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

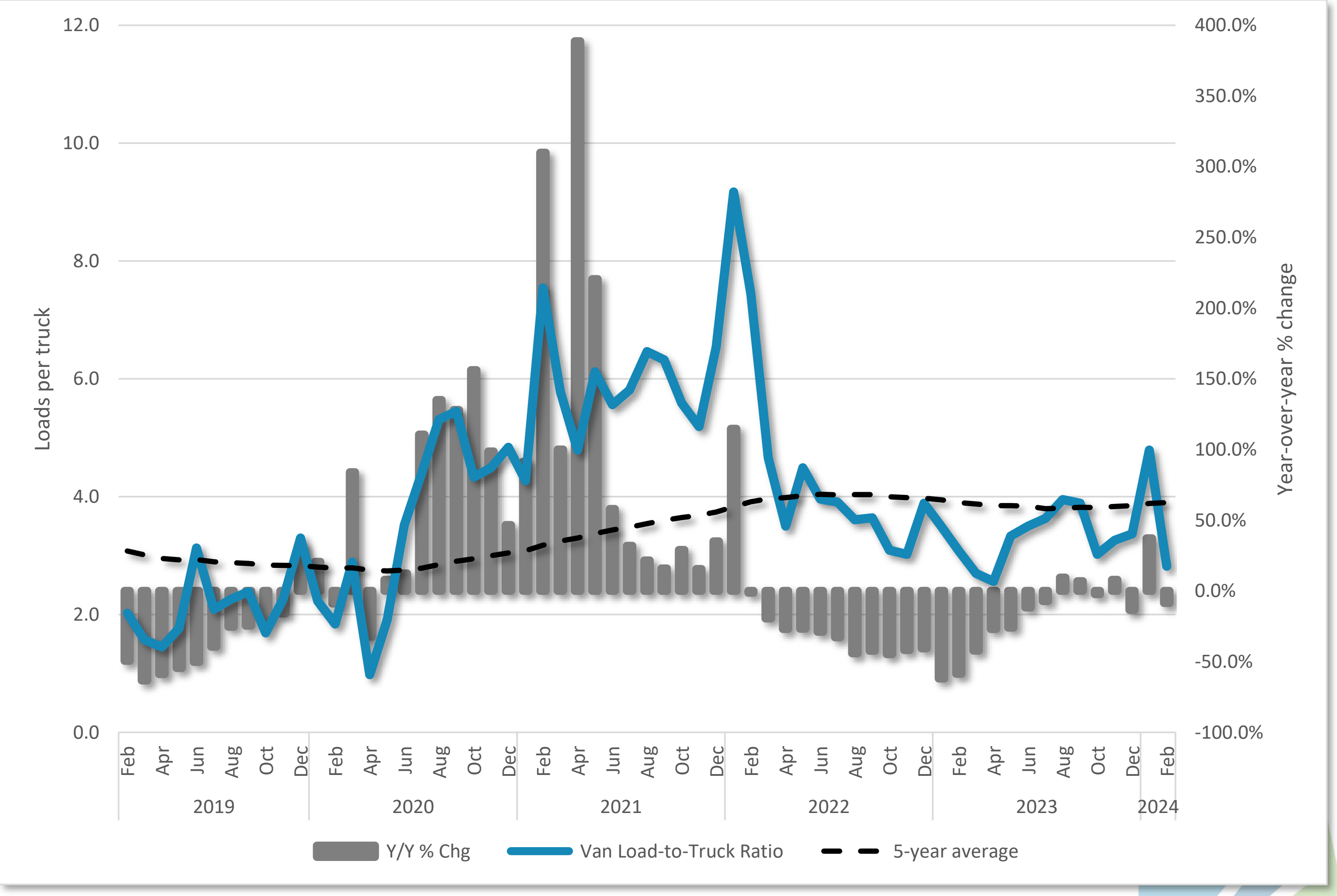
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: The Van Load-to-Truck ratio plunged in February, but some of that is due to seasonality. Demand typically drops off after the first of the of year until about April. The ratio is sitting above 2019 levels.

- The Van Load-to-Truck Ratio decreased 41.1% month-over-month to 2.82, after jumping 42.1% last month.
- The ratio is 8.4% lower than last year and 27.7% lower than the 5-year trend.

