LOGISTICS MARKET SNAPSHOT

Georgia® CENTER OF INNOVATION

AUGUST 2023

U.S. MARKET:	
Gross Domestic Product	Real gross domestic product (GDP) **increased at an annual rate of 2.1% in the second quarter of 2023** according to the "second" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 2.0%. Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected a smaller decrease in private inventory investment and an acceleration in nonresidential fixed investment. The **increase in real GDP reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, and federal government spending** that were partly offset by decreases in exports, residential fixed investment, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased. *Source: Bureau of Economic Analysis*
U.S. Trade Deficit	The goods and services deficit **was $65.5 billion in June 2023, down $2.8 billion from $68.3 billion in May, revised.** The June decrease in the goods and services deficit reflected a decrease in the goods deficit of $2.8 billion to $88.2 billion and a decrease in the services surplus of less than $0.1 billion to $22.7 billion. For the three months ending in June, the average goods and services deficit increased $1.6 billion to $69.4 billion. *Source: Bureau of Economic Analysis*
Import Volumes	June 2023 **imports were $316.1 billion, $3.1 billion less than May imports, or a decrease of 1.0%.** June imports of industrial supplies and materials ($54.1 billion) were the lowest since May 2021 ($51.4 billion). June imports of automotive vehicles, parts, and engines ($38.7 billion) were the highest on record. *Source: U.S. Census Bureau*
Export Volumes	June 2023 **exports were $247.5 billion, $0.3 billion less than May exports, or a decrease of 0.1%.** June exports of industrial supplies and materials ($56.4 billion) were the lowest since September 2021 ($52.0 billion). June petroleum exports ($19.6 billion) were the lowest since October 2021 ($19.0 billion). *Source: U.S. Census Bureau*
Import & Export Price Index	The **price index for U.S. imports rose 0.4% in July 2023, only the second monthly advance in 2023**. Despite the July rise, U.S. import prices declined 4.4% over the past 12 months, after increasing 8.8% from July 2021 to July 2022. Import fuel prices advanced 3.6% in July, after increasing 1.9% in June. Higher prices for petroleum and natural gas in July contributed to the rise. Nonfuel import prices were unchanged in July following a 0.3% decrease the previous month. U.S. **export prices increased 0.7% in July, after declining 0.7% the previous month**. The advance in July was the largest monthly increase since a 1.1% rise in June 2022. The price index for agricultural exports rose 0.9% in July following declines of 1.5% in June and 2.3% in May. Higher prices for soybeans, meat, and wheat in July more than offset lower prices for corn, fruit, and nuts. Prices for nonagricultural exports advanced 0.6% in July, after decreasing 0.6% the previous month. *Source: Bureau of Labor Statistics*
Unemployment Rate	Total nonfarm payroll employment **rise by 187,000 in July 2023, and the unemployment rate changed little at 3.5%.** Job gains occurred in health care, social assistance, financial activities, and wholesale trade. **Georgia's unemployment rate remained steady at 3.2% for July 2023**, now ranking 29th in the U.S. of states with the lowest unemployment. New Hampshire has lowest level of unemployment at 1.7%. Nevada ranks highest in unemployment with a rate of 5.3%. *Source: Bureau of Labor Statistics*
Labor Force Participation Rate	For July 2023 the labor force participation rate (16 years and over) **remained unchanged for the 5th consecutive month, with a reading at 62.6%.** The labor force participation rate for July 2023 for those of **prime working age (25 to 54 years) decreased 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 0.4% in July 2023 to 105.8 following a decline of 0.7% in June**. The LEI is down 4.0% over the six-month period between January and July 2023—a slight deterioration from its 3.7% contraction over the previous six months (July 2022 to January 2023). According to The Conference Board, "The US LEI—which tracks where the economy is heading—fell for the 16th consecutive month in July, signaling the outlook remains highly uncertain. The leading index continues to suggest that economic activity is likely to decelerate and descend into mild contraction in the months ahead. **The Conference Board now forecasts a short and shallow recession in the Q4 2023 to Q1 2024 timespan**." *Source: The Conference Board (the LEI is a composite of 10 economic indicators that together create an analytic system designed to signal peaks and troughs in the business cycle. The LEI reveals patterns in economic data in a clearer and more convincing manner than any individual component alone)*

