FTR | State of Freight INSIGHTS

Weekly Transportation Update

Market Updates for Transportation Professionals

March 28, 2024

HEADLINE

Durable goods orders edge higher in February.

- Sales of new homes change little in February as sales prices continue to fall.
- GDP in Q4 was slightly stronger than previously estimated.
- Total trucking spot rates rise slightly in the latest week.
- White House clears final rule on train crew staffing.

Overview

The week so far has produced little in the way of economic data, and the data that has been released indicated little change in February in the areas of manufacturing orders and sales of new homes. Even some metrics more directly related to transportation, such as diesel prices and spot rates in trucking, indicated little change in the latest week.

Next week, we will address some indicators that will be released March 29, including consumer spending and retail inventories.

Durable goods orders

Total new orders for durable manufactured goods increased 1.4%, seasonally adjusted, in February, but a 25% increase in civilian aircraft orders distorted the figures to the upside. Excluding transportation equipment, new orders were up 0.5%. Total new orders were up 2.6% y/y while orders excluding transportation equipment were up 1.3%.

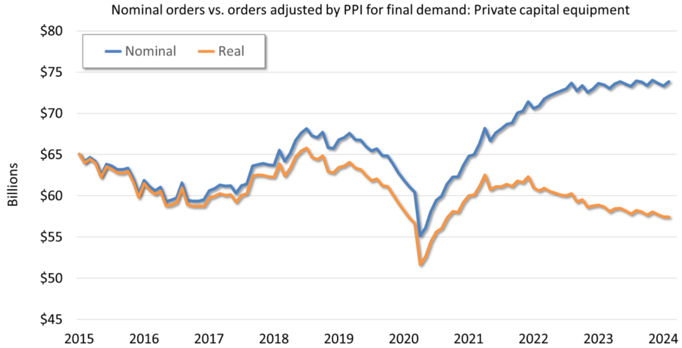
As is often the case, new orders for computers and related products outpaced other manufacturing sectors, rising 3.1%. Growth was just slightly below the 3.3% increase in transportation equipment orders despite the skewed results not only from civilian aircraft but also defense aircraft, which posted a 9.8% increase in new orders. New orders for motor vehicles and parts – the largest portion of transportation equipment orders – were up 1.8%.

New orders for core capital goods – nondefense capital goods excluding aircraft – increased 0.7% m/m and were up 0.5% y/y.

The Census Bureau's data does not consider pricing. As adjusted by the Producer Price Index for private capital equipment, new orders for durable manufactured goods were unchanged m/m. Real new orders for core capital goods were flat y/y.

Inflation greatly skews the data over a longer period. Nominal new orders for core capital goods were nearly 21% higher in February than in February 2020. Real new orders were up just 0.2% compared to that pre-pandemic month.

New orders for core capital goods



Source: Census Bureau, FTR

Sales of new homes

Sales of new single-family homes dipped 0.3%, seasonally adjusted, in February, although the slight

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Key Takeaways

- New orders for core capital goods are stable.
- Sales of new homes dip in February.
- New-home sales prices lowest since June 2021.
- Mortgage rates ease a bit in the latest week.
- GDP growth in Q4 was 3.4% annualized.
- Diesel prices barely move on a national basis.
- Truck spot rates edge slightly higher.
- Ship destroys bridge, snarls the Port of Baltimore.
- Rail carload volume eases in the latest week.
- White House clears train crew staffing rule.

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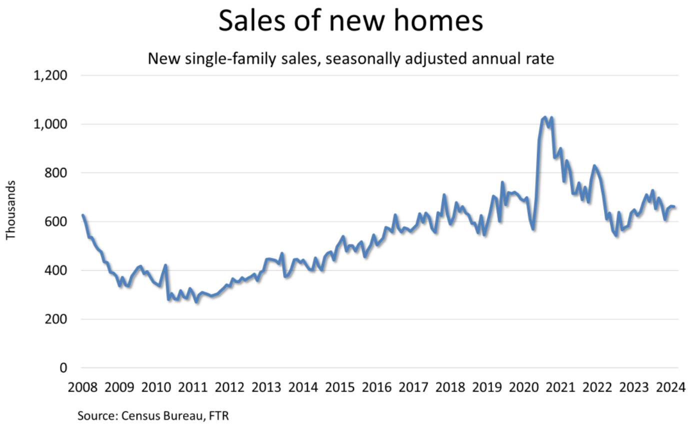

decrease followed a small upward revision to prior months' data. The upshot is that sales were slightly higher than what the Census Bureau said they were a month ago. Sales were up 5.9% y/y.

