LOGISTICS MARKET SNAPSHOT

Georgia® CENTER OF INNOVATION

FEBRUARY 2023

U.S. MARKET:	
Gross Domestic Product	Real gross domestic product (GDP) **increased at an annual rate of 2.7% in the fourth quarter of 2022 according to the "second" estimate** released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 3.2%. The increase in real GDP in the fourth quarter reflected increases in private inventory investment, consumer spending, nonresidential fixed investment, federal government spending, and state and local government spending that were partly offset by decreases in residential fixed investment and exports. Imports decreased. *Source: Bureau of Economic Analysis*
U.S. Trade Deficit	The goods and services deficit **was $67.4 billion in December 2022, up $6.4 billion from $61.0 billion in November**, revised. The December increase in the goods and services deficit reflected an increase in the goods deficit of $7.4 billion to $90.6 billion, and an increase in the services surplus of $1.0 billion to $23.2 billion. **For the three months ending in December** the average goods and services deficit decreased $2.1 billion to $68.6 billion. *Source: Bureau of Economic Analysis*
Import Volumes	**December 2022 imports were $317.6 billion, an increase of $4.2 billion from November 2022, or 1.3%.** December imports of industrial supplies and materials ($59.6 billion) were the lowest since October 2021 ($58.1 billion). December imports from the United Kingdom ($6.0 billion) were the highest since October 2018 ($6.1 billion). *Source: U.S. Census Bureau*
Export Volumes	**December 2022 exports were $250.2 billion, $2.1 billion less than November exports, a decrease of 0.83%.** December exports of automotive vehicles, parts, and engines ($14.5 billion) were the highest on record. December exports to the United Kingdom ($7.5 billion) were the highest on record. *Source: U.S. Census Bureau*
Import & Export Price Index	Prices for **U.S. imports fell 0.2% in January 2023** and have not recorded a monthly advance since June 2022. Overall, U.S. import prices declined 4.9% from June 2022 to January 2023. Despite the recent declines, the price index for U.S. imports advanced 0.8 percent over the past year. The price index for nonfuel imports rose 0.3% in January, after advancing 0.4% in December. Higher January prices for foods, feeds, and beverages; capital goods; automotive vehicles; and consumer goods more than offset lower nonfuel industrial supplies and materials prices. **U.S. export prices rose 0.8% in January 2023**, the first monthly advance since the index increased 1.1% in June 2022. In January, higher nonagricultural prices more than offset lower agricultural prices. Prices for U.S. exports advanced 2.3% over the past year. The price index for nonagricultural exports increased 0.8% in January, after declining 3.3% the previous month. Higher prices for nonagricultural industrial supplies and materials; capital goods; automotive vehicles; and consumer goods all contributed to the January advance. *Source: Bureau of Labor Statistics*
Unemployment Rate	Total nonfarm payroll employment **rocketed to 517,000 in January 2023, with the unemployment rate changing little at 3.4%.** Job growth was widespread, led by gains in leisure and hospitality, professional and business services, and health care. Employment also increased in government, partially reflecting the return of workers from a strike. ***Georgia's unemployment rate remained unchanged in December 2022,*** *ranking 14th in the U.S. of states with lowest unemployment.* Note: Next release for State Unemployment – January 2023, will be published after publication, Wednesday, March 1 *Source: Bureau of Labor Statistics*
Labor Force Participation Rate	For January 2023 the labor force participation rate **increased to 62.4% from the previous month.** The labor force participation rate for January 2023 for those of **prime working age (25-54) rose to 82.7%.** *Source: U.S. Bureau of Labor Statistics (Workforce Participation Rate measures the share of Americans at least 16 years old who are either employed or actively looking for work)*
Leading Economic Index	The Leading Economic Index (LEI) for the U.S. **fell by 0.3% in January 2023 to 110.3 following a decline of 0.8% in December 2022. The LEI is now down 3.6% over the six-month period between July 2022 and January 2023**—a steeper rate of decline than its 2.4% contraction over the previous six-month period (January–July 2022). Says the Conference Board, "The U.S. LEI remained on a downward trajectory, but its rate of decline moderated slightly in January. Among the leading indicators, deteriorating manufacturing new orders, consumers' expectations of business conditions, and credit conditions more than offset strengths in labor markets and stock prices to drive the index lower in the month. While the LEI continues to signal recession in the near term, indicators related to the labor market—including employment and personal income—remain robust so far. Nonetheless, **The Conference Board still expects high inflation, rising interest rates, and contracting consumer spending to tip the U.S. economy into recession in 2023**." *Source: The Conference Board (the LEI is a composite of 10 economic indicators that together create an analytic system designed to signal peaks and troughs in the business cycle. The LEI reveals patterns in economic data in a clearer and more convincing manner than any individual component alone)*

