LOGISTICS MARKET SNAPSHOT

Georgia® CENTER OF INNOVATION

JULY 2023

U.S. MARKET:

Gross Domestic Product	Real gross domestic product (GDP) **increased at an annual rate of 2.4% in the second quarter of 2023** according to the "advance" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 2.0%. Compared to the first quarter, the acceleration in GDP in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in nonresidential fixed investment. The increase in real GDP also reflected increases in consumer spending, state and local government spending, and federal government spending that were partly offset by decreases in exports and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased. *Source: Bureau of Economic Analysis*
U.S. Trade Deficit	The goods and services deficit **was $69.0 billion in May 2023, down $5.5 billion from $74.4 billion in April**, revised. The May decrease in the goods and services deficit reflected a decrease in the goods deficit of $4.8 billion to $91.3 billion and an increase in the services surplus of $0.7 billion to $22.3 billion. For the three months ending in May, the average goods and services deficit decreased $0.4 billion to $68.0 billion. *Source: Bureau of Economic Analysis*
Import Volumes	May 2023 **imports were $316.1 billion, $7.5 billion less than April imports, or a decrease of 2.3%.** The May quantity of crude oil imports (202.2 million barrels) was the highest since July 2019 (214.0 million barrels). May imports of industrial supplies and materials ($56.1 billion) were the lowest since July 2021 ($54.5 billion). *Source: U.S. Census Bureau*
Export Volumes	May 2023 **exports were $247.1 billion, $2.1 billion less than April exports, or a decrease of 0.8%.** May exports of foods, feeds, and beverages ($12.4 billion) were the lowest since August 2021 ($12.4 billion). May exports to China ($10.7 billion) were the lowest since February 2021 ($9.3 billion). *Source: U.S. Census Bureau*
Import and Export Price Index	The price index for **U.S. imports declined 0.6% in May 2023**, resuming the trend of monthly decreases in 2023 following a 0.3% increase in April. U.S. import prices fell 5.9% for the year ended in May, the largest 12-month drop since the index declined 6.3% from May 2019 to May 2020. **U.S. exports declined 1.9% in May 2023, the largest monthly drop since December 2022.** Lower prices for agricultural exports and nonagricultural exports in May each contributed to the overall decrease. **U.S. export prices fell 10.1% for the year ended in May, the largest 12-month decline since the 12-month percent change series was first published in September 1984.** *Source: Bureau of Labor Statistics*
Unemployment Rate	Total nonfarm payroll employment **increased by 209,000 in June 2023, and the unemployment rate changed little at 3.6%.** Employment continued to trend up in government, health care, social assistance, and construction. **Georgia's unemployment rate remained steady at 3.2% for June 2023**, now ranking 28th in the U.S. of states with the lowest unemployment. New Hampshire and South Dakota tie with the lowest level of unemployment at 1.8%. Nevada ranks highest in unemployment with a rate of 5.4%. *Source: Bureau of Labor Statistics*
Labor Force Participation Rate	For June 2023 the labor force participation rate **remained unchanged for the 4th consecutive month, with a reading at 62.6%.** The labor force participation rate for June 2023 for those of **prime working age (25-54) increased to 83.5%.** *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. **declined by 0.7% in June 2023 to 106.1 (2016=100), following a decline of 0.6% in May.** The LEI is down 4.2% over the six-month period between December 2022 and June 2023—a steeper rate of decline than its 3.8% contraction over the previous six months (June to December 2022). Per The Conference Board, "The Leading Index has been in decline for fifteen months—**the longest streak of consecutive decreases since 2007-08, during the runup to the Great Recession.** Taken together, June's data suggests economic activity will continue to decelerate in the months ahead. We forecast that the US economy is likely to be in recession from Q3 2023 to Q1 2024. Elevated prices, tighter monetary policy, harder-to-get credit, and reduced government spending are poised to dampen economic growth further." *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	The Pending Home Sales Index **rose 0.3% to 76.8 in May 2023. Year over year, pending transactions fell by 15.6%.** The National Association of Realtors (NAR) forecasts that the 30-year fixed mortgage rate will hit 6.4% this year and then decline to 6.0% in 2024. NAR expects existing-home sales to decrease 12.9% from 2022 to 2023, settling at 4.38 million, before climbing 15.5%, to 5.06 million in 2024. Compared to last year**, national median existing-home prices will remain steady – declining 0.4%, to $384,900, before rebounding by 2.6% next year, to $395,000**. Newly constructed home sales will increase from last year by 12.3% in 2023, to 720,000 – due to additional inventory in this segment of the market – and increase by another 13.9% in 2024, to 820,000. The national median **new home price will decrease by 1.9% this year, to $449,100, and then improve by 4.2% next year, to $468,000**. *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 **June 2023 were at a seasonally adjusted annual rate of 1,434,000. This is 8.0% below the revised May 2023 estimate of 1,559,000 and is 8.1% below the June 2022 rate of 1,561,000**. Single-family housing starts in June were at a rate of 935,000; this is 7.05% below the revised May figure of 1,005,000. **The June rate for units in buildings with five units or more was 482,000.** *Source: U.S. Census Bureau*