While sales of existing homes have been constrained by supply – at least until very recently – the inventory of new single-family homes at current sales rates has been relatively high, coming in at 8.4 months in February. As noted last week, construction of new single-family homes is rising after a period when starts of housing units in multi-family dwellings were growing and starts of single-family homes were falling.

Contrary to the trend with existing single-family homes, sales prices for new single-family homes are falling steadily. The median sales price of a new home sold in February was just over $400,000, which is down 3.5% from February and more than 19% from the all-time high in October 2022.

The median price, which was the lowest since June 2021, is still nearly 21% higher than it was in February 2020. However, the median price of an existing home is 42% higher than it was in that month. On the other hand, the median price of an existing home solid in February was more than $10,000 less than the median price of a new home.

Mortgage rates

Mortgage rates declined for the third time in four weeks. The average rate on a 30-year fixed-rate mortgage eased by 0.8-point to 6.79%, according to Freddie Mac. Mortgage rates are at their lowest level since mid-February. Freddie Mac noted that data on existing home sales reflects improving inventory.

Updated GDP estimate

The Bureau of Economic Analysis' third estimate of real Gross Domestic Product in 2023Q4 showed a slightly stronger economy than previously indicated.

Real GDP rose 3.4%, seasonally adjusted, on an annualized basis. The prior estimate had been 3.2%. The update principally reflects upward revisions to consumer spending and nonresidential fixed investment that were partially offset by a downward revision to private inventory investment.

Diesel and petroleum prices

The national average retail price of on-highway diesel increased six-tenths of a cent to $4.034 a gallon during the week ended March 25. The small change is a bit deceiving, however, because in many regions the increase was notably larger.

Prices were down only in three regions – the Central Atlantic, Lower Atlantic, and the Gulf Coast – and the two Atlantic Coast regions saw declines of just a fraction of a cent. Essentially, a 2.8-cent a gallon decrease in the Gulf Coast mostly offset increases of 2 to 3 cents in most other parts of the country.

Crude prices appear to have reset their baseline at a slightly higher price. West Texas Intermediate crude has closed above $80 a barrel in each of the last 10 trading sessions. Before March 14, WTI had not closed above $80 since early November.

Trucking

The total broker-posted spot market rate in the Truckstop system edged higher during the week ended March 22 (week 12). Total rates have risen

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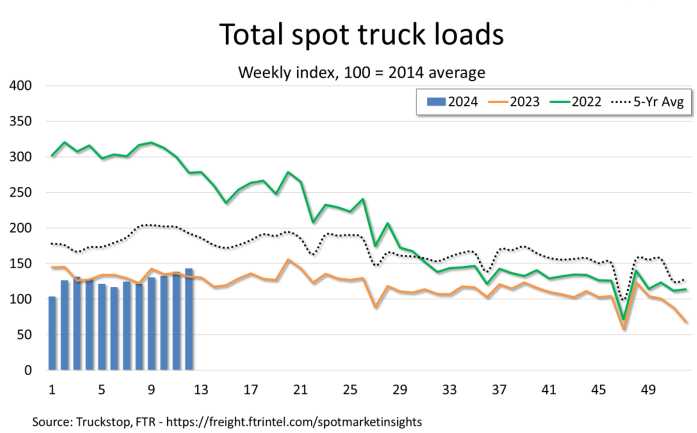

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for three straight weeks – the first streak of that length this year – although the cumulative increase over that period is less than 3 cents. The total rate increase in the latest week was less than 1 cent. Dry van spot rates rose while refrigerated and flatbed rates declined.

Total load postings rose in the latest week, but a sharp increase in flatbed volume offset lower volume for van equipment. Flatbed loads were more than 15% higher than in the same 2023 week for the strongest y/y comparison since February 2022. Due in large part to flatbed's strength, total load volume was up 9% versus the same 2023 week – also the strongest comparison since February 2022.

