

Uber Freight

Chemical Current
Supply chain newsletter for
chemical shippers

August 2024



August 2024 overview



Executive summary

The July reading of [ISM's US Manufacturing PMI](#) was the worst report of the year at 46.8. And although Chemical Production does not have a roaring short-term outlook, it feels it has more stable footing than many of the other Manufacturing sectors.

Much of the limited strength in the Chemical sector in the US is being buoyed by continued growth in Resin production. The [American Chemistry Council](#) is reporting a 6.5% growth in Resin Production for the first 7 months of 2024. US Resin producers are benefiting from the general imbalance of container flows (US imports > US exports), making export rates lower from the US when compared to producers in other world areas (primarily Asia). In June, [Plastics Today](#), cited the increase in freight rates from Asia as a contributing factor to US Resin competitiveness.

Chemical carloads continue to show strength on a Y-o-Y basis but have pulled back from highs realized in the end of Q2 (4.5% and 6.7% increase in Carloads in May and June). The [Association of American Railroads](#) is reporting 3.9% Y-o-Y increase in chemical carloads YTD for the week ending July 29th.

Inventory levels continue to be at historic lows for chemical shippers as interest rates keep producers working from lower stock.

After briefly exceeding 2023 rates for On-Highway Diesel to start July, Diesel continues to decline following a sharp drop in crude to start August (and remains under 2023 levels).

Chemical industry news and updates

Canada Rail Strike Looms

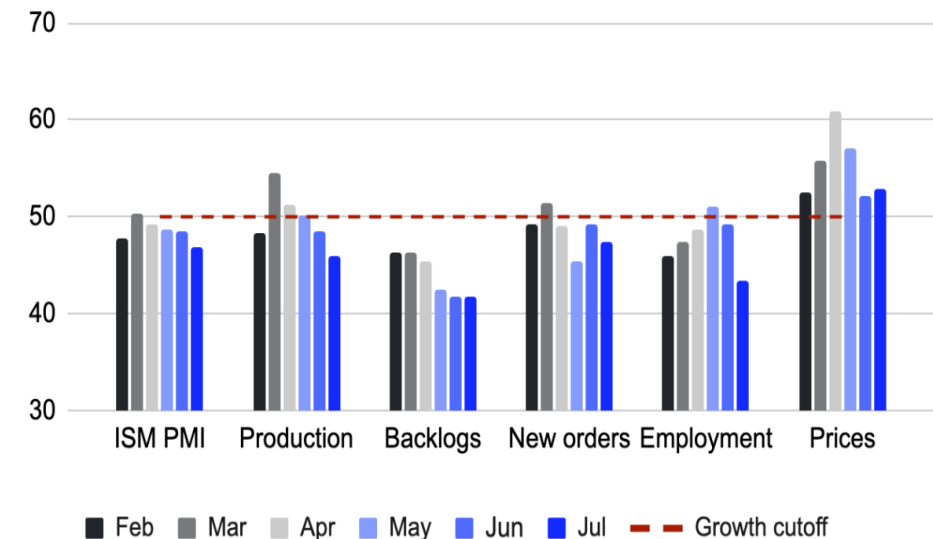
North American Shippers are bracing for significant disruption as talks between Canadian National Railway, Canadian Pacific Kansas City, & Teamsters have stalled. Embargoes have been put in place on any new reservations for movement of hazmat materials, security sensitive cargo, or refrigerated containers originating in Canada. Intermodal traffic from dozens of U.S. hubs in their respective networks have been embargoed as well. Rail companies will begin to lock out workers on August, 22nd if a labor deal has not been reached.

Sluggish Recovery

The ISM PMI for July registered 46.8, indicating contraction for the fourth consecutive month. Production, new orders, and backlogs all dipped below 50, pointing to weakening output and a deteriorating outlook. Cost pressures from rising commodity and raw material prices have forced US Chemical shippers to take action into their own hands by cutting cost & downsizing unprofitable assets/projects.

Manufacturing PMI (ISM)

Values above 50 imply expansion and below 50 imply contraction



Supply chain innovation:

Uber Freight Rail service offerings



Fleet Consulting Services

Fleet Assessment



A fleet assessment provides actionable insights that can help a company optimize its dedicated transportation operations, reduce costs, improve service levels, and support long-term strategic goals.

Fleet Assessments have a defined timeline and provide Customers with a report out for continuous improvement activity.

Fleet Support



Dedicated fleet support is a strategic approach that empowers businesses to achieve continuous improvement in their transportation operations.

By leveraging dashboard monitoring of key performance indicators (KPIs) and critical metrics, companies can gain actionable insights that drive operational excellence.

With ongoing support from Uber Freight subject matter experts, dedicated fleet management ensures that cost-saving initiatives are not only identified but also effectively implemented and sustained.

RFP Management Support



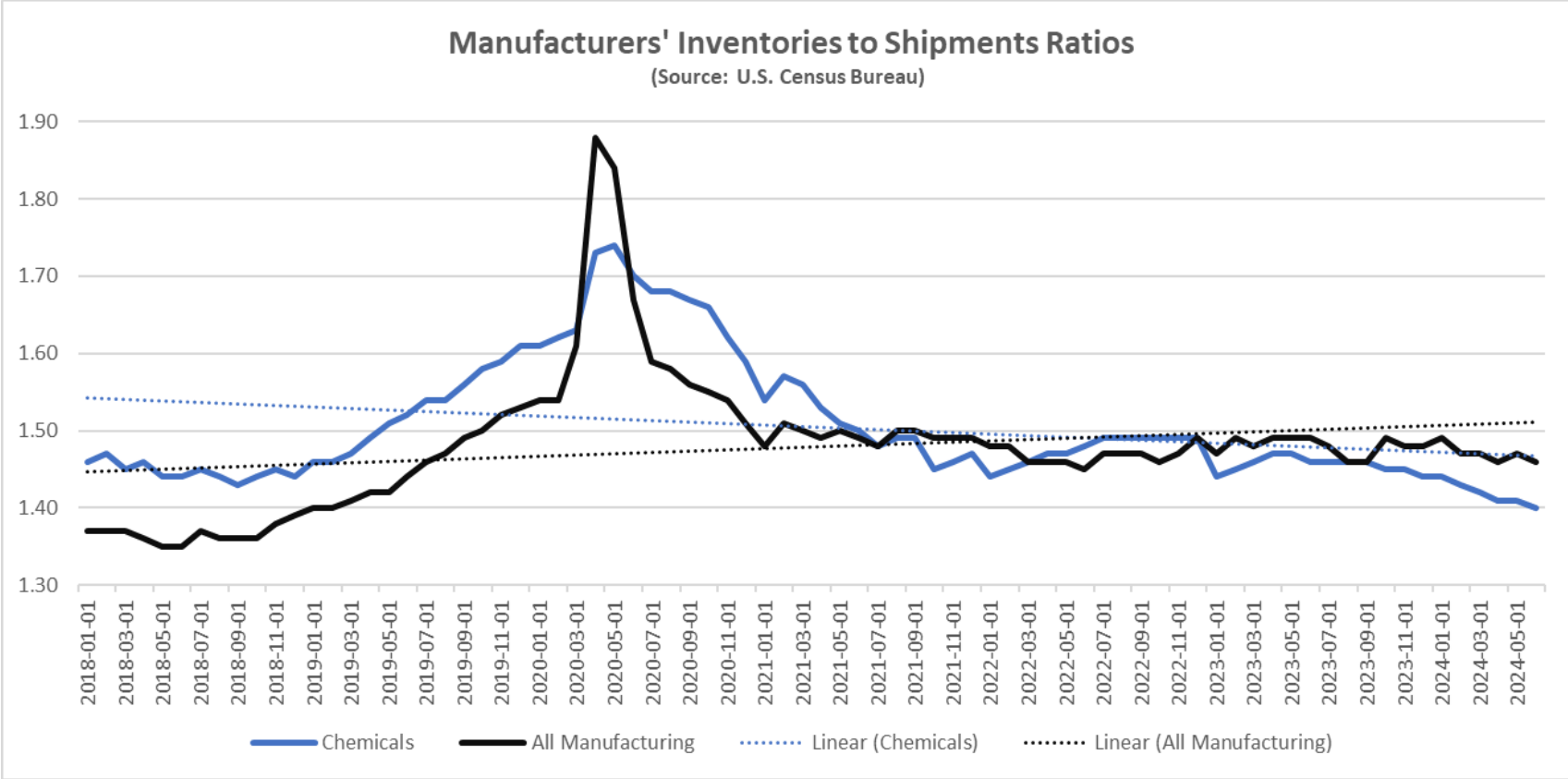
With fleet expertise and a proven process for evaluating fleet proposals, customizable templates, and best practices provided by subject matter experts (SMEs), companies can optimize their fleet management strategies effectively. This combination ensures that each fleet proposal is thoroughly assessed and tailored to meet specific business needs, driving efficiency and cost savings.

