

Uber Freight

Chemical Current
Supply chain newsletter for
chemical shippers

May 2024



May 2024 overview



Executive summary

Railcar, Bulk and TL all showed year-over-year (Y-o-Y) growth for the chemical sector for the first time in 2024. This is on the heels of Manufacturing PMI expansion in March and Chemical production growth in the US (both readings slightly regressed in April). The strength in Rail volumes suggests the industry growth has been on the back of commodity chemical manufactures. Specialty chemical manufactures continue to lag, but TL loading growth in April suggests there is some momentum in this space as well.

After reporting Y-o-Y growth of 5.7% in March the [Association of American Railroads](#) is reporting 2.9% Y-o-Y increase in chemical carloads for April. The [American Chemistry Council](#) reported 3.6% growth in global chemical production in March. The growth was driven by manufactures in the US, China and Germany.

Inventory levels continue to be at historic lows for chemical shippers. Inventory-to-shipment ratios are at lows not seen since September of 2018 and continue to outpace other manufacturing sectors.

Upstream oil producers continue to be reluctant to add capital to increase production. Oil (WTI Spot) prices continue to gain momentum. At over \$84/barrel, WTI ended April 10.7% higher than the same week last year. Rig counts for the same period are down nearly 20% in the US. Global chemical producers will have to continue to contend with higher energy prices as OPEC+ continues to signal a desire to keep output down thru June. On the other hand, natural gas inventories are 30+% higher than historic averages providing a hope for price stability.

Chemical industry news and updates

STB Reciprocal Switching Ruling

The Surface Transportation Board's recent decision regarding reciprocal shipping permits shippers to request reciprocal switching if their current railway fails to meet specific service standards. However, this provision excludes services already contracted, effectively limiting competitive options for the majority of shippers.

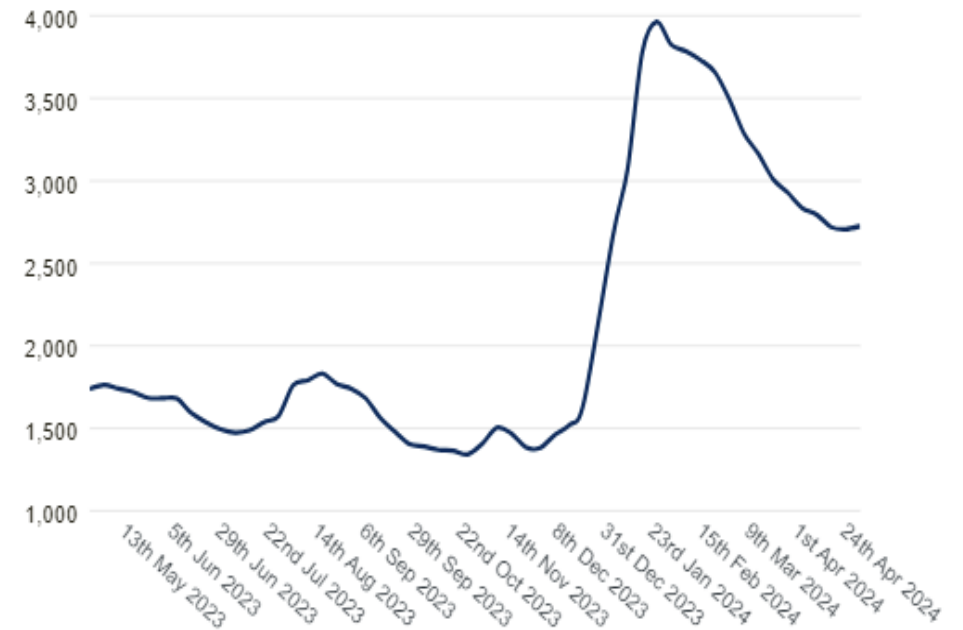
Container rates rise

A new bottom for container rates appears to be in as container rates increase for the first time since January and are expected to climb even higher as we get closer to the peak season.

ISM retreats into contraction

After 16 consecutive months of contraction, ISM Manufacturing activity expanded in March but was short-lived as it dipped back into contraction territory, registering a 49.2 for the month of April.

Drewry World Container Index (WCI) - 25 Apr 24 (US\$/40ft)



Supply chain innovation:

**Get enhanced visibility with Uber Freight
tracking technology**



Ocean and Air

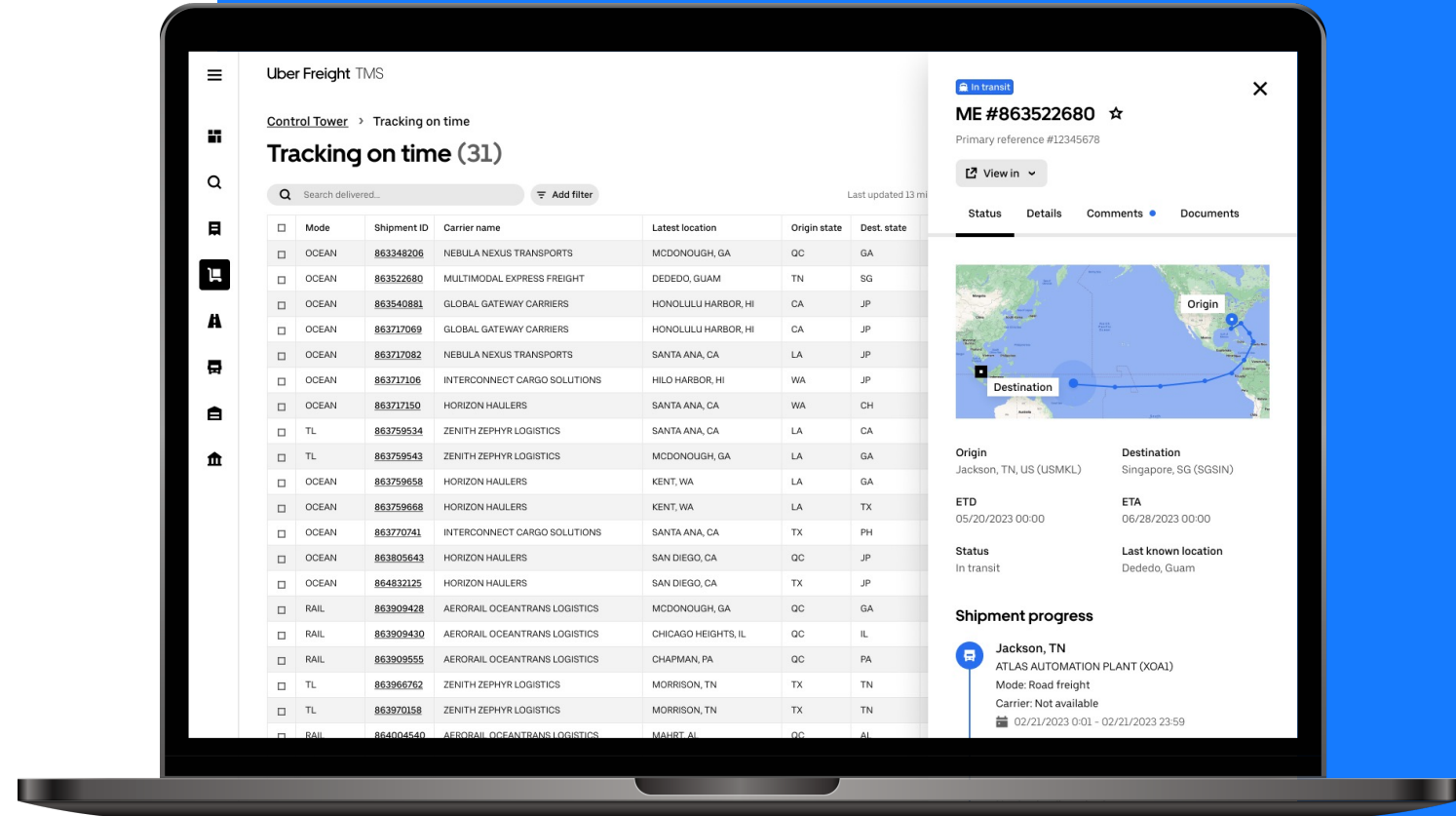
- Tracking all freight on-water and inland
- Real-time updates with locations mapped
- Multi-mode shipment visualization
- Check call list
- Ocean parameters in shipment details
- Centralized documentation and comments

