FREIGHT MARKET UPDATE

OCTOBER 2024

TranzAct Technologies Inc.

EXECUTIVE COMMENTARY

Thank you for your interest in TranzAct's Market Update. In this and every edition, our goal is to highlight key informationfor shippers about what's happening in the logistics industry. I'd also like to share a few recommendations that I've come accross from working closely alongside executives in the industry, attending top conferences and other interactions.

- Truckload market - We've been witnessing a freight recession that has stretched longer than many predictions. At this point many truckload carriers have been nearing the brink, and we anticipate that rates are more likely to increase significantly than to decrease significant since further closures would cause market tightening. As such, we recommend locking in rates for as long as possible.

- LTL market - One major item to watch in 2025 is the NMFC changes that will take effect in May and change the freight class for many items. We recommend ensuring that you have the tools and processes to evaluate your freight dimensions and how changes could impact your costs.

- Parcel - The parcel carriers have been hurting for some time as volumes decreased and shippers turned to less costly shipping options. The focus for these carriers has been largely on cost cutting and adding revenue through more accessorials. Again, it's important to have the right tools in place to evaluate how changes impact your company.

- Ocean - There's been a lot of uncertainty in the ocean market due to the ongoing conflict in the Red Sea, the unresolved contract at the East Coast ports and other factors. In a recent webinar, our panelists offered several tips such as expecting ongoing issues in the Red Sea, preparing for another strike and clearing any freight off the ports, and more. I encourage you to watch our webinar to hear their advice.

If you're interested in getting in touch to hear more about what's happening in the markets or how we can help, simply schedule a time to meet.

Regards,
Mike Regan
Co-Founder

OVERALL MARKET OUTLOOK

The economy shows signs of continued resilience as an election nears and further rate cuts are under consideration.

Employment

The October 2024 unemployment rate of 4.1% was unchanged from the previous month while nonfarm payroll employment increased by about 12,000 according to the U.S. Bureau of Labor Statistics (BLS) Employment Situation Summary.

The report noted that job increases "continued to trend up in health care and government. Temporary help services lost jobs. Employment declined in manufacturing due to strike activity."

Inflation (Consumer Price Index)

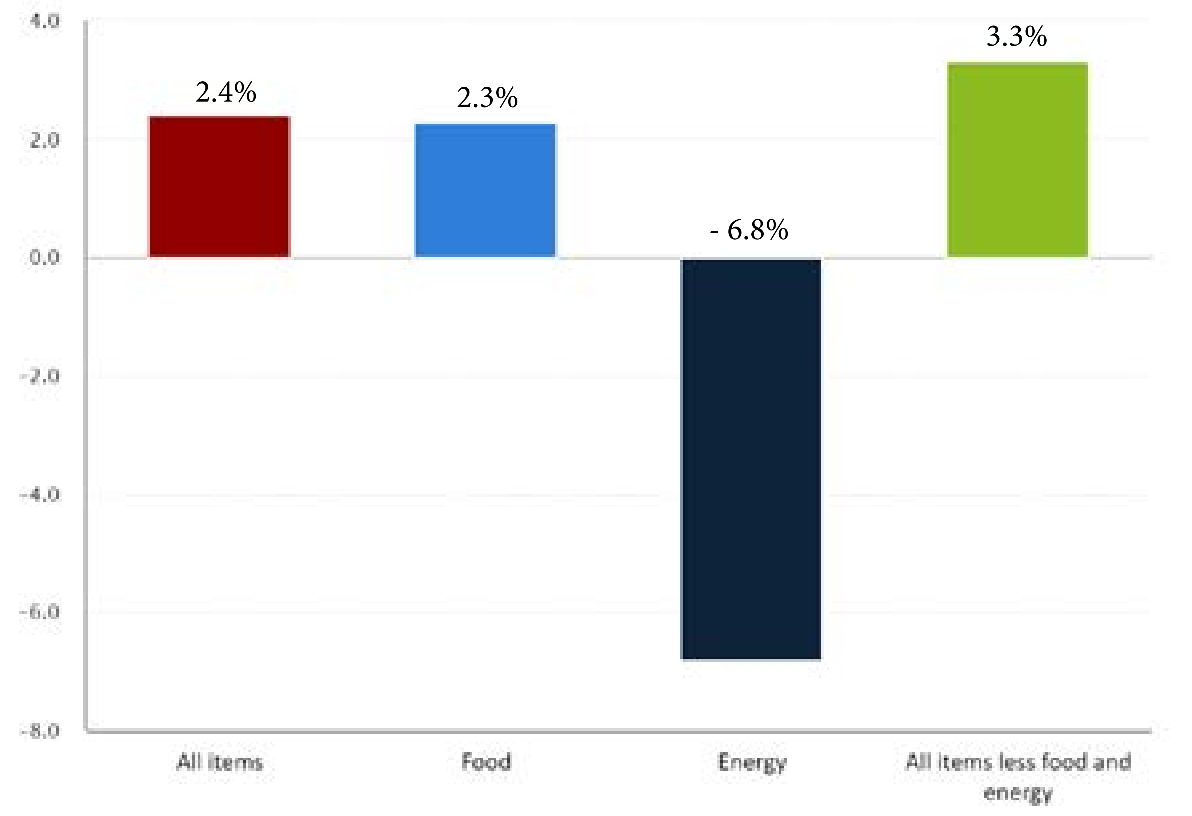
In September, inflation increased 0.2% and has risen 2.4% over the past 12 months as reported by the Consumer Price Index Summary from the BLS. This is the lowest 12 month increase since 2021.