Pending Home Sales Index	The Pending Home Sales Index (PHSI) **rose 0.9% to 77.6 in July 2023, rising for the second consecutive month**. Year-over-year, pending transactions fell by 14.0%. The Northeast and Midwest posted monthly losses, while sales in the South and West grew. Says the National Association of Realtors, “The small gain in contract signings shows the potential for further increases in light of the fact that many people have lost out on multiple home buying offers. **Jobs are being added and, thereby, enlarging the pool of prospective home buyers**. However, rising mortgage rates and limited inventory have temporarily hindered the possibility of buying for many." *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 July 2023 were at a seasonally adjusted annual rate of 1,452,000**. This is 3.9% above the revised June estimate of 1,398,000 and is 5.9% above the July 2022 rate of 1,371,000. Single-family housing starts in July were at a rate of 983,000; this is 6.7% above the revised June figure of 921,000. **The July 2023 rate for units in buildings with five units or more was 460,000.** *Source: U.S. Census Bureau*
Light-Vehicle Sales	New light-vehicle sales in July 2023 increased year over year for the 11th straight month**. July 2023 totaled 15.74 million units and was up 18.3% from July 2022**. Fleet deliveries in July 2023 represented 15.4% of new-vehicle sales, down from 18% the month before. Sales of alternative-fuel vehicles continued to grow in July and represented 15.7% of all new vehicles sold through July 2023. **Additionally in July 2023, franchised dealers sold their 1 millionth BEV since 2012.** Expect sales of BEVs by franchised dealerships to continue to increase in coming years as more new models are introduced. Inventory declined slightly in July to 1.79 million units but should resume monthly sequential increases in August and through the rest of the year. As inventory has increased so have manufacturer incentives. According to J.D. Power, **average incentive spending per unit is expected to total $1,888 in July 2023, up 107% from July 2022**. *Source: National Automobile Dealers Association (Light vehicle sales record the number of domestically produced units of cars, SUVs, mini-vans, and light trucks that are sold. Because motor vehicle sales are a large part of consumer spending in the United States, the motor vehicle sales data can provide important information on consumer-spending trends and on the overall direction of the economy)*
Personal Income and Outlays	**Personal income increased $45.0 billion, or 0.2% in July 2023**. Disposable personal income (DPI), personal income less personal current taxes, increased $7.3 billion (less than 0.1%). The increase in current-dollar personal income in July primarily reflected an increase in compensation that was partly offset by a decrease in personal current transfer receipts. **Personal outlays,** the sum of PCE, personal interest payments, and personal current transfer payments, increased $153.8 billion in July 2023. **Personal saving was $705.6 billion in July** and the personal saving rate was 3.5%. *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 $144.6 billion, or 0.8%, for July 2023. Excluding food and energy, the PCE price index increased 0.2%. Real PCE increased 0.6%; goods increased 0.9% and services increased 0.4%. **Within goods, the largest contributors** to the increase were “other” nondurable goods (led by games, toys, and hobbies) and recreational goods and vehicles (led by video, audio, photographic and information processing equipment, and media). **Within services, the largest contributors** to the increase were food services and accommodations (led by food services), financial services and insurance (led by portfolio management and investment advice services), and housing and utilities (led by utilities). *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 **July 2023 were $696.4 billion, up 0.7% from the previous month, and up 3.2% above July 2022.** Total sales for the May 2023 through July 2023 period were up 2.3% from the same period a year ago. Retail trade sales were up 0.6% from June 2023, and up 2.0% above last year. **Nonstore retailers were up 10.3% from last year, while food services and drinking places were up 11.9% from July 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 second quarter of 2023, adjusted for seasonal variation, **was $277.6 billion, an increase of 2.1% from the first quarter of 2023**. Total retail sales for the second quarter of 2023 were estimated at $1,798.2 billion, virtually unchanged (±0.2%) from the first quarter of 2023. Quarter-over-quarter, e-commerce estimate increased 7.5% while total retail sales increased 0.6% in the same period. **E-commerce sales in the second quarter of 2023 accounted for 15.4 percent of total sales.** *Source: U.S. Census Bureau (E-Commerce sales are measured on a quarterly basis and include the sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online)*
Consumer Confidence Index	The Consumer Confidence Index **declined in August 2023 to 106.1, from a downwardly revised 114.0 in July. Although consumer fears of an impending recession continued to recede, we still anticipate one is likely before yearend.** Per The Conference Board, "Consumer confidence fell in August 2023, erasing back-to-back increases in June and July. August's disappointing headline number reflected dips in both the current conditions and expectations indexes. Responses showed that consumers were once again preoccupied with rising prices in general, and for groceries and gasoline in particular. The pullback in consumer confidence was evident across all age groups—**and most notable among consumers with household incomes of $100,000 or more, as well as those earning less than $50,000.** Confidence held relatively steady for consumers with incomes between $50,000 and $99,999." *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 0.2% in July 2023** on a seasonally adjusted basis, the same increase as in June. Over the last 12 months, the all items index increased 3.2% before seasonal adjustment. The index for all items less food and energy rose 0.2% in July, as it did in June. Indexes which increased in June include: shelter, motor vehicle insurance, education, and recreation. The indexes for airline fares, used cars and trucks, medical care, and communication were among those that decreased over the month. The **Producer Price Index increased 0.3% in July 2023**, seasonally adjusted. On an unadjusted basis, the index for final demand advanced 0.8% for the 12 months ended in July. The index for final demand less foods, energy, and trade services moved up 0.2% in July, the largest increase since a 0.3% rise in February 2023. *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 0.9 of a point in July 2023 to 91.9, marking the 19th consecutive month below the 49-year average of 98**, with 21% of owners reporting inflation as the single most important problem in operating their business; this is down three points from June. Per the National Federation of Independent Business, "With small business owners' views about future sales growth and business conditions dismal, owners want to hire and make money now from solid consumer spending. Inflation has eased slightly on Main Street, but difficulty hiring remains a top business concern." Of owners, 61% reported hiring or trying to hire in July, up two points from June. Of those hiring or trying to hire, 92% of owners reported few or no qualified applicants for the positions they were trying to fill. *Source: National Federation of Independent Business*
Industrial Production & Capacity Utilization	For **July 2023 total industrial production increased 1.0%** following declines in the previous two months. At 102.9% of its 2017 average, total industrial production in July was 0.2% below its year-earlier level. **Capacity utilization moved up to 79.3% in July 2023**, a rate that is 0.4 percentage points below its long-run (1972–2022) average. Capacity utilization for manufacturing edged up to 77.8% in July, a rate that is 0.4 percentage points below its long-run (1972–2022) average. Mining output grew 0.5% in July and was 2.0% above 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 & Trade Inventories and Sales	**Manufacturers' and trade inventories for June 2023 were estimated at an end-of-month level of $2,541.1 billion**, virtually unchanged from May 2023, but were up 2.0% from June 2022. The value of **trade sales and manufacturers' shipments for June 2023 was estimated at $1,818.6 billion**, down 0.1% from May 2023 and was down 3.1% from June 2022. The total business inventories/sales ratio based at the end of **June 2023 was 1.40.** The June 2022 ratio was 1.33. *Source: U.S. Census Bureau*

