

OOIDA Foundation

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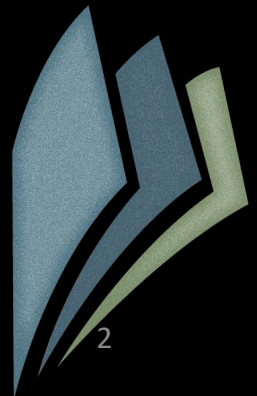
3rd Quarter 2024

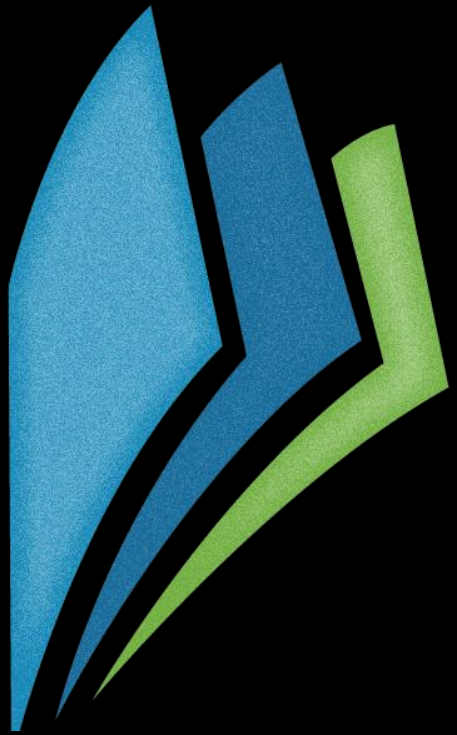
MARKET UPDATE

Table of Contents

Click here to jump
to section

<u>Owner-Operator Outlook.....</u>	<u>3</u>
<u>Leased-on Owner-Operator Outlook.....</u>	<u>8</u>
<u>Company Drivers Outlook.....</u>	<u>13</u>
<u>Overall Trucking Industry.....</u>	<u>18</u>
<u>Overall Freight Market.....</u>	<u>23</u>





Owner-Operator Outlook

Owner-Operator Outlook

The trucking industry consists of several different types of operations and segments. While one size certainly doesn't fit all, we tend to break down the industry into three main operational types: Owner-Operators, Leased-on Owner-Operators, and Company Drivers.

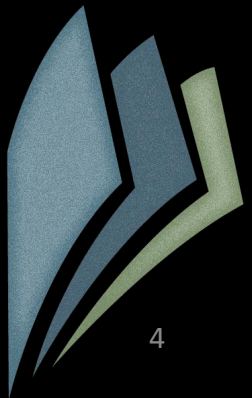
It's good to know the current conditions of the freight market, but it's also important to understand what the future holds, especially for your segment of the industry.

To examine the Owner-Operator outlook, we will look at:

1. **Volumes**, which will give us a picture of demand, or in other words, the number of trucks the market needs to move freight.
2. **Revenues and Broker Costs**, which illustrate how much the average Owner-Operator can expect to earn.

We will examine three key economic indicators that directly impact the Owner-Operator segment of the market:

1. C.H. Robinson's Volume per quarter
2. C.H. Robinson's Truckload Revenue per quarter
3. C.H. Robinson's Truckload Price and Cost per quarter



Volumes: C.H. Robinson's Volumes per Quarter

The big picture: C.H. Robinson is one of the world's largest logistics platforms, with \$30 billion in freight under management and 2022 total revenues of \$24.7 billion.

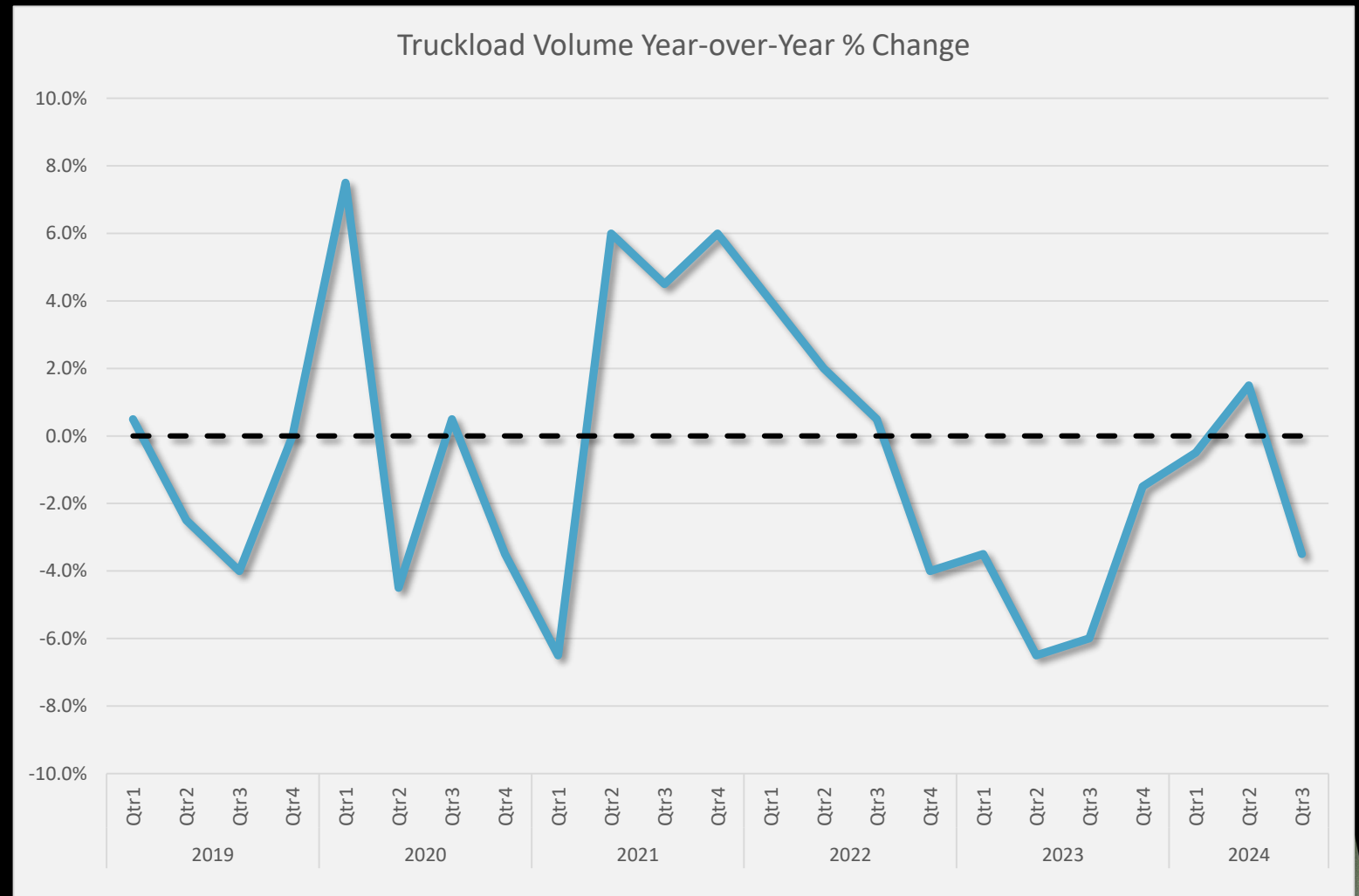
Why it matters: C.H. Robinson is the largest freight brokerage in the U.S., meaning they have a lot of visibility into the industry.

- This especially includes truckload volumes, which helps to provide insight into levels of demand.
- Notice how the owner-operator market tends to perform well when quarterly percentage changes are above zero.

Our thoughts: Truckload volumes decreased in Q3 2024, ending four straight quarters of growth and plunging back into negative territory after turning positive last quarter for the first time since Q3 2022. While this is a negative sign that we still have further to go in the current downcycle, rates are starting to increase year-over-year as we'll discuss later in this report.

- Truckload volumes decreased 5.0%, or 500 basis points, quarter-over-quarter to negative 3.5%.
- Volumes are down 250 basis points from last year.

The decrease in volumes however hasn't hurt the routing guide depth (RPD), which remained at 1.2, which is where the RPD was last year.



Source: C.H. Robinson | <https://investor.chrobinson.com/Financials/Quarterly-Results/default.aspx> | Quarterly

Revenues: C.H. Robinson's Truckload Revenue

The big picture: C.H. Robinson is one of the world's largest logistics platforms, with \$30 billion in freight under management and 2022 total revenues of \$24.7 billion.

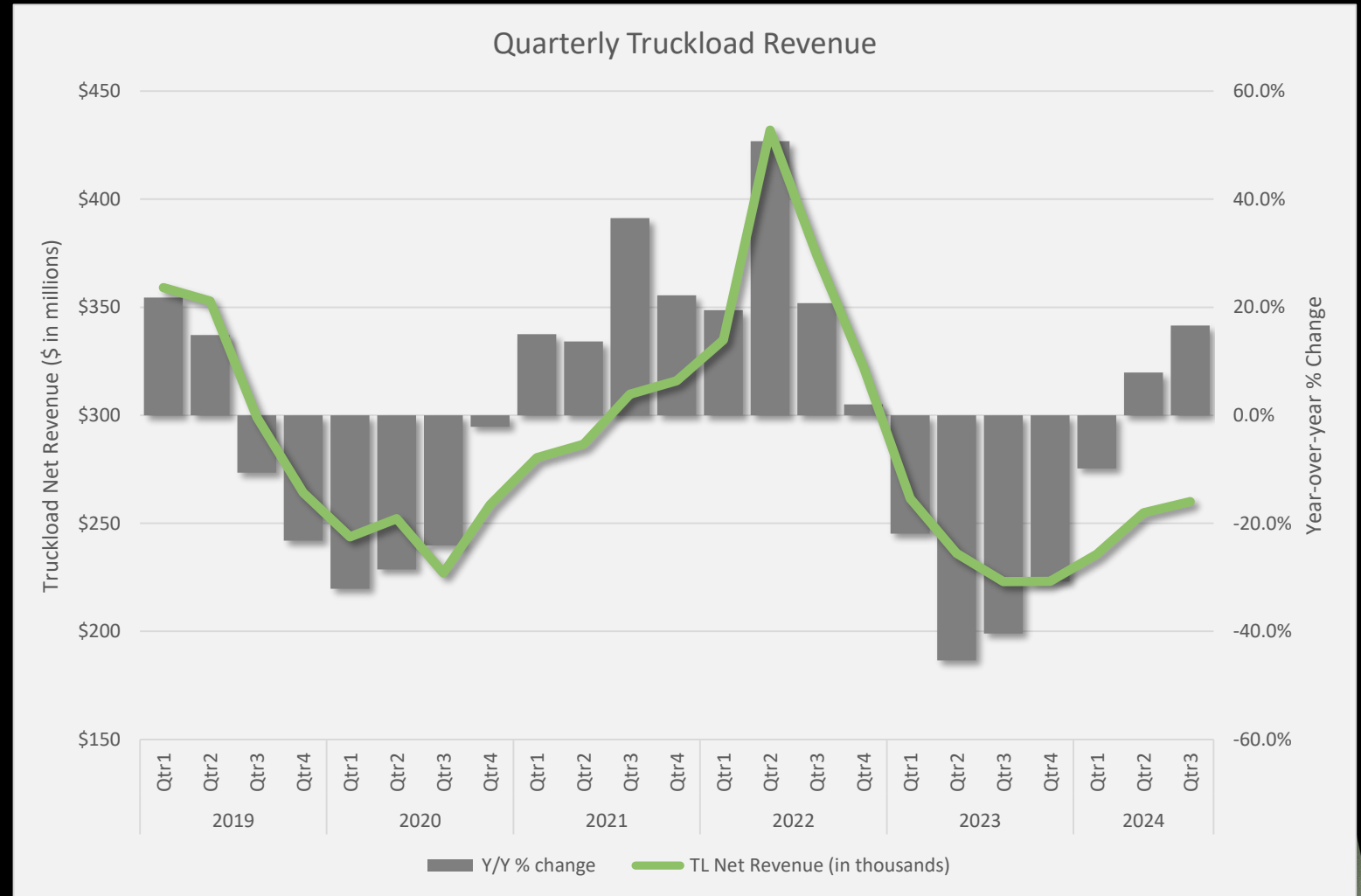
Why it matters: C.H. Robinson is the largest freight brokerage in the U.S., meaning they have a lot of visibility into the industry.

