



# Trucking Market Update

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**OOFI designed** this update to help the owner-operator gain insight into the current conditions of today's freight market. To do so, we will look at four key categories:

- 1. Volume** levels help us to see how much freight needs to be moved overall.
- 2. Supply/Demand** shows us how many trucks there are in the market and how many are needed.
- 3. Rates** illustrate how much the average owner-operator can expect to currently earn.
- 4. Operating Costs** depict the every-day expenses for the average owner-operator.

**The bottom line:** OOFI will breakdown each category and explain how they pertain to you as a small business owner.



# Volume: Transportation Service Index (TSI)

**The big picture:** TSI measures the volume of freight moved monthly by the *for-hire transportation sector* in the United States.

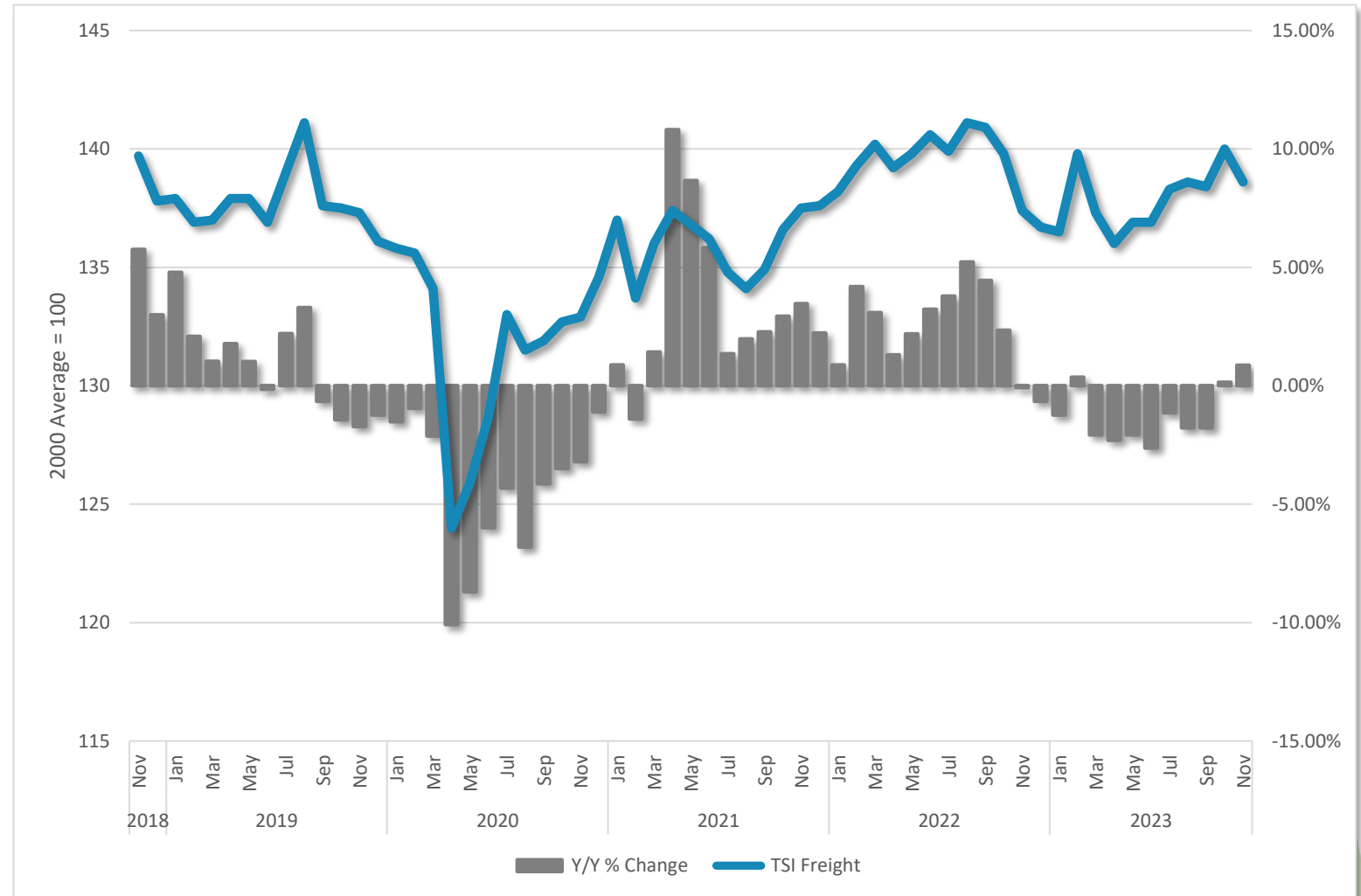
**Why it matters:** Changes in the TSI reflect changes in the demand for goods and services.

- For example, demand for freight typically increases in periods of economic expansion.
- The TSI captures this demand for transportation by increasing as well.

**Our thoughts:** Freight volumes decreased in November due to seasonally adjusted decreases in air, pipeline, and trucking, while intermodal, rail, and water were up.

- The TSI decreased 1.0% month-over-month to 138.6, and is 0.9% higher than a year ago, ending 8 straight months of year-over-year declines.
- November was 1.8% below the all-time high of 141.1 in August 2022.

November's decrease came in the context of increases for other indicators. The Industrial Production Index was up 0.2%, reflecting increases in manufacturing and mining, while utilities decreased. Housing starts were up 14.8%, and personal income increased 0.4%.



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.