Purchasing Managers Index, Manufacturing	The July 2023 Manufacturing PMI **registered 46.4%, 0.4 percentage point higher than the 46% recorded in June**. Regarding the overall economy, this figure indicates an 8th month of contraction after a 30-month period of expansion. Says the Institute for Supply Management, "The U.S. manufacturing sector shrank again, but the uptick in the PMI indicates a marginally slower rate of contraction. The July composite index reading reflects companies continuing to manage outputs down as order softness continues. Demand remains weak but marginally better compared to June, production slowed due to lack of work, and suppliers continue to have capacity. There are signs of more employment reduction actions in the near term to better match production output. **Of the six biggest manufacturing industries, only one — Petroleum & Coal Products — registered growth in July.** *Source: Institute for Supply Management (The PMI combines data on new orders, production, employment, supplier deliveries, and inventory. A reading above 50 % indicates that the manufacturing economy is generally expanding.)*
Purchasing Managers Index, Services	In July 2023, the **Services PMI registered 52.7%, 1.2 percentage points lower than June's reading of 53.9%.** Economic activity in the services sector expanded in July for the 7th consecutive month and has grown in 37 of the last 38 months, with the lone contraction in December of last year. Per ISM, "There has been a slight pullback in the rate of growth for the services sector. This is due to the decrease in the rate of growth for business activity, new orders, and employment, and ongoing faster delivery times. **Respondents are cautiously optimistic about business conditions and the overall economy**." *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	In **July 2023 the Logistics Manager's Index read in at 45.4. This is not only the third consecutive month of contraction for the overall index, but also the fifth consecutive month that the index has reached a new all-time low.** Decreasing inventories have led to slowing rates of growth for both Warehousing Utilization and Warehousing Prices, with Warehousing Capacity increasing. Interestingly, we do see the rate of growth for Transportation Capacity slowing while Transportation Prices decline at their slowest rate since April. Warehousing metrics are still buoying the overall index, but they are softening as transportation metrics are beginning to stiffen. The dichotomy between the overall economy and the logistics industry is most clearly seen in employment figures. While 209,000 workers were added in June, 14,000 freight and parcel carriers were cut and 6,900 warehousing and storage jobs were lost. **In the past expectations would see transportation and warehousing ramping up hiring in late summer ahead of peak season. However, analysts do not see the same "urgency" towards hiring in the logistics industry so far this year.** *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	U.S. Secretary of Commerce Gina Raimondo today met with Minister of Commerce of the People's Republic of China Wang Wentao to advance U.S. commercial and strategic interests. The meeting was part of ongoing efforts to deliver on President Biden's directive following his meeting with President Xi in November 2022 to deepen bilateral discussions. Raimondo reinforced the Administration's commitment to taking actions necessary to protect U.S. national security and reiterated the Administration's "small yard, high fence" approach, underscoring that export controls are narrowly targeted at technologies that have clear national security or human rights impacts and are not about containing China's economic growth. *Source: American Journal of Transportation; link to article*

