



Trucking Market Update

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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)

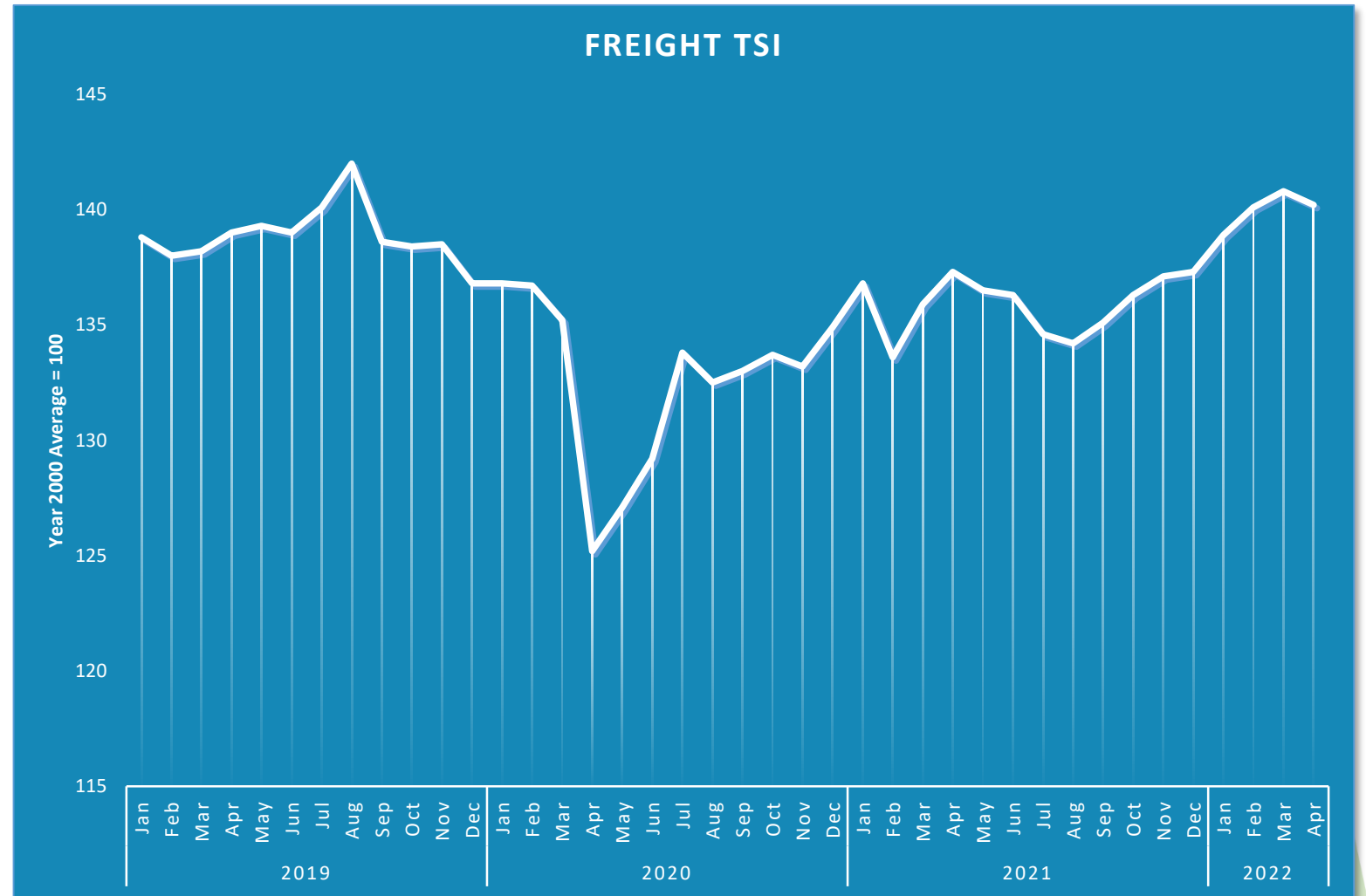
The big picture: TSI measures the volume of freight moved monthly by the *for-hire transportation sector* in the United States.

