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. Merchant Wholesalers
4. Advanced Retail Sales Categories

Demand: Van Load-to-Truck Ratios

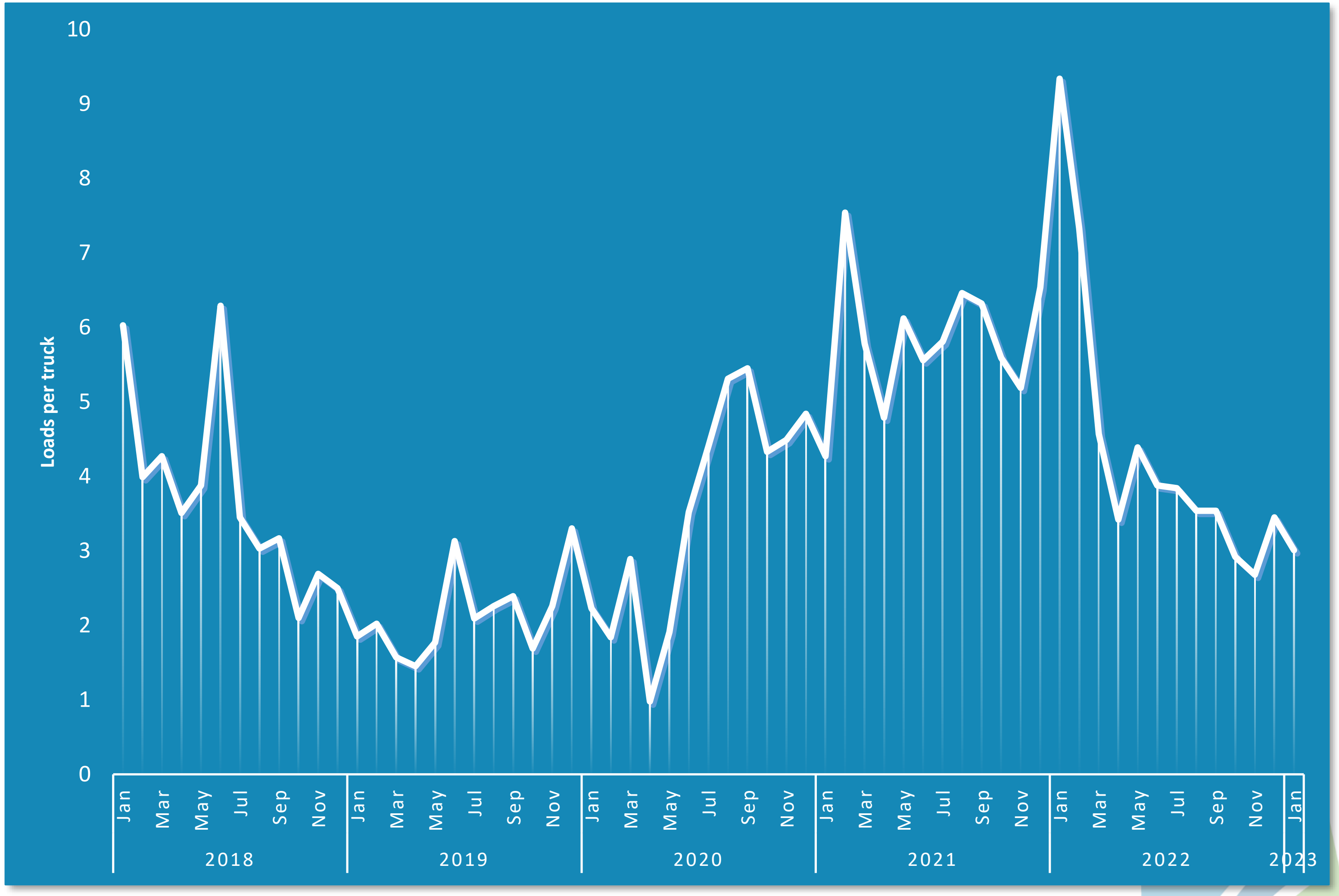
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 decreased in January as it continues to move back to typical seasonal patterns following the volatility of the past couple years.

