FREIGHT MARKET UPDATE

AUGUST 2024

TranzAct Technologies Inc.

OVERALL MARKET OUTLOOK

Mixed economic signals continue. A downturn in employment is notable along with a reduction in inflation that combined paves the way for a long awaited interest rate cut.

Employment

The July 2024 unemployment rate was reported at 4.3% while nonfarm payroll employment increased by 114,000 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 construction, and in transportation and warehousing, while information lost jobs.”

Inflation (Consumer Price Index)

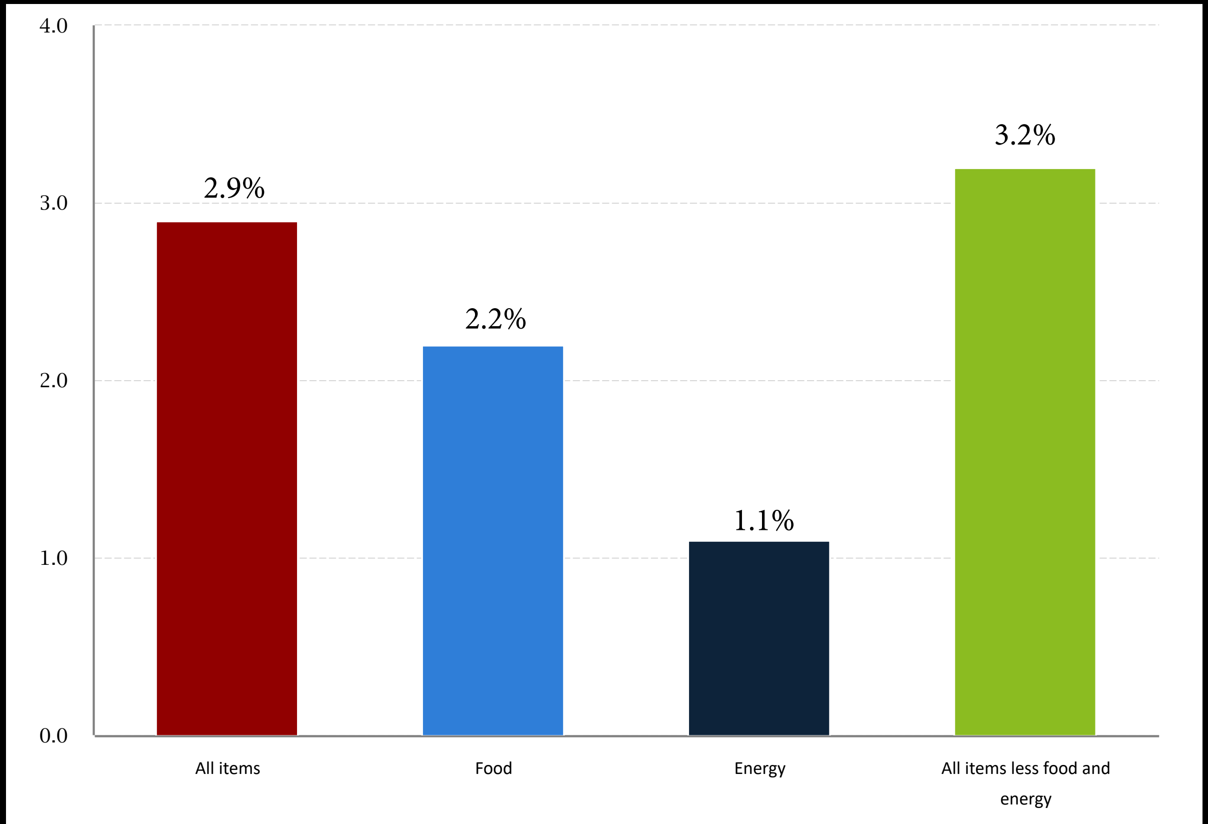
In July, inflation increased 0.2% and has risen 2.9% over the past 12 months as reported by the Consumer Price Index Summary from the BLS.

Their report noted that housing was the main contributor to the monthly increase: “The index for shelter rose 0.4 percent in July, accounting for nearly 90 percent of the monthly increase in the all items index.”

July 2024

12 month percent change - Consumer Price Index

selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics

TranzAct Technologies Inc.

OVERALL MARKET OUTLOOK

Imports

In June 2024 (the most recent month available) imports of goods only, excluding services, increased $1.9 billion from the previous month to $271.6 billion.

