

FLOCK

Q2 2024

Flock Freight Market Watch





We're back with another Flock Freight Market Watch!

In this Q2 issue of Market Watch, find the latest market insights from Flock experts, including trend analyses and actionable strategies to help you navigate the ever-changing freight industry.

Letter from the COO

With Q2 now behind us, it certainly looks like we may have finally reached the end of the longest Y/Y deflationary leg of a US TL freight market cycle on record at 9 quarters, yet the question still remains: will history continue to rhyme, or are things really different this time? As we look across our usual bag of market and economic indicators to inform our prediction, we find it mixed but mostly constructive.



Chris Pickett

COO, Flock Freight and
Lead Market Analyst,
Pickett Research LLC



Q3 could bring inflationary industrial production, despite down pressure of consumption numbers and flat Inventory to sales ratio in Q2.

Consumption data for both durable and nondurable goods remained strong for the last three quarters but we got signs of a pretty abrupt slowdown in Q1. Waning consumer appetite for goods could dampen already weak levels of industrial production, which has oscillated around 0% Y/Y growth since Q2 2023. We'll have to wait and see if the slightly inflationary print of +0.1% Y/Y for industrial production in Q2 2024 remains, despite the down pressure of consumption numbers and flat Inventory to Sales ratio.



Shippers will feel more pronounced effects of produce, holiday, and hurricane seasons if carrier capacity tightens.

Our primary TL market demand indicators, the Cass Shipment Index and the ATA TL Volume Index, both imply Y/Y bottoms in recent months and, based on past cycles, indicate support for an inflationary spot market over the back half of the year. If spot market rates do go on to make a recovery this year as projected, that means that relative capacity will tighten in a way the market hasn't experienced in 9 quarters. And without a supply buffer, the buy-side of the market will feel more pronounced effects of produce and holidays seasons as well as any disruptive storms coming from the current Atlantic Hurricane season. Shippers should watch closely and prepare for tight capacity if historically consistent cycle patterns repeat.



Shippers fighting to lock in low contract rates and carriers who want to re-bid those low rates should both consider that they are setting a precedent for future market swings.

The volatility, uncertainty, and hardship of the current freight market feels eerily similar to three and a half years ago in 2020, but this time around COVID is no longer in the driver's seat. Instead, it is increasingly challenging financial conditions for consumers and a prolonged freight recession. When the TL market rebalances, shippers fighting to lock in low contract rates and carriers who want to re-bid those low rates should both consider that they are setting a precedent for when the market flips out of their favor once again. While TL capacity remains relatively plentiful now, we project steady contraction going forward, culminating in a peak in spot TL linehaul rates that could be as high as +40-50% Y/Y by mid-2025. Both sides should keep a close eye on the market in Q3, and position themselves accordingly within their organization and externally with their partners.

