OOIDA Foundation

RESEARCH
SAFETY
EDUCATION

October 2023

MARKET UPDATE

Table of Contents

Click here to jump to section

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

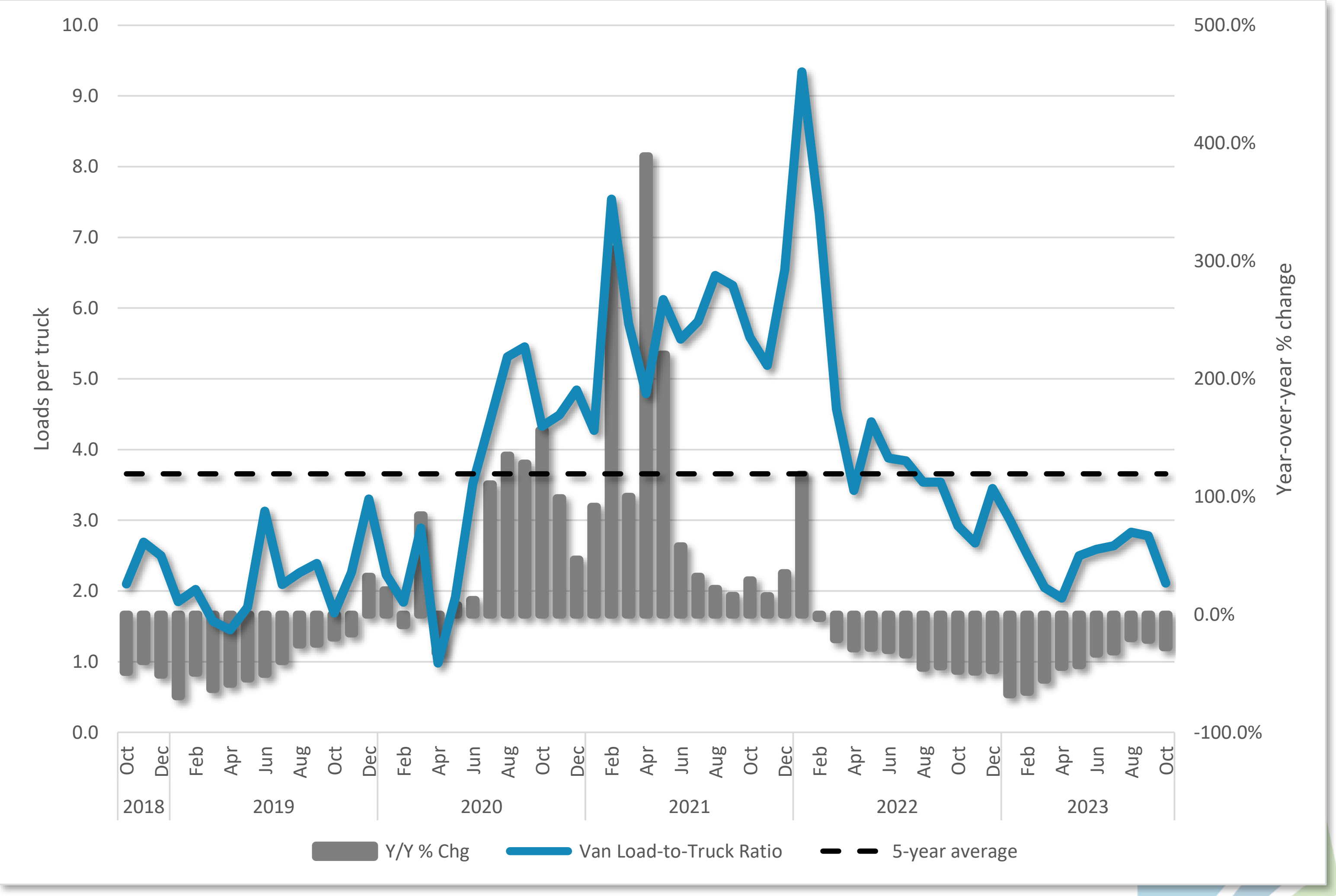
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: The Van Load-to-Truck ratio fell in October. While there are typically two peaks in demand during this time of year, it looks like these peaks will be muted in 2023.

- The Van Load-to-Truck Ratio plummeted 24.1% month-over-month to 2.11, marking two straight months of decline.

- The ratio is 27.7% lower than last year and 42.3% lower than the 5-year trend.

Regionally speaking, ratios were more favorable for carriers operating in the Upper Atlantic, Pacific Northwest, and California, respectively, compared to other regions in the country. In fact, the Upper Atlantic was the only region to see an increase in the ratio.



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

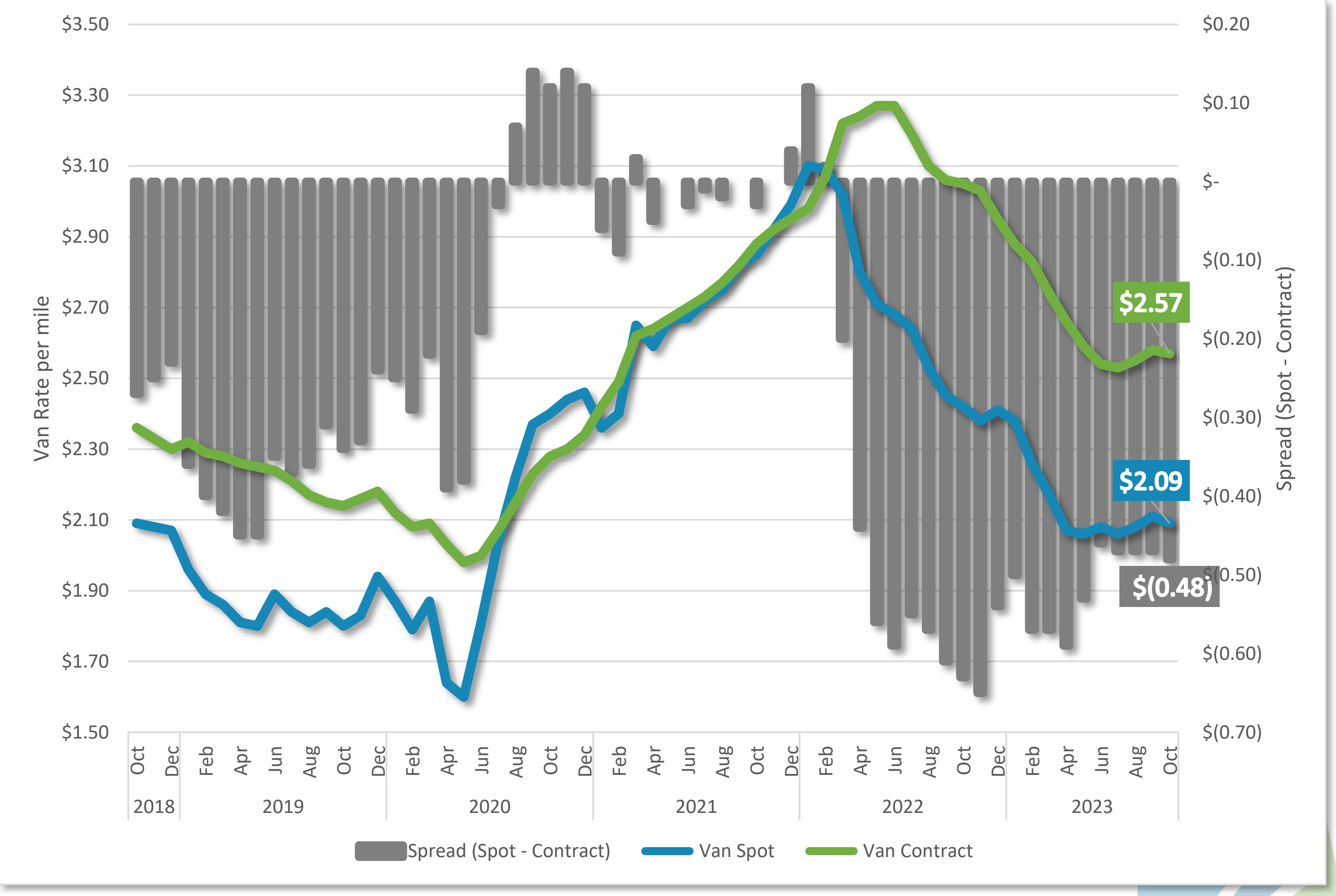
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates ticked down in October. Rates typically increase during this time in the freight season.

- Spot rates for vans decreased $0.02 per mile month-over-month to $2.09, ending two months of increases, and are $0.33 per mile lower than last year.
- Contract rates also decreased by $0.01 to $2.57 per mile, which means the spread between contract rates and spot rates grew a penny to $0.49, which is 23.8% better Y/Y.
- Spot rates are 8.3% below the 5-year trend, while contract rates are 0.6% above.

DAT's ratecast model predicts spot rates excluding fuel will tick upward about $0.10 per mile heading into middle December. The model is picking up seasonality.

- DAT's extended forecast has van spot rates excluding fuel ticking up about $0.07 per mile into January, before experiencing a steady decline before changing trajectory in June 2024.



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.

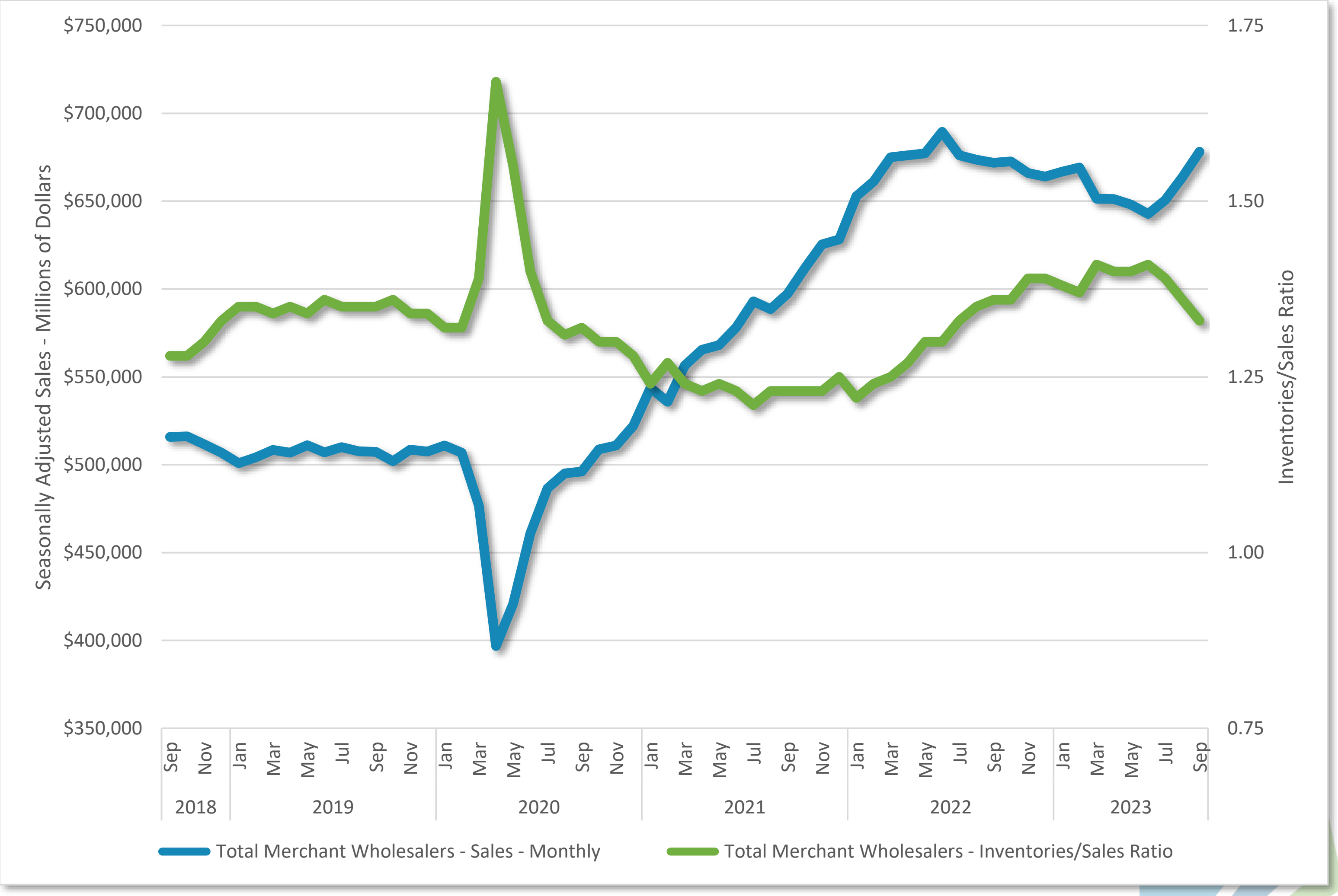
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 lower the inventory that businesses have on hand, the greater they need freight transportation to restock their goods.

Our thoughts: Inventory-to-sales ratios decreased again, while monthly sales moved upward again in September, which is a positive indicator for future truck demand. W hope this trend will continue for several more months.

- Sales increased 2.2% month-over-month to $678.1 billion, and are actually 0.9%, or $6.4 billion, higher year-over-year, which is the first Y/Y increase in 7 months.
- Ratios decreased 2.2% month-over-month to 1.33, and are 2.2% lower than last year, which is the first Y/Y decline in 19 months. Ratios are 2.6% 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

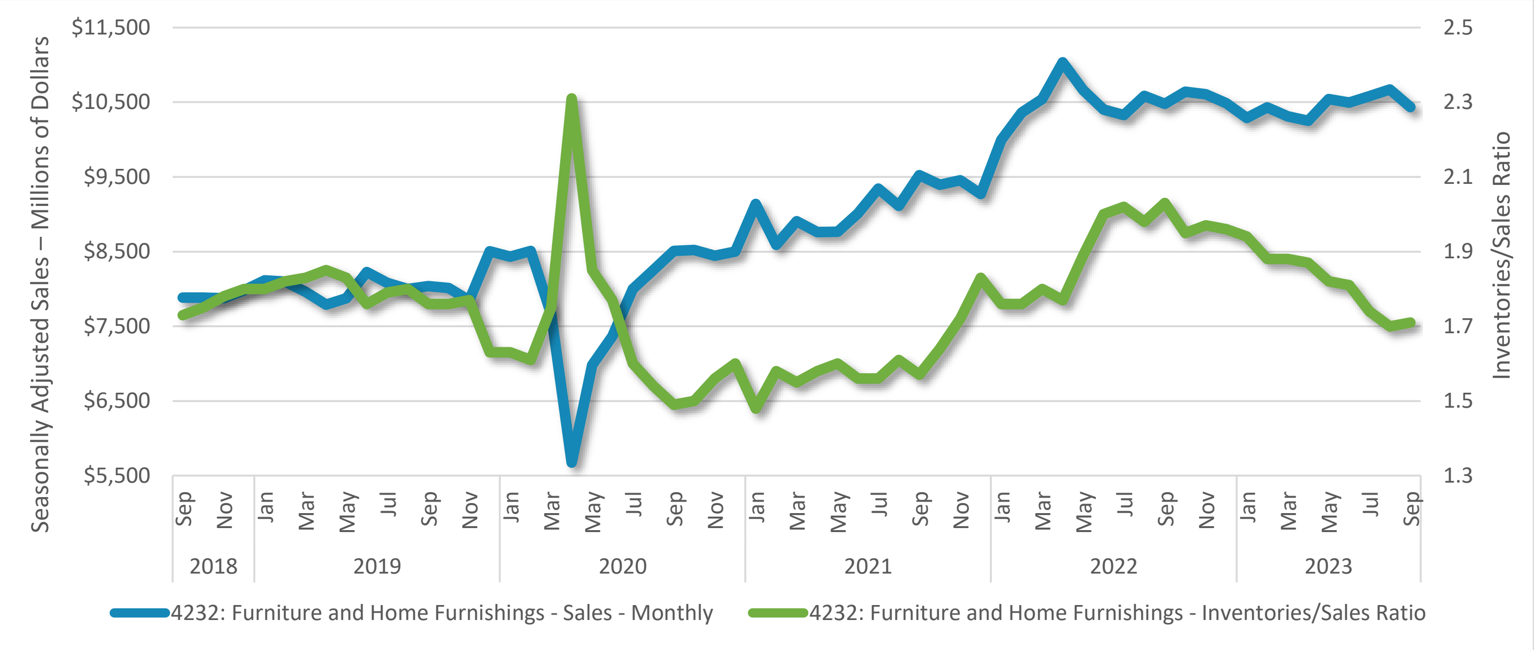
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

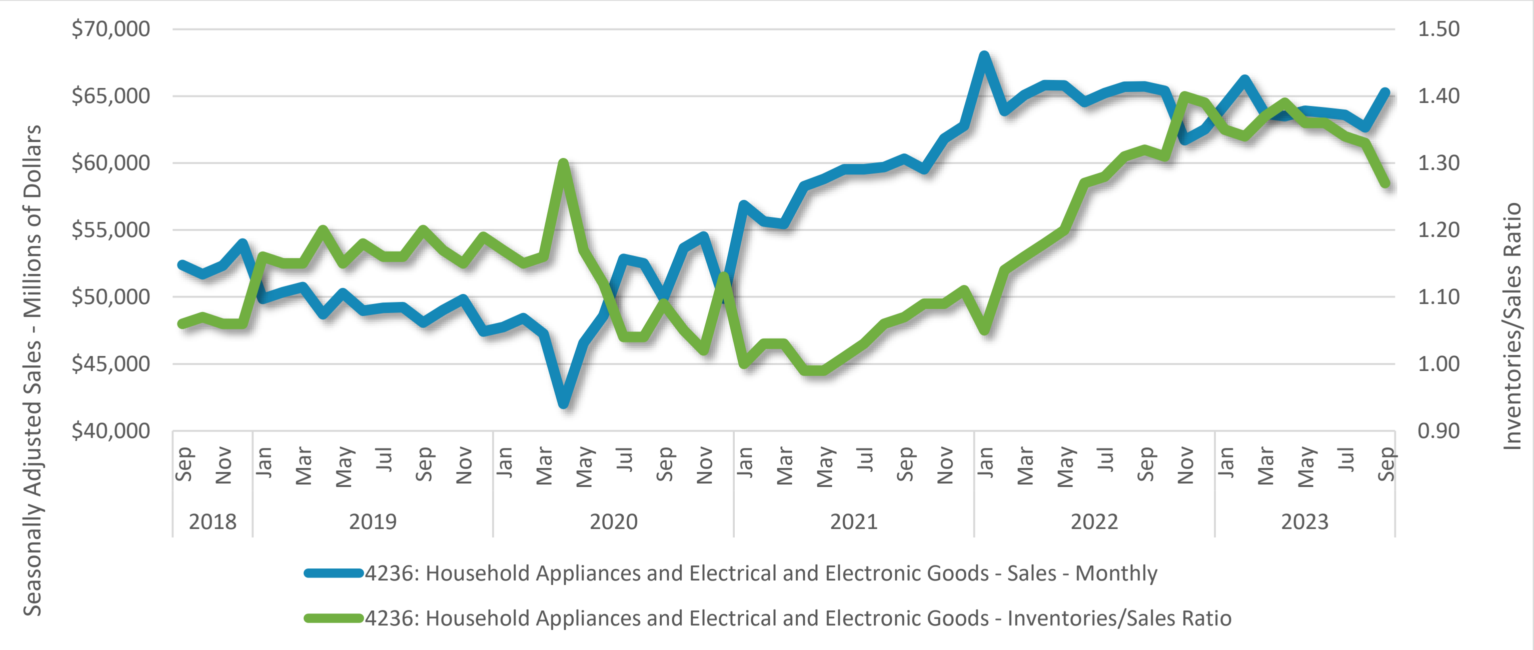
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Inventory-to-sales ratios ticked upward for furniture, but down for household appliances while monthly sales did just the opposite. Household appliance wholesalers continue to move in the right direction, which is a positive indicator for freight demand for this sector.

