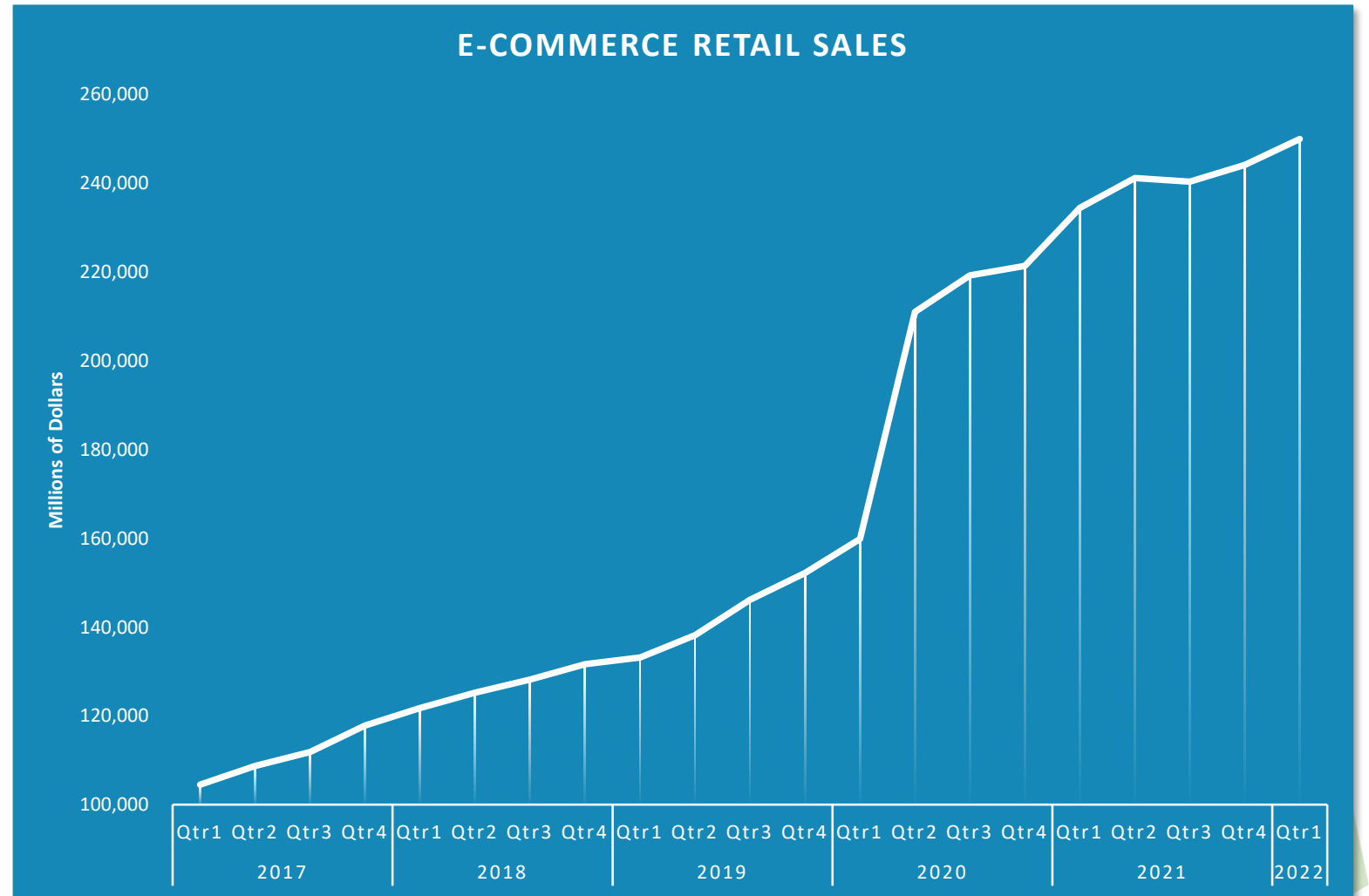
- Technology has made it easier than ever for people to shop online.

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: Exponential growth in e-commerce helped to boost the freight economy in the midst of the pandemic.

- **Yes but**, can it continue into 2022?



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:

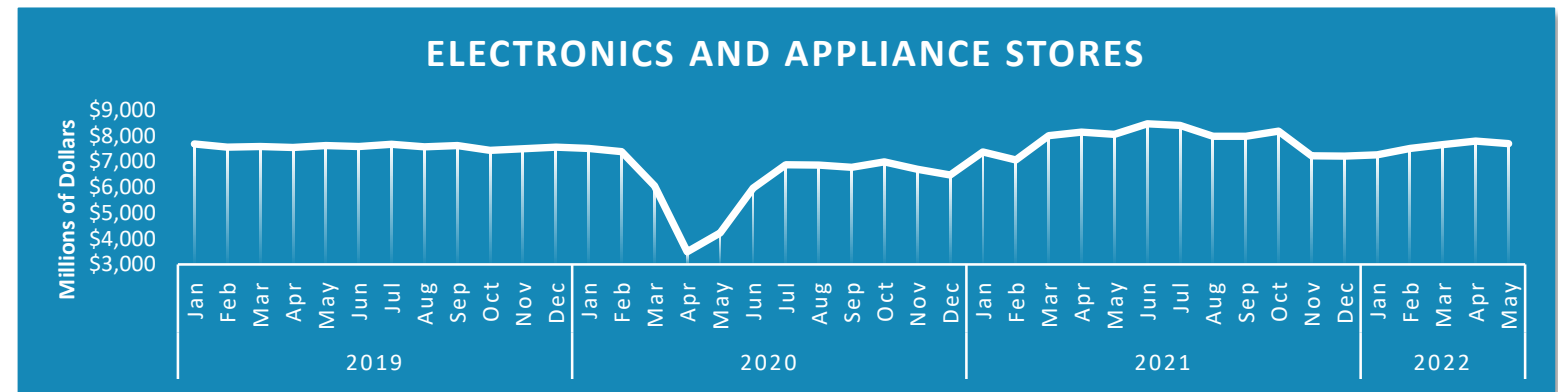
- Electronics and appliance stores
- Furniture stores
- General merchandise stores (e.g., Walmart, Target, Costco)

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

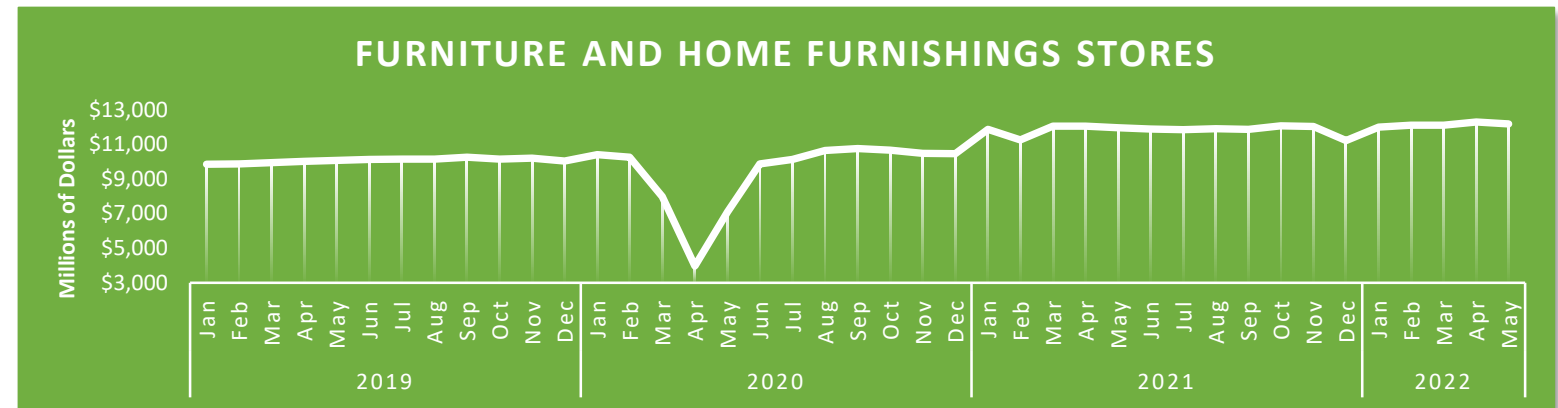
- **Advanced Sales** categories provide us an early snapshot from large retailers.

Our thoughts: Although sales are definitely not expanding as they once were, they aren't declining either.

- Further indication that volumes, and thereby demand for trucks, will remain elevated.



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



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



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



Flatbed Market Outlook

Flatbed Market Outlook

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 Flatbed 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. Total Manufacturing
2. Construction Materials and Supplies Manufacturing
3. Housing
4. Advanced Retail Sales: Building Materials



Demand: 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: Though volumes have certainly started to level off, the decrease we see in the load-to-truck ratios is more due to an increase in capacity.

- As the various load-to-truck ratios continue to decline, expect to see rates to do the same.
- The rate of decline is still yet to be determined however, as volumes still remain elevated.



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

Rates: Spot and Contract Rates

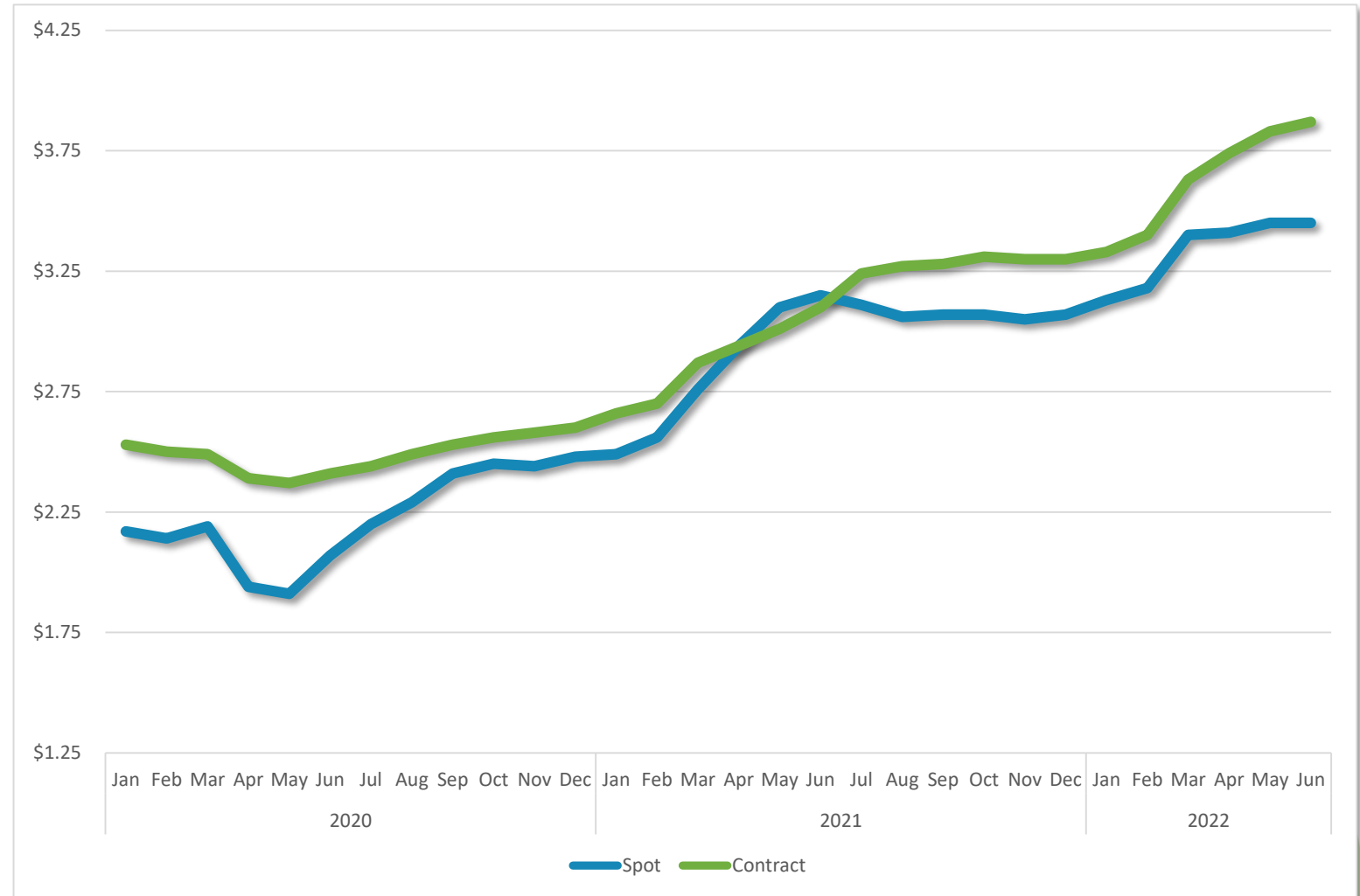
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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.

Our thoughts: Unlike van and reefer rates which continue to normalize, the flatbed market continues to expand, albeit at slower pace.

- We expect flatbed to continue its upward trend for the next couple of months.
- Time will tell if or when rates and volumes will come back down to earth.
- Right now, we are still in peak construction season.



