OOIDA Foundation

RESEARCH
SAFETY
EDUCATION

March 2023

MARKET UPDATE

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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. Merchant Wholesalers
2. Furniture and Household Furnishing Wholesalers
3. Household Appliances, Electrical, and Electrical Goods Wholesalers
4. Advanced Retail Sales Categories

Demand: Van Load-to-Truck Ratios

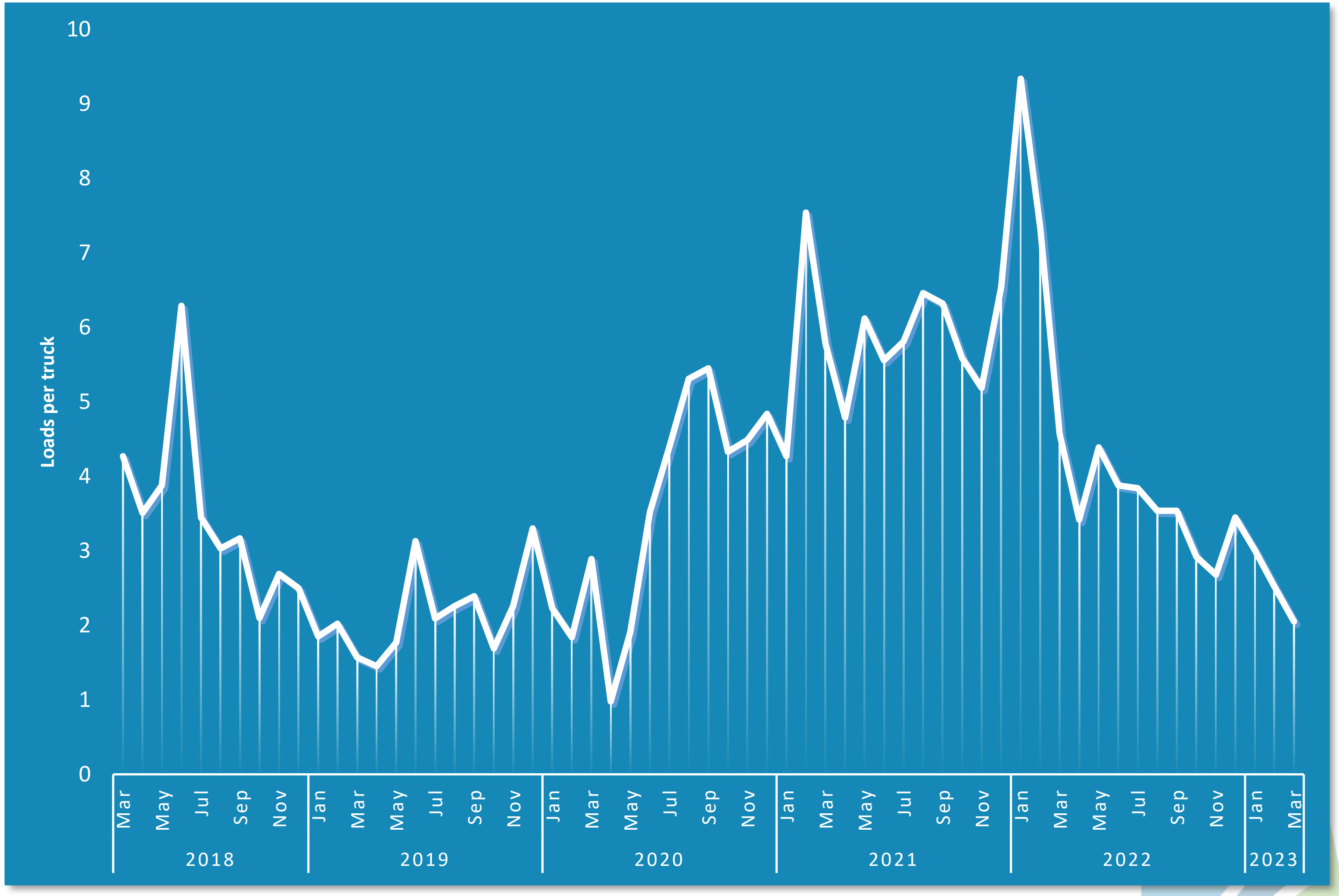
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 again in March as it starts to underperform compared to typical seasonal patterns.

- The Van Load-to-Truck Ratio decreased 18.7% month-over-month to 2.05, marking the third consecutive month of decline.
- The ratio is 55% lower than last year and 46% lower than the 5-year trend.
- Load posts were up about 8% and are comparable to 2018 levels, but equipment posts are 7% higher than the pre-pandemic years.



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.

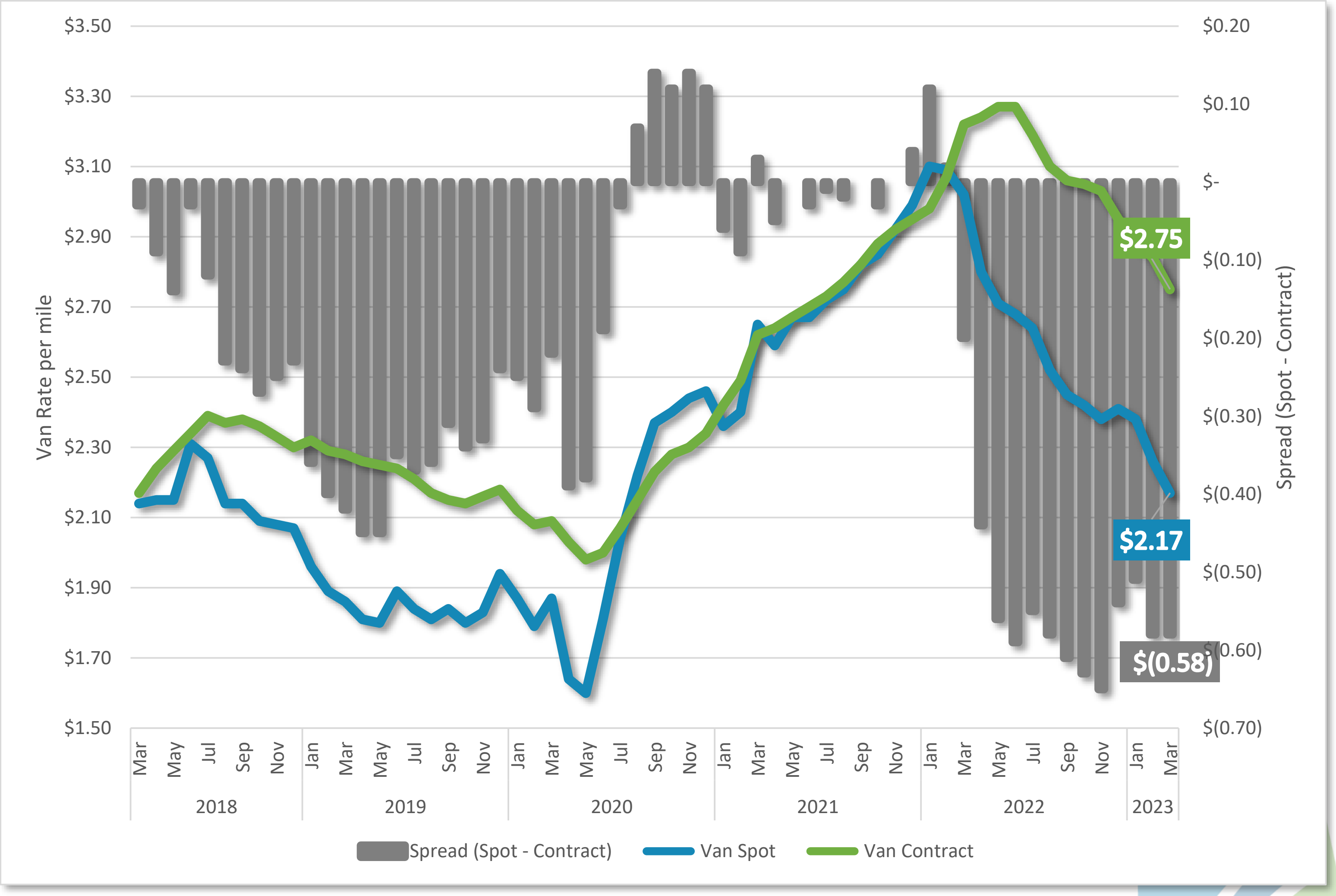
- RateView's database is comprised of more than $110 billion in freight bills in over 68,000 lanes

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 underperforming compared to their typical seasonal trend in March where they usually tick upward as we head into spring.

- Spot rates for vans decreased by $0.09 per mile month-over-month, marking three straight months of decline, and have dropped $0.85 per mile since last year.
- Contract rates decreased $0.09 per mile as well. But the spread between contract rates and spot rates remained at $0.58 per mile.
- Spot rates are 5% below the 5-year trend, while contract rates are 9% higher.

DAT's model expects spot rates excluding fuel to move upward about 10 cents per mile toward the end of May. Unfortunately, DAT believes their models are simply clinging for some form of normalcy. They're doubtful whether this prediction will become reality or not.



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

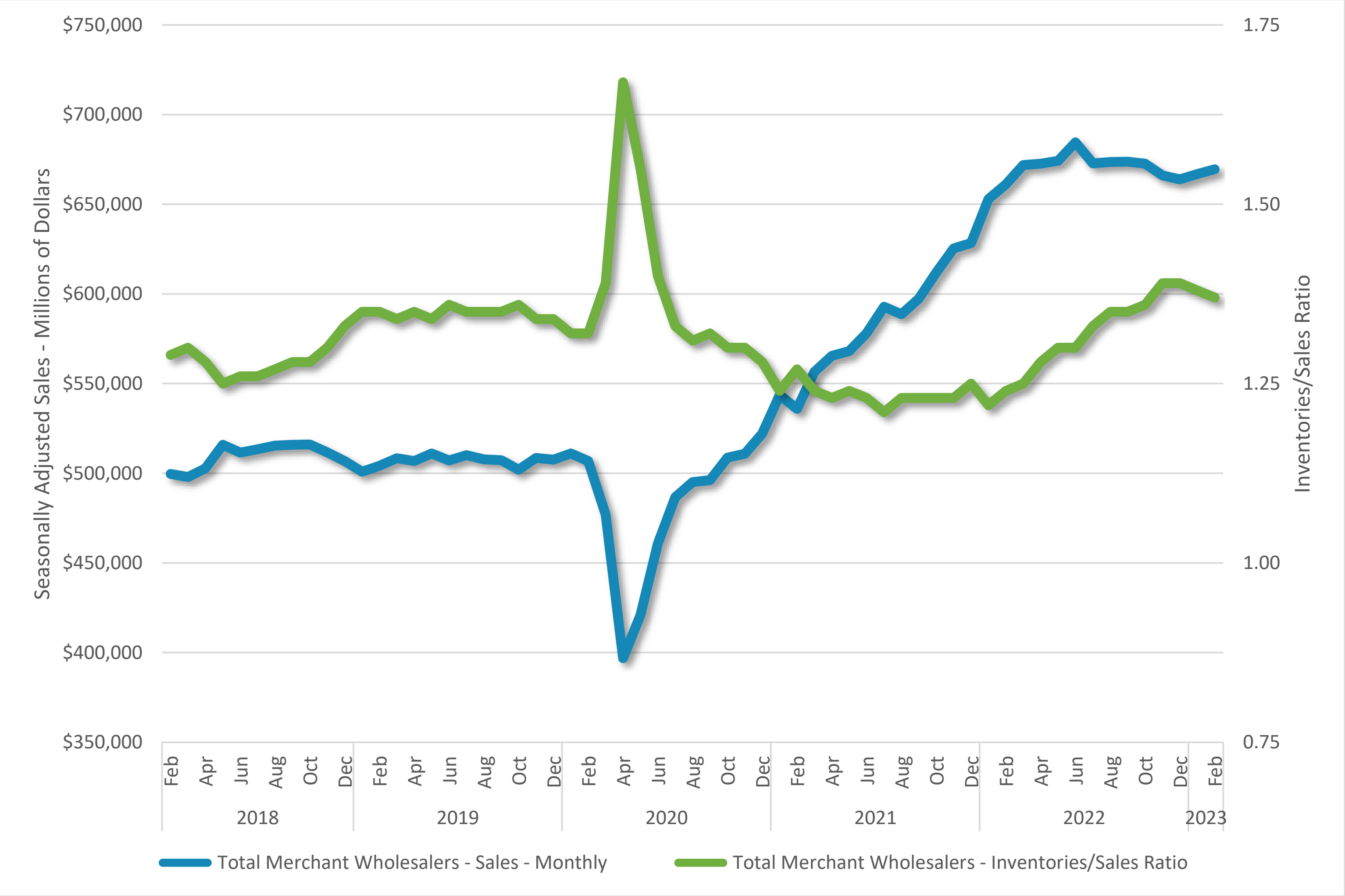
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 dropped but are elevated overall, while monthly sales have mostly stalled, which has dampened truck demand and pushed rates downward. Inventories will need to decline further before demand picks back up.

- Sales increased 0.4% month-over-month in February, and have increased 1.3%, or $8.34 billion, since last year.
- Ratios dropped 0.7% month-over-month, marking the second straight month, but have grown 10.5%, or 0.13, since last year. Ratios are 4% higher than the 5-year trend.



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

Wholesale Trade: Furniture and Appliances

The big picture: The U.S. Census Bureau reports monthly sales and inventory data for different types of industries, including:

- Furniture and Home Furnishings
- Household Appliances, Electrical, and Electrical Goods

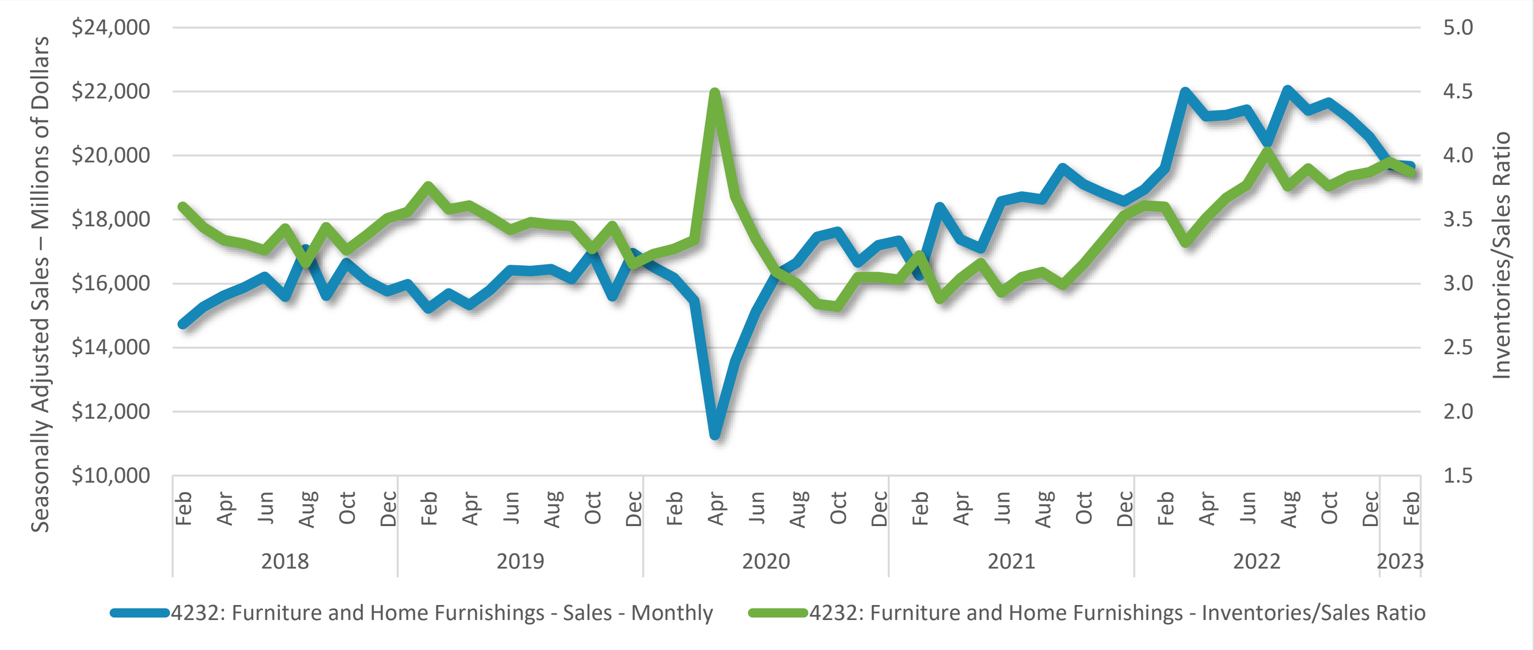
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

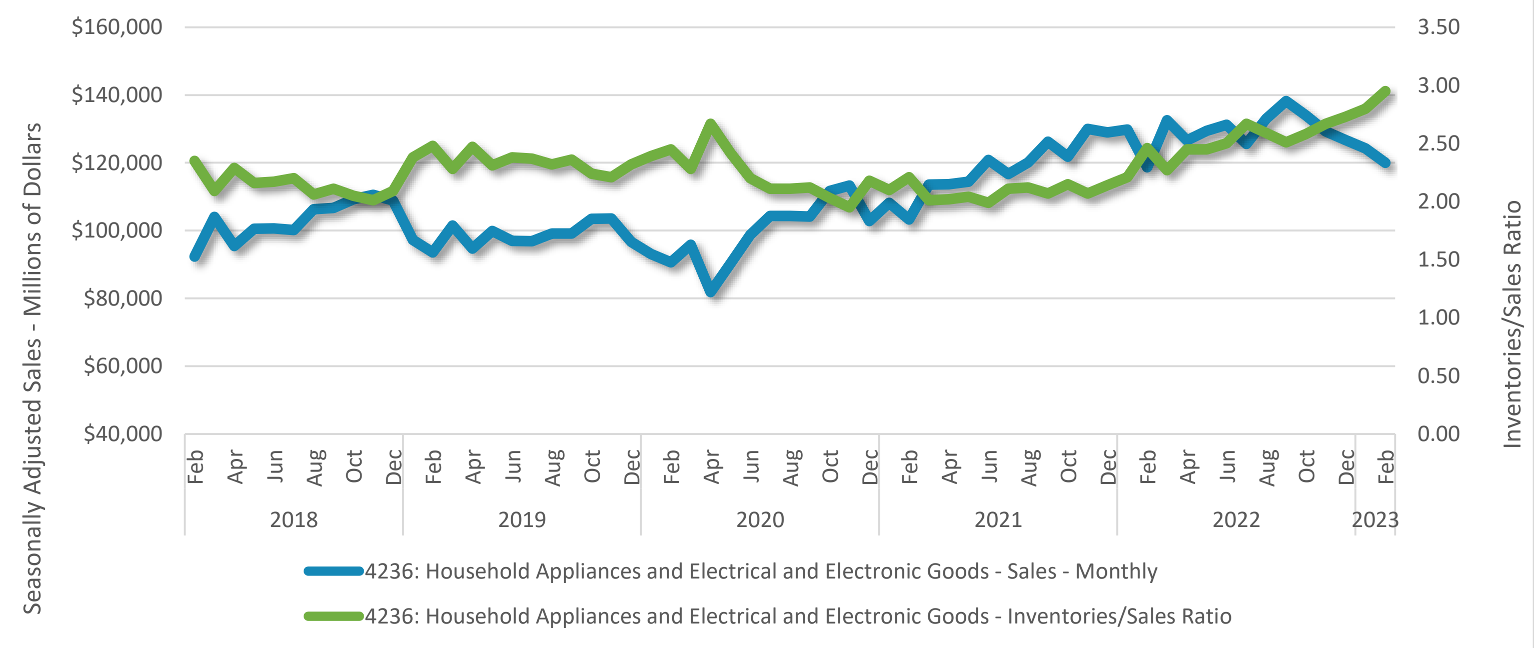
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Inventory-to-sales ratios continue to pile up for household appliances, while monthly sales have dipped significantly for both since September 2022.