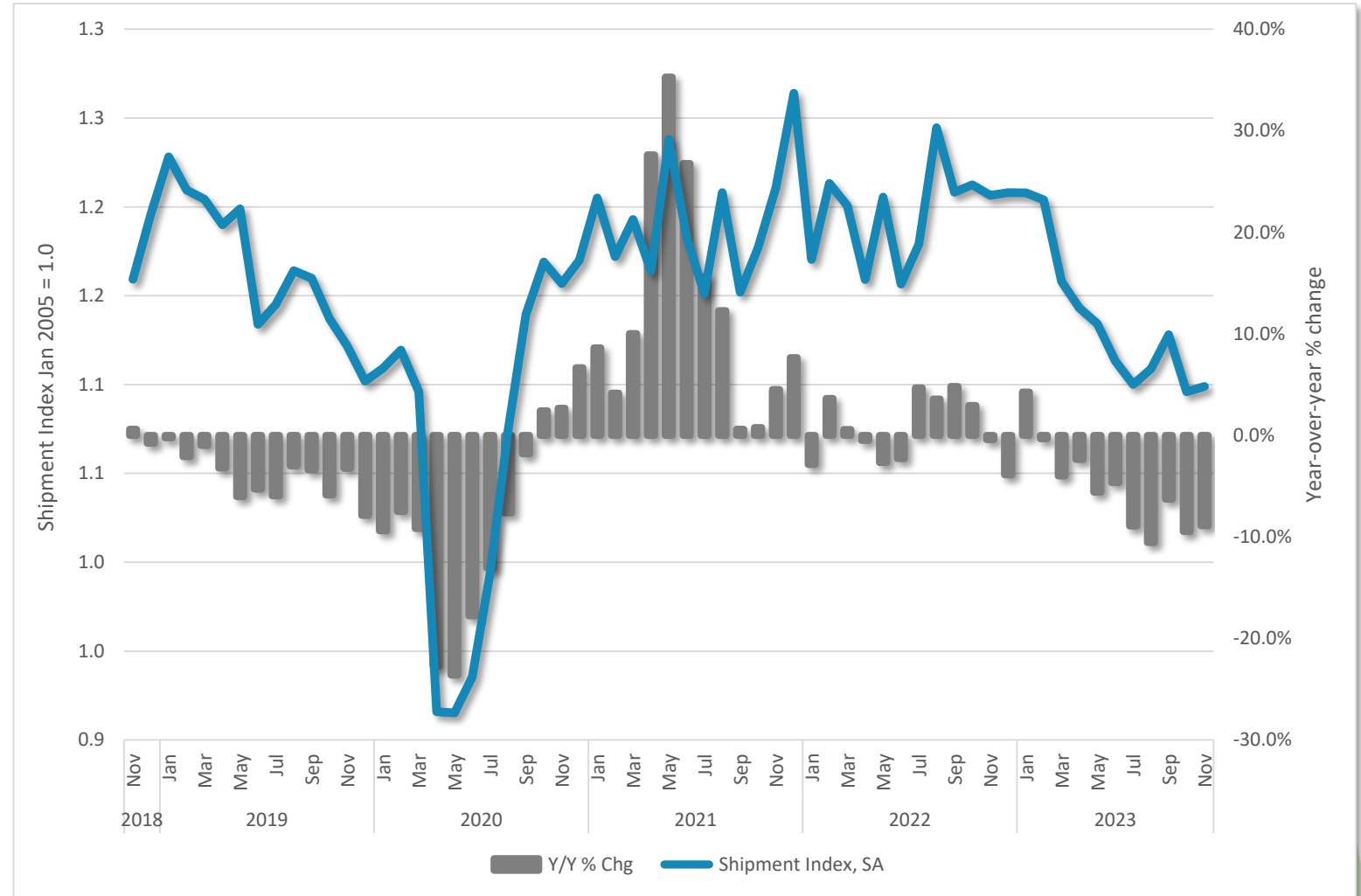
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

**Our thoughts:** the Cass Shipment Index was up 2.2% month-over-month to 1.12 in December when seasonally adjusted, and was down 7% year-over-year. The Shipment Index has declined year-over-year for 11 consecutive months.

- Expenditures, which measures the total amount spent of freight, increased 0.1% to 3.33.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, decreased 2% to 2.97.
- Truckload linehaul rates, which includes both spot and contract rates, increased 0.4% to 141.3 and is down 6.1% year-over-year, which was up from the cycle low in November.

**Bottom line:** Cass believes that the current downcycle drivers, destocking and declining goods consumption, are reversing course. “The acceleration in real disposable incomes, supported by a surprisingly sharp disinflation, and the ongoing strong labor market suggest freight demand fundamentals will improve in 2024.”



