

WHY DOES THE CYCLE MATTER?

MID CYCLE

Tight Conditions, Demand Growth, Supply Response

- Freight demand growth
- Carrier margins up
- Inventory stocking
- Equipment build rates rise
- Fleets hire
- Freight rates top out

EARLY CYCLE

Demand Recovery & Undersupply

- Capacity slows/declines
- Less destock adds freight
- Tightening begins
- Drivers tough to find
- Rates being to rise
- Equipment orders rise

LATE CYCLE

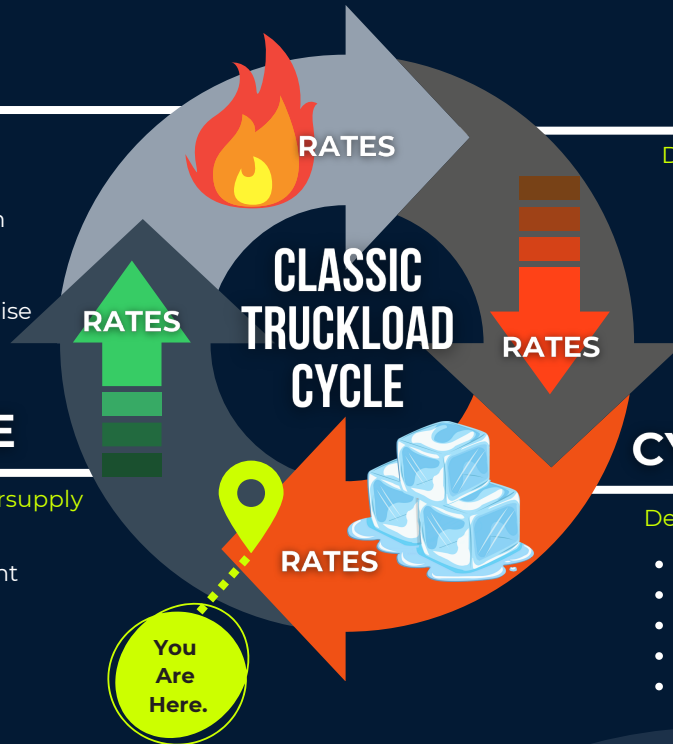
Demand Slows, Supply Ramps, & Market Balance Lessens

- Inventory slowdown
- Capacity accelerates
- Rates fall
- Hiring slows
- Order intake slows

CYCLE BOTTOMING

Demand Declines & Capacity Growth Slows

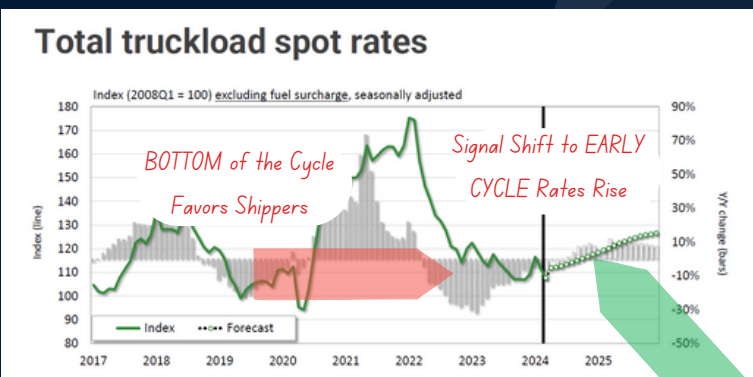
- Loose capacity
- Pricing power to the shipper
- Retail inventory destock
- Rates fall more slowly
- Order cancellations rise



Source: ACT RESEARCH CO. 2023

CAPACITY TIPPING INTO EARLY CYCLE

The transportation industry is at a critical juncture, with capacity poised to realign itself after a period of turbulence. Early Cycle is in sight and shippers should be prepared.



Source: FTR Trucking Update

CARRIER FINANCIAL STRAIN

- 4% profit margin = little room for error
- Large public carriers operating at 2-3% margin (usually 10%)
- Rising insurance costs
- Threat of nuclear verdicts

SIGNS CAPACITY LEAVING

Current rates are not sustainable, spelling trouble for carriers. Continued reliance on these rates threatens to force more revocations.

CARRIER POPULATION

- 2021: 42% increase in carriers due to government support
- 2022-2023: increase in failures lead to record-level carrier revocations
- **TODAY: surplus of 92,000 spot-market-reliant carriers with 1-5 trucks**

TRUCK UTILIZATION

- 90% utilization: larger carriers are not hiring to mitigate costs
- **94-95% utilization: rates typically rise**
- Truckload contract rates steadily increase as capacity slows and rates begin to rise

ARE YOU READY?

The shift to truckload's Early Cycle is around the corner. It's important to optimize costs by reducing deadhead, optimizing hours of service, and increasing utilization.

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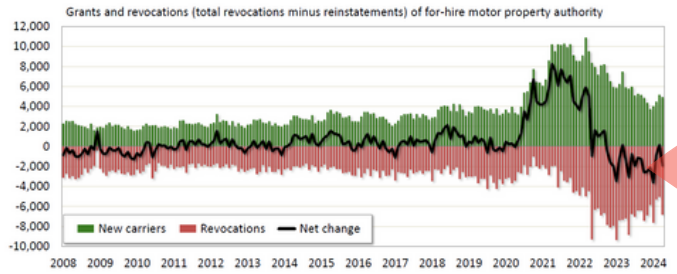
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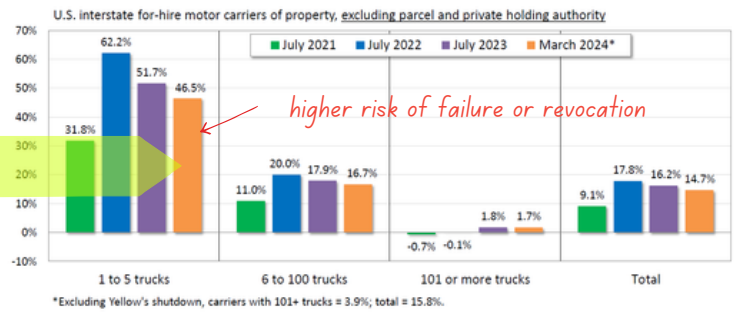


Change in for-hire carrier population



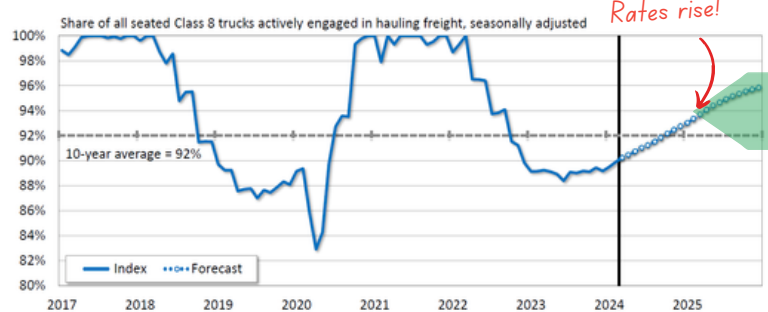
Source: Federal Motor Carrier Safety Administration Analysis by FTR Transportation Intelligence

Driver capacity changes vs. March 2020



Source: Federal Motor Carrier Safety Administration Analysis by FTR Transportation Intelligence

Active truck utilization



Source: FTR Trucking Update