FREIGHT MARKET UPDATE

APRIL 2024

TranzAct Technologies Inc.

OVERALL MARKET OUTLOOK

As springtime begins for many, a persistent freight recession remains.

Employment

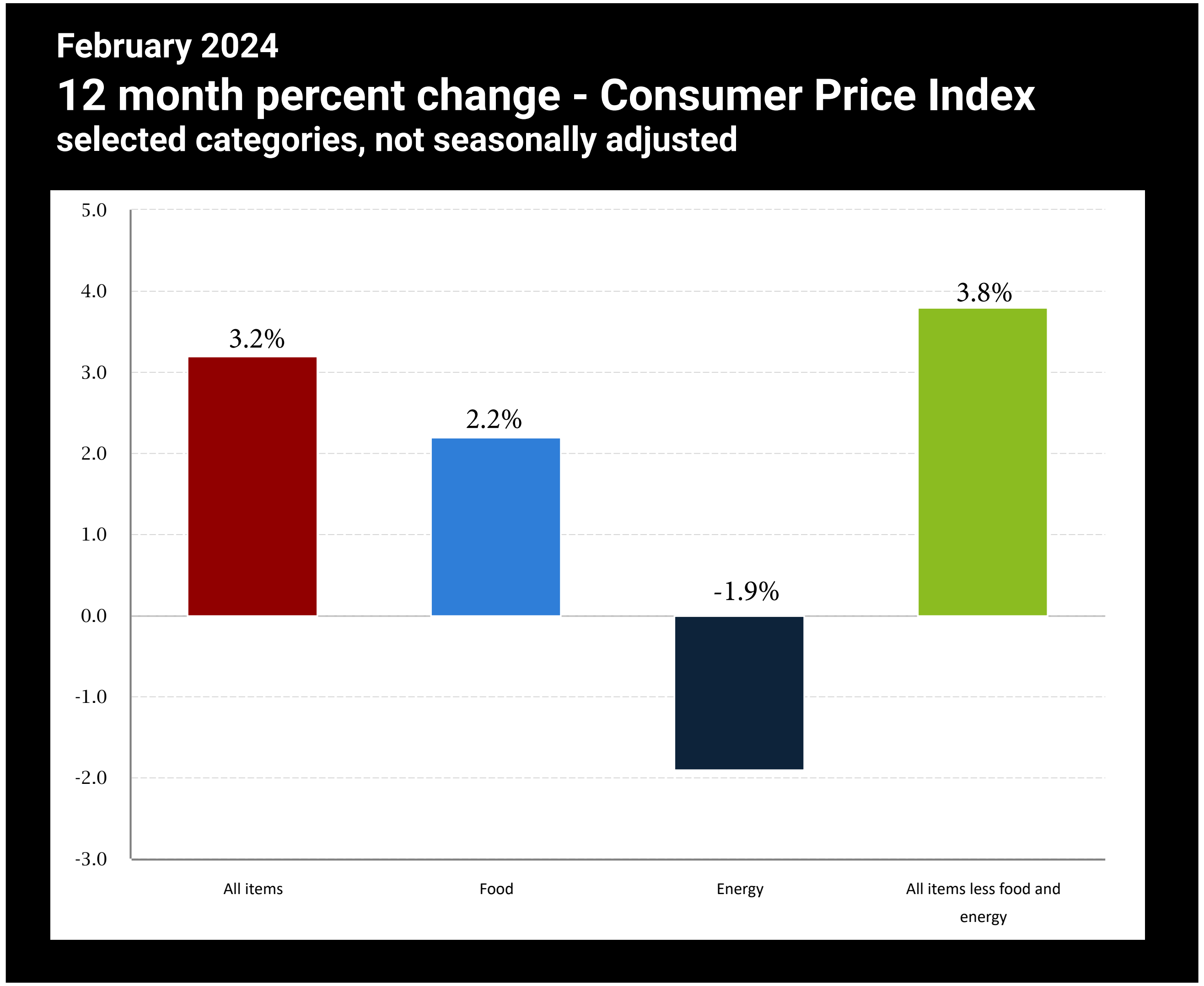
The March 2024 unemployment rate was reported at 3.8% - since August 2023 this rate has been in a narrow range of 3.7-3.9%. For March, nonfarm payroll employment gains exceed expectations and increased by 303,000 according to the U.S. Bureau of Labor Statistics (BLS) Employment Situation Summary.