- C.H. Robinson's truckload revenue closely tracks the conditions in the trucking sector historically.
- Owner-operators tend to see higher rates on average as C.H. Robinson's truckload revenue increases, such as in 2018 and 2021.

Our thoughts: Net truckload revenue increased for the fifth straight quarter and is up year-over-year for the second time seven quarters. The trucking industry entered a downturn starting around Q2 2022, but it appears that we are finally starting to inch closer to the next freight upcycle, which we estimate will begin by Q2 2025.

- Truckload revenue increased 2.0%, or \$5.2 million, quarter-over-quarter to \$260 million.
- Revenues are up 10.1%, or \$23.9 million, compared to last year, but are 18.4% below 2019 levels.

According to Dave Bozeman, C.H. Robinson's President and CEO, "we are raising the bar, even in a historically prolonged freight recession."



Source: C.H. Robinson | <https://investor.chrobinson.com/Financials/Quarterly-Results/default.aspx> | Quarterly

Broker Costs: Truckload Price and Cost Change

The big picture: C.H. Robinson is one of the world's largest logistics platforms, with \$30 billion in freight under management and 2022 total revenues of \$24.7 billion.

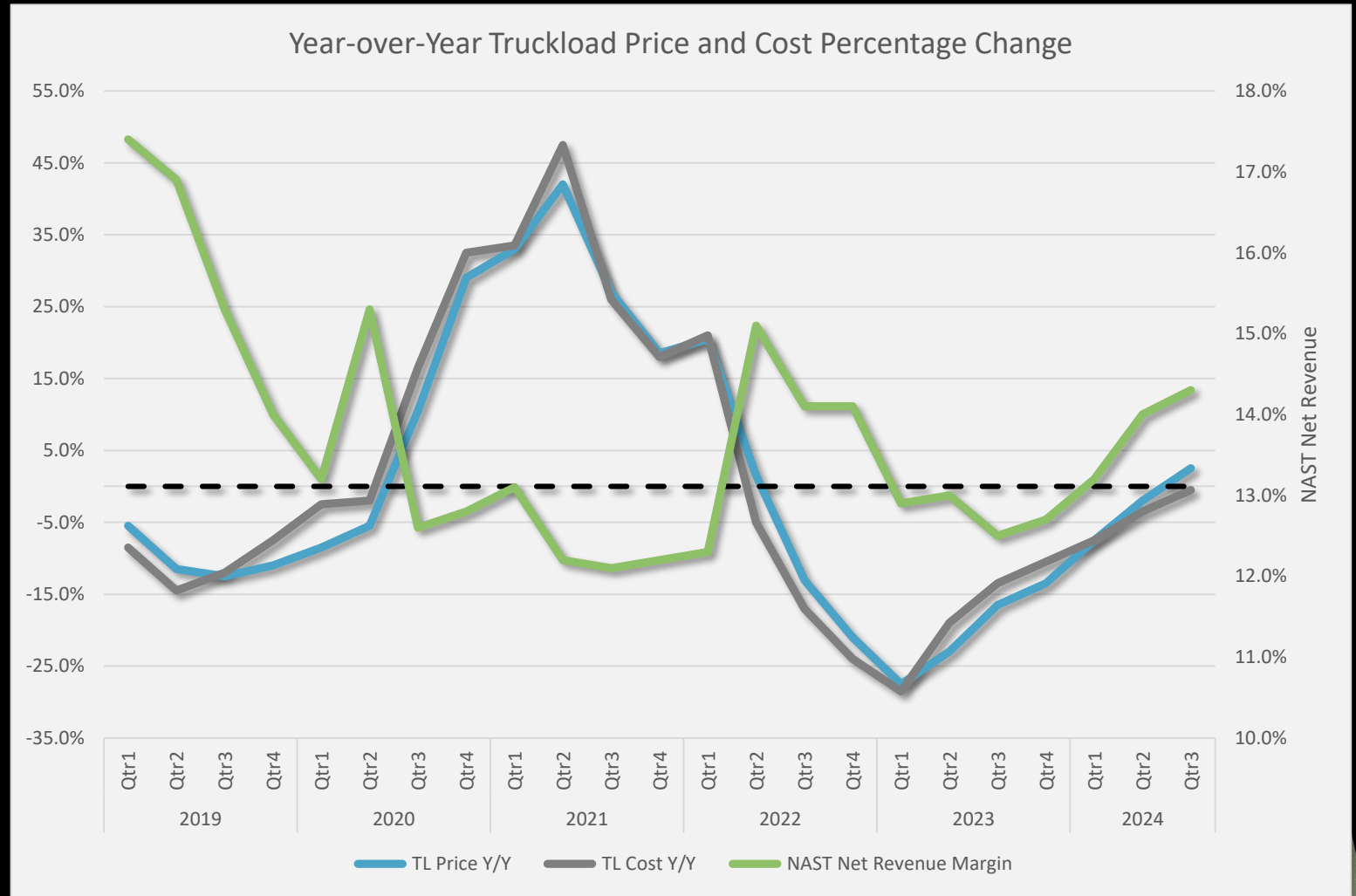
Why it matters: C.H. Robinson typically generates greater margins during down-cycles as they tend to be more selective with their pricing, whereas the opposite is also true.

- The TL Price is what C.H. Robinson charges shippers, while TL Cost is what they pay to the carrier.
- There is a strong correlation between the two, with carrier cost most often leading shipper price.

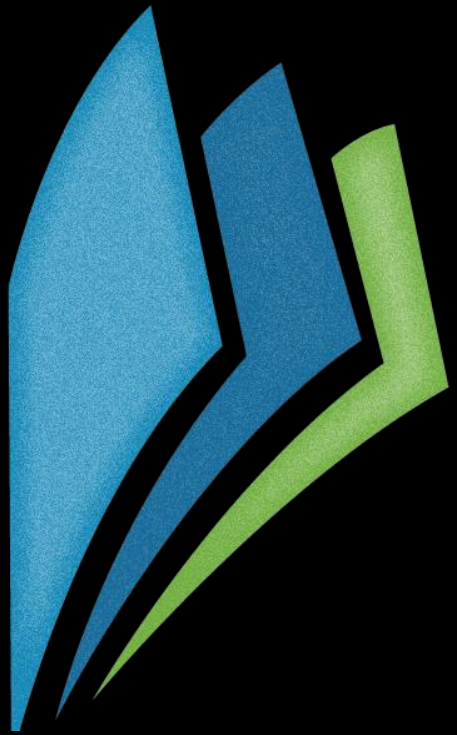
Our thoughts: The Owner-Operator outlook tends to mirror the shift in C.H. Robinson's North American Surface Transportation (NAST) net revenue margin in comparison to TL Price and TL Cost. In other words, as year-over-year comparisons in TL Price and Cost change, so to does the overall freight market.

- TL Price increased 450 basis points (BPS) quarter-over-quarter to 2.5%, and is up 1,900 BPS since last year.
- TL Cost increased 300 BPS quarter-over-quarter to -0.5%, and is up 1,300 BPS year-over-year.

TL Price moved into positive territory for the first time since Q2 of 2022, while TL Cost isn't far behind. We predict that TL Cost will move into positive territory in Q4 2024, which will be a very positive signal that we are finally starting to climb up from off the bottom of the current freight recession.



Source: C.H. Robinson | <https://investor.chrobinson.com/Financials/Quarterly-Results/default.aspx> | Quarterly



Leased-on Owner-Operator Outlook

Leased-on Owner-Operator Outlook

The trucking industry consists of several different types of operations and segments. While one size certainly doesn't fit all, we tend to break down the industry into three main operational types: Owner-Operators, Leased-on Owner-Operators, and Company Drivers.

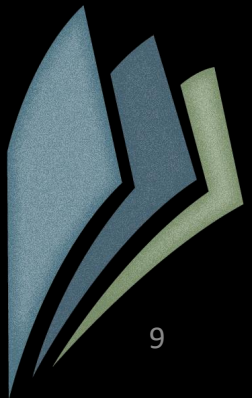
It's good to know the current conditions of the freight market, but it's also important to understand what the future holds, especially for your segment of the industry.

To examine the Leased-On Owner-Operator outlook, we will look at:

1. **Volume and Capacity**, which will give us a picture of demand, or the number of trucks the market needs to move freight.
2. **Revenues**, which illustrate how much the average Leased-on Owner-Operator can expect to earn.

We will examine three key economic indicators that directly impact the Leased-on Owner-Operator segment of the market:

1. Landstar's BCO Loads per quarter
2. Landstar's BCO Provider and Truck Counts per quarter
3. Landstar's BCO Revenue per Load per quarter



Volumes: Landstar's Loads per Quarter

The big picture: Landstar is a transportation services company specializing in logistics and more specifically third-party logistics.

