

An aerial photograph of a canal lock system, likely the Panama Canal, showing a large cargo ship passing through the locks. The surrounding area is lush green with trees and some industrial buildings. The water is a deep blue-green color.

FREIGHT MARKET UPDATE

MAY 2024

OVERALL MARKET OUTLOOK

In the economy, a mixture of signals is making forecasting a challenge. The freight markets are showing signs of growth in some areas while others are struggling with the current conditions.

Employment

The April 2024 unemployment rate was reported at 3.9% while nonfarm payroll employment increased by 175,000 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, in social assistance, and in transportation and warehousing.”

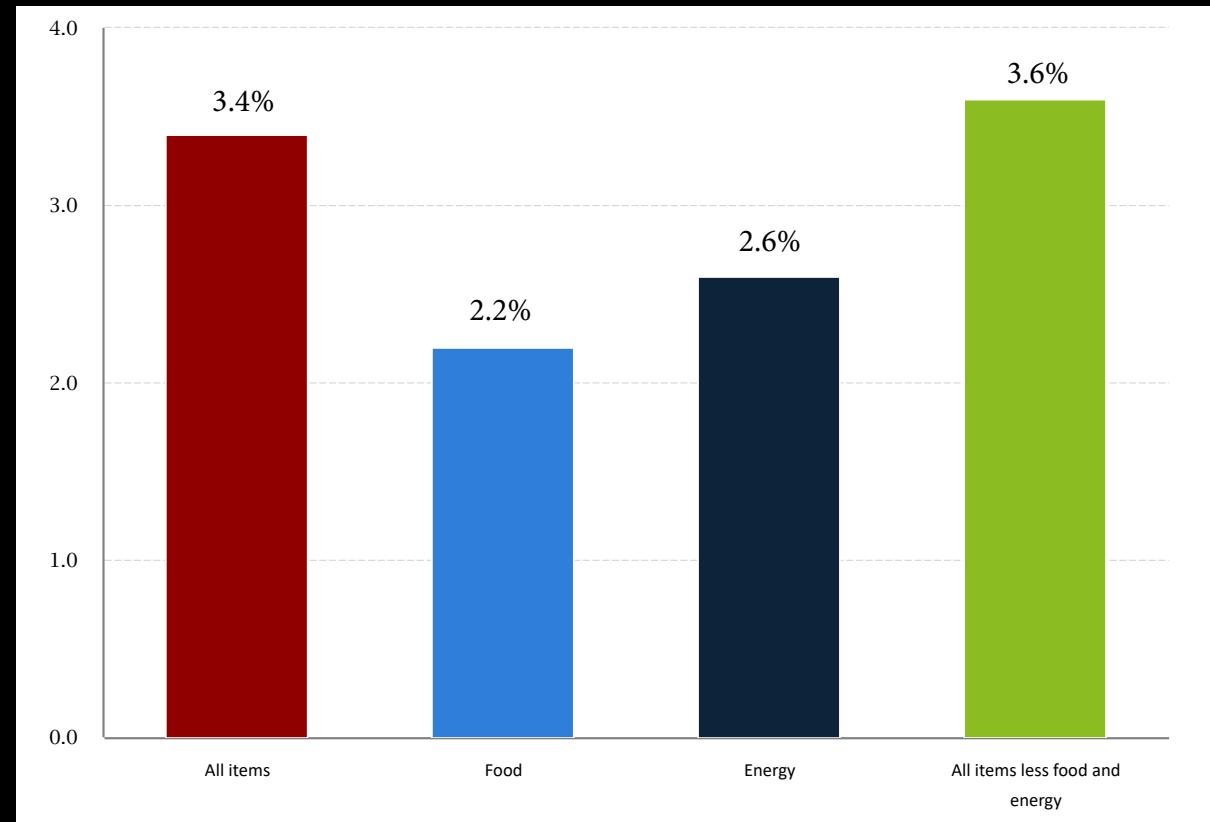
Inflation (Consumer Price Index)

In April, inflation increased 0.3% and has risen 3.4% 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 rose in April, as did the index for gasoline. Combined, these two indexes contributed over seventy percent of the monthly increase in the index for all items.”

