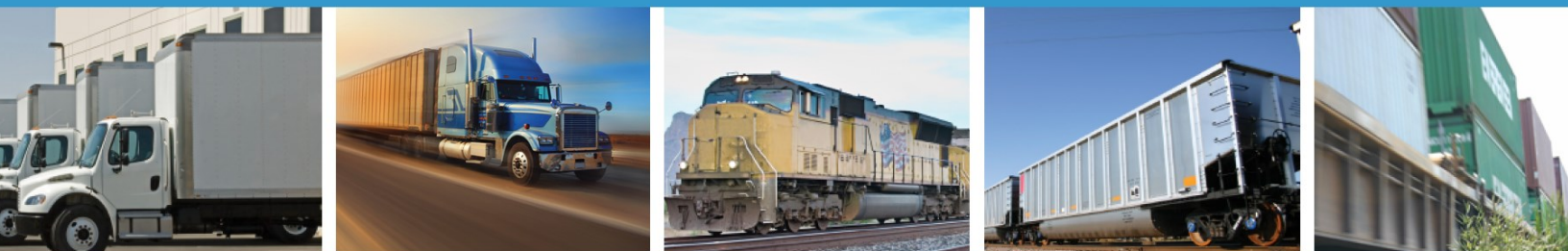


## Equipment Focus

Truck & Trailer Outlook  
Rail Equipment Outlook

## Freight Focus

Shippers Update  
**Trucking Update**  
Rail Update  
Intermodal



# Trucking Update

*October 2021*



# Trucking October 2021

**COMMENTARY (pg 16):**

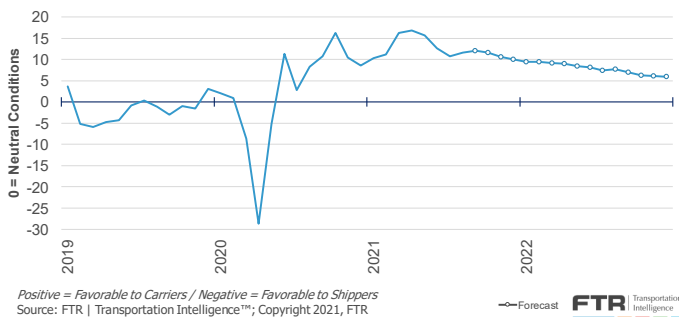
**Another shot in the arm for small carriers?**

*A vaccine mandate could add fuel to the ongoing market shift.*

## Continued strength in freight rates keep market conditions very robust for carriers.

### FTR Trucking Conditions Index

TCI is a broad measure of carrier conditions – volumes, rates, costs, etc.

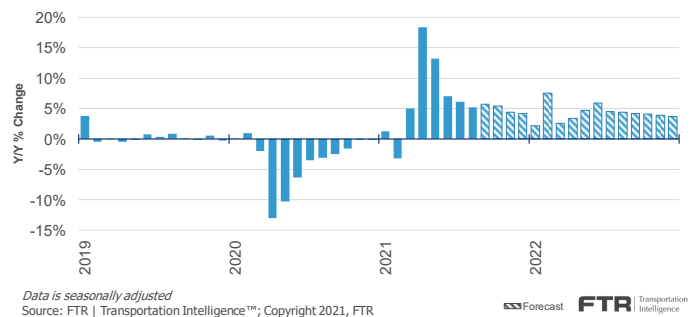


Although freight volume and capacity utilization were not as favorable in August as they were in July, more robust freight rates resulted in stronger overall market conditions.

The TCI increased to 11.63 from 10.78 in July. The outlook remains for double-digit readings through yearend.

See page 3 for more on trucking conditions...

### Truck Loadings Outlook

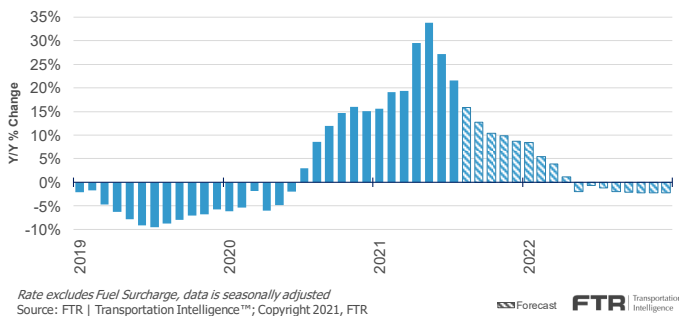


The 2021 outlook for truck loadings is slightly weaker at an increase of 5.8%, but the 2022 forecast is nearly a full point stronger at a gain of 4.2%.

For 2021, a stronger forecast for refrigerated and flatbed were offset by weaker growth in dry van and bulk/dump.

See page 2 for more on the loadings outlook...

### Truck Rates Outlook



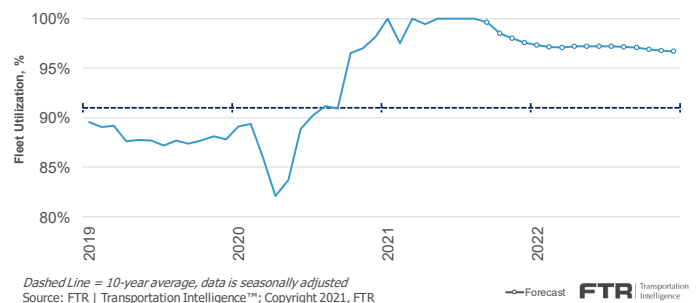
Total truckload rates are still trending at about 18% higher for all of 2021. The forecast for 2022 is marginally stronger at just above flat.

The 2021 LTL rate outlook is stronger at a gain of 16.6%. The 2022 forecast remains down about 2%.

See page 3 for more on freight rates...

### Active Truck Utilization Outlook

Share of seated trucks actively engaged in freight hauling



The forecast for active truck utilization is marginally weaker for the rest of 2021 but slightly stronger in the second half of 2022 than in the previous outlook.

Active utilization is seen above 97% through late 2022, but the risks are mostly toward weaker utilization.

See page 4 for more on capacity and utilization...



### Freight Indicators

- Economic indicators were mostly solid in August.
- Spot volume remains steady at high levels.

While August did not see robust growth in economic indicators, key consumer and industrial metrics did move higher despite some notable headwinds. Retail and food service sales increased 0.7% despite a sharp decline in auto sales. Industrial production and manufacturing output also edged a bit higher despite a hit from Hurricane Ida late in the month.

One surprise to the downside was weaker-than-expected payroll job growth as recovery in leisure and hospitality came to a halt. However, job openings at the end of July rose to a fifth straight record, so the issue in August might have been tight supply of labor rather than weak demand.

Spot market volume is holding steady at strong levels. Flat volumes outpace seasonal expectations, although seasonality remains essentially irrelevant as it has been throughout the pandemic.

### Freight Outlook

- A substantial reduction in automotive loadings and a small decline in bulk aggregates offset small increases in the forecast for other commodities.
- The 2021 outlooks for dry van and bulk/dump are slightly weaker. Flatbed and refrigerated are slightly stronger, and other segments are unchanged.
- The 2022 outlook is nearly a full point stronger at a gain of 4.2%, and all segments are improved.

**FTR's total truck loadings** forecast at 5.8% higher y/y in 2021, marginally weaker than the 6.0% gain previously.

**Dry van loadings** are forecast at a 6.4% increase, down from 6.9% in the prior outlook. A weaker growth outlook for automotive is the principal factor.

**Refrigerated loadings** are forecast at a gain of 4.0%, up from 3.6% previously.

**Flatbed loadings** are forecast at a 5.3% increase, up from 4.5% previously. All major commodity groups are improved from the prior outlook.

**Specialized loadings** are forecast at 6.8% growth, unchanged from the previous outlook. Stronger agricultural loadings offset weaker growth in automotive.

**Tank loadings** are forecast at a 3.9% increase, unchanged from the prior forecast.

**Bulk/dump loadings** are forecast at a gain of 6.1%, down from 6.8% previously. The principal factor is weaker growth for building materials, which account for about 70% of the segment's volume.

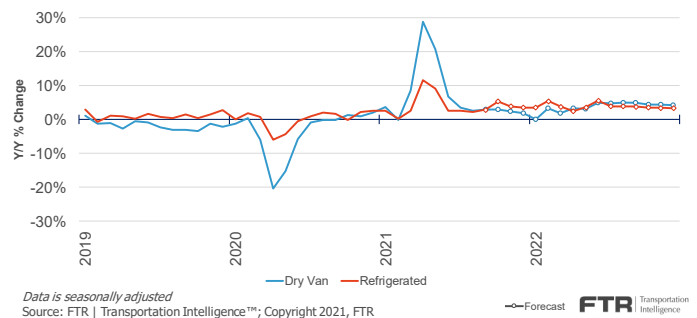
See pages 5-9 for more detailed analysis by segment...

### Truck Loadings Summary

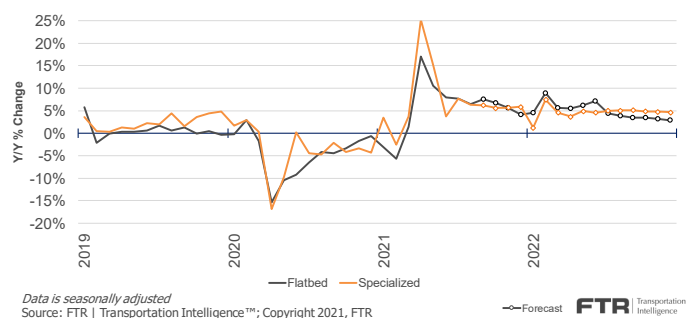
Segment	Annual Growth Rate				
	2019	2020	Forecast		
			2021	2022	2023
Dry Van	-1.7%	-3.8%	6.4%	3.7%	3.4%
Refrigerated	1.1%	0.0%	4.0%	3.8%	3.1%
Flatbed	0.7%	-4.6%	5.3%	4.9%	1.8%
Specialized	2.5%	-3.7%	6.8%	4.7%	3.4%
Tank	0.1%	-4.1%	3.9%	4.6%	1.8%
Bulk/Dump	1.9%	-2.9%	6.1%	4.4%	2.5%
<b>Total</b>	<b>0.4%</b>	<b>-3.4%</b>	<b>5.8%</b>	<b>4.2%</b>	<b>2.8%</b>

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

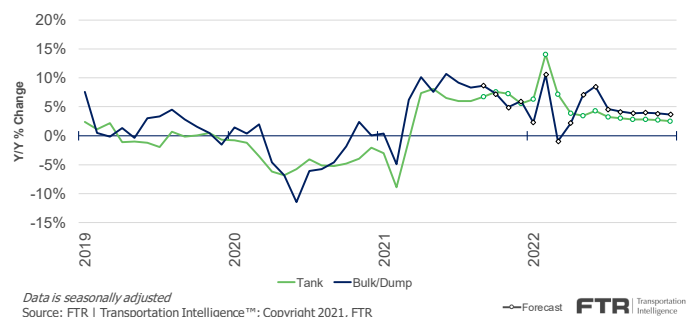
### Freight Outlook: Dry & Refrigerated



### Freight Outlook: Flatbed & Specialized



### Freight Outlook: Tank vs Bulk/Dump





### Carrier Conditions

- Still no sign of softening in truckload rates.
- Market conditions remain highly favorable for carriers.
- Diesel prices are the highest in nearly seven years.

The near-term **truckload rate outlook** is unusually stable at about 18% higher y/y in 2021, excluding fuel surcharges. Spot rates have strengthened marginally to nearly 28% higher y/y while the comparison in contract is stable at about 13% higher. Refrigerated rates are nearly a percentage point stronger than in the prior outlook, but the forecast for flatbed rates is slightly weaker.

FTR's rate forecast for 2022 is now higher than 2021 for the first time, although only by 0.3%. The prior forecast was just barely below flat. The marginal improvement results from a slight reduction in the expected decrease in spot rates and a slight increase in the expected gain in contract rates.

The outlook for LTL rates in 2021 is stronger at +16.6%, which is more than a point stronger than the prior forecast. The forecasted decline in 2022 is slightly larger at 1.8%.

After moderating slightly from April's record level, the **Trucking Conditions Index** ticked up to 11.63 in August from 10.78 in July. The base of 0 represents neutral market conditions.

Freight volume and capacity utilization contributed positively to the index but not to the degree they did in July. The improvement relative to July came from a notable strengthening in the freight rate environment.

The near-term outlook is stable with double-digit TCI readings through at least the rest of this year, and high single-digit readings through most of 2022. The forecast risk is mostly to the downside and would result from driver capacity rising faster than our conservative expectations.

**Diesel prices** are moving higher. During the week ended September 27, the national average price of diesel rose about 2 cents to \$3.406 a gallon – the highest price since December 2014. Prices are up more than 8 cents in the past five weeks. Crude has been trading consistently above \$70 a barrel since mid-September.

