Uber Freight

2024 Q4 Market update & outlook

November 2024

Market update & outlook

Executive summary – 2024 Q4

Macro Economy

- US manufacturing continued to contract despite rising imports.
- Effects of rates cuts on demand are not likely this year.

US – LTL

- Demand continues to be lower than last year
- Carriers have the capacity to handle increased volumes

Ocean & Air

- US import container imports in Sept '24 exceed 2.5M TEUs
- Port transit delays have improved, excluding the ILA strike action at the beginning of Oct '24.

Warehousing

- A tentative agreement to keep ports running on East & Gulf coasts
- New construction pipeline slowing

US – Truckload

- Trucking employment remained flat in October.
- Spot rates rose in October.
- Expect seasonal tightening in December.

US – Bulk

- Carriers continue to focus on utilization
- Market continues to favor shippers
- Carriers focused on committed volumes and long-term opportunities

Mexico

- Annual inflation fell for the second month in Sept '24, to the lowest rate since March '24
- Average exchange rate for Sept '24 closed at the year's highest monthly average

Sustainability

- ESG Climate disclosures mandatory for business operating in certain areas

US – Intermodal

- Rail utilization and dray capacity remains plentiful
- Intermodal volume up year over year in Q3
- Shipper inventory levels are mixed

Europe

- Market remains soft
- Spot rate has increased
- Some brokerages having capacity challenges

Canada

- BoC cut the key interest rate due to easing inflation
- Core retail sales increased by 0.7% in Sept '24, contributing to year-over-year increase

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US Full Truckload

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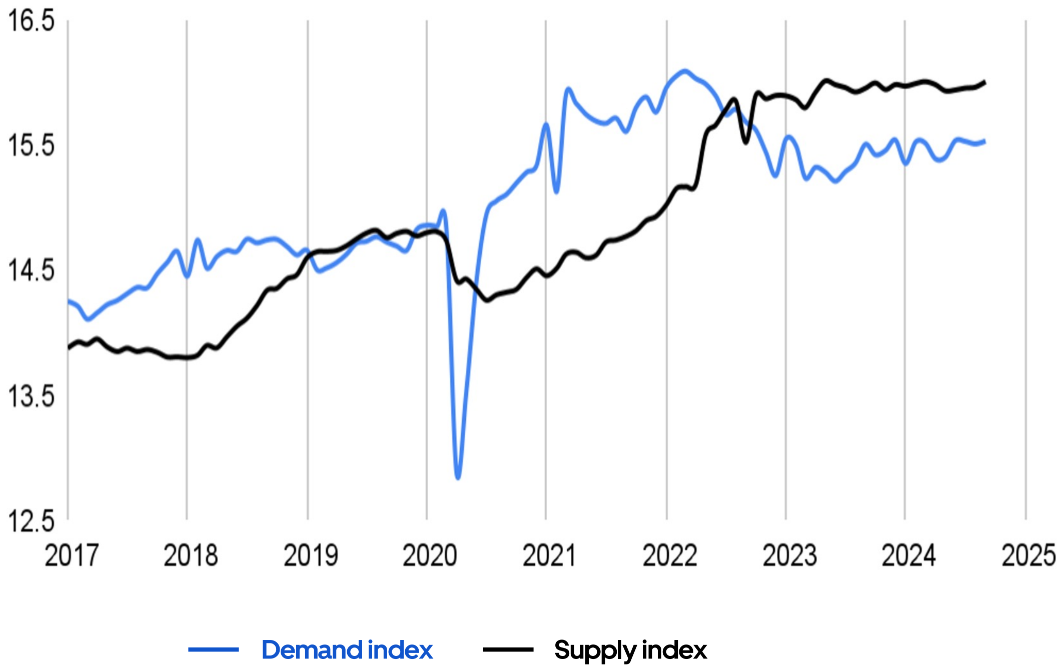
Market Recap

Both truckload demand and supply saw modest growth in September

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



- Truckload demand rose by 0.5% in Q3 and was only 0.9% higher than its year-earlier level.
- Similarly, supply rose by 0.1% in September, and was 0.2% higher year-over-year.
- Based on our indices, truckload supply has outpaced demand for the past 27 months.
- Although up 2.1% from its trough, demand remains 3.5% below the peak seen in Q1 2022.