- Furniture Sales decreased 2.2% to $10.44 billion, while ratios inched upward 0.6% to 1.66.
- Compared to last year, sales decreased $39 million, and ratios have decreased 16.2%.
- Household appliances sales increased 4.2% to $65.29 billion, and ratios dropped 4.5% to 1.27.
- Sales are $434 million lower than last year, and ratios are 3.8% lower, the first Y/Y decline in 21-months.

Inventory levels are starting to decline overall for both industries, even despite a slight increase in furniture. Hopefully the destocking of these two industries will accelerate as the housing market continues to perform despite current conditions.





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

Advanced Retail Sales: Electronics, Furniture, and General Merchandise

The big picture: Retail sales capture in-store, catalog, and out-of-store sales of both durable and non-durable goods. These are broken down into several categories, including:

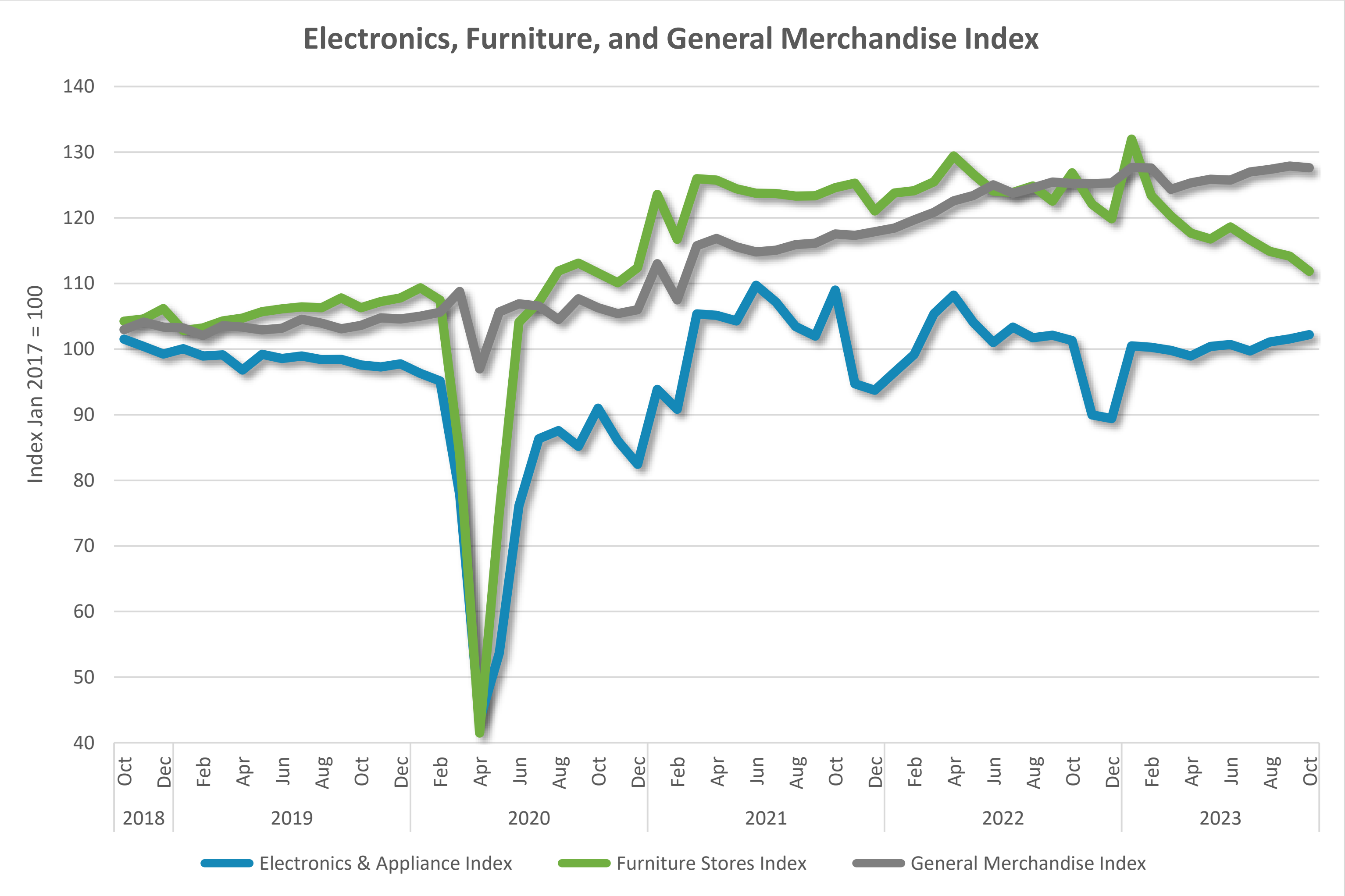
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco

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

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

Our thoughts: Seasonally adjusted retail sales declined for all sectors except EAS. However, GMS continues to climbs upward and to the right, though some of this may be due to inflation.

- EAS increased 0.6%, or $50 million, month-over-month to $7.88 billion, marking three months out of six for increases. EAS is 0.9%, or $69 million, higher year-over-year.
- FS declined 2% M/M to $10.62 billion, and is 11.8%, or $1.42 billion, lower Y/Y.
- GMS decreased 0.2% M/M, or $150 million, to $73.53 billion, and is up 1.9%, or $1.38 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

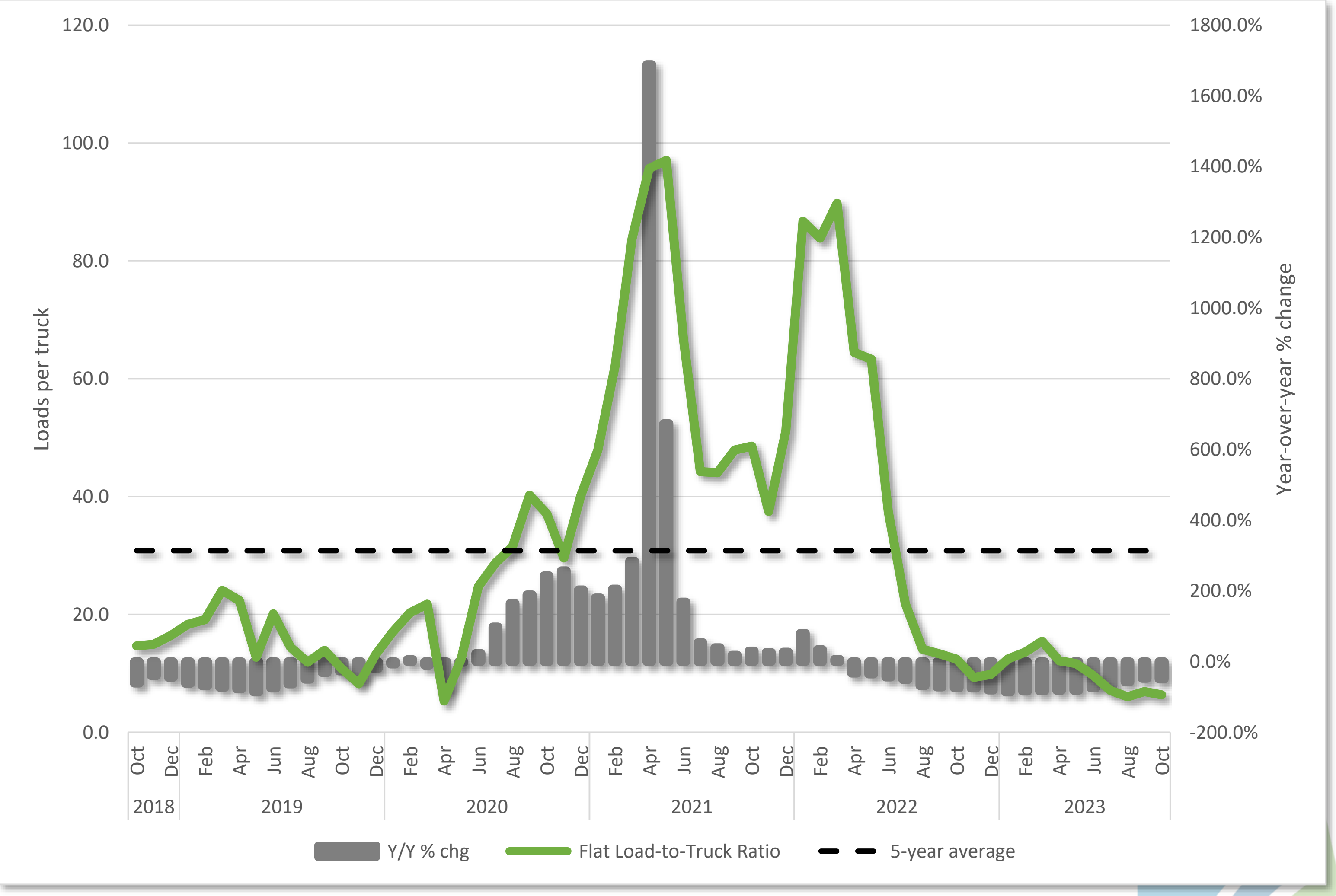
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: Load posts are still significantly lower than what they were in 2019. Equipment posts remain high.

- The Flatbed Load-to-Truck Ratio decreased 8.4% month-over-month in October to 6.36, effectively wiping out more than half of last months 14.7% increase.
- The ratio has declined 48.9% since last year when there were 12.45 loads for every truck. The ratio has declined year-over-year for 19 consecutive months.
- The ratio is 79.4% below the 5-year trend.

When looking at the different regions across the country, ratios were more favorable for carriers operating in the Pacific Northwest, the Upper Midwest, and the Southeast regions, respectively.

- Only 4 out of 16 regions experienced an increase in load-to-truck ratios for flatbed.



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

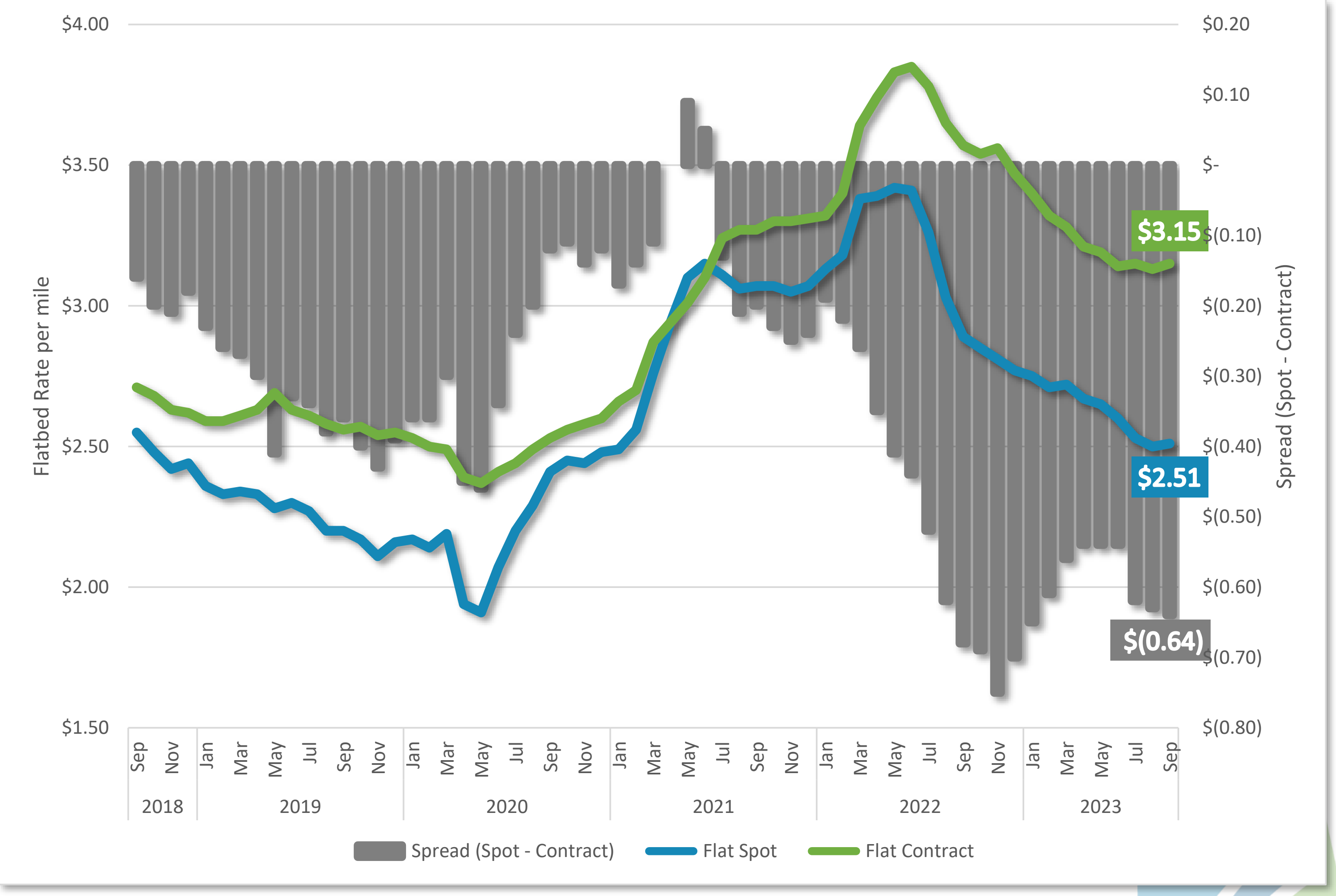
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates ticked down in October, after ending five consecutive months of decline last month, while contract rates stayed flat.

- The spot market decreased $0.02, or 0.8%, to $2.49 per mile month-over-month, and is $0.36 lower year-over-year when it was $2.85.
- The contract market stayed flat at $3.11 per mile, which is $0.43 lower than last year and $0.14 above the 5-year trend.
- The spread between contract and spot increased $0.02 to $0.62, which is 10.1% better than a year ago.

DAT's ratecast predicts that spot rates excluding fuel will tick upward about $0.05 as we head into December, which is a normal seasonal pattern.

- DAT's extended forecast predicts that flatbed spot rates excluding fuel will rise steadily until June 2024. The model estimates that rates will rise $0.28 per mile.



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.

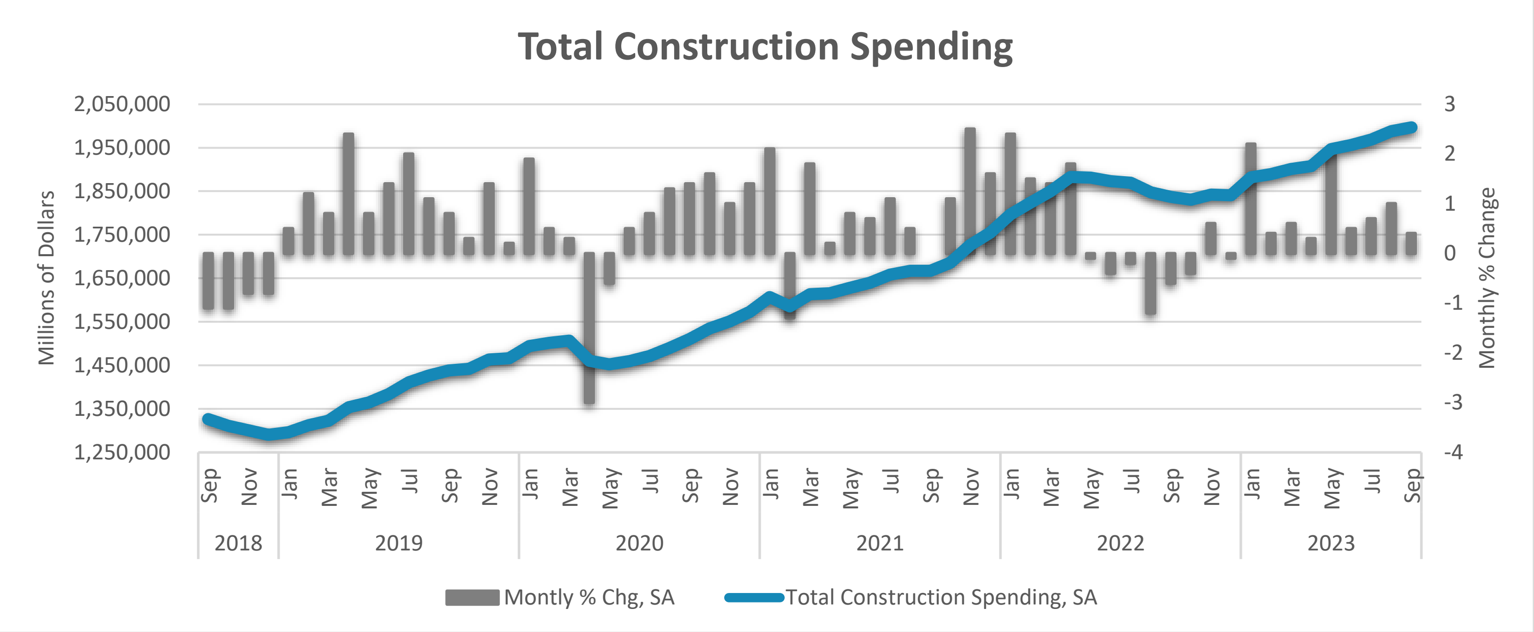
Why it matters: Construction spending helps boost the economy, especially spending that is dedicated to building roads and bridges.

- 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.

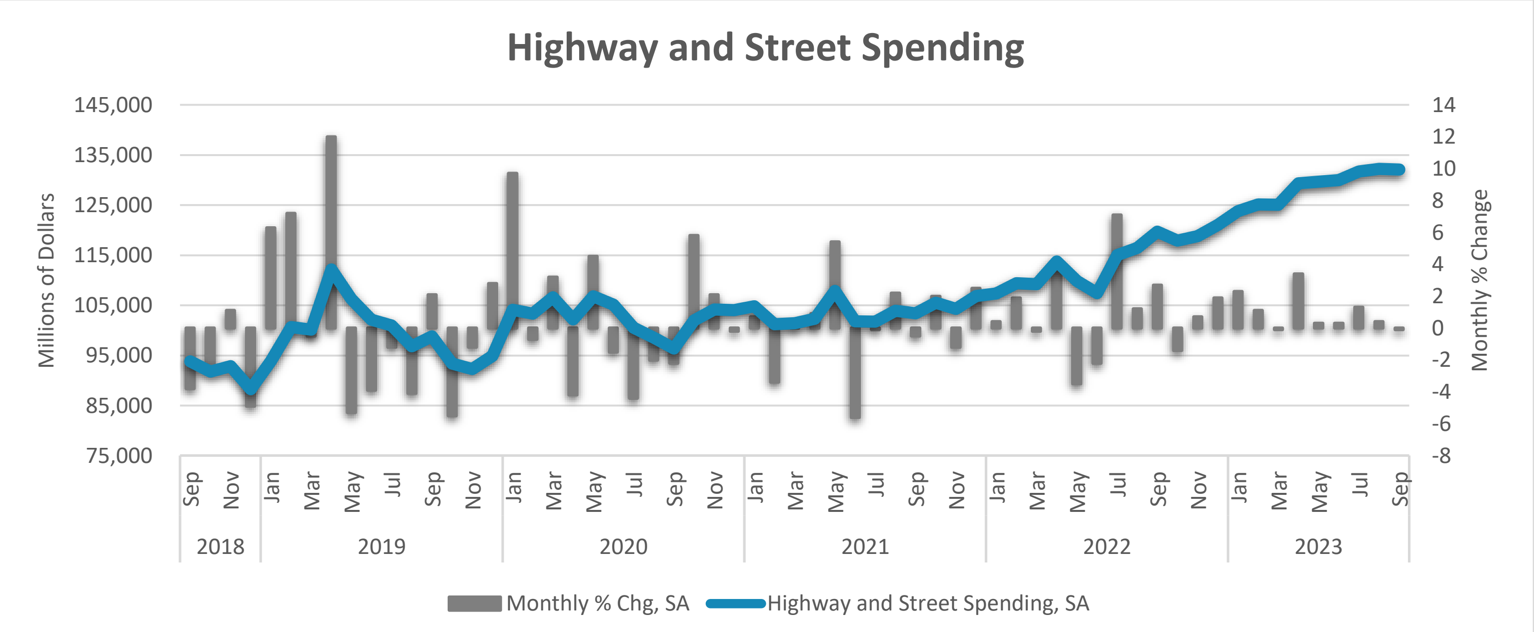
Our thoughts: Total construction spending (TCS) and non-residential spending (NRS) increased month-over-month in September, while spending on highways and streets (HSS) decreased.

