OOIDA Foundation

RESEARCH
SAFETY
EDUCATION

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MARKET UPDATE

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Total Spot Market Cycle Indicator (TSMCI)

The big picture: Data available through Truckstop + FTR have 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.

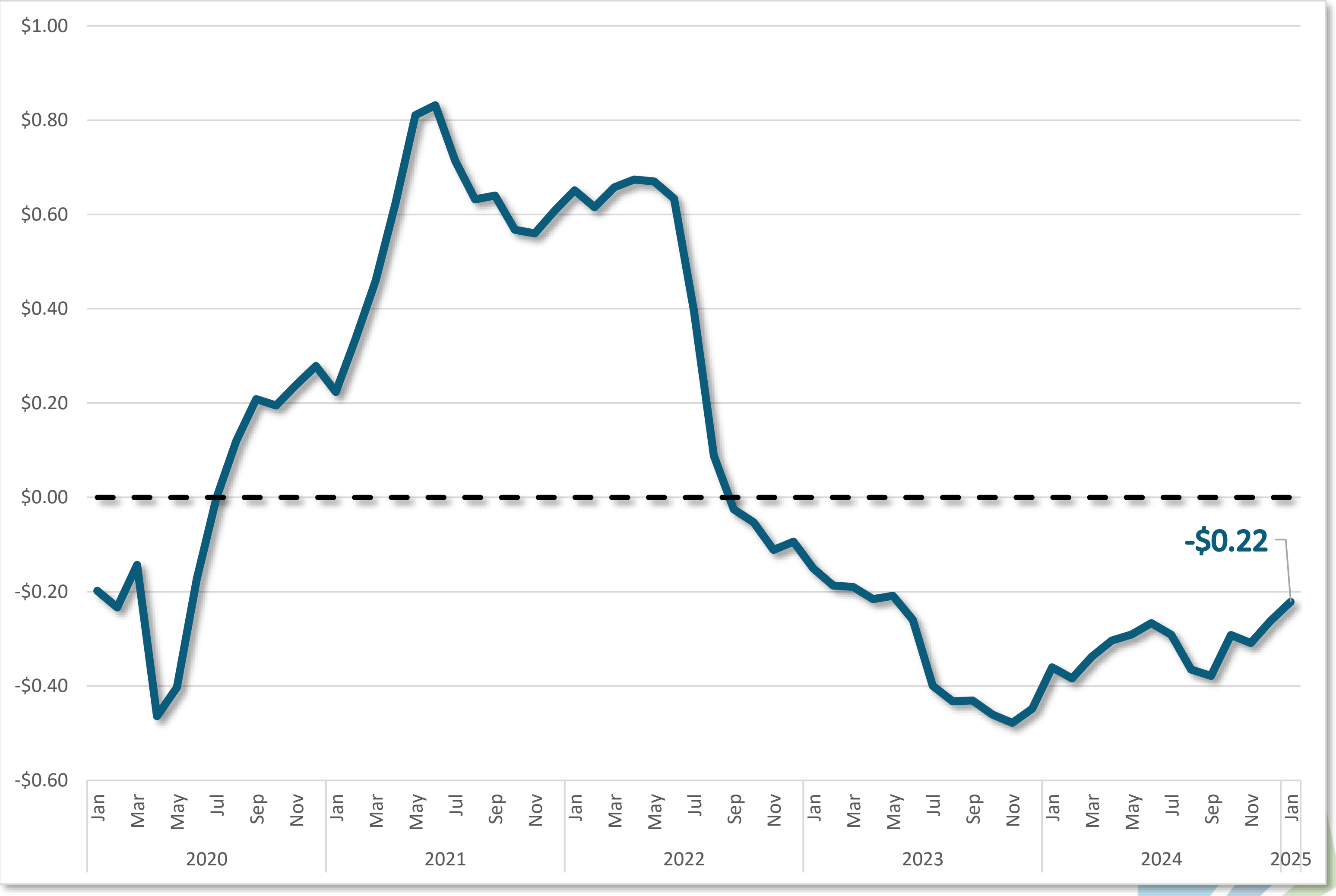
Why it matters: Whenever the TSMCI begins to move sharply toward zero, either positively or negatively, the market experiences a shift.

- 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 improved by $0.04 per mile, in January to -$0.22, which is positive news for the overall industry.

- The TSMCI is $0.14 higher year-over-year when the spread was -$0.36. The TSMCI has increased Y/Y for the past seven months.

Bottom line: While new orders increased according to ISM's Manufacturing PMI, uncertainty regarding tariffs and the Fed's monetary policy threaten to curtail—or even derail—trucking's recovery. Overall however, January saw an increase in both demand and rates for all three trailer types, which is positive news.



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.

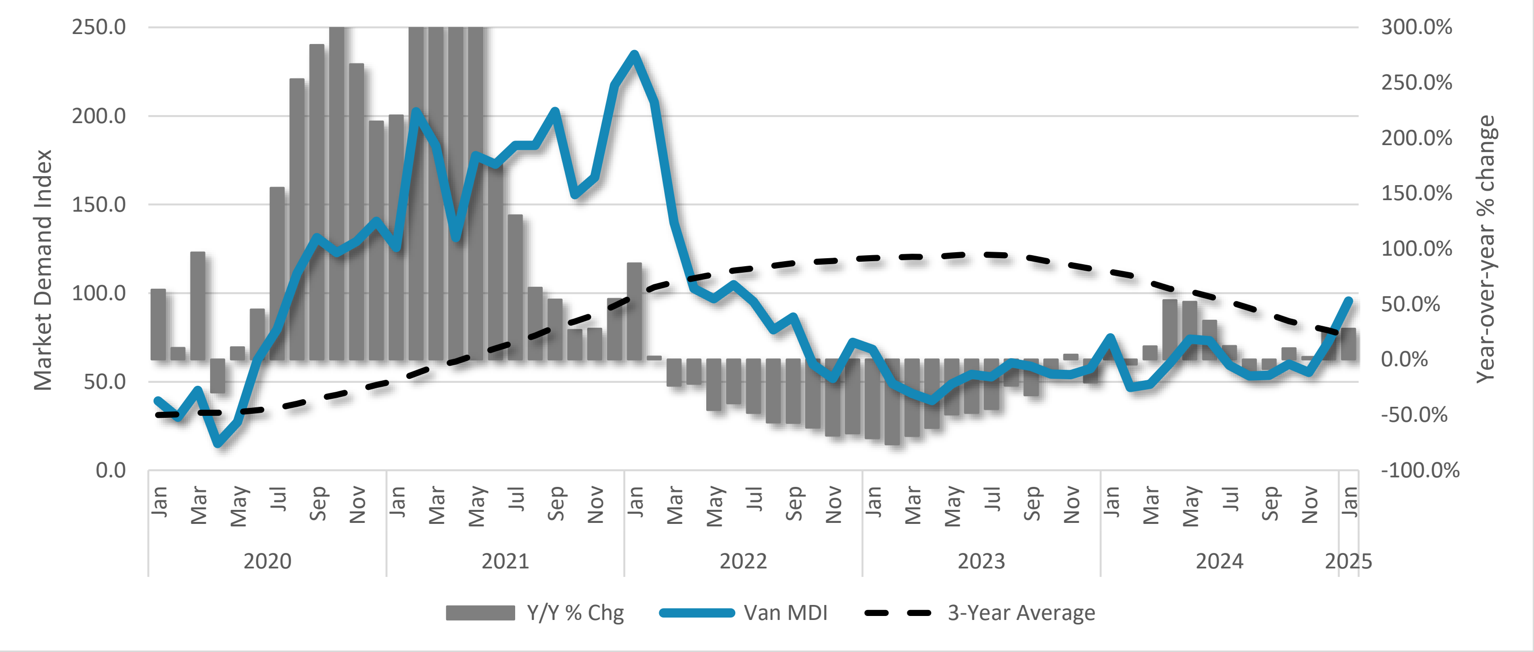
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

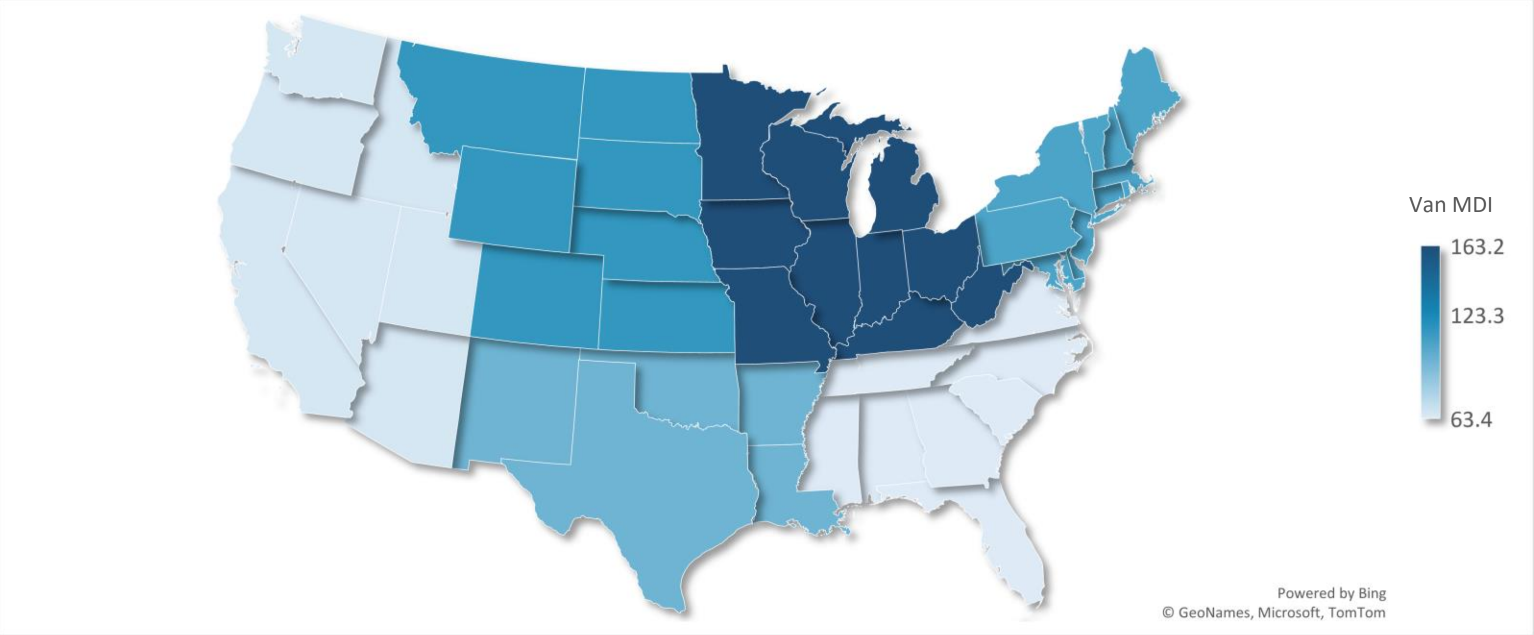
Our thoughts: The Van MDI jumped in January. While this increase in MDI is typical for this time of year, the jump was more than normal. This was probably due to the winter storms impacting the country.

- The Van MDI increased 31.3% month-over-month to 95.6, after rising 31.6% last month.
- The jolt was primarily due to an increase in freight compared to capacity as the amount of available loads rose 16.2% compared to a 11.5% decline for trucks.
- The ratio is 28% higher than last year, marking four consecutive months of increases, and is 26.4% above the 3-year average, which indicates that a new cycle is just on the horizon. Though tariff policies might change this.

Regionally speaking, ratios were more favorable for carriers operating in the Midwest (163.2) and Mountain Central (114.1) regions, respectively, compared to other areas in the country.

- All 6 regions experienced an increase in MDI. The largest increase was in the Midwest region, which jumped 61.3% from 101.2 to 163.2. The next largest increase was in the Northeast, which rose 41.5% 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.

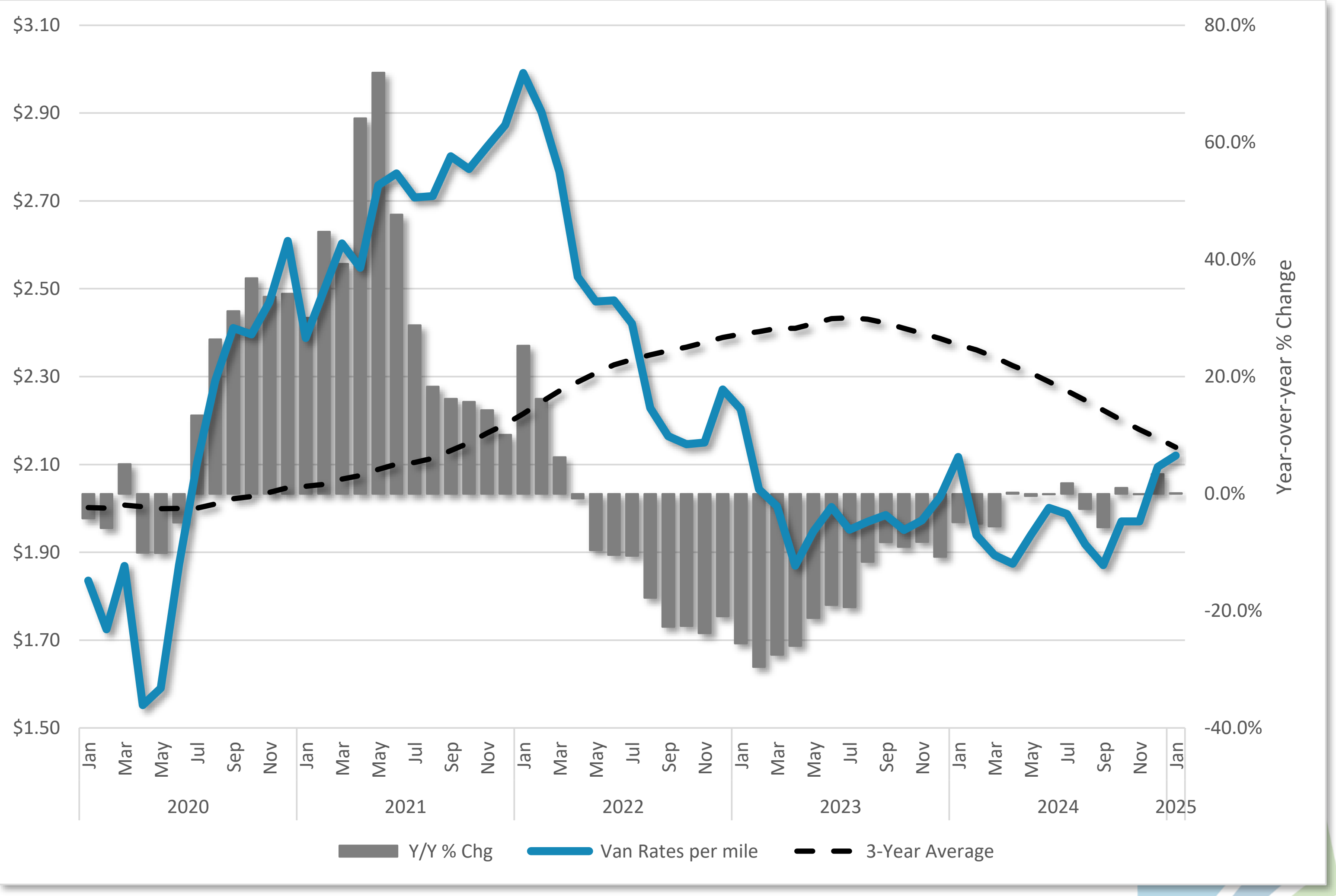
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Dry van spot rates mirrored demand and increased month-over-month (M/M) in January, after rising $0.12 last month.

- Spot rates increased $0.03 per mile to $2.12, and are expected to increase again in February. Rates are 0.1%, or $0.003 per mile higher than last year.
- Spot rates have only increased year-over-year 5 times in the past 25-months, and are $0.02 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 $0.05 per mile, and is $0.24 better than where we were last year.
- The spread has improved 96.5% from its bottom in April 2023. However, we still haven't entered into the next upcycle yet, though we expect the spread to hit parity in the next month or two. Again, tariff policies could negatively impact the potential recovery.



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.