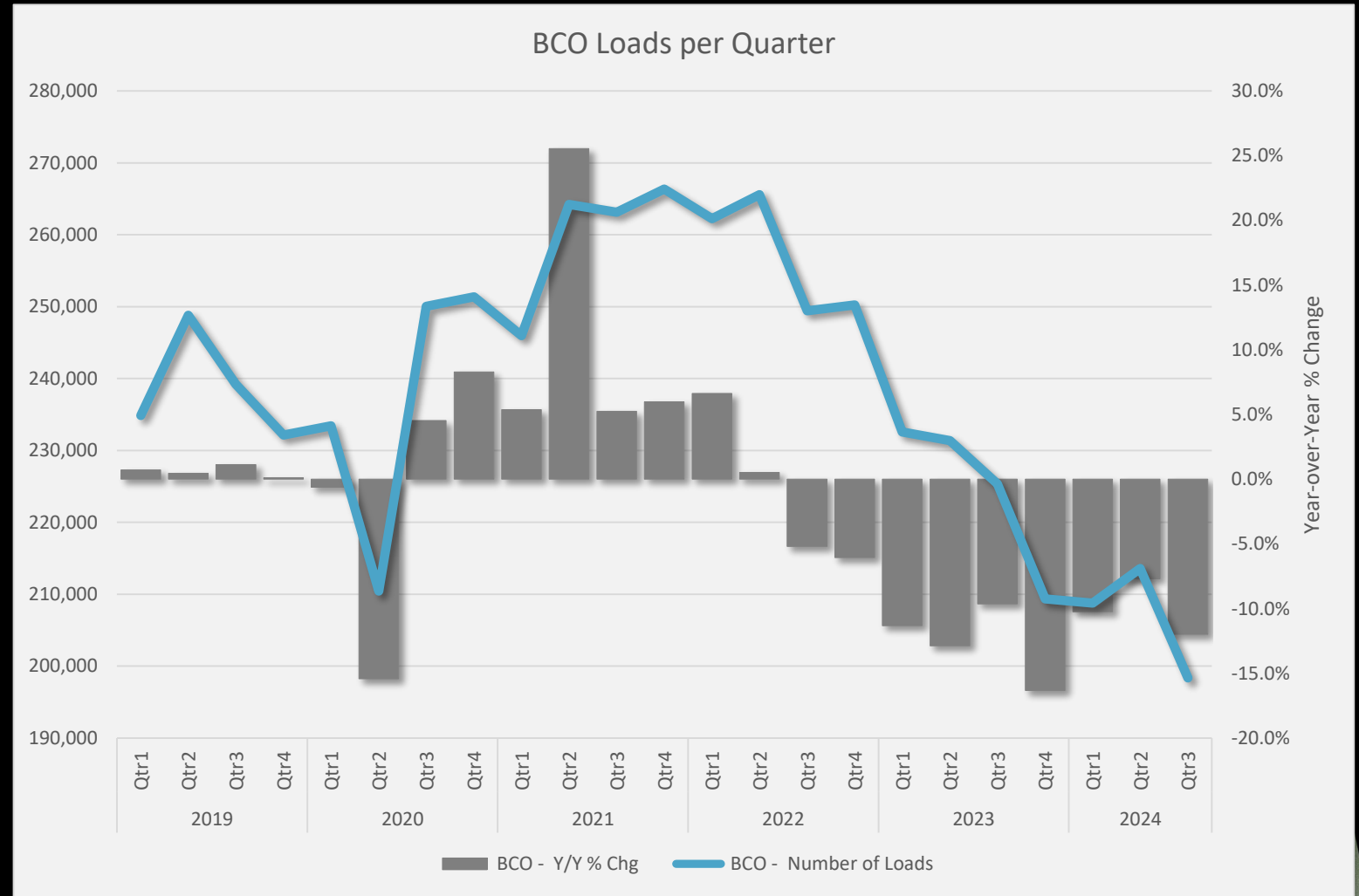
Why it matters: Landstar utilizes an extensive network of more than 10,000 leased-on owner-operators, referred to internally as BCOs.

- Loads per quarter for Landstar's BCOs serves as a good proxy for volumes, and thereby demand, for the leased-on owner-operator.

Our thoughts: According to Landstar President and CEO Frank A. Longero, while the number of loads hauled via truck declined in Q3 2024, it was slightly ahead of the company's expectations.

- Loads decreased 7.1%, or 15,220 loads, quarter-over-quarter to 198,340 after increasing 2.3% in the previous quarter.
- Loads are down 12.0%, or 27,010 loads, year-over-year, and are down 25.3%, or 67,250 loads, since the high in Q2 2022.

The same soft freight market fundamentals, such as low demand, weak manufacturing, and too much capacity, that occurred during 2023, continues in 2024, albeit not to the same extent. The number of loads are 16.9% lower than in 2019.



Source: Landstar System, Inc. | <https://investor.landstar.com/financial-news> | Quarterly

Capacity: Landstar's BCO Providers and Truck counts

The big picture: Landstar is a transportation services company specializing in logistics and more specifically third-party logistics.

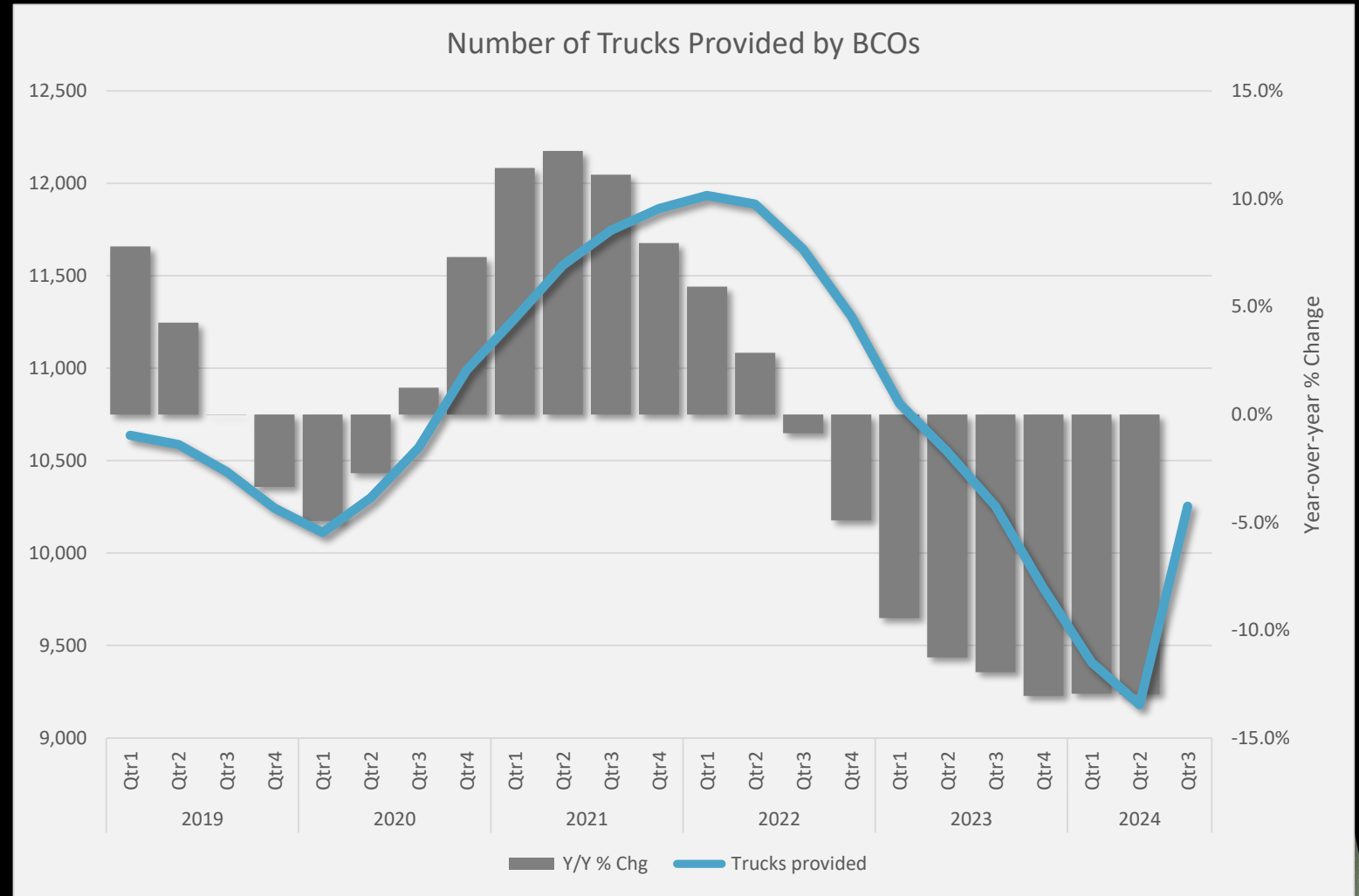
Why it matters: Landstar utilizes an extensive network of more than 10,000 leased-on owner-operators, referred to internally as BCOs.

- The number of trucks that BCOs provide to Landstar tracks well with levels of demand.
- As demand increases, so too do the number of trucks and vice versa.

Our thoughts: The number of trucks that BCOs provide has declined 13.7%, or 1,634 trucks, since the start of the freight recession in Q2 2022. However, the number of BCO provided trucks increased for the first time in 10 months in Q3 2024.

- Trucks provided jumped 11.7%, or 1,073 trucks, quarter-over-quarter to 10,253, and are virtually at the same level as where Landstar was last year.
- This ended 9=8 consecutive year-over-year decreases, but is still 4.9%, or 530 trucks, below the 5-year average.
- The number of trucks is just 2.1% lower than 2019 levels compared to 12.4% in the previous quarter.

The number of trucks BCOs provide is a good barometer for where the freight market is for the leased-on owner-operator. It appears that the market is beginning to shift in a positive direction.



Source: Landstar System, Inc. | <https://investor.landstar.com/financial-news> | Quarterly

Revenues: Landstar's Revenue Per Load

The big picture: Landstar is a transportation services company specializing in logistics and more specifically third-party logistics.

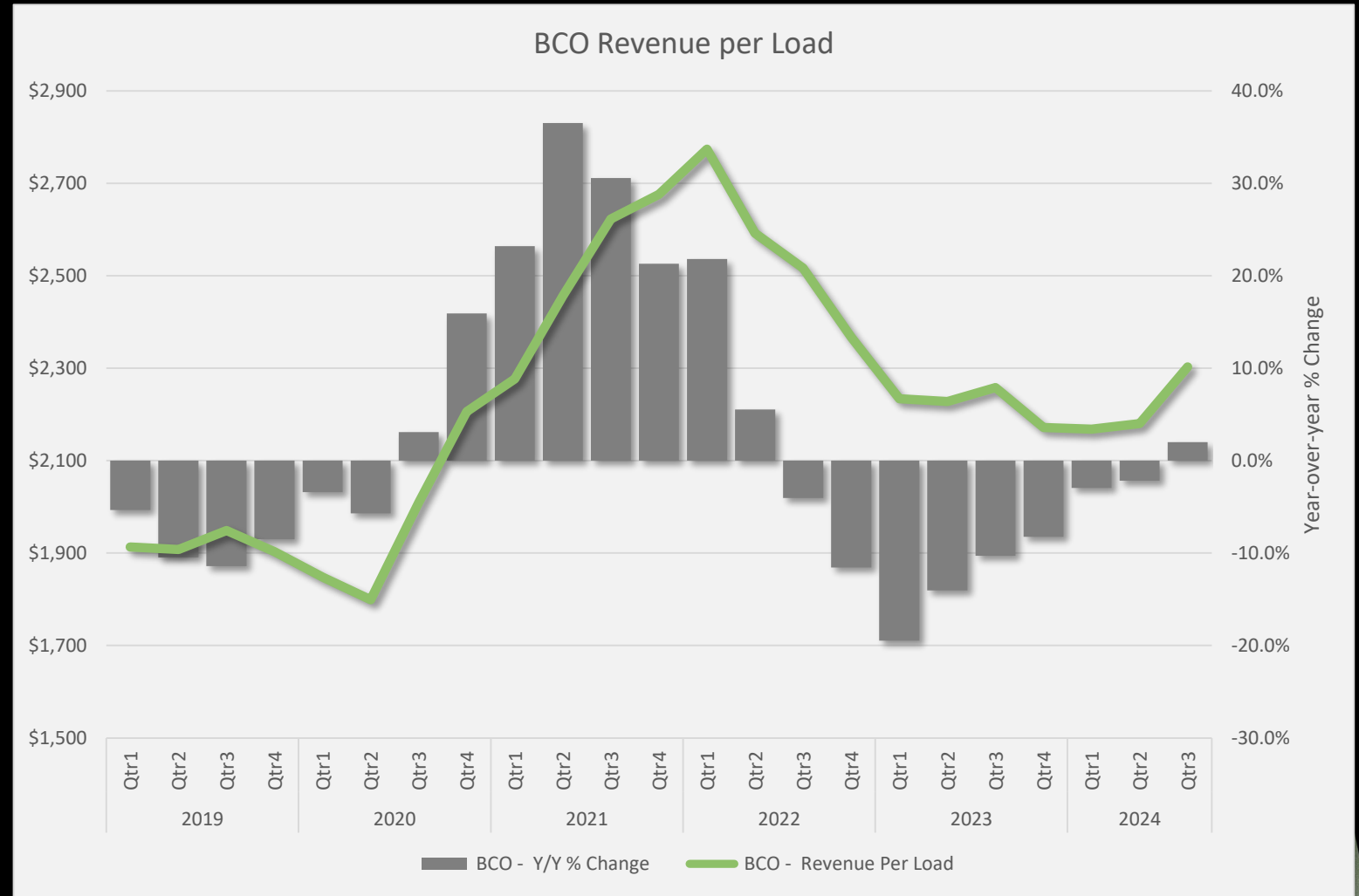
Why it matters: Landstar utilizes an extensive network of more than 10,000 leased-on owner-operators, referred to internally as BCOs.

