Uber Freight

Q2 2023 Market Update: What small and mid-sized shippers need to know

The freight market is in a state of relative stability—and it's a favorable one for shippers. The slow demand and ample supply that defined Q1 have persisted into Q2, while trucking employment saw a 4.7% Y/Y increase in March. Meanwhile, real consumer spending on goods, a key driver of freight activity, remained stronger than expected as rising incomes were enough to offset the effects of high inflation.

The key for small and mid-sized shippers is to avoid getting complacent. Instead, take advantage of the soft market to avoid exposure during future volatility. That means finding opportunities to reduce costs and increase visibility across operations using solutions like a transportation management system (TMS). Today, only a fraction of small and mid-sized shippers use this technology to power their procurement strategies. Here's a closer look at how a TMS can drive meaningful improvements in the face of Q2 market conditions—and beyond.

Rates could spike after rocky start to produce season

Major flooding in California in March has impeded the start of produce season: 20% of strawberry fields in a prime California growing region were submerged underwater. The weather has caused lower-than-expected produce volumes out of the state and rates fell in April and into May nationwide compared to 2022 and 2023. However, ahead of the summer produce season, which lasts through July, we expect that shippers could see a seasonal increase in rates.

Opportunity for shippers: Rate variability during produce season is to be expected, but shippers can leverage technology to plan effectively for any market environment. Shippers that are still using manual methods of securing capacity and rates should consider leveraging a TMS to unlock flexible procurement solutions, a network of digitally-enabled carriers and real-time visibility into shipments—all of which help shippers secure the best rates during any uncertainty or volatility in the market.

LTL carriers prioritize service improvements as industry volume declines

A reduction in tonnage and shipment count has boosted available capacity in most carrier networks. The Institute for Supply Management says that a Purchasing Managers Index (PMI) reading below 50 indicates contraction of the manufacturing economy—March reported a 46.3 reading in US manufacturing, indicating a continued industry volume decline.

Despite softening demand, LTL carriers remain price-disciplined to navigate the rising costs of doing business, and are focused on value-added services that drive profits and customer loyalty. US contractual renewals remain in the 3-5% range as carriers price new and existing business more aggressively.

Opportunity for shippers: Efficiently securing capacity at competitive rates can be challenging and resource-intensive without the right technology. A TMS can drive agile procurement for shippers, reducing costs and utilizing data and insights to manage KPIs and spend. In Q2, increased capacity in the market paired with carrier business growth provides a window to leverage a logistics solution to find carriers outside of current networks and more cost-advantageous rates. Carriers are also committing to longer, more favorable terms, providing an opportunity for shippers to negotiate contract rates.

Intermodal spot and contract rates continue to dip

Intermodal providers have experienced increased capacity in most metro areas since the pandemic began, but we expect longer term supply issues will drive volume back to intermodal. Intermodal spot rates have fallen to levels the market hasn't seen since 2016, while contract rates are averaging a 5-10% Y/Y reduction with some variance depending on lanes—and rates will likely continue to fall in 2023 before bouncing back in 2024. In the US and Canada, volumes are also decreasing as shippers rely on more truck-competitive ports on the East and Gulf Coasts instead of West Coast ports, which are plagued by labor issues.

Opportunity for shippers: Continue to track spot versus contract rates diligently, as spot rates in most regions are falling below contract. Be sure to look into alternative ways to ship freight as well, such as transloading and ocean services, which can provide cost advantages while demand is weak. A TMS solution makes it easy to expand shipping modes to capitalize on favorable rates.

These are just some of the macrotrends influencing US and global supply chains. Uber Freight's logistics experts are helping shippers navigate these trends by offering a variety of shipping modes, consulting on how to approach carrier relationships, and a TMS that can help control costs. For a full overview of what shippers can expect over the next few months, see our full Q2 Market Update and Outlook Report.

**All data is generated by Uber Freight internal indices using a weighted combination of truck and driver availability for supply, and manufacturing output, goods consumption, imports and exports for demand.*