

The Outlook for Trucking

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GMTA
Leadership Conference
2022

November 18, 2022



Agenda

- The economy
- Trucking outlook
- Issues to watch
- Discussion and Q&A

Download this presentation and a complimentary copy of FTR's Trucking Update at www.ftrintel.com/gmta2022

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FTR Transportation Intelligence

Next State of Freight Webinar: 2023 Economic Outlook & Risks
Thursday, November 10th, 2022 @ 11am Eastern - Register at: ftrintel.com/webinars

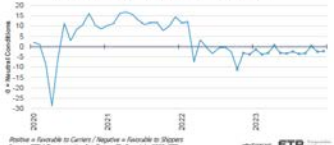
Trucking
November 2022

COMMENTARY (pg 16):
Why is new entry in trucking still so strong?
Multiple forces are coalescing to stave off a collapse back to the old norm.

Diesel price swings, financing costs remain worries for trucking.

FTR Trucking Conditions Index

TCI is a broad measure of carrier conditions - volumes, rates, costs, etc.




Positive = Favorable to Carriers / Negative = Favorable to Shippers
Source: FTR | Transportation Intelligence™ | Copyright 2022, FTR

Weaker rates and an end to the sharp drop in diesel prices were the largest factors in a deterioration of trucking conditions in September.

The Trucking Conditions Index (TCI) fell to -2.35 in September from -0.25 in August.

See page 3 for more on trucking conditions...

Truck Loadings Outlook



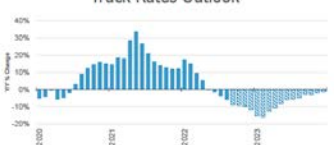
YTD % Change
Data is seasonally adjusted
Source: FTR | Transportation Intelligence™ | Copyright 2022, FTR

The outlook for 2022 truck loadings is little changed at +2.5% y/y, and the 2023 forecast is just slightly weaker at +0.9% y/y.

A recent GDP benchmark data revision resulted in minor changes in FTR's estimates for 2020 through 2022 to date.

See page 2 for more on the loadings outlook...

Truck Rates Outlook



YTD % Change
Rate includes Fuel Surcharge; data is seasonally adjusted
Source: FTR | Transportation Intelligence™ | Copyright 2022, FTR

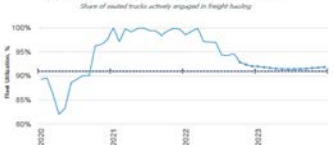
The 2022 truckload rate outlook is firming. Spot rates are expected to be down nearly 15% y/y, excluding fuel. Contract rates are forecast at more than 8% higher y/y.

The 2023 outlook also is little changed at down nearly 13% y/y for spot and down nearly 5% for contract.

See page 3 for more on freight rates...

Active Truck Utilization Outlook

Share of loaded truck activity engaged in freight hauling



Utilized % - 30-day average; data is seasonally adjusted
Source: FTR | Transportation Intelligence™ | Copyright 2022, FTR

The outlook for active truck utilization is slightly weaker than previously forecast starting in late 2023.

GDP benchmark data revisions resulted in freight mix changes that produced modestly stronger utilization estimates for 2021 and early 2022.

See page 4 for more on capacity and utilization...

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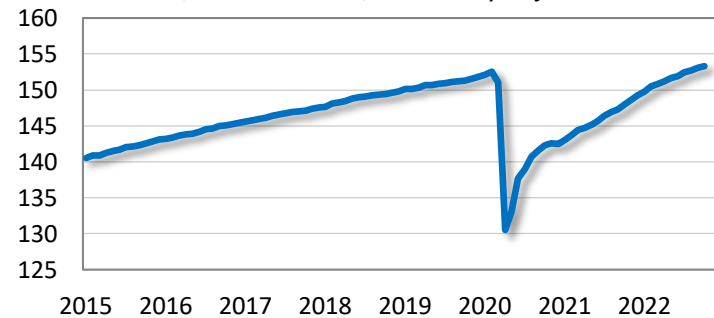
The economy

