

Uber Freight

Chemical Current

Supply chain newsletter for
chemical shippers

February 2024



January 2023 overview



Executive summary

January started the way December ended with both chemical shippers and carriers hopeful for improved market conditions in 2024. Chemical shippers are bullish on the near term (6 months), signaling strength in both orders and production. The [Association of American Railroads](#) showed nearly a 3% uptick in chemical carloads thru January supporting this sentiment. Global chemical demand to end the year was bolstered by US and Asian production while the EU remains soft. Inventory-to-shipment ratios remain at a multiyear low meaning any uptick in demand will pull production higher along with it.

Carriers are coming off a very challenging 2023. The start to 2024 has not signaled significant improvements for surface transportation in both the EU and North America. Chemical carriers in the EU are yielding price in some markets to secure volume given the continued softening of chemical manufacturing in the region. In North America, hazmat carriers realized a modest gain in spot rates in January. Northbound rates from Mexico have moderated over the prior 12 months and all eyes continue to be on US and Mexican elections in 2024 which may impact market conditions.

Crude remains under \$80/barrel even with global uncertainty in Russia and the Red Sea. Robust production in the U.S. has helped offset supply concerns globally keeping both crude and diesel trading in a narrow range to start 2024.

Chemical industry news and updates

Improving Sentiment

Although chemical manufacturers are still reporting weak demand, economic conditions are expected to improve later this year

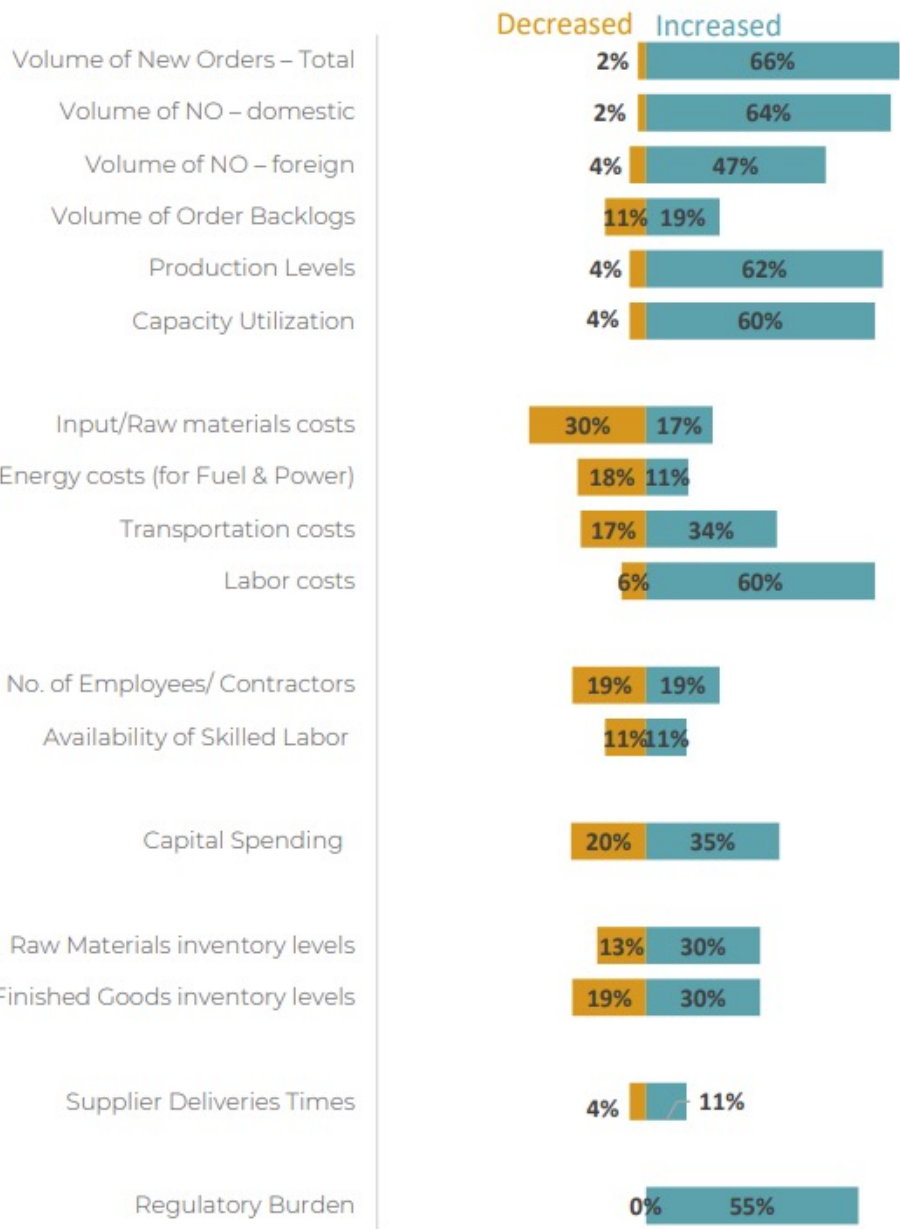
Red Sea Risks Continue

The situation in the Red Sea continues to deteriorate as the US & UK carry out air strikes targeting the Houthi rebels last month

West Coast Uptick

A 14.9% rise in imports from China is responsible for a 7.9% increase in US container import volume as activity at West Coast ports increase due to the ongoing drought in the Panama Canal and conflict in the Middle East

Chemical Manufacturers Assessment of their US Business, Outlook for Next 6 months (Q1 2024-Q2 2024)



Supply chain innovation:

**Creating a collaborative transportation
network / fleet sharing – Lanehub**



Lanehub provides an opportunity for member collaboration

The Challenge

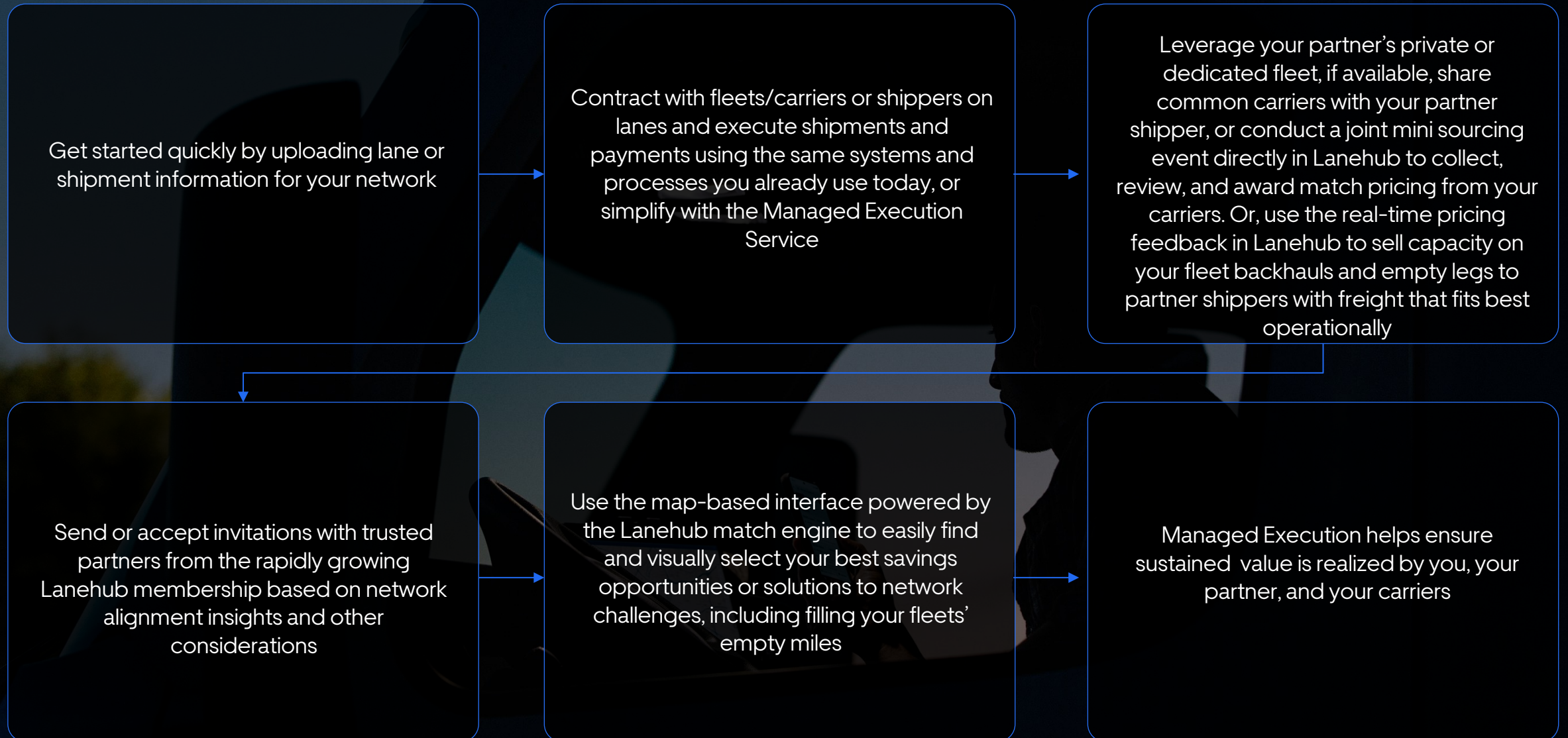
Traditionally many shippers source truckload capacity or deploy fleets by looking only at their own network without considering the impact other shippers' networks have on the service and capacity available to them, resulting in poor asset utilization and higher costs.

