Van Market Outlook

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The trucking industry consists of several different types of operations and segments. While one size certainly doesn't fit all, market analysts typically break down the industry into three main sectors based on trailer type: Van, Flatbed, and Reefer.

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

To examine the 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.

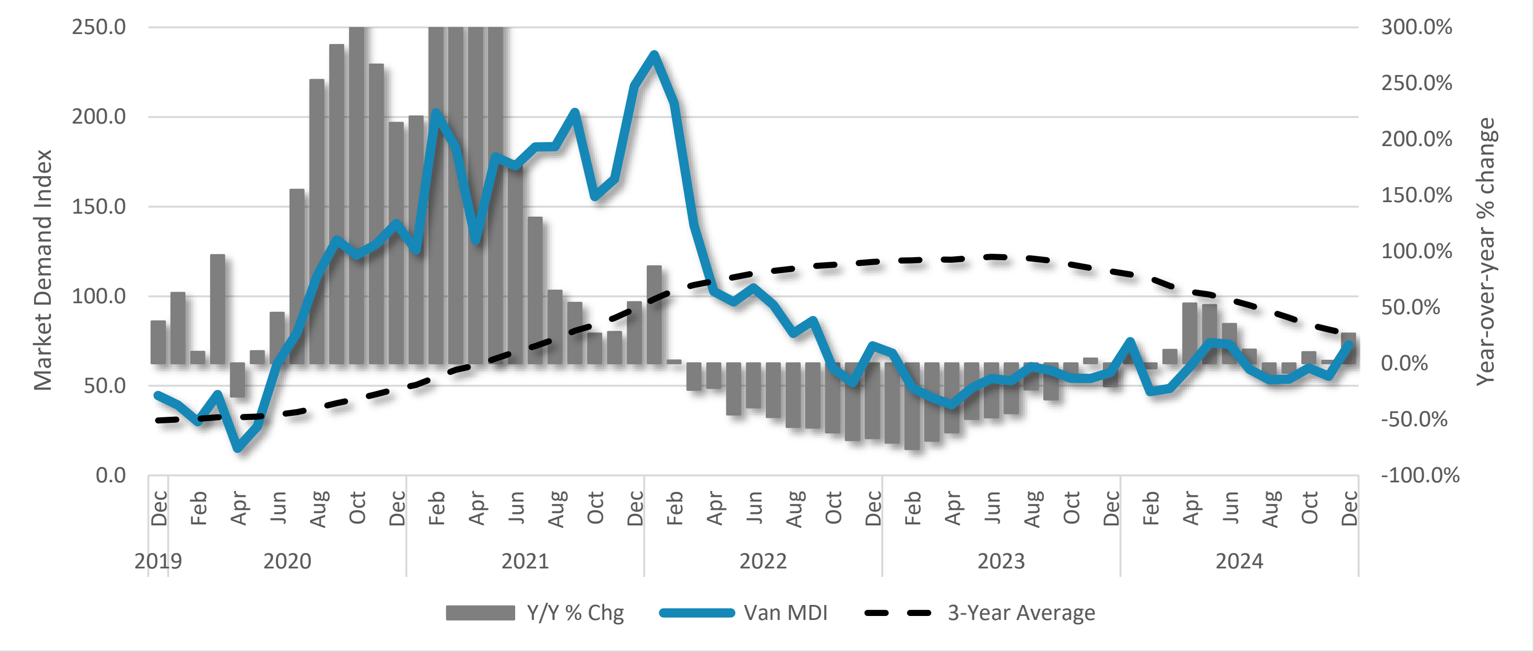
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

