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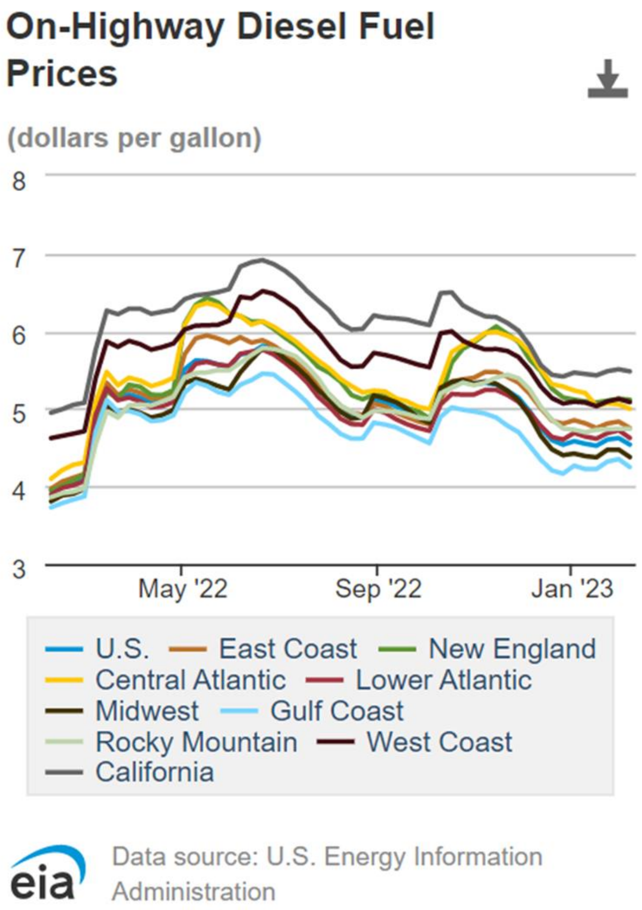
February 2023

INDUSTRY UPDATES

Monthly metrics, trends, and key takeaways on the state of the LOGISTICS INDUSTRY to help your business plan for the coming months.



INDUSTRY UPDATES

LTL

LTL Tonnage Down But LTL Carriers Expect Higher Volumes to Return by Midyear

- An extended pullback in retail demand is coinciding with a softening in industrial markets. Tonnage for most carriers turned negative at the end of the summer with the year-over-year (y/y) declines accelerating through the end of the year.
- Several carriers reported mid- to high-single-digit tonnage declines during the fourth quarter; however, yields increased by a similar percentage when excluding fuel surcharges.
- However, management teams from most LTLs are calling for normal seasonality and higher volumes to return by midyear.

Diesel Prices Are Still Up Year Over Year

- Diesel continues to be up YOY but the 2/6 average of $4.539 was the second lowest of the year. Weekly trends continue to be variable with fluctuations up and down not pointing to one clear direction fuel prices are trending.

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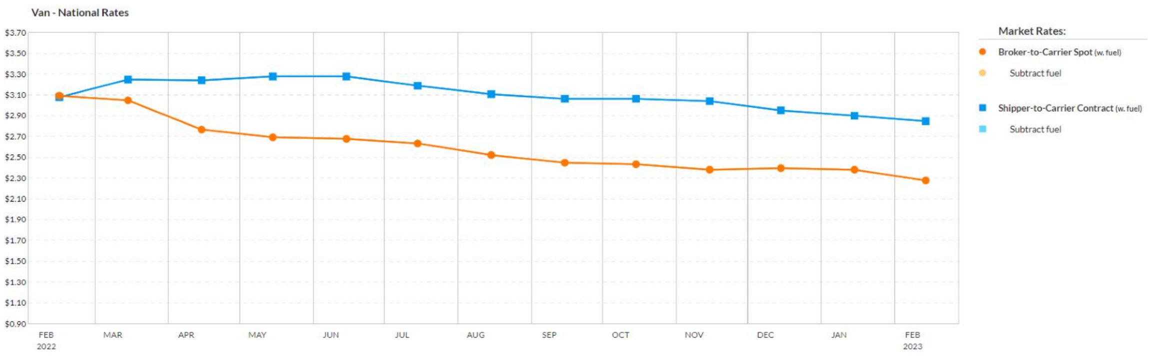

DAT

INDUSTRY UPDATES

FTL

FTL Carriers Expect Improved Demand in Second Half of 2023

- FTL spot market pricing has remained stable while we are seeing the decline in FTL contract market pricing.
- As FTL contract pricing continues to be updated through procurement cycles, we expect contract pricing to continue approaching spot market pricing. We expect this trend to continue into the 2nd quarter of 2023 as carriers have been reporting that they anticipate improved demand (and subsequently pricing).
- Across equipment types, pricing declined the most with Reefers to start February. However, this can be attributed to normal seasonality and the pricing is likely to increase as we approach produce season volumes. (see chart from DAT to the left).

Carriers Plan For California CARB Requirements

- According to FTR, Class 8 tractor orders in January were 21,600 units, an increase of 2% YOY. It is believed that these orders are above fleet replacement levels, signifying that carriers are locking in build slots for 2023 as they are "not overly concerned about an economic recession."