- Furniture Sales decreased 0.2% month-over-month, marking four straight months of decline, while ratios also dropped, albeit slightly at 2.0%.
- Compared to last year, sales increased $70 million as ratios have increased 7.5%.
- Household appliances sales decreased 3.4%, marking five consecutive months of decline, and ratios increased 5.4%.
- Sales increased $1.3 billion since last year, as ratios have increased 19.9%.

The more inventory that businesses have on hand, the less they need trucks to restock their goods. This helps explain why the dry van segment has been struggling since early 2022. Inventories are still elevated in key sectors, while sales are continuing to decline. Furniture and household appliances are struggling along with housing starts.





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:

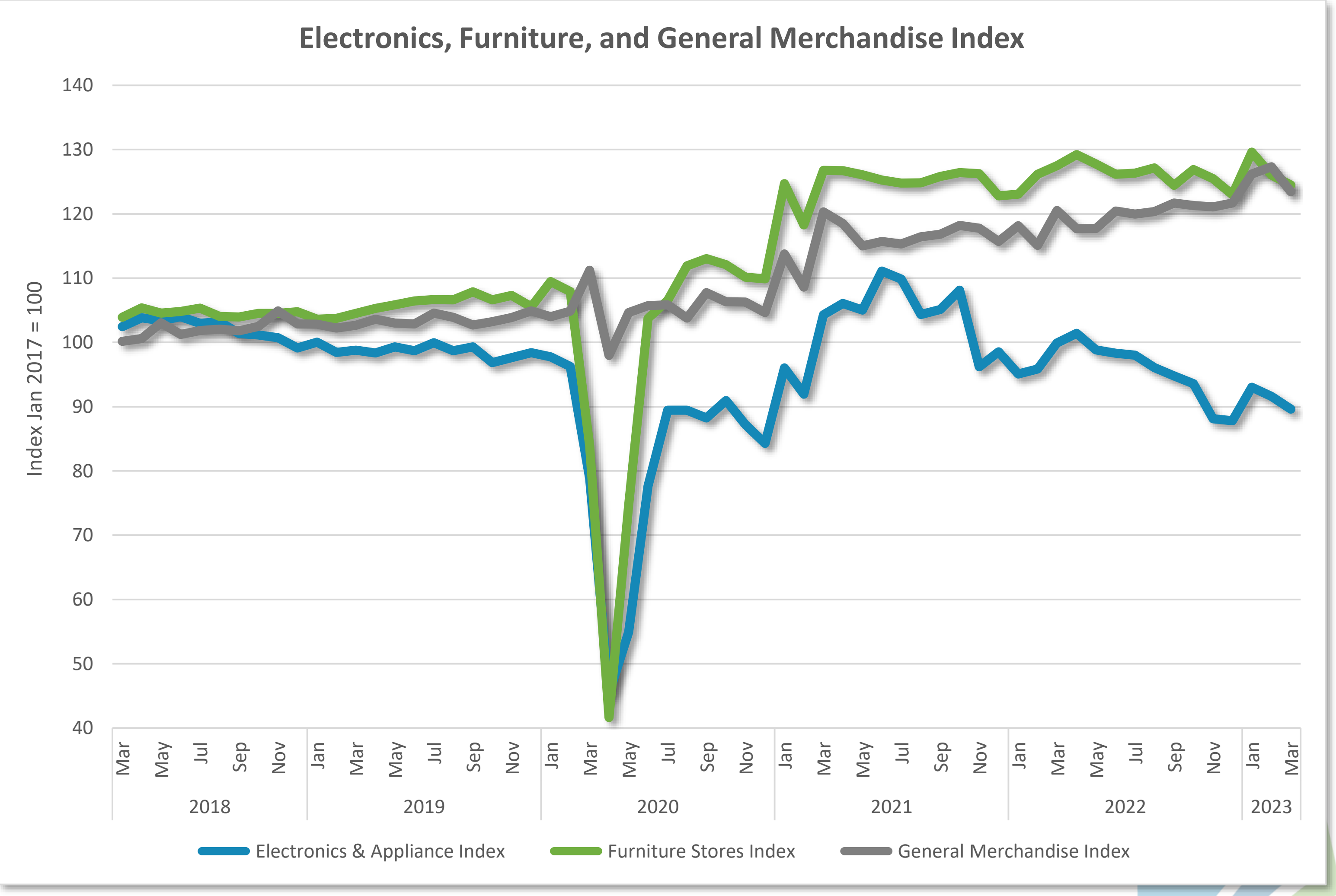
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco

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: Seasonally adjusted retail sales declined for each of these three sectors, as the sidewise trend continues for FS and GMS, while EAS continue to fall.

- EAS declined 2.1%, or $150 million, month-over-month to $6.9 billion, erasing two consecutive months of increases. EAS is 10.3%, or $790 million, lower year-over-year.
- FS declined 1.2%, or $147 million, M/M to $11.84 billion, and is 2.4% lower Y/Y.
- GMS dropped 3% M/M, or $2.2 billion, to $71.4 billion, and is up 2.4%, or $1.7 billion Y/Y.



Source: FRED | https://fred.stlouisfed.org/series/RSEAS | https://fred.stlouisfed.org/series/RSFHFS | 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 flatbed market:

1. Total Construction Spending
2. Highway and Street Construction Spending
3. Housing
4. Advanced Retail Sales: Building Materials

Demand: Flatbed Load-to-Truck Ratios

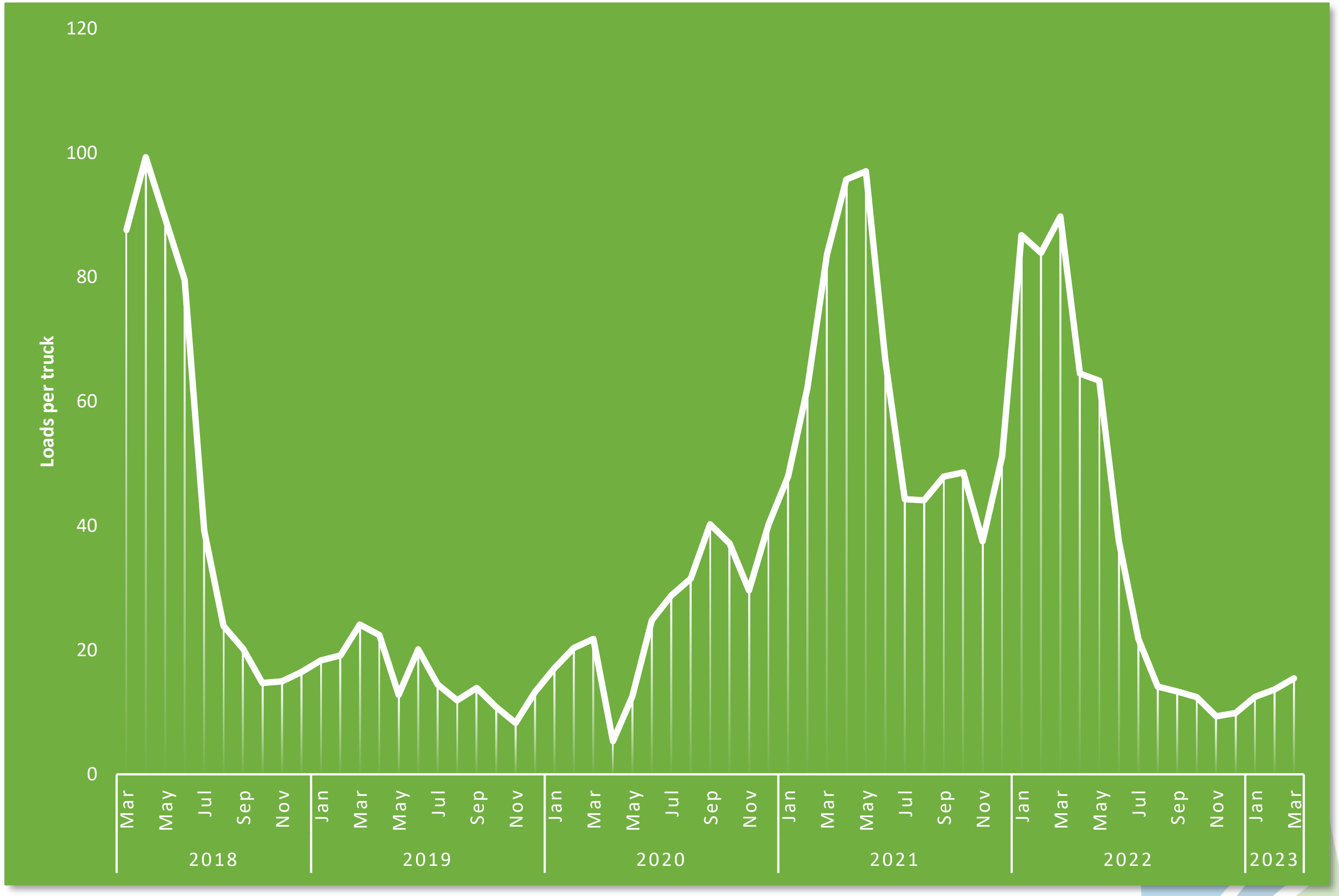
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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: Load posts continue to increase and are at there highest level in 7-years, other than in 2020, the same is true for equipment posts, though they remained relatively flat, driving the ratio up.

- The Flatbed Load-to-Truck Ratio increased 13.7% month-over-month, marking four consecutive months of increases.
- Flatbed is the only equipment type with positive movement.
- The ratio has declined 83% since last year, from 83.9 loads for every truck to 15.47.
- The ratio is 58% below the 5-year trend.



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

Rates: Flatbed 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.

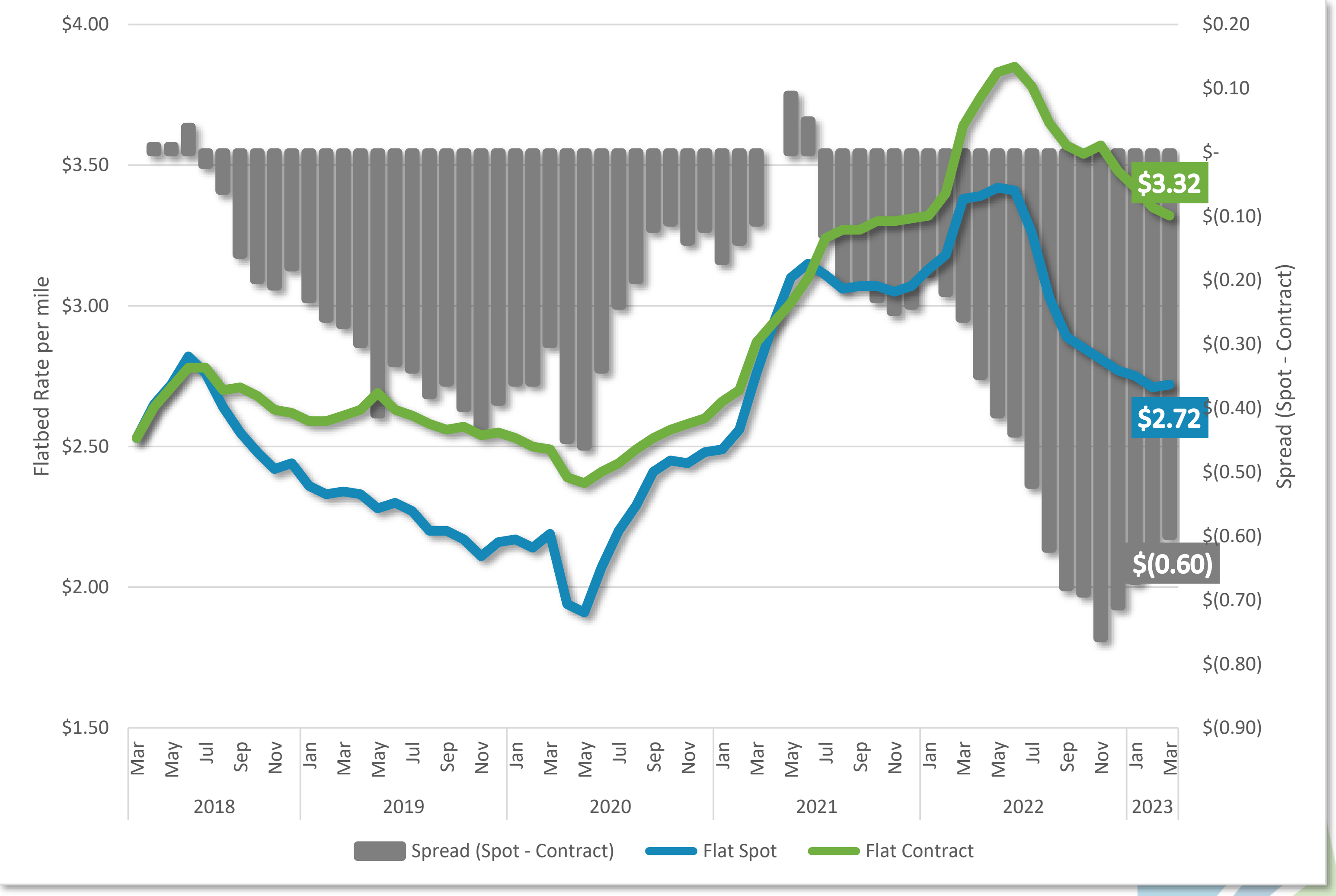
- RateView's database is comprised of more than $110 billion in freight bills in over 68,000 lanes

Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates increased, breaking a seven month trend, while contract rates decreased for a fourth straight month.

- The spot market increased $0.01, or 0.4%, to $2.72 per mile month-over-month, and has dropped $0.66 since last year when it was $3.38.
- The contract market decreased $0.03, or 0.9%, to $3.32 per mile, which is $0.32 lower than last year and $0.40 above the 5-year trend.
- The spread between contract and spot declined 6.3% to $0.60, which is 131% higher than a year ago when it was $0.34.

DAT predicts that spot rates excluding fuel will continue to strengthen as they typically do around this time of year. DAT expects rates to increase about $0.05 per mile heading into the end of May.



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

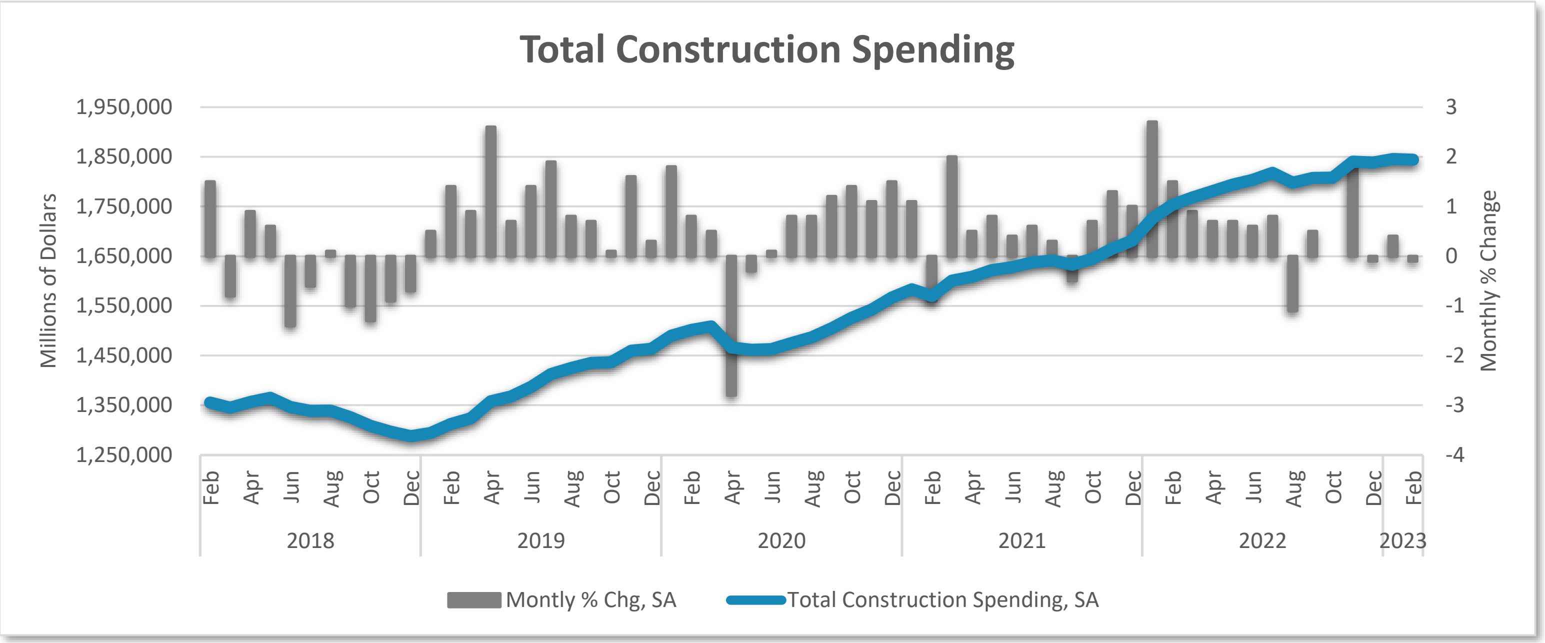
Why it matters: Construction spending helps boost the economy, especially spending that is dedicated to building roads and bridges.

- 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.

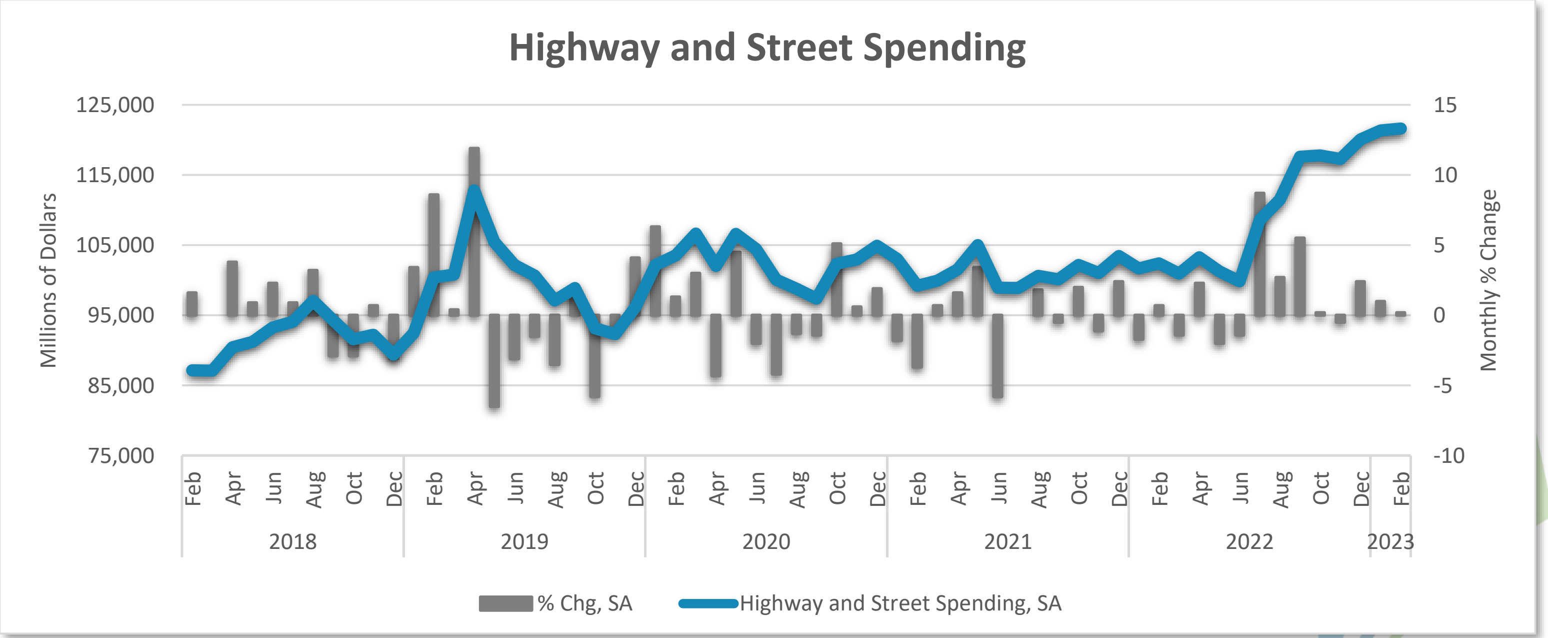
Our thoughts: Total construction spending (TCS) decreased while spending on highways and streets (HSS) increased month-over-month.

