

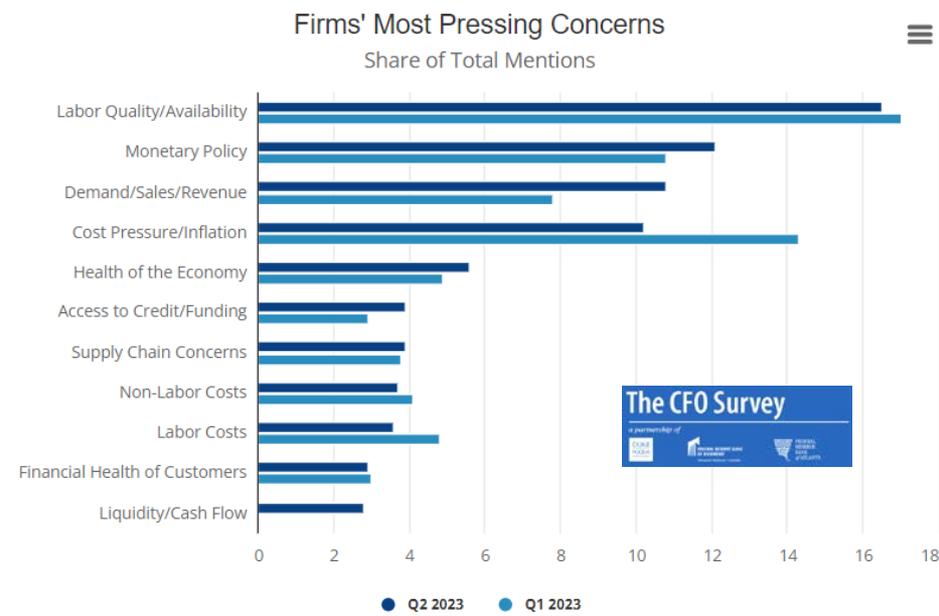


Industry Update Report

2023 Sep

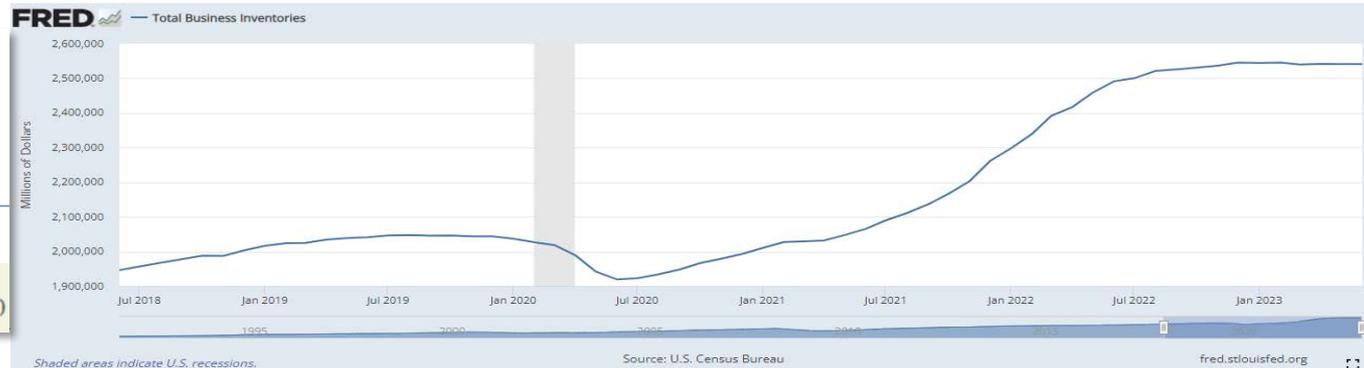
Quick Facts

- Producer Price Index (Jul) 0.8%, first increase in 12 months
- Consumer Price Index (Aug) 3.7%, 2nd consecutive increase y/y
- Logistics Manager's Index (Aug) 51.2, expanding. Follows 3 months of contraction (45.4 in Jul) and 5 consecutive months of all-time lows. Aug the fastest rate of expansion since Feb.
- Employers added 3.1 million jobs vs. Aug 2022; unemployment rate rose to 3.8% (Labor Department)
- US retail sales were \$605.2B (Jul); Jan 2020 was \$456.3B, up 32.6%
- Q2 consumer spending up 5.95% vs. 2021; private sector wages up 5.79% vs 2022 – historical average since 1990 3.5%
- Americans' credit card debt crossed \$1 trillion (Jul 2023). Interest rates at record highs, averaging 22.16%. Avg. balances is \$5,733
- 30 years fixed mortgage rates 7.23% avg. - highest since 2001
- Payments for student loans and interest re-start Oct. 1; total owed represents 0.3% of GDP – shouldn't have broad macro economic impact
- UAW negotiating with Ford, GM & Stellantis to avoid looming strike




Categories > Production & Business Activity

★ **Total Business Inventories (BUSINV)**

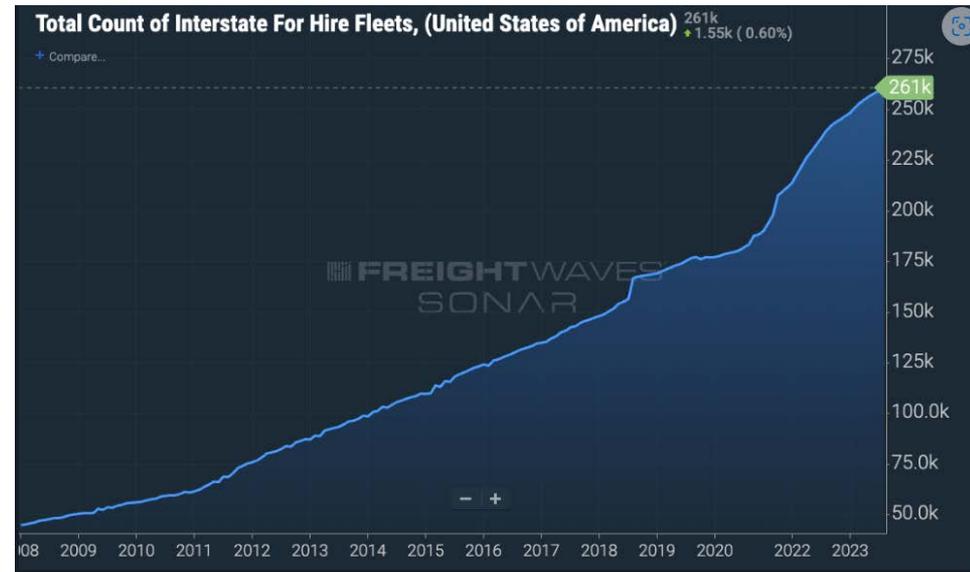




Freight Macro Economics

Truckload