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

Manufacturing: Total and Construction Materials

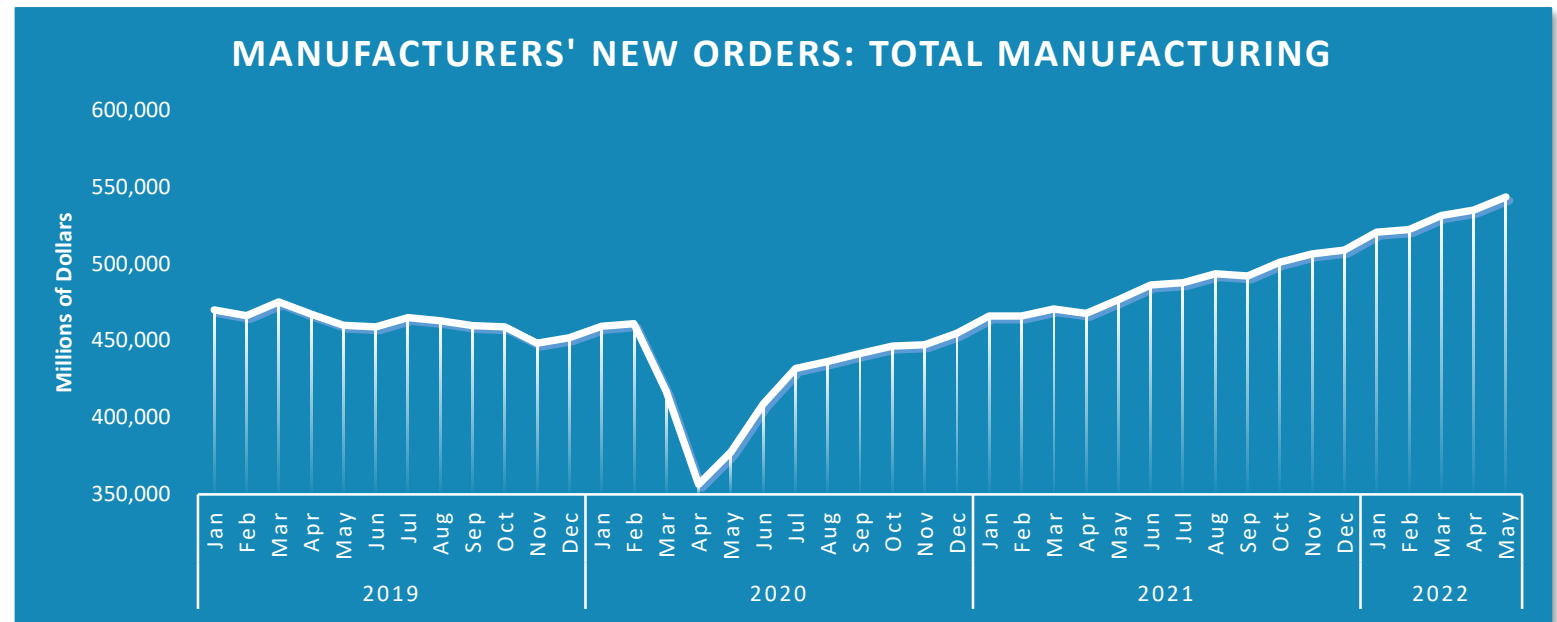
The big picture: Manufacturing new orders is an important flatbed market indicator, as it comprises a large part of the economy.

Why it matters: An increase in new orders signifies a higher demand for goods and services, which indicates future demand for transportation.

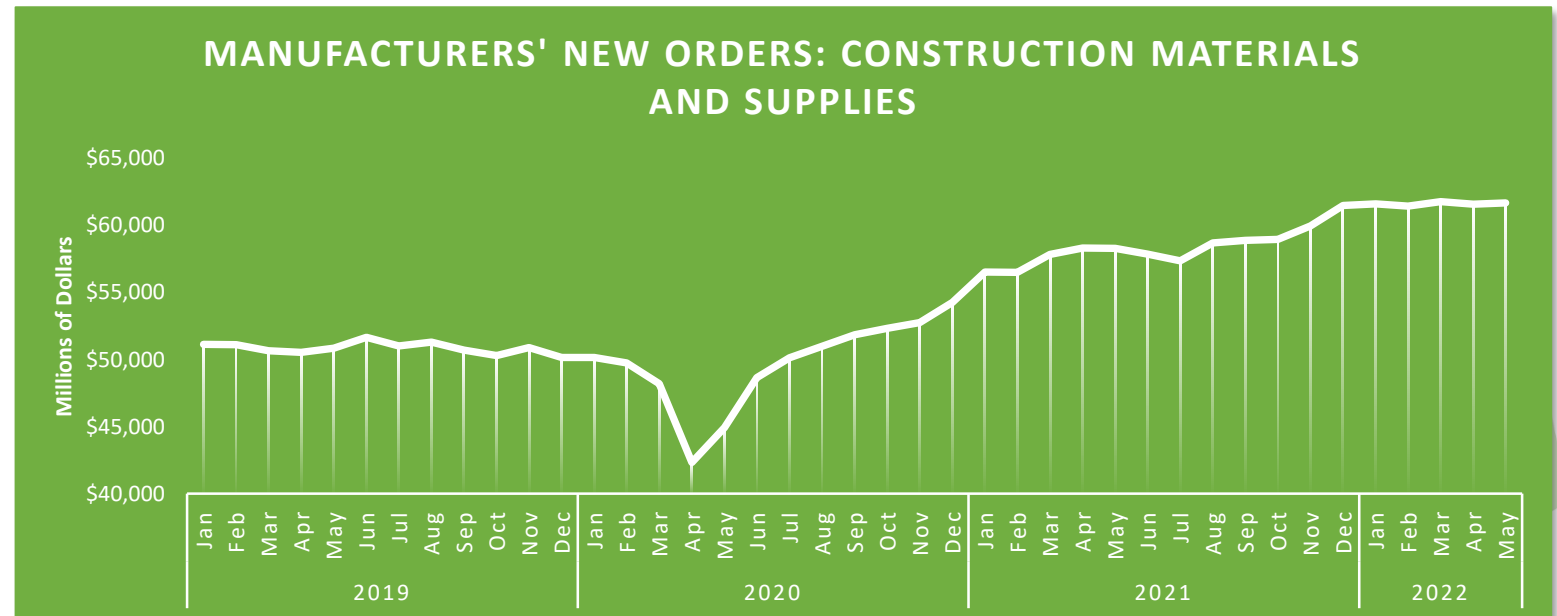
- The manufacturing sector provides a large amount of volume for flatbed haulers.

Our thoughts: Unlike the dry van and reefer markets, the market forces for the flatbed sector appear to be strong.

- Flatbed rates have remained elevated even while dry van and reefer rates have fallen.
- Look for this trend to continue going forward.



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



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

Housing: Starts, Under Construction, Completed

The big picture: The U.S. Census Bureau publishes monthly estimates on the number:

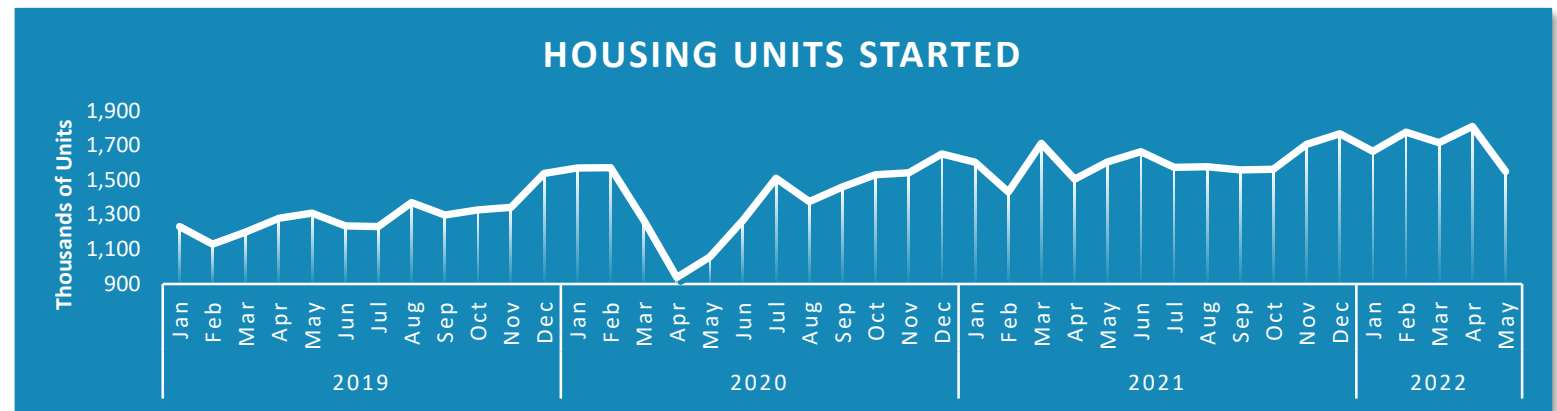
- Housing starts,
- Housing under construction, and
- Housing completed

Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

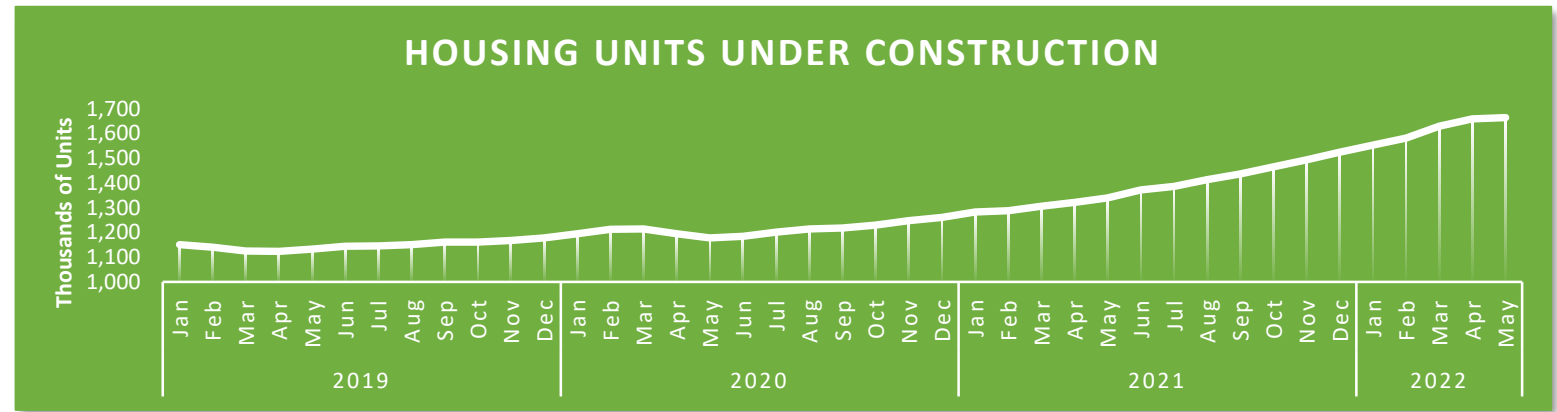
- It's a key economic indicator, especially for the flatbed trucking sector, which hauls building materials.

Our thoughts: Housing starts are flattening, but the number of houses under construction continues to raise.

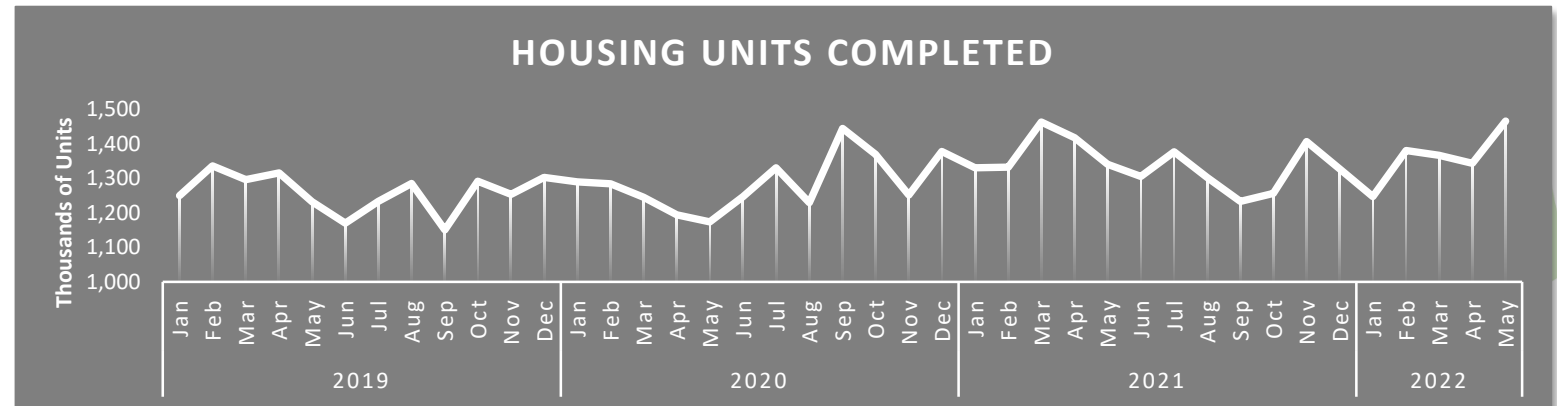
- This signals that flatbed volumes should continue to remain steady.



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



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



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

Advanced Retail Sales: Building Materials, Garden Equipment, Supplies Dealers

The big picture: Retail sales capture in-store, catalog, and out-of-store sales of both durable and non-durable goods.

