



FREIGHT MARKET UPDATE

JUNE 2024

OVERALL MARKET OUTLOOK

The economy has continued to support higher than normal inflation and job growth surpassing expectations. The ocean, air and intermodal markets are seeing growth, while the truckload is still struggling.

Employment

The May 2024 unemployment rate was reported at 4.0% while nonfarm payroll employment increased by 272,000 according to the U.S. Bureau of Labor Statistics (BLS) [Employment Situation Summary](#).

The report noted that job increases occurred in several different areas such as, “health care; government; leisure and hospitality; and professional, scientific, and technical services.”

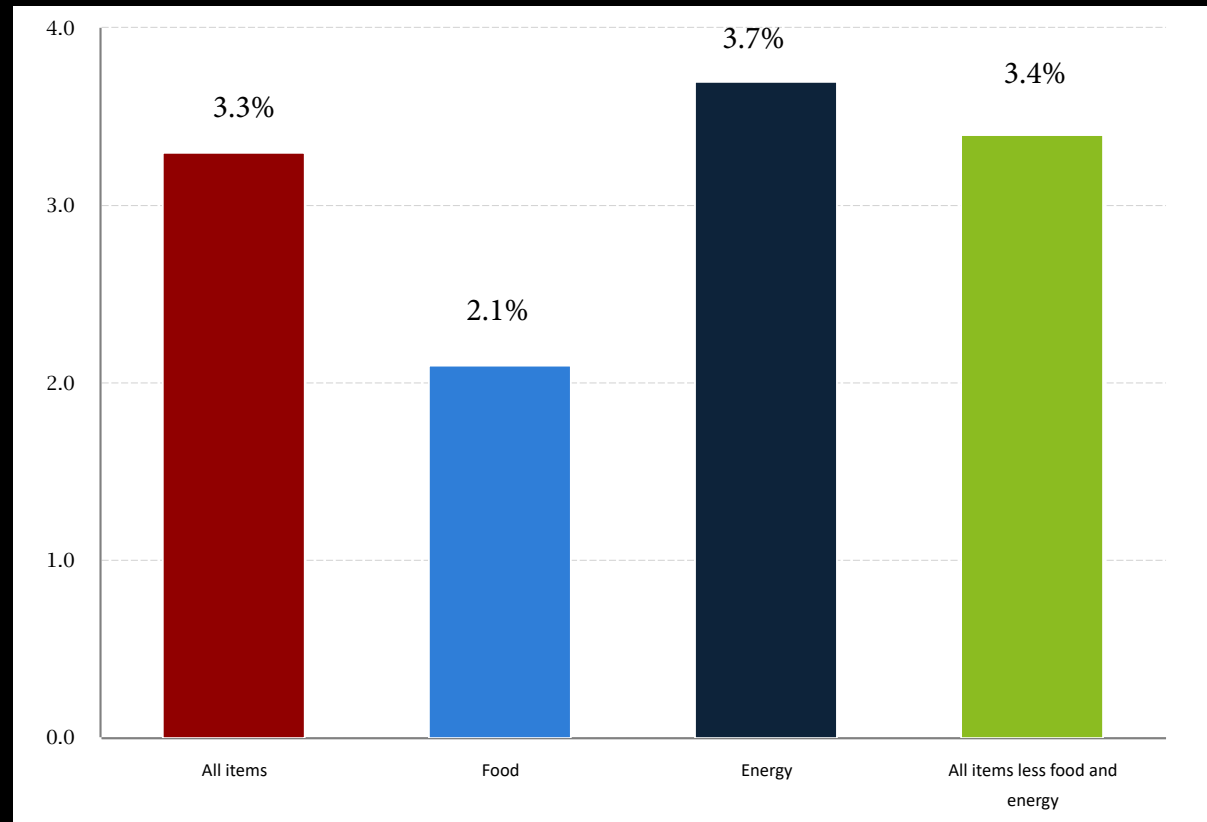
Inflation (Consumer Price Index)

In May, inflation was unchanged from the previous month and has risen 3.3% over the past 12 months, as reported by the [Consumer Price Index Summary](#) from the BLS.

Their report noted the contributors to the increase: “Indexes which increased in May include shelter, medical care, used cars and trucks, and education.”

May 2024

12 month percent change - Consumer Price Index selected categories, not seasonally adjusted



Source: [U.S. Bureau of Labor Statistics](#)

OVERALL MARKET OUTLOOK

Imports

In April 2024 (the most recent month available) imports of goods only, excluding services, increased \$8.1 billion from the previous month to \$271.9 billion.

