

The Rearview
& the Road Ahead:
**Monthly Market
Update**

Demand Levels & Outlook

Volumes Up, 2023 Topped with Possible Year-End Growth Ahead

Currently, volumes surpass those of 2023, with an uptick indicating a positive trajectory mirroring last year's patterns. While consumer spending persists despite perceived stagnant growth, it hasn't surpassed pre-pandemic levels. Resilience in consumer spending prevents a sharp decline in the freight market, with spending hovering around pre-pandemic norms. While this year is expected to remain relatively flat, a modest uptick is projected in the latter part, with year-over-year growth anticipated in the third quarter.

Tech vs. Theft: AI to the Rescue as Cargo Crimes Soar

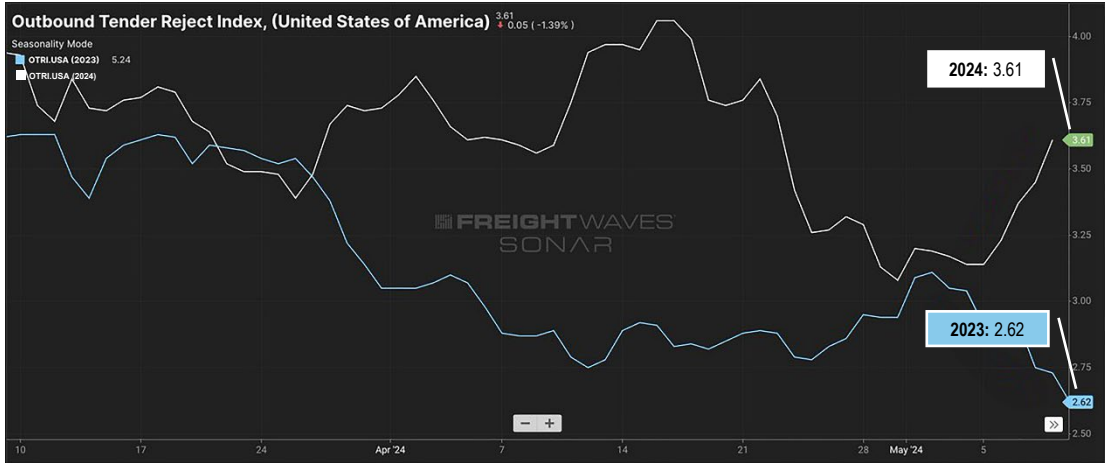
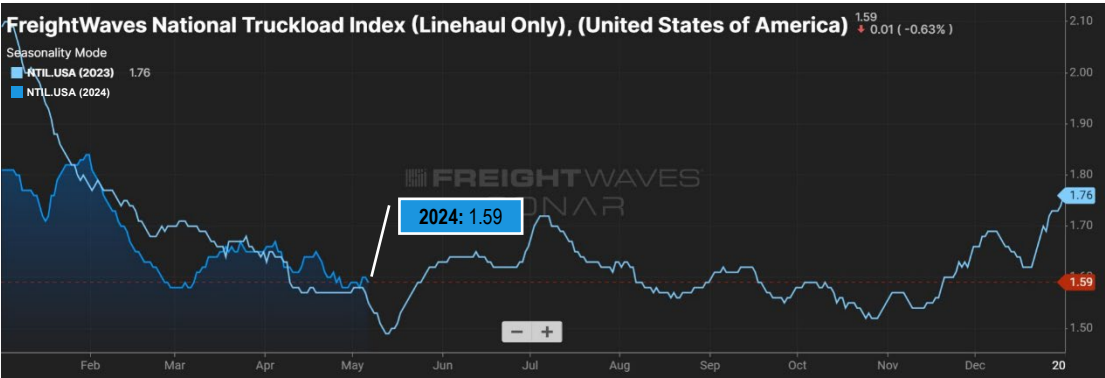
Cargo theft incidents surged by 68% in Q4 2023, particularly impacting food & beverage products, electronics, and household goods. To counter this, companies are investing in infrastructure and exploring AI solutions to enhance efficiency amidst inflation and shifting consumer preferences.

Bridge Bust a Blip: Freight Market Adapts, Keeps on Truckin'

Freight market segments vary, with some experiencing declines (like flatbed and bulk dump) and others showing potential growth (like dry van and refrigerated tank). The Frances Scott Key bridge collapse briefly paralyzed the Port of Baltimore, sparking supply chain concerns, but successful diversions and channel reopenings have mitigated them, highlighting the industry's adaptability.

Oil & Gas Drives Trucking While Packaging Feels the Pinch

The oil & gas sector's production resurgence drives logistics demand, especially in short-haul trucking, though geopolitical tensions in the Middle East pose risks. The paper & packaging industry faces demand challenges due to inflation and reduced consumer spending, particularly in sectors like food & beverage, CPG, and healthcare.



