



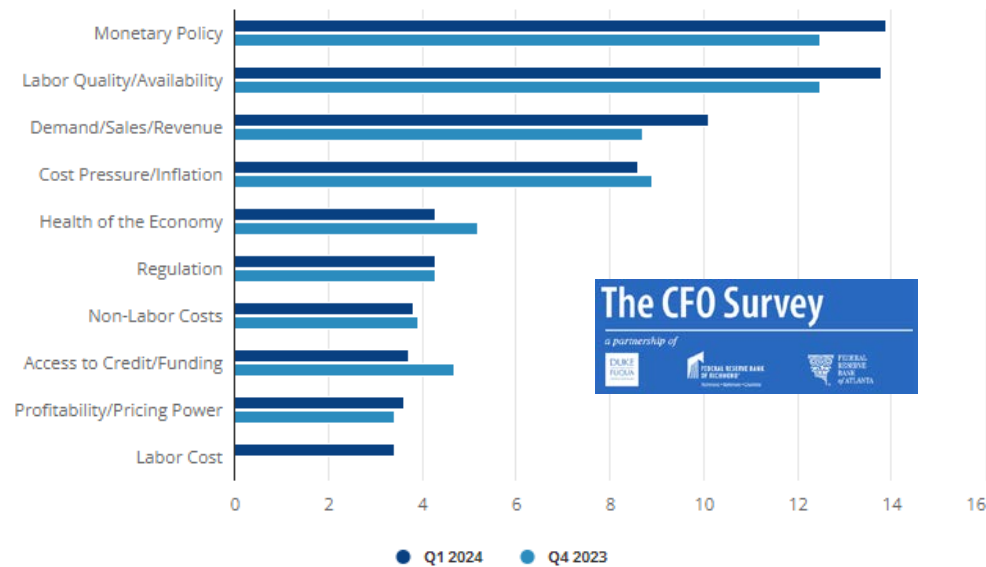
Industry Update Report

2024 May

- Q1 2024 US real GDP up 1.6%; current dollar GDP up 4.8% - (BEA); **suggests inflation closer to 6.7%**
- US CPI up 3.4% Apr y/y (*Labor Dept*)
- US PPI up 2.2% Apr y/y to 144.06 points, an all time high (*Labor Dept*)
- U.S. represents 26.3% of the global GDP, highest in 20 years (*IMF*); China economy shrinking from 67% to 64% size of US economy
- **US household debt record high of \$17.69T in Q1 2024; up \$3.5T from Q4 2019 - mortgage represents \$12.4T, credit cards \$1.2T, auto loans \$1.6T, student loans \$1.6T (FRBNY)**
- Average credit card interest rate 27.65% (*Forbes*)
- US Manufacturing PMI fell to 49.2 in Apr 2024 from 50.3 in Mar (ISM); modest contraction
- US New Orders Index 49.1, contraction after 51.4 in Mar (ISM)
- Purchasing Prices Index in Apr 60.9 vs. 55.8 in Mar; accelerating inflated input costs
- Retailer inventory / sales ratio 1.29 Apr 2024, up from 1.10 in Apr 2021, down from 1.50 Apr 2016 (*FRED St. L*)

