



Trucking Market Update

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OOFI designed this update to help the owner-operator gain insight into the current conditions of today's freight market. To do so, we will look at four key categories:

- 1. Volume** levels help us to see how much freight needs to be moved overall.
- 2. Supply/Demand** shows us how many trucks there are in the market and how many are needed.
- 3. Rates** illustrate how much the average owner-operator can expect to currently earn.
- 4. Operating Costs** depict the every-day expenses for the average owner-operator.

The bottom line: OOFI will break down each category and explain how they pertain to you as a small business owner.



Volume: Cass Shipment Index

The big picture: The Cass Shipment Index includes data from all domestic freight modes with trucking accounting for more than 75% of all activity.

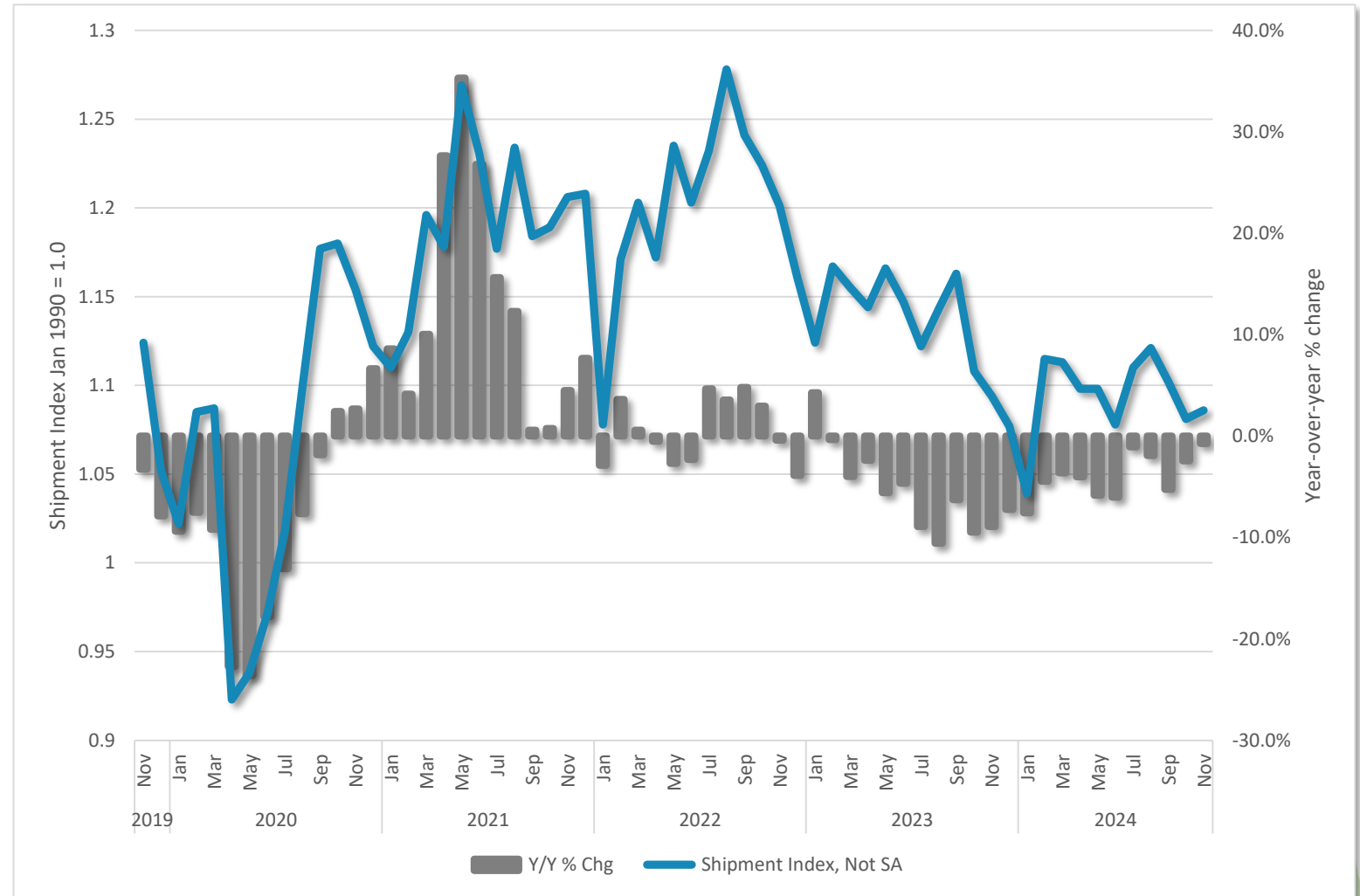
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index declined 7.3% month-over-month to 1.01 in December after increasing 0.5% in November. The Shipment Index decreased 6.5% year-over-year, marking the largest decline since January 2024.

- Expenditures, which measures the total amount spent of freight, increased 0.5% to 3.22 when SA, but is down 3.4% Y/Y.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, jumped 3.7% to 3.04 when SA.
- Truckload linehaul rates, which includes both spot and contract rates, increased 1.2% to 140.7, marking 4 consecutive months of increases. While rates have been down Y/Y for 24 straight months, they are at their lowest point since the start of the recession at negative 0.4%

Bottom line: Cass believes “Winter weather is driving significant spot activity in January, but the supply [of trucks] in the past couple months has been interesting. While lower Class 8 supply over the past several months supports a return to rate increases in 2024, the capacity additions to come will be considerable.



