



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 three key economic indicators that directly impact the flatbed market:

1. Industrial Production Flatbed Composite Index
2. Housing
3. 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

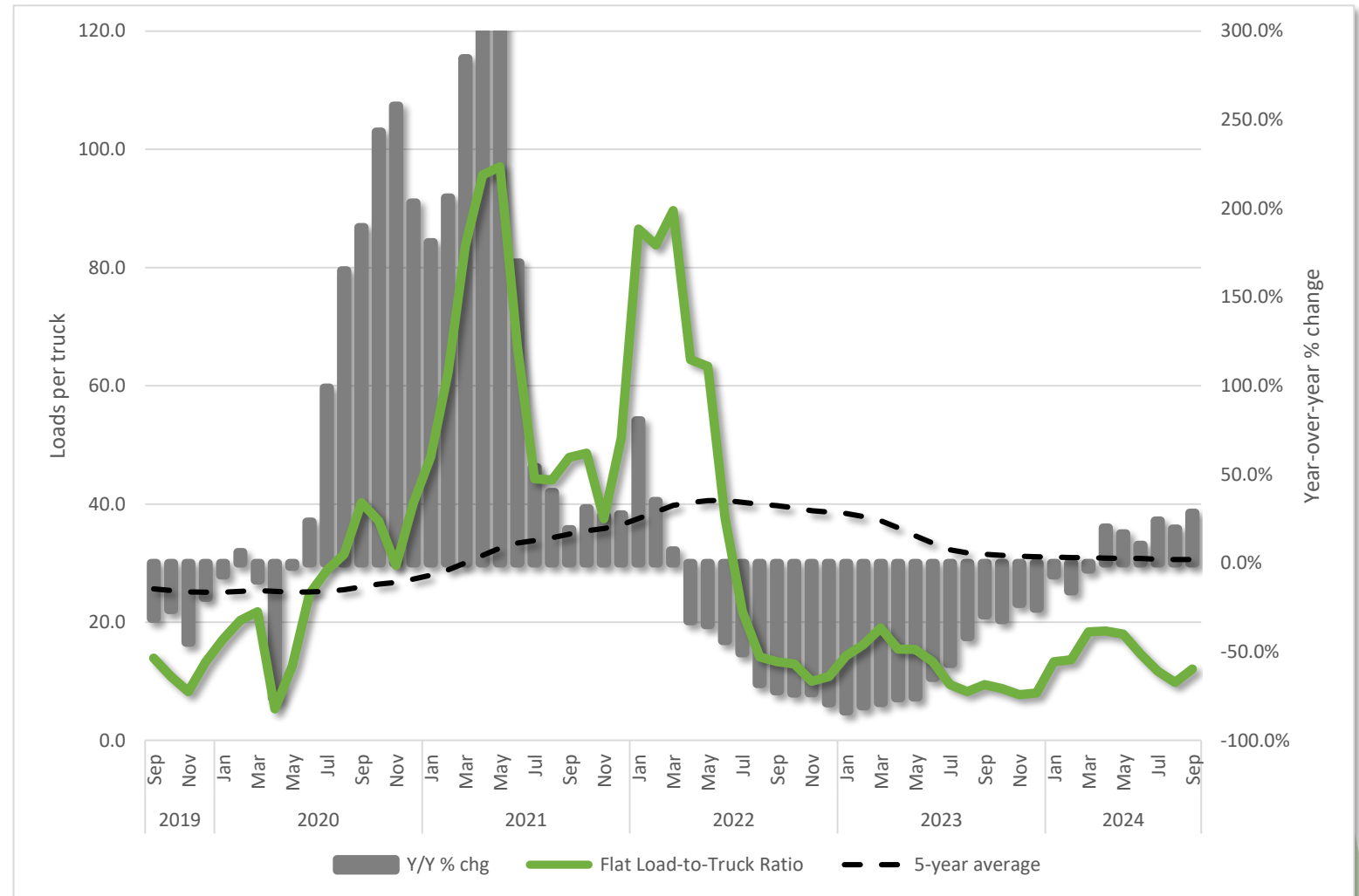
Why it matters: Changes in the ratio often signal impending changes in rates.

