



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)

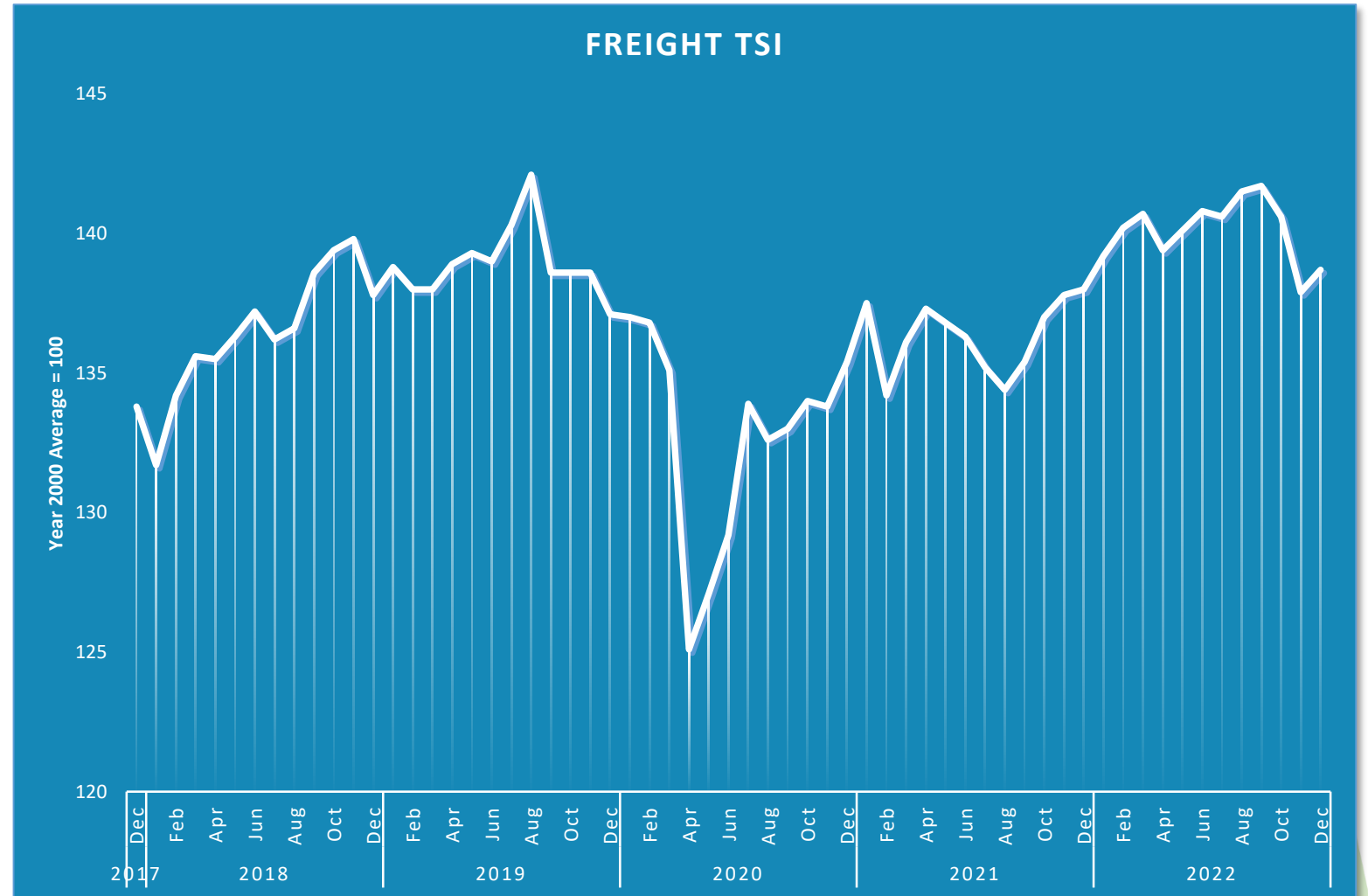
The big picture: TSI measures the volume of freight moved monthly by the *for-hire transportation sector* in the United States.