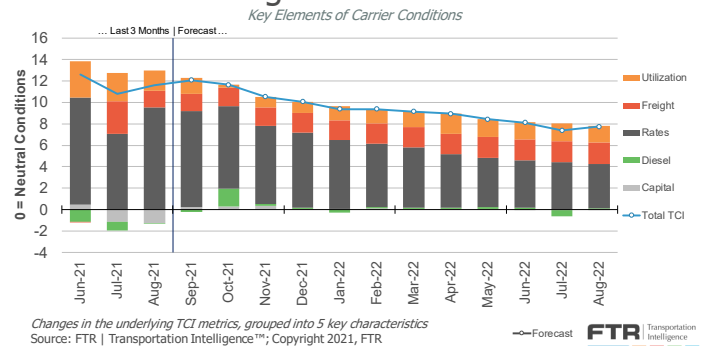
### Total Truckload Rates Overview

Y/Y % Change	Jul-21	Aug-21	Sep-21	2021	2022
		F	F	F	F
<b>Total Truck (Spot + Contract)</b>	<b>21.6%</b>	<b>15.8%</b>	<b>12.8%</b>	<b>18.1%</b>	<b>0.3%</b>
<b>Spot Truck Rates</b>	<b>30.8%</b>	<b>19.9%</b>	<b>12.8%</b>	<b>27.7%</b>	<b>-5.6%</b>
<b>Contract Truck Rates</b>	<b>16.4%</b>	<b>13.7%</b>	<b>12.4%</b>	<b>12.8%</b>	<b>3.9%</b>
<b>Dry Van</b>	<b>19.9%</b>	<b>13.4%</b>	<b>10.6%</b>	<b>18.1%</b>	<b>-0.6%</b>
<b>Refrigerated</b>	<b>22.7%</b>	<b>18.4%</b>	<b>15.7%</b>	<b>18.9%</b>	<b>-1.0%</b>
<b>Flatbed</b>	<b>24.3%</b>	<b>18.7%</b>	<b>15.1%</b>	<b>19.2%</b>	<b>1.9%</b>
<b>Specialized</b>	<b>21.4%</b>	<b>16.2%</b>	<b>13.0%</b>	<b>17.3%</b>	<b>0.8%</b>
<b>LTL Rates</b>	<b>23.3%</b>	<b>20.4%</b>	<b>18.9%</b>	<b>16.6%</b>	<b>-1.8%</b>

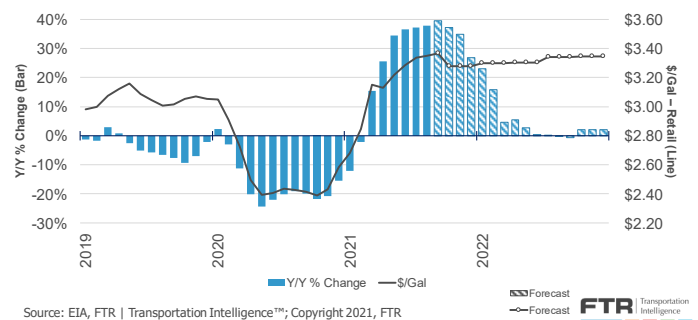
F = Forecast // Rates exclude Fuel Surcharges, data is seasonally adjusted

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

### Trucking Conditions Index



### Diesel Price Outlook



### Publicly Traded Truckload Carriers

Revenue, income, costs, and rates

	Freight Revenue	Fuel Surcharge Revenue	Net Income	Total Costs	Wages	Fuel	Rent/O-Os	Other	Revenue per Loaded Mile (\$/Mi.)
<b>Q1'21</b>									
<b>\$ (Millions)</b>	<b>\$2,360</b>	<b>\$231</b>	<b>\$221</b>	<b>\$2,312</b>	<b>\$801</b>	<b>\$256</b>	<b>\$654</b>	<b>\$602</b>	<b>\$2.469</b>
<b>Q/Q%</b>	-2.9%	25.9%	2.0%	-0.1%	-1.4%	18.2%	-1.1%	-3.8%	1.7%
<b>Y/Y%</b>	9.3%	-6.6%	129.9%	2.9%	2.0%	-1.5%	17.4%	-6.7%	14.6%

Source: Company reports, FTR | Transportation Intelligence™; Copyright 2021, FTR // NOTE: Revenue per Mile excludes Fuel Surcharge



### Market Capacity & Utilization

- Active utilization looks a bit stronger in 2H2022.
- Spot market imbalance is mostly stable at high levels.

A marginally weaker freight outlook for the rest of the year also means a marginally weaker forecast for **active truck utilization**, but it is not significant. Somewhat more significant is a slightly stronger outlook for utilization than previously forecast for the second half of 2022.

FTR expects active utilization to remain above 97% through late 2022, but the forecast risks are mostly to the downside. We have remained conservative regarding gains in the supply of drivers and in productivity of drivers and trucks. Robust spot metrics and the ongoing surge in the number of new carriers getting authority suggest no near-term easing regarding productivity. However, driver supply indicators are trending higher, at least compared to very weak indicators this winter and spring. Even if utilization softens relative to our expectations, the trucking industry is not likely to see a normalization resembling what we saw after the 2018 peak.

The **Market Demand Index (MDI)** – the ratio of loads available to trucks available in the Truckstop.com system – continues to hold mostly steady.

See page 11 for more on the truck driver situation...

### New Truck Environment

- Truck orders jump as more 2022 orders are booked.
- Class 8 production recovers from a feeble July.
- Trailer orders improve but remain at seasonal levels.

Net **truck orders** for U.S. & Canada were 35,000 units, up 48% m/m and up 91% y/y in August. U.S. orders were up 34% m/m and up 65% y/y. Canada orders were up 4,000 units m/m and up 5,400 units y/y. Activity increased, as more OEMs began booking orders for 2022.

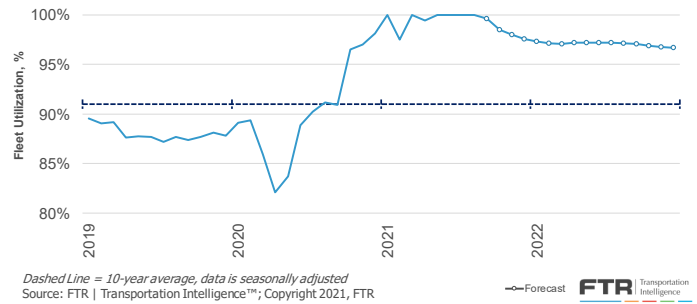
**Class 8 production** rose 56% from July, which was severely impacted by fewer semiconductor deliveries. There is still a huge amount of semi-completed units awaiting chips. Retail sales and inventories were flat.

U.S. **trailer orders** recovered to 13,600 units. Most OEMs are not entering orders for 2022 just yet. Production was flat on a per-day basis. The industry is in a holding pattern until the supply chain improves.

For trucks ordered in August, the estimated **average time from order to delivery** fell back to 11.6 months from 17.8 months – which was the second highest level ever – in July. Dealer inventory remains scarce. It will be difficult to acquire new trucks until the supply chain opens up. Fleets continue to need additional capacity.

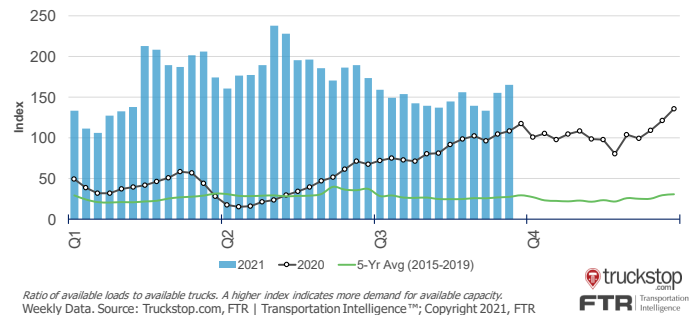
### Active Truck Utilization Outlook

Share of seated trucks actively engaged in freight hauling

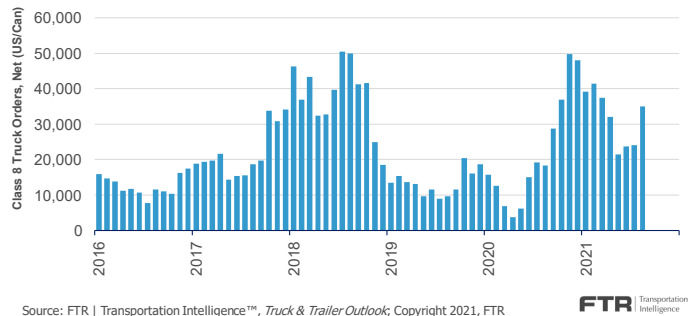


### Spot Market: Total MDI

Market Demand Index (MDI)

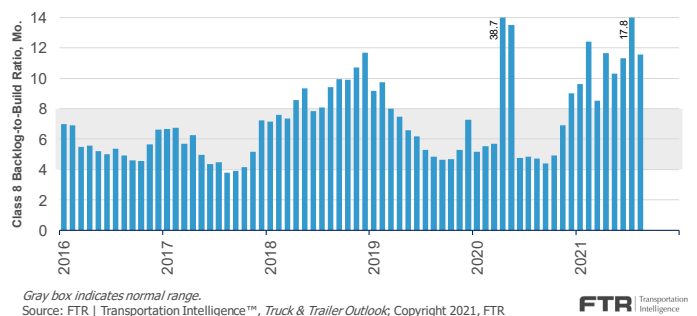


### New Truck Order Activity



### New Truck Lead Time

Average Lead Time, Order-to-Build (Months)







### Dry Van: Automotive is the wildcard

Dry van volume is trending slightly weaker for 2021 at a gain of 6.4% y/y, down from 6.9% previously. Most commodities are at least as strong as they were in the prior forecast, but automotive is sharply weaker due to the semiconductor shortage. The situation likely will not improve this year, but it might offer an upside for 2022.

Spot volume continues to run at the strongest levels ever aside from a few distorted weeks earlier this year.

The 2021 dry van truckload rate outlook is still around +18% y/y. The 2022 forecast is slightly below flat y/y.

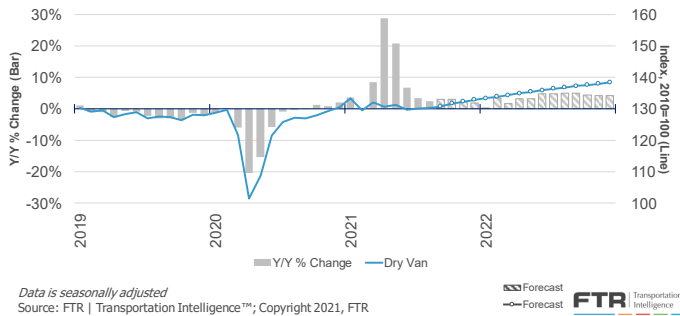
#### Dry Van Truck Rates Overview

Y/Y % Change	Jul-21	Aug-21	Sep-21	2021	2022
		F	F	F	F
<b>Total Truck (Spot + Contract)</b>	<b>19.9%</b>	<b>13.4%</b>	<b>10.6%</b>	<b>18.1%</b>	<b>-0.6%</b>
<b>Spot Truck Rates</b>	<b>26.6%</b>	<b>14.9%</b>	<b>7.5%</b>	<b>26.9%</b>	<b>-6.1%</b>
<b>Contract Truck Rates</b>	<b>16.1%</b>	<b>13.2%</b>	<b>11.9%</b>	<b>13.2%</b>	<b>2.8%</b>

F = Forecast // Rates exclude Fuel Surcharges, data is seasonally adjusted

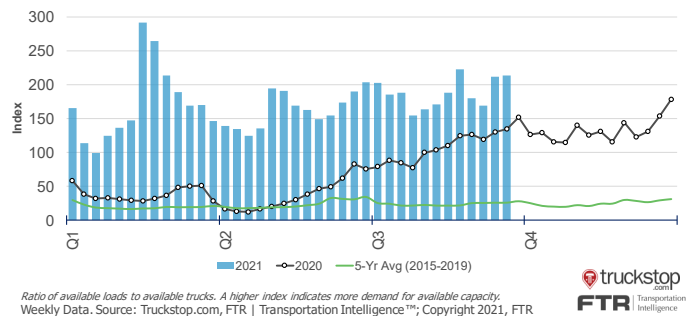
Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

#### Freight Outlook: Dry Van

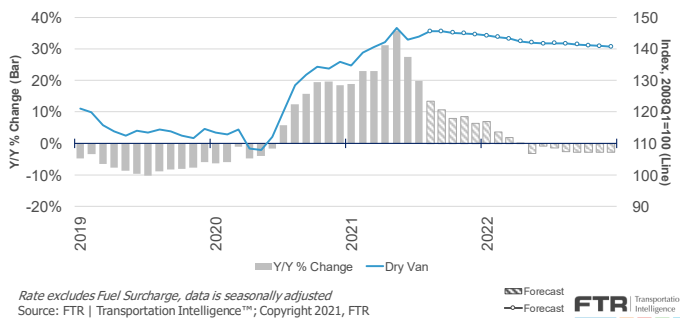


#### Spot Market: Dry Van MDI

Market Demand Index (MDI)

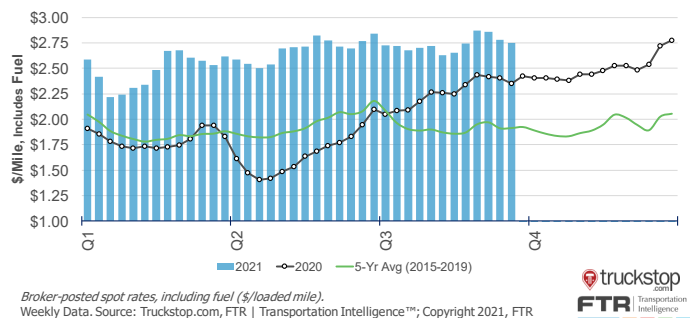


#### Rate Outlook: Dry Van

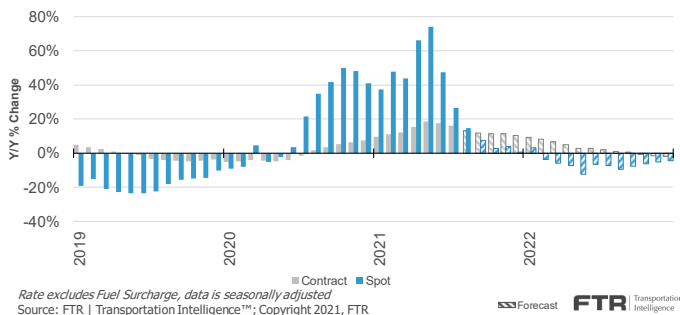


#### Spot Market: Dry Van Rates

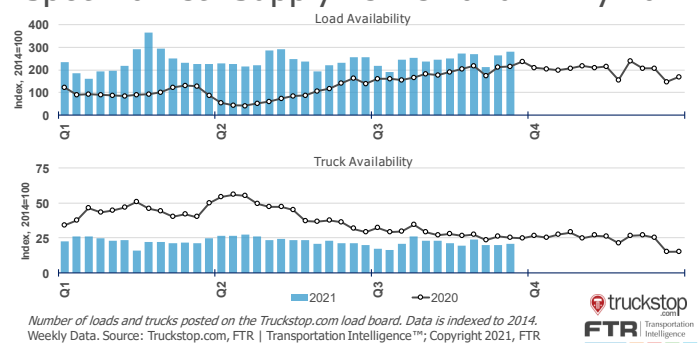
Broker-posted spot rate, including fuel



#### Dry Van Rates: Spot vs Contract



#### Spot Market: Supply vs Demand – Dry Van



See glossary at end for definitions of truckload segments...