Firms' Most Pressing Concerns

Share of Total Mentions

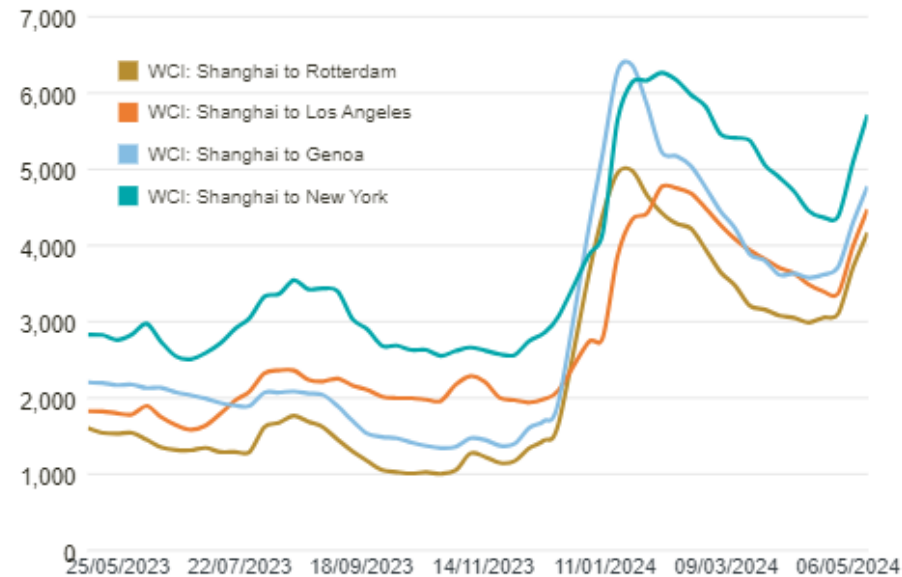


Note: Percentages do not sum to 100 because only the top ten topics (and ties) are shown. Results from Q4 2023 survey (November 14 - December 1, 2023) are shown for comparison. A topic without a Q4 frequency of mentions is one that moved into the top ten in Q1 2024.
Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q1 2024 (February 20 - March 8, 2024)

Duke Fuqua CFO Survey – primary concern monetary policy and labor availability, which affects PPI and in turn inflated input costs and selling prices. When combined with record household credit debt mid-run consumer demand is a concern

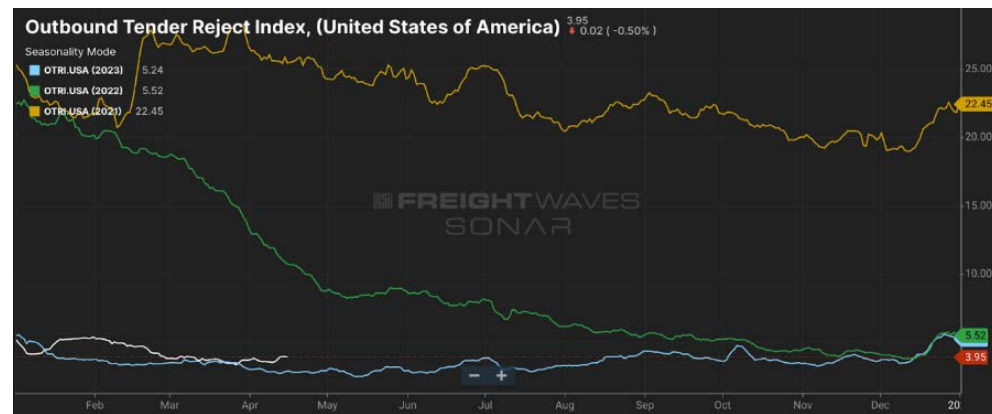
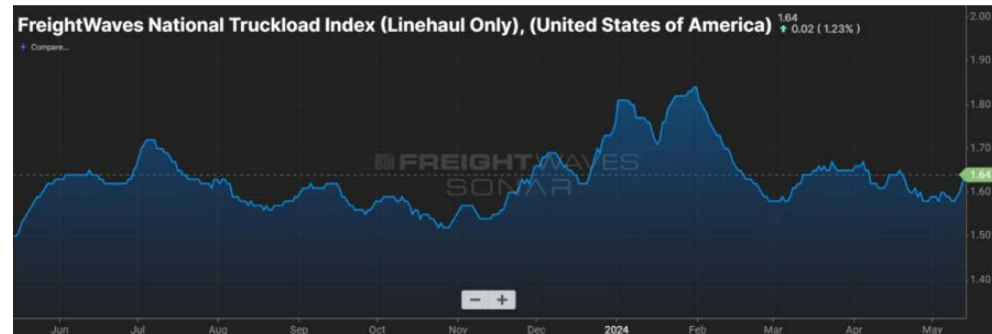
- China Q1 GDP grew 4.6% y/y – (Reuters)
- China total exports Q1 up 1.5% y/y; down 1% to US, down 4.8% EU; up 20% to Brazil & Vietnam, 8% Latin America (WSJ)
- Container shipping industry to end 2024 with EBIT loss \$15B
- **Container shipping orderbook currently 7M TEUs, representing 25% of the existing industry capacity yet to come online**
- 478 container ships with a capacity of 3.1M TEUs scheduled for delivery in 2024 alone
- US imports from greater Asia/ASEAN surged 19.1% y/y to 5.6M TEUs first 4 months of 2024 (PIERS)
- Evergreen Q1 net profit of \$537M, highest profit by a container line post-COVID 19 era (Alphaliner)
- Eastbound trans-Pacific ocean liners increased spot rates \$1,000 per FEU via general rate increases (GRIs) May 1
- FEU Shanghai to LA - \$4,500; FEU LA to Shanghai - \$700
- **Biden big tax on China imports – EV's from 25% to 100%, steel & aluminum 7% to 25%, solar cells 25% to 50%, shipping cranes to 25%, large batteries 7% to 25%, graphite to 25%**
- Int'l Longshoremen Assn. (ILA) & U.S. Maritime Alliance (USMX) labor contract negotiations for 45,000 East & Gulf coast dock workers as 6-year contract expires Sep 30th to avoid strike

