OOIDA Foundation

RESEARCH

SAFETY

EDUCATION

March 2025

MARKET UPDATE

Table of Contents

Click here to jump to section

Market Summary

Volume/Demand

Flat ↔

Capacity

Equalizing ↔

Rates

Flat ↔

Operating Costs

Rising ↑

Future Outlook

Uncertain ↔

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.

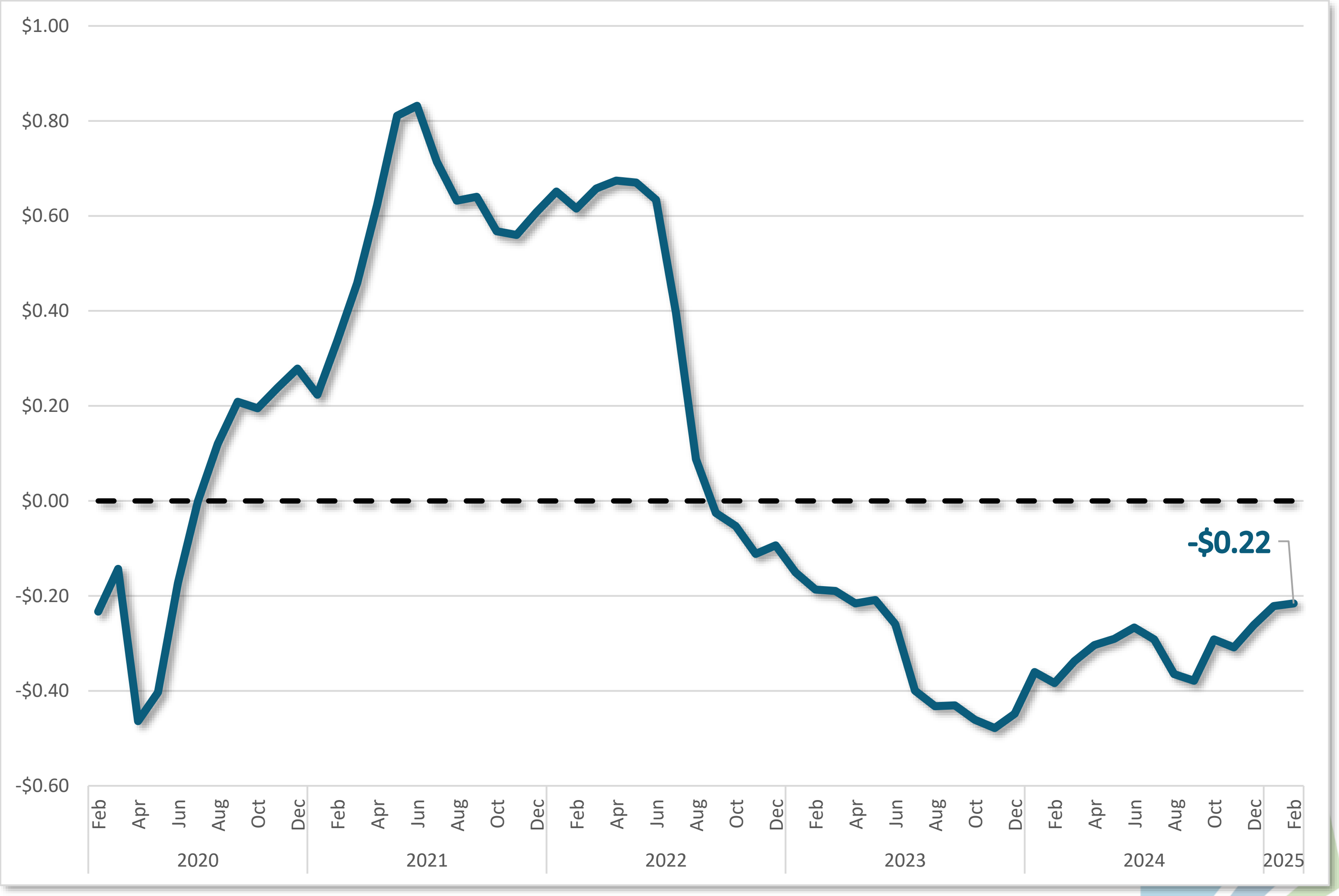
Why it matters: Whenever the TSMCI begins to move sharply toward zero, either positively or negatively, the market experiences a shift.

- 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 $0.01 per mile, in February to -$0.22, primarily due to a large increase in flatbed rates.

- The TSMCI is $0.17 higher year-over-year when the spread was -$0.38. The TSMCI has increased Y/Y for the past eight months.

Bottom line: Though manufacturing and shipping activity increased according to the Fed and Cass, uncertainty regarding tariffs and the Fed's monetary policy are threatening trucking's recovery. Uncertainty has already negatively impacted new orders and inventory levels, which is a headwind for demand.



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 three 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

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.

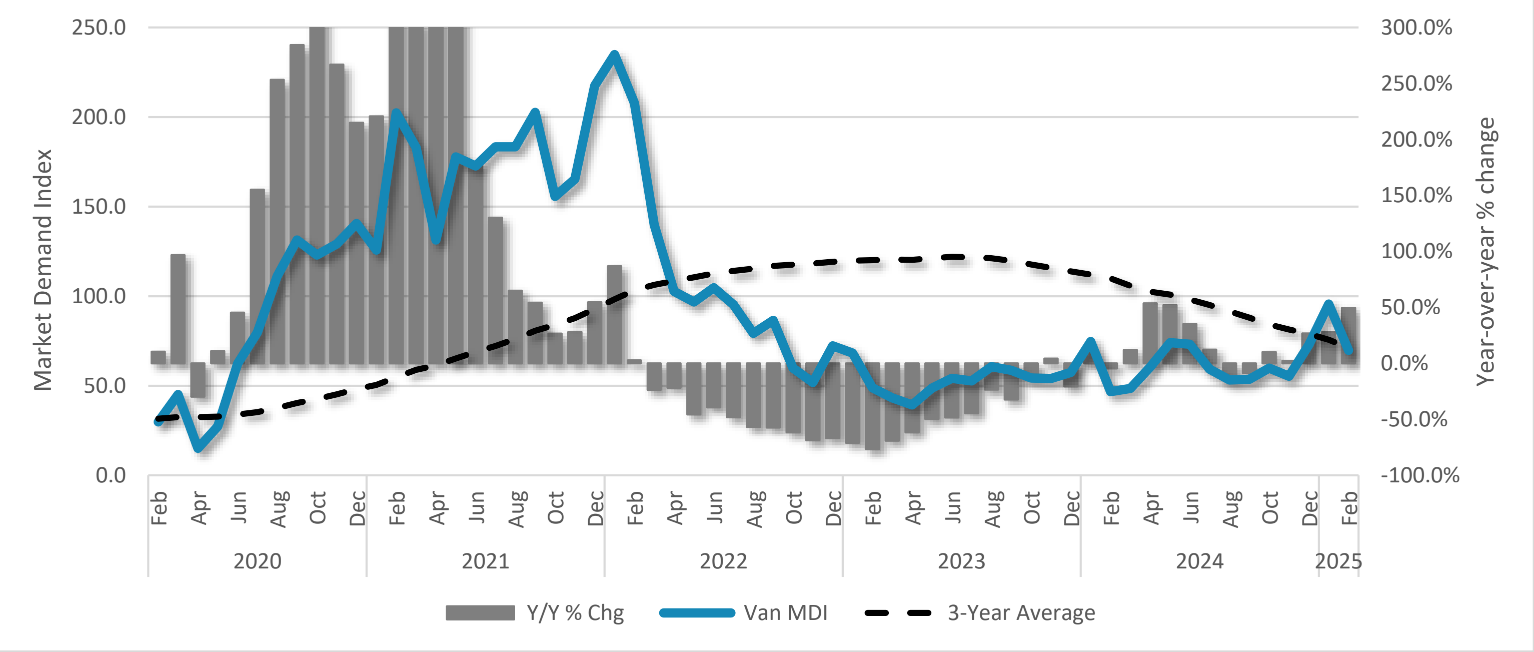
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

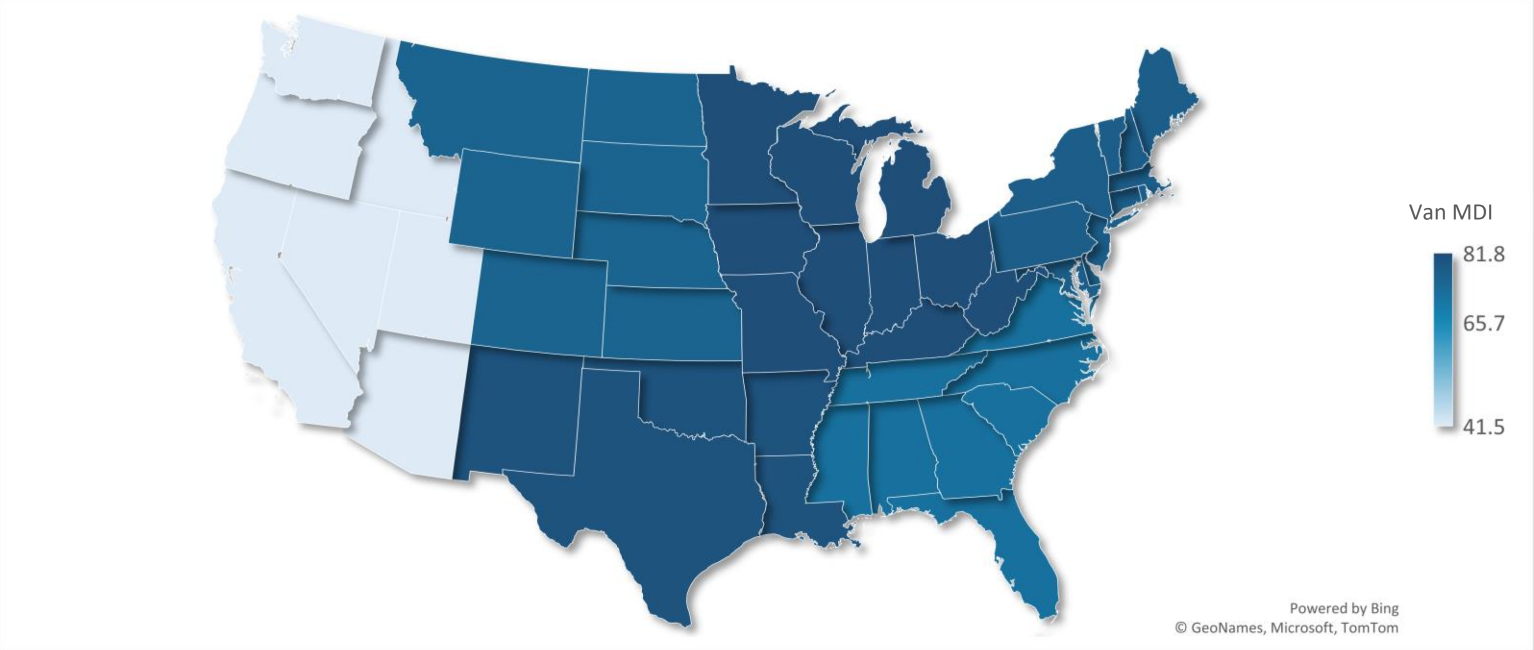
Our thoughts: The Van MDI dropped significantly in February. The decrease is fairly typical for this time of year. Seasonality would tell us that demand should increase as we move into spring, but we'll have to wait and see how tariffs impact this.

- The Van MDI plummeted 27.0% month-over-month to 69.8, after rising 31.3% last month.
- The drop was a combination of a cut in freight (-25.4%) and a subsequent increase of available trucks (+2.1%).
- The ratio is 49.5% higher than last year, marking five consecutive months of increases, but is now 1.9% below the 3-year average after briefly moving above the benchmark last month. We'll need to see the ratio consistently above the 3-year moving average in order to flip the market.

Regionally speaking, ratios were more favorable for carriers operating in the Midwest (81.8) and South Central (80.4 regions, respectively, compared to other areas in the country.

- 5 of the 6 regions experienced a decrease in MDI. The largest decrease was in the Midwest region, which dropped 49.9% from 163.2 to 81.8. The next largest decline was in the West Coast, which fell 36.8% 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.

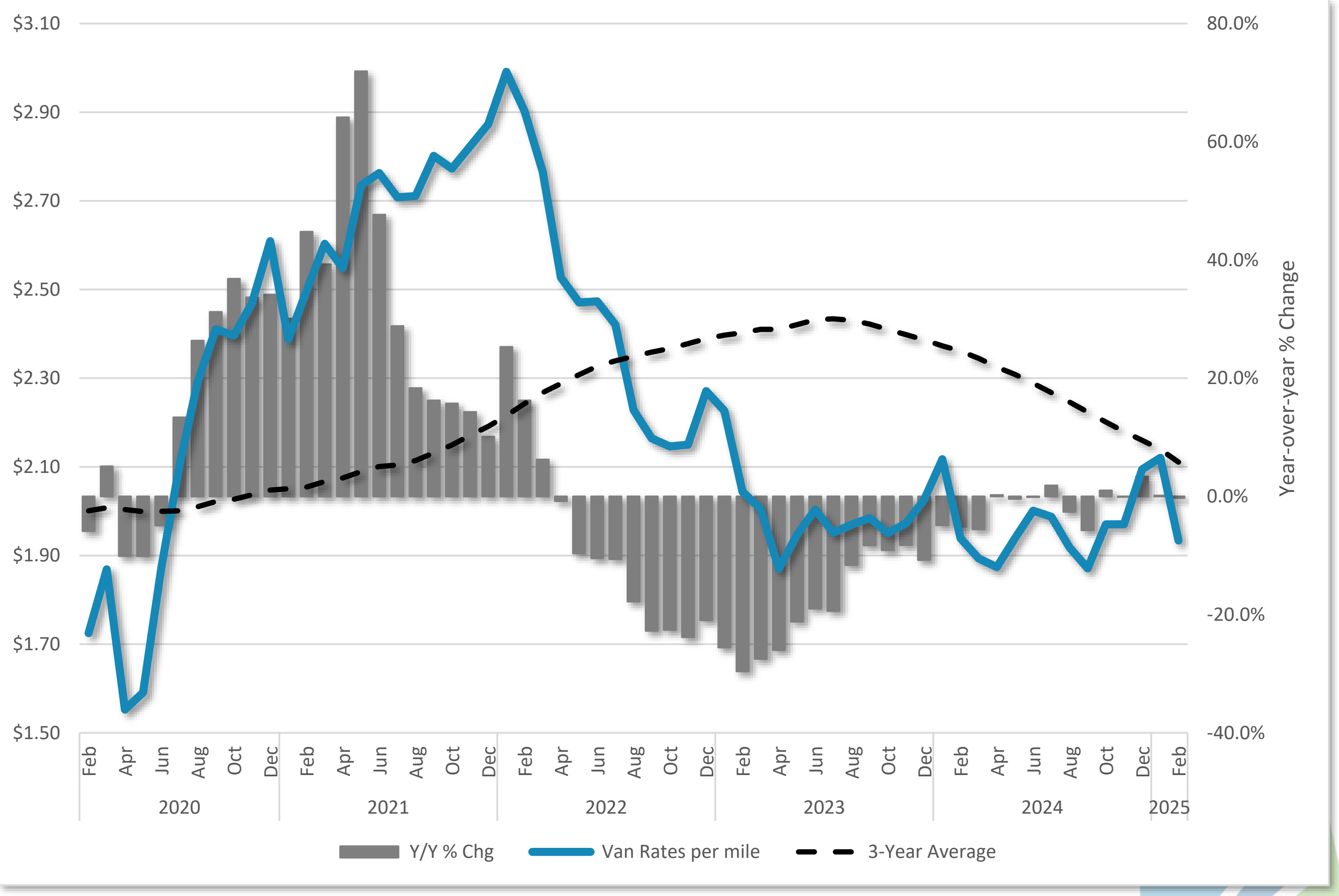
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Dry van spot rates mirrored demand and fell month-over-month (M/M) in February, after ticking upward $0.03 last month.

- Spot rates dropped $0.19 per mile to $1.93, but are expected to increase as we move into early spring. Rates are $0.01 per mile lower than last year.
- Spot rates have only increased year-over-year 5 times in the past 26-months, and are $0.18 per mile below the 3-year moving average.
- Regionally speaking, rates fell in all 6 regions. The greatest decline was in the Midwest, which decreased $0.24 per mile.

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.

- Overall the spread worsened M/M by $0.16 per mile, but is $0.24 better than where we were last year.
- The Southeast region is $0.21 below the benchmark, which is the worst among all the regions.



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.

