



# FREIGHT MARKET UPDATE

THIRD QUARTER 2022

# OVERALL MARKET OUTLOOK

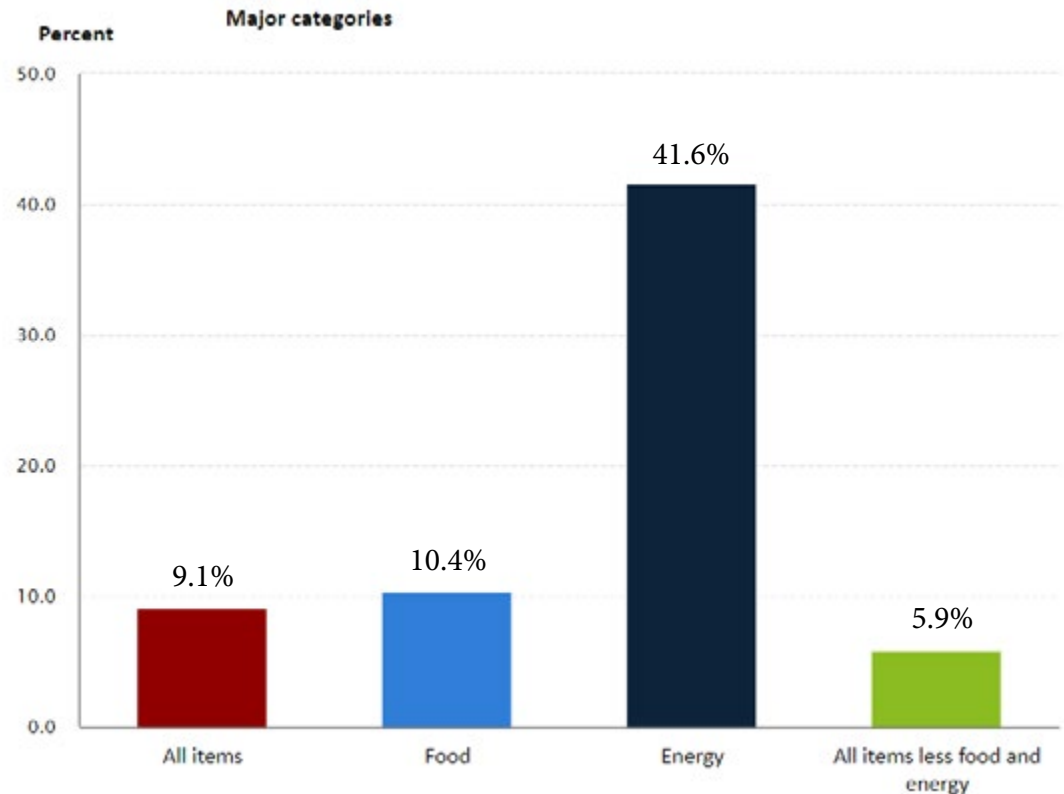
There have been many mixed signals in the economy and transportation market lately, making it as difficult as ever to plan for the future. Here are some of the highlights.

**Employment** – For June 2022, the U.S. Bureau of Labor Statistics (BLS) Employment Situation Summary reported a 372,000 increase in nonfarm payroll employment and a sustained unemployment of 3.6%. Their report mentioned, “Notable job gains occurred in professional and business services, leisure and hospitality, and health care.”

**Inflation** – Meanwhile, the Consumer Price Index for All Urban Consumers increased 1.3% in June and 9.1% over the last 12 months according to the BLS, which is the highest it has been since 1980.

The Producer Price Index also rose 1.1% from May to June and 11.3% versus June 2021.

## 12 month % change, Consumer Price Index, selected categories June 2022, not seasonally adjusted



Source: [U.S. Bureau of Labor Statistics](https://www.bls.gov)

