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 break down 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

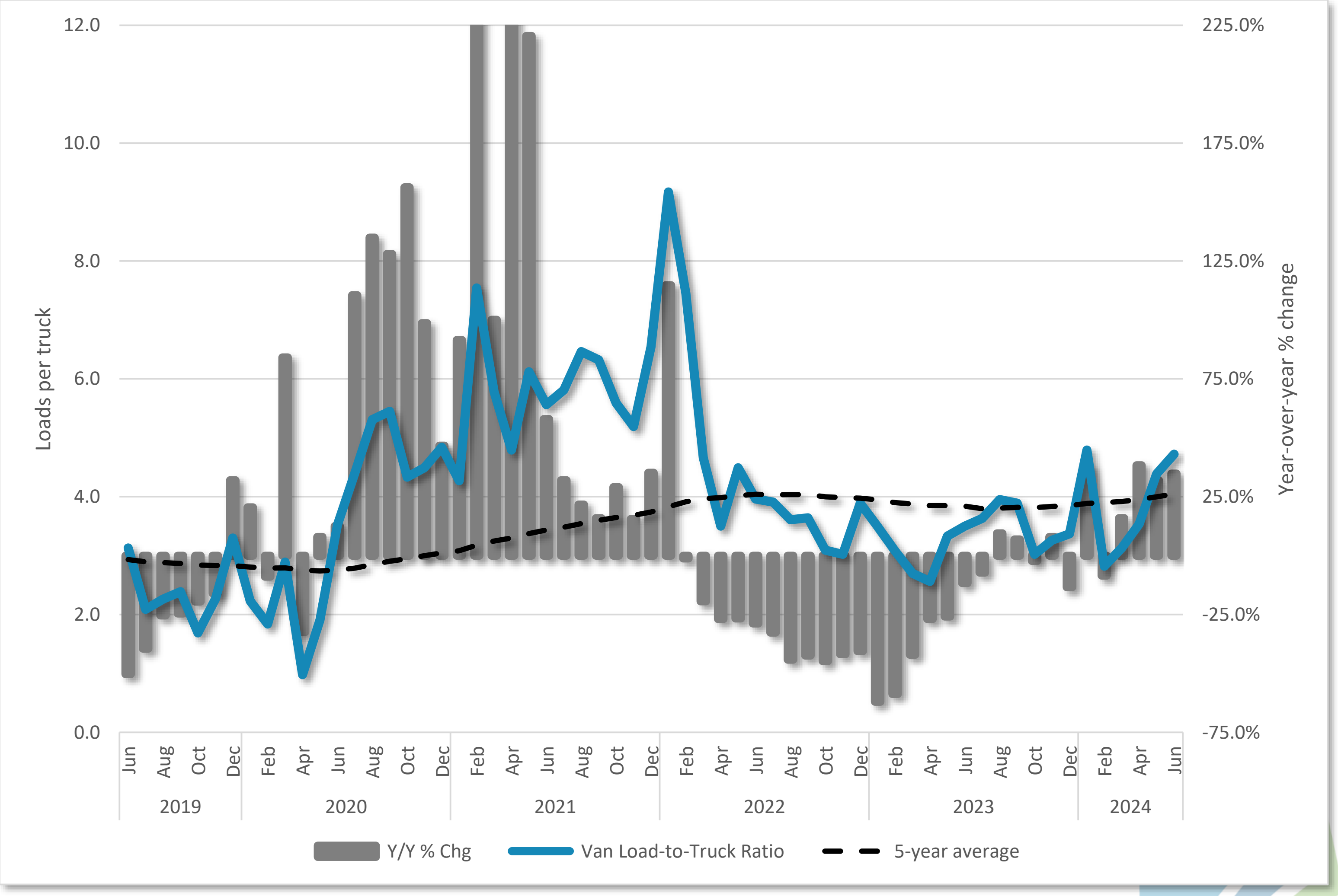
Why it matters: Fluctuations in the ratio often signal impending changes in rates.

Our thoughts: The Van Load-to-Truck ratio increased again in June. Demand typically moves upward about this time of the year as we get ready for the summer season. The ratio is above 2019 levels.

- The Van Load-to-Truck Ratio jumped 7.5% month-over-month to 4.72, after rising 24.0% last month.
- The ratio is 34.9% higher than last year, and 16.6% higher than the 5-year trend. This is only the 5th time in 12 months where the ratio was above the 5-year trend.