### Refrigerated: Stronger volume and rates forecast

Refrigerated loadings are forecast at a 4.0% increase in 2021, up from 3.6% previously. However, the pandemic's path could affect distribution. Restaurant sales were flat in August after steady growth recently. The revised 2022 forecast is a gain of 3.8%, nearly a point stronger.

Spot volume and rates set records in early September, although both eased a bit later in the month.

The 2021 refrigerated truckload rate outlook is stronger at nearly +19%, up from about +18%. The 2022 forecast is -1%, up from -2% previously.

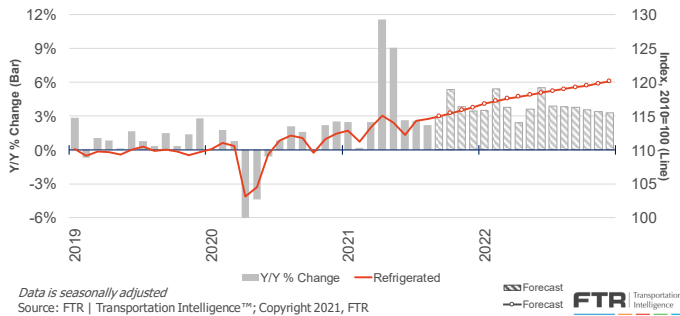
#### Refrigerated Truck Rates Overview

Y/Y % Change	Jul-21	Aug-21	Sep-21	2021	2022
		F	F	F	F
<b>Total Truck (Spot + Contract)</b>	<b>22.7%</b>	<b>18.4%</b>	<b>15.7%</b>	<b>18.9%</b>	<b>-1.0%</b>
<b>Spot Truck Rates</b>	<b>31.8%</b>	<b>24.5%</b>	<b>18.8%</b>	<b>29.0%</b>	<b>-7.5%</b>
<b>Contract Truck Rates</b>	<b>17.5%</b>	<b>15.0%</b>	<b>13.6%</b>	<b>13.3%</b>	<b>3.1%</b>

F = Forecast // Rates exclude Fuel Surcharges, data is seasonally adjusted

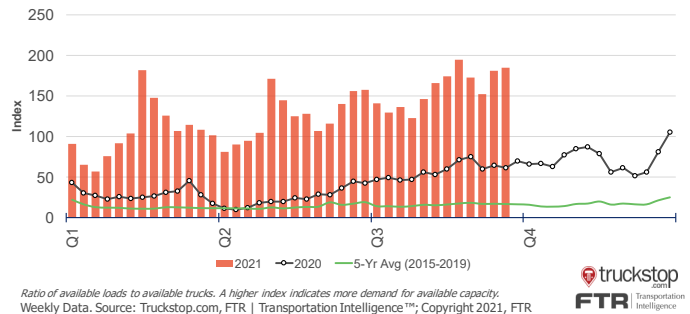
Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

#### Freight Outlook: Refrigerated

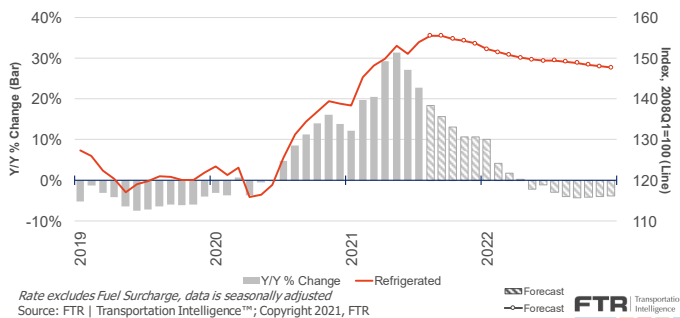


#### Spot Market: Refrigerated MDI

Market Demand Index (MDI)

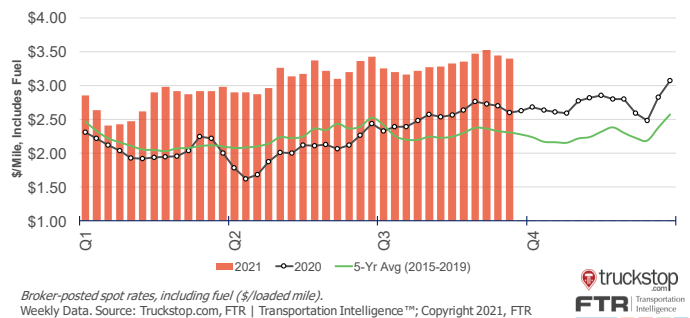


#### Rate Outlook: Refrigerated Van

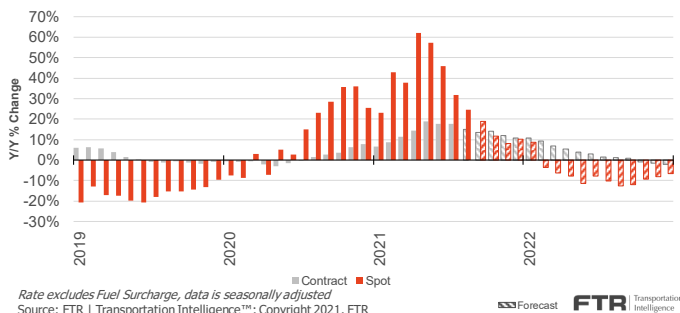


#### Spot Market: Refrigerated Rates

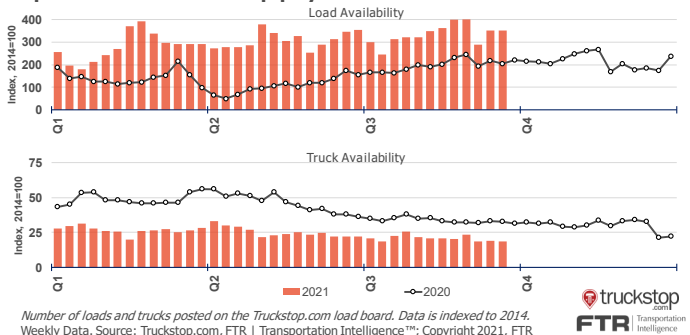
Broker-posted spot rate, including fuel



#### Refrigerated Rates: Spot vs Contract



#### Spot Market: Supply vs Demand – Ref. Van



See glossary at end for definitions of truckload segments...



### Flatbed: Expected growth leader in 2022

The 2021 flatbed loadings outlook is a 5.3% increase, up from 4.5% previously. All commodities improved, but the largest group – building materials – improved only to 0.3% from -0.4%. Volume is forecast at +4.9% in 2022 – the strongest growth of all segments.

Flatbed spot volume appears to have stabilized at a strong level after easing in late May and June.

The 2021 flatbed rate outlook is a 19.2% increase, marginally weaker than the prior forecast. The 2022 outlook also leads all segments at a gain of nearly 2%.

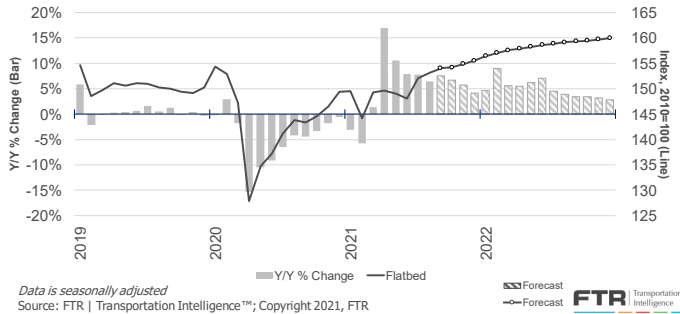
#### Flatbed Truck Rates Overview

Y/Y % Change	Jul-21	Aug-21	Sep-21	2021	2022
		F	F	F	F
<b>Total Truck (Spot + Contract)</b>	<b>24.3%</b>	<b>18.7%</b>	<b>15.1%</b>	<b>19.2%</b>	<b>1.9%</b>
<b>Spot Truck Rates</b>	<b>37.2%</b>	<b>26.4%</b>	<b>17.4%</b>	<b>30.0%</b>	<b>-4.3%</b>
<b>Contract Truck Rates</b>	<b>17.1%</b>	<b>14.6%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>5.8%</b>

F = Forecast // Rates exclude Fuel Surcharges, data is seasonally adjusted

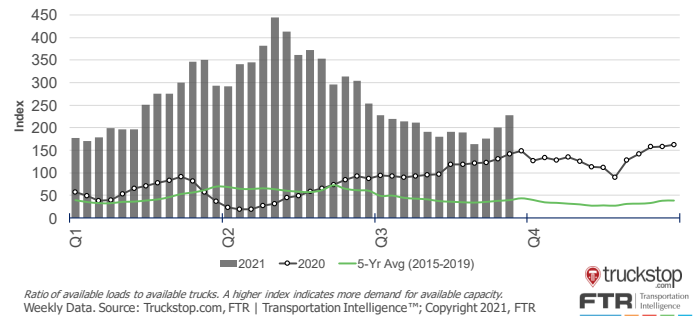
Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

#### Freight Outlook: Flatbed

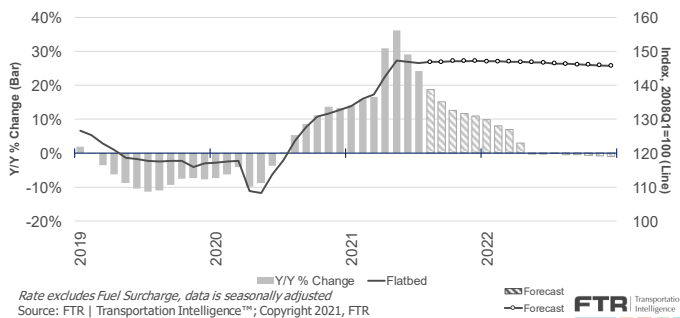


#### Spot Market: Flatbed MDI

Market Demand Index (MDI)

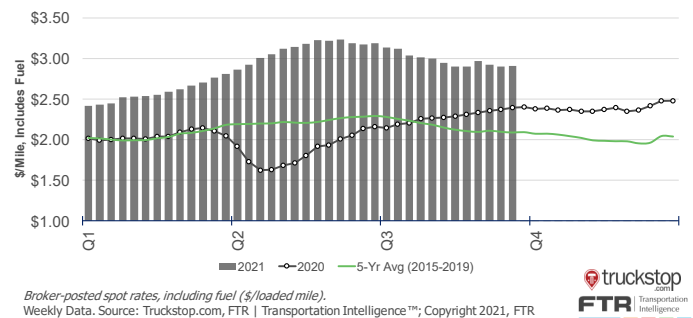


#### Rate Outlook: Flatbed

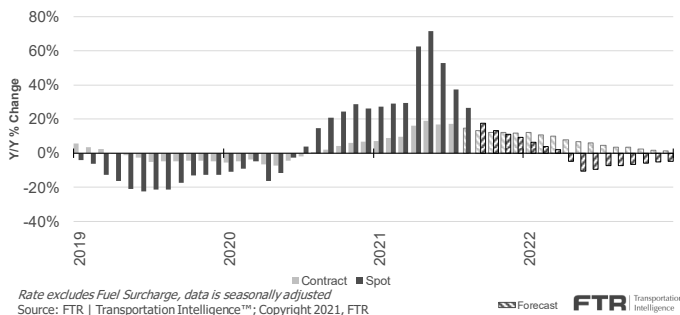


#### Spot Market: Flatbed Rates

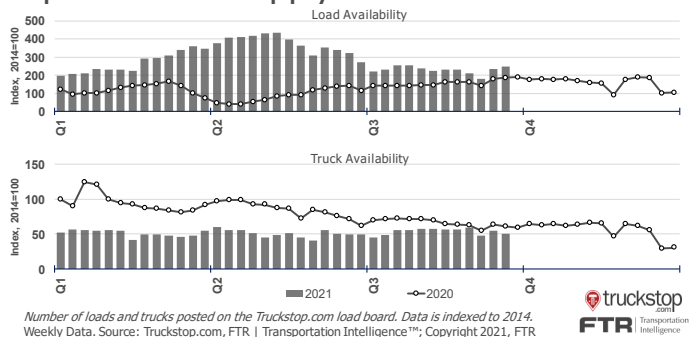
Broker-posted spot rate, including fuel



#### Flatbed Rates: Spot vs Contract



#### Spot Market: Supply vs Demand – Flatbed



See glossary at end for definitions of truckload segments...





### Specialized: Still the volume growth leader for 2021

The outlook for specialized loadings in 2021 is unchanged at an increase of 6.8% y/y. Stronger growth forecasts for agriculture and machinery were offset by a sharply weaker outlook for automotive. The 2022 forecast of a 4.7% gain is a full point stronger than previously.

