

LOGISTICS MARKET SNAPSHOT

SEPTEMBER 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 "third" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 2.2% (revised). The update primarily reflected a downward revision to consumer spending that was partly offset by upward revisions to nonresidential fixed investment, exports, and inventory investment. Imports, which are a subtraction in the calculation of GDP, were revised down. The increase in real GDP reflected increases in nonresidential fixed investment, consumer spending, and state and local government spending that were partly offset by a decrease in exports. Imports decreased.
Source: Bureau of Economic Analysis

U.S. Trade Deficit

The goods and services deficit **was \$65.0 billion in July 2023, up \$1.3 billion from \$63.7 billion in June**, revised. The July increase in the goods and services deficit reflected an increase in the goods deficit of \$2.0 billion to \$90.0 billion and an increase in the services surplus of \$0.7 billion to \$25.0 billion. For the three months ending in July, the average goods and services deficit decreased \$2.7 billion to \$65.2 billion.
Source: Bureau of Economic Analysis

Import Volumes

July 2023 **imports were \$316.7 billion, \$5.2 billion more than June imports, or an increase of 2.1%**. July imports of automotive vehicles, parts, and engines (\$39.4 billion) were the highest on record. July imports from Italy (\$6.9 billion) were the highest on record.
Source: U.S. Census Bureau

Export Volumes

July 2023 **exports were \$251.7 billion, \$3.9 billion more than June exports, or an increase of 1.6%**. July exports of automotive vehicles, parts, and engines (\$16.9 billion) were the highest on record. July exports to South Korea (\$4.5 billion) were the lowest since November 2020 (\$3.9 billion).
Source: U.S. Census Bureau

Import & Export Price Index

U.S. import prices rose 0.5% in August 2023, after ticking up 0.1% the previous month. The August advance was led by higher fuel prices. This is the largest monthly increase since May 2022. Despite the August increase, U.S. import prices fell 3.0% over the past year. **Prices for U.S. exports advanced 1.3% in August, after increasing 0.5% the previous month**. The August rise was the largest 1-month advance since the index increased 2.7% in May 2022. Higher nonagricultural prices in August more than offset lower agricultural prices. Despite the advance in August, U.S. export prices declined 5.5% over the past year.
Source: Bureau of Labor Statistics

Unemployment Rate

Total nonfarm payroll employment **increased by 187,000 in August 2023, and the unemployment rate rose to 3.8%**. Employment continued to trend up in health care, leisure and hospitality, social assistance, and construction. Employment in transportation and warehousing declined. **Georgia's unemployment rate increased to 3.3% for August 2023**, now ranking 29th in the U.S. of states with the lowest unemployment, tied with Louisiana and North Carolina. Maryland shows the lowest level of unemployment at 1.7%. Nevada ranks highest in unemployment with a rate of 5.4%.
Source: Bureau of Labor Statistics

Labor Force Participation Rate

For August 2023 the labor force participation rate **rose by 0.2 percentage point to 62.8%, after being flat since March**. The labor force participation rate for August 2023 for those of **prime working age (25-54) read at 83.5%**.
Source: U.S. Bureau of Labor Statistics (Workforce Participation Rate measures the share of Americans at least 16 years old who are either employed or actively looking for work)

Leading Economic Index

The Leading Economic Index (LEI) for the U.S. declined by 0.4% in August 2023 to 105.4 following a decline of 0.3% in July. The LEI is down 3.8% over the six-month period between February and August 2023—little changed from its 3.9% contraction over the previous six months (August 2022 to February 2023). Says The Conference Board, "With August's decline, **the US Leading Economic Index has now fallen for nearly a year and a half straight, indicating the economy is heading into a challenging growth period and possible recession over the next year**. The leading index continued to be negatively impacted in August by weak new orders, deteriorating consumer expectations of business conditions, high interest rates, and tight credit conditions."
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

The Pending Home Sales Index (PHSI) **dropped 7.1% to 71.8 in August. Year-over-year, pending transactions fell by 18.7%.** All four U.S. regions posted monthly losses and year-over-year declines in transactions. Says the National Association of Realtors, "Mortgage rates have been rising above 7% since August, which has diminished the pool of home buyers. Some would-be home buyers are taking a pause and readjusting their expectations about the location and type of home to better fit their budgets."