Labor metrics

The labor market is starting to cool just a bit

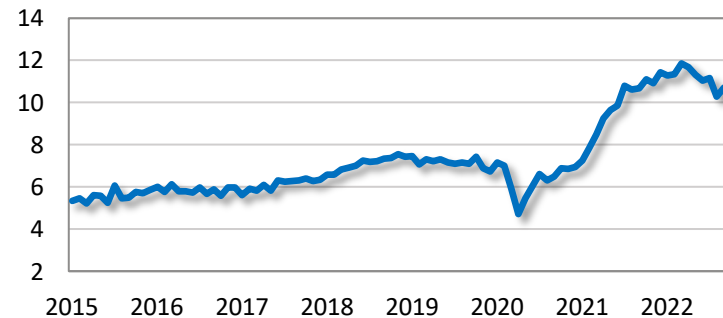
Payroll jobs

Millions, total nonfarm, seasonally adjusted



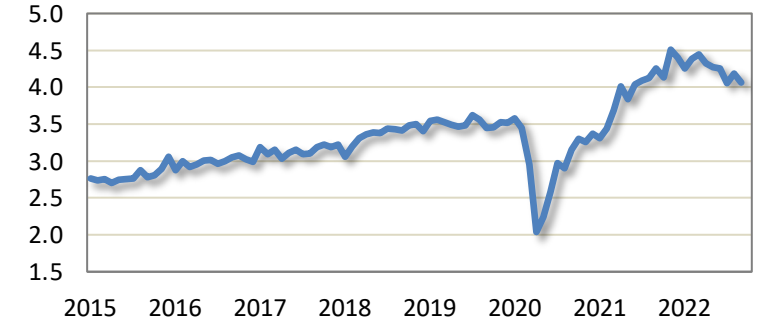
Job openings

Millions, total nonfarm, seasonally adjusted



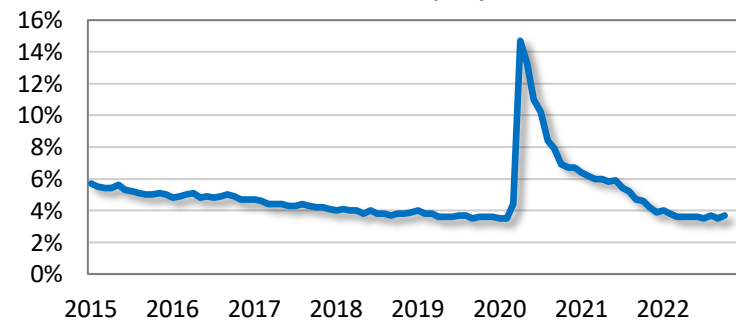
Job quits

Millions, total U.S. nonfarm, seasonally adjusted



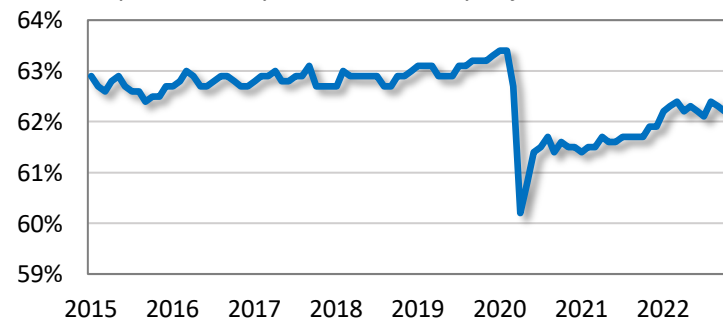
Unemployment rate

Civilian work force, seasonally adjusted



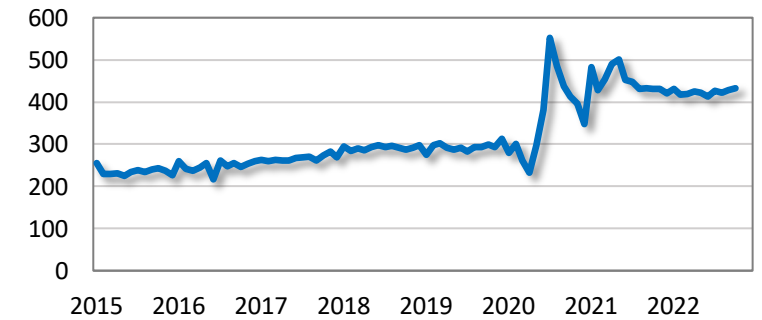
Labor participation rate

Population 16 years+, seasonally adjusted



Business applications

Thousands, seasonally adjusted

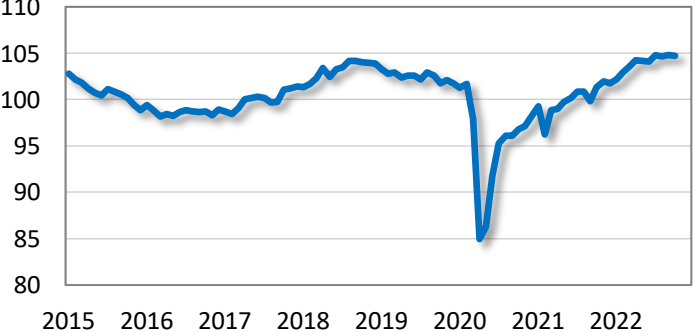


Industrial sector

Output is solid, and pent-up demand is high...so far

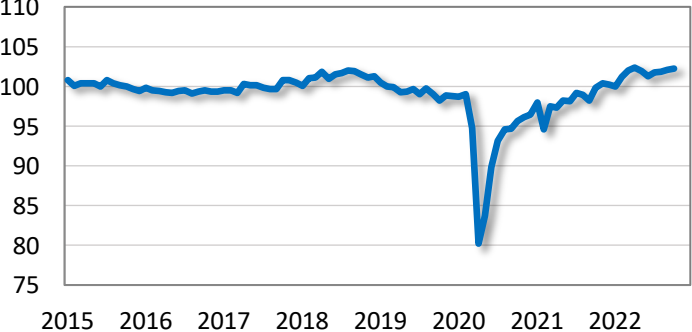
Industrial production

Index (100 = 2017), seasonally adjusted



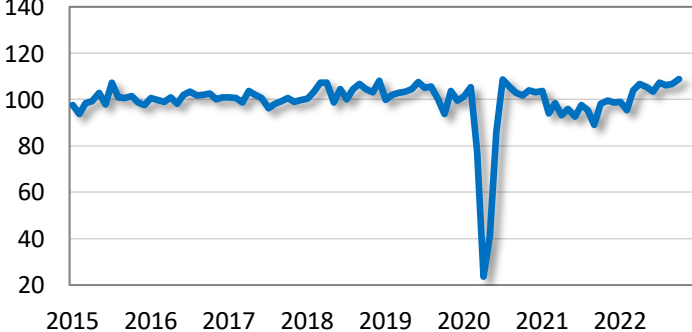
Manufacturing output

Index (100 = 2017), seasonally adjusted



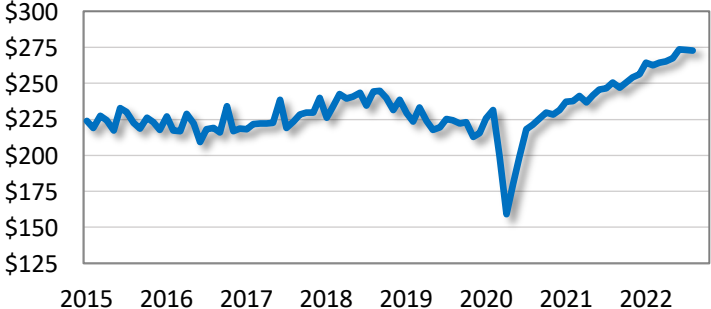
Automotive output

Index (100 = 2017), seasonally adjusted



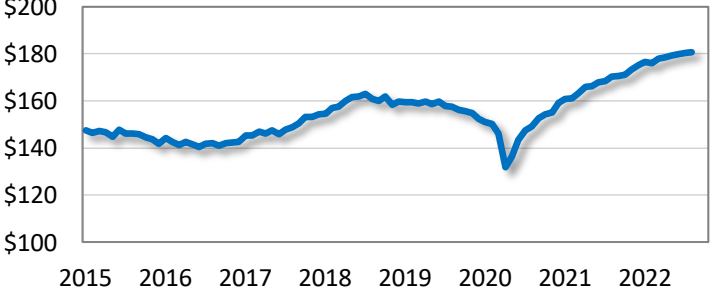
New orders for durable goods

Total, billions, SA



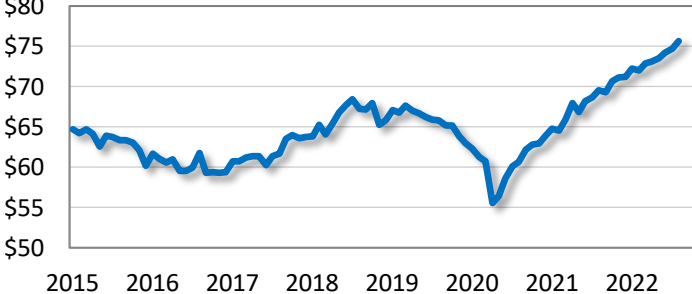
New orders for durable goods

Excl. trans. equip., billions, SA



New orders for core capital goods

Billions, seasonally adjusted

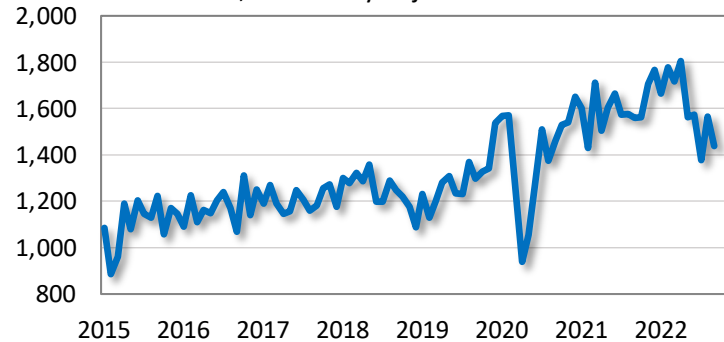


Housing sector

Sales have plunged, but construction is still healthy

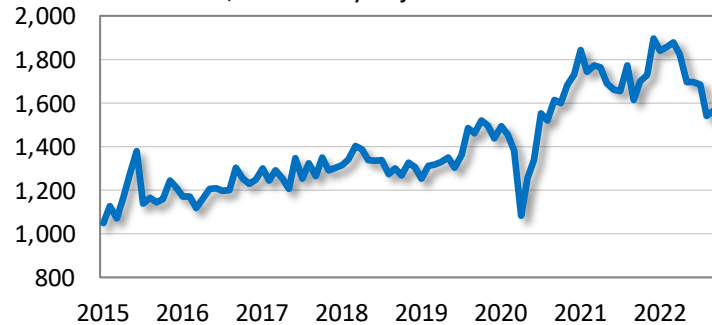
Housing starts

Thousands, seasonally adjusted annual rate



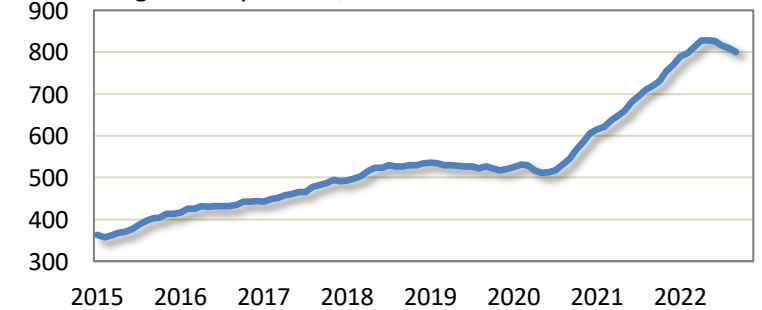
Housing permits

Thousands, seasonally adjusted annual rate



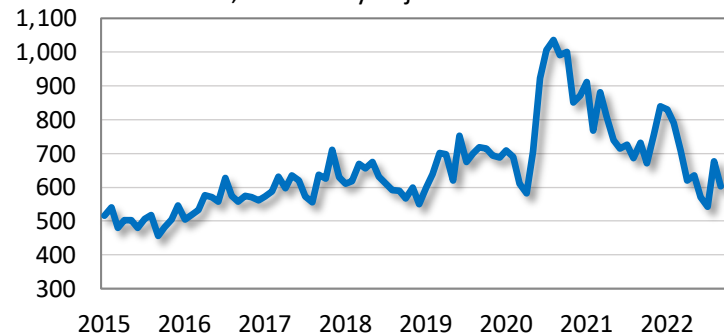
Homes under construction

Single-family homes, thousands, SAAR



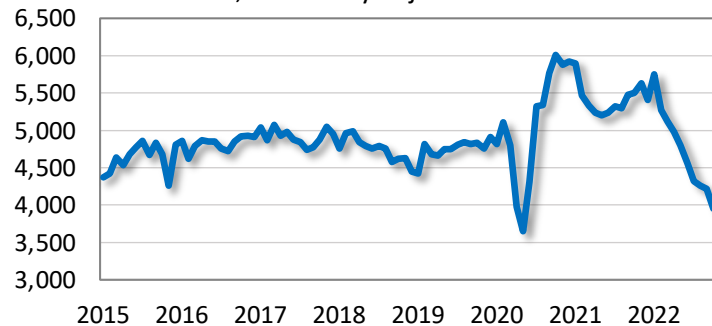
Sales of new homes

Thousands, seasonally adjusted annual rate



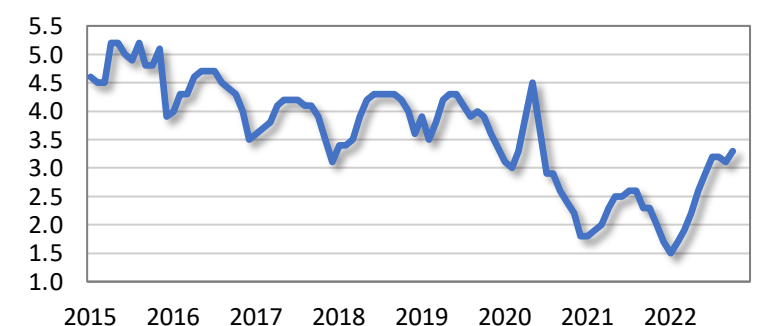
Sales of existing homes

Thousands, seasonally adjusted annual rate



Supply of existing homes for sale

Months at current sales rate

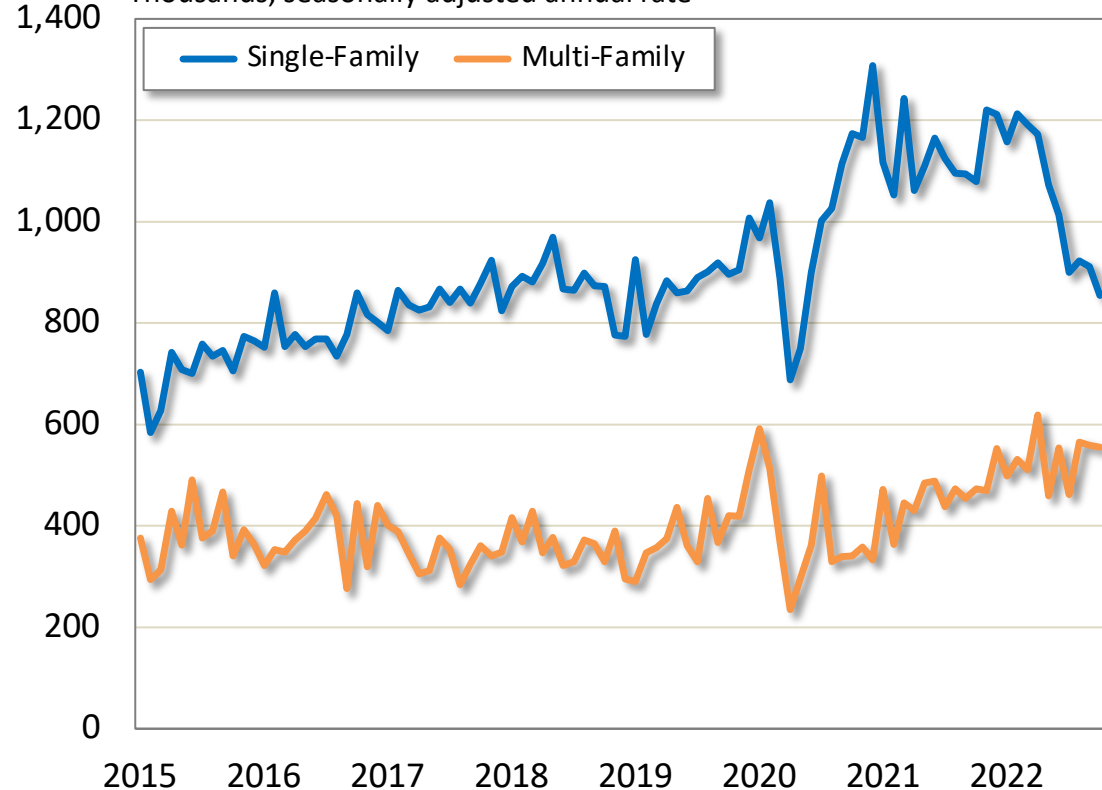


Single family vs. multi-family

Housing's strength is in multi-family buildings

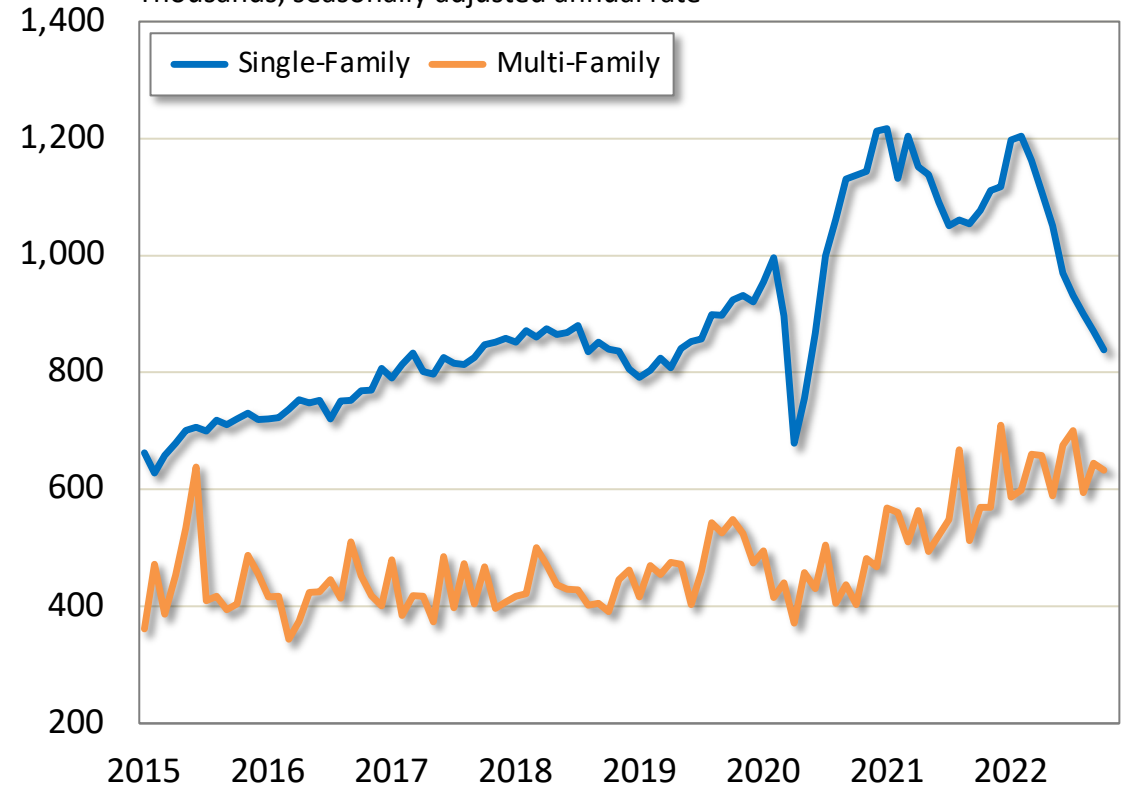
Housing starts

Thousands, seasonally adjusted annual rate



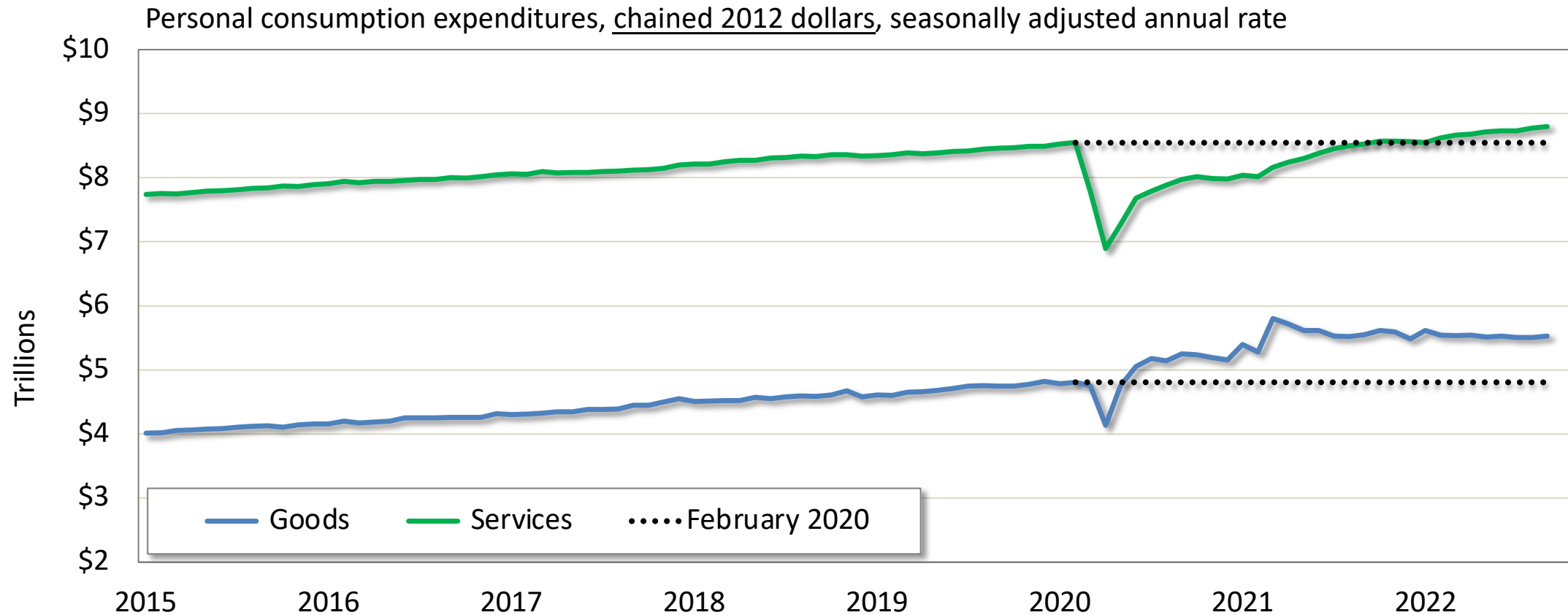
Housing permits

Thousands, seasonally adjusted annual rate



Real consumer spending

Real spending on goods has settled to trend

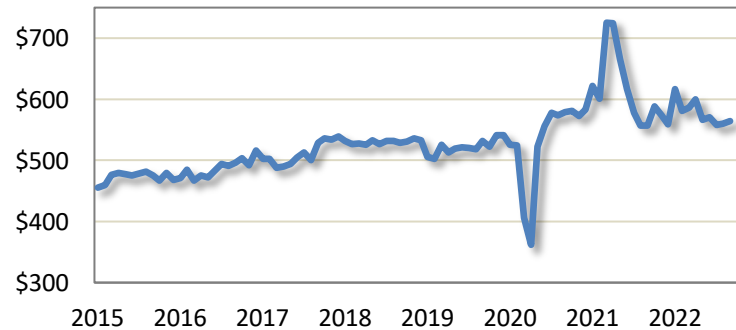


Real spending on goods

Vehicles and food are drags on goods spending

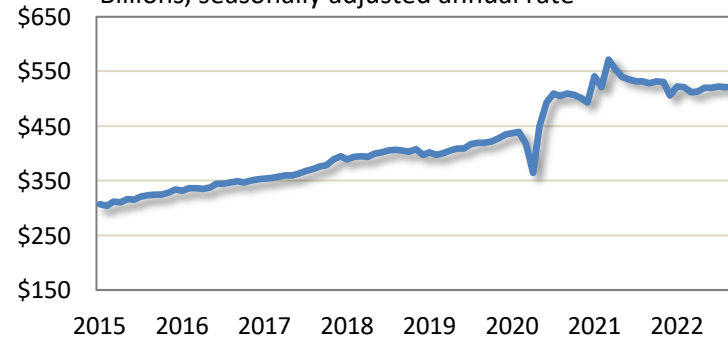
Motor vehicles and parts

Billions, seasonally adjusted annual rate



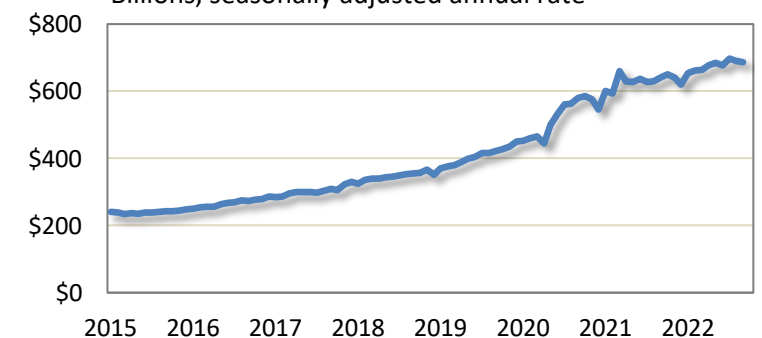
Furniture & appliances

Billions, seasonally adjusted annual rate



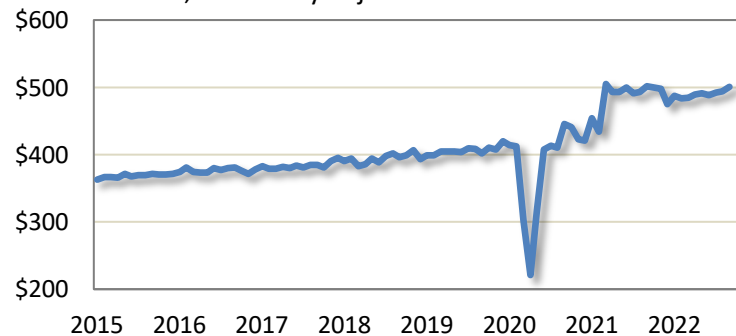
Consumer electronics

Billions, seasonally adjusted annual rate



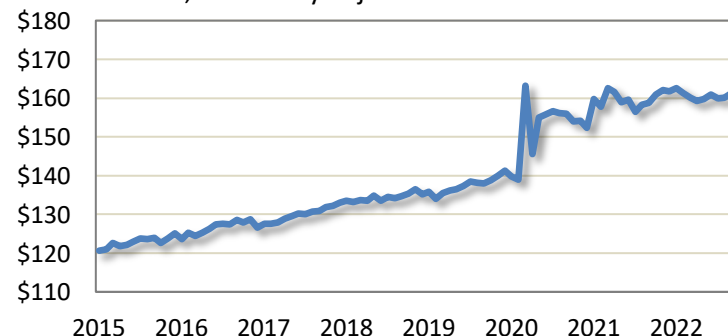
Clothing and footwear

Billions, seasonally adjusted annual rate



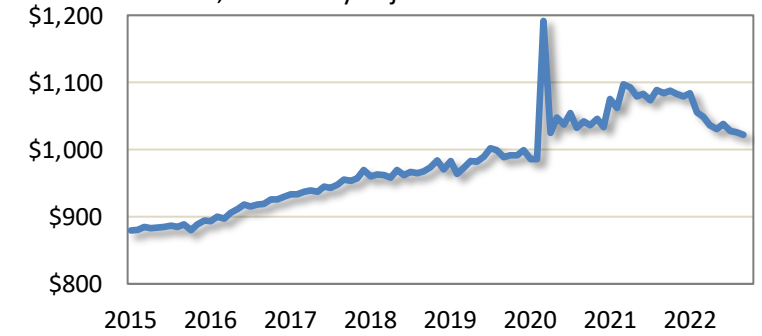
Alcoholic beverages

Billions, seasonally adjusted annual rate



Food & beverages

Billions, seasonally adjusted annual rate

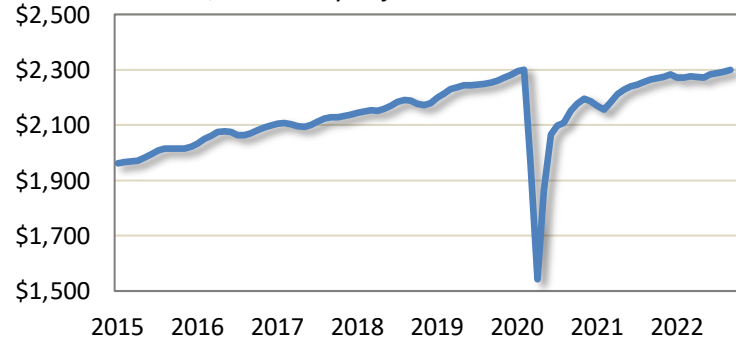


Real spending on services

Health care and recreation are drags on services spending

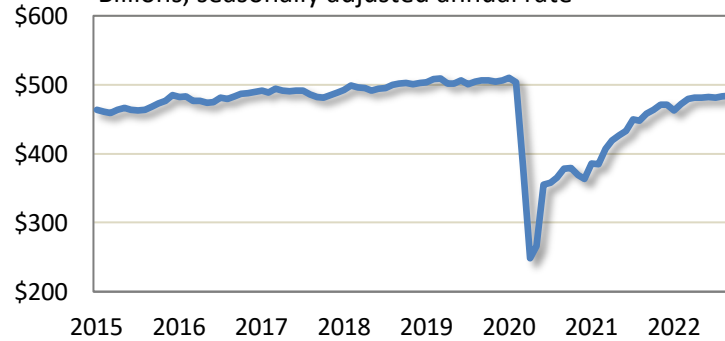
Health care

Billions, seasonally adjusted annual rate



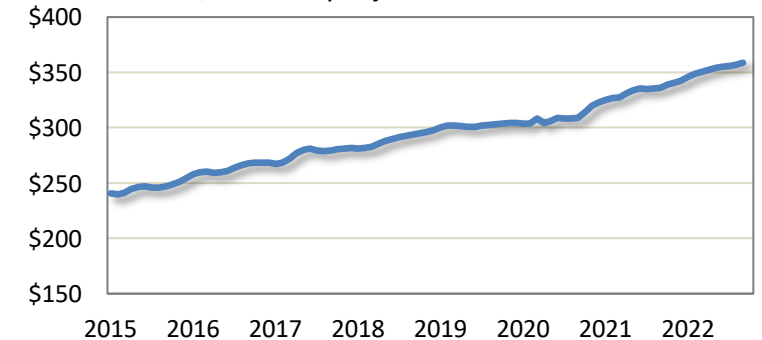
Recreation

Billions, seasonally adjusted annual rate



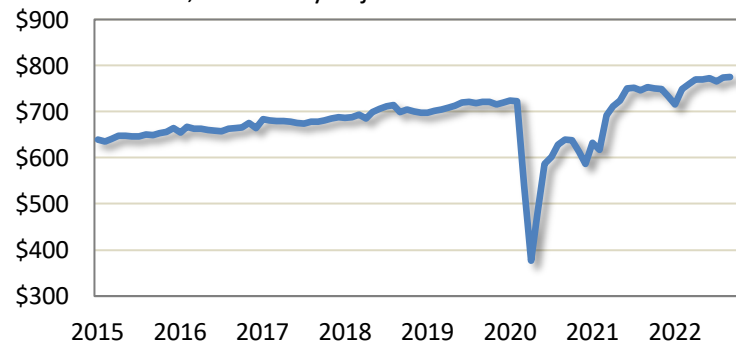
Communications

Billions, seasonally adjusted annual rate



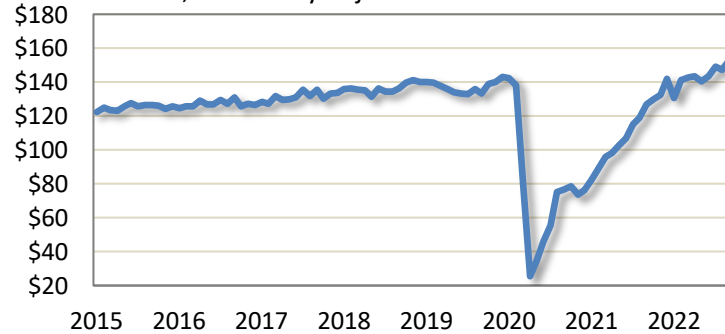
Food services

Billions, seasonally adjusted annual rate



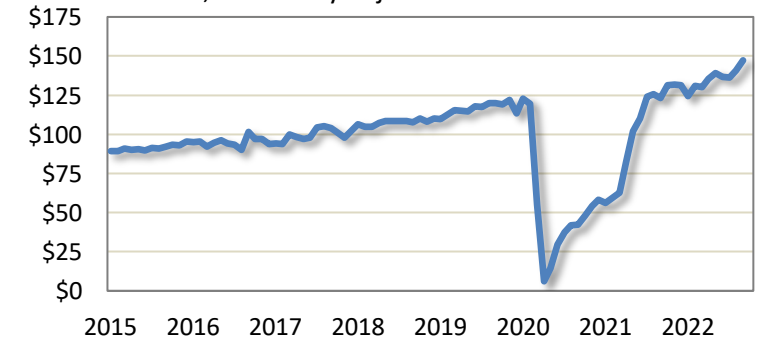
Accommodations

Billions, seasonally adjusted annual rate



Air travel

Billions, seasonally adjusted annual rate



Consumer Price Index

Decelerating inflation is largely a function of math, not real relief

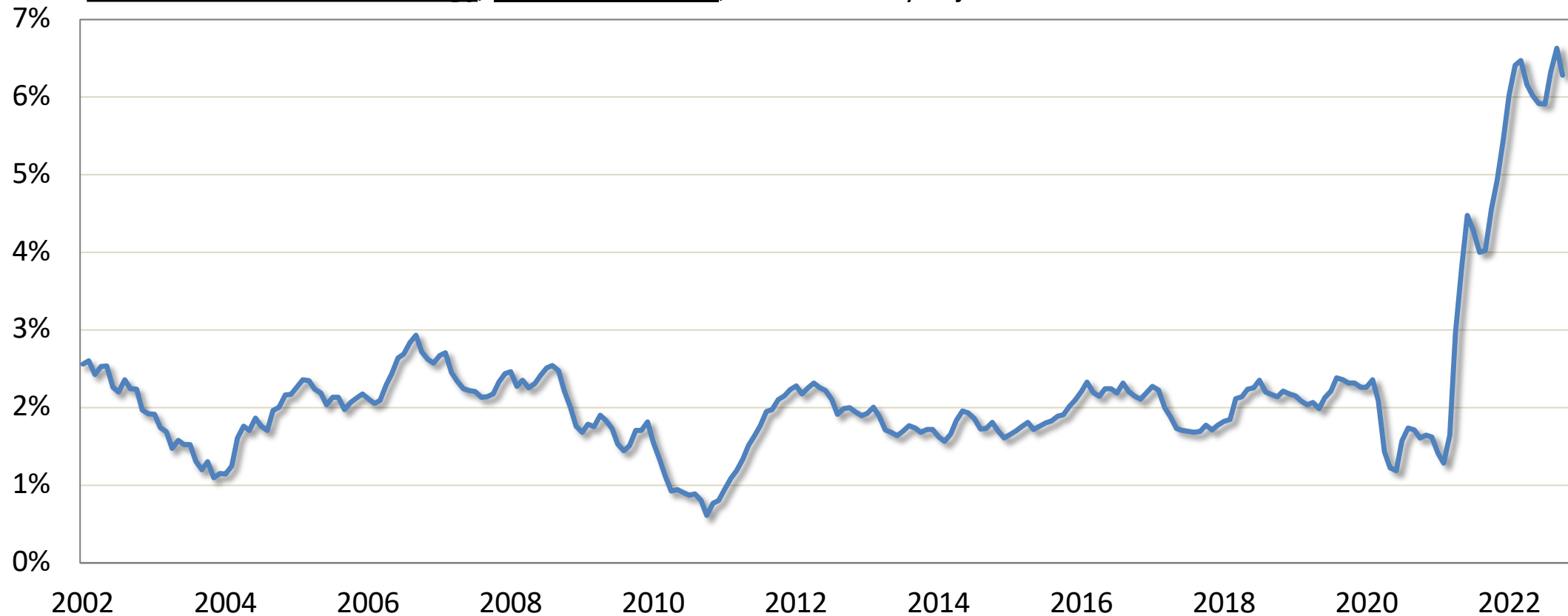
All items, 12-month change, not seasonally adjusted



