Flatbed 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 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.

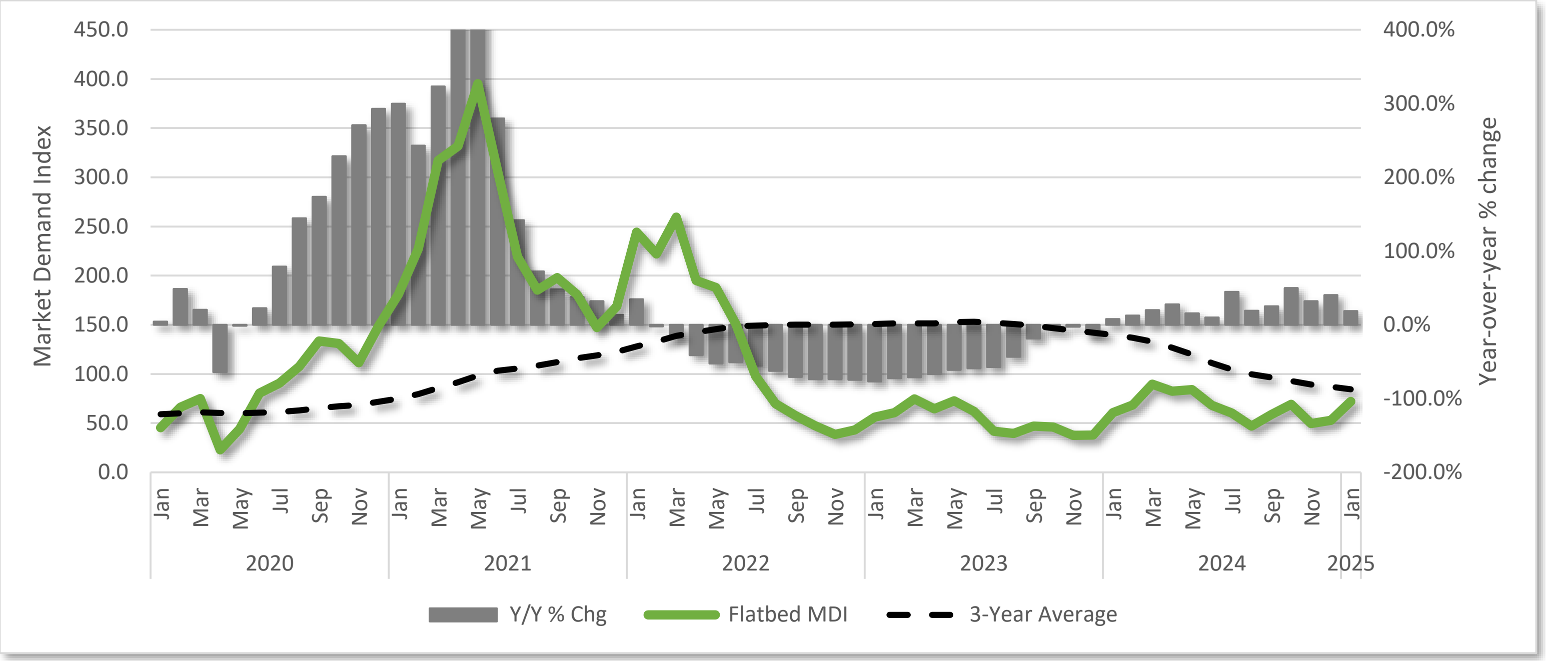
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