- Similar to loads and trucks, BCO revenue per quarter gives us good visibility into rates for the leased-on owner-operator.
- More important than the exact number, is the direction the trendline is taking.

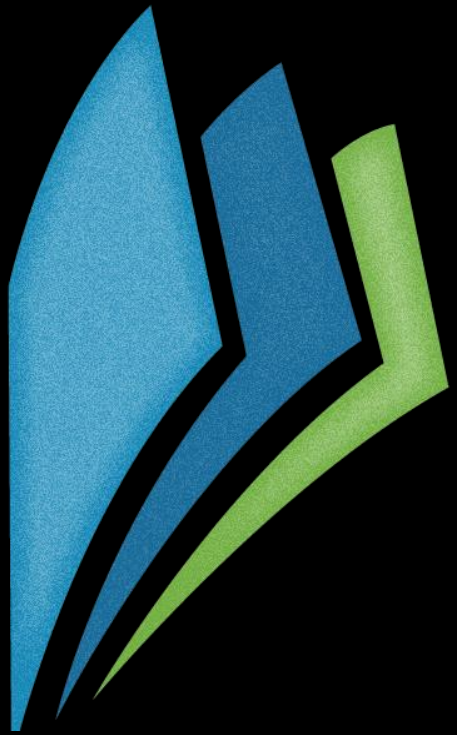
Our thoughts: The BCO revenue per load has declined 17.0%, or \$471, from its peak in Q1 of 2022. The BCOs revenue per load has slowed from its rapid descent, and even started to increase, but we still have a quarter or two to go before the next upcycle begins.

- BCO revenue per load increased 5.6%, or \$123.00, quarter-over-quarter to \$2,303, marking two consecutive quarters of growth.
- Revenue is up 2.0%, or \$45, year-over-year, ending 8 consecutive quarters of year-over-year decline.

Landstar was able to achieve a sequential increase in truck revenue per load compared to Q2 2024, outperforming typical seasonality. This result was driven by a strong month-over-month increase in July, but tapered off as Landstar moved through August and September, in part due to tougher prior month comparisons.



Source: Landstar System, Inc. | <https://investor.landstar.com/financial-news> | Quarterly



Company Driver Outlook

Company Driver Outlook

The trucking industry consists of several different types of operations and segments. While one size certainly doesn't fit all, we tend to break down the industry into three main operational types: Owner-Operators, Leased-on Owner-Operators, and Company Drivers.

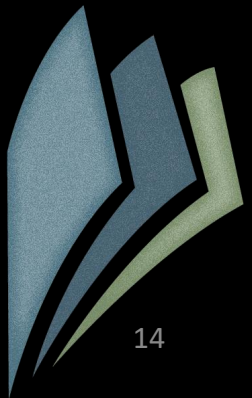
It's good to know the current conditions of the freight market, but it's also important to understand what the future holds, especially for your segment of the industry.

To examine the Company Driver outlook, we will look at:

1. **Volume and Capacity**, which will give us a picture of demand, or the number of trucks the market needs to move freight.
2. **Revenues**, which illustrate how much the average Company Driver can expect to earn.

We will examine three key economic indicators that directly impact the Company Driver segment of the market:

1. U.S. Census Bureau's Real Wholesale Trade year-over-year percentage change
2. BLS Employment figures for General, Long-Distance, TL and LTL
3. BLS Average weekly earnings in 1982-1984 dollars



Volumes: Real Wholesale Trade Sales

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 sales data and inventory-to-sale ratios (ITSR) for different types of industries.

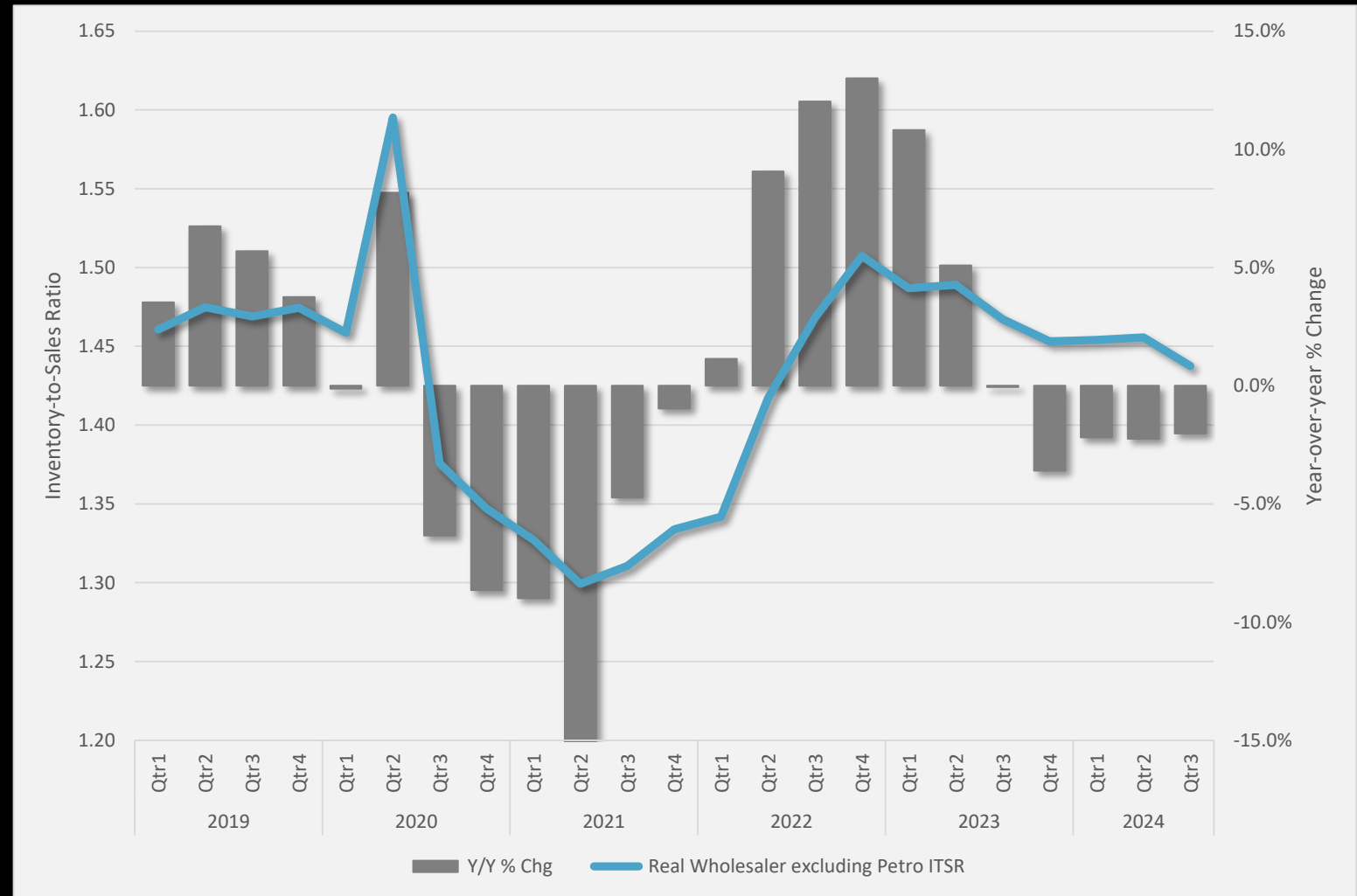
Why it matters: Wholesalers account for 30% of for-hire trucking ton-miles and 43% of parcel ton-miles according to the 2017 Commodity Flow Survey.

- Inflation adjusted wholesaler sales and ITSR data help us to see where the freight market is and which direction its headed.
- For example, the lower the ITSR, the greater the need for freight transportation and vice versa.

Our thoughts: When we look at real wholesale trade sales data excluding petroleum (not pictured) due to its volatility with fuel prices, we see that sales increased 2.2%, or \$10.77 billion to \$492.35 billion, and is 2.4% higher year-over-year.

- ITSR decreased 1.2% to 1.44 after increasing 0.1% in the previous quarter.
- The ITSR is 2.0% lower year-over-year.

This is the fourth consecutive year-over-year decrease for the ITSR, which is a positive signal for future freight demand as inventories continue to right size.