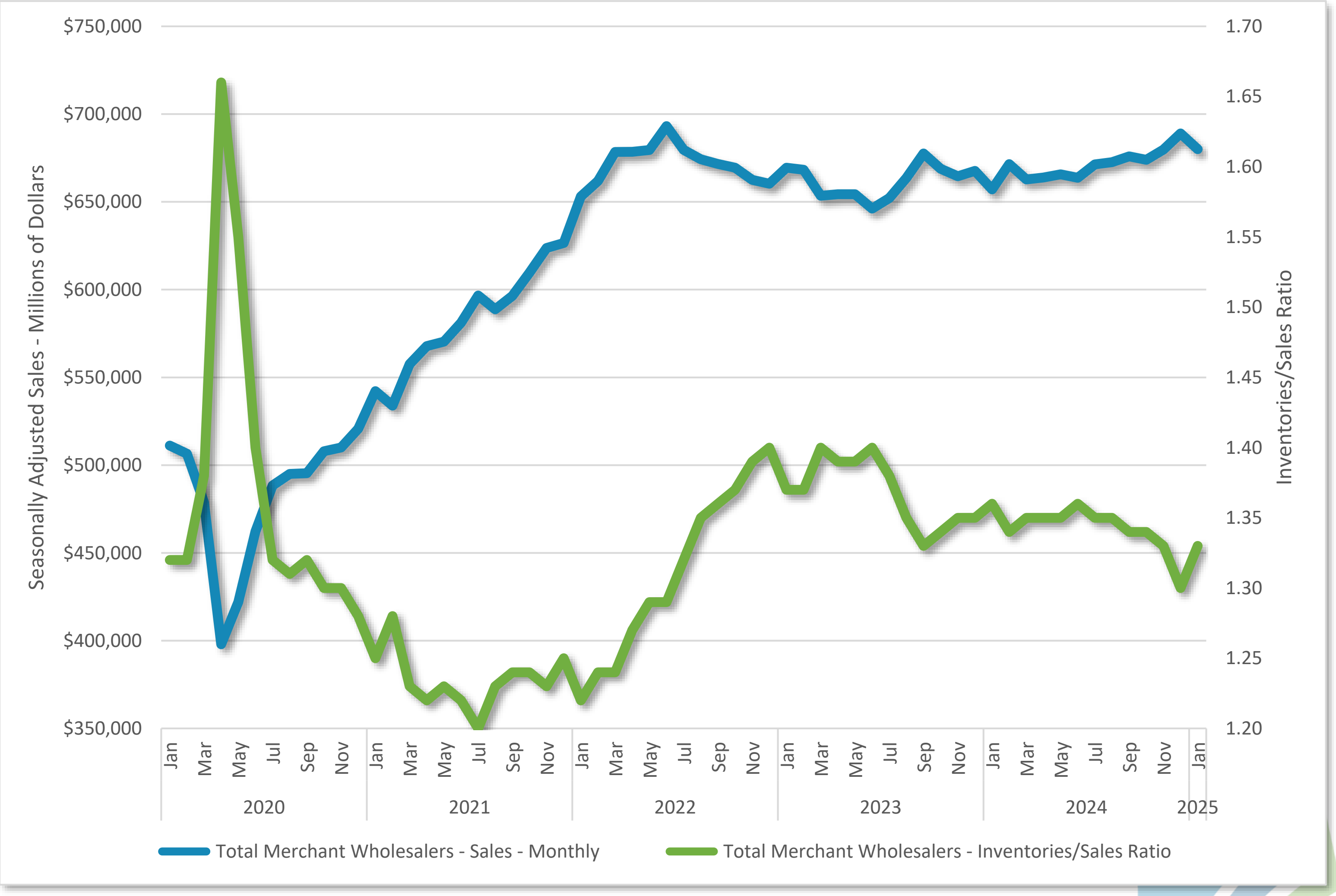
Why it matters: Wholesalers account for 30% of for-hire trucking ton-miles and 43% of parcel ton-miles according to the 2017 Commodity Flow Survey.

- 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 decreased while the inventory-to-sales ratio increased in January, mostly due to a 3.6% increase in durable goods inventories. The inventory-to-sales ratio is 1.4% below 2019 levels, and 2.2% below where we were in January 2024.

- Sales decreased $8.96 billion to $680.04 billion, but are 3.5%, or $22.95 billion, higher year-over-year. This marks 10 out of 11 months of Y/Y increases.
- The inventory ratio increased 2.3% to 1.33, after decreasing 2.3% last month. The inventory ratio is 2.2% lower year-over-year, marking 3 straight months of Y/Y decline.

The bottom line: Both sales and inventory ratios were heading in a positive direction, but tariffs might negatively impact this trend.



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

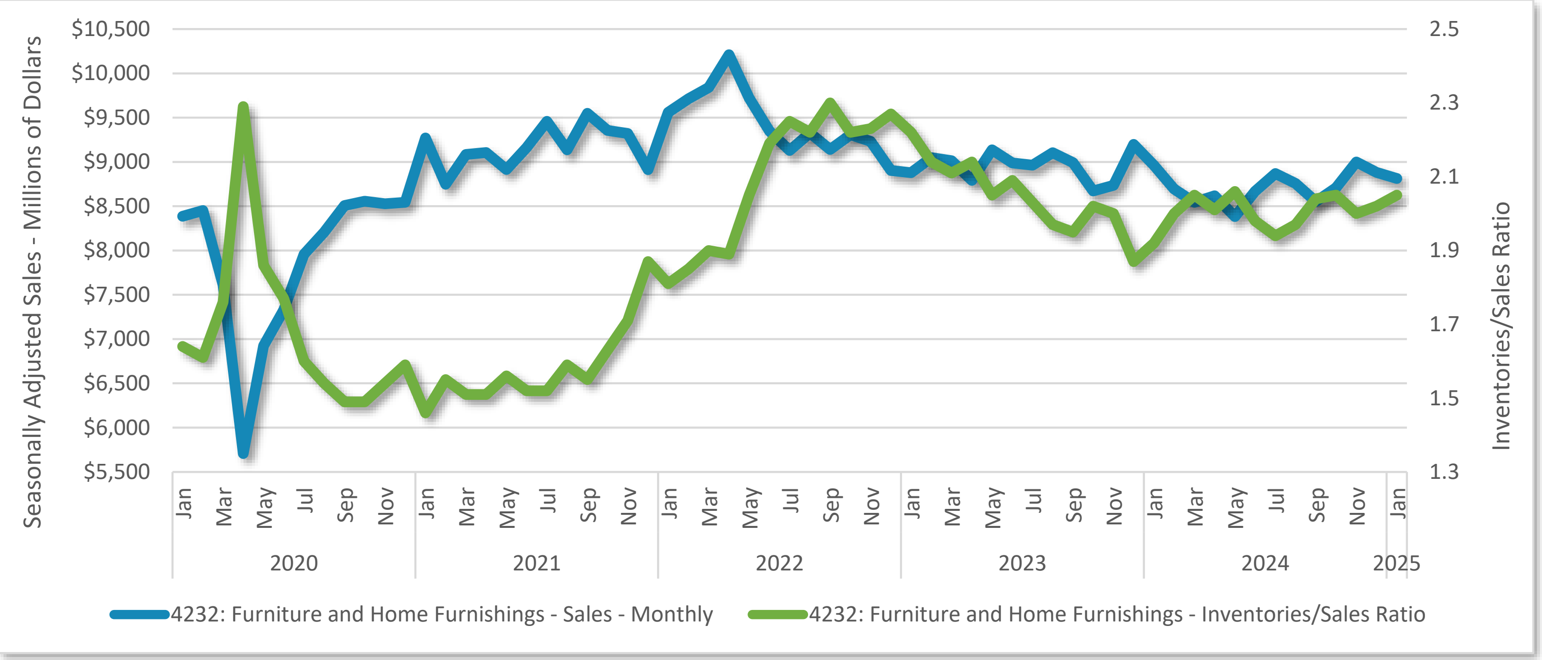
Why it matters: Large appliances and furniture generate freight for the dry van segment of the industry.

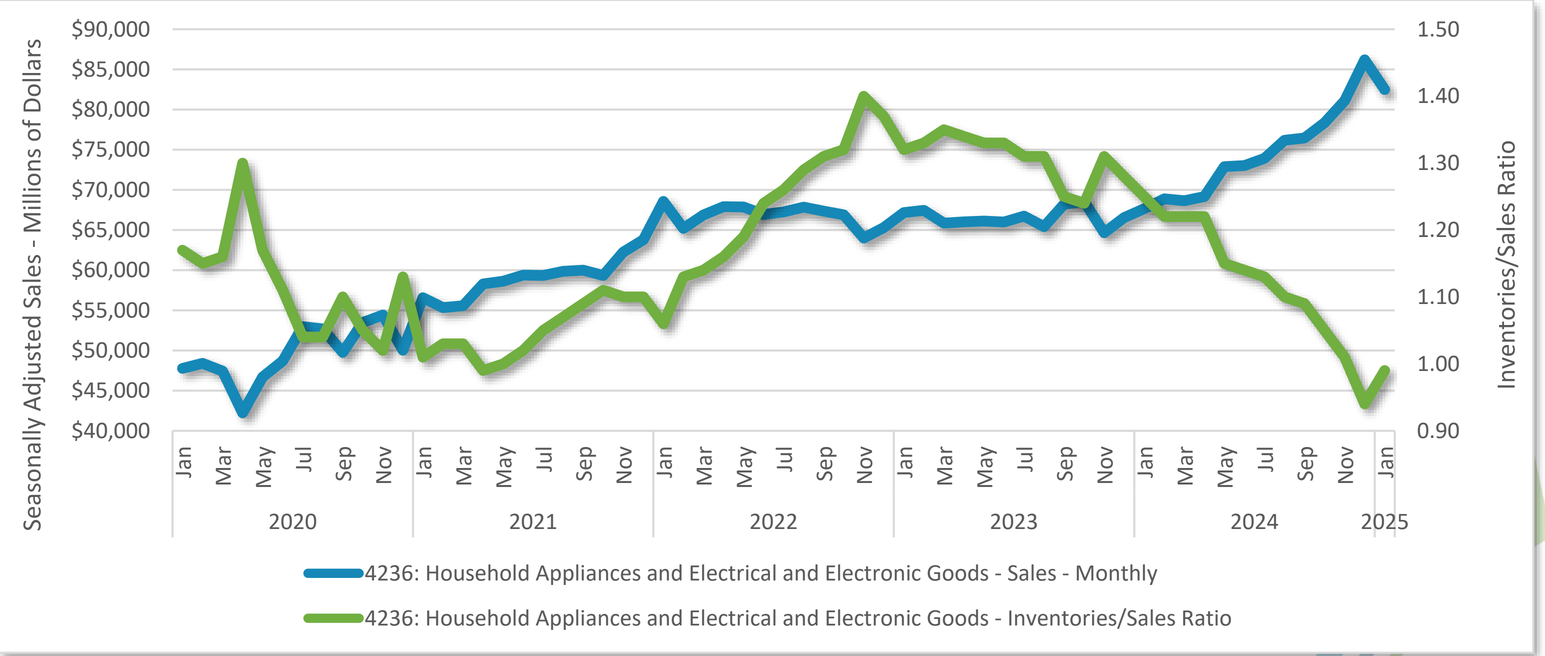
- Sales and inventories can help an owner-operator to see what direction freight demand is headed.

Our thoughts: Both furniture and household appliance wholesalers experienced a decrease in sales and an increase in inventories, which is a headwind for freight.

- Furniture Sales fell 0.8% to $8.81 billion after declining 1.3% in the previous month, while ratios rose 1.5% to 2.0. Ratios have fallen 7.8% from their peak in December 2022.
  - Sales are $147 million, or 1.6%, lower Y/Y, while ratios are 7.0% higher Y/Y when they were 1.87.
- Household appliances dropped $3.7 billion, to $82.49 billion. Ratios skyrocketed 5.3% to 0.99, which is still 15.3% below 2019 levels.
  - Sales are $14.85 billion higher than last year, marking 15 straight months of Y/Y increases, and ratios are 20.8% lower, marking 17 straight months of Y/Y decreases.

The bottom line: Household appliances wholesalers have been performing well ever since late 2023, but it appears they might be changing course even as furniture wholesalers continue to struggle. We'll have to see what the next couple months bring as a potential trade war is ongoing.





Source: U.S. Census Bureau | https://www.census.gov/econ/currentdata/ | 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. U.S. Census Bureau Housing Unit Starts
3. U.S. Census Bureau Housing Units Under Contstruction

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.

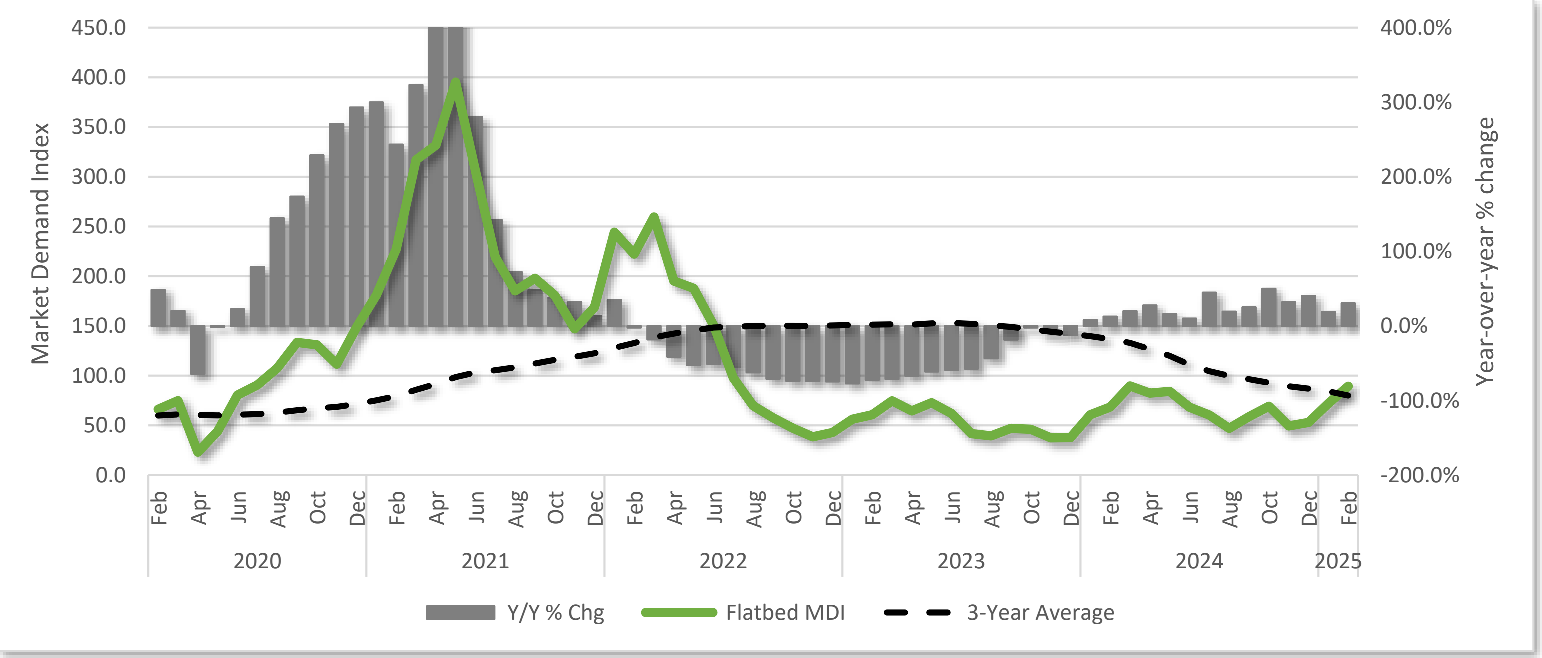
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

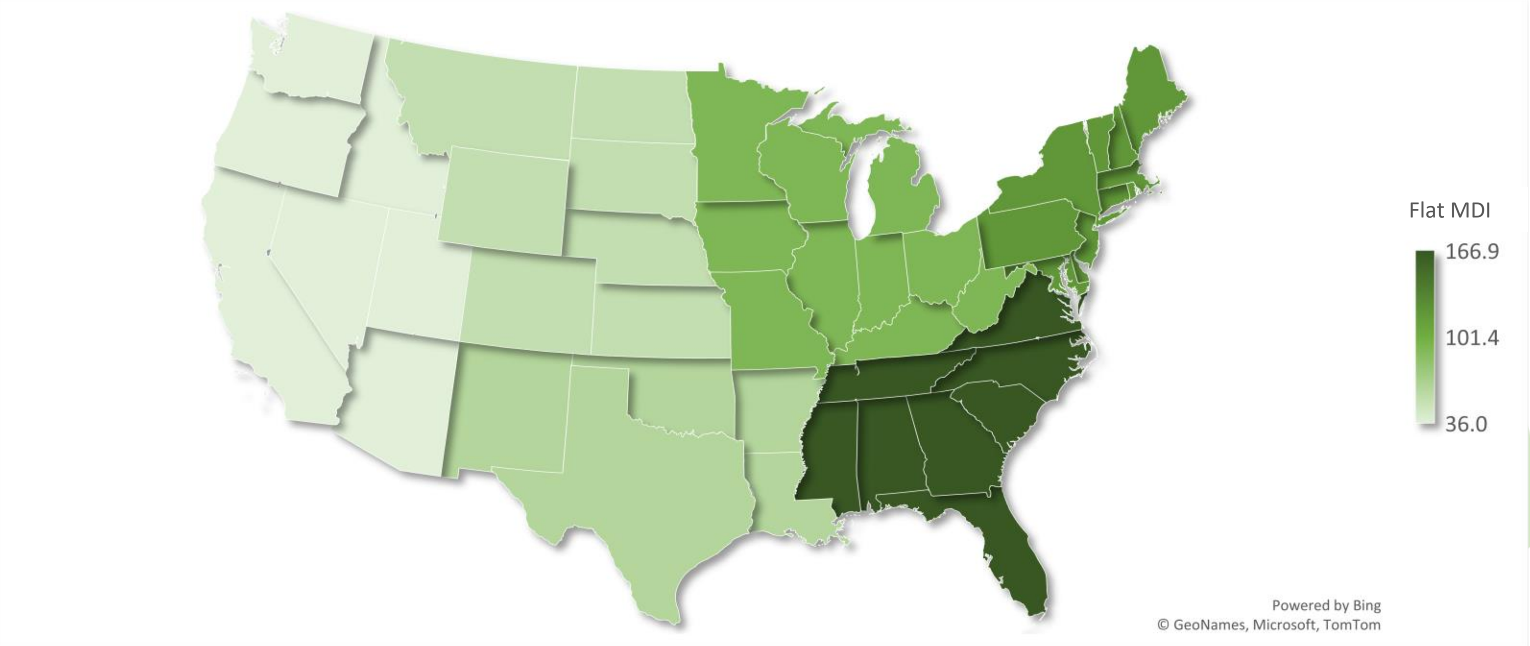
Our thoughts: The Flatbed MDI jumped again in February, which is typical for this time of the year as we head into spring.