Light-Vehicle Sales	Strong new light-vehicle sales last month helped end the first half of the year on a high note. **June 2023 totaled 15.7 million units, an increase of 20.2% compared with June 2022 numbers. Fleet sales were 18% of June 2023 volume, up from 16% in June 2022.** Alternative fuel vehicles gained market share the first half of the year with sales of battery electric vehicles (BEVs), plug-in hybrids and hybrids comprising 15.4% of all new light vehicles sold. BEVs alone represented 6.9% of all new light-vehicle sales, up from 4.9% of sales the first half of 2022. **Crossovers— at 46.6% of all new light-vehicles sold during the first half of the year—remained the most popular segment.** Leasing discounts have improved in recent months with June 2023 leasing accounting for 21% of new-vehicle retail sales, an improvement from the low of 16% in September 2022 but still below the pre-pandemic lease penetration of 30% in June 2019. *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 $69.5 billion (0.3% at a monthly rate) in June 2023. Disposable personal income (DPI), personal income less personal current taxes, increased $67.5 billion (0.3%). The increase in current-dollar personal income in June primarily reflected an increase in compensation that was partly offset by a decrease in personal income receipts on assets. **Personal outlays**, the sum of PCE, personal interest payments, and personal current transfer payments, increased $109.4 billion in June 2023. Personal saving was $862.4 billion in June and the personal saving rate—personal saving as a percentage of disposable personal income—was 4.3 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	The Personal Consumption Expenditures (PCE) price index for June 2023 increased 0.2% from the preceding month. Food prices decreased 0.1% and energy prices increased 0.6%. Excluding food and energy, the PCE price index also increased 0.2%. Real PCE increased 0.4%; goods increased 0.9% and services increased 0.1%. Within goods, the largest contributors to the increase were motor vehicles and parts (led by new light trucks) and recreational goods and vehicles (led by video, audio, photographic and information processing equipment and media). Within services, the leading contributor to the increase was financial services and insurance (led by portfolio management and investment advice services). *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 June 2023 were $689.5 billion, up 0.2% from the previous month, and up 1.5% above June 2022.** Total sales for the April 2023 through June 2023 period were up 1.6% the same period a year ago. The April 2023 to May 2023 percent change was revised from up 0.3% to up 0.5%. Retail trade sales were up 0.2% from May 2023, and up 0.5% above last year. **Non-store retailers were up 9.4% from last year, while food services and drinking places were up 8.4% from June 2022.** *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 first quarter of 2023, adjusted for seasonal variation, **was $272.6 billion, an increase of 3.0% from the fourth quarter of 2022.** Total retail sales for the first quarter of 2023 were estimated at $1,799.5 billion, an increase of 0.9% from the fourth quarter of 2022. The first quarter 2023 e-commerce estimate increased 7.8% from the first quarter of 2022 while total retail sales increased 3.4% in the same period. **E-commerce sales in the first quarter of 2023 accounted for 15.1% of total sales.** ***Note: Release for Q2 2023 – U.S Quarterly Retail E-Commerce Sales, will be published Thursday, August 17, 2023.*** *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 **rose again in July 2023 to 117.0 up from 110.1 in June.** Despite rising interest rates, consumers are more upbeat, likely reflecting lower inflation and a tight labor market. Says The Conference Board, "Although consumers are less convinced of a recession ahead, we still anticipate one likely before yearend. Headline confidence appears to have broken out of the sideways trend that prevailed for much of the last year. **Greater confidence was evident across all age groups,** and among both consumers earning incomes less than $50,000 and those making more than $100,000." *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 and Producer Price Index	The **Consumer Price Index rose 0.2% in June 2023** on a seasonally adjusted basis, after increasing 0.1% in May. Over the last 12 months, the all items index increased 3.0% before seasonal adjustment. The index for all items less food and energy rose 0.2% in June, the smallest 1-month increase in that index since August 2021. The **Producer Price Index increased 0.1% in June 2023**, seasonally adjusted. The index for final demand advanced 0.1% for the 12 months ended in June. The index for final demand less foods, energy, and trade services moved up 0.1% in June after no change in May. For the 12 months ended in June, prices for final demand less foods, energy, and trade services advanced 2.6%. Indexes which increased in June include shelter, motor vehicle insurance, apparel, recreation, and personal care. The indexes for airline fares, communication, used cars and trucks, and household furnishings and operations were among those that decreased over the month. *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 1.6 points in June to 91.0, however, it is the 18th consecutive month below the 49-year average of 98.