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



Short term - increase in import container prices support US strong demand as companies restock depleted inventories. Excessive ocean carrier orderbook of 25% additional capacity will push rates down. Long term - Biden tax policies on China goods, which Trump supports, could substantially bottleneck product availability and prices. Importers need to diversify supplier country of origin now.

- US Truckload Capacity Index (TCI) reading 78.9%, lowest since 2017; large carriers parking & selling trucks - (*Joc.com*)
- Since TCI high in Q2 2022, publicly owned carriers cut 15.4% of trucks (*Joc.com*)
- **Spot Truckload rates 30% cheaper vs. contract Truckload rates; was only 12% cheaper in 2019** – (*Freightwaves*)
- Move towards Just in Time (JIT) shipping paired, YRC collapse, and macro-econ slump widens gap between LTL carrier pricing and financial performance vs. Truckload – consolidation opportunities
- LTL long haul pricing Apr 2024 up 8.2% y/y; Truckload prices down 4.4% y/y - (*BLS*)
- Logistics Managers Index (LMI) 52.9 for Apr, expanding at decreasing rate down from 58.3 in Mar; decrease in inventory
- Class 8 new truck orders 14,000 units in Apr2024 up 12.5% y/y; down from 26,400 in Jan 2024 – (*FTR*)
- Warehouse vacancy rate climbs; greater LA vacancy rate 4.1%; inland market / East LA, hub for big box, rate 6.2% highest in 11 years (*Bloomberg*)
- Chris Spear, ATA President, Feb. congressional testimony – get realistic about timeline and costs to implement emission requirements; advocates for Independent Contractors (IC's) in face of regulations including widespread adoption of CA AB-5 and Advanced Clean Trucks (ACT) - (*ATA*)



LTL carriers performed better than Truckload carriers benefitting from both the drop in capacity/supply from the collapse of YRC in addition to the macro-economic trend of companies moving towards more JIT quantities and shipping. As the US economy goes, Truckload closely follows. More of the same forecasted through 2024.

Macro-Economic LTL Volumes (% Change)				
Name	Miles	Weight	Shipments	Fuel Index
Q3 2020 vs. Q4 2020	-1.2	-1.97	5.07	-9.15
Q1 2021 vs Q4 2020	-1.52	0.46	-7.58	-16.64
Q2 2021 vs Q1 2021	-0.51	0.46	-5.62	-4.21
Q3 2021 vs Q2 2021	-2.94	3.98	-0.69	-3.11
Q4 2021 vs Q3 2021	-11.82	-0.09	6.49	-5.78
Q1 2022 vs Q4 2021	-5.58	-1.56	-4.41	-30.28
Q2 2022 vs Q1 2022	5.6	-6.15	2.72	-10.34
Q3 2022 vs Q2 2022	-0.29	1.47	2.6	18.29
Q4 2022 vs Q3 2022	0.43	1.68	6.94	7.76
Q1 2023 vs Q4 2022	2.67	2.4	-8.11	9.91
Q2 2023 vs Q1 2023	-0.59	-8.46	-1.23	8.6
Q3 2023 vs Q2 2023	-0.88	5.6	2.22	-17.12
Q4 2023 vs Q3 2023	0.44	-0.93	7.3	17.17
Q1 2024 vs Q4 2023	2.25	0.09	2	-2.97

** This index is a blind sample of actual KDL shipping data from mid-market companies spanning all industries and geographies weighted based on market capitalization

Although there was a slight decrease in shipment weight from Q3 to Q4, there was a significant increase in the number suggesting a rise in smaller-sized shipments over the period (return of JIT). The 7.3% increase in shipments is the highest within the index, driven by strong year-end activity.