The Opportunity

A transportation community that provides its members with opportunities to collaboratively source reliable, contracted capacity on recurring, consistent lanes at sustainable lower cost from carriers and private/dedicated fleets by matching headhauls and backhauls.



The Lanehub process



Create win-win partnerships

Both shippers take empty trucks off the road and advance their sustainability goals by collaborating to share fleets.

You get:

Transparent pricing

Reliable, consistent, contracted drop-trailer capacity

No onboarding or additional relationships to manage

No separate collaboration project or effort required

Your partner's fleet gets:

Access to consistent, operationally compatible freight

Revenue to offset cost of their fleet

Assistance with contracting, execution & customer service

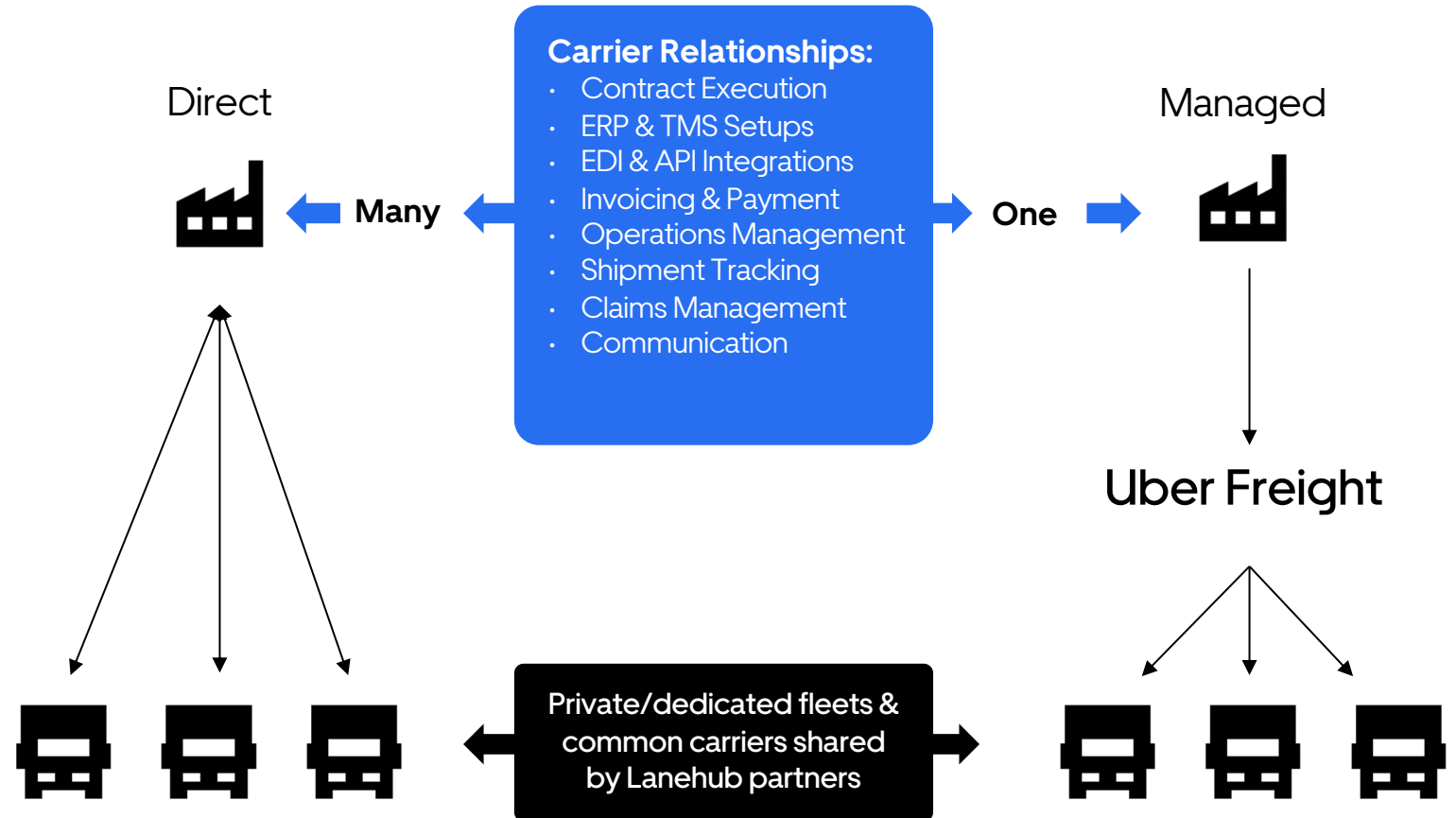
Friendlier operation for their drivers

Managed execution: More savings faster

Lanehub matches create great savings and service opportunities, but they can involve multiple new carrier relationships, sometimes for just 1 or 2 lanes.

In addition to simplifying and accelerating the capture of Lanehub opportunities by rolling all your new carrier relationships into one, Uber Freight US helps ensure high service levels and can find emergency capacity when needed.

Since your carrier and price are already determined in Lanehub, Uber Freight US can execute the match for a transparent fee (included in the cost of the freight).