Specialized recently became the first segment this year to see negative y/y weekly comparisons in spot volume, but volume was surging at this point last year.

The 2021 rate outlook is unchanged at +17.3% y/y. The 2022 forecast is little changed at +0.8%.

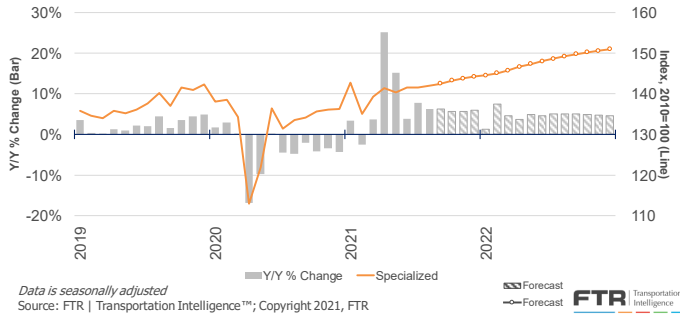
#### Specialized Truck Rates Overview

Y/Y % Change	Jul-21	Aug-21	Sep-21	2021	2022
		F	F	F	F
<b>Total Truck (Spot + Contract)</b>	<b>21.4%</b>	<b>16.2%</b>	<b>13.0%</b>	<b>17.3%</b>	<b>0.8%</b>
<b>Spot Truck Rates</b>	<b>32.5%</b>	<b>21.9%</b>	<b>15.5%</b>	<b>27.1%</b>	<b>-4.8%</b>
<b>Contract Truck Rates</b>	<b>15.3%</b>	<b>12.8%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>4.3%</b>

F = Forecast // Rates exclude Fuel Surcharges, data is seasonally adjusted

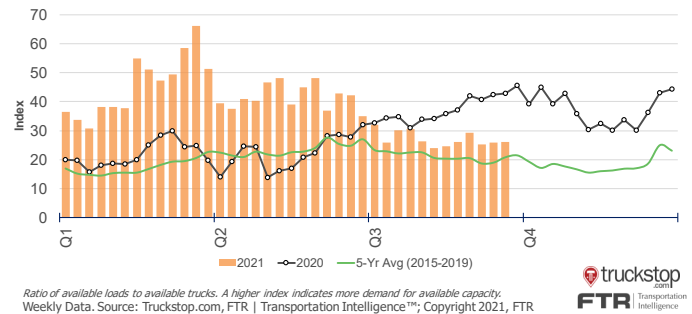
Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

#### Freight Outlook: Specialized

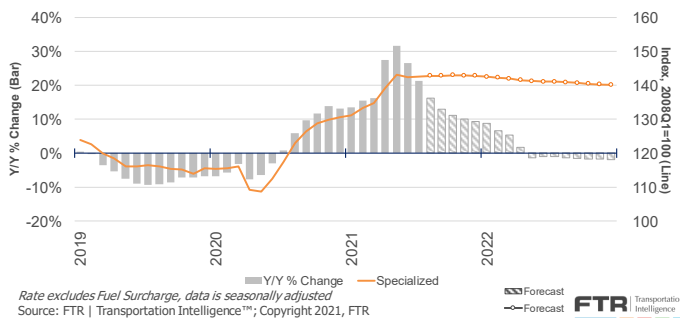


#### Spot Market: Specialized MDI

Market Demand Index (MDI)

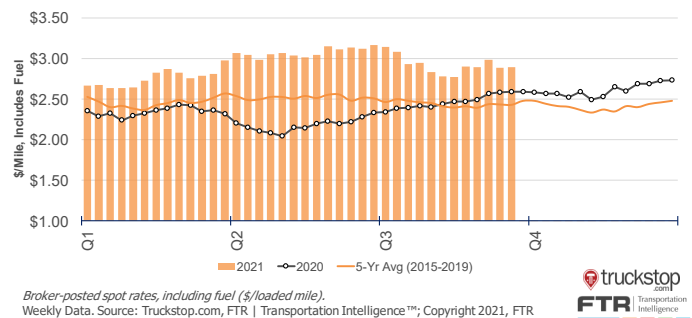


#### Rate Outlook: Specialized

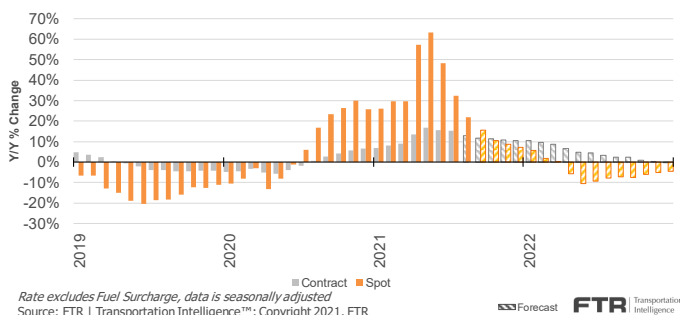


#### Spot Market: Specialized Rates

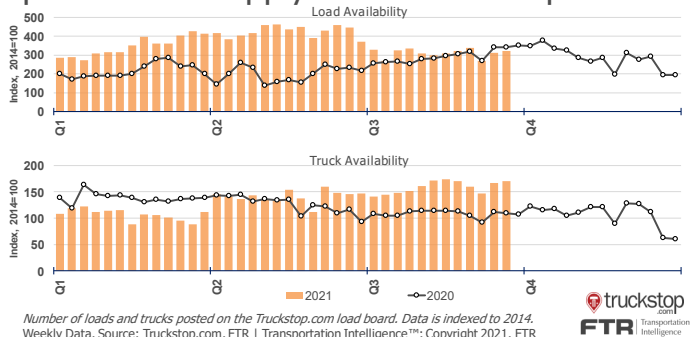
Broker-posted spot rate, including fuel



#### Specialized Rates: Spot vs Contract



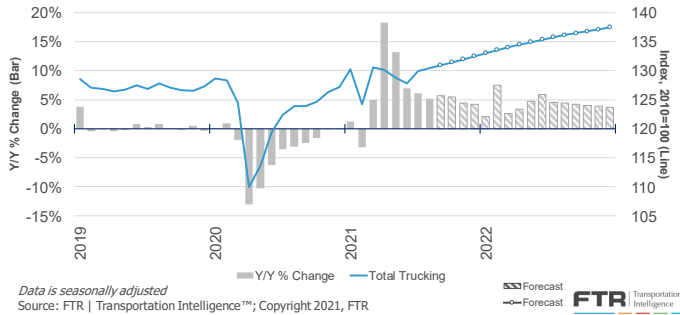
#### Spot Market: Supply vs Demand – Specialized



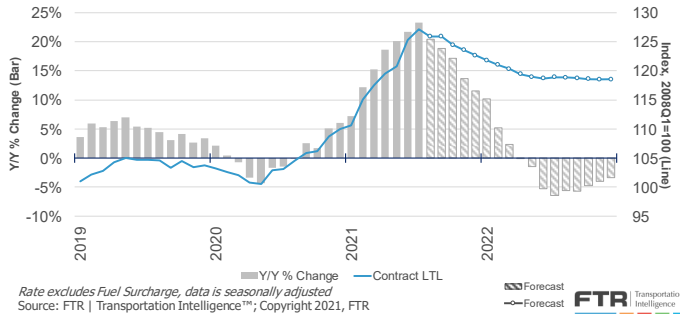
See glossary at end for definitions of truckload segments...



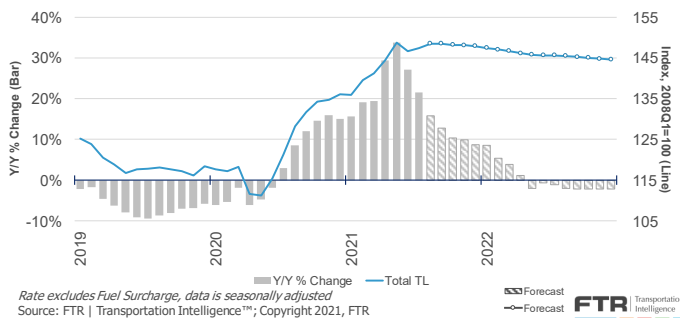
### Freight Outlook: Total Trucking



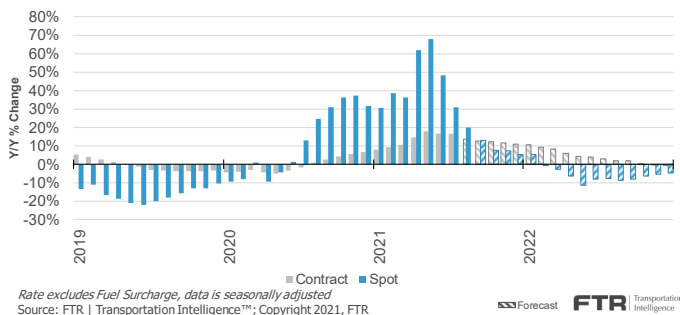
### Rate Outlook: Contract LTL



### Rate Outlook: Total TL



### Truckload Rates: Spot vs Contract



See glossary at end for definitions of truckload segments...

### Total Truckload Rates Overview

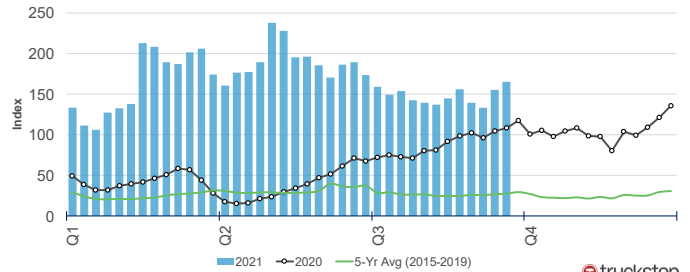
Y/Y % Change	Jul-21	Aug-21	Sep-21	2021	2022
		F	F	F	F
<b>Total Truck (Spot + Contract)</b>	<b>21.6%</b>	<b>15.8%</b>	<b>12.8%</b>	<b>18.1%</b>	<b>0.3%</b>
<b>Spot Truck Rates</b>	<b>30.8%</b>	<b>19.9%</b>	<b>12.8%</b>	<b>27.7%</b>	<b>-5.6%</b>
<b>Contract Truck Rates</b>	<b>16.4%</b>	<b>13.7%</b>	<b>12.4%</b>	<b>12.8%</b>	<b>3.9%</b>
<b>Dry Van</b>	<b>19.9%</b>	<b>13.4%</b>	<b>10.6%</b>	<b>18.1%</b>	<b>-0.6%</b>
<b>Refrigerated</b>	<b>22.7%</b>	<b>18.4%</b>	<b>15.7%</b>	<b>18.9%</b>	<b>-1.0%</b>
<b>Flatbed</b>	<b>24.3%</b>	<b>18.7%</b>	<b>15.1%</b>	<b>19.2%</b>	<b>1.9%</b>
<b>Specialized</b>	<b>21.4%</b>	<b>16.2%</b>	<b>13.0%</b>	<b>17.3%</b>	<b>0.8%</b>
<b>LTL Rates</b>	<b>23.3%</b>	<b>20.4%</b>	<b>18.9%</b>	<b>16.6%</b>	<b>-1.8%</b>

F = Forecast // Rates exclude Fuel Surcharges, data is seasonally adjusted

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

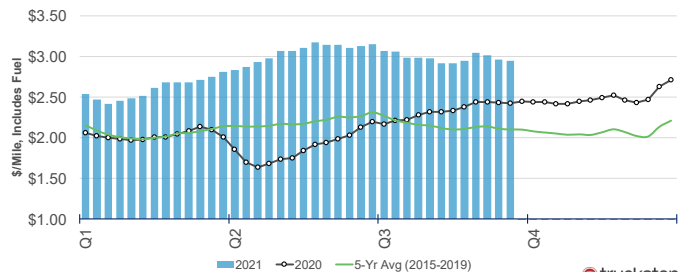
### Spot Market: Total MDI

Market Demand Index (MDI)

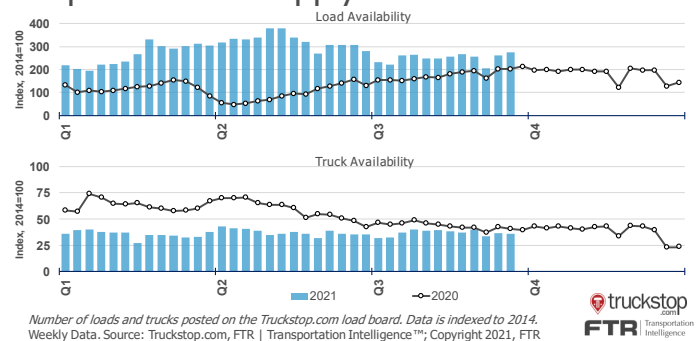


### Spot Market: Total Rates

Broker-posted spot rate, including fuel



### Spot Market: Supply vs Demand – Total





### U.S. Truck Freight: Commodity Groups & Trailer Types

Seasonally Adjusted (000,000s of Loadings Originated)