- Operating authority for motor carriers grew by 45% from July 2019 to August 2023 (FMCSA); Truckload demand up only about 11% during the same period (Freightwaves SONAR OTVI)
 - Seeing a high number of exits in past two months due to softer rates and higher operating costs – 10,700 carrier exits in July, 11,700 exits in August.
- Knight-Swift Transportation full-year earnings-per-share forecast downward 36%; weakness in truckload market primary factor
- LA to Chicago Linehaul rates way down
 - End of 2021 - \$3.40/mile
 - Current - \$1.35/mile (60% decline)
- Class 8 truck orders (Aug) 15,400 units, down 26% from Aug 2022; Sep to take huge y/y hit as order were 56,200 units in Sep 2022 (FTR Transportation Intelligence)
- Employment in truck transportation fell sharply (-36,700), largely reflecting Yellow's closure and LTL trucking; massive disproportionate supply shock to LTL segment relative to other modes as peer LTL carriers add capacity incrementally
- Truckload outbound tender rejection rate 4% (Aug), highest in 6 months while volumes up 10% in same period (Freightwaves SONAR OTVI); prices moving higher
- ELDs Revoked – 159 of 994 registered ELD manufacturers products do not meet FMCSA standards and were revoked. Carriers must replace by September 23rd - must use paper logs during that time.



