

# FREIGHT MARKET UPDATE

SECOND QUARTER 2022

# OVERALL MARKET OUTLOOK

There has been no shortage of news in the freight markets this year. Just after the tensions from Omicron abated, the conflict between Russia and Ukraine escalated. While the main impact on the U.S. logistics industry has been the rise of diesel prices, the potential of greater impact is ongoing.

**Employment** – For March 2022, the U.S. Bureau of Labor Statistics reported a 431,000 increase in nonfarm payroll employment and a decrease in unemployment to 3.6%.

**Inflation** – The Consumer Price Index for All Urban Consumers increased 1.2% in March and 8.5% over the last 12 months ending in March [according to the BLS.](#)

According to the report, the increases were largely due to the rising costs of food and energy: “The index for all items less food and energy rose 0.3 percent in March following a 0.5-percent increase the prior month.”

## 12 month % change, Consumer Price Index, selected categories

Not seasonally adjusted, February 2021 - February 2022



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

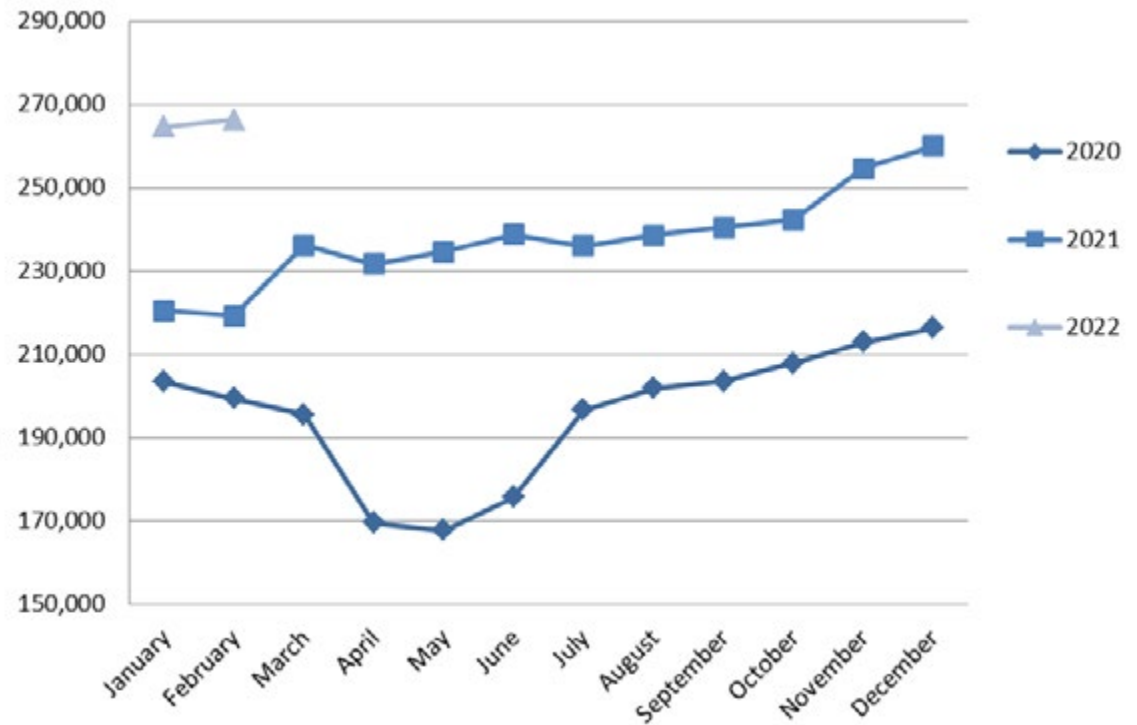
# OVERALL MARKET OUTLOOK

**Imports** – Import volumes continue to rise. For February 2022, U.S. imports of goods (excluding services) were \$266 billion, an increase from \$219 billion from February 2021, according to the [Bureau of Economic Analysis News Release](#).

**Manufacturing** - U.S. Manufacturing - As reported in the [MONTHLY ADVANCE REPORT ON DURABLE GOODS MANUFACTURERS' SHIPMENTS, INVENTORIES AND ORDERS FEBRUARY 2022](#), "New orders for manufactured durable goods in February decreased \$6.0 billion or 2.2 percent to \$271.5 billion." This follows four consecutive monthly increases and is the largest decrease in the past year.

Much of the decrease was due to declines in transportation equipment orders: "Transportation equipment, down following three consecutive monthly increases, led the decrease, \$4.9 billion or 5.6 percent to \$82.6 billion."

