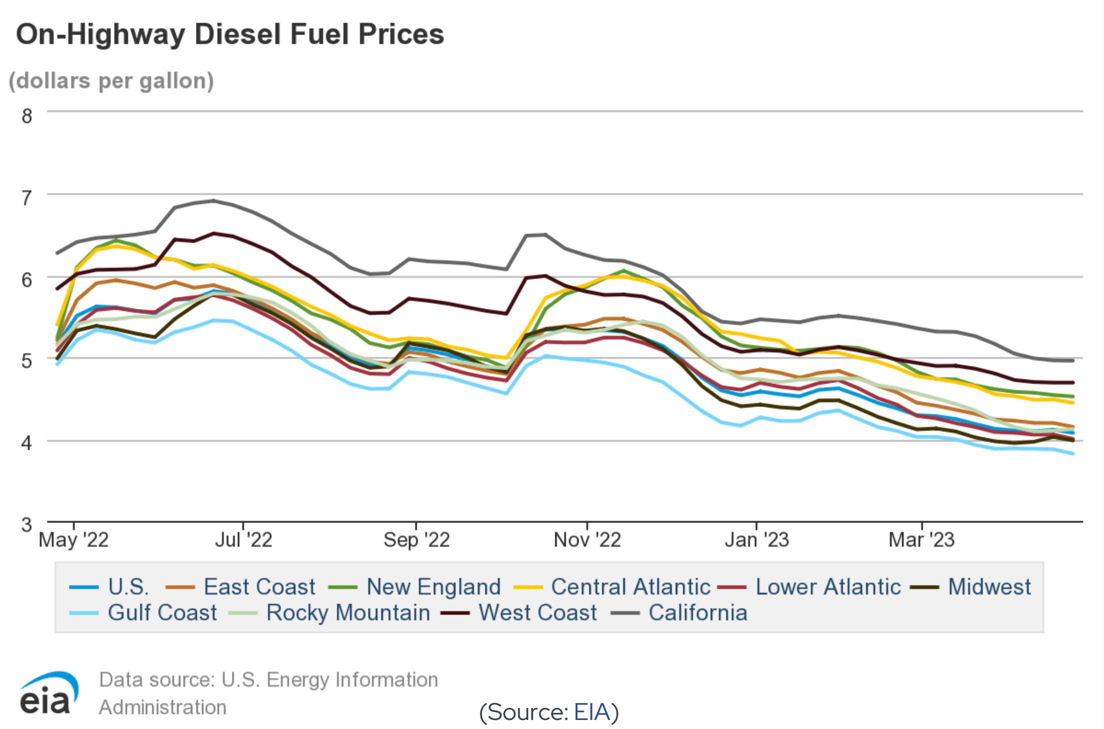
IL2000

TL & LTL MONTHLY MARKET UPDATE

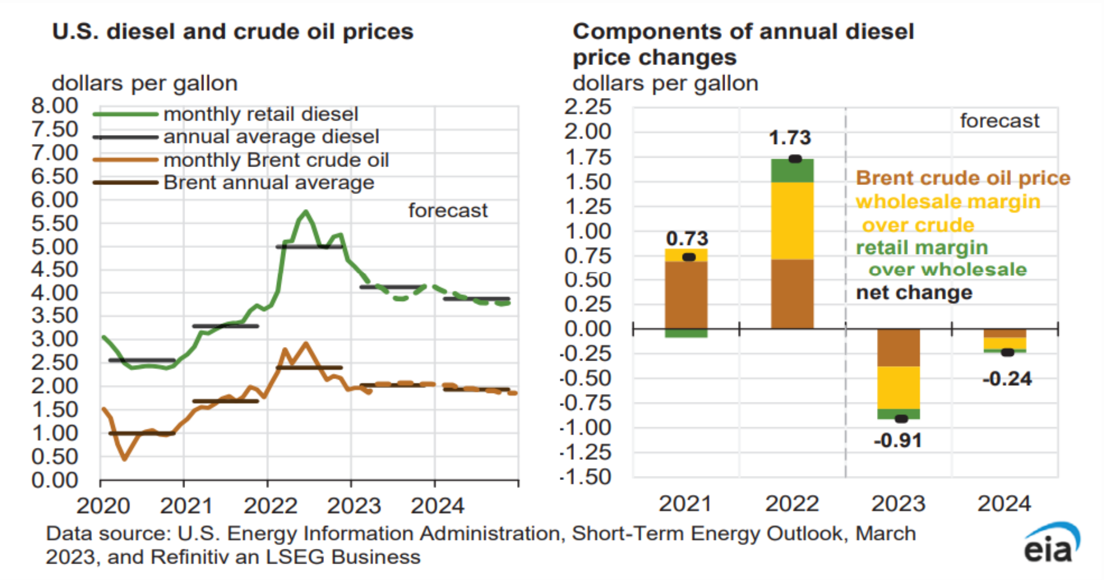
MAY 2023

Diesel prices continue steady decline hitting 12-month low

National average diesel prices continued to decline in April compared to March, finishing the last full week of the month at $4.077/gal compared to $4.128 /gal at the end of the prior month. This was down $0.039 from the previous week and down $1.083 relative to the preceding year. The agency updated its outlook predicting a gradual price decline through 2023 and into 2024. (Source: EIA)



