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RESEARCH
SAFETY
EDUCATION

April 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

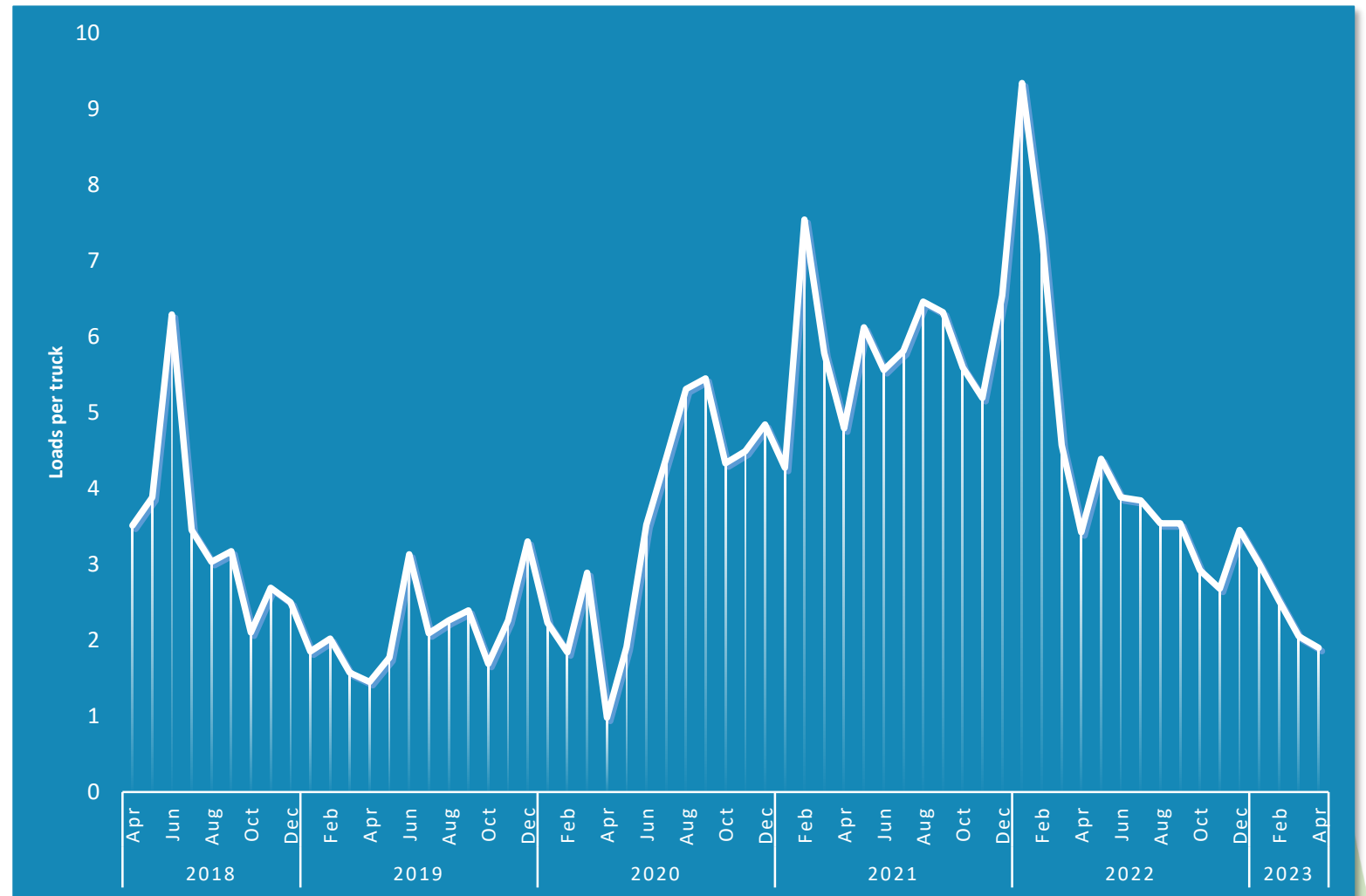
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 April as it underperforms compared to typical seasonal patterns. The drop in the Reefer Load-to-Truck Ratio has also impacted dry van.

- The Van Load-to-Truck Ratio decreased 7.3% month-over-month to 1.9, marking the fourth consecutive month of decline.
- The ratio is 44% lower than last year and 50% lower than the 5-year trend.
- Load posts are almost identical to 2017 levels and over 20% higher than in 2019. However, equipment posts are still high.



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

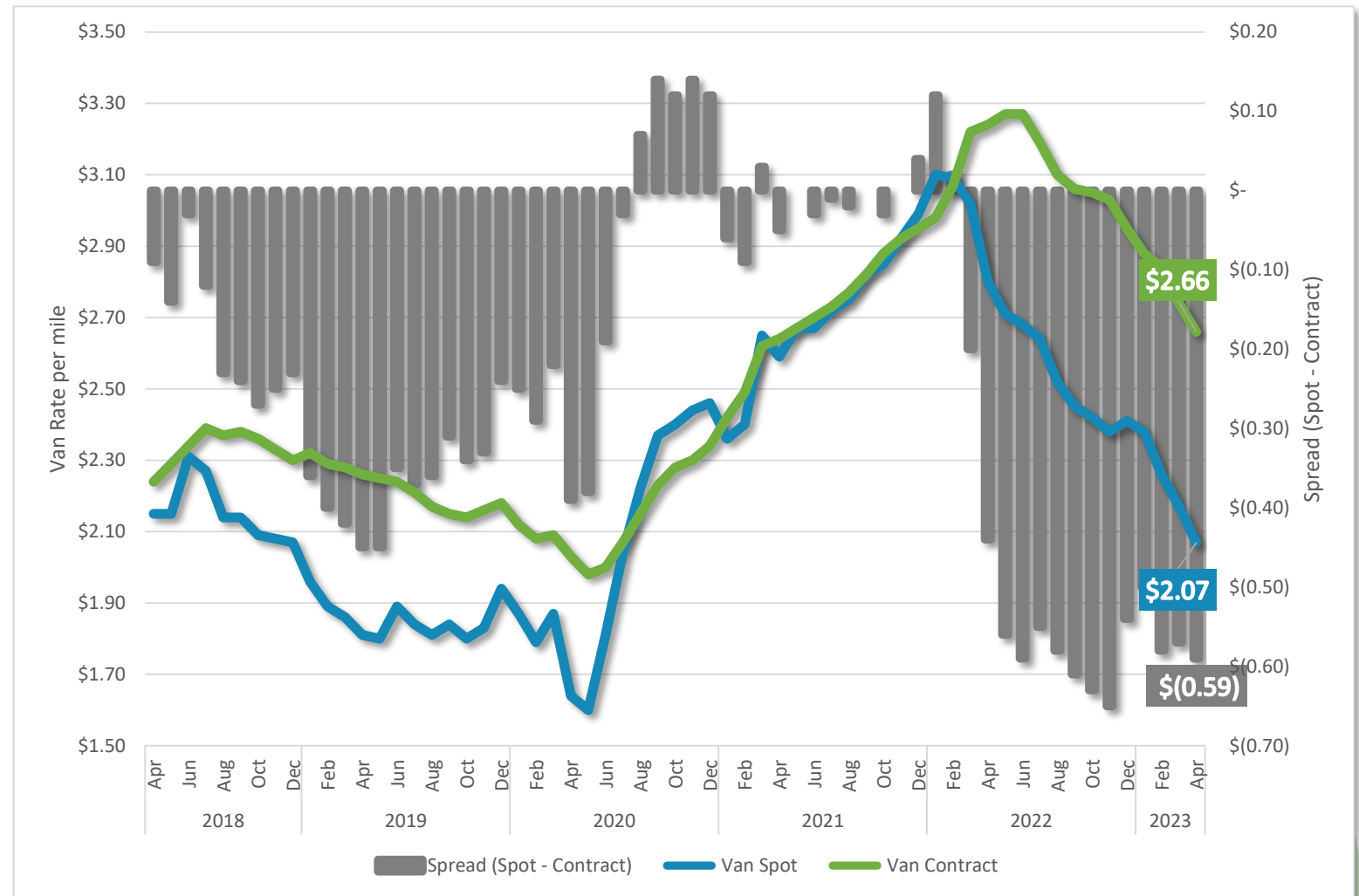
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Rates are underperforming compared to their typical seasonal trend in April where they usually tick upward as we head into Labor Day.

- Spot rates for vans decreased by \$0.10 per mile month-over-month, marking four straight months of decline, and have dropped \$0.73 per mile since last year.
- Contract rates decreased \$0.08 per mile. But the spread between contract rates and spot rates grew \$0.02 to \$0.59 per mile.
- Spot rates are 10% below the 5-year trend, while contract rates are 5% higher.

DAT's model predicts spot rates excluding fuel will move upward about 10 cents per mile toward the middle of June.

- However, DAT believes their models are simply clinging for some form of normalcy. It's doubtful whether this prediction will become reality.



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.

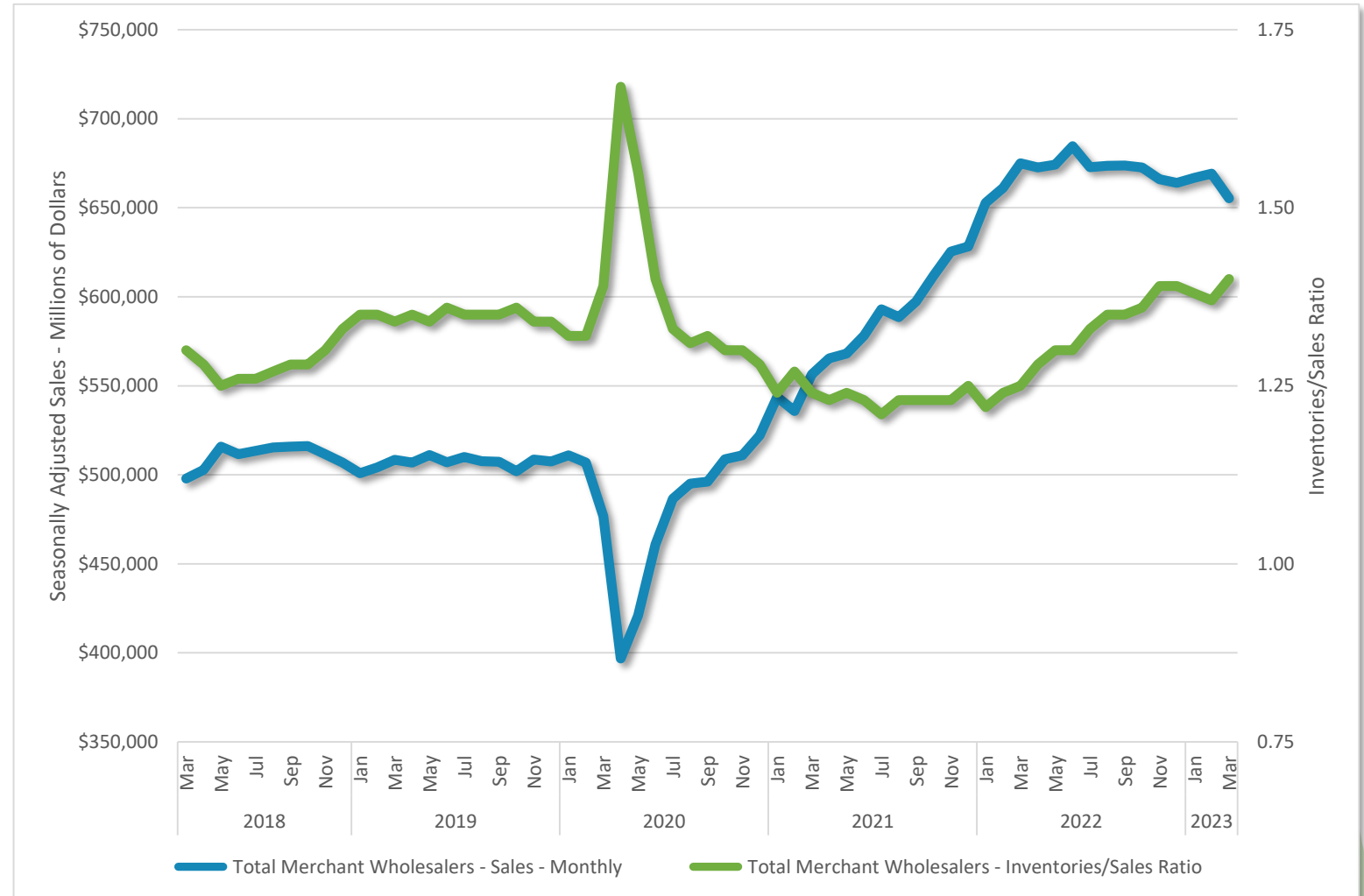
- The U.S. Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 increased, while monthly sales have steadily been declining, which has dampened truck demand and pushed rates downward. Inventories will need to decline further before demand picks back up.

- Sales decreased 2.1% month-over-month in March, and have decreased 2.1%, or \$19.8 billion, since last year.
- Ratios increased 2.2% month-over-month, wiping out the decline of the last two months, and have grown 12%, or 0.15, since last year. Ratios are 6% 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.

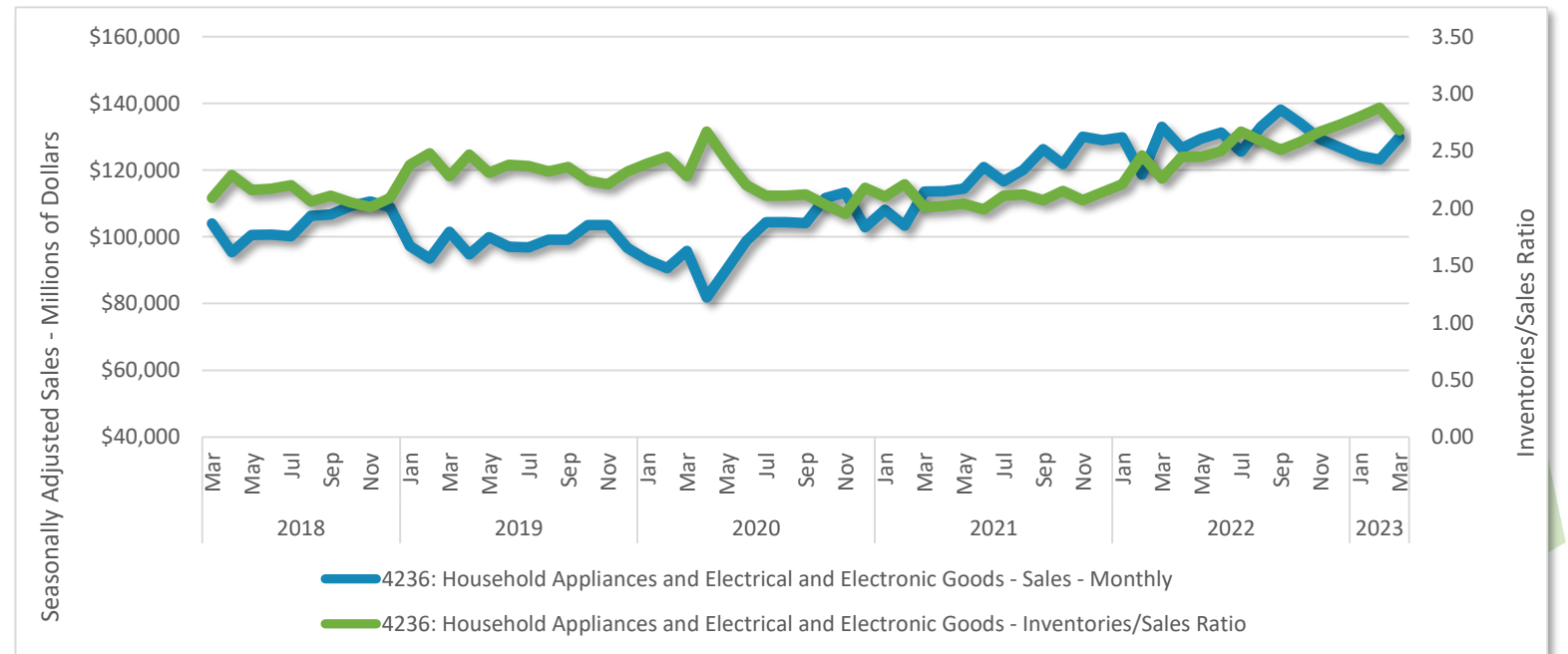
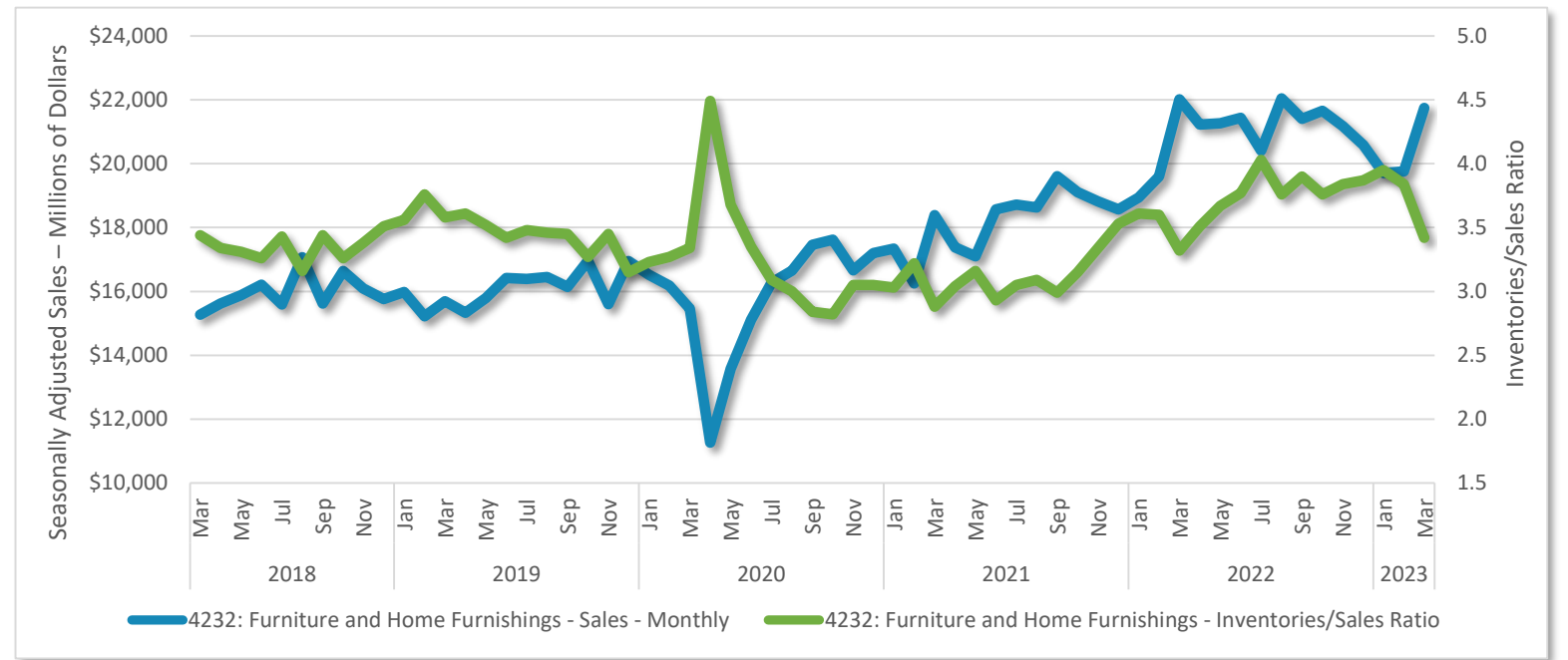
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Inventory-to-sales ratios dipped for both industries, while monthly sales increased, which is a welcome sign for trucking.