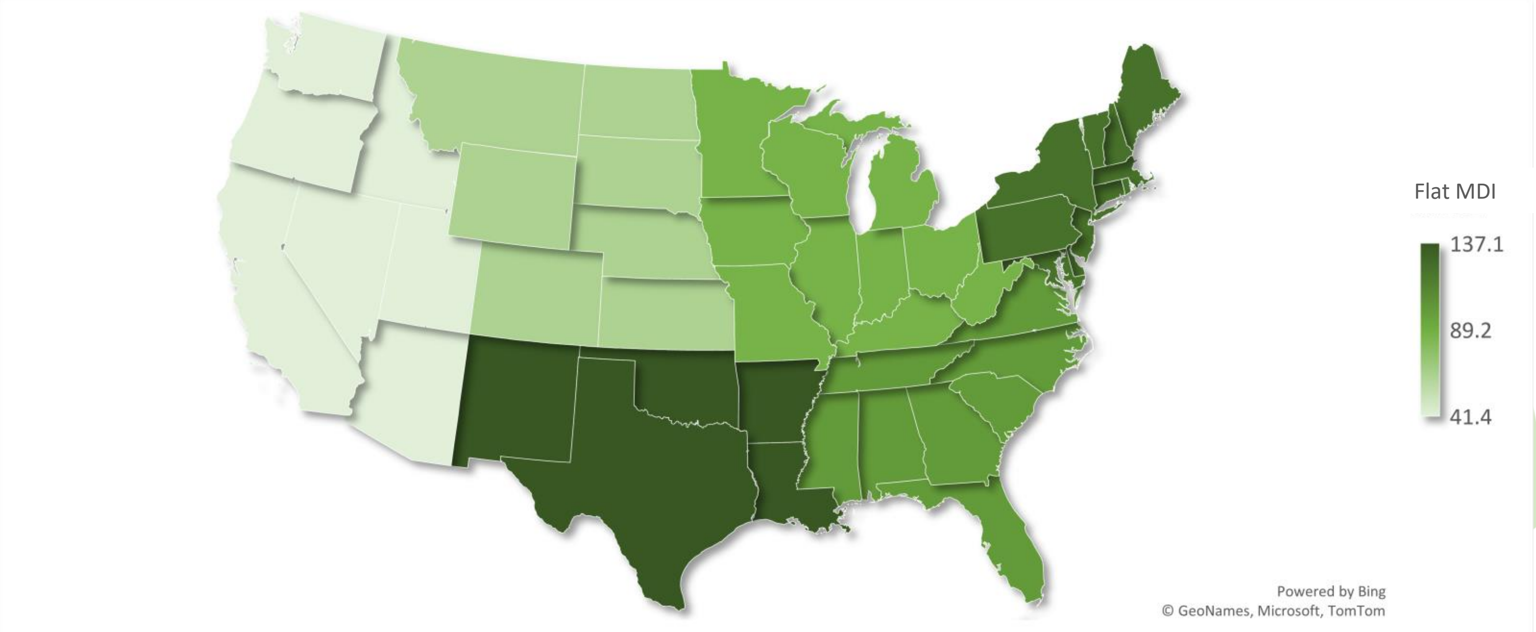
Our thoughts: The Flatbed MDI jumped in January, which is quite normal for this time of the year as we start the new year.

- The Flatbed MDI increased 36.1% month-over-month to 72.1, after rising 7.0% last month.
- The increase was primarily due to an increase in freight compared to capacity as the amount of freight jumped 49.1% compared to 9.6% for available trucks.
- The ratio is 18.8% higher than last year, marking seven consecutive months of growth, but is 18.8% 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 South Central (137.1) and Northeast (122.9) regions, respectively, compared to other areas in the country.

- 5 of the 6 regions experienced an increase in MDI. The largest increase being the South Central region, which soared an astounding 312.7% from 33.2 to 137.1. The only decrease was in the Mountain Central region, which dipped by 2.3%





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.

