

Economic & Trucking Industry Update

TXTA Annual Meeting

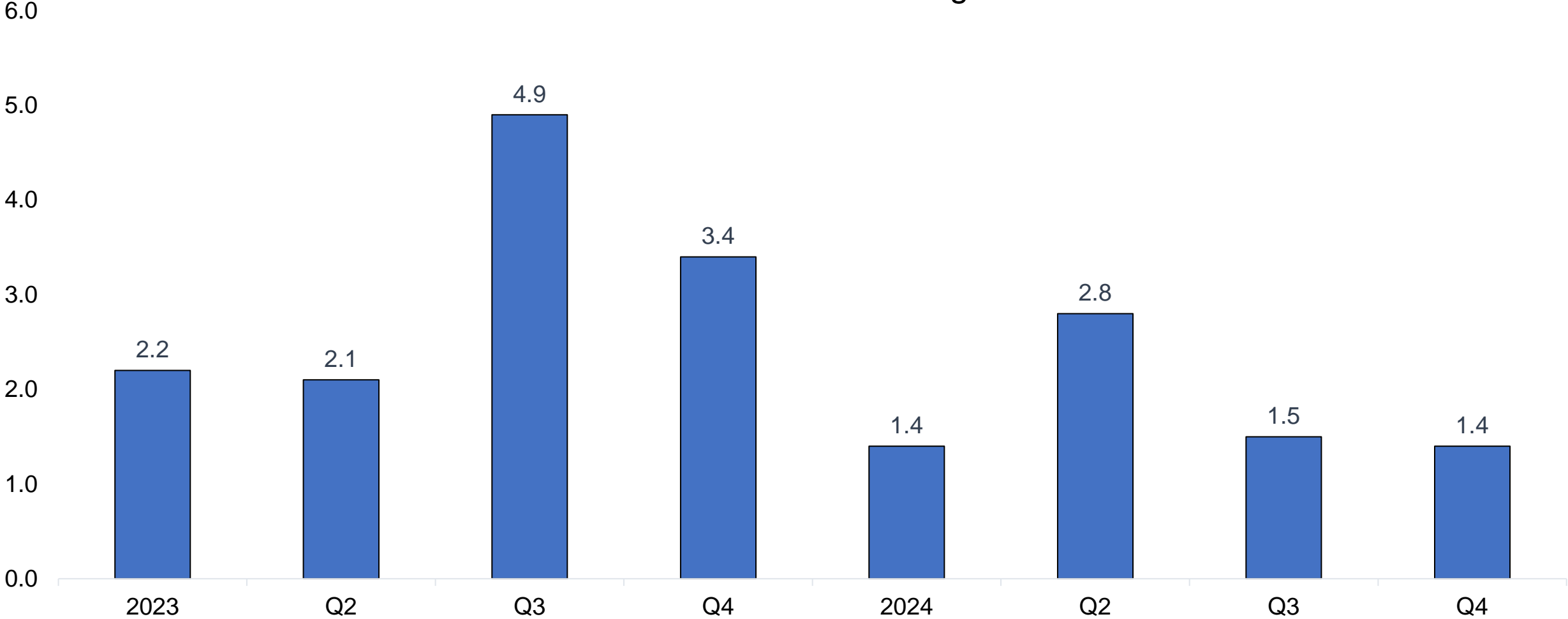
Bob Costello

ATA Chief Economist & SVP

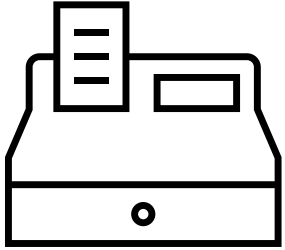
August 2024

Real Gross Domestic Product

Annualized Percent Change



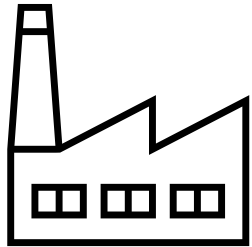
Three Big Sources of Truck Freight



Household Consumption/Retail



Construction: Home & Non-residential



Factory & Industrial

We are seeing green shoots in some areas for the first time in over 2 years. Still too early to call a recovery, but it is trending better.



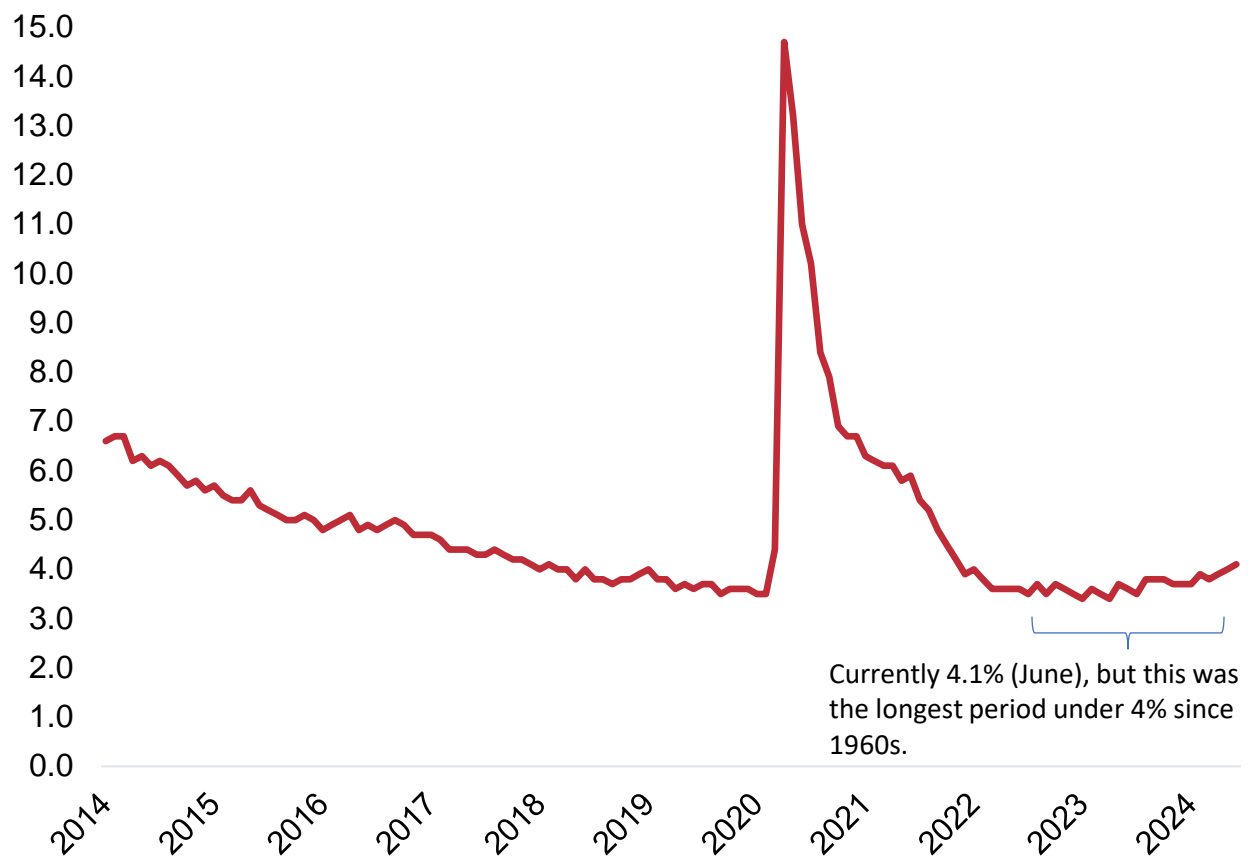
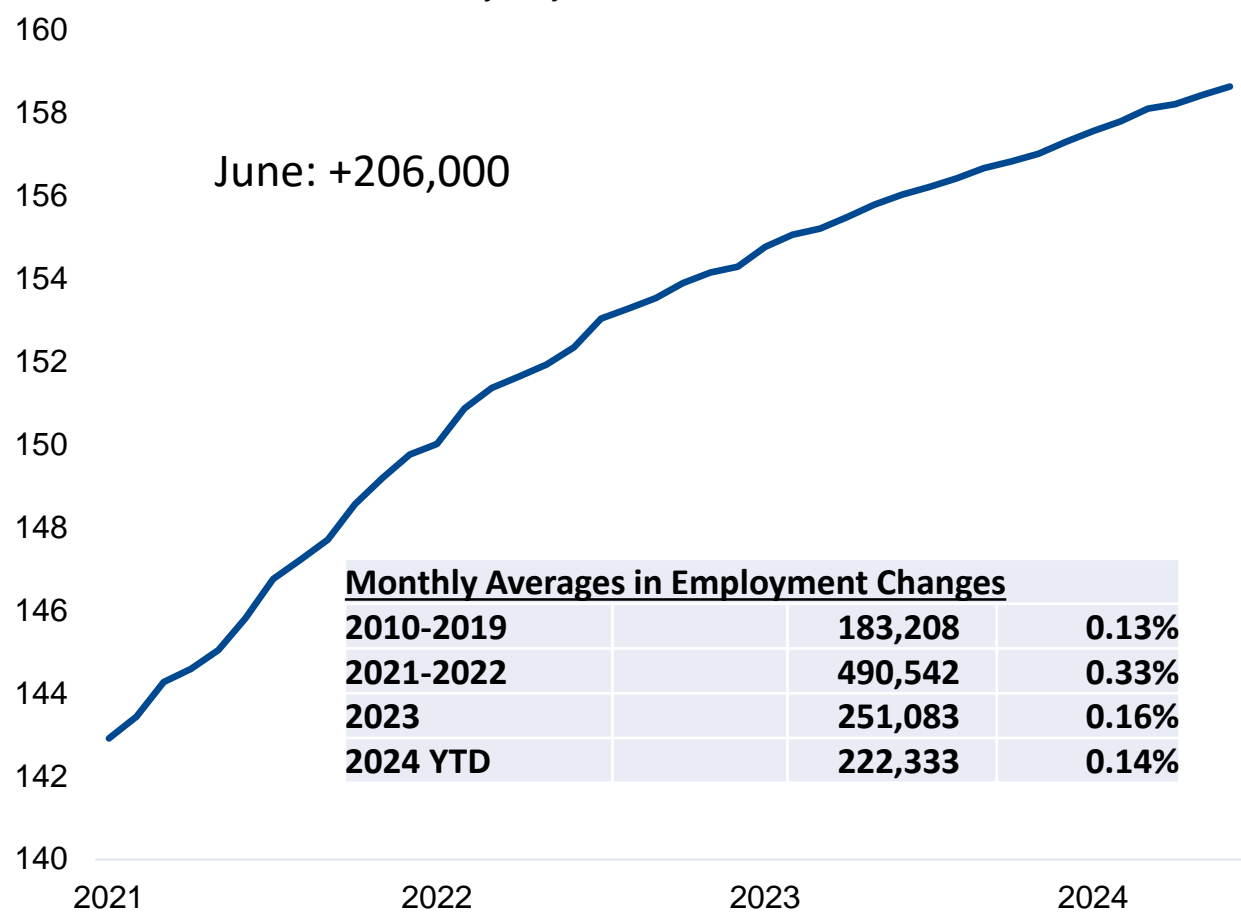
Key U.S. Employment Metrics

Payroll Employment

Seasonally Adjusted, Non-farm, Millions

The job market has slowed in recent months.