Core Consumer Price Index

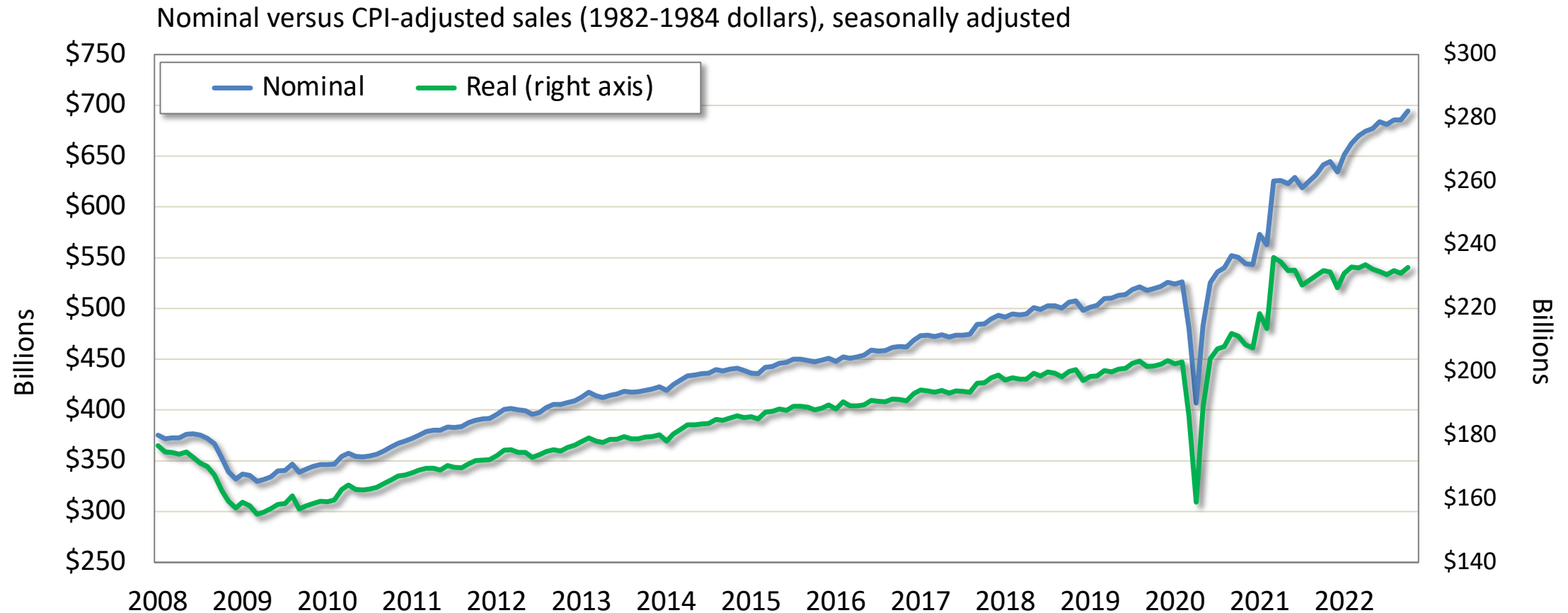
Core inflation is not really decelerating

