

LOGISTICS MARKET SNAPSHOT

U.S. MARKET:

Gross Domestic Product

Real gross domestic product (GDP) **increased at an annual rate of 1.3% in the first quarter of 2023 according to the "third" estimate** released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 2.6%. This GDP estimate is based on more complete source data than were available for the "second" estimate issued last month. The updated estimates primarily reflected upward revisions to exports and consumer spending that were partly offset by downward revisions to nonresidential fixed investment and federal government spending. Imports, which are a subtraction in the calculation of GDP, were revised down. The increase in real GDP reflected increases in consumer spending, exports, federal government spending, state and local government spending, and nonresidential fixed investment that were partly offset by decreases in private inventory investment and residential fixed investment.

Source: Bureau of Economic Analysis

U.S. Trade Deficit

The goods and services deficit **was \$74.6 billion in April 2023, up \$14.0 billion from \$60.6 billion in March**, revised. The April increase in the goods and services deficit reflected an increase in the goods deficit of \$14.5 billion to \$96.1 billion and an increase in the services surplus of \$0.6 billion to \$21.6 billion. For the 3 months ending in April, the average goods and services deficit increased \$1.5 billion to \$68.5 billion.

Source: Bureau of Economic Analysis

Import Volumes

April 2023 **imports were \$323.6 billion, \$4.8 billion more than March imports, or an increase of 1.5%**. April imports of foods, feeds, and beverages (\$16.4 billion) were the lowest since December 2021 (\$16.2 billion). April imports from Singapore (\$4.2 billion) were the highest on record.

Source: U.S. Census Bureau

Export Volumes

April 2023 **exports were \$249.0 billion, \$9.2 billion less than March exports, or a decrease of 3.6%**. April exports of industrial supplies and materials (\$58.7 billion) were the lowest since November 2021 (\$58.2 billion). April exports to Japan (\$5.8 billion) were the lowest since February 2021 (\$5.3 billion).

Source: U.S. Census Bureau

Import & Export Price Index

U.S. import prices decreased 0.6% in May 2023, after increasing 0.3% the previous month. Lower fuel and nonfuel prices each contributed to the May decline. Import fuel prices fell 6.4% in May following a 4.1% increase in April. Lower petroleum and natural gas prices contributed to the May decline which was the largest 1-month drop since August 2022. **Prices for import fuel decreased 35.2% over the past 12 months, the largest over-the-year decline since the index fell 37.5% from June 2019 to June 2020.** Prices for **U.S. exports declined 1.9% in May 2023, the largest monthly drop since December 2022.** Lower prices for nonagricultural exports and agricultural 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.** Agricultural export prices decreased 2.1% in May, after advancing 0.4% in April. Lower prices for corn, soybeans, and wheat in May more than offset higher meat and fruit prices. Prices for agricultural exports fell 8.1% over the past 12 months, the largest over-the-year decline since a 9.1% drop in April 2016.

Source: Bureau of Labor Statistics

Unemployment Rate

Total nonfarm payroll **employment increased by 339,000 in May 2023, and the unemployment rate rose by 0.3 percentage point to 3.7%**. Job gains occurred in professional and business services, government, health care, construction, transportation and warehousing, and social assistance. **Georgia's unemployment rate increased to 3.2% for May 2023**, now ranking 27th in the U.S. of states with the lowest unemployment. Nebraska, New Hampshire, and South Dakota tie with the lowest level of unemployment at 1.9%. Nevada ranks highest in unemployment with a rate of 5.4%.

Source: Bureau of Labor Statistics

Labor Force Participation Rate

For May 2023 the labor force participation rate **remained unchanged for the 3rd consecutive month, with a reading at 62.6%**. The labor force participation rate for May 2023 for those of **prime working age (25-54) increased to 83.4%**.