Unemployment Rate

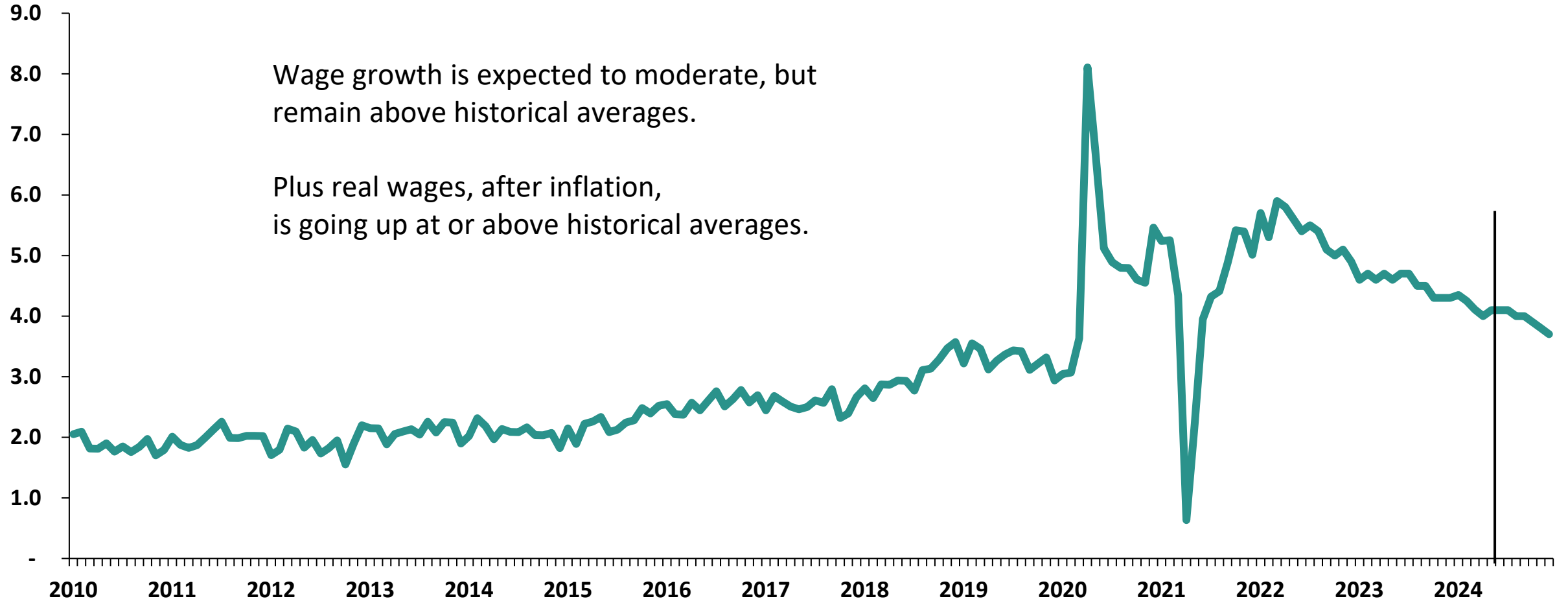




Average Hourly Earnings of All Employees, Total Private Sector

Year-over-Year Growth

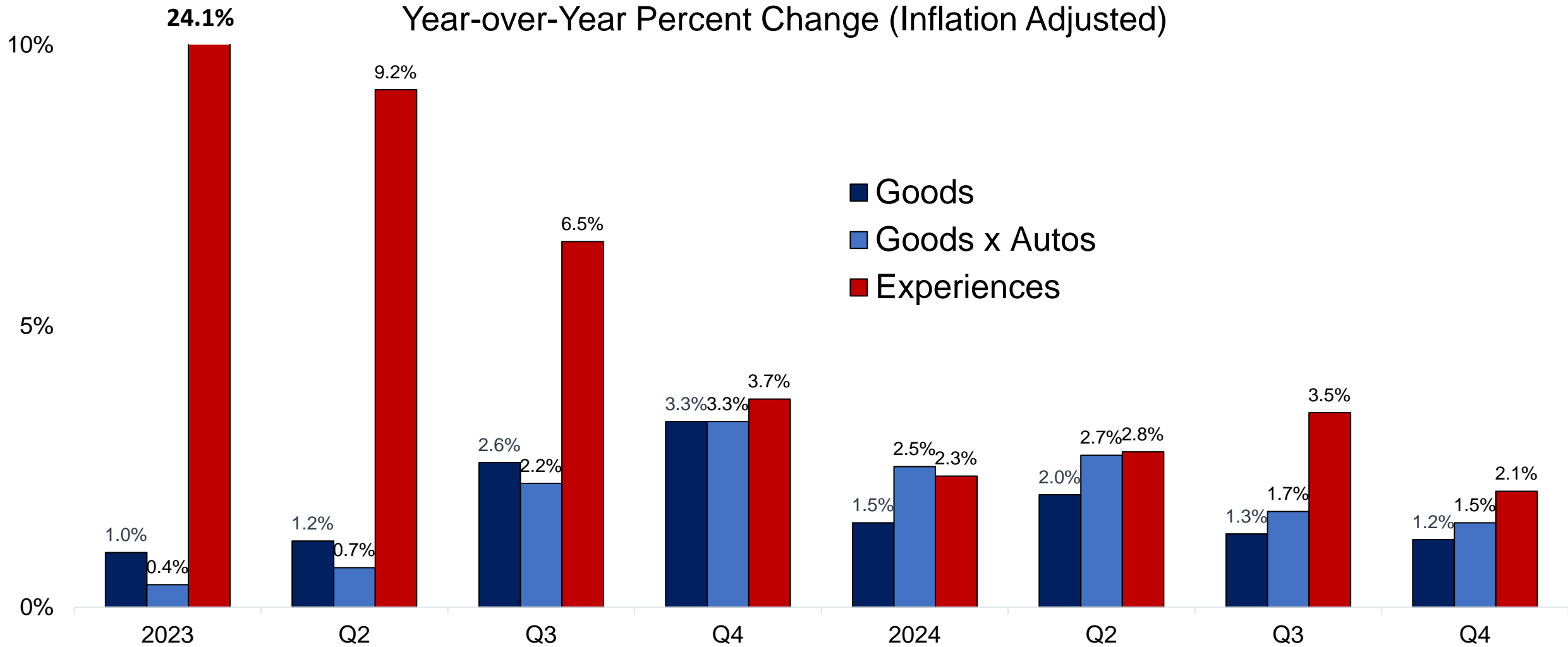
Percent





Consumer Spending – Goods vs Experiences

Year-over-Year Percent Change (Inflation Adjusted)



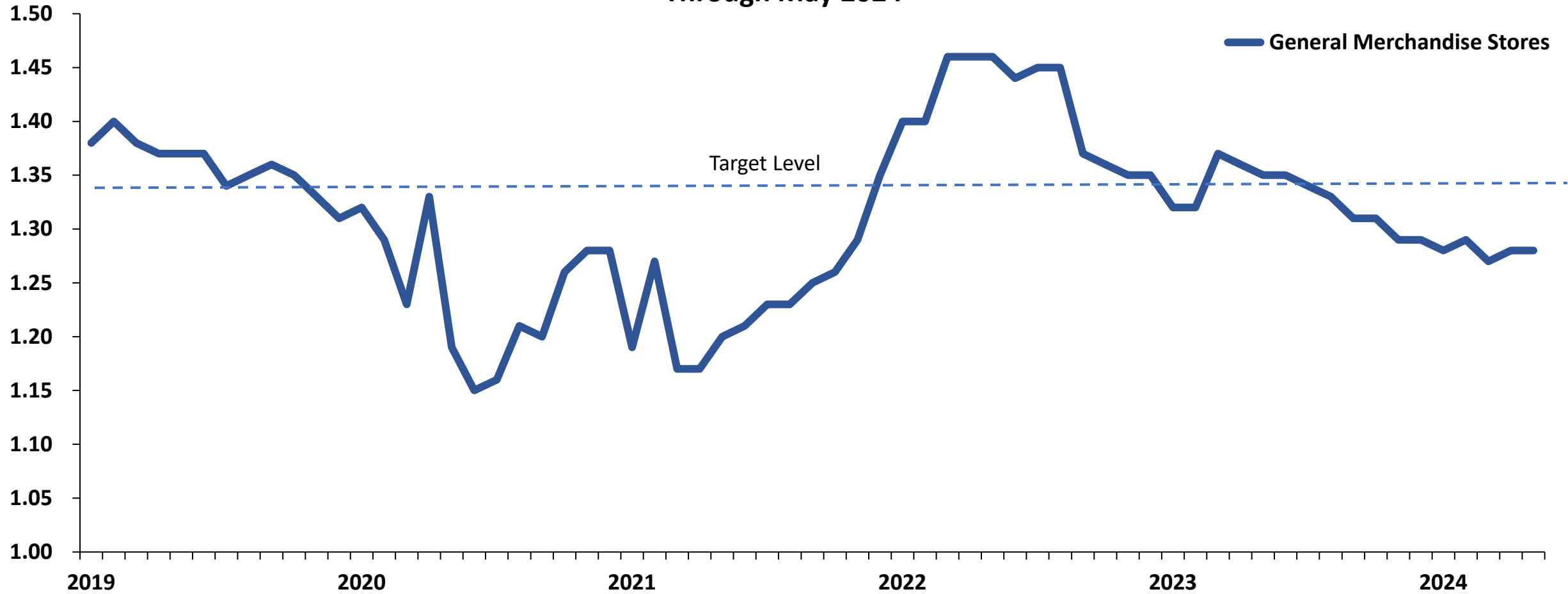
Auto sales are interest rate sensitive.