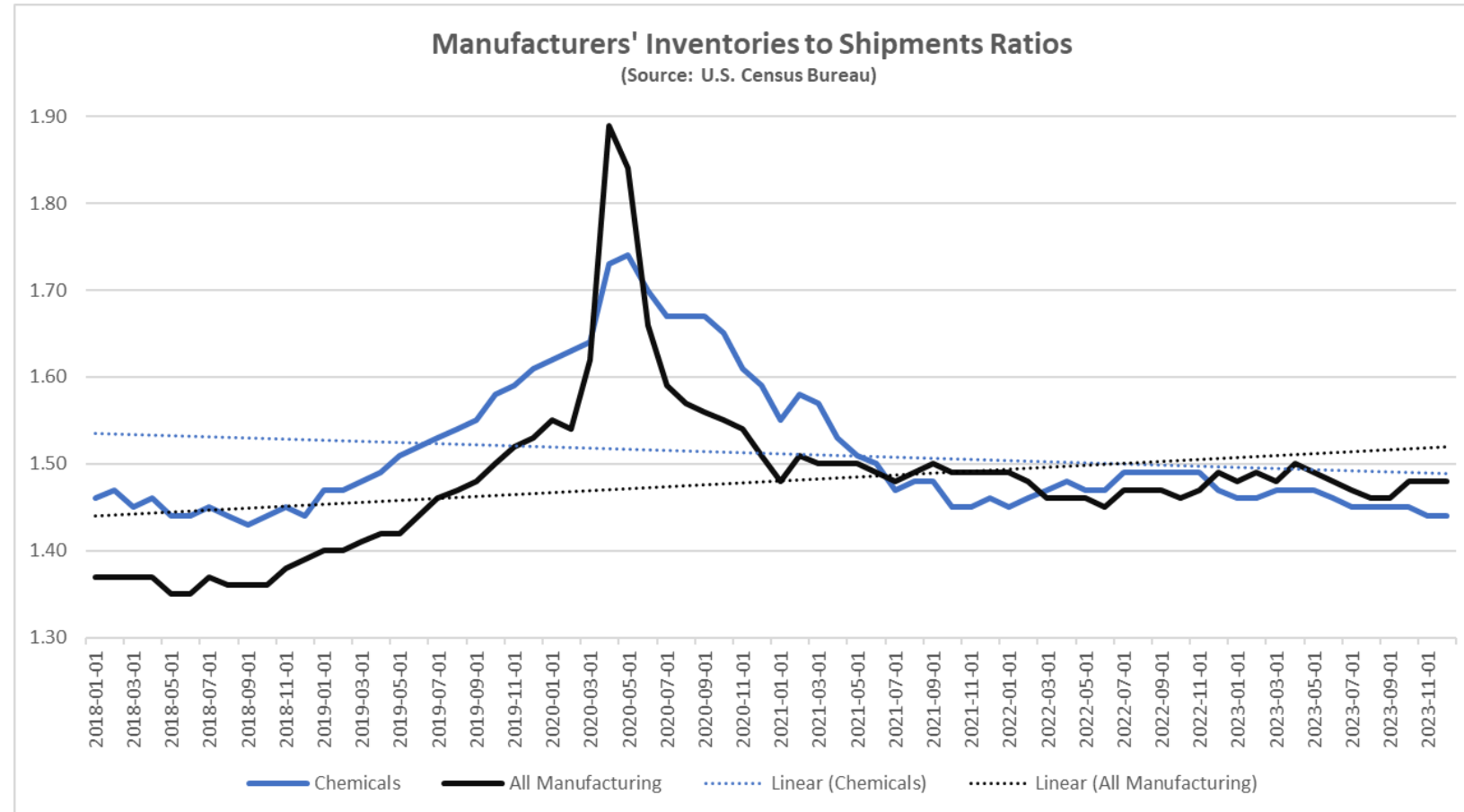


Chemical transportation trends

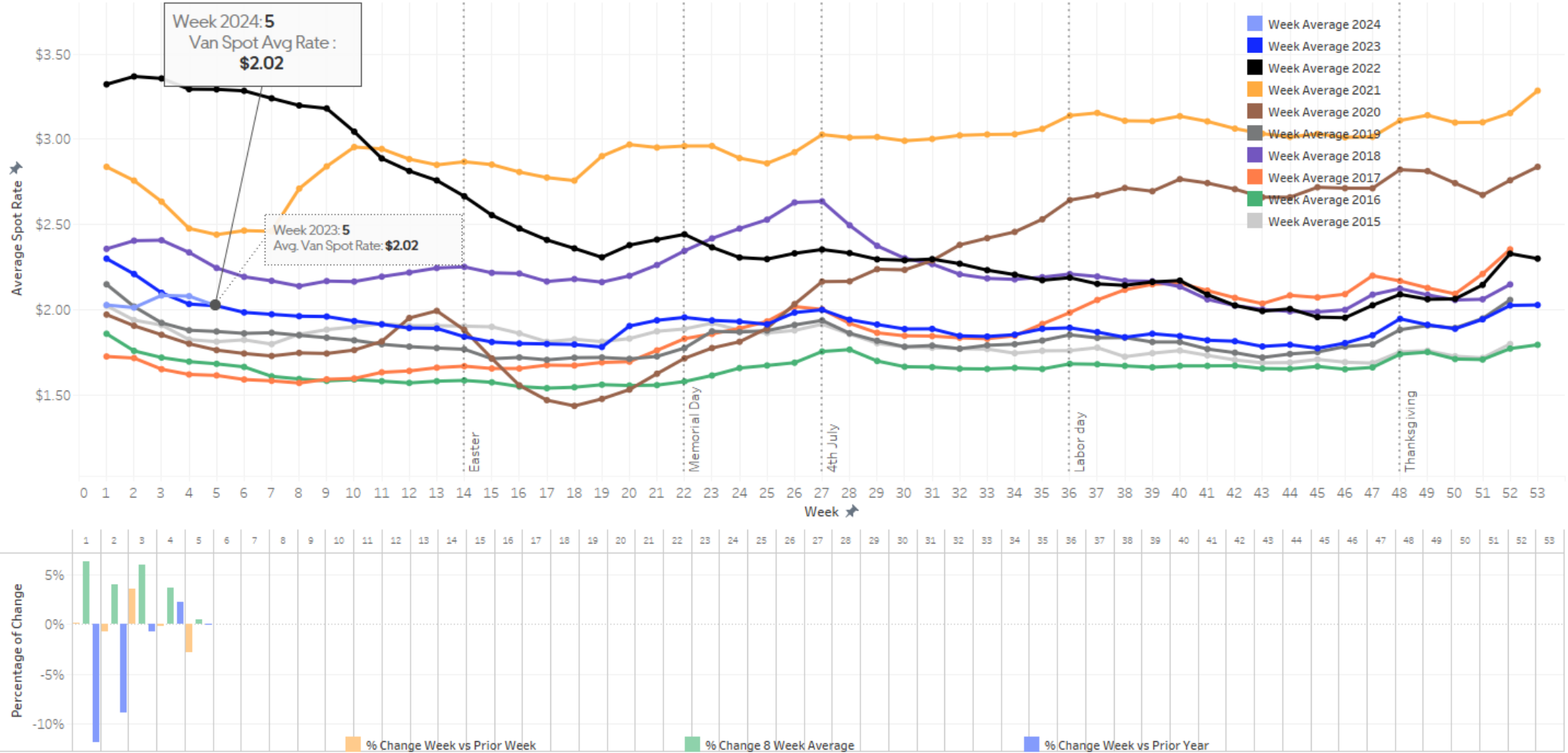


Inventory levels

- In December of 2023, chemical manufacturers achieved inventory levels 10.6% below pre-pandemic levels (compared to December 2019) and 2.0% below prior years metric (when measured by inventories to shipment ratio)
- All manufacturers have also fallen below pre-pandemic levels, but at a much slower pace than chemicals (3.3% lower than 2019)
- All manufacturers are seeing inventory/shipment ratio fall below prior year levels with a -0.7% decline.
- The Chemical Industry continues to outpace the rest of the manufacturing market from a de-stocking standpoint, operating with inventory-to-shipment levels at a 5 year low.



Truckload(TL) pricing trends – Weekly average dry van spot rate (week 5)