- TCS decreased slightly by 0.1% in February to $1.844 trillion, which is $91 billion, or 5.2%, higher year-over year, and 20% above the 5-year trend.
- HSS increased 0.2% to $121.64 billion, and is up 18.8%, or $19.2 billion, year-over-year.

Flatbed is the lone bright spot in comparison to dry vans and reefers. This might be due to elevated construction spending, especially for non-residential construction and HSS.



Source: FRED| https://fred.stlouisfed.org/graph/?id=TTLCONS,MPCTXXXXS, | Monthly



Source: FRED| https://fred.stlouisfed.org/graph/?id=TLHWYCONS,MPCT12XXS, | Monthly

Housing: Starts, Under Construction, Completed

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

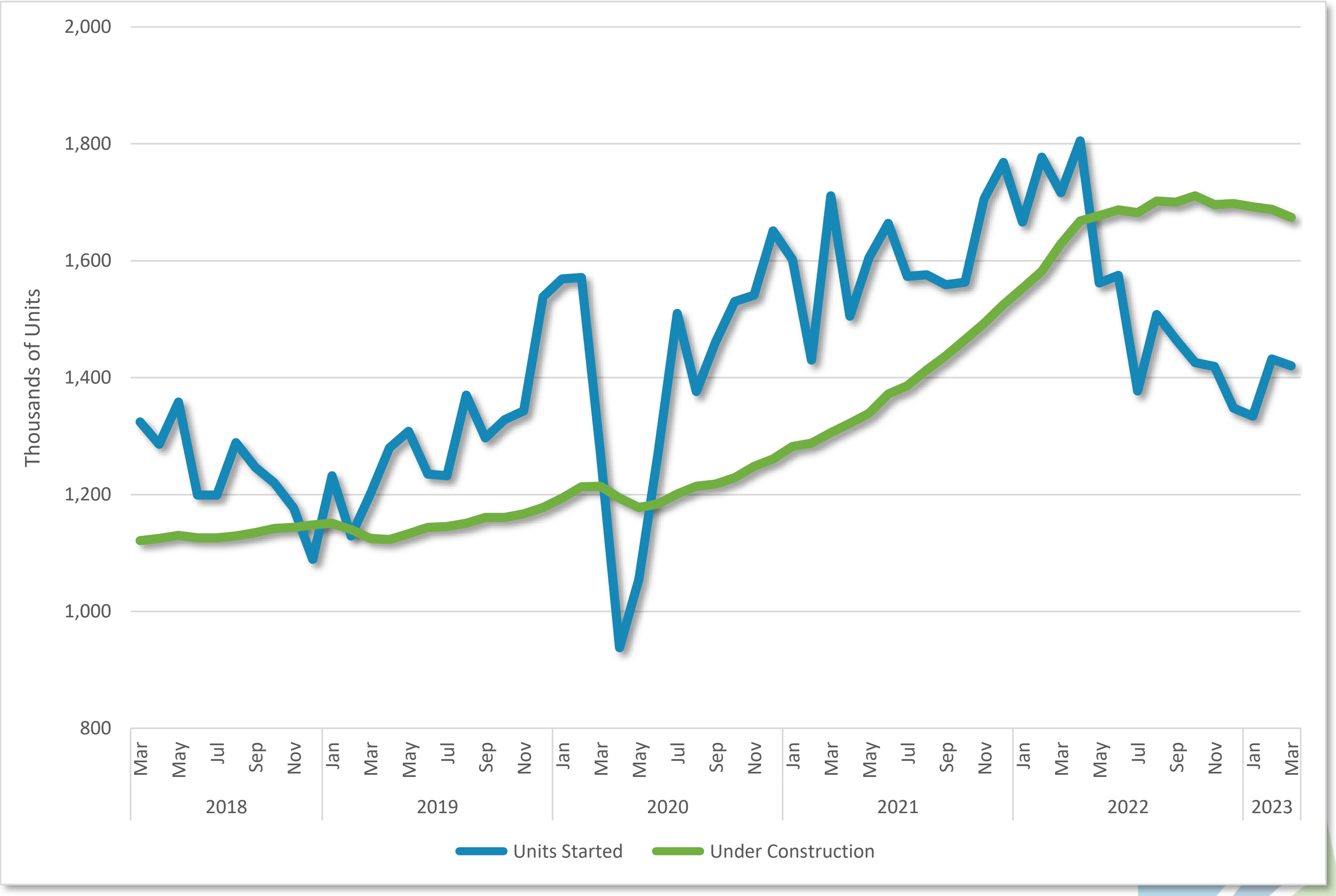
- Housing starts, and
- Housing under construction.

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 a variety of building materials.

Our thoughts: Housing starts moved downward again in March following a 10% increase in February.

- New starts decreased 0.8% to 1.420 million, and have dropped 21% since the high in April 2022.
- Starts are down 17%, or 296,000 houses, year-over year, and are flat with than the 5-year average.
- Houses under construction ticked down 0.8% to 1.674 million, but are up 3%, or 45,000 houses, Y/Y, while completed houses decreased 0.6% month-over-month and are up 13% Y/Y.



Source: FRED | https://fred.stlouisfed.org/series/HOUST and https://fred.stlouisfed.org/series/UNDCONTSA| 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).

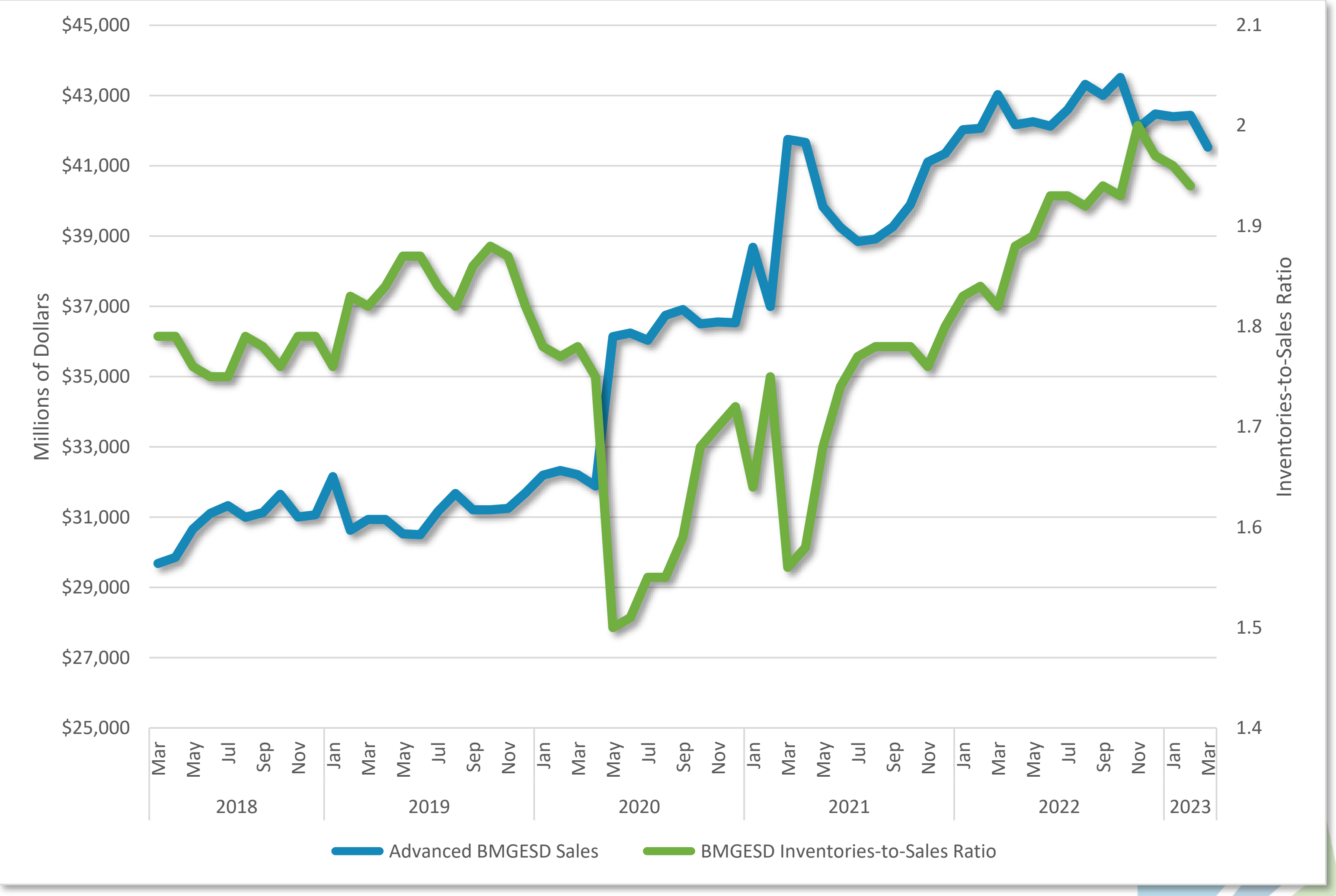
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: Both BMGESD sales and inventories declined in March as retailers continue to seek to deplete their inventories.

- The BMGESD retail sales decreased 2.1% month-over-month to $41.53 billion, and are 3.5%, or $1.5 billion, lower year-over year.
- Sales are $5.2 billion higher than the 5-year average.
- Inventories-to-sales ratios decreased 1% to 1.94, but are at their second highest reading since 2012.

The destocking of inventories is a positive sign overall even though retail sales declined. Retailers are dropping their prices in order to move inventory.



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 three key economic indicators that directly impact the reefer market:

1. USDA Average Refrigerated Truck Rates
2. USDA Refrigerated Truck Volumes
3. USDA Truck Availability Data

Demand: Reefer Load-to-Truck Ratios

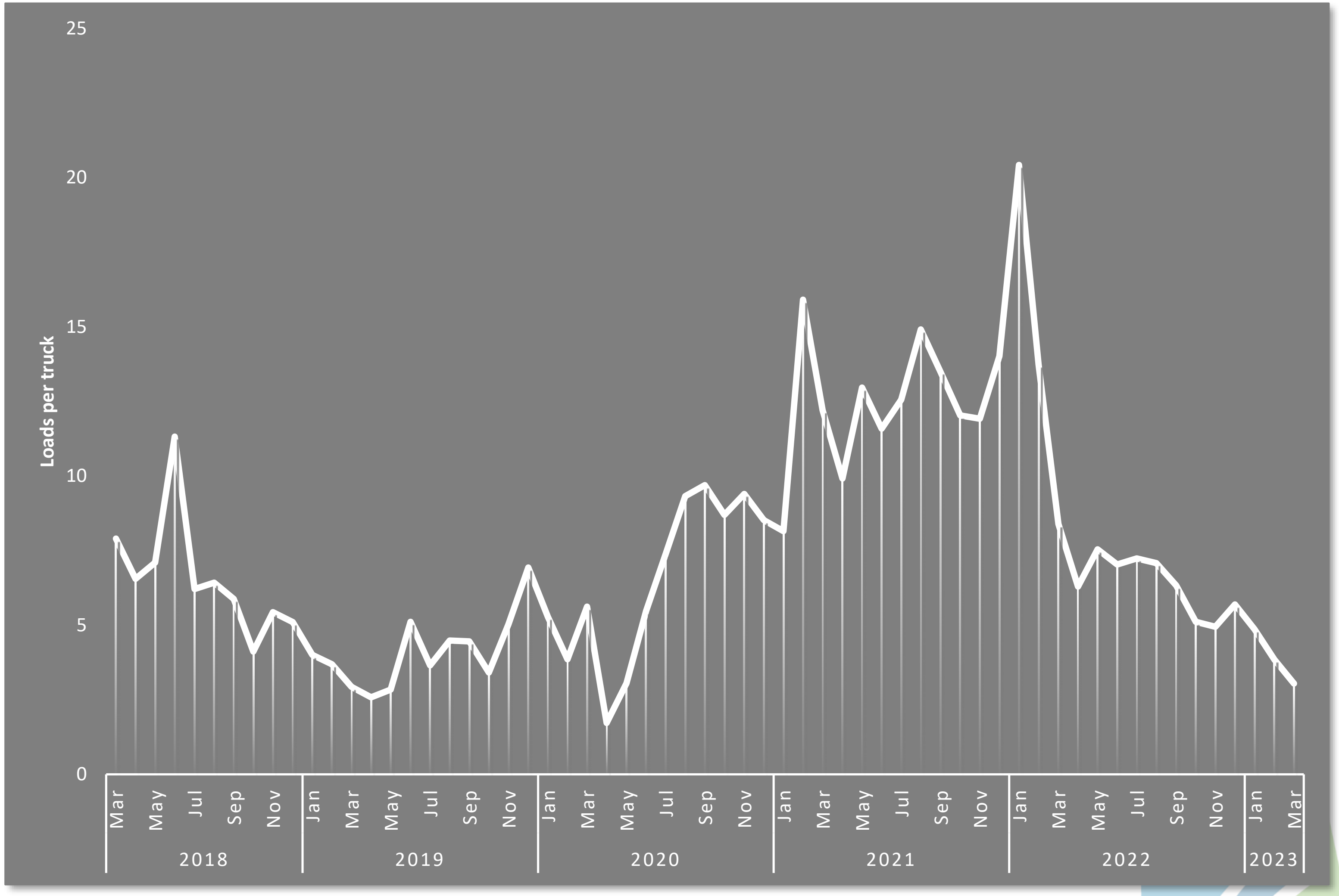
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 reefer market continued its downward trend in demand as produce volumes continue to underperform due to inclement weather.

- The ratio decreased 21% month-over-month to 3.04 loads to every one truck posted.
- This is 59% below the 5-year trend, and 64% lower than last year when the ratio was 8.39.
- Demand continues to be deflated as load posts were approximately half what they were compared to this time last year, while truck posts with refrigerated trailer equipment were still elevated.



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

Rates: Reefer Spot and Contract Rates

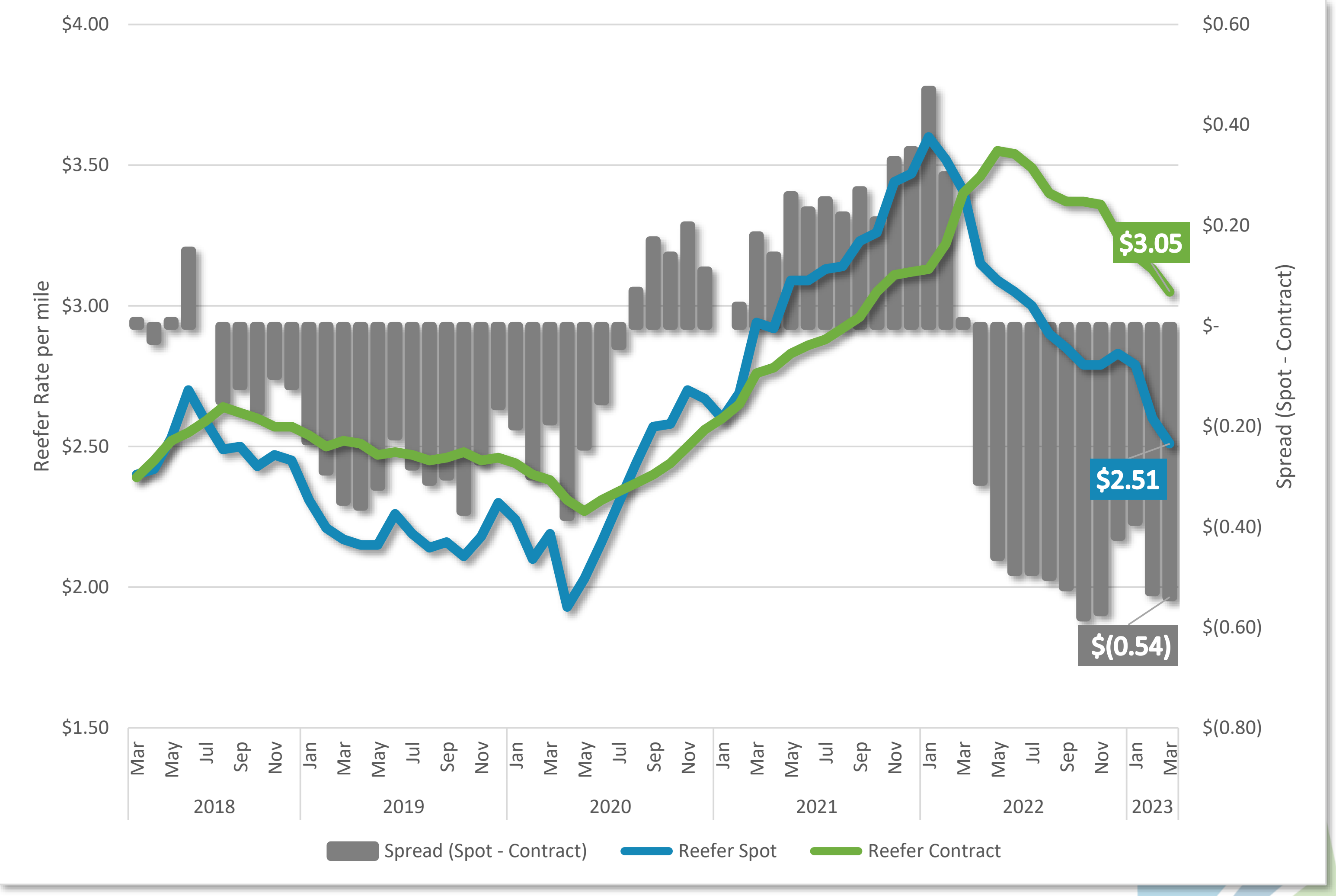
The big picture: Rates are market averages from DAT's RateView, which provides real-time reports on prevailing spot market and contract rates.

- 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: Spot rates moved downward month-over-month in March, marking three straight months of decline, while contract rates dropped almost 10 cents per mile.

- Spot rates decreased $0.09, or 3.5% to $2.51 per mile, and decreased $0.90 since March 2022.
- Contract rates declined $0.08, or 2.6%, to $3.05 per mile, which is $0.35 below where we were last year.
- The spread between spot and contract increased 1.9% to $0.54.
- DAT is forecasting that spot rates excluding fuel will increase 10 to 15 cents per mile going into the end of May, but these predictions don't come with much certainty.
- Produce season doesn't officially start until April but the torrential rains in California are delaying planting seasons for certain types of produce, which is impacting volumes and thereby demand.



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.

