Flatbed 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 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 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

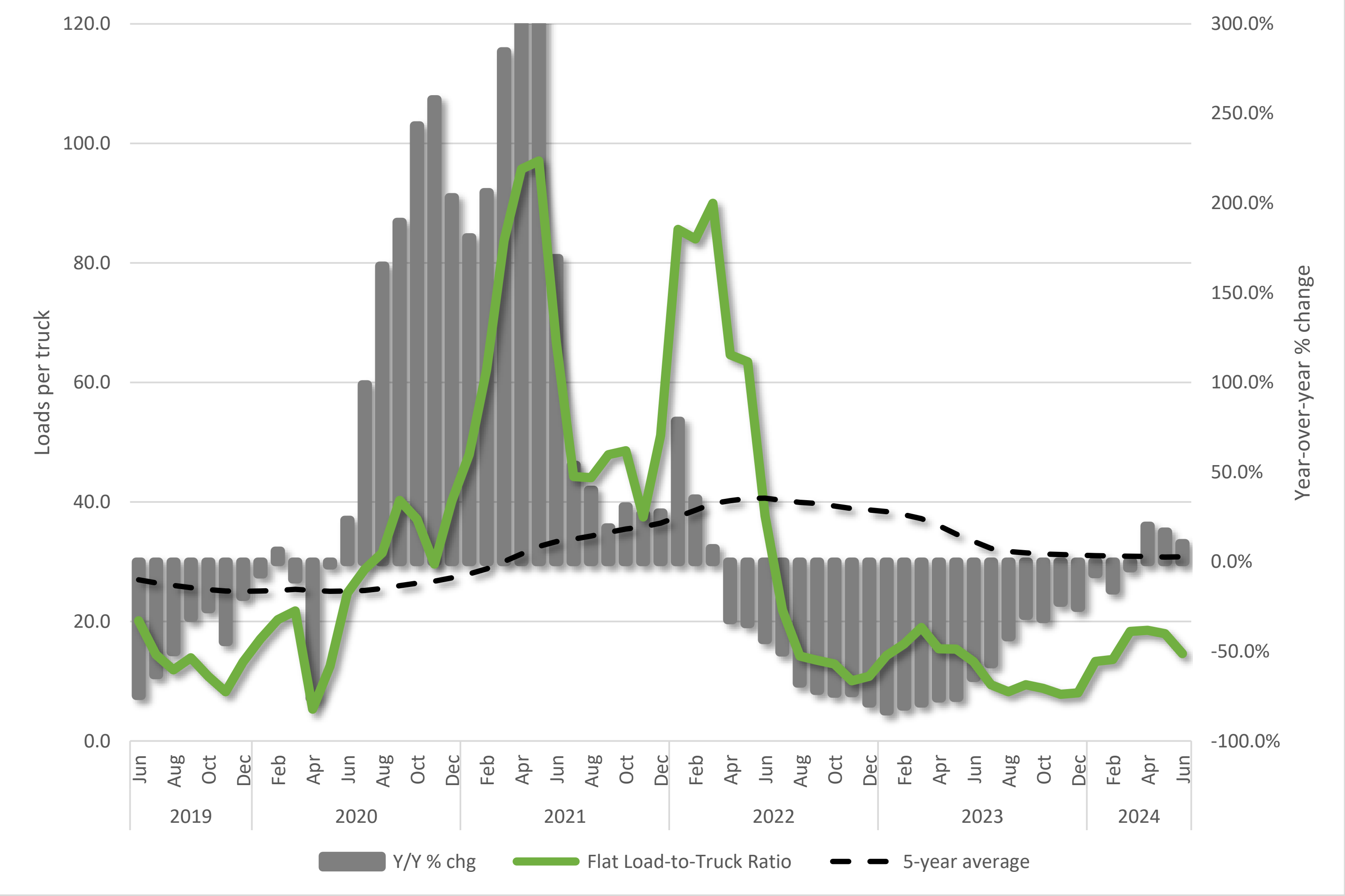
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: Load to truck ratios plummeted month-over-month in June, marking two consecutive months of decreases. The ratio is 7.2% above 2019 levels.