- TCS increased by 0.4%, or $8.2 billion, to $1.996 trillion, which is $159.6 billion, or 8.7%, higher year-over year, and 22.6% above the 5-year trend.
- HSS decreased 0.1% to $132.1 billion after being adjusted upward in August, and is up 10.4%, or $12.4 billion, year-over-year.

While construction spending for HSS and NRS remains elevated over 2019 levels, flatbed demand continues to drop. The elevated spending in construction is likely due to inflation.



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



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

Housing: Starts, Under Construction, Completed

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

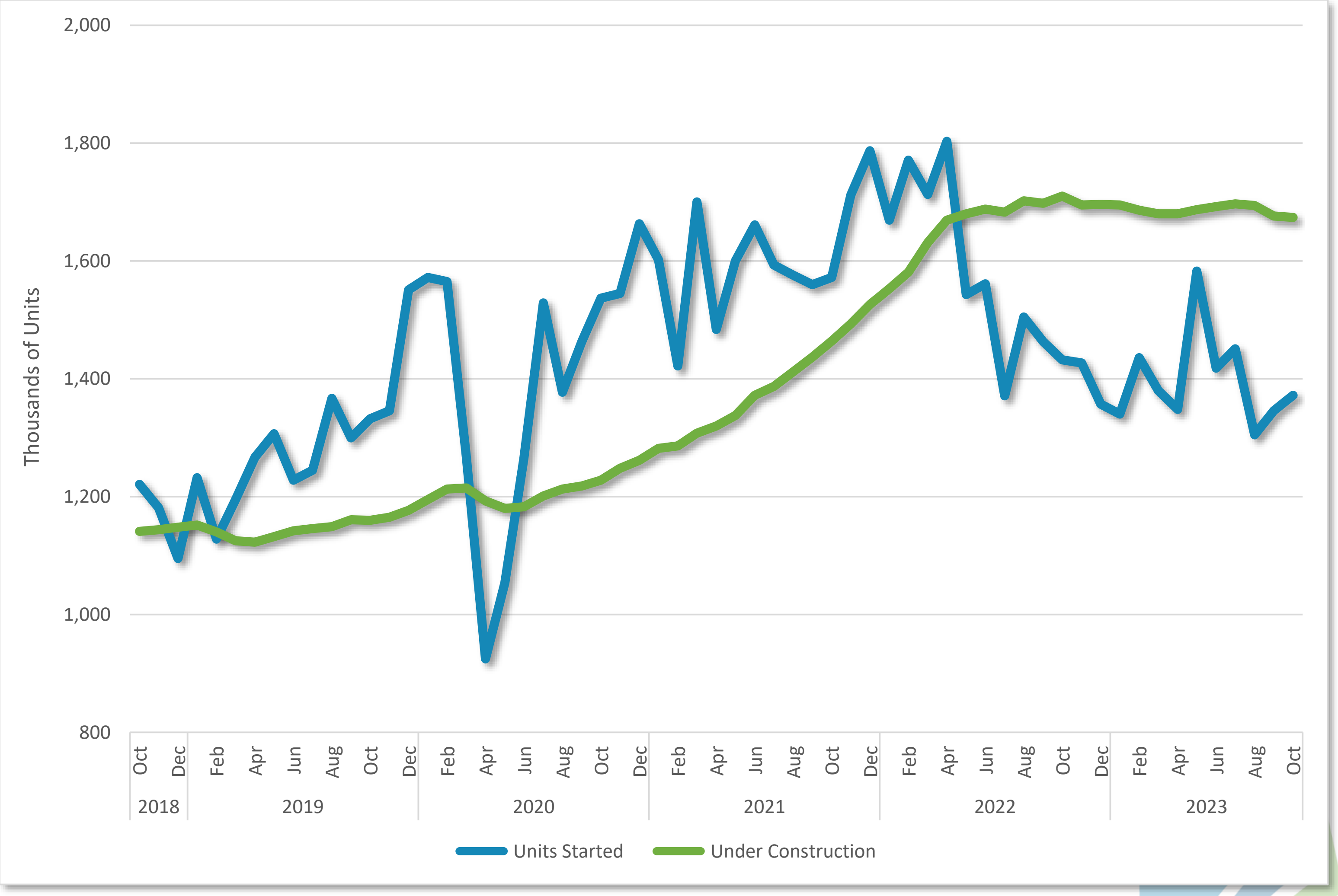
- Housing starts, and
- Housing under construction.

Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

- It's a key economic indicator, especially for the flatbed trucking sector, which hauls a variety of building materials.

Our thoughts: Housing starts moved up again in October following a 3.1% rise in September after adjustments. Housing is performing well considering interest rates and inflation, but is down 5.7% quarter-over-quarter.

- New starts increased 1.9%, or 26,000 houses, month-over-month to 1.372 million, but are down 4.2%, or 60,000 homes year-over-year (Y/Y).
- Houses under construction ticked downward 0.1% to 1.674 million, and are 2.1% lower Y/Y.
- Completed houses decreased 4.6% month-over-month but are up 4.6%, or 62,000 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).

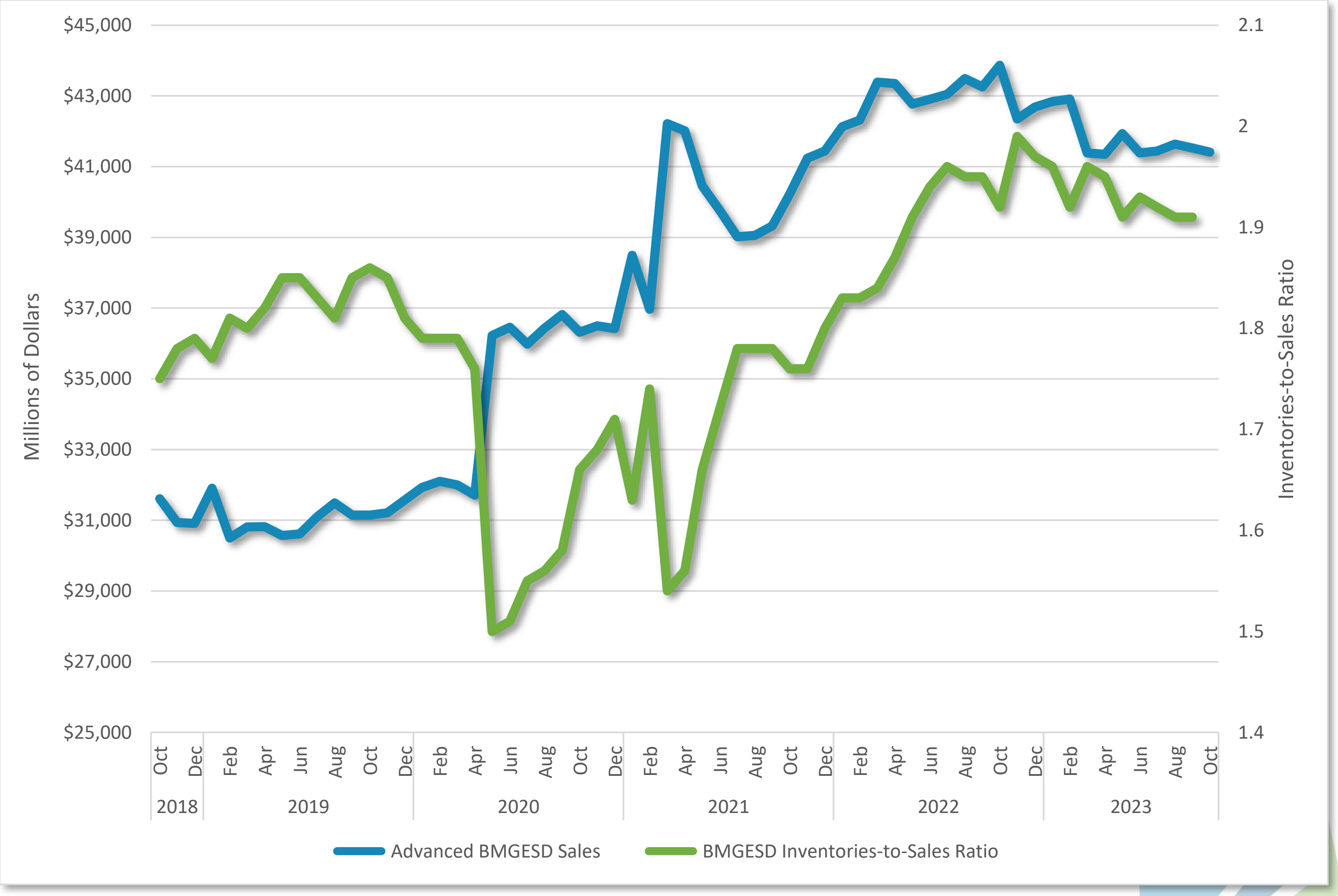
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales decreased slightly in October and inventories stayed flat in September as retailers continue to work on depleting their inventories by offering discounts.

- The BMGESD retail sales declined 0.3% month-over-month to $41.4 billion, and are 5.6%, or $2.46 billion, lower year-over year.
- Sales are $3.7 billion higher than the 5-year average.
- Inventories-to-sales ratios remained flat at 1.91 in September, and are 0.5% lower year-over-year.

Retailers continue to right-size their inventory levels. While this is a positive signal, we still need to see this trend continue for several months to really see an impact on freight demand.



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

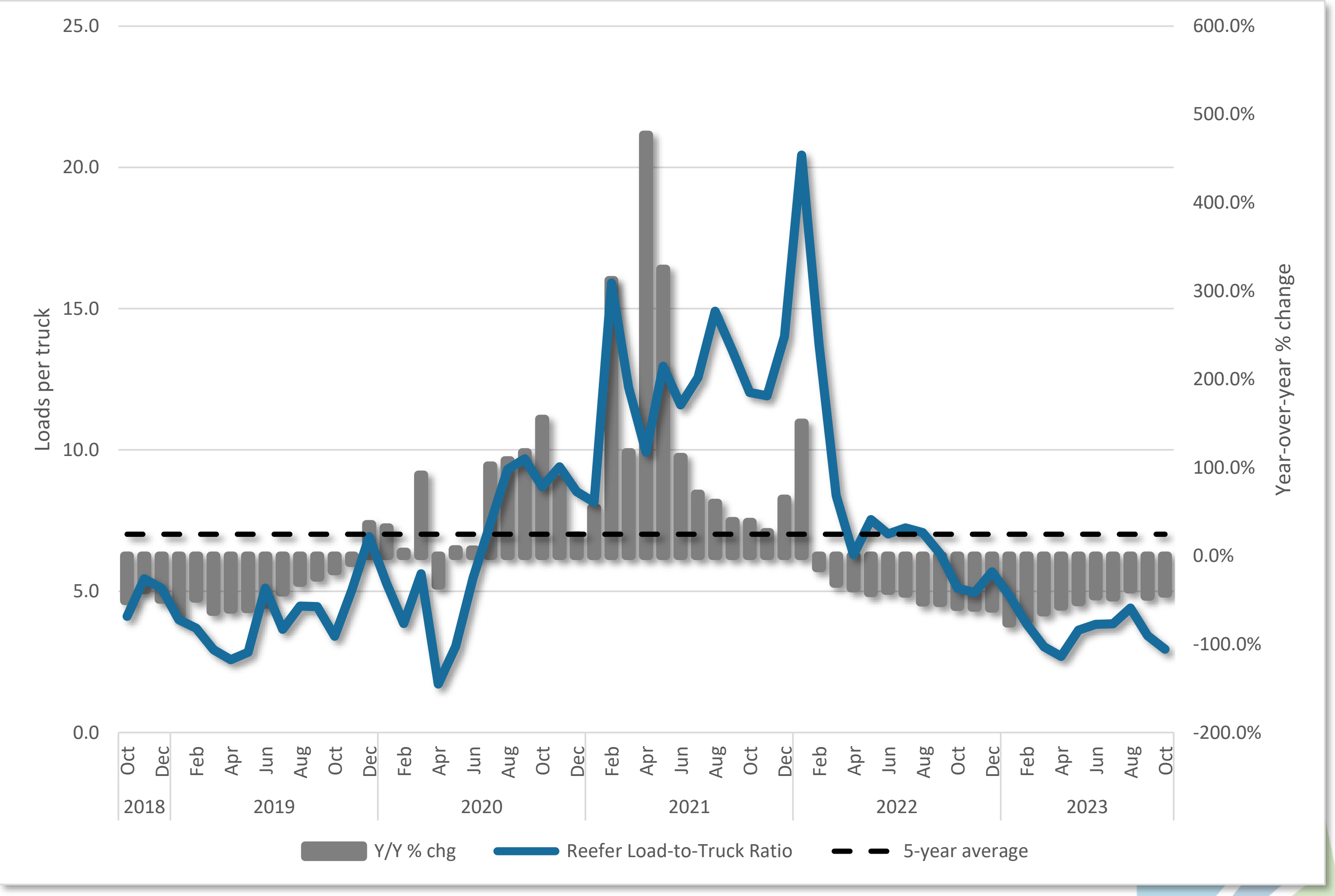
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: The reefer market experienced a large dip in demand in October even as we expect produce volumes look to pick up as we head fall produce season.

- The ratio decreased 14% month-over-month to 2.95 loads to every one truck posted, after dropping 22.2% last month.
- The ratio is 42.3% lower than last year when the ratio was 5.11, and 51.4% below the 5-year trend. The ratio has declined year-over-year for 21 straight months.

When examining the different regions of the country, conditions were more favorable for carriers operating in the Upper Mountain, Pacific Northwest, and the Upper Midwest regions, respectively.

- Only 6 out of 16 regions experienced an increase in load-to-truck ratios for reefer.



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

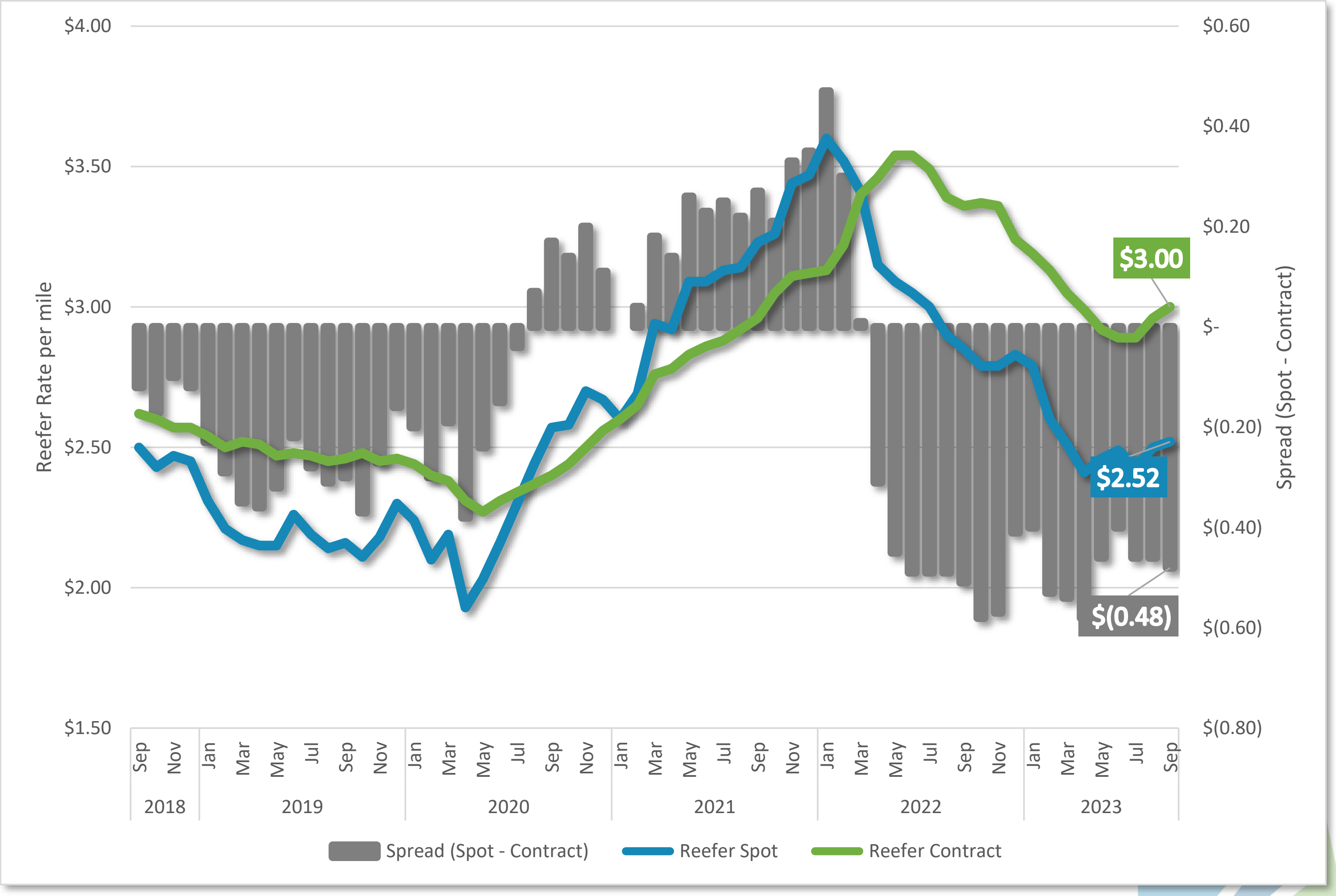
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates moved downward month-over-month in October as demand decreased even ahead of the fall produce season, while contract rates also decreased.

- Spot rates decreased $0.05, or 2.0% to $2.47 per mile, and are down $0.32 since last year.
- Contract rates decreased $0.02 to $2.98 per mile, which is $0.39 below where we were last year.
- The spread between spot and contract increased $0.03 to $0.51 and is 12.1% better compared to a year ago.

DAT's ratecast is forecasting that spot rates excluding fuel will increase $0.05 per mile as we head into late November, and then drop about $0.10 as we move into December.

- DAT's extended forecast for reefer spot rates excluding fuel predicts that rates will increase $0.08 through January 2024, before dropping down again as we move further into the first quarter of 2024.



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.

