Uber Freight

2023 Q4 Market update & outlook

November 2023

Market update & outlook

Executive summary – 2023 Q4

Macro Economy
- Retail and wholesale activity continues to recover as inventories normalize
- The manufacturing sector is still in contraction

US – LTL
- Tonnage and shipment count are expected to remain reduced through end of year
- Yellow shutdown has led to increased contractual renewals
- Excess supply led to relatively no disruptions upon Yellow's exit

Ocean & Air
- Ocean carriers struggling with overcapacity
- US exports hampered by a strong US dollar, higher spot and contract rates
- Large declines in volume YoY on transpacific trade

Warehousing
- Retail sales reached an all-time high
- Employment begins to normalize
- Warehouse utilization has hovered around 85% amongst shippers.

US – Truckload
- Spot rates decline across the board
- Diesel appears to have hit near-term peak
- Trucking employment remains flat as capacity loosens

US – Bulk
- Utilization remains down ahead of anticipated tightening in 2024
- Continued soft market keeping orders down

Mexico
- Annual inflation dropped to record 4.45% in September 2023
- The peso continues to strengthen against the dollar reaching $16.69 MXN/USD
- Cross-border carriers continue to report capacity in Mexico

US – Intermodal
- Volume remains down
- Rail utilization has improved and dray capacity remains plentiful
- Railroads are playing the long game with rates and labor

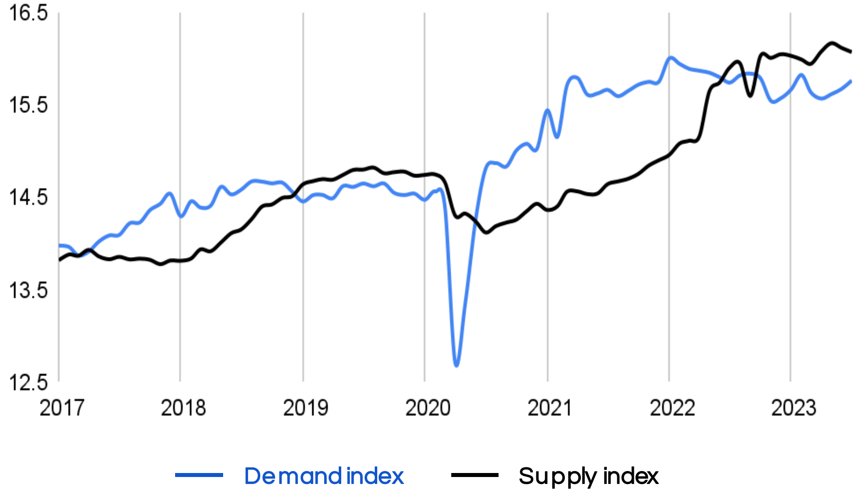
Europe
- Transport capacity eases, particularly in FTL market
- Rates in the UK have the biggest increase in a year; while rates on the continent soften
- GDP Growth in the euro area in 2023 is forecast to be 0.6%, increasing to 1.1% in 2024

Canada
- Manufacturing and business investment contract
- No signs of GDP recovery in the near future
- Holiday season is expected to pose challenges for carriers

US Full Truckload

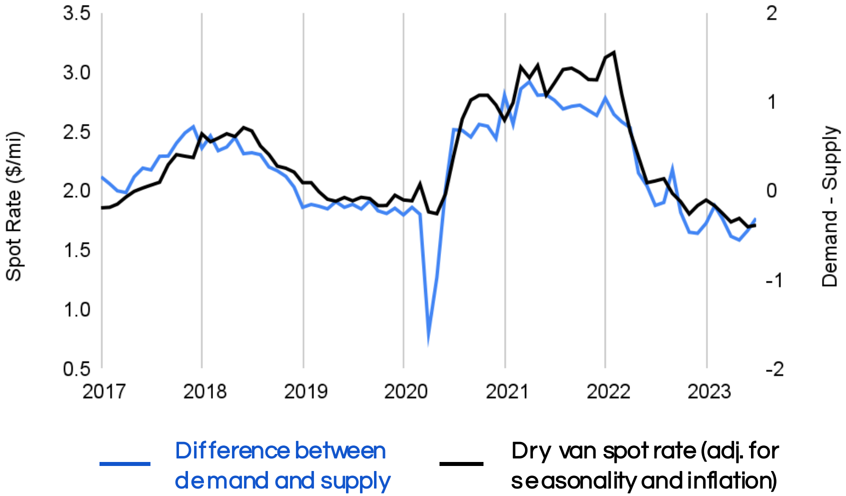
Truckload demand turned positive year-over-year for the first time in 9 months

Uber Freight truckload supply and demand indices
Millions of dry van loads per month (seasonally adjusted)



Truckload demand likely hit the bottom in April 2023, and increased in the following months. In Q3, it rose by 1.2% q/q, and was flat YoY. Meanwhile, supply fell by 0.5% in Q3, but was still 1.4% higher than a year earlier.

Difference between demand and supply vs. dry van spot rates (1)



The gap between our truckload demand and supply indices is highly correlated with dry van spot rates. In July, this gap fell to its lowest level since February 2023, indicating that the market could begin to tighten gradually.

Source: 1) *DAT, UF analysis*

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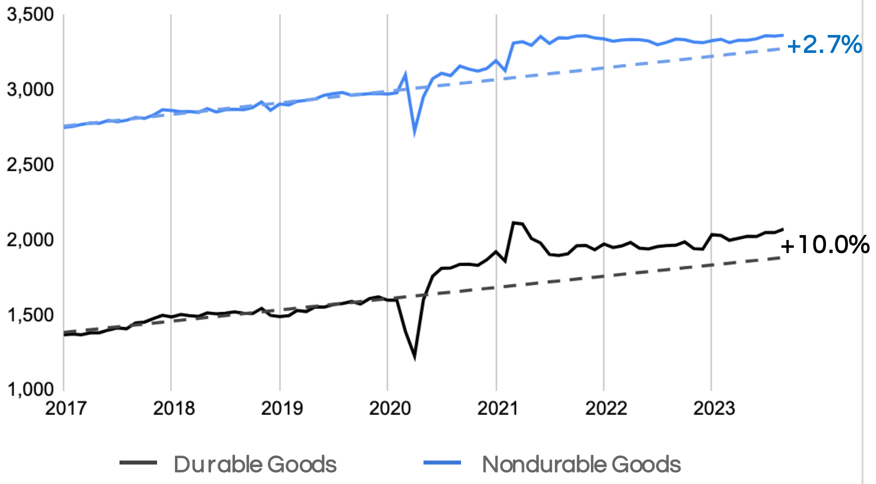
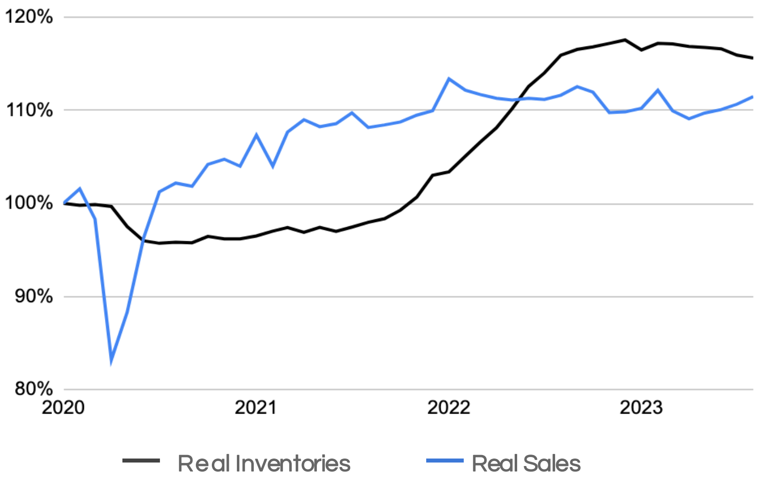
Consumer spending is on the rise, inventories are falling

Consumer spending on goods [1]
Billions of 2012 USD (adjusted for seasonality and inflation)



Merchant Wholesalers' Real Sales and inventories [2]
Change since Jan'2020



Real spending on goods is rising after two years of stagnation. In Q3, spending was 0.5% higher q/q and 2.3% higher YoY. Strength was driven by durable goods (+1.1% q/q), particularly automotive. Consumers are saving less to spend more: the personal saving rate dropped to 3.4% in September, half its pre-pandemic level.

Wholesalers' sales hit the bottom in April, at 4% below their peak. Since then, they have increased for four months, recovering by 2%. However, sales are still down 0.1% YoY, while inventories are down 0.3%. Inventories are falling at a faster rate than sales, indicating better I/S ratios than previous quarters.

Sources: [1] US Bureau of Economic Analysis; [2] US Census Bureau: Wholesalers' sales and inventories exclude metals, lumber, petroleum, and farm products.

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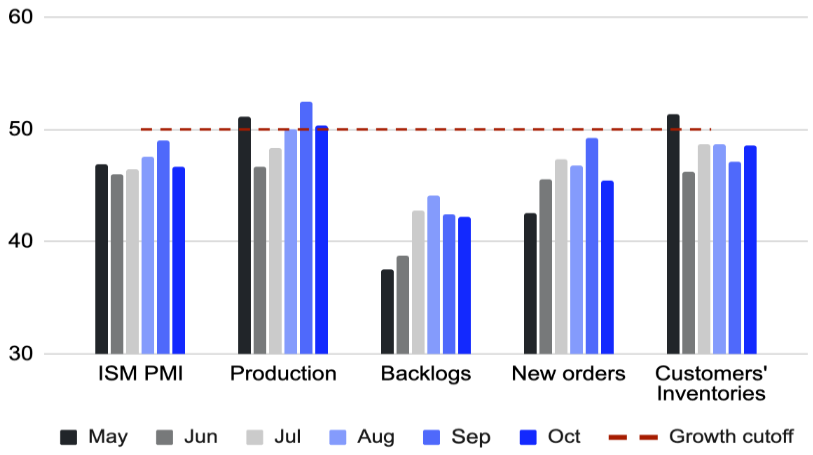
The US manufacturing sector has not found the bottom yet

ISM Manufacturing PMI [1]

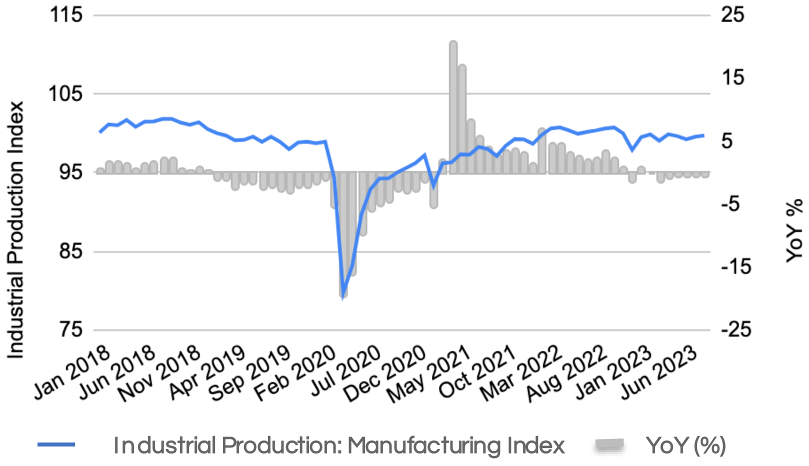
Values above 50 imply expansion and below 50 imply contraction



The manufacturing economy contracted for the 12th consecutive month, according to ISM Purchasing Managers Index (PMI). The index fell to 46.7, indicating the fastest rate of contraction since July. The forward-looking indices of backlogs and new orders also fell to 42.2 and 45.5 respectively, indicating weaker future demand.

Industrial Production: Manufacturing Output [2]

Unitless Index



Despite the UAW strike, manufacturing output rose 0.4% in September, but was 0.8% lower than a year earlier. Output moved sideways in the third quarter, as a 2.3% (annual rate) increase in durable goods production was offset by a 2.4% decrease in nondurable goods manufacturing.

Sources: [1] Institute for Supply Management; [2] US Federal Reserve

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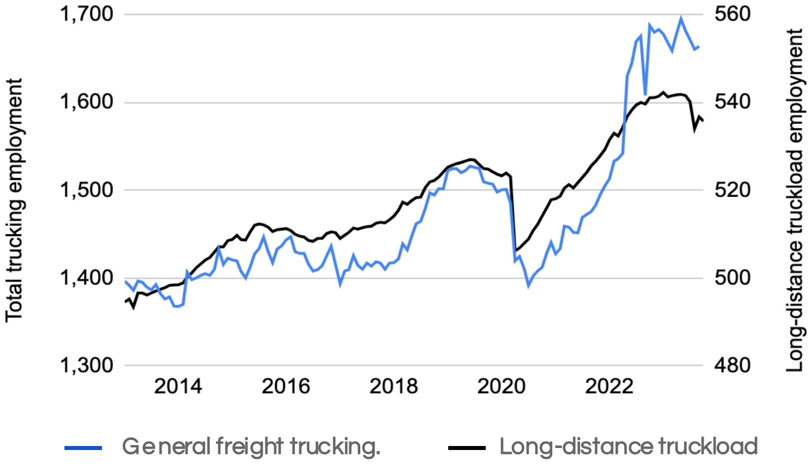
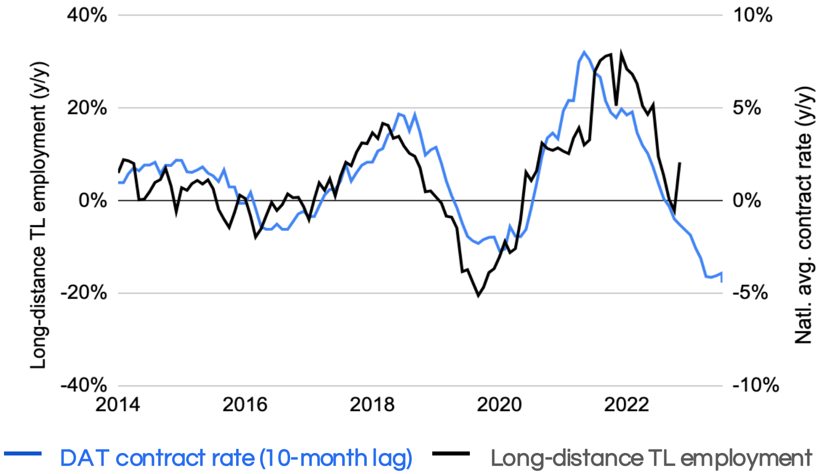
Trucking supply beyond the peak, more capacity correction underway

For-hire trucking employment [1]
Thousands of employees, seasonally adjusted.