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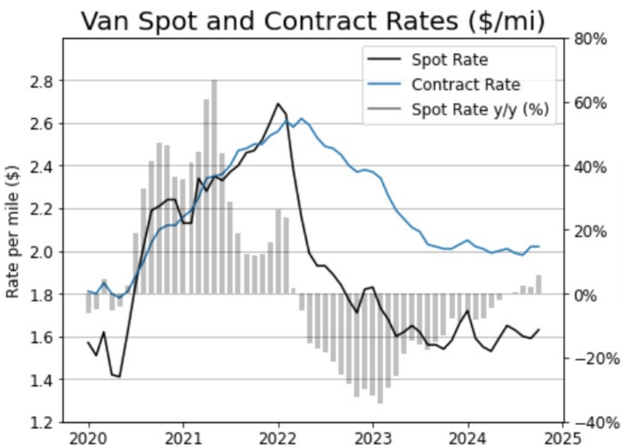
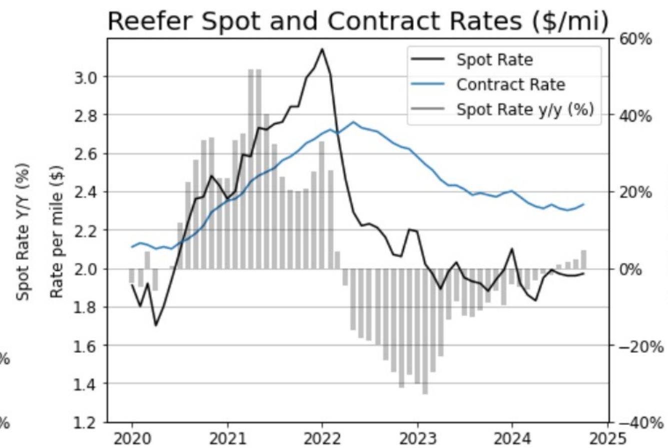
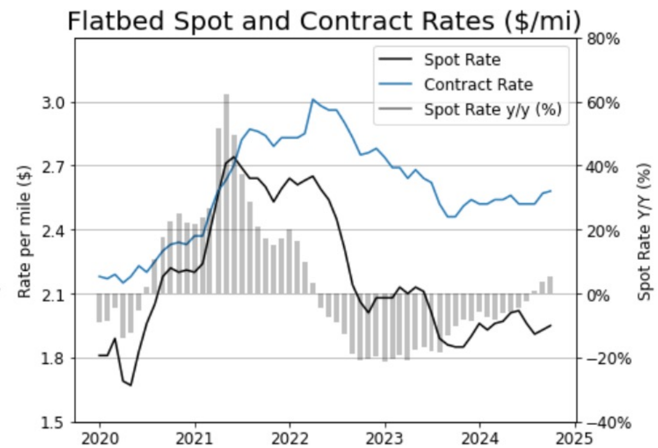
Market Recap

Dry van spot rates rose in October, surpassing their year-earlier levels by 5%







- Spot rates continued their upward trajectory in the third quarter and October, outperforming their year-ago counterparts.
- Contract rates also experienced a slight uptick across all trailer types.
- With peak season looming, we expect spot rates to soar in the weeks ahead, staying ahead of last year's levels.
- We expect a gradual increase in spot rates persisting through 2025.