LTL Public Carrier Q1 Report Cards

- SAIA
 - Q1 rev. \$754.8M, up 14.3% y/y
 - LTL tonnage / day up 6.2%; shipment / day up 15.7%
 - Rev. / hundredweight (excl. fuel) up 10.5%; rev. / shipment (excl. fuel) up 1.4%
 - Operating ratio 84.4%
- ArcBest (ABF)
 - Q1 rev. \$675M down 3.7% y/y
 - LTL tonnage / day down 16.8%; shipments / day down 6.2%
 - Rev. / hundredweight up 15.6%
 - Operating ratio 92.0%
- ODFL
 - Q1 rev. 1.46B up 1.2% y/y
 - LTL tonnage / day down 3.2%; LTL weight / shipment down 2.7%; LTL shipments / day down 0.5%
 - LTL rev. / hundredweight (excl. fuel) up 6.7%
 - Operating ratio 73.5%
- XPO
 - Q1 rev. \$1.22B up 9.0% y/y
 - Tonnage / day up 2.6%; shipments / day up 4.7%; avg. weight / shipment down 1.9%
 - Rev. / hundredweight (excl. fuel) up 9.8%; rev. / shipment \$309.57, up 7.9%
 - 2023 call scheduled for Feb 7th
 - Operating ratio 85.7%
- FedEx Freight
 - LTL rev. \$2.125B down 3.0% y/y
 - LTL weight / shipment down 3.0%; LTL shipments / day down 4.0% y/y; rev. / shipment \$379.26
 - LTL rev. / hundredweight up 3%
 - Operating ratio 84.0%



YRC Infrastructure Absorbed

- XPO
 - \$870M for 26 YRC owned terminals and 2 leased properties
- Estes Express
 - \$249M for 24 YRC owned terminals
- SAIA
 - \$236M for 17 YRC terminals
 - 15-20 new terminal openings planned for 2024
 - 2,000 trailers, 400 tractors and 400 forklifts added as part of \$400M plan planning to spend
- R+L Carriers
 - \$211.5 for 8 YRC terminals
- Pitt-Ohio
 - \$83.8M for 7 YRC terminals
- Knight-Swift
 - \$51M for 12 YRC terminals
 - Acquired U.S. Xpress in March 2024
- A. Duie Pyle
 - \$24.9M for 4 YRC terminals in PA, NY & WV
- FedEx Freight
 - \$22.5M for 1 YRC terminal outside of Reno, NV
- ArcBest (ABF)
 - \$30.2M for 3 YRC properties

- UPS
 - Q1 2024 consolidated revenues \$21.7B, down 5.3% vs. \$22.9B Q1 2023
 - Domestic rev. down 5.0% due to 3.2 decrease in daily volume
 - Int'l rev. down 6.3% due to 5.8% drop in daily volume
 - Supply chain down 5.3% due to market forwarding rate declines
 - UPS wins air cargo contract with USPS, first time in 20 years
 - Replaces FedEx as primary provider of domestic air cargo for the U.S. Postal Service
 - Contracts begins Sep 30th before holiday rush, lasts 5 ½ years minimum
 - Independent Pilots Assn. Executive Board informed that UPS resuming hiring process forecasted to be more than 300 pilot
 - UPS to cut 12,000 full and part time jobs due to market conditions and new teamsters contract
 - UPS to terminate 350 workers at regional hub Ontario International Airport, CA
 - UPS to cut 350 jobs at sort center in Portland, OR
- FedEx Corp.
 - Q1(3) 2024 rev. \$21.3B, down from \$22.2B y/y
 - Q1(3) 2024 operating income \$1.24B, up 19% from \$1.17B y/y
 - Forecasts low single digit decline in rev. for 2024
 - Q1 2024 share repurchase of \$1B; plans add 'l \$500M in Q4 2024
 - Low USPS volumes forced FedEx to lay off pilots, park planes late 2023 and into 2024
 - In 2023 FedEx pilots rejected tentative agreement worth \$3.8 billion; would have raised pay by 30% over 4.5 years
 - FedEx Express pilots forced union leadership to break off contract negotiations
 - Laying off 300+ workers at regional air hub in Ontario, CA.
 - Laying off 300 workers at Georgia distribution center
 - Laying off pilots; plans to remove 29 aircraft from fleet; has 200 – 300 excess pilots by Oct 2024
- Amazon,
 - In 2023, excluding Amazon, parcel market in U.S. dropped by 2.4 million packages a day (*translation - went to Amazon*).
 - Still one of UPS' largest customers, pacing to surpass UPS and FedEx in residential last-mile delivery volumes in 2024 – *Wsj.com*



