MARKET FORECAST

Trucking faces an ‘everything’ shortage. In the release of its Commercial Vehicle Dealer Digest, ACT Research reported that the setup for the entire commercial vehicle industry remains unchanged, noting that industry capacity remains range-bound across a broad front of supply chain constraints. The report, which combines ACT’s data analysis from a variety of industry sources, works to paint a comprehensive picture of trends impacting transportation and commercial vehicle markets.

“While the focus is on silicon and semiconductors, it is really an ‘everything’ shortage,” Kenny Vieth, ACT’s president and senior analyst, noted regarding industry constraints. “Those constraints are not localized CV industry specific challenges but continue as pandemic-driven failures in a globally reliant web of interrelated supply chains. Rebuilding complex global networks requires the system to spin at roughly the same speed, which it is decidedly not doing at present.”

General rate increases point toward higher LTL pricing. Less-than-truckload (LTL) pricing signs are pointing upward as 2022 approaches, with trucking companies scheduling first-quarter general rate increases (GRIs) for non-contract customers. Old Dominion Freight Line (ODFL), the second-largest standalone US LTL carrier, is the latest to announce a rate increase, saying on Thursday it would impose a GRI of 4.9 percent on average, effective Jan. 3. “Pretty much all the LTL carriers saw double-digit price increases in the third quarter.

Spot TL rates appear to be trending near-parity to contract rates. The closing of the premium over the past year reflects the rise in contract rates and the stabilization in spot market trends. As a result, we expect rates will likely limit further meaningful increases in contract rates that have been reset higher mid-cycle over the past 6 months. We expect contract rates down 0-5% in 2022.

GROUND MARKET UPDATE

January 2022

CURRENT STATE

Total expenditures on freight in December was +44% year over year, with volumes up +8% and implied price/mix +8% year over year. December was the fifteenth consecutive month of year over year increase (after 14 consecutive months of declines). There continues to be price inflation across most modes of transportation (parcel, LTL, FTL, rail, airfreight/ocean).

In a QBR with one of Cranes third party carrier partners they stated they continue to see very strong pricing and elevated spot market activity. This carrier’s overall rate per mile is tracking up around 20% year over year in 4Q, and they expect low double-digit contract rate increases again next year. So even with increasing inflationary cost pressures, this carrier continues to see solid year over year rate strength. From a truck standpoint, this carrier primarily buys from Freightliner and expects to receive only about 70% of his planned truck deliveries this year with new truck deliveries currently running 6 to 7 weeks behind schedule.

The trailer market is even tighter with longer delays, and this carrier expects new trailer prices to increase around 30% next year relative to mid- to high-single digit increases for tractors. Given delays in receiving new trucks and such strong used truck prices, this carrier has been shrinking its fleet the past few months.

Dry Van National Average RPM is currently $3.13, which is up $.12 per mile vs. previous week and up $0.14 per mile vs. contract rates. That $3.13 RPM is also up $0.77 per mile vs. January-2021 spot rates.

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The Port of Long Beach currently has 11 container vessels at berth and 6 container vessels at anchor/at drift destined for POLB’s marine terminals. Average at anchor is 39.7 days.

Truck driver shortage looms over 2022. American Trucking Associations estimates that the industry needs 80,000 more drivers. That could be the same or worse next year with those estimates expected to surpass 160,000 by 2030. High demand, a lack of new drivers and retirements play into the issue. The industry has been pursuing a range of solutions. The primary method carriers have used to attract drivers is raising pay. ATA estimates earnings are increasing at a rate five times their historical average, with the average weekly earnings for long haul drivers being up more than 25% since the beginning of 2019. But those efforts mostly have amounted to carriers competing over the same limited pool of drivers with the lack of new entries. “I think as long as the freight market continues to do what it’s been doing and from everything that I’ve been hearing from the folks that we work with, I don’t expect that to change, at least through the first two quarters and possibly the first three quarters,” said Scott Dismuke, director of operations at Professional Driver Agency. “I think it’s just going to be more of the same at this point. Unless we can start getting more drivers, newer drivers, attracted to the market, we’re still going to be up against the wall.”

Lawrence Freight ups driver pay as much as 40%. Employee-owned carrier Lawrence Freight announced a 2022 pay increase of as much as 40% for company drivers. The new pay scale, which tops out at 70 cents per mile, started Saturday and includes over-the-road and flatbed drivers. The Roanoke, Virginia-based truckload carrier will also pay drivers another 2.5 cents per mile, up to $3,000 annually, in the form of quarterly safety bonuses. The total comp plan now allows TL drivers to earn up to $88,000 annually, with flatbed operators seeing as much as $92,000 per year.

Shipping and logistics costs are expected to keep rising in 2022. Trucking companies and other logistics firms note their own higher costs, including rising salaries as they have sought workers in a tight labor market. “As long as we have underlying inflation across the economy, you’re going to see that inflation reflected in the cost of goods and services to include trucking,” said Derek Leathers, chief executive of Omaha, Neb.-based truckload carrier Werner Enterprises Inc.

Mr. Leathers, who said contract rates could rise by high single-digit to mid-double-digit percentages in 2022, expects price increases to moderate as transportation demand eases and companies finish replenishing depleted inventories. However, he said, “We don’t foresee that until 2023. All of 2022 we view as a capacity-constrained market with inflationary pressure and with significant equipment disruptions.”

Dry-van TL spot rates appear to be stabilizing and remain 10% above year-ago levels. Strong demand trends (including above average use of spot market capacity) likely continue into the next 6+ months. Rising fuel prices will also likely add to spot market prices, as prices remain elevated. As a result, any significant moderation in rates vs current levels appears to be likely pushed into the second half of 2022.