OOIDA Foundation

RESEARCH
SAFETY
EDUCATION

March 2024

MARKET UPDATE

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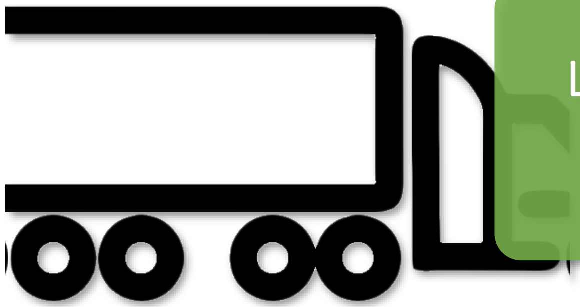
Market Summary

Volume/Demand

Rising ↑

Capacity



Loose ↓

Rates

Bottoming ↔

Operating Costs

High ↑

Future Outlook

Negative −

Spot Market Cycle Indicator (SMCI)

The big picture: Data available through DAT has effectively identified the previous three market cycles, as demonstrated by Eric W. and Jason Miller. They call it the Spot Market Cycle Indicator, or SMCI.

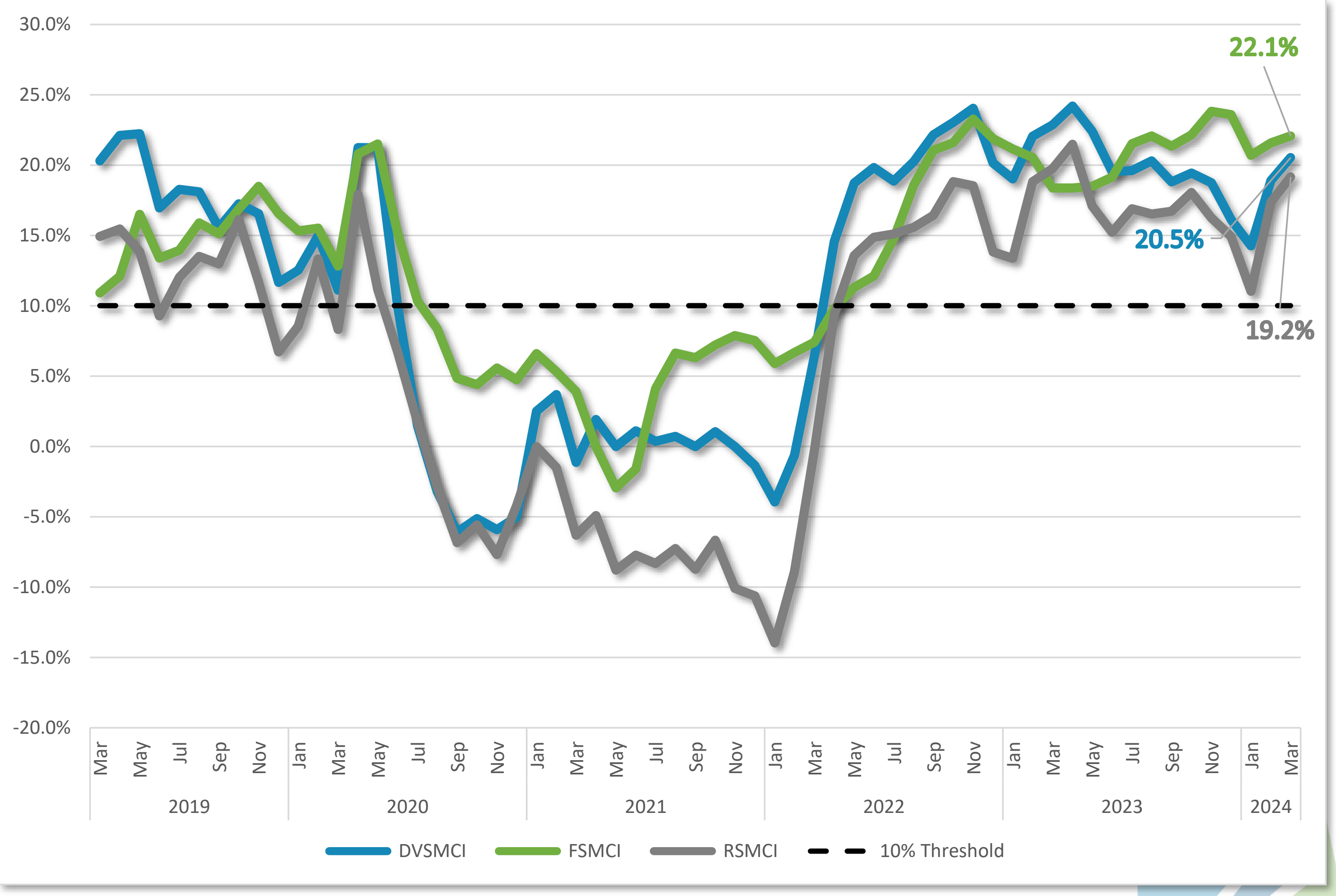
Why it matters: Whenever the SMCI for dry van (DVSMCI), flatbed (FSMCI), or reefer (RSMCI) crosses above the 10% threshold, the spot market enters into bear territory.

- The market crossed that threshold in July 2015, August 2018, and April 2022, which corresponds to commonly accepted periods of downcycles.
- The opposite is also true, the market entered bull territory in May 2013, October 2017, and July 2020.

Our thoughts: As we have already stated, the market has a long way to go before in turns upward again. All three SMCIs increased in March marking two straight months of increases.

- The DVSMCI rose 8.6% month-over-month (M/M) to 20.5% but is 10.2% lower year-over-year (Y/Y).
- The FSMCI increased 2.2% M/M and is 20.1% higher Y/Y.
- The RSMCI rose 10.4% M/M but is 3% lower Y/Y.

Bottom line: Though it seemed like the SMCIs were about to cross the 10% threshold in January and though there were some positive signs in March, such as an increase in load-to-truck ratios, we're still in a trough in regards to demand overall.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

SMCI = (Contract – Spot) / ((Contract + Spot)/2)

Van Market Outlook

Van Market Outlook

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

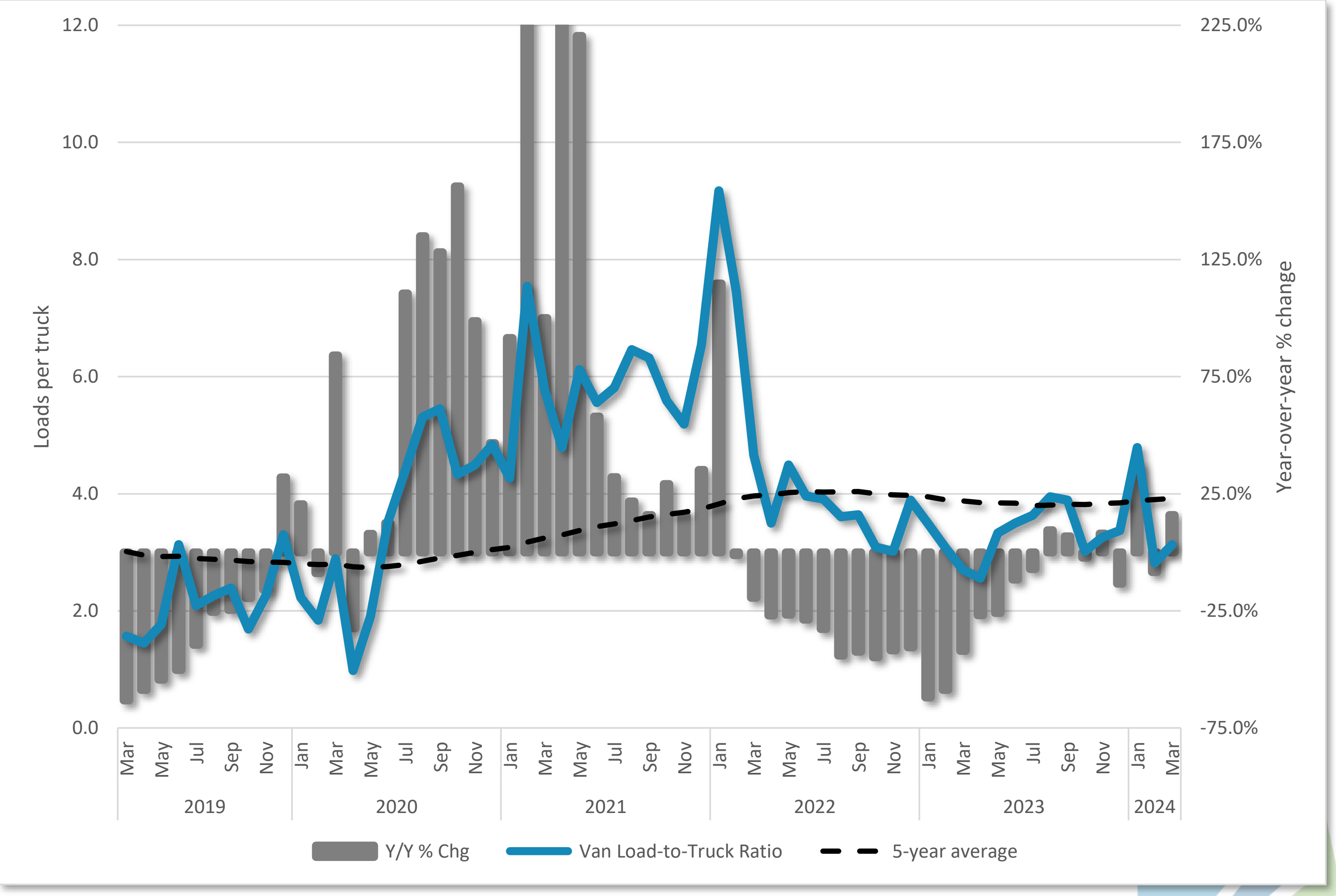
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: The Van Load-to-Truck ratio rebounded in March, but some of that is due to seasonality. Demand typically starts to tick upward about this time of the year as we head into April. The ratio is sitting above 2019 levels.

- The Van Load-to-Truck Ratio increased 11.0% month-over-month to 3.13, after plunging 45.7% last month.
- The ratio is 15.9% higher than last year and 20.1% lower than the 5-year trend.

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

- Unlike last month, 9 regions experienced increases in demand. The greatest increase was in the California region where ratios rose 99.4%, from 1.8 to 3.59, followed by South Central where ratios rose 72.1% from 3.78 to 6.52.



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

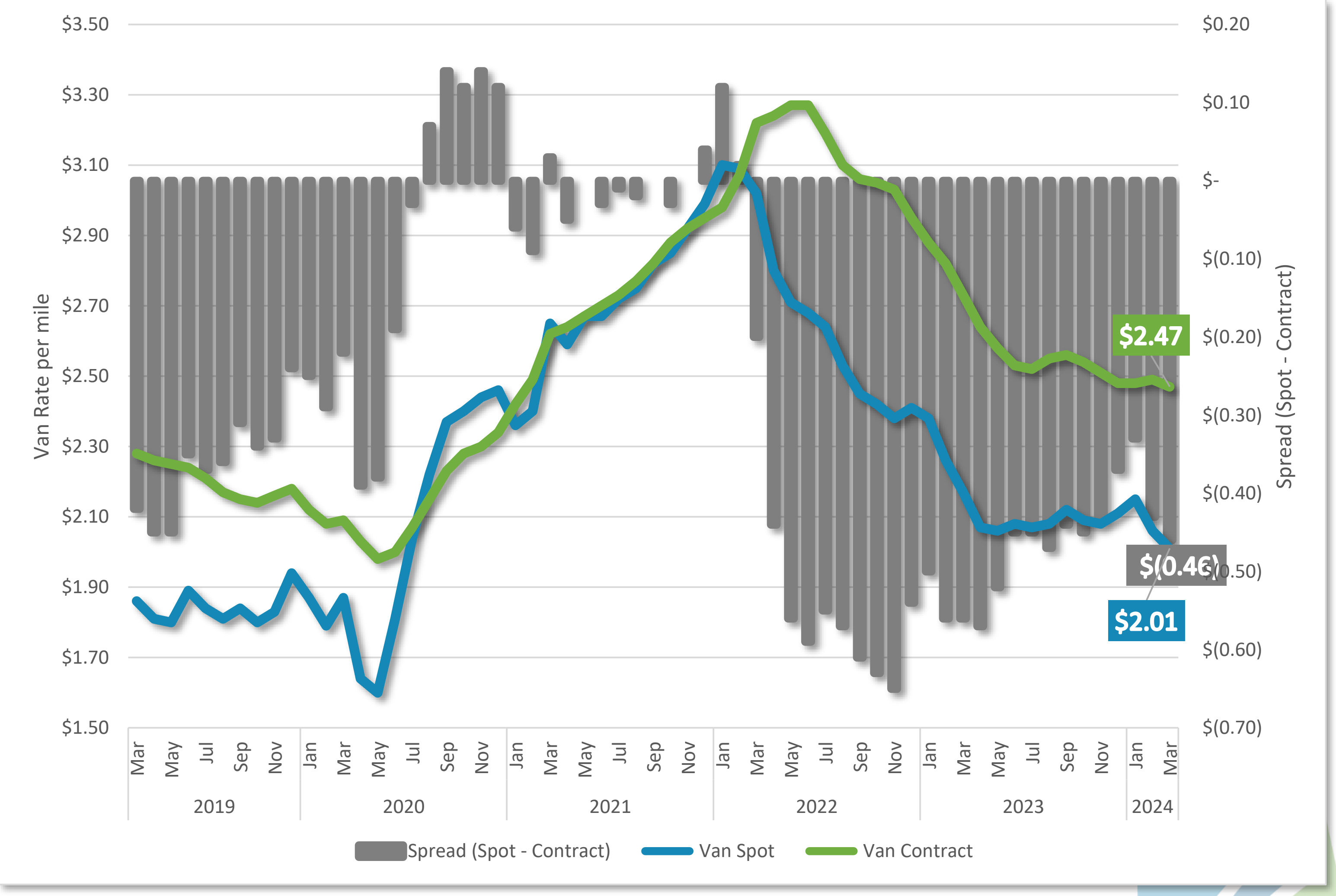
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Both spot rates and contracts declined in March.

- Spot rates for vans decreased $0.05 per mile month-over-month to $2.01, marking two months of decreases, and are $0.16 per mile lower than last year.
- Contract rates decreased by $0.02 to $2.47 per mile following adjustments, which means the spread between contract and spot deepened by $0.3 to $0.46, which is 17.9% better Y/Y when the spread was $0.56.
- Spot rates are 12% below the 5-year trend, while contract rates are 3.7% below.

DAT's ratecast model predicts spot rates excluding fuel will remain flat as we head in to May, but then rise about $0.10 per mile by the end of May. This is due to seasonality.

- DAT's extended forecast has van spot rates excluding fuel falling $0.04 per mile in April, and experiencing a gradual decline until June 2024.
- DAT's extended forecast believes rates excluding fuel will reach $1.71 per mile one year from now.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

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.

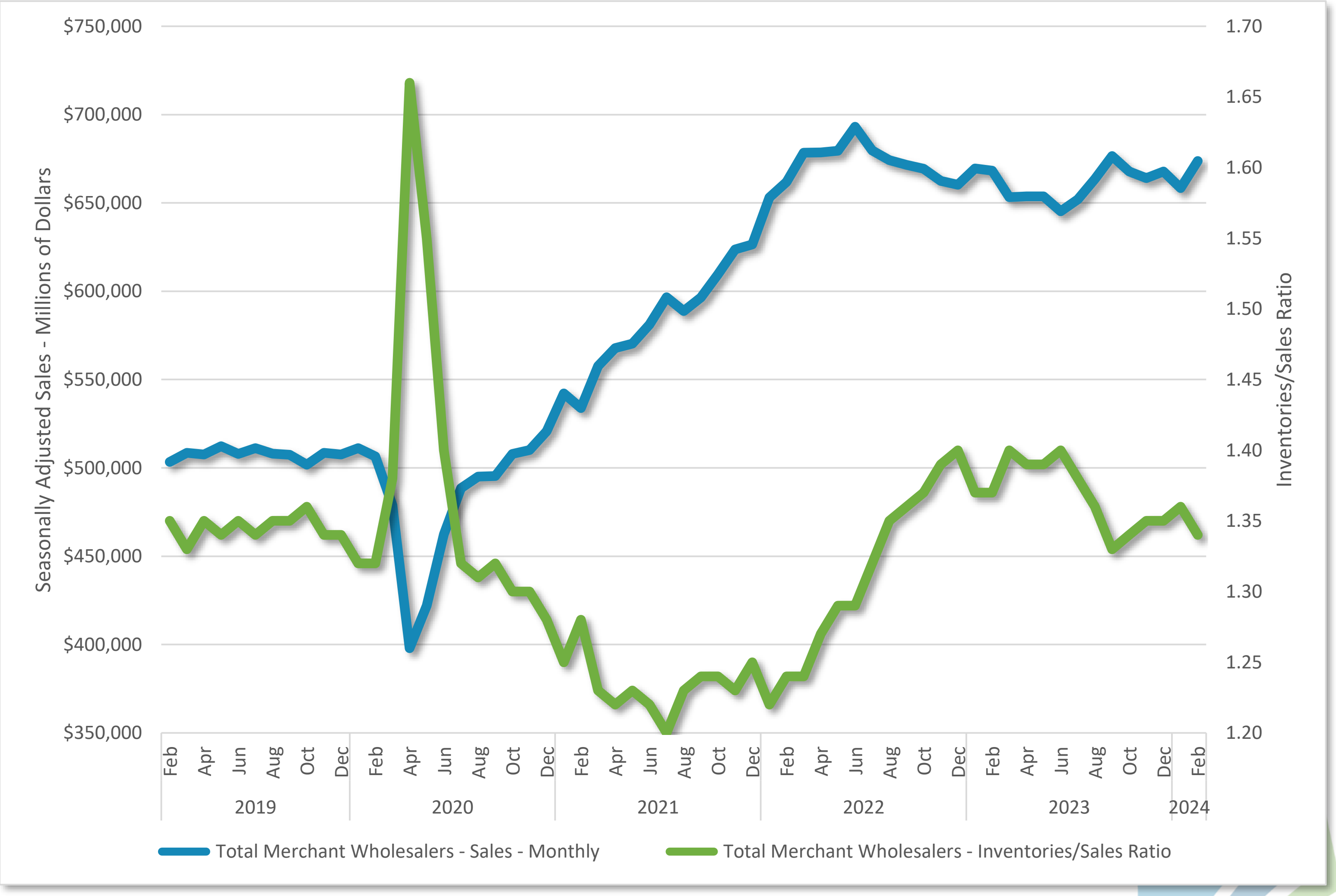
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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, while monthly sales increased in February. While the inventory-to-sales ratios fallen 4.3% since their peak in June 2023, demand has not increased, which is why the current freight downcycle is continuing even despite inventory rightsizing.

