JUNE
2024

STATE OF THE INDUSTRY

REPORT

SUPPLY CHAIN | DEDICATED TRANSPORTATION | FLEET MANAGEMENT SOLUTIONS

Reactions to outside influences appear

May 24, 2024 | 9 a.m. EDT

Overview

The truckload market continues to experience relatively stable volumes and abundant capacity. Mother's Day weekend, followed by International Roadcheck and leading into Memorial Day, has created more pressure on capacity than it did in 2023 as rejection rates have reacted more quickly to outside influences than earlier in the cycle.

Intermodal pricing pressure is still firmly in place. The discount intermodal presents compared to truckload is still extremely small compared to historical levels. This small discount hasn't caused a slowdown in volumes as both international and domestic volumes have been trending higher throughout May.

The maritime market continues to see relatively stable volumes despite the geopolitical risks that are prevalent. Containership lines are able to control capacity deployed in the market much more effectively than markets like the truckload market. This effectiveness has allowed the ocean carriers to push ocean spot rates to more than double the level they were this time last year.

Inflation remains top of mind for many as the road to return to the Federal Reserve's target rate of 2% has been quite bumpy. The Federal Reserve remains hesitant to cut interest rates as it believes that will fuel the inflation fire once again. However, the impacts of the rapid interest rate increases are starting to appear as delinquency rates are on the rise and consumers continue to take on more and more debt.

Macro indicators	(y/y change)
April industrial prod. change	Unch (-0.4%)
April retail sales change	Unch (+3%)
April U.S. Class 8 orders	16,900 (+32%)
April U.S. trailer orders	13,700 (+37%)

Truckload indicators	(y/y change)
Tender rejection rate	4.9% (+169 bps)
Average dry van spot rate[1]	$2.28/mi (+3.2%)
LAX to DAL spot rate[2]	$2.15/mi (+6.4%)
CHI to ATL spot rate	$2.25/mi (+0.9%)

Tender volumes	(y/y change)
Atlanta	379.22 (-6.28%)
Dallas	383.49 (+4.89%)
Los Angeles	321.02 (+25.74%)
Chicago	213.86 (+3.86%)

Tender rejections	(y/y change)
Atlanta	5.83% (+216 bps)
Dallas	5% (+211 bps)
Los Angeles	7.61% (+460 bps)
Chicago	2.69% (-28 bps)

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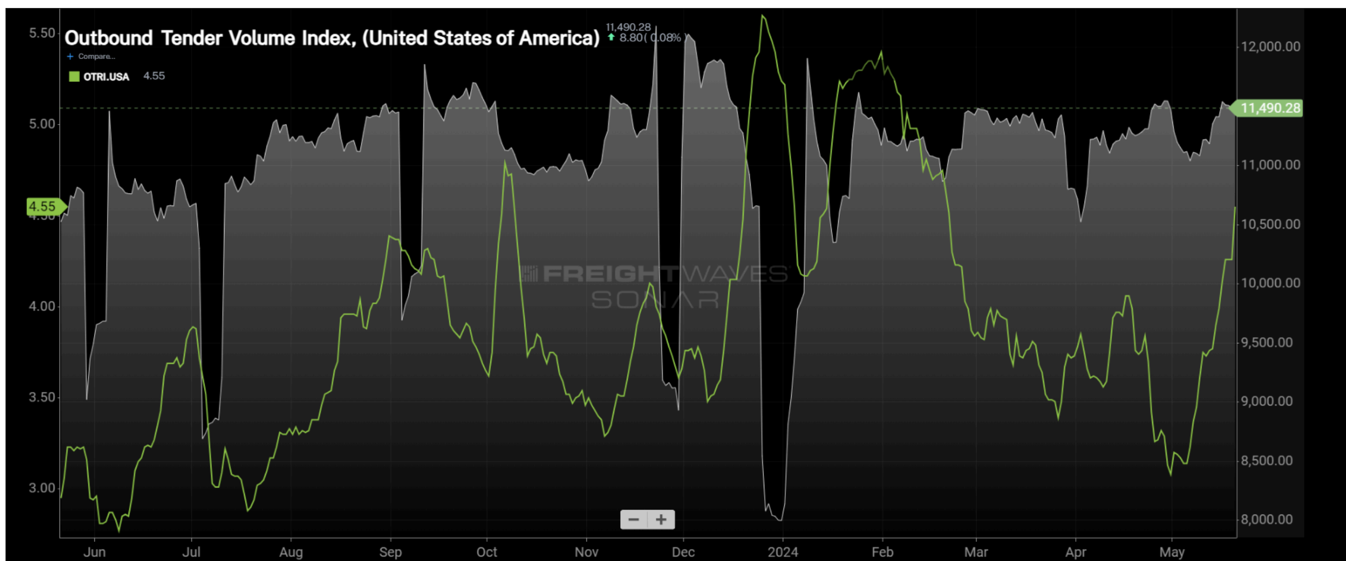
[1] FreightWaves National Truckload Index
[2] FreightWaves TRAC spot rate

Truckload markets

The truckload market, while capacity remains abundant, has started to show signs there are some underlying changes within the market starting to arise. From a demand perspective, volume levels have been remarkably stable. On the capacity front, carriers are leaving the market on a seemingly daily basis and tender rejection rates have become increasingly volatile, caused by various outside influences. These have caused short-term bumps in spot rates, as any chance for rate reductions is largely in the rearview and those still searching for aggressive rate reductions will be challenged in the back half of the year.



Source: FreightWaves SONAR. Outbound Tender Volume Index (white, right axis) and Outbound Tender Reject Index (green, left axis).

While April tends to be a slower month in terms of freight activity ahead of the summer shipping months, April this year was relatively strong. The Outbound Tender Volume Index increased by 2.3% throughout the month. After this increase, volumes slowed to start May, but have since recovered. OTVI is up 1.8% since the beginning of the year. Compared to this time last year, OTVI is 9.3% higher and is 21.2% higher than it was in 2019.

Both produce, which tends to have extremely short lead times, and beverages are creating a boost to overall demand as reefer volume levels have surged to the highest level since late March after an underwhelming April. Since April 1, the Reefer Outbound Tender Volume Index has increased by 12.5%. Reefer volumes are 2.5% higher than they were last year.

Dry van volumes have been fairly stable throughout the second quarter. The Van Outbound Tender Volume Index is up 1.2% since the beginning of April. But they are performing far better than they were last year, currently 9.4% higher year over year.

The growth in volumes on an annual basis has been fairly widespread, but the growth in Southern California is a positive for the overall freight environment. Outbound volumes from the Los Angeles market are over 22% higher than they were this time last year. Stronger import levels coupled with

inventory replenishment happening closer to consumption centers has created increased demand in the major West Coast markets.

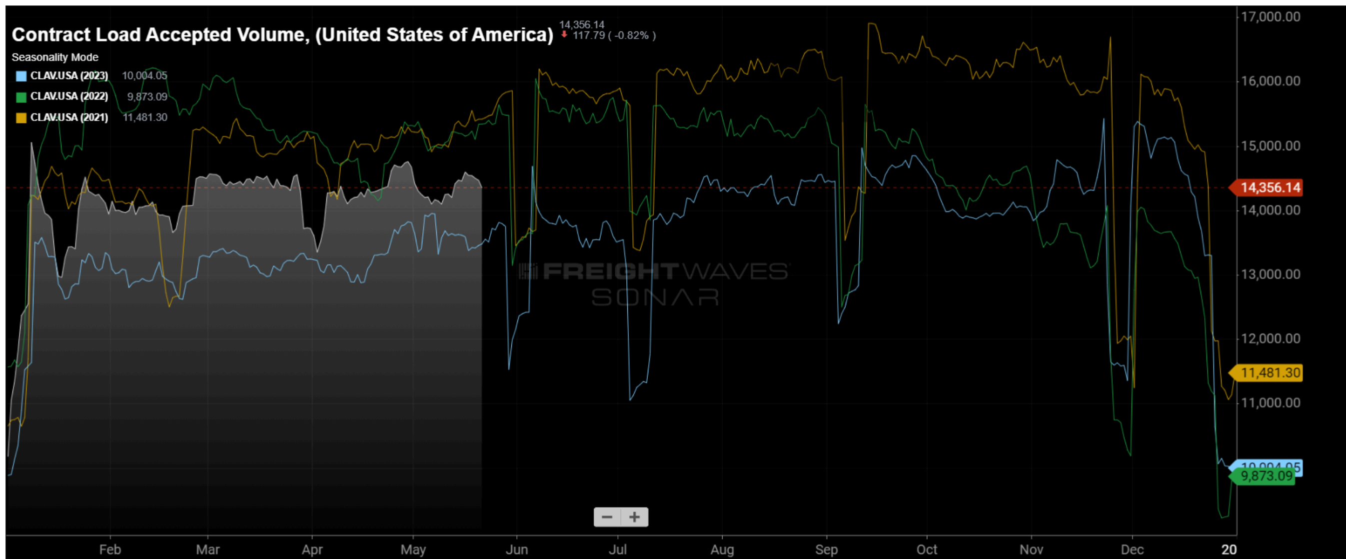


Chart: FreightWaves SONAR. Contract Load Accepted Volume: 2024 (white), 2023 (green) and 2022 (blue).

Thus, OTVI accounts for both accepted and rejected tenders can skew demand artificially as tenders are rendered.

Contract Load Accepted Volume is an index that measures accepted load volumes moving under contractual agreements; in short, it is similar to OTVI but without the rejected tenders. At present, accepted tenders are up 6.4% year over year. The continued strength on a year-over-year basis shows that the freight market, at least from a demand perspective, continues to claw itself off the bottom.