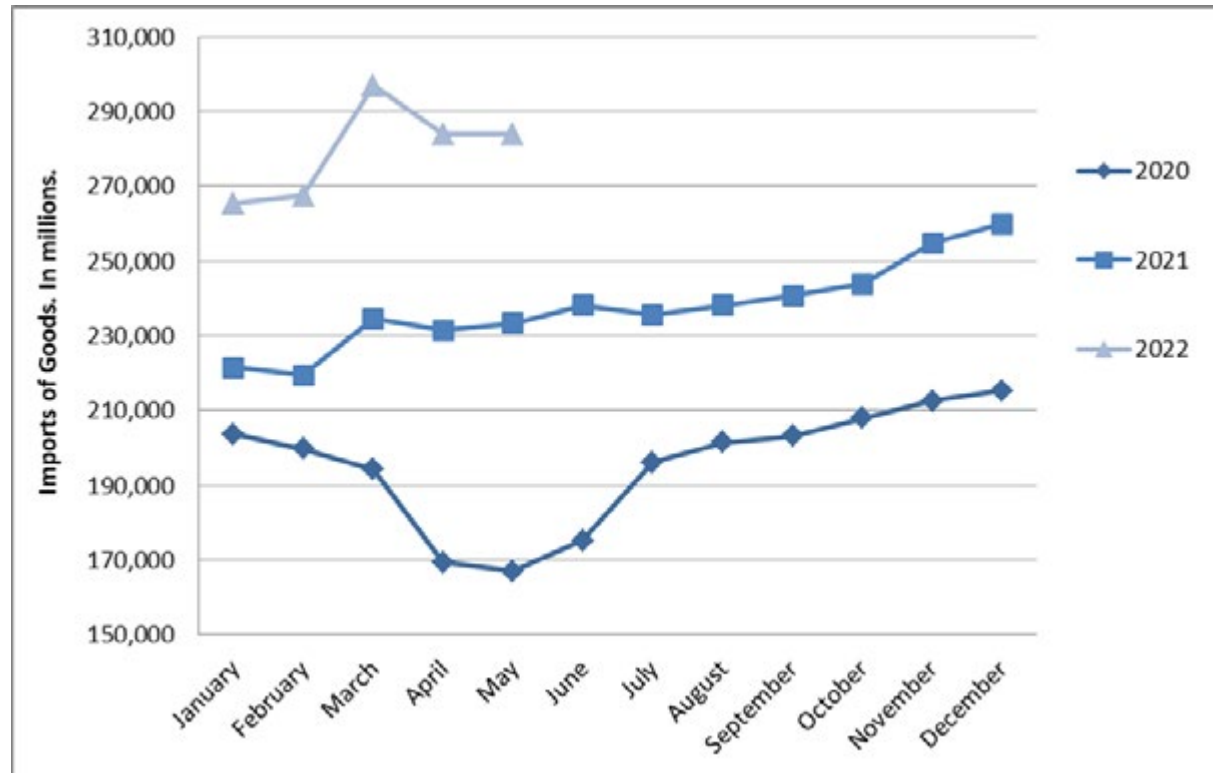
# OVERALL MARKET OUTLOOK

**Imports** - There was a small increase in the imports of goods for May 2022 of \$0.1 billion with total imports at \$284.0 billion. Industrial supplies and materials increased \$1.8 billion while consumer goods decreased \$1.5 billion, according to the latest report on U.S. International Trade in Goods and Services.

**Manufacturing** - As reported in the latest Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders, "New orders for manufactured durable goods in May increased \$1.9 billion or 0.7 percent to \$267.2 billion, the U.S. Census Bureau announced today. This increase, up seven of the last eight months, followed a 0.4 percent April increase."

In line with this, shipments of manufactured goods also increased: "Shipments of manufactured durable goods in May, up twelve of the last thirteen months, increased \$3.6 billion or 1.3 percent to \$268.4 billion."

**U.S. International Trade - Imports of Goods**  
Seasonally Adjusted (by Commodity/Service)  
In millions of dollars. Details may not equal totals due to rounding.



Source: [Bureau of Economic Analysis](https://www.bea.gov/)