Trucking employment fell by 24K (-1.5%) in Q3, reflecting the Yellow bankruptcy. In October, it fell further by 5K, and was 1.7% lower y/y. Long-distance truckload employment, which is a better predictor of spot rates, has also been falling but is still only 1.1% below its all-time high.

Truckload employment lags rates by 10 months [1,2]
Year-over-year change



When carriers' contract rates fall, trucking employment follows (with a lag of about 10 months). This means that large fleets might not continue to absorb excess capacity from failing carriers and owner-operators in the coming months. If the historical relationship holds, we expect employment to drop 3% to 5% YoY.

Sources: [1] US Bureau of Labor Statistics; [2] DAT

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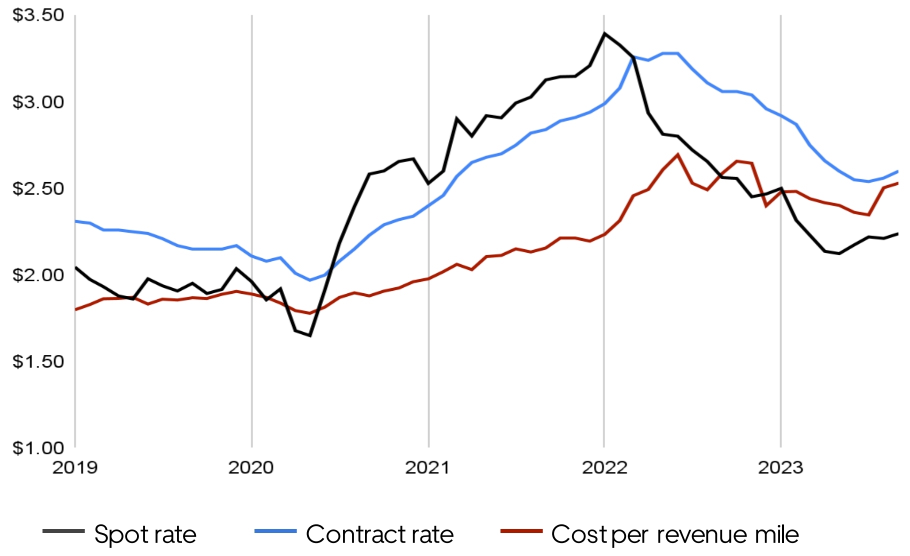
Unit economics, supply, and demand indicators all indicate that the truckload market is beyond the bottom.

Contract and spot rates [1] vs. carriers' costs [2]



Sources: [1] DAT, UF analysis; [2] ATRI with inputs from BLS and EPA

Demand:

- Except for the housing market, the goods economy is showing signs of recovery. Wholesale activity rose for 4 consecutive months as inventories declined, and the manufacturing sector is likely near the bottom.

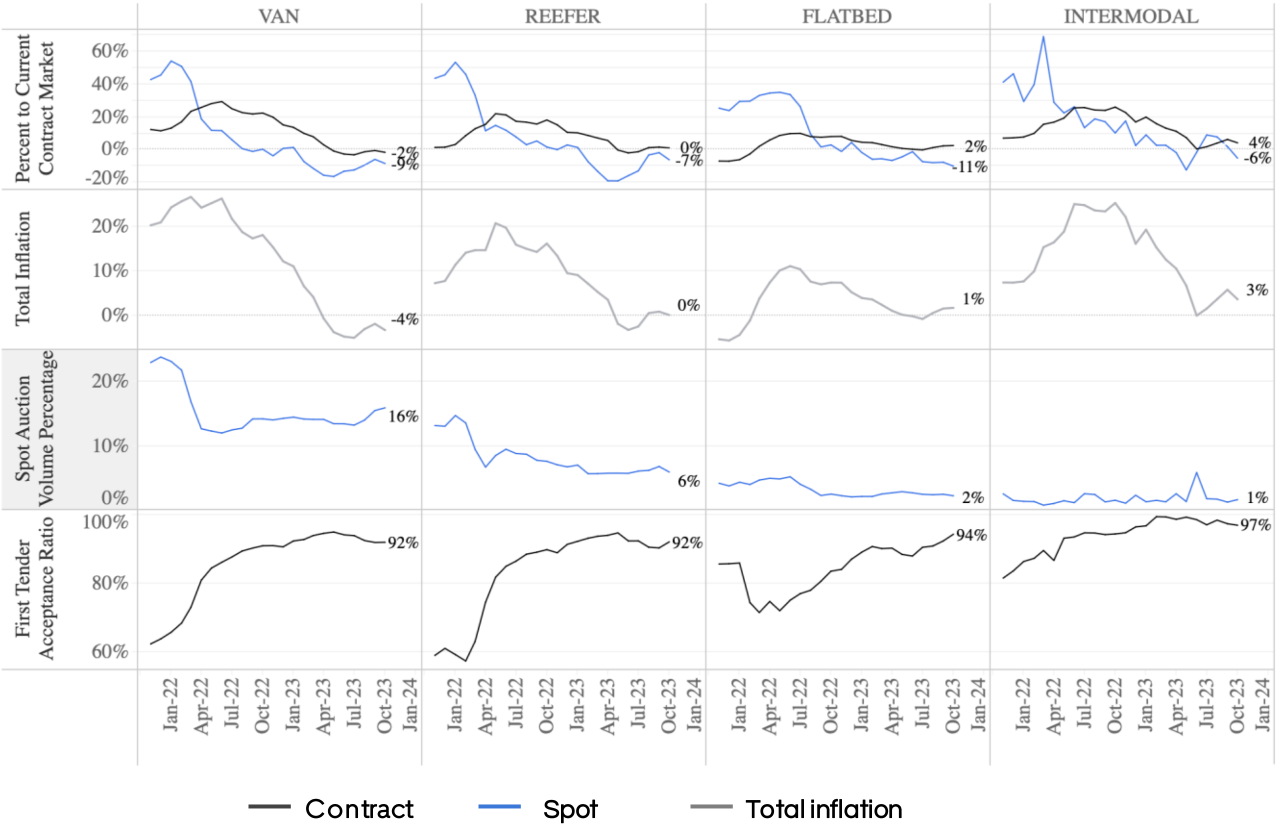
Supply:

- Capacity in the truckload sector continues to normalize as new entrants recede and existing carriers manage their headcount.
- Low rates and rising operating costs will put more pressure on carriers, accelerating the rate of supply correction.

Rates:

- Truck operating costs are significantly above spot rates, indicating that most carriers are making negative margins in the spot market.
- Operating costs are even approaching contract rates, which continue to decline and are about 16% lower YoY.
- This indicates that the current rate environment is not sustainable over the long term.

US truckload market



- All modes showing strong route guide performance
- Rising rates for contract and spot loads are due to rising diesel prices
- Van and reefer first tender acceptance ratios stabilize, slightly below record highs

Source: Uber Freight transportation management data

Note: SPOT-FAM denotes delivered loads that were assigned via auction technology, SPOT-MAN represent manually assigned loads.

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Carrier sentiment

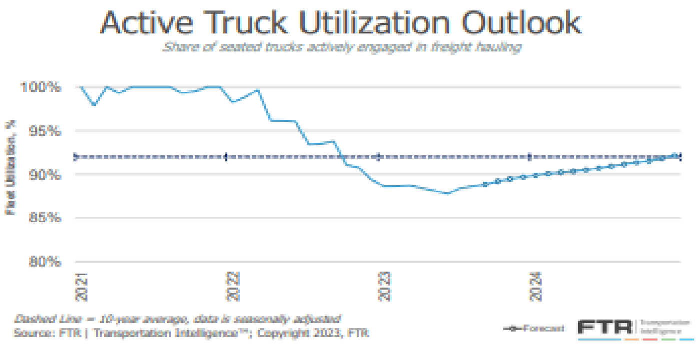
FTR's forecast of active truck utilization was essentially unchanged in the latest outlook with only marginal strengthening. FTR's current estimate is that active utilization bottomed out at 88.1% in the second quarter of this year.

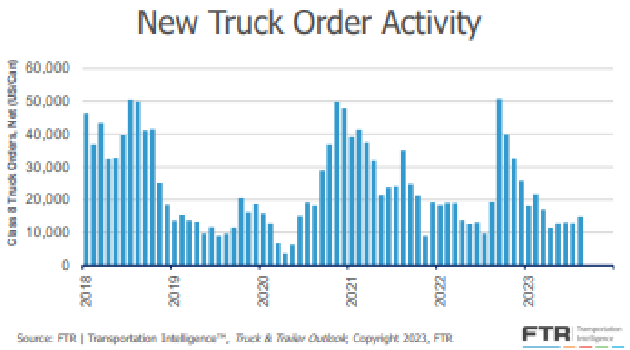
Class 8 production recovers after July decline.

- U.S. retail truck sales have recovered after a weak July. Trailer net orders have fallen modestly after two drops.
- U.S. trailer net orders increased 3.5% to about 15,000 units after jumping about 54% in July.

Carriers bidding activity remains robust with RFP demand spiking year over year, while searching for opportunities to improve rising operating ratio.

- Net new carriers fell by largest # since January.
- Carrier authority revocations down 9% from July and at the lowest since June 2022. Revocations are volatile.





Cost and capacity pressures continued easing

Supply abundant while demand levels off leading to easing of cost pressures

Rates

- Diesel appears to have hit its near-term peak
- Operating metrics for large TL carriers hovering in the low 90's
- Spot rates in the Truckstop system are running around 8% to 9% below comparable 2022 levels
- Continued pressure in incumbent carrier pricing as shippers look for cost savings
- First Tender Accept continues at high clip

Supply

- Class 8 orders rise sharply in September
- Class 8 production almost flat in Q3 (-2% q/q)
- U.S. retail sales of Class 8 trucks fell by 6% in Q3
- Digital brokerage closure that did not anticipate the rapid change in the demand for shipping services and failed to reduce overhead in a timely manner

Demand

- Retail sector looked almost robust in August based
- on top-line figures, but the surge in gasoline prices skewed the figures
- Housing was uniformly weak in the face of high mortgage rates
- Spot volume is relatively firm at low levels
- Slightly stronger outlook for construction
- Large # of full network RFP's; Q4 Pipeline. Close to all time high water mark

Labor

- Trucking employment falls due to Yellow's bankruptcy, but capacity further loosens
- Long distance driver growth remains flat
- Jobless benefit claims remain relatively low while sectors seeing the most job growth were those hit hardest by the pandemic: leisure and hospitality, private education, health services, and government

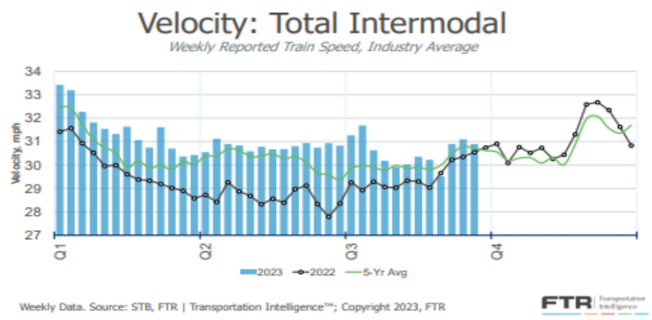
Policy

- House panel backs ban on speed limiter rule
- Large TL providers apply for FMCSA Training Exemption due to lack of in seat trainers
- House Panel Advances Fiscal 2024 Transportation Bill to fund FMCSA through 2024. This will support the SHIP IT ACT
- Motor Carrier Safety Selection Standard Act of 2023 - proposes to give brokers and third-party logistics providers a "national standard" for due diligence in selecting motor carriers and help shield them from negligent-hiring claims

US Intermodal

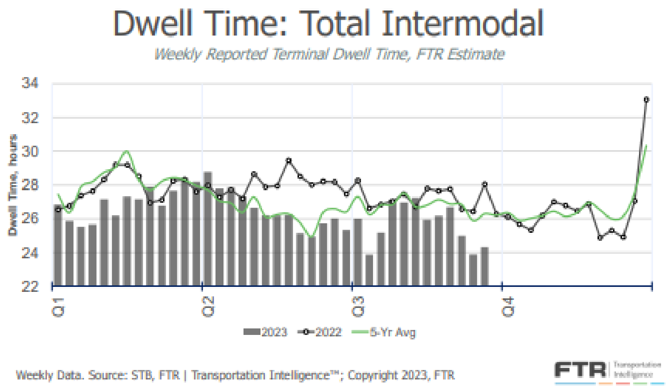
Key factors impacting intermodal supply

- Dray capacity is plentiful across the intermodal network. With lower volumes, the focus has turned to improving dray efficiency through reloads.
- Rail capacity and container availability are plentiful. There will not be an Intermodal peak season this year.
- Rail utilization has improved. Rail terminal dwell time is down significantly year over year.
- The railroad networks are generally free of delays and congestion.
- The railroads are playing the long game with rates and labor.
- The railroads are focused on Mexico and enhanced service offerings:
  - CPKC
  - UP-CN Falcon Premium Service
  - UP-NS-CSX New MX-Southeast Service



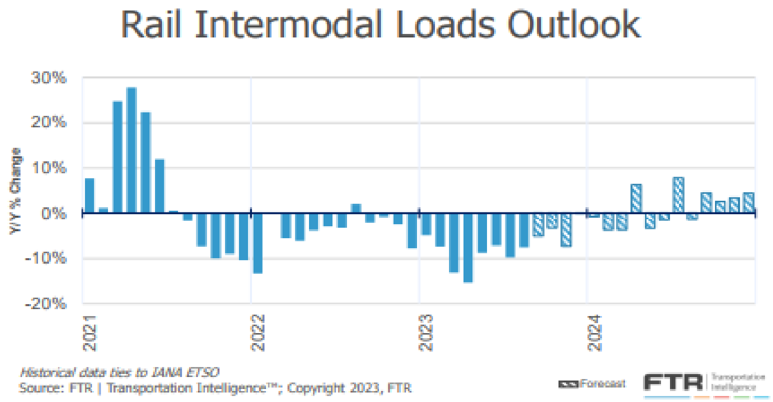
Intermodal velocity remains hovering near its historical five-year average level in recent weeks.