**U.S. International Trade - Imports of Goods**  
In millions of dollars



Source: [Bureau of Economic Analysis](#)

# OVERALL MARKET OUTLOOK

**Retail sales** - Retail sales have stayed strong.

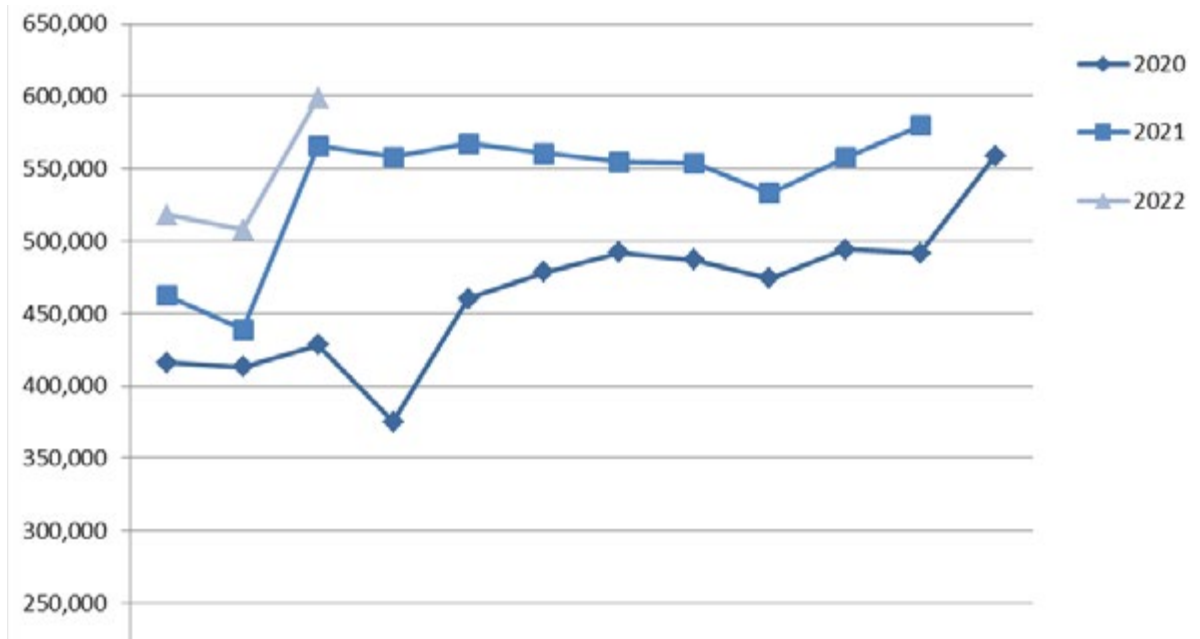
For March 2022, the [Advance Monthly Sales for Retail and Food Service](#) estimate of U.S. retail and food services sales (adjusted for seasonal variation and holiday and trading-day differences, but not for price changes) was reported as \$665.7 billion, about 7% above March 2021.

In the Retail category alone, not adjusted sales this March were \$599 billion, up from \$568 billion in March 2021.

**Inventories** - Inventories continue to increase in what may be considered a season of pulling forward if consumer purchasing declines. As reported by the [U.S. Department of Commerce](#), "Inventories of manufactured durable goods in February, up thirteen consecutive months, increased \$2.0 billion or 0.4 percent to \$478.5 billion."

## Retail Trade: U.S. Total

Not Seasonally Adjusted Sales - Monthly [Millions of Dollars]



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



# TRUCKLOAD MARKET

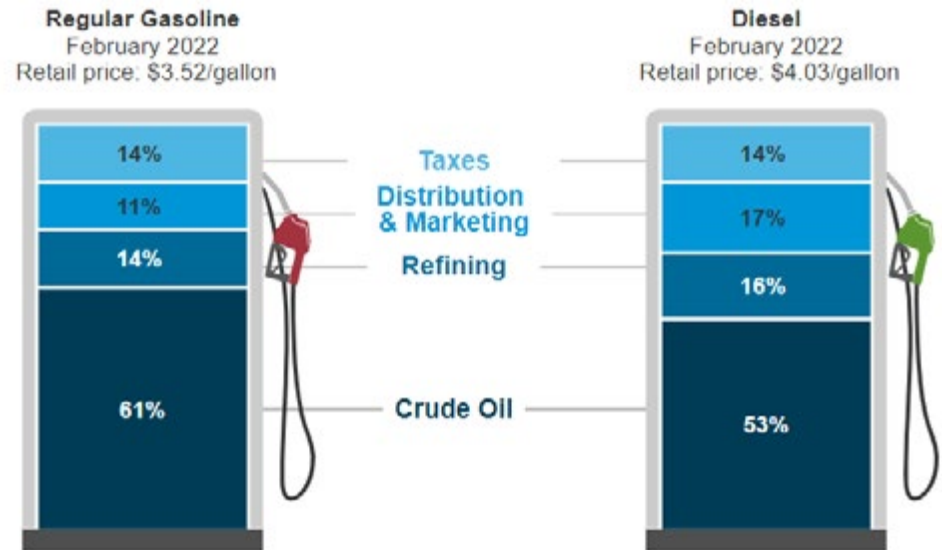
In the truckload market shippers are finally starting to see some relief as rates decline despite increases in diesel prices.

During the week of March 14th, diesel prices in the U.S. reached a historic high of \$5.25 per gallon before declining slightly.

For van rates, DAT Trendlines reported a spot rate of \$3.10 for January, \$3.09 for February and a preliminary estimate of \$3.04 for March. The rates for reefer also fell, while flatbed accelerated.