Inventory-to-Sales Ratio

Retail I/S Ratio
Through May 2024

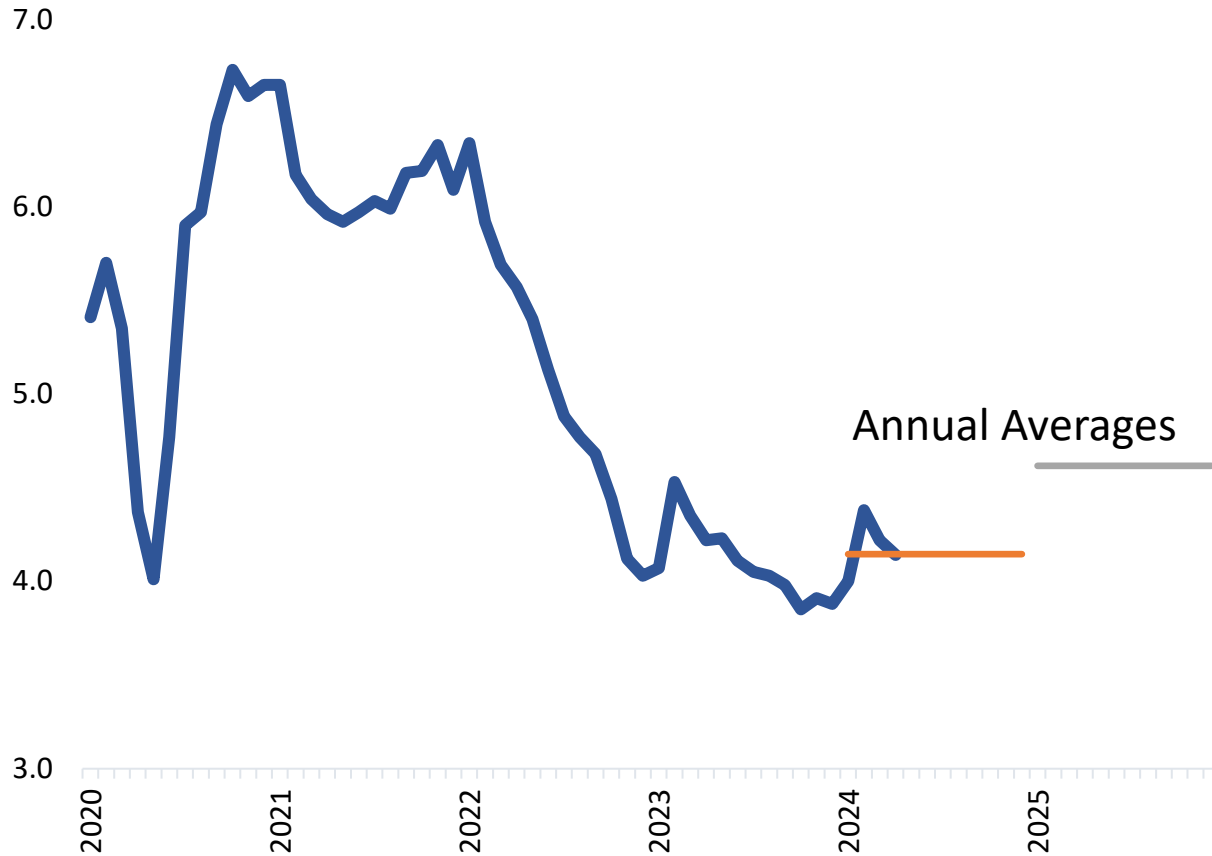




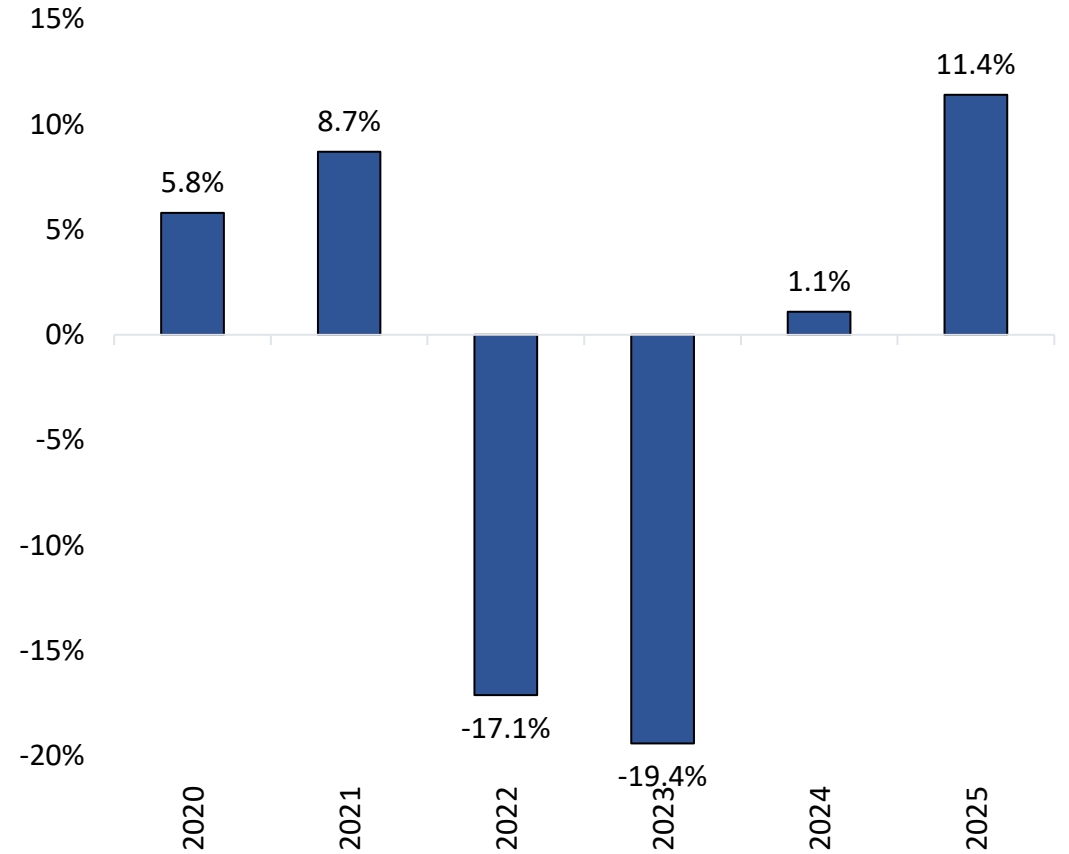
Housing Market

Existing Home Sales

Millions of Sales



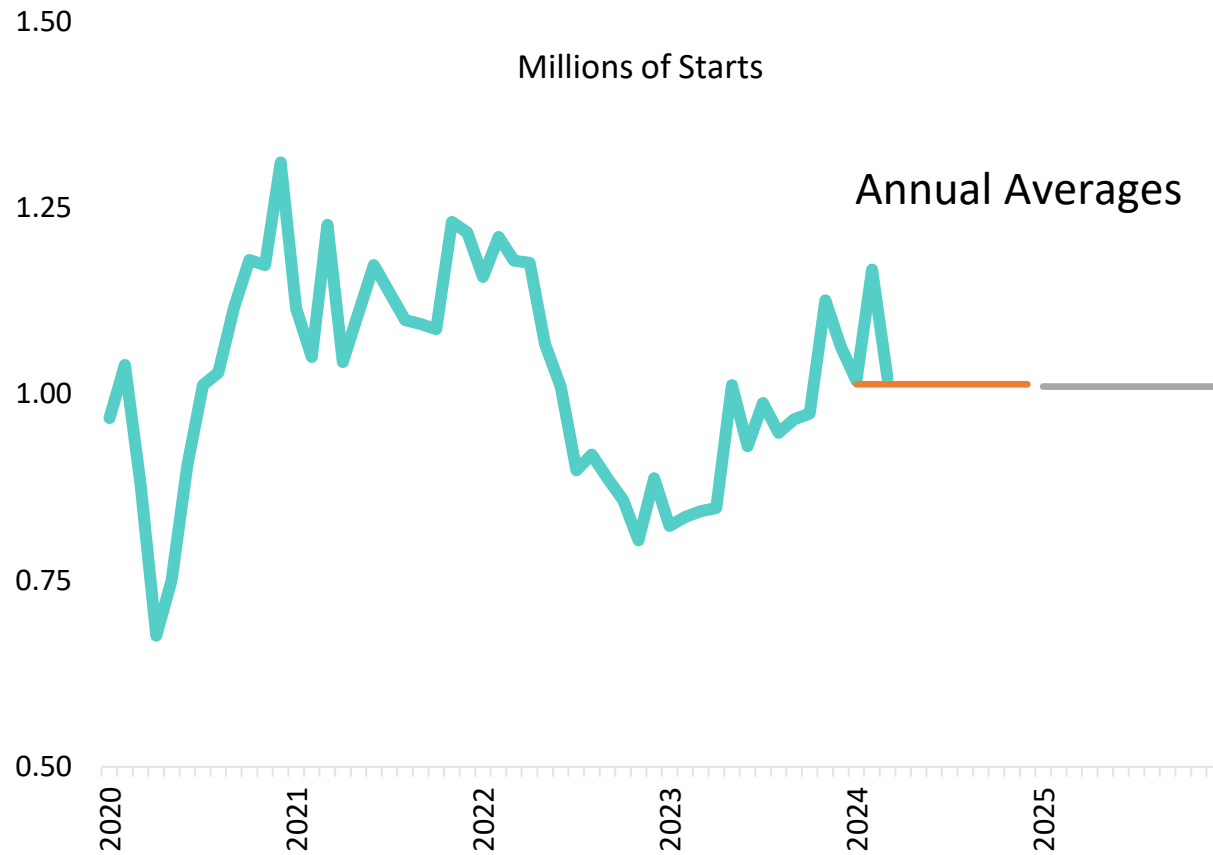
Annual Percent Change in Existing Home Sales



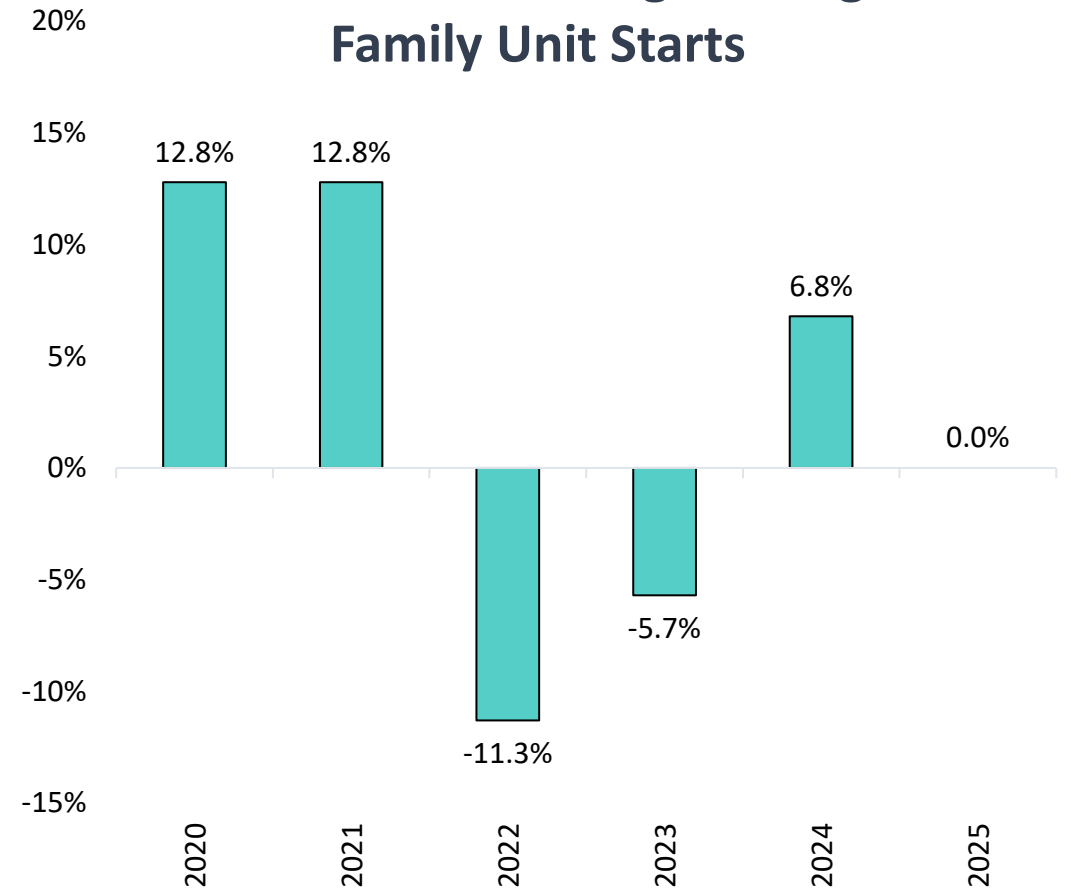


Home Construction Market

Level of Starts – Single Family Units Only

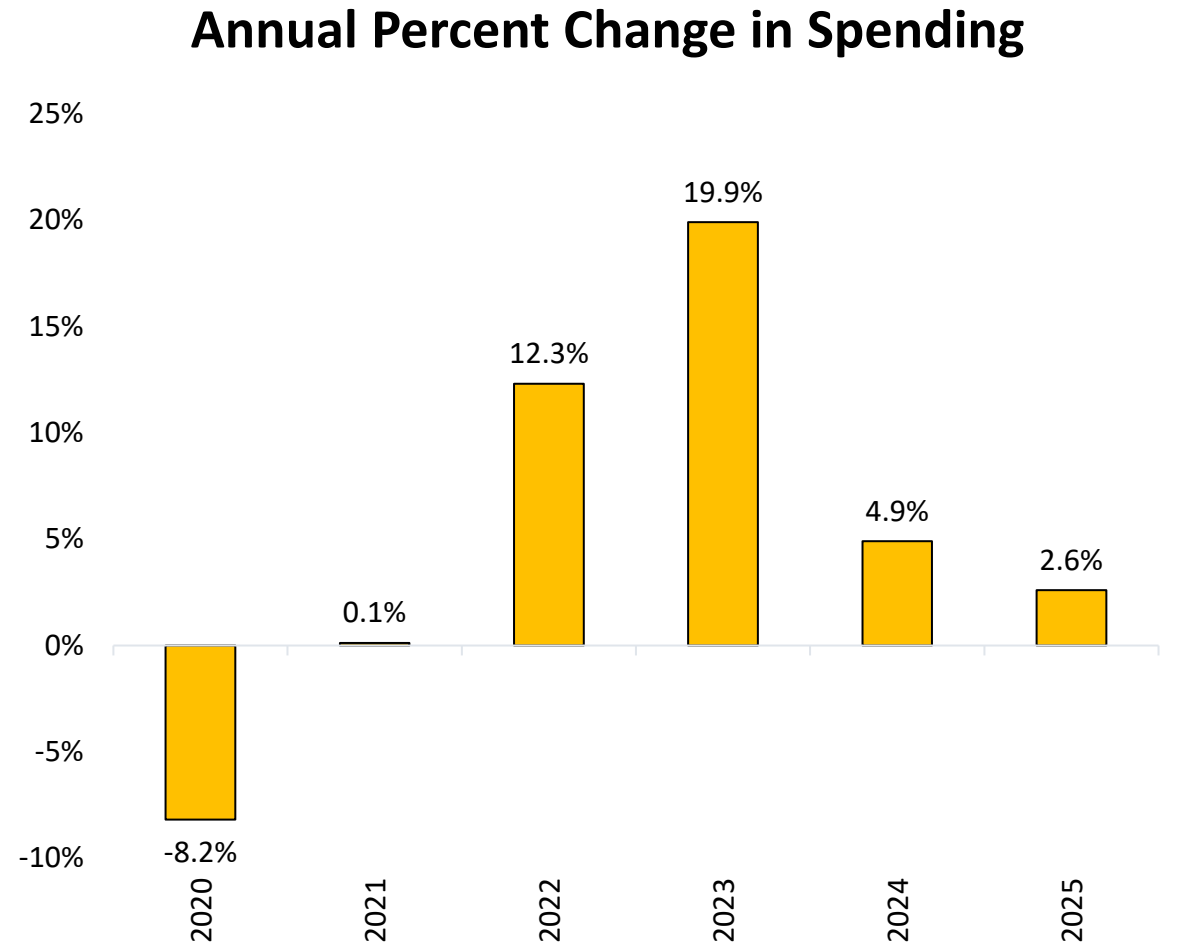
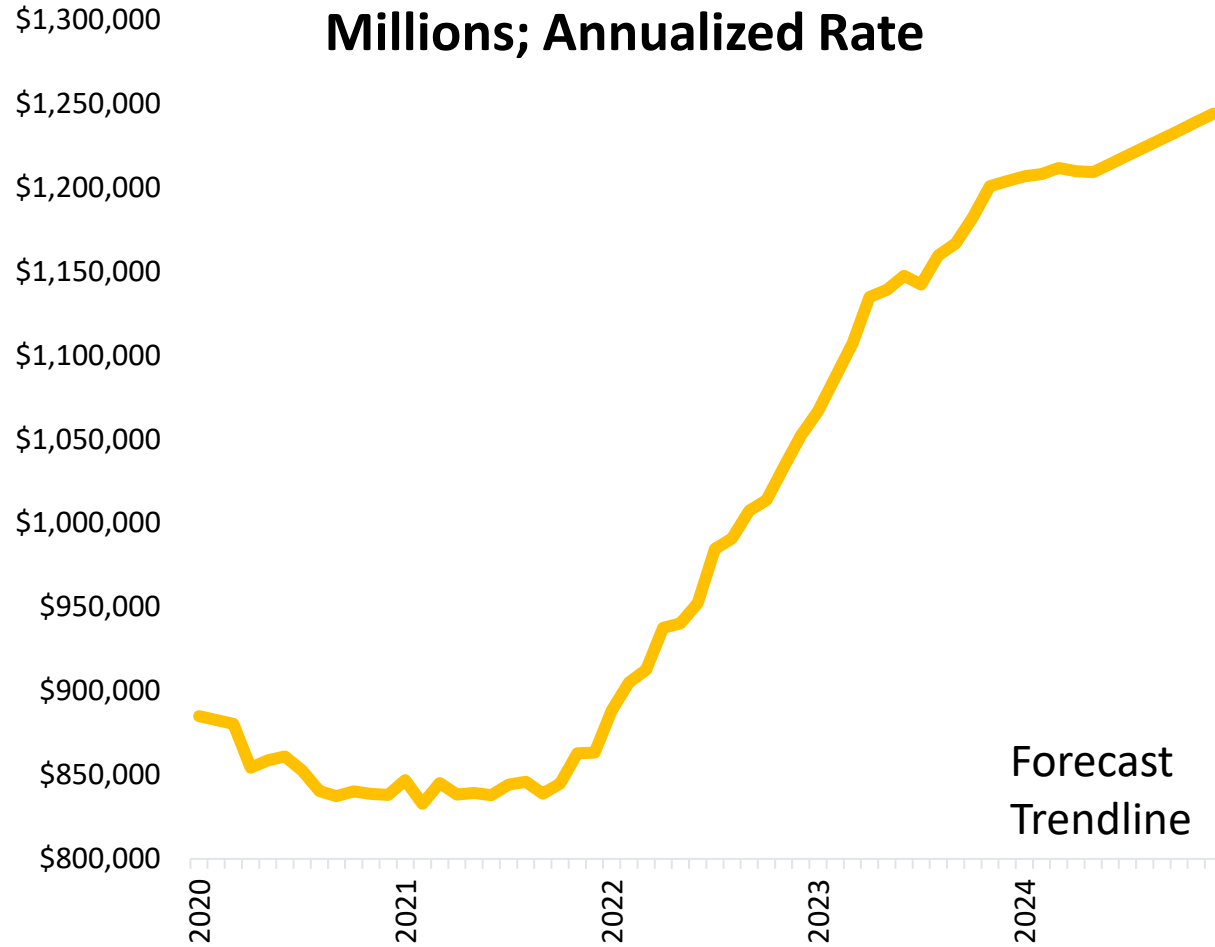


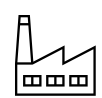
Annual Percent Change in Single-Family Unit Starts