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 **August 2023 were at a seasonally adjusted annual rate of 1,283,000.** This is 11.3% below the revised July estimate of 1,447,000 and is 14.8% below the August 2022 rate of 1,505,000. Single-family housing starts in August were at a rate of 941,000; this is 4.3% below the revised July figure of 983,000. **The August rate for units in buildings with five units or more was 334,000.**

Source: U.S. Census Bureau

Light-Vehicle Sales

New light-vehicle sales in August 2023 increased year over year for the 12th straight month. **August 2023 SAAR of 15 million units was up 13.7% from August 2022.** Fleet The deliveries in August 2023 represented 15.1% of sales. Although average incentive spending per unit in August 2023 is expected to double compared with August 2022, it likely will be flat compared with July 2023 and total \$1,902. While incentives have not risen dramatically in recent months, **there have been increases in leasing incentives. According to J.D. Power, leasing is expected to account for 20% of all new-vehicle sales** in August 2023. Even with incentive spending trending higher, the growth in average monthly payments hasn't slowed because of a still relatively rich mix of vehicles available for sale as well as high interest rates on vehicle finance contracts. J.D. Power expects **an average monthly payment of \$729 and an average interest rate of 7.3% for a new-vehicle** finance contract.

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 \$87.6 billion (0.4% at a monthly rate) in August 2023. Disposable personal income (DPI), personal income less personal current taxes, increased \$46.6 billion (0.2%). The increase in current-dollar personal income in August primarily reflected increases in compensation, personal income receipts on assets, rental income of persons, and proprietors' income that were 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 \$86.0 billion in August 2023.** Personal saving was \$794.1 billion in August and the personal saving rate—personal saving as a percentage of disposable personal income—was 3.9%.

Source: U.S. Bureau of Economic Analysis (personal income is the income that people get from wages and salaries, Social Security and other government benefits, dividends and interest, business ownership, and other sources; it does not include realized or unrealized capital gains or losses)

Personal Consumption Expenditures Price Index

The Personal Consumption Expenditures (PCE) price index **increased 0.4% for August 2023.** Excluding food and energy, the PCE price index increased 0.1%. Real PCE increased 0.1%; goods decreased 0.2% and services increased 0.2%. **Within services, the largest contributors to the increase** were housing and utilities (led by housing), transportation services, and health care (both hospitals and outpatient services). **Within goods, the largest contributor to the increase** was spending for gasoline and other energy goods (led by motor vehicle fuels, lubricants, and fluids).

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 **August 2023 were \$697 the.6 billion, up 0.6% from previous month, and up 2.5% above August 2022.** Total sales for the June 2023 through August 2023 period were up 2.2% from the same period a year ago. Retail trade sales were up 0.6% from July 2023, and up 1.6% above last year. Gasoline stations were down 10.3% from last year, while food services and drinking places were up 8.5% from August 2022.

Source: U.S. Census Bureau (Non-store retail sales are measured monthly and include internet-only sales outlets as well as other direct-to-customer channels)

E-Commerce

U.S. retail e-commerce sales for the first quarter of 2023, adjusted for seasonal variation, **was \$272.6 billion, an increase of 3.0% from the fourth quarter of 2022.** Total retail sales for the first quarter of 2023 were estimated at \$1,799.5 billion, an increase of 0.9% from the fourth quarter of 2022. The first quarter 2023 e-commerce estimate increased 7.8% from the first quarter of 2022 while total retail sales increased 3.4% in the same period. **E-commerce sales in the first quarter of 2023 accounted for 15.1% of total sales.**

Note: Release for Q2 2023 – U.S. Quarterly Retail E-Commerce Sales, will be published Thursday, August 17, 2023.

Source: U.S. Census Bureau (E-Commerce sales are measured on a quarterly basis and include the sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online)

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Consumer Confidence Index

The Consumer Confidence Index **declined in September 2023 to 103.0, down from an upwardly revised 108.7 in August.** Consumer fears of an impending recession also ticked back up, consistent with the short and shallow economic contraction anticipated for the first half of 2024. According to The Conference Board, “September’s disappointing headline number showed that **consumers continued to be preoccupied with rising prices in general, and for groceries and gasoline in particular.** Consumers also expressed concerns about the political situation and higher interest rates. The decline in consumer confidence was evident across all age groups, and notably among consumers with household incomes of \$50,000 or more.”