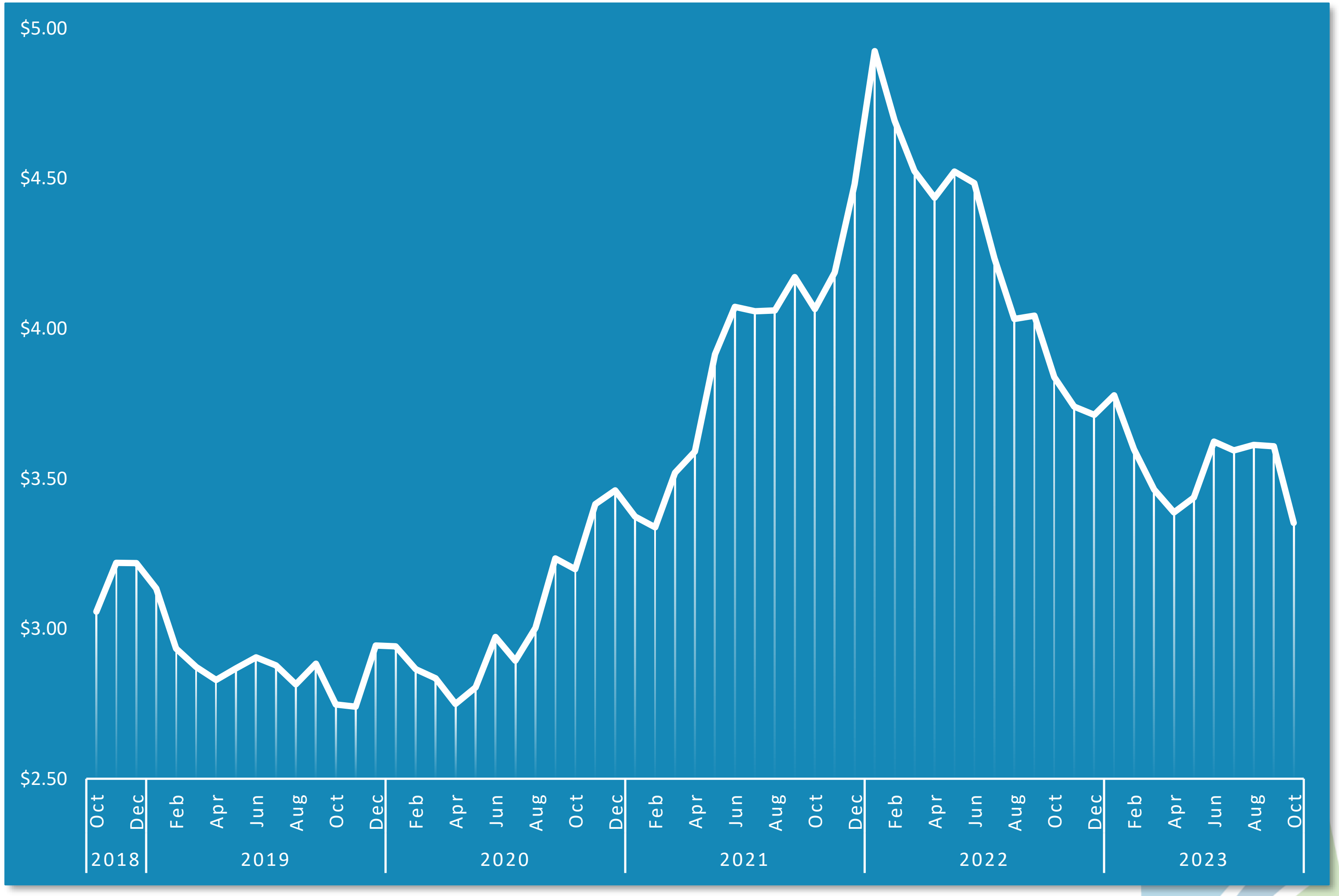
- The USDA published rates gives the owner-operator a pulse of the reefer market.

Our thoughts: Fruit and vegetable reefer rates are 31.9%, or $1.57 per mile, below their high in January 2022.

- Rates per mile decreased 7.1% per mile, month-over-month to $3.35 in October, marking three months out of four of decreases as we fall produce season gets underway.

- Rates are $0.49 per mile, or 12.7%, lower year-over-year, and are $0.15 per mile, or 4.4%, lower than the five year trend.

According to USDA, carriers in the Mexico-Arizona region experienced the greatest increase in pay per mile month-over-month, with California, Mexico-Texas, and New York regions experiencing decreases over $0.10 per mile.



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

Fruit and Vegetable Industry: Truck Volume

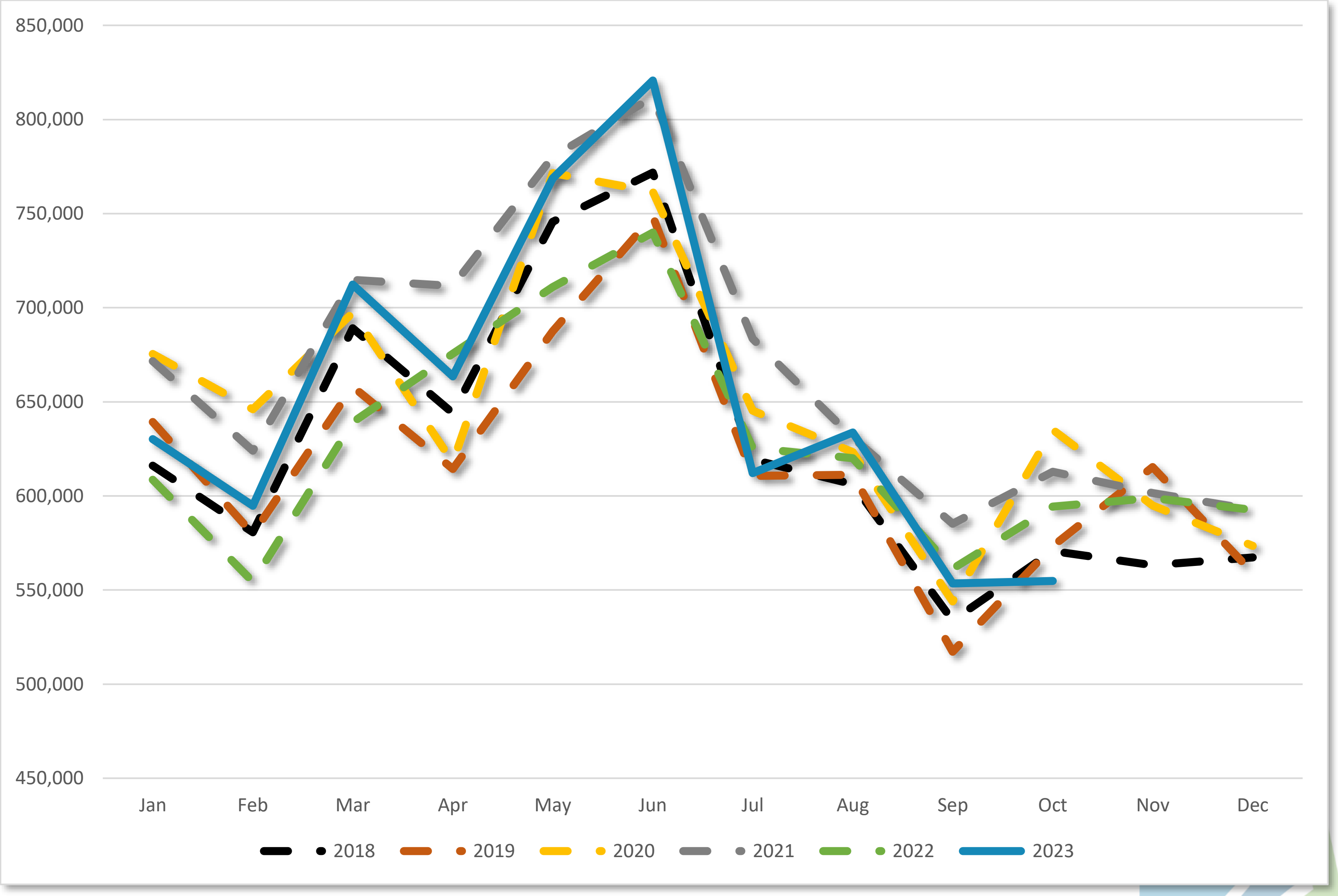
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight for different regions and commodities.

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 increased slightly in October after experiencing a 13.8% decrease last month. The chart depicts that volumes are currently under the usual seasonal trend for this time of year.

- Reefer volumes increased 0.2% month-over-month to 554,789 pounds, and are 1.2%, or 6,480 pounds, lower year-over-year.
- The California region decreased 19.5% month-over-month, and is 6.5% lower compared to last year. Basically wiping out last months gains.
- Several regions experienced decreases in volumes, including California, Indiana, Mexico-Arizona, Mexico-California, Mexico-Texas, Midatlantic, Southeast, and Texas.
- The Pacific Northwest region experienced the largest increase in volumes by far.



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

Fruit and Vegetable Industry: Truck Availability

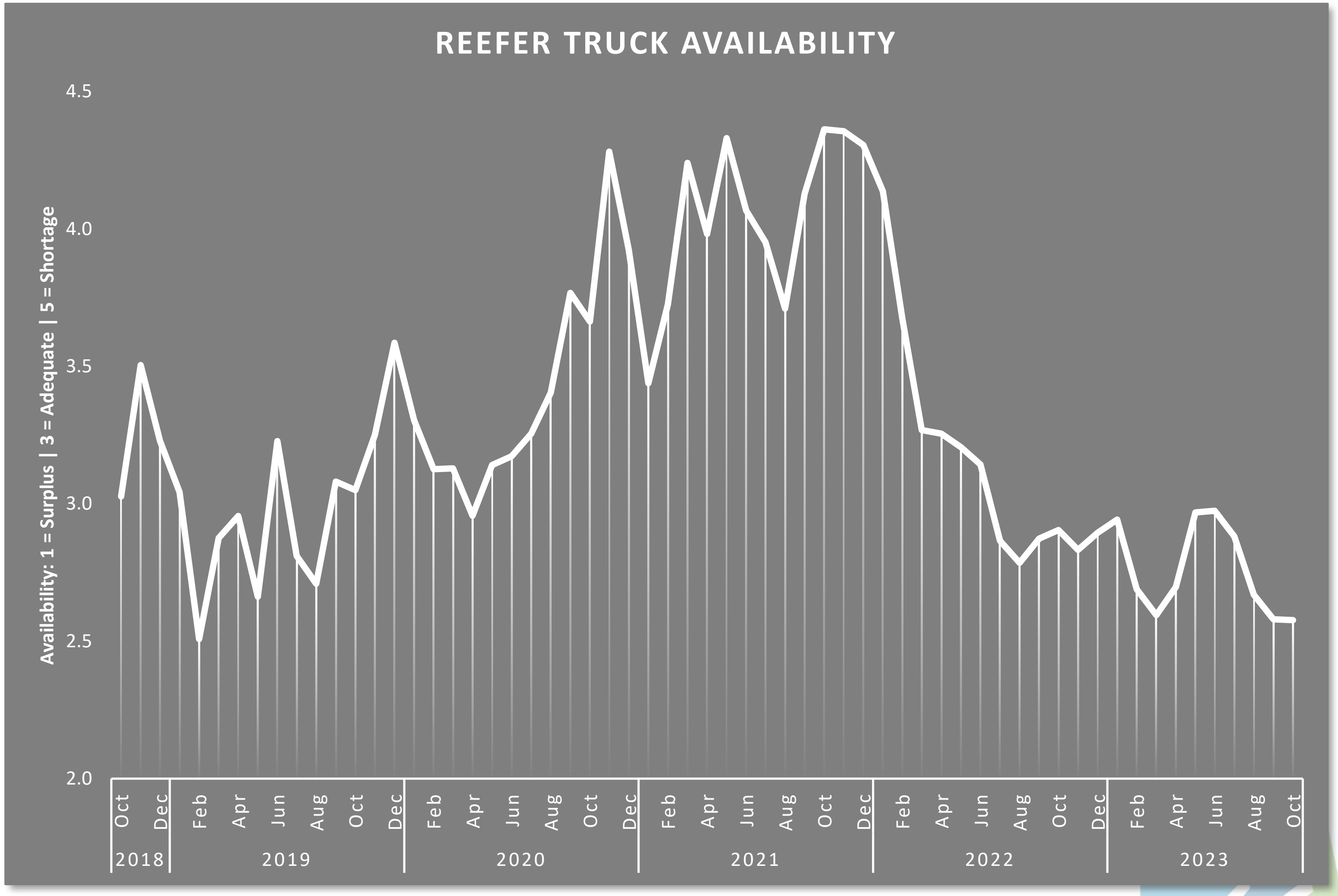
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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 stayed flat, ending three consecutive months of loses.

- Reefer truck availability stayed flat at 2.58. Availability is down 11.3% over the previous year when it was 2.90.
- Capacity loosened in the New York region, but remained relatively flat in most of the other regions.
- Conditions in California tightened slightly in October even as volumes declined. Availability constricted from 2.43 to 2.59.



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.

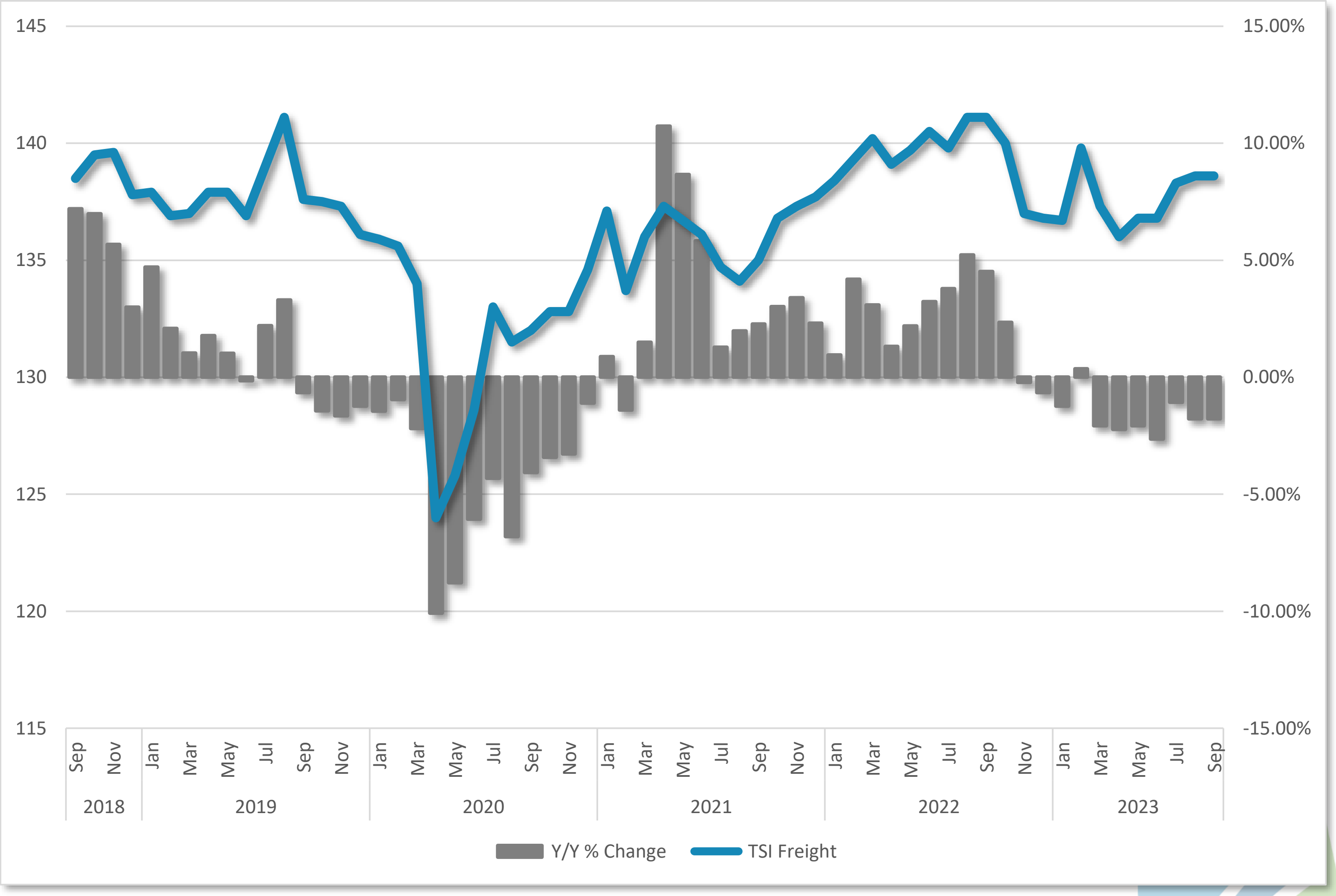
Why it matters: Changes in the TSI reflect changes in the demand for goods and services.

- 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 were flat in September due to seasonally adjusted increases in pipeline, carload, and intermodal, while air, water, and trucking were down.

- The TSI stayed flat month-over-month at 138.5, and is 1.8% lower than a year ago.
- September was 1.8% below the all-time high of 141.1 in August 2019.

August's increase came in the context of positive growth for other indicators. The Industrial Production Index was up 0.3%, reflecting increases in manufacturing and mining, while utilities decreased. Housing starts were up 7%, and personal income increased 0.3%.



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.

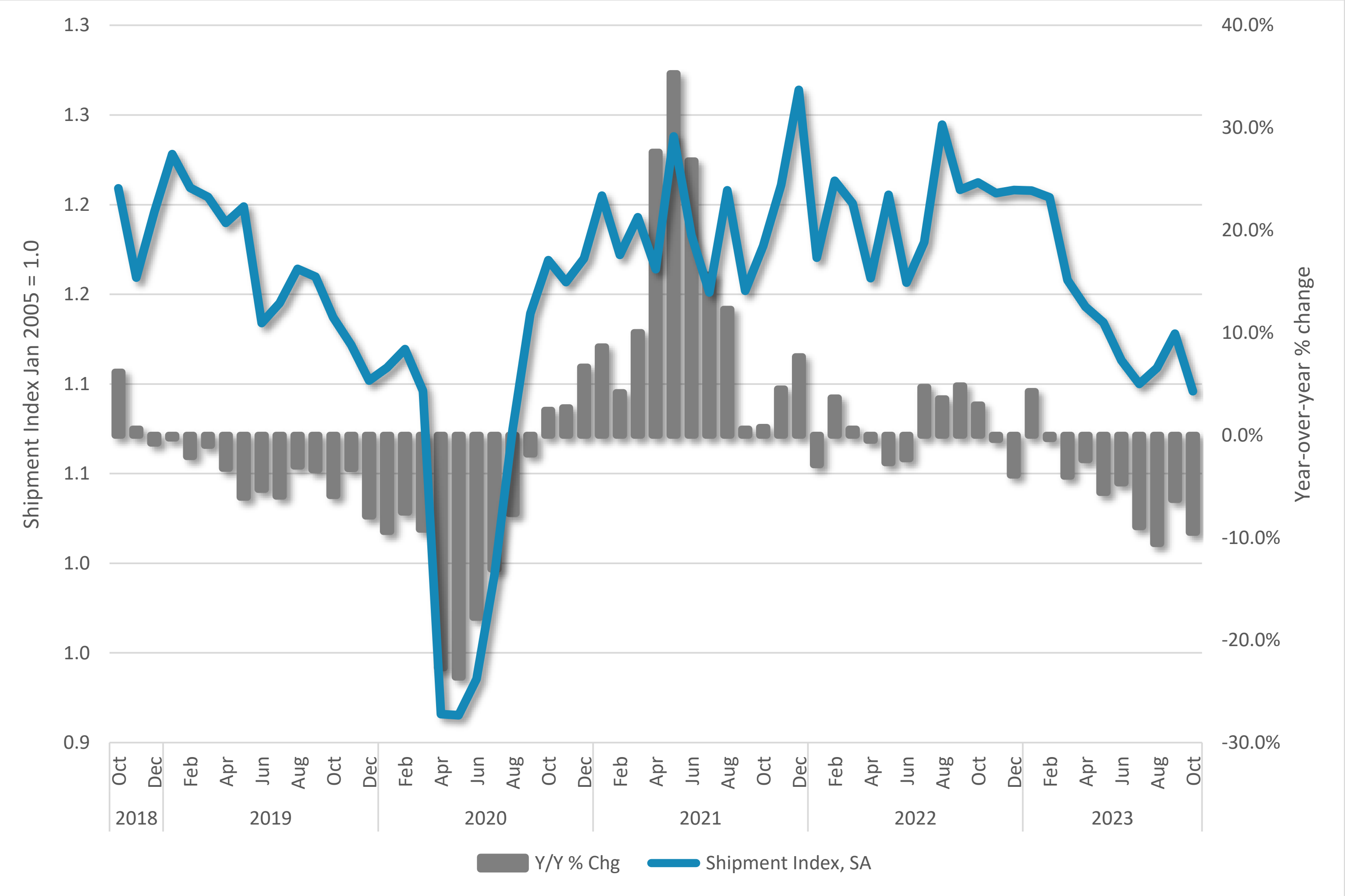
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index was down 2.8% month-over-month to 1.13 in September when seasonally adjusted, and was down 6.6% year-over-year. The non-seasonally adjusted index has declined 22 straight months and has fallen year-over-year in 15 of the past 22 months.

- Expenditures, which measures the total amount spent of freight, declined 2.4% to 3.30.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, also increased 0.5% to 3.01.
- Truckload linehaul rates, which includes both spot and contract rates, declined 0.6% to 141.1 and is down 8.3% year-over-year. This was a new cycle low.