Hazardous materials tendering trends

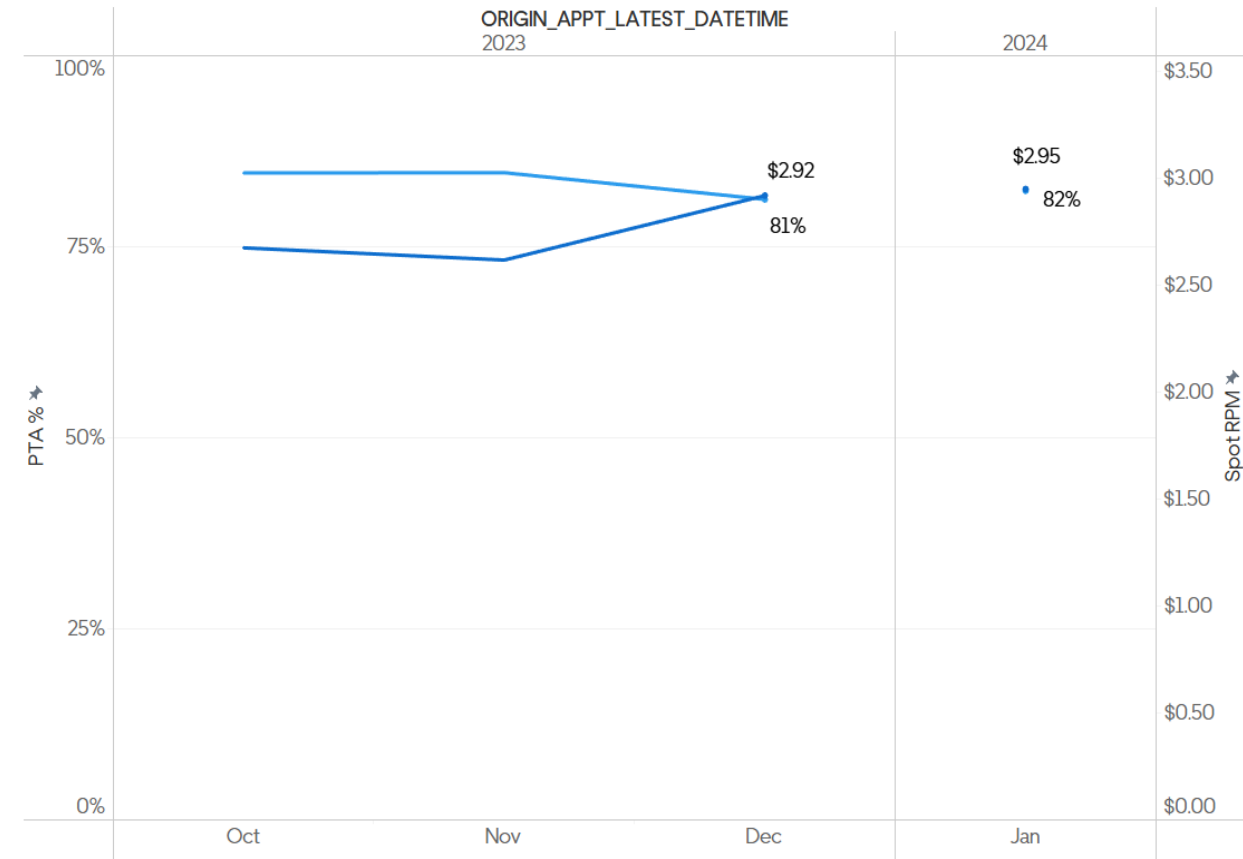
2023

- Primary tender acceptance (PTA) for package truckload (TL) hazmat shipments finished the year at 81%, up 4% compared to the same period of the previous year
- Spot rate per mile (RPM) for package hazmat loads ended the year at \$2.92/mi, down 31.13% compared to December 2022

2024

- With one month already in the books, spot rate per mile (RPM) for truckload (TL) hazmat shipments begin 2024 where they left off with just a marginal uptick of 1.03% (*MoM*) to \$2.95/mi, a 37.4% premium compared to NON-Haz dry van spot rates for January 2024
- Primary tender acceptance (PTA) for truckload (TL) hazmat shipments has seen a slight increase of 1% so far 2024

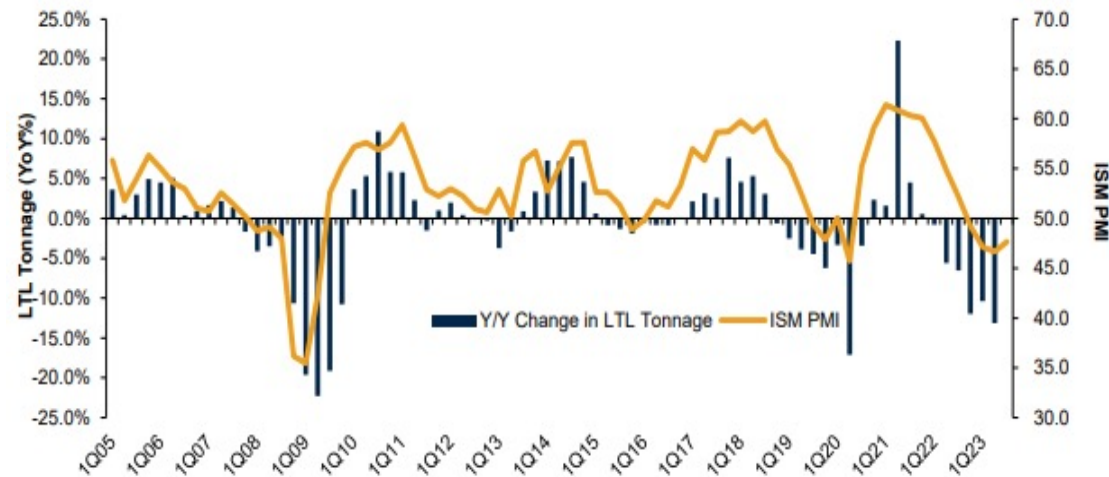
Hazmat TL: PTA % vs Spot RPM



LTL trends

Institute for Supply Chain Management (ISM) and Purchasing Managers' Index (PMI) are good indicators of LTL freight volumes

- A reading above 50 indicates manufacturing economy is expanding
- December PMI was 46.7
- PMI is consistently under 50 with no signs of increasing
- The historical correlation between U.S. manufacturing PMI and LTL tonnage suggests continued industry volume declination



Source: Stephens & ISM

Contractual Renewals

- Majority of contractual renewals are in the 3% - 7% range
- We are seeing a slight uptick in requested increases over the past quarter as carriers are entering year 2 of restrained carrier pricing
- LTL Carriers remain price disciplined despite reduced tonnage levels, and continue to evaluate pricing on an annual basis
- LTL Carrier revenue has stabilized recently due to subdued demand and overall competitive pricing

Pricing Outlook

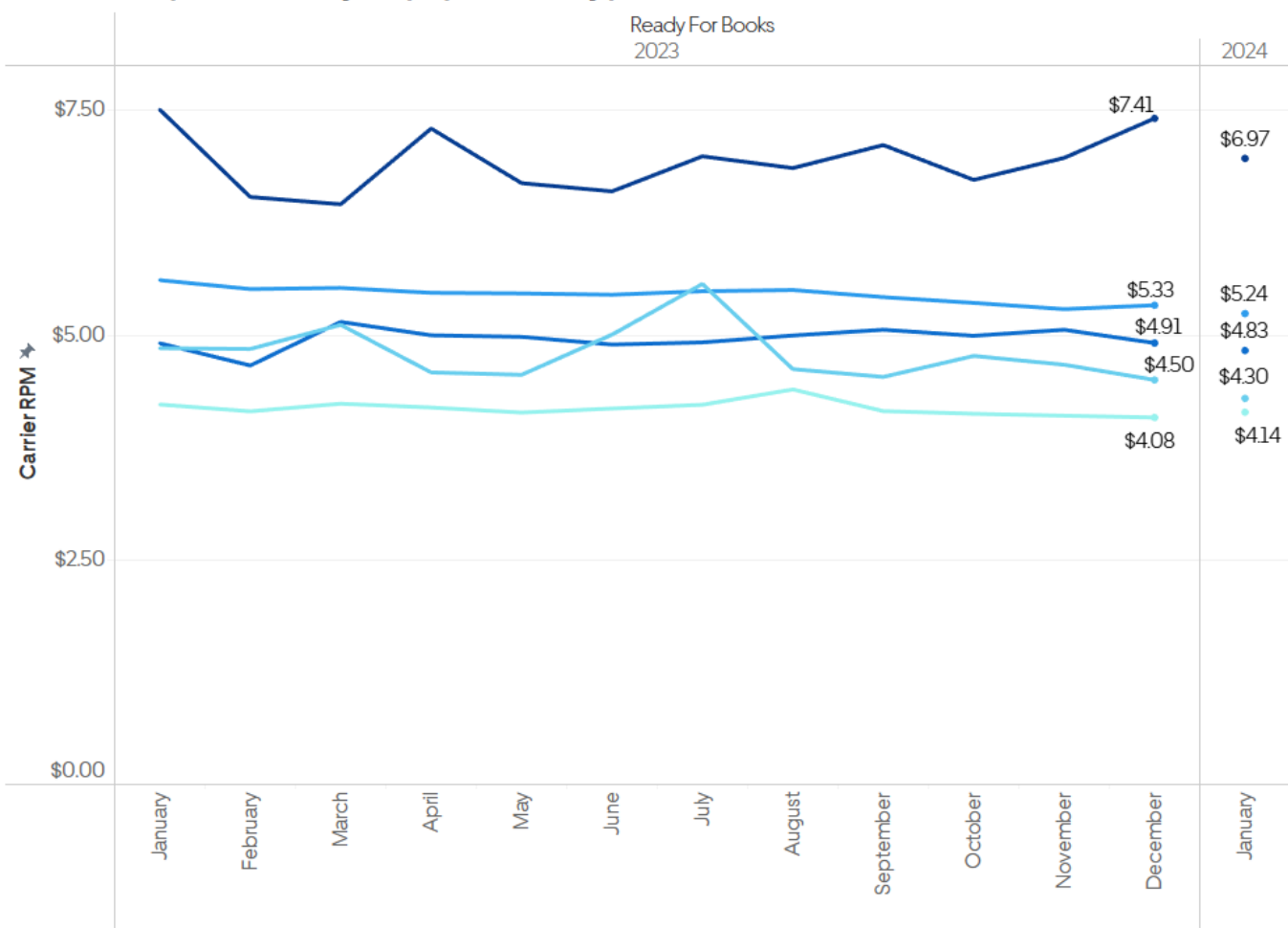
- Expect 3% - 7% contractual increases through 2024
- As carriers begin to move into their newly acquired terminals expect some to offer attractive pricing in those markets in order to build density within those markets
- RFP's continue to yield savings assuming carrier mix and route guide changes are made