- Sales increased \$15.38 billion to \$673.73 billion, and are 0.8%, or \$5.48 billion, higher year-over-year. This is the fourth Y/Y increase in 12 months. Sales are 4.4% higher than their trough in June 2023.
- Ratios decreased 1.5% month-over-month to 1.34, and are 2.2% lower than last year, marking six straight months of Y/Y decline. Ratios are 0.6% lower 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

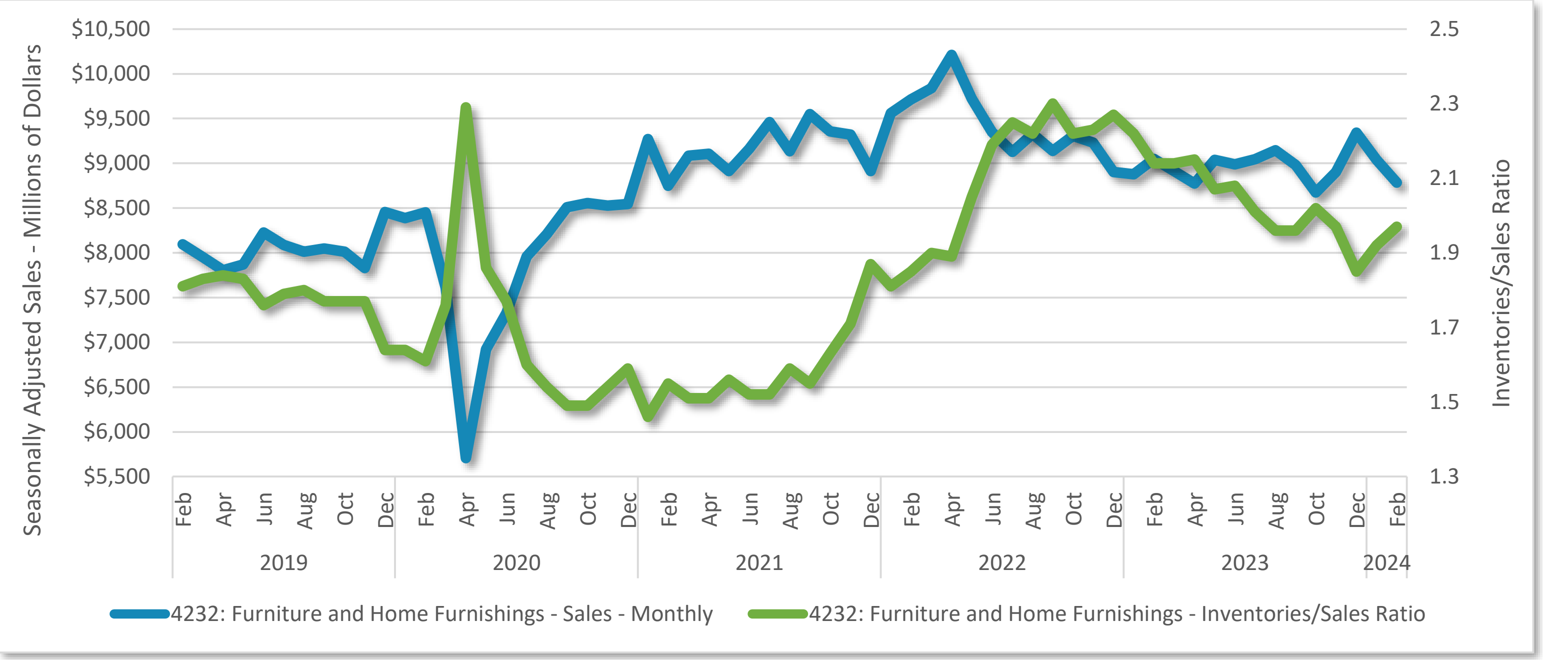
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

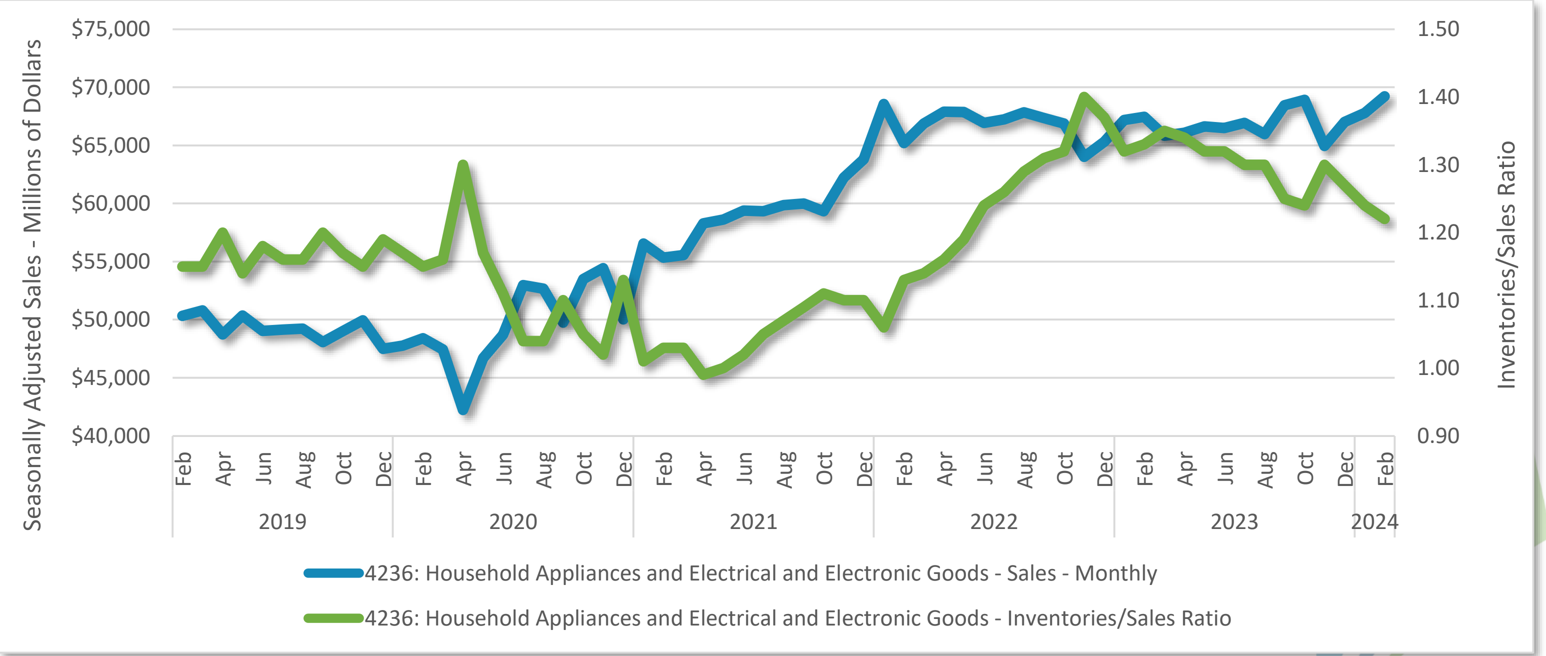
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Furniture wholesalers experienced a decrease in sales and an increase in inventories, while household appliance wholesalers moved in the opposite direction.

- Furniture Sales decreased 2.8% to $8.78 billion after falling 3.3% in the previous month, while ratios jumped 2.7% to 1.92. Ratios, however, have fallen 13.5% from their peak in December 2022.
- Compared to last year, sales fell $262 million, or 2.9%, and ratios have decreased 8.1%.
- Household appliances sales increased 2.1% to $69.23 billion, and ratios decreased 1.6% to 1.22.
- Sales are $1.77 billion higher than last year, marking four straight months of Y/Y increases, and ratios are 8.3% lower, marking six straight months of Y/Y decreases.

Although inventory levels are lower now than at the start of 2023 (11.5% for furniture and 7.6% for household appliances), increased demand has yet to materialize for both of these industries. However, household appliances have performed well since the start of 2024. Hopefully, this trend will continue.





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:

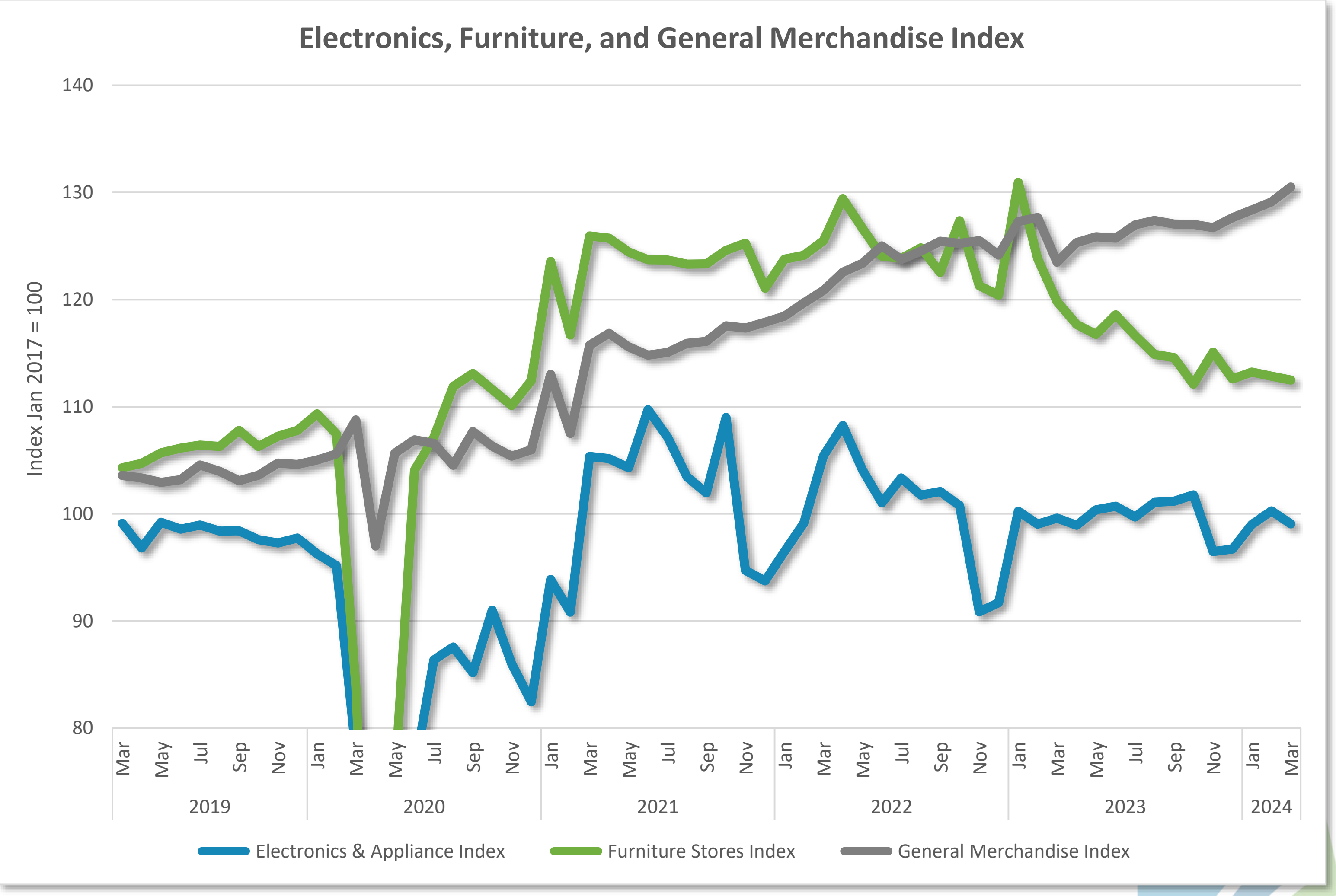
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

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 FS declined in March, while GMS continued its steady rise.

- EAS decreased 1.2%, or $94 million, M/M to $7.63 billion, ending two straight months of increases following adjustments. EAS is 0.6%, or $43 million, lower Y/Y.
- FS decreased 0.3% M/M to $10.67 billion, and is 6.1%, or $697 million, lower Y/Y. FS has declined Y/Y for 14 straight months.
- GMS increased 1.1% M/M, or $808 million, to $75.19 billion, and is up 5.7%, or $4.03 billion, Y/Y. GMS has increased Y/Y for an outstanding 47 straight months.



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

Flatbed Market Outlook

Flatbed Market Outlook

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

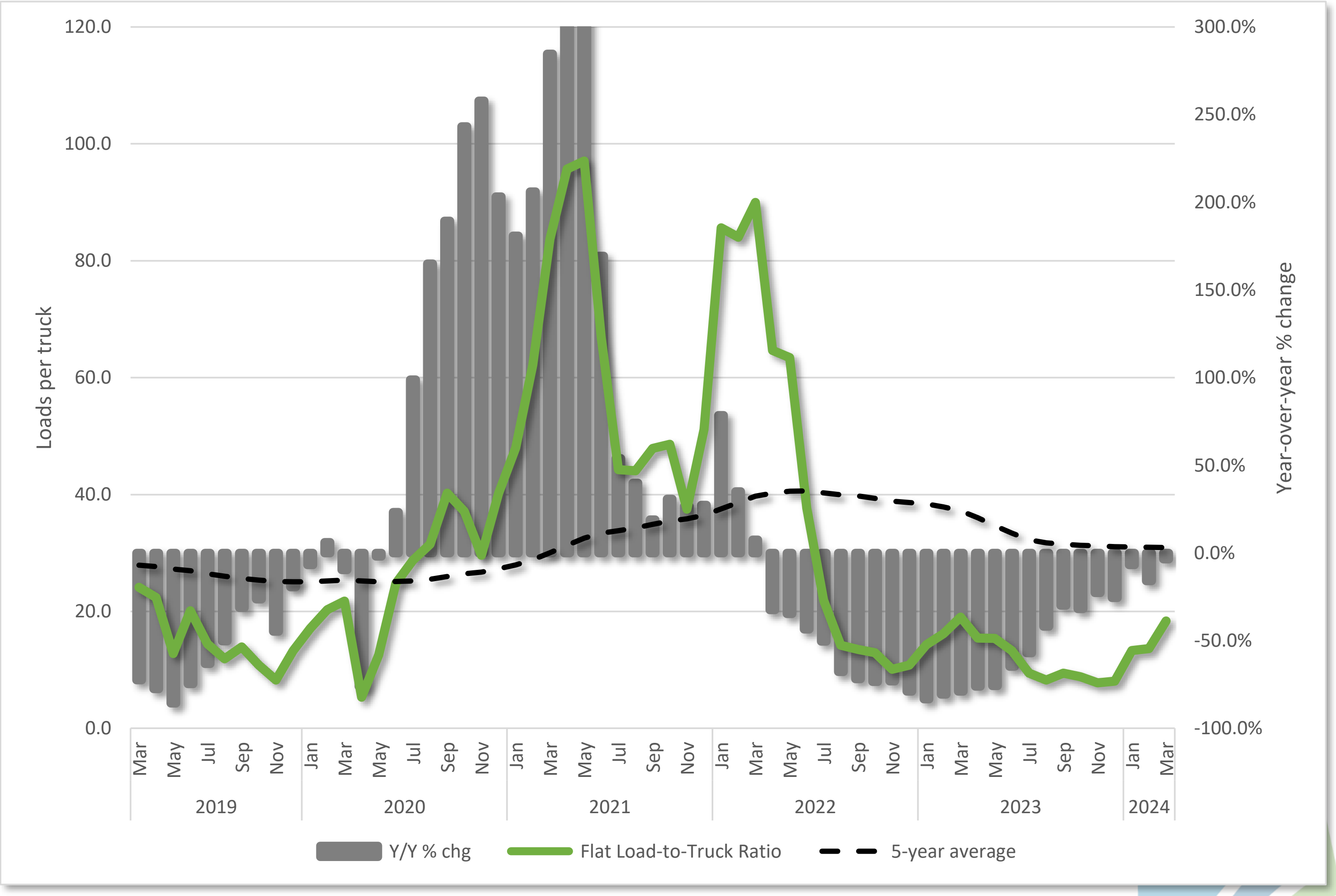
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: Load posts increased again in March, which is typical for this time of year. The ratio is now 16.2% above 2019 levels.

- The Flatbed Load-to-Truck Ratio jumped 34.5% month-over-month to 18.35, after increasing 2.5% last month.
- The ratio is 3.5% lower than last year when there were 19.02 loads for every truck. The ratio has declined year-over-year for 24 straight months, but the rate of decline has slowed significantly.
- The ratio is 40.7% below the 5-year trend.

When looking at the different regions across the country, ratios were more favorable for carriers operating in the Southeast, Carolina, and Florida-Southern Georgia regions, respectively.

- 12 out of 16 regions experienced an increase in load-to-truck ratios for flatbed. The greatest being the California region, which jumped from 4.61 to 17.16.



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

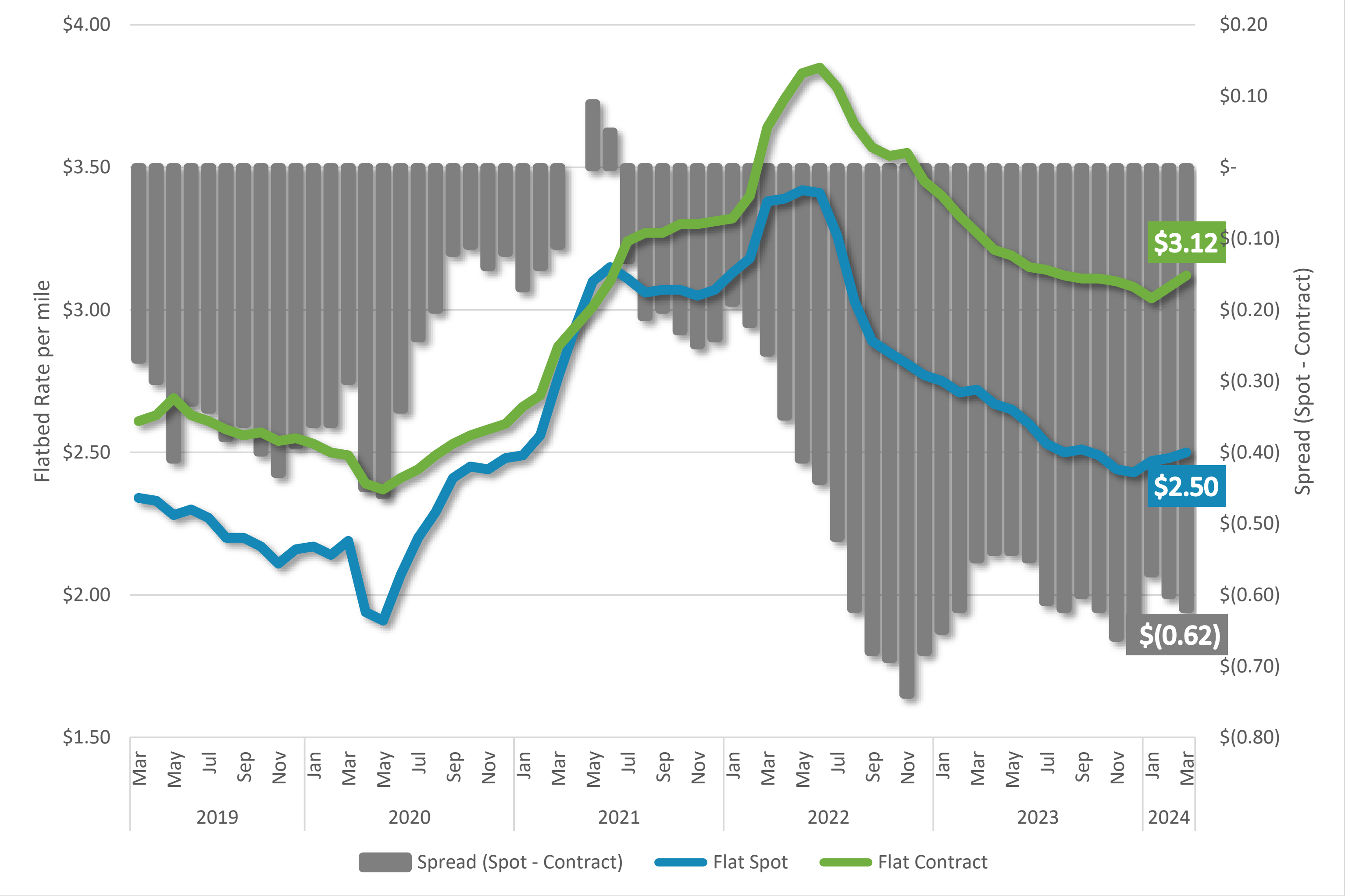
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates ticked upward again in March, after increasing $0.01 per mile last month.

- The spot market increased $0.02, or 0.8%, to $2.50 per mile month-over-month, and is $0.22 lower year-over-year when it was $2.72.
- The contract market increased $0.04 to $3.12 per mile following adjustments, which is $0.15 lower than last year.
- The spread between contract and spot grew $0.02 to $0.62, which is 12.7% better than a year ago when it was $0.55.

DAT's ratecast predicts that spot rates excluding fuel will continue to perform well, rising about $0.05 per mile as we head into the end of May.

- DAT's extended forecast predicts that flatbed spot rates excluding fuel will fall less than a penny in April and then steadily increase until June 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.