Regionally speaking, ratios were more favorable for carriers operating in the California (7.34), South Central (7.18), and Southeast regions (6.87), respectively, compared to other areas in the country.

- Every region, with the exception of 2, experienced increases in demand. The greatest increase was in the Pacific Northwest region where ratios rose 80.4%, from 1.2 to 2.17, followed by the Upper Midwest where ratios rose 31.5% from 1.95 to 2.57.



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

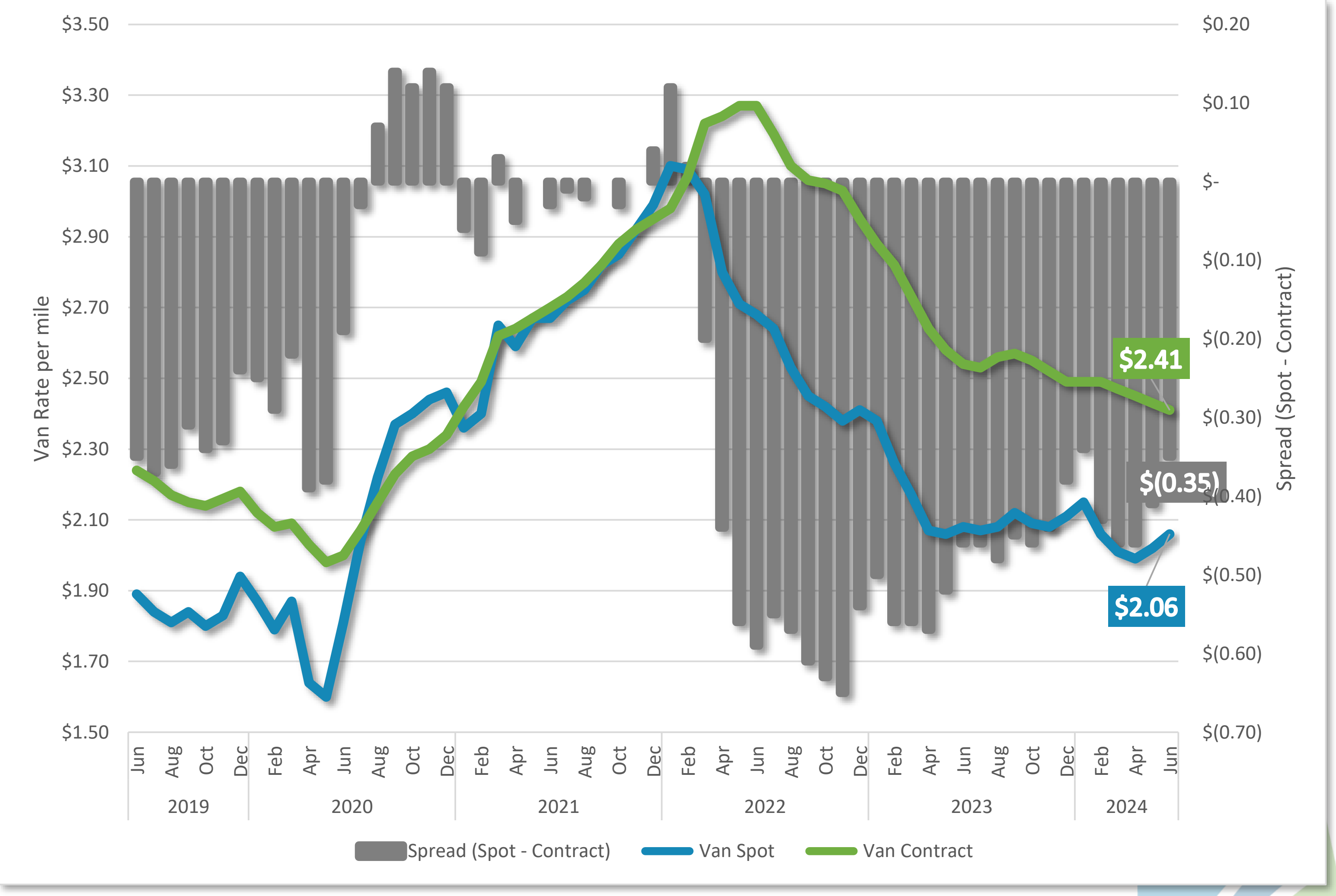
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: spot rates ticked upward in June as contract rates declined month-over-month (M/M).