The report noted that job increases occurred in areas such as, “health care, government, and construction.”

Inflation (Consumer Price Index)

In February, inflation increased 0.4% and has risen 3.2% over the past 12 months, as reported by the, as reported by the Consumer Price Index Summary from the BLS.

Their report noted the contributors to the increase: “The index for shelter rose in February, as did the index for gasoline. Combined, these two indexes contributed over sixty percent of the monthly increase in the index for all items.”



Source: U.S. Bureau of Labor Statistics

OVERALL MARKET OUTLOOK

Imports

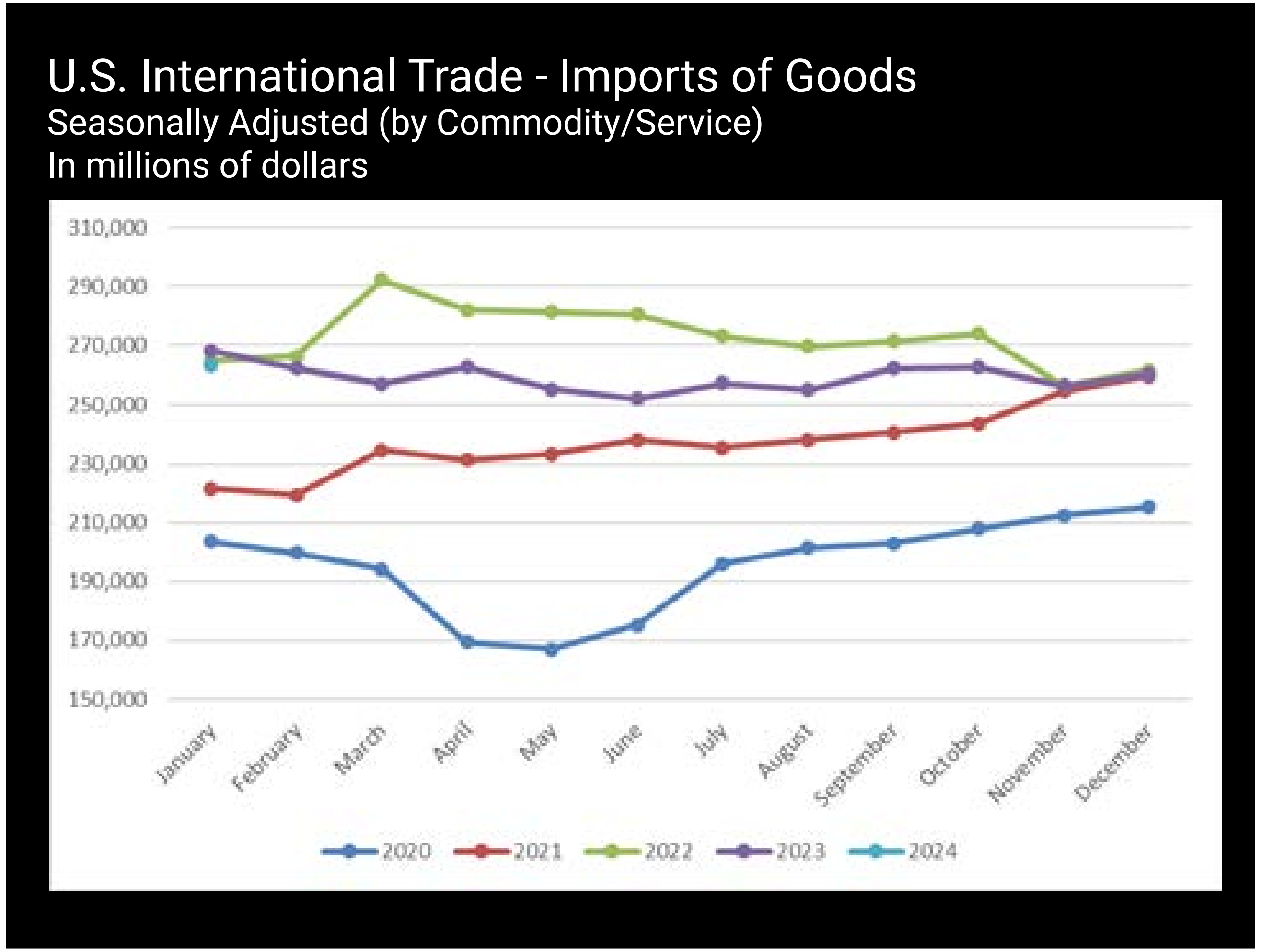
In January 2024 (the most recent month available) imports of goods only, excluding services, increased $3.1 billion from the previous month to $263.4 billion.

