



Economic & Industry Update

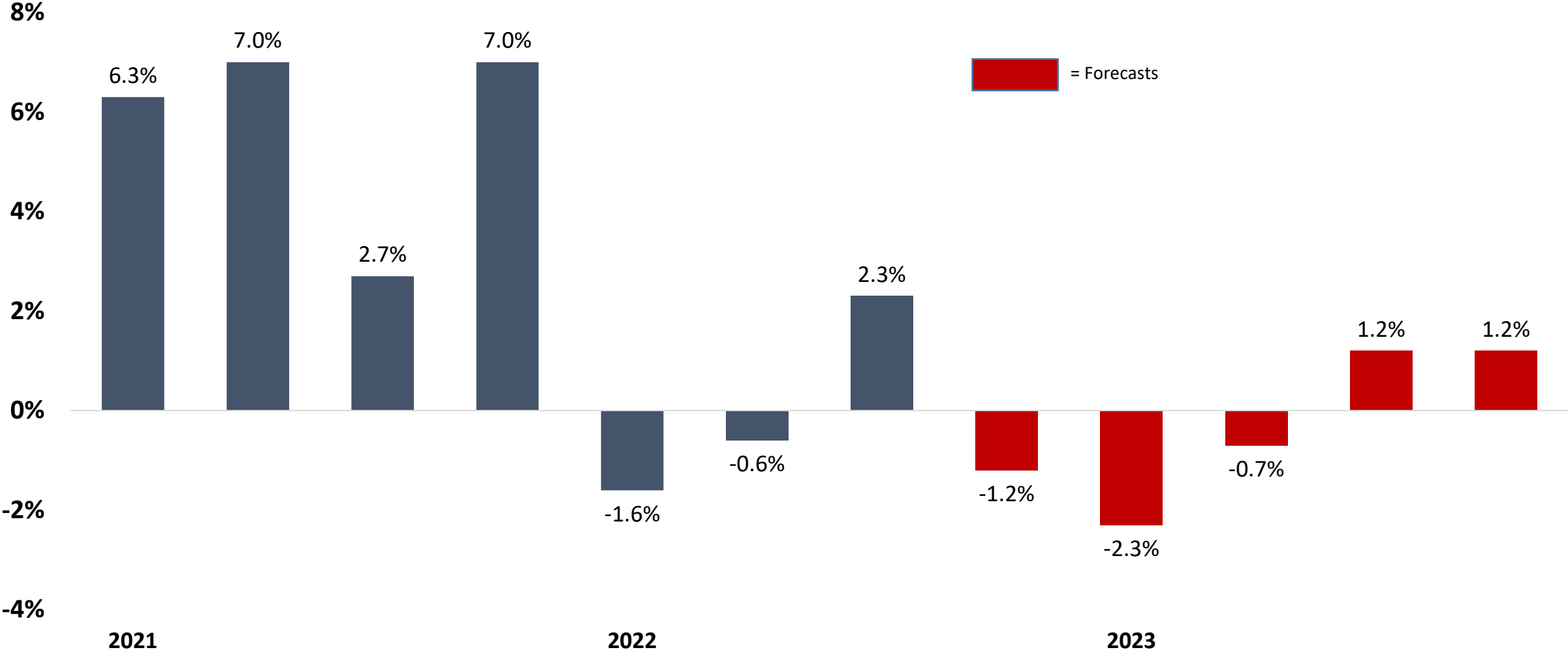
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Trade Policy & Cross-Border Operations
American Trucking Associations
bcostello@trucking.org
@ATAEconBob

November 10, 2022

Quarterly Real Gross Domestic Product Growth

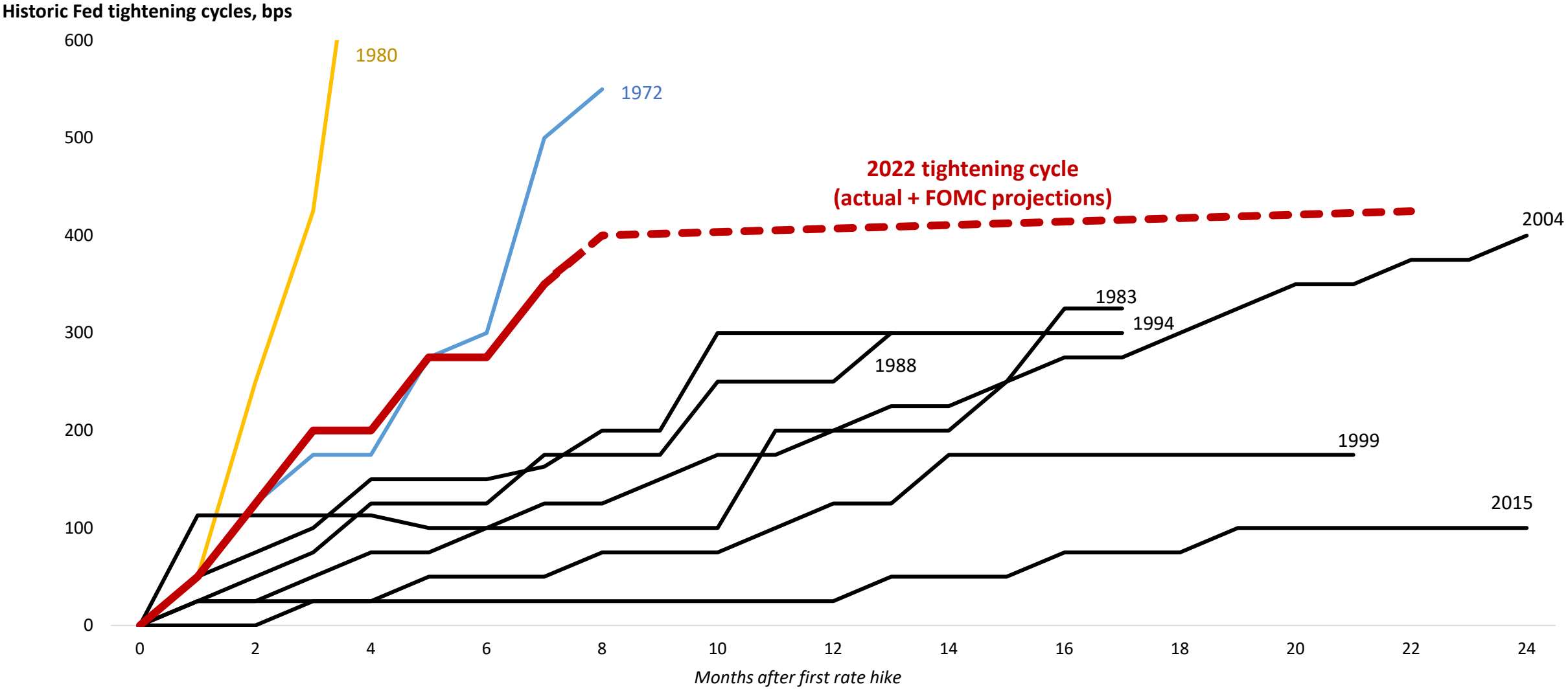
Annualized Rates



Sources: BEA & ATA



Fastest Pace of Fed Tightening in 40 Years



Source: (1) Bloomberg.
Data as of November 2, 2022. X-axis is months after the first rate hike, 2022 tightening cycle dash line is Fed projections.