Source: U.S. Census Bureau | <https://www.census.gov/econ/currentdata/> | Monthly

Capacity: General freight, Long-distance, TL Employment

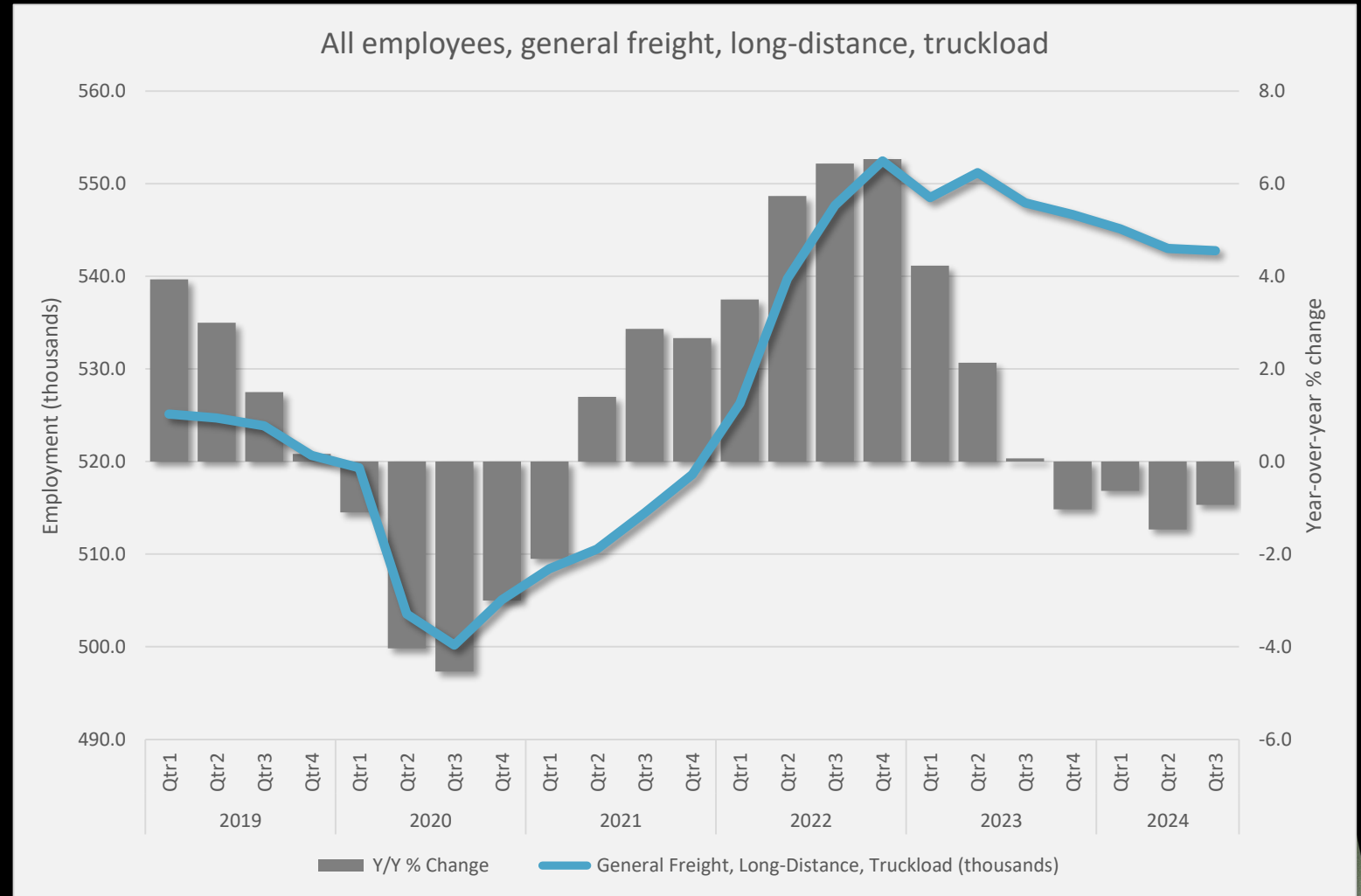
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

Why it matters: Overall truck transportation employment helps us to see how much driver capacity, or supply, is out there in the industry.

- Employment levels ultimately have a large impact on rates. If there are too many drivers for too little freight, rates will go down.

Our thoughts: Employment for the general freight, long-distance, truckload sector, which best represents our membership, though it does include more than just drivers, decreased slightly quarter-over-quarter as the industry continues to downsize to meet demand.

- Employment decreased 0.04%, or by 200 jobs, in Q3 2024 after losing 2,100 jobs in the previous quarter, and is 0.9%, or 5,200 jobs, lower year-over-year.
- This is the fourth consecutive year-over-year decline, and highlights the over capacity issue still facing the industry.
- Employment is down 1.8% since the peak in Q4 2022, but 3.7%, or 19,200 jobs, higher than 2019 levels.



Source: BLS | <https://beta.bls.gov/dataViewer/view/timeseries/CES4348412101> | Monthly

Revenues: BLS Average Weekly Earnings, General freight, Long-distance, TL

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

Why it matters: Payroll data includes inflation-adjusted average weekly earnings for a variety of sectors in trucking.

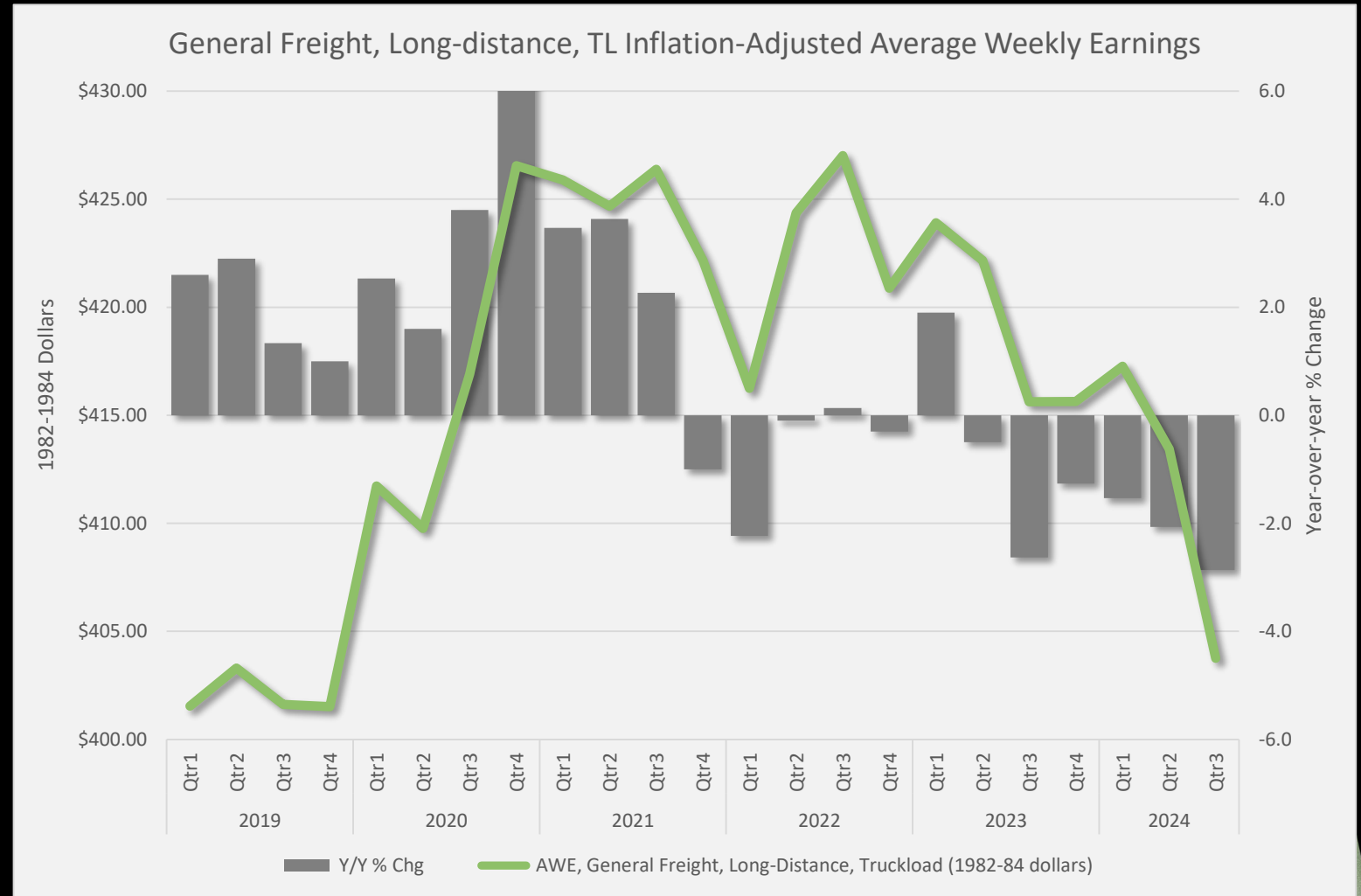
- This provides us with a good indicator of what company drivers are earning per week.

Our thoughts: Average weekly earnings (AWE) for general freight, long-distance, truckload (GFLD), which does include more than just drivers, fell again in Q3 2024.

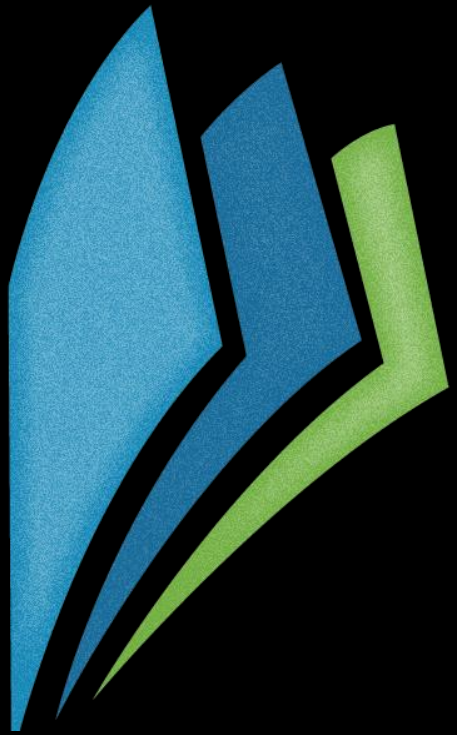
- AWE for GFLD decreased 2.3%, or \$9.69, quarter-over-quarter to \$403.75 after declining \$3.80 last quarter, and is 2.9%, or \$11.90, lower year-over-year.
- Earnings are 3.5%, or \$14.50, lower than the 5-year average.

AWE is not only a good indicator for compensation, but it also helps to highlight the current state of the freight market. Pay has decreased 5.4% since its high in Q3 2022.

- Inflation-adjusted pay is a mere 0.4%, or \$1.76, above 2019 levels, which was the last downcycle.



Source: BLS | <https://beta.bls.gov/dataViewer/view/timeseries/CES4348412012> | Monthly



Overall Trucking Industry

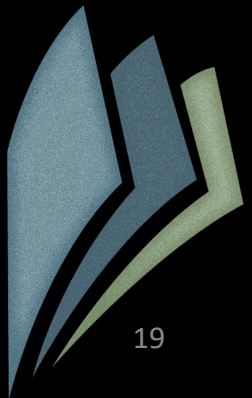
Overall Trucking Industry

OOFI designed this quarterly update to help truckers gain insight into the current conditions of today's trucking industry. To do so, we will look at:

1. **Volume**, which will give us a picture of demand, or the number of trucks the market needs to move freight.
2. **Prices**, which illustrate how much the industry is spending to move freight.

We will examine three key economic indicators that directly impact the trucking industry:

1. US Bank Shipment Index
2. US Bank Spend Index
3. US Bank Shipment and Spend Regional Index



Volumes: US Bank Shipment Index

The big picture: U.S. Bank Freight Payment processes more than \$46 billion in freight payments annually.

- The source data contains both truckload and less-than-truckload volumes.

Why it matters: The U.S. Bank Freight Payment Index (FPI) is a barometer for freight shipping trends and spending volumes on national and regional levels.