- The Flatbed Load-to-Truck Ratio dropped 18.5% month-over-month to 14.65, after decreasing 2.9% last month.
- The ratio is 10.2% above last year when there were 13.29 loads for every truck. The ratio increased year-over-year for the third time consecutive month.
- The ratio is 52.5% below the 5-year trend.

When looking at the different regions across the country, ratios were more favorable for carriers operating in the Southeast (35.73), South Central (26.43), and Carolina (18.96) regions, respectively. This was true for last month as well.

- 12 out of 15 regions experienced a decrease in load-to-truck ratios for flatbed. The greatest decline being the New England region, which dropped from 14.74 to 6.36.



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

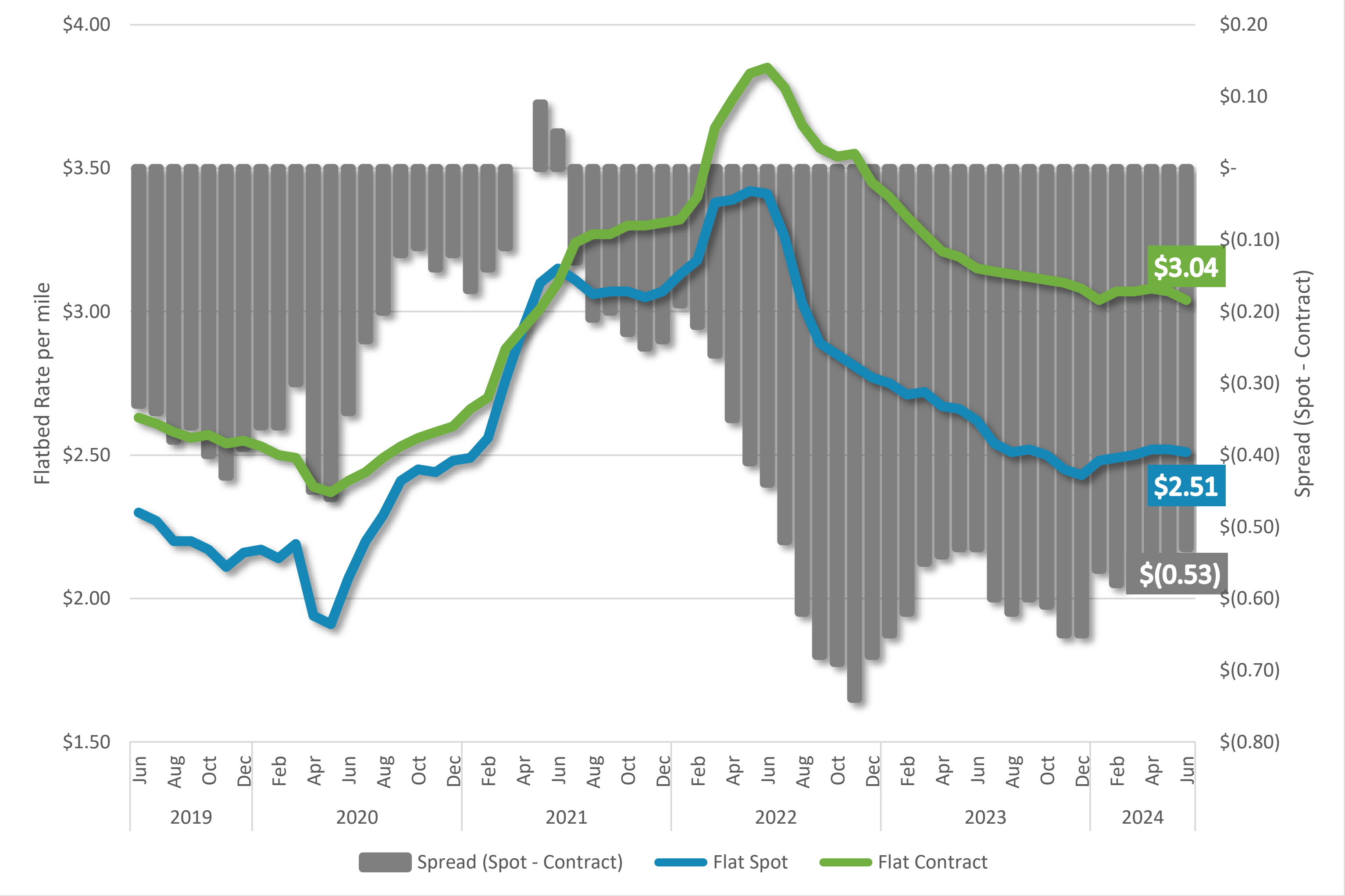
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates ticked downward in June, after remaining flat last month.

