OOIDA Foundation

RESEARCH
SAFETY
EDUCATION

December 2024

MARKET UPDATE

Table of Contents

Click here to jump to section

Market Summary

Volume/Demand

Flat ⟺

Capacity

Equalizing ⟺

Rates

Rising ⇧

Operating Costs

Stabilizing ⟺

Future Outlook

Neutral ⟺

Total Spot Market Cycle Indicator (TSMCI)

The big picture: Data available through Truckstop + FTR has effectively identified previous market cycles by simply measuring the spread between the Total Spot Rate and the 3-year moving average. The OOIDA Foundation is calling it the Total Spot Market Cycle Indicator (TSMCI).

- The Total Spot Rate is comprised of all three major trailer types (i.e., dry van, flatbed, and reefer) and what Truckstop calls specialized freight, which is comprised of all the loads that don't fit into the other three categories.

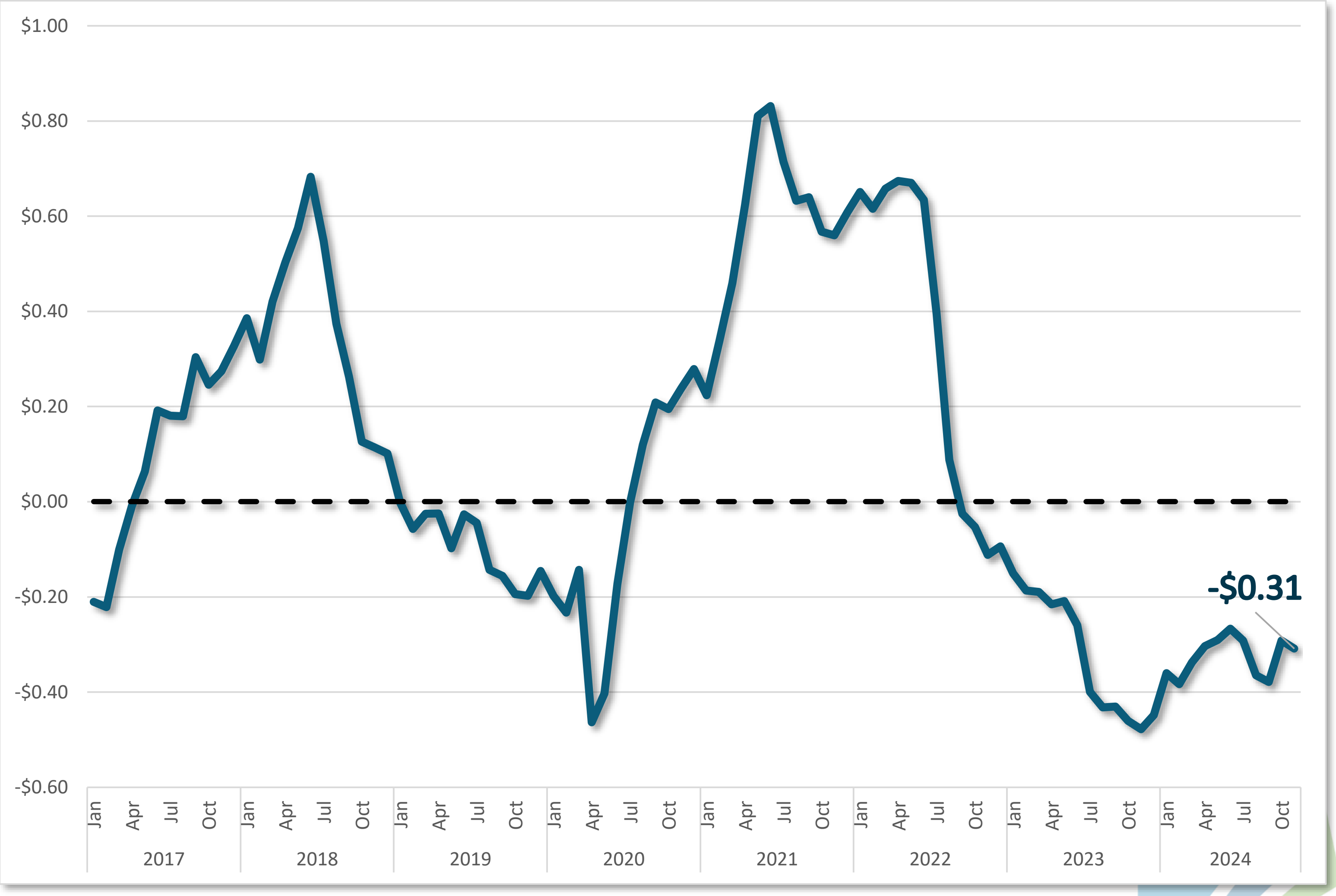
Why it matters: Whenever the TSMCI begins to move sharply toward zero, either positively or negatively, the market experiences a shift.

- The market crossed this threshold and entered into an upcycle in May 2017 and July 2020, both of which correspond to commonly accepted periods of bull markets.
- The opposite is also true, the market entered a downcycle, or bear territory, in October 2018 and June 2022.

Our thoughts: The TSMCI declined 5.8%, or $0.02 per mile, in November to -$0.31, effectively canceling out some of October's positive gains.

- The TSMCI is 35.5% higher year-over-year when the spread was -$0.48. The TSMCI has increased Y/Y for the past five months.

Bottom line: Although we're still waiting to see the impact of the Fed's most recent rate cuts, it appears that the market is poised to flip in the coming months as the number of owner-operators continues to increase. We believe the market will turn upward in early Q2 2025.



Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | Monthly

TSMCI = (Total Spot Rate – 3-year moving average)

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 Market Demand Index (MDI)

The big picture: The Truckstop and FTR MDI measures the relative demand in the trucking market by calculating the ratio of load postings to truck postings on the Truckstop platform.

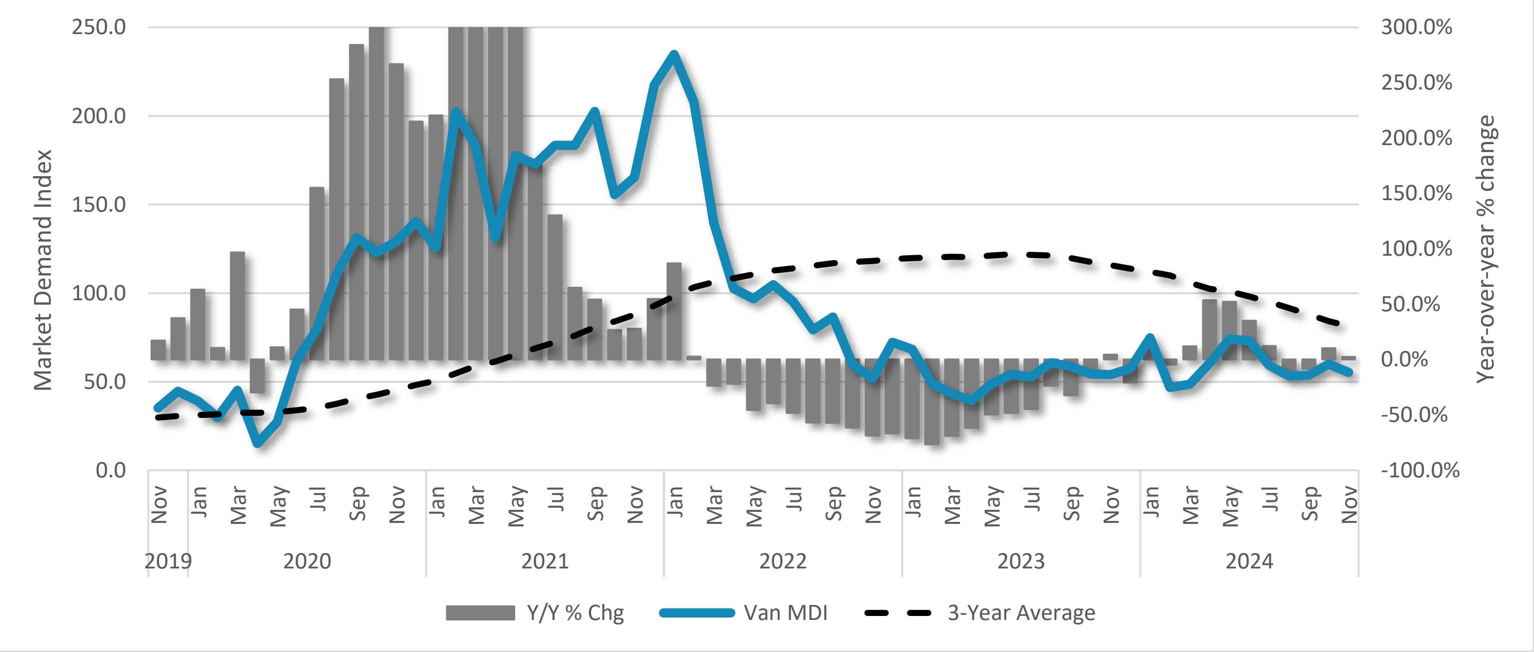
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

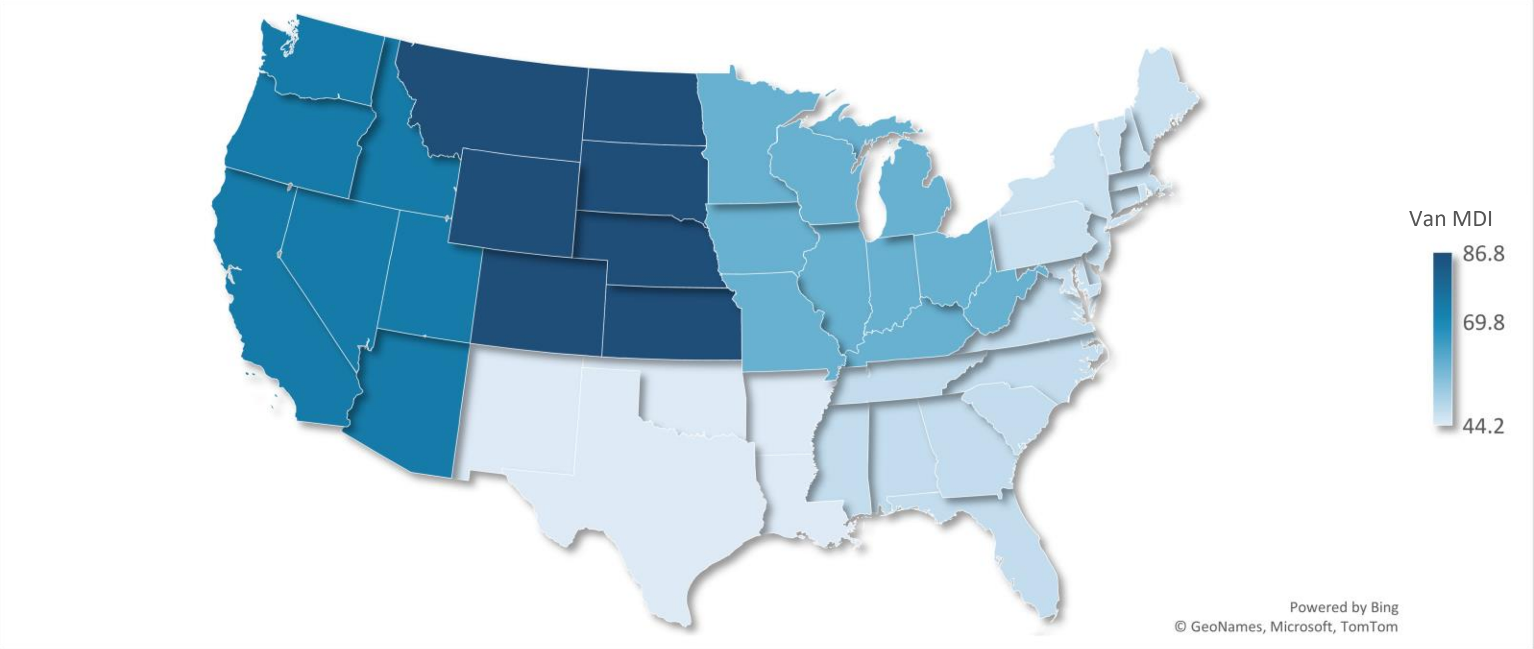
Our thoughts: The Van MDI decreased in November, which is abnormal for this time of the year as we get ready to move into the holiday season.

- The Van MDI decreased 7.6% month-over-month to 55.3, after jumping 11.6% last month.
- The decrease was primarily due to a decline in freight comparative to capacity as the amount of available loads decreased 19.2% compared to 12.6% for trucks.
- The ratio is 2.3% higher than last year, marking two consecutive months of increases, but is 32.1% below the 3-year average, which indicates that new cycle has yet to begin.

Regionally speaking, ratios were more favorable for carriers operating in the Mountain Central (86.8) and West Coast (73.5) regions, respectively, compared to other areas in the country.

- Half of the 6 regions experienced a decrease in MDI. The largest decrease being the Northeast region, which dropped 28.1% from 65.4 to 47.





Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | Monthly

Rates: Van Spot Rates

The big picture: Truckstop and FTR have partnered together to provide a comprehensive picture of the spot market for various load types, including dry van.

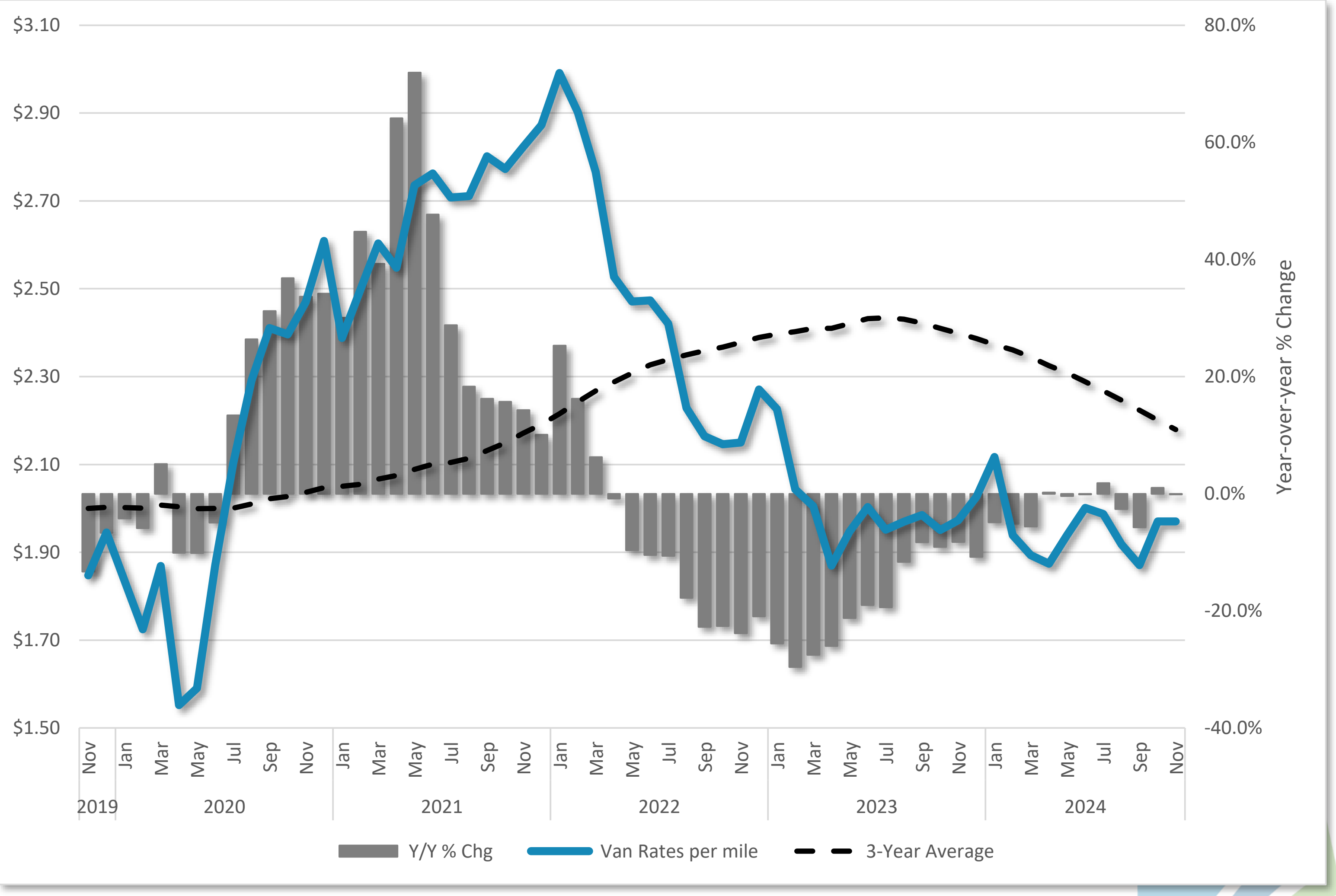
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Dry van spot rates remained flat month-over-month (M/M) in November, after jumping $0.10 per mile last month.

- Spot rates stayed at $1.97, but are expected to increase in December, and are 0.1%, or $0.0003 per mile lower than last year.
- Spot rates have only increased year-over-year 3 times in the past 24-months, and are $0.21 per mile below the 3-year moving average.

Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the dry van market cycle.

- The spread improved M/M by $0.02 per mile, and is $0.25 better than where we were last year.
- While the spread has improved drastically (61.4%) from its bottom in April 2023, we still have a long way to go before we reach parity.



Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | 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.