40+

Largest
ocean carriers

80+

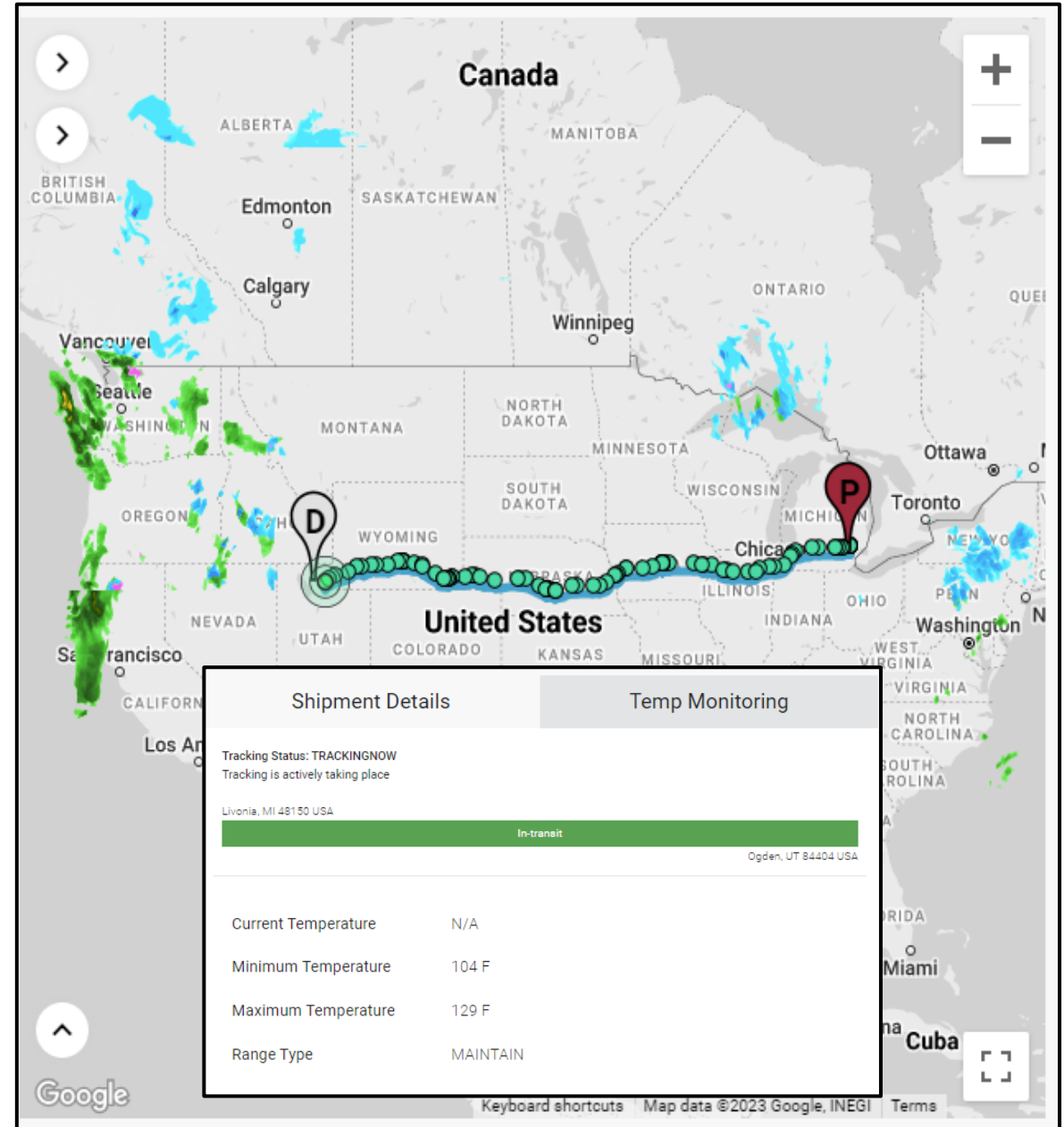
Ports and
terminals



Bulk Digital Temp Monitoring

Key benefits include:

- Real-time visibility of shipment in-transit with telematic temperature readings directly within TMS
- Proactive monitoring for proper temperature exposure during the entire shipment lifecycle
- Automated out-of-tolerance alerts
- Reduction of shipment rejection due to temperature deviation