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

Supply: Truck Employment

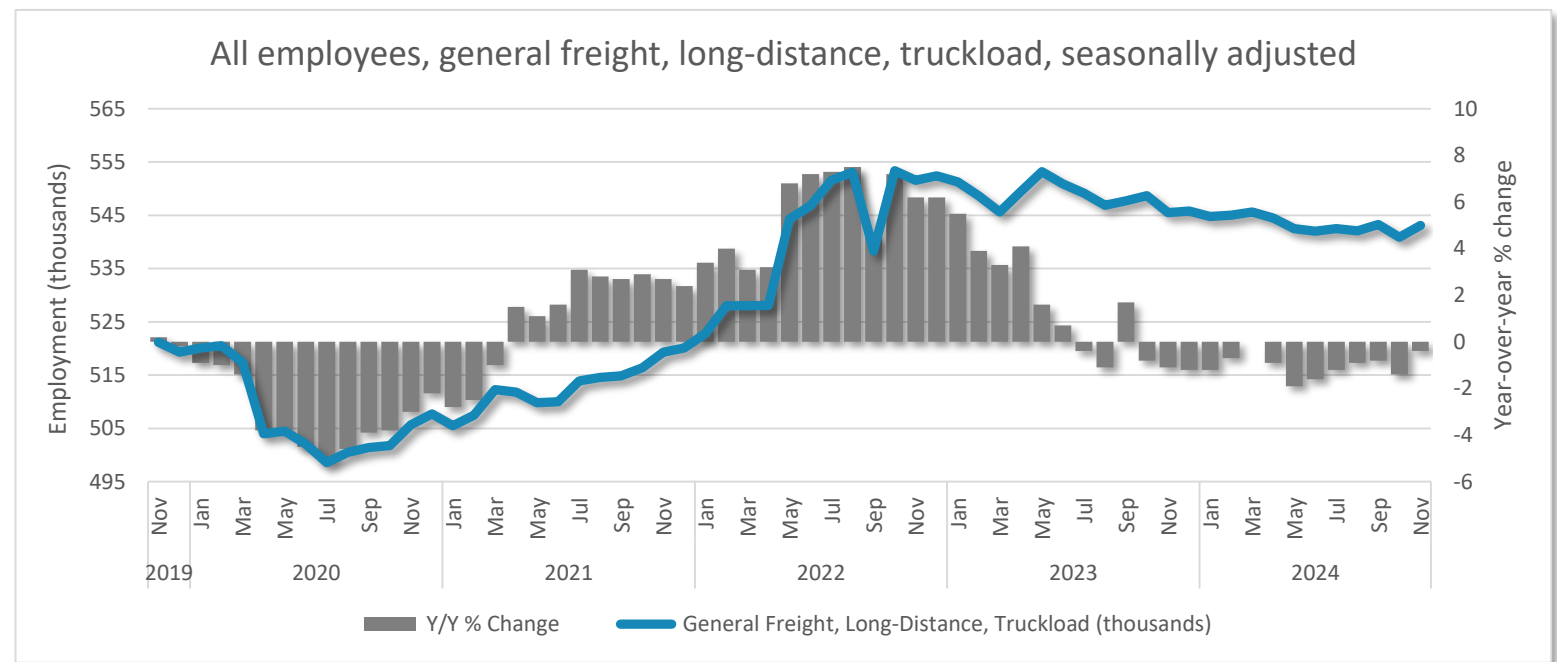
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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