INDUSTRY TRENDS	WEEK	MONTH	YEAR
	SEP 04 - SEP 10 VS. AUG 28 - SEP 03	AUG 2023 VS. JUL 2023	AUG 2023 VS. AUG 2022
Spot Load Posts	-5.1%	+12.5%	-41.4%
Spot Truck Posts	-13.3%	+9.2%	-9.9%
Van Load-To-Truck	+12.7%	+7.2%	-19.9%
Van Spot Rates	+0.4%	+0.7%	-17.7%
Flatbed Load-To-Truck	+8.6%	-15.1%	-57.2%
Flatbed Spot Rates	-0.4%	-1.0%	-17.5%
Reefer Load-To-Truck	+2.2%	+14.5%	-37.8%
Reefer Spot Rates	-0.7%	+2.6%	-13.9%

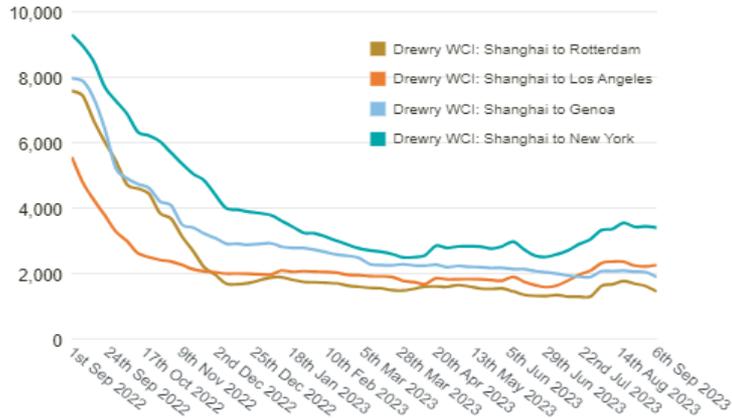
Quick Facts

- Yellow's collapse impacts range from LTL price increases across all LTL shippers to deterioration in service, particularly if you are not a core account or seen as a shipper of choice to the LTL carrier; LTL prices are up 10% avg. and service has seen 2–3-day points turn into 4-5
- Old Dominion and Estes continue a bidding war to acquire a network of 169 truck terminals from yellow. Old Dominion was up at \$1.5B until 9/13 when Estes upped their offer to \$1.525B. The funds are to be used to cover loans Yellow accumulated before its chapter 11 filing.
- Old Dominion (Aug) revenue / day down 1.4% vs. Aug 2022. Ship count down 1.2%, weight / shipment down 4.8% and tonnage down 6.0% y/y
- ABF Freight tonnage down 6% (Aug) vs Aug 2022; backing away from dynamic pricing model (noncontractual shipments with weaker yield to keep the network full). ABF diverting that business to leave capacity for core customer; ship counts at these customer up 20% vs. 2022
- SAIA ship count 13% thru first two weeks of Aug; tonnage up 6%, weight per shipment down 6.2% vs. Aug 2022
- Transactional pricing strategy shift – carriers used to backfill when shipment counts were low. Now taking increases or scaling back dynamic pricing to reduce shipment counts.
- Carrier shipment counts spiked the week before and after Yellow shutdown. Volumes are still up but normalizing. Carriers comfortable handling current volumes due to new terminals, more dock doors, and more drivers.
- Embargos back with some carriers.
 - Hotspots include – Toledo, Cincinnati, Columbus, Denver, Salt Lake, Portland.
 - Also seeing some carrier embargos with backlogged big box store DCs.
- Carriers focused on protecting current contract business. Very selective on ex-Yellow customers – open to desirable freight – rejecting loose or overlength freight.
- Carriers back to being more selective on bids but still looking for CAN business – especially to replace business previously received from Yellow companies.
- Increases on the rise again – tracking around 4-5% prior now creeping up to 6-7% range.
- Back in hurricane season – carriers impacted temporarily in FL, GA, AL – expect backlogs and transit delays with any terminals highly impacted.