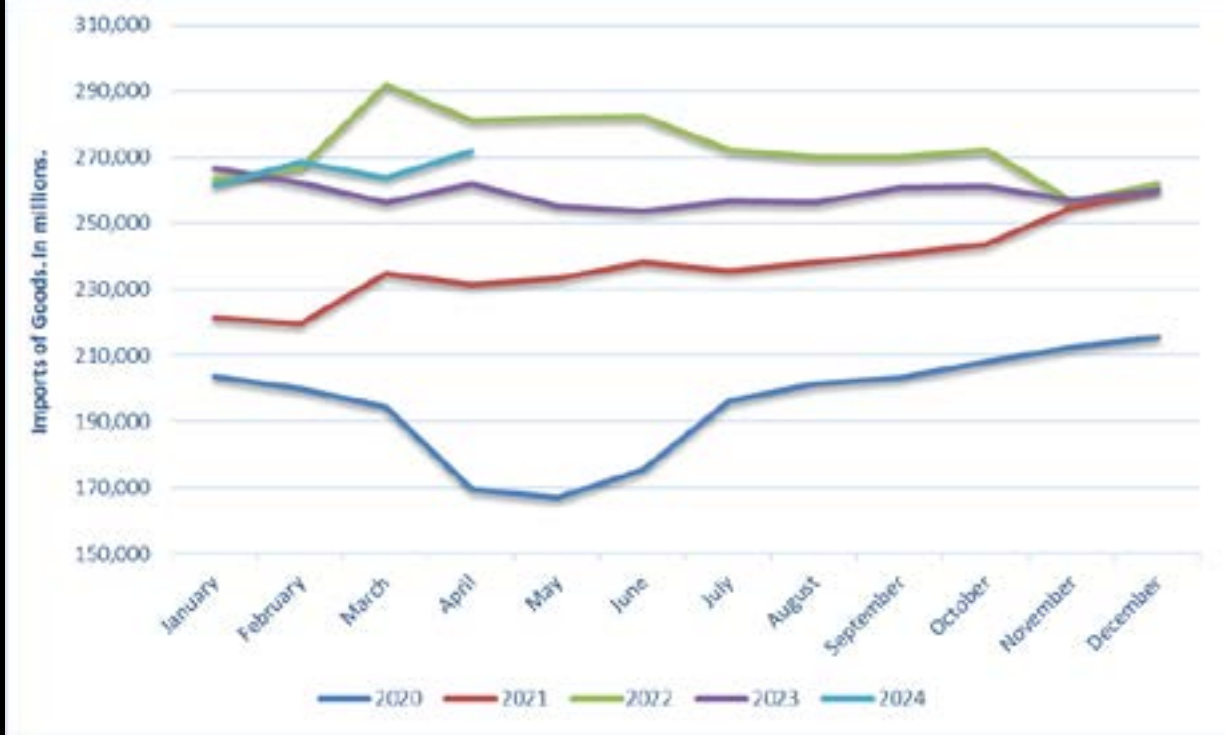
Automotive vehicles, parts, and engines increased \$3.9 billion, capital goods increased \$2.4 billion, and industrial supplies and materials increased \$1.3 billion according to the latest [report on U.S. International Trade in Goods and Services](#).

Manufacturing

New orders of manufactured durable goods increased \$1.9 billion or 0.7% in April 2024 versus the previous month.

Shipments of manufactured durable goods increased \$3.4 billion in the same month as reported in the latest [Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders](#).

U.S. International Trade - Imports of Goods
Seasonally Adjusted (by Commodity/Service)
In millions of dollars



Source: [Bureau of Economic Analysis](#)

OVERALL MARKET OUTLOOK

Inventories

Inventories of manufactured durable goods decreased \$0.6 billion in April versus the previous month, according to the latest [Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders](#).

