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.

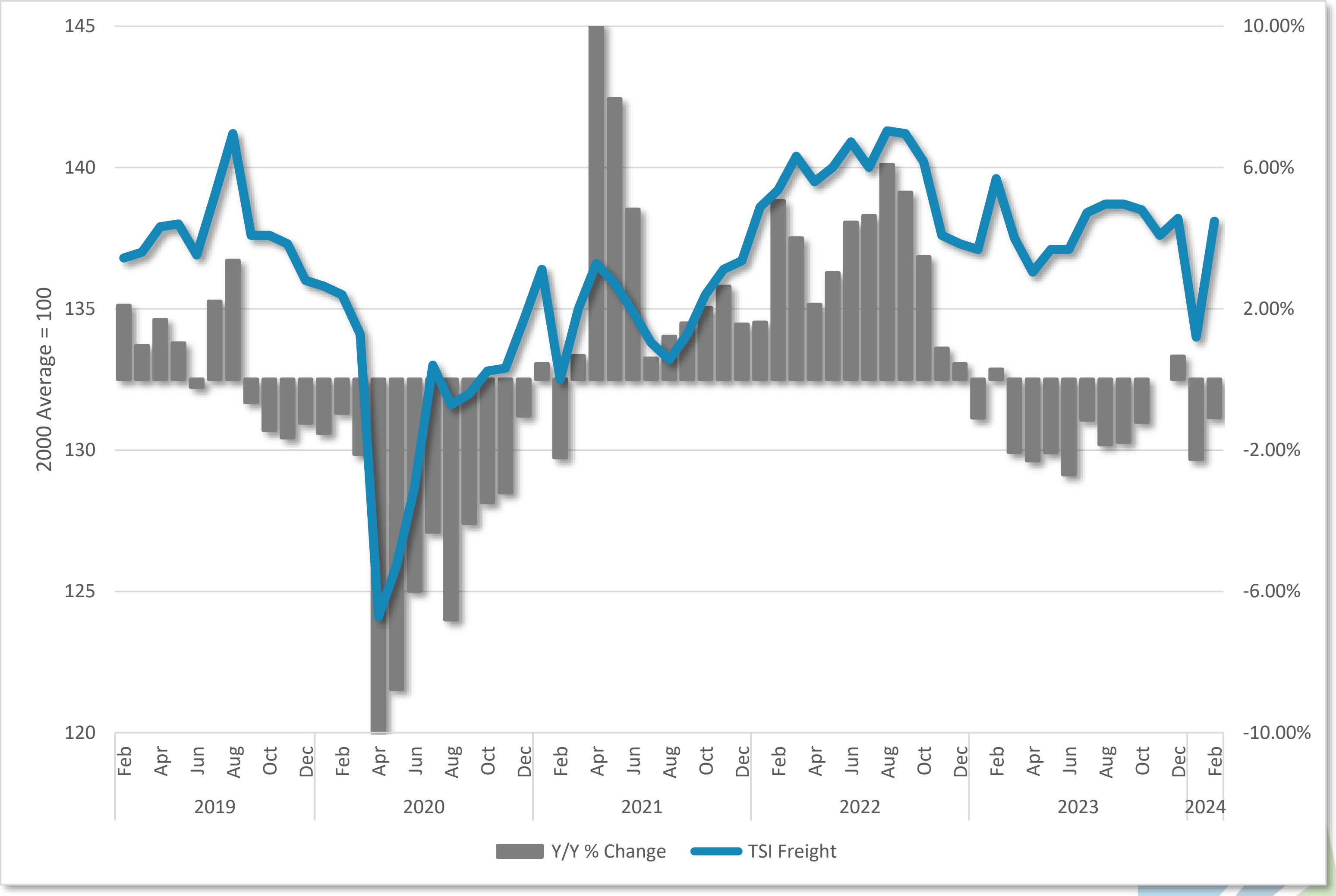
Why it matters: Changes in the TSI reflect changes in the demand for goods and services.

- 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 increased in February due to seasonally adjusted increases in air, intermodal, rail, trucking and water, while pipeline decreased.

- The TSI increased 3.1% month-over-month to 138.1, virtually whipping out last months decline, and is 1.1% lower than a year ago. Following adjustments, the TSI has only increased year-over-year two times in the past 14-months.
- January was 5.2% below the all-time high of 141.1 in August 2022.

February's increase came in the context of positive results for other indicators. The Industrial Production Index grew 0.1%, reflecting increases in manufacturing and mining, while utilities decreased. Housing starts were up 10.7%, 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.