- Furniture Sales increased 10.1% month-over-month, ending four straight months of decline, while ratios dropped 10.9%.
- Compared to last year, sales decreased \$272 million as ratios have increased 3%.
- Household appliances sales increased 5.5%, ending five consecutive months of decline, and ratios dropped 6.9%.
- Sales decreased \$3.01 billion since last year, as ratios have grown 18.6%.

The more inventory that businesses have on hand, the less they need trucks to restock their goods, which is partly why the dry van segment has been struggling since early 2022.

- Though Furniture and household appliances are still struggling, March marked a step in the right direction.



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:

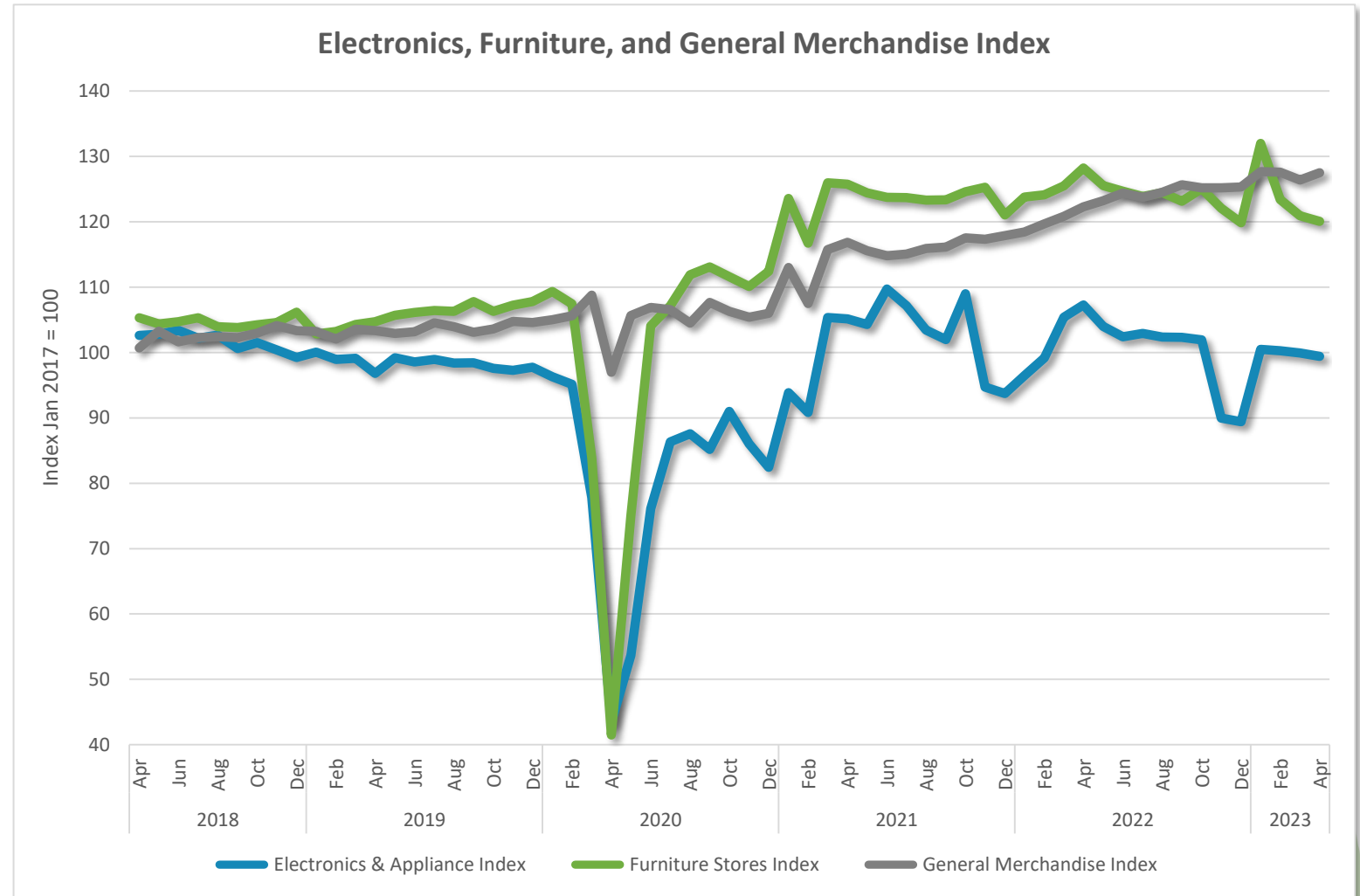
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco

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 all but the GMS sector, as the sidewise trend continues for FS and EAS continue to fall back to 2019 levels.

- EAS declined 0.5%, or \$41 million, month-over-month to \$6.9 billion, marking three straight months of decline. EAS is 7.3%, or \$606 million, lower year-over-year.
- FS declined 0.7%, or \$79 million, M/M to \$11.39 billion, and is 6.4%, or \$776 million, lower Y/Y.
- GMS increased 0.9% M/M, or \$660 million, to \$73.5 billion, and is up 4.3%, or \$3 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

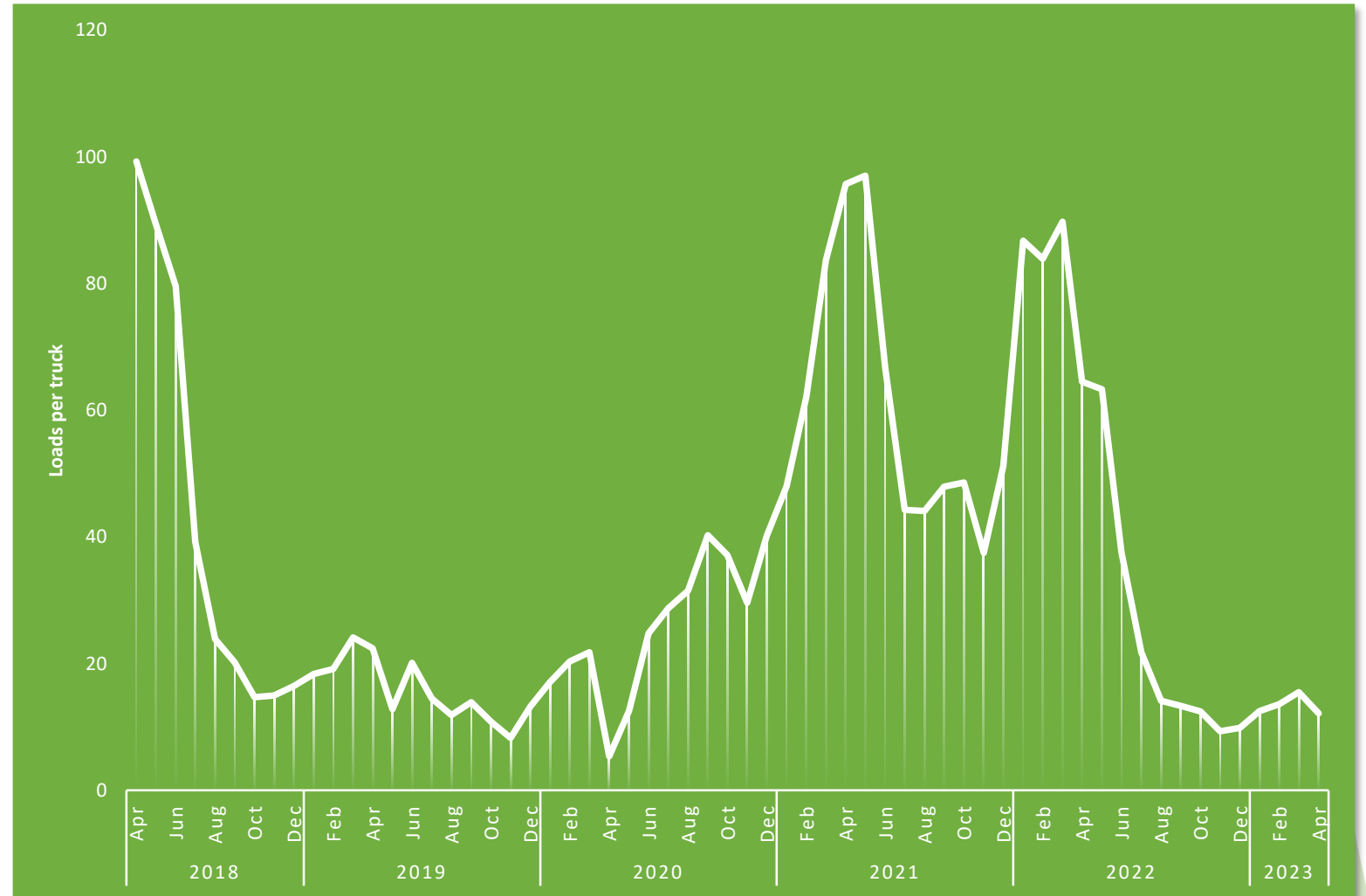
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 actually declined and are following the same path as 2019. They were about 80% lower than what they were last year, while equipment posts were at their highest level in seven years.

- The Flatbed Load-to-Truck Ratio decreased 21.6% month-over-month, ending four consecutive months of increases.
- Flatbed has been the only equipment type to experience positive movement, but it also declined in April.
- The ratio has declined 81% since last year, from 64.5 loads for every truck to 12.13.
- The ratio is 66% 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.

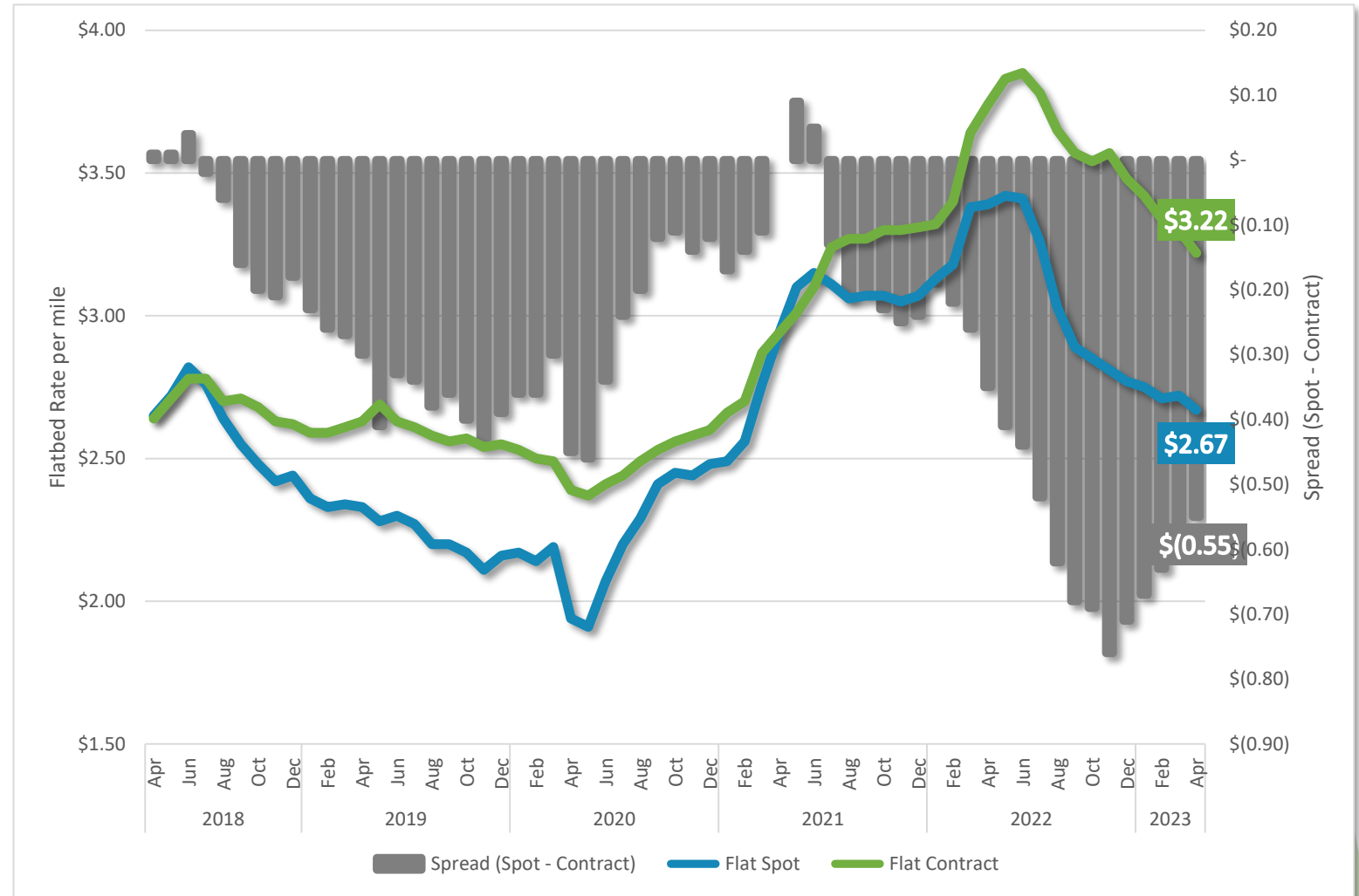
- RateView's database is comprised of more than \$110 billion in freight bills in over 68,000 lanes

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 decreased, ending last months slight increase, while contract rates decreased for the fifth straight month.

- The spot market decreased \$0.05, or 1.8%, to \$2.67 per mile month-over-month, and has dropped \$0.72 since last year when it was \$3.39.
- The contract market decreased \$0.08, or 2.4%, to \$3.22 per mile, which is \$0.52 lower than last year and \$0.29 above the 5-year trend.
- The spread between contract and spot declined 5.2% to \$0.55, which is 57% higher than a year ago when it was \$0.35.

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 between \$0.05 and \$0.10 per mile heading into the middle of June.



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.

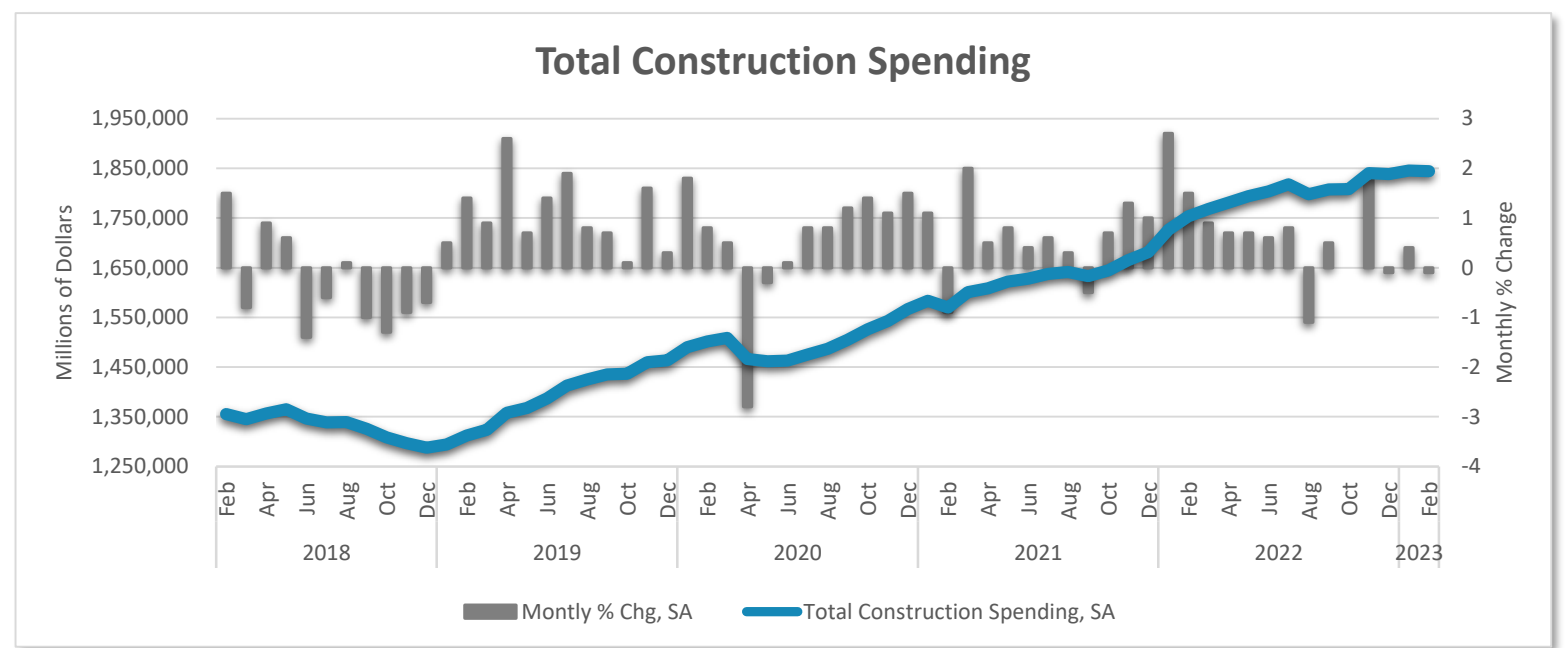
Why it matters: Construction spending helps boost the economy, especially spending that is dedicated to building roads and bridges.

- 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.