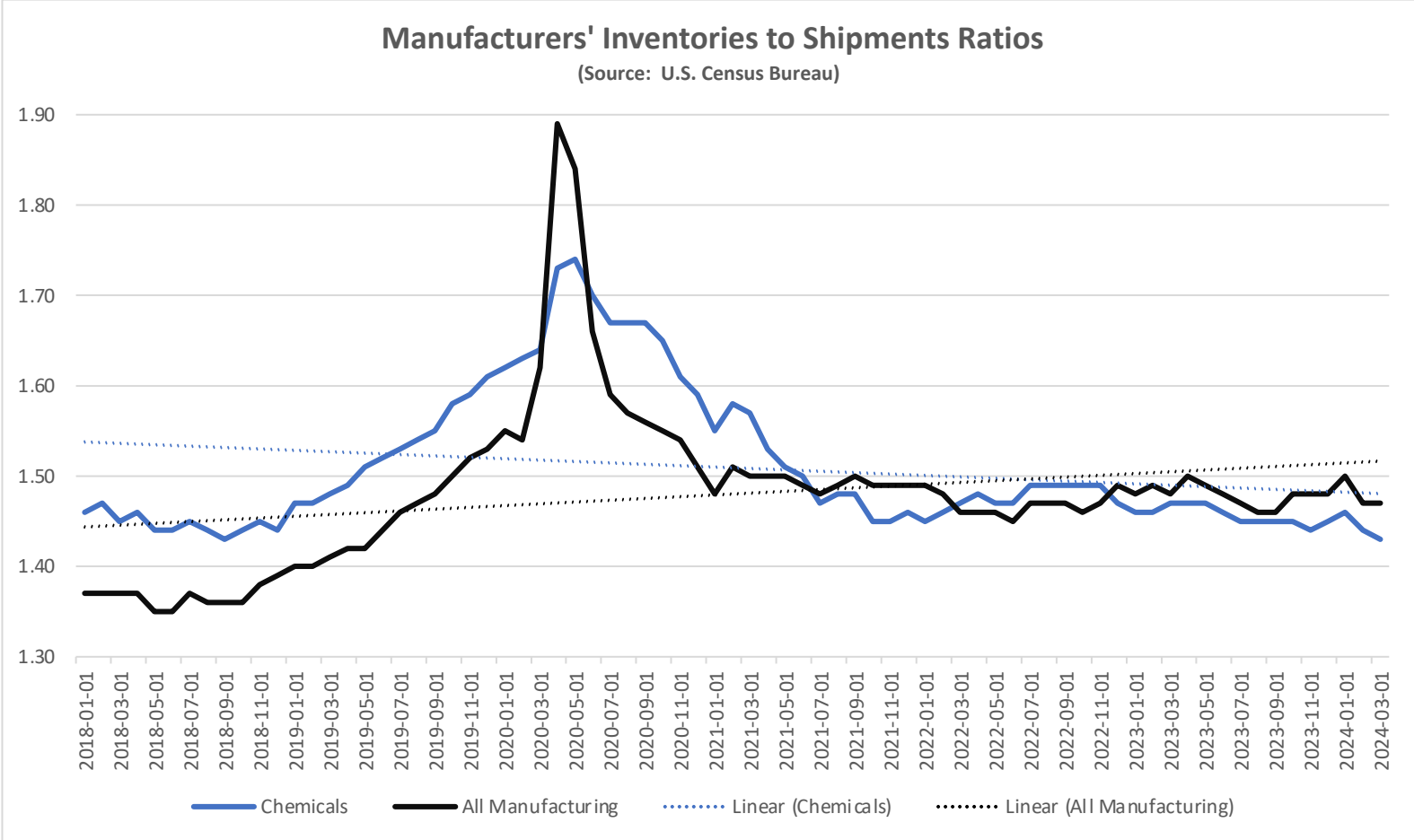


Chemical transportation trends



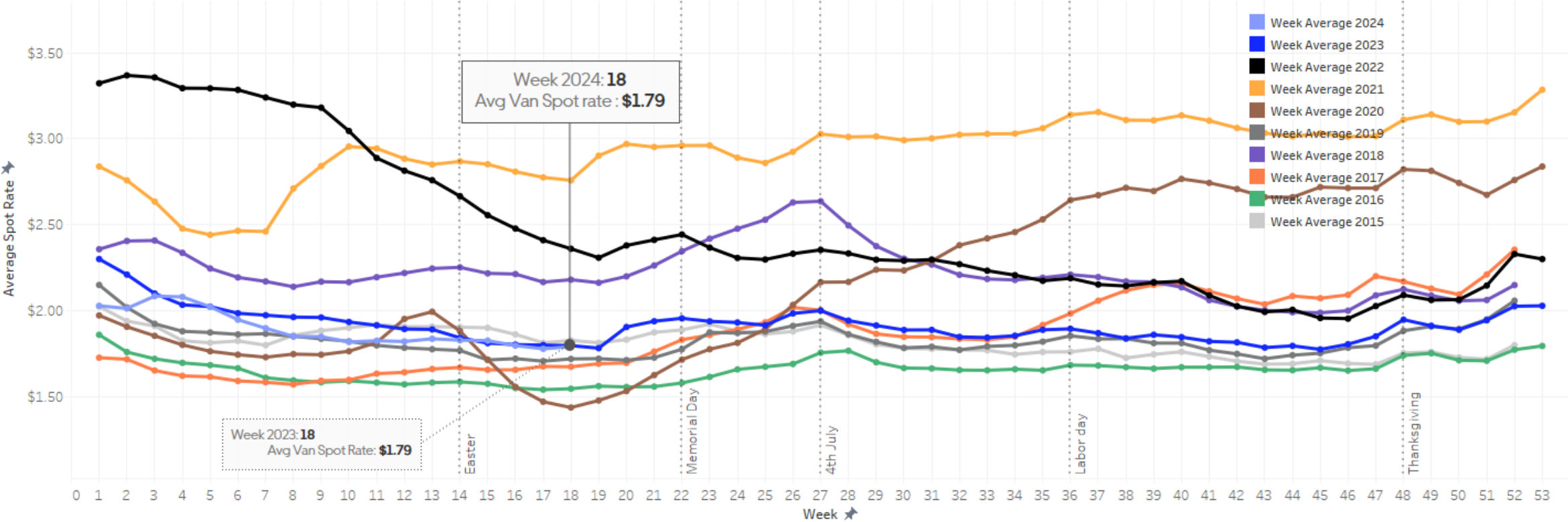
Inventory levels

- In March of 2024, chemical manufacturers realized inventory levels 12.3% below pre-pandemic levels (compared to February 2020) and down 2.7% on a Y-o-Y basis (when measured by inventories to shipment ratio)
- All manufacturers have also fallen below pre-pandemic levels, but at a much slower pace than chemicals (4.5% lower than 2020)
- In March, all Manufacturers had a drop in inventory levels and are currently 0.7% lower Y-o-Y.
- Chemical inventories to shipments ratio matched their lowest levels dating back to September of 2018 (1.43).



Truckload (TL) trends

Weekly Average Dry Van Spot Rate (Week 18)

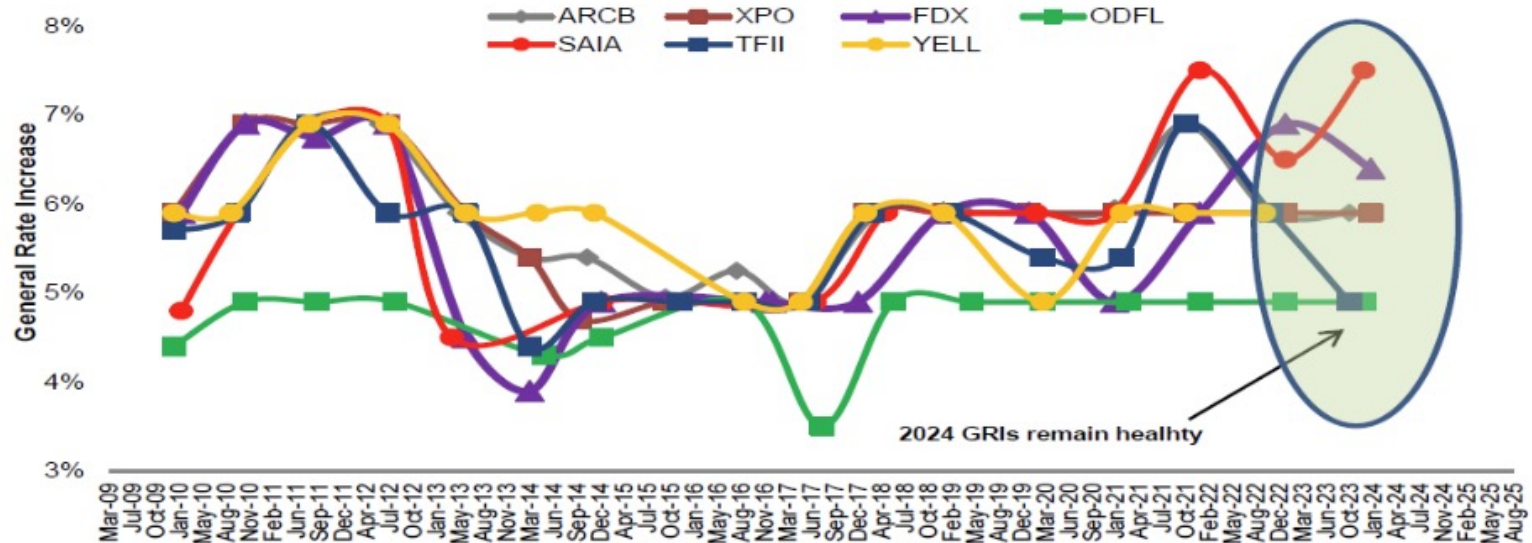


LTL trends

- Yellow impact - Yellow's exit has largely allowed carriers to improve their fundamentals, but overall capacity remains, capping any significant upward pricing pressure
- Tony's Express (small SoCal LTL carrier) closed their doors in April, but their volume is quickly being absorbed
- Carriers are seeking strategic growth partners with a high degree of tech enablement to help drive cost out of back office
- Strong push across most carriers to drive accessorial revenue increase importance of FAP processes
- Carriers reporting that bid activity is above normal seasonal high