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

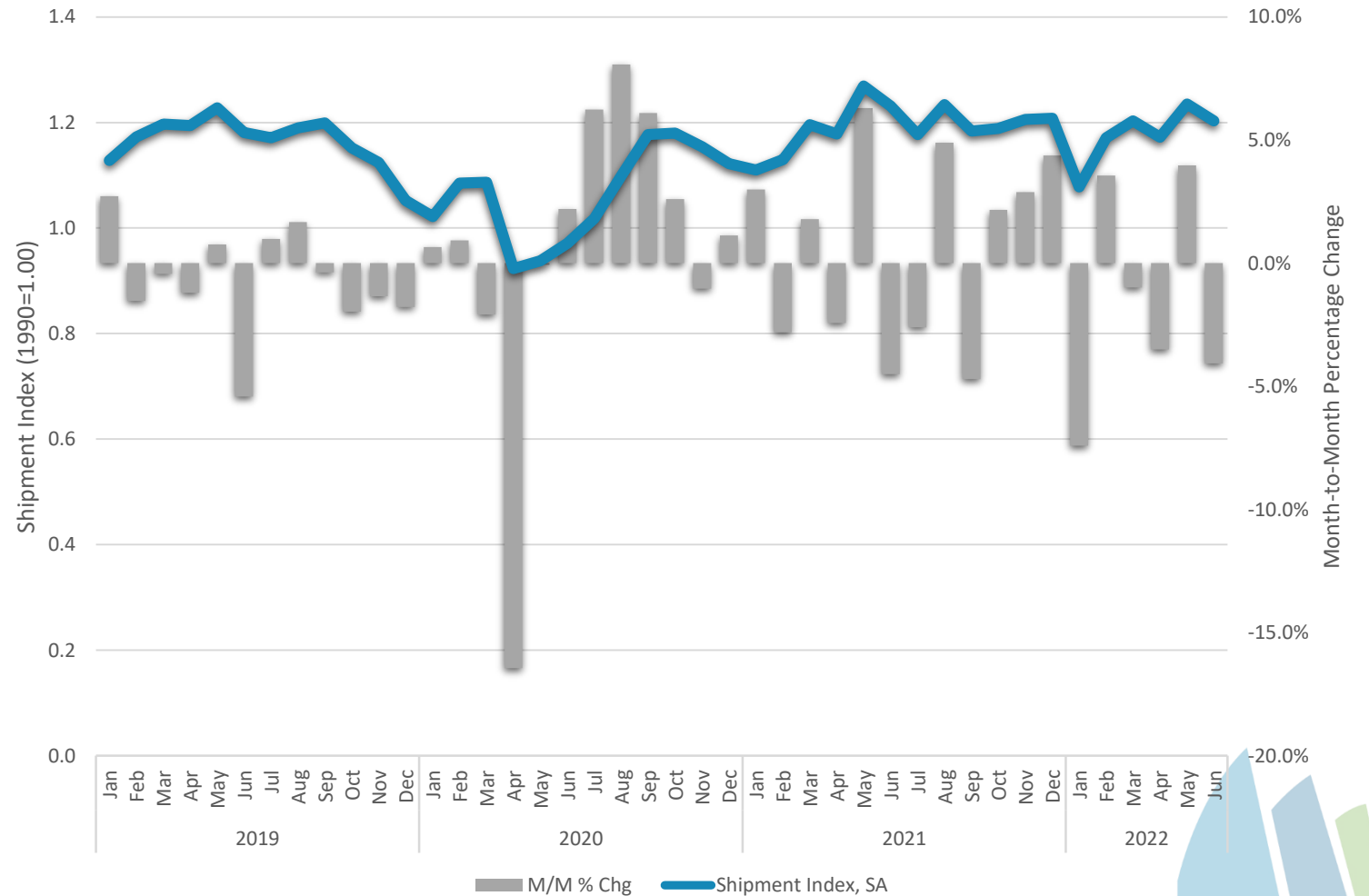
The big picture: The Cass Shipment Index includes data from all domestic freight modes with trucking accounting for more than 75% of all activity.

- 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.cassinfor.com/freight-audit-payment/cass-transportation-indexes/cass-freight-index>

