Van Market Outlook

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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

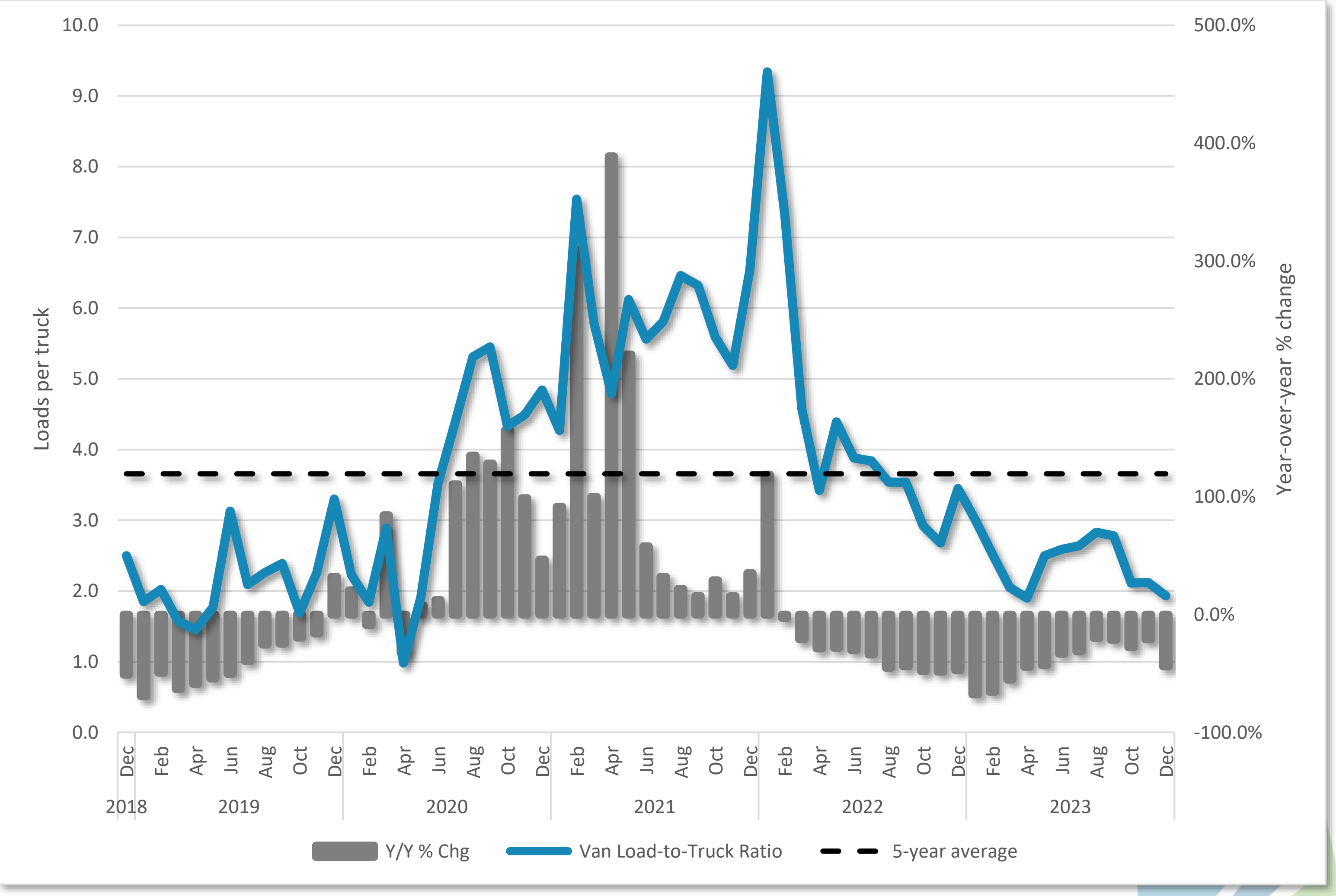
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: The Van Load-to-Truck ratio dropped in December. Demand typically picks up at this time of year, but this trend has yet to come to fruition. The ratio is sitting 10.2% below 2019 levels.

- The Van Load-to-Truck Ratio decreased 9.0% month-over-month to 1.93, after falling 8.5% last month.
- The ratio is 44.1% lower than last year and 47% lower than the 5-year trend.