Chemical transportation trends



Inventory levels

- In June of 2024, chemical manufacturers realized inventory levels 13.6% below pre-pandemic levels (compared to February 2020) and down 4.1% 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 (5.2% lower than 2020).
- In June, all Manufacturers had a drop in inventory levels and are 2.0% lower Y-o-Y.
- Chemical inventories to shipments ratio reached their lowest level in 8 years (comparable to spring of 2016).



LTL Trends

- LTL demand continues to be slightly lower than last year; most carriers have excess capacity and only a few are seeing volume increases.
- The Institute for Supply Chain Management (ISM) Purchasing Managers' Index (PMI) is a good indicator of LTL freight volumes. The ISM PMI swung positive in March after steady decline of 16 months since late 2022, but declined again in the following months.

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.

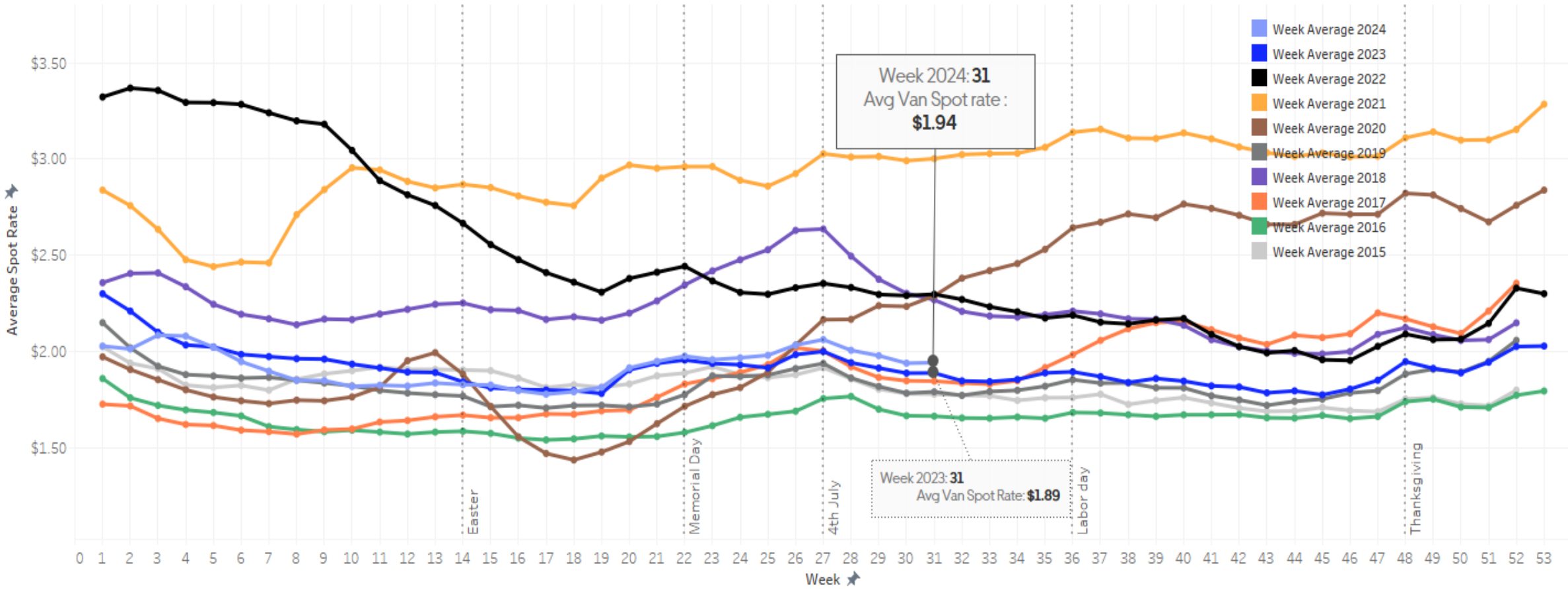
LTL General Rate Increases

	2022				2023				2024		
	GRI	Effective	GRI timing (earlier) later		GRI	Effective	GRI timing (earlier) later		GRI	Effective	GRI timing (earlier) later
XPO	5.9%	11/1/21	(64)	FDX Freight	7.4%	1/2/23	(1)	FDX Freight	6.4%	1/4/24	2
Yellow	7.7%	11/8/21	(85)	ABF Freight	5.9%	11/7/22	(8)	ABF Freight	5.9%	10/2/23	(36)
TForce Freight	6.9%	11/15/21	(99)	YELL	5.9%	10/3/22	(36)	TForce Freight	4.9%	10/2/23	(43)
ABF Freight	6.9%	11/15/21	(71)	Forward Air	5.9%	2/6/23	5	SAIA	7.5%	12/4/23	(57)
Estes Express	5.9%	11/29/21	(64)	ODFL	4.9%	1/3/23	0	ODFL	4.9%	12/4/23	(30)
FDX Freight	6.9%	1/3/22	(1)	TForce Freight	5.9%	11/14/22	(1)	Forward Air	5.9%	2/5/24	(1)
ODFL	4.9%	1/3/22	(57)	SAIA	6.5%	1/30/23	6				
Forward Air	7.9%	2/1/22	0	XPO	5.2%	1/31/23	91				
SAIA	7.5%	1/24/22	6								
LTL avg.	6.7%	12/11/21	(55)	LTL avg.	6.0%	12/20/22	7	LTL avg.	5.9%	11/28/23	(28)

Note: LTL contractual renewal includes ARCB, SAIA, XPO and YELL (through 1Q:23).
Source: Company Reports; Company websites; Wolfe Research.

