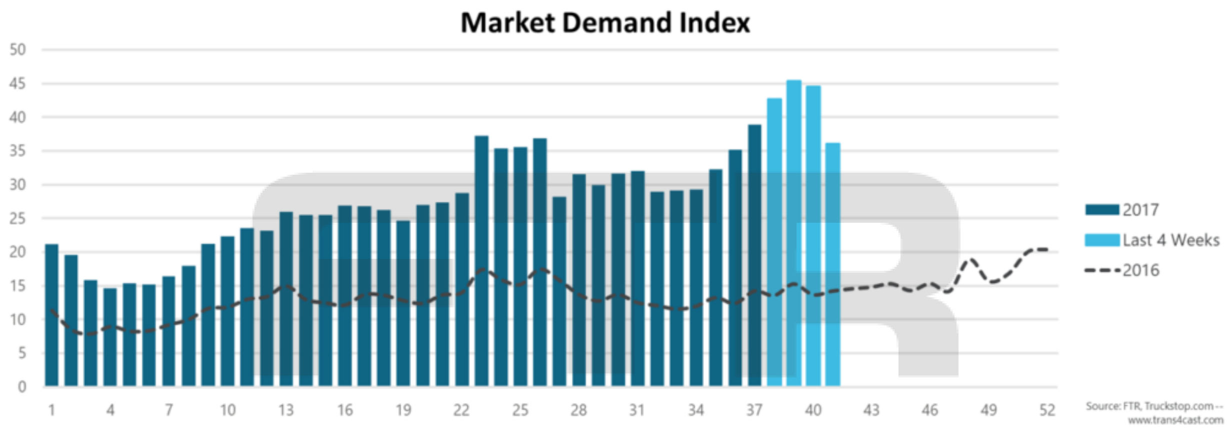
Trans4Cast – Trucking Returning to "Normal"

We have our first week of data suggesting that the trucking market is returning to "normal". The Market Demand Index (see graph below) saw a notable drop in week 41 after a very small decline in the prior week; however, market conditions are still significantly tighter than we saw last year (up 153% y/y). That means strong freight demand, reduced truck capacity, and elevated rates.



Supply & Demand

Most of the downward impact came from a reduction in available loads. Load activity dropped 14% versus the prior week, but were still up 81% versus last year. Trucking availability increased 7% versus the prior week but remains well below both last year and the 5 year average.

It is much easier to come up with insights into what is driving additional freight demand (continued consumer activity, renewed industrial segment, oil/gas resurgence, recovery freight) versus why trucking capacity remains low. ELD implemenation plays a part, so does competition with other employment sectors (notably construction and oil/gas) and the weak pricing that plagued the spot market for much of 2015 and 2016. The Market Demand Index will definitely be one to watch as ELD implementation goes into full effect in December and full enforcement in April.

Rates

Rates began to ease 3 weeks ago but they will stay elevated for some time. A likely part of the reason for the earlier drop in rates was the reduction in emergency FEMA activity. Those loads require a significant premium and they started to fade out shortly after the storms passed. Now we are on to normal recovery activity – increased loads for inventories and rebuilding. You will notice that Dry Van loads have eased more significantly and Flatbed activity is remaining elevated – inventory rebuilding is mostly completed, but now we are on to rebuild activity that is driven by more building goods (i.e. flatbed moves).

This post was originally published on [Trans4Cast.com](). Want more information on T4C? [click here]()