FREIGHT MARKET UPDATE

THIRD QUARTER 2023

TranzAct Technologies Inc.

OVERALL MARKET OUTLOOK

Amid continued concerns about a recession there are many positive economic indicators. Employment has stayed low while inflation has fallen, and air travel has rebounded to near pre-pandemic levels.

Employment

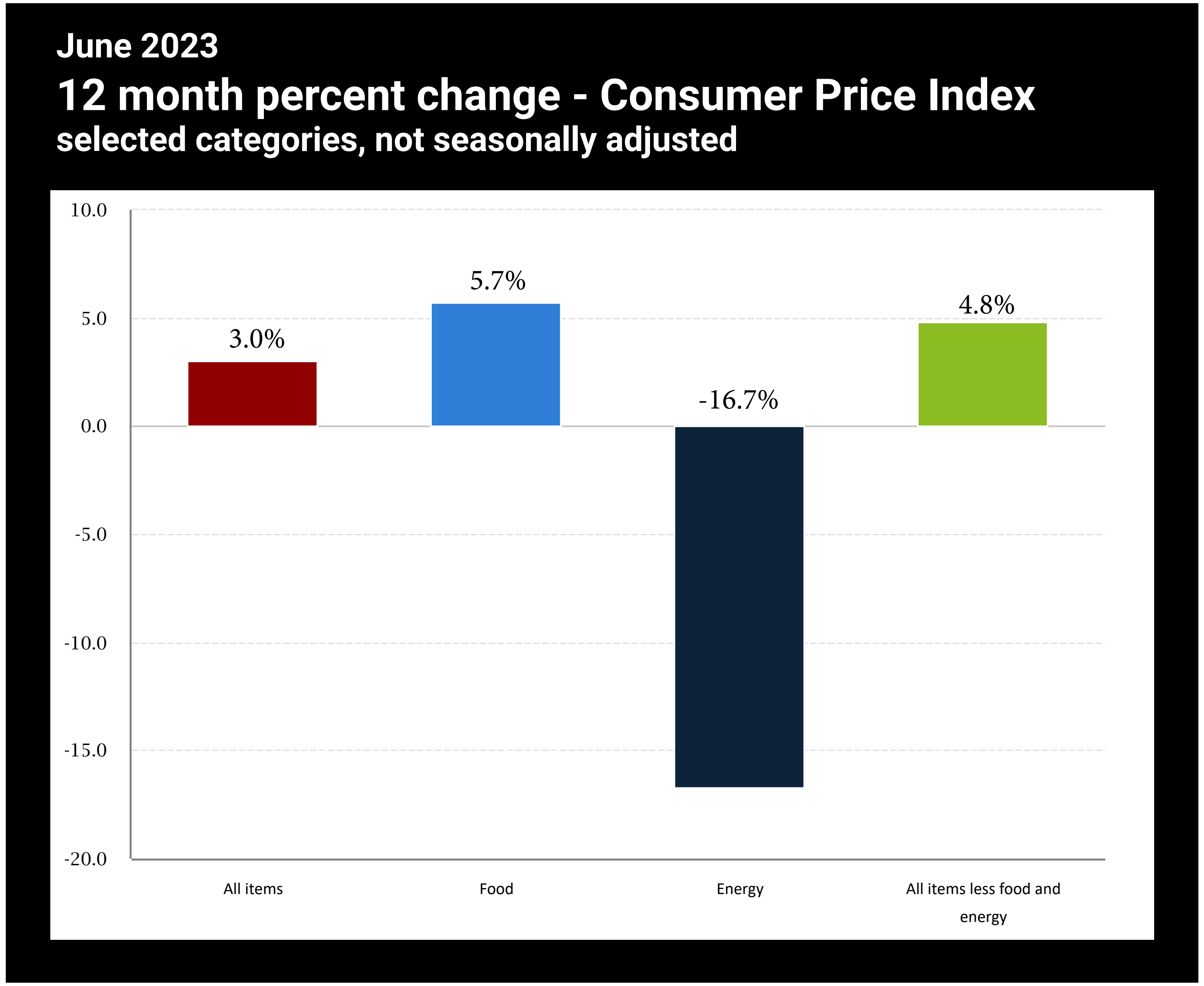
The June 2023 unemployment rate was reported at 3.6% while nonfarm payroll employment increased by 209,000 according to the U.S. Bureau of Labor Statistics (BLS) [Employment Situation Summary](#).

