



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 break down each category and explain how they pertain to you as a small business owner.



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.

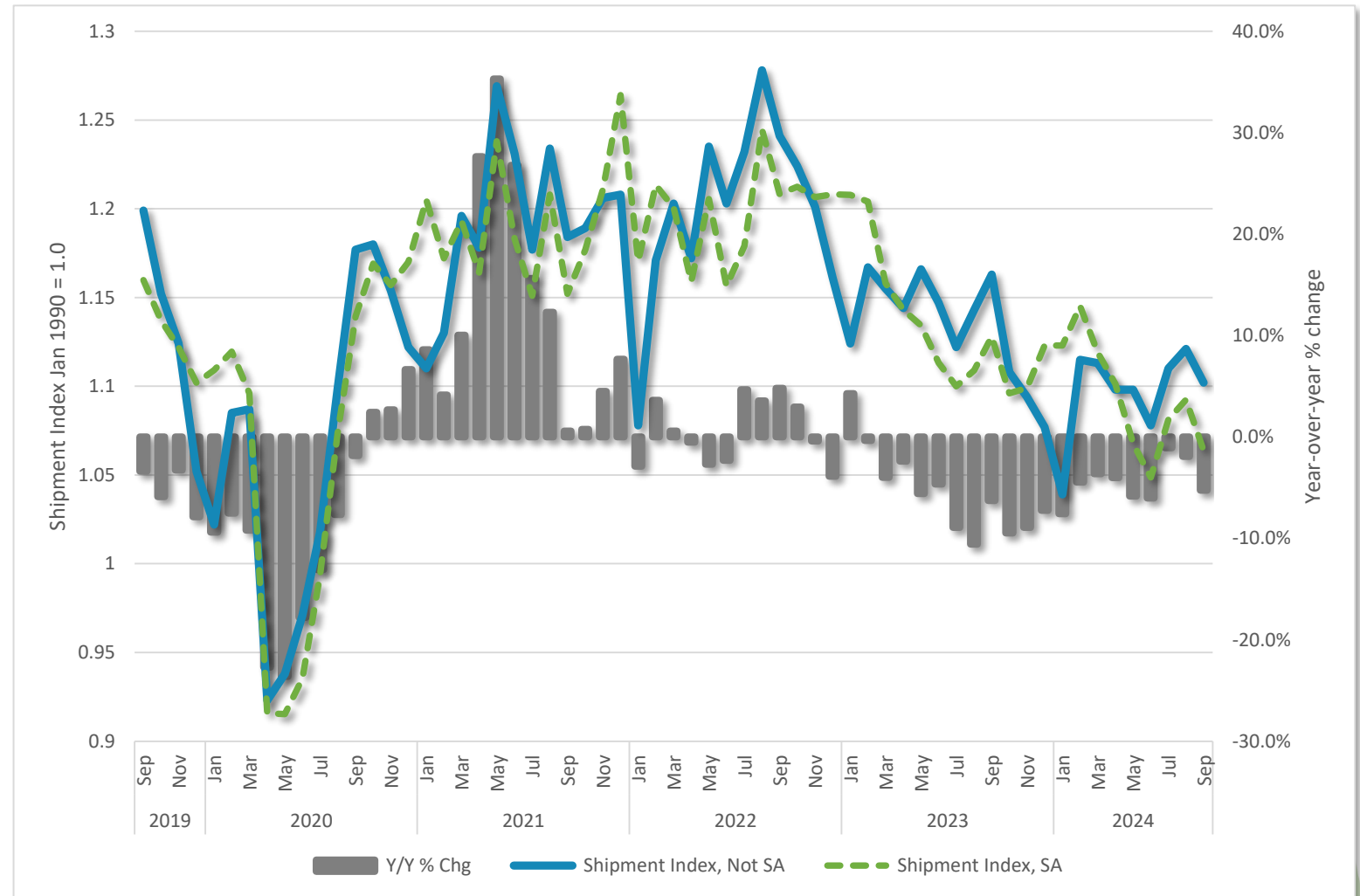
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index was down 1.7% month-over-month to 1.10 in September after a 1.0% increase in August. The Shipment Index decreased 5.2% year-over-year, marking 20 straight months of decline.

- Expenditures, which measures the total amount spent of freight, increased 1.0% to 3.13 when SA, but is down 6.6% Y/Y.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, increased 3.8% to 2.97 when SA.
- Truckload linehaul rates, which includes both spot and contract rates, increased 0.3% to 137.1, ending 4 months of consecutive decreases, but have been down Y/Y for 21 straight months. They are 3.4% lower Y/Y.

Bottom line: Cass states, “The resilience of owner-operators is of course an important part of the story, but operating authority revocations continue apace.” Cass believes that the continual insourcing of freight from the for-hire market to private fleets is extending the soft freight cycle.