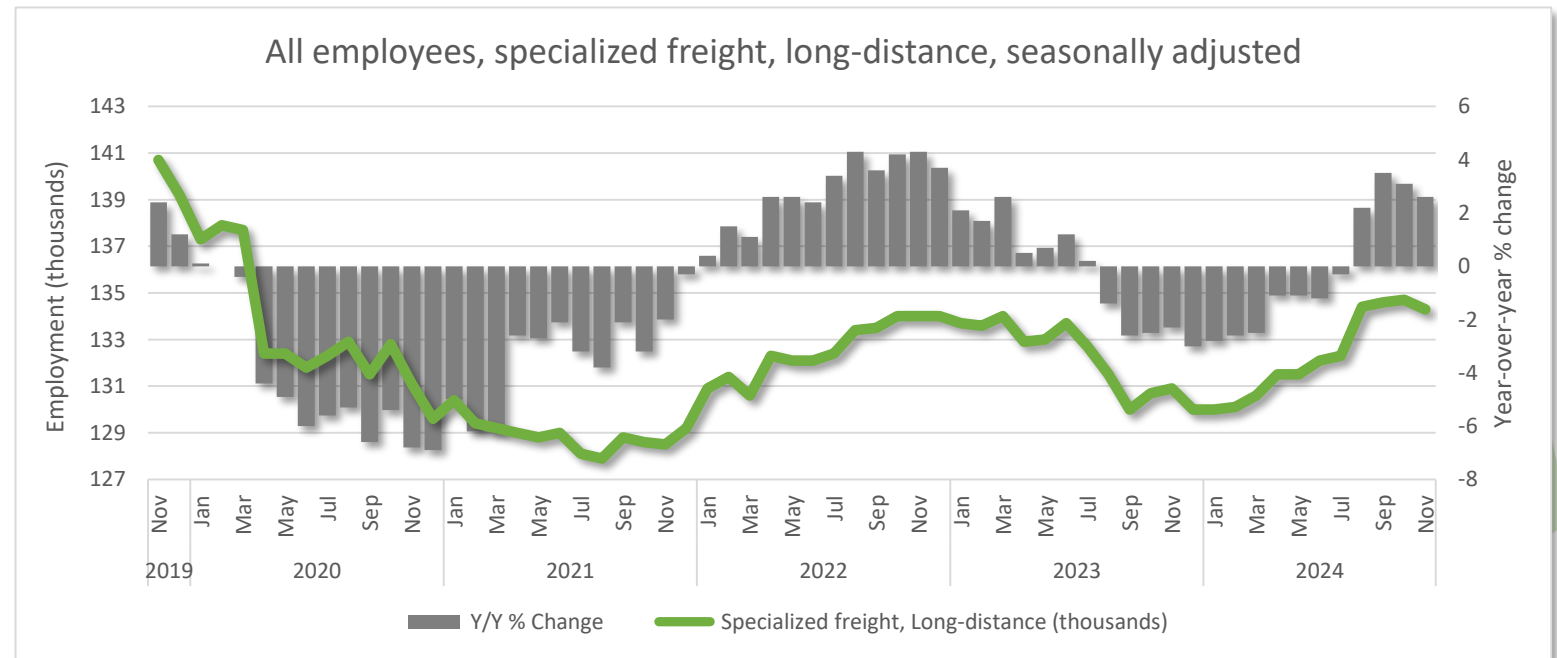
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

Our thoughts: Truck employment numbers overall (not pictured) decreased 0.05%, or 800, in December to 1.545 million people following adjustments, and are down 0.4% year-over-year. This marks 19 Y/Y decreases in 20 months.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, increased 0.4%, or 2,200 jobs, month-over-month in November.
- It's 0.44%, or 2,400 jobs, lower year-over year but 3.7% higher than 2019 levels.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, decreased 400 jobs month-over-month to 134,300.
- This figure is 2.6%, or 3,400 jobs, higher year-over-year. This is the fourth consecutive Y/Y increase after 12-months of straight declines. This figure is 3.7%, or 5,100 jobs, below 2019 levels.



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



Source: BLS | <https://beta.bls.gov/dataViewer/view/timeseries/CES4348423001> | Monthly

Demand: Class 8 Orders and Sales

The big picture: ACT Research obtains data from truck and trailer original equipment manufacturers (OEMs) and dealerships, and provides monthly reports and forecasts.

- This data includes Class 8 truck orders and sales.