- The spot market decreased $0.01 to $2.51 per mile month-over-month, and is $0.11 lower year-over-year when it was $2.62.
- The contract market decreased $0.03 to $3.04 per mile following adjustments, which is also $0.11 lower than last year.
- The spread between contract and spot decreased $0.02 to $0.53, which is exactly where we were one year ago.

Bottom line: DAT's extended forecast predicts that flatbed spot rates excluding fuel will decline $0.07 between July and August, and then steadily decrease through the rest of the year.

- DAT predicts rates will be $2.07 per mile one year from now.



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.

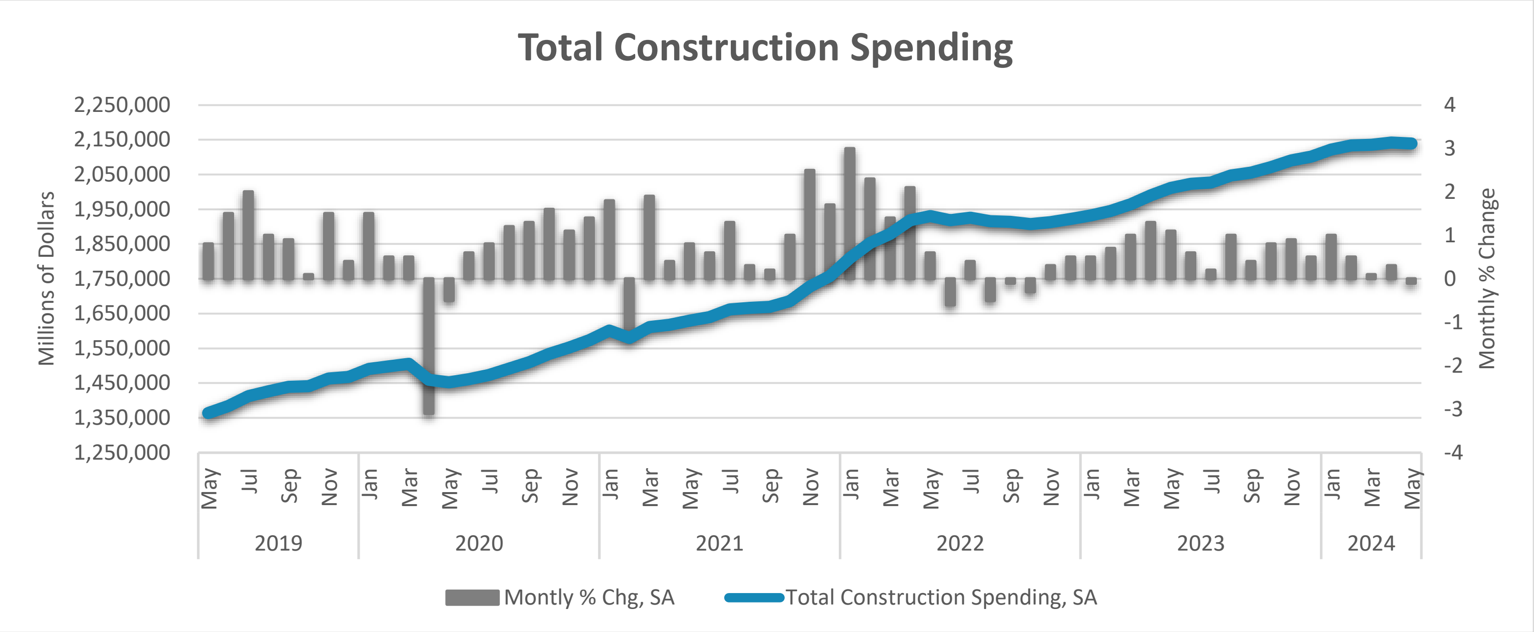
- Construction spending encompasses various expenses, such as labor and materials,
- and sectors, such as highway and street spending.