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

# Supply: Truck Employment

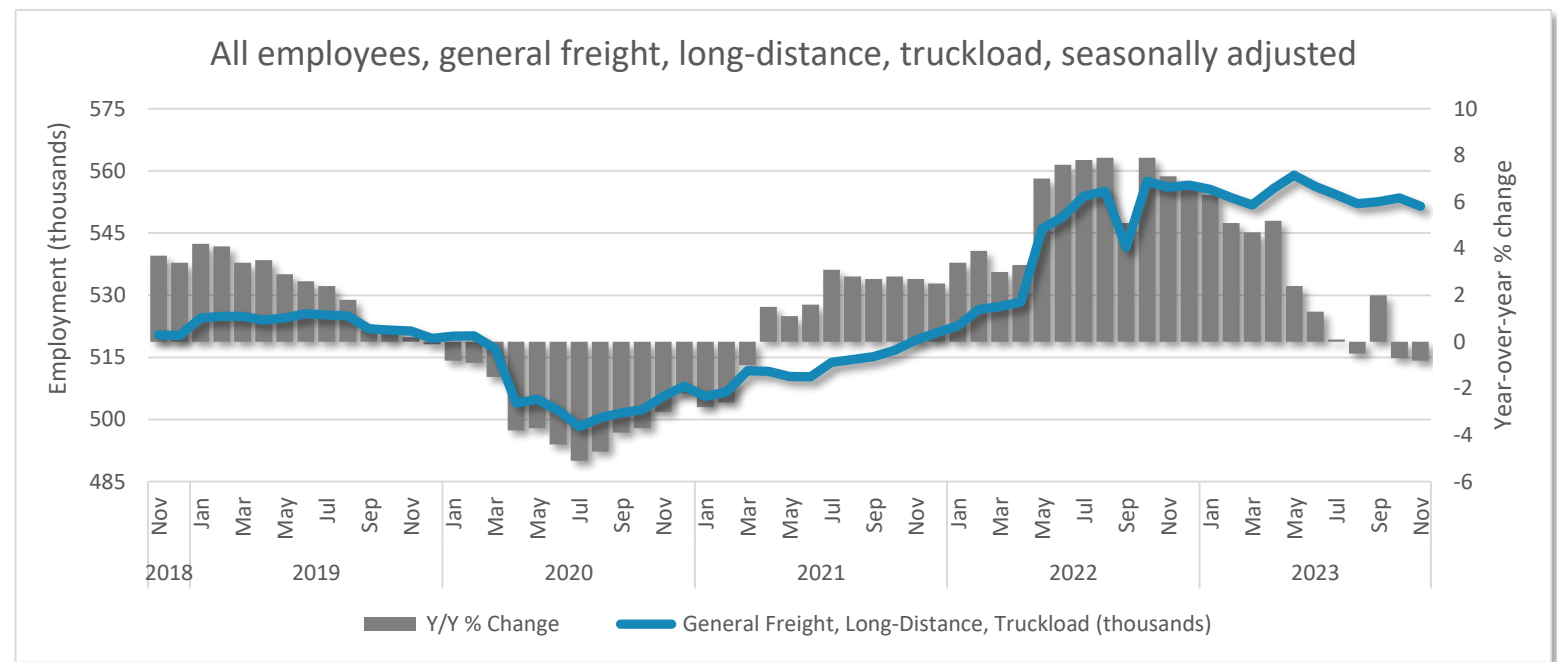
**The big picture:** The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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

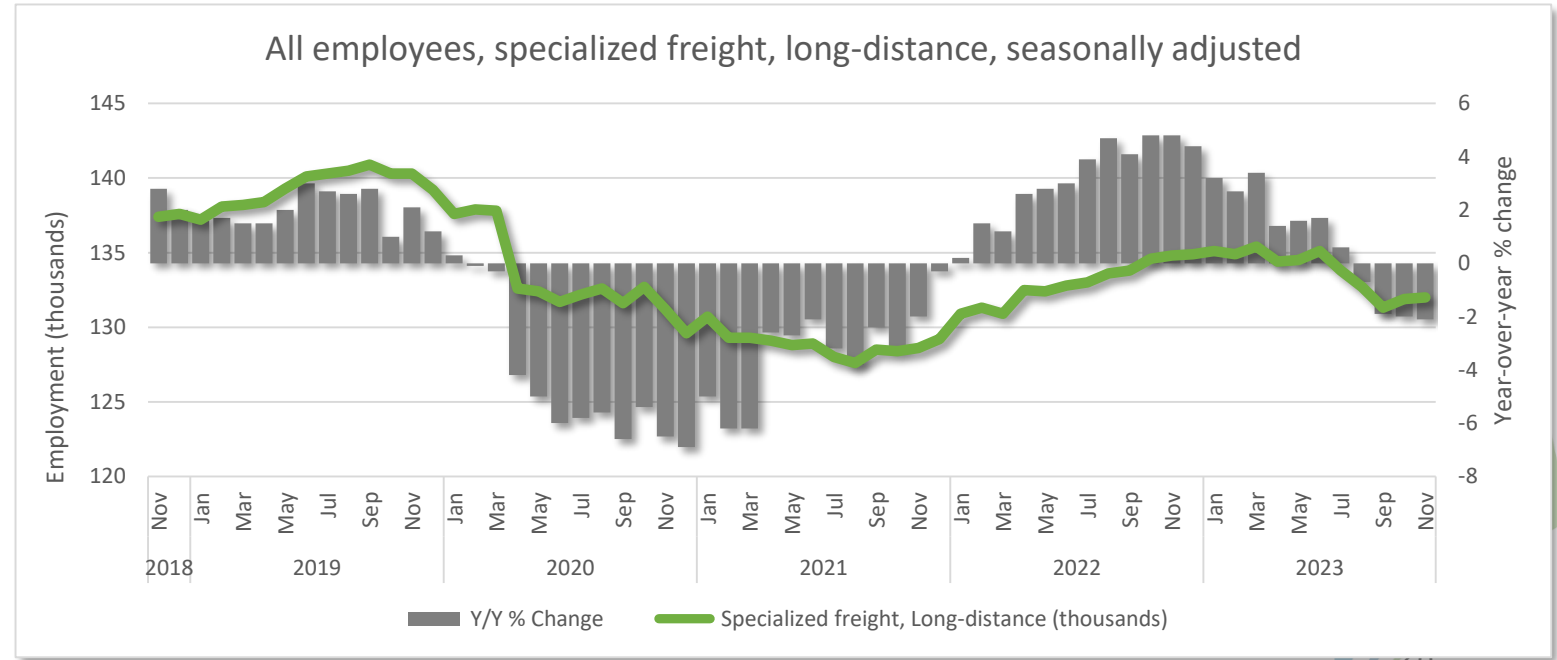
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