** Inflation and labor quality are tied as the top small business concerns with 24% of owners reporting each as their single most important problem. The net percent of owners raising average selling prices decreased three points to a net 29% seasonally adjusted, still a very inflationary level but trending down. This is the lowest reading since March 2021. Says the National Federation of Independent Business, "Small business owners remain very pessimistic about future business conditions and their sales prospects. Inflation and labor shortages continue to be great challenges for small businesses**. Owners are still raising selling prices at an inflationary level to try to pass on higher inventory, labor, and energy costs." Forty-two percent of owners reported job openings that were hard to fill, down two points from May 2023 but remaining historically very high**. *Source: National Federation of Independent Business*
Industrial Production and Capacity Utilization	**Industrial production declined 0.5% in June 2023 for a second consecutive month but advanced 0.7% at an annual rate for the second quarter as a whole**. At 102.2 percent of its 2017 average, total industrial production in June 2023 was 0.4% below its year-earlier level. **Capacity utilization stepped down to 78.9% in June**, a rate that is 0.8 percentage point below its long-run (1972–2022) average. Capacity utilization for manufacturing edged down to 78.% in June 2023, a rate that is 0.2 percentage point below its long-run (1972–2022) average. Manufacturing output moved down 0.3% in June but rose 1.5% in the second quarter. *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 and Sales	Manufacturers' and **trade inventories for May 2023 were estimated at an end-of-month level of $2,545.8 billion, up 0.2% from April 2023** and were up 3.5% from May 2022. The combined value of distributive **trade sales and manufacturers' shipments for May 2023 was estimated at $1,822.1 billion, up 0.2% from April 2023**, but was down 1.8% from May 2022. The total **business inventories/sales ratio** at the end of May 2023 was 1.40. The May 2022 ratio was 1.33. *Source: U.S. Census Bureau*
Purchasing Managers Index, Manufacturing	The **June 2023 Manufacturing PMI registered 46%, 0.9 percentage point lower than the 46.9% recorded in May.** Regarding the overall economy, this figure indicates a seventh month of contraction after a 30-month period of expansion. According to the Institute for Supply Management, "The U.S. manufacturing sector shrank again, with the Manufacturing PMI losing ground compared to the previous month, indicating a faster rate of contraction. The June composite index reading reflects companies continuing to manage outputs down as softness continues and optimism about the second half of 2023 weakens." **Of the six biggest manufacturing industries, only one — Transportation Equipment — registered growth in June**. *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	In June 2023, the **Services PMI registered 53.9%, 3.6 percentage points higher than May's reading of 50.3%.** Says the Institute for Supply Management, "In the last six months, the average reading of 47.9% (with a low of 45.8% in March) reflects the fastest supplier delivery performance since June 2009, when the index registered 46.0%. There has been an uptick in the rate of growth for the services sector. This is due mostly to the increase in business activity, new orders, and employment. Increased capacity, backlog reduction and continued improvements in logistics have impacted delivery times." **The 3 industries reporting a decrease in the month of June are: Agriculture, Forestry, Fishing & Hunting; Mining; and Information.** *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	For the 2nd time in a row **the Logistics Managers' Index registers as contracting – coming in at 45.6. This is the 4th consecutive month that the index has reached a new all-time low**. Inventory Levels are contracting and the growth rate for Inventory Costs is down. Due to the contraction (which some would call "right-sizing") of inventories, Inventory Cost growth dipped in June. Warehousing Capacity expanded but despite this abundance of capacity, Warehousing Utilization increased its rate of growth. Even with Warehouse Capacity increasing rates continue to rise. The freight market remains challenging. **Despite the excess capacity and low prices, the exits from the freight market that we would have expected to see have not yet materialized.** The glut of capacity has led to continued contraction in Transportation Utilization, although contraction may be slowing due to the national tender rejection rate hovering between 2.5-3.2% through the start of summer. Although some spot rates are increasing, particularly for outbound freight from large markets, spot markets still linger well behind contract rates. *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	Not more than a year ago, all eyes were focused on the disruption in the global supply chain. Ports were backed up, transportation costs were soaring, and there was a shortage of essential consumer goods. These bottlenecks caused massive stress in the economy and skyrocketing inflation. Today, things are very, very different. Evidence suggests the crisis is over. Every component in the global supply chain has seen improvement - ocean freight shipping, the price of shipping containers, barge transportation, air cargo, trucking, and warehouse capacity - all provide evidence of improvement. This article seeks to look at each of these components individually. *Source: Forbes; link to article*