Their report noted that, housing and food were the main contributors to the monthly increase, while the index for energy fell.

September 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 August 2024 (the most recent month available) imports of goods only, excluding services, decreased $3.9 billion from the previous month to $274.3 billion.

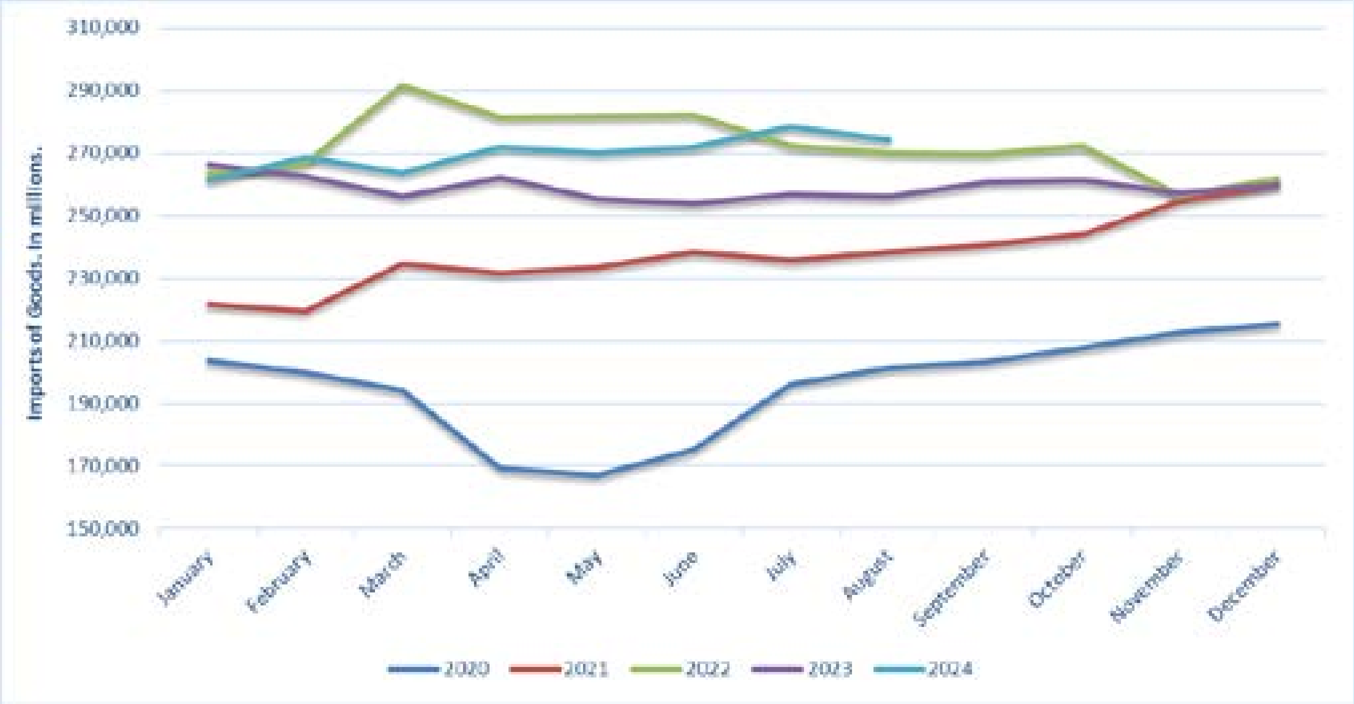
The report noted the following changes:
• Industrial supplies and materials decreased $3.9 billion.
  o Nonmonetary gold decreased $1.2 billion.
  o Finished metal shapes decreased $1.0 billion.
  o Crude oil decreased $1.0 billion.
• Automotive vehicles, parts, and engines decreased $1.3 billion.
  o Passenger cars decreased $1.1 billion.