Truckload (TL) trends

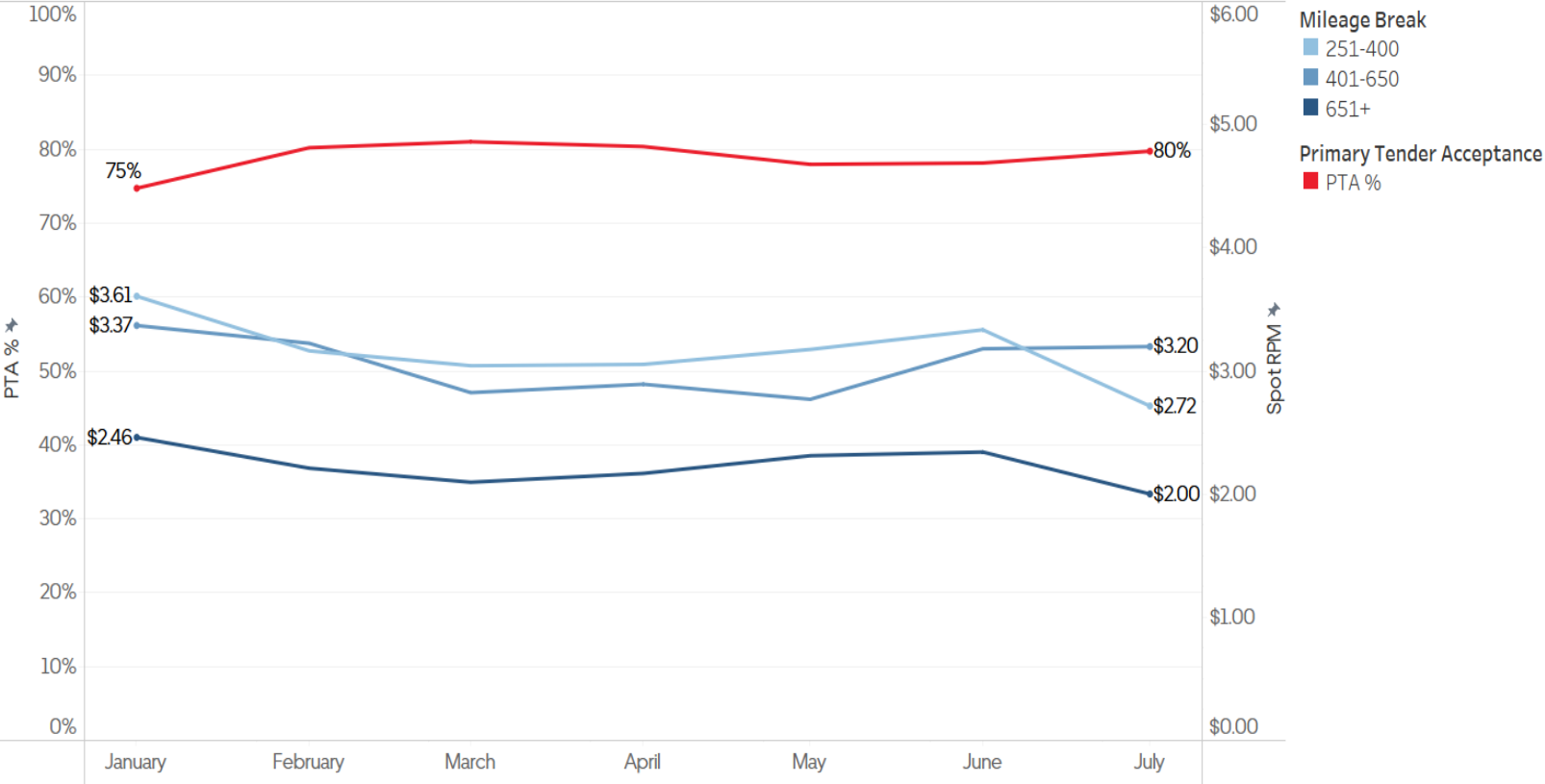
Weekly average Dry Van Spot Rate (Week 31)



Hazardous materials tendering trends

- Spot Rate per Mile (RPM) for dry van Truckload (TL) Hazmat shipments continue to see downward pressure for long hauls (> 650 miles), settling at \$2.00 in July but still clinging to a 3.09% premium over NON-Haz dry van TL spot rates
- Primary Tender Acceptance (PTA) for Truckload (TL) hazmat saw a 3% uptick M-o-M but overall remains stable at 80%