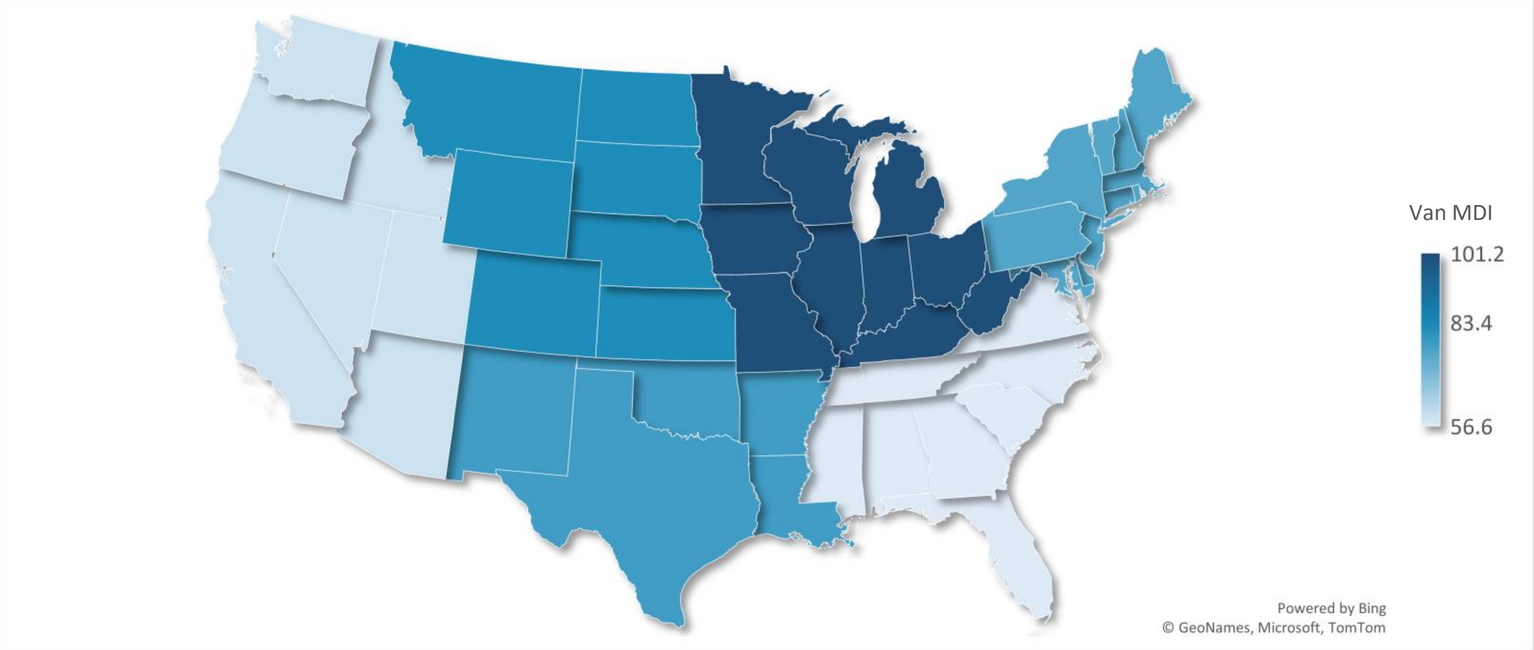
Our thoughts: The Van MDI jumped in December. While this increase in MDI is typical for this time of year, the jump was more than normal. This was probably due to the winter storms we experienced in December.

- The Van MDI increased 31.6% month-over-month to 72.8, after falling 7.6% last month.
- The jolt was primarily due to an increase in freight compared to capacity as the amount of available loads rose 16.1% compared to a 11.8% decline for trucks.
- The ratio is 26.8% higher than last year, marking three consecutive months of increases, but is 7.8% below the 3-year average, which indicates that new cycle has yet to begin. However, we are inching closer.

Regionally speaking, ratios were more favorable for carriers operating in the Midwest (101.2) and Mountain Central (82.0) regions, respectively, compared to other areas in the country.

- 4 of the 6 regions experienced an increase in MDI. The largest increase being the South Central region, which jumped 75.3% from 44.2 to 77.4. The next largest increase was in the Midwest, which rose 71.5% month-over-month.





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.