This is a substantial improvement from 2022 levels, but it also largely holds within expected historical patterns and does not show appreciation beyond those levels.



Key factors impacting intermodal demand

- Intermodal volume has been down year over year in 25 of the last 26 months. The forecast does not call for year-over-year volume growth until Q2 2024.
- Over-the-road capacity is plentiful now, though capacity is leaving the industry, and there are some signs of tightening in a few areas.
- Shipper inventory levels are mixed.
- Imports on the west coast increased in August and they have remained elevated beyond the normal peak period.
- Inland capacity for 40' containers has improved. Port congestion is no longer a factor.
- Nearshoring activity is driving shipper volume to Mexico, and the railroads are responding with new and improved service offerings.
- After diesel prices fell to around $3.80 in July, they are back up to around $4.55 in October.

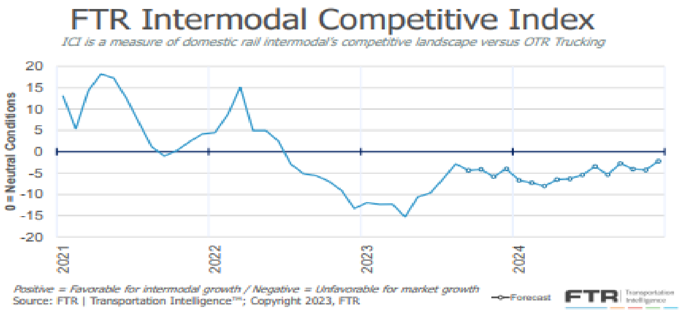


Intermodal loads are expected to struggle to post growth over the next year with consistent gains starting in the fourth quarter and aided by an easy 2023 comparison.

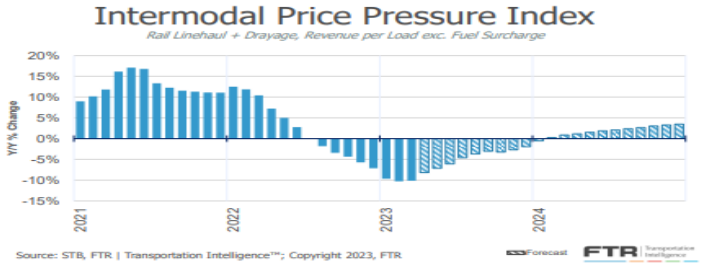
The volume trajectory is consistent with a difficult competitive landscape for the next few quarters.

Current pricing, outlook, recommendation

- Intermodal remains challenged relative to the truckload competition.
- Intermodal Price Pressure Index does not show an increase in price until late Q1 2024.
- Once competitive balance is restored next year, pricing power and pressure will increase as 2024 progresses, but very slowly.
- Spot rates have at times fallen to levels not seen since at least 2016.
- Contract rates: Overall average reduction year to date may be 5%-10%, but in some lanes, the reductions have exceeded 20% while in other lanes the reductions have been more modest at 0%-5%.



The Intermodal Competitive Index suggests that intermodal's competitive position relative to its domestic truckload competition will remain modestly negative through the end of 2024. This will keep a lid on volume growth and pricing growth as truckload capacity tightens slowly over the next year.



Intermodal price pressure will slowly increase over the next year as capacity tightens ahead of the 2024 peak season.

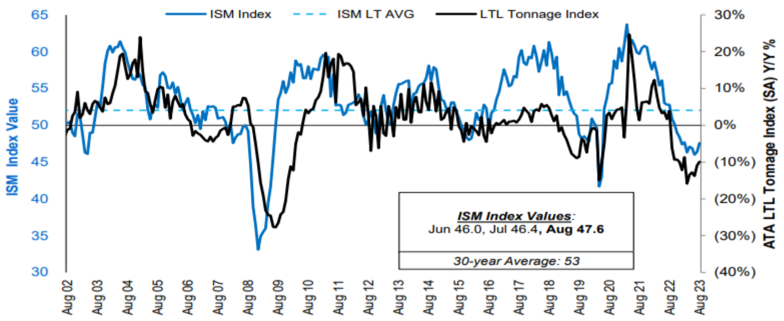
By the end of 2024, there is expected to be price pressure in the low-to-mid single digits.

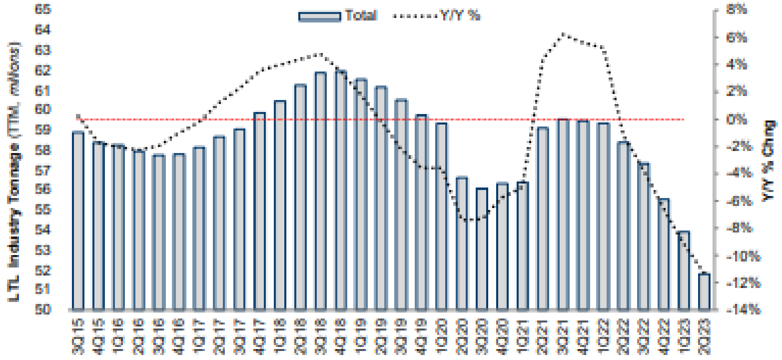
Sources: IFTR October 2023 Intermodal Report;

US Less-than-Truckload

Key factors impacting demand

Tonnage and shipment count continue to decline





Source: Stifel & ISM

- 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.
  - September PMI rose to 49. With October at 46.9.
  - Although September was encouraging, October readings are in line with recent history.
  - The historical correlation between U.S. manufacturing PMI and LTL tonnage suggests continued industry volume declination.
- Observations impacting demand:
  - Q3 tonnage continued to decline, but individual Carriers' tonnage are showing signs of improvement in September due to Yellow's closure.
  - Overall LTL tonnage and shipment count is expected to remain at reduced overall levels through the end of the year and into 2024.
  - The LTL market had the excess capacity to absorb Yellow's volume with relatively few disruptions. Most carriers still have excess capacity despite Yellow's exit.
  - Average shipment size also continues to decline.

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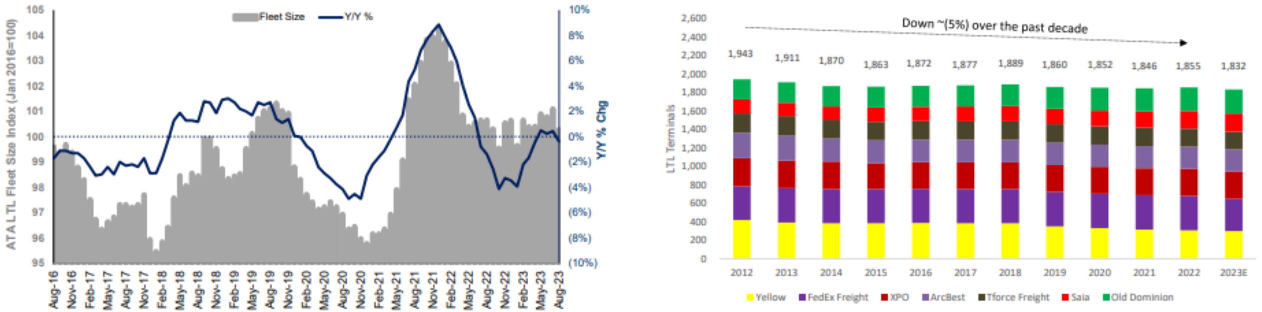
Key factors impacting supply

Yellow’s terminals & equipment will be finding a home soon

Exhibits 35-36: Active capacity has leveled off; structural capacity growth remains muted at best



Source: American Trucking Associations, Company documents and Stifel estimates

Land, tractors & trailers

- Yellow has decided to utilize Auction Houses (Nations Capital, Ritchie Brothers, and IronPlanet) to facilitate the liquidation of the company’s equipment portfolio.
- Yellow owned approximately 12,000 tractors and 35,000 trailers.
- Estes Express currently has a leading $1.5B stalking horse bid for Yellow’s 174 owned terminals. These properties will also be bid by others, with a bid deadline of November 9, and an auction date of November 28, if needed.
- Fleet sizes have remained stable for majority of 2023.

Labor

- The hardest position to fill is mechanics and has been the case for several years now.
- Carriers are beginning to ramp up the hiring of drivers and dock workers, which were down over the past year.
- Carriers continue to focus on reducing their Purchased Transportation (PT) expenses in order to control cost and service.
- ODFL’s PT is approximately 3.5% of Total OPEx while other carriers are in the 11% - 16% range.

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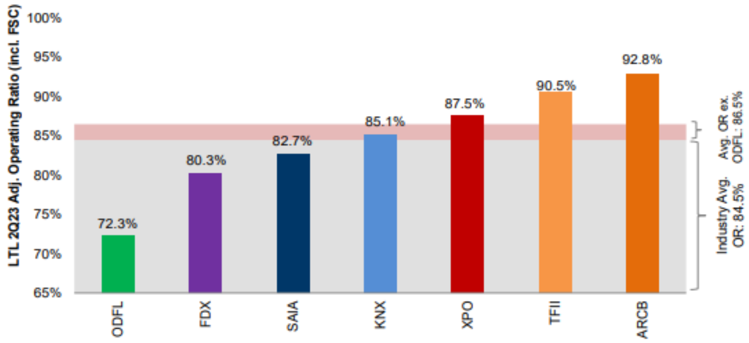
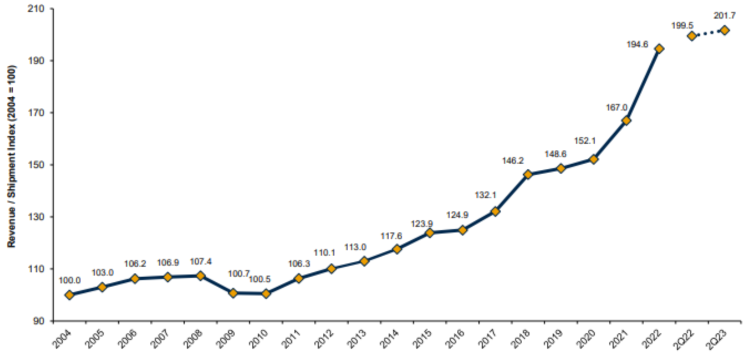
2023/24 rate outlook



REVENUE / SHIPMENT INDEX

2004 – 2Q23 (2004 = 100)



Source: Stifel & Stephens

Contractual renewals

- The majority of contractual renewals since the Yellow closure resulted in a 3% - 6% increase.
- Due to suppressed tonnage and available capacity within the marketplace, carriers have not been able to secure higher increases since the closure of Yellow.
- LTL carriers remain price-disciplined despite reduced tonnage levels.
- Carriers continue to focus on maintaining their Operating Ratios (OR) at historic levels through pricing actions, cost control, and technology & efficiency gains.

Pricing outlook

- Expect a 3% - 6% contractual increase throughout the remainder of 2023 and into 2024.
- LTL carriers generally make money on fuel so with the average fuel surcharge percent down 1030 bp 3Q23 vs 3Q22, it creates a need to make up that revenue in different areas.

Shipper contingencies

- Continue to implement Uber Freight's Preferred Shipper best practices in order to set up your business for long-term success (network collaboration & optimization, origin optimization, timely freight payment, pricing strategy, carrier collaboration, and packaging improvements).

Industry observations

What we are observing from the market

- Estes Express experienced a Cyber Attack.
  - On October 1st, Estes experienced a cyber attack and it was largely resolved. Their volumes were more than cut in half due to this, which resulted in a spike in volume to other LTL carriers, but do not believe long-term shifts away from Estes have occurred.
- Mastio 2023 Survey Results have been released rating the LTL carriers with the highest overall customer value.
- Yellow's volume was quickly absorbed by the industry.
  - XPO & Saia were believed to be the biggest public LTL carriers receiving Yellow's business along with other regional private LTL carriers.
  - A second level / delayed shift of volume to FXF, ODFL, and other carriers is believed to have happened.
  - Service-related shifting and RFP's are still occurring which are still stabilizing.
- Forward Air claiming non-compliance with merger agreement, Omni maintaining good faith.
- A Duie Pyle opened an Allentown, PA warehouse and West Virginia service center.
- Roadrunner announces a Guaranteed Service Program.
- Saia opened a Portland, ME terminal.