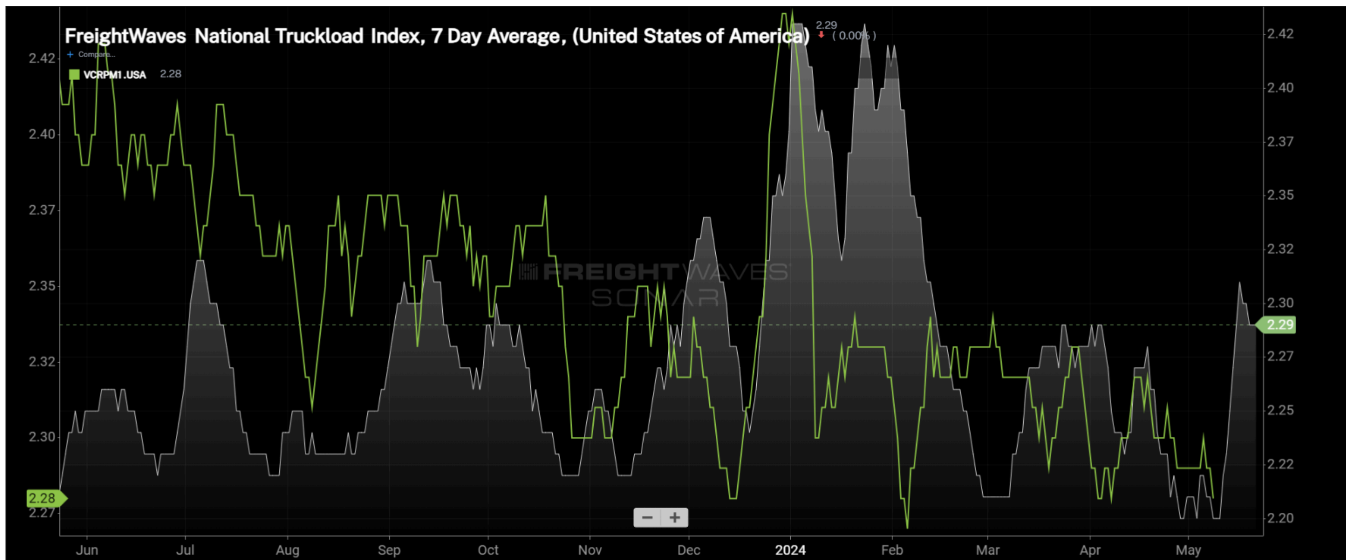
Tender rejection rates, which are a measure of relative capacity in the market, have been surging thanks to International Roadcheck ahead of the Memorial Day holiday and increased activity in the reefer market. The Outbound Tender Reject Index has increased by 147 basis points since the beginning of May. At present, OTRI sits at 4.67%, the highest level it has been since winter weather impacted capacity in late January and early February. OTRI is currently 172 bps higher than it was this time last year.

Tender rejection rates have been slowly increasing since the second quarter of 2023 as new contract rates that were negotiated lower were coming online. The increases have been fairly subtle, but they have been increasing nonetheless, indicating that while the market still has too much capacity, it is trending to an inflection point. The timing of that inflection is the biggest question as the capacity side of the market is far more opaque.

As summer arrives, constraints on reefer capacity are arriving in a significant way. Since the beginning of the month, the Reefer Outbound Tender Reject Index has increased by 343 bps to 7.62%. With the produce season underway and the short time horizons that produce presents, many loads go direct to the spot market, which will have a larger impact on capacity than it will showing

up in demand metrics. Reefer tender rejection rates are more than double where they were this time last year, showing that the market is ripe for disruption.

International Roadcheck creates a needed boost to spot rates



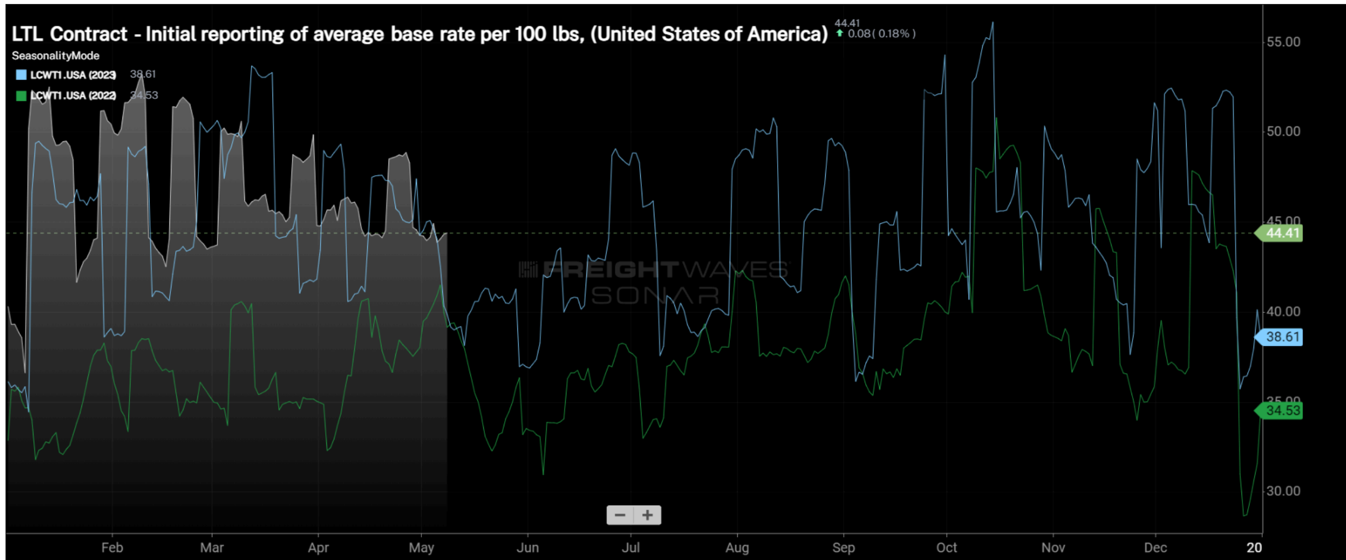
Source: FreightWaves SONAR. National Truckload Index (white, right axis) and initially reported dry van contract rates (green, left axis).

April was a challenging month as spot rates tumbled throughout the month as there was very little to be positive about from a carrier perspective. The beginning of May brought the local bottom in spot rates as the FreightWaves National Truckload Index — a seven-day moving average of national dry van spot rates that is inclusive of fuel — hit $2.20 per mile.

International Roadcheck provided a shot in the arm to the market as the NTI surged by 11 cents per mile from May 10 through May 16. At present the NTI stands at $2.29 per mile, the highest level since mid-February. The NTI is 9 cents higher per mile than it was at the same time last year and had a more significant reaction to International Roadcheck. This is a sign that there are underlying changes to the freight market starting to appear.

While spot rates had a likely short-term reaction to International Roadcheck, contract rates have continued to trend lower as contracts negotiated throughout the end of 2023 and early 2024 continue to come online. The initially reported dry van contract rate, which excludes fuel, currently sits at $2.28 per mile, the second-lowest level of the year. The initially reported van contract rate is 16 cents per mile, or 6.6% lower than it was this time last year, which aligns with what many of the publicly traded companies were reporting during the first-quarter earnings season.

Shock of the bankruptcy has largely fizzled from the LTL market



Source: FreightWaves SONAR. Initially reported LTL contract rate per hundredweight: 2024 (white), 2023 (blue) and 2022 (green).

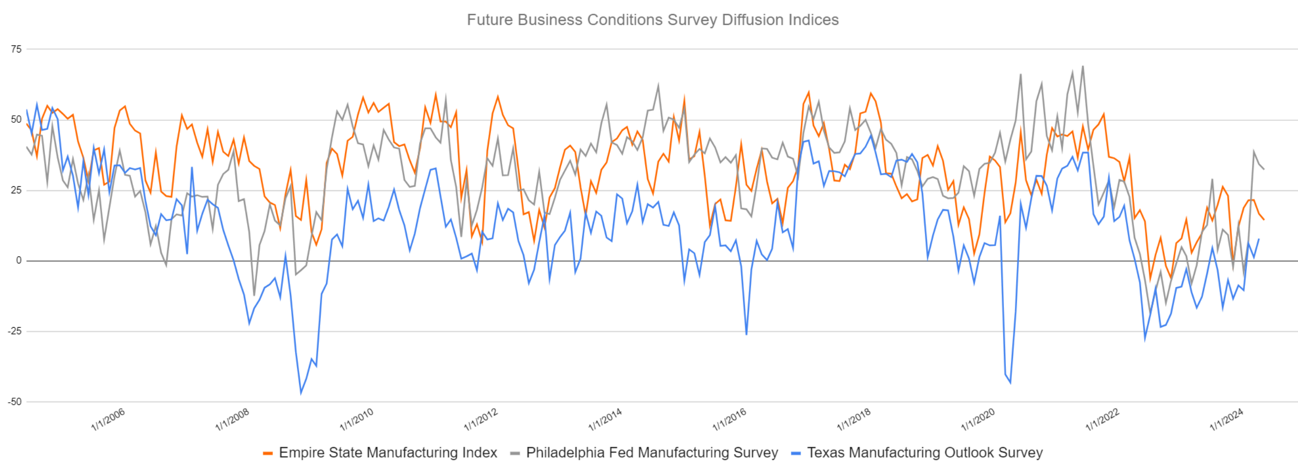
With the exit of a national less-than-truckload carrier in 2023, the market has started to see the boost that it provided start to fizzle out. The freight that was moved from the now-defunct carrier to other LTL carriers has been largely absorbed and the rate increases established in the back half of 2023 are under pressure.

At the time of this writing, the average LTL contract rate is $1.89 per hundredweight lower than it was this time last month. Now sitting at $44.41 per hundredweight, shipping via LTL remains 11.4% more expensive than it was a year ago. This is down from 14.3% in the previous month's report.

Macroeconomic conditions

The manufacturing sector of the economy continues to face challenges. The Institute for Supply Management's Manufacturing Purchasing Managers' Index entered back into contraction after a one-month stint in expansionary territory. The overall Manufacturing PMI fell by 1.1 points month over month to 49.2. The overall economy expanded for the 48th straight month, but the important note is that overall economic expansion is signaled by a Manufacturing PMI above 42.5.

Within the PMI, the New Orders component fell back into contraction after entering expansionary territory in March. The New Orders component fell by 2.3 points month over month to 49.1.



The manufacturing surveys from the various Federal Reserve regional banks echoed the sentiment of the PMI.

May's Empire State Manufacturing Index saw the current Business Conditions Index worsen slightly, falling by 1.3 points month over month — pulling the overall reading of minus 15.6 further into contraction. A positive sign, though the index remains in contraction, is that the Shipments Index climbed closer to equilibrium, rising 13.2 points month over month to just minus 1.2.