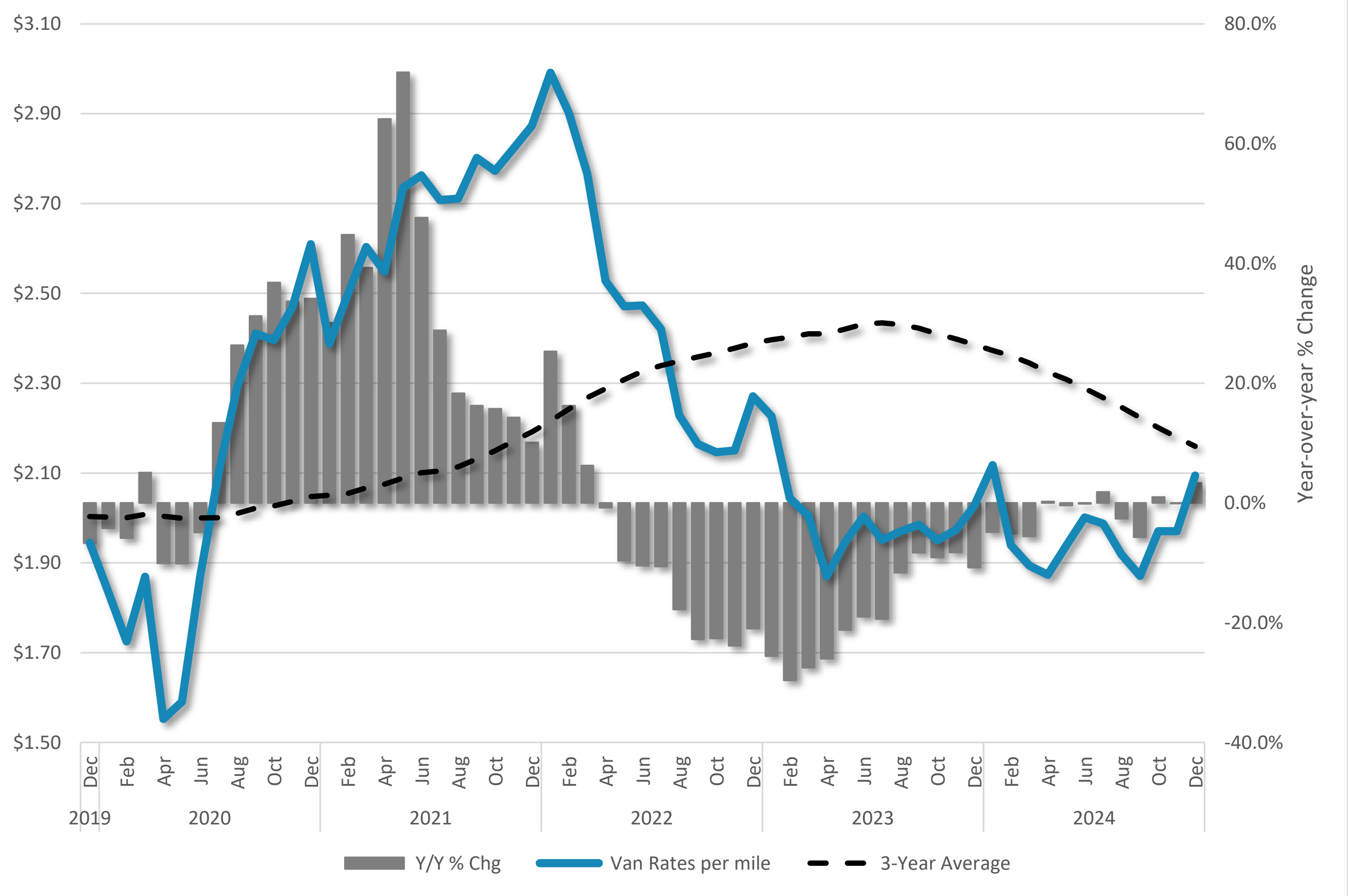
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Dry van spot rates mirrored demand and jumped month-over-month (M/M) in December, after remaining flat last month.

- Spot rates increased $0.12 per mile to $2.09, and are expected to increase again in January. Rates are 3.4%, or $0.07 per mile higher than last year.
- Spot rates have only increased year-over-year 4 times in the past 24-months, and are $0.07 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 $0.14 per mile, and is $0.29 better than where we were last year.
- While the spread has improved drastically (87.9%) from its bottom in April 2023, we still have a little ways to go before we reach parity. However, we expect to reach that mark in the next month or two.



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.