In the months ahead, issues for shippers to watch are the impact of the conflict in Ukraine, the cost of diesel, and spring weather related disruptions.

## What we pay for a gallon of:



eia Source: U.S. Energy Information Administration, Gasoline and Diesel Fuel Update



# LTL MARKET



LTL demand continues to grow from elevated levels of retail sales, imports, and ecommerce.

LTL shipments and tonnage rose by double digits year over year in February at ODFL (the second largest U.S. LTL carrier) and Saia, as reported by the [Journal of Commerce](#). “Less-than-truckload (LTL) freight demand defied seasonal trends at some large trucking firms in February, with LTL shipments and tonnage that usually fall or rise slightly in the first quarter increasing by double digits.”

LTL carriers are expanding to keep up with ever growing demand.

As reported by [FreightWaves](#), Old Dominion has recently opened hundreds of new doors in facilities throughout the country, and has allocated \$300 million for real estate in 2022. Saia is also expanding and plans to add 10-15 new terminals in 2022.

XPO Logistics is leading the pack with plans to add 900 new doors by 2023. XPO is also in the process of selling their intermodal unit to STG Logistics and plans to spin off their brokerage business and European transportation unit later this year, which would leave them as a LTL carrier only.



# PARCEL

FedEx founder [Fred Smith is stepping down as CEO](#) officially on June 1 after about 50 years of growing the company to be a leader in the industry. He will be succeeded by Raj Subramaniam, current Chief Operating Officer, and will stay involved with the company serving as Executive Chairman.

The inception of FedEx came about when Smith “in 1965 developed the idea for a global freight carrier that specialized in urgent deliveries for a Yale University term paper. According to Smith, his professor didn’t like the idea. Undeterred, Smith incorporated Federal Express Corporation in 1971 and by 1973 launched operations.”

[FedEx reported revenue](#) of \$84 billion in its 2021 fiscal year. For the FY quarter ending February 28 they reported a 10% increase in total revenue along with a 30% increase in net income.

This summer, FedEx plans to test using autonomous trucks on the highway after testing them in China recently.

[UPS will soon be testing electric cargo bikes](#) in the United States and Europe an effort to better mitigate dense urban environments.



# RAIL & INTERMODAL

**Intermodal Investment Rising** - The intermodal market is experiencing [increased investment and expansion](#). As trucking companies look to diversify their earnings and have a stake in equipment, the intermodal market offers both. A number of companies such as Hub Group, Schneider National, and Knight-Swift have announced plans for growth, and one of the largest increases will come from J.B. Hunt: “J.B. Hunt Transport Services plans to grow its intermodal fleet by 40% to as many as 150,000 containers in the next three to five years as part of a joint effort with BNSF Railway Co.”

**XPO Intermodal Segment Sold** - [XPO Logistics sold its North American intermodal segment](#) to Illinois-based freight and warehousing provider STG Logistics Inc for about \$710 million in March. The acquisition nearly doubles STG’s employee and facility count.

**CP and Kansas City Southern Merger Meeting Objections** - The merger between CP and Kansas City Southern is still awaiting approval by the Surface Transportation Board and [objections are arising](#) in the meantime. Although supported by Amtrak, Metra has voiced objection on the grounds that it would cause disruptions and safety issues for its passengers.

**Q1 Intermodal Volumes Down Slightly from 2021** - [Total combined U.S. carloads and intermodal units](#) for the first 13 weeks of 2022 (roughly 6.4 million) decreased 2.7% versus 2021. Carloads increased by about 2.6% but were more than offset by a 6.9% decrease in intermodal units.





# OCEAN



In the ocean market, there's plenty of cause for concern originating out of China and California.

The latest lockdown in Shanghai due to the zero COVID policy has caused containers and containerships to pile up on China's coast while the U.S. has seen a [31% decrease in container volumes out of China since April 6](#).

At the same time, "There are an estimated 300 containerships and 500 bulk ships off the coast of China, loaded with cargoes of everything from machinery parts, components to metal ore to grain." These import delays could impact both production and the refilling of containers.

The delays in China are especially concerning since they precede a potential slowdown or shutdown at the ports along the West Coast when the contract between the Pacific Maritime Association and the International Longshoremen and Warehouse Union (ILWU) expires July 1, 2022.

Ports throughout the United States reported [record container volumes in March](#).





## **CUSTOMER DEMAND PREVAILS**

“The last thing that anyone wants is to not have products available on their store shelves, or on their ecommerce site, so retailers are looking at any and all options to make sure that the consumer has choices.”

**- Jonathan Gold, VP of Supply Chain and Customs Policy, National Retail Federation**



# AIR

The demand for air cargo has continued to increase. According to a [February 2022 Air Cargo Market Analysis](#) by IATA, “Industry-wide cargo tonne-kilometers (CTKs) increased by 2.9% year-on-year in February”.

At the same time, air cargo capacity is being constrained by increasing but lower than pre-pandemic levels of passenger travel, the conflict in Ukraine, and the Covid-related shutdowns in Shanghai and other parts of China.

Another challenge for shippers is the increasing cost of jet fuel which has doubled since last April, making air freight more expensive.







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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)