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 0.6% in August 2023 on a seasonally adjusted basis, after increasing 0.2% in July.** Over the last 12 months, the all-items index increased 3.7% before seasonal adjustment. Indexes which increased in August include rent, owners’ equivalent rent, motor vehicle insurance, medical care, and personal care. The indexes for lodging away from home, used cars and trucks, and recreation were among those that decreased over the month. The **Producer Price Index increased 0.7% in August 2023, seasonally adjusted, after rising 0.4% in July.** The August advance is the largest increase in final demand prices since moving up 0.9% in June 2022. In August, 80% of the rise in final demand prices is attributable to a 2% jump in the index for final demand goods. The index for final demand less foods, energy, and trade services increased 0.3% in August, the same as in July. For the 12 months ended in August, prices for final demand less foods, energy, and trade services rose 3%, the largest advance since moving up 3.4% for the 12 months ended in April.

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 **decreased 0.6 of a point in August 2023 to 91.3, the 20th consecutive month below the 49-year average of 98. Twenty-three percent of small business owners reported that inflation was their single most important business problem, up two points from last month.** The net percent of owners raising average selling prices increased two points to a net 27% (seasonally adjusted), still at an inflationary level. Says the National Federation of Independent Business, “With small business owners’ views about future sales growth and business conditions discouraging, owners want to hire and make money now from strong consumer spending. **Inflation and the worker shortage continue to be the biggest obstacles for Main Street.**”

Source: National Federation of Independent Business

Industrial Production & Capacity Utilization

Industrial production increased 0.4% in August 2023, and manufacturing output inched up 0.1%. The August reading for manufacturing was held back by a drop of 5% in the output of motor vehicles and parts; factory output elsewhere rose 0.6%. At 103.5% of its 2017 average, total industrial production in August was 0.2% above its year-earlier level. **Capacity utilization moved up to 79.7% in August, in line with its long-run average.** Capacity utilization for manufacturing remained at 77.9% in August, a rate that is 0.3 percentage points below its long-run average. The operating rate for mining jumped 1.4 percentage points to 94.3%, 7.9% above its long-run average. The operating rate for utilities rose 0.4 percentage points to 73.0%, well below its long-run average.

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

Manufacturing & Trade Inventories and Sales

Manufacturers’ and **trade inventories for July 2023** were estimated at an end-of-month level of \$2,538.1 billion, virtually unchanged (0.1% from) June 2023, but were up 1.4% from July 2022. The combined value of **distributive trade sales** and manufacturers’ shipments for July 2023 was estimated at \$1,828.4 billion, up 0.6 percent from June 2023, but was down 1.2 percent from July 2022. The **total business inventories/sales ratio** based on seasonally adjusted data at the end of July was 1.39. The July 2022 ratio was 1.35.

Source: U.S. Census Bureau

Purchasing Managers Index, Manufacturing

The August Manufacturing PMI **registered 47.6%, 1.2 percentage points higher than the 46.4% recorded in July.** Regarding the overall economy, this figure indicates the ninth month of contraction after a 30-month period of expansion. Per the Institute for Supply Management, “The U.S. manufacturing sector shrank again, but the uptick in the PMI indicates a slower rate of contraction. The August composite index reading reflects companies managing outputs appropriately as order softness continues, but the month-over-month increase is a sign of improvement. Of the six biggest manufacturing industries, three — **Transportation Equipment; Food, Beverage & Tobacco Products; and Petroleum & Coal Products — registered growth** in August.

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

In August 2023, the **Services PMI registered 54.5%, 1.8 percentage points higher than July's reading of 52.7%**. Says the Institute for Supply Management, "Thirteen industries reported growth in August. By being above 50 percent for the eighth month after a single month of contraction and a prior 30-month period of expansion, the Services PMI continues to indicate sustained growth for the sector." **The five industries reporting a decrease in the month of August are:** Agriculture, Forestry, Fishing & Hunting; Mining; Wholesale Trade; Health Care & Social Assistance; and Management of Companies & Support Services.

