



Flatbed 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 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

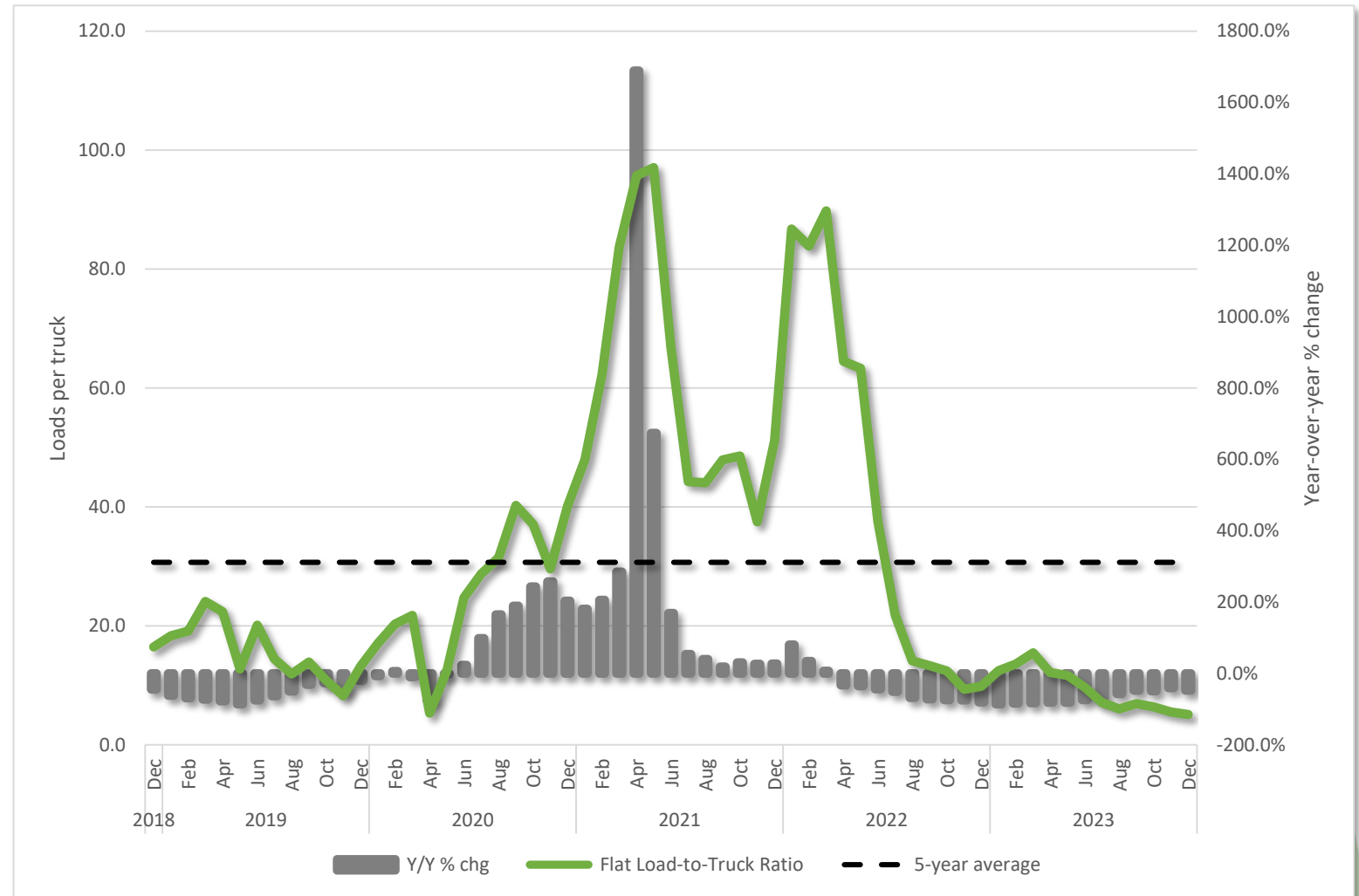
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: Load posts are still significantly lower than what they were in 2019. The ratio is 67.5% below 2019 levels.

- The Flatbed Load-to-Truck Ratio decreased 7.1% month-over-month in December to 5.13, after decreasing 19.3% last month.
- The ratio has declined 47.9% since last year when there were 9.85 loads for every truck. The ratio has declined year-over-year for 21 consecutive months.
- The ratio is 83.2% below the 5-year trend.