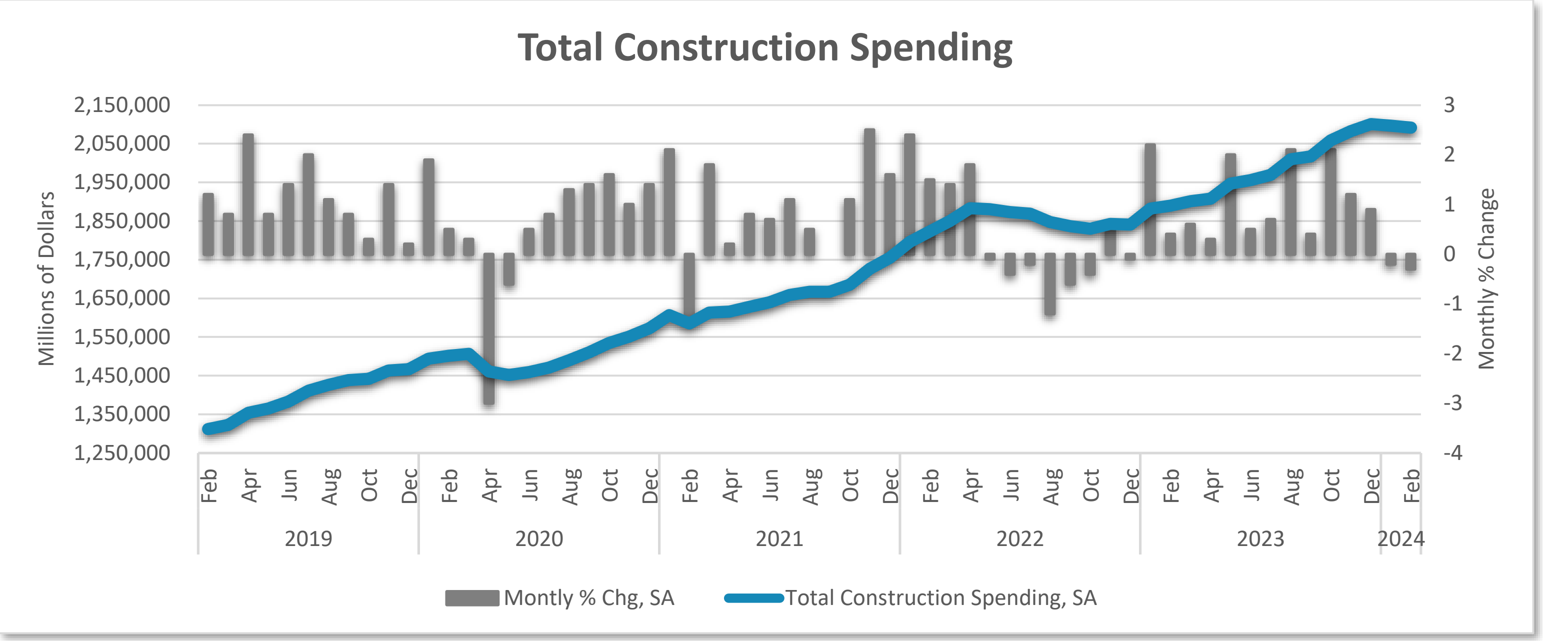
- Construction spending encompasses various expenses, such as labor and materials,
- and sectors, such as highway and street spending.

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

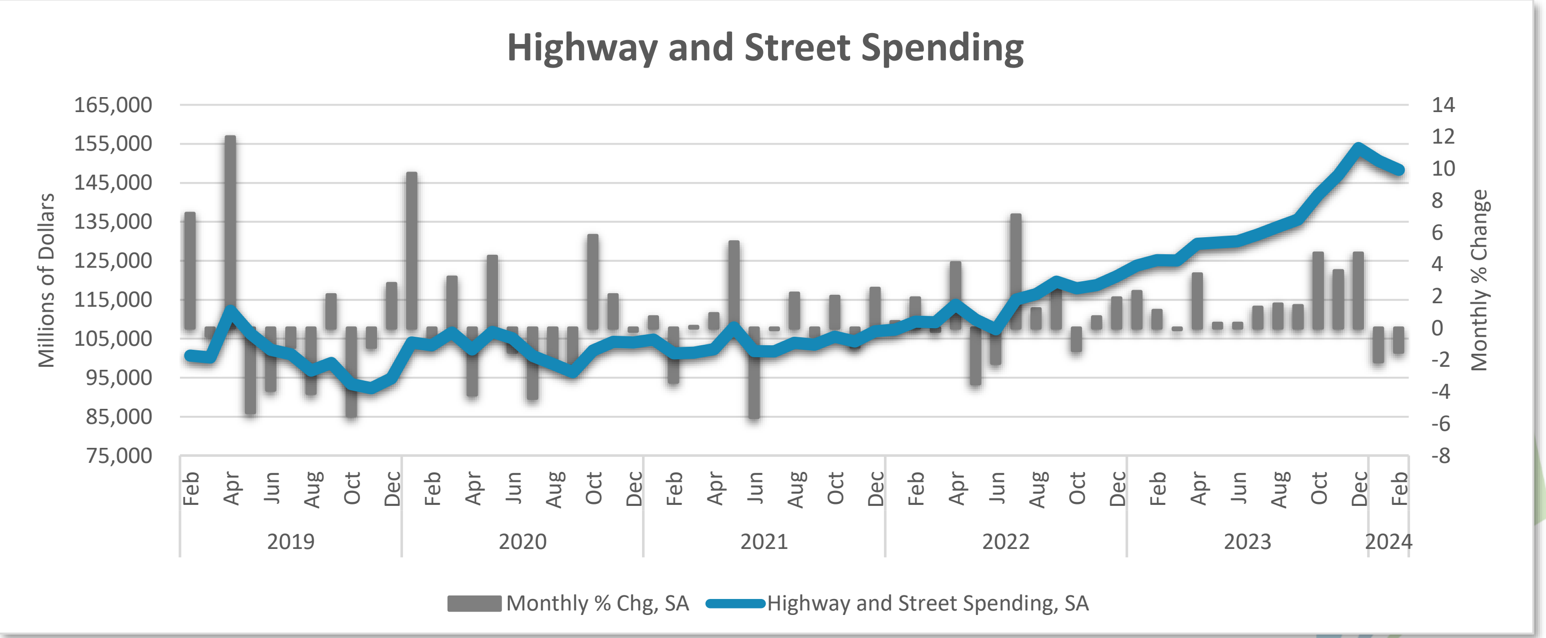
- It also is a good indicator of future demand for those owner-operators pulling flatbed trailers, as a variety of materials and goods are transported this way to construction sites.

Our thoughts: Total construction spending (TCS), highways and streets (HSS) spending, and non-residential spending (NRS) decreased again in February.

- TCS decreased for the second consecutive month by 0.3%, or $5.41 billion, to $2.09 trillion, which is $201.9 billion, or 10.7%, higher year-over year, and 23.5% above the 5-year trend.
- HSS also decreased for the second straight month. Decreasing 1.5% to $148.3 billion, but is up 18.5%, or $23.2 billion, year-over-year.
- NRS, not pictured, fell 1.0% to $1.18 trillion, marking two consecutive months of decreases. NRS is up 14.2% year-over-year, and 27.6% above the 5-year trend.



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:

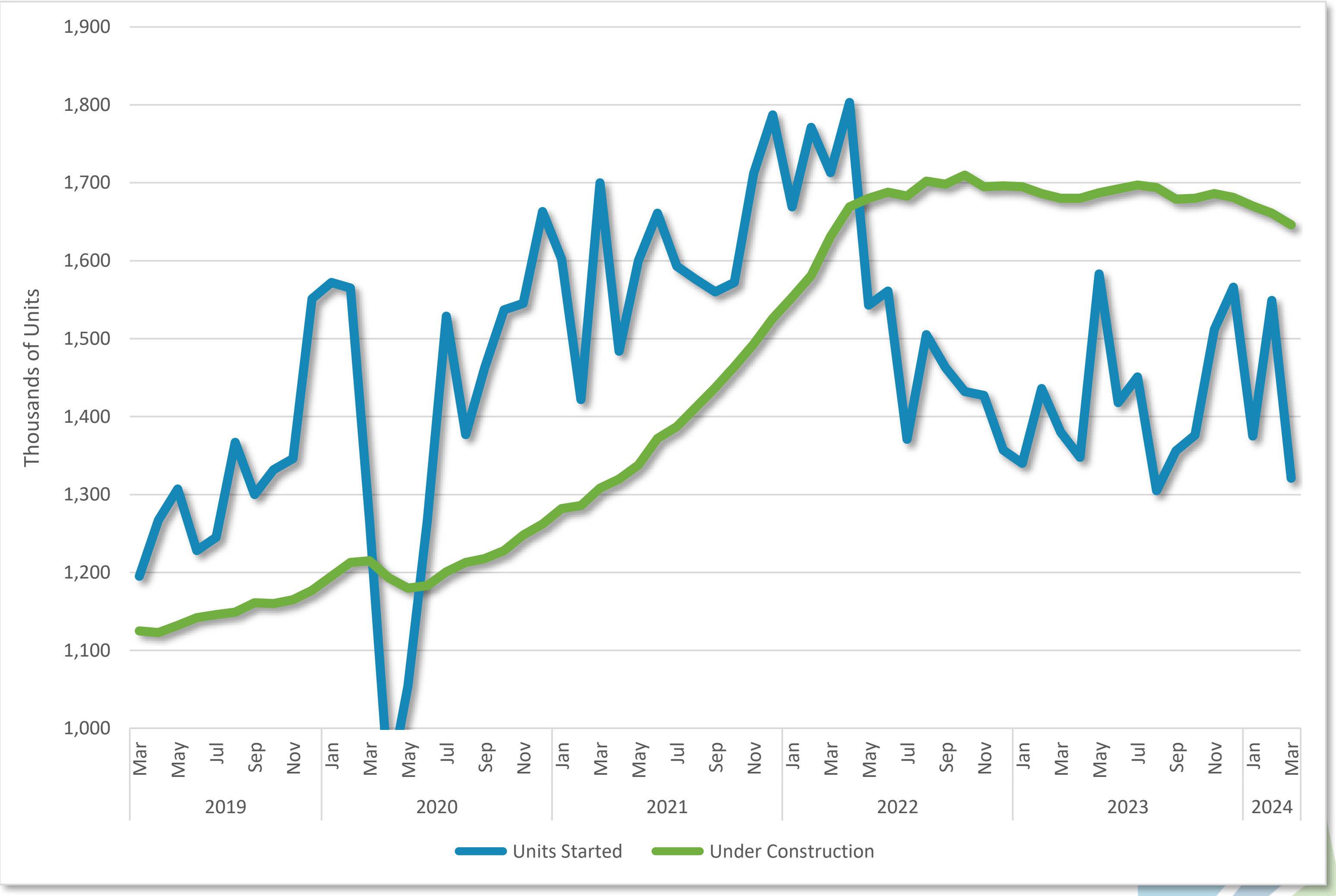
- Housing starts, and
- Housing under construction.

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 plummeted in March following a 12.7% jump in the previous month after adjustments. Housing has been resilient over the past few quarters because homeowners are reluctant to put their current homes on the market due to lower mortgage rates. This has created a scarcity of homes for sale, causing individuals to build instead of buy. However, inflation has yet to cool off, which may create future headwinds.

- New starts decreased 14.7%, or 228,000 houses, month-over-month to 1.321 million, and are down 4.3%, or 59,000 homes year-over-year (Y/Y), ending four consecutive months of increases.
- Houses under construction ticked downward 0.9% to 1.646 million, and are 2.0% lower Y/Y.
- Completed houses dropped 13.5% month-over-month and are down 3.9%, or 59,000 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).

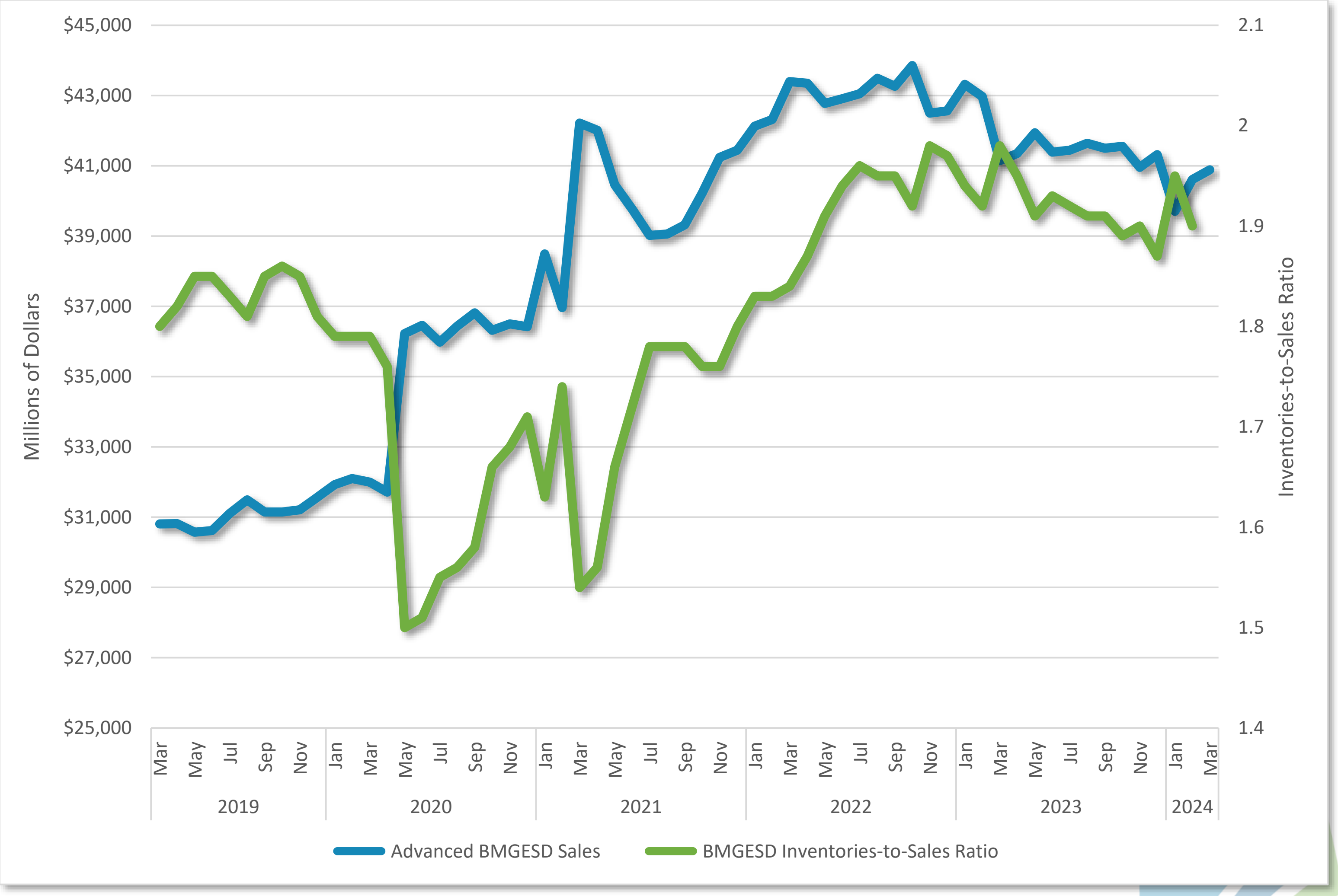
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales rose in March after increasing 2.3% in the previous month following adjustments, while inventories decreased in February as retailers continue to right-size their inventories.

- The BMGESD retail sales increased 0.7% month-over-month to $40.88 billion, but are 0.6%, or $260 million, lower year-over year.
- Sales are $2.4 billion higher than the 5-year average.
- Inventories-to-sales ratios dropped 2.6% to 1.90 in February, and are 4.0% lower year-over-year.

BMFESD retailers continue to struggle with high inventory levels. In fact, inventories are 4.1% above 2019 levels. This a significant headwind for future freight demand, as demand overall remains low.



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

Reefer Market Outlook

Reefer Market Outlook

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 reefer 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 three key economic indicators that directly impact the reefer market:

1. USDA Average Refrigerated Truck Rates
2. USDA Refrigerated Truck Volumes
3. USDA Truck Availability Data

Demand: Reefer 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.

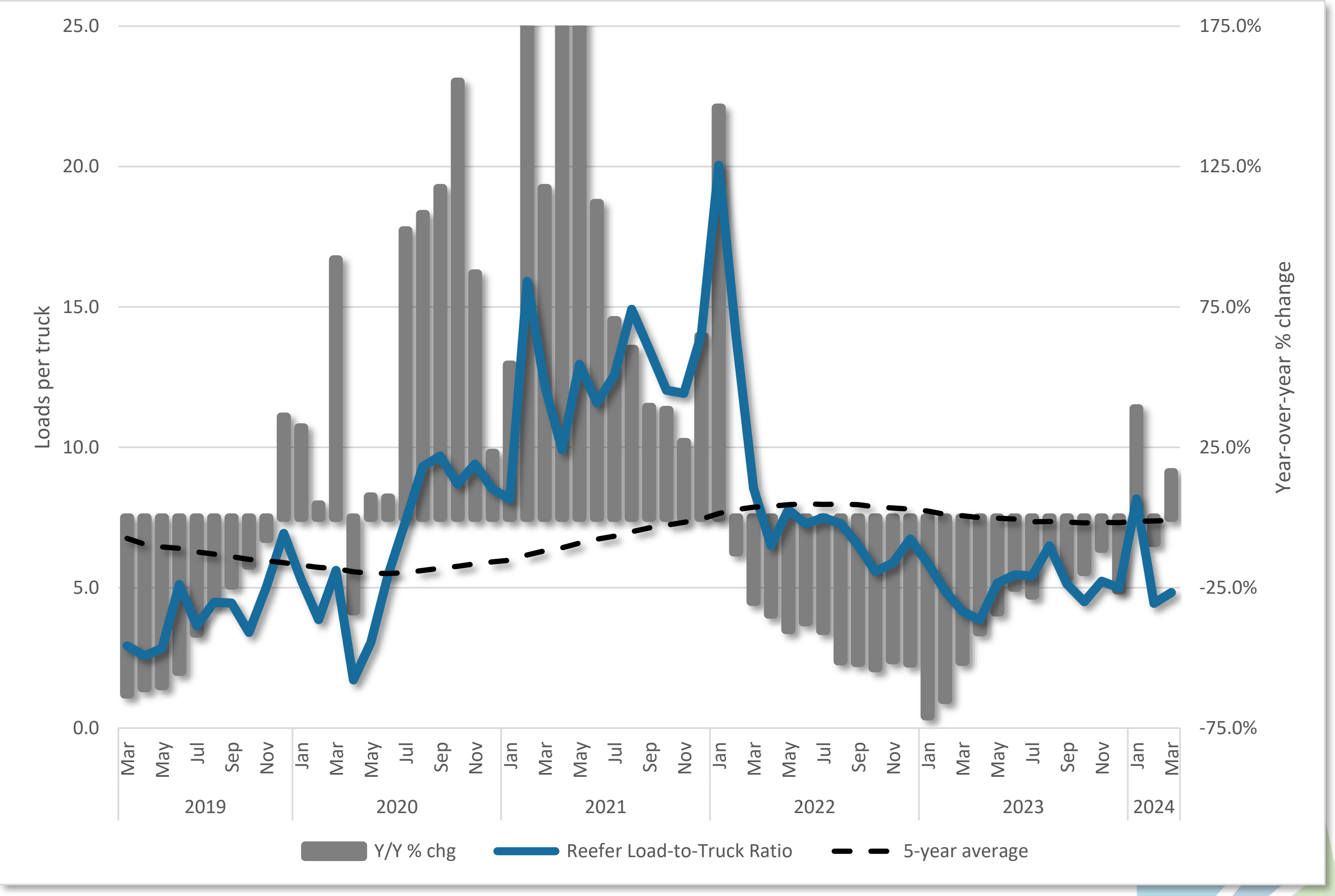
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: Reefer demand rebounded some in March following a 45.5% plunge in the previous month. This follows the usual seasonal trend. Volumes typically fall in April and then bounce back up until June.

- The ratio jumped 8.5% month-over-month to 4.83 loads to every one truck posted.
- The ratio is 16.1% higher than last year when the ratio was 4.2, but is 34.7% below the 5-year trend.
- The ratio has declined year-over-year for 23 out of 25 months. January and March 2024 were the lone increases.

When examining the different regions of the country, conditions were more favorable for carriers operating in the Upper Mountain, South Central, and California regions, respectively.