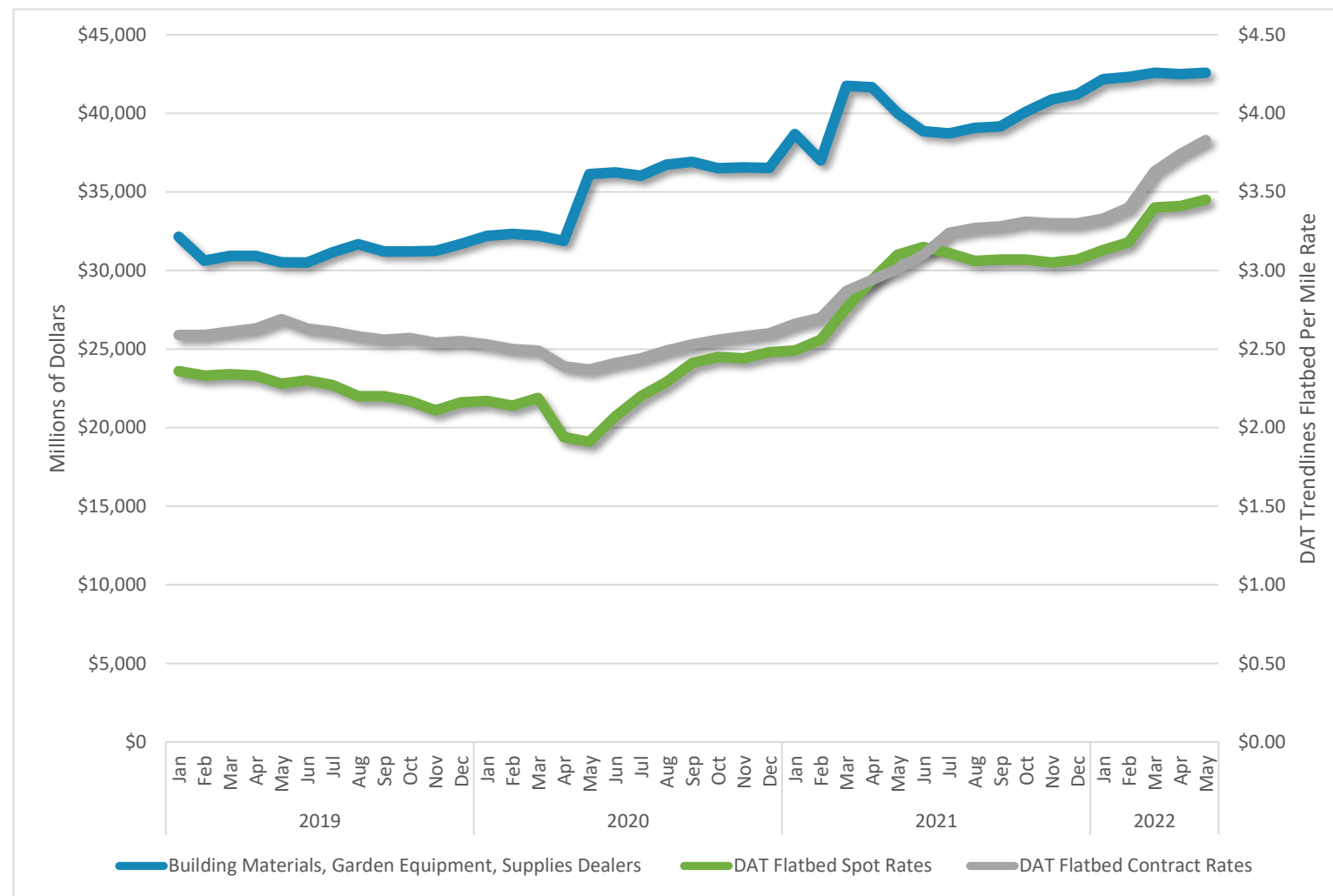
- These are broken down into several categories, including building materials, garden equipment, and supplies dealers (BMGESD).

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: Though inflationary pressures can skew retail sales, the BMGESD figures mirror closely with both spot and contract flatbed rates.

- Look to see flatbed volumes and rates to remain strong as consumers and businesses continue to purchase these types of goods.



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



Reefer Market Outlook

Reefer Market Outlook

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 reefer 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. USDA Average Refrigerated Truck Rates
2. USDA Refrigerated Truck Volumes
3. USDA Truck Availability Data
4. Advanced Retail Sales: Food Services and Drinking Places



Demand: Load-to-Truck Ratios

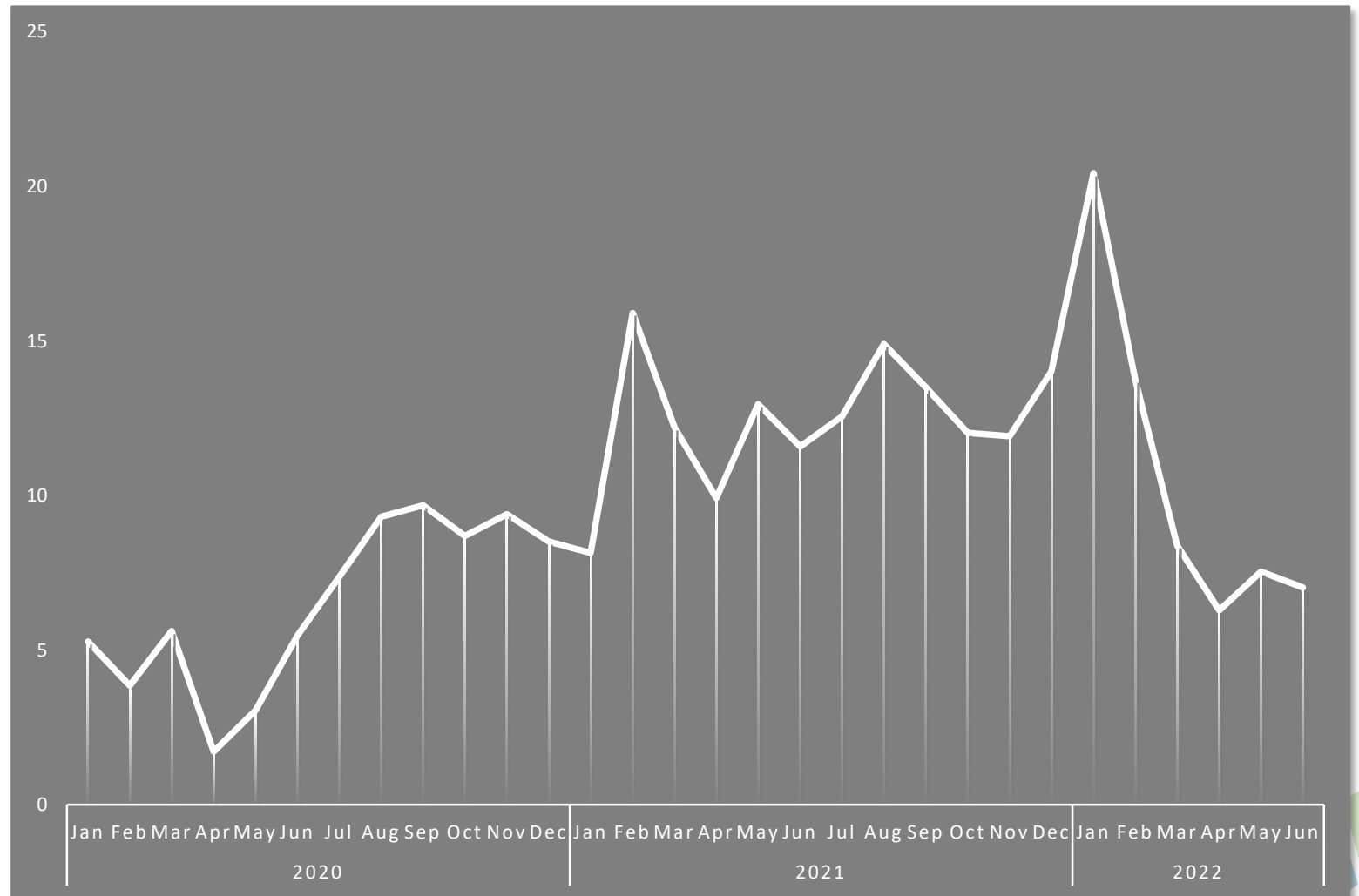
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Source: DAT Trendlines | <https://www.dat.com/industry-trends/trendlines> | Monthly

Rates: Spot and Contract Rates

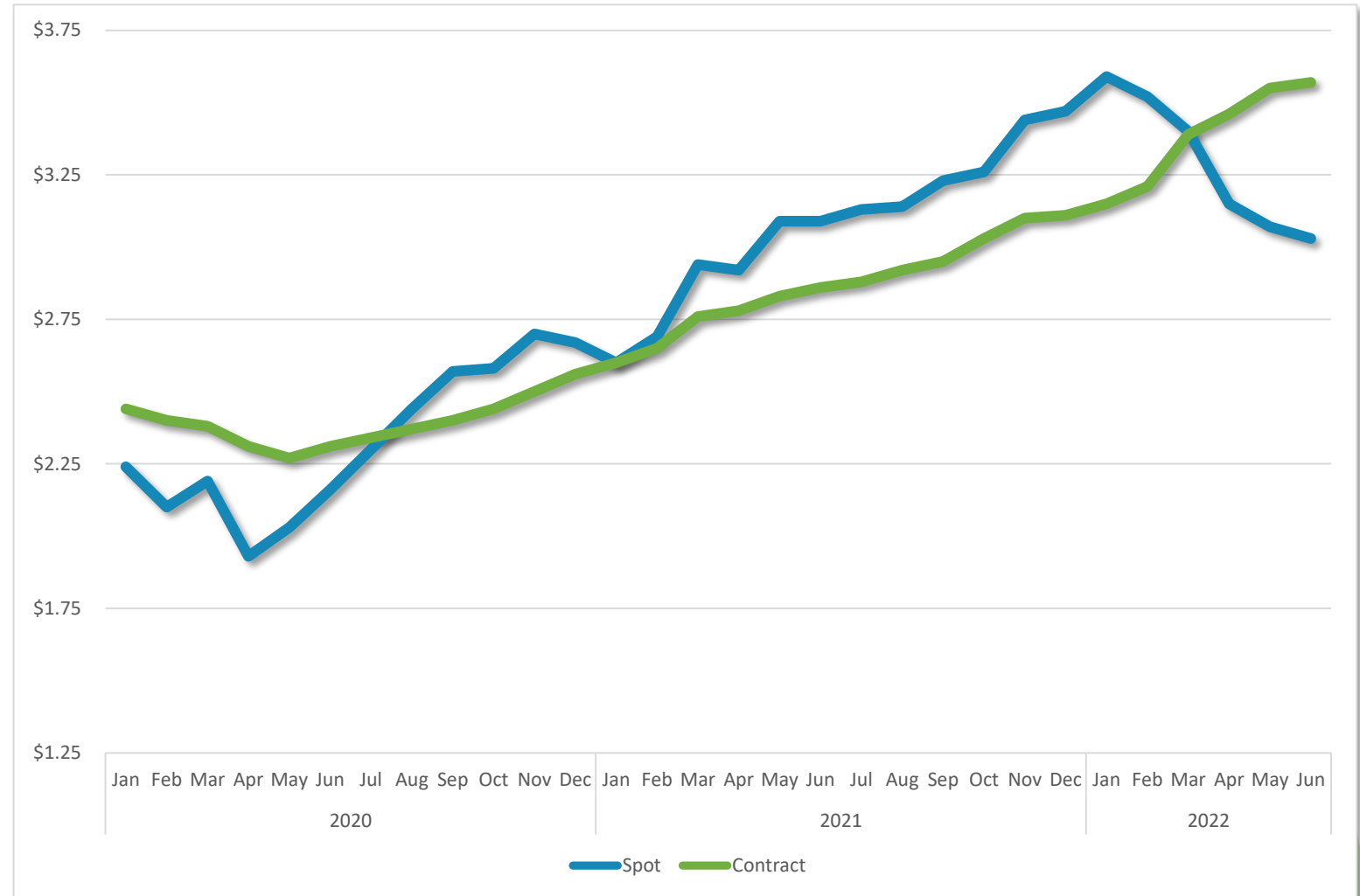
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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.

Our thoughts: Reefer spot rates outpaced both van and flatbed segments for much of the pandemic.

- **Yes, but** now it appears that spot rates are starting to correct.
- While volumes are not as high, we believe the biggest reason for this market correction is due to an increase in reefer capacity, as well as higher fuel costs.



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

Fruit and Vegetable Industry: USDA Average Truck Rates

The big picture: The U.S. Department of Agriculture (USDA) collects data concerning the average truck rates for hauling fruit and vegetable goods.