Regionally speaking, ratios were more favorable for carriers operating in the Southeast, South Central, and Florida-to-Southern Georgia regions, respectively, compared to other areas in the country.

- Unlike last month, only 2 regions experienced increases in demand. The greatest increase was in the Florida-to-Southern Georgia region where ratios rose 14.6%, from 3.14 to 3.60.



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

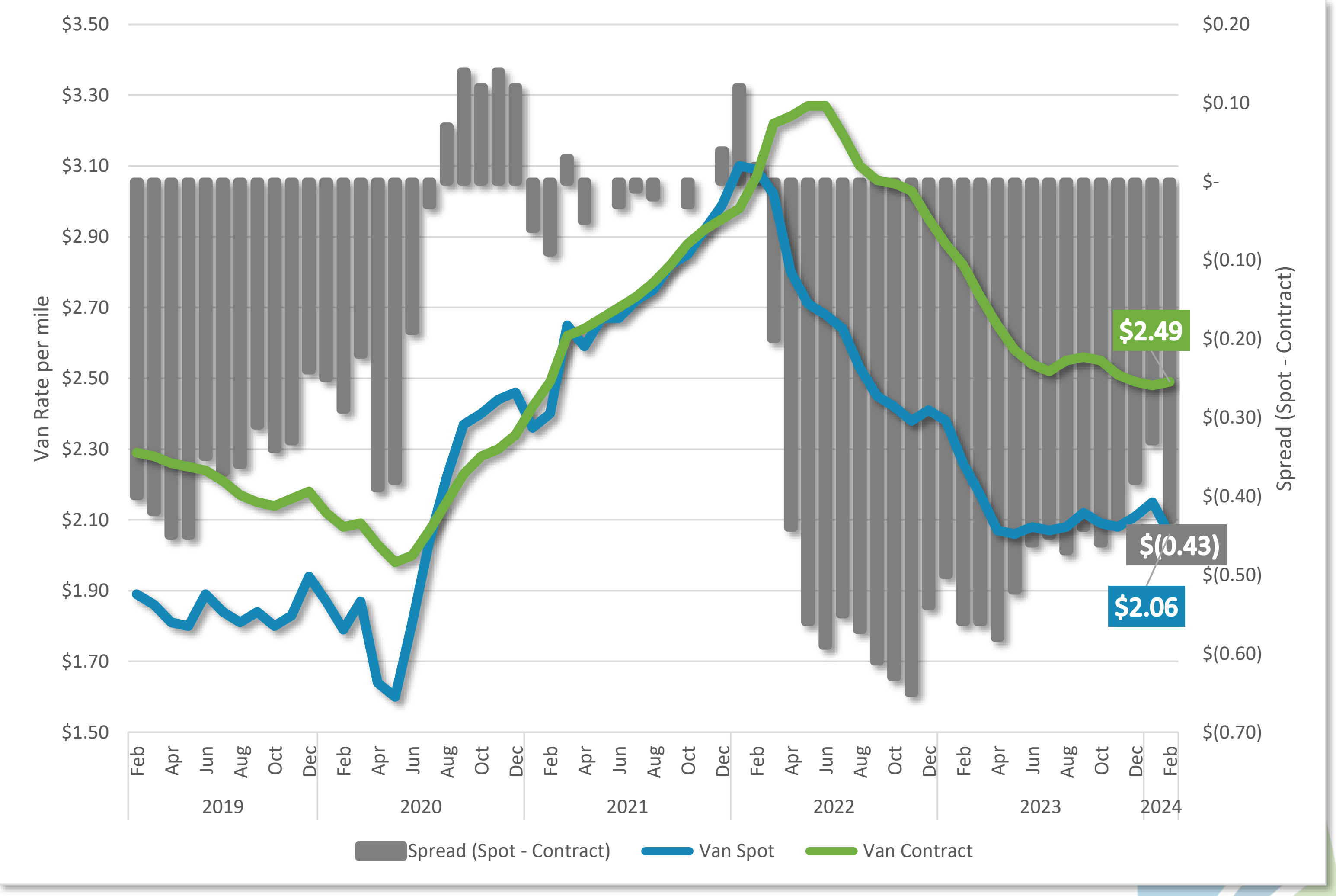
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates fell in February, while contract rates ticked up, deepening the gap between the two.