April 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 March 2024 (the most recent month available) imports of goods only, excluding services, decreased \$4.3 billion from the previous month to \$263.8 billion.

Consumer goods increased \$3.0 billion, while automotive vehicles, parts, and engines decreased \$4.7 billion, and industrial supplies and materials decreased \$1.6 billion according to the latest [report on U.S. International Trade in Goods and Services](#).

Manufacturing

New orders of manufactured durable goods increased \$7.3 billion or 2.6% in March 2024 versus the previous month.

Shipments of manufactured durable goods decreased \$0.1 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

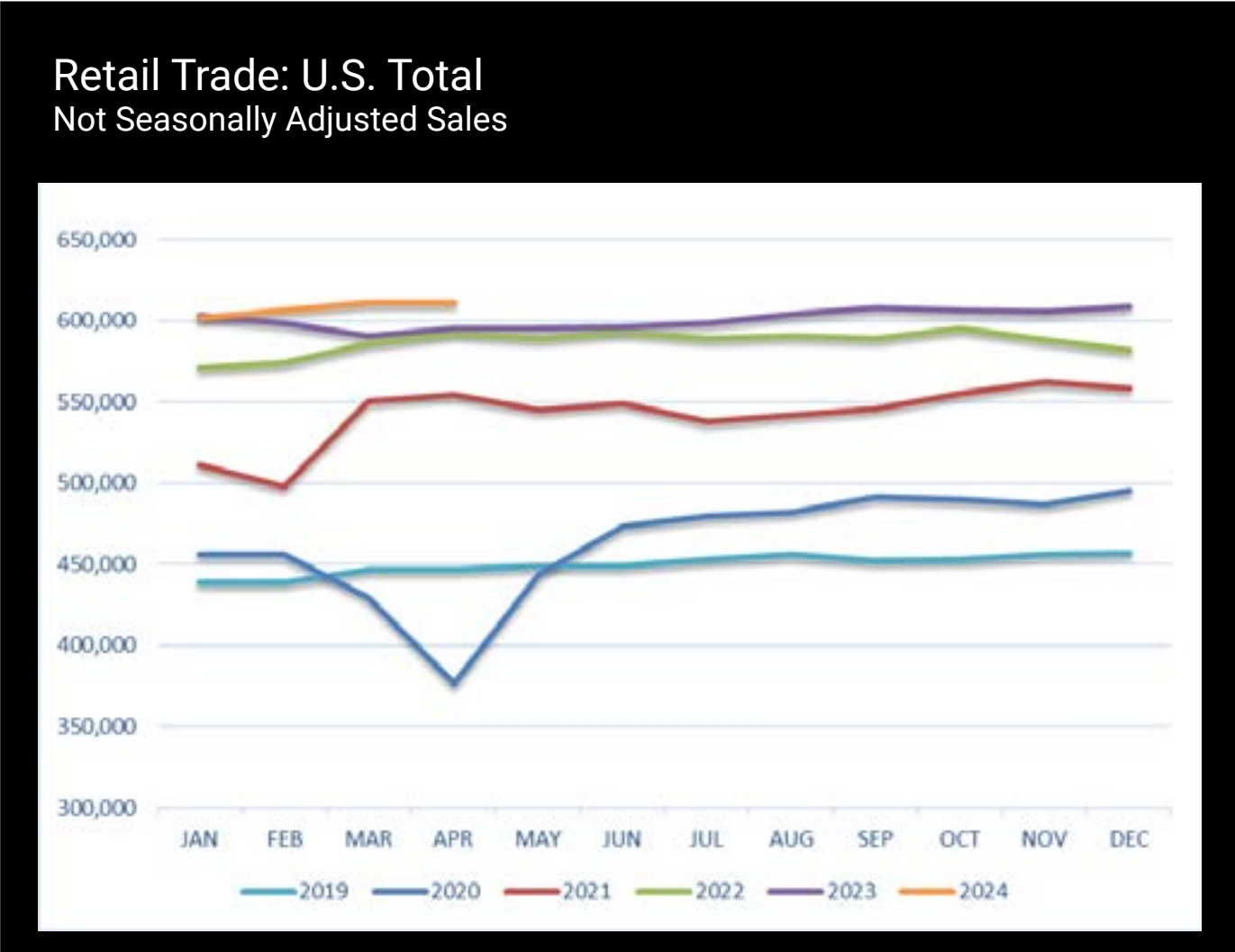
Inventories of manufactured durable goods decreased \$0.1 billion in March versus the previous month, according to the latest [Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders](#).