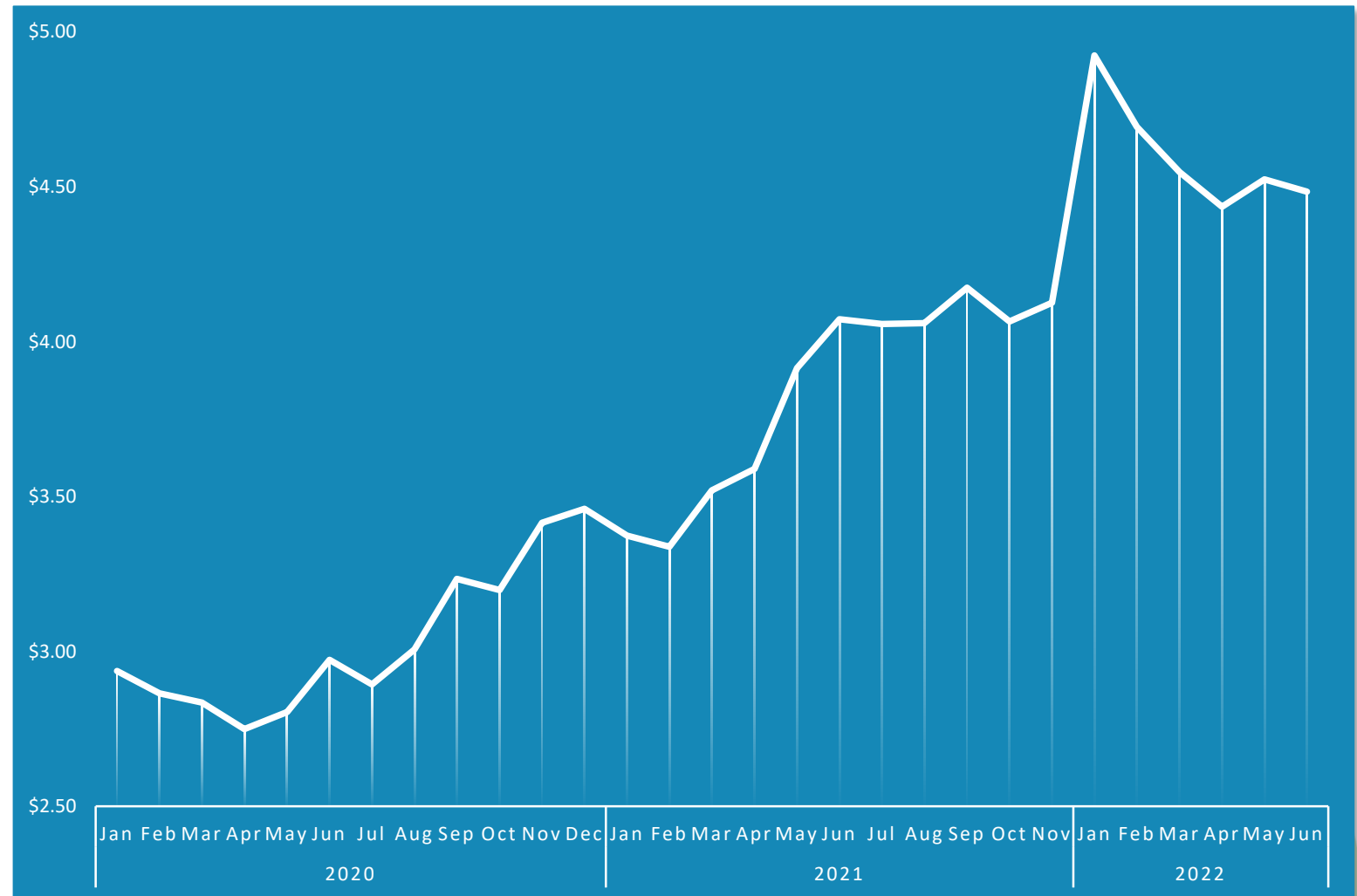
- USDA averages the rates over region and commodity.

Why it matters: Produce requires fast and efficient movements of perishable commodities.

- The USDA published rates gives the owner-operator a pulse of the reefer market.

Our thoughts: Fruit and vegetable reefer rates jumped dramatically over the past two years.

- **Yes, but** we are starting to see those rates come back down to earth, albeit slowly.
- June typically sees a large month-to-month increase.
- However, we are not expecting the same level of jump this year due to depressed produce volumes as extreme droughts continue to hit the southwest.



Source: USDA | <https://agtransport.usda.gov/stories/s/56s5-rpde> | Weekly

Fruit and Vegetable Industry: Truck Volume and Availability

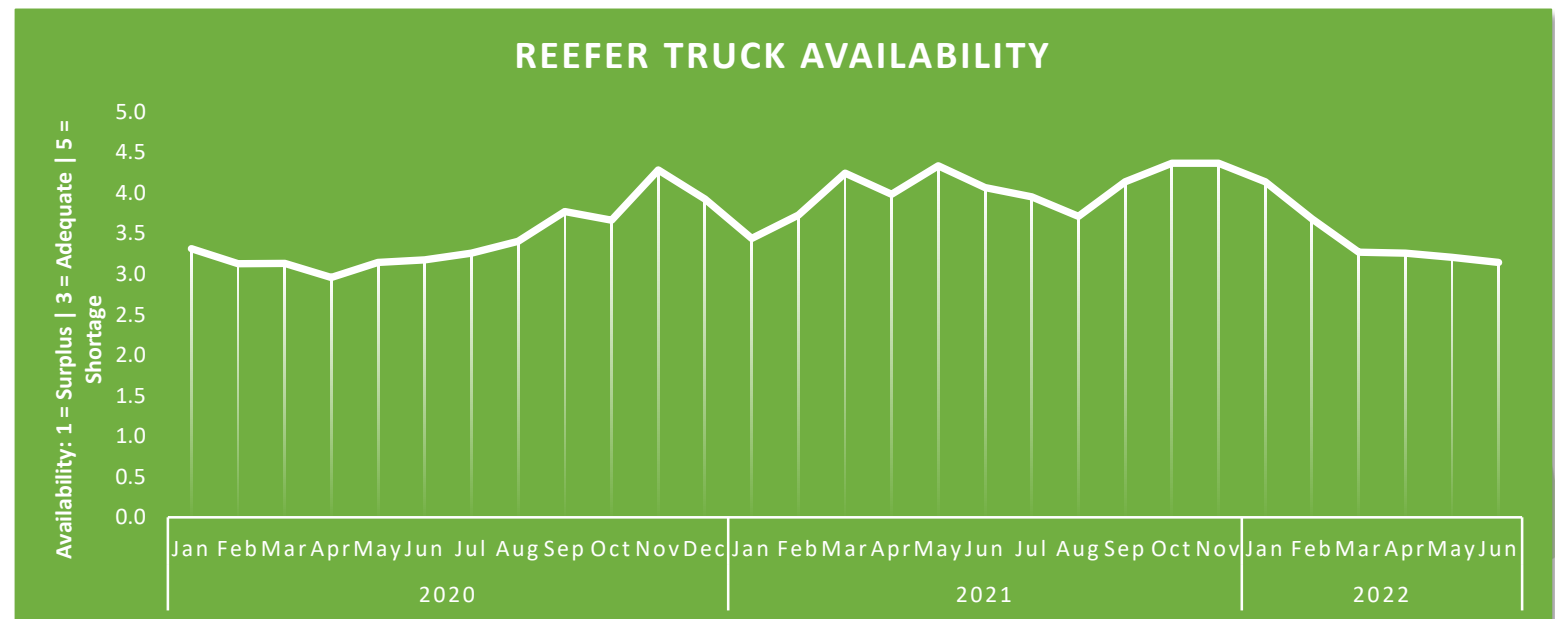
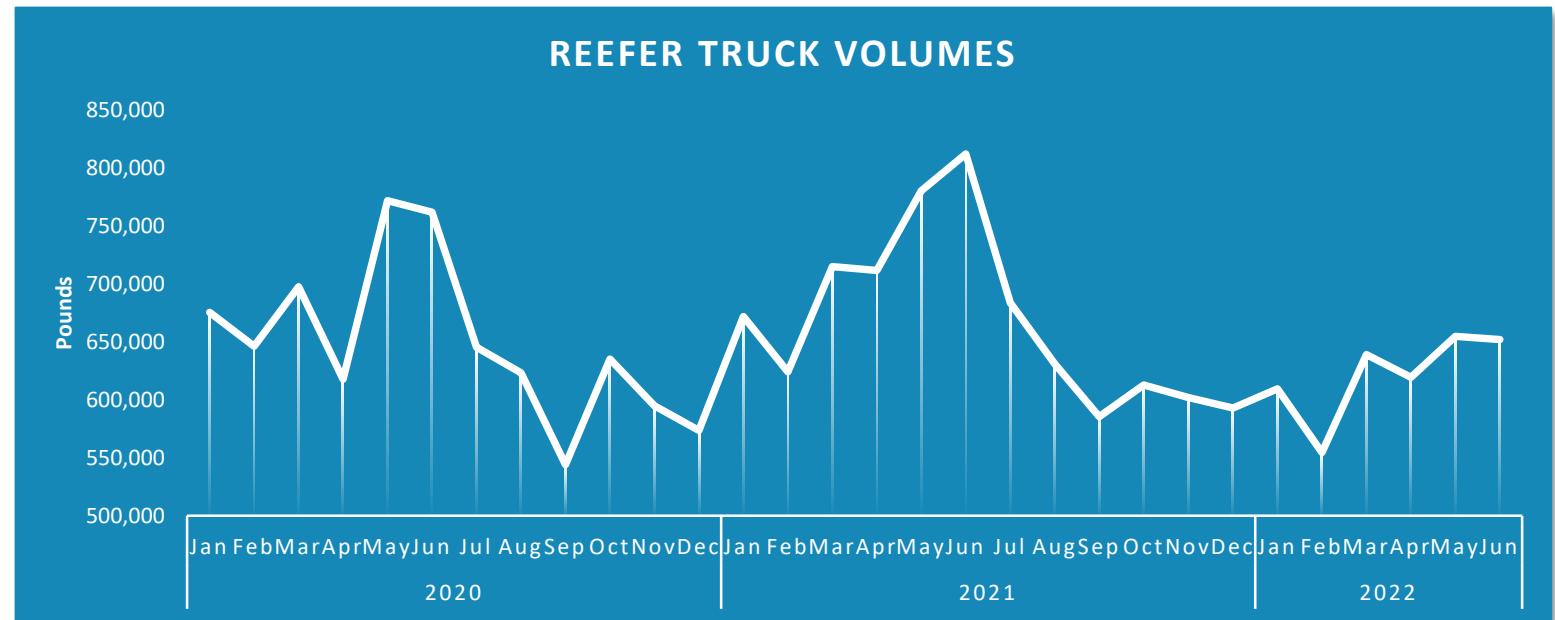
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight and weekly refrigerated truck availability data.

Why it matters: This information is a barometer for the health of the overall reefer market.

- It also provides visibility into what exactly is driving reefer rates, either volume, capacity, or a combination of both.
- **Reefer Truck Availability** is coded on a scale of 1 to 5, 1 representing a surplus and 5 representing a shortage of trucks.

Our thoughts: Both volumes and reefer truck capacity have slowly loosened over the past few months.

- Which has impacted reefer rates as shown in the previous charts.



Source: DAT Trendlines | <https://agtransport.usda.gov/stories/s/56s5-rpde> | Monthly

Advanced Retail Sales: Food Services and Drinking Places

The big picture: Retail sales capture in-store, catalog, and out-of-store sales of both durable and non-durable goods.

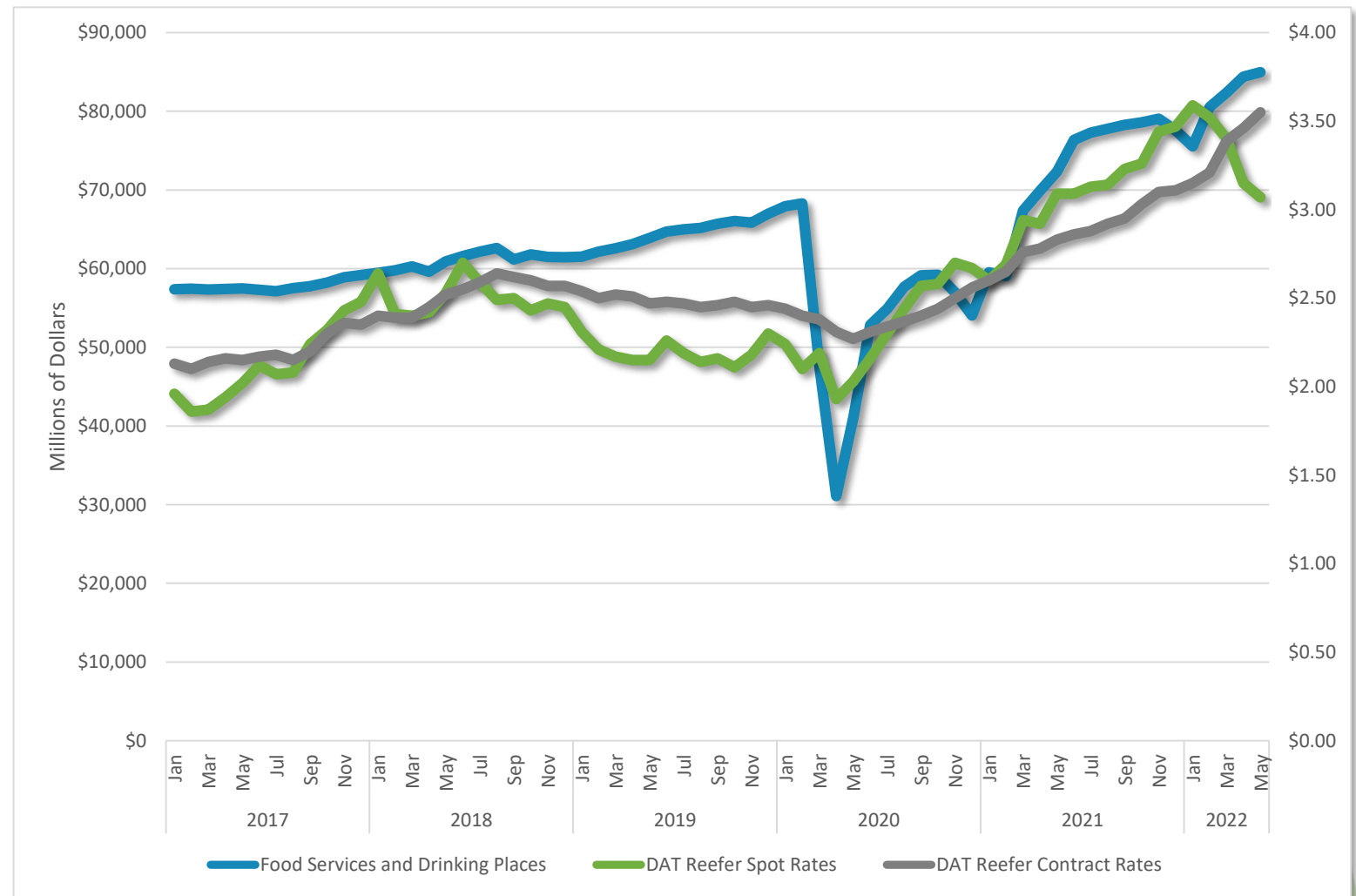
- These are broken down into several categories, including food services and drinking places

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 for food services and drinking places closely mirror DAT's Trendlines for both spot and contract reefer rates as shown in the graph.