Manufacturing

In September, new orders of manufactured durable goods decreased $2.2 billion or 0.8% 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 decreased $1.8 billion or 0.6% 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

In September, inventories of manufactured durable goods increased $2.3 billion versus the previous month, according to the latest Monthly Advance Report on Durable Goods, Manufacturers' Shipments, Inventories, and Orders.

Retail sales

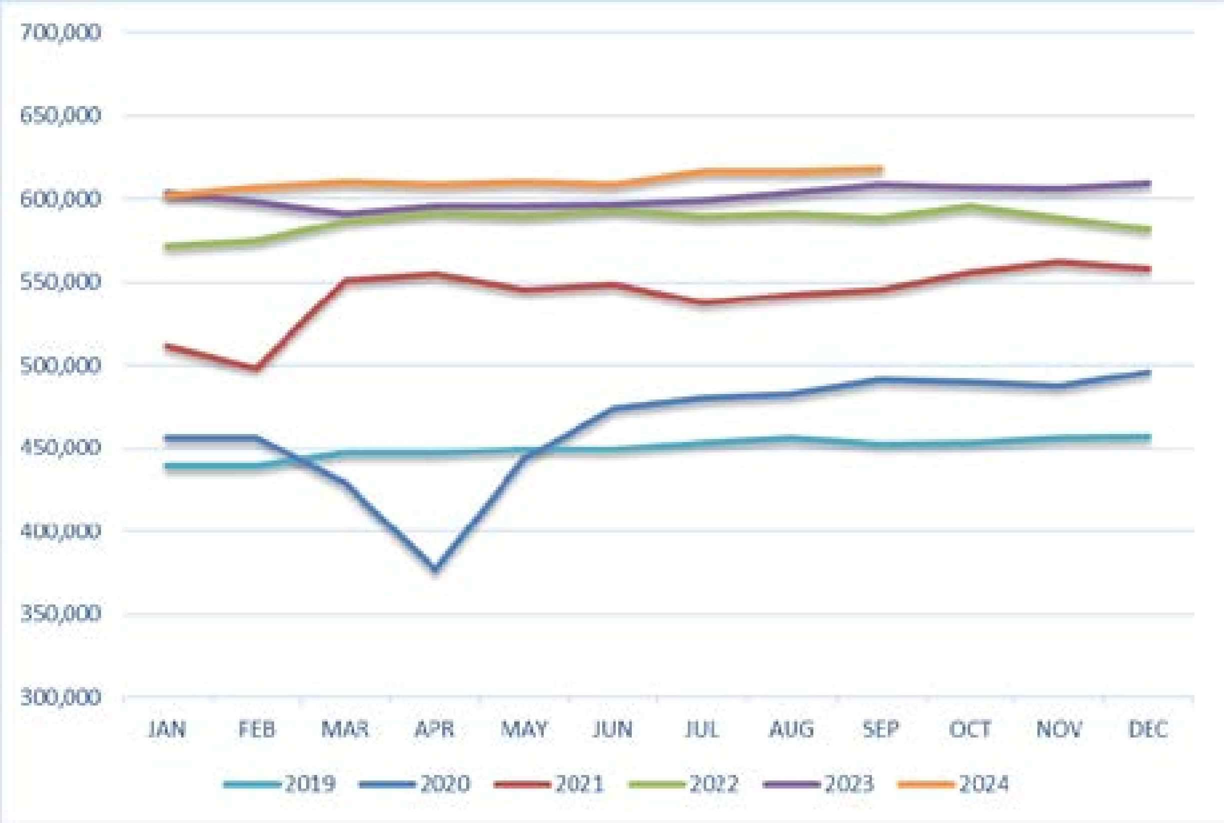
In September, U.S. retail and food services sales were up 0.4% vs the previous month and up 1.7% versus a year ago, according to the Advance Monthly Sales of Retail and Food Services.