Capital goods increased $3.1 billion, and automotive vehicles, parts, and engines increased $2.0 billion. The decreases came largely from industrial supplies and materials ($1.3 billion) and consumer goods ($1.1 billion) according to the latest report on U.S. International Trade in Goods and Services.

Manufacturing

New orders of manufactured durable goods increased $3.7 billion or 1.4% in February 2024 versus the previous month.

Shipments of manufactured durable goods increased $3.5 billion or 1.2% in the same month, as reported in the latest Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders.



Source: Bureau of Economic Analysis

OVERALL MARKET OUTLOOK

Inventories

Inventories of manufactured durable goods increased $1.7 billion or 0.3% in February versus the previous month, according to the latest [Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders.]()

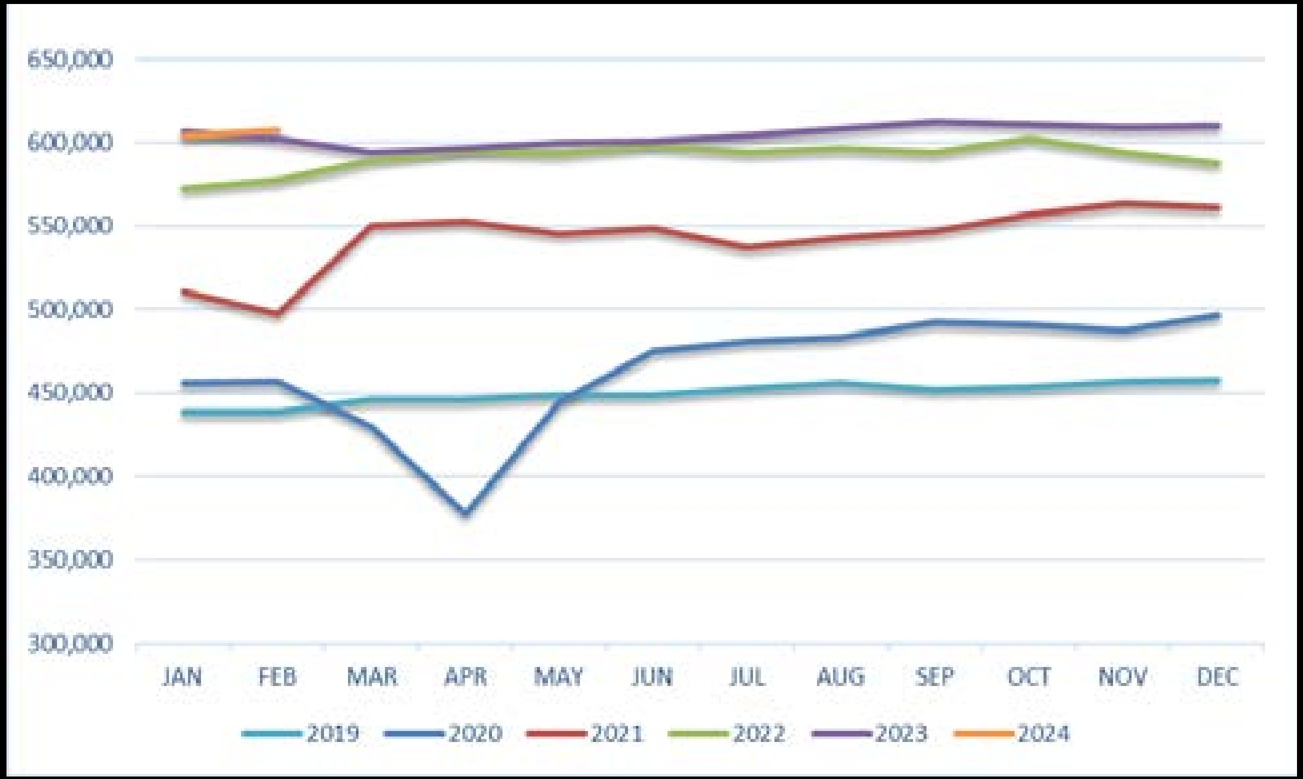
Retail sales

U.S. retail and food services sales were up 0.6% in February 2024 vs the previous month and up 1.5% versus February 2023, [Advance Monthly Sales of Retail and Food Services, September 2023.]()

Retail Retail trade sales alone were up 0.6% from January 2024 (the most recent data available) and 0.8% above last year.

The report highlighted the contributors to the increase: "Nonstore retailers were up 6.4 percent (±1.6 percent) from last year, while food services and drinking places were up 6.3 percent (±2.1 percent) from February 2023."

Retail Trade: U.S. Total
Not Seasonally Adjusted Sales
Monthly [Millions of Dollars]



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

TRUCKLOAD MARKET

In the truckload market, predictions for the rebound continue to get pushed back.

For February 2024, spot load posts were down about 12% versus a year ago according to DAT Trendlines. In the first quarter, spot rates for van and reefer declined while flatbed stayed flat. The Van load to truck ratio for February 2024 was 2.82 which is lower than most of the ratios reported for 2023 ranging between a low of 2.56 and a high of 3.95.

In addition to the market challenges, carriers have been facing higher insurance rates that outpace inflation amid nuclear verdicts.

One item on the plus side for carriers is that the number of operating authorities has been declining and fallen from 420,405 at the end of 2022 to 388,182 in February 2024, according to the Department of Transportation.

Another plus for carriers is that diesel prices have been declining and are slightly lower in March 2024 than March 2023.