- 6 out of the 16 regions experienced an increase in load-to-truck ratios for reefer, compared to just one last month. The greatest increase was in California.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Rates: Reefer 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

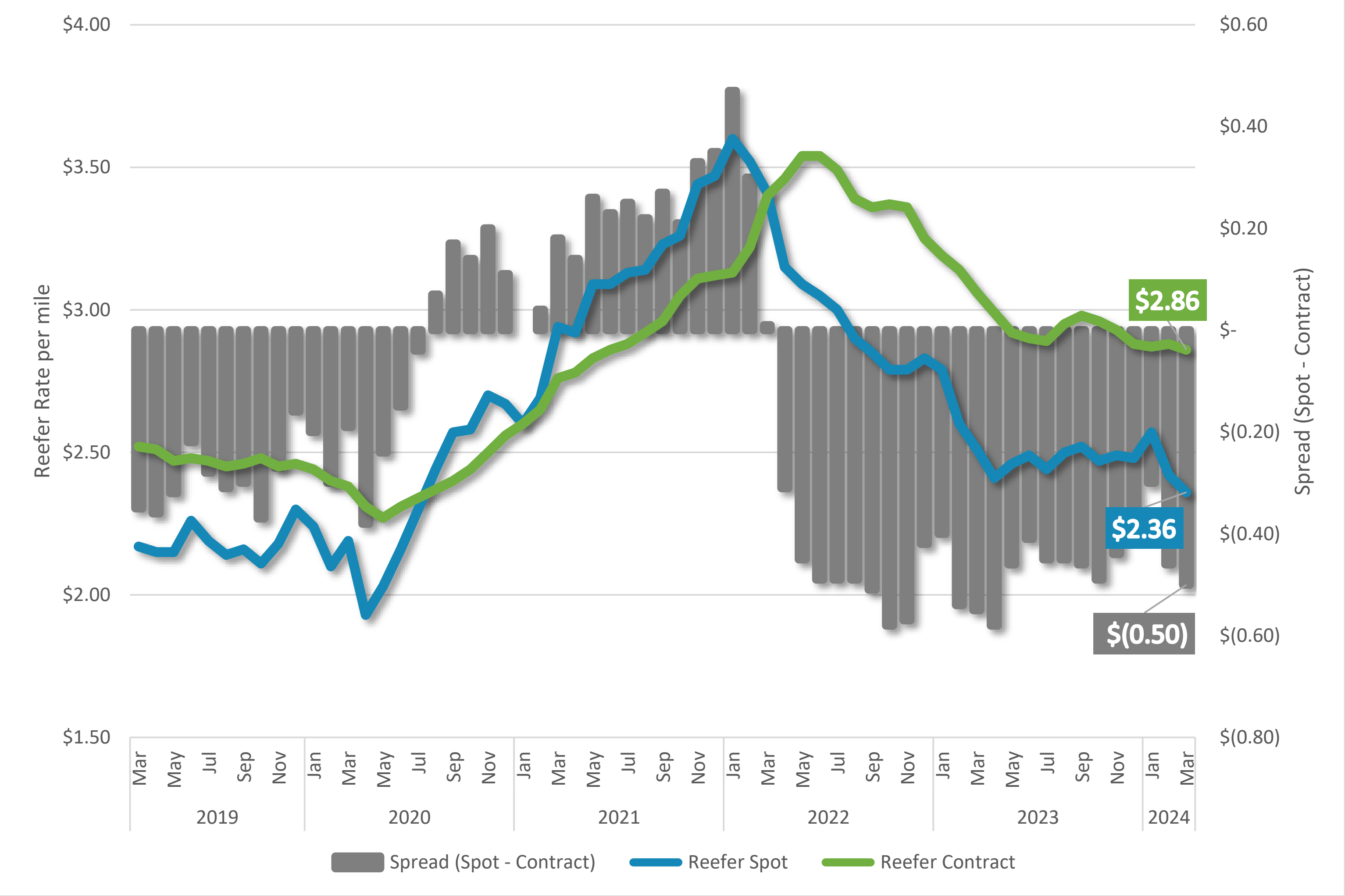
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates fell month-over-month in March following a 5.8% drop in the previous month following adjustments.

- Spot rates decreased $0.06, or 2.5% to $2.36 per mile, and are down $0.15 since last year.
- Contract rates also decreased. Dropping $0.02 to $2.86 per mile, which is $0.20 below where we were last year.
- The spread between spot and contract grew $0.04 to $0.50 but is 9.1% better compared to a year ago.

DAT's ratecast is forecasting that spot rates excluding fuel will rise about $0.10 per mile as we head into the end of May due to seasonality. However, this might be unlikely.

- DAT's extended forecast for reefer spot rates excluding fuel predicts that rates will fall $0.05 in April to $1.875, and then rise steadily until September 2024.
- DAT predicts rates will be $2.04 a year from now.



Source: DAT Trendlines | https://www.dat.com/industry-trends/trendlines | Monthly

Fruit and Vegetable Industry: USDA Average Truck Rates

The big picture: The U.S. Department of Agriculture (USDA) collects data concerning the average truck rates for hauling fruit and vegetable goods.

- USDA averages the rates over region and commodity.

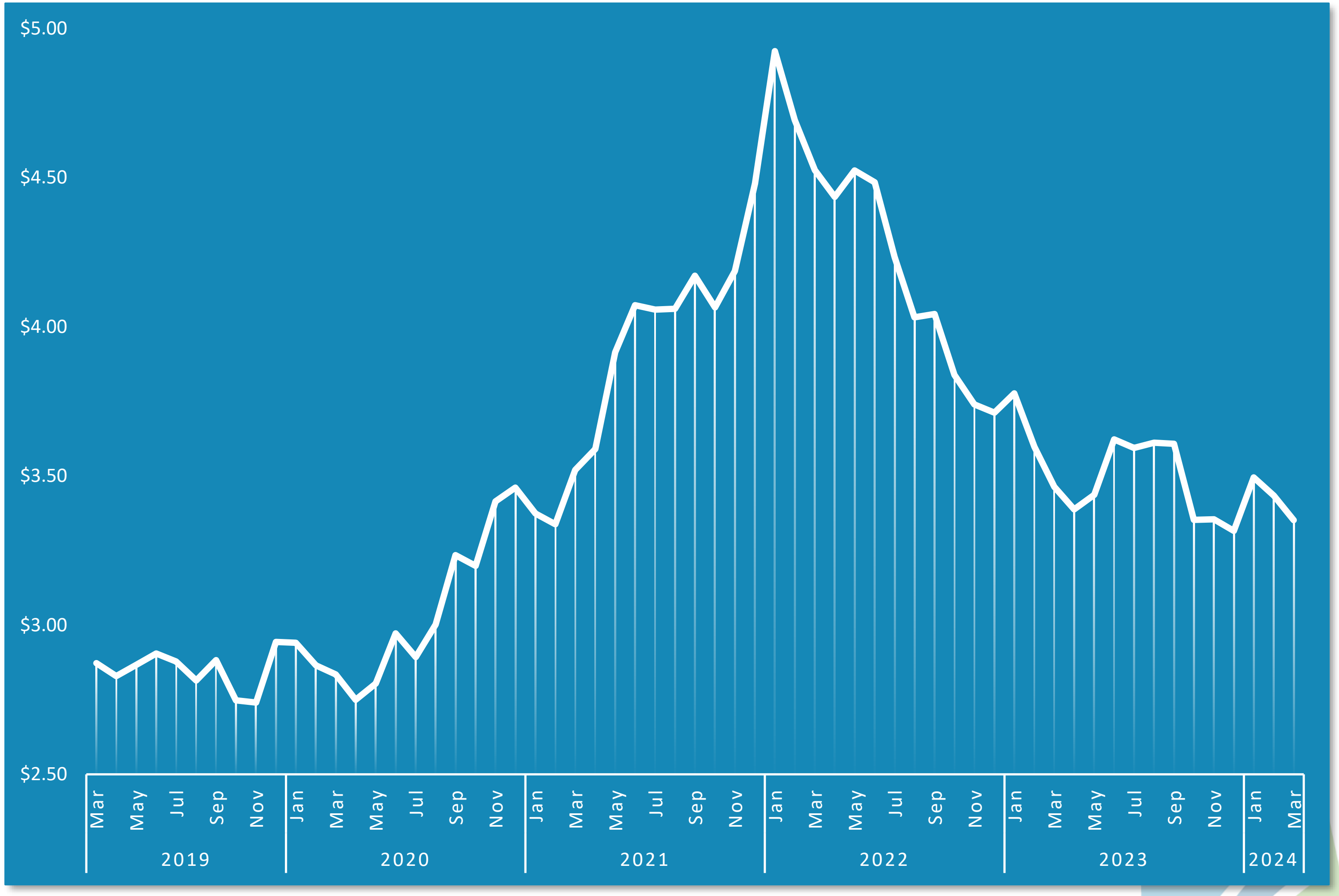
Why it matters: Produce requires fast and efficient movements of perishable commodities.

- The USDA published rates gives the owner-operator a pulse of the reefer market.

Our thoughts: Fruit and vegetable reefer rates are 31.9%, or $1.57 per mile, below their high in January 2022, but 16.4% above 2019 levels.

- Rates per mile decreased 2.4%, month-over-month to $3.35 in March, after declining 1.8% in February, which follows the typical seasonal trend.
- Rates are $0.11 per mile, or 3.2%, lower year-over-year, and are $0.18 per mile, or 5%, lower than the five-year trend.

According to USDA, carriers in the Pacific Northwest region experienced the greatest decrease in pay per mile month-over-month, falling $0.38 per mile to $3.00. Oddly enough, the Pacific Northwest was the only region to see a decrease.



Source: USDA| https://agtransport.usda.gov/stories/s/56s5-rpde | Weekly

Fruit and Vegetable Industry: Truck Volume

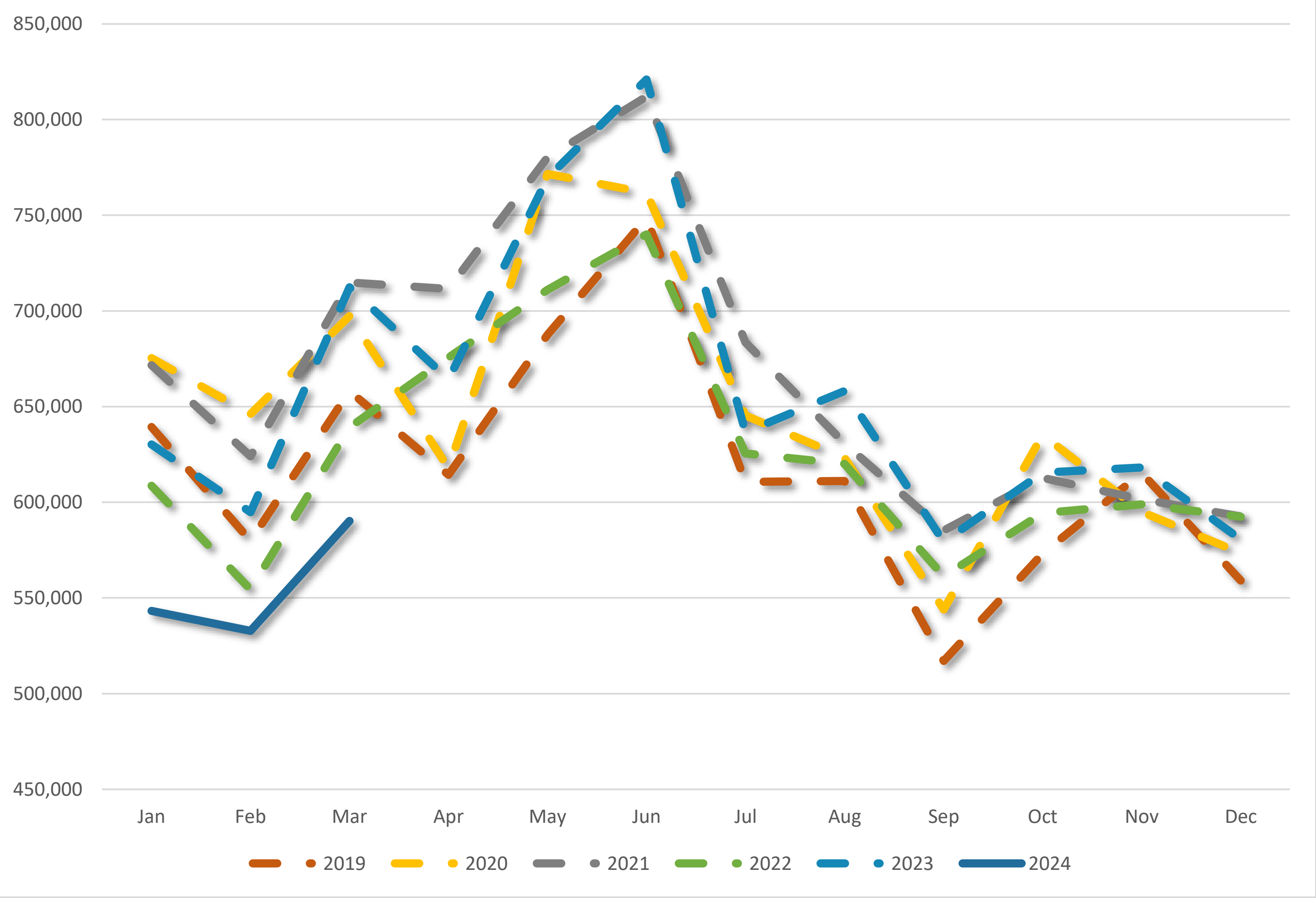
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight for different regions and commodities.

Why it matters: This information is a barometer for the health of the overall reefer market.

- It also provides visibility into what exactly is driving reefer rates, either volume, capacity, or a combination of both.

Our thoughts: Reefer volumes jumped in March after experiencing a 1.9% decrease in February following adjustments. The chart depicts that volumes are following the typical seasonal pattern, albeit at a lower level.

- Reefer volumes increased 10.8% month-over-month to 590,231 pounds, and are 17.1%, or 122,130 pounds, lower year-over-year. Volumes are 4% below 2019 levels.
- The California region jumped 74.3% month-over-month, but is 68.4% lower compared to last year.
- Almost every region experienced an increase in volumes, including Florida, Mexico-California, and the Southeast. In fact, 69% of the regions saw volumes rise month-over-month.
- The Mexico-New Mexico region experienced the greatest decrease in volumes. It fell 71.8%, from 2,312 pounds to 651.



Source: USDA| https://agtransport.usda.gov/stories/s/56s5-rpde | Weekly

Fruit and Vegetable Industry: Truck Availability

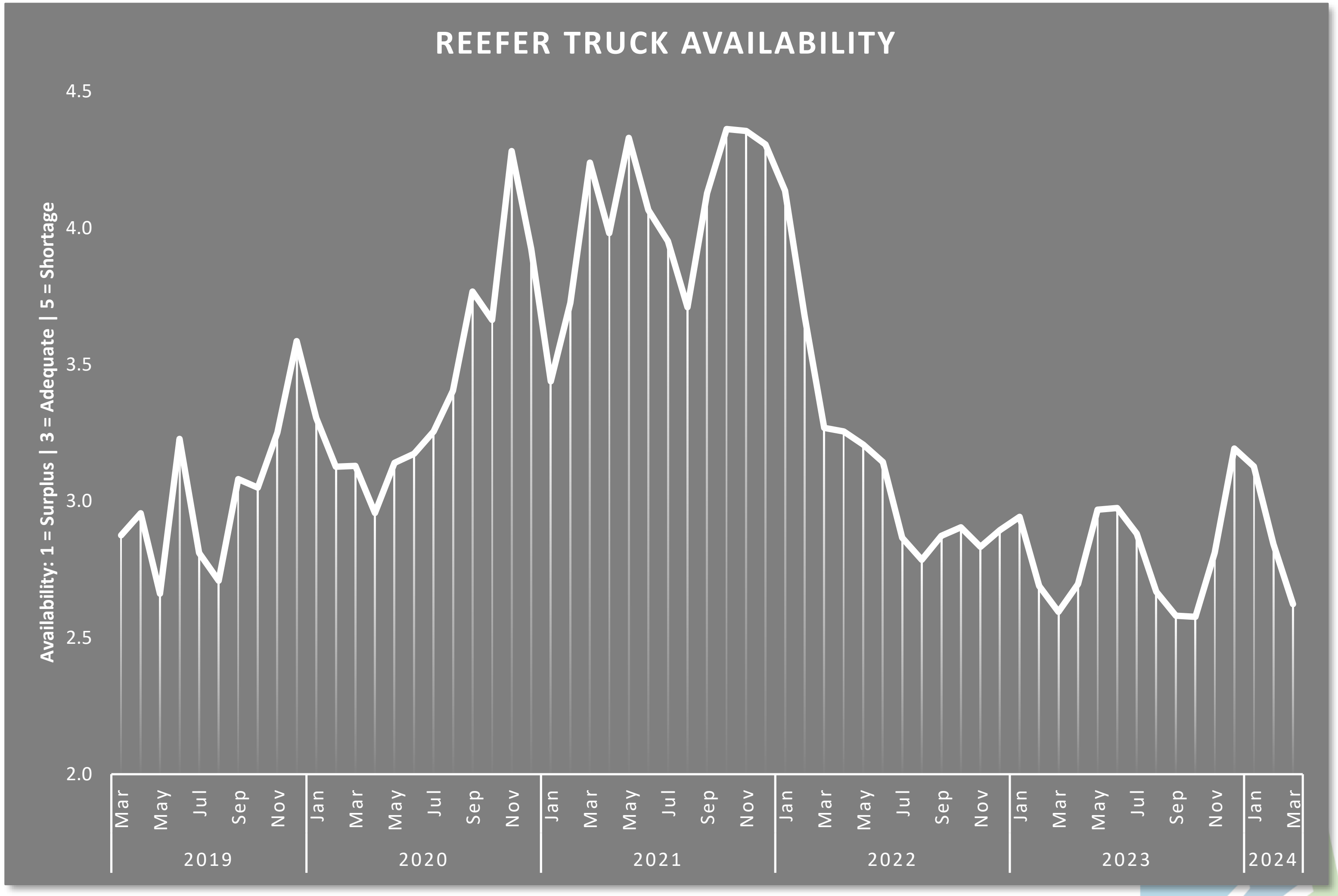
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

Why it matters: This information is a barometer for the health of the overall reefer market.

- **Reefer Truck Availability** is coded on a scale of 1 to 5, 1 representing a surplus and 5 representing a shortage of trucks.

Our thoughts: Reefer truck capacity loosened even further in March as rates fell and volumes increased overall. Capacity is 12% more loose than in 2019.

- Reefer truck availability loosened to 2.62. Availability is up 1.1% however over the previous year when it was 2.59.
- Capacity either remained mostly flat across the country. In fact, 45% of the regions remained flat.
- Conditions in California tightened from 2.95 to 3.00. Weather continues to play a large role on CA produce.



Source: USDA | https://agtransport.usda.gov/stories/s/56s5-rpde | Monthly

Trucking Market Update

Trucking Market Update

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.