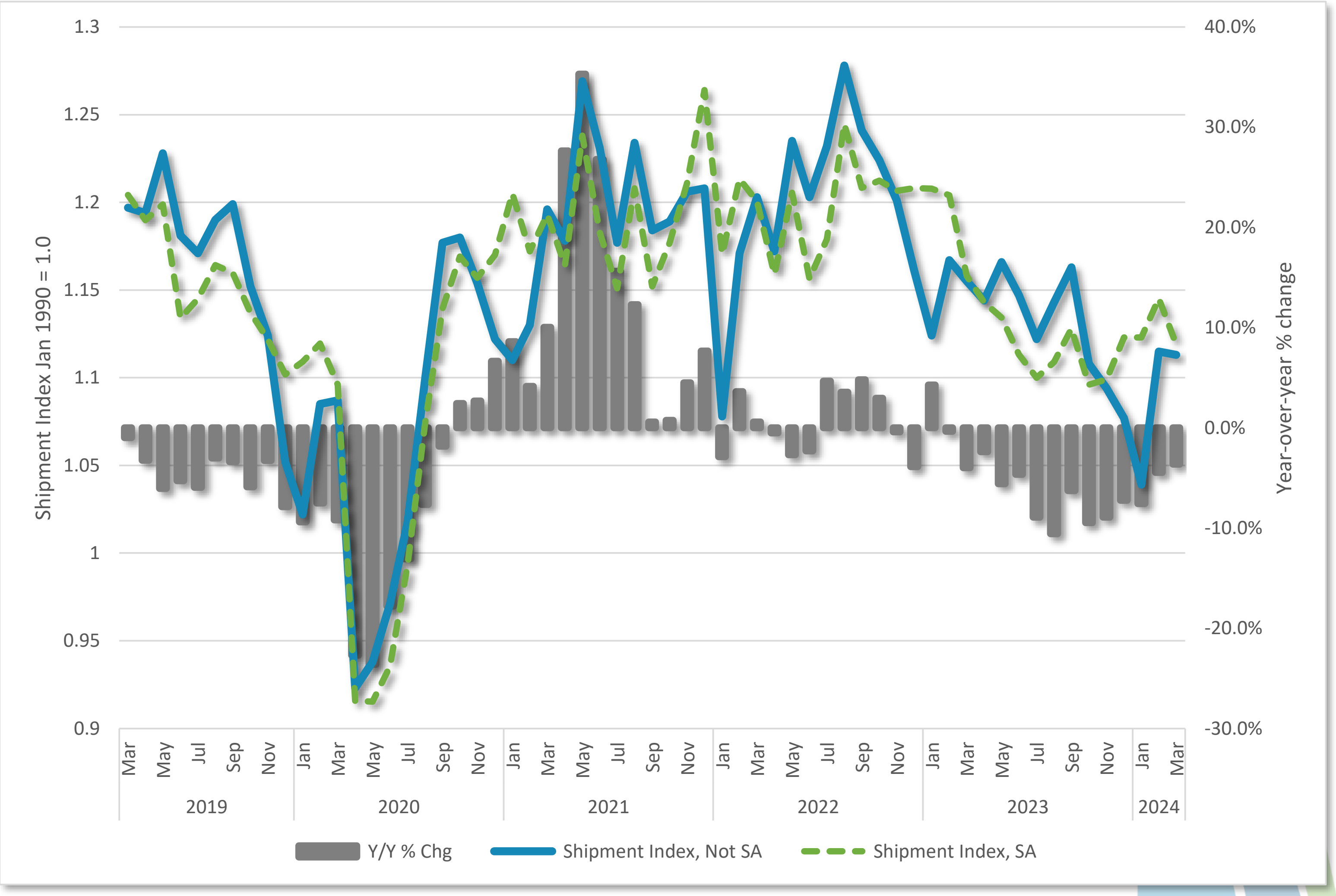
Why it matters: This index shows monthly shipment volumes from the entire Cass client base.

Our thoughts: the Cass Shipment Index was down 0.2% month-over-month to 1.11 in March, and down 2.3% to 1.12 when seasonally adjusted (SA), primarily due low demand. The Shipment Index decreased year-over-year for the 14th consecutive month.

- Expenditures, which measures the total amount spent of freight, decreased 1.3% to 3.26 when SA.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, increased 1.0% to 2.92 when SA.
- Truckload linehaul rates, which includes both spot and contract rates, increased 0.2% to 140.8 but is down year-over-over for 15 straight months at 4.7%.

Bottom line: Cass previously stated, "the freight cycle is certainly stabilizing with rates below sustainable levels in many cases and little room for further savings." This seems to continue to be the case, though Cass believes the freight market is starting to brighten.

- Cass believes that spot rates will improve in Q2. The OOIDA Foundation is not so sure that will pan out.