- Spot rates for vans increased $0.04 per mile M/M to $2.06, marking two consecutive months of increases, but are $0.02 per mile lower than last year.
- Contract rates decreased by $0.02 to $2.41 per mile following adjustments, which means the spread between contract and spot decreased to $0.35, which is 23.9% better Y/Y when the spread was $0.46.
- Spot rates are 10.2% below the 5-year trend, while contract rates are 6.4% below.

Bottom line: DAT's extended forecast has van spot rates excluding fuel rising $0.06 per mile between July and August, and experiencing a gradual increase until September 2024.

- DAT's extended forecast believes rates excluding fuel will be $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.

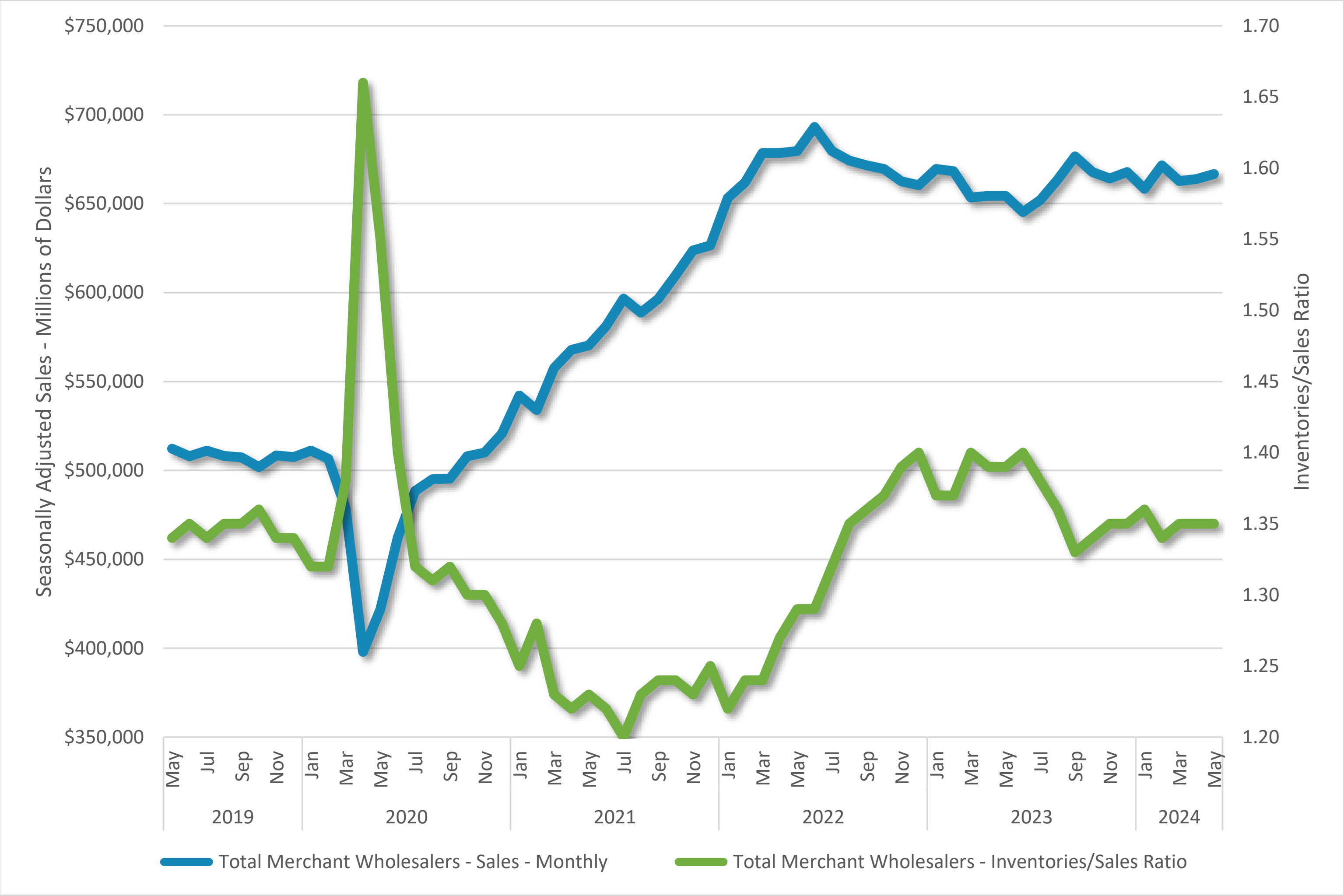
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 ratio remained flat yet again, while monthly sales increased in May. The inventory-to-sales ratio is in line with 2019 levels, but demand has not increased, which is why the current freight downcycle is continuing even despite inventory rightsizing.