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 August the Logistics Manager's Index read in at 51.2. **This is a marked change for the index as before August's reading the overall index had registered three consecutive months of contraction and five consecutive months of registering new all-time low scores. In contrast, this is the fastest rate of expansion since February.** The expansion this month is driven by increased activity across all eight sub-metrics of the index. Inventory Levels are still contracting, but at a much slower rate than July's reading of 41.9, which was the steepest rate of contraction in the history of the index. This has led to an increase in Inventory Costs and Warehousing Prices. We also observe Transportation Utilization moving out of contraction and the rate of Transportation Price contraction slowing considerably. **It is not yet clear whether this move back towards expansion is a one-off deviation from the contraction we had been seeing or represents a pivot back towards expansion remains to be seen.** However, it does appear that the increase in activity we observed in the second half of July has spilled over into August.

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

Wholesale prices are still rising more slowly than consumer costs, a sign that inflation may continue to cool as the weaker wholesale price gains translate into smaller price increases for the consumer. The Thursday data reflect prices charged by manufacturers, farmers and wholesalers. The Labor Department's recent producer price index — which measures inflation before it hits consumers — increased 1.6% last month from a year earlier. That is up from a small 0.8% yearly increase in July and just 0.1% in June. Sharply higher gas prices drove much of the increase.

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

INTERMODAL:

Dow Jones Transportation Average

As of September 29, 2023, the Dow Jones Transportation Average **closed at a reading of 14,968.77.**

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 September 29, 2023, the NASDAQ Transportation Index **closed at a reading of 6,010.67.**

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 **July 2023 measured 136.9, 3.0% below the all-time high level of 141.1 in August 2019.** The Freight TSI increased in July due to seasonally adjusted increases in rail intermodal, water and pipeline while air freight and rail carload were down, and trucking was unchanged. The July increase came in the context of positive results for other indicators. Housing starts were up 3.9% while personal income increased by 0.2%.

Source: U.S. Bureau of Transportation Statistics (TSI is based on the amount of freight carried by the for-hire transportation industry)

Freight Index for Shipments and Expenditures

The shipments component of the Cass Freight Index rose 1.9% **month-over-month** in August 2023, or 0.8% **month-over-month** seasonally adjusted. On a year-over-year basis, the index was 10.6% lower in August, after an 8.9% decline in July. The freight market downcycle is now 20 months old, which compares to a range of 21 to 28 months in the past three downcycles. Part of the large year-over-year decline is the comparison to the extraordinary time last summer when destocking was creating freight demand as retailers shipped out stale inventory. The current downcycle is similar to the peak-to-trough declines in two of the three downcycles in the past dozen years. The third ended with the pandemic. **The expenditures component of the Cass Freight Index rose 1.1% month-over-month and fell 25.0% year-over-year in August.** With shipments up 1.9% in August, Cass Information Systems infers rates were down 0.8% from the previous month. 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)

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Shippers Conditions Index

The Shippers Conditions Index (SCI) fell significantly in July 2023 to 1.6 from June's 7.9 reading. All components of the SCI were weaker in July than in June, but the most significant changes were stronger capacity utilization and higher fuel costs. July market conditions for shippers were the least favorable in nearly a year resulting in the weakest SCI since October 2022. Fuel costs will be an even bigger hit to the August SCI. Fuel costs aside, gradually stronger freight volumes, utilization, and rates likely will soften conditions toward neutral by mid-2024. Per FTR Transportation Intelligence, "Stronger fuel costs were a driver of the Shippers Conditions Index to its lowest level in nearly a year. With rising crude oil prices, it appears the stronger diesel prices are with the industry for the foreseeable future."

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 **July 2023 was valued at \$127.1 billion, down 4.2% compared to July 2022**. Freight between the U.S. and Mexico totaled \$65.3 billion, up 0.2% from July 2022. Freight between the U.S. and Canada totaled \$61.7 billion, down 8.4% from July 2022. **Air moved \$4.4 billion of freight, down 3.0% compared to July 2022. Pipelines moved \$8.2 billion of freight, down 41.9% compared to July 2022. Railways moved \$17.2 billion of freight, down 1.7% compared to July 2022. Trucks moved \$80.1 billion of freight, up 3.4% compared to July 2022. Vessels moved \$11.4 billion of freight, down 15.6% compared to July 2022.**

Source: U.S. Bureau of Transportation Statistics

Intermodal News Clip

The Panama Canal drought is causing a shipping bottleneck with ripple effects on the supply chain. And changes to the supply chain not only impact the delivery of goods. For shipping stocks, in particular, any variances to regular operations can adjust revenue and profit margins. Investors who can spot supply chain trends can capitalize on changes by modifying their exposure to shipping stocks. Understanding how these assets correlate with supply chain issues, such as the pileup of ships in the Panama Canal due to the region's near-record drought, can help investors make better decisions, such as, how debt affects shipping stocks, and consideration of shipping stock purchases.