(Source: EIA)



(Source: EIA)

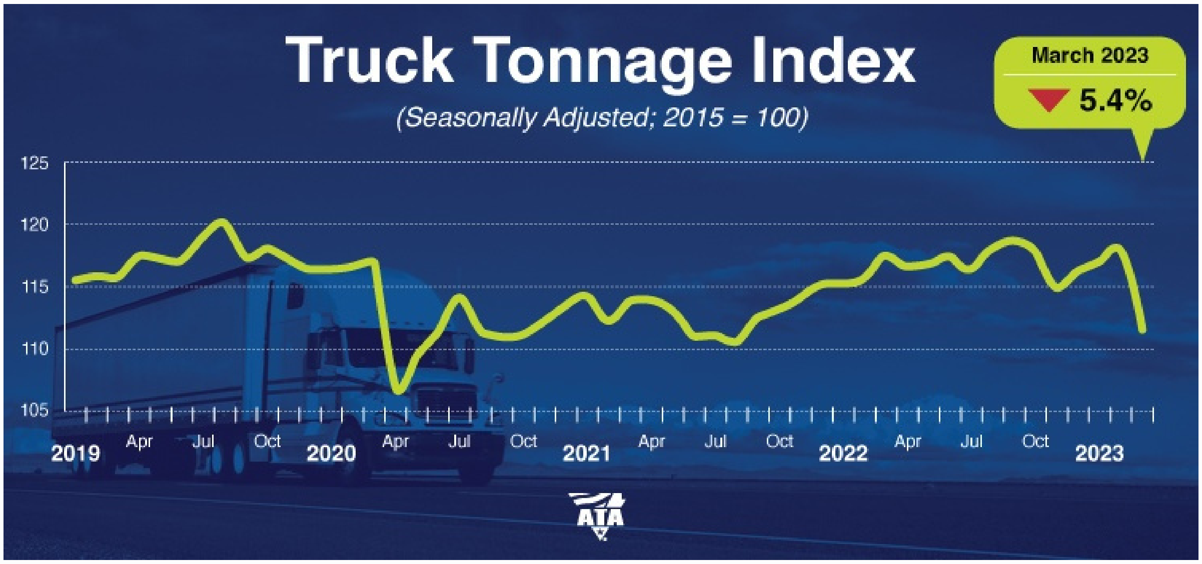
DAT spot rates continue to drop

Spot rates continued to decline to historic lows. While flatbed rates only dropped marginally, van and reefer rates continue to fall as we approach summer.

(Source: DAT)

Truck tonnage index drops sharply

After a steadily increasing truck tonnage over the past two years, the index has seen its most significant drop since April 2020, when the pandemic began. Overall, tonnage fell 5.4%, which signals a decline in contract tonnage, which dominates this index. This signals that the ever-softening spot market is now being mirrored by the contract market, which can be an indicator of a true freight recession.



(Source: ATA)

US economy continues to grow, but more slowly

The Fed's attempts to slow the economy and cool off inflation are working. Demand for big-ticket items that may require financing has slowed significantly. However, consumer spending is still stronger than expected, keeping the economy from a full recession. The American consumer is still spending but at a scaled-back rate. (Source: New York Times)

News from around the industry

Senate advances truck emissions rule rollback

Overall, the industry applauds the truck emissions rule rollback as the initial targets were deemed too strict with too aggressive of a timeline. Emissions restrictions would have forced carriers and owner-operators alike to purchase new, more efficient vehicles before their current equipment could be fully depreciated. Those costs would eventually be passed onto the end consumers exacerbating the current inflation struggles felt across the country. (Source: Transport Topics)

Old Dominion's Q1 miss sends LTL stocks lower

Old Dominion usually leads the way for LTL carrier earnings results, and they were well below guidance, sending other LTL stocks lower. Overall, revenues were down, and their OR was up slightly, but the indicators that sent stocks tumbling were the drastic declines in tonnage and shipments per day. Declining freight volumes will hit every major carrier, and it is expected that all other carriers will have similar drops in tonnage and volume. (Source: FreightWaves)

Intermodal volumes finish Q1 with more volume declines

Intermodal volumes have dropped in step with domestic truckload and LTL signaling an industry-wide freight volume decline. Total intermodal volume is down 13.1%. Some of that drop can be contributed to labor negotiations, but the true volume drop is likely in line with all other domestic modes and international volume. (Source: Logistics Management)

Market outlook

As publicly traded carriers in all modes begin to unveil their Q1 results and future guidance, a more accurate picture of the current freight market is coming to light. Old Dominion, UPS (T-Force), CH Robinson, Knight-Swift, Covenant, Schneider, and others have all indicated Q1 results falling short of expectations and lowered future guidance. Freight volumes are declining drastically to "freight recession" levels. What remains to be seen is how carriers react. Will they prioritize yield and risk losing market share or lower rates to maintain volume and gain market share? The answer will vary depending on each carrier, but the carriers will have to react quickly to an ever-changing market.

As always, you can contact your IL2000 Client Services team if you have any questions.

Sources: EIA, DAT, ATA, New York Times, Transport Topics, FreightWaves, Logistics Management