Freight Buckets



**Household
Consumption**



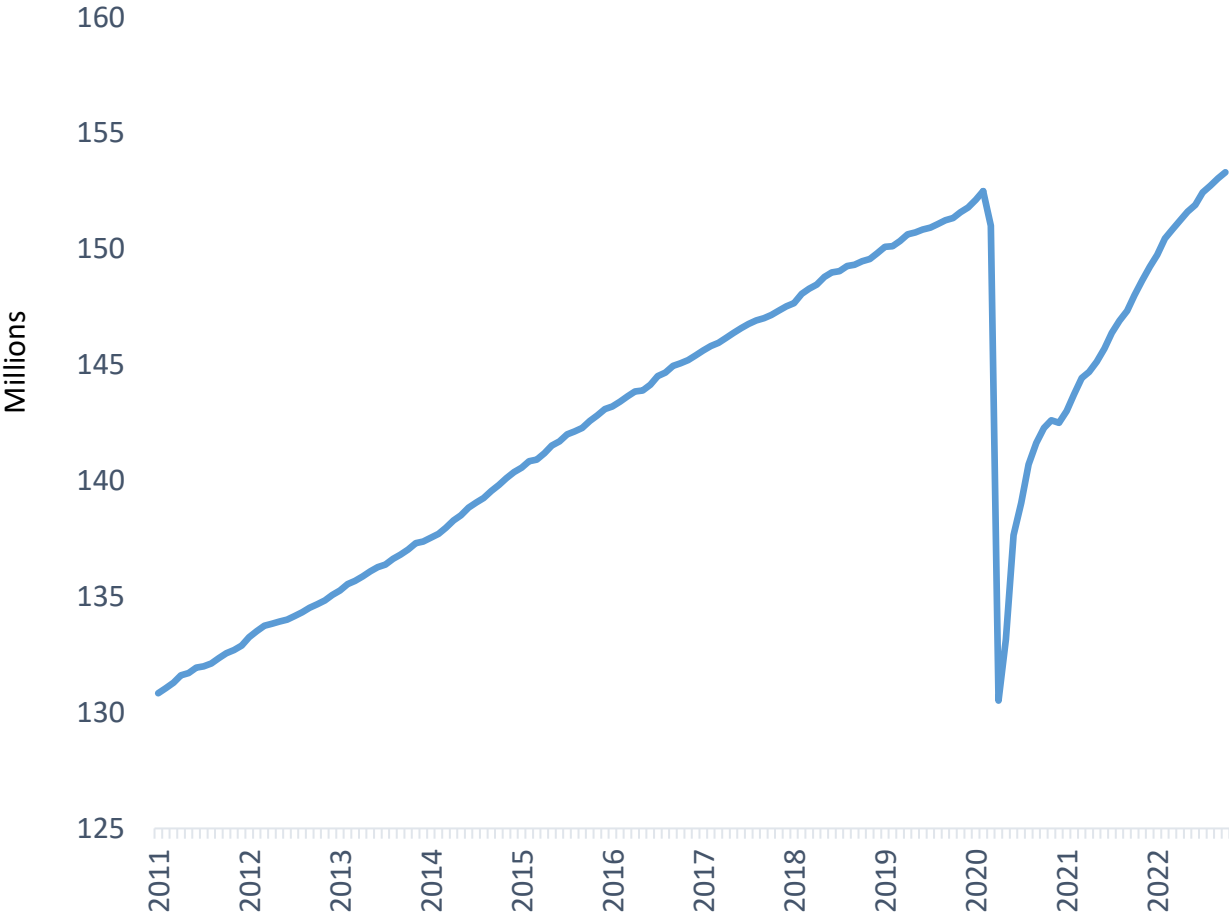
Construction



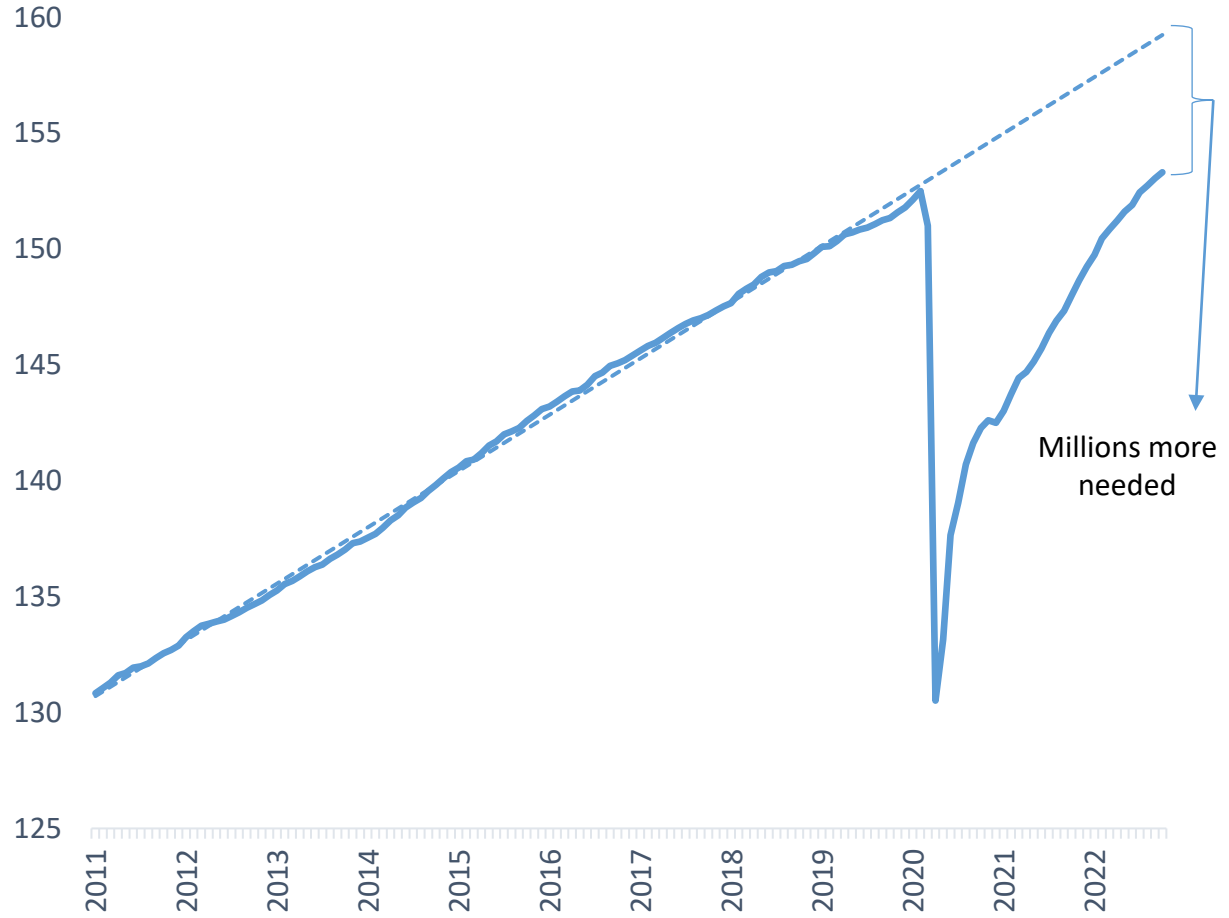
Industrial

Key U.S. Employment Metrics

Payroll Employment



Payroll Employment

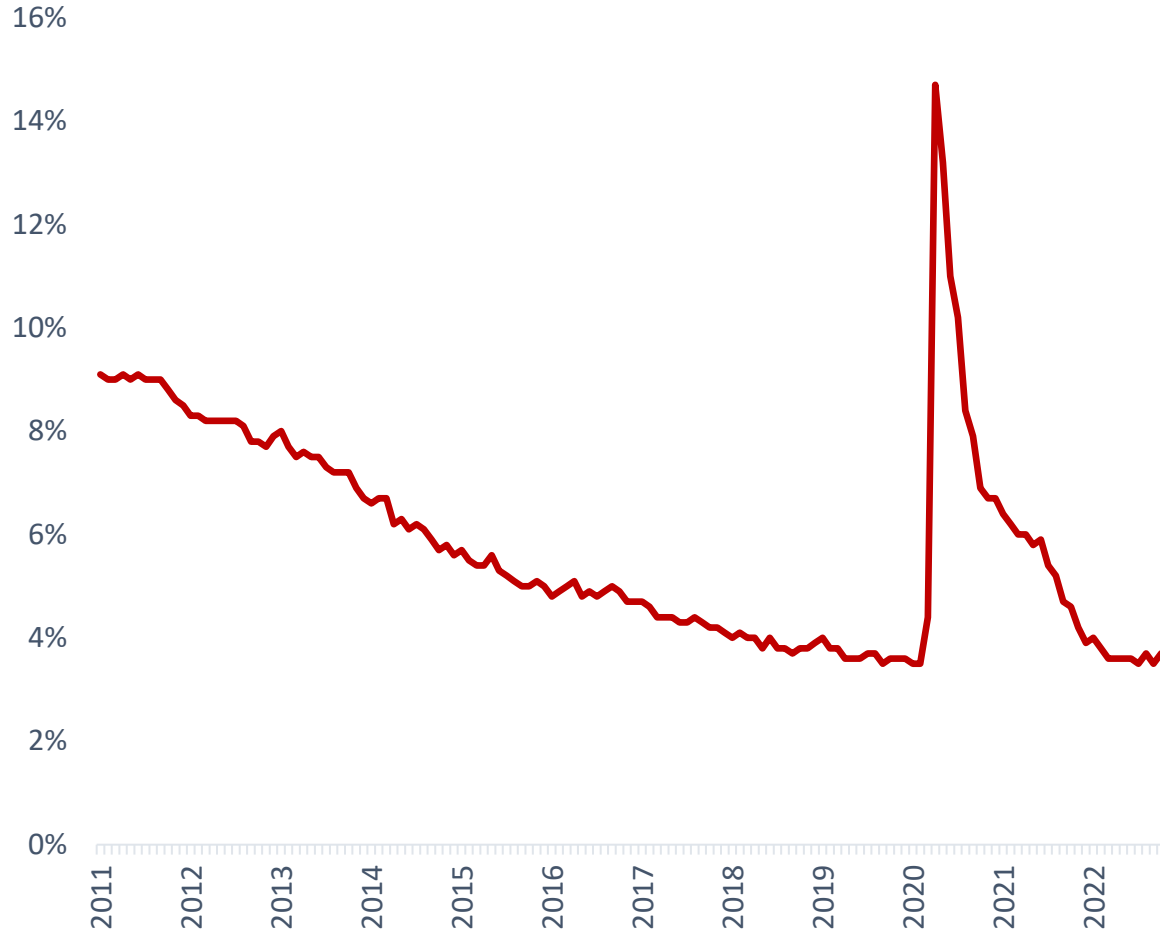


Sources: DOL & ATA

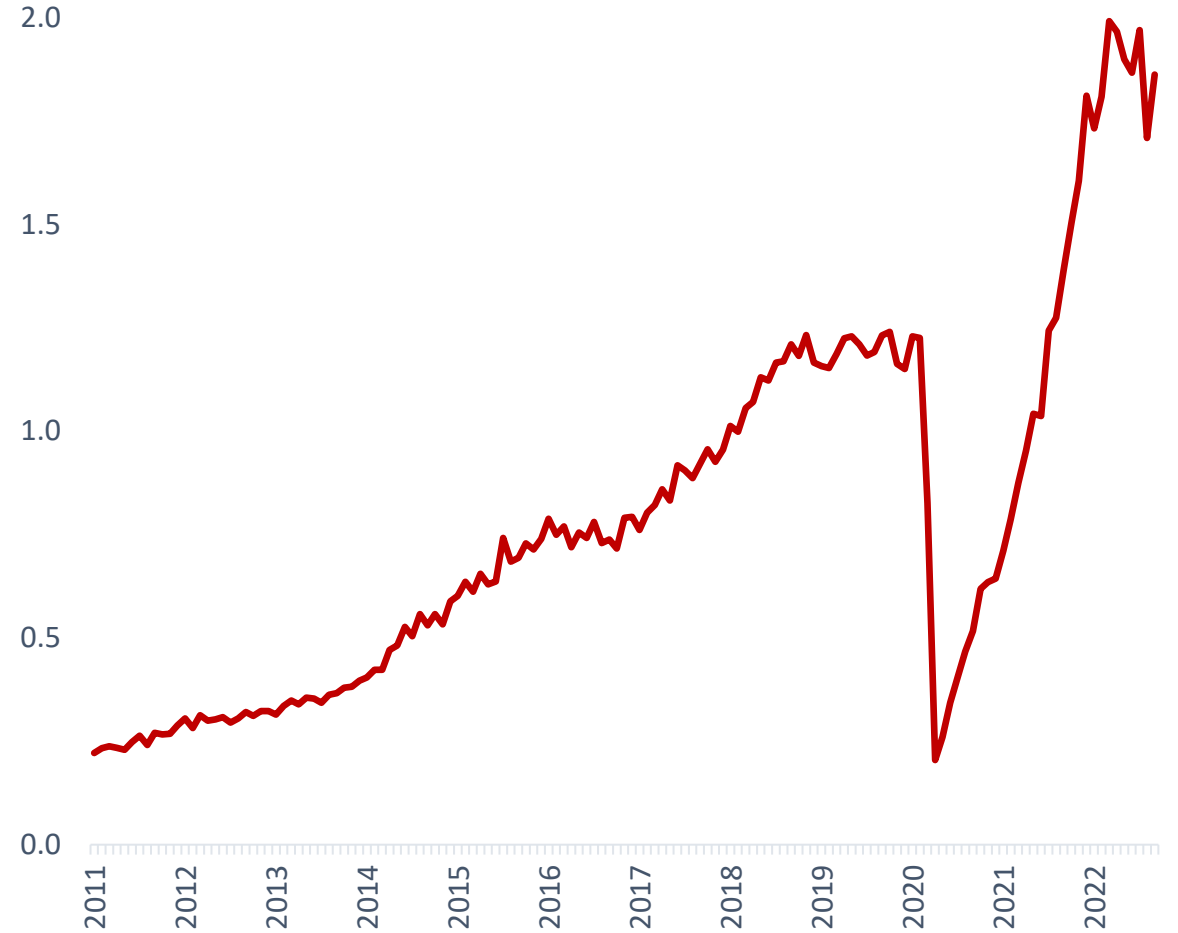


Key U.S. Employment Metrics

Unemployment Rate



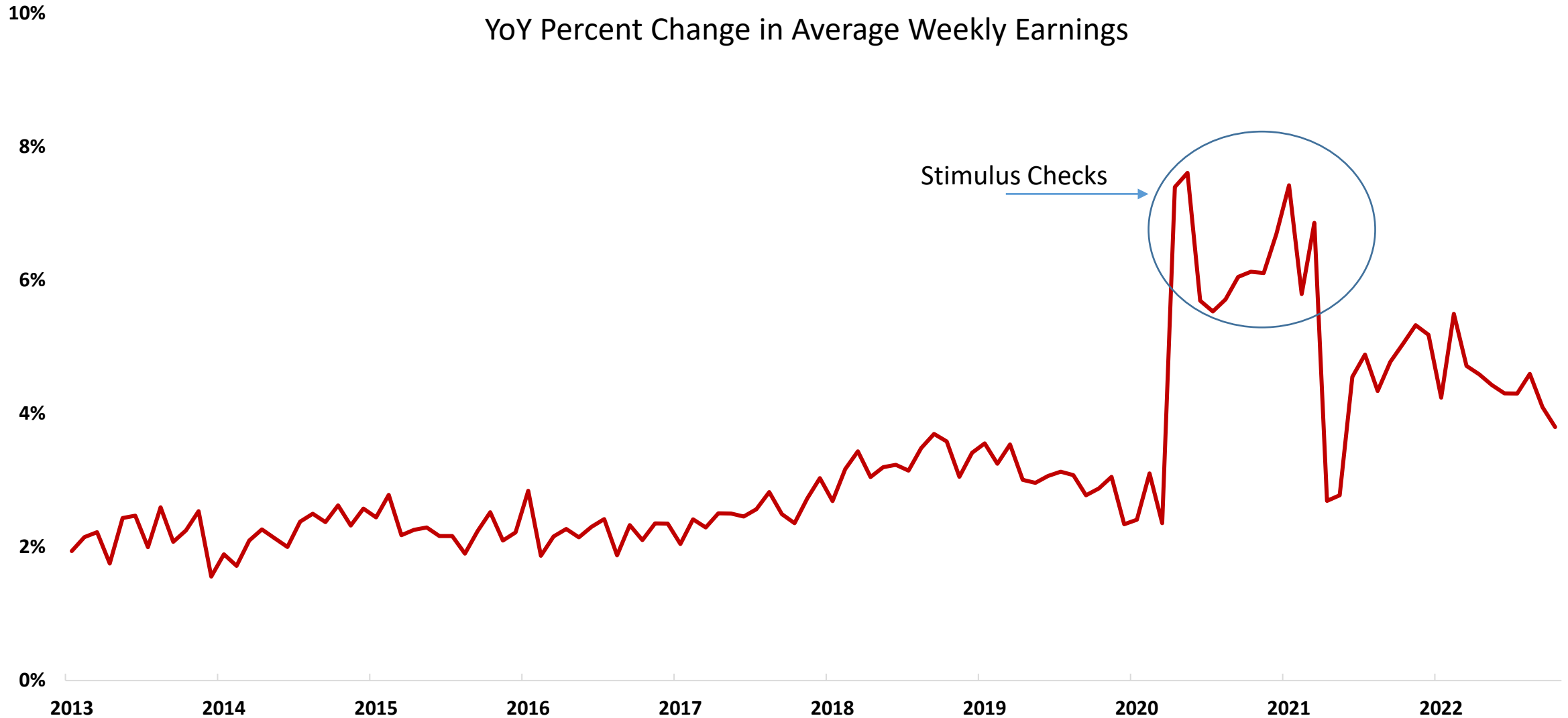
Job Openings per Unemployed Person



Sources: DOL & ATA

Average Weekly Earnings All Private Industry Employees

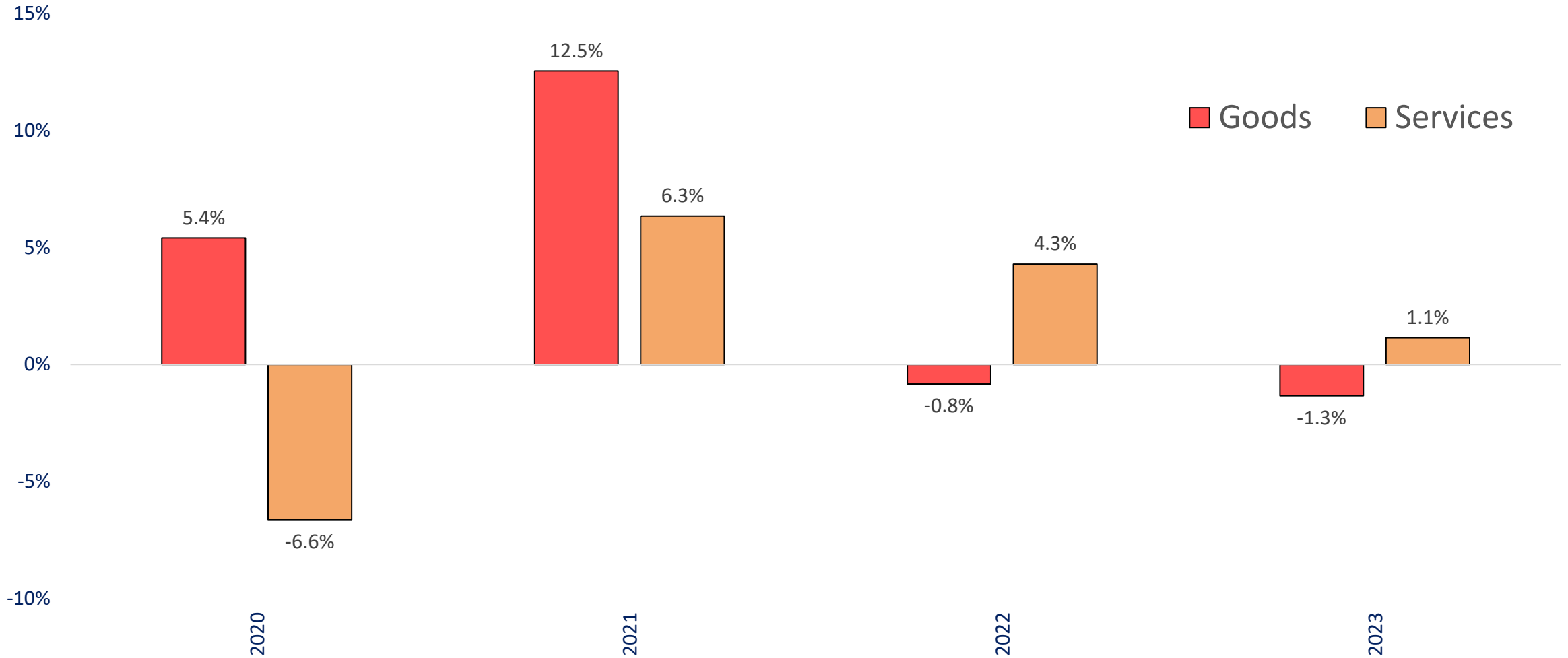
YoY Percent Change in Average Weekly Earnings