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

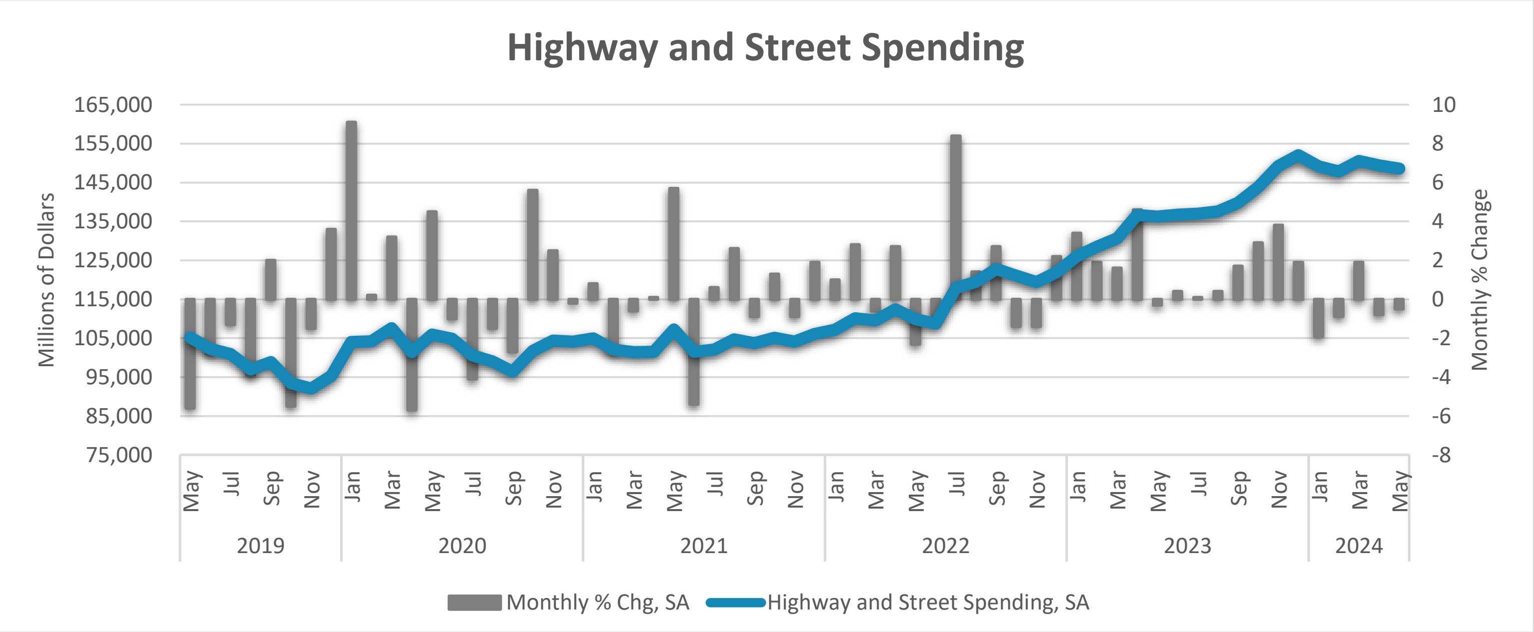
- It also is a good indicator of future demand for those owner-operators pulling flatbed trailers, as a variety of materials and goods are transported this way to construction sites.

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

- TCS decreased month-over-month, declining 0.1%, or \$2.33 billion, to \$2.14 trillion, which is \$127.9 billion, or 6.4%, higher year-over year, and 22.0% above the 5-year trend.
- HSS decreased 0.5% to \$148.5 billion, but is up 9.0%, or \$12.3 billion, year-over-year and 29% above the 5-year trend.
- NRS, not pictured, decreased 0.1% to \$1.21 trillion. NRS is up 6.2% year-over-year, and 25.7% 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:

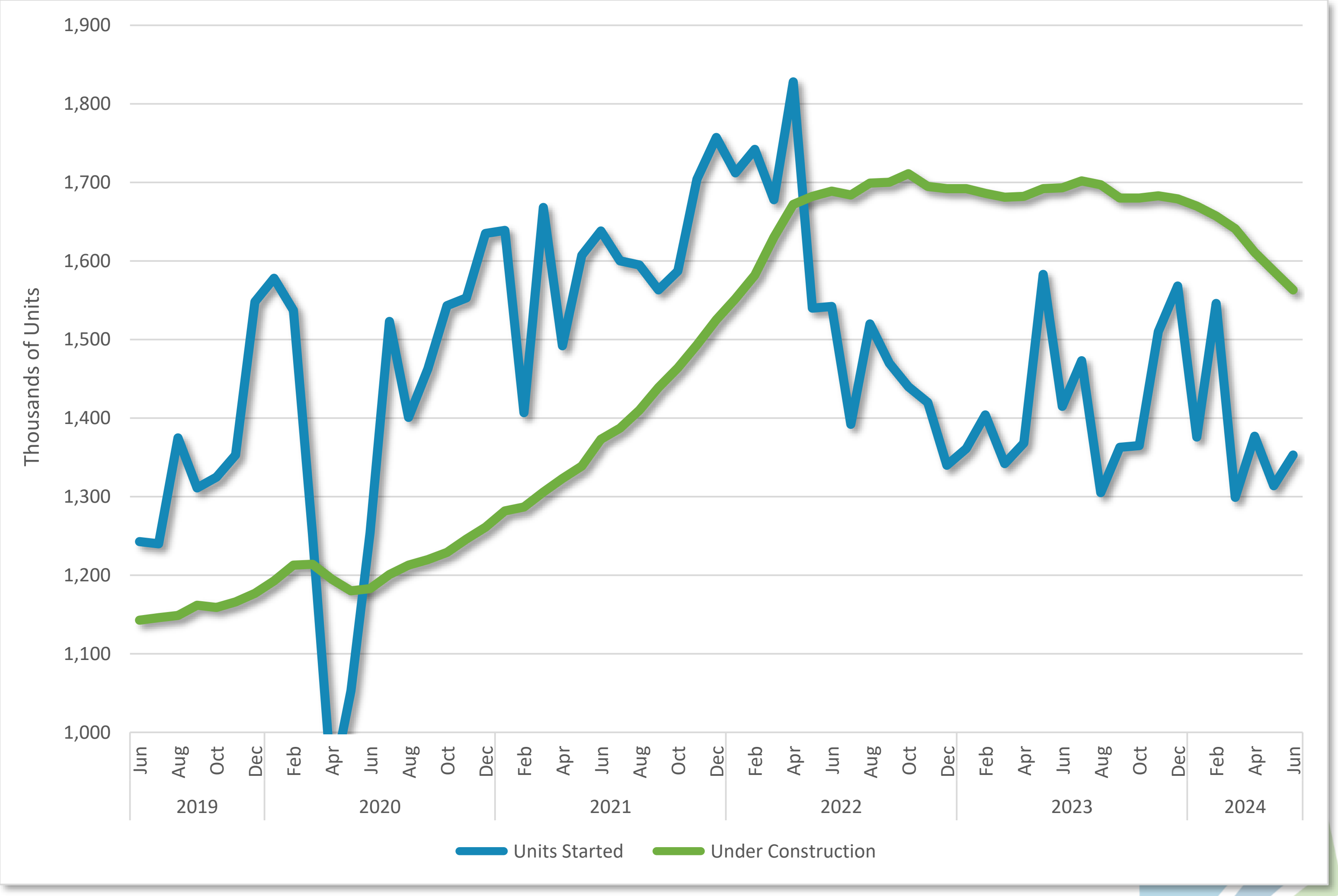
- Housing starts, and
- Housing under construction.

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 rebounded some in June following a 4.6% drop in the previous month after adjustments. Housing continues to weaken, even though it did show some signs of resilience earlier this year, as the FED holds interest rates steady due to inflation. The FED now only plans to cut rates once this year, which will be a headwind for the housing market, and thereby freight overall.

- New starts increased 3.0%, or 39,000 houses, month-over-month to 1.35 million, but are down 4.4%, or 62,000 homes year-over-year (Y/Y), marking three Y/Y declines in four months.
- Houses under construction declined for the 6th consecutive month at 1.5% to 1.563 million, and are 7.7% lower Y/Y.
- Completed houses (not pictured) jumped 10.1% month-over-month and are up 15.5%, or 230,000 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).