Source: U.S. News & World Report; [link to article](#)

RAIL:

U.S. Freight Rail Traffic

U.S. railroads **originated 1,133,375 carloads in August 2023**, down 2.0%, or 23,323 carloads, from August 2022. U.S. railroads also **originated 1,239,290 containers and trailers in August 2023**, down 6.35, or 83,717 units, from the same month last year. **Combined U.S. carload and intermodal originations in August 2023 were 2,372,665**, down 4.35, or 107,040 carloads and intermodal units from August 2022. According to the Association of American Railroads, "August was the third straight month in which total year-over-year U.S. rail carloads have fallen. A major reason why is that other than automotive manufacturing, the industrial economy, in recent months, has not been doing as well as other areas of the economy. Until industrial activity, and especially manufacturing, recovers, rail volumes in many key markets could remain constrained."

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 August 2023 was 622.7**. This is a month-over-month increase of 19.26%, and a year-over-year decrease of 14.44%.

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 **August 2023 was 122, 792 workers**, a decrease from 122,816 workers in July 2023. Total number of workers in August 2022 was 117,014.

Source: U.S. Surface Transportation Board

Rail Freight News Clip

U.S. Reps. Melanie Stansbury (D-N.M.) and Jamaal Bowman (D-N.Y.) have introduced the proposed Rail Worker and Community Safety Act, which calls for mandatory two-person rail crews on all Class 1s and other federal rail safety regulations. Other provisions in the bill would change how, when and where hazardous materials can be transported and see that first responders have the information they need when responding to a derailment; mandate the creation of a reporting structure for close-call incidents, similar to airlines' procedures; increase funding for rail safety inspectors; and mandate regulations regarding the use of wayside detection technologies, which are currently are not federally regulated.

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

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ROAD:

Cowen/AFS Freight Index

The **Truckload Rate-Per-Mile Index** will increase slightly to 6.6% in Q3:2023, a reversal of the downward trend established since Q1:2022, but still an 8.9% year-over-year (YoY) decline. As a result of stronger-than-expected U.S. GDP growth, receding inflation, and a reprieve, at least temporarily, from interest rate hikes, the truckload rate per mile index is unlikely to fall any lower than Q2:2023 levels. The **LTL Rate Per Pound Index** is projected to decline 1.3% quarter-over-quarter (QoQ) and 7.0% YoY to 51.3%, remaining significantly higher than pre-pandemic levels. The LTL cost per shipment experienced the first negative YoY change since 2020, with cost per shipment declining by 5.5% QoQ and 10.6% YoY. The **Express Parcel Rate Per Package Index** is expected to decrease to 0.9% in Q3:2023, a decline of 1.5% QoQ but still a 1.9% increase YoY. Looking ahead to Q3:2023, recent activity signals more aggressive discounting by UPS and FedEx, as both carriers have noted double digit YoY volume declines for air services in recent earnings releases. The **Rate Per Package Index** is projected to fall to 26.3% above the January 2018 baseline, down 1.3% QoQ and the first YoY decline in ground parcel since 2019. Ground parcel rates saw a decrease of 2.2% QoQ due to an 8.7% decline in net effective fuel surcharge and an increase in discounts. As in express parcel, falling fuel surcharges were the dominant force driving down the cost per package in Q2:2023, accompanied by a 1.2% increase in the average discount for base transportation and a 0.7% decline in average accessorial charges.

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 0.5% month-over-month in August 2023 to 141.3, after a 0.2% month-over-month decline in July**. The slower decline in the past three months, averaging 0.3% month-over-month, is a markedly slower decline than month-over-month averages during the preceding year. **This likely reflects a combination of stabilizing spot rates and smaller declines in contract rates**. We've recently heard anecdotes of fleets addressing unacceptable rates, with some success remediating sharp rate declines. While not likely widespread, this suggests rates are nearing their lows.