Observations impacting demand

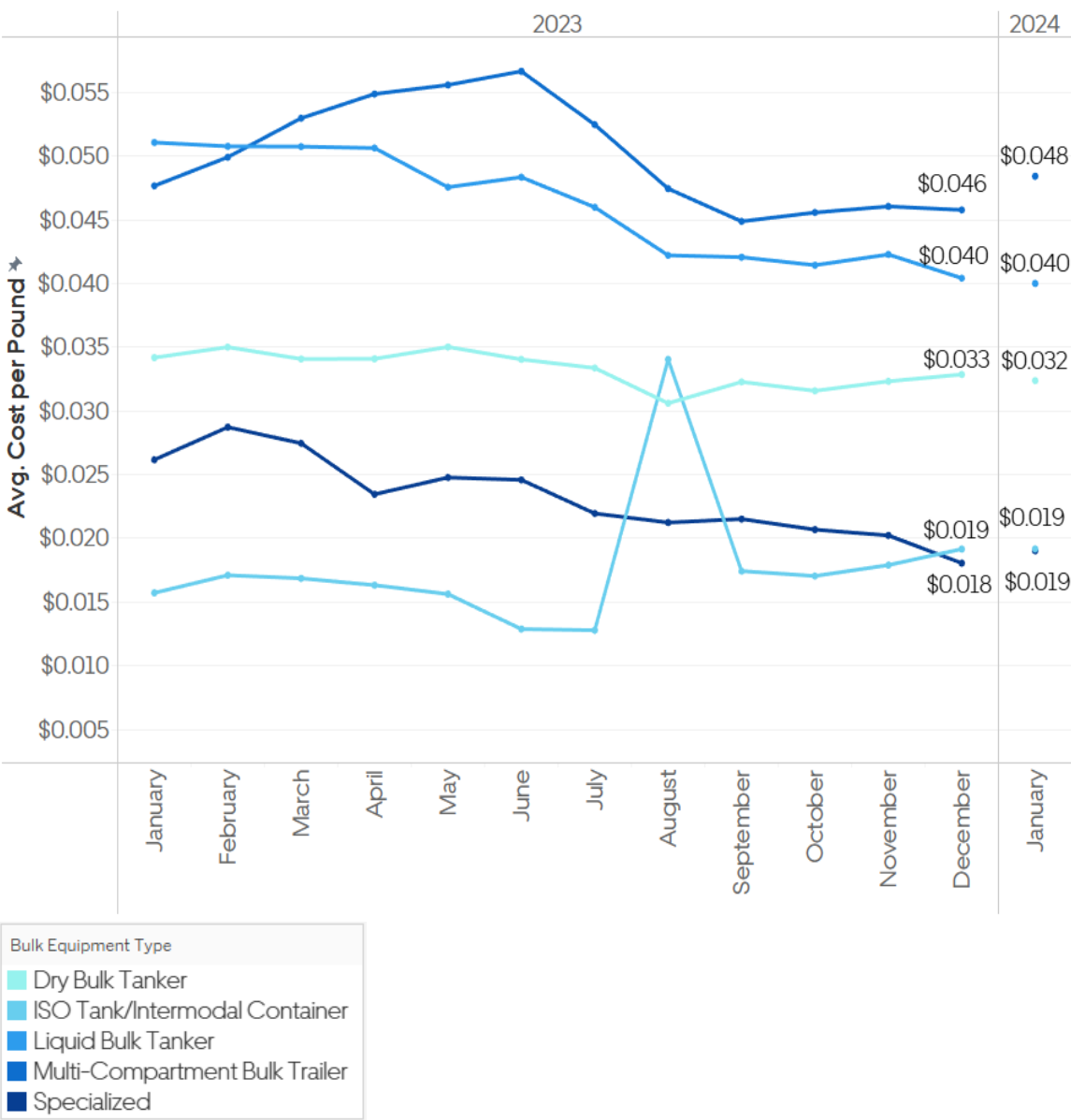
- Tonnage, shipment count, and weight per shipment all continue to be down
- Collectively, LTL carriers' tonnage is down less than the market due to Yellow's volume dispersing among carriers
- Expect similar volume level through at least mid 2024

Bulk pricing trends

Bulk Rate per Mile by Equipment Type



Bulk Cost per Pound by Equipment Type



Diesel fuel pricing trends



Current national diesel price - **\$3.899/gal**
(As of 2/5/24)



Brent Crude - **\$79.30(\$/bbl)**
(As of 2/5/24)



WTI Crude - **\$73.21(\$/bbl)**
(As of 2/5/24)

Current dry van
fuel surcharge



NATIONAL FUEL SURCHARGE

\$0.44 (\$0.00)

0.0%

Source: DAT (as of 2/5/24)

Current reefer
fuel surcharge



NATIONAL FUEL SURCHARGE

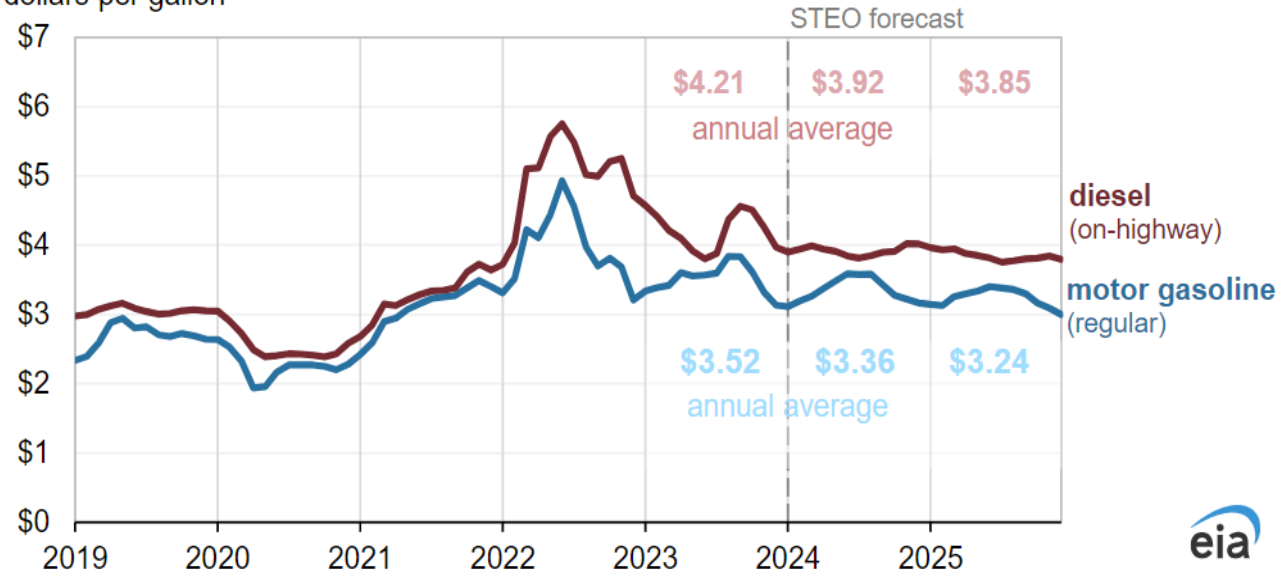
\$0.48 (\$0.00)

0.0%

Source: DAT (as of 2/5/24)

Monthly U.S. retail fuel prices (Jan 2019–Dec 2025)