While firms are still optimistic about the next six months, that optimism is starting to fade. The forward-looking General Business Conditions Index suffered a decline of 2.2 points month over month, on the heels of the 4.9 point month over month decline in April. The index is still positive at 14.5, but it has been declining for the last few months, indicating firms see a more cloudy future.

The outlook in Philadelphia followed a similar pattern to the Empire State survey. The current General Business Activity Index within the Manufacturing Business Outlook Survey, conducted by the Federal Reserve Bank of Philadelphia, fell by 11 points month over month to 4.5. The decline was driven by decreases in new orders, which fell 20.9 points month over month to minus 7.9, and in shipments, which fell 20.3 point month over month to minus 1.2. The forward-looking General Business Activity Index, despite losing 1.9 points month over month, was staunchly positive at 32.4.

The Federal Reserve Bank of Dallas releases the Texas Manufacturing Outlook Survey during the final week of the month, but the mood of Texas business firms in April was quite positive. The survey's Future General Business Activity Index rose 6.6 points month over month to 7.9, though it is still below its average of 12.3. 25.4% of survey respondents believe that conditions will improve over the next six months, against 17.5% of firms that expect them to worsen.

April's jobs report was underwhelming, coming up short of analysts' job-growth expectations. Nonfarm payrolls increased by 175,000 in April, 65,000 short of consensus estimates of 240,000 added jobs during the month. The unemployment rate increased to 3.9%, matching where it was in February and 10 basis points higher than it was in March. The labor-force participation rate remained stable at 62.7%, just 10 bps higher than it was this time last year.

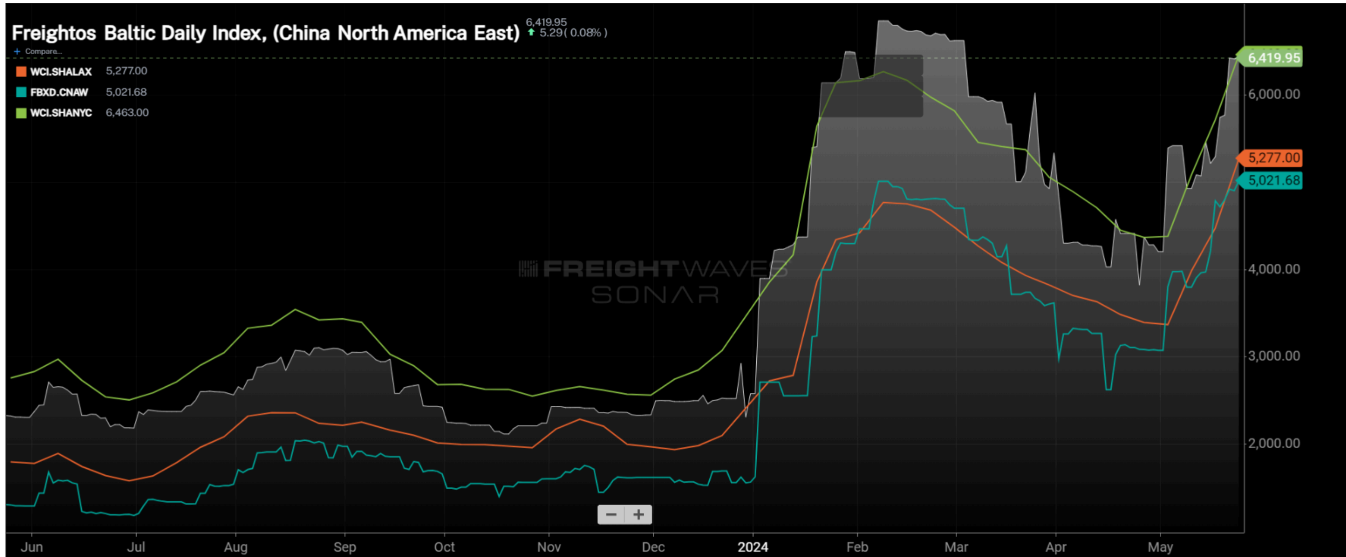
The health care sector continues to be an area of job growth. The health care and social assistance sectors added 87,000 jobs during April, the largest gain of any of the sectors tracked by the Bureau of Labor Statistics. Retail trade and transportation also experienced fairly sizable increases. Retail trade added 20,100, with much of the growth stemming from general merchandise retailers (9,500 added jobs in April) and building material and garden equipment dealers (6,500 added jobs). The transportation sector added 21,800 jobs, with the warehousing and couriers sectors adding 7,600 jobs each during the month.

Maritime: Spot rates surge as carriers control capacity

The maritime market continues to show that there is some strength in the market as a whole as geopolitical pressures globally remain abundant. Ocean carriers have been extremely aggressive in controlling capacity in ways that truckload carriers are unable due to the limited fragmentation, especially among the largest players.

At the onset of the Red Sea conflict, container ship lines demonstrated their pricing power and uncertainty in the market and pushed container rates to levels not seen since the pandemic. As the conflict dragged on, the pricing power started to slip, and containership companies had to reverse the upward trend and started to ease prices. Throughout March and April, nearly every two weeks containership lines would try and push prices as high as they could and, at the end of the two-week cycle, they would drop them significantly to ensure that vessel utilization was maximized.

May has brought a new round of upward pressure on transpacific spot rates. This increase is for a couple of reasons: 1) Containership lines have pricing power and are able to control capacity in a more impactful way than other modes of transportation; 2) This is a push to get rates as high as possible prior to the ocean peak season, which tends to occur from late July through Golden Week (typically the first week in October).

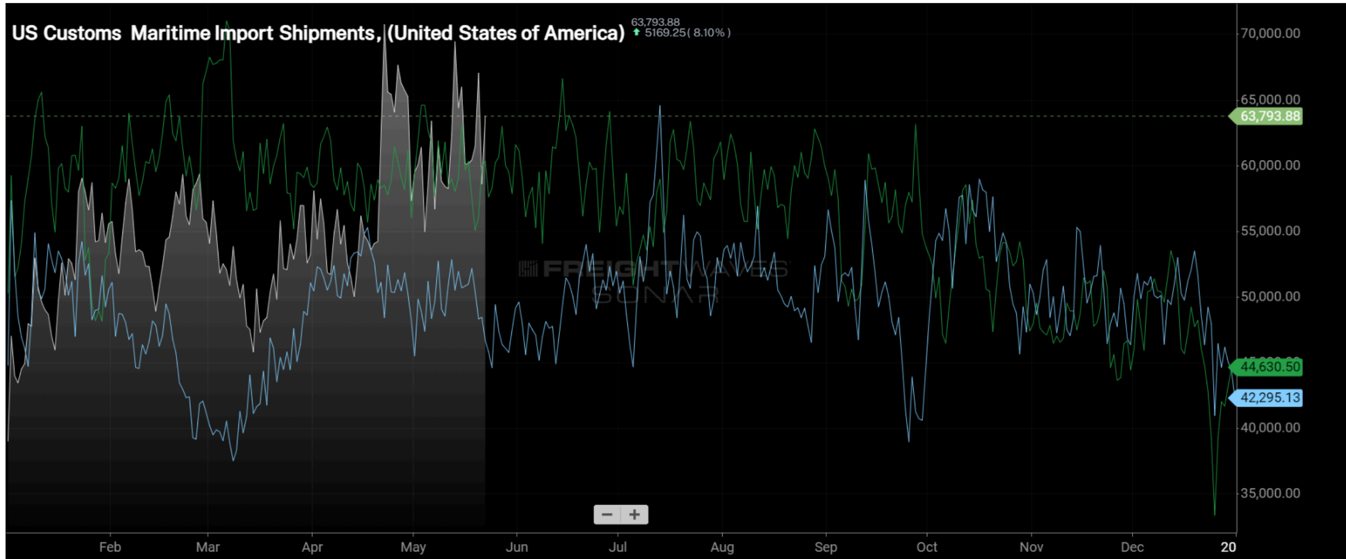


Source: FreightWaves SONAR. Container spot rates, YTD view: Drewry World Container Indexes: Shanghai to Los Angeles (orange), Shanghai to New York (green). Freightos Baltic Daily Index: China to North American West Coast (blue) and China to North American East Coast (white).

The Freightos Baltic Daily Index from China to the North American West Coast has risen by 62.7% over the past month to $5,021.68 per 40-foot equivalent unit (FEU) and, with the month-over-month increase, the spot rate along this lane is 284.4% higher than it was a year ago. From China to the North American East Coast, the monthly increase wasn't as aggressive, rising 46.8% month over month to $6,419.95 per FEU, up 176.2% compared to this time last year.

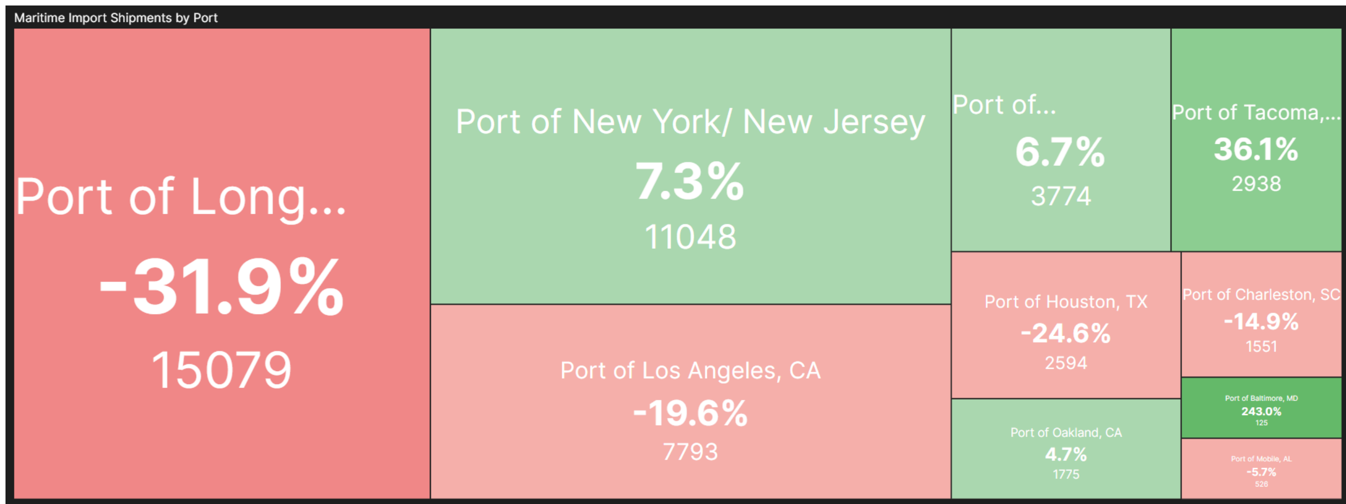
The Drewry World Container Index followed suit as transpacific rates have soared over the past month. The WCI from Shanghai to New York registered an increase of 47.9% month over month to $6,463 per FEU, up 128.8% compared to this time last year. The WCI from Shanghai to Los Angeles currently stands at $5,277 per FEU, up 55.4% month over month and 189.5% year over year.