The report also noted, "Total sales for the July 2024 through September 2024 period were up 2.3 percent (±0.5 percent) from the same period a year ago."

Retail trade sales alone were similarly up 0.3% from the previous month and up 1.4% from last year.

Retail Trade: U.S. Total

Not Seasonally Adjusted Sales



Source: U.S. Census Bureau Time Series Data

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TRUCKLOAD MARKET

In the truckload market, there are finally some signs of a slight recovery.

In recent weeks, truckload spot rates have risen, likely due to the hurricanes, and are expected to rise overall in October. However, information in DAT Trendlines is showing that this trend is very recent. In September 2024, spot load posts were down 13.1% versus August, and down 1.8% versus a year ago. In September, spot rates trended downwards overall.

According to Transport Topics, September was a month of decreasing tonnage also. “The ATA For-Hire Truck Tonnage Index decreased 2.1% to 113.2 from August. The index also declined 0.9% compared with September 2023. August saw the only year-over-year gain in 2024 except for May, though that figure was adjusted downward from initial reports.”

The trucking industry continues to get some relief from diesel prices. As of the week of 10/28/24, diesel retail prices were reported at $3.57 per gallon nationwide, which is $0.88 lower than a year ago.

In a recent talk, economist Bob Costello noted that the freight sector has been suppressed by a downturn in housing and construction activity and predicted that these areas will rebound, even if the economy struggles. Transport Topics reported, “Costello expects the trucking industry to slowly start improving rather than seeing a boom in activity. He pointed to the spot market, which has seen demand and rates collapse during the freight recession. He also noted that a pull toward private fleets has not helped.”

Alternatively, a prolonged freight recession could reduce capacity and cause some carriers to seek more aggressive rate increases.

LTL MARKET

In the LTL market, many changes are underway that will alter the networks available and how freight class is determined.

According to the Journal of Commerce, Yellow is selling its remaining 112 terminals in a sale that's expected to close by the end of January 2025. The sale will include some of its largest properties and about 30 facilities near a port. These and other former Yellow terminals could significantly increase capacity if they are put back to use for LTL operations.

Another closure in the LTL market is being anticipated due to ongoing issues at Forward Air. The company is now working with investment bankers to put the company for sale, after attempts to takeover the company by activist investors, according to a FreightWaves article. Although their challenges appear to be driven by internal issues, the current market isn't helping. In third quarter earnings reports, some LTL carriers such as Knight-Swift and Old Dominion reported revenue declines, while others such as Saia and TFI reported gains.

Yet another change underway in the LTL industry is the upcoming NMFC changes that are planned to take effect in May 2025.

UPCOMING 2025 NMFC CHANGES

What is Changing in the NMFC System?

- NMFTA is rolling out changes gradually, starting with Docket 2025-1.
- Key adjustments include a standardized density scale and unique identifiers for shipments requiring special handling or pose higher liability.
- Also, condensed commodity listings and an updated classification tool will make it easier for shippers to classify their goods.
- TranzAct's expertise with years of experience in LTL management and procurement offers guidance and tools to help shippers adapt to these changes.

What is the strategy for Docket 2025-1?

Taken directly from the NMFTA:

- NMFTA The strategy for 2025-1 is: Expand FCDC 11-subprovision density progression to 13 – subs by adding classes 50 and 55. This will affect all current items that are already at full density.
- Make all items with modified density breaks but NO handling, stowability and liability issues 13 – sub full density items.
- Make single class items with NO handling, stowability and liability issues 13 – sub full density items.
- Make sub provision items with multiple classes and NO handling, stowability and

What are the Key Dates for the NMFC Changes?

- January 30, 2025: Docket 2025-1, outlining the proposed NMFC changes, will be released for public review and feedback.
- March 30, 2025: An open meeting will be held to discuss and gather feedback on the proposed changes.
- May 3, 2025: Final approved changes will be made public, with implementation to follow shortly thereafter.
- Stay tuned for further developments.

PARCEL

In the parcel industry, there has be a movement torwards slower shipping.