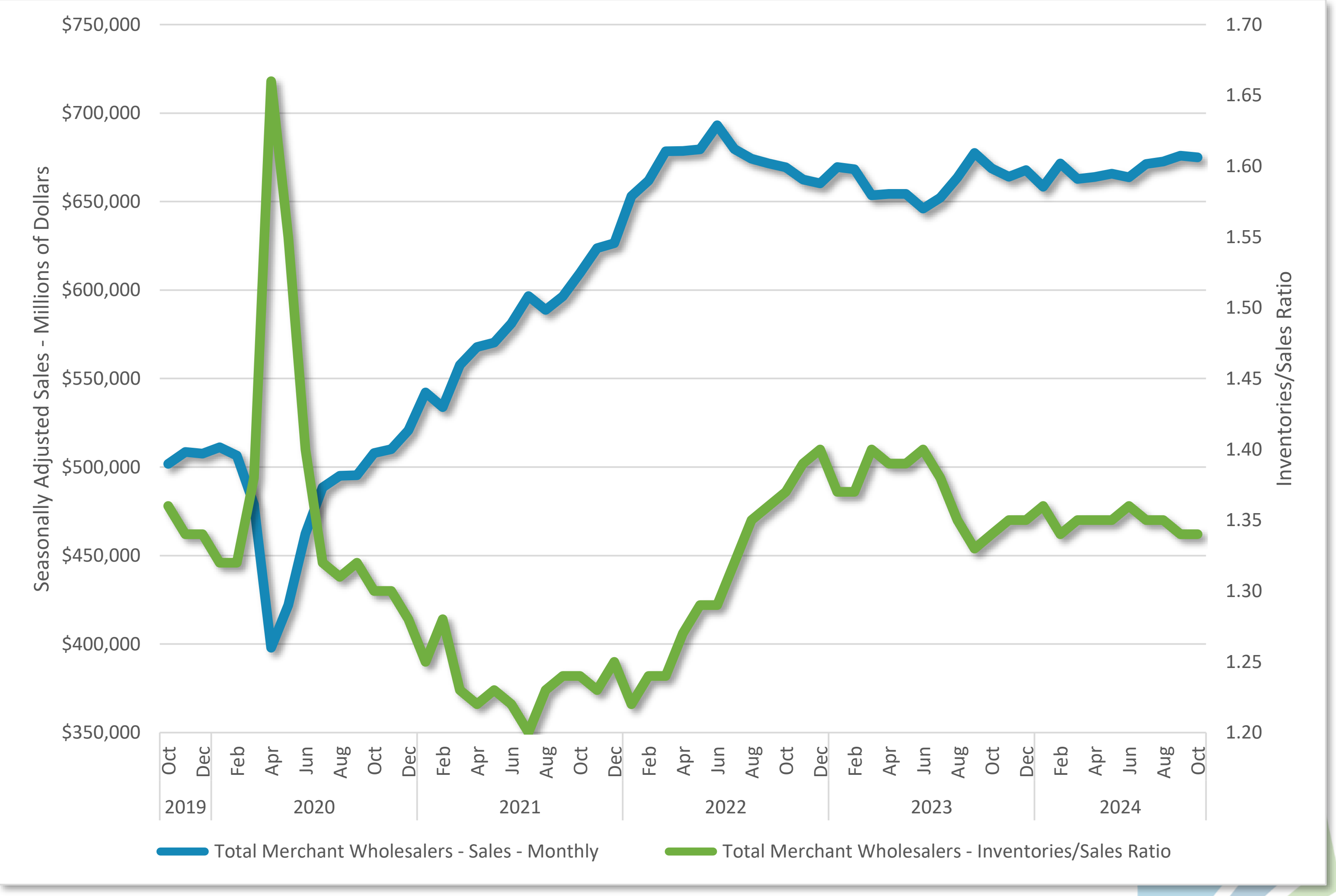
- The U.S Census Bureau reports monthly sales data and inventory-to-sale ratios for different types of industries.

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 their need for freight transportation to restock their goods.

Our thoughts: Inventory-to-sales ratio remained flat, while monthly sales decreased in October, mostly due to non-durable goods. The inventory-to-sales ratio is actually 0.6% below 2019 levels, but demand still hasn't increased overall.

- Sales decreased $845 million to $675.07 billion, but are 0.9%, or $6.25 billion, higher year-over-year. This marks 7 out of 8 months of Y/Y increases. Sales are 4.6% higher than their most recent trough in June 2023.
- The inventory ratio remained flat at 1.34, after decreasing 0.7% last month. The inventory ratio is also flat compared to where we were last year, ending two consecutive months of Y/Y increases following 11 straight months of Y/Y decline.



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

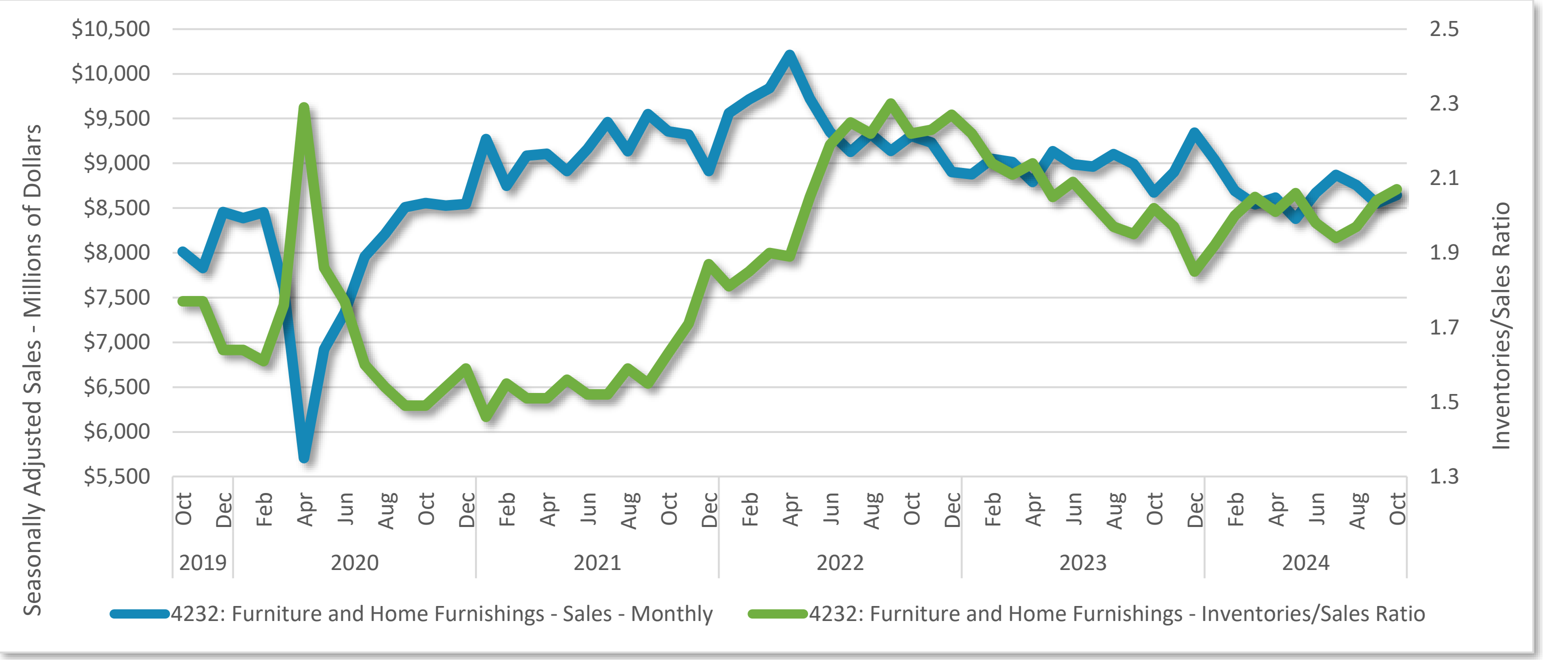
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

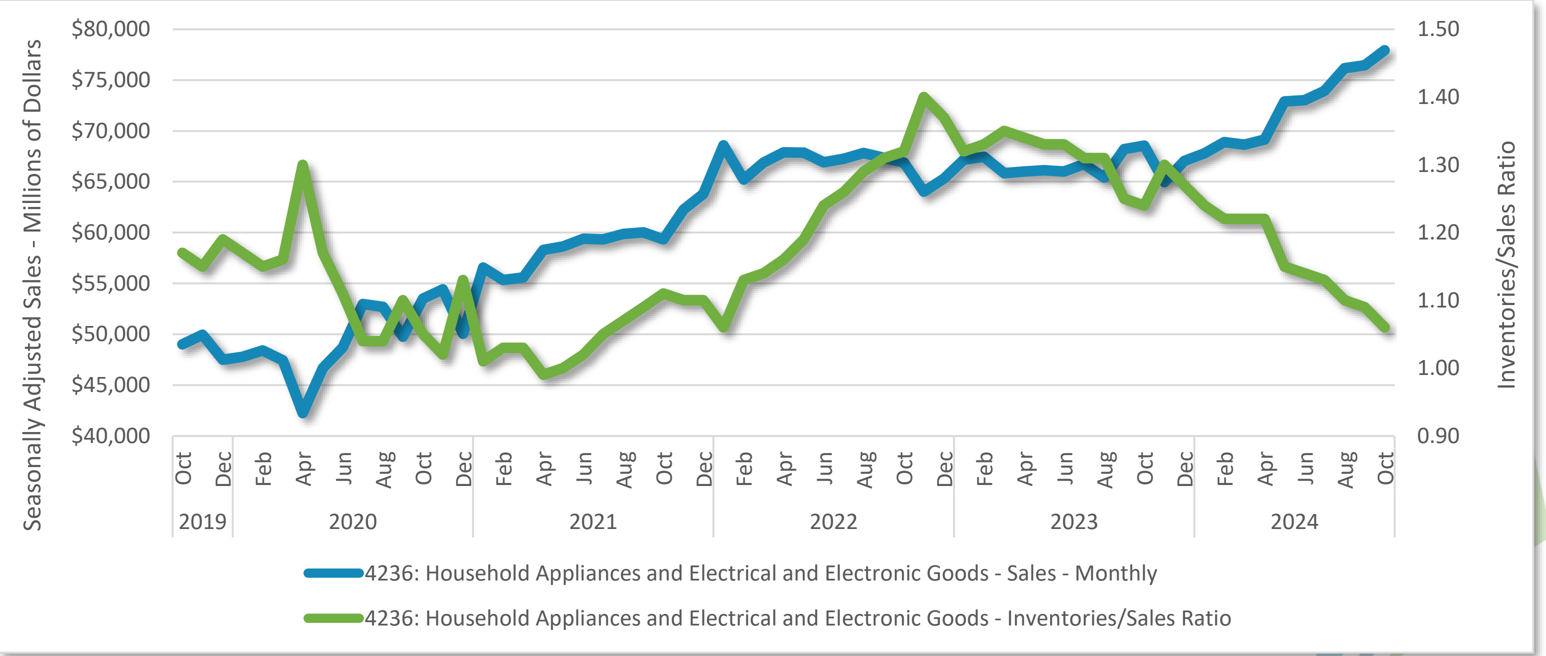
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Furniture wholesalers experienced a mixed bag with an increase in both sales and inventories, while household appliance wholesalers continued its ongoing, positive trajectory.

- Furniture Sales increased 1.1% to $8.64 billion after decreasing 2.4% in the previous month, while ratios increased 1.5% to 2.02. However, ratios have fallen 9.0% from their peak in December 2022.
  - Sales are $29 million, or 0.3%, lower Y/Y, while ratios have increased 2.5% Y/Y.
- Household appliances increased $1.48 billion, to $77.945 billion. Ratios decreased 2.8% to 1.06, which is 9.3% below 2019 levels.
  - Sales are $9.39 billion higher than last year, marking 12 straight months of Y/Y increases, and ratios are 14.5% lower, marking 14 straight months of Y/Y decreases.

The bottom line: While furniture wholesalers continue to face headwinds, household appliance wholesalers have definitely turned a corner. Household appliances have been performing exceptionally well ever since late 2023, which is a tailwind for certain types of freight.





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:

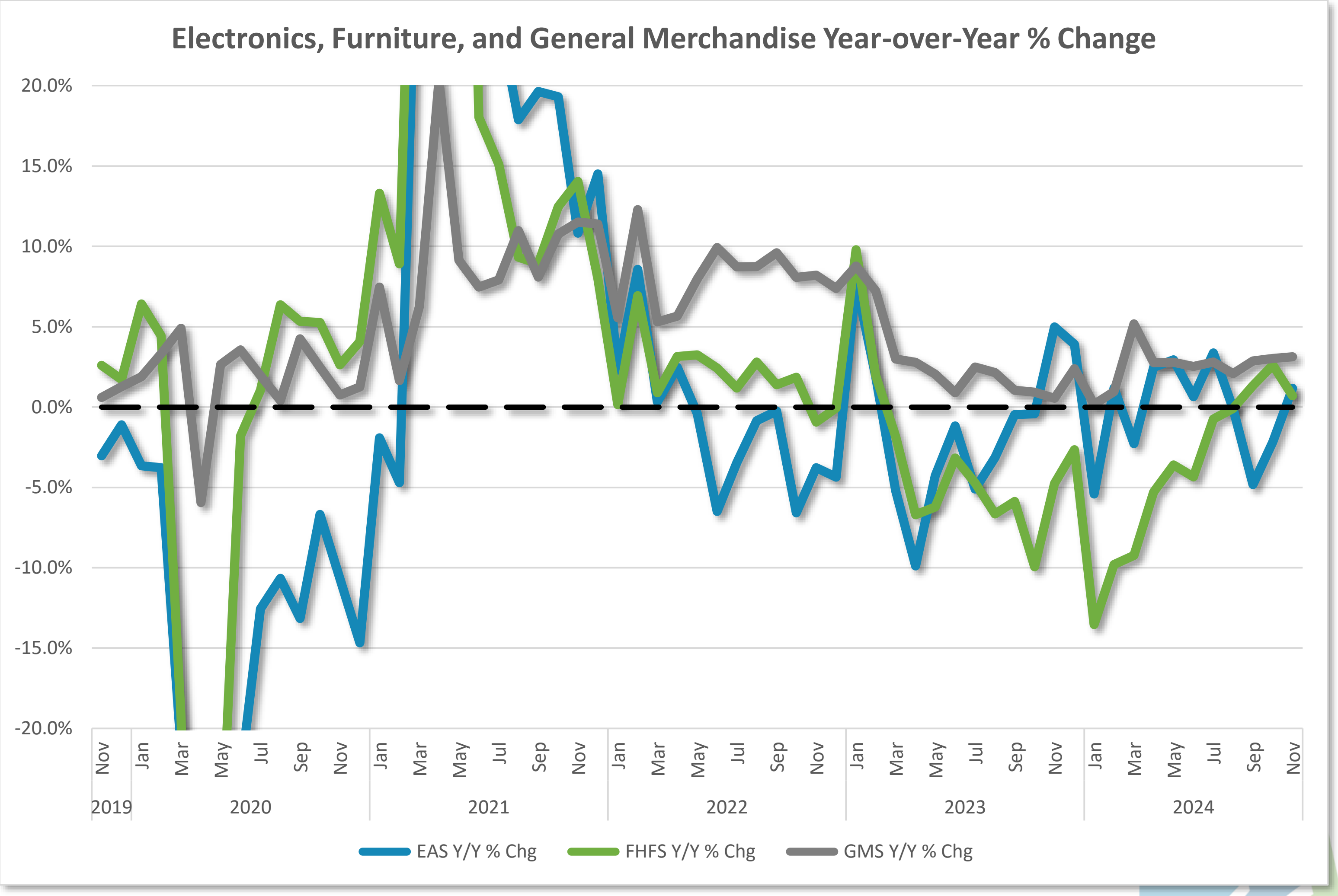
- Electronics and appliance stores (EAS)
- Furniture and home furnishing stores (FHFS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

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 EAS and FHFS, but decreased for GMS.

- EAS increased 0.3%, or $23 million, M/M to $7.62 billion, after increasing 2.4% the previous month. EAS is 1.2%, or $88 million, higher Y/Y.
- FHFS increased 0.3% M/M to $11.32 billion, and is 0.7%, or $78 million, higher Y/Y. FHFS increased Y/Y for the third consecutive month.
- GMS decreased 0.1% M/M, or $86 million, to $76.1 billion, but is up 3.1%, or $2.31 billion, Y/Y. GMS has increased Y/Y for an outstanding 54 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 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 Market Demand Index (MDI)

The big picture: The Truckstop and FTR MDI measures the relative demand in the trucking market by calculating the ratio of load postings to truck postings on the Truckstop platform.

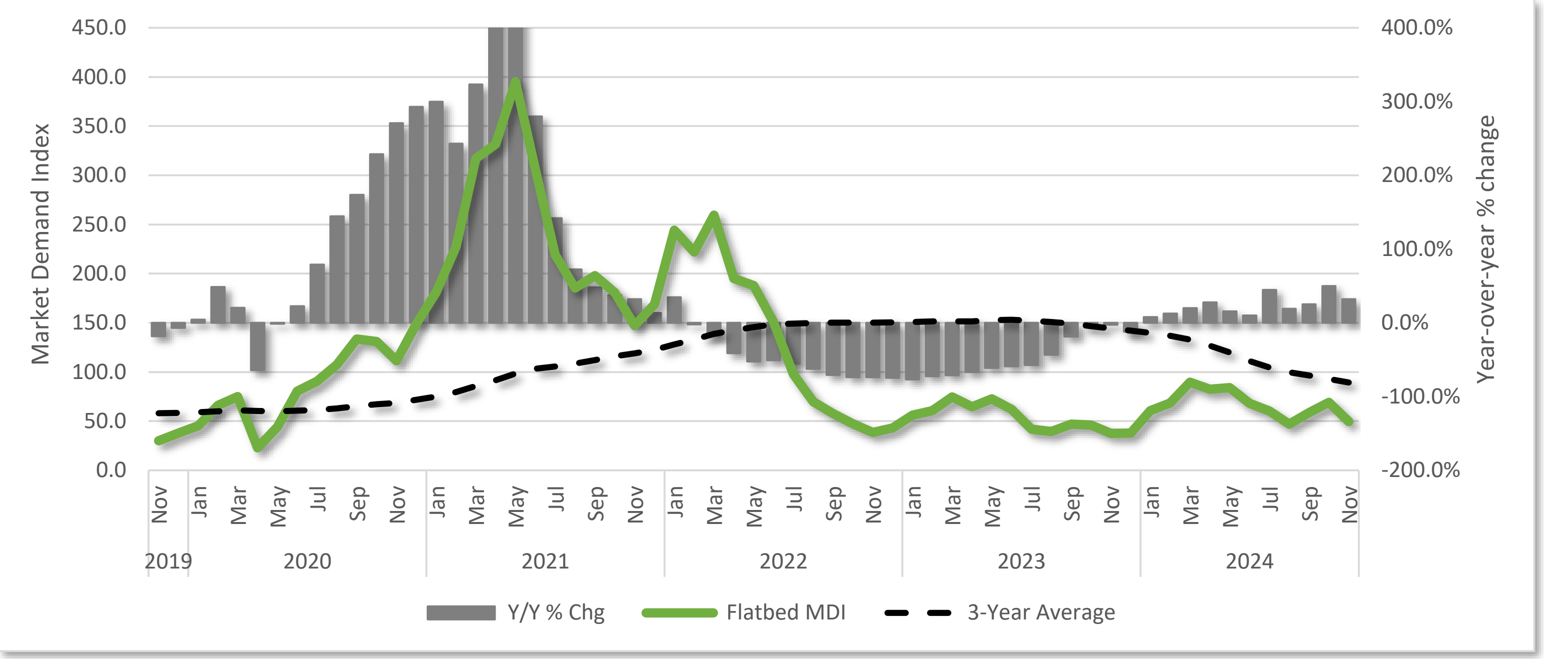
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

