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RESEARCH
SAFETY
EDUCATION

June 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



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

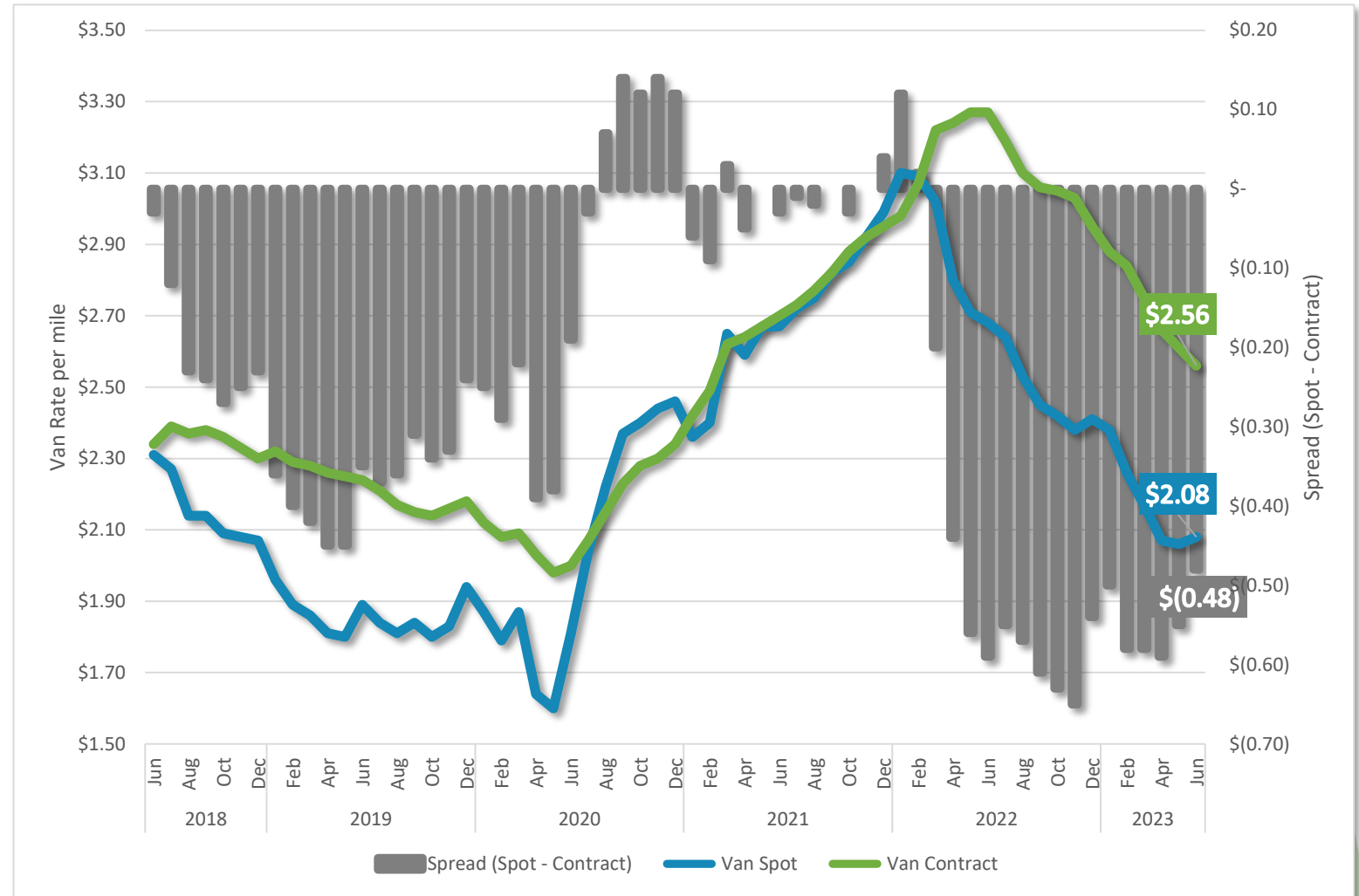
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Rates are underperforming compared to their typical seasonal trend in June. Though spot rates ticked upward, they were far short of where they normally are heading into the fourth of July.

- Spot rates for vans increased \$0.02 per mile month-over-month to \$2.08, but have dropped \$0.60 per mile since last year.
- Contract rates decreased another \$0.05 per mile, which means the spread between contract rates and spot rates dropped \$0.07 to \$0.48 per mile.
- Spot rates are 10% below the 5-year trend, while contract rates are 3% higher.

DAT's model predicts spot rates excluding fuel will stay relatively flat heading into the middle of August, perhaps even dropping a few cents per mile over that time.

- Remember that volumes and rates typically fall off after the fourth. It appears that rates have found their bottom.



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.

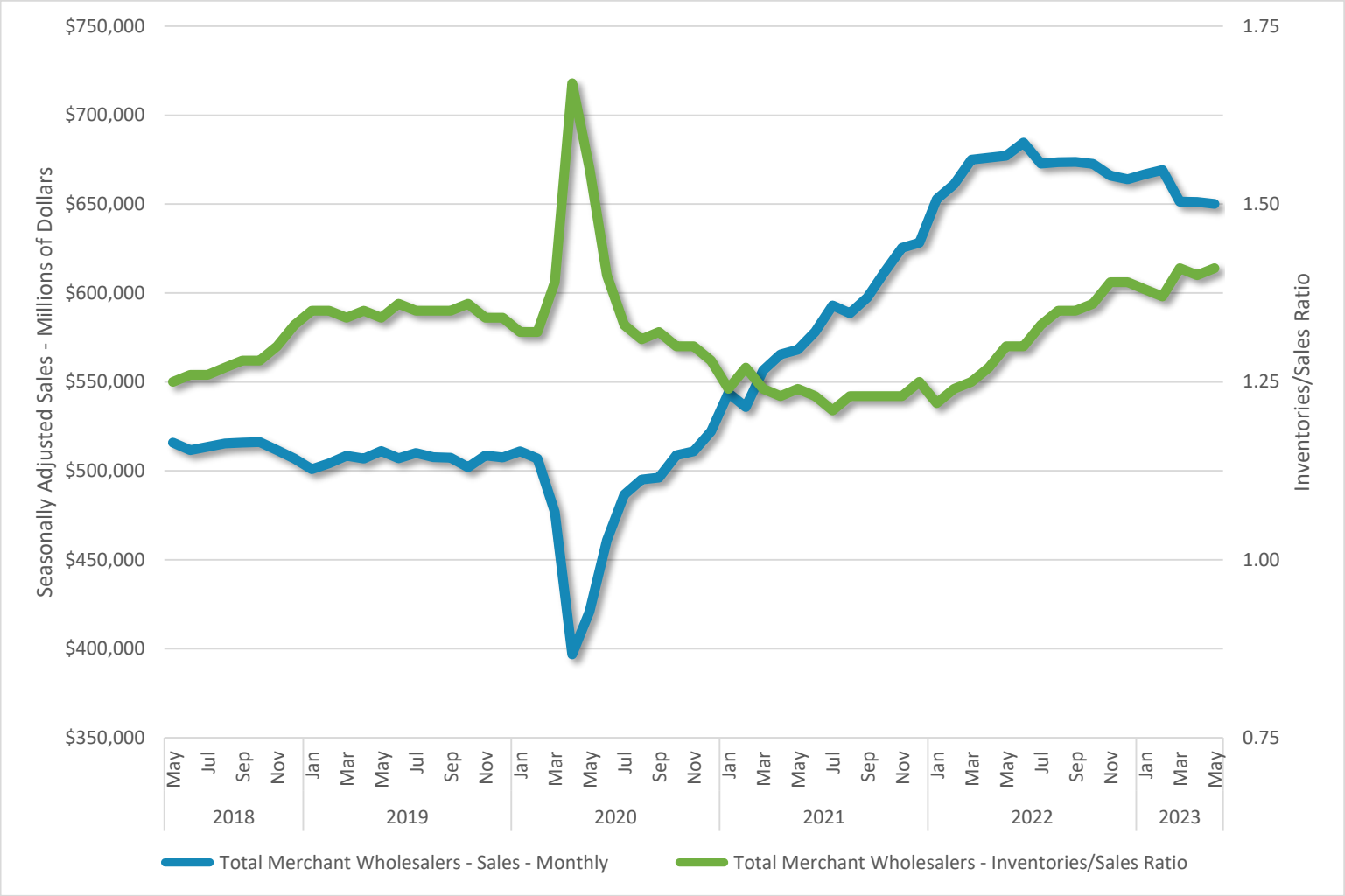
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 slightly, while monthly sales moved downward, effectively reversing some of the positive gains we saw in April where the exact opposite occurred.

- Sales decreased 0.2% month-over-month in May, and have decreased 4.0%, or \$27.1 billion, since last year.
- Ratios increased 0.7% month-over-month, whipping out the decrease we saw in inventories in April, and have grown 8.5%, or 0.11, since last year. Ratios are 7% 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

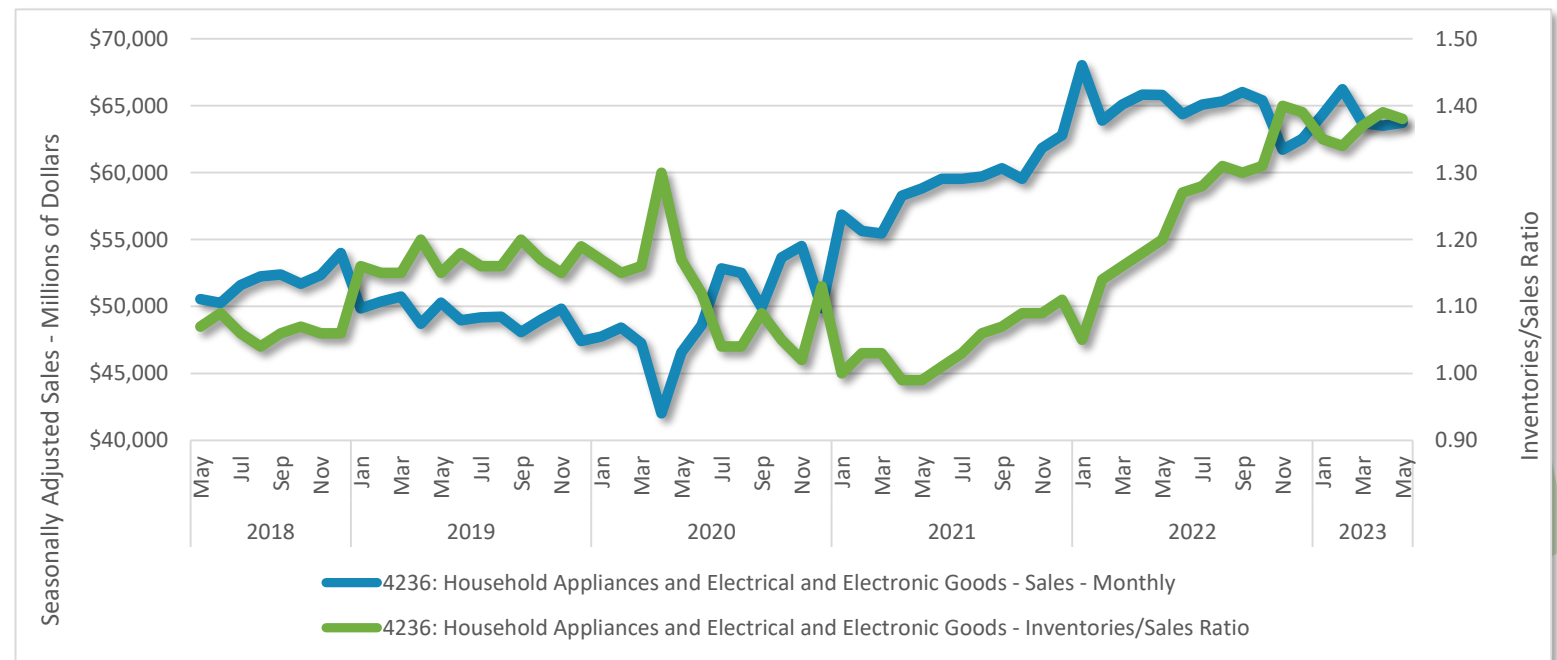
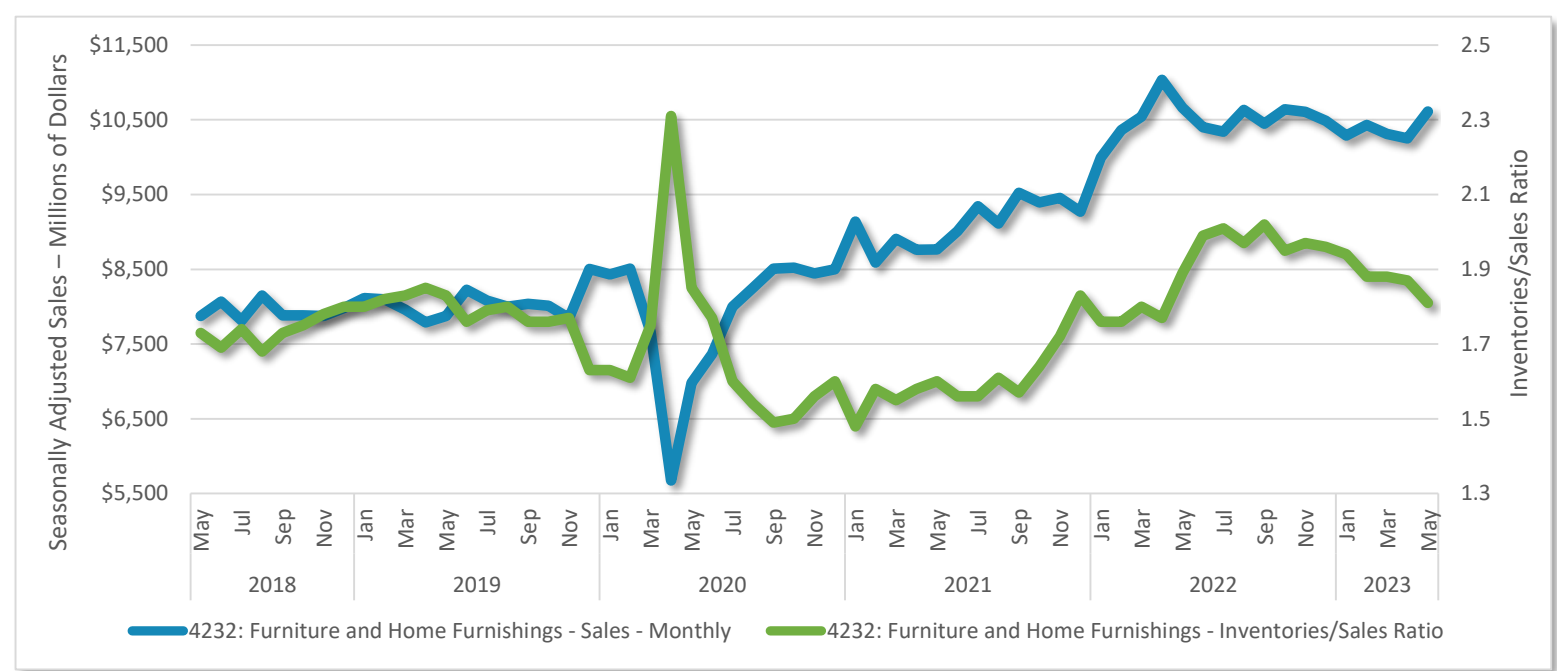
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

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

Our thoughts: Inventory-to-sales ratios declined for both industries, while monthly sales increased for both industries, which is a welcome sign and could be impacted by increases in housing activity.

- Furniture Sales increased 3.5% month-over-month, ending two consecutive months of decline, while ratios decreased 3.3% to 1.76.
- Compared to last year, sales decreased \$51 million as ratios have decreased 4.3%.
- Household appliances sales increased 0.3%, and ratios declined 0.7% to 1.38.
- Sales decreased \$2.07 billion since last year, as ratios have grown 15%.

It appears that inventory levels are declining for furniture but remaining mostly flat for household appliances. Hopefully the destocking of these two industries will accelerate, which will help generate freight for trucks.



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:

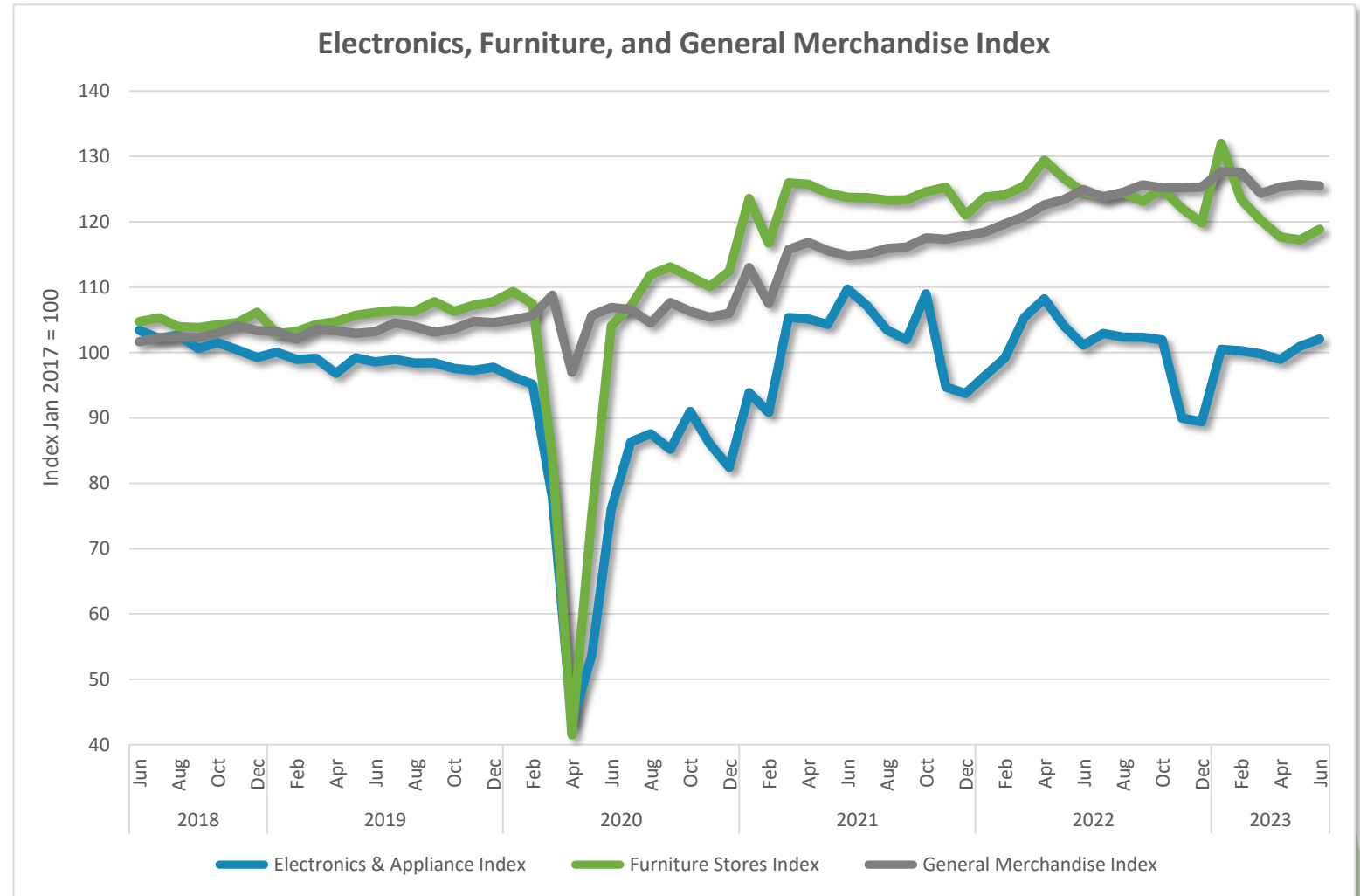
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco

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 increased for all sectors except GMS. FS sales continue to trend mostly sideways as EAS continues to track with 2019 levels.

