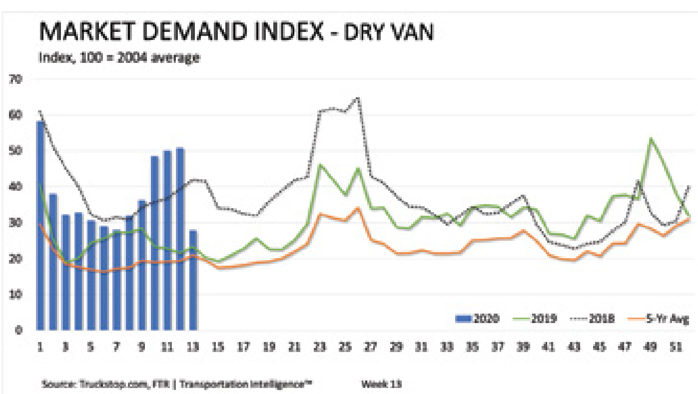
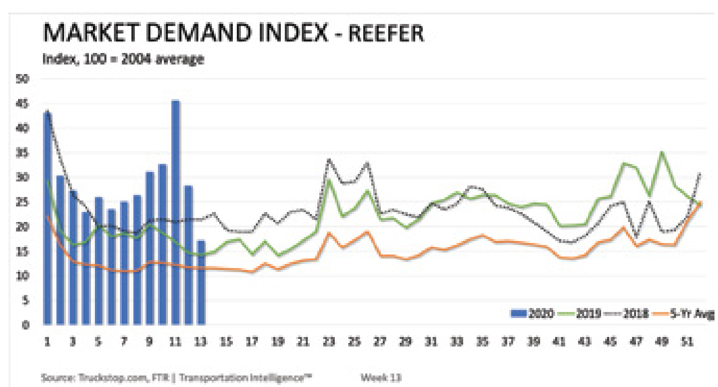
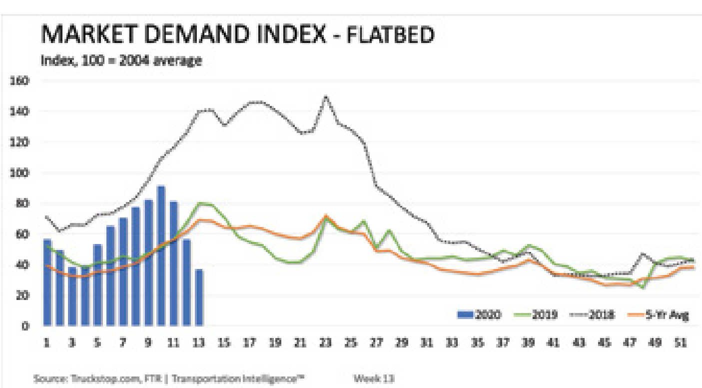
Spot freight metrics plunge as economy outweighs disruption

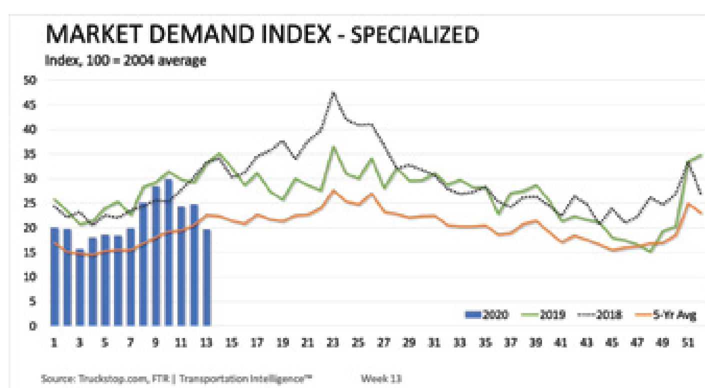
We knew that the day would come when the broader destruction of freight demand would become a bigger issue for the truck freight spot market than the upward pressure on the market due to disruption and the need to restock depleted grocery shelves. For sectors that were not already suffering, that day came sometime in week 13 of the year as all equipment types are seeing a broad collapse in freight volumes.

Although some spot freight segments, especially flatbed, had already seen a decline in loads, all segments were weaker in terms of load availability, rates, and the Market Demand Index, which is the ratio of loads available to trucks available in the Truckstop.com system. Meanwhile, truck availability was higher in all segments. Although some of that increased capacity might have been chasing elevated rates in dry van and refrigerated van freight, the bigger issue probably was a decline in loads available in the route guide environment.