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 accessories. Provides trends in baseline truckload prices)

Truck Tonnage Index

The For-Hire Truck Tonnage Index **increased 0.2% in August 2023 after rising 1.1% in July**. In August, the index equaled 115.3 compared with 115 in July. Per the American Trucking Associations, "Evidence is growing that tonnage hit bottom in April and continues its slow climb upwards. However, year-over-year comparisons remain difficult as tonnage peaked in September of last year. **As a result, it is unlikely that tonnage turns positive compared with a year earlier for at least a month or two longer**. Most recently, freight continues to be mixed, with consumer spending and factory output flat to down."

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 August 2023 was 2.83**. The July 2023 ratio was 2.64 and the August 2022 ratio was 3.54. **Georgia's load-to-truck ratio** for vans for August 2023 saw a decrease, averaging of 1.1 – 2.5 loads for every truck. For September 2023, **the spot rate** (national average) for dry van freight rose 3 cents from the previous month to a reading of \$2.11. **Contract rates** registered an average of \$2.60 for the same month. Month-over-month, the average outbound van rate for the Southeast region declined, registering at \$2.04 for September 2023.

Source: DAT Freight & Analytics

Truckload Freight, Refrigerated

The national **load-to-truck ratio for refrigerated hauls rose to 4.41 loads per truck in August 2023**. The July 2023 ratio was 3.85 and the August 2022 ratio was 7.08. **Georgia's load-to-truck ratio** for August 2023 decreased, averaging 2.3 – 5.5 reefer loads per truck. The average national **spot market reefer rate for September 2023 was \$2.52 per mile**, increasing 2 cents from the previous month. Contract rates for reefers averaged \$2.99 for the same month. The average outbound rate for the **Southeast region for reefer freight** registered at \$2.24 for September 2023.

Source: DAT Freight & Analytics

Trucking Conditions Index

The Trucking Conditions Index for July 2023 was slightly less negative in at -5.34 than June's -6.29 reading as improved freight volume and capacity utilization offset weaker freight rates and higher fuel costs. Carriers continue to face challenging market conditions, and surging fuel prices in August and September will send the TCI even lower in the near term. Aside from fuel cost volatility, the outlook for trucking conditions is little changed with only gradual improvement toward neutral readings by the third quarter of 2024.

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

Diesel Prices

As of September 25, 2023, the **U.S. average diesel price was \$4.58 per gallon**. This is an 11-cent increase month-over-month and \$0.30 lower than the same week in 2022. The average price of diesel in the **Lower Atlantic states came in at \$4.42 per gallon**, showing no month-over-month change. Prices averaged \$4.75 per gallon during the same period in 2022.

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

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Trucking Employment

August 2023 numbers (preliminary) for the trucking industry **read at 1,567,600 employees**, decreasing from 1,604,300 employees (preliminary) for July 2023.

Source: U.S. Bureau of Labor Statistics

Trucking Earnings & Hours

For July 2023, the average earnings (preliminary) for occupations commonly found in truck transportation **were \$29.11/hour**, an increase from the previous month's rate of \$29.08. July 2023 showed **average weekly hours totaling 40.8 hours** (preliminary) down from 41.0 hours in June 2023.

Source: U.S. Bureau of Labor Statistics

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

North American Class 8 orders for August 2023 came in at 15,400 units, up 16 % versus July. Orders were down 26% year-over-year, but that comparison is a bit deceptive as last year's numbers were exceptionally strong. July 2022 was the beginning of the run-up in order activity that continued through November and beyond. The August level of order activity continues to be below replacement levels. Total Class 8 orders for the previous 12 months have equaled 294,000 units.

Source: FTR Transportation Intelligence

Road Freight News Clip

The contraction of autonomous trucking developers is leaving openings for new players like Waabi Innovation Inc., which has signed a 10-year deal to haul cargo on the Uber Freight network. Waabi uses advanced machine learning — generative AI — to train its system on data from simulation testing and the real world. Its models can generalize its learnings to all the situations it might encounter on the road, including those unseen before. Its Waabi World closed-loop simulator bypasses manual code adjustments. The two companies intend to deploy billions of miles of Waabi Driver capacity alongside carrier partners on the Uber Freight network during the next decade.