Fuel Prices

Date	Diesel (\$ per Gallon)
Jan 04, 2022	\$ 4.583
Jan 10, 2022	\$ 4.549
Jan 18, 2022	\$ 4.524
Jan 24, 2022	\$ 4.604
Jan 31, 2022	\$ 4.622
Feb 07, 2022	\$ 4.539
Feb 14, 2022	\$ 4.444
Feb 22, 2022	\$ 4.376
Feb 28, 2022	\$ 4.294
Mar 07, 2022	\$ 4.282
Mar 14, 2022	\$ 4.247
Mar 21, 2022	\$ 4.185
Mar 28, 2022	\$ 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
Sep 19, 2023	\$ 4.633
Sep 26, 2023	\$ 4.586
Q3 AVERAGE	\$ 4.242

Date	Diesel (\$ per Gallon)
Oct 03, 2023	\$ 4.593
Oct 10, 2023	\$ 4.498
Oct 17, 2023	\$ 4.444
Oct 24, 2023	\$ 4.545
Oct 31, 2023	\$ 4.454
Nov 07, 2023	\$ 4.366
Nov 14, 2023	\$ 4.294
Nov 21, 2023	\$ 4.209
Nov 29, 2023	\$ 4.146
Dec 05, 2023	\$ 4.092
Dec 12, 2023	\$ 3.987
Dec 19, 2023	\$ 3.894
Dec 26, 2023	\$ 3.914
Q4 AVERAGE	\$ 4.264

Date	Diesel (\$ per Gallon)
Jan 03, 2024	\$ 3.876
Jan 09, 2024	\$ 3.828
Jan 17, 2024	\$ 3.863
Jan 23, 2024	\$ 3.838
Jan 30, 2024	\$ 3.867
Feb 06, 2024	\$ 3.899
Feb 13, 2024	\$ 4.109
Feb 21, 2024	\$ 4.109
Feb 27, 2024	\$ 4.058
Mar 05, 2024	\$ 4.022
Mar 12, 2024	\$ 4.004
Mar 19, 2024	\$ 4.028
Mar 26, 2024	\$ 4.034
Q1 AVERAGE	\$ 3.964

Date	Diesel (\$ per Gallon)
Apr 02, 2024	\$ 3.996
Apr 09, 2024	\$ 4.061
Apr 16, 2024	\$ 4.015
Apr 23, 2024	\$ 3.992
Apr 30, 2024	\$ 3.947
May 07, 2024	\$ 3.894
May 14, 2024	\$ 3.848
Q2 AVERAGE	\$ 3.965

Date	Diesel (\$ per Gallon)
Q3 AVERAGE	

Date	Diesel (\$ per Gallon)
Q4 AVERAGE	

2024 saw rising rates through the first quarter only to reverse course over the past four weeks.

KDL Recommendations

Identify supply chain disruption scenarios, implement contingencies

- Identify every link of the supply chain and create redundancy for each; akin to a failover IT infrastructure
- Automate and digitize as much of the supply chain as possible; business continuity is equally important as identifying savings opportunities
- Contingency planning – are you prepared for the sudden discontinuation of a material supplier, logistics provider and common carrier, distribution center or key employee?