These rate increases, should they hold through the summer shipping months, will be quite impactful to importers as these higher spot rates will set the table for the next round of contract negotiations.



Source: FreightWaves SONAR. U.S. Customs Maritime Import Shipments, both containerized and noncontainerized: 2024 (white), 2023 (blue) and 2022 (green).

U.S. maritime import shipments have shown continued strength, experiencing a very limited lull from the Lunar New Year. The Lunar New Year holiday was likely offset by a strong pull forward in TEU volumes as shown below in the Ocean TEU Volume Index. Over the past month, U.S. maritime import shipment volumes have expanded by 17%. Not only have import shipments grown by 36.7% over the past year, they have recently come in line with 2022 levels. At the time of this writing, import levels are 5.7% higher than they were at the same time in 2022.

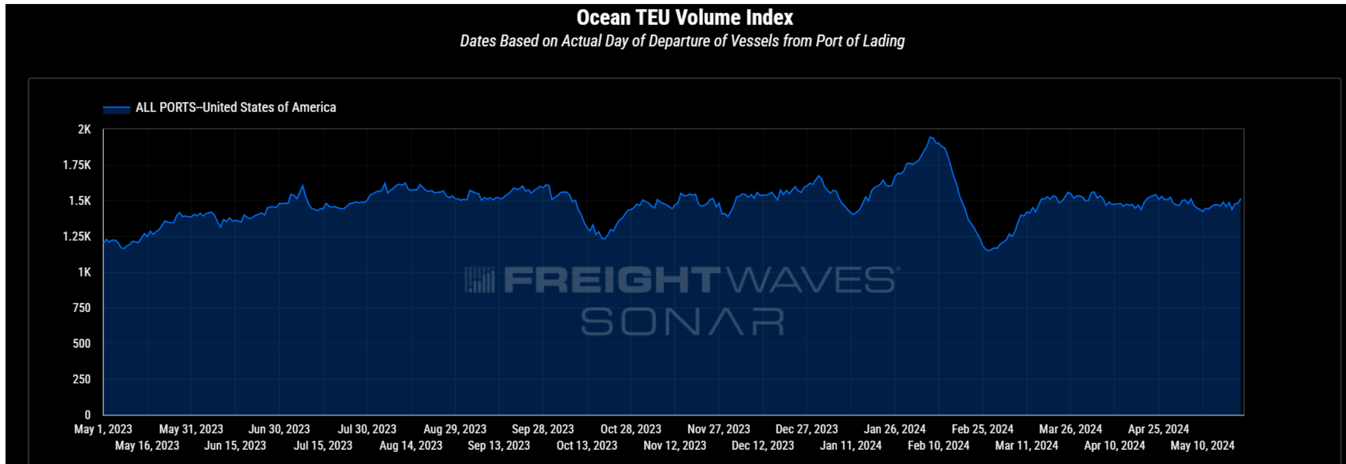


Source: FreightWaves SONAR. Maritime Import Shipments by Port — Tree Map.

The largest ports in the country actually experienced some fairly dramatic decreases month over month, but that is largely due to noise in how U.S. customs officials clear shipments. In the two Southern California ports, the Port of Long Beach and the Port of Los Angeles, volumes dropped 31.9% and 19.6% month over month, respectively. While those are extreme drops, import levels into the Port of Long Beach are up 88.5% year over year.

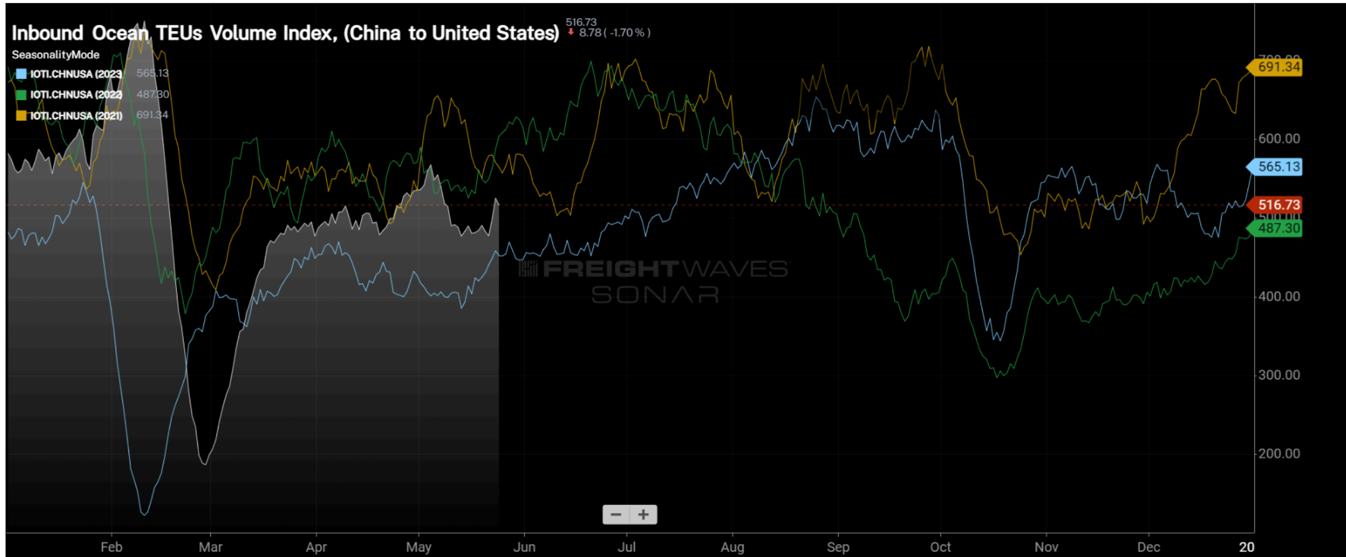
The Port of New York and New Jersey continues to see monthly growth in imports. Over the past month, the port has experienced 7.3% growth in imports, which is 34.8% higher than they were this time last year.

The Port of Savannah, Georgia, experienced a recovery in import shipments over the past month, growing by 6.7% month over month. The port has handled 11.4% more imports than it did this time last year, showing that the growth in imports is widespread across the country and not just isolated on the West Coast.



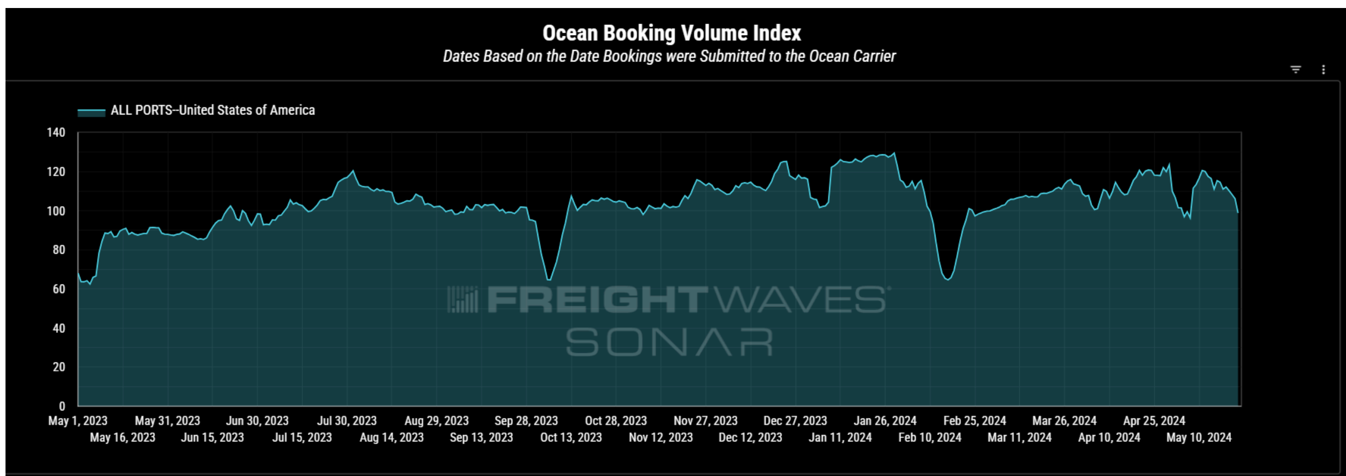
Source: FreightWaves Container Atlas. Ocean TEU Volume Index — all global ports to all U.S. ports.

The Ocean TEU Volume Index, gauging container trade from all global ports to all U.S. ports as TEUs leave origin ports, has been steady as it goes following the Lunar New Year holiday. Over the past month, inbound ocean TEU volumes are down 1.4%. Compared to this time last year, inbound ocean TEU volumes have grown by 11.7%. While volumes are down on a monthly basis, there has been some positive momentum since early May. If volume trends follow a similar pattern to last year, it is setting up a far more robust peak season than last year.