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: Freight volumes rose in December due to seasonally adjusted increases in trucking, air freight and pipeline, while rail carload, rail intermodal and water declined.

- The TSI dropped 1.8% month-over-month to 137.8, representing the second consecutive month of decline and the fourth decrease in eight months.
- December's increase came in the context of weak results for other indicators, such as the Federal Reserve Boards Industrial Production Index and housing starts.



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

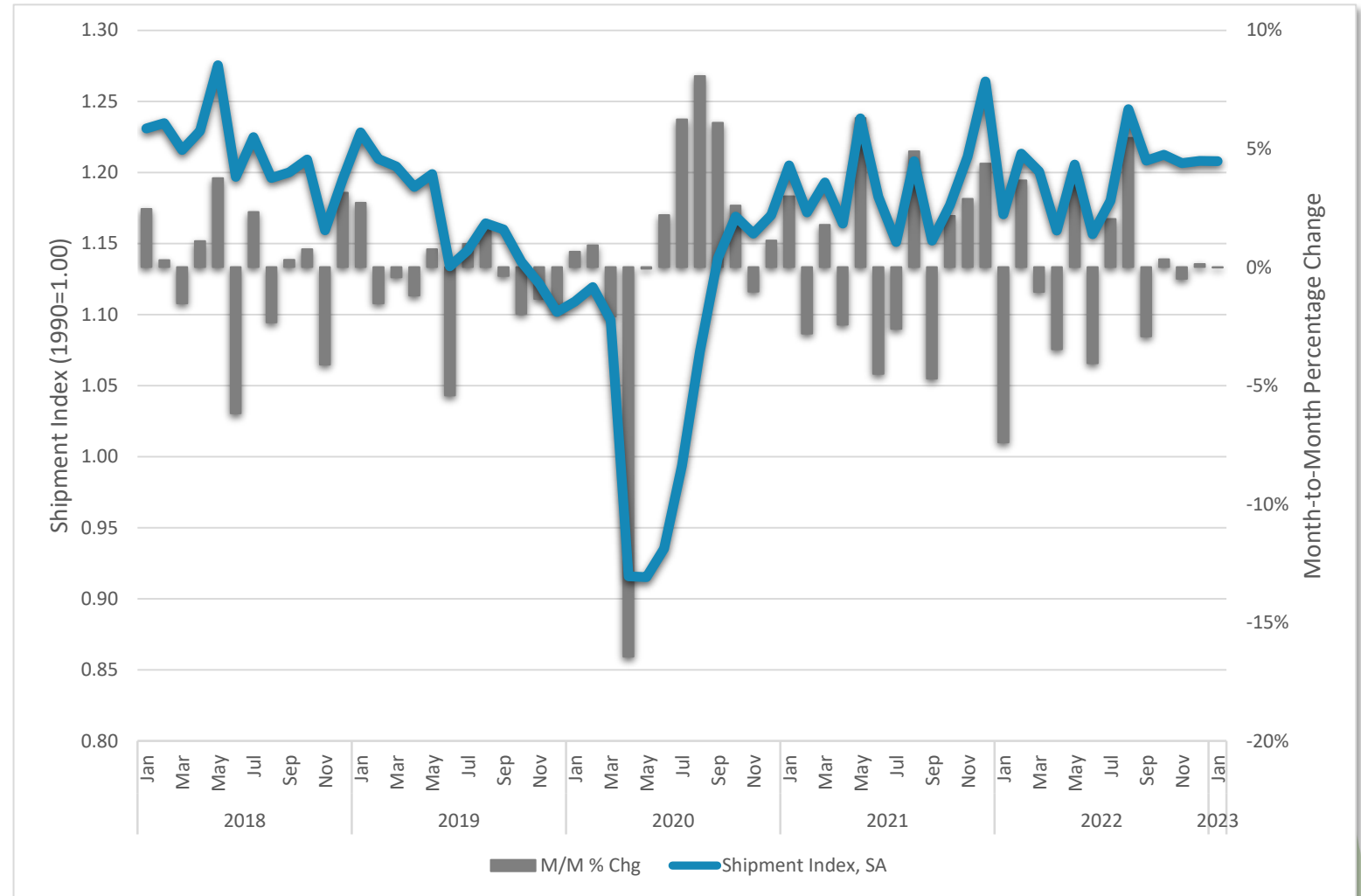
The big picture: The Cass Shipment Index includes data from all domestic freight modes with trucking accounting for more than 75% of all activity.