Our thoughts: Load to truck ratios jumped month-over-month in September, ending four consecutive months of decreases. The ratio is 23.5% below 2019 levels.

- The Flatbed Load-to-Truck Ratio rose 22.9% month-over-month to 12.08, after decreasing 15.9% last month.
- The ratio is 28.2% above last year when there were 9.42 loads for every truck. The ratio increased year-over-year for the 6th consecutive month.
- The ratio is 60.5% below the 5-year trend.

When looking at the different regions across the country, ratios were more favorable for carriers operating in the Pacific Northwest (38.46), Southeast (27.14) and Upper Mountain (16.04) regions, respectively.

- 12 out of 15 regions experienced a increases in load-to-truck ratios for flatbed. The greatest increase being the Pacific Northwest region, which jumped from 13.6 to 38.46.



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

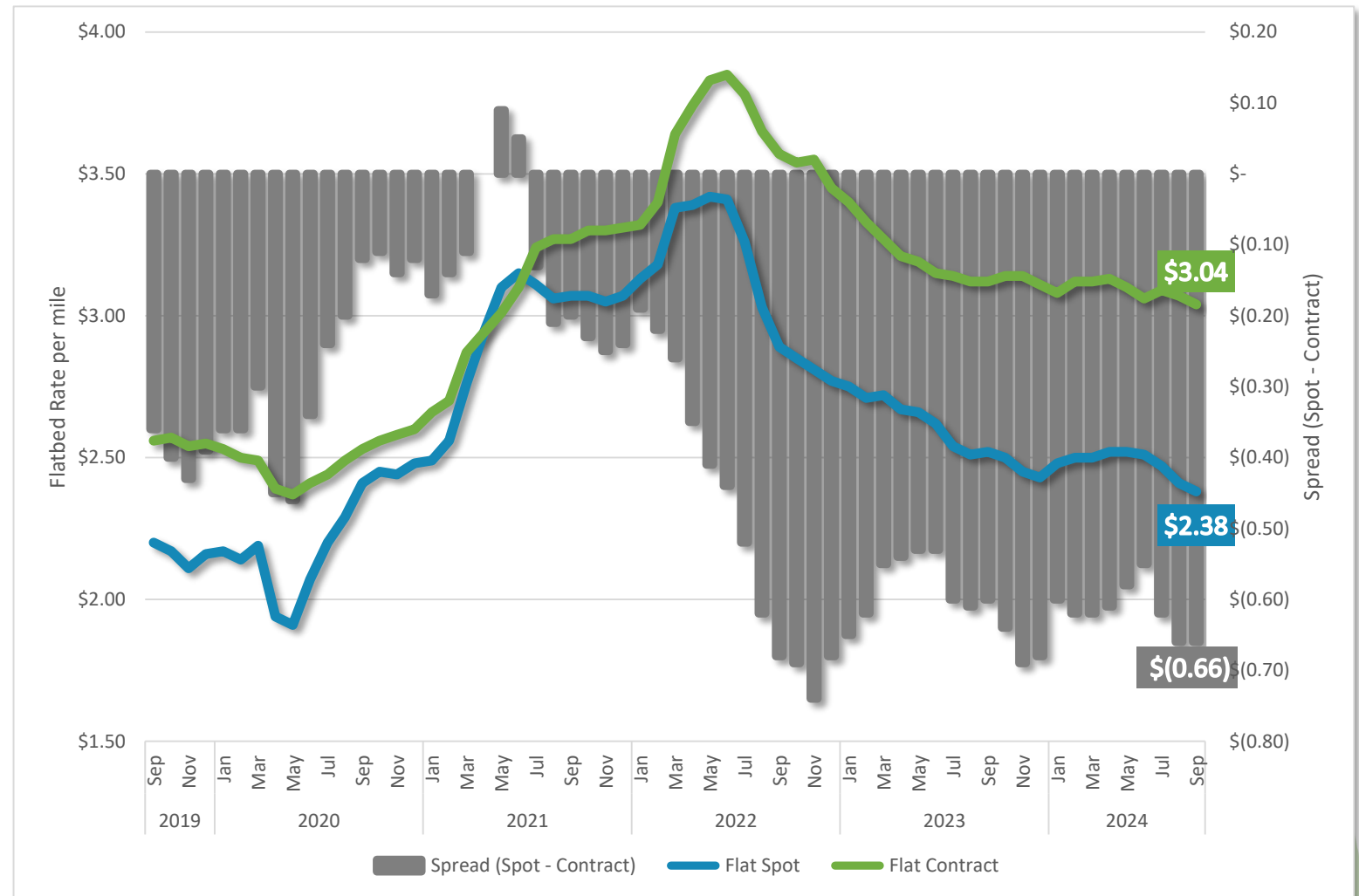
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Spot rates declined in September, after declining 2.4% last month.