**Our thoughts:** Truck employment numbers overall (not pictured) increased for the second straight month at 0.21% in December to 1,586.3 million people. This is the fifth consecutive month of year-over-year decreases however.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, decreased 0.4%, or 2,000 jobs, month-over-month in November.
- It is 0.8%, or 4,500 jobs, lower year-over year, 4.5% above the 5-year trend, and 9.4% higher than April 2020.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, increased 0.1%, or 100 jobs, month-over-month.
- This figure is 2.1%, or 2,800 jobs, lower year-over-year, and is 1.3% below the 5-year trend. This is the fourth consecutive month of year-over-year decreases.



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.

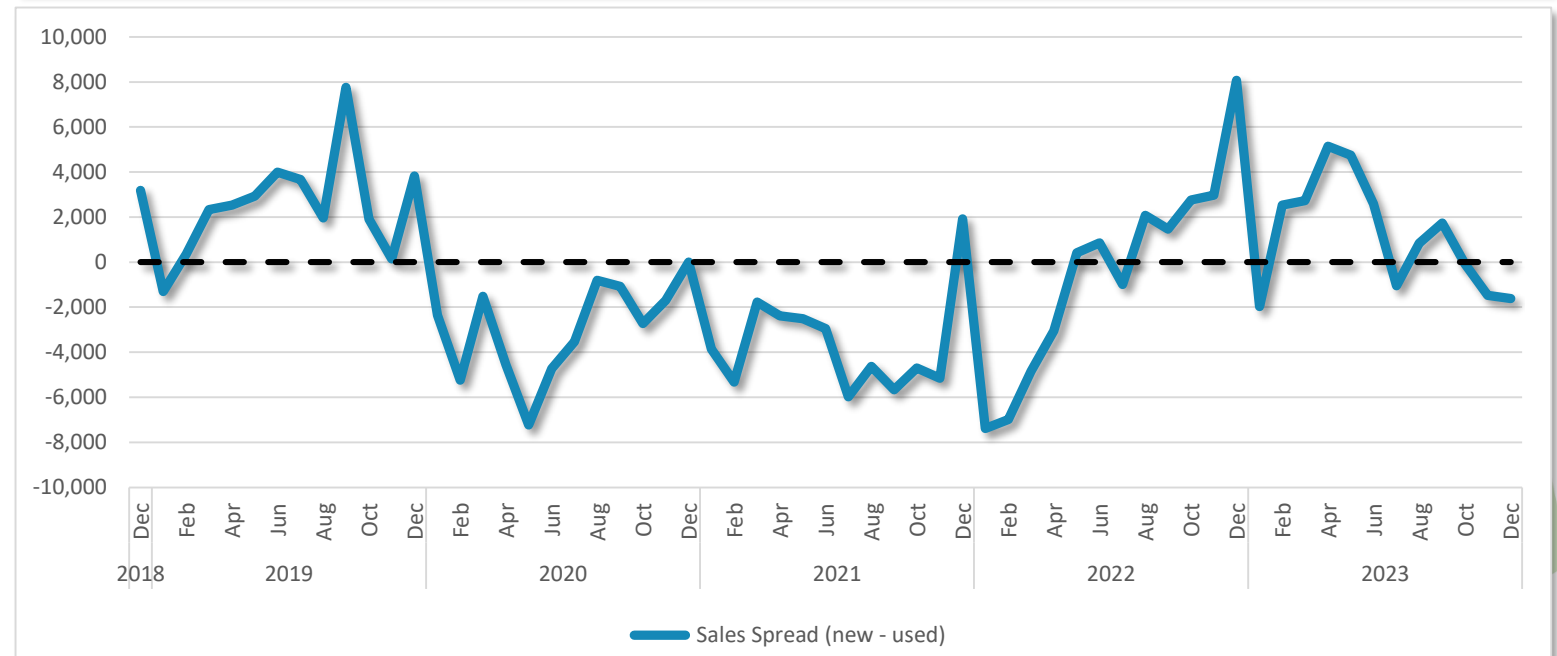
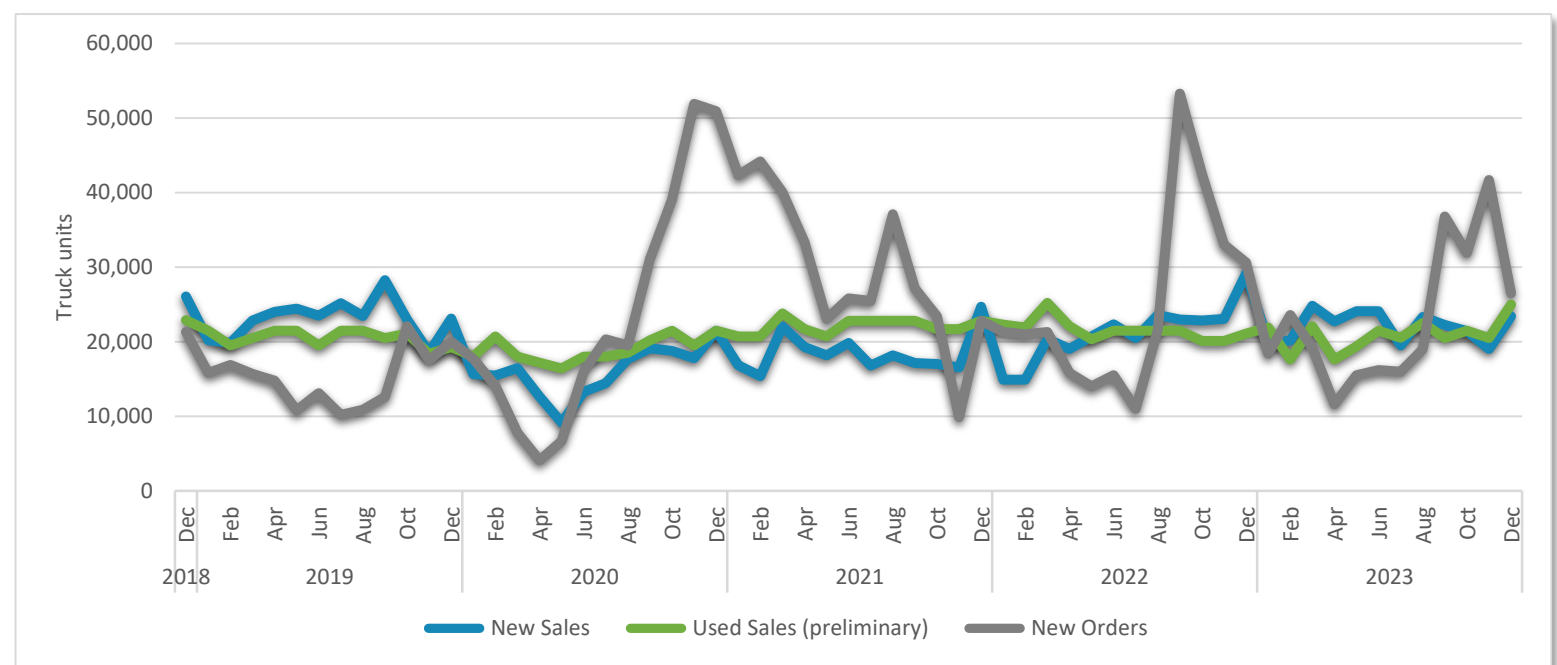
**Why it matters:** Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