- 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 was flat month-over-month at 1.220 in January due to seasonality, and was down 3.2% year-over-year. Mild weather and improving auto production helped buoy the index.

- The year-over-year decline is mainly due to a tough comparison.
- Expenditures, which measures the total amount spent of freight, dropped 0.1% to 4.29.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, also declined 0.1% to 3.55.
- Truckload linehaul rates, which includes both spot and contract rates, decreased 0.9% to 149.23.
- **Bottom line:** Cass believes the bottoming process for the freight rate cycle has accelerated, with spot rates further below operating costs than ever before.



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

Demand: Class 8 Orders and Sales

The big picture: ACT Research obtains data from truck and trailer original equipment manufacturers (OEMs) and dealerships, and provides monthly reports and forecasts.

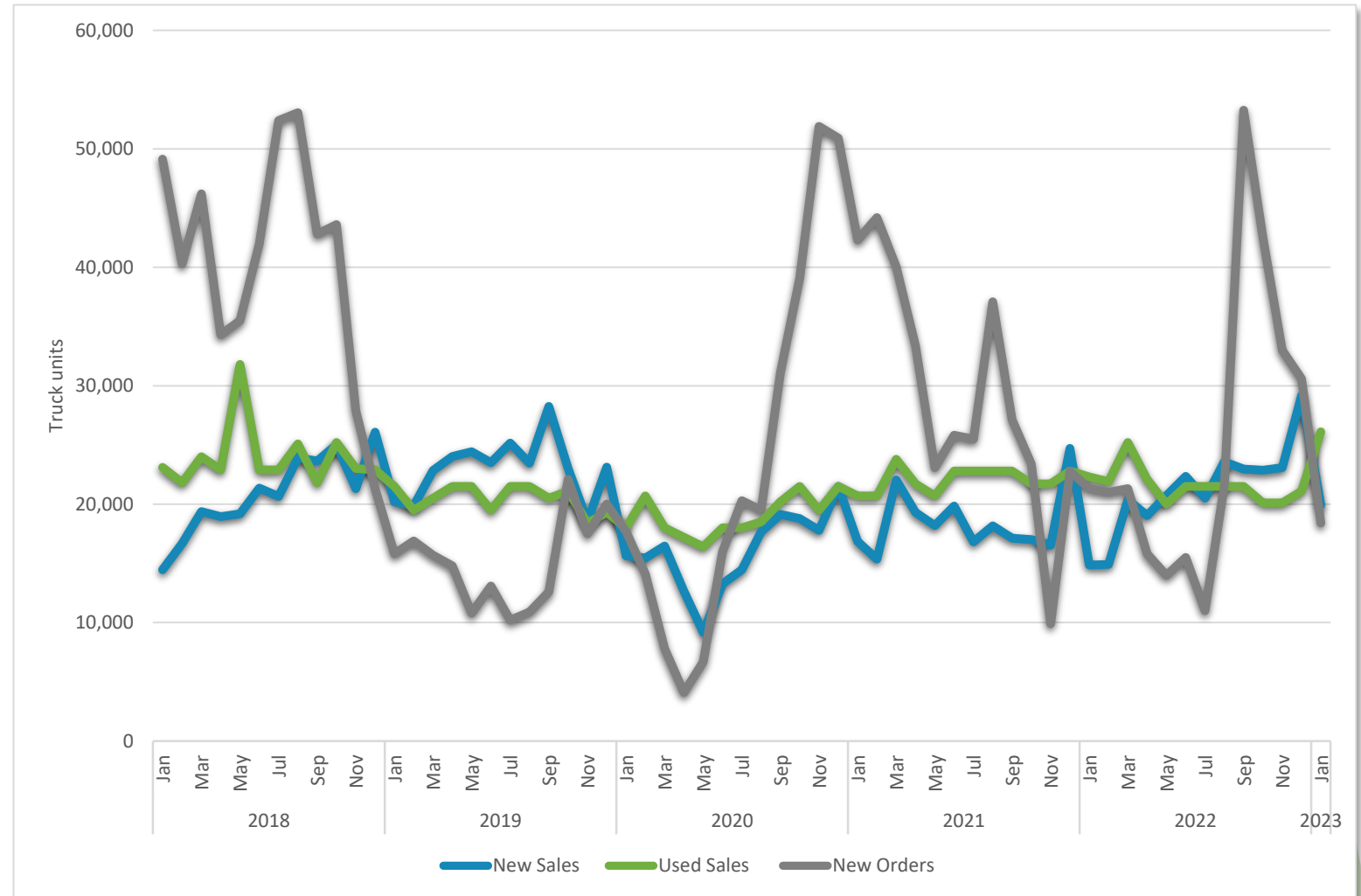
- This data includes Class 8 truck orders and sales.

Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

- Demand for trucks tends to spike when new orders increase following a steady increase in rates (2017-2018 and 2020).
- Truck capacity tends to loosen when new sales eclipse used sales (2018-2019 and second half of 2022).

Our thoughts: New orders decreased for the fourth straight month in January, while used sales surpassed new sales for the first time since April 2022.

- New orders decreased 39.9% to 18,400 after spiking 149% in September. This is the fourth straight month of decline.
- New sales dropped under used sales by over 6,000.
- This is a good sign as the industry attempts to correct for the excess capacity that has flooded the market for the past several months.



Source: ACT Research | <https://www.actresearch.net/> | Monthly

Note: 16,000 Class 8 retail sales per month, or 190,000 per year, is the accepted U.S. replacement level

Rates: Logistics Managers' Index (LMI)

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

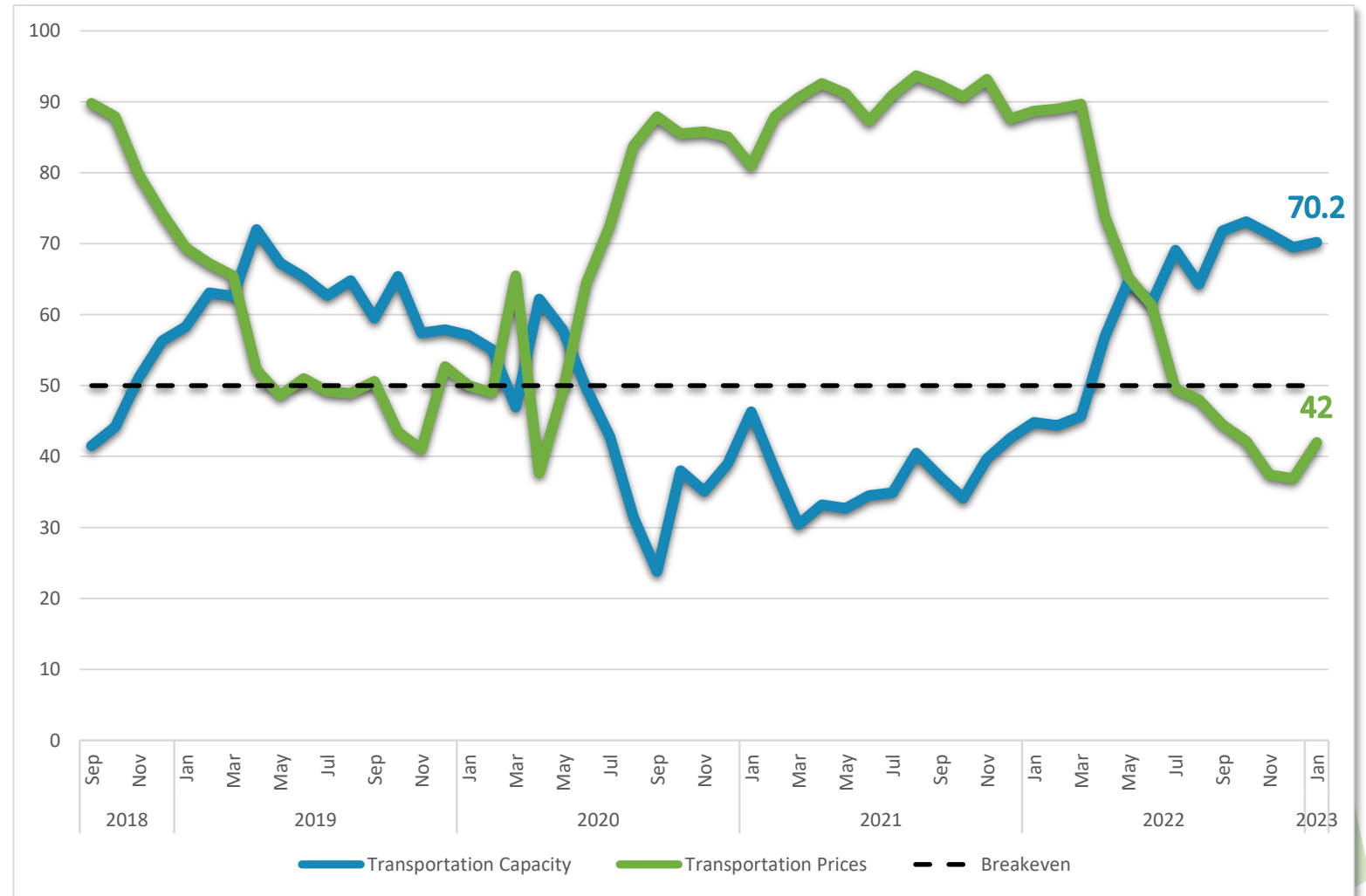
- The LMI consists of eight key logistics metrics ranging from inventory levels to transportation utilization.
- Any number below 50 is indicative of contraction, while any number above 50 is indicative of expansion.

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: The LMI overall increased slightly to 57.6 mainly due to some firms beginning to restock their products after spending nine months trying to reduce inventory.

- Transportation prices increased for the first time in seven months to 42, primarily due to activity toward then end of the month.
- **Yes, but** this is still in contraction territory.
- Transportation capacity increased 0.07 to 70.2. This index continues to remain elevated and near all-time highs.