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

- Six out of 16 regions experienced an decrease 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

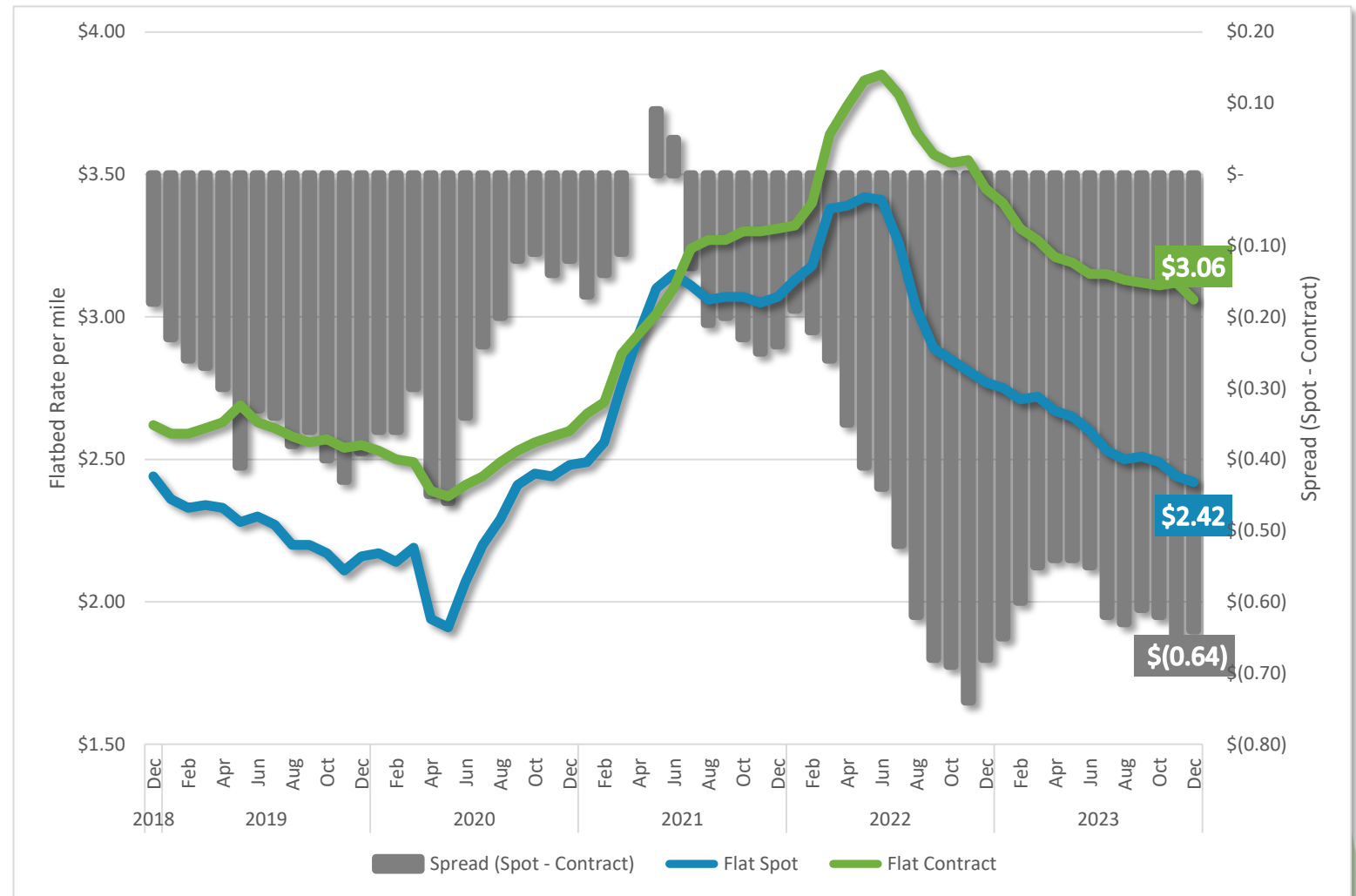
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates ticked down in December, after declining 2.0% last month.