Pending Home Sales Index	January 2023 pending home **sales improved for the second consecutive month to an index of 82.5** for, or an incrase of 8.1%. All four U.S. regions posted monthly gains, but year-over-year, pending transactions dropped by 24.1%. According to NAR, "**Expectations are that annual existing-home sales will drop 11.1% in 2023 to a total of 4.47 million units before jumping 17.7% in 2024** (5.26 million units)." NAR projects new-home sales will fall 3.7% year-over-year in 2023 before growing 19.4% in 2024. Home sales activity looks to be bottoming out in the first quarter of this year, before incremental improvements will occur. *Source: National Association of Realtors (an index of 100 is equal to the level of contract activity in 2001)*
Housing Starts	**Privately-owned housing starts in January 2023 were at a seasonally adjusted annual rate of 1,309,000**. This is 4.5% below the revised December estimate of 1,371,000 and is 21.4 % below the January 2022 rate of 1,666,000. **Single-family housing starts in January 2023 were at a rate of 841,000**; this is 4.3% below the revised December figure of 879,000. The January 2023 rate for units in buildings with **five units or more was 457,000**. *Source: U.S. Census Bureau*
Light-Vehicle Sales	New light-vehicle sales in **January 2023 totaled 15.7 million units. January's numbers mark the fifth straight month of year-over-year increases**. Sales in February and March 2023 are also expected to increase year over year as more inventory becomes available. Supply chain headwinds aren't fully in the rearview but are hindering vehicle production much less than a year ago. The retail inventory mix continues to be skewed toward more expensive models and trim levels. **The average new-vehicle transaction price in January 2023 will set a record for the month of January at $46,437, an increase of 4.2% from January 2022**. Average transaction price increases should moderate somewhat throughout 2023 as more inventory becomes available and OEMs are able to build more affordable models for retail. Higher interest rates and more expensive vehicles have kept the average monthly payment for a new vehicle above $700 for seven straight months. The average monthly payment in January 2023 is expected to be $723, up $59 from January 2022. *Source: National Automobile Dealers Association (Light vehicle sales record the number of domestically produced units of cars, SUVs, mini-vans, and light trucks that are sold. Because motor vehicle sales are a large part of consumer spending in the United States, the motor vehicle sales data can provide important information on consumer-spending trends and on the overall direction of the economy)*
Personal Income and Outlays	**Personal Income increased $131.1 billion (0.6%) in January 2023**. Disposable personal income (DPI) increased $387.4 billion (2.0%). Government social benefits decreased in January, reflecting a decrease in "other" benefits that was partly offset by an increase in Social Security. The decrease in "other" benefits primarily reflected the expiration of the extended child tax credit (as authorized by the American Rescue Plan) as well as a decline in one-time refundable tax credits issued by states. The increase in Social Security primarily reflected an 8.7% cost-of-living adjustment. **Personal outlays increased $326.8 billion in January 2023**. Personal saving was $918.8 billion and the personal saving rate—personal saving as a percentage of disposable personal income—was 4.7%. personal consumption expenditures (PCE) increased $312.5 billion (1.8 percent). *Source: U.S. Bureau of Economic Analysis (personal income is the income that people get from wages and salaries, Social Security and other government benefits, dividends and interest, business ownership, and other sources; it does not include realized or unrealized capital gains or losses)*
Personal Consumption Expenditures Price Index	**For January 2023, the PCE price index increased 0.6%**. Excluding food and energy, the PCE price index also increased 0.6%. From the same month one year ago, the PCE price index for January increased 5.4%. Prices for goods increased 4.7% and prices for services increased 5.7%. **Food prices increased 11.1% and energy prices increased 9.6%.** Excluding food and energy, the PCE price index increased 4.7% from one year ago. *Source: U.S. Bureau of Economic Analysis (the PCE price index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services; it is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior)*
Retail Sales	Advance estimates of **U.S. retail and food services sales for January 2023, were $697.0 billion, up 3.0% from the previous month**, and up 6.4% above January 2022. Total sales for the November 2022 through January 2023 period were up 6.1% from the same period a year ago. The November 2022 to December 2022 percent change was unrevised, down 1.1%. Retail trade sales were up 2.3% from December 2022, and up 3.9% above last year. **Food services and drinking places were up 25.2% from January 2022,** while general merchandise stores were up 4.5% from last year. *Source: U.S. Census Bureau (Non-store retail sales are measured monthly and include internet-only sales outlets as well as other direct-to-customer channels)*