- Spot rates for vans decreased $0.09 per mile month-over-month to $2.06, ending two months of increases, and are $0.20 per mile lower than last year.
- Contract rates increased by $0.01 to $2.49 per mile following adjustments, which means the spread between contract rates and spot rates deepened by $0.10 to $0.43, which is 23.2% better Y/Y when the spread was $0.56.
- Spot rates are 9.7% below the 5-year trend, while contract rates are 2.9% below.

DAT's ratecast model predicts spot rates excluding fuel will drop about $0.15 per mile heading into the middle of April, but this is probably due to model confusion. Don't expect this forecast to come to fruition.

- DAT's extended forecast has van spot rates excluding fuel tumbling up $0.29 per mile in March, and experiencing a steady decline until June 2024.
- DAT's extended forecast believes rates excluding fuel will reach $1.62 per mile one year from now.



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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.

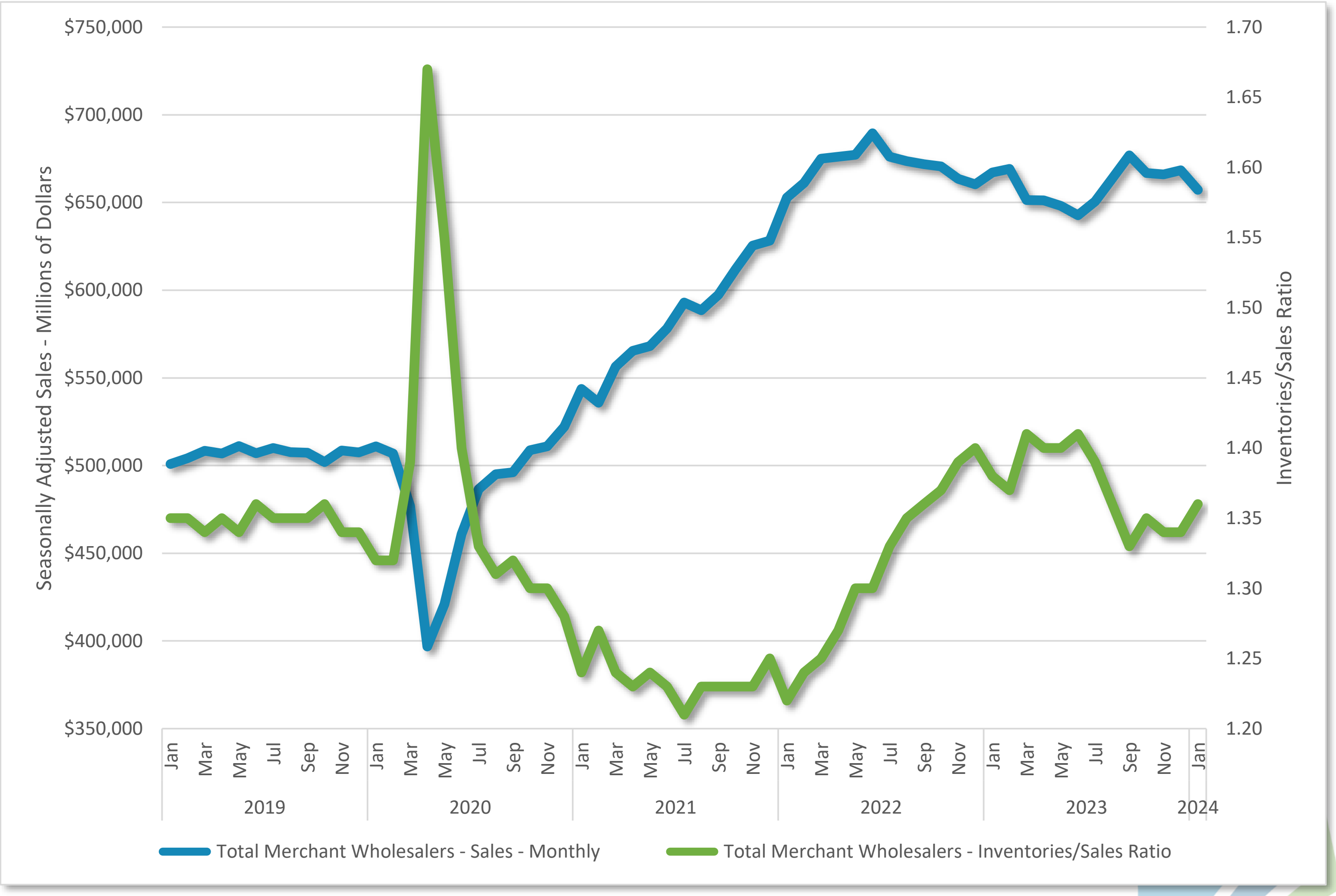
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 increased, while monthly sales declined in January. While the inventory-to-sales ratios fallen from their peak in July 2023, demand has not increased, which is why the current freight downcycle is continuing even despite inventory rightsizing.