- 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 increased 22.9% in December to 23,390 after dropping 11.2% in November following adjustments, and are 19.8% lower year-over-year, while new orders dropped 36.5% to 26,500.

- Preliminary used sales figures increased 22%, or 4,510 units, in December to 25,010, and are up 18.5% compared to last year.
- Used sales eclipsed new sales by 1,620 units, marking a two month trend. This is only the fourth time this year that used sales surpassed new.

The industry has experienced overcapacity, or too many trucks, since the fourth quarter of 2022, which has not been helpful for freight rates.



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.

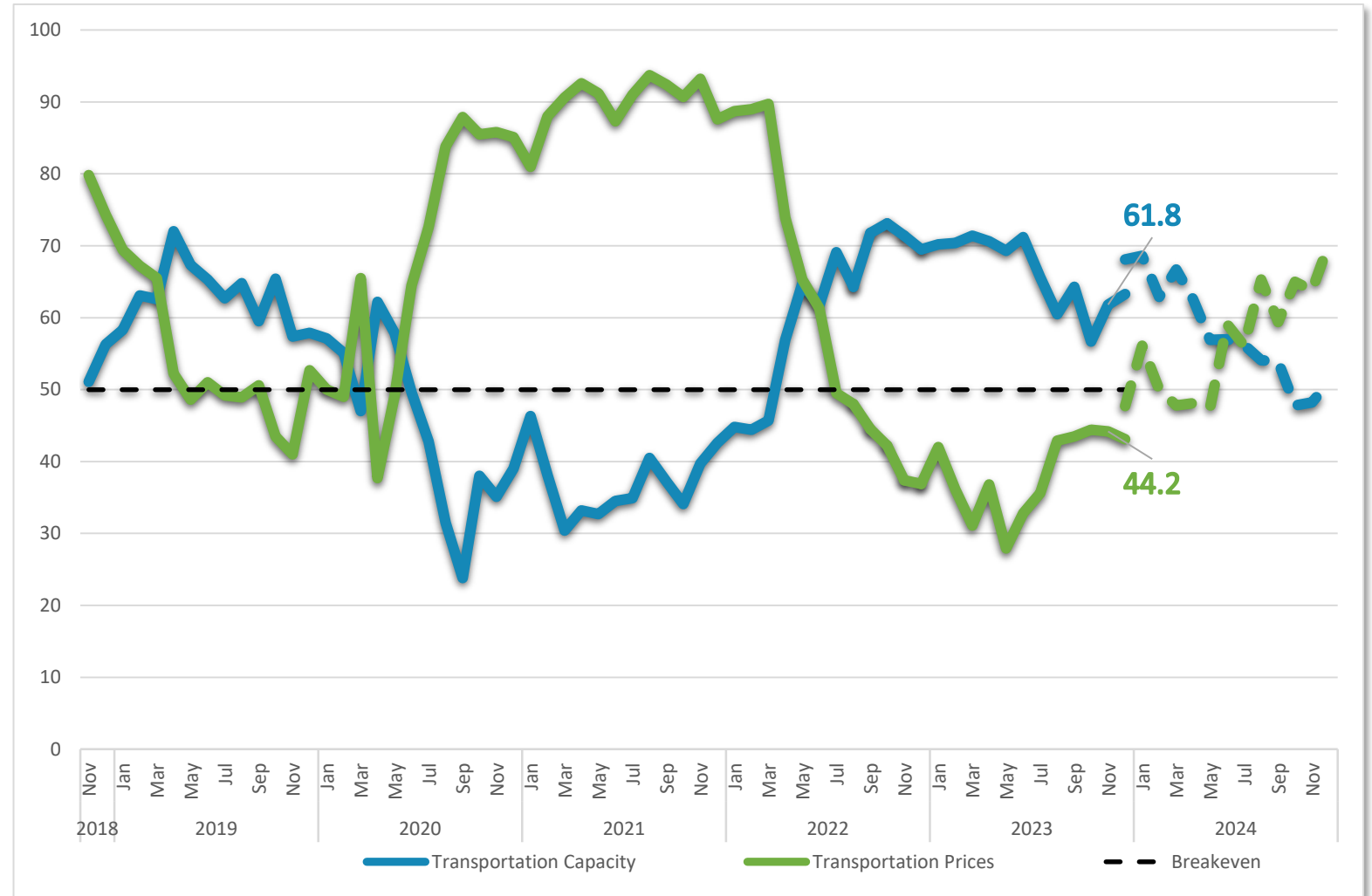
**Why it matters:** The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