Mastio LTL survey results

Overall Weighted Quality Score Rank*	Carrier
1	Averitt Express
2	Daylight Transport
3	Old Dominion
4	Peninsula
5	Southeastern Freight Lines
6	Dayton Freight Lines
7	A. Duie Pyle
8	Pitt Ohio
9	North Park Transportation
10	Estes
11	R&L Carriers
12	Ward Trucking
13	Dohrn
14	Oak Harbor Freightlines
15	Saia
16	AAA Cooper
17	XPO Logistics
18	ABF
19	FedEx Freight
20	TForce Freight
21	Central Transport
22	Roadrunner

MASTIO quality awards are determined by the companies with the highest overall Customer Value Weighted Performance (Benefit) Score that have also met a minimum requirement of 30 ratings

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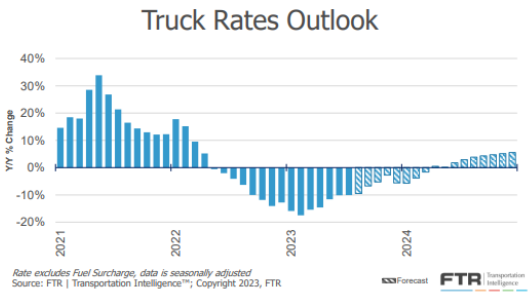
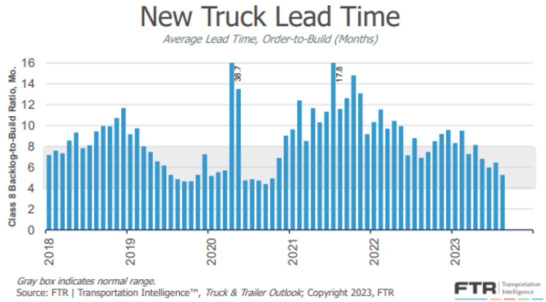
US Bulk

Key factors impacting supply

- Overall utilization remains down
  - Forecast flat for remainder of 2023, before tightening through 2024.
  - Bulk volume outlook remains weaker than dry van over the coming year.
- Carriers continue to focus on utilization
  - Little change from Q2 as carriers continue to look for efficiencies in their networks.
  - Seeing upward rate pressure as carriers look to recoup empty miles costs.
  - Continued concern for long term health of smaller carriers, as they struggle to cover fixed costs.
- Equipment lead time continues to improve
  - Trailer production outpacing orders – backlog down 10% YoY.
  - Continued soft market keeping orders down.
    - Interest rates also playing a role.
  - Truck order lead time nearly back down to pre-pandemic levels.





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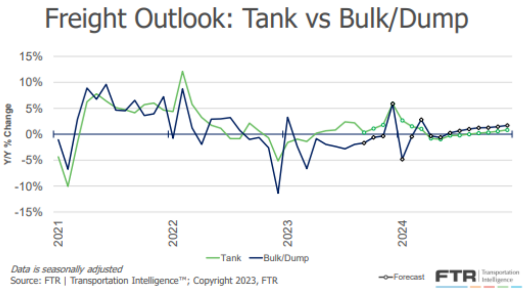
Key factors impacting demand

- Volume projections mixed
  - 2023 Tanker forecast remains relatively flat 0.9% YoY, with slight improvements in chemical demand offsetting weaker growth in the food segment.
  - Long term chemical forecasts trending higher.
- Contract/Spot rate mix continues to trend toward contract rates
  - In June 2022, contract/spot mix was 72.4%/27.6%. By June 2023, the spot volume % had dropped to 14%. Q3 saw continued increase of contract rates, with the spot volume% falling to 11.2% for September.
  - Bulk spot rates still have more of a premium over contract rates compared to the dry van segment due to the specialized equipment requirements, but that has also been trending down, from a 25% last September, to 15.1% in Q3 2023.
  - There are isolated pockets in the Gulf Coast area where spot rates have occasionally been lower than contract rates on the same lane, but safety concerns and specialized requirements tend to keep shippers from straying from incumbents when they don't have to.



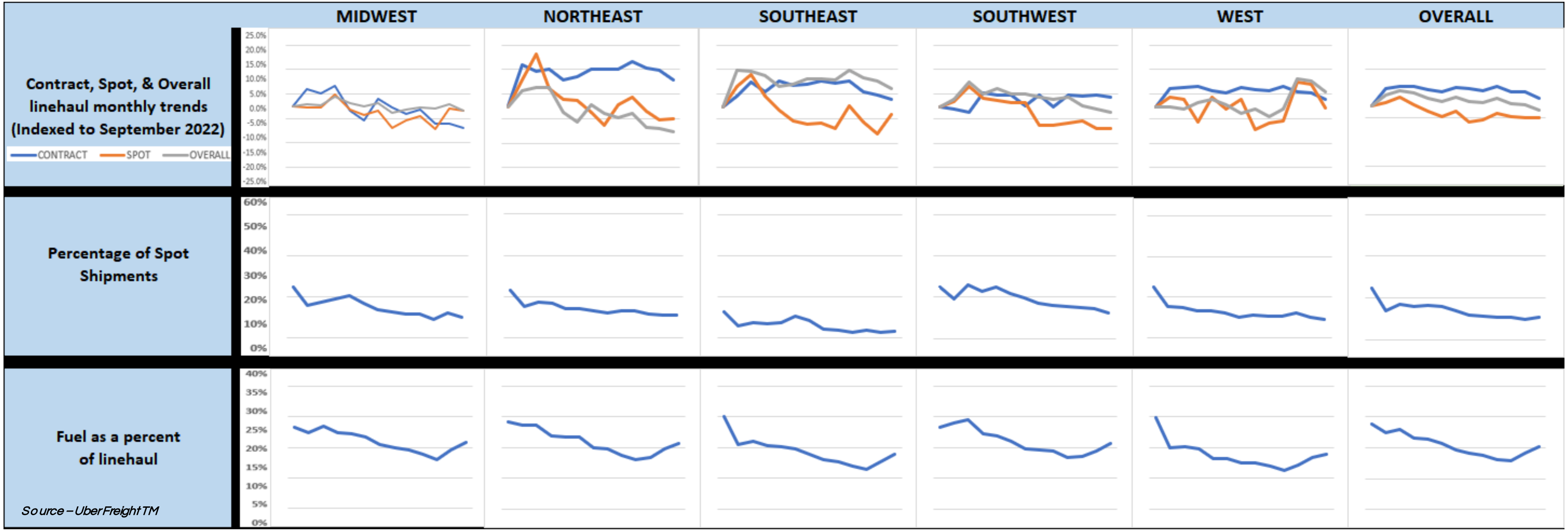
Truck Loadings Summary

Annual Growth Rate

Segment	2021	2022	2023 (Forecast)	2024 (Forecast)	2025 (Forecast)
Dry Van	6.5%	1.2%	0.0%	0.8%	2.3%
Refrigerated	1.3%	1.1%	0.5%	2.1%	3.7%
Flatbed	4.3%	3.9%	-0.4%	1.0%	2.5%
Specialized	4.6%	4.3%	1.7%	1.0%	2.6%
Tank	2.8%	1.8%	0.9%	0.4%	0.8%
Bulk/Dump	4.1%	0.0%	-1.1%	0.3%	1.7%
Total	**4.6%**	**1.8%**	**0.1%**	**0.8%**	**2.2%**

Source: FTR | Transportation Intelligence™; Copyright 2023, FTR

Bulk truck rate trends



- Contract rates face upward pressure as shippers stay with incumbent carriers due to Safety, Health, Environmental concerns.
- Similarly, these concerns keep spot use low, despite soft capacity.
- Fuel prices fell 34% from June 2022 to June 2023, from $5.81 per gallon to $3.77, but Q3 saw an increase back to $4.59 per gallon.

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Europe

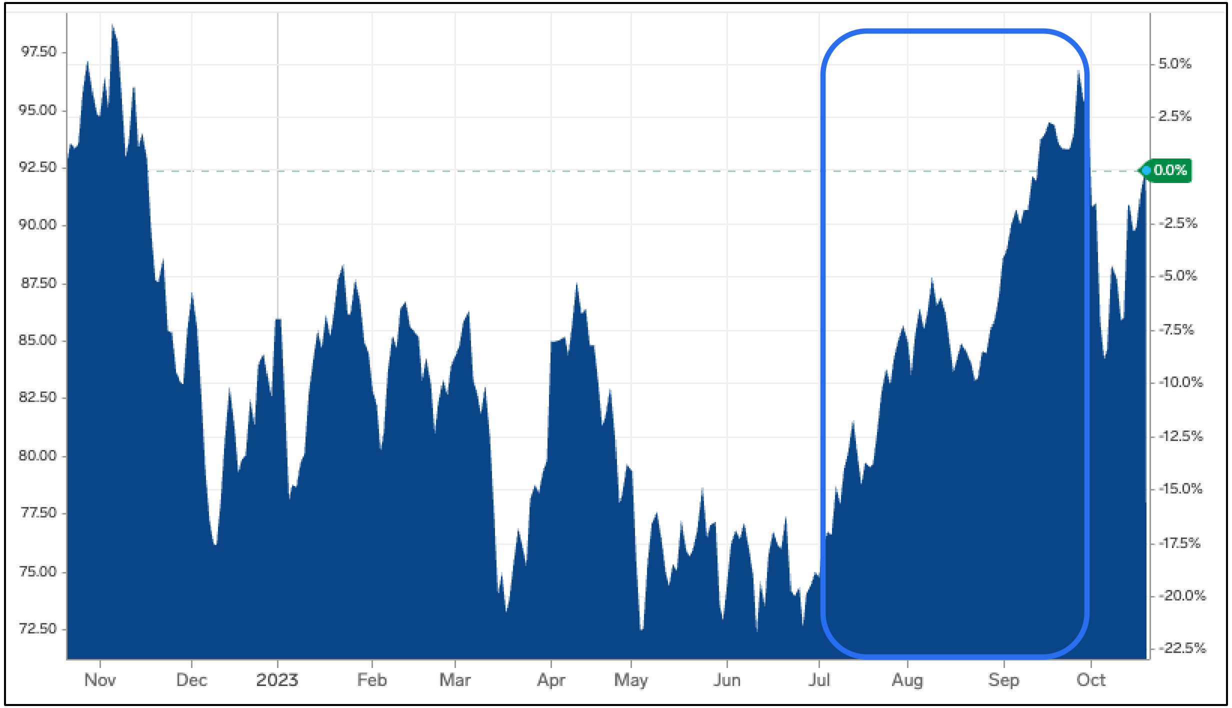
Factors affecting supply

Key points around capacity, pricing, and driver shortages

- Q3 continued to show an easing of transport capacity, particularly in the FTL market.
- Carriers are battling increasing input costs in a soft market.
- Road freight rates in the UK have seen their biggest increase in almost a year – in contrast to the situation in mainland Europe, where rates have softened.
- The premium of spot to contract rates continues to decline on most major trade lanes, with some lanes showing spot rates below contract rates.
- Fuel prices have increased during the quarter by approximately 12%, increasing fuel surcharges by several % points.
- Germany has announced a series of temporary border controls at its land borders with Poland, the Czech Republic, Switzerland, and Austria to combat smuggling crime and address issues related to irregular migration.
- Denmark has also announced the reintroduction of border controls with Germany for 6 months due to increased terrorism threats.

Factor affecting supply - oil price

Brent crude $/barrel



- The oil price has increased rapidly during the quarter rising from $75 to $92.5 per barrel
- The price was its highest at the end of October
- Quarterly increase: Between July '23 - Oct '23 the oil price increased by $17.5/barrel (+23.3%)
- YoY: Nov 2022 to Oct 2023, the oil price was at parity at $92.50/barrel