- EAS increased 1.1%, or \$86 million, month-over-month to \$7.8 billion, marking two straight months of growth. EAS is 0.9%, or \$74 million, higher year-over-year.
- FS grew 1.4%, or \$155 million, M/M to \$11.28 billion, and is 4.6%, or \$540 million, lower Y/Y.
- GMS decreased 0.1% M/M, or \$103 million, to \$72.3 billion, and is up 0.5%, or \$334 million, 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

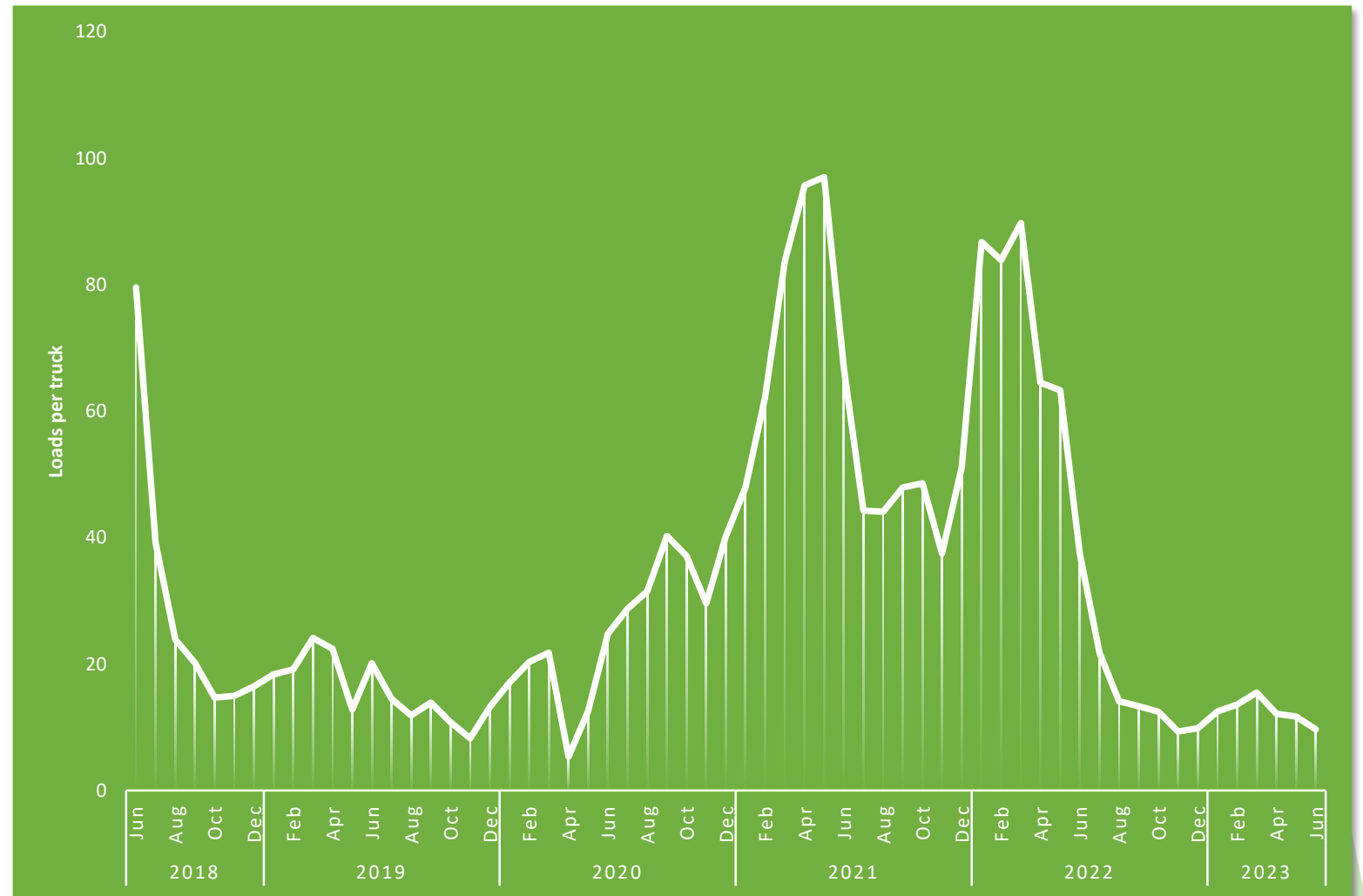
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 are tracking approximately 60% lower than last year, while equipment posts remain very high.

- The Flatbed Load-to-Truck Ratio decreased 17.2% month-over-month in June, marking three consecutive months of decline.
- The ratio has declined 75% since last year, from 37.55 loads for every truck to 9.68.
- The ratio is 71% 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

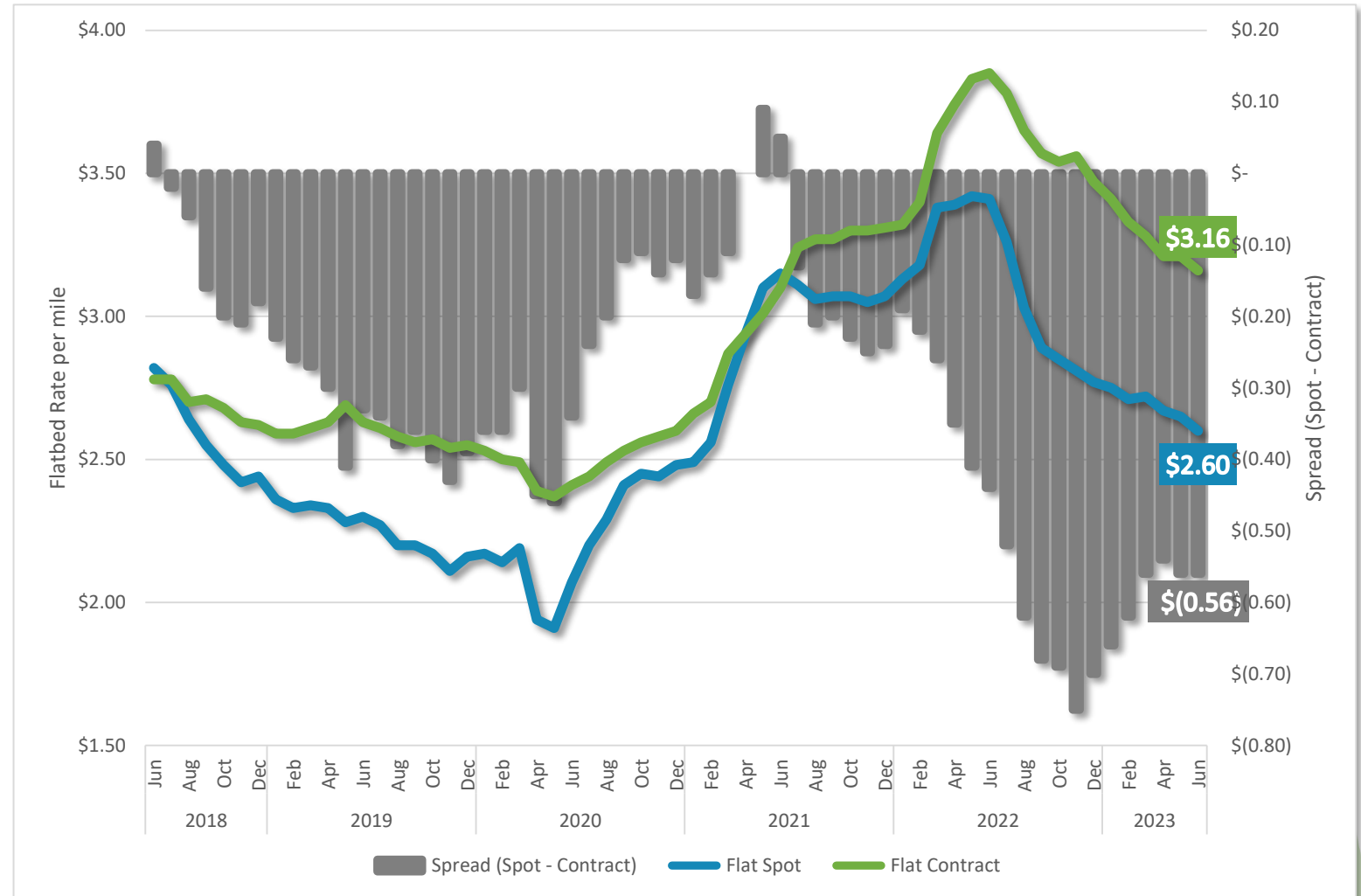
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates decreased again in June, marking three consecutive months of decline, while contract rates also decreased after ticking upward slightly in May.

- The spot market decreased \$0.05, or 1.9%, to \$2.60 per mile month-over-month, and has dropped \$0.81 since last year when it was \$3.41.
- The contract market decreased \$0.05, or 1.6%, to \$3.16 per mile, which is \$0.69 lower than last year and \$0.21 above the 5-year trend.
- The spread between contract and spot was flat at \$0.59, which is 27% higher than a year ago when it was \$0.12.

DAT predicts that spot rates excluding fuel will tick downward by 5 to 10 cents per mile as we head into the middle of August.

- Rates usually cool off during this time of year as we move past peaks in machinery and steel production.



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.

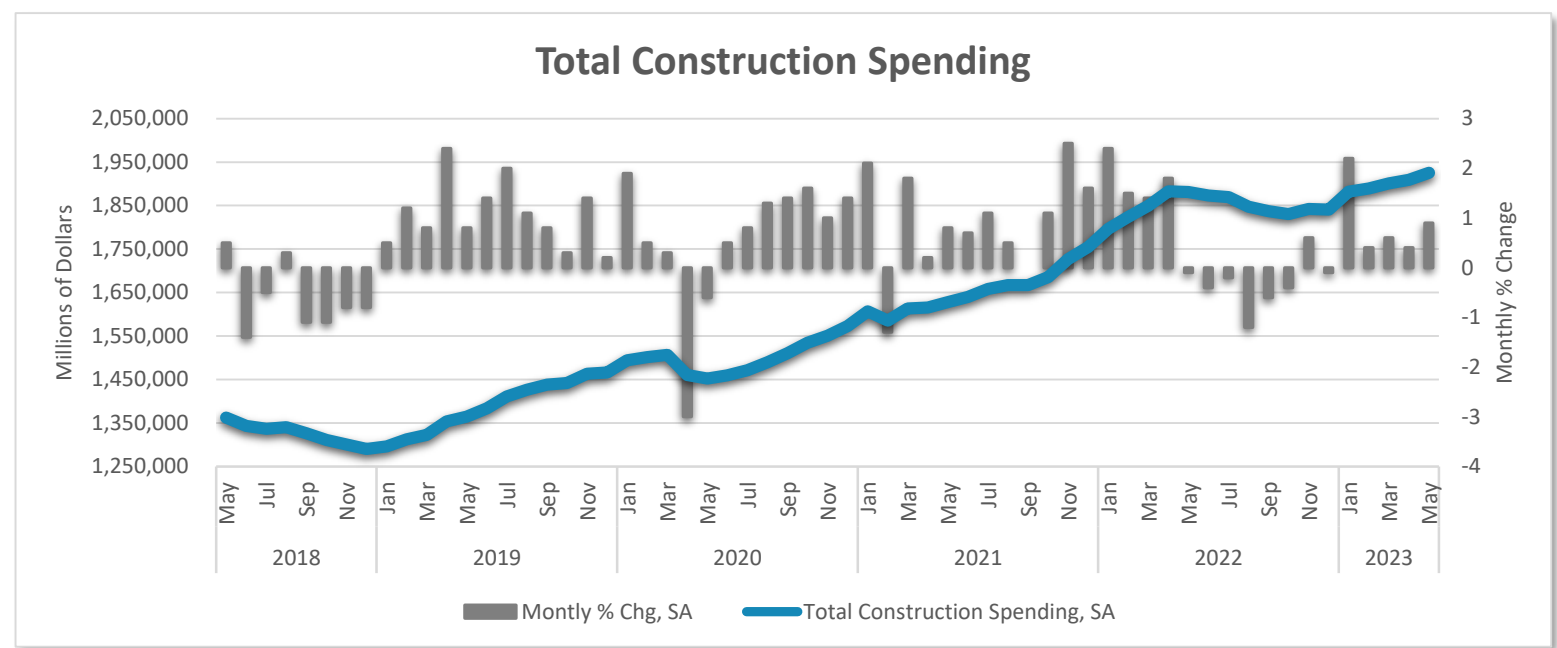
Why it matters: Construction spending helps boost the economy, especially spending that is dedicated to building roads and bridges.

- 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.

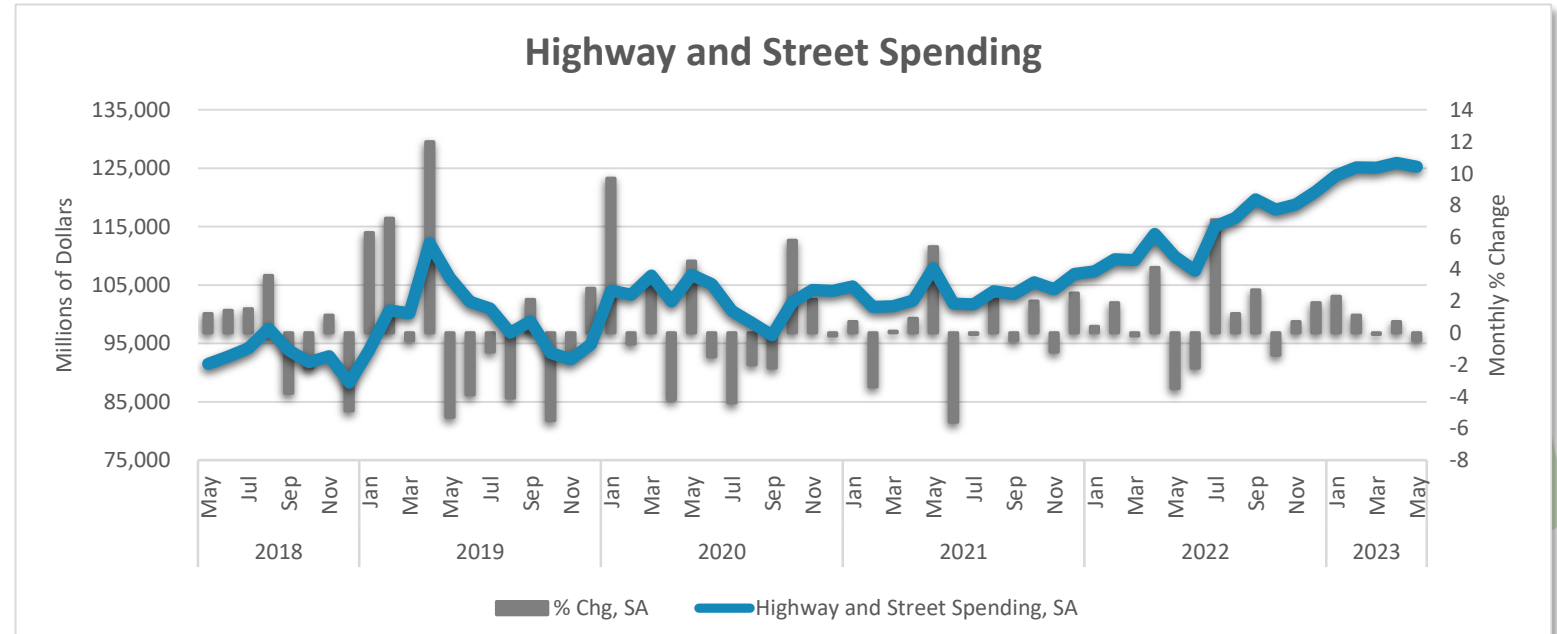
Our thoughts: Total construction spending (TCS) increased while spending on highways and streets (HSS) decreased month-over-month. Non-residential (NRS) also decreased.

- TCS increased by 0.9%, or \$16.57 billion, in May to \$1.926 trillion, which is \$44.7 billion, or 2.4%, higher year-over-year, and 21% above the 5-year trend.
- HSS decreased 0.5% to \$125.26 billion after being adjusted upward in April, and is up 14%, or \$15.4 billion, year-over-year.

While construction spending for HSS and NRS has helped keep flatbed afloat, it's starting to flatten off which is typical for this time of year.