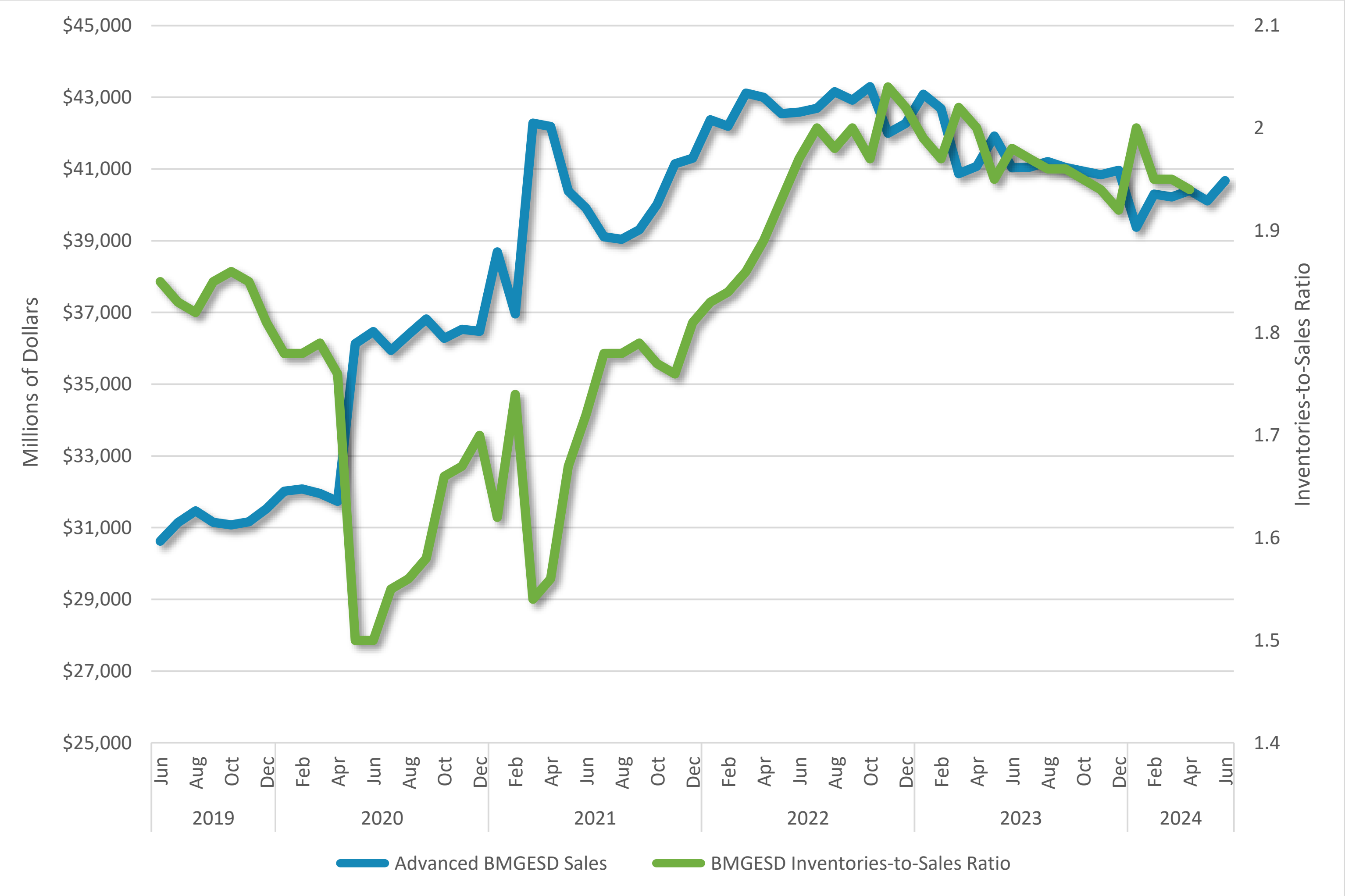
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales rose in June after decreasing 0.7% in the previous month following adjustments, while inventories decreased in April as retailers continue to right-size their inventories.

- The BMGESD retail sales increased 1.4% month-over-month to $40.67 billion, but are 0.9%, or $359 million, lower year-over year.
- Sales are $1.8 billion higher than the 5-year average.
- Inventories-to-sales ratios declined 0.5% to 1.94 in April, and are 2.0% lower year-over-year.

BMFESD retailers continue to struggle with high inventory levels. In fact, inventories are 6.3% 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