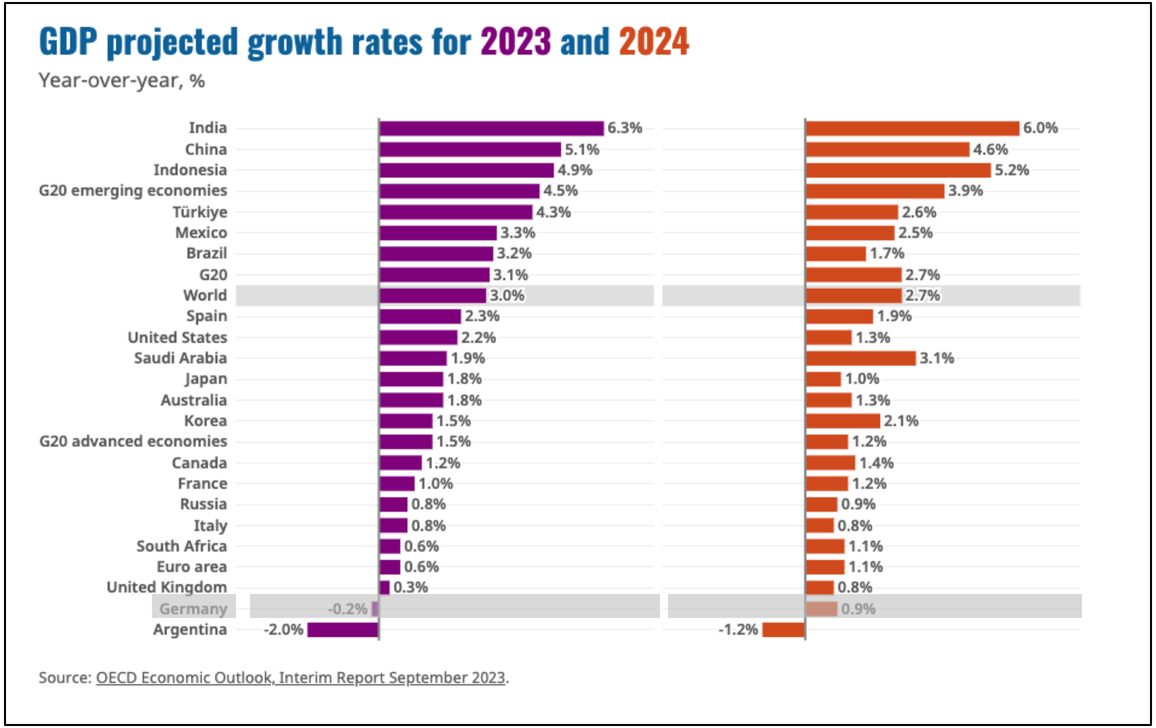
Source: Markets Insider

European rate trends

Source: UPPLY.com

Factors affecting demand

The European economy GDP forecasts have been adjusted downwards

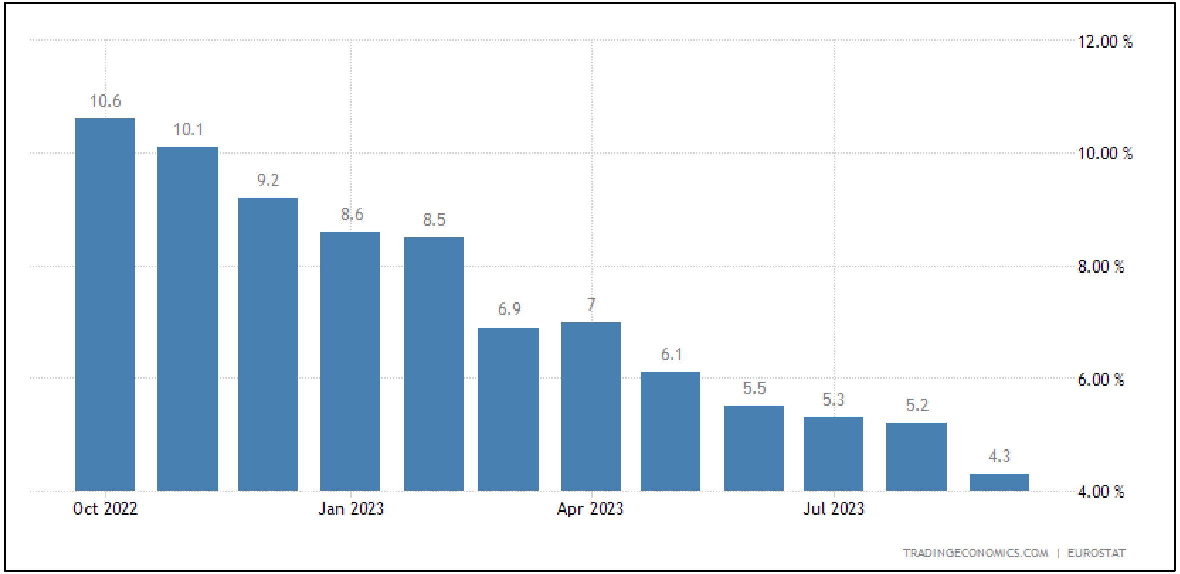


- GDP Growth in the euro area in 2023 is forecast to be 0.6%, increasing to 1.1% in 2024.
- Ongoing tightening of monetary policy is having an impact, with both business and consumer confidence dialling down.
- Borrowing rates are rising both for consumers and new corporate loans.
- Increased borrowing costs are exposing financial vulnerabilities, especially in countries with high levels of variable mortgage rates and private debt.
- While inflation is being tamed, it remains well above target, and secondary effects such as wage demand inflation are perpetuating the challenge.

Factors affecting demand

Inflation is falling in Europe, but it remains well above target.

Euro Area annual inflation rate



- The euro area annual inflation rate was at a 2-year low of 4.3% in September 2023, down from 5.5% in June. A year earlier, the rate was 10.6%.
- European Union annual inflation was 4.9% in September 2023, down from 6.4% in June. A year earlier, the rate was 11.5%.
- UK inflation was 6.7% in September, down from 7.3% in June.
- The European Central bank increased interest rates twice in the quarter by 0.25%, in August and September 2023.
- The UK increased interest rates once in the quarter in August, by 0.25%.

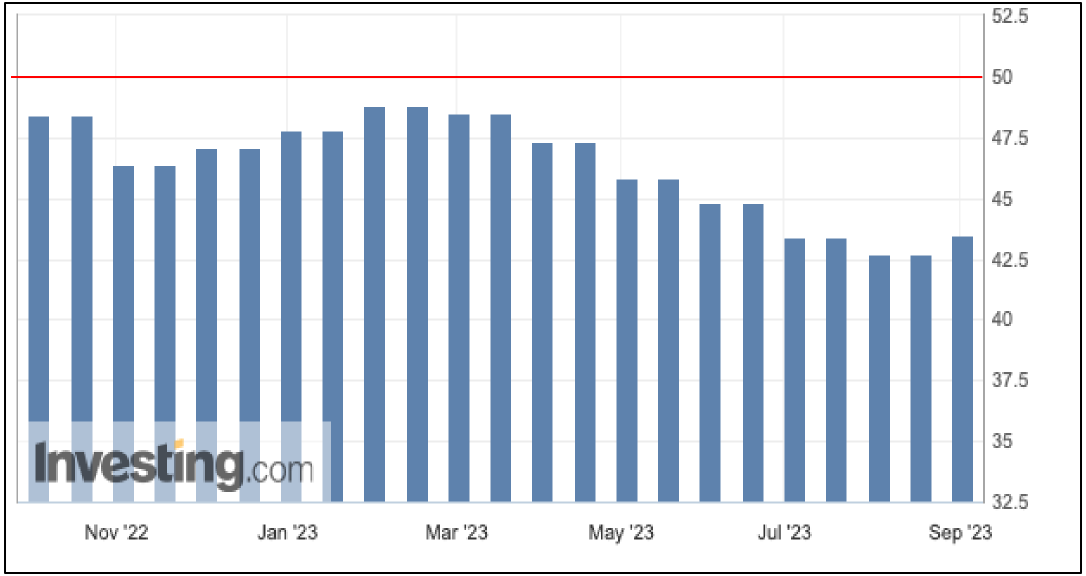
Uber Freight

Key factors impacting demand

The manufacturing PMI remains below 50, with a further quarterly fall in Q3 2023.

- The unemployment rate in the Euro area was at 6.4% in August 2023, down from 6.5% in May 2023.
- The number of unemployed declined further to 10.85 million, with the lowest jobless rate being in Germany at 3%.
- The Purchasing Managers Index (PMI) for the Euro Area in Q3 2023 decreased from 44.8 in June to 43.5 at the end of September. The level remains well below 50, the point at which contraction starts in the manufacturing sector.
- The PMI has now stayed below 50 since August 2022.

Purchasing Managers Index Manufacturing: past 12 months



Outlook

- Inflation has started to fall, and this is forecast to continue in 2023 and into 2024.
- The 2024 inflation forecast is 3.2% for the EU, which remains above the ECB's 2% target.
- GDP is expected to recover from 1% in 2023 to 1.7% in 2024 in the EU.
- Tolls in Germany will increase significantly on 1 December 2023 – for example, an increase of 15.8 cents/km for a Euro 6 artic (CO2 class 1). 6 months later, tolls will also be due for vehicles over 3.5T.
- Carrier capacity continues to return as volumes decline, but the Q4 peak is now upon us.
- Carriers may look to take margin reductions to maintain volumes in a high cost, low volume market.
- Fuel prices will remain volatile, especially given the new conflict in Israel and Palestine.
- The Mont Blanc tunnel will be completely closed for a period of 9 weeks starting on 16th October 2023.
- MAN has successfully developed and tested an autonomous truck within container handling terminals, laying the foundation for potential future trials between logistics hubs starting from 2030.
- The Dutch government has allocated €125 million to promote the use of hydrogen-powered lorries and vans in the country. The subsidy scheme will run from 2024 to 2028 and is expected to result in the construction of 40 new hydrogen filling stations and the purchase of up to several thousand hydrogen vehicles.
- The UK government has announced £200m in funding for the decarbonization of freight vehicles – 4 green projects aim to roll out 370 zero-emissions trucks.

Recommendations

- Re-procure to gain benefits from a soft market – aim to lock in rates for 12-24 months.
- Ensure that sustainability is a key factor in the procurement process and carrier selection.
- Ensure depth in the routing guide in the pre-Christmas peak to maintain service levels.
- Carefully track carrier financial viability – a margin squeeze to maintain volumes could impact the least solvent.
- Calculate the cost impact of the increase in German tolls to ensure full cost recovery.
- Explore alternative routing/modes to mitigate the German toll increase.
- Stay laser-focused on costs in a muted economy, using technology, data, and visibility to drive out waste.
- Ensure that scope 3 emissions are understood and can be reported - More than half of all companies are unprepared to quantify and report their Scope 3 emissions, as per incoming EU law, according to an IBM survey of over 3,200 firms.

International

Global supply chain impacts

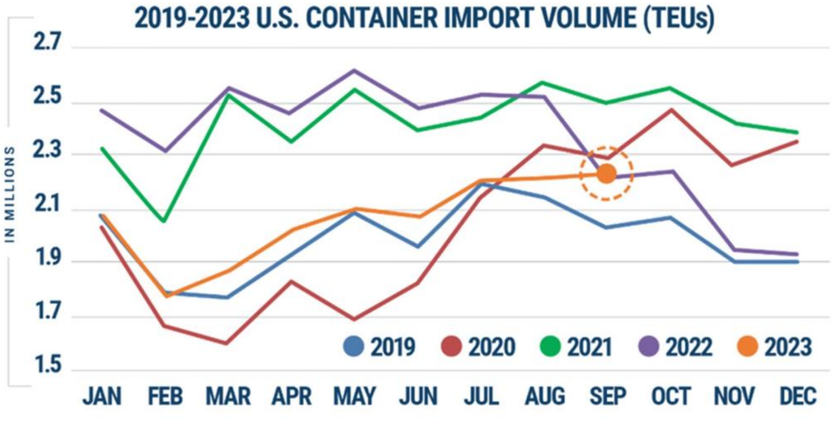
- Ocean carriers are struggling to control global markets due to an abundance of new capacity coming online. Per Linerlytic, since April, global containership capacity has been expanding by 190,000 TEU monthly. Even with steps to close services, downsize fleets, slow steam and blank sailings, there continues to be overcapacity. The pace of vessel scrapping remains at less than 10k TEU monthly.

- Inflation and high interest rates are slowing discretionary spending. Retailers are forecasting US imports in 2023 will total 22.1 TEUs down 13.5% from 2022.

- The Panama Canal's ongoing severe drought is impacting ocean carriers as they are unable to load gulf and east coast vessel sailings to full capacity due to draft restrictions. Transit delays for container ships transiting the canal are currently 3 – 5 days.

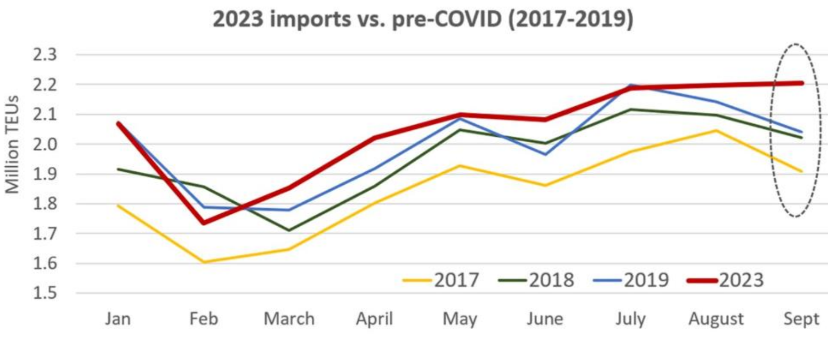
- At certain port terminals throughout the US west coast, a shortage of rail cars is causing rail container dwell times to rise. Railroads are not positioning enough equipment at the rail ramps.

- US exports are hampered by a strong US dollar, higher spot and contract rates from pre-COVID levels. Additionally, carriers' manipulation of vessel schedules creates ongoing issues with changing earliest loaded container return dates and cut-off dates frequently resulting in demurrage and detention charges.



(Chart: Descartes. Data source: Descartes Datamyne)

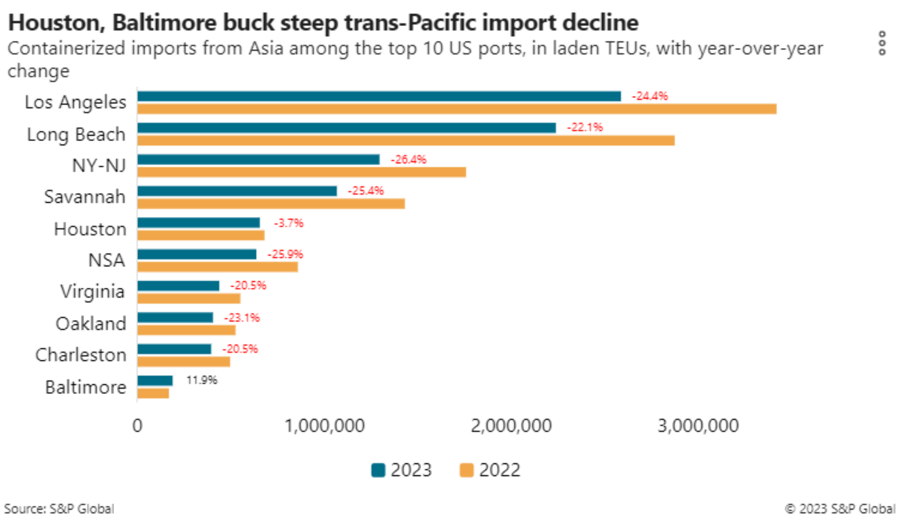
September imports up 8% vs. 2019, 9% vs. 2018, 15.5% vs. 2017

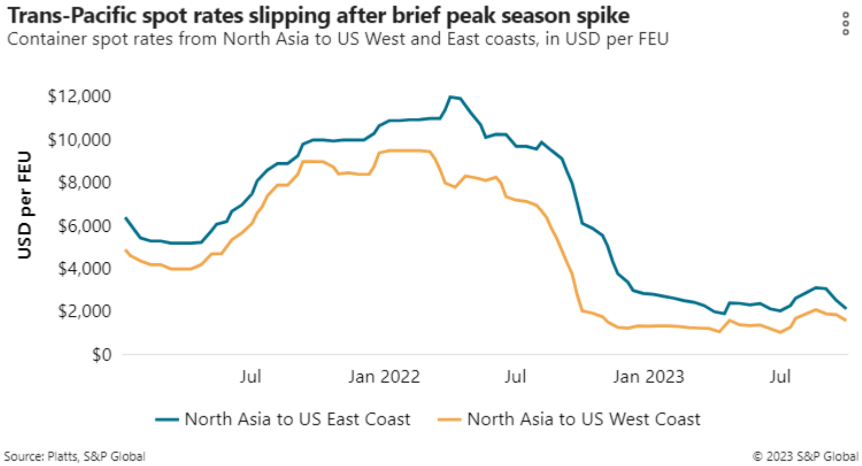


(Chart: FreightWaves based on data from Descartes Datamyne)

Transpacific trade

- Majority of US ports continue to record large declines in volume YoY on TPEB trade (chart below January– August). Total containerized US imports from Asia decreased 20%.
- Compared to the same period in 2019, volumes were essentially flat.
- Estimate 2022 to 2023 YoY volume comparisons will turn positive at the end of the year. Forecasts from the National Retail Federation (NRF) show a 7.5% increase in November and 8.9% in December.
- Trans-pacific carriers have announced October blank sailings totaling 30% of total capacity to USWC & USEC per Sea-Intelligence Maritime Analysis.