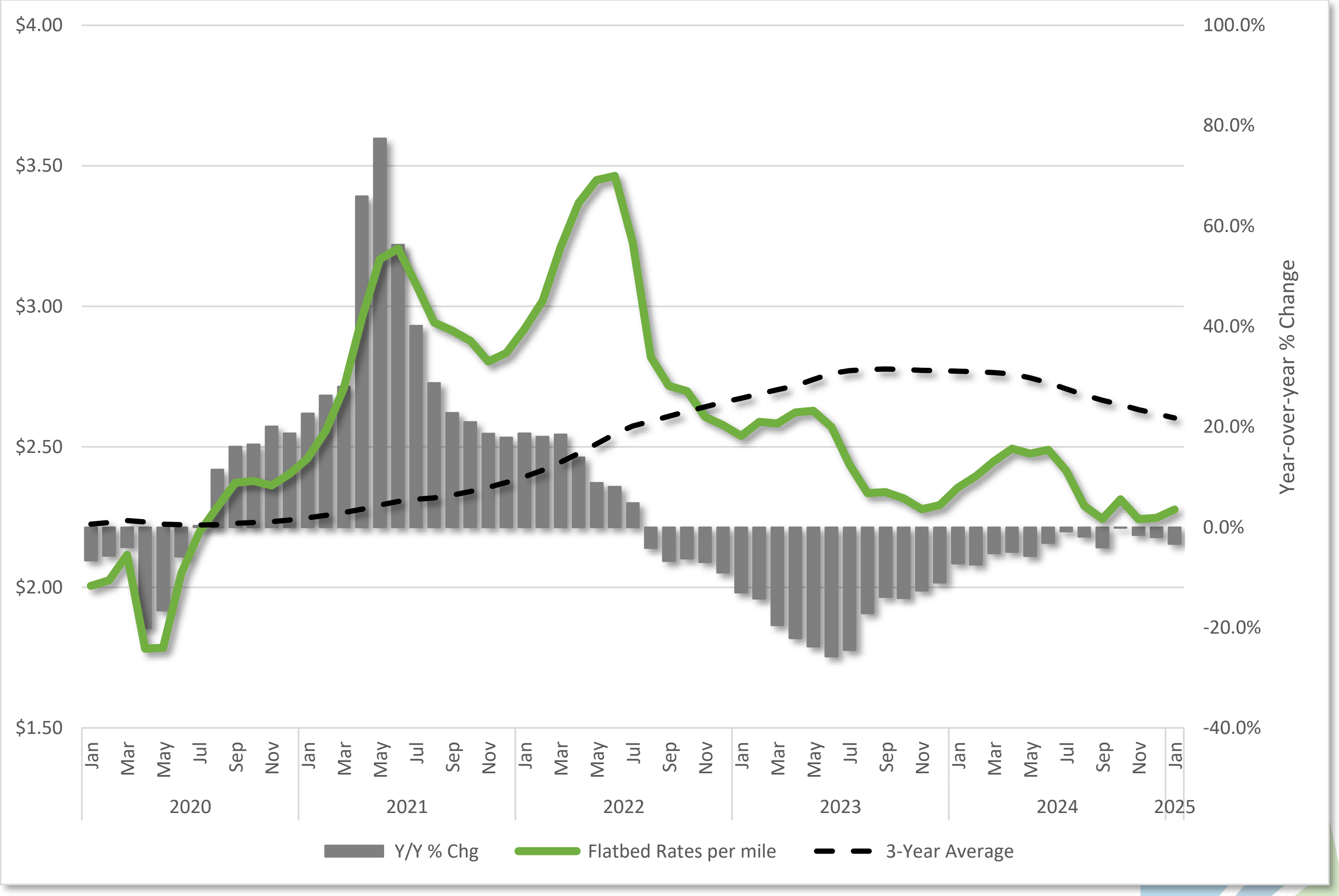
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Flatbed spot rates ticked upward month-over-month (M/M) in January, after increasing $0.01 per mile last month.

- Spot rates increased $0.03 per mile M/M to $2.28, but are 3.3%, or $0.08 per mile lower than last year.
- Flatbed spot rates have decreased year-over-year for 30 consecutive months, and are $0.33 per mile below the 3-year moving average ($2.60).

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 improved M/M by $0.02 per mile in January, and is $0.04 better than where we were last year.
- While the spread has improved $0.12, from its bottom in April 2023, we still have a long way to go before we reach parity in this segment of the industry.



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.