LTL MARKET

In the LTL market, the carriers continue to see favorable conditions despite mixed demand signals.

Top carriers such as XPO and Saia have seen a mix of year-over-year tonnage growth and declines in January and February, as reported by FreightWaves in the article “XPO Provides Favorable February Update”.

The auction of Yellow terminals is still ongoing. In mid-March the ***Wall Street Journal*** reported, “Other than 10 small leases KNX acquired from YELL last month (<20 doors per terminal), there has been no incremental bidding activity on YELL properties. Out of 317 total YELL terminals, 154 of them (49%) remain unsold or un-leased. So, the pace of YELL capacity returning to the market will remain gradual.” An auction also took place in early March for Yellow’s tractors and trailers.

In our recent interview with Rob Estes, CEO of Estes Express, he noted that in light of the Yellow bankruptcy, the LTL carriers are looking at a “balanced” market between supply and demand and expect to increase rates to cover increased costs. The increases may be leveraged through accessorial charges rather than rates.

PARCEL

In the parcel industry, UPS and FedEx are focused on cost cutting as they deal with a slower pace of growth in the parcel market, higher internal costs, and increased competition.

The Pitney Bowes Parcel Shipping Index reported global parcel volume growth of only 1% in 2022, with 2023 still to be determined.

Both UPS and FedEx are facing competition from a stand-alone shipping service launched last year by Amazon called Amazon Shipping. The service "offers reliable and on-time ground shipping for Amazon selling partners" in two to five business days, according to their website.

They're also now contending with a new service from USPS called Ground Advantage, which also offers two to five day service. Additionally, new last-mile providers are servicing the high-growth Chinese retailers Shein and Temu.

Altogether, these changes may give shippers increased leverage as they negotiate new contracts.

RAIL & INTERMODAL

In the rail industry, the focus on safety continues. In response to activist investors, Norfolk Southern paid Canadian Pacific $25 million to wave a non-compete agreement and hire John Orr as their EVP and Chief Operating Officer. The activists are seeking several other executive replacements and citing safety as a key concern. Investigations of the East Palestine derailment are ongoing with the NTSB set to release their findings this summer.