- The Flatbed MDI increased 24.0% month-over-month to 89.4, after rising 36.1% last month. This marks three consecutive months of increases.
- The increase was a combination of an increase in freight (+15.6%) and a decrease in available trucks (-6.8%) compared to a month ago.
- The ratio is 30.7% higher than last year, marking eight straight months of growth, and is 11.7% above the 3-year average, which is a positive indicator of demand.

Regionally speaking, ratios were more favorable for carriers operating in the Southeast (166.9) and Northeast (118.8) regions, respectively, compared to other areas in the country.

- 3 of the 6 regions experienced an increase in MDI. The largest increase being the Southeast region, which soared 89.5% from 88.0 to 166.9.
- The largest decrease was in the Mountain Central region, which dipped 15.8% from 63.5 to 53.5.





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.

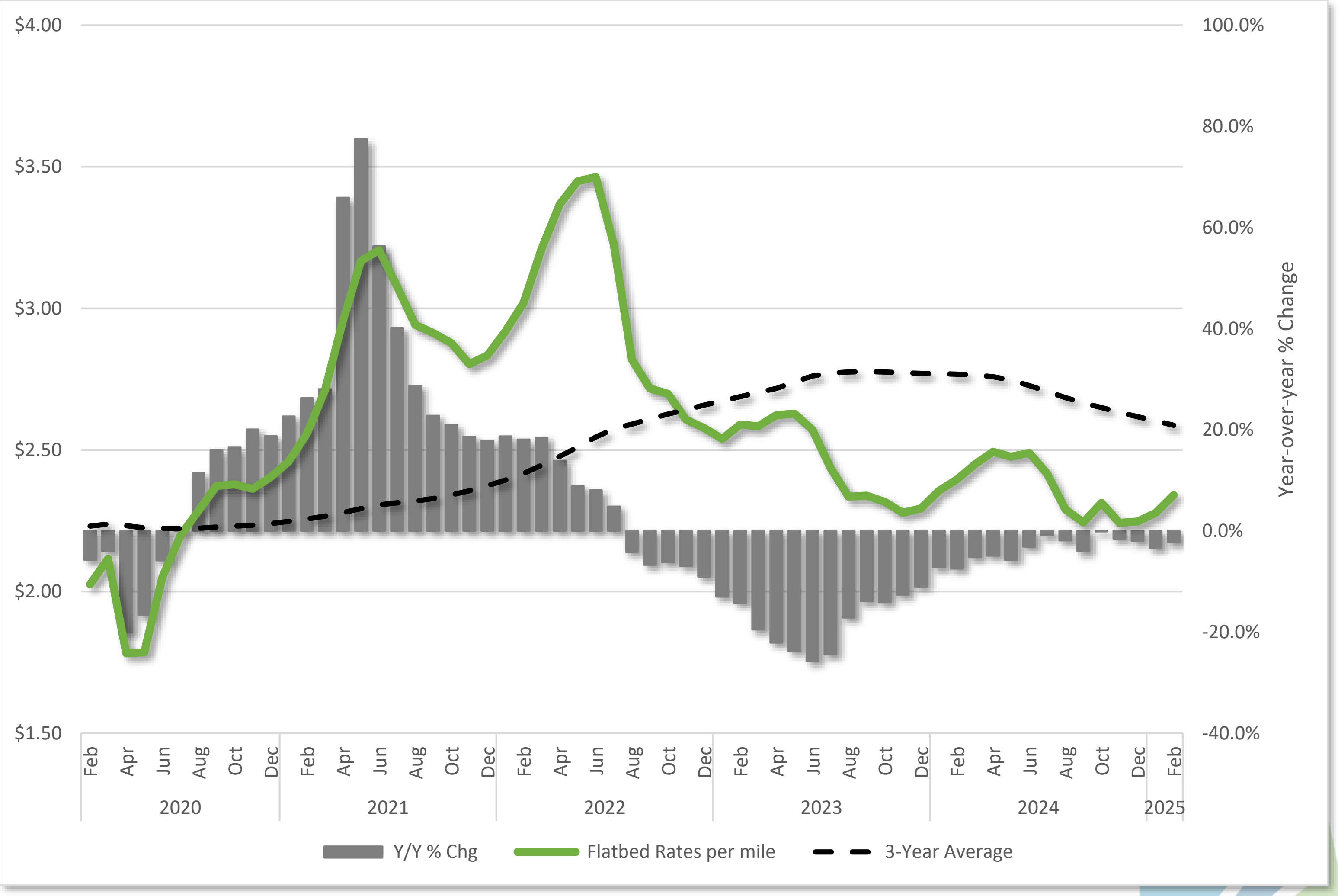
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Flatbed spot rates ticked upward month-over-month (M/M) in February, after increasing $0.03 per mile last month, marking three straight months of growth.

- Spot rates increased $0.06 per mile M/M to $2.34, but are 2.3%, or $0.05 per mile lower than last year.
- Flatbed spot rates have decreased year-over-year for 31 consecutive months, and are $0.25 per mile below the 3-year moving average ($2.59).
- Regionally speaking, all 6 regions experienced an increase in rates. The largest increase occurred in the Northeast region, which jumped $0.18 to $2.26 per mile.

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 $0.08 per mile in February, and is $0.13 better than where we were last year.



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.

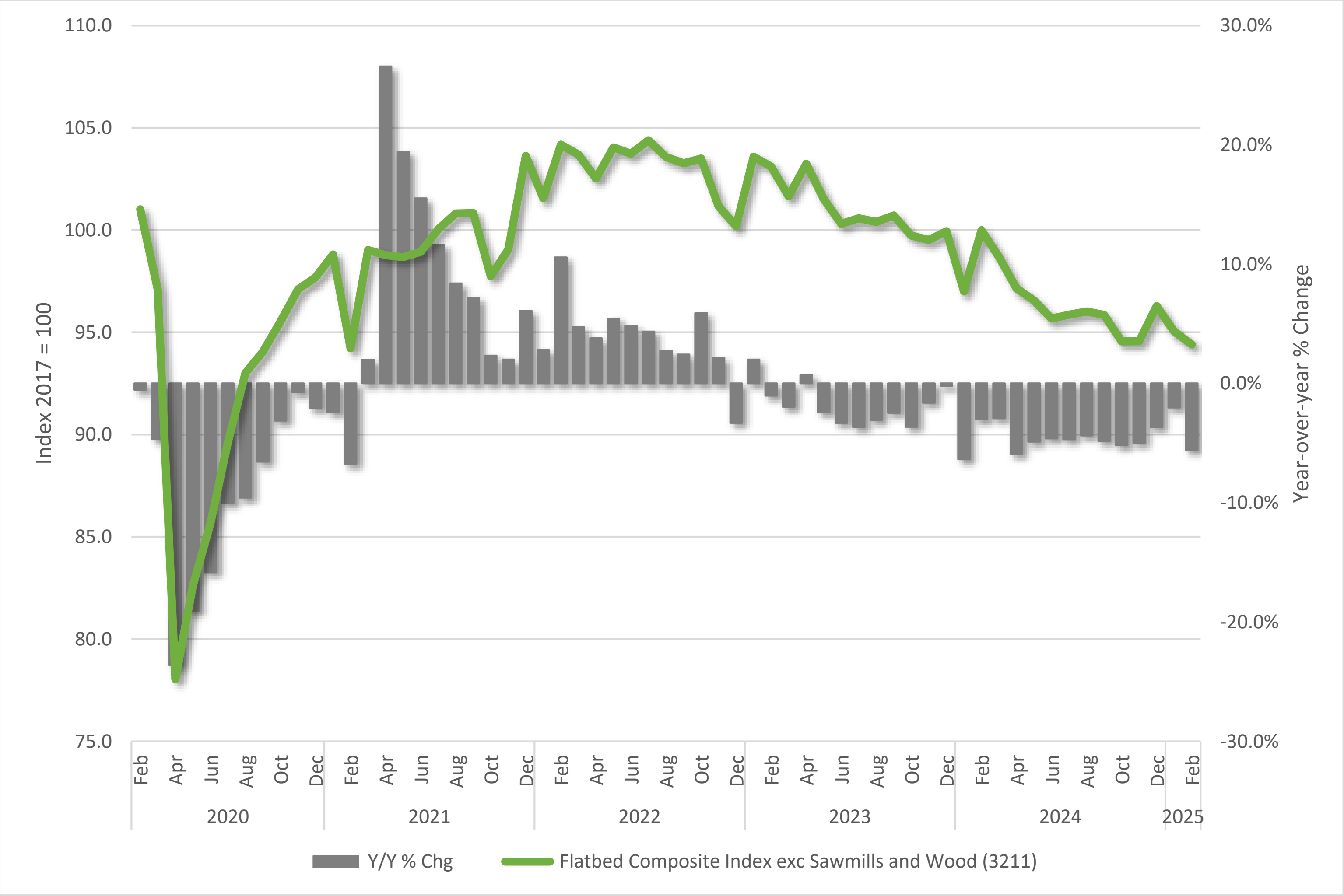
- Manufacturing makes up about 60% of all for-hire trucking ton-miles, making the IP Index a great indicator of future demand.

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 February after falling 1.3% in January following adjustments.

- The FCI fell 0.7% to 94.4, marking two consecutive months of decreases following adjustments.
- The FCI is 5.6% lower year-over-year when the index read at 100.0. The FCI has declined Y/Y for 22 straight months.
- The index is 5.3% below the 3-year average, which is 99.7.



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.

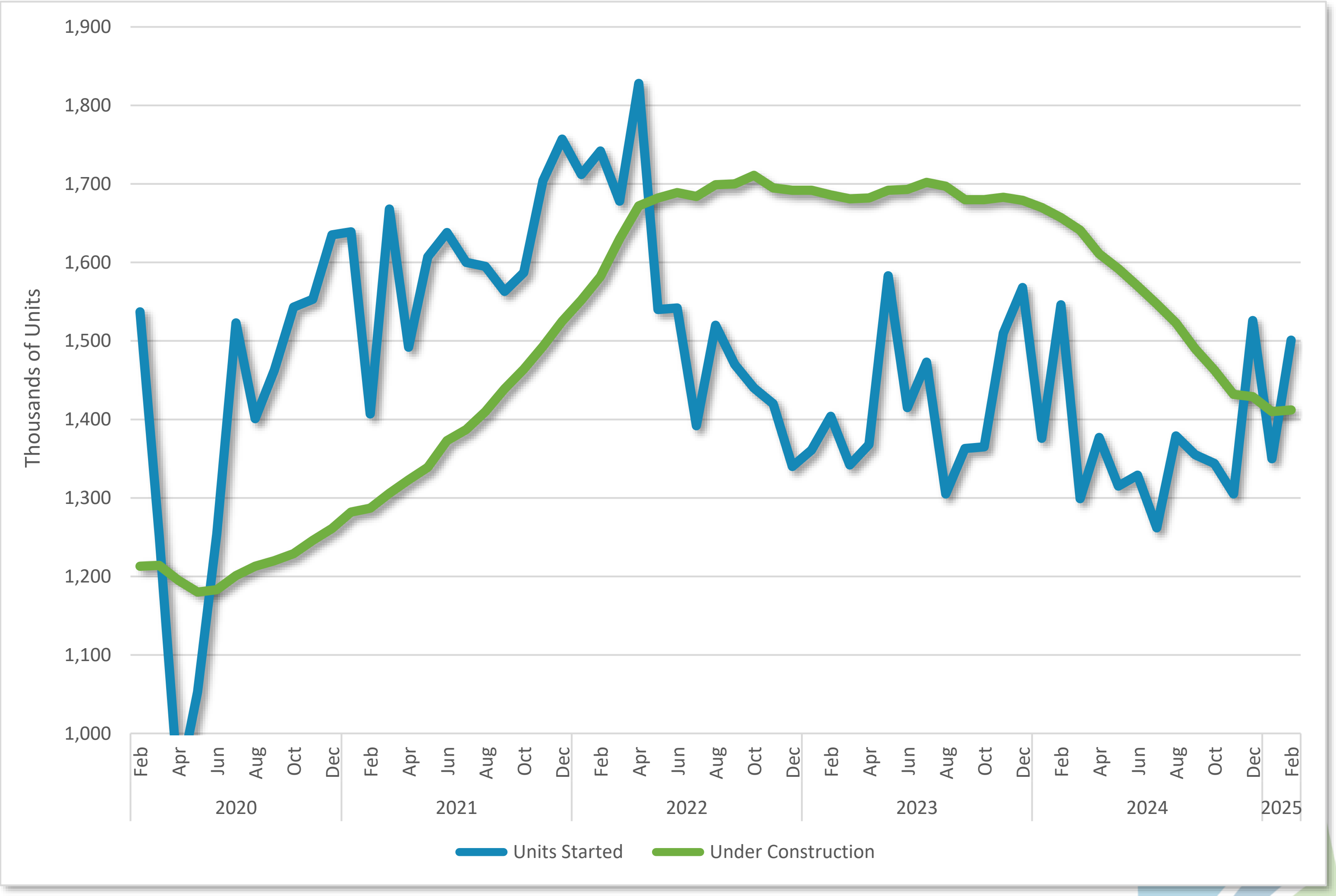
Why it matters: New housing is an important capital good that spurs additional consumer spending on appliances and furniture.

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

Our thoughts: Housing starts jumped in February following a 11.5% drop in the previous month after adjustments. February's gains are positive, but it's still to early to till if this trend will continue.

- New starts increased 1.2%, or 151,000 houses, month-over-month to 1.501 million, but are down 2.9%, or 45,000 homes year-over-year (Y/Y), marking 9 Y/Y decreases in 12 months.
- Houses under construction increased for the 1st time in 13 months, increasing 0.1% to 1.412 million, but are 14.8% lower Y/Y.
- Completed houses (not pictured) dropped 4.0% month-over-month and are down 6.8%, or 106,000 homes, Y/Y.