Bottom line: Cass believes that the freight market will continue to bounce along the bottom for the near term, followed by some holiday volatility due expected modest growth in consumer spending, and then a change in trajectory next year.



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

Supply: Truck Employment

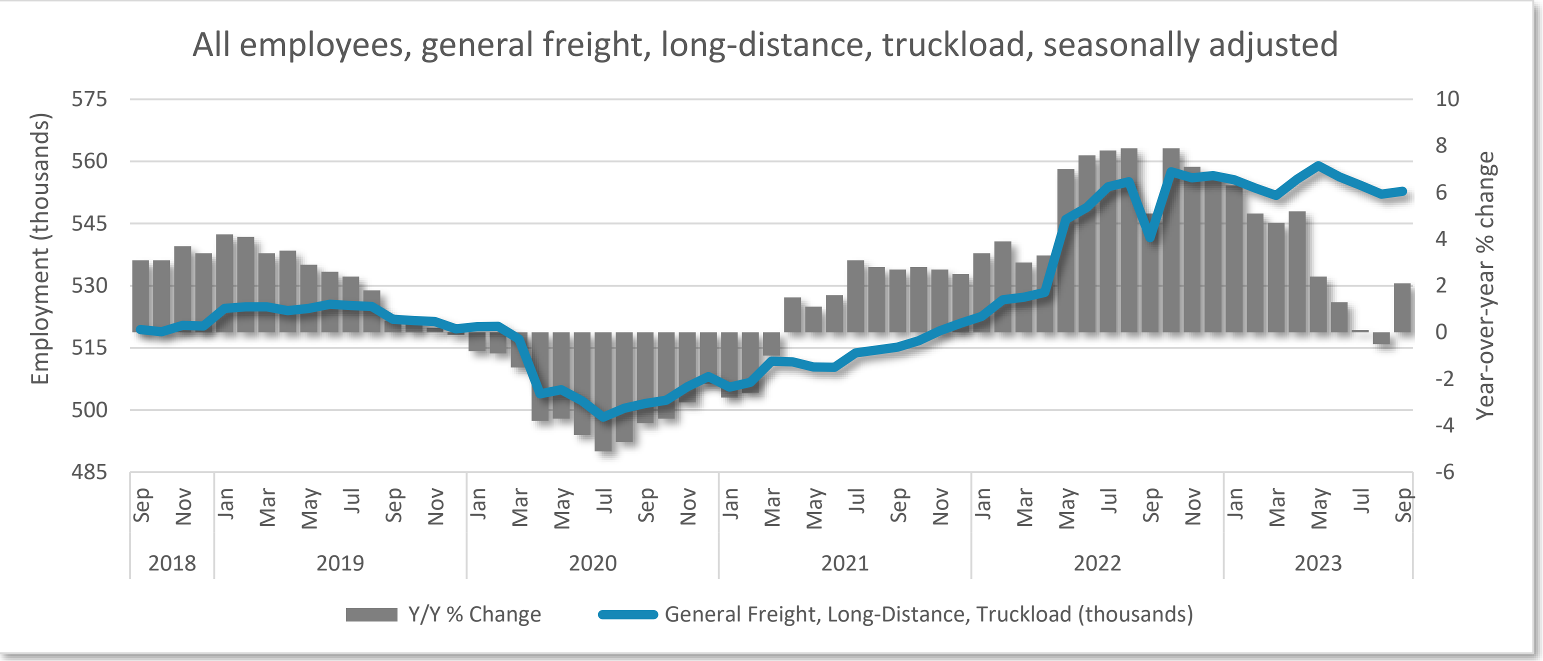
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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

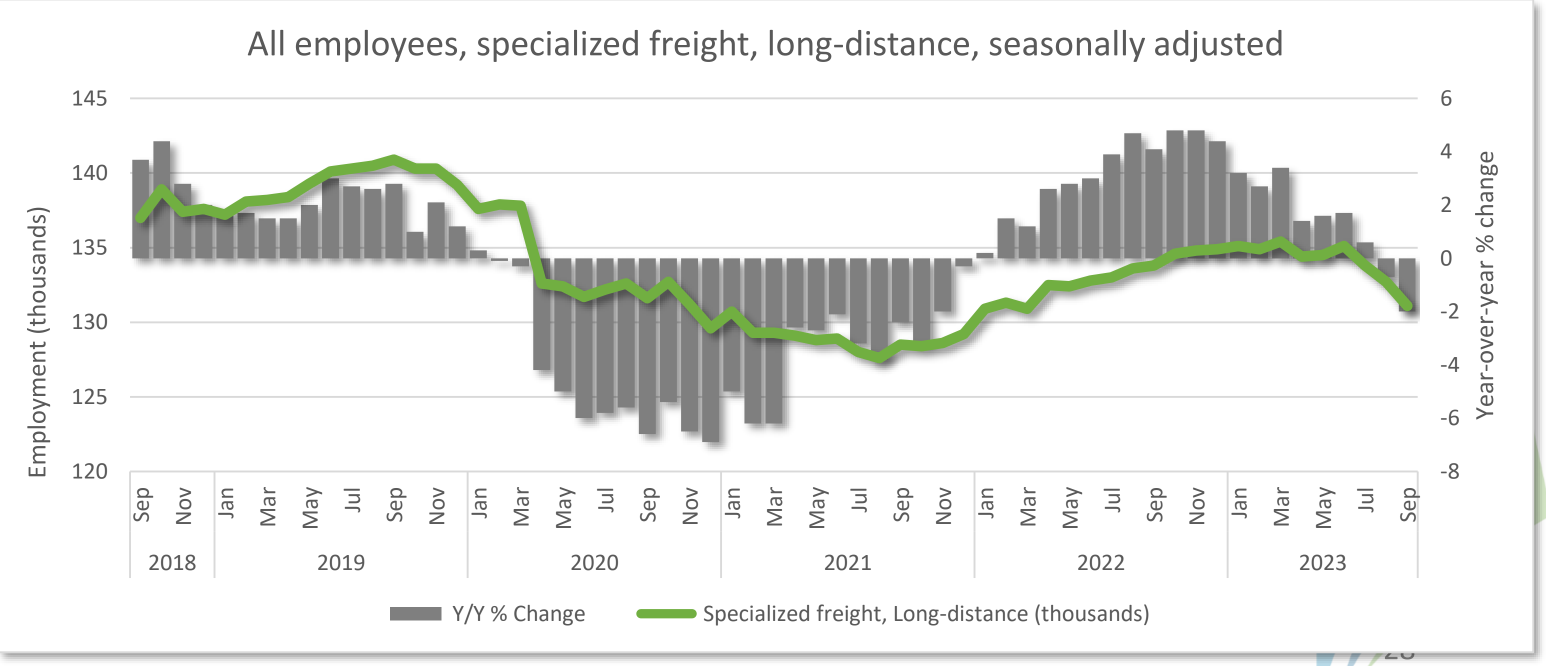
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

Our thoughts: Truck employment numbers overall (not pictured) dropped 0.3% in October to 1.578.6 million people following a steep drop in August due to Yellow closing its doors.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, increased 0.1%, or 700 jobs, month-over-month in September.
- It is 2.1%, or 11,200 jobs, higher year-over year, and 5.0% above the 5-year trend.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, decreased 1.2%, or 1,600 jobs, month-over-month in September.
- This figure is 2.0%, or 2,700 jobs, lower year-over-year, and is 2.9% below 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.

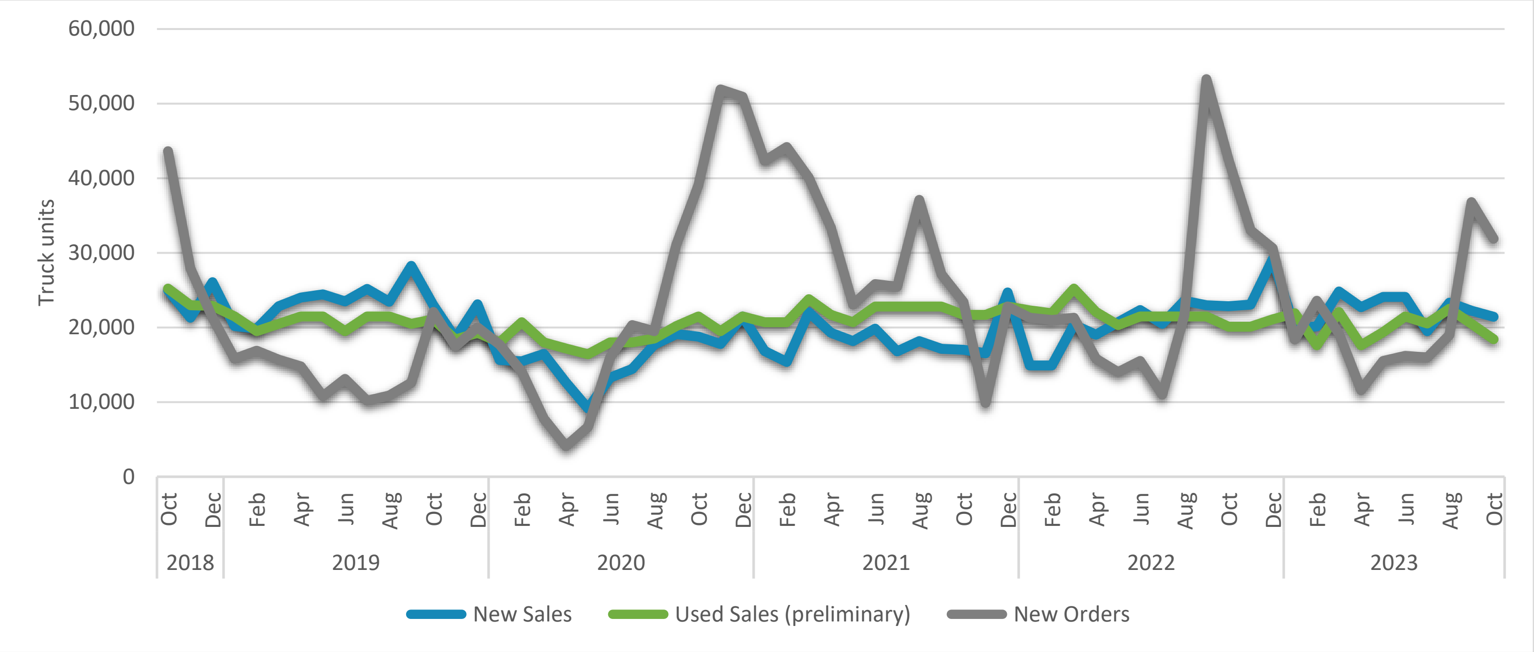
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

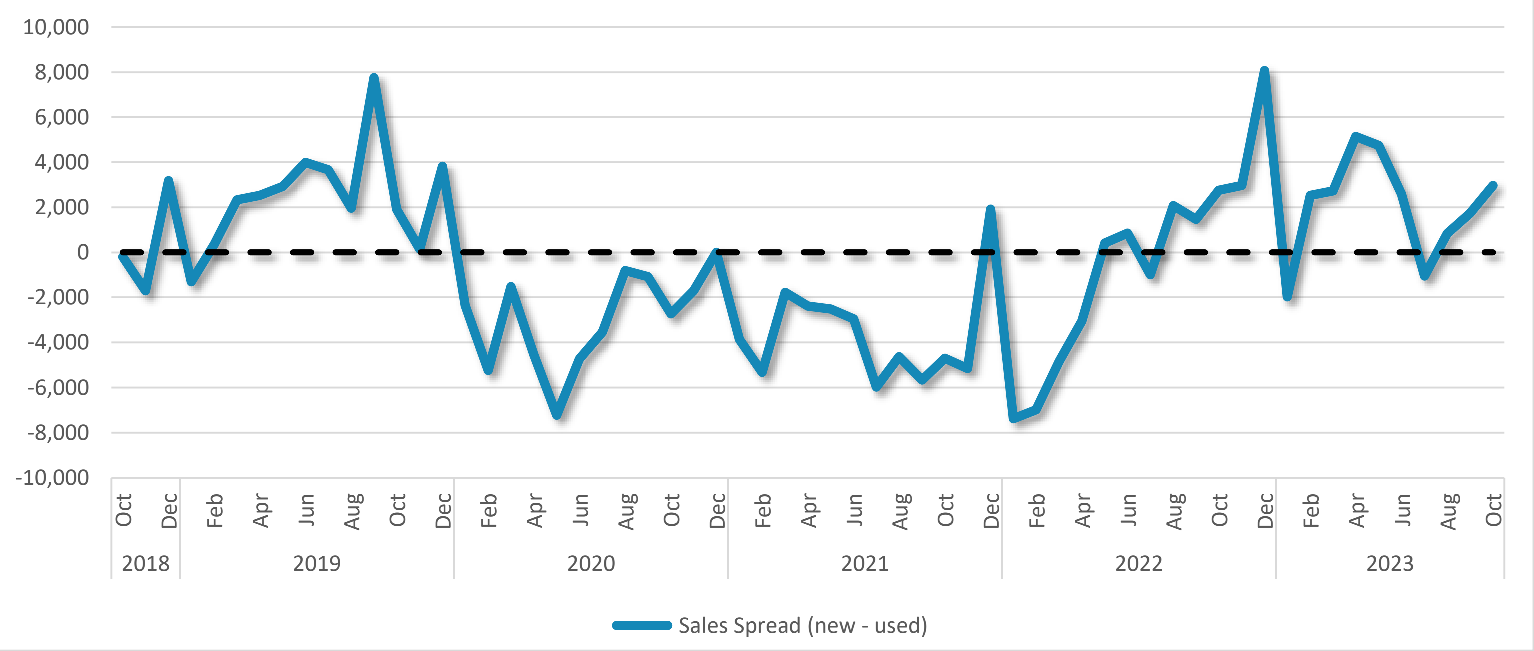
- Demand for trucks tends to spike when new orders increase following a steady increase in rates as depicted in the top figure (2017-2018 and 2020).
- Truck capacity tends to loosen when new sales eclipse used sales as shown in the bottom chart (2018-2019 and 2022-2023).

Our thoughts: New sales decreased 3.7% in October to 21,417 after dropping 4.8% in September, and are 6.3% lower year-over-year, while new orders declined 13.3% to 31,900.

- Preliminary used sales figures decreased 10%, or 2,050 units, in October to 18,450, and are down 8.2% compared to last year. Used sales are 11% lower than the 5-year average.
- New sales eclipsed used sales by 2,967 units in October.

The industry has experienced overcapacity, or too many trucks, for the past several months, which has pushed freight rates downward. New sales eclipsed used sales for the third consecutive month, which is a negative sign for capacity.





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

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

Rates: Logistics Managers' Index (LMI)

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

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

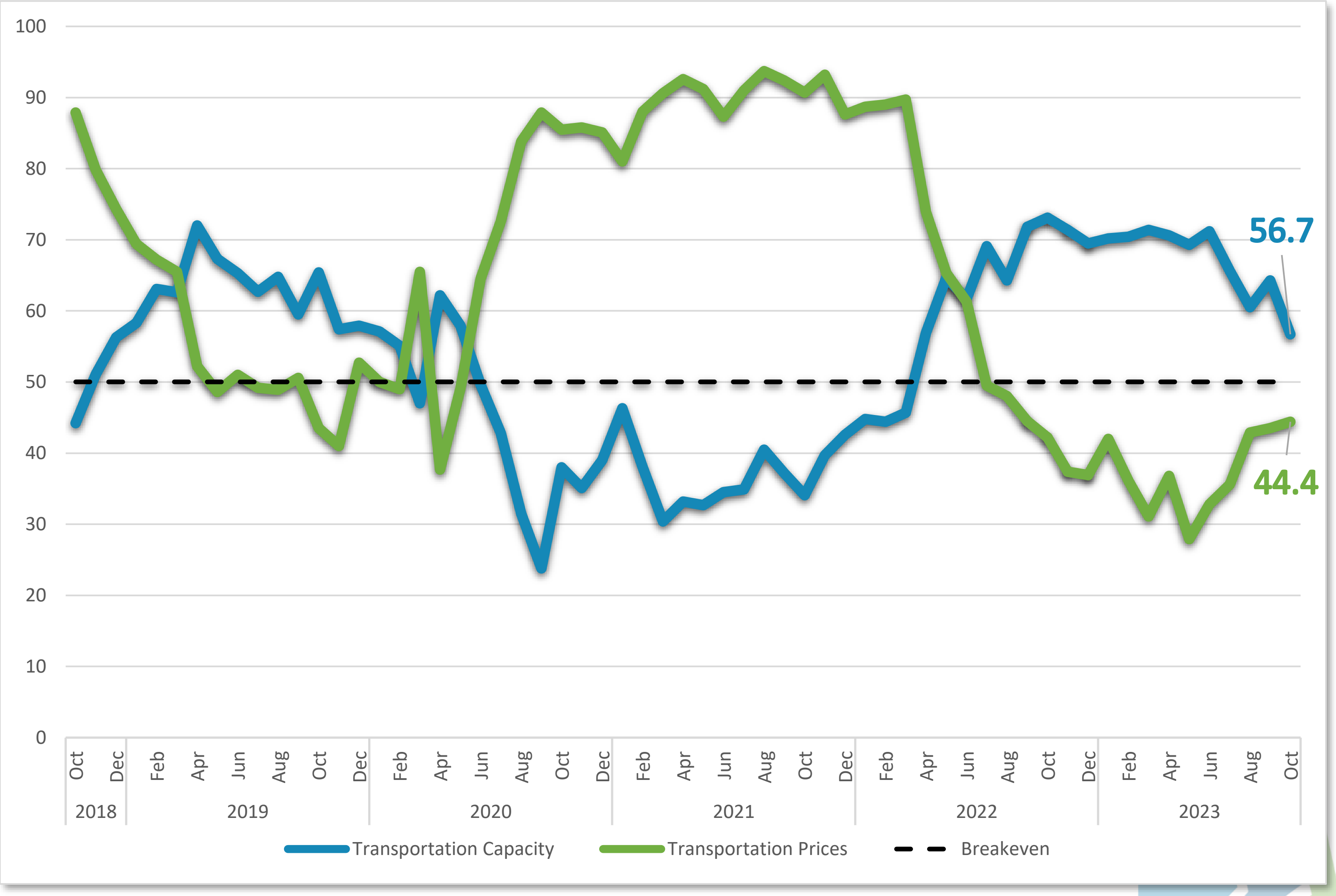
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

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

Our thoughts: The LMI overall increased 4.1 points to 56.5, marking three consecutive months where the index was above 50. While this was the fastest rate of expansion since January, it's still well below the all-time average of 62.8 and represents a moderate level of expansion. This upward movement is catalyzed by expanding inventory levels. Hopefully this is a small, temporary burst for seasonal expansion.

- Transportation prices are contracting at their slowest rate since September 2022, but have been in contraction territory for 16 straight months.
- Prices increased 2.1% month-over month to 44.4, and are 5.2% higher year-over-year (Y/Y), when the index read 42.2.
- Transportation capacity decreased 11.8% to 56.7, which is 22.4% lower Y/Y, representing the slowest rate of growth since March 2022 and the first time it's been under 60 since April 2022.

Aggregate logistics prices (ALP), which includes inventory costs, warehousing prices, and transportation prices, increased 3.1%, but is still 6.9% lower Y/Y, and 16% below the 5-year average. This shows that we're taking slow steps toward recovery.



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.