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

Supply: Truck Employment

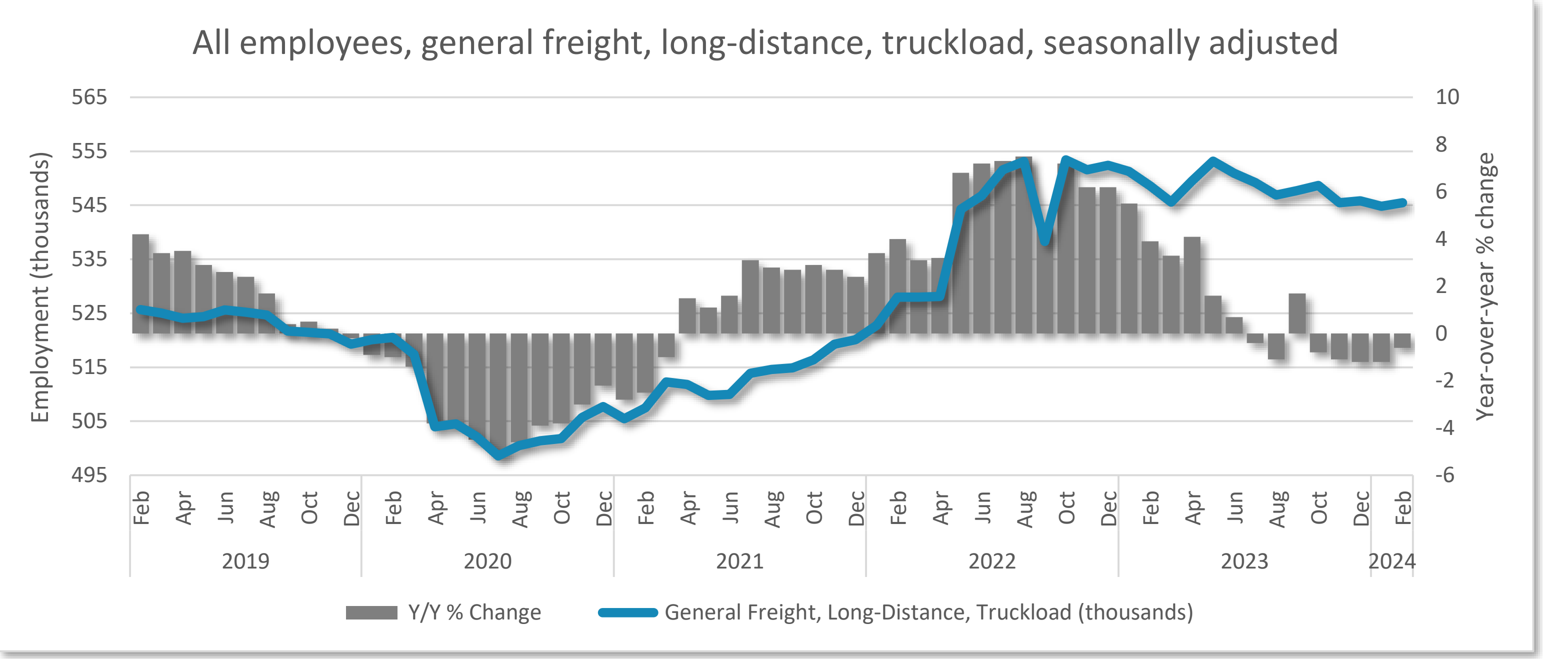
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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

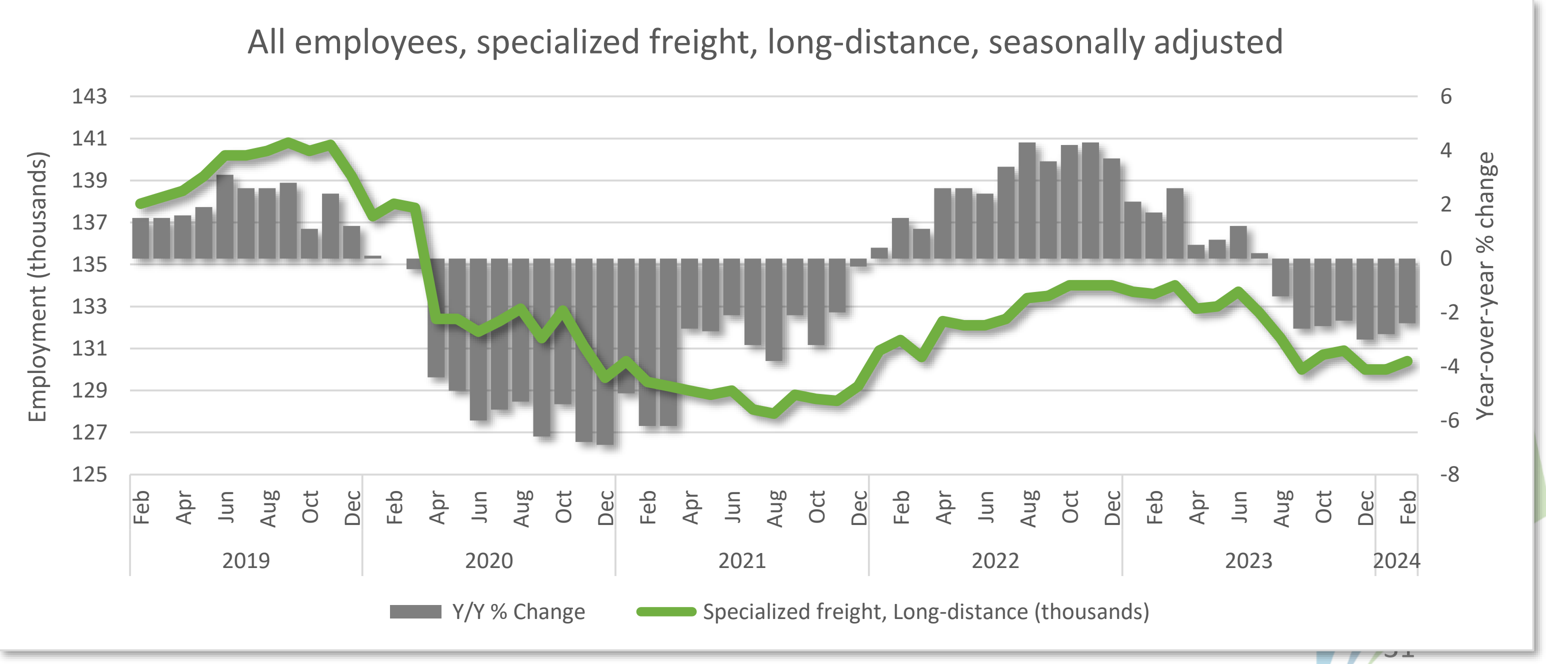
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

Our thoughts: Truck employment numbers overall (not pictured) increased 0.3%, or 5,100, in March to 1.56 million people following adjustments. However, this is the tenth consecutive month of year-over-year decreases.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, increased 0.1%, or 700 jobs, month-over-month in February.
- It is 0.6%, or 3,100 jobs, lower year-over year, 3.4% above the 5-year trend, and 4.2% higher than 2019 levels.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, increased 0.3%, or 400 jobs, month-over-month.
- This figure is 2.4%, or 3,200 jobs, lower year-over-year, and is 2.0% below the 5-year trend. This is the seventh consecutive month of year-over-year decreases and is 6.5% below 2019 levels.