Demand: Load-to-Truck Ratios

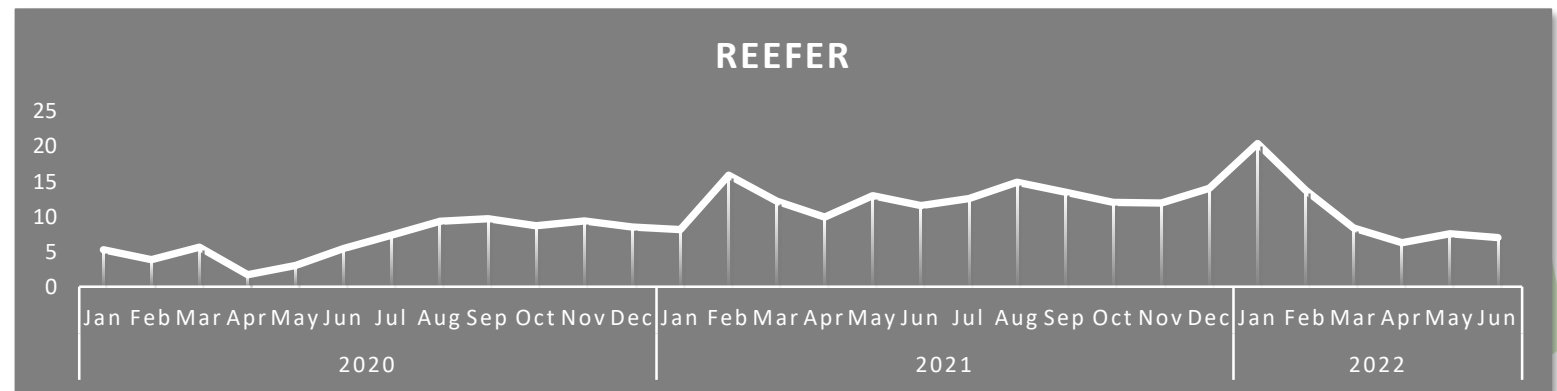
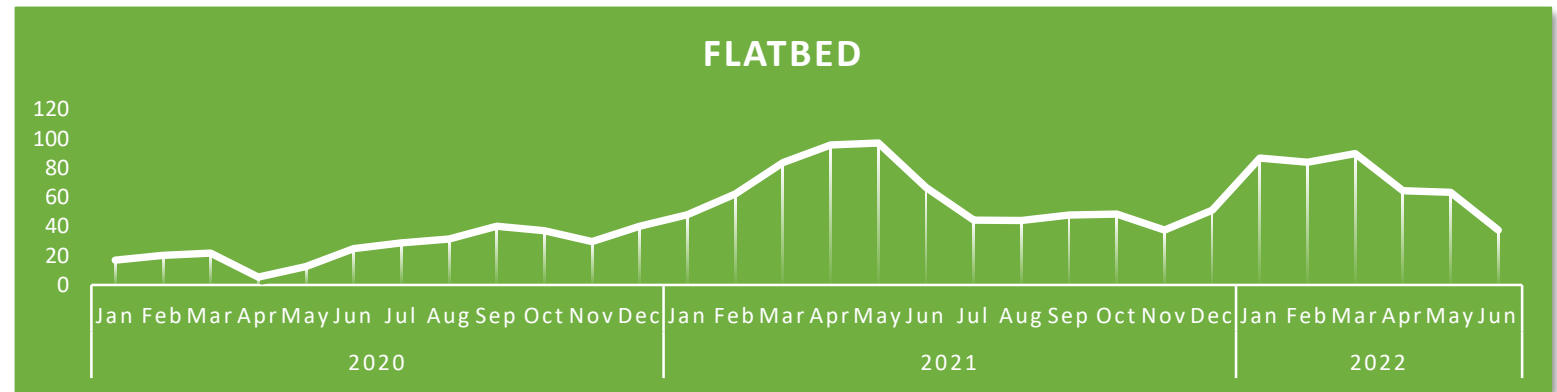
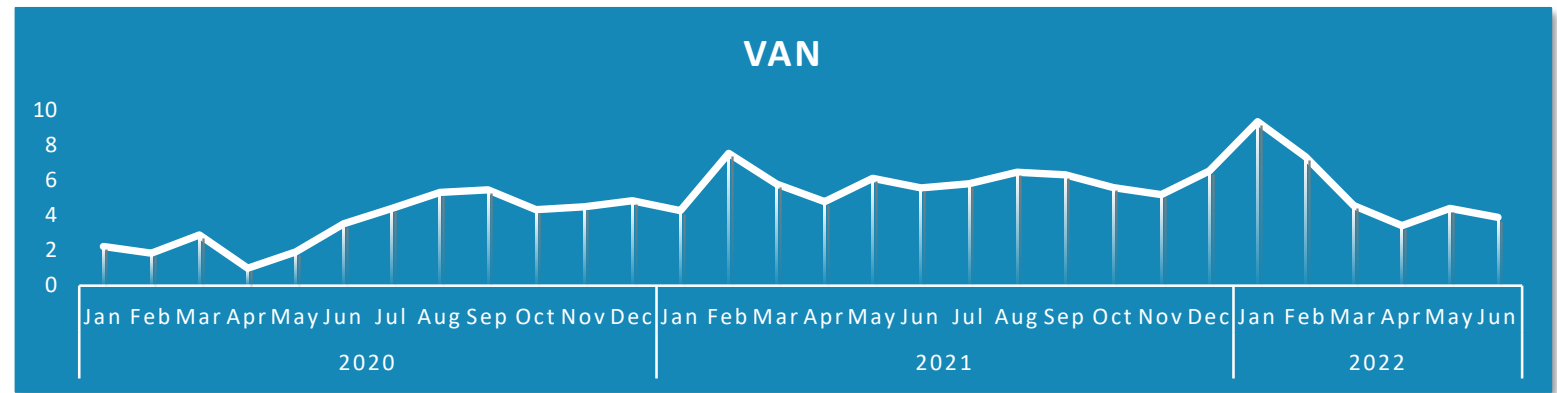
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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