2024 Rate outlook

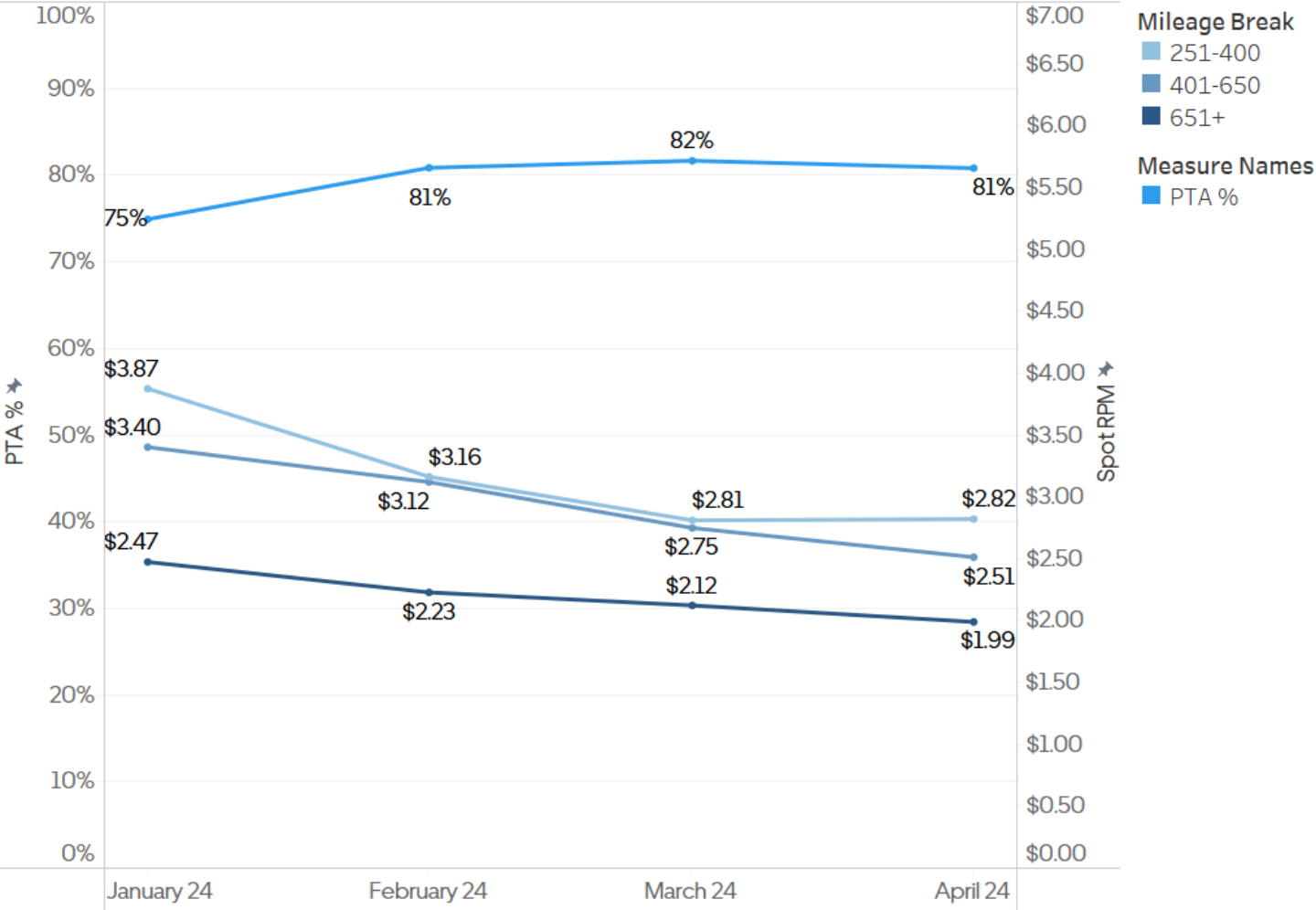
- Publicly traded carrier general rate increases (GRI) are falling in the 4-7% range, individual results range from flat to low double digit based on freight profiles and account profitability for the carrier.
- Carriers are targeting growth and yield simultaneously to mostly positive effect, heavy bid activity is providing carriers ample choices to improve or grow their networks.
- RFPs continue to yield savings, assuming carrier mix and route guide changes are made, incumbent increases are to be expected but low single digits in many cases.



Hazardous materials tendering trends

- Spot Rate per Mile (RPM) for dry van Truckload (TL) Hazmat shipments continue to hover in softness at \$1.99/mi for long haul (> 650 miles) finishing April with a 11.17% premium over NON-Haz dry van TL spot rates
- Primary Tender Acceptance (PTA) for Truckload (TL) hazmat shipments remain plateaued at 81%

Hazmat TL: PTA % vs Spot RPM by Mileage Break



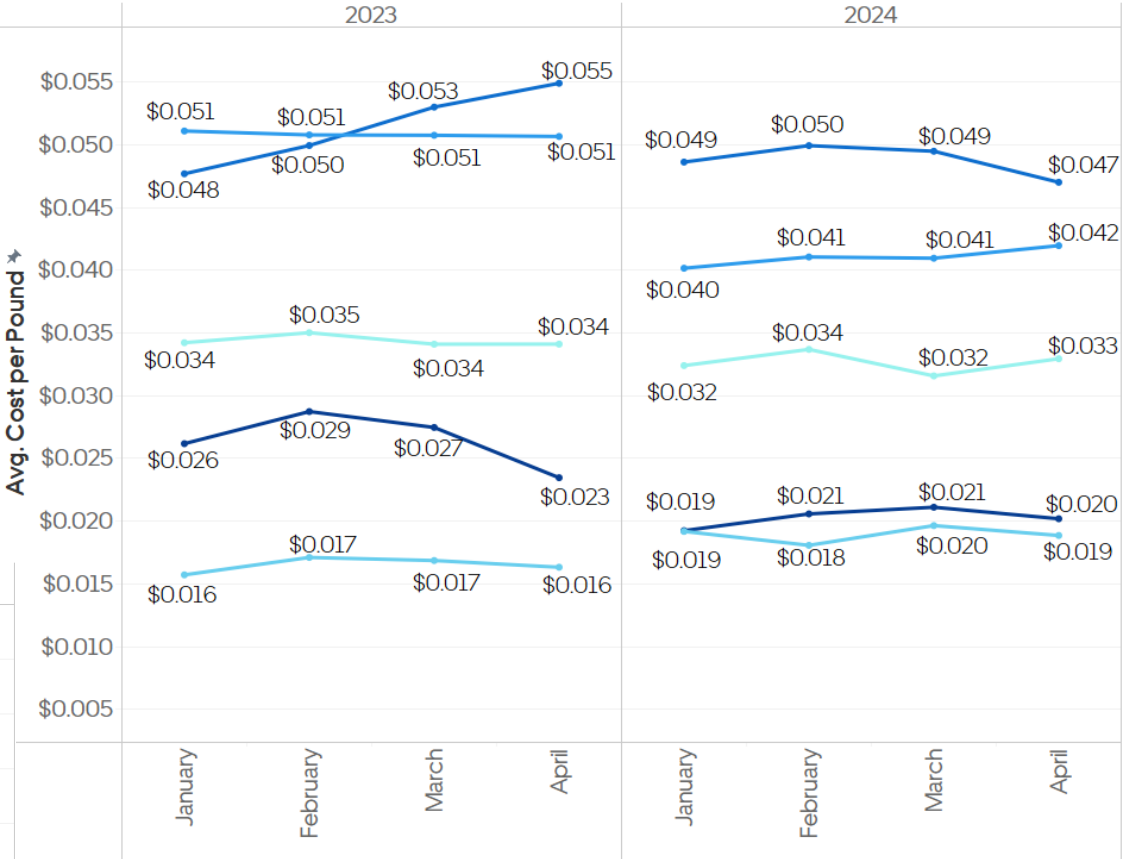
Bulk pricing trends

- Specialized equipment types show a 4.89%*MoM* increase in RPM. In line with seasonal trends
- Bulk RPM for ISO Tank/Intermodal Container equipment types are up 18.44% since January, primarily driven by further adoption (More lanes) in the data set (increased shipper adoption of IML-Bulk)

Bulk Rate per Mile by Equipment Type



Bulk Cost per Pound by Equipment Type



Bulk Equipment Type

- Dry Bulk Tanker
- ISO Tank/Intermodal Container
- Liquid Bulk Tanker
- Multi-Compartment Bulk Trailer
- Specialized

Intermodal

Continued strong growth in U.S. intermodal volume, up 8.6% *YoY* and 8.4% *YTD*, driven by international import growth in the West, East, & Gulf Coasts

International container traffic forecasted to grow 9.1% in 2024 by FTR

Mexico origin forecasted to lead the U.S. & Canada in Intermodal growth at 8.4% *YoY*

Gulf Coast Ports continue to hold significant lead in export growth versus other U.S. ports

Domestic containers & trailers have experienced a reduction in equipment market share due to the growth in international containers

Except for weather events in January, the railroad networks have generally been free of delays and congestion.