- Sales increased $2.8 billion to $666.7 billion, and are 1.9%, or $12.38 billion, higher year-over-year. This is the 4th consecutive Y/Y increase. Sales are 3.3% higher than their trough in June 2023.
- Ratios stayed flat at 1.35, and are 2.9% lower than last year, marking 9 straight months of Y/Y decline. Ratios are 0.1% 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

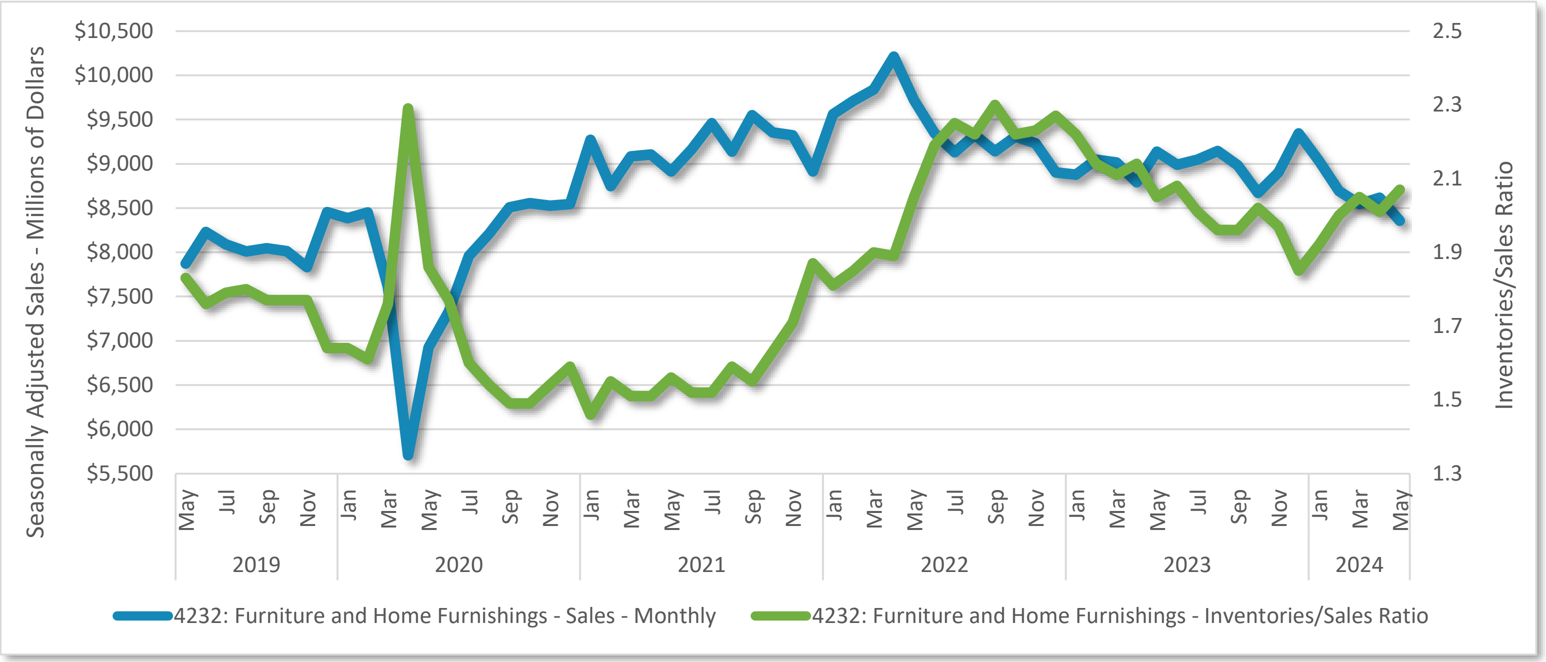
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