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.

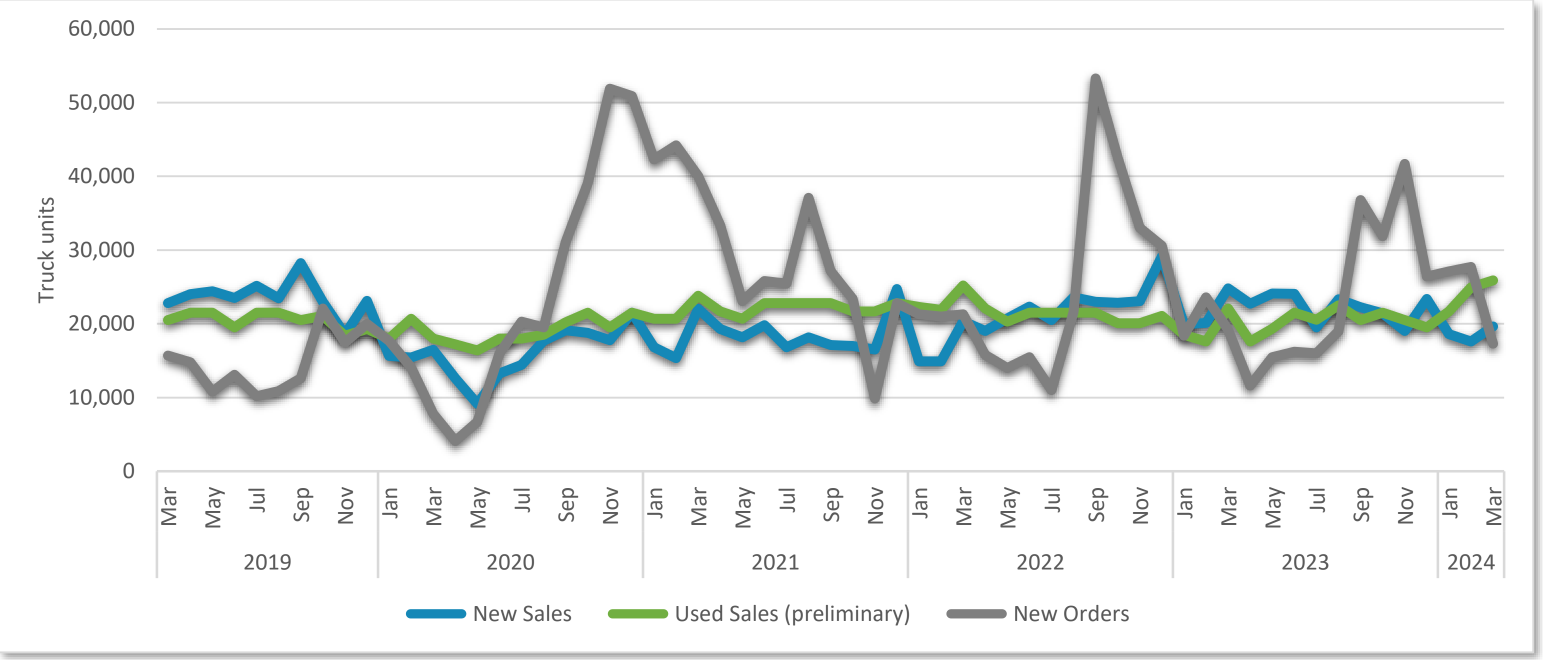
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