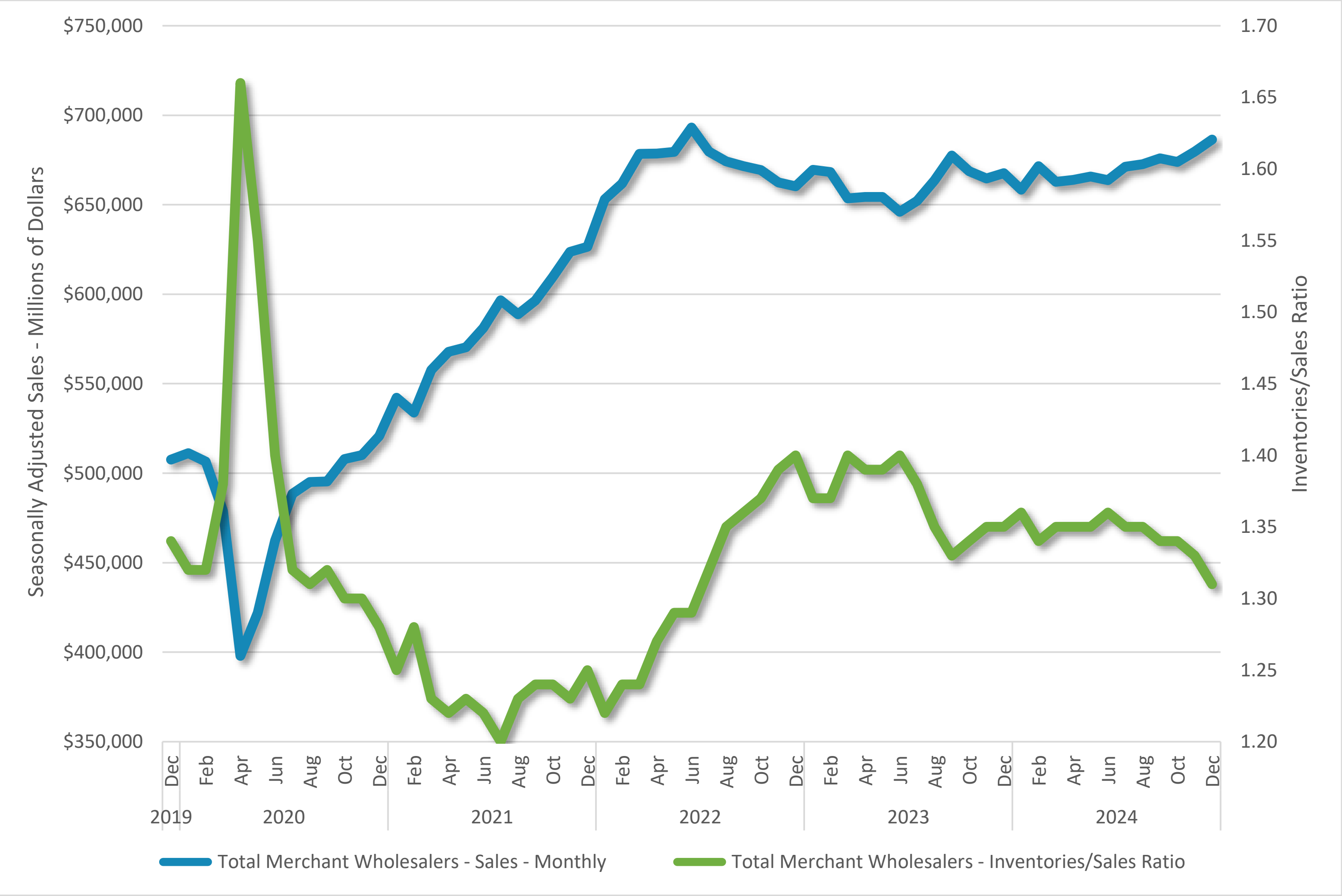
Why it matters: Wholesalers account for 30% of for-hire trucking ton-miles and 43% of parcel ton-miles according to the 2017 Commodity Flow Survey.

- 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: Monthly sales increased while the inventory-to-sales ratio declined in December, mostly due to a 1.9% increase in non-durable goods. The inventory-to-sales ratio is 2.8% below 2019 levels, and 3.7% below where we were in January 2024.

- Sales increased $6.7 billion to $686.45 billion, and are 2.8%, or $18.77 billion, higher year-over-year. This marks 9 out of 10 months of Y/Y increases. Sales are 4.3% higher than their most recent trough in June 2023.
- The inventory ratio dropped 1.5% to 1.31, after decreasing 0.7% last month. The inventory ratio is 3.0% lower year-over-year, marking 10 months out of 13 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

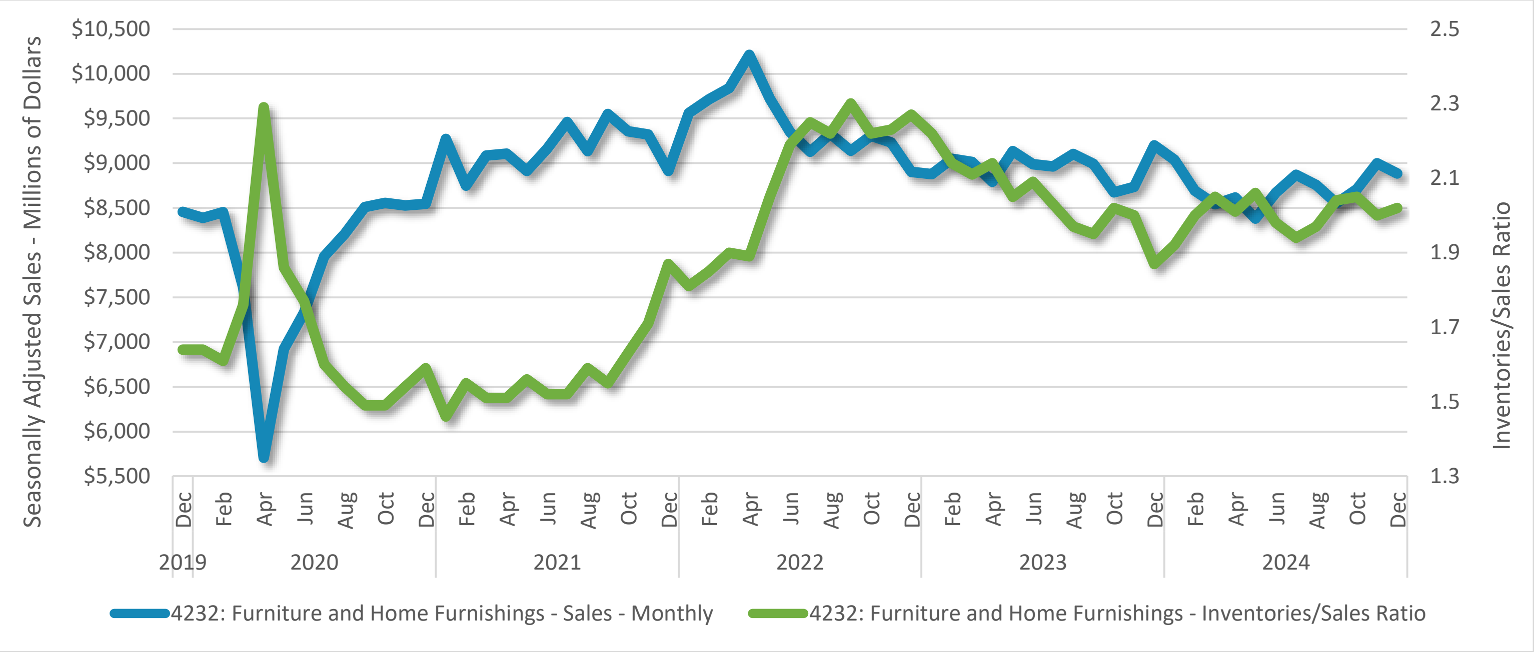
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

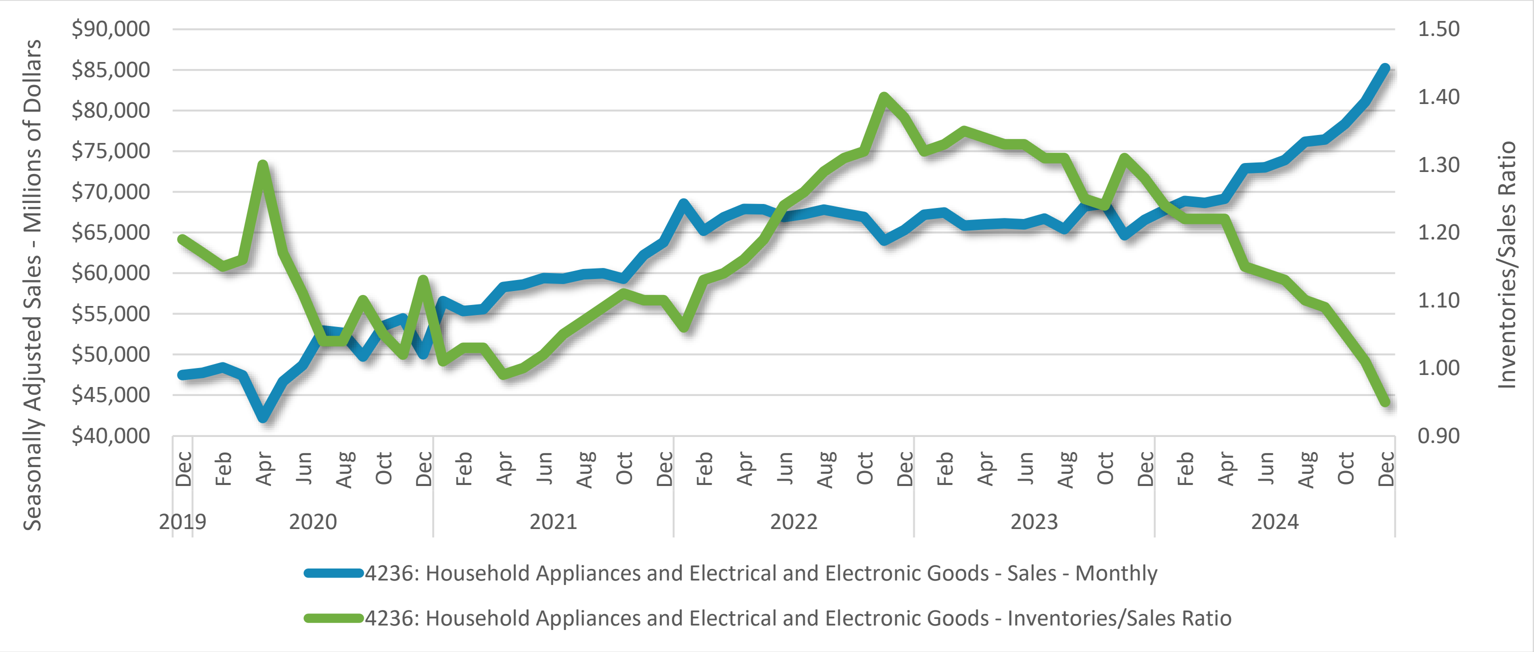
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Both furniture wholesalers experienced a decrease in sales and an increase in inventories, which is a headwind for freight, while household appliances wholesalers experienced just the opposite.

- Furniture Sales fell 1.3% to $8.88 billion after jumping 3.3% in the previous month, while ratios rose 1.0% to 1.97. Ratios have fallen 11.3% from their peak in December 2022.
  - Sales are $313 million, or 3.4%, lower Y/Y, while ratios are 8.2% higher Y/Y when they were 1.82.
- Household appliances increased $4.1 billion, to $85.2 billion. Ratios plummeted 5.9% to 0.95, which is 18.7% below 2019 levels.
  - Sales are $18.6 billion higher than last year, marking 14 straight months of Y/Y increases, and ratios are 25.8% lower, marking 16 straight months of Y/Y decreases.

The bottom line: Household appliances wholesalers have been performing exceptionally well ever since late 2023, which is a tailwind for certain types of freight. However, furniture wholesalers continue to struggle. Their sales and inventories continue to move mostly sideways.





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:

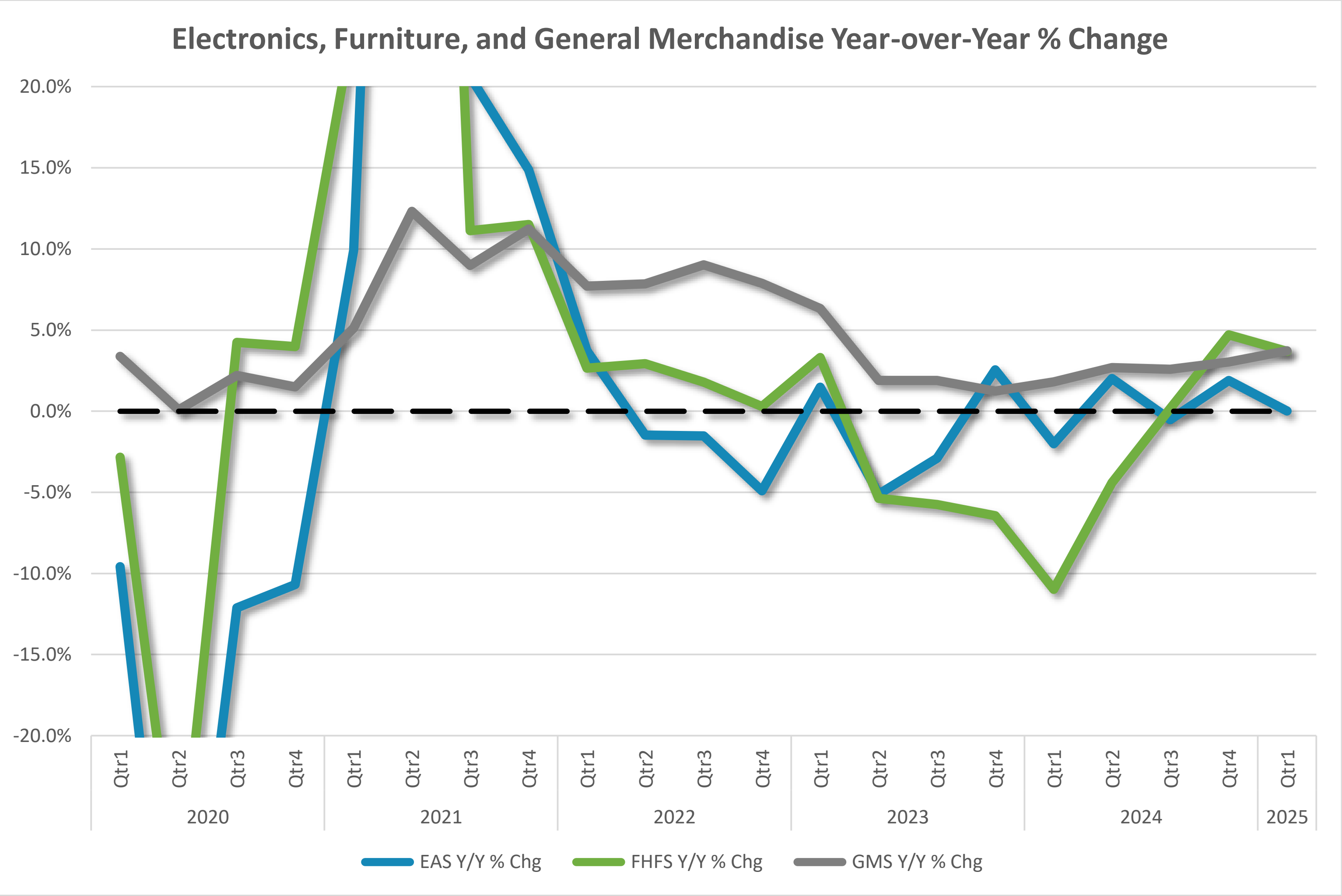
- Electronics and appliance stores (EAS)
- Furniture and home furnishing stores (FHFS)
- General merchandise stores (GMS), such as Walmart, Target, Costco, Kohl's, etc.

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 decreased for two of the three sectors.

- EAS decreased 0.7%, or $54 million, M/M to $7.64 billion, after increasing 0.1% the previous month. EAS is slightly down Y/Y.
- FHFS dropped 1.7% M/M to $11.57 billion, and is 3.7%, or $411 million, higher Y/Y. FHFS increased Y/Y for the fifth consecutive month, which is a good sign.
- GMS increased 0.5% M/M, or $351 million, to $76.91 billion, and is up 3.7%, or $2.76 billion, Y/Y.



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.

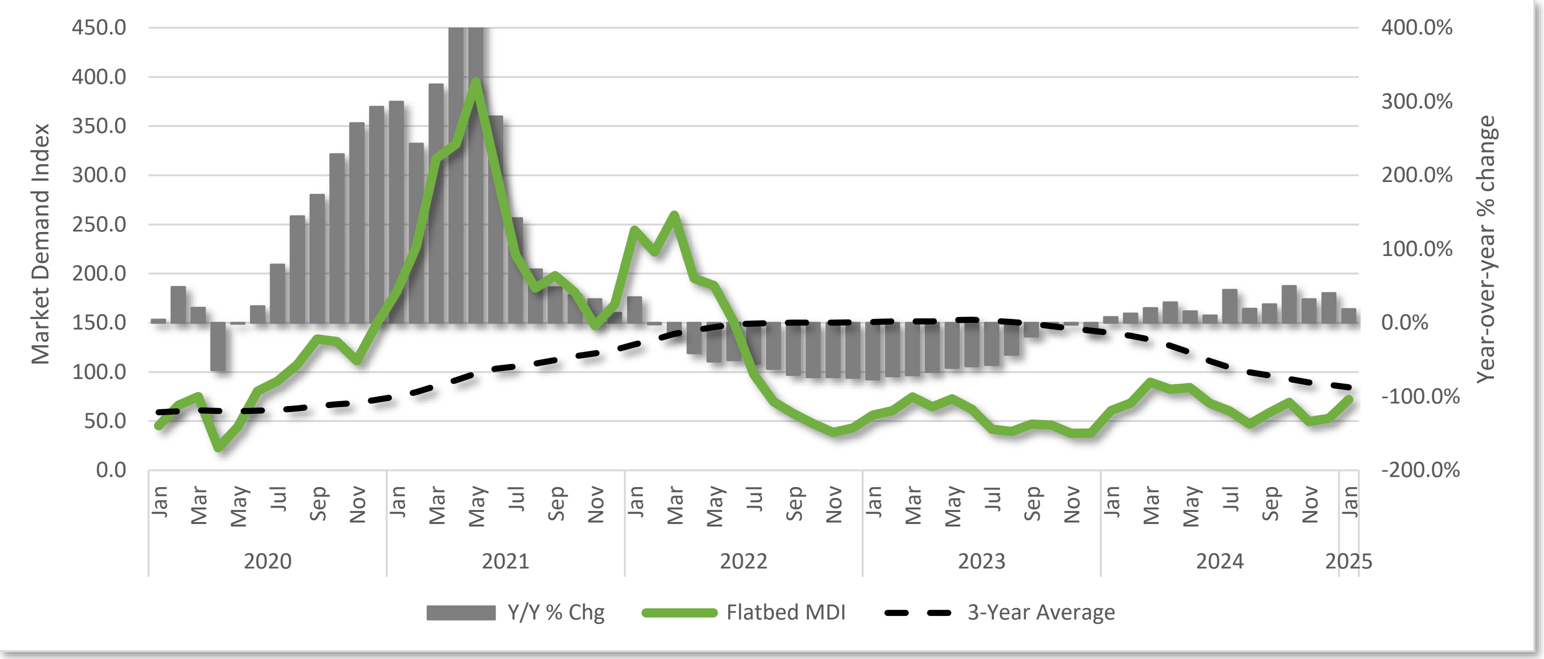
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

