LOGISTICS MARKET SNAPSHOT

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MARCH 2023

U.S. MARKET:

Gross Domestic Product

Real gross domestic product (GDP) **increased at an annual rate of 2.6% in the fourth quarter of 2022 according to the "third" estimate** released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 3.2%. The increase in real GDP primarily reflected increases in private inventory investment, consumer spending, nonresidential fixed investment, federal government spending, and state and local government spending that were partly offset by decreases in residential fixed investment and exports. Imports decreased.
Source: Bureau of Economic Analysis

U.S. Trade Deficit

The goods and services deficit **was $68.3 billion in January 2023, up $1.1 billion from $67.2 billion in December**, revised. The January increase in the goods and services deficit reflected a decrease in the goods deficit of $0.6 billion to $90.1 billion and a decrease in the services surplus of $1.7 billion to $21.8 billion. **For the three months ending in January** the average goods and services deficit decreased $3.0 billion to $65.4 billion.
Source: Bureau of Economic Analysis

Import Volumes

January 2023 imports were $325.8 billion, an increase of $9.6 billion from December 2022, or 3%. January imports of automotive vehicles, parts, and engines ($38.3 billion) were the highest on record. January imports from Japan ($11.0 billion) were the lowest since November 2021 ($10.7 billion).
Source: U.S. Census Bureau

Export Volumes

January 2023 exports were $257.5 billion, $8.5 billion more than December 2022 exports, or an increase of 8.5%. January exports of consumer goods ($23.3 billion) were the highest on record. January exports to South Korea ($5.0 billion) were the lowest since October 2021 ($4.9 billion).
Source: U.S. Census Bureau

Import & Export Price Index

The **price index for U.S. imports declined 0.1 percent in February 2023.** U.S. import prices declined 1.1 percent from February 2022 to February 2023, the first 12-month decrease since the index fell 0.3% in December 2020 and the largest over-the-year drop since a 1.3% decline in September 2020. Nonfuel import prices rose 0.4% in February following a 0.2% advance in January. Higher prices in February for consumer goods; foods, feeds, and beverages; capital goods; and automotive vehicles more than offset lower nonfuel industrial supplies and materials prices. Prices for **U.S. exports advanced 0.2% in February 2023, after rising 0.5% in January**. Those are the first monthly increases in export prices since June 2022. Despite the recent advances, U.S. export prices declined 0.8% over the past 12 months, the first over-the-year decrease since the index fell 1.0% from November 2019 to November 2020. The price index for agricultural exports rose 1.0% in February following declines of 0.9% in January and 2.4% in December 2022. Higher prices in February for vegetables, soybeans, and corn more than offset declining meat prices.
Source: Bureau of Labor Statistics

Unemployment Rate

Total nonfarm payroll employment **rose by 311,000 in February 2023 with the unemployment rate edging up to 3.6%**. Notable job gains occurred in leisure and hospitality, retail trade, government, and health care. Employment declined in information and in transportation and warehousing. **Georgia's unemployment rate was 3.1% for February 2023**, now ranking 20th in the U.S. of states with the lowest unemployment. Nevada ranks highest in unemployment with a rate of 5.5%.
Source: Bureau of Labor Statistics

Labor Force Participation Rate

For February 2023 the labor force participation rate **increased to 62.5% from the previous month.** The labor force participation rate for January 2023 for those of **prime working age (25-54) increased to 83.1%.**
Source: U.S. Bureau of Labor Statistics (Workforce Participation Rate measures the share of Americans at least 16 years old who are either employed or actively looking for work)

Leading Economic Index

The Leading Economic Index (LEI) for the U.S. **fell again by 0.3% in February 2023 to 110.0, after also declining by 0.3% in January**. The LEI is down 3.6% over the six-month period between August 2022 and February 2023—a steeper rate of decline than its 3.0% contraction over the previous six months (February–August 2022). According to the Conference Board, "**While the rate of month-over-month declines in the LEI have moderated in recent months, the leading economic index still points to risk of recession in the US economy.** The most recent financial turmoil in the US banking sector is not reflected in the LEI data but could have a negative impact on the outlook if it persists. Overall, The Conference Board forecasts rising interest rates paired with declining consumer spending will most likely push the US economy into recession in the near term."
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)