- While these sales figures suggest there still is some room for reefer rates to grow, we will continue to watch this data series closely for any possible change.



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



Overall 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. **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

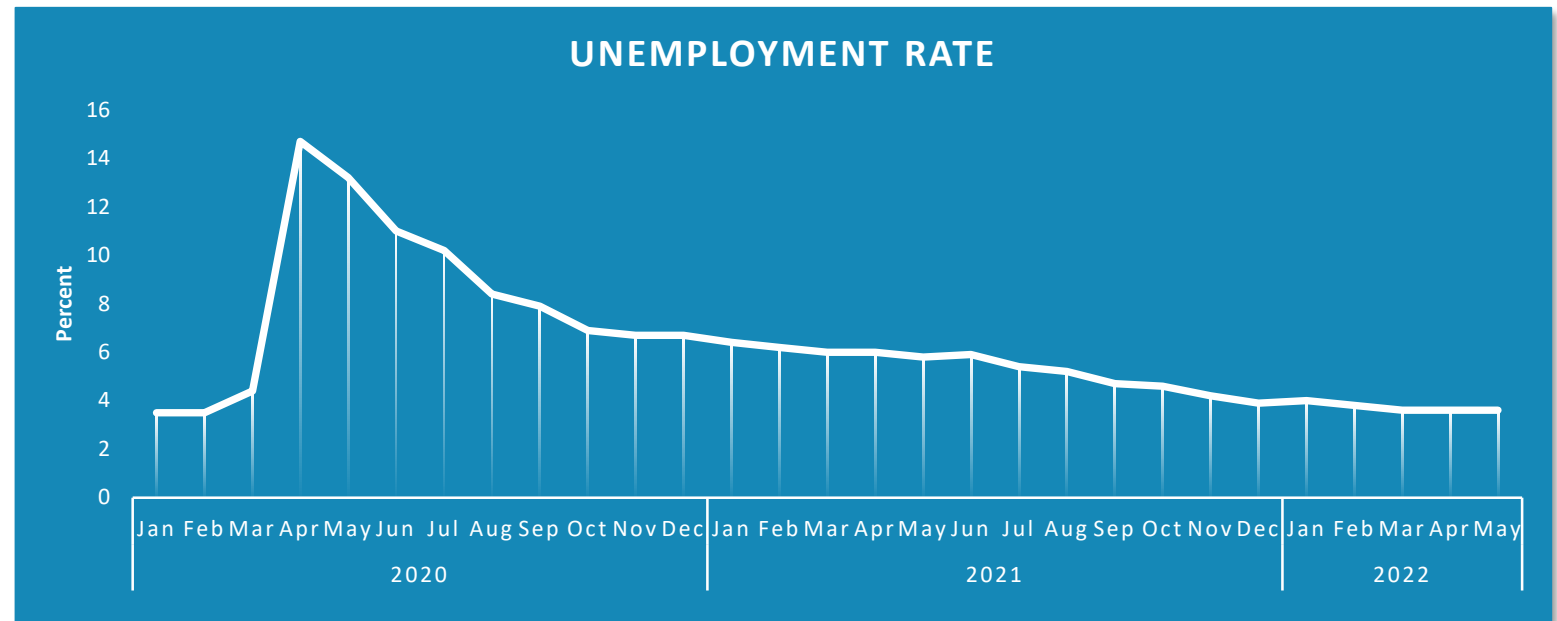
The big picture: Employment levels ultimately have a large impact on consumer confidence, consumer spending, and demand.

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

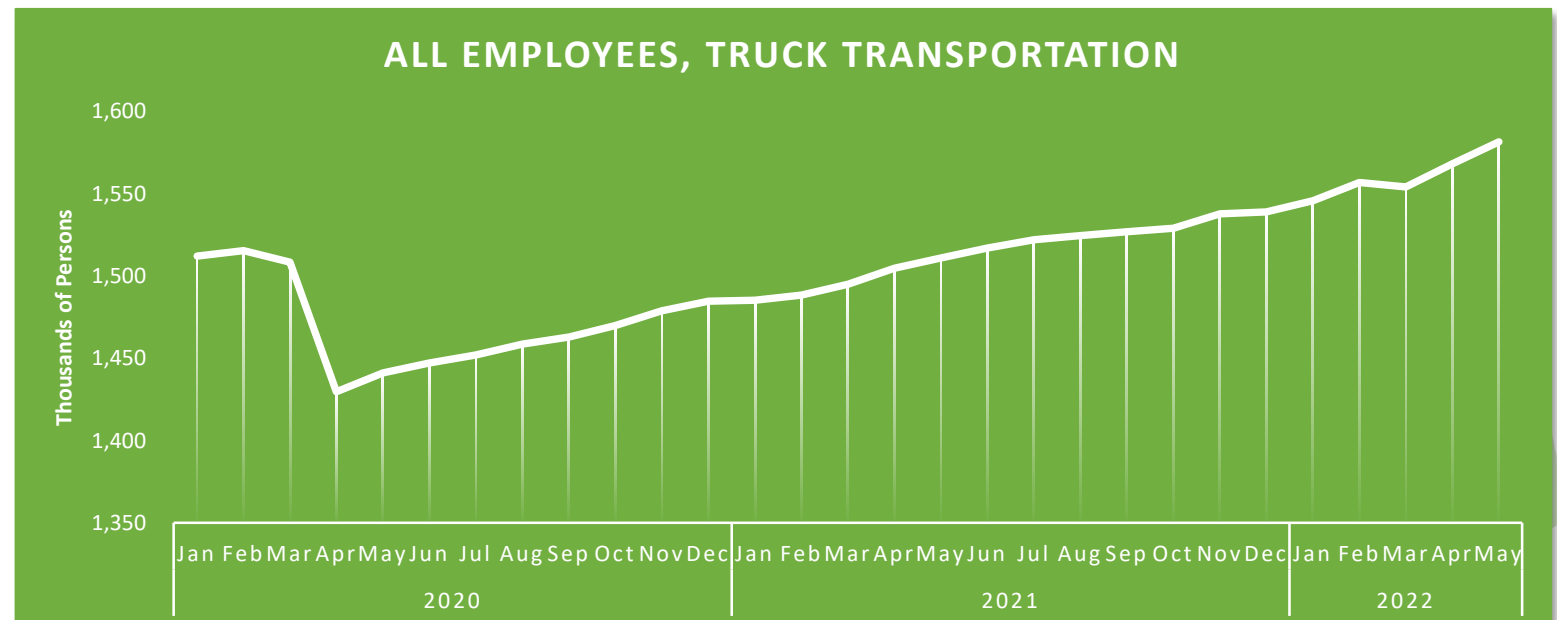
- Overall truck transportation employment is also important, as it helps to show how much capacity is out there in the industry.

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.

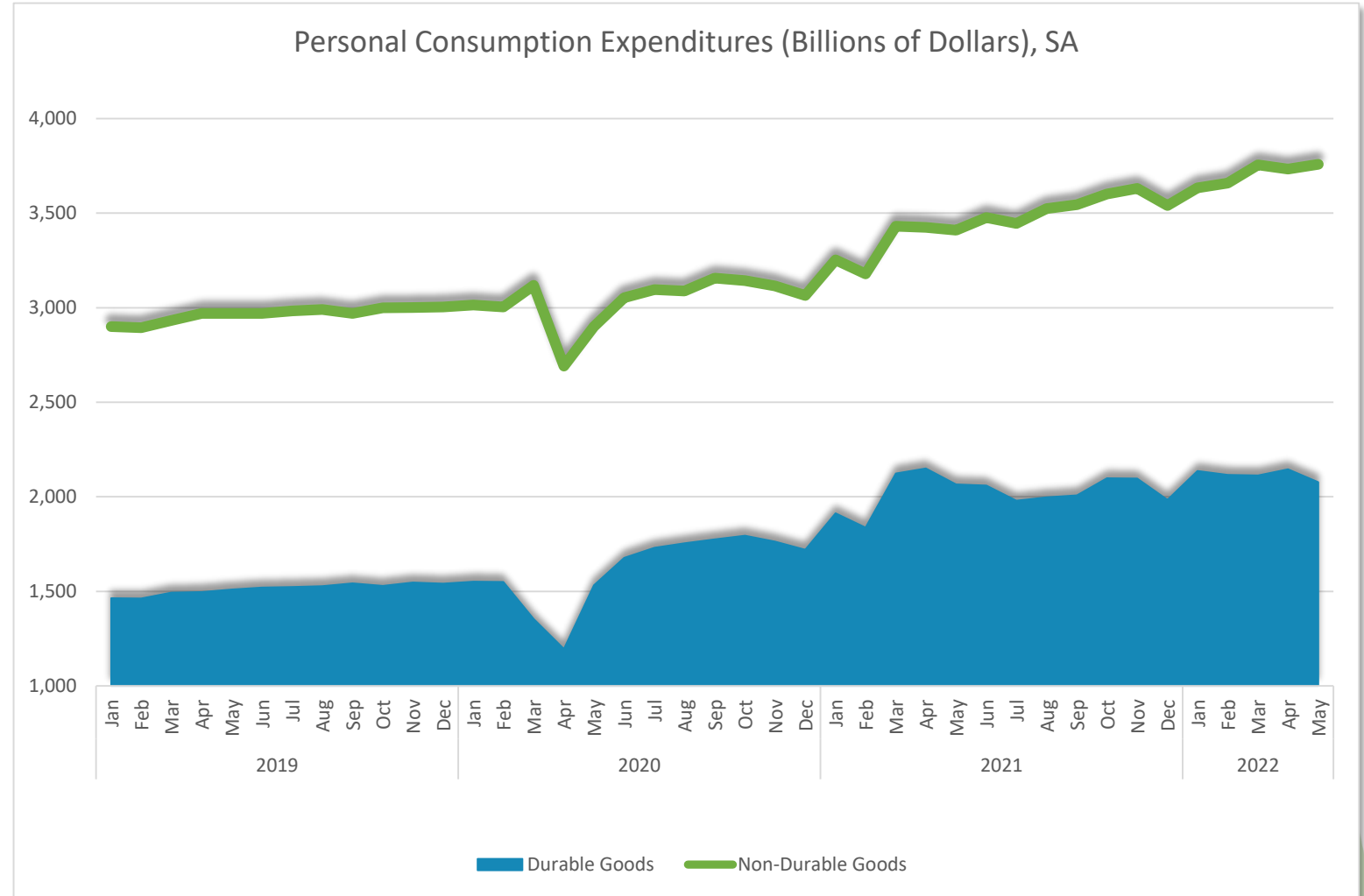
- The PCE measures a broad spectrum of consumer spending for a period of time.

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.

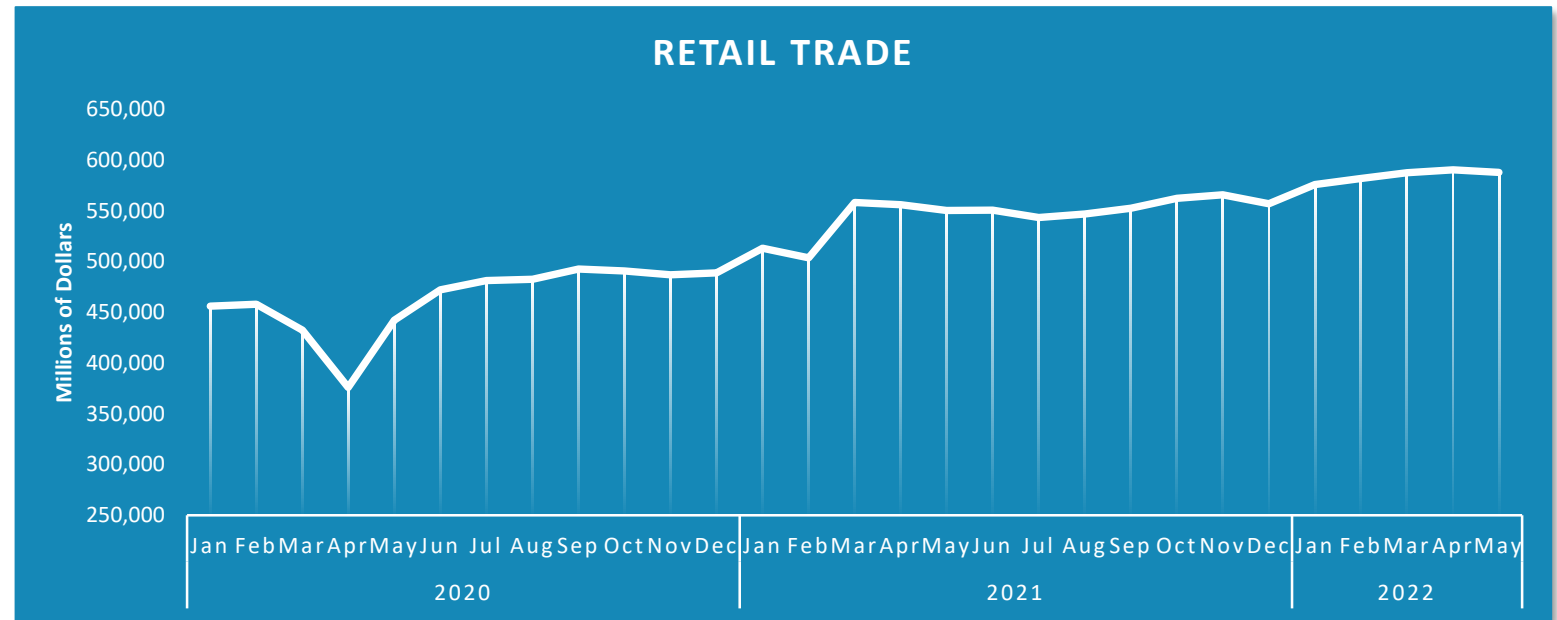
- While CPI measures the average price change for a basket of goods and services over time.