All items less food and energy, 12-month change, not seasonally adjusted



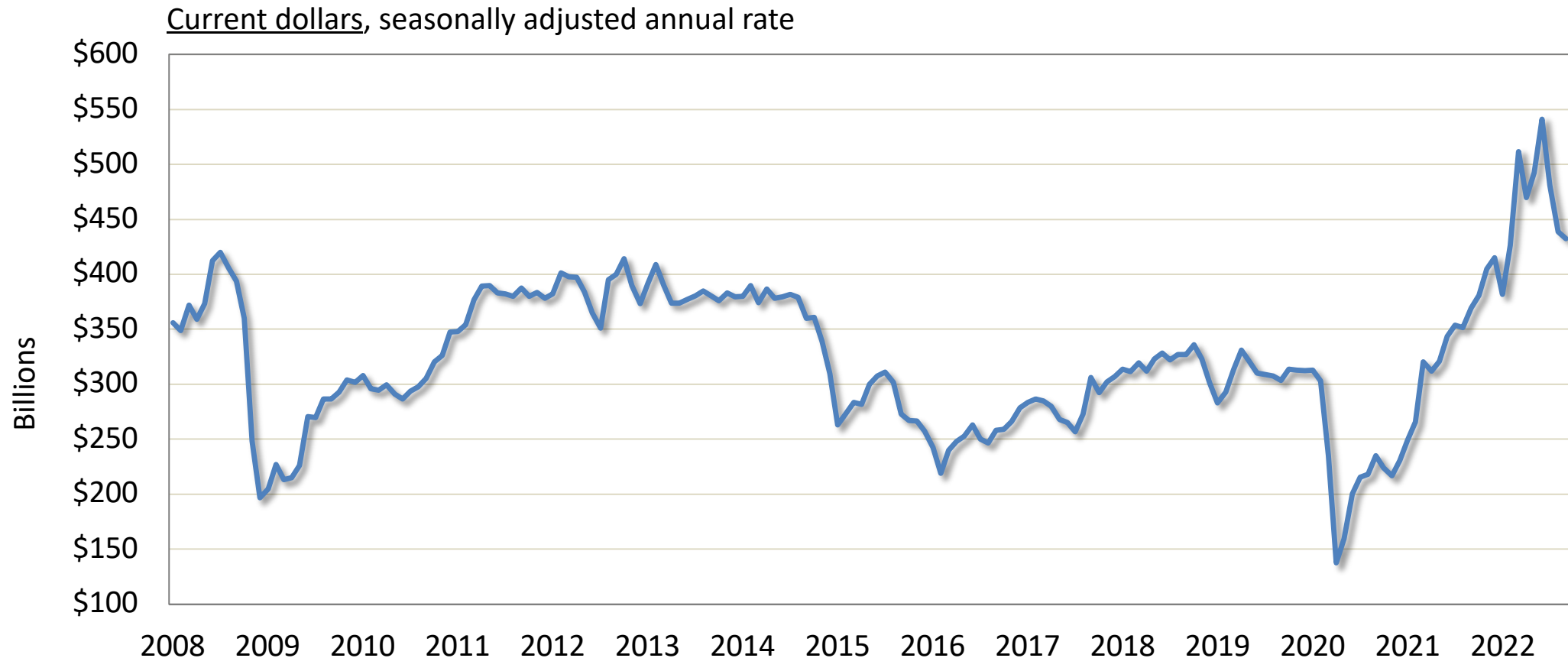
Retail & food service sales

*Inflation sharply distorts
how we view consumption*



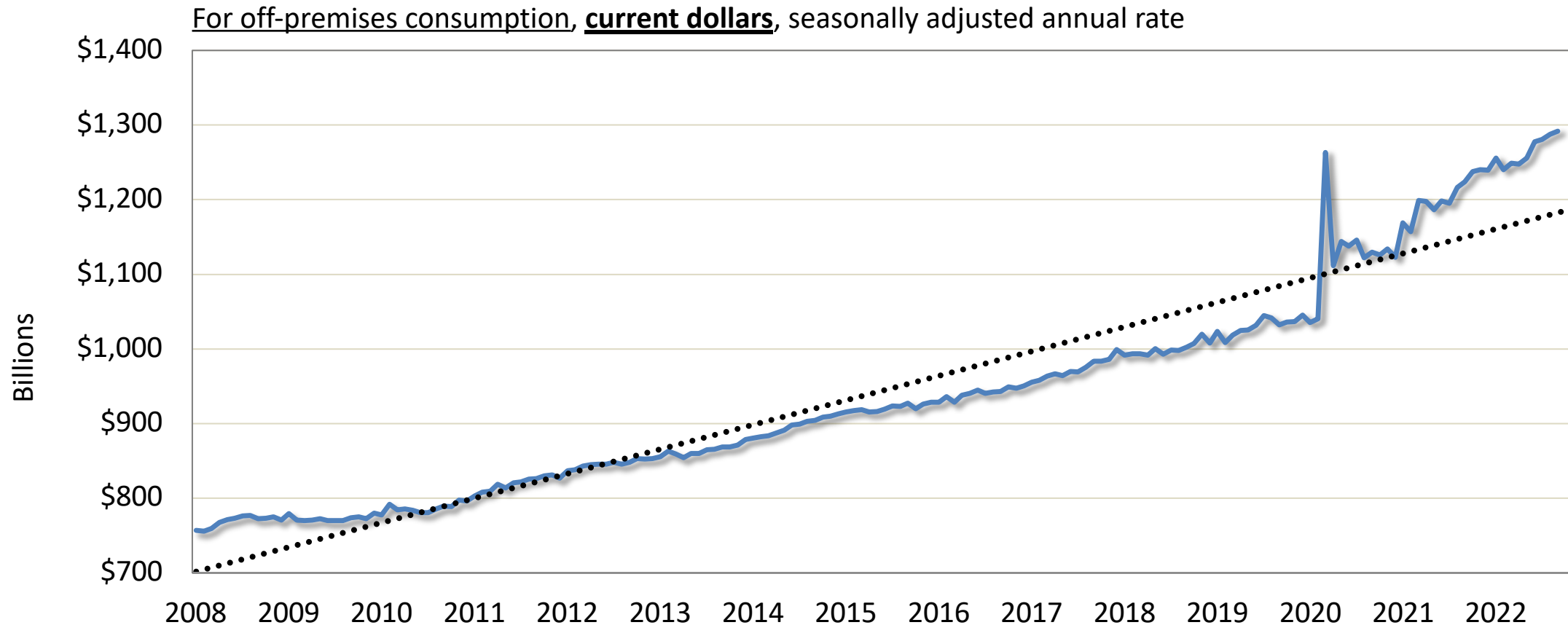
Spending on gasoline

Fuel spending is down from June but still very high



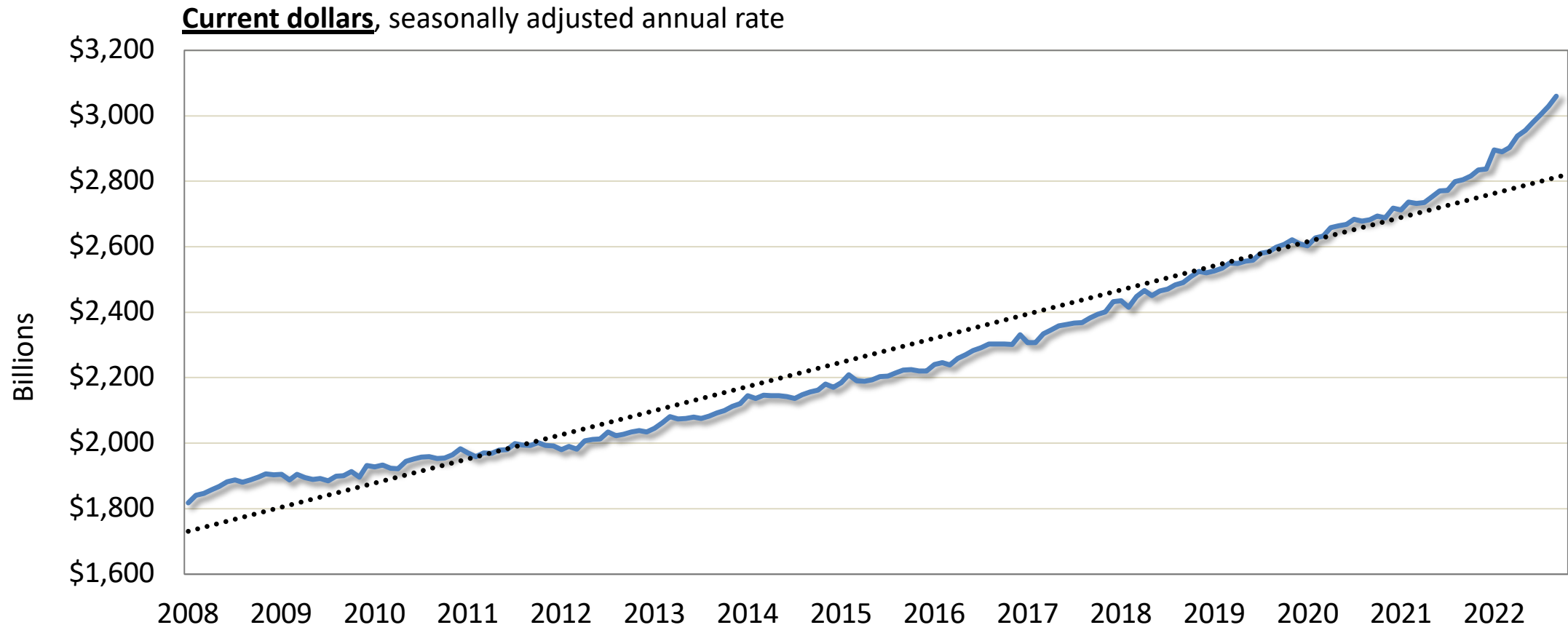
Spending on food & beverages

Food costs are above trend and growing



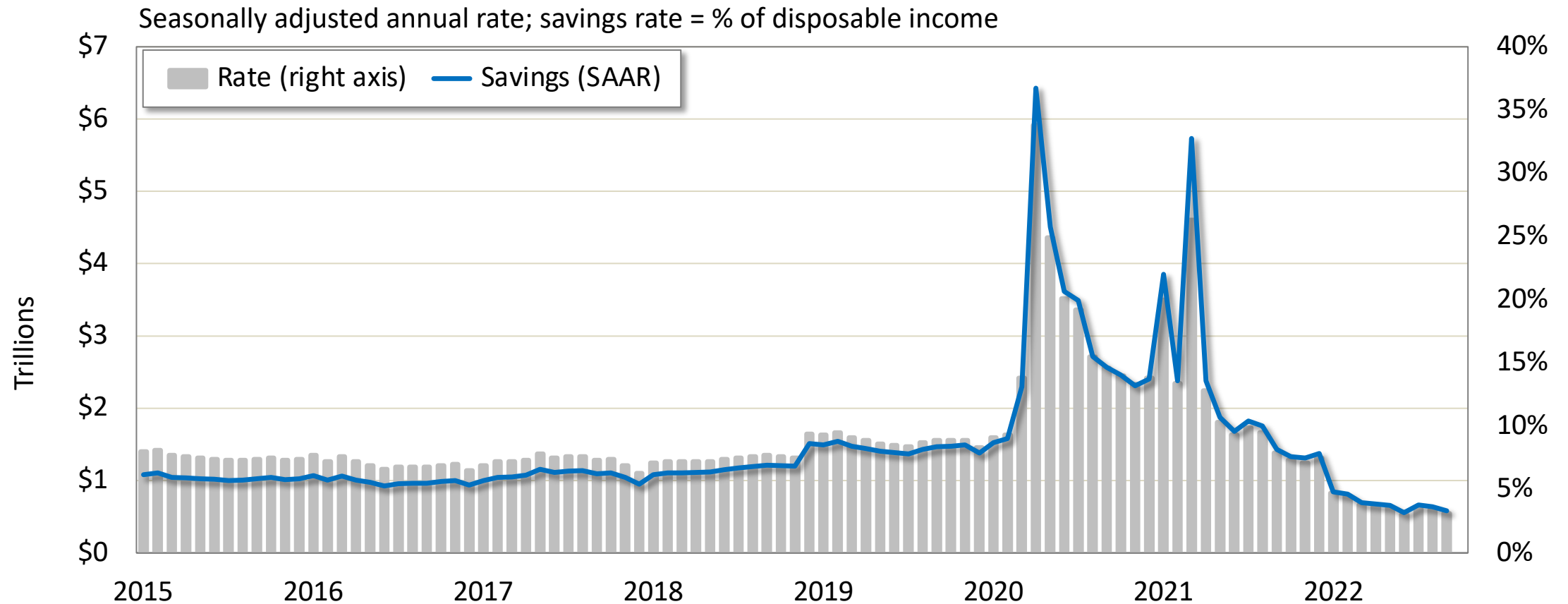
Spending on housing & utilities

Housing costs are above trend and accelerating



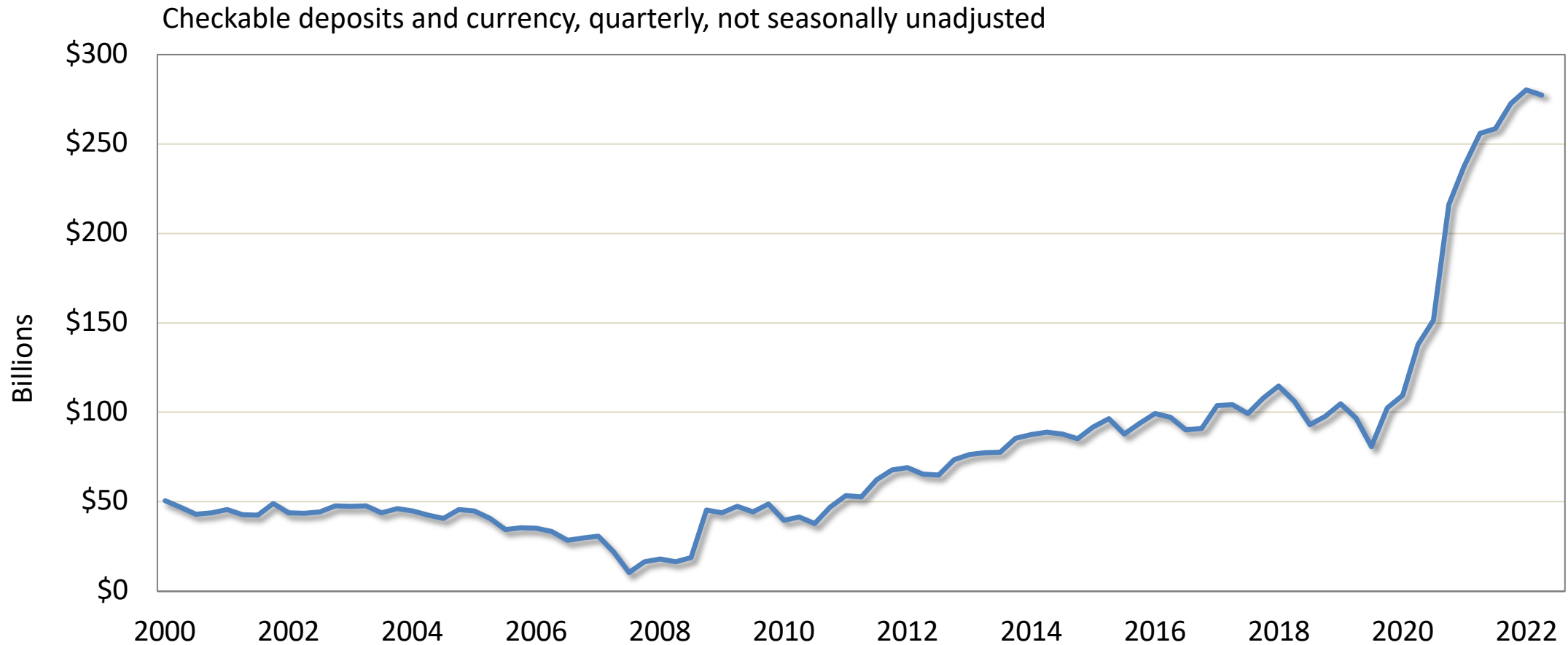
Personal savings

The savings rate is the lowest since April 2008



Cash reserves – Bottom 50% of wealth

Consumers still have lots of cash from stimulus



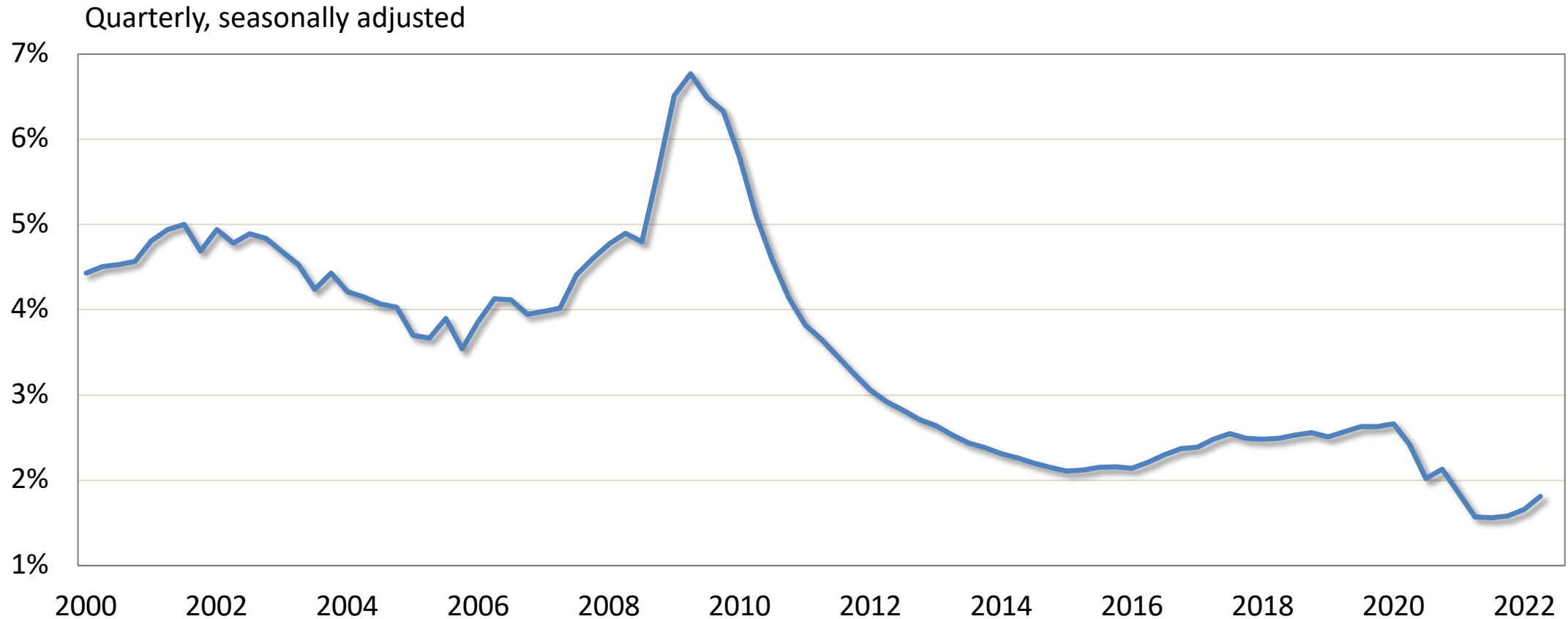
Household debt

Consumers are far less leveraged than before the Great Recession



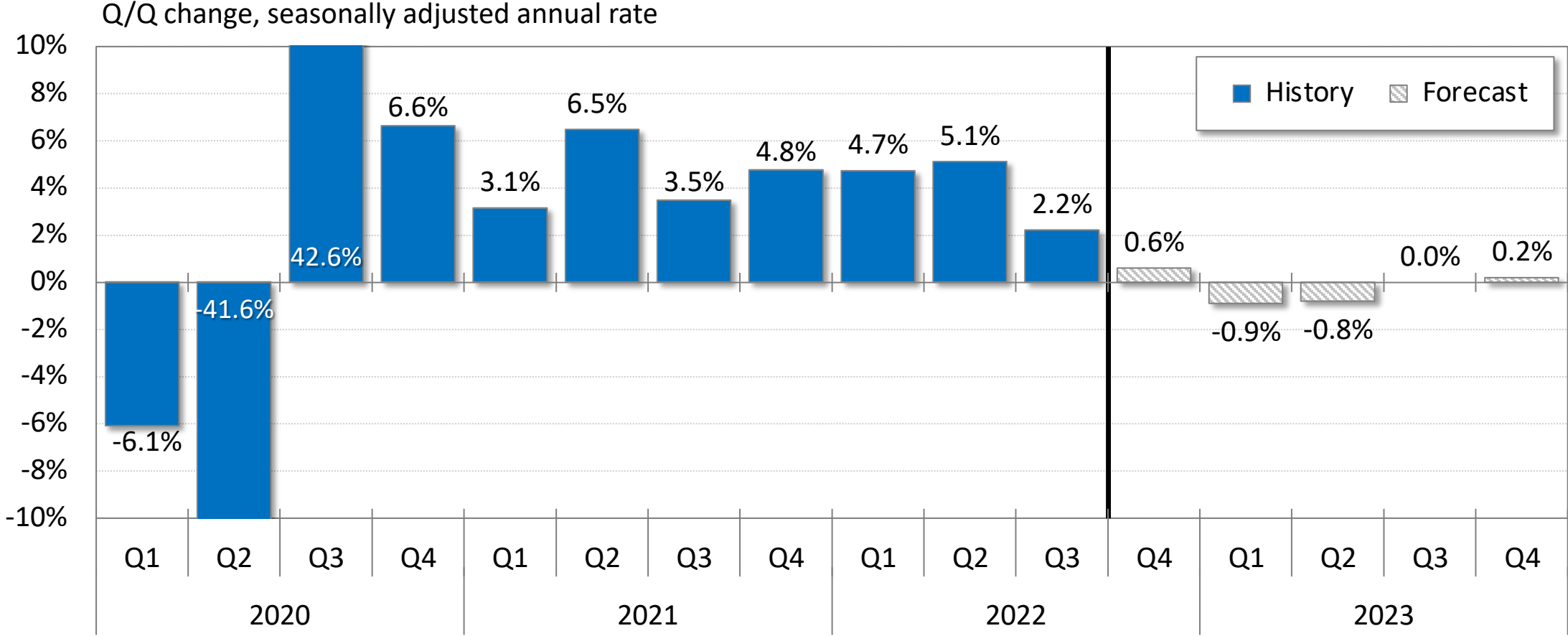
Credit card delinquency rate

Consumer credit is not a problem – yet



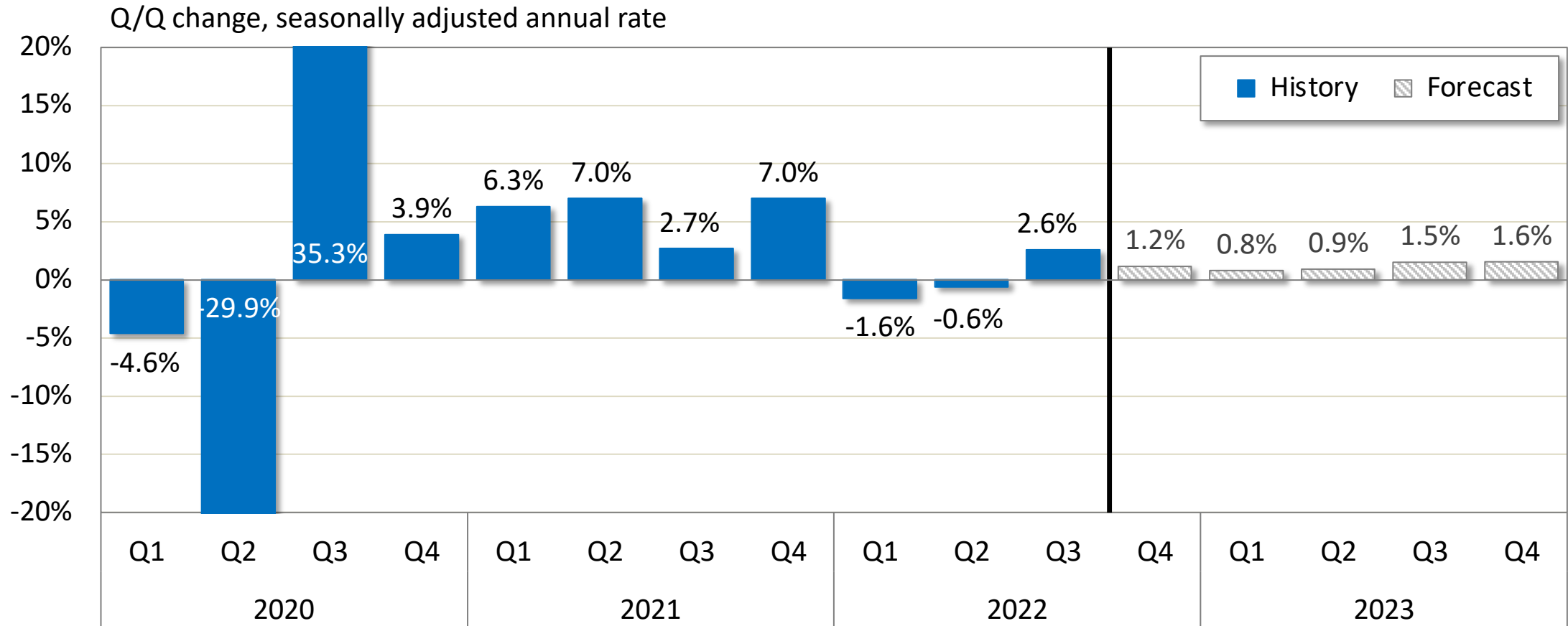
Industrial production