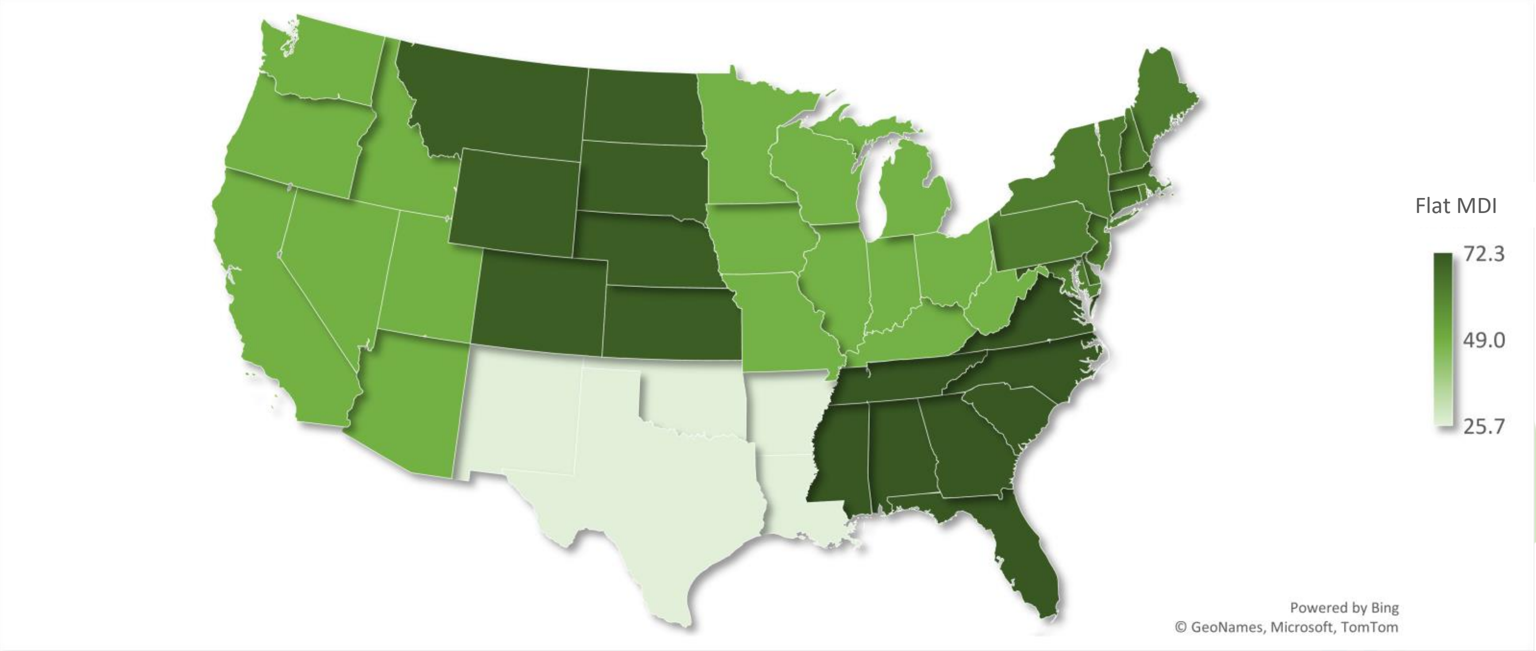
Our thoughts: The Flatbed MDI decreased in November, which is quite normal for this time of the year as we head into the colder months of the year.

- The Flatbed MDI decreased 19.7% month-over-month to 49.5, after jumping 17.7% last month.
- The decrease was primarily due to a drop in freight comparative to capacity as the amount of available loads decreased 35.6% compared to 10% for trucks.
- The ratio is 31.9% higher than last year, marking five consecutive months of growth, but is 44.6% below the 3-year average, which indicates that new cycle has yet to begin.

Regionally speaking, ratios were more favorable for carriers operating in the Southeast (72.3.), and Mountain Central (70.3) regions, respectively, compared to other areas in the country.

- 5 of the 6 regions experienced a decrease in MDI. The largest decrease being the Southeast region, which plummeted 43.3% from 127.5 to 72.3.





Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | Monthly

Rates: Flatbed Spot Rates

The big picture: Truckstop and FTR have partnered together to provide a comprehensive picture of the spot market for various load types, including flatbed.

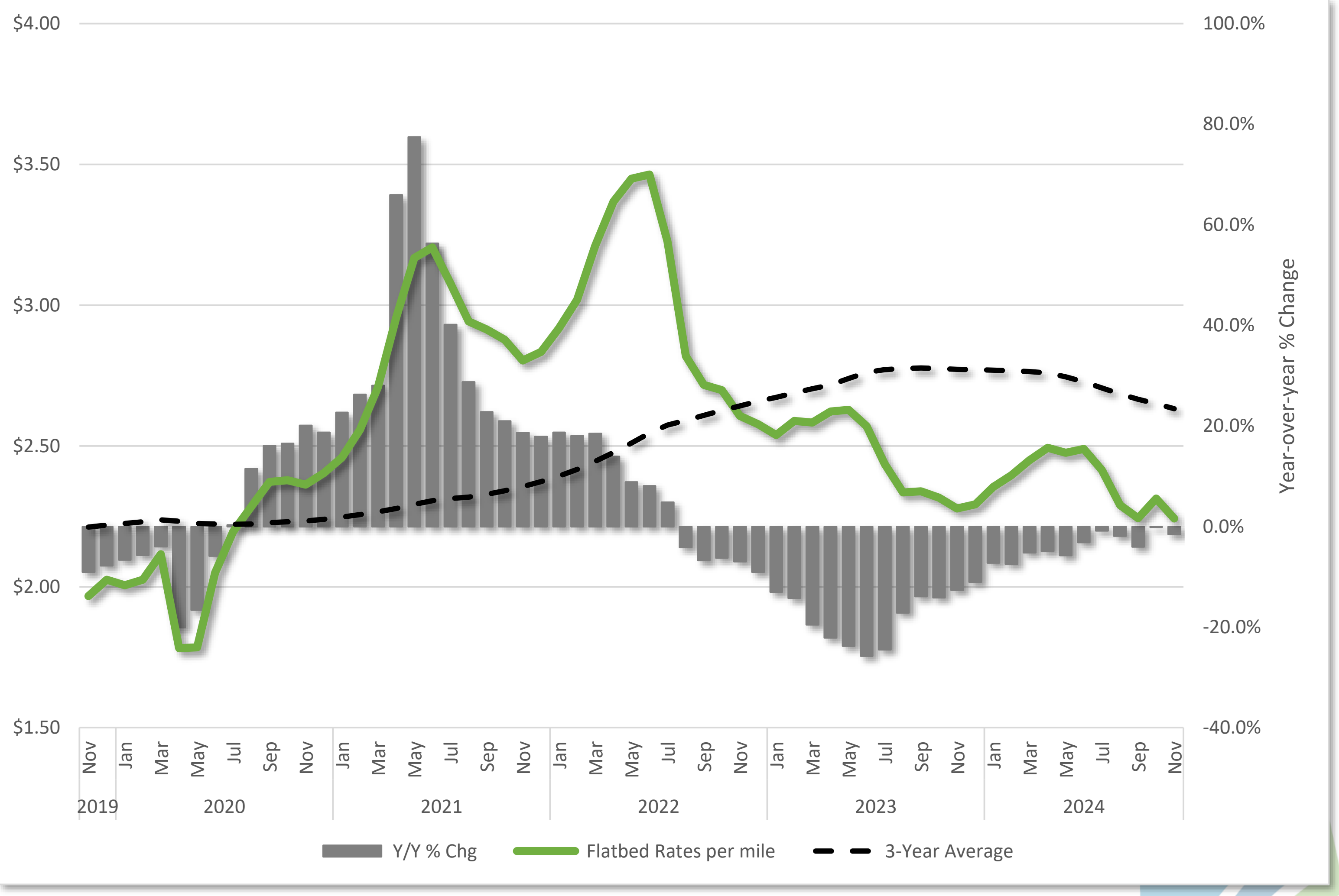
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Flatbed spot rates decreased month-over-month (M/M) in November, after increasing $0.07 per mile last month.

- Spot rates declined $0.07 per mile M/M to $2.24, virtually wipping out last month's gain, and are 1.6%, or $0.04 per mile lower than last year.
- Flatbed spot rates have decreased year-over-year for 28 consecutive months, and are $0.39 per mile below the 3-year moving average ($2.63).

Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the flatbed market cycle.

- The spread worsened M/M by $0.05 per mile in November, but is $0.07 better than where we were last year.
- While the spread has improved 32.0%, or $0.16, from its bottom in April 2023, we still have a long way to go before we reach parity.



Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | 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.

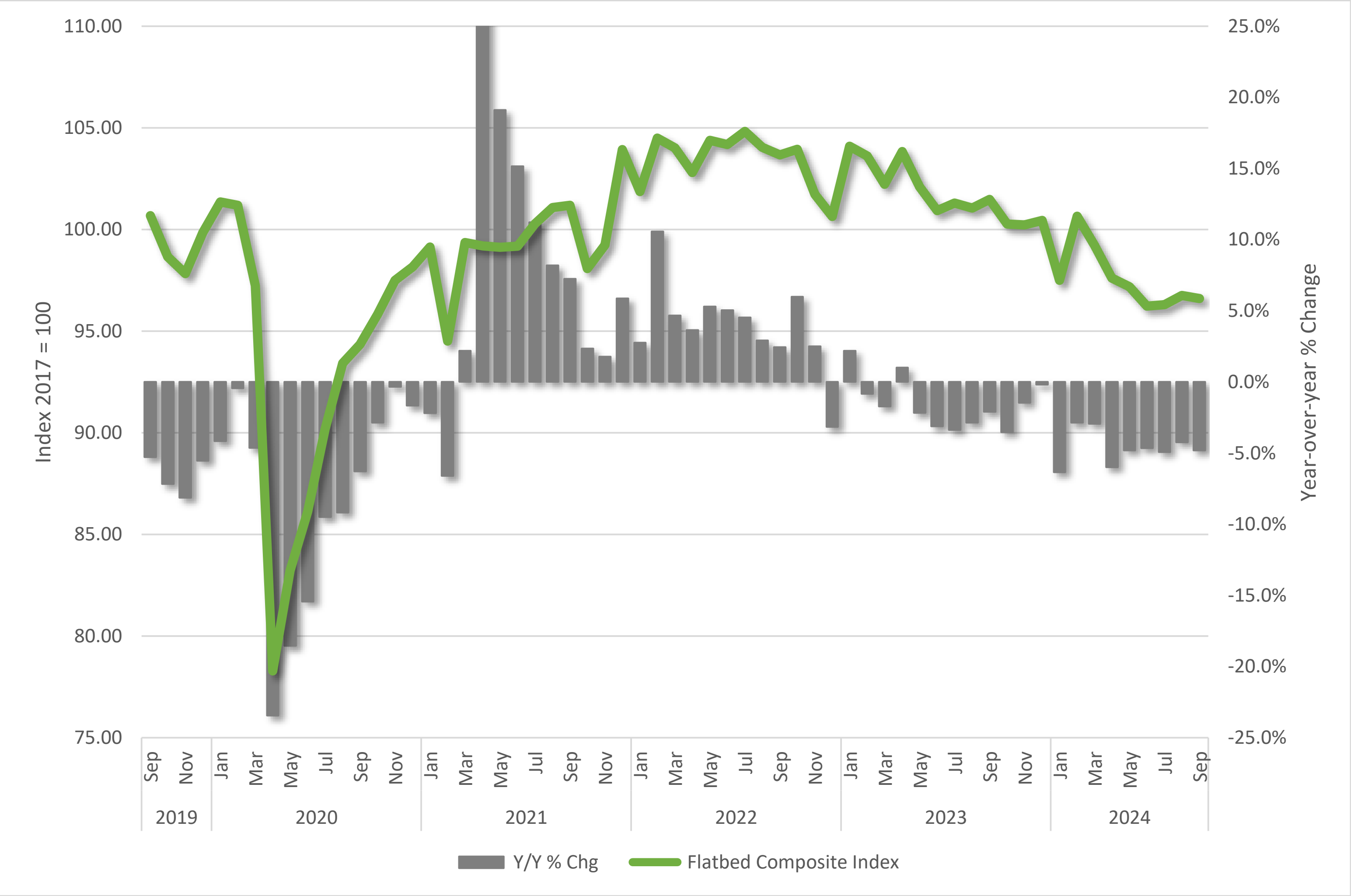
- Manufacturing makes up about 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

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 increasing 0.5% in August following adjustments.

- The FCI decreased 0.2% to 96.6, ending two consecutive months of increases following adjustments.
- The FCI is 4.8% lower year-over-year, when the index read at 101.5. The FCI has declined Y/Y for 17 straight months.
- The index is 2.6% below the 5-year average.



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.

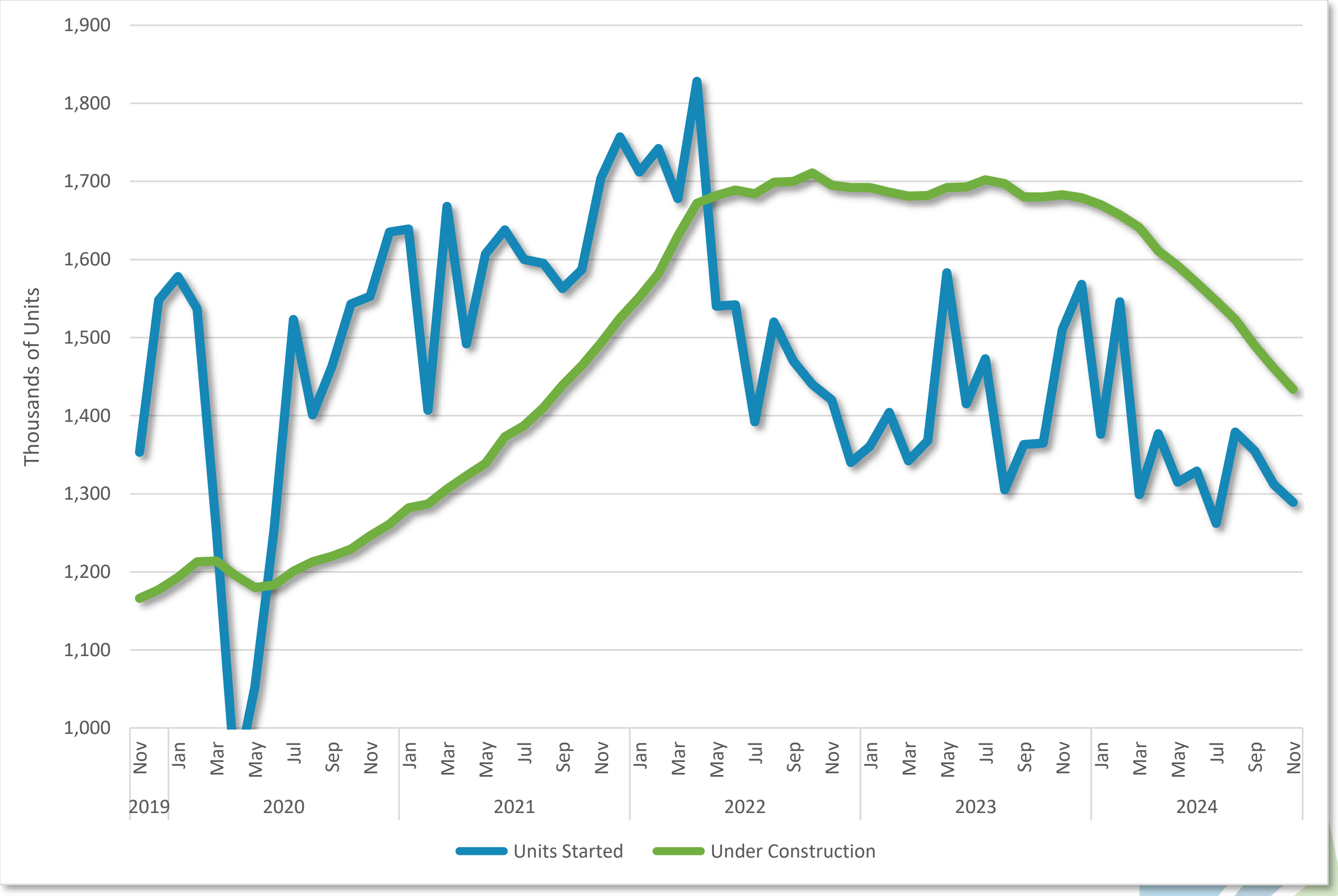
Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

- It's a key economic indicator, especially for the flatbed trucking sector, which hauls a variety of building materials.

Our thoughts: Housing starts fell again in November following a 3.2% decline in the previous month after adjustments. The housing market continues to struggle though existing single-family home sales (not pictured) increased and inventory remained flat.

- New starts decreased 1.8%, or 23,000 houses, month-over-month to 1.289 million, and are down 14.6%, or 221,000 homes year-over-year (Y/Y), marking 7 Y/Y decreases in 10 months.
- Houses under construction declined for the 11th consecutive month, decreasing 1.8% to 1.434 million, and are 14.8% lower Y/Y.
- Completed houses (not pictured) dropped 1.9% month-over-month but are up 9.2%, or 135,000 homes, Y/Y.

Bottom line: While the FED has started to reverse their monetary policy by issuing rate cuts, it's important to understand that this will take several months before we see the effect of this—not to mention that interest rates don't directly impact mortgage rates.



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).