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.

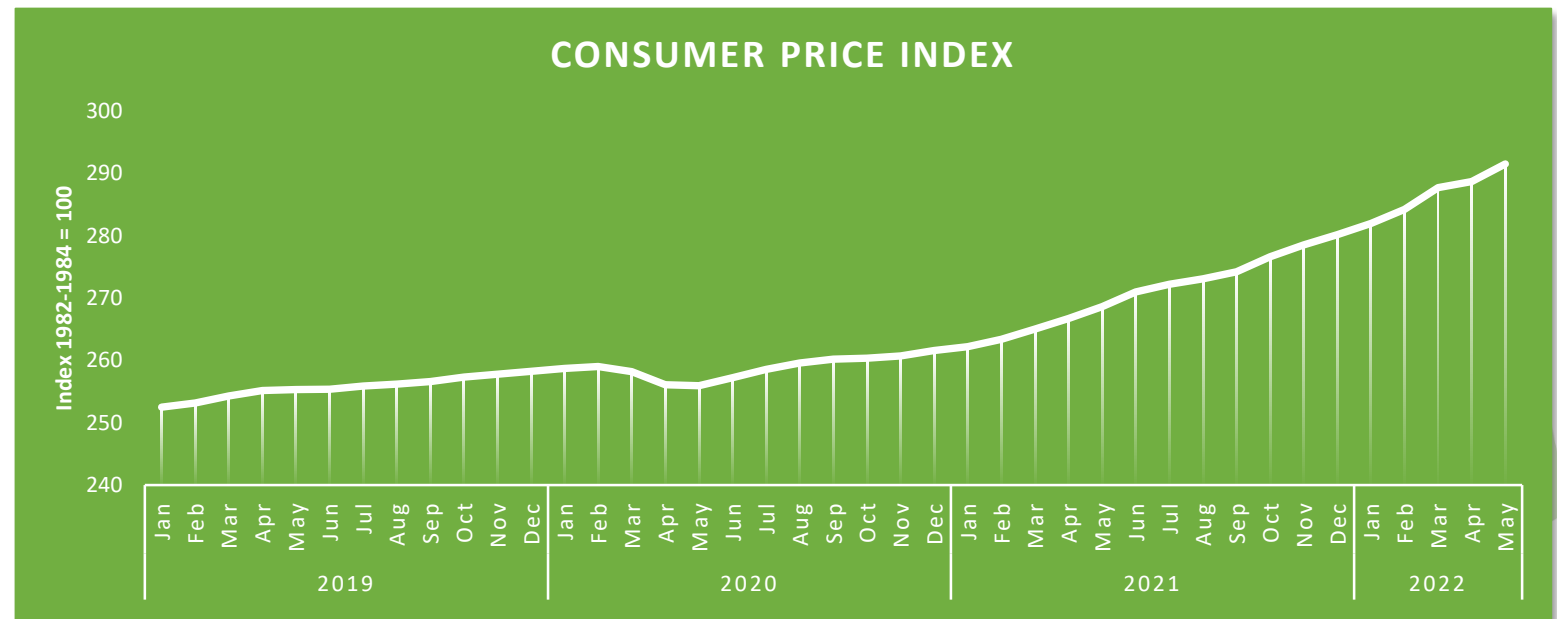
Our thoughts: Even though CPI is rising exponentially due to inflation, people are still purchasing goods.

- 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.

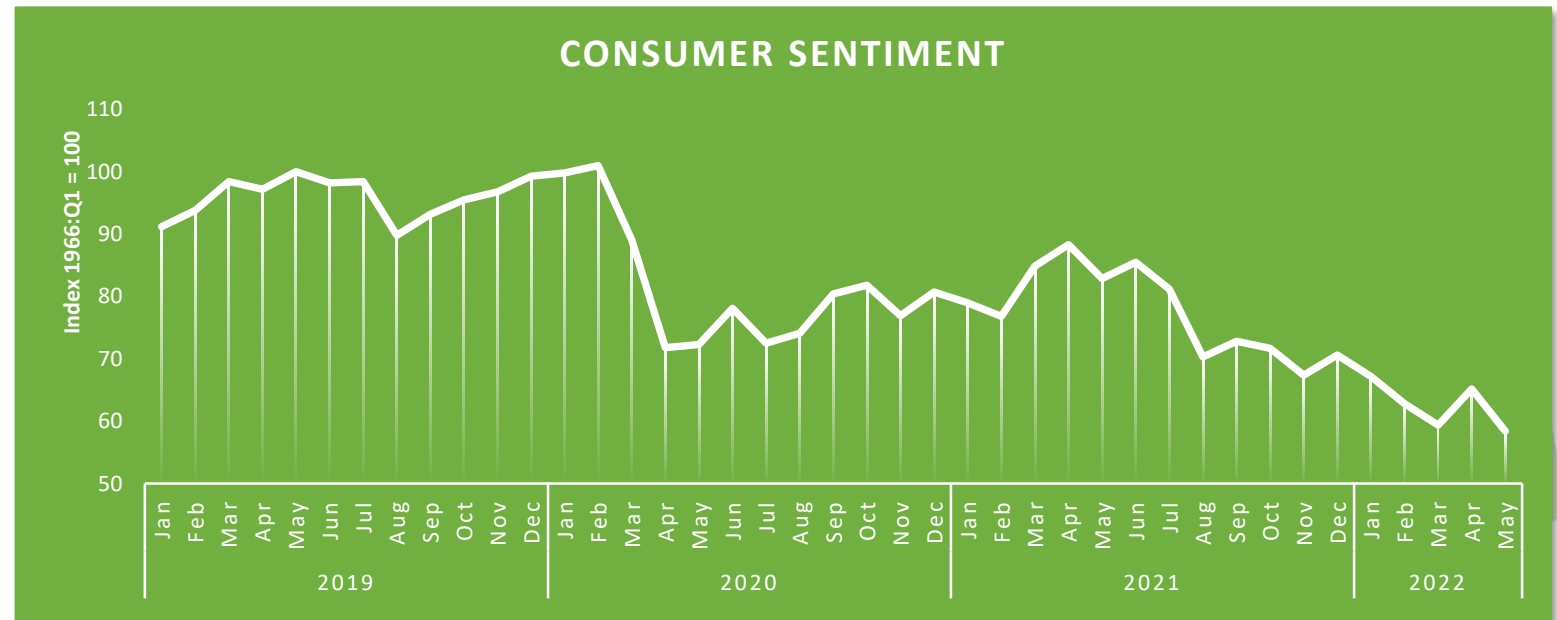
- For example, when disposable income and consumer sentiment are high, people purchase more goods, both durable and non-durable.
- This creates more freight demand downstream.

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)

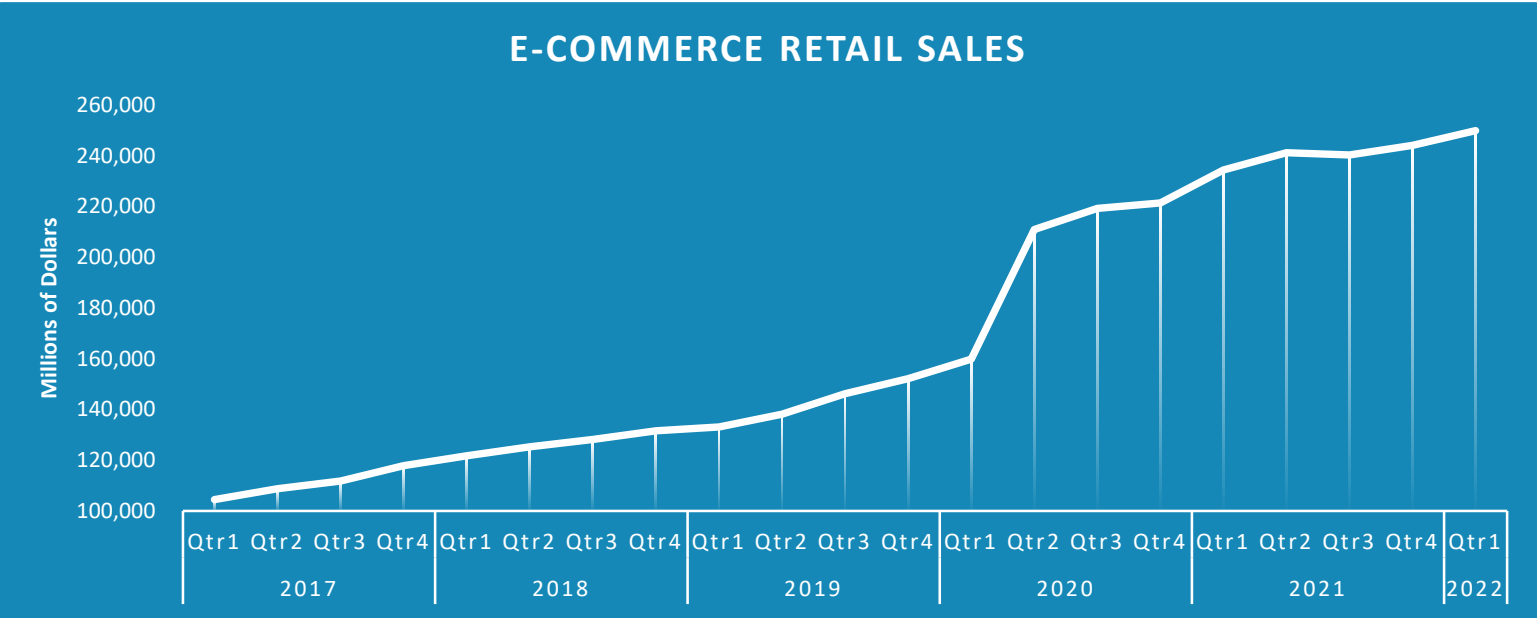
The big picture: E-commerce has changed the way people purchase goods, as more and more people move to online orders.

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

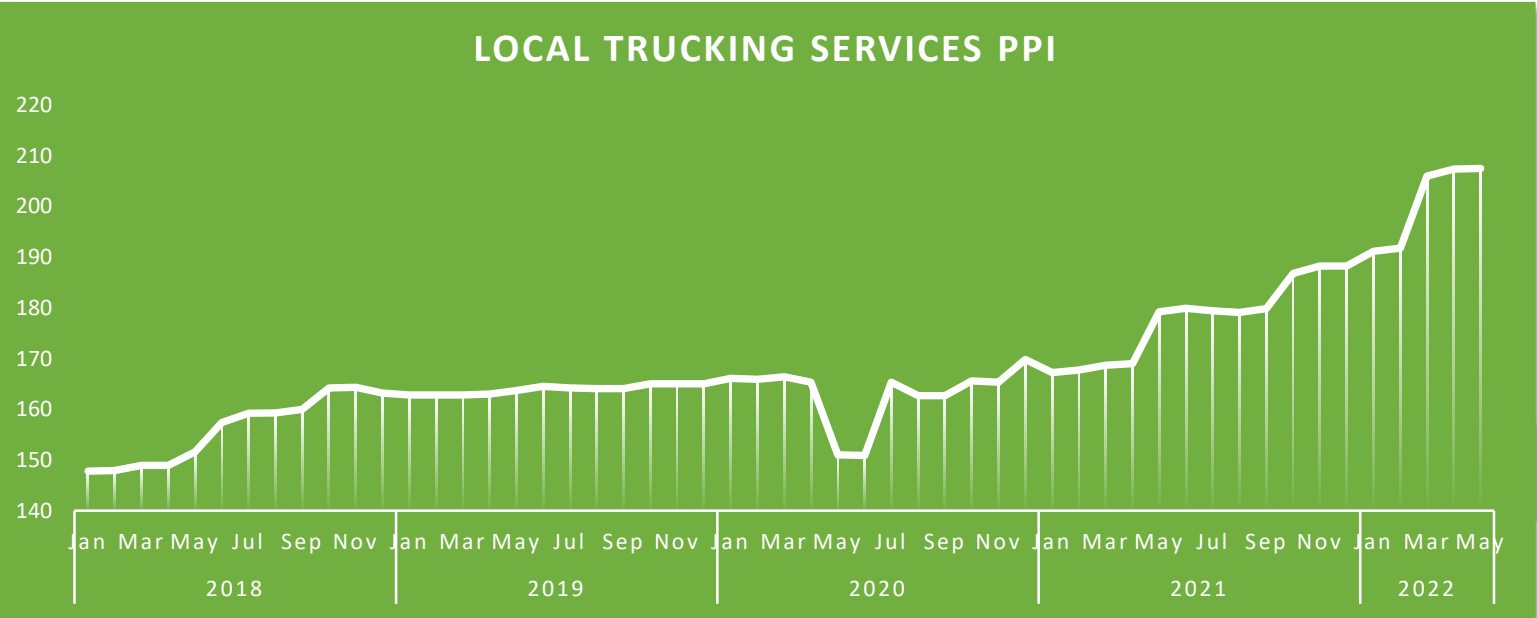
Why it matters: With so many online retailers now offering one or two day deliveries, trucking logistics has been turned on its head.