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

Supply: Truck Employment

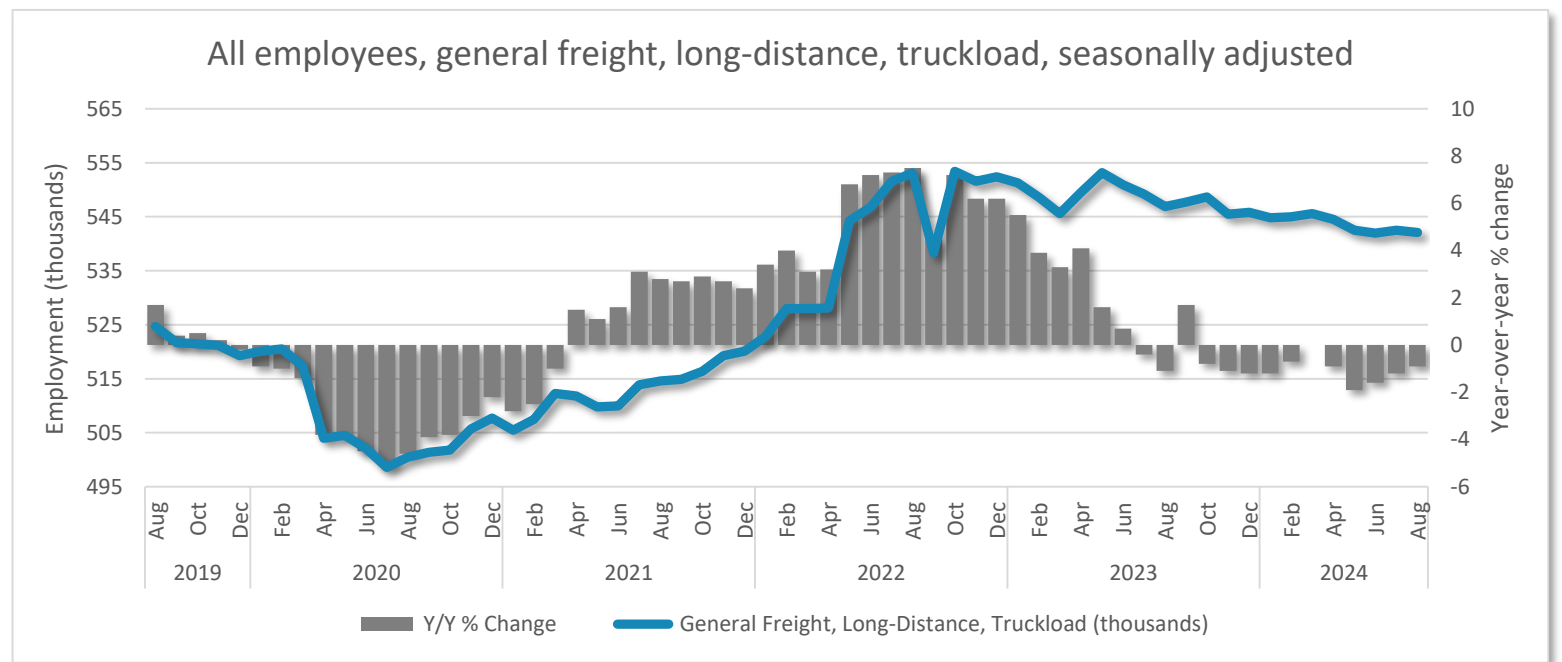
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

Why it matters: Overall truck transportation employment helps us to see how much driver capacity, or supply, is out there in the industry, though this category includes more than just drivers.

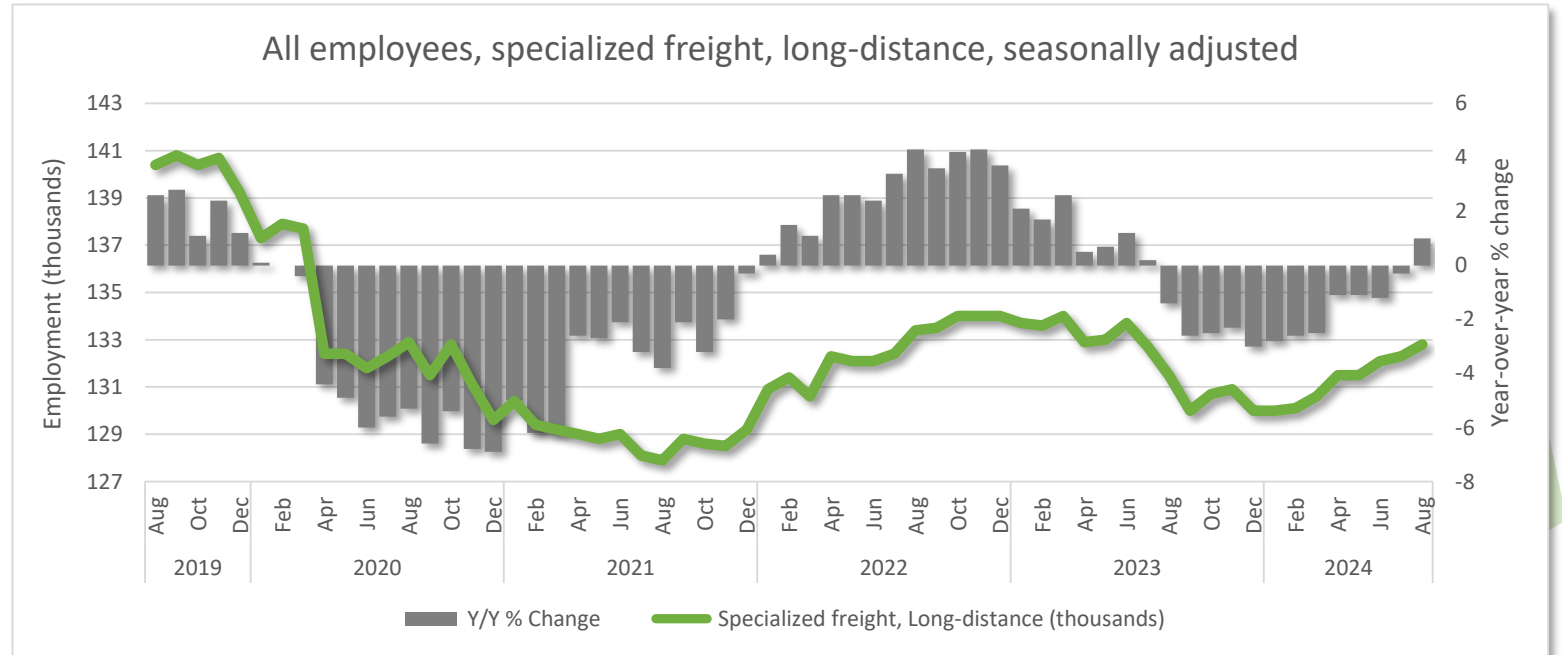
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