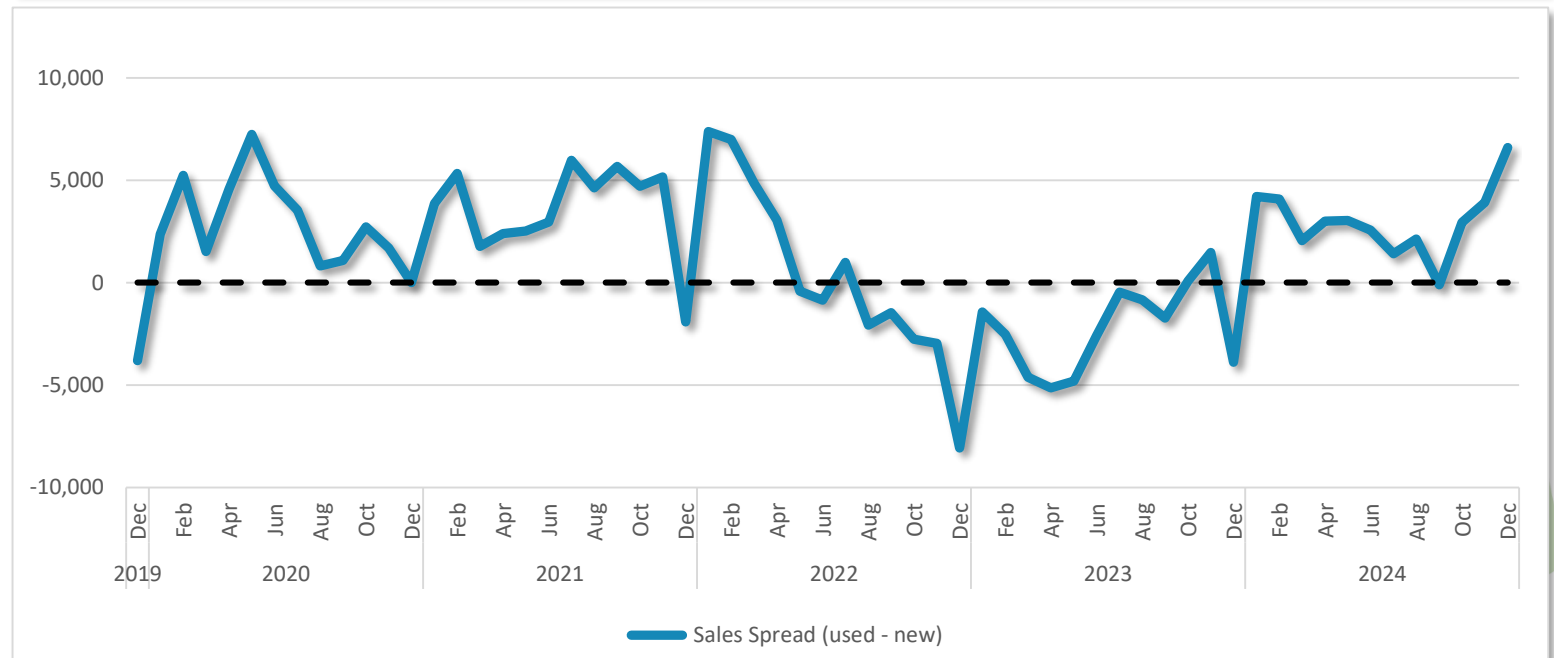
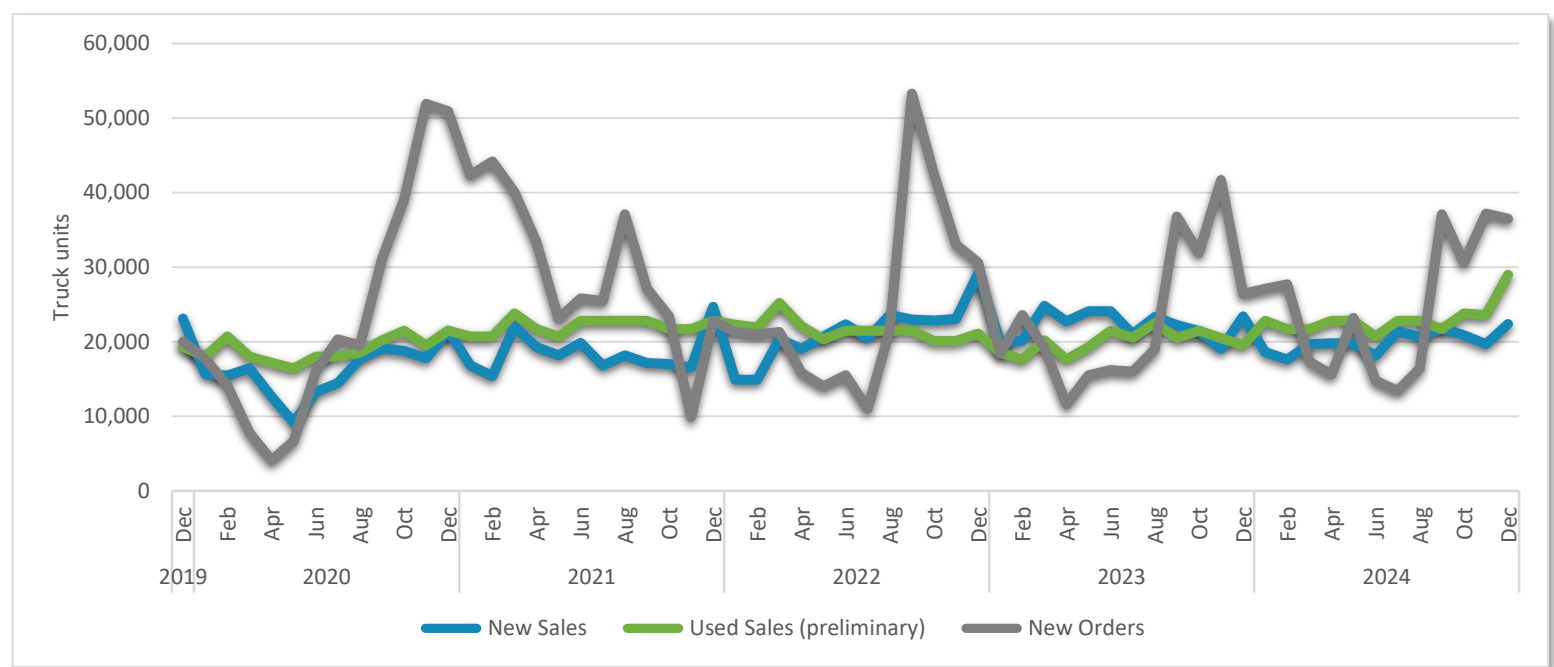
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

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

Our thoughts: New sales increased 13.9% in December to 22,383 after dropping 5.8% in November, but are 4.3% lower year-over-year. New orders declined 1.9% to 36,500 after jumping 21.6% last month.

- Preliminary used sales figures increased 23%, or over 5,400 units, in December to 28,981, and are up 48.6% compared to last year.
- Used sales eclipsed new sales for the 12th straight month. This time by 6,598 units.

Steve Tam, VP at ACT Research, stated, “The used market undoubtedly outperformed typical seasonality, which called for an increase of 8% month-over-month.”



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.

