

An aerial photograph of a freight train traveling on a narrow-gauge railway track through a dense, snow-covered forest. The sun is low on the horizon, creating a warm, golden glow over the scene. The train consists of several dark-colored freight cars. The surrounding trees are heavily laden with snow, and the ground is a mix of white snow and dark earth from the tracks.

FREIGHT MARKET UPDATE

FOURTH QUARTER 2023

OVERALL MARKET OUTLOOK

There have been many encouraging economic indicators lately, even though the freight recession has continued.

Employment

The September 2023 unemployment rate was reported at 3.8% while nonfarm payroll employment surpassed estimates and increased by 336,000 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, “leisure and hospitality; government; health care; professional, scientific, and technical services; and social assistance.”

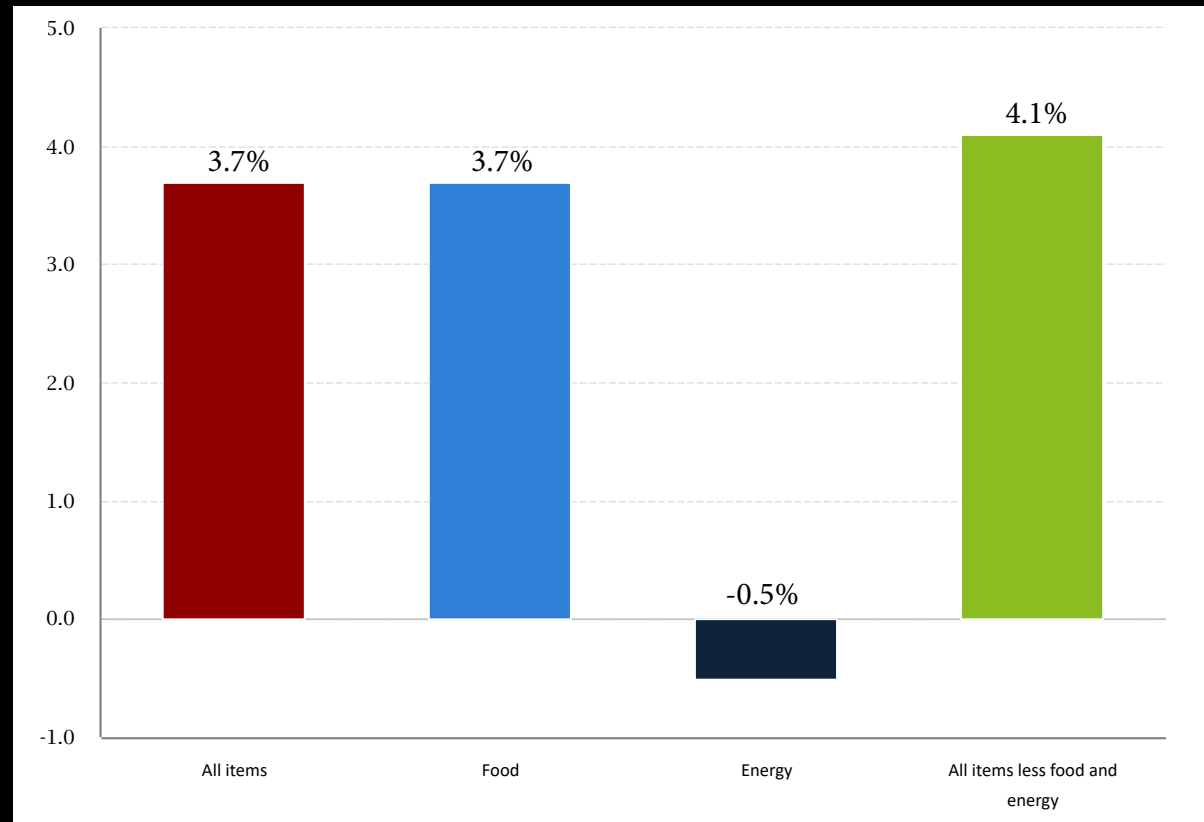
Inflation (Consumer Price Index)

Meanwhile, inflation increased 0.4% in September and has risen 3.7% over the past 12 months, as reported by the [Consumer Price Index Summary](#) from the BLS.

Their report noted the contributors to the increase: “The index for shelter was the largest contributor to the monthly all items increase, accounting for over half of the increase.”

September 2023

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



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

OVERALL MARKET OUTLOOK

Imports

In August, imports of goods (excluding services) decreased \$2.4 billion from the previous month to \$256.0 billion. Consumer goods decreased \$1.9 billion, and capital goods decreased \$1.8 billion, while industrial supplies and materials increased \$2.7 billion.