INTERMODAL:

Dow Jones Transportation Average	As of August 29, 2023, the Dow Jones Transportation Average **closed at a reading of 15,853.14.** *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 August 29, 2023, the NASDAQ Transportation Index **closed at a reading of 6,196.17.** *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 **June 2023 measured 139.0, 1.6% below the all-time high level of 141.2 in August 2019** (BTS' TSI records begin in 2000). The Freight TSI increased in June due to seasonally adjusted increases in rail intermodal, rail carload, air freight, and trucking, while water and pipeline were down. The June freight index increase was the second consecutive increase, following two months of decline, leaving the index 0.5% below the February level. This was only the third increase in the last nine months, for an overall decrease of 1.4% since September 2022. *Source: U.S. Bureau of Transportation Statistics (TSI is based on the amount of freight carried by the for-hire transportation industry)*
Freight Index for Shipments & Expenditures	The **shipments component of the Cass Freight Index fell 2.2% month-over-month in July 2023 and fell 1.2% month-over-month** in seasonally adjusted terms. Declining real retail sales and destocking remain the primary issues, but dynamics are shifting as real incomes improve and the worst of the destock is in the rearview. T**he expenditures component of the Cass Freight Index fell 2.8% month-over-month and 24.4% year-over-year in July 2023.** The expenditures component of the Cass Freight Index rose 23% in 2022, after a record 38% increase in 2021, but is set to decline about 18% in 2023. Both freight volume and rates remain under pressure at this point in the cycle, but fuel price increases could limit the savings for shippers. *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) **fell in June 2023 to a 7.9 reading from May's 8.6 and was impacted negatively by the recent jump in diesel prices.** Overall market conditions for shippers were stable and positive during June. However, the outlook is for progressively weaker readings moving forward due to the projected sharp increase in fuel costs. According to FTR Transportation Intelligence, "Fuel is one of the most volatile components that can impact shipper conditions through its ability to move fuel surcharges and capacity around. **If fuel prices continue to increase, it will push less positive readings in the SCI in the months ahead**." *Source: FTR Transportation Intelligence (Figures below zero indicate a less-than-ideal environment for shippers)*
North American Transborder Freight	Total transborder freight moved by all modes of transportation between the United States and North American countries Canada and Mexico for **June 2023 was valued at $134.8 billion, down 4.6% compared to June 2022**. Freight between the U.S. and Canada totaled $66.3 billion, down 9.6% from June 2022. Freight between the U.S. and Mexico totaled $68.5 billion, up 0.9% from June 2022. Multiple modes declined due to 38.8% decrease in value of oil and energy commodities. **Air moved** $4.8 billion of freight, down 2.0% compared to June 2022. **Pipelines moved** $8.1 billion of freight, down 45.4% compared to June 2022. **Railways moved** $17.0 billion of freight, down 9.7% compared to June 2022. **Trucks moved** $88.5 billion of freight, up 6.1% compared to June 2022. **Vessels moved** $10.3 billion of freight, down 22.6% compared to June 2022. *Source: U.S. Bureau of Transportation Statistics*
Intermodal News Clip	Domestic intermodal volumes originating in Mexico have been on the rise in recent months since the May debut of two new services launched by competitors Canadian Pacific Kansas City (CPKC) and Canadian National (CN). Since CPKC's Mexico Midwest Express and CN's Falcon Premium services were launched in May, intermodal volume out of Mexico has surged 34% year over year through the end of July, according to data from the Intermodal Association of North America (IANA). Volume from Mexico to the US Midwest specifically has risen 25% during that time, while domestic intermodal volumes across North America have fallen 4.5%. *Source: Journal of Commerce; link to article*