2023 looks weak, but there is upside potential



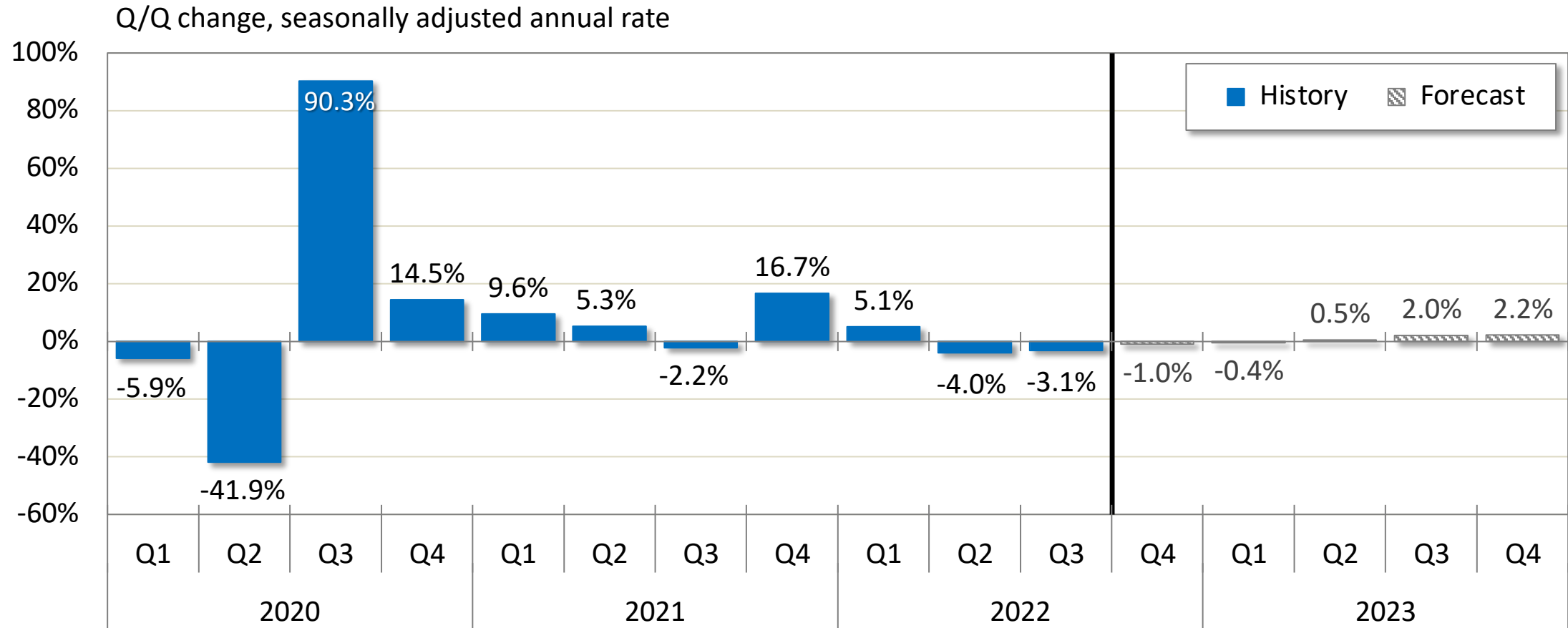
Real GDP

FTR isn't forecasting negative GDP – yet



GDP Goods Transport Sector

The outlook for the goods transport economy is weaker



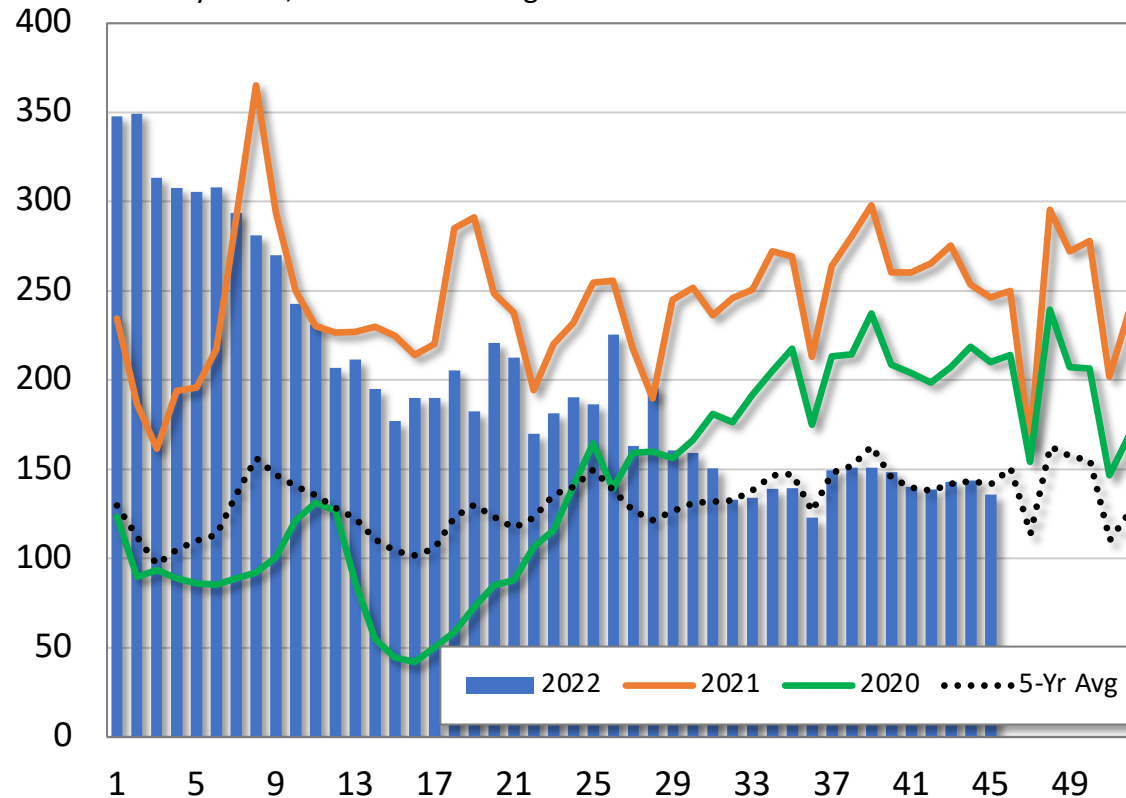
Trucking outlook

Dry van spot metrics

Dry van is not showing seasonal rate strength

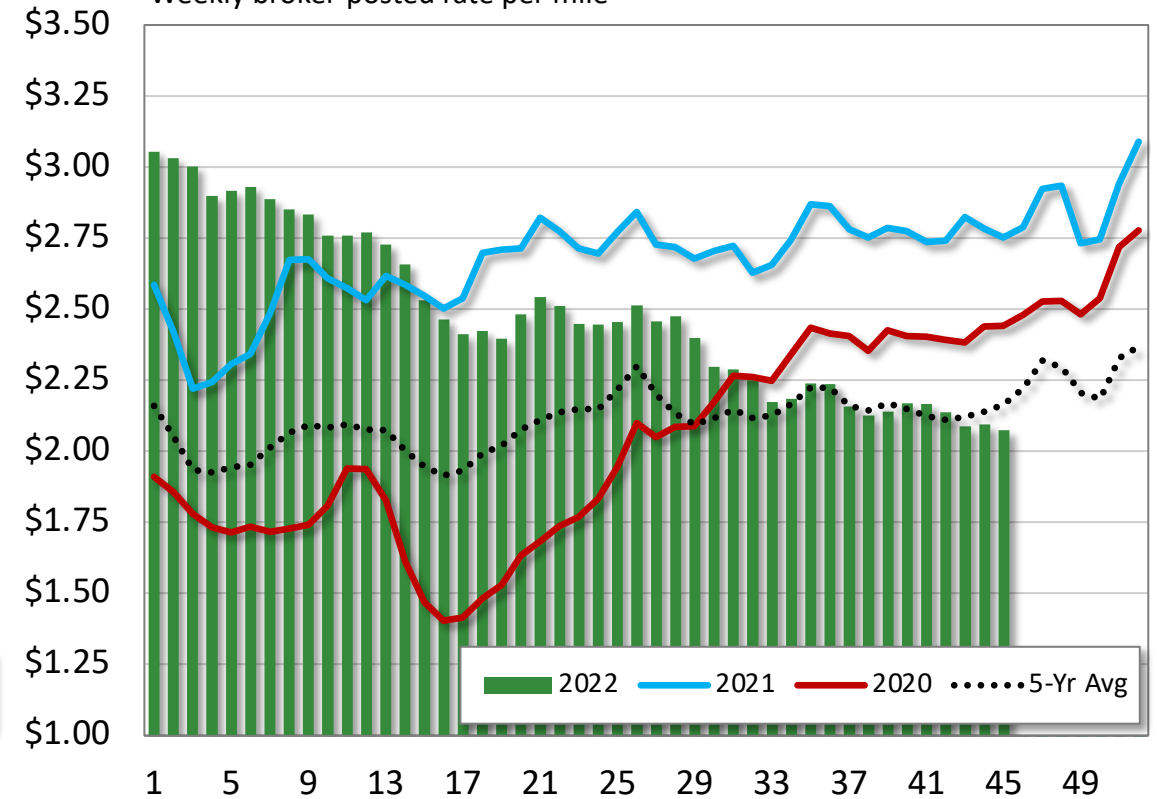
Dry van spot loads

Weekly index, 100 = 2014 average



Dry van spot rates

Weekly broker-posted rate per mile

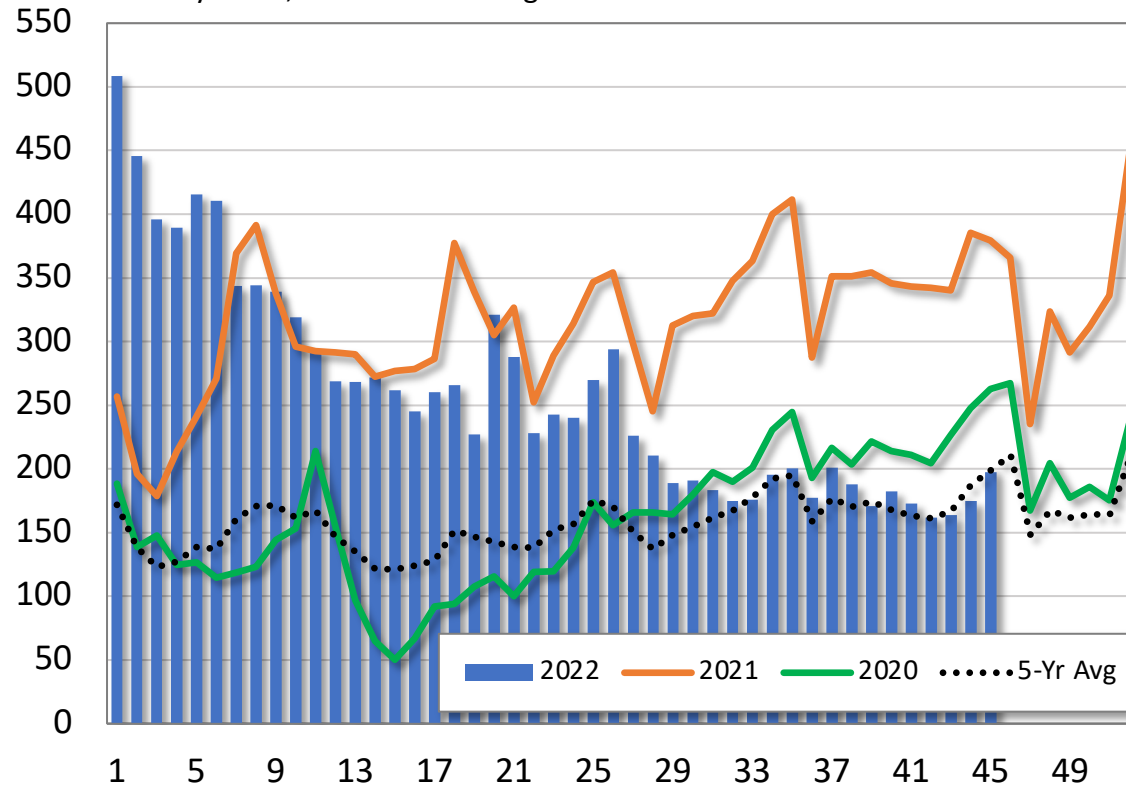


Refrigerated spot metrics

Reefer spot rates aren't especially robust either

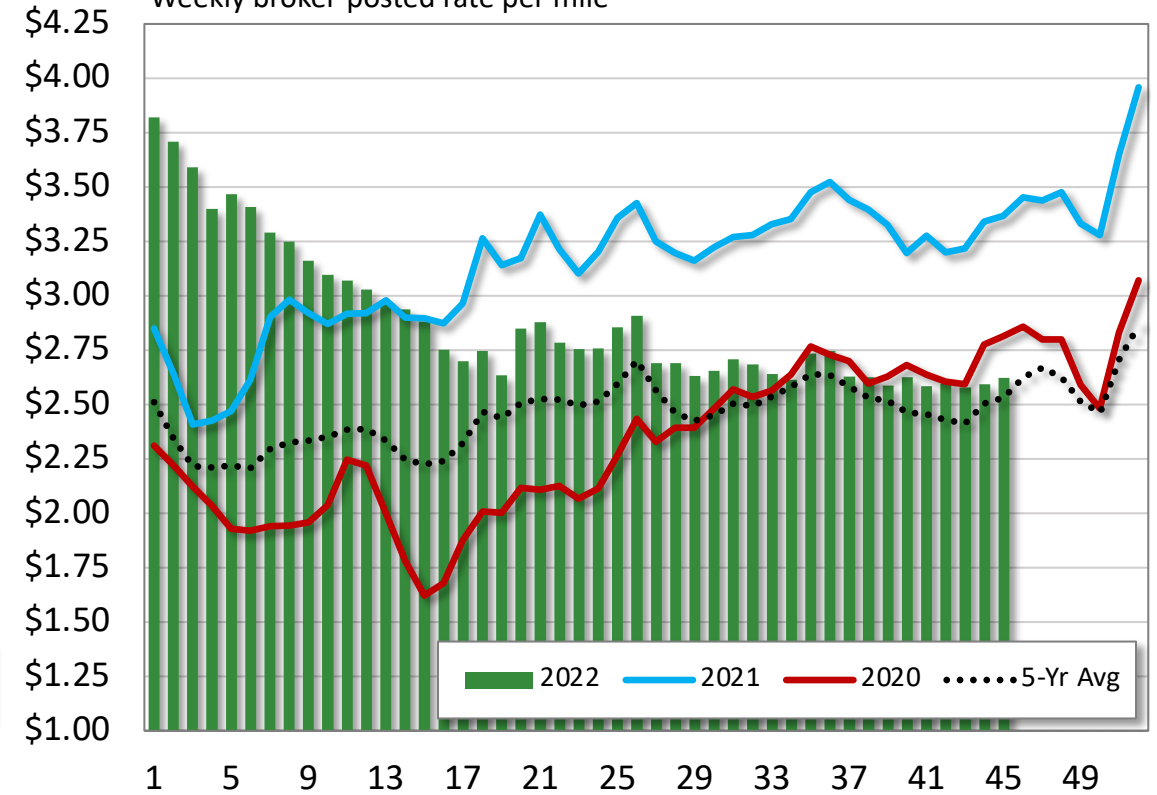
Refrigerated spot loads

Weekly index, 100 = 2014 average



Refrigerated spot rates

Weekly broker-posted rate per mile

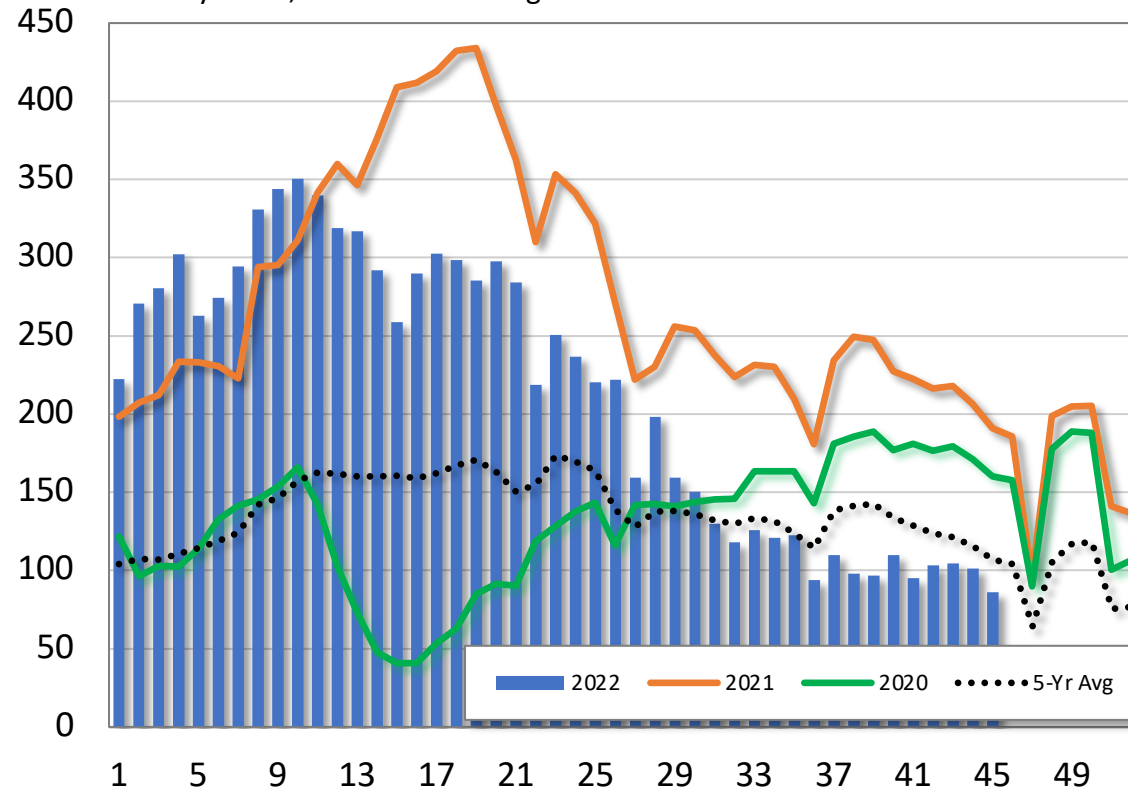


Flatbed spot metrics

Flatbed spot loads are below normal; rates are still higher

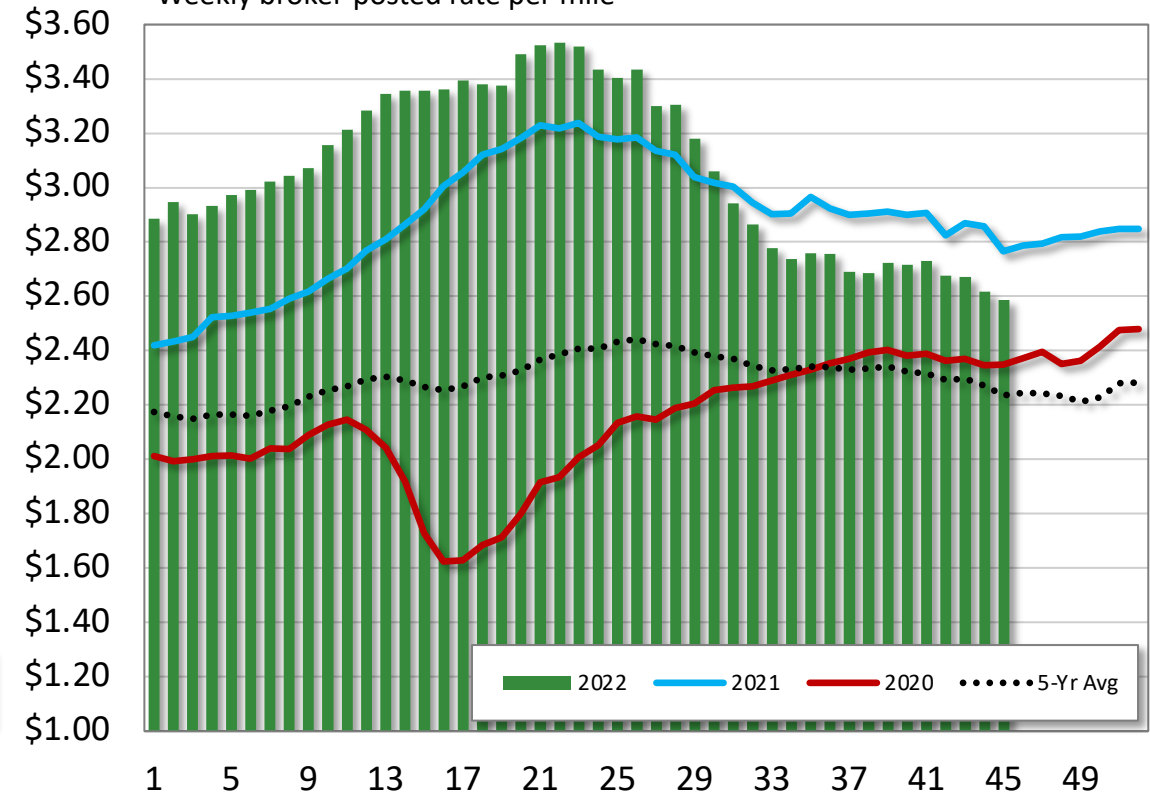
Flatbed spot loads

Weekly index, 100 = 2014 average



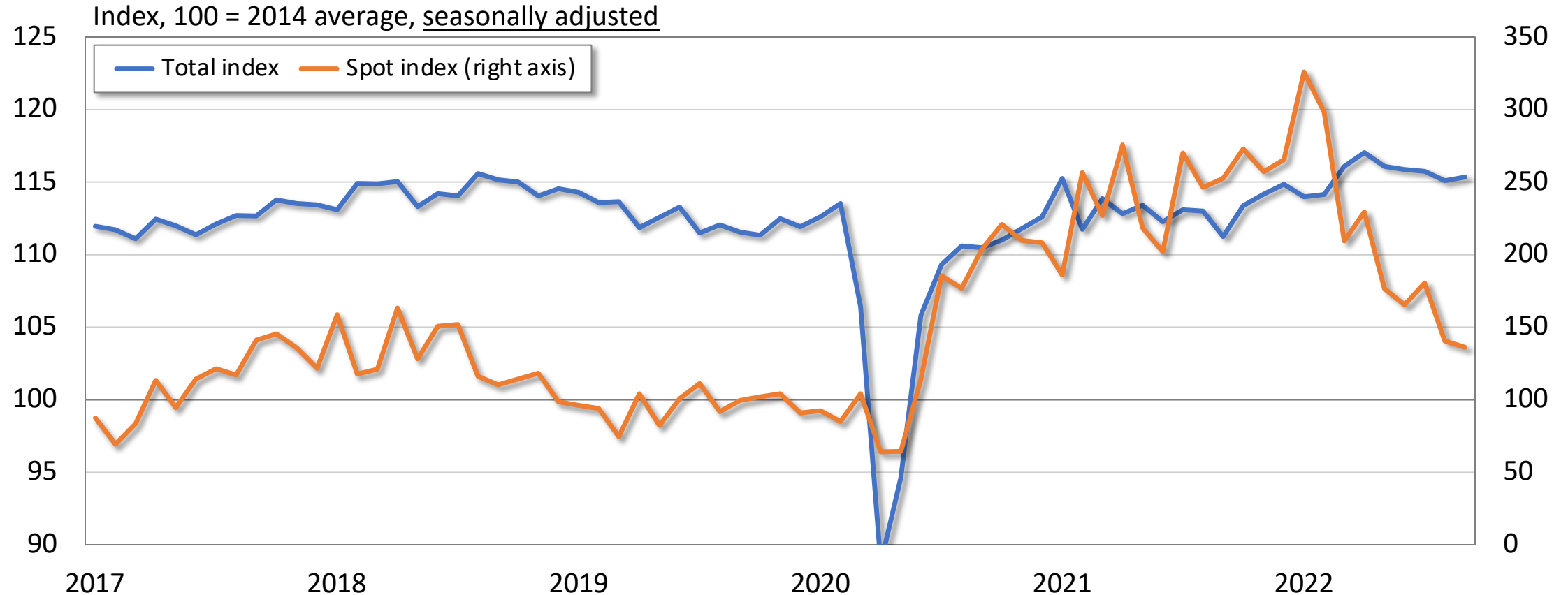