Sources: DAT, ACT Research

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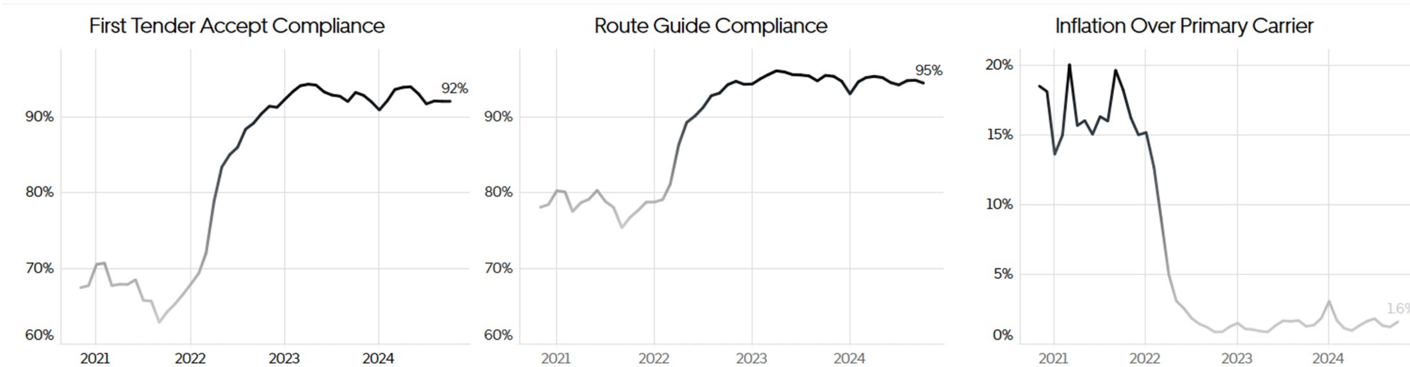
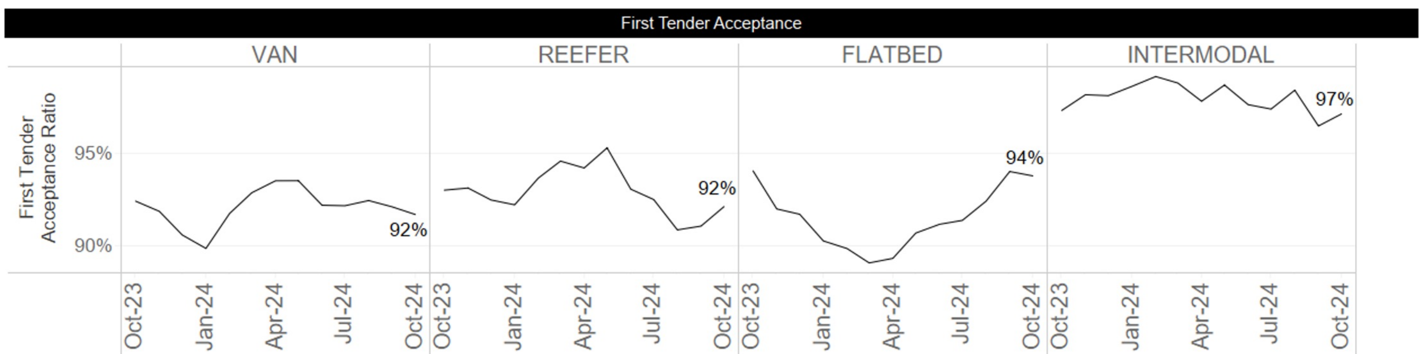
Market Recap

Routing guide performance remained consistent in October





- The first tender acceptance rate remained at 92% and route guide compliance at 95%.
- First tender acceptance rates fell slightly for van and flatbed, but rose for refrigerated and intermodal shipments.
- Inflation over the primary carrier remains near zero, indicating that routing guide failure remains de-risked in this market.

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Key factors impacting truckload demand

Rising imports are not enough to stimulate the manufacturing sector

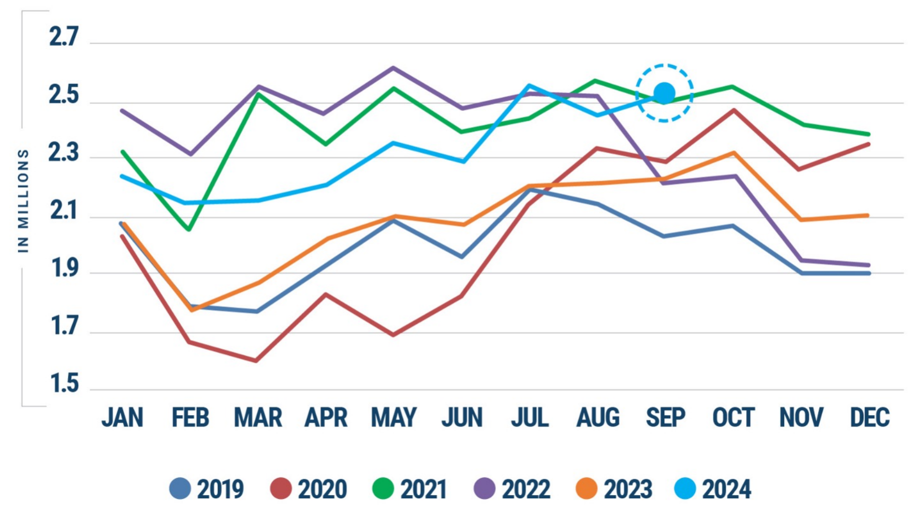
ISM Manufacturing PMI (1)

Values above 50 imply expansion and below 50 imply contraction

The U.S. manufacturing sector continued to contract in October, as the ISM PMI fell to 46.5. This aligns with data from the U.S. Federal Reserve on manufacturing output and the U.S. Census on manufacturers' new orders, which indicate that the sector has not experienced substantial growth since November 2022.