In the intermodal market, J.B. Hunt has made headlines this year with announcements of their new agreement with Walmart and a new CEO. In February, J.B. Hunt announced "a long-term intermodal deal with Walmart that includes volume and capacity commitments. As part of the deal, J.B. Hunt will acquire Walmart's intermodal assets."

In November 2023 they announced that they've partnered with BNSF Railway to launch Quantum, "a breakthrough intermodal service that accommodates the service-sensitive highway freight needs of customer supply chains" according to their press release. In partnership with BNSF, they've also launched a new cross-border service between the U.S. and Mexico.

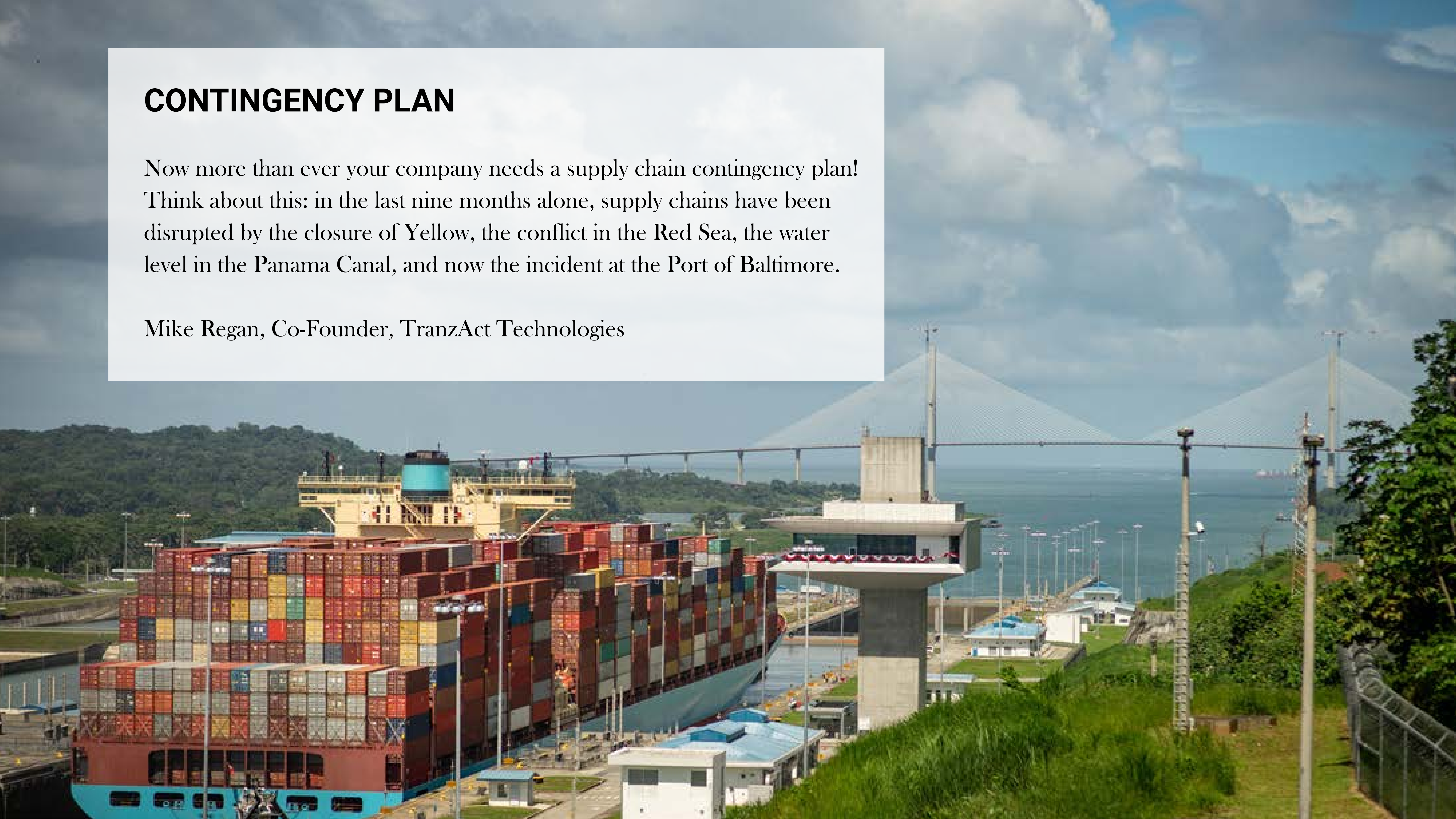
Railroad volumes

In 2024, for the first 11 weeks of the year, total U.S. carloads decreased 4.1% and intermodal units increased 9.0% vs the same time period in 2023. Combined, there was a 2.5% increase in U.S. rail traffic in 2024 vs 2023, according to the American Association of Railroads (AAR). This follows a strong fourth quarter in which carloads were up 2% and intermodal units were up 5.5% versus the same period a year ago. For the first 11 weeks of 2024, Canadian rail traffic is down 1.1% and volume on Mexican railroads is up 7.7% versus the same time period last year.

CONTINGENCY PLAN

Now more than ever your company needs a supply chain contingency plan! Think about this: in the last nine months alone, supply chains have been disrupted by the closure of Yellow, the conflict in the Red Sea, the water level in the Panama Canal, and now the incident at the Port of Baltimore.

Mike Regan, Co-Founder, TranzAct Technologies



OCEAN

In the ocean sector, volumes have been growing once again. The West Coast ports in particular have seen an increase in imports, with ports of Los Angeles and Long Beach up 46.4% this February vs a year ago.

One factor that may contribute to the increasing volumes on the West Coast is the potential for a strike at the East and Gulf Coast ports later this year. The contract between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) expires on August 31, 2024.

Another contributing factor to the West Coast port surge could be the ongoing situation in the Red Sea. The conflict has now caused the sinking of a ship and loss of life, with no sign of an end to the attacks. As of late March, Maersk was continuing to avoid this region while ships from China and Russia continued to use this waterway for transit.