The report noted, "Employment continued to trend up in government, health care, social assistance, and construction."

Inflation (Consumer Price Index)

The [Consumer Price Index for All Urban Consumers](#) increased 0.2% in June, which set the inflation rate at 3.0% over the last 12 months according to the BLS.

Their report noted, "this was the smallest 12-month increase since the period ending March 2021." The report also noted the major contributors: "The index for shelter was the largest contributor to the monthly all items increase, accounting for over 70 percent of the increase, with the index for motor vehicle insurance also contributing."



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

OVERALL MARKET OUTLOOK

Imports

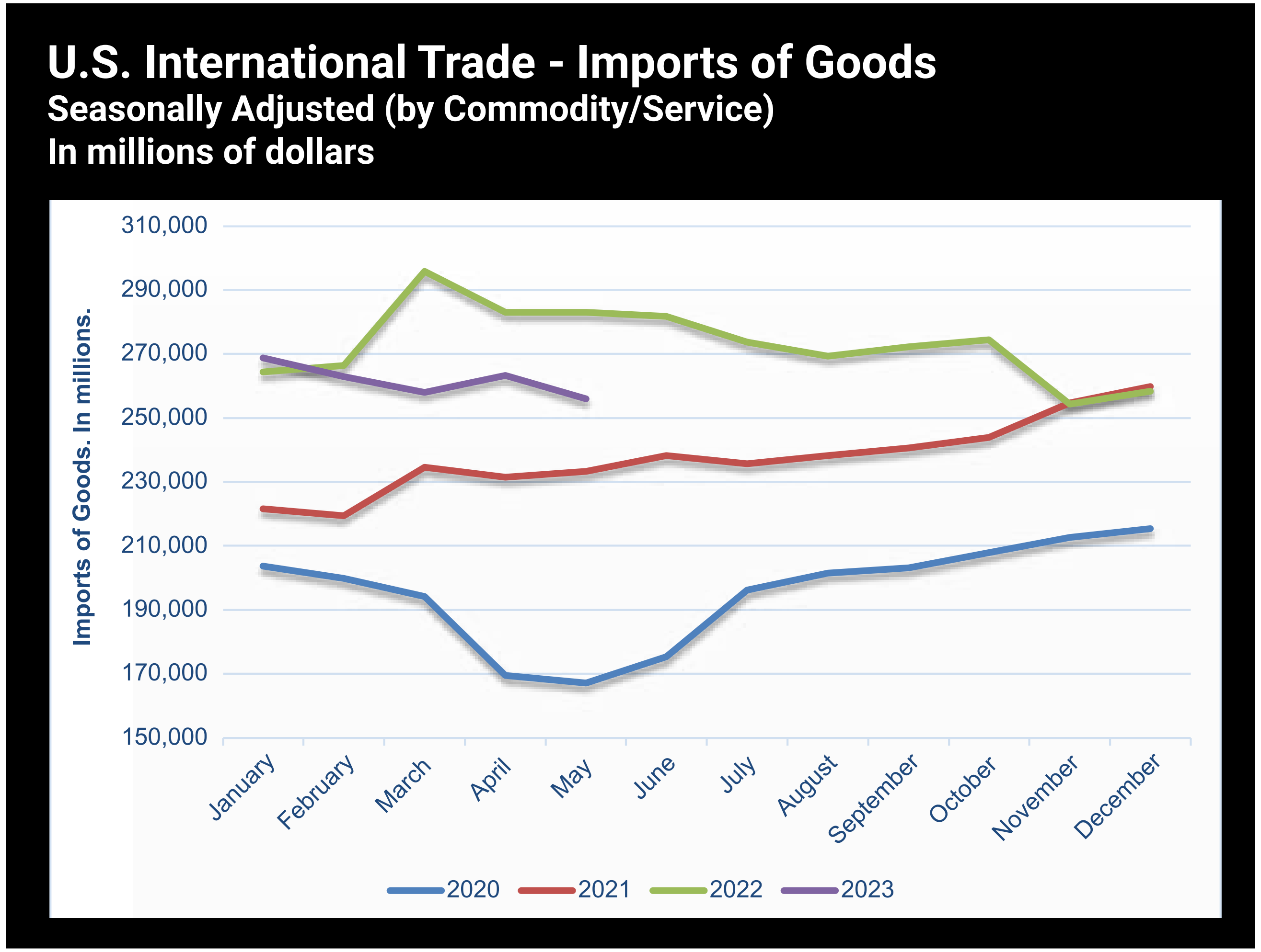
In May, imports of goods and services decreased $7.5 billion to $316.1 billion from the previous month. Imports of goods alone decreased $7.2 billion to $256.1 billion in the same time frame. During the previous two years, imports increased from April to May.