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Pending Home Sales Index	**February 2023 pending home sales improved 0.8% to 83.2 in February 2023. Year-over-year, pending transactions dropped by 21.1%.** An index of 100 is equal to the level of contract activity in 2001. Per the National Association of Realtors, "After nearly a year, the housing sector's contraction is coming to an end. Existing-home sales, pending contracts and new-home construction pending contracts have turned the corner and climbed for the past 3 months. **The Midwest and South are leading the recovery.** While access to commercial mortgage loans could become increasingly difficult, residential mortgage loans are expected to be more readily available." *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 February 2023 were at a seasonally adjusted annual rate of 1,450,000**. This is 9.8% above the revised January estimate of 1,321,000 but is 18.4% below the February 2022 rate of 1,777,000. **Single-family housing starts in February 2023 were at a rate of 830,000**; this is 1.1% above the revised January figure of 821,000. The February 2023 rate for units in buildings with **five units or more was 608,000**. *Source: U.S. Census Bureau*
Light-Vehicle Sales	New light-vehicle sales in **February 2023 increased year-over-year for the seventh straight month to 14.9 million units**, up 8.6% from February 2022. This boost was likely aided by higher inventory and incentive spending. Fleet sales also rose, **jumping 39% from February 2022**. Average incentive spending per unit was expected to total $1,335 this February, up 4.7% compared with a year ago. Monthly payments continue to increase due to rising interest rates and elevated new-vehicle prices. **The average monthly payment in February 2023 should reach $722, up $59 year over year**. The average interest rate on a new-vehicle finance contract in February is expected to be 6.8%—an increase of 252 basis points over last year. *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 $72.9 billion (0.3%) in February 2023.** Disposable personal income (DPI) increased $89.9 billion (0.5%). The increase in current-dollar personal income in February was led by an increase in compensation, mainly from wages and salaries. Private wages and salaries for services-producing industries and government wages and salaries increased. **Personal outlays increased $40.7 billion in February 2023**. Personal saving was $915.8 billion in February and the personal saving rate—personal saving as a percentage of disposable personal income—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	**For January 2023, the** Personal Consumption Expenditures (PCE) **price index increased 0.6%**. Excluding food and energy, the PCE price index also increased 0.6%. From the same month one year ago, the PCE price index for January increased 5.4%. Prices for goods increased 4.7% and prices for services increased 5.7%. **Food prices increased 11.1% and energy prices increased 9.6%.** Excluding food and energy, the PCE price index increased 4.7% from one year ago. **For February 2023 the PCE price index increased 0.3 percent**. Excluding food and energy, the PCE price index also increased 0.3%. **The PCE increased $27.9 billion** (0.2%). **Real PCE decreased 0.1%;** goods and services each decreased 0.1%. *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 February 2023, were $697.9 billion, down 0.4% from the previous month**, but up 5.4% above February 2022. Total sales for the December 2022 through February 2023 period were up 6.4% from the same period a year ago. **Food services and drinking places were up 15.3% from February 2022**, while general merchandise stores were up 10.5% from last year. *Source: U.S. Census Bureau (Non-store retail sales are measured monthly and include internet-only sales outlets as well as other direct-to-customer channels)*
E-Commerce	U.S. retail e-commerce sales for the fourth quarter of 2022, adjusted for seasonal variation, **was $262.0 billion, a decrease of 0.1% from the third quarter of 2022.** Total retail sales for the fourth quarter of 2022 were estimated at $1,785.8 billion, a decrease of 0.3% from the third quarter of 2022. The fourth quarter 2022 e commerce estimate increased 6.5% from the fourth quarter of 2021, while total retail sales increased 5.7% in the same period. **E-commerce sales in the fourth quarter of 2022 accounted for 14.7% of total sales.** Note: Next release for Q1 2023 – U.S Quarterly Retail E-Commerce Sales, will be published Thursday, May 18, 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 **increased slightly in March 2023 to 104.2, up from 103.4 in February**. Says The Conference Board, "Driven by an uptick in expectations, consumer confidence improved somewhat in March, but remains below the average level seen in 2022 (104.5). **The gain reflects an improved outlook for consumers under 55 years of age and for households earning $50,000 and over**. While consumers feel a bit more confident about what's ahead, they are slightly less optimistic about the current landscape. Overall purchasing plans for appliances continued to soften while automobile purchases saw a slight increase."