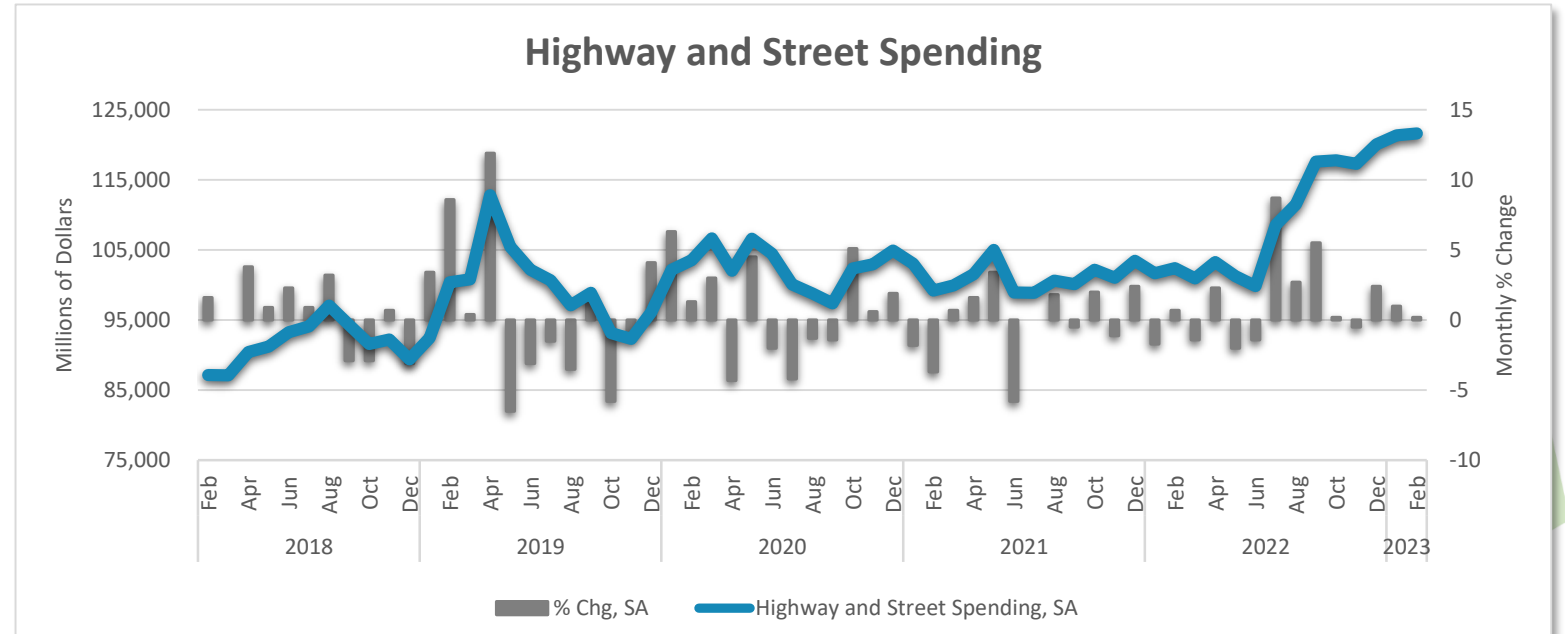
Our thoughts: Total construction spending (TCS) increased while spending on highways and streets (HSS) decreased month-over-month.

- TCS increased by 0.3%, or \$5.1 billion, in March to \$1.834 trillion, which is \$66.5 billion, or 3.8%, higher year-over-year, and 18% above the 5-year trend.
- HSS decreased 0.1% to \$122.55 billion, and is up 20%, or \$19.2 billion, year-over-year.

Construction spending overall has helped keep flatbed afloat, especially non-residential spending which has increased 16%, or \$140.2 billion, since June 2022.



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:

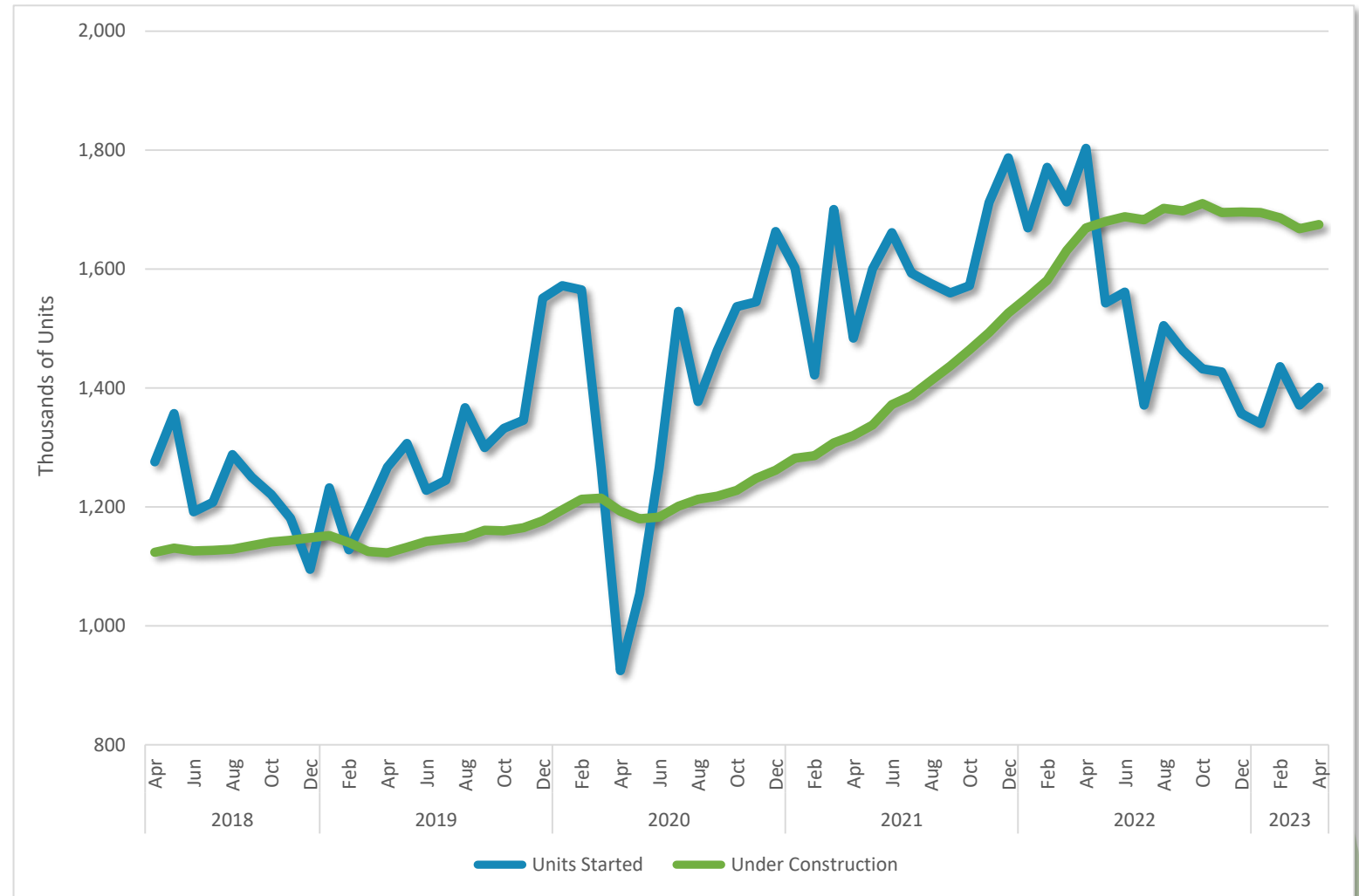
- Housing starts, and
- Housing under construction.

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 ticked upward in April following a 5% decrease in March, which is a welcome sign as we hover just above 2019 levels.

- New starts increased 2.2%, or 30,000 houses, to 1.401 million, but have dropped 22%, or 402,000 homes since the high in April 2022.
- Houses under construction ticked upward 0.4% to 1.675 million, and are flat Y/Y.
- Completed houses decreased 10.4% month-over-month and are up just 1% 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).

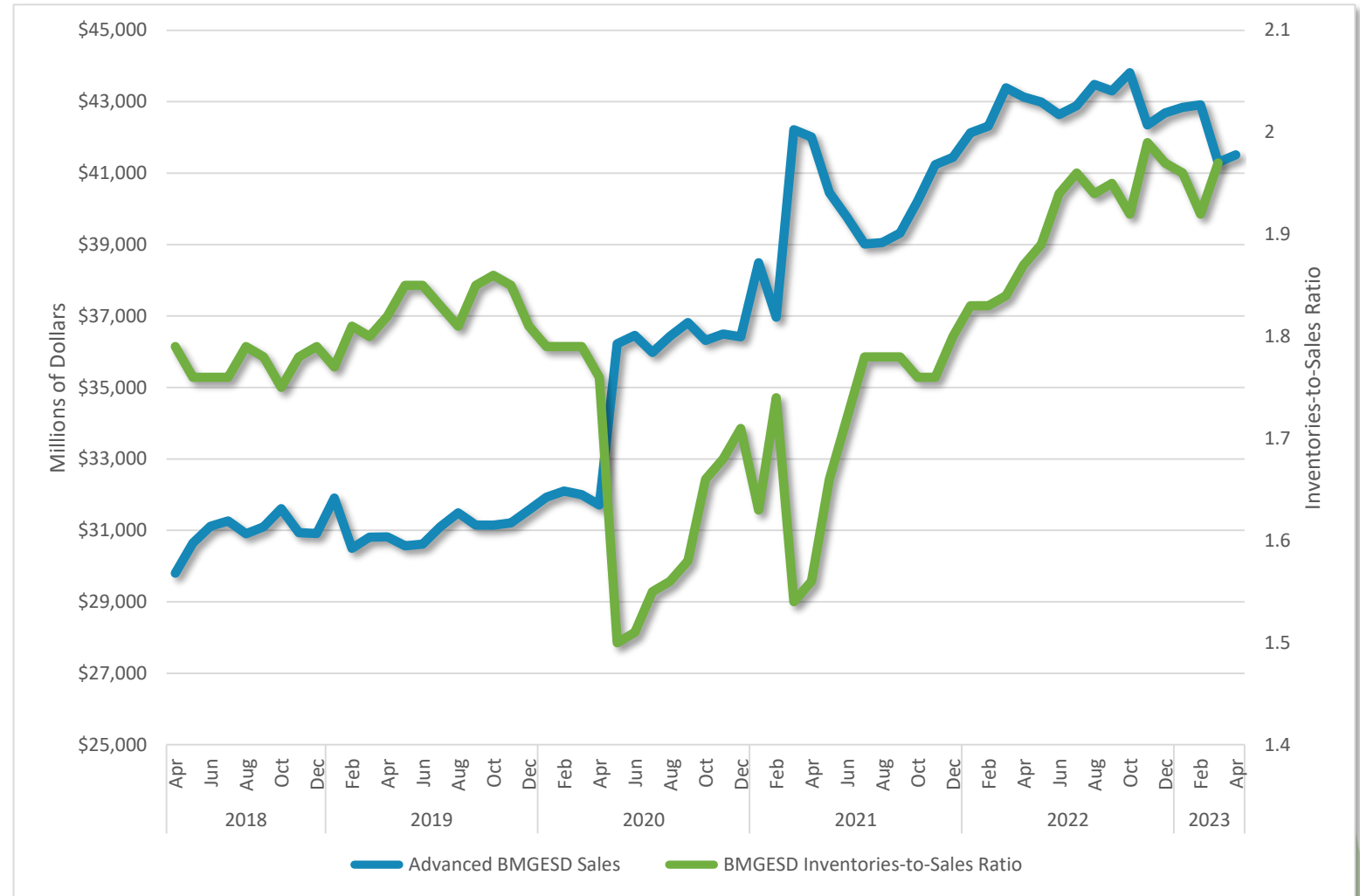
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales and inventories moved the wrong direction in March as retailers attempt to deplete their inventories, but there could be some positive movement in April

- The BMGESD retail sales increased 0.5% month-over-month to \$41.52 billion, and are 3.7%, or \$1.6 billion, lower year-over year.
- Sales are \$4.9 billion higher than the 5-year average.
- Inventories-to-sales ratios increased 1% to 1.97 in March, and are their second highest level since 2012.

In March, sales and inventories inversed, meaning inventory levels went up as sales decreased. April showed positive movement in sales. We hope that this helped to bring inventory levels down as well. We will continue to watch this trend.



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

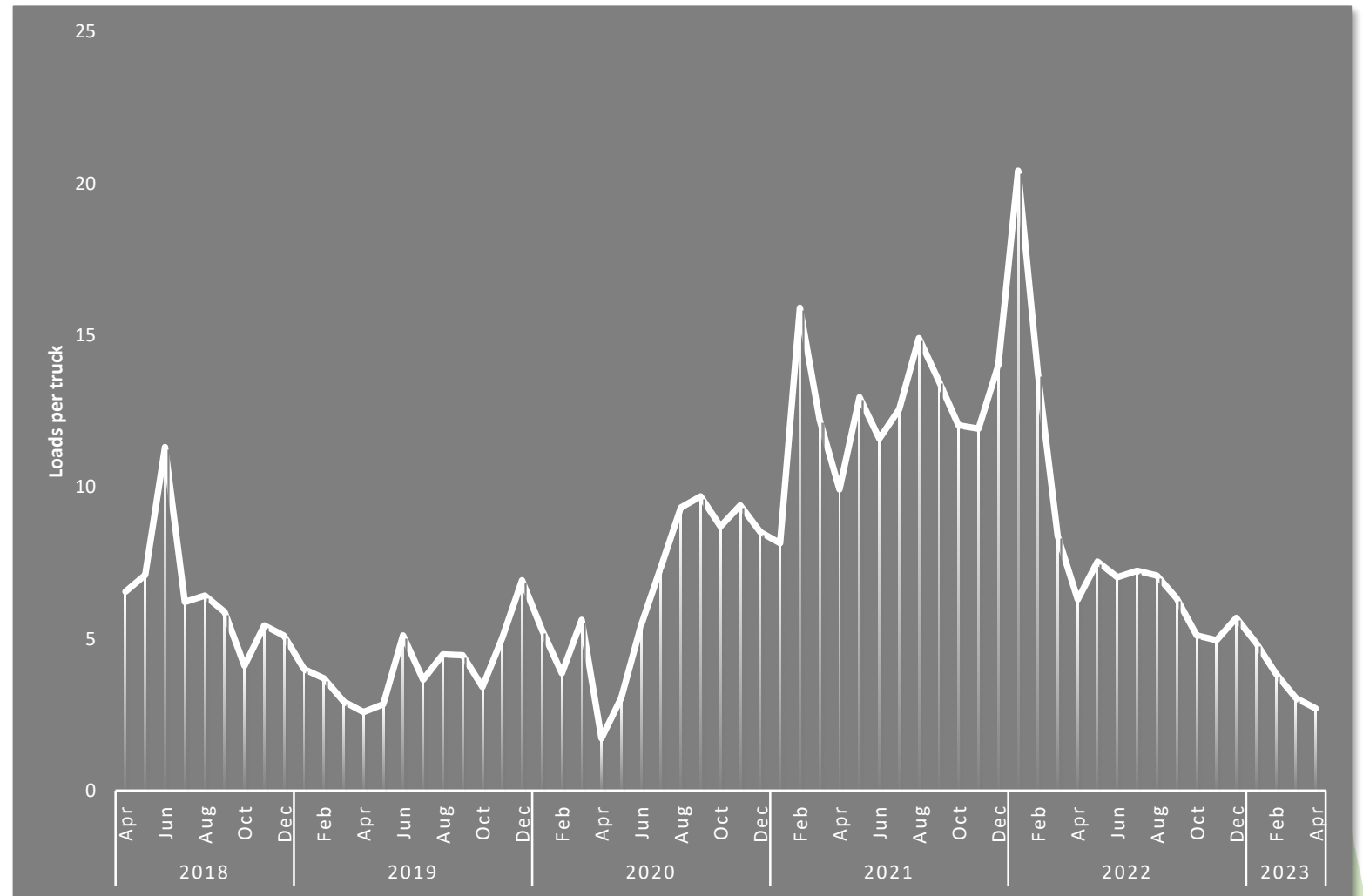
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 though there is positive evidence that things are beginning to pick back up.

- The ratio decreased 11.2% month-over-month to 2.7 loads to every one truck posted.
- This is 57% lower than last year when the ratio was 6.29, and 63% below the 5-year trend.
- Demand continues to deflate as load posts were a little more than half what they were compared to this time last year, and 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

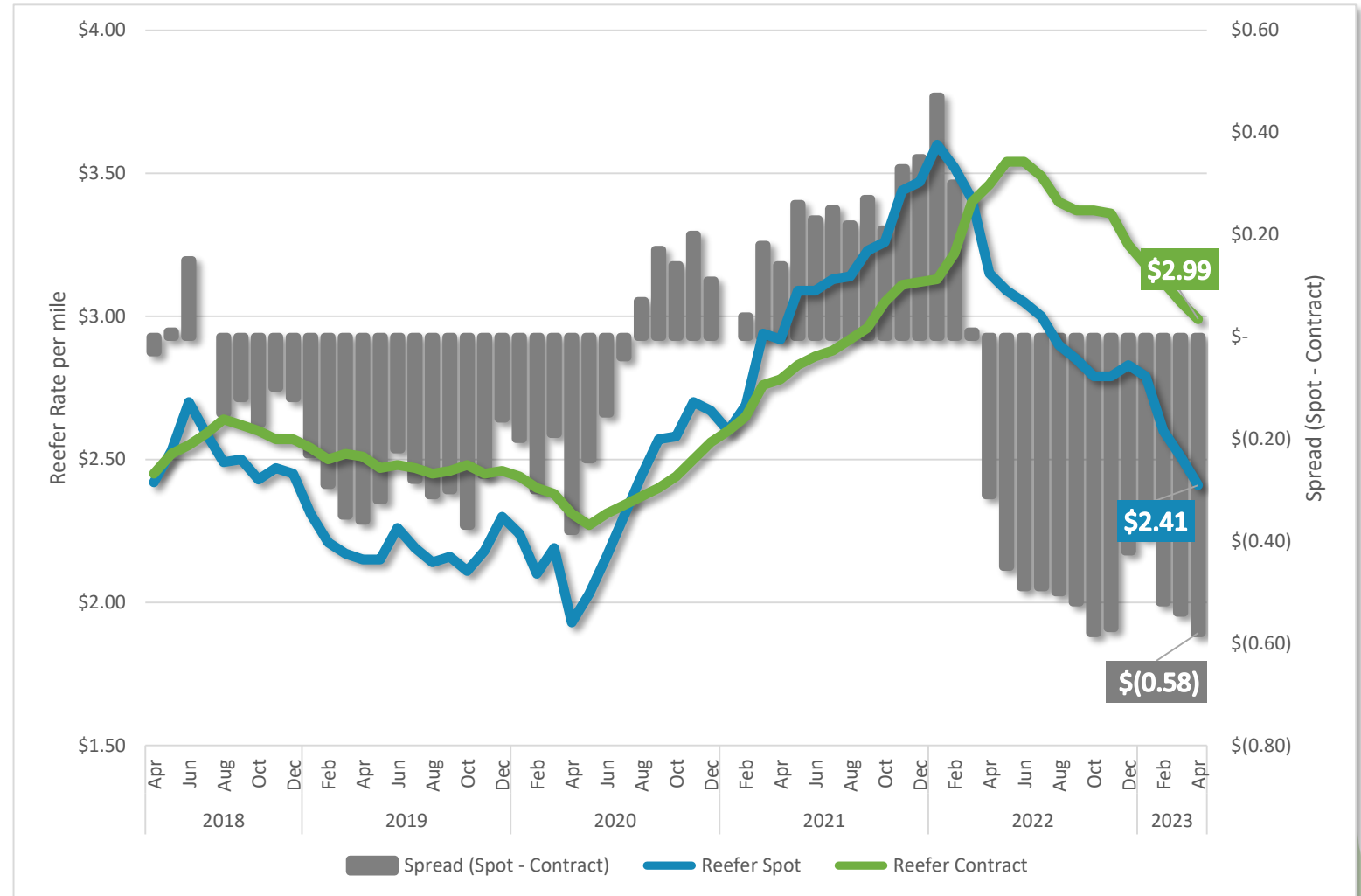
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates moved downward month-over-month in April, marking four straight months of decline, while contract rates dropped about a nickel per mile.