Import levels are also down from May 2022 levels, when the total for goods & services was $342.1 billion and for goods alone was $285.2 billion, according to the latest [report on U.S. International Trade in Goods and Services.]

Manufacturing

New orders and shipments for manufactured durable goods both increased 1.7% in May 2023, as reported in the latest [Monthly Advance Report on Durable Goods Manufacturers' Shipments Inventories and Orders]. Transportation Equipment led the increase in new shipments and was up 4.6% or $4.0 billion vs the previous month.

For 2023 vs 2022 YTD, new orders are up 3.5% and new shipments are up 4.5%. For Transportation Equipment, new orders increased 10.2% and new shipments increased 11.1% in that time period.



Source: [Bureau of Economic Analysis]

OVERALL MARKET OUTLOOK

Inventories

Inventories of manufactured durable goods increased 0.2% or $1.2 billion in May 2023 versus the previous month and for five of the last six months, according to the latest [Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders.]

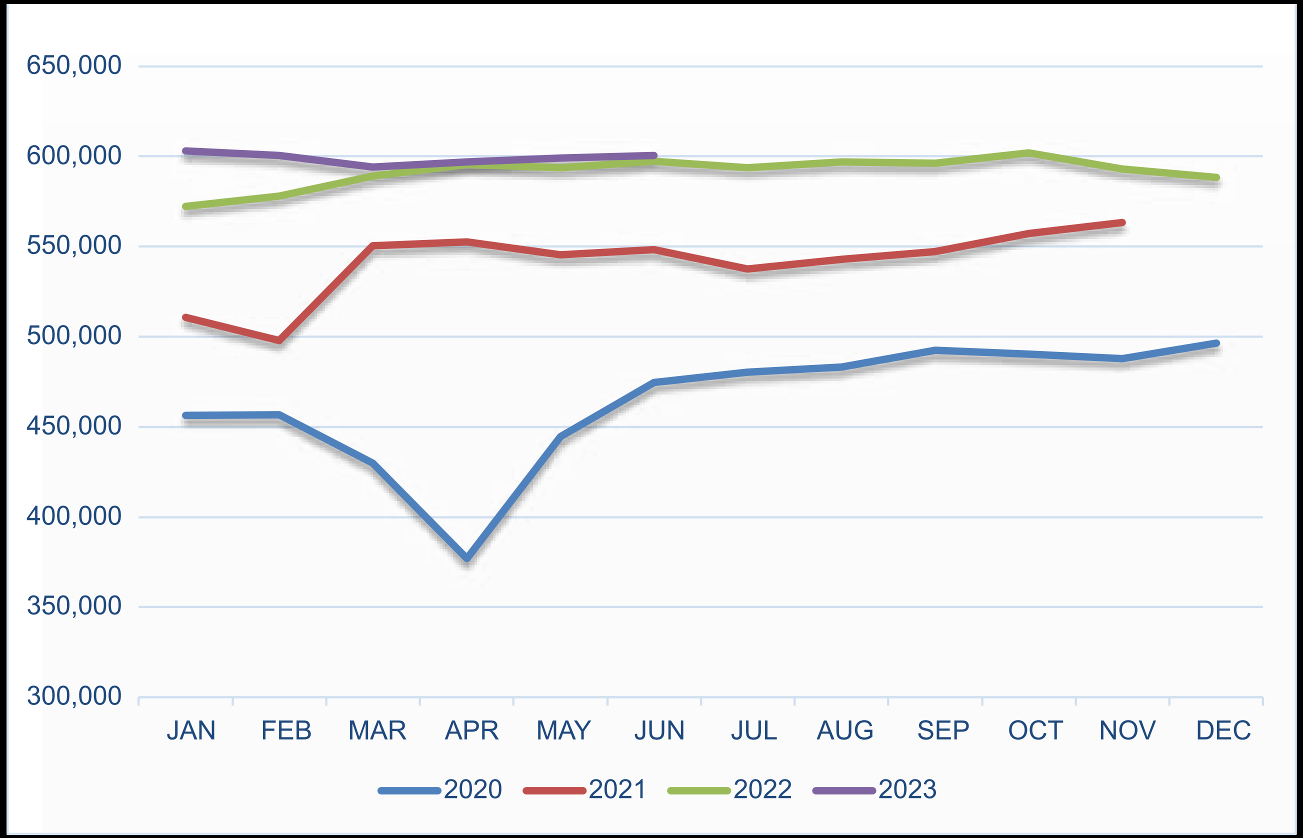
Retail sales

U.S. retail and food services sales were up 0.3% in May 2023 vs the previous month and up 1.6% vs May 2022.

According to the report, restaurants had a large impact on the increase: "food services and drinking places were up 8.0 percent (±2.3 percent) from May 2022."

Retail trade sales alone were up 0.3% from April 2023, and 0.7% above last year, according to the [Advance Monthly Sales of Retail and Food Services, February 2023.]

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, the buyer's market continues.

Spot rates have continued to decline for most of 2023 but showed slight improvement in June 2023, coming in around $2.08 per mile.