E-Commerce	U.S. retail e-commerce sales for the fourth quarter of 2022, adjusted for seasonal variation, **was $262.0 billion, a decrease of 0.1% from the third quarter of 2022.** Total retail sales for the fourth quarter of 2022 were estimated at $1,785.8 billion, a decrease of 0.3% from the third quarter of 2022. The fourth quarter 2022 e commerce estimate increased 6.5% from the fourth quarter of 2021, while total retail sales increased 5.7% in the same period. **E-commerce sales in the fourth quarter of 2022 accounted for 14.7% of total sales.** *Source: U.S. Census Bureau (E-Commerce sales are measured on a quarterly basis and include the sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online)*
Consumer Confidence Index	**The Consumer Confidence Index decreased in February 2023 for the second consecutive month. The Index now stands at 102.9, down from 106.0 in January**. According to The Conference Board, "Consumer confidence declined again in February. The decrease reflected large drops in confidence for households aged 35 to 54 and for households earning $35,000 or more. And, while 12-month inflation expectations improved—falling to 6.3% from 6.7% last month—consumers may be showing early signs of pulling back spending in the face of high prices and rising interest rates. Fewer consumers are planning to purchase homes or autos and they also appear to be scaling back plans to buy major appliances. Vacation intentions also declined in February." *Source: The Conference Board (the consumer confidence index is based on a monthly survey of 5,000 U.S. household. It is designed to gauge the financial health, spending power, and confidence of the average U.S. consumer. Base year 1985=100)*
Consumer & Producer Price Index	The **Consumer Price** Index for All Urban Consumers rose 0.5% in January 2023 on a seasonally adjusted basis, after increasing 0.1% in December 2022. Over the last 12 months, the all-items index increased 6.4% before seasonal adjustment. The index for shelter was by far the largest contributor to the monthly all items increase, accounting for nearly half of the monthly all items increase, with the indexes for food, gasoline, and natural gas also contributing. **The Producer Price Index for final demand increased 0.7% in January 2023**, seasonally adjusted. Final demand prices declined 0.2% in December 2022 and advanced 0.3% in November 2022. In January, a 1.2% rise in prices for final demand goods led the advance in the final demand index. Prices for final demand services also moved higher, increasing 0.4%. *Source: U.S. Bureau of Labor Statistics (the CPI measures the change in prices paid by consumer for goods and services. Base year 1999=100; the PPI measures the average price changes by producers for domestically produced goods, services, and construction. Base year 2009=100)*
Small Business Optimism Index	The Small Business Optimism Index **increased 0.5 points in January 2023 to 90.3, remaining below the 49-year average of 98**. Down six points from last month, 26% of owners reported inflation was their single most important problem in operating their business. Owners expecting better business conditions over the next six months improved six points from December to a net negative 45%. Says the NFIB, "While inflation is starting to ease for small businesses, owners remain cynical about future business conditions. **Owners have a negative outlook on the small business economy but continue to try to fill open positions and return to a full staff to improve productivity**." *Source: National Federation of Independent Business*
Industrial Production & Capacity Utilization	Industrial production was unchanged in January 2023 after falling 0.6% and 1.0% in November 2022 and December 2022, respectively. **At 103.0% of its 2017 average, total industrial production in January was 0.8% above its year-earlier level**. In January, manufacturing output moved up 1.0% and mining output rose 2.0% following two months with substantial decreases for each sector. The output of utilities fell 9.9% in January, as a swing from unseasonably cool weather in December to unseasonably warm weather in January depressed the demand for heating. **Capacity utilization declined 0.1 percentage point** in January 2023 to 78.3%, a rate that is 1.3 percentage points below its long-run (1972–2022) average. Capacity utilization for manufacturing increased 0.6 percentage points in January to 77.7%, a rate that is 0.5 percentage points below its long-run average. Manufacturing capacity is expected to move up 1.2% in 2023 after increasing 1.0% in 2022. Capacity in the mining sector is estimated to rise 0.5% in 2023 after jumping 3.5% in 2022. Capacity at electric and natural gas utilities is projected to increase 3.0% in 2023 after expanding 2.6% in 2022. *Source: The Federal Reserve (The industrial production and capacity utilization rates cover manufacturing, mining, and electric and gas utilities. The industrial detail provided by these measures helps illuminate structural developments in the economy)*
Manufacturing and Trade Inventories & Sales	**Manufacturers' and trade inventories for December 2022** were estimated at an end-of-month level of $2,483.5 billion, up 0.3% from November 2022 and were up 12.7% from December 2021. The combined value of distributive **trade sales and manufacturers' shipments for December 2022** was estimated at $1,819.0 billion, down 0.6% from November 2022, but was up 6.4% from December 2021. The total business **inventories/sales ratio for December 2022** was 1.37. The December 2021 ratio was 1.29. *Source: U.S. Census Bureau*