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 0.4% in February 2023 on a seasonally adjusted basis, after increasing 0.5% in January**. Over the last 12 months, the all items index increased 6.0% before seasonal adjustment. The index for all items less food and energy rose 0.5% in February, after rising 0.4% in January. Categories which increased in February include shelter, recreation, household furnishings and operations, and airline fares. The **Producer Price Index for Final Demand decreased 0.1% in February 2023, seasonally adjusted**. Final demand prices advanced 0.3% in January and declined 0.2% in December 2022. The index for final demand less foods, energy, and trade services increased 0.2% in February after rising 0.5% in January. For the 12 months ended in February 2023, prices for final demand less foods, energy, and trade services advanced 4.4%.

Source: U.S. Bureau of Labor Statistics (the CPI measures the change in prices paid by consumer for goods and services. Base year 1999=100; the PPI measures the average price changes by producers for domestically produced goods, services, and construction. Base year 2009=100)

Small Business Optimism Index

The Small Business Optimism Index **increased 0.6 points in February to 90.9 but remains below the 49-year average of 98.** Up 2 points from last month, 28% of owners reported inflation as their single most important business problem. Owners expecting better business conditions over the next six months deteriorated two points from January to a net negative 47%. Per the National Federation of Independent Business, "Small business owners remain doubtful that business conditions will get better in the coming months. **They continue to struggle with historic inflation and labor shortages that are holding back growth.** Despite their economic challenges, owners are working hard to create new jobs to strengthen the economy and their firms."

Source: National Federation of Independent Business

Industrial Production & Capacity Utilization

Industrial production was unchanged in February 2023, and manufacturing output edged up 0.1%. **At 102.6% of its 2017 average, total industrial production in February was 0.2% below its year-earlier level**. Within durables, computer and electronic products recorded the largest gain (1.2%), while nonmetallic mineral products recorded the largest loss (0.5%). Within nondurables, decreases of at least 1% were registered by textile and product mills and by plastics and rubber products; only chemicals recorded an increase of more than 1%. **Capacity utilization was unchanged in February at 78.0%, a rate that is 1.6 percentage points below its long-run (1972–2022) average.** Capacity utilization for manufacturing slipped 0.1 percentage point in February to 77.6%, a rate that is 0.6 percentage points below its long-run average. Manufacturing output increased 0.1% in February but was 1.0% below its year-earlier level.

Source: The Federal Reserve (The industrial production and capacity utilization rates cover manufacturing, mining, and electric and gas utilities. The industrial detail provided by these measures helps illuminate structural developments in the economy)

Manufacturing and Trade Inventories & Sales

Manufacturers' and **trade inventories for January 2023 were estimated at an end-of-month level of $2,479.6 billion**, down 0.1% from December 2022, but were up 11.1% from January 2022. The combined value of distributive **trade sales and manufacturers' shipments for January 2023 was estimated at $1,847.5 billion**, up 1.5% from December 2022 and was up 5.0% from January 2022. **The total business inventories/sales ratio for January 2023 was 1.34**. The January 2022 ratio was 1.27.

Source: U.S. Census Bureau

Purchasing Managers Index, Manufacturing

The February 2023 Manufacturing PMI **registered 47.7%, 0.3 percentage points higher than the 47.4% recorded in January.** Regarding the overall economy, this figure indicates a third month of contraction after a 30-month period of expansion. In the last two months, the Manufacturing PMI has been at its lowest levels since May 2020, when it registered 43.5%. According to the ISM, "The February index reading reflects companies continuing to slow outputs to better match demand for the first half of 2023 and prepare for growth in the second half of the year**. New order rates remain sluggish due to buyer and supplier disagreements regarding price levels and delivery lead times**; the index increase suggests progress in February." Of the six biggest manufacturing industries, two — **Transportation Equipment, and Petroleum & Coal Products — registered growth in February**.

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.)