Our thoughts: Truck employment numbers overall (not pictured) decreased 0.05%, or 700, in September to 1.543 million people following adjustments, and are slightly down year-over-year. This marks 16 Y/Y decreases in 17 months.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, decreased 0.1%, or 400 jobs, month-over-month in August.
- It's 0.1%, or 4,800 jobs, lower year-over year but 3.5% higher than 2019 levels.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, increased 500 jobs month-over-month to 132,800.
- This figure is 1.0%, or 1,300 jobs, higher year-over-year. This is the first Y/Y increase in 12 months. This figure is 4.7%, or 6,600 jobs, 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.

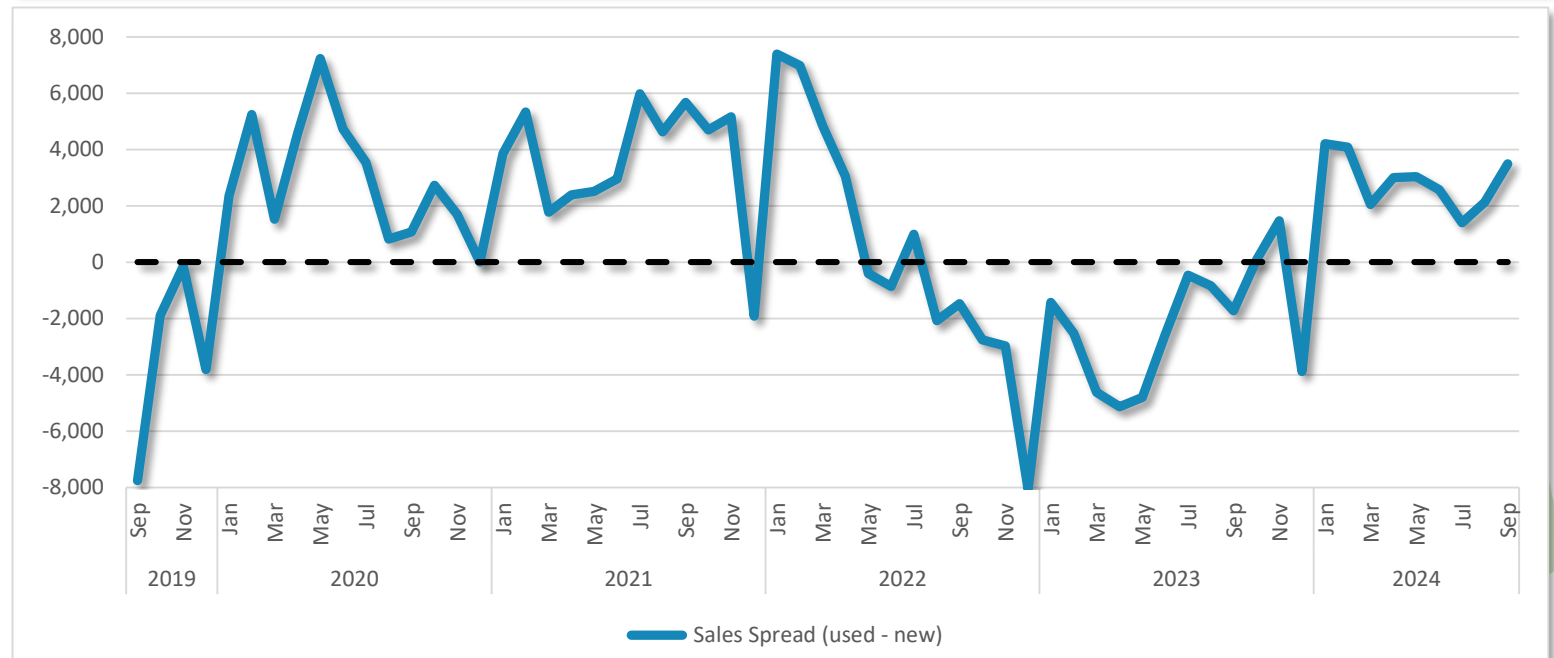
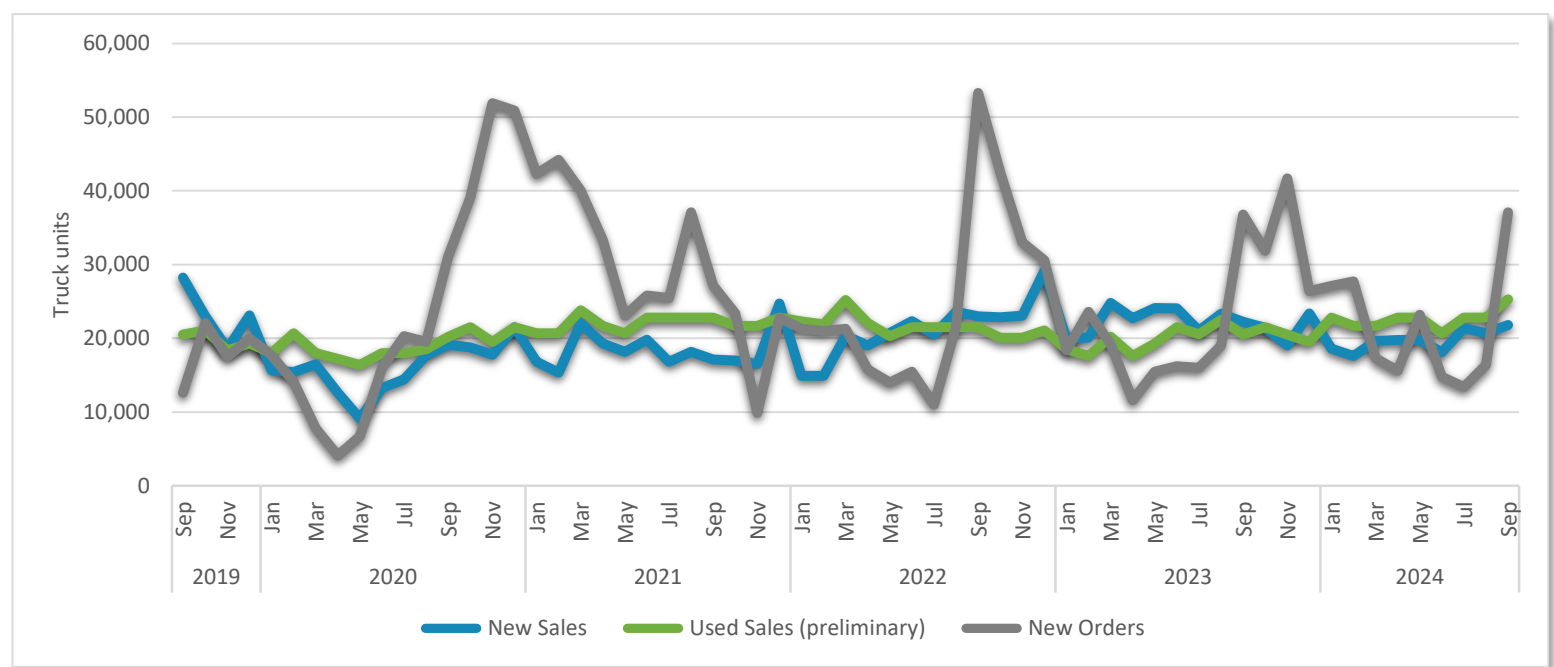
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

- 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 5.5% in September to 21,813 after dropping 3.4% in August, and are 1.9% lower year-over-year, while new orders spiked 126.2% to 37,100 after jumping 22.4% last month.

- Preliminary used sales figures increased 11%, or 2,508 units, in September to 23,256, and are up 23.5% compared to last year.
- Used sales eclipsed new sales for the 9th straight month. This time by 3,495 units.

Steve Tam, VP at ACT Research, stated, “Underlying fundamentals have not changed...since August. Spot freight and freight rates, along with still high but improving interest rates, appear to have been sufficient enough to entice truck buyers.” As a result, used truck prices grew once again in September.



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.