# OVERALL MARKET OUTLOOK

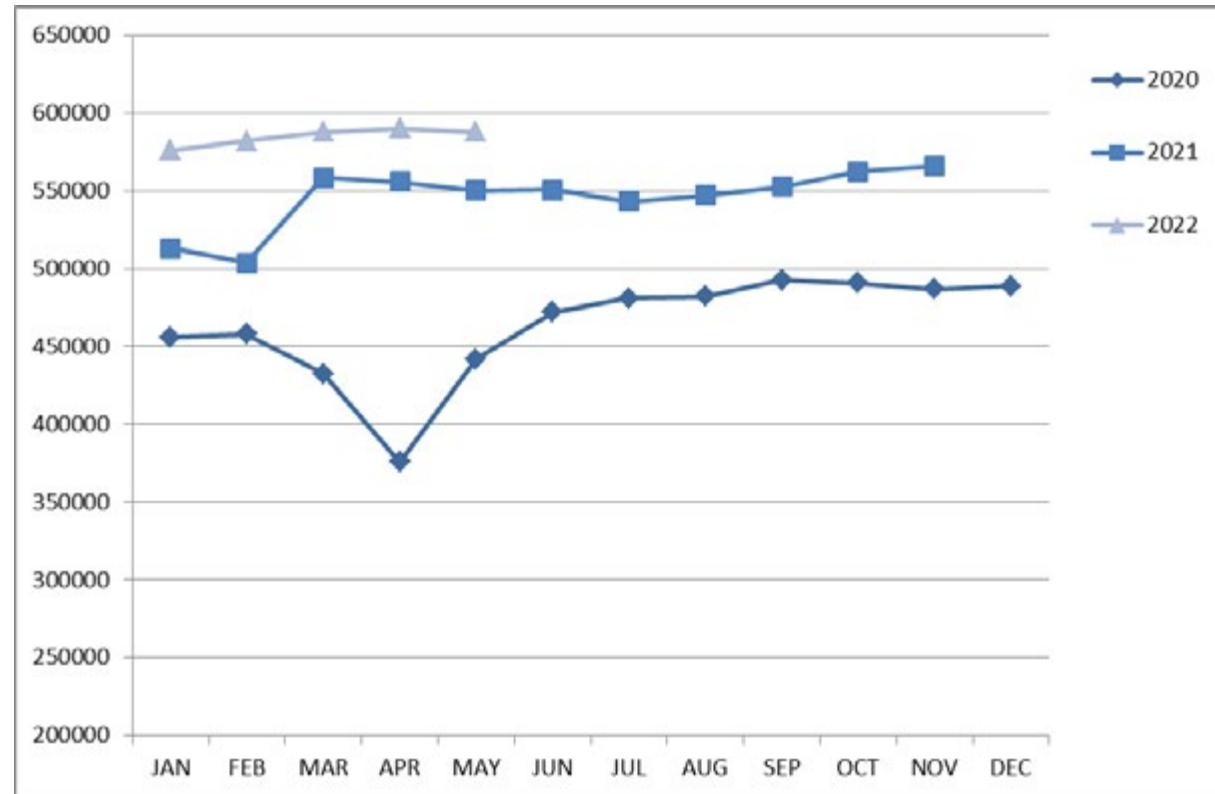
**Inventories** - Inventories of manufactured durable goods have continually increased for sixteen months. We're also seeing reports of retailers cutting prices to cut inventories that were mismatched with current types and levels of demand.

**Retail sales** - For May 2022, the advance estimate of U.S. retail and food services sales (adjusted for seasonal variation and holiday and trading-day differences, but not for price changes) was \$672.9 billion, which is about 8% above May 2021.

Retail trade sales this May were \$599 billion, up 6.9% from this time last year. The leaders in this category were gasoline stations (up 43.2%) and food services and drinking places (up 17.5%).

## 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 both the DAT Truckload Volume Index and the ATA For-Hire Truck Tonnage Index are showing healthy volumes through May. According to a [Transport Topic article](#), “Across the first five months of 2022, tonnage is up 2.7% compared with year-ago levels even as the U.S. economy battles inflationary headwinds.” The article also mentioned that growth has slowed versus 2021, which was an unsustainable rate.

When it comes to rates, there has been a continual decline in the spot market since March with van rates reaching an average of \$2.68 per mile in June according to DAT Trendlines.

While the growth in capacity has pushed rates down, the imposition of AB 5 in California may tighten the market once again. This California law affects who is considered to be an independent contractor versus employee and affects about 70,000 owner operators in the state. With it now coming into effect, shippers and owner operators will have to make difficult decisions about how to proceed, and may also face penalties from the past since the law is retroactive.



# LTL MARKET



The LTL market remains as strong as ever. The market has been sustained through a combination of strong demand, tight capacity and pricing discipline, according to a recent Journal of Commerce article [“LTL Outlook Strong Despite Economic Fears”](#).

One of the biggest winners in this market lately is FedEx Freight. FreightWaves and other sources recently reported how they’ve managed to more than double their operating income year over year while their tonnage dropped 5% roughly.

Meanwhile, Arc Best and Saia have reported positive demand trends while Yellow’s tonnage was down in both April and May.