Source: Bureau of Labor Statistics

Households are Transitioning Back to Services

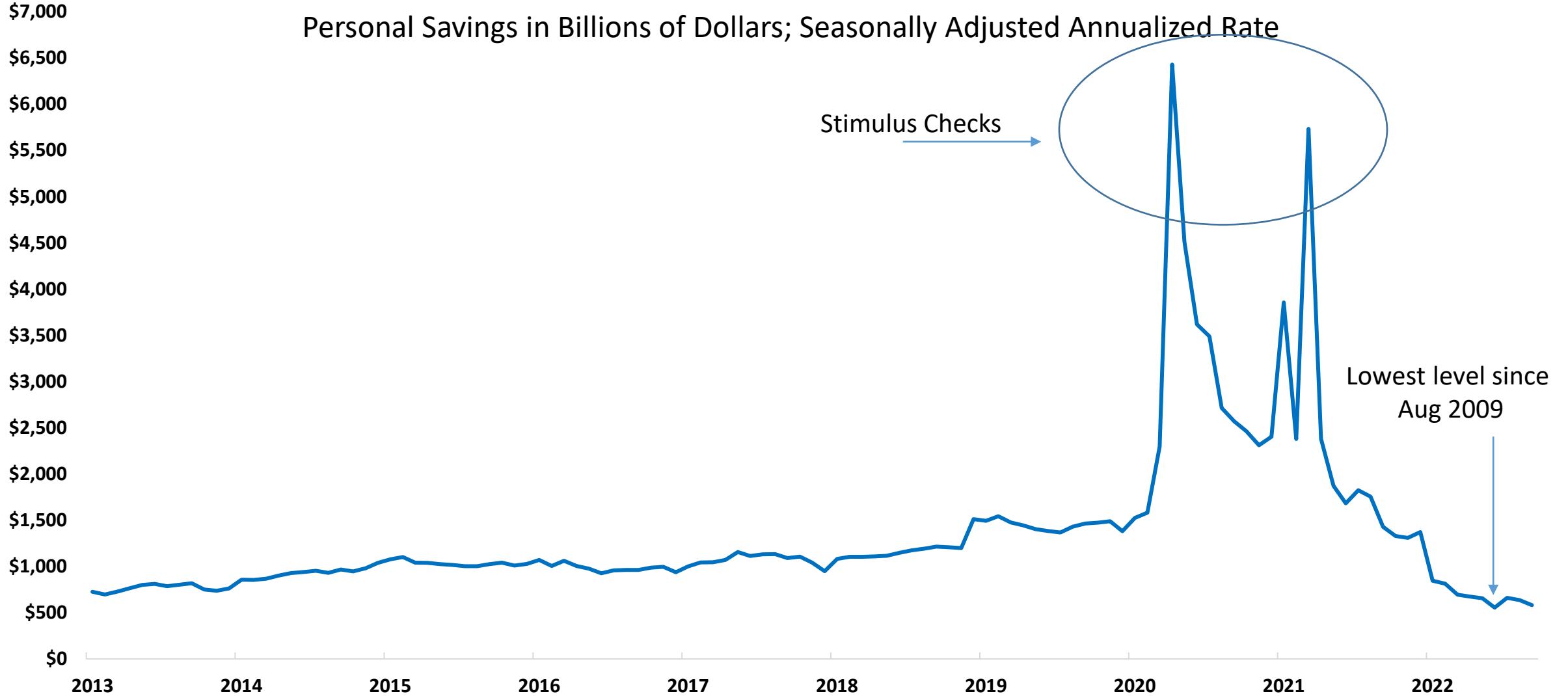
Annual Percent Change of Real Spending



Sources: BEA & ATA

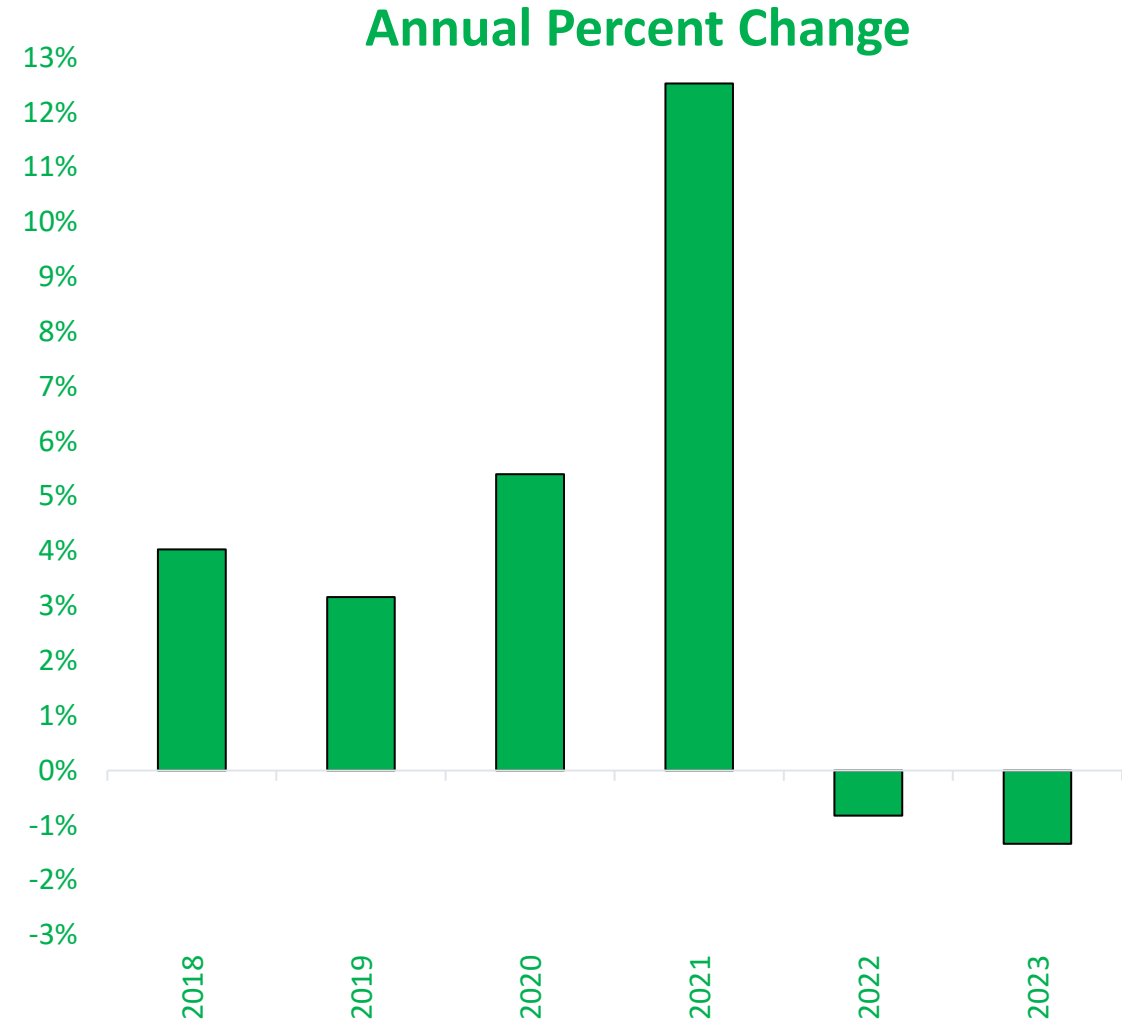
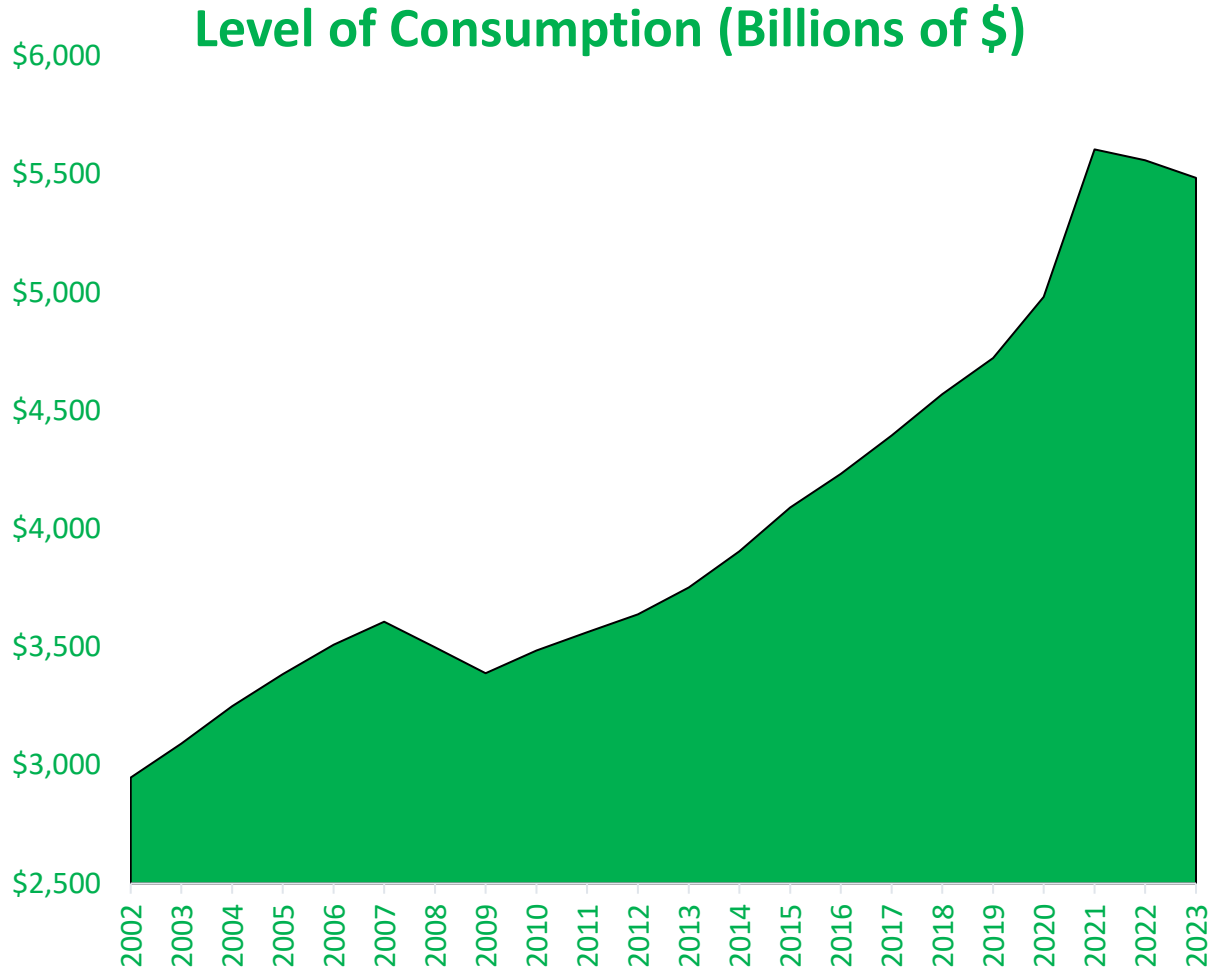
Plus, Households Are Blowing through Savings

Personal Savings in Billions of Dollars; Seasonally Adjusted Annualized Rate



Source: Bureau of Economic Analysis

Personal Consumption Expenditures of Goods (Inflation Adjusted)

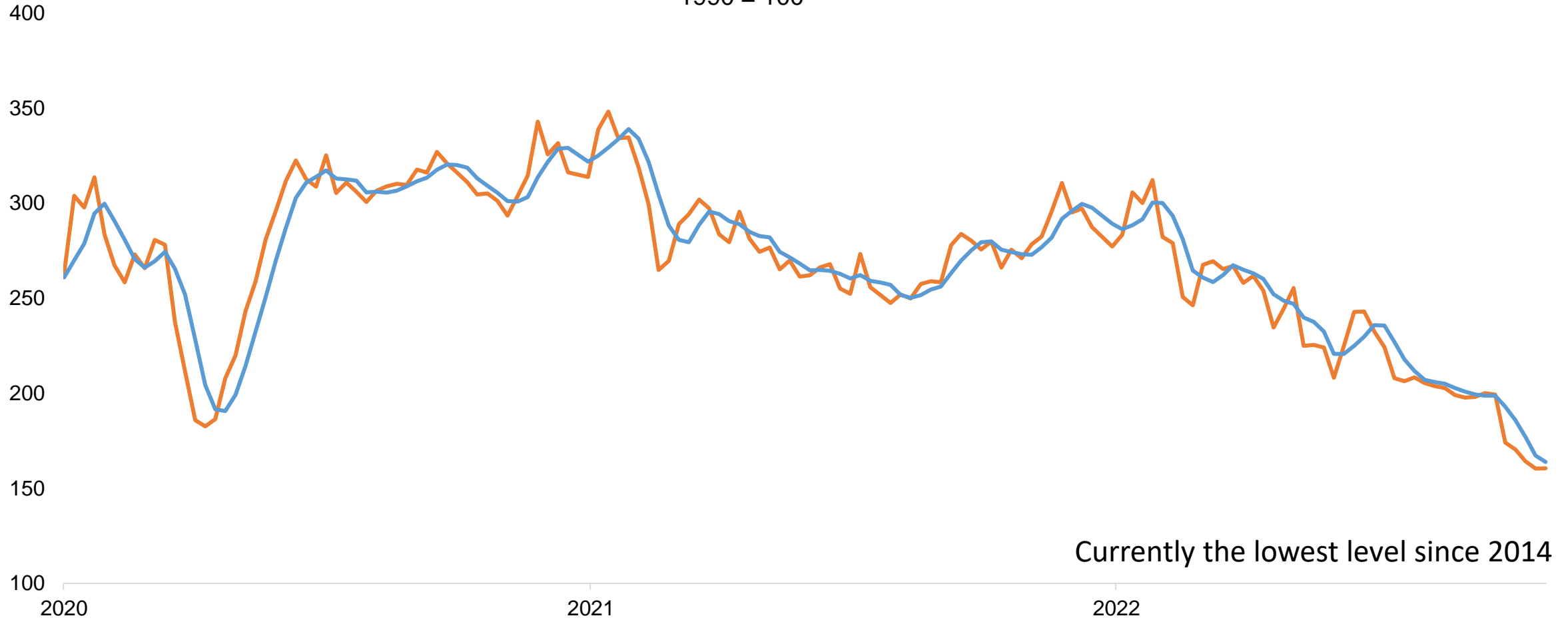


Sources: BEA & ATA

Home Purchase Applications Index

Purchase Index 4 Week Moving Average

1990 = 100



Currently the lowest level since 2014

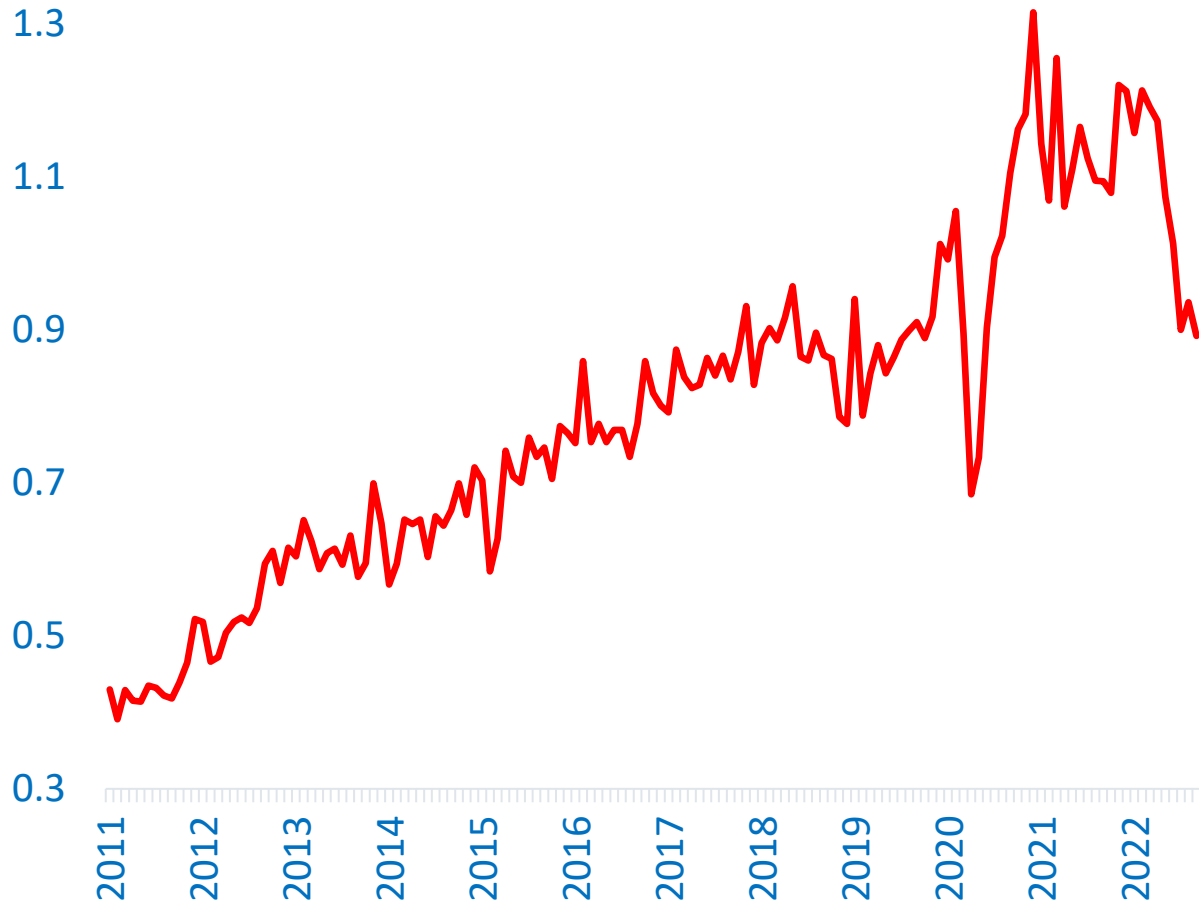
Conventional 30-Year Fixed Mortgage Rate Average



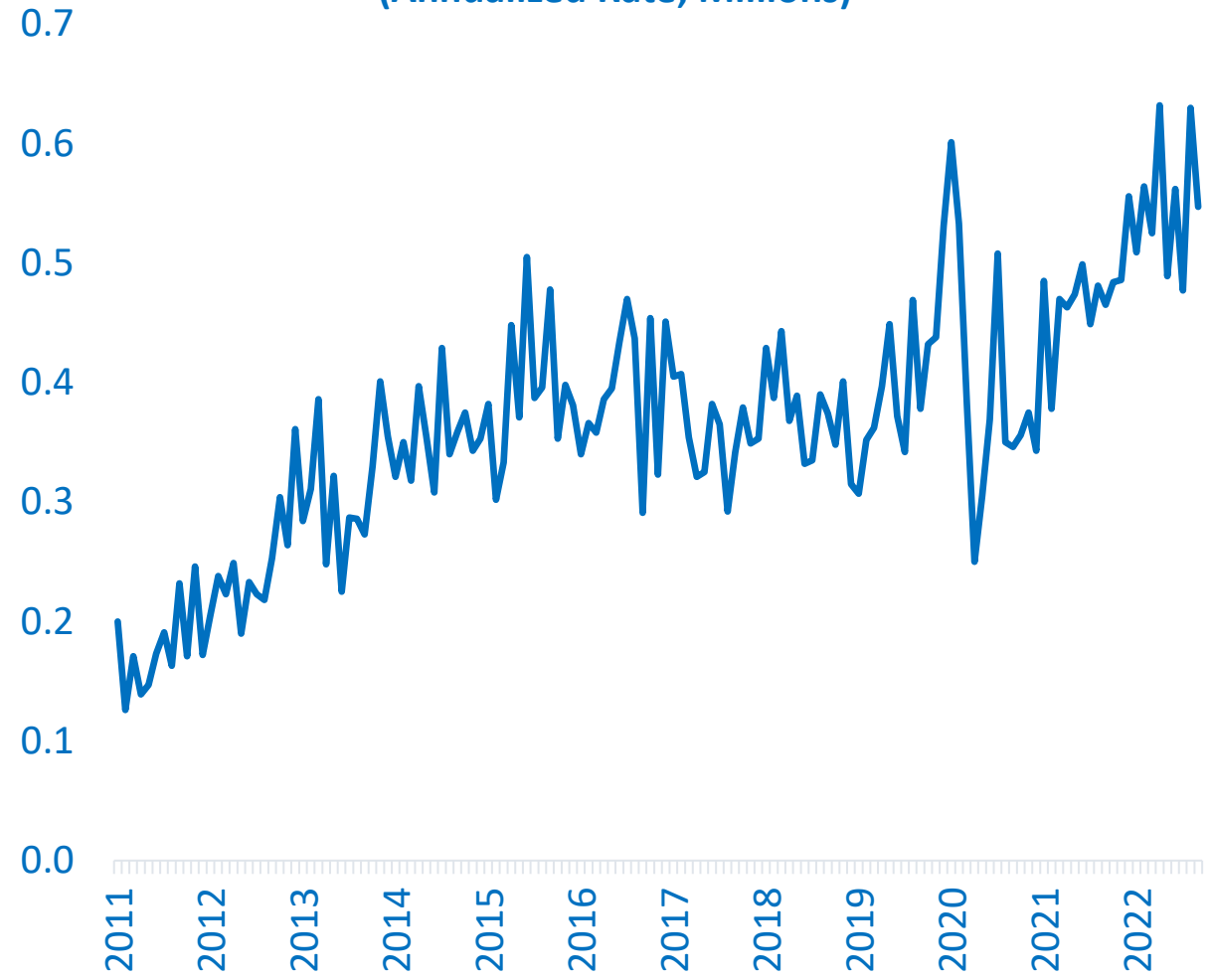
Source: FRED

Housing Market: Construction

Single-Family Housing Starts (Annualized Rate; Millions)