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Purchasing Managers Index, Services

Economic activity in the services sector **expanded in February 2023 for the second consecutive month as the Services PMI registered 55.1%**. The sector has grown in 32 of the last 33 months, with the lone contraction in December 2022. According to ISM, "Survey respondents indicated that they are mostly positive about business conditions. Suppliers continue to improve their capacity and logistics, as evidenced by faster deliveries. The employment picture has improved for some industries, despite the tight labor market. Several industries reported continued downsizing."
Source: Institute for Supply Management (The PMI combines data on business activity, new orders, employment, supplier deliveries, and inventory. A reading above 50 % indicates that the manufacturing economy is generally expanding.*)*

Logistics Managers' Index

The Logistics Managers' Index **reads in at 54.7 in February 2023, down (-2.9) from January's reading of 57.6.** While the overall index continues to expand, this breaks the streak of two consecutive readings of increased growth. The biggest movers in this month's index are Transportation Costs, which are back down (-5.9) and are now contracting at the fastest rate we have measured in the 6.5-year history of the index. There is some evidence that January's slower rate of contraction was due to weather issues pushing shipments meant for December back a month. **February is generally a low point seasonally due to the consumer spending hangover from the holidays in the U.S. combined with slowness in imports due to Chinese New Year, and that was certainly reflected this year**. There is optimism from some corners that traffic will pick back up sometime in Q2 as retailers begin to rebuild inventories ahead of back-to-school and holiday shopping, but as of this moment that has yet to materialize.
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

A weak freight market in the fourth quarter of 2022 led to quarter-over-quarter declines in shipments, revenue, and invoice amount per shipment among TIA Members. Brokers were still able to maintain their businesses, seeing slight gains from the third quarter of 2022, according to the latest data from the Transportation Intermediaries Association's 3PL Market Report, Fourth Quarter 2022. "The softening freight market affected TIA members during the final quarter of last year," said TIA President and CEO Anne Reinke. "Freight demand is challenged but the economy remains resilient. So, too, do our members, who stand steadfast in their commitment to providing the best supply chain solutions to customers and the broader industry."
Source: American Journal of Transportation; link to article

MULTIMODAL:

Dow Jones Transportation Average

As of March 29, 2023, the Dow Jones Transportation Average **closed at a reading of 14,071.86.**

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 March 29, 2023, the NASDAQ Transportation Index **closed at a reading of 5,646.91.**

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 **January 2023 measured 137.8, 3.0% below the all-time high level of 142.1 in August 2019**. The Freight TSI decreased in January due to seasonally adjusted decreases in rail intermodal, water, air freight, and pipeline, while rail carload, and trucking grew. The January freight index decrease followed a previous increase and was equal to its November level. This was the 4th decrease in 7 months and the 5th month-over-month decrease in 17 months, for a total increase of 2.4% since August 2021. The January Freight TSI is 10.1% above the pandemic low in April 2020.
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 Freight Index rose 3.8% month-over-month in February 2023** after a 3.2% month-over-month decline in January. There has been a considerable increase in the proportion of truckload (TL) freight over the past several months, amid declines in less-than-truckload (LTL) and intermodal volumes. This suggests freight is migrating to TL from other modes, which fits with the robust growth in truckload capacity metrics, which have hardly started to slow at this point. The **expenditures component of the Freight Index, fell 1.9% month-over-month in February 2023**, and on some volatile comparisons fell to a 9.7% year-over-year decline after a 1.7% year-over-year increase in January. The expenditures component of the Freight Index rose 23% in 2022, after a record 38% increase in 2021, but is set to retrench in 2023.
Source: Cass Information Systems (Based upon transportation dollars and measures the total amount spent on freight and shipments of Cass clients comprised of over 400 shipping companies)

Shippers Conditions Index

The Shippers Conditions Index (SCI) **dropped in January 2023 to a reading of 5.4 from the December 2022 10.3.** December's SCI had reflected robust market conditions for shippers which softened a bit in January as looser capacity was the only factor more favorable month-over-month. Says FTR, "The Shippers Conditions Index is likely to hold firm unless overall economic conditions deteriorate significantly from present levels. L**ooser truckload capacity, slowing imports, and improving rail service should all support stable to improving shippers' conditions through the balance of the year**."