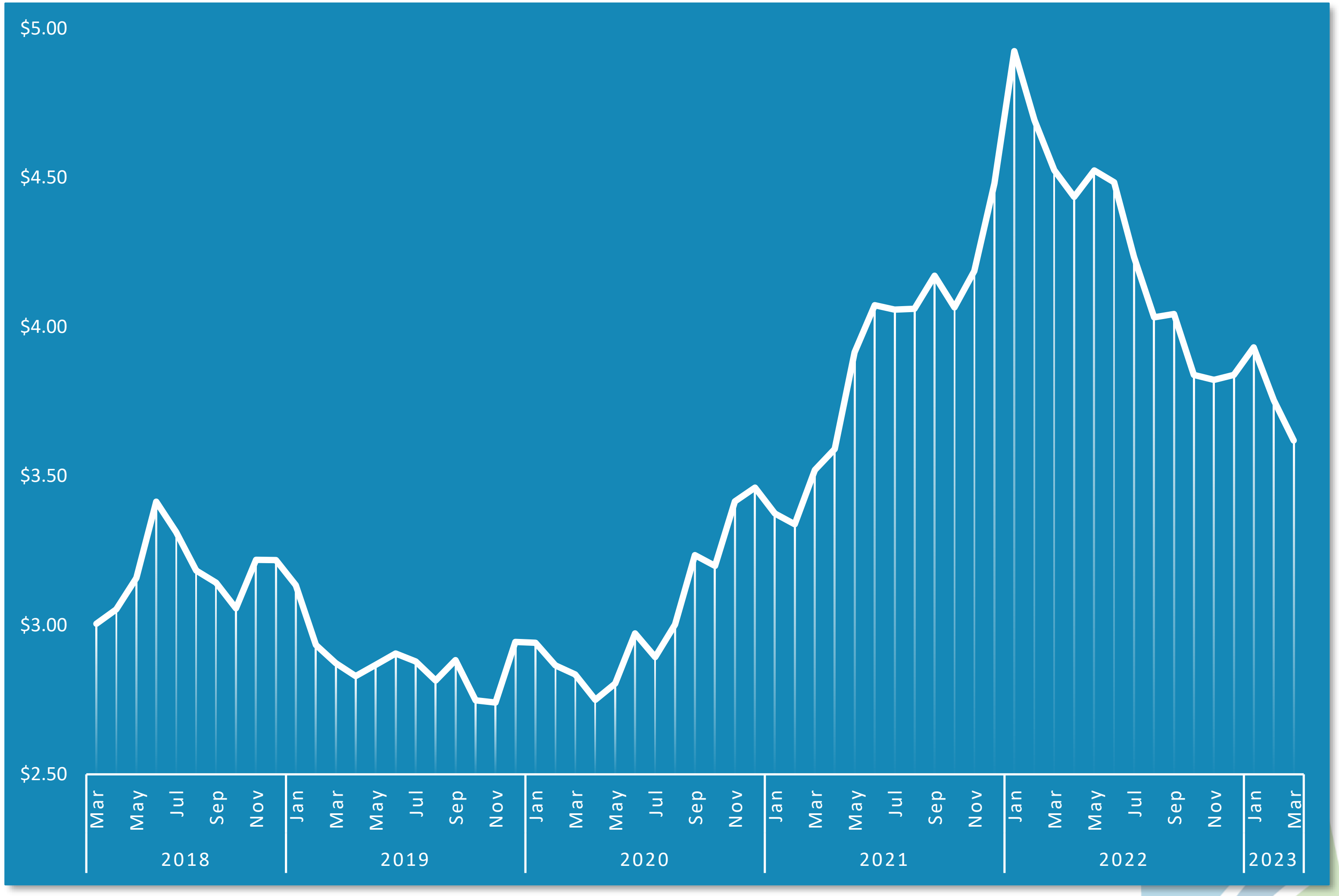
Why it matters: Produce requires fast and efficient movements of perishable commodities.

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

Our thoughts: Fruit and vegetable reefer rates are 27%, or $1.31 per mile, below their high in January 2022.

- Rates per mile dropped 3.6%, or $0.13 per mile, month-over-month to $3.62 in March, marking two straight months of decline.
- Rates are $0.91 per mile, or 20%, lower year-over-year, and are $0.14 per mile, or 4%, higher than the five year trend.

The beginning of the year marks one of the slowest seasons for reefers. This usually continues until April, but weather may delay a bump in rates further down the road. Sadly, rates have further to fall before things get better.



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

Fruit and Vegetable Industry: Truck Volume

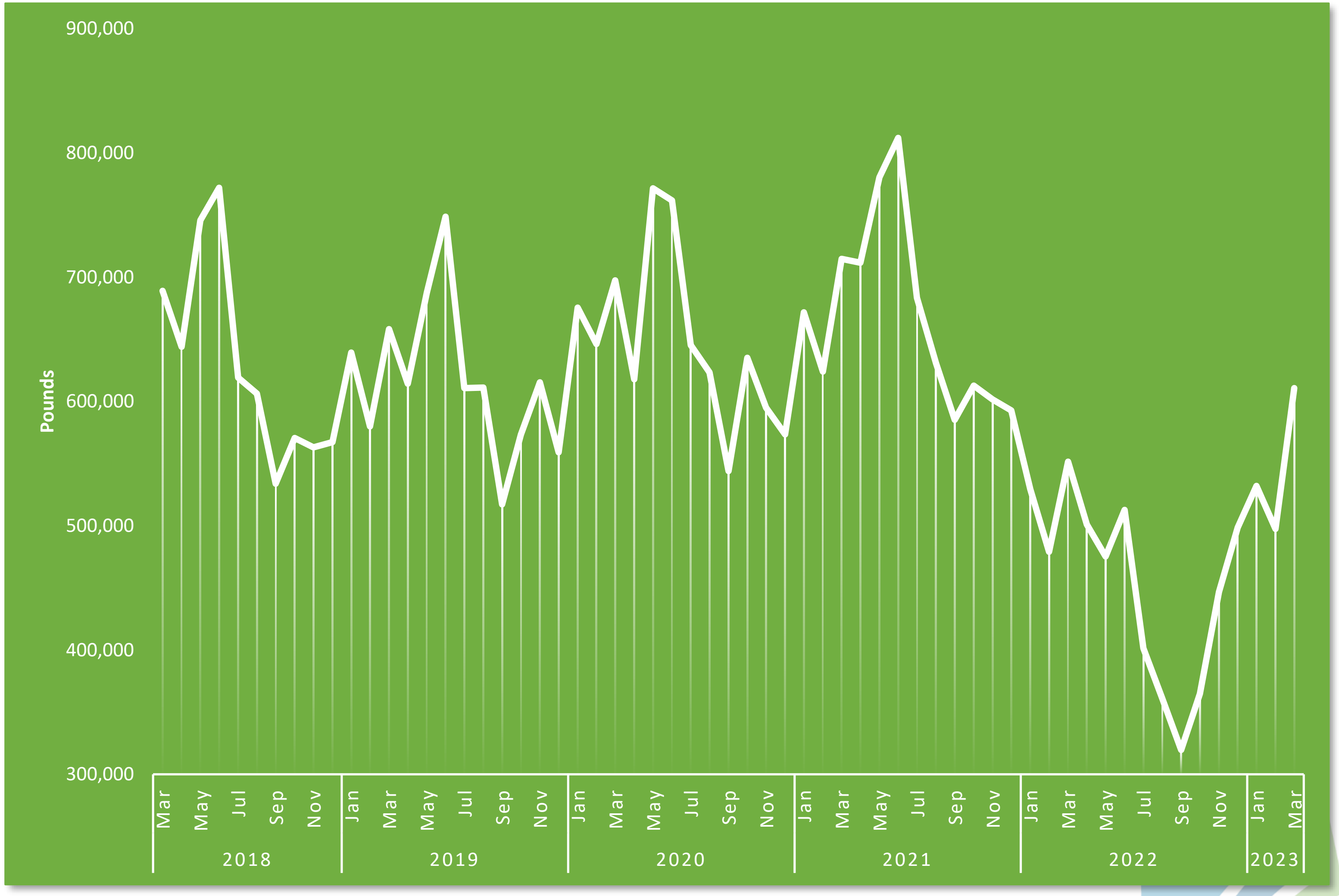
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight for different regions and commodities.

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.

Our thoughts: Reefer volumes jumped significantly in March and have increased by 91% since the low in September. However, volumes overall are still down in large part due to torrential rains and flooding in California.

- Reefer volumes increased 22.8% month-over-month to 610,763 pounds, and 10.8%, or 59,300 pounds, more year-over-year.
- The California region saw a 33% increase alone which helped boost volumes overall, but are still 45% lower than they were last year.
- Mexico-California and Mexico-Texas regions also experienced large increases.



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

Fruit and Vegetable Industry: Truck Availability

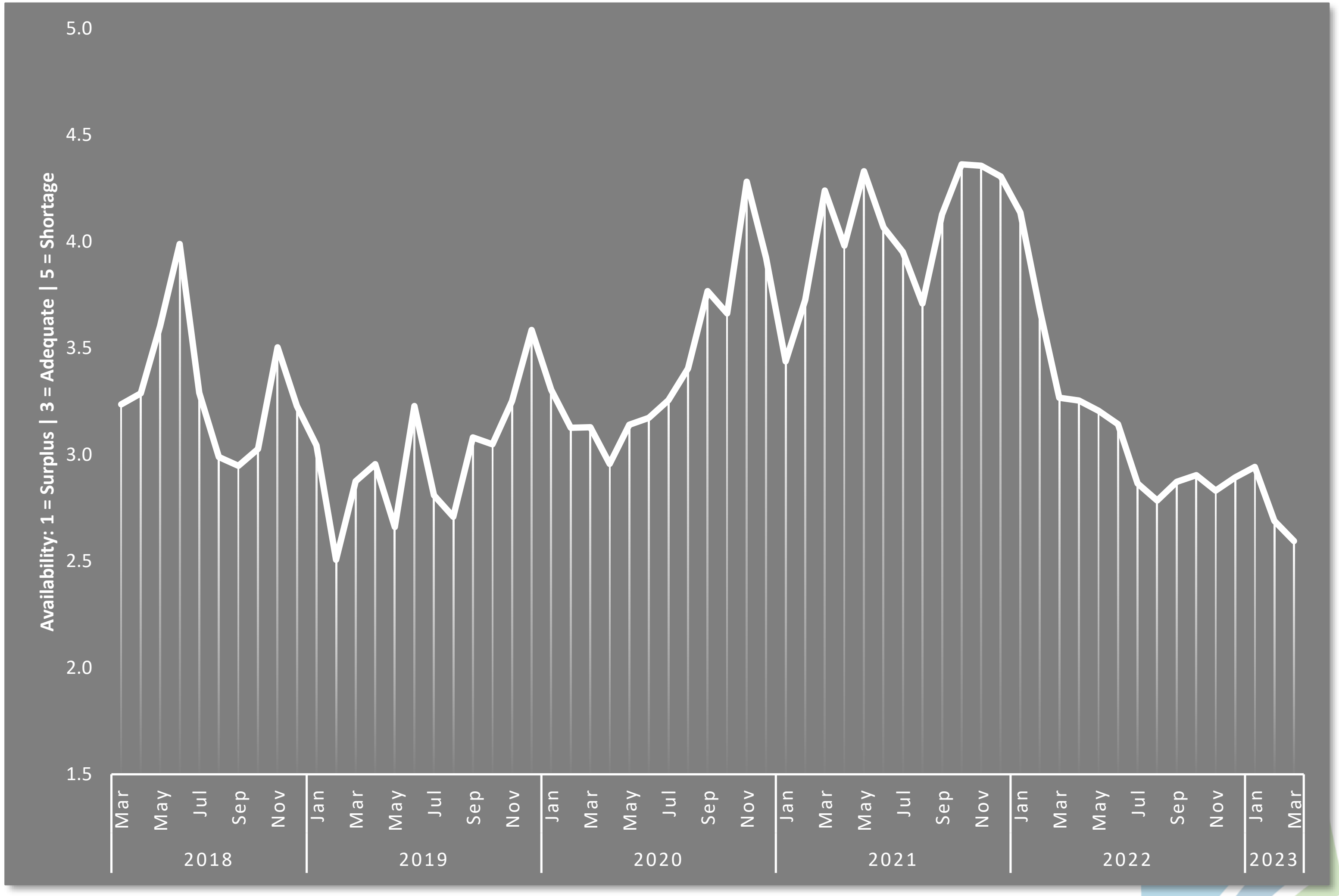
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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

- **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: Reefer truck capacity loosened again in March which continues to wreak havoc on rates.

- Reefer truck availability decreased 3.5% to 2.59, marking two consecutive months of loosening. Availability is up 20.6% over the previous year.
- While volumes increased in the Mexico-Texas region, so to did capacity. In fact, this region is the loosest market at 1.00 according to USDA's data.
- The southeast region was the tightest market in terms of truck availability, but it has one of the lowest outputs of volume.



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

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. **Supply/Demand** shows us how many trucks there are in the market and how many are needed.
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.

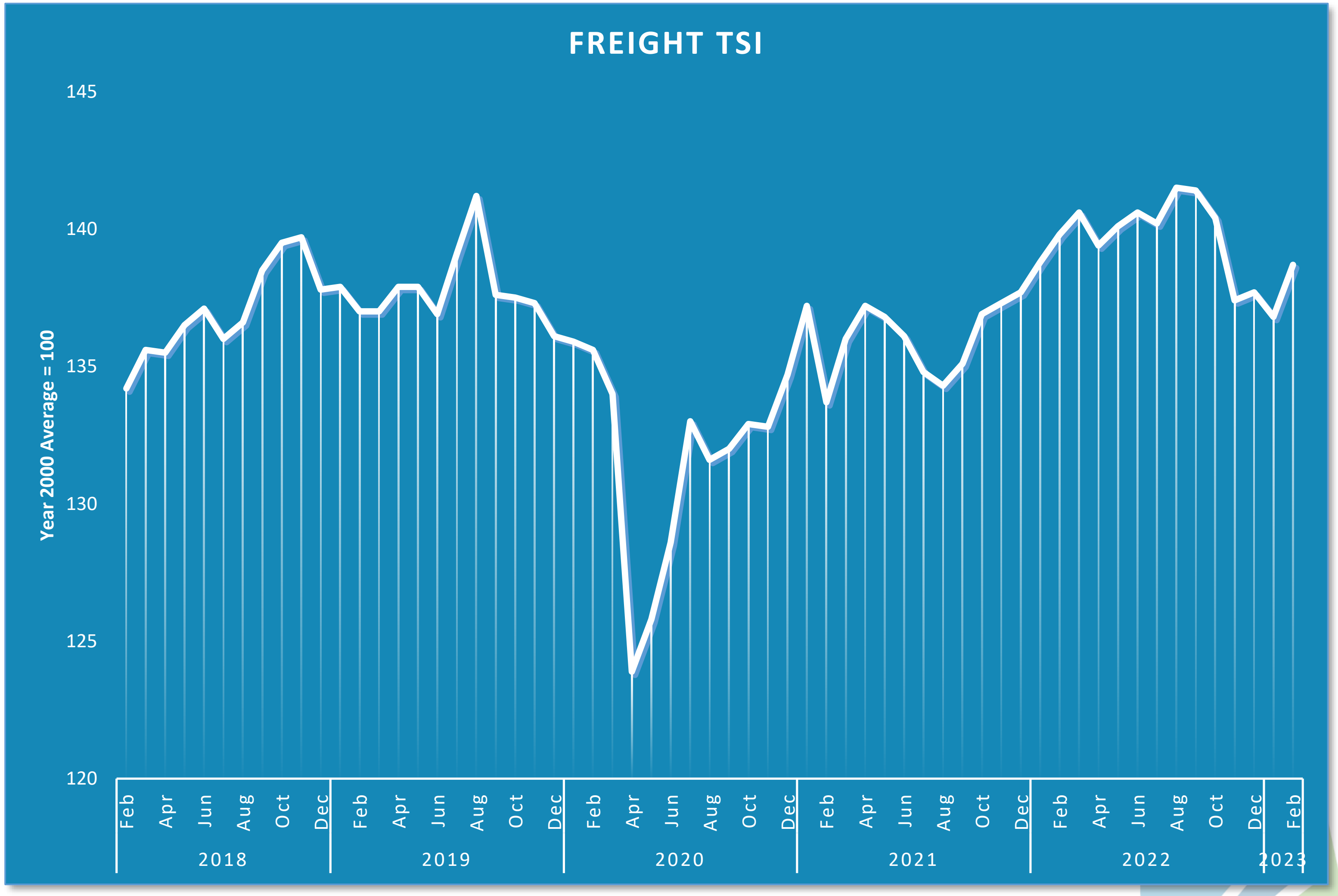
Why it matters: Changes in the TSI reflect changes in the demand for goods and services.

- 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 increased in February due to seasonally adjusted increases in rail intermodal, water, air, and trucking, while rail carload and pipeline declined.

- The TSI increased 1.4% month-over-month to 138.7, and is 0.8% lower than a year ago.

January's decrease came in the context of strong results for other indicators. The Industrial Production Index was unchanged, reflecting small increases in utilities and manufacturing, while mining decline. Housing starts however were up along with personal income.



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.

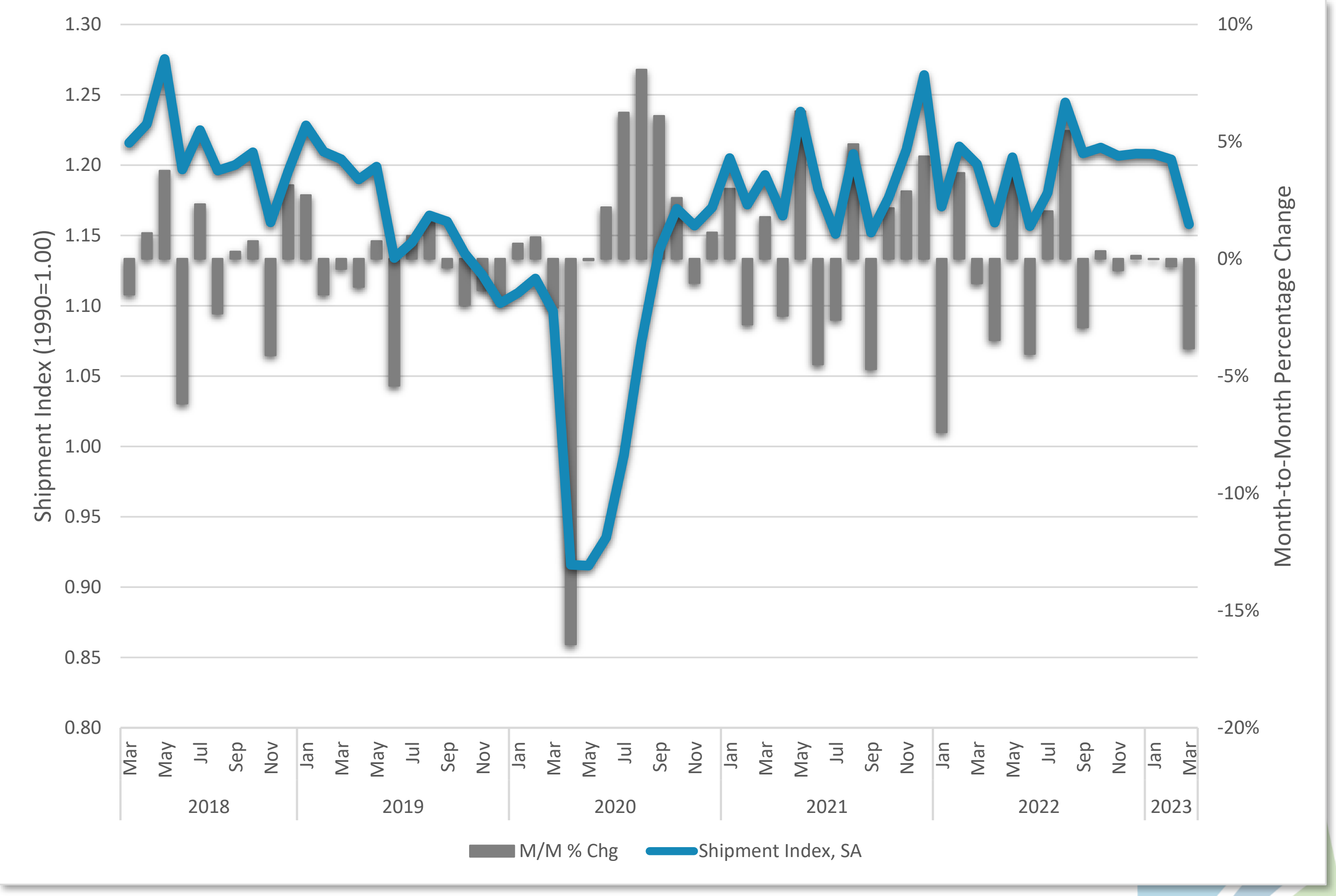
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index was down 3.8% month-over-month to 1.16 in March when seasonally adjusted, and was down 3.6% year-over-year. Freight volumes continue to work through an extended soft patch.