INTERMODAL:

Dow Jones Transportation Average	As of July 28, 2023, the Dow Jones Transportation Average **closed at a reading of 16,695.32.** *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 July 28, 2023, the NASDAQ Transportation Index **closed at a reading of 6,639.30.** *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 **May 2023 measured 137.6, 2.5% below the all-time high level of 141.2 in August 2019**. The Freight TSI increased in May due to seasonally adjusted increases in rail intermodal, water, air freight, pipeline, and trucking, while rail carloads were down. The May freight index increase followed two consecutive months of decline, leaving the index 1.5% below the February level. This was only the second increase in the last nine months, for an overall decrease of 2.4% since August 2022. *Source: U.S. Bureau of Transportation Statistics (TSI is based on the amount of freight carried by the for-hire transportation industry)*
Freight Index for Shipments and Expenditures	The **shipments component of the Cass Freight Index fell 1.6% month-over-month in June 2023** and fell 1.9% month-over-month in seasonally adjusted (SA) terms. Declining real retail sales trends and ongoing destocking remain the primary headwinds to freight volumes, but dynamics are shifting as real incomes improve and the worst of the destock is in the rearview. The **expenditures component of the Cass Freight Index fell 2.6% month-over-month and 24.5% year-over-year in June.** The expenditures component of the Cass Freight Index rose 23% in 2022, after a record 38% increase in 2021, but is set to decline about 17% in 2023, assuming normal seasonal patterns from here. With both freight volume and rates under pressure at this point in the cycle, that assumption is likely optimistic, so we may be looking at a ~20% decline in freight spending this year. *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) in **April 2023 rose to 7.1 from a 4.5 reading in March**. A weaker environment for both freight rates and carrier utilization more than offset slightly stronger freight demand and a deceleration of fuel cost decreases in April. The outlook is positive through mid-2024. Says FTR Transportation Intelligence, "Shippers conditions improved in April as weaker rates and carrier utilization helped support shippers. The outlook is for a firmly positive outlook for shippers in the economic balance of power between themselves and carriers for at least another 12 months. **Economic uncertainty or a higher than expected amount of economic weakness could bump that time frame further out into the future** and extend the good ride shippers have had over the last few months." ***Note: May 2023 – Shippers Conditions Index, had not been released at time of publication.*** *Source: FTR Transportation Intelligence (Figures below zero indicate a less-than-ideal environment for shippers)*
North American Transborder Freight	Total transborder freight moved by all modes of transportation between the United States and North American countries Canada and Mexico for **May 2023 was valued at $136.2 billion, down 2.3% compared to May 2022.** Freight between the U.S. and Mexico totaled $68.7 billion, up 0.3% from May 2022. Freight between the U.S. and Canada totaled $67.6 billion, down 4.8% from May 2022. **Air moved** $4.8 billion of freight, up 2.6% compared to May 2022. **Pipelines moved** $9.2 billion of freight, down 32.9% compared to May 2022. **Railways moved** $17.7 billion of freight, down 8.0% compared to May 2022. **Trucks moved** $89.1 billion of freight, up 8.6% compared to May 2022. **Vessels moved** $9.5 billion of freight, down 32.8% compared to May 2022. *Source: U.S. Bureau of Transportation Statistics*
Intermodal News Clip	Atlanta-based IntelliTrans, which specializes in solutions for shippers of breakbulk and bulk commodities, will incorporate Nexxiot data into its existing visibility tool for customers that are also Nexxiot customers. Switzerland-based Nexxiot provides rail, intermodal and ocean container tracking hardware. The company, along with competitor Orbcomm, tied up a landmark deal with Hapag-Lloyd in April 2022 to equip the container line's entire dry box fleet with sensors, the first such initiative in the shipping industry. The need for shippers to get better rail visibility data has heightened in recent years, evidenced by providers making strategic acquisitions and adding rail tracking capability. Project44 acquired European rail visibility data provider Synfioo in April 2022. In June 2022, ocean visibility vendor Vizion added an intermodal rail tracking feature through direct data feeds with all the North American Class I railroads. *Source: Journal of Commerce; link to article*