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 January 2023 was valued at $125.8, a 10.6% increase compared to January 2022**. Freight between the U.S. and Mexico totaled $63.9 billion, up 12.3% from January 2022. Freight between the U.S. and Canada totaled $61.8 billion, up 8.9% from January 2022. **Trucks moved $77.7 billion of freight**, up 12.7% compared to January 2022. **Railways moved $16.8 billion of freight**, up 8.1% compared to January 2022. **Pipelines moved $10.5 billion of freight**, down 8.4% compared to January 2022. **Vessels moved $10.4 billion of freight**, up 16.9% compared to January 2022. **Air moved $4.8 billion of freight**, up 13.6% compared to January 2022.

Source: U.S. Bureau of Transportation Statistics

Multimodal News Clip

Moving from past years' actions to address the pandemic, Department of Transportation leaders want to make strategic federal investments in infrastructure projects to increase supply chain resiliency and enhance the U.S. economy in the world. Transportation Secretary Pete Buttigieg and Deputy Secretary Polly Trottenberg spoke at separate addresses March 29 at the 2023 American Association of Port Authorities (AAPA) Legislative Summit. Buttigieg, in a video message, told the gathering "The work that we're doing together to overcome the pandemic-driven supply chain disruptions is making an enormous impact." He spoke after AAPA named USDOT as Port Person of the Year.

Source: Transport Topics; link to article

RAIL:

U.S. Freight Rail Traffic

U.S. railroads **originated 905,744 carloads in February 2023, down 1.6%, or 15,101 carloads, from February 2022**. U.S. railroads also **originated 943,979 containers and trailers in February 2023, down 8.4%, or 86,351 units, from the same month last year**. Combined U.S. carload and intermodal originations in February 2023 were 1,849,723, down 5.2**%**, or 101,452 carloads and intermodal units from February 2022. Per the Association of American Railroads, "Coal, chemicals, and grain together account for more than half of all non-intermodal U.S. rail volume. When all three are down, like in February, it's very hard for total carloads not to be down too." Total U.S. carload traffic for the first two months of 2023 was 1,829,440 carloads, up 0.3%, or 4,726 carloads, from the same period last year; and 1,863,907 intermodal units, down 8.3%, or 167,794 containers and trailers, from last year.

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 February 2023 was 602.7.** This is a month-over-month decrease of 4.12%, and a year-over-year increase of 6.43%.

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 **February 2023 was 120,210 workers**, an increase from 119,245 workers in January 2023. Total number of workers in February 2022 was 114,277.

Source: U.S. Surface Transportation Board

Railroad News Clip

A federal regulator on Wednesday approved a Canadian freight railroad's plan to buy an American competitor, a $31 billion deal that will make the railroad the first to operate across North America. The deal is the first merger between two major railroads since the 1990s. It also culminates a yearslong campaign by Canadian Pacific to grow. The company had unsuccessfully pursued mergers with several other large railroads, including Norfolk Southern and CSX, over the past decade. In approving the deal, the regulator, the Surface Transportation Board, said the new single-line service would shift about 64,000 truckloads a year to rail from the roads, potentially enhancing safety and reducing carbon emissions, and add more than 800 union jobs in the United States. The Surface Transportation Board said the merger would not reduce competition.

Source: The New York Times; link to article

TRUCKING:

Cowen/AFS Freight Index

Truckload Rate-Per-Mile Index will continue its decline and is projected to be 11.2% in Q1:2023, an 11.6% year-over-year (YoY) decline compared to the record-high 25.8% figure of just a year ago. As a result of macroeconomic conditions such as the likelihood of further interest rate hikes, the truckload rate per mile index is expected to decline in Q1:2023, erasing almost all the gains accumulated over the last two years and signaling a tough 2023 for carrier profitability. **The LTL Rate Per Pound Index is projected to reach a new high of 66.5% above the January 2018 baseline** – a 1.1% QoQ increase and 20.4% YoY increase. LTL experienced a 1.3% increase in cost per shipment over the previous quarter, powered by a 4.9% increase in average accessorial charges per shipment and a greater percentage of shipments rated class 85 or higher. Further upward pressure on rates for Q1:2023 comes from LTL GRIs that took effect January 2023, which range from 4.9% to 7.9%, and relatively high fuel surcharges. **Express parcel cost per package saw a higher-than-expected increase of 3.2% QoQ** in Q4:2022. The Express Parcel Rate Per Package Index is expected to increase in Q1:2023 to 2.7% above the January 2018 baseline, up 1% QoQ and 5.9% YoY. While FedEx and UPS both announced record-high GRIs of 6.9% for 2023, a more shipper-friendly pricing environment is expected in Q1:2023 due to macroeconomic conditions. **In Q1 2023, for Ground Parcel, the rate per package index projects a record high of 34.9% above the January 2018 baseline, compared to 27.7% the previous quarter.** Anticipated growth in Q1:2023 is rooted in continued accessorial charges, fuel surcharges that will remain moderately high and record-high GRIs, which are typically 'stickier,' or more resistant to the impact of shipper negotiation and discounting, in ground than express parcel.