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 May 2023 to 106.7 following a decline of 0.6% in April.** The LEI is down 4.3% over the six-month period between November 2022 and May 2023—a **steeper rate of decline than its 3.8% contraction over the previous six months from May to November 2022.** According to The Conference Board, "The US LEI continued to fall in May as a result of deterioration in the gauges of consumer expectations for business conditions, a negative yield spread, and worsening credit conditions. The US Leading Index has declined in each of the last fourteen months and continues to point to weaker economic activity ahead."

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)

LOGISTICS MARKET SNAPSHOT

Pending Home Sales Index

The Pending Home Sales Index (PHSI) **dropped 2.7% to 76.5 in May 2023. Year over year, pending transactions fell by 22.2%.** Three U.S. regions posted monthly losses, while sales in the Northeast surged. All four regions saw year-over-year declines in transactions. According to the National Association of Realtors, **“Despite sluggish pending contract signings, the housing market is resilient with approximately three offers for each listing.** The lack of housing inventory continues to prevent housing demand from being fully realized. It is encouraging that homebuilders have ramped up production, but the supply from new construction takes time and remains insufficient. There should be more focus on boosting existing-home inventory with temporary tax incentive measures”.

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 **May 2023 were at a seasonally adjusted annual rate of 1,631,000.** This is 21.7% above the revised April estimate of 1,340,000 and is 5.7% above the May 2022 rate of 1,543,000. Single-family housing starts in May were at a rate of 997,000; this is 18.5% above the revised April figure of 841,000. **The May rate for units in buildings with five units or more was 624,000.**

Source: U.S. Census Bureau

Light-Vehicle Sales

New light-vehicle sales in **May 2023 were up 19.6% compared with May 2022. The 15.1 million units for May 2023 represents the tenth straight month of year-over-year sales increases.** Inventory levels for the industry overall totaled just under 1.8 million units at the end of April 2023. Inventory levels for May 2023 are expected to show a slight increase compared with April 2023. Average incentive spending per unit is expected to reach \$1,788 in May 2023, an increase of 88.1% compared with May 2022. OEMs and segments with the most in-demand vehicles still have very low incentive spending, while those OEMs and segments where inventory levels are higher, have more available incentives.

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 \$91.2 billion, or 0.4%, in May 2023. Disposable personal income (DPI), personal income less personal current taxes, increased \$86.7 billion (0.4%). The increase in current-dollar personal income in May primarily reflected increases in compensation, personal current transfer receipts, and personal income receipts on assets. The increase in compensation was led by private wages and salaries. **Personal outlays, the sum of PCE, personal interest payments, and personal current transfer payments, increased \$22.7 billion in May 2023.** Personal savings was \$910.3 billion in May and the personal saving rate was 4.6%.

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 increased 0.1% for May 2023.** Excluding food and energy, the PCE price index increased 0.3%. Real PCE decreased by less than 0.1%; goods decreased 0.4 and services increased 0.2%. Within goods, the largest contributor to the decrease was spending on new motor vehicles and parts (led by new light trucks). Within services, the largest contributors to the increase were “other” services (led by international travel) and spending on transportation services (led by public transportation).

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 **May 2023, were \$686.6 billion, up 0.3% from the previous month, and up 1.6% above May 2022.** Total sales for the March 2023 through May 2023 period were up 1.7% from the same period a year ago. Retail trade sales were up 0.3% from April 2023, and up 0.7% above last year. Non-store retailers were up 6.5% from last year, **while food services and drinking places were up 8.0% from May 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)

LOGISTICS MARKET SNAPSHOT

Consumer Confidence Index

The Consumer Confidence Index **increased in June to 109.7, up from 102.5 in May 2023**. Per The Conference Board, **“Consumer confidence improved in June to its highest level since January 2022**, reflecting improved current conditions and a pop in expectations. Greater confidence was most evident among consumers under age 35, and consumers earning incomes over \$35,000. Nonetheless, the expectations gauge continued to signal consumers anticipating a recession at some point over the next 6 to 12 months.”