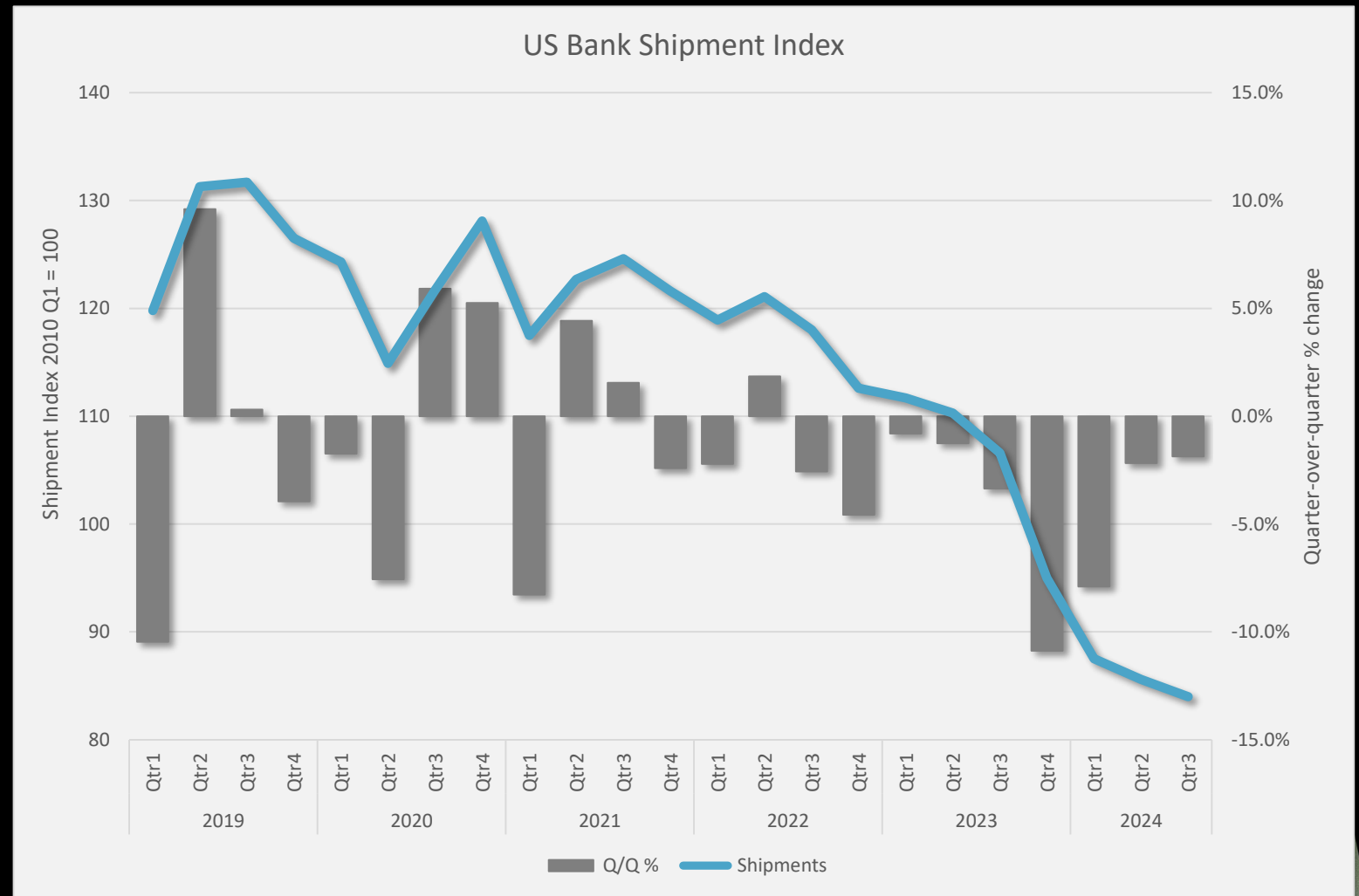
- U.S. Bank's Shipment Index measures the number of actual shipments its client send, thus making it a good proxy for freight volumes overall.

Our thoughts: Despite optimism by some that the truck freight market would pull out of recession, the U.S. Bank national freight metrics showed that challenges remain for motor carriers with both shipments and spending declining modestly during Q3 2024.

The Shipment Index fell for the 8th straight quarter, and has declined year-over-year in the previous 9.

- The Shipment Index decreased 1.9% to 84.0 in Q3 2024, and is 21.2% lower year-over-year.
- The index is 34.0% below 2019 levels and 25.4% below the 5-year average.

Several factors contributed to declining freight levels, including consumers spending more of their money on services, especially experiences, at the expense of goods purchased, and political uncertainty.



Source: U.S. Bank | <https://www.usbank.com/corporate-and-commercial-banking/industry-expertise/transportation/freight-payment-insights.html> | Quarterly

Prices: US Bank Spend Index

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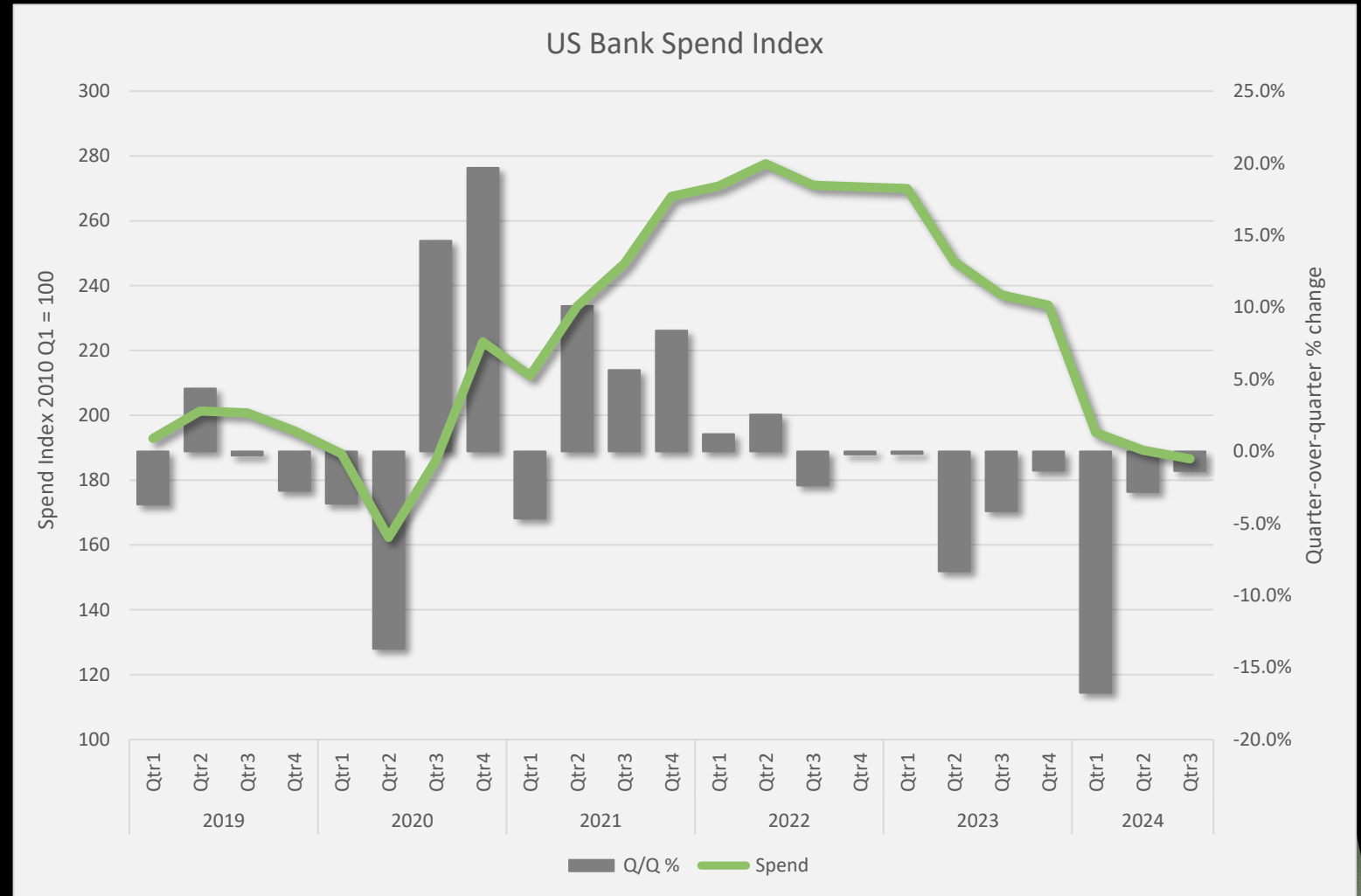
Why it matters: The U.S. Bank Freight Payment Index (FPI) is a barometer for freight shipping trends and spending volumes on national and regional levels.

- U.S. Bank's Spend Index measures how much its client spend on freight, thus making it a good indicator for rates overall.

Our thoughts: The Spend Index contracted for the 9th straight quarter, albeit at a slower pace, which again suggests that the market is starting to shift ever so slowly.

- The Spend Index decreased 1.4% quarter-over-quarter, and is 21.3% lower year-over-year.
- The Index is 5.5% below 2019 levels, and 18.2% lower than the 5-year average.

According to U.S. Bank, "Manufacturing activity is a large driver of truck freight...Much of the softness in the third quarter was in durable goods, which are big-ticket items with a useable life of at least three years, as production in this category saw a 2% to 2.5% drop from the second quarter."



Source: U.S. Bank | <https://www.usbank.com/corporate-and-commercial-banking/industry-expertise/transportation/freight-payment-insights.html> | Quarterly

Prices: US Bank Shipment and Spend Regional Index

The big picture: U.S. Bank Freight Payment processes more than \$46 billion in freight payments annually.

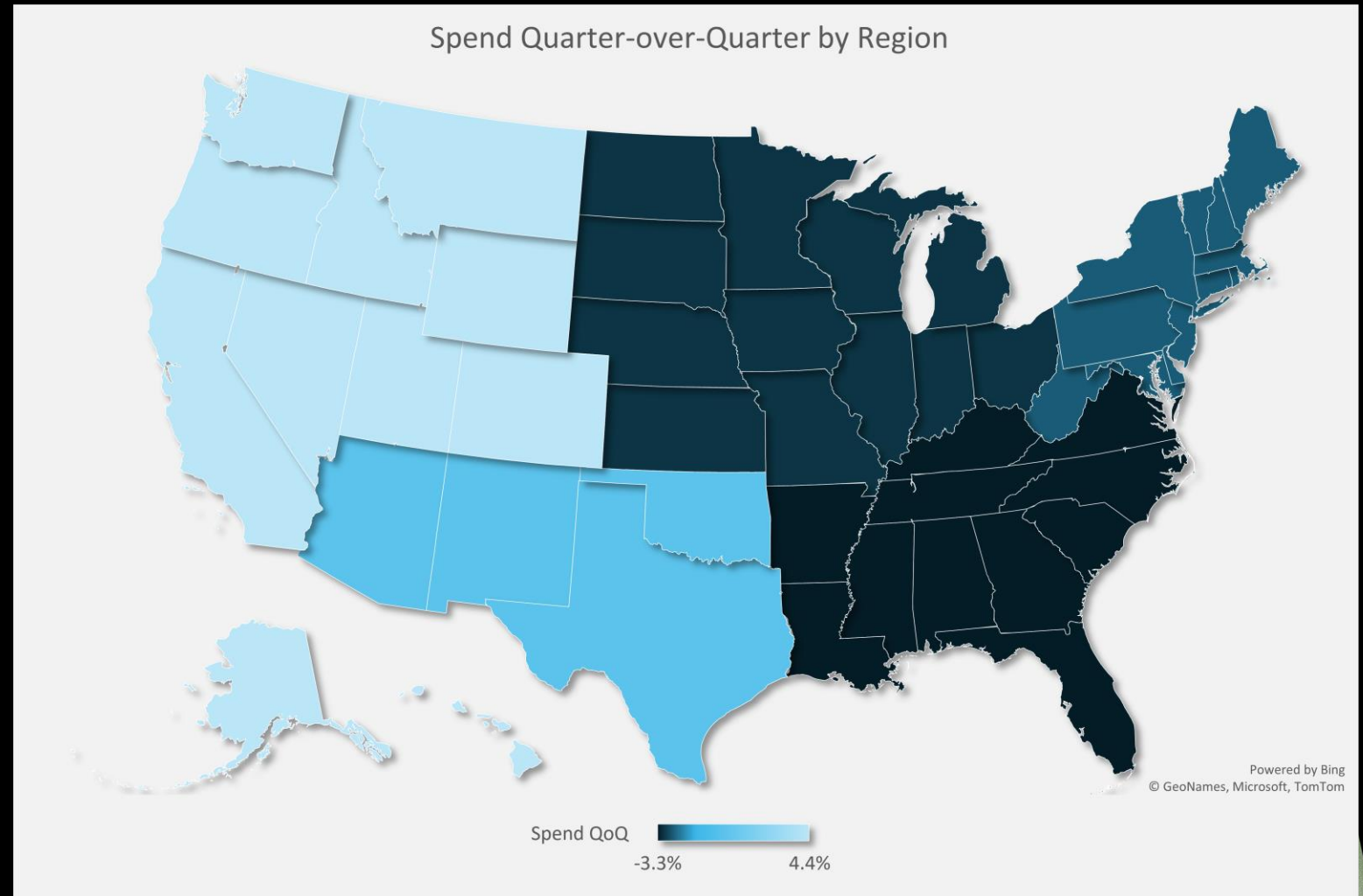
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Why it matters: The U.S. Bank Freight Payment Index (FPI) is a barometer for freight shipping trends and spending volumes on national and regional levels.