Non-Residential Construction Spending

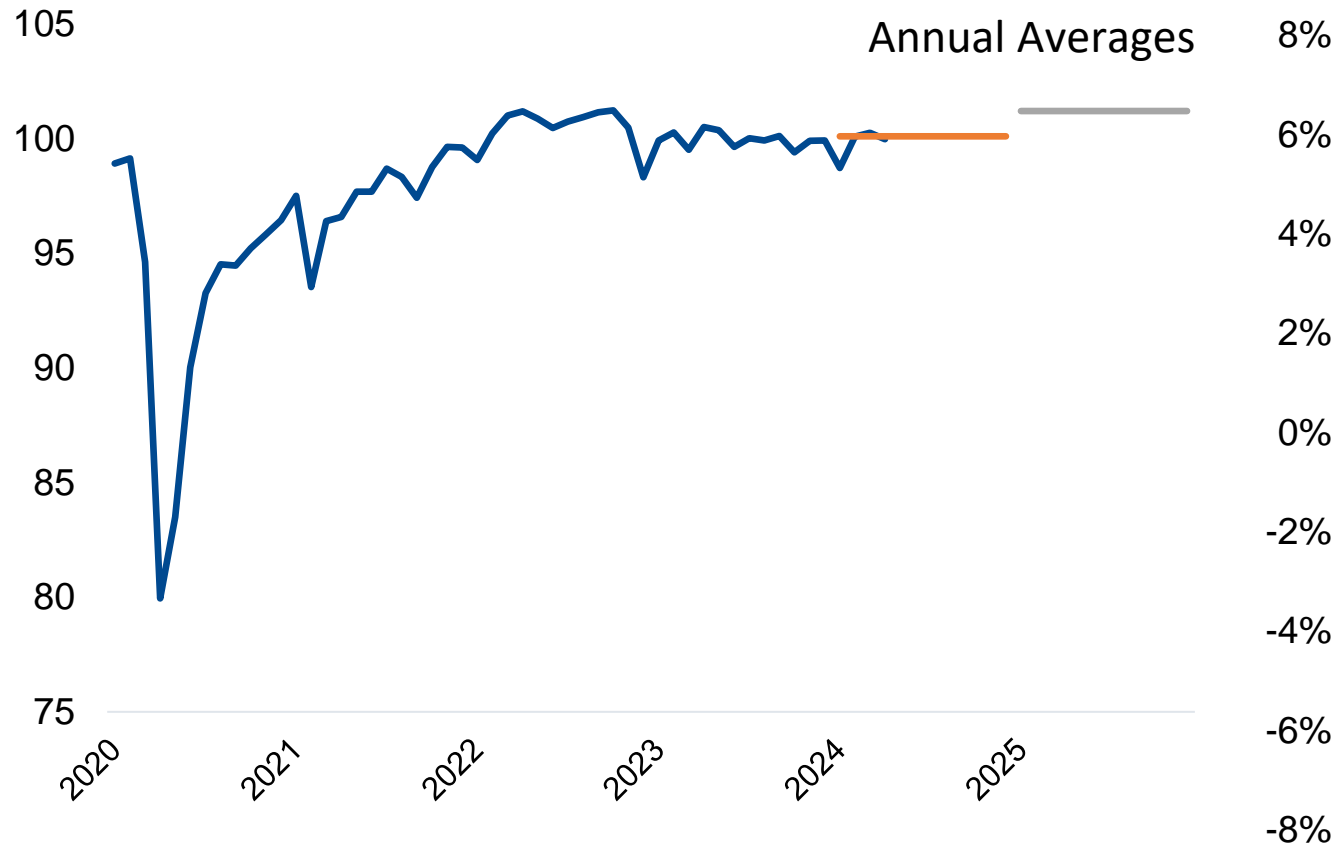




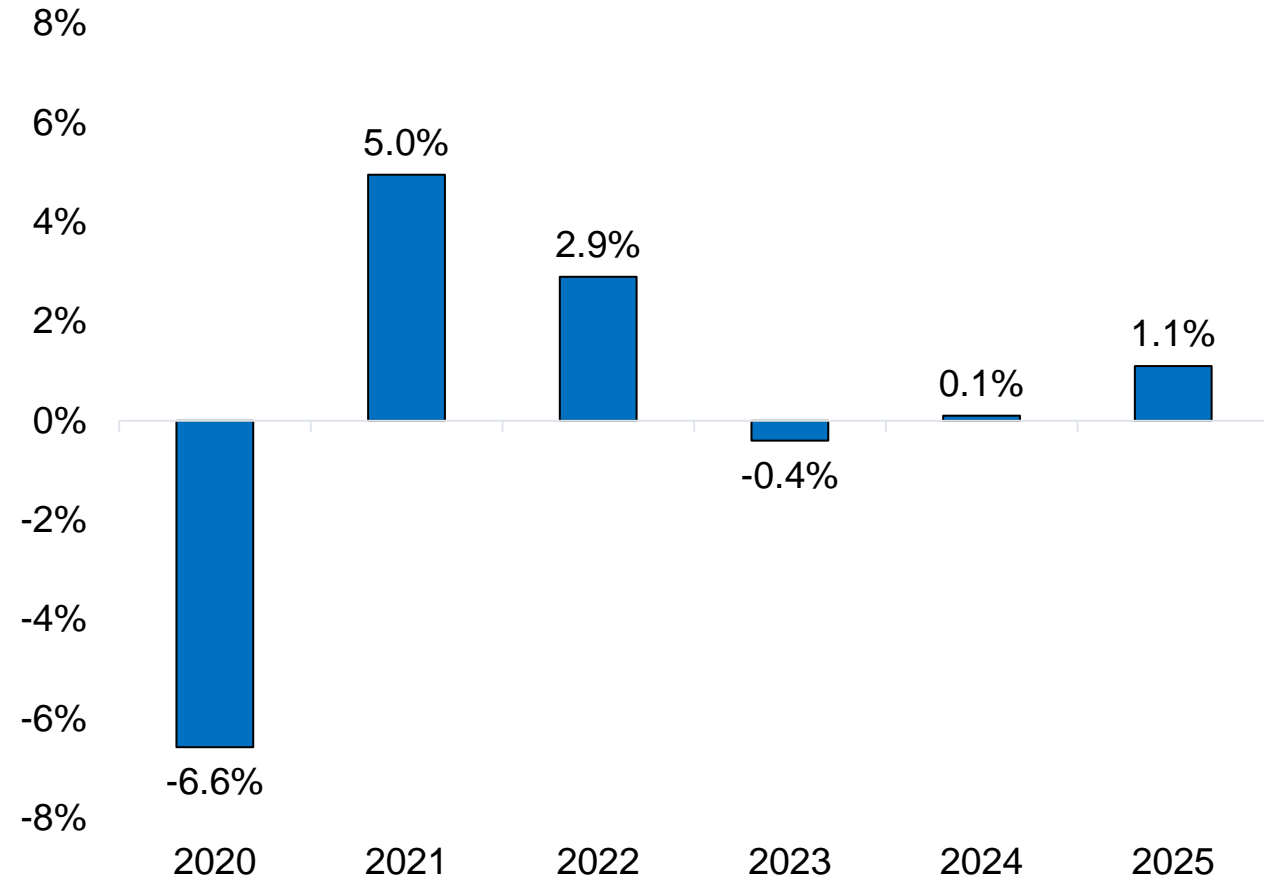
Factory Output

Level of Output

Index, 2017=100



Annual Percent Change in Output

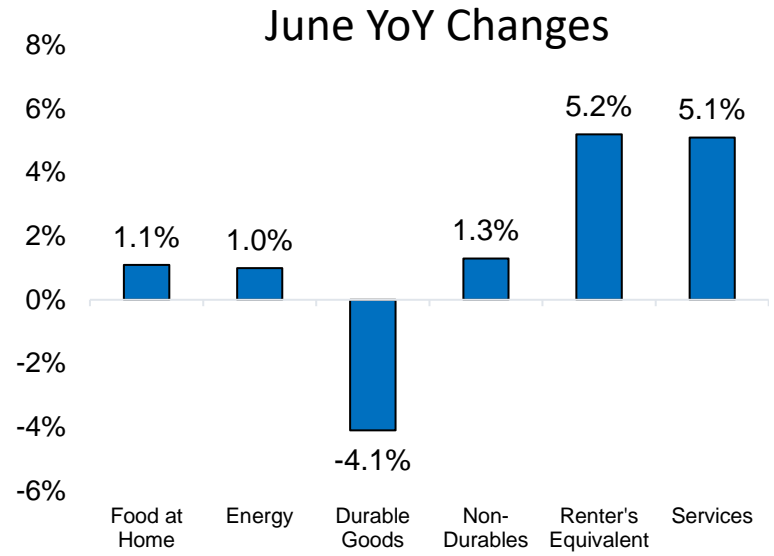
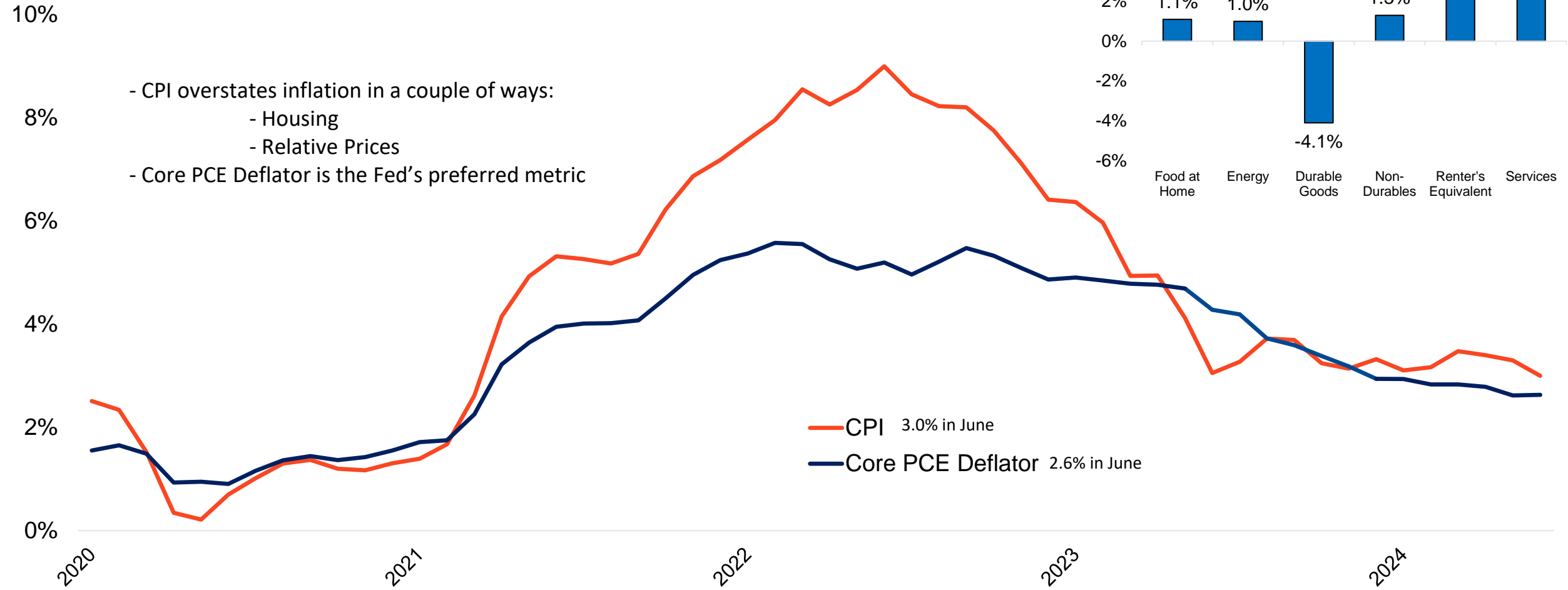




Various Inflation Metrics

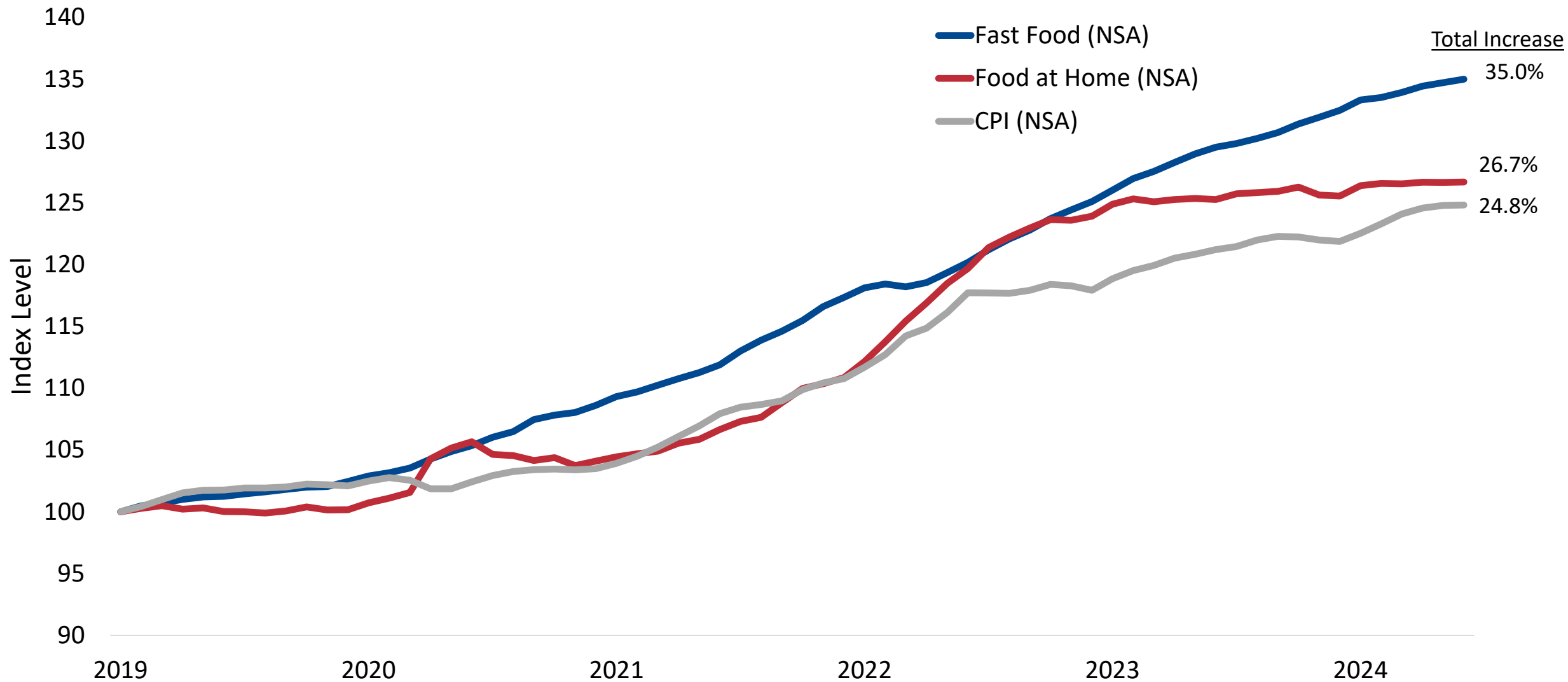
Year-over-Year Percent Change

- CPI overstates inflation in a couple of ways:
 - Housing
 - Relative Prices
- Core PCE Deflator is the Fed's preferred metric



Various Food Service Prices vs Overall Inflation

Index, Jan 2019 = 100



Truck Market Summary

Demand

- Some indications that contract TL freight is at or near a bottom.
- While spot market may be near a bottom too, it has fallen significantly more than contract freight, a bad situation for fleets that get most of their freight in the traditional spot market.