RAIL:

U.S. Freight Rail Traffic	U.S. railroads **originated 875,660 carloads in July 2023**, down 0.6%, or 5,599 carloads, from July 2022. U.S. railroads also **originated 967,553 containers and trailers in July 2023**, down 5.5%, or 56,737 units, from the same month last year. Combined U.S. **carload and intermodal originations in July 2023 were 1,843,213**, down 3.3%, or 62,336 carloads and intermodal units from July 2022. Says the Association of American Railroads, "The three non-July 4 weeks in July were the three highest volume intermodal weeks of the year, and carloads of chemicals rose in July for the first time in almost a year. At the same time, July was exceptionally weak for grain carloadings. July rail volumes are always affected by Independence Day closures, so we are cautious to put too much stock in this month's results, but there are reasons for both optimism and caution." *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 July 2023 was 522.1.** This is a month-over-month increase of 3.07%, and a year-over-year decrease of 33.20%.

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 **July 2023 was 122, 816 workers**, a decrease from 122,864 workers in June 2023. Total number of workers in July 2022 was 116,407.

Source: U.S. Surface Transportation Board

Rail Freight News Clip

Genesee & Wyoming Inc. (G&W) subsidiaries Georgia Central Railway LP (GC) and Heart of Georgia Railroad Inc. (HOG) on Aug. 10 filed a petition with the Federal Railroad Administration (FRA) to pilot new zero-emission rail-freight technology from Parallel Systems on portions of their rail lines. If approved, the multiphased pilot would begin next year and be overseen by the FRA, G&W and Parallel Systems, enabling G&W and Parallel Systems to demonstrate the technology in a field setting while using protocols to ensure the pilot is operated in a safe and controlled manner, G&W officials said in a press release. GC and HOG officials believe the development and anticipated adoption of this technology has the potential to capture new container business moving to and from the Port of Savannah, as well as reinvigorate traffic on rural rail lines and revive inland ports in Georgia.

Source: Progressive Railroading; link to article

ROAD:

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 Q3 2023 Report/Q4 2023 Forecast will be released October 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) **fell 0.2% month-over-month in July 2023 to 142.0, after a 0.4% month-over-month decline in June.** The slower decline in the past two months likely reflects a combination of slightly higher spot rates and smaller declines in contract rates. On a year-over-year basis, the TLI fell 12.7% in July, after a 14.1% decline in June. As a broad truckload market indicator, this index includes both spot and contract freight. With spot rates already down significantly, the larger contract market continues to weigh on the index.