- The spot market decreased \$0.02, or 0.8%, to \$2.42 per mile month-over-month, and is \$0.35 lower year-over-year when it was \$2.77.
- The contract market decreased \$0.06 to \$3.06 per mile, which is \$0.39 lower than last year.
- The spread between contract and spot declined \$0.04 to \$0.64, which is 5.9% better than a year ago.

DAT's ratecast predicts that spot rates excluding fuel will remain flat as we head into February, and then tick upward a penny or two as we get closer to the end of February.

- DAT's extended forecast predicts that flatbed spot rates excluding fuel will stay flat in January and then steadily increase to \$2.11 until July 2024.



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.

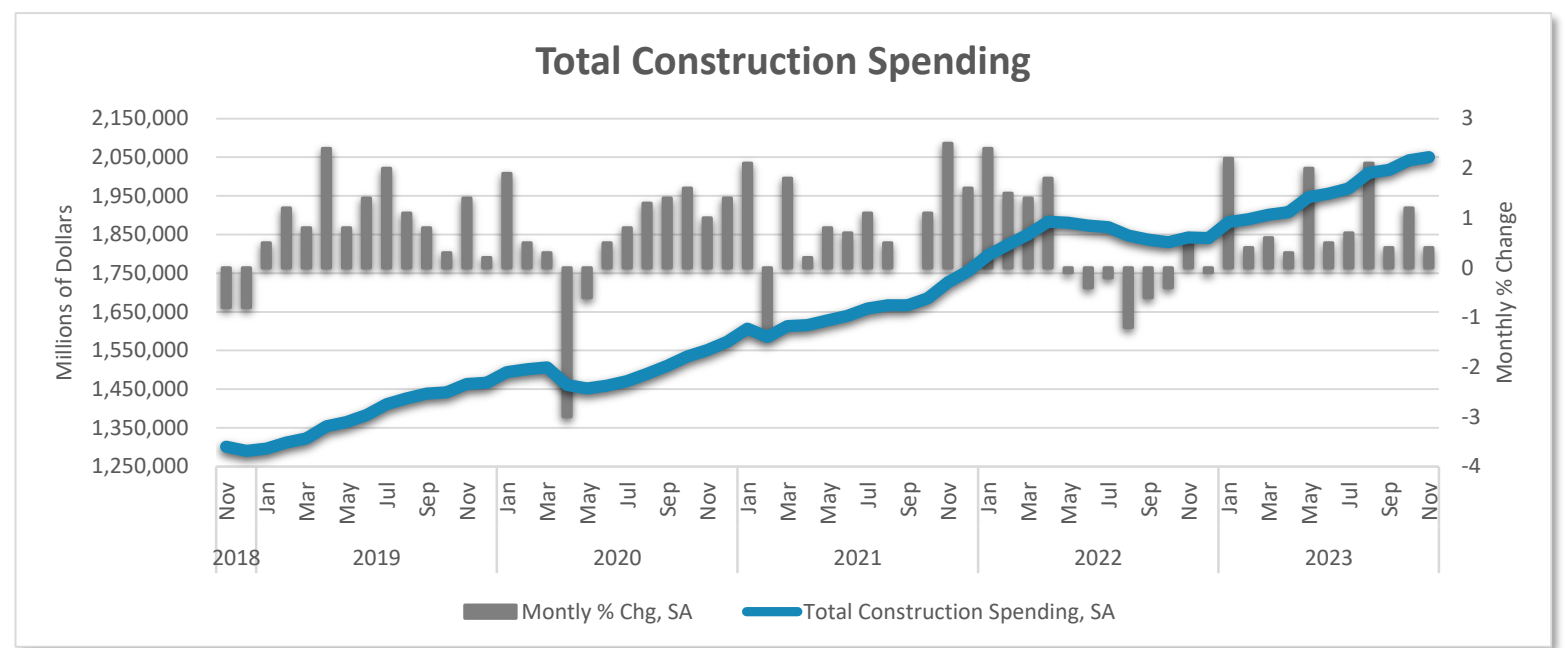
Why it matters: Construction spending helps boost the economy, especially spending that is dedicated to building roads and bridges.

- 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.