A Transport Topics article recently highlighted this trend and noted that “Demand for expedited shipping has fallen every year since 2021.” As a result, parcel carriers are having a harder time meeting their targets. “The two biggest shipping firms in the U.S. recently cut their forecasts, blaming the shortfall in part on customers turning to cheaper options, like ground shipping instead of air delivery. The trend may be a warning sign ahead of the holiday season and upcoming earnings reports.”

On the bright side, UPS reported profit growth for Q3 2024. Their press release detailed “third-quarter 2024 consolidated revenues of $22.2 billion, a 5.6% increase from the third quarter of 2023. Consolidated operating profit was $2.0 billion, up 47.8% compared to the third quarter of 2023.”

The holidays are just ahead and will be a critical time for parcel shippers. This year, there will be a shorter time frame for deliveries due to the timing of Thanksgiving.

2024 Holiday Season

USPS Recommended Mailing and Shipping Dates

For Items Sent to Addresses in the Contiguous United States (Lower 48 States):

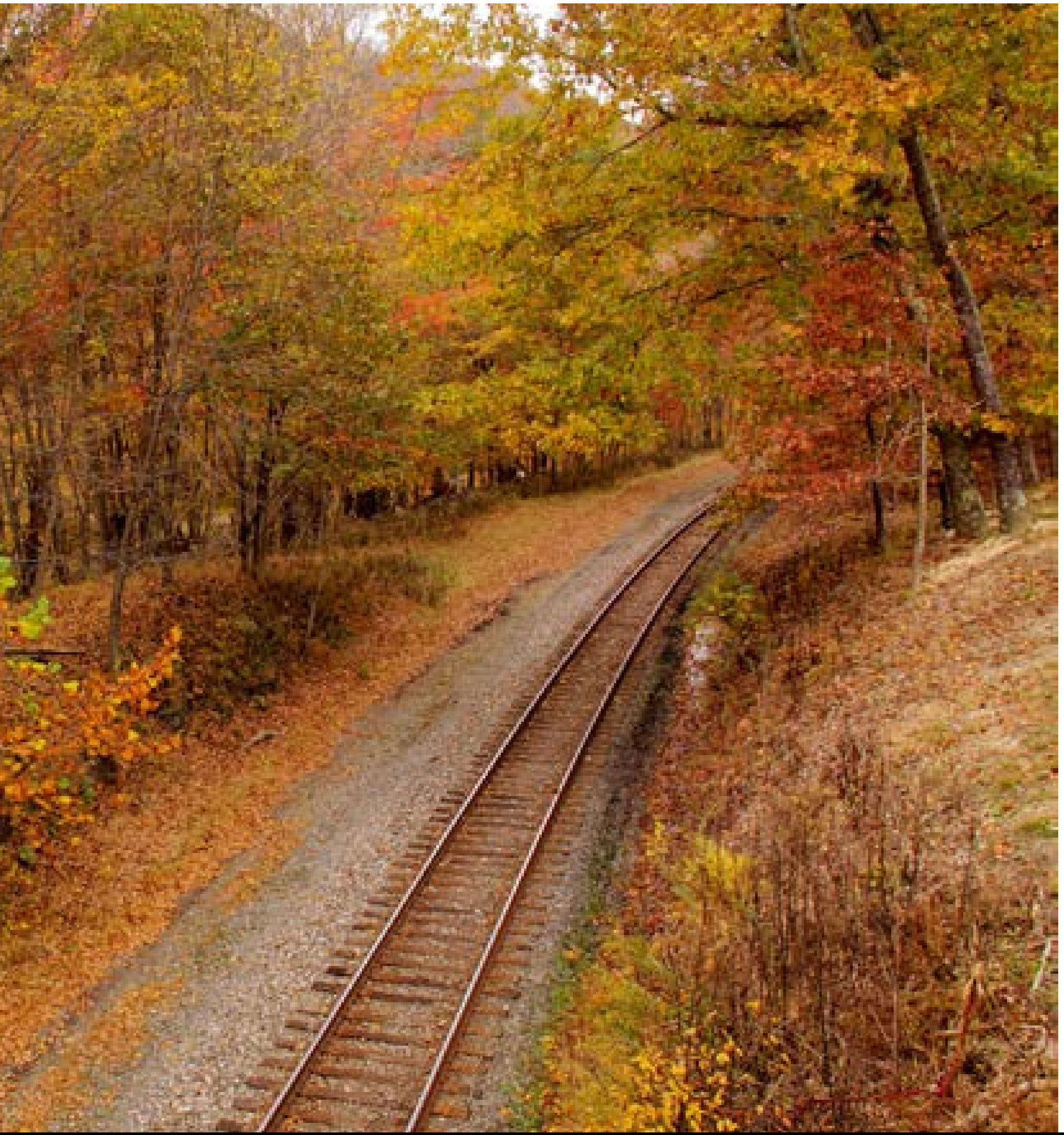
USPS Ground Advantage service: Dec. 18

First-Class Mail service: Dec. 18

Priority Mail service: Dec. 19

Priority Mail Express service: Dec. 21

RAIL & INTERMODAL



In the rail industry, a number of rail carriers are reporting a strong Q3 and new labor agreements.

• Union Pacific's Q3 profit grew 9% but despite increased profit, revenue and volumes, it fell short of expectations.
• Norfolk Southern reported a revenue increase of 3% vs Q3 2023 and exceeded expectations.
• CSX reported revenue growth of 1% vs Q3 2023. They're predicting challenges in Q4 as they recover from the hurricanes and face over $200m in reconstruction costs, plus revenue losses.
• CPKC also saw Q3 growth in profit, revenue and volumes.

Several labor agreements are being reached by rail carriers. However, the strike in Canada at Canadian National is still yet to be resolved, and will be revisited in March, according to FreightWaves. "Mediation meetings between CN (NYSE: CNI) and the Teamsters Canada Rail Conference are slated over seven days in March 2025, the railroad said in a statement Wednesday. If a mediated settlement is not reached in that time, arbitration will be scheduled to take place in April. The arbitrator will then have 60 days to rule."

Railroad volumes

For the first 42 weeks of the year vs the same time period last year, total U.S. carloads decreased 3.3% and intermodal units increased 9.0%. Combined, there was a 3.1% increase in U.S. rail traffic in 2024 vs 2023 YTD, according to the American Association of Railroads (AAR).

In the same time frame, Canadian rail volumes are flat and Mexican railroad volumes are up 2.7%.