- Sales decreased $11.17 billion to $657.15 billion, and are 1.5%, or $10 billion, lower year-over-year. This is the eight Y/Y decreases in 12 months.
- Ratios increased 1.5% month-over-month to 1.36, and are 1.4% lower than last year, marking five straight months of Y/Y decline. Ratios are 0.9% higher than the 2019 average.



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

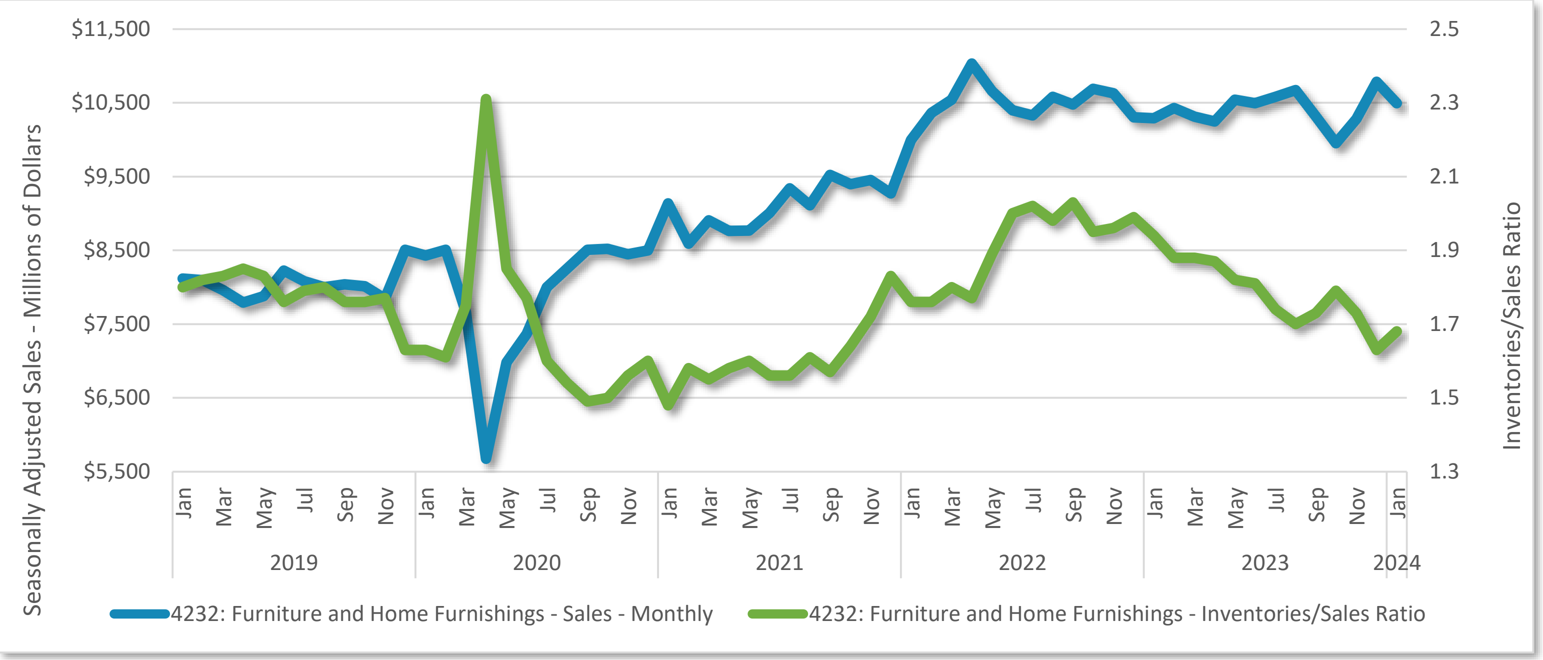
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