Purchasing Managers Index, Manufacturing	The January 2023 **Manufacturing PMI registered 47.4%, 1 percentage point lower than the seasonally adjusted 48.4% recorded in December 2022**. Regarding the overall economy, this figure indicates a second month of contraction after a 30-month period of expansion. This figure is the lowest since May 2020, when it registered a seasonally adjusted 43.5%. Per ISM, "The U.S. manufacturing sector again contracted, with the Manufacturing PMI at its lowest level since the coronavirus pandemic recovery began. New order rates remain depressed due to buyer and supplier disagreements regarding price levels and delivery lead times; these should be resolved by the second quarter." Of the six biggest manufacturing industries, one — Transportation Equipment — registered growth in January. *Source: Institute for Supply Management (The PMI combines data on new orders, production, employment, supplier deliveries, and inventory. A reading above 50 % indicates that the manufacturing economy is generally expanding.)*
Purchasing Managers Index, Services	For January 2023, the **Services PMI registered 55.2%, 6 percentage points higher than the December 2023 seasonally adjusted reading of 49.2%.** The composite index grew in January after contracting in December for the first time since May 2020, when it registered 45.4 percent (seasonally adjusted). According to ISM, "Survey respondents indicated that capacity and logistics performance continue to improve. Although responses varied by industry and company, the majority of companies indicated that business is trending in a positive direction. Employment was unchanged for the month. Some companies still find it difficult to fill open positions, while others are facilitating staff reductions". *Source: Institute for Supply Management (The PMI combines data on business activity, new orders, employment, supplier deliveries, and inventory.* A reading above 50 % indicates that the manufacturing economy is generally expanding.*)*
Logistics Managers' Index	The Logistics Managers' Index for January 2023 **reads in at 57.6, up 3 points from December's reading of 54.6.** This marks the second consecutive increase in the overall index. January's growth rate is the second in a row, suggesting a trend, and unlike recent September increases, supply chains are not so flush with inventory that they are merely shifting goods around. Inventories are much lower now than they were in Q3 of last year, and it seems the supply chains are coming back to life with the goal of replenishment. **Warehousing metrics are the primary driver of logistic activity**. Warehousing Capacity is declining for the 30th consecutive month, driving up both utilization and price. This is partially due to an increase in Inventory Levels and Inventory Costs – which may be evidence that firms are finally beginning to restock after nine months of doing everything in their power to reduce inventories. **Transportation metrics remain down from where they were from late 2020 to early 2022** but there are some encouraging signs. Chief among those is Transportation Utilization, which is back up to expanding at a rate of 57.0 after its one-month foray into contraction territory. Transportation Prices have continued to decline, but at a slower rate than over the last few months. There is still excess Transportation Capacity in the market, but respondent future predictions and anecdotal evidence from carriers suggest that increased demand may begin soaking up some of this excess soon. *Source: Logistics Manager's Index (The LMI score is a combination eight unique components that make up the logistics industry, including: inventory levels and costs, warehousing capacity, utilization, and prices, and transportation capacity, utilization, and prices. The LMI is calculated using a diffusion index, in which any reading above 50% indicates that logistics is expanding; a reading below 50% is indicative of a shrinking logistics industry.)*
U.S. Market News Clip	When the COVID-19 pandemic hit, spending on many products surged while spending on services dropped. The market is now shifting back to normal, and Walter Kemmsies, the managing partner of the Kemmsies Group, shares his observations on the economic impact of those shifts. Says Kemmsies, "In the second quarter of 2020 there was massive panic and there was massive overreaction. All of these companies that benefited from people who were doing more from home overinvested. A lot of these e-commerce companies forecast off the peak and one of the biggest things you can do wrong is forecast off a historical peak. It resulted in way too much investment by tech companies, bicycles, and trading companies." *Source: FreightWaves; link to article*

MULTIMODAL:

Dow Jones Transportation Average	As of February 24, 2023, the Dow Jones Transportation Average **closed at a reading of 14,629.01.** *Source: Marketwatch (A price-weighted average of 20 U.S. companies in the transportation industry. The index includes railroads, airlines, trucking, marine transportation, delivery services, and logistics companies.)*
NASDAQ Transportation Index	As of February 24, 2023, the NASDAQ Transportation Index **closed at a reading of 5,932.65.** *Source: Marketwatch, Inc (A capitalization-weighted stock market index designed to measure the performance of all NASDAQ stocks in the transportation sector.)*