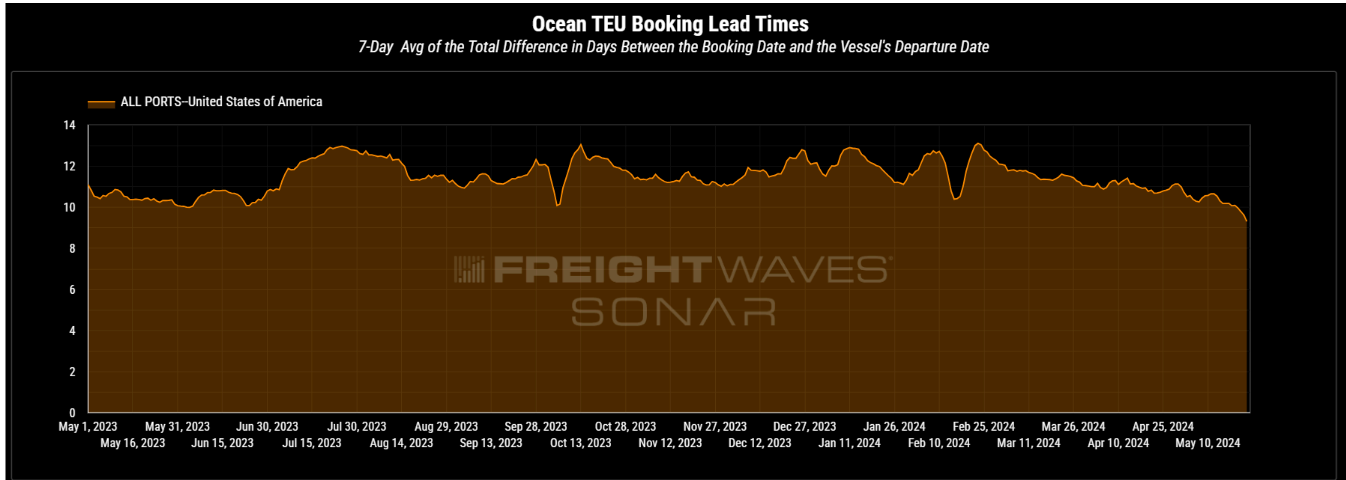
Source: FreightWaves SONAR. Inbound Ocean TEU Volume Index — China to U.S.: 2024 (white), 2023 (light blue), 2022 (green) and 2021 (yellow).

The Inbound Ocean TEU Volume Index from China to the U.S. (IOTI.CHNUSA) echoes the trends in the overall market: Volumes are largely unchanged month over month, but have found some positive momentum in the back half of May. From China to the U.S., ocean TEU volumes have increased by just 0.2% over the past month and are 14.2% higher than they were this time last year.



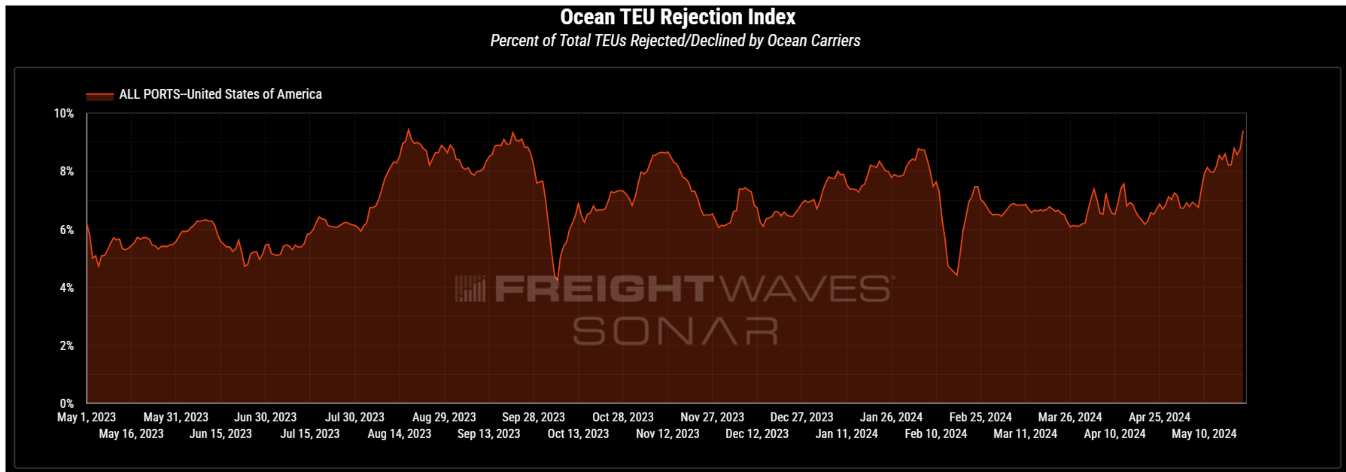
Source: FreightWaves Container Atlas. Ocean Booking Volume Index — all global ports to all U.S. ports.

The past month has presented a challenge for ocean booking volumes, which have dropped by 18.2% month over month. The decline isn't something to be too concerned about, at least not yet, as the metric is based on when bookings are submitted to ocean carriers. If shipments are being submitted closer to the day of transit, it can help deflate the number of bookings. This is likely the cause as Ocean TEU Booking Lead Times have been declining for quite some time, dropping by more than 10/9.32% in the past month.



Source: FreightWaves Container Atlas. TEU booking lead times — all global ports to all U.S. ports.

Ocean TEU Booking Lead Times are 10.6% shorter than they were this time last year. Part of the reason why lead times are being pushed down has to do with how pattern spot rates have followed this year. If a vessel isn't full, ocean carriers will drop prices at the last minute. This puts downward pressure on lead times as the booking occurs much closer to the departure date than it normally would.



Source: FreightWaves Container Atlas. Ocean TEU Rejection Index — all global ports to all U.S. ports.

The Ocean TEU Rejection Index serves as an indicator of the rate at which ocean carriers decline cargo bookings. As of May 2023, the Index stands at 9.41%, an increase of 289 basis points over the past month. The increase signals that ocean carriers are being more selective in the freight they take, but it is also an attempt to keep spot rates inflated for as long as possible against market dynamics.

Compared to this time last year, the Ocean TEU Rejection Index is 395 bps higher, signaling that the market is slightly tighter than last year. This tightness isn't necessarily being driven by a surge in demand, but rather by a combination of healthy demand and the fact that total TEU Vessel Capacity has declined significantly.

Rail intermodal: Pricing challenges, but volumes remain healthy

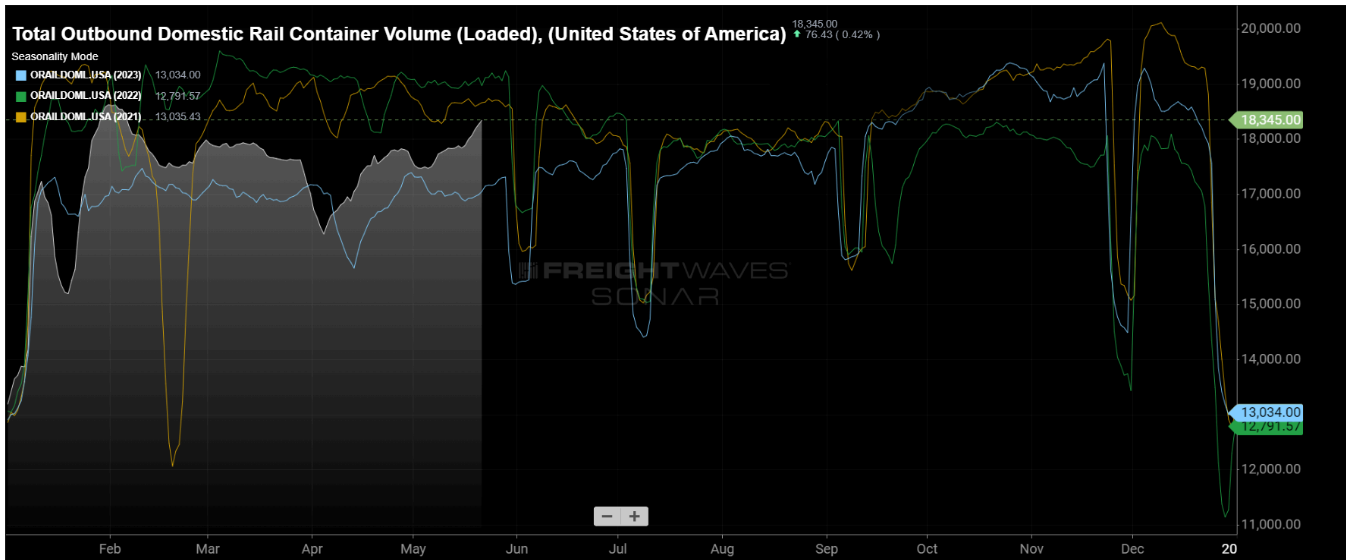


Chart: FreightWaves SONAR. Loaded domestic intermodal container volumes for 2024 (white), 2023 (blue), 2022 (green) and 2021 (yellow).

There has been no slowdown in the intermodal market as volume levels continue to grow on an annual basis on the back of strong import levels. Nearly all of the Class I railroads experienced volume growth during the first quarter of the year, and the overall volume growth has continued into the second quarter.

Overall intermodal volumes continue to trend higher, now sitting just off the year-to-date highs and widening the gap with year-ago levels. Total intermodal volume has grown by 13% over the past year, driven by loaded volumes and nonrevenue empty volumes. Over the past month, total loaded intermodal volumes have increased by 2.1% and are 11.4% higher year over year. Empty volumes are up 9% in the past month and 20.2% higher year over year.

May has been kind to the domestic market, which had lagged behind the international side of the market throughout the first quarter. However, since the East holiday, domestic intermodal volumes have shown significant signs of strength. Overall domestic intermodal volumes have increased by 4.2% month over month and 7.5% year over year. Loaded domestic volumes matched the overall increase, rising by 4.2% over the past month and are 7.5% higher year over year. Domestic empty volumes have declined over the past month by 0.2%, but are still 5.9% higher year over year.

The growth in loaded domestic intermodal volumes has stemmed from all over the country, starting on the West Coast as domestic intermodal volumes out of Los Angeles are up 7% over the past month. Loaded volumes out of Dallas have increased by 6.4% month over month while intermodal volumes out of Chicago are up 2.5% month over month. Each of the markets has experienced strong growth year over year, rising 10.2%, 6.4% and 7.9%, respectively.

International-level intermodal growth has been more stagnant over the past month, but are well above where they were this time last year. Total international intermodal volumes are 19.9% higher than they were this time last year, but only 1.1% higher than they were this time last month. Loaded

international intermodal volumes have declined by 1.6% over the past month, but are still 16.9% higher year over year. Empty international intermodal volumes are up 9.7% month over month and 29.8% higher year over year.