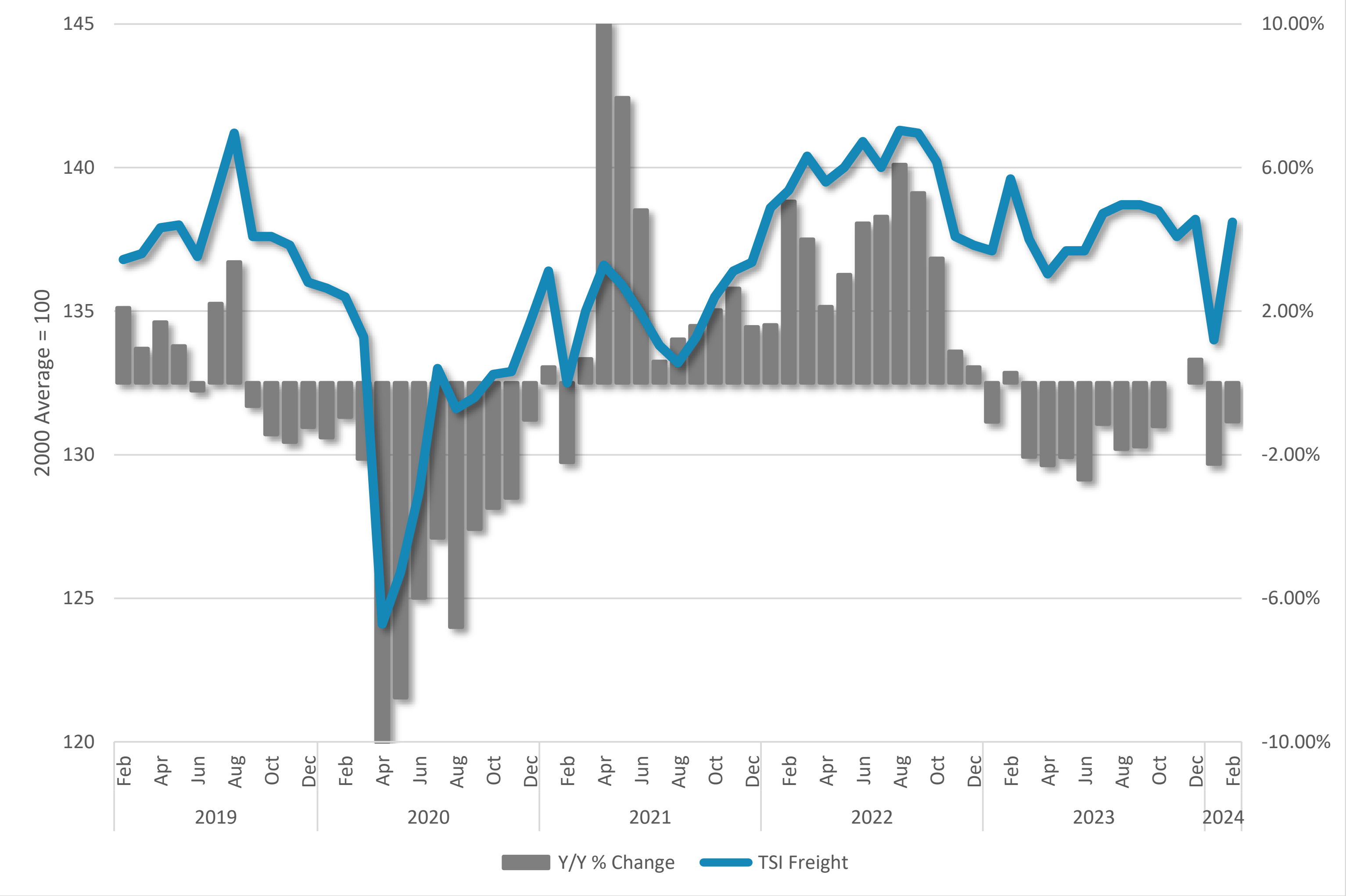
Why it matters: Changes in the TSI reflect changes in the demand for goods and services.

- 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.

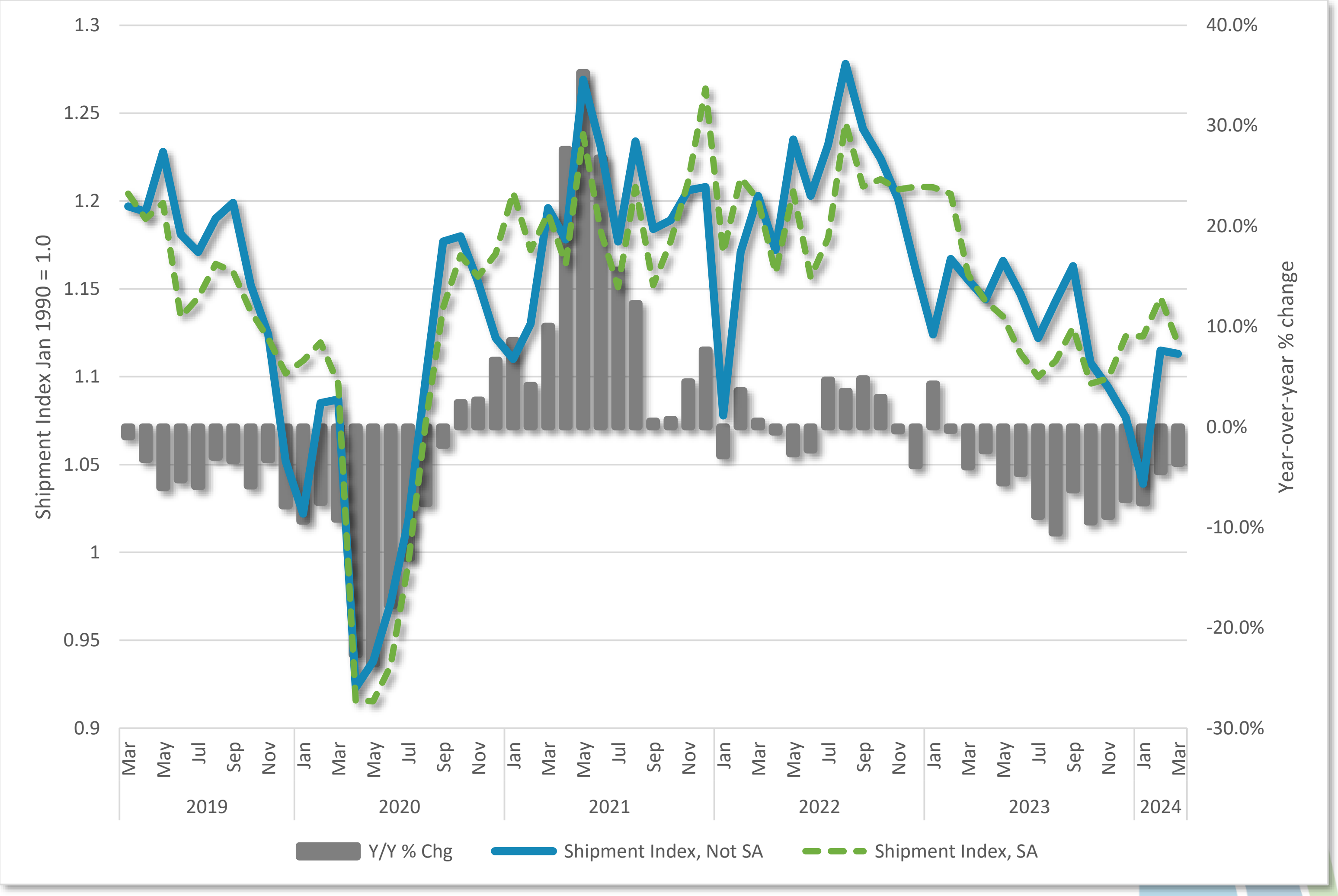
Why it matters: This index shows monthly shipment volumes from the entire Cass client base.

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

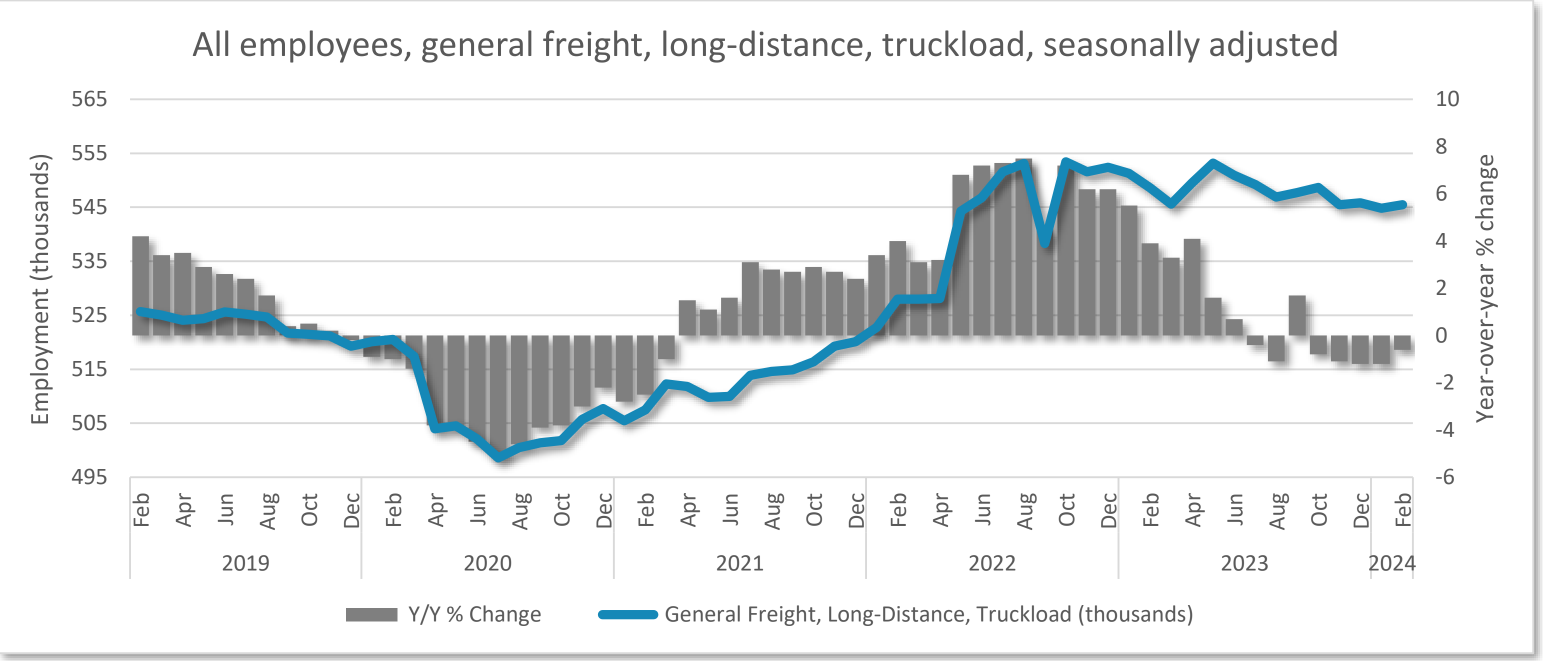
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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

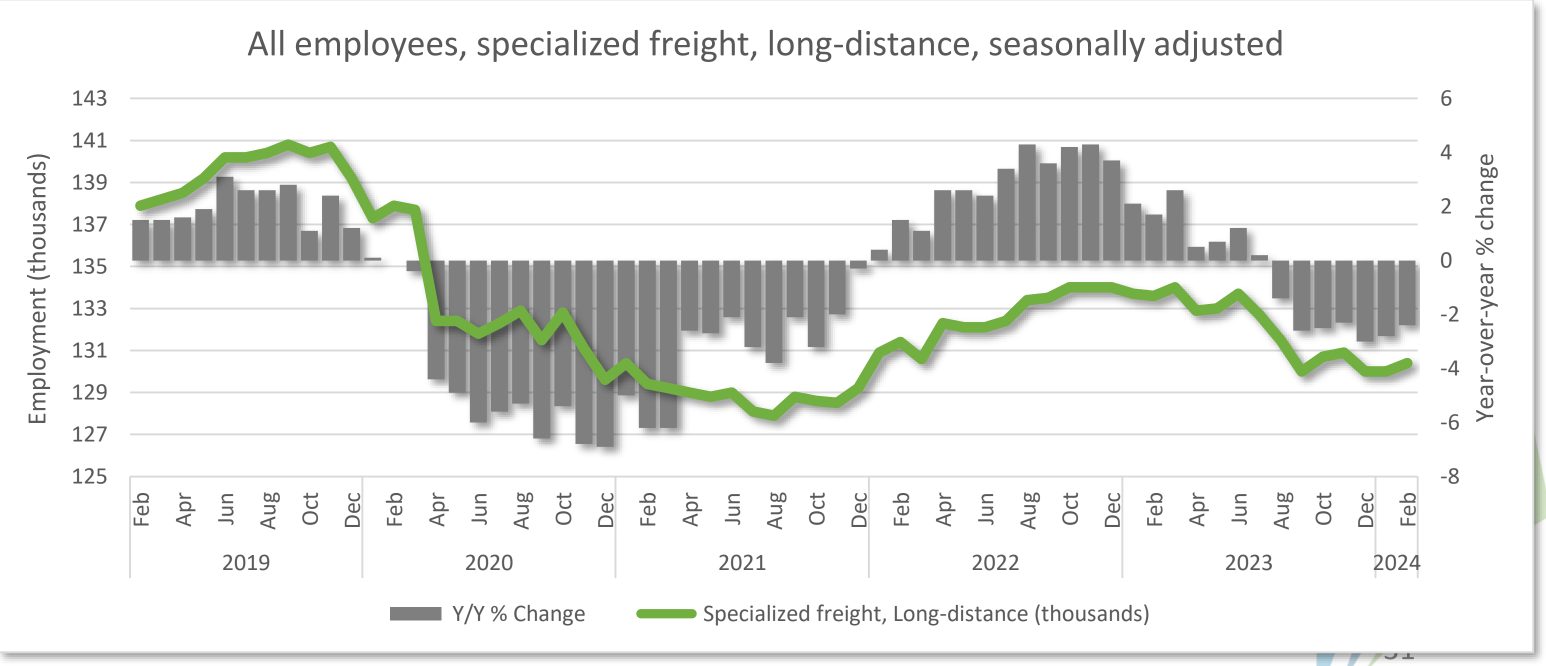
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

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.

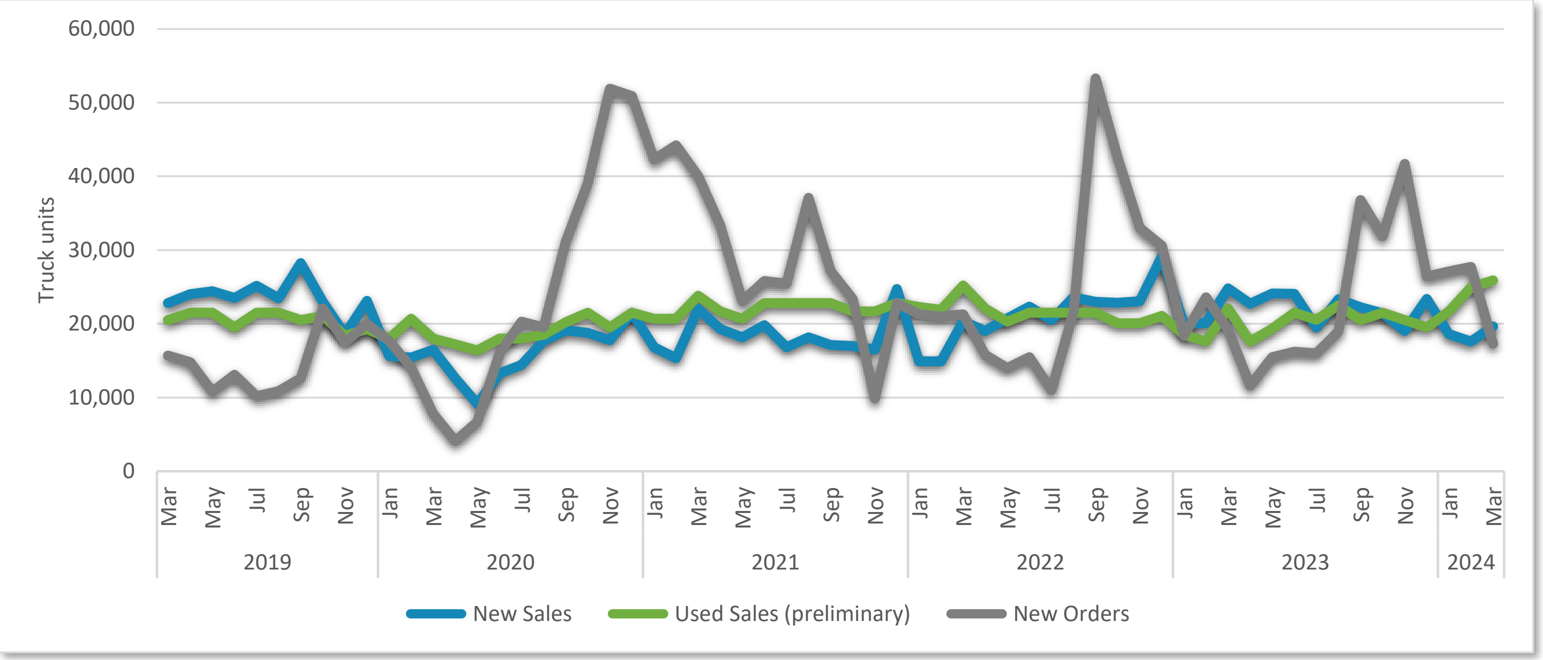
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

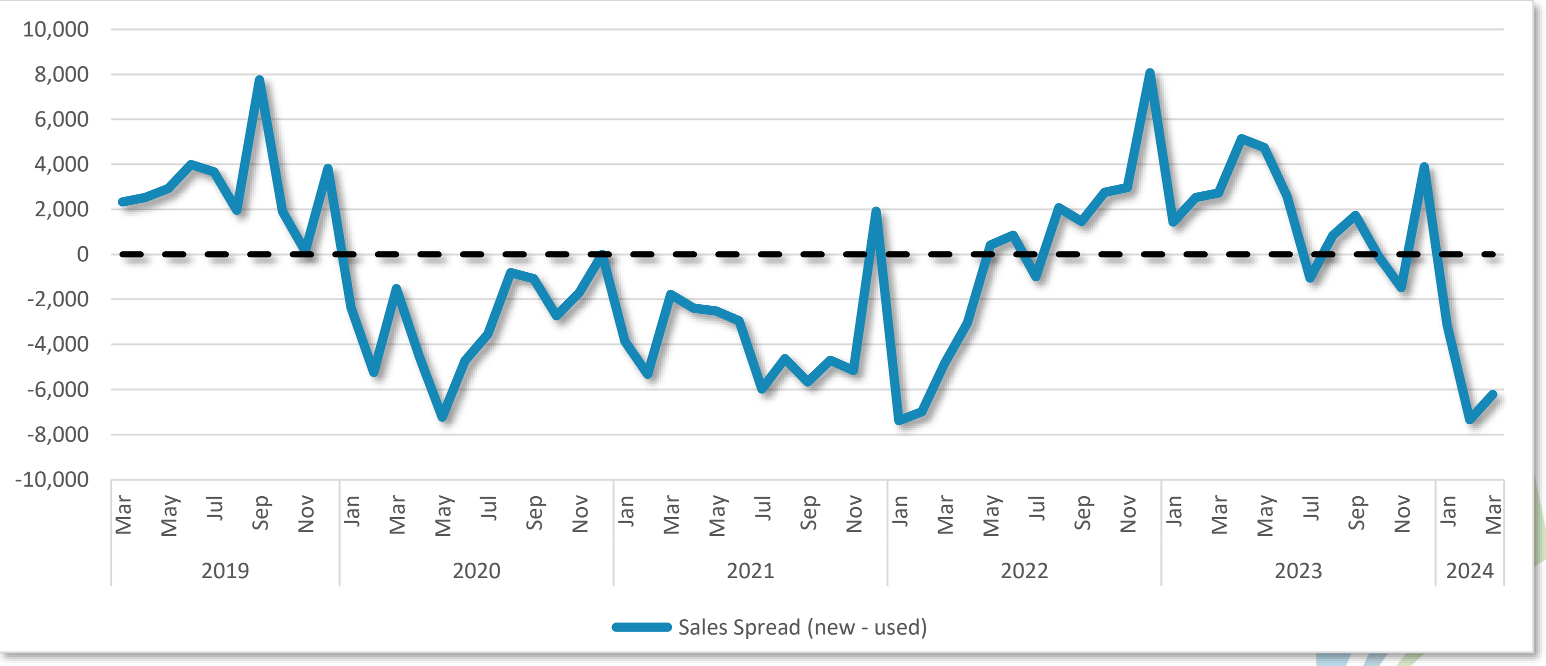
- Demand for trucks tends to spike when new orders increase following a steady increase in rates as depicted in the top figure (2017-2018 and 2020).
- Truck capacity tends to loosen when new sales eclipse used sales as shown in the bottom chart (2018-2019 and 2022-2023).

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.