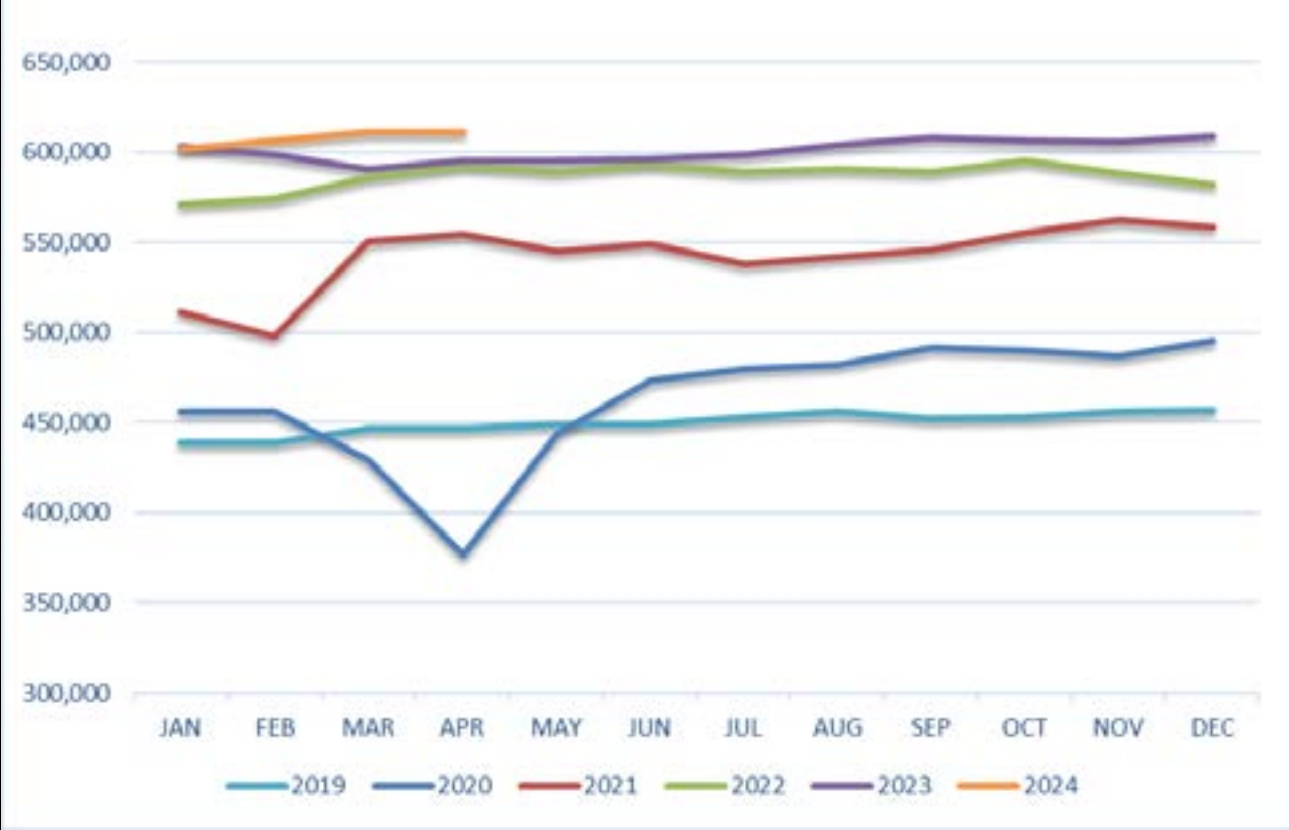
Retail sales

U.S. retail and food services sales in May were up 0.1% in April 2024 vs the previous month and up 2.0% versus May 2023, [Advance Monthly Sales of Retail and Food Services, September 2023](#).

Retail trade sales alone were up 0.2% from the previous month and were up 2.0% above last year.

The report highlighted the contributors: "Nonstore retailers were up 6.8% ($\pm 1.4\%$) from last year, while food services and drinking places were up 3.8% ($\pm 2.3\%$) from May 2023."

Retail Trade: U.S. Total Not Seasonally Adjusted Sales



Source: [U.S. Census Bureau Time Series Data](#)

TRUCKLOAD MARKET

In the truckload market, the struggle to regain momentum is real.

Volumes are still weak. According to Transport Topics, in May “The ATA For-Hire Truck Tonnage Index increased 1.5% year-over-year to 115.9, marking the first year-over-year gain in 15 months.” However, other indicators have shown a decline in shipments. In the spot market, for May 2024 spot load posts were up 18.7% versus April, but down 2.6% versus a year ago according to DAT Trendlines.

Capacity remains high. The DAT Van Load to Truck Ratio has increased over the past three months and stood at 4.39 for May 2024. For over two years, this ratio has ranged between 2 to 5, after falling sharply in early 2022. In May, rates for both van and flatbed rose slightly, but remained below last year’s levels. Spot rates remain lower than contract rates.

One area of relief for the trucking industry has been diesel prices. As of the week of 6/17/24, diesel retail prices were reported at \$3.74 per gallon, which is down \$0.08 from a year ago.