Hazmat TL: PTA % vs Spot RPM by Mileage Break

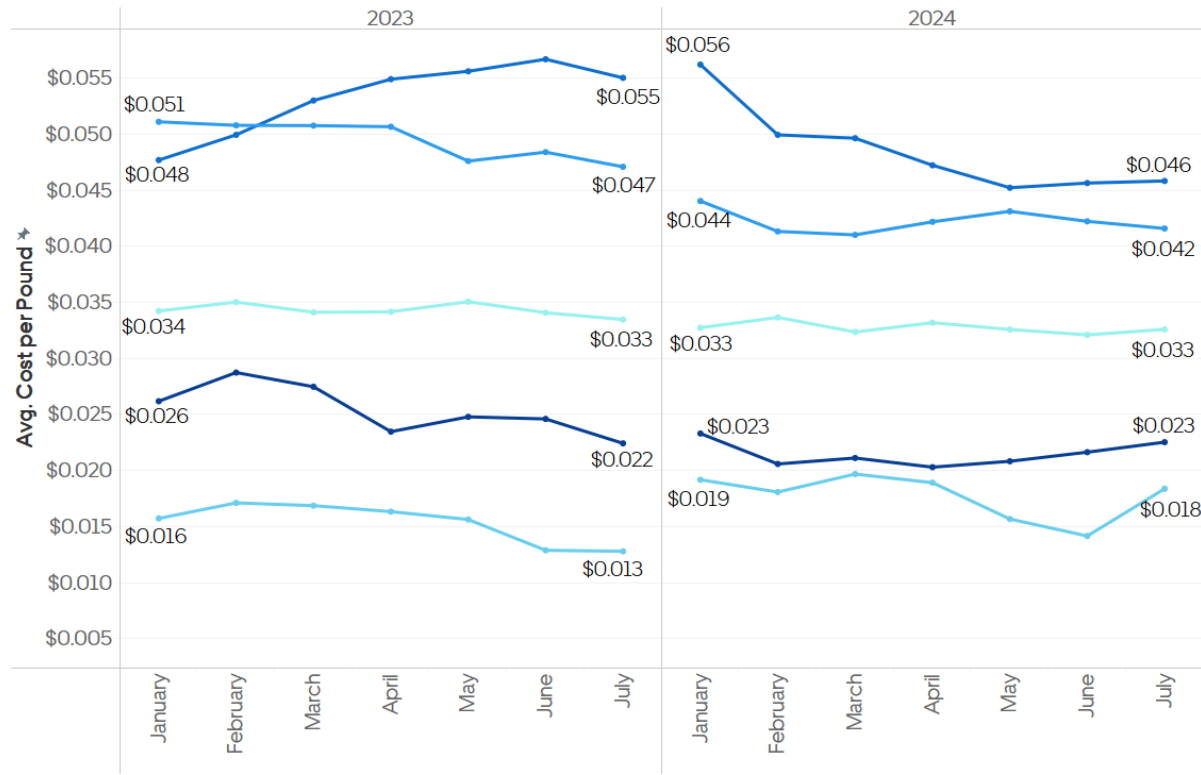


Bulk pricing trends

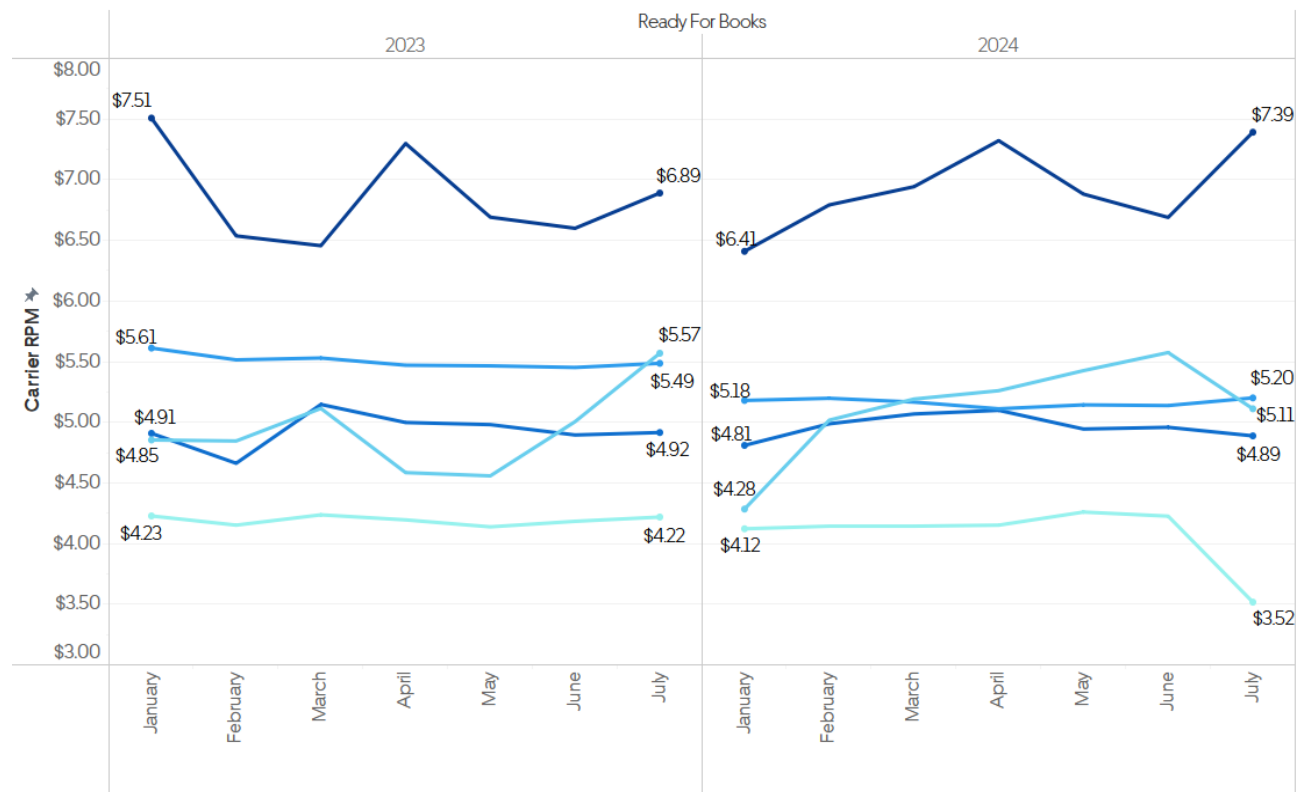
- In July, ISO Tanks/Intermodal Container RPM decreased M-o-M for the first time since 2022.
 - Down 8.26% *M-o-M* but still up 19.35% *Y-o-Y*



Bulk Cost per Pound by Equipment Type



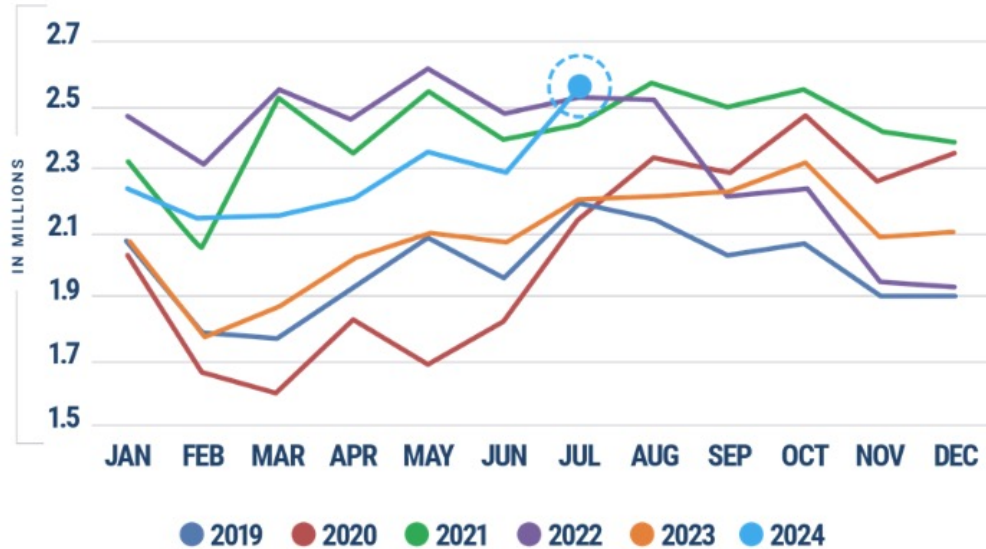
Bulk Rate per Mile by Equipment Type



U.S. Imports

- US import container volume in July grew 11.2% *M-o-M*, marking a 26-month high set in May 2022
 - Up 16.8% *Y-o-Y* compared to July 2023
- New FMC “Refusal to Deal” ruling, pending publication in Federal Register:
 - Ocean carriers required to file a documented export policy with FMC annually for pricing strategies, services, routes and equipment.
 - Policy will be used to determine if an ocean carrier unreasonably barred an exporter’s container from sailing
 - Blank sailings or schedule changes with no advance notice may be considered unreasonable refusals.

2019-2024 U.S. CONTAINER IMPORT VOLUME (TEUs)



Source: Descartes Datamyne™

Figure 3: June 2024 to July 2024 Comparison of Import Volumes at Top 10 U.S. Ports

Port	TEU Change	% Change
Los Angeles, CA	69,476	16.4%
New York/New Jersey	58,258	16.8%
Long Beach, CA	43,351	10.8%
Savannah, GA	17,354	7.6%
Houston, TX	-174	-0.1%
Norfolk, VA	21,850	18.1%
Charleston, SC	6,010	5.7%
Oakland, CA	-652	-0.8%
Tacoma, WA	14,326	17.9%
Philadelphia, PA	7,085	18.5%
Total Top 10 Ports	236,884	12.0%

Source: Descartes Datamyne™

Intermodal

Intermodal remains challenged relative to the truckload competition, but the situation is improving.

Dray capacity is plentiful across the intermodal network. With lower volumes, the focus continues to be on improving dray efficiency through reloads and a reduction of empty miles.

Rail capacity and container availability are plentiful. There is still a lot of idle container capacity that is ready to be utilized as demand increases.

Spot rates continue to be lower to compete with truck prices.

The railroads continue to be focused on Mexico and increasing their service offerings.

While rates dropped throughout bid season, they have moderated a bit in Q2 and Q3 RFP events.

In anticipation of an increase in rates in 2025, shippers have started to ask about locking in rates and capacity in advance of bid season, with a few even asking about multi-year deals to try to lock in the current rate levels long term.

Dwell Time: Total Intermodal

Weekly Reported Terminal Dwell Time, FTR Estimate



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



Velocity: Total Intermodal

Weekly Reported Train Speed, Industry Average



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



Intermodal velocity has been following seasonal trends, and remains well below both the five-year average and 2023 levels. Under normal circumstances, velocity will hold steady for the next month before rising as we approach Q3. However, we may see deviations from this trend as potential port and railroad strikes look more likely.