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

Truck Tonnage Index	The For-Hire Truck Tonnage Index **decreased 0.8% in July 2023 after falling 0.3% in June**. In July, the index equaled 112.9 (2015=100) compared with 113.8 in June. According to the American Trucking Associations, "As has been the case for several months, a multitude of factors have caused a recession in freight, including sluggish spending on goods by households as consumers traveled more and went to concerts this summer. **Less home construction, falling factory output and shippers consolidating freight into fewer shipments compared with the frenzy during the goods buying spree at the height of the pandemic are also significant drags on tonnage."** *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 July 2023 was 2.64, up from 2.59** in June 2023. The ratio for July 2022 was 3.84. **Georgia's load-to-truck ratio** for vans for July 2023 fell to an average of 1.1 – 2.5 loads for every truck. For August 2023, **the spot rate** (national average) for dry van freight came in at $2.07. **Contract rates** registered an average of $2.56 for the same month. The outbound van rate for the Southeast region averaged $2.02 for August 2023. *Source: DAT Freight & Analytics*
Truckload Freight, Refrigerated	The national **load-to-truck ratio for refrigerated hauls remained relatively steady at 3.85 loads per truck for July 2023.** The July 2022 ratio was 7.24. **Georgia's load-to-truck ratio** for July 2023 decreased, averaging 2.3 – 5.5 reefer loads per truck. The average national **spot market reefer rate for August 2023 was $2.48 per mile,** while contract rates for reefers averaged $2.94 for the same month. The average outbound rate for the **Southeast region for reefer freight** registered at $2.23 for August 2023. *Source: DAT Freight & Analytics*
Trucking Conditions Index	The Trucking Conditions Index **for June 2023 fell to -6.29 from the previous -3.75**, reflecting modestly weaker market conditions for carriers. Freight rates were slightly less negative, but all other key factors deteriorated. June's TCI reading was the most negative since November. FTR comments: "**Based on our assessment, for-hire trucking companies have already faced the longest period of consistently unfavorable market conditions since the Great Recession**. We expect negative TCI readings to continue for nearly a year longer and little, if any, improvement until early 2024. As we have noted before, the challenges are not uniform as the current market is hitting small carriers much harder than larger ones, especially considering the recent upturn in diesel prices." *Source: FTR Transportation Intelligence (Figures below zero indicate a less-than-ideal environment for trucking)*
Diesel Prices	As of August 28, 2023, the **U.S. average diesel price was $4.47 per gallon**. This is a $0.35 increase month-over-month and $0.64 lower than the same week in 2022. The average price of diesel in the **Lower Atlantic states reads in at $4.38 per gallon**, a 28-cent jump from the previous month and a $0.79 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	July 2023 numbers (preliminary) for the trucking industry **read at 1,604,300 employees,** a decrease from 1,607,200 employees (preliminary) for June 2023. *Source: U.S. Bureau of Labor Statistics*
Trucking Earnings & Hours	For June 2023, the average earnings (preliminary) for occupations commonly found in truck transportation **were $29.02/hour**, falling from the previous month's rate of $29.44. June 2023 showed **average weekly hours totaling 41.1 hours** (preliminary) up from 40.8 hours in May 2023. *Source: U.S. Bureau of Labor Statistics*
U.S. Truck & Trailer Orders (Class 8)	North American Class 8 orders came in above expectations **for July 2023 at nearly 13,500 units, which was 8% below June but a hefty 25% above July 2022.** While orders were higher than anticipated, they are still running below replacement demand. Total Class 8 orders for the previous 12 months have equaled more than 301,000 units. Although above expectations, the absolute level of orders was weak. However, this is normal seasonal behavior due to a traditional mid-year slowdown. Class 8 build remains strong, so this seasonal weakness in orders will continue the trend of shrinking backlogs. Says FTR, "**Build slots are anticipated to open soon, so orders likely will not fall much further – if at all – in the near term.** Build slots for 2023 are already filled, so it is unclear when these orders will be slotted, and the situation clearly will add pressure to increase production through the end of the year." *Source: FTR Transportation Intelligence*

Truck Freight News Clip	Georgia Gov. Brian Kemp announced the Georgia Department of Transportation (GDOT) would begin working with private sector partners on how to approach deploying hydrogen fueling stations for commercial vehicles in that state. Kemp said the effort was the first step in a multi-step process that would accelerate the adoption of hydrogen-powered trucks. As part of that, GDOT issued a Request for Information (RFI) seeking feedback on how to move forward in developing and construction hydrogen fuel stations. Information gathered from the RFI will be used in conjunction with other research to understand what opportunities and challenges face the state in the hydrogen adoption process. *Source: Transportation Today; link to article*