Freight Transportation Services Index	The level of for-hire freight shipments in **December 2022 measured 138.7, 2.4% below the all-time high level of 142.1** in August 2019, rising for the first month after two months of decline. The Freight TSI increased in December due to seasonally adjusted increases in trucking, air freight, and pipeline, while rail carload, rail intermodal, and water declined. December 2022 for-hire freight shipments were up 0.5% from December 2021. *Source: U.S. Bureau of Transportation Statistics (TSI is based on the amount of freight carried by the for-hire transportation industry)*
Cass Freight Index for Shipments and Expenditures	The **shipments component of the Cass Freight Index fell 3.2% month-over-month in January 2023**. On a seasonally adjusted (SA) basis, the index was unchanged from December, better than expected with support from mild weather and improving auto production. After a soft holiday season with inventories overstocked and imports falling sharply, the outlook remains cautious, but volumes are on a high plateau. The **expenditures component of the Cass Freight Index, which measures the total amount spent on freight, fell 3.2% month-over-month in January 2023, but returned to 1.7% year-over-year growth on an easy comparison**. This index includes changes in fuel, modal mix, intramodal mix, and accessorial charges. In 2022, the expenditures component of the Cass Freight Index rose 23%, after a record 38% increase in 2021, but is set to retrench in 2023. *Source: Cass Information Systems (Based upon transportation dollars and measures the total amount spent on freight and shipments of Cass clients comprised of over 400 shipping companies)*
Shippers Conditions Index	The Shippers Conditions Index (SCI) **jumped to 10.32 in December 2022 from November's 3.0 reading. The huge drop in fuel prices in December supercharged what were already strong market conditions resulting in the highest SCI reading since May 2020.** According to FTR, "Declining active truck utilization, lower truck rates, and improving rail service should all help shippers experience more favorable conditions going forward. These factors are expected to remain in place through 2023 before starting to swing back toward carriers next year. **The improvement will be a welcome respite for shippers** who faced higher rates and capacity shortfalls coming out of the COVID-19 pandemic in 2020 and 2021." *Source: FTR Transportation Intelligence (Figures below zero indicate a less-than-ideal environment for shippers)*
North American Transborder Freight	Total transborder freight between the U.S. and North American countries (Mexico and Canada) **by all modes of transportation for December 2022 was valued at $121.7 billion, up 3.5%** compared to December 2021. Freight between the U.S. and Canada totaled $60.7 billion, up 0.2% from December 2021. Freight between the U.S. and Mexico totaled $61.0 billion, up 7.0% from December 2021. **Air moved** $5.2 billion of freight, down 0.4% compared to December 2021. **Pipelines moved** $10.2 billion of freight, down 4.1% compared to December 2021. **Railways moved** $16.0 billion of freight, down 2.1% compared to December 2021. **Trucks moved** $73.9 billion of freight, up 5.8% compared to December 2021. **Vessels moved** $10.3 billion of freight, up 8.9% compared to December 2021. *Source: U.S. Bureau of Transportation Statistics*
Multimodal News Clip	Amid concerns about supposed "de-globalization," another year of record trade showed that Georgia's economy remains internationally integrated, even as some of the trade lanes were starting to shift. The state's total trade — the tally of all imports and exports passing through its ports — surpassed $196 billion in 2022, making Georgia the No. 7 trading state, just ahead of Florida and just behind New Jersey, partially home to the busiest ports in the United States. (Georgia ranks eighth by population.) Despite efforts to bring manufacturing back to the U.S., Georgia's imports swelled in line with national trends, growing 20.3 percent to $148.7 billion (more than three-quarters of its total trade). *Source: Global Atlanta; link to article*
RAIL:	
U.S. Freight Rail Traffic	U.S. railroads **originated 923,696 carloads in January 2023, up 2.2%, or 19,827 carloads, from January 2022**. U.S. railroads also **originated 919,928 containers and trailers in January 2023, down 8.1%, or 81,443 units, from the same month last year**. Combined U.S. carload and intermodal originations in January 2023 were 1,843,624, down 3.2%, or 61,616 carloads and intermodal units from January 2022. Per the Association of American Railroads, "Rail traffic began 2023 much the same way we ended 2022 - demonstrating reasons for both optimism and caution. For example, **this was the best January for carloads of crushed stone and sand on record,** largely due to the growth in domestic natural gas production and the need for frac sand. Automotive traffic, although not yet at pre-pandemic levels, had a healthy improvement over 2022. Negatively**, it was the worst January for intermodal since 2013** with major retailers cutting back on inventories and consumer spending — especially on goods — having contracted. *Source: Association of American Railroads (Report includes rail car-loadings by 20 different major commodity categories)*
Railroad Fuel Price Index	The index of **average railroad fuel prices for January 2023 was 628.6.** This is a month-over-month increase of 3.38%, and a year-over-year increase of 24.32%. *Source: Association of American Railroads (Average monthly price for gallons purchased by freight railroads; Includes federal excise taxes, transportation, and handling expenses)*

Class 1 Railroad Employment	Total railroad employment for **January 2023 was 119,245 workers**, a decrease from 119,349 workers in December 2022. Total number of workers in January 2022 was 112,207. *Source: U.S. Surface Transportation Board*
Railroad News Clip	U.S. rail traffic continued to slip in the year's seventh week. For the week ending Feb. 18, the roads reported 466,932 carloads and intermodal units, down 6.5% year over year, according to Association of American Railroads data. Only four of the 10 carload commodity groups tracked by the AAR weekly posted a gain: petroleum and petroleum products, up 14.9%; motor vehicles and parts, up 11.4%; and farm products (excluding grain) and food, up 5.8%; and metallic ores and metals, up 1.4%. *Source: Progressive Railroading; [link to article]*

TRUCKING:

Cowen/AFS Freight Index	**Truckload Rate-Per-Mile Index will continue its decline and is projected** to be 11.2% in Q1:2023, an 11.6% year-over-year (YoY) decline compared to the record-high 25.8% figure of just a year ago. As a result of macroeconomic conditions such as the likelihood of further interest rate hikes, the truckload rate per mile index is expected to decline in Q1:2023, erasing almost all the gains accumulated over the last two years and signaling a tough 2023 for carrier profitability. **The LTL Rate Per Pound Index is projected to reach a new high of 66.5% above the January 2018 baseline** – a 1.1% QoQ increase and 20.4% YoY increase. LTL experienced a 1.3% increase in cost per shipment over the previous quarter, powered by a 4.9% increase in average accessorial charges per shipment and a greater percentage of shipments rated class 85 or higher. Further upward pressure on rates for Q1:2023 comes from LTL GRIs that took effect January 2023, which range from 4.9% to 7.9%, and relatively high fuel surcharges. **Express parcel cost per package saw a higher-than-expected increase of 3.2% QoQ** in Q4:2022. The Express Parcel Rate Per Package Index is expected to increase in Q1:2023 to 2.7% above the January 2018 baseline, up 1% QoQ and 5.9% YoY. While FedEx and UPS both announced record-high GRIs of 6.9% for 2023, a more shipper-friendly pricing environment is expected in Q1:2023 due to macroeconomic conditions. **In Q1 2023, for Ground Parcel, the rate per package index projects a record high of 34.9% above the January 2018 baseline, compared to 27.7% the previous quarter.** Anticipated growth in Q1:2023 is rooted in continued accessorial charges, fuel surcharges that will remain moderately high and record-high GRIs, which are typically 'stickier,' or more resistant to the impact of shipper negotiation and discounting, in ground than express parcel. *Source: AFS Logistics (An index providing a snapshot of less-than-truckload shipping, full truckload shipping, and parcel shipping.)*
Truckload Linehaul Index	The **Cass Truckload Linehaul Index (TLI) fell 0.9% month-over-month in January 2023 to 149.2, after a 1.0% month-over-month decline in December 2022**. On a year-over-year basis, the TLI turned to a 5.6% year-over-year decline after a 1.7% increase in December. As a broad truckload market indicator, this index includes both spot and contract freight. With spot rates already down significantly, the larger contract market is likely to continue adjusting down more gradually but in the same direction. **Although LTL and intermodal volumes are down significantly, outperformance in truckload volumes shows the freight downturn is still likely to be mild overall**. An accelerated bottoming process has begun in the freight rate cycle, with spot rates further below operating costs than ever before. *Source: Cass Information Systems (this index is an indicator of market fluctuations in per-mile dry van truckload pricing in the U.S. and does not include other components like fuel and accessorials. Provides trends in baseline truckload prices)*
Truck Tonnage Index	American Trucking Associations' For-Hire Truck Tonnage Index **rose 0.7% in January 2023** after increasing 1.0% in December 2022. In January**, the index equaled 117.1 compared with 116.2 in December**. According to the ATA, "Tonnage has increased in the last couple of months, with speculation that some of the gain is attributable to capacity coming out of the network, especially those carriers that primarily operate in the spot market and/or bought expensive used equipment in the last couple of years. This would push more freight to contract carriers, which dominate this index. Despite the increases in December and January, tonnage is still off 1.4% from its recent high in September." *Source: American Trucking Associations (Note: ATA recently revised the seasonally adjusted index to 2015 = 100)*
Truckload Freight, Van	The **national van load-to-truck ratio for January 2023 was 3.01.** This is a month-over-month decrease of 12.75% and a 67.77% decrease from the same period last year. **Georgia's load-to-truck ratio** for vans for January 2023 remained steady at an average of 2.6 – 5.4 loads for every truck. For **February 2023, the spot rate (national average) for dry van freight dropped 9 cents from the previous month to a reading of $2.27.** The average spot rate for the **Southeast region** for dry van freight increased a dime, registering at $2.32 for February 2023. *Source: DAT Freight & Analytics*