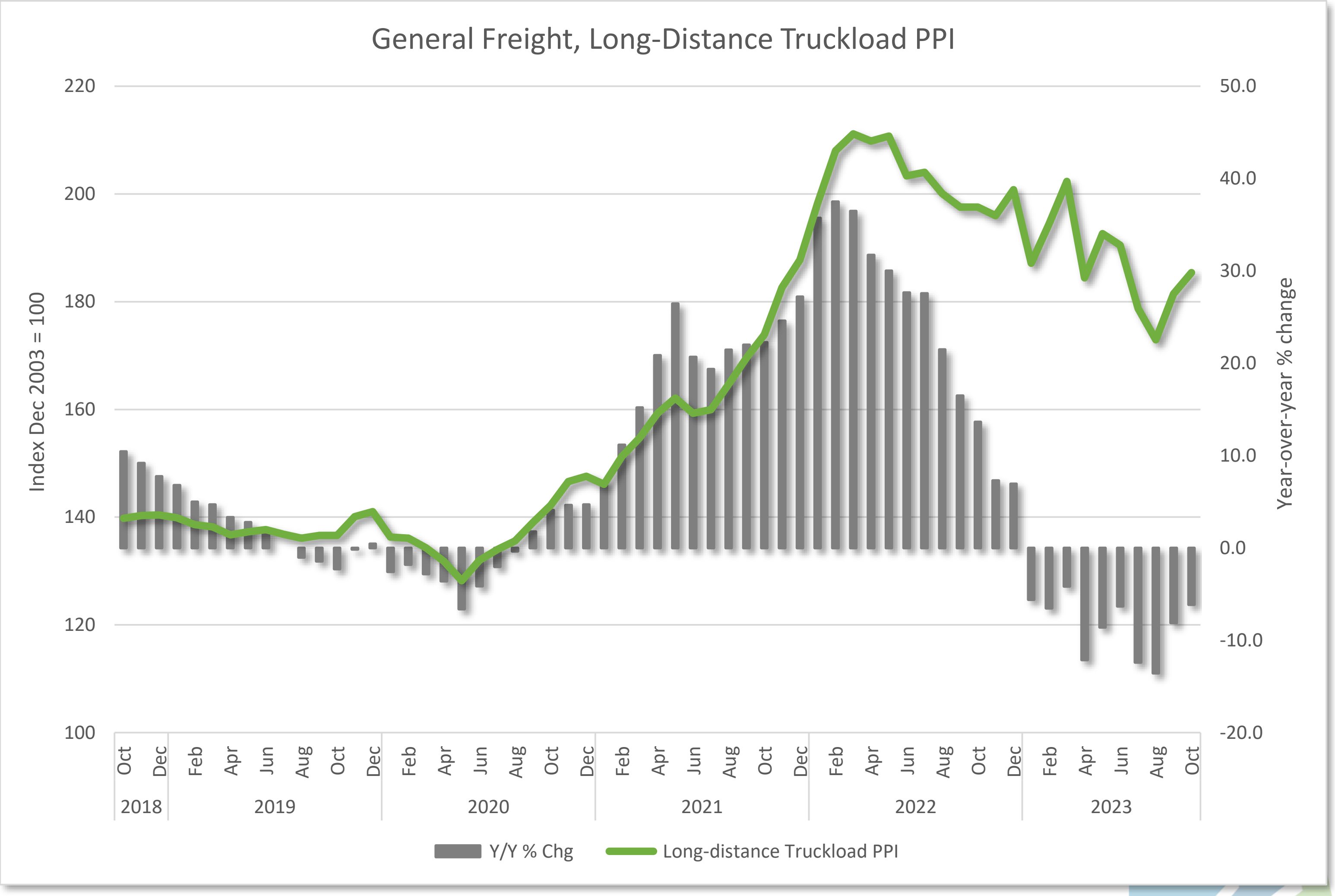
- One index focuses on long-haul, truckload carriers.
- This index shows how much carriers are charging their customers.

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 increased in October after jumping 4.9% in September following readjustments. The index has decreased 12% since its high in May 2022.

- The long-haul PPI increased 2.2% to 185.4, month-over-month, after the BLS re-adjusted the figure for September.
- The PPI is 6.2% lower year-over-year, but 13.1% above the 5-year trend.

It appears that the overall trend for the PPI has hit a bottom, and is starting to rise again. However, the new freight cycle probably won't start materializing until at least the 2nd quarter of 2024.



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

Costs: Diesel Fuel

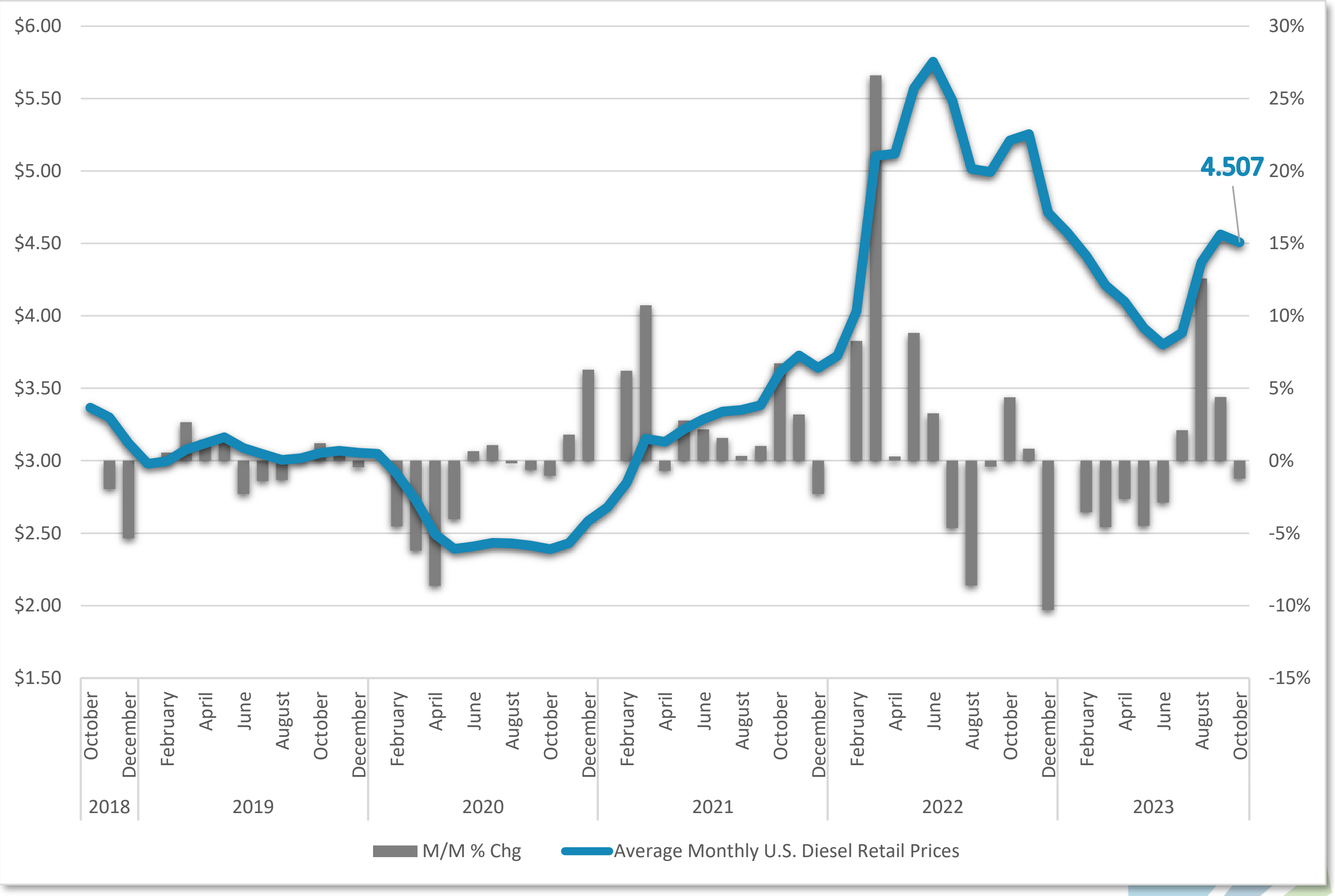
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 $0.06 per gallon after jumping $0.19 in September and $0.49 in August. Prices through October have declined $1.25 per gallon since the high of $5.75 in June 2022.

- The average price for diesel fuel decreased 1.2% month-over-month to $4.51 per gallon, ending two consecutive months of increases.
- The average diesel price is 13.5% lower year-over-year, but 25.6%, or $0.92 per gallon, 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.

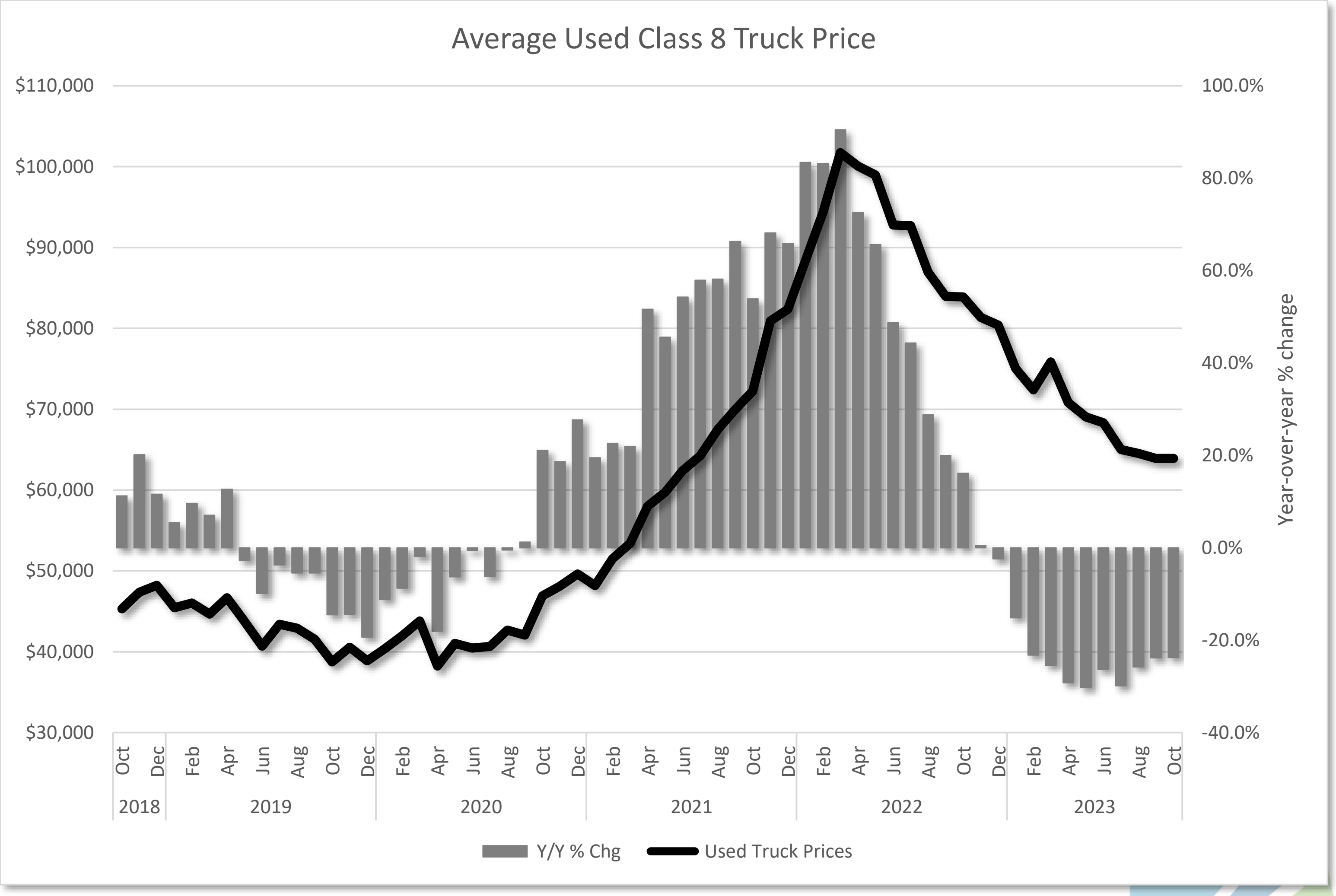
Why it matters: Used truck prices are a good sign of a strong freight market. Whereas monthly year-over-year decreases are a good indicator that the market is in a downcycle.

- 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 remained flat in October after falling 1.0% in September following readjustments. While they are 37.2% below the high in March 2022, they are still significantly higher than their pre-pandemic average of $42,000.

- Used Class 8 truck prices stayed flat at approximately $63,913.
- This is 23.8% lower year-over year, but 5.0% higher than the 5-year trend.

Year-over-year comparisons have been negative for 11 consecutive months, which is a bad indicator for the overall freight market.



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

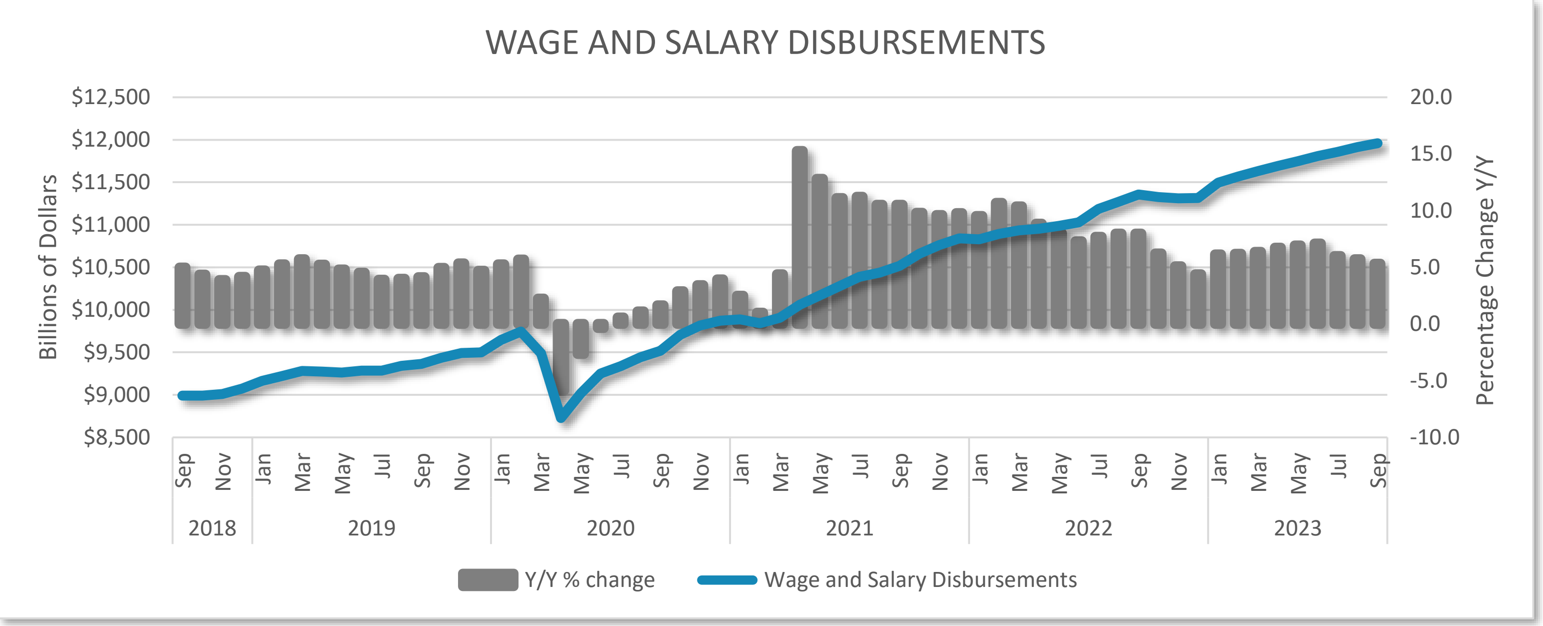
The big picture: Consumers move the U.S. economy. As consumer conditions and sentiments change, so to does business and shipping activity.

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

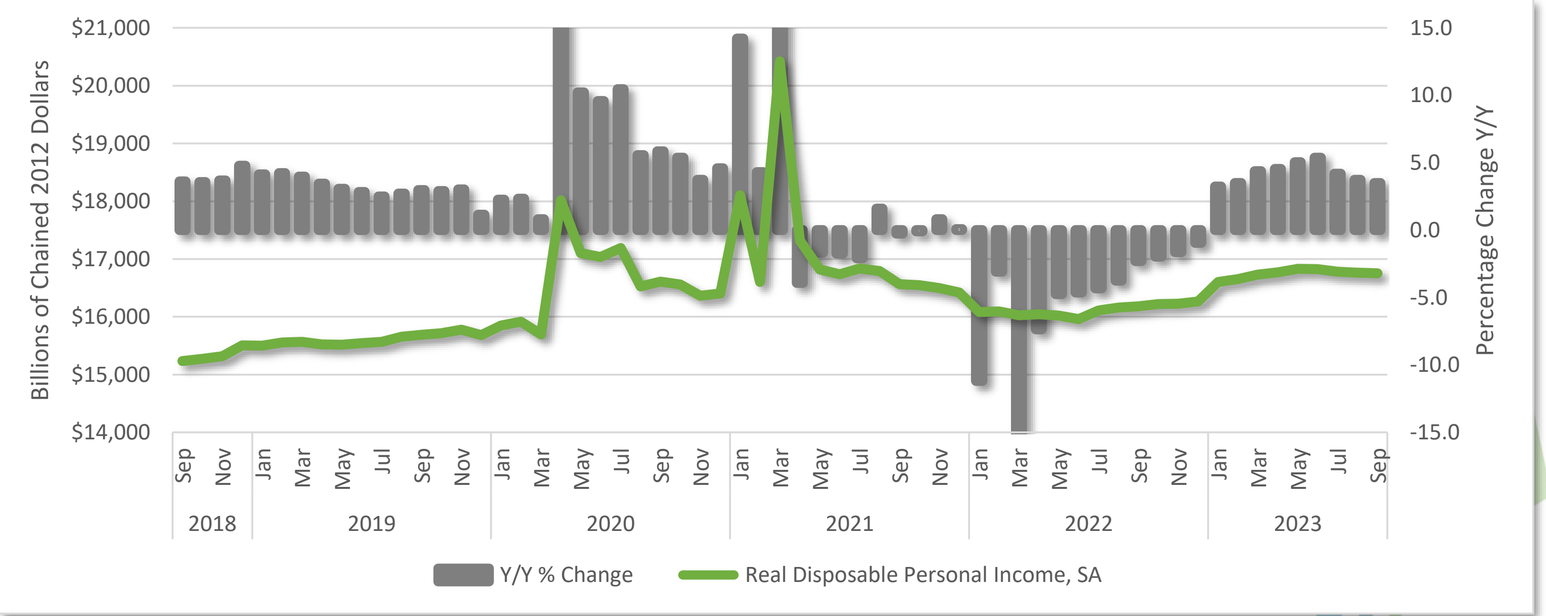
- For example, when disposable income and consumer sentiment are high, people typically purchase more goods, both durable and non-durable.
- This creates more freight demand downstream.

Our thoughts: Wages and salaries continue to grow, but real disposable income ticked downward. However, wages are still outpacing inflation.

- Wages and Salary disbursements grew 0.4%, or $44.1 billion, month-over-month in September.
- In terms of year-over-year growth, wages and salary disbursements are 5.31% higher. However, Y/Y growth was 8.0% this time last year.
- Real disposable income, which is adjusted for inflation, decreased 0.1% month-over-month to $16.751 trillion, marking four consecutive months of decline, but is $566.5 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.