Diesel fuel pricing trends



Current national diesel price - **\$3.704/gal**
(As of 8/13/24)



Brent Crude - **\$81.85(\$/bbl)**
(As of 8/13/24)



WTI Crude - **\$79.79(\$/bbl)**
(As of 8/13/24)

Current dry van fuel surcharge



Fuel Surcharge

\$0.52 (-\$0.01)

↘ Rate is decreasing

Source: DAT (as of 8/13/24)

Current reefer fuel surcharge



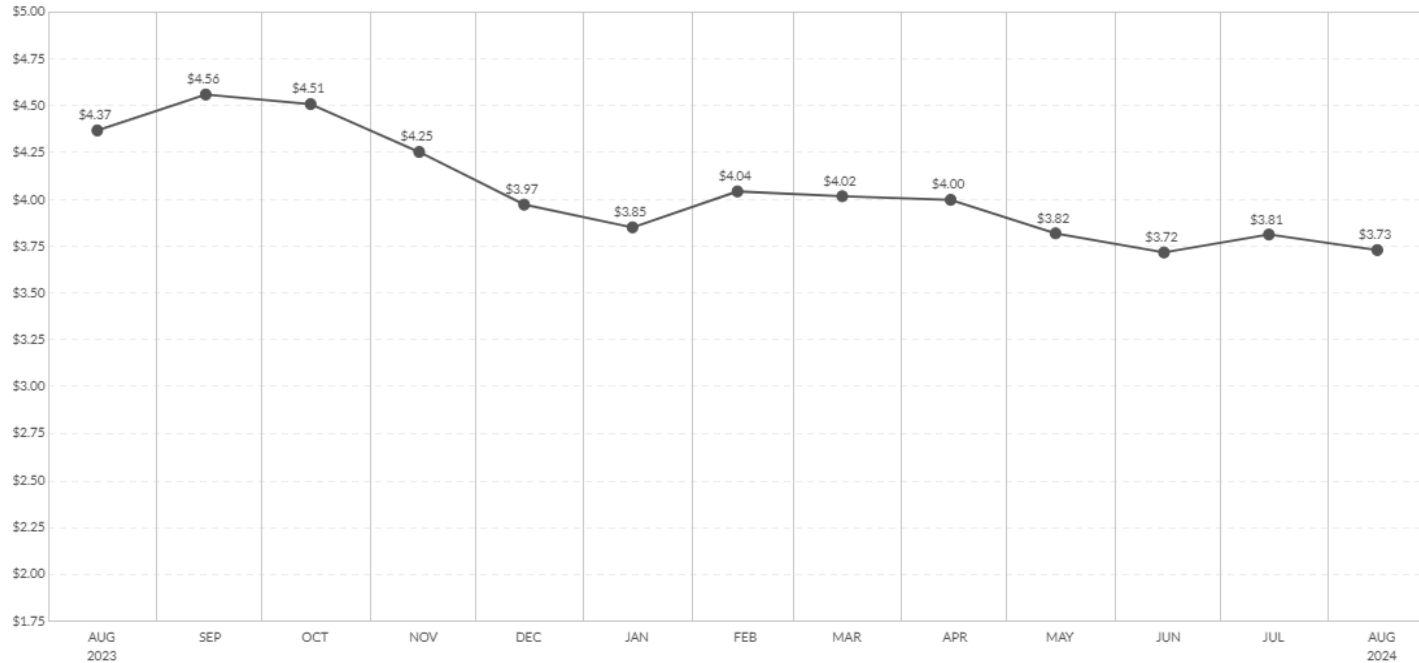
Fuel Surcharge

\$0.57 (-\$0.01)

↘ Rate is decreasing

Source: DAT (as of 8/13/24)

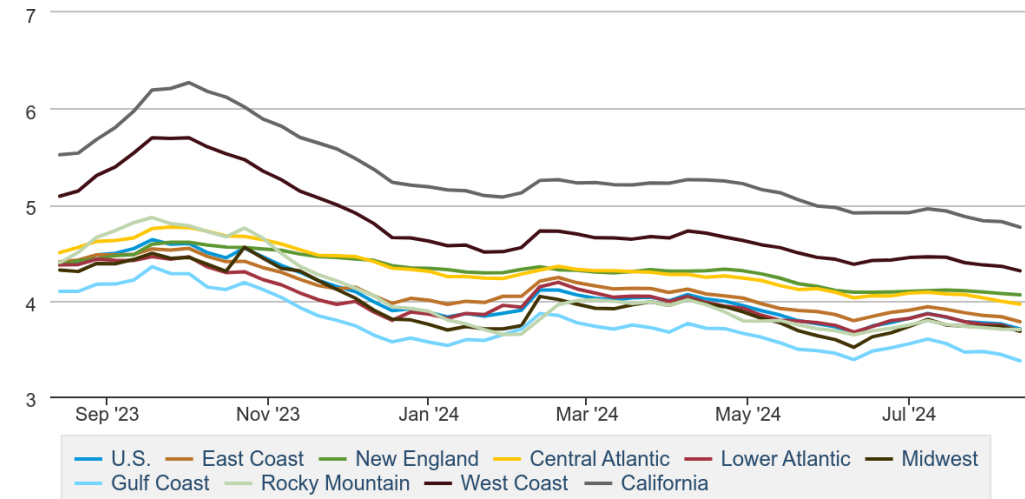
1 Year national diesel fuel averages



Source: DAT

On-Highway Diesel Fuel Prices

(dollars per gallon)



Data source: U.S. Energy Information Administration

Europe trends

Factors affecting supply

Key points around capacity, pricing, and driver shortages

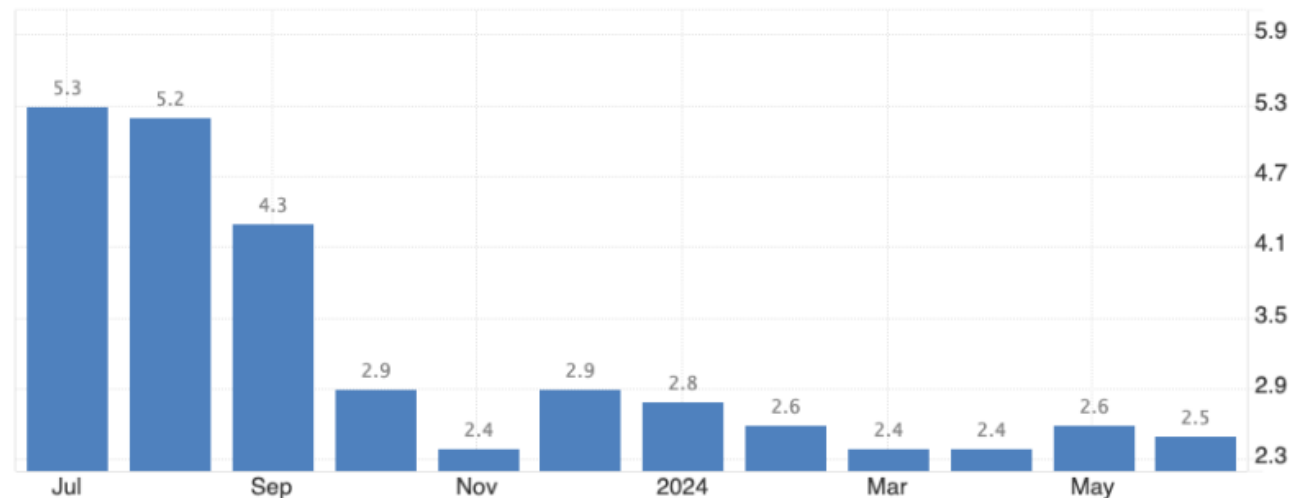
- The European spot rate index rose 4.9% in the last 3 months, whilst the contract rate index fell by 0.25%.
- The spot rate index has remained above the contract rate index on most country-to-country indices.
- Belgium to France contract rates declined over 5% in the quarter, whilst domestic contract rates in France rose by 10%.
- FTL and LTL capacity remains positive, with network carriers keen to win new LTL and groupage business to maintain density.
- The Ti State of Logistics Survey 2024, showed digitalization and alternative fuel vehicles will be the key investment focus areas in road freight sector in the next 12 months. Respondents observed that higher costs such as driver wages (driven by ongoing shortages), tolls, vehicle maintenance, insurance, etc., coupled with the economic crisis, are some of the major problems affecting the road freight forwarding industry.
- The Brent crude oil price was volatile during the quarter, but ended up at \$85 per barrel, just \$2 lower than in April.