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:

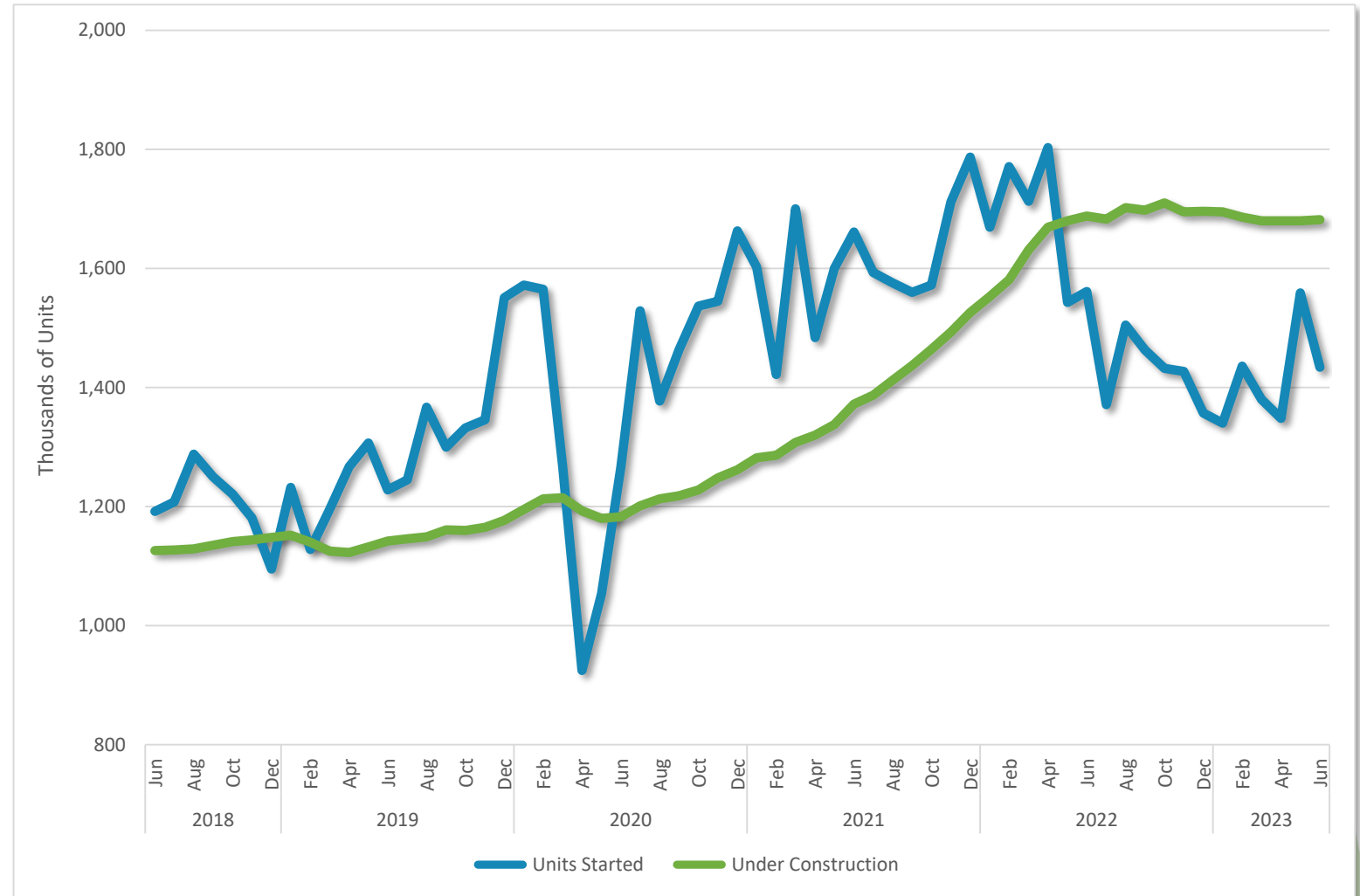
- Housing starts, and
- Housing under construction.

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 dropped down again in June following a significant increase in May, in which starts jumped 21.7%. While starts moved downward, they seem to have found a floor.

- New starts decreased 8%, or 125,000 houses, to 1.434 million, and are down 8%, or 127,000 homes year-over-year (Y/Y).
- Houses under construction ticked upward slightly at 0.1% to 1.682 million, and are flat Y/Y.
- Completed houses decreased 3.3% month-over-month and are up 5%, or 76,000 homes, 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).

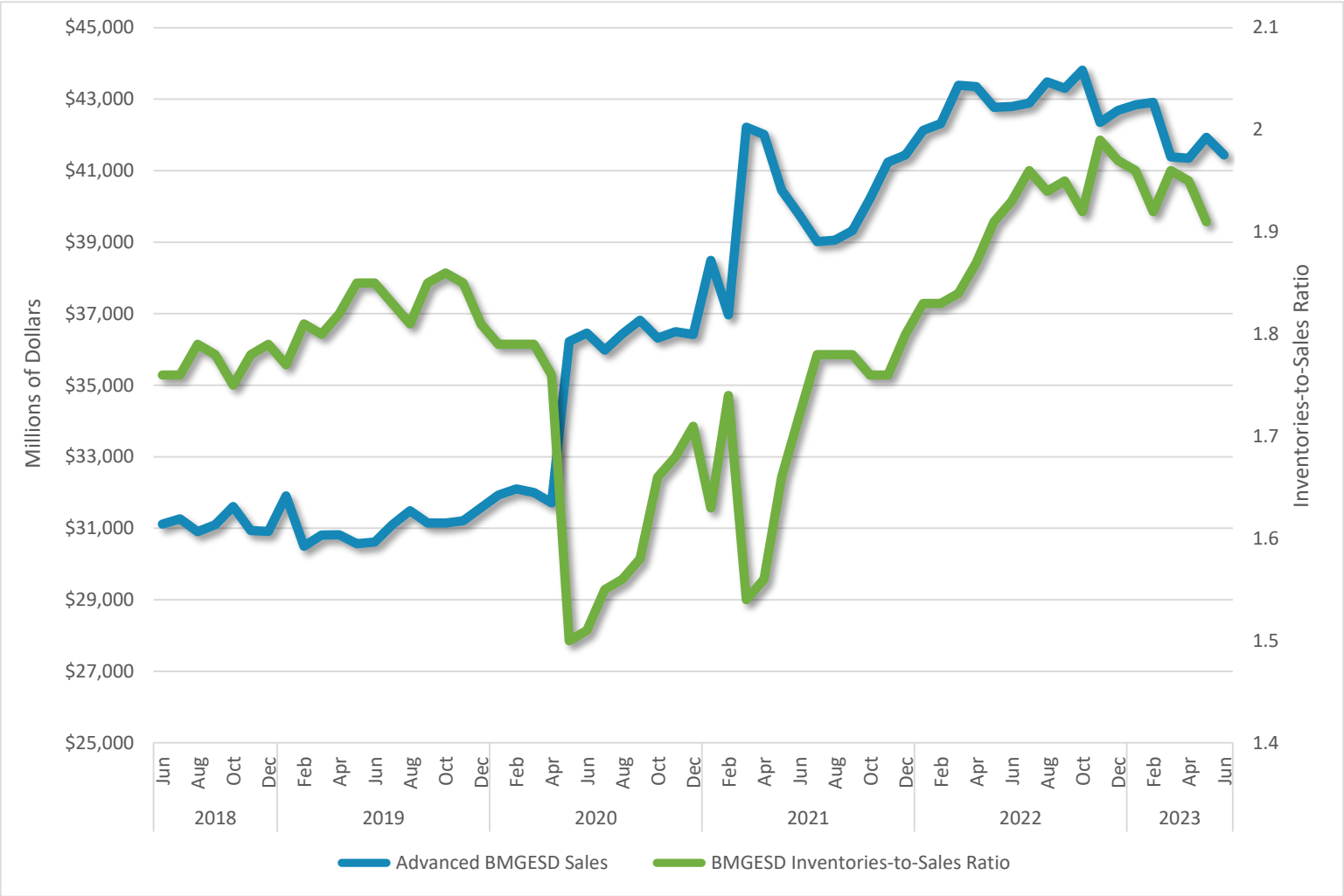
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: Both BMGESD sales and inventories dropped in June as retailers continue to work on depleting their inventories by offering discounts.

- The BMGESD retail sales decreased 1.2% month-over-month to \$41.4 billion, and are 3.2%, or \$1.35 billion, lower year-over year.
- Sales are \$4.41 billion higher than the 5-year average.
- Inventories-to-sales ratios decreased 2.1% to 1.91 in May, and are 1% lower year-over-year.

In June, sales and inventories decreased, meaning retailers depleted their inventory levels at the expense of margins. The fact that inventories decreased is a positive sign, and could signal that more and more retailers are righting their inventory levels. However, as can be seen in the chart, we still have a long way to go.



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

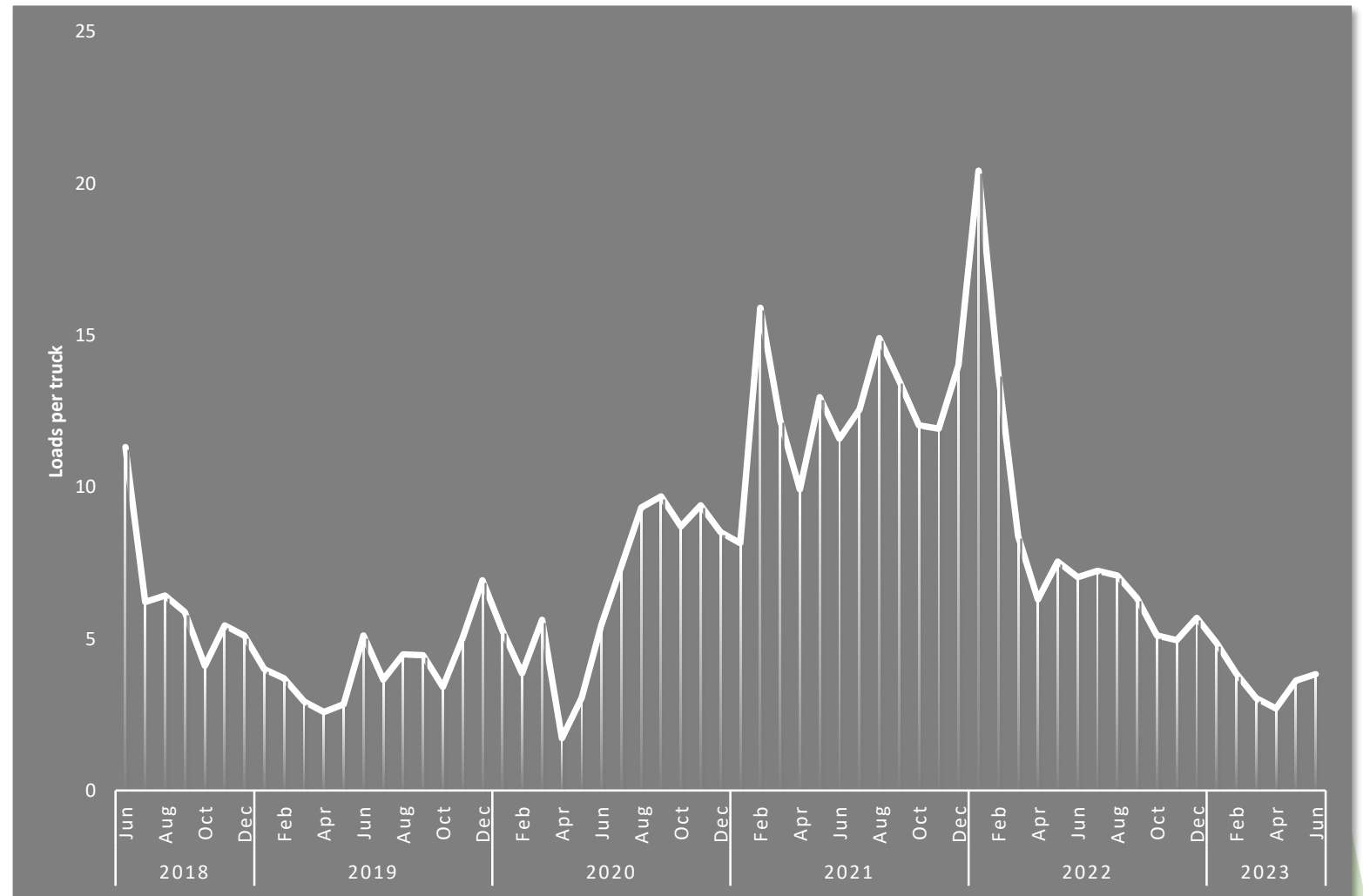
The big picture: Load-to-Truck Ratios represent the number of loads posted for every truck posted on DAT Load Boards.

- 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 reversed its downward trend in demand over the last two months as produce volumes start to pick up heading into the fourth of July.

- The ratio increased 5.8% month-over-month to 3.83 loads to every one truck posted.
- This is 46% lower than last year when the ratio was 7.03, and 57% below the 5-year trend.
- Load posts are tracking very closely to 2019, while equipment posts remain very high.



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.

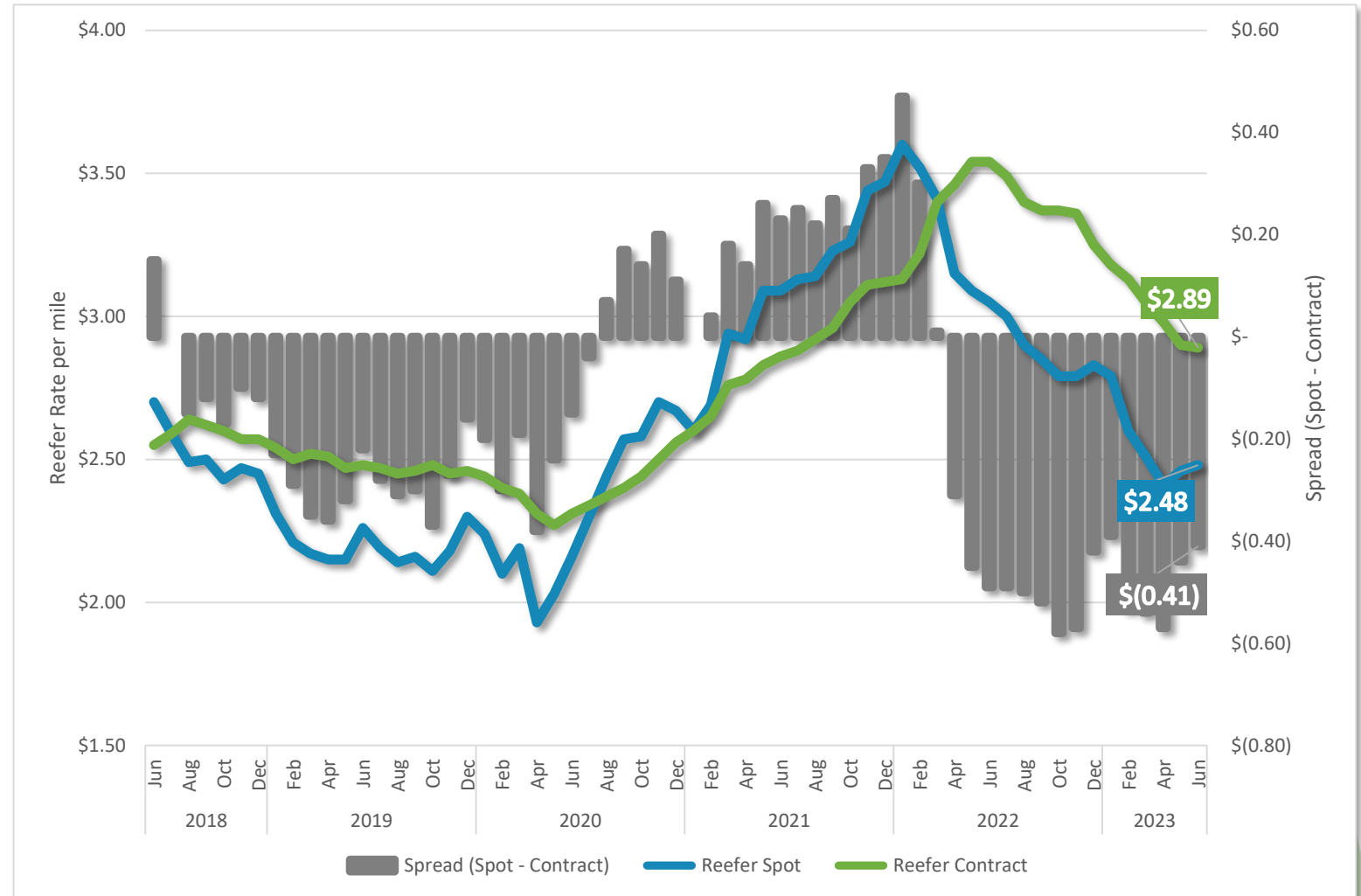
- RateView's database is comprised of more than \$110 billion in freight bills in over 68,000 lanes

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 upward again month-over-month in June, marking two straight months of increases, while contract rates dropped a penny per mile.

- Spot rates increased \$0.02, or 0.8% to \$2.48 per mile, but are down \$0.57 since last year.
- Contract rates declined \$0.01, or 0.3%, to \$2.90 per mile, which is \$0.65 below where we were last year.
- The spread between spot and contract decreased 6.8% to \$0.41 and is 16% higher compared to a year ago.

DAT is forecasting that spot rates excluding fuel will stay drop a couple cents per mile going into the end of July and then remaining flat as we head into the middle of August.



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.

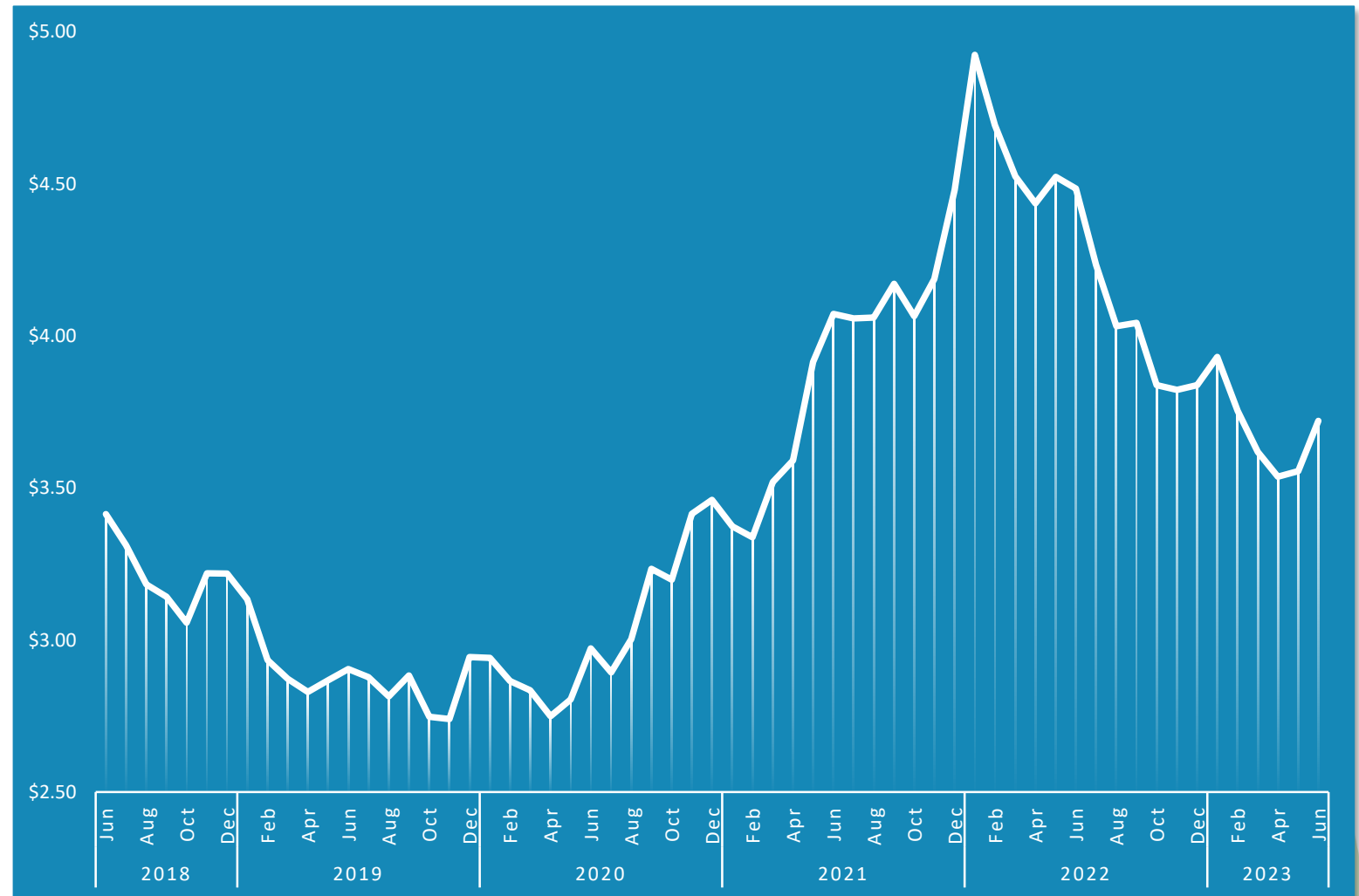
Why it matters: Produce requires fast and efficient movements of perishable commodities.