Source: AFS Logistics (An index providing a snapshot of less-than-truckload shipping, full truckload shipping, and parcel shipping.)

Truckload Linehaul Index

The **Truckload Linehaul Index fell 0.4% month-over-month in February 2023 to 148.6, after a 0.9% month-over-month decline in January.** 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, if more gradually, but in the same direction. Per Cass Information Systems, "**The fundamental reason truckload spot rates are still falling is there are too many drivers chasing too little freight. But the freight market is constantly dynamic, so we expect current loose conditions to first rebalance and then tighten over the course of the next year or so.** The truckload driver population has nearly stopped growing, and we think it will start to contract soon. The Bureau of Labor Statistics (BLS) trucking employment has already slowed to a 0.3% annualized rate in the seven months through February. In the spot market, capacity has already started to contract as carrier failures have accelerated."

Source: Cass Information Systems (this index is an indicator of market fluctuations in per-mile dry van truckload pricing in the U.S. and does not include other components like fuel and accessorials. Provides trends in baseline truckload prices)

Truck Tonnage Index

American Trucking Associations' For-Hire **Truck Tonnage Index rose 1.2% in February 2023 after increasing 0.6% in January**. In February, the index equaled 118.4 compared with 117 in January. Per the ATA, "The fact that our index is growing sequentially and on a year-over-year basis demonstrates that contract freight continues to hold up at high levels. **Looking ahead, we continue to see evidence the inventory cycle is improving,** which means bloated stocks will stop being a headwind and eventually help truck freight volumes. Increased infrastructure spending will also boost volumes heading into the summer months. However, we expect to see continued freight softness related to lower home construction and slowing factory output."

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 February 2023 was 2.52.** This is a month-over-month decrease of 16.28% and a 65.62% decrease from the same period last year. **Georgia's load-to-truck ratio** for vans for February 2023 remained steady at an average of 2.6 – 5.4 loads for every truck. For **March 2023, the spot rate (national average) for dry van freight fell 8 cents from the previous month to a reading of $2.18.** The average spot rate for the **Southeast region** for dry van freight dropped $0.18, registering at $2.14 for March 2023.

Source: DAT Freight & Analytics

Truckload Freight, Refrigerated

The national **load-to-truck ratio for refrigerated hauls decreased 20.78% to 3.85 loads per truck in February 2023.** This is a year-over-year decrease of 71.97% from February 2022. **Georgia's load-to-truck ratio** for February 2023 jumped, averaging 5.6 – 11.9 reefer loads per truck. The average national **spot market reefer rate for March 2023 was $2.52 per mile,** falling 8 cents from the previous month. The average rate for the **Southeast region for reefer freight** registered at $2.31 for March 2023.