Flatbed spot rates

Weekly broker-posted rate per mile



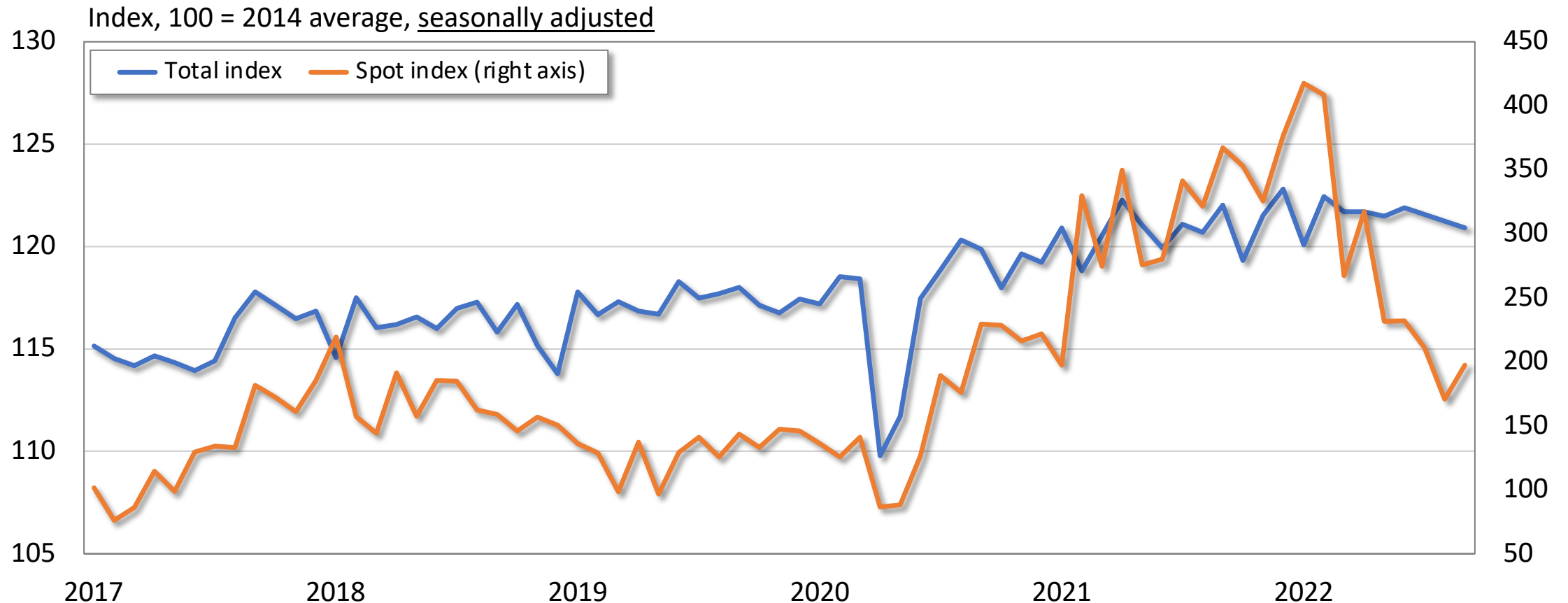
Dry van truck loadings

Dry van volume has been shifting back to contract



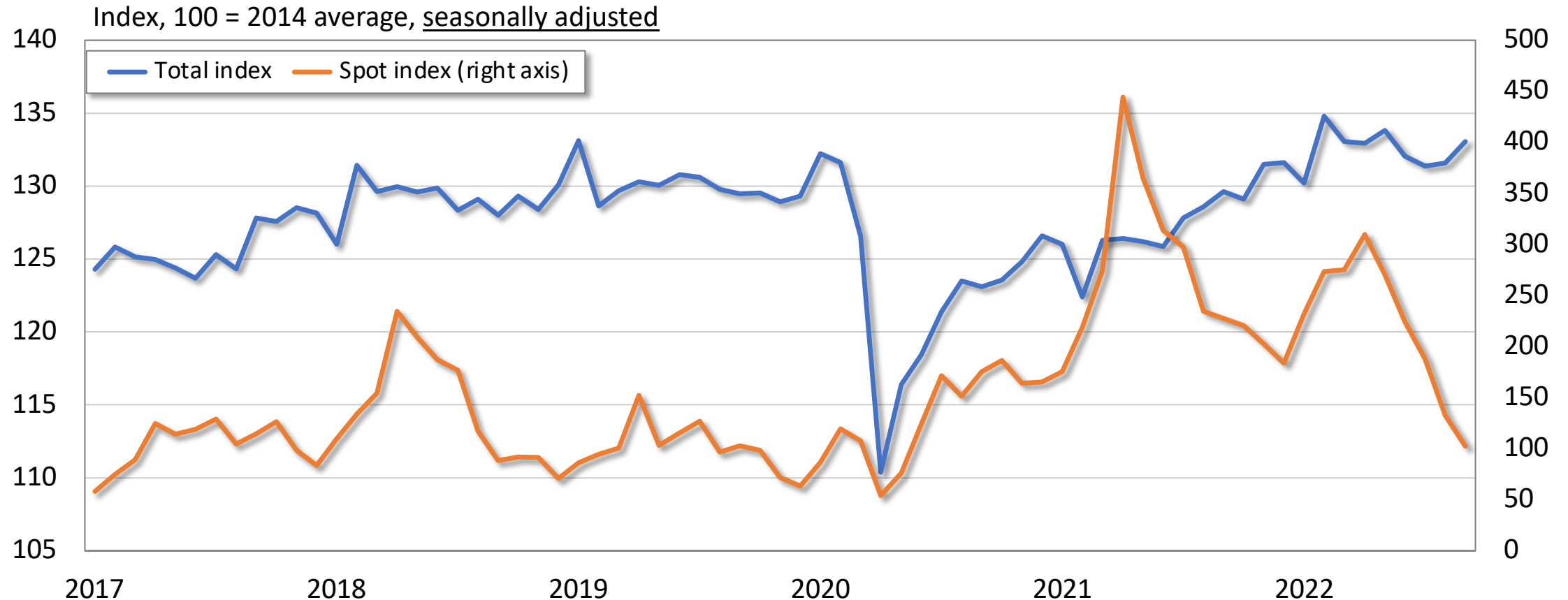
Refrigerated truck loadings

Reefer volume has been shifting back to contract



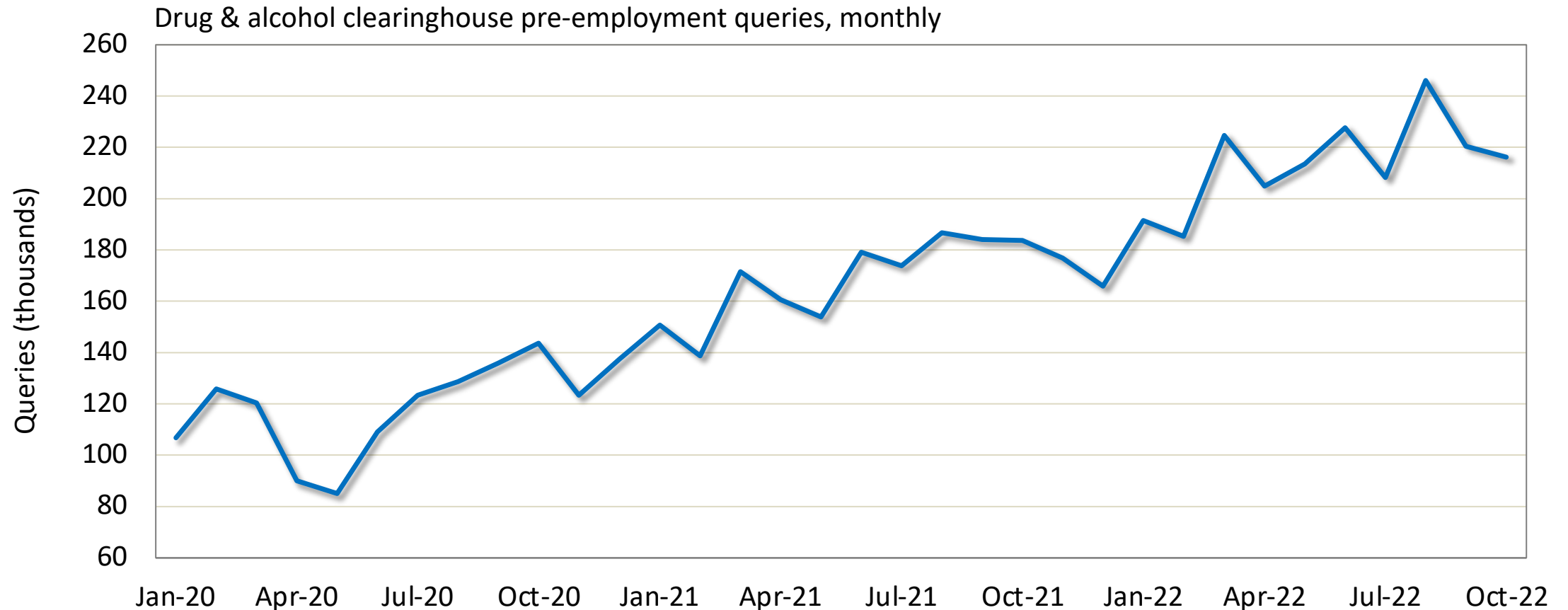
Flatbed truck loadings

Flatbed's shift back has been more recent



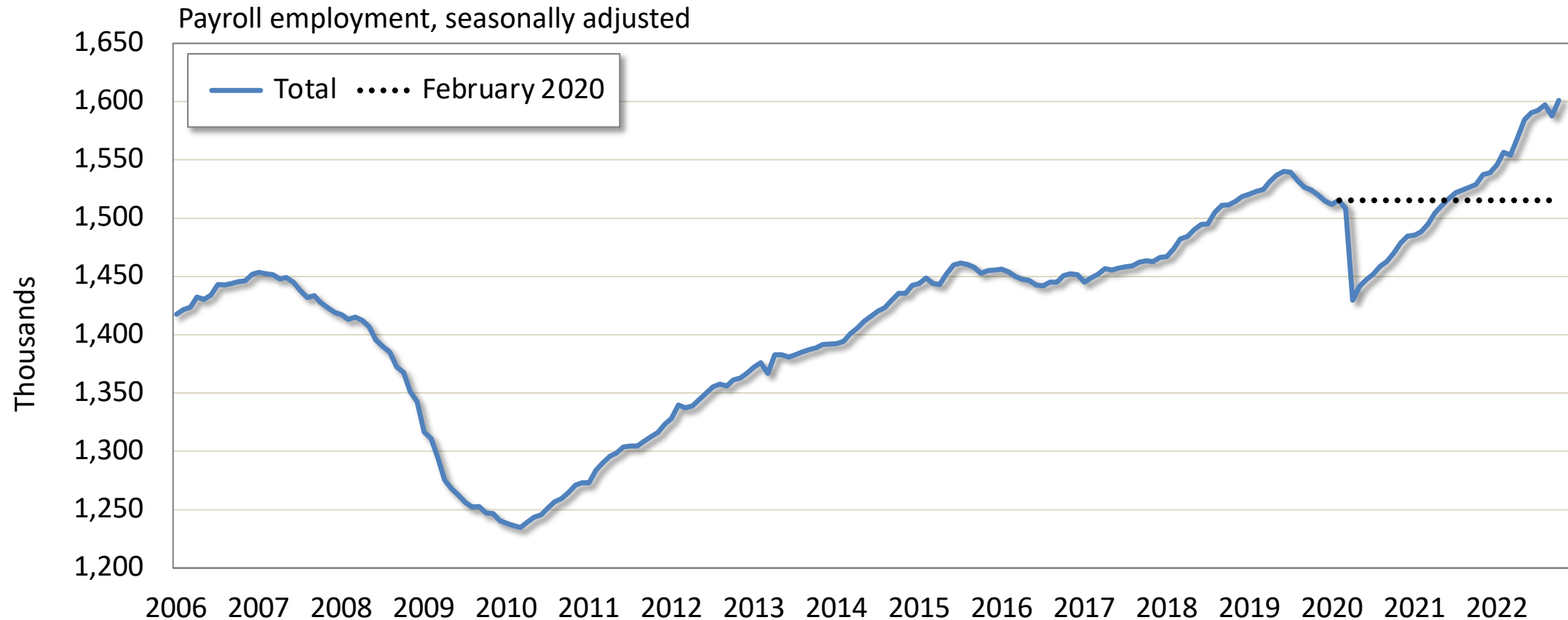
CDL driver hiring activity

CDL driver demand remains strong



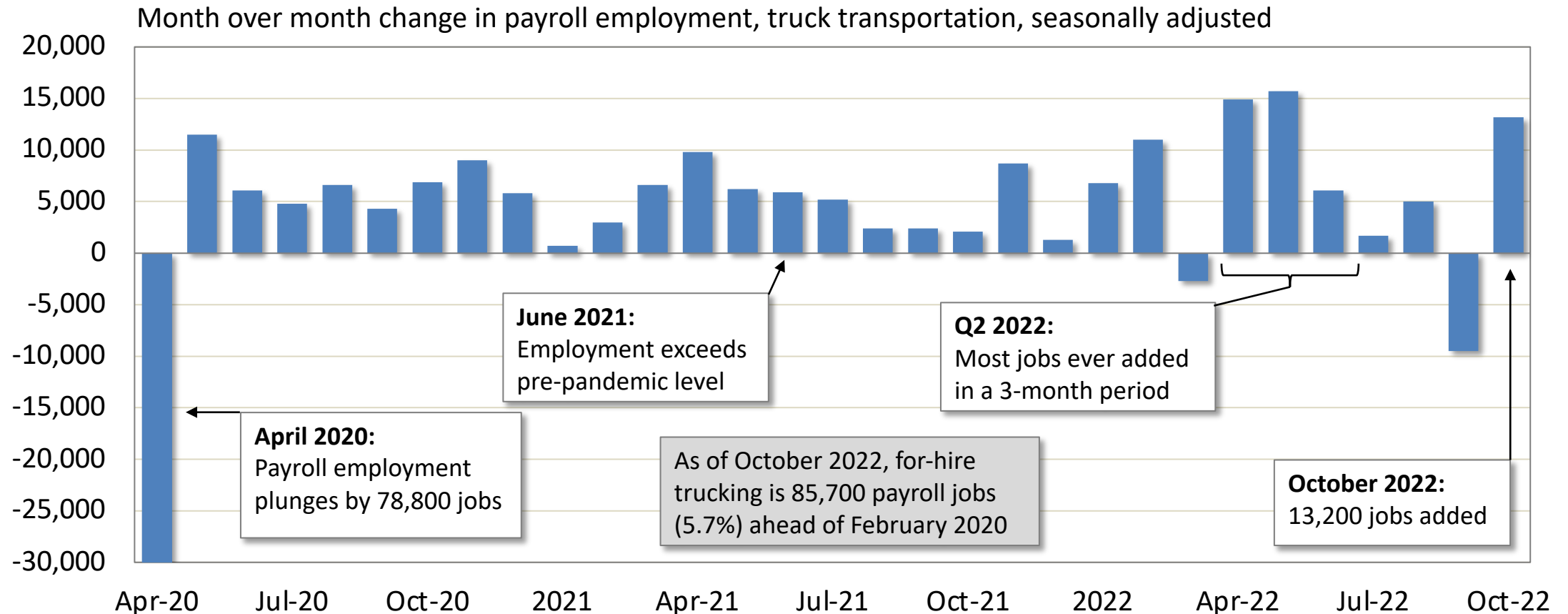
For-hire trucking jobs

*Payroll employment
is at a record level*



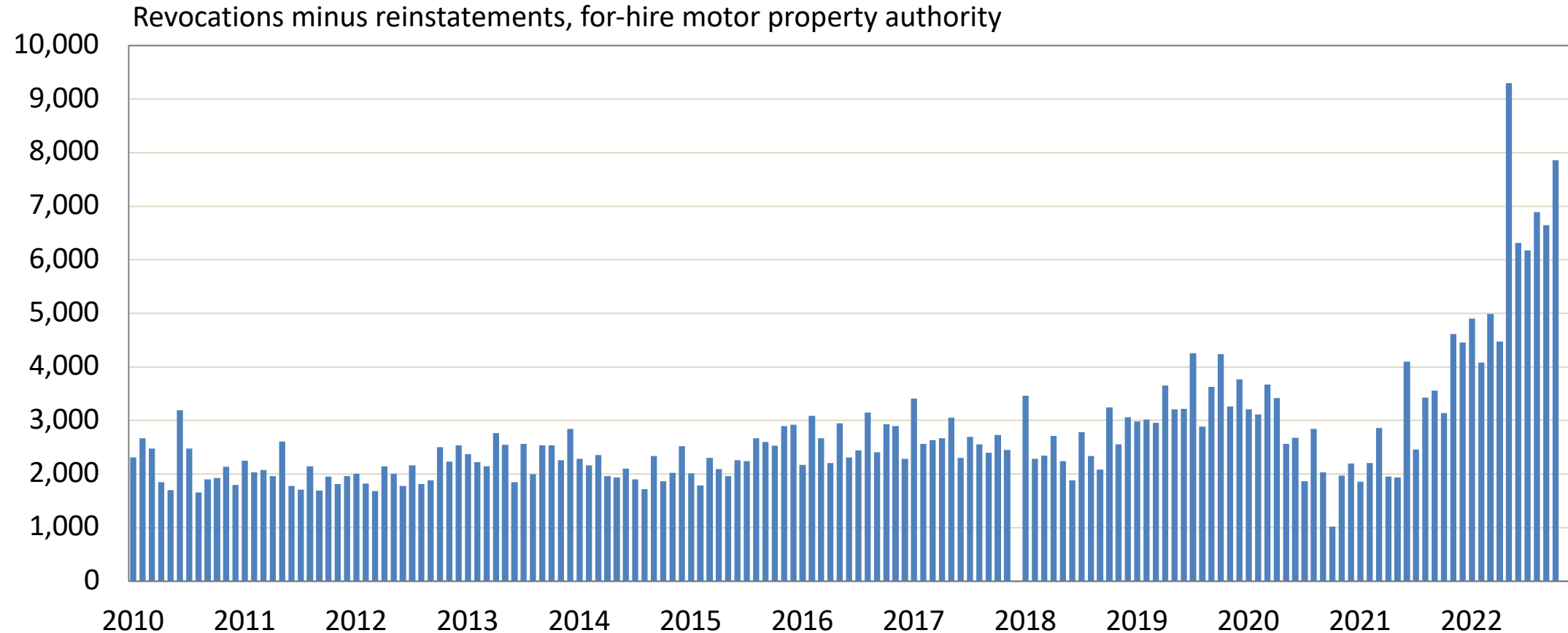
Trucking job changes

Job growth has been strong but volatile



Net revocations of authority

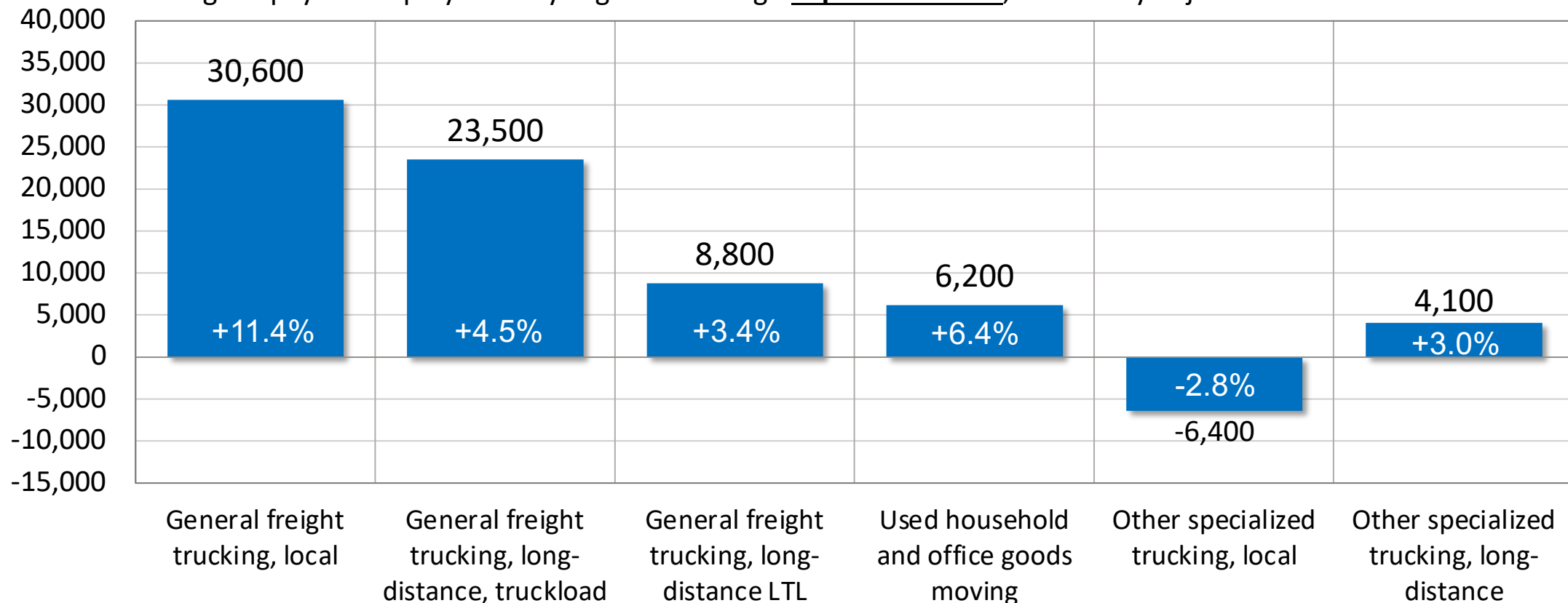
Failures rose as diesel prices soared and spot rates fell



Trucking jobs vs. February 2020

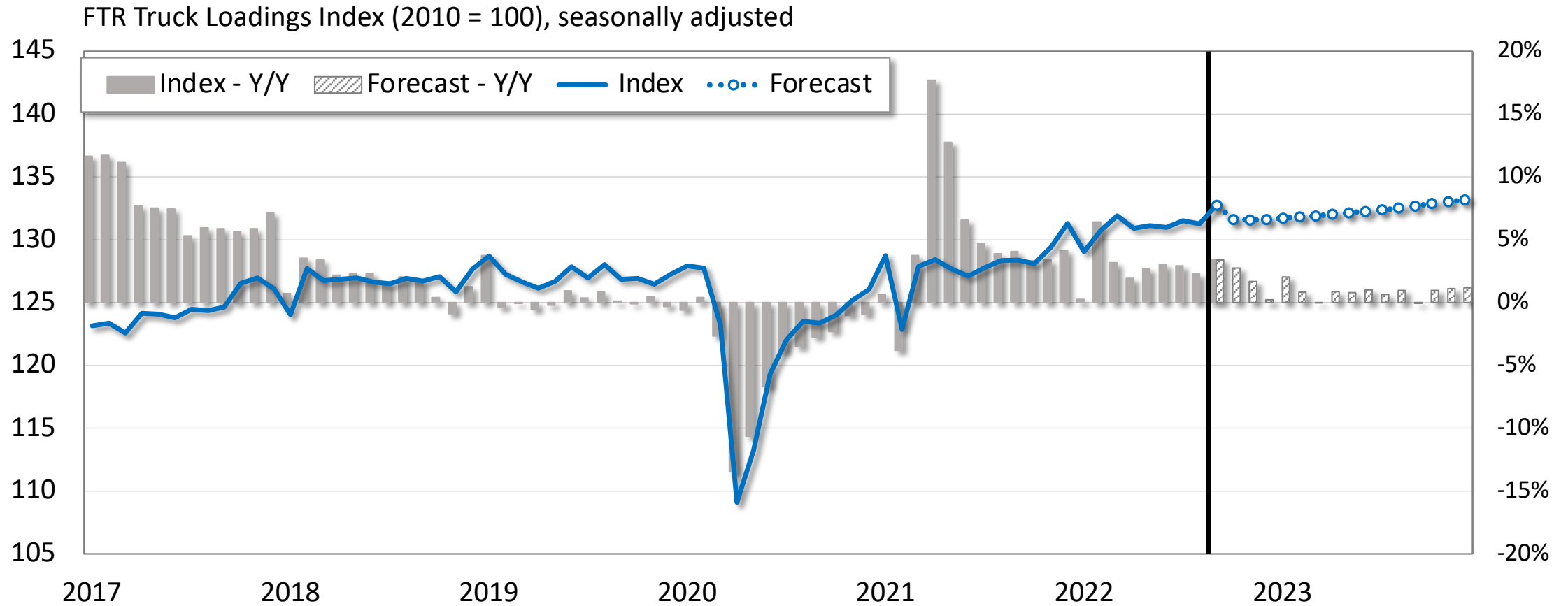
Local general freight has led the recovery

Change in payroll employment by segment through **September 2022**, seasonally adjusted