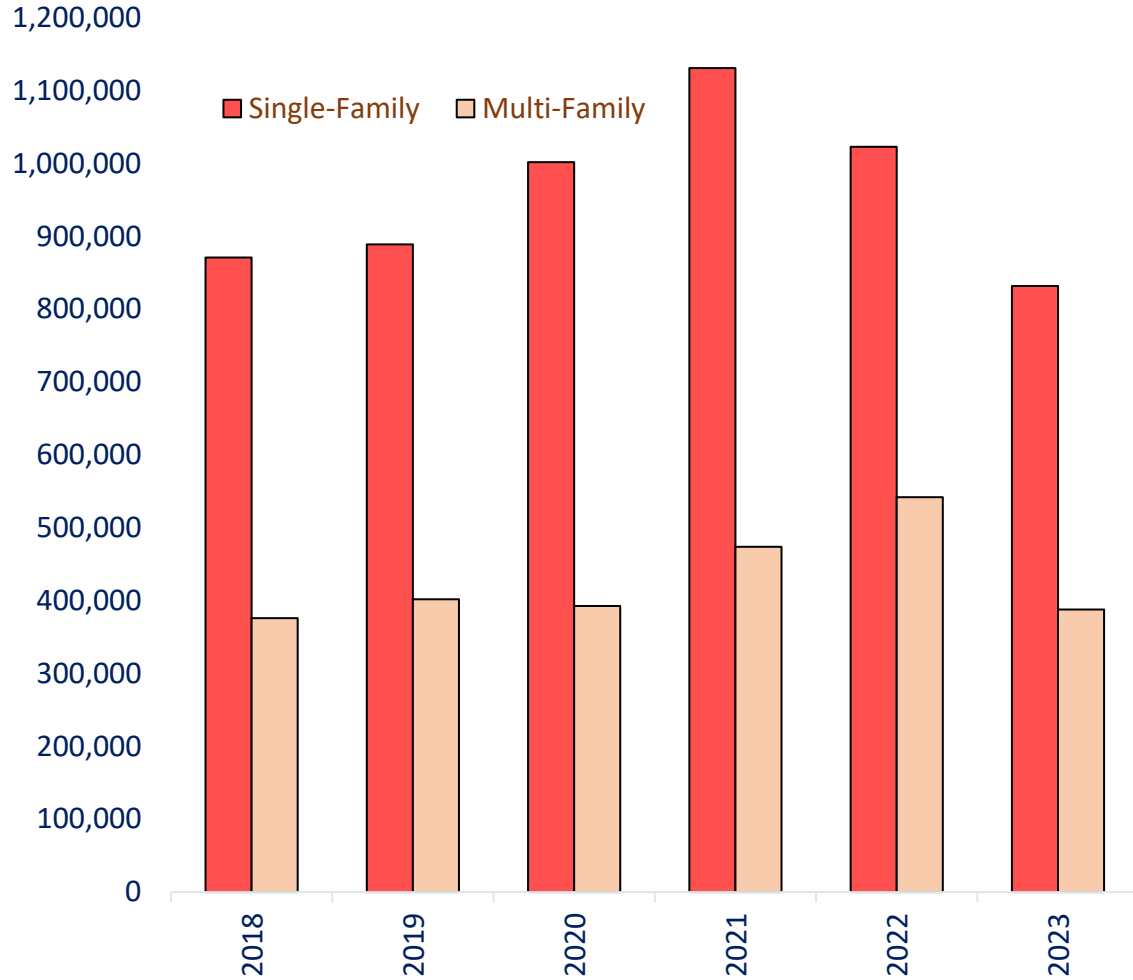
Multi-Family Housing Starts (Annualized Rate; Millions)



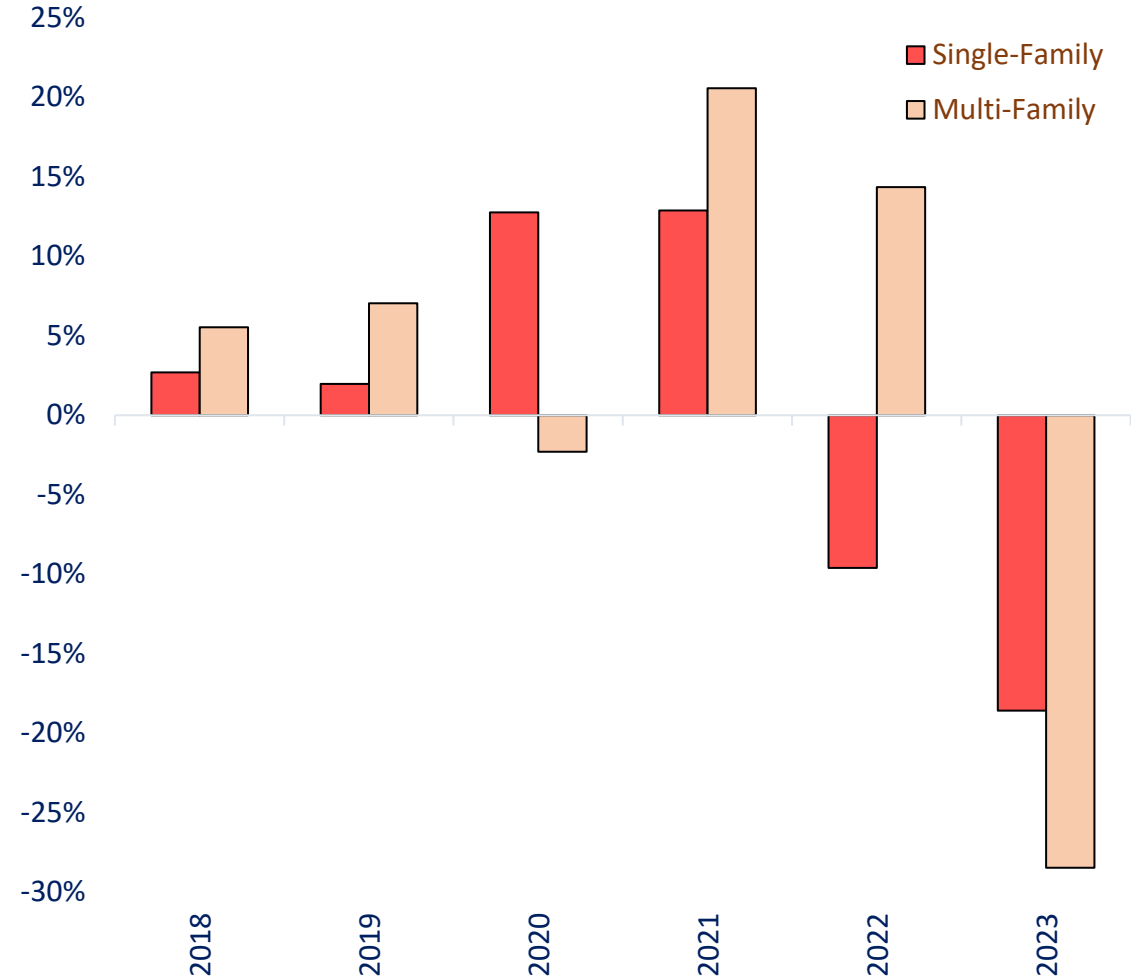
Sources: Census Bureau & ATA

Housing Market: Construction

Annual Level of Housing Starts

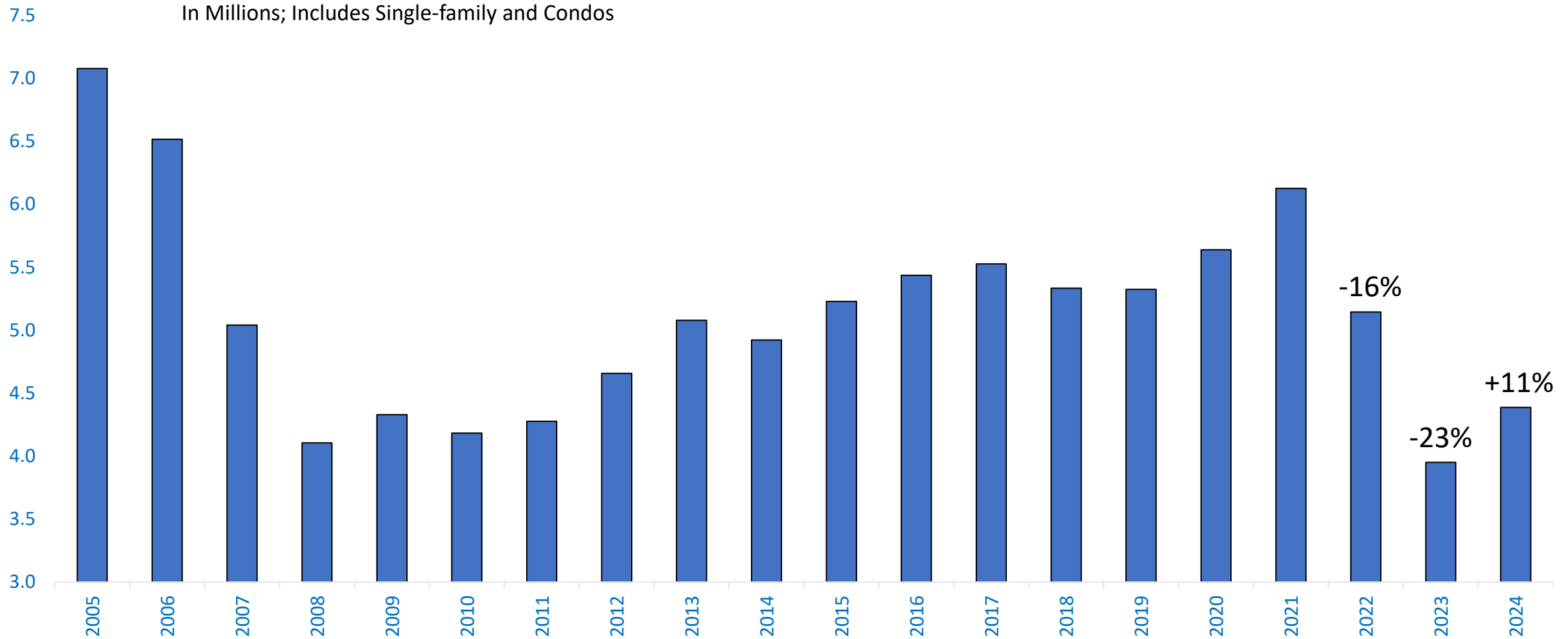


Annual Percent Change of Starts



Sources: Census Bureau & ATA

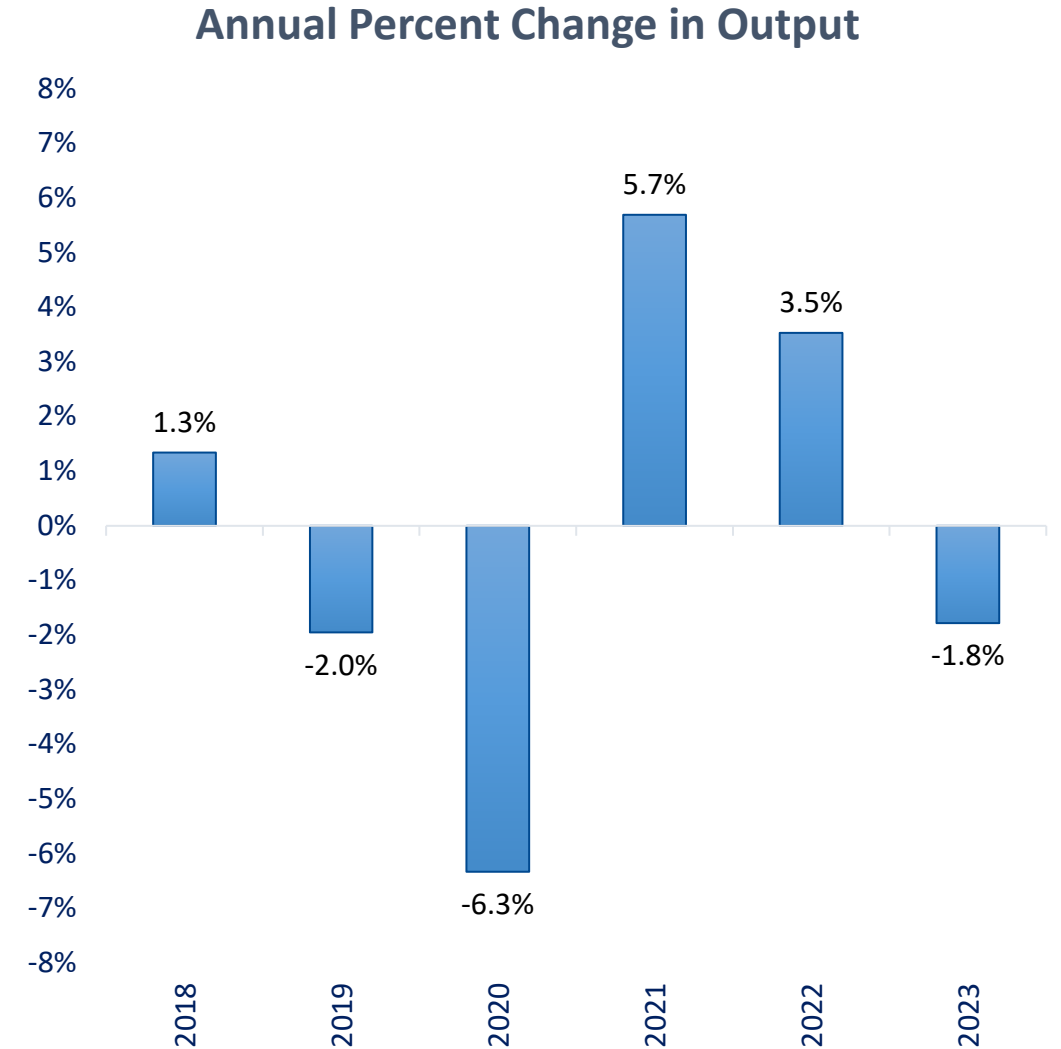
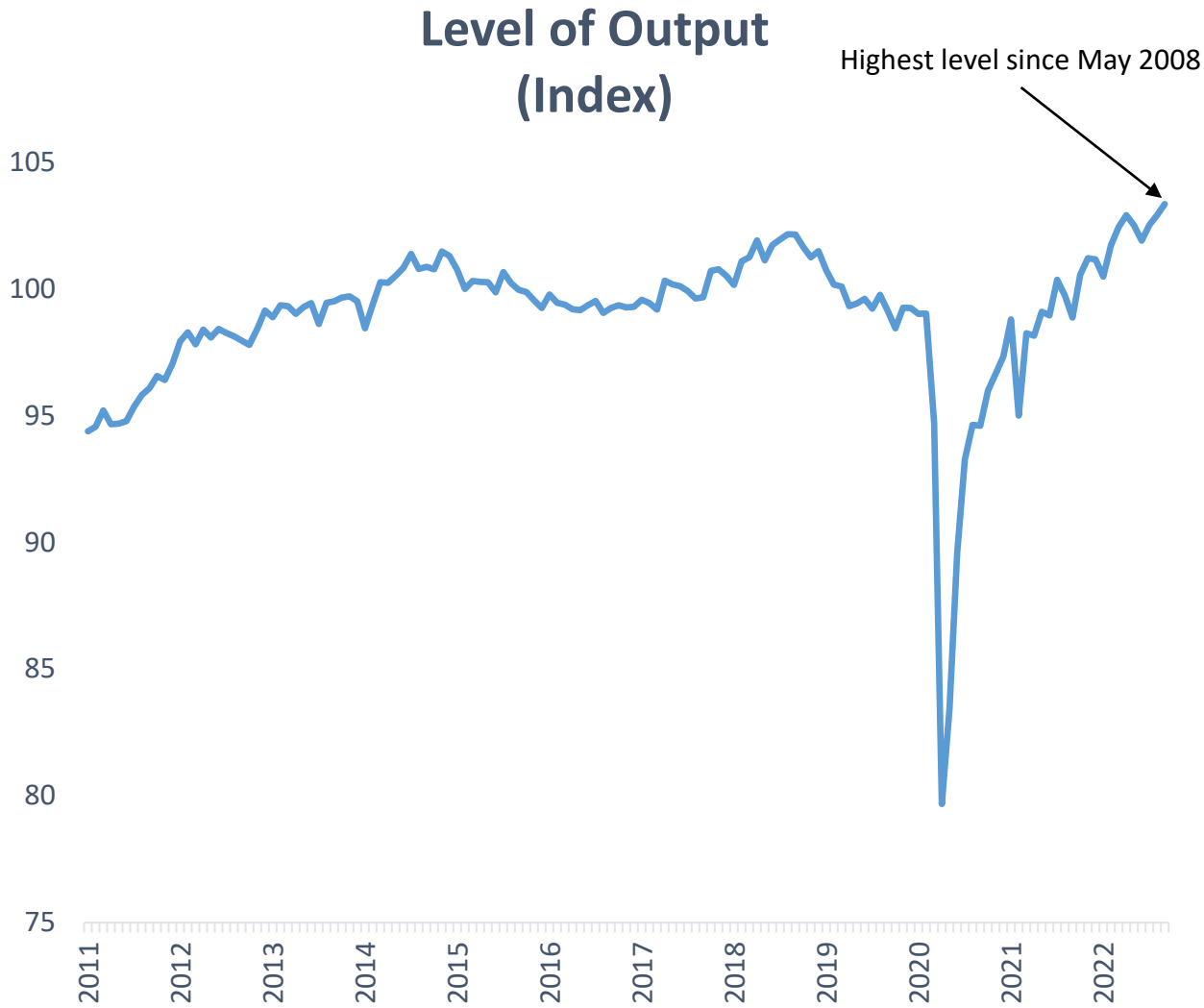
Housing Market: Existing Home Sales