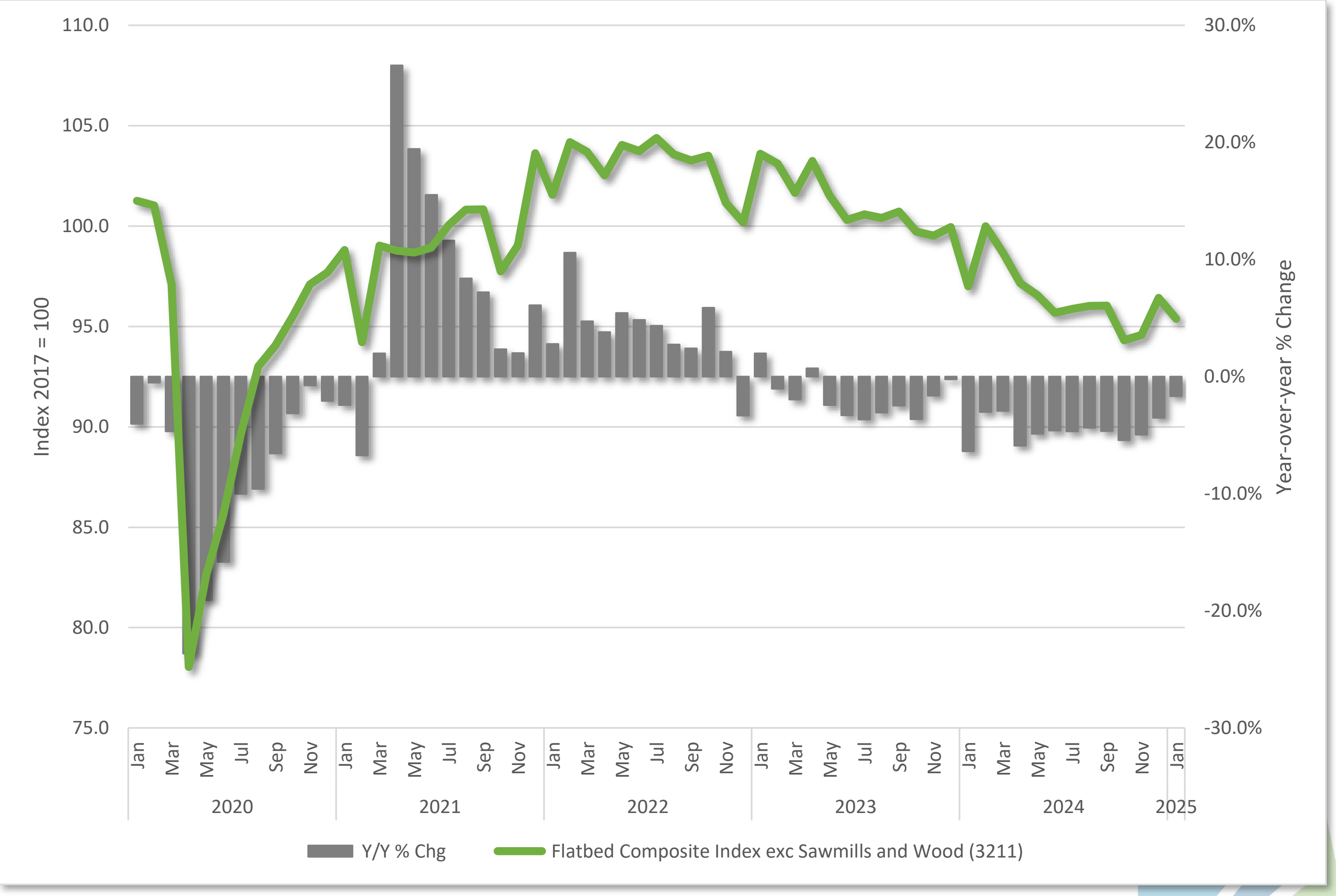
- Manufacturing makes up about 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

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 January after increasing 2.0% in December following adjustments.

- The FCI fell 1.1% to 95.4, ending two consecutive months of increases following adjustments.
- The FCI is 1.7% lower year-over-year when the index read at 97.0. The FCI has declined Y/Y for 21 straight months, but is at it's highest point since December 2023.
- The index is 4.6% below the 3-year average, which is 99.9.



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.