F = Forecast	MONTH							QUARTER				
	Jun-21	Jul-21	Aug-21	Sep-21F	Oct-21F	Nov-21F	Dec-21F	Q1'21	Q2'21	Q3'21F	Q4'21F	Q1'22F
<b>Total Truck Loadings</b>	<b>64.27</b>	<b>65.33</b>	<b>65.58</b>	<b>65.84</b>	<b>66.11</b>	<b>66.37</b>	<b>66.63</b>	<b>193.61</b>	<b>194.47</b>	<b>196.75</b>	<b>199.11</b>	<b>201.44</b>
<b>Active Truck Utilization Rate (%) <sup>2</sup></b>	100.0%	100.0%	100.0%	99.6%	98.5%	98.0%	97.6%	99.4%	100.0%	100.0%	98.0%	97.2%
<b>Commodity Groups</b>												
Food & Kindred Products	9.55	9.69	9.72	9.74	9.77	9.81	9.84	28.60	28.93	29.15	29.42	29.76
Stone, Clay, Glass & Concrete	5.47	5.61	5.65	5.67	5.68	5.70	5.72	16.88	16.57	16.93	17.11	17.33
Nonmetallic Minerals, Except Fuels	9.52	9.95	10.02	10.07	10.09	10.13	10.18	29.80	29.31	30.05	30.40	30.86
Chemicals & Allied Products	2.78	2.80	2.81	2.82	2.82	2.82	2.83	7.55	8.29	8.43	8.47	8.54
Transportation Equipment	5.24	5.09	5.06	5.07	5.20	5.24	5.26	16.11	15.88	15.21	15.69	15.73
All Other	31.71	32.18	32.33	32.46	32.55	32.67	32.80	94.67	95.49	96.98	98.01	99.23
<b>Trailer Types</b>												
Dry Van	20.72	20.80	20.83	20.90	21.05	21.15	21.24	63.12	62.59	62.53	63.44	64.18
Reefer Van	4.41	4.49	4.51	4.52	4.54	4.56	4.57	13.27	13.42	13.52	13.67	13.83
Flatbed	7.50	7.70	7.76	7.80	7.81	7.84	7.88	22.44	22.63	23.27	23.53	23.86
Specialized	9.86	9.87	9.90	9.93	9.98	10.02	10.05	29.07	29.50	29.70	30.05	30.34
Tank	6.85	6.93	6.96	6.99	7.01	7.03	7.05	19.51	20.60	20.88	21.08	21.29
Bulk/Dump	14.92	15.52	15.62	15.70	15.72	15.77	15.84	46.21	45.73	46.84	47.33	47.95
<b>Y/Y % Change <sup>1</sup></b>												
<b>Total Truck Loadings</b>	<b>7.0%</b>	<b>6.1%</b>	<b>5.2%</b>	<b>5.7%</b>	<b>5.5%</b>	<b>4.4%</b>	<b>4.2%</b>	<b>1.0%</b>	<b>12.7%</b>	<b>5.7%</b>	<b>4.7%</b>	<b>4.0%</b>
<b>Commodity Groups</b>												
Food & Kindred Products	3.9%	5.1%	3.7%	4.5%	4.8%	3.5%	3.9%	0.4%	7.9%	4.4%	4.1%	4.1%
Stone, Clay, Glass & Concrete	1.0%	1.1%	1.5%	4.0%	2.5%	1.1%	-2.3%	-2.3%	7.4%	2.2%	0.4%	2.7%
Nonmetallic Minerals, Except Fuels	9.6%	8.2%	7.7%	7.7%	6.9%	4.0%	7.3%	1.0%	6.8%	7.9%	6.0%	3.5%
Chemicals & Allied Products	6.0%	4.7%	3.4%	6.3%	5.6%	7.2%	5.2%	-5.8%	5.6%	4.8%	6.0%	13.1%
Transportation Equipment	-0.3%	-3.8%	-3.2%	-3.0%	-2.7%	-3.3%	-3.1%	6.4%	48.5%	-3.3%	-3.0%	-2.4%
All Other	9.7%	8.6%	7.3%	7.2%	7.2%	6.6%	5.8%	1.4%	13.2%	7.7%	6.5%	4.8%
<b>Trailer Types</b>												
Dry Van	6.8%	3.5%	2.5%	2.9%	3.0%	2.3%	1.9%	3.9%	18.1%	3.0%	2.4%	1.7%
Reefer Van	2.6%	2.6%	2.2%	2.9%	5.4%	3.8%	3.5%	1.7%	7.7%	2.6%	4.2%	4.2%
Flatbed	7.9%	7.7%	6.5%	7.5%	6.7%	5.7%	4.1%	-2.5%	11.7%	7.2%	5.5%	6.3%
Specialized	3.8%	7.7%	6.3%	6.2%	5.6%	5.6%	5.9%	1.5%	14.0%	6.7%	5.7%	4.4%
Tank	6.6%	6.0%	6.0%	6.8%	7.5%	7.2%	5.6%	-4.2%	7.3%	6.3%	6.8%	9.1%
Bulk/Dump	10.7%	9.1%	8.4%	8.7%	7.2%	4.9%	6.0%	0.6%	9.5%	8.7%	6.1%	3.8%

### Annual Data

F = Forecast	2020	2021F	2022F	2023F	2019	2020	2021F	2022F	2023F
<b>Total Truck Loadings</b>	<b>740.69</b>	<b>783.94</b>	<b>817.21</b>	<b>840.22</b>	<b>0.4%</b>	<b>-3.4%</b>	<b>5.8%</b>	<b>4.2%</b>	<b>2.8%</b>
<b>Active Truck Utilization Rate (%) <sup>2</sup></b>	90.3%	99.4%	97.1%	96.2%					
<b>Commodity Groups</b>									
Food & Kindred Products	111.49	116.10	120.32	123.80	-0.6%	-1.3%	4.1%	3.6%	2.9%
Stone, Clay, Glass & Concrete	66.33	67.49	70.12	71.56	1.1%	-1.6%	1.8%	3.9%	2.1%
Nonmetallic Minerals, Except Fuels	113.48	119.56	125.38	129.30	2.7%	-2.6%	5.4%	4.9%	3.1%
Chemicals & Allied Products	31.91	32.74	34.36	34.92	-1.9%	-2.8%	2.6%	4.9%	1.6%
Transportation Equipment	57.75	62.90	64.95	67.27	-1.6%	-12.5%	8.9%	3.3%	3.6%
Other	359.74	385.15	402.08	413.37	0.4%	-3.2%	7.1%	4.4%	2.8%
<b>Trailer Types</b>									
Dry Van	236.45	251.68	260.87	269.72	-1.7%	-3.8%	6.4%	3.7%	3.4%
Reefer Van	51.81	53.88	55.94	57.67	1.1%	0.0%	4.0%	3.8%	3.1%
Flatbed	87.28	91.87	96.36	98.12	0.7%	-4.6%	5.3%	4.9%	1.8%
Specialized	110.77	118.32	123.83	128.03	2.5%	-3.7%	6.8%	4.7%	3.4%
Tank	78.97	82.08	85.86	87.41	0.1%	-4.1%	3.9%	4.6%	1.8%
Bulk/Dump	175.42	186.11	194.35	199.28	1.9%	-2.9%	6.1%	4.4%	2.5%

Notes:

Preliminary Data: Based on economic data and subject to revision. F = Forecast

Total Truck Loadings includes both Tractor/Trailer Loadings and Straight Truck Loadings.

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR

<sup>1</sup> - Y/Y % Change: Current period vs. year-ago period.

<sup>2</sup> - Utilization Rate: Trucks in use as a percentage of trucks actively competing for freight.



## Driver Situation: FTR Driver Labor Metrics

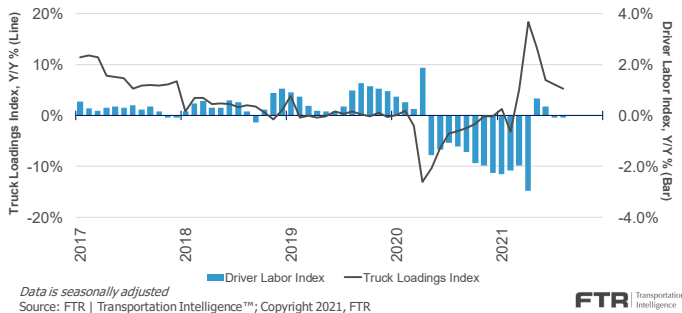
- For-hire trucking's payroll employment rose by 5,400 jobs in August, seasonally adjusted.
- The Truck Driver Pressure Index looks to hold more firmly in 2022 than in the prior forecast.

For-hire trucking added 5,400 **payroll jobs**, seasonally adjusted, in August. The increase is the second strongest of the year after June's 6,300-job gain. The industry has added 16,500 payroll jobs in the past three months after adding just 3,100 during the first five months of this year. Payroll employment is still 26,300 jobs, or 1.7%, below February 2020. Meanwhile, parcel and local delivery added 20,000 jobs. The sector has grown by 148,500 jobs, or 16.8%, since February 2020.

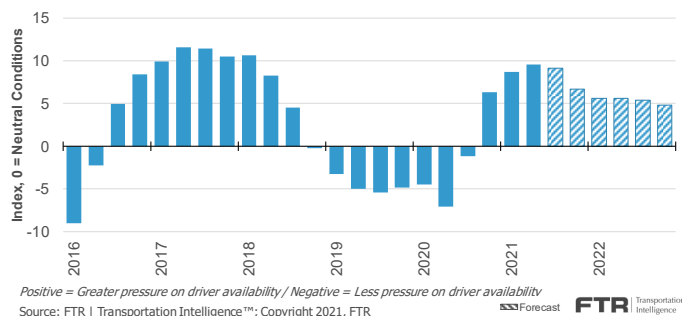
Driver hiring activity in August was the strongest of the pandemic so far based on the number of pre-employment queries conducted in the drug and alcohol clearinghouse.

The **Truck Driver Pressure Index** likely has peaked, but the slope on the downside remains shallow. The revised outlook is shallower still with basically no change in 2022.

### Driver Supply Vs. Truck Demand



### Truck Driver Pressure Index



### Truck Driver Environment

#### Driver Labor Indicators

	Jun	Jul	Aug	Impact
<b>Employment Indicators</b>				
Unemployment Rate (%)	5.9%	5.4%	5.2%	▲
Personal Income (M/M %)	0.2%	1.1%	--	▲
Total Payroll Employment (000's)	145,902	146,955	147,190	●
% Change (M/M)	0.7%	0.7%	0.2%	
% Change (Y/Y)	5.8%	5.3%	4.3%	
Job Creation	962k	1,053k	235k	
<b>Service-Providing Industries</b>				
• Retail	15,361	15,353	15,325	▼
Manufacturing	12,332	12,384	12,421	▲
Construction	7,413	7,419	7,416	▼
<b>Total Transportation &amp; Warehousing</b>				
• Truck Transportation	1,488	1,493	1,499	▲

Source: Bureau of Labor Statistics

#### Driver Labor Supply \*

Index (1992=100) *	124.9	125.1	125.3	●
% Change (M/M)	0.0%	0.1%	0.2%	
% Change (Y/Y)	0.3%	-0.1%	-0.1%	
<b>Truck Loads Demand</b>				
Index (1992=100)	145.2	147.6	148.2	▲
% Change (M/M)	-0.8%	1.6%	0.4%	
% Change (Y/Y)	7.0%	6.1%	5.2%	

Impacts: ▼ - Loosening; ▲ - Tightening; ● - Neutral

Source: FTR | Transportation Intelligence™

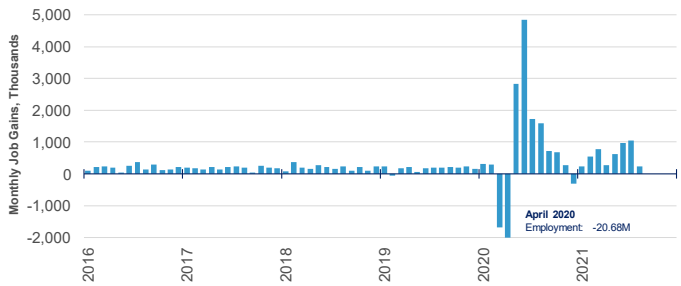
#### Driver Labor Outlook

	FORECAST			
	Q2'21	Q3'21	Q4'21	Q1'22
<b>ACTIVE TRUCK CAPACITY</b>				
Utilization %	100.0%	100.0%	98.0%	97.2%
<b>CL. 8 TRUCK LOADS</b>				
% Change, Y/Y	12.7%	5.7%	4.7%	4.0%
<b>DRIVER LABOR INDEX</b>				
% Change, Y/Y	-0.2%	-0.1%	0.6%	1.3%
<b>TRUCK DRIVER PRESSURE INDEX</b>				
0 = Neutral Conditions	9.60	9.13	6.66	5.59

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR



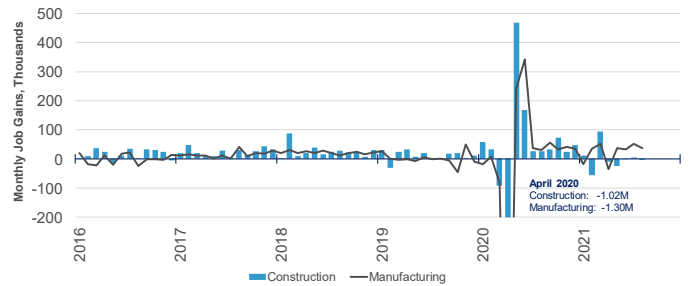
### Employment: Total Payroll



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence

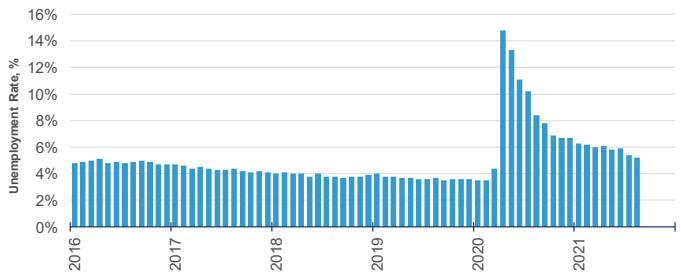
### Employment: Construction & Manufacturing