Sources: NAR & ATA

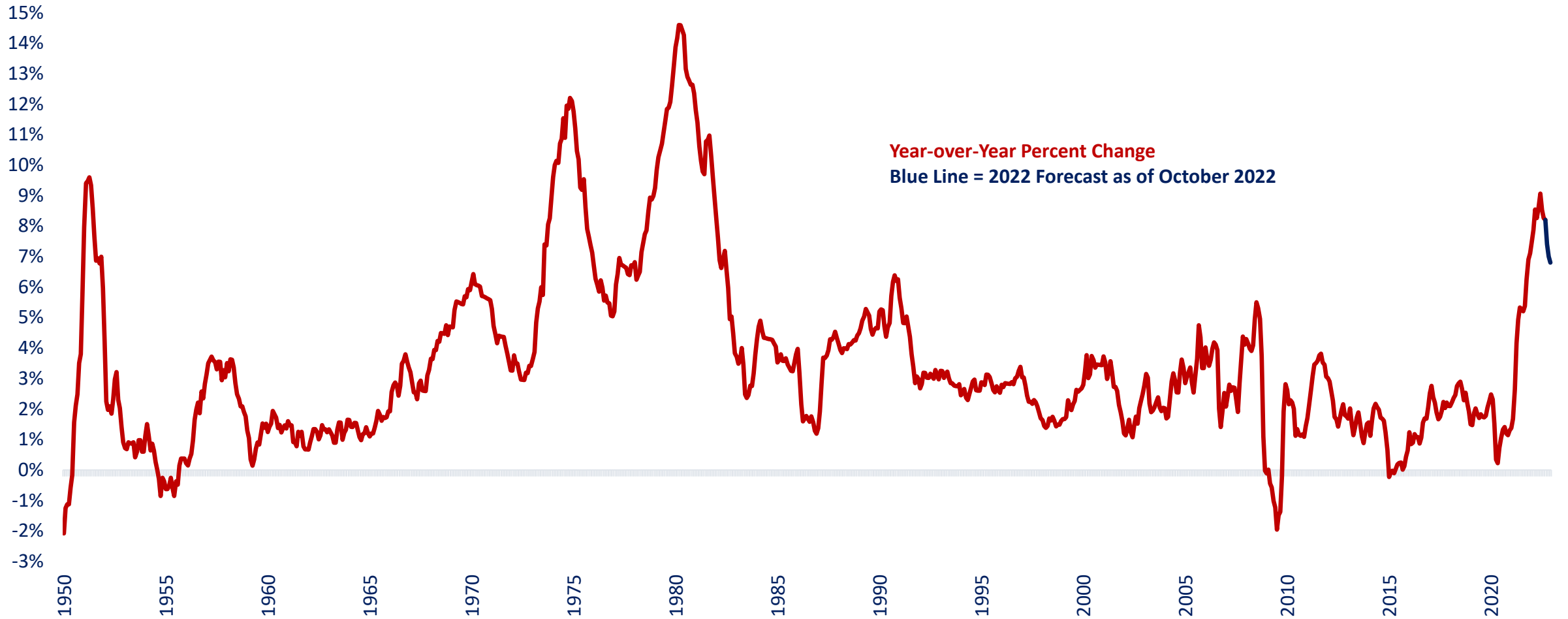


Factory Output



Source: Federal Reserve & ATA

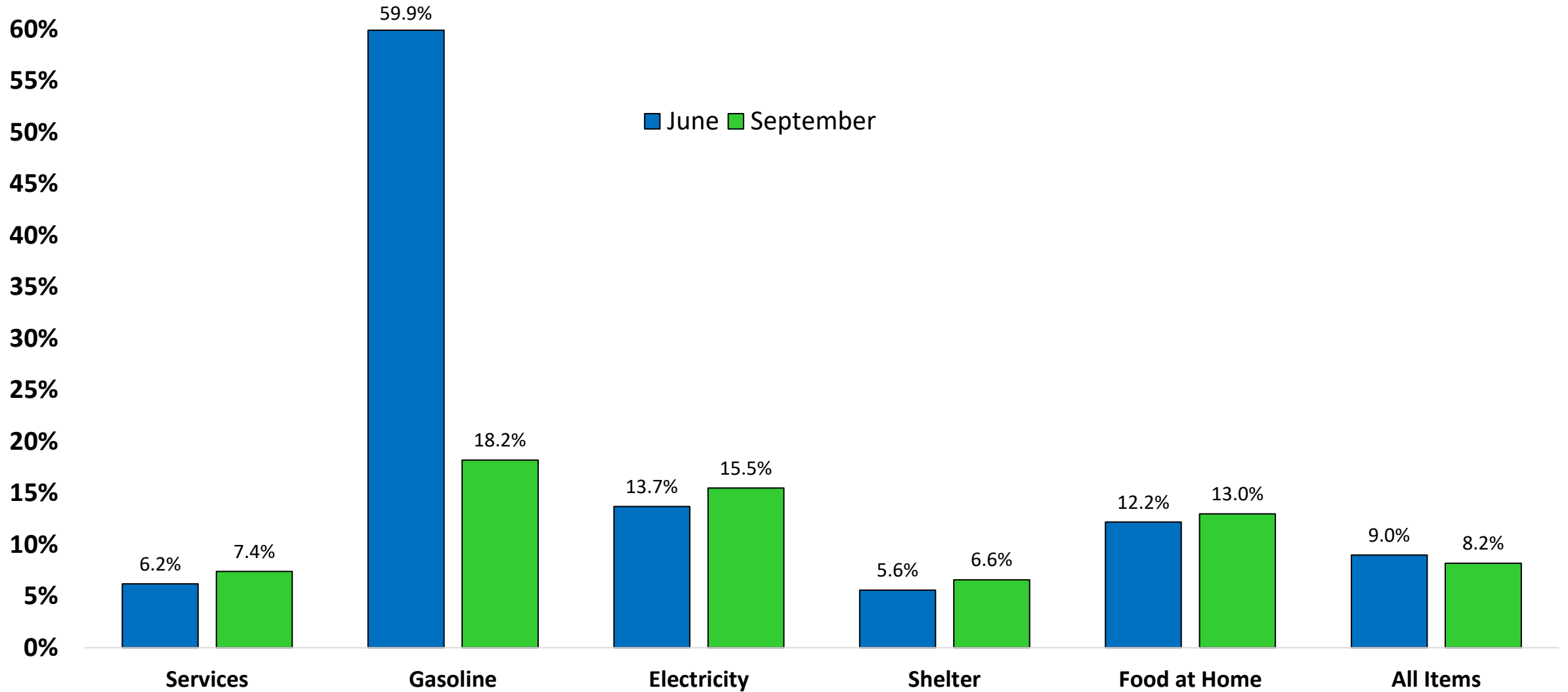
Consumer Price Index



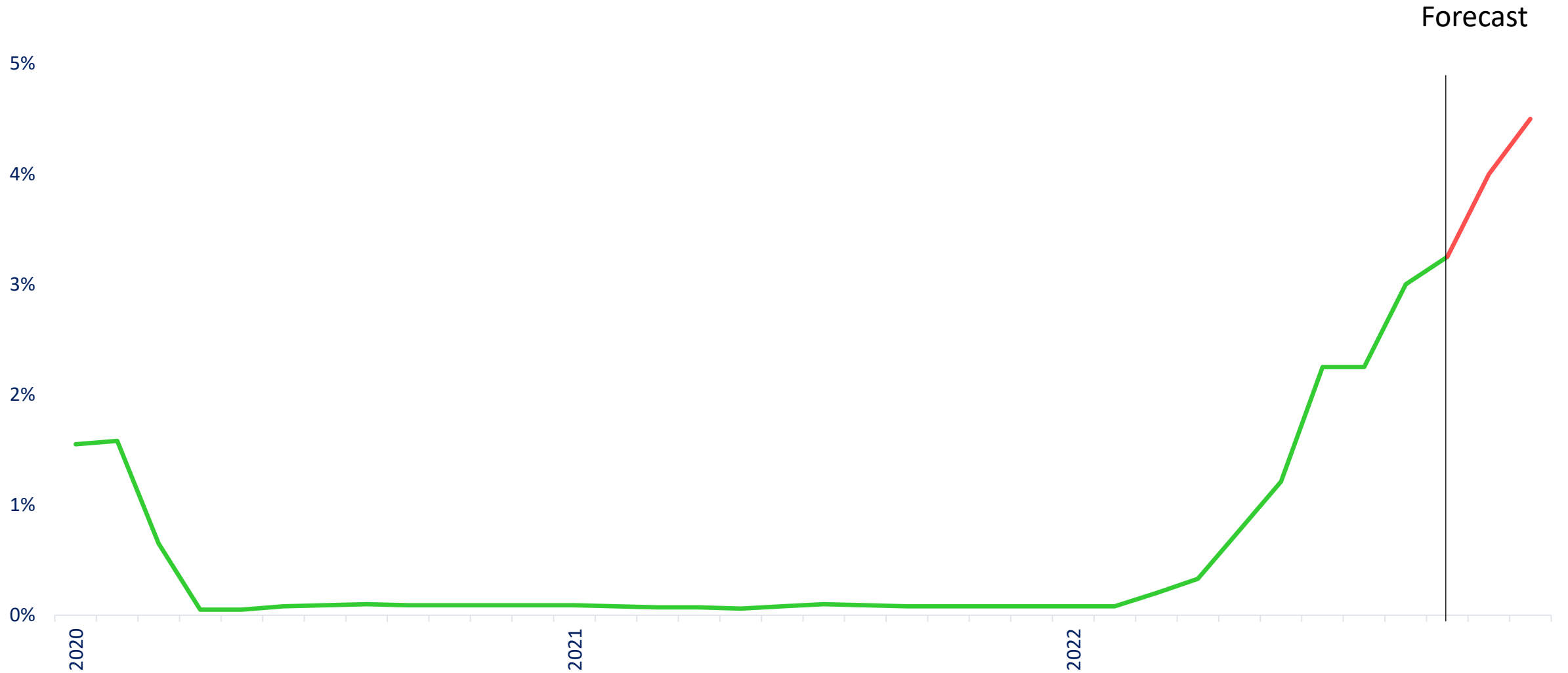
Sources: BLS & ATA

Consumer Prices

Year-over-Year Percent Change



Fed Funds Interest Rate



Sources: Federal Reserve & ATA



Fed Funds Interest Rate



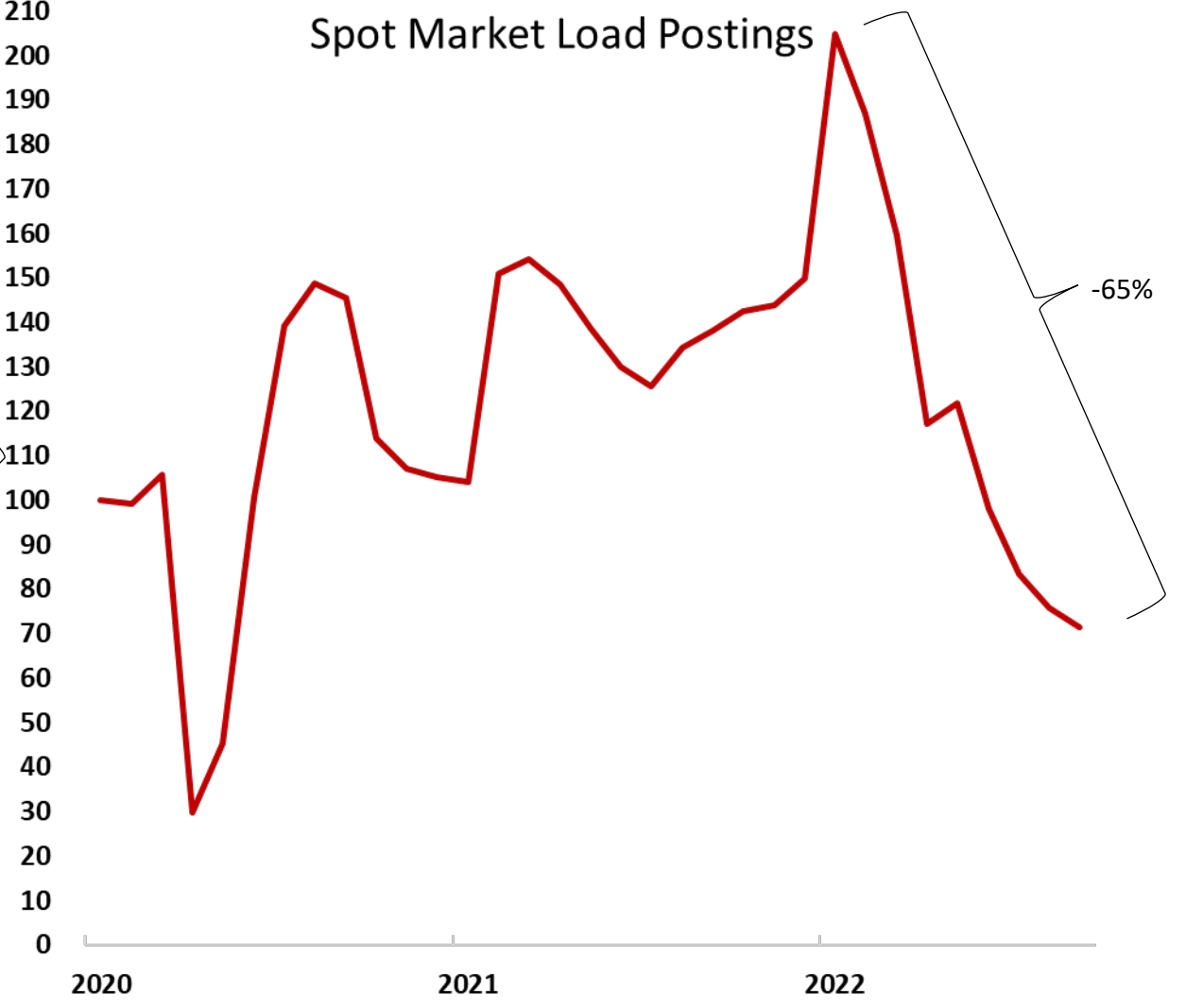
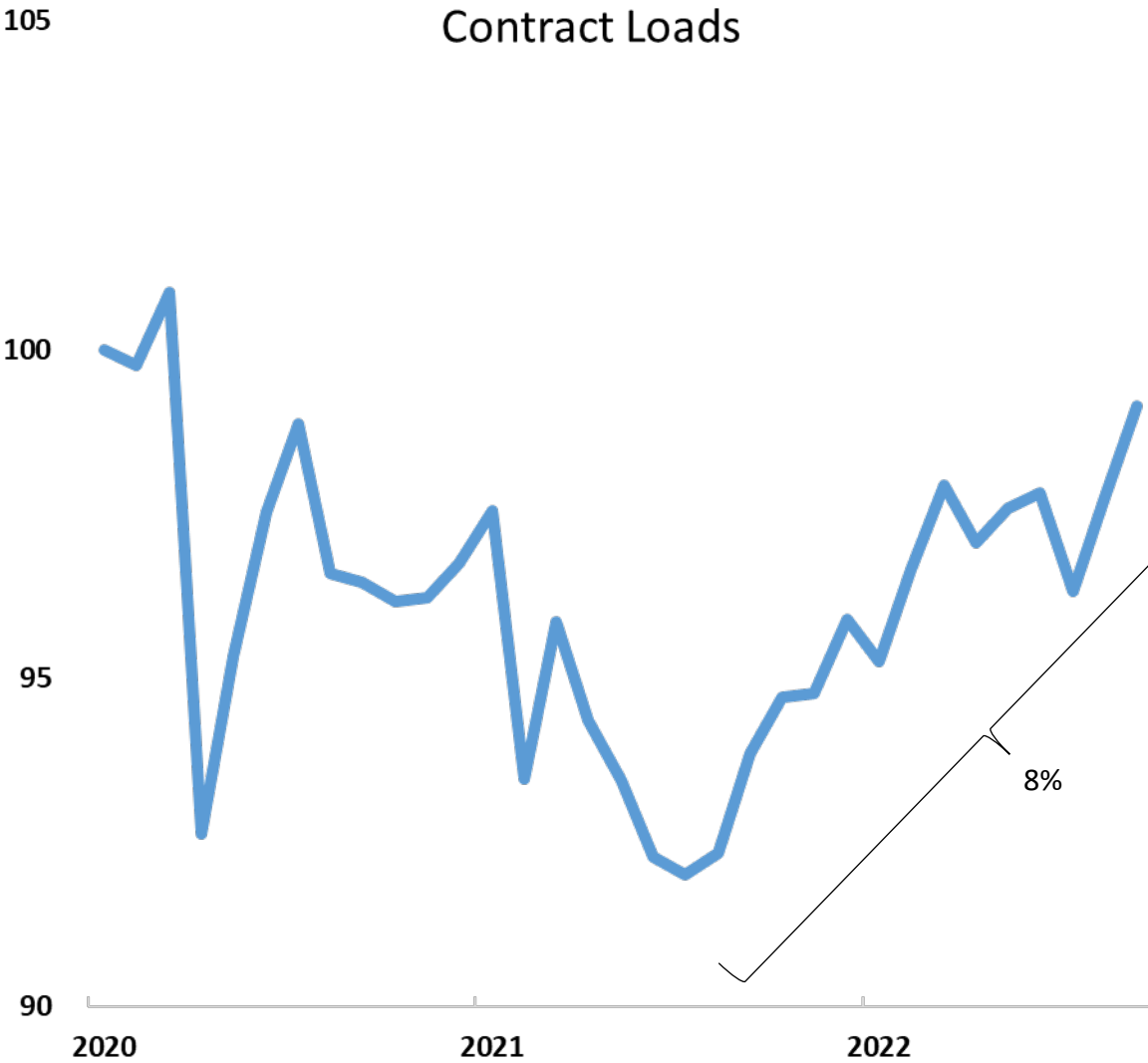
Sources: Federal Reserve & ATA