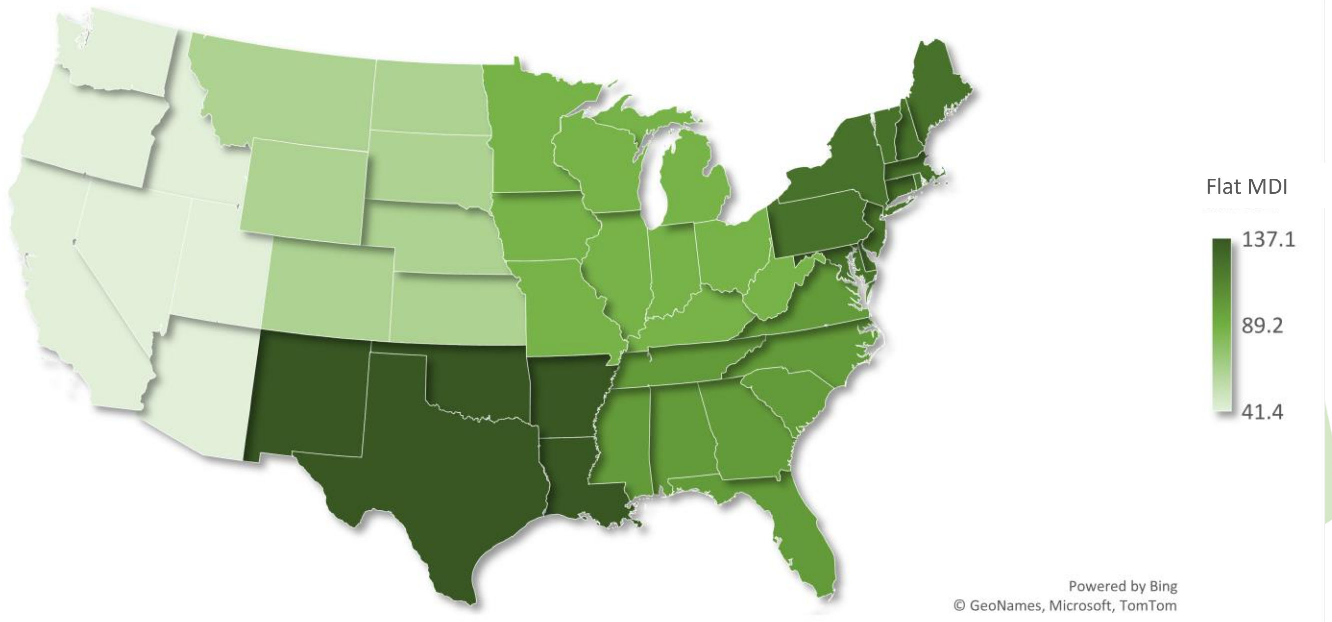
Our thoughts: The Flatbed MDI jumped in January, which is quite normal for this time of the year as we start the new year.

- 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.

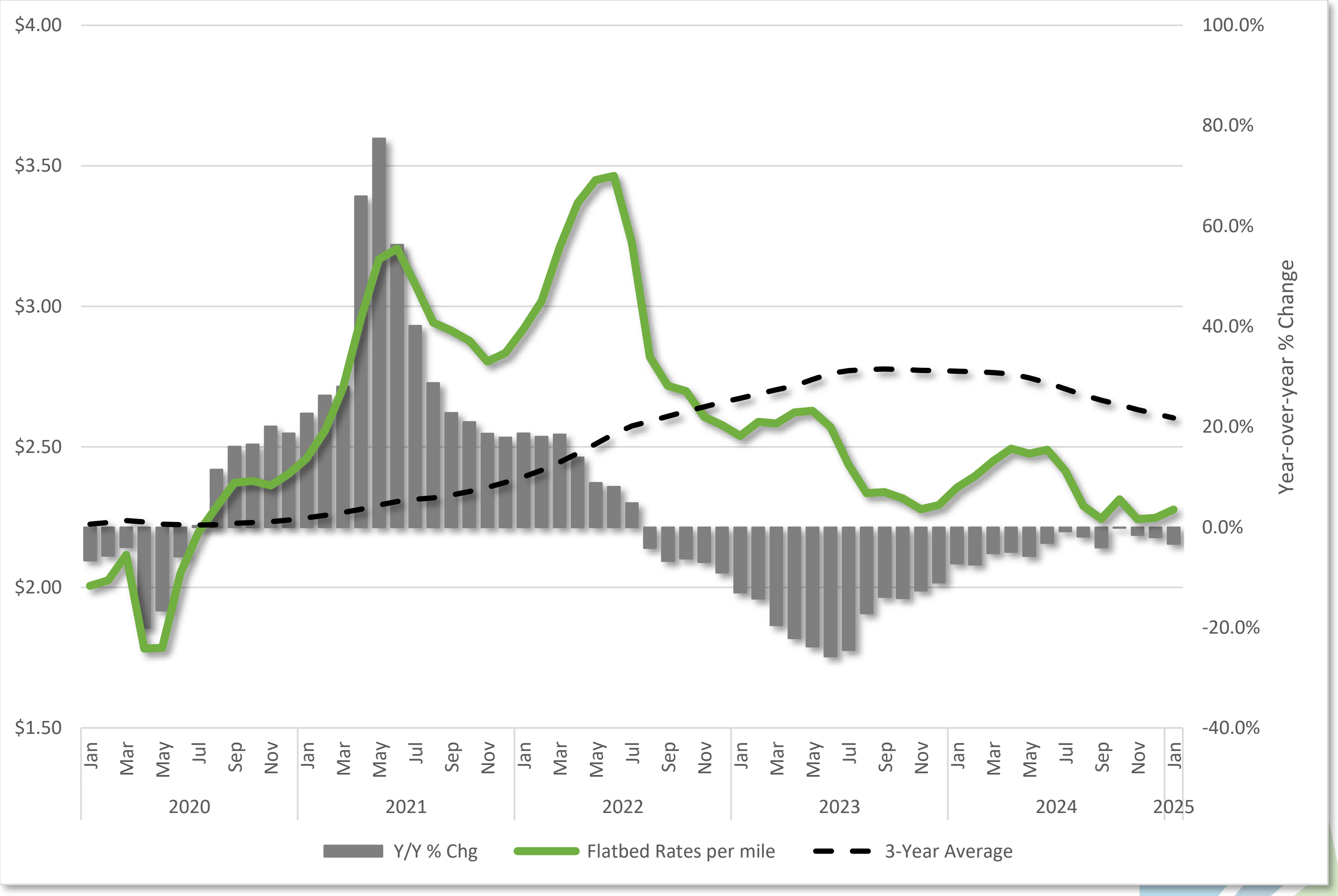
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

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.

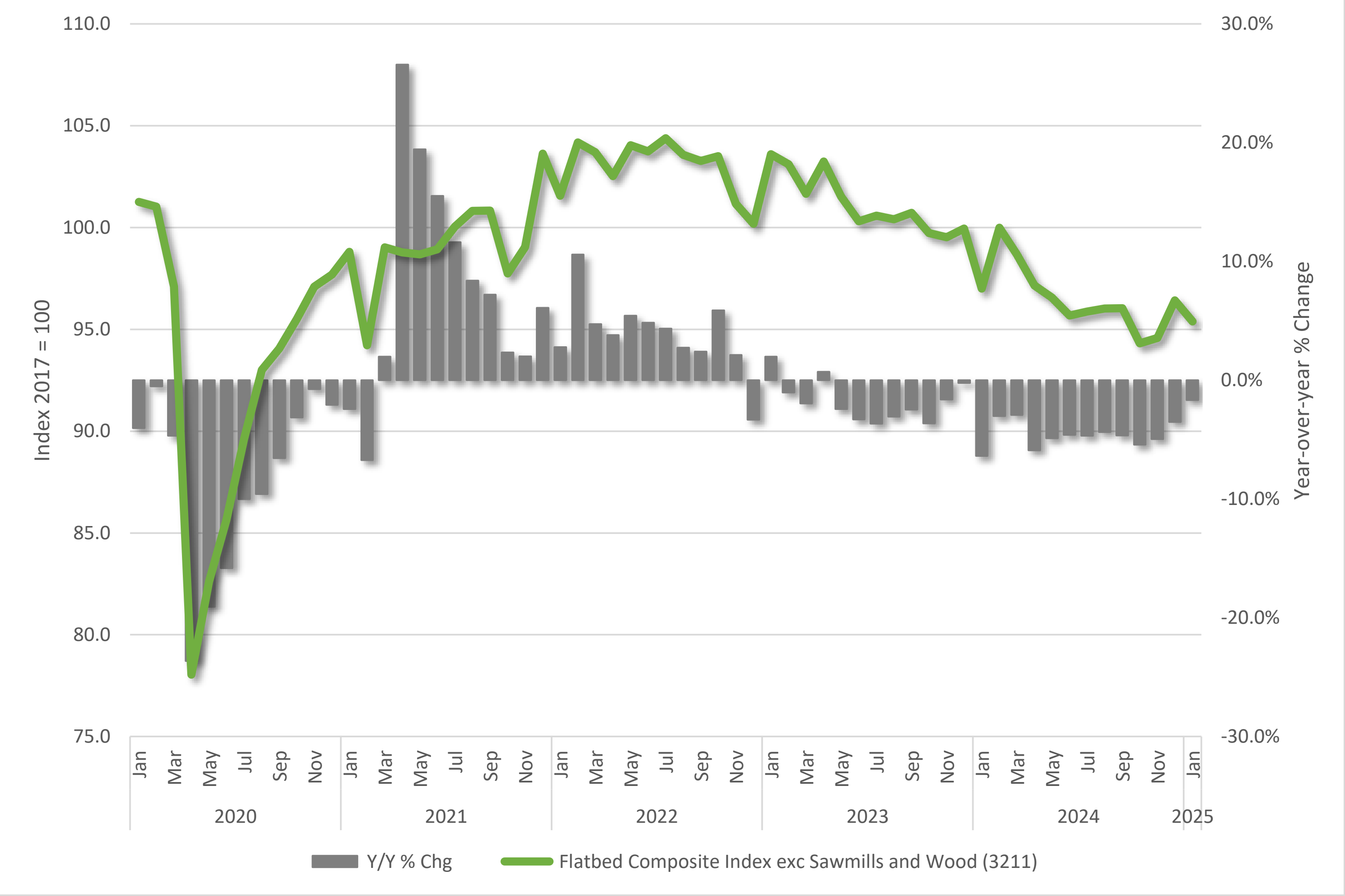
- Manufacturing makes up about 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

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.

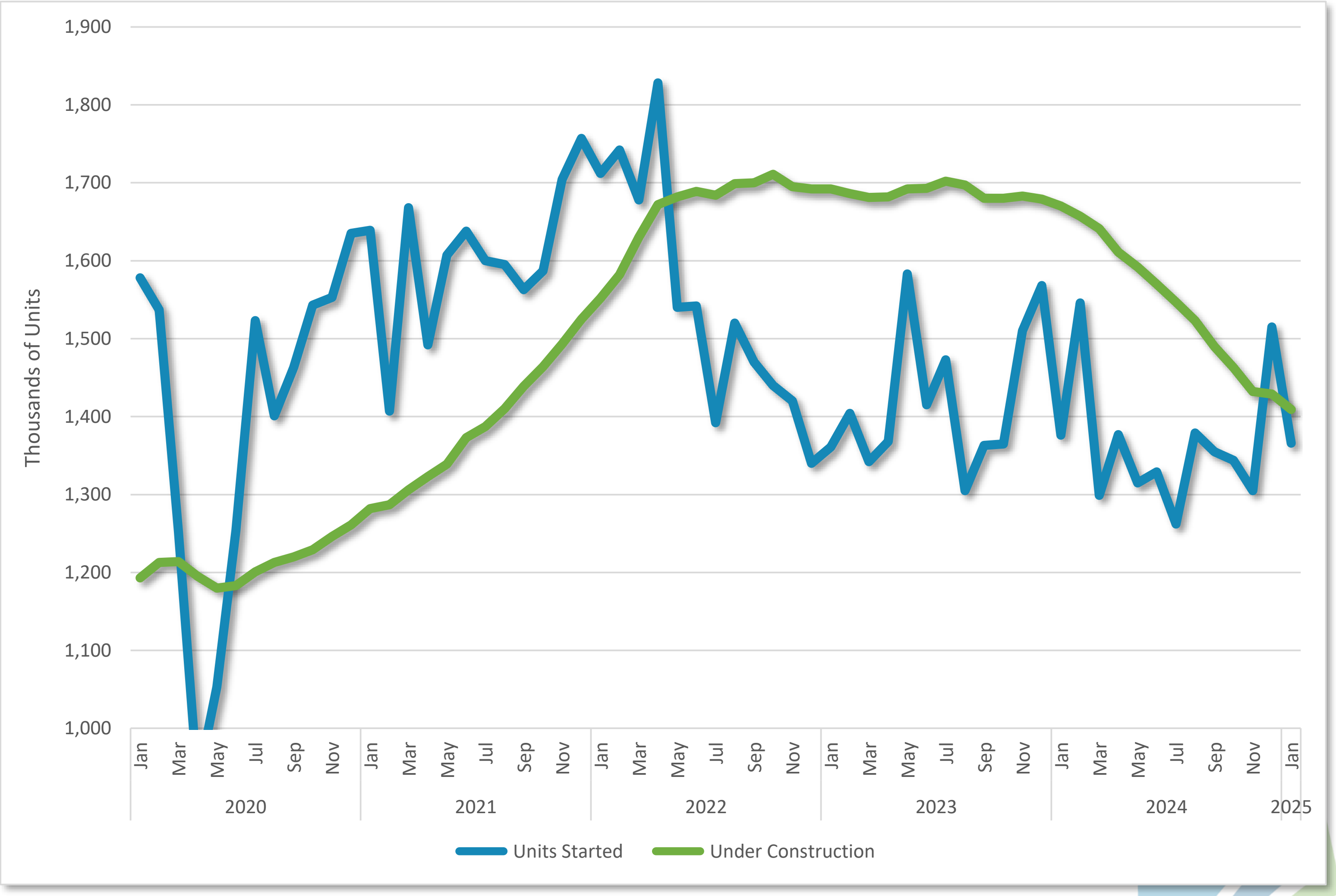
Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

- 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).

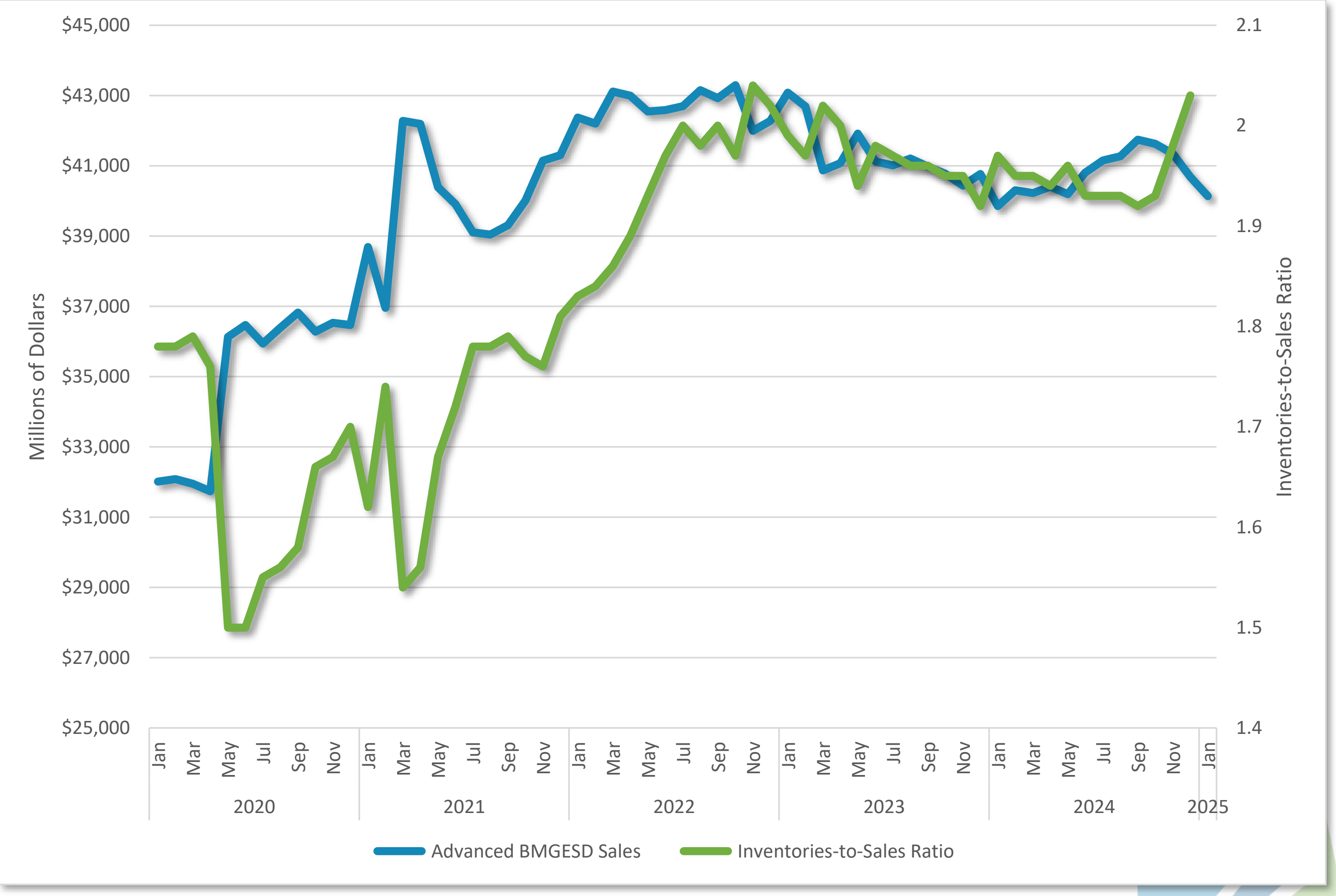
Why it matters: Retail sales give the owner-operator a pulse of the economy and its projected path toward expansion or contraction.