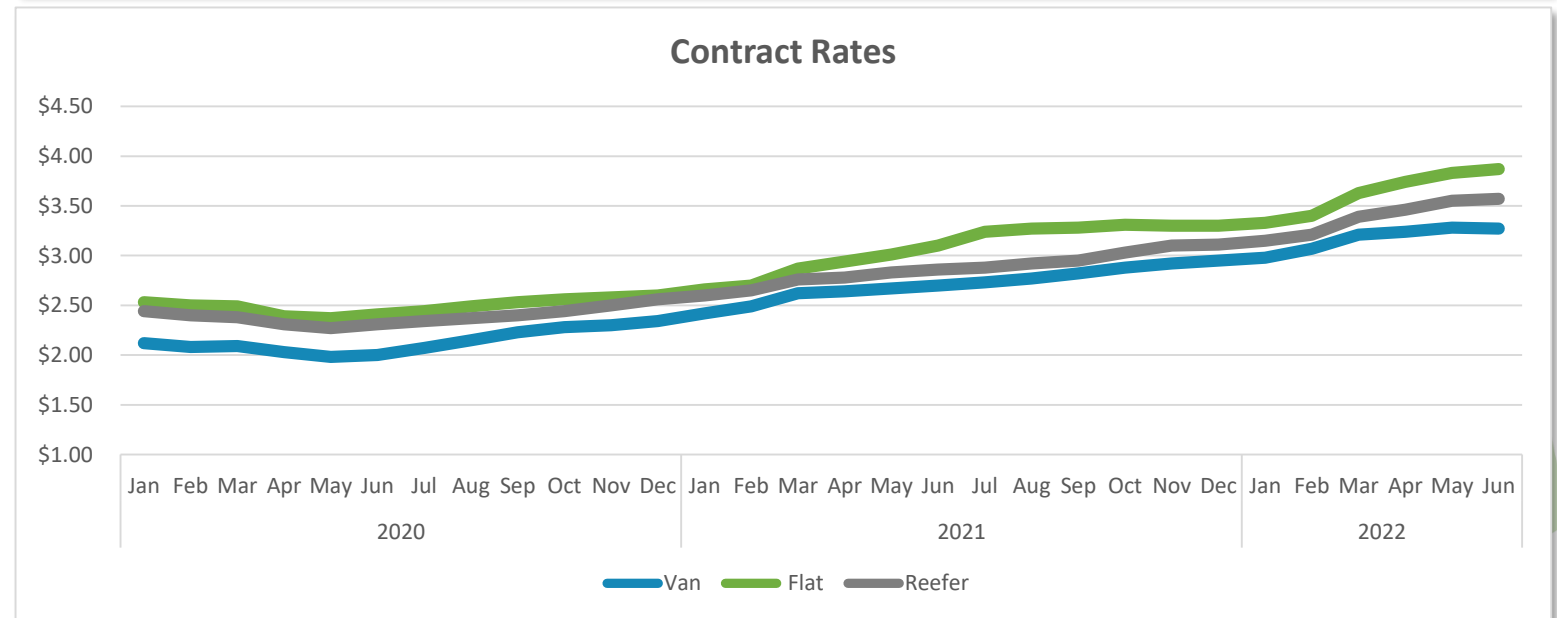
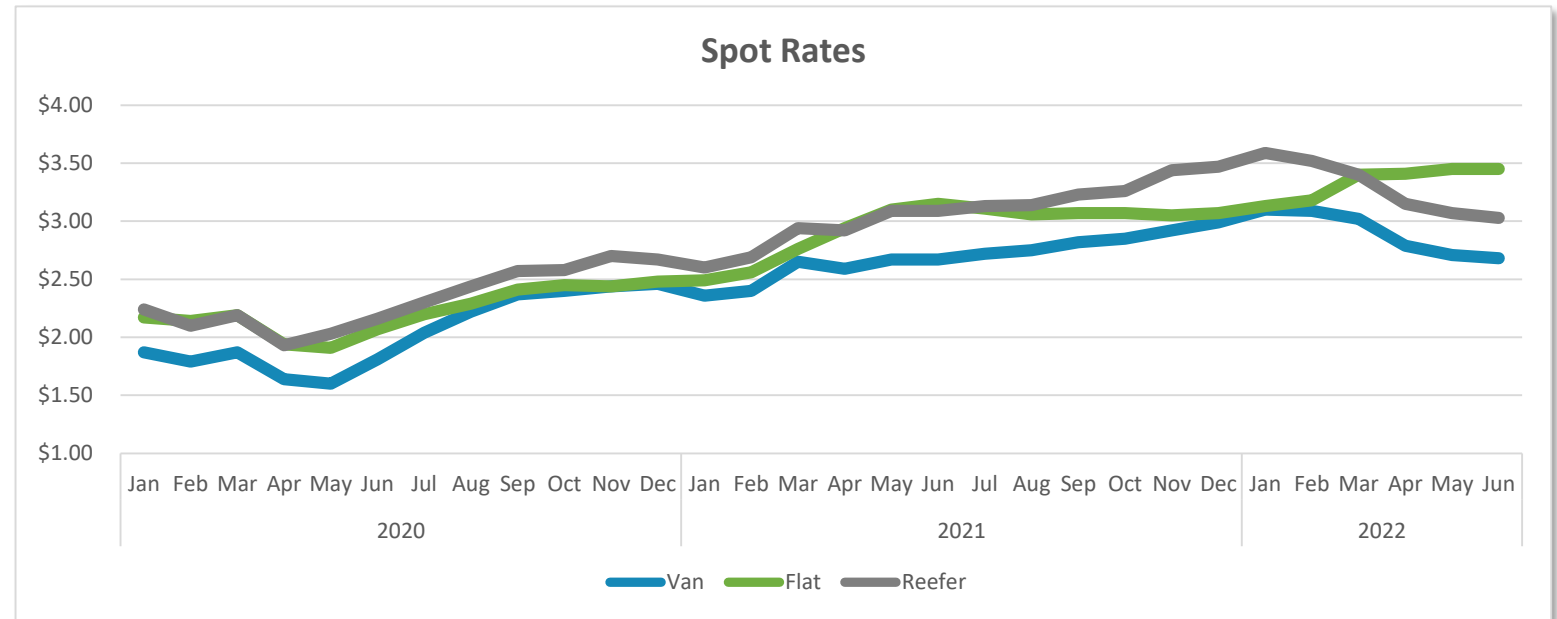
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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)