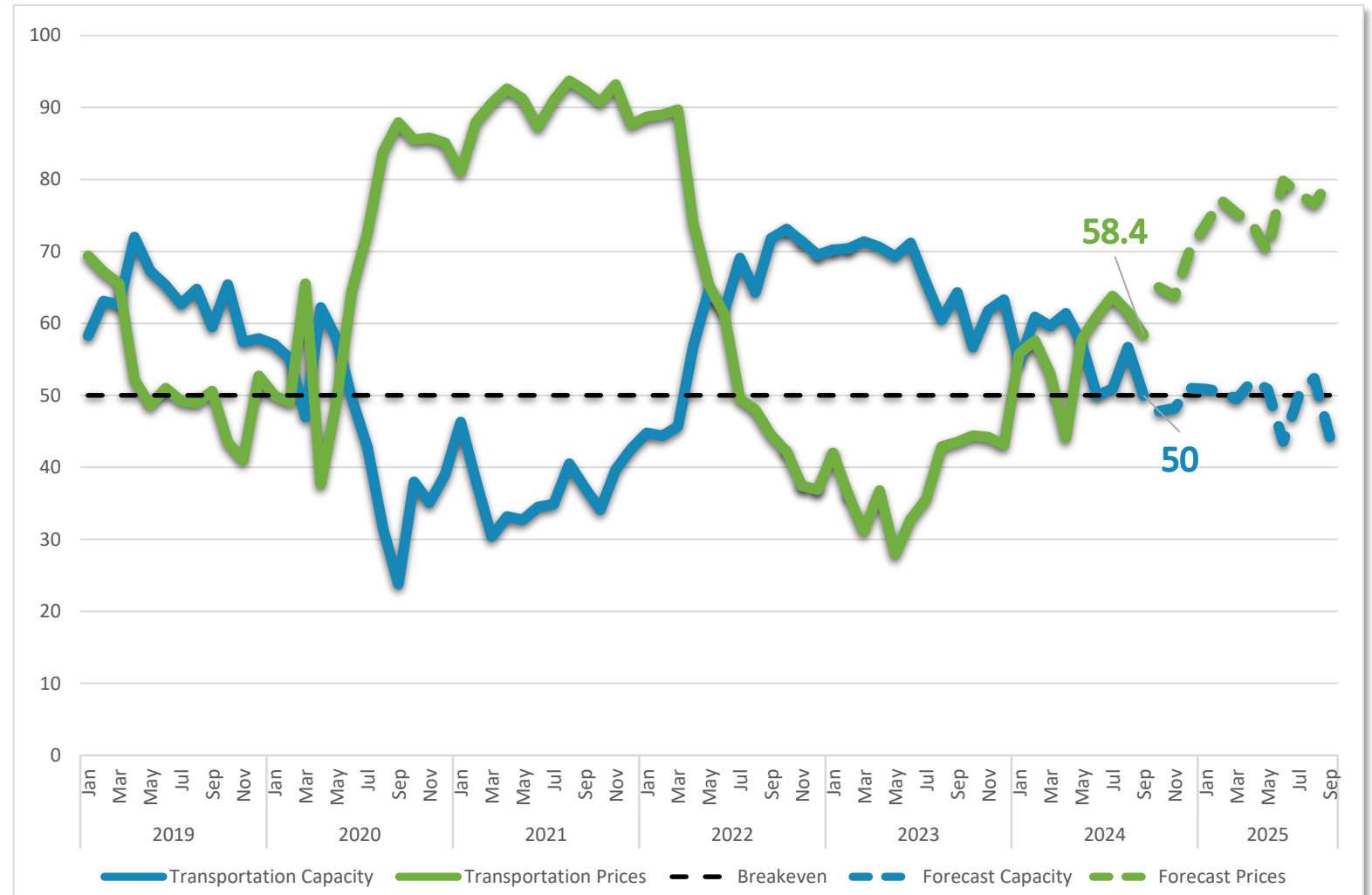
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- 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 2.2 points to 58.6, it's highest reading in two years, mostly due to expanding inventory levels. The overall index has increased now for 10 consecutive months. However, the LMI is still well below the all-time average of 61.9. Transportation prices outpaced capacity again in September as capacity continues its downward trajectory.

- Prices decreased 5.2% month-over-month to 58.4, but are 34.3% higher year-over-year (Y/Y), when the index read 43.5.
- Transportation capacity decreased 11.8% to 50, which is 22.2% lower Y/Y. Transportation capacity has not contracted since March of 2022.

Bottom line: According to LMI, retail supply chains are whirring back into motion for peak season. "The fact that peak season is happening at all should be a bit of a relief for the logistics industry – and economy as a whole – since we have not really seen a traditional seasonal peak since 2021."



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 for all services, not just generic services.

