DAT Freight & Analytics

7 Trucking Industry Trends to Watch in 2023

Introduction

Between the pandemic, the war in Ukraine, the e-commerce boom, and ongoing supply chain issues, the last few years have been interesting for the trucking industry, to say the least. But just because we're past the height of the pandemic doesn't mean you can stop paying attention to the market in 2023.

If you're involved in the trucking industry in any capacity, staying on top of the market isn't optional. Here are some of the most crucial data points and growing trends in the market right now and what they might mean for you.

Trucking Industry Trends to Watch in 2023

1. Projected trucking market growth
2. Fluctuating diesel prices that stay generally high
3. Decline in manufacturing PMI
4. Decline in housing construction
5. Inflation and changing consumer trends
6. Delayed arrival of produce season
7. Increase in construction from Infrastructure Bill

1 Projected market growth

The global freight trucking market is rising quickly. In 2021, it was valued at $2,732 billion but is projected to grow at a CAGR of 5.1% and hit $4,457.4 billion by 2031.

What does this mean?

With the trucking industry expected to grow significantly in just a decade, it's clear that it is far from dead. The pandemic in particular proved how vital trucking and logistics are and, given the expected rapid growth, this is a great time to get involved in the industry if you aren't already. Whether you're a carrier, owner-operator, or broker, there are tons of opportunities to come.

2 Fluctuating diesel prices

Fuel prices are known to fluctuate — and that isn't likely to change soon. We saw the national average hit a record high in the summer of 2022 after the Russian invasion of Ukraine and the imposition of crude oil sanctions. Fortunately, diesel prices are trending down.

As of April 17, 2023, the US retail diesel price was resting around $4.12. Though this is a significant decrease from the $5.81 price we saw last June, it's also much higher than the averages we saw between 2018 and 2021.

What does this mean?

There's never been a more important time to fully understand operating costs, of which fuel is the biggest component making up 36% of a carrier's operating costs (or 63¢ per mile). Unfortunately, it's impossible to predict whether diesel prices will continue to fall or begin to rise again. Either way, carriers will want to keep up with diesel prices and buy fuel as cheaply as possible.

Carriers can use fuel cards to save some cash and offset their variable fuel cost. Not only can a quality fuel card help you save at the pump, but it can also often save you money on other expenses like oil, antifreeze, food, maintenance, GPS systems, and more.

3 Decline in manufacturing PMI

After 28 months of growth, U.S. manufacturing is beginning to decline. According to DAT expert Dean Croke, “At 46.3%, the March Manufacturing PMI is at its lowest level since May 2020, when it registered 43.5%. The ISM PMI is a diffusion index with the properties of leading indicators with a reading above 50% indicating that the manufacturing economy is generally expanding; below 50% indicates that it is generally declining.”

What does this mean?

Seeing as 63% of ton-miles in trucking are driven by manufacturing, as manufacturing declines so will demand for trucks. What’s more, the health of the manufacturing industry and the overall economy are closely intertwined. It’s important to keep an eye on manufacturing trends no matter your role within the trucking industry.

4 Decline in housing construction

The housing market boomed during the pandemic. Between December 2019 and June 2022, existing home prices rose 45%. Home building also took off during the pandemic, but things are now changing.

When interviewing with DAT expert Dean Croke in February, Dustin Jalbert said, "Single-family starts were around 1.32 million at the peak in December 2020, but since then, they have dipped to the 800 to 900,000 per month range. Seasonally adjusted, we're talking about a 25 to 30% drop in 12 months."

However, he also said, "We are starting to find a bottom in home sales, which is good news for construction activity. Our forecast for total housing starts is about 1.3 to 1.4 million units in 2023, which is down 12 to 13%, and single families will probably be down by about 16 to 17%, somewhere between 800 and 900,000 units."

What does this mean?

The housing construction sector has a similar impact on the trucking industry as manufacturing. An increase in new home construction, repairs, or remodeling means increased demand for trucking. After all, flatbeds are needed to deliver lumber and steel to worksites. Likewise, delivering flooring or appliances without dry vans would be difficult. On the other hand, a decline in housing construction trends could point to lower demand for carriers. It's important for everyone in the trucking industry to keep an eye on housing construction trends to better understand current and upcoming demand.

5 Inflation and changing consumer trends

Inflation has been all over the news over the last year, peaking at 9.1% in June 2022 — one of the highest levels in decades. However, inflation has been slowing down in recent months, dropping to a 6.5% annual reading at the end of 2022.