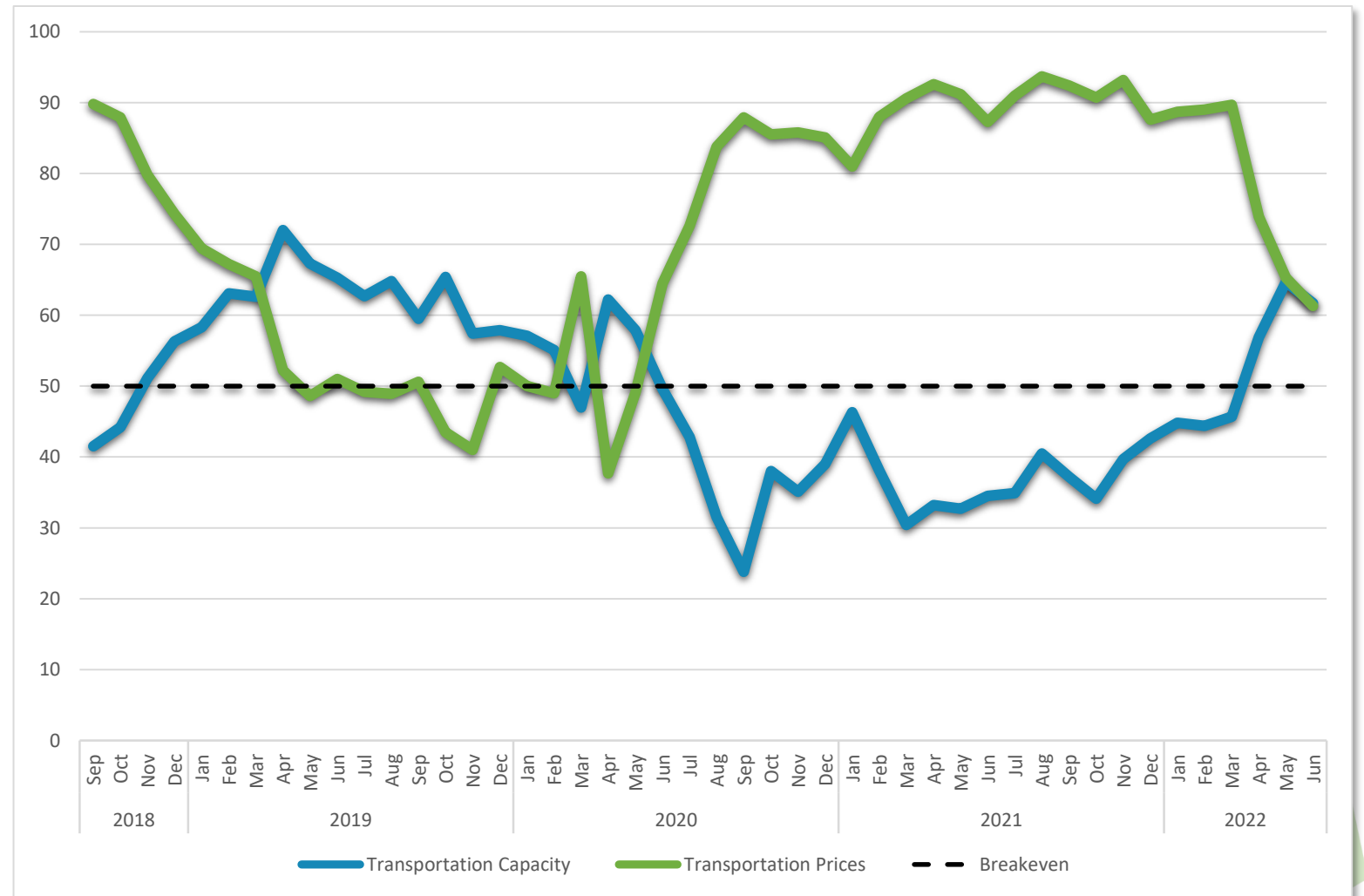
The big picture: The LMI is a diffusion index that measures supply chain conditions.