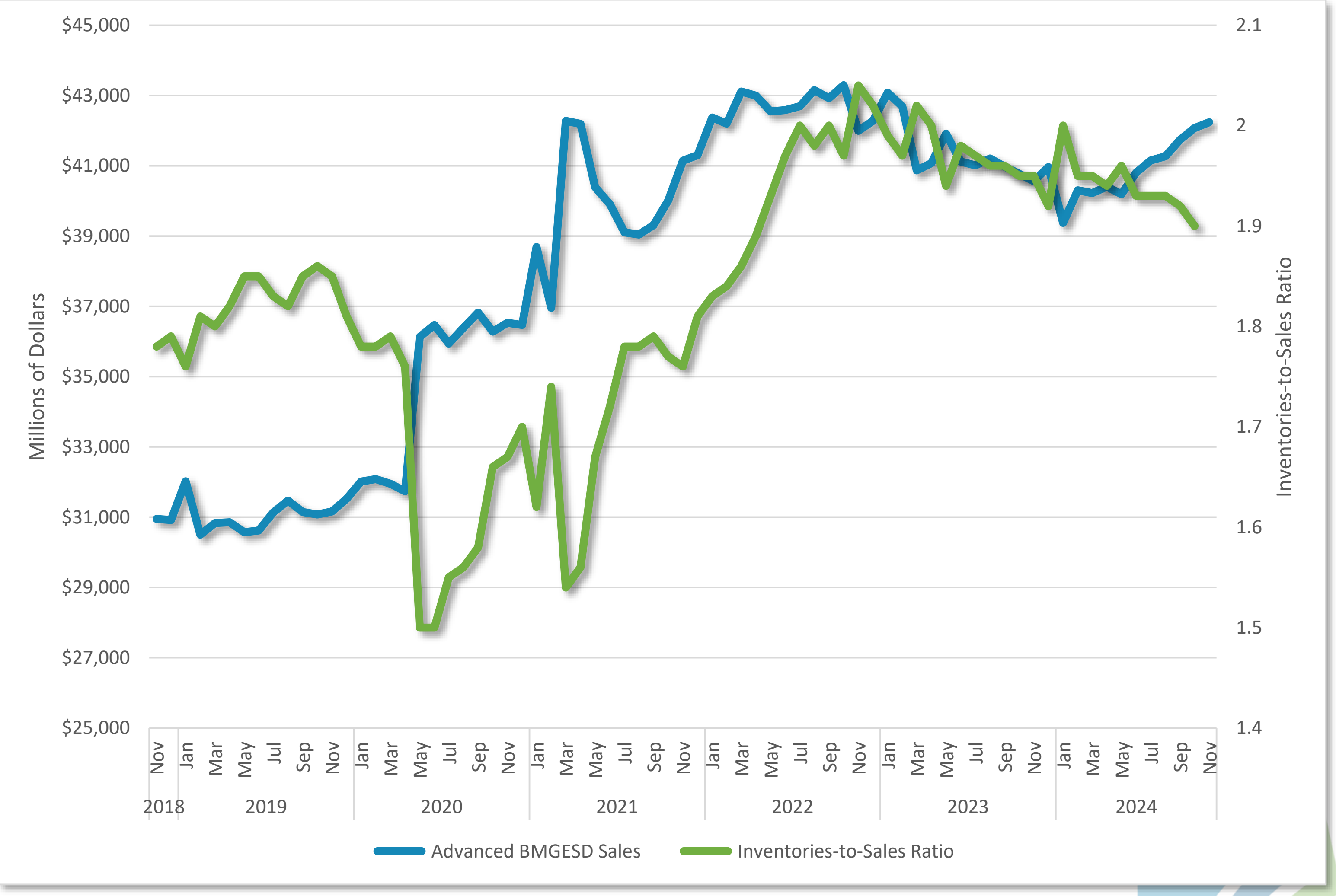
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales rose again in November after increasing 0.8% in the previous month following adjustments, while inventory levels decreased in October as retailers continue to right-size their inventories.

- The BMGESD retail sales increased 0.4% month-over-month to $42.241 billion, and are 0.6%, or $247 million, higher year-over year.
- Sales increased Y/Y for five consecutive months.
- Inventories-to-sales ratios decreased 1.0% to 1.90 in October, and are 6.9% lower Y/Y.

While there are definite positive signs in this sector, it's important to note that 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 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 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 Market Demand Index (MDI)

The big picture: The Truckstop and FTR MDI measures the relative demand in the trucking market by calculating the ratio of load postings to truck postings on the Truckstop platform.

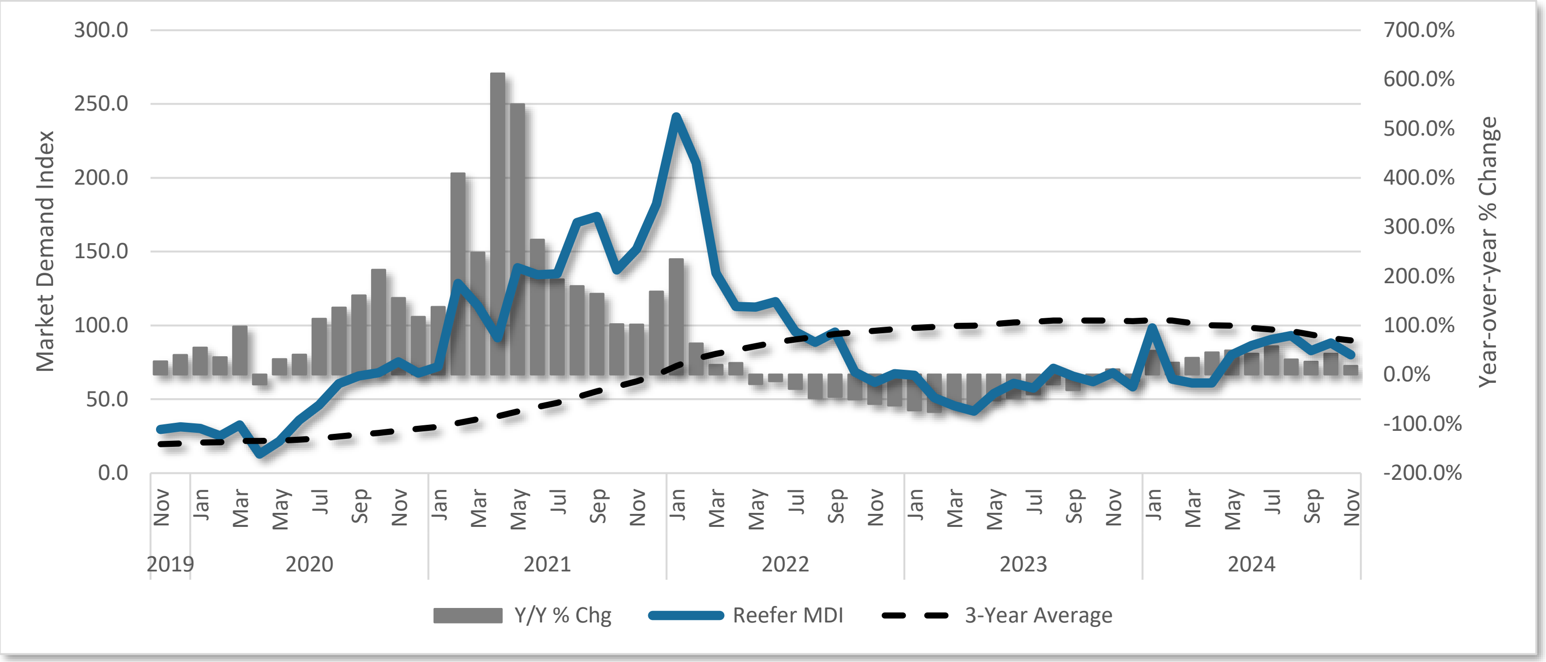
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

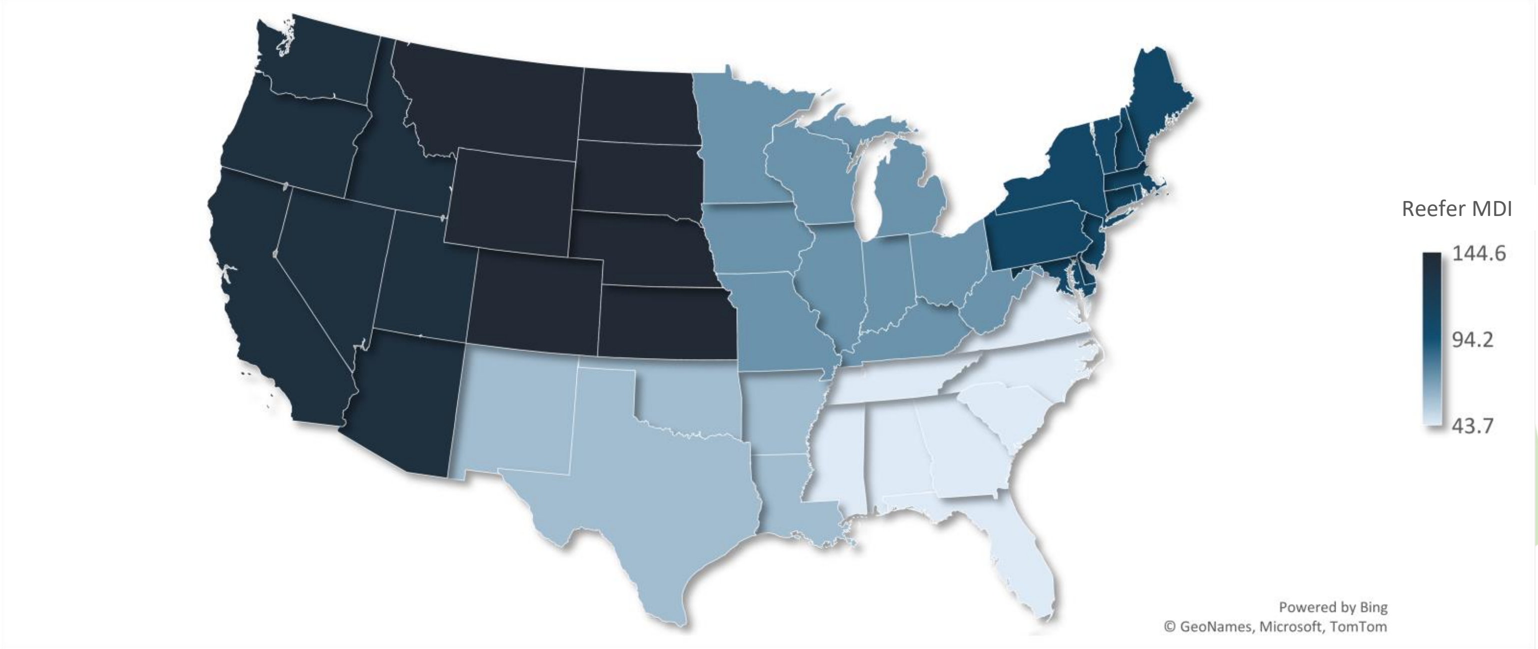
Our thoughts: The Reefer MDI decreased in November, which is abnormal for this time of the year as we get ready to move into the holiday season.

- The Reefer MDI decreased 9.3% month-over-month to 80, after increasing 6.3% last month.
- The decrease was a combination of a drop in freight and an uptick in capacity as the amount of available loads decreased 5.9% compared to a 3.8% increase in trucks.
- The ratio is still 17.6% higher than last year, marking 11 consecutive months of increases, but is 11% below the 3-year average.

Regionally speaking, ratios were more favorable for carriers operating in the Mountain Central (144.6), and West Coast (135.9) regions, compared to other areas in the country.

- 3 of the 6 regions experienced a decrease in MDI. The largest decrease being the Northeast region, which dropped 48.7% from 202.9 to 104.1. While the largest increase was Mountain Central, which jumped 20.1%.





Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | Monthly

Rates: Reefer Spot Rates

The big picture: Truckstop and FTR have partnered together to provide a comprehensive picture of the spot market for various load types, including dry van.

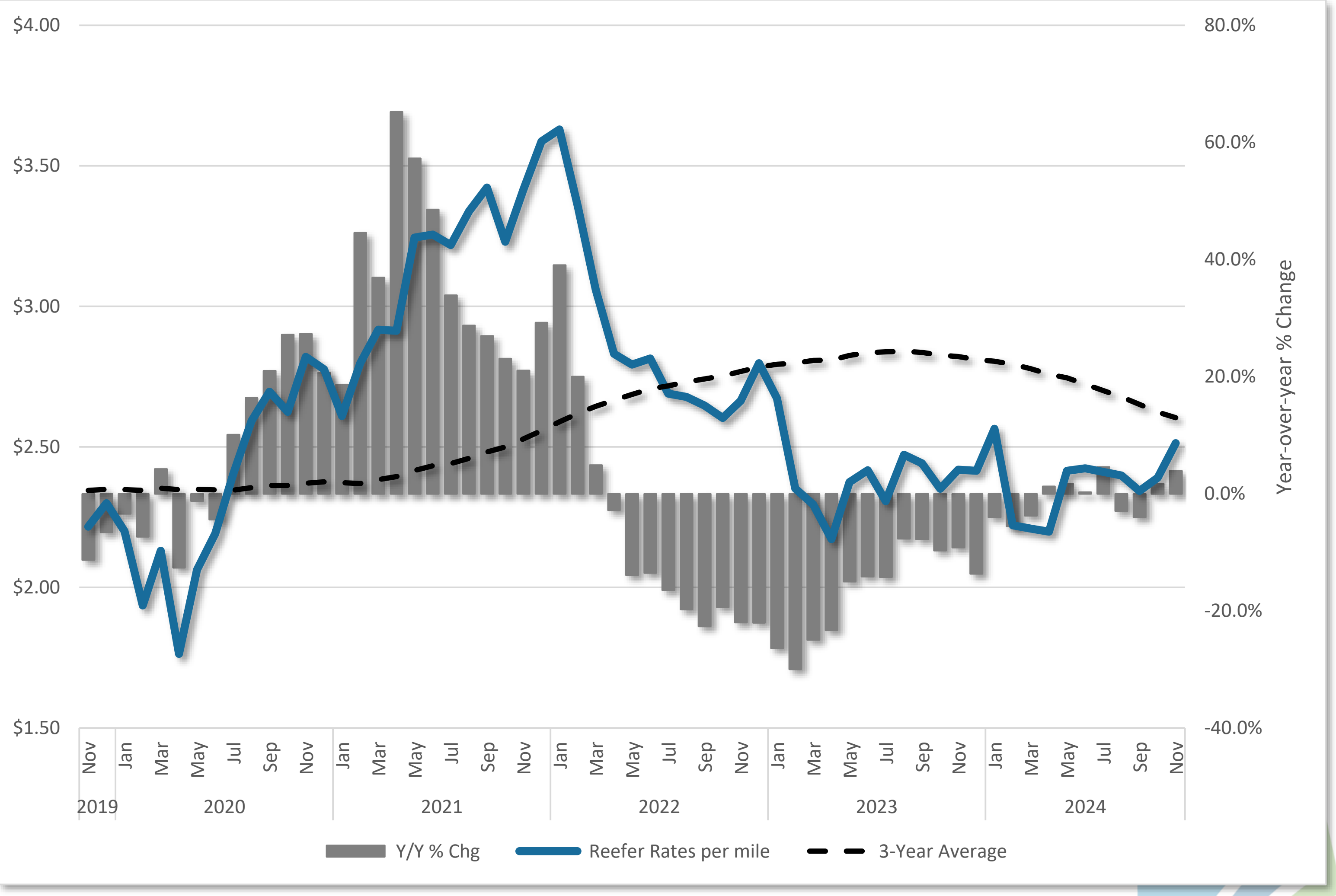
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Reefer spot rates increased month-over-month (M/M) in November, despite the drop in demand, after increasing $0.05 per mile last month.

- Spot rates improved $0.12 per mile M/M to $2.51, marking two consecutive months of growth, and are 3.9%, or $0.09 per mile higher than last year when rates were $2.42.
- Spot rates have increased year-over-year 6 times in the past 8-months, but are $0.09 per mile below than the 3-year moving average.

Bottom line: The spread between the spot rate and the 3-year moving average clearly demonstrates where we are in the reefer market cycle.

- The spread improved $0.14 per mile M/M, and is $0.31 better year-over-year.
- The spread has improved substantially (85.9%) from its bottom in April 2023. We're incredibly close to crossing into positive territory.



Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | 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.

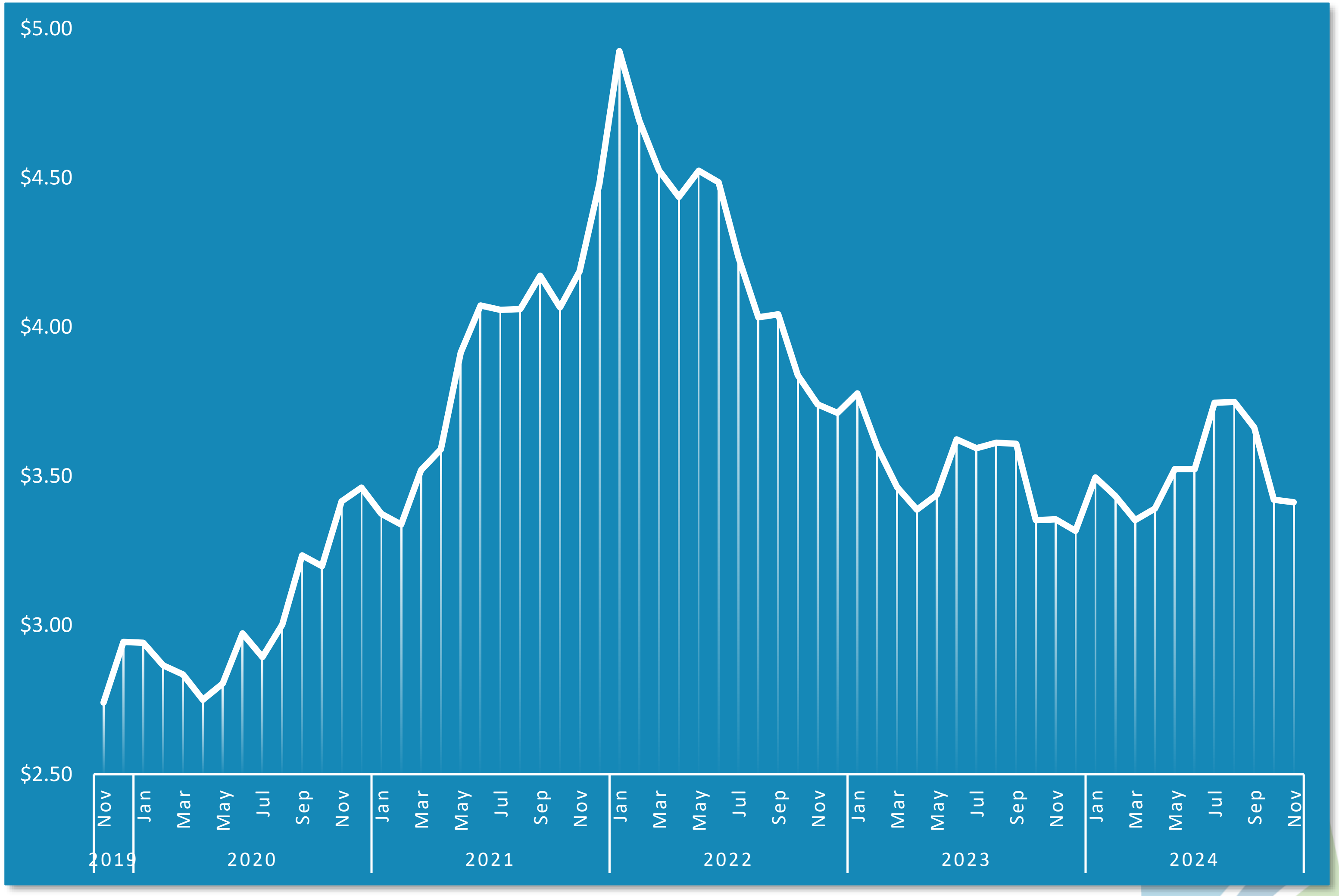
Why it matters: Produce requires fast and efficient movements of perishable commodities.