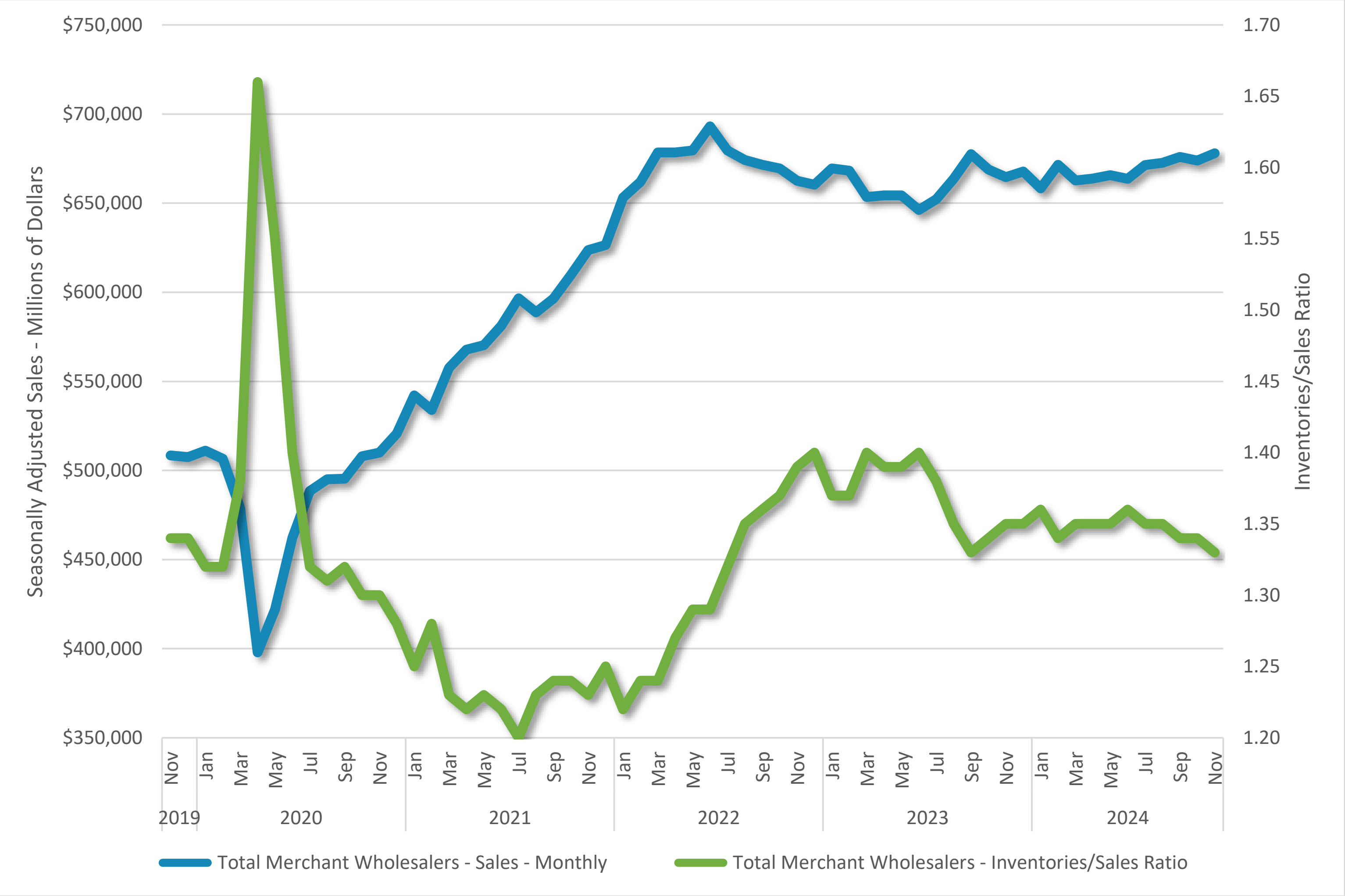
Why it matters: Wholesalers account for 30% of for-hire trucking ton-miles and 43% of parcel ton-miles according to the 2017 Commodity Flow Survey.

- 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 declined, while monthly sales increased in November, mostly due to an increase in durable goods. The inventory-to-sales ratio is now 1.4% below 2019 levels, and 2.2% below where we were in January 2024.

- Sales increased $4.08 billion to $678.01 billion, and are 2.0%, or $13.39 billion, higher year-over-year. This marks 8 out of 9 months of Y/Y increases. Sales are 5.1% higher than their most recent trough in June 2023.
- The inventory ratio decreased 0.7% to 1.33, after remaining flat last month. The inventory ratio is 1.5% lower year-over-year, marking 9 months out of 12 of Y/Y decline.