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

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

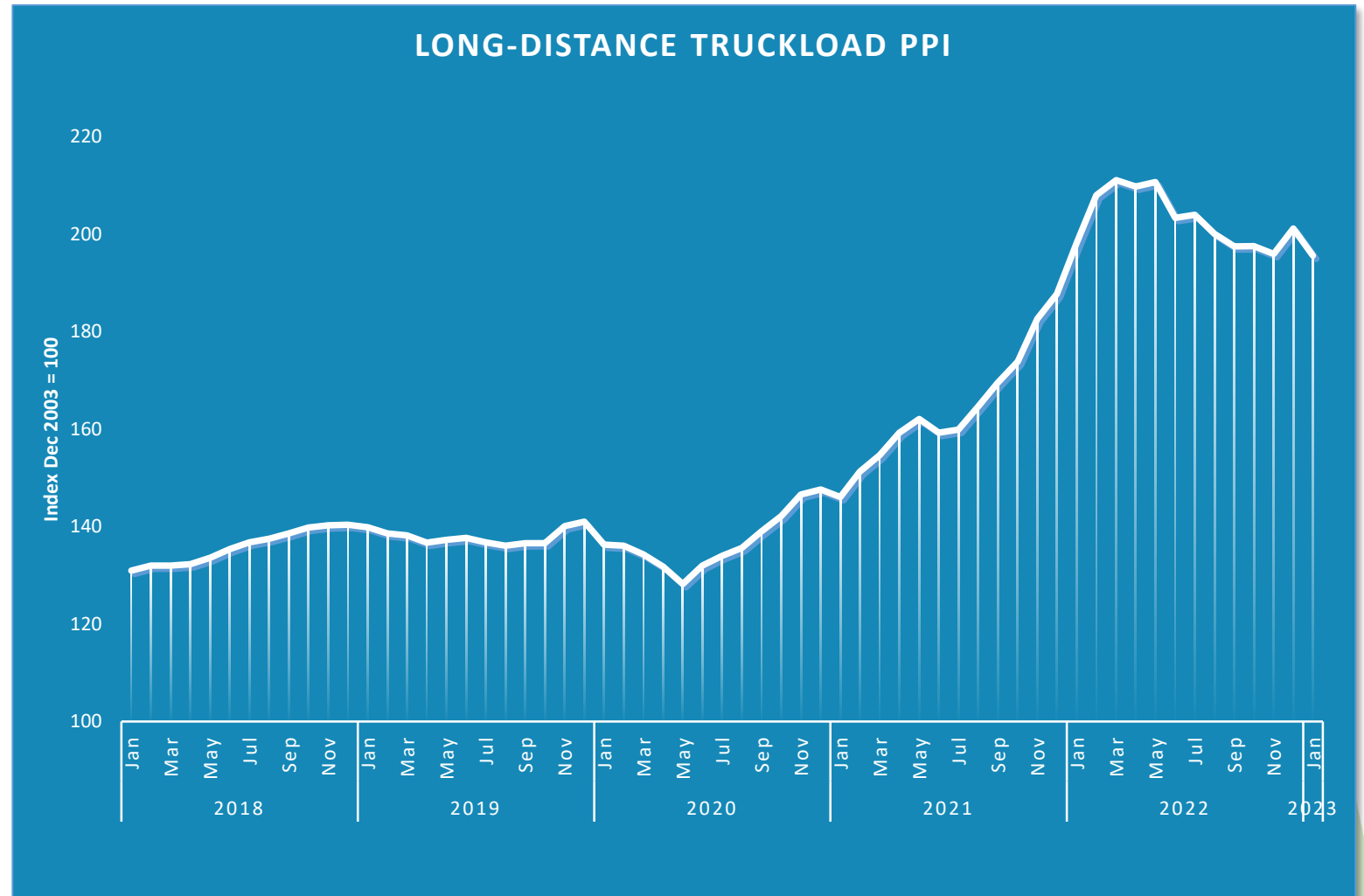
The big picture: The PPI is a group of indexes that measures selling prices domestic producers receive for their output.

- One index focuses on long-haul, truckload carriers.
- This index shows how much carriers are charging their customers.

Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index decreased in January after a short rally last month. This wasn't unexpected however as we're entering the slowest time of the year for freight.

- The long-haul PPI decreased 2.8% to 195.6, and has dropped 6.4% since the high in March 2022.
- The PPI is 1.3% lower year-over-year, but 25.2% above the 5-year trend of 156.3.
- Look for rates to continue to slide downward overall until spring, though there might be a bump in rates for some sectors in parts of February.