US Container Import Volume (TEUs) (2)

Millions of containers, not seasonally adjusted



Container imports increased by 1.7% in September and were a remarkable 14.4% higher than the same month last year. September's increase is even more impressive considering seasonal expectations; seasonally adjusted container imports likely increased by approximately 4.7% month-over-month.

(1) Institute for Supply Management; (2) Descartes

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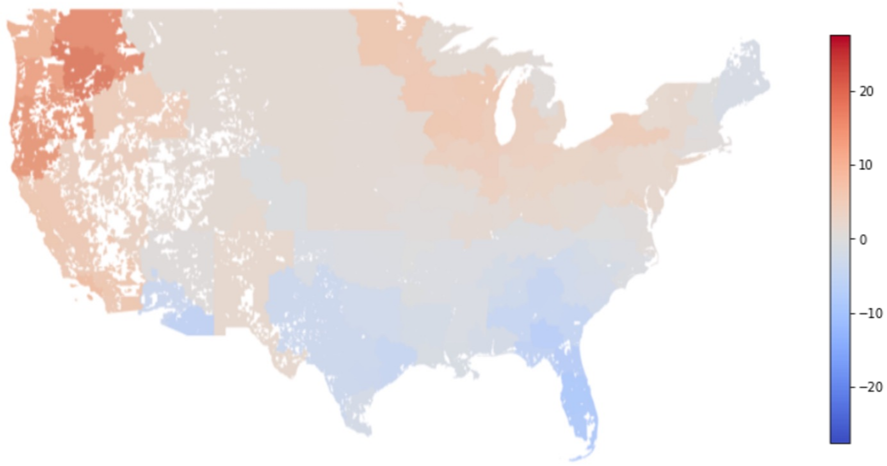
Key factors impacting truckload demand

Seasonal factors are expected to tighten the market in December

October Seasonal Pressure Based on Historical Data

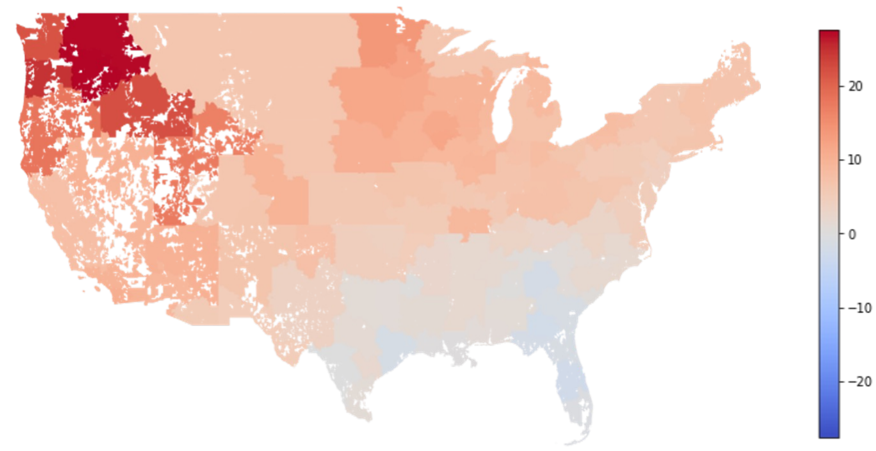
Spot rates relative to their year average (percent)



October typically experiences a lull in freight market activity, with minimal seasonal pressures except in the Pacific Northwest. There, volumes increase due to Christmas tree shipments, fall harvests, and timber production.

December Seasonal Pressure Based on Historical Data

Spot rates relative to their year average (percent)



By December, the Pacific Northwest market is anticipated to tighten further, alongside the Midwest, Northeast, and West regions. This tightening is attributed to retailers stocking up for the holidays and drivers taking time off.

Source: Uber Freight analysis of DAT data.