In the face of soaring inflation, many buyers were forced to rethink their consumption behaviors. 56% of U.S. consumers said they were willing to shop less overall due to inflation, with 75% saying they'd put off purchasing an electronic device and 36% saying they would buy fewer groceries as a response to rising prices. However, the reality of high inflation meant that the average U.S. household spent an extra $445 per month.

What does this mean?

Consumer trends drive demand for carriers. Since high inflation rates generally lower consumer demand, this could significantly impact the trucking industry. What's more, seeing as the government has raised interest rates to combat inflation, carriers are facing steeper financing costs.

Additionally, high inflation rates mean higher costs for truckers on the road. Not only do things like fuel cost more in times of high inflation, but so does everything from CB radios to meals to windshield washer fluid.

While inflation appears to be slowing down, it's not guaranteed to stay down. So truckers will need to consider how their costs will change with changing prices to stay profitable and competitive.

"Consumer trends drive demand for carriers."

6 The arrival of produce season

While produce is available in grocery stores all year round, April marks the start of produce season. Between mid-April and July 4th, produce season typically kicks into gear, increasing trucking demand and raising reefer spot rates by 26¢ per mile. However, this year the produce season has been off to a slow start due to natural events like hurricane Ian in Florida and numerous events in Florida. The assumption is that we will still have a produce season, however we likely won't know what exactly it looks like until Labor Day.

What does this mean?

Produce season isn't anything new. It comes around every year and is a great opportunity for carriers. Given the rise in reefer spot rates for produce season, these next few months are a good time to drive a reefer and spend as much time on the road as possible to maximize earnings. However, it's worth noting that the delayed start means we may see less volume for carriers and potentially less of an impact on spot rates than usual. It's important to keep tracking the changing produce market to determine the best approach for your business.