Factors affecting demand

The European GDP forecasts remain weak and Euro area interest rates are starting to come down as inflation abates

- GDP growth in the euro area remain weak at 0.7% in 2024 and 1.5% in 2025.
- Private consumption will be supported by wage increases in tight labour markets and increasing real incomes as inflation abates.
- The Euro area inflation rate was at 2.5% in June, up from 2.4% in March. The European Central Bank decreased interest rates from 4.5% to 4.25% in June. The UK Central Bank did not change interest rates in the quarter.
- The Purchasing Managers Index (PMI) for the Euro Area decreased from 46.5 in March to 45.8 in June. The level remains well below 50, the threshold between expansion and contraction.

Euro Area annual inflation rate



Sources: OECD Economic Outlook, Interim Report Feb 2024; Eurostat

European outlook: Freight supply and demand

- Some carriers are proposing surcharges for deliveries into Paris for a period of up to 6 weeks due to additional congestion and security checks caused by the Olympics and Paralympics. Germany will introduce temporary controls at its French borders from 26 July to 11 August. France is implementing additional truck bans (>7.5T) on certain Saturdays in July and August.
- European regulators are seeking to force through increased tonnage limits to 44T for cross-border road freight. The move towards allowing higher road weight limits is seen by some as essential in the EU push to meet its Fit for 55 agenda – which aims to reduce CO2 emissions by 55% by 2030.
- The new UK government is looking to repair some trade relations with the EU, as the UK's EU relations minister, Nick Thomas-Symonds, swiftly went to Brussels for talks with his counterpart.

Recommendations

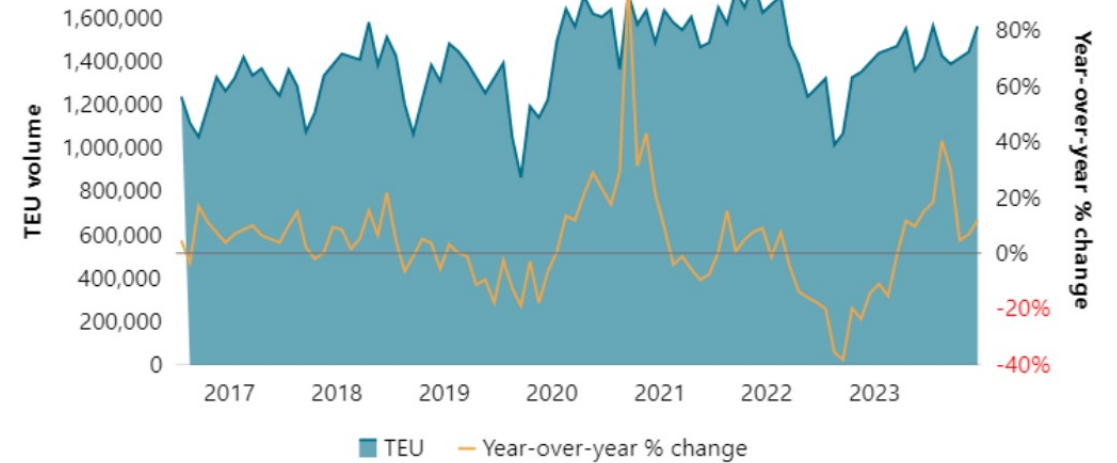
- Contract rates remain under pressure so re-procure to gain benefits. Lock in capacity and service for the next 12 months via SLAs.
- Work with carrier partners to explore increased digitalization benefits from connectivity and shipment tracking.
- Start to open peak planning discussions with strategic carriers to ensure stable capacity in Q3/4.

Transpacific trade

- Q2 imports from Asian rose 7.8% YoY (and 12.1% in June).
- Imports from China were flat in June but up 13.8% YoY. China represented 38.8% of US container imports in June.
- Wide discrepancies Carrier / BCO direct pricing ~ ¼ level of current Asia – US spot rates. Bookings above weekly MQC shifting to spot rate levels.
- Spot markets mid-July have started to edge lower since May 1st GRIs were implemented.

US imports from Asia up year on year since October

Total monthly TEU volume of US containerized imports from Asia, with year-over-year change



Source: S&P Global

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Asia-USWC spot rate dips after two-month bull run

Container rate from North Asia to US East and West coasts in USD per FEU

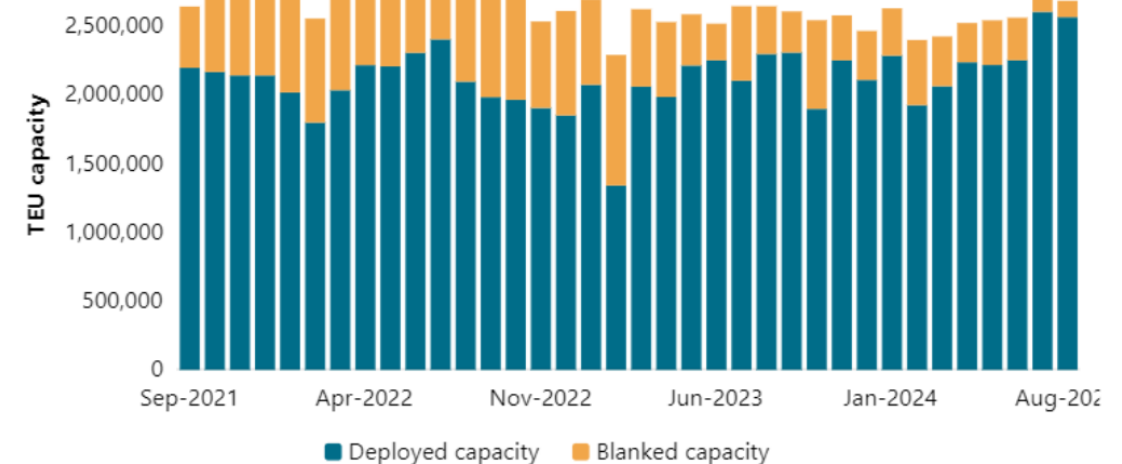


Source: Platts, S&P Global

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Eastbound trans-Pac deployed capacity jumps in July

Deployed and blanked capacity from Asia to US West and East coasts



Source: Sea-Intelligence Maritime Analysis

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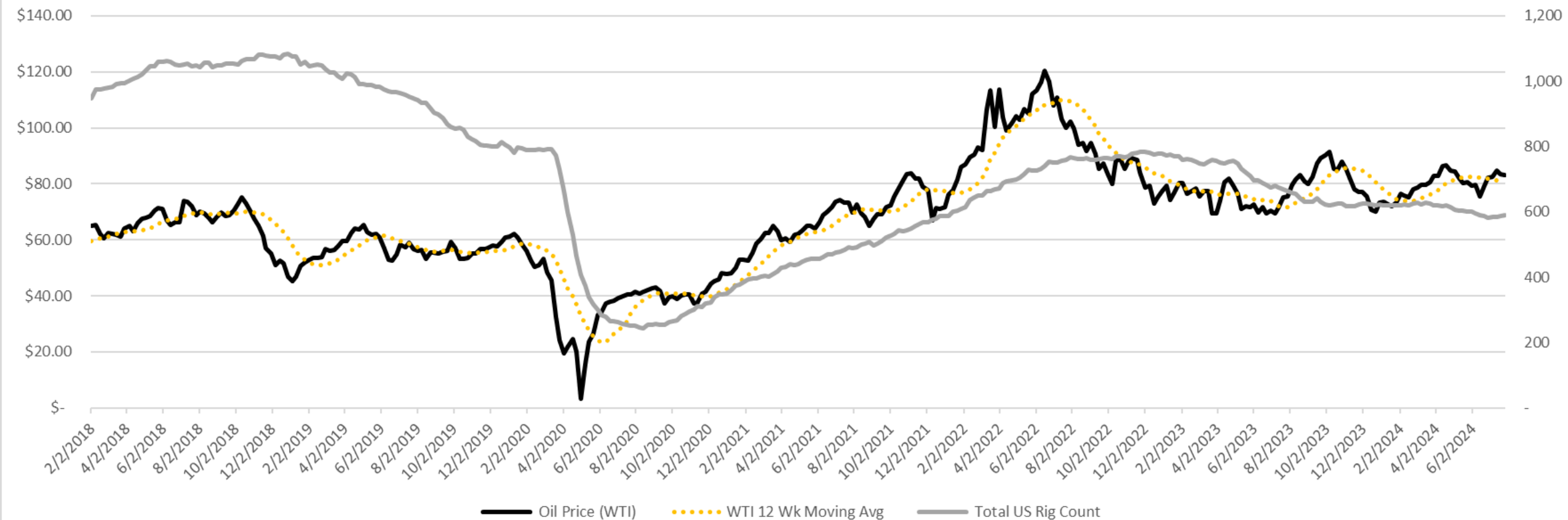
Chemical supply chain overview



