



# FREIGHT MARKET UPDATE

JULY 2024

# OVERALL MARKET OUTLOOK

The economy has shown some signs of downturn, particularly around consumption, while other indicators point to stability or growth.

## Employment

The June 2024 unemployment rate was reported at 4.1% while nonfarm payroll employment increased by 206,000 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, “government, health care, social assistance, and construction.”

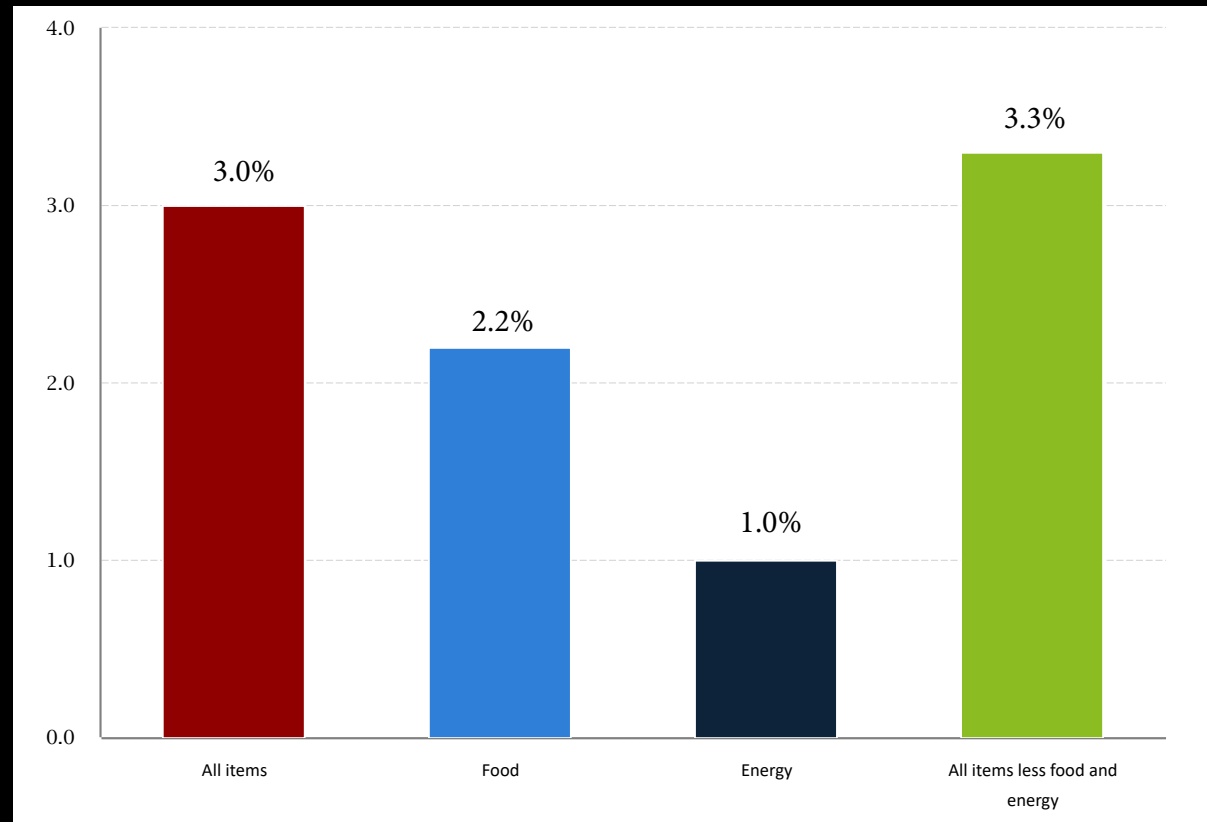
## Inflation (Consumer Price Index)

In June, inflation declined slightly from the previous month and has risen 3.0% over the past 12 months, as reported by the [Consumer Price Index Summary](#) from the BLS.

Their report noted the contributors to the changes: “Indexes which increased in June include shelter, motor vehicle insurance, household furnishings and operations, medical care, and personal care. The indexes for airline fares, used cars and trucks, and communication were among those that decreased over the month.”

June 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 May 2024 (the most recent month available) imports of goods only, excluding services, decreased \$2.0 billion from the previous month to \$269.7 billion. This is a 5.7% increase from May of 2023. According to the report the increases and decreases came from the following:

Consumer goods decreased \$2.0 billion.