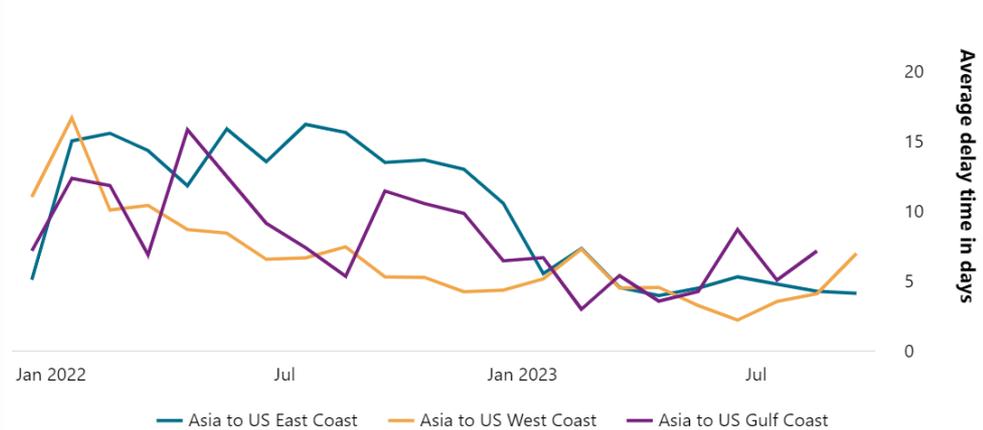
Quick Facts

- FedEx and UPS reducing flight activity due to lower volumes in parcel express shipments; FedEx plans to remove 29 aircraft from fleet
- FedEx Express flight activity down 14% vs. June 2022; UPS down 13% vs. June 2022 - overall air cargo market demand sinking (*Morgan Stanley*)
- FedEx announcement (Aug 30) a 5.9% avg. general rate increase for Express and Ground services
- New 5-year contract with Teamsters union, ratified Aug. 22, imposes a substantial cost to UPS, estimated 8%-9% increase over the prior contract; UPS to pass along higher prices to customers to recoup costs
- UPS and FedEx announce holiday season peak delivery surcharges for large volume shippers
 - Residential air service, between Oct. 29 and Jan. 13, UPS will apply additional \$7.50 per package. FedEx fee per package will be \$7.40.
 - UPS ground residential service & SurePost, per-package charge will be \$6.40. FedEx charge for same services \$6.35.
 - The surcharges will apply to customers that ship more than 20,000 residential and SurePost packages per week after October 2022.
- Amazon restarted shipping services for external deliveries that competes directly with FedEx and UPS
- Amazon accounted for about 11% of UPS revenues in 2022 and its largest customer albeit lower yield shipments. UPS to replace Amazon business incrementally with higher yield small and mid-market shippers
- Amazon's flight count increased 16% vs. June 2022

Drewry WCI: Trade Routes from Shanghai (US\$/40ft)



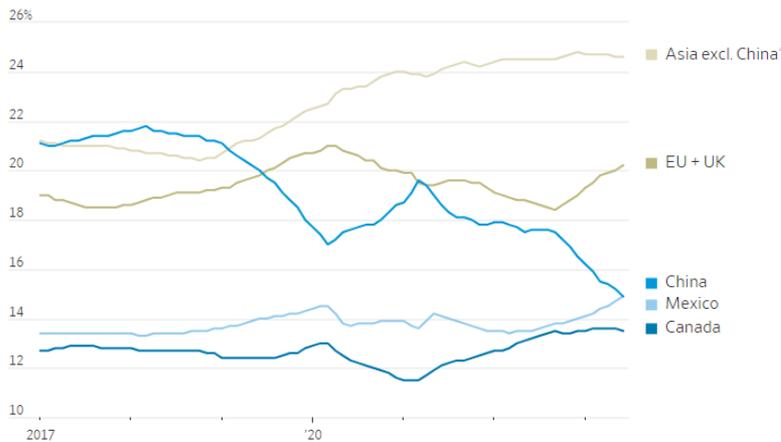
Trans-Pacific ocean reliability, scheduled vs actual arrival (Gnosis Freight)