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 rose 0.1% in May 2023** on a seasonally adjusted basis, after increasing 0.4% in April. Over the last 12 months, the All Items index increased 4.0% before seasonal adjustment. The index for All Items less food and energy rose 0.4% in May, as it did in April and March. **Indexes which increased in May include shelter, used cars and trucks, motor vehicle insurance, apparel, and personal care**. The index for household furnishings and operations and the index for airline fares were among those that decreased over the month. The **Producer Price Index** for final demand declined 0.3% in May 2023. Final demand prices rose 0.2% in April and fell 0.4% in March. Prices for final demand less foods, energy, and trade services were unchanged in May after inching up 0.1% in April. For the 12 months ended in May 2023, the index for final demand less foods, energy, and trade services increased 2.8%.

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 0.4 points in May 2023 to 89.4, which is the 17th consecutive month below the 49-year average of 98**. The last time the Index was at or above the average was in December 2021. Small business owners expecting better business conditions over the next six months declined one point from April to a net negative 50%. Twenty-five percent of owners reported that inflation was their single most important problem in operating their business, up two points from last month and followed by labor quality at 24%. Per The National Federation of Independent Business, **“Overall, small business owners are expressing concerns for future business conditions. Supply chain disruptions and labor shortages will continue to limit the ability of many small firms to meet the demand for their products and services, even though less severe than last year’s experience.”**

Source: National Federation of Independent Business

Industrial Production & Capacity Utilization

Industrial production edged down 0.2% in May 2023 following two consecutive months of increases. In May, the index for manufacturing ticked up 0.1%, while the indexes for mining and utilities fell 0.4% and 1.8%, respectively. **Capacity utilization moved down to 79.6% in May 2023**, a rate that is 0.1 percentage point below its long-run (1972–2022) average. Capacity utilization for manufacturing remained at 78.4% in May, a rate that is 0.2 percentage point above its long-run (1972–2022) average.

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 & Trade Inventories and Sales

Manufacturers’ and trade **inventories for April 2023 were estimated at an end-of-month level of \$2,543.8 billion**, up 0.2% from March 2023 and were up 5.2% from April 2022. The combined value of distributive **trade sales and manufacturers’ shipments for April 2023 was estimated at \$1,821.6 billion**, up 0.1% from March 2023, but was down 1.3% from April 2022. The total business **inventories/sales ratio at the end of April was 1.40**. The April 2022 ratio was 1.31.

Source: U.S. Census Bureau

Purchasing Managers Index, Manufacturing

The May 2023 Manufacturing PMI **registered 46.9%, 0.2 percentage points lower than the 47.1% recorded in April**. Regarding the overall economy, this figure indicates a sixth month of contraction after a 30-month period of expansion. Per the Institute for Supply Management, **“The U.S. manufacturing sector shrank again, with the Manufacturing PMI losing a bit of ground compared to the previous month, indicating a faster rate of contraction. The May composite index reading reflects companies continuing to manage outputs to better match demand for the first half of 2023 and prepare for growth in the late summer/early fall period. However, there is clearly more business uncertainty in May.”** **Of the 6 biggest manufacturing industries, only 1 — Transportation Equipment — registered growth in May.**

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.)

LOGISTICS MARKET SNAPSHOT

Purchasing Managers Index, Services

In May 2023, the Services PMI registered **50.3%**, **1.6 percentage points lower than April's reading of 51.9%**. The composite index indicated growth in May for the fifth consecutive month after a reading of 49.2% in December, which was the first contraction since May 2020 (45.4%). According to the Institute for Supply Management, "There has been a pullback in the rate of growth for the services sector. This is due mostly to the decrease in employment and continued improvements in delivery times and capacity, which are in many ways a product of sluggish demand." **The 7 industries reporting a decrease in the month of May — listed in order — are: Mining; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; Wholesale Trade; Information; Health Care & Social Assistance; and Finance & Insurance.**

