

Chart of the Week #2024-38

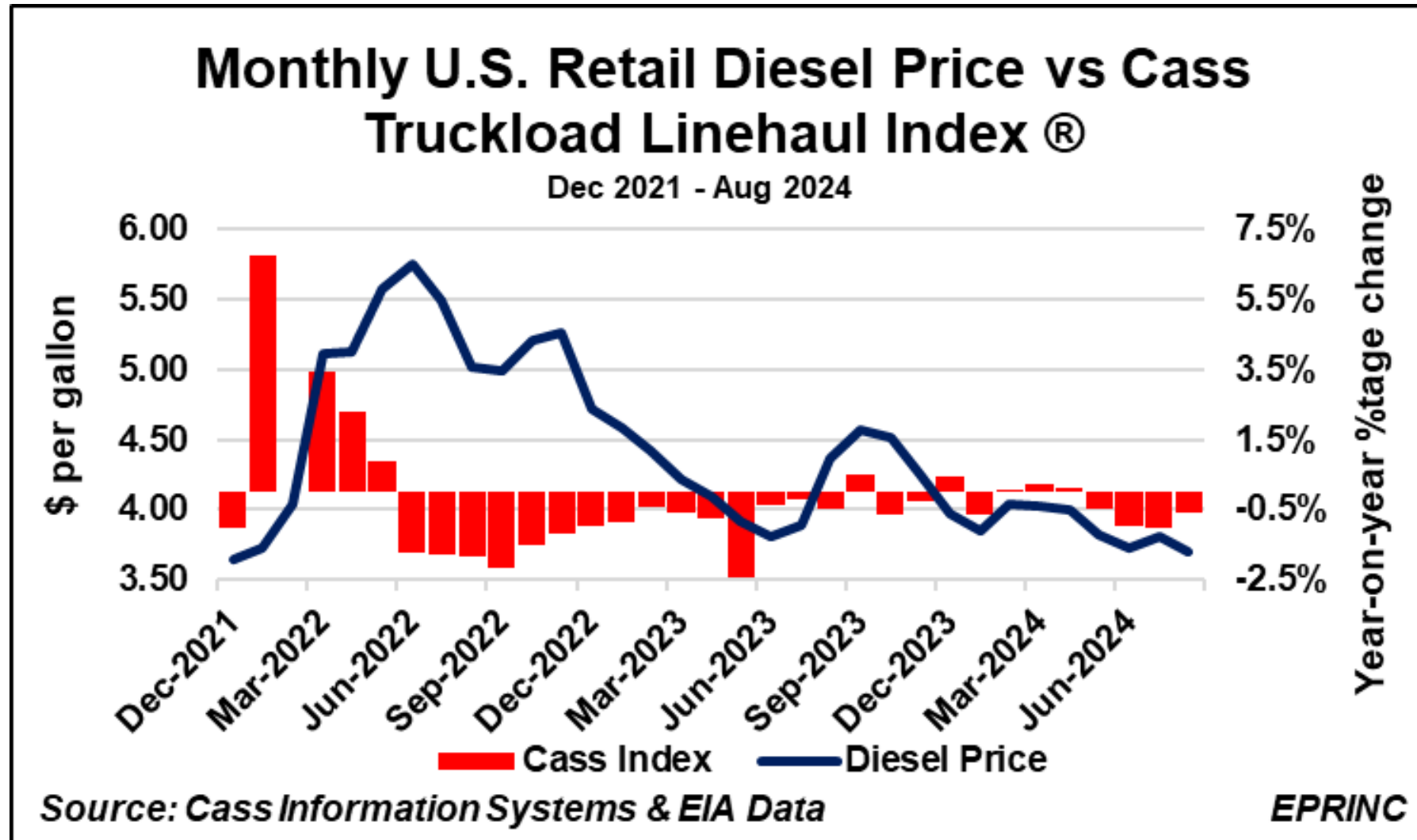
Alternative Economic Indicators: U.S. Diesel Prices and Shifts in Truck-Hauled Freight



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- During 2020, COVID-19 brought on a collapse in consumer demand and a breakdown in supply chains. But beginning in 2021, the rapid development of vaccines and drop in infections led to a widespread economic recovery.
- The chart vividly illustrates how North American trucking activity and retail U.S. diesel prices are closely related to the late 2021/early 2022 economic recovery: the expansion in trucking (red bars) is clearly tied to retail diesel price increases (dark blue line). With structural inflationary pressures beginning in mid-2022 and subsequent Federal Reserve rate increases, economic growth subsided as did trucking activity and diesel prices.
- U.S. economists rely on a variety of high-frequency aggregated indicators to gain a sense of the direction of an economy. These include the unemployment rate, GDP growth, interest rates as set by the U.S. Federal Reserve Board, financial market indexes, orders for durable and consumer goods, and building permits, among others.
- One set of cogent alternative indicators is the combination of the retail price of #2 distillate in the form of diesel and an index of North American freight volumes compiled by Cass Information Systems.
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- #2 distillate is primarily marketed in two forms: heating oil (dyed red) and diesel (either clear or dyed blue). The dye indicates the application and the type of taxation: transportation or heating fuel. In 1984, 30% of the #2 distillate market was used for heating, 37% was used in trucking. By 2020, these proportions shifted to 8.5% for heating and 70% for trucking.
- Cass Information Systems, a bank holding company based in St. Louis MO, is an entity whose specialty has been freight invoice processing. Using this information it has devised a set of proprietary indexes that track North American freight. The Cass Truckload Linehaul Index® isolates the costs associated with per-mile truckload pricing separate from other cost components such as fuel and accessories. Cass makes its top-level data publicly available: (<https://www.cassinfo.com/freight-audit-payment/cass-transportation-indexes/truckload-linehaul-index>)
- Together, the two time-series provide a directional view of demand for durable and consumer goods: from manufacturer to warehouse, and from warehouse to retail outlets. They reflect the strength or weakness in wholesale (business-to-business) and retail (consumer) markets.
- This slide deck is available at: <https://eprinc.org/chart-of-the-week/>
- For more information on these charts, please contact Max Pyziur (maxp@eprinc.org) or Larry Goldstein (larryg@eprinc.org) .