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

**Our thoughts:** The LMI overall increased 1.2 points to 50.6, which is back into expansion territory. The increase was due primarily to growth in the three warehousing metrics, which in turn helped spur growth in transportation utilization.

- Transportation prices contracted slightly faster in November than in October, and have been in contraction territory for 18 straight months.
- Prices decreased 2.5% month-over-month to 43.1, but are 16.8% higher year-over-year (Y/Y), when the index read 36.9. Prices are predicted to jump into expansion territory in January, but it's doubtful if this will materialize.
- Transportation capacity increased 2.4% to 63.3, which is 8.9% lower Y/Y. After falling under 60 in October for the first time since April 2022, capacity has jumped back over 60.

Aggregate logistics prices (ALP), which includes inventory costs, warehousing prices, and transportation prices, decreased 6.2 points to 164.4 and is well below the readings we saw during the heaviest inflationary period in 2022, which were often over 250.



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.

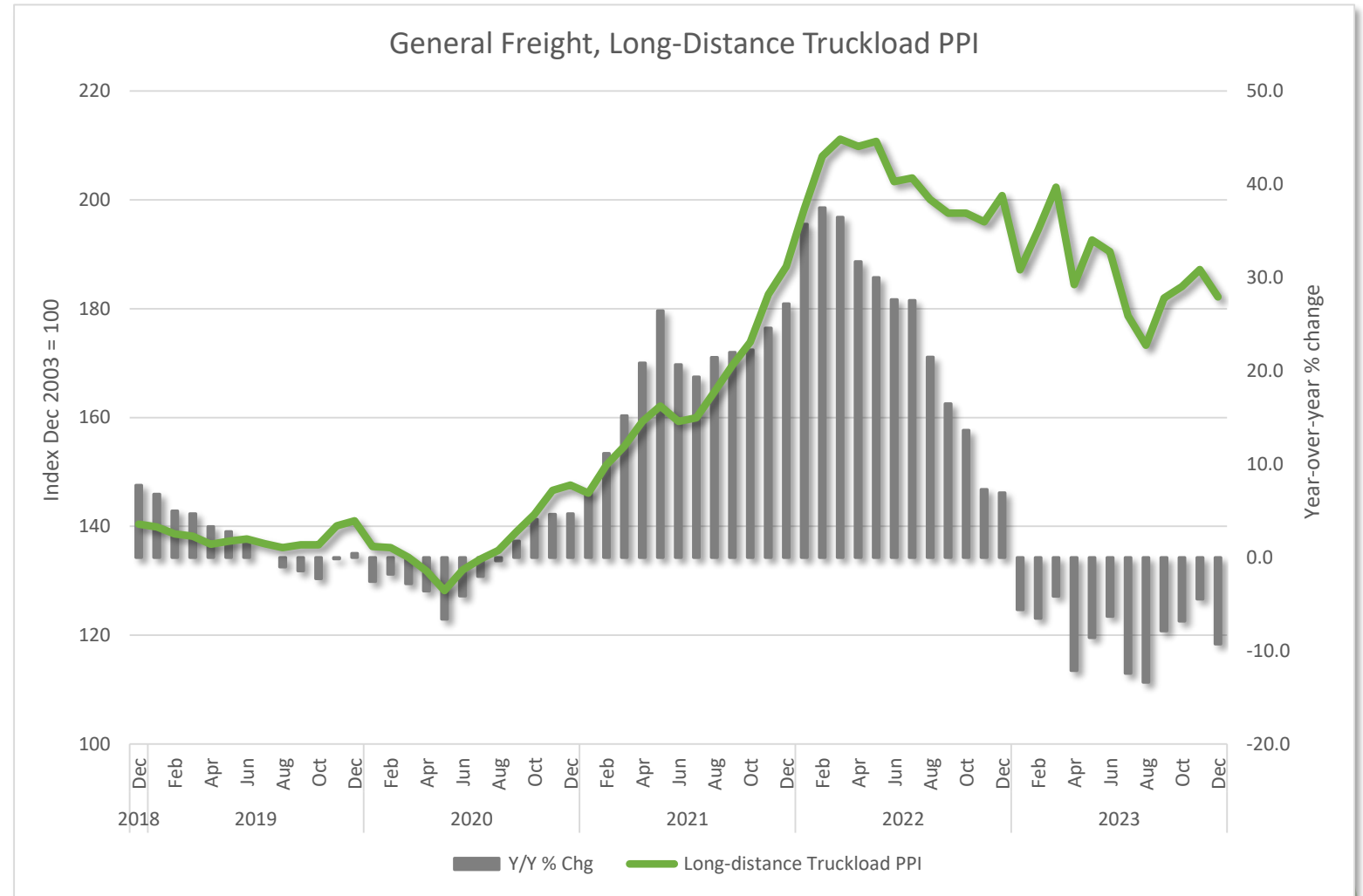
- One index focuses on long-haul, truckload carriers.
- This index shows how much carriers are charging their customers.