- Spot rates decreased \$0.10, or 4% to \$2.41 per mile, and decreased \$0.74 since April 2022.
- Contract rates declined \$0.06, or 2%, to \$2.99 per mile, which is \$0.47 below where we were last year. Marking the first time it's been below \$3 since September 2021.
- The spread between spot and contract increased 7.4% to \$0.58 and is 87% higher than a year ago (\$0.31).

DAT is forecasting that spot rates excluding fuel will increase 10 cents per mile going into the middle of June, but these predictions don't come with much certainty.

- There are some encouraging signs that the produce market is recovering. However, it's uncertain whether volume levels will surpass the previous year. We're still waiting to see how California will perform.



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.

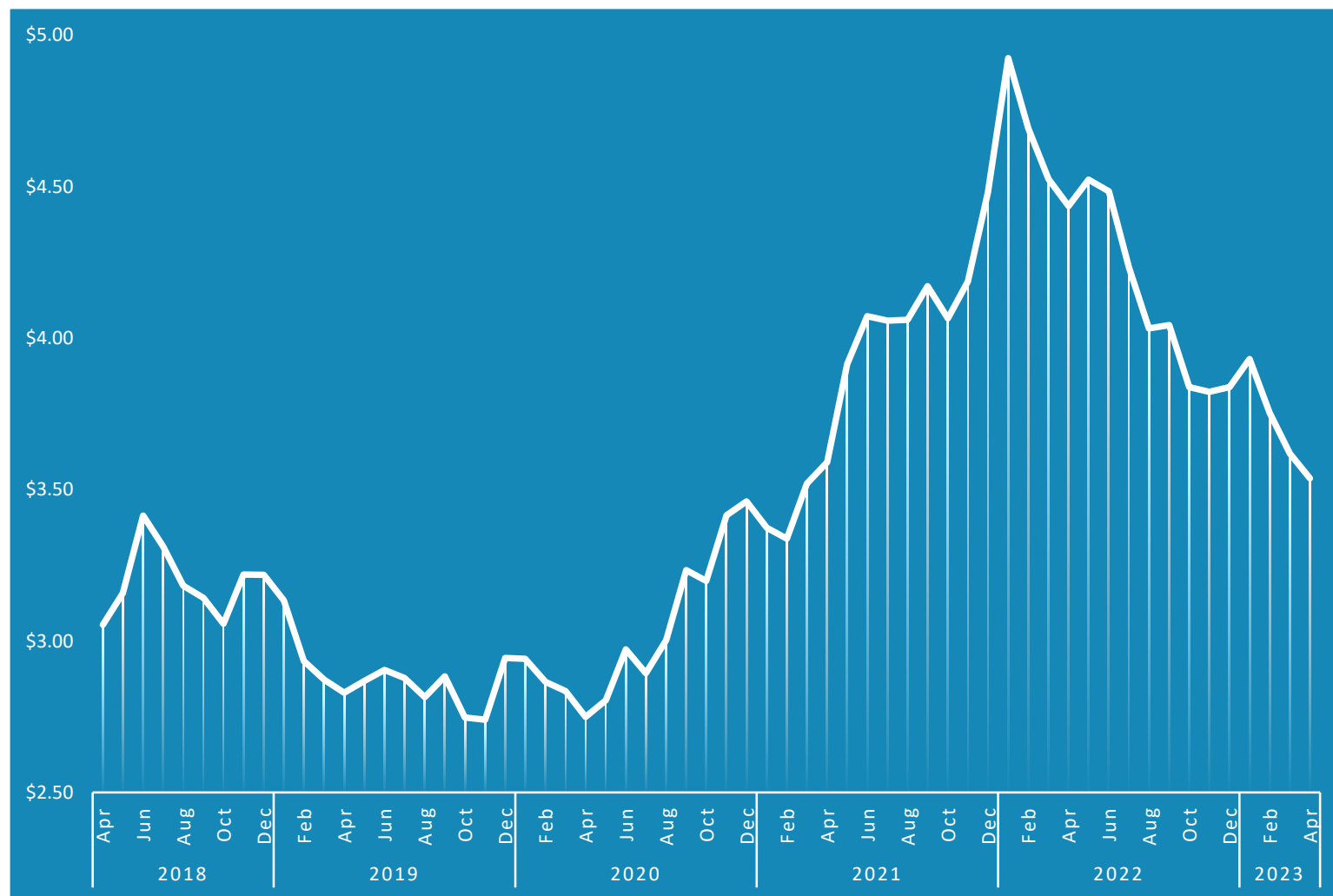
Why it matters: Produce requires fast and efficient movements of perishable commodities.

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

Our thoughts: Fruit and vegetable reefer rates are 28%, or \$1.39 per mile, below their high in January 2022.

- Rates per mile dropped 2.2%, or \$0.08 per mile, month-over-month to \$3.54 in April, marking three straight months of decline.
- Rates are \$0.90 per mile, or 20.3%, lower year-over-year, and are \$0.05 per mile, or 1.4%, higher than the five year trend.

According to USDA, carriers in the New York region of the country are earning more per mile than any other, with the Pacific Northwest earning the least at \$2.58 per mile.



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

Fruit and Vegetable Industry: Truck Volume

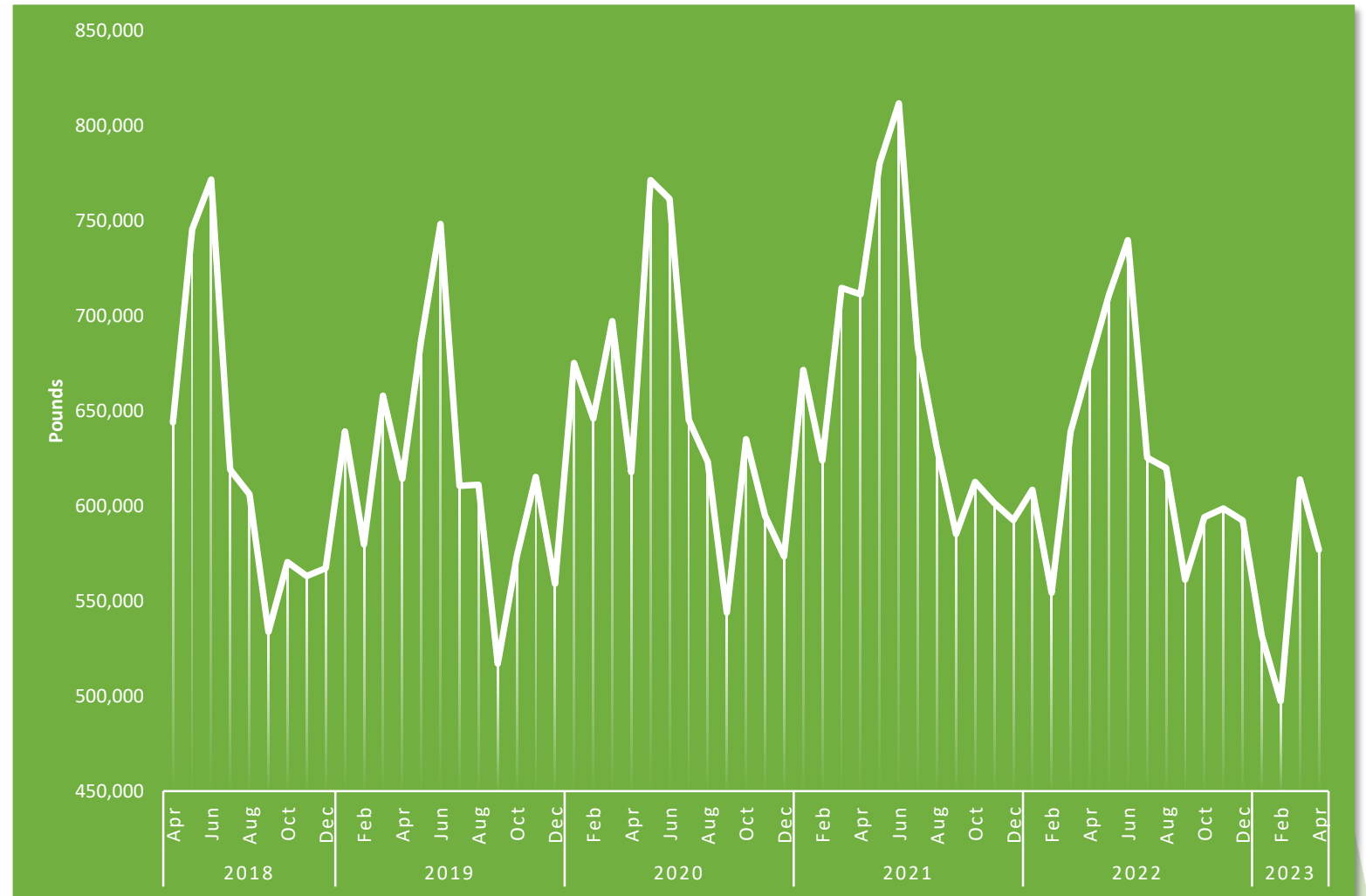
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight for different regions and commodities.

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 dropped again in April after experiencing a significant jump in March. Volumes overall are down because of a slow start to the produce season due to the excessive rains in California.

- Reefer volumes decreased 6% month-over-month to 577,035 pounds, and are 14.6%, or 98,550 pounds, lower year-over-year.
- The California region saw a 93% increase alone which helped prop up volumes overall, but are still 63% lower than they were last year.
- Florida also experienced a large increase in April as produce season kicks off in the sun-shine state.



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

Fruit and Vegetable Industry: Truck Availability

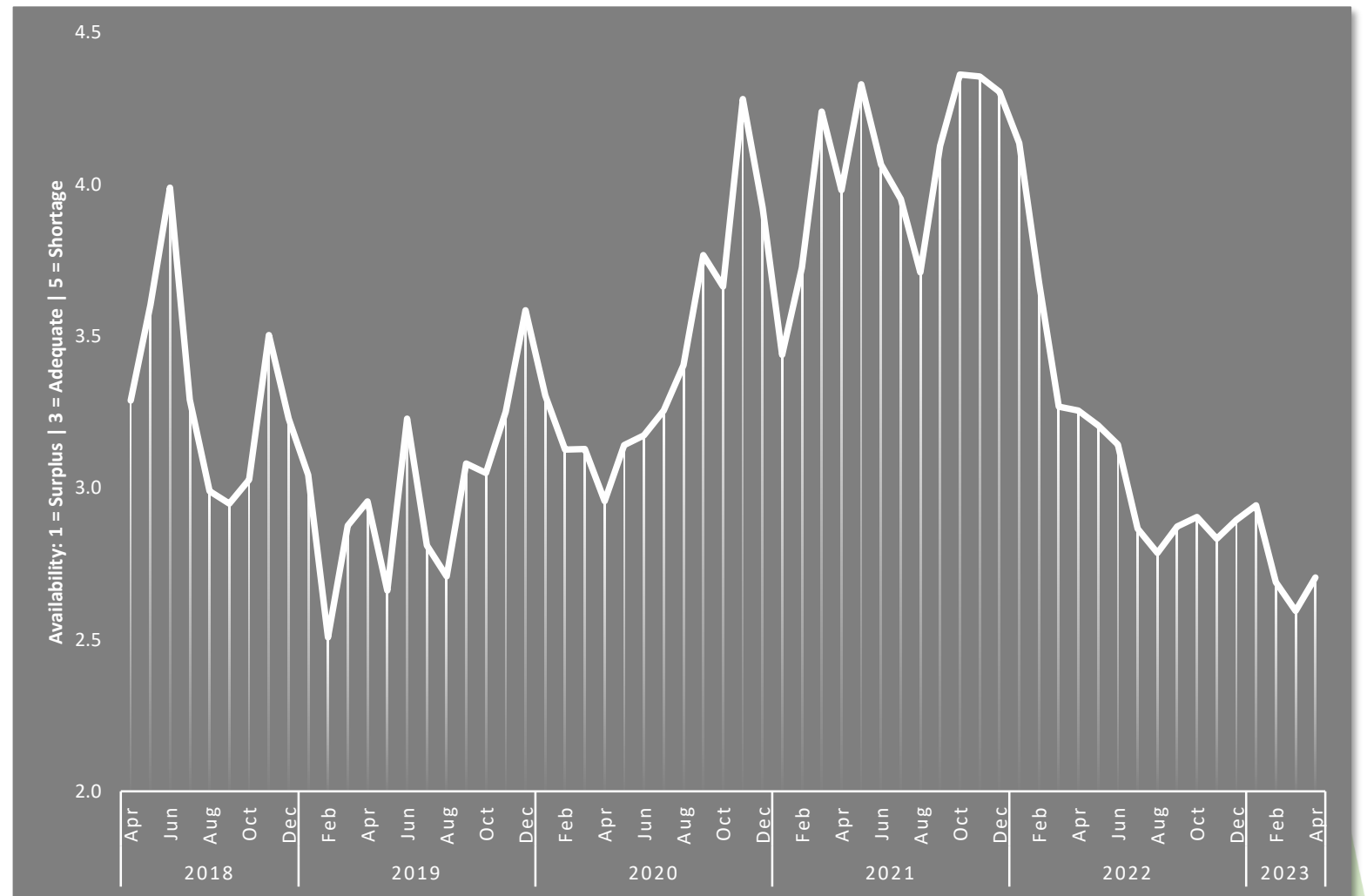
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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 tightened in April after two consecutive months of loosening. However, capacity is still loose overall, especially compared to the last couple of years.

- Reefer truck availability tightened 4.2% to 2.70. Availability is still up 16.9% however over the previous year.
- Capacity tightened in both the California and Florida regions of the country.
- The southeast region actually loosened in April but was still the tightest market in terms of truck availability. It sits at 3.38



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.

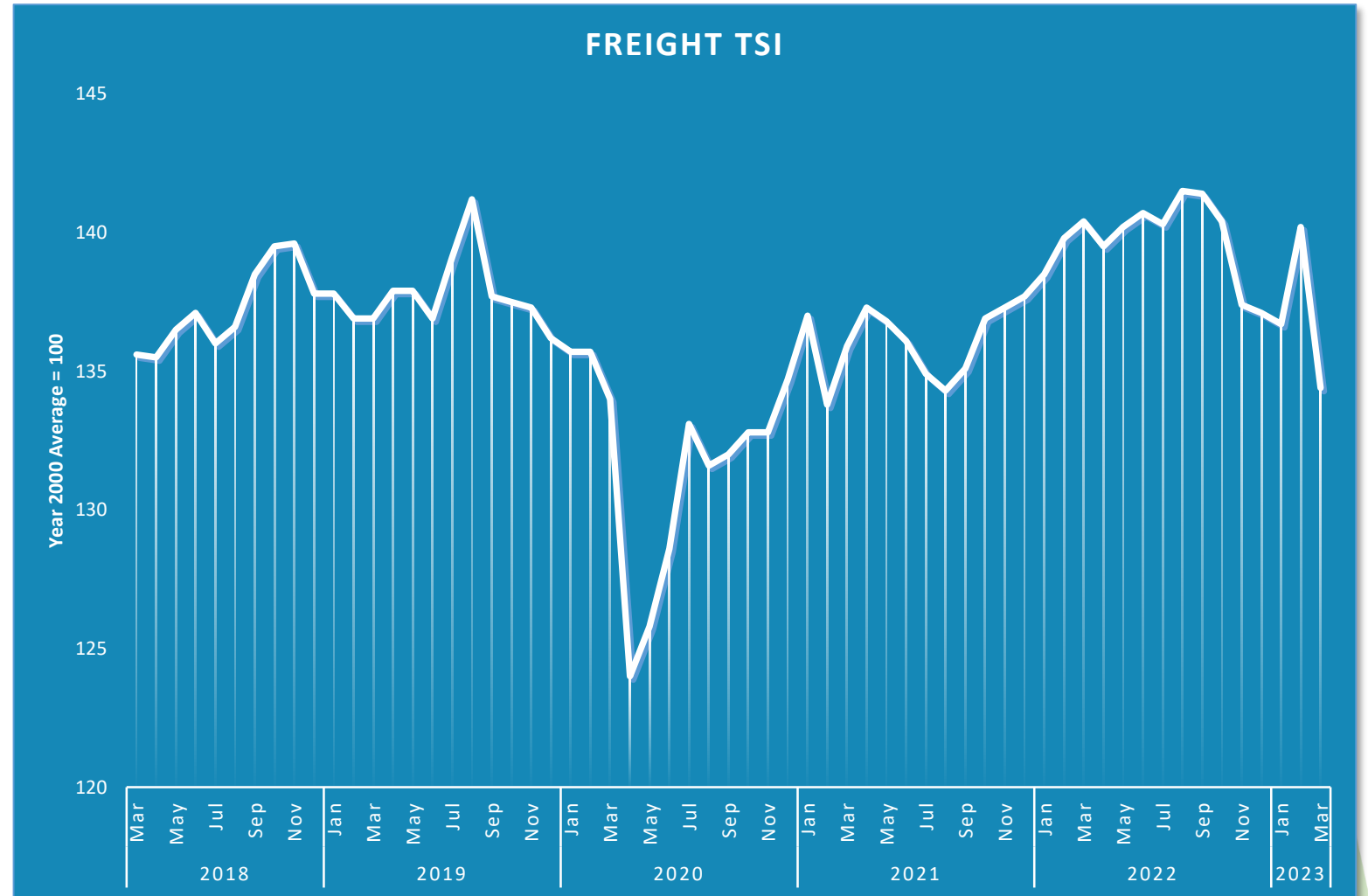
Why it matters: Changes in the TSI reflect changes in the demand for goods and services.

- 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 decreased in March due to seasonally adjusted decreases in rail intermodal, water, air, and trucking, while rail carload and pipeline grew.

- The TSI decreased 4.1% month-over-month to 134.4, and is 4.3% lower than a year ago.

March's decrease came in the context of mixed results for other indicators. The Industrial Production Index was up 0.4%, reflecting small increases in utilities, while mining and manufacturing declined. Housing starts were down while personal income increased.



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.