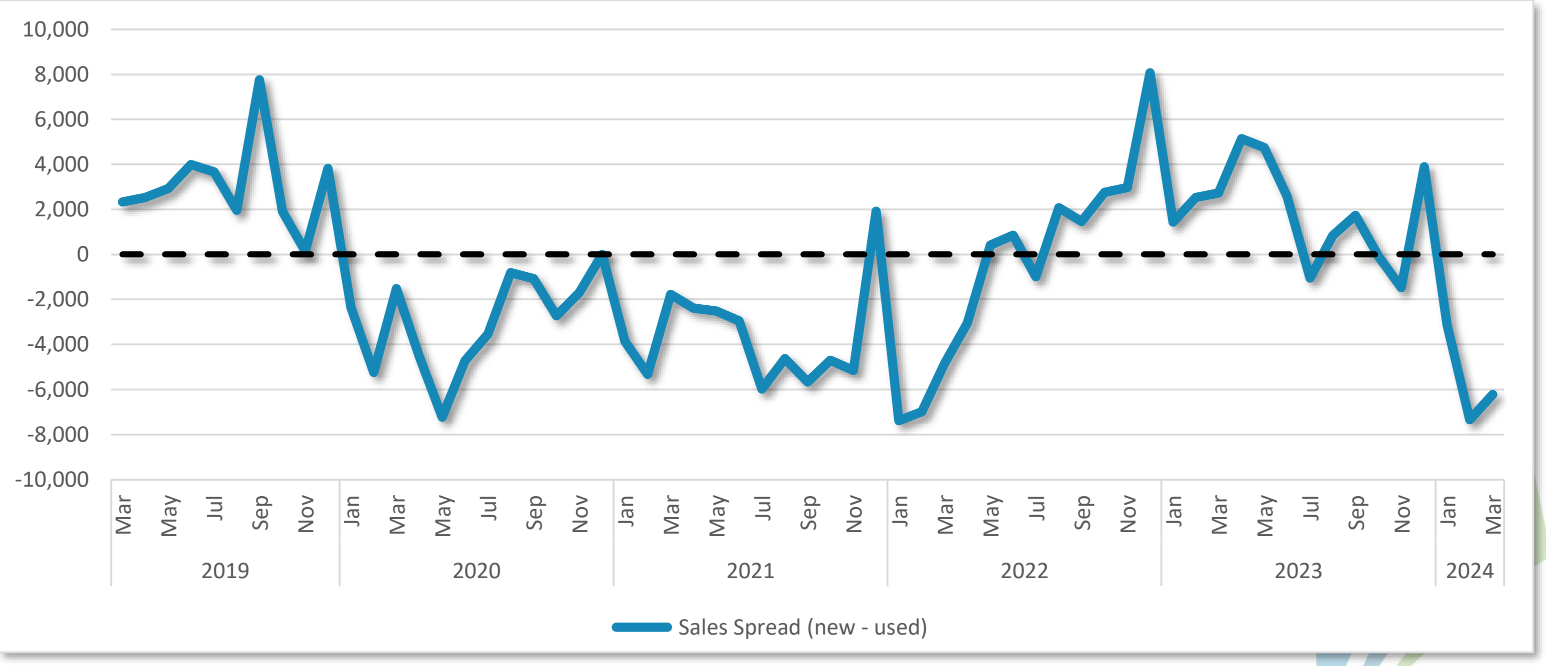
- Demand for trucks tends to spike when new orders increase following a steady increase in rates as depicted in the top figure (2017-2018 and 2020).
- Truck capacity tends to loosen when new sales eclipse used sales as shown in the bottom chart (2018-2019 and 2022-2023).

Our thoughts: New sales increased 11.6% in March to 19,658 after dropping 5.2% in February following adjustments, and are 20.8% lower year-over-year, while new orders plummeted 37.5% to 17,300.

- Preliminary used sales figures increased 3.7%, or 923 units, in March to 25,878, and are up 17.1% compared to last year.
- Used sales eclipsed new sales for the third straight month. This time by 6,220 units. This is the sixth time in 9-months that used sales surpassed new.

The industry has experienced overcapacity, or too many trucks, since the fourth quarter of 2022. Though it's not the primary cause for low rates it hasn't been helpful either.





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.

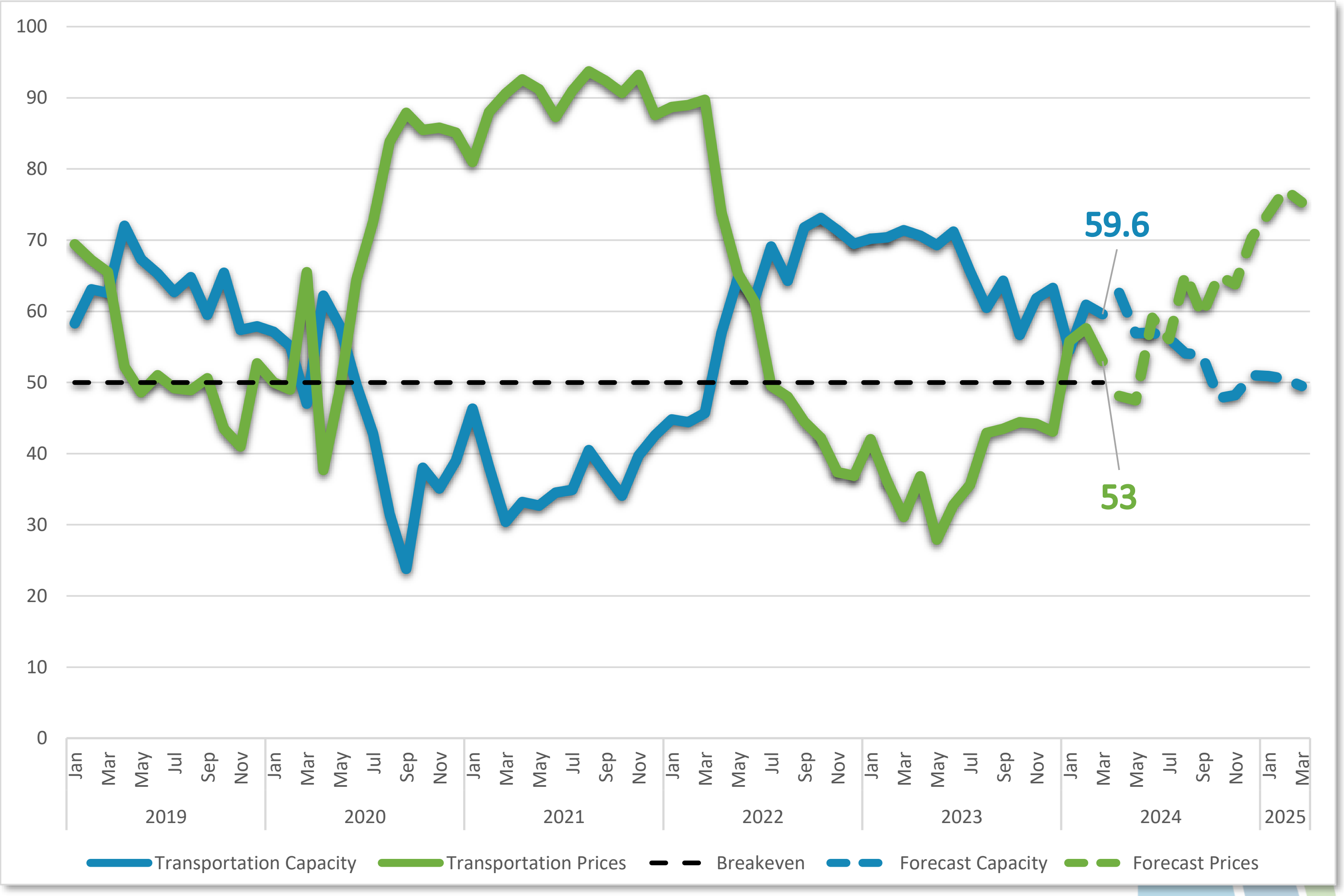
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- When the two curves depicted in this chart invert, meaning transportation capacity exceeds prices, it signals bad news for freight rates.