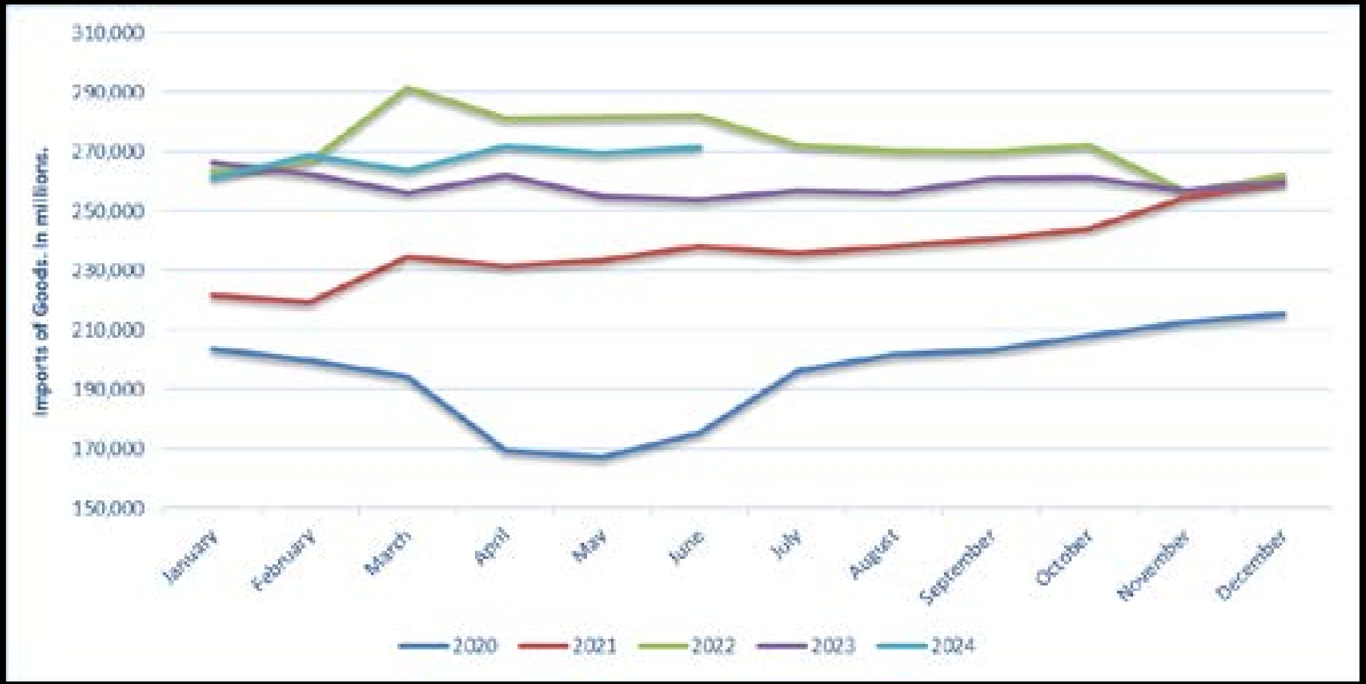
Consumer goods increased $2.3 billion, and capital goods increased $2.2 billion, while Industrial supplies and materials decreased $1.9 billion.

Manufacturing

In July, new orders of manufactured durable goods increased $26.1 billion or 9.9% versus the previous month, as reported in the latest [Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders](#).

Shipments of manufactured durable goods increased $3.1 billion or 1.1% in the same time frame.