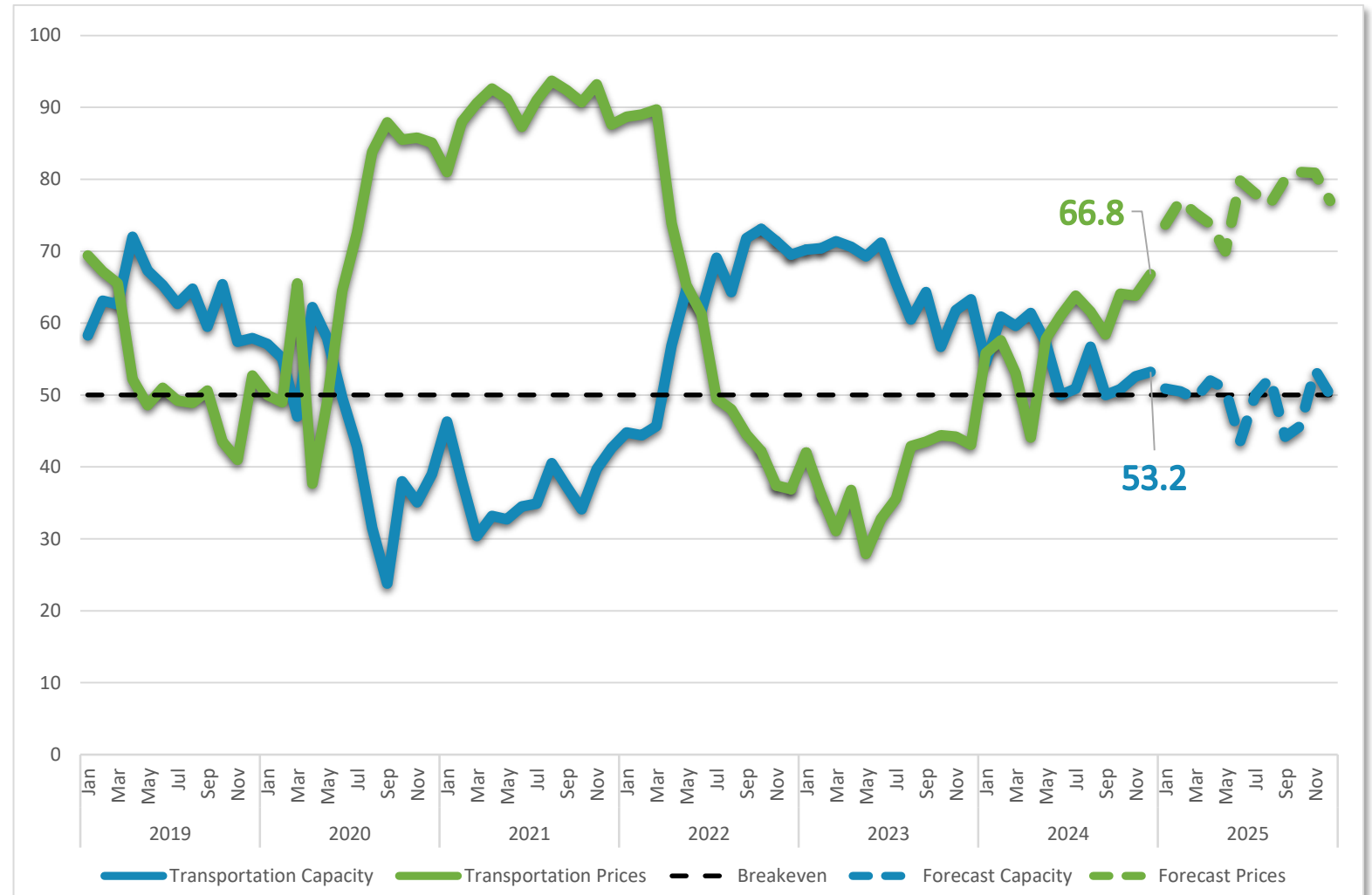
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- 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 1.1 points to 57.3, mostly due to the seasonal slowdown in inventory levels. The overall index has been in expansion territory for 13 consecutive months. Transportation prices outpaced capacity again in December even as capacity expanded.

- Prices jumped 4.7% month-over month to 66.8, and are 55.0% higher year-over-year (Y/Y), when the index read 43.1.
- Transportation capacity increased 1.1% to 53.2, which is 16.0% lower Y/Y. Transportation capacity has not contracted since March of 2022.

Bottom line: According to LMI, transportation is continuing its upward trajectory. Transportation prices expanded in December at their fastest rate since April 2022. This also put transportation prices above the all-time average of 65.0 for the first time in over 2.5 years. LMI believes there is elevated demand for transportation services at the present.



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.