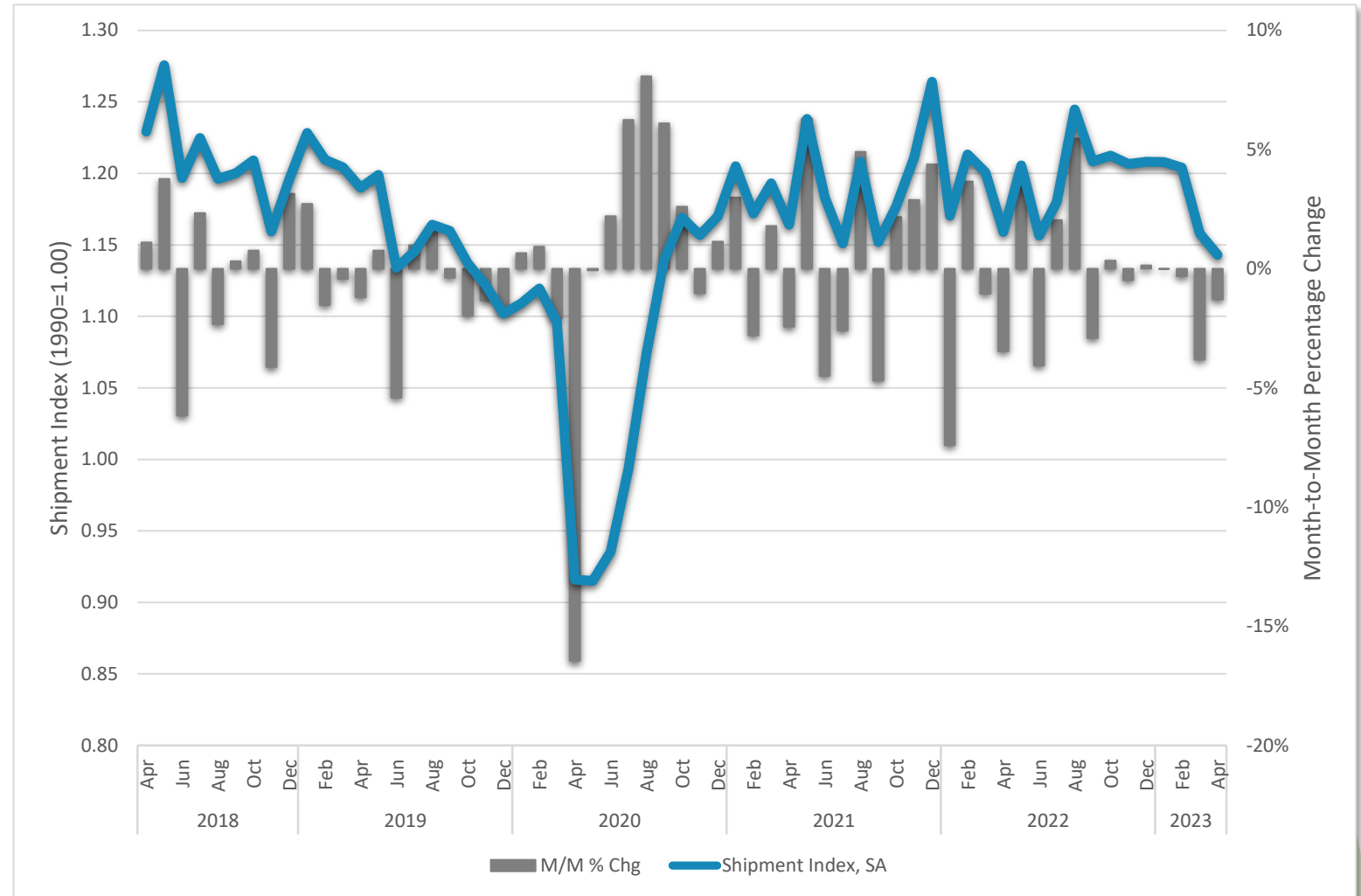
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index was down 1.3% month-over-month to 1.14 in April when seasonally adjusted, and was down 1.4% year-over-year. Freight volumes continue to be soft, but there are some encouraging signs ahead.

- Expenditures, which measures the total amount spent of freight, dropped 4% to 3.85, 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 decreased 2.7% to 3.37.
- Truckload linehaul rates, which includes both spot and contract rates, decreased 0.8% to 146.6.

Bottom line: Contract rates are likely to continue adjusting downward as spot rates remain significantly down. Cass believes the freight industry is on the verge of a new cycle as we begin to transition from the bottoming phase into early phase of the next freight cycle in the months to come.



Source: Cass Freight Index | <https://www.cassinform.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.

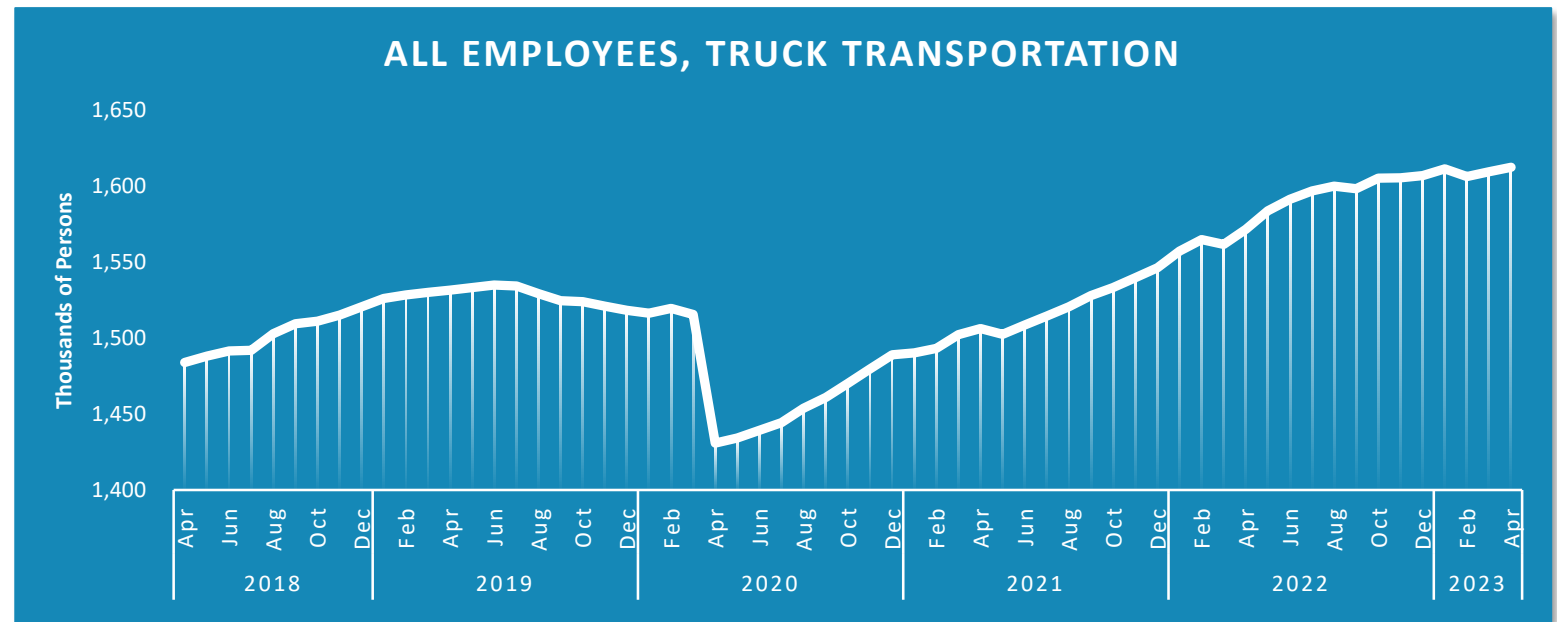
Why it matters: Overall truck transportation employment helps us to see how much driver capacity, or supply, is out there in the industry.

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

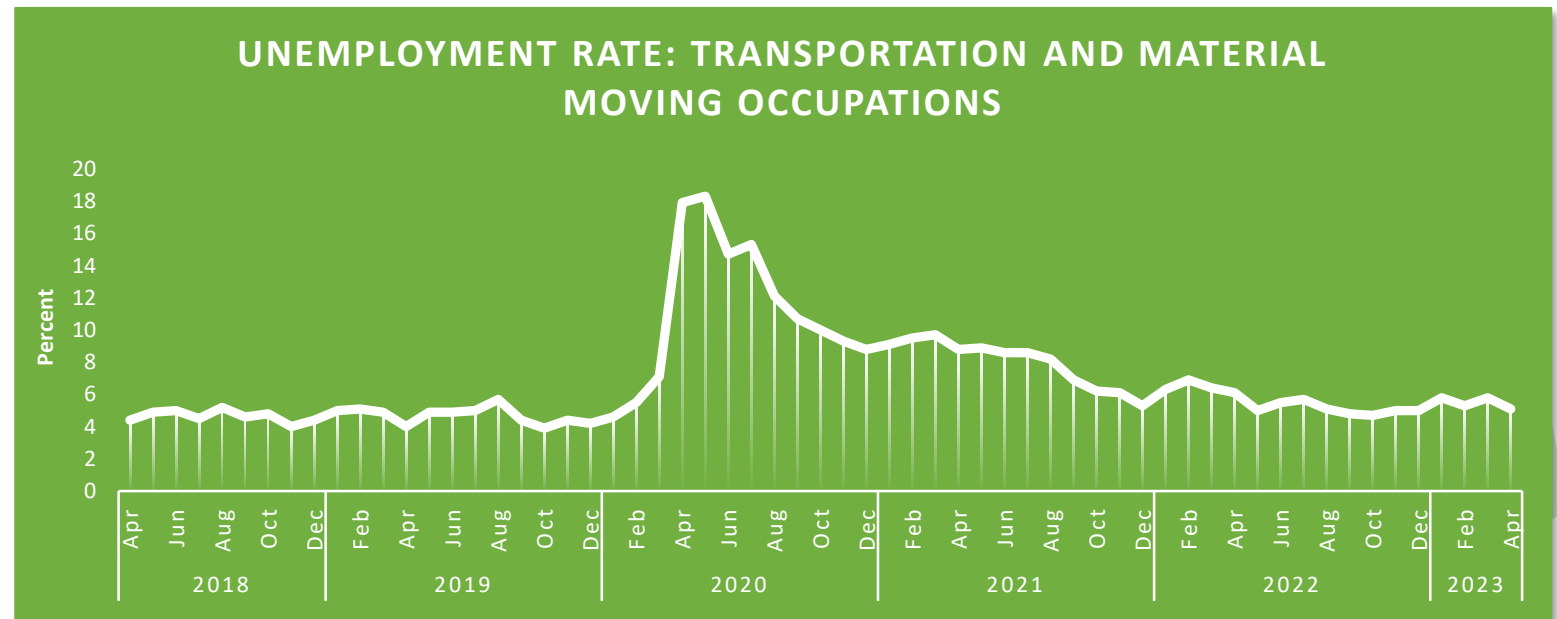
Our thoughts: Truck employment numbers overall increased in April, marking two straight months of gains, while unemployment moved downward.

- Truck employment increased 0.2% month-over-month to 1.612 million people, a gain of 3,000 jobs.
- Truck employment is 2.6%, or 40,800 jobs, higher year-over-year and 12%, or 181,500 jobs, higher than the low in April 2020.
- The occupational unemployment rate for transportation decreased 12.1% month-over-month to 5.1%, which is 16.4% lower than last year.

Seasonally adjusted figures for general freight trucking, long-distance, truckload, which best represents our members, has dropped over the last three months, but is still 4.8% higher Y/Y. However, specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, has been increasing. In other words, there's 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.

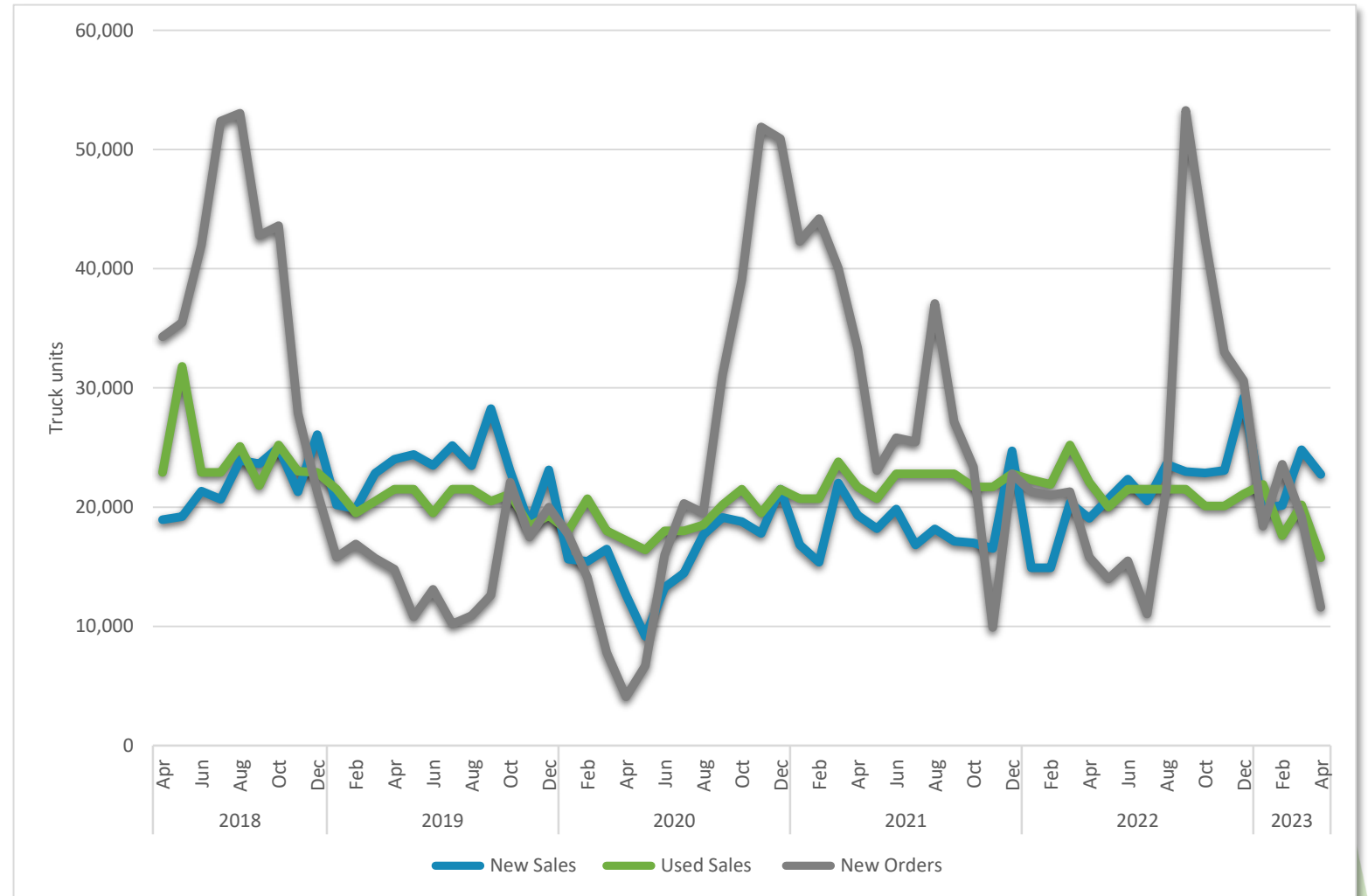
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

- 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 decreased 8.4% in April to 24,823, and are 19.4% higher year-over-year, while new orders declined 39.6%.

- Used sales also decreased 22%, or 4,400 units, in April to 15,756, and are down 28.7% compared to last year. Used sales are 26% lower than the 5-year average.
- New sales eclipsed used sales by 6,985 in April.

The industry has experienced overcapacity, or too many trucks, for the past several months, which has pushed freight rates downward. Though new sales continue to eclipse used sales, the orders and sales data is moving in the right direction in order to right size the capacity issue.



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.

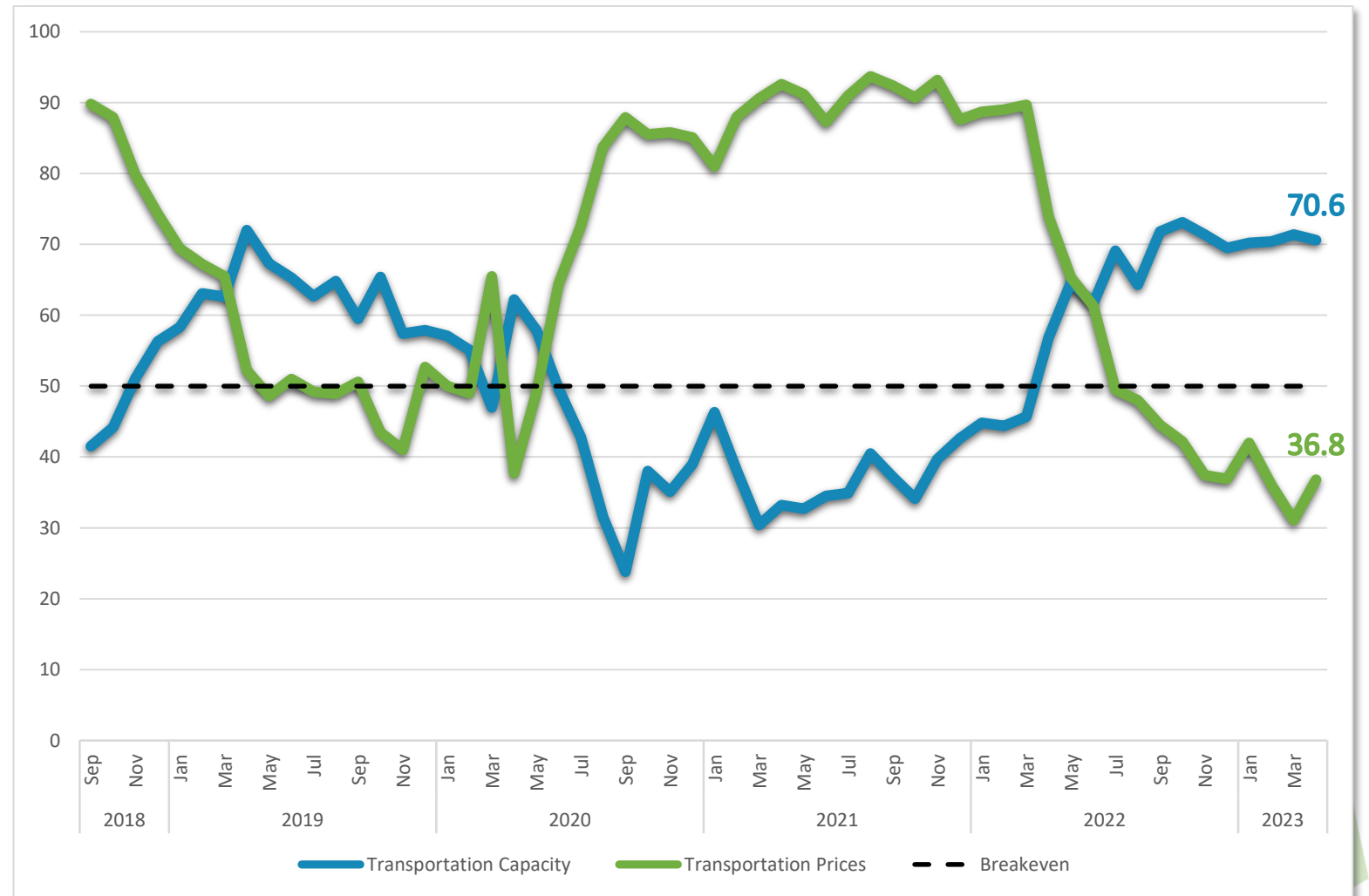
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

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

Our thoughts: The LMI overall decreased 0.2% to 50.9, marking the lowest reading for the index in its history for the second straight month. This was mainly driven by a drop in inventory levels and warehousing prices.