- The slight year-over-year decline is mainly due to an easy comparison.
- Expenditures, which measures the total amount spent of freight, dropped 2.8% to 4.01, due to lower fuel costs and freight moving from LTL to TL to save costs.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, also increased 1.1% to 3.46.
- Truckload linehaul rates, which includes both spot and contract rates, decreased 0.6% to 147.73.

Bottom line: Soft retail sales trends and ongoing destocking remain the primary headwinds to freight volumes. Cass believes this environment will persist for some time, but there is at least one positive sign in that more freight has been migrating to TL from other modes.



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

Supply: Truck Employment

The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

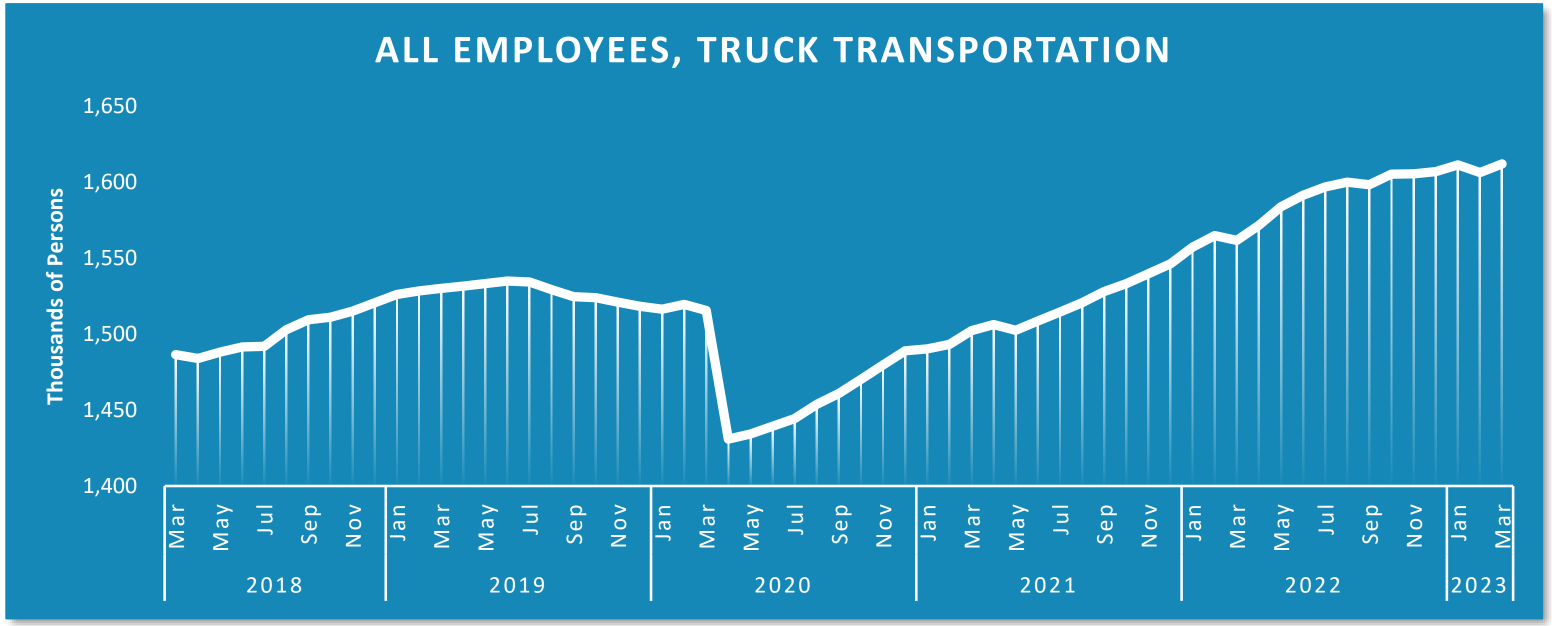
Why it matters: Overall truck transportation employment helps us to see how much driver capacity, or supply, is out there in the industry.

- Employment levels ultimately have a large impact on rates. If there are too many drivers for too little freight, rates will go down.

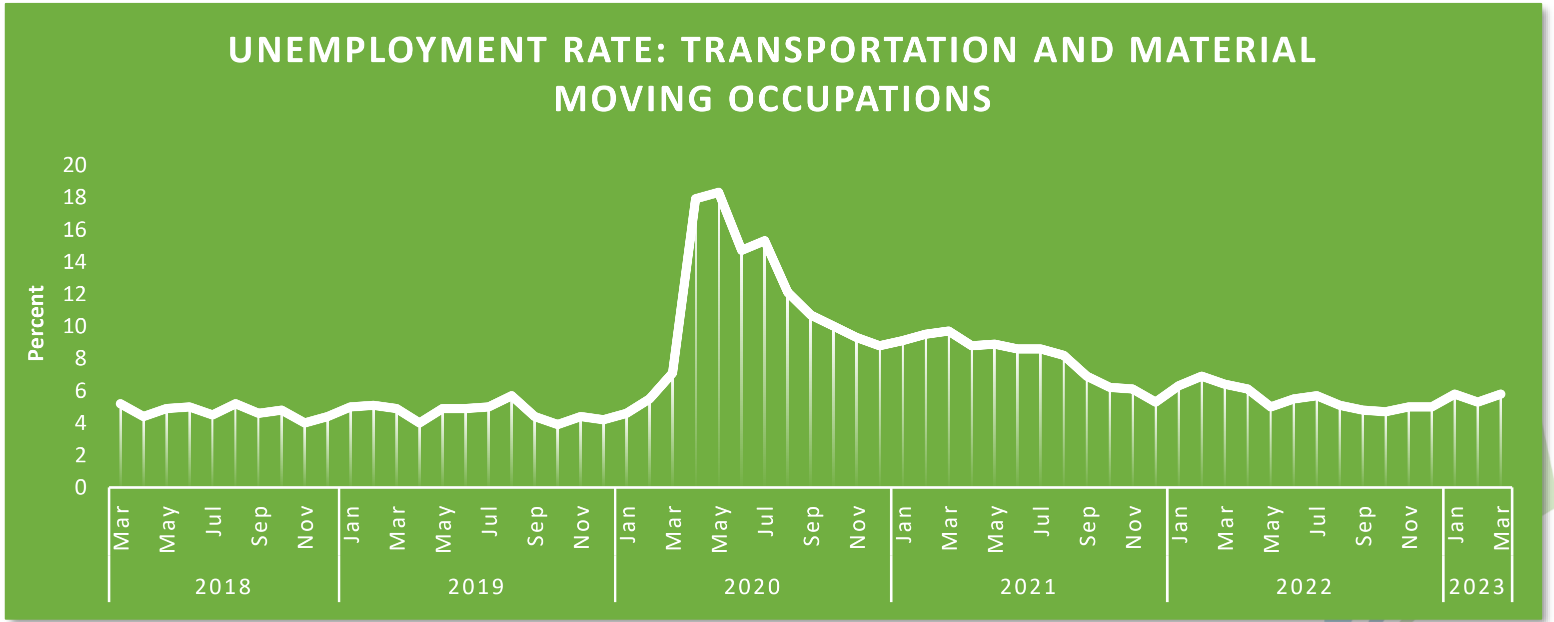
Our thoughts: Truck employment numbers increased in March, almost completely wiping out February's decrease, while unemployment moved upward.

- Truck employment increased 0.4% month-over-month to 1.612 million people, a gain of 5,700 jobs.
- Truck employment is 3.2%, or 50,200 jobs, higher year-over-year and 12.4%, or 181,000 jobs, higher than the low in April 2020.
- The occupational unemployment rate for transportation increased 9.4% month-over-month to 5.8%, which is 9% lower than last year.

Despite loosing over 8,000 jobs in February, the trucking industry bounced back strong in March. Some analysts believe this increase in jobs is due to large carriers who think that the freight market will improve in the second half of 2023. Again, this is a trend we'll continue to watch. One thing is for certain however, there is no shortage of drivers.



Source: FRED| https://fred.stlouisfed.org/series/CES4348400001 | Monthly



Source: FRED| https://fred.stlouisfed.org/series/LNU04032228 | Monthly

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.

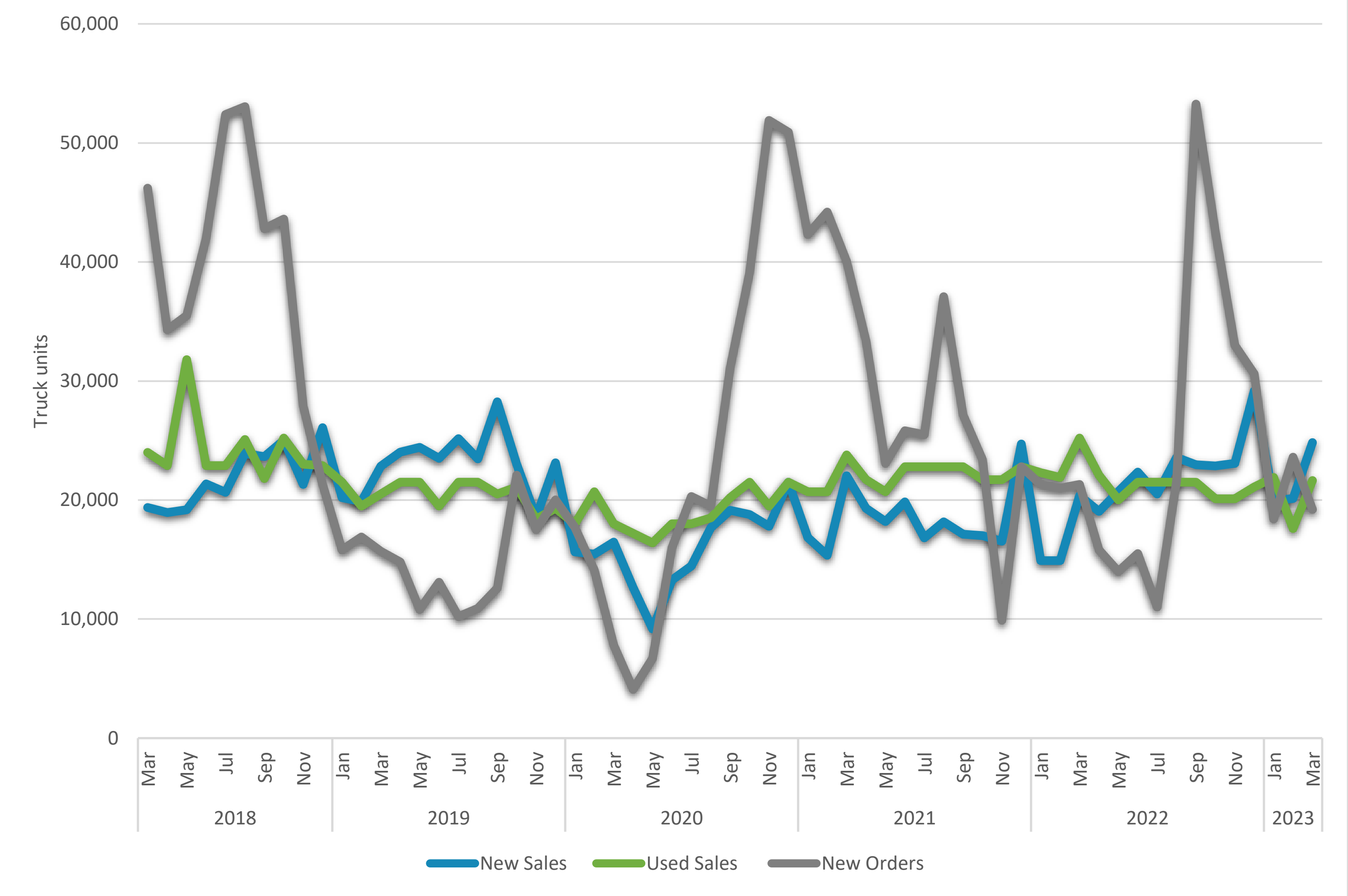
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

- 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 sales increased 23.3% in March to 24,823, and are 21.9% higher year-over-year, while new orders declined 18.6%.

- Used sales also increased 23%, or 4,000 units, in March to 21,650, but are down 14% compared to last year. Used sales are 1% higher than the 5-year average.
- New sales eclipsed used sales by 3,175 in March.

This is a negative sign in regards to capacity. The industry has experienced overcapacity, or too many trucks, for the past several months, which has pushed freight rates downward.



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.

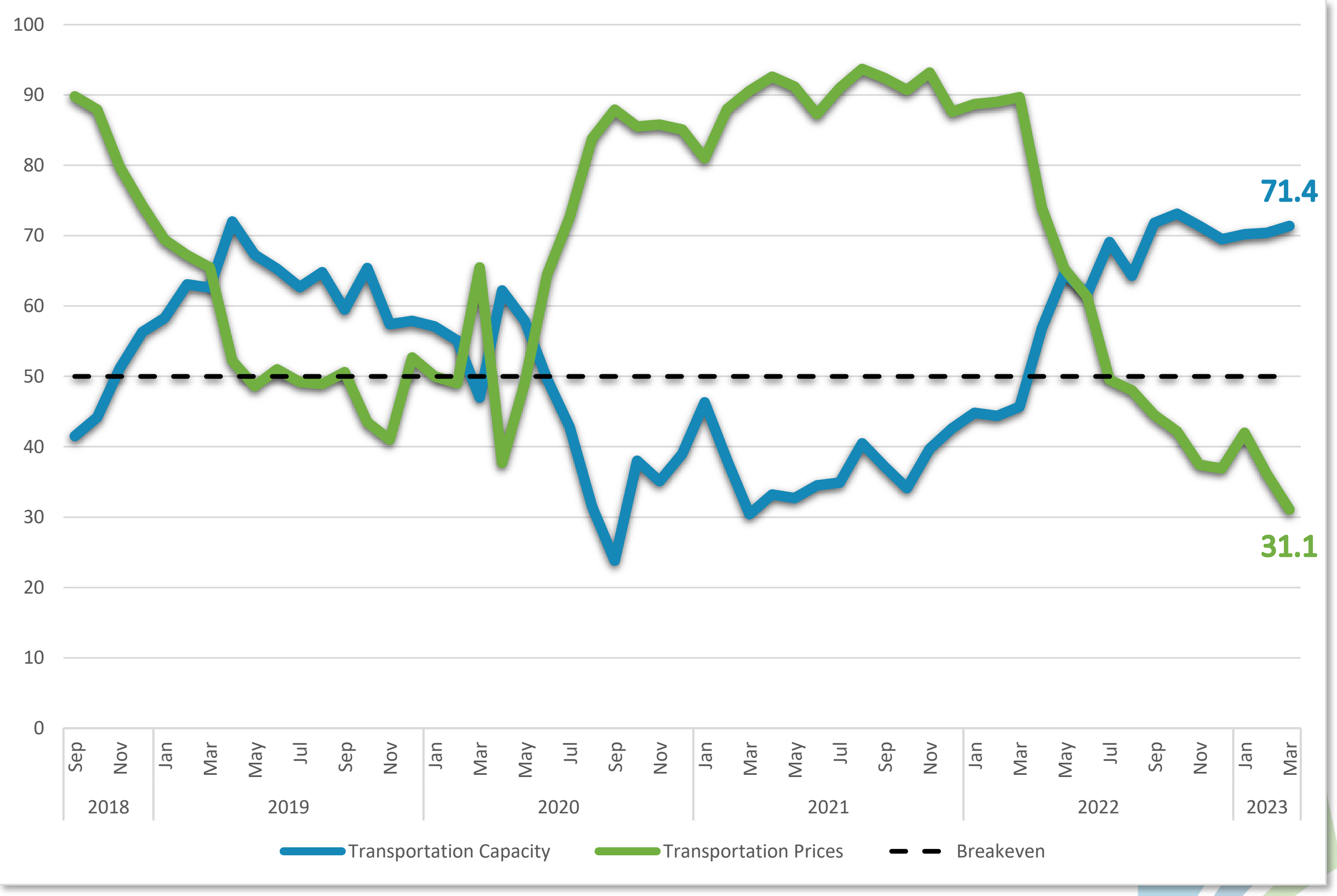
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

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

Our thoughts: The LMI overall decreased 3.6 to 51.1, marking the lowest reading for the index in its history. This was mainly driven by an all-time low in transportation prices.

- Transportation prices are again contracting at the fastest rate the index has ever witnessed.
- Prices decreased 14% month-over month to 31.1, and 65% year-over-year, when the index read 89.7.
- Transportation capacity increased 1.4% to 71.4, marking six of seventh months with a reading over 70.

Aggregate logistics prices, which includes inventory costs, warehousing prices, and transportation prices, dropped 6.8% in March and are tracking very closely with 2019 levels.



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.

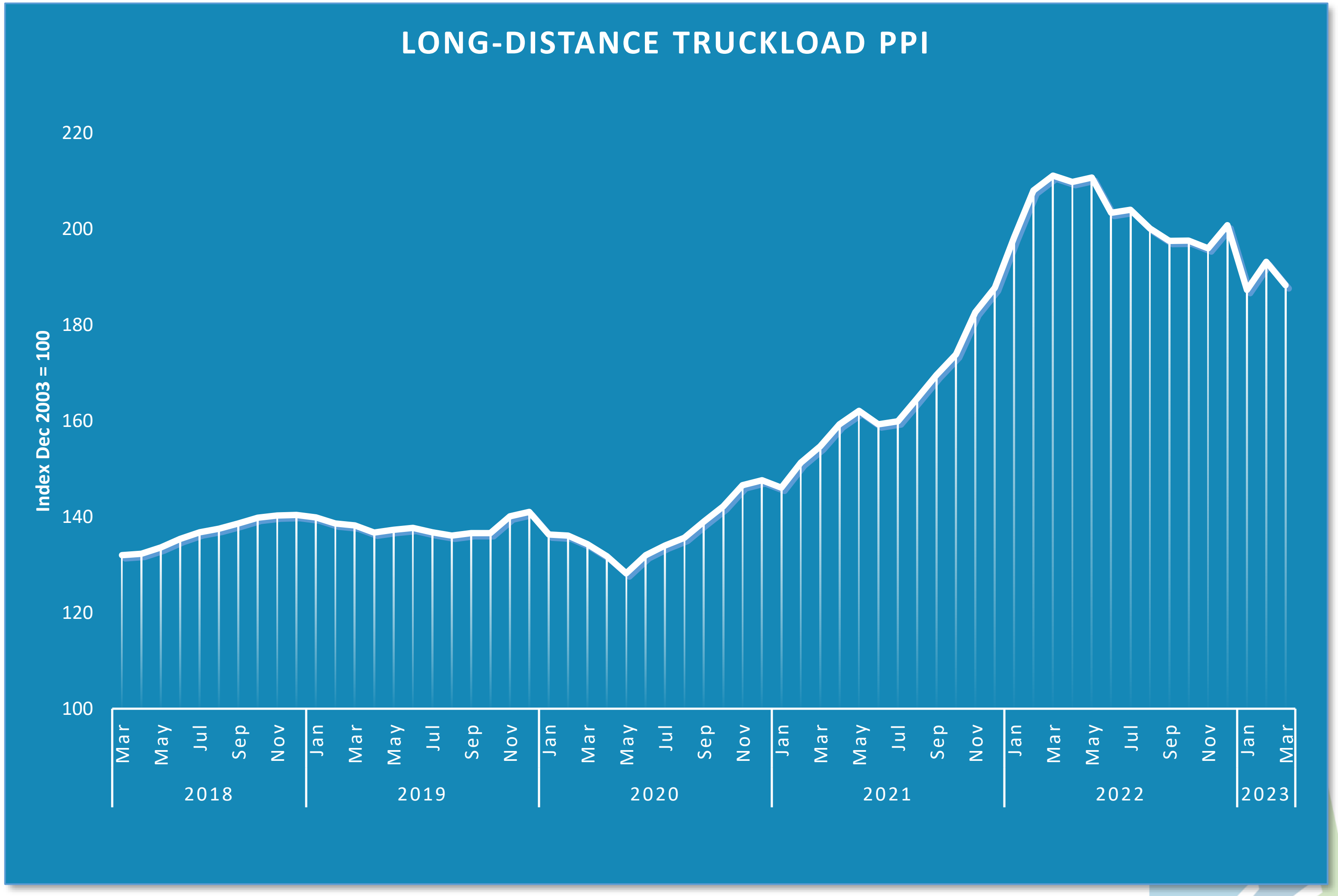
- One index focuses on long-haul, truckload carriers.
- This index shows how much carriers are charging their customers.