Supply

- While supply has been slow to exit the industry, data shows fleets are leaving and ironically the pace of exits could accelerate as the market starts to improve.
 - Fleets and I.C.s are behind on truck payments and lenders could demand accelerated payments when the market improves – and many fleets are unlikely to be able to make accelerated payments.

Costs

- The industry has been hit with a recession and higher cost inflation at the same time. This stagflation environment is a terrible situation to be in and will likely push more fleets under in the months ahead.

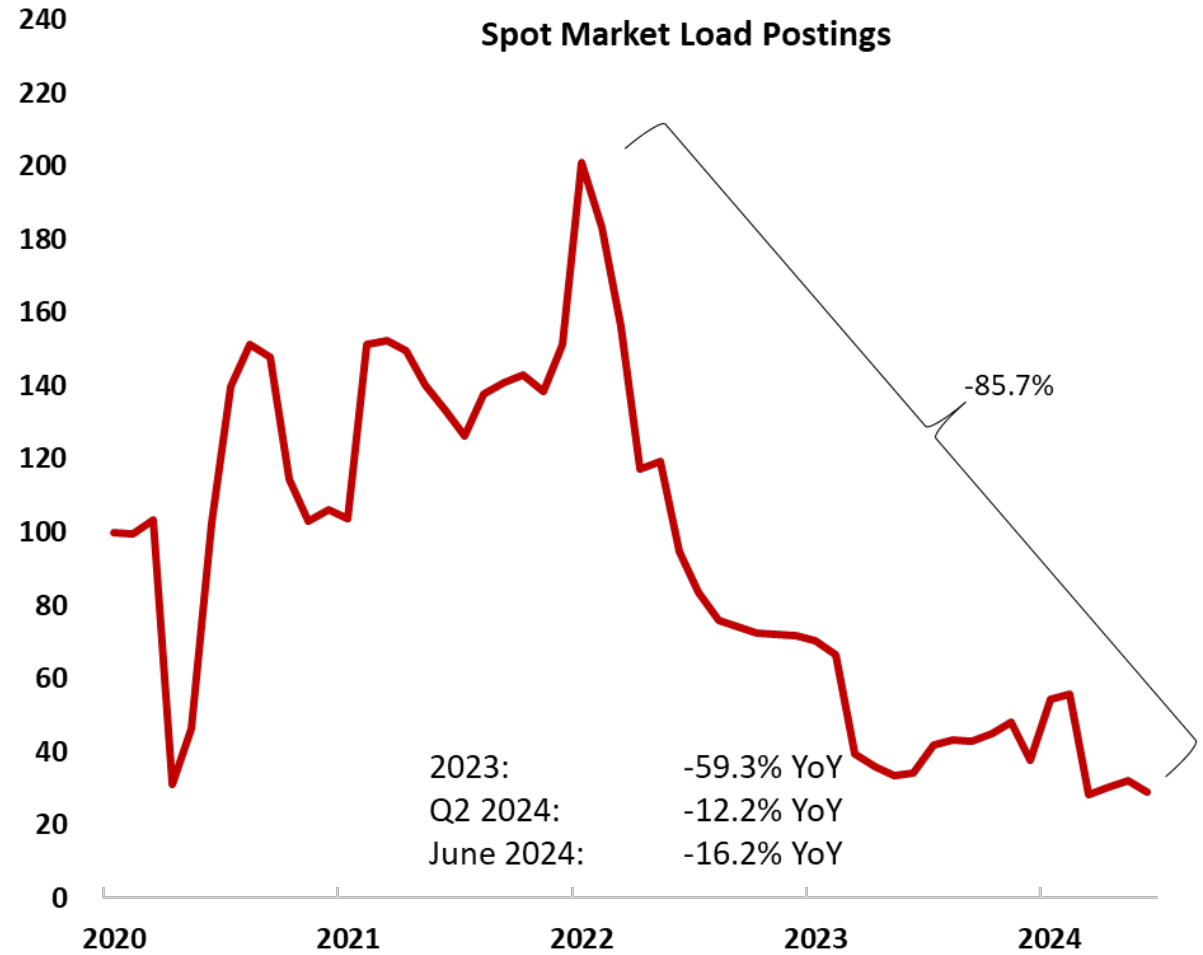
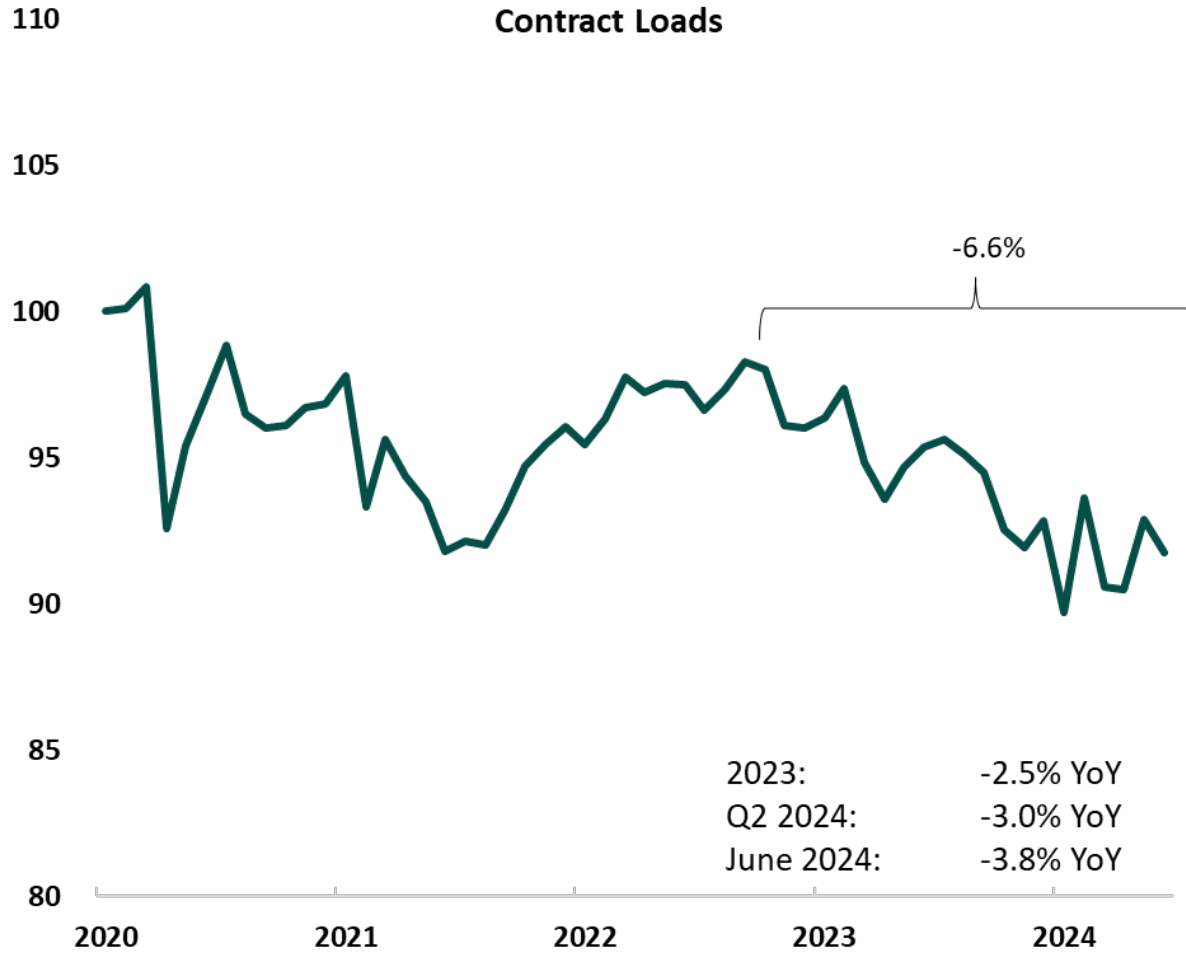


Trucking Demand Trends



Truckload Loads

(Index; January 2020 = 100)



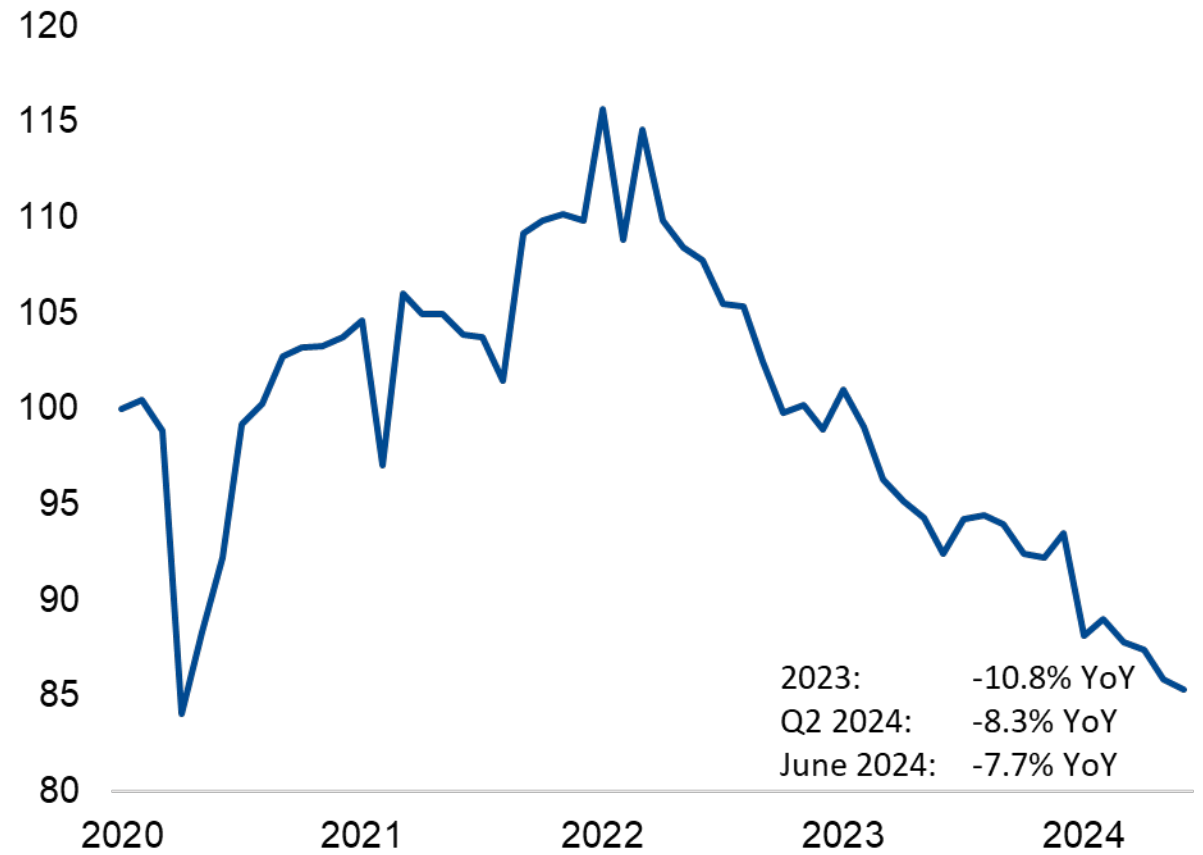
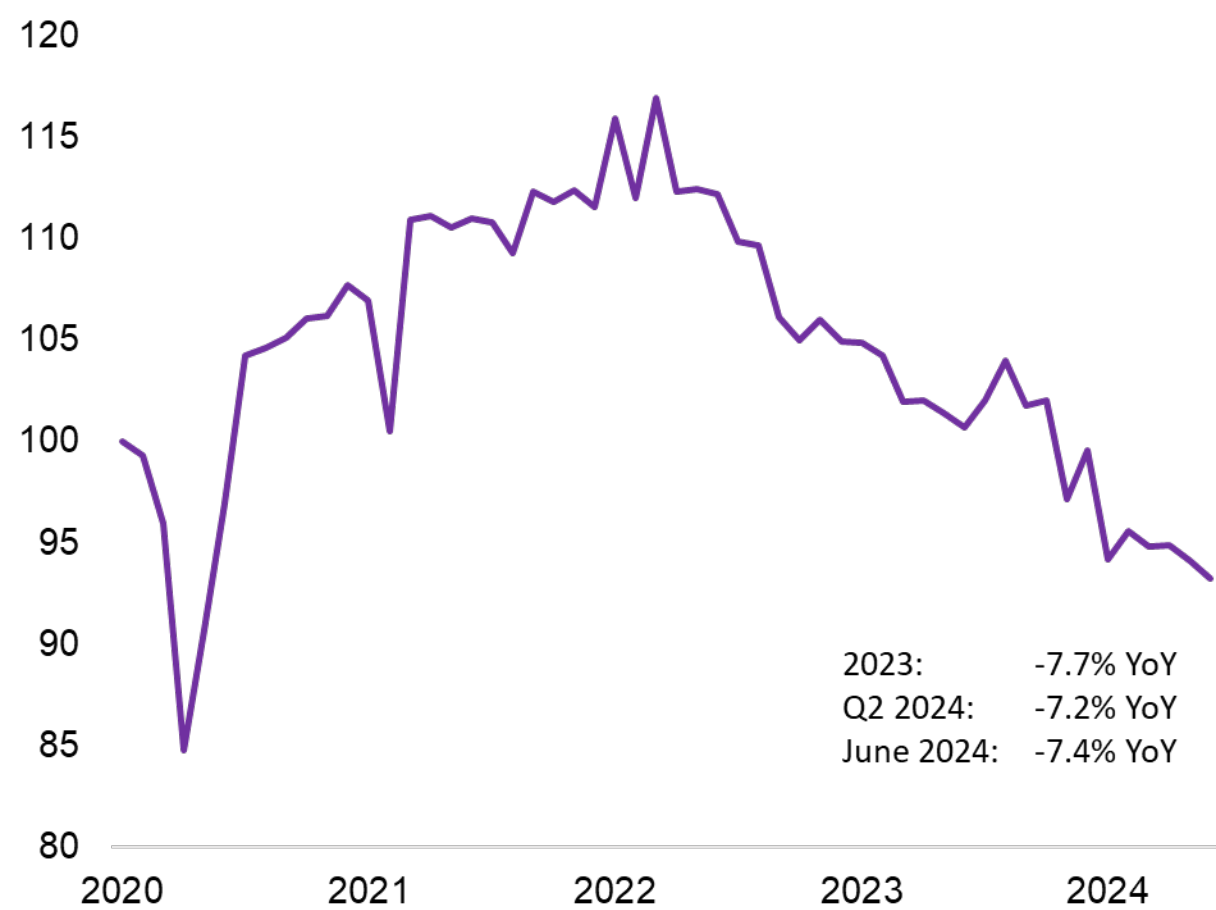