- The Van Load-to-Truck Ratio decreased 12.8% month-over-month to 3.01.
- The ratio is 68% lower than January 2022 and 23% lower than the 5-year trend.
- Load posts are comparable to 2018 levels, but there are 11% more truck posts with dry van trailers, which is pushing the ratio downward.



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

Rates: Van Spot and Contract Rates

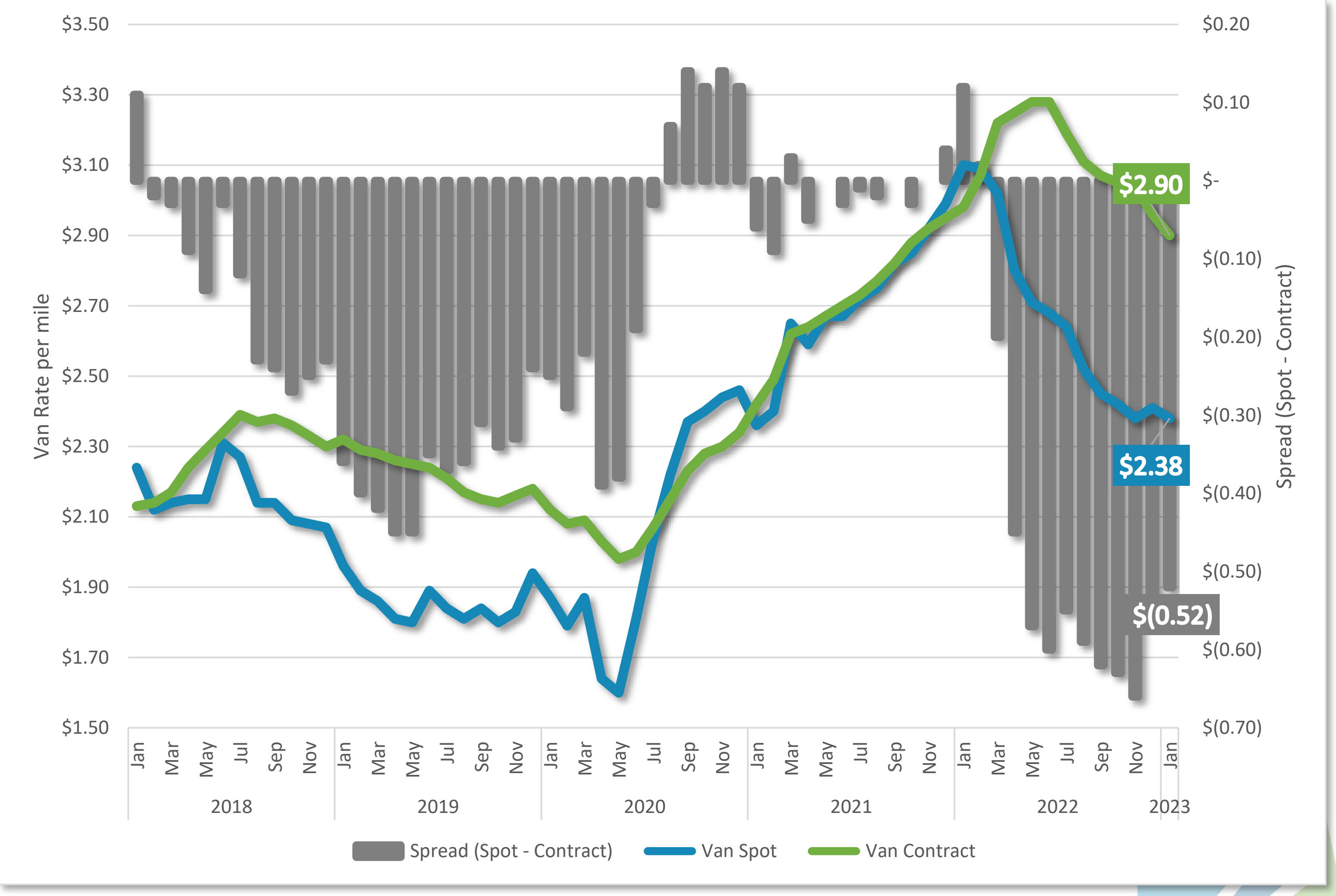
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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: Rates are following their typical seasonal trends as they decrease heading into the first quarter of the year.