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US ↔ China trade

- Container throughput at Chinese ports increased 4.8% YoY between January & August.
- Shanghai remains the busiest container port in China.
- Shenzhen port was the only major China port to experience YoY decline in container throughput.
- China continues to compete with other manufacturing centers by expanding low-cost manufacturing in central and western provinces benefitting from lower costs.
- In the 12 months since August, these provinces exported a combined $630b compared to India $425b, Mexico $590b and Vietnam $346b over same period (CEIC data).

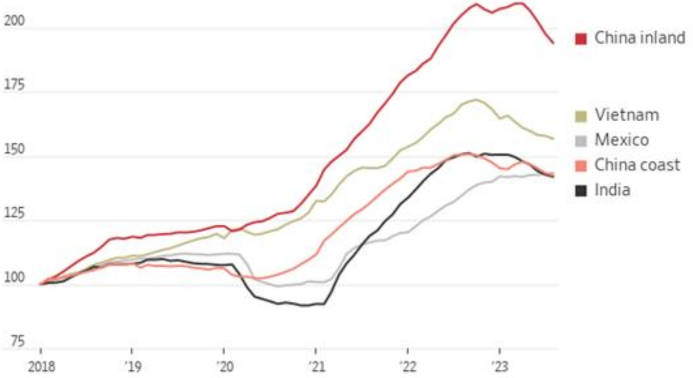
Port	Cargo Volume (in '0000 Tons)				Containers Throughput (in '0000 TEUs)			
	August	YoY %	January-August	YoY %	August	YoY %	January-August	YoY %
Dalian	2754	16.1%	20431	1.5%	37	-5.1%	308	14.3%
Tianjin	4937	1.8%	37853	1.3%	207	1.9%	1560	7.2%
Qingdao	5785	3.0%	46445	5.0%	251	13.1%	1849	11.7%
Rizao	5040	6.2%	39550	5.6%	52	8.3%	404	3.6%
Lianyungang	2845	2.4%	20478	10.2%	52	4.0%	386	14.2%
Shanghai	6585	9.8%	49643	14.3%	420	0.7%	3214	3.6%
Ningbo&Zhoushan	11277	4.5%	90229	4.9%	319	8.5%	2406	1.5%
Xiamen	2032	12.2%	14765	0.4%	114	8.6%	823	2.2%
Shenzhen	2635	19.8%	18791	6.5%	275	10.4%	1910	-2.1%
Guangzhou	5442	14.1%	42264	2.1%	217	3.3%	1645	2.8%
Beibu Gulf	3866	37.7%	28476	19.0%	73	30.3%	502	15.0%
Yinkou	1877	26.2%	14625	8.1%	45	4.6%	350	21.7%

Table 1. *Cargo volume and container throughput at 12 major Chinese ports. Source: Ministry of Transport of the People's Republic of China.*

Inland Upside

Exports from China's central and western provinces are growing faster than exports from rival manufacturing destinations.

Export indexes



Note: Jan. 1, 2018=100

Source: CEIC

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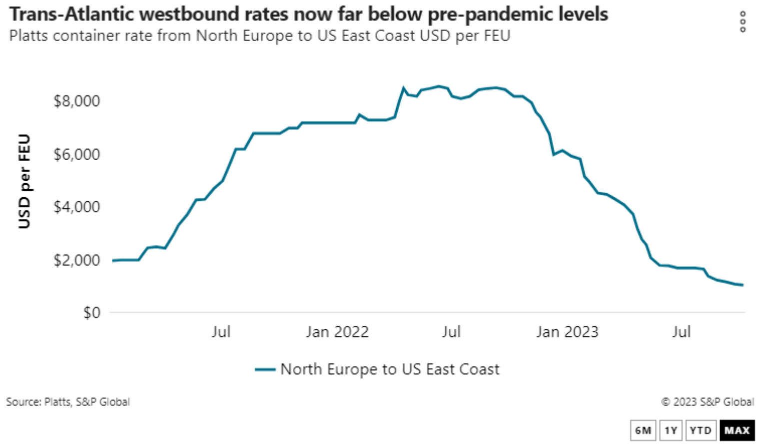
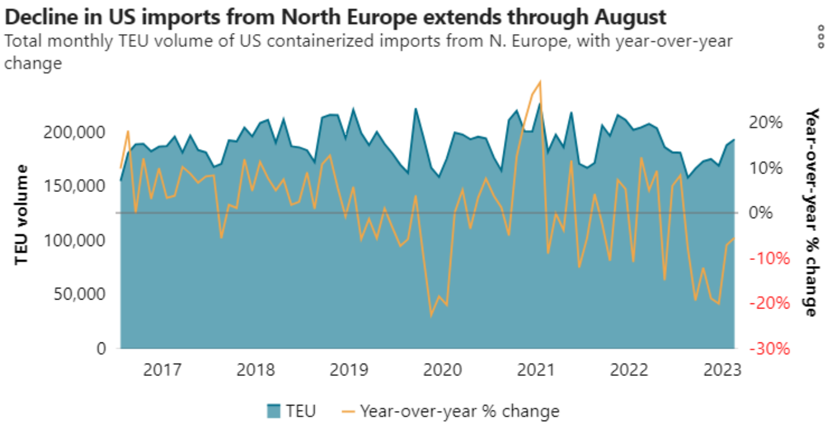
Trans-Atlantic trade

- Rates continue to drop below breakeven on the Trans-Atlantic westbound lane due to excess capacity.
- Per Sea-Intelligence Maritime Analysis, October blank sailings will only impact 2.8% (20,664 TEU) of total available capacity. Far less than the blanked amount in September.
- MSC & Hapag Lloyd have announced they will be making larger capacity cuts however due to alliances and vessel-sharing agreements, reducing capacity can require long lead times.
- Ocean carriers are preparing for carbon reporting under Europe's emissions trading systems (ETS) that goes into effect January 1st, 2024. Some carriers have announced they will be collecting an emissions surcharge for trades between Asia & Europe and Asia & the Mediterranean.





Uber Freight

Mexico Truckload

Mexico economic outlook

Mexico economy

- Annual inflation rate continues dropping to 4.45% in September 2023, the lowest since Aug 2021.
- Unemployment rate was 3% in August 2023 from 3.5% in the same period last year.
- National avg. price per liter of diesel in MX reached $24.17 MXN in Sep 2023, this is an increase of 2.5% compared to the same month last year.

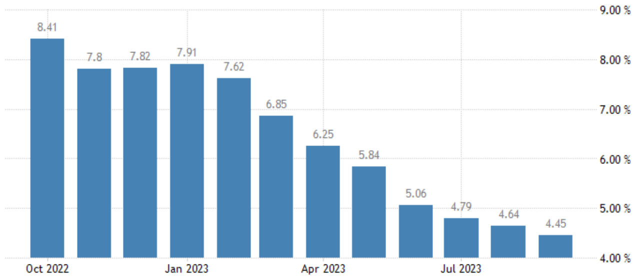
Exchange rate

- The average exchange rate for Q3 2023 closed at $17.82 MXN/USD. This past quarter, the peso continued to strengthen against the dollar beating a new record in July, reaching $16.69 MXN/USD.

Mexico and U.S. trade

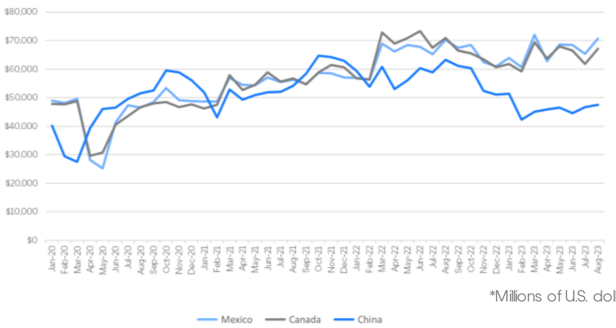
- Mexico ranked as the top US trading partner during H1 of 2023, with a 3.1% increase year over year.
- This same period reflected a 5.3% increase in imports between Mexico and the United States, while exports had a minimal decrease -0.02%.

Mexico inflation 2023



Soruce: Inegi

Total trade in goods with U.S.



*Millions of U.S. dollars

Source Census.gov

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Mexico current conditions

Transportation cost and capacity

- Cross-border carriers continue to report capacity in Mexico due to equipment investments done in previous years.
- Laredo load/truck ratio had an average of 2:1 in Q3 2023 from 4:1 in Q2.
- As in previous years, the holiday season is coming, and carriers might experience operational delays due to weather conditions and driver vacations. We might see a slight rate increase in the spot market in upcoming months due to these variables.

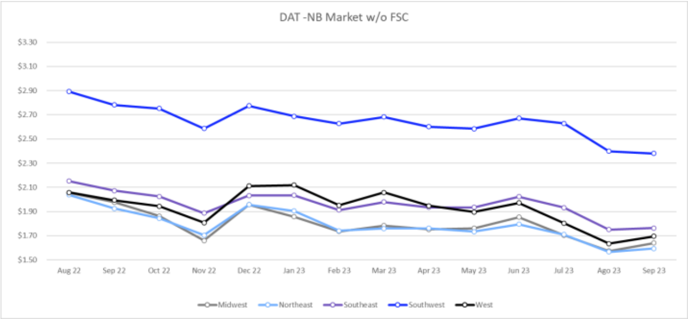
Security

- 2023 continues to record one of the highest indexes of cargo theft on record, second only to 2019. September had a 2% increase YoY.

Border inspections

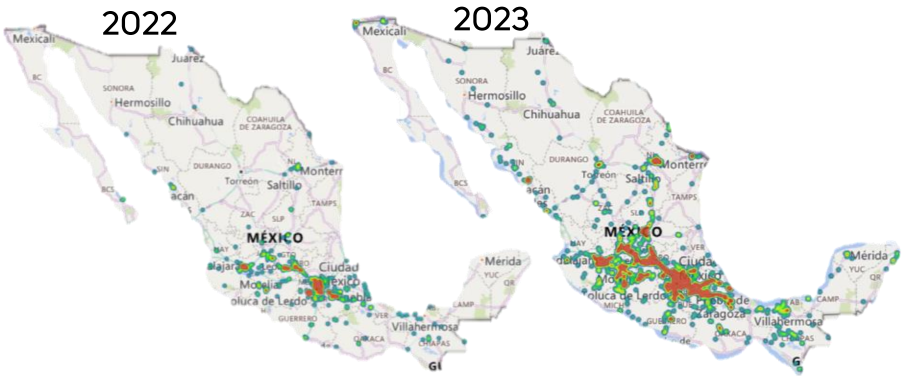
- The surge in migrants attempting to cross to the United States significantly affected cross-border trade. Ferromex; one of the largest rail companies in Mexico decided to temporarily stop servicing certain lanes going north to prevent migrants from boarding the wagons. Currently, service has been reactivated.
- The Texas government also tightened customs inspections with El Paso's border being the most affected port of entry. These inspections lead to heavy delays in crossing times (18 hours). CANACAR (Mexico's Freight Trucker's Union) estimates losses of $1.2 billion.
- As of Oct 17th, the Texas Department of Public Safety has ceased their enhanced inspection at all El Paso and Laredo ports of entry until further notice.