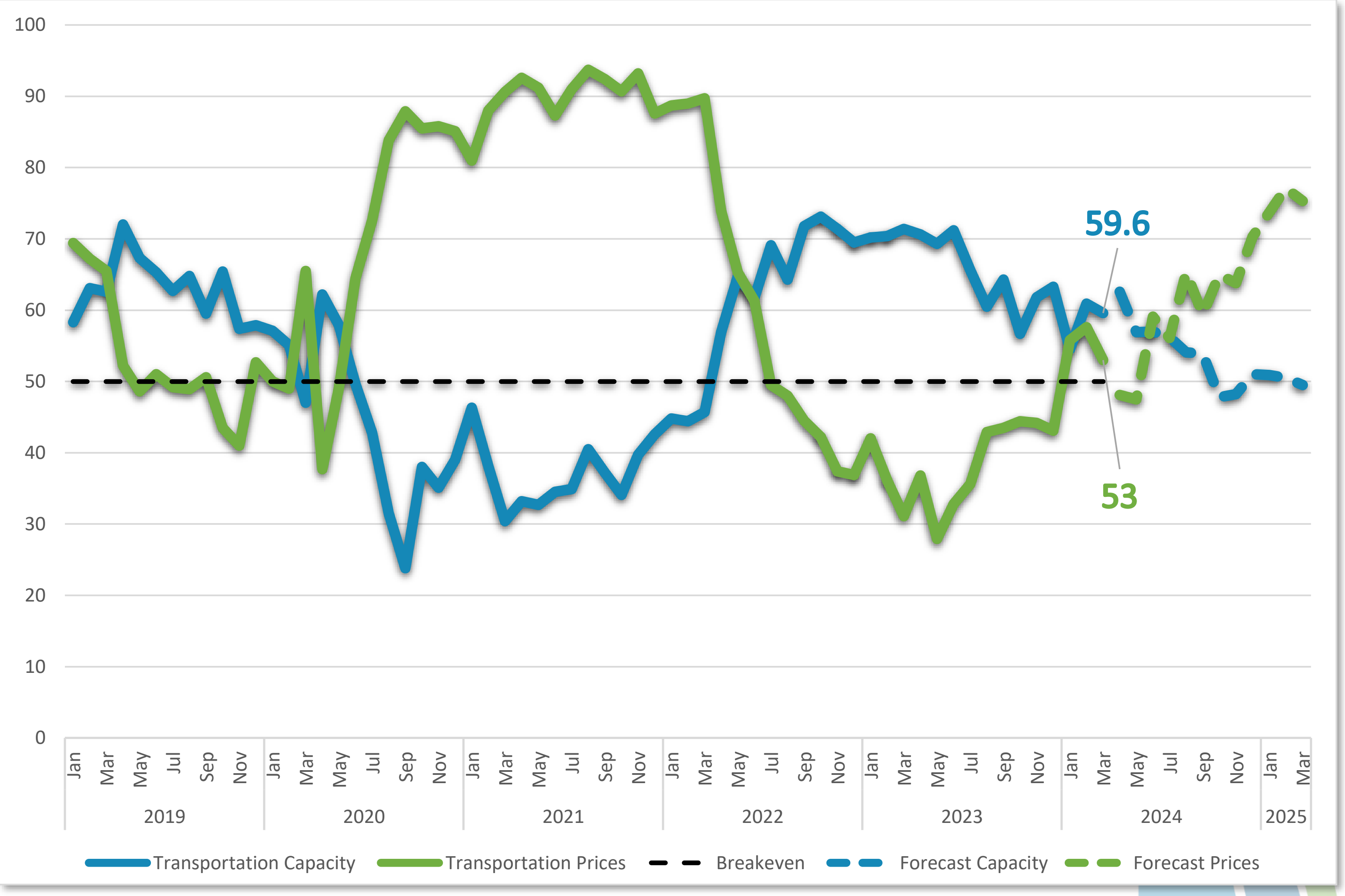
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- 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.

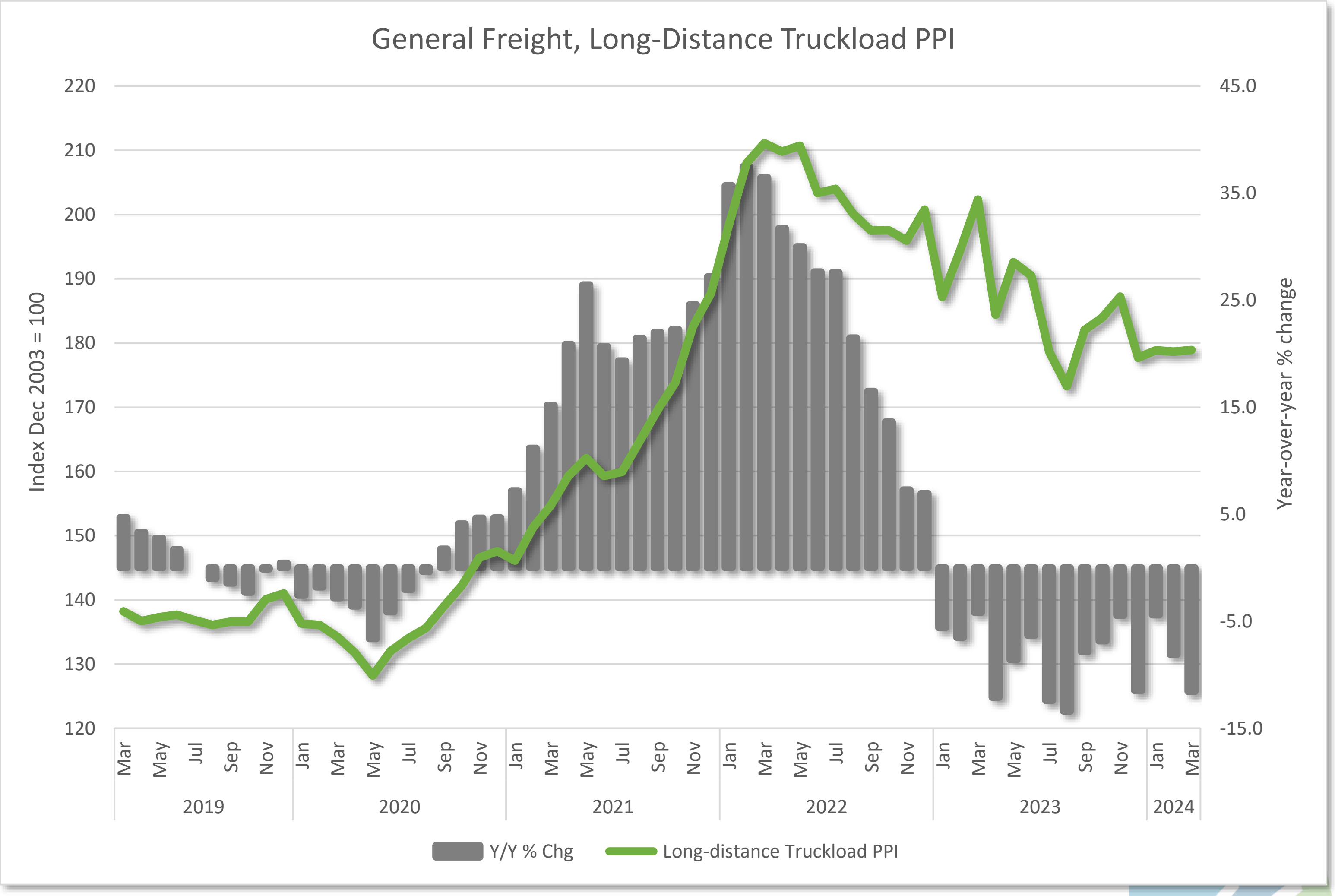
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

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

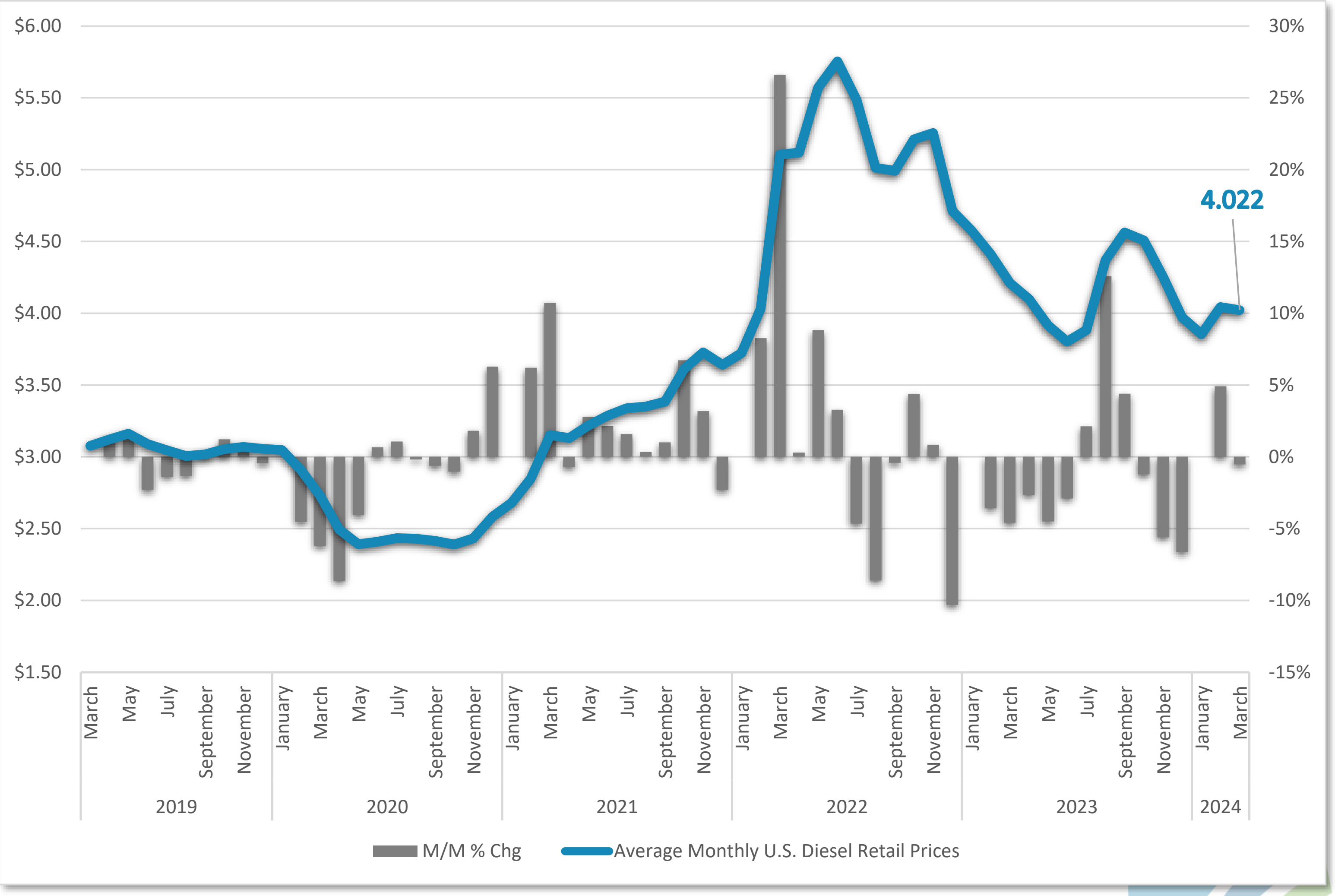
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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.

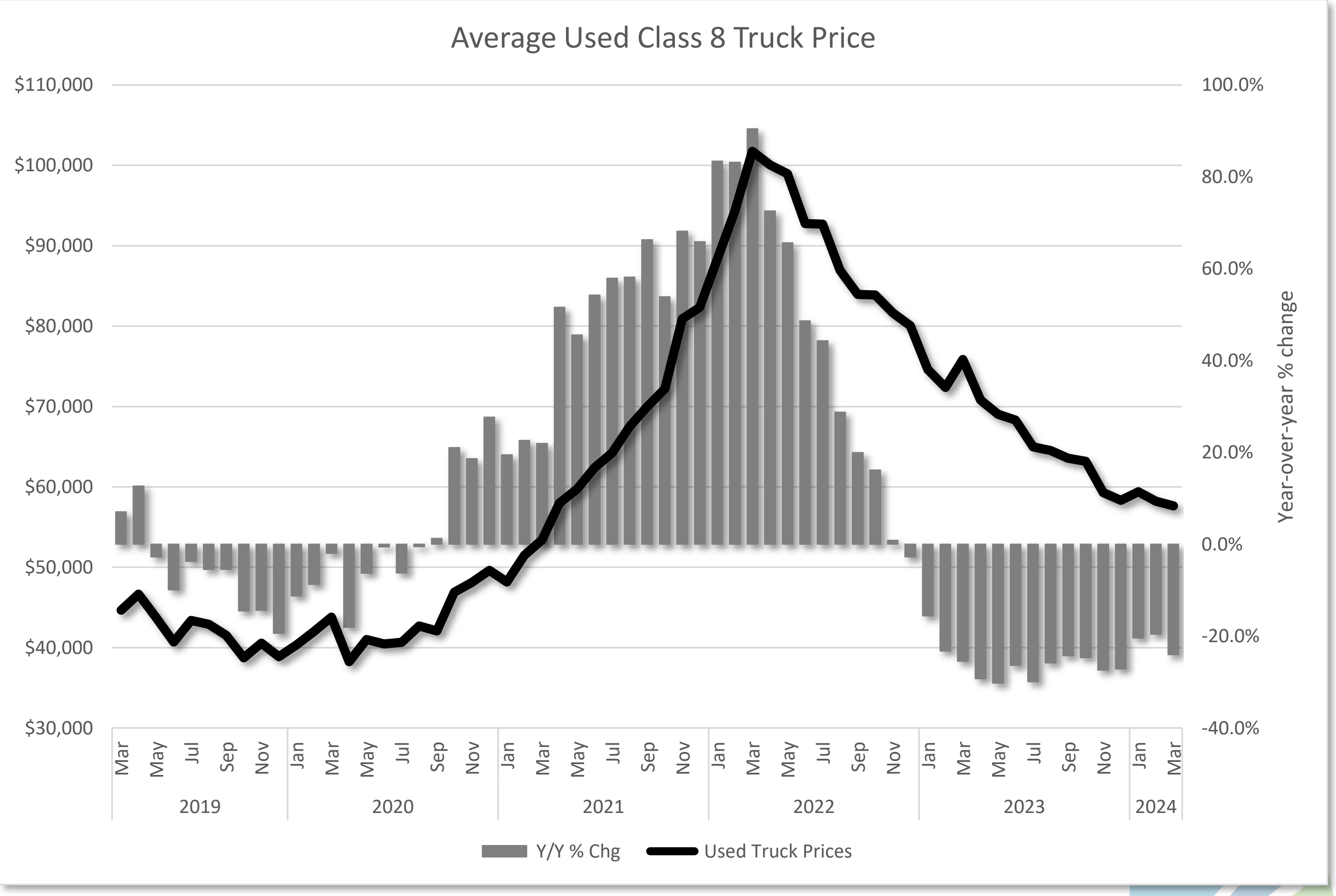
Why it matters: Used truck prices provide a good picture of the strength or weakness of the freight market. For example, monthly year-over-year decreases indicate that the market is in a downcycle due to weak demand.

- 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

Freight Market Outlook

Overall Freight Market Outlook

While it's good to know the current conditions of the freight market, it's also important to understand what the future holds. OOFI designed this segment to examine some key economic factors that can impact the forthcoming market and thereby your bottom line.

To do so, we will look at four key categories:

1. **Consumer and Labor Conditions** help us to see how much people are earning and spending.
2. **Manufacturing and Inventory** is one of the primary movers and shakers when it comes to freight volumes.
3. **Ocean** volumes are a good indicator of the amount of volume the market might expect downstream.
4. **Rail** volumes are leading indicators for freight demand, and a primary driver of pressure on capacity.

The bottom line: OOFI will breakdown each category and explain how each one can potentially affect the overall freight market and thus how they pertain to you as a small business owner.

Consumer and Labor: Wages and Disposable Income

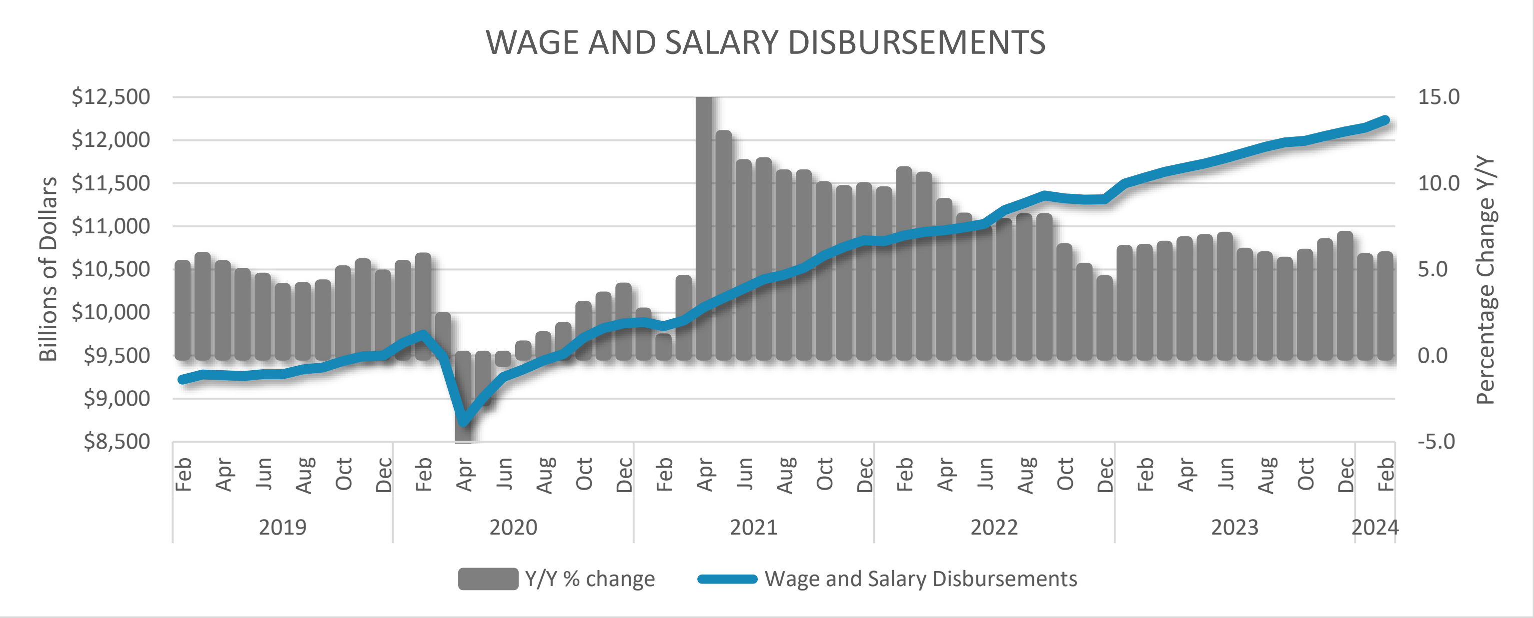
The big picture: Consumers move the U.S. economy. As consumer conditions and sentiments change, so too does business and shipping activity.

Why it matters: Disposable income, the price of goods and services, and expectations of the overall economy have great influence on consumers.

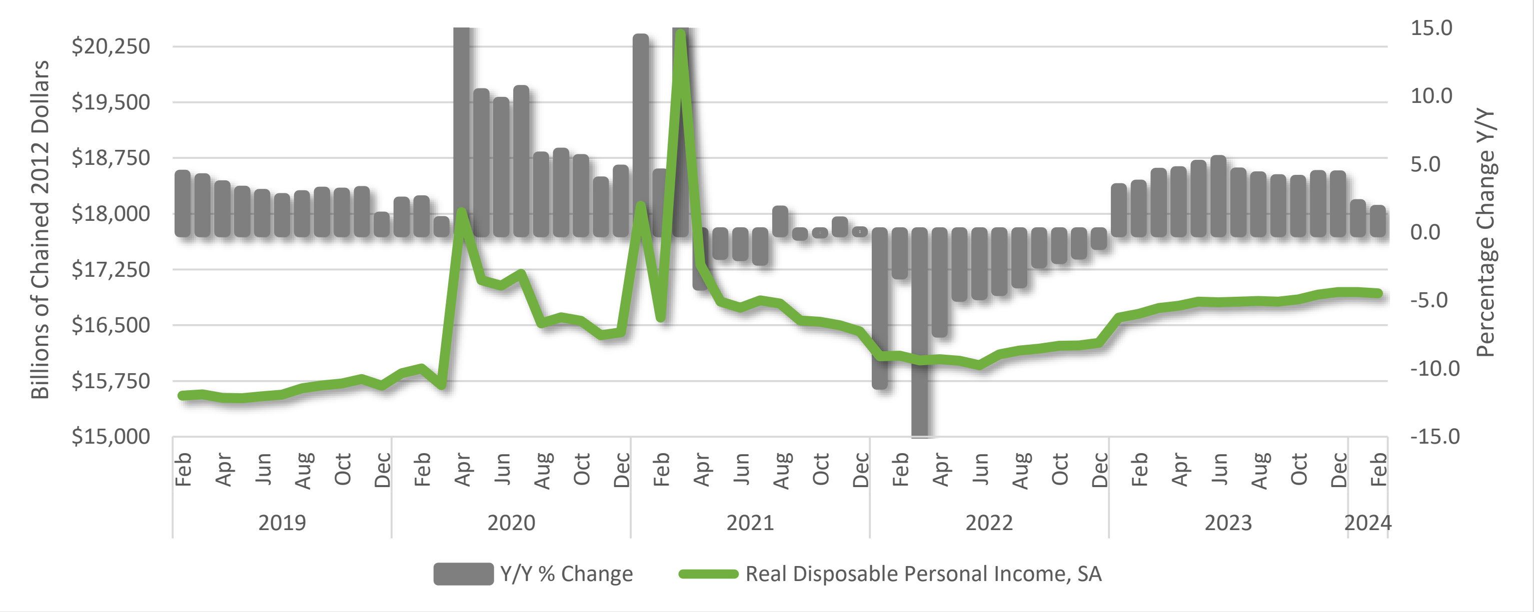
- For example, when disposable income and consumer sentiment are high, people typically purchase more goods, both durable and non-durable.
- This creates more freight demand downstream.