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 third consecutive month **the Logistics Managers' Index has reached a new all-time low and for the first time in its history it has moved into contraction territory, reading in at 47.3 in May 2023** — down 3.6-points from April's reading of 50.9. The biggest factor behind this drop is the continued softening of the freight market. Transportation Utilization and Transportation Prices are both down, indicating contraction and signaling that shippers are using even less of the available space than they did a month ago. Taken together, it would appear that the glut of available capacity has driven down utilization and prices. There is little hope of a reprieve for carriers in the form of restocking inventories. Inventory Levels have also dropped, however, it should be noted that although downstream retail inventories do continue to grow, it is the upstream manufacturer and wholesaler inventories that are contracting and bringing the overall number down. Warehousing Prices are still growing but these are likely to come down as more long-term contracts signed during 2020 and 2021 continue to come off the books.

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

Former Federal Reserve Chairman Alan Greenspan, who famously liked to watch industrial gauges like railcar loads to track the business cycle, might find paper mills worth monitoring as a signal of the US economy's health. That's because pulp production can be a useful guide to track cardboard output, and most goods spend at least part of their pre-consumption life in a box. The US corrugated products industry headed into the second quarter in a weak state, with shipments of empty boxes in March down 11% from a year earlier, according to this story from Bloomberg's Tarso Veloso and Dayanne Sousa.

Source: Bloomberg; [link to article](#)

INTERMODAL:

Dow Jones Transportation Average

As of June 28, 2023, the Dow Jones Transportation Average **closed at a reading of 15,411.26.**

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 June 28, 2023, the NASDAQ Transportation Index **closed at a reading of 6,283.96.**

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 **April 2023 measured 135.6, 4.0% below the all-time high level of 141.2 in August 2019.** The Freight TSI decreased in April due to seasonally adjusted decreases in rail carload, water, air freight, pipeline, and trucking. **Rail intermodal grew.** The April decrease came in the context of growth for several other indicators. The Federal Reserve Board Industrial Production (IP) Index was up 0.5% in April, reflecting increases of 0.6% in mining and 1.0% in manufacturing while utilities were down 3.1%.

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 (CFI) rose 1.9% month-over-month in May 2023**, and fell 5.6% year-over-year. Freight markets continue to work through a downcycle which featured its first year-over-year decline 17 months ago. 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 6.8% month-over-month and 15.7% year-over-year in May.** The expenditures component of the CFI rose 23% for all of 2022, after a record 38% increase in 2021, but is set to decline about 16% in 2023, assuming normal seasonal patterns from here. With both freight volume and rates under pressure at this point in the cycle, that assumption could be optimistic, with speculation for 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)

LOGISTICS MARKET SNAPSHOT

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.”

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 U.S. and North American countries (Mexico and Canada) for **April 2023 was valued at \$126.6 billion, down 6.4% compared to April 2022**. Freight between the U.S. and Canada totaled \$63.8 billion, down 7.7% from April 2022. Freight between the U.S. and Mexico totaled \$62.8 billion, down 5.1% from April 2022. **Air moved** \$4.8 billion of freight, down 4.1% compared to April 2022. **Pipelines moved** \$8.3 billion of freight, down 34.5% compared to April 2022. **Vessels moved** \$9.3 billion of freight, down 29.8% compared to April 2022. **Railways moved** \$17.7 billion of freight, down 8.4% compared to April 2022. **Trucks moved** \$81.2 billion of freight, up 2.0% compared to April 2022.

Source: U.S. Bureau of Transportation Statistics

Intermodal News Clip

So, what does it take to transport that volume of freight? Is it just equipment and drivers? Is it also advanced management processes and systems? In both cases, “yes” is the correct answer, but there is one more essential factor to consider: The fundamental driving forces behind the successful transportation of intermodal freight across North America are the relationships between trucking companies, ocean carriers, railroads, brokers and 3PLs, and shippers.