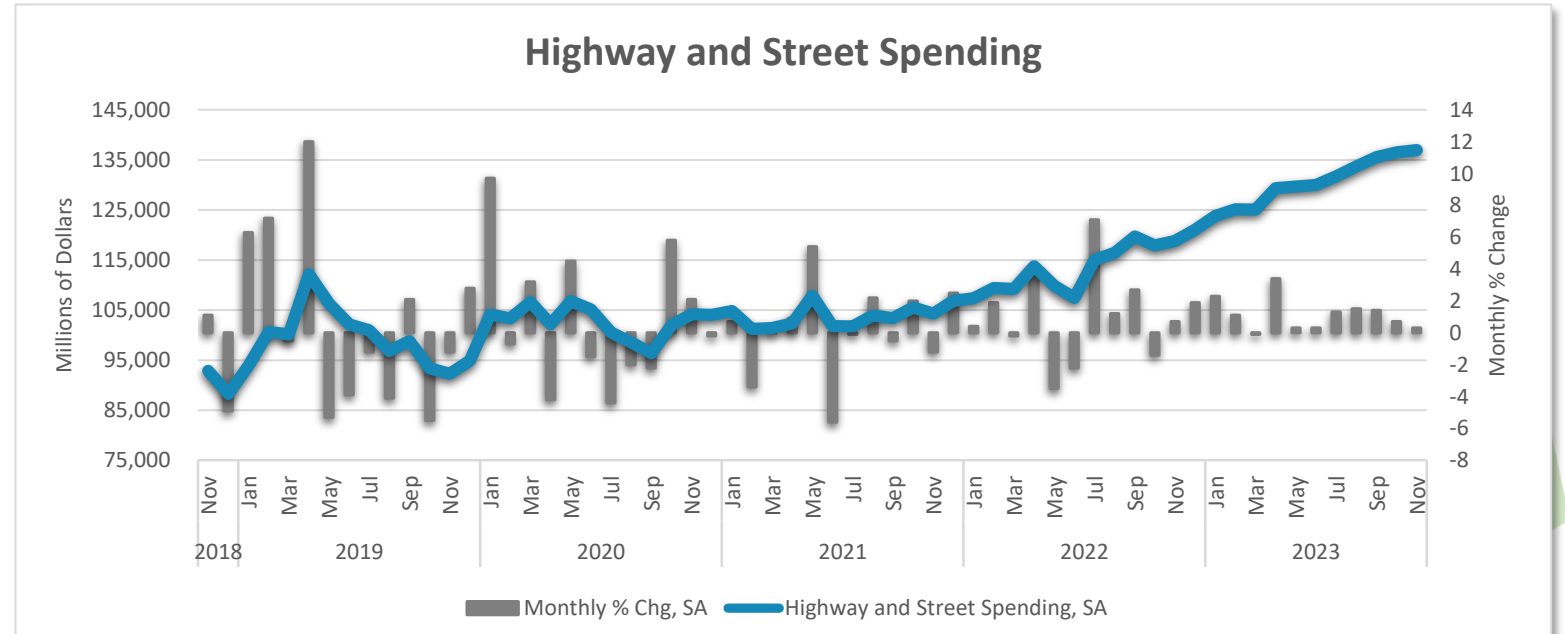
Our thoughts: Total construction spending (TCS) and highways and streets (HSS) spending increased month-over-month in November, while non-residential spending (NRS) decreased.

- TCS increased by 0.4%, or \$7.54 billion, to \$2.05 trillion, which is \$207.9 billion, or 11.3%, higher year-over year, and 24% above the 5-year trend.
- HSS increased 0.3% to \$136.97 billion after being adjusted upward in October, and is up 15.3%, or \$18.2 billion, year-over-year.

While construction spending in general remains incredibly elevated over 2019 levels, flatbed demand is still falling. The elevated spending in construction is likely due to inflation, as well as the higher costs associated with building high tech manufacturing, such as for electric vehicle batteries and semiconductors.