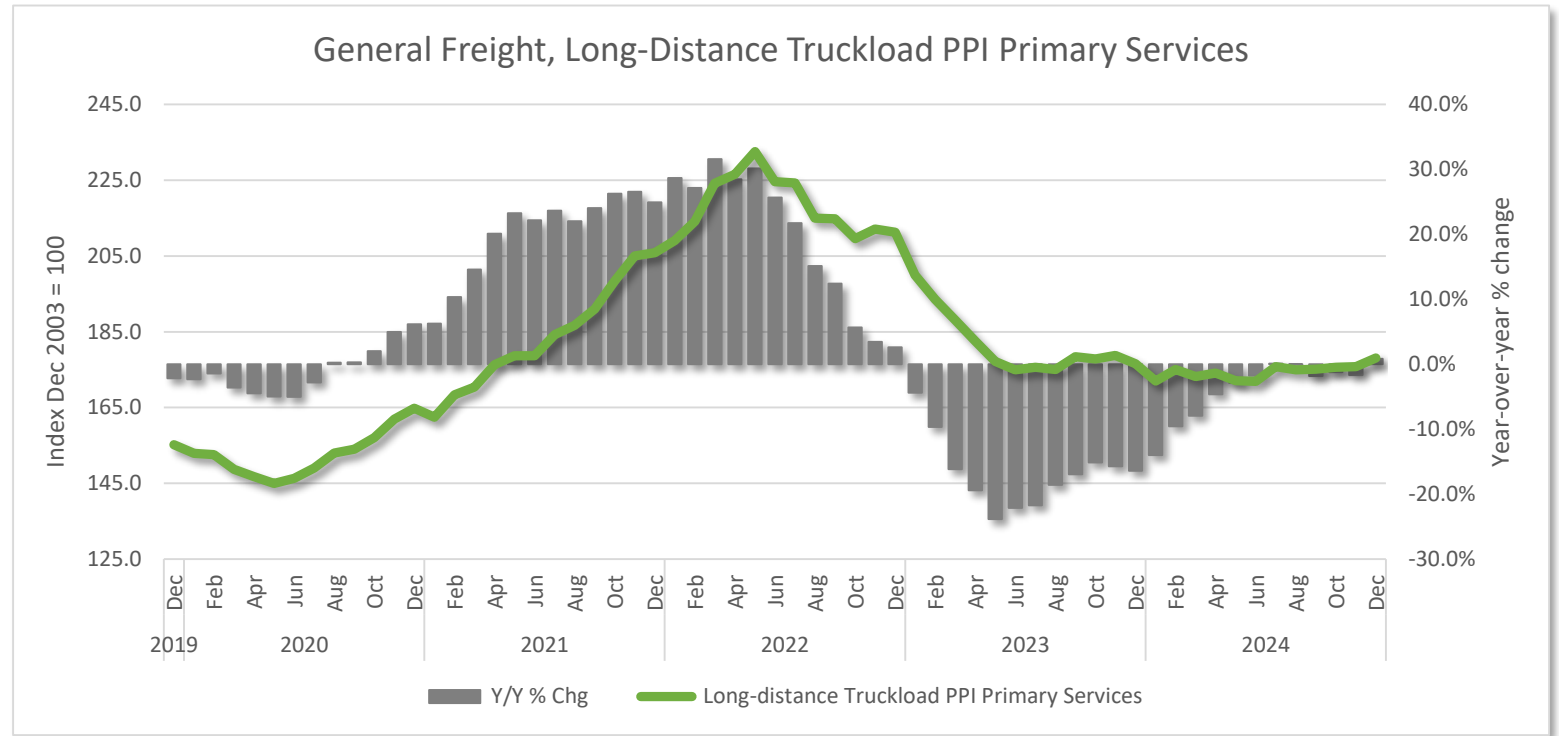
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index moved upward in December after increasing 0.1% in November following readjustments. The index is now 23.4% lower than its high in May 2022, but 29% higher than 2019 levels.

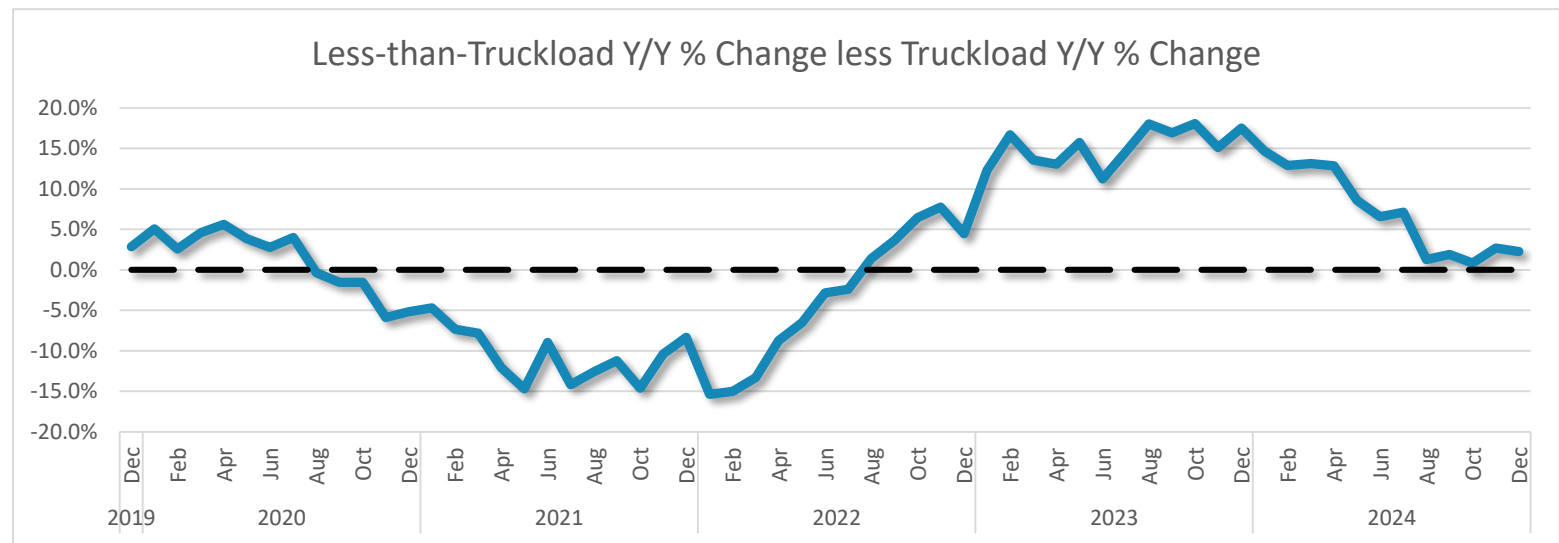
- The long-haul PPI increased 1.3% to 178, month-over-month, marking 4 consecutive months of increases.
- The PPI is 0.8% higher year-over-year, ending 4 straight months of Y/Y decline, which is a positive indicator that the freight market is getting ready to turn upward.