Regionally speaking, ratios were more favorable for carriers operating in the Lower Mountain, Lower Midwest, and Upper Mountain regions, respectively, compared to other areas in the country.

- Unlike last month, 7 regions experienced decreases in demand. The greatest decline was in the Pacific Northwest where ratios rose 51.1%, from 6.51 to 3.18.



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

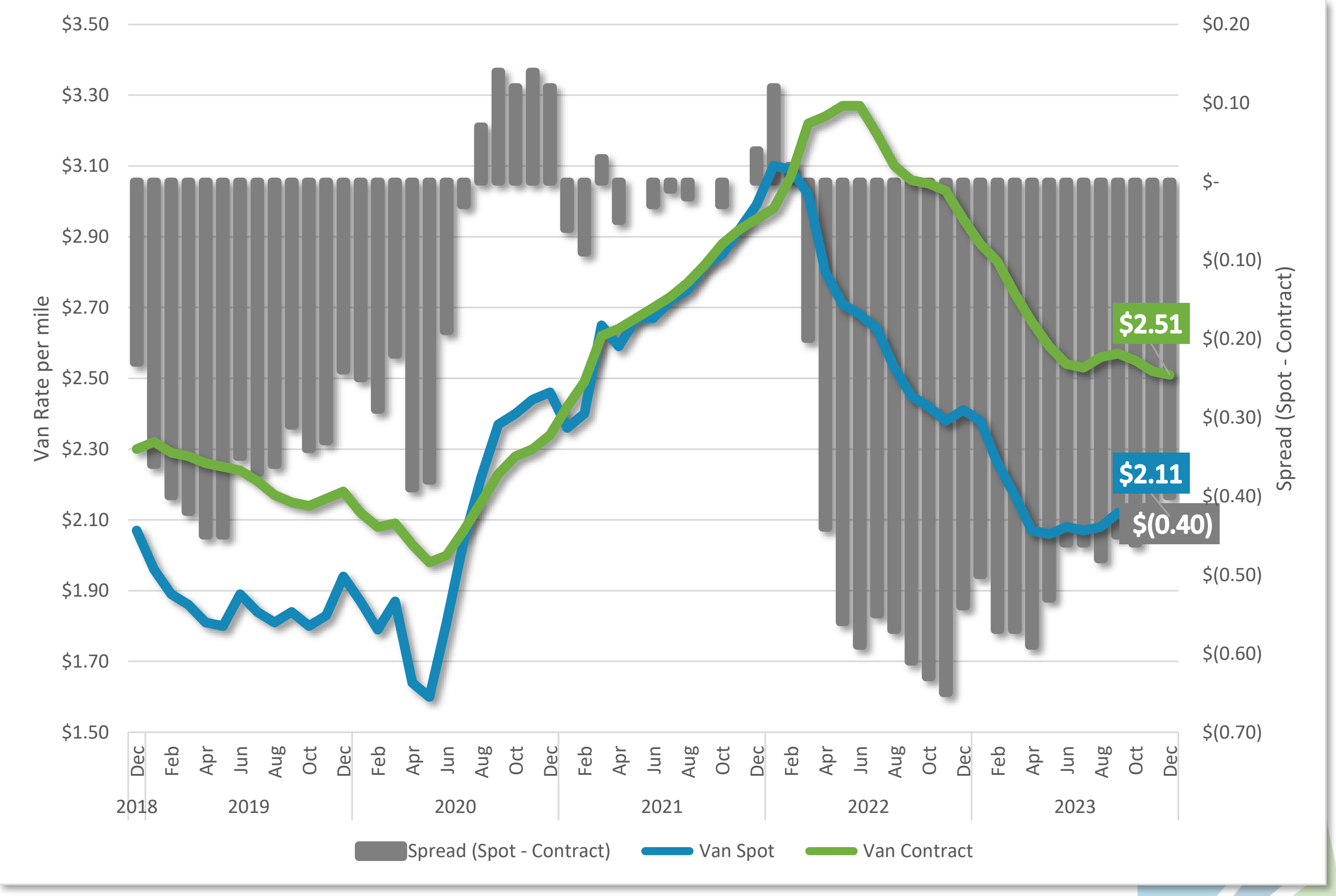
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates ticked up in December, though not as much as it usually does for this time of year.