Source: Gnosis Freight

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Percentage of U.S. goods imports, 12-month rolling sum



Note: Total of 25 Asian and South Asian nations including India, Japan, South Korea, Taiwan, Thailand and Vietnam; EU includes the current 27 member nations in all years.

Source: Census Bureau

Quick Facts

- In 2017 21.6% of US imports came from China – thru first six months of 2023, that dropped to 13.3% - a 38.4% decrease!
- Shanghai to LA 40 ft now \$2,200; Shanghai to New York \$3,700
- LA to Shanghai just \$800 – reflects obvious parity in lane imbalance
- Average delay time Shanghai to LA just 5 days vs 15 in Jan 2022 and way down from peak mid 2021
- Sourcing patterns shifting to alternative Asian nation, Mexico and American Midwest



Fuel Prices

Date	Diesel (\$ per Gallon)
Jan 04, 2022	\$ 3.613
Jan 11, 2022	\$ 3.657
Jan 19, 2022	\$ 3.725
Jan 25, 2022	\$ 3.780
Feb 01, 2022	\$ 3.846
Feb 08, 2022	\$ 3.951
Feb 15, 2022	\$ 4.019
Feb 23, 2022	\$ 4.055
Mar 01, 2022	\$ 4.104
Mar 08, 2022	\$ 4.849
Mar 15, 2022	\$ 5.250
Mar 22, 2022	\$ 5.134
Mar 29, 2022	\$ 5.185
Q1 AVERAGE	\$ 4.244

Date	Diesel (\$ per Gallon)
Apr 05, 2022	\$ 5.144
Apr 12, 2022	\$ 5.073
Apr 19, 2022	\$ 5.101
Apr 26, 2022	\$ 5.160
May 04, 2022	\$ 5.509
May 10, 2022	\$ 5.623
May 17, 2022	\$ 5.613
May 24, 2022	\$ 5.571
Jun 01, 2022	\$ 5.539
Jun 07, 2022	\$ 5.703
Jun 14, 2022	\$ 5.718
Jun 21, 2022	\$ 5.810
Jun 28, 2022	\$ 5.783
Q2 AVERAGE	\$ 5.488

Date	Diesel (\$ per Gallon)
Jul 04, 2022	\$ 5.675
Jul 12, 2022	\$ 5.568
Jul 19, 2022	\$ 5.432
Jul 26, 2022	\$ 5.268
Aug 02, 2022	\$ 5.138
Aug 09, 2022	\$ 4.993
Aug 16, 2022	\$ 4.911
Aug 23, 2022	\$ 4.909
Aug 30, 2022	\$ 5.115
Sep 07, 2022	\$ 5.084
Sep 13, 2022	\$ 5.033
Sep 20, 2022	\$ 4.964
Sep 27, 2022	\$ 4.889
Q3 AVERAGE	\$ 5.152

Date	Diesel (\$ per Gallon)
Oct 04, 2022	\$ 4.836
Oct 12, 2022	\$ 5.224
Oct 18, 2022	\$ 5.339
Oct 25, 2022	\$ 5.341
Nov 01, 2022	\$ 5.317
Nov 08, 2022	\$ 5.333
Nov 15, 2022	\$ 5.313
Nov 22, 2022	\$ 5.233
Nov 29, 2022	\$ 5.141
Dec 06, 2022	\$ 4.967
Dec 13, 2022	\$ 4.754
Dec 20, 2022	\$ 4.596
Dec 28, 2022	\$ 4.537
Q4 AVERAGE	\$ 5.072