- **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

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.

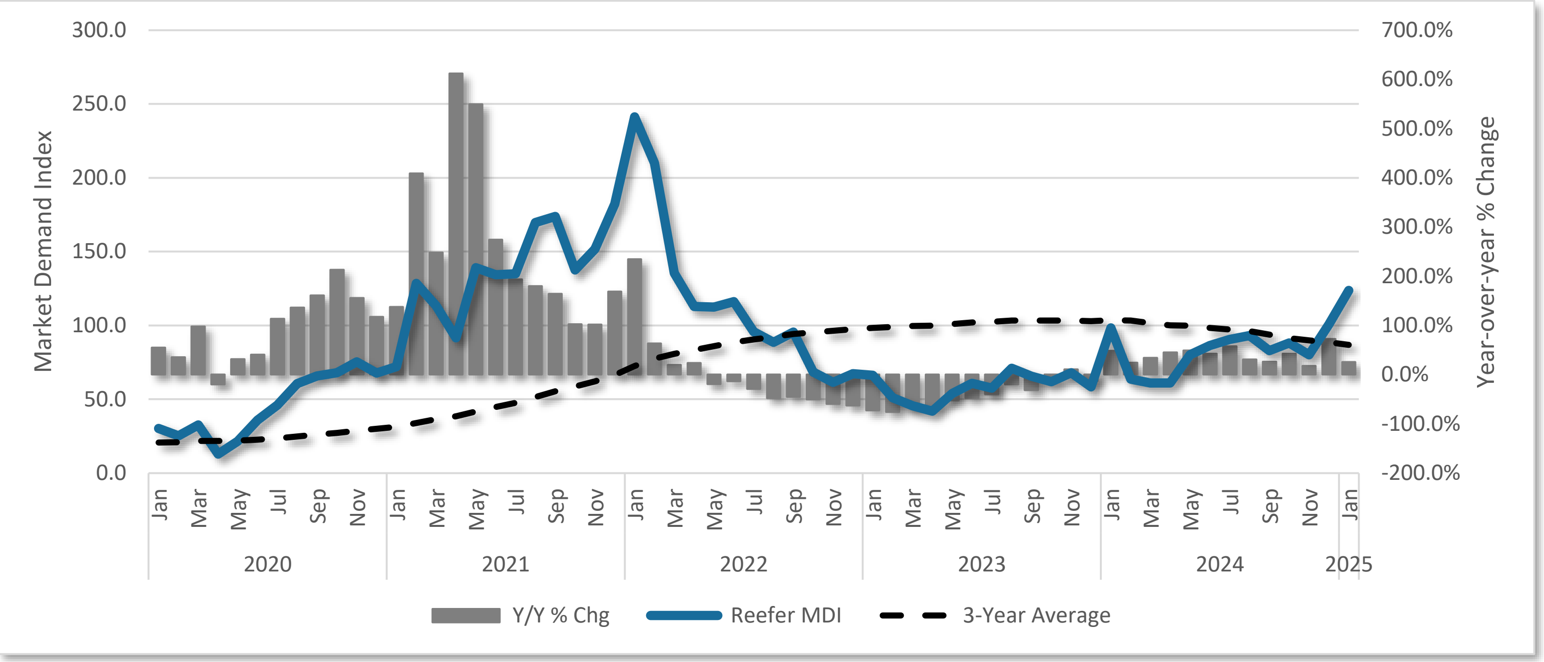
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

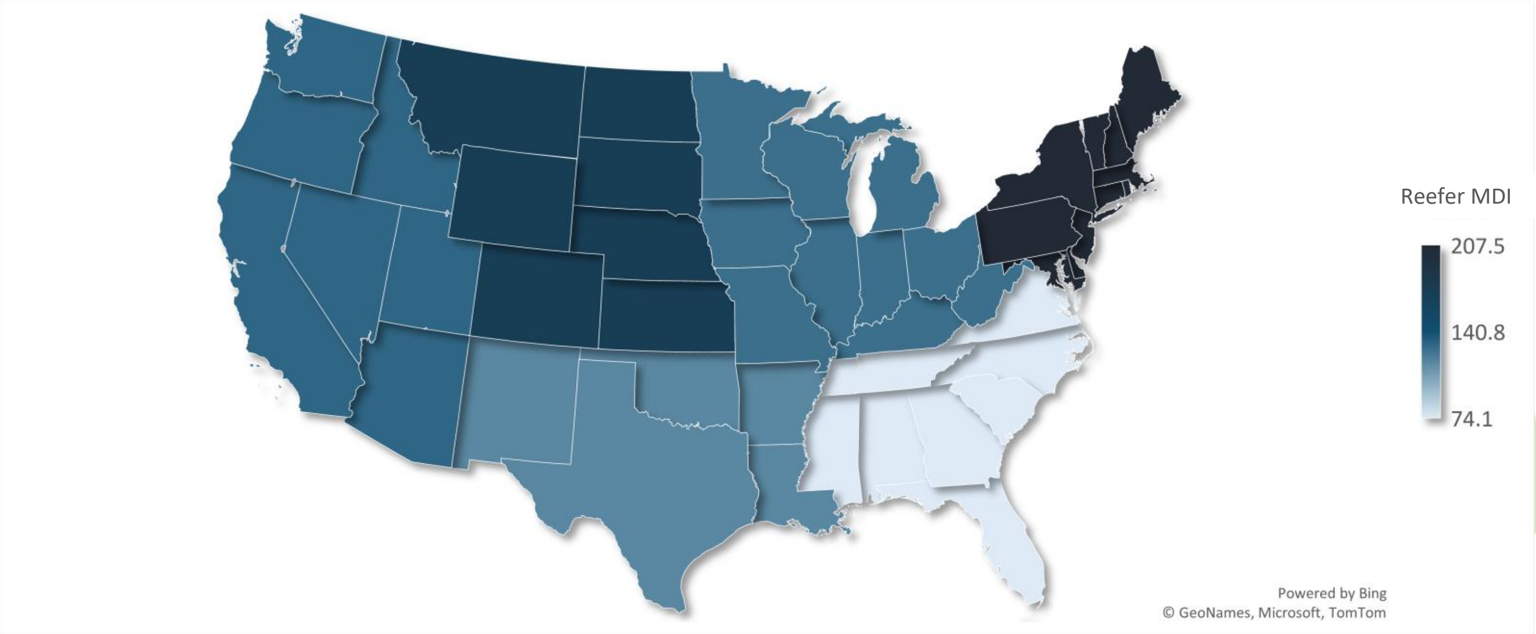
Our thoughts: The Reefer MDI soared in January. The increase was abnormal in both magnitude and seasonality as demand usually decreases until the start of produce season.

- The Reefer MDI rose 22.8% month-over-month to 123.7, after jumping 25.9% last month.
- The jump was a combination of an increase in freight and a drop in capacity as the amount of available loads increased 18.1% compared to a 3.8% decrease in trucks.
- The ratio is 25.9% higher than last year, marking 13 consecutive months of increases, and is 42.3% above the 3-year average. This is the second time the Reefer MDI has crossed that threshold since September 2022.

Regionally speaking, ratios were more favorable for carriers operating in the Northeast (207.5) and the Mountain Central (169.8) regions, compared to other areas in the country.

- All 6 regions experienced an increase in MDI. The largest increase being the Mountain Central region, which rose 47.5% from 115.1 to 169.8. The second largest increase occurred in the Midwest, which increased 44.8% to 127.1.





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.

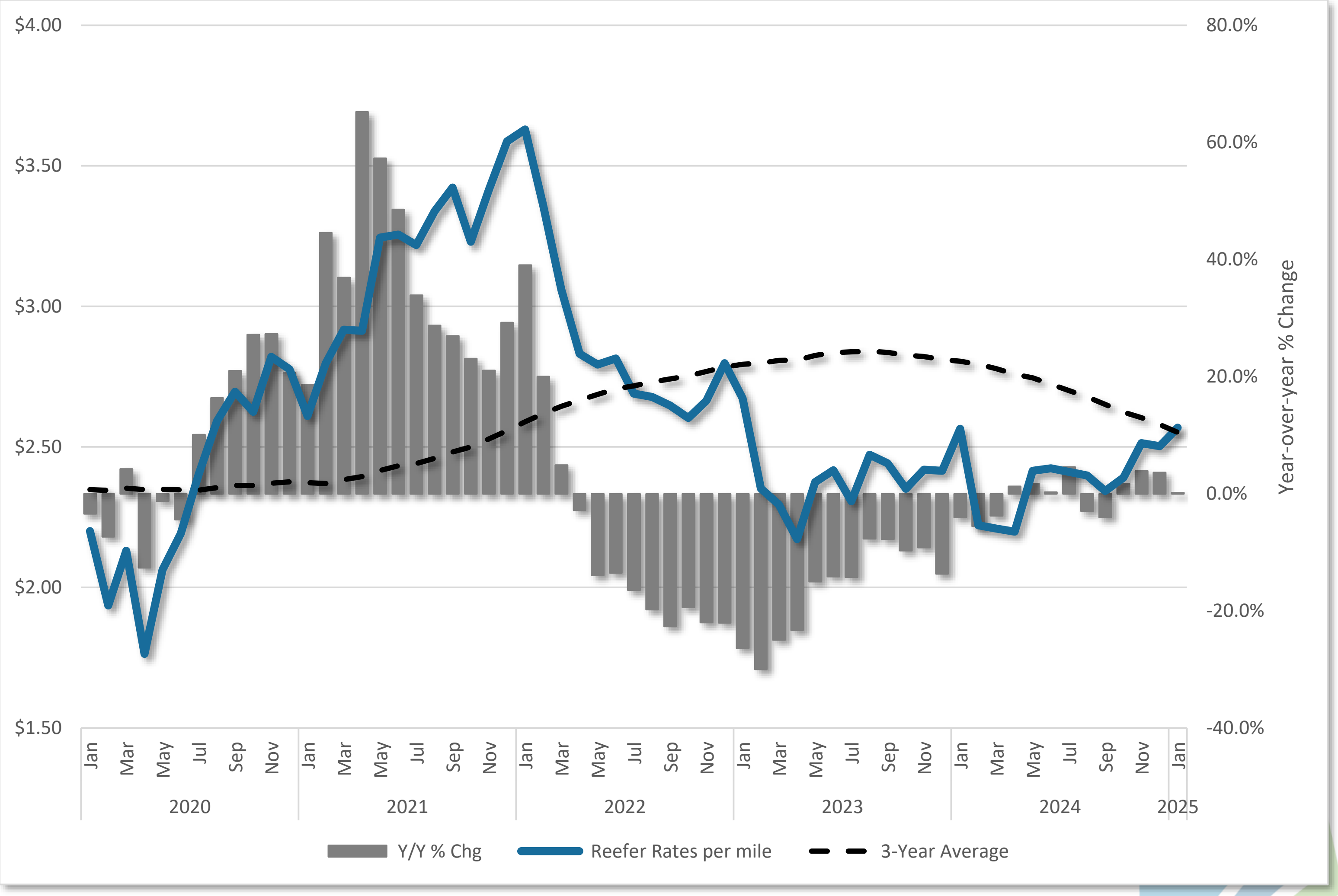
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Reefer spot rates moved with demand and increased month-over-month (M/M) in January, after decreasing $0.01 per mile last month.

- Spot rates improved $0.07 per mile M/M to $2.57, marking 3 out of 4 months of growth, and are 0.2% higher than last year when rates were $2.56.
- Spot rates have increased year-over-year 7 times in the past 9-months, and are $0.02 per mile above 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 $0.09 per mile M/M, and is $0.26 better year-over-year.
- While the spread crossed into positive territory for the first time in 25 months and has improved $0.65 per mile since its bottom in April 2023, we're still waiting to see when the next upcycle will officially begin; tariffs could delay or change things.



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.

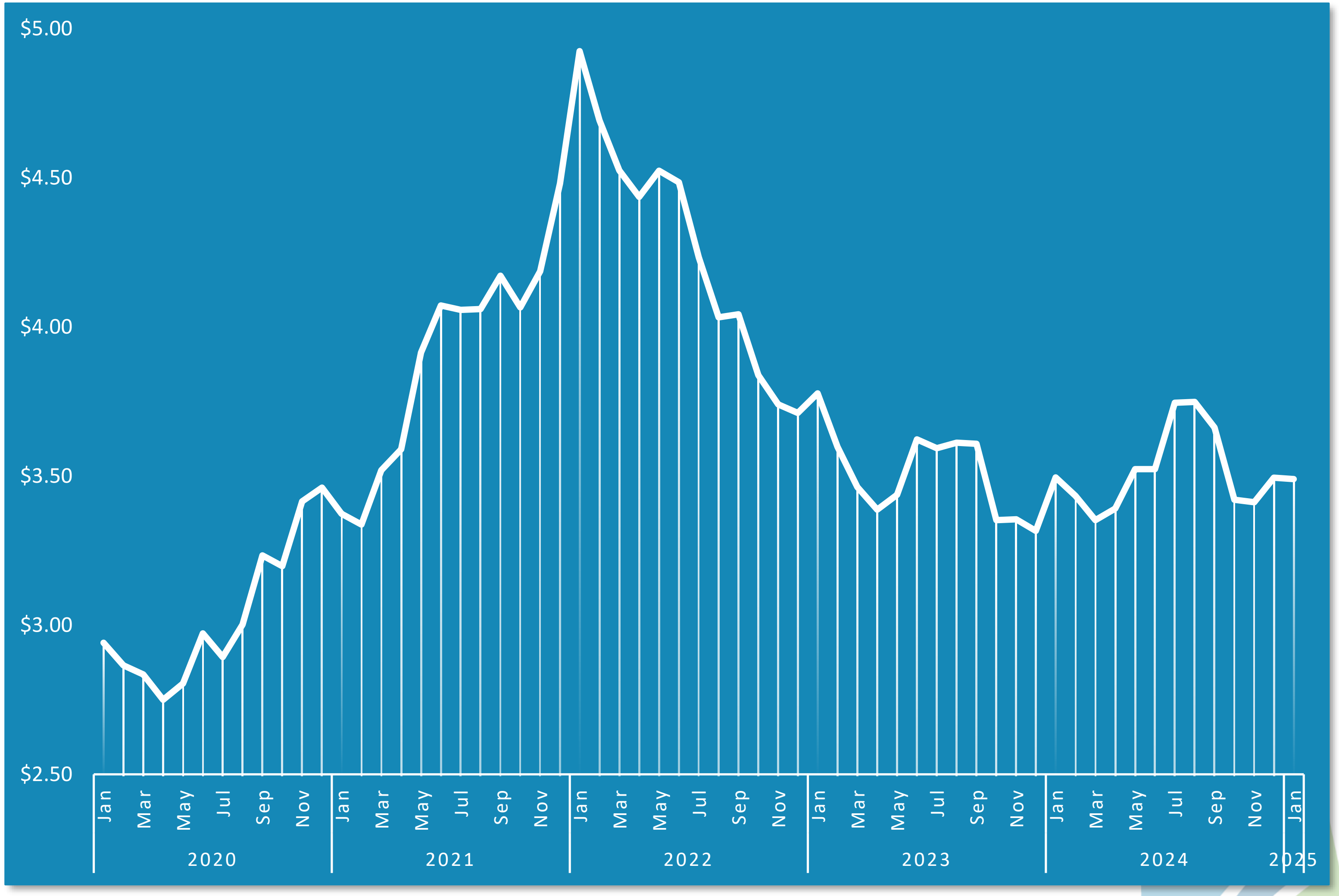
Why it matters: Produce requires fast and efficient movements of perishable commodities.

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

Our thoughts: Fruit and vegetable reefer rates in January were 21.2%, or $0.61 per mile, above 2019 levels according to the USDA.

- Rates per mile dipped $0.01 month-over-month to $3.49 in January, after jumping $0.08 in December.
- Rates per mile were 0.1% or $0.01, lower year-over-year, and are $0.15 per mile 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 $0.35 per mile, followed by the Florida region, which increased $0.10.



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.