Bottom line: The 10-year U.S. Treasury Yield (not pictured), which directly impacts mortgage rates, fell slightly in February, but remains high. The median price for existing single-family homes (not pictured) was 5.0% higher in January 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

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 two key economic indicators that directly impact the reefer market:

1. USDA Refrigerated Truck Volumes
2. 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.

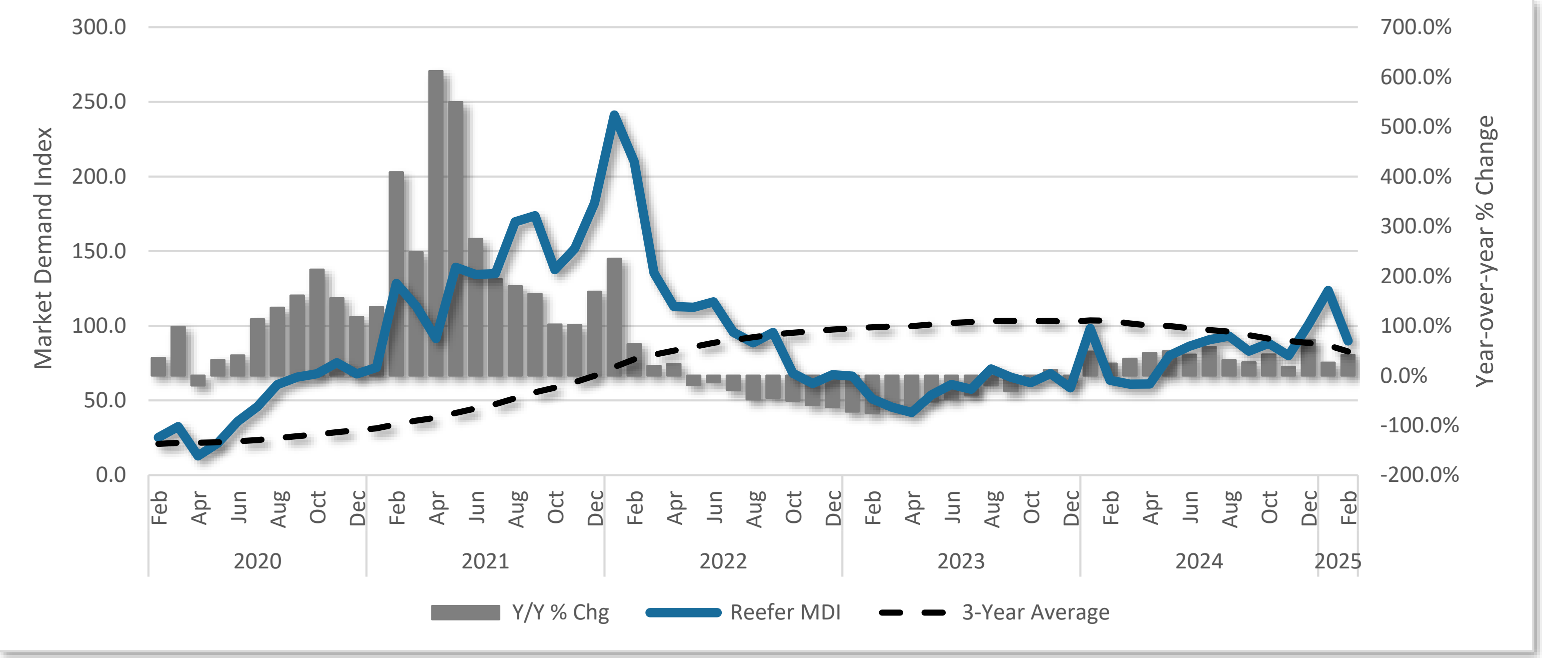
Why it matters: The MDI depicts the balance between available freight and available capacity at a given time, meaning that fluctuations in the ratio often signal impending changes in rates.

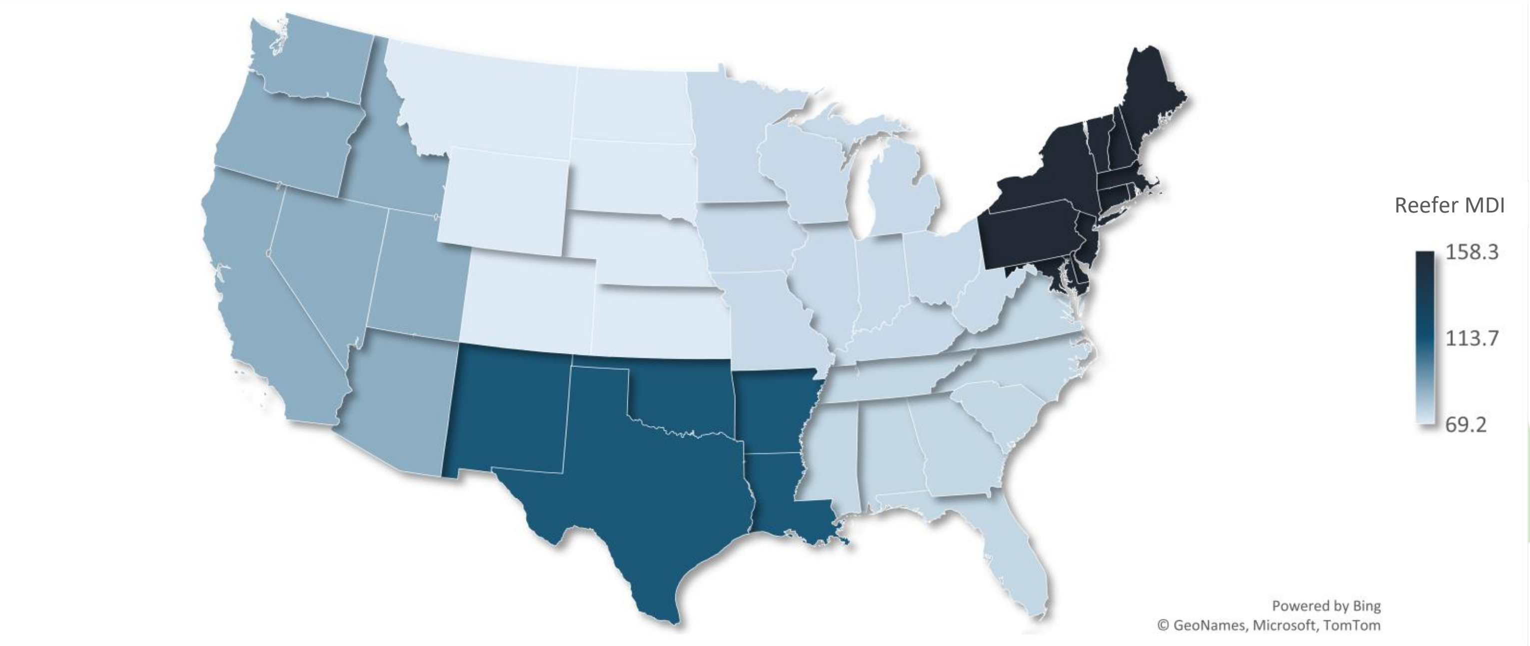
Our thoughts: The Reefer MDI plummeted in February. The decrease was typical for the season as demand usually decreases/remains flat until the start of produce season.

- The Reefer MDI fell 27.3% month-over-month to 89.9, after jumping 22.8% last month.
- MDI declined primarily due to a decrease in freight compared to capacity as the amount of freight fell 30.4% compared to a 4.3% drop in the number of trucks.
- The ratio is 41.6% higher than last year, marking 14 consecutive months of increases, and is 8.6% above the 3-year average. This is the third time the Reefer MDI has crossed that threshold since September 2022.

Regionally speaking, ratios were more favorable for carriers operating in the Northeast (158.3) and the South Central (111.2) regions, compared to other areas in the country.

- 5 of the 6 regions experienced a decrease in MDI. The largest decline being the Mountain Central region, which dropped 59.2% from 169.8 to 69.2. The second largest decline occurred in the Midwest, which decreased 41.9% from 127.1 to 73.8.





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.

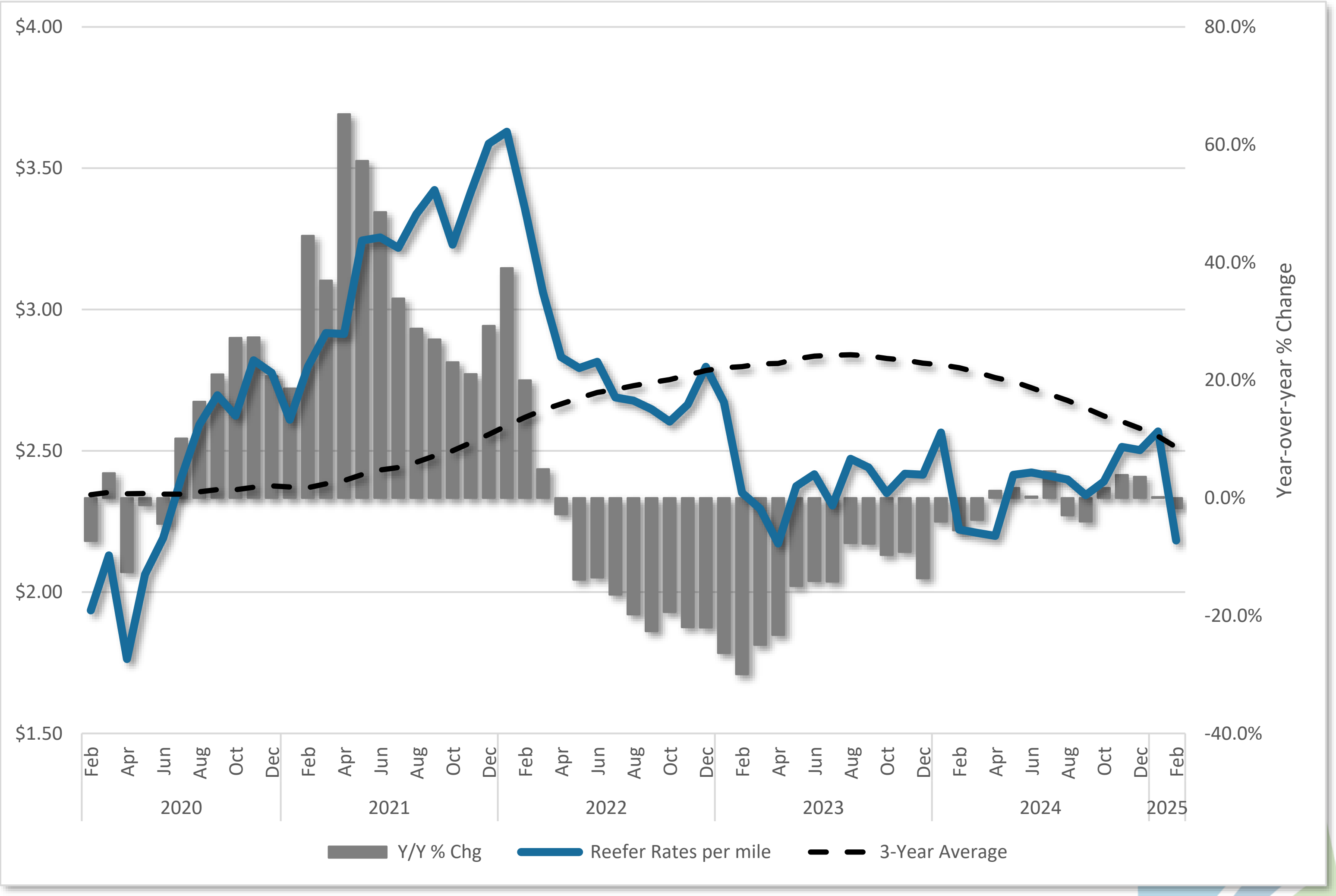
Why it matters: These rates reflect the condition of the freight market in real-time. Please note that they include fuel surcharges.

Our thoughts: Reefer spot rates moved with demand and fell significantly month-over-month (M/M) in February, after increasing $0.07 per mile in the previous month.

- Spot rates dropped $0.39 per mile M/M to $2.18, marking 2 out of 4 months of contraction, and are $0.04 lower than last year when rates were $2.22.
- Spot rates have increased year-over-year 7 times in the past 10-months, and are $0.33 per mile below the 3-year moving average.
- Regionally speaking, all 6 regions experienced a decrease in rates. The largest decrease occurred in the Midwest, where rates fell $0.49 per mile to $2.39. The small decrease was in the Southeast, which dropped $0.13 per mile to $2.00.

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 worsened by $0.35 per mile M/M, but is $0.24 better than last year when the spread was negative $0.57.



Source: Truckstop + FTR | https://freight.ftrintel.com/spotmarketinsights | Monthly

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.

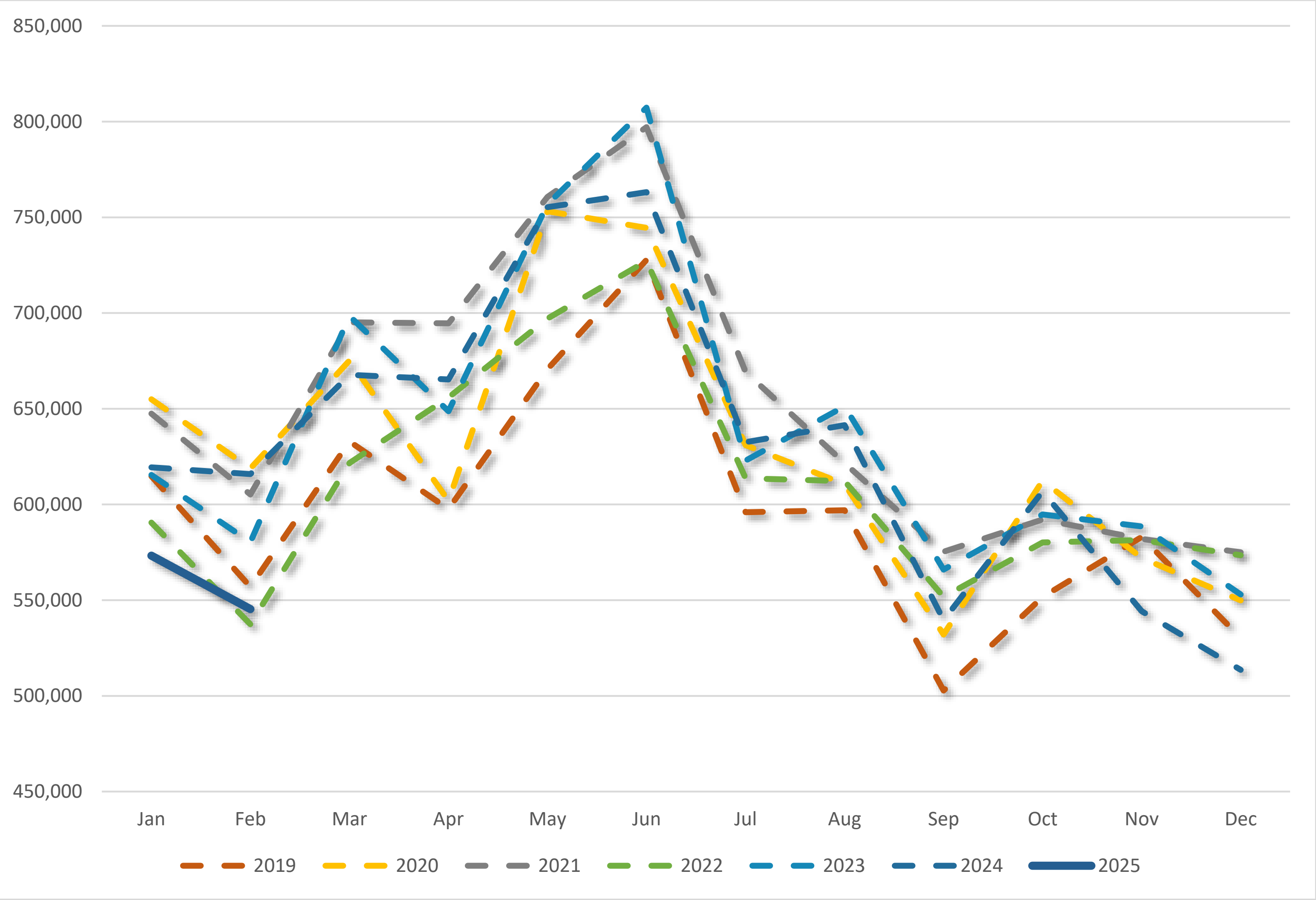
Why it matters: This information is a barometer for the health of the overall reefer market.

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

Our thoughts: Reefer volumes declined in January after jumping 11.6% in January 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 decreased 4.9% month-over-month to 545,367 pounds, and are 16.6%, or 102,268 pounds, lower year-over-year. Volumes are 16.9% below 2019 levels.
- The California region declined 11.7% month-over-month, and is 78.8% lower compared to last year.
- 13 regions experienced decreases in volumes. The greatest declines occurred in the Mexico-New Mexico, Other, and Canada regions, respectively.

The bottom line: Volumes are substantially lower than in 2019, which is a bad indicator for freight demand.



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.