Our thoughts: Wages and salaries, as well as real disposable income, continue to grow year-over-year, albeit at a slower pace, as real disposable income decreased for the first time since September 2023.

- Wages and Salary disbursements grew 0.8%, or $92 billion, month-over-month in February.
- In terms of year-over-year growth, wages and salary disbursements are 5.77% higher.
- Real disposable income, which is adjusted for inflation, decreased 0.09% month-over-month to $16.93 trillion, ending four consecutive months of growth.
- Real disposable income is 1.7%, or $275.5 billion higher year-over-year, and is tracking slightly higher than the 2019 trendline.



Source: FRED| https://fred.stlouisfed.org/series/A576RC1 | Monthly



Source: FRED| https://fred.stlouisfed.org/series/DSPIC96 | Monthly

Consumer and Labor: Retail and Consumer Price Index (CPI):

The big picture: The term “retail sales” is an economic metric that tracks consumer demand for finished goods.

- While CPI measures the average price change for a basket of goods and services over time.

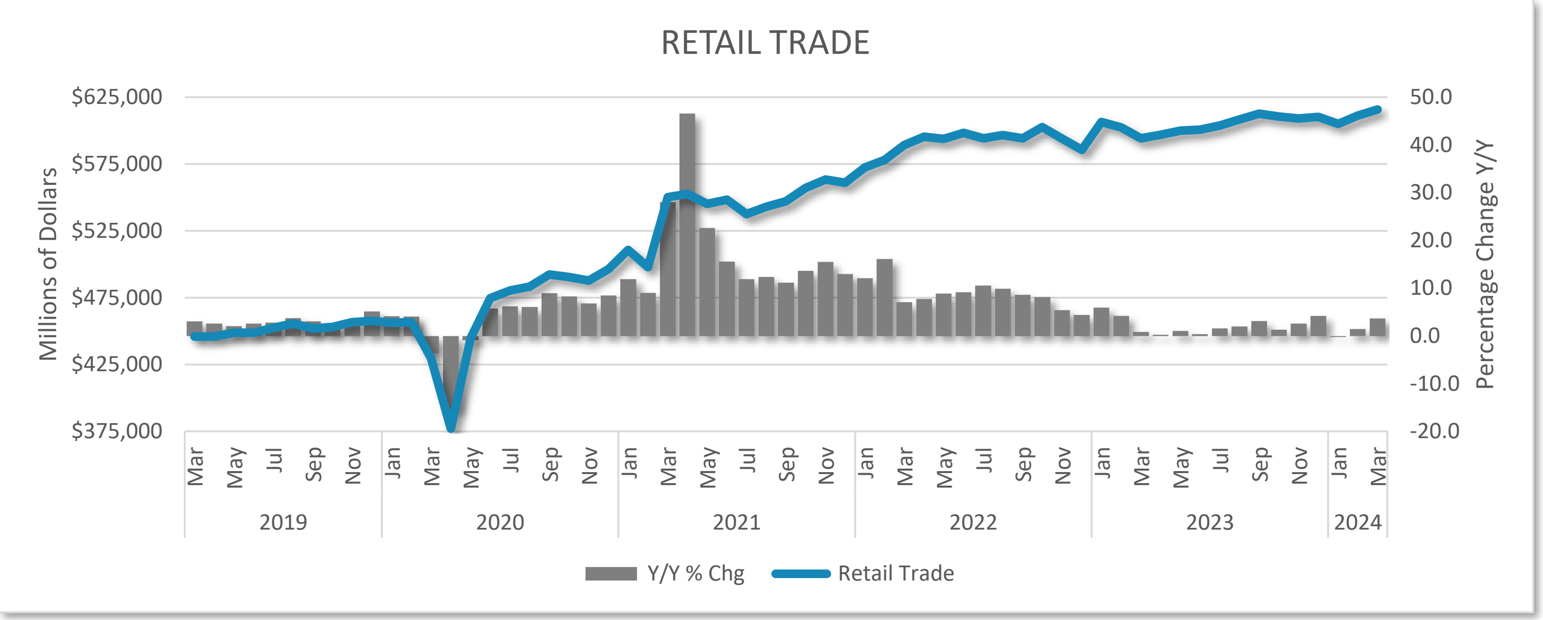
Why it matters: Both retail sales and CPI can help the owner-operator gauge the economic health of the country and thereby the freight market.

- Consumer spending accounts for two-thirds of GDP.
- If prices are stable and retail sales are high, it means that there’s a greater demand for freight.

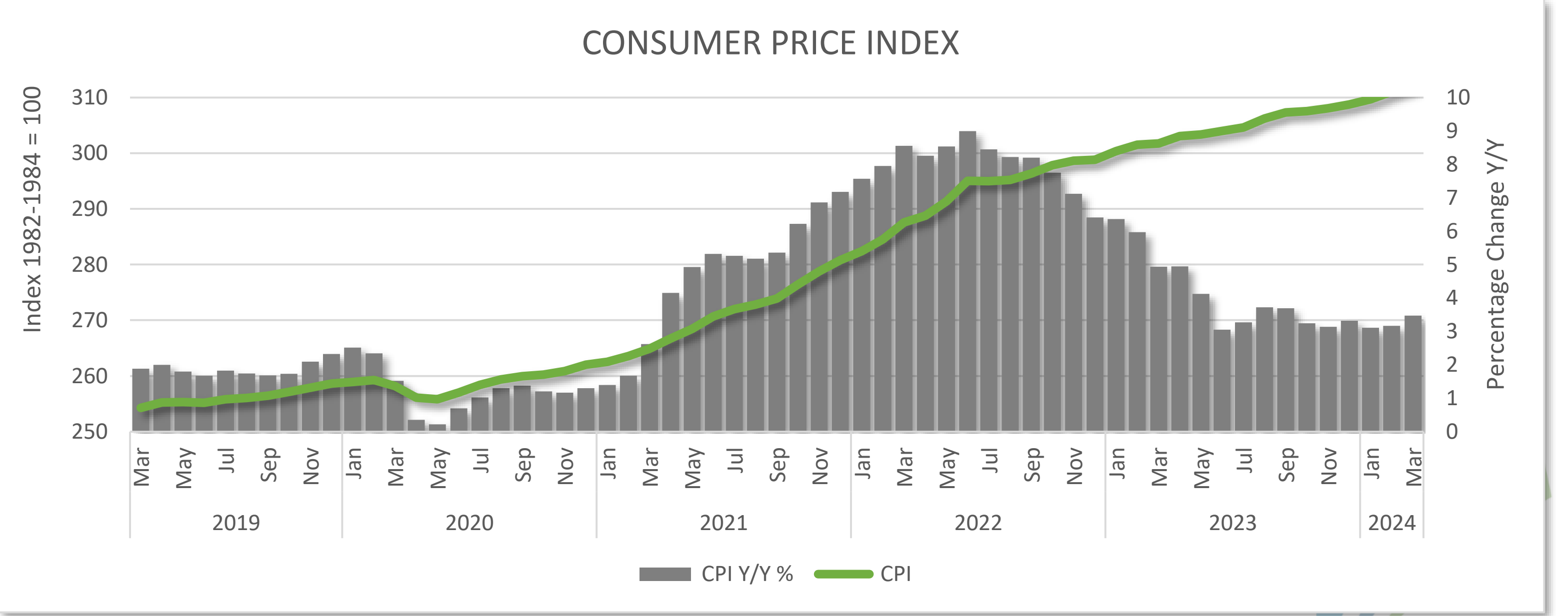
Our thoughts: Retail trade rose month-over-month in March after increasing 1.8% in the previous month following adjustments to the data.

- Retail trade increased 0.8%, or $4.7 billion, month-over-month to $615.86 billion, and is 3.6%, or $21.6 billion, higher Y/Y. This reversed last month’s trend, which was represented the first Y/Y decline since May 2020.
- CPI increased by 1.4 to 311.1, which is 3.2% higher than it was a year ago. CPI continues to come in hot and is well below the FED’s 2% target range. The FED still promises to cut rates this year, but this could delay such cuts.

Core CPI, which excludes food and energy, declined 2.9% month-over-month to 3.8%. The shelter and service components of CPI remain stubbornly high however, which is helping to prop up the inflation numbers.



Source: FRED| https://fred.stlouisfed.org/series/RSXFS | Monthly
Note: E-commerce sales are included in the total monthly estimates



Source: FRED| https://fred.stlouisfed.org/series/CPIAUCSL#0 | Monthly

Consumer and Labor: Real Personal Consumption Expenditures (PCE)

The big picture: The U.S. Federal Reserve uses the PCE Price Index as its primary inflation index when making monetary decisions.

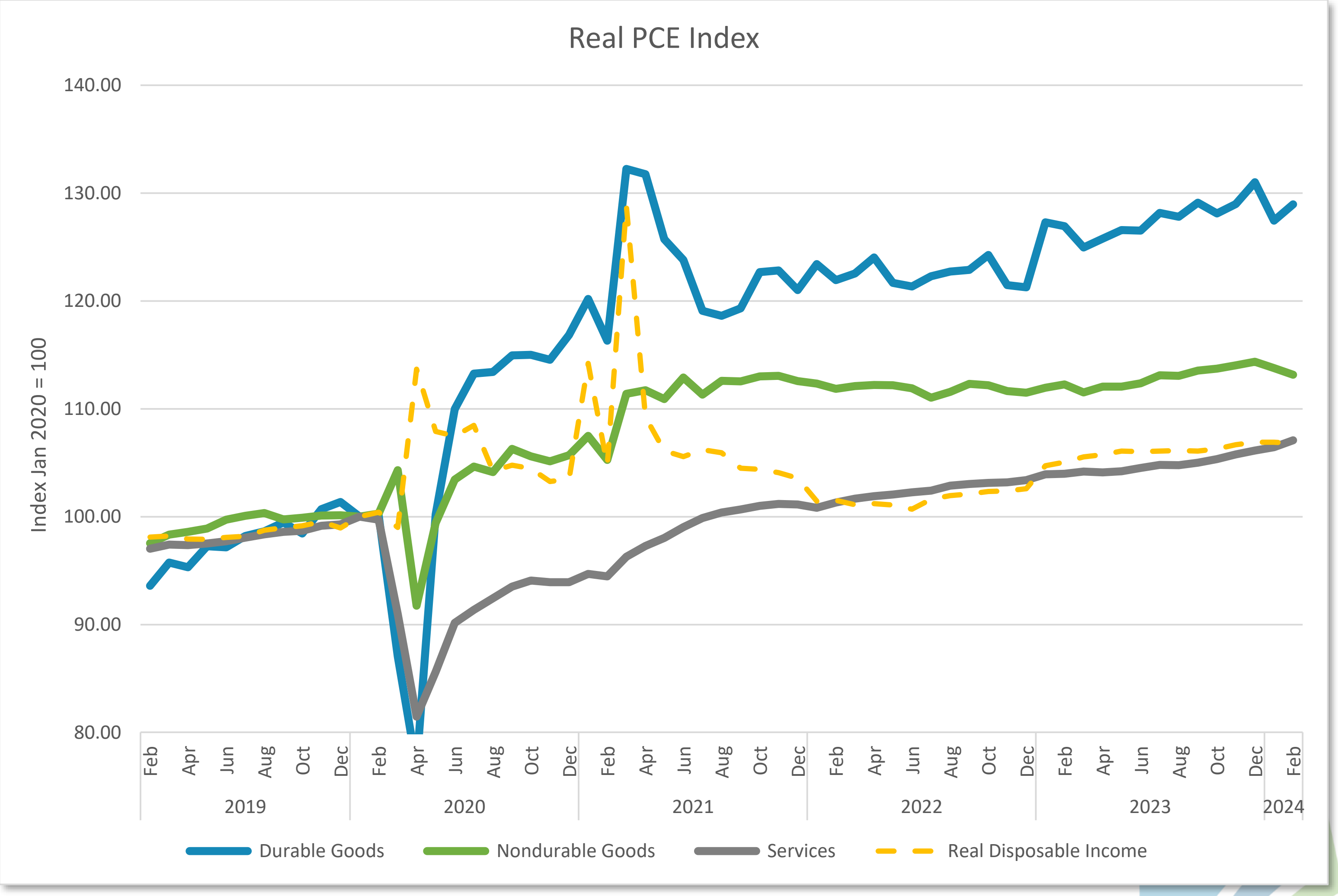
- The PCE measures a broad spectrum of consumer spending for a period of time.

Why it matters: The Real PCE, meaning it adjusts for inflation, allows owner-operators to see how well the economy is faring, how people are spending their money, and how much demand for goods there will be in the future.

- Durable Goods are costlier items that last longer than 3-years, such as vehicles, electronics, etc.
- Non-Durable Goods are less cost and last less than 3-years, including gasoline, clothing, etc.

Our thoughts: Both durable goods and services increased in February, while non-durable goods declined.

- Consumer spending for durable goods increased 1.2% to $2.06 trillion, and is 1.6%, or $32.5 billion, higher year-over-year and 11.3%, or $209.2 billion, above the 5-year trend.
- Spending for non-durable goods declined 0.6% to $3.36 trillion, which is 0.8% higher Y/Y and 4.9%, or $156 billion, above the 5-year trend.
- Spending on services rose 0.6% to $10.29 trillion and is 3% higher Y/Y. Services have risen 31.5%, or $2.46 trillion, since their cycle low in April 2020.



Source: FRED| https://fred.stlouisfed.org/graph/?graph_id=1210974&rn=488 | Monthly

Manufacturing: Industrial Production

The big picture: The Federal Reserve Board's Industrial Production (IP) index measures the real output of various manufacturing industries.

Why it matters: Manufacturing makes up approximately 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

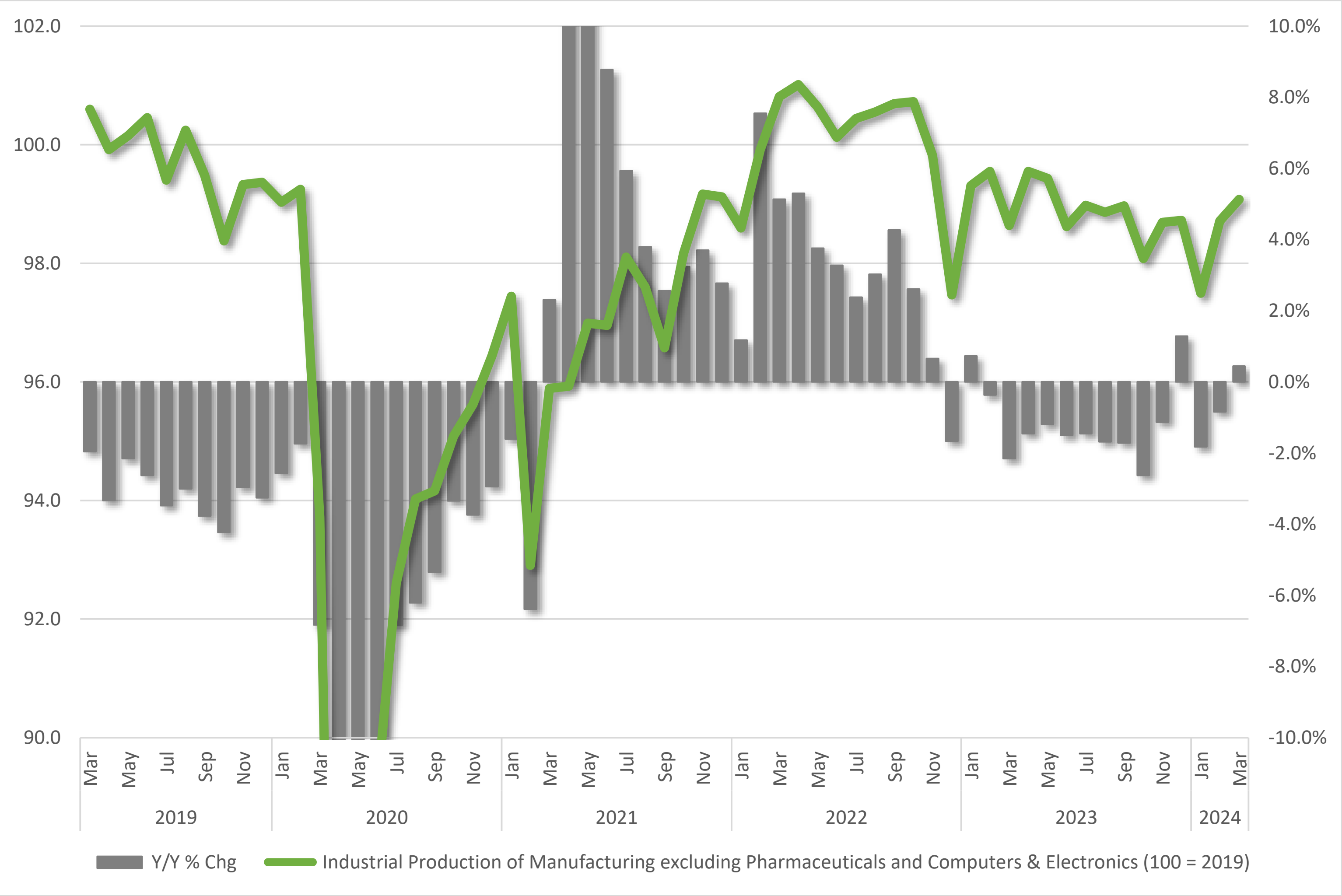
This is especially true when removing pharmaceuticals (NAICS 3254) and computer and electronic products (NAICS 334), as these sectors have an outsized influence on the overall manufacturing index considering how little freight they generate.

- Historically, decreases in manufacturing activity have corresponded with either the start, or worsening, of a freight recession in the trucking sector.
- These cycles often take years to correct themselves.

Our thoughts: Manufacturing activity excluding pharmaceuticals and computer and electronics increased month-over-month in March and ticked upward year-over-year as well.

- Manufacturing activity increased 0.37% to 99.08 after increasing 1.2% last month following adjustments, and is up 0.4% year-over-year (Y/Y).
- Activity was up for the 2nd time in 4 months, and is 0.9% below 2019 levels.

According to Professor Jason Miller, two consecutive quarters of declining seasonally adjusted manufacturing activity represents a manufacturing recession. The current recession has been ongoing for five straight quarters.



Source: Federal Reserve Board | https://www.federalreserve.gov/releases/g17/Current/ | Monthly

Manufacturing: Manufacturers with Unfilled Orders

The big picture: Manufacturers with Unfilled Orders is a special subset of manufacturing that the U.S. Census Bureau views as a "make-to-order basis."

- This represents 70% of durable goods manufacturing by value.