- 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 expeditor 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

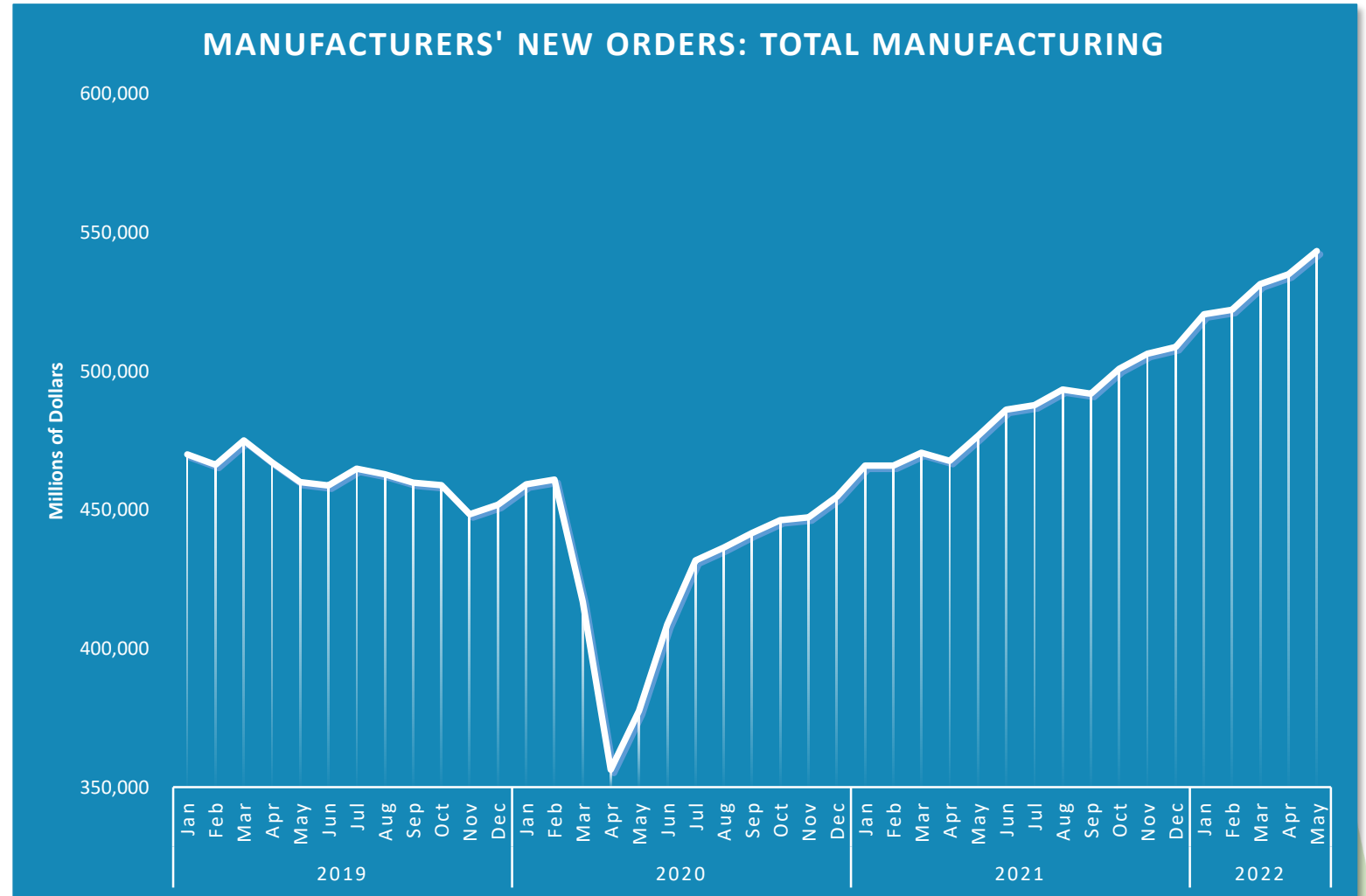
The big picture: Manufacturing new orders are an important economic indicator. They signify an overall direction of the market and economy.

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.

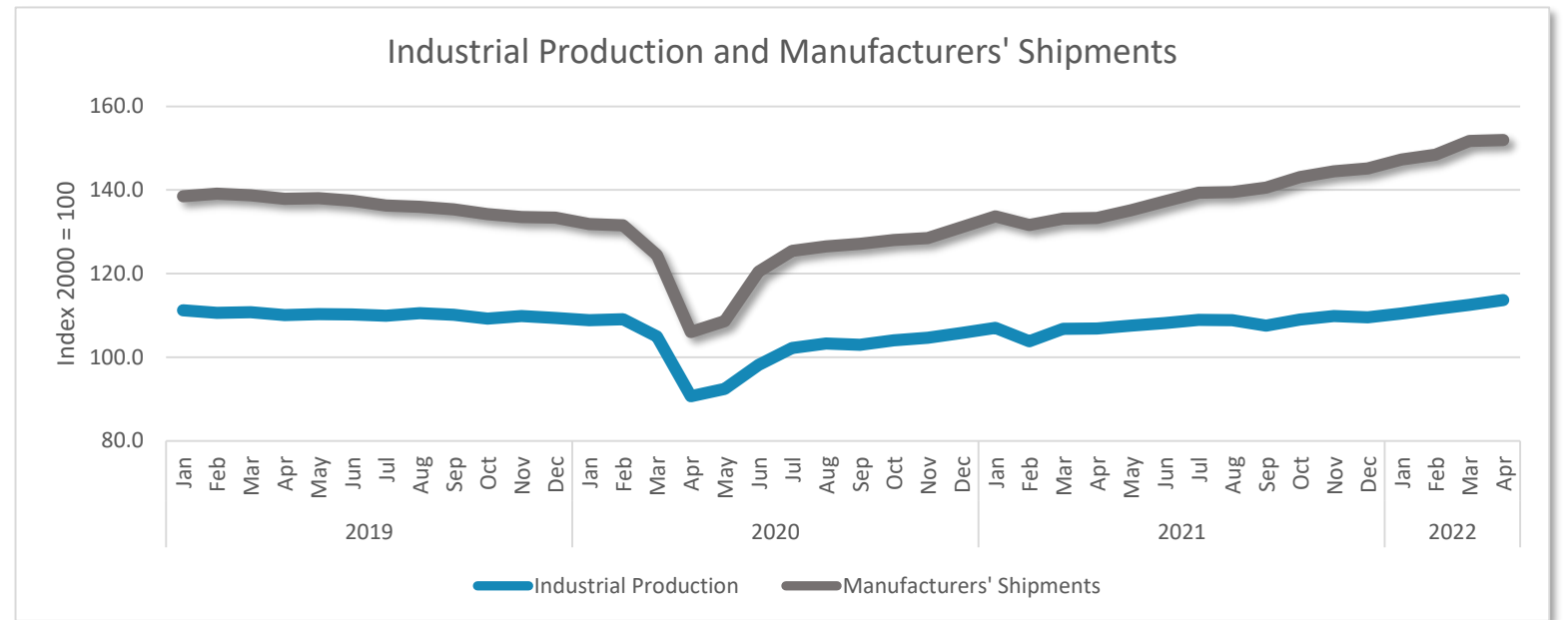
- Most of the goods that flow through the supply chain begin with industrial production.
- Moreover, the inventories-to-sales ratio measures how much inventory businesses have on hand.

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

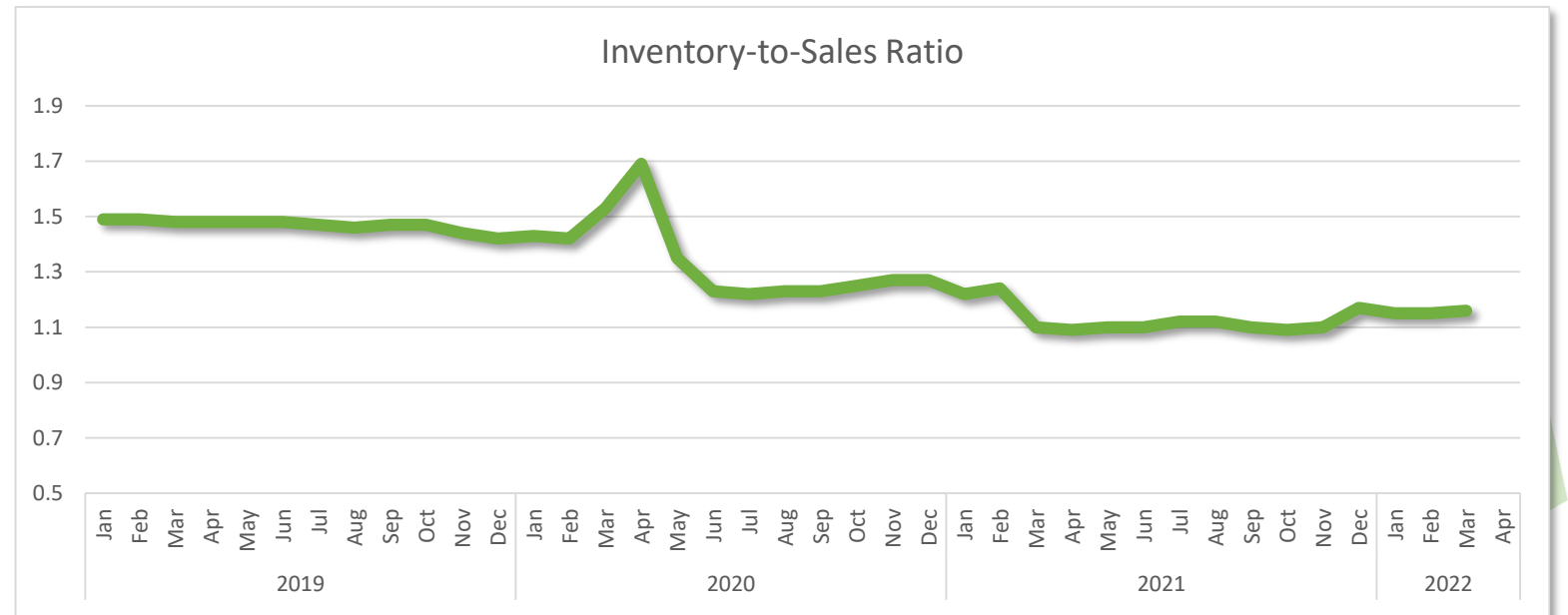
- And the less amount of inventory that businesses have on hand, the greater they need freight transportation to restock their goods.

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.

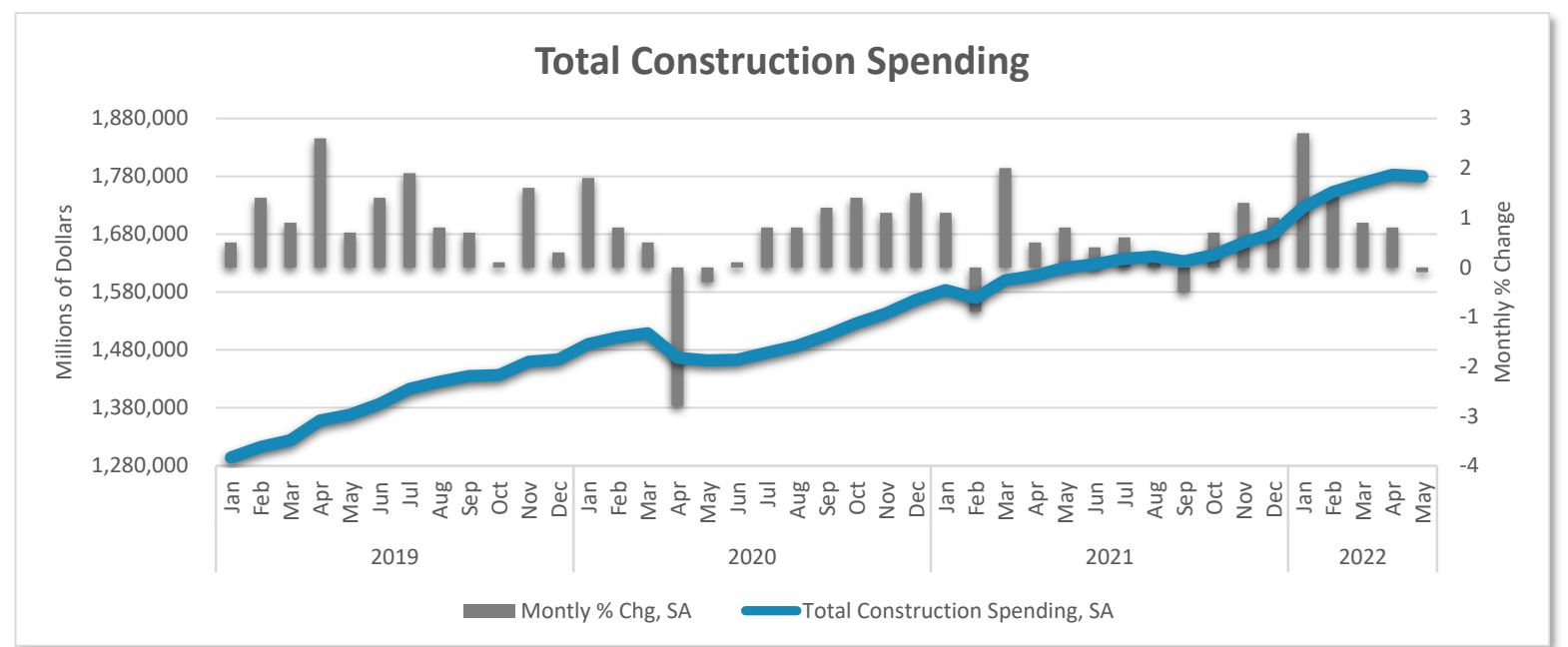
- Construction spending encompasses various expenses, such as labor and materials,
- and sectors, such as highway and street spending.