RAIL:

U.S. Freight Rail Traffic	U.S. railroads **originated 903,397 carloads in June 2023**, down 0.2%, or 1,931 carloads, from June 2022. U.S. railroads also **originated 988,766 containers and trailers in June 2023**, down 7.0%, or 74,306 units, from the same month last year. **Combined U.S. carload and intermodal originations in June 2023 were 1,892,163**, down 3.9%, or 76,237 carloads and intermodal units from June 2022. Per the Association of American Railroads, "Recent rail traffic patterns point to contrasts in the broader economy. For example, rail intermodal is largely consumer goods, but recent spending on goods has cooled considerably and, with it, intermodal volumes. **On the other hand, rail carloads of industrial products are performing much better, reflecting relative strength in the auto, mineral extraction, and other sectors**." *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 June 2023 was 506.5.** This is a month-over-month decrease of 1.57%, and a year-over-year decrease of 41.50%. *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 **June 2023 was 122, 864 workers**, an increase from 122,391 workers in May 2023. Total number of workers in May 2022 was 116,251. *Source: U.S. Surface Transportation Board*
Rail Freight News Clip	The Federal Railroad Administration is calling on Class Is to report every month the number, length and weight of trains operated on their rail lines. Last week, the FRA announced in the Federal Register that it's seeking public comment on its information collection request (ICR). Comments are due Sept. 19. The ICR follows the FRA's safety advisory issued in May, which noted potential complexities associated with operating longer trains and recommended railroads address those complexities to ensure the safe operation of long trains. The advisory cited three "significant incidents" that occurred since 2022 involving trains with more than 200 cars, more than 10,000 feet in length and weighing more than 17,000 trailing tons, where train handling and train makeup is believed to have caused, or contributed to, the incidents. *Source: Progressive Railroading; link to article*

ROAD:

Cowen/AFS Freight Index	The **Truckload Rate-Per-Mile Index** will increase slightly to 6.6% in Q3:2023, a reversal of the downward trend established since Q1:2022, but still an 8.9% year-over-year (YoY) decline. As a result of stronger-than-expected U.S. Data from Q2:2023 indicated a decline in both cost per shipment (CPS) and miles per shipment (MPS), but the pace of the CPS decrease has slowed and both metrics remain elevated compared to pre-pandemic levels. The **LTL Rate Per Pound Index** is projected to decline 1.3% quarter-over-quarter (QoQ) and 7.0% YoY to 51.3%, remaining significantly higher than pre-pandemic levels. The LTL cost per shipment experienced the first negative YoY change since 2020, with cost per shipment declining by 5.5% QoQ and 10.6% YoY. These numbers show the effect of dampened fuel charges, sluggish demand and a decline in the average length of haul per shipment. The **Express Parcel Rate Per Package Index** is expected to decrease to 0.9% in Q3:2023, a decline of 1.5% QoQ but still a 1.9% increase YoY. Express parcel cost per package decreased 1.9% QoQ in Q2:2023 due to a 20.7% QoQ drop in the fuel surcharge, a slightly higher average discount and lower average accessorial charges. The **Rate Per Package Index** is projected to fall to 26.3% above the January 2018 baseline, down 1.3% QoQ and the first YoY decline in ground parcel since 2019. Ground parcel rates saw a decrease of 2.2% QoQ due to an 8.7% decline in net effective fuel surcharge and an increase in discounts. As in express parcel, falling fuel surcharges were the dominant force driving down the cost per package in Q2:2023, accompanied by a 1.2% increase in the average discount for base transportation and a 0.7% decline in average accessorial charges. *Source: AFS Logistics (An index providing a snapshot of less-than-truckload shipping, full truckload shipping, and parcel shipping.)*
Truckload Linehaul Index	The Truckload Linehaul Index (TLI) **fell 0.4% month-over-month in June 2023 to 142.3, after a 2.6% month-over-month decline in May**. **Although the June decline was smaller, the 1.5% average decline of the past two months is still nearly twice the 0.8% average of the prior six months**. On a year-over-year basis, the TLI fell 14.1% in June after a 15.3% year-over-year decline in May. 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. *Source: Cass Information Systems (this index measures the per-mile change in linehaul rates and 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