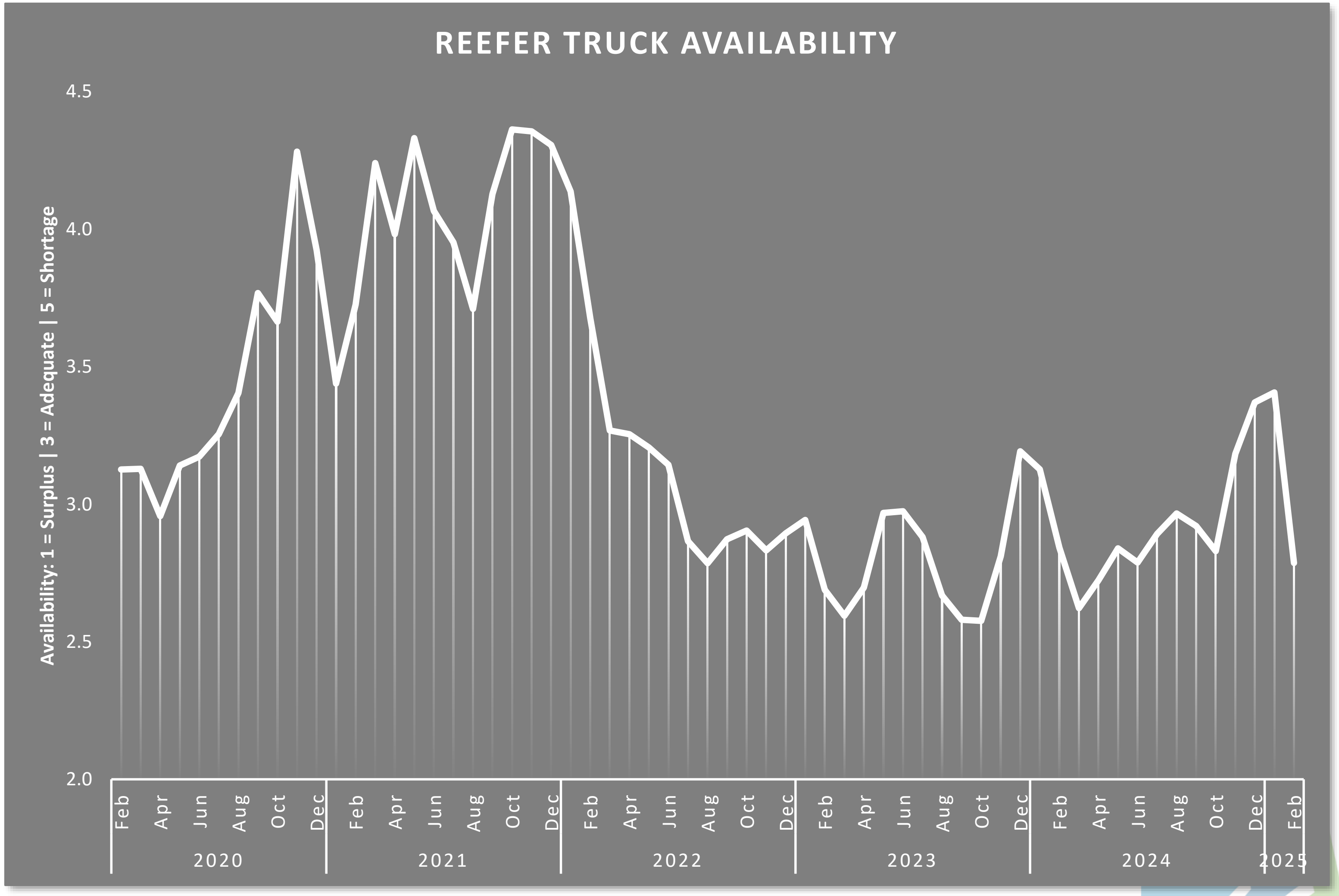
Why it matters: This information is a barometer for the health of the overall reefer market.

- **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 loosened significantly in February after tightening in January. However, this loosening is typical for this time of year.

- Reefer truck availability loosened to 2.79, and is 2.0% more loose than the previous year. Capacity is 6.5% more loose than in 2019.
- Capacity levels were still mixed across the country.
- Availability was tightest in the Florida region, while the Pacific Northwest and the Mexico-Arizona regions experienced the greatest loosening compared to the previous month.

Bottom line: The market continues to be plagued with persistent overcapacity, which is a headwind for rates.



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.

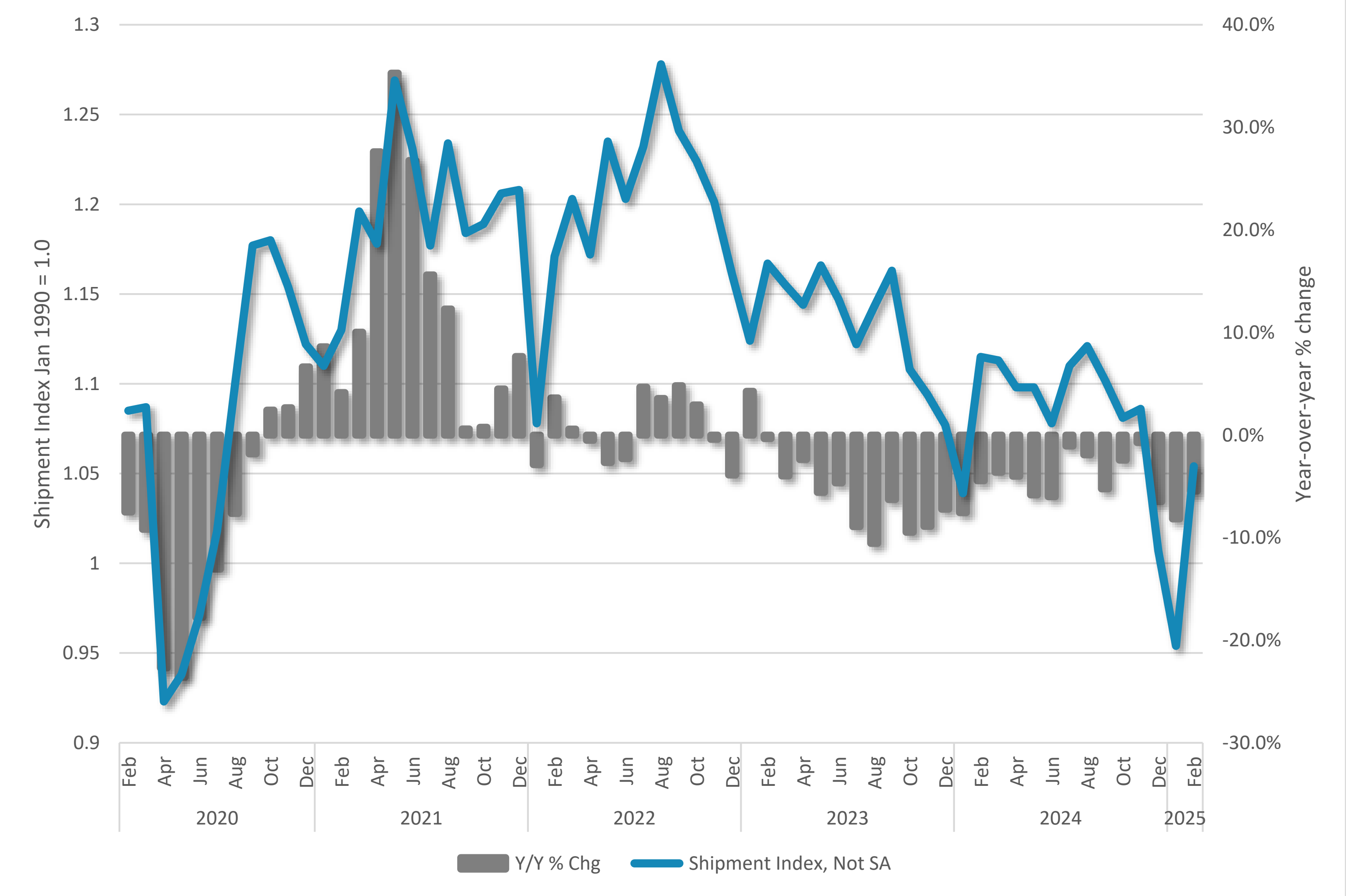
- The index is an indicator of U.S. shipping activity, containing 37 million invoices across 400 companies and manufacturers.

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

Our thoughts: The Cass Shipment Index rose 10.5% month-over-month to 1.05 in February after dropping 5.3% in January. The Shipment Index decreased 5.5% year-over-year, after falling to its steepest decline since November 2023 last month.

- Expenditures, which measure the total amount spent on freight, declined 0.3% to 3.13 when SA, and are down 5.5% Y/Y.
- Inferred rates, which are calculated by dividing expenditures by shipments to explain the movement in cost per shipment, dropped 4.9% to 2.89 when SA.
- Truckload linehaul rates, which includes both spot and contract rates, increased 1.2% to 143.2, marking 6 consecutive months of increases. Rates turned positive Y/Y for the second straight month.

Bottom line: Cass believes "While outlook is freight with uncertainty, and freight demand will be challenged by tariffs, we highlight a silver lining for the for-hire freight market amid rising recession risk." Namely, that private carriers might begin to curtail their growth spree.



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

Supply: Truck Employment

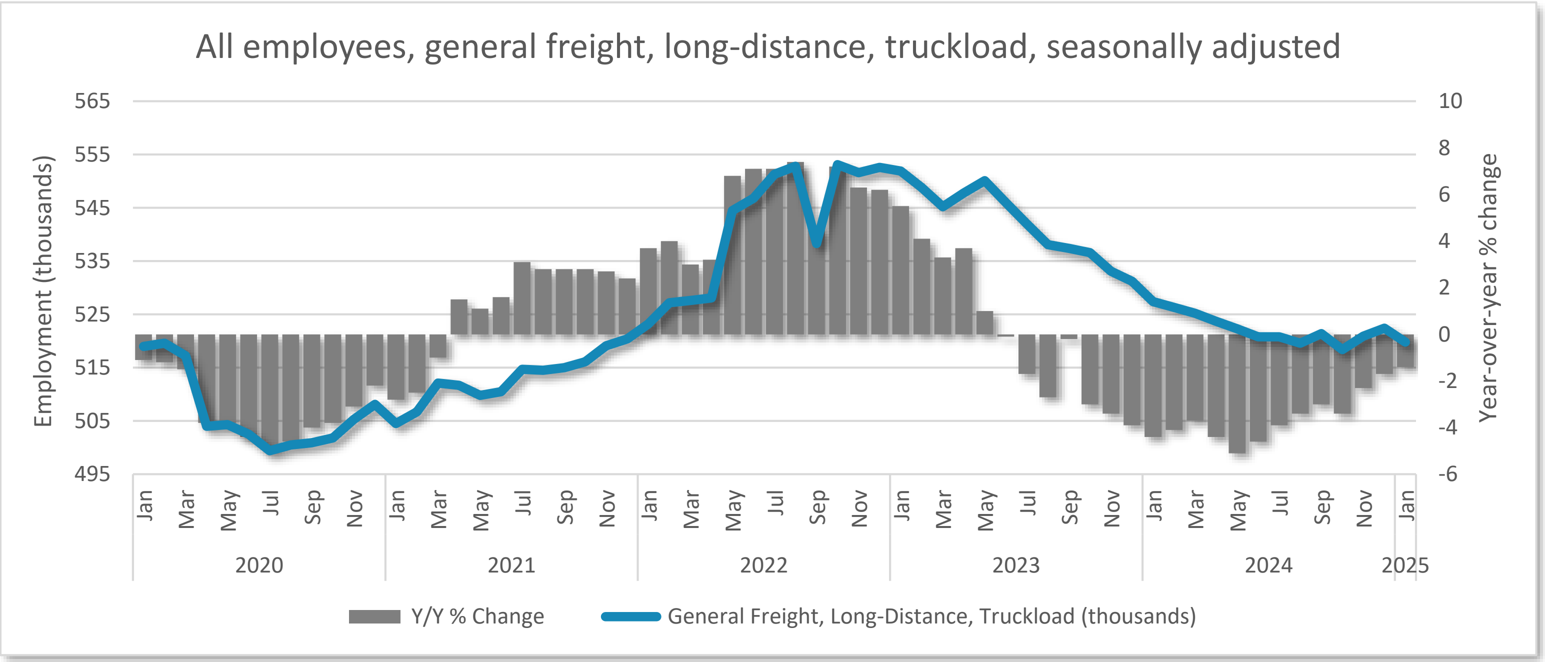
The big picture: The Bureau of Labor Statistics releases monthly payroll data concerning various industries and sectors, including trucking.

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.

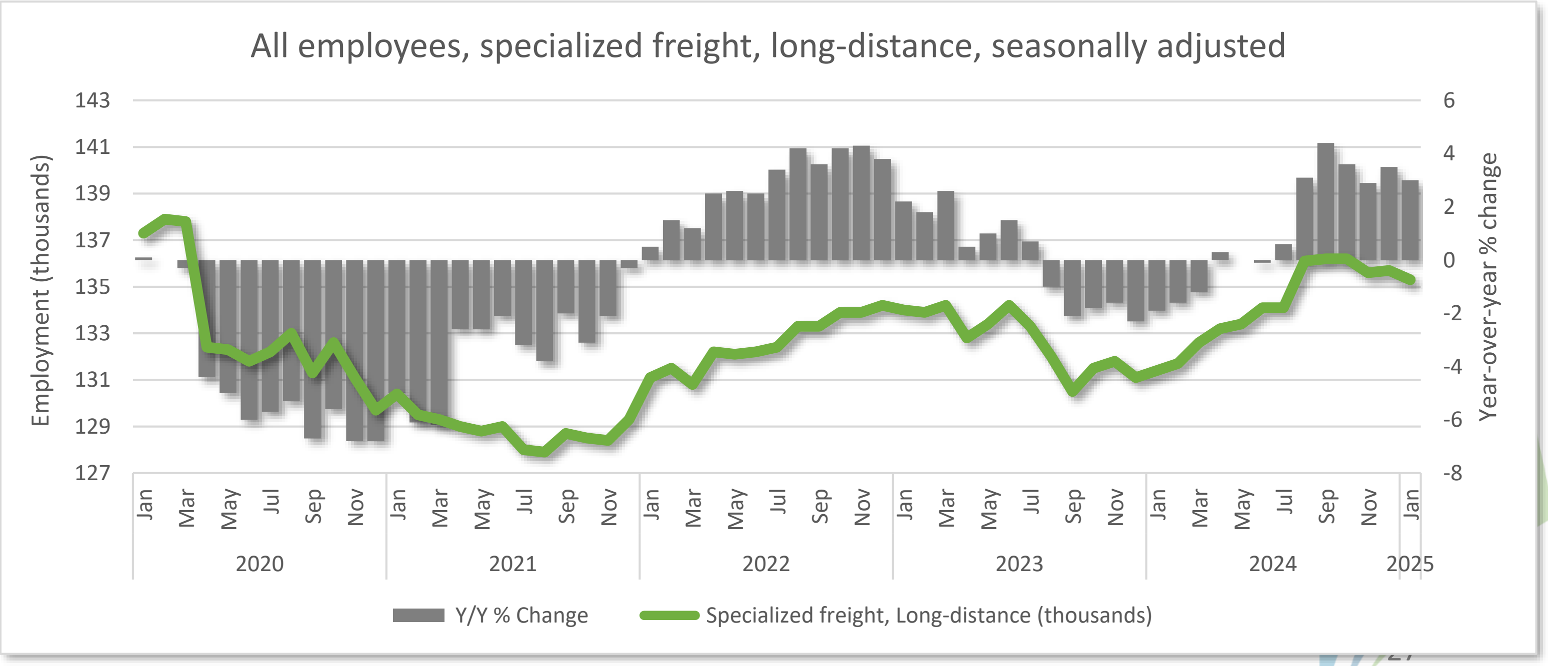
- Employment levels are also a good indicator for demand and rates, as demand drives supply. Thus, when demand increases, wages and rates also increase to attract more supply. The opposite is also true.

Our thoughts: Truck employment numbers overall (not pictured) decreased 0.13%, or 1,900, in February to 1.515 million people following adjustments, and are down 1.0% year-over-year. This marks 21 Y/Y decreases in 22 months.

- Employment for general freight trucking, long-distance, truckload, which best represents our members, decreased 0.5%, or 2,600 jobs, month-over-month in January.
- It's 1.4%, or 7,600 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, declined by 400 jobs month-over-month to 135,300.
- This figure is 3.0%, or 3,900 jobs, higher year-over-year. This is the 6th consecutive Y/Y increase after 12-months of straight declines. This figure is 2.9%, or 4,100 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.