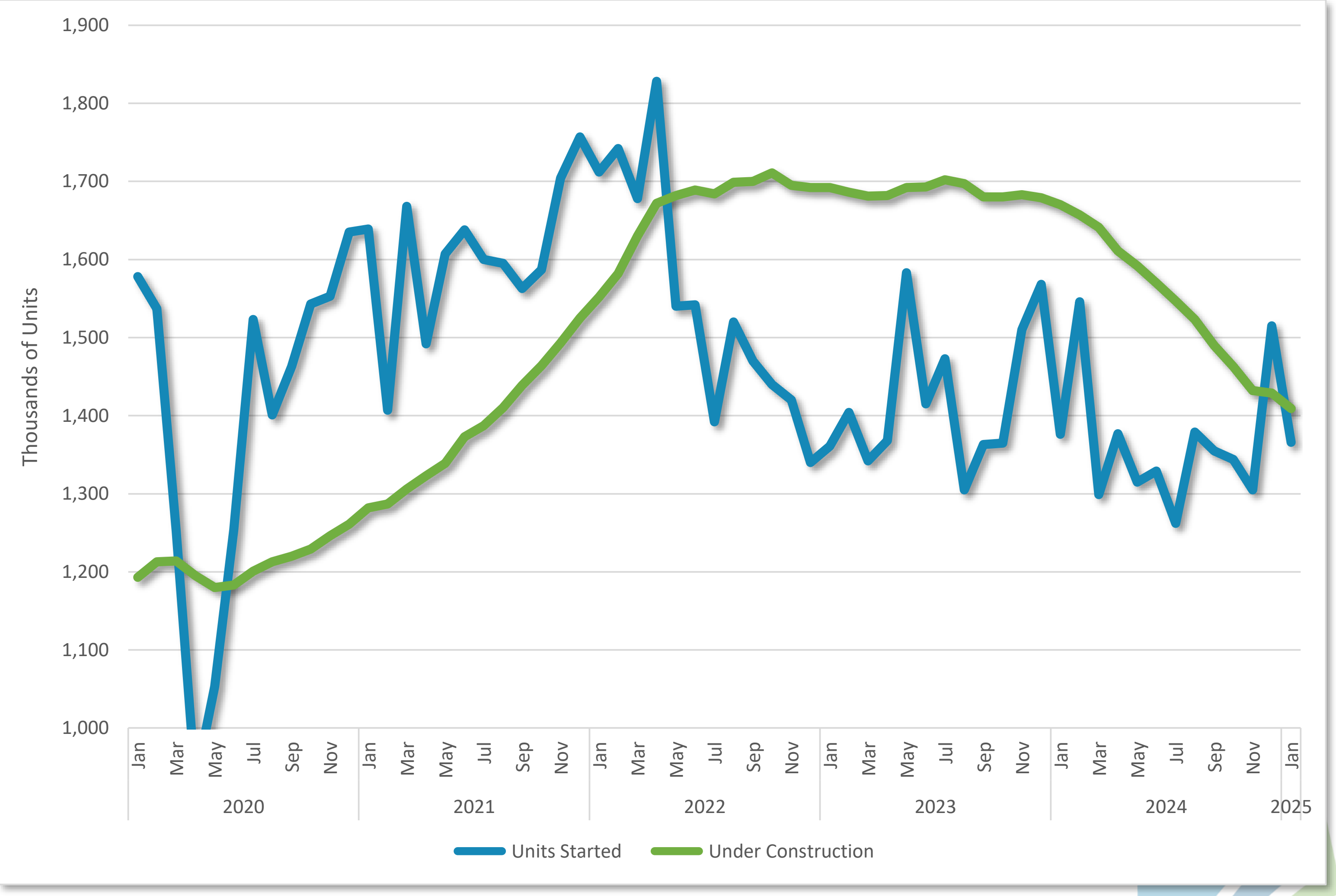
Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

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

Our thoughts: Housing starts plummeted in January following a 16.1% jump in the previous month after adjustments. January's decline not only halved December's gains, but it also spotlights how the housing market continues to struggle.

- New starts increased 15.8%, or 205,000 houses, month-over-month to 1.499 million, but are down 4.4%, or 69,000 homes year-over-year (Y/Y), marking 8 Y/Y decreases in 11 months.
- Houses under construction declined for the 12th consecutive month, decreasing 0.4% to 1.431 million, and are 14.8% lower Y/Y.
- Completed houses (not pictured) dropped 4.8% month-over-month and are down 0.8%, or 13,000 homes, Y/Y.

Bottom line: The 10-year U.S. Treasury Yield (not pictured) continues to rise, causing mortgage rates to rise as well, which in turn makes housing less affordable. The median price for existing single-family homes (not pictured) was 6.1% higher in December compared to the previous year. This presents a headwind for the housing market and, in turn, for freight demand.



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).