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:

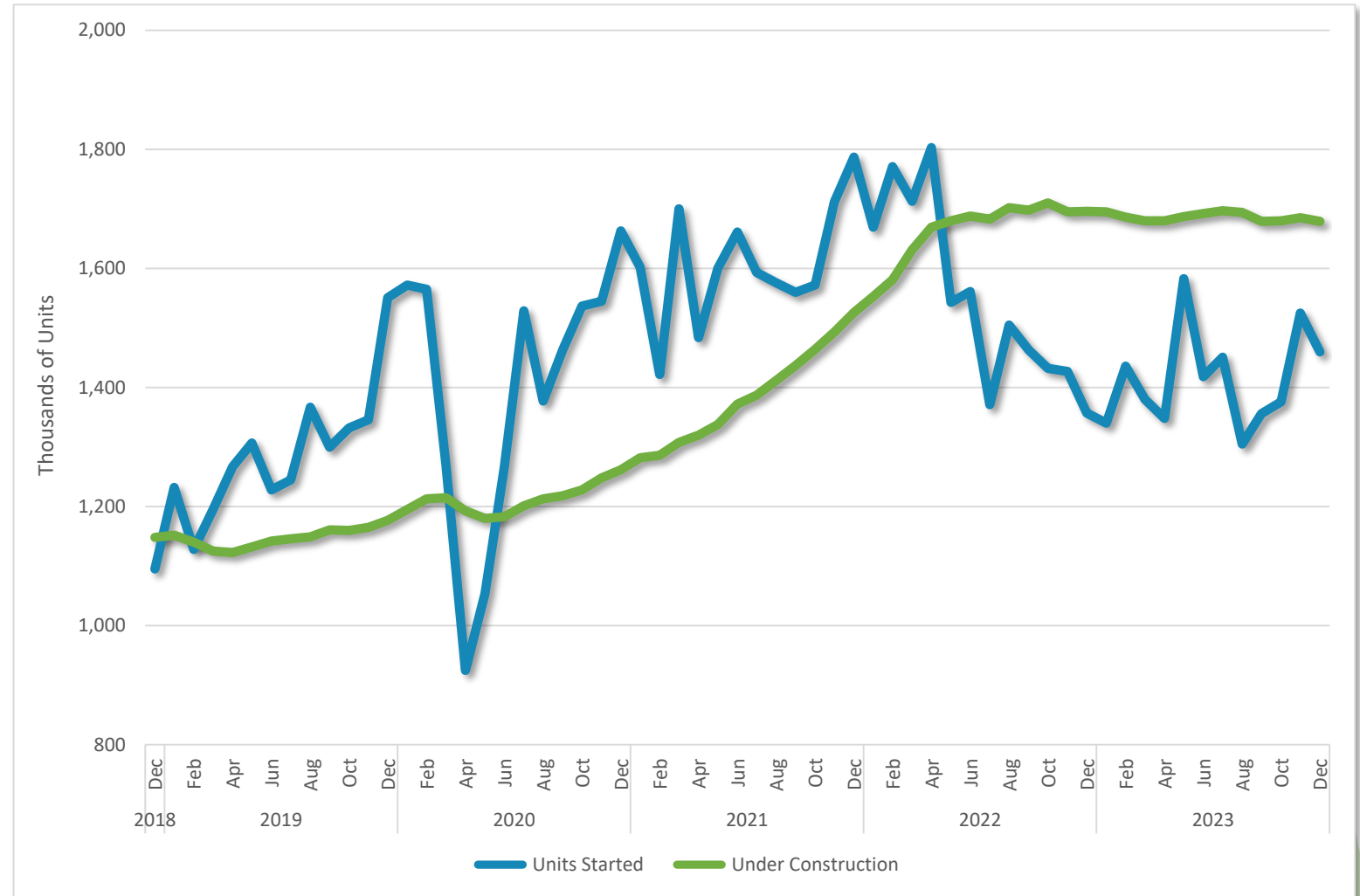
- Housing starts, and
- Housing under construction.

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 declined in December following a 10.8% rise in November after adjustments. Housing continues to perform well even despite the higher interest rates. The Fed has indicated rate cuts in 2024, which could spur more housing activity and thereby freight. However, this will likely take a couple quarters to unfold, if it does at all.

- New starts decreased 4.3%, or 65,000 houses, month-over-month to 1.46 million, but are up 7.6%, or 103,000 homes year-over-year (Y/Y).
- Houses under construction ticked downward 0.4% to 1.679 million, and are 1% lower Y/Y.
- Completed houses increased 8.7% month-over-month and are up 13.2%, or 184,000 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).