The Panama Canal situation also is ongoing and will be re-evaluated soon when the dry season ends in April.

In late March, the Port of Baltimore closed indefinitely to vessel traffic after the Francis Scott Key Bridge collapsed from being hit by a cargo ship exiting the port. Trucks are still permitted to move through the facility, but vessel traffic is suspended until the channels are cleared. Since there has been excess capacity at other ports in the region, no issues are expected with absorbing this freight, but it will mean longer transit times and added costs for many shipments.

AIR

In the air freight market, 2024 is off to a strong start after a long period of weakening demand in 2023.

IATA's January 2024 Air Cargo Market Analysis reported, "Global air cargo demand kicked off with an impressive 18.4% year-on-year (YoY) growth in January. The industry therefore experienced the highest annual growth in cargo tonne-kilometers (CTK) since the 2021 summer season."

Similarly, a blog by Xeneta titled "Transatlantic air cargo market bucks the global trend with a weak start to 2024" highlighted year-over-year global air cargo growth, with the exception of trans-Atlantic lanes. "The global air cargo market paints a different picture, with double-digit year-on-year growth (+11%) in the first two months of 2024 and +3% compared to the same period in 2019."

There are mixed opinions about how much diversions from the Red Sea conflict are having an impact on volumes or rates.

Air cargo capacity is increasing at the same time. According to IATA's January 2024 Air Passenger Market Analysis, "Total revenue passenger-kilometers (RPK) increased 16.6% year-on-year (YoY) in January" and reached levels close to 2019. Further growth is expected as we enter the summer months.

TranzAct Technologies Inc.

A Nationally and Internationally Certified Women's Business Enterprise, our superior technology, quality processes, and comprehensive network help our customers reduce costs while improving services.

Our solutions provide shippers of all modes with freight audit and payment, reporting and TMS applications, rate negotiation and procurement savings, contract development, consulting and analysis. With offices around the globe, we serve our clients on a 24/7 basis.

Access more great information online at:
www.tranzact.com/resources

TranzAct Technologies, Inc.
360 W. Butterfield Rd., Ste. 400
Elmhurst, IL 60126
630.833.0890
solutions@tranzact.com
www.tranzact.com