Retail sales

U.S. retail and food services sales were “virtually unchanged” in April 2024 vs the previous month and up 3.0% versus April 2023, [Advance Monthly Sales of Retail and Food Services, September 2023](#).

Retail trade sales alone were also virtually unchanged from the previous month and were up 2.7% above last year.

The report highlighted the contributors: “Nonstore retailers were up 7.5 percent (±1.6 percent) from last year, while food services and drinking places were up 5.5 percent (±2.1 percent) from April 2023.”



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

TRUCKLOAD MARKET

In the truckload market, tonnage for 2024 has been reported below 2023 levels, prolonging the freight recession.

In the spot market, for April 2024, Van spot load posts were up around 6.7% versus a year ago according to DAT Trendlines. They're also up 3.8% versus the previous month. Despite this, rates fell in April for both van and reefer, while flatbed increased slightly.

The Van load to truck ratio has increased over the past two months and stood at 3.54 for April 2024. This may indicate dissatisfaction with contract pricing options. We're still seeing an inversion of spot and contract rates, with no signs of narrowing and now push back from carriers.

Although the market has not turned in their favor, carriers such as Knight-Swift, J.B. Hunt and Werner are communicating that they're not willing to lower rates past a certain point. Instead, they plan to commit more capacity to the spot market until the contract market rebounds.

Many forecasts are suggesting that what happens with spot market rates from May to July will be indicative of their direction later in the year.



LTL MARKET



In the LTL market, many carriers are reconfiguring their networks.

FedEx Freight plans to close seven service centers this year, after closing 29 centers last year, as reported by FreightWaves. This is in line with its focus on cost cutting to improve performance.

XPO recently reopened three of the 28 facilities that they acquired from the auction of Yellow terminals last year. They also reported a net income rise of 294% for the first quarter of 2024, surpassing expectations. Net income increased from \$17 million in Q1 2023 to \$67 million in Q1 2024.

TFI is also in growth mode and has made four acquisitions this year, after making 12 last year. The largest of these was their acquisition of flatbed carrier Daseke for \$1 billion.

Estes is also growing and is in the process of opening at least 20 terminals this year.

As LTL carriers navigate 2024, they may be challenged by overcapacity if the need to reopen acquired Yellow terminals creates an excessive amount of capacity.

PARCEL

In the parcel market, U.S. Postal Service is navigating a number of changes.

A large air cargo contract is moving to UPS from FedEx, who had provided these services to USPS for over two decades. In April, UPS announced in a short press release that the award is effective immediately and “Following a transition period, UPS will become the USPS’s primary air cargo provider and move the majority of USPS air cargo in the US.”

USPS narrowed its fiscal second quarter net loss to \$1.5 billion from \$2.5 billion the year before, according to their May 9 press release. Compared to the same quarter last year, USPS package volume increased 1.5% (25 million pieces) while their first class mail volumes declined 2.2% (261 million pieces) and their Marketing Mail volume decreased 2.1% (282 million pieces).