- Spot rates for vans decreased by $0.03 per mile month-over-month in January after a small bump last month, and have dropped $0.72 per mile since January 2022.
- Contract rates decreased $0.06 per mile, a welcomed sign. However, the spread between contract rates and spot rates is still $0.52 per mile.
- Spot rates are 4% above the 5-year trend, while contract rates are 16% higher.
- DAT expects spot rates excluding fuel to move upward toward the end of February and early part of March before they dip down again. However, they expect rates to pick up again heading into spring.



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.

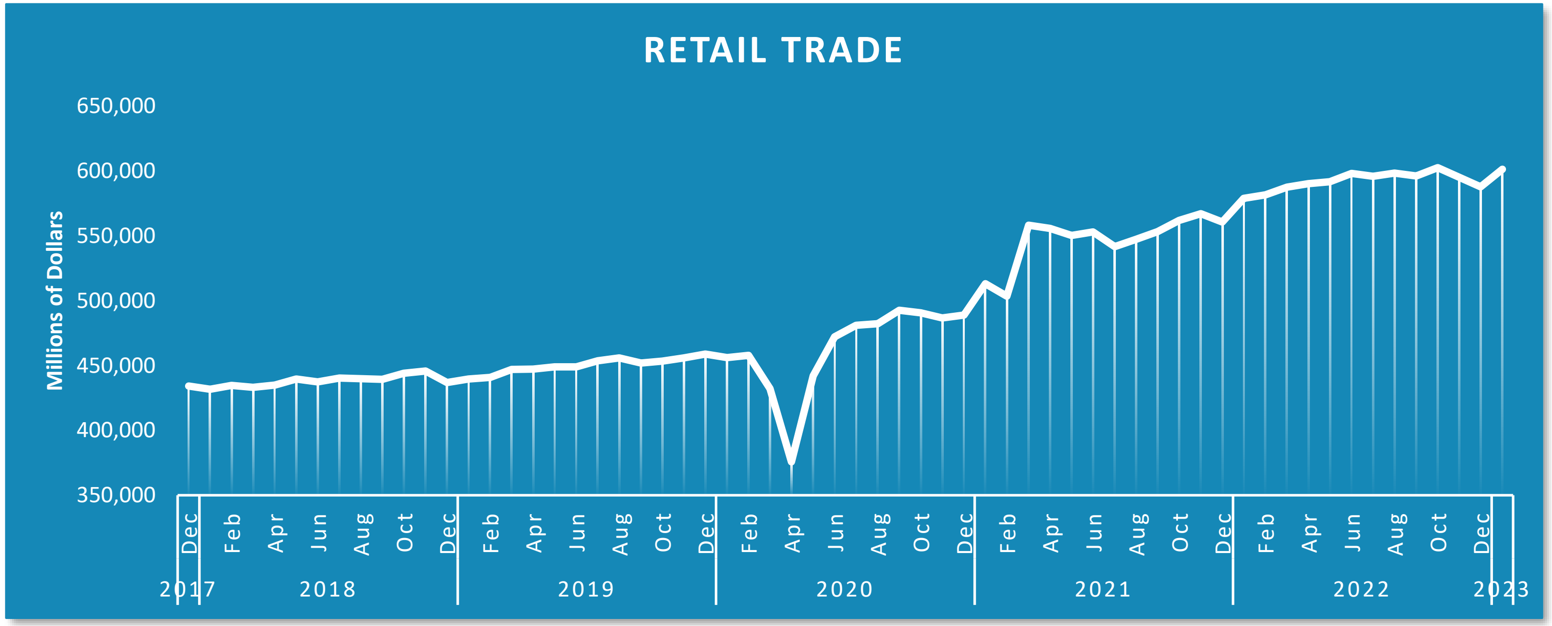
- While CPI measures the average price change for a basket of goods and services over time.

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.