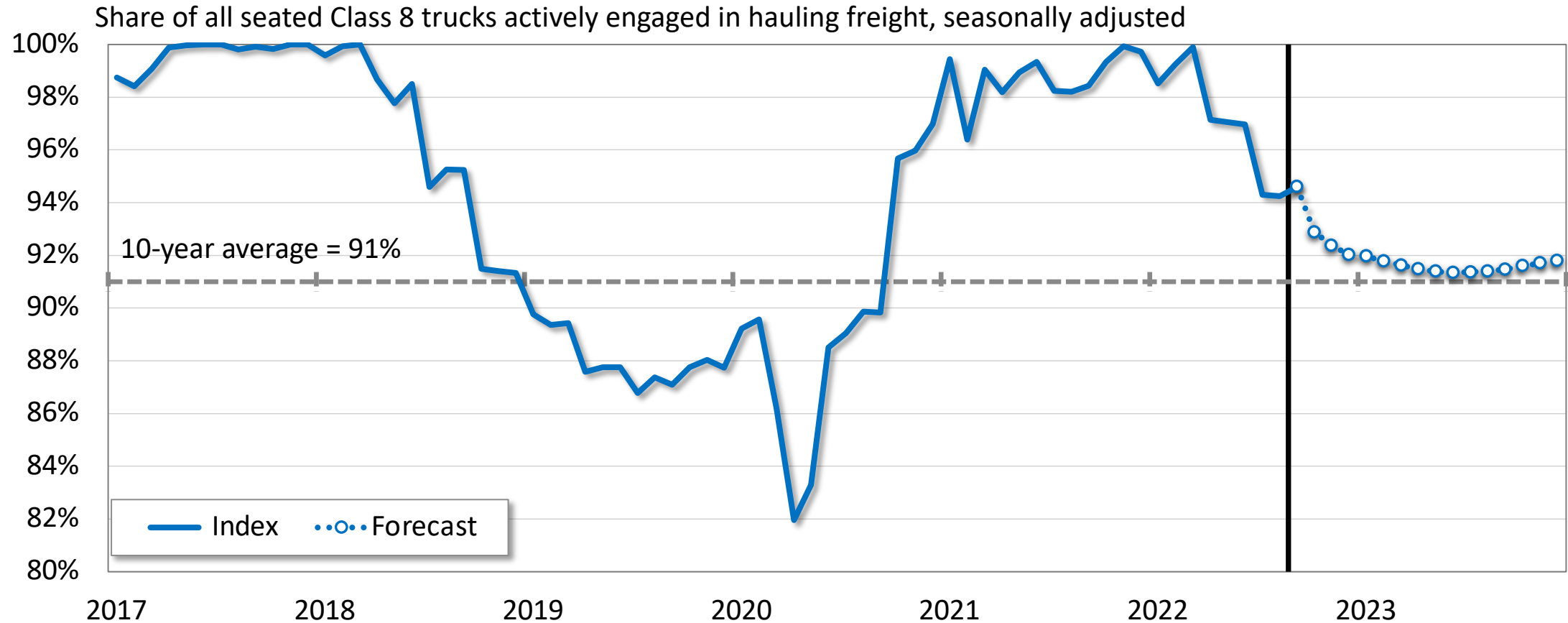
Truck loadings outlook

Loadings growth is slowing but not negative – yet



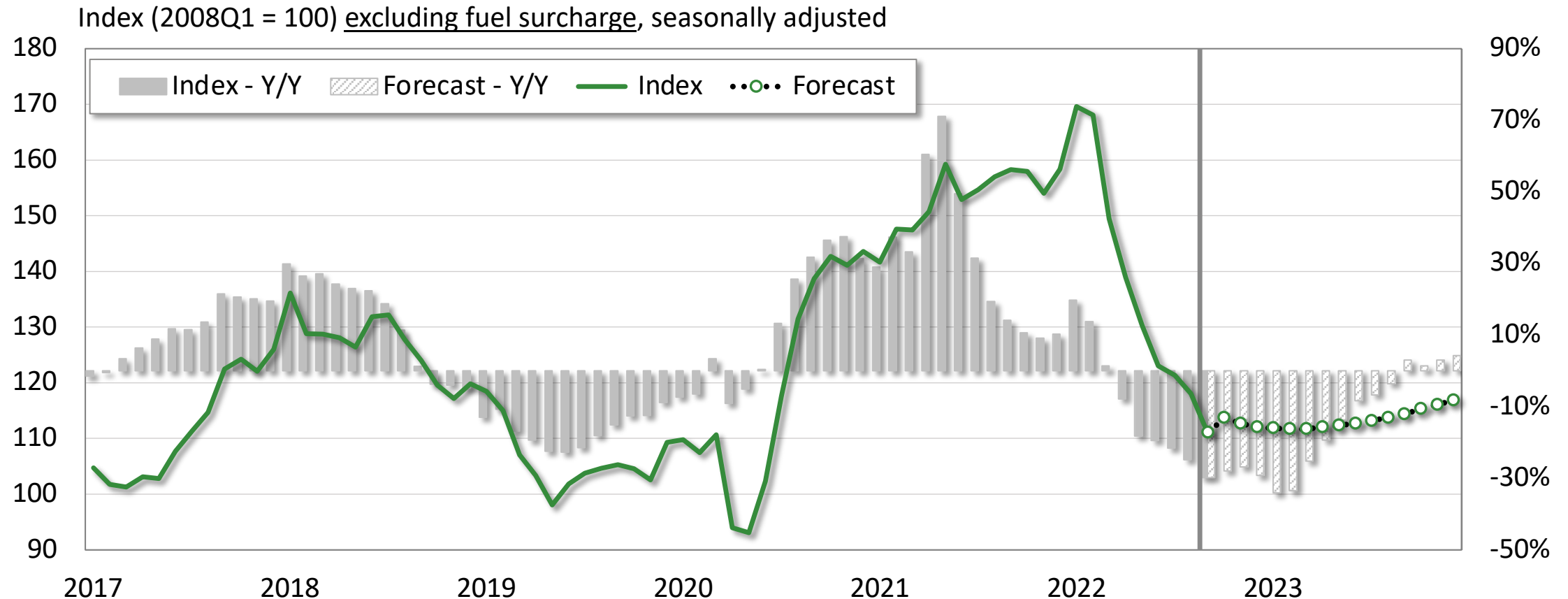
Active truck utilization

Utilization is falling but looks to stay above 2019



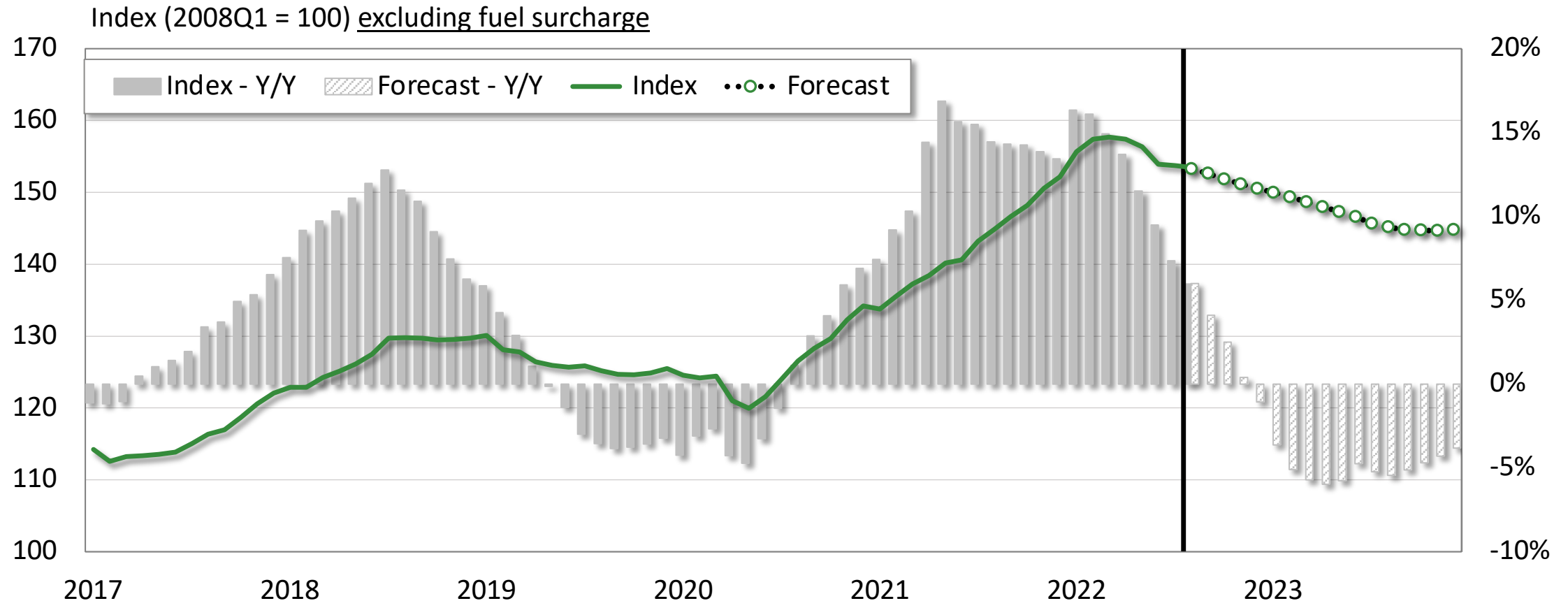
Total truckload spot rates

Spot rates probably are at or near their bottom



Total truckload contract rates

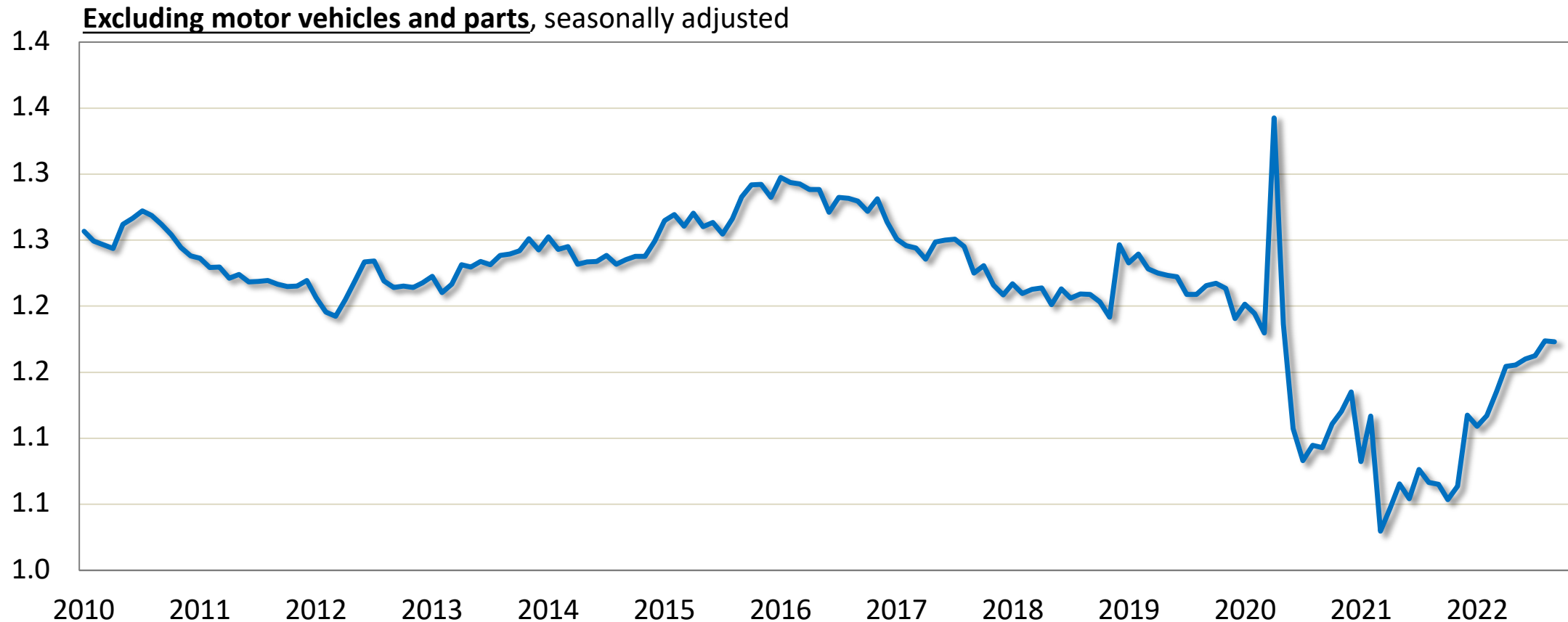
Contract rates are easing but not very sharply