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

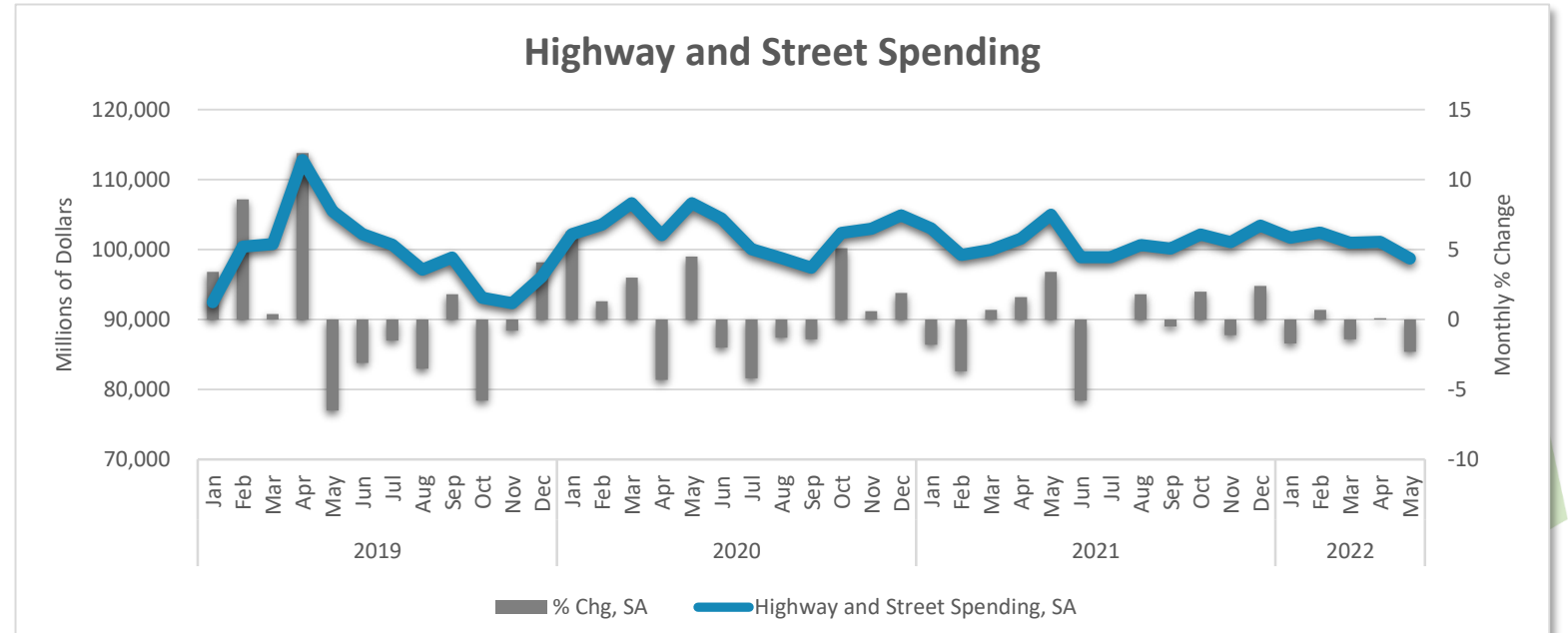
- It also is a good indicator of future demand for those owner-operators pulling flatbed trailers, as a variety of materials and goods are transported this way to construction sites.

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

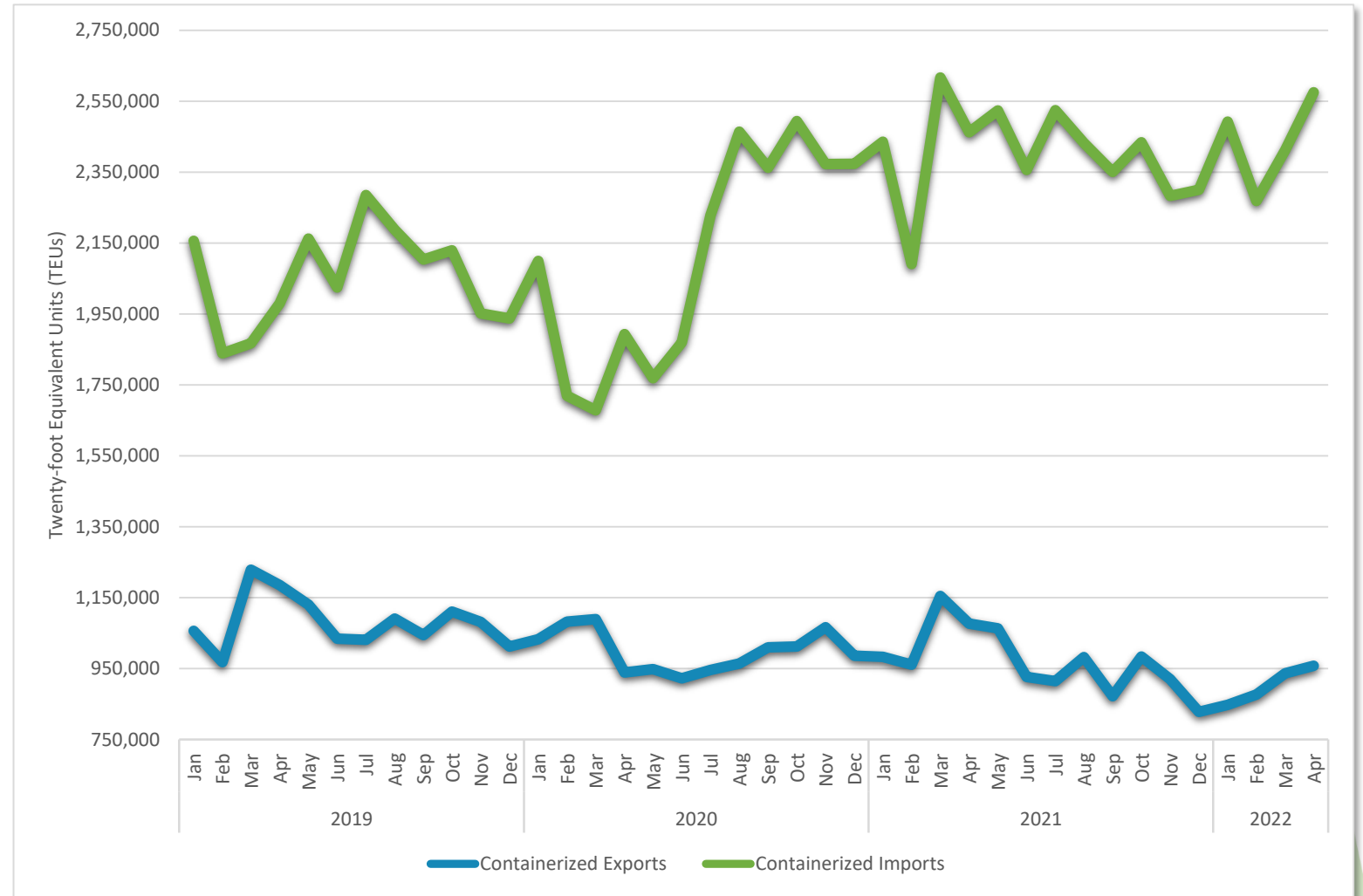
The big picture: It's common today to see products from all over the world in local stores as we truly live in a global economy.

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.

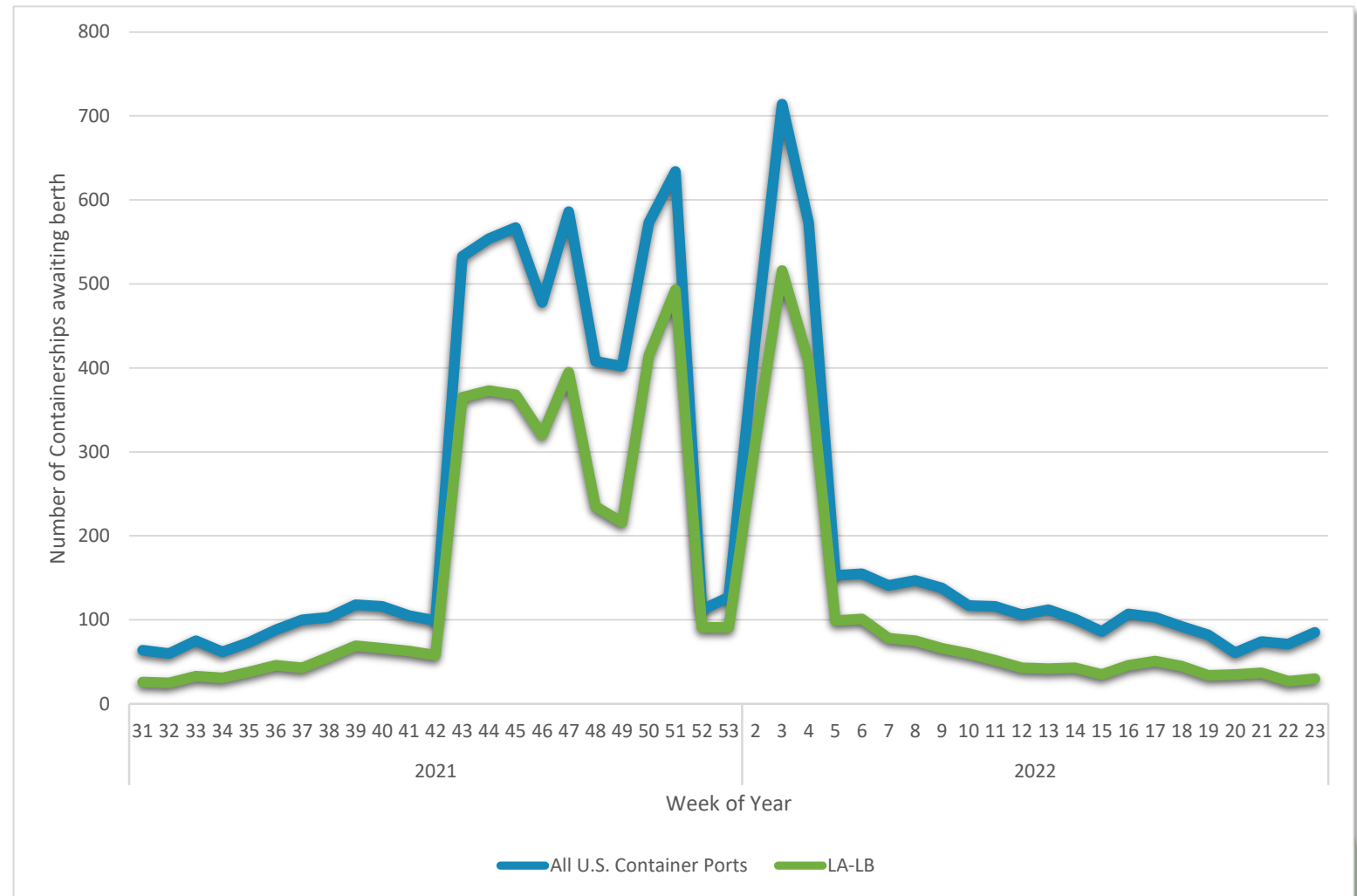
- Especially for the ports of Los Angeles and Long Beach (LA-LB) which focus mostly on imports.

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



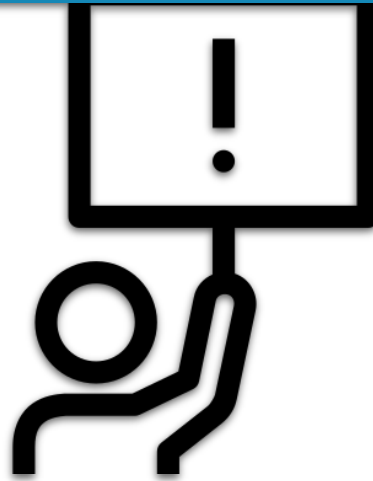
Market Summary

Volume



Steady

Demand



Steady

Rates



Normalizing

Operating Costs



Steady

Future Outlook



Cautious





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Owner-Operator Independent Drivers Association Foundation, Inc.

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1 NW OOIDA Drive | PO Box 1000 | Grain Valley, MO 64029 | Tel: (816) 229-5791

E-mail: FoundationDept@ooida.com | Website: www.ooida.com/foundation