

May 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.

SECTION

01

Less Than Truckload

SECTION

02

Full Truckload

SECTION

03

International

SECTION

04

Parcel

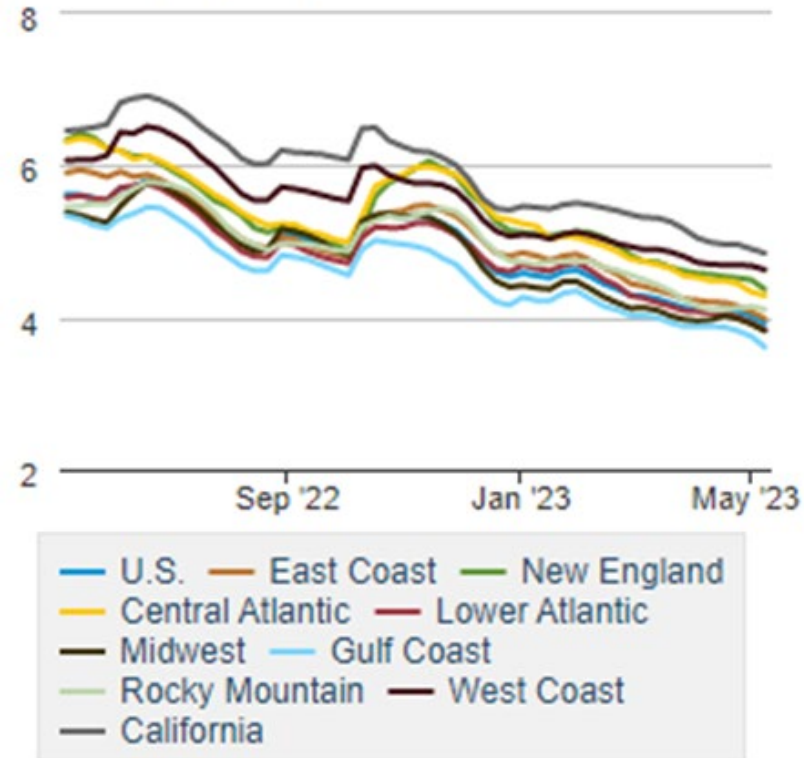
SECTION

05

Warehousing

On-Highway Diesel Fuel Prices

(dollars per gallon)



Data source: U.S. Energy Information Administration

INDUSTRY UPDATES

LTL

Tonnage and Shipment Counts Down For Most LTL Carriers In Q1

- Late last year and early this year there was speculation that the LTL market would trend back up towards 2022 levels during the last half of the year. Those thoughts have quieted since and speculation is that YOY will still be down through the remainder of the year.
- Even with slowness in activity for the LTL carriers they remain disciplined from a pricing perspective. There are strategic opportunities to negotiate more competitive rates, but LTL carriers operating costs are still high. There are no signs of the overall market reducing rates across the board at this point.

Diesel Prices Trending Down

- The US Average Diesel Price is at its lowest level since February 7, 2022, so shippers are seeing that have an impact on LTL shipping costs.

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FTL

FTL Spot Rates Continue to Decline May

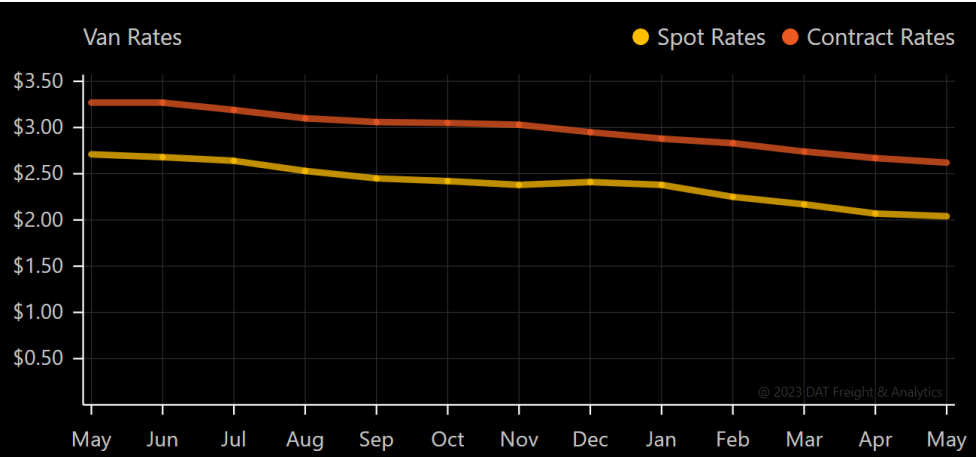
- Across all equipment types, we've seen another decline in rates with flatbed being the slightest (see graph from DAT left). As summer is quickly approaching, regional capacity challenges should be expected with the Southeast's produce season on the horizon. This seasonal shift causes rates outbound from the Southeast, particularly Florida, to increase while inbound shipments are impacted inversely.
- National average FTL van rates show a continued drop in Spot and Contract rates, slightly widening the gap between the rate types (see graph from DAT left). Contract rate corrections should start narrowing the gap as we approach the end of Q2.