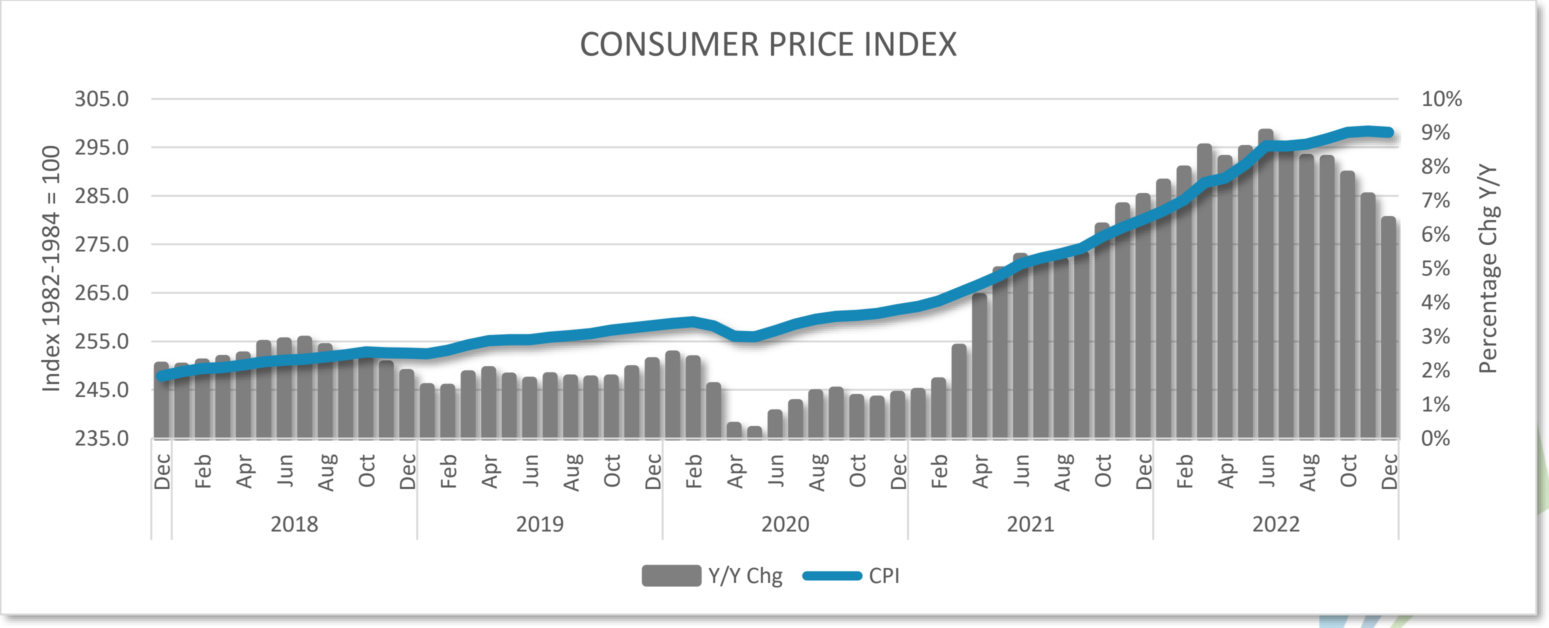
- Consumer spending accounts for two-thirds of GDP.
- If prices are stable and retail sales are high, it means that there's a greater demand for freight.

Our thoughts: People are still purchasing goods, albeit at a slower pace, even despite high inflation. This may be due to the fact that wages and salaries overall are 6.2% higher year-over-year.

- Retail trade jumped 2.3% month-over-month in December to $601.5 billion, and is 6.1% higher year-over-year.
- CPI dropped slightly by 0.1% to 298.1, which is 6.4% higher than it was a year ago and 13.6% higher than the 5-year trend.
- **Yes, but** CPI growth year-over-year is slowing.



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

Wholesale Trade: Sales and Inventories

The big picture: Wholesalers act as intermediaries between manufacturers and retailers, purchasing products in bulk and then reselling them to other businesses.