- Spot rates for vans increased $0.03 per mile month-over-month to $2.11, ending two months of decreases, and are $0.30 per mile lower than last year.
- Contract rates decreased by $0.01 to $2.51 per mile, which means the spread between contract rates and spot rates dropped by $0.04 to $0.40, which is 25.9% better Y/Y when the spread was $0.54.
- Spot rates are 7.4% below the 5-year trend, while contract rates are 1.6% below.

DAT's ratecast model predicts spot rates excluding fuel will tick upward about $0.05 per mile heading into end February, mostly due to seasonality and winter storm Indigo.

- DAT's extended forecast has van spot rates excluding fuel ticking up about a penny per mile in January, before experiencing a steady decline before changing trajectory in June 2024, though still well below current rates.



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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.

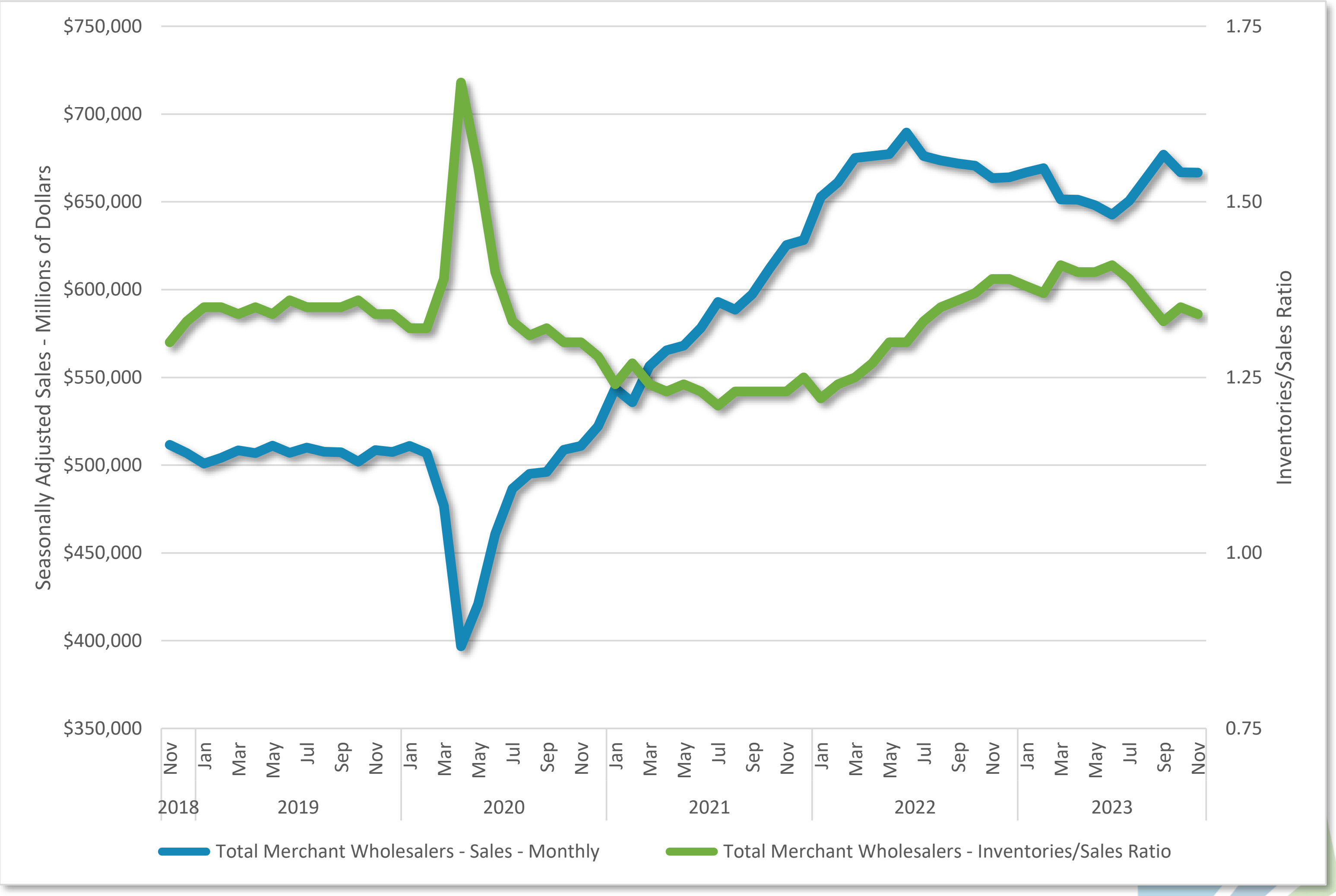
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 slightly, while monthly sales remained mostly flat in November. While the inventory-to-sales ratios continue to fall, demand has not increased, which is why the current freight downcycle is continuing even despite inventory rightsizing.