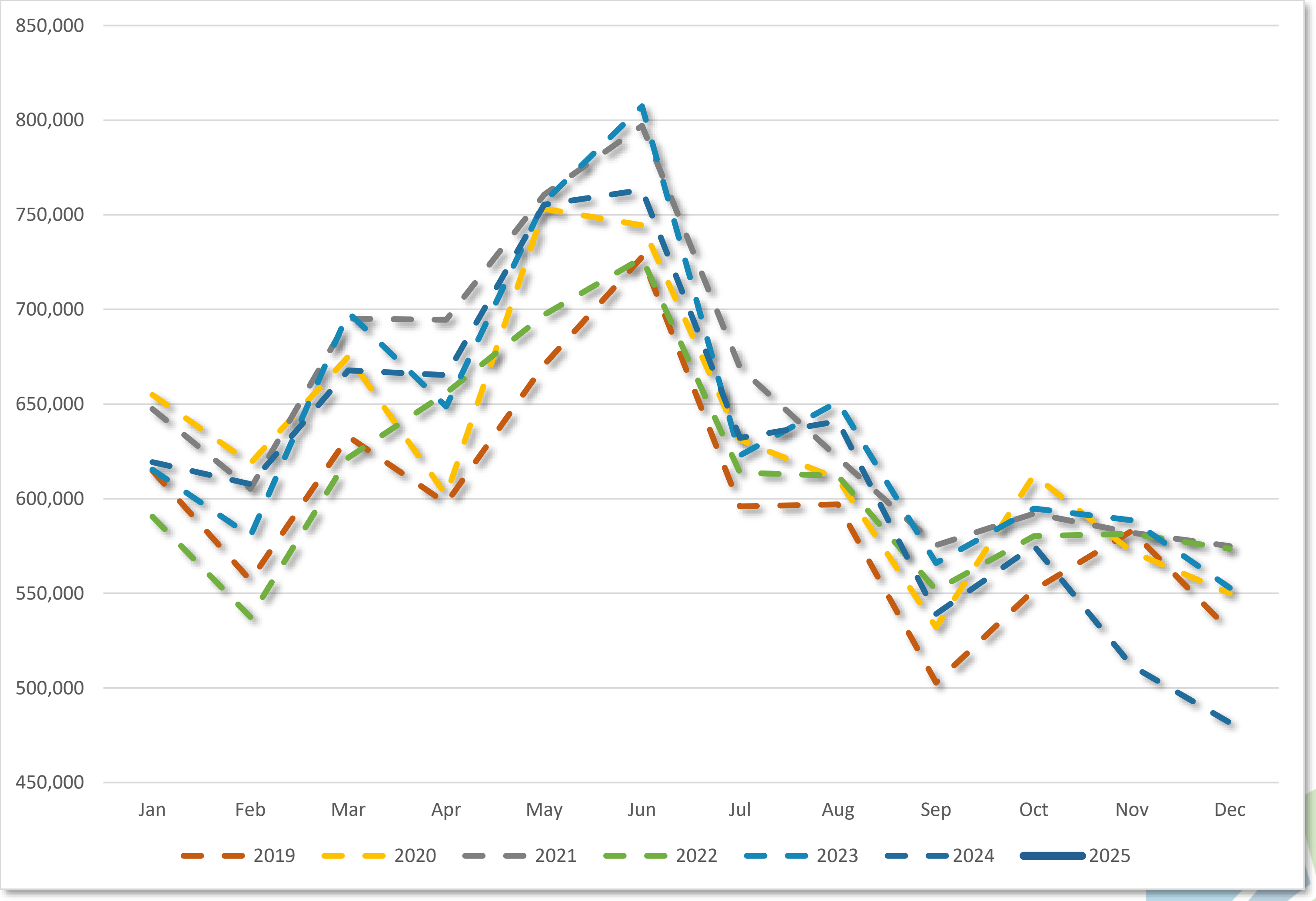
Why it matters: This information is a barometer for the health of the overall reefer market.

- It also provides visibility into what exactly is driving reefer rates, either volume, capacity, or a combination of both.

Our thoughts: Reefer volumes jumped in January after falling 5.9% in December following adjustments. The chart depicts that volumes are low compared to the seasonal trend, but this might be due to the winter storms and the fires in California.

- Reefer volumes increased 18.8% month-over-month to 572,079 pounds, but are 22.2%, or 137,747 pounds, lower year-over-year. Volumes are 5.9% below 2019 levels.
- The California region declined 25.3% month-over-month, and is 76.4% lower compared to last year.
- Nine regions experienced increases in volumes. The greatest increase occurred in the Arizona, Florida, and Mexico-Arizona regions, respectively.

The bottom line: While volumes increased in January, they are still lower than 2019 levels, which isn't good.



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

Fruit and Vegetable Industry: Truck Availability

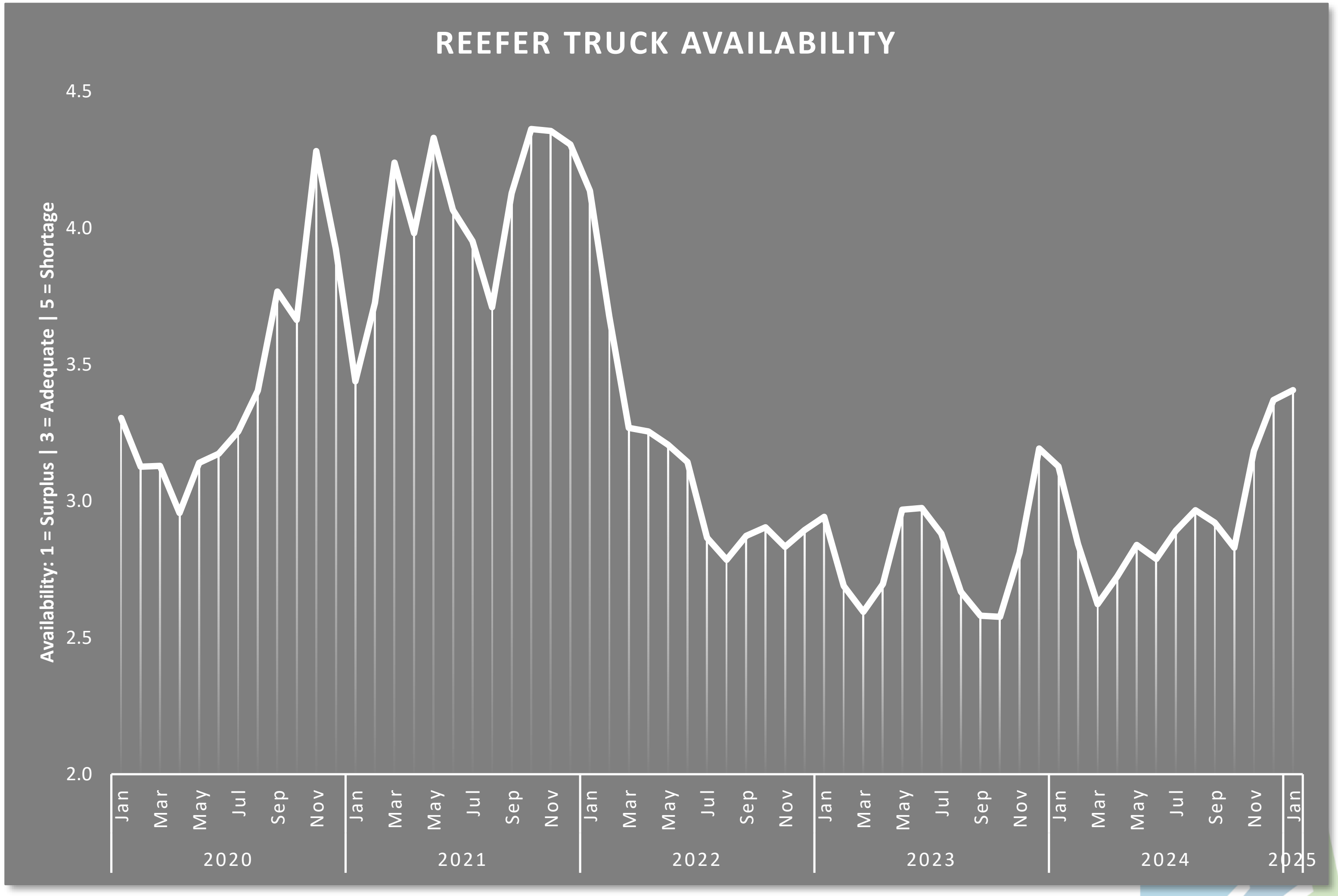
The big picture: The USDA's Crops report includes daily fruit and vegetable data for refrigerated truck availability across different regions and commodities.

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 again in January after tightening in December as well despite lower rates. This tightening was probably due to seasonality.

- Reefer truck availability tightened to 3.41, and is 8.9% tighter than the previous year. Capacity is 14.3% tighter than in 2019.
- Capacity levels were still mixed across the country.
- Availability was tightest in the Mexico-Arizona region, while Florida and the Pacific Northwest experienced the greatest loosening compared to 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.

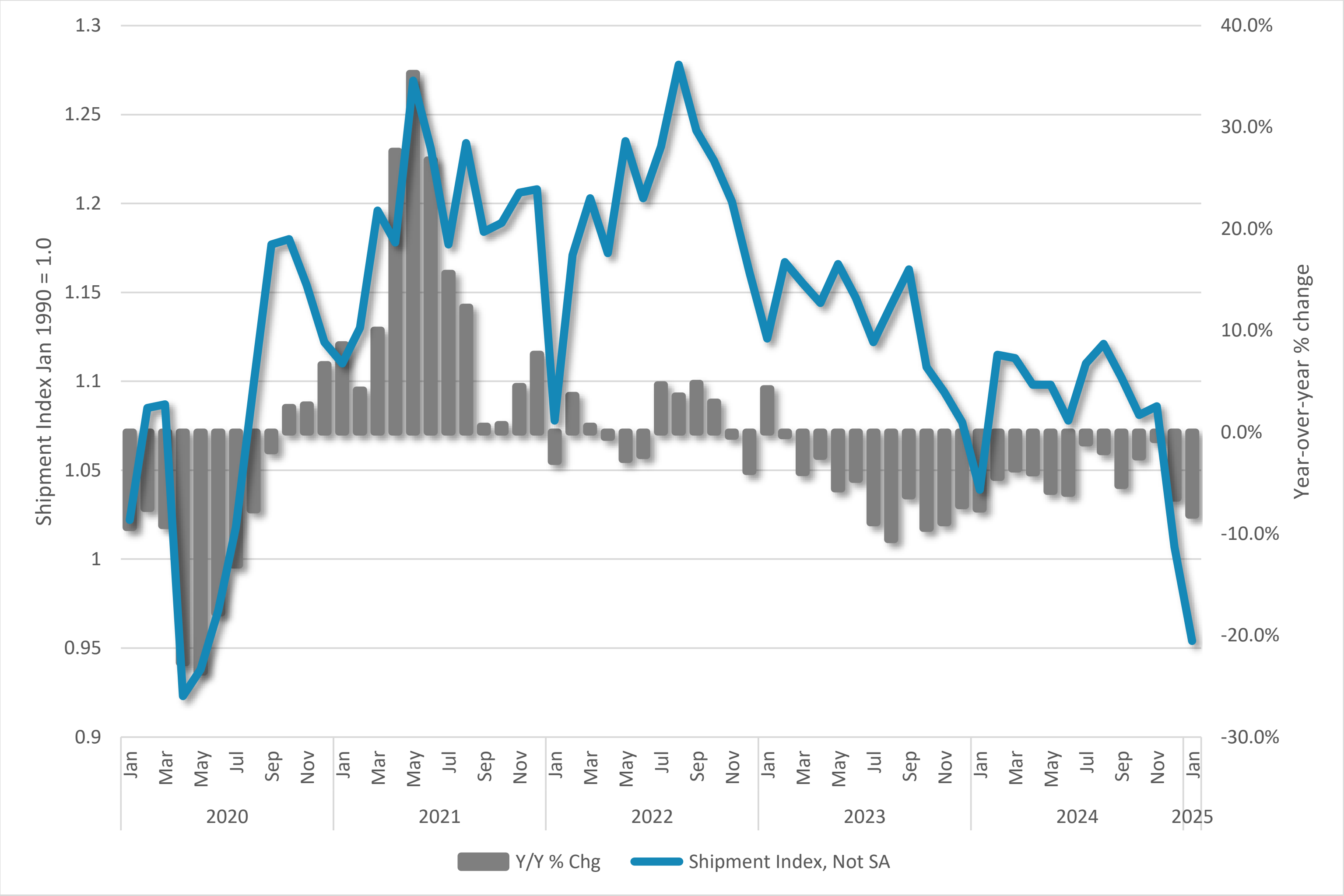
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: the Cass Shipment Index declined 5.3% month-over-month to 0.95 in January after falling 7.3% in December. The Shipment Index decreased 8.2% year-over-year, marking the steepest decline since November 2023.

- Expenditures, which measure the total amount spent on freight, dropped 2.6% to 3.13 when SA, and are down 3.5% Y/Y.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, remained flat at 3.04 when SA.
- Truckload linehaul rates, which includes both spot and contract rates, increased 0.6% to 141.5, marking 5 consecutive months of increases. Rates turned positive Y/Y for the first time in 25 months.

Bottom line: Cass believes "Perhaps the most important takeaway this month is that while volumes remain soft, capacity has adjusted enough to result in modestly higher rates. In addition to tariffs, this could be a key theme of 2025."



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

Supply: Truck Employment

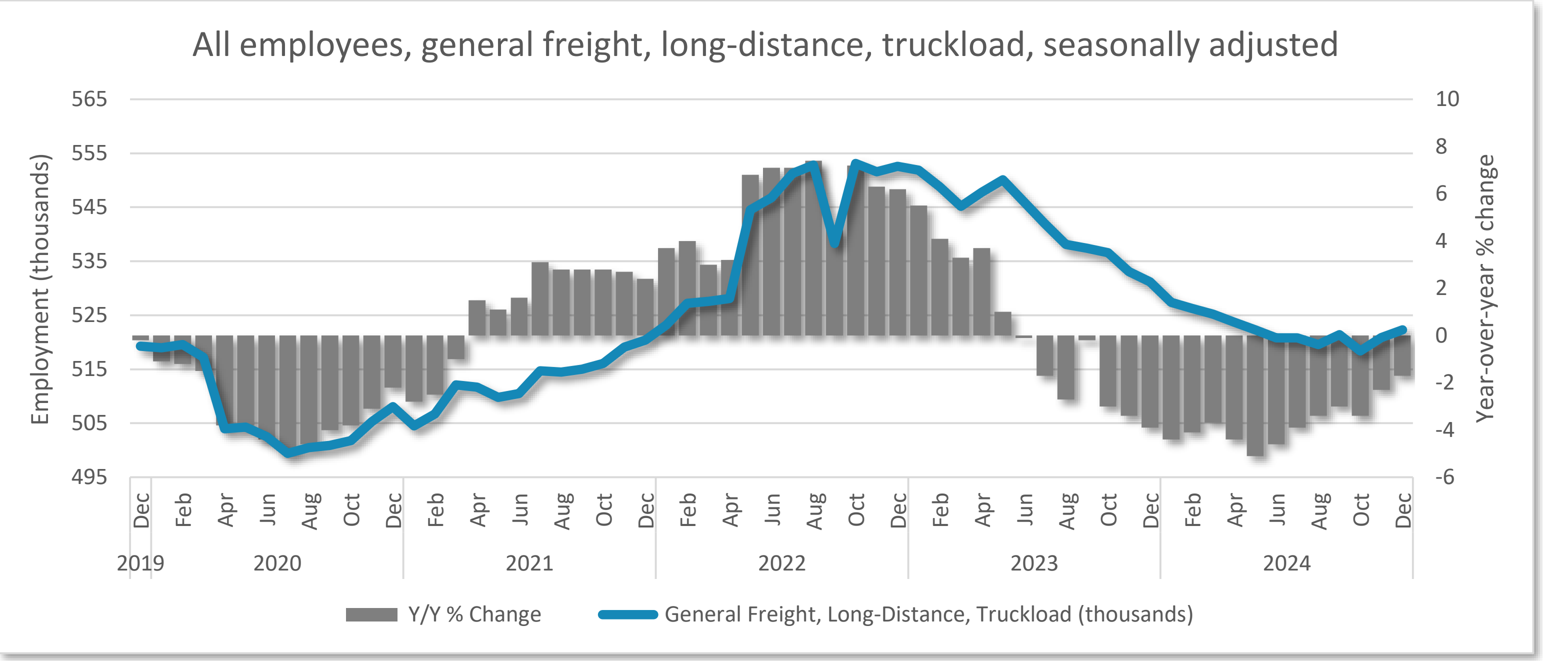
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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.

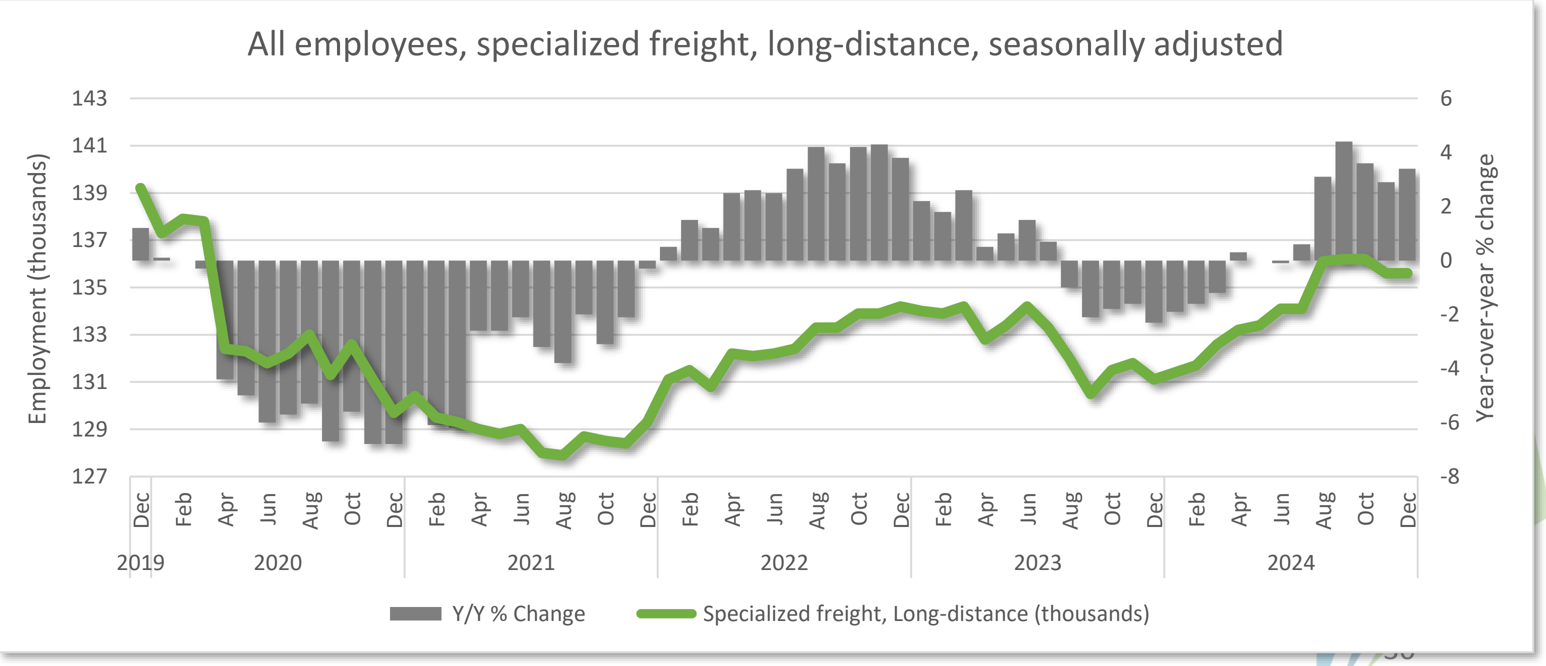
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

Our thoughts: Truck employment numbers overall (not pictured) increased 0.25%, or 3,800, in January to 1.521 million people following adjustments, and are down 0.7% year-over-year. This marks 20 Y/Y decreases in 21 months.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, increased 0.3%, or 1,400 jobs, month-over-month in December.
- It's 1.7%, or 8,900 jobs, lower Y/Y, which is the 19th consecutive month of Y/Y decreases, and 0.2% lower than 2019 levels.
- Specialized freight trucking, long-distance, which represents flatbed, reefers, and other equipment types, remained flat month-over-month at 134,300.
- This figure is 3.4%, or 4,500 jobs, higher year-over-year. This is the 5th consecutive Y/Y increase after 12-months of straight declines. This figure is 2.7%, or 3,800 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.