LTL Shipments and Tonnage

Index, January 2020 = 100

Shipments

Tonnage

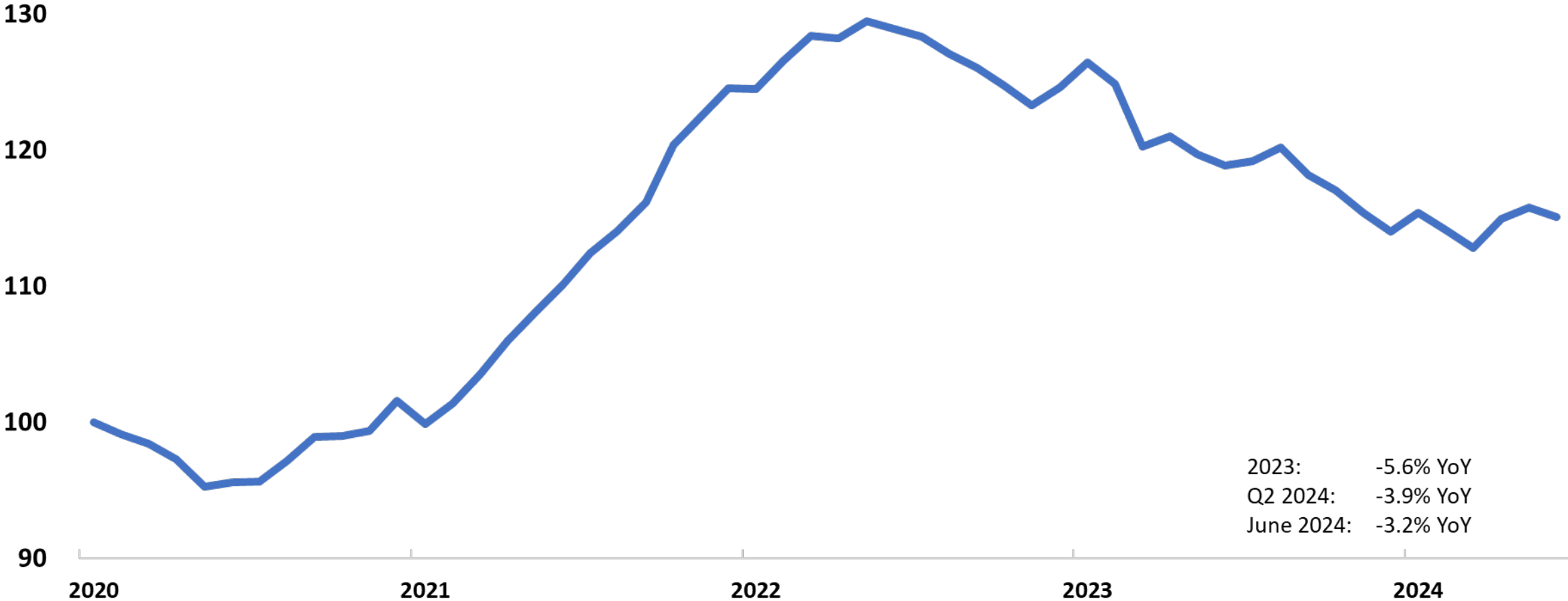




Trucking Supply Trends – Market Pressures

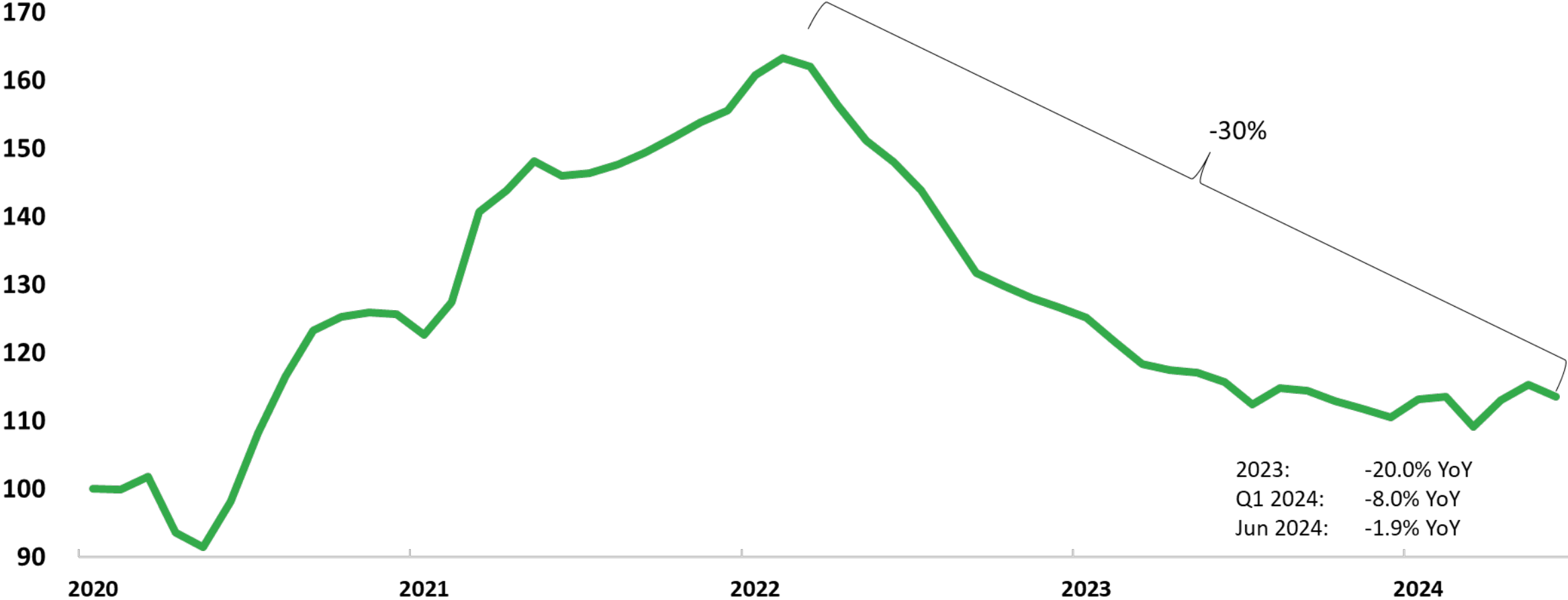
Contract Truckload Average Revenue per Mile

(Index; January 2020 = 100)



Spot Market Rates

(Index; January 2020 = 100)