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

Costs: Diesel Fuel

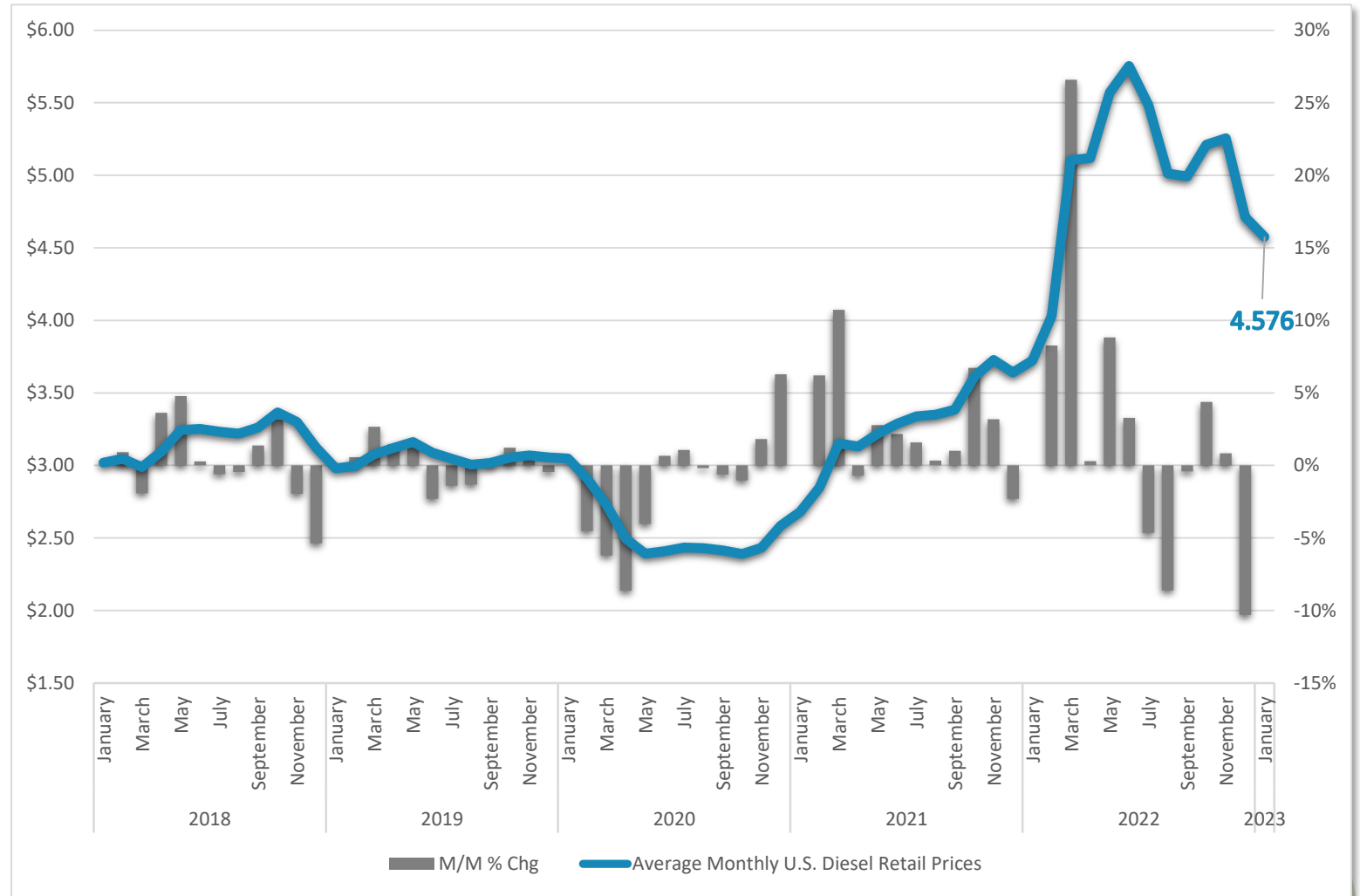
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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: Fuel prices dropped 14 cents in January marking the second straight month of decline.

- The average price for diesel fuel decreased 2.9% month-over-month to \$4.58 per gallon.
- The average diesel price is 23%, or \$0.85, higher year-over-year, and 33% higher than the 5-year trend, or \$1.14 more per gallon.
- This is still a good time to incorporate a fuel surcharge if you aren't doing so already. Learn more by visiting our website [here](#).