The bottom line: Both sales and inventory ratios are heading in a positive direction as we draw nearer to the next upcycle.



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

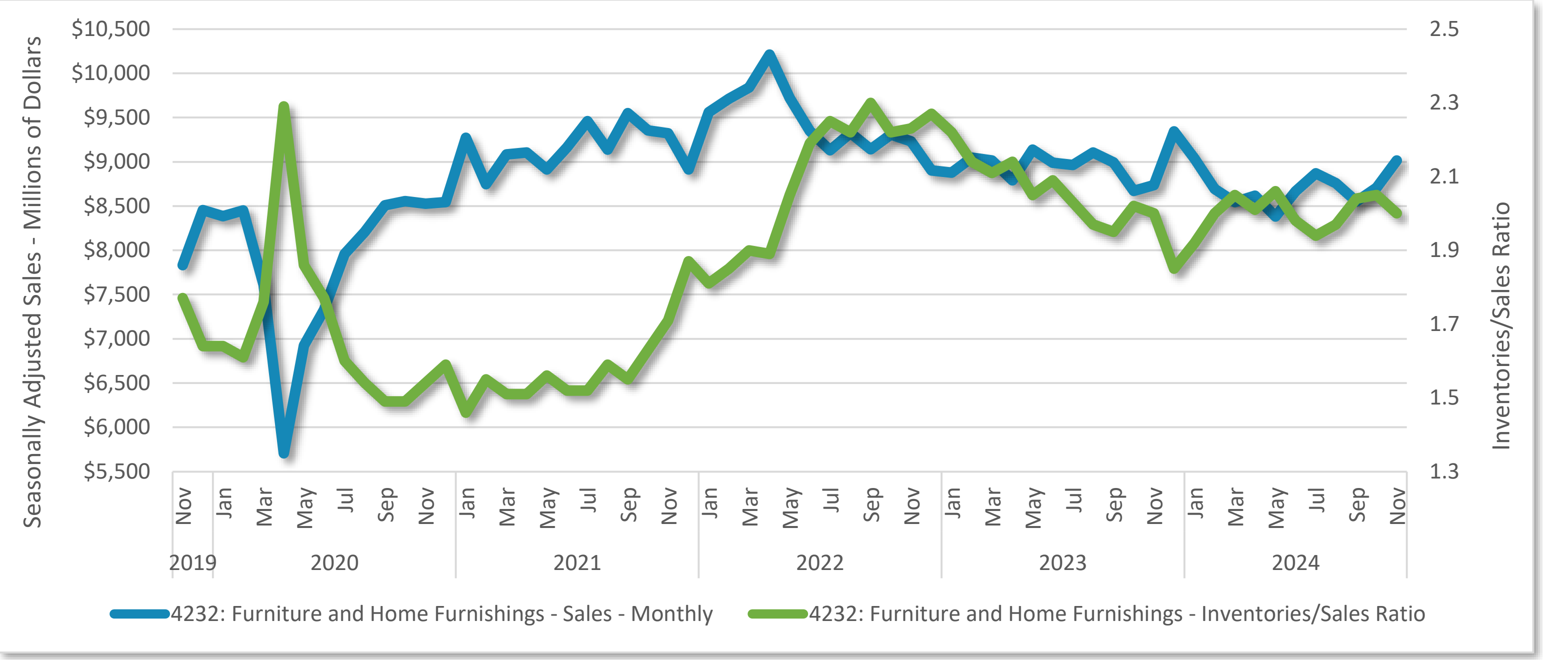
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