Truckload Freight, Refrigerated	The national **load-to-truck ratio for refrigerated hauls decreased 14.58% to 4.86 loads per truck in January 2023.** This is a staggering 76.21% decrease from January 2022. **Georgia's load-to-truck ratio** for January 2023 decreased, averaging 2.3 – 5.5 reefer loads per truck. The average national **spot market reefer rate for February 2023 was $2.61 per mile,** dropping 18 cents from the previous month. The average rate for the **Southeast region for reefer freight** registered at $2.39 for February 2023. *Source: DAT Freight & Analytics*
Trucking Conditions Index	FTR's Trucking Conditions Index (TCI) **improved in December 2022 to -6.1 from November's -7.94 reading**. The small gain resulted solely from a sharp drop in diesel prices during the month. Changes in all freight-related TCI components – freight volume, capacity utilization, and freight rates – were unfavorable for carriers in December. The rates component was the most negative it had been since May 2020. Per FTR, "Forecasts indicate continued deterioration in overall market conditions for trucking companies, but uncertainly is still surprisingly high considering it is nearly three years past the pandemic-induced contraction. **Even as record numbers of small for-hire carriers exit the market, payroll job growth in trucking continues to rise, suggesting that overall driver capacity is not falling much – if at all – so far**." *Source: FTR Transportation Intelligence (Figures below zero indicate a less-than-ideal environment for trucking)*
Diesel Prices	As of February 27, 2023, the **U.S. average diesel price was $4.29 per gallon**. This is a month-over-month decrease of $0.31 and $0.19 higher than the same week in 2022. The average price of diesel in the **Lower Atlantic states was also $4.29 per gallon**, falling $0.40 month-over-month, and a $0.22 increase over the same week the previous year. *Source: U.S. Energy Information Administration (Reflects the costs and profits of the entire production and distribution chain)*
Trucking Employment	January 2023 numbers (preliminary) for the trucking industry **increased to 1,614,700 employees,** up from 1,610,600 employees (preliminary) for December 2022. *Source: U.S. Bureau of Labor Statistics*
Trucking Earnings & Hours	For December 2022, the average earnings (preliminary) for occupations commonly found in truck transportation **were $29.54/hour**, **a 19-cent drop** from the previous month of $29.73 (revised). December 2022 showed **average weekly hours totaling 40.6** (preliminary) down from 40.8 hours for November. *Source: U.S. Bureau of Labor Statistics*
U.S. Truck & Trailer Orders (Class 8)	FTR reports preliminary North American Class 8 net orders have declined for the fourth consecutive month after reaching a record high in September 2022. **Orders fell to 21,600 units in January 2023, down 25% month-over-month but up 2% year-over-year**. Class 8 orders came in at 303,000 units for the previous 12 months. With backlogs solidifying production slots, it is no surprise that orders have fallen off their previous torrential pace. **Orders may have declined over the last four months, but they were still higher than year-earlier totals.** Orders remain above replacement demand levels but are below recent production activity. *Source: FTR Transportation Intelligence*
Trucking News Clip	The Federal Motor Carrier Safety Administration is considering loosening restrictions on its apprenticeship pilot program for 18-20-year-old drivers to allow them in the program without holding a CDL. A CDL is currently one of the prerequisites for younger drivers looking to be trained by a carrier under the FMCSA's Safe Driver Apprenticeship Pilot (SDAP), a program created as part of the Infrastructure Investment and Jobs Act that was signed into law in 2021. However, a recent request from less-than-truckload specialist Pitt Ohio asking that the CDL restriction be lifted for its trainee drivers has prompted FMCSA to consider lifting the restriction for all carriers that are in or want to register for the program. *Source: FreightWaves; link to article*
AIR FREIGHT:	
Air Cargo Traffic	Industry-wide air cargo demand, measured by cargo tonne-kilometers (CTKs), **remained broadly unchanged at 20.6 billion in December 2022. This represents a 15.3% decline compared to the same month in 2021 and is also 7.4% lower than the corresponding pre-pandemic level**. The industry did not perform as well as expected in a traditional peak season due to multiple headwinds in the current global economy. For the full 2022 calendar year, industry-wide CTKs were 8.0% below 2021 levels and 1.6% below 2019 levels. **Inflation in the G7 countries pulled back to 6.8% in December from 7.4% in November - the greatest decline in 2022.** Both oil and jet fuel prices declined in December, slightly decreasing the unusually wide jet crack spread. *Source: International Air Transport Association (Global air freight covers international and domestic scheduled air traffic.)*

LOGISTICS MARKET SNAPSHOT

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FEBRUARY 2023

Jet Fuel Prices

As of February 24, 2023, the global average jet fuel price **ended at $112.85/bbl, falling 22.7% from the previous month** and 1.6% higher year-over-year.

Source: International Air Transport Association (the weekly index and price data shows the global average price paid at the refinery for aviation jet fuel)

Air Freight News Clip

When the pandemic pulled the plug on global air travel in 2020, the aviation industry was left reeling. Air passenger traffic was cut off overnight and billions were wiped from industry revenues. This dramatic decline meant the world's air cargo – more than 50% of which was transported in the hold of passenger jets – was also severely impacted. Despite freight aircraft continuing to operate, the grounding of passenger fleets resulted in a huge gap for air cargo operations that relied heavily on the extensive route networks travelled by passenger airlines. Yet demand for air cargo capacity during this time was not waning. As well as the need to transport essential medical equipment and supplies, the sudden acceleration in e-commerce meant logistics providers, eager to take advantage of this growing sector, were searching for quick solutions to satisfy e-consumers' appetites for fast and efficient deliveries. In response, airlines adapted quickly seeking to mitigate huge losses by redeploying their passenger aircraft as 'preighters'.
Source: American Journal of Transportation; link to article

OCEAN FREIGHT:

Shanghai Containerized Freight Index

As of February 24, 2023, the SCFI comprehensive **reading was $946.68 per FEU.** This is an 8.06% decrease from the previous month, **and an 80.35% decrease year-over year**.

Source: Shanghai Shipping Exchange (The Shanghai Containerized Freight Index reflects the spot rates of the Shanghai container transport market. It is a weekly reported average spot rate of 15 major container trade routes exported from Shanghai to regions around the globe.)

Georgia Ports Authority

The Port of Savannah's **loaded container exports grew 21% in January 2023. The nation's busiest port for U.S. goods handled 110,305 twenty-foot equivalent container units of exports, an increase of 19,419 TEUs**. Compared to pre-pandemic numbers, the Port of Savannah's January trade of 421,714 TEUs in total cargo showed 11.7% improvement over January 2020, in which GPA handled 377,671 TEUs. U.S. exports were a bright spot for GPA last month, in which total cargo dipped 55,000 TEUs or 11.5 percent compared to January 2022. The decrease was fueled in part by reduced orders in retail and manufacturing, resulting in import loads softening by 39,850 TEUs, or 16%. **At the Port of Brunswick, trade in autos and heavy machinery grew 9% in January, up 4,600 units to 57,127. For the fiscal year to date, Brunswick is up 16.7% to more than 411,000 Roll-on/Roll-off units.**
Source: Georgia Ports Authority