Chris Pickett

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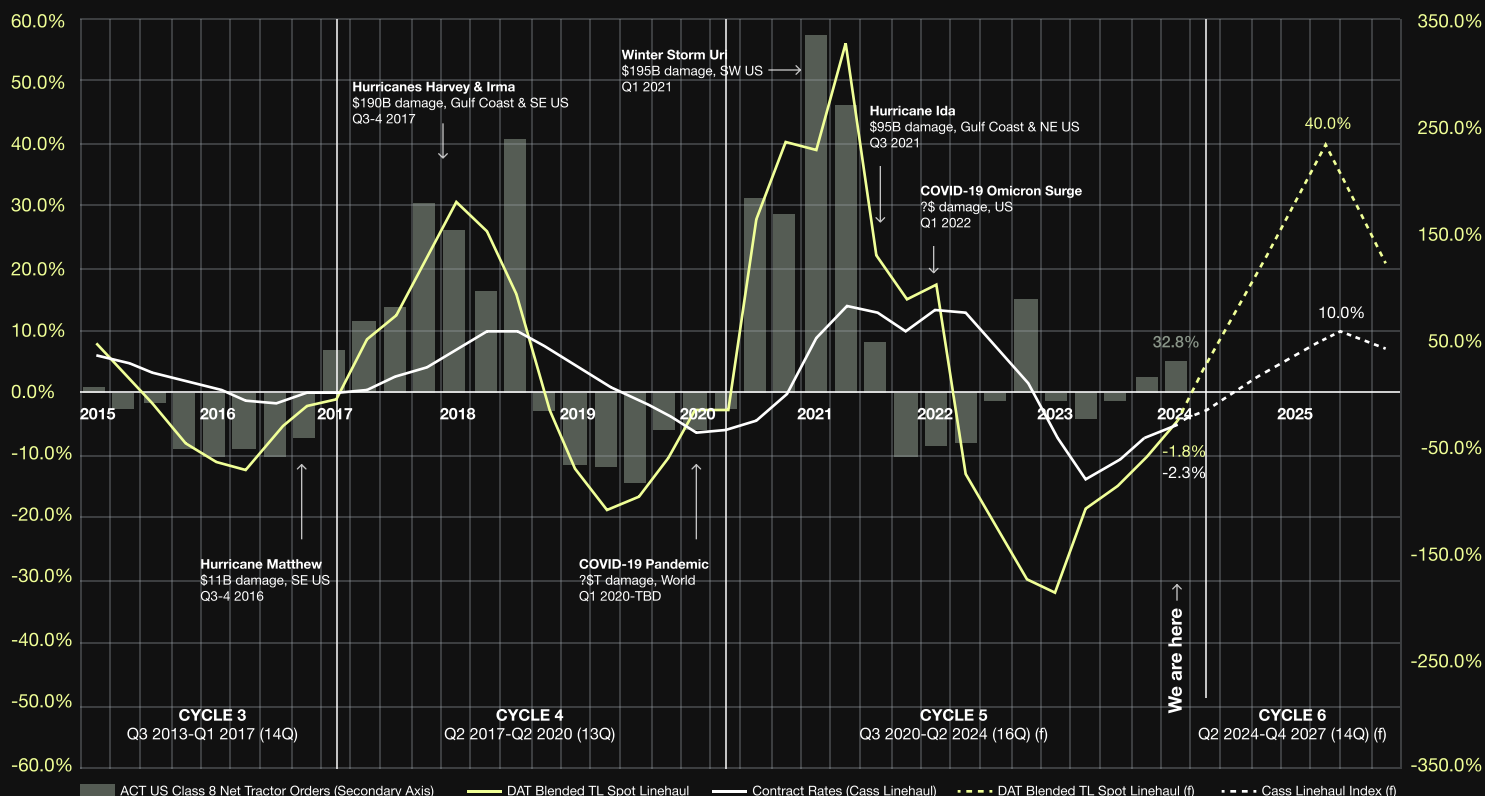


Current Market Conditions



Key Takeaways

- Contrary to our Q1 forecast, Q2 did not close inflationary Y/Y - falling just short at -1.8%.
- An increase in diesel prices from the first half of 2024 would help drive spot market rate increases over the balance of the year. A material decrease could further prolong spot market weakness.
- The Cass Shipment Index and ATA TL Volume Index both appear to have found their deflationary bottoms and are trending up. If this trajectory continues, that provides additional support for an inflationary TL spot market.
- Goods had led services in consumption since Q1 2023, but long-awaited economic cracks might be forming. In Q1 2024, durable and non durable goods consumption slowed while service demand moved slightly higher. If this trend continues, that typically doesn't bode well for truckload capacity demand which largely relies on consumer demand for finished goods to trigger the movement of raw materials.