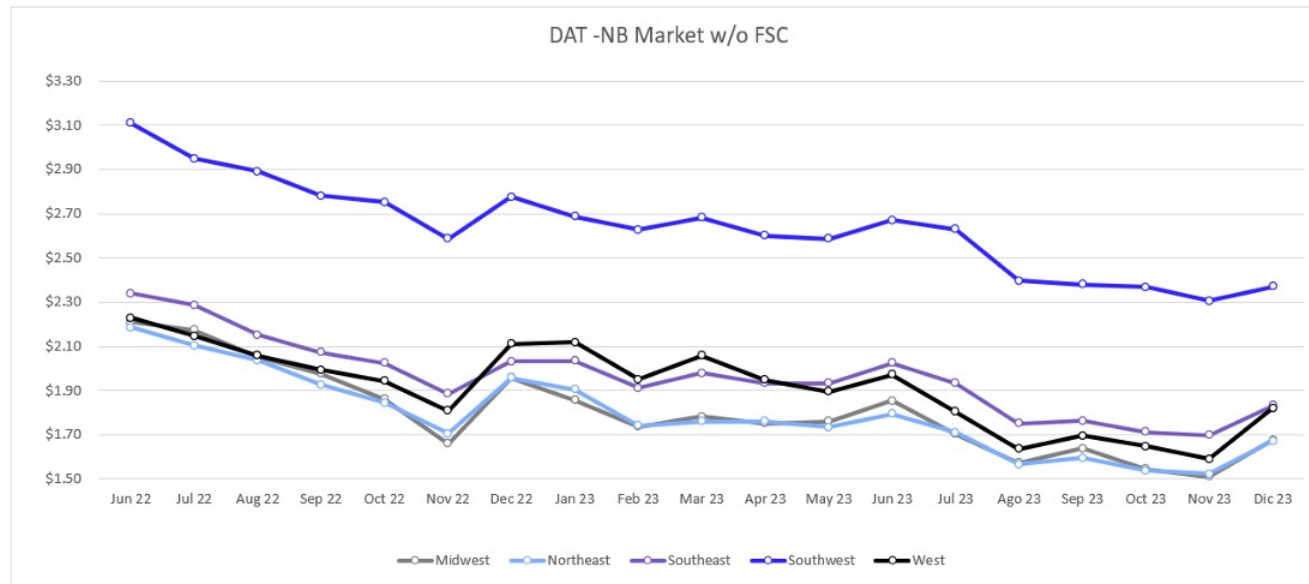
dollars per gallon



- Despite Red Sea disruptions, crude oil prices have remained tame under \$80/barrel, mostly due to prolific production of U.S. crude, with December & January registering an estimated 13.3million & 12.6million barrels per day, respectively.
- Continuous uncertainty surrounding shipments of oil tankers are expected to push crude oil prices into the low to mid \$80s per barrel in the short term
- As for the long term, fuel prices are forecasted to decrease or at best be flat in 2024 & 2025, due to increased inventories and new refinery capacity added last year that should counteract the supply risks in the Middle East and curb the price pressures for crude products.

Mexico

Laredo Northbound Spot Rates



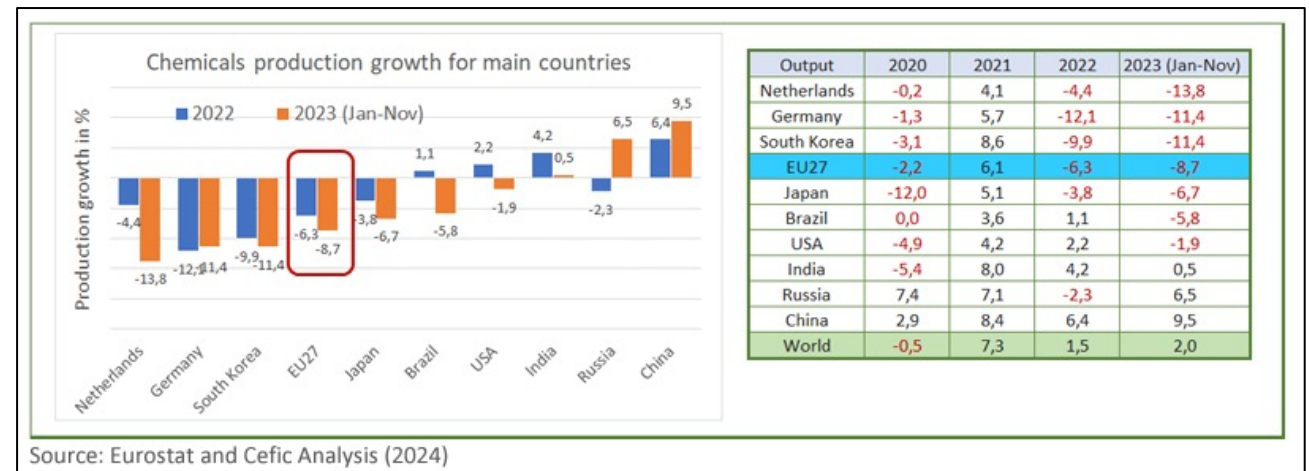
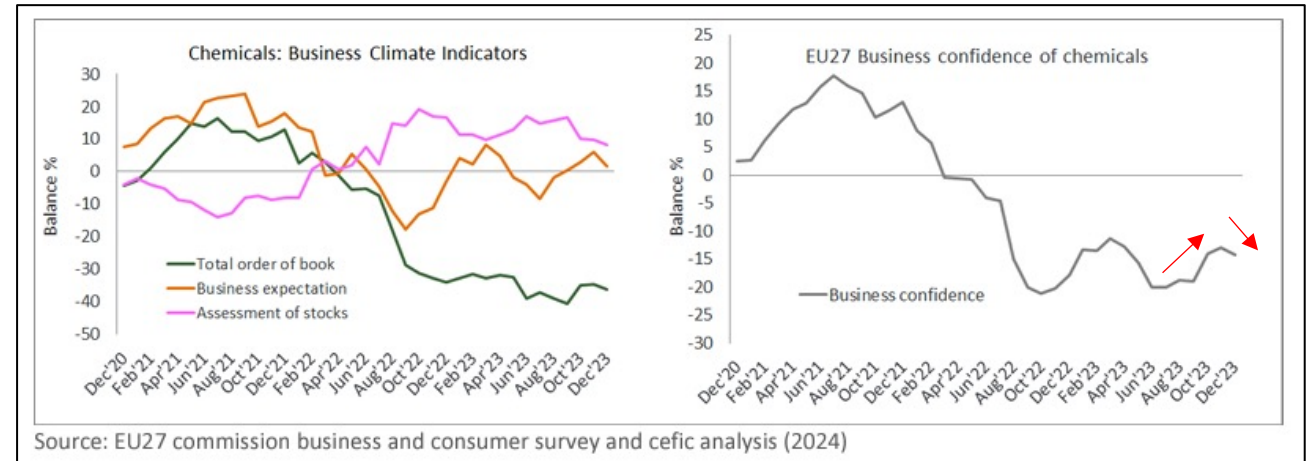
Source: DAT, w/o fuel

Source: U.S. Customs and Border Protection

- Cross-border transportation continues to experience a soft market, with carriers prioritizing long-term commitments at competitive rates for shippers.
- However, it is expected that during Q2 2024, the market will recover, and we will start to see an increase in transport rates as we approach the uncertainty of the presidential elections for both Mexico and the USA.
- National avg. price per liter of diesel in MX reached \$24.12 MXN in Nov 2023, an increase of 1.6% compared to the beginning of the year, \$23.74 MXN in Dec 2023. During the year, the cost of diesel had minimal fluctuations.
- The Laredo load/truck ratio averaged 5:1 in January 2024.

Europe – EU27 chemical market trends

- The end of 2023 finished in a similar pattern to the prior months with production 8.7% below the prior years level for the first 11 months.
- November 2023 data showed that production was 1% above the prior year giving some signs of hope.
- However, in December 2023, chemical production expectations went down for the first time after 4 months of improvements.
- Capacity utilisation in 2023 was significantly below 2022 levels.
- The global economic and geopolitical environment is still causing uncertainty in the European chemical sector, and this looks set to continue into the first half of 2024.
- Chemical sector carriers are seeking volumes to fill capacity, with some being aggressive in trying to obtain new volumes in RFPs.