AIR:

Air Cargo Traffic	Global air cargo demand **fell by 3.4% year-on-year in June 2023, the smallest decline since February 2022**. Year-to-date cargo tonne-kilometers (CTKs) were 8.1% below last year's level. **Air cargo capacity,** measured in available cargo tonne-kilometers (ACTKs), **saw a slower annual growth of 9.7% in June, compared to double-digit growth between March and May**. Year-to-date ACTKs exceeded 2022 levels by 9.9%. Improvements in inflation in major economies could provide a tailwind to the global economy and air cargo demand. Major trade lanes including Europe-North America and Asia-North America experienced smaller annual contractions in international air cargo demand in June, improving by 2.1 percentage points compared to May. *Source: International Air Transport Association (Global air freight covers international and domestic scheduled air traffic.)*
Jet Fuel Prices	As of August 25, 2023, the global average jet fuel price **ended at $126.37/bbl, an increase of 26.7% from the previous month.** This is a 7.8% 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	Air cargo enjoyed record demand when COVID-19 closed borders and snarled supply chains. Now, it is reeling from overcapacity and tumbling freight rates as the freight boom makes a hard landing. Consumers who had the means to spend the lockdown shopping online for goods needing to be delivered, diverting budgets from restaurants and leisure, are travelling in ever-rising numbers. The result? Passenger jets grounded during the health crisis are flying again and bringing their lower-deck cargo space, which competes with dedicated air freighters, back into play. The switch in demand from goods back to services and the abrupt expansion in belly capacity on passenger planes have sliced about a third off cargo rates in the last year. *Source: Reuters; link to article*

OCEAN:

Shanghai Containerized Freight Index	As of August 25, 2023, the SCFI comprehensive **reading was $1,013.78 per FEU.** This is a 4.89% increase from the previous month, **and a 67.86% 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) obtained certification on Aug. 1, 2023, **for all GPA terminals from U.S. Customs and Border Protection to unload cargo from vessels prior to being cleared by CBP.** To participate in the Advanced Qualified Unlading Approval (AQUA) Lane benefit, ocean carriers must be enrolled in the Customs Trade Partnership Against Terrorism program, be in good standing with CBP and stipulate AQUA Lane status when they transmit their manifest to U.S. Customs prior to arriving in a U.S. port. In the past, vessels would have to wait for U.S. Customs to clear cargo and crew prior to the start of cargo operations. The duration of the clearance process is unpredictable – which often results in port labor waiting dockside to start operations. **"AQUA Lane brings more certainty to supply chain velocity with faster cargo operations on inbound vessels", says GPA Chief Operating Officer Ed McCarthy**. *Source: Georgia Ports Authority*

Ocean Freight News Clip

The Panama Canal Authority (ACP) says it will extend water restrictions for at least another 10 months in an effort to conserve water if rainfall patterns do not vary significantly from projections. Water levels in Gatun Lake, which feeds the canal, are at a four-year low. A canal lock uses 50 million gallons of water when a single vessel traverses the canal. Adil Ashiq, head of North America for MarineTraffic, warned that if the dry season continues and water levels of the canal do not improve, the restrictions could further tighten, leading to even more delays and higher shipping costs, which would have a ripple effect on the global supply chains. Says Ashiq, "If a vessel is unable to make a transit through the canal, then a trip around South America will add up to two weeks of journey and higher fuel consumption — a cost which will be passed down to consumers."
Source: FreightWaves; link to article

WAREHOUSING & DISTRIBUTION:

Industrial Vacancy

For Q2 2023, the **U.S. industrial vacancy rate pushed higher by 60 basis points (bps). At 4.1%, the national vacancy rate surpassed the 4% mark for the first time since mid-year 2021**, although it remains 110 bps below the 10-year historical average of 5.2%. Despite recent upticks in vacancy over the last three quarters, most markets remain historically tight. In fact, 24 markets currently register rates at 3% or lower, five of which boast rates at 2% or less. All things considered, the U.S. industrial market is still historically tight, with vacancy well below pre-pandemic levels. That said, the still-elevated pipeline contributed 50 bps of vacancy quarter-over-quarter, meaning that the construction side of the market will be a key factor driving vacancies in the quarters ahead. **Savannah, GA reported** a vacancy rate of 3.6% for Q2 2023, compared to 0.6% for Q2 2022. **Atlanta, GA reported** a vacancy rate of 4.7% for Q2 2023, compared to 2.7% in Q2 2022.