Our thoughts: The LMI overall increased 1.8 points to 58.3. This is the fastest rate of expansion in 18-months when the index read 61.2. However, the logistics industry is healthier now than it was then, as that previous reading in September 2022 was largely inflated by unwanted inventories, high warehousing costs, and an anemic freight market.

- Transportation capacity once again outpaced prices in March, which validates that there are still headwinds in the market.
- Prices decreased 8% month-over month to 53, but are 70.4% higher year-over-year (Y/Y), when the index read 31.1.
- Transportation capacity decreased 2.1% to 59.6, which is 16.5% lower Y/Y. Transportation capacity has only fallen under 60 three times since May 2022.

Bottom line: The growth in LMI is due to the buildup of inventories, the subsequent tightening of warehousing, and the ongoing slow yet steady recovery in transportation. The overall index is now at the low end of healthy levels of growth, closing in on the all-time average of 62.2



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.

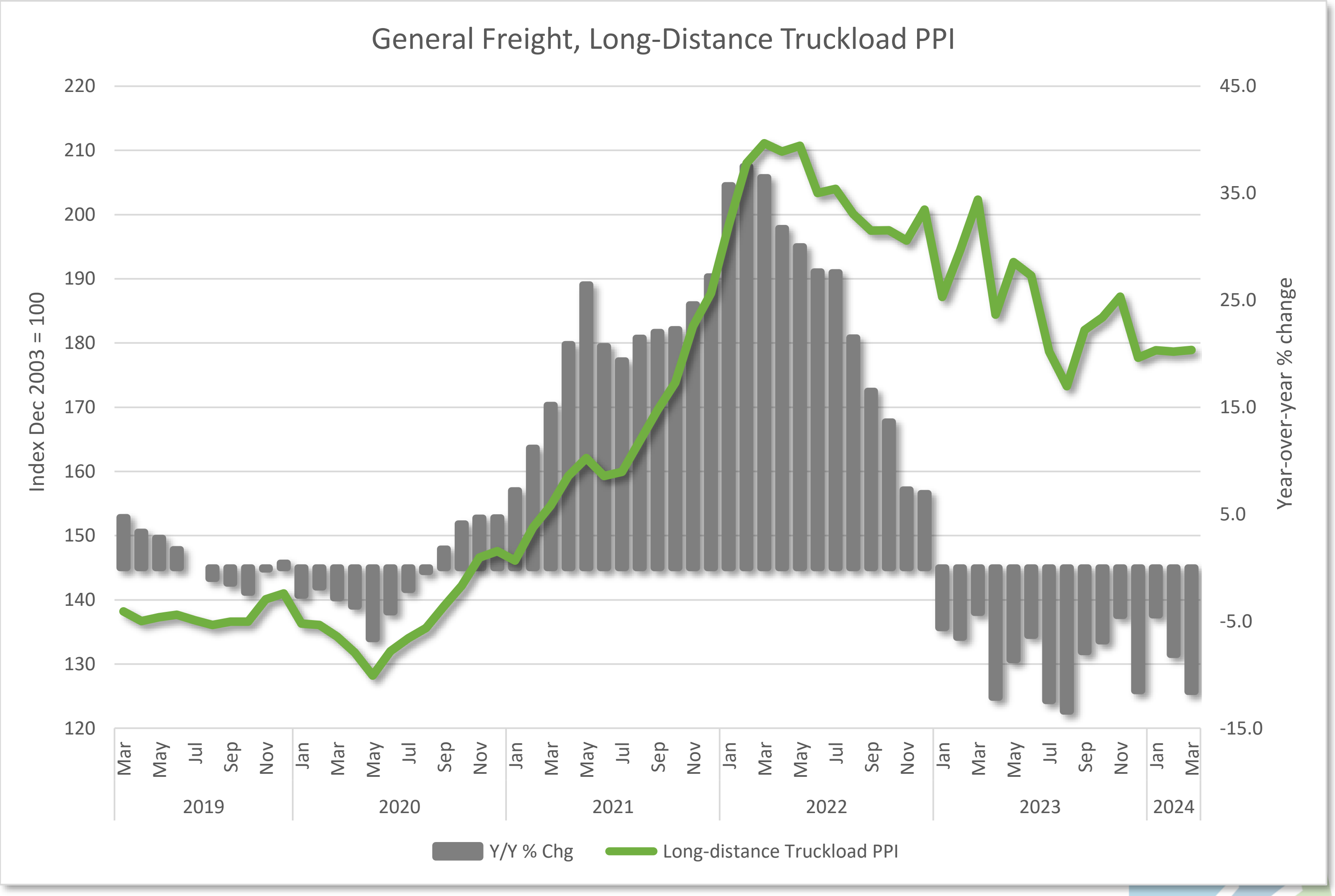
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index ticked upward in March after slightly declining 0.1% in February following readjustments. The index has decreased 15.1% since its high in May 2022.