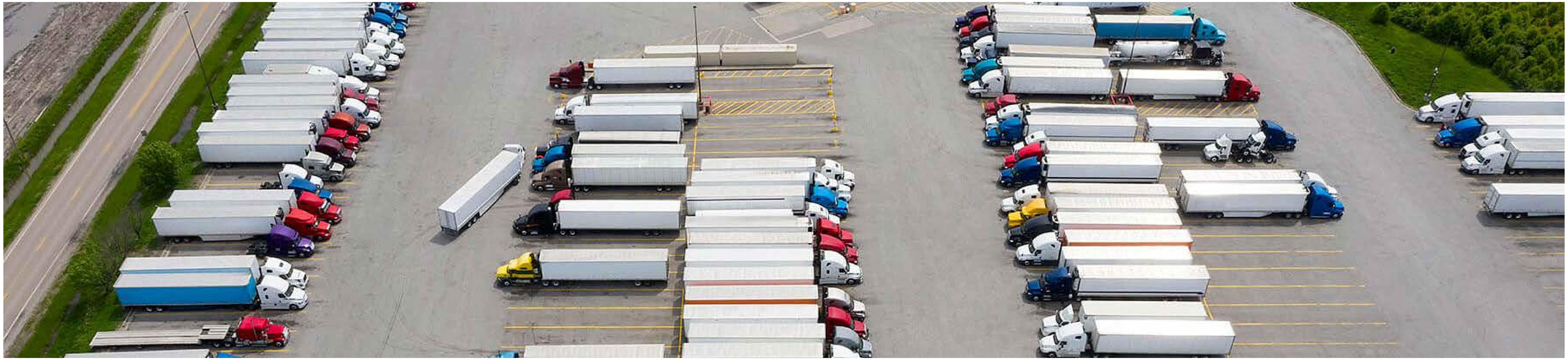
7 The Infrastructure Bill

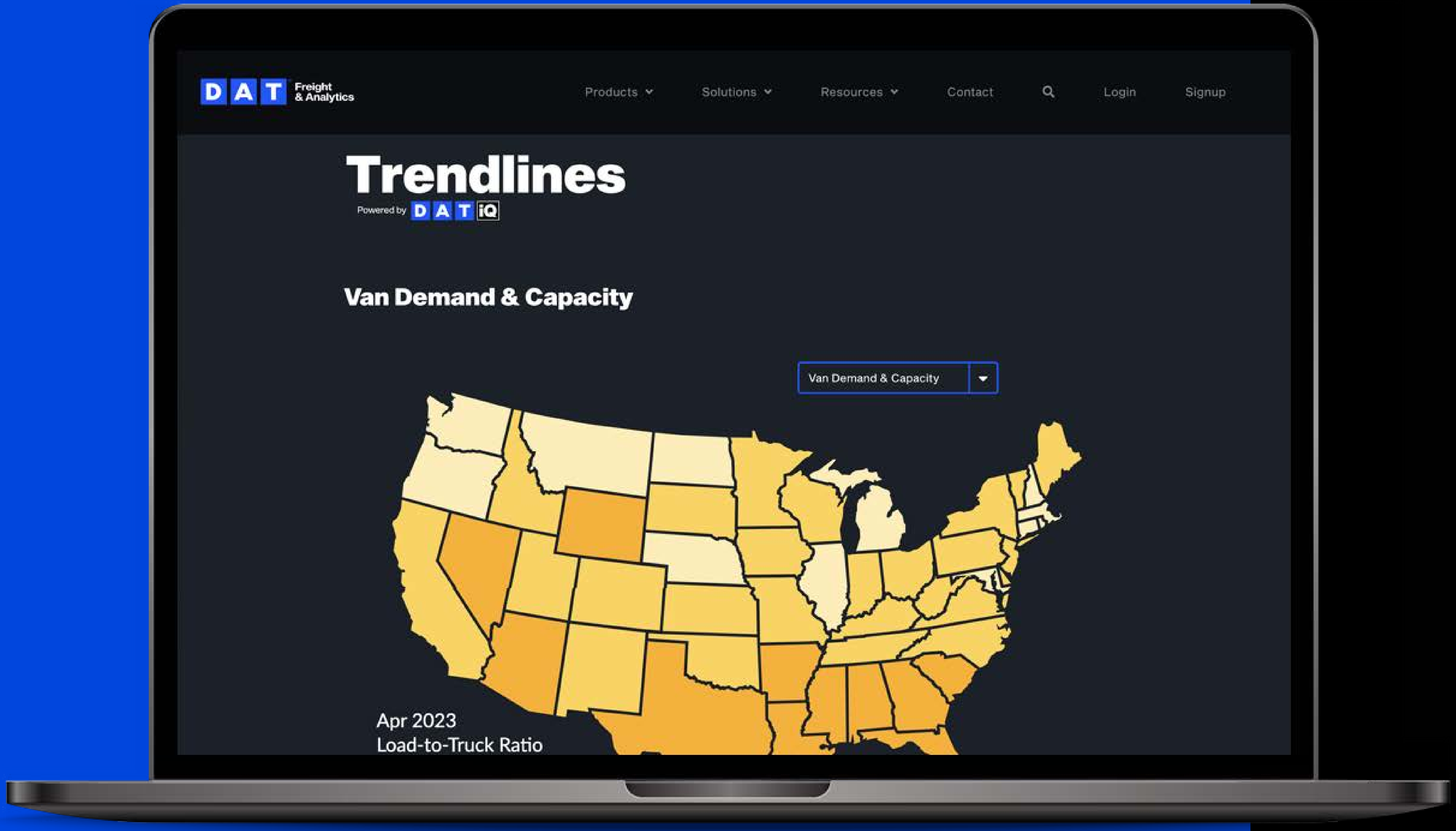
In August of 2021, the Senate passed a $1 trillion infrastructure bill, which went into effect on November 15, 2021. With the goal of rebuilding U.S. roads and bridges, modernizing transit, improving accessibility, building a national network of electric vehicle chargers, expanding broadband access, and more, the Infrastructure Investment and Jobs Act will impact the trucking industry in many ways.

What does this mean?

The Infrastructure Investment and Jobs Act means we'll see many major construction projects nationwide, all requiring truckers. Flatbed trailers will be in high demand to deliver everything from pipes to construction equipment, and dry vans may be used to transport smaller parts for various projects.

In the long term, the infrastructure bill will improve roads, helping reduce costly freight bottlenecks and congestion. The port infrastructure improvements included in the bill will also likely save carriers time and money down the road.





Stay on top of the trends with DAT

Keeping up with the latest trends in the trucking industry is non-negotiable, but it can quickly become time consuming. That's where DAT comes in.

DAT Trendlines offers weekly snapshots of industry trends, ranging from spot load posts to national reefer spot rates to fuel prices, while DAT RateView provides accurate insights into current, past, and future rates. Whether you're a shipper, carrier, or broker, DAT can help you stay in the loop and create a profitable business.

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