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

Our thoughts: Fruit and vegetable reefer rates are 30.7%, or $1.51 per mile, below their high in January 2022, but 18.5%, or $0.53 per mile, above 2019 levels.

- Rates per mile dropped $0.01 month-over-month to $3.41 in November, after falling $0.24 in September.
- Rates per mile are 1.7% or $0.06, higher year-over-year, but are $0.21 per mile or 5.3%, below the five-year average.

According to USDA, carriers in the Mexico-Texas region experienced the greatest increase in pay per mile month-over-month, increasing $0.29 per mile, followed by the Mexico-Arizona region, which increased $0.21.



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

Fruit and Vegetable Industry: Truck Volume

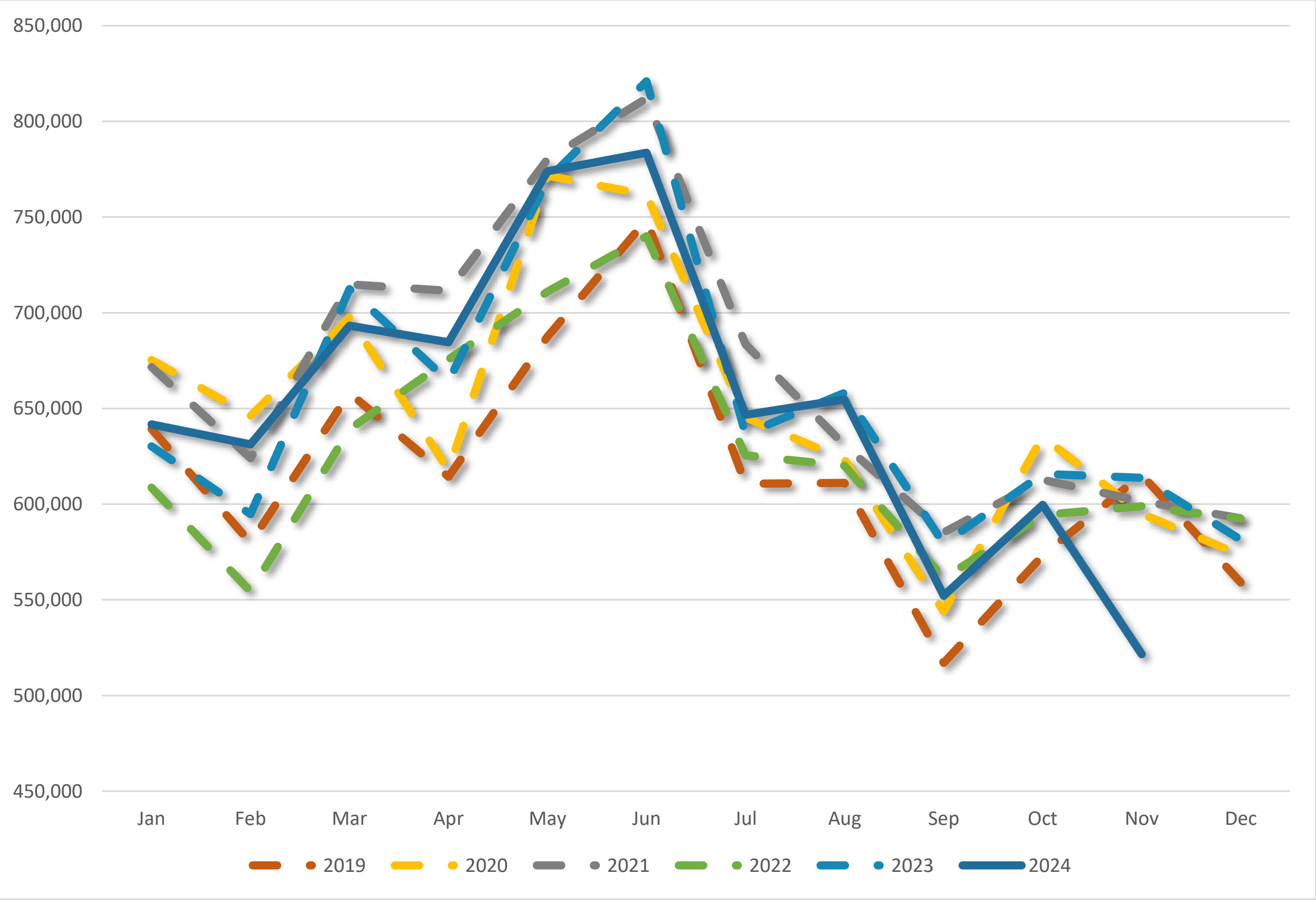
The big picture: The USDA's Crops report includes daily fruit and vegetable volume data by weight for different regions and commodities.

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 plummeted in November after jumping 8.6% in October following adjustments. The chart depicts that volumes are closely following the typical seasonal pattern, albeit at a lower level.

- Reefer volumes decreased 13% month-over-month to 521,636 pounds, and are 15%, or 92,108 pounds, lower year-over-year. Volumes are 15.6% below 2019 levels.
- The California region declined 4.9% month-over-month, and is 22.8% lower compared to last year.
- Eight of the regions experienced decreases in volumes, including California, Mid-Atlantic, and the Canada regions, respectively.
- Conversely, the Arizona, Florida, and the Southeast regions experienced the greatest increases in volumes, respectively.



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

Fruit and Vegetable Industry: Truck Availability

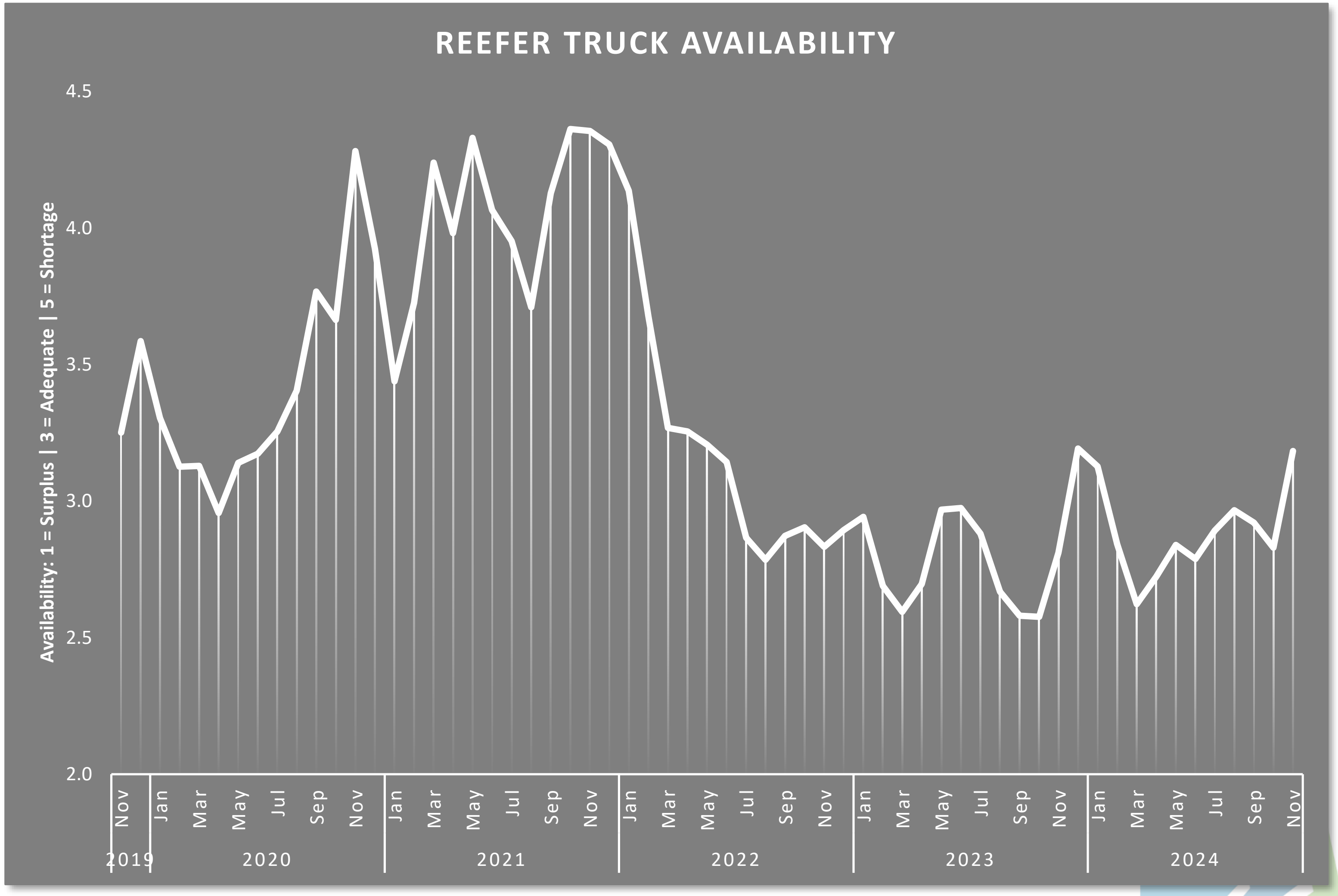
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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, with 1 representing a surplus and 5 representing a shortage of trucks.

Our thoughts: Reefer truck capacity tightened in November following a month of loosening in September, which appears contradictory to lower rates and lower volume. I expect volume figures will adjust upwardly next month.

- Capacity was 6.8% looser than it was in 2019.
- Reefer truck availability tightened to 3.18, and is 13.3% tighter than the previous year.
- Capacity levels were mixed across the country.
- Availability was tightest in the Pacific Northwest region. Whereas the Mexico-Texas region remained the most loose even though it saw a jump from the previous month.



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 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.

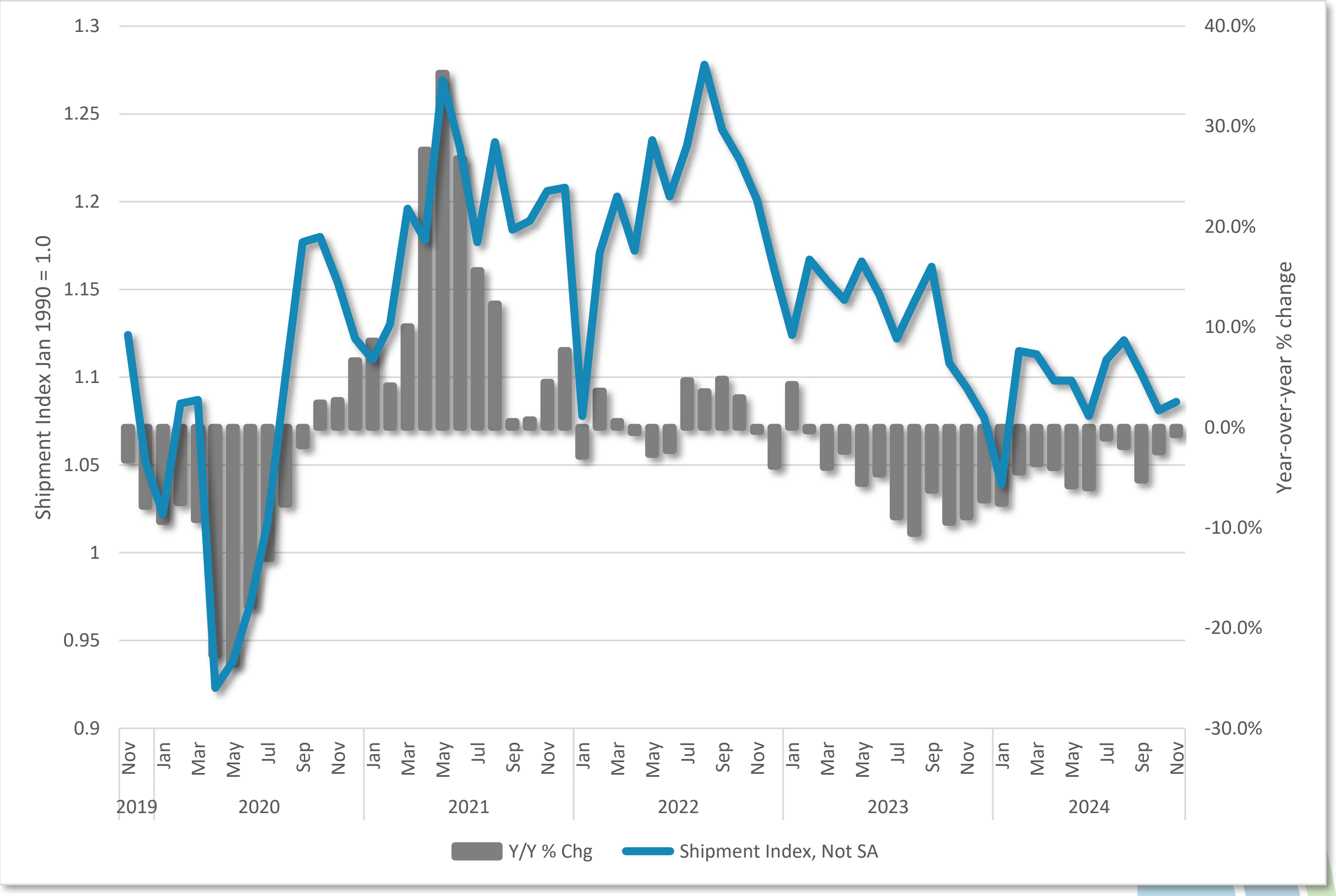
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index rose 0.5% month-over-month to 1.086 in November after a 1.5% decrease in October. The Shipment Index decreased 0.7% year-over-year, marking the narrowest decline in 21 months.

- Expenditures, which measures the total amount spent of freight, jumped 3.1% to 3.20 when SA, but is down 3.8% Y/Y.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, increased 0.4% to 2.93 when SA.
- Truckload linehaul rates, which includes both spot and contract rates, increased 0.8% to 139.1, marking 3 consecutive months of increases, but have been down Y/Y for 23 straight months. They are 1.1% lower Y/Y, which is the lowest its been since the start of the recession.

Bottom line: Cass believes that private fleet growth is slowing as for-hire shipment moderate. Cass states, "Although private fleets may continue to limit demand in the for-hire market, for-hire activity will likely benefit from slowing private fleet growth and temporary pre-tariff shipping in 1H'25."



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

Supply: Truck Employment

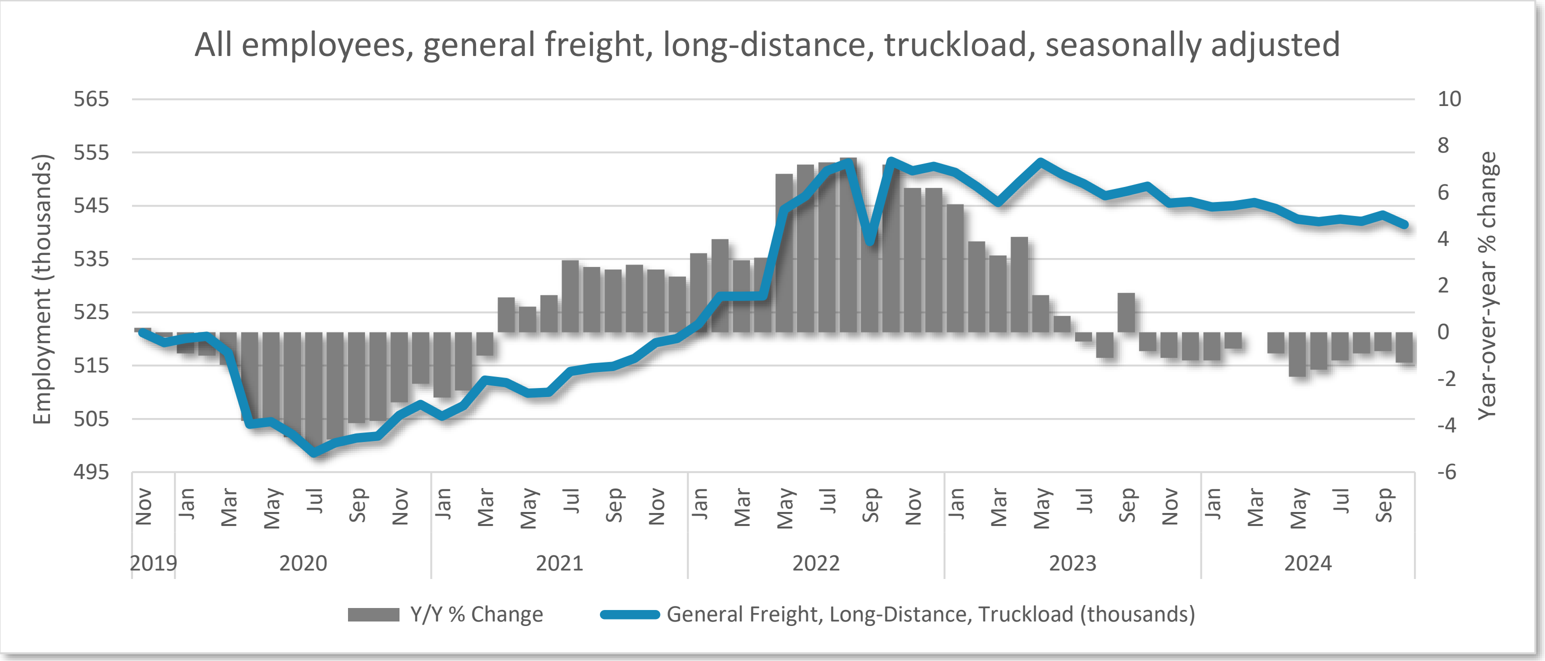
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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