- The long-haul PPI increased 0.1% to 178.9, month-over-month.
- The PPI is 11.6% lower year-over-year, but 7.0% above the 5-year trend.

While the PPI has climbed somewhat out of its' August 2023 trough, it has declined Y/Y for 15 straight months.

- Contrary to several articles out there, don't expect the new freight cycle to start materializing at least until the second half of 2024, and even then, don't expect it to be like previous cycles. The next cycle will be a slow gradual climb.



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

Costs: Diesel Fuel

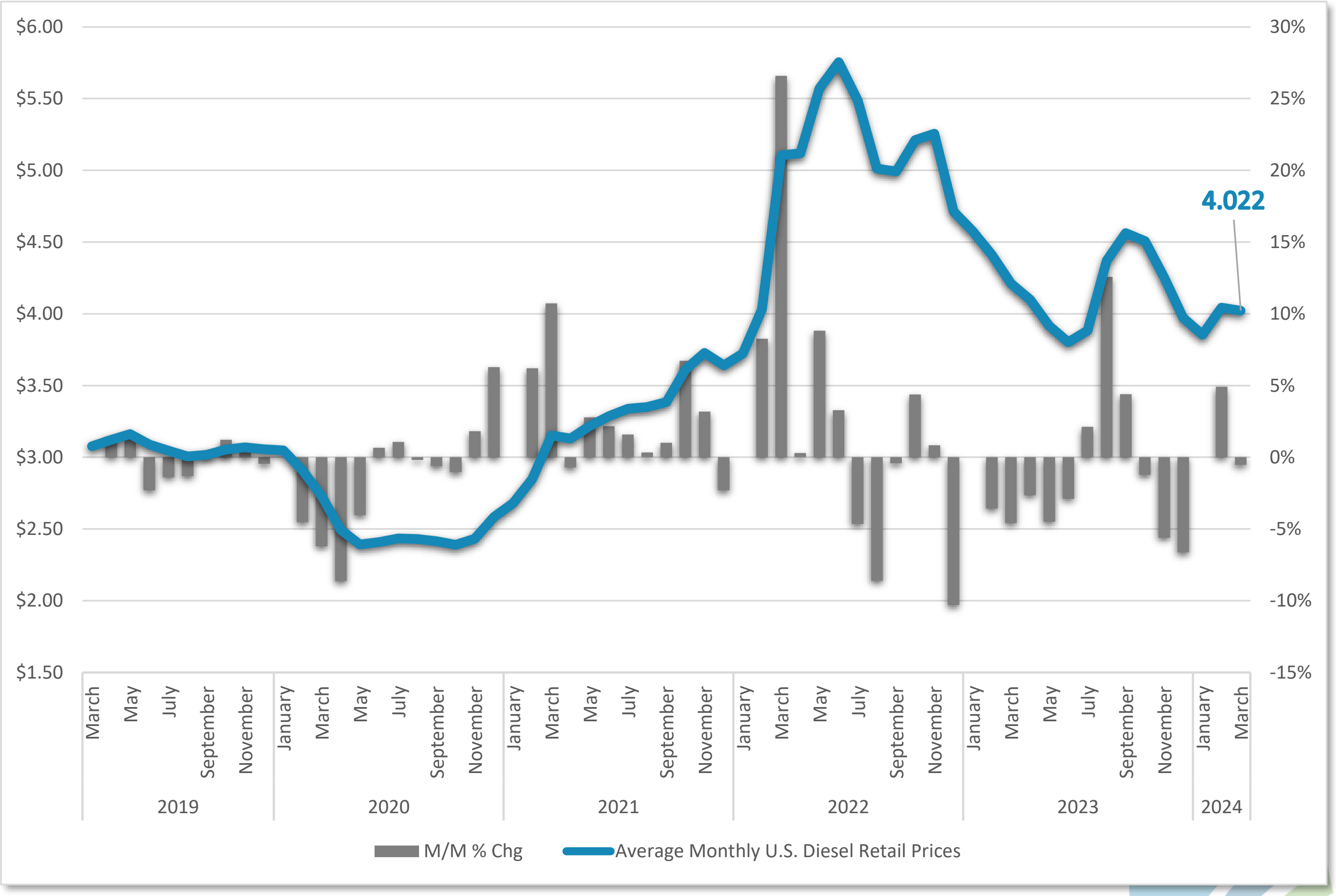
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 ticked downward $0.02 per gallon in March after jumping up $0.19 in February and falling $0.12 in January. Prices through March have declined $1.73 per gallon since the high of $5.75 in June 2022.