Source: FreightWaves

Supply, Capacity, & Carrier Operating Costs

Diesel Prices Provide Silver Lining Amidst Trucking Challenges

Recent tender rejections plummeted briefly, causing concern, but they're now rebounding, reaching 3.37% by May 10th, suggesting ongoing challenges. Spot market access remains limited, signaling a capacity crunch. On a positive note, diesel prices are declining, hitting \$3.99 per gallon nationally, easing pressure on trucking operations amid the chaos.

Produce Season Surge Meets International Roadcheck Week

As produce season approaches, demand for transporting fruits and vegetables rises, while truck supply is anticipated to stay steady, possibly causing capacity limitations and rate hikes. Roadcheck Week from May 14th to 16th further strains truck availability continent-wide. Inspections during this time historically reduce truck availability temporarily, affecting market conditions and spot market pricing.

Fragmented Freight: Trucking Industry Grows, Shrinks Its Workforce

New data from the 2022 Economic Census reveals significant growth in the trucking industry between 2017 and 2022.

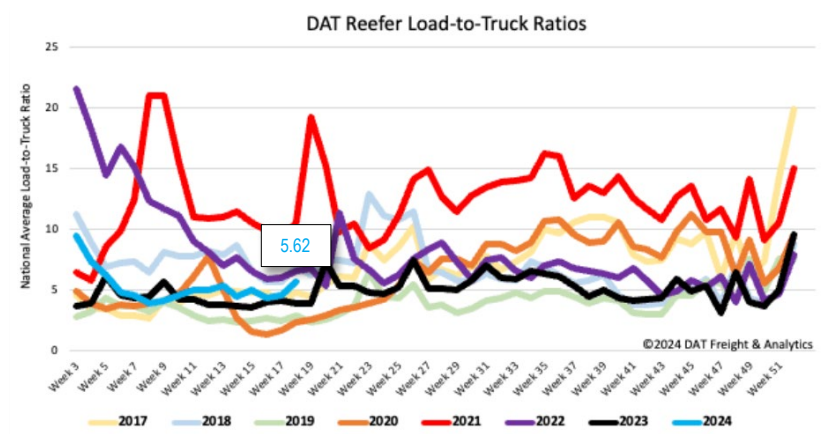
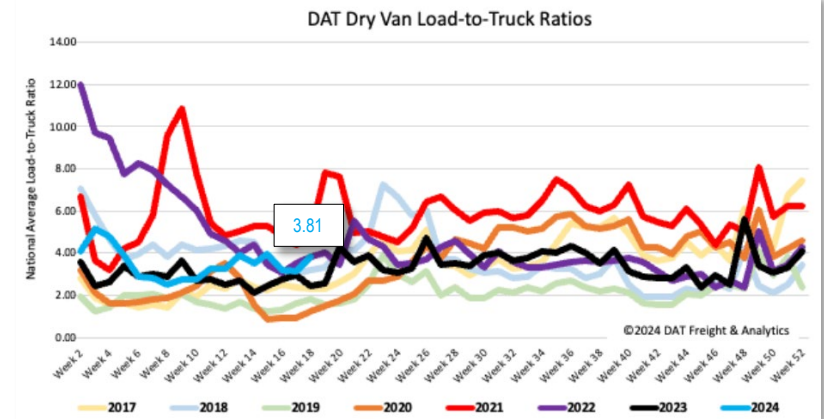
- The number of trucking companies jumped 38% to 155,267, while business locations increased 35% to 171,824.
- Trucking revenue rose a substantial 52% to \$441.5 billion.
- Despite the industry growth, the average number of employees per company change from 2017 to 2022 dropped 16.7%.

The data suggests the industry became more fragmented during this period, with more companies entering the market and employing fewer workers on average, possibly due to factors like increased owner-operator models or a shift towards smaller trucking firms.

The "driver shortage" narrative, which dominated headlines in 2021, seems to have faded in 2024 despite a decrease in employees per company and being in a freight recession for the past 21 months.

Balancing Opportunities and Constraints

Truck capacity and the load-to-truck ratio paint a complex picture of opportunities and constraints across different regions. While some areas boast surplus loads over available trucks, others face scarcity, notably Louisiana, Mississippi, and Alabama.



Source: DAT

Contract & Spot Market Rate Trends

Dry Van Spot Rates Inch Up But Long-Term Trends Signal Caution

Dry van spot rates have seen a modest increase, with the average rate per mile rising from \$1.83 to \$1.87, marking a 4-cent uptick. Comparing year-over-year data reveals a 2% increase, but a broader perspective over a five-year period shows an 8% decline. Despite this, volumes in the dry van segment have shown a 5.8% increase week over week as of May tenth. However, year-over-year volumes have decreased by 4%, and over five years, a staggering 33%.