Several LTL carrier have continued to gradually expand. One of the latest expansions comes from Pitt Ohio who is adding New York to their current network in the mid-Atlantic and Midwest through acquiring Teal’s Express, effective August 14.

In a recent [webinar](#) we hosted, Pitt Ohio’s CMO Geoff Muessig provided six practical pieces of advice for shippers, and cautioned that “When you have new people in the building or a lot of turnover in the building, a lot of the basic practices that we come to expect now start to depart, and they inject cost into the carriers network.”

# PARCEL

After the onset of the pandemic sped up the growth of ecommerce, the pace is slowing [according to Morgan Stanley](#).

In the past few years, “global e-commerce rose from 15% of total retail sales in 2019 to 21% in 2021. It now sits at an estimated 22% of sales.” They’ve projected the \$3.3 trillion ecommerce industry to continue growing and reach 27% of retail sales by 2026.

FedEx is embarking on a major strategic change to integrate the company, after operating separate units since its founding, [according to FreightWaves](#). “The strategy, Network 2.0, will cost about \$2 billion to implement over the next five years, company executives said during a meeting of analysts and investors at its Memphis, Tennessee, headquarters.”

One of the objectives of this strategy is to transfer parcels to FedEx Ground since it has lower operating costs. They’re also looking to reduce empty miles and utilize their existing equipment better, even if that means reducing their geographic coverage.





# RAIL & INTERMODAL

Services issues have been an ongoing problem for the railroads this year. [As reported by FreightWaves](#), “The rails have been under fire in recent months from regulators, shippers and even members of Congress for deteriorating rail service in the first and second quarters of this year. COVID-19-induced absences, along with spates of bad weather and port congestion, have contributed to the subpar service.” In response, the railroads are adding back employees in order to make their networks more responsive.

In the intermodal market, J.B. Hunt is planning a major expansion in conjunction with its partnership with BSNF Railway. [The Journal of Commerce reported](#), “J.B. Hunt has committed to grow its container fleet by more than 40 percent over the next three to five years.” When this expansion is complete, they’ll have as many containers as Hub Group, Schneider, Swift, and XPO Logistics combined.

## Q1 & Q2 Rail and Intermodal Volumes Down from 2021:

According to the American Association of Railroads, total U.S. carload traffic for the first six months of 2022 was down 0.1% (8,823 carloads) from the same period last year; and intermodal units were down 6.2% (453,282 containers and trailers) from last year.





# OCEAN



According to the [Journal of Commerce](#), import volumes have continued their growth in 2022 and shifted away from the West Coast ports:

**“a bustling trans-Atlantic trade and shippers diverting cargo away from the West Coast pushed volumes through the East and Gulf coasts up 6.1 percent and 21.3 percent, respectively, while West Coast imports slipped 3.5 percent.”**

This shift is likely caused by the ongoing negotiations between the Pacific Maritime Association (PMA) and the International Longshore and Warehouse Union (ILWU) over the contract that expired at the end of June this year.

While both parties have committed to maintaining normal operations, further developments and friction could change this status. Another recent *Journal of Commerce* article suggested that a deal could be reached in August.

The imposition of AB 5 may also create some issues as owner-operators and others navigate what this will mean for their transportation activities.



## **GOOD COMMUNICATION IS ESSENTIAL IN LOGISTICS**

“Problems arise in transportation, it’s the nature of transportation – now how are you going to communicate to solve those problems?”

**- Geoff Muessig, CMO of Pitt Ohio**





# AIR

In May 2022, global air cargo demand (measured in cargo ton-kilometers) was up 0.3% versus April after two months of declines, but down 8.3% year over year, [according to IATA](#).

The slight uptick in demand was attributed to the resumption of activity in China after Covid lockdowns and response to the war in Ukraine, amongst other factors.

Despite the decline in demand, air cargo rates have remained high year over year [according to FreightWaves](#). “Although weaker volumes combined with a gradual recovery in international passenger belly capacity put downward pressure on prices in June, air transport is still significantly more expensive than before COVID.” Different estimates put the increase in rates around 13-20% year over year and 129% above pandemic levels.







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](http://www.tranzact.com/resources)

TranzAct Technologies, Inc.  
360 W. Butterfield Rd., Ste. 400  
Elmhurst, IL 60126  
630.833.0890  
[solutions@tranzact.com](mailto:solutions@tranzact.com)  
[www.tranzact.com](http://www.tranzact.com)