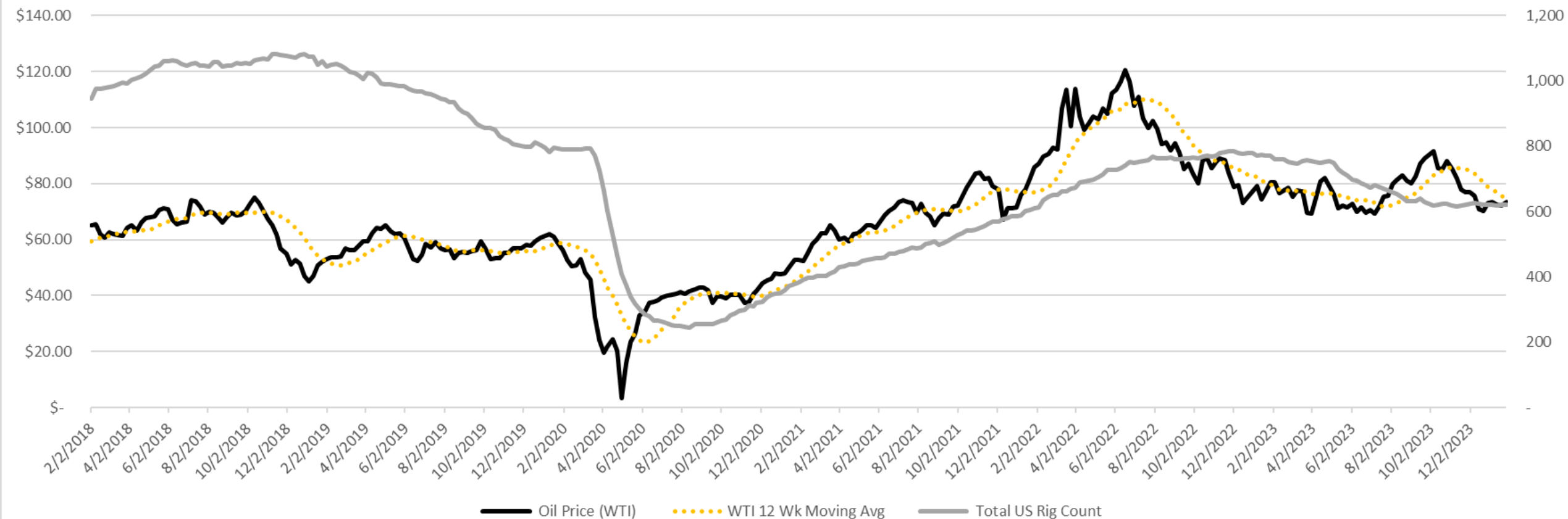
Chemical supply chain overview



Chemical industry news and updates: Energy

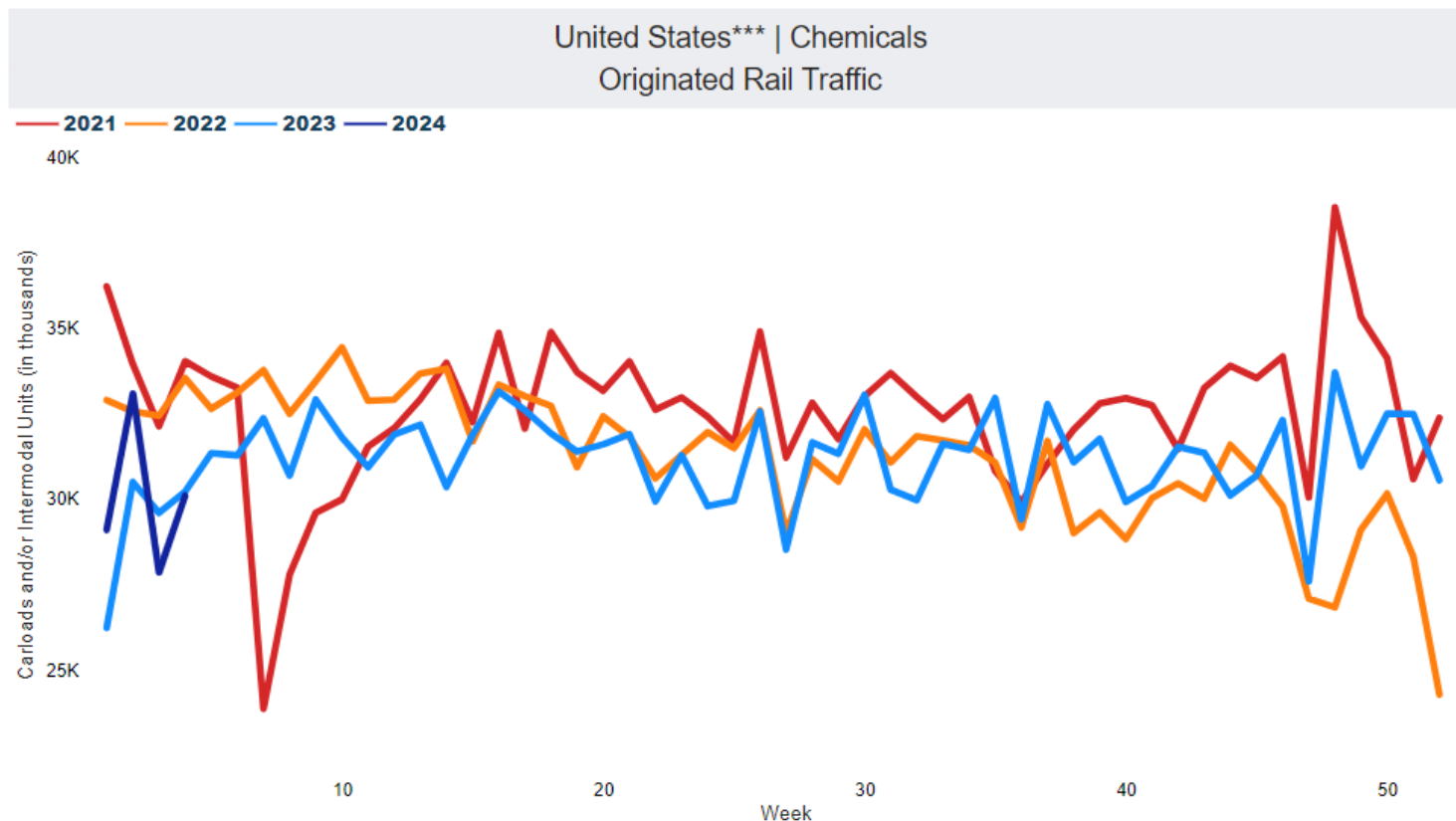
- 12-week moving average of WTI prices and US Rig Counts have historic correlation
- Spot WTI is 5% lower than same week prior year at \$76.36 per barrel (Jan 26, 2024 verse Jan 27, 2023)
- US rig counts are 19% lower over the same period.

Baker Hughes Total US Rig Count verse WTI Price



Chemical industry news and updates: Rail traffic

- US total rail volumes were down 3.7% for the first 4 weeks of 2024. This was primarily driven by carloads which are down 10.4% verse Intermodal Boxes which are up 2.8% YTD
- US Chemical volumes (chart below) saw a favorable bounce after Thanksgiving and outperformed the overall rail market to start 2024.
- Chemical carloads were up 3.1% in January 2024 when compared to January 2023.



*Canadian traffic includes the U.S. operations of Canadian railroads.