Source: Fleet Owner; [link to article](#)

RAIL:

U.S. Freight Rail Traffic

U.S. railroads **originated 1,129,255 carloads in May 2023**, up 0.8 percent, or 8,840 carloads, from May 2022. U.S. railroads also **originated 1,190,553 containers and trailers in May 2023**, down 11.1 percent, or 148,780 units, from the same month last year. **Combined U.S. carload and intermodal originations were 2,319,808**, down 5.7 percent, or 139,940 carloads and intermodal units from May 2022. Says the Association of American Railroads, “Roughly half of U.S. intermodal shipments are related to international trade, so what happens at ports is extremely important to railroads. U.S. port volumes, especially on the West Coast, have already been trending down for months and are a major reason why rail intermodal volumes have been on the decline in 2023.”

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 May 2023 was 514.6**. This is a month-over-month decrease of 6.72%, and a year-over-year decrease of 36.64%.

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 **May 2023 was 122,391 workers**, an increase from 121,391 workers in April 2023. Total number of workers in May 2022 was 115,771.

Source: U.S. Surface Transportation Board

Rail Freight News Clip

Canadian Pacific Kansas City and CSX yesterday announced their intent to enter into a joint venture for the building and deployment of hydrogen locomotive conversion kits for diesel-electric locomotives. As an initial step in the collaboration, CSX plans to convert one of its diesel locomotives using a hydrogen conversion kit developed by CPKC. The conversion work will be done at CSX’s locomotive shop in Huntington, West Virginia, CSX and CPKC officials said in a joint press release. The collaboration will expand CPKC’s hydrogen locomotive program beyond a single railroad, said CPKC President and CEO Keith Creel.

Source: Progressive Railroading; [link to article](#)

LOGISTICS MARKET SNAPSHOT

TRUCK:

Cowen/AFS Freight Index

In Q2 2023, the **Truckload Rate Per Mile Index** is projected to fall to 6.6% above the January 2018 baseline – a 0.8% quarter-over-quarter decrease and a 13.1% YoY decline. Data indicates that carriers are using lower rates to gain volume due to a significant decrease in demand caused by a mix of these cooling inventory levels, high interest rates and inflation. In Q1:2023, the **LTL Rate Per Pound Index** experienced the most significant quarter-over-quarter decline on record, dropping from 64.0% above the January 2018 baseline to 57.0%. Excess capacity and lower diesel costs are exerting pricing pressure which contribute to the decline in Rate Per Pound in Q1:2023. The Q2 **Express Parcel Index** expects a continued increase of 1.1% quarter-over-quarter driven by parcel carriers strategic pricing to recoup lost revenue from declining volumes. Both FedEx and UPS reported decreasing year-over-year volumes, and their strategies to adapt to this situation will significantly influence express parcel rates going forward. Rates increased 4.0% quarter-over-quarter in Q1 2023, driven partly by a seasonal rebound of average billed weight per package and zone. The latest **Ground Parcel Index** expects a continuation of historically high levels, increasing 1.7% quarter-over-quarter to 31.7% above the January 2018 baseline. Ground parcel data indicates an average discount increase of 1.6%, suggesting carriers are willing to trade discounts for packages on the belt. However, there is also evidence in the data to indicate the growth of small- and medium-sized shippers, thus masking the full impact of discount increase.

Note: The Cowen-AFS Q2 2023 Report/Q3 2023 Forecast will be released July 2023.

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), which measures changes in linehaul rates, fell 2.6% **month-over-month** in May 2023 to 142.8, after a 0.8% m/m decline in April. As new contract rates took effect, this month-over-month decline was sharper than the sub-1% month-over-month declines of the past five straight months. On a year-over-year basis, the TLI fell 15.3% in May after a 12.2% year-over-year decline in April. 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 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 accessories. Provides trends in baseline truckload prices)

Truck Tonnage Index

The For-Hire Truck Tonnage Index **rose 2.4% in May 2023 after decreasing 1.7% in April**. In May, the index equaled 115.4 (2015=100) compared with 112.7 in April. Per the American Trucking Associations, “**Tonnage had a nice gain in May, but remains in recession territory**. The 2.4% gain didn’t erase the 4.5% total drop the previous two months. Additionally, tonnage continues to contract from year earlier levels as retail sales remain soft, manufacturing production continues to fall from a year ago, and housing starts contract from 2022 levels.”