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence

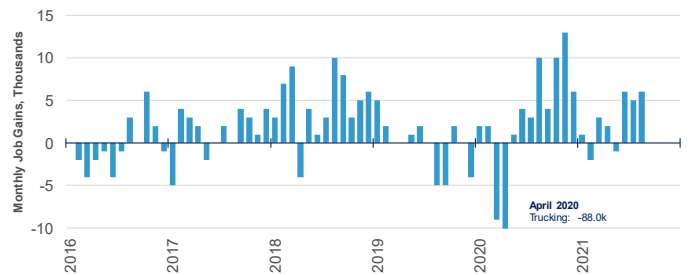
### Employment: Unemployment Rate



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence

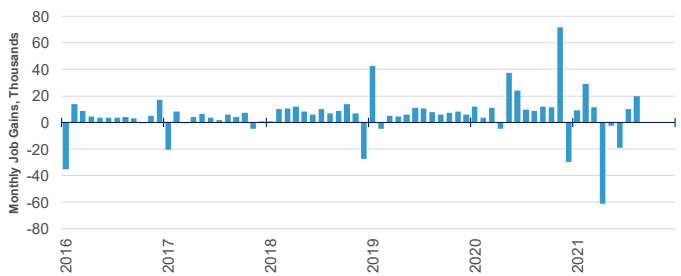
### Employment: Trucking



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence

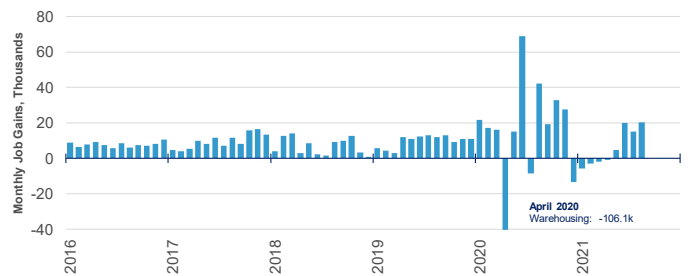
### Employment: Parcel/Courier



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence

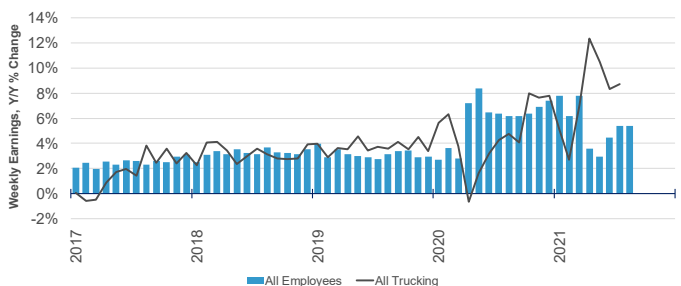
### Employment: Warehousing



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence

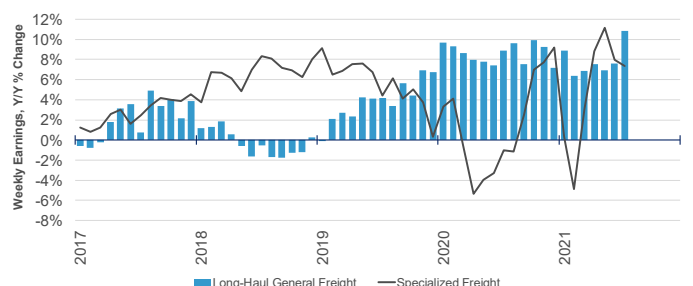
### Weekly Earnings: Total vs Trucking



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence

### Weekly Earnings: Long-Haul TL vs Special



Source: BLS, FTR | Transportation Intelligence™; Copyright 2021, FTR

FTR | Transportation Intelligence





### Summary

The economy is expanding at a robust pace but is starting to transition toward trend growth. The spread of the Delta variant has dampened some business activity and hurt employment growth in Q3. Despite some headwinds, the economy is still expanding at a healthy pace. COVID infections have started to retreat in September, and more than 56% of Americans are fully vaccinated. The effect of the pandemic on the economy seems to be fading more with each wave that comes along. Shortages of semiconductors and other manufacturing inputs are restraining production and fueling inflation. We do expect progress on this issue, although it may linger well into 2022.

### Consumer

Retail sales surprised on the upside in August, rising 0.7% and up 15.1% from a year earlier. There was a large downward revision to July's number, where sales fell 1.8%. Total sales excluding motor vehicles and parts were up 1.8% in August and 0.8% excluding autos and gasoline. Motor vehicle and parts sales fell 3.6% for the month. Most other sectors saw advances. Food and beverage establishments sales were unchanged, hurt by COVID fears. The report indicates a stronger consumer sector than thought a month earlier when sales declined sharply. The consumer remains healthy, although spending is shifting to services rather than goods.

### Manufacturing

The ISM manufacturing index increased 0.4 points in August to a still elevated 59.9. New orders increased 1.8 point to 66.7, and production rose 1.6 points to 60.0. Supplier deliveries fell 3 points to 69.5, suggesting some improvement in supply chain bottlenecks. With low inventories and strong demand, the outlook for manufacturing is bright.

U.S. industrial production increased 0.4% in August, but the impact of Hurricane Ida shaved 0.3 of a percentage point off of total production. Manufacturing increased by 0.2%, but the hurricane closed plants for petroleum-based products. Supply chain problems continue to limit output.

### Residential Construction

U.S. housing starts increased 3.9% in August to a seasonally adjusted annual pace of 1.615 million units. All the August strength came from the multi-family sector. Single-family starts fell 2.8% to a 1.076 million rate. The multi-family sector saw a 21.6% jump to 530,000. Future building looks more promising as permits rose 6.0% to a 1.728 million annual pace. Single-family permits increased 0.6% to 1.054 million, while the multi-family sector saw a 19.7% increase to 632,000. Single-family starts have been flat the last few months as a lack of labor and high prices have affected demand. As job creation grows, price appreciation eases down, and mortgage rates remain very low, some modest gains can be expected.

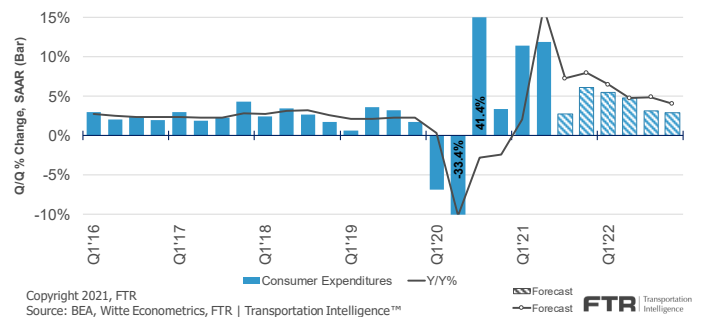
## Economic Outlook Overview

Q/Q % Change, SAAR	Q2'21	Q3'21F	2021F	2022F
<b>Real Gross Domestic Product (GDP)</b>	6.6%	4.8%	5.9%	4.7%
<b>Industrial Production (IP)</b>	6.2%	8.0%	6.1%	4.5%
<b>Goods Transportation Sector (GTS)</b>	4.8%	3.0%	11.6%	6.0%

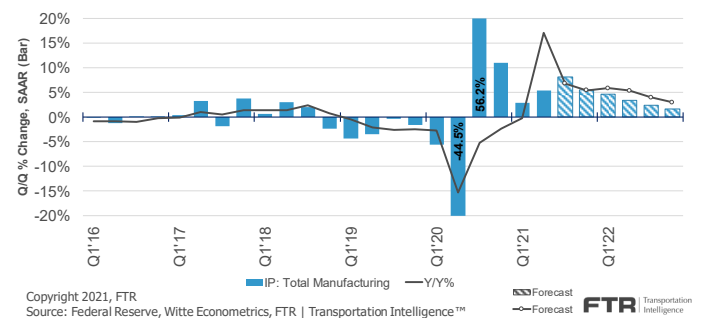
F = Forecast

Source: Witte Econometrics, FTR; Copyright 2021, FTR

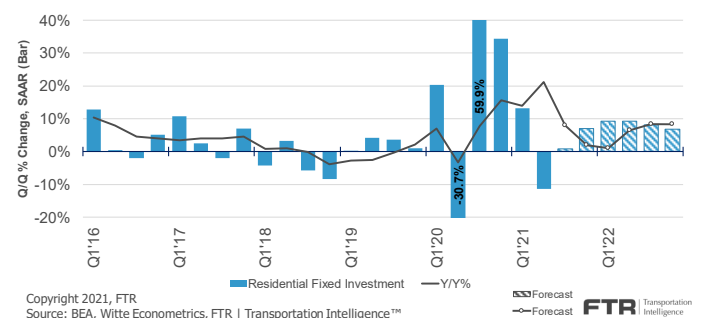
### GDP: Consumer Expenditures



### IP Outlook: Manufacturing



### GDP: Residential Investment





### Monthly Business & Economic Highlights

#### August's Economic Environment:

- The mixed bag view of the economy re-emerges as Delta curtails some activity. Manufacturing held up, but payroll was weak.

	May	Jun	Jul	Aug	Impact	Y/Y Chg.	Comments
INDUSTRIAL PRODUCTION							
Total Industrial Production	0.6%	0.5%	0.8%	0.4%	▲	5.9%	Auto production held up surprisingly well following July's jump. Supply chains have not eased and production output continues to be impacted to some degree.
Total Manufacturing	1.0%	-0.2%	1.6%	0.1%	▲	6.2%	
Automobile and Light Duty Motor Vehicle Production	6.3%	-6.4%	14.8%	-0.7%	●	-11.3%	
BUSINESS INDICATORS							
Unemployment Rate	5.8%	5.9%	5.4%	5.2%	▲	-320 bp	The surge in coronavirus infections seems to have had a dampening effect on employment and services. Construction activity is being held up by strong demand for residential.
Job Creation (Payroll Employment)	614k	962k	1,053k	235k	●	6,041k	
ISM Manufacturing Index	61.2	60.6	59.5	59.9	▲	390 bp	
CONSUMER INDICATORS							
Consumer Confidence (Conference Board)	120.0	128.9	125.1	113.8	●	27.5 pts	Housing activity is running at a strong clip but is no longer surging. Retail improved in August, but not enough to make up for July's decline. Consumer sentiment has cooled.
Housing Starts	5.3%	4.0%	-6.2%	3.9%	▲	17.4%	
Retail Sales	-1.4%	0.9%	-1.8%	0.7%	▲	15.1%	
Consumer Price Index	0.6%	0.9%	0.5%	0.3%	●	5.2%	
OIL AND FUEL							
National Avg. Diesel/Gal.	\$3.217	\$3.287	\$3.339	\$3.350	▼	37.9%	While already elevated, diesel and crude pricing have continued to increase during September.
W. Texas Int. Crude Oil (\$Bbl.)	\$65.17	\$71.38	\$72.49	\$67.73	●	60.0%	

Impacts: ▲ = Positive / ▼ = Negative / ● = Neutral

Source: Federal Reserve, BLS, ISM, Conference Board, Census Bureau, EIA, FTR | Transportation Intelligence™; Copyright 2021, FTR

#### Employment

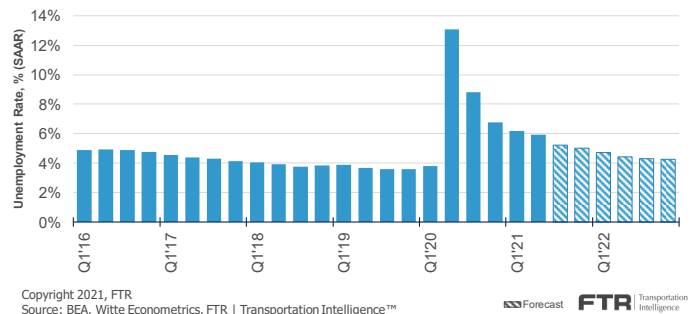
Payroll employment growth was sharply weaker in August at 235,000 jobs, seasonally adjusted. However, gains for July were revised up to 1.053 million. The number of unemployed edged down to 8.4 million after a large decrease in July. The unemployment rate fell to 5.2%. Both are greatly improved from the contraction but well above the 5.7 million and 3.2% rate before the pandemic began. The main August weakness was in hospitality/leisure, which was unchanged. Manufacturing added 37,000 and business services added 74,000. The report suggests that COVID-19 is still hurting the economy, but there is a still strong demand for workers.

#### Forecast Risks

The economy is expanding at a robust pace and has good momentum, but a rise in COVID infections has slowed some business activity and hurt employment growth. However, infection rates have retreated and vaccination numbers are increasing. Some analysts speculate that COVID could fade and have only a modest effect on activity within a year. That would likely have an upside risk for economic growth. The supply chain problems persist, constraining production and boosting inflation. Part of the problem is a tight labor market. The pandemic may have impacted labor in a fundamental fashion that could restrain production and hurt overall economic growth for years.

See page 7 for detailed economic outlook...