Nearshoring activity is driving shipper volume to Mexico, and the railroads are responding with new and improved service offerings.

Port Imports: Total N.A.

Loaded Container TEUs (Twenty-foot equivalent units)



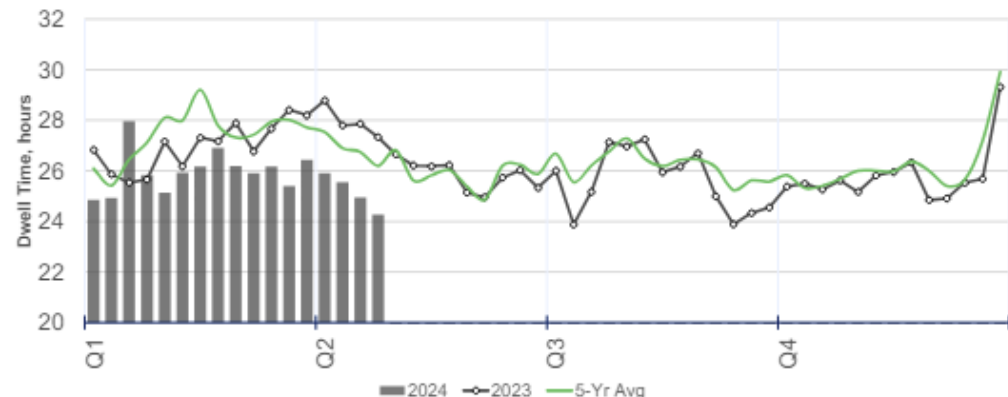
Source: Port Reports, FTR | Transportation Intelligence™; Copyright 2024, FTR



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Dwell Time: Total Intermodal

Weekly Reported Terminal Dwell Time, FTR Estimate



Weekly Data. Source: STB, FTR | Transportation Intelligence™; Copyright 2024, FTR



Diesel fuel pricing trends



Current national diesel price - **\$3.992/gal**
(As of 5/13/24)



Brent Crude - **\$83.18(\$/bbl)**
(As of 5/13/24)



WTI Crude - **\$80.71(\$/bbl)**
(As of 5/13/24)

Current dry van fuel surcharge



NATIONAL FUEL SURCHARGE	
\$0.43 (-\$0.01)	▼ 2.3%

Source: DAT (as of 5/13/24)

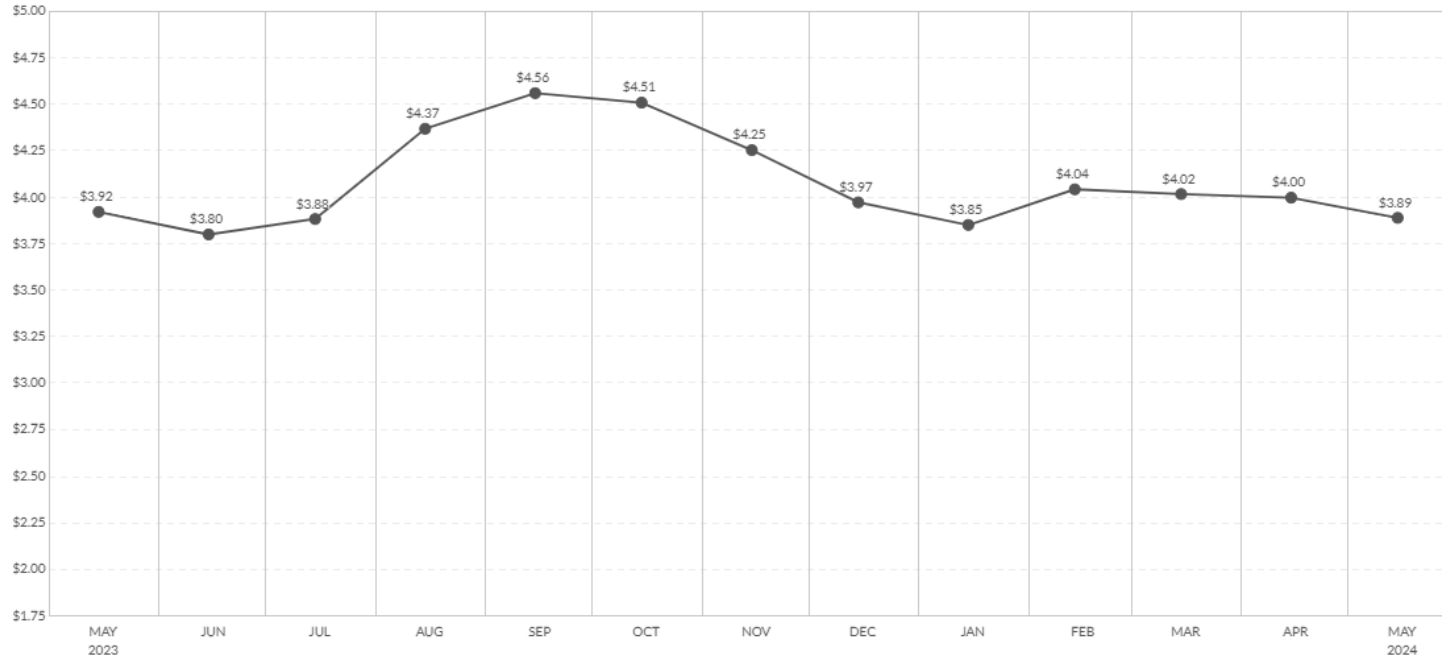
Current reefer fuel surcharge



NATIONAL FUEL SURCHARGE	
\$0.47 (-\$0.01)	▼ 2.1%

Source: DAT (as of 5/13/24)

1 Year national diesel fuel averages



Source: DAT

- Diesel fuel prices have slowly begun to retreat from their most recent high in early February
- OPEC+ is considering easing production cuts in Q3 2024 if crude prices stay above \$90/bbl
- Chinese economy attempting to return to form & global economic growth are forecasted to lead to higher-than-expected oil consumption into 2025
- Crude prices will remain volatile as geo-political tensions & possibilities of interest rate hikes persist