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 May 2023 was 2.5**. The April 2023 ratio was 1.9 and the May 2022 ratio was 4.39. **Georgia’s load-to-truck ratio** for vans for May 2023 remained steady at an average of 2.6 – 5.4 loads for every truck. For June 2023, the **spot rate** (national average) for dry van freight rose 2 cents from the previous month to a reading of \$2.08. **Contract rates** registered an average of \$2.59 for the same month. month-over-month, the average outbound van rate for the Southeast region rose a penny, registering at \$2.12 for May 2023.

Source: DAT Freight & Analytics

Truckload Freight, Refrigerated

The national **load-to-truck ratio for refrigerated hauls rose to 3.62 loads per truck in May 2023**. The April 2023 ratio was 2.7 and the May 2022 ratio was 7.54. **Georgia’s load-to-truck ratio** for May 2023 increased, averaging 5.6 – 11.9 reefer loads per truck. The average national **spot market reefer rate for June 2023 was \$2.48 per mile**, increasing 2 cents from the previous month. Contract rates for reefers averaged \$2.89 for the same month. The average outbound rate for the **Southeast region for reefer freight** registered at \$2.42 for May 2023.

Source: DAT Freight & Analytics

Trucking Conditions Index

The Trucking Conditions Index (TCI) for **April 2023 improved two points from March to a reading of -3.88 due to stronger freight volume and a somewhat less negative environment for financing costs**. Partially offsetting those improvements were weaker capacity utilization and a deceleration in fuel cost decreases. The outlook remains for negative readings through mid-2024. Says FTR Transportation Intelligence, “**Estimates and forecasts still show the truck freight market at close to its bottom, but the outlook remains quite weak**. For example, we see almost no improvement in capacity utilization into 2024, which would keep freight rates soft. Some upside potential exists for better market conditions, including a stronger automotive sector and a deeper loss of driver capacity than we are forecasting currently, but trucking companies should not count on those developments.”

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

LOGISTICS

MARKET SNAPSHOT

Diesel Prices

As of June 26, 2023, the **U.S. average diesel price was \$3.80 per gallon**. This is a nickel decline month-over-month and \$1.98 lower than the same week in 2022. The average price of diesel in the **Lower Atlantic states came in at \$3.73 per gallon**, a 1-cent decline from the previous month and a \$1.97 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

May 2023 numbers (preliminary) for the trucking industry **read at 1,609,200 employees**, an increase from 1,608,600 employees (preliminary) for April 2023.

Source: U.S. Bureau of Labor Statistics

Trucking Earnings & Hours

For April 2023, the average earnings (preliminary) for occupations commonly found in truck transportation **were \$30.80/hour**, skyrocketing from the previous month's rate of \$30.00 (revised). April 2023 showed **average weekly hours totaling 40.1 hours** (preliminary) up from 40.0 hours even for March 2023.

Source: U.S. Bureau of Labor Statistics

U.S. Truck & Trailer Orders (Class 8)

Preliminary North American Class 8 orders **came in above expectations in May 2023 reversing the recent downward trend by rising nearly 9% from April levels to 13,600 units**. This was relatively in line with the same time last year as orders were only off 2% year-over-year. While the number was above expectations, the level of order activity continues to be below replacement demand levels. Total Class 8 orders for the past twelve months have equaled 298,700 units. According to FTR, "Fleet demand for equipment does not appear to be waning as they still want to take delivery of new equipment. Strong backlogs are keeping build demand strong, and **FTR doesn't anticipate any negative impact on build activity due to the recent order activity.**"

Source: FTR Transportation Intelligence

Truck Freight News Clip

The number of long-distance general freight trucking jobs is projected to decline by 50,000 this year. The scale of the drop is one not seen since the early days of the COVID-19 pandemic. A reduction of 8,700 positions occurred in Q1, but sharper declines could take place in Q2 given the weak freight market. The industry had a total of 836,500 positions at the end of 2022, according to Bureau of Labor Statistics data. The reduction in labor capacity comes as spot rates bottom out or have already bottomed out, making way for a new freight cycle.