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 has decreased 6.2% since December 2022. While a decrease wasn't unexpected, as we're entering the slowest time of the year for freight, we were hoping that rates would have already bottomed out by now.

- The long-haul PPI decreased 2.5% to 188.3, month-over-month.
- The PPI is 10.8% lower year-over-year, but 19% above the 5-year trend.

Look for rates to continue to slide downward overall. While many were hoping for rates to bottom out in early spring, it appears that they still have further to fall. This is especially true for dry van and reefers.



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

Costs: Diesel Fuel

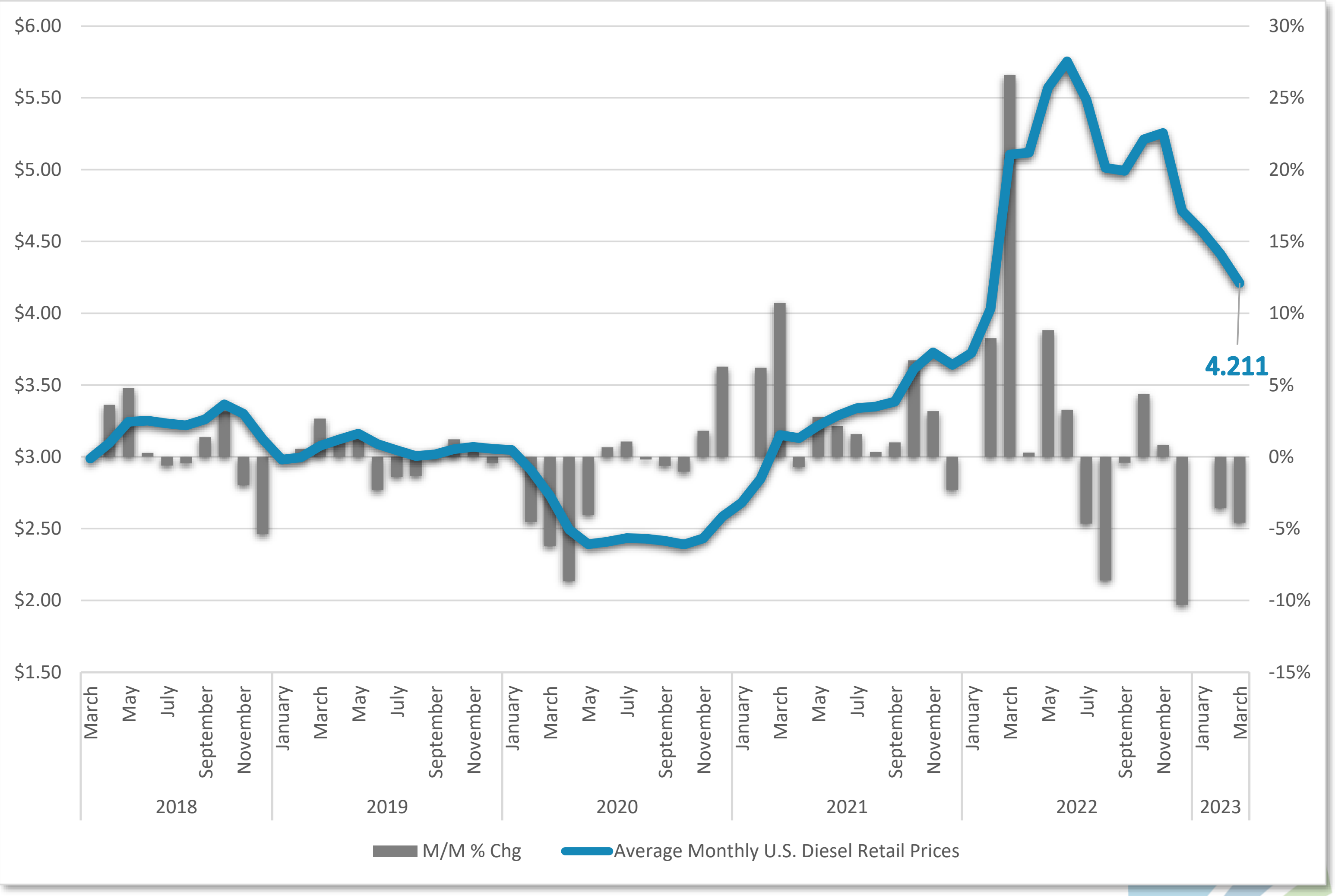
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 20 cents in March marking the fourth straight month of decline. Prices through March have declined $1.54 per gallon since the high in June 2022.

- The average price for diesel fuel decreased 4.6% month-over-month to $4.211 per gallon.
- The average diesel price is 18%, or $0.89, lower year-over-year, but 21%, or $0.74, higher than the 5-year trend.
- Learn more about how to incorporate a fuel surcharge 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.

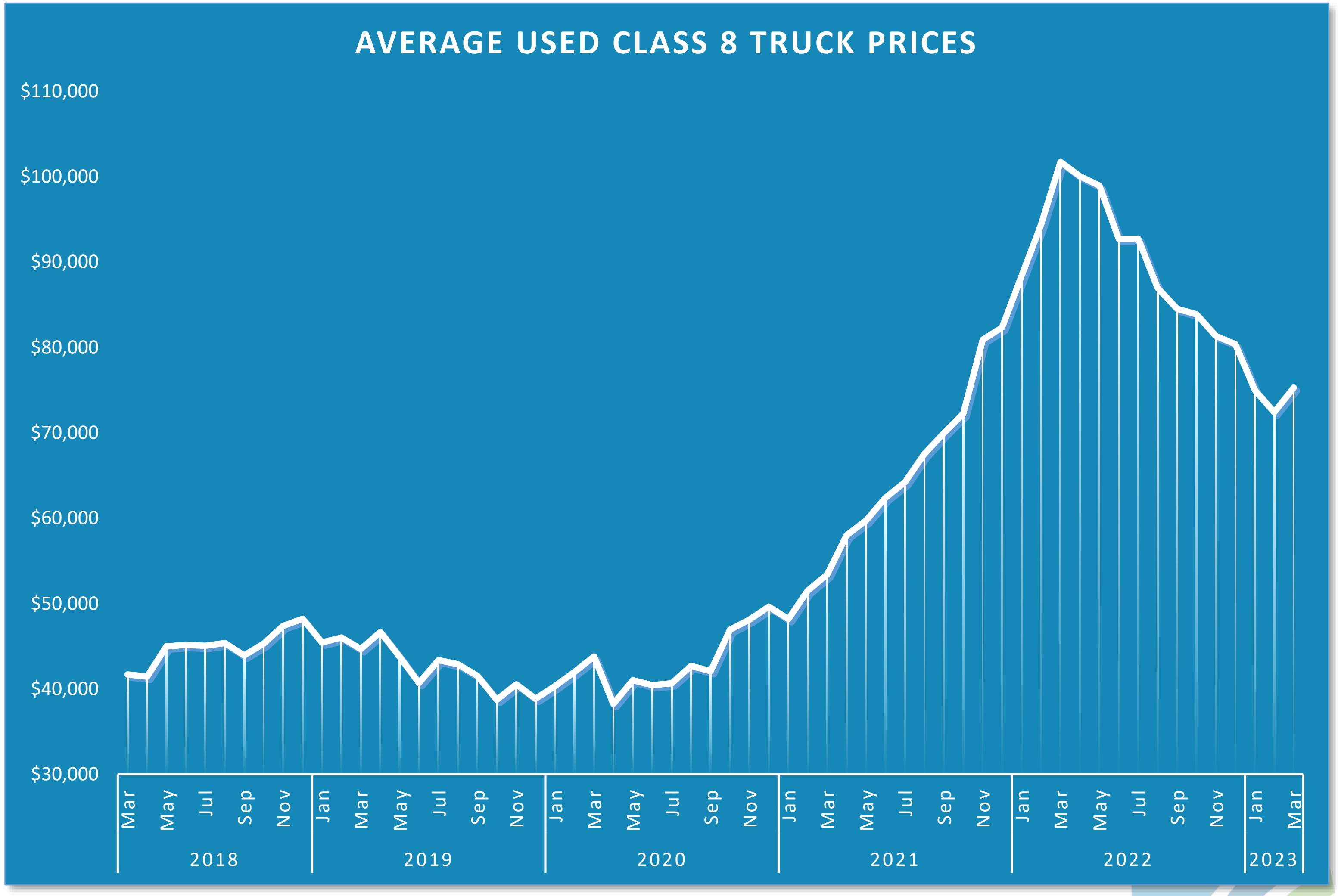
- As spot rates turn upward, the number of individuals seeking to become an owner-operator also increase, pushing used prices higher.

Our thoughts: Used truck prices surprisingly ticked upward in March after falling for eleven straight months. While they are a far cry from the used prices a year ago, they are still significantly higher than their pre-pandemic average of $42,000.

- Used Class 8 truck prices increased 4% in March to approximately $75,300.

- This is 26% lower year-over year, but 29% higher than the 5-year trend.

ACT believes that the unexpected gain in prices was due to younger, lower mileage trucks making their way into the market. However, they expect their to be an uptick in older, higher mileage trucks in the months to come. If so, this will help to further reduce prices.



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

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 much people are earning and spending.
2. **Manufacturing and Inventory** is one of the primary movers and shakers when it comes to freight volumes.
3. **Ocean** volumes are a good indicator of the amount of volume the market might expect downstream.
4. **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: Disposable Income, Wages, Household debt, and Delinquency

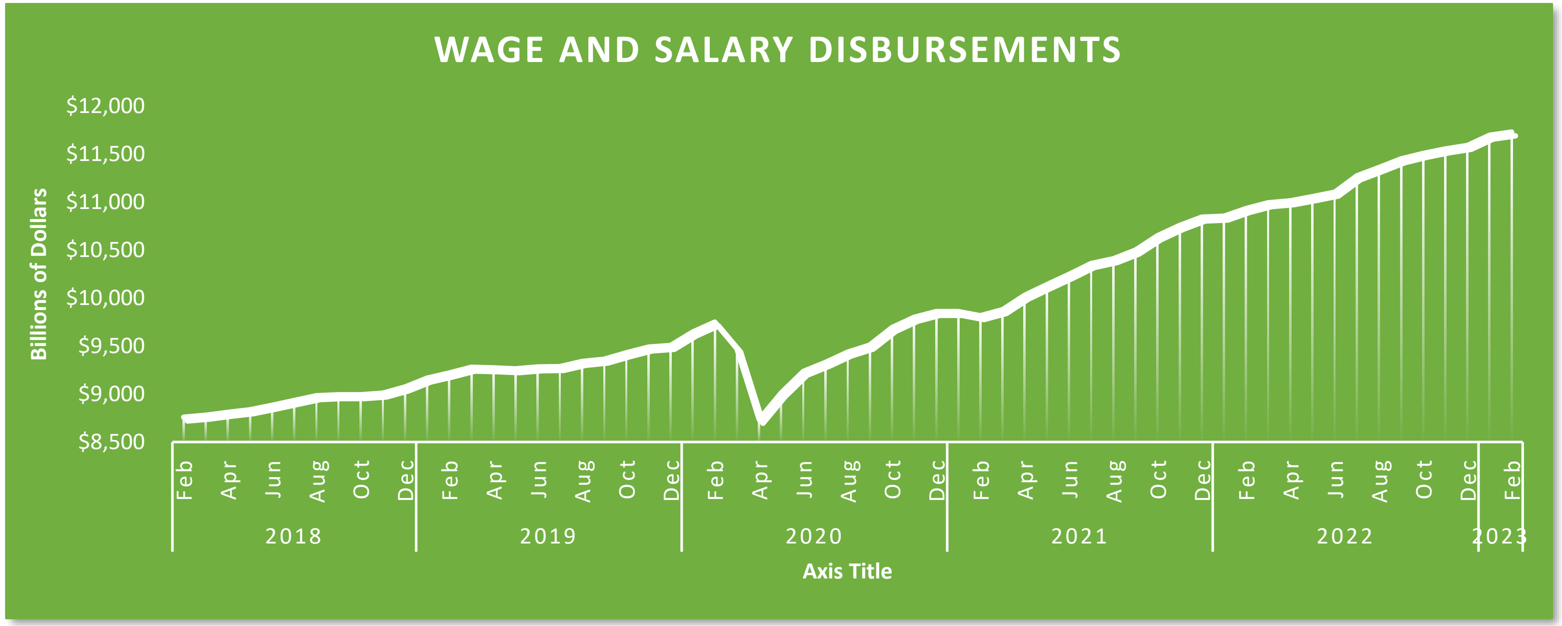
The big picture: Consumers move the U.S. economy. As consumer conditions and sentiments change, so to does business and shipping activity.

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

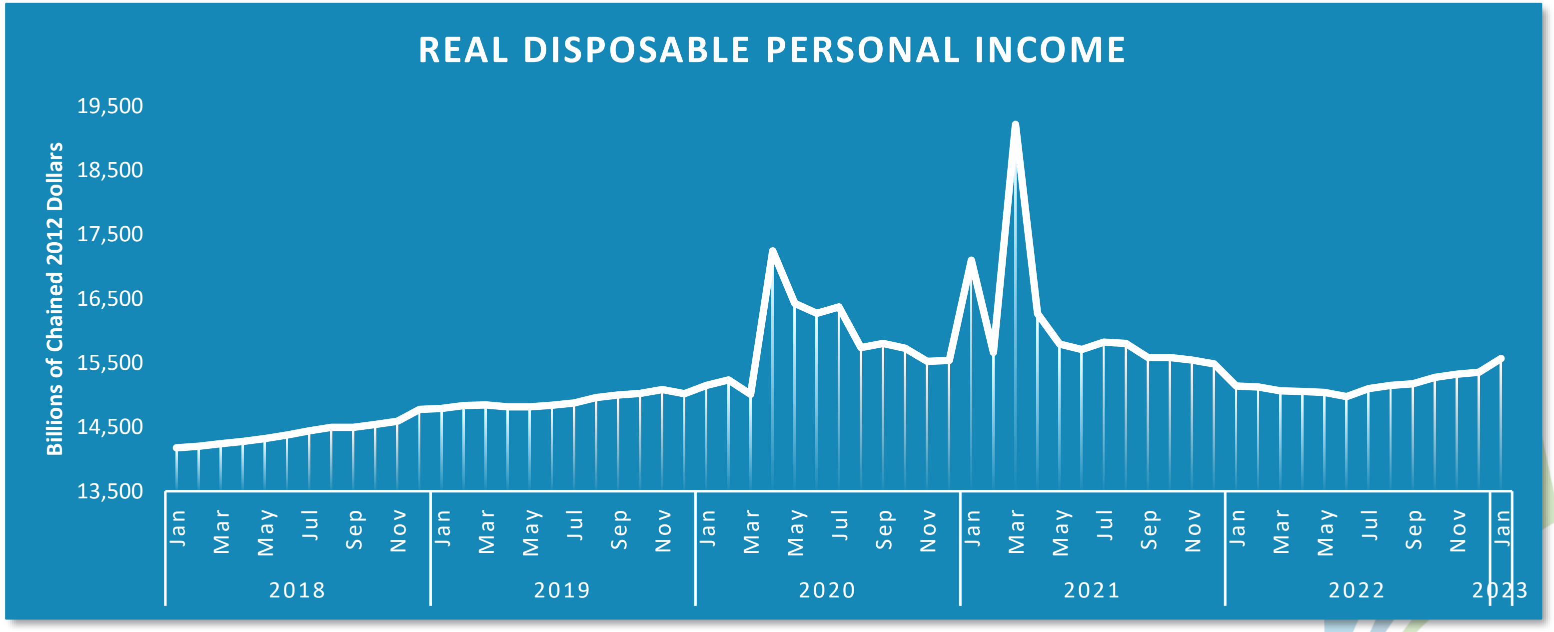
- For example, when disposable income and consumer sentiment are high, people typically purchase more goods, both durable and non-durable.
- This creates more freight demand downstream.

Our thoughts: Wages and salaries are 7.3% higher year-over-year and 18.3% higher than the 5-year trend, which has helped to keep disposable income and sales elevated.

- Real disposable income, which is adjusted for inflation, increased 0.2% month-over-month to $15.622 trillion, and is $495.9 billion higher year-over-year.
- Household debt rose by $394 billion, or 2.4%, to $16.90 trillion in the fourth quarter of 2022, while credit card balances rose by $61 billion to reach $986 billion.
- Delinquency rates are well below their 5-year trends as 97.5% are current. But household debt as a percentage of income continues to increase. It increased to 9.70% in the fourth quarter of 2022, which is 6.2% higher Y/Y.



Source: FRED| https://fred.stlouisfed.org/series/A576RC1 | Monthly



Source: FRED| https://fred.stlouisfed.org/series/DSPIC96 | Monthly

Consumer and Labor:

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.