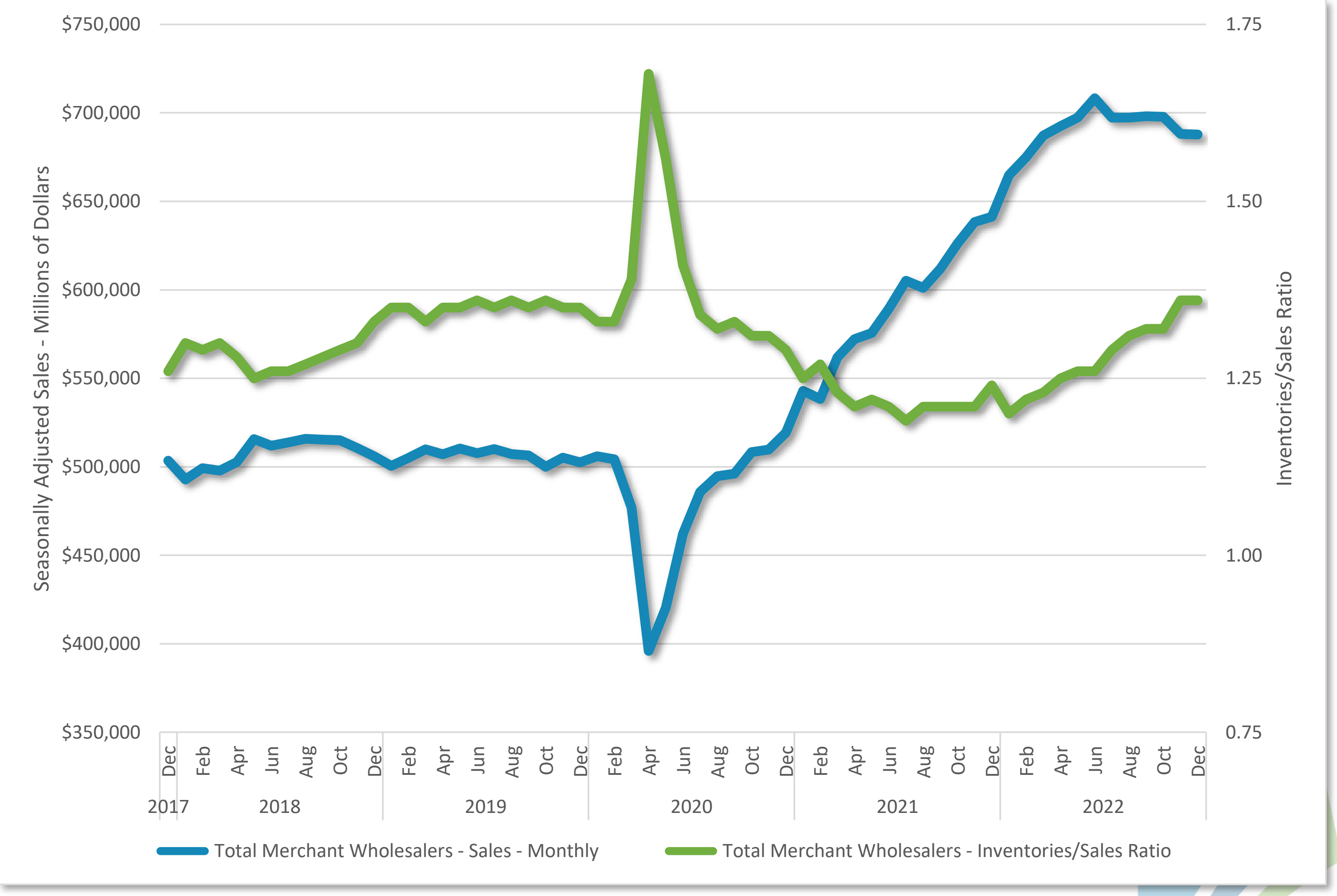
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

Why it matters: Wholesalers account for 30% of for-hire trucking ton-miles and 43% of parcel ton-miles according to the 2017 Commodity Flow Survey.

- Wholesalers' sales and inventory data help us to see which direction freight markets are headed.
- And the less amount of inventory that businesses have on hand, the greater they need freight transportation to restock their goods.

Our thoughts: Inventory-to-sales ratios have grown, while monthly sales have stalled, thereby dampening truck demand and pushing rates downward. Inventories will need to decline before demand picks back up.

- Sales were relatively flat month-over-month, but have declined 3%, or $23.1 billion, since January 2023.
- Ratios stayed flat compared to November, but have grown 13%, or 0.16, since January 2022. Moreover, they are 9.7% higher year-over-year.