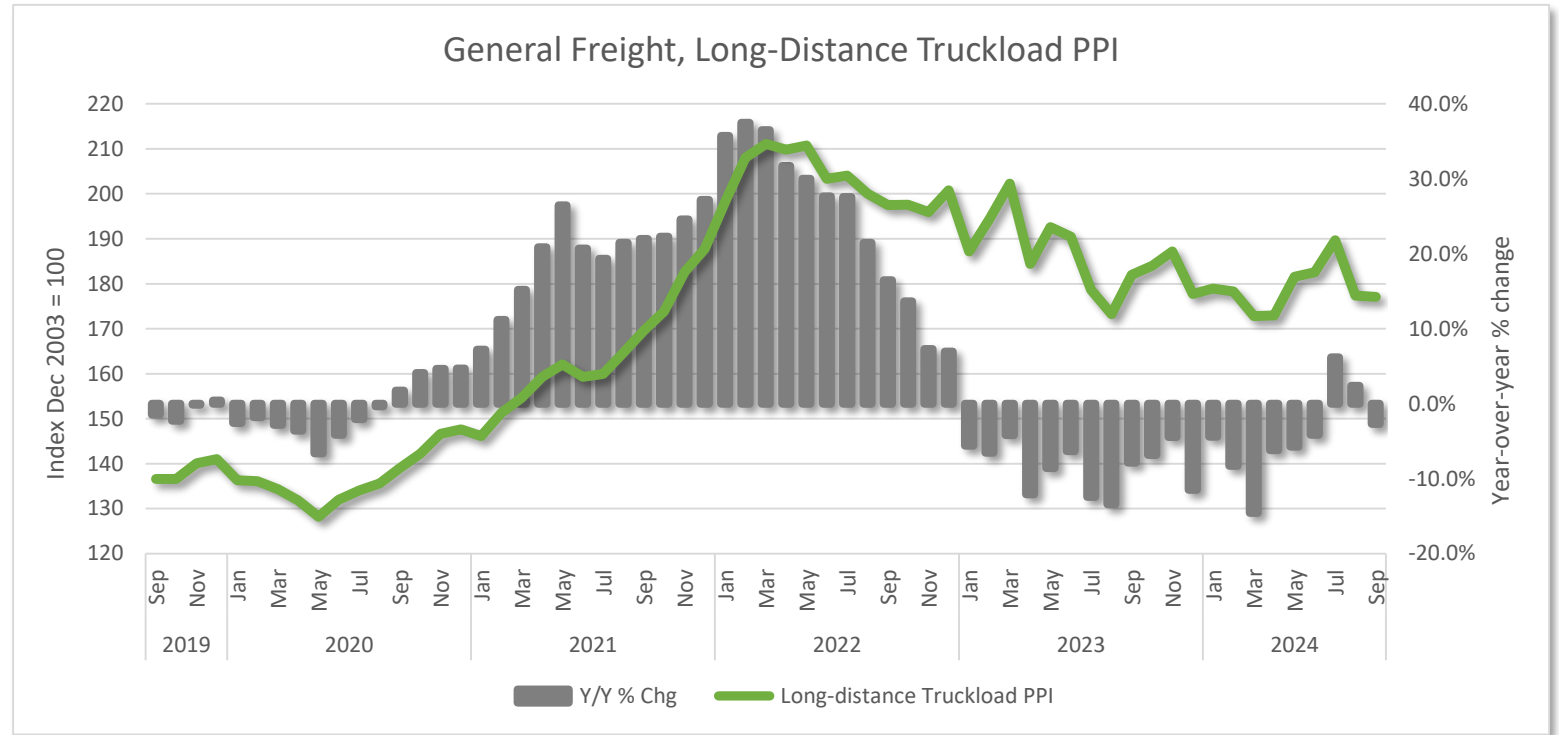
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index ticked downward in September after decreasing 6.5% in August following readjustments. The index is now 16.0% lower than its high in May 2022.

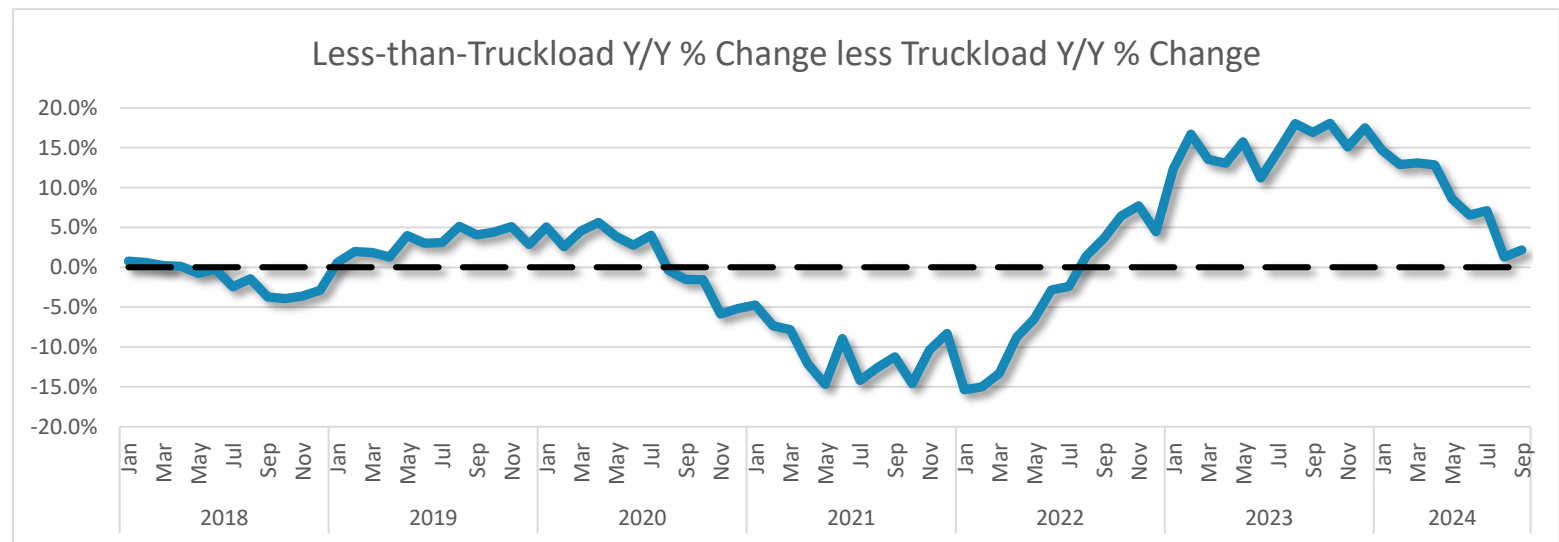
- The long-haul PPI decreased 0.2% to 177.1, month-over-month, marking 2 consecutive months of decreases.
- The PPI is 2.7% lower year-over-year, and 3.3% above the 5-year trend. The PPI decreased Y/Y, ending two months of consecutive increases. The PPI has decreased Y/Y 19 of 22 months.