In the same month, spot load posts were down about 54% versus a year ago, according to DAT Trendlines.

The Load-to-Truck ratio for June was reported at 2.59 by DAT. For each month in 2023 so far, this ratio has been lower than any ratio reported throughout 2021 or 2022. Due to these market conditions, the inversion of spot and contract rates has continued.

On July 1, Knight-Swift Transportation closed on their acquisition of truckload carrier U.S. Xpress.

Carriers have seen relief from diesel prices which have trended downward since an all time high of $5.81 in June 2022. As of the week of July 31, diesel retail prices were reported at $4.13 per gallon after jumping $0.22 in one week.

LTL MARKET

In the LTL market, Yellow has been in the spotlight with several developments culminating in its closure.

Over the past few years, tonnage at Yellow has declined due in part to their effort to consolidate terminals under the One Yellow initiative and the uncertainty this caused. In the weeks leading up to this closure, Yellow faced the threat of a strike over a missed $50 million payment to the Central States Welfare and Pension Fund. Yellow also filed a lawsuit against the Teamsters alleging that their refusal to negotiate in good faith over the restructuring has caused Yellow to lose $137 million.

The departure of the third largest LTL carrier with over $5 billion in revenue last year is expected to have a significant impact on the LTL trucking industry. Although there is currently capacity among many carriers, the consolidation of this market may lead to increased rates.

FedEx Freight has also seen a decline in LTL shipments and has trimmed its network as a result. According to the [Journal of Commerce](), the company is on schedule to close 29 of their terminals out of approximately 400 LTL terminals by August 2023.