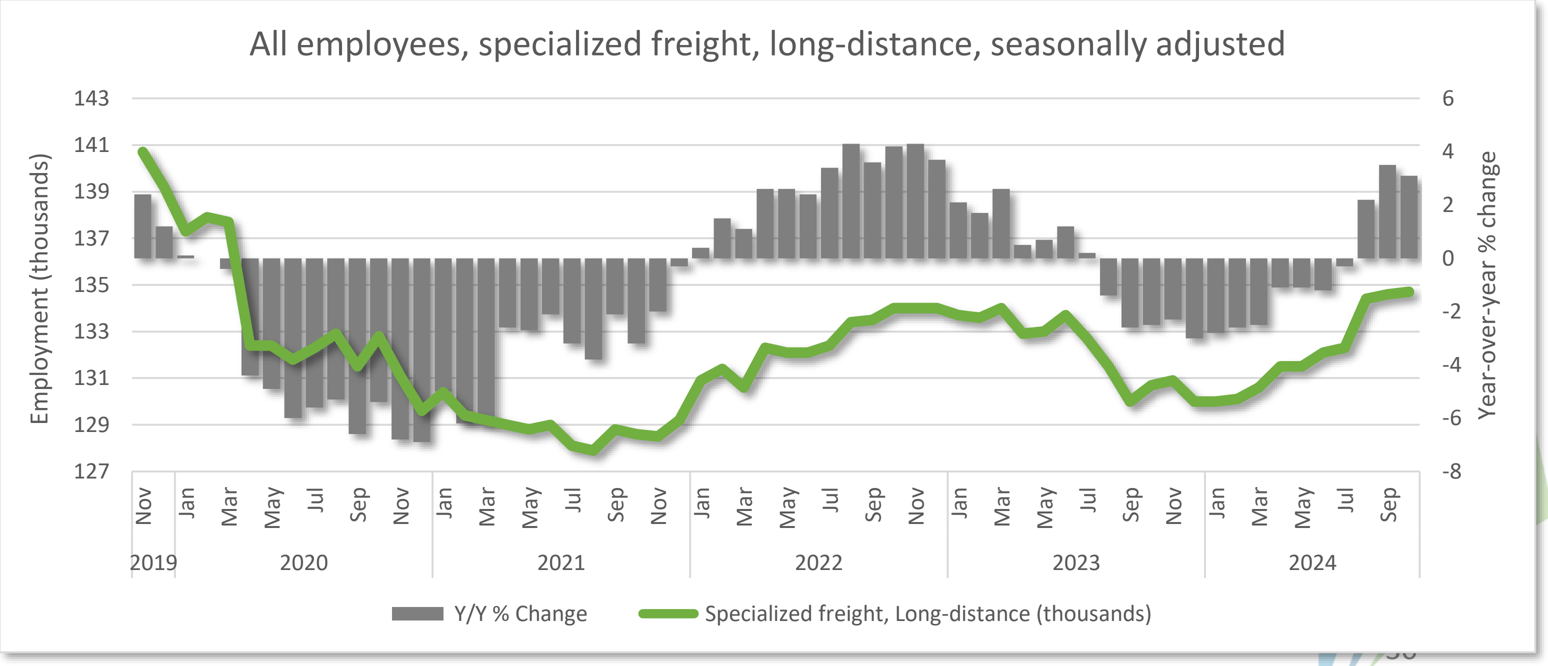
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

Our thoughts: Truck employment numbers overall (not pictured) increased 0.2%, or 2,900, in November to 1.548 million people following adjustments, and are slightly down year-over-year. This marks 18 Y/Y decreases in 19 months.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, decrease 0.3%, or 1,800 jobs, month-over-month in October.
- It's 0.73%, or 4,000 jobs, lower year-over year but 3.4% higher than 2019 levels.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, increased 100 jobs month-over-month to 134,700.
- This figure is 2.9%, or 3,800 jobs, higher year-over-year. This is the third consecutive Y/Y increase after 12-months of straight declines. This figure is 3.4%, or 4,700 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.

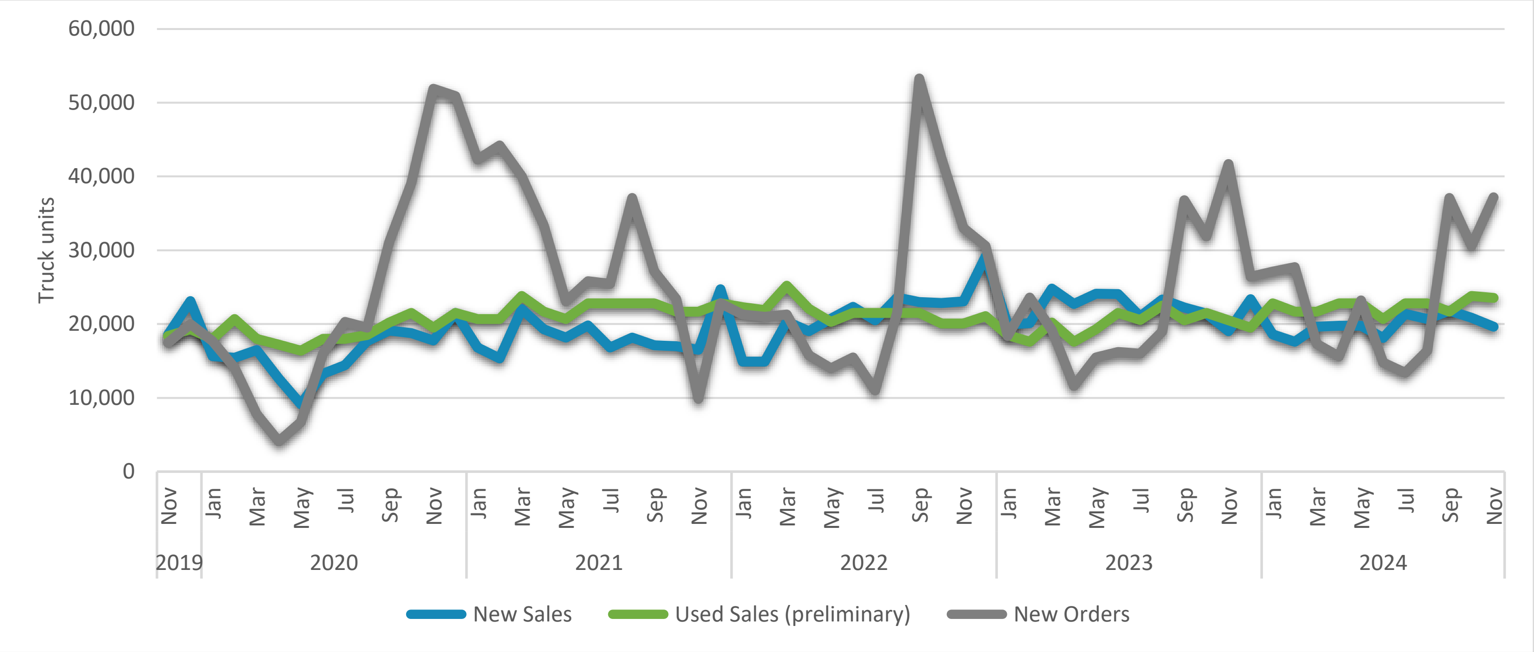
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

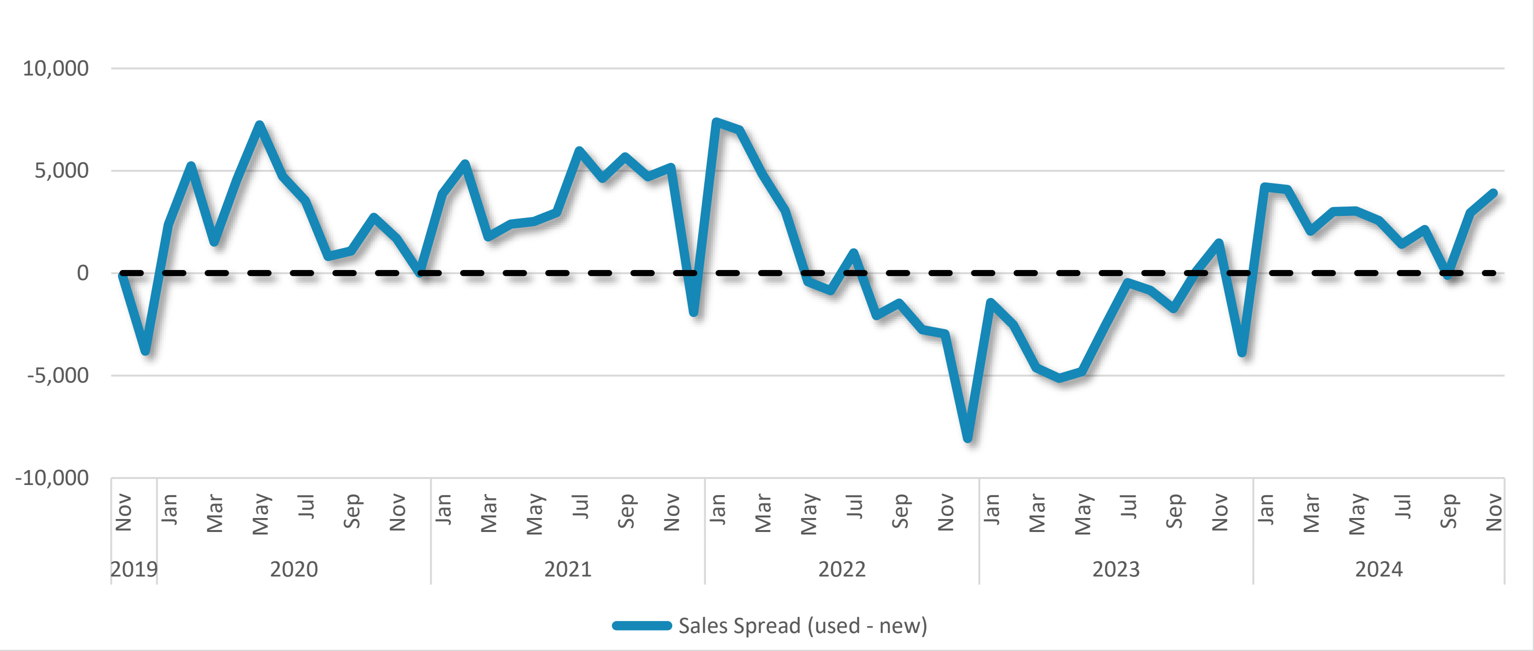
- Demand for trucks tends to spike when new orders increase following a steady increase in rates as depicted in the top figure (2017-2018 and 2020).
- Truck capacity tends to loosen when new sales eclipse used sales as shown in the bottom chart (2018-2019 and 2022-2023).

Our thoughts: New sales decreased 5.8% in November to 19,658 after dropping 4.4% in October, but are 3.3% higher year-over-year, while new orders jumped 21.6% to 37,200 after plummeting 17.5% last month.

- Preliminary used sales figures decreased 1.0%, or 238 units, in November to 23,562, but are up 14.9% compared to last year.
- Used sales eclipsed new sales for the 11th straight month. This time by 3,904 units.

Steve Tam, VP at ACT Research, stated, “Given that typical seasonality called for a decrease of 18% month-over-month, the small dip [in used sales] was a big win.”





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.

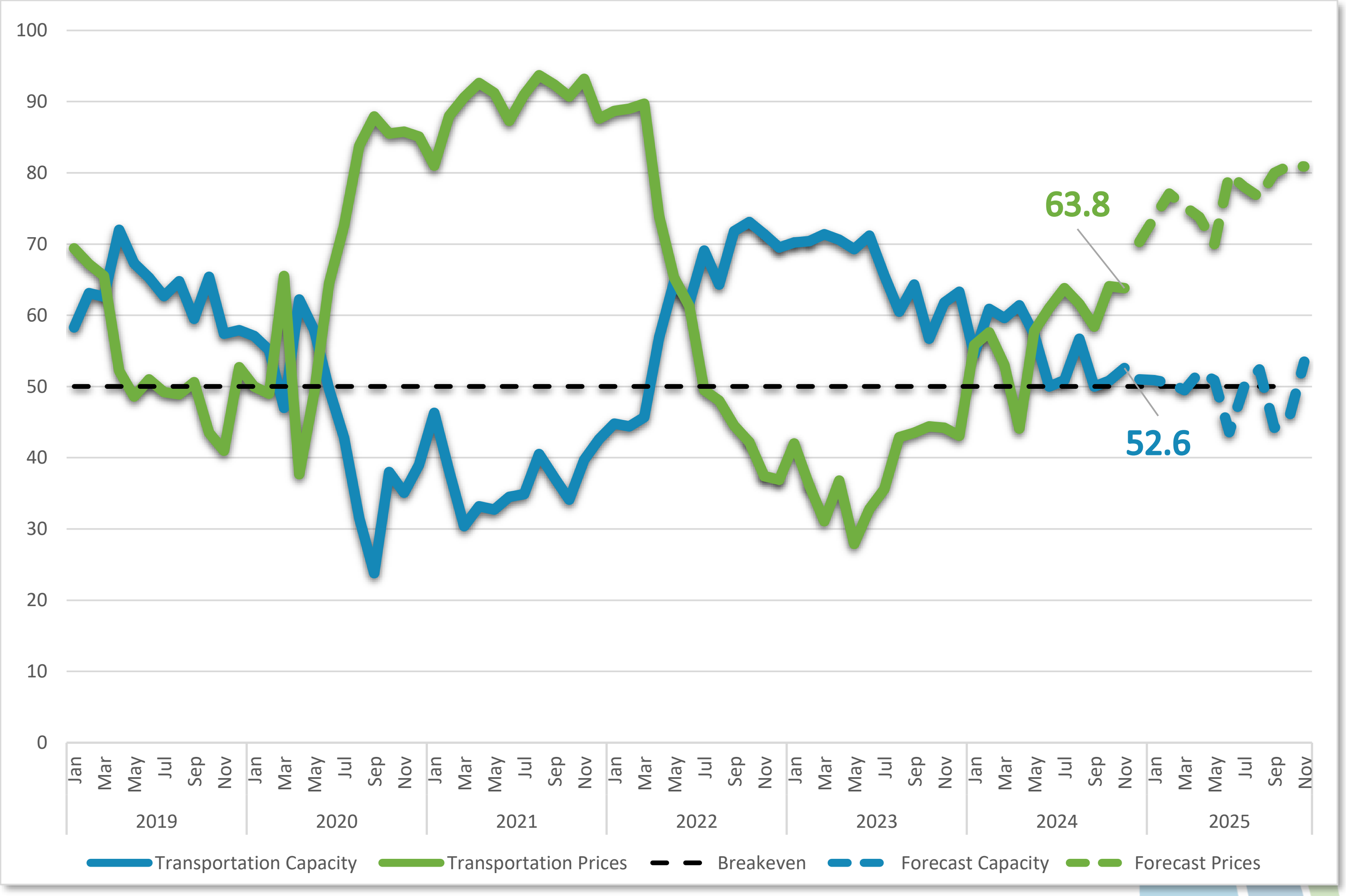
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- 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 decreased 0.5 points to 58.4, mostly due to the predicted slowdown in the expansion of inventory levels. The overall index has increased now for 12 consecutive months. Transportation prices outpaced capacity again in November even as prices decreased and capacity expanded.

- Prices decreased 0.5% month-over month to 63.8, but are 44.3% higher year-over-year (Y/Y), when the index read 44.2.
- Transportation capacity increased 3.5% to 52.6, which is 14.9% lower Y/Y. Transportation capacity has not contracted since March of 2022.

Bottom line: According to LMI, transportation continued its trajectory in November. Transportation prices continued expanding at its second-highest reading of the last two years and offers further evidence that the freight market has moved back into equilibrium.



Source: LMI | https://www.the-lmi.com/ | Monthly

Rates: Producer Price Index (PPI) Long-Distance, Truckload, Primary Services

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.
- The primary index shows how much carriers are charging their customers for their main service – hauling truckloads.

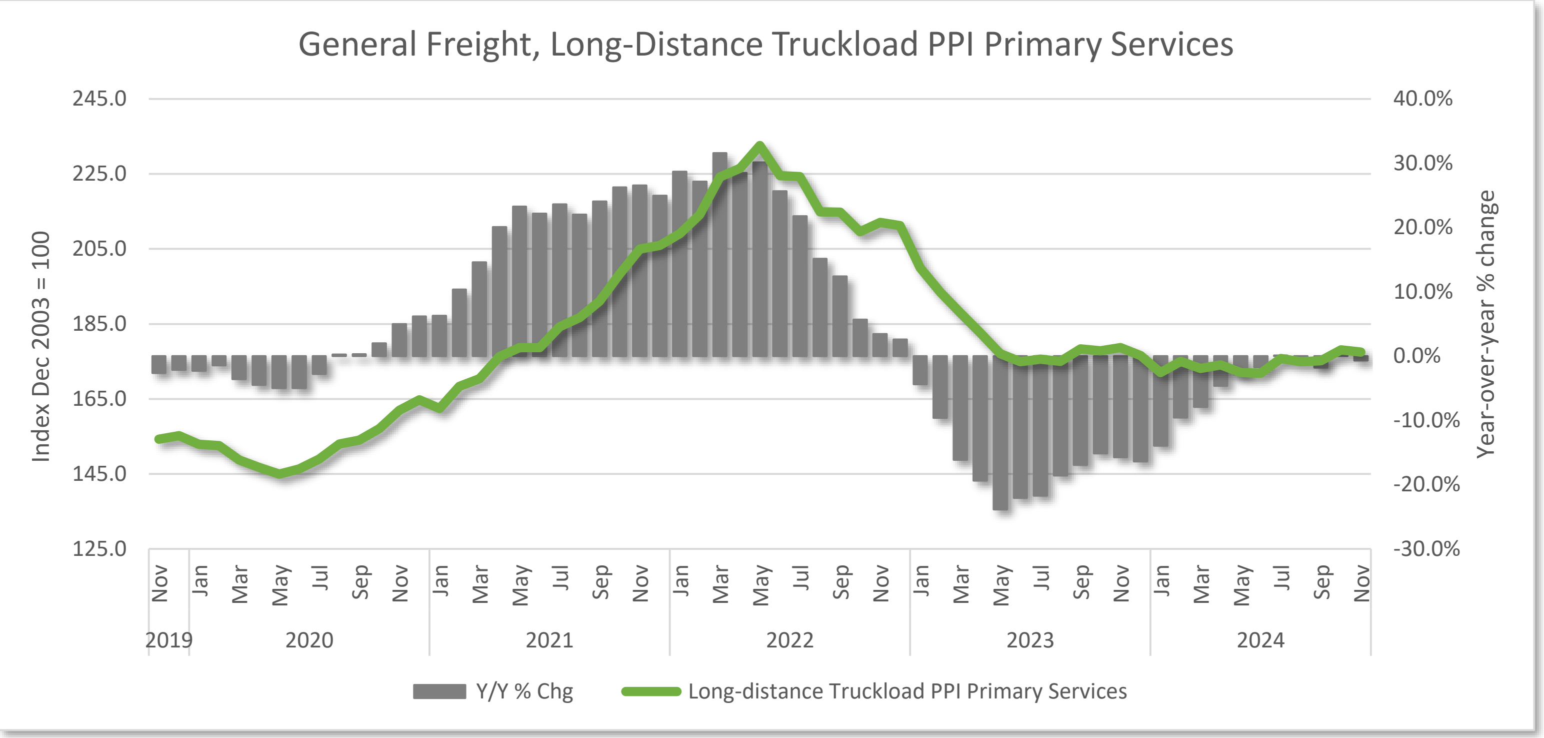
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index ticked downward in November after increasing 1.7% in October following readjustments. The index is now 23.7% lower than its high in May 2022.