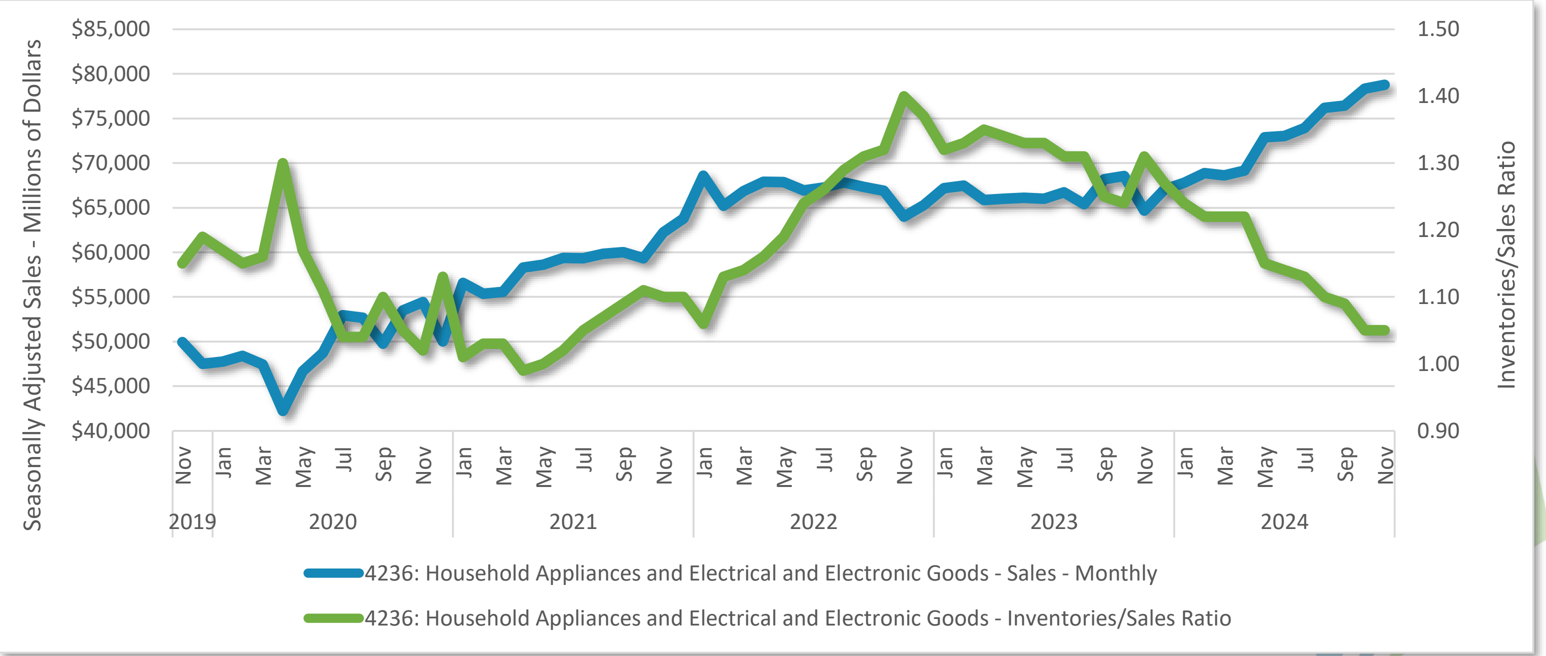
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Both furniture and appliance wholesalers experienced an increase in sales and a decrease in inventories, which is a very positive sign that we're moving in the right direction. Though this may be due to seasonality.

- Furniture Sales jumped 3.5% to $9.01 billion after increasing 1.8% in the previous month, while ratios dropped 2.5% to 1.95. Ratios have now fallen 12.2% from their peak in December 2022.
  - Sales are $279 million, or 3.2%, higher Y/Y, while ratios are flat Y/Y.
- Household appliances increased $418 million, to $78.771 billion. Ratios remained flat at 1.05, which is 10.1% below 2019 levels.
  - Sales are $14.1 billion higher than last year, marking 13 straight months of Y/Y increases, and ratios are 19.8% lower, marking 15 straight months of Y/Y decreases.

The bottom line: While household appliances have been performing exceptionally well ever since late 2023, which is a tailwind for certain types of freight, it appears that furniture might also be poised to turn a corner as well.