Trucking Industry Demand

Truckload Loads

(Index; January 2020 = 100)

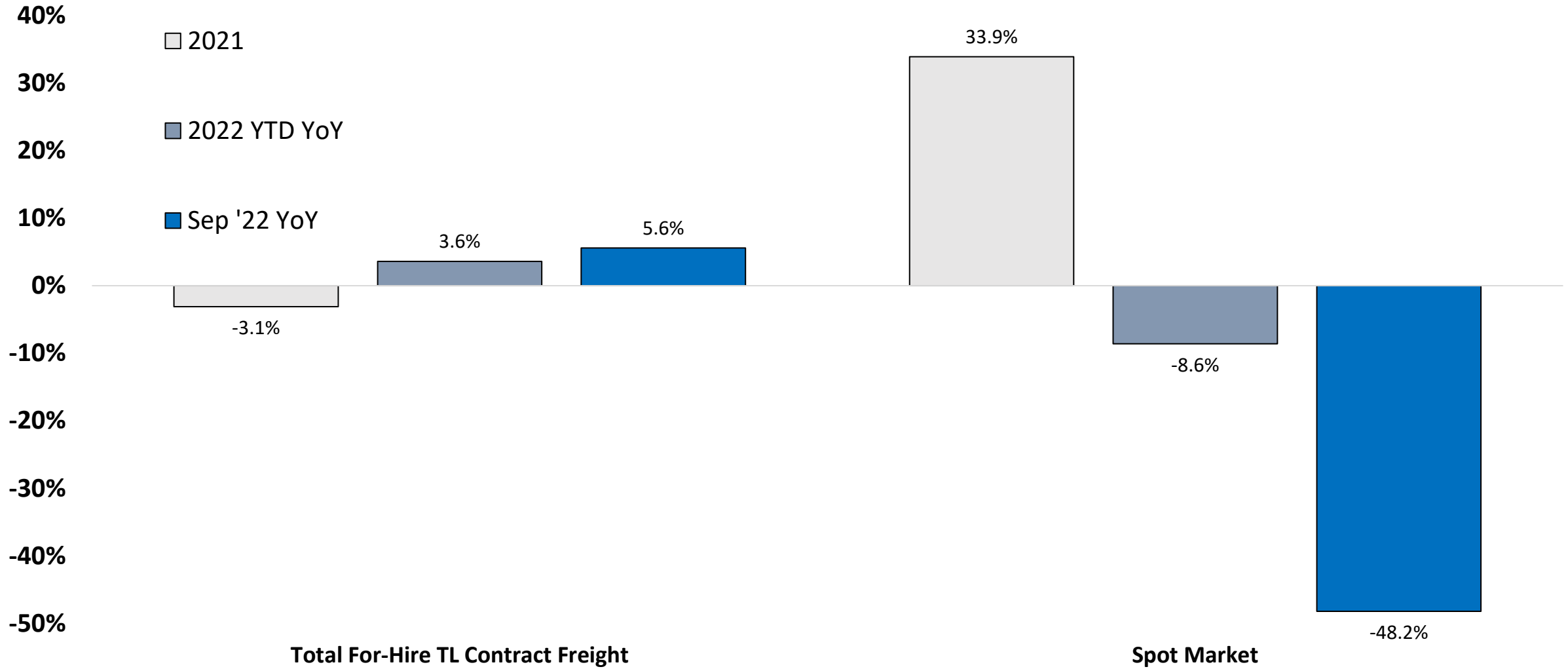


Sources: ATA's Trucking Activity Report & DAT.com



Truckload Market Trends – Total TL Contract vs Spot Market

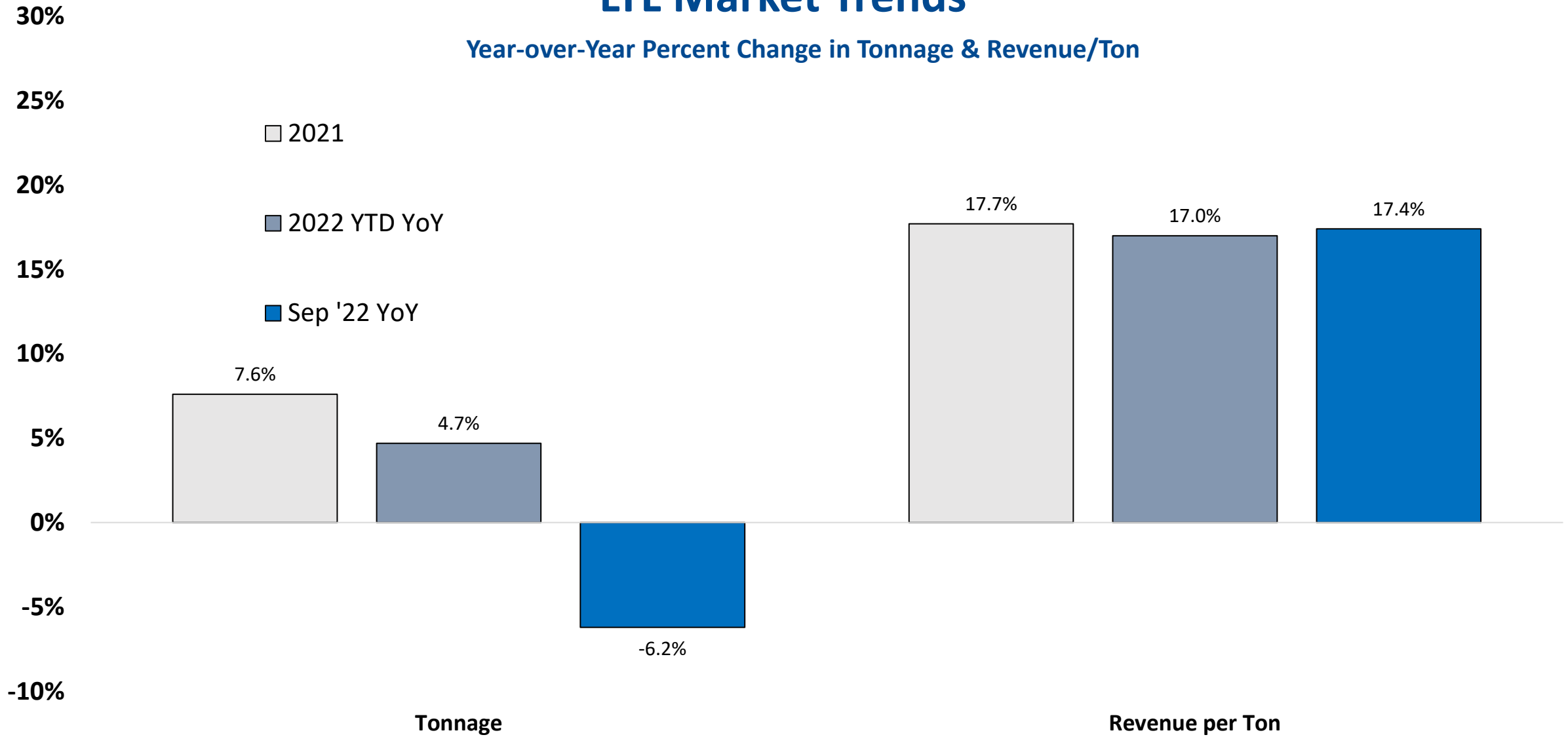
Year-over-Year Percent Change in Loads



Sources: ATA's Trucking Activity Report & DAT.com

LTL Market Trends

Year-over-Year Percent Change in Tonnage & Revenue/Ton

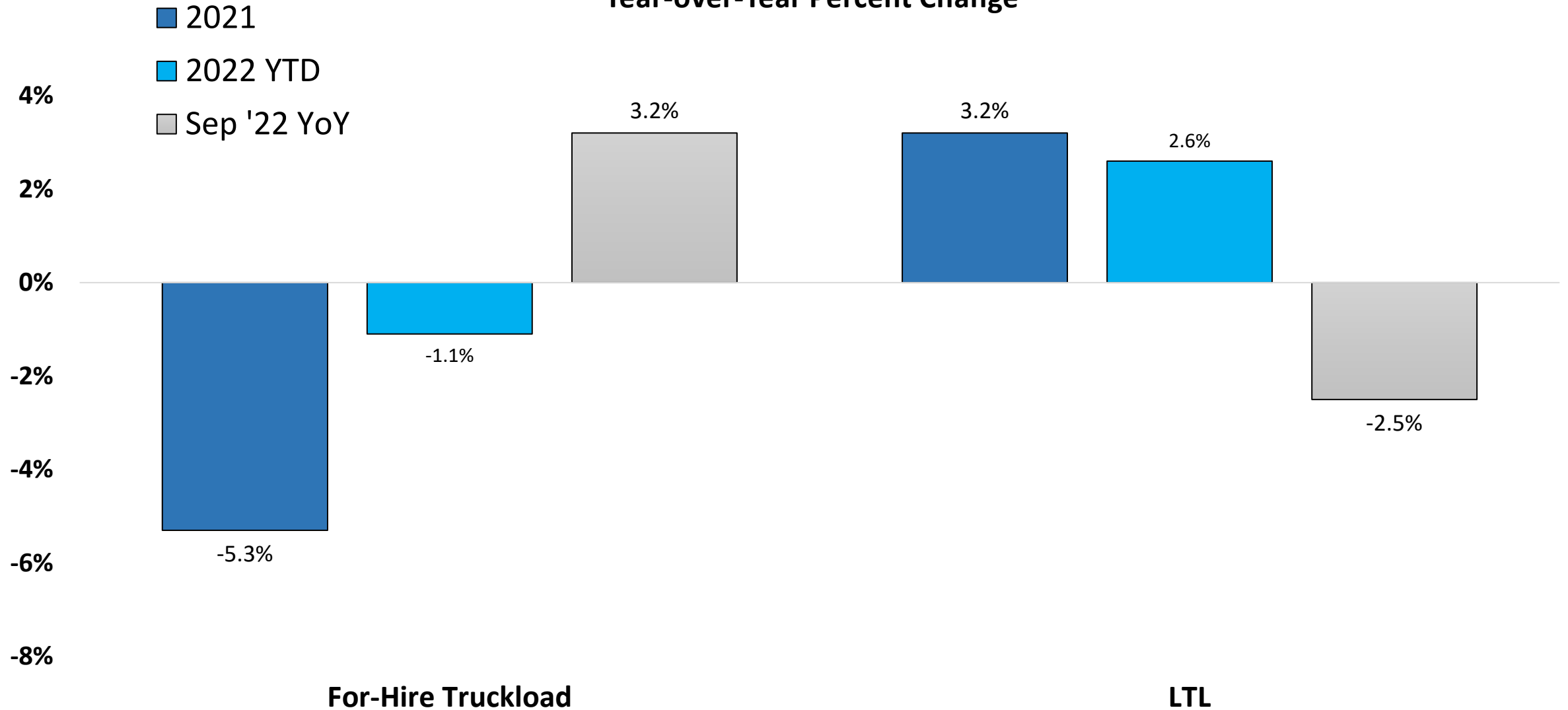


Source: ATA's Trucking Activity Report

Trucking Supply

For-Hire Contract Carrier Power Units

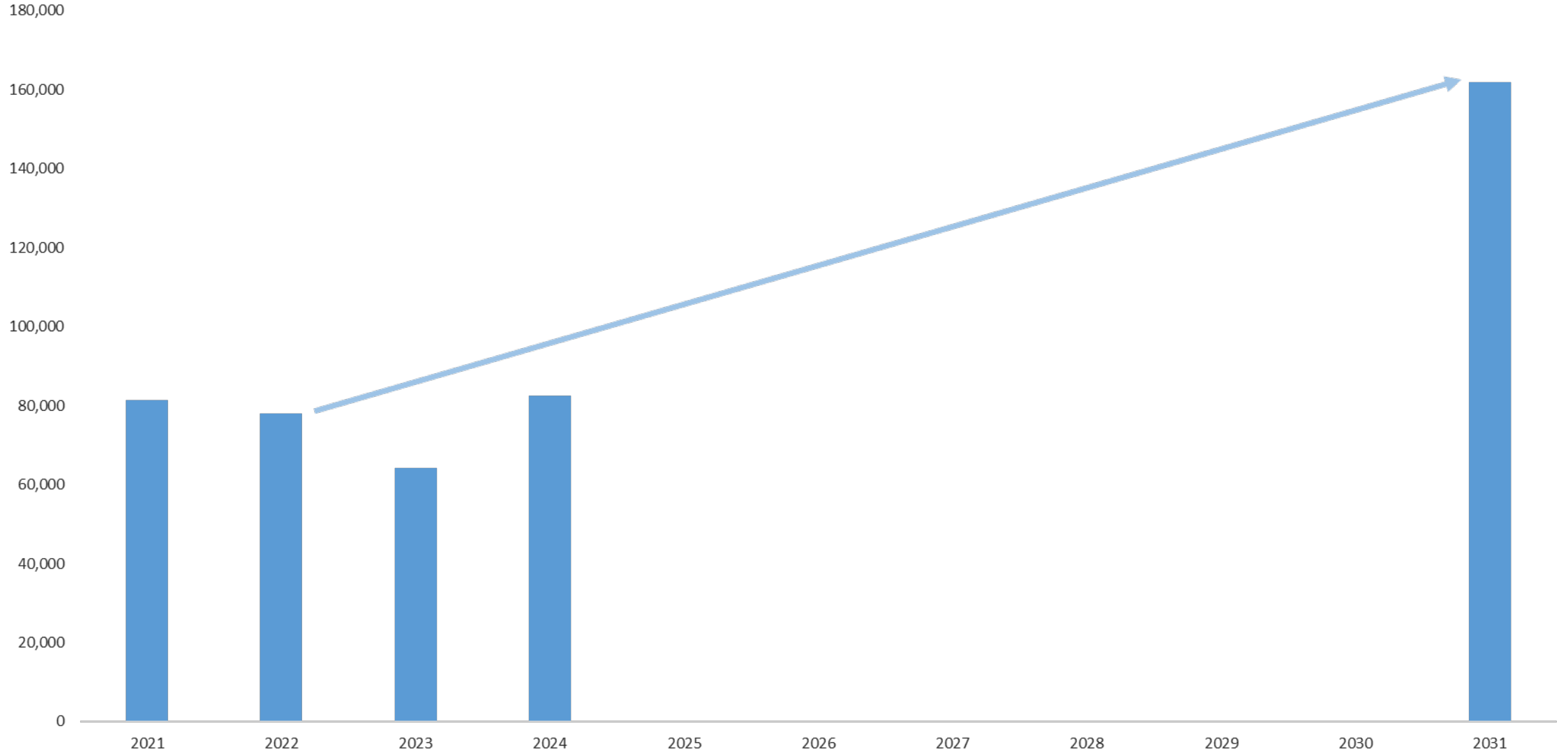
Year-over-Year Percent Change



Source: ATA's *Trucking Activity Report*
Data includes company tractors and independent contractor equipment