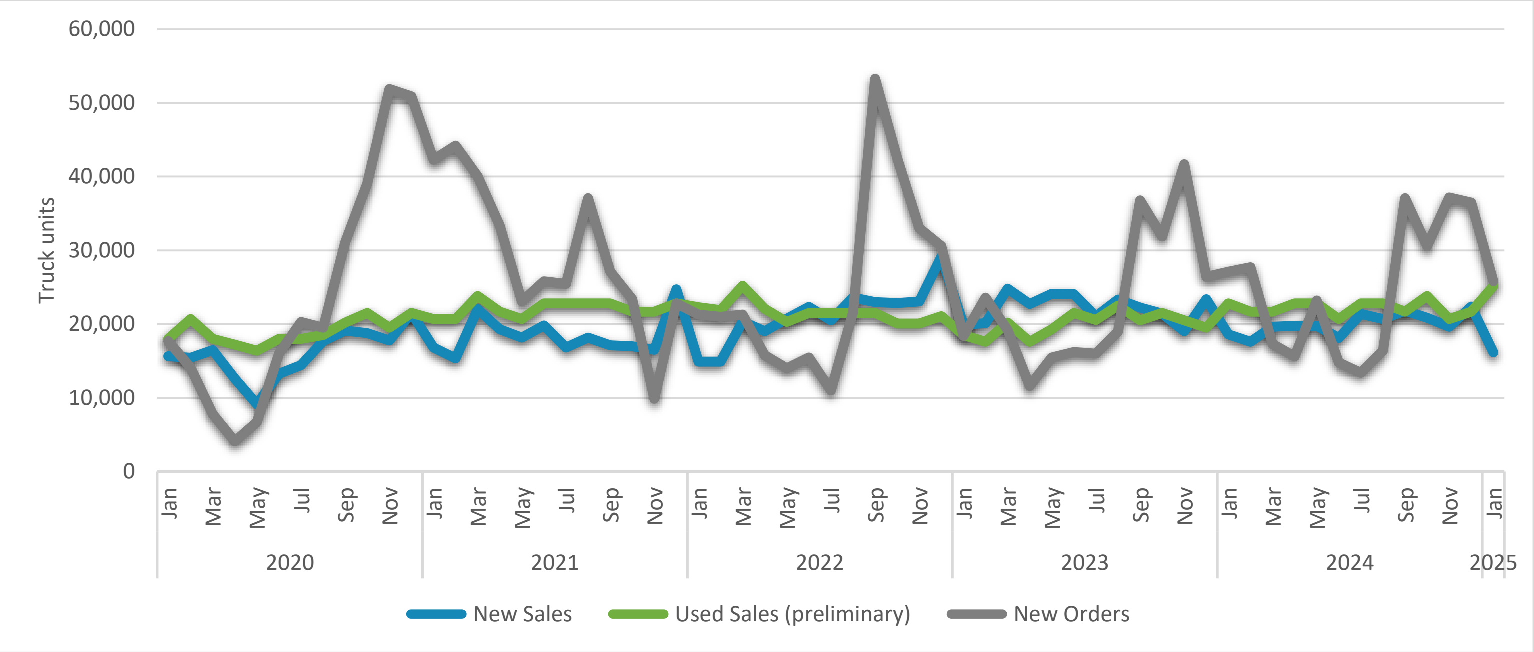
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

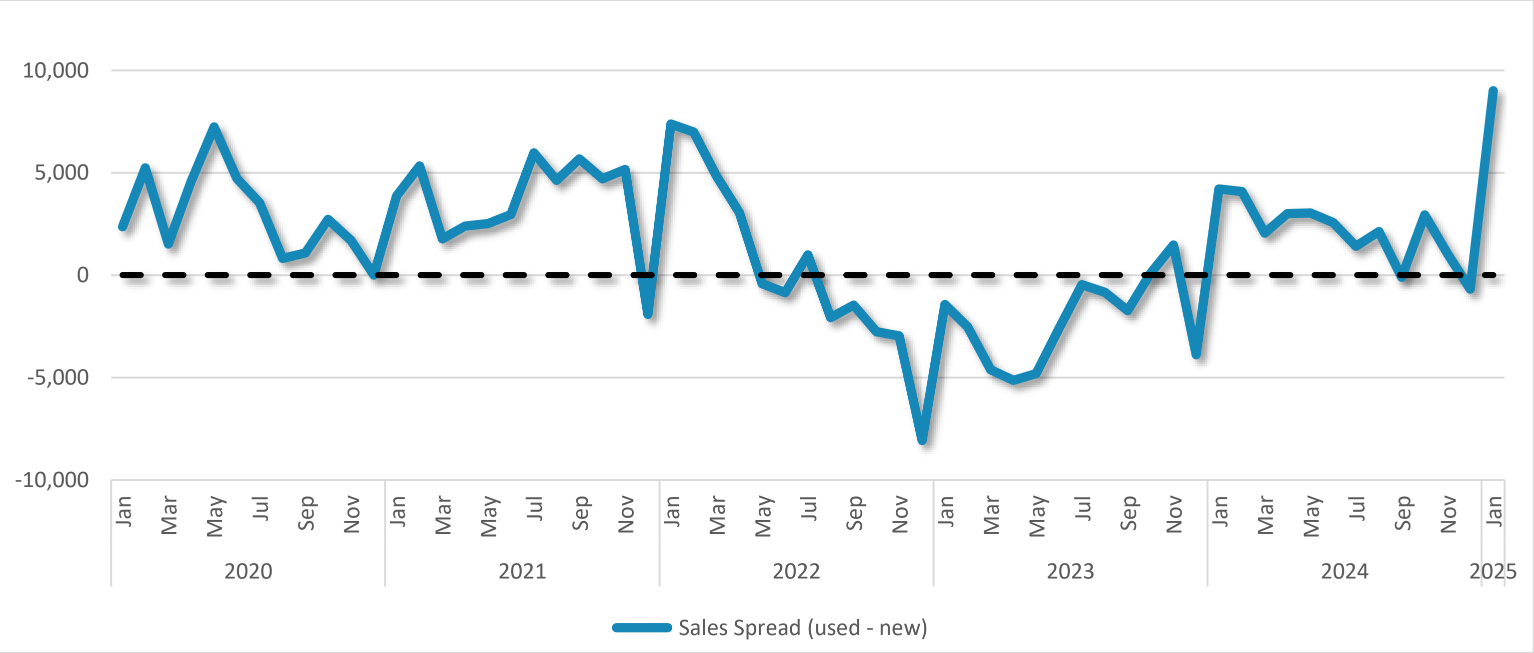
- Demand for trucks tends to spike when new orders increase following a steady increase in rates as depicted in the top figure (2017-2018 and 2020).
- Truck capacity tends to loosen when new sales eclipse used sales as shown in the bottom chart (2018-2019 and 2022-2023).

Our thoughts: New sales dropped 27.7% in January to 16,175 rising 13.9% in December, and are 13% lower year-over-year. New orders declined 29.3% to 325,800 after declining 1.9% last month.

- Preliminary used sales figures increased 16%, or over 3,470 units, in January to 25,172, and are up 10.4% compared to last year.
- Used sales eclipsed new ones for the 12th time in 13 months. This time by 8,997 units.

Steve Tam, VP at ACT Research, stated, “The new year got off to a strong start for used truck sales…easily outpacing typical seasonality, which called for a decrease of 11% 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.

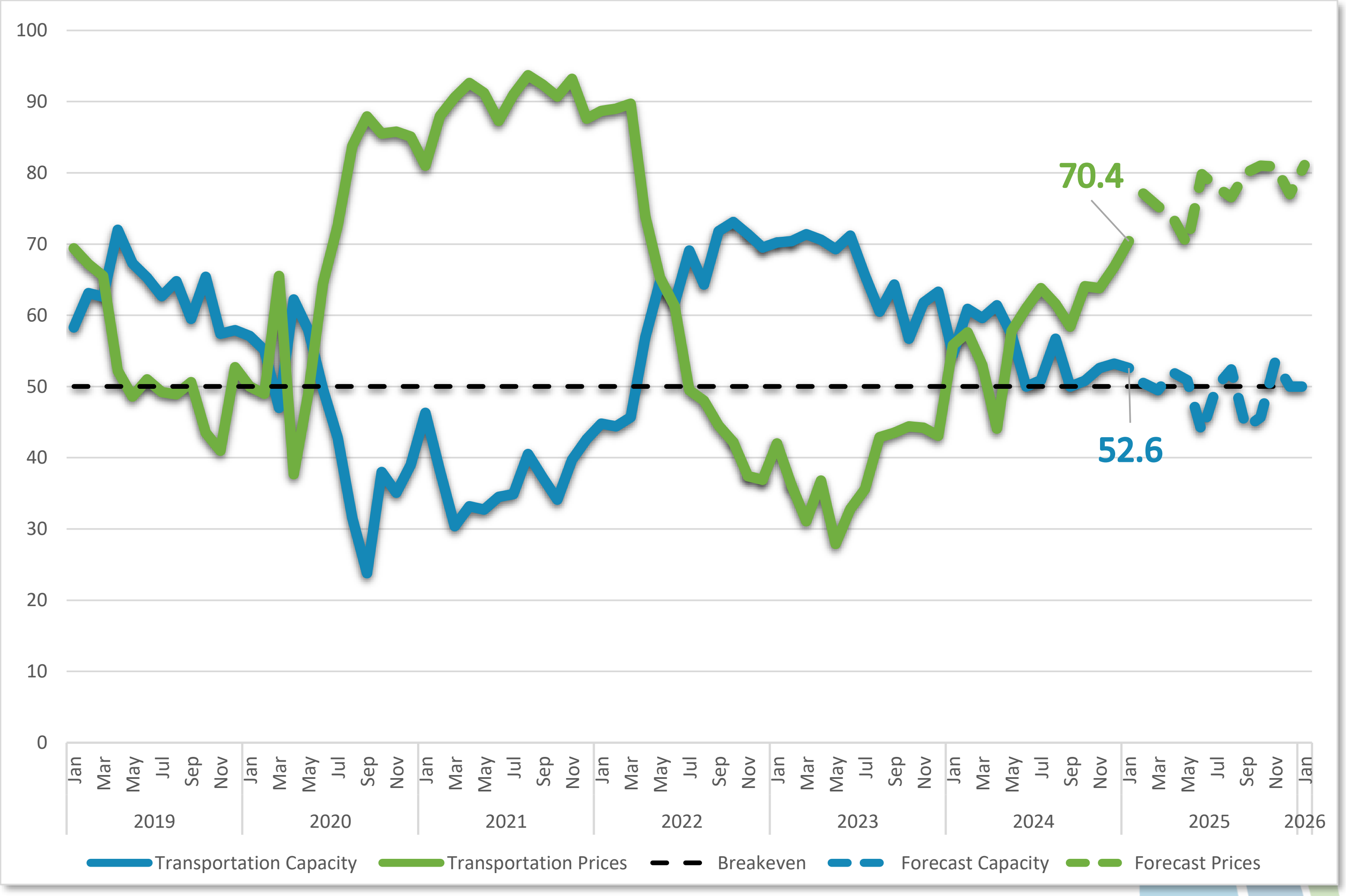
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- 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 increased 4.7 points to 62.0, due to movements in several of the sub-metrics of this index. The overall index has been in expansion territory for 14 consecutive months. Transportation prices outpaced capacity again in January as capacity decreased slightly.

- Prices jumped 5.4% month-over month to 70.4, and are 26.2% higher year-over-year (Y/Y), when the index read 55.8.
- Transportation capacity decreased 1.1% to 52.6, which is 3.5% lower Y/Y. Transportation capacity has not contracted since March of 2022, but is inching closer.

Bottom line: According to LMI, transportation prices moved above 70 for the first time since April 2022. Unlike that reading, which was the start of a swift descent into a freight recession, this reading has been steadily building over the last year and a half, ever since we hit the bottom of the market in July 2023. LMI believes the freight market is going to move into a stronger position for carriers.



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.

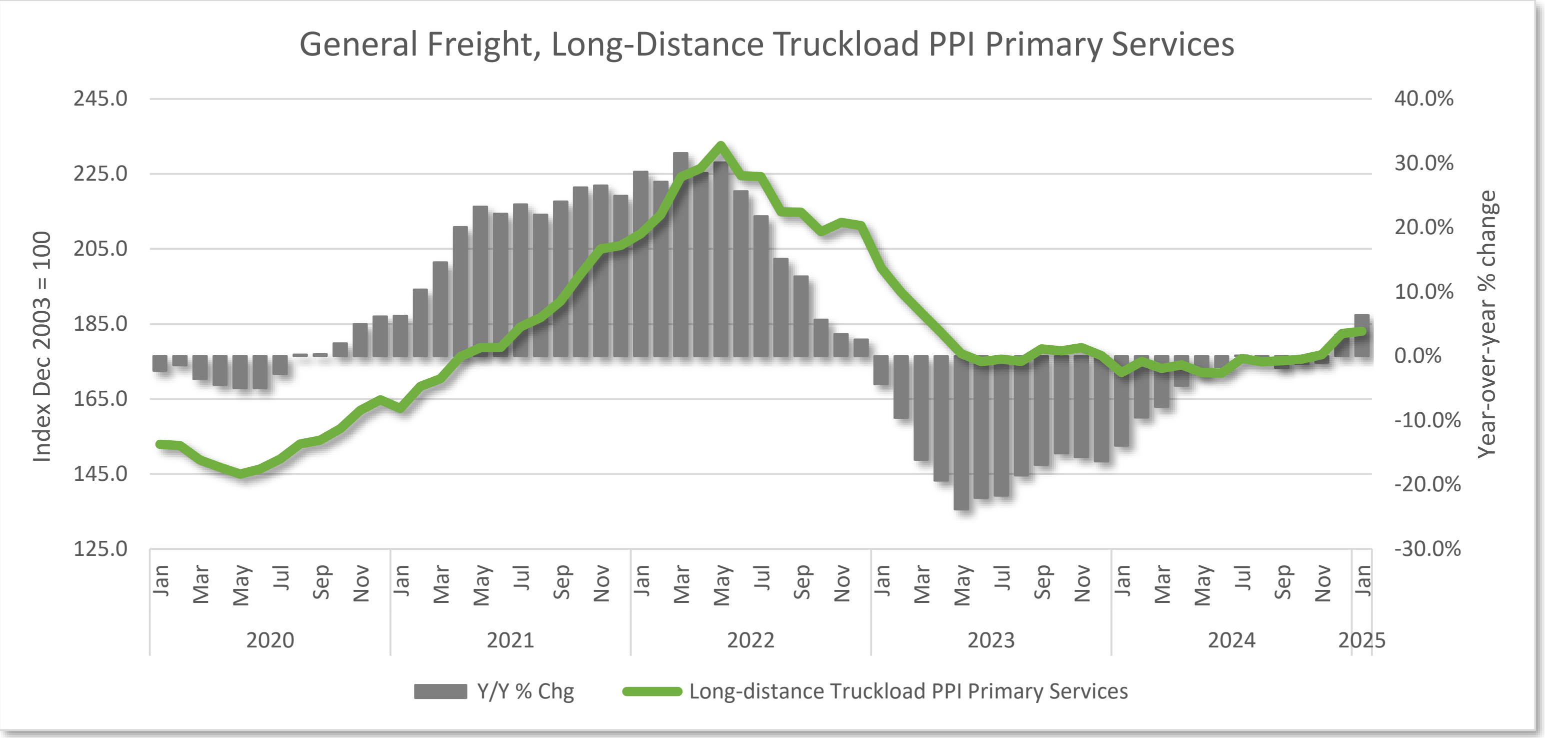
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index moved upward in January after jumping 3.2% in December following readjustments. The index is now 21% lower than its high in May 2022, but 32.6% higher than 2019 levels.