LTL MARKET



In the LTL market, we're seeing what may be the Icarus effect once again as another merger intended to take a company to new heights causes issues. Forward Air has been struggling after their merger with Omni Logistics, a move which prompted the filing of a class action lawsuit by shareholders. The Wall Street Journal recently reported that activist investor Irenic Capital Management is building a stake in the company in order to make changes.

On the other side of the spectrum, Saia has been benefiting from a 19% increase in volumes in May 2024 versus a year ago, according to the Journal of Commerce.

The sale of the remaining Yellow terminals has stalled and 130 remain for auction. In the interim the delay in selling the terminals limits the capacity at a time when building new terminals has become more challenging.

Looking ahead, LTL carriers are well positioned to control the capacity in their industry and pace expansions with rising volumes in order to optimize their costs and rates.

PARCEL

The National Postal Forum took place from June 2-6 in Indianapolis this year. One keynote address came from Postmaster General and CEO Louis DeJoy, who began leading the postal service in June 2020.

During the keynote DeJoy began by highlighting the magnitude of the postal service: “We are a retail giant with 31,000 retail centers in communities big and small, spread across the United States, where we are larger than Walmart, McDonalds, and Starbucks.”

Afterwards he provided an update on the Delivering for America plan which involves major investments. A USPS press release highlighted that it will include “A commitment of nearly \$15.3 billion from the plan’s \$40 billion self-funded investment budget is driving the creation of a modernized postal network currently underway.”

The plan also involves new postal trucks. “The fleet is being enhanced with 106,000 new, more reliable vehicles, including 66,000 zero-emission electric vehicles.”

The event also involved awards in various categories such as Supplier of the Year Award.



RAIL & INTERMODAL



In the rail industry, volumes are up overall while rail carriers face the threat of penalties and strikes.

Soon after a \$310 million settlement was announced for the East Palestine derailment by Norfolk Southern, another major verdict was announced – a \$395 million penalty for BSNF violating an agreement over rail traffic limitations on Swinomish Indian Tribal Community in the state of Washington. Last year two BSNF trains derailed and leaked approximately three thousand gallons of diesel fuel on their land near Padilla Bay.

A potential strike by Canadian rail workers at CN and CPKC remains on the horizon. Although the union previously authorized a strike that could begin between May 22 to June 30, the Canadian government has restricted them from striking until they issue a ruling about how it could impact the country's safety. The union is currently holding a vote to authorize a strike beginning as early as July 1.