Intermodal contract rates rebound, still down year over year

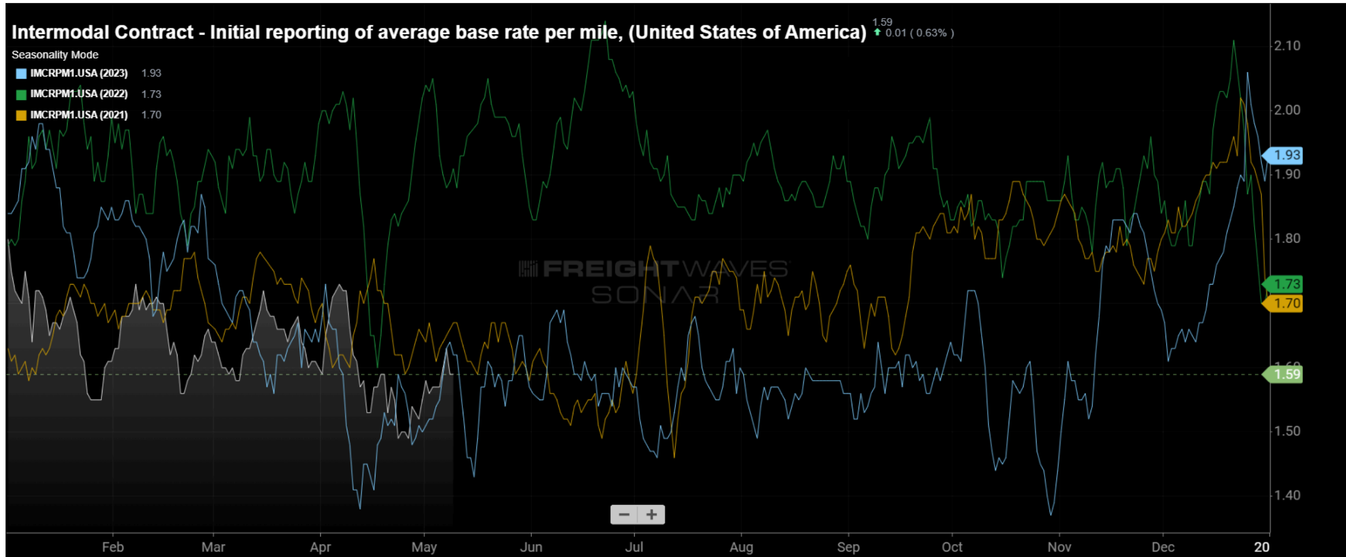


Chart: FreightWaves SONAR. Intermodal contract rates on a sample of domestic intermodal lanes in 2024 (white), 2023 (blue), 2022 (green) and 2021 (yellow).

While the intermodal market sustained volume growth throughout April and May, intermodal contract rates remain under pressure. The average domestic intermodal contract rate, excluding fuel surcharge (shown above as the IMCRPM1.USA data set) is 1.9% below year-ago levels as the gap between the two years narrows as new contracts come online. At present, IMCRPM1 sits at $1.59 per mile, 7 cents lower per mile than it was a month ago.

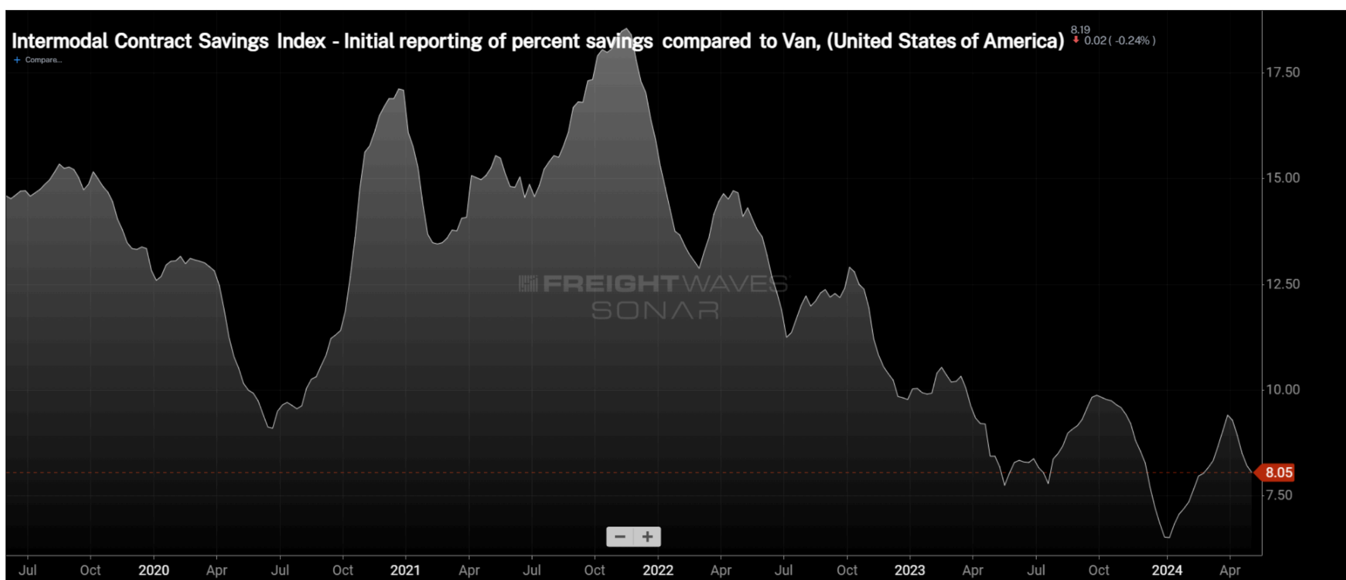


Chart: FreightWaves SONAR. Intermodal Contract Savings Index.

The challenge that the intermodal market currently faces is that the discount it presents relative to truckload is back near historic lows. The Intermodal Contract Savings Index, which is the percent difference between the initially reported dry van contract rate excluding fuel and the initially reported intermodal contract rate excluding fuel, stands at 8.05%, more than a full percentage point lower than it was this time last month. With the intermodal market continuing to grow volumes despite the smaller discount, it sets the intermodal market for even more growth when the truckload market tightens and rates start moving higher.

The intermodal spot rate data in SONAR (53-foot containers door to door including fuel) also suggests that intermodal capacity remains plentiful. While not much intermodal volume moves on the spot market, weekly spot rates sometimes move sharply week to week as carriers, at times, look to protect capacity for contractual shippers. In the most recent week, the average domestic intermodal spot rate (an average of 100 lanes) to move 53-foot containers door to door is just $1.44 a mile including fuel, a 16.3% decline from the same week a year prior.

Among the densest intermodal lanes across the country, the vast majority are lower on both a monthly and yearly basis. Outbound Chicago rates have found some footing over the past month as spot rates are higher on a monthly basis, though the year-over-year pressure persists. The intermodal spot rate from Chicago to Linden, New Jersey, increased by 4% over the past month to $2.18 per mile including fuel. A primary backhaul lane, Chicago to Los Angeles, also experienced a fairly large increase, rising 3.1% month over month to just 91 cents per mile, down 4.9% year over year and a 38.5% discount to the dry van spot rate along the same lane, according to FreightWaves Trusted Rate Assessment Consortium.

Intermodal spot rates remain depressed

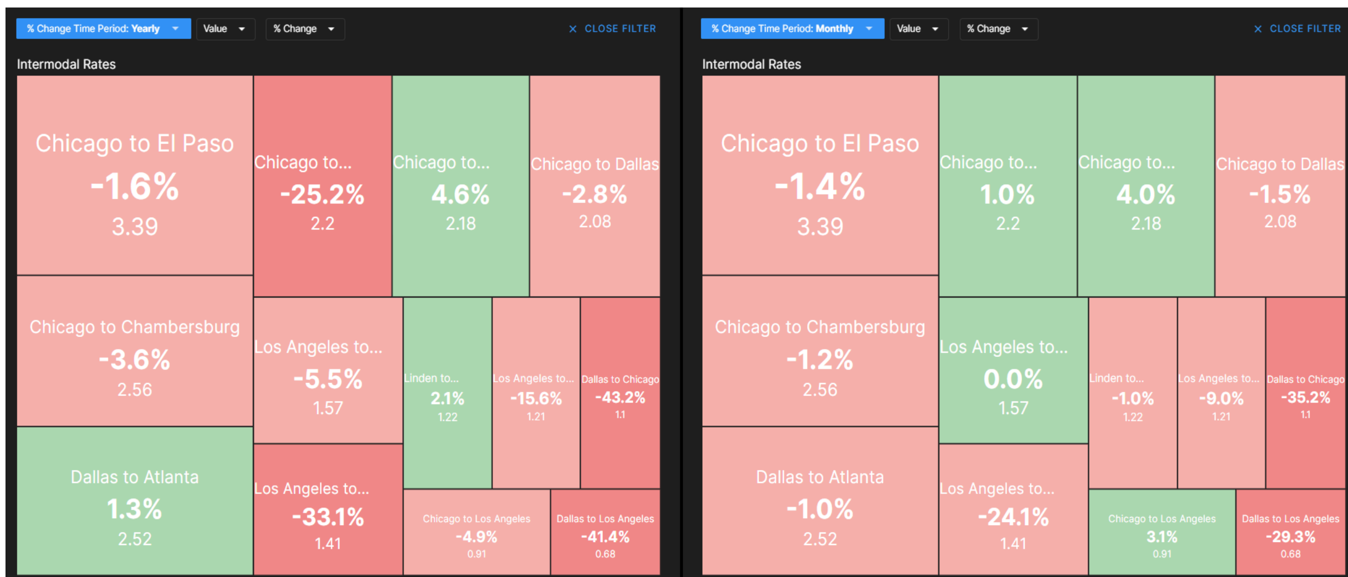


Chart: FreightWaves SONAR. Intermodal spot rates to move 53-foot containers door to door, including fuel surcharges and their respective y/y (left) and m/m (right) changes.

Intermodal tender rejections offer a way to gauge service disruptions as carriers often operate on "auto-accept," especially when contract rates are competitive with spot rates. The current national intermodal rejection rate continues to trend higher, now above 1%, at 1.05%. Intermodal rejection rates in Los Angeles jumped to 1.94% as increased volatility has hit the market.