Chemical industry news and updates: Energy

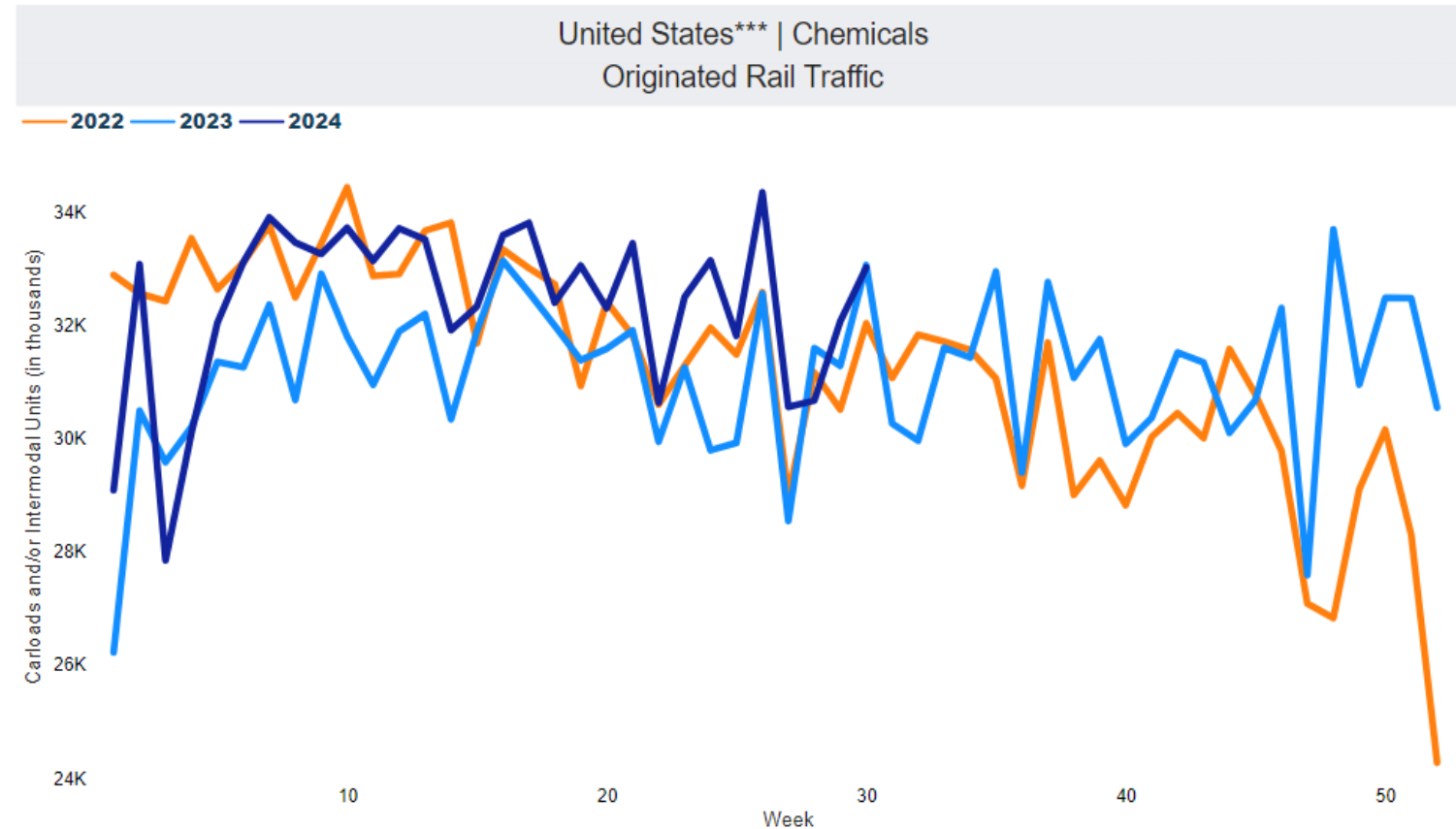
- 12-week moving average of WTI prices and US Rig Counts have historic correlation
- Spot WTI is 0.5% lower than same week prior year at \$79.26 per barrel (July 26, 2024, verse July 28, 2023)
- US rig counts are 11.3% lower over the same period in 2023 decoupling on the short-term with oil prices. Rig counts are at their lowest level since January 2022

Baker Hughes Total US Rig Count verse WTI Price



Chemical industry news and updates: Rail traffic

- Thru July 27th total US originated rail volumes were up 2.3% on a Y-o-Y basis. This was primarily driven by Intermodal Boxes which are up 8.5% verse carloads which are down 4.2% YTD
- US Chemical volumes (chart below) continues to show strength on a Y-o-Y basis thru July
- Thru July 27th , Chemical carloads continue to outpace the market and prior year being up 3.9%, however the rate of increase over prior year slowed in July (Intermodal stats are not captured at the commodity level).



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

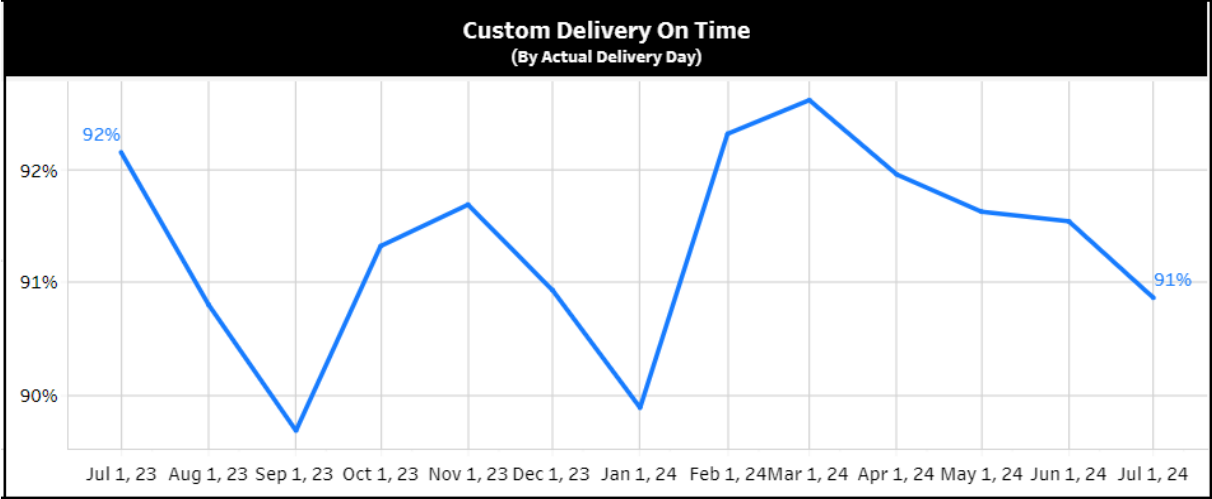
**Mexican traffic includes the U.S. operations of Mexican railroads.