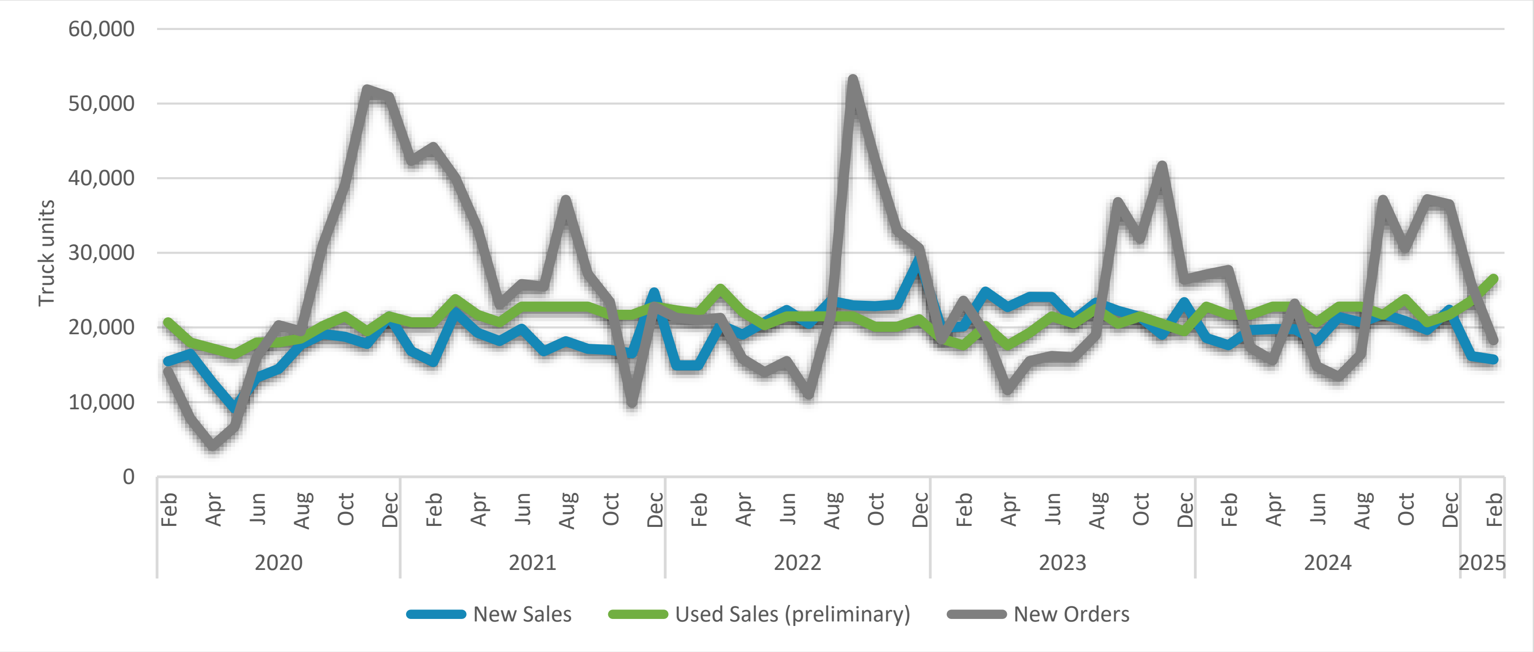
Why it matters: Class 8 orders and sales data will help an owner-operator to see both the demand for trucks and current truck capacity.

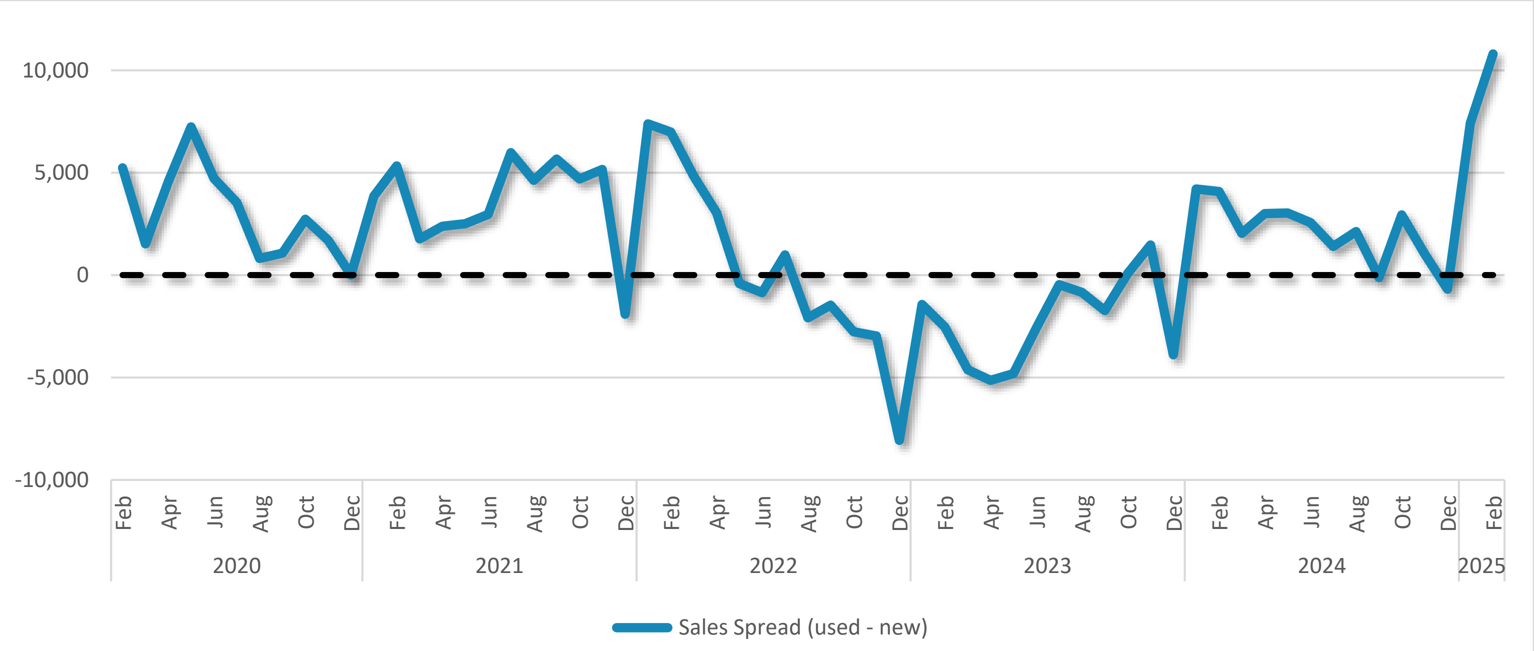
- Demand for trucks tends to spike when new orders increase following a steady increase in rates as depicted in the top figure (2017-2018 and 2020).
- Truck capacity tends to loosen when new sales eclipse used sales as shown in the bottom chart (2018-2019 and 2022-2023).

Our thoughts: New sales declined 2.8% in February to 15,725 plummeting 27.7% in January, and are 10.7% lower year-over-year. New orders declined 29.1% to 18,300 after declining 33.9% last month.

- Preliminary used sales figures increased 12.4%, or over 2,926 units, in February to 26,526, and are up 22.2% compared to last year.
- Used sales eclipsed new ones for the 13th time in 14 months. This time by 10,801 units.

Steve Tam, VP at ACT Research, stated, "The market easily outperformed historical seasonality…The gain is a testament to the stalwart nature of truckers, but also somewhat counterintuitive considering all the economic and political uncertainty they are facing currently. ."





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.

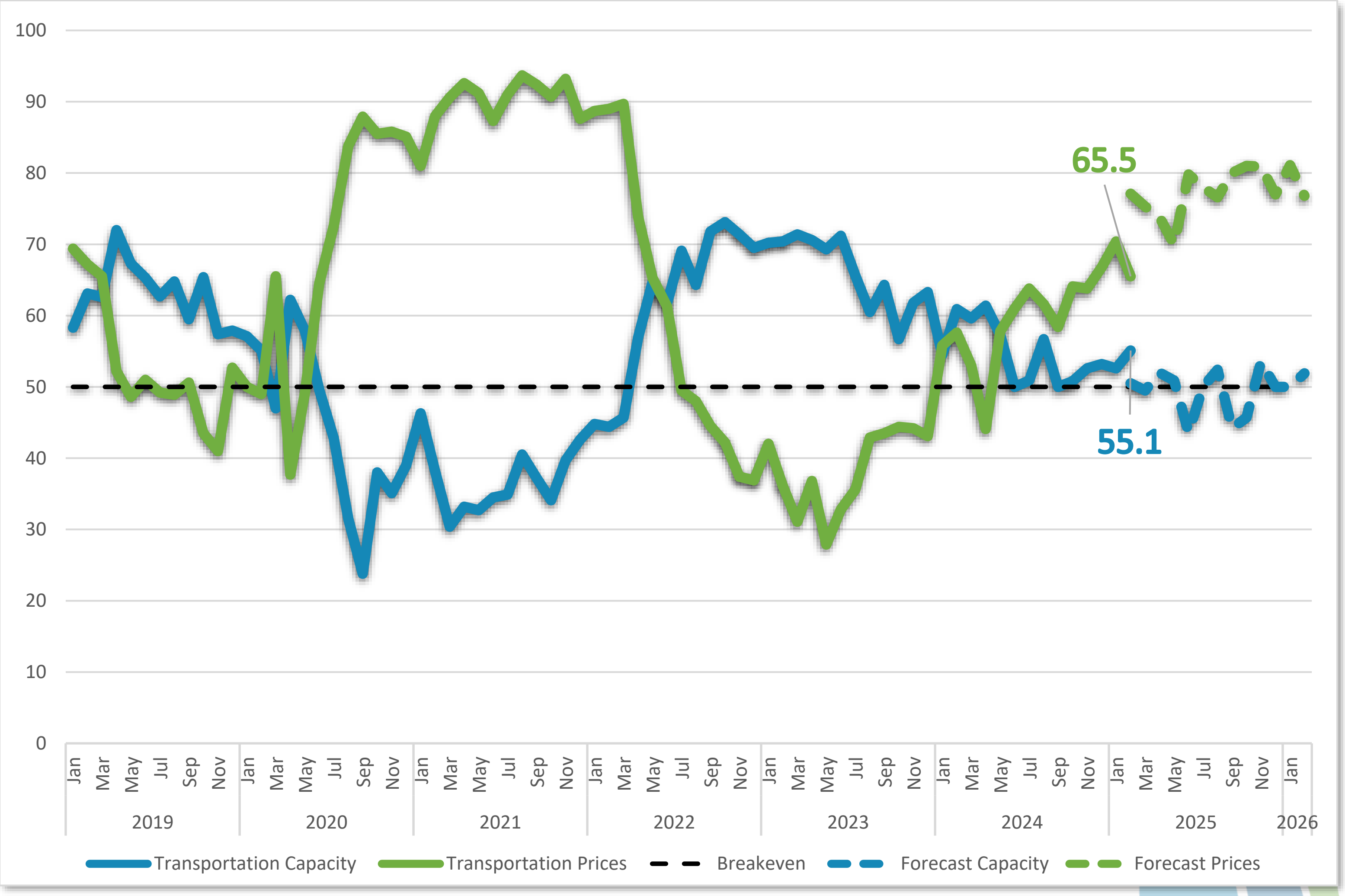
Why it matters: The LMI reflects the strength of the overall economy as it measures both upstream and downstream conditions.

- 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 0.8 points to 62.8, due to the continuing expansion of inventory levels. The overall index has been in expansion territory for 15 consecutive months. Transportation prices outpaced capacity again in February.

- Prices declined 7.0% month-over month to 65.5, but are 13.7% higher year-over-year (Y/Y), when the index read 57.6.
- Transportation capacity increased 4.8% to 55.1, which is 9.5% lower Y/Y. Transportation capacity reversed its more recent trend and turned upwards, which is a bad sign for demand.

Bottom line: According to LMI, transportation metrics slowed in February. This slowing was more pronounced toward the latter part of the month as businesses started to become concerned with the cost ramifications of a potential trade war. LMI believes, as do we, that tariffs could have a substantial negative impact on transportation markets.



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.

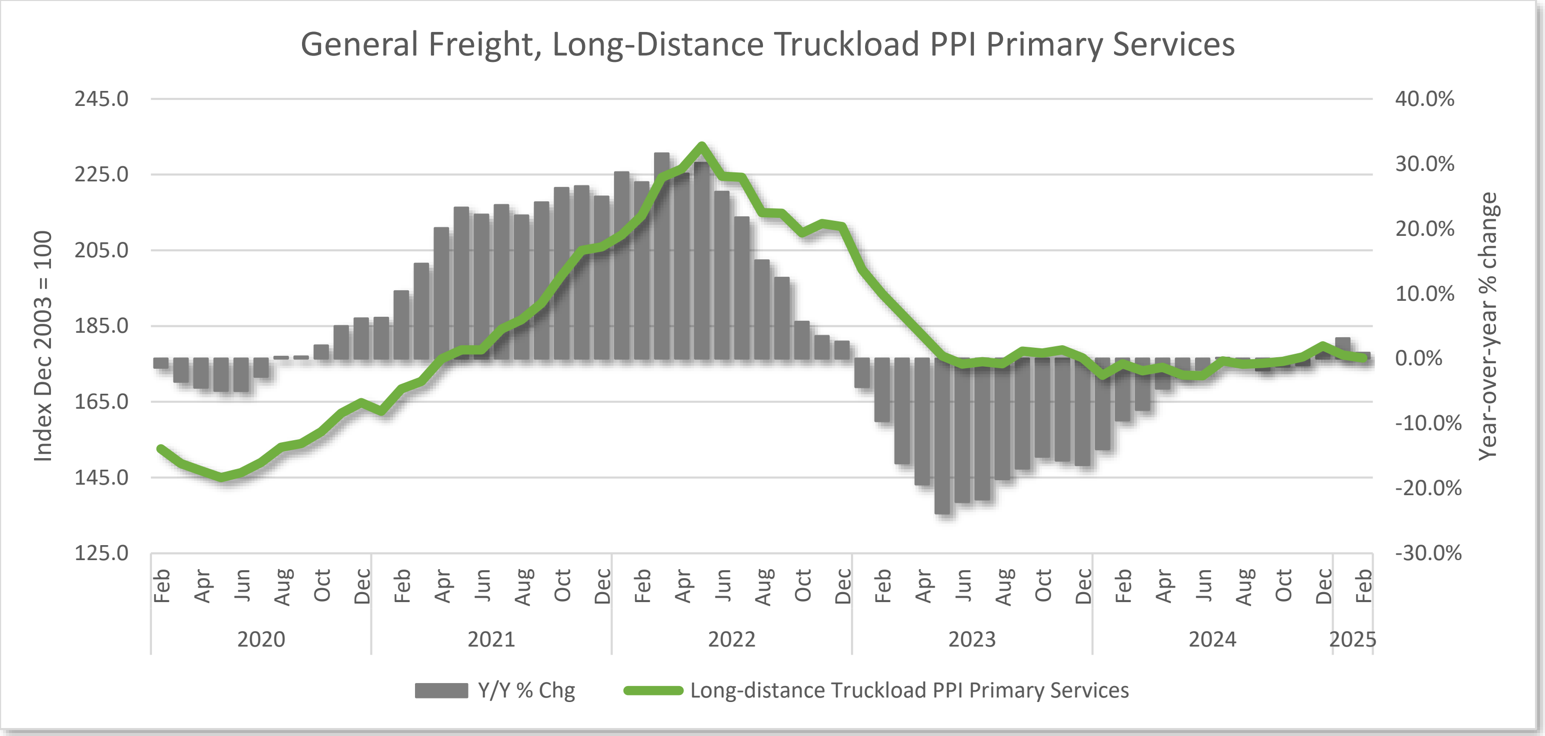
Why it matters: Changes in this particular index reflect the general direction that freight rates are heading (i.e., up or down) for the long-haul owner-operator.

Our thoughts: The index moved downward in February after decreasing 1.3% in January following readjustments.

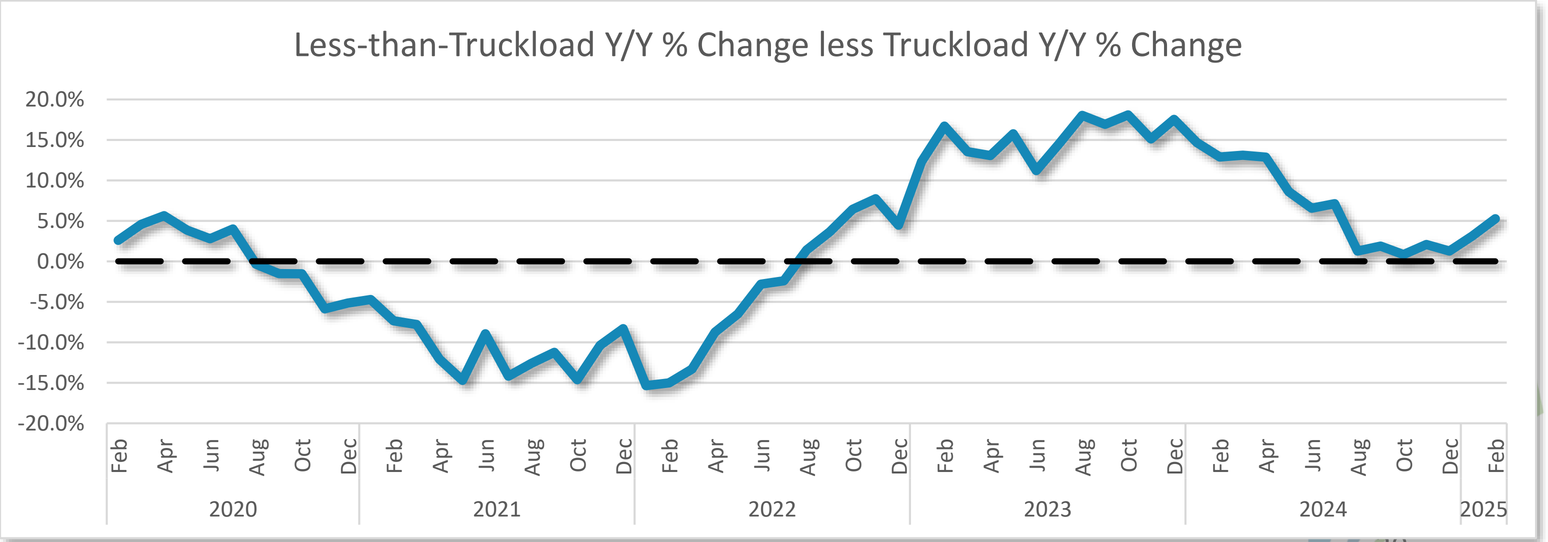
- The long-haul PPI decreased 0.4% to 176.6, month-over-month, ending 5 consecutive months of increases.
- The PPI is 0.9% higher year-over-year, marking 3 straight months of Y/Y increases. While this is a positive indicator overall, it appears that the index is posed to turn negative again in March.