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

Costs: Used Truck Prices

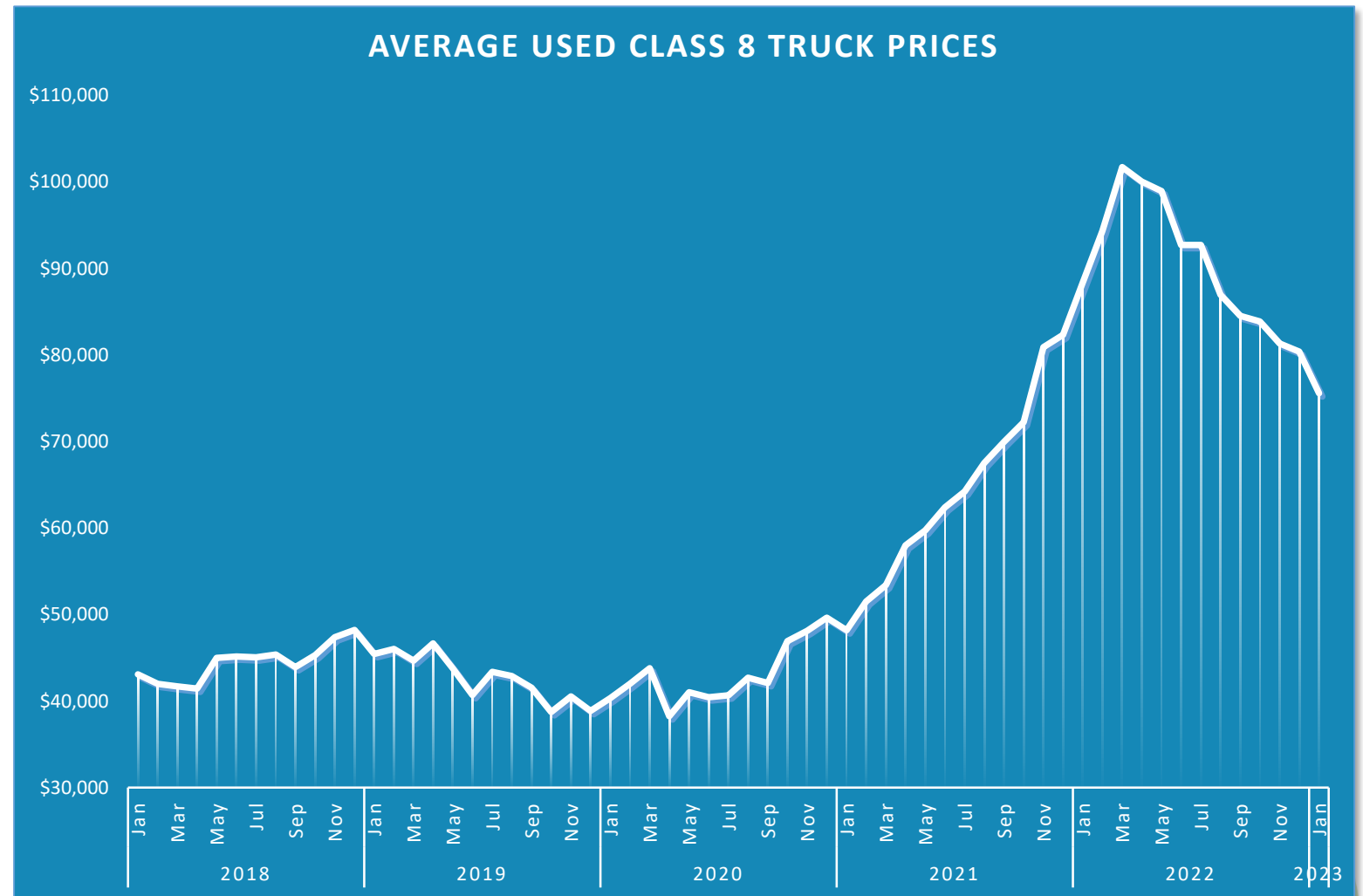
The big picture: Most individuals seeking to become an owner-operator first look to the used truck market due to the high cost of new trucks.

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: Used truck prices continue to drop after jumping to over \$100,000 in March 2022, but they are still significantly higher than their pre-pandemic average of \$42,000.

- Used Class 8 truck prices dropped for the tenth straight month in January to \$75,600.
- **Yes, but** this is still 32% higher than the 5-year trend.
- With costs still elevated and spot rates continuing their downward trend, this might not be the best time to become an owner-operator or seek to expand your business.
- We expect used truck prices to continue to decline as larger carriers push to replace their fleets and demand wanes.



Source: ACT Research | <https://www.actresearch.net/> | Monthly