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

Our thoughts: Fruit and vegetable reefer rates are 24%, or \$1.20 per mile, below their high in January 2022.

- Rates per mile increased 4.6%, or \$0.17 per mile, month-over-month to \$3.72 in June, marking two months of increases heading into the 4th.
- Rates are \$0.76 per mile, or 17%, lower year-over-year, and are \$0.21 per mile, or 6.1%, higher than the five year trend.

According to USDA, carriers in the Great Lakes region of the country experienced the greatest increase in pay per mile month-over-month, with only the Florida region experiencing a decrease from May to June.



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

Fruit and Vegetable Industry: Truck Volume

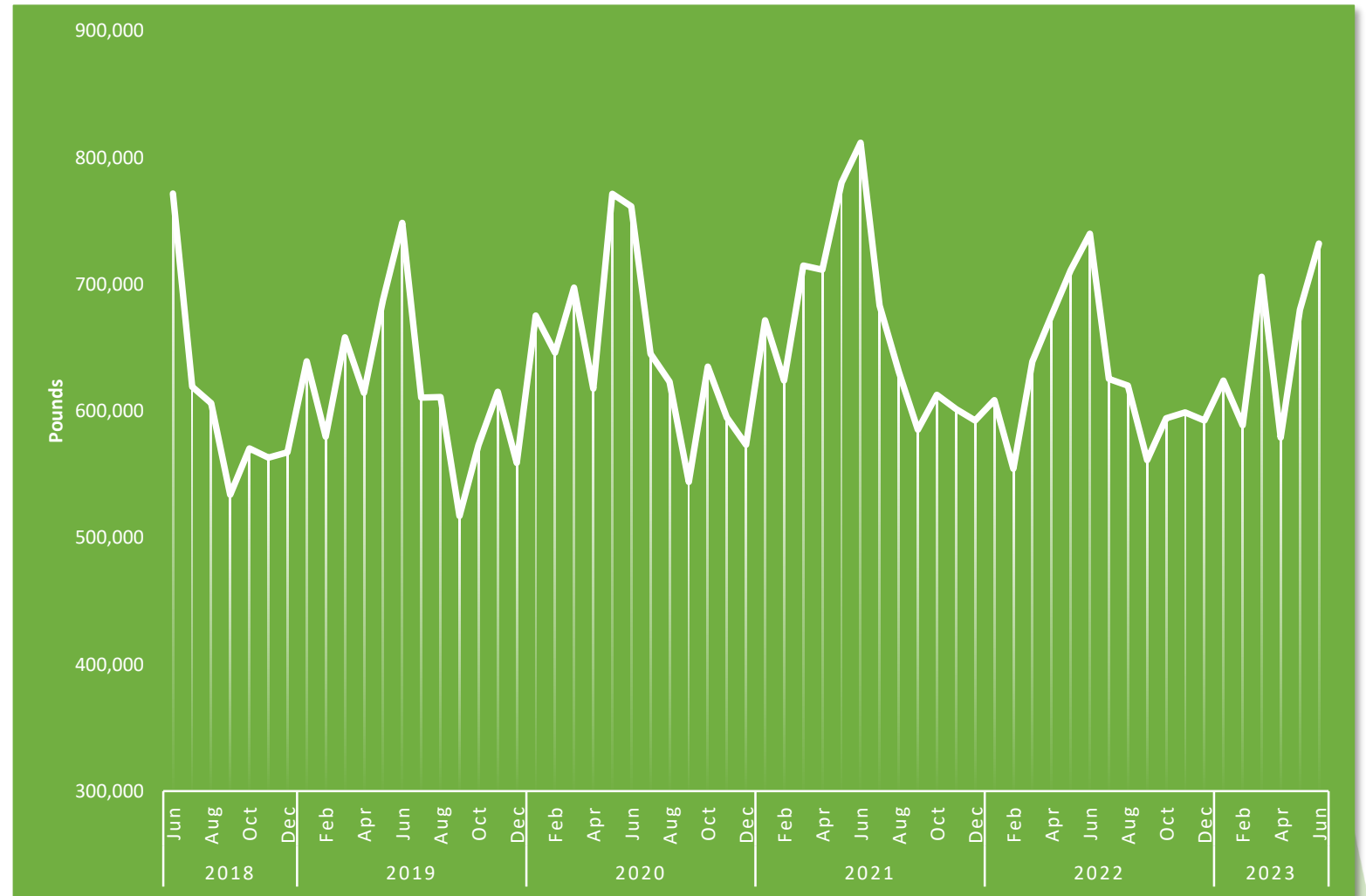
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight for different regions and commodities.

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 continued their upward trajectory in June after first shooting up in May. Volumes overall are down year-over-year because of a slow start to the produce season due to the weather issues in California.

- Reefer volumes increased 7.7% month-over-month to 732,323 pounds, and are 1%, or 7,683 pounds, lower year-over-year.
- The California region saw a 21% increase alone which helped prop up volumes overall, but are still 28% lower than they were last year.
- Arizona and the southeast also experienced large increases in volumes, while Florida, Mexico-Arizona and Mexico Texas experienced large decreases.



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

Fruit and Vegetable Industry: Truck Availability

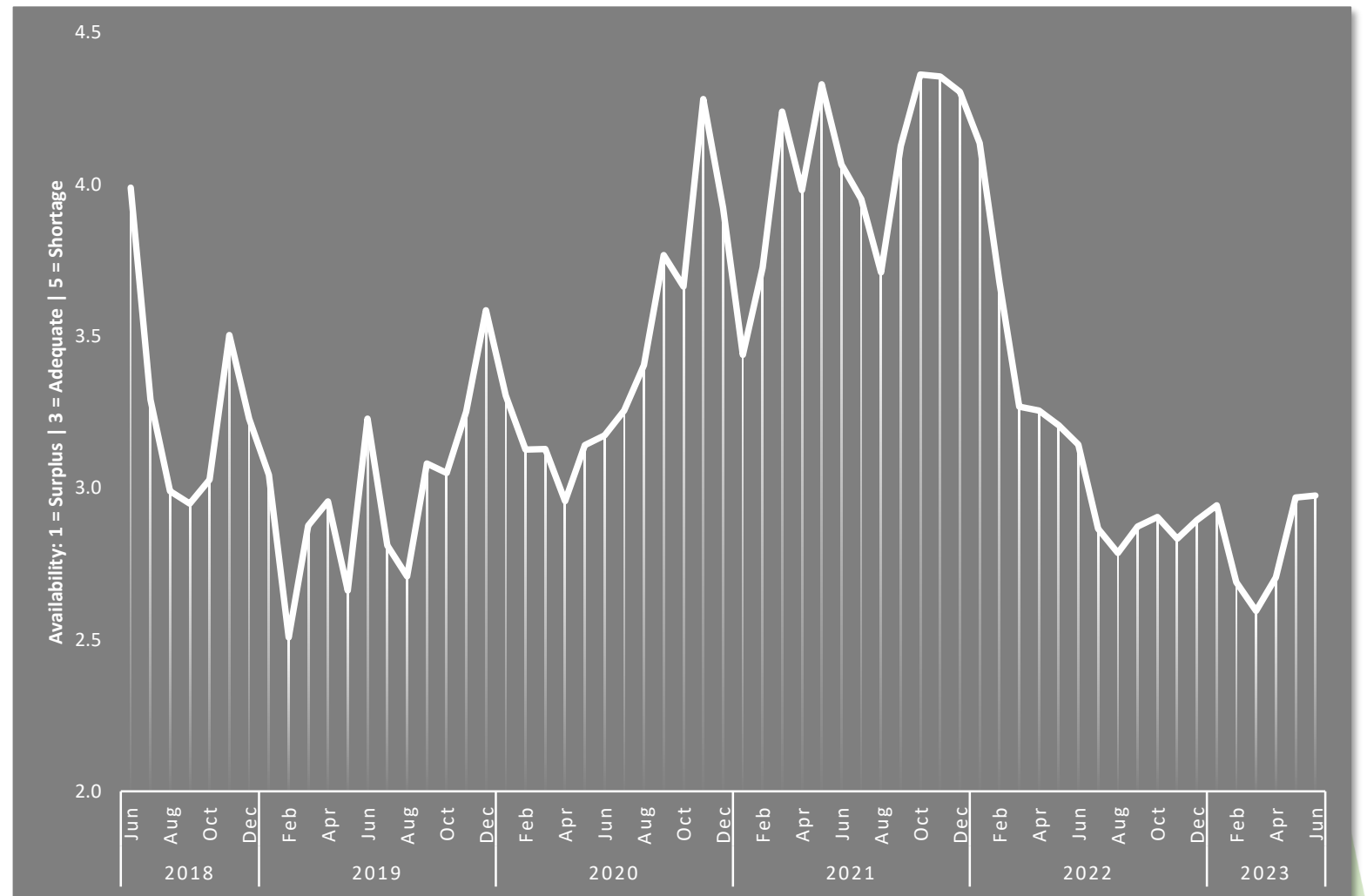
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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 remained flat in June, ending two consecutive months of tightening. Capacity is still loose overall, especially compared to 2021.

- Reefer truck availability was flat at 2.97. Availability is still up 5.4% however over the previous year.
- Capacity tightened in both the Florida and Pacific Northwest regions of the country.
- California was the only region to experience loosening in June despite the increase in volumes. Availability dropped from 3.49 to 3.05.



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.

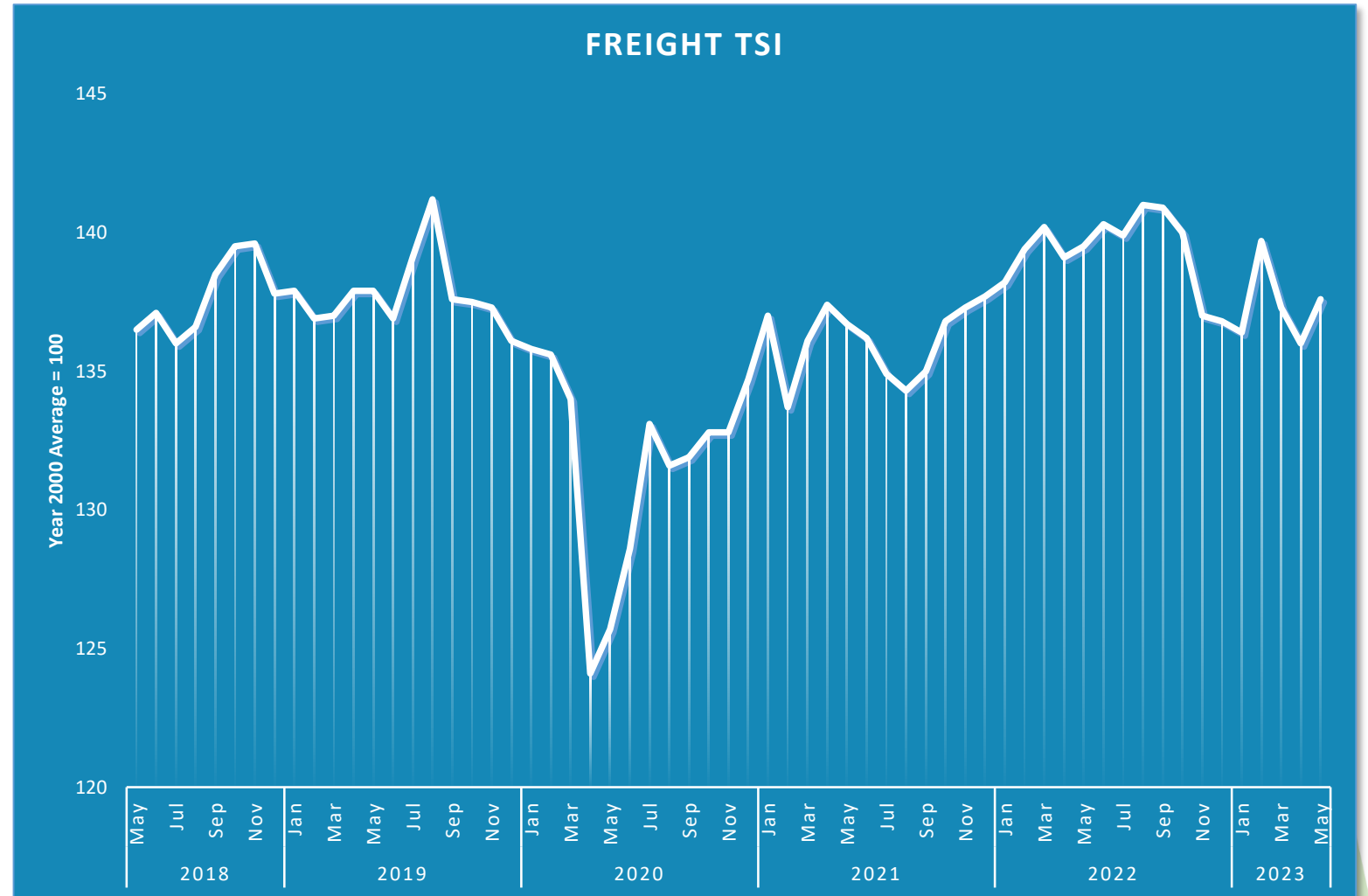
Why it matters: Changes in the TSI reflect changes in the demand for goods and services.

- 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 May due to seasonally adjusted increases in rail intermodal, water, air, pipeline, and trucking, while rail carloads were down.

- The TSI increased 1.2% month-over-month to 137.6, and is 1.4% lower than a year ago. May was only 2.5% below the all-time high of 141.2 in August 2019.

May's increase came in the context of mixed growth for other indicators. The Industrial Production Index was down 0.2%, reflecting decreases in mining and utilities, while manufacturing grew. Housing starts were up and 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.

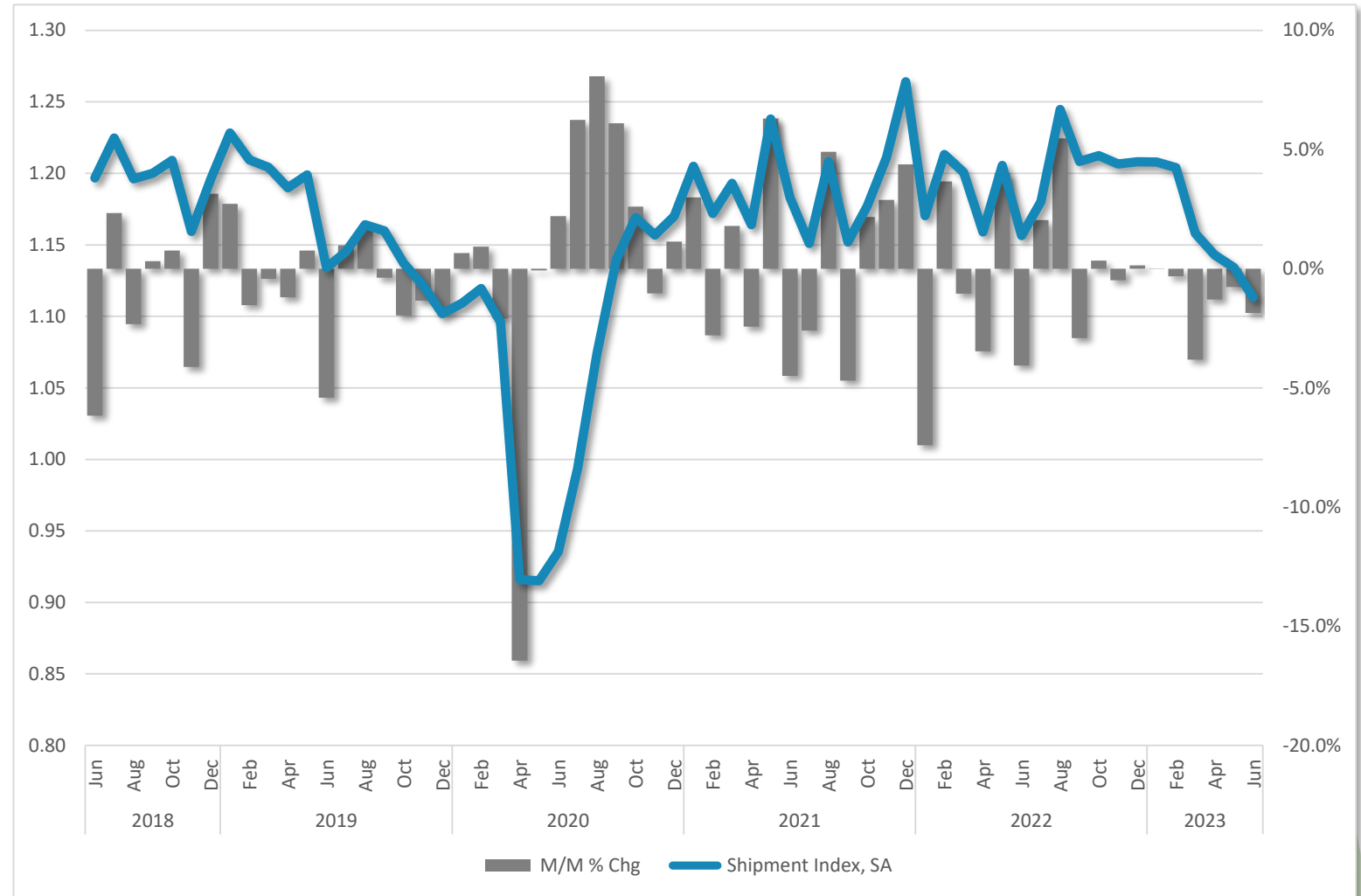
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index was down 1.9% month-over-month to 1.11 in June when seasonally adjusted, and was down 3.7% year-over-year. The past three downcycles experienced 21 to 28 straight months of decline year-over-year. We're currently at 18 months so far.

- Expenditures, which measures the total amount spent of freight, dropped 2.8% to 3.45, due to changes in fuel, modal mix, intramodal mix, and accessorial charges.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, also decreased 0.9% to 3.10.
- Truckload linehaul rates, which includes both spot and contract rates, decreased 0.4% to 142.3 and is down 14.1% year-over-year.

Bottom line: Cass believes the volume downturn is in the later innings. After a long soft patch, Cass believes the U.S. freight transportation industry on the cusp of a new cycle.