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 2.2%, after increasing 1.8 percentage points last month following adjustments. While this metric has been above zero 27 times in 28 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

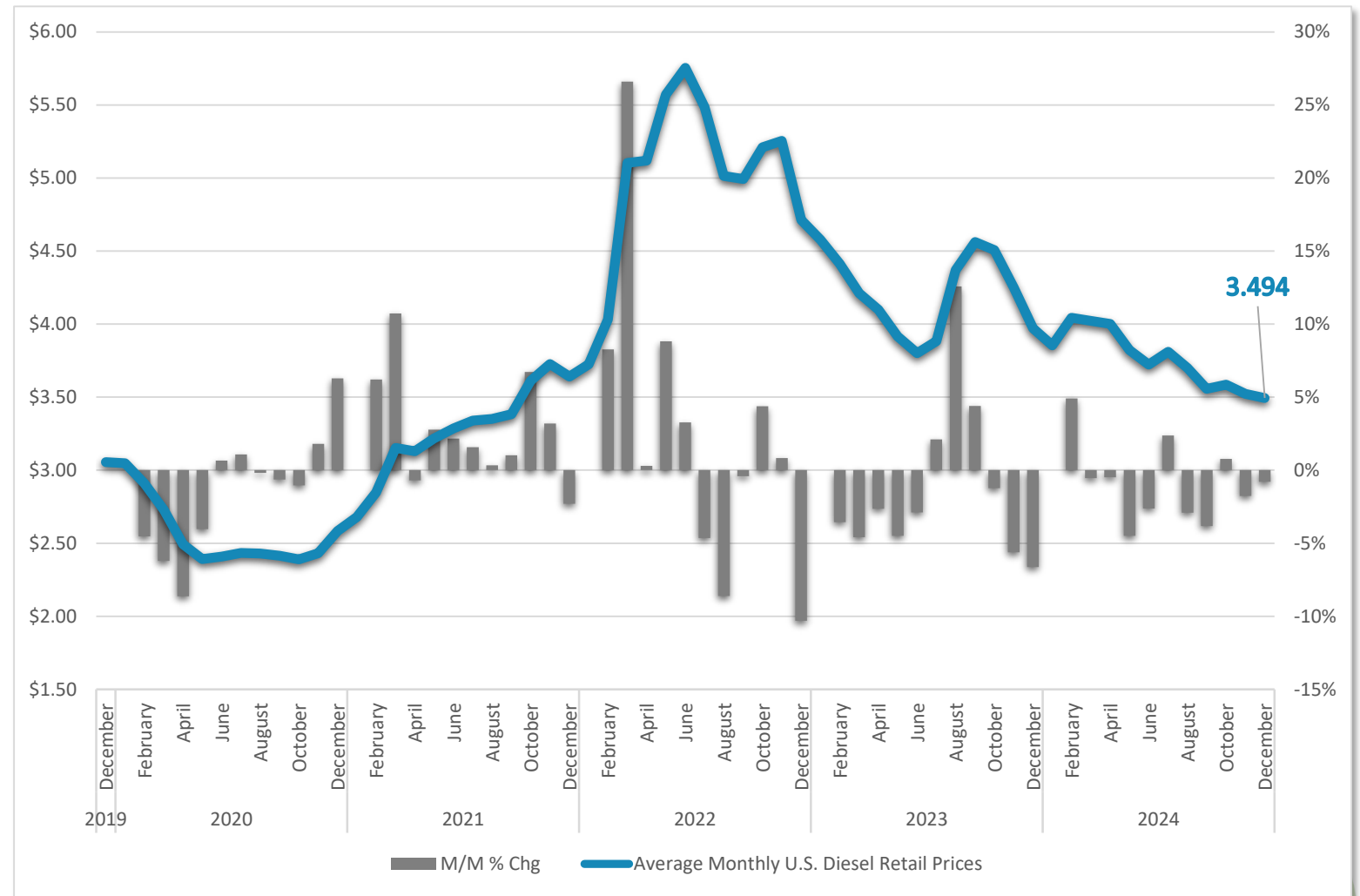
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 \$0.03 per gallon in December after decreasing \$0.06 in November and increasing \$0.03 in October. Prices through December have now declined \$2.26 per gallon since the high of \$5.75 in June 2022.