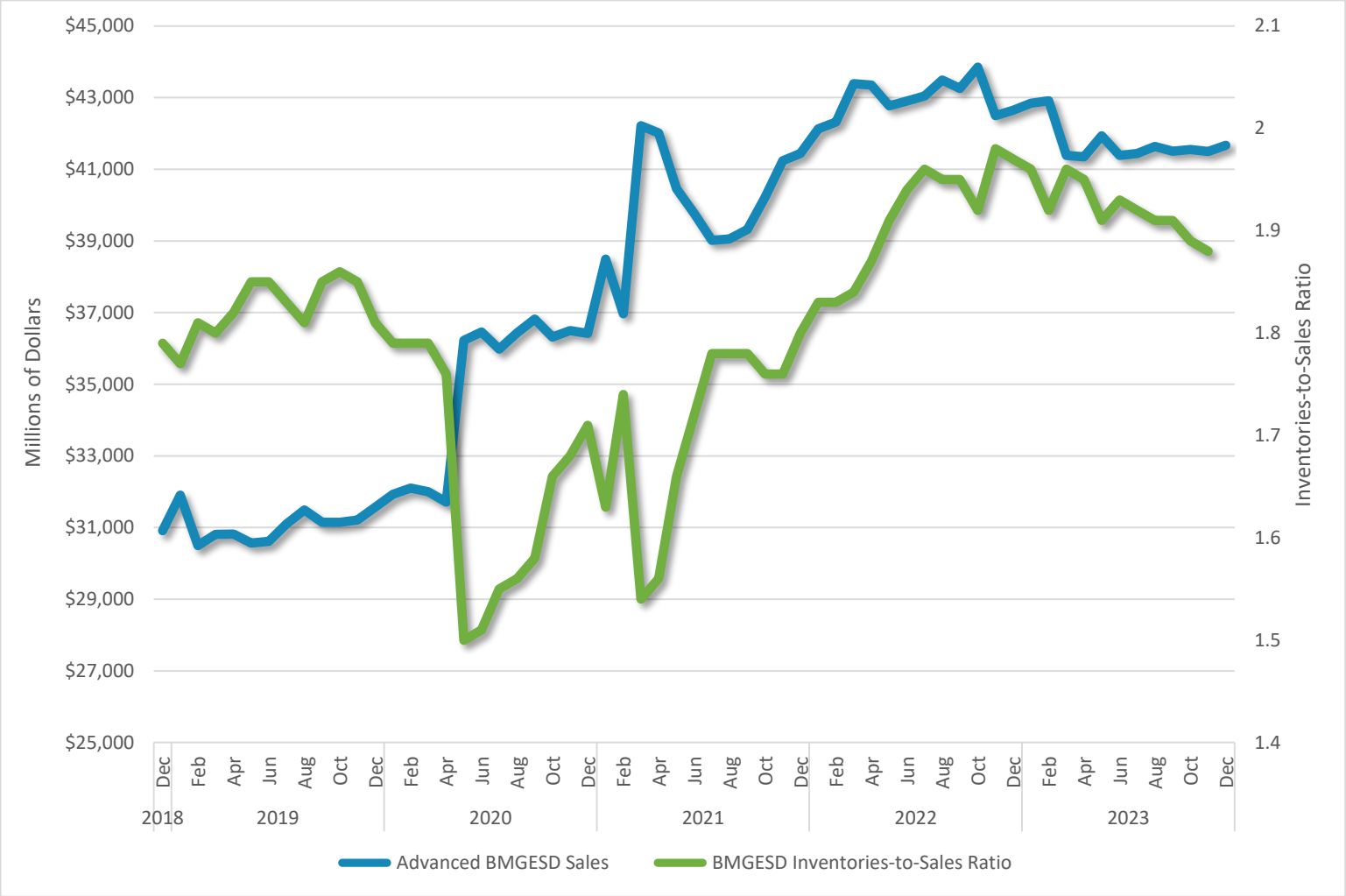
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales increased slightly in December after declining in November following adjustments, and inventories declined again in November as retailers continue to right-size their inventories.

- The BMGESD retail sales increased 0.4% month-over-month to \$41.66 billion, and are 2.3%, or \$979 million, lower year-over-year.
- Sales are \$3.64 billion higher than the 5-year average.
- Inventories-to-sales ratios declined 0.5% to 1.88 in November, and are 4.6% lower year-over-year.

Although retailers are continuing to succeed in rightsizing their inventory levels, we still need to see an increase in demand before we experience any meaningful change in freight rates.



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