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The impact of COVID-19 and restarting of the economy influences all our lives and businesses. For-hire trucking—in both the spot and contract/committed markets—is also impacted in these times by the shifting forces of supply and demand.

Analysts tend to characterize the spot market as somewhere between 15%-25% of the for-hire truckload market. And typically, the spot market is a leading indicator for the committed market. To be best informed on the trucking market and its capabilities in this unique environment is to study both the spot and the committed segments.

## **Expect mixed experiences in the truckload spot market**

As business continues to open, ship, or start receiving goods, demand is reintroduced to corridors that have been quiet for months. The trucking community has not seen these demand signals for some time. Accordingly, the market is taking more time than normal to sense changing demand patterns, start planning routes, and begin placing drivers to meet the returning demand.

As with any demand pattern, lack of visibility or variability make it difficult to quickly respond and the market is faced with either delays in placing trucks where needed or experiencing repositioning expenses to meet the new demand signals.

## **As demand returns, supply is evaluating the opportunity**

According to the Bureau of Labor Statistics (BLS), trucking, like many other industries, also faced significant unemployment claims in April and May. BLS's July report cited 8,100 jobs came back to the trucking industry in June, yet there was still a net loss of 84,600 for-hire trucking jobs year over year. It seems a logical conclusion that most of those trucking jobs were drivers.

Since a truck requires a driver, we can reasonably assume there are a fair number of trucks that remain parked and are waiting for drivers to return. Upcoming BLS employment figures for trucking will be helpful in sensing when drivers are returning to work. From this,

we can potentially infer the rate that capacity is returning to the market.

All businesses, including trucking, are reflecting on the economic forecasts and the recent rise in COVID-19 cases. Business and trucking supply are disrupted due to COVID-19 safe procedures at businesses. Caution and strategy are the way of all businesses at this time as they work their way to full capacity.

## **Top market influencers on supply and demand**

Consider the following market influencers and apply them to your view of how supply and demand are progressing toward balance, tension, or slack in the market.

### **The economy**

When it comes to the economy, there is a clear mix of bright spots and areas of concern. Currently, both manufacturing and services are creating freight demand.

### **Consumer confidence**

Currently, consumer confidence is moderate, especially considering the situation. This market influencer bears close scrutiny, so consider watching a couple forecasters on retail activity as well.

### **Purchasing Manager's Index (PMI)**

This index has shown a steady climb last three months to 52.6% in June passing the key 50% line.

### **Logistics Managers Index (LMI)**

This index has also shown a steady climb in the last three months. It showed 61.7% in June and is showing a good position.

### **Truckload volumes**

In this area, we should watch for the sequential growth. Forecasters have a range from negative single digit to slightly positive for year over year growth. And these ranges vary by mode and in aggregate.

## **Cross border Mexico-United States**

There is currently a more significant trade imbalance between Mexico and the United States. This is creating a truck supply shortage from within Mexico to the U.S. border as well as from the border north into the United States.

## **Supply of trucks**

According to analysts watching new truck orders and sales forecasts, this appears to be in decline. Supply appears to be contracting, which will likely influence the how the market experiences balance and tension.

## **Driver supply**

More drivers are anticipated to return to parked trucks as economic assistance rolls off (or evolves) and demand continues to grow.

## **Bankruptcy**

Companies declaring bankruptcy is a concern during these times. But it's important to be mindful that a meaningful amount of the tractors and drivers are reemployed vs. permanently leaving the marketplace.

## **Hours of service (HOS) flexibility**

The [regulatory changes to HOS](#) seem likely to occur on September 29. This could create additional available hours in the carrier network.

## **Anticipate ebbs and flows as supply returns and aligns with growing demand**

As with any market change, collaboration between your organization and transportation suppliers is key. Follow these two researched and experienced ideas to help position your business for success—no matter what the market has in store.

## **Anticipate demand patterns of your freight corridors**

Our research with universities has found that lead time of shipment tender to the carrier or

broker matters most where the demand pattern is less predictable. We recommend increasing lead time to the shipment tender where demand is less predictable.

## **Collaborate with shippers and transportation suppliers**

Through the COVID-19 experience we have seen heightened attention and execution to regular and transparent conversations. Popular topics to focus on in these conversations include:

- Location (production, distribution, suppliers, consignees) status
- Start up plans
- Demand forecasts
- Available capacity

## **People you can rely on**

If COVID-19 is teaching us anything, it's that only by working together through disruptions will we be successful in the long-term. Be sure your provider is eager and available to solve problems—no matter where or when they occur. One example of this is C.H. Robinson's account teams are proactively reaching out to customers and engaging them on market insights, capacity strategies, and operational opportunities.

By working together, we can have the best experience possible in this unique period. Please [reach out to our experts](#) if you would like more information on the latest market conditions.