Issues to watch

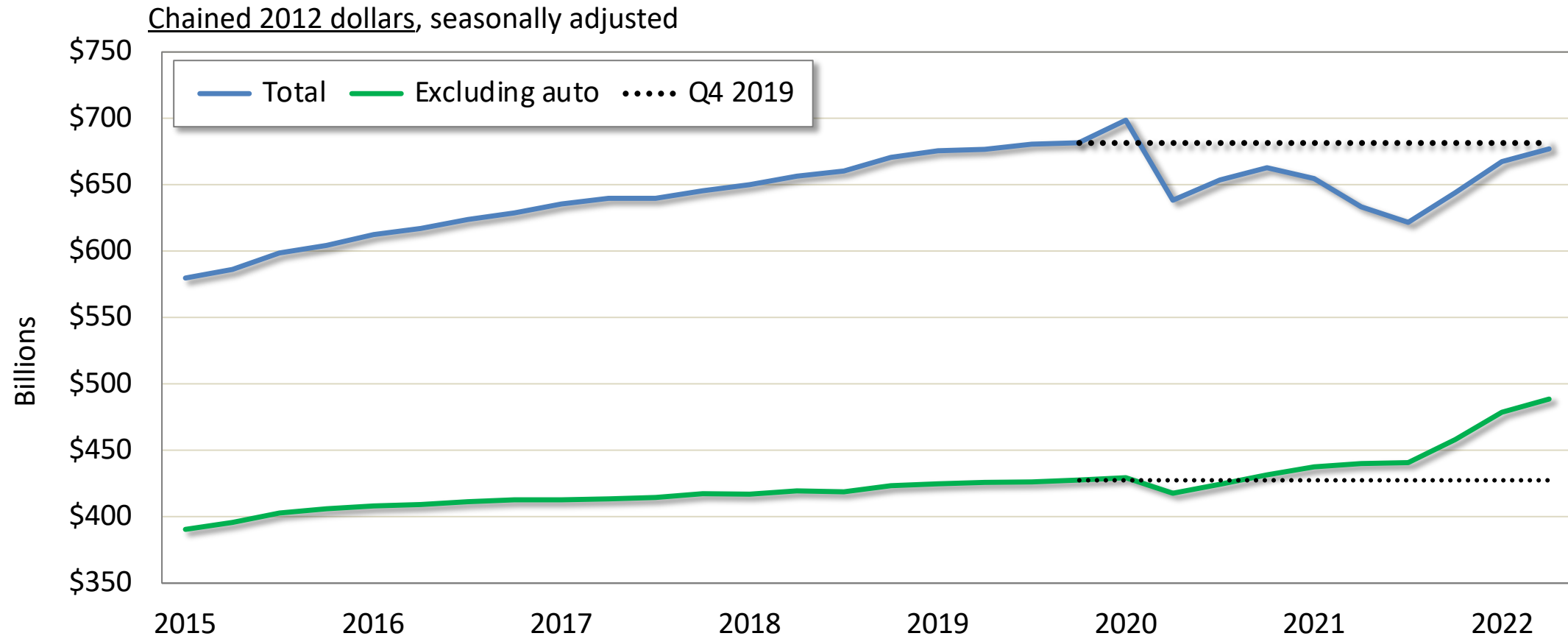
Retail inventories-to-sales ratio

Inventories are still lean but much less so



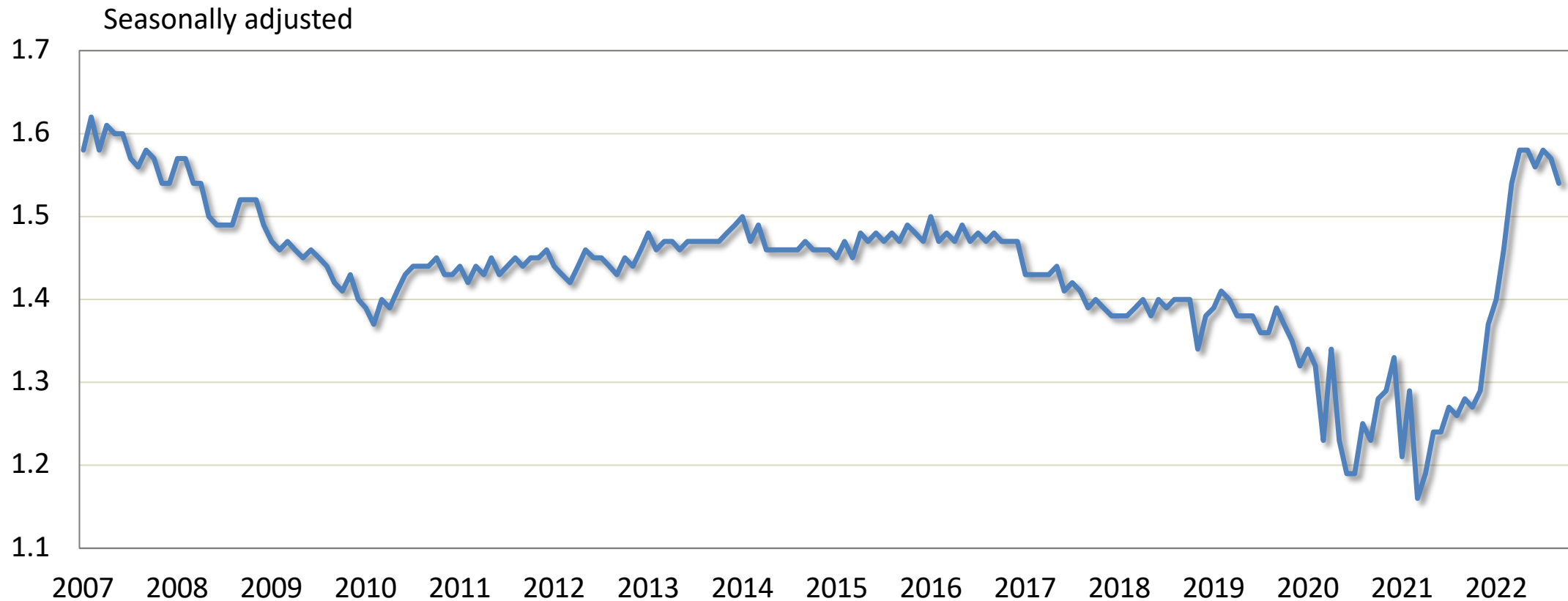
Real retail inventories

Retail inventories (excluding automotive) have swelled



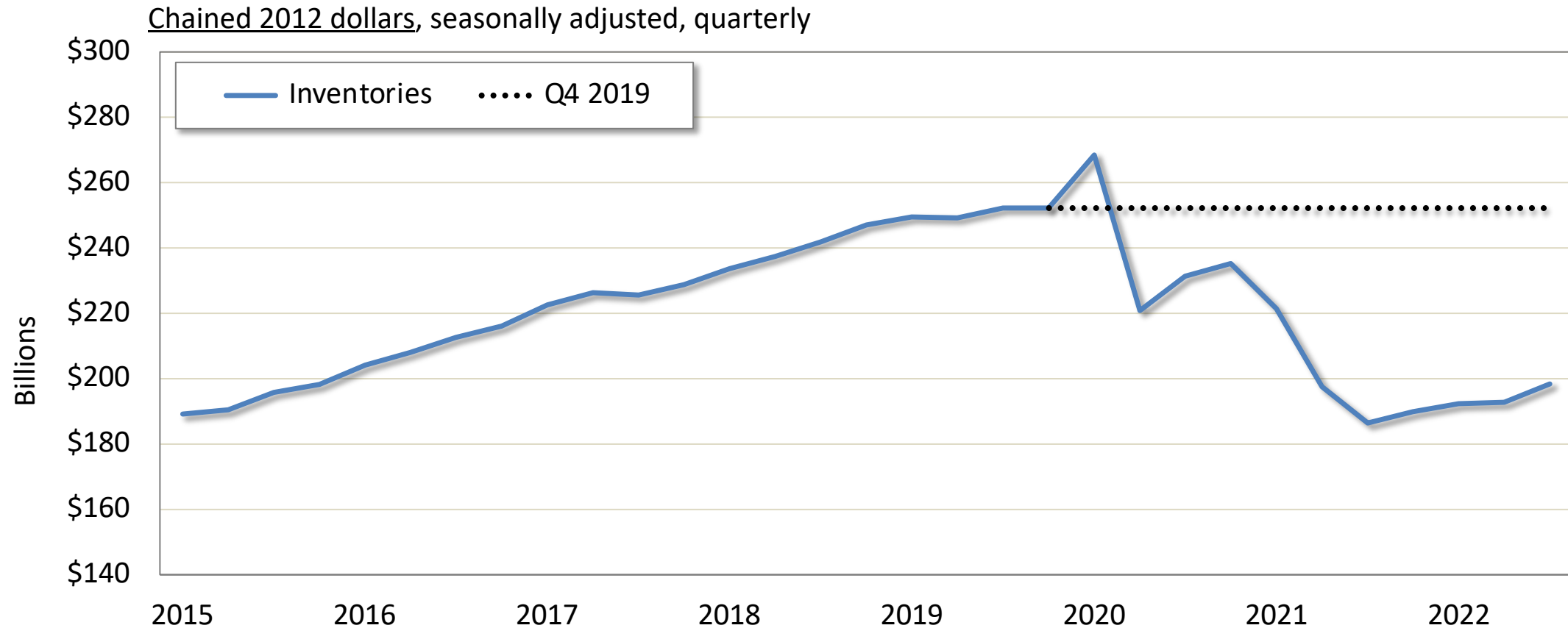
General merchandise I/S ratio

Excess inventory is finally drawing down



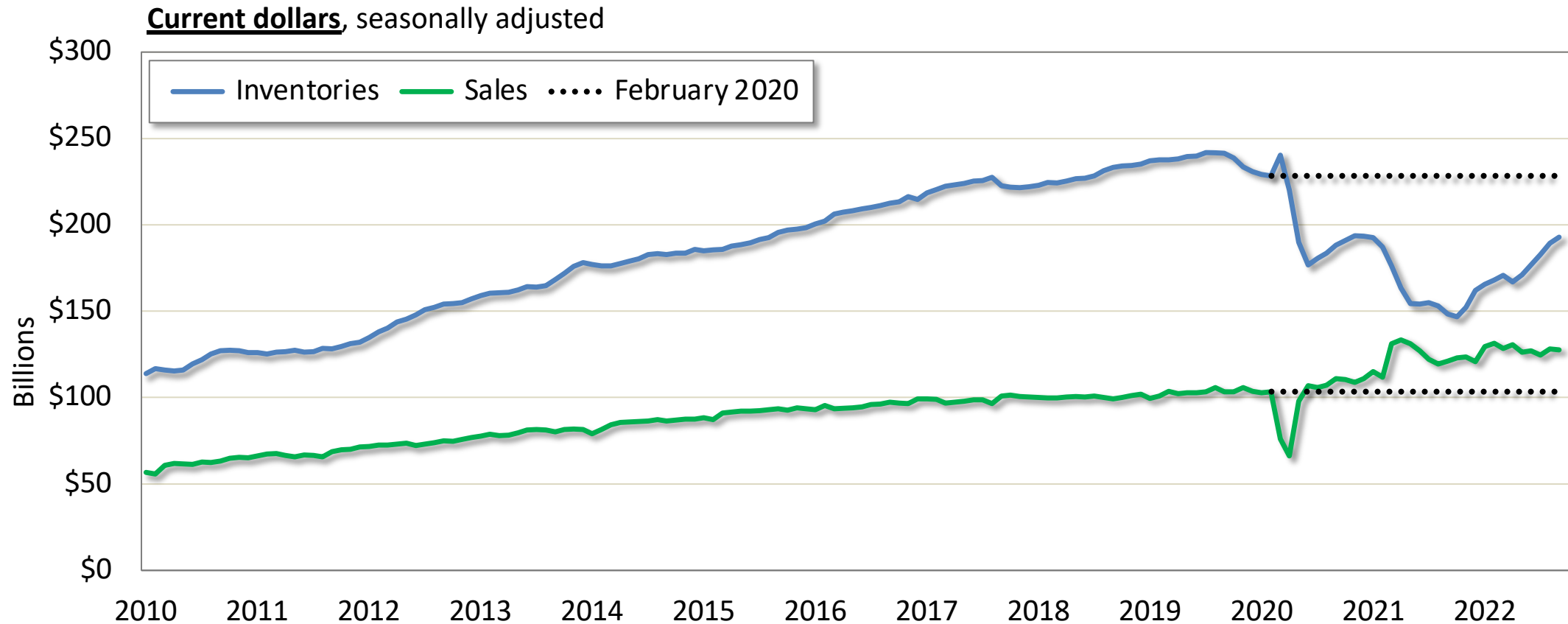
Real automotive inventories

The auto inventory deficit could prop up output



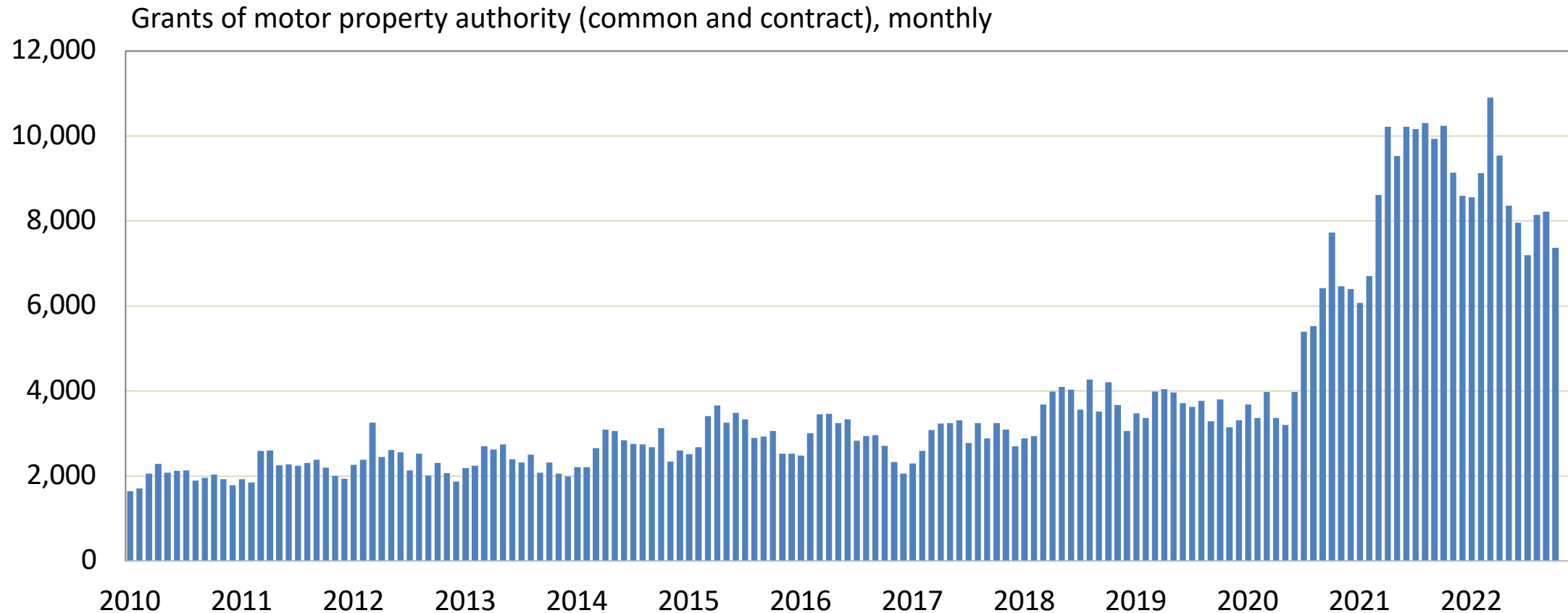
Auto inventories vs. sales

So far, rising inventories are not prompting higher sales

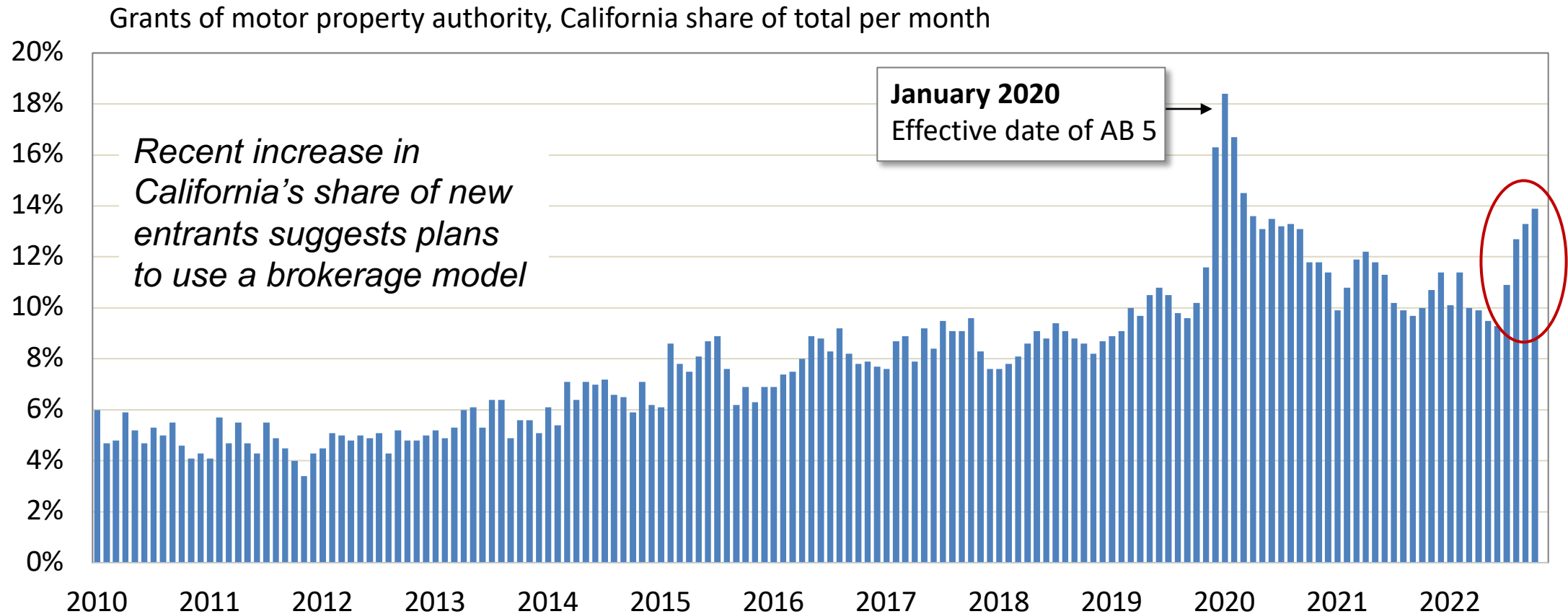


New trucking companies

The number of new carriers remains far above 'normal'



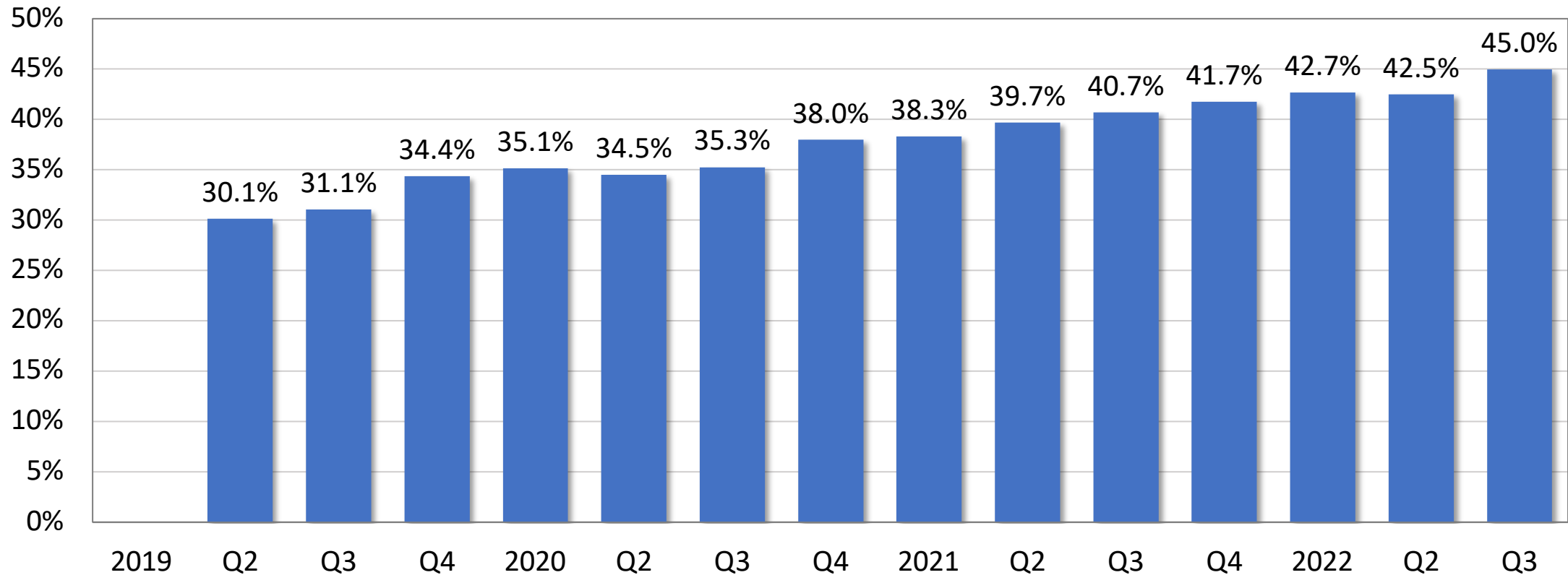
California's share of new trucking firms



Power-only operations

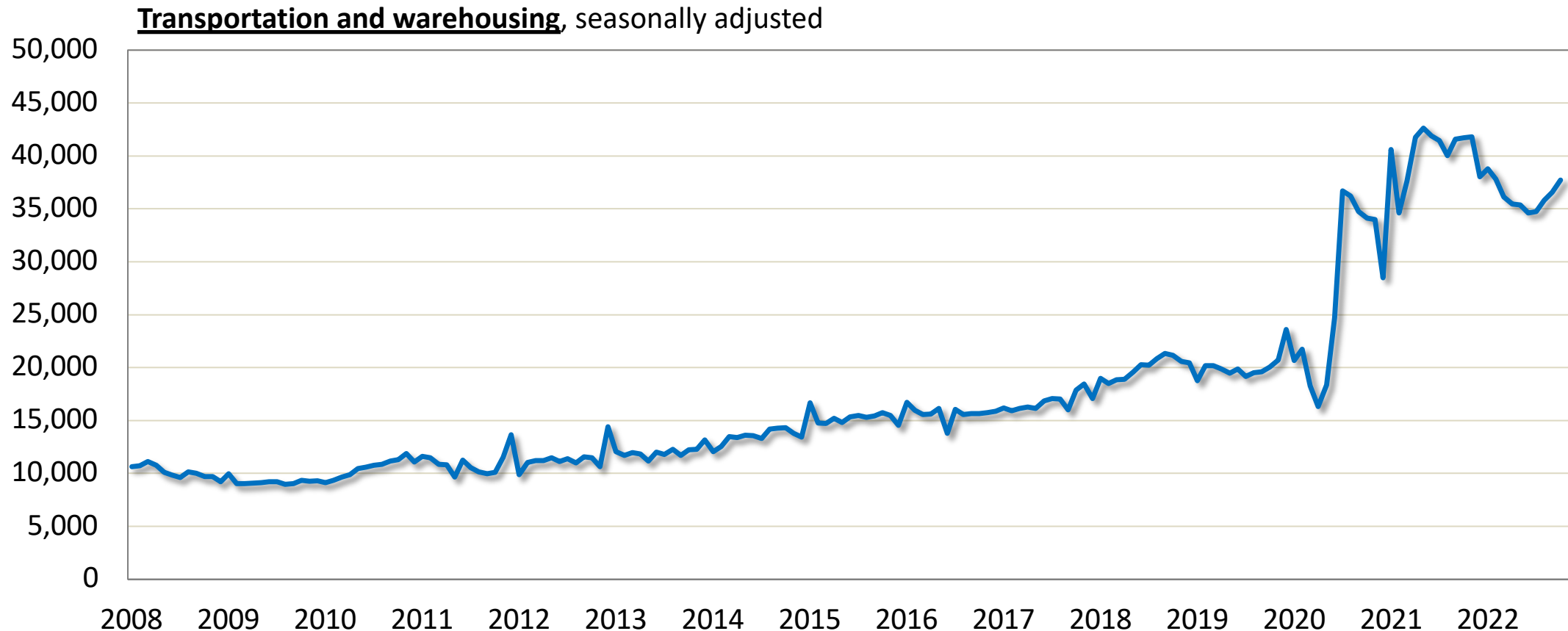
Power-only options lower costs and, thus, barriers to entry

Percent of new U.S. for-hire tractor operations that did not have trailers



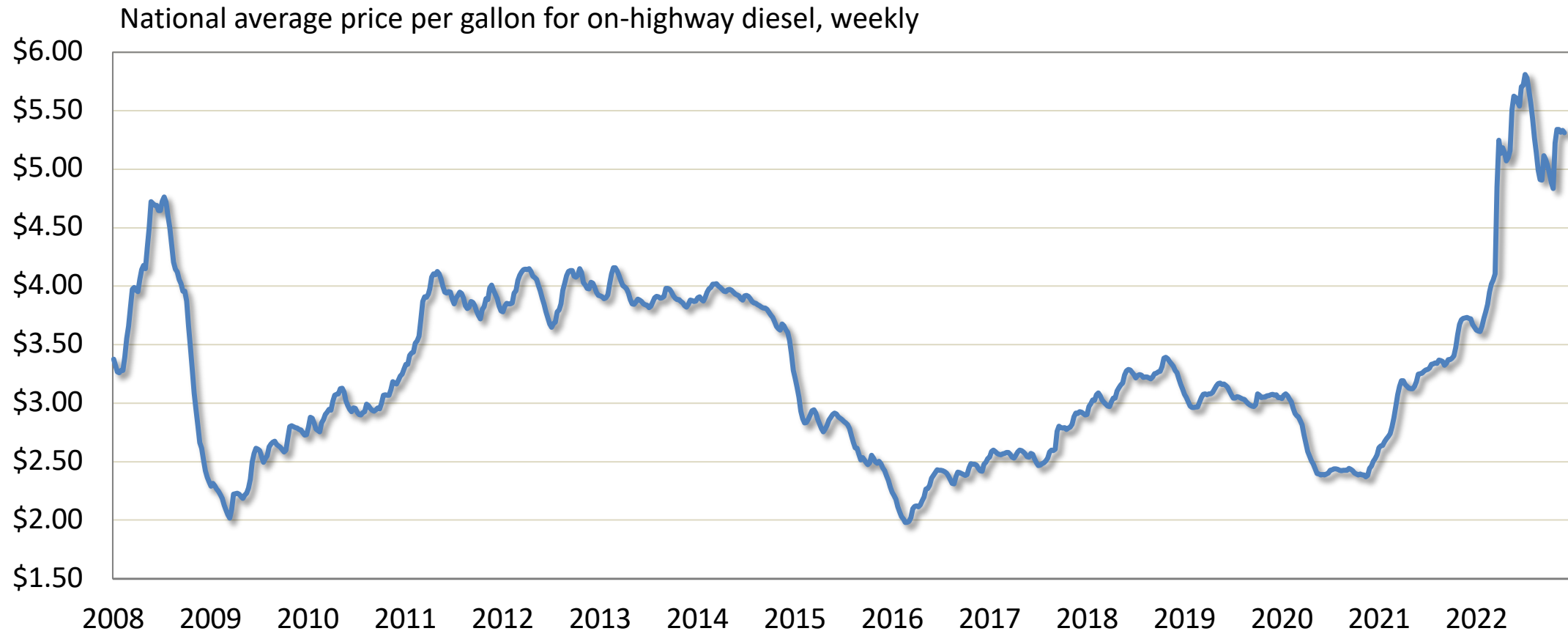
Business applications

Business applications in trucking (apparently) are rising



Diesel prices

The direction of fuel costs affects trucking capacity mix



Summary

- The U.S. economy is slowing, but a severe recession is unlikely.
- Inflation and monetary policy to battle it are big economic risks.
- Consumer wealth and pent-up industrial demand are strengths.
- Overall trucking volume is stagnant, but spot activity has shifted to contract.
- Trucking's payroll employment (probably) is deceptively strong.
- Contract rates have peaked but likely will be relatively sticky.
- An inventory correction would hit to freight volumes.
- Depleted auto inventories are a *potential* upside for manufacturing.
- New entry in trucking remains surprisingly strong.

Discussion and Q&A

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Download presentation and FTR's Trucking Update at

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The outlook for trucking

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