- The average price for diesel fuel decreased 0.8% month-over-month to \$3.49 per gallon, marking nine months of decreases in 2024.
- The average diesel price was 12.0% lower year-over-year when the cost was \$3.97 per gallon, and is 6.8%, or \$0.26 per gallon, lower than the 5-year average.
- The average diesel price has declined year-over-year for 22 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.

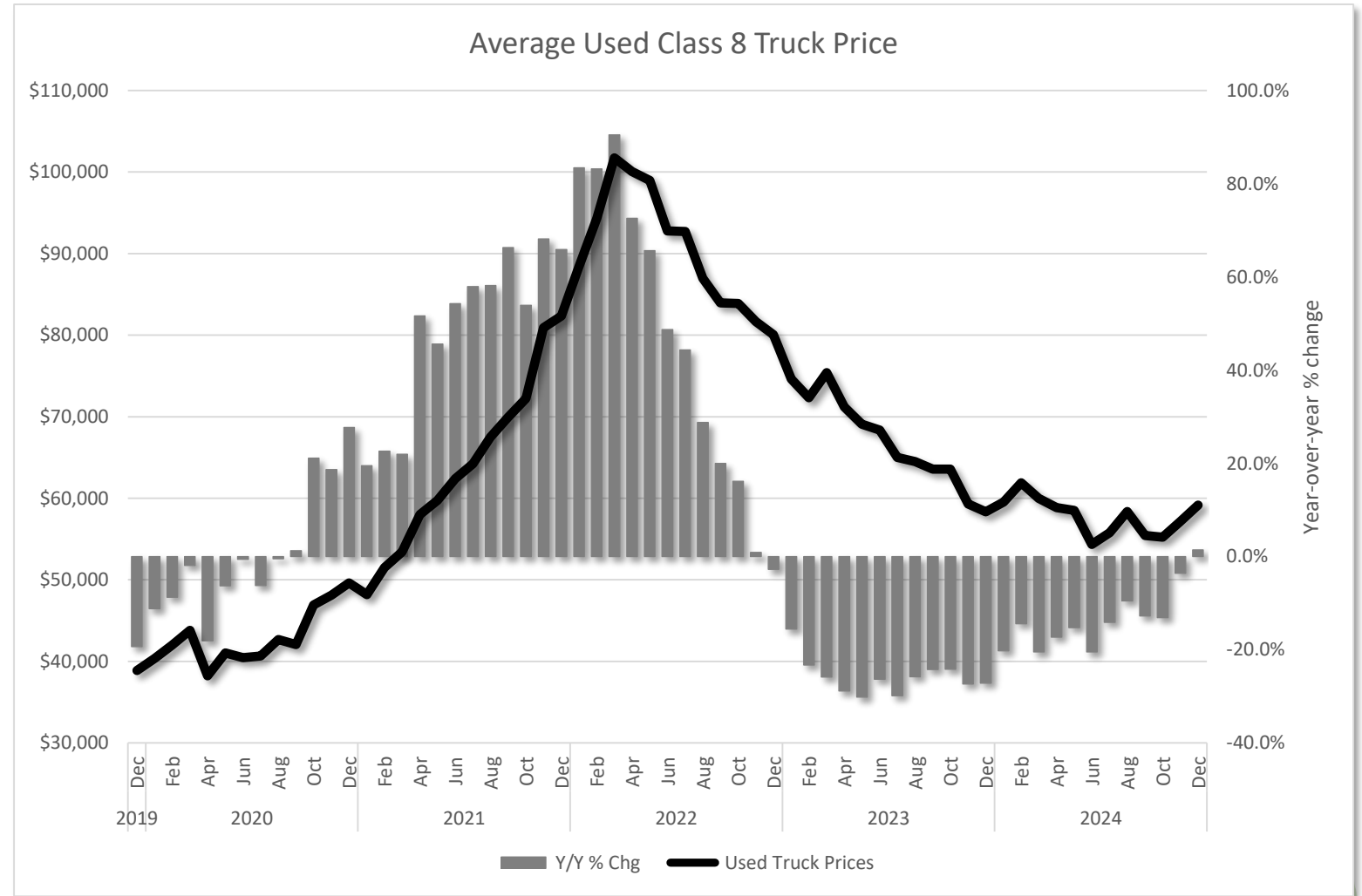
Why it matters: Used truck prices provide a good picture of the strength or weakness of the freight market. For example, monthly year-over-year decreases indicate that the market is in a downcycle due to weak demand.

- 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 again in December after increasing 3.5% in November following readjustments. While prices have fallen significantly since their high in March 2022, they have definitely found a new floor and are starting to increase.

- Preliminary used Class 8 truck prices increased 4% to approximately \$59,154.
- This is 1.4% higher year-over year, and 7.7% below than the 5-year average.

Preliminary used truck prices turned positive year-over-year for the first time in 25 months. This is an important turning point in the market as it suggests that not only has the freight market found the bottom, but it's now poised to flip. Oddly enough, an increase in used truck prices is actually a positive indicator that the market overall is swinging upward.



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