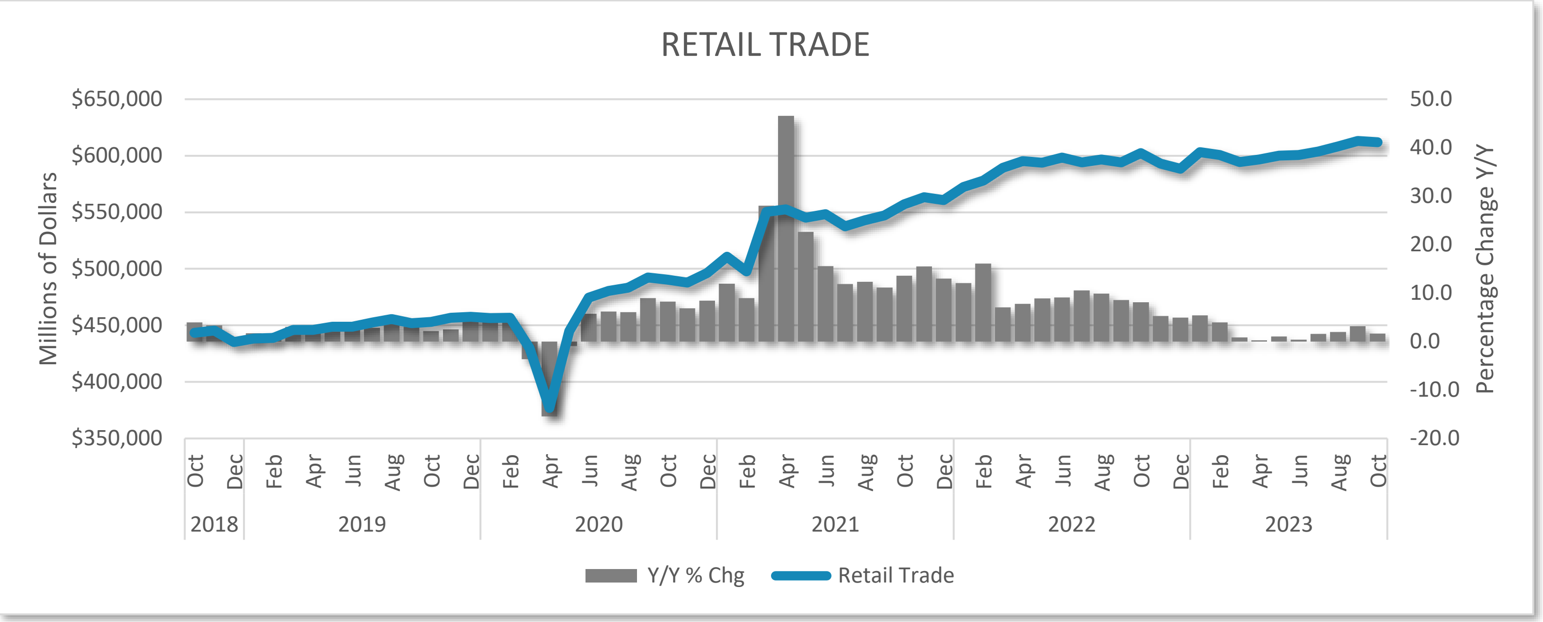
Why it matters: Both retail sales and CPI can help the owner-operator gauge the economic health of the country and thereby the freight market.

- 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: Retail trade declined month-over-month for the first time since March 2023, but is still up year-over-year.

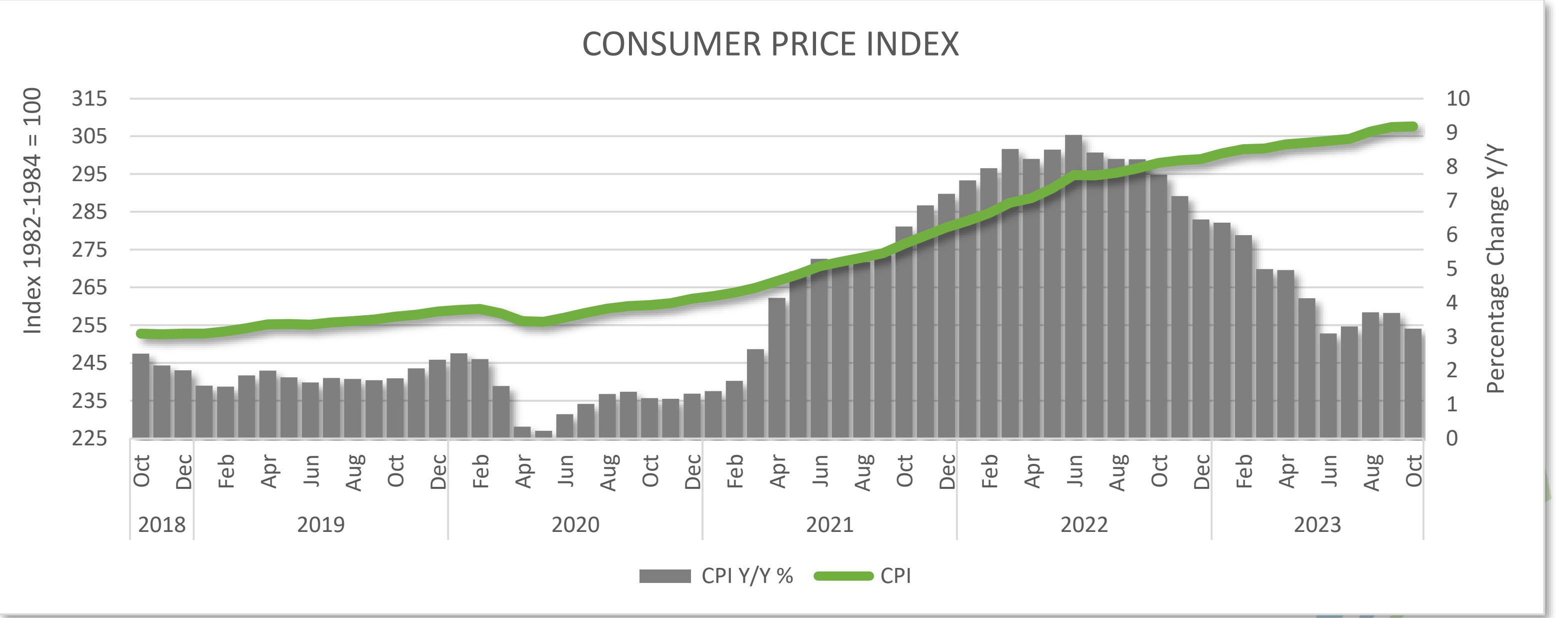
- Retail trade declined 0.2%, or $1.02 billion, month-over-month in October to $612.1 billion, and is 1.6%, or $9.7 billion, higher Y/Y.
- CPI increased slightly by 0.1 to 307.6, which is 3.2% higher than it was a year ago. Y/Y growth is starting to drop again as we inch closer to the FED's target rate.

Core CPI, which excludes food and energy, declined 2.7% month-over-month to 4.0%. The services CPI remains stubbornly high at around 5.5%, while the energy CPI dropped significantly to 4.5%.



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

Note: E-commerce sales are included in the total monthly estimates



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

Consumer and Labor: Real 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.

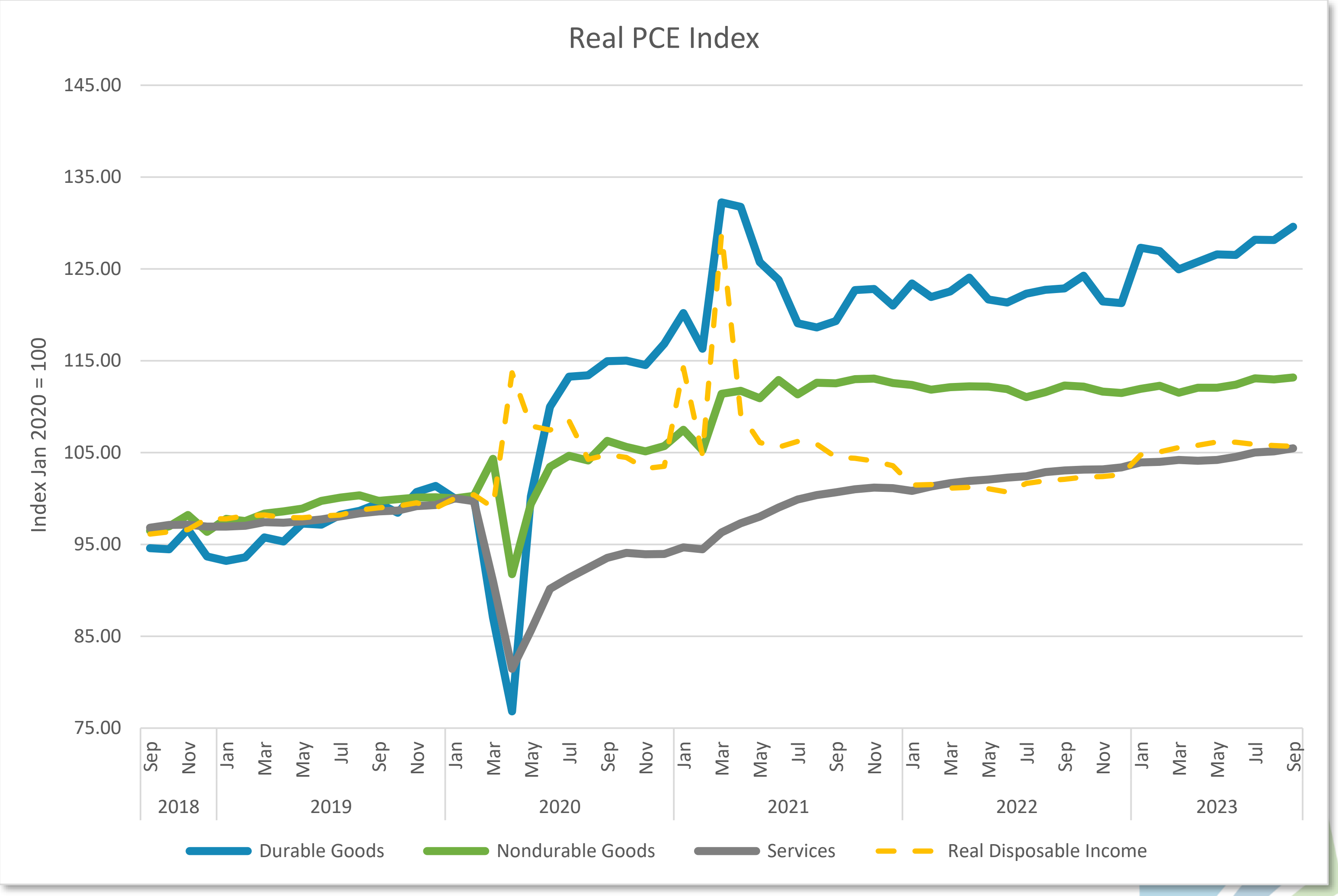
- The PCE measures a broad spectrum of consumer spending for a period of time.

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: All three elements of the PCE, durable goods, non-durable goods, and services, rose in September.

- Consumer spending for durable goods increased 1.1% to $2.07 trillion, and is 5.5%, or $107.4 billion, higher year-over-year and 14.6%, or $264.1 billion, above the 5-year trend.
- Spending for non-durable goods grew 0.2% to $3.36 trillion, which is 0.8% higher Y/Y and 6.2%, or $197.3 billion, above the 5-year trend.
- Spending on services rose 0.3% to $10.14 trillion.



Source: FRED| https://fred.stlouisfed.org/graph/?graph_id=1210974&rn=488 | Monthly

Manufacturing:
Industrial Production

The big picture: The Federal Reserve Board's Industrial Production (IP) index measures the real output of various manufacturing industries.

Why it matters: Manufacturing makes up approximately 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

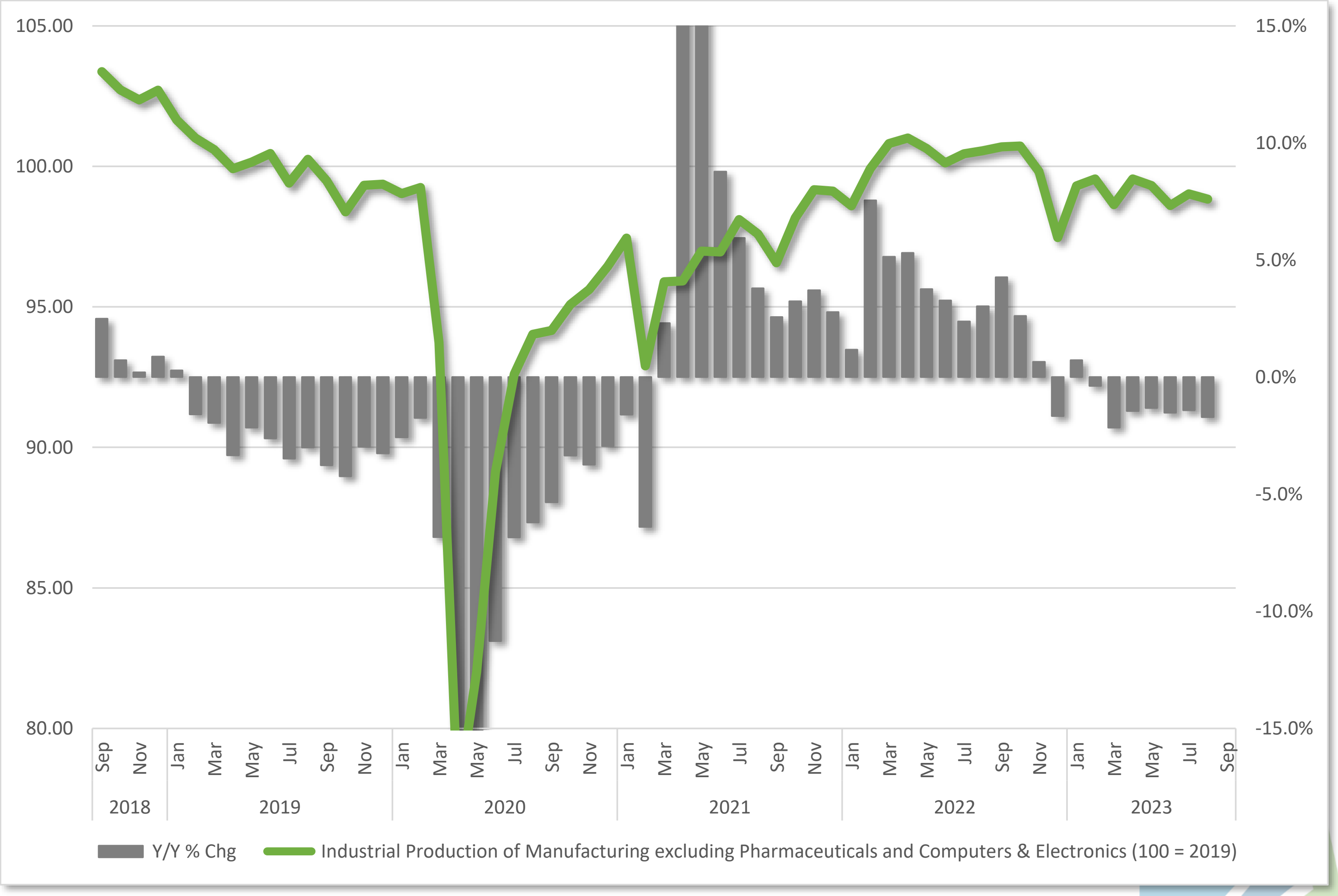
This is especially true when removing pharmaceuticals (NAICS 3254) and computer and electronic products (NAICS 334), as these sectors have an outsized influence on the overall manufacturing index.

- Historically, decreases in manufacturing activity have corresponded with either the start, or worsening, of a freight recession in the trucking sector.
- These cycles often take years to correct themselves.

Our thoughts: Manufacturing activity excluding pharmaceuticals and computer and electronics decreased month-over-month in September and continues to be down year-over-year.

- Manufacturing activity decreased 0.19% to 98.84, and is down 1.9% year-over-year.
- Activity is 1.2% below 2019 levels, and has been down over the past three quarters.

According to Professor Jason Miller, two consecutive quarters of declining seasonally adjusted manufacturing activity represents a manufacturing recession.



Source: Federal Reserve Board | https://www.federalreserve.gov/releases/g17/Current/ | 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.

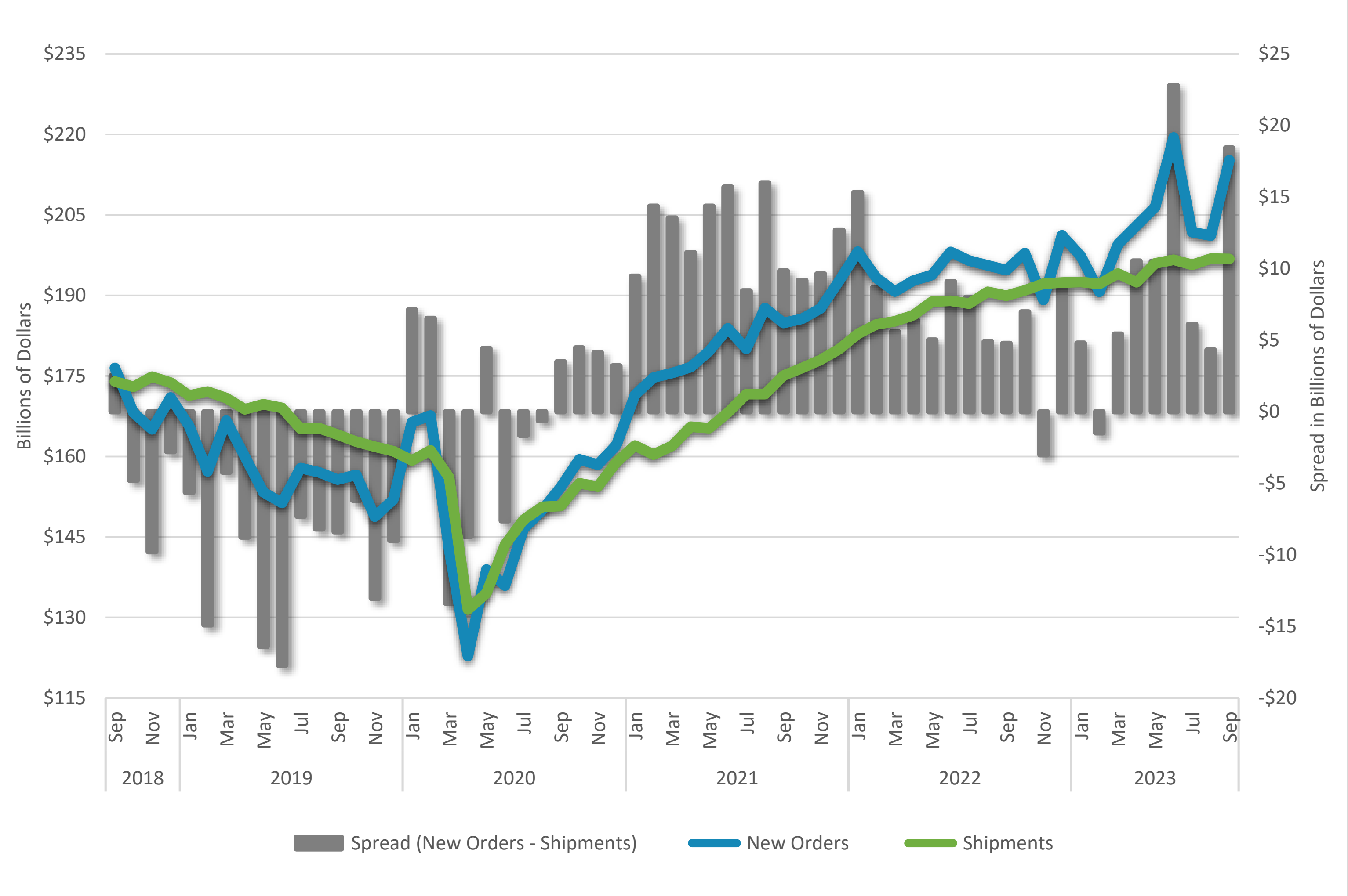
Why it matters: When unfilled new orders outperform shipments for unfilled orders, backlogs increase and we see growth in manufacturing activity. The reverse is also true.

- 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 August for the seventh straight month. While we typically see a fall in new orders for make-to-order products during manufacturing downturns, this still hasn't happened.

- New orders jumped 7% to $215.2 billion in September, and are 10.5%, or $20.5 billion, higher year-over-year.
- Shipments decreased by 0.03% to $196.7 billion.

The spread between new orders and shipments expanded significantly from $4.3 billion to $18.4 billion, representing a 326.4% increase, which is a good sign for future freight demand.