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

Supply: Truck Employment

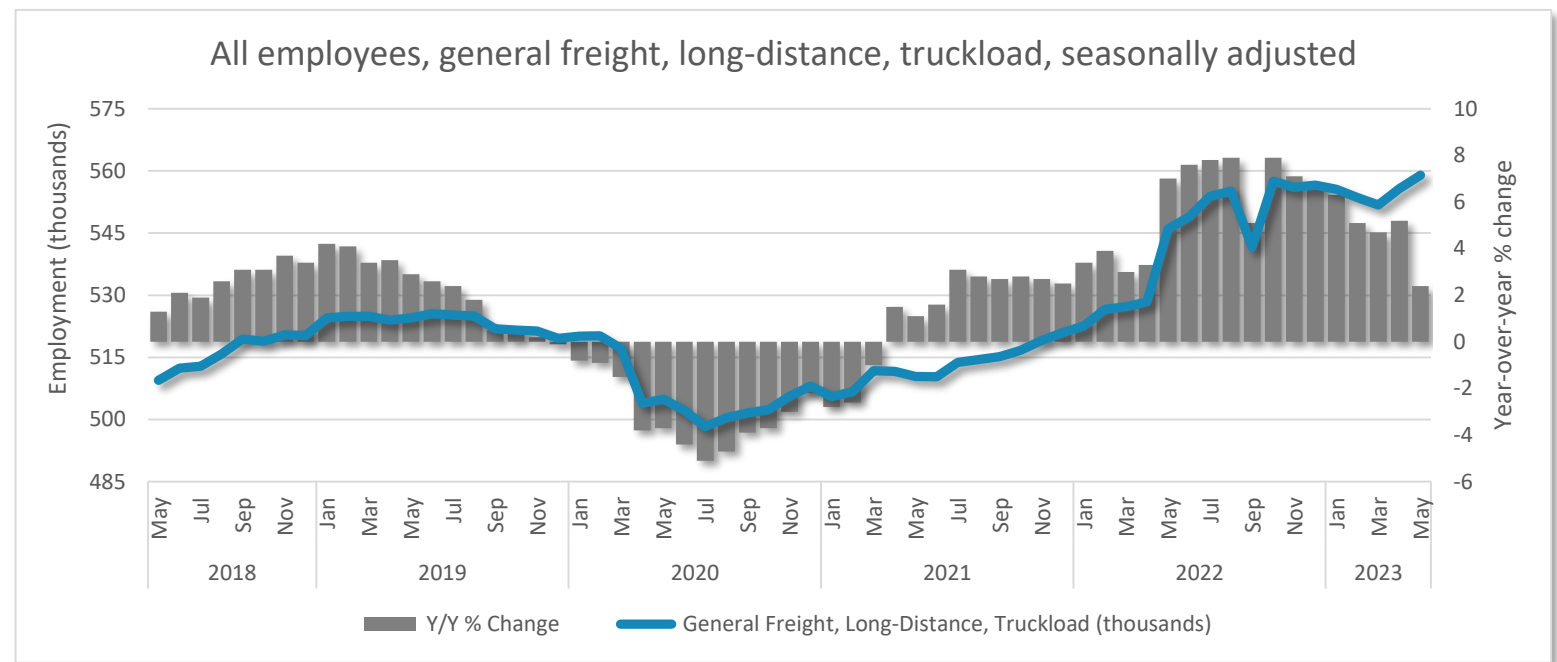
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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

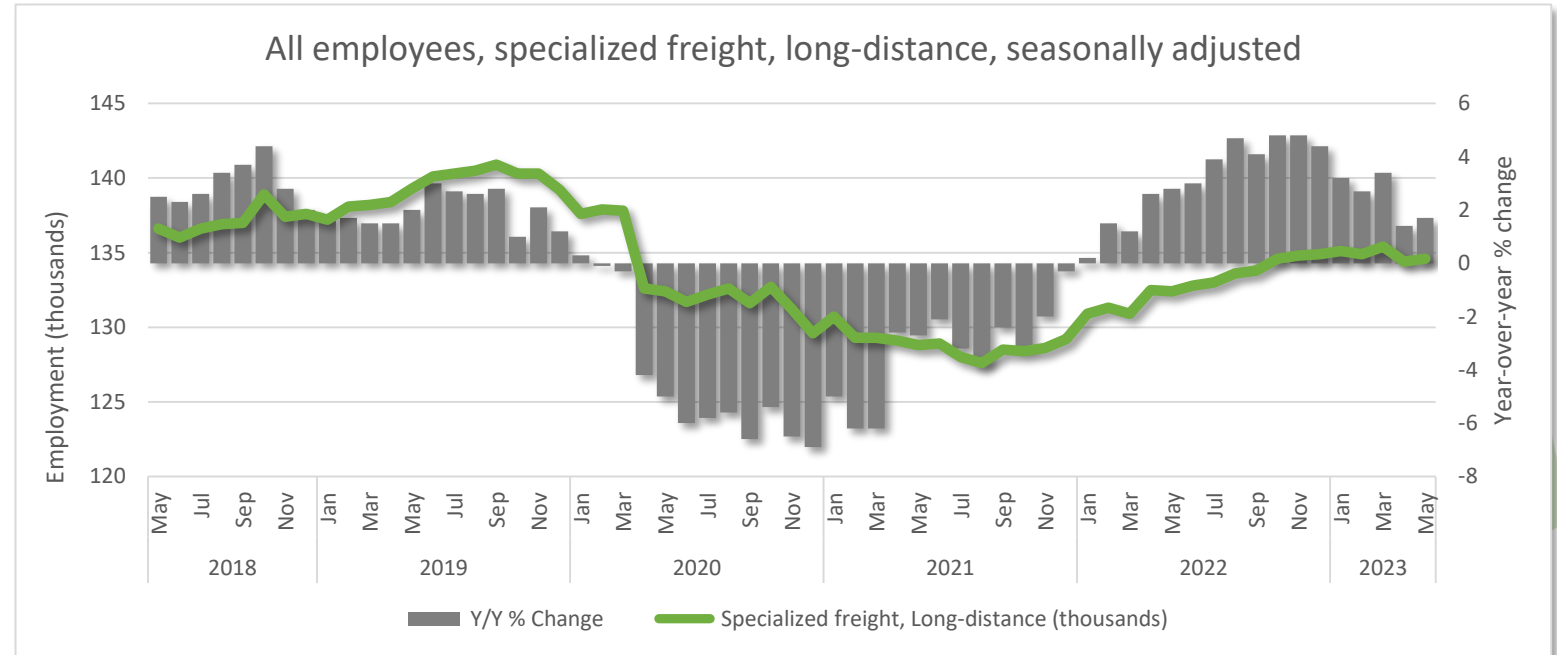
- Employment levels ultimately have a large impact on rates. If there are too many drivers for too little freight, rates will go down.

Our thoughts: Truck employment numbers overall decreased in June to 1.609 million people, ending three straight months of gains.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, increased 0.6%, or 3,300 jobs, month-over-month.
- It is 2.4%, or 13,000 jobs, higher year-over year, and 6.7% above the 5-year trend.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, increased 0.1%, or 200 jobs, month-over-month.
- This figure is 1.7%, or 2,200 jobs, higher year-over-year, and is 0.3% above the 5-year trend.



Source: BLS | <https://beta.bls.gov/dataViewer/view/timeseries/CES4348412101> | Monthly



Source: BLS | <https://beta.bls.gov/dataViewer/view/timeseries/CES4348423001> | 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.

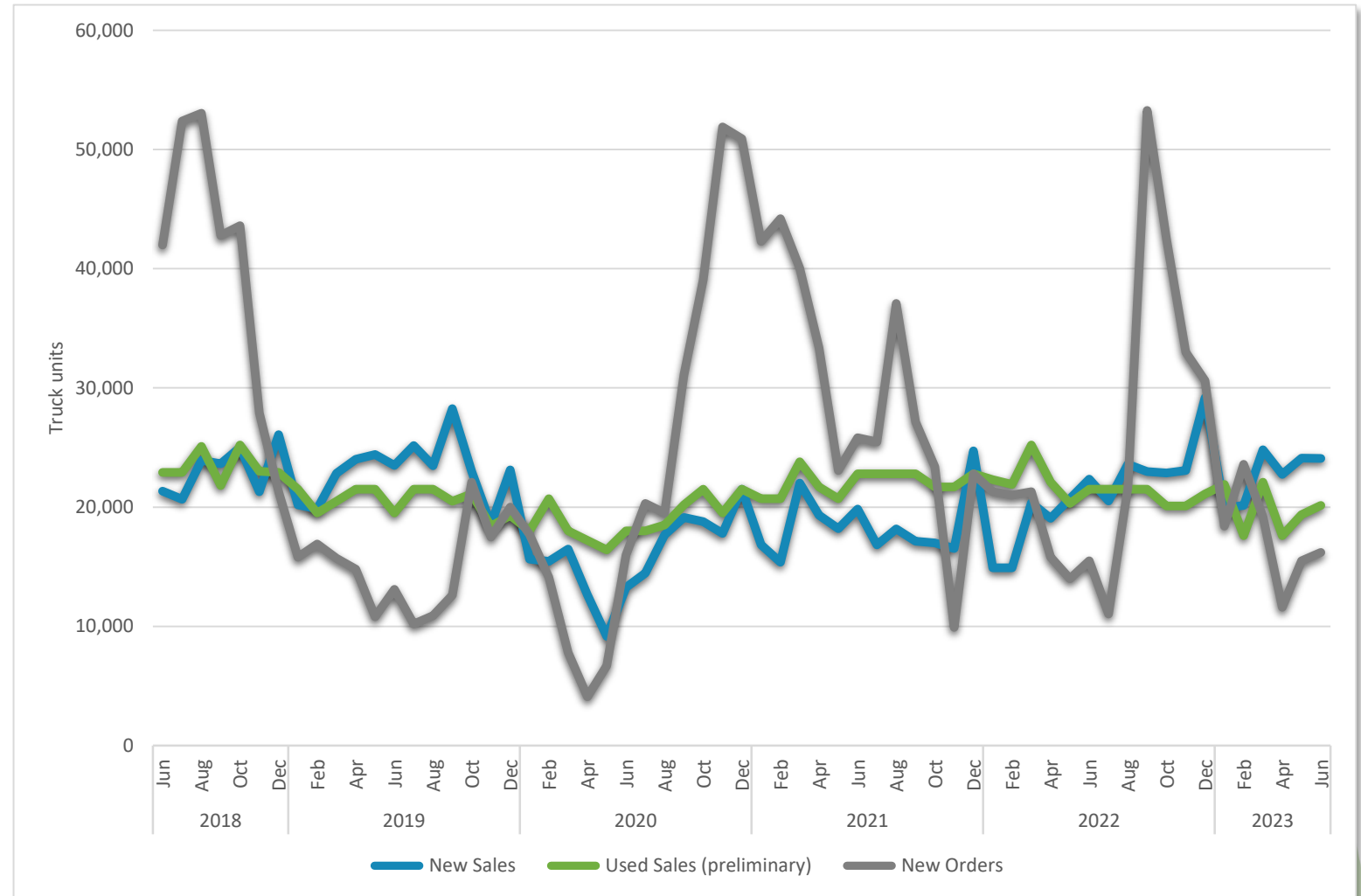
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

- 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 0.1% in June to 24,085, and are 7.7% higher year-over-year, while new orders increased 4.5% to 16,200.

- Preliminary used sales figures also rose 4%, or 774 units, in June to 20,134, and are down 6.4% compared to last year. Used sales are 4% lower than the 5-year average.
- New sales eclipsed used sales by 3,951 in June.

The industry has experienced overcapacity, or too many trucks, for the past several months, which has pushed freight rates downward. New sales continue to eclipse used sales, which is a positive sign that the industry is working to right size the capacity issue. However, we still have a ways to go.



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.

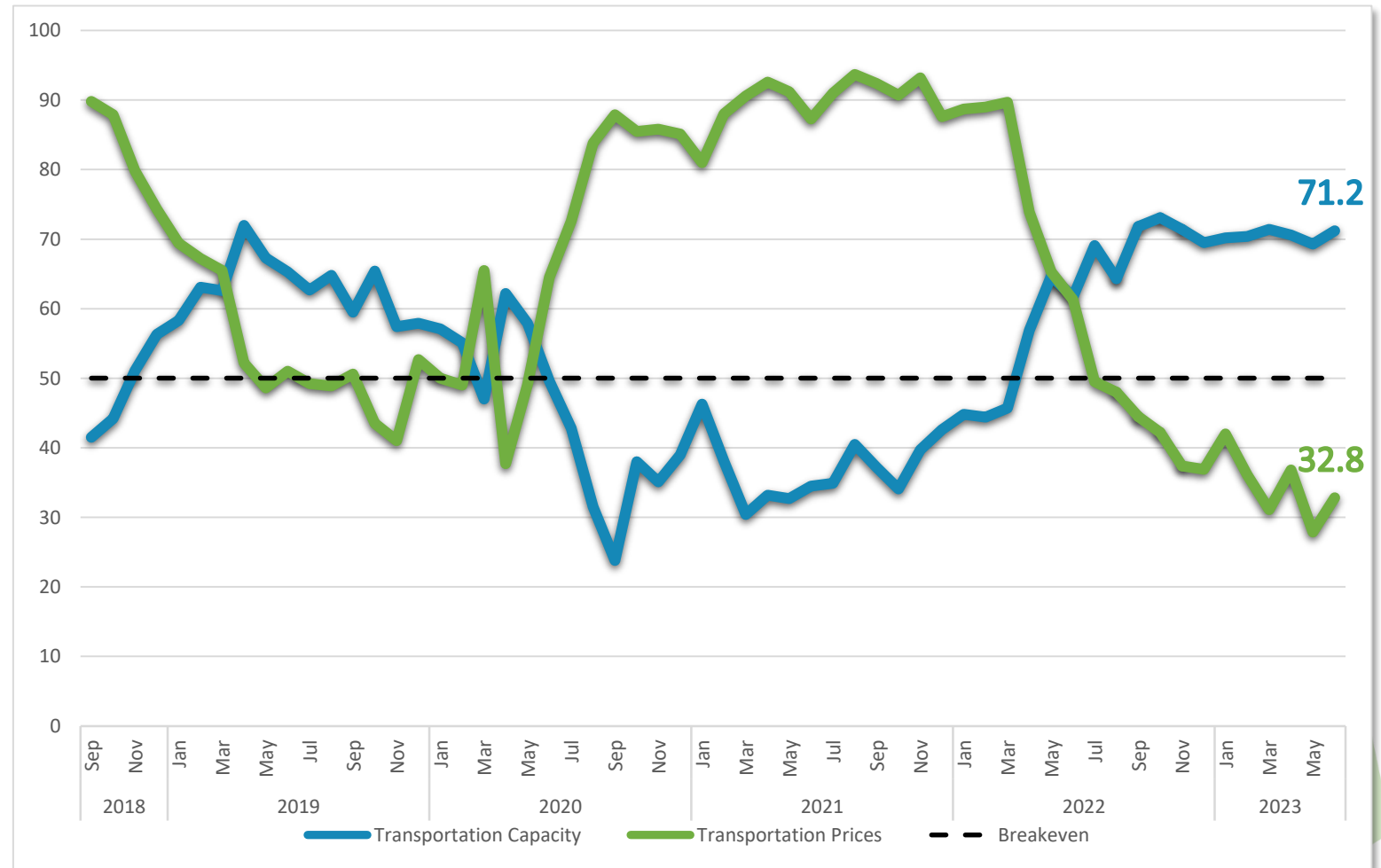
- When the two curves depicted in this chart invert, it signals bad news for freight rates.

Our thoughts: The LMI overall decreased 1.7 points to 45.6, marking the lowest reading for the index in its history for the fourth straight month. This is only the second time the LMI has ever moved into contraction territory. The first was last month.

- Transportation prices rebounded, moving away from the all-time low of 27.9 in May.
- Prices increased 17.6% month-over-month to 32.8, and is 50% higher year-over-year, when the index read 65.3.
- Transportation capacity increased 2.7% to 71.2, which is 56% higher year-over-year.

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.

- Inventory levels actually reached their second-lowest reading in the history of this metric, which could be a positive signal to come.



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.

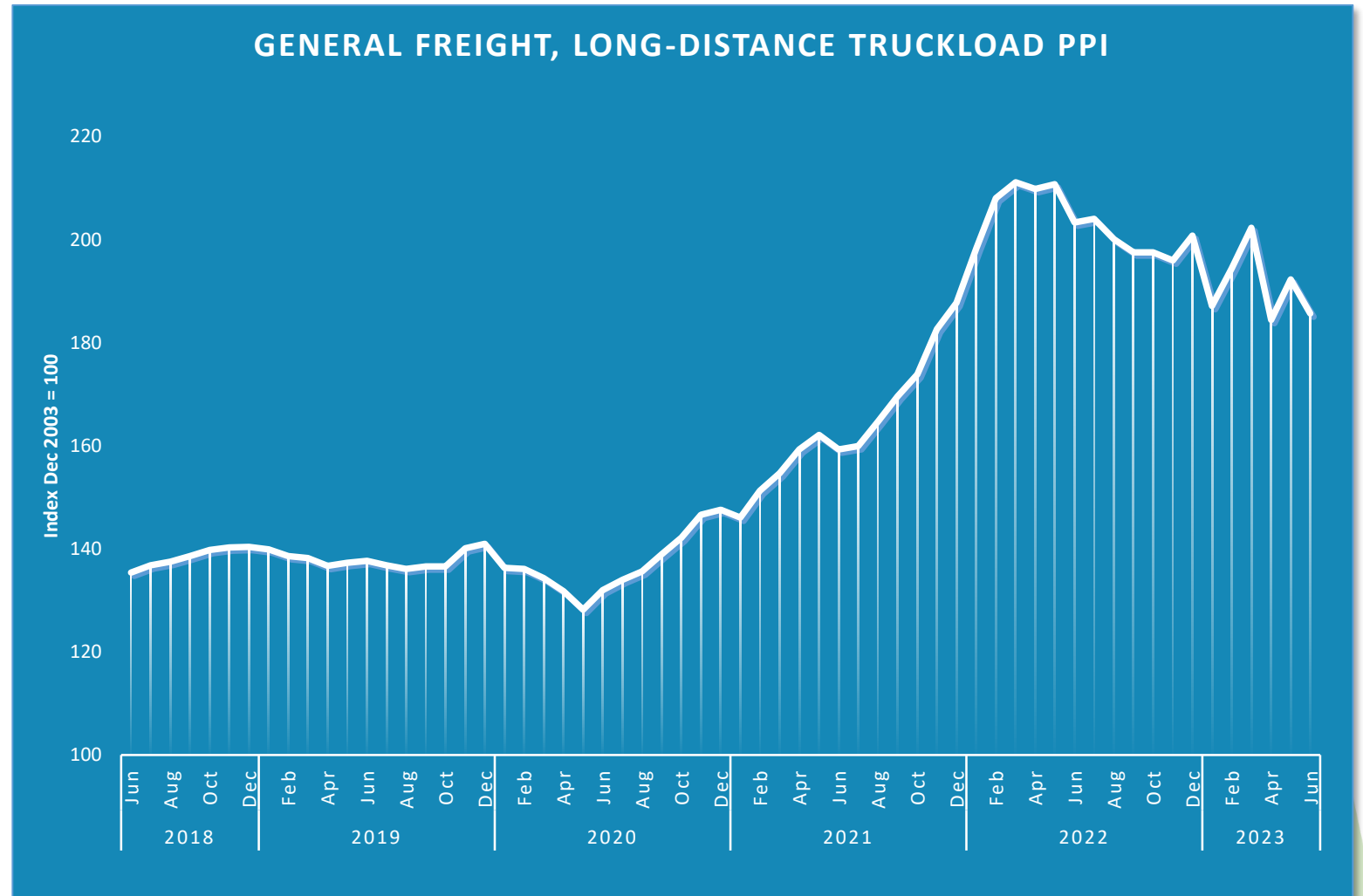
- One index focuses on long-haul, truckload carriers.
- This index shows how much carriers are charging their customers.