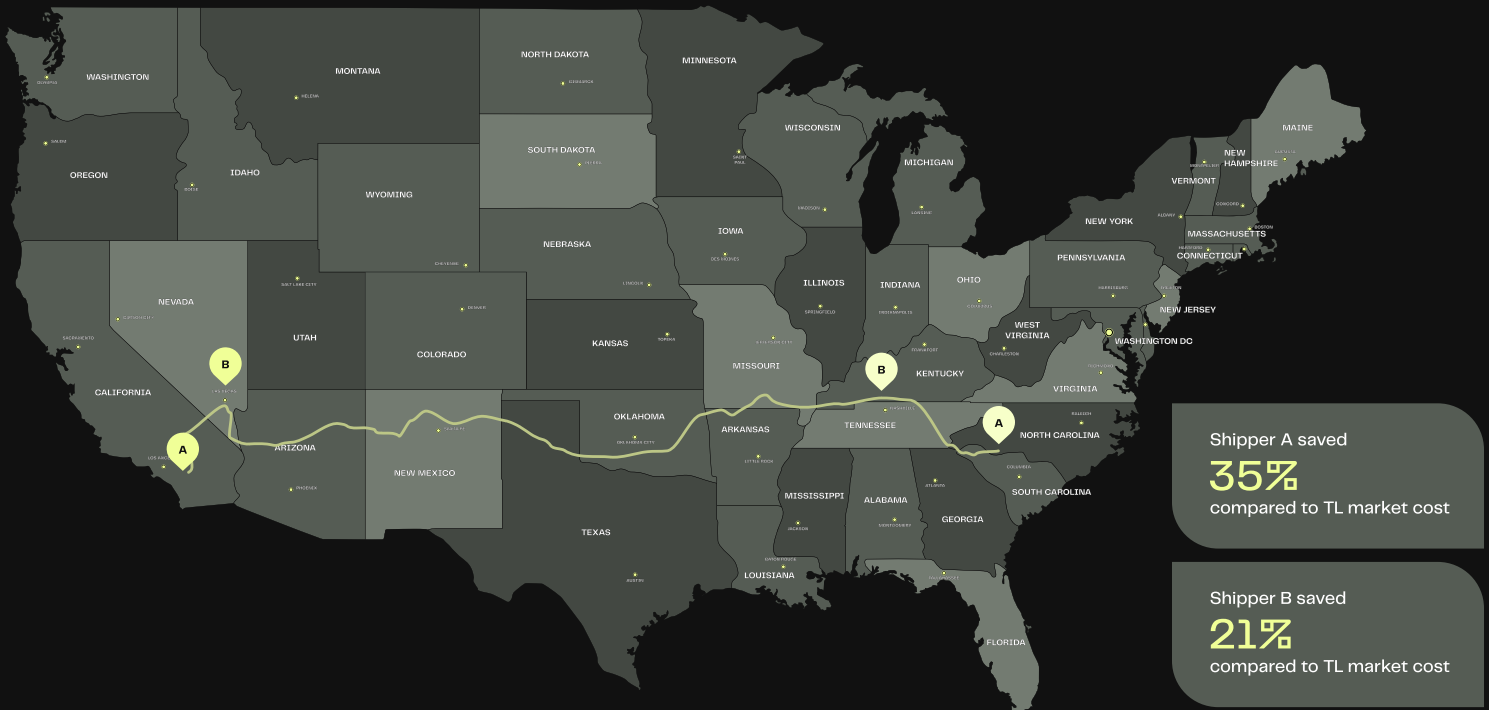
Market Forecast

- The end of the spot deflationary leg is now expected in Q3 2024 at +8-12%Y/Y, with contract closely following. This would mark the end of the longest deflationary period on record at nine quarters versus seven quarters from the previous two market cycles.
- Shippers could experience rate surges in the next quarter as the market flips and truckload costs per mile go up, emphasizing the need to efficiently utilize trailer space and consider alternate transportation modes.
- Asset-based carriers could expect relief as earnings per mile increase, but are advised to remain wary of investing in infrastructure, technology, and personnel based solely on short-term market conditions.

Shared Truckload Spotlight

Ever wonder what a FlockDirect® Shared Truckload looks like in practice or their real-world impact? Join us on a virtual road trip to see how our recent FlockDirect® shipments are redefining resilient shipping by absorbing the shocks in any market condition.

FlockDirect® Pool: 2 Pick, 2 Drop



Route mileage: 2,483



Commodities: Cosmetics, appliances



Trailer utilization by palletized linear feet: 100%

- Shipper A: 24 feet and 10,565 lbs
- Shipper B: 29 feet and 9,121 lbs



Emissions avoided (MT of CO₂e): 3.92 MT



Carrier earnings: 26% more than TL market cost