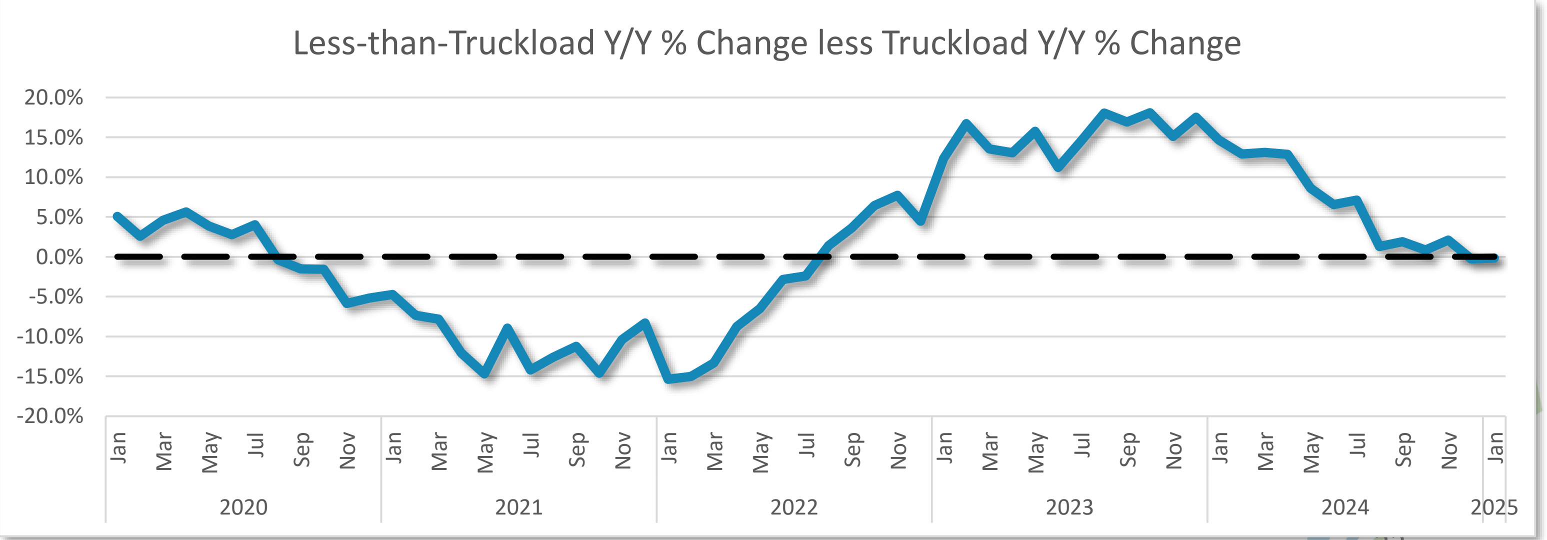
- The long-haul PPI increased 0.3% to 183, month-over-month, marking 5 consecutive months of increases.
- The PPI is 6.4% higher year-over-year, marking 2 straight months of Y/Y increases, which is a positive indicator that the freight market is getting ready to turn upward.

1 big thing: When TL rates fall, LTL shippers shift volume to the TL sector to reduce costs. As a result, subtracting the Y/Y % change for TL's PPI from LTL's PPI provides a useful market indicator. A value above o% suggests a downturn, while a value below 9% indicates an improving market.

- LTL minus TL Y/Y % change is negative 0.1%, after decreasing 2.4 percentage points last month following adjustments. This is the second consecutive month that LTL minus TL has been below zero, which is a very good sign for freight.



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



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

Costs: Diesel Fuel

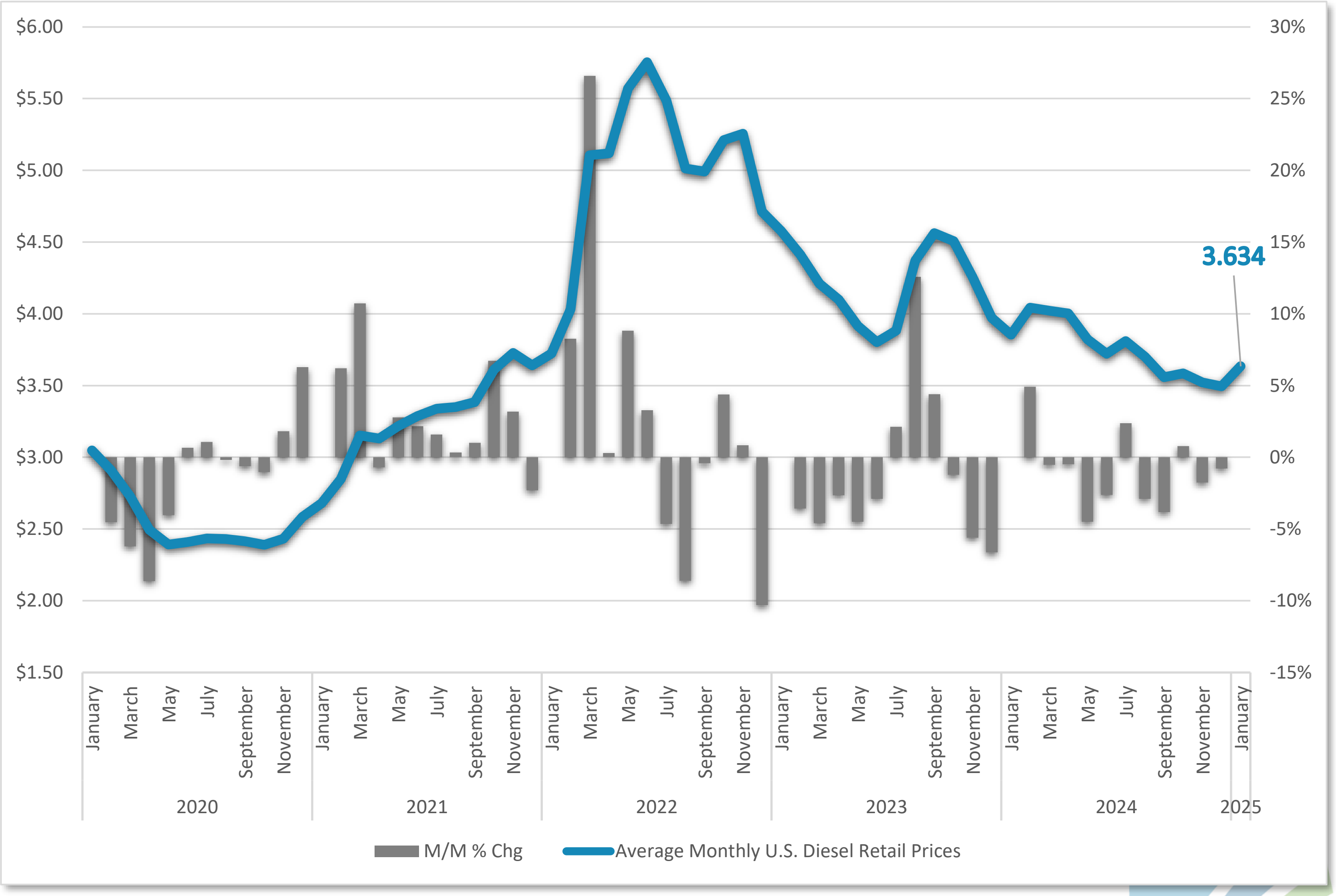
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 increased $0.14 per gallon in January after decreasing $0.03 in December and $0.06 in November. Prices through January have now declined $2.12 per gallon since the high of $5.75 in June 2022.

- The average price for diesel fuel increased 4.0% month-over-month to $3.63 per gallon, marking the largest month-over-month increase since February 2024, when prices jumped 4.9%
- The average diesel price was 5.7% lower year-over-year when the cost was $3.85 per gallon, and is 3.3%, or $0.13 per gallon, lower than the 5-year average.
- The average diesel price has declined year-over-year for 23 straight months, which has helped to reduce operating costs for owner-operators.
- 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.

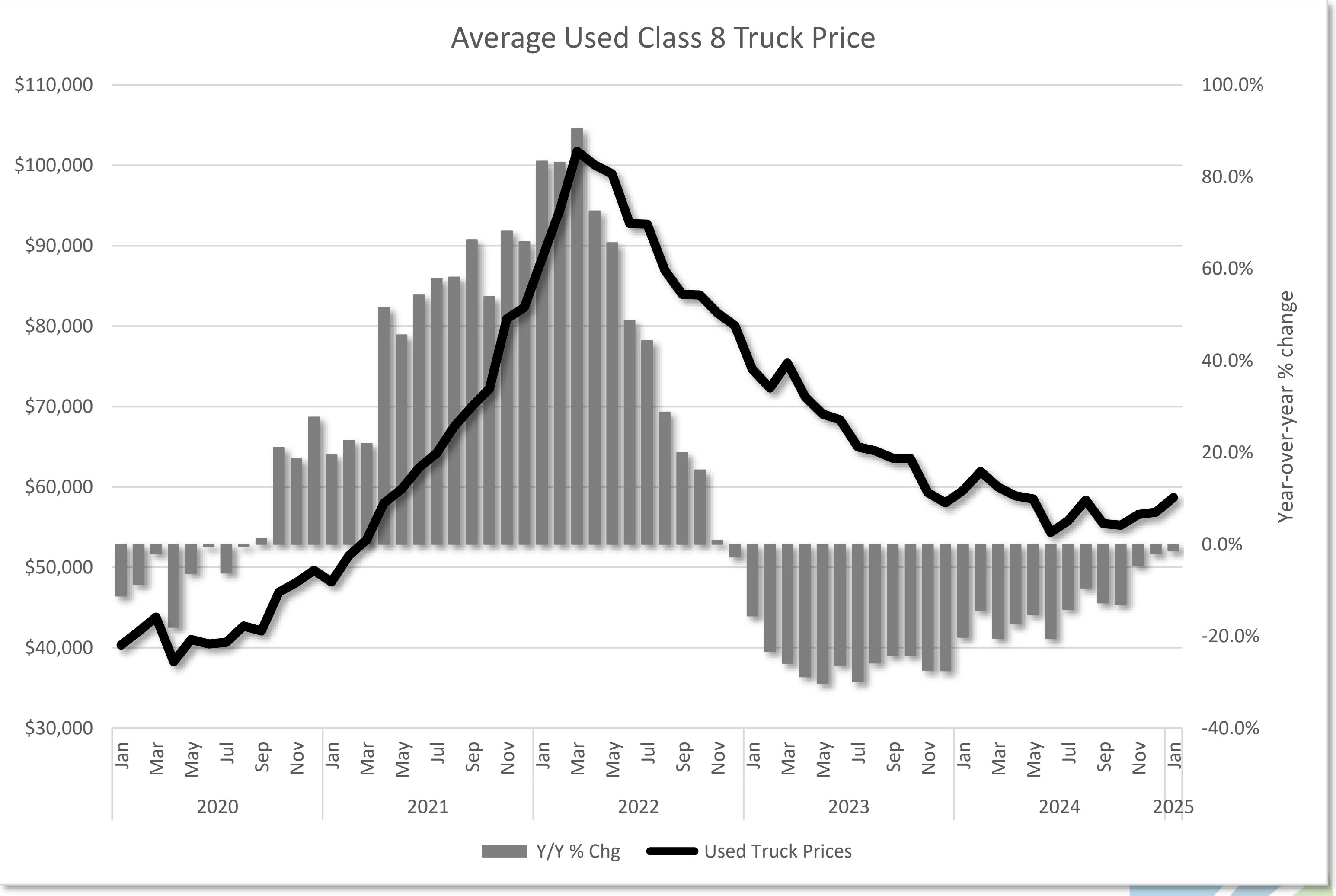
- As spot rates turn upward, the number of individuals seeking to become an owner-operator also increase, pushing used prices higher.

Our thoughts: Preliminary used truck prices increased again in January after increasing 0.5% in December following readjustments.

- Preliminary used Class 8 truck prices increased 3% to approximately $58,685.
- This is 1.4% lower year-over year, and 8.8% below than the 5-year average.

While preliminary used truck prices appeared to turn positive year-over-year last month for the first in 25 months, readjustments to the data showed otherwise.

- Preliminary used truck prices have now been negative for 26 months.
- However, prices are edging closer to flipping positive, which would be a positive sign that the freight market is poised to turn 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 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.

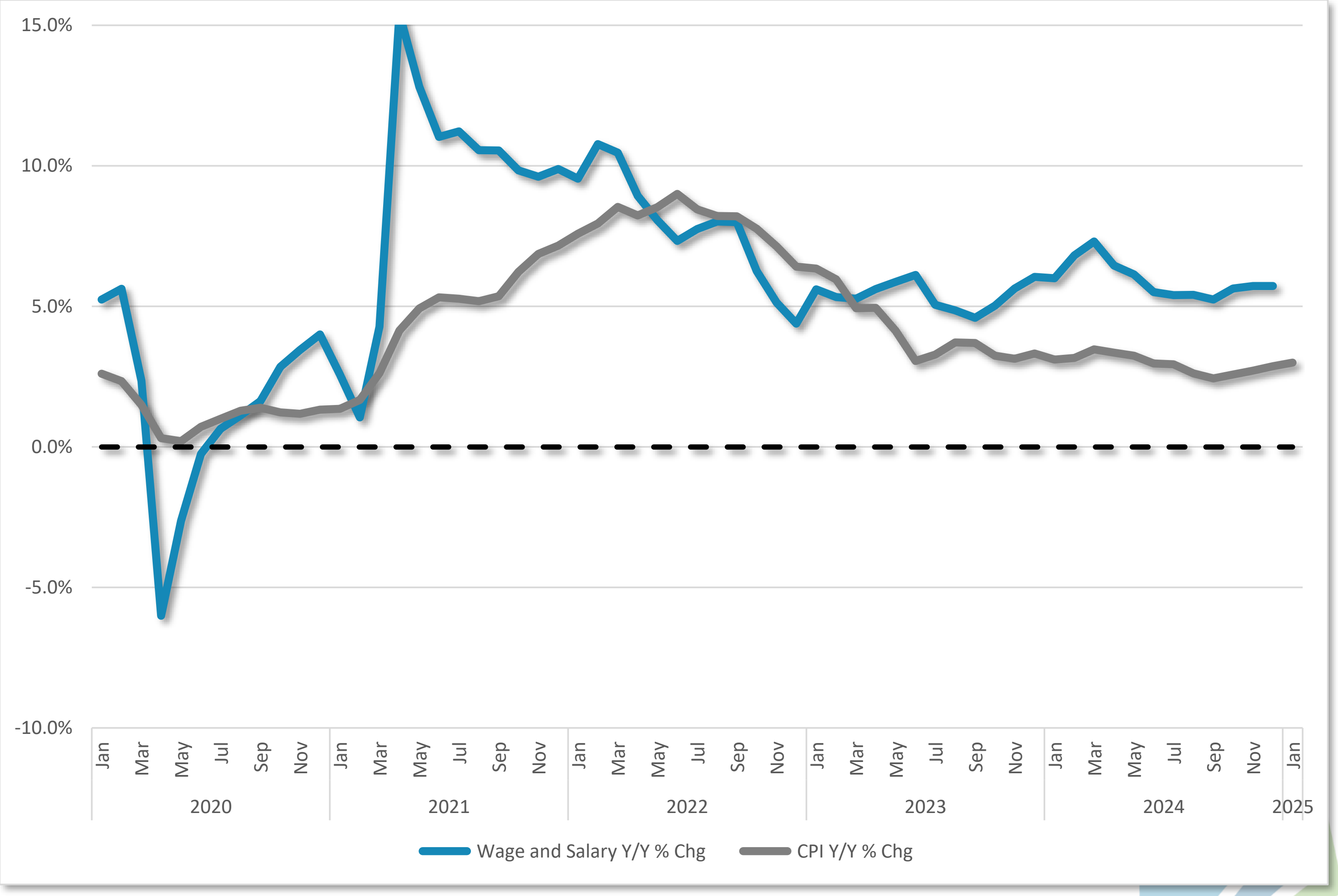
Why it matters: Wage and salary growth as well as CPI have great influence on consumers and can thereby help the Owner-operator gauge the health of the market.

- 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 December, while CPI moved upward again in January.

- Wages and Salary disbursements increased 0.4%, or $54.4 billion, month-over-month.
- In terms of year-over-year growth, wages and salary disbursements are 4.7% higher.
- The BLS reported that the CPI rose 3.0% in January from year-ago levels, which was an increase from December's 2.9% rate.
- The Fed cut interest rates each month between September and December, but now they're projecting that they will only cut rates a half point in 2025, if that.

Core CPI, which excludes food and energy, rose 2.4% month-over-month to 3.3%. Services and shelter, the down over last month, continue to come in high. Energy spiked last month to 0.8%.



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.