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 0% suggests a downturn, while a value below 0% 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

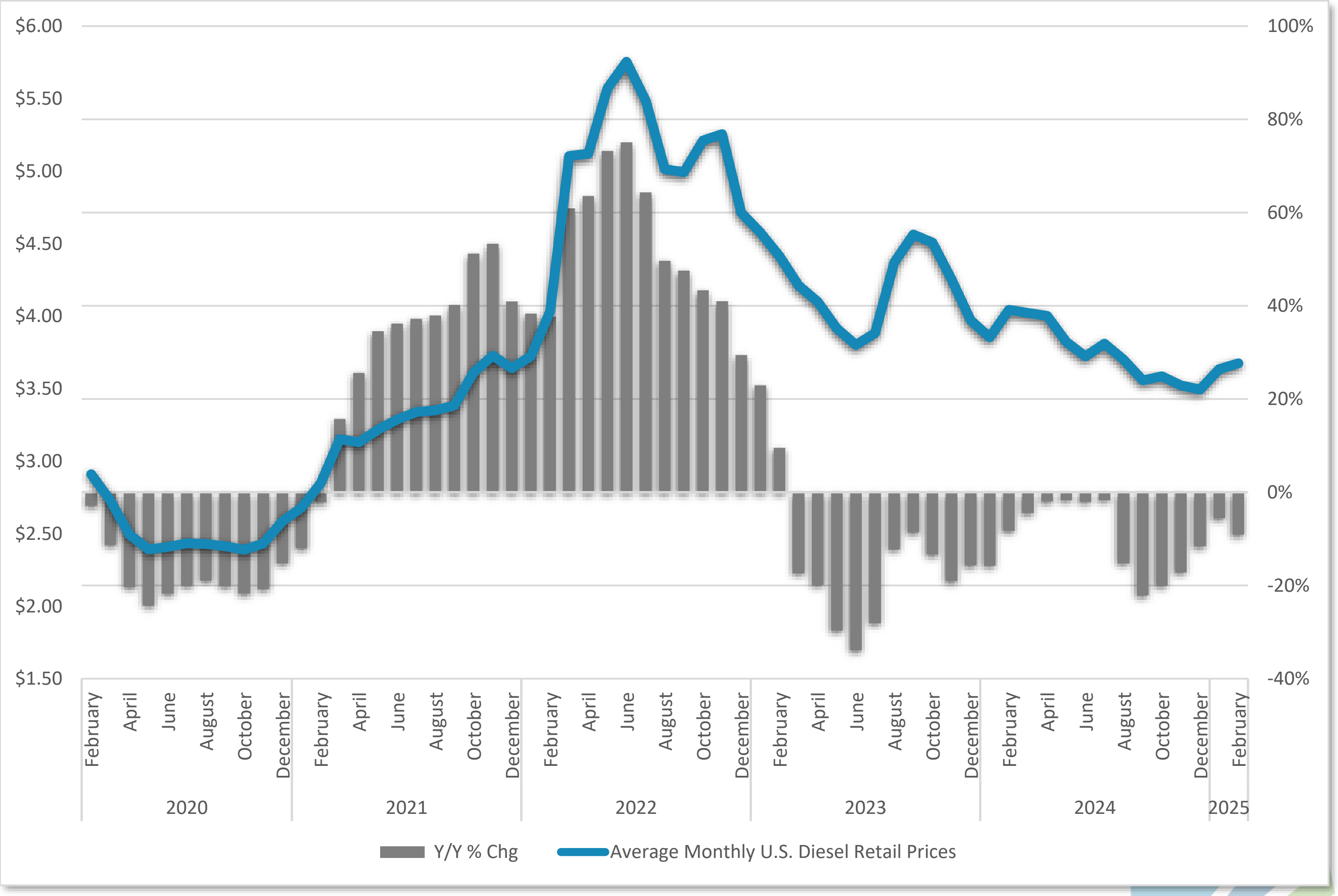
The big picture: The U.S. Energy Information Administration (EIA) tracks the weekly changes in on-highway diesel fuel prices throughout the country.

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 $0.04 per gallon in February after increasing $0.14 in January and decreasing $0.03 in December.

- The average price for diesel fuel increased 1.1% month-over-month to $3.67 per gallon, marking the two consecutive months of increases.
- The average diesel price was 9.1% lower year-over-year when the cost was $4.04 per gallon, and is 2.5%, or $0.10 per gallon, lower than the 5-year average.
- The average diesel price has declined year-over-year for 24 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.

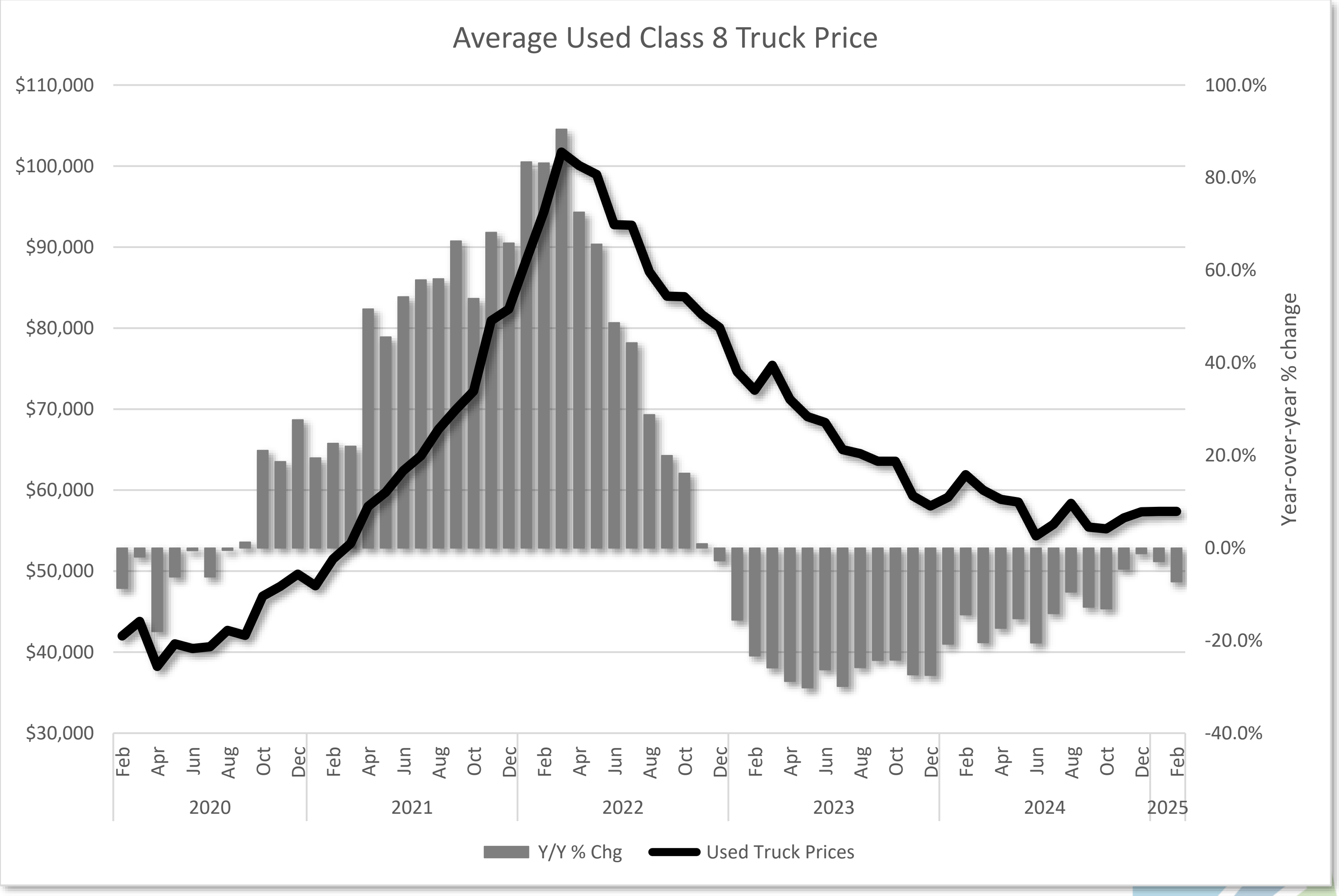
- As spot rates turn upward, the number of individuals seeking to become an owner-operator also increase, pushing used prices higher.

Our thoughts: Preliminary used truck prices remained flat in February ending three consecutive months of increases following readjustments.

- Preliminary used Class 8 truck prices remained flat at approximately $57,371.
- Prices are 7.3% lower year-over year, and 11.2% below than the 5-year average.

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

- Preliminary used truck prices have now been negative for 27 months.
- Though prices were starting to edge closer to flipping positive, which would be a positive sign that the freight market is poised to turn upward, it's now trending in the opposite direction.



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. **Intermodal** 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.

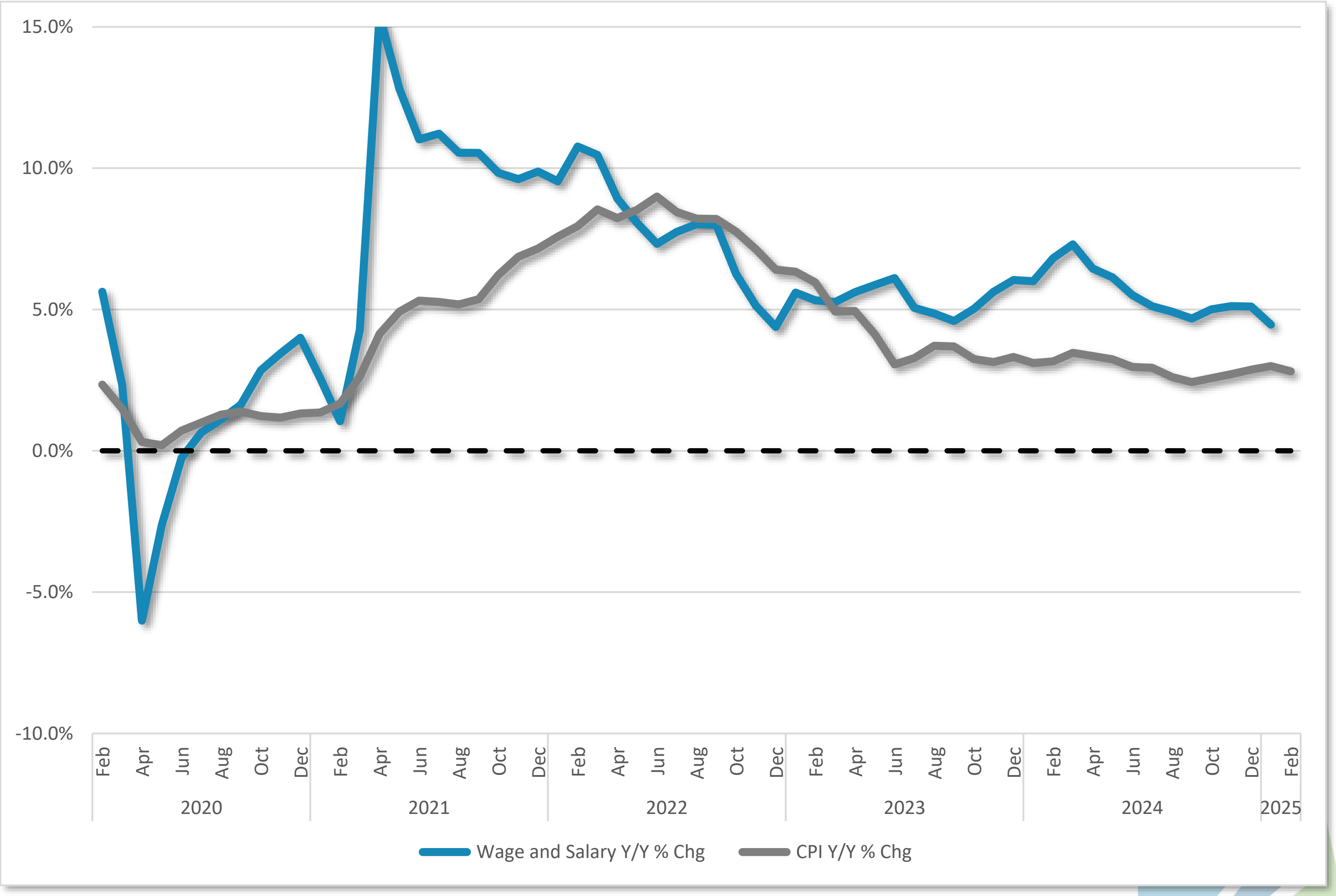
Why it matters: Wage and salary growth as well as CPI have great influence on consumers and can thereby help the Owner-operator gauge the health of the market.

- 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 January, while CPI moved downward in February.

- Wages and Salary disbursements increased 0.4%, or $49.6 billion, month-over-month.
- In terms of year-over-year growth, wages and salary disbursements are 3.3% higher.
- The BLS reported that the CPI fell 0.2% in February from year-ago levels, which was a decrease from January's 3.0% 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, dropped 4.5% month-over-month to 3.1%. Services and shelter, the down over last month, continue to come in high. Energy plummeted last month to negative 0.3% after spiking in January.



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.

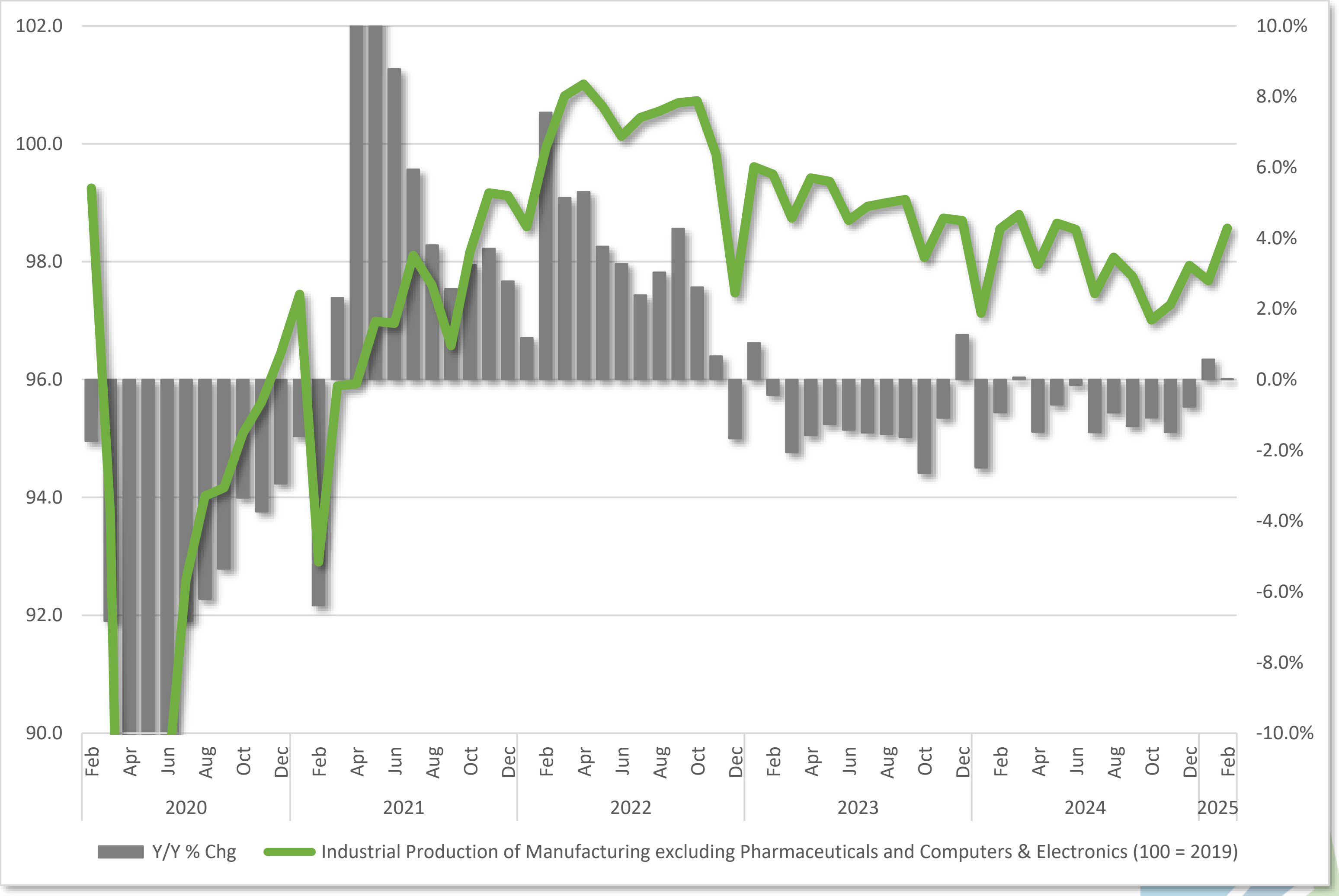
This is especially true when removing pharmaceuticals (NAICS 3254) and computer and electronic products (NAICS 334), as these sectors have an outsized influence on the overall manufacturing index considering how little freight they generate.