- Sales decreased $152 million to $667.6 billion, and are 0.5%, or $3.07 billion, lower year-over-year. This is the second Y/Y increase in 9 months.
- Ratios decreased 0.7% month-over-month to 1.34, and are 3.6% lower than last year, which is the third Y/Y decline in 19 months. Ratios are 0.9% 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

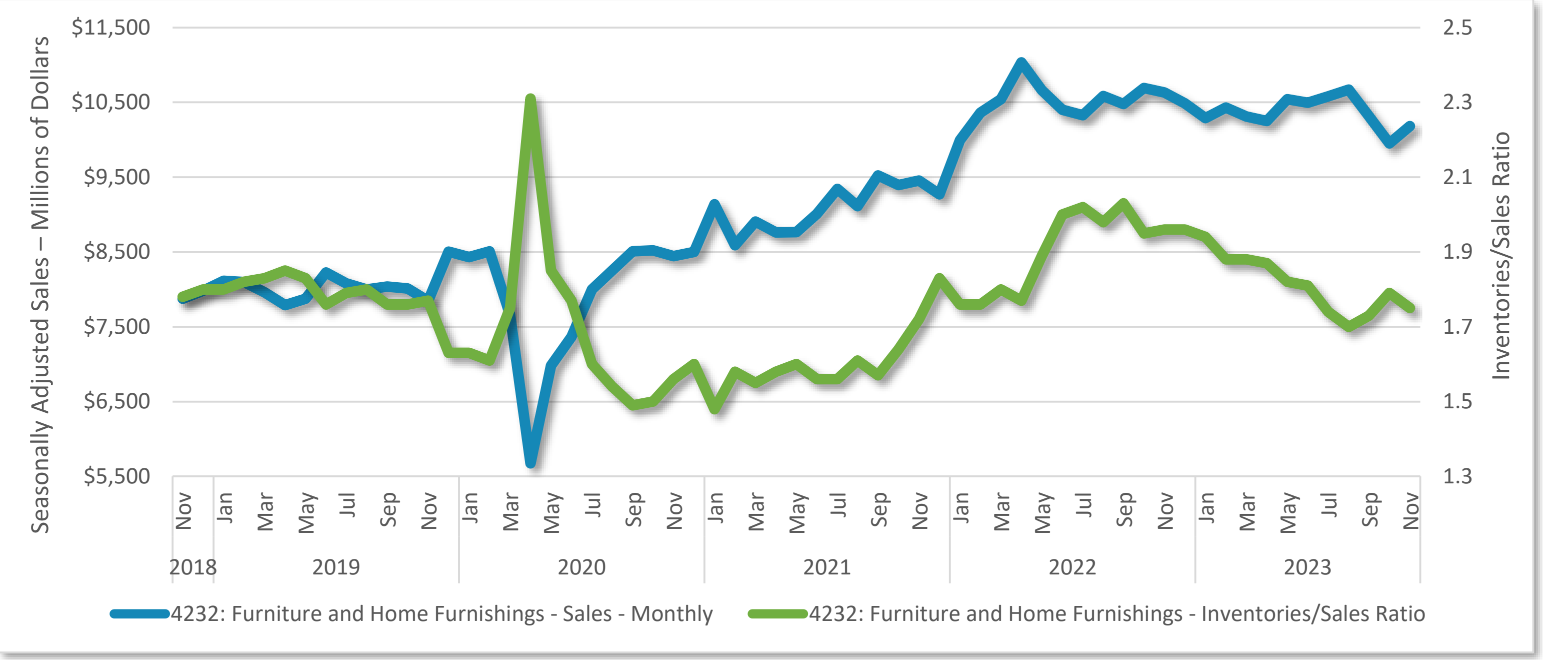
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