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:

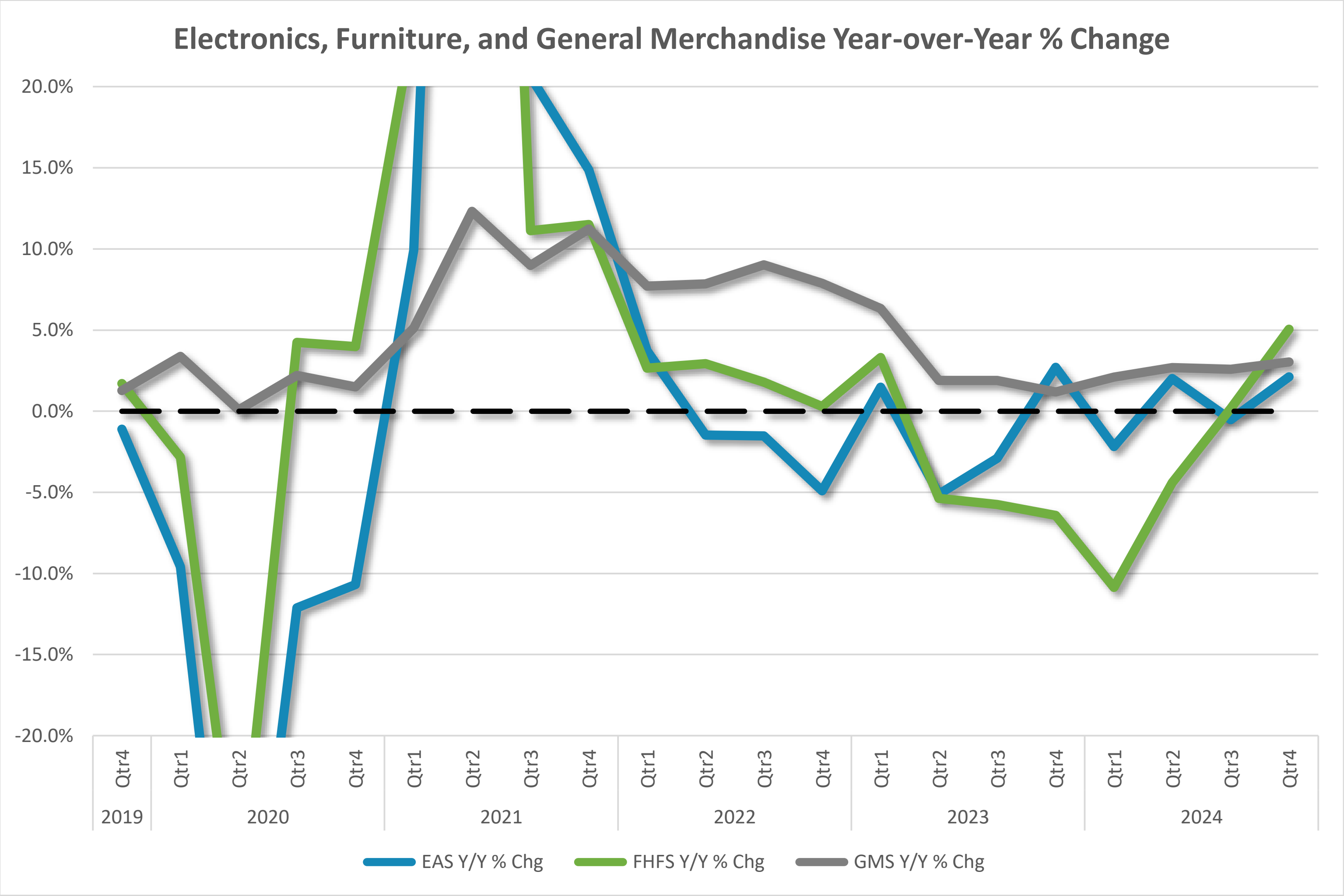
- Electronics and appliance stores (EAS)
- Furniture and home furnishing stores (FHFS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

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 three sectors.

- EAS increased 0.4%, or $34 million, M/M to $7.74 billion, after increasing 0.9% the previous month. EAS is 5.8%, or $425 million, higher Y/Y.
- FHFS jumped 2.3% M/M to $11.86 billion, and is 8.4%, or $915 million, higher Y/Y. FHFS increased Y/Y for the fourth consecutive month, which is a good sign.
- GMS increased 0.3% M/M, or $259 million, to $76.53 billion, and is up 2.6%, or $1.956 billion, Y/Y.



Source: FRED | https://fred.stlouisfed.org/series/RSEAS | https://fred.stlouisfed.org/series/RSFHFS | https://fred.stlouisfed.org/series/RSGMS | Monthly