Looking Towards 2025

"Now that we're well into the fourth quarter, if you are a shipper, it might be a good time to step back and ask if you're ready for the logistics challenges that could be ahead in 2025."

Mike Regan, Co-Founder, TranzAct Technologies

OCEAN

In the ocean sector, there's still a lot of uncertainty and volatility around labor contracts as well as the Red Sea conflict.

The new January 15, 2025 contract deadline for the East Coast ports is approaching quickly. An important part of the contract outlining the path for port automation is still in contention. On the West Coast, the Ports of Los Angeles and Long Beach both experienced record volumes this past September and in Q3.

The contract situation at the Port of Montreal is still unresolved with ongoing strikes. A recent Transport Topics article highlighted that Maersk and Hapag-Lloyd expect Red Sea to still be unsafe in 2025 and have entered a vessel sharing partnership for voyages around the Cape of Good Hope.

The Drewery World Container Index shows a steady decrease in spot rates from $5937 in mid-July to $3095 in mid-October.

AIR

In the air freight market, the growth in demand is outpacing the increases in supply.

According to IATA's August 2024 Air Cargo Market Analysis, air cargo volume growth is strong. "Global Cargo Tonne-Kilometers (CTK) increased by 11.4% year-on-year (YoY) last month, delivering the ninth consecutive month with double-digit demand growth and the second straight month with record year-to-date demand levels. Net of seasonal adjustment, demand contracted by -0.2% month-on-month (MoM)."

The growth in capacity was about half of the growth in demand. "Global air cargo capacity, measured in Available Cargo Tonne-Kilometers (ACTK), saw 6.2% growth YoY in August, seeing slower growth than in the months prior but at the same time delivering record capacity levels." Capacity growth could be further impacted by an ongoing strike at Boeing which has delayed production.

A recent FreightWaves article mentioned that rates have increased significantly. "The average on-demand global shipping rate increased 26% to $2.71 per kilogram in September, the fourth straight month of double-digit gains and the highest increase this year."

The future of air freight demand has many opportunities for further growth from factors such as stronger retail sales, continued ecommerce expansion, or an uptick in uncertainty from geopolitical events.

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- **Constellation TMS:** Our transportation management system can calculate density, track variances, and integrate with your ERP to provide real-time visibility into your freight costs and classifications.