Overall, operating revenue increased around 2% to \$19.7 billion and operating expenses decreased 3.1% to \$21.3 billion. USPS plans to continue modifying their operations as part of the 10 year Delivering for America Plan.

Globally, parcel volumes increased from 21.5 billion in 2022 to 21.7 billion in 2023 according to the annual U.S. Parcel Shipping Index recently released by Pitney Bowes. They noted that parcel revenue declined for the first time in seven years.



RAIL & INTERMODAL



In the rail industry, intermodal traffic has increased following a rise in imports and a major decision was recently reached on a case involving Norfolk Southern.

The EPA and the U.S. Department of Justice announced a settlement with Norfolk Southern on May 23 that is valued at over \$310 million. According to their press release, this settlement covers “measures to improve rail safety, pay for health monitoring and mental health services for the surrounding communities, fund long-term environmental monitoring, pay a \$15 million civil penalty and take other actions to protect nearby waterways and drinking water resources.”

The federal investigation by the NTSB is still ongoing and the conclusions are expected to be announced on June 25. Norfolk Southern has also settled a \$600 million class action lawsuit in April over the February 2023 derailment.

Railroad volumes

For the first 20 weeks of the year vs the same time period last year, total U.S. carloads decreased 4.9% and intermodal units increased 8.5%. Combined, there was a 2.0% increase in U.S. rail traffic in 2024 vs 2023, according to the American Association of Railroads (AAR).

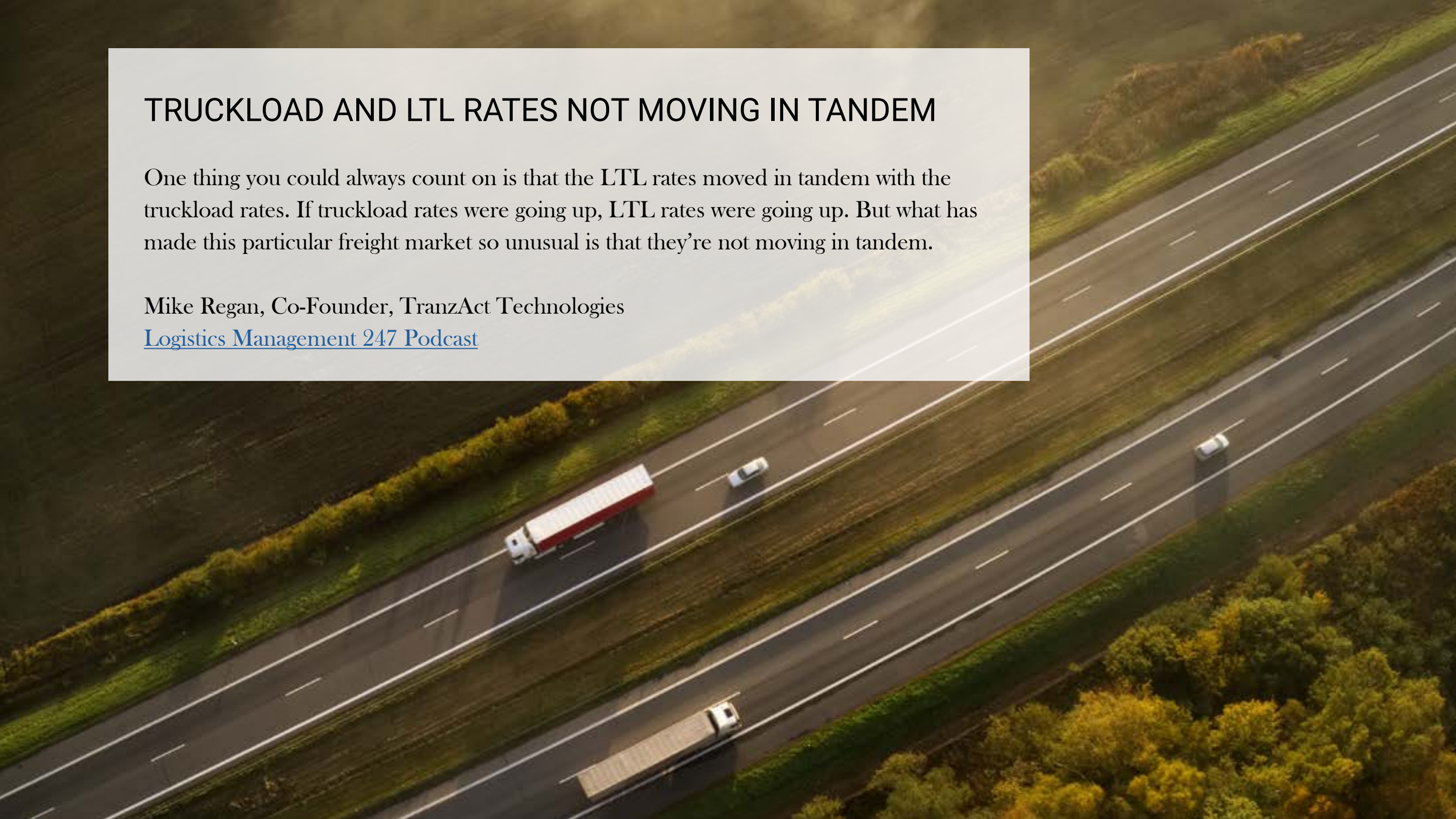
In the same time frame, Canadian rail volumes are up 0.9% and volume on Mexican railroad volumes are up 10.9%.