**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 decreased in December after increasing 1.7% in November following readjustments. The index has decreased 13.6% since its high in May 2022.

- The long-haul PPI decreased 2.7% to 182.1, month-over-month, after the BLS re-adjusted the figure for November.
- The PPI is 9.3% lower year-over-year, but 10.1% above the 5-year trend.

It appears that the overall trend for the PPI has hit bottom, and is starting to rise/level-off again. However, as we have stated previously, the new freight cycle probably won't start materializing until at least the 2<sup>nd</sup> quarter of 2024, and even then, it will be a slow gradual climb.



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



# Costs: Diesel Fuel

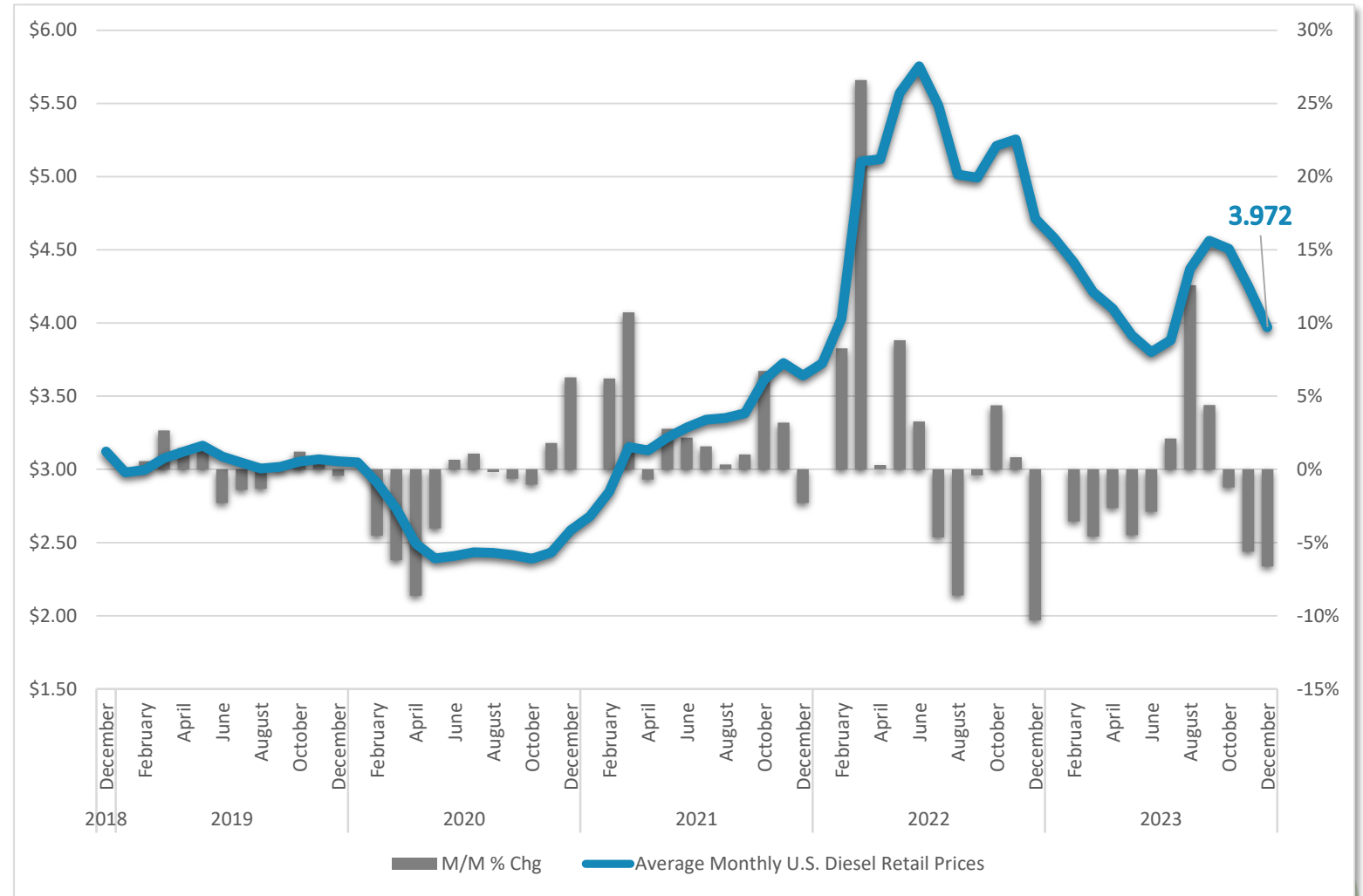
**The big picture:** The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

**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 \$0.28 per gallon after falling \$0.25 in November and \$0.06 in October. Prices through December have declined \$1.78 per gallon since the high of \$5.75 in June 2022.