Date	Diesel (\$ per Gallon)
Jan 04, 2023	\$ 4.583
Jan 10, 2023	\$ 4.549
Jan 18, 2023	\$ 4.524
Jan 24, 2023	\$ 4.604
Jan 31, 2023	\$ 4.622
Feb 07, 2023	\$ 4.539
Feb 14, 2023	\$ 4.444
Feb 22, 2023	\$ 4.376
Feb 28, 2023	\$ 4.294
Mar 07, 2023	\$ 4.282
Mar 14, 2023	\$ 4.247
Mar 21, 2023	\$ 4.185
Mar 28, 2023	\$ 4.128
Q1 AVERAGE	\$ 4.414

Date	Diesel (\$ per Gallon)
Apr 04, 2023	\$ 4.105
Apr 11, 2023	\$ 4.098
Apr 18, 2023	\$ 4.116
Apr 25, 2023	\$ 4.077
May 02, 2023	\$ 4.018
May 09, 2023	\$ 3.922
May 16, 2023	\$ 3.897
May 23, 2023	\$ 3.883
May 31, 2023	\$ 3.855
Jun 07, 2023	\$ 3.797
Jun 13, 2023	\$ 3.794
Jun 21, 2023	\$ 3.815
Jun 27, 2023	\$ 3.801
Q2 AVERAGE	\$ 3.937

Date	Diesel (\$ per Gallon)
Jul 05, 2023	\$ 3.767
Jul 11, 2023	\$ 3.806
Jul 18, 2023	\$ 3.806
Jul 25, 2023	\$ 3.905
Aug 01, 2023	\$ 4.127
Aug 08, 2023	\$ 4.239
Aug 15, 2023	\$ 4.378
Aug 22, 2023	\$ 4.389
Aug 29, 2023	\$ 4.475
Sep 06, 2023	\$ 4.492
Sep 12, 2023	\$ 4.540
Q3 AVERAGE	\$ 4.175

- Fuel prices rise for 11 consecutive weeks.
- Wiping out gain made during Q2.
- Production cuts from Saudi Arabia and Russia will persist through year-end and continue to keep diesel rates higher

KDL Recommendations

Be a “Shipper of Choice”

- Reduce times to load and unload a carrier.
- Mindful of pick-up caps, any near-term capacity constraints
- Shippers pledge to utilize an electronic bill of lading based on industry standards.
- Provide advanced notice on pickups
- Prevent small, single shipment pickups – consolidate onto carriers already scheduled to come in.
- Provide accurate handling dimensions, weights, descriptions, package types, counts and service requirements on BOL.
- Carriers honor handling unit dims and weights, allow appropriate (maybe 5%) tolerance for corrections.

Input costs flow through to consumer

- Evaluate customer freight policies; Do you offer free freight based on order size?
 - Adjust minimum order quantities, add surcharges if min quantities are not met
- Small LTL shipments, single shipment pick up, remote location - could experience disproportionate impact with FUEL impact of transport charge
 - Look for opportunities to hold/consolidate orders
- Is freight being accounted for and charged back on NON-free freight orders?
- Evaluate data to measure how freight affects customer profitability (CPA)

Capture every dollar

- Input costs that CANNOT flow through are accommodated through process improvement/change
 - Is the best cost carrier chosen?
 - Typically added transit = lesser cost, is this acceptable to customer?
 - Is the appropriate DC fulfilling the order?
 - Eliminate unexpected charges
 - determine required delivery services, ensure proper classification and confirm weights



Holistic Freight & Logistical Strategy

Our approach stands on three additional disciplines - **strategic consulting, data analysis, and user experience.** These custom disciplines work in concert with the basic 3PL services to drive improvement across your supply chain and maximize corporate profitability.