PARCEL

In the parcel industry, a lot of attention has been on the negotiations between UPS and the Teamsters. After a hopeful beginning where agreement was swiftly reached on 55 non-economic issues, talks hit a standstill when they moved to economic matters.

In the latest developments, the Teamsters and UPS have reached a tentative agreement on a new five-year contract, averting a possible strike on July 31.

This contract impacts 340,000 UPS Teamsters nationwide. The deal is still subject to a vote and ratification by union members.

The outcome of these negotiations is expected to affect rates for UPS as well as FedEx, and spur the possibility of unionization at Amazon.

Meanwhile, FedEx has been facing challenges with its finances. FreightWaves recently reported that the Express segment has been struggling: “Express revenues fell 13% in the fourth quarter, ended May 31, to $10.4 billion while operating income was halved at $430 million.” Additionally, profits fell 64% for the year. “For FedEx Corp., overall, fourth-quarter adjusted operating income dropped 20% to $1.77 billion.” FedEx is expected to continue with its cost cutting campaign as planned.

Photo credit: ColleenMichaels - stock.adobe.com

RAIL & INTERMODAL

The railroads have continued to gain media attention for derailments. In response to the East Palestine derailment, the bipartisan Railway Safety Act of 2023 was passed in May by the Senate Commerce Committee and is awaiting the Senate floor. This could introduce a number of new requirements such a mandating a two-person crew.

Railroad volumes

For the first 6 months of 2023, total U.S. carload traffic increased 0.6% and intermodal traffic decreased 10.3% from the same period last year. Combined, there was a 5.3% decrease in U.S. rail traffic for the first half of the year, according to the American Association of Railroads (AAR).

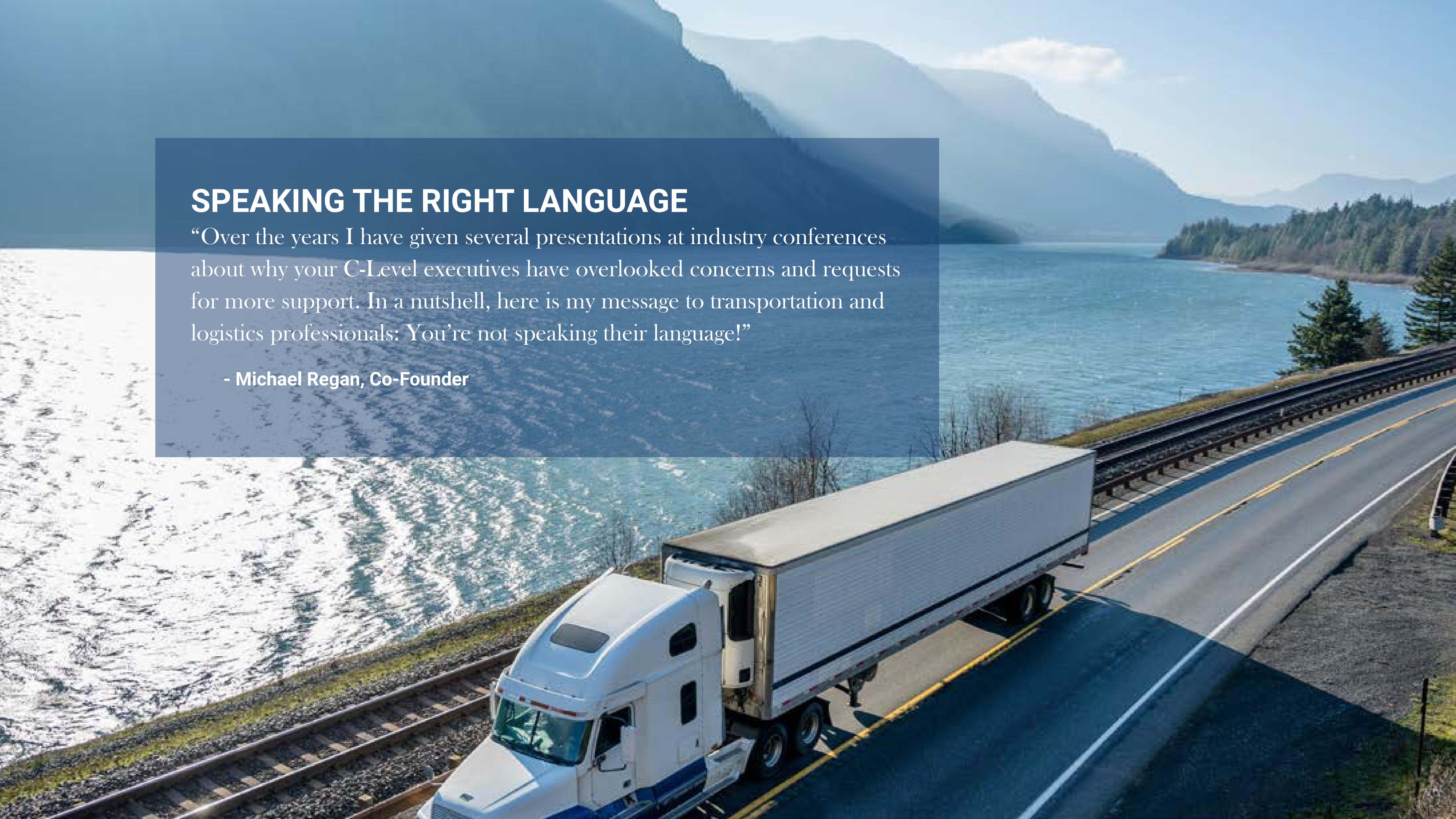
Canadian rail traffic volume was down 1.4% and Mexican volume was up 2.9% for the first half of 2023 vs the same period last year.