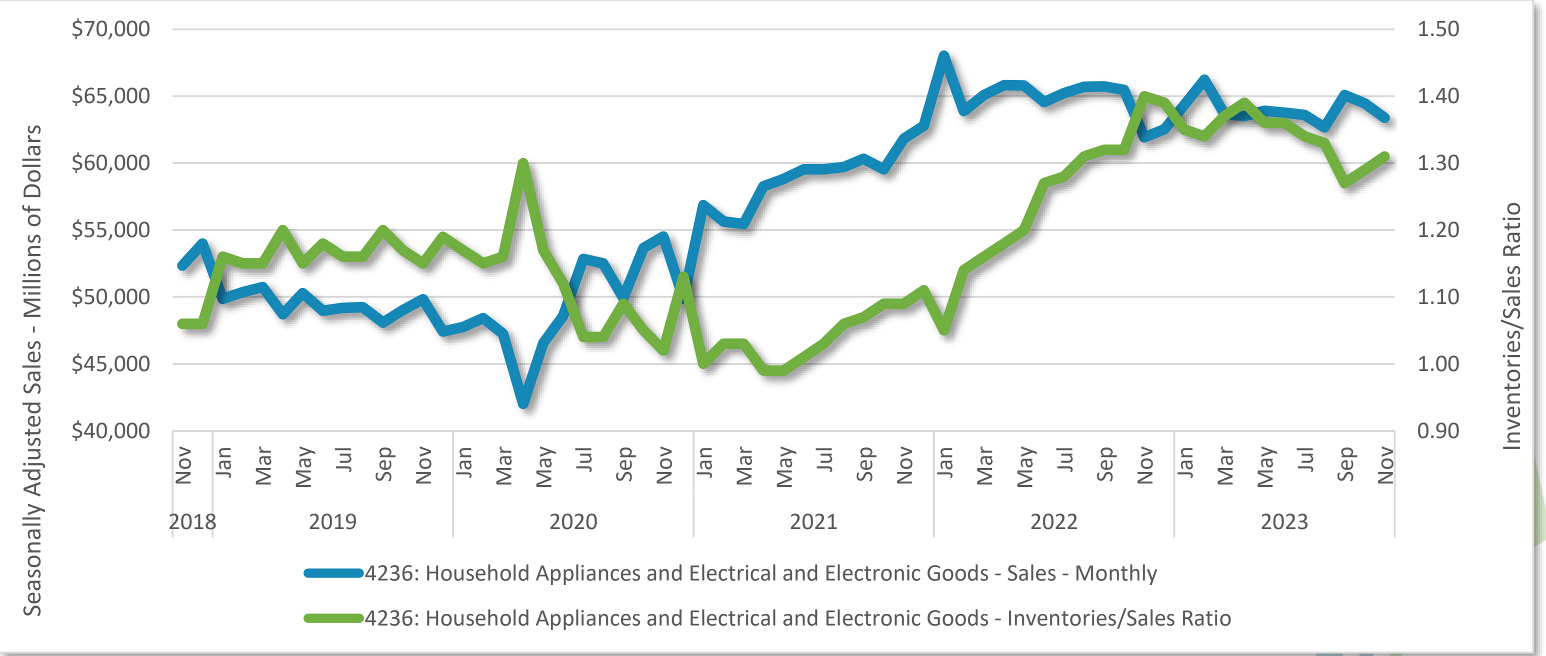
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Furniture and home furnishing wholesalers moved in the right direction as sales increased while ratios decreased, but the opposite occurred for household appliances.

- Furniture Sales increased 2.3% to $10.2 billion after decreasing 3.5% in the previous month, while ratios dropped 2.3% to 1.70.
- Compared to last year, sales decreased $447 million, or 4.2%, and ratios have decreased 11%.
- Household appliances sales decreased 1.7% to $63.4 billion, and ratios increased 1.6% to 1.31.
- Sales are $1.4 billion higher than last year, and ratios are 6.4% lower, the third Y/Y decline in 22-months.

Although inventory levels are lower now than at the start of 2023 (10.1% for furniture and 3% for household appliances), increased demand has yet to materialize for both of these industries. Without an uptick in demand, the freight cycle will remain in it’s current trough.