Mexico current situation

Transportation cost and capacity

Mexico Truck Driver Shortage 2023

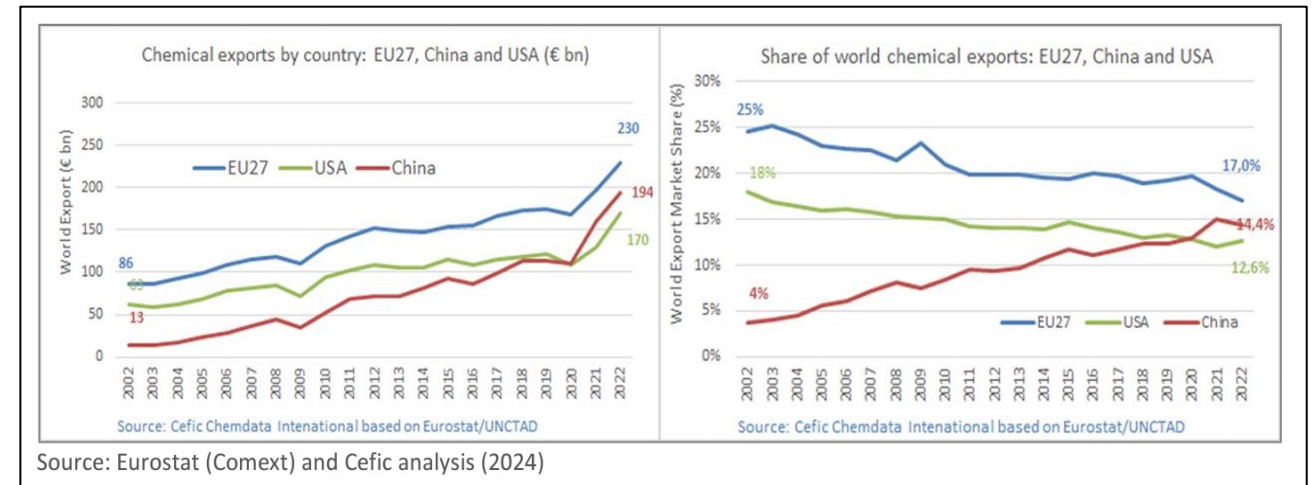
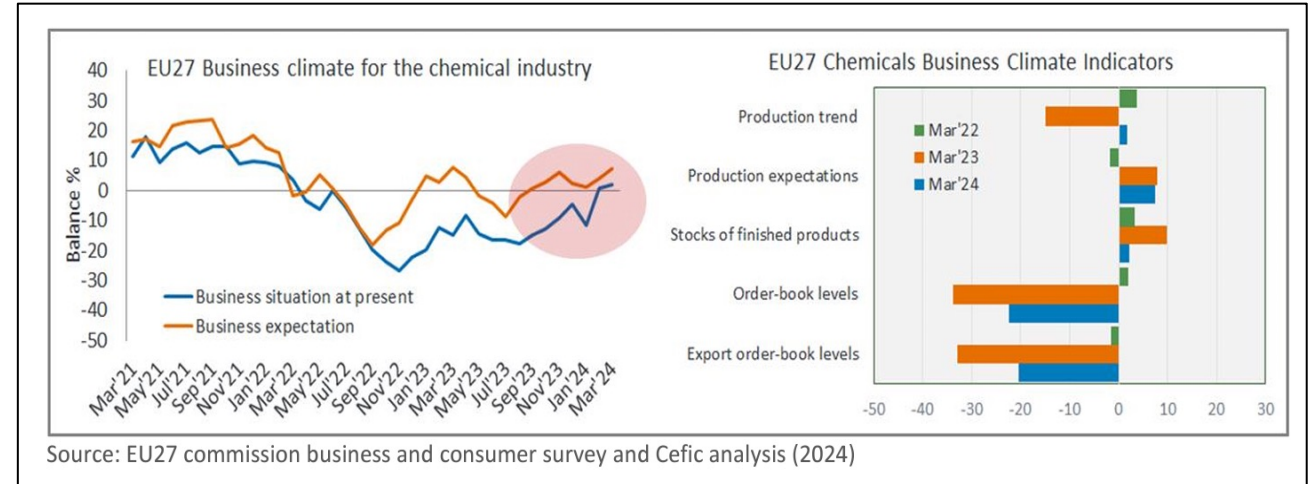
Number of truck driver jobs unfilled



- Mexican carriers are starting to face capacity constraints as shippers increase their volumes; the effects of the nearshoring are starting to be noticed.
- The lack of Mexican drivers continues to be one of the biggest problems. In 2023, the driver shortage in Mexico was 56,000 unfilled truck driver positions, a 9% increase compared to the previous year.
- We observed that there is still an offer of direct capacity from Mexico as the US cross-border carriers continue bringing their equipment into Mexico as the US domestic market is still soft, this might change starting in Q3 of this year.
- The national average price per liter of diesel in MX was \$23.90 MXN in 2023, an increase of 2.8% compared to the previous year. In February 2024, the price per liter of diesel was \$24.88, an increase of 5% compared with the same month last year.
- The Laredo load/truck ratio averaged 7:1 in March 2024. Moderately tight market.
- Cargo theft continues to be one of the biggest challenges for the transportation industry in Mexico. In 2023, the industry was estimated to suffer USD 411M in losses due to insecurity. Estado de Mexico and Puebla lead the list. In 2023, cargo theft grew 5% compared to 2022.
- According to CANACAR*, the costs of insurance premiums for the transportation sector have increased by 25% in the last year.

Europe – EU27 chemical market trends

- The economic sentiment indicator improved in the Europe in March 2024, with marked improvements in France, and smaller improvements in Germany and Italy.
- The European Purchasing Managers Index (PMI) improved in Q1 2024, from 44.4 to 46.5, but remains well below the crucial level of 50, the threshold for expansion and contraction.
- The gas price in Europe remains 3.9 times higher than the US and at least 50% higher than pre-crisis levels, leaving the European chemical industry in a less competitive position.
- China's share of the global chemicals market continues to grow, now at 44%.
- The plenary of the European Parliament has approved incentives including weight exemptions tailored to zero-emission vehicles and additional incentives for vehicles involved in combined and intermodal transport on the road.
- Checks will be carried out at all nine of Germany's external borders during the European Football Championships (mid-June to mid-July) as a security measure.



Carrier insights

Carriers continue to focus on utilization

Driver turnover holding steady, with some reporting net driver gains YoY

Shifting some volume from dedicated to the one-way reloadable market is helping with utilization

Some carriers fear that continued soft volumes could lead to rate decreases, as carriers fight for volume to maintain utilization

Equipment lead time shows little change

Build time on tractors holding steady, but carriers still reporting nearly 12 month lead-times

Trailer production continues to be around 9 months, but with specialized equipment taking longer

Costs continue to be an issue

Bulk trailer costs have risen significantly in past 3 years with reports of more than 50% increases in some cases

Concerns with keeping current fleets busy

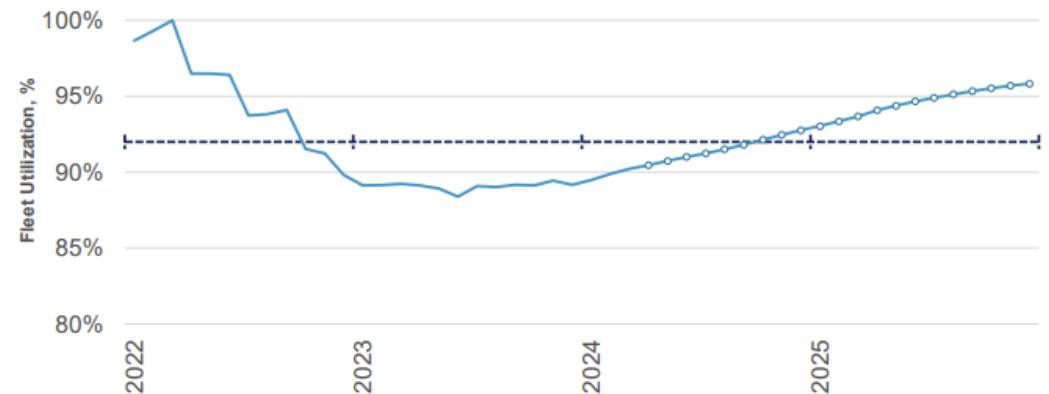
- Lower volume could lead to selling equipment and/or laying off drivers, leaving carriers unable to cover loads when volumes do increase

Tank wash prices continue to rise due to supply costs and EPA demands

High insurance, maintenance and fuel costs continue to impact carriers

Active Truck Utilization Outlook

Share of seated trucks actively engaged in freight hauling



Dashed Line = 10-year average, data is seasonally adjusted
Source: FTR | Transportation Intelligence™; Copyright 2024, FTR