TranzAct Technologies Inc.

SPEAKING THE RIGHT LANGUAGE

“Over the years I have given several presentations at industry conferences about why your C-Level executives have overlooked concerns and requests for more support. In a nutshell, here is my message to transportation and logistics professionals: You’re not speaking their language!”

- Michael Regan, Co-Founder



OCEAN

In the ocean sector, rates continue to fall or stay at pre-pandemic levels and labor negotiations along the West Coast have cooled down.

Drewry reported their composite World Container Index at $1,537 per 40ft container for the week of July 20, 2023. Similarly, Freightos reported a rate of $1283 for their Baltic Index (FBX).

Overall, container volumes for 2023 have fallen well below the inflated pandemic highs but have risen above the pre-pandemic levels reported in 2018 and 2019.

On the West Coast, labor negotiations seem to have settled and added stability to the region for the time being.

In mid-June, the ILWU reached a tentative deal with intervention from acting Labor Secretary Julie Su, with approval pending a final vote.

In mid -July, a 13 day strike came to an end at the ports of Vancouver and Prince Rupert, Canada. The ILWU dockworkers at these ports have also reached a tentative deal that if awaiting ratification. Roughly 15% of all U.S. trade enters through the Port of Vancouver, and the impact of this strike may continue into the holiday season as the backlog is addressed.

AIR

In the air freight market, rising capacity and falling demand have given way to declining rates, with prices reportedly dropping below pre-pandemic levels.

The number of travelers continues to grow, according to IATA's May 2023 Air Passenger Market Analysis. "Global air passenger demand recorded solid growth in May, with industry-wide revenue passenger-kilometers (RPKs) increasing by 39.1% year-on-year (YoY) and reaching 96.1% of pre-pandemic levels." This expands the capacity available since roughly half of air freight travels in the bellies of passenger planes, at a time when demand is dropping.

Volumes are down due to a number of factors, according to a recent article in FreightWaves, such as the "slowing global economy, bloated inventories and improved ocean shipping reliability." As a result of these conditions, "rates are 40% to 50% lower than a year ago."

This market is not expected to rebound this year and may experience more decline. However, it was also suggested that conservative inventory stocking in Q3 could lead to an increased demand for air freight in Q4.

TranzAct Technologies Inc.

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

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