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 in June and has decreased 11.9% since its high in May 2022. This could be a welcome signal actually as we wait for contract rates to drop under or close spot rates.

- The long-haul PPI decreased 3.4% to 185.7, month-over-month, after the BLS re-adjusted the figure for May.
- The PPI is 8.7% lower year-over-year, but 15.3% above the 5-year trend.

Though the PPI continues to decrease, it appears spot rates at least have found a floor. We're in a waiting game for the next freight cycle to begin. Some analysts predict that the new cycle will start in late summer, early fall as back-to-school shopping begins.



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

Costs: Diesel Fuel

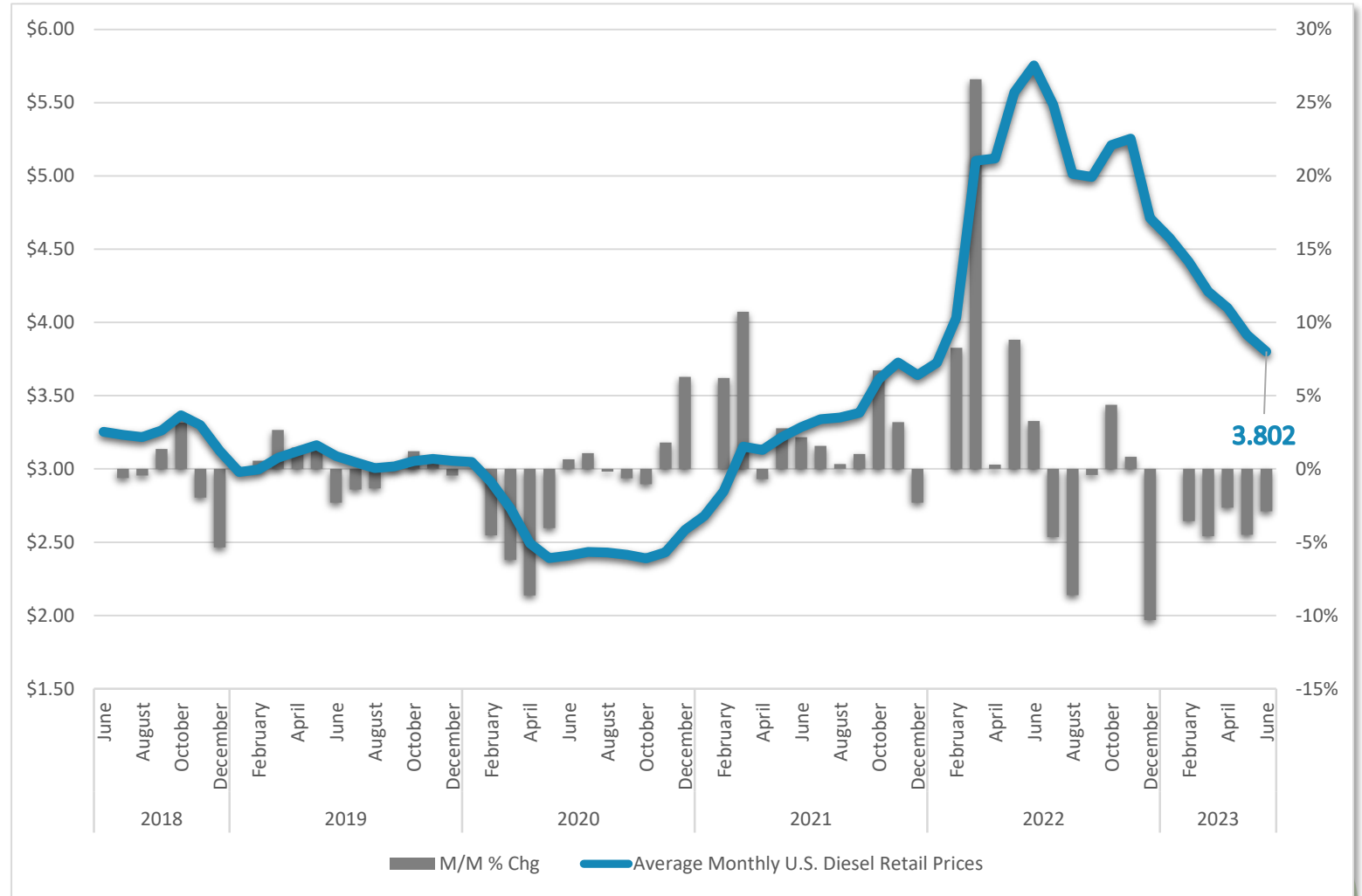
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 June marking the seventh straight month of decline. Prices through June have declined \$1.95 per gallon since the high in June 2022.

- The average price for diesel fuel decreased 2.9% month-over-month to \$3.80 per gallon, which is the just the second time we have seen prices under \$4.00 since January 2022.
- The average diesel price is 34% lower year-over-year, but 8%, or \$0.29, 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.

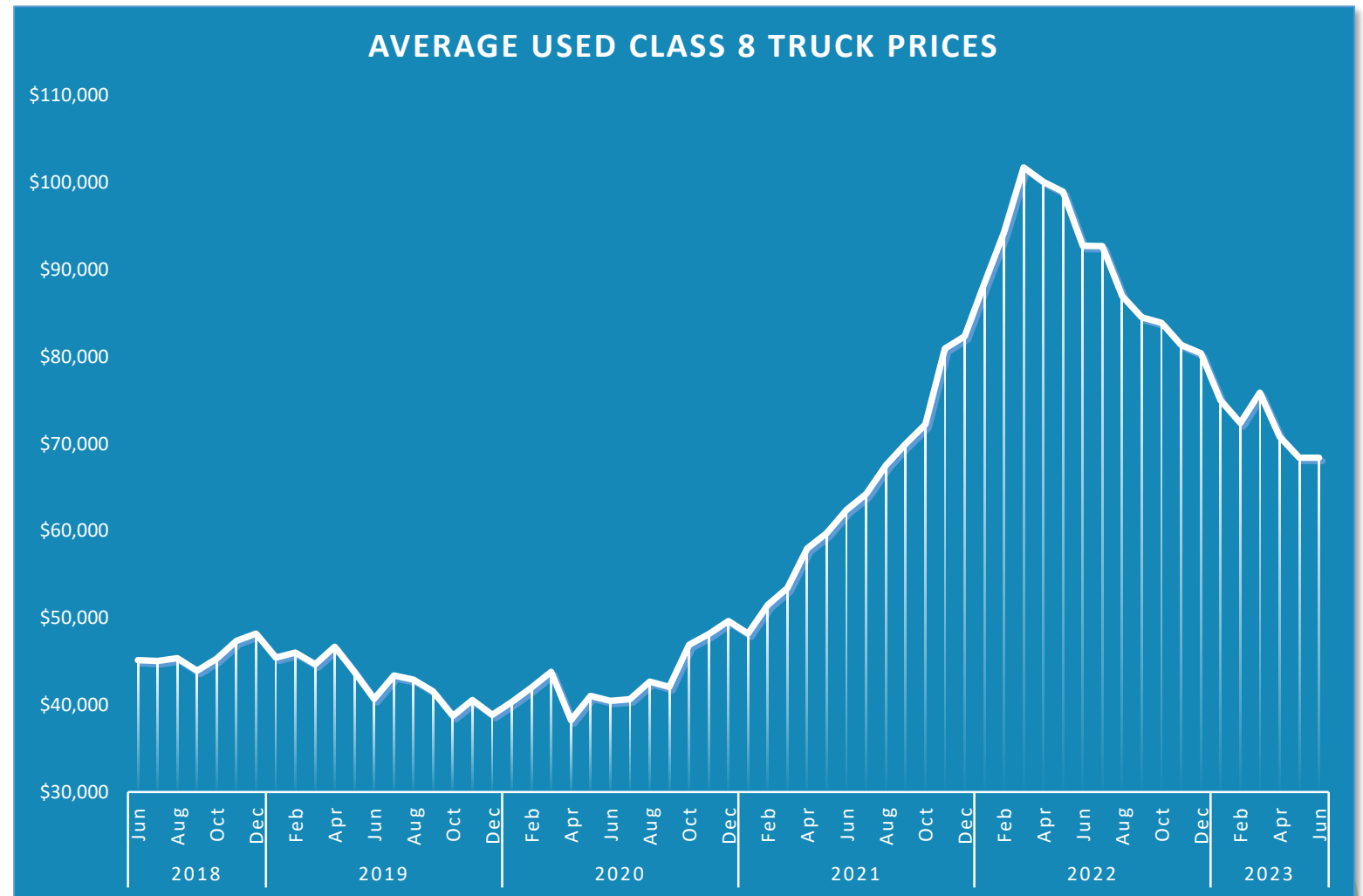
Why it matters: Used truck prices are a good indicator strong freight market.

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

Our thoughts: Preliminary used truck prices stayed flat in June. While they are 37% below the high in March 2022, they are still significantly higher than their pre-pandemic average of \$42,000.

- Used Class 8 truck prices were flat in June at approximately \$68,411, pausing 13-months of decline out of 15-months.
- This is 26.2% lower year-over year, but 15% higher than the 5-year trend.

According to Steve Tam, vice president at ACT, historically, “June is the fourth best month of the year, about 14% above, accounting for some, but not all of the gain the industry enjoyed in June.” ACT predicts prices will continual to fall.



Source: ACT Research | <https://www.actresearch.net/> | Monthly | May's numbers are preliminary



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: Wages and Disposable Income

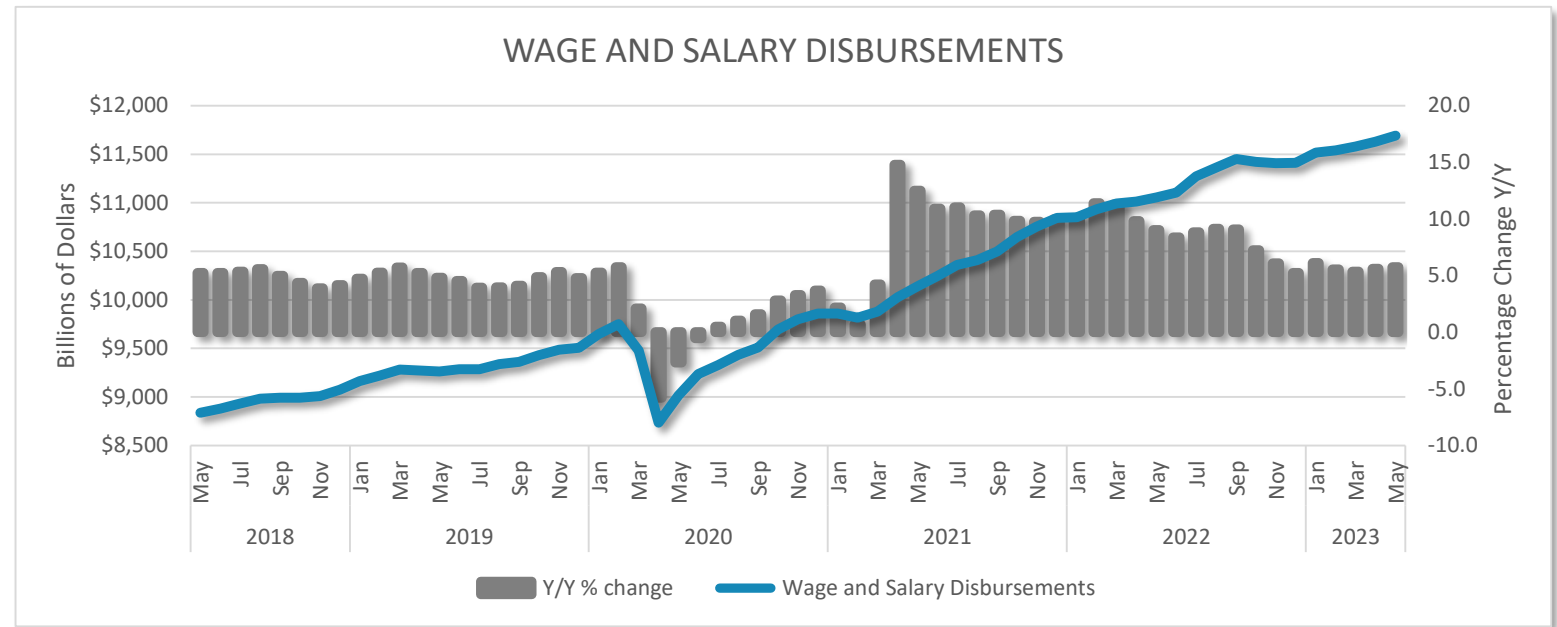
The big picture: Consumers move the U.S. economy. As consumer conditions and sentiments change, so to does business and shipping activity.

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 continue to grow, which has helped to keep disposable income and sales elevated. In fact, wages are starting to outpace inflation. However, year-over-year increases are beginning to slow.

- Wages and Salary disbursements grew 0.5%, or \$60.8 billion, month-over-month in May.
- In terms of year-over-year growth, wages and salary disbursements are 5.7% higher. However, Y/Y growth was 9% this time last year.
- Real disposable income, which is adjusted for inflation, was mostly flat again month-over-month at \$15.566 trillion, and is \$530 billion higher year-over-year.



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.

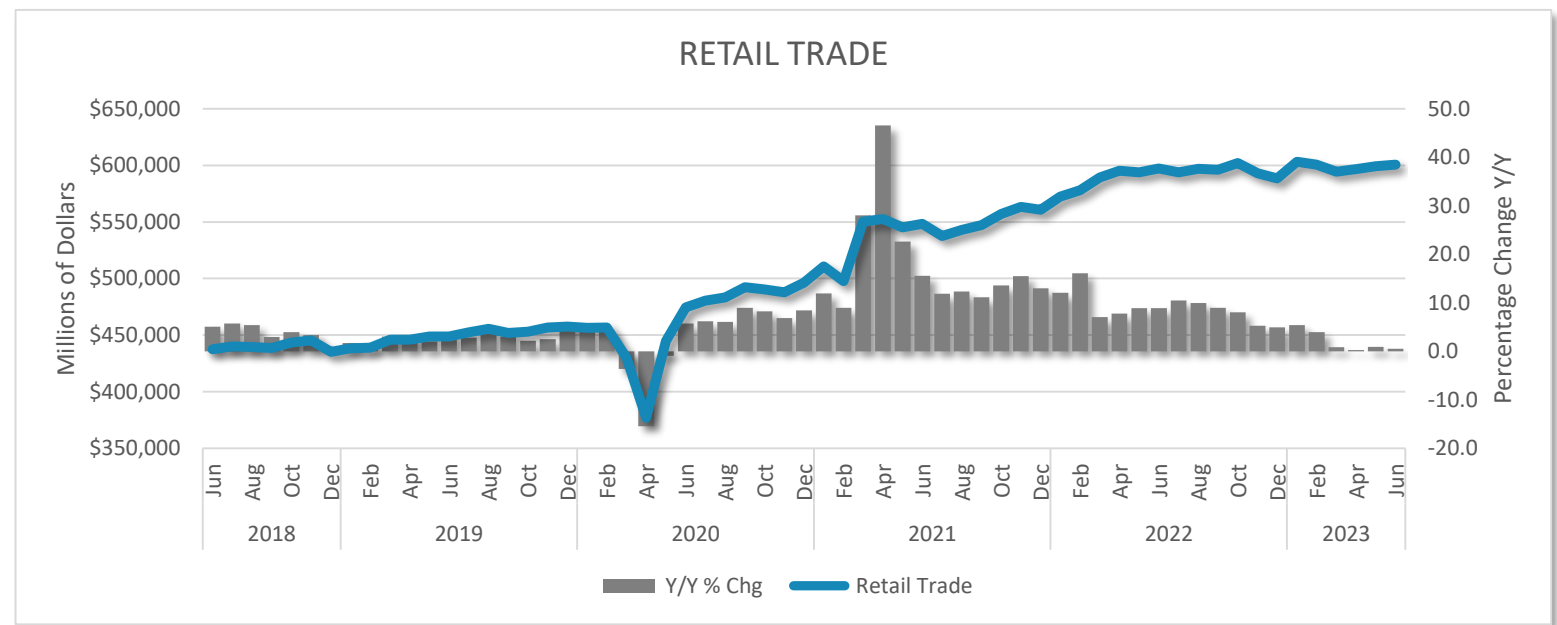
Why it matters: Both retail sales and CPI can help the owner-operator gauge the economic health of the country and thereby the freight market.

- 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 continuing to purchase goods, albeit at a much slower pace, even despite high inflation.

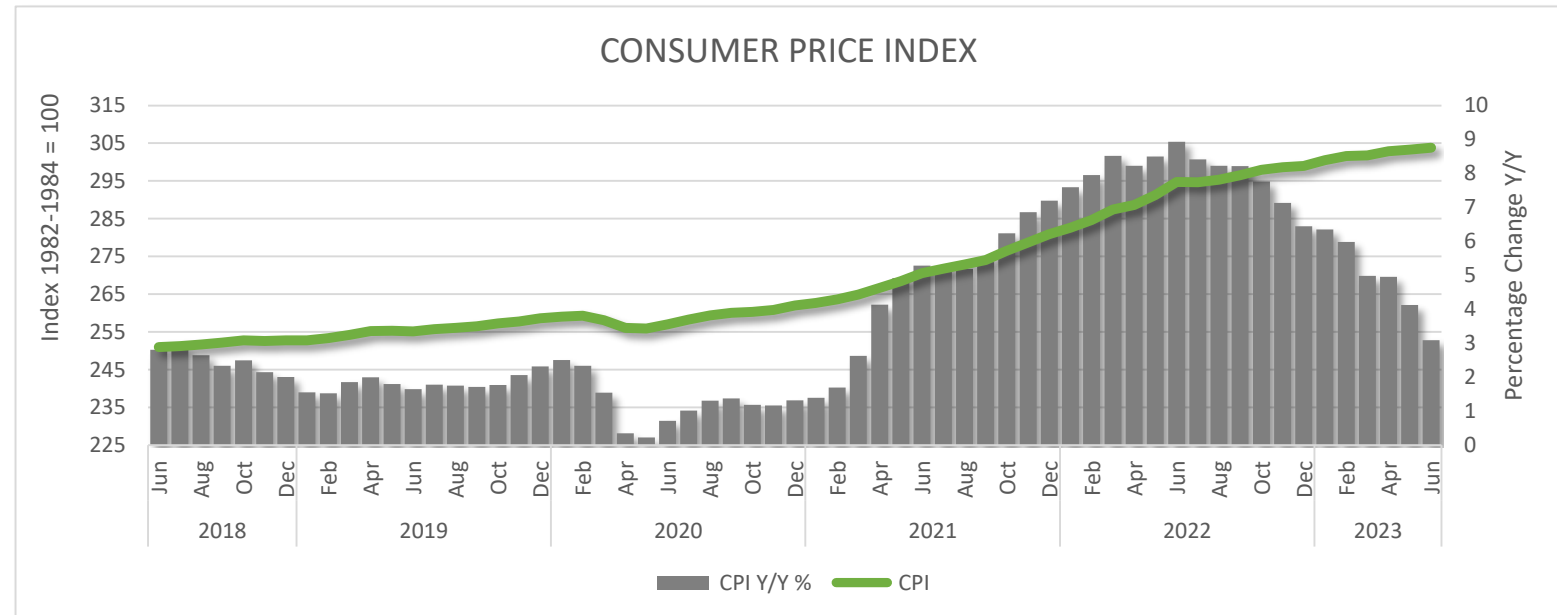
- Retail trade increased 0.2%, or \$1.3 billion, month-over-month in June to \$600.6 billion, and is 0.5%, or \$3.2 billion, higher year-over-year.
- CPI increased slightly by 0.2% to 303.8, which is 3.1% higher than it was a year ago. Y/Y growth continues to decline, which is a good sign, and according to some CPI measures, inflation is actually under the FED’s 2% target.