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

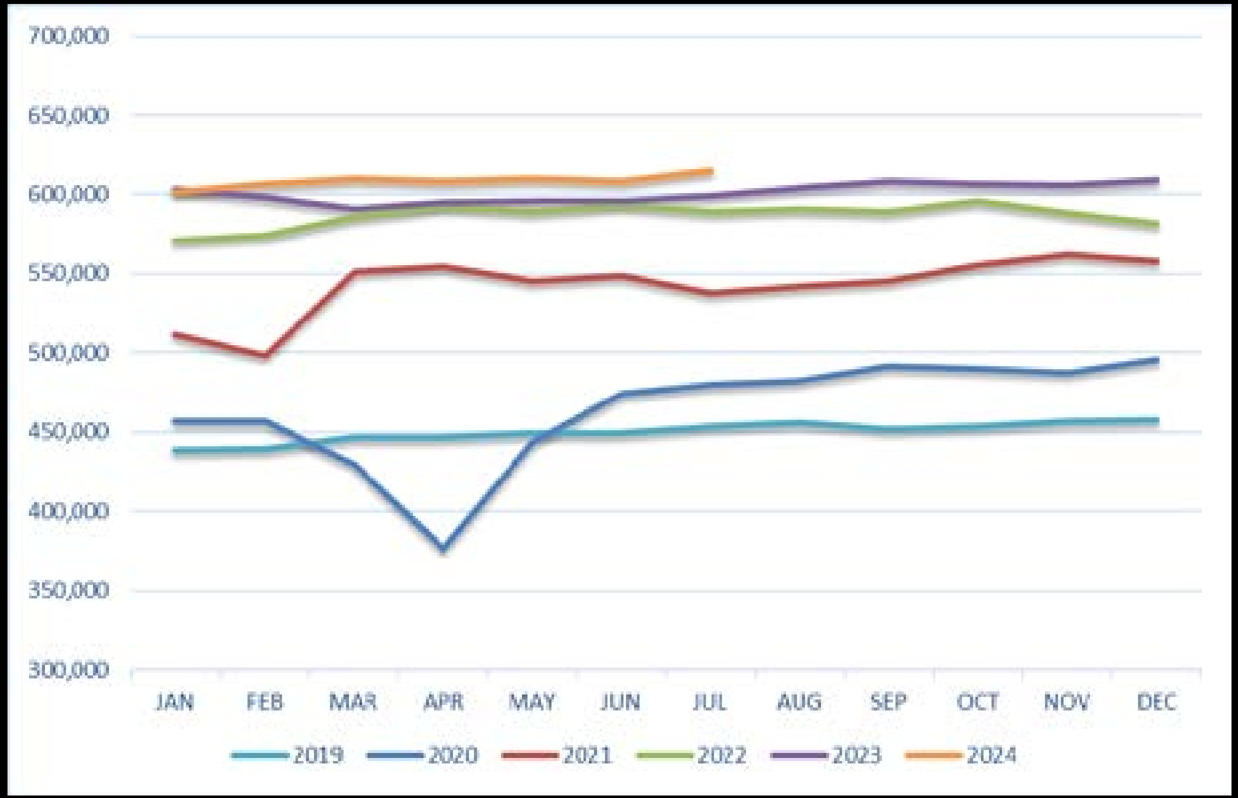
Inventories of manufactured durable goods increased $0.7 billion in July versus the previous month, according to the latest [Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders.]

Retail sales

In July, U.S. retail and food services sales were up 1.0% vs the previous month and up 2.7% versus a year ago, according to the [Advance Monthly Sales of Retail and Food Services.]

Retail trade sales alone were similarly up 1.1% from the previous month and up 2.6% from last year.

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 dealing with rising costs while the market has yet to rebound.

In the spot market, for July 2024, spot load posts were down 7.0% versus June, but up 5.9% versus a year ago according to DAT Trendlines. The Van load to truck ratio has decreased from June and stood at 4.18 for July. In July, rates for van and reefer stayed flat, while flatbed declined slightly.

The ATA reported that tonnage for July increased 0.3% from June, but is 0.9% below July 2023.

While rates and volumes aren't increasing overall, carriers are dealing with increased costs for insurance, labor and equipment, in addition to nuclear verdicts. However, they're getting help from falling diesel prices.

Diesel prices haven't moved much over the last month and are down about 16% year-over-year. As of the week of 8/19/24, diesel retail prices were reported at $3.69 per gallon nationwide, which is down $0.70 from a year ago.

LTL MARKET

In the LTL market, many companies have been reporting revenue and profit growth along with terminal expansion.

According to Transport Topics, many LTL carriers are having a great year. Old Dominion has seen 3 consecutive quarters of revenue growth. In the second quarter of 2024, XPO's profit rose as revenue increased 8%, ArcBest's profit increased 16.1%, and Saia's net income jumped 12.3%.We're now seeing more terminal openings. Saia added six terminals during the second quarter and said it plans to add another 13 by the end of 2024 and Estes has increased their terminal doors by 12%.

NMFC changes ahead

The NMFTA is planning significant changes to the NMFC that will impact LTL shipping processes and costs in 2025. There will be two rounds of changes that will be proposed through two dockets, the first being Docket 2025-1.