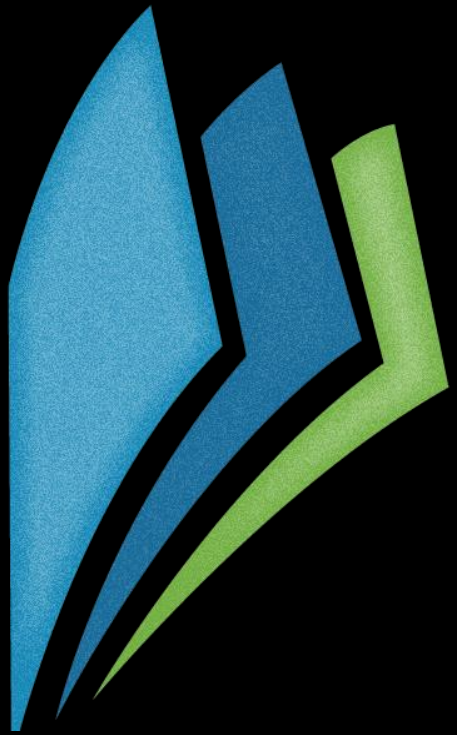
Our thoughts: According to U.S. Bank, “Regionally, the third quarter witnessed some stark difference in the amount of truck freight. Two regions, the Midwest and West, saw modest gains over the second quarter shipment volumes,” while the rest witnessed declines.

- All regions experienced year-over-year declines even as last year’s volumes witnessed very large decreases. The Midwest region experienced the largest drop (-28.6)
- As depicted in the graph, all but two regions posted declines in shipper spend. The darker the color, the greater the contraction, with the largest sequential drop in spending coming in the Southeast (-3.3%), and the greatest increase in the West (4.4%).

Essentially, shippers experienced an abundance of capacity for the amount of freight shipped.



Source: U.S. Bank | <https://www.usbank.com/corporate-and-commercial-banking/industry-expertise/transportation/freight-payment-insights.html> | Quarterly



Overall Freight Market

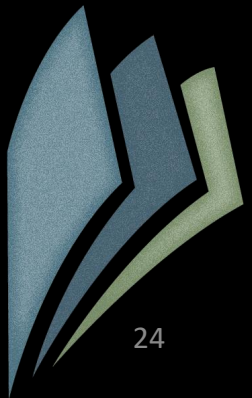
Overall Freight Market

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:

1. **Demand**, which will give us an idea of how many trucks the market needs to move freight.
2. **Rates**, which illustrate how much the industry can expect to earn.

We will examine three key economic indicators that directly impact the trucking industry:

1. U.S. Census QPC Capacity Utilization and Average Hours of Operation
2. U.S. Census QPC Insufficient supply and orders, and Sufficient inventories of finished goods
3. BLS PPI General Freight, Long-distance, TL and LTL



Demand: Capacity Utilization and Average Hours of Operation

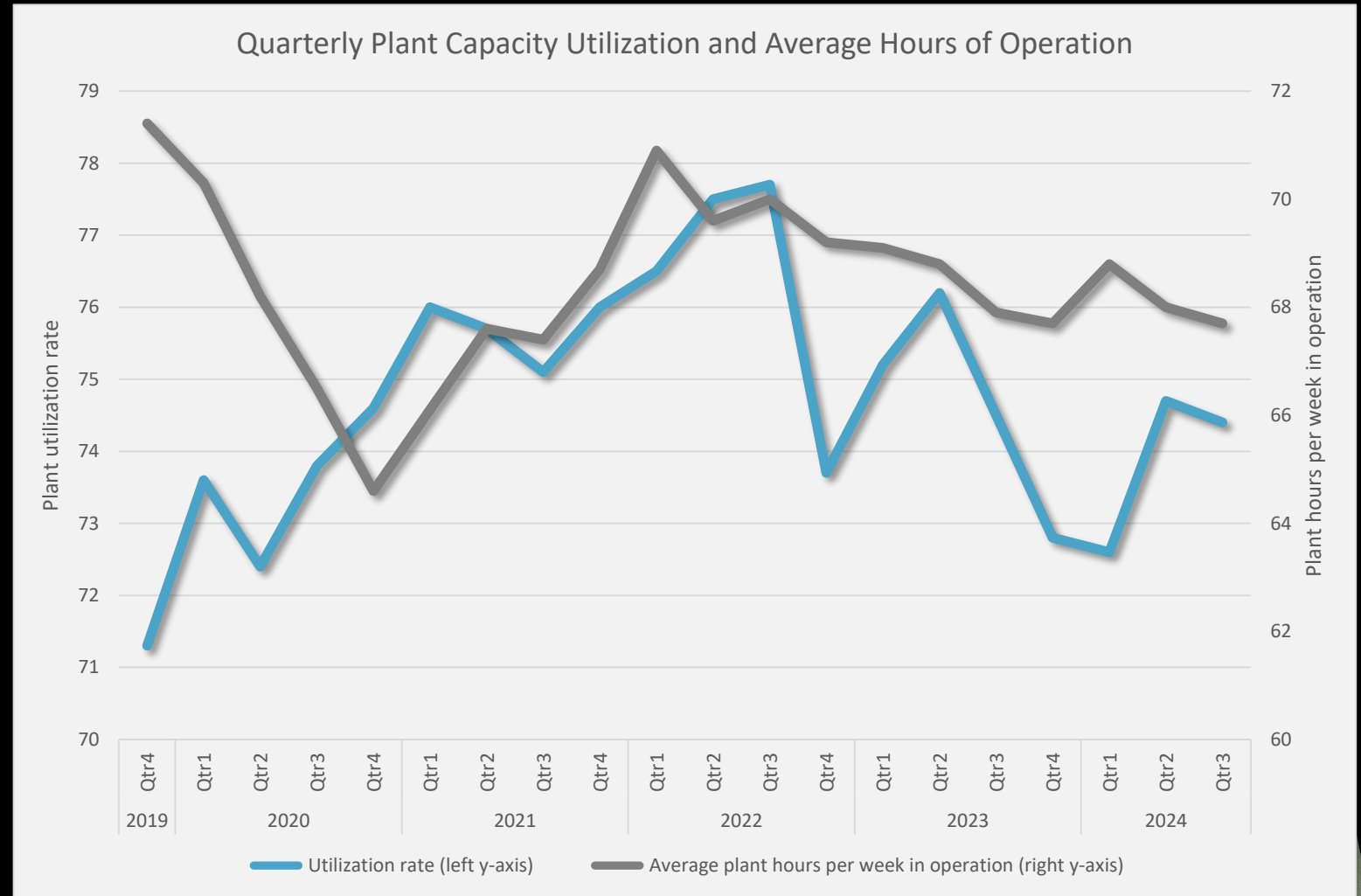
The big picture: The U.S. Census Bureau publishes the Quarterly Survey of Plant Capacity Utilization (QPC), which provides quarterly statistics on plant capacity utilization rates for the manufacturing and publishing sectors of the U.S. economy.

Why it matters: Manufacturing accounts for 59% of for-hire trucking ton-miles. The QPC collects data on actual production and the full production capability at manufacturing plants.

- Plant utilization and hours of operation are a good proxy for industrial and manufacturing production.
- As plant utilization rates and hours increase, so too does freight demand. The opposite is also true.

Our thoughts: The utilization rate for all manufacturing sectors declined 0.4% in Q3 2024 following a 2.9% jump in Q2 2024 after adjustments, while hours of operation decreased 0.4% quarter-over-quarter, which means hours of operation have declined in 7 of the last 8 quarters.

- Utilization is just 0.1% lower year-over-year, but 2.7% above 2019 levels, which was a downcycle for manufacturing.
- Hours of operation are 0.3% lower than this time last year, and 1.2% lower than 2019 levels.



Source: U.S. Census Bureau | <https://www.census.gov/programs-surveys/qpc/data/tables.html> | Quarterly