Core CPI, which excludes food and energy, declined 0.5% month-over-month to 4.9%. Although food CPI has dropped since its high in August 2022, the services CPI remains stubbornly high at around 6.2%



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.

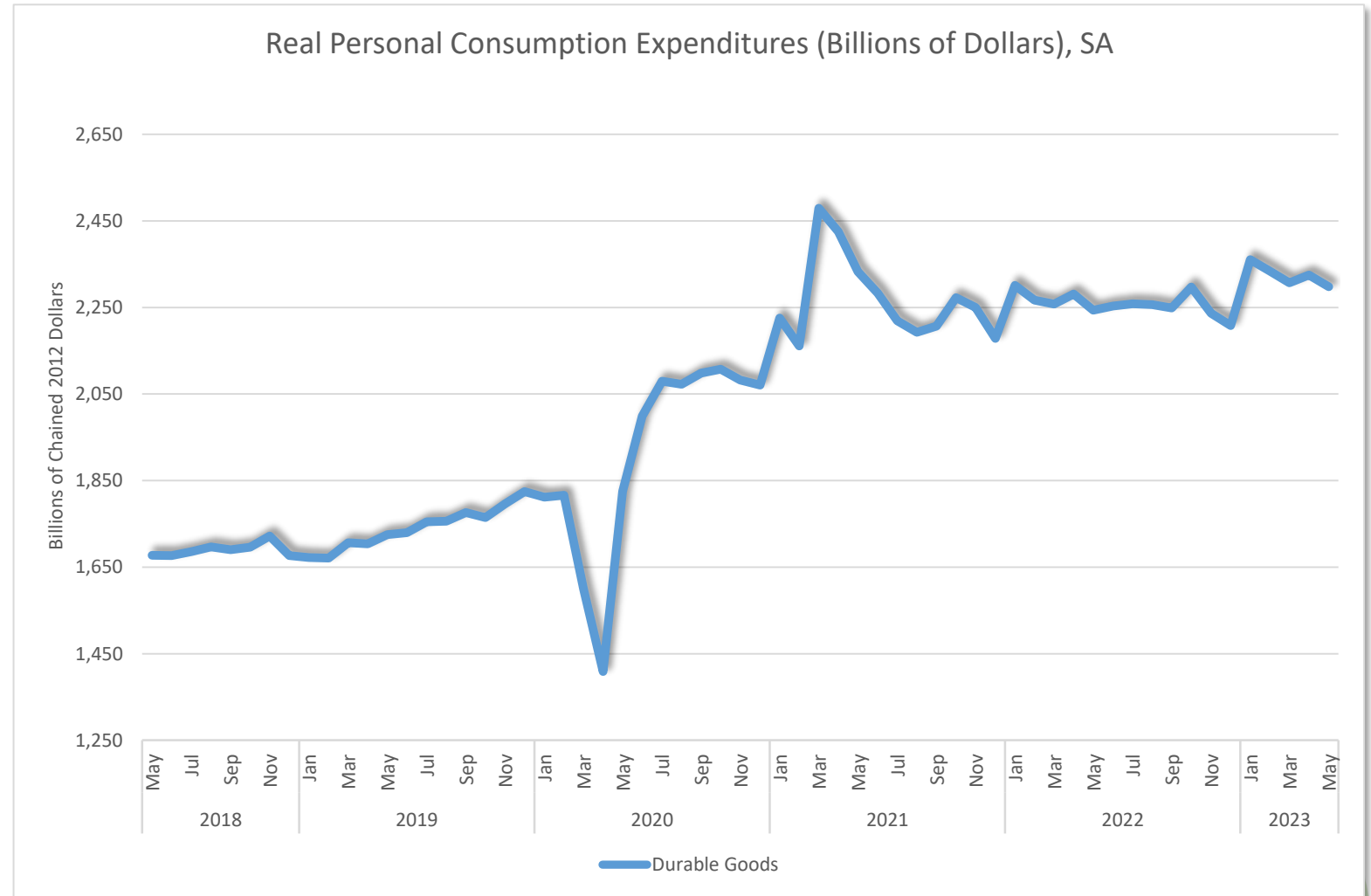
- The PCE measures a broad spectrum of consumer spending for a period of time.

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: Durable goods declined while non-durable goods stayed flat in May. PCE levels have remained flat since January 2022, while spending on services continues to rise.

- Consumer spending for durable goods decreased 1.2% to \$2.297 trillion, and is 2.4%, or \$54 billion, higher year-over-year and 13.6%, or \$275.8 billion, above the 5-year trend.
- Spending for non-durable goods stayed flat at \$3.326 trillion, which is 0.4% higher Y/Y and 5.4%, or \$171 billion, above the 5-year trend.
- Spending on services rose 0.1% to \$8.940 trillion.



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

Manufacturing: New Orders: Total Manufacturing

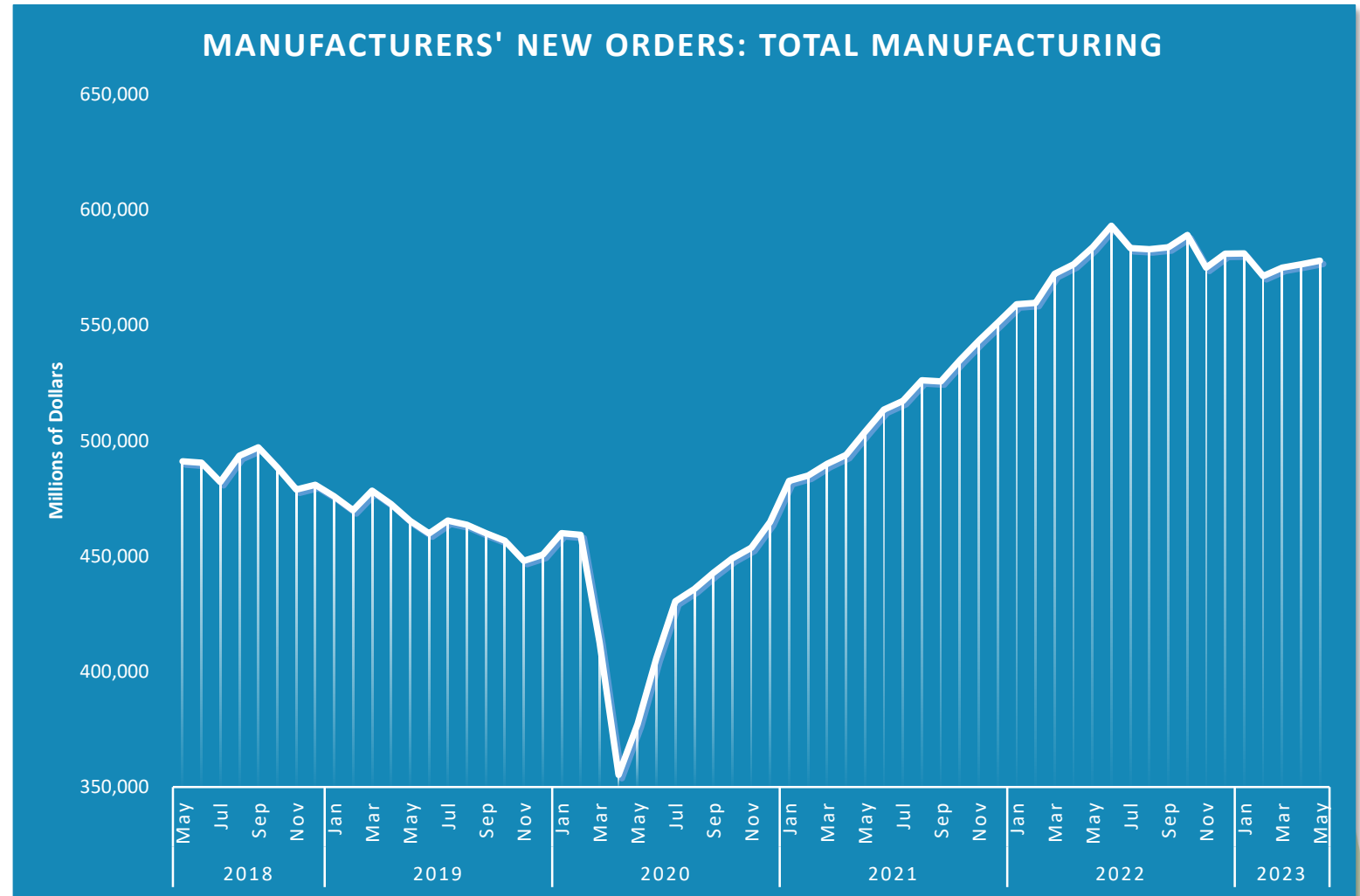
The big picture: Manufacturing new orders are an important economic indicator. They signify an overall direction of the market and economy.

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 ticked upward in May, marking two straight months of growth. This data provides mixed signals when comparing ISM Manufacturing PMI data.

- Total manufacturing increased 0.3%, or \$1.56 billion, month-over-month to \$578 billion.
- Total manufacturing is \$5.73 billion, or 1%, lower year-over year and \$76.3 billion, or 15%, above the 5-year trend.
- New orders for nondefense capital goods excluding aircraft, given the volatility of new orders in the aircraft sector, increased 0.7%, which is a positive signal.



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.

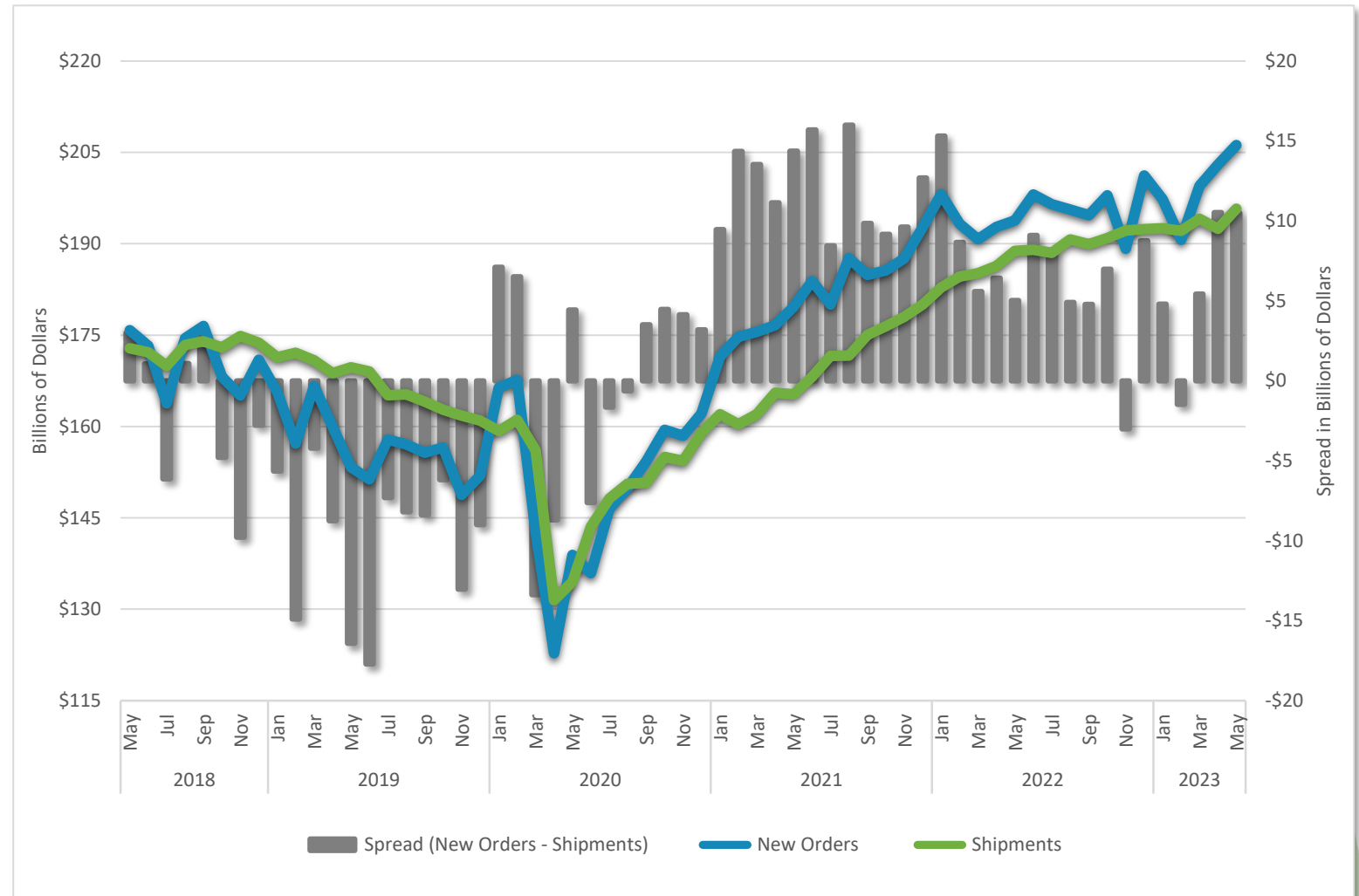
Why it matters: When unfilled new orders outperform shipments for unfilled orders, backlogs increase and we see growth in manufacturing activity. The reverse is also true.

- 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 May for the third straight month. New orders have dipped below shipments twice in the past seventh months, but new orders appear to be trending in a positive direction, which could help generate more freight.

- New orders increased 1.6% to \$206.2 billion in May, and are 6.4%, or \$12.4 billion, higher year-over-year.
- Shipments increased by 1.7% to \$195.7 billion.
- The spread between new orders and shipments dropped slightly from \$10.5 billion to \$10.4 billion. Though the spread decreased, this is still far above where we were in February.

ISM’s data however paints a more grim outlook.



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.

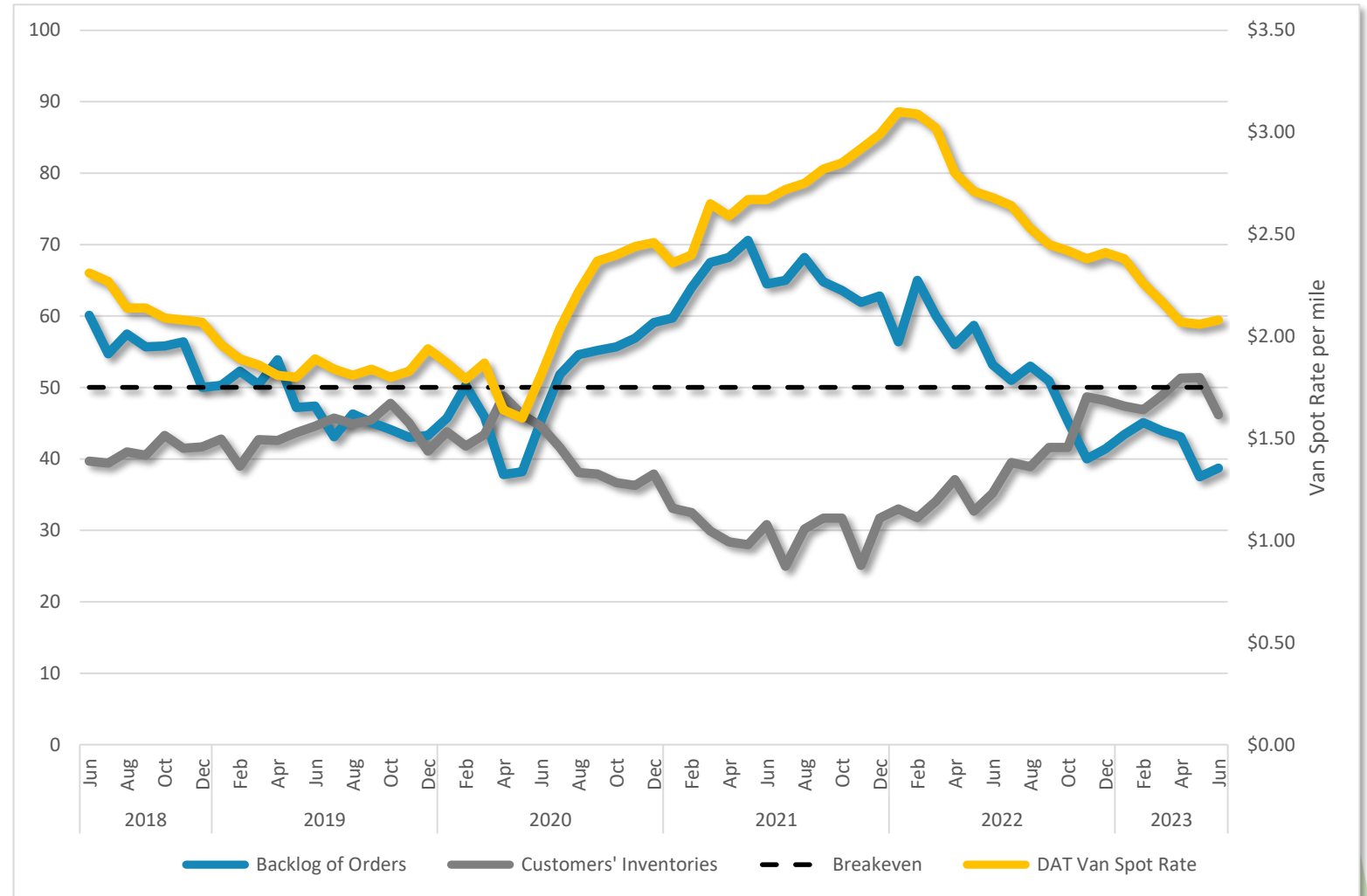
Why it matters: The ISM Manufacturing PMI is a reliable economic indicator and provides a sense of direction for the trucking market as shown in the chart.