#### Unemployment Rate Outlook



#### Economic Outlook Probabilities

##### GDP Forecast Confidence Levels

	Next 4 Quarters		Following 2 Years	
	GDP Range	Probability	GDP Range	Probability
<b>Faster Growth</b>	> 7%	20%	> 3%	25%
<b>Base Forecast</b>	5.0%	55%	2.5%	45%
<b>Slower Growth</b>	< 3%	25%	< 2%	30%

Source: FTR | Transportation Intelligence™; Copyright 2021, FTR



### U.S. Economic & Industrial Outlook

Forecasts of key economic data

	2021				2022				Annual			
	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	2020	2021	2022	2023
F = Forecast			F	F	F	F	F	F		F	F	F
<b>Gross Domestic Product (SAAR)</b>												
<b>Real GDP</b>	<b>6.3%</b>	<b>6.6%</b>	<b>4.8%</b>	<b>5.9%</b>	<b>5.0%</b>	<b>4.3%</b>	<b>3.2%</b>	<b>2.5%</b>	<b>-3.4%</b>	<b>5.9%</b>	<b>4.7%</b>	<b>2.6%</b>
Consumer Expenditures	11.4%	11.9%	2.7%	6.1%	5.4%	4.7%	3.1%	2.9%	-3.8%	8.2%	5.0%	2.9%
Residential Fixed Investment	13.3%	-11.5%	0.7%	6.9%	9.2%	9.2%	8.1%	6.9%	6.8%	10.8%	6.0%	5.9%
Change-Business Inventories	-88.3	-169.4	-82.9	-29.9	0.1	30.1	63.3	63.6	-42.3	-92.6	39.3	64.4
Real Exports of Goods	-1.4%	6.2%	4.5%	3.1%	3.1%	3.1%	3.1%	3.1%	-10.2%	7.6%	3.4%	3.1%
Real Imports of Goods	13.3%	-11.5%	0.7%	6.9%	9.2%	9.2%	8.1%	6.9%	6.8%	10.8%	6.0%	5.9%
Goods Transportation Sector	10.0%	4.8%	3.0%	8.1%	6.6%	6.0%	5.9%	4.3%	-3.1%	11.6%	6.0%	4.4%
CPI Index	3.7%	8.4%	6.0%	4.7%	4.3%	3.8%	3.6%	3.5%	1.2%	4.4%	4.6%	3.5%
<b>Housing Starts - Millions (SAAR)</b>												
Housing Starts - Millions (SAAR)	1.60	1.59	1.62	1.65	1.64	1.63	1.61	1.60	1.40	1.61	1.62	1.58
% Change (SAAR)	6.1%	-3.2%	10.2%	5.7%	-1.4%	-3.4%	-5.0%	-2.8%	8.1%	15.6%	0.2%	-2.3%
<b>Auto Sales - Millions (SAAR)</b>												
Auto Sales - Millions (SAAR)	16.8	16.9	15.0	16.3	16.5	16.6	16.6	16.6	14.5	16.2	16.6	16.7
3 Month T-Bill Rate, %	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%	0.4%	0.4%	0.1%	0.2%	0.5%
Moody AAA Bonds, %	2.7%	2.9%	2.7%	3.0%	3.1%	3.2%	3.3%	3.3%	2.5%	2.8%	3.2%	3.5%
Unemployment Rate, %	6.2%	5.9%	5.2%	5.0%	4.7%	4.4%	4.3%	4.3%	8.1%	5.6%	4.4%	4.2%
Federal Surplus, \$ (SAAR)	-\$4,089	-\$3,341	-\$2,599	-\$2,081	-\$1,992	-\$1,899	-\$1,871	-\$1,884	-\$3,110	-\$3,027	-\$1,911	-\$1,885

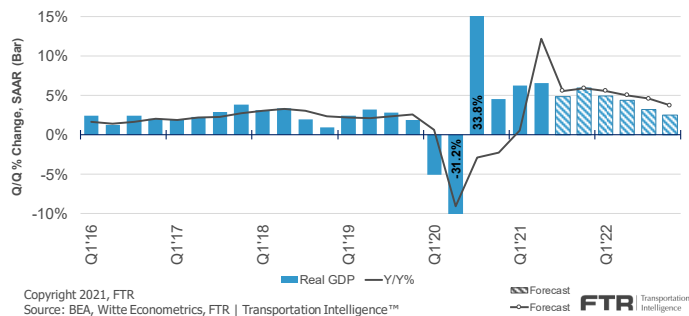
	2021				2022				Annual			
	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	2020	2021	2022	2023
F = Forecast			F	F	F	F	F	F		F	F	F
<b>Industrial Production (SAAR)</b>												
<b>Total IP</b>	<b>4.0%</b>	<b>6.2%</b>	<b>8.0%</b>	<b>5.1%</b>	<b>4.3%</b>	<b>3.5%</b>	<b>2.5%</b>	<b>1.7%</b>	<b>-7.2%</b>	<b>6.1%</b>	<b>4.5%</b>	<b>1.6%</b>
Manufacturing, Total	2.9%	5.4%	8.1%	5.5%	4.6%	3.3%	2.4%	1.7%	-6.4%	6.9%	4.5%	1.6%
Manufacturing, Non-Durables	-1.1%	12.3%	3.2%	4.9%	3.9%	2.7%	1.9%	1.2%	-4.4%	4.6%	3.8%	1.2%
Manufacturing, Durables	6.7%	-0.6%	12.6%	6.0%	5.2%	3.9%	2.9%	2.1%	-8.2%	9.0%	5.1%	2.0%
Mining	7.3%	22.7%	3.6%	6.9%	6.3%	4.6%	3.3%	2.6%	-14.2%	3.1%	6.1%	2.3%
Utilities	8.7%	0.6%	14.6%	1.2%	0.1%	3.9%	2.2%	0.8%	-3.4%	4.2%	3.1%	1.5%

Q/Q % Change, SAAR // F = Forecast

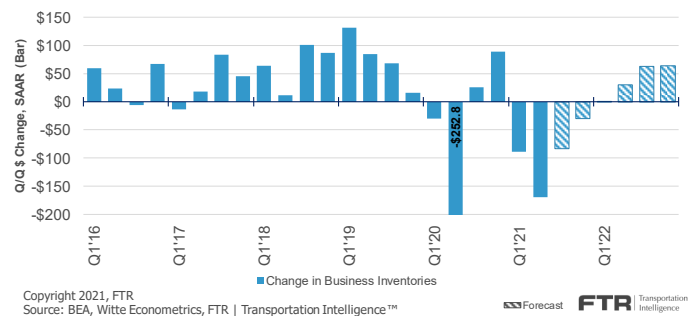
SAAR is Seasonally Adjusted Annual Rates or Seasonally Adjusted Quarter to Quarter Changes at Annual Rates.

Source: Witte Econometrics, Federal Reserve, BEA, FTR | Transportation Intelligence™; Copyright 2021, FTR

### Real GDP Outlook



### GDP: Business Inventories





## Another shot in the arm for small carriers? *A vaccine mandate could add fuel to the ongoing market shift.*

The Biden administration sparked controversy in September when it announced that it planned to require all employers with 100 or more employees to ensure that their workforce is fully vaccinated against coronavirus (COVID) or that workers who remain unvaccinated produce a negative test result on at least a weekly basis. The Occupational Safety and Health Administration plans to issue an emergency temporary standard (ETS) soon.

Complaints from the business community and others were quick and strong, but nowhere has the proposal generated as much opposition as it has in the trucking industry. American Trucking Associations said that the proposal threatened to cause further supply chain disruptions.

ATA hinted that its biggest concern was that the requirement would be based on company size: "If these mandates are designed to protect Americans, then why the discriminatory 100-employee threshold, picking winners and losers for both employees and employers?"

The Truckload Carriers Association echoed the general concern over disruptions, adding a related issue that ATA did not emphasize: The logistics of vaccinating huge numbers of truck drivers who work all over the country.

Although TCA argued that the plan would lead to a "massive exodus of drivers," it was silent on the discrimination issue raised by ATA. However, the potential market distortion is clearly a major issue. Few industries have market participants ranging from a single worker to tens of thousands.

As we have discussed frequently over the past year, large carriers already are struggling to replace drivers who are striking out on their own. Even if the Biden administration's plan never takes effect – and that certainly is possible as numerous entities are set to challenge it – the mere discussion of the issue could support a further shift in trucking capacity. Many drivers might not wait to see whether the mandate survives a court challenge.

The proposed vaccine mandate represents one more factor that could push more capacity away from larger truckload carriers to the spot market and

to transactions between intermediaries and small trucking operations. Strong spot market conditions, maturing digital platforms, and the financial flexibility afforded by massive stimulus have already fueled that transition. Meanwhile, the Supreme Court soon could weigh in on an issue that has the potential to encourage further transformation.

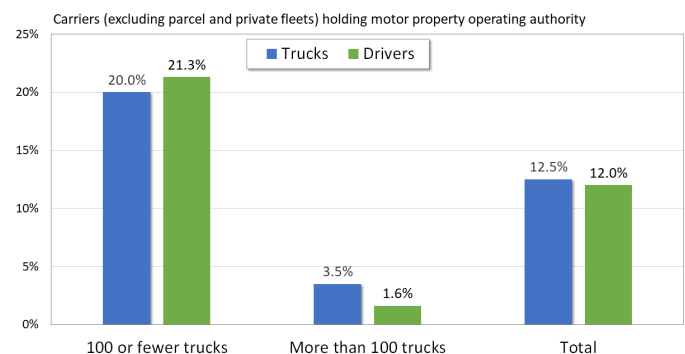
### A major shift already occurring

We have discussed often the surge in new carriers since the economy began recovering from last year's lockdowns. The Federal Motor Carrier Safety Administration (FMCSA) has authorized more than 100,000 new for-hire carriers representing around 185,000 drivers since July of last year.

We have not previously discussed the net effect of this surge in the makeup of the industry. Obviously, not all new carriers survive. Moreover, large carriers can continue adding drivers even as they are losing them to entrepreneurship.

One way to assess changes is to compare a snapshot of trucking capacity among carriers in operation today to one immediately prior to the

### For-hire carrier growth since March 2020



Source: FTR analysis of FMCSA MCMIS data snapshots from March 2020 and September 2021

An FTR analysis of data snapshots from March 2020 and September 2021 indicates a much larger increase in capacity among smaller carriers than larger ones. This analysis probably overestimates the number of trucks and drivers added because carriers are required to update their profiles only once every two years. However, the relative change among the fleet size splits is likely close to the actual given the unprecedented surge in new carriers since the summer of 2020.

(Continued on page 17)



*(Continued from page 16)*

pandemic. This exercise suffers from some limitations, including the fact that carriers are required to update profile data only once every two years. For example, our analysis implies an increase in capacity since the pandemic that is larger than would seem likely, and that is probably related to how many carriers had not yet reported their capacity gains during 2018 and 2019 as of March 2020. Even so, this comparison provides some useful insights into how the market is changing.

Between March 2020 and September 2021, the number of trucking companies surged by about 39%. Not surprisingly, that growth came among the smallest operations. In just 18 months, the number of one-truck operations holding authority jumped by 52%. The number of for-hire carriers with two to five trucks rose by 29%.

In terms of market share, though, the number of carriers is far less important than the amount of capacity operated. Including all for-hire carriers, those with more than 100 trucks in March 2020 had represented fewer than 1% of carriers but about 52% of the trucks. In September 2021, carriers with 100 or more trucks represented 49% of trucks.

Including all for-hire carriers arguably distorts a true picture, however. The major parcel operations – UPS, FedEx, and Amazon – account for a big share of trucks and drivers, and they have seen substantial growth during the pandemic. Those operations also arguably are not as much a source of driver capacity as they are competitors for it.

If we exclude the major parcel operations, carriers with more than 100 trucks in March 2020 accounted for more than 45% of the market. By September 2021, that share had fallen to less than 42%.

The shifts in market share are notable but perhaps not as dramatic as the differences in fleet and driver force growth between large and small carriers. Carriers with 100 or fewer trucks saw gains of 20% in trucks and 21% in drivers between March 2020 and September 2021.

All carriers with more than 100 trucks saw a 5.4% increase in trucks and a 7.1% gain in drivers. However, the parcel carriers added 11% to their truck fleets and nearly 23% to their driver counts. If we exclude parcel, increases for larger carriers shrink to just a 3.5% increase in trucks and a 1.6% gain in drivers.

With smaller carriers already outpacing larger ones, larger carriers understandably are worried that a vaccine mandate for employees of companies with a certain number of employees will make it harder to recruit and retain drivers.

### **The Supreme Court factor**

Another worry for carriers of all sizes is the ongoing challenge to the leased owner-operator model in trucking. California's AB 5 law has been the largest single threat in this regard, although court rulings have blocked its application to motor carriers since the law took effect in January 2020.

In the coming months, the U.S. Supreme Court will decide whether to review a decision by the U.S. Court of Appeals for the Ninth Circuit upholding California's authority to bar trucking companies from using drivers who are independent contractors. Numerous trucking-related organizations have already filed briefs supporting the California Trucking Association's petition for review. The state is scheduled to respond by October 10, and a decision by the Supreme Court regarding whether to review the ruling could come in a matter of weeks.

Most observers expect the Supreme Court to hear the case as the Ninth Circuit decision flatly contradicts a 2016 ruling by the U.S. Court of Appeals for the First Circuit in a case involving a similar Massachusetts regulation concerning worker classification. However, there are no guarantees. Moreover, it is not certain that even if the Supreme Court reviews the decision it will side with CTA and its supporters. While a Supreme Court decision would affect only a couple of states directly, it presumably would either encourage or prevent other states from following California's lead.

As we discussed in August, the sizable shift in capacity to very small carriers does set up the possibility of rapid market cooling in the event these operations start moving back to the relative security of leasing their trucks and driving services to larger trucking companies. The very flexibility that the trucking industry seeks to preserve – the ability to hire independent contractor drivers – might lead to milder trucking conditions in the near term. On the other hand, loss of that flexibility likely would accelerate what seems to be an ongoing shift of capacity from legacy truckload carriers to smaller carriers and their intermediary partners.





### General Terms

#### Annualized rate

A rate of return for a given period that is less than 1 year, but it is computed as if the rate were for a full year.

#### Average Length-of-Haul

Total tonmiles divided by total tons.

#### Basis Points

A unit that is equal to 1/100 of 1%. If something increased from 2.2% to 2.8%, it increased 60 basis points.

#### Goods Transportation Sector

Components of GDP that are critical in demand for goods and thereby induce demand for transportation services.

#### M/M

Month over month. The difference in percentage or units when compared to the previous month.