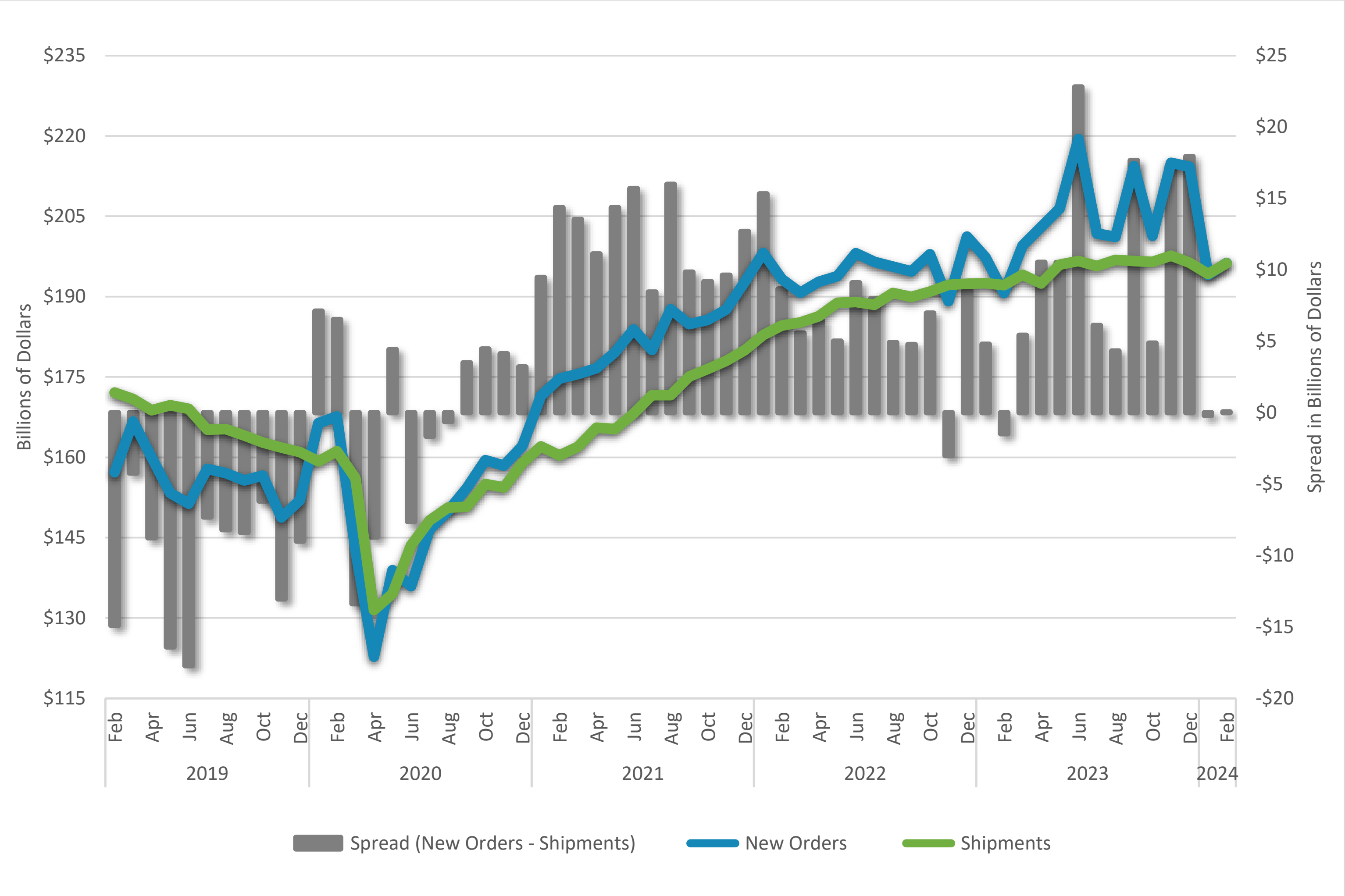
Why it matters: When unfilled new orders outperform shipments for unfilled orders, backlogs increase and we see growth in manufacturing activity. The reverse is also true.

- This expansion or contraction in activity, as captured by the spread between the two, coincides with trucking cycle.

Our thoughts: New orders only just eclipsed shipments in February, marking the 11th time in 12-months. Again, new orders for make-to-order products typically decline during manufacturing recessions. This has yet to happen.

- New orders increased 1.2% month-over-month to $196.29 billion in February after falling 8.4% following adjustments in January, and are 2.9%, or $825 million, higher year-over-year.
- Shipments increased 1.01% to $196.2 billion and are 2.1% higher year-over-year.

The spread between new orders and shipments increased from negative $202 million to positive $62 million. The large gap between new orders and shipments has quickly shrunk over the past couple months.



Source: New Orders: https://fred.stlouisfed.org/series/AMTUNO | Shipments: https://fred.stlouisfed.org/series/AMTUVS | Monthly

Manufacturing: ISM Manufacturing PMI

The big picture: The Institute for Supply Management's (ISM) Manufacturing PMI is a diffusion index based on data compiled from purchasing and supply executives.

- The PMI measures ten different leading indicators, including new orders, production, backlogs, inventories, etc.
- Any number below 50 is indicates contraction, while any number above 50 indicates expansion.

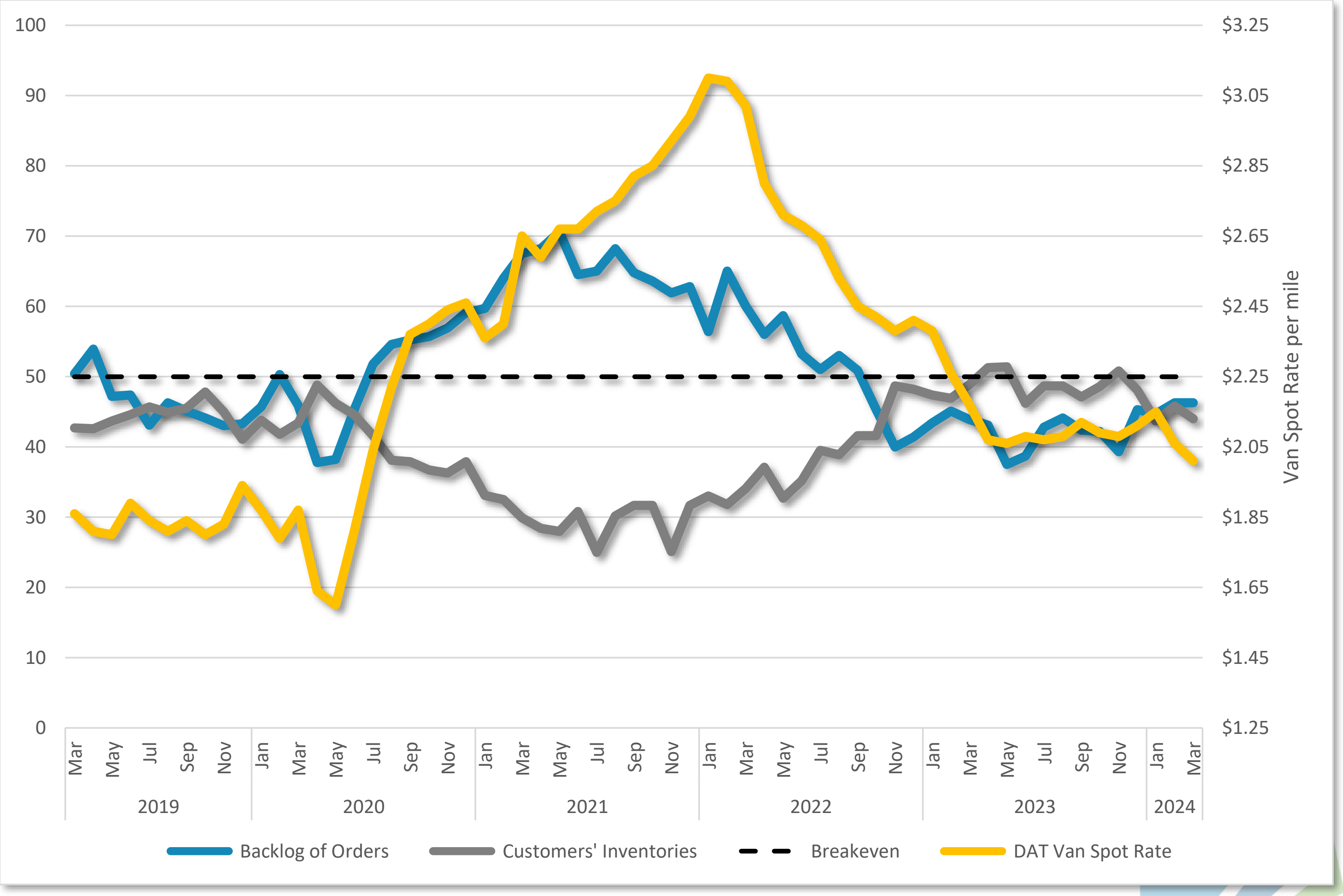
Why it matters: The ISM Manufacturing PMI is a reliable economic indicator and provides a sense of direction for the trucking market as shown in the chart.

- When backlogs drop and customers' inventories move upward, rates rise. The opposite is also true.

Our thoughts: According to ISM, the U.S. manufacturing sector moved into expansion for the first time since September 2022. The New Orders Index moved back into expansion territory at 51.4%, which is good news.

- Backlogs remained flat month-over-month at 46.3, after increasing 3.6% last month. Backlogs have been in contraction territory for eighteen straight months, and are up 2.4 percentage points year-over-year.
- Customers' inventories decreased 3.9% to 44. They are 10% lower year-over-year.
- Inventories are lower than backlogs for the third straight month.

The bottom line: Demand was positive, output/consumption strengthened, and inputs continued to accommodate future demand growth.



Source: ISM | https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/ | Monthly

Inventory: Machinery Wholesalers Inventories to Sales Ratio

The big picture: The inventories to sales ratios show the relationship of the end-of-month values of inventory compared to monthly sales.

- For example, a ratio of 2.5 would indicate that a firm has enough product on hand to cover two and a half months of sales.
- The machinery, equipment, and supplies wholesaler's ratio consists of firms that sell bulldozers, farm equipment, industrial machines, supplies for those machines, and transportation equipment excluding motor vehicles.

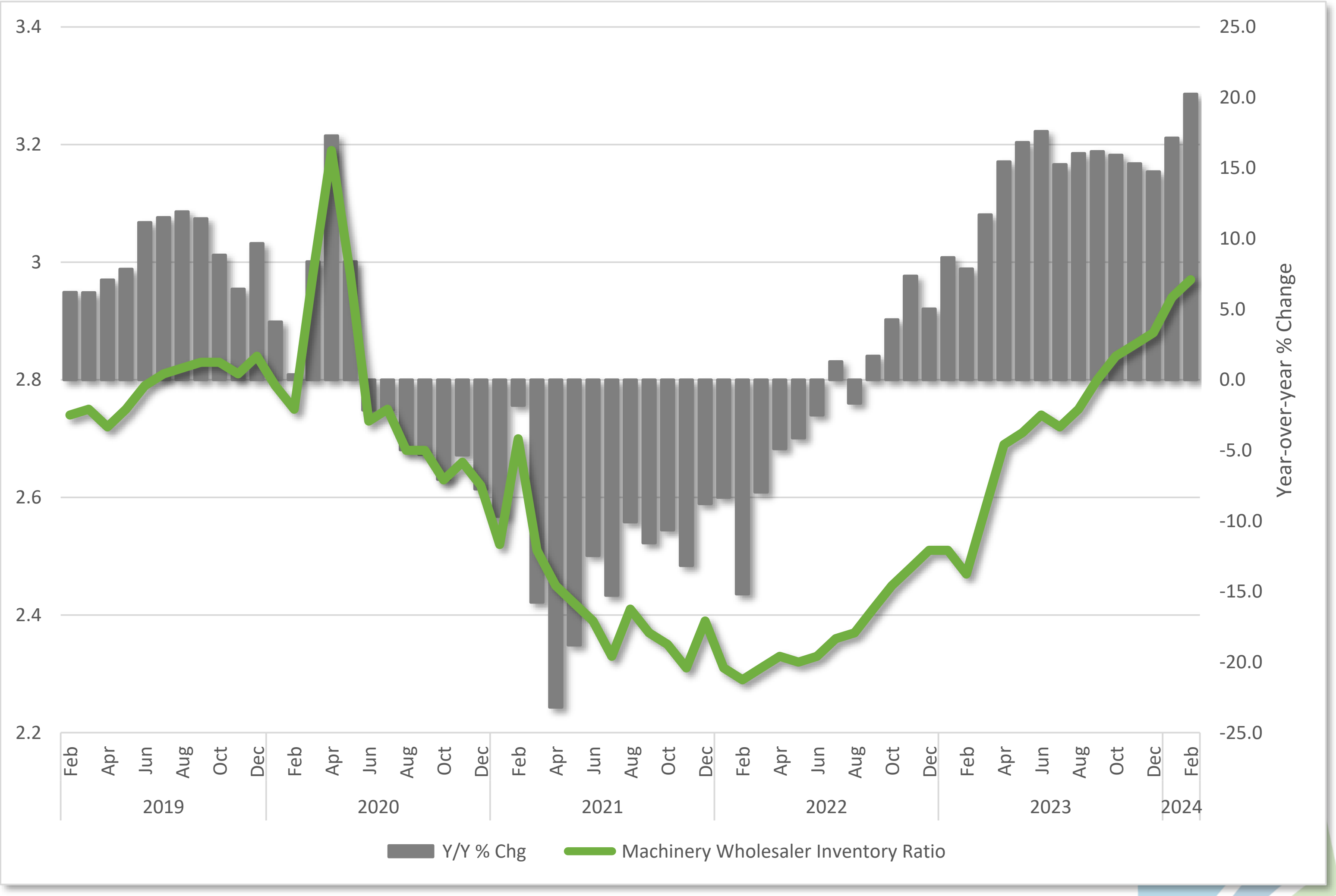
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

- When inventory levels are high, spot rates contract, while the opposite is also true.

Our thoughts: Inventory levels rose in this sector in February albeit at a slower pace. Inventories are 7% above 2019 levels.

- The inventories-to-sales ratio increased 1% to 3.0 after rising 2.1% in the previous month.
- The ratio is 20.2% higher year-over-year. The ratio has been higher Y/Y for 20 straight months

One respondent to ISM's survey in this sector wrote, "Noticing an increase in suppliers' selectiveness regarding orders they quote and take. Additionally, there's been a noticeable increase in manufacturing companies targeted for acquisition by larger entities."



Source: FRED| https://fred.stlouisfed.org/series/R4238IM163SCEN#0 | Monthly

Ocean: Exports and Imports

The big picture: It's common today to see products from all over the world in local stores as we truly live in a global economy.

Why it matters: High levels of imports signal a strong domestic demand and a growing economy.

- The U.S. trade deficit tends to worsen when the economy is growing strongly.
- **Yes, but** it's important to note that exports and imports are not a large driver of freight movement compared to manufacturing, accounting for only 5% of all truck freight.

Our thoughts: Despite what some might think, imports continue to perform well. In fact, imports are currently 8.5% or 1.24 billion kilograms (kgs), above 2019 levels.

- Imports decreased 4.0%, or 657.5 million kilograms, month-over-month in February to 15.97 billion kgs, but are 13.3% higher year-over-year.
- Last month was only the 2nd Y/Y increase in 16-months
- Exports increased up 4.8%, or 432.67 million kgs, month-over-month in February, and are 8.9% higher than last year, marking four straight months of Y/Y increases.

Source: U.S. Census Bureau | https://usatrade.census.gov/ | Monthly

Rail: Rail Carloads and Intermodal

The big picture: Railroads are a very cost-effective and fuel-efficient way to move freight.

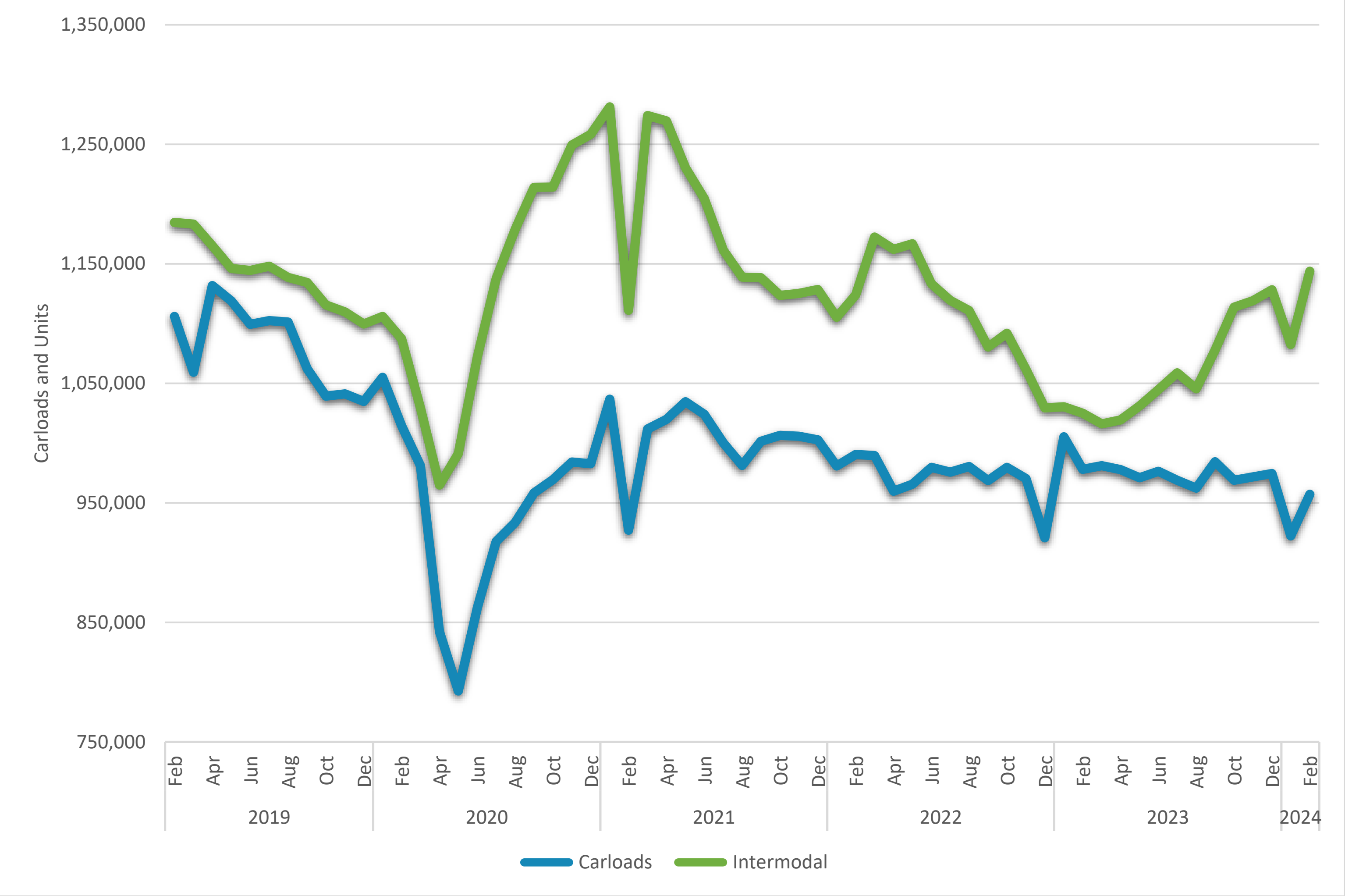
- While the rail and truck industries often compete with each other, they also work hand in hand.

Why it matters: Most freight that is transported by rail, will require a truck for the final mile.

- An increase in rail and intermodal freight will translate into greater demand for trucks downstream.
- Intermodal is a subset of rail that involves the movement of highway-capable units, such as containers or trailers.

Our thoughts: Carloads bounced back slightly overall in February, while intermodal resumed it's upward momentum following last month's decrease as import volumes continue to perform well.

- Carloads increased 3.8% month-over-month in February to 957,197, but are down 2.1%, or 20,921 carloads year-over-year.
- Intermodal increased 5.7% to 1.143 million, and is up 11.6%, or 118,841 loads, year-over-year.
- Carloads are 11.8% below 2019 levels, while intermodal is just 0.3% lower than 2019, as intermodal is posed to have a good year in 2024.



Source: Carloads| https://fred.stlouisfed.org/series/RAILFRTCARLOADSD11#0 | Intermodal: https://fred.stlouisfed.org/series/RAILFRTINTERMODALD11 | Monthly

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