- 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

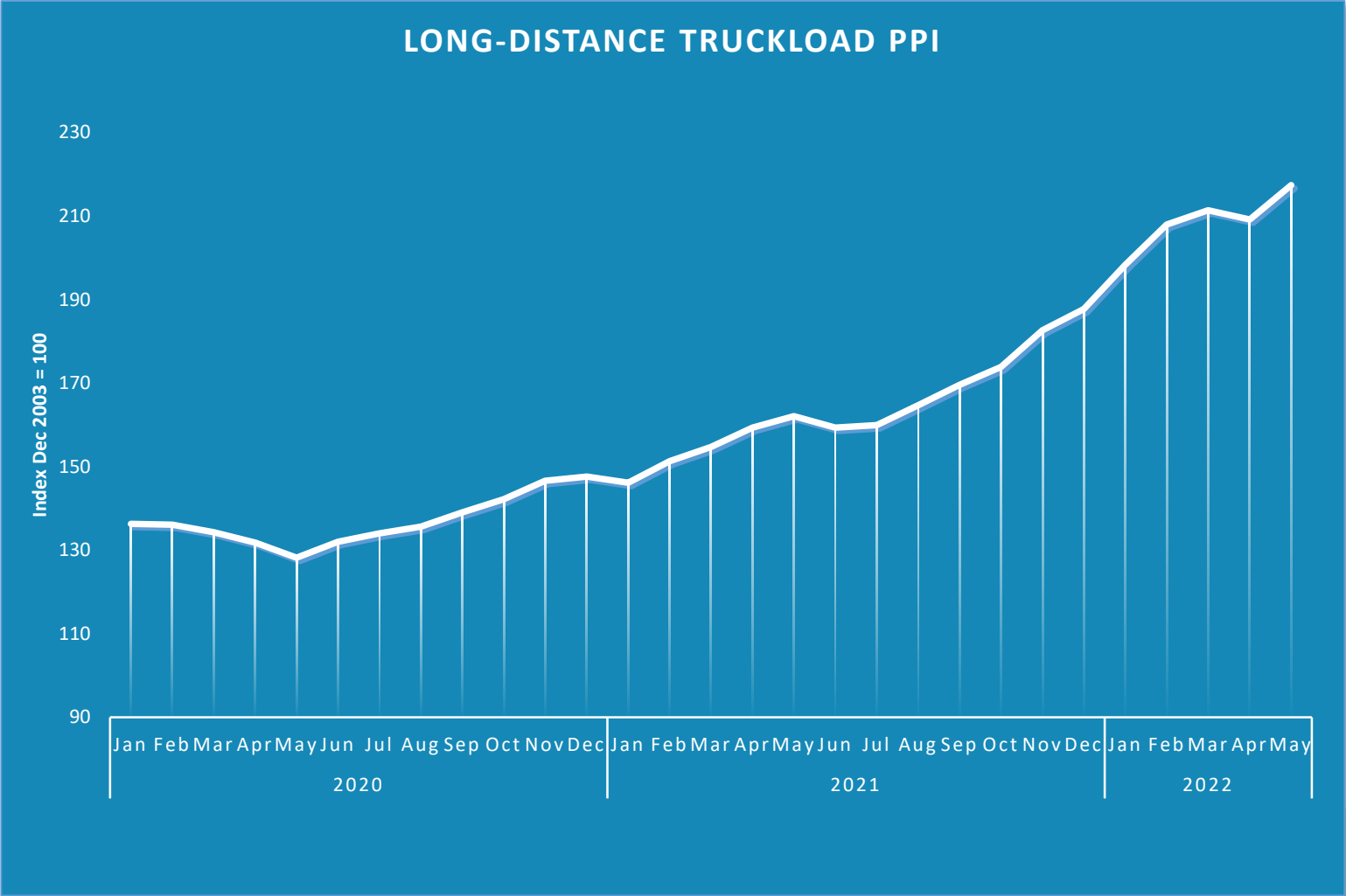
The big picture: The PPI is a group of indexes that measures how much it costs for industries to make their products.