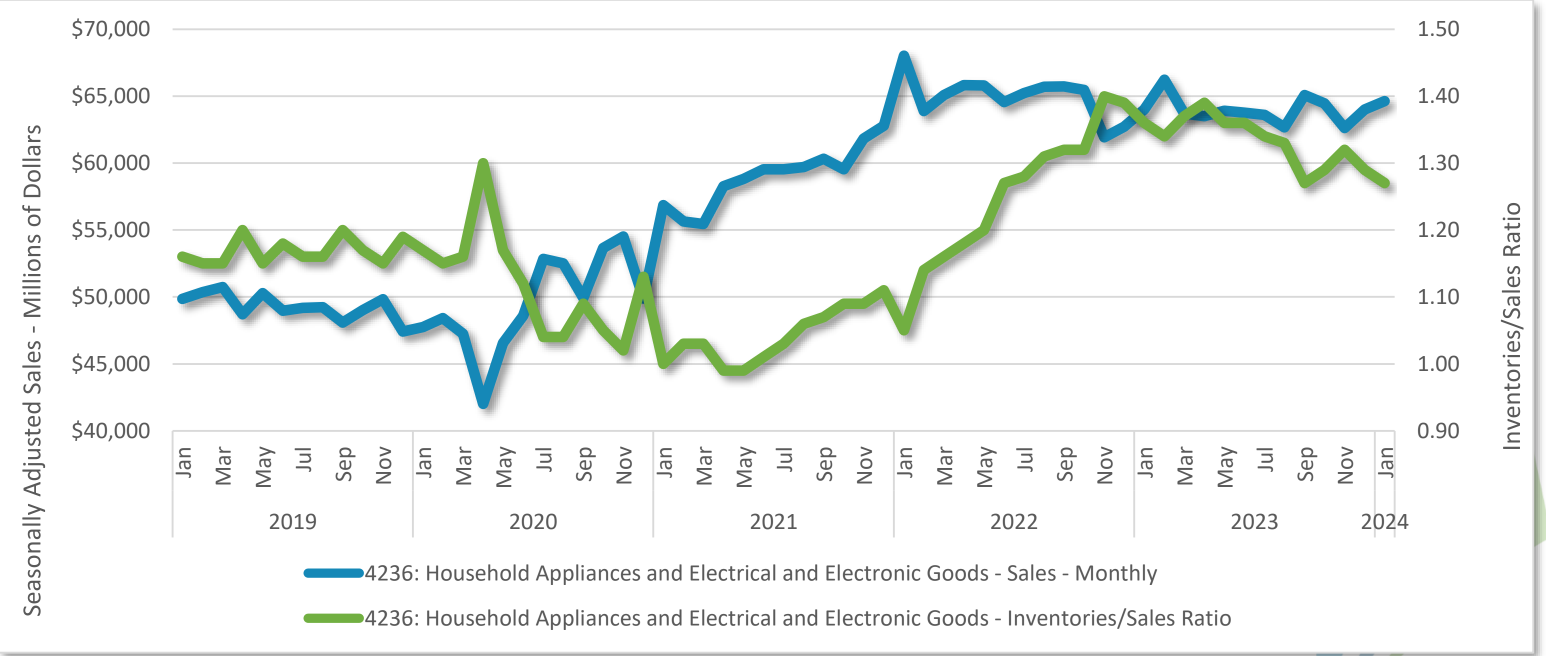
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Household appliance wholesalers experienced an increase in sales while inventory ratios simultaneously decreased in January. Furniture, however, moved the opposite direction.

- Furniture Sales decreased 2.7% to $10.49 billion after increasing 4.9% in the previous month, while ratios jumped 3.2% to 1.63.
- Compared to last year, sales increased $204 million, or 2.0%, and ratios have decreased 13.8%.
- Household appliances sales increased 1.0% to $64.62 billion, and ratios decreased 1.6% to 1.27.
- Sales are $624 million higher than last year, marking three straight months of Y/Y increases, and ratios are 6.6% lower, marking five straight months of Y/Y decreases.