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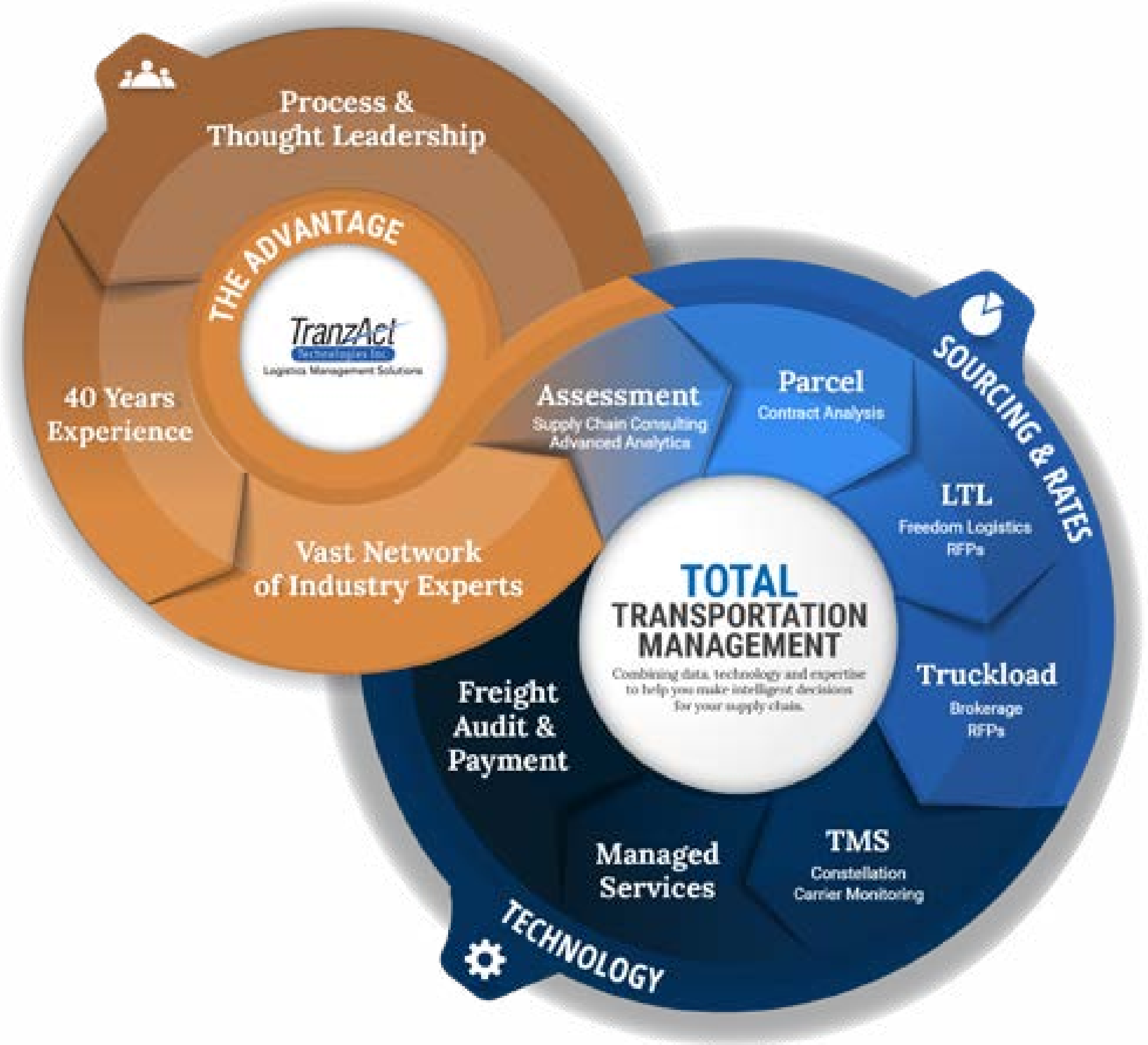
- **Expert Guidance:** TranzAct's team of SME professionals will help you navigate these changes smoothly, ensuring your operations remain compliant and cost-effective.
- **Comprehensive Support:** From sourcing alternatives to supply chain assessments, TranzAct provides everything you need to reduce freight costs, improve efficiency, and align with the evolving NMFC framework.



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.

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