Note: Next release for Q3 2023 – U.S National Industrial Vacancy, will be published October 2023.
Source: Cushman & Wakefield

Warehouse Rent Rates

Asking **rental rate growth persisted at a healthy pace during the second quarter, increasing by 4.6% quarter-over-quarter to $9.59 per square foot (psf)**. Annual rent growth moderated over the last three quarters after peaking at 21.9% in the third quarter of 2022, coming in at 16.1% mid-year. The Northeast drove asking rent growth, while both the West and South surpassed double-digit annual rent growth. There were 20 markets that registered quarterly increases of at least 5%, some of which were fueled by healthy delivery totals of Class A speculative logistics space priced at a premium. While market conditions have begun to soften, many landlords—especially institutional owners—have been holding firm on pricing. **For Savannah, GA** the average asking rental rate for Q2 2023 was $6.54, compared to $6.12 for Q2 2022. **For Atlanta, GA** the average asking rental rate for Q2 2023 was $7.17, compared to $6.61 for Q2 2022.

Note: Next release for Q3 2023 – U.S. National Asking Rents, will be published October 2023
Source: Cushman & Wakefield

Industrial Absorption

Following two years of record-setting demand and cumulative rent growth of 30% or more, the industrial sector appears to be reverting to the norm. **In the second quarter, net absorption registered 44.9 million square feet (msf), down from 71.4 msf observed in the previous quarter and down from 126 msf recorded one year prior.** Absorption levels in the first half of 2023 were roughly on par with what was observed in the years leading up to the pandemic—which were historically strong years for absorption—just not when compared to the e-commerce/consumption boom that followed the pandemic. **Regionally, the South accounted for 61% of the second-quarter absorption total, led by Savannah, Dallas and Houston—all of which achieved more than 3 msf of net absorption.** In total, 21 markets posted at least 1 msf of net growth, signaling that although moderating from historic highs, the industrial market is still very healthy. **For Savannah**, GA, Q2 2023 net absorption registered at 4,409,878 compared to 2,159,187 for Q1 2023. **For Atlanta,** GA, Q2 2023 net absorption registered at -802,187 compared to 3,678,150 for Q1 2023.

Note: Next release for Q3 2023 – U.S National Industrial Absorption, will be published October 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 July 2023 numbers for the warehousing industry workforce comes in at **1,899,500 employees, a decrease from 1,905,100 employees** for June 2023 (preliminary). *Source: U.S. Bureau of Labor Statistics*
Warehouse Earnings & Hours	June 2023 average hourly earnings in the warehousing and storage subsector comes in at **$23.95/hour (preliminary), increasing from the May 2023 rate of $23.79/hour**. The **average weekly hours were 39.8 for June 2023** (preliminary) up from 39.3 hours in May 2023. *Source: U.S. Bureau of Labor Statistics*
Warehouse & Distribution News Clip	An Atlanta startup announced it has cold hard cash to invest into building a network of freezer and refrigeration storage facilities across the country. Envision Cold said it recently obtained $500 million in backing from an investment partner to build a portfolio of cold storage facilities, which preserve perishables like produce, meat, and medicine. Online grocery sales skyrocketed during pandemic lockdowns, prompting unprecedented demand for refrigerated and frozen storage space, according to real estate services firm CBRE. In mid-2022, about 3.3 million square feet of speculative cold storage space was in development — a tenfold increase from 2019. During the same time frame, the average national vacancy rate at existing facilities dropped to 3.8%. The Buckhead company expects the investment to spur $1.5 billion in acquisitions and development across the cold chain logistics pipeline. *Source: The Atlanta Journal-Constitution; link to article*

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

Georgia® CENTER OF INNOVATION

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

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

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