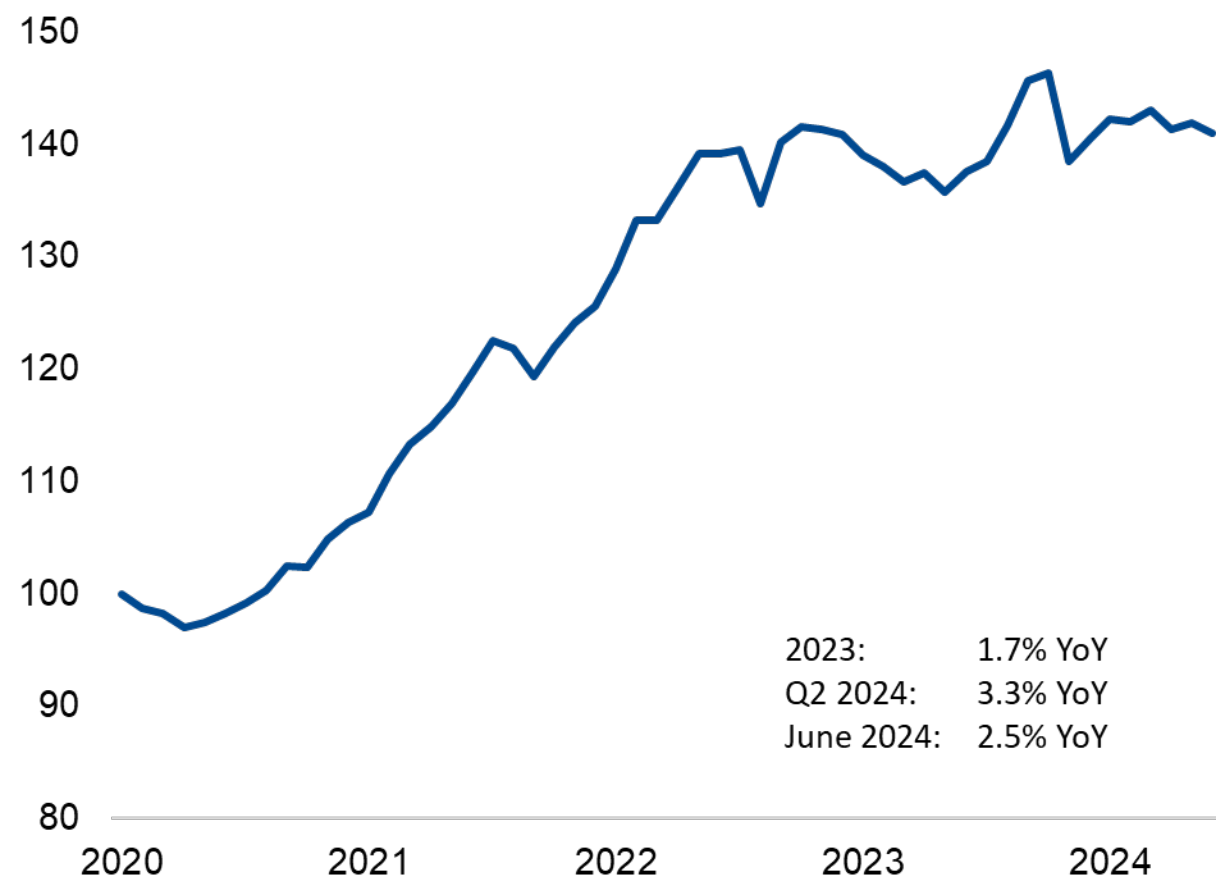




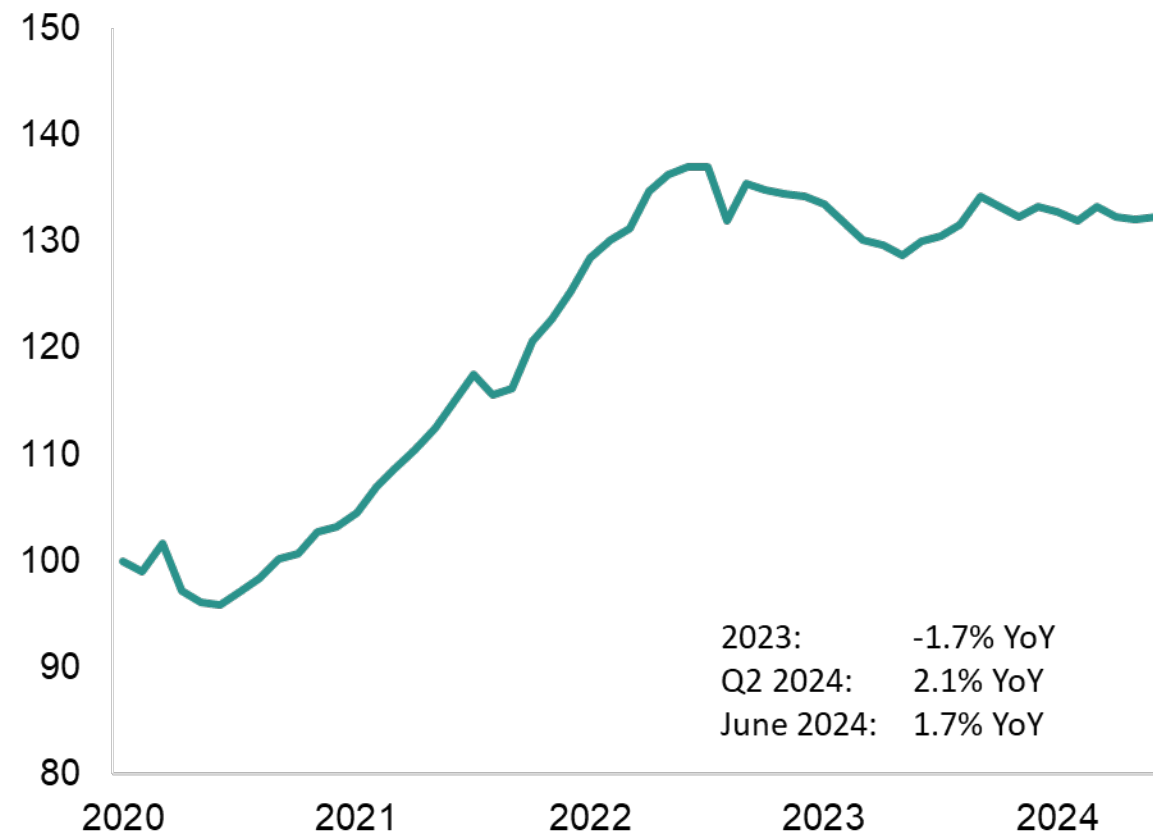
LTL Pricing Proxy Metrics

Index, January 2020 = 100

Revenue per Ton



Revenue per Shipment

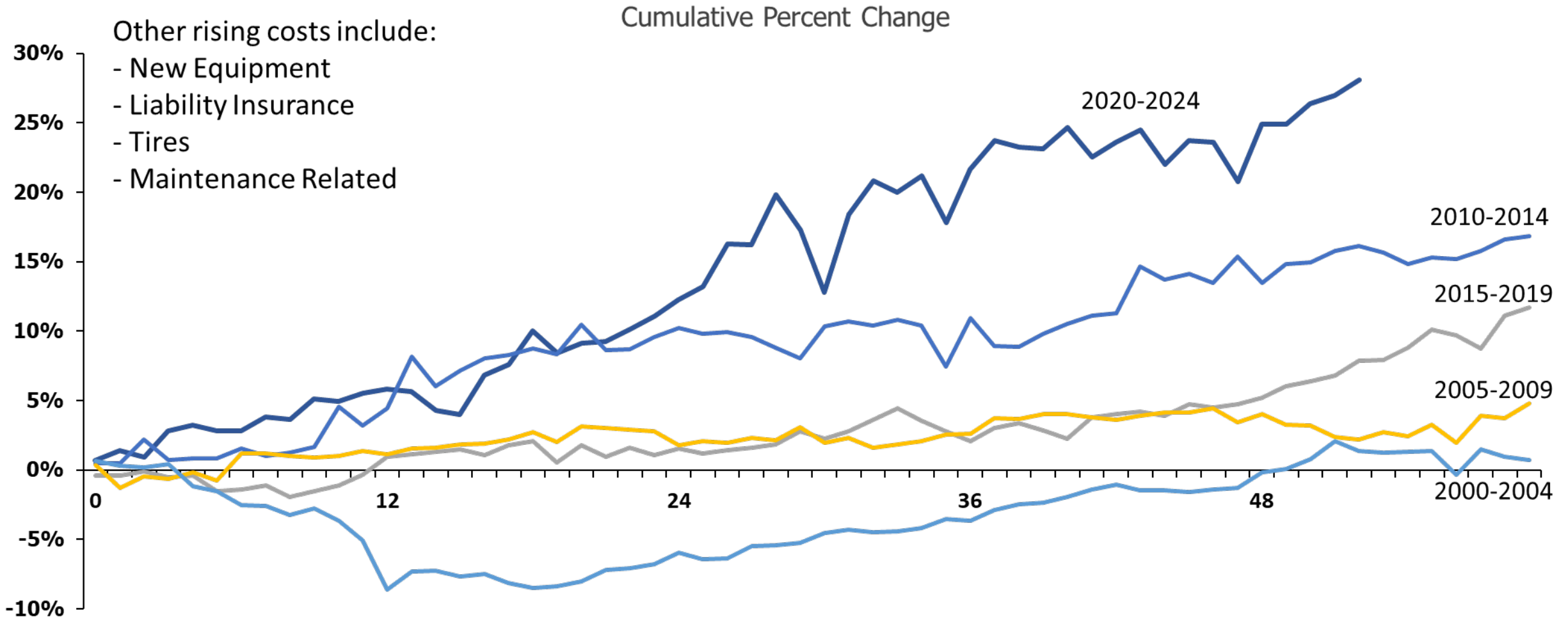




Trucking Supply Trends – Cost Pressures

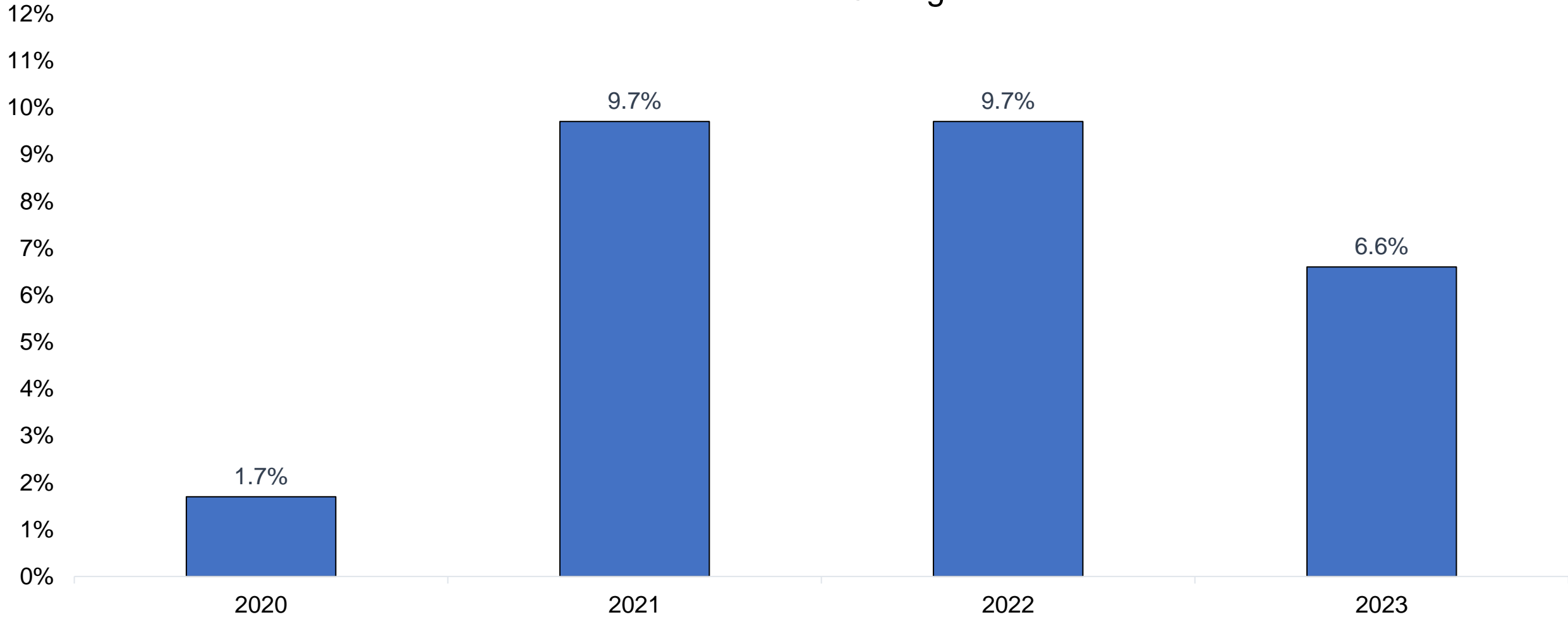
Average Hourly Earnings

Production & Non-Supervisory Workers in the General Freight, Long-Distance For-Hire Trucking Industry



Operational Cost of Trucking for TL, LTL, & Specialized

Annual Percent Change

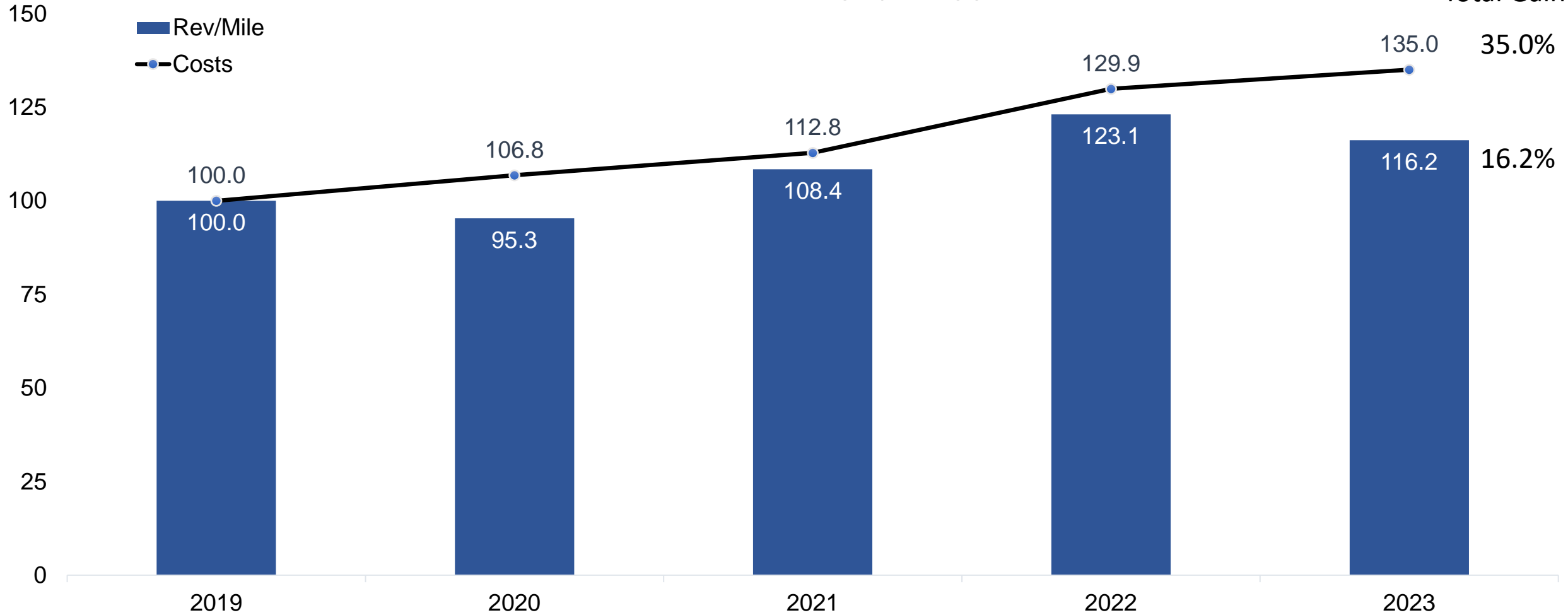


Includes: TL, Specialized, and LTL
Excludes Fuel Expenses



Truckload: Costs vs Contract Freight Rev/Mile

Annual Indexes: 2019 = 100

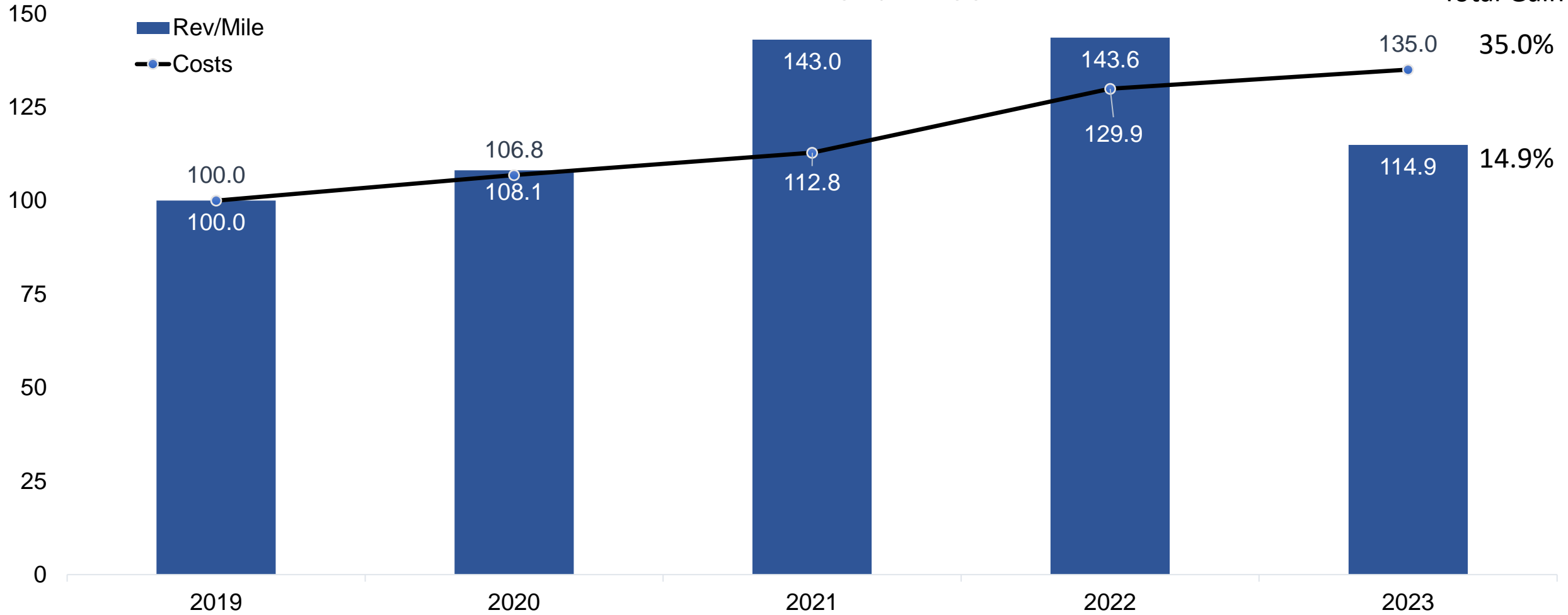


- Data excludes fuel expenses and fuel surcharge revenues.
- Revenue data contains very little traditional spot market revenue. Data is primarily contract freight revenue.