Industry Workforce

Truck Driver Shortage



Source: ATA



The Driver Shortage is Not Unique to the United States

Examples from Around the World

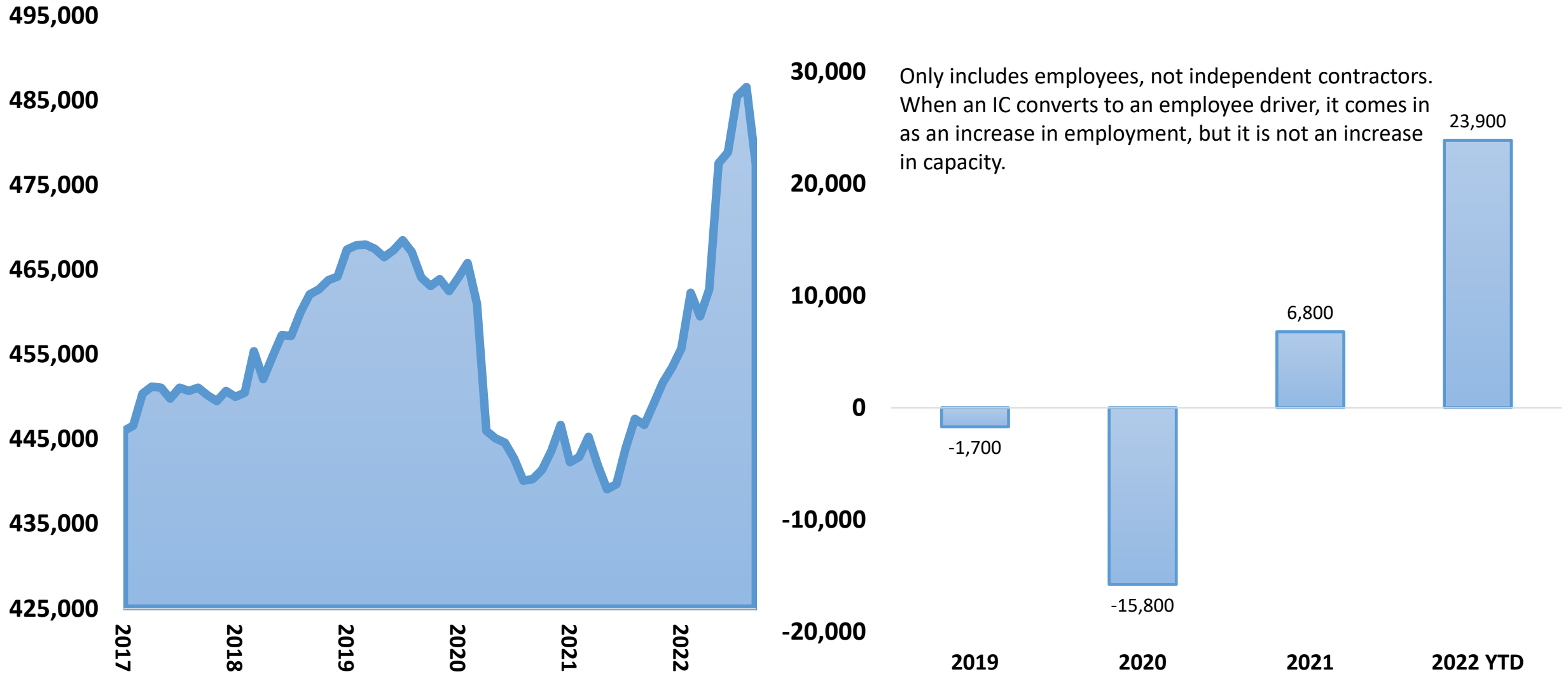
- Argentina 45,000 unfilled truck driver jobs
- China 1.8 million unfilled truck driver jobs
- Germany 57,000 – 80,000 unfilled truck driver jobs
- Italy Up to 20,000 drivers short
- Mexico 54,000 unfilled truck driver jobs
- Romania 71,000 unfilled truck driver jobs
- Spain Up to 20,000 unfilled truck driver jobs
- Turkey 82,000 unfilled truck driver jobs
- United States Roughly 80,000 drivers short

Note: unfilled jobs numbers will be higher than an actual shortage number

Source: ATA & IRU

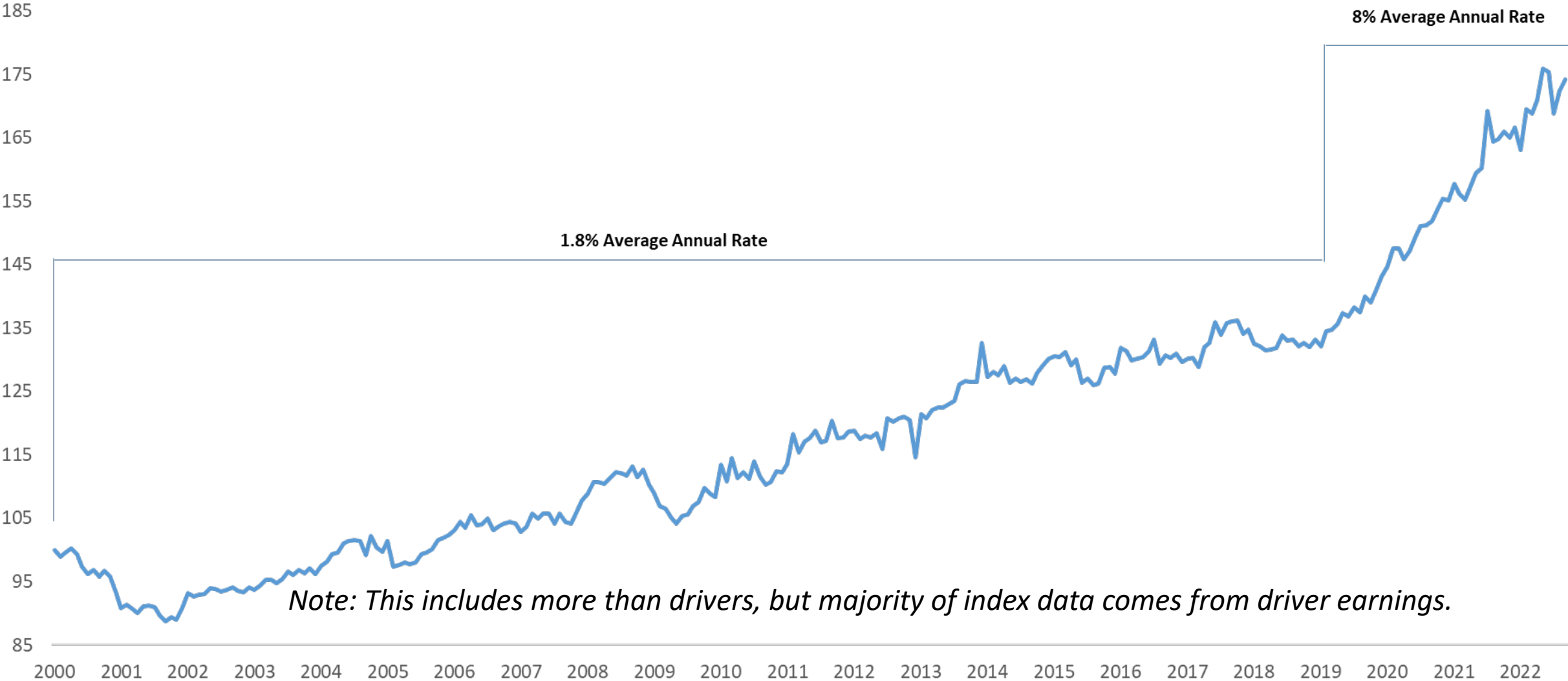
For-Hire, General Freight Long-Haul Truckload Employment – Non-Supervisory and Production Occupations Only

(Includes more than drivers, but drivers are the vast majority of this category)



Only includes employees, not independent contractors. When an IC converts to an employee driver, it comes in as an increase in employment, but it is not an increase in capacity.

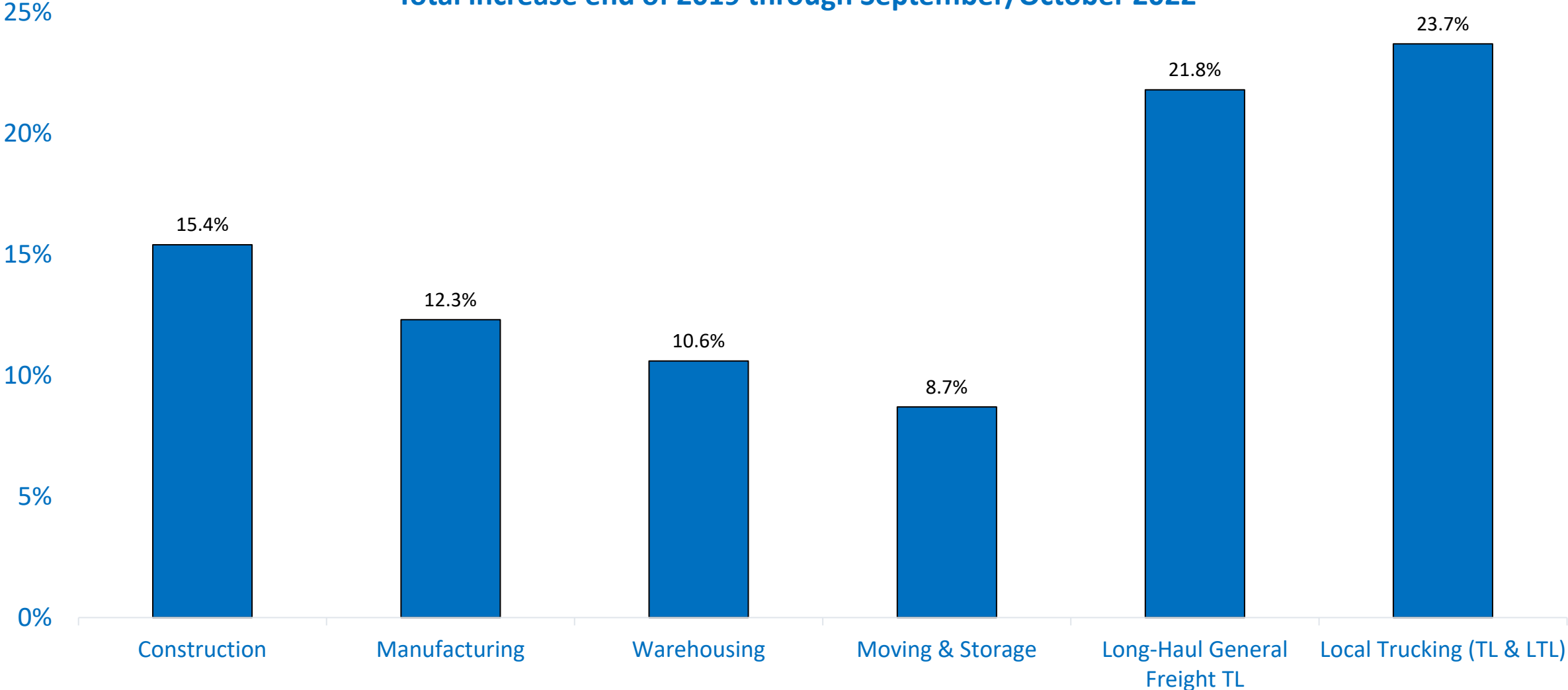
Index of Average Weekly Earnings for Production & Nonsupervisory Occupations in Long-Distance General Freight Truckload (January 2000 = 100)



Note: This includes more than drivers, but majority of index data comes from driver earnings.