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:

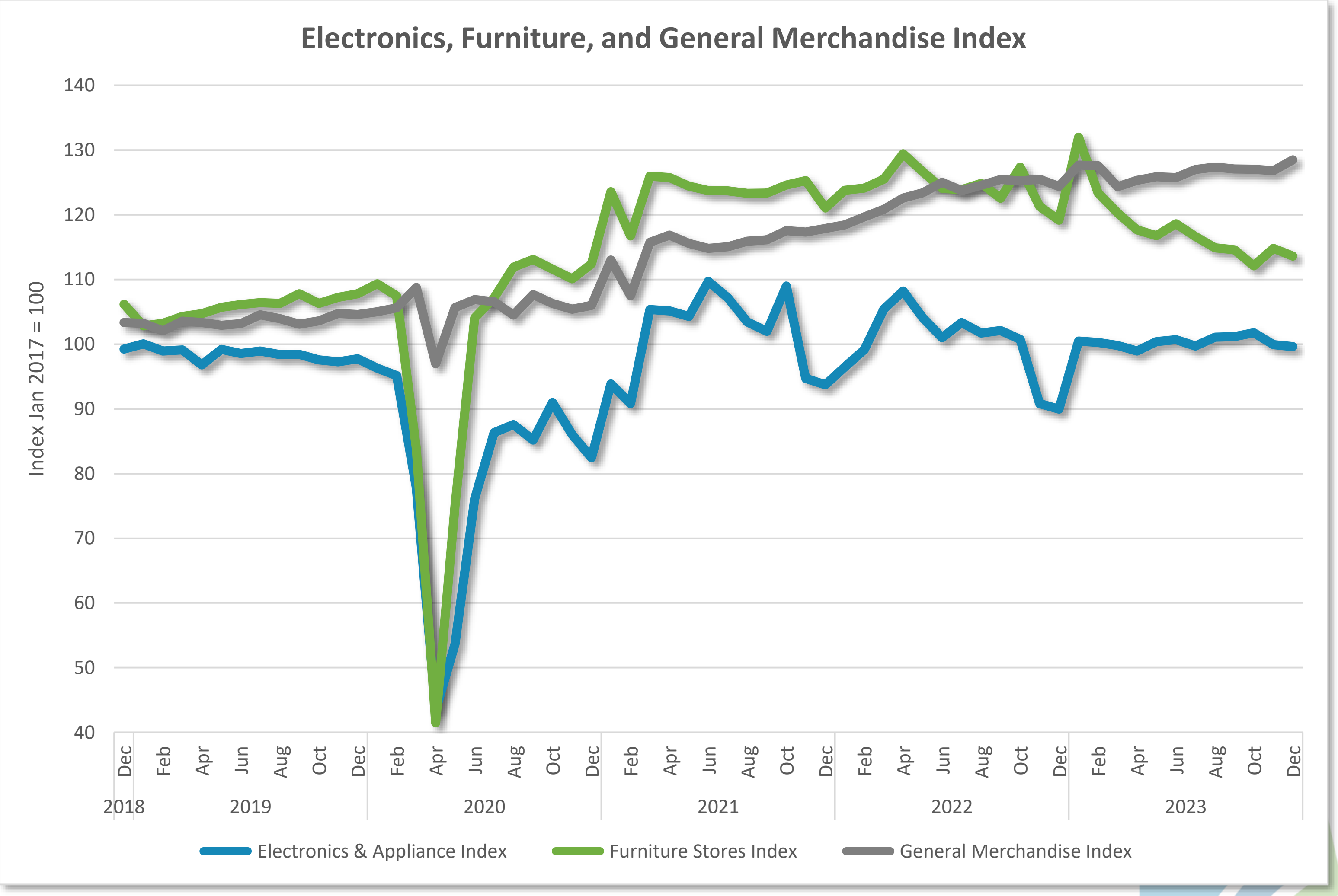
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

Why it matters: Retail sales can 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 GMS. After flattening over the past couple months, GMS is again moving up and to the right.

- EAS decreased 0.3%, or $23 million, month-over-month to $7.68 billion, marking five months out of nine for decreases. EAS is 10.7%, or $744 million, higher year-over-year due to a steep drop off in December 2022.
- FS decreased 1.0% M/M to $10.78 billion, and is 4.7%, or $530 million, lower Y/Y.
- GMS increased 1.3% M/M, or $969 million, to $74.03 billion, and is up 3.3%, or $2.4 billion, Y/Y.



Source: FRED | https://fred.stlouisfed.org/series/RSEAS | https://fred.stlouisfed.org/series/RSFHFS | https://fred.stlouisfed.org/series/RSGMS | Monthly