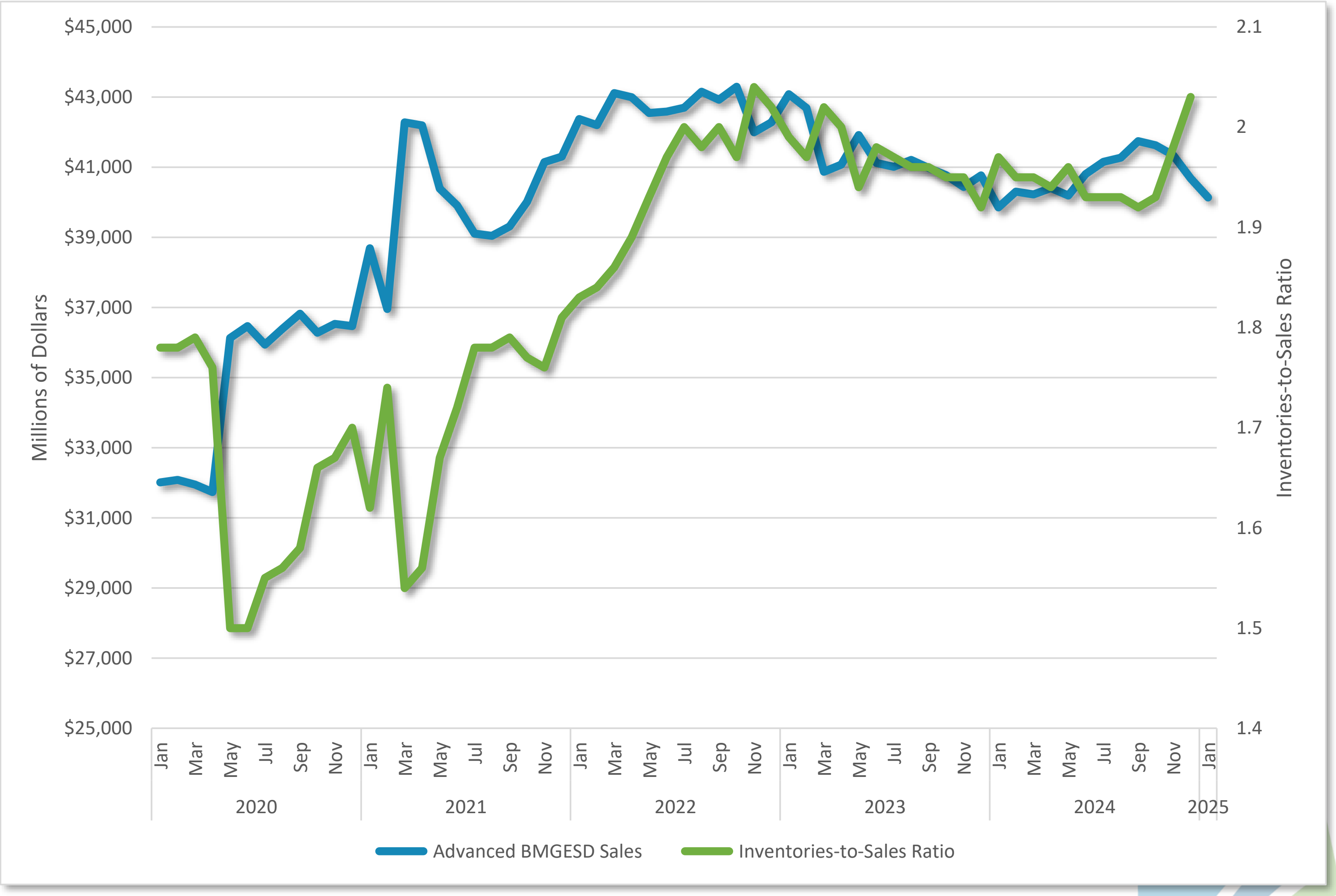
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

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

Our thoughts: BMGESD sales declined in January after falling 1.6% in the previous month following adjustments. Meanwhile, inventory levels increased in December, posing a challenge to retailers' efforts to right-size their inventories.

- The BMGESD retail sales decreased 1.3% month-over-month to $40.13 billion, but are 0.7%, or $277 million, higher year-over year, correcting last month's Y/Y dip.
- Inventories-to-sales ratios jumped 2.5% to 2.03 in December after jumping 2.6% in the previous month, and are 3.0% higher Y/Y.

While there have been some positive signs in this sector, it's important to note that BMFESD retailers continue to struggle with high inventory levels. Inventories are 11.2% above 2019 levels. This a significant headwind for future freight demand, as demand overall remains weak.



Source: FRED | https://fred.stlouisfed.org/series/RSBMGESD | Monthly