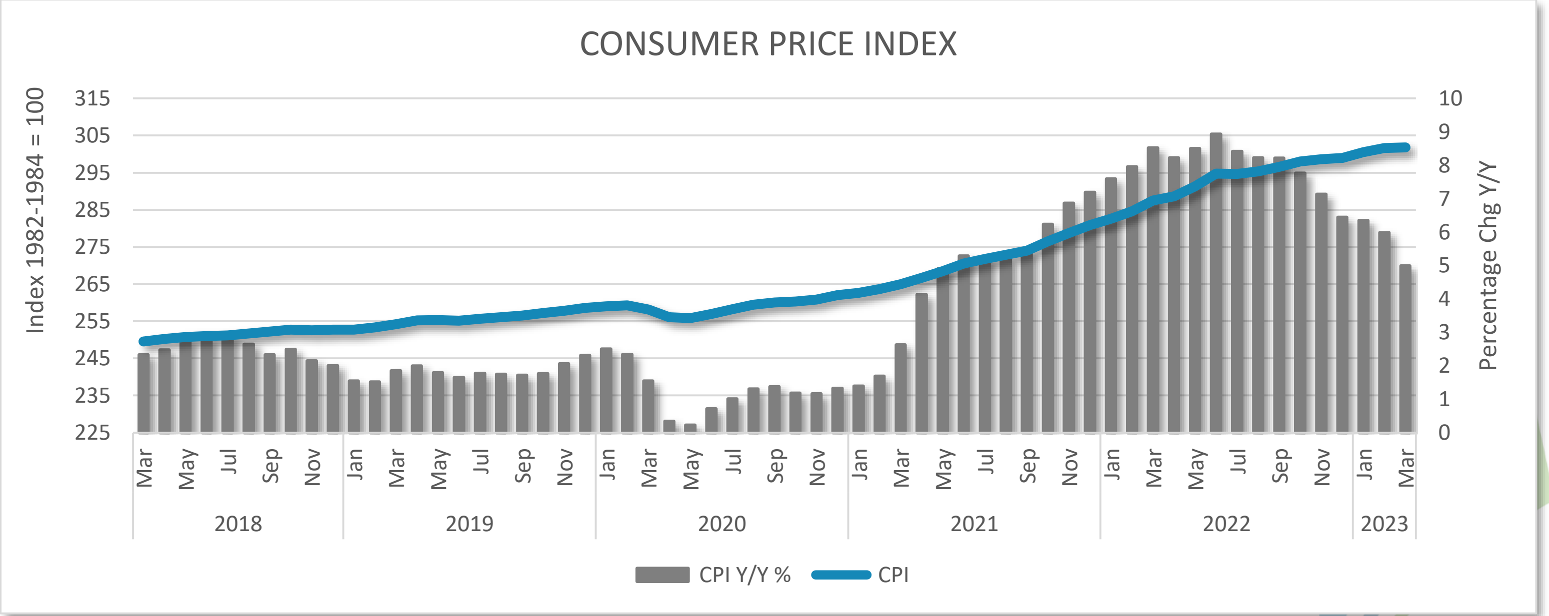
- Consumer spending accounts for two-thirds of GDP.
- If prices are stable and retail sales are high, it means that there's a greater demand for freight.

Our thoughts: People are still purchasing goods, albeit at a slower pace and in different ways, even despite high inflation.

- Retail trade dropped 1.2%, or $7 billion, month-over-month in March to $598.6 billion, but is 1.5%, or $9 billion, higher year-over-year.
- CPI increased slightly by 0.1% to 301.8, which is 5% higher than it was a year ago and 12.6% higher than the 5-year trend.
- **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

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.

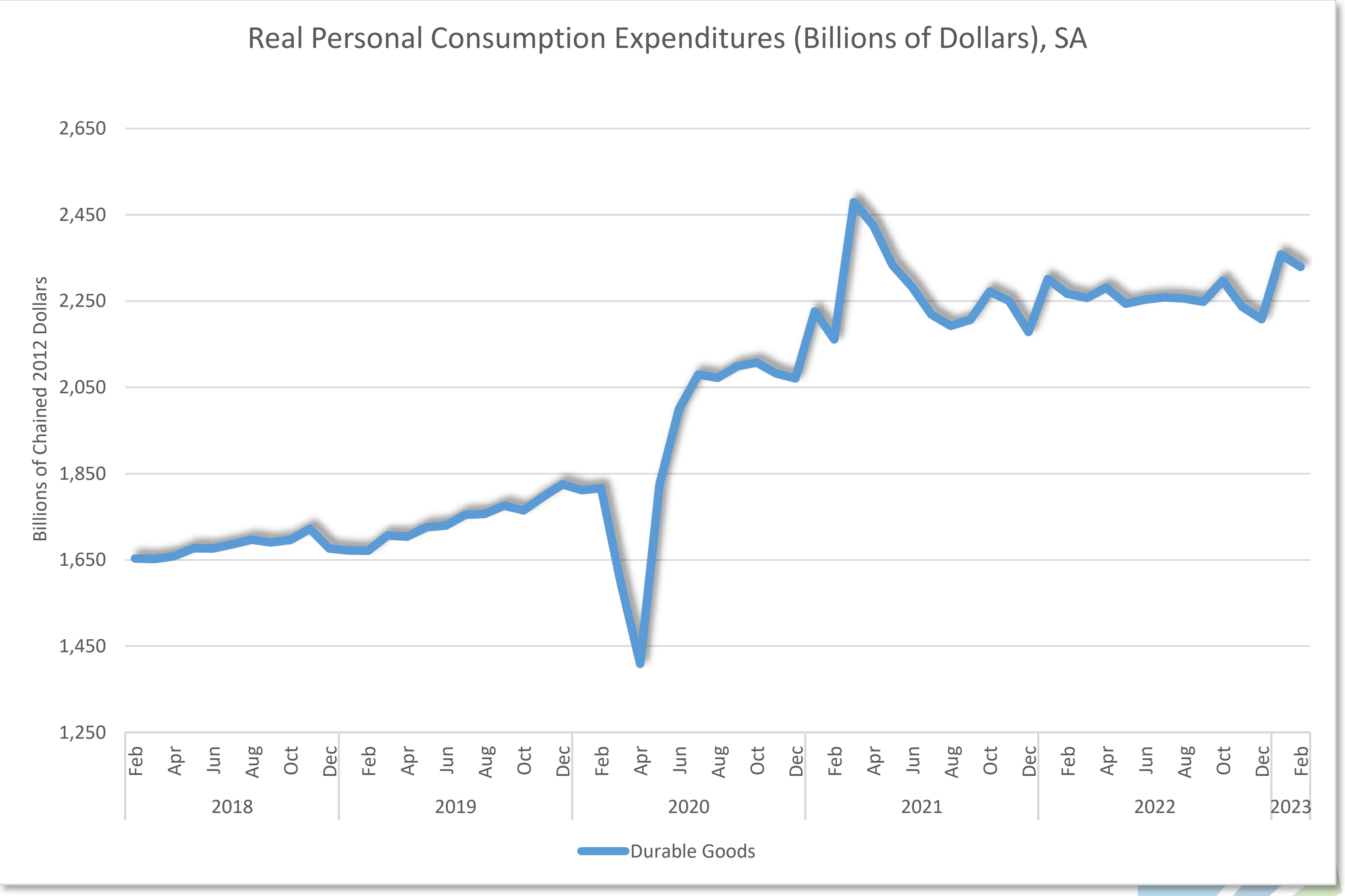
- The PCE measures a broad spectrum of consumer spending for a period of time.

Why it matters: The Real PCE, meaning it adjusts for inflation, 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: While durable goods decreased, non-durable goods increased in February, marking the second straight month of gains. Volumes however have largely flattened since January 2022.

- Consumer spending for durable goods decreased 1.2% to $2.329 trillion, but is 2.7%, or $62 billion, higher year-over-year and 17.1% above the 5-year trend.
- Spending for non-durable goods ticked upward 0.5% to $3.352 trillion, which is 0.9% higher Y/Y and 7% above the 5-year trend.



Source: FRED| https://fred.stlouisfed.org/series/PCEDGC96 and https://fred.stlouisfed.org/series/PCENDC96 | Monthly

Manufacturing: New Orders: Total Manufacturing

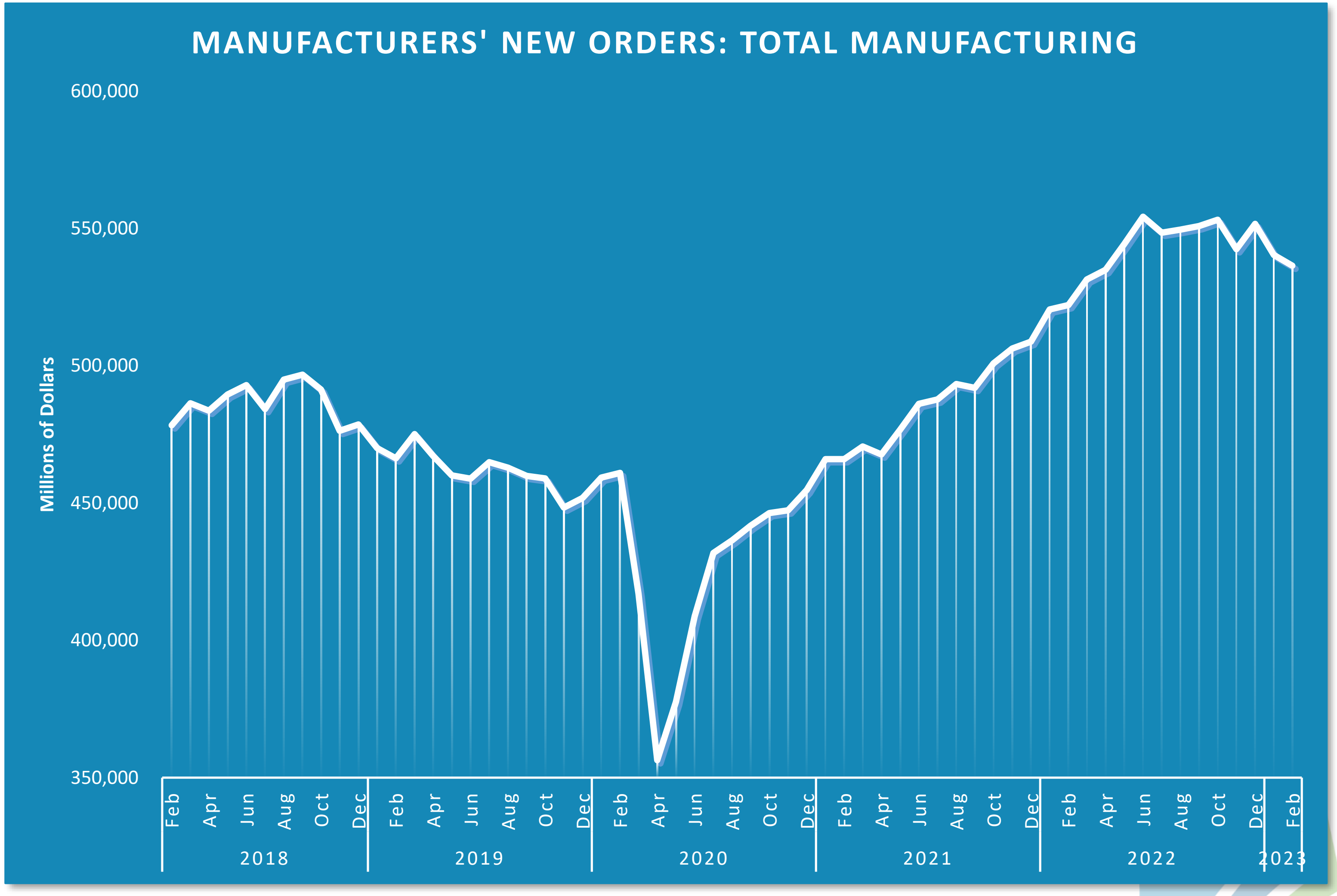
The big picture: Manufacturing new orders are an important economic indicator. They signify an overall direction of the market and economy.

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.

- Manufacturing makes up 60% of all ton-miles. An increase in new orders also indicates future demand for transportation.

Our thoughts: New orders total manufacturing decreased for the second straight month in February, which could be a worrying sign that manufacturing is starting to slow down.

- Total manufacturing declined 0.7%, or $3.9 billion, month-over-month to $536.4 billion.
- Total manufacturing is $14.3 billion, or 2.7%, higher year-over year and $53.9 billion, or 11%, above the 5-year trend.
- However, new orders for nondefense capital goods excluding aircraft only decreased 0.07%. These goods often involve large investments and are sensitive to the US economic situation.



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

Manufacturing: Manufacturers with Unfilled Orders

The big picture: Manufacturers with Unfilled Orders is a special subset of manufacturing that the U.S. Census Bureau views as a "make-to-order basis."

- This represents 70% of durable goods manufacturing by value.

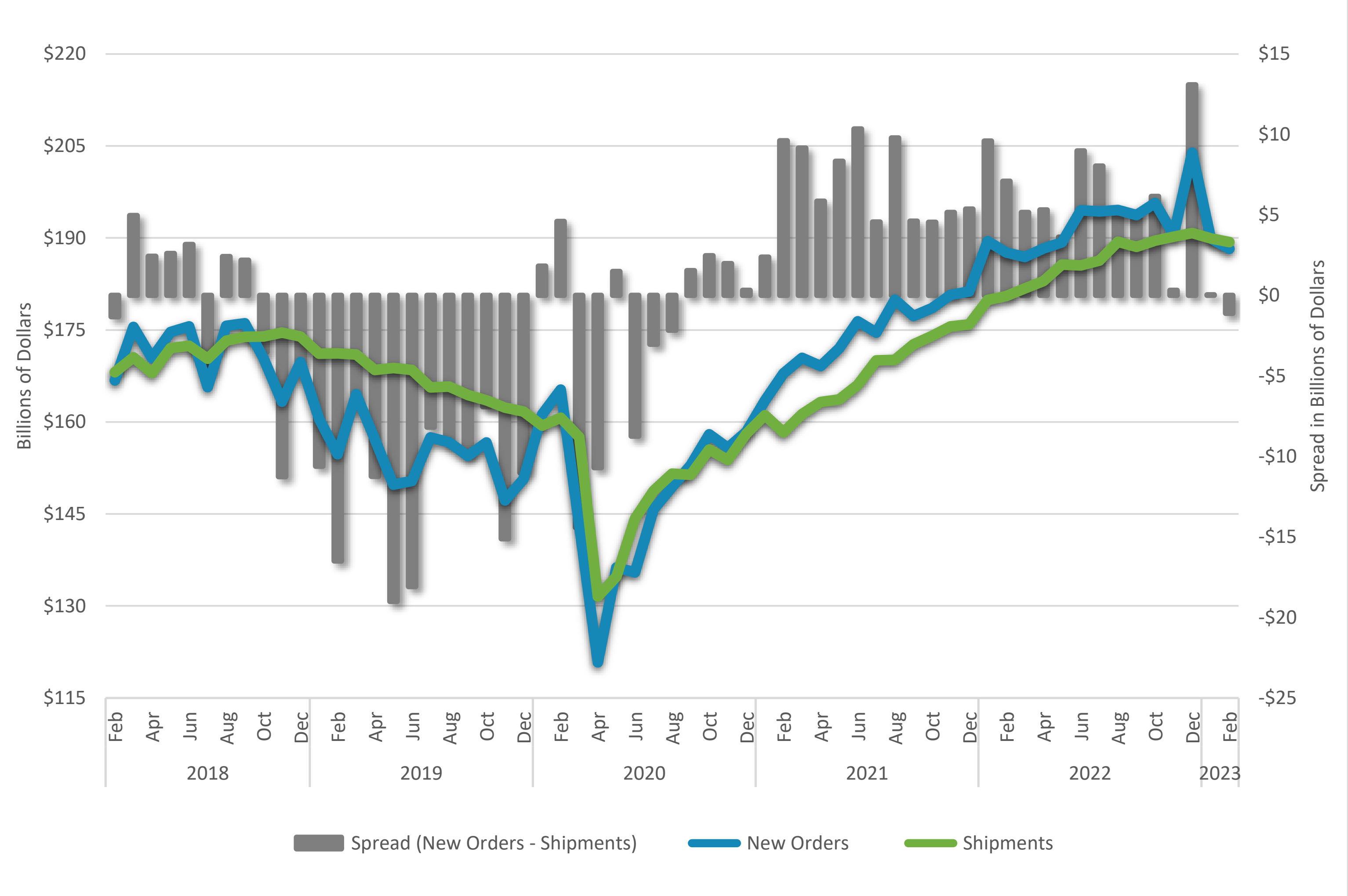
Why it matters: When unfilled new orders outperform shipments for unfilled orders, backlogs increase and we see growth in manufacturing activity. The reverse is also true.

- This expansion or contraction in activity, as captured by the spread between the two, coincides with trucking cycle.

Our thoughts: The data from the Census Bureau also suggests that manufacturing activity is slowing. New orders dipped below shipments for the first time since August 2020, which translates to fewer backlogs.

- New orders dropped 0.9% to $188.2 billion in February, and are 0.3%, or $620 million, higher year-over-year.
- Shipments declined slightly by 0.3% to $189.3 billion.
- The spread between new orders and shipments plummeted from $34 million to negative $1.1 billion.

This is a troubling sign. The ISM Manufacturing PMI also suggests that back orders are contracting for many firms.



Source: New Orders: https://fred.stlouisfed.org/series/AMTUNO | Shipments: https://fred.stlouisfed.org/series/AMTUVS | Monthly

Manufacturing: ISM Manufacturing PMI

The big picture: The Institute for Supply Management's (ISM) Manufacturing PMI is a diffusion index based on data compiled from purchasing and supply executives.

- The PMI measures ten different leading indicators, including new orders, production, backlogs, inventories, etc.
- Any number below 50 is indicates contraction, while any number above 50 indicates expansion.

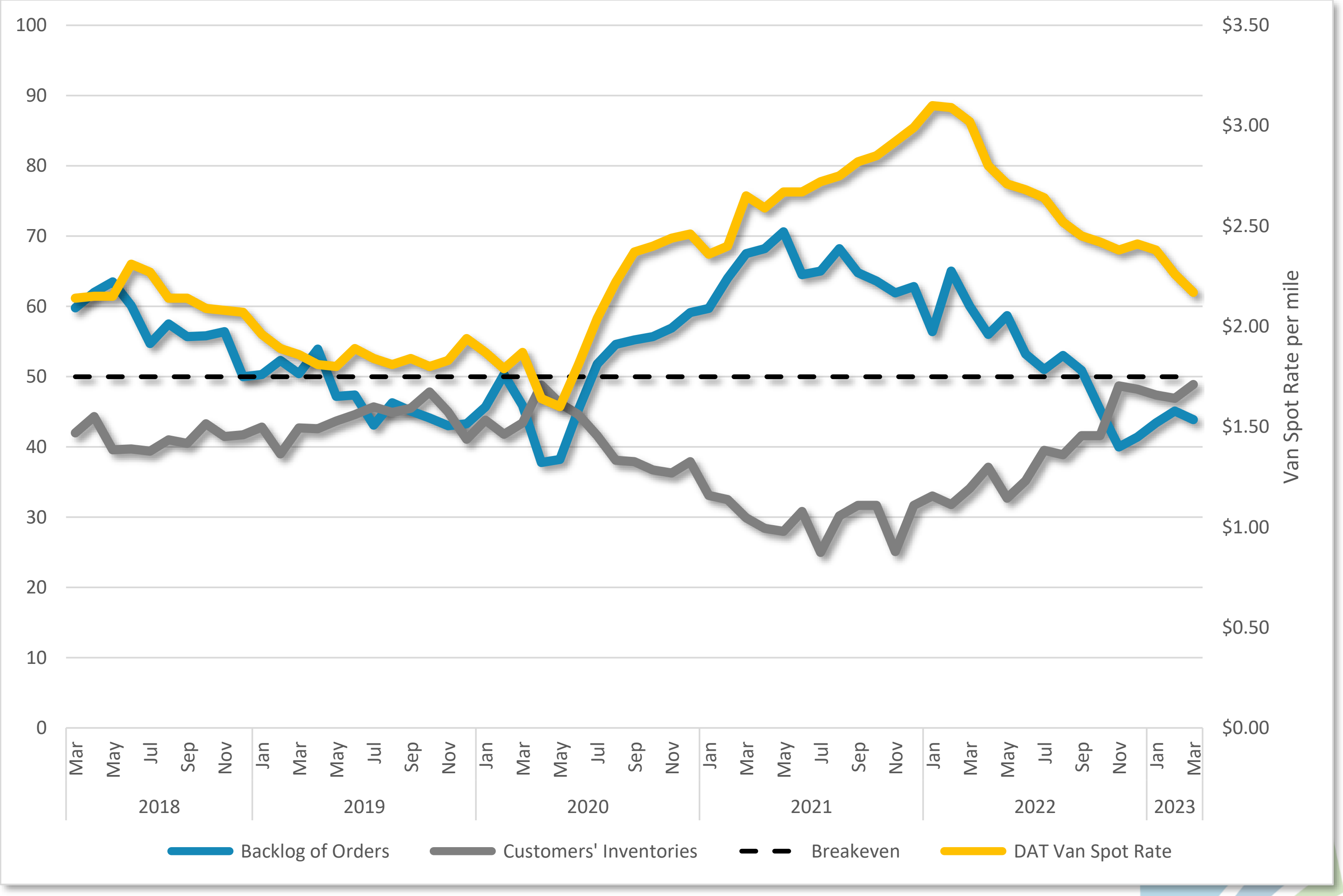
Why it matters: The ISM Manufacturing PMI is a reliable economic indicator and provides a sense of direction for the trucking market as shown in the chart.