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

Manufacturing: ISM Manufacturing PMI

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

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

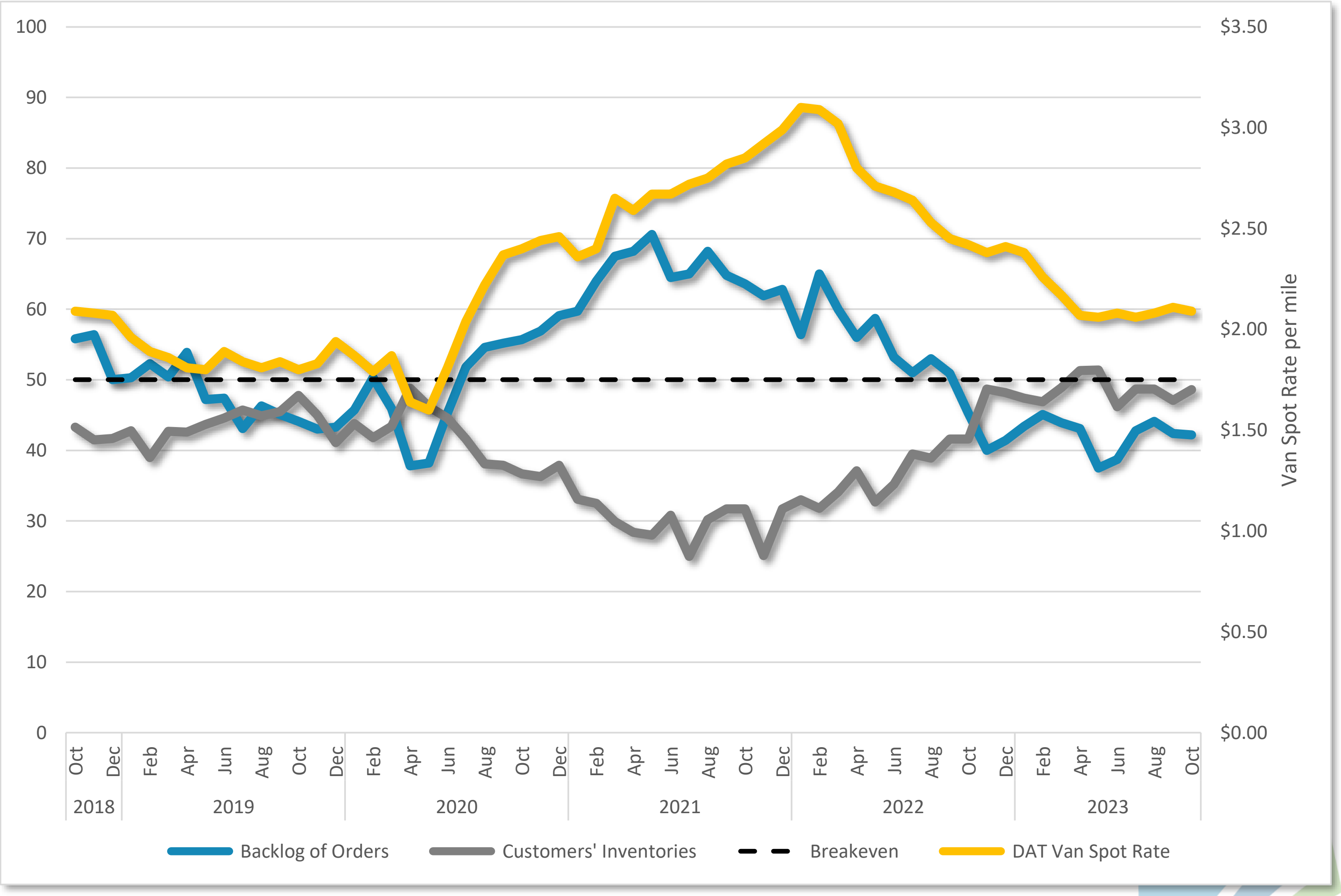
Why it matters: The ISM Manufacturing PMI is a reliable economic indicator and provides a sense of direction for the trucking market as shown in the chart.

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

Our thoughts: Backlogs ticked downward again in October, marking three consecutive months of increases.

- Backlogs decreased 0.5% month-over-month to 42.2, which has been in contraction territory for thirteen straight months. Backlogs are 6.8% lower year-over-year.
- Customers' inventories increased 3.2% to 48.6. They are 16.8% higher year-over-year.

The bottom line: According to ISM, the U.S. manufacturing sector shrank again, but at a faster pace in October. Demand remains soft, but production execution is stable compared to September as panelists' companies continue to manage outputs, material inputs, and labor costs.



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 increased again in this sector, creating a sharp U-shaped curve, which is a headwind for freight demand.

- The inventories-to-sales ratio increased 2.5% month-over-month in September to 2.92.
- The ratio is 17.7% higher year-over-year.

One respondent to ISM's survey in this sector wrote, "Seeing a slowdown on bookings, and our backlog is down to five days from 15 weeks earlier this year."

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

Ocean: Exports and Imports

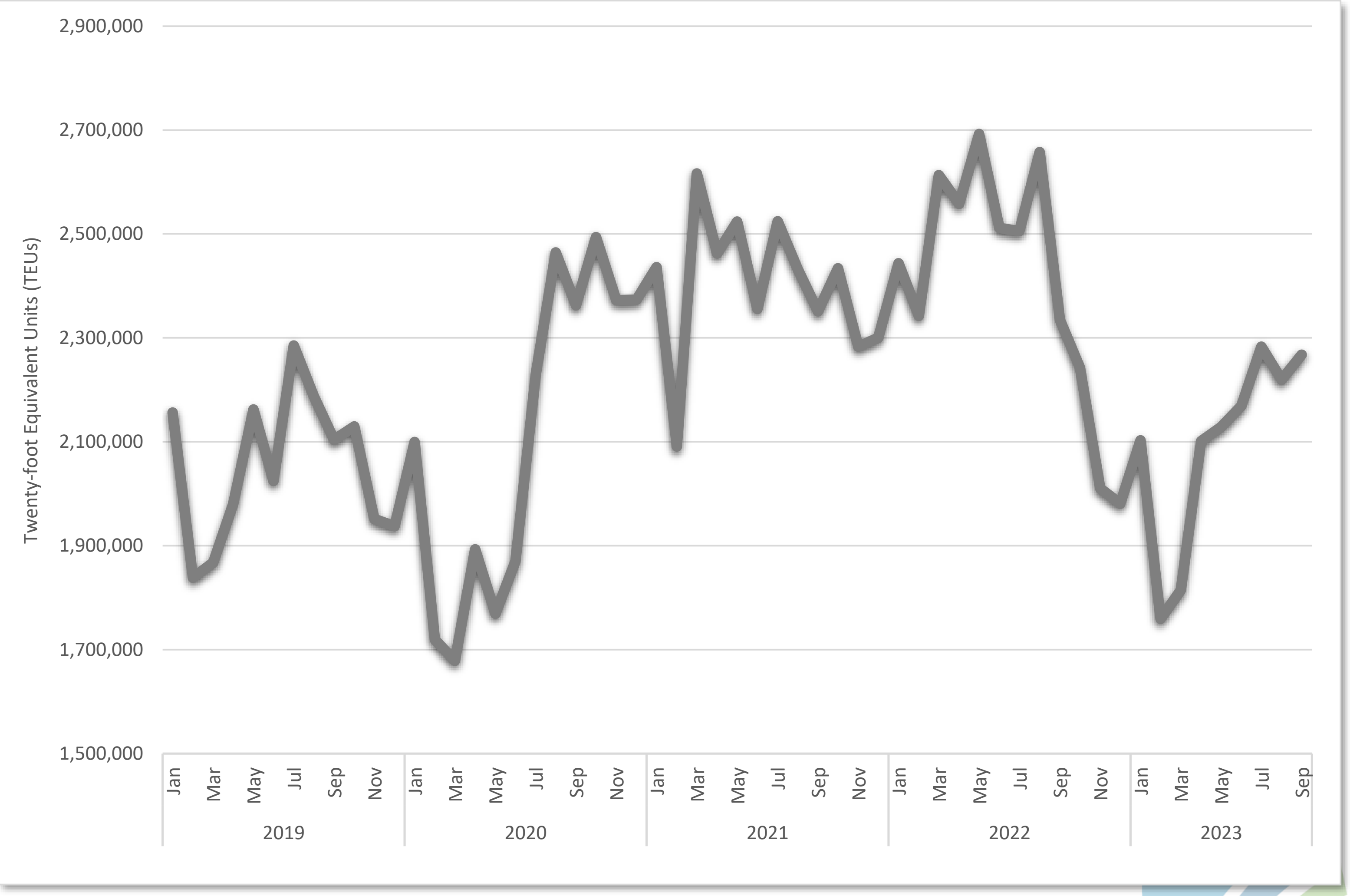
The big picture: It's common today to see products from all over the world in local stores as we truly live in a global economy.

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: Though imports are down year-over-year, they are actually quite healthy as they are in harmony with the pre-COVID "normal".

- Imports increased 2.2%, or 48,087 TEUs, month-over-month in September to 2.267 million TEUs, but are 1.4% lower year-over-year.
- Exports decreased 1.5%, or 13,593 TEUs, month-over-month in August, but are 5.7% higher than last year.
- Imports are 54.1% higher year-over-year than exports and 81.7% above the 5-year trend.



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

Rail: Rail Carloads and Intermodal

The big picture: Railroads are a very cost-effective and fuel-efficient way to move freight.

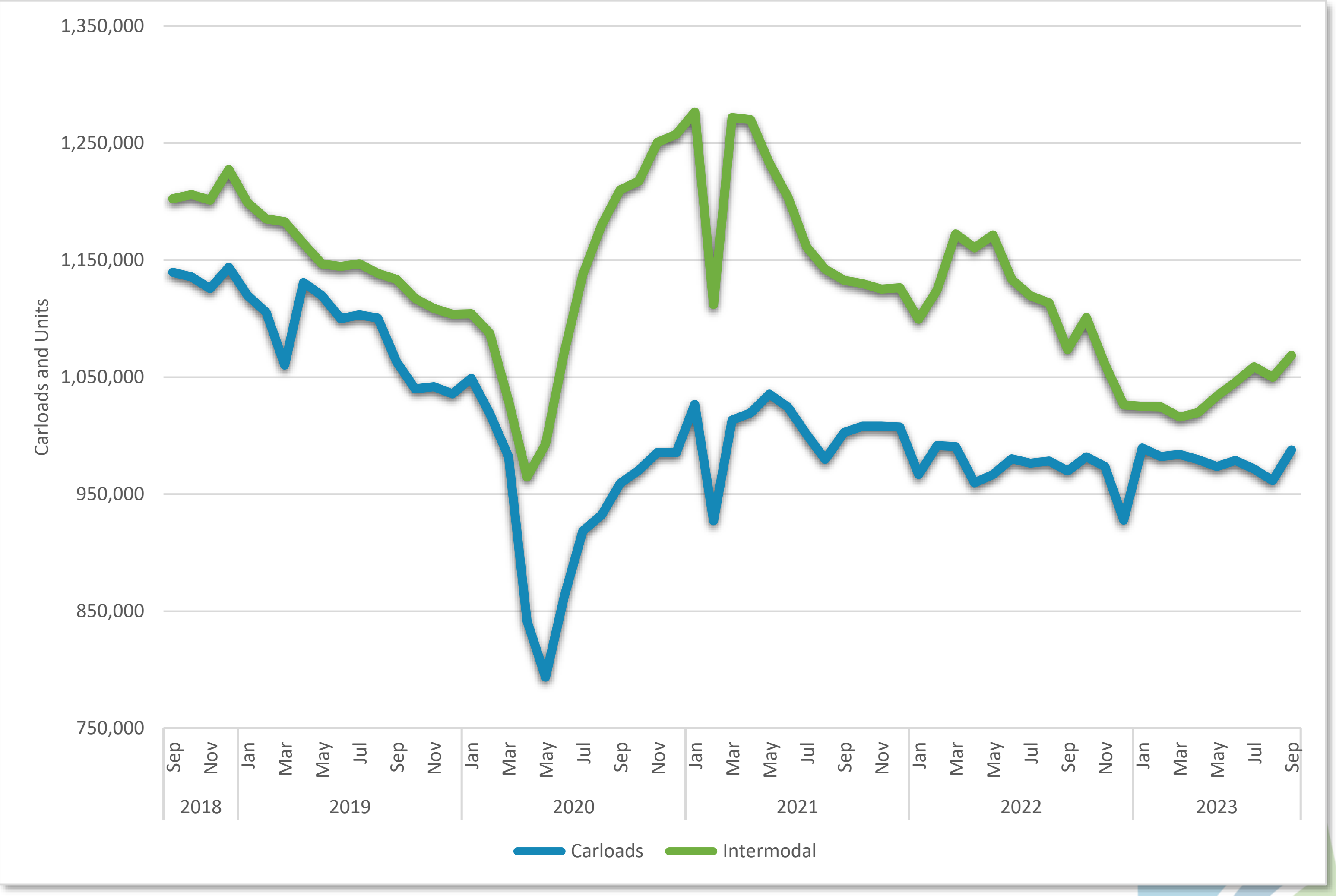
- While the rail and truck industries often compete with each other, they also work hand in hand.

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 increased 2.7% month-over-month to 987,700, and are up 1.0%, or 9,457 carloads, year-over-year.
- Intermodal increased 1.8% to 1.068 million, and is down 4.0%, or 44,921 loads, year-over-year.
- Both carloads and intermodal are below their 5-year trend line by 1.9% and 5.6% respectively. However, we are far from 2018 levels.



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

Market Summary

Spot Market Cycle Indicator (SMCI)

The big picture: Data available through DAT has effectively identified the previous three market cycles, as demonstrated by Eric W. and Jason Miller. They call it the Spot Market Cycle Indicator, or SMCI.

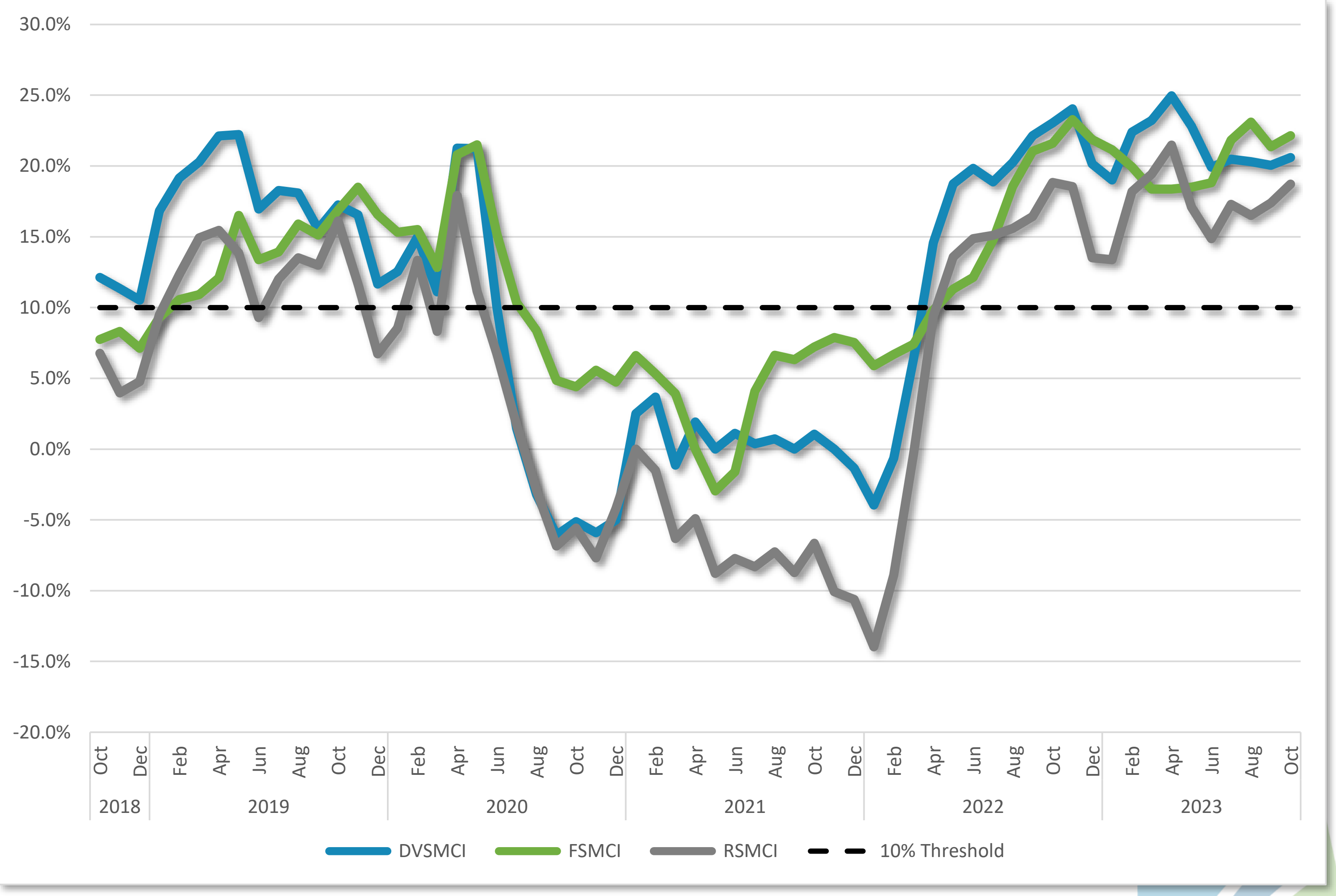
Why it matters: Whenever the SMCI for dry van (DVSMCI), flatbed (FSMCI), or reefer (RSMCI) crosses above the 10% threshold, the spot market enters into bear territory.

- The market crossed that threshold in July 2015, August 2018, and April 2022, which corresponds to commonly accepted periods of downcycles.
- The opposite is also true, the market entered bull territory in May 2013, October 2017, and July 2020.

Our thoughts: There are no signs yet that the freight market is about to turn upward again. In fact, it appears that the industry will continue in it's current trough until at least 2024.

- The DVSMCI increased 2.8% month-over-month (M/M) and is 7.0% higher year-over-year (Y/Y).
- The FSMCI increased 3.7% M/M and is 5.2% higher Y/Y.
- The RSMCI increased 7.6% M/M and is 13.9% higher Y/Y.

Owner-operators should plan for the market to remain soft until we start to approach the 10% threshold. Though all three of the SMCI's increased, it appears that the growth has slowed, which could be a positive sign.



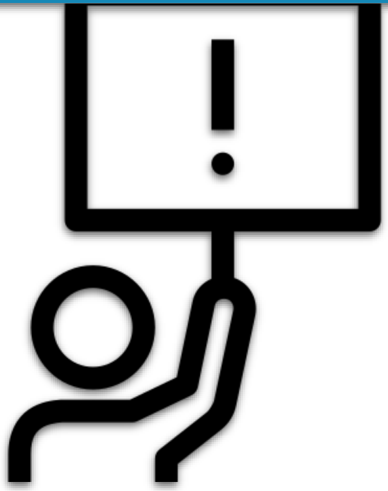
Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

SMCI = (Contract – Spot) / ((Contract + Spot)/2)

Volume

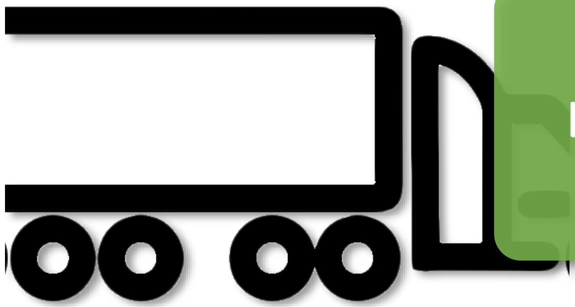
Soft

Demand



Soft

Capacity



Loose

Rates

Flat

Operating Costs

High

Future Outlook

Negative

OOIDA Foundation

RESEARCH • SAFETY • EDUCATION

OOIDA

Owner-Operator Independent Drivers Association Foundation, Inc.

A subsidiary of Owner-Operator Independent Drivers Association, Inc.

1 NW OOIDA Drive | PO Box 1000 | Grain Valley, MO 64029 | Tel: (816) 229-5791

E-mail: FoundationDept@ooida.com | Website: www.ooida.com/foundation