For more on week 12 spot metrics for truck freight, visit https://freight.ftrintel.com/spotmarketinsights.

Rail/Intermodal

The major news this week concerning intermodal freight was the destruction of the Francis Scott Key Bridge in Baltimore due to a collision by a container ship. The crash has disrupted both Port of Baltimore shipping operations and highway traffic patterns in the area. It is unclear how long debris will curtail port operations, but the bridge collapse clearly will disrupt highway traffic flows for a much longer period.

The Port of Baltimore is a small player in container traffic, but it is a far more important conduit for trade in heavy equipment and passenger vehicles.

Rail volume

North American rail traffic declined in the latest week as most carload commodity groups saw lower volume week over week. The largest commodity to see any growth was grain, which was up 2%.

Intermodal traffic ticked up 0.6%. On a y/y basis, carload volume was down 5.5% while intermodal traffic was up 9.4%.

Through week 12 of the year, total rail traffic is up 1.8% y/y, although carload volume is down 3.9% while intermodal traffic is up 8%. Only three carload commodity groups are positive y/y – petroleum/ petroleum products, chemicals, and motor vehicles and parts. The principal drag on carload volume continues to be coal, which was down nearly 21% y/y in the latest week and is down more than 13% y/y on a cumulative basis.

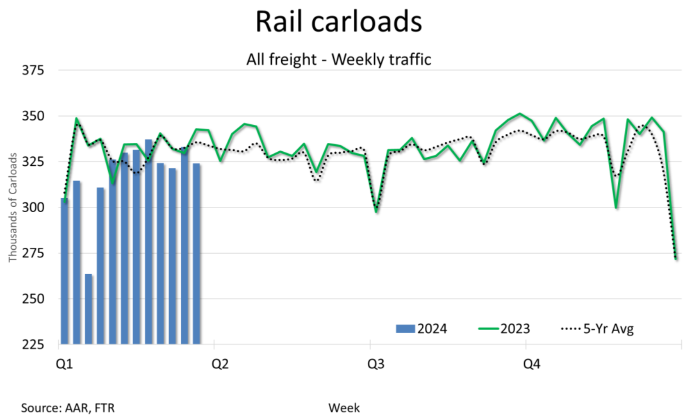
Train crew staffing rule

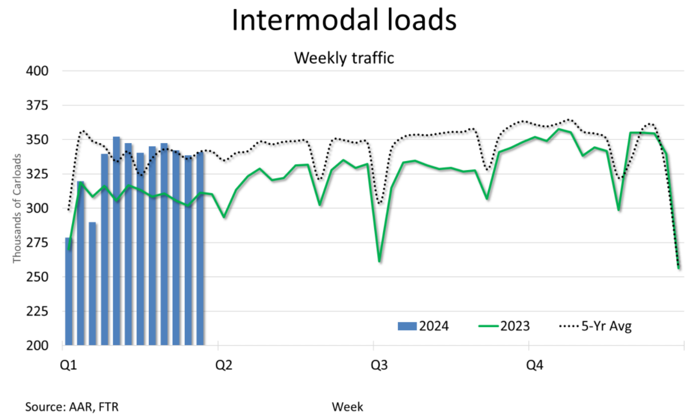
The White House Office of Management and Budget on March 22 cleared a final rule concerning minimum railroad crew size requirements. Details will be available when the Federal Railroad Administration announces the final rule, which could occur in a matter of days.

As proposed in July 2022, FRA would require a minimum of two crewmembers for all railroad operations with exceptions proposed for operations that do not pose significant safety risks.

FRA also proposed requirements for the location of crewmembers on a moving train. FRA further proposed a special approval procedure to allow railroads to petition FRA to continue legacy operations with one-person train crews and to allow any railroad to petition FRA for approval to initiate a new train operation with fewer than two crewmembers.

For more information on the FRA proposal, visit https://www.regulations.gov/docket/FRA-2021-0032.





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Written and Published by:

FTR
1720 N. Kinser Pike
Bloomington, IN 47404
Phone: (888) 988-1699
Fax: (877) 222-9060
International: (812) 988-1699
Email: ftr@ftrintel.com
Website: www.FTRintel.com