Commercial Vehicle Safety Alliance Week Is May 16-18

- 'DOT Week' is fast approaching, slated for an early start of May 16-18. This is where the authorities ramp up their roadside checks on commercial vehicles to ensure that drivers and equipment are compliant to safety standards.
- Traditionally, we'll see capacity tighten during this week as some Drivers prefer to take a much-needed holiday during this time. Shippers should give at least 48 hours' notice to give brokers time to source reliable drivers.

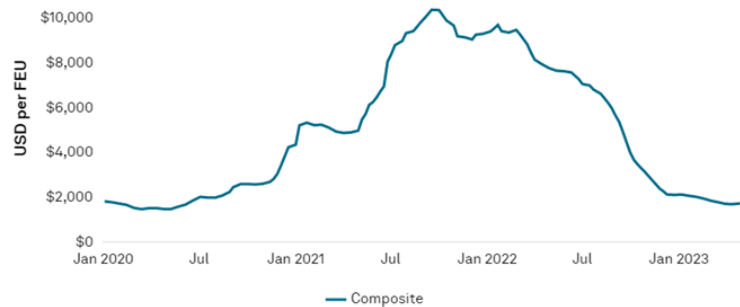


DAT



DAT

World Container Shipping Index (Drewry)



Source: World Container Index assessed by Drewry

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Chart info

6M 1Y YTD MAX

INDUSTRY UPDATES

International

Global Ocean Reliability Improving From 2022 Lows

- Global ocean schedule reliability increased 2.4 % points to 62.6% month over month and was a “staggering” 26.8 % points higher compared with March 2022 according to Sea-Intelligence (JOC)
- Asia-USWC trade lane reliability increased to 42.3% up from the 19.6% on-time performance in March 2022 (JOC)
- Asia-USEC trade lane reliability increased to 44.5% and significantly higher than the 19.8% on-time performance recorded in March 2022 (JOC)
- The average vessel delay for LATE vessel arrivals continued to decrease, dropping to 5.03 days (Sea-Intelligence)

Lower Water Levels Restricting Vessel Weights In Panama Canal

- The severe draft restrictions on vessels transiting the Panama Canal are caused by the lower-than-usual water levels. The Panama Canal Authority has reduced the maximum draft for container ships from 15.24 meters to 14.48 meters since the middle of April, and will further reduce to 13.72 meters from 12th May.
- CMA, Hapag-Lloyd and today ZIM have announced Panama Canal Charge \$300 to \$500 per Container.

ILWU Deal Expected By Mid-Summer

- Additional progress in the prolonged negotiations between the ILWU and port operators suggest a deal could be reached by the end of the month and ratified by mid-summer (Freightos)
- The ILWU said it had reached a “tentative agreement” with West Coast employers on “certain key issues,” but indicated a final deal on a new contract was still being hammered out by the two sides (JOC)

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International

Belly-Hold Capacity Added Back Into The Market

- IATA's latest supply and demand figures compared with pre-Covid levels, Wang said that in February demand in cargo tonne km terms had increased by 2.9% against the same month in 2019 (aircargonews)
- Air cargo capacity in February was up by 1.3% compared with the same month in 2019. The increase in supply was driven by the return of belly-hold capacity, which now represented 41% of the total capacity in the market, up from 26% last year.

Global Air Cargo Index



Source: Baltic Air Freight Indices powered by TAC

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Chart info

1M 6M 2Y YTD MAX



Parcel



UPS Q1 Earnings Summary

- Overall Revenue reported at \$22.9B, down 6% YOY
- Operating Profit reported at \$2.5B, down 21.8% YOY
- UPS expects volumes to remain under pressure given the current macro environment, including the growth rate for US manufacturing, growth rate on services spending vs goods spending, and goods spending favoring essential items typically purchased in-store.

FedEx Q1 Earning Summary

- FedEx Corp (FDX.N) on Thursday raised its fiscal 2023 profit forecast despite weak market conditions, citing progress on its plan to shave \$3.7 billion in costs from its global delivery business, sending its shares up more than 11%. (Reuters)
 - FedEx has been wringing costs from its bloated operations by shuttering offices, cutting jobs, reducing flights, grounding airplanes and canceling profit-sapping Sunday deliveries in far-flung areas.
- Adjusted income for the fiscal third quarter ended Feb. 28 came in at \$865 million, or \$3.41 per share. Earnings per share were down \$1.18 from the year earlier, but 68 cents higher than analysts' average estimate. (Reuters)

INDUSTRY UPDATES

Warehousing

4th Party Logistics Is Trending In 2023

- Reporting “Fourth-party logistics (4PL) could end up being one of the biggest buzzwords in logistics in 2023”. The consolidation within the industry has pushed big retailers to look at offering 3PL services at their warehouses, and other mega-3PLs operate their own 4PL networks.
- This injection of competition in an already cutthroat industry can be daunting to many, but EDS has partnered with other 3PL partners forming 4PL partnerships for needs such as additional storage space and most recently in our CA region with storage and fulfillment needs as we continue to see constraints with space vs. client storage needs in the market.