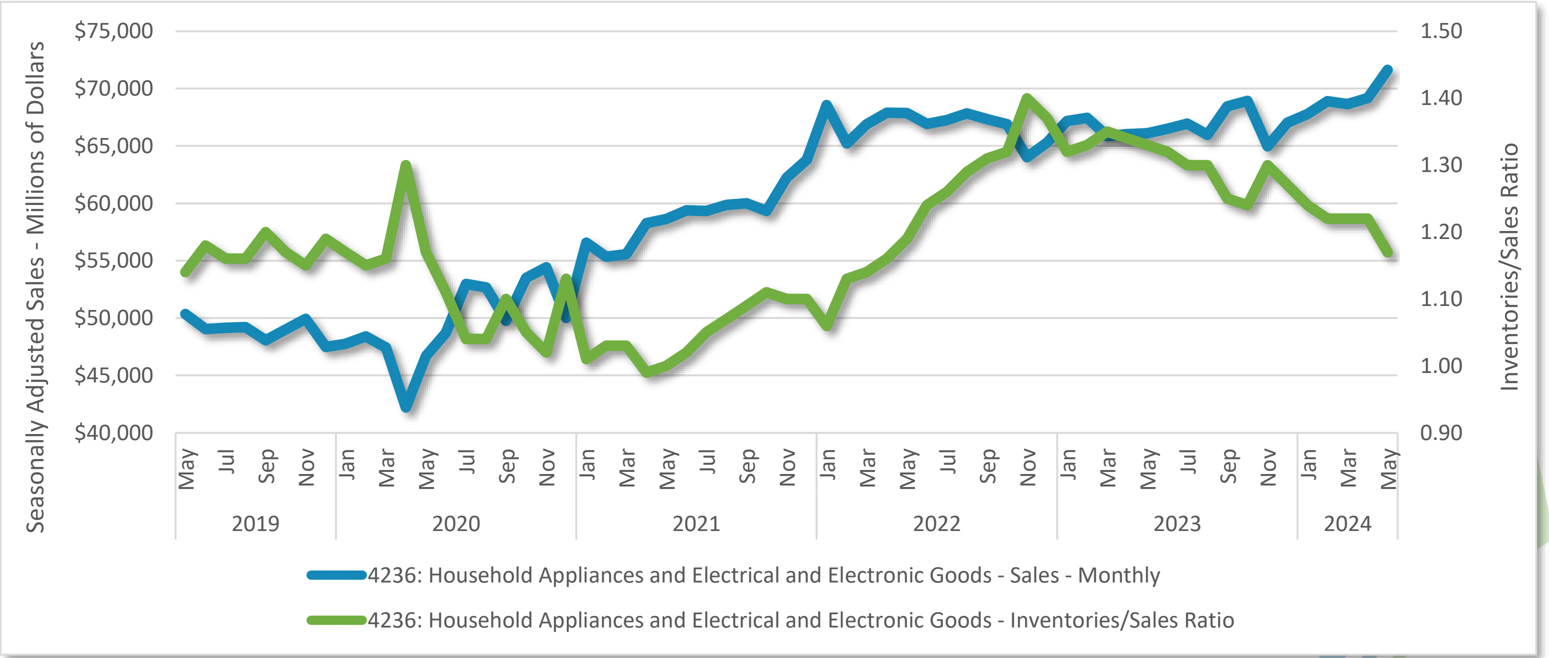
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

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

- Furniture Sales decreased 3.0% to $8.3 billion after rising 0.9% in the previous month, while ratios increased 3.1% to 2.02. However, ratios have fallen 9.0% from their peak in December 2022.
  - Sales are $780 million, or 8.5%, lower Y/Y, while ratios have increased 1.0%.
- Household appliances sales jumped 3.6%, or $2.4 billion, to $71.6 billion. Ratios dropped 4.1% to 1.17.
  - Sales are $5.5 billion higher than last year, marking 7 straight months of Y/Y increases, and ratios are 12.0% lower, marking 9 straight months of Y/Y decreases.

The bottom line: Inventory levels are lower now than at the start of 2023 (6.9% for furniture and 11.4% for household appliances), but demand has yet to materialize in a meaningful way. Though household appliances is starting to show some very positive signs.