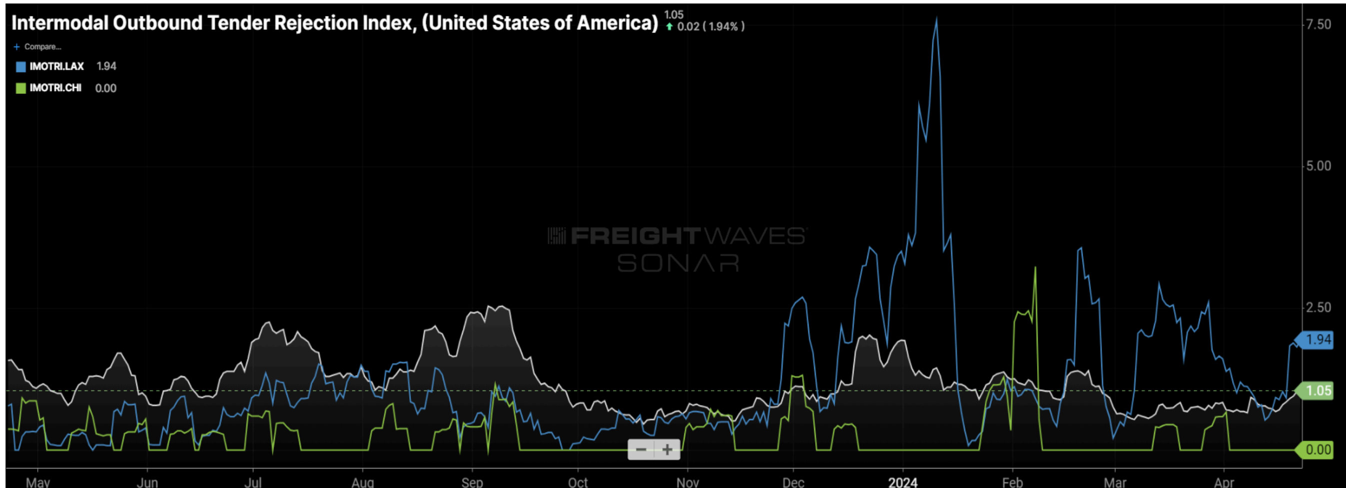


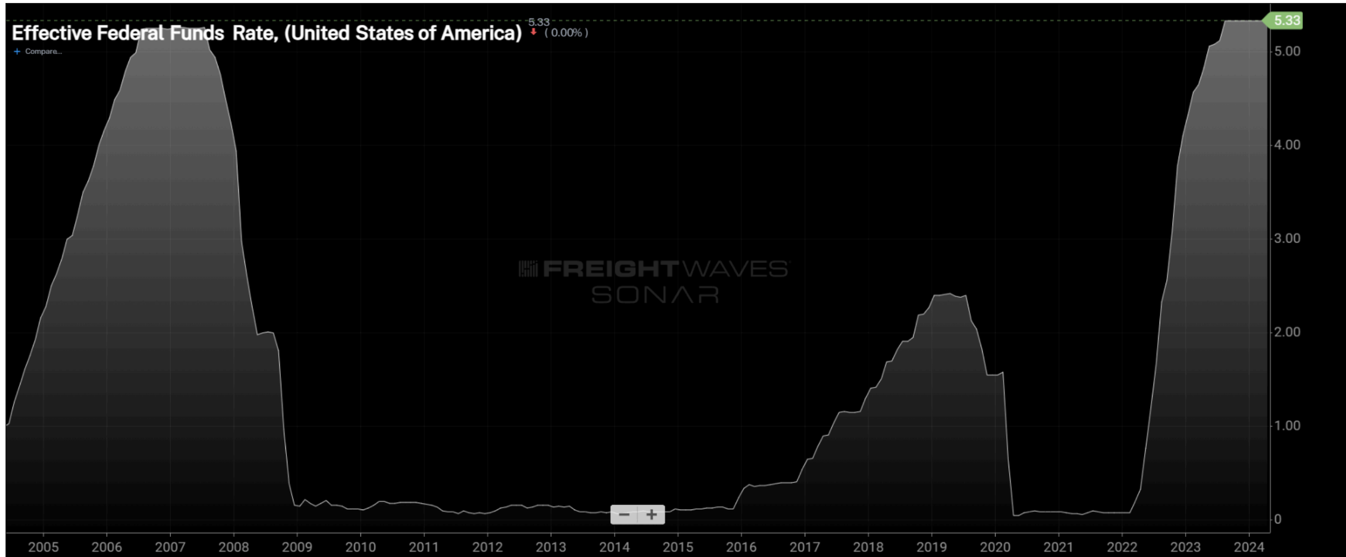
Chart: FreightWaves SONAR. Domestic intermodal outbound tender rejection rates for national (white), Los Angeles (blue) and Chicago (green) loads.

What else we're watching

The growth of the U.S. economy slowed in the first quarter as GDP increased by 1.6%, short of expectations of 2.4% growth. This slowdown is a result of higher interest rates, which are one of the only available levers the Federal Reserve has in its arsenal to tame inflation.

During the most recent Federal Open Market Committee meeting, Fed chairman Jerome Powell announced that the target range for the federal funds rate would remain stable once again, for the fifth consecutive time. The range remains 5.25% to 5.5%.

The Federal Reserve has continued to insist that its focus has been to curb inflation while maintaining maximum employment. At a recent appearance in Amsterdam, Powell stated that inflation has been higher than expected and interest rates will likely stay higher for longer than many anticipated. Powell highlighted continued strength in the labor market, though the unemployment rate did creep slightly higher in April. The Fed chairman downplayed the possibility that the next move by the FOMC would be an interest rate hike.



Source: FreightWaves SONAR. Effective federal funds rate.

As Powell stated, inflation has been sticky, hanging around longer than many believed it would, especially after a rapid increase in interest rates. Inflation as a whole remains above the Federal Reserve's target of 2%.

The Consumer Price Index, one of the most widely used metrics for measuring inflation, increased 0.3% month over month in April, slightly lower than the 0.4% many were expecting. The 12-month running total for the CPI came in at 3.4%, a slight decline from the 3.5% reading in March, but it is 40 basis points higher than the lowest level in the past year (June 2023).

Core inflation, which is the CPI excluding the more volatile food and energy prices, increased by 0.3% month over month as well. The 12-month running total for the Core CPI came in at 3.6%, which is lower than it has been at any point in the past year.

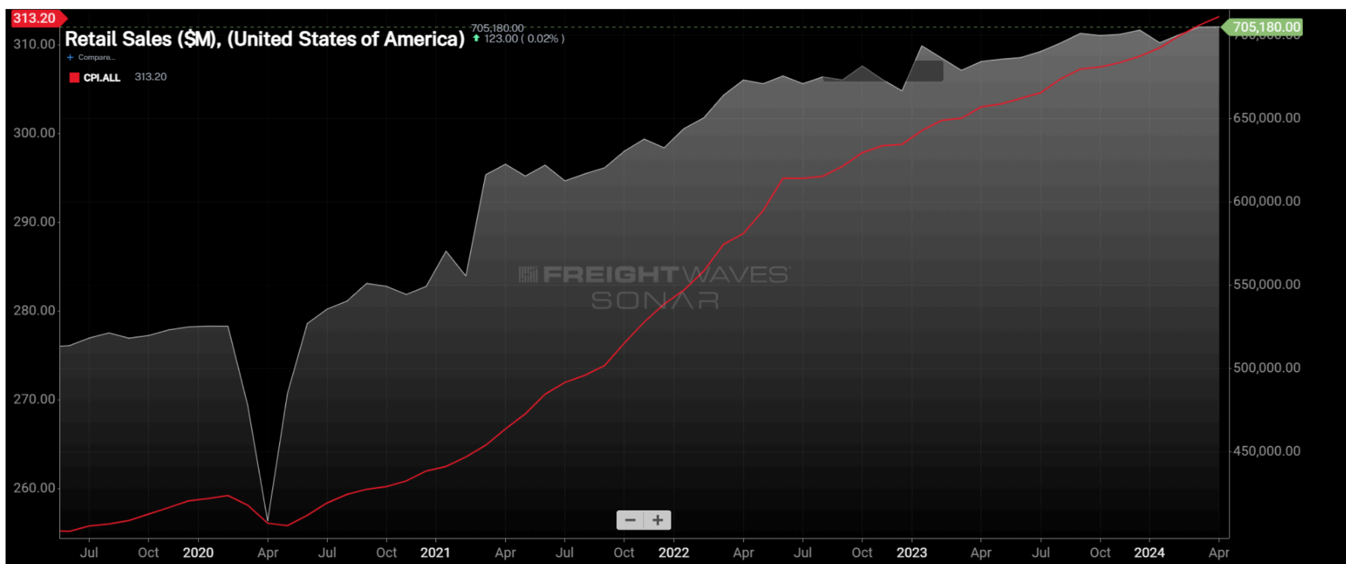
Inflation in food prices has largely stalled out. Food prices were flat month over month in April following a 0.1% month-over-month increase in March. Overall food prices are 2.2% higher than they were 12 months ago. Food-at-home prices actually declined by 0.2% month over month in April and are only 1.1% higher than they were in April 2023. At the same time, food-away-from-home prices increased by 0.3% month over month and are 4.1% higher than they were last year.

The impacts of higher food prices away from home showed up in April's retail sales figures. Grocery store spending was 0.6% higher month over month and up 1.9% year over year, while spending at bars and restaurants was up just 0.2% month over month, though 5.5% year over year. It is important to note that retail sales figures aren't adjusted for inflation, so while bar and restaurant spending looks positive year over year, it is challenged due to the higher prices.

The sentiment that higher prices at bars and restaurants were causing people to eat more at home was echoed by the country's largest retailer, Walmart. On Walmart's first-quarter earnings call, John Furner, president and CEO of Walmart U.S., said, "We see an even larger spread between eating at home and eating out."

Volatility in energy prices reigns supreme after they continue to climb higher following declines throughout the final months of 2023. Overall energy prices increased by 1.1% month over month, matching March's increase, and 2.6% year over year. Gasoline prices were one of the main components driving higher overall energy prices. Gasoline prices increased by 2.8% month over month and were 1.2% higher year over year in April.