#### New Truck Lead Time

The Backlog of Class 8 truck orders divided by the Build for a given month. Gives an indication of the average length of time in months for a fleet to take delivery of a new truck order.

#### Rail Carloads

Rail carloads is the seasonally adjusted number of carloadings originated in the United States plus loads that come to U.S. destinations from Mexico and Canada. Data in this report excludes intermodal loadings.

#### Rail Shippers Conditions Index (RCI)

A measure of market conditions that influence the rail shippers freight transport environment. This index tracks the changes representing five major conditions in the U.S. carload freight market. The conditions are: freight demand, freight rates, fleet capacity, carload service, and fuel price. The individual metrics are combined into a single index that tracks the conditions that influence the rail shippers freight transport environment. A positive score represents good, optimistic conditions; a negative score represents bad, pessimistic conditions.

#### Railcar Utilization Rate

This metric calculates the percentage of the total population of railcars that is required to move the N.A. rail freight. In general, a figure above 90% indicates a tight market where the majority of the railcar population is at work. A figure below 80% indicates a weak market where a significant portion of the population is idle or underutilized.

#### SAAR

Seasonally Adjusted Annualized Rate

#### Shippers Conditions Index (SCI)

This index tracks the changes representing four major conditions in the U.S. full-load freight market. The major conditions are: freight demand, freight rates, fleet capacity, and fuel price. The individual metrics are combined into a single index that tracks the market conditions that influence the shippers freight transport environment. A positive score represents good, optimistic conditions; a negative score represents bad, pessimistic conditions.

#### STCC

Standard Transportation Commodity Code (Similar to the SIC/NAICS Codes with a few added categories designed for transportation movements)

#### TEU

Twenty Foot Equivalent Unit. Used for reported port container statistics.

#### Ton

Tonnage. Ton Originated by specific mode (i.e. one ton of coal shipped by rail and then by water would be shown as two tons of coal). This is Domestic Traffic Only. Export movements are included only as far as the border or to a port in which it will be directly exported. The same is true for Imports. An import is counted once it reaches the border or a port.

#### Tonmile

One ton moved one mile = one tonmile.

#### Truck Driver Pressure Index

The index tracks carriers' need for additional drivers based on trends in the business cycle, demographics, and regulations. Business cycles create natural shortages (and surpluses) that stem from typical economic activity. Demographic changes in any given year are small and only add up after a significant time span. Regulations vary across the industry and are difficult to predict due to changing priorities and uncertain response.

The index baseline is zero, representing balance in the driver hiring environment. Positive readings suggest greater pressure on rates and utilization; negative readings suggest less pressure.

#### Truck Loadings

Truck loadings is the estimated number of truck loads originated in the United States plus truck loads that come to U.S. destinations from Mexico and Canada. It is tons divided by the average tons per load.

#### Truck Utilization Rate - "Active"

This metric calculates the percentage of the population of active trucks that is required to move the U.S. truck freight. In general, a figure above 95% indicates a tight market where the majority of the truck population is at work. A figure below 90% indicates a weak market where a significant portion of the truck population is idle.

#### Truck Utilization Rate - "Total"

This metric calculates the percentage of the total population of trucks that is required to move U.S. truck freight. In general, a figure above 90% indicates a tight market, a figure below 85% indicates a weak market.

#### Trucking Conditions Index (TCI)

This index tracks the changes representing four major conditions in the U.S. full-load truck market. The major conditions are: freight demand, freight rates, fleet capacity, and fuel price. The individual metrics are combined into a single index that tracks the market conditions that influence fleet behavior. A positive score represents good, optimistic conditions; a negative score represents bad, pessimistic conditions.

#### Y/Y

Year over year. The difference in percentage or units when compared to the same month, quarter, or time period of the previous year.



## **Trailer Types**

### **Dry Van**

An enclosed, rectangular, box trailer that carries general freight.

### **Refrigerated (Reefer) Van**

A refrigerated and insulated van used to transport temperature-sensitive freight.

### **Flatbed (Platform)**

A flat surfaced, open, trailer with no enclosure or doors.

### **Specialized (Specialty)**

There is a wide assortment of specialized trailers that are highly engineered for specific purposes (i.e. auto hauler, livestock, lowbed, oversized, etc.)

### **Tank (Tanker)**

A trailer with an enclosed, sealed, cylinder-shaped tank used to carry liquid or dry bulk freight.

### **Bulk/Dump**

This is a combined group of Dump trailers and Straight Trucks. A Dump trailer has an open-top box (bucket) used for hauling dirt, rocks or gravel. Discharge can be from end, bottom, or side. Straight Trucks have the trailing equipment permanently mounted to the chassis. The largest segment are Dump Trucks that haul stone and aggregates.

## **Railcar Types**

### **Box Cars**

An enclosed car which has doors. It is used for general service and for lading which must be protected from the weather.

### **Covered Hoppers**

A hopper car with a permanent roof and bottom openings for unloading. Used for carrying cement, grain, or other bulk commodities.

### **Flat Cars**

An open car without sides, ends or top, used principally for hauling lumber, stone, heavy machinery, TOFC/COFC equipment, etc.

### **Gondolas**

A car without a top covering which has straight sides and ends, the floor or bottom of which is approximately level. Used for bulk freight.

### **Open-Top Hoppers**

Cars having sides and ends but no roof with a sloping floor which will discharge its load by gravity through the hopper doors.

### **Tank Cars**

A car which consists of a tank for carrying liquids such as oil, molasses, vinegar, acids, compressed gasses and granular solids.

## **Freight Rates**

### **Dry Van**

Revenue per Loaded Mile. Spot/contract rates for Dry Van activity both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008.

### **Refrigerated (Reefer) Van**

Temperature-Controlled (TC). Revenue per Loaded Mile. Spot/contract rates for Refrigerated activity both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008.

### **Flatbed (Platform)**

Revenue per Loaded Mile. Spot/contract rates for Flatbed activity both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008.

### **Specialized**

Revenue per Loaded Mile. Spot/contract rates for Specialized equipment both with and w/o Fuel Surcharge (FSC).

Indexed to 1Q2008. Note: Includes numerous types of trailer freight, but generally excludes tank trailers.

### **Less-Than-Truckload (LTL)**

Revenue per hundredweight. Contract rates for LTL moves. These are parcel, pallet, or less than full truckload moves by LTL carriers.

Indexed to 1Q2008.

### **Intermodal**

Revenue per Load. An estimate of pricing trajectory that is calculated based on the underlying cost pressures from dry van truckload and rail line-haul. Shown both with fuel surcharges (FSC) included and net of FSC.

Indexed to 1Q2008.

### **Rail Carload**

An estimate of U.S. Class I rail pricing power that is calculated from data reported to the STB. It measures revenue per tonmile and is shown both with fuel surcharges (FSC) included and net of FSC. It is impacted by both actual railroad rates and by changes in the mix of commodities moved.

Indexed to 1Q2008.



## **AAR Carload Commodity Definitions**

### **Chemicals**

Industrial chemicals, plastic resins, fertilizer, ethanol, hazardous materials, etc.

### **Coal**

Coal. Includes anthracite, bituminous, and lignite coal.

### **Coke**

Petroleum coke, coke produced from coal, and coal or coke briquettes

### **Crushed Stone, Sand & Gravel**

Crushed or broken stone, sand, aggregate, gravel

### **Farm Products Excluding Grain**

Primarily fresh fruits and vegetables. Includes all farm products except grains and soybeans.

### **Food Products**

Canned goods, meat and animal products, sugar, beverages, seed and vegetable oils, etc.

### **Grain**

Primarily corn, wheat, and soybeans but also includes oats, barley, rye, sorghum, etc.

### **Grain Mill Products**

Soybean meal, corn syrup, animal feed, flour, corn starch, milled rice, distiller's dried grains (DDG), etc.

### **Iron and Steel Scrap**

Iron and steel (i.e. ferrous) scrap

### **Lumber & Wood Products**

Lumber and dimension stock, plywood, etc.; does not include furniture

### **Metallic Ores**

Overwhelmingly iron ore, but some aluminum ore, copper ore, etc.

### **Motor Vehicles & Parts**

Finished vehicles, parts, auto and truck bodies, etc.

### **Nonmetallic Minerals**

Phosphate rock, rock salt, crude sulphur, clay, etc.

### **Petroleum & Petroleum Products**

Crude petroleum and products of petroleum refining such as liquefied gases, jet fuel, fuel oil, lubricating oils, asphalt tars, etc.

### **Primary Forest Products**

Wood raw materials such as pulpwood and wood chips

### **Primary Metal Products**

Primarily iron and steel products; some aluminum, copper, etc. Includes galvanized, and fabricated metal products, except ordnance materials, machinery, and transportation equipment.

### **Pulp & Paper Products**

Paperboard, pulpboard, fiberboard, printing paper, pulp, newsprint, boxes, industrial paper, etc.

### **Stone, Clay & Glass Products**

Ground nonmetallic minerals or earths, cement, lime, gypsum products, glass products, bricks and other clay products, abrasives, etc.

### **Waste & Scrap**

Non-ferrous scrap metal, scrap paper, construction debris, ashes, etc.

### **All Other Carloads**

Commodities not included in any of the above categories, excluding intermodal traffic

## **AAR Carload Summary Traffic Groups**

### **Agricultural Products**

Grain; Farm Products; Grain Mill Products; Food Products

### **Automotive**

Motor Vehicles & Parts

### **Chemicals**

Chemicals; Petroleum & Petroleum Products

### **Coal**

Coal

### **Forest Products**

Primary Forest Products; Lumber & Wood Products; Pulp & Paper Products

### **Metallic Ores & Metals**

Metallic Ores; Coke; Primary Metal Products; Iron & Steel Scrap

### **Non-Metallic Minerals and Products**

Crushed Stone, Sand & Gravel; Non-Metallic Minerals; Stone, Clay & Glass Products

### **All Other**

Waste & Non-Ferrous Scrap; All Other Carloads



### Rail Intermodal

#### Revenue Moves

Rail Intermodal Loadings of Units Originated. Intermodal is defined as a movement of a container or trailer via more than one mode of transportation (i.e. rail + truck or ship + rail or ship + truck). This data tracks intermodal movements that involve the rail mode. Such movements may involve the movement of International and Domestic Containers as well as Trailers via rail.

#### Intermodal

Counts intermodal rail revenue movements, defined as any movement of a container or trailer, whether loaded or empty, that generates revenue for the railroad. Empty movements of rail-owned containers and trailers typically do not generate rail revenue and therefore are not captured in the data.

A revenue movement typically encompasses the entire journey from when the container or trailer is placed on the rail at the originating intermodal terminal to where it is removed from the railcar at the terminating intermodal terminal and may involve movement over more than one railroad.

Long-haul movements passing through rail gateways, such as Chicago, that involve highway transfer between terminals will generally be counted as two separate movements unless traveling on a through bill of lading.

#### Intermodal Competitive Index (ICI)

This index tracks the changes representing five major conditions in the U.S. rail intermodal market. The major conditions are: freight demand, freight rates, truck capacity, rail service, and fuel price. The individual metrics are combined into a single index that measures the competitive posture of domestic intermodal vs. OTR Truck.

A positive score represents favorable conditions for intermodal to compete with truck; a negative score represents reductions in intermodal's ability to gain additional market share from truck.

#### Intermodal Market Segments

These figures track the movement of equipment, not freight. Domestic freight being moved in 20', 40', or 45' containers will be counted as INTERNATIONAL. International cargo transloaded into Domestic Containers or trailers is counted as DOMESTIC.

##### - International

Includes movements of Containers of the following lengths only: 20', 40', and 45'.

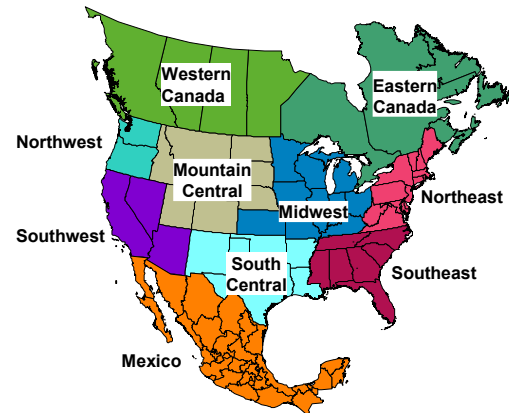
##### - Domestic

Includes movements of Trailers and all other Containers not included in International movements. Trailers of the following lengths: 20', 28', 40', 45', 48', 53'+. Containers of the following lengths: 48', 53'+. Reported movements of 28' containers are converted to 28' trailers, as all 28' containers are reportedly permanently mounted on chassis and moving as trailers.

#### Long-Haul Market Share

Average Length of Haul 550 miles or longer. Designated by Commodity at the 3-Digit STCC level.

### Intermodal Territories



### Sources

#### Association of American Railroads (AAR)

Weekly Rail Traffic Report

#### Bureau of Labor Statistics (BLS)

Employment, Consumer Prices, Producer Prices

#### Federal Reserve

Industrial Production Statistics

#### FTR

Freight-cast Transportation Model

#### Intermodal Association of North America (IANA)

ETSO Database

#### Port Reports

Monthly Container Volumes

#### Rail Reports

Weekly Market Metrics

#### Surface Transportation Board

Public Use Waybill, Rail Reporting Metrics

#### Truck/Trailer OEMs

Monthly Market Indicators

#### Truckstop.com

Weekly Spot Market Indicators

#### U.S. Census Bureau

Economic Census, USA Trade, Monthly Indicators

#### U.S. Department of Commerce

Industrial Reports; Commodity Flow Surveys, Monthly Indicators

#### Wards Automotive

RS-3S (Truck Retail Sales), FS-3 (Truck Factory Sales)

#### Witte Econometrics

U.S. Econometric Forecasting Model



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