The For-Hire Truck Tonnage Index **rose 2.1% in June 2023 after increasing 1.2% in May. In June, the index equaled 116.5 (2015=100) compared with 114.1 in May**. Says the American Trucking Associations, “While the tonnage index increased in both May and June, it remains in recession territory. **A multitude of factors have caused a recession in freight, including stagnant consumer spending on goods, lower home construction, falling factory output, and shippers consolidating freight into fewer shipments** compared with the frenzy during the goods buying spree at the height of the pandemic. However, the magnitude of the year-over-year declines is improving, perhaps pointing to a bottom in the freight market.”

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 June 2023 was 2.59.** The May 2023 ratio was 2.50 and the June 2022 ratio was 3.88. **Georgia’s load-to-truck ratio** for vans for June 2023 remained steady at an average of 2.6 – 5.4 loads for every truck.
For June 2023 the outbound van rate for the Southeast region averaged $2.06. For July 2023, **the spot rate** (national average) for dry van freight declined 1 cent from the previous month to a reading of $2.07. **Contract rates** registered an average of $2.55 for the same month.

Source: DAT Freight & Analytics

Truckload Freight, Refrigerated

The national **load-to-truck ratio for refrigerated hauls averaged 3.83 loads per truck in June 2023.** The May 2023 ratio was 3.62 and the June 2022 ratio was 7.03. **Georgia’s load-to-truck ratio** for June 2023 remained steady, averaging 5.6 – 11.9 reefer loads per truck. For June 2023 the average outbound rate for the **Southeast region for reefer freight** registered at $2.33. The average national **spot market reefer rate for July 2023 was $2.43 per mile,** falling 6 cents from the previous month. Contract rates for reefers averaged $2.89 for the same month.

Source: DAT Freight & Analytics

Trucking Conditions Index

The Trucking Conditions Index for **May 2023 showed minuscule month-over-month improvement. A reading of -3.75 – from 3.88 in April – indicates a mildly negative environment for carriers**. Falling fuel prices and slightly less unfavorable rates and utilization offset weaker volume in May as market conditions remain weak but stable. FTR’s forecast for this index is negative through the middle of 2024. In general, weak rates and elevated financing costs are expected to offset tiny incremental improvement in freight demand and utilization. Per FTR Transportation Intelligence, “**If there’s any good news for trucking companies, it’s that conditions are not really deteriorating. Freight volume is largely stable, and driver capacity appears to be falling steadily but slowly.** However, this market climate could stick around well into 2024, resulting in weak freight rates and low margins. Solid financial management has never been more critical as trucking companies cannot count on a rising tide lifting all boats anytime soon.”

Source: FTR Transportation Intelligence (Figures below zero indicate a less-than-ideal environment for trucking)

Diesel Prices

As of July 24, 2023, the **U.S. average diesel price was $3.90 per gallon**. This is a dime increase from June, and $1.88 lower than the same week in 2022. The average price of diesel in the **Lower Atlantic states came in at $3.89 per gallon**, a 4-cent increase from the previous month and a $1.80 decrease during the same period last year.

Source: U.S. Energy Information Administration (Reflects the costs and profits of the entire production and distribution chain)

Trucking Employment

June 2023 numbers (preliminary) for the trucking industry **read at 1,609,700 employees,** a decrease from 1,609,900 employees (preliminary) for May 2023.

Source: U.S. Bureau of Labor Statistics

Trucking Earnings and Hours

For May 2023, the average earnings (preliminary) for occupations commonly found in truck transportation **were $29.45/hour**, an incrase from the previous month’s rate of $29.14. May 2023 showed **average weekly hours totaling 40.8 hours** (preliminary) down from 41.1 hours in April 2023.