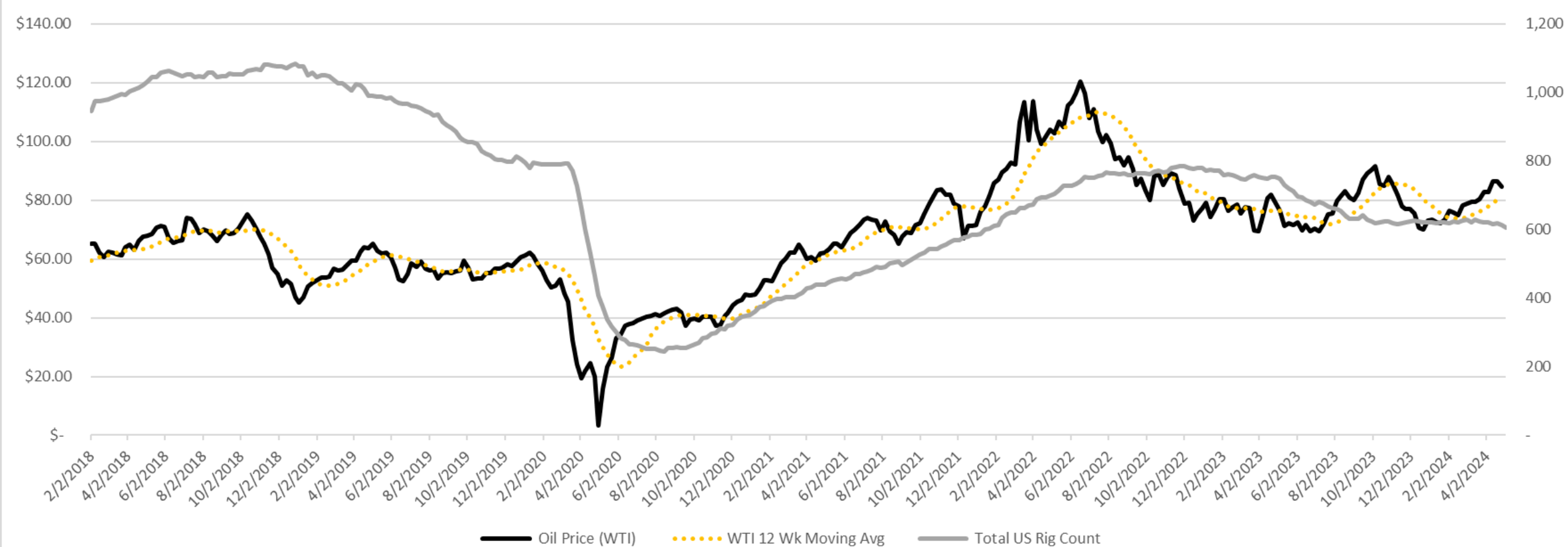
Chemical supply chain overview



Chemical industry news and updates: Energy

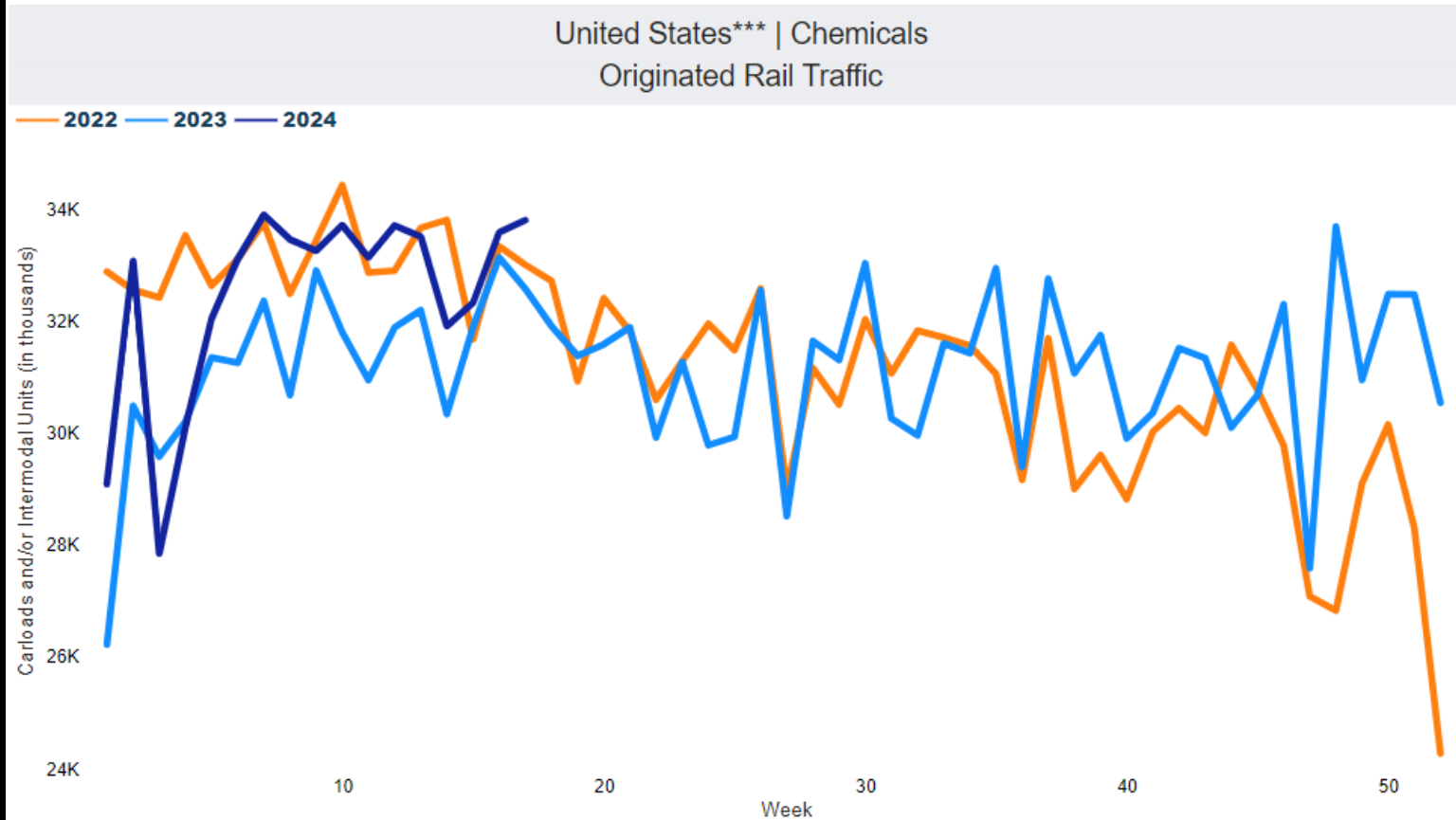
- 12-week moving average of WTI prices and US Rig Counts have historic correlation
- Spot WTI is 10.7% higher than same week prior year at \$84.48 per barrel (Apr 26, 2024, verse Apr 28, 2023)
- US rig counts are 18.8% lower over the same period in 2023 decoupling on the short-term with the spike in Oil prices

Baker Hughes Total US Rig Count verse WTI Price



Chemical industry news and updates: Rail traffic

- April, total US originated rail volumes were up 1.2% on a Y-o-Y basis. This was primarily driven by Intermodal Boxes which are up 8.6% verse carloads which are down 6.5% YTD
- US Chemical volumes (chart below) continues to show strength on a Y-o-Y basis heading into the pivotal spring months.
- In April, Chemical carloads continue to outpace the market and prior year being up 2.9% (Intermodal stats are not captured at the commodity level).



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

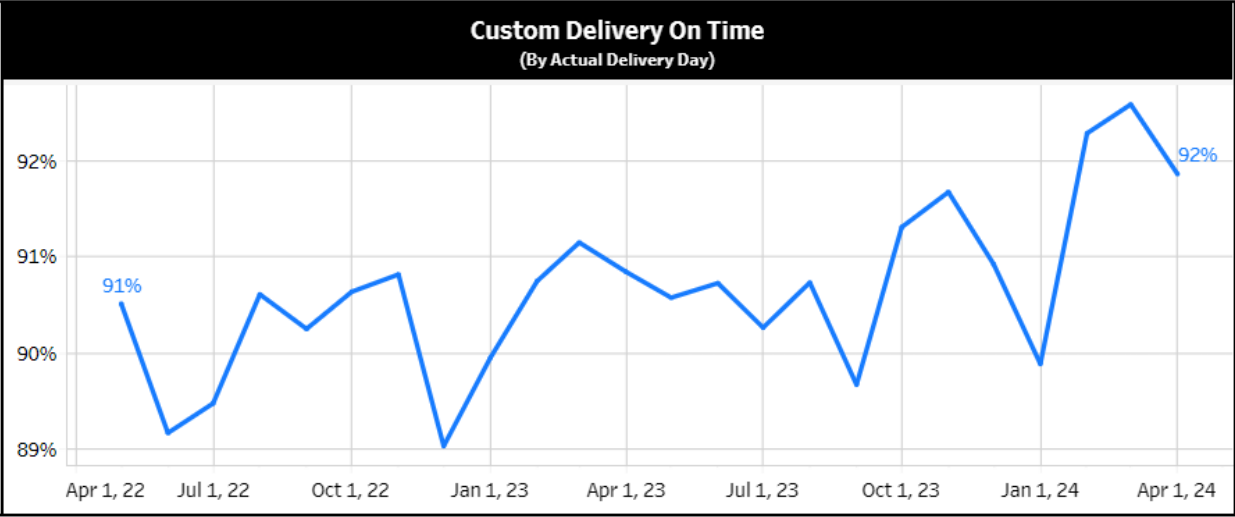
**Mexican traffic includes the U.S. operations of Mexican railroads.