Demand: Insufficient Supply and Orders, Sufficient Inventories

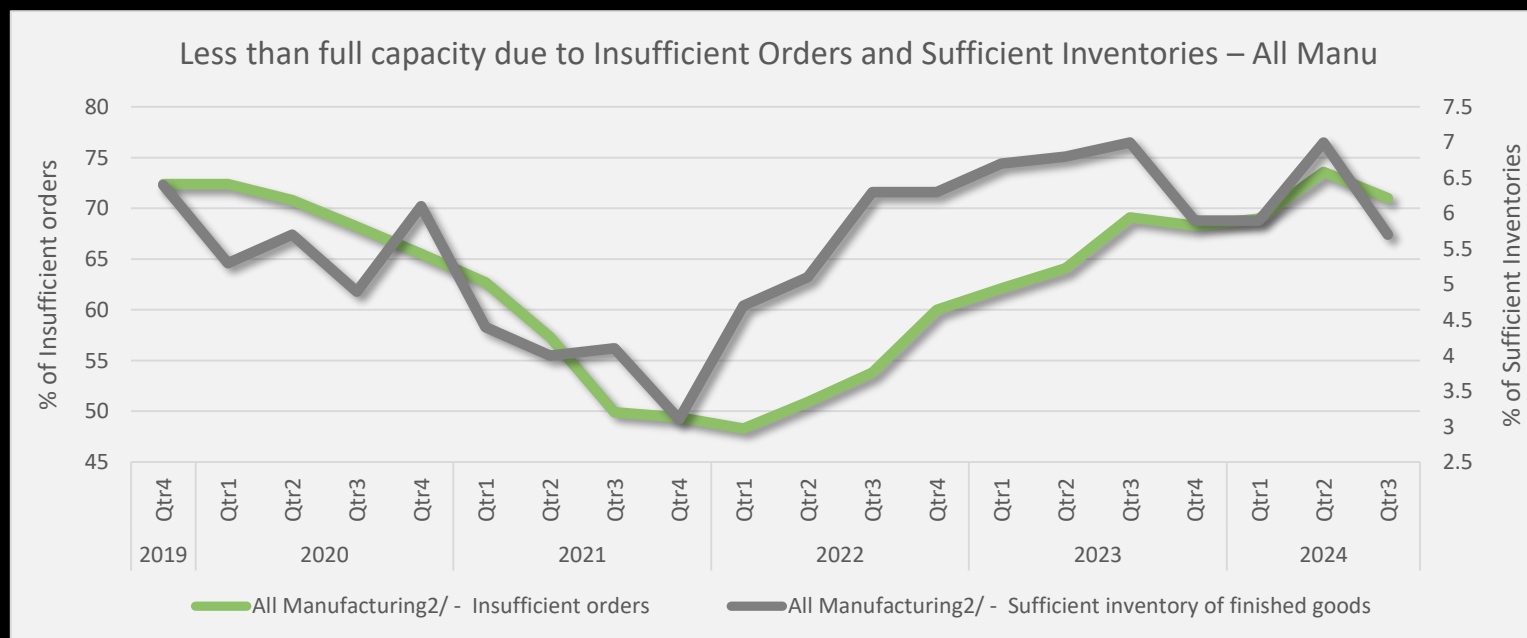
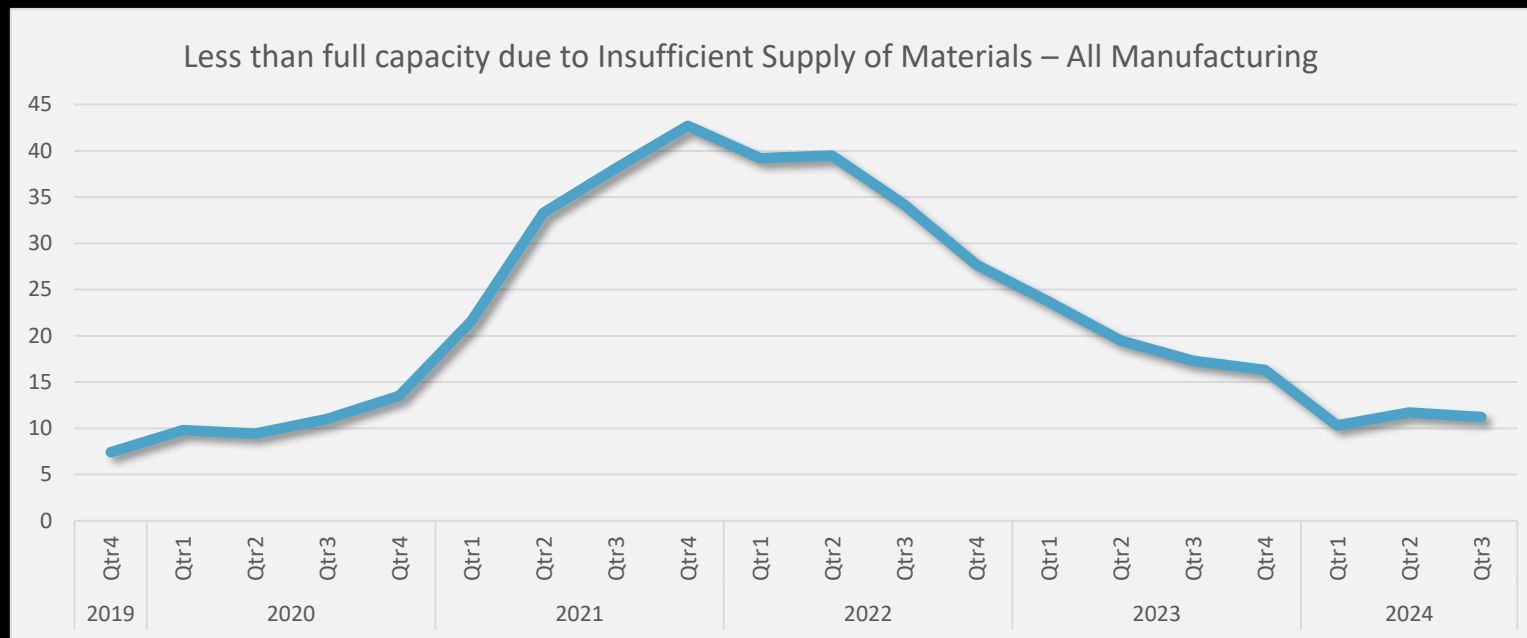
The big picture: The U.S. Census Bureau publishes the Quarterly Survey of Plant Capacity Utilization (QPC), which provides quarterly statistics on plant capacity utilization rates for the manufacturing and publishing sectors of the U.S. economy.

Why it matters: The QPC also collects data concerning the primary reasons for why a plant's production for the quarter is less than their full capability.

- The percentage of plants that indicate that they are running at less than full capacity because of insufficient supply of materials increases when demand peaks.
- While reasons such as insufficient orders and sufficient inventories of finished goods decrease during those peak seasons, and vice versa.

Our thoughts: The percentage of plants experiencing an insufficient supply of materials fell 4.3% quarter-over-quarter to 11.2 following a 13.6% jump last quarter after adjustments, while the percentage of plants citing insufficient orders and sufficient inventory decreased 3.5% and 18.6%, respectively, in Q3 2024, which is a positive sign.

- Insufficient supply is 35.3% lower year-over-year (Y/Y) but 52.9% above 2019 levels.
- Insufficient orders are 2.7% higher Y/Y, marking 9 consecutive quarters of Y/Y increases.
- Sufficient inventories are 18.6% lower Y/Y, which is the 3rd Y/Y decline in the past 4 quarters.



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.

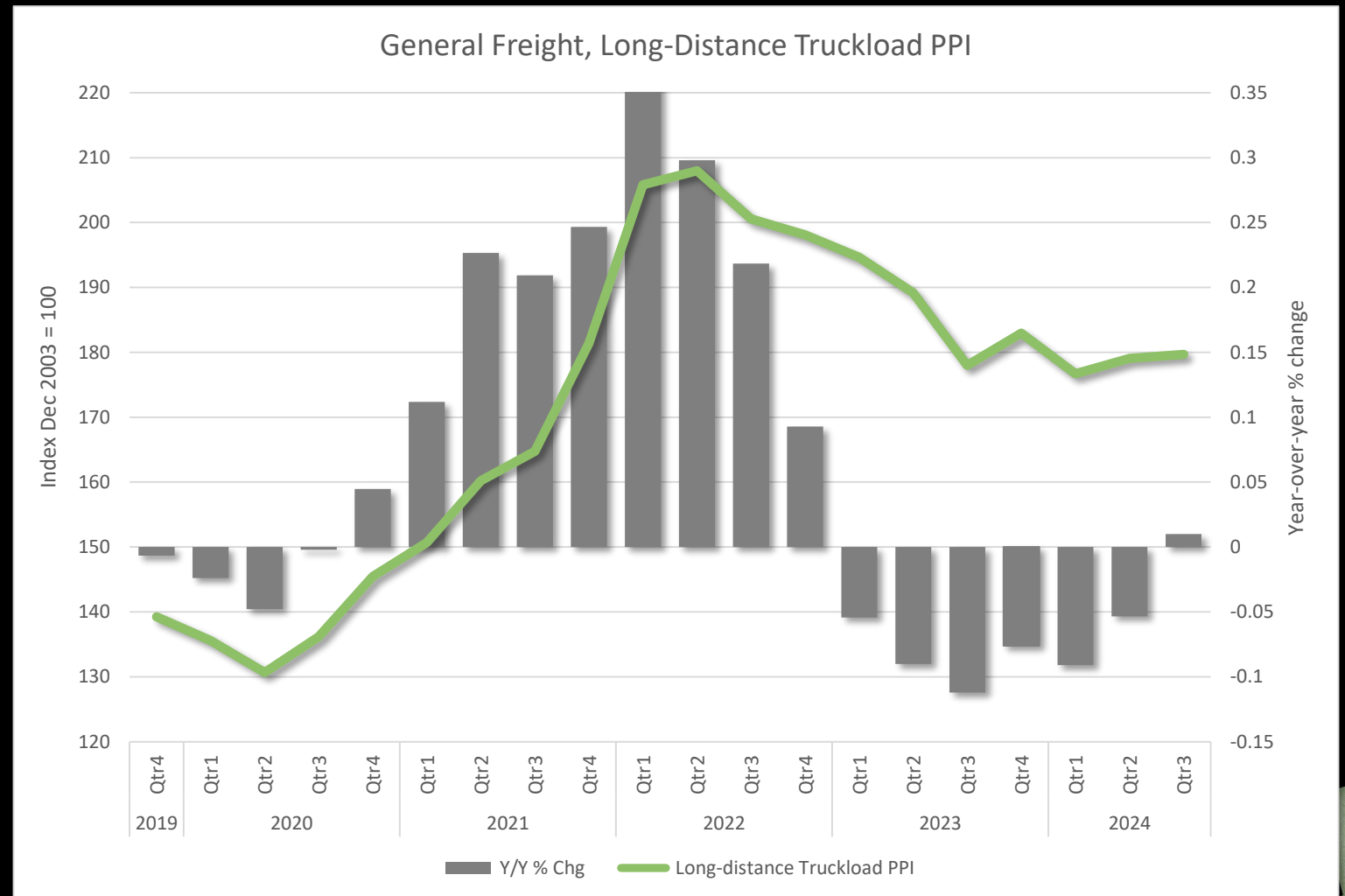
- One index focuses on long-haul, truckload carriers.
- This index shows how much carriers are charging their customers. It focuses primarily on contract rates.

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.

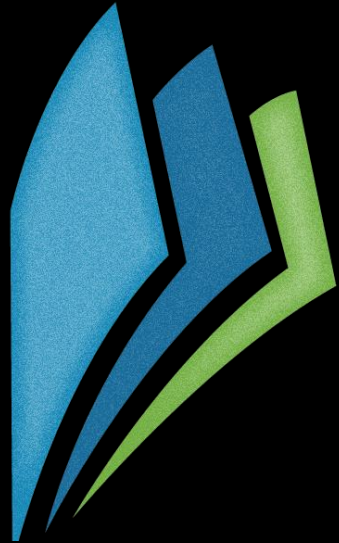
Our thoughts: The index increased 0.6 points in Q3 2024, marking two consecutive quarters of increases, which could be a good indicator that rates truly have found their bottom as the PPI has been relatively flat since Q3 2023.

- The long-haul PPI increased 0.3% to 179.0, quarter-over-quarter, following a 1.7% increase last quarter after the BLS re-adjusted the figure for Q2.
- The PPI is 0.9% higher year-over-year, ending 6 straight quarters of Y/Y decreases.

It appears that rates are slowly starting to firm up following several quarters of declines. Though demand still hasn't increased enough to ignite the next upcycle, the freight market is moving into a more positive position. The prediction that the next upcycle will begin in Q2 2025 is becoming more and more likely.



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



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Owner-Operator Independent Drivers Association Foundation, Inc.

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

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