TRUCKLOAD AND LTL RATES NOT MOVING IN TANDEM

One thing you could always count on is that the LTL rates moved in tandem with the truckload rates. If truckload rates were going up, LTL rates were going up. But what has made this particular freight market so unusual is that they're not moving in tandem.

Mike Regan, Co-Founder, TranzAct Technologies

[Logistics Management 247 Podcast](#)



OCEAN

In the ocean market, rates have been rising significantly.

The Drewry World Container Index was reported at \$4072 on May 23 after beginning the year around \$2000 per container. The conflict at the Red Sea continues to strain capacity while drought conditions at the Panama Canal are easing and expected to improve further during the rainy season.

In the United States, ports are navigating new conditions. On the West Coast, the Port of Los Angeles recently shared that their volumes are up 12% in April and 25% year to date.

The Port of Portland was saved from nearly closing at the end of May by a grassroots campaign led by an Oregon legislator. The port now has until August to come up with a plan that will need approval in order to get funds from the state's governor.

On the East Coast, the Port of Baltimore is once again open for container traffic after dealing with blockage from the bridge collapse.

In New York, a new port is planned for Brooklyn that will begin construction later this year.



AIR



The air freight market is on the upswing once again after seeing volumes decrease throughout 2023.

Global air freight demand is up about 10% year over year as of March according to the IATA March 2024 Air Cargo Market Analysis. The report notes that “Global air cargo demand marked the fourth consecutive month of double-digit year-on-year (YoY) growth in cargo tonne-kilometers (CTKs) with 10.3%.” Growth was attributed to increased demand for ecommerce and disruptions in ocean shipping from the conflict in the Middle East. Capacity is also growing and increased 7.3% YoY according to the report.

Maersk is expanding its presence in the air freight market as part of its plans to become an integrated logistics providers.

An expansion in Miami is intended to increase connectivity with Latin America, according to their press release. “The new gateway, modeled after operations in Atlanta, Chicago, and Los Angeles, will focus on transshipping European and Asian cargo via Miami to Latin America with competitive connectivity on freighter and passenger capacity. It will support the North American export market to Latin America and the Asian market that serves the Latin American supply chain via cost competitive U.S. routes.”

In coming months, two factors that could impact air freight rates are the expanding capacity from summer travel and the rising costs of ocean shipping.



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