Source: Transport Dive; [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.

Source: International Air Transport Association (Global air freight covers international and domestic scheduled air traffic.)

Jet Fuel Prices

As of June 23, 2023, the global average jet fuel price **ended at \$97.66/bbl, an increase of 6.6% from the previous month**. This is a 29.5% 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

Extreme discounting by freight forwarders with too much committed capacity in a weak market, plus an influx of passenger aircraft with lower-deck storage, explains the continued downward decline in air cargo rates as demand stabilizes 16 months into a freight recession, according to industry experts.

And while airline and logistics professionals remain upbeat that airfreight traffic will revive in the fourth quarter, generating the peak season boost that was absent in 2022, a more sober realization is taking hold in the face of murky economic conditions.

Source: FreightWaves; [link to article](#)

LOGISTICS MARKET SNAPSHOT

OCEAN:

Shanghai Containerized Freight Index

As of June 21, 2023, the SCFI comprehensive reading was **\$924.29 per FEU**. This is a 4.95% decrease from the previous month, and a **78.07% 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 (GPA) recorded its **third busiest May ever last month, with 400,511 twenty-foot equivalent container units of cargo**, behind May 2022 (519,388 TEUs) and May 2021 (478,620). The port's volume last month constituted a 7.26% increase over its pre-pandemic performance in May 2019, when Garden City Terminal handled 373,394 TEUs. A \$1.87 million grant, funded through the FY22 Railroad Crossing Elimination Grant Program, will support planning and project development to eliminate eleven at-grade crossings. Additional funds for this project will be supplied by the Georgia Ports Authority, CSX, and Chatham County. This move will increase access to the Port of Savannah by allowing for the operation of longer trains and making it easier for residents to access neighborhoods previously divided by rail lines. Says GPA Executive Director Griff Lynch, "At the Georgia Ports Authority, it's important to be a good neighbor, as well as a powerful economic engine for our local communities and the state of Georgia. Reducing the impact of freight rail on residents and commuters, while increasing our cargo handling capability is a win-win for Chatham County."

Source: Georgia Ports Authority

Ocean Freight News Clip

Ocean carrier reliability improved 1.7% in April to 64.2%, up 29.9% YoY, according to Sea-Intelligence's Global Liner Performance report. While reliability has improved from historic lows, the strength of the improvement has weakened with each subsequent month, according to the performance report. The average delay for late vessel arrivals was at about 4.34 days compared to 6.41 days in April 2022. "Overall, the conclusion has to be that the global market on average has normalized," Lars Jensen CEO and Partner at Vespucci Maritime said in a LinkedIn post. "Not with a stellar performance at just below two thirds of vessels being on-time, but this is unfortunately a level which can be said to be at the low end of the range that defines normal performance in the industry."

Source: Supply Chain Dive; [link to article](#)

WAREHOUSING & DISTRIBUTION:

Industrial Vacancy

The overall **U.S. industrial vacancy rate ticked higher by 40 basis points (bps) in Q1 2023 to 3.6%** but sits well below the 10-year historical average of 5.3%. The uptick was mainly due to the plethora of speculative deliveries coupled with the normalization of demand. **Regionally, the South yielded the highest increase in vacancy with a 60-bps jump to 4.2%, making it the first region to surpass the 3% range.** This is unsurprising with the level of new construction activity, especially speculative space coming on the market in this region. The West remains the only region with a sub-3% overall vacancy rate. **Savannah, GA reported** a vacancy rate of 0.2% for Q1 2023, compared to 0.7% for Q4 2022. **Atlanta, GA reported** a vacancy rate of 4.1% for Q1 2023, compared to 3.2% in Q4 2022.