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

Our thoughts: Backlogs increased slightly in June after dropping steeply in May.

- Backlogs increased 3.2% month-over-month to 38.7, which has been in contraction territory for nine straight months. Backlogs are 27% lower year-over-year.
- Customers' inventories decreased 10.1% into contraction territory at 46.2 but are 31% higher year-over-year.

The bottom line: According to ISM, the U.S. manufacturing sector shrank again. The June composite index reading reflects companies continuing to manage outputs down as softness continues and optimism about the second half of 2023 weakens.



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.

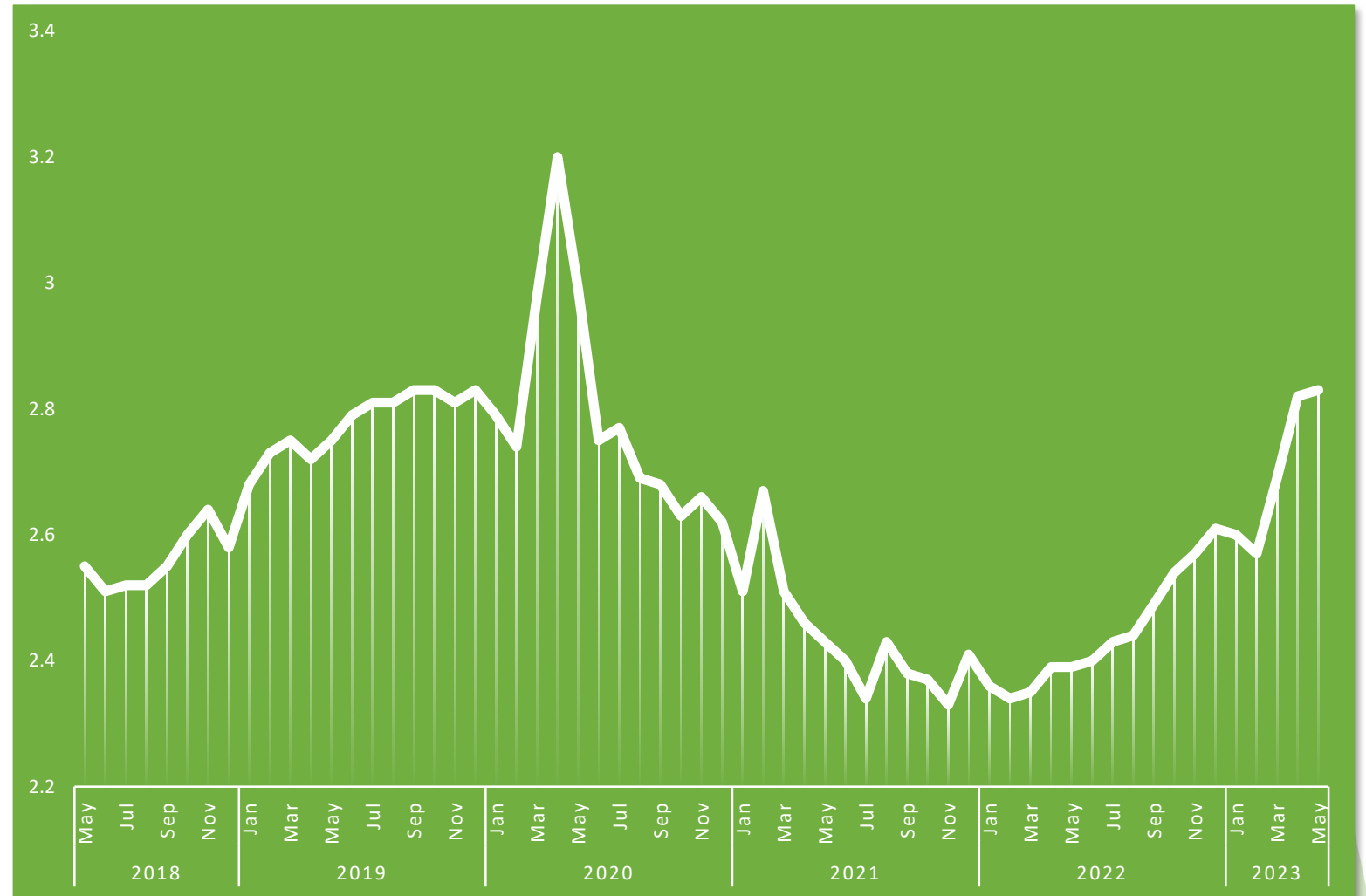
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

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

Our thoughts: Inventory levels are still rising in this sector, which will be a headwind for demand, albeit at a much slower pace than in April.

- The inventories-to-sales ratio increased 0.4% month-over-month in May to 2.83, after jumping 4.5% in April.
- The ratio is 18.4% higher year-over-year.

One respondent to ISM's survey in this sector wrote, "Orders and business are steady with a healthy backlog, but new prospective orders seem to be getting pushed back into 2024."



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.

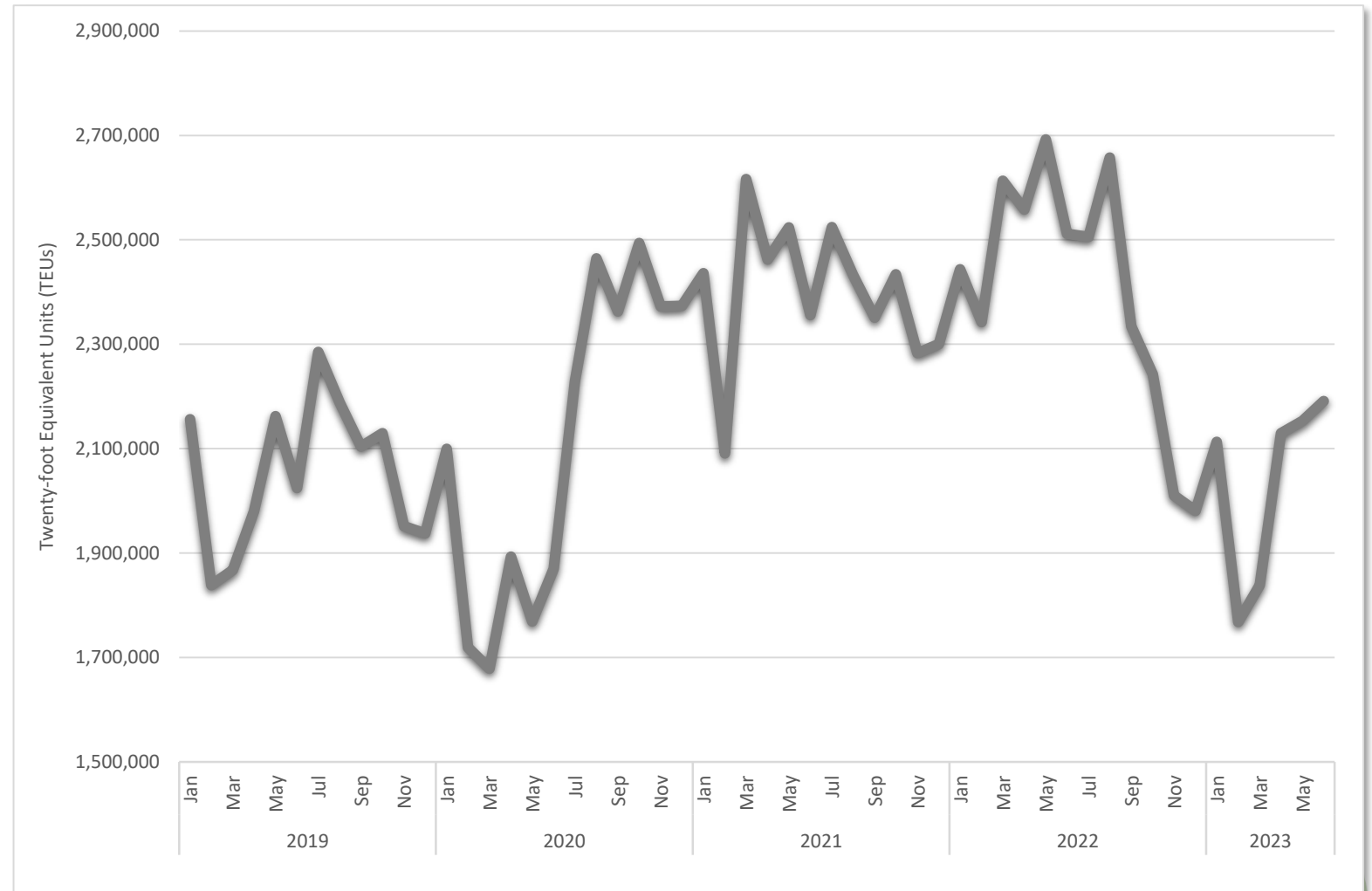
Why it matters: High levels of imports signal a strong domestic demand and a growing economy.

- 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 0.1% in May to 963,884 twenty-foot equivalent units (TEUs).
- Imports increased 1.8% in June to 2.2 million TEUs, all but reversing the big slump in the early part of 2023.
- Imports are 109,291 TEUs, or 4.8%, lower year-over-year, and 1.3% 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.

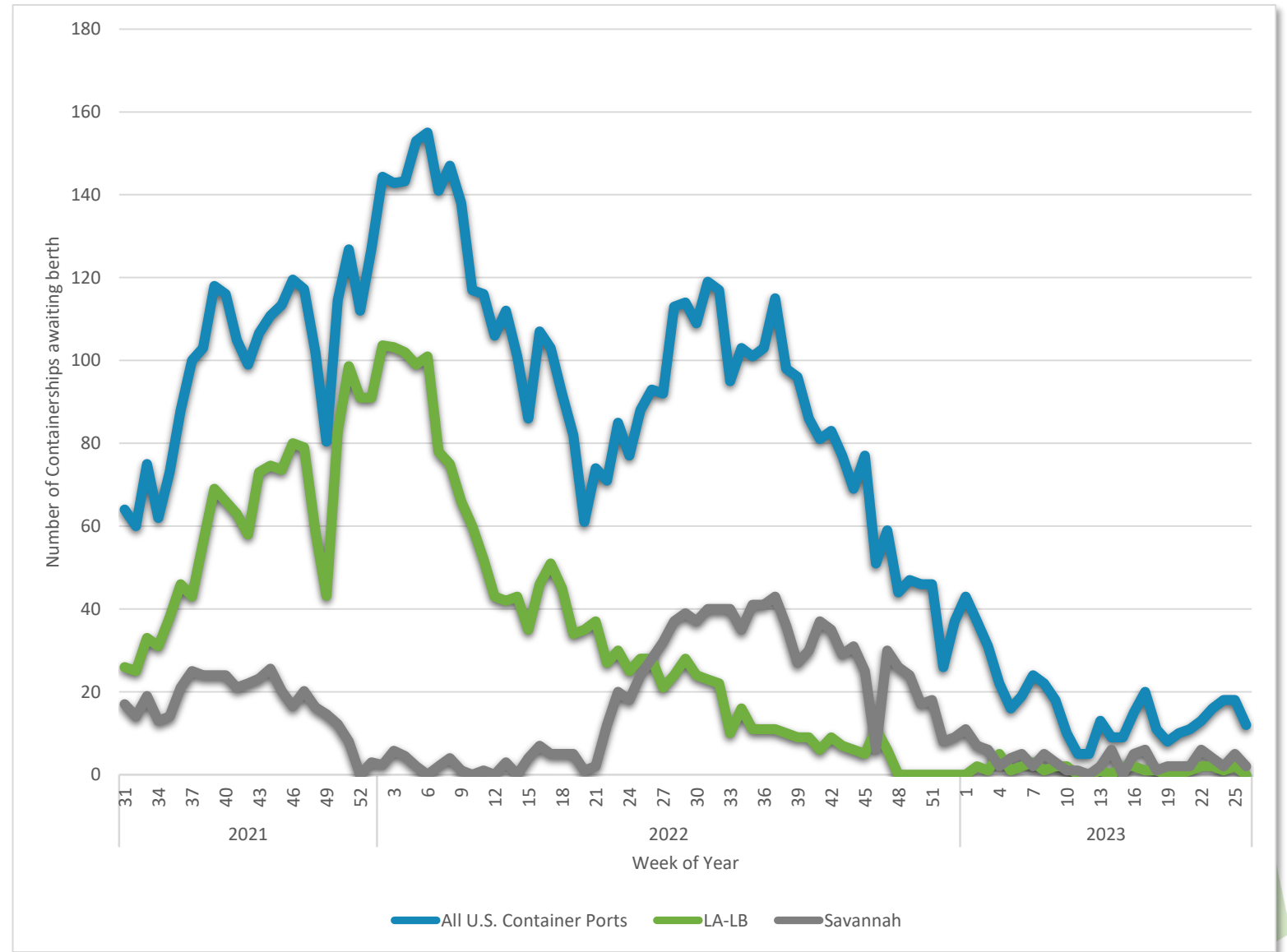
Why it matters: The number of containerships awaiting berth highlighted two issues:

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 92% since January 2022, though there has been a recent uptick over the past four weeks.

[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) remained increased from 61 days to 62 days, matching the fastest time since late October 2020.
- The far east westbound (FEWB) cargo increased to 72 days from 71 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.

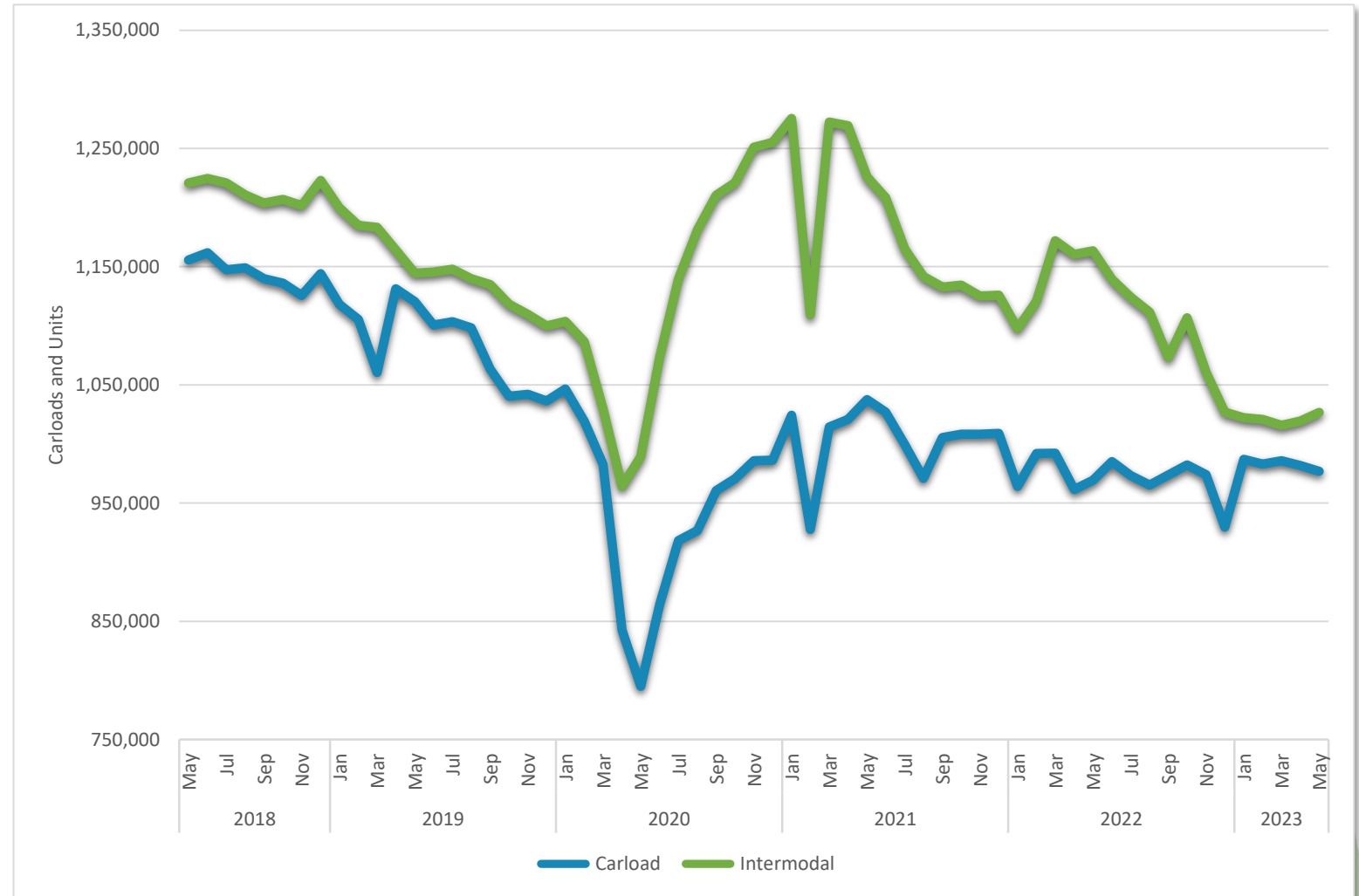
- While the rail and truck industries often compete with each other, they also work hand in hand.

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: According to the Journal of Commerce, intermodal rail prices are 30% below trucking. But lower import volumes and a shift from more west coast freight, which relies more heavily on intermodal to move freight, to the east coast, which uses a lot more trucks, has hurt the railroads.

- Carloads ticked downward 0.5% month-over-month to 976,793, and are up 1.6%, or 15,134 carloads, year-over-year.
- Intermodal increased 0.7% to 1.027 million, and is down 11.5%, or 133,796 loads, year-over-year.
- Both carloads and intermodal are below their 5-year trend line by 4.1% and 10.2% respectively.



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



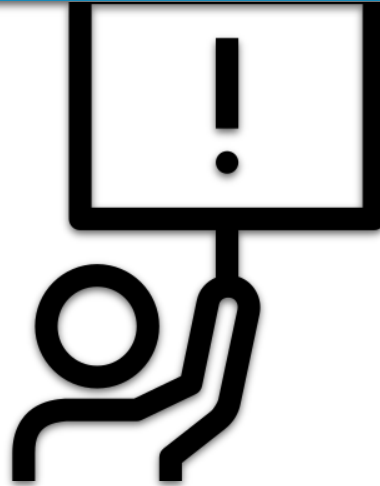
Market Summary

Volume



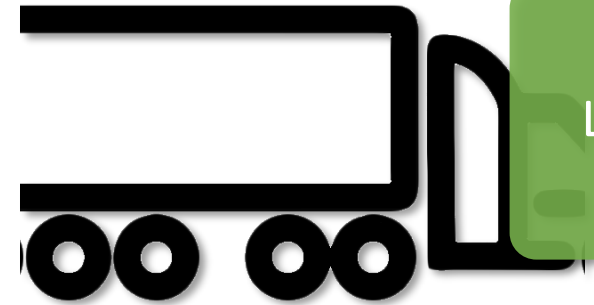
Soft

Demand



Soft

Capacity



Loose

Rates



Bottoming

Operating Costs



High

Future Outlook



Negative



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