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:

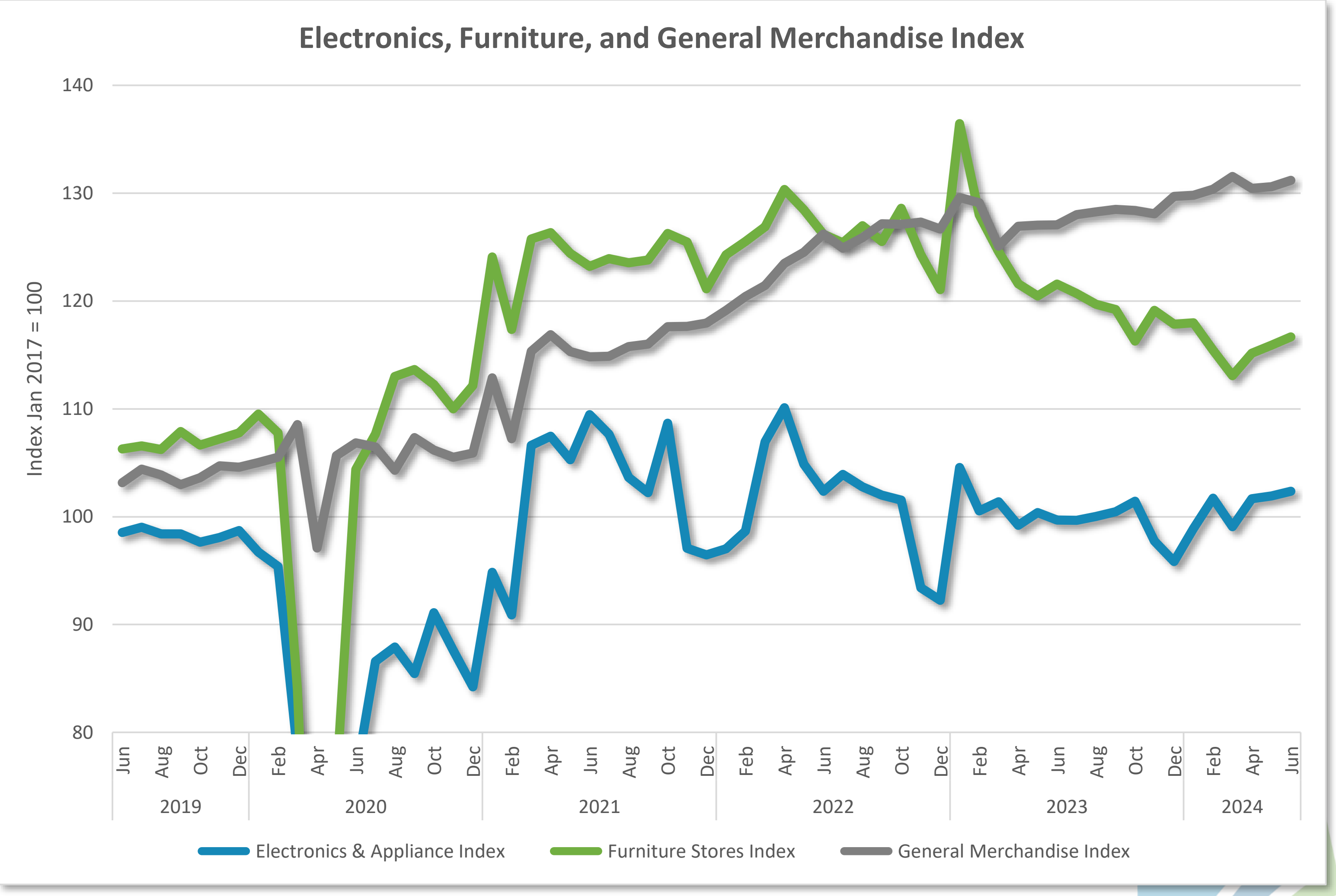
- Electronics and appliance stores (EAS)
- Furniture stores (FS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

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 increased for all three retailer types in June.

- EAS increased 0.4%, or $33 million, M/M to $7.86 billion, after increasing 0.3% the previous month. EAS is 2.7%, or $205 million, higher Y/Y.
- FS increased 0.6% M/M to $11.08 billion, and is 4.0%, or $466 million, lower Y/Y. FS has declined Y/Y for 17 straight months.
- GMS increased 0.4% M/M, or $336 million, to $75.62 billion, and is up 3.3%, or $2.38 billion, Y/Y. GMS has increased Y/Y for an outstanding 49 straight months.



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