- 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 increased month-over-month, while simultaneously remaining flat year-over-year (Y/Y) in February.

- Manufacturing activity increased 0.9% to 98.57 after decreasing 0.3% last month following adjustments, and is flat Y/Y.
- Activity has only been up Y/Y for four time in 26 months
- Activity was 1.4% below 2019 levels.

Bottom line: 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.

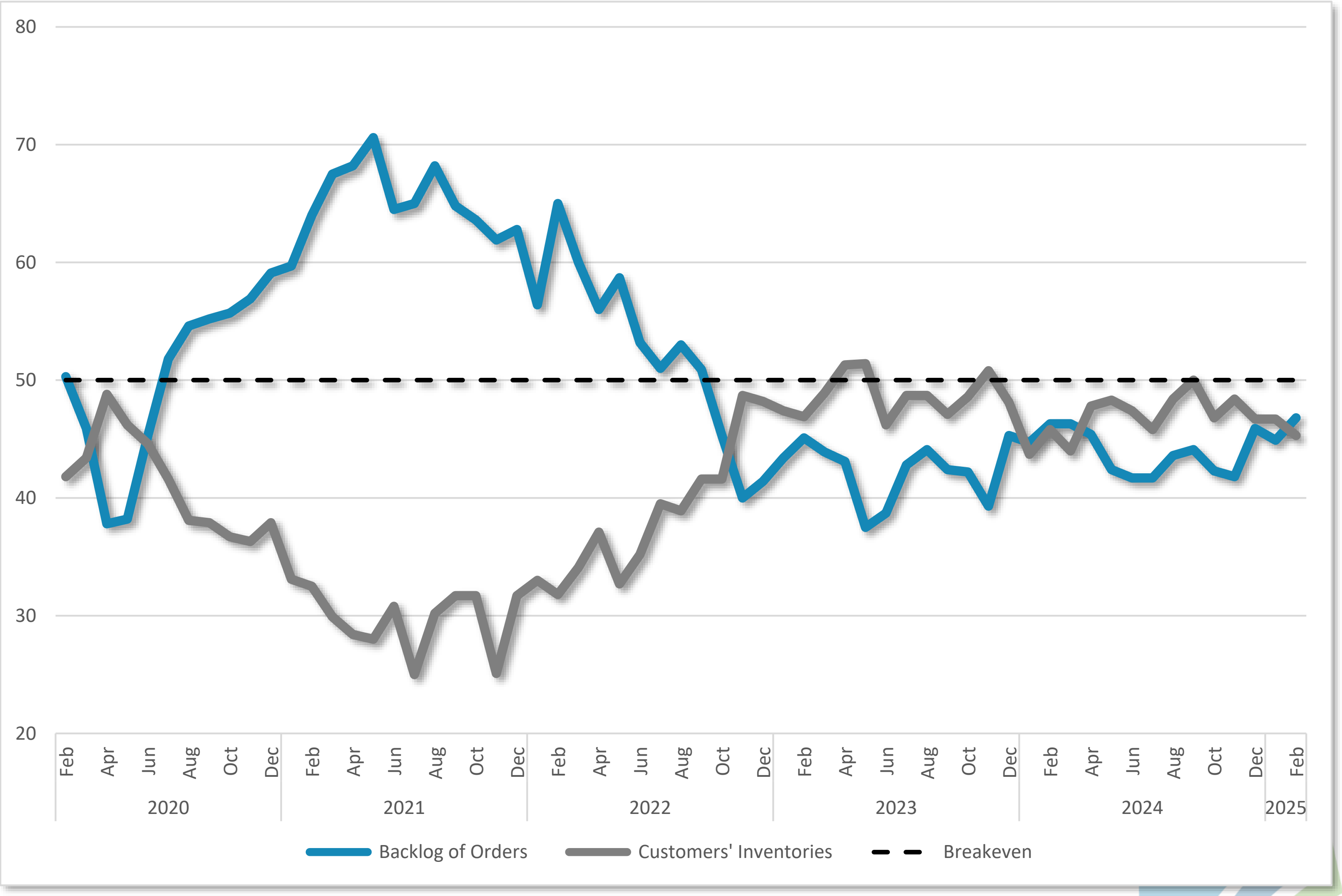
Why it matters: The ISM Manufacturing PMI is a reliable economic indicator and provides a sense of direction for the trucking market as shown in the chart. The ISM is highly correlated with spot rates.

- 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 for the second month in a row in February. The New Orders Index (not pictured) plummeted 6.5 points to 48.6%, moving into contraction territory for the first time in 4 months.

- Backlogs increased 4.2% to 46.8, after falling 2.2% last month. Backlogs have been in contraction territory for 29 straight months.
- Customers' inventories decreased 3.0% to 45.3. They are 1.1% lower year-over-year when they were 45.8.
- Backlogs did outpace inventories in February but we're doubtful it will hold for long due to uncertainty surrounding tariffs.

The bottom line: Demand weakened. Output, measured by production and employment, was stable as factory output marginally expanded, indicating that panelists' companies are being cautious about ramping up output in the face of economic headwinds. Employment moved back into contraction territory.



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.

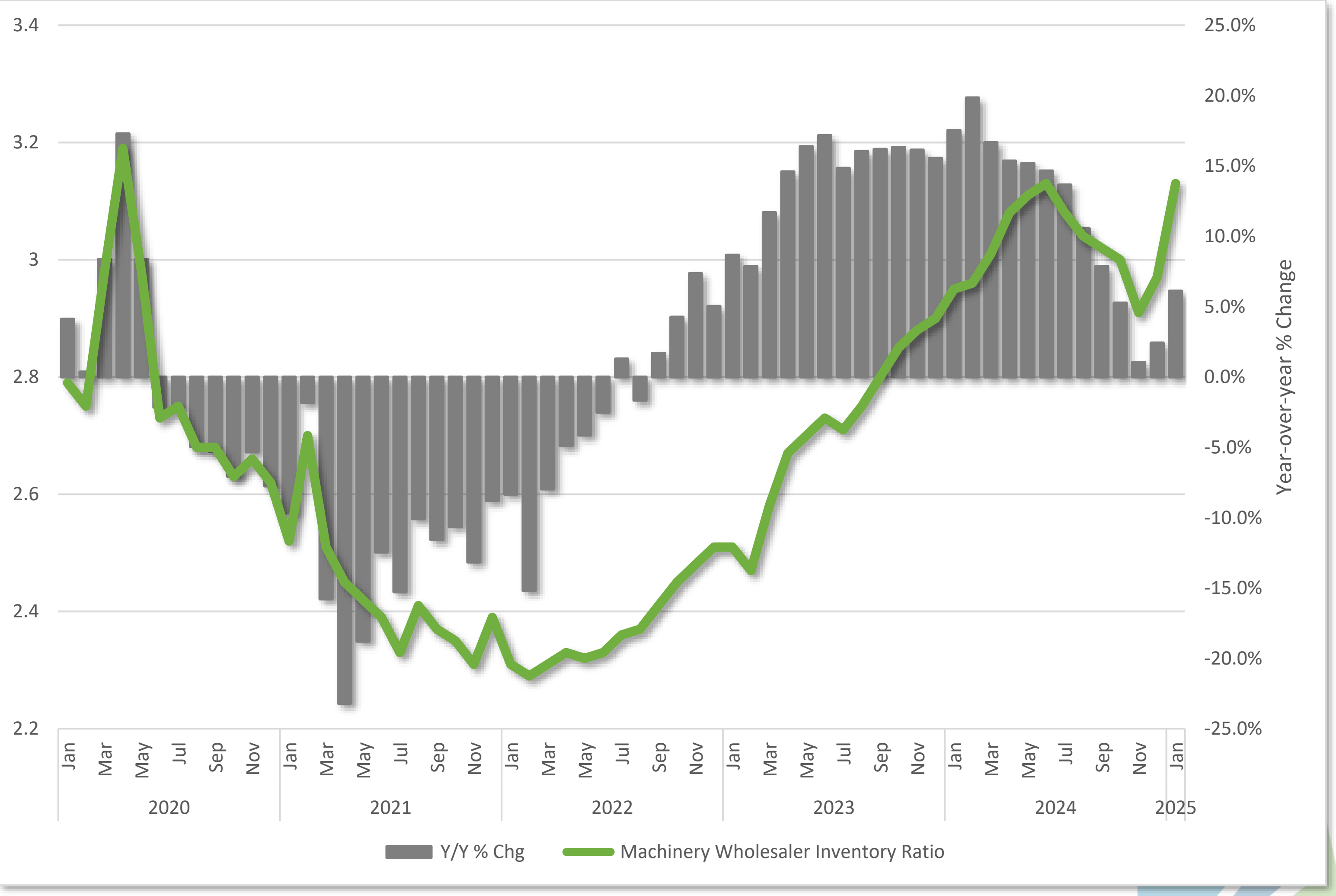
Why it matters: Movements in the inventory ratio for machinery wholesalers closely tracks the conditions in the trucking sector historically.

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

Our thoughts: Inventory levels increased in this sector skyrocketed. Inventories are now 12.7% above 2019 levels when the ratio was 2.8.

- The inventories-to-sales ratio jumped 5.4% to 3.13 after rising 2.1% in the previous month.
- The ratio is 6.1% higher year-over-year. The ratio has increased Y/Y for 31 straight months.

A respondent to ISM's survey who operates in this sector explained, "The incoming tariffs are causing our products to increase in price. Sweeping price increases are incoming from suppliers…Inflationary pressures are a concern. Our company is working diligently to see how the new tariffs will affect our business."



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.

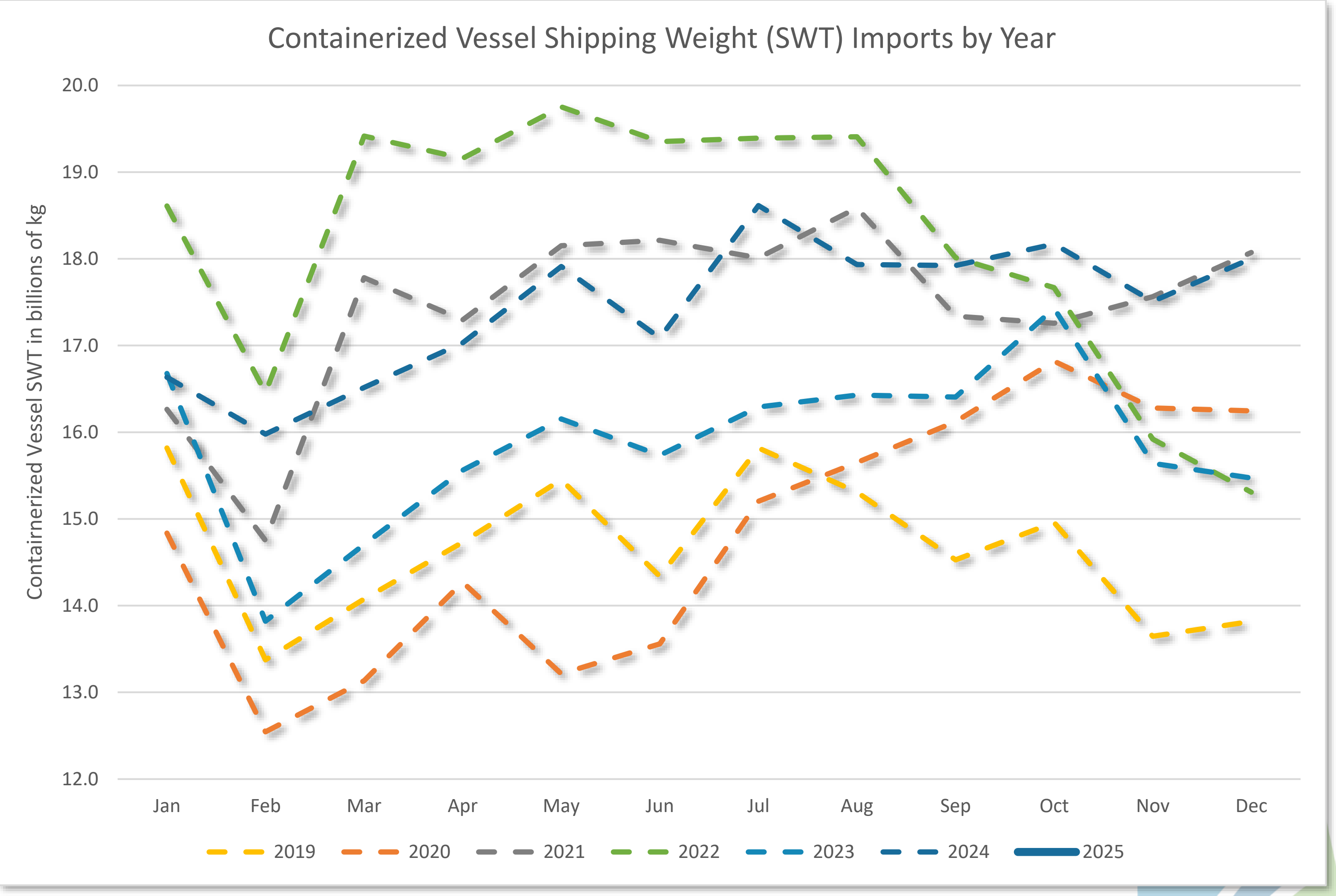
Why it matters: High levels of imports signal a strong domestic demand and a growing economy.

- 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 January, which is typical for this time of year, after decreasing 2.8% in December.

Exports declined after falling 5.3% the previous month, perhaps due tariff uncertainty.

- Imports increased 4.8%, or 861.8 million kgs, M/M to 18.86 billion kgs. Imports are 13.4% higher Y/Y and 28%, or 4.13 billion kgs, above 2019 levels.
  - ✓ Last month was the 12th consecutive Y/Y increase.
- Exports (not pictured) fell 8.3%, or 791.3 million kgs, M/M, and are 2.5% lower than last year, marking 2 months out of 15 of Y/Y decreases.
  - ✓ Exports are now 19.8% below 2019 levels.



Source: U.S. Census Bureau | https://usatrade.census.gov/ | Monthly

Intermodal: Containers and Trailers

The big picture: Trucking is a key part of the intermodal transportation system.

- Intermodal involves moving freight using two or more modes of transportation—like rail, truck, and ship—without handling the actual cargo when changing modes.

Why it matters: Trucking is used for both first and last mile.

- An increase in intermodal freight will translate into greater demand for trucks downstream as the chart demonstrates.
- Notice how sharp increases in intermodal volumes in 2017 and 2020 correlate with upcycles in trucking. The reverse is also true.

Our thoughts: Intermodal volumes slowed in January primarily due to weather, but still managed to increase year-over-year according to C.H. Robinson's Freight Market Update. Most models however, don't expect this pace to continue.

- Carloads decreased 2.5%, or 23,417, month-over-month to 926,899, but are up 1.2%, or 10,792 carloads, year-over-year. This marks the 2nd Y/Y increase in 13 months.
- Intermodal declined 1.4% to 1.207 million, but is up 9.6%, or 105,602 loads, year-over-year.

According to C.H. Robinson, importers are concerned over tariffs. They have already begun pulling orders forward to keep costs down, but this may lead to soft demand in the future.

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

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1 NW OOIDA Drive | PO Box 1000 | Grain Valley, MO 64029 | Tel: (816) 229-5791

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