Here are a few key dates to know for the first round:

- January 30, 2025 – the docket will be made public for review and feedback
- March 30, 2025 – public meeting to review docket and hear feedback
- May 3, 2025 – Approved changed from docket 2025-1 become public

One of the key questions is how many commodities will be impacted by the changes. Nate Ripke, director of commodity and standards development for NMFTA shared that "We estimate to move as many as 3,500 single-class items to 13 subcategories". Because of these changes, for LTL shippers understanding the density of their shipments is becoming more important than ever.

PARCEL

In the parcel industry, the holiday season rush and peak season surcharges are ahead.

Once again, FedEx and UPS are closely matching their price increases, this time around the holiday season surcharges.

FedEx announced their surcharges in mid-August and similar to UPS they will roll out in multiple phases, with the first phase beginning on September 30 and the peak season charges ending on January 19, 2025.

UPS announced their peak season surcharges in mid-July. Their charges begin on September 29th and runs through January 18th.

In July UPS reported their first gain in volume since 2022 according to Transport Topics. However, their seeing a decrease in average revenue per domestic package, which fell 2.6% in the latest quarter.

RAIL & INTERMODAL

In the rail industry, a strike at the two main railroads in Canada was called off after workers were locked out for two days and the Canadian government intervened. The Canadian Pacific Kansas City and Canadian National locked out members of the Teamsters Canada Rail Conference on August 22nd after the failure to reach an agreement ahead of this deadline. This dispute and the ongoing tensions are ongoing.

The railroads in the U.S. are seeing mixed financial results this year despite a gain in volumes. According to the Wall Street Journal, “CSX’s profit slipped 2.1% in the second quarter, as higher expenses offset rising freight rail volumes.” At BNSF Railway’s revenue slipped 2% last second quarter despite a 4% gain in volume. Union Pacific saw second quarter profit grow 7% and revenues rise 1% as growing intermodal volume offset a drop in carloads, and the number of shipments were roughly flat.

Railroad volumes

For the first 32 weeks of the year vs the same time period last year, total U.S. carloads decreased 4.0% and intermodal units increased 8.7%. Combined, there was a 2.5% 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 1.4% and Mexican railroad volumes are up 3.3%.

DIGITAL TRANSFORMATION

"One area that is getting a tremendous amount of attention is the role that digital transformation will play in helping companies deploy and integrate Artificial Intelligence (AI) capabilities into optimizing their supply chains. While there have been ups and downs in this area, article after article has pointed out that now is the time for companies to invest in and accelerate the implementation of supply chain digital transformation."

Mike Regan, Co-Founder, TranzAct Technologies

OCEAN

In the ocean sector, volumes and rates remain high as a potential strike at the East and Gulf Coast ports is getting closer.

The International Longshoremen's Association has communicated their plans to strike on September 30 if a new contract is not in place by then. The Journal of Commerce recently reported that "The International Longshoremen's Association is seeking an almost 80% increase in wages over six years in the next contract with employers at East Coast and Gulf Coast ports." The strike would include around 45,000 workers at various ports.

The West Coast ports have reported significant volume increases. For the first half of 2024, the Port of Los Angeles was up 14% and the Port of Long Beach was up 15% according to Transport Topics.

Internationally, demand has been up as well. In early August, Xenata reported, "Ocean container shipping demand from China to North America and North Europe continued to break records in June as importers rushed to protect supply chains amid the global disruption caused by conflict in the Red Sea."

While the Red Sea conflict is ongoing, the Panama Canal has seen drought conditions ease and is expecting to increase transit in September.

AIR

In the air freight market, demand for air cargo has increased throughout the year while expansions in capacity have slowed. As a result, air freight spot rates continue to rise.

According to Xenata, in July air cargo spot rates in July were 20% higher year over year. They are predicting further increases as the traditional peak season transpires and as further disruptions to ocean shipping linger.

IATA also reported an increase in demand in their June 2024 Air Cargo Market Analysis. “International air cargo volumes rose by 15.6% compared to June 2023, supported by all regions and major trade lanes.” The report noted that demand has increased 13.4% cumulatively year to date through June 2024 vs the same time last year.

Looking ahead, the negotiations at the East and Gulf Coast ports, ecommerce trends, and other factors could impact the demand for air freight.

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