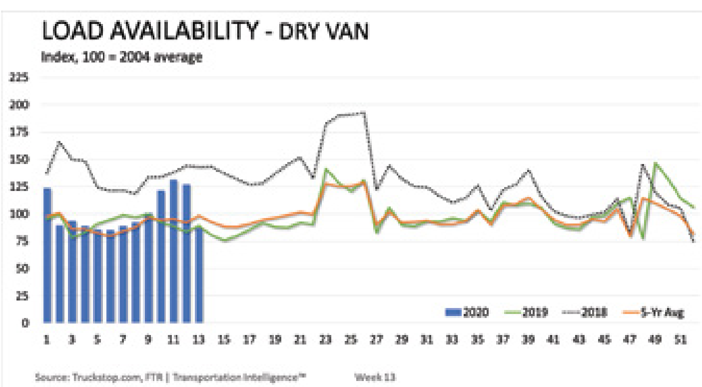


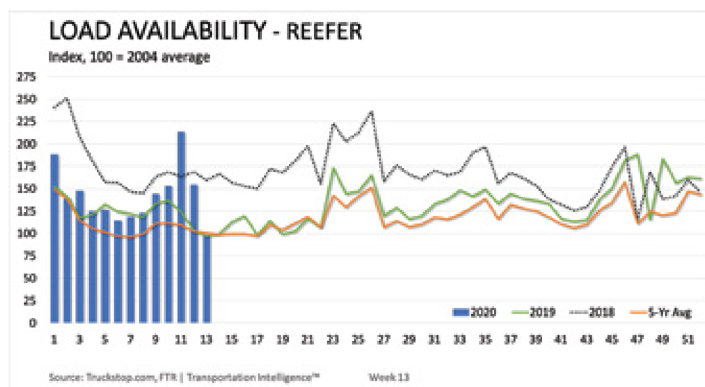


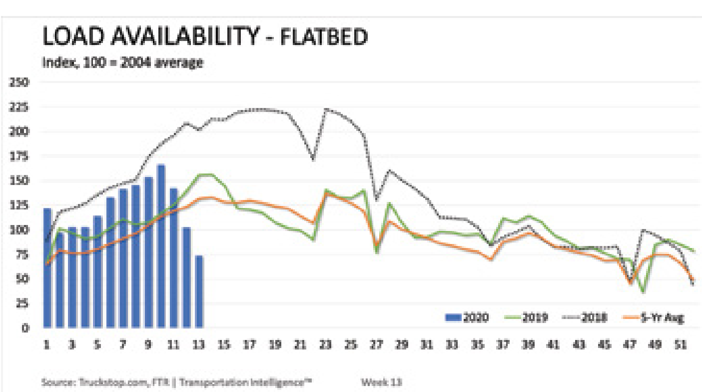
The demand destruction is not especially surprising given that nearly 10 million people have filed for unemployment benefits over the past two weeks, but it is remarkable how quickly the pressure to restock grocery stores and distribution centers gave way to a slump for truck freight.

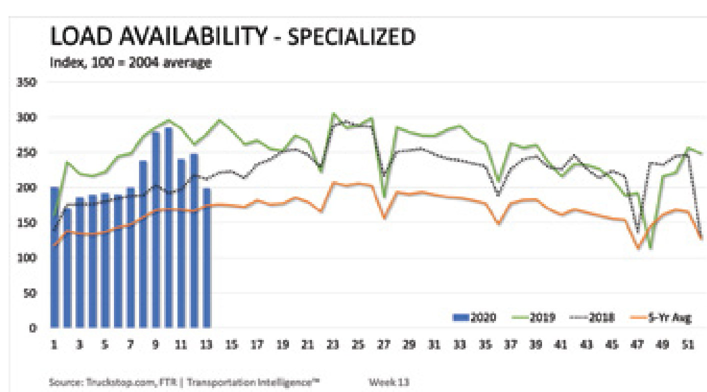
On a percentage basis, the biggest drop in loads was in refrigerated, which plunged 39.4% after a 37.9% drop in week 12. Flatbed load availability plummeted 34.6% after falling more than 30% the week before. Dry van spot loads, which had basically held up through week 12, fell 31.5%. The relative star among truck segments was specialized, which dropped only about 20%.

With truck availability up in all segments, the Market Demand Index – the ratio of loads available to trucks available in the Truckstop.com system – was sharply lower for all truck spot freight segments. Dry van and refrigerated remain above the five-year average, but only because even with the increase in truck availability week over week, capacity still is far below the average in both segments. The specialized MDI is slight-









ly below the five-year average, but the flatbed MDI is far below average and has not been so low since early 2017.

Spot rates for van freight had begun to stabilize in week 12, but they dropped sharply in week 13. The dry van broker-posted rate per mile excluding fuel surcharge fell 10 cents, and the refrigerated rate plunged 21 cents. Flatbed spot rates were down nearly 6 cents a mile, which is a sizeable change for that segment. Specialized rates eased nearly 4 cents.

Unlike flatbed and, more recently, refrigerated, dry van metrics had been holding mostly firm in its spot metrics, but week 13 broad a sharp drop in load availability and the MDI. The reversals of fortune for flatbed and refrigerated began before week 13, but they certainly accelerated last week. For example, in week 11, the refrigerated MDI soared to an all-time high. Just two weeks later, the refrigerated MDI has plunged to a low we have not seen since May of last year.

While the recent record MDI for refrigerated was an outlier and a function of enormous disruption, the reversal for flatbed is more fundamental. Just a month ago, flatbed was still surging and approaching levels we saw in the hot early 2018 market. Unlike dry van and, especially, refrigerated, flatbed does not have a base level of demand from food that would keep volumes from completely evaporating. Given expectations for reduced manufacturing activity and sharply lower construction and oilfield activity, the troubles might be only beginning for flatbed.