Bottom line: When TL rates fall, LTL shippers tend to shift volume to the TL sector to save money. Thus, when we subtract the Y/Y % change for LTL's PPI by the Y/Y % change for TL, we get a good sense of where the market is. If we're over 0%, the market is down, and when we're under 0% the market is up.

- LTL minus TL Y/Y % change is 2.2%. While it's been above zero for 25 months, which presents a headwind for TL rates, its getting very close to dropping below zero.



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



Source: FRED | <https://fred.stlouisfed.org/graph/?g=1t1FP> | Monthly

Costs: Diesel Fuel

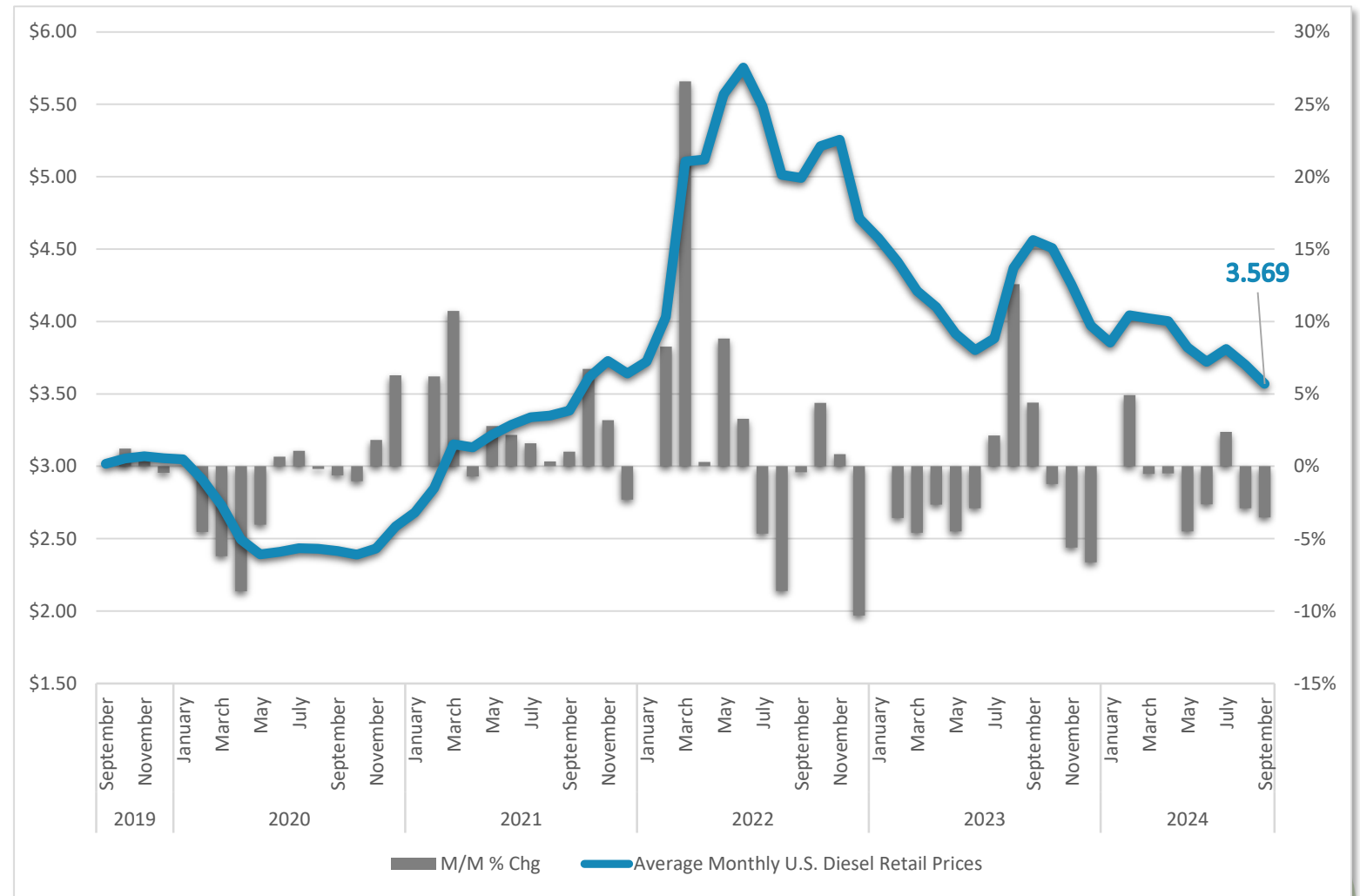
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 declined \$0.13 per gallon in September after decreasing \$0.11 in August and increasing \$0.09 in July. Prices through September have now declined \$2.18 per gallon since the high of \$5.75 in June 2022.