Average Weekly Earnings for Production & Non-Supervisory Workers by Industry

Total increase end of 2019 through September/October 2022

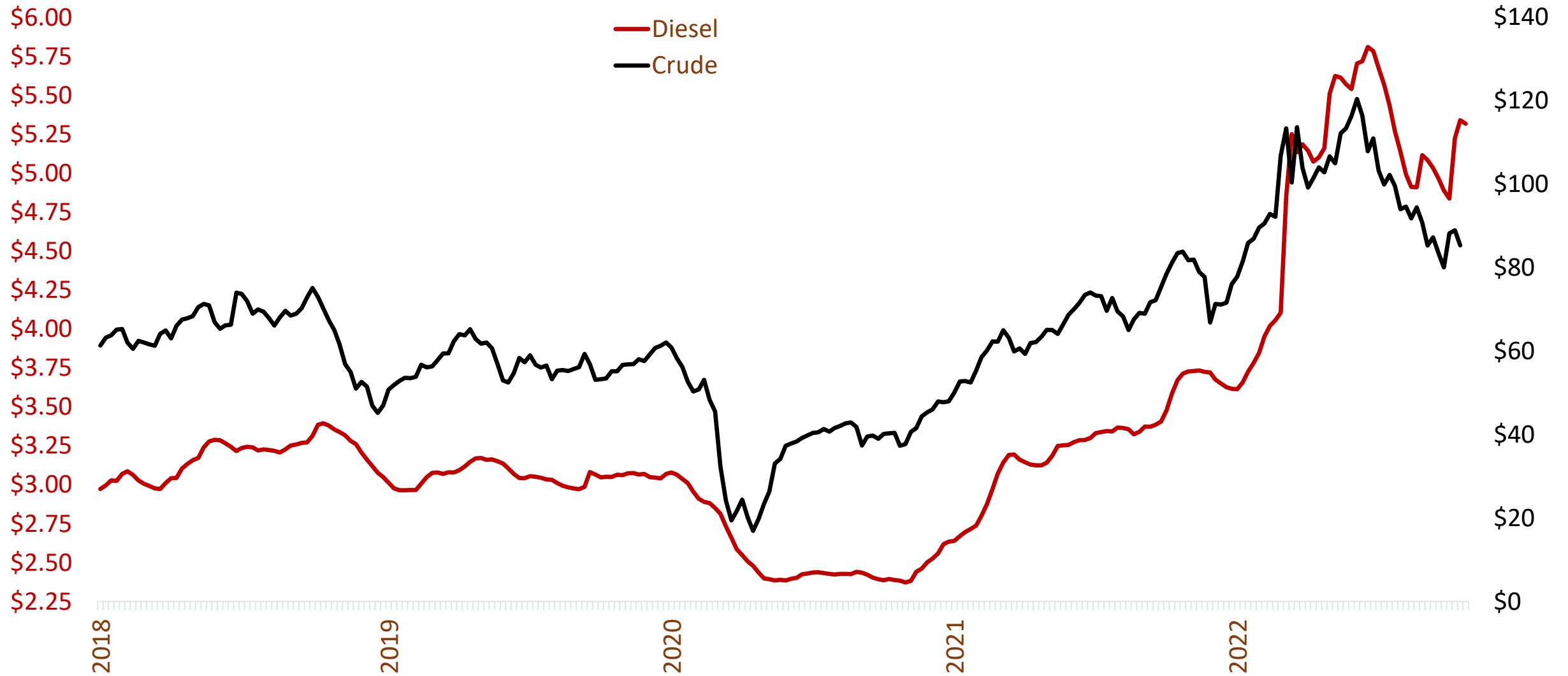


Sources: DOL & ATA



Diesel Market

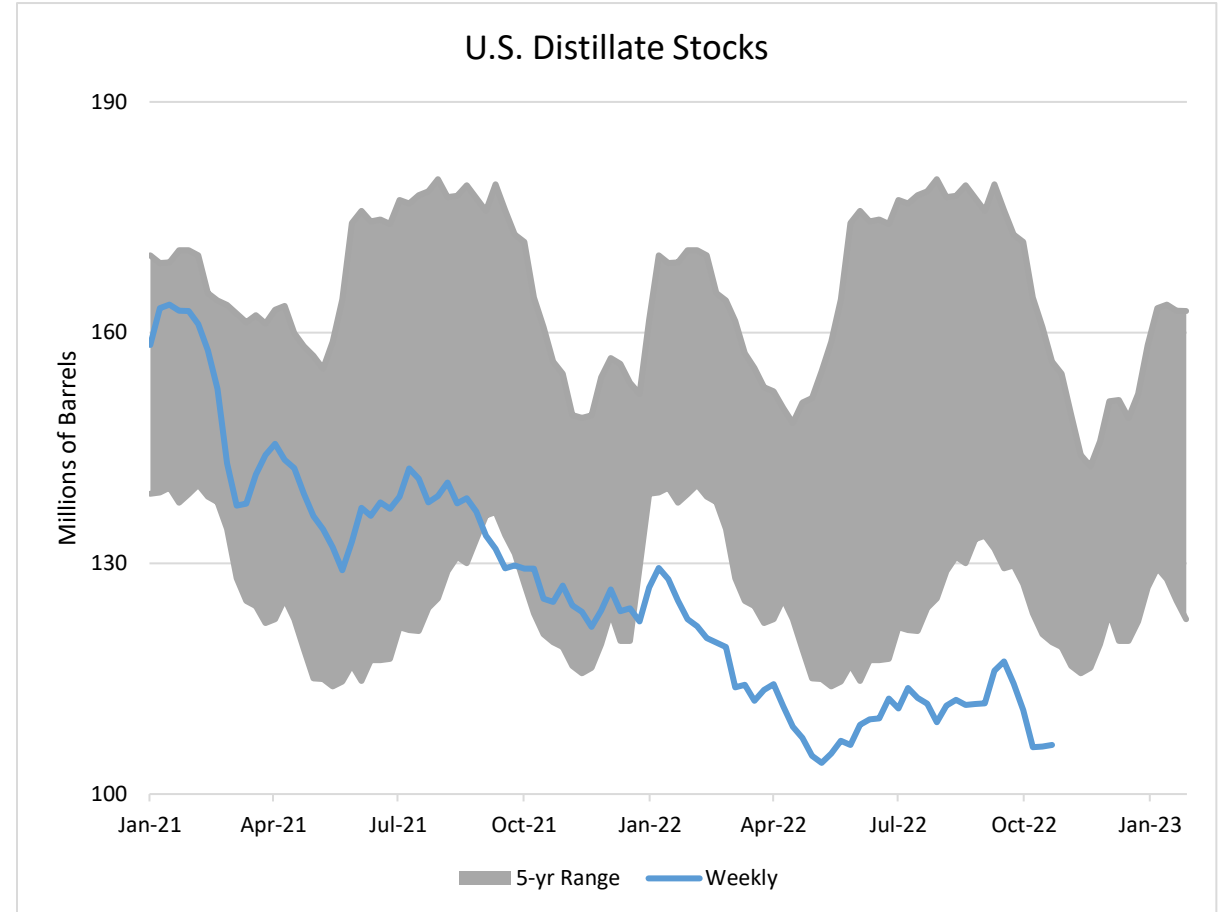
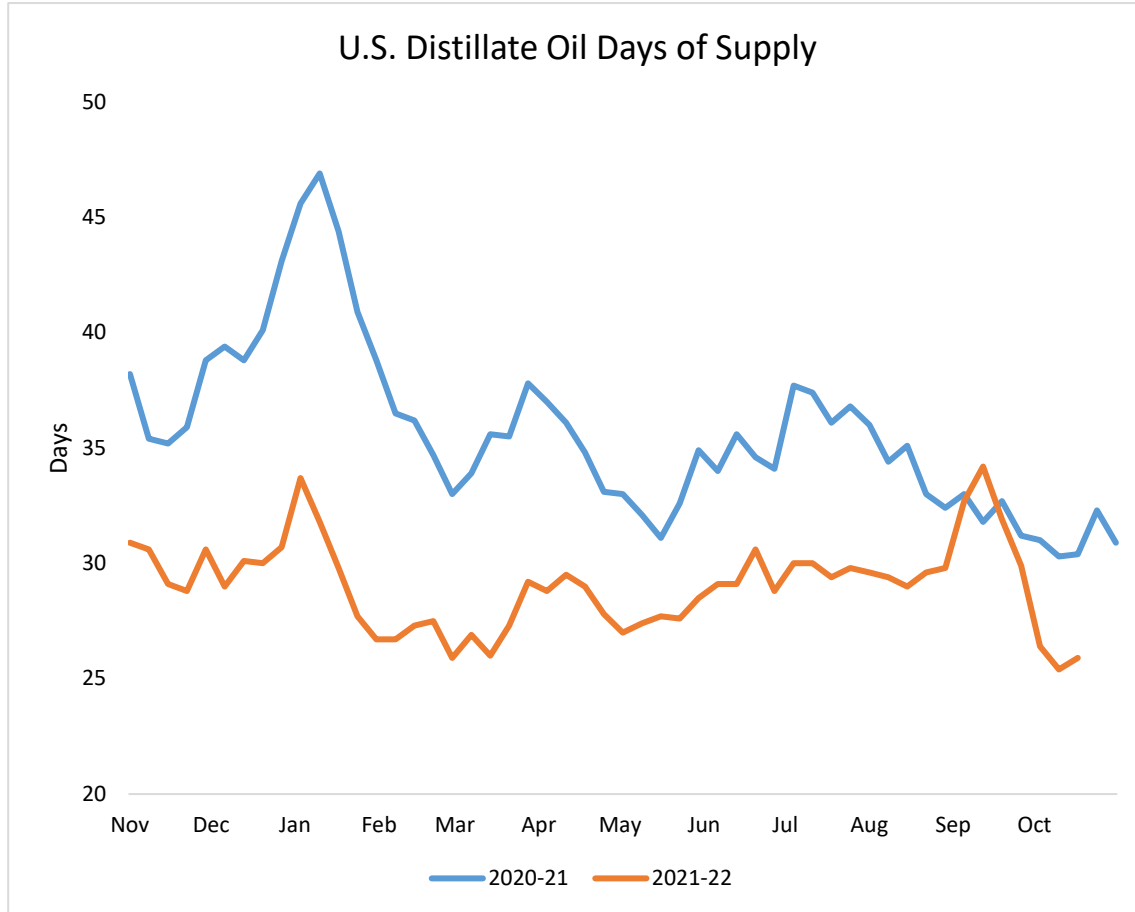
Crude & On-Highway Diesel Fuel Prices



Source: Energy Information Administration



Distillate Inventory Trends



Source: Energy Information Administration

Diesel Fuel Market Under Pressure

- Since Covid-19 Pandemic
 - Refinery closures due to reduced gasoline demand, fires, and hurricanes, as well as conversion to renewable diesel production
 - Gasoline demand was low, but diesel demand remained high
 - Loss of ~2 million barrels per day in diesel refinery capacity
- Russia Invades Ukraine
 - Foreign diesel intended for US imports is diverted to Europe
 - US usually stocks up on diesel through October to prepare for peak season, which did not happen this year
 - Now entering peak demand on historically low inventory
 - US continues to export 1 million barrels of diesel per day

Diesel Fuel Market Under Pressure (cont.)

- Risks:

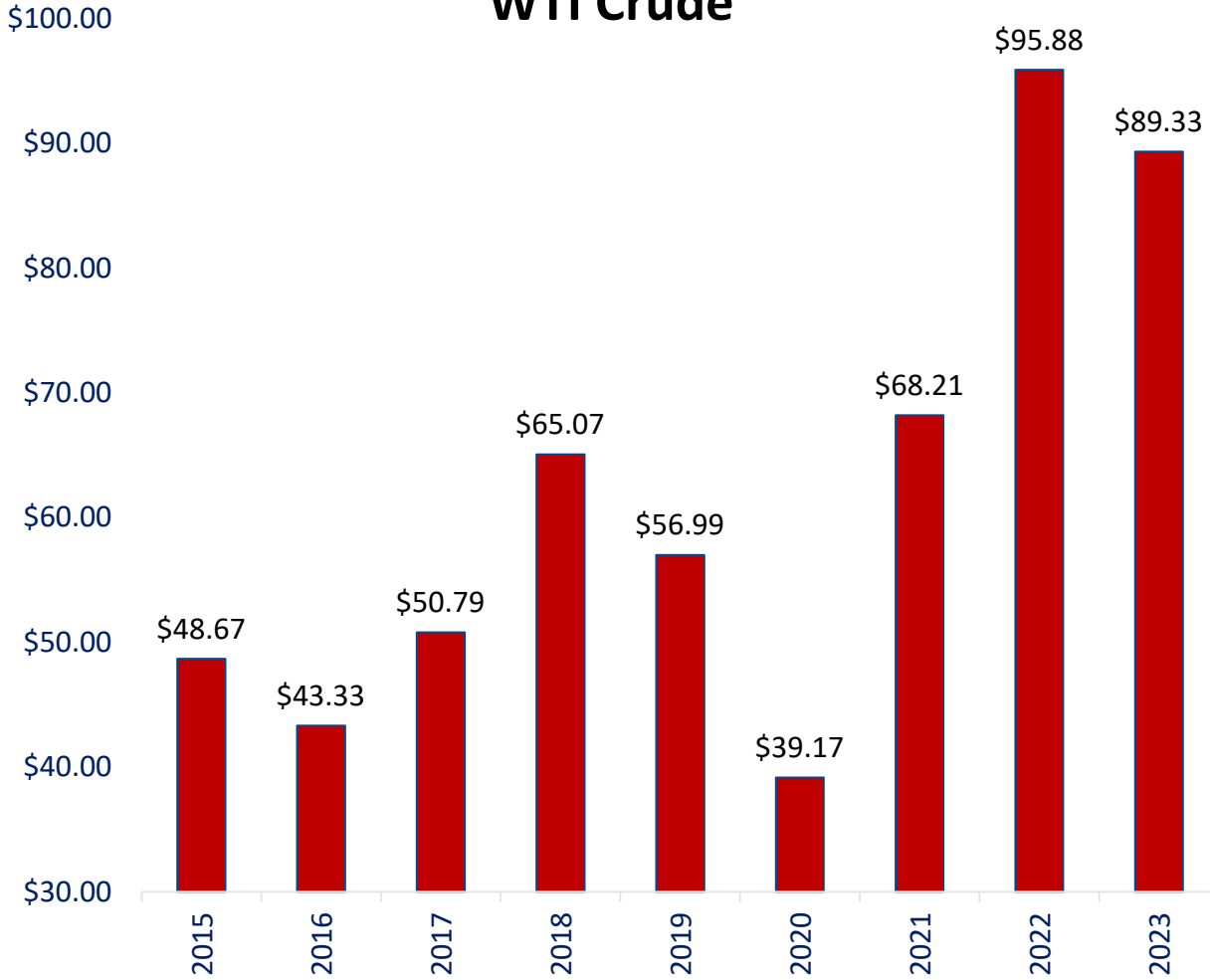
- Unexpected refinery outage
- Very cold winter in the Northeast or in Europe
- Russian fuel embargoes
 - December 5th: Russian crude oil embargo
 - February 5th: Russian gas and diesel embargo

- Resolutions:

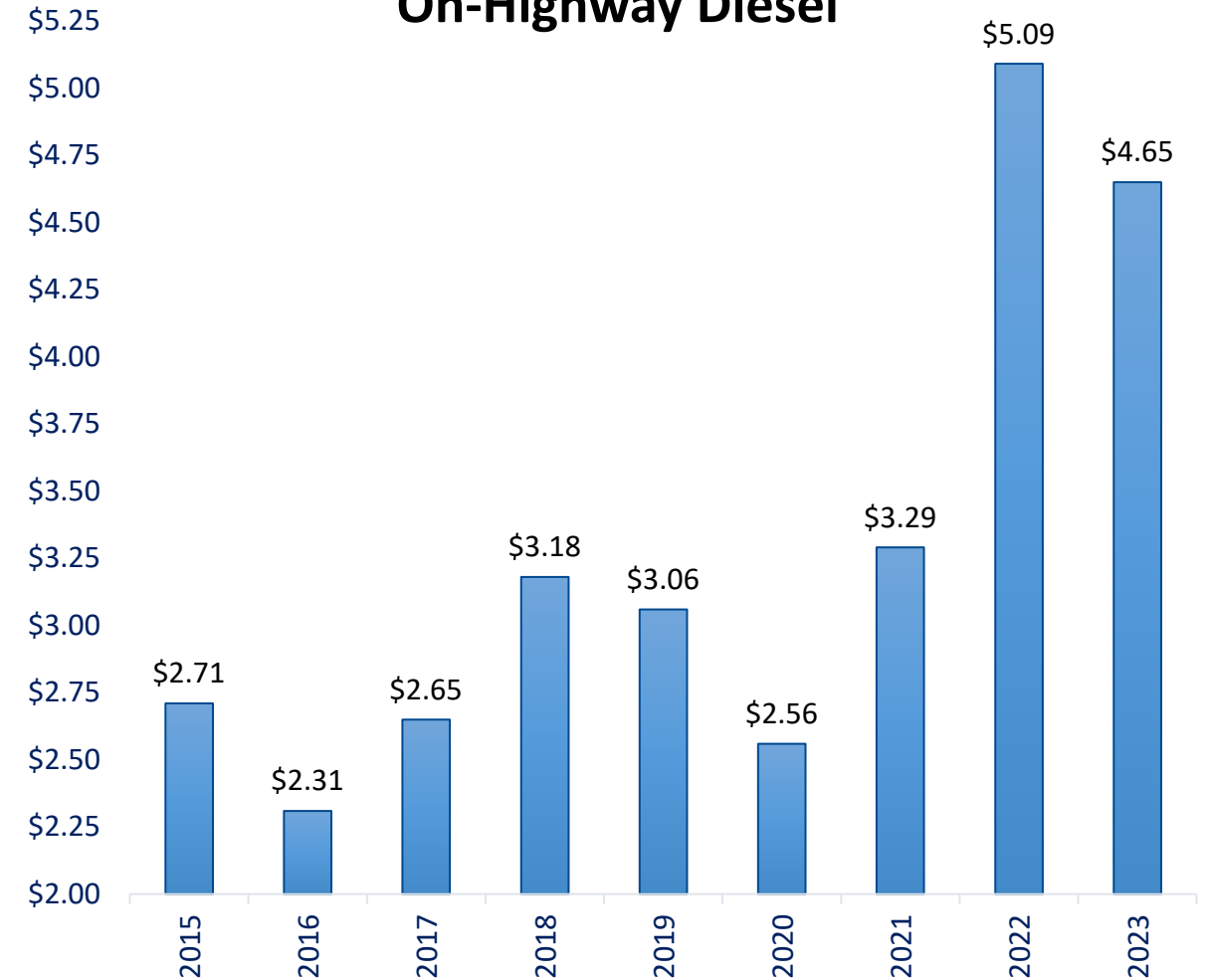
- Exxon refinery expansion opening in December
- Two Middle East refineries coming into full operation
- China increasing refinery production
- Demand decline in Europe

Fuel Prices & Forecasts

WTI Crude



On-Highway Diesel



Source: Energy Information Administration

Presentation Summary

- Economy is likely to enter a mild recession late this year and/or early next year.
- Overall truck freight slows as a result
- However, industry supply growth has been very constrained
 - Lack of new trucks, drivers
- Plus, many small carriers that are solely spot market players are currently under extreme pressure from falling spot rates and surging costs
 - Especially those that bought very expensive used equipment in 2021
- Bottom line: the downturn should be mild relative to recent freight recessions for fleets who are not in the spot market and/or bought expensive used equipment in 2021 and 2022.

Thanks!