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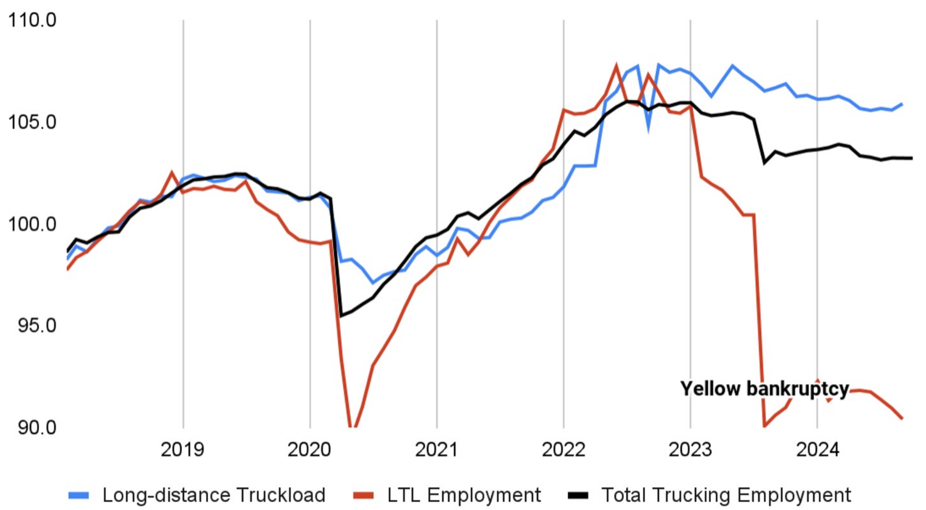
Key factors impacting truckload supply

Trucking employment remained flat in October, but weak trailer orders signal more exits

Trucking Employment [1]

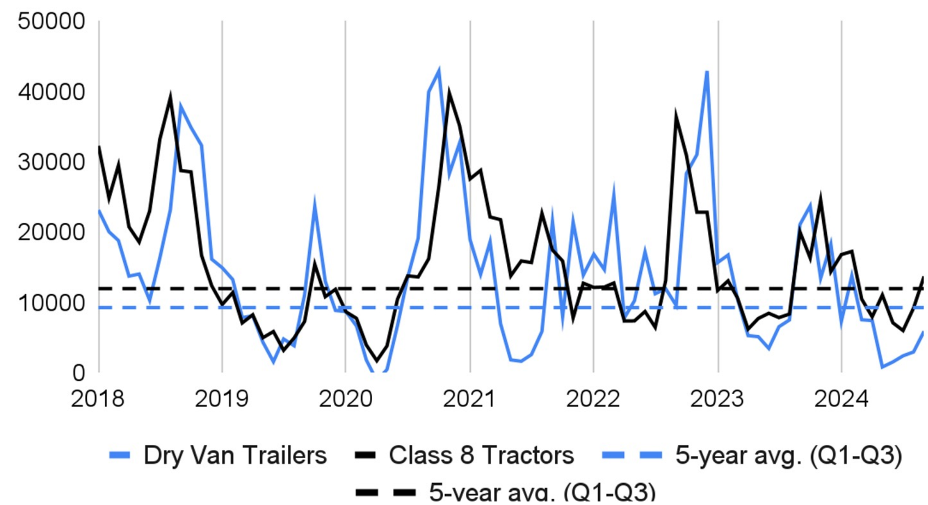
Index: 100 = 2018 average



Trucking employment remained unchanged in October and was also flat year-over-year. Compared to Oct'19, employment was only 1.5% higher. However, most of the decline has occurred in the LTL sector, largely driven by Yellow's bankruptcy. In the more fragmented long-haul TL sector, the market remains oversupplied.

Class 8 tractor and van trailer orders [2]

Net orders in tractor/trailer units, not seasonally adjusted



Year-to-date, dry van trailer orders have been 38% lower compared to last year and 41% below their 5-year average. Trailer sales have also declined 19% year-over-year. However, tractor orders appear to have bottomed out last year and have increased 6% year-over-year this year, surpassing their 5-year averages.

[1] US Bureau of Labor Statistics; [2] ACT Research

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Current procurement headlines

Bid Activity

- Annual full-network RFP events continue to be the trend with supplemental mini-RFPs utilized to support the route guide as needed between bid cycles
- After record activity in 2023, RFP events have been about flat through H1 2024, but picking up in Q3 and Q4 as some shippers are going to market early

Strategic Trends

- Shippers beginning to insulate themselves ahead of a predicted upturn in the contract market
- Shippers willing to bid entire network vs. only select lanes
- Most shippers are trying to keep their incumbents in place, if possible, through the RFP cycle
- Volume cutoffs remain a key strategic discussion while preparing to release an RFP event – Low-volume strategy for coverage and backup carriers

Carrier Behavior

- TL carriers continue to cast a wide net in bids, but are