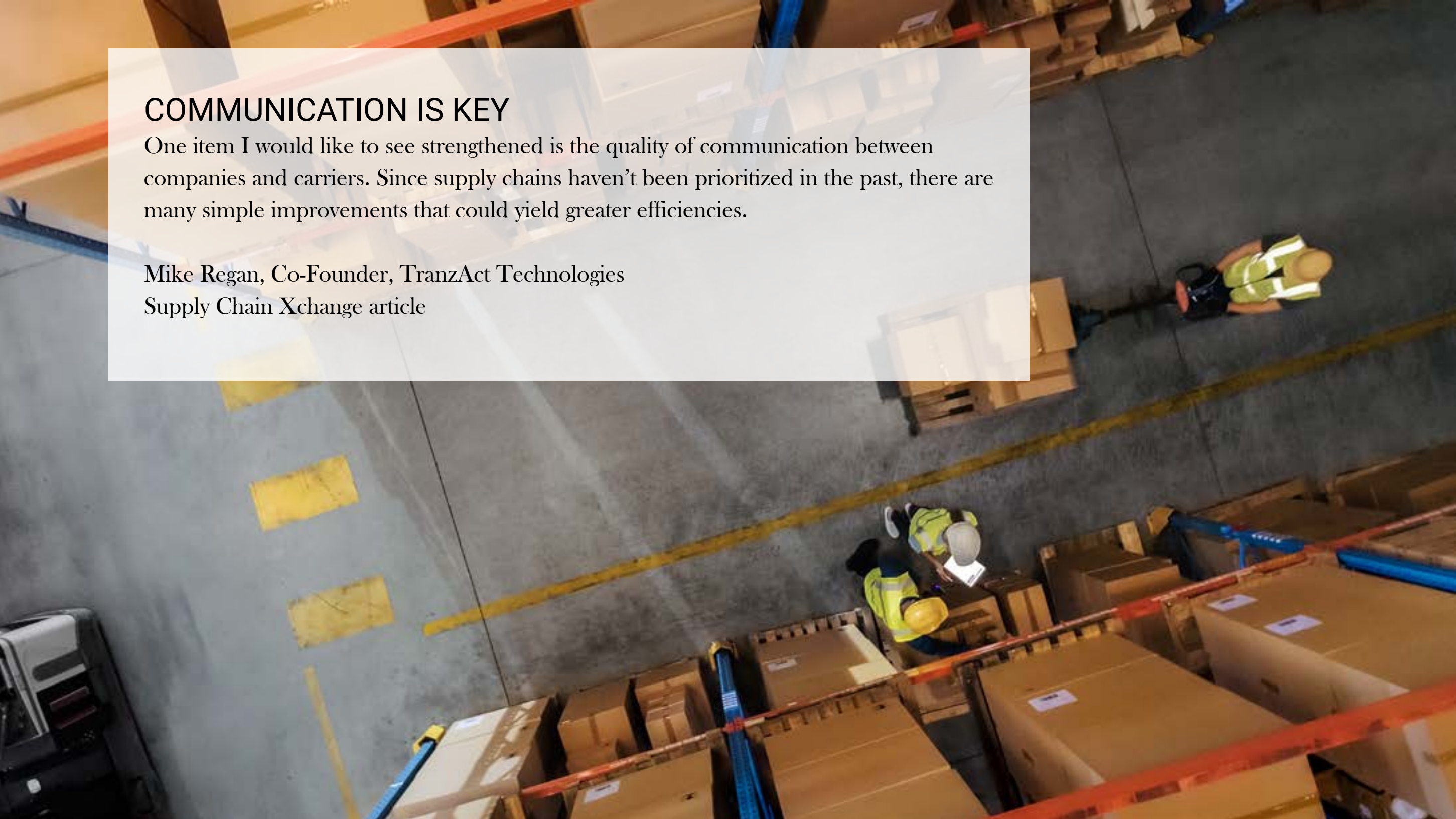
Railroad volumes

For the first 24 weeks of the year vs the same time period last year, total U.S. carloads decreased 4.9% and intermodal units increased 8.8%. Combined, there was a 2.1% increase in U.S. rail traffic in 2024 vs 2023, according to the American Association of Railroads (AAR). In the same time frame, Canadian rail volumes are up 0.8% and volume on Mexican railroad volumes are up 7.7%.

COMMUNICATION IS KEY

One item I would like to see strengthened is the quality of communication between companies and carriers. Since supply chains haven't been prioritized in the past, there are many simple improvements that could yield greater efficiencies.

Mike Regan, Co-Founder, TranzAct Technologies
Supply Chain Xchange article



OCEAN

In the ocean sector, rates have been rising sharply over the past several weeks.

The Drewry World Container Index was reported at \$5117 on June 20 and the Freightos Baltic Index was reported at \$4119 at the same time.

A press release by the National Retail Federation on June 10 noted that “Monthly inbound cargo volume at the nation’s major container ports is expected to reach its highest level in nearly two years this summer”. According to data from their Global Port Tracker, U.S. ports saw a 13.2% increase in TEUs this April versus a year ago. Cumulatively, they are expecting a 15% increase in volumes in the first half of 2024 versus 2023.

Another challenge facing the ports is rising tension around the contract renewal for the ILA, which represents union workers at the East and Gulf Coast ports. The current contract expires September 30, and the union has cautioned that they will not continue port operations without a new contract in place. Initial talks scheduled to begin in early June were cancelled after union members found automation that was in violation of their agreement.

Global tensions are rising as well. According to the Associated Press, a second ship that was attacked by the Houthis sank on June 19, marking an escalation in the conflict. The ship was a Greek-owned bulk carrier. The continued conflict is stretching the capacity that’s been added year to date.



AIR



In the air freight market, this has been a year of growth.

According to the IATA April 2024 Air Cargo Market Analysis, in April “Cargo Tonne-Kilometers (CTKs) marked an 11.1% Year-on-Year (YoY) expansion”. There has also been a cumulative increase of 12.7% in CTKs in 2024 YTD versus 2023.

Along with demand, there has also been growth in capacity. “In April, air cargo capacity continued to approach the peak levels achieved in December 2023, with ACTKs registering 49.4 billion (Chart 5). As such, the latest reading remained 7.1% above the April 2023 level and 0.9% above the previous month’s figure.”

In early June, IATA released their Global Outlook for Air Transport, which looks at the developments and changes for the air industry.

One highlight is that air traffic has caught up with 2019 levels as of February 2024 and for the year they expect a 10.4% increase in the number of air passengers.

Two concerns for the air industry are restrictions on international trade from rising tariffs and the challenges of becoming carbon neutral.

The report also noted that 5% growth is expected for air freight in 2024, driven by growing e-commerce and disruptions in maritime shipping.



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