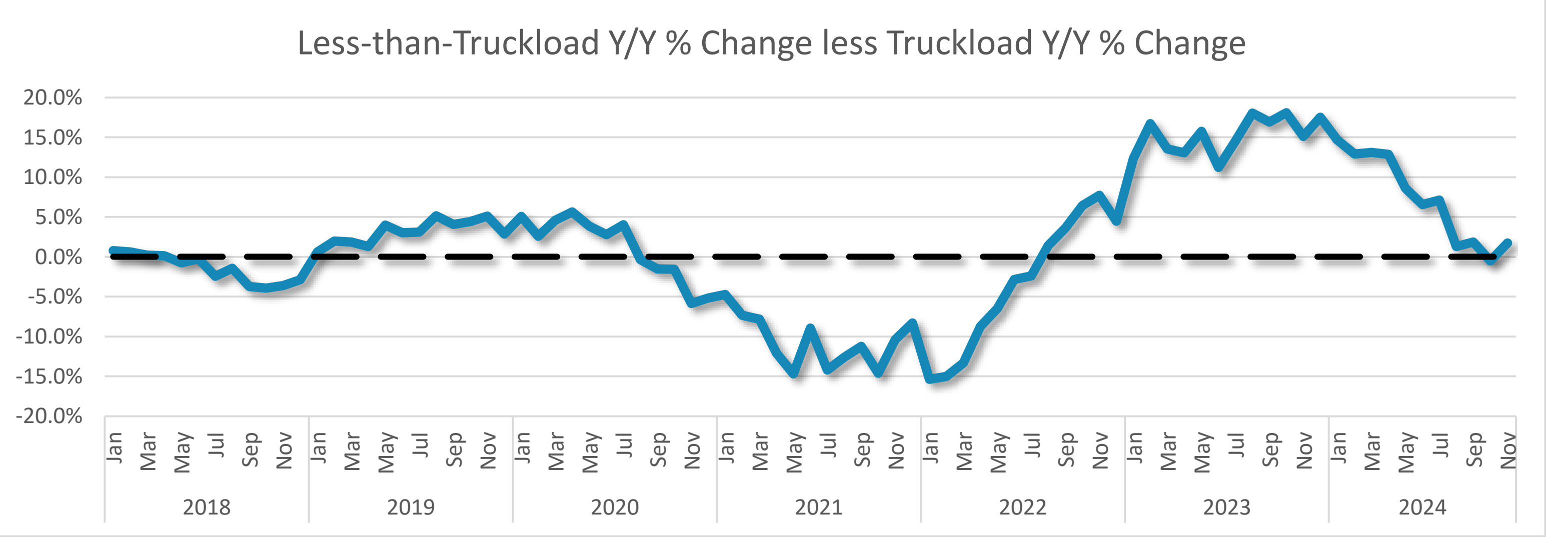
- The long-haul PPI decreased 0.3% to 177.5, month-over-month, ending 2 consecutive months of increases.
- The PPI is 0.7% lower year-over-year, marking 10 of 12 months of decreases. The index however looks poised to shift positive year-over-year in the coming months.

1 big thing: 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 now 1.7%, after falling into negative territory last month following adjustments. While this metric has been above zero 26 times in 27 months, it's getting very close to trending below zero.



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



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

Costs: Diesel Fuel

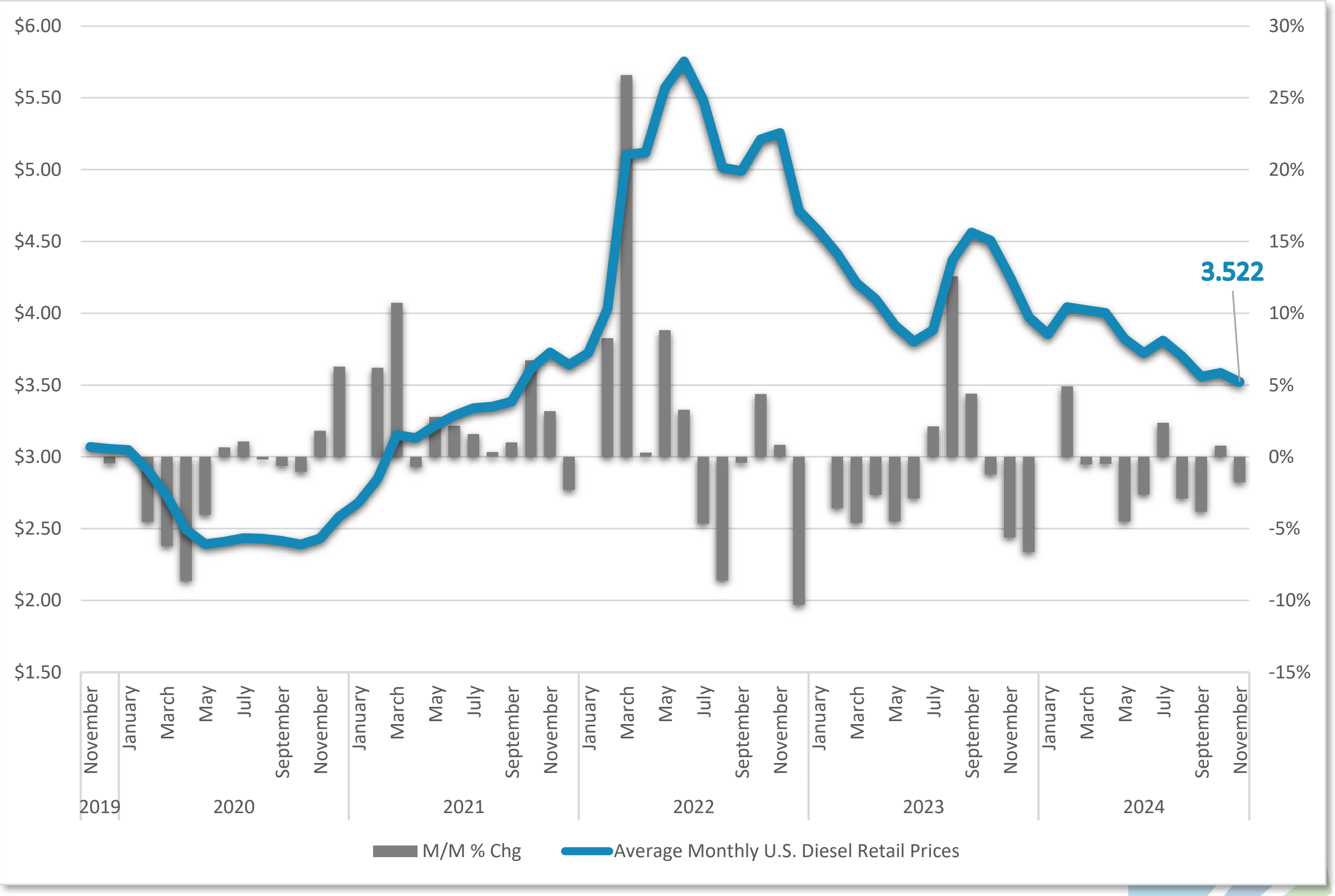
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 decreased $0.06 per gallon in November after increasing $0.03 in October and decreasing $0.14 in September. Prices through November have now declined $2.23 per gallon since the high of $5.75 in June 2022.

- The average price for diesel fuel decreased 1.8% month-over-month to $3.522 per gallon, marking eight months of decreases in 2024.
- The average diesel price is 17.2% lower year-over-year when the cost was $4.25 per gallon, and is 5.9%, or $0.22 per gallon, lower than the 5-year average.
- The average diesel price has declined year-over-year for 21 straight months, which has been one of the few silver linings for owner-operators as we continue to traverse the current freight recession.
- 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.

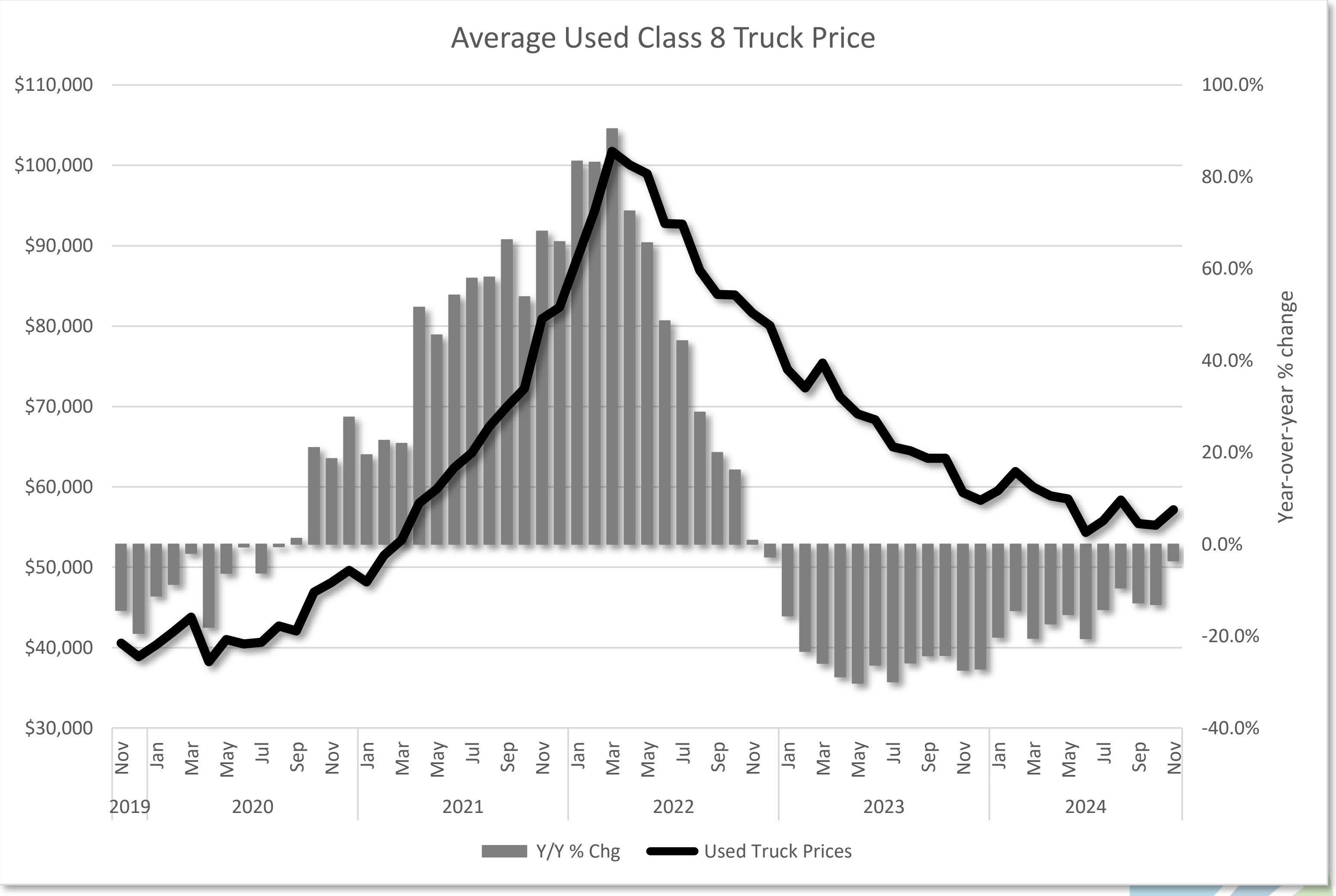
Why it matters: Used truck prices provide a good picture of the strength or weakness of the freight market. For example, monthly year-over-year decreases indicate that the market is in a downcycle due to weak demand.

- 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 increased in November after declining 0.4% in October following readjustments. While prices have fallen significantly since their high in March 2022, they are 33.6%, or $14,385 above the 2019 average.

- Preliminary used Class 8 truck prices increased 4% to approximately $57,154.
- This is 4% lower year-over year, and 10% below than the 5-year average.

Year-over-year comparisons have been negative for 24 consecutive months, meaning that the overall freight market is still weak. However, it appears that prices have found a new floor and are poised to turn positive year-over-year in the coming months, which oddly enough could be a positive indicator that the freight market overall has turned a corner and starting to swing upward.



Source: ACT Research | https://www.actresearch.net/ | Monthly | August'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 Wage Conditions** help us to see the impact of inflation and therefore purchasing power.
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 break down 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 Wages:
Wages and CPI

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

- While the Consumer Price Index (CPI) measures the average price change for a basket of goods and services over time.

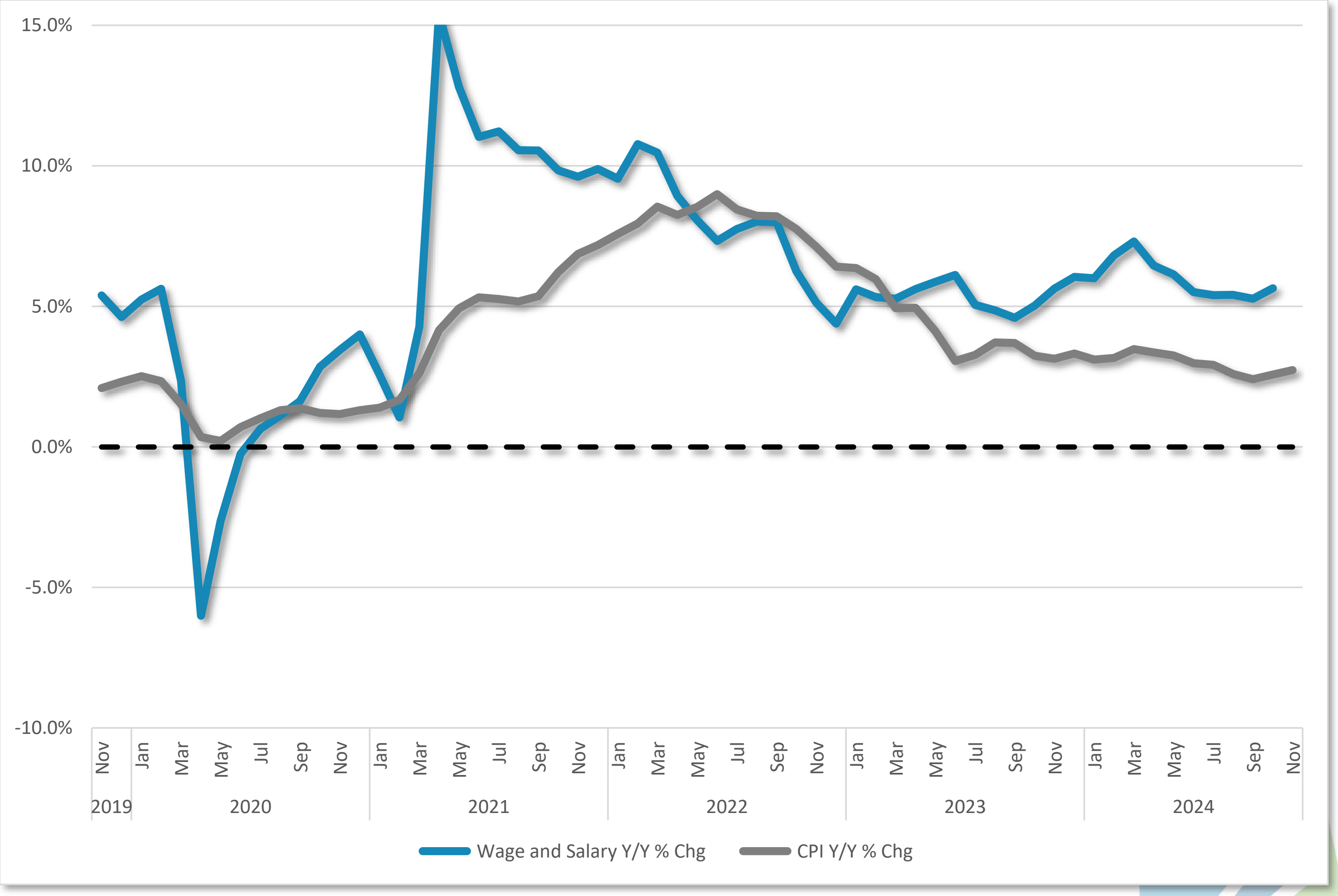
Why it matters: Wage and salary growth as well as CPI have great influence on consumers and can thereby help the Owner-operator gauge the health of the market.

- For example, when wage and salary growth outstrip CPI, people typically purchase more goods, both durable and non-durable.
- This creates more freight demand downstream. Conversely, when wage growth continues to slide it creates a headwind for demand.

Our thoughts: Wages and salaries grew ever so slightly in October, while CPI moved upward again in November.

- Wages and Salary disbursements increased 0.5%, or $62.8 billion, month-over-month.
- In terms of year-over-year growth, wages and salary disbursements are 5.2% higher.
- The BLS reported that the CPI rose 2.7% in November from year-ago levels, which was a slight increase from October's 2.6% rate.
- The Fed cut interest rates in September, October, and November, and is projected to cut rates again in December. However, it's likely they will pause for now and assess the impacts.

Core CPI, which excludes food and energy, was flat yet again month-over-month at 3.3%. Services and shelter continue to come in high.



Source: FRED| https://fred.stlouisfed.org/graph/?graph_id=1397250&rn=408 | 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.