Note: Next release for Q2 2023 – U.S. National Industrial Vacancy, will be published July 2023.

Source: Cushman & Wakefield

Warehouse Rent Rates

Asking rental rate growth remained elevated during the first quarter, rising **3.5% quarter-over-quarter to yet another new high of \$9.19 per square foot (psf) and eclipsing the \$9.00-psf mark for the first time.** While the rate of increase edged higher, expect growth to temper later in the year and into next year, as it returns toward more sustainable levels. Compared to first quarter 2022, rents have swelled by 17.2%, slightly off the record annual growth achieved over the last three quarters. Furthermore, as new speculative construction deliveries—which are priced at a premium—persist, expect growth to continue despite the projected rise in vacancy. Despite ongoing headwinds, rent growth will persevere amid high occupancy rates, growing in the single digits annually over the next few years. However, some port-proximate and coastal markets will likely achieve stronger growth in that time. **For Savannah, GA** the average asking rental rate for Q1 2023 was \$6.48, compared to \$5.88 for Q1 2022. **For Atlanta, GA** the average asking rental rate for Q1 2023 was \$7.19, compared to \$6.65 for Q1 2022.

Note: Next release for Q2 2023 – U.S. National Asking Rents, will be published July 2023.

Source: Cushman & Wakefield

LOGISTICS MARKET SNAPSHOT

Industrial Absorption

Net absorption came in at **62.5 million square feet (msf)**, for the first quarter of 2023 and was comparable to quarterly totals registered earlier in the expansion cycle (2016-2019). While overall net absorption had a notable deceleration in the first quarter, results varied by market with Houston, Dallas/Fort Worth, Phoenix, Indianapolis, Atlanta, the Pennsylvania I-81/I-78 Corridor, and Las Vegas all recording more than 2.8 msf of positive net demand. Conversely, net occupancy gains were tempered across most other markets. Tenant demand is forecasted to decelerate and register totals closer to those achieved earlier in the expansion cycle, as consumer spending shifts away from purchasing goods amid softer economic conditions. However, growth will continue with almost 350 msf of absorption anticipated in 2023 and 2024 combined, as the market rebalances amid the new wave of supply. **For Savannah, GA**, Q1 2023 net absorption registered at 2,159,187 compared to 2,609,130 for Q4 2022. **For Atlanta, GA**, Q1 2023 net absorption registered at 3,029,908 compared to 8,976,274 for Q4 2022.

Note: Next release for Q2 2023 – U.S National Industrial Absorption, will be published July 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 May 2023 numbers for the warehousing industry workforce comes in at **1,919,000 employees, decreasing from 1,920,900 employees** for April 2023 (preliminary).

Source: U.S. Bureau of Labor Statistics

Warehouse Earnings & Hours

April 2023 average hourly earnings in the warehousing and storage subsector comes in at **\$23.71/hour (preliminary), around a half dollar increase from the March 2023 rate of \$23.20 hour (revised)**. The **average weekly hours were 39.1 for April 2023 (preliminary)** down from 39.7 hours in March 2023.

Source: U.S. Bureau of Labor Statistics

Warehouse & Distribution News Clip

Much has changed since the Industrial Truck Association (ITA) created National Forklift Safety Day 10 years ago. The volume of e-commerce orders and shipments soared; tariffs on imports from China, interest rates, and inflation rose; the use of material handling automation and robotics exploded; and a global pandemic transformed workforce demographics and availability, leading to a turnover crisis among warehouse workers. Against this challenging backdrop, the safe use of forklifts and proper operator and pedestrian training is more important than ever, according to speakers at the 10th annual National Forklift Safety Day program, held this month in Washington, D.C.

Source: DC Velocity; [link to article](#)

To sign-up to receive these free monthly snapshots, visit:

www.GeorgiaLogistics.com

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:

Malissa MacKay | mmackay@georgia.org | 912.966.7842