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

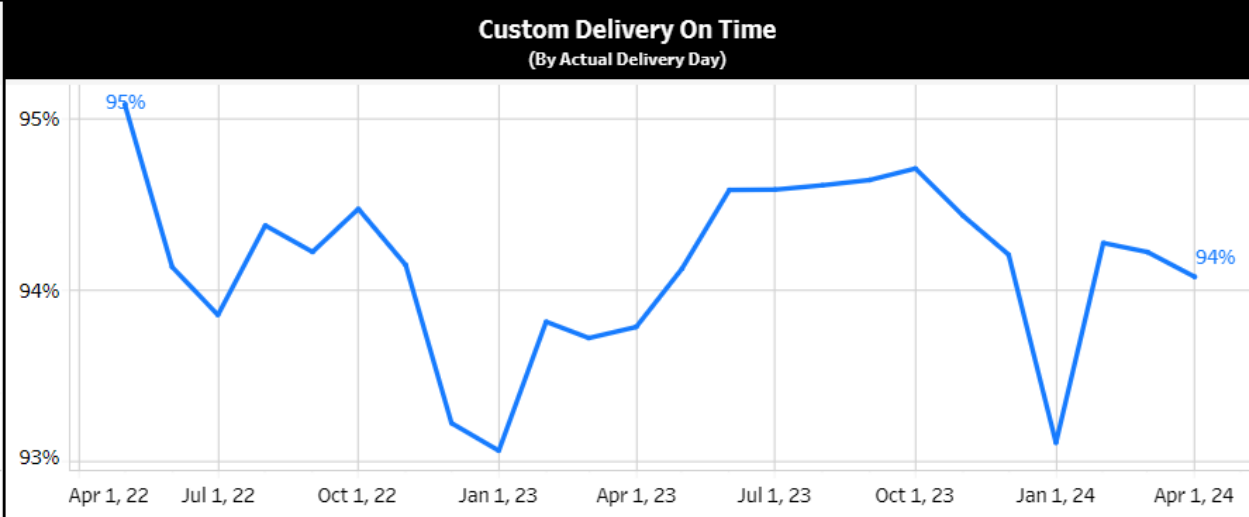
©2023 Association of American Railroads.

Chemical vertical on-time delivery by mode

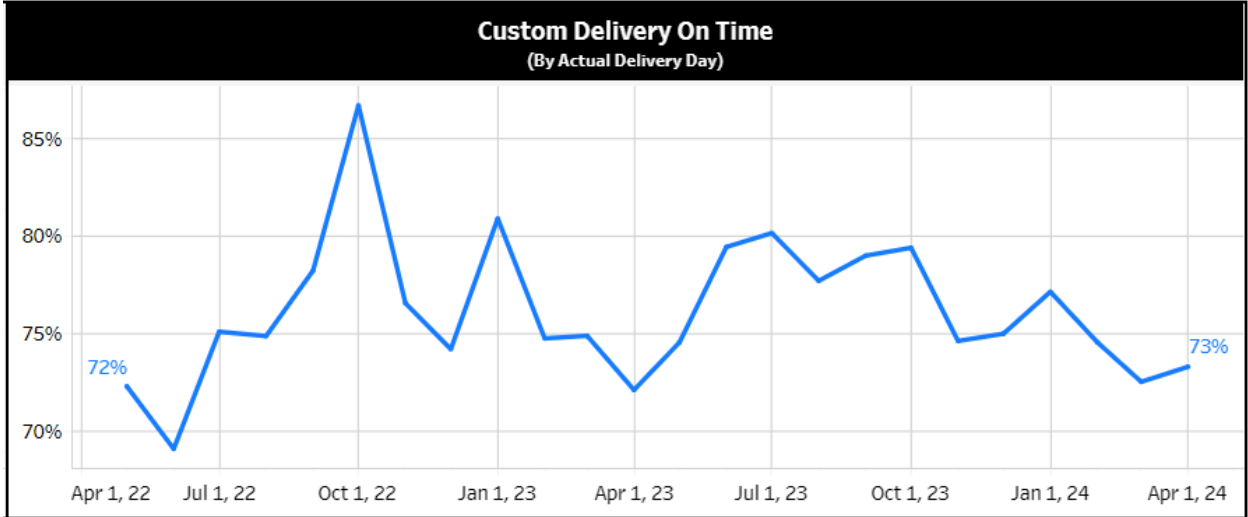
LTL



TL

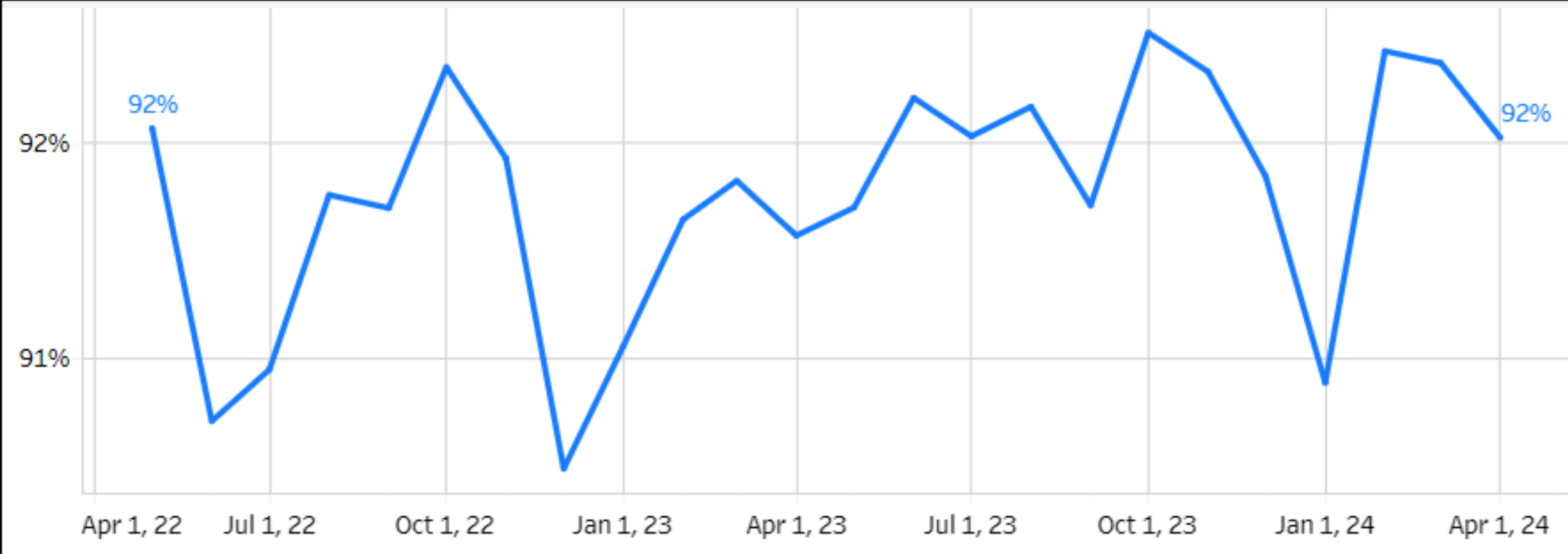


Other



Chemical vertical on-time delivery*

Custom Delivery On Time
(By Actual Delivery Day)



*More than 170,000 shipments each month, including all modes and two-hour tolerance for delivery appointments

Uber
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Deliver 2024

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September 9-11

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