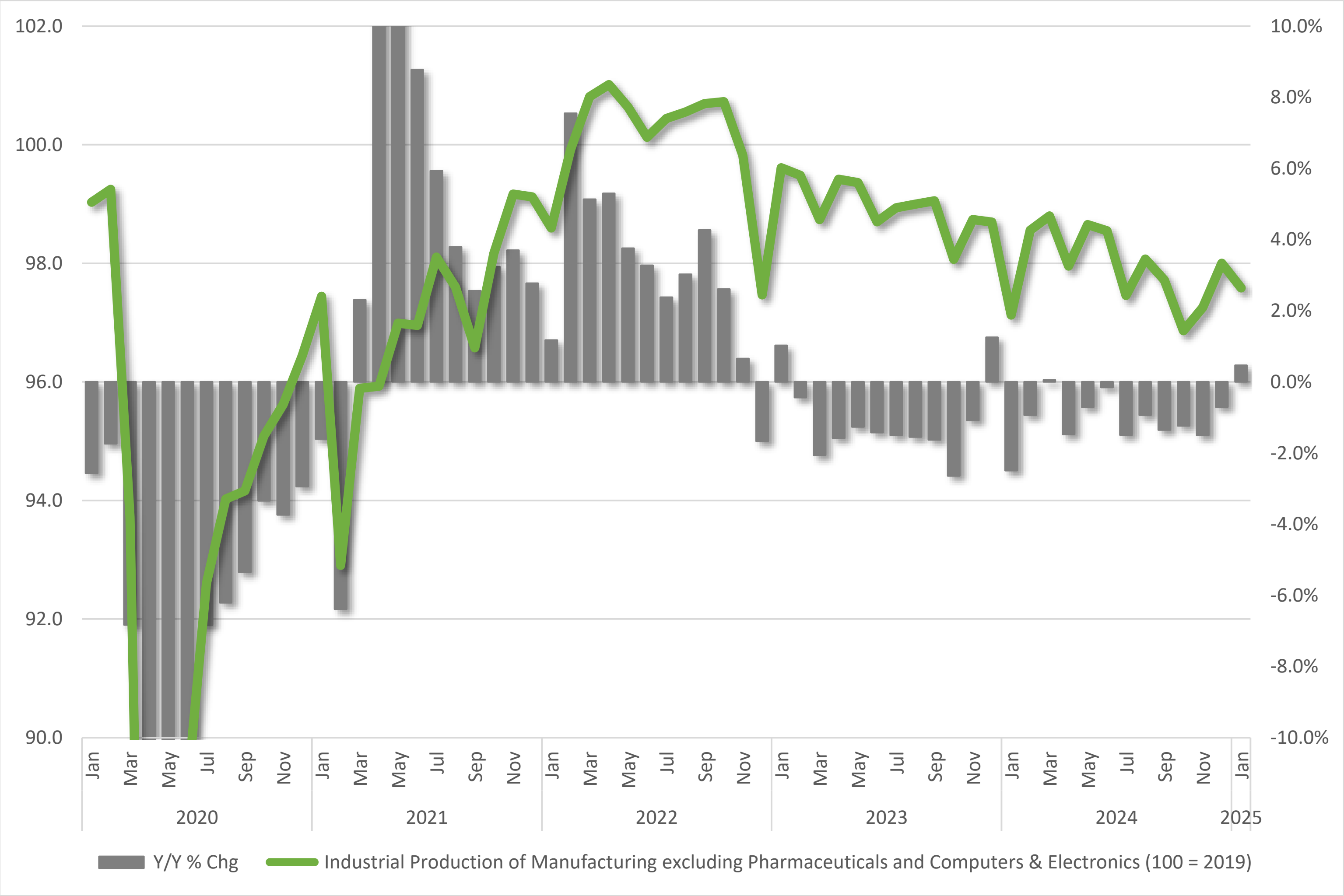
This is especially true when removing pharmaceuticals (NAICS 3254) and computer and electronic products (NAICS 334), as these sectors have an outsized influence on the overall manufacturing index considering how little freight they generate.

- 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 decreased month-over-month, while simultaneously increasing year-over-year (Y/Y) in January.

- Manufacturing activity decreased 0.4% to 97.58 after increasing 0.8% last month following adjustments, but is up 0.5% Y/Y.
- Activity was up Y/Y for just the 4th time in 25 months, and for the first time in 10 consecutive months
- Activity was 2.4% below 2019 levels.

While the current manufacturing recession has been ongoing for eight quarters, some freight generating sectors are beginning to turn a corner. Nonmetallic mineral products (NAICS 327) and wood (NAICS 321) are just a couple examples of this.



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.

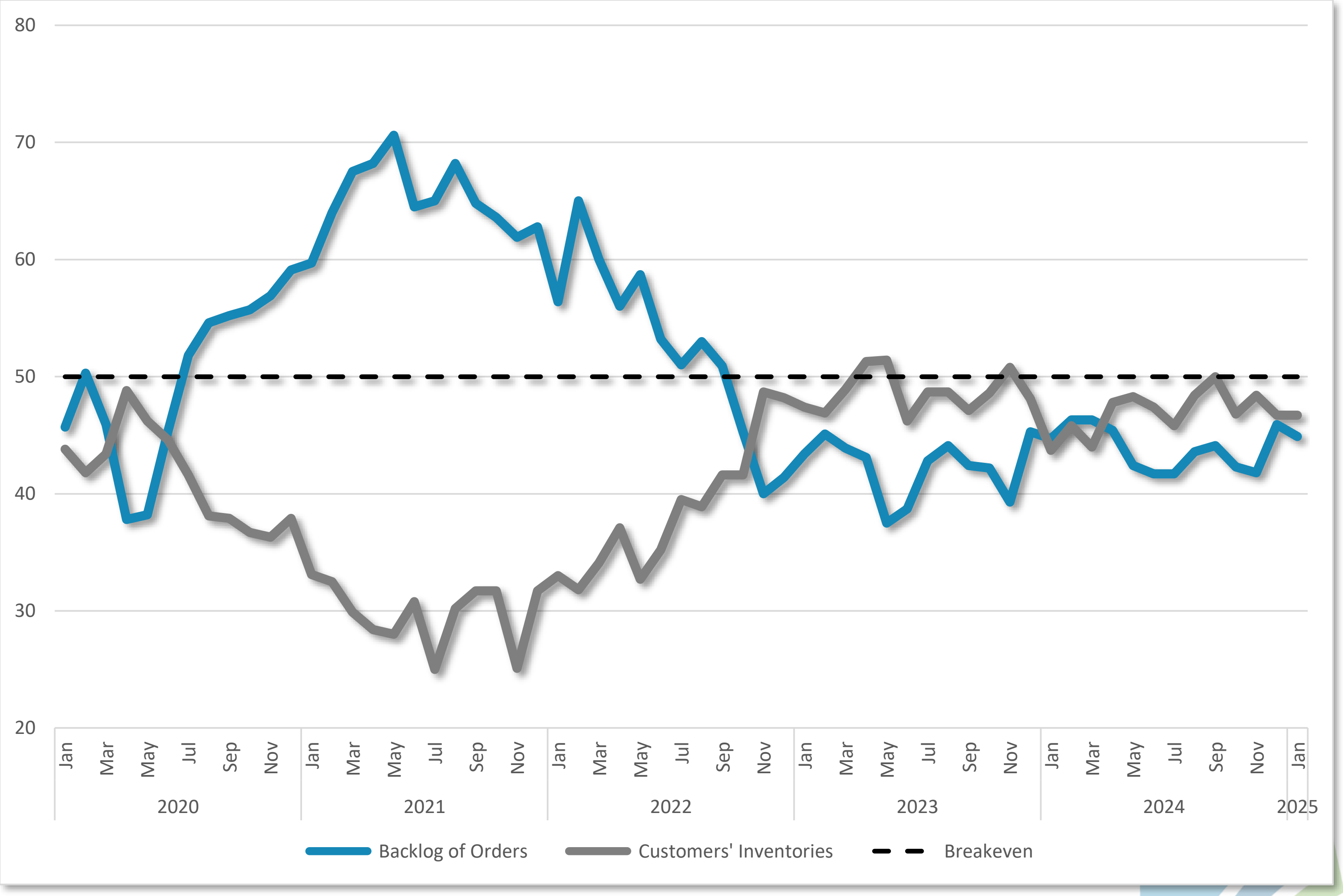
Why it matters: The ISM Manufacturing PMI is a reliable economic indicator and provides a sense of direction for the trucking market as shown in the chart. The ISM is highly correlated with spot rates.

- 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 expanded in January for the first time since March 2024. The New Orders Index (not pictured) increased 2.6 points to 55.1%, moving into expansion territory for the 3rd consecutive month.

- Backlogs decreased 2.2% to 44.9, after jumping 9.8% last month. Backlogs have been in contraction territory for 28 straight months.
- Customers' inventories stayed flat at 46.7. They are 6.9% higher year-over-year when they were 43.7.
- Inventories remained above backlogs, which is bad for freight.

The bottom line: Demand and production improved. Output, measured by production and employment, was positive as factory output improved compared to December, indicating that panelists' companies are proceeding with growth plans. Employment was stable as final head-count adjustments were made, in many cases among the white-collar workforces.



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.

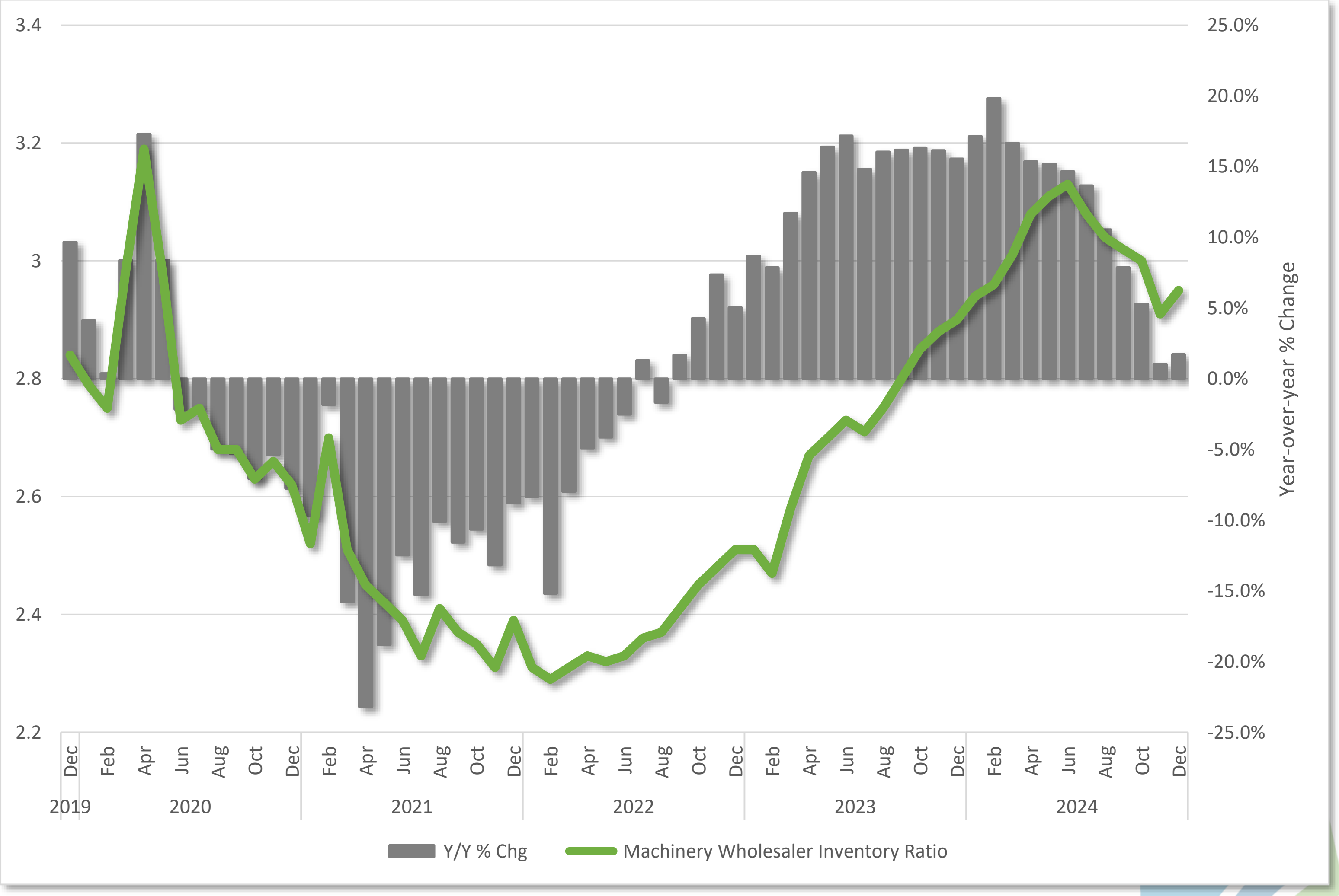
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

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

Our thoughts: Inventory levels increased in this sector for the first time in six months. Inventories are 6.2% above 2019 levels when the ratio was 2.8.

- The inventories-to-sales ratio jumped 1.4% to 2.95 after plummeting 3.0% in the previous month.
- The ratio is 1.7% higher year-over-year. The ratio has increased Y/Y for 30 straight months.

A respondent to ISM's survey who operates in this sector explained, "Although we are in our busy season, our demand for the first two weeks of 2025 has outpaced normal levels for this period of time."



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 major drivers of freight movement compared to manufacturing, accounting for only 5% of all truck freight.

Our thoughts: Imports increased month-over-month (M/M) in December, which is abnormal for this time of year, after decreasing 3.6% in November. Exports declined after jumping the previous month, perhaps due to the election and the threat of retaliatory tariffs. Imports continue to perform well, especially when we look at year-over-year (Y/Y) comparisons.

- Imports increased 2.8%, or 493 million kgs, M/M to 18 billion kgs. Imports are 16.4% higher Y/Y and 22.2%, or 3.27 billion kgs, above 2019 levels.
  - Last month was the 11th consecutive Y/Y increase.
- Exports (not pictured) fell 5.3%, or 532.6 million kgs, M/M, but are 0.5% higher than last year, marking 13 months out of 14 of Y/Y increases.
  - Exports are now 12.6% 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.

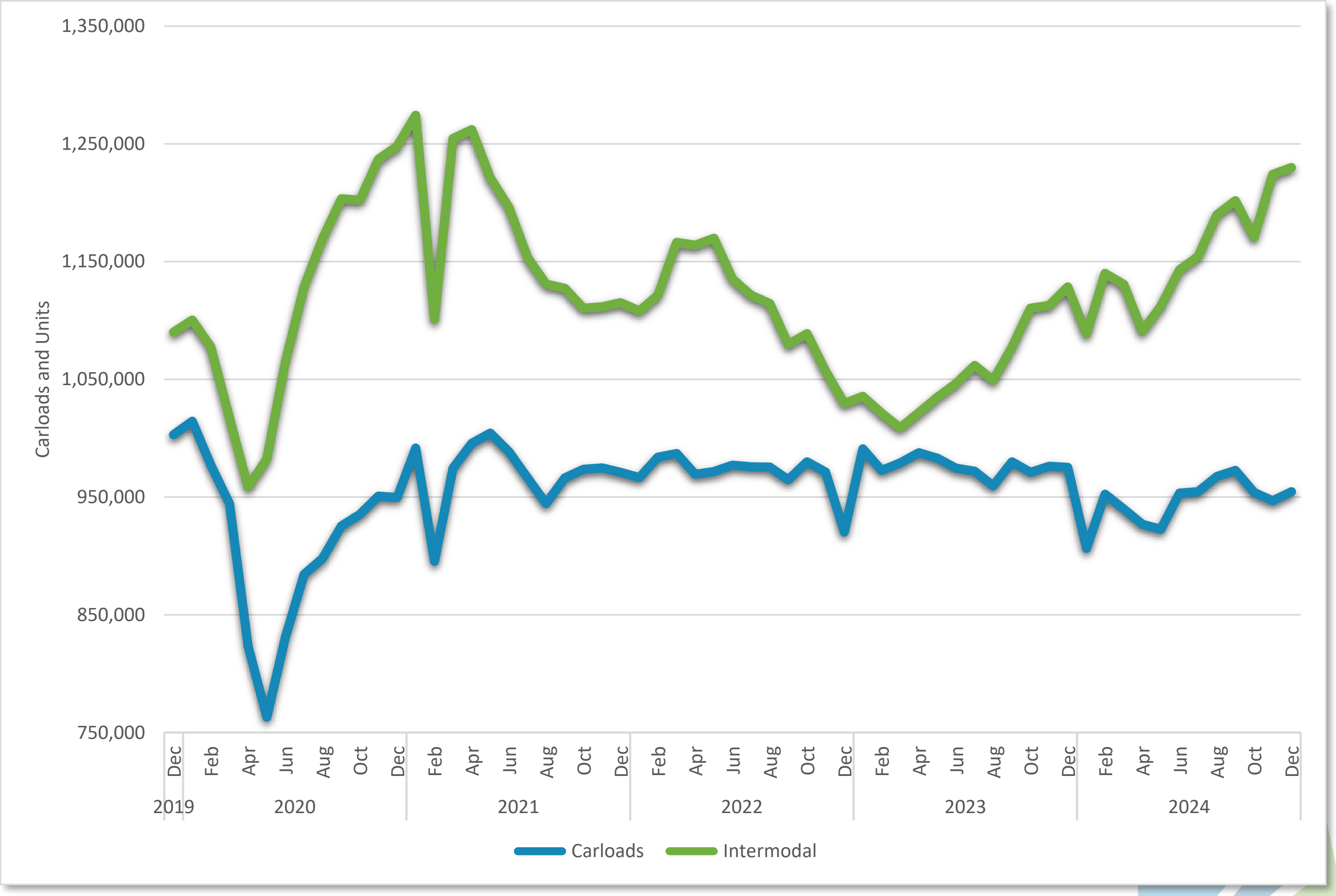
Why it matters: Most freight that is transported by rail, will require a truck for the final mile.

- 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: Intermodal continues to rise year-over-year, though some believe this pace will cool in 2025. Importers, grateful for the averted port strikes, have increased their inventory levels by pulling orders forward due to tariff uncertainty, which may lead to softening demand in 2025.

- Carloads increased 0.8%, or 7,855, month-over-month to 954,620, but are down 2.1%, or 20,570 carloads, year-over-year. This marks the 11th Y/Y decrease in 12 months.
- Intermodal increased 0.5% to 1.229 million, and is up 9.0%, or 101,399 loads, year-over-year.
- Carloads are 12.0% below 2019 levels, while intermodal is 9.7% higher than 2019.

According to C.H. Robinson, "Intermodal pricing is expected to climb in the low, single-digit range through 2025." However, C.H. Robinson also states, "Intermodal spot rates remain depressed, reflecting the current truckload market."



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

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

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