- Transportation prices are again contracting at a fast rate but not as bad as they did in March.
- Prices increased 18.3% month-over-month to 36.8, and 50% year-over-year, when the index read 73.9.
- Transportation capacity decreased 1.1% to 70.6, marking seventh of eight 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. The LMI authors believe the upstream slowdown in business-to-business activity is due to inflation and excess inventories, which is hurting small trucking businesses.



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.

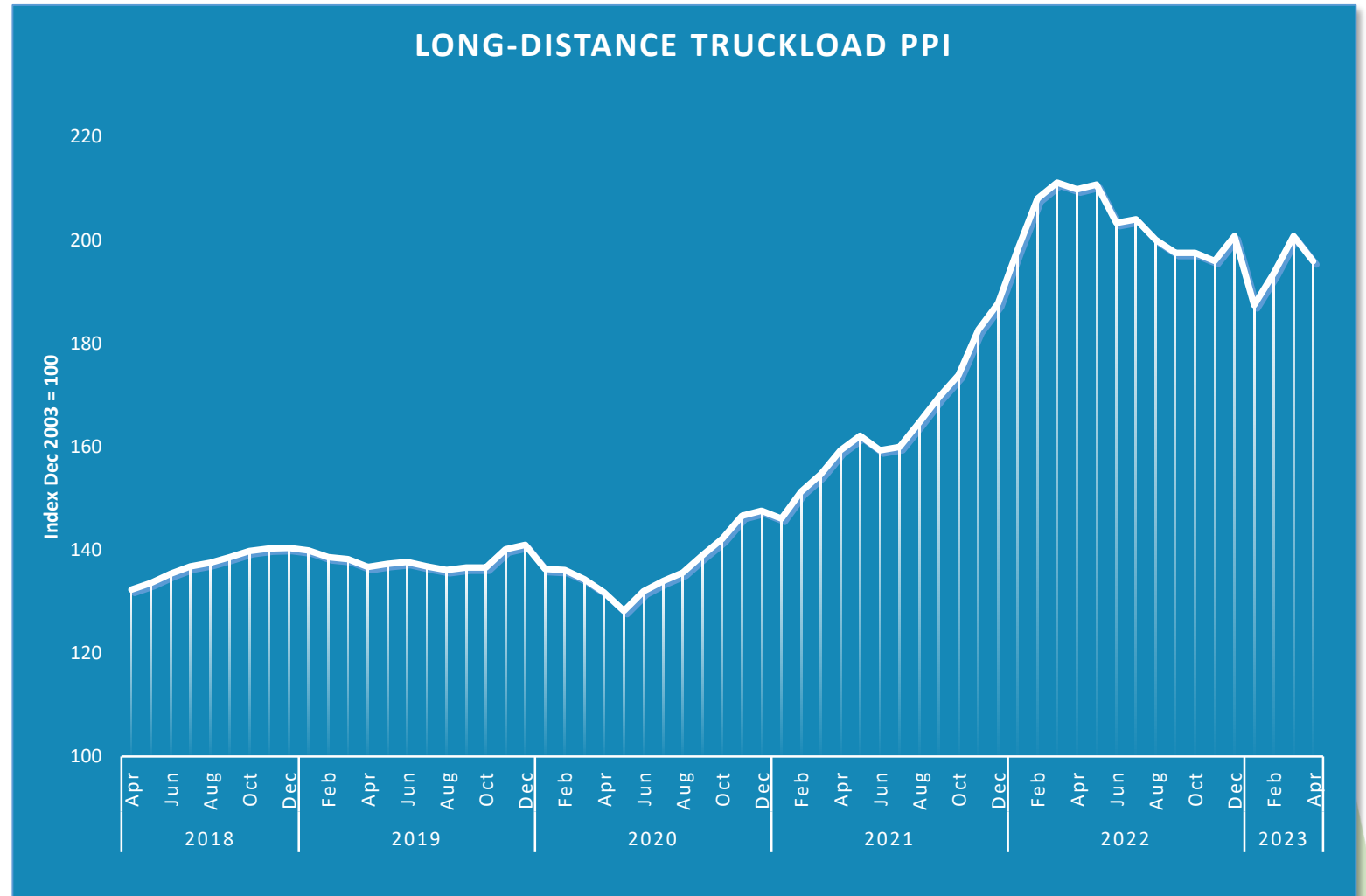
- One index focuses on long-haul, truckload carriers.
- This index shows how much carriers are charging their customers.

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 dropped again in April and has decreased 7% since its high in May 2022. Owner-operators will not welcome this news. We were hoping rates would have bottomed out by now.

- The long-haul PPI decreased 2.4% to 195.9, month-over-month, after the BLS re-adjusted the figure for March.
- The PPI is 6.6% lower year-over-year, but 22.9% above the 5-year trend.

Look for rates to remain near their present level. While many were hoping for rates to rebound in early spring, it appears we are in a waiting game for the next freight cycle to begin.



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

Costs: Diesel Fuel

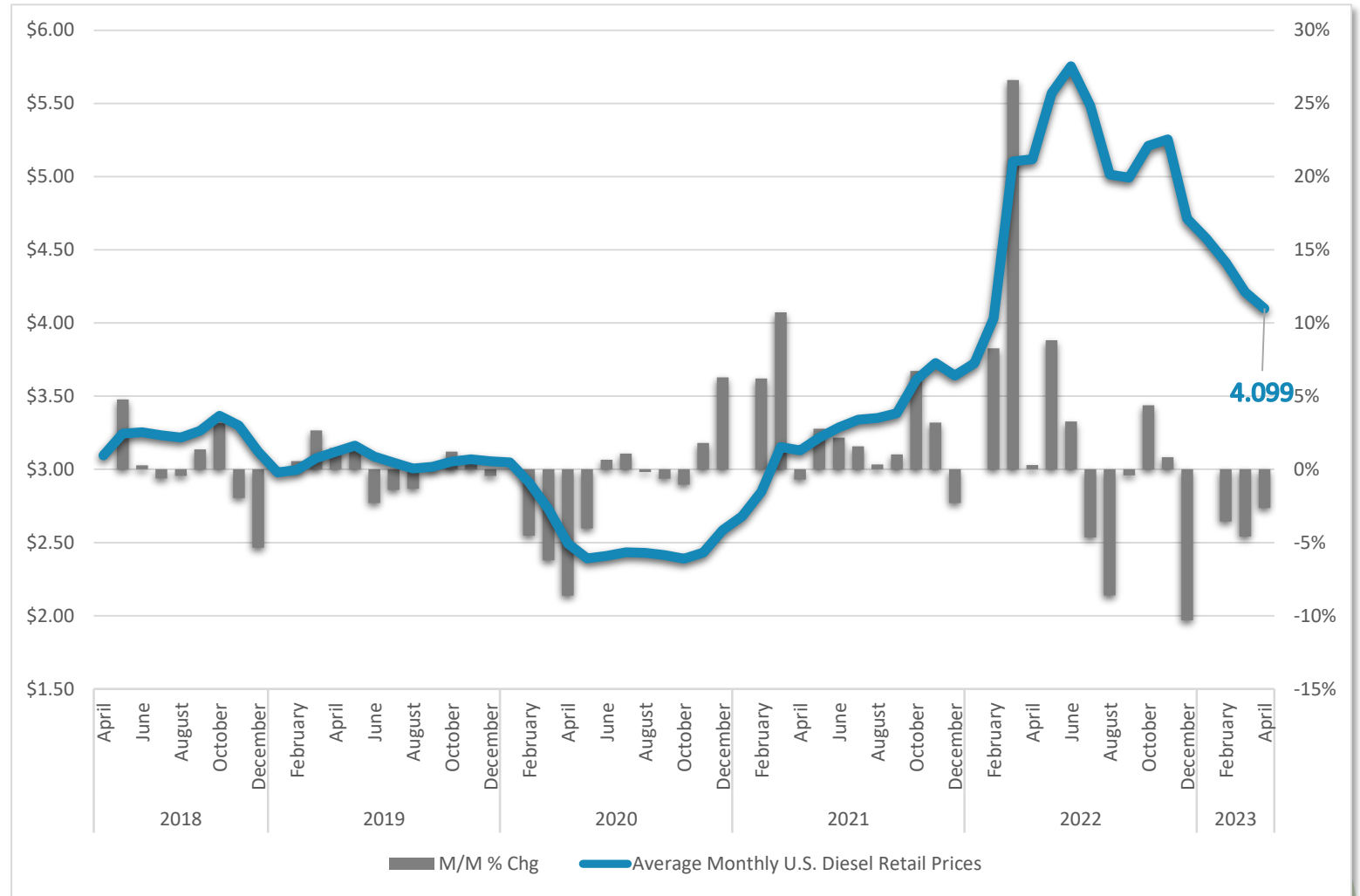
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 11 cents in April marking the fifth straight month of decline. Prices through April have declined \$1.65 per gallon since the high in June 2022.

- The average price for diesel fuel decreased 2.6% month-over-month to \$4.10 per gallon.
- The average diesel price is 20%, or \$1.02, lower year-over-year, but 17%, or \$0.61, 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.

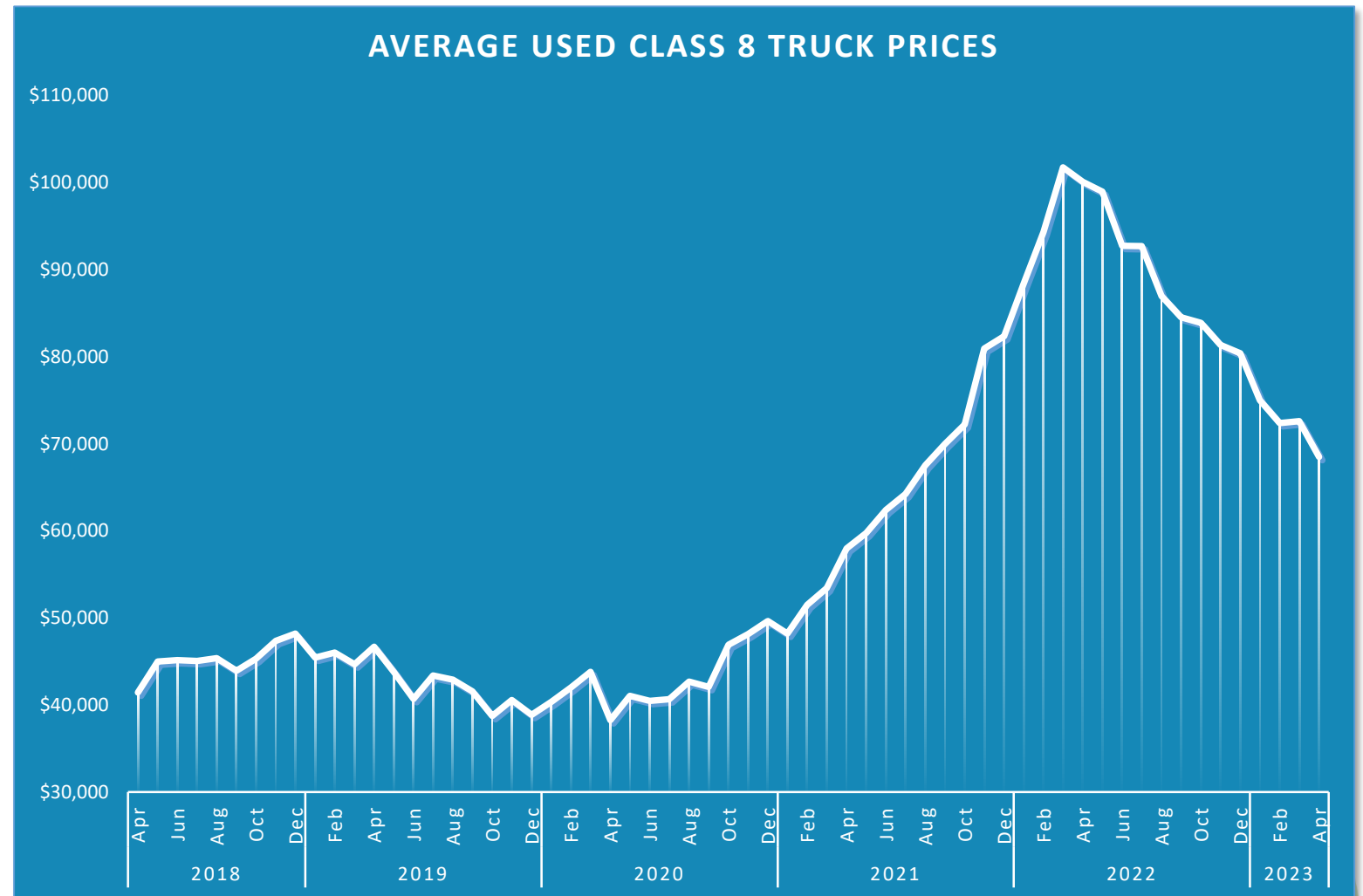
Why it matters: Used truck prices are a good indicator strong freight market.

- 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 dropped in April after surprisingly ticking upward in March. While they are 33% below the high in March 2022, they are still significantly higher than their pre-pandemic average of \$42,000.

- Used Class 8 truck prices decreased 6% in March to approximately \$68,500, marking 12-months of decline out of 13-months.
- This is 31.5% lower year-over year, but 17% higher than the 5-year trend.

According to Steve Tam, vice president at ACT, “April is a pretty average month, slowing 8-10% from March. Clearly, some used truck buyers are beginning to react to the increased pressure of slowing freight and economic uncertainty.” ACT expects prices to fall sequentially.



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

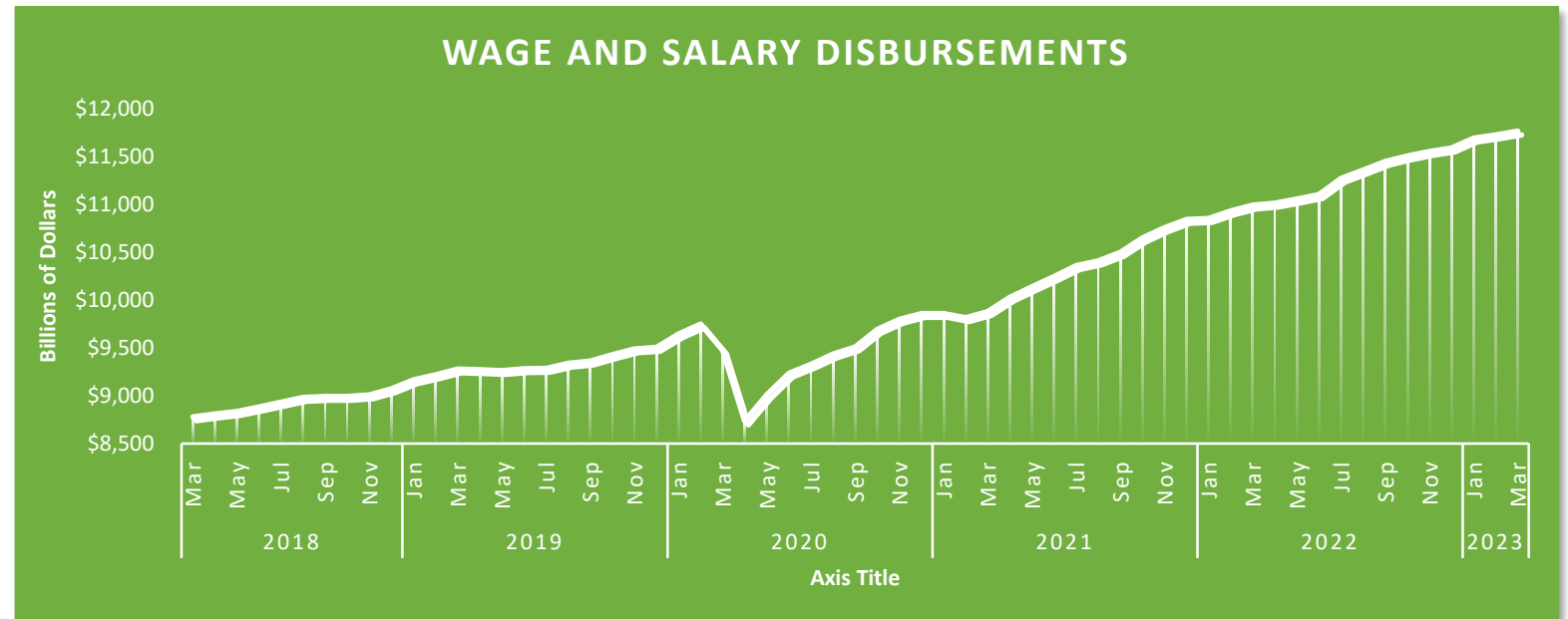
The big picture: Consumers move the U.S. economy. As consumer conditions and sentiments change, so to does business and shipping activity.

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% higher year-over-year and 18% 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 0.3% month-over-month to \$15.660 trillion, and is \$596.2 billion higher year-over-year.
- Household debt rose by \$148 billion, or 0.9%, to \$17.05 trillion in the first quarter of 2023, while credit card balances were flat at \$986 billion.
- Delinquency rates are well below their 5-year trends as 97.4% are current. For context, 88.1% were current at the height of the Great Recession in 2009. But mortgage balances grew \$121 billion to \$12.04 trillion.



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.

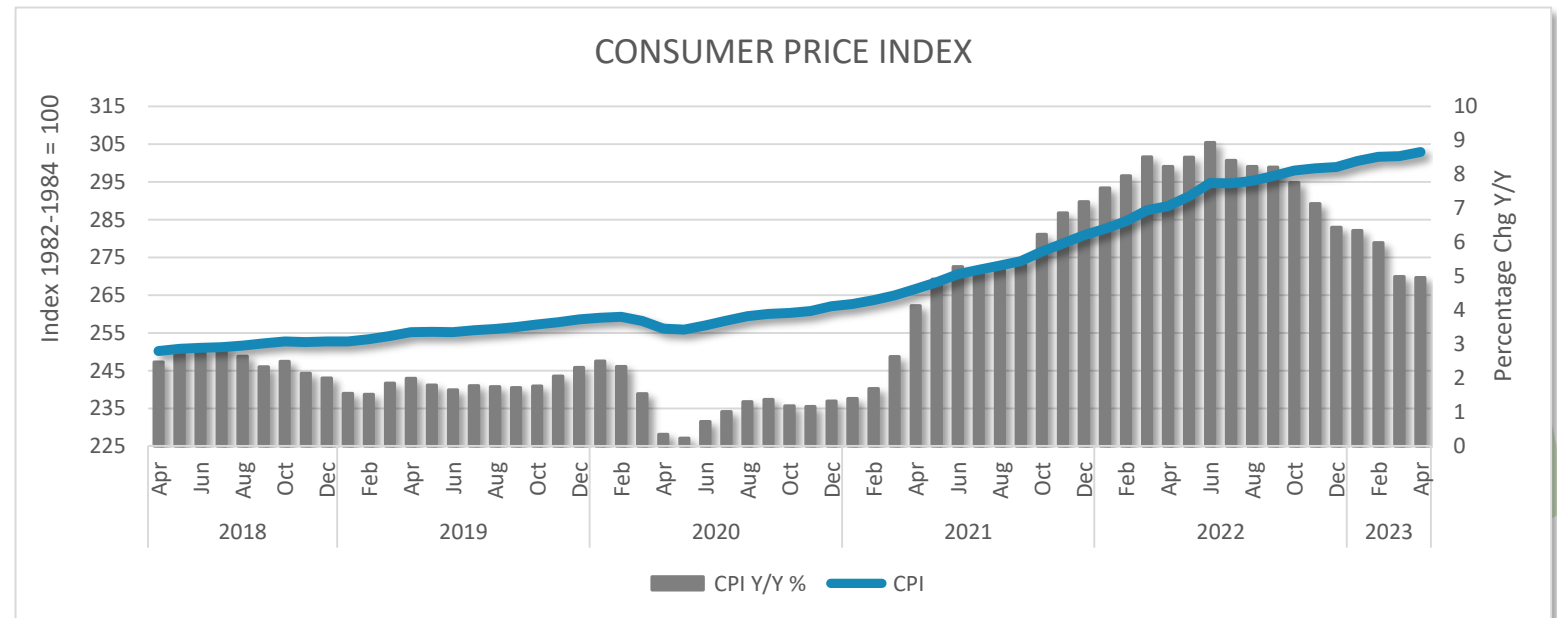
- Retail trade increased 0.4%, or \$2.4 billion, month-over-month in April to \$597.9 billion, and is 0.5%, or \$3.2 billion, higher year-over-year.
- CPI increased slightly by 0.4% to 302.9, which is 5% higher than it was a year ago and 12.6% higher than the 5-year trend.