Source: U.S. Bureau of Labor Statistics

U.S. Truck & Trailer Orders (Class 8)	**North American Class 8 orders came in above expectations at nearly 13,800 units in June 2023, flat versus May 2023 and down just 7% year-over-year**. The level of order activity continues to be below replacement demand, however. Total Class 8 orders for the previous 12 months have equaled 297,800 units. Says FTR, "We have been anticipating net Class 8 orders to drop over the last several months to below 10,000 units. This has not occurred, which is a positive sign that fleets still need equipment. With the recent solid order totals, it is all but guaranteed that Q4 production will be strong. **The normally weaker orders due to a seasonal mid-year slowdown coupled with strong build activity will keep shrinking backlogs."** *Source: FTR Transportation Intelligence*
Road Freight News Clip	Legislation meant to promote highway safety by setting federal standards that further determine a carrier's competence was recently introduced in the U.S. Senate. Republican Sens. Deb Fischer of Nebraska and Mike Crapo of Idaho, sponsors of the Motor Carrier Safety Selection Standard Act, say their effort would require the U.S. Department of Transportation to establish a so-called safety fitness determination. This would seek to set new standards for ensuring trucking companies are licensed and registered, as well as insured. *Source: Transport Topics; link to article*

AIR:

Air Cargo Traffic	Global air cargo demand in April 2023 continued its year-on-year decline at a slower rate than the first three months of 2023, with cargo tonne-kilometers (CTKs) **falling by 6.6% compared to April 2022. Despite the decline, this represents a continued improvement from the double-digit annual contractions of CTKs experienced earlier in 2023.** As a result, the gap between 2022 and 2023 year-to-date CTKs has narrowed from -16.8% in January to -10.1% in April. Global cross-border trade and new export orders PMIs, the two critical indicators of air cargo demand, both saw year-on-year growth for the first time in several months. North American airlines experienced notable declines in international CTKs compared to the previous year, primarily due to decreased air cargo traffic on the North America-Europe and North America-Asia trade lanes. ***Note: May 2023 – Air Cargo Market Analysis, had not been released at time of publication.*** *Source: International Air Transport Association (Global air freight covers international and domestic scheduled air traffic.)*
Jet Fuel Prices	As of July 28, 2023, the global average jet fuel price **ended at $112.39/bbl, an increase of 17.5% from the previous month.** This is a 18.0% decline, 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	Maersk's new Atlanta gateway is part of the company's larger push to bolster its air freight services in North America. Located in Atlanta Tradeport's Foreign Trade Zone, two miles from ATL, the new air freight facility has lower duties, reduced processing fees and quicker transport from the port of Savannah, according to a release. The site will "act as a forward staging facility for our Greenville, South Carolina own controlled flight operations," according to the press release. At Greenville-Spartanburg International Airport (GSP), the carrier has five Amerijet International-operated freighter services to Germany and two weekly flights to China, with an onward connection to Korea. Says John Wetherell, regional head of air freight, North America, "Our Atlanta facility enhances our offering, providing customers with superior supply chain flexibility supported by our expanded regional capabilities in warehousing and transportation." *Source: Supply Chain Dive; link to article*

OCEAN:

Shanghai Containerized Freight Index	As of June 21, 2023, the SCFI comprehensive **reading was $1,029.23 per FEU.** This is a 7.30% increase from the previous month, **and a 73.68% 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 Georgia Ports Authority **recorded its third busiest June ever last month, with 381,825 twenty-foot equivalent container units of cargo**, behind June 2022 (494,107 TEUs) and June 2021 (446,815). The port's volume last month constituted a 5.5% increase over its pre-pandemic performance in June 2019, when Garden City Terminal handled 361,906 TEUs. According to the most recent PIERS data, **the Port of Savannah achieved 11.2% market share in container trade among U.S. ports on the East, West and Gulf coasts through April, its highest ever**. Record trade at the Appalachian Regional Port was another highlight in FY2023. The inland terminal handled its highest volumes ever, at 33,700 rail lifts, an increase of more than 18% or 5,200 containers. The Georgia Ports Authority also handled record Roll-on/Roll-off volumes in Fiscal Year 2023, at more than 723,500 units, an increase of 18% or nearly 109,000 units over the previous year. *Source: Georgia Ports Authority*
Ocean Freight News Clip	America's Federal Maritime Commission (FMC) recently unveiled plans for the collection and return of containers in a bid to alleviate future bottlenecks. Following a decade of fact-finding missions, aided by industry groups and the FMC's supply chain innovations team, commissioner Rebecca Dye published proposals that would affect Los Angeles and New York ports, calling for shipping community feedback by September of this year. The proposals (https://www.fmc.gov/addressing-supply-chain-bottlenecks) aim to generate greater clarity and sharing of information from marine terminal operators (MTOs) and shipping lines with supply chain partners. Ocean carriers and MTOs would be required to provide shippers with an electronic notice that a container is available for pickup; with free time not starting until the box is accessible and available, the free-time clock stopping for impediments to this. *Source: The Loadstar; link to article*

WAREHOUSING & DISTRIBUTION:

Industrial Vacancy	For Q2 2023, the **U.S. industrial vacancy rate pushed higher by 60 basis points (bps). At 4.1%, the national vacancy rate surpassed the 4% mark for the first time since mid-year 2021**, although it remains 110 bps below the 10-year historical average of 5.2%. Despite recent upticks in vacancy over the last three quarters, most markets remain historically tight. In fact, 24 markets currently register rates at 3% or lower, five of which boast rates at 2% or less. All things considered, the U.S. industrial market is still historically tight, with vacancy well below pre-pandemic levels. **Savannah, GA reported** a vacancy rate of 3.6% for Q2 2023, compared to 0.6% for Q2 2022. **Atlanta, GA reported** a vacancy rate of 4.7% for Q2 2023, compared to 2.7% in Q2 2022. *Source: Cushman & Wakefield*
Warehouse Rent Rates	Asking **rental rate growth persisted at a healthy pace during the second quarter, increasing by 4.6% quarter-over-quarter to $9.59 per square foot (psf)**. Annual rent growth moderated over the last three quarters after peaking at 21.9% in the third quarter of 2022, coming in at 16.1% mid-year. The Northeast drove asking rent growth, while both the West and South surpassed double-digit annual rent growth. While market conditions have begun to soften, many landlords—especially institutional owners—have been holding firm on pricing. **For Savannah, GA** the average asking rental rate for Q2 2023 was $6.54, compared to $6.12 for Q2 2022. **For Atlanta, GA** the average asking rental rate for Q2 2023 was $7.17, compared to $6.61 for Q2 2022. *Source: Cushman & Wakefield*
Industrial Absorption	Following two years of record-setting demand and cumulative rent growth of 30% or more, the industrial sector appears to be reverting to the norm. In the second quarter, **net absorption registered 44.9 million square feet (msf),** down from 71.4 msf observed in the previous quarter and down from 126 msf recorded one year prior. **Regionally, the South accounted for 61% of the second-quarter absorption total, led by Savannah, Dallas and Houston—all of which achieved more than 3 msf of net absorption.** In total, 21 markets posted at least 1 msf of net growth, signaling that although moderating from historic highs, the industrial market is still very healthy. **For Savannah, GA,** Q2 2023 net absorption registered at 4,409,878 compared to 2,159,187 for Q1 2023. **For Atlanta, GA**, Q2 2023 net absorption registered at -802,187 compared to 3,678,150 for Q1 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 June 2023 numbers for the warehousing industry workforce comes in at **1,904,700 employees, decreasing from 1,911,600 employees** for May 2023 (preliminary). *Source: U.S. Bureau of Labor Statistics*

Warehouse Earnings and Hours	May 2023 average hourly earnings in the warehousing and storage subsector comes in at **$23.83/hour (preliminary), almost a half dollar increase from the April 2023 rate of $22.66/hour**. The **average weekly hours were 37.2 for May 2023** (preliminary) up from 36.5 hours in April 2023. *Source: U.S. Bureau of Labor Statistics*
Warehouse and Distribution News Clip	Significant attention has been given to advancing warehouse management systems (WMS) in the FreightTech landscape, revolutionizing operations within physical buildings for enhanced transparency and optimization. However, yard management systems (YMS) have received less investment, and their innovations have been relatively dormant compared to WMS. YMS has traditionally relied on manual processes with limited technological support. According to Terminal Industries, 92% of yards lack technology solutions to eliminate wasted capacity, drive down unforeseen costs and improve inventory operations, leading to $146 billion in excess transportation costs. *Source: FreightWaves; link to article*

The free Logistics Market Snapshot is compiled and prepared monthly by the Georgia Center of Innovation

Georgia® CENTER OF INNOVATION

The Georgia Center of Innovation's logistics team is the leading statewide resource for fueling logistics industry growth and global competitiveness. The Center works to address the needs and opportunities of companies of any size involved in logistics and freight transportation – both providers and heavy consumers of logistics services. The Center provides industry knowledge and technical expertise, connections to state resources in research and innovation, and joins together an extensive cross-sector industry network. As an industry focused component of the Georgia Department of Economic Development (GDEcD) the Center has main offices in Savannah and Atlanta with activity in all parts of the State.

The Center represents all segments of the logistics industry and provides a unique platform for companies to network, address industry issues and share knowledge. **Simply put, the Center is a catalyst to help logistics-enabled businesses clear the path to innovation and growth**.

For more information about Georgia's Center of Innovation, Logistics please contact:
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