Laredo northbound spot rates



Source: DAT, w/o fuel

Cargo theft hot spots in Mexico 2022 vs 2023



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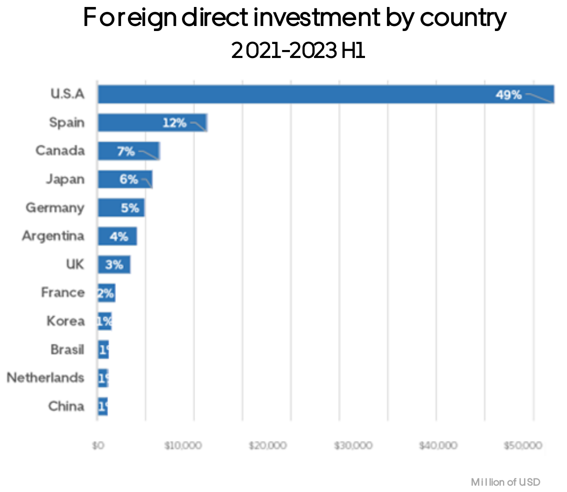
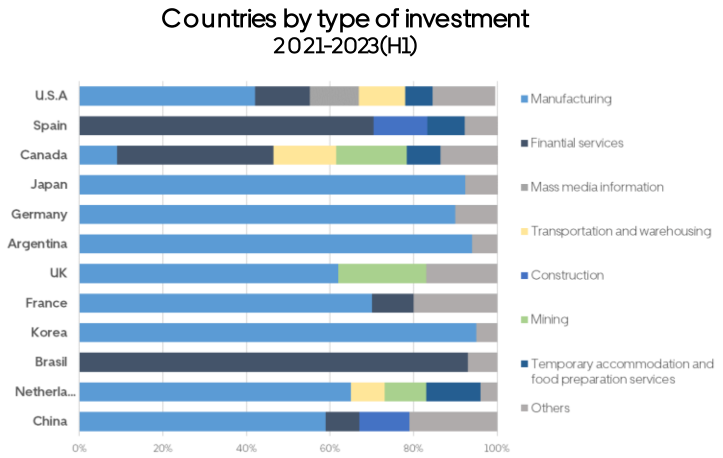
Nearshoring

- 57% of Foreign Direct Investment corresponds to the manufacturing sector, and 27% to financial services, during H1 2023.
- Top countries investing in the manufacturing sector: U.S.A, Japan, Germany, Argentina, UK, Korea, France, Netherlands and China.
- Top countries investing in financial services: Spain, U.S., Canada, and Brazil.
- In October, the Mexican government published a new decree granting fiscal incentives to companies in key industrial sectors planning to relocate operations to the country. This decree has the potential to attract an additional 18.5 billion dollars in investments in 2024.
- The main sectors that will benefit from these new policies and hold 14% of Mexico's GDP are automotive, aerospace, agroindustry, pharmaceutical, and electronic.
- The tax incentives enforced in this new decree focus on two main aspects:
    - Accelerated investment deduction ranging from 56% to 89% during 2023 and 2024.
    - An additional 25% deductions applied over three years to cover costs related to staff hiring and training.





Outlook and recommendations

- If the Mexican Peso (MXN) continues at current levels, Mexican carriers billing in US Dollars (USD) might continue pushing for rate increases.
- Cargo theft continues to be a challenge; exploring route alternatives or different dock schedules to prioritize transit during daylight in hot areas can be beneficial for minimizing the risk.
- The situation at the borders due to the surge of migrants attempting to cross the border is currently under control; however, it could be reactivated in the future; we recommend having a contingency plan and negotiating alternative routes considering different borders.
- The new companies establishing in Mexico due to nearshoring will require capacity. Communication with your primary carriers is key to negotiating volume and rates for the upcoming years and exploring dedicated fleet options.
- It's a good time to negotiate and lock in rates for 2024, taking advantage of the soft market.
- The holiday season is coming. Plan ahead and secure capacity.
- More companies are focusing efforts on sustainability projects. Work closely with your primary carriers to continue exploring green alternatives.

Canada

Canada highlights

Inflation and monetary tightening remain the hot topics. Economic growth in the second and third quarters is well below July forecasts. GDP per capita is set to decline for a fifth consecutive quarter in Q3 with no signs of recovery in the months ahead. Debt burdens continues to lower consumer confidence pointing to reduced expenditures over the next 12-months. Canada's consumer debt level is at an all time high. Employment rate rose 0.1% in September offsetting the decline recorded in August, unchanged YoY, but was down 0.5% from the peak recorded in January.

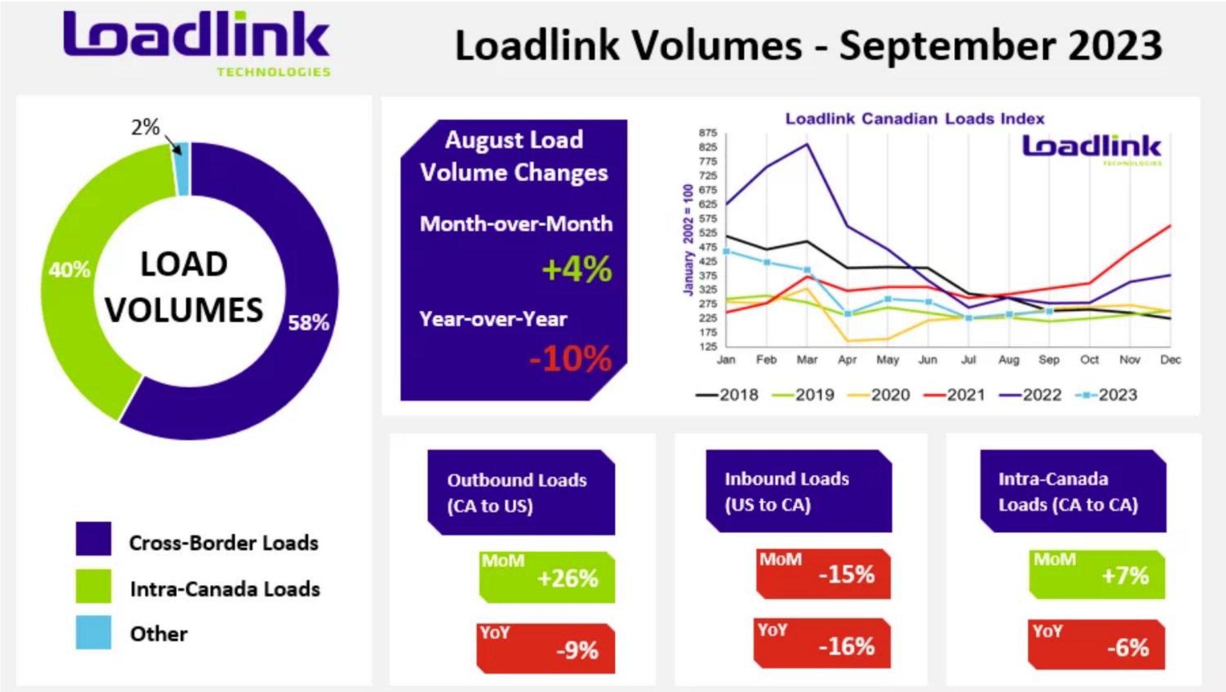
- Manufacturing sector remains in contraction, PMI dropped to 47.5 in September, lowest since May 2020.
- Business investment is contracting due tightening financial conditions.
- GDP contracted 0.2% in Q2 and forecasted to be 0.2% in Q3 on an annualized basis.
- Canada's relatively weaker economic growth versus the US is expected to keep the Canadian dollar under pressure for some time.
- CPI at 3.7%, above July forecast of 3.3%, however CPI ex-mortgages within the 1%-3% YoY target
- General weakness in the labour market is leading to a rising unemployment rate.
- Retail sales decreased 0.1% in August, in volume terms retail sales decreased 0.7%. Per capita, retail sales decreased 5.7% on an annualized basis, the worst pullback since the first pandemic lockdown.
- Corporate profits fell for the fourth consecutive quarter.
- Higher interest rates are not yet fully felt, despite the slowdown, as it works its way through the economy.

Canada: key factors impacting supply

Canadian market continue to be volatile. Third quarter freight volumes improved for Intra-Canada and outbound loads while cross-border inbound loads into Canada declined.

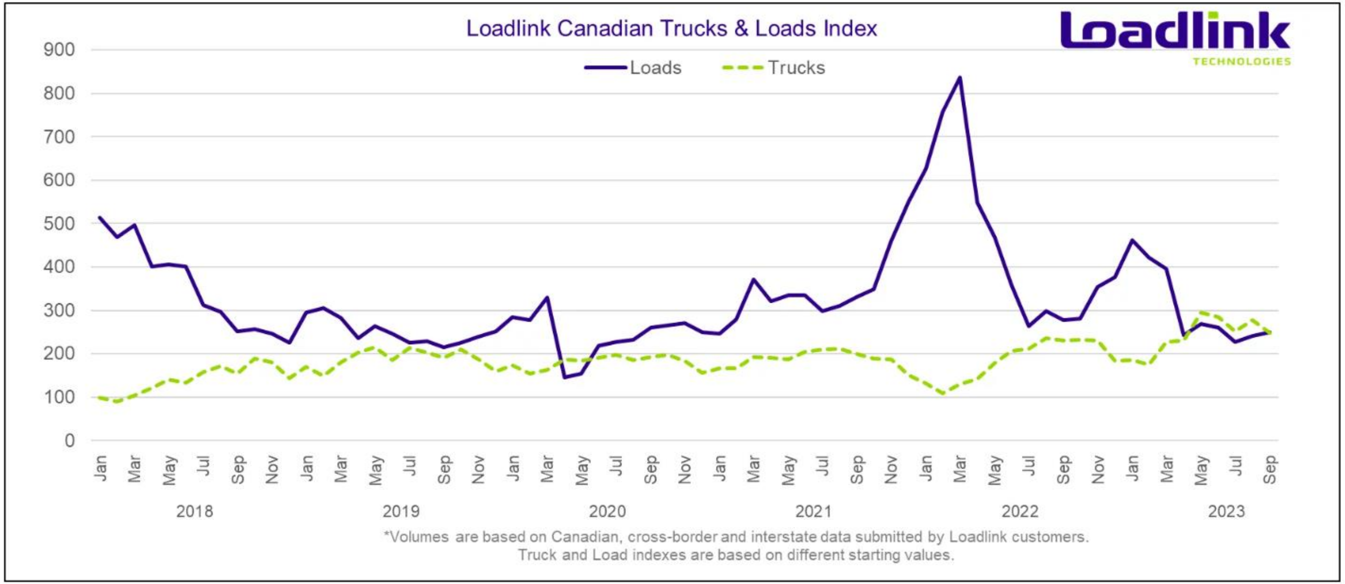
- Truckload capacity still too high.
- The truckload market continues to soften, though spot rates appear to be flat. Due to imbalance of Inbound vs Outbound freight, carriers are pushing for higher premiums for outbound loads.
- Many small to medium carriers that depend on a spot market volume reach "critical point" to continue operation or park the truck.
- Class 8 truck and dry van trailers sales fell as consumer spending on goods slowed.
- LTL carriers announcing annual GRI's on general tariff to counter escalating operating cost.

Canada: key factors impacting supply



Note: LoadLink is the most popular load board within Canada. The results shown are primarily influenced by spot market moves.

Canada: key factors impacting supply



Truck-to-load ratios have increased through Q3 '23. Loadlink's most recent figure for September was 4.34 available trucks for every load. Year-over-year, the truck to load ration increased by 19 percent to a ration of 3.64 in September 2022

Canada: key factors impacting demand

- Full impact of higher interest rates taking hold negatively impacting consumer spending.
- Inventory levels remain unchanged through the 23Q3, and mostly worked through.
- Bank of Canada's Third Quarter Business Outlook Survey indicates that firms expect sales growth to be subdued over the next 12-months, weighing on plans for investment and employment.
- Oil prices trend higher on geopolitical uncertainty, worldwide consumption vs global output, stockpiles of oil in storage being drawn down. The oil market is likely to be extra volatile for now.
- The Canadian dollar is currently trading at 74 cents ($ 1.35) at the end of 23Q3. Economists see the Canadian dollar weakening in the next 6 months due to widespread demand for safe-haven US dollars.
- Manufacturing output and new orders both contracted in Q3 due to market demand.
- Labor disputes (US auto worker's strike) and bankruptcies (Yellow, Convoy) will add volatility to the market across the country – and even the continent.
- Holiday outlook report forecasts continued challenges for carriers, as higher fuel prices and soft freight market squeeze carrier profitability.

Uber Freight

Canada: outlook

Canada is close to a recession, effects of higher interest rates are moving through the real estate sector and leveraged financial system. An increasing number of fragile consumers are quickly cooling down the economy. Adjusting GDP for immigration suggests a recession is already underway. As the full impact of higher interest rates takes hold over the next 4 to 6 quarters, this will create more drag on the economy as lower consumer spending will have impact on earnings. Overall, this translates to a pessimistic business outlook over the next 12-months. A deeper and more prolonged downturn is possible if the Bank of Canada holds rates too high for too long.

- Unemployment rate forecasted to climb in 23Q4 and 24Q1 to 5.8% and 6.2%, respectively and to 6.5% for the remainder of 2024.
- Real GDP forecast 0.2% 23Q3, -1.0% 23Q4, -1.2% 24Q1 and relatively flat for the remainder of 2024.
- Consumption continues to drop from 1.8% in 2023 to -0.1% in 2024.
- Annual inflation projected to be 3.9% for the full year 2023 and 2.5% in 2024.
- Overnight rate forecasted to hold at 5% thru 2024Q2, drop by 25 bps both in 2024Q2 and 2024Q3.
- Bankruptcy rates have risen above pre-pandemic levels putting further stress on the financial system.

Canada: recommendations

Time to issue full network RFP's and secure capacity at current rates for longer contract lengths (24 months +).

- Add additional carriers to the network, especially those that are financial healthy.
- Look to remove cost from your network:
  - Leverage sailing schedule for inter-provincial freight flows
  - Convert to intermodal for long haul lanes
  - Look for consolidation opportunities, holding freight for 24 to 48 hours where possible
  - De-leverage LTL shipment where possible, consider multi-stop truckload or pooling options
  - Maximize trailer utilization
  - Adopt automation and efficiency in day-to-day operations

Warehousing Update

Key factors impacting warehousing

Demand

- Consumer demand continued to climb throughout **Q3 2023**.
- Optimism building for **Q4 2023** to continue the current trajectory through the holiday season.

Inventory

- Inventory continues to stabilize, which began in **Q4 2022**, after a massive runup from 2020 - 2022.
- Retail inventory increased by 0.5% from Q2 to Q3 2023, **$564M.** Reaching a new high since Sep. 2022.
- Retail sales increased to **$475M** in Q3, a slight increase compared to Q3 2022 (1.3%).
- **Overall inventory slightly decreased** for the 4th straight month in September.