CPI growth year-over-year is slowing, but Core CPI, which is CPI excluding food and energy, has stayed relatively flat since January 2023. Inflation is now being driven more by services, whereas before energy was the primary driver.



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:

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.

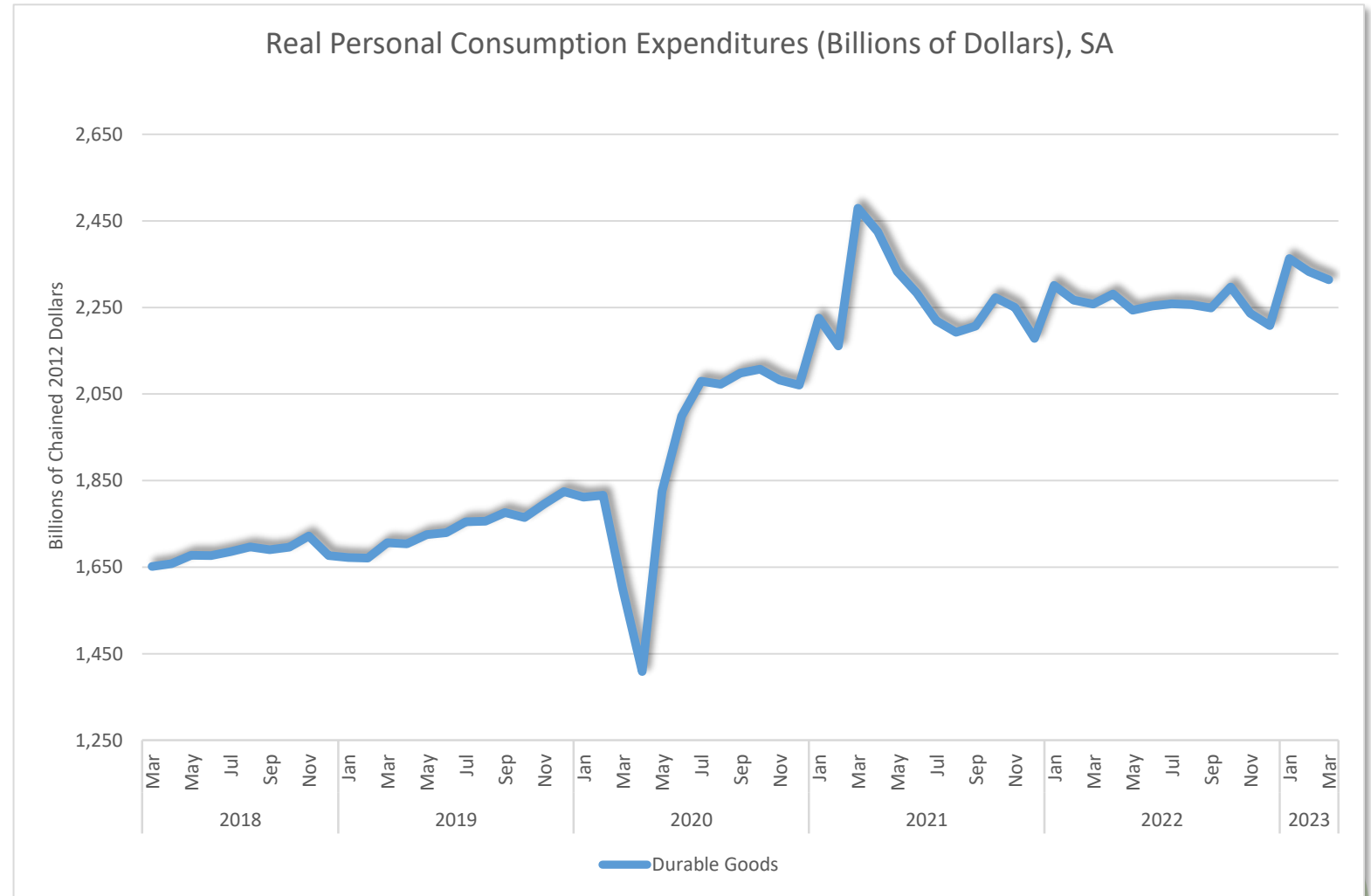
- The PCE measures a broad spectrum of consumer spending for a period of time.

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: Both durable goods and non-durable goods decreased in March. PCE levels have remained relatively flat since January 2022.

- Consumer spending for durable goods decreased 0.8% to \$2.314 trillion, but is 2.5%, or \$56.6 billion, higher year-over-year and 15.7%, or \$313.7 billion, above the 5-year trend.
- Spending for non-durable goods ticked downward 0.1% to \$3.324 trillion, which is 0.1% higher Y/Y and 5.9%, or \$184.2 billion, above the 5-year trend.
- Spending is still elevated overall.



Source: FRED | <https://fred.stlouisfed.org/series/PCEDG96> and <https://fred.stlouisfed.org/series/PCEND96> | Monthly

Manufacturing: New Orders: Total Manufacturing

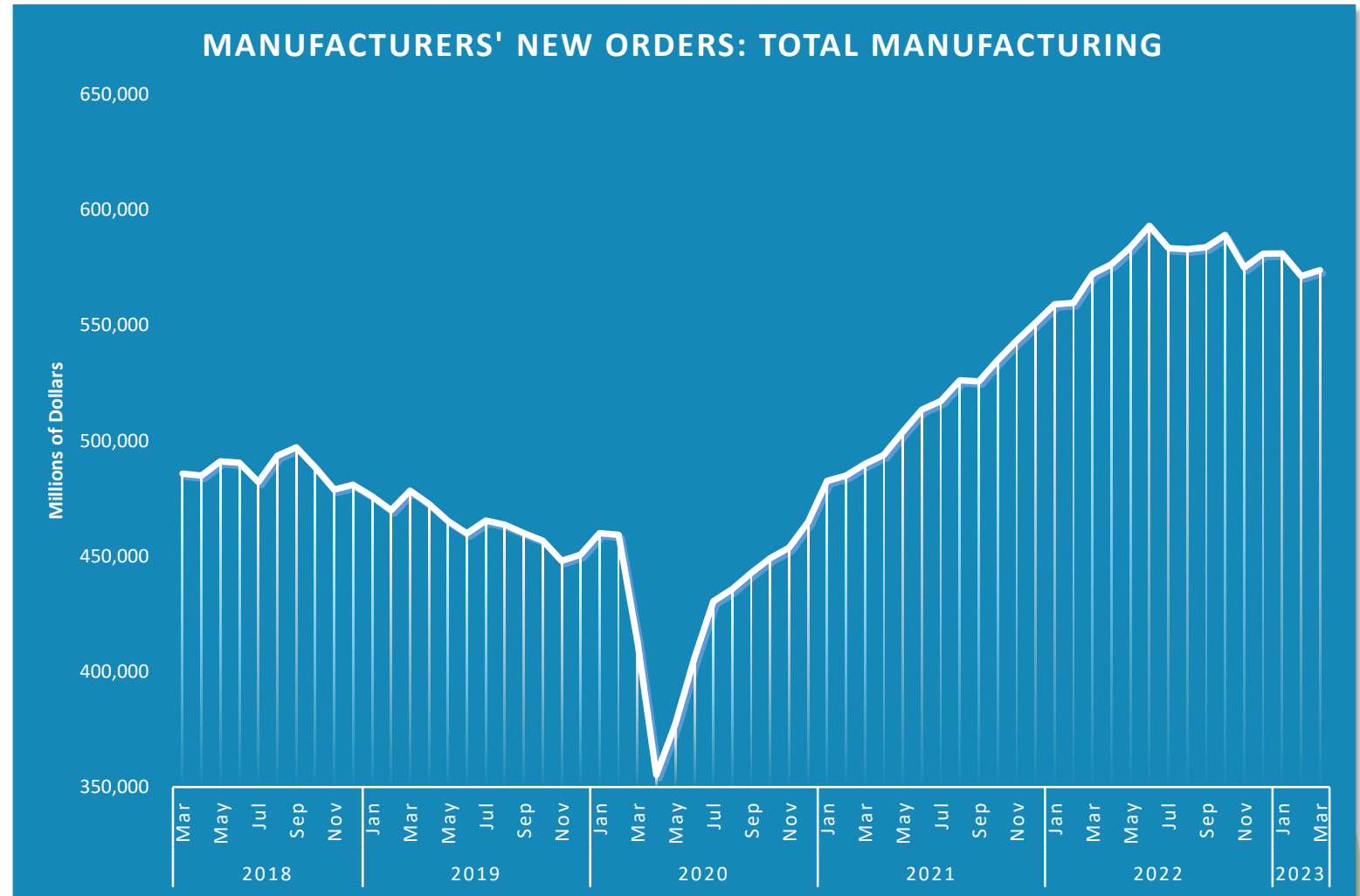
The big picture: Manufacturing new orders are an important economic indicator. They signify an overall direction of the market and economy.

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 ticked upward in April, ending two straight months of decline. However, manufacturing is slowing down.

- Total manufacturing increased 0.4%, or \$2.54 billion, month-over-month to \$573.8 billion.
- Total manufacturing is \$1.56 billion, or 0.3%, higher year-over year and \$75.16 billion, or 15%, above the 5-year trend.
- New orders for nondefense capital goods excluding aircraft, which often involve large investments and are sensitive to the US economic situation, dropped 1.1%.



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.

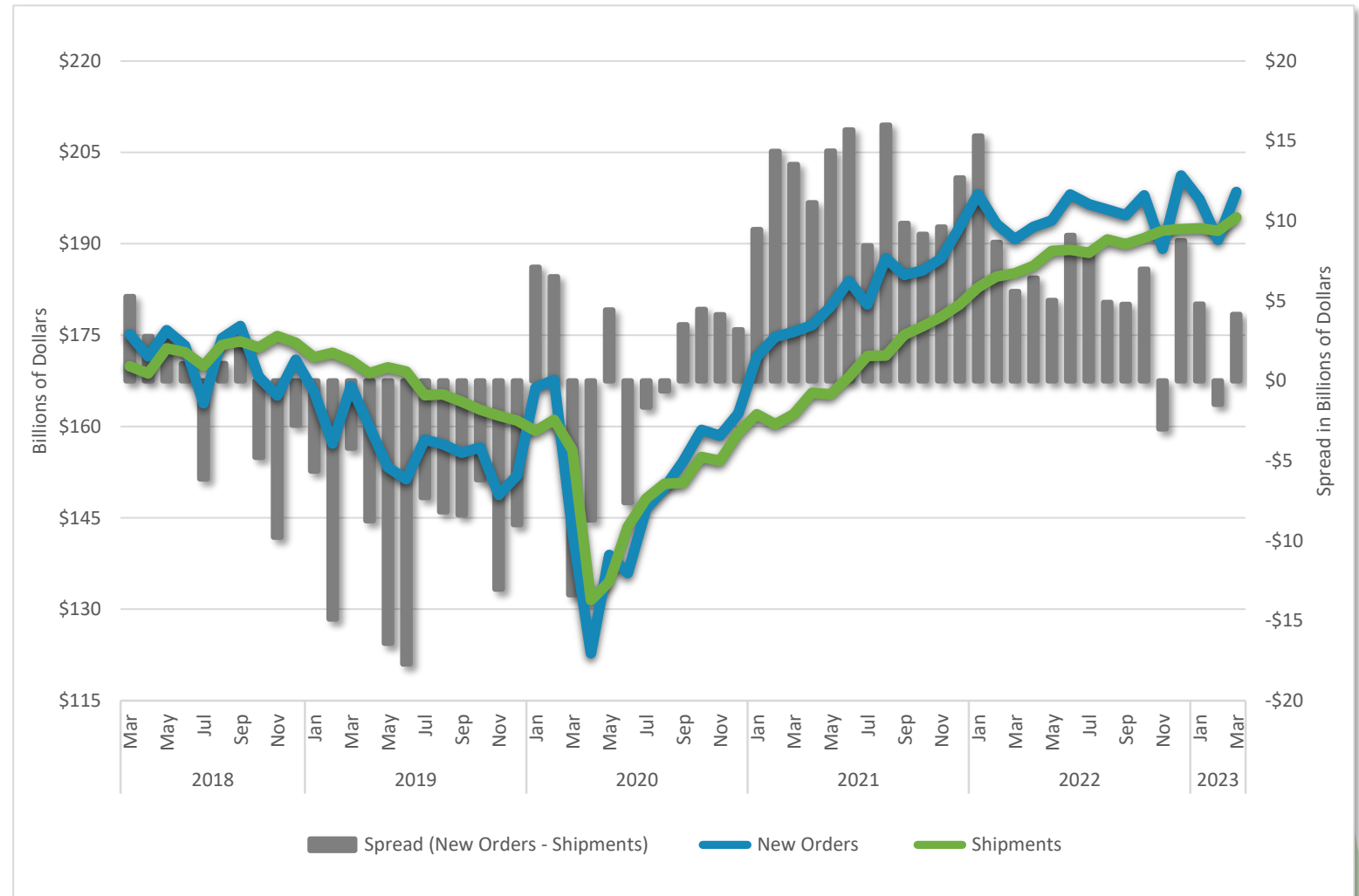
Why it matters: When unfilled new orders outperform shipments for unfilled orders, backlogs increase and we see growth in manufacturing activity. The reverse is also true.

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

Our thoughts: New orders eclipsed shipments again in March after falling into negative territory last month. New orders have dipped below shipments twice in the past five months, which could be further evidence of a slowdown in Manufacturing activity.

- New orders increased 4.1% to \$198.5 billion in March, and are 4.1%, or \$7.7 billion, higher year-over-year.
- Shipments increased slightly by 1.1% to \$194.3 billion.
- The spread between new orders and shipments jumped from negative \$1.4 billion to positive \$4.1 billion.

Both the Census Bureau and the ISM Manufacturing PMI 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 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.

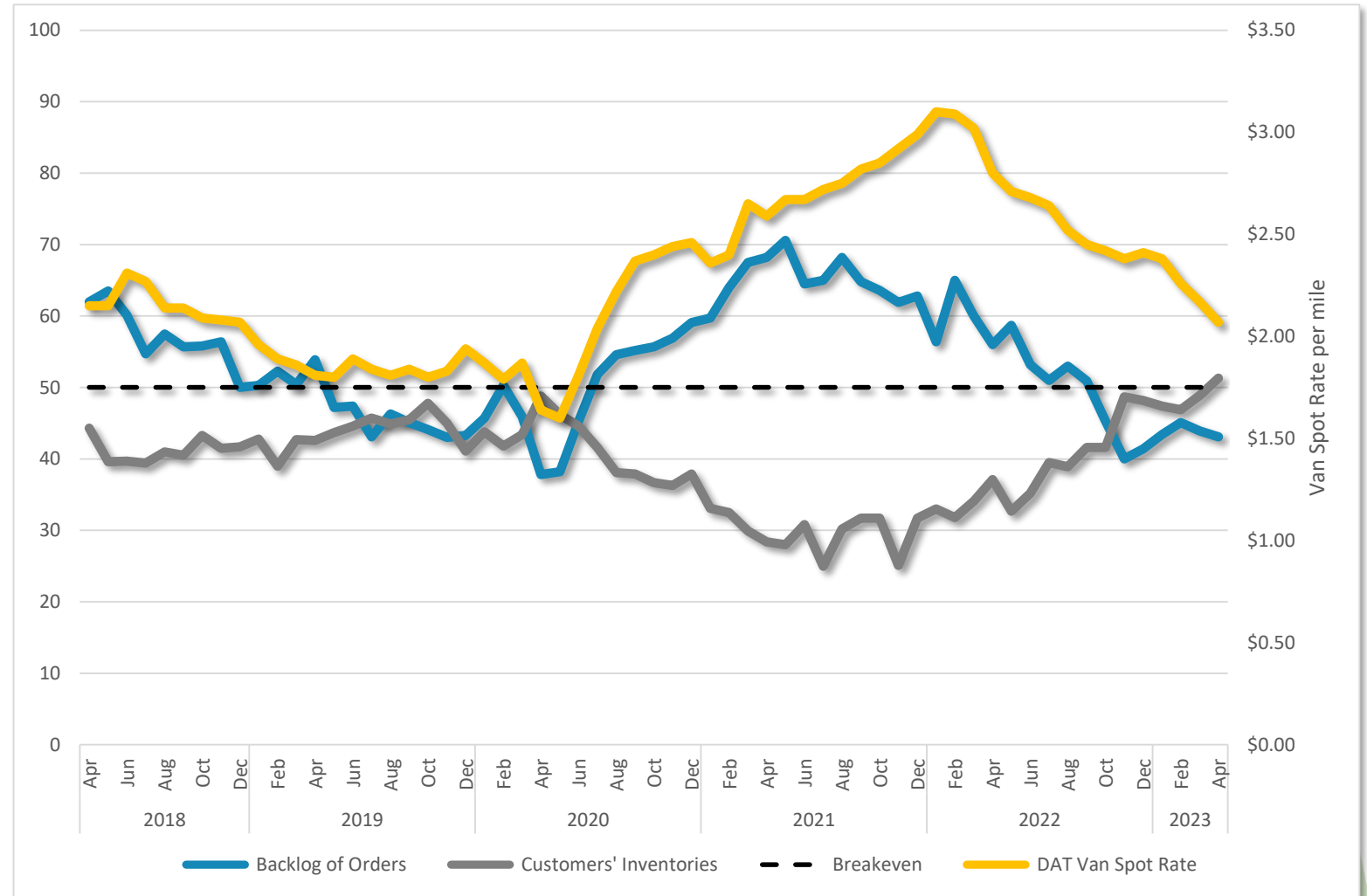
- When backlogs drop and customers' inventories move upward, rates rise. The opposite is also true.