- 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

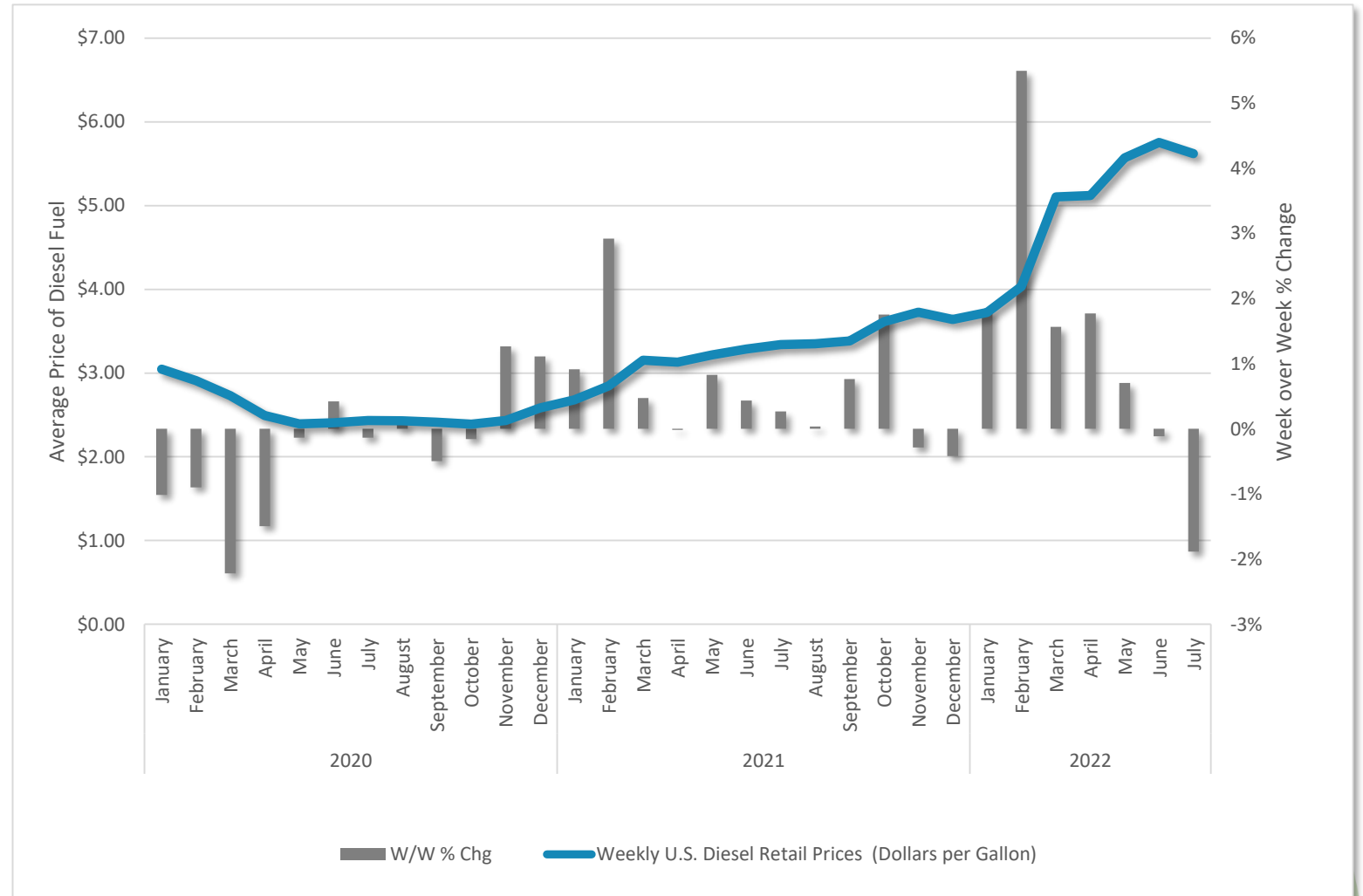
The big picture: The U.S. Energy Information Administration tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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