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

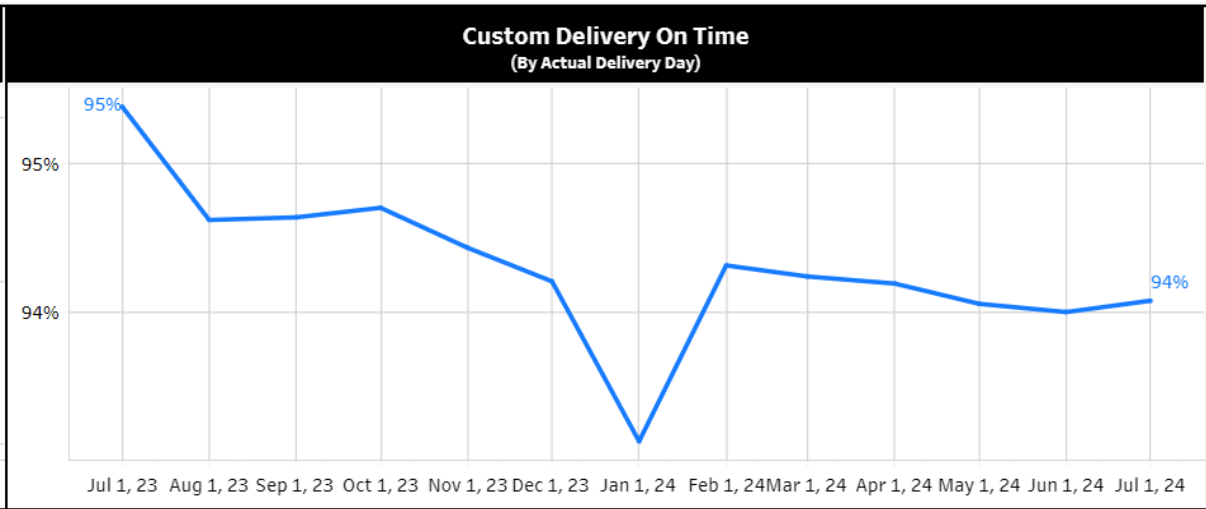
©2023 Association of American Railroads.

Chemical vertical on-time delivery by mode

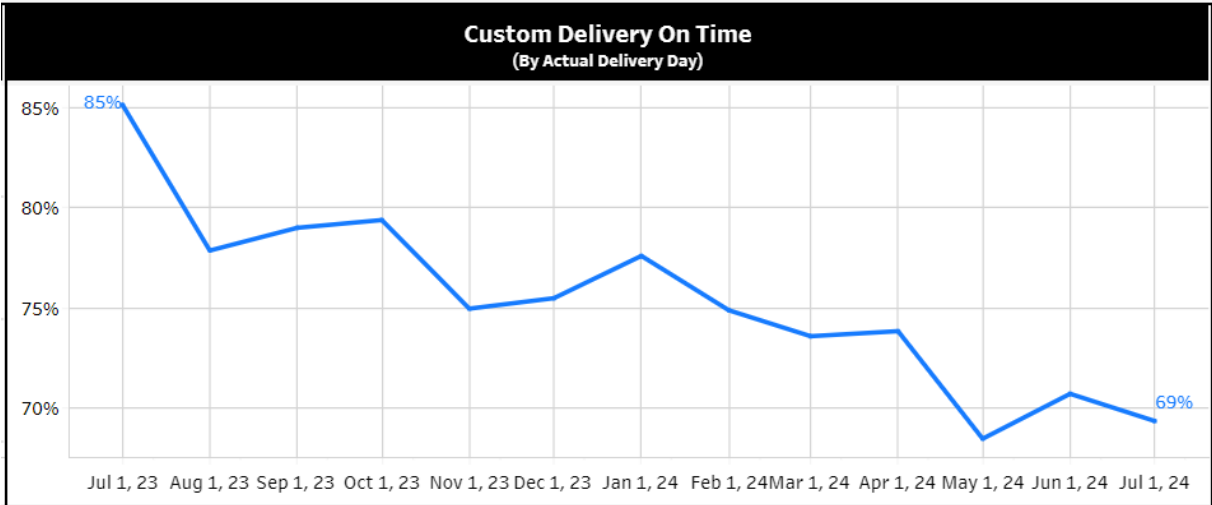
LTL



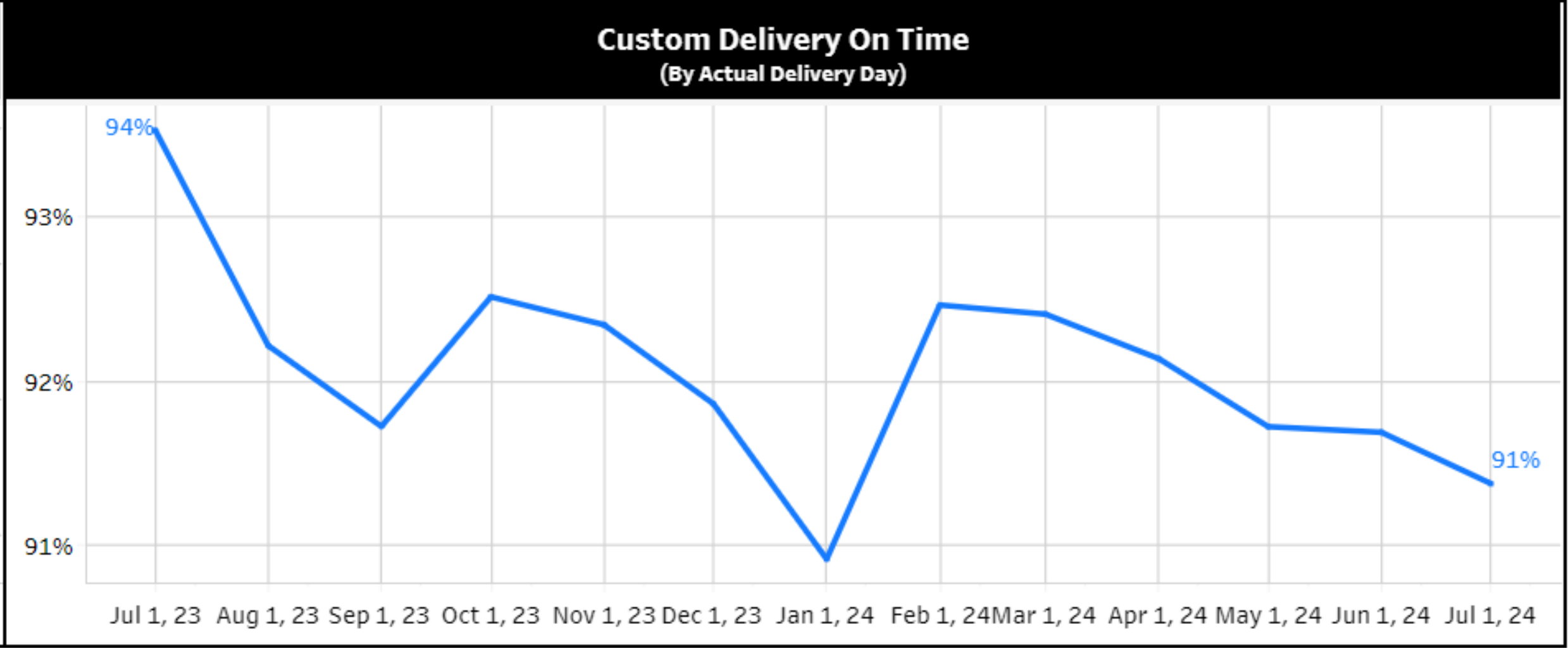
TL



Other



Chemical vertical on-time delivery*



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

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