The top states for dry van volumes include Dallas, Texas, Detroit, Michigan, and Atlanta, Georgia, among others. Interestingly, areas with the highest rejection rates, such as Cedar Rapids, Iowa, and Dubuque, Iowa, don't necessarily align with the highest volume markets. A deeper analysis reveals that Dallas, Texas, Atlanta, Georgia, and Ontario, California, are prime spots for spotting opportunities due to a combination of high volumes and manageable rejection rates.

Reefer Spot Rates Heat Up

Reefer spot rates have surged, witnessing a notable increase from \$222 to \$238 per mile, a 16-cent rise week over week as of May tenth. Year-over-year, rates have seen a 3% increase, contrasting with a 5% decline over a five-year span. While volumes have shown a robust 10.8% increase week over week, the year-over-year and five-year trends paint a less optimistic picture, with declines of 5% and 34%, respectively.

Key reefer markets include Joplin, Missouri; Lakeland, Florida; and Allentown, Pennsylvania. Despite declines in volume in several markets, areas like Fort Worth, Texas, and Ontario, California, still offer ample opportunities for spot market transactions. However, heightened rejection rates in locations like Little Rock, Arkansas, and Memphis, Tennessee, necessitate a careful balance between volume and carrier capacity.

Volume Variations Highlight Regional Disparities

Flatbed spot rates have experienced a slight decrease, falling from \$2.45 to \$2.43 per mile, marking a 1.4-cent decline week over week as of May tenth. Year-over-year, rates have decreased by 5%, mirroring a similar decline over a five-year period. Despite this, volumes have shown a modest uptick of 2.3% week over week and a 4% increase year over year. However, over five years, volumes have plummeted by 37%. Data highlights the dominance of southern states in terms of flatbed volume. However, it's essential to note the considerable regional disparities, with the northern and plain states exhibiting significantly lower volumes.

Exhibit27: National Average Spot Van Rates ex. Fuel Surcharge

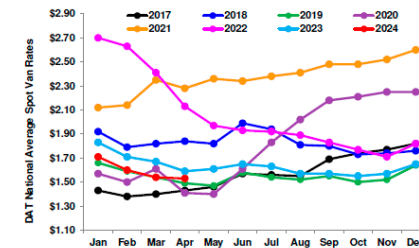


Exhibit28: National Average Contract Van Rates ex. Fuel Surcharge

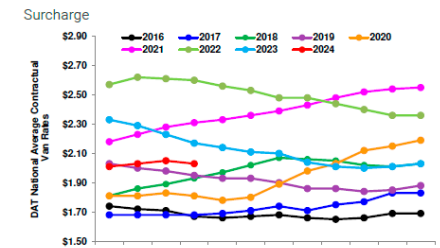


Exhibit29: National Average Spot Reefer Rates ex. Fuel Surcharge

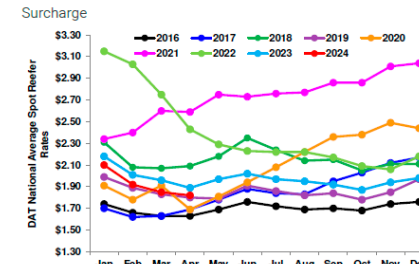


Exhibit30: National Average Contract Reefer Rates ex. Fuel Surcharge

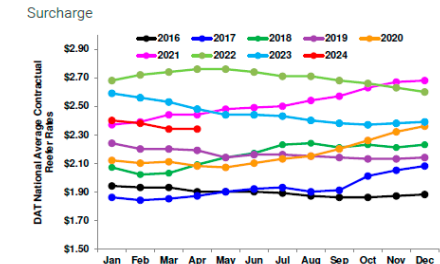


Exhibit31: National Average Spot Flatbed Rates ex. Fuel Surcharge

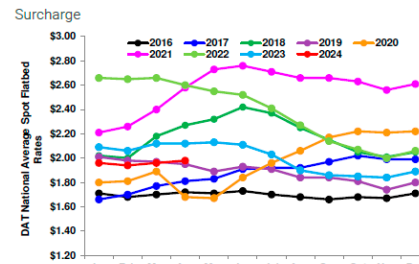
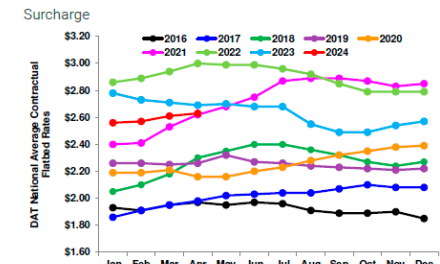


Exhibit32: National Average Contract Flatbed Rates ex. Fuel Surcharge





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