- The average price for diesel fuel decreased 6.6% month-over-month to \$3.97 per gallon, marking three consecutive months of decreases and the first time diesel has been un \$4 since July 2023.
- The average diesel price is 15.7% lower year-over-year, but 9.9%, or \$0.36 per gallon, higher than the 5-year trend.
- The average price has been down year-over-year for 10 straight months.
- 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.

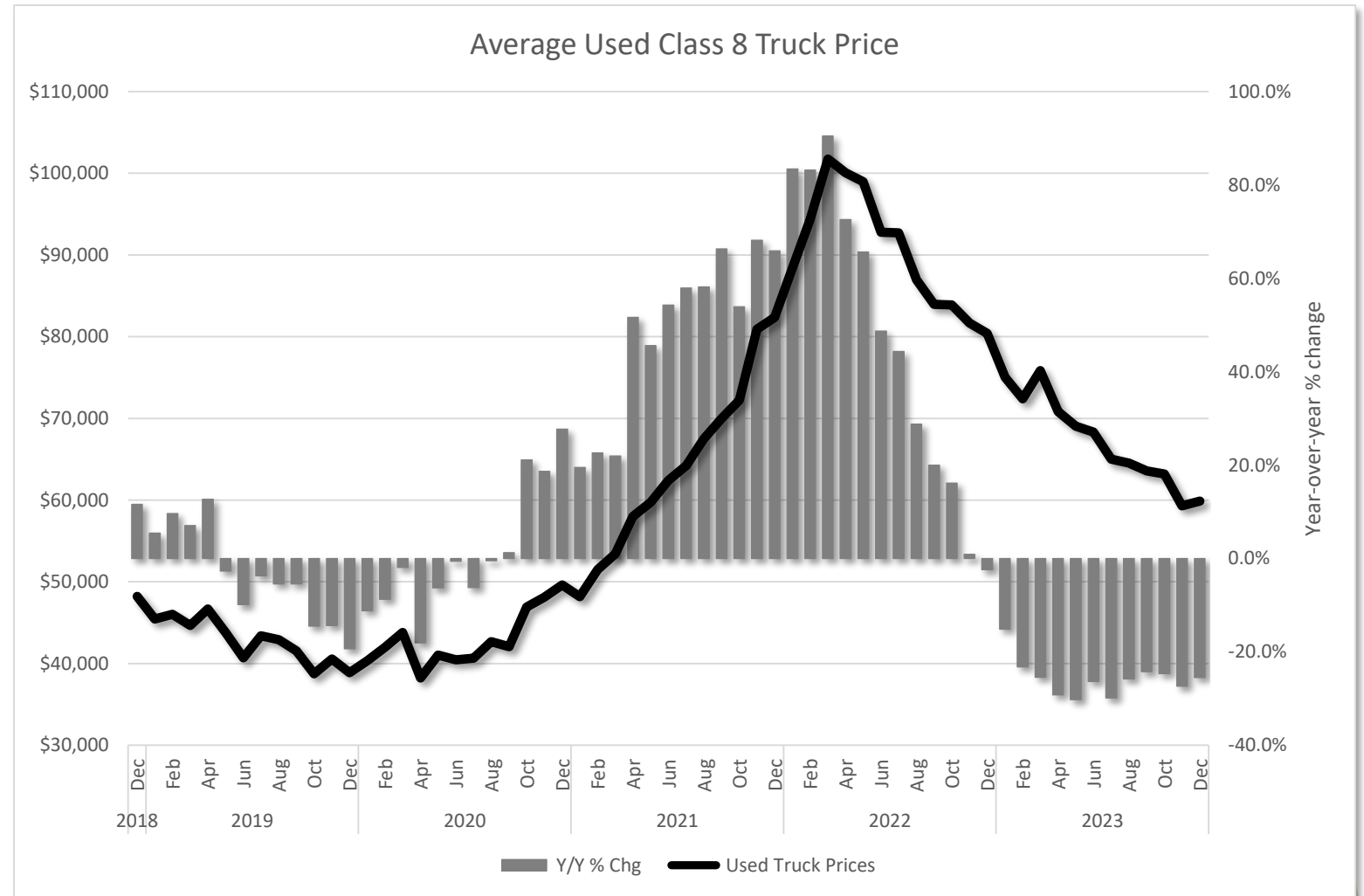
**Why it matters:** Used truck prices are a good sign of a strong freight market. Whereas monthly year-over-year decreases are a good indicator that the market is in a downcycle.

- 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 broke the downward trend in December, and increased slightly after falling 6.2% in November following readjustments. Prices are 41.1% below the high in March 2022, but remain significantly higher than the pre-pandemic average of \$42,000.

- Used Class 8 truck prices increased \$593 to approximately \$59,885.
- This is 25.5% lower year-over year, and 2.3% below than the 5-year trend.

Year-over-year comparisons have been negative for 13 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