- The spot rate decreased \$0.03 to \$2.38 per mile month-over-month, and is \$0.14 lower year-over-year when it was \$2.52.
- The contract rate decreased \$0.03 to \$3.04 per mile following adjustments, which is \$0.08 lower Y/Y.
- The spread between contract and spot remained flat at \$0.66, which is worse than last year.

Bottom line: DAT's extended forecast predicts that flatbed spot rates excluding fuel will decline \$0.01 between October and November, and then begin to increase from there.

- DAT predicts rates will be \$2.245 one year from now.



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

Industrial Production: Flatbed Composite Index

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

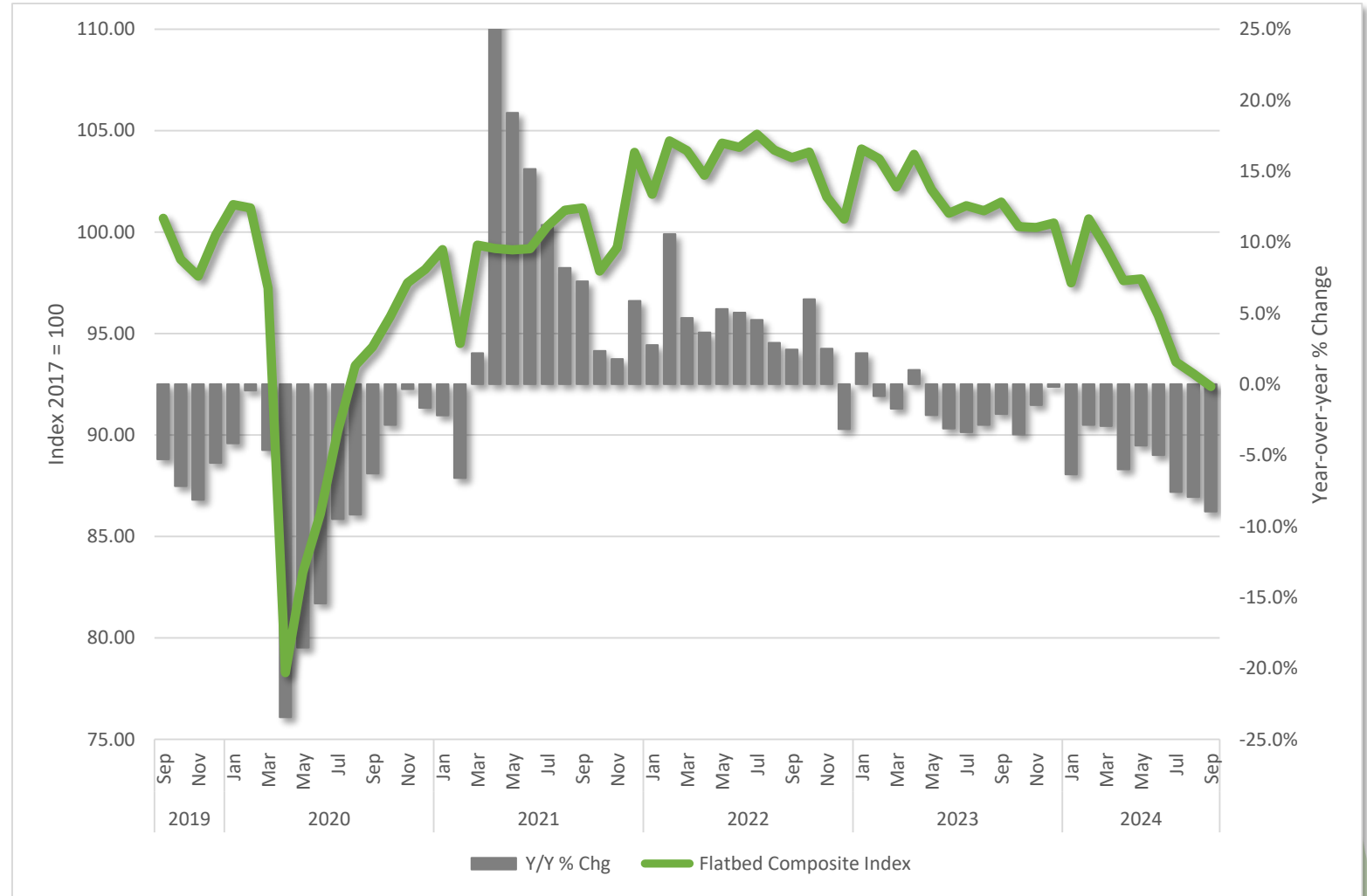
- Manufacturing makes up about 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