Imports of goods were also down from August 2022 levels, when the total imports were roughly \$270 billion, according to the latest [report on U.S. International Trade in Goods and Services](#).

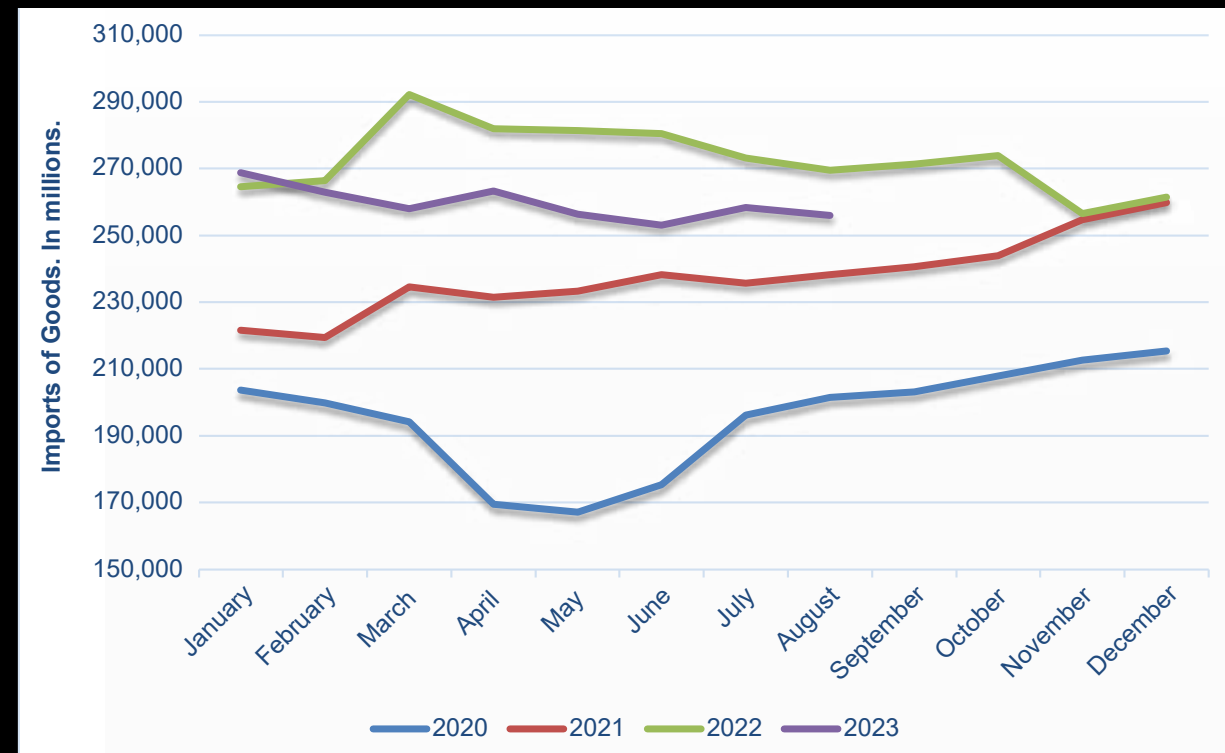
Manufacturing

New orders of manufactured durable goods increased 0.2% or \$0.5 billion in August 2023, as reported in the latest [Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders](#).

Shipments of manufactured durable goods increased 0.5% or \$1.4 billion in August.

For 2023 vs 2022 year-to-date, new orders and new shipments are both up by 4.2%.

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 increased 0.2% or \$1.2 billion in August, according to the latest [Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders](#).

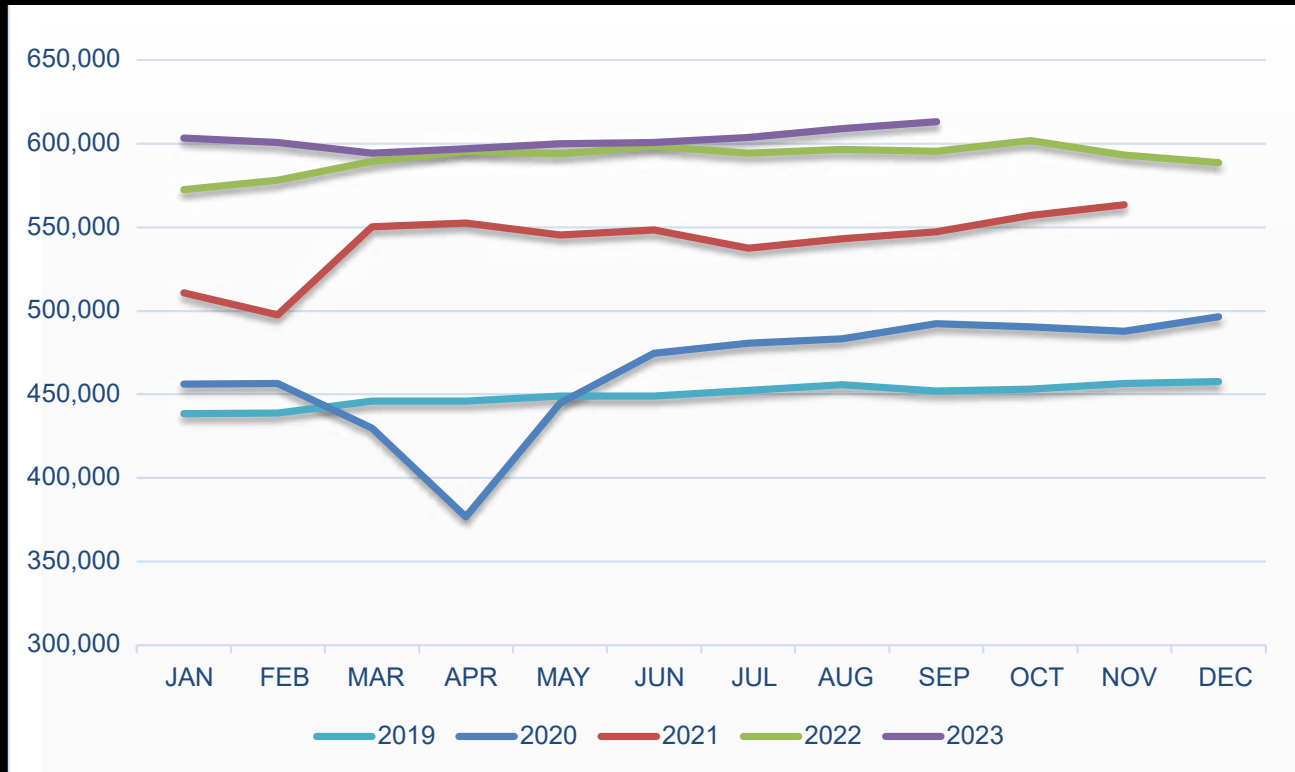
Retail sales

U.S. retail and food services sales were up 0.7% in September 2023 vs the previous month and up 3.8% versus September 2022, according to the [Advance Monthly Sales of Retail and Food Services, September 2023](#). Total sales for the past 12 months were up 3.1% versus the previous 12-month period.

Retail trade sales alone were up 0.7% in August 2023 (the most recent data available as of the October 17 release), and 3.0% above last year.

The report highlighted the contributors to the increase: "Nonstore retailers were up 8.4 percent (± 1.6 percent) from last year, while food services and drinking places were up 9.2 percent (± 2.3 percent) from September 2022."

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, a rebound has yet to materialize. In September 2023, spot load posts were down about 43% versus a year ago according to [DAT Trendlines](#).

The load to truck ratio has risen slightly since April but at 2.78 for September, it still stands below any ratio reported in 2021 or 2022 when there were 4-6 loads per truck.

In the third quarter, spot rates for van, reefer and flatbed remained essentially flat. The inversion of spot and contract rates continues, with no signs of narrowing yet.

Truck transportation jobs have declined slightly this year from 1.61 million in January to 1.58 million in September.

Diesel prices have leveled off after rising in the third quarter. As of the week of October 16, diesel retail prices were reported at \$4.44 per gallon. There is a chance that the conflict in the Middle East could cause prices to rise and mixed opinions about how likely this is to happen.



LTL MARKET



In the LTL market, soft demand and rising costs have been tempered by pricing discipline and tighter capacity in the wake of Yellow's closure.

In late August, [FedEx Freight announced](#) that for 2024, "FedEx Freight shipping rates will increase by an average of 5.9%-6.9% dependent on the customer's transportation rate scale." This could set the tone for continued LTL rate increases.

After the closure of Yellow, which was reported to move 9% of the LTL market, much of the freight is still being reallocated. As reported by [FreightWaves](#), "A Monday report showed that of the more than 300 shippers and 3PLs queried, all of which had recently worked with Yellow, 35% are still looking for another carrier for their less-than-truckload shipments, indicating their first choice post-Yellow is not a permanent fit."

The sale of Yellow's terminals is also still to be determined. The deadline for bids for 169 terminals was October 13 and the winning bidders will be disclosed on October 23, according to [Transport Topics](#).

PARCEL

In the parcel industry, FedEx and UPS recently announced their general rate increase (GRI) for 2024.

FedEx led with [their announcement](#) of a 5.9% increase and then UPS chose to match this increase.

The FedEx increase applies to FedEx Express, FedEx Ground, and FedEx Freight, and is effective January 1, 2024. The UPS increase is for UPS Ground, Air and International services and will be effective December 26, 2023 and certain fees will increase in October, according to [their announcement](#).

Both companies will continue to issue demand surcharges for high volumes during a certain time frame, such as peak season.

There was some surprise over the increases falling below the 6.9% GRIs issued last year since UPS is facing higher costs after their agreement with the Teamsters and FedEx has been facing financial challenges that have caused it to continue a cost cutting campaign.

Photo credit: Endeavor Moore Media - stock.adobe.com



RAIL & INTERMODAL



The bipartisan Railway Safety Act of 2023 is still awaiting the Senate floor. One of the controversial measures in this act is the mandating of a two-person crew. In early October, Kansas became the 10th state to require this measure.

In an [update on TYD rail volumes](#) through September, Association of American Railroads (AAR) Senior Vice President John T. Gray shared the following observation about the state of the market:

“Intermodal had the best volume month of the year in September, showing, after three years, that ‘peak season’ still exists although much more reserved and occurring somewhat later than past peaks. Grain shipments improved slightly from extremely low summer levels, while chemicals and petroleum products had reasonably solid months. However, a sustained boost across rail categories will require stronger overall industrial growth.”

Railroad volumes

For the first 9 months of 2023, total U.S. carload traffic increased 0.3% and intermodal traffic decreased 8.2% from the same period last year. Combined, there was a 4.3% decrease in U.S. rail traffic, according to the AAR.

Canadian rail traffic volume was down 3.4% and Mexican volume was up 3.0% for the first 39 weeks of 2023 vs the same period last year.

An aerial photograph of a city skyline, likely New York City, with a semi-transparent white text box overlaid in the center. The text box contains a quote and a title. The background shows a dense cluster of skyscrapers and buildings, with a body of water visible in the distance under a hazy sky.

A BRIEF LESSON FROM ECONMIST GARY SHILLING

“National income is the same as GDP, except it looks at it on the other side of the ledger. GDP looks at who does the spending - consumers, businesses, the rest of the world, and so on. National income looks at who gets the income - wages and salaries, individual proprietors, rents, interests, dividends, etc. [...] I’ve been looking at this for years. The shares that go to profits and the shares that go to labor oscillate. Neither side gets the upper hand indefinitely and that’s exactly what you’d expect in a democracy.”

OCEAN

In the ocean sector, container volumes have fallen below 2022 levels for each month in 2023 to date, while still rising above pre-pandemic levels. Rates have declined or stayed low as a result.

[Drewry reported](#) their composite World Container Index at \$1,369 per 40ft container for the week of October 12, 2023. This is down from their reported rate of \$2,135 at the beginning of the year.

Similarly, [Freightos reported](#) a rate of \$1,075 for their Baltic Index (FBX) for the same week.

Labor disruptions have eased at the West Coast ports following the new agreements between the ILWU and PMA. On the East Coast, the ILA will soon be renegotiating their contract that expires September 30, 2024.

At the Panama Canal, delays from drought conditions have yet to materialize since many ships have carried less than capacity loads or empty containers, which comply with weight restrictions.



AIR



In the air freight market, demand and pricing continues to be low, even falling below pre-pandemic levels.

“Airfreight shipping prices have been 40% to 50% lower than last year for most of the year” as reported by [FreightWaves](#).

Volumes have fallen to below pre-pandemic levels, according to IATA’s [Air Cargo Market Analysis](#) for August 2023. “Global cargo tonne-kilometers (CTKs) increased by 1.5% year-on-year (YoY) in August, the first annual growth in 19 months since February 2022. Industry CTKs were 1.3% lower than their 2019 levels.” This report also highlighted that capacity has expanded. “Air cargo capacity, measured in available cargo tonne-kilometers (ACTKs), continued its double-digit growth. ACTKs were up 12.2% YoY, driven by the sustained expansion of belly capacity in the summer season.”

Air passenger travel has continued to grow through August 2023. “Total domestic RPKs [revenue per kilometer] grew 9.2% over 2019 numbers and 25.4% over 2022 levels” according to [IATA’s Air Passenger Market Analysis](#) for August 2023. At the same time, although international travel had trended upwards, it has seen slower growth and RPK stands 11.5% below August 2019 levels.



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