Source: U.S. Census Bureau | https://www.census.gov/econ/currentdata/ | Monthly

Advanced Retail Sales: Electronics, Furniture, and General Merchandise

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:

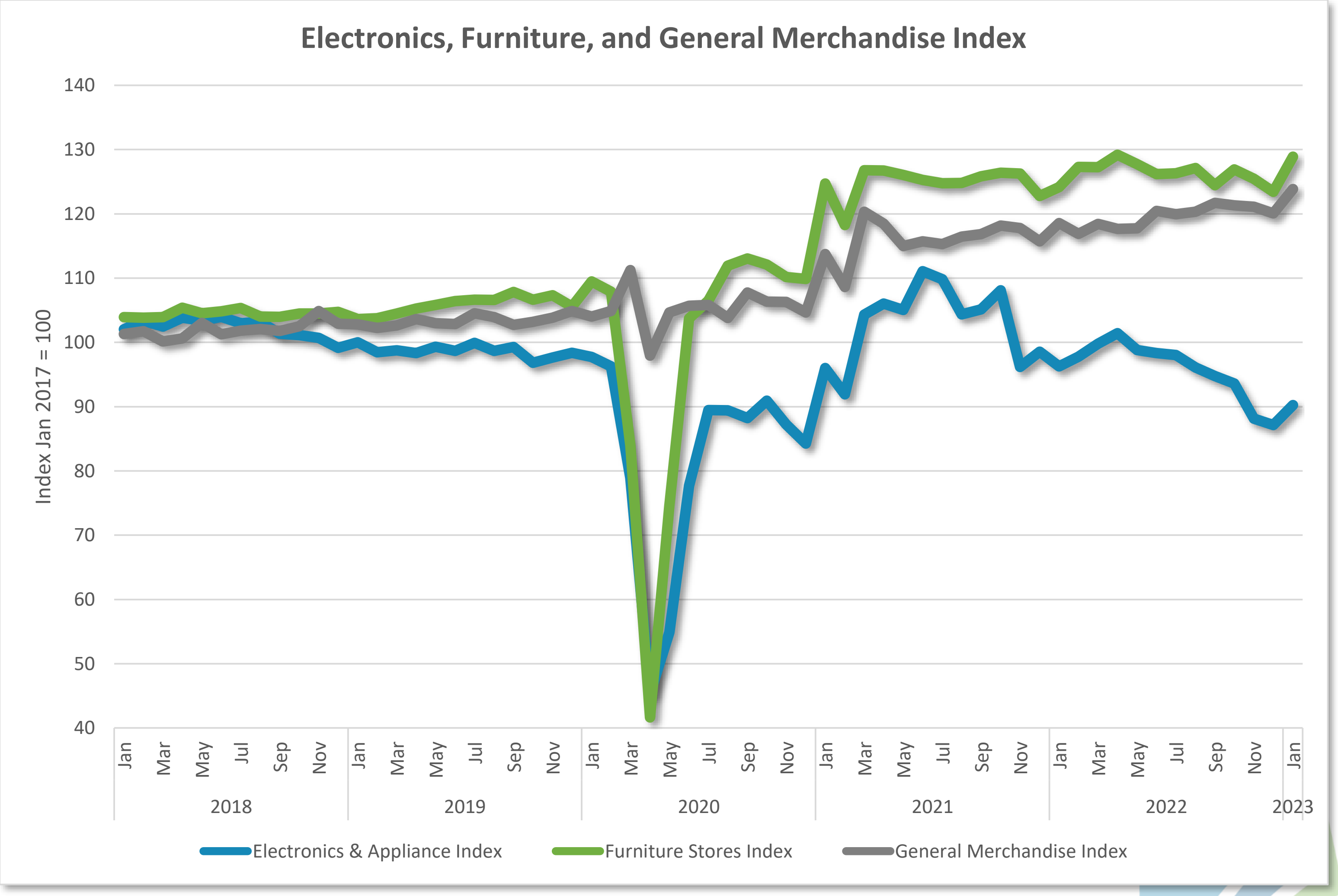
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco

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 jumped up in January due to seasonality, bucking the sideways trend for at least one month, though there's evidence that February will come in much weaker.

- EAS, FS, and GMS all experienced a spike in sales in January, 3.5%, 4.4%, and 3.2% respectively to $6.93 billion, $12.22 billion, and $71.60 billion.
- Two of the three are higher year-over-year, namely FS and GMS, by 1.2% and 4.5% respectively.
- EAS is 6.3% lower year-over-year.



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