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INDUSTRY UPDATES

International

(FBX): Global Container Freight Index

Imports in January Rose Month Over Month But February Forecast is Low

- Inbound volumes rose by 7.2% compared to December, the highest month-on-month gain since last May, but traditionally low February volumes are expected according to Descartes.
- This suggests they anticipate the slowdown to continue through the typical post-LNY lull months until inventories run down, and demand picks up some time in Q2 at the earliest, or possibly not until next year's peak season. (Freightos)

Ocean Carriers Continue to Cancel Sailings With High US Inventory Levels

- 1.24 = U.S. retailers' overall inventory to sales ratio in November, up from 1.22 in October and matching the highest level since February 2021, according to the Census Bureau.
- Currently, ocean capacity held back due to congestion is 5.5% whereas 13.8% of global capacity was removed from the market in January 2022. Under normal circumstances, 2% of capacity is usually held up. (ContainerNews)
- Ocean carriers are continuing to cancel sailings out of Asia and are taking other steps like slowing vessel speeds and taking longer routes to try and bring capacity down to the current levels of demand. They are also expected to increase the number of older ships that will be scrapped this year. (Freightos)

Transatlantic Rates Continue To Be An Anomaly

- Transatlantic trade remains an anomaly. N. Europe - US East Coast rates ticked up 10% this week. Demand did begin to ease in November, but volumes were still 20% higher than in 2019. (Freightos)

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International

Global Air Index - FBX

Pricing Remains Strong Even With Drop in Demand

- Air cargo volumes have been trending downwards since the first half of last year, while the capacity situation continues to change and rates remain above pre-Covid levels despite recent declines. (AirCargoNews)
- Looking ahead, IATA has predicted a 4.3% decline in air cargo volumes this year to 57.7m tonnes and yields are expected to decline by around 22%.
- Due to improved ocean transit times, high inventory levels and looming recession, air cargo demand is expected to decline further in the first half of 2023.

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Parcel

UPS Labor Negotiation Talks To Begin in April

- Contract talks with the Teamsters union will start in April and UPS is projecting confidence that an agreement will be reached before the contract expires at the end of July.
- The last negotiated contract was in 2018 and that was prior to the global pandemic, that works say has led to worsening working conditions.
- Sean O'Brien, the Teamsters Union President, will lead the negotiations for first time since taking over as president.

USPS Announces, 'Ground Advantage' Service

- First-Class Package Service, Parcel Select Ground, and Parcel Select Ground Cubic are being merged for the new service. This will offer 2-5 day transit times and is aimed at shippers willing to sacrifice speed for price over the Priority Mail service.

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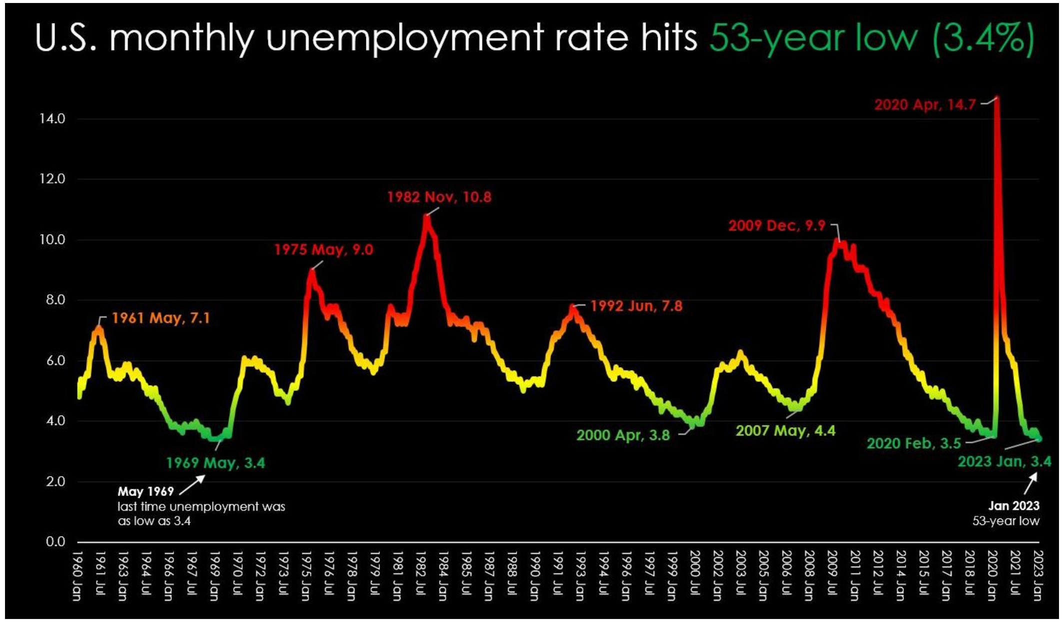
Warehousing



Record Low Unemployment Rate Causing Continued Labor Challenges

- Unemployment Rate – Despite waves of layoffs hitting some of the nation's largest employers, the national unemployment rate unexpectedly fell in January, and hit a 53-year low at 3.4%, while adding 517,000 jobs (source: www.bls.gov).
- Labor Force Participation Rate – Perhaps the more telling metric though, is the labor force participation rate in key demographics. The Labor Force Participation Rate for the 25-54 demographic came in at 82.6% in January and has almost fully recovered to a pre-pandemic rate.
    - Contrast that with the 55 years and over demographic, and we find a sharp decline that shows no sign of recovering.
- Declining Labor Force – New job seekers aren't offsetting the retiring baby boomer generation. To be clear, this information wouldn't have been ground-breaking 3 years ago. Many expected this trend to play out through the 2020 decade. What was not expected, however, was a global pandemic in 2020 that would accelerate this trend into just a few years.

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