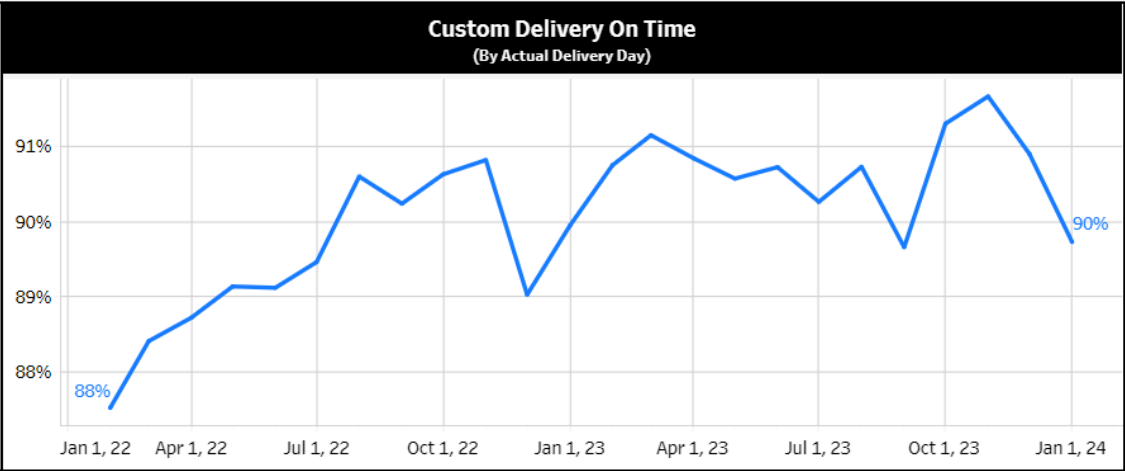
**Mexican traffic includes the U.S. operations of Mexican railroads.

***United States traffic excludes the U.S. operations of Canadian and Mexican railroads.

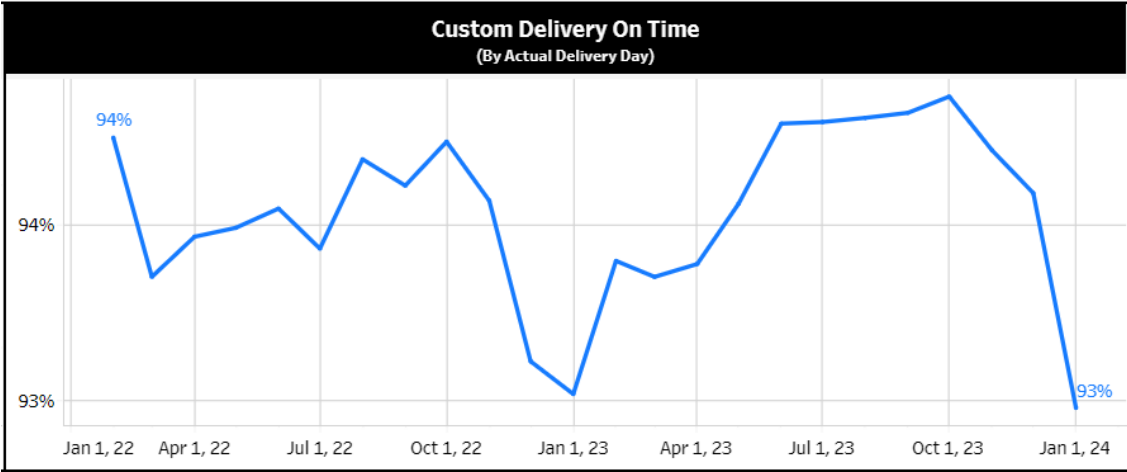
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Chemical vertical on-time delivery by mode

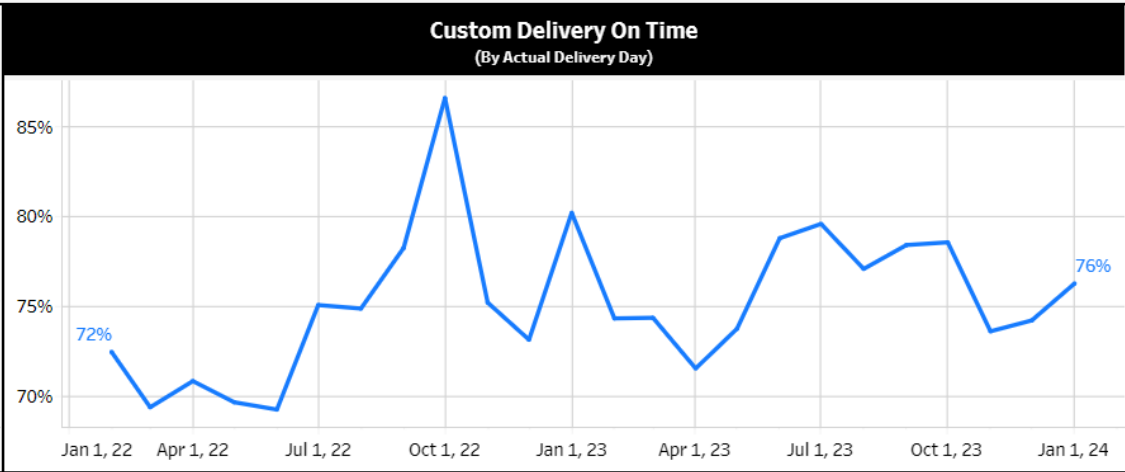
LTL



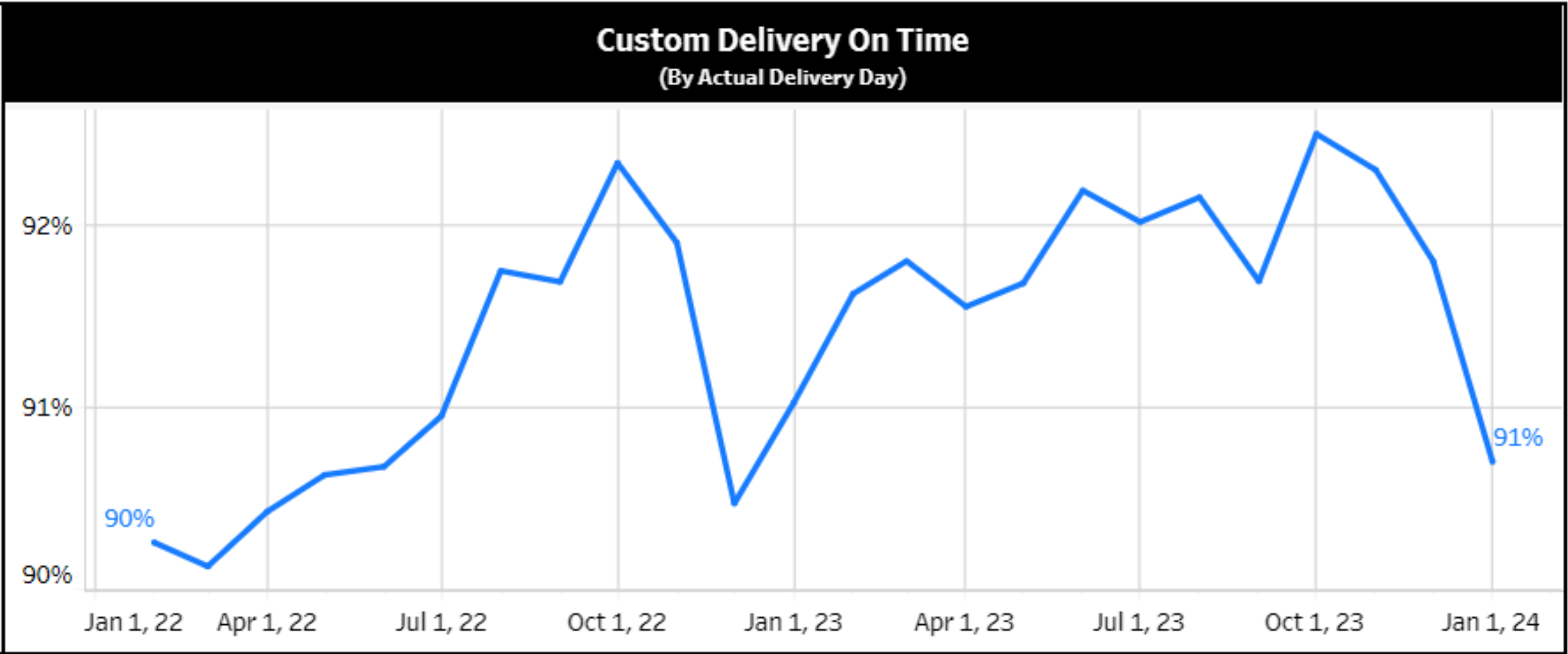
TL



Other



Chemical vertical on-time delivery*



*Out of more than 150,000 shipments each month, including all modes and two-hour tolerance for delivery appointments.

Uber Freight