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

- Backlogs decreased 1.8% month-over-month to 43.1, which is contraction territory. Backlogs are 23% lower year-over-year.
- Customers' inventories increased 4.9% to 51.3 and are 38% higher year-over-year.

The bottom line: According to ISM, "Customers' inventory levels are low at the low end of the 'too high' level as panelists report their companies' customers have signaled suppliers to deliver less material in the future. In April, customer inventories reached levels likely not conducive to future output growth."

- **In other words,** factories continue to work backlogs down.



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.

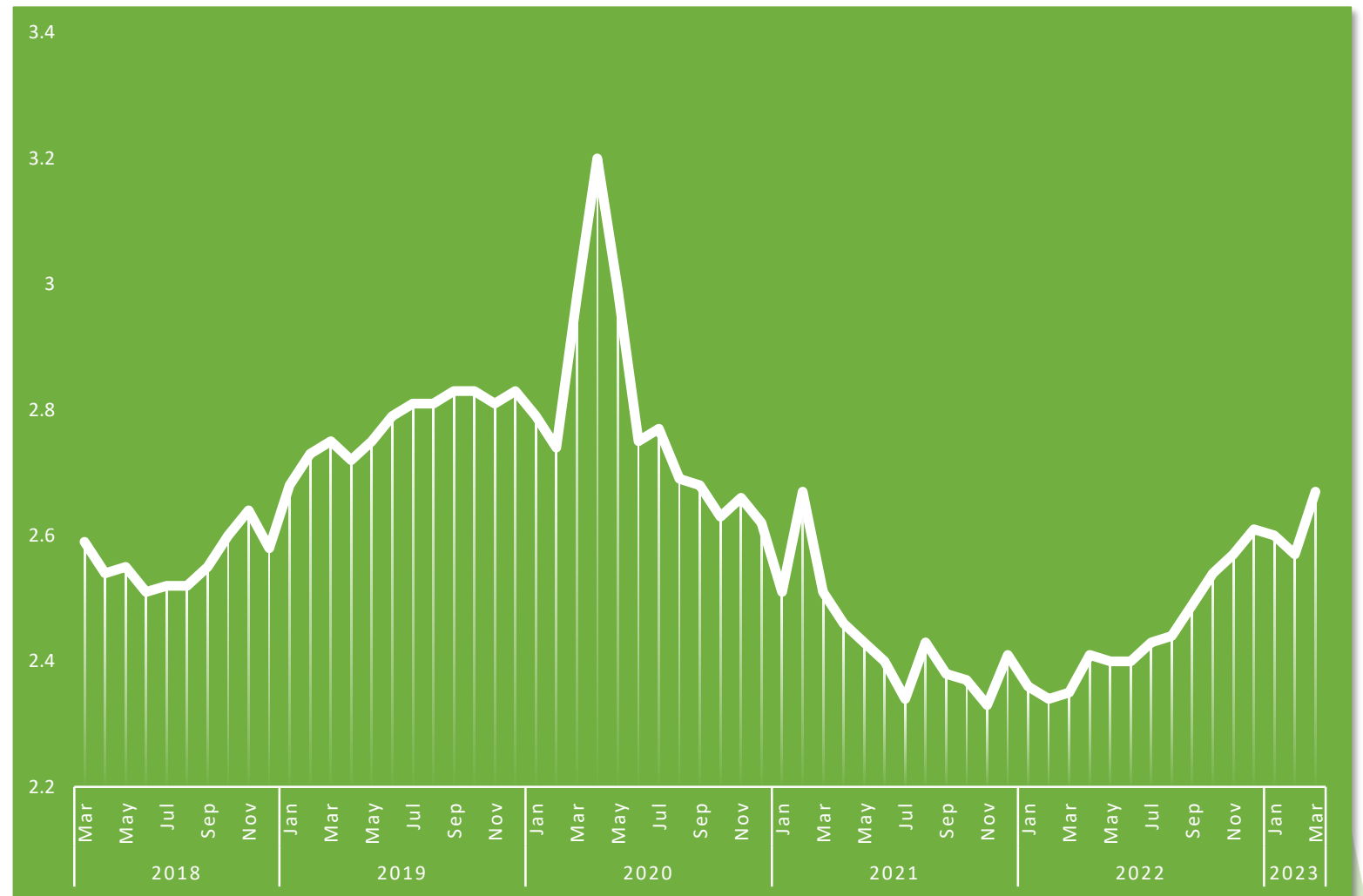
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

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

Our thoughts: Inventory levels are rising in this sector, which will be a headwind for demand and put downward pressure on rates.

- The inventories-to-sales ratio increased 3.9% month-over-month in March to 2.67, after contracting 1.2% in February.
- The ratio is 13.6% higher year-over-year.

One respondent to ISM's survey in this sector wrote, "Customers seem to be quite heavy on inventory (as is my employer). This has made for a significant slowdown in sales orders for the last number of months."



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.

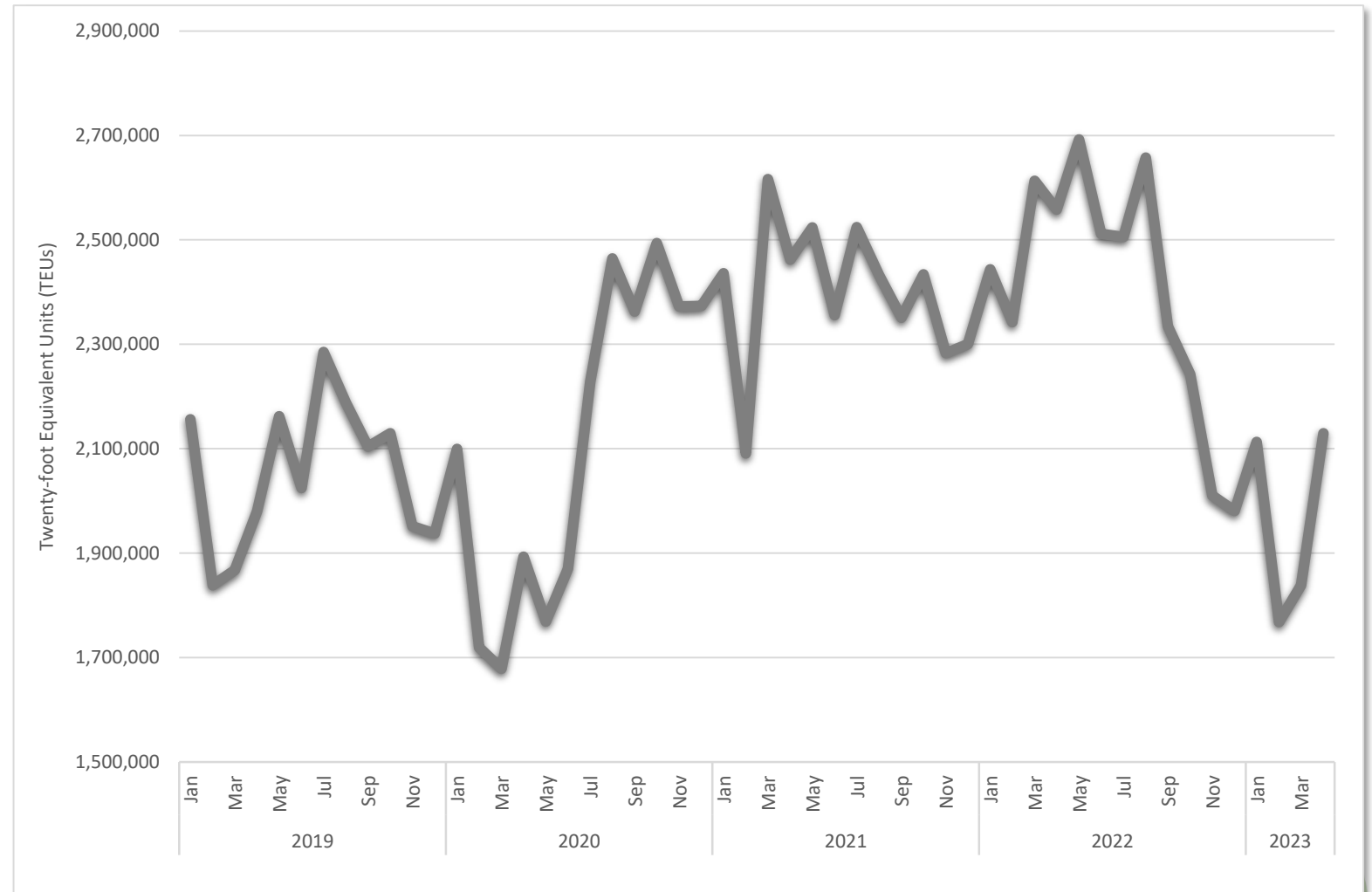
Why it matters: High levels of imports signal a strong domestic demand and a growing economy.

- 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 again month-over-month.

- Exports, which are a month behind imports, increased 0.8% in March to 936,681 twenty-foot equivalent units (TEUs).
- Imports jumped 15.9% in April to 2.12 million TEUs, all but reversing the big drop in February.
- Imports are 170,650 TEUs, or 7%, lower year-over-year, and 4% 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.

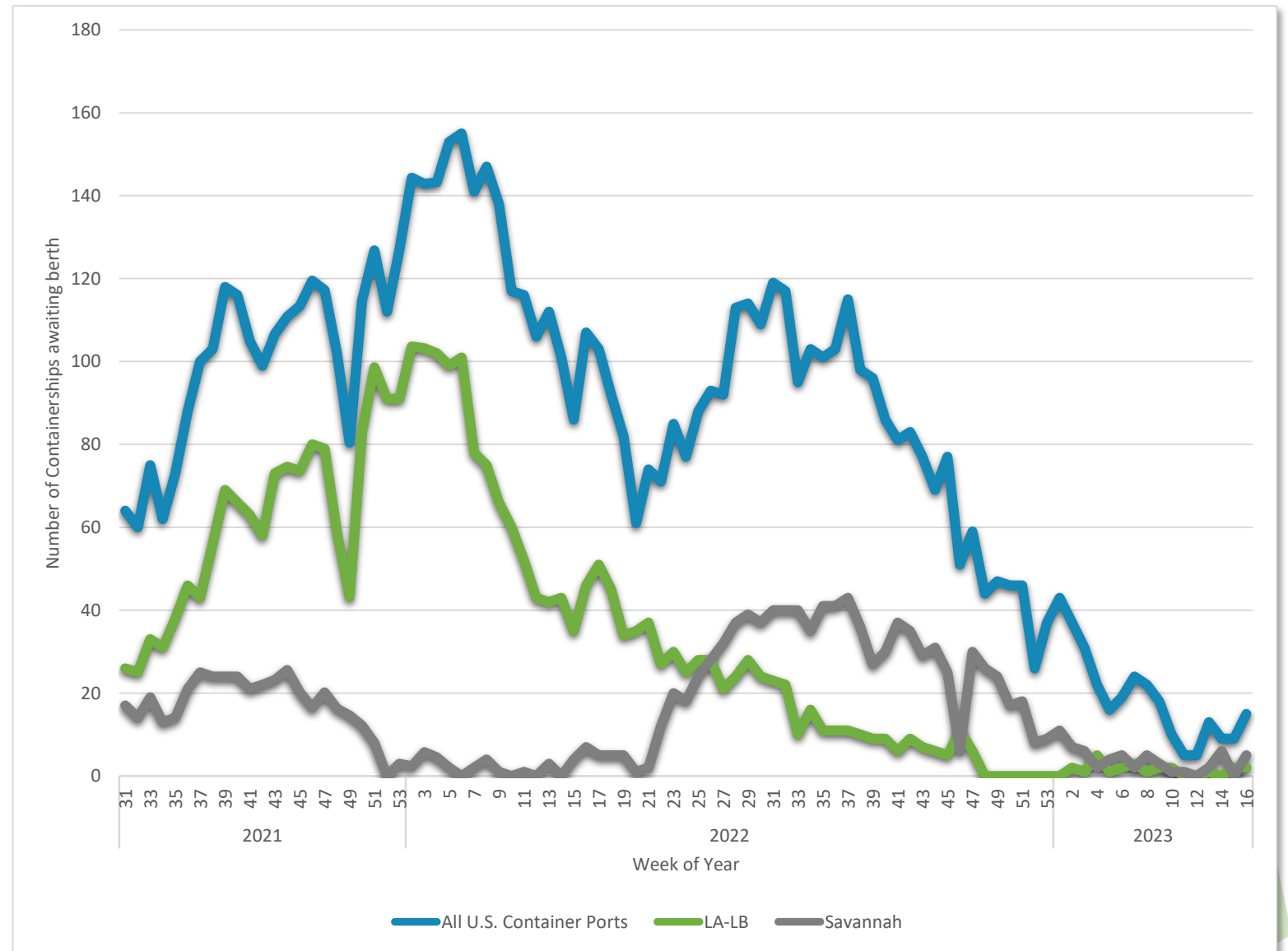
Why it matters: The number of containerships awaiting berth highlighted two issues:

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 have overcome their congestion issues as containerships awaiting berth overall, have dropped 90% 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 (TPEB) decreased to 61 days from 62 days, matching the fastest time since November 2020.
- The far east westbound (FEWB) cargo decreased to 69 days from 70 days, which is inline with the average level in November 2020.



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.

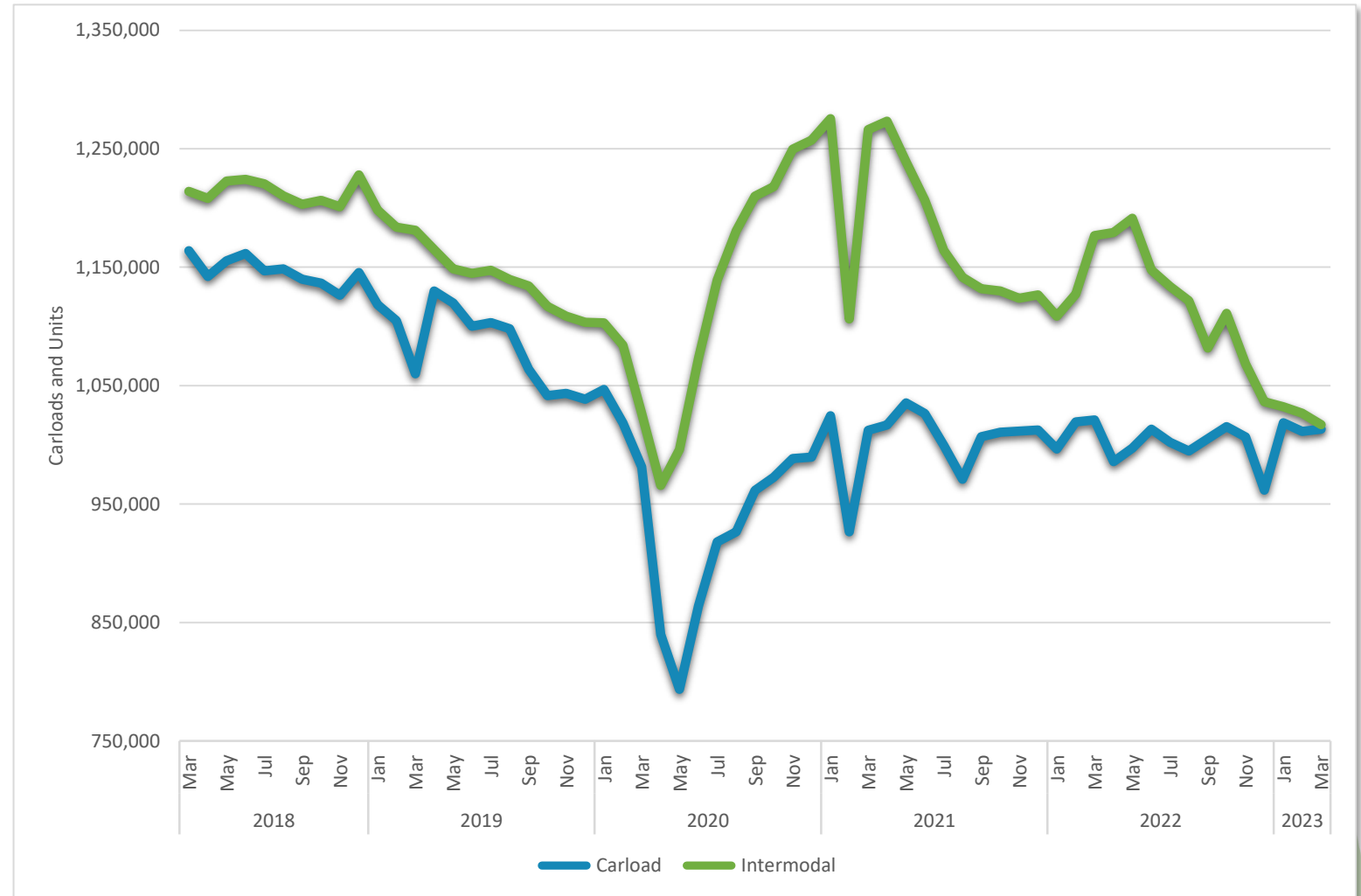
Why it matters: Most freight that is transported by rail, will require a truck for the final mile.

- 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: Intermodal containers continue to slide downward as rail carloads increased slightly. This probably indicates a movement from rail to truck as truck prices remain low.

- Carloads ticked upward 0.1% month-over-month to 1.013 million, and are down 0.6%, or 6,242 carloads, year-over-year.
- Intermodal decreased 0.9% to 1.017 million, and is down 9.8%, or 110,400 loads, year-over-year.
- Both carloads and intermodal are below their 5-year trend line by 1.8% and 11.7% 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



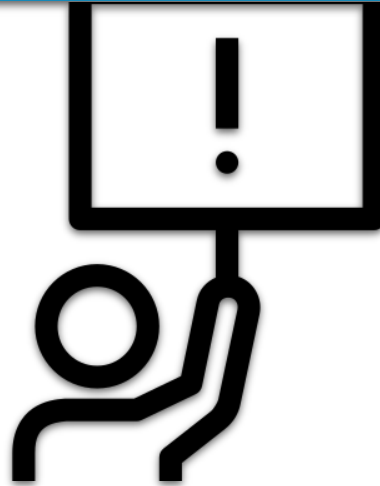
Market Summary

Volume



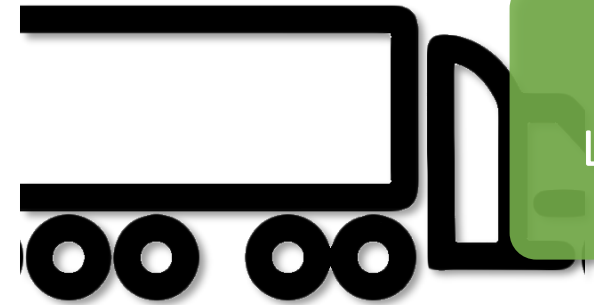
Flat

Demand



Flat

Capacity



Very Loose

Rates



Bottoming/
dropping

Operating Costs



High

Future Outlook



Negative



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