Labor

- Slight decrease in industrial employment from **43.0 M** in Q2 2023 to **42.9 M** in Q3 2023.
- US unemployment rate increased from **3.6%** in Q2 2023 to **3.8%** in Q3 2023.
- Q3 2023 **wages hit new all-time high** as worker availability continues to challenge employers.

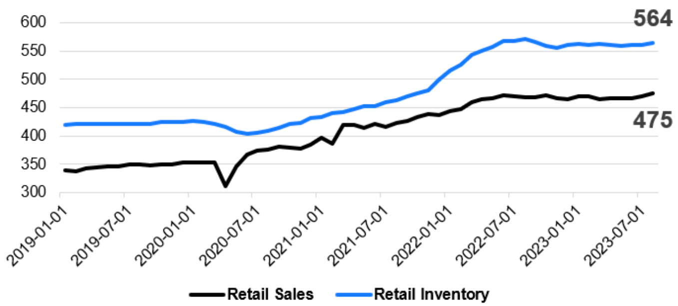
Space

- Vacancies continue to climb from **4.1%** in Q2 2023 to **4.7%** in Q3 2023.
- Despite vacancies increasing, they still remain below the 6.8% 15-year average which has allowed Asking Rents to slightly increase from **$9.59 PSF** in Q2 2023 to **$9.73 PSF** in Q3 2023.
- Construction completions hit all-time high of **171.8 MSF** in Q3 2023.
- New Constructions continues to dip. **Smallest pipeline since Q2 2021.**

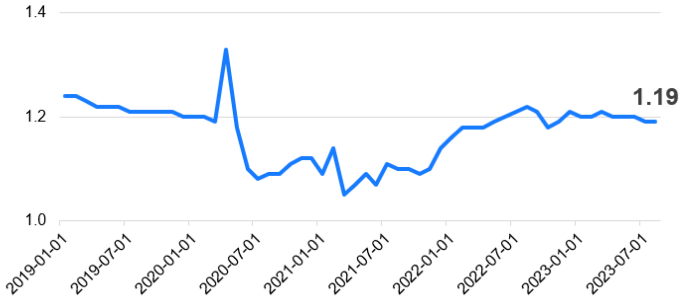
Inventory levels

Retail inventories as retail sales reach a new all-time high as the holiday season approaches

Retail sales & retail inventory (excluding auto industry) [1]
Thousands, indexed to January 2019



Inventory to sales ratio (excluding auto industry) [1]
Indexed to January 2019



Q3 2023 inventory:

- Retail inventory increased to **$564M** in Q3 2023, the highest it has been since September 2022.
- Retail sales continued to increase for the 5th straight month in Q3 2023, reaching new all time high in August 2023 of **$475M**.
- Inventory overall has moved in the other direction, September marking the **4th consecutive month that inventory has declined**. *(2)*
- While larger companies with 1,000 or more employees saw inventory increase in September, smaller companies of 1,000 or less employees saw inventory decrease. *(2)*

Q4 2023 → Q1 2024 outlook:

- Inventory levels in Q4 will depend on consumer spending which should be helped by the holiday season approaching.
- Chinese export activity is at its lowest level since March 2023 which may impact the traditional peak seasons many companies experience during Q4. *(2)*
- Ironically, this may improve the inflation situation for western consumers as it will lower the costs of raw materials. Any cost decrease would come as a relief, as inventory costs continued to grow. *(2)*

Source: [1] *US Census Bureau;* [2] *Logistics Managers' Index*

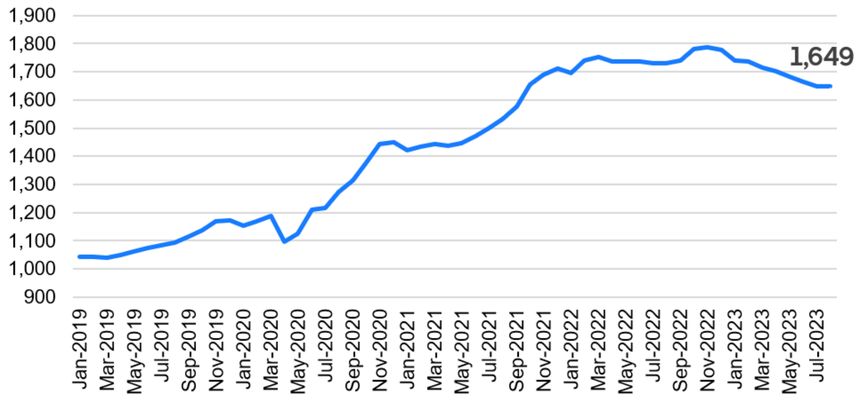
Uber Freight

Warehouse labor trends

Employment begins to normalize and remains near all-time highs while wages continue to break record highs

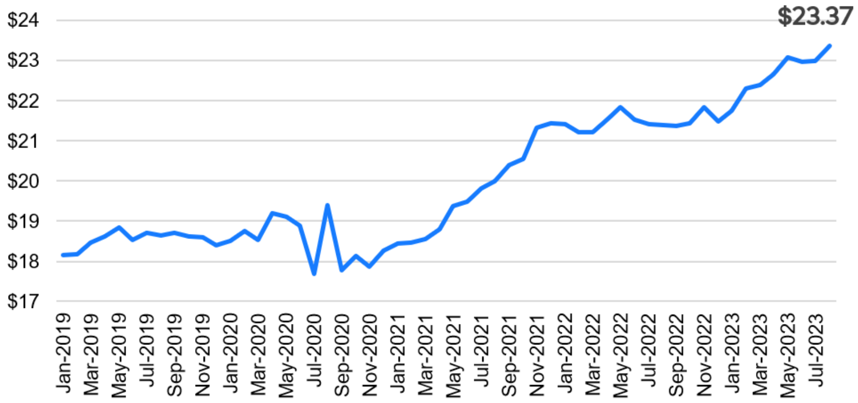
Warehouse employment [1]

Thousands of employees, indexed to January 2019



Warehouse non-supervisory wages [1]

Per hour rate, indexed to January 2019



Warehouse employment held steady from July to August in Q3 as many companies begin to prepare for the holiday season. Despite the steeper decline in employment compared to 2022, total warehouse employment remains near record highs. Hiring 374K warehouse employees since August 2020.

Non-supervisory warehouse wages hit a new all-time high of $23.37 in August of 2023, 9.3% higher than August of 2022. Wages have increased by 20% since August 2020 during the Covid pandemic.

Source: [1] *US Bureau of Labor Statistics*

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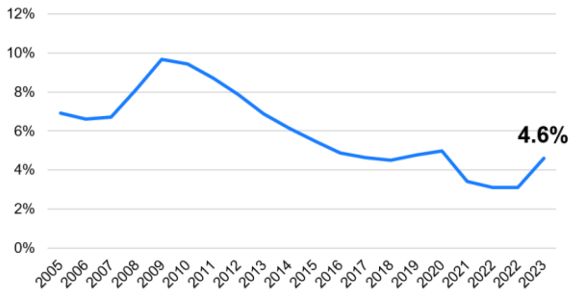
Space availability and utilization

Vacancies continue to slowly increase as cost per square foot slows its pace of growth

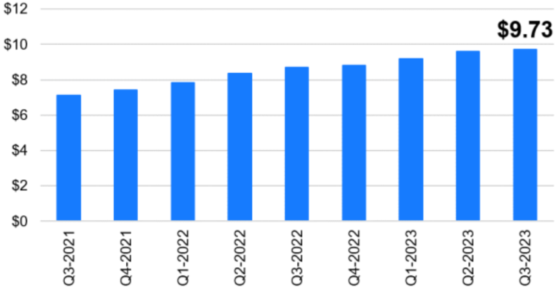
Vacancies [1]

Rate (%), indexed to 2005



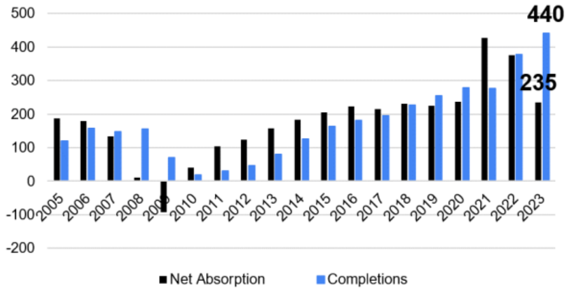
Asking rent [1]

$ per square feet (PSF), indexed to Q3-2021



Net absorptions & completions [2]

Millions of square feet (MSF), indexed to 2005



Q3 2023 warehousing recap:

- Overall asking rents continue to taper off in the most recent quarter matching the new availability of space.
- Facility vacancy continues to climb but still sits well below the 15-year average of 6.8%.
- Construction completions hit a record high in Q3 (171 MSF). An uptick of about 18.7% compared to Q2. Since the start of 2023, a total of 451.8 MSF of Construction completions have been recorded, on pace to break the 2022 all-time high of 514 MSF.
- New constructions pipeline continues to shrink (537 MSF). Smallest pipeline since Q2 2021 (480 MSF).

Q4 2023 → Q1 2024 outlook:

- Rate of warehouse capacity growth will continue to increase as additional construction deliveries are made to the market.
- Rent growth will moderate as demand drops and vacancies increase.
- Rent growth will slow to around 10% by the end of the year and, in 2024, rent growth should reach the mid-single digits.

Source: [1] *Cushman & Wakefield* [2] *CBRE, JLL, Cushman & Wakefield, Colliers, CoStar, CBRE-EA, Prologis Research*

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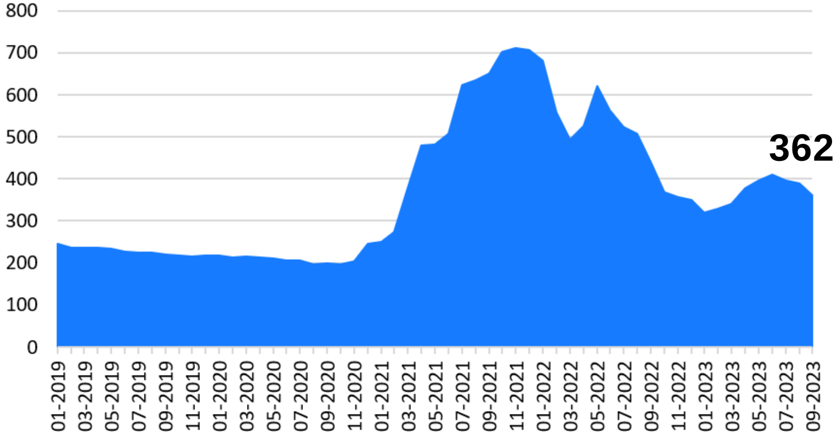
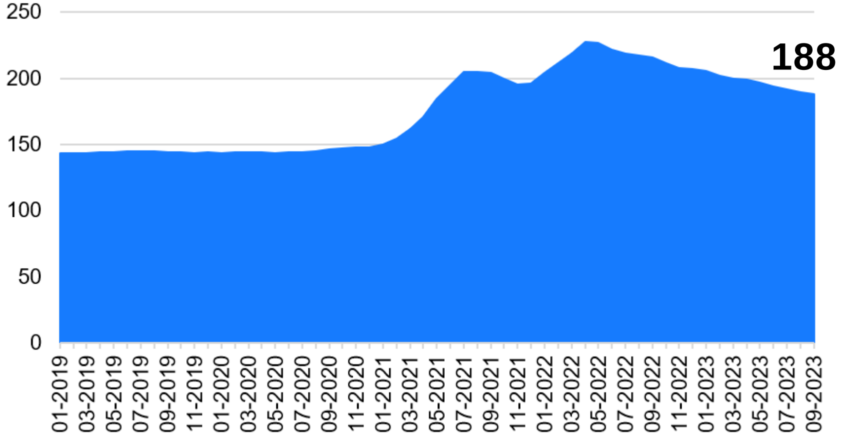
Warehouse commodities

Prices of steel and wooden pallets continue to decrease

Steel price index [1]
Indexed to January 2019



Wooden pallet price Index [1]
Indexed to January 2019



Current price of steel is down 11.7% compared to Q2 2023 and down 18% when compared to Q3 2022. Prices may not get back down to the pre-pandemic levels but they are trending down. Prices are still well above where they were in 2019 (228) and 2020 (211).

Current price of wooden pallets is down 3% compared to Q2 2023 and down 12.9% when compared to Q3 2022. Much like steel, the price of wooden pallets are trending down, but they are still much higher than they were before the pandemic. In fact they are 30% higher than they were in 2019.

Source: [1] *U.S. Bureau of Labor Statistics*

Warehousing summary

- The Logistics Managers' Index, comprised of warehousing, transportation, and inventory components, came in at 52.4 in September, 14.9% increase from 45.6 in June.
- Retail Inventory levels remain at record highs in the face of a slowing economy, but steadily increasing capacity has resulted in an increase of available space in the US market.
- Labor rates are still considered high, 23% higher than they were in 2020, but they are accelerating at a slower rate than compared to last year.
- Despite the influx of Construction Completions hitting an all-time high in Q3 2023, the pipeline for New Construction is the smallest its been since Q2 2021. This coupled with the moderate growth in vacancies, 2024 may spur some competition over space.

Recommendations

- Shippers who need more space should capitalize on the upsurge of new Construction Completions now rather than waiting. The rapid decline of New Construction could increase competition/cost for space in 2024.
- If the post-pandemic volatility caused hesitancy to replenish inventory, the US consumer has demonstrated a willingness to spend. More and more shippers are beginning to return to their normal seasonal patterns. As the US logistics market normalizes, it may be time to look at optimizing your logistics network.
- Warehouse utilization has hovered around the sweet spot of 85% amongst shippers. To avoid increasing your utilization to levels that will affect your productivity, revisit how you are currently conveying or storing your inventory. Inventory right-sizing is another opportunity to free up space.
- Explore investments options in automation to counter the high cost of warehouse labor.

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