Why it matters: Flatbed trucking is often linked to industries related to steel production, construction materials, mining, agriculture equipment, heavy machinery, oil and gas equipment, and lumber shipments.

- With this in mind, we've created a composite index using these sectors to forecast demand for flatbed trucking.

Our thoughts: The seasonally-adjusted flatbed composite index (FCI), which correlates strongly with the spot market, decreased in September after decreasing 0.6% in August following adjustments.

- The FCI decreased 0.7% to 92.4, marking 4 consecutive months of decline.
- The FCI is 9.0% lower year-over-year, when the index read at 101.5. The FCI has declined Y/Y for 17 straight months.
- The index is 6.7% below the 5-year trend.



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

Housing: Starts, Under Construction, Completed

The big picture: The U.S. Census Bureau publishes monthly estimates on the number:

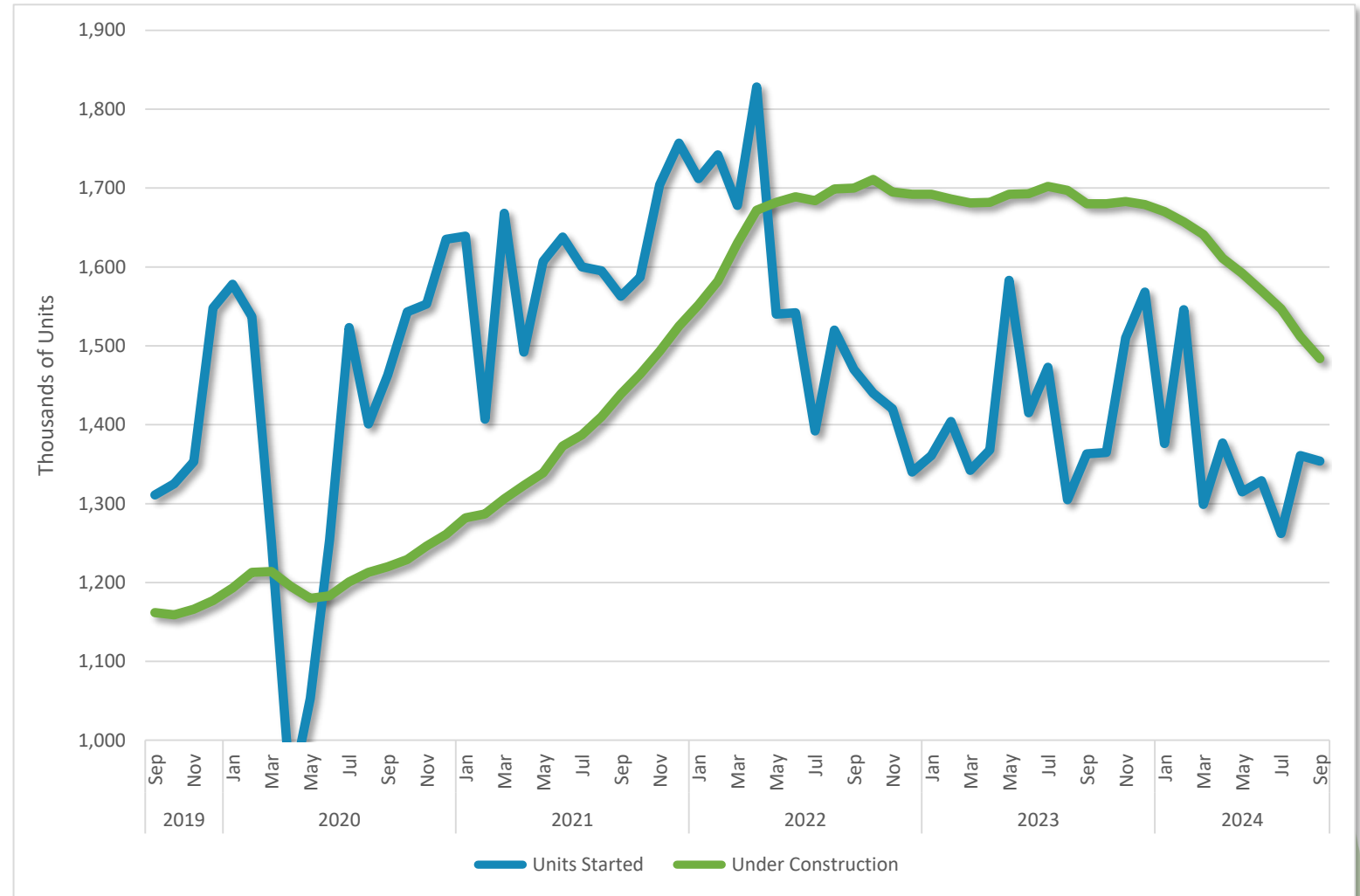
- Housing starts, and
- Housing under construction.

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 fell slightly in September following a 7.8% jump in the previous month after adjustments. Housing has struggled ever since the FED starting raising interest rates in 2022. However, the FED is starting to reverse course as it issued a half-point rate cut at it's most recent meeting in September and plans to issue another half-point cut by December. While this will help to generate more freight demand, it's important to understand that this will take several months before we see the effect of the rate cuts.

- New starts decreased 0.5%, or 7,000 houses, month-over-month to 1.35 million, and are down 0.7%, or 9,000 homes year-over-year (Y/Y), marking 5 Y/Y decreases in 7 months.
- Houses under construction declined for the 9th consecutive month at 1.9% to 1.484 million, and are 11.7% lower Y/Y.
- Completed houses (not pictured) dropped 5.7% month-over-month but are up 14.6%, or 214,000 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).