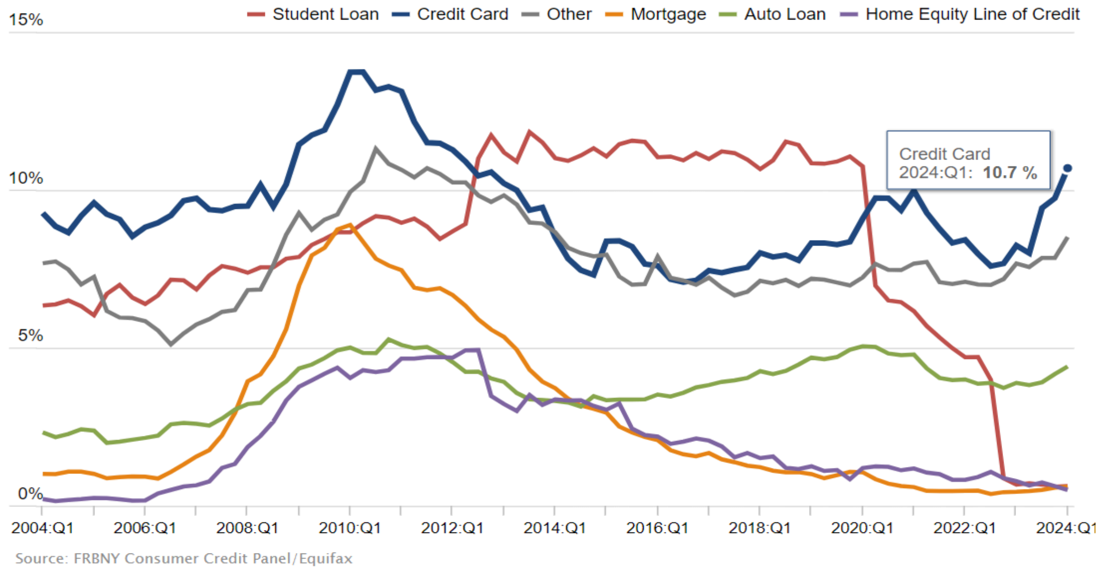
Shelter prices, which are the largest component of the CPI, continue to rise steadily. Shelter prices increased by 0.4% month over month in April, the third consecutive monthly increase of 0.4%. Shelter prices are 5.5% higher than they were in April 2023.



So while prices increased in April, retail sales were stable. Total retail sales were flat in April and 3% higher than they were during the same period a year ago. Removing gasoline and motor vehicle sales, retail sales dropped by 0.1% month over month in April but were 3.5% higher year over year.

Nonstore retail sales suffered the most during the month, dropping by 1.2% month over month as e-commerce sales took a breather. Even with the slowdown, nonstore retail sales were 7.5% higher than they were during the same period last year.

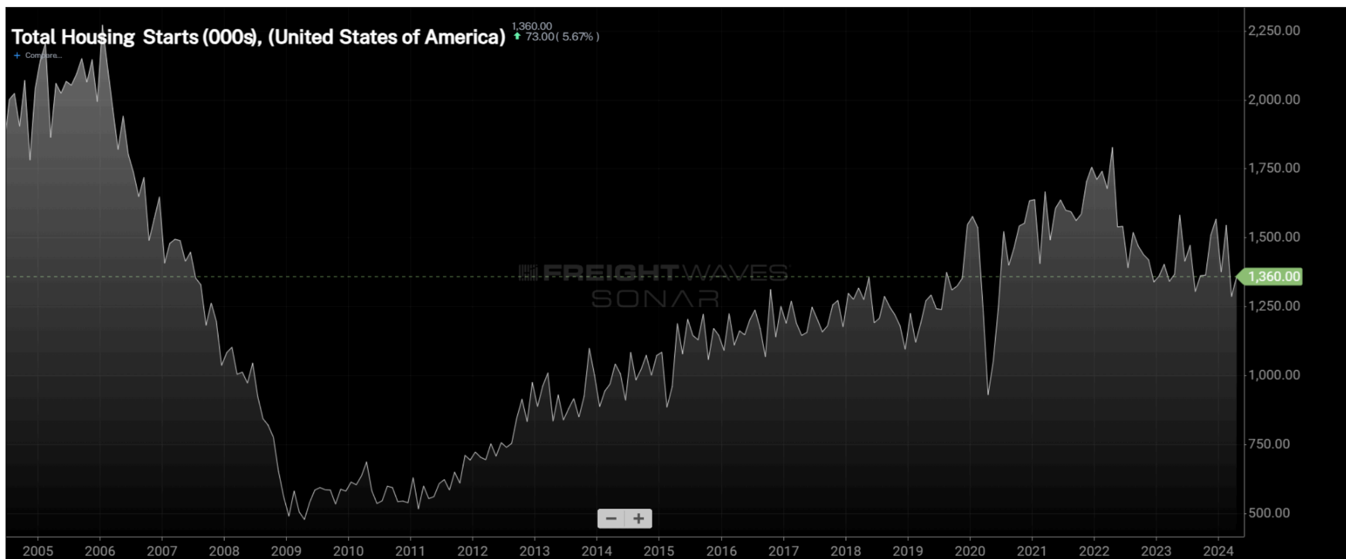
An area to pay attention to heading into the back half of the year is the consumer credit situation. TransUnion, one of the three main credit-reporting agencies, reported that average debt per consumer in the first quarter of 2024 was $6,218, 8.5% higher than it was in the first quarter of last year. Additionally, the delinquency rate on credit cards has been rising, now sitting at 2.55%, according to the TransUnion report. That is up from 2.26% in Q1 of 2023.



Source: Federal Reserve Bank of New York

The Federal Reserve Bank of New York released a report surrounding delinquencies across all debt types. Credit card loans, which only represent 6% of outstanding loans, have experienced a concerning trend. The percentage of balance that is 90-plus days delinquent crossed into double digits at 10.7%, the highest level since the second quarter of 2012. Since the fourth quarter of 2022, the percentage of balance 90-plus days delinquent has increased by 3 percentage points.

In the higher interest-rate environment, housing has been under pressure. After a troublesome March, April saw some semblance of a recovery in construction activity.

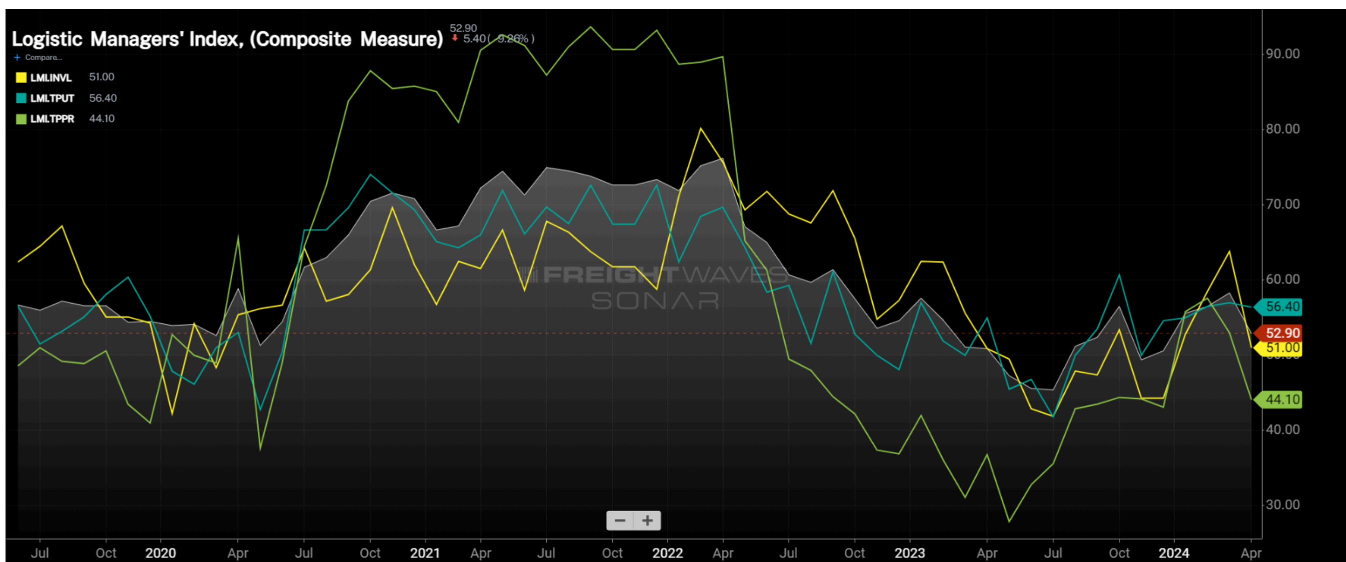


Source: FreightWaves SONAR. Total U.S. housing starts (in thousands).

Housing starts, which suffered a significant decline in March, leading to questions about the overall health of the construction sector, recovered in April. Total housing starts increased by 5.7% month over month to a seasonally adjusted annual rate (SAAR) of 1,360,000. While that is a recovery from the previous month, housing starts are now below year-ago levels, down by 0.6%.

Single-family housing starts, which make up over 75% of total housing starts, did suffer their second consecutive monthly decline. Single-family housing starts dropped by 0.4% month over month to a seasonally adjusted annual rate of 1,031,000 — still 17.7% higher than this time last year.

Multifamily housing starts, a primary driver of March's drop, saw a sizable jump in April. Multifamily housing starts rose by 31.4% month over month but are still 32.9% lower than they were in April 2023. April's seasonally adjusted annual rate of 322,000 is the second-lowest it has been in the past year.



Source: FreightWaves SONAR. Logistics Managers' Index (white), inventory levels (yellow), transportation prices (green) and transportation utilization (blue).

The Logistics Managers' Index remained in expansionary territory in April but was down from the March levels. In April, the LMI fell 5.4 points month over month to 52.9. The growth was slowed largely by slower growth in inventory levels. The Inventory Levels component of the LMI dropped 12.8 points month over month to 51. Transportation prices tumbled during the month, moving back into contraction with a reading of 44.1. At the same time, transportation capacity expanded faster than it did the prior month, rising 1.8 points month over month to 61.4.

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