- The average price for diesel fuel declined 0.5% month-over-month to $4.02 per gallon, marking four months of decreases out of five.
- The average diesel price is 4.5% lower year-over-year when the cost was $4.21 per gallon, but 9.9%, or $0.36 per gallon, higher than the 5-year trend.
- The average price has been down year-over-year for 13 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.

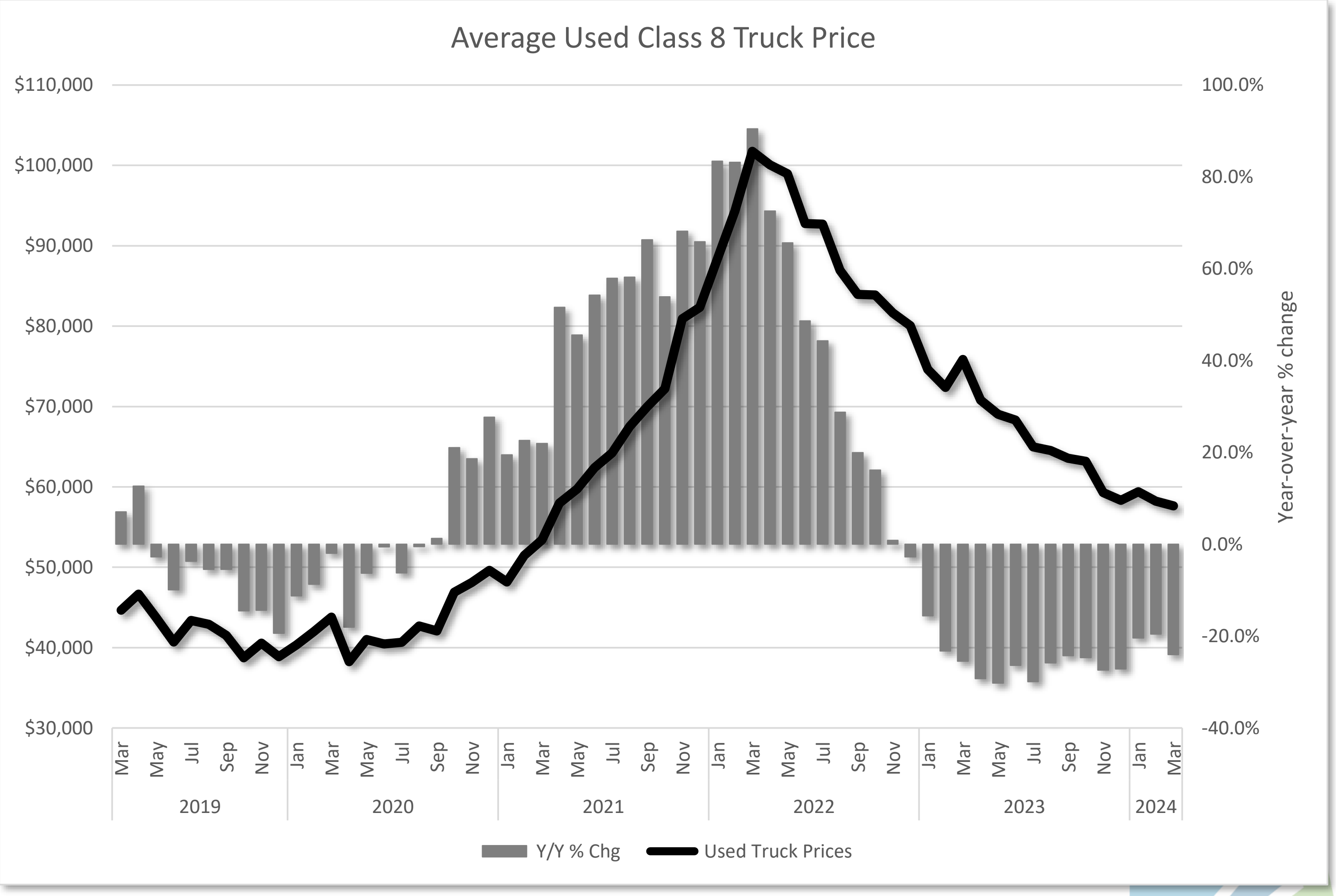
Why it matters: Used truck prices provide a good picture of the strength or weakness of the freight market. For example, monthly year-over-year decreases indicate that the market is in a downcycle due to weak demand.

- 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 continued their downward trend in March after falling 2% in February following readjustments. Prices have fallen 43.4%, or $44,106, since the high in March 2022, but remain significantly above than the 2019 average of $42,769.

- Used Class 8 truck prices decreased $582 to approximately $57,630.
- This is 24% lower year-over year, and 6.8% below than the 5-year trend.

Year-over-year comparisons have been negative for 16 consecutive months, which does not bode well for the overall freight market though it does help to lower costs.



Source: ACT Research | https://www.actresearch.net/ | Monthly | May’s numbers are preliminary