Truckload: Costs vs Spot Market Rates

Annual Indexes: 2019 = 100



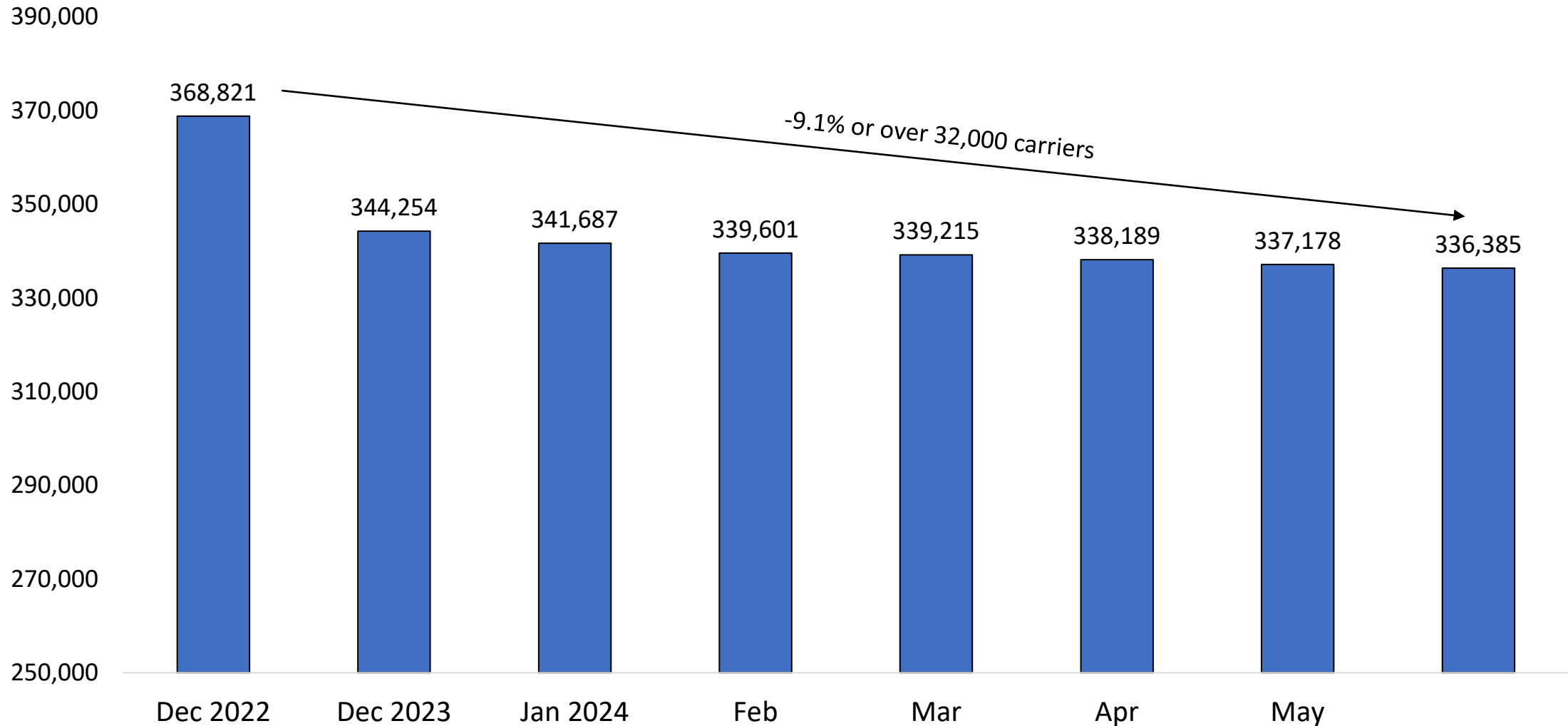
- Expense data excludes fuel expenses.





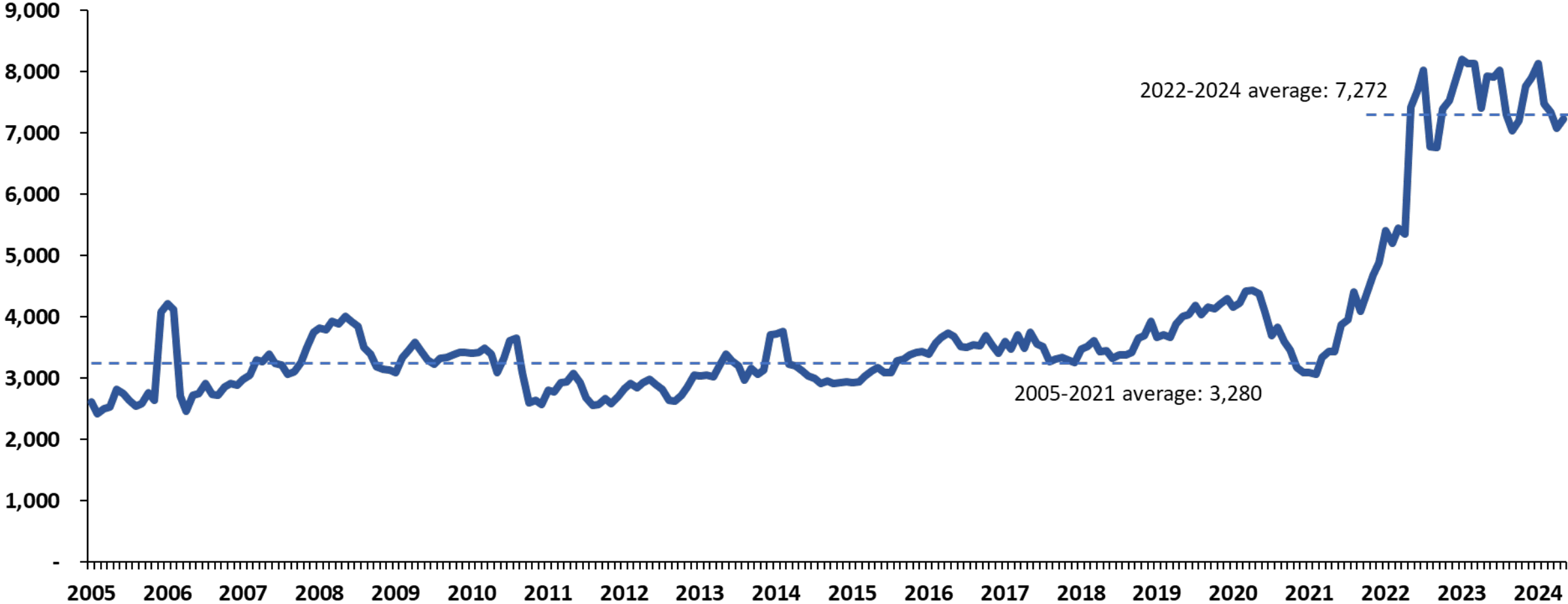
Trucking Supply Trends

Property Carriers with Interstate Operating Authority are Exiting the Market

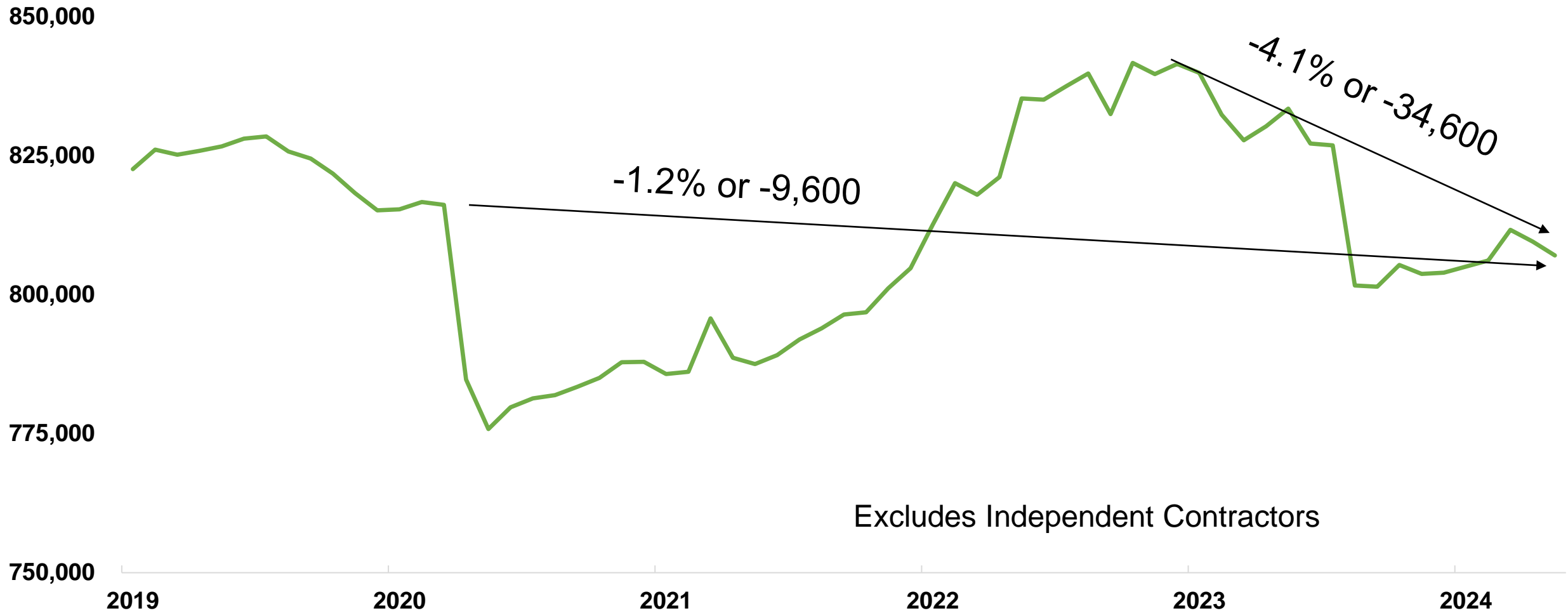


FMCSA Revocations Data

3-Month Moving Average



Production & Nonsupervisory Employees: General Freight & Specialized Long-Distance TL & LTL

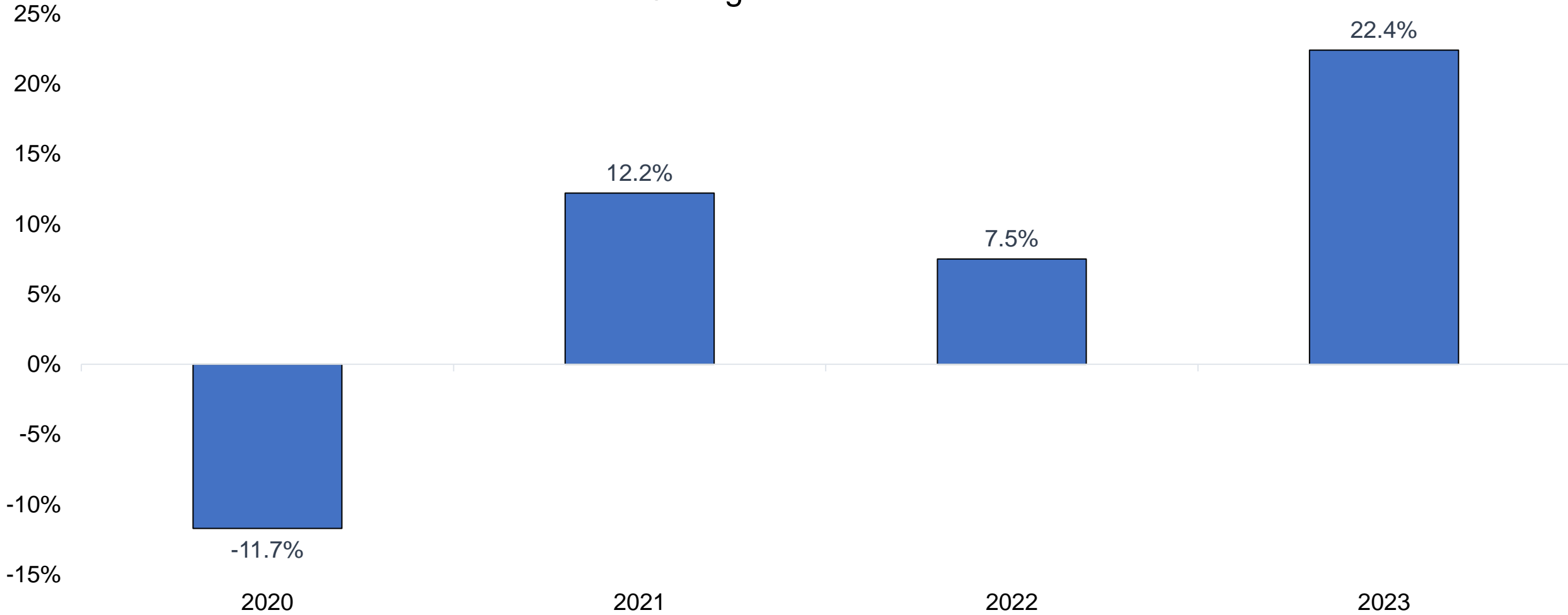




Mexican Market

Inbound Loaded Trucks at LPOE from Mexico

Percent Change from Previous Year



Things I'm Watching

Bright Outlook

- The only thing that the two U.S. presidential candidates agree on is trade policy and tariffs.
- Expect continued strong growth in Mexico as a result.

B-1 Drivers

- It has become clear that some U.S. based carriers are illegally using Mexican B-1 drivers. ATA is asking the federal government to crack down on this activity, not only on the drivers, but the fleets using them.

USMCA

- USMCA comes up for review in 2026. It should be a “technical” review, but politics is likely to get involved.

Questions?