Source: DAT Freight & Analytics

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Trucking Conditions Index	The Trucking Conditions Index (TCI) **showed substantial improvement in January 2023, rising to a -1.71 reading from a -6.1 reading in December 2022.** Stronger freight volume and rates partially offset weaker utilization and a fuel cost environment that was not as positive as it had been in December. FTR's current outlook is for consistently negative TCI readings into the third quarter of 2024, although swings in diesel prices could yield some outliers. According to FTR, "**While overall market conditions for trucking companies remain negative, we still see varied impacts among carriers based on size and type of operation.** For example, freight volume in the van segments looks largely stable or better after a decline in the second half of last year, but more specialized segments are expected to see continued weakness this year." *Source: FTR Transportation Intelligence (Figures below zero indicate a less-than-ideal environment for trucking)*
Diesel Prices	As of March 27, 2023, the **U.S. average diesel price was $4.13 per gallon**. This is a month-over-month decline of $0.17 and $1.06 lower than the same week in 2022. The average price of diesel in the **Lower Atlantic states was also $4.09 per gallon**, dropping $0.20 month-over-month, and a $1.06 decrease over the same week the previous year. *Source: U.S. Energy Information Administration (Reflects the costs and profits of the entire production and distribution chain)*
Trucking Employment	February 2023 numbers (preliminary) for the trucking industry **decreased to 1,599,900 employees,** down from 1,608,400 employees (preliminary) for January 2023. *Source: U.S. Bureau of Labor Statistics*
Trucking Earnings & Hours	For January 2023, the average earnings (preliminary) for occupations commonly found in truck transportation **were $27.99/hour**, **down 1 cent** from the previous month of $28.00 (revised). January 2023 showed **average weekly hours totaling 41.2** (preliminary) down from 41.4 hours for December 2022. *Source: U.S. Bureau of Labor Statistics*
U.S. Truck & Trailer Orders (Class 8)	FTR reports preliminary North American Class 8 net orders **rose in February 2023 for the first time in five months, reaching 22,800 units**. February order activity was 13% above January and up 10% year-over-year. Class 8 orders have totaled 303,000 units over the last 12 months. Order activity over the last six months has been strong at an annualized rate of 413,000 units. Says FTR, "We anticipate backlogs to slip slightly. However, backlogs remain at high levels and production slots are mainly filled through Q3 of this year. As such, the February performance is a good sign for the industry as fleets continue to order equipment." *Source: FTR Transportation Intelligence*
Trucking News Clip	With the industry facing a daunting driver shortage, initiatives to bring in women drivers from other industries have escalated. Unions including the International Brotherhood of Teamsters have worked to end violence and harassment of women on the job and remove barriers to women entering the industry, including safety risks, wage inequities and lack of training and support. Efforts to introduce more women to trucking became even more pressing when the Covid pandemic took hold in the U.S., sending the service and education industries into upheaval. Comparatively, trucking never slowed down. Many teachers and service workers made the switch to trucking, along with nurses and other women from the medical field who faced burnout. *Source: CNBC; link to article*
AIR FREIGHT:	
Air Cargo Traffic	Industry-wide cargo tonne-kilometers (CTKs) **continued to decline in January 2023, falling 14.9% year-over-year and marking the 11th month of consecutive annual declines**. Cargo capacity picked up 3.9% year-over-year in January, reflecting the strong recovery of belly cargo capacity in passenger airline markets. Compared with pre-pandemic levels, air cargo demand was also down 11%. **The economic outlook for the air cargo industry in 2023 is expected to be a challenging one**. Multiple macroeconomic headwinds stemming from the global pandemic persist and the on-going war in Ukraine has disrupted important trade flows and economic activity across various regions. High inflation will continue curtailing purchasing power, dampening consumption and global trade. *Source: International Air Transport Association (Global air freight covers international and domestic scheduled air traffic.)*
Jet Fuel Prices	As of February 24, 2023, the global average jet fuel price **ended at $102.53/bbl, a 9.1% drop from the previous month** and a plunge of 36.6% lower 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

The only way to characterize the air cargo market in March is it's a little less worse than the past few months. Slight recovery of factory output in China after the Lunar New Year holiday, a rise in manufacturing exports elsewhere and incremental improvement in inflation are helping global demand and rates achieve some sense of seasonal stability after a yearlong slump. But the outlook remains murky, with green shoots pointing to a second-half recovery against a backdrop of difficult economic conditions. If import/export activity grows, the likely beneficiary will be container shipping lines — not airlines. Plus, an influx of capacity from restarted international passenger services, combined with weak demand, is weighing on rates.
Source: FreightWaves; link to article

OCEAN FREIGHT:

Shanghai Containerized Freight Index

As of March 24, 2023, the SCFI comprehensive **reading was $908.35 per FEU.** This is an 4.05% decrease from the previous month, **and a 79.51% 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 has agreed **to spend $170 million on 55 hybrid-engine rubber-tired gantry cranes to outfit the Port of Savannah's Ocean Terminal, as it is redeveloped into an all-container facility**. The hybrid machines will exclusively operate off electric battery power, with diesel generators running only to recharge batteries. This will reduce fuel consumption by an estimated 47% compared to all-diesel machines. **Per year, that is a reduction of 8,800 gallons of diesel per crane, or nearly 500,000 gallons annually across the Ocean Terminal fleet**. The new cranes reduce emissions by half compared to conventional diesel cranes. At an annual average of 4,000 operating hours per RTG, **the hybrid engines will avoid yearly emissions of 127 tons per crane**, or nearly 7,000 tons across the 55-RTG fleet. The cranes are one part of the renovation of the 200-acre Ocean Terminal. A key partner for the Georgia Ports Authority is the Georgia Department of Transportation. GDOT will play an important role in the terminal's completion and traffic control around Ocean Terminal.
Source: Georgia Ports Authority

Ocean Freight News Clip

Following up on a promise to address certain shortcomings in the 2022 Ocean Shipping Reform Act and to increase the scrutiny of Chinese influence over the shipping industry, U.S. Representatives Dusty Johnson and John Garamendi both of California introduced the Ocean Shipping Reform Implementation Act. Calling their proposed legislation "Ocean Shipping Reform 2.0," the sponsors said it would further protect American agriculture and exports by clarifying the role of the Federal Maritime Commission while also focusing on China and the role of shipping exchanges. This bill is in addition to a proposal introduced last week to revoke the anti-trust exemptions for ocean carriers.
Source: The Maritime Executive; link to article

WAREHOUSING & DISTRIBUTION:

Industrial Vacancy

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

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

Warehouse Rent Rates

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

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

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MARCH 2023

Industrial Absorption	The U.S. industrial market finished 2022 with its second highest total for **overall net absorption on record at 477.3 million square feet (msf), coming in just behind the 561.4 msf registered in 2021**. On a quarterly basis, slowing demand amid economic headwinds, coupled with historically tight market conditions, pushed the fourth quarter total to 107.3 msf, down 9.4% from the third quarter. Still, this marked the ninth straight quarter in which absorption surpassed the 100-msf mark and indicates that demand for industrial space remains strong going into the new year. Regionally, the South represented almost half of the square feet absorbed throughout the quarter, despite accounting for just one-third of the nation's inventory. Of the 81 markets tracked by Cushman & Wakefield, 19 recorded more than 2.0 msf of net absorption in the fourth quarter while another nine exceeded 1.0 msf. **For Savannah, GA,** Q4 2022 net absorption registered at 2,609,130 compared to 7,538,835 for Q3 2022. **For Atlanta, GA**, Q4 2022 net absorption registered at 9,155,564 compared to 4,041,995 for Q3 2022. Note: Next release for Q1 2023 – U.S National Industrial Absorption, will be published Friday, April 14, 2023. *Source: Cushman & Wakefield (Absorption is the net change in occupied space between two points in time. Positive absorption means that previously unoccupied space is being occupied.)*
Warehouse Employment	Preliminary February 2023 numbers for the warehousing industry workforce comes in at **1,929,400 employees, a decrease from 1,934,900 employees** for January 2023 (preliminary). *Source: U.S. Bureau of Labor Statistics*
Warehouse Earnings & Hours	January 2023 average hourly earnings in the warehousing and storage subsector **surged to $22.94/hour (preliminary) from the December 2022 rate of $22.56 hour (revised)**. The **average weekly hours were 40.3** for January 2023 (preliminary) down from 41.4 hours in December 2022. *Source: U.S. Bureau of Labor Statistics*
Warehouse & Distribution News Clip	Industrial real-estate executives expect only limited fallout from the turmoil that has engulfed the U.S. banking sector, even as warehouse developers grapple with the rising interest rates and weakening demand that are dampening construction following a period of historic growth. The failures of Silicon Valley Bank and Signature Bank earlier this month set off fears that customers would pull deposits from U.S. regional banks. Industrial properties are largely insulated from the impact, at least for now, because warehouses aren't facing the same pressures as commercial office space, real-estate executives said. *Source: The Wall Street Journal; link to article*

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

Malissa MacKay| mmackay@georgia.org | 912.966.7842