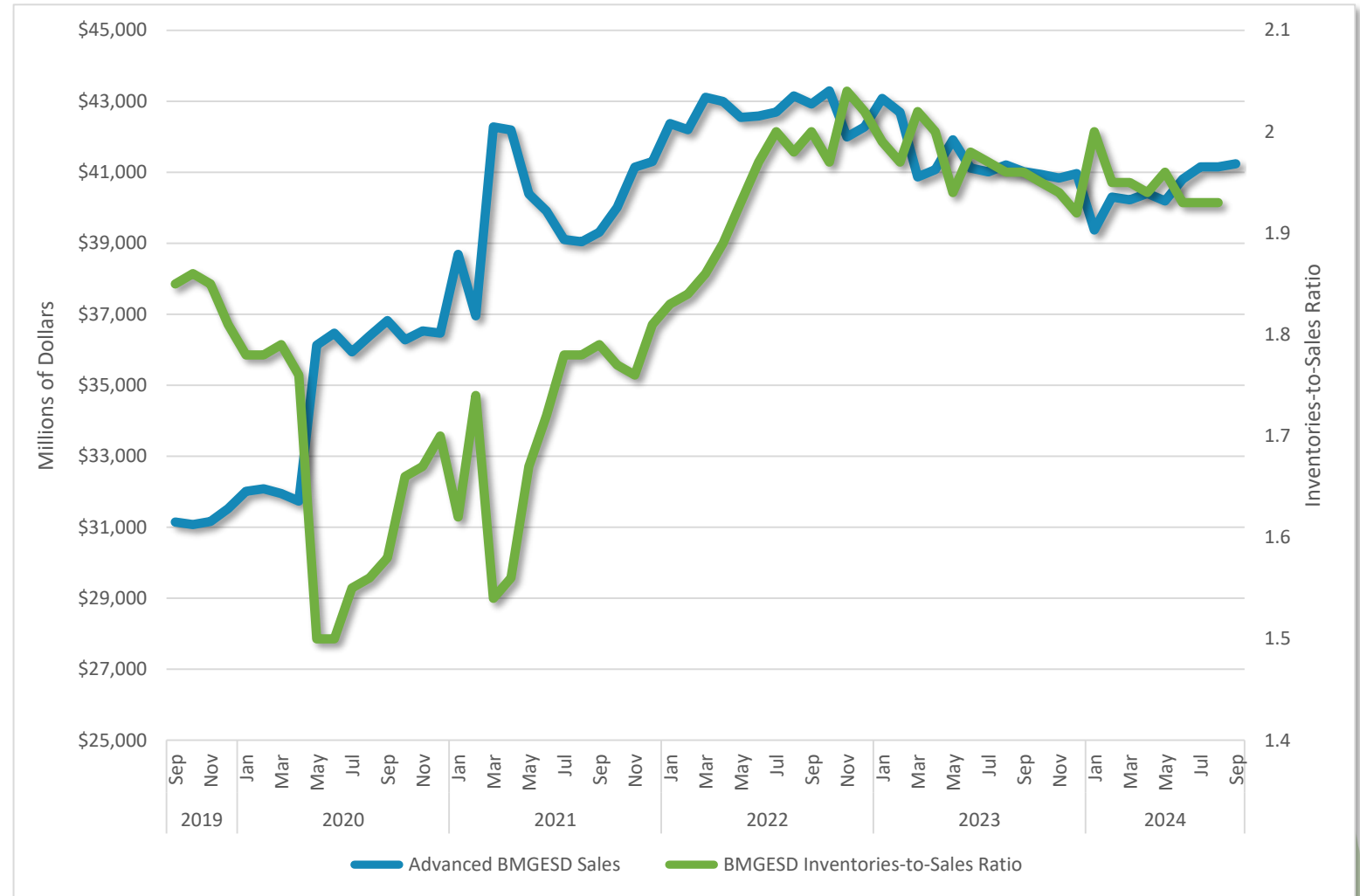
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales rose in September after remaining flat in the previous month following adjustments, while inventories remained flat once again in August as retailers continue to right-size their inventories.

- The BMGESD retail sales increased 0.2% month-over-month to \$41.24 billion, and are 0.5%, or \$224 million, higher year-over year.
- Sales increased Y/Y for the second time in 19-months.
- Inventories-to-sales ratios remained at 1.93 in August, but are 1.5% lower Y/Y.

While there are some positive signs in this sector, it's important to note that BMFESD retailers continue to struggle with high inventory levels. In fact, inventories are 5.7% 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