Although inventory levels are lower now than at the start of 2023 (13.8% for furniture and 6.6% 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 its 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:

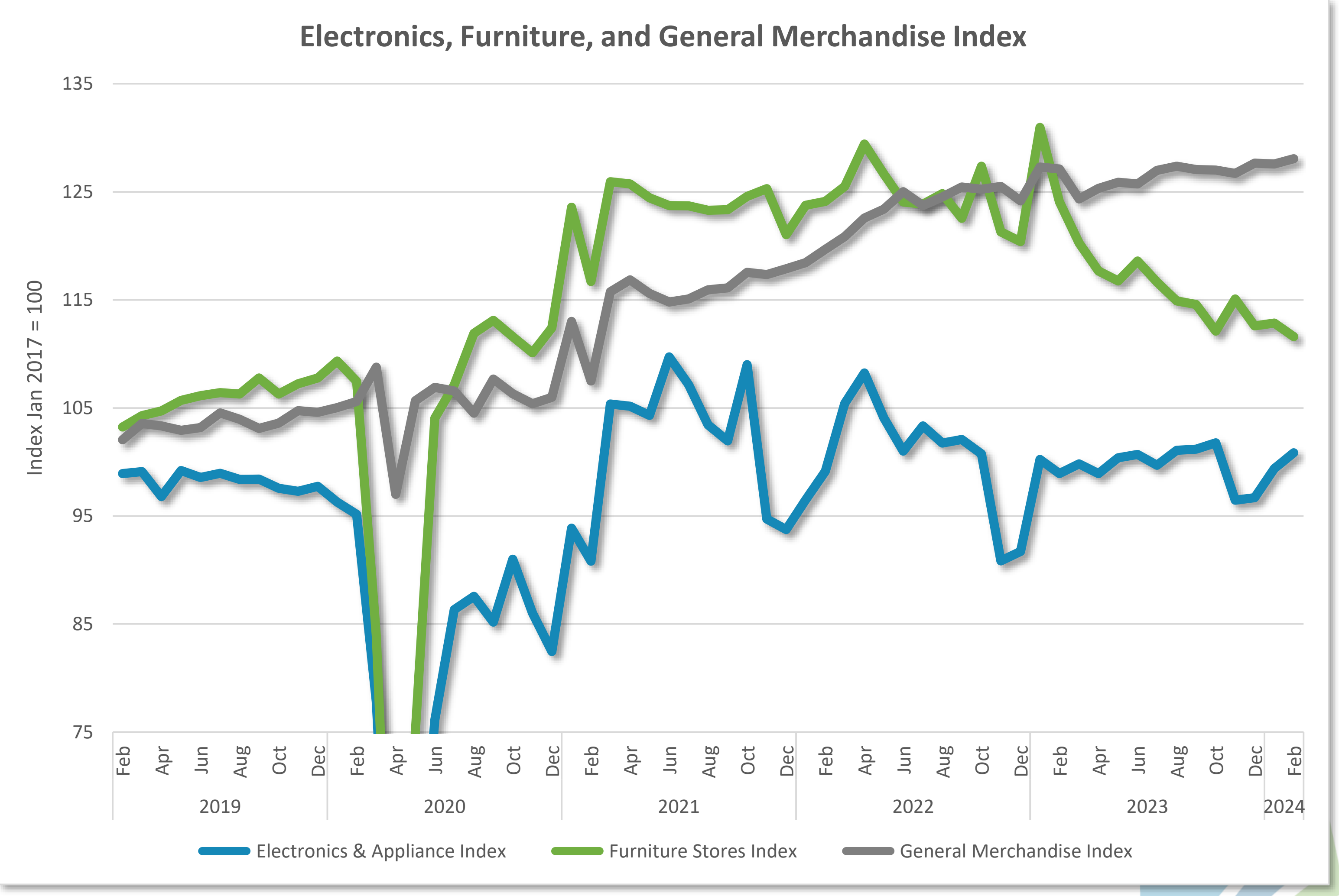
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

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 for EAS and GMS grew in February compared to January, while FS continued its steady decline.

- EAS increased 1.5%, or $113 million, M/M to $7.77 billion, marking two straight months of increases following adjustments last month. EAS is 1.9%, or $148 million, higher Y/Y.
- FS decreased 1.1% M/M to $10.59 billion, and is 10.1%, or $1.2 billion, lower Y/Y. FS has declined Y/Y for 13 straight months.
- GMS increased 0.4% M/M, or $272 million, to $73.78 billion, and is up 0.7%, or $546 million, Y/Y.



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