- The average price for diesel fuel decreased 3.5% month-over-month to \$3.569 per gallon, marking six months of decreases in seven.
- The average diesel price is 21.8% lower year-over-year when the cost was \$4.56 per gallon, and is 4.2%, or \$0.16 per gallon, lower than the 5-year trend.
- The average price has been down year-over-year for 19 straight months. The Y/Y comparisons were extreme in September due to a combination of factors that caused fuel to rise last summer, including OPEC's surprise cut to crude oil production and extended cuts by Russia and Saudi Arabia.
- 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.

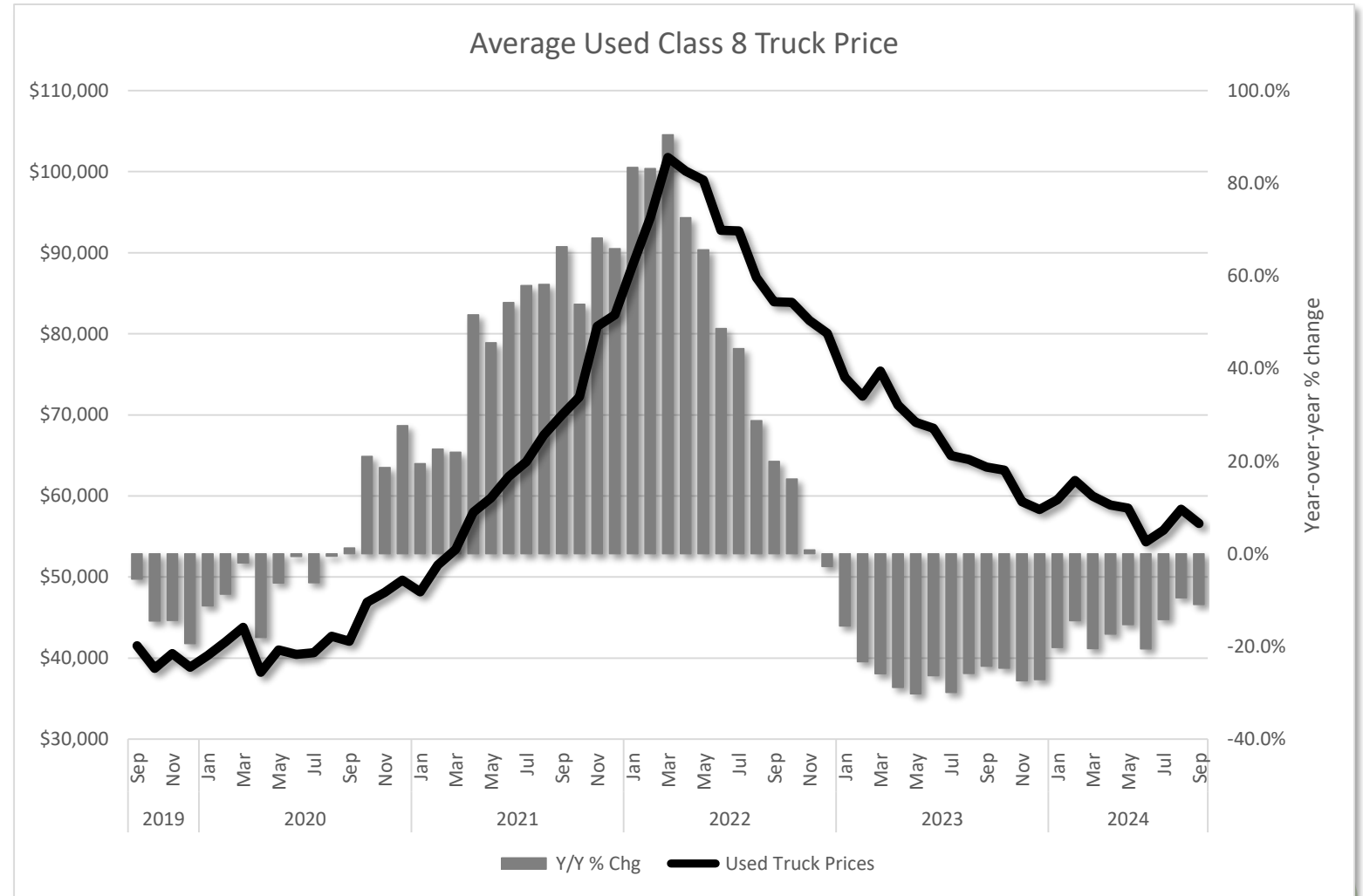
Why it matters: Used truck prices provide a good picture of the strength or weakness of the freight market. For example, monthly year-over-year decreases indicate that the market is in a downcycle due to weak demand.

- 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 decreased again in September after rising 4.6% in August following readjustments. While prices have fallen significantly since their high in March 2022, they are 32.4%, or \$13,838 above the 2019 average.

- Preliminary used Class 8 truck prices decreased 3.0% to approximately \$56,607.
- This is 10.9% lower year-over year, and 10.5% below than the 5-year trend.

Year-over-year comparisons have been negative for 22 consecutive months, meaning that the overall freight market is still weak. However, it appears that prices have found a new floor and are starting to increase, which could be a positive indicator.



Source: ACT Research | <https://www.actresearch.net/> | Monthly | August's numbers are preliminary