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

AIR:

Air Cargo Traffic

Industry air cargo demand **decreased by 0.8% year-on-year in July 2023, reflecting the sustained improvement in cargo tonne-kilometers (CTKs) and the low base of CTKs in 2022. Air cargo capacity increased by 11.2%, primarily due to the continued restoration of belly cargo capacity during the summer season.** Global trade contracted for the third consecutive month, with manufacturing output and new export orders deteriorating. China's weak performance in production and exports is a concerning development for the global economy. Asia Pacific airlines experienced their first year-on-year growth in cargo traffic since March 2022, driven by increased trade with other regions and significant market improvements within Asia.

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

Jet Fuel Prices

As of September 22, 2023, the global average jet fuel price **ended at \$131.37/bbl, an increase of 6.1% from the previous month.** This is a 5.2% 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

The Federal Aviation Administration has approved expanded drone operations by Sandy Springs-based UPS Flight Forward and Cartersville-based Phoenix Air, among the first such clearances granted by the agency. UPS Flight Forward got FAA approval to deliver small packages with its Matternet M2 drone, with plans for operations in North Carolina, Florida, Ohio and "potentially other states." The package delivery giant's drone subsidiary UPS Flight Forward has been conducting some operations under FAA approval since 2019. UPS Flight Forward, which is partnering with Collins Aerospace, said in a statement that it is "pleased to have approval for a key step" to establish "meaningful" operations beyond visual line of sight.

Source: The Atlanta Journal-Constitution; [link to article](#)

OCEAN:

Shanghai Containerized Freight Index

As of September 28, 2023, the China Shanghai Containerized Freight Index **reading was \$886.85 per FEU.** This is a 12.52% decrease from the previous month, **and a 53.88% 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

North Carolina importers and exporters now have a direct rail connection between the Port of Savannah and Rocky Mount, North Carolina via the CSX Carolina Connector (CCX) Intermodal terminal. The Georgia Ports Authority and CSX have teamed to provide 7-day-a-week rail departures between GPA's Mason Mega Rail Terminal in Savannah and the Eastern North Carolina location, offering customers three-day ship-to-shore transit time. Major North Carolina exports include agricultural goods such as cotton and forest products. For farms in Western North Carolina, CCX offers a shorter drive than routes to mid-Atlantic ports, reducing trucking costs, emissions and highway traffic congestion.

Source: Georgia Ports Authority

Ocean Freight News Clip

The largest ports on the East and West coasts recorded 20%-plus year-over-year declines in US imports from Asia in the first eight months of 2023, while Gulf Coast imports dropped only 3.7% during that period. As a result, the combined market share of the four busiest US ports for trans-Pacific imports shrank 2.7 percentage points. The four busiest US container ports — Los Angeles, Long Beach, New York-New Jersey and Savannah — accounted for 68.2% of US imports from Asia in the first eight months of the year, down from 70.9% in the same 2022 period and 70.1% in 2019. Together, ports on the East and West coasts handled 91.1% of US imports from Asia through August. Eight of the 10 busiest ports for Asian imports recorded declines of more than 20% during the period, with only Houston (down 3.7%) and Baltimore (up 11.9%) bucking the trend.

Source: Journal of Commerce; [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.)

LOGISTICS MARKET SNAPSHOT

Warehouse Employment

Preliminary August 2023 numbers for the warehousing industry workforce comes in at **1,899,200 employees, an increase from 1,898,600 employees** for July 2023 (preliminary).

Source: U.S. Bureau of Labor Statistics

Warehouse Earnings & Hours

July 2023 average hourly earnings in the warehousing and storage subsector comes in at **\$23.98/hour (preliminary), up one dime from the June 2023 rate of \$22.88/hour**. The **average weekly hours were 38.8 for July 2023 (preliminary)** up from 37.8 hours in June 2023.

Source: U.S. Bureau of Labor Statistics

Warehouse & Distribution News Clip

A sure sign that the holiday season getting closer each day are the respective announcements made by carriers, transportation and logistics services providers, and shippers alike, announcing their “help wanted” signs have been hung, as they look for seasonal workers. And much like in past years, there are more than a few big-name companies ringing the bell for seasonal help. Atlanta-based global freight transportation, express delivery, and logistics services provider UPS said this week it is ready to take on 100,000 seasonal workers in various roles, including: full- and part-time seasonal positions—primarily seasonal delivery drivers, Commercial Driver’s License (CDL) drivers and package handlers.

Source: Logistics Management; [link to article](#)

The free Logistics Market Snapshot is compiled and prepared monthly by the 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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