Freight Policies – Don't fall victim to these five common missteps

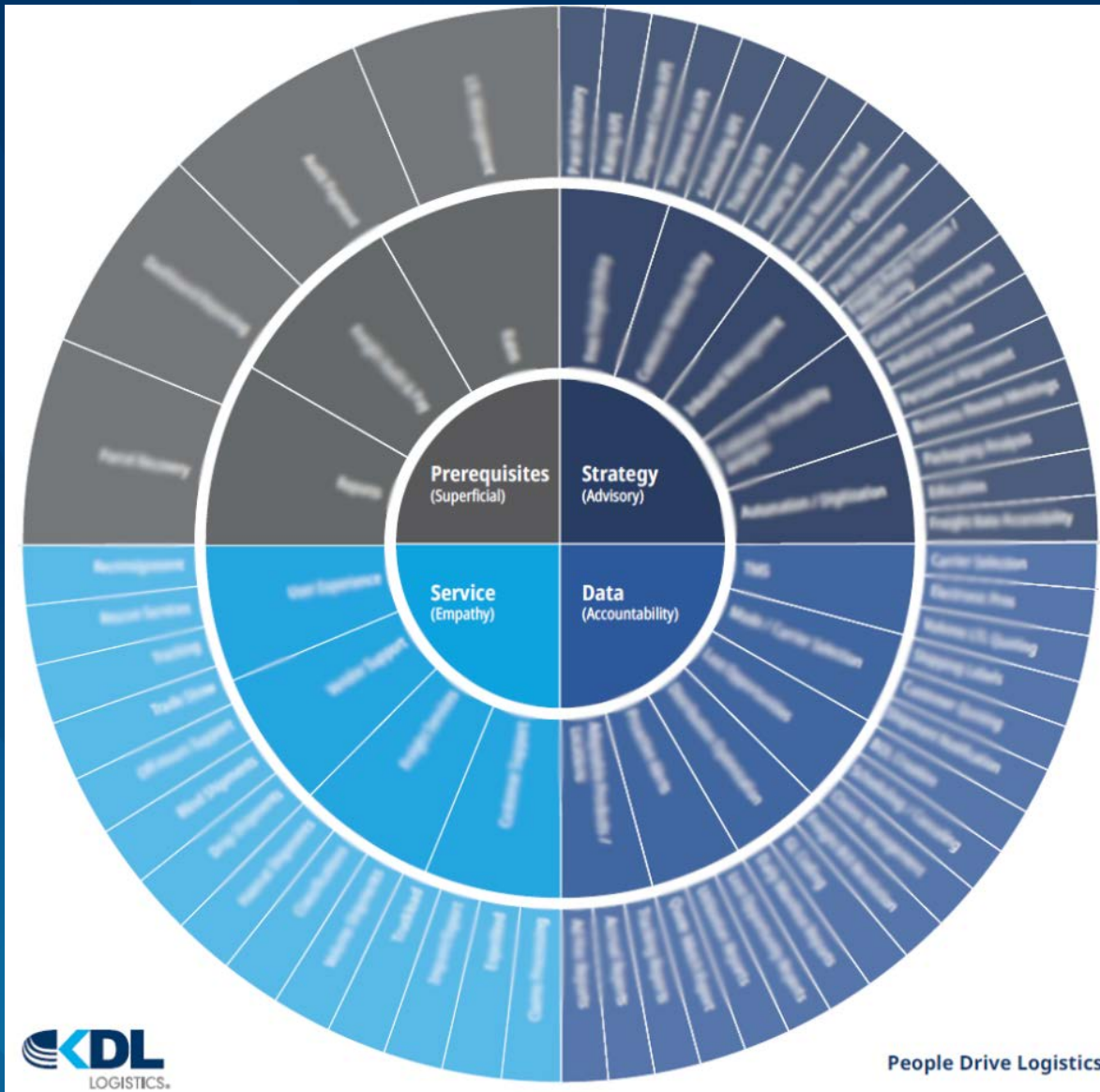
- No Chargeback Policy – be sure to recover your costs when and where applicable
- Outdated Policies/Metrics – be sure to evaluate your current policies, how old they are and if they are still effective
- Neglecting Freight in Customer Profitability Analysis – be sure to isolate and add back to each customer their freight expense
- Overzealous Sales Overrides – be sure to not allow sales to dictate how these policies are applied
- Customer Evasion of Freight – be sure to evaluate FREE freight policies to determine if they can be adjusted to drive revenue

Be a Shipper of Choice

- Reduce time 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.



Holistic Freight & Logistical Strategy



We have the tools necessary for systemization, strategy, and risk mitigation. Let us sharpen your company's focus on profitability through supply chain!



People Drive Logistics