- When backlogs drop and customers' inventories move upward, rates rise. The opposite is also true.

Our thoughts: Backlogs declined in March as customers' inventories increased.

- Backlogs decreased 2.7% month-over-month to 43.9, which is contraction territory. Backlogs are 27% lower year-over-year.
- Customers' inventories increased 4.3% to 48.9 and are 43% higher year-over-year.

The bottom line: Backlogs are contracting under customers' inventories, which is a bad indicator for demand as large backlogs help generate freight. Of the six biggest manufacturing industries, only two registered growth. Panelists are becoming more concerned about when things will improve.



Source: ISM | https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/ | Monthly

Inventory: Machinery Wholesalers Inventories to Sales Ratio

The big picture: The inventories to sales ratios show the relationship of the end-of-month values of inventory compared to monthly sales.

- For example, a ratio of 2.5 would indicate that a firm has enough product on hand to cover two and a half months of sales.
- The machinery, equipment, and supplies wholesalers ratio consists of firms that sell bulldozers, farm equipment, industrial machines, supplies for those machines, and transportation equipment excluding motor vehicles.

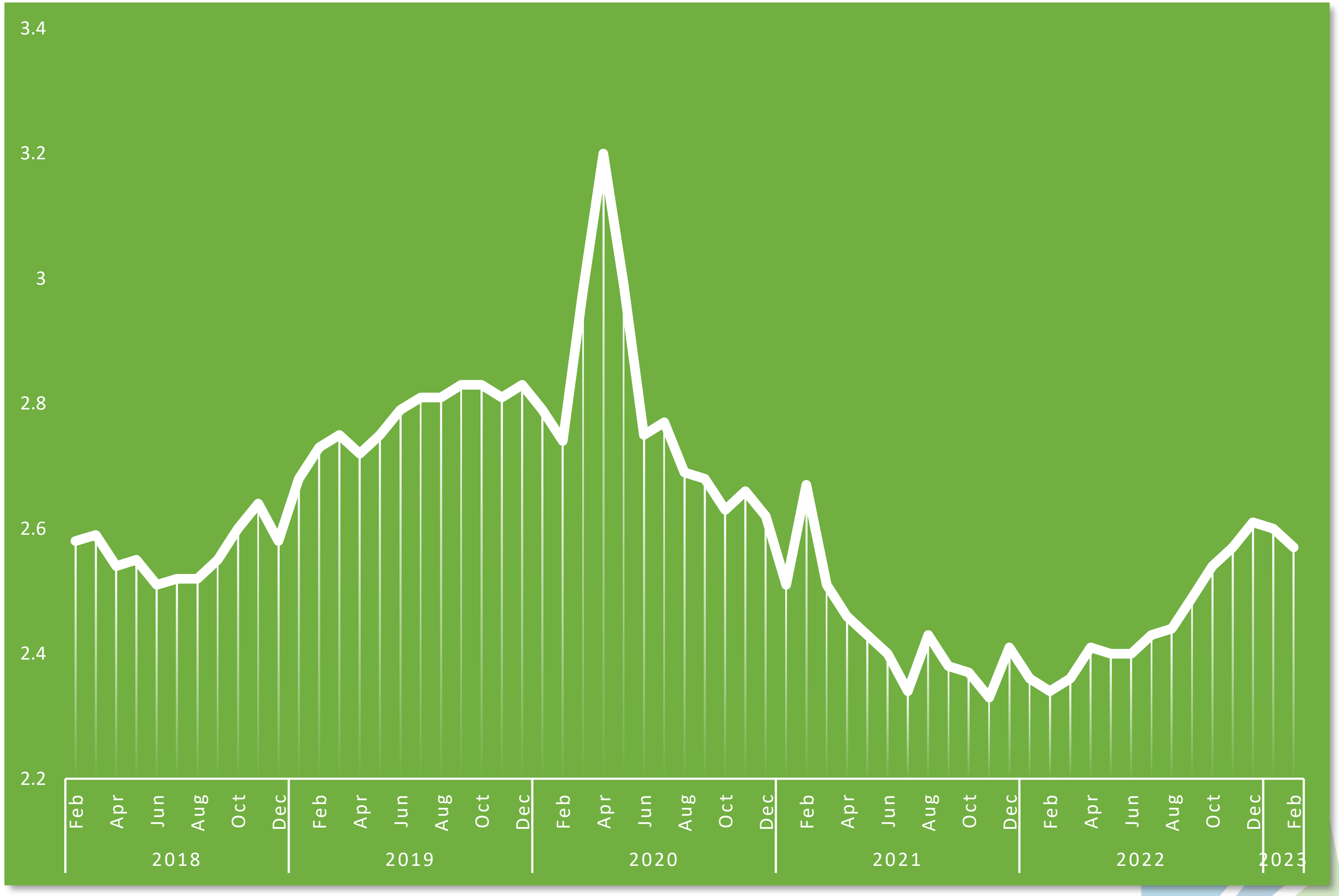
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

- When inventory levels are high, spot rates contract, while the opposite is also true.

Our thoughts: Inventory levels are starting to fall in this sector, which may help to bump up demand and thereby rates.

- The inventories-to-sales ratio decreased 1.2% month-over-month in February to 2.57, ending seven consecutive months of growth.
- The ratio is still 9.8% higher year-over-year.

Machinery was one of the few industries that saw an increase in March.



Source: FRED| https://fred.stlouisfed.org/series/R4238IM163SCEN#0 | Monthly

Ocean: 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.

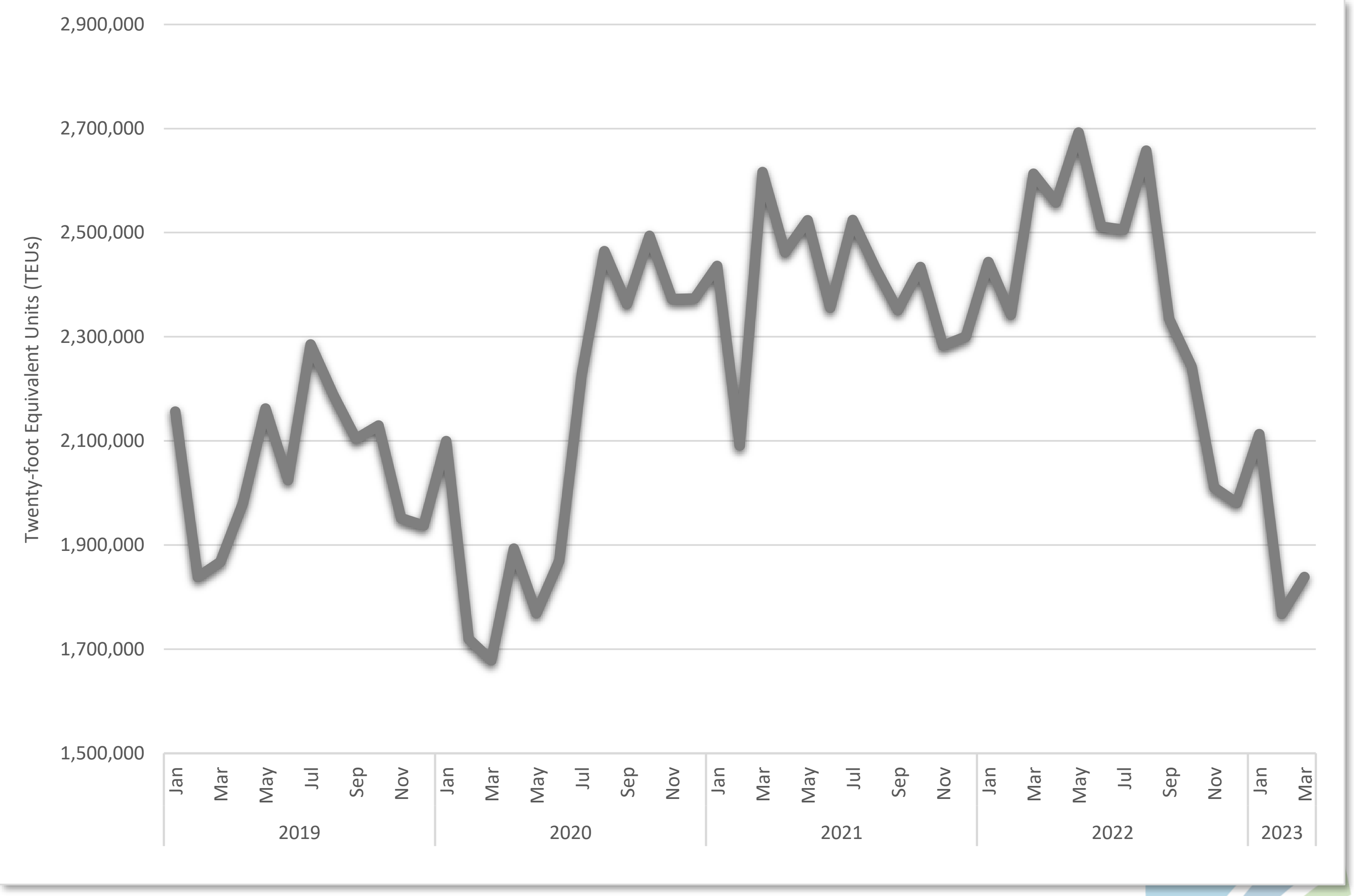
Why it matters: High levels of imports signal a strong domestic demand and a growing economy.

- The U.S. trade deficit tends to worsen when the economy is growing strongly.
- **Yes, but** exports and imports are not a large driver of freight movement overall compared to manufacturing.

Our thoughts: Both imports and exports increased month-over-month.

- Exports, which are a month behind imports, increased in February to 929,685 twenty-foot equivalent units (TEUs).
- Imports jumped 4% in March to 1.84 million TEUs, reversing some of the big drop in February.
- Imports are 462,079 TEUs, or 20%, lower year-over-year, and 17% below the 5-year trend.

The bottom line: According to Jason Miller, who is a supply chain professor at Michigan State University, the pullback on imports is being heavily driving by the slowdown of single-family housing starts, as this has curtailed the demand for furniture, furnishings, and other large appliances.



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

Ocean: 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:

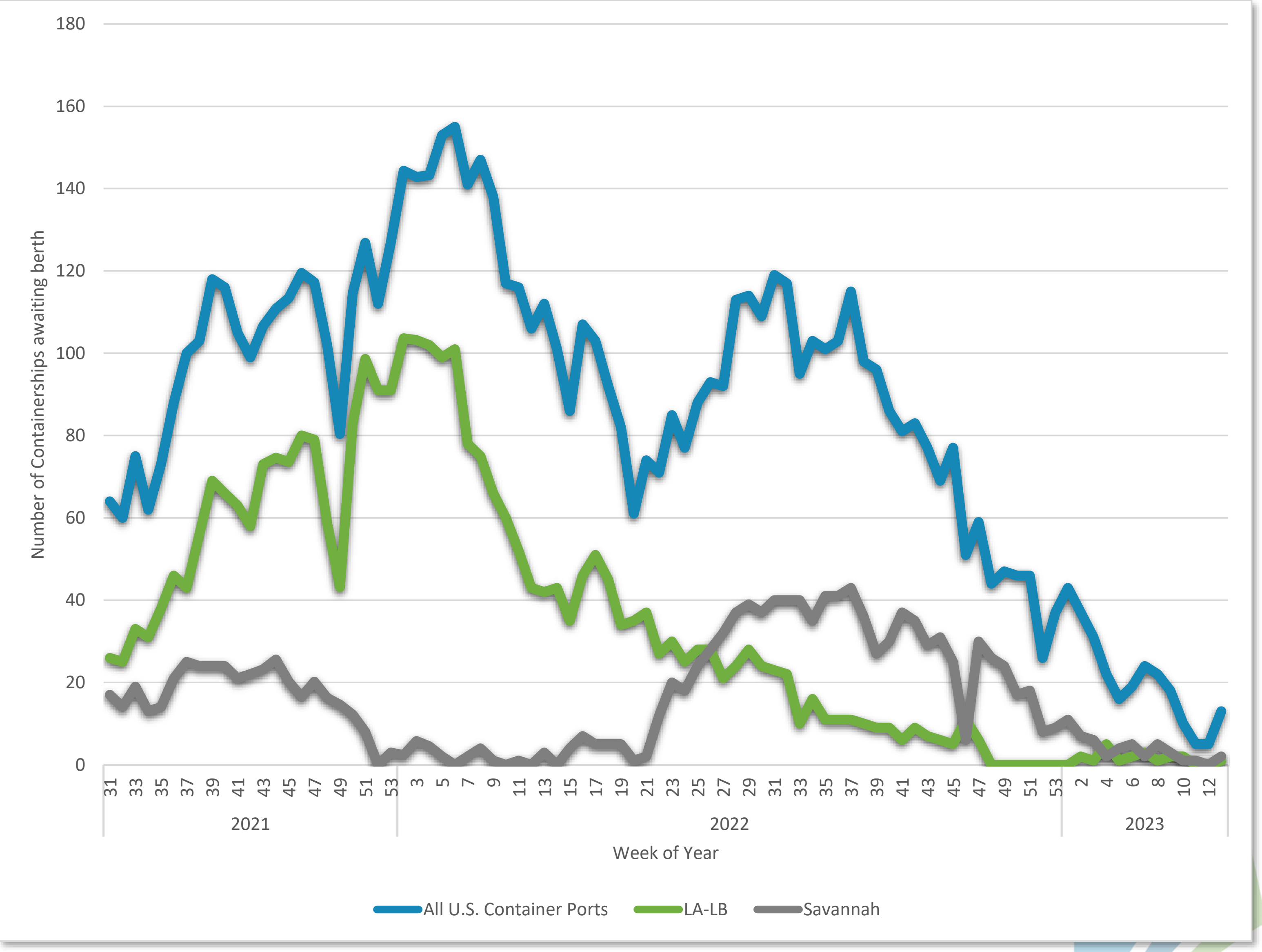
1. Levels of demand, and thereby freight volume.
2. Supply chain inefficiencies such as what occurred 2021 which helped to push freight rates higher.

Our thoughts: Ports are less and less congested around the country

- Containerships awaiting berth overall, have dropped 91% since January 2022, though there has been a recent uptick.

[Flexport's Ocean Timeliness Index (OTI)](#) measures the amount of time it takes to ship freight from the moment the cargo is ready to leave the exporter to the moment the cargo is collected from its destination port.

- OTI is reporting transpacific eastbound cargo increased to 67 days, while far east westward (FEWB) bound cargo increased to 75 days.
- OTI has been increasing steadily since late 2022, but the index is significantly shorter than in early 2022 when FEWB was over 120 days.



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

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.

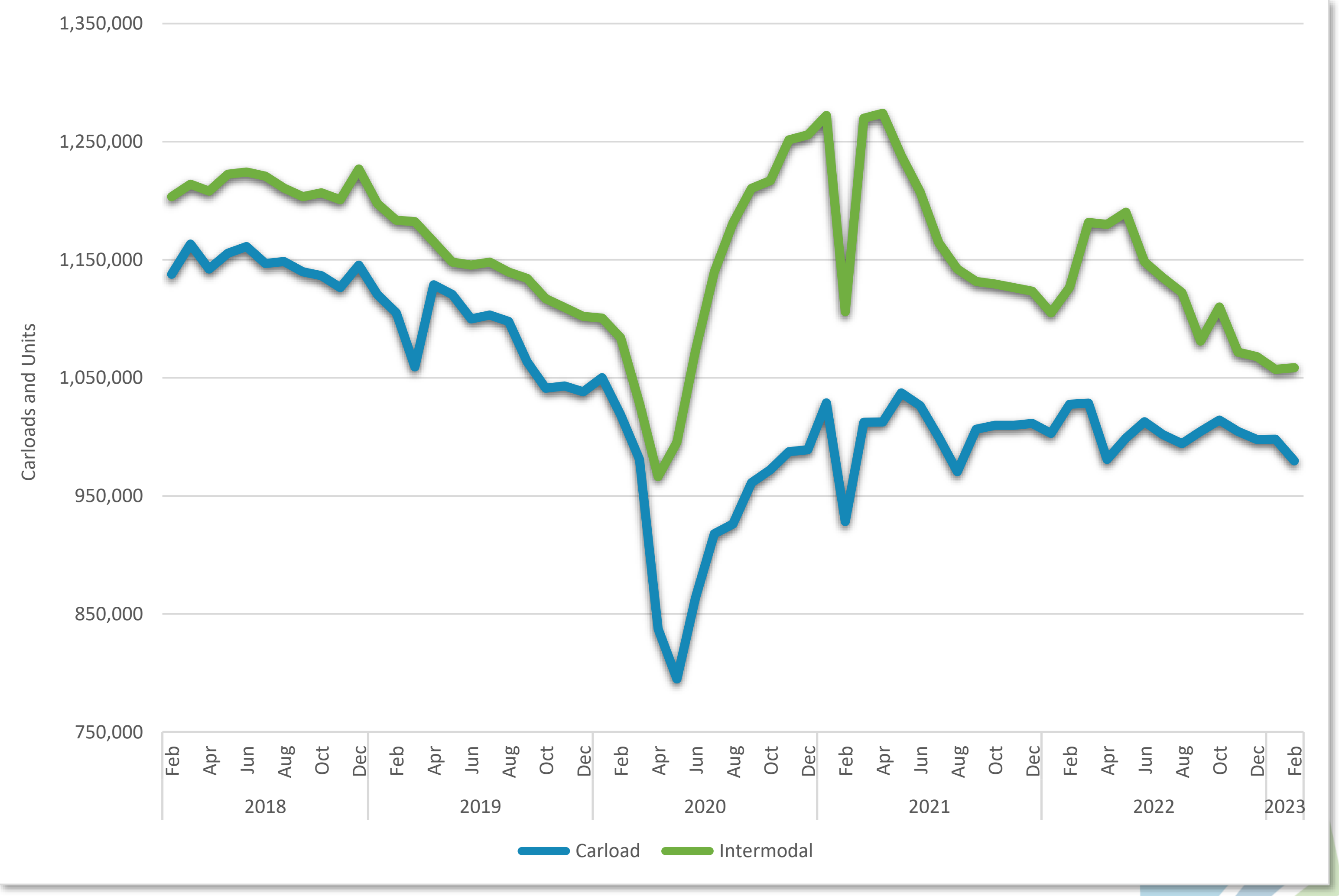
Why it matters: Most freight that is transported by rail, will require a truck for the final mile.

- 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: Rail carloads continue to slide downward as intermodal containers increased slightly. This might indicate a movement from rail to truck as truck prices continue to decline.

- Carloads decreased 1.8% month-over-month to 979.8 thousand, and are down 2.3%, or 23,000 carloads, year-over-year.
- Intermodal ticked upward 0.1% to 1.058 million, and is down 4.2%, or 46,600 loads, year-over-year.
- Both carloads and intermodal are below their 5-year trend line by 5.2% and 8.5% respectively.

We expect that more freight will continue to shift to truck causing further slides in both carloads and intermodal.



Source: Carloads| https://fred.stlouisfed.org/series/RAILFRTCARLOADSD11#0 | Intermodal: https://fred.stlouisfed.org/series/RAILFRTINTERMODALD11 | Monthly

Market Summary

Volume
Flat

Demand
Flat

Capacity
Very Loose

Rates
Bottoming/ dropping

Operating Costs
High

Future Outlook
Negative

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