Ocean Freight News Clip

The Georgia Ports Authority and the Army Corps of Engineers this week marked the start of planning for improvements to the Brunswick harbor shipping channel that proponents say will make the transit of cargo ships safer and more efficient. The authority and the Corps signed an agreement Monday that launches design work for the Brunswick Harbor Modifications Project, a planned widening and realignment of the channel for vehicle carrier ships entering and exiting the Brunswick port. The project was approved in March 2022 and authorized for construction under the Water Resources Development Act of 2022.
Source: The Atlanta Journal-Constitution; link to article

WAREHOUSING & DISTRIBUTION:

Industrial Vacancy

The U.S. industrial vacancy rate ticked to 3.3%—20 basis points (bps) higher than the prior quarter. Despite the uptick, vacancy is still 140 bps lower than it was pre-pandemic and remains more than 300 bps lower than its 10-year average of 6.5%. In fact, 12 markets registered vacancy rates of 2.0% or lower at year-end with port-proximate industrial markets including Los Angeles, Savannah, Northern New Jersey, and Charleston among the tightest in the nation. **Savannah, GA reported** a vacancy rate of 0.7% for Q4 2022, compared to 0.5% Q4 2021. **Atlanta, GA reported** a vacancy rate of 3.3% for Q4 2022, compared to 3.1% in Q4 2021.

Note: Next release for Q1 2023 – U.S National Industrial Vacancy, will be published Friday, April 14, 2023.
Source: Cushman & Wakefield

Warehouse Rent Rates

Asking rents for industrial space soared in 2022 but have shown signs of moderating in recent quarters. In the fourth quarter, the **average industrial asking rental rate climbed only 1.0% quarter-over-quarter to $8.81 per square foot** (psf) but swelled by 18.6% year-over-year, marking the strongest year in history for annual rental rate growth. Charleston, Inland Empire, Phoenix, and Miami all recorded annual gains of 40% or higher. Coastal and port/population-proximate markets continued to be priced at a premium over the rest of the country with 9 of the 10 highest priced warehouse markets concentrated within California and New York/New Jersey. **For Savannah, GA** the average asking rental rate for Q4 2022 was $6.15, compared to $5.56 for Q4 2021. **For Atlanta, GA** the average asking rental rate for Q4 2022 was $7.14, compared to $6.35 for Q4 2021.

Note: Next release for Q1 2023 – U.S. National Asking Rents, will be published Friday, April 14, 2023.
Source: Cushman & Wakefield

Industrial Absorption

The U.S. industrial market finished 2022 with its second highest total for **overall net absorption on record at 477.3 million square feet (msf), coming in just behind the 561.4 msf registered in 2021**. On a quarterly basis, slowing demand amid economic headwinds, coupled with historically tight market conditions, pushed the fourth quarter total to 107.3 msf, down 9.4% from the third quarter. Still, this marked the ninth straight quarter in which absorption surpassed the 100-msf mark and indicates that demand for industrial space remains strong going into the new year. Regionally, the South represented almost half of the square feet absorbed throughout the quarter, despite accounting for just one-third of the nation's inventory. Of the 81 markets tracked by Cushman & Wakefield, 19 recorded more than 2.0 msf of net absorption in the fourth quarter while another nine exceeded 1.0 msf. **For Savannah, GA,** Q4 2022 net absorption registered at 2,609,130 compared to 7,538,835 for Q3 2022. **For Atlanta, GA**, Q4 2022 net absorption registered at 9,155,564 compared to 4,041,995 for Q3 2022.

Note: Next release for Q1 2023 – U.S National Industrial Absorption, will be published Friday, April 14, 2023.
Source: Cushman & Wakefield (Absorption is the net change in occupied space between two points in time. Positive absorption means that previously unoccupied space is being occupied.)

Warehouse Employment

Preliminary January 2023 numbers for the warehousing industry workforce comes in at **1,940,000 employees, an increase from 1,937,100 employees** for December 2022 (preliminary).

Source: U.S. Bureau of Labor Statistics

Warehouse Earnings & Hours

December 2022 average hourly earnings in the warehousing and storage subsector **increased almost a dime to $22.57/hour (preliminary) from the November 2022 rate of $22.48 hour (revised)**. The **average weekly hours were 41.4** for December 2022 (preliminary) down from 42.2 hours in November 2022.

Source: U.S. Bureau of Labor Statistics

Warehouse & Distribution News Clip

Target announced a $100-million investment Wednesday to expand next-day delivery capabilities through the addition of more than six new sorting centers. The retailer plans to grow its sortation network from nine to more than 15 facilities by the end of 2026. The company said the centers will expand next-day coverage "across major U.S. markets," though didn't specify locations. Target expects to deliver roughly 50 million packages from its sortation centers in 2023, twice the amount of last year. Since opening its first facility in 2020, the retailer said it's seen a 150% increase in the number of orders delivered the next day.
Source: Supply Chain Dive; link to article

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For more information about the **Logistics Market Snapshot** or the many other resources and activities of the Georgia Center of Innovation's logistics team please contact:

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