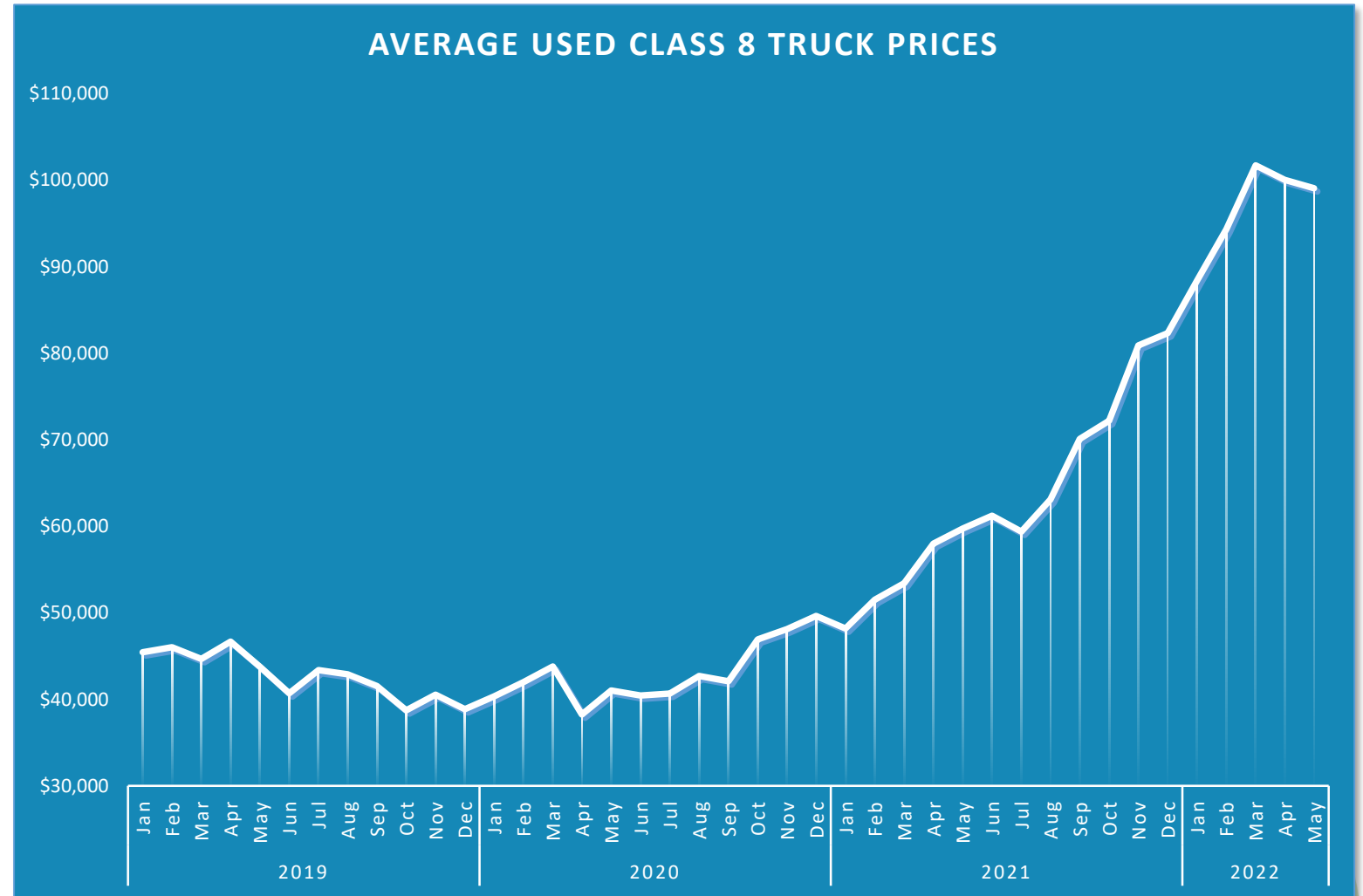
The big picture: Most individuals seeking to become an owner-operator first look to the used truck market due to the high cost of new trucks.

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