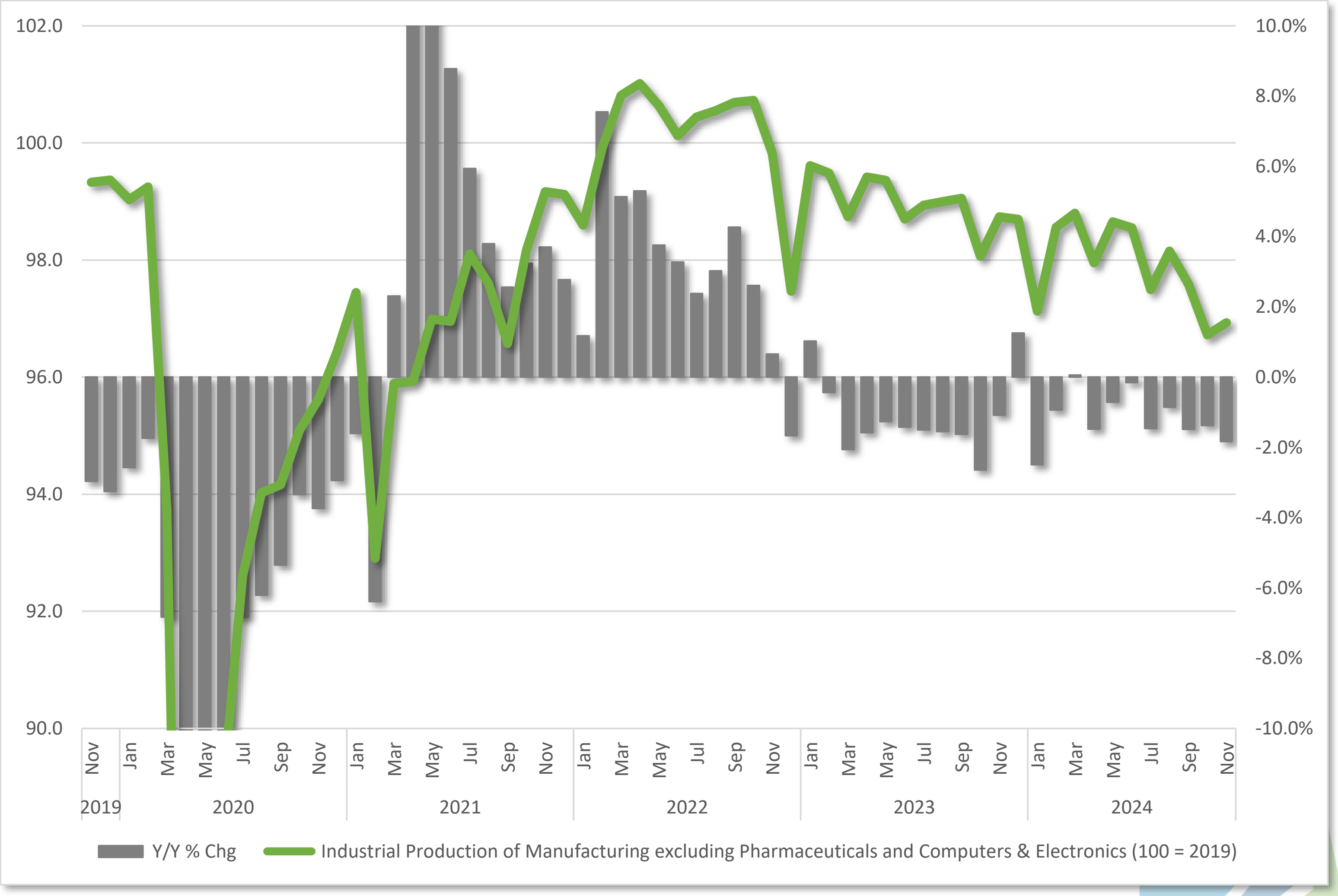
This is especially true when removing pharmaceuticals (NAICS 3254) and computer and electronic products (NAICS 334), as these sectors have an outsized influence on the overall manufacturing index considering how little freight they generate.

- 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, while simultaneously declining year-over-year (Y/Y) in November.

- Manufacturing activity increased 0.21% to 96.93 after decreasing 0.89% last month following adjustments, but is down 1.8% Y/Y.
- Activity was down Y/Y for the 20th time in 23 months, and is 3.1% below 2019 levels.

A manufacturing recession is defined as two consecutive quarters of declining seasonally adjusted manufacturing activity. The current recession has been ongoing for seven straight quarters. Some freight generating sectors are starting to turn a corner, such as nonmetallic mineral products (NAICS 327) and paper (322).



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

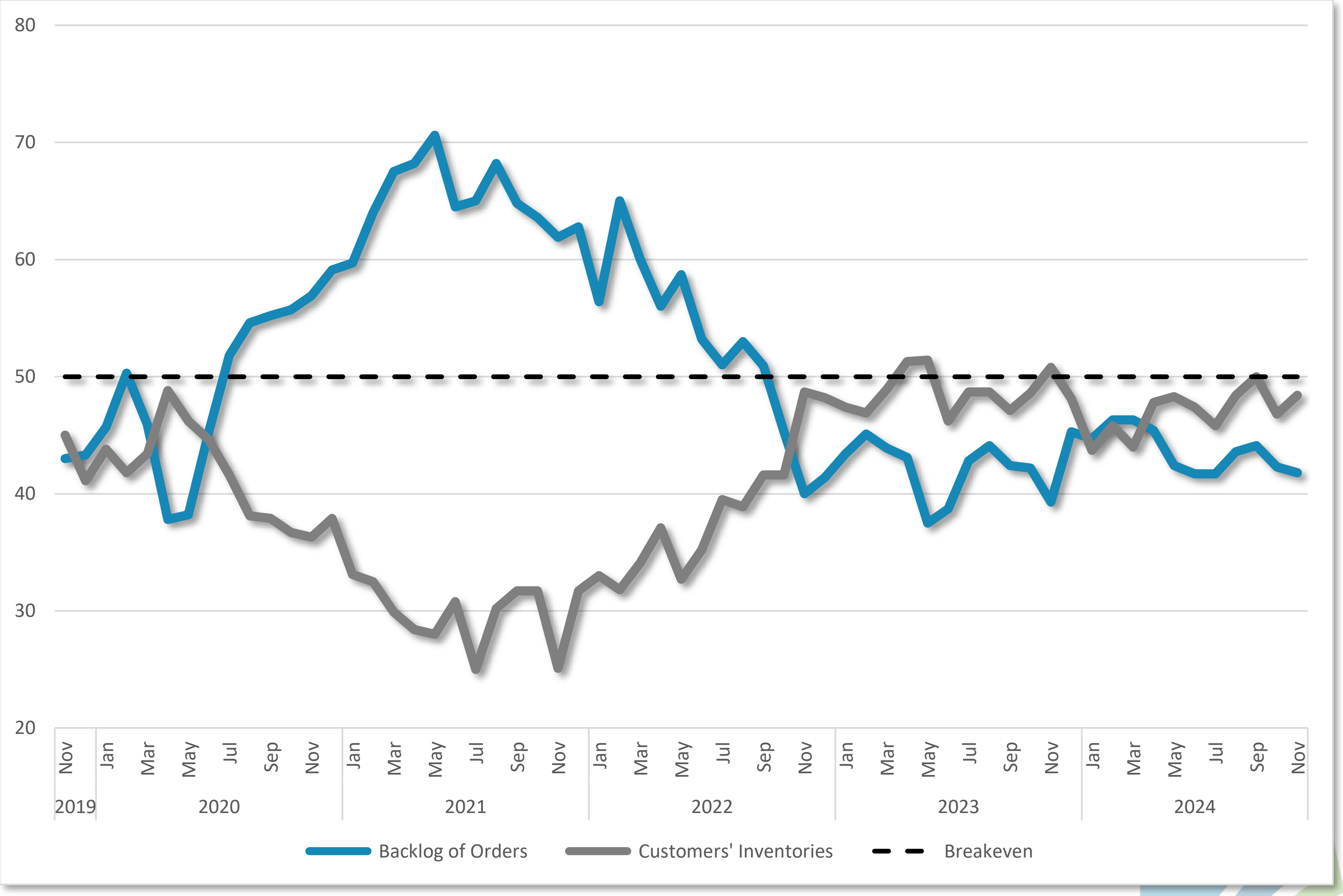
Why it matters: The ISM Manufacturing PMI is a reliable economic indicator and provides a sense of direction for the trucking market as shown in the chart. The ISM is highly correlated with spot rates.

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

Our thoughts: According to ISM, the U.S. manufacturing sector contracted in November for the 8th consecutive month, though the New Orders Index (not pictured) increased 3.3 points to 50.4%, moving into expansion territory for the first time since March 2024.

- Backlogs decreased 1.2% to 41.8, after decreasing 4.1% last month. Backlogs have been in contraction territory for 26 straight months, but increased 2.5 percentage points year-over-year.
- Customers' inventories increased 3.4% to 48.4, but are still in contraction territory. They are 4.7% lower year-over-year.
- Inventories are still above backlogs, which is bad for freight.

The bottom line: Demand remains weak, as companies prepare for 2025 with the benefit of the election cycle ending. Production execution eased in November, which is consistent with sluggish demand and weak backlogs. Suppliers continue to have capacity, with lead times improving but some product shortages reappearing.



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.

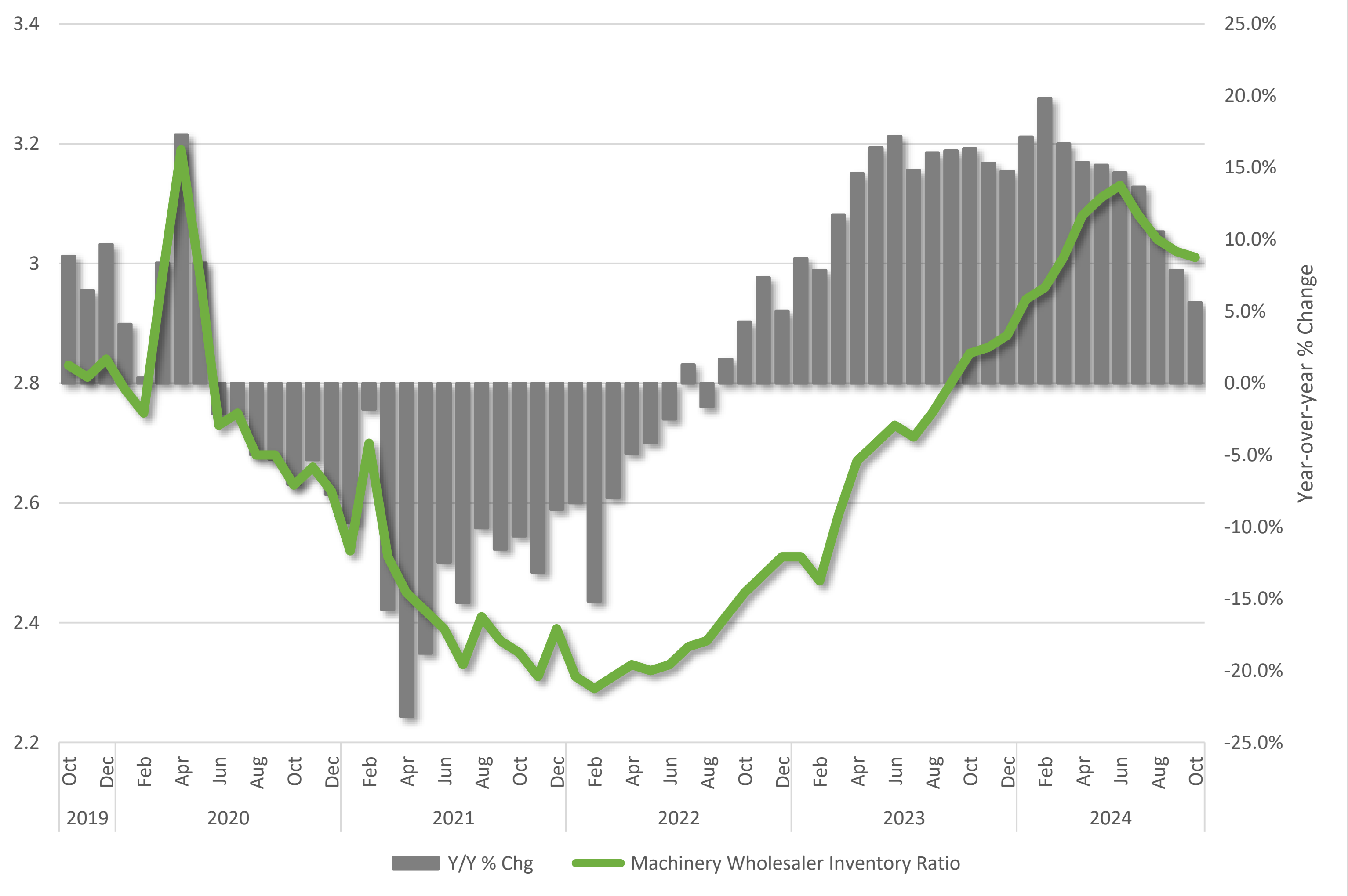
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

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

Our thoughts: Inventory levels dropped in this sector for the fourth consecutive month. However, inventories are still 8.3% above 2019 levels when the ratio was 2.8.

- The inventories-to-sales ratio decreased 0.3% to 3.01 after decreasing 0.7% in the previous month.
- The ratio is still 5.6% higher year-over-year. The ratio has increased Y/Y for 28 straight months, but is starting to fall.

A respondent to ISM's survey who operates in this sector wrote that they're still facing difficulties. "A general construction slowdown in the fourth quarter has created a surplus of finished goods... We are carefully watching demand in the first quarter to determine if more permanent workforce reductions will be necessary."



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: Imports increased month-over-month (M/M) in October after decreasing 0.1% in September, while exports decreased yet again. Imports continue to perform well, especially when we look at year-over-year (Y/Y) comparisons.

- Imports increased 1.4%, or 248.7 million kgs, M/M to 18.17 billion kgs. Imports are 4.3% higher Y/Y and 23.3%, or 3.4 billion kgs, above 2019 levels.
    - Last month was the 9th consecutive Y/Y increase.
- Exports (not pictured) decreased 6.0%, or 539.22 million kgs, M/M, and are 7.3% lower than last year, ending 11 straight months of Y/Y increases.
    - Exports are now 22.8% below 2019 levels.

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.

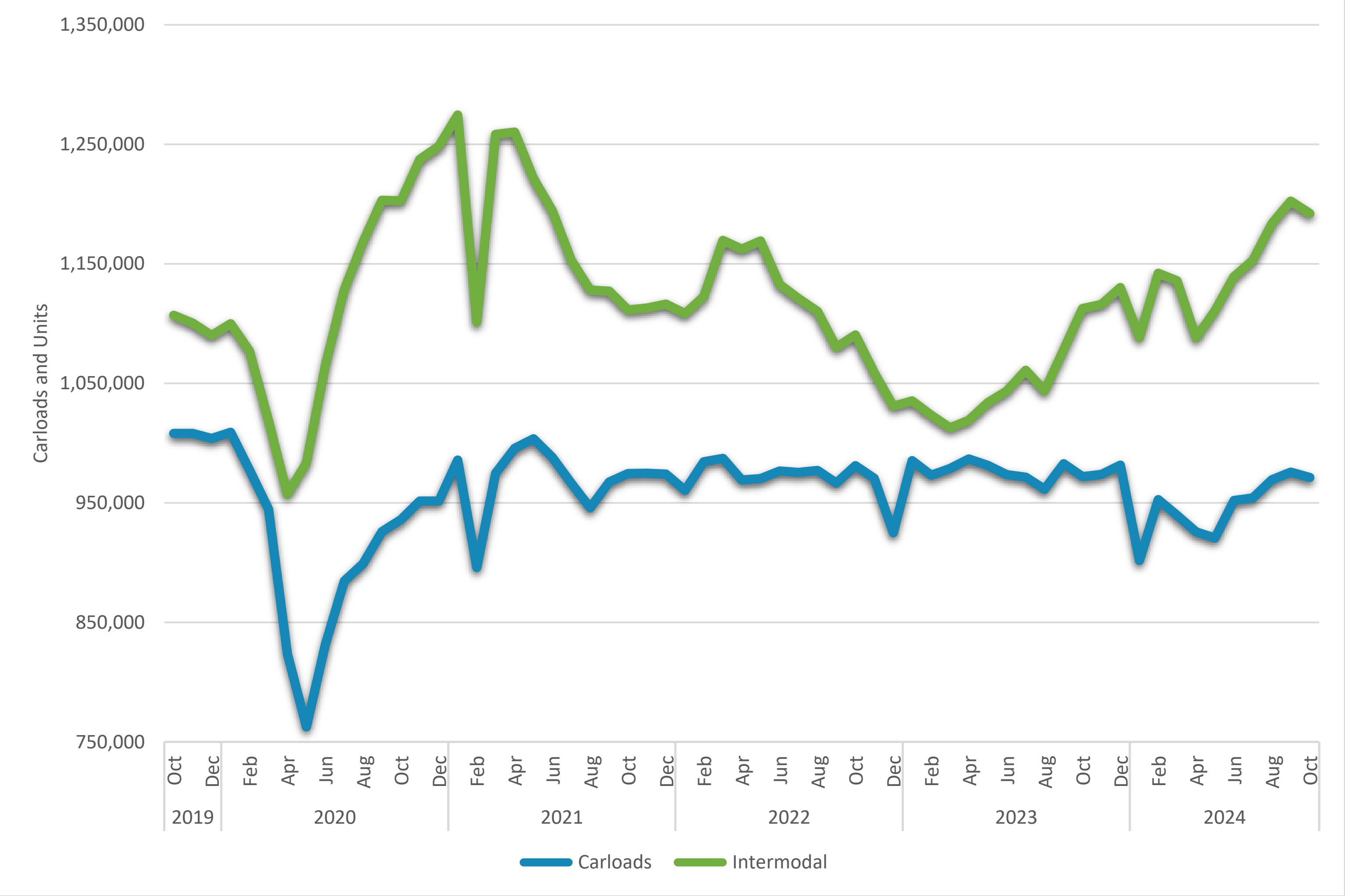
Why it matters: Most freight that is transported by rail, will require a truck for the final mile.

- 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: The West Coast ports continue to see a strong peak season surge as a potential labor strike at the East and Gulf Coast ports loom if a deal isn't reached by January 15, 2025. Both carloads and intermodal ticked down in October.

- Carloads decreased 0.5%, or 4,520, month-over-month to 971,210, and are down 0.1%, or 728 carloads, year-over-year. This marks the 9th Y/Y decrease in 10 months.
- Intermodal decreased 0.9% to 1.191 million, but is up 7.1%, or 79,447 loads, year-over-year.
- Carloads are 10.5% below 2019 levels, while intermodal is 3.9% higher than 2019.

According to C.H. Robinson, "Expect increased pricing in the low, single-digit range for the last quarter of 2024 and through 2025 due to new U.S. railroads that have labor agreements and inflationary pressure…the railroads are confident spot prices will jump dramatically in the second half of 2025."



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

Source: Intermodal: https://fred.stlouisfed.org/series/RAILFRTINTERMODALD11 | Monthly

OOIDA Foundation

RESEARCH • SAFETY • EDUCATION

OOIDA

Owner-Operator Independent Drivers Association Foundation, Inc.

A subsidiary of Owner-Operator Independent Drivers Association, Inc.

1 NW OOIDA Drive | PO Box 1000 | Grain Valley, MO 64029 | Tel: (816) 229-5791

E-mail: FoundationDept@ooida.com | Website: www.ooida.com/foundation