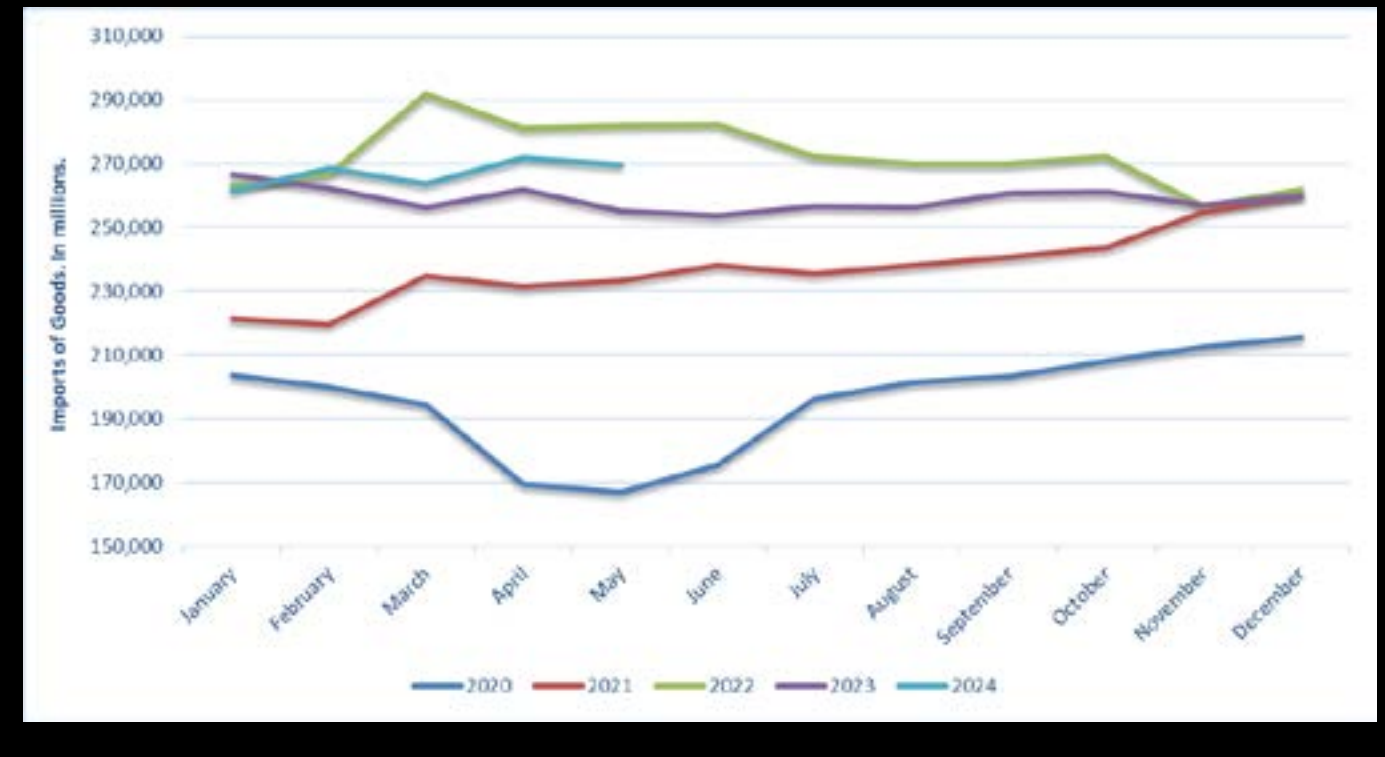
- Pharmaceutical preparations decreased \$4.2 billion.
  - Cell phones and other household goods increased \$1.0 billion.
- Automotive vehicles, parts, and engines decreased \$1.5 billion.
- Passenger cars decreased \$0.6 billion.
  - Other automotive parts and accessories decreased \$0.5 billion.

## Manufacturing

New orders of manufactured durable goods increased \$0.3 billion or 0.1% in May 2024 versus the previous month.

Shipments of manufactured durable goods decreased \$1.0 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 increased \$1.5 or 0.3% billion in May 2024 versus the previous month, according to the latest [Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders](#).

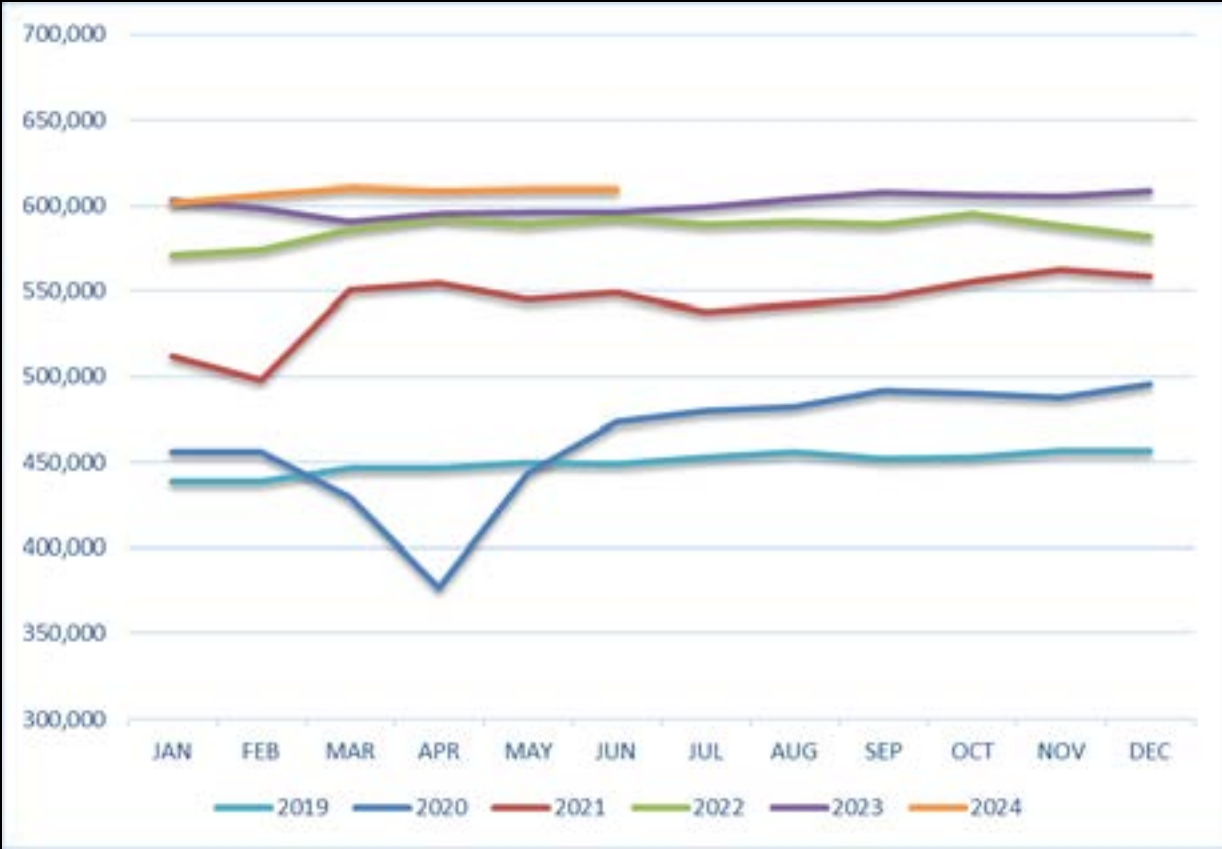
## Retail sales

U.S. retail and food services sales in June were virtually unchanged vs the previous month and up 2.3% versus a year ago, [Advance Monthly Sales of Retail and Food Services](#).

Retail trade sales alone were down 0.1% from the previous month and were up 2.0% above last year.

The report highlighted the contributors: "Nonstore retailers were up 8.9 percent ( $\pm 1.4$  percent) from last year, while food services and drinking places were up 4.4 percent ( $\pm 2.1$  percent) from June 2023."

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



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

# TRUCKLOAD MARKET

In the truckload market, carriers are continuing to wait for the market to rebound. The ATA recently reported a decrease in tonnage for June.

In the spot market, for June 2024, spot load posts were down 9.4% versus May, and down 8.4% versus a year ago according to DAT Trendlines.

However, the Van load to truck ratio has increased over the past four months and stood at 4.72 for June 2024. For over two years, this ratio has ranged between 2 to 5, after falling sharply in early 2022.

In June, rates for van and reefer rose slightly, while flatbed declined slightly.

The EV truck market is getting a boost from \$1.7 billion in federal grants, according to a recent article by Transport Topics. The funds will be spread across several companies such as GM, Volvo, and Cummins to help them restart or expand their EV operations.

Diesel prices haven't moved much over the last month and are essentially flat year-over-year. As of the week of 7/15/24, diesel retail prices were reported at \$3.83 per gallon nationwide, which is up \$0.02 from July 2023.





# LTL MARKET



In the LTL market, analysts are now predicting that FedEx will spin off FedEx Freight as a separate company after the company commented that they're reviewing its value and will report back by the end of this year.

In late June the Wall Street Journal reported that FedEx Freight's CEO commented that they're "conducting an assessment of the role of FedEx Freight in the company's portfolio structure and potential steps to further unlock sustainable shareholder value."

This could mean that the company is sold. However, the cost is unlikely to be within reach of any current competitors.

Another option is for it to become a separate publicly traded company, which appears to be the more likely outcome based on commentary.

In 2021, UPS sold its LTL division to TFI International for around \$800 million. The sale of the much larger FedEx division is being predicted around \$30-50 billion.

FedEx Freight is the largest LTL carrier, and any transaction could have a major impact on other carriers in the market.

# PARCEL

In the parcel industry, parcel volumes are starting to increase once again while revenue lags.

UPS reported a decrease in revenue and operating profit for the second quarter. They also announced near the end of June that they've entered an agreement to sell Coyote Logistics to RXO for around \$1 billion. Although this is less than the roughly \$1.8 billion purchase price for the company, it will add back capital and allow the company to tighten its focus on parcel. According to the press release from UPS, "The transaction is expected to close by the end of the year, subject to regulatory review and approval. Upon completion of the transaction, the company will update its financial outlook."

After struggling with its performance, FedEx recently reported a "modest" increase in quarterly revenue after six quarters of decline, according to the Wall Street Journal. FedEx also made news for sharing its plans to evaluate and then potentially spin off FedEx Freight.

Amazon reported a record \$14.2 billion in sales for their Prime Day sales this year, which is up 11% from the previous year.





# RAIL & INTERMODAL



In the rail industry, safety and strikes continue to grab headlines.

In Canada, the Teamsters-represented Canadian rail workers recently voted to reauthorize a strike after the previous authorization expired. This could impact two main railroads in the country: Canadian National and Canadian Pacific Kansas City Southern.

The investigation of the East Palestine derailment is ongoing. The latest findings have highlighted the failure of a trackside sensor to catch a burning rail bearing that was on fire 20 miles ahead of the derailment, and a botched vent and burn call. There are also allegations of interference with the NTSB investigation from Norfolk Southern.

On an upbeat note, Amtrak recently reported using 2 million gallons of renewable diesel in 2023 in a move towards its efforts to achieve zero emissions.

## Railroad volumes

For the first 28 weeks of the year vs the same time period last year, total U.S. carloads decreased 4.4% and intermodal units increased 8.5%. Combined, there was a 2.2% 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 2.0% and Mexican railroad volumes are up 6.3%.



## THE VALUE OF BEING A STRATEGIC SHIPPER

“Strategic buyers have a different orientation. They make it a priority to build strong partnerships with their carriers, negotiate mutually beneficial contracts based on their volumes and networks, and realize savings for all parties. They gain greater access to capacity when it is tight and realize more favorable rates, especially when rates are spiking. They employ accurate shipment history, carrier performance, and internal analytics to maximize their services levels while minimizing their costs and driving continuous improvement as conditions change.”

Mike Regan, Co-Founder, TranzAct Technologies

Two Minute Warning, June 2024



# OCEAN

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

The Drewry World Container Index was reported at \$5937 on July 18 and the Freightos Baltic Index was reported at \$5050 at the same time.

As of mid-July, no negotiations have been scheduled for the contracts affecting the East and Gulf Coast ports, with the September 30 expiration date for the current contracts approaching quickly. Industry groups are calling on the White House to intervene and prevent a strike.

Ports throughout the U.S. are seeing a 15% increase in volumes year-over-year according to the Wall Street Journal.

Versus May of last year, Savannah is up 23.8%, Houston up 18%, and the Port of New York and New Jersey are up 17.8% from last year - the highest level for inbound volume since September 2022. In June, Los Angeles and Long Beach were up 19.6% from the same month and 15.4% ahead of May to the highest level for inbound containers since July 2022.

The high volumes could potentially be an early peak season due to potential issues ahead. Internationally, possible disruptions are being watched from the ongoing Red Sea conflict, Cape of Good Hope blank sailings due to weather, and congestion at ports in Asia. The Panama Canal is seeing relief from drought conditions.





# AIR



In the air freight market, demand has surpassed last year.

According to the IATA May 2024 Air Cargo Market Analysis, “Cargo Tonne-Kilometers (CTKs) saw a 14.7% expansion year-on-year (YoY) in May. CTKs grew by 3.1% compared to the month before, after seasonal adjustment.”

One possible source of increased demand could come from Amazon. According to the Wall Street Journal, they’re planning to ship products directly from China to consumers to compete with rivals Temu and Shein. “Amazon’s plan, earlier reported by The Information, would bring goods under the de minimis provision that waives certain tariffs for low-value goods. It also has the potential to add to airfreight demand in trans-Pacific routes that have seen capacity squeezed and rates surge on the new volumes.”

Capacity continues to grow as well, albeit at a slower pace; “Cargo Tonne-Kilometers (ACTKs) experienced a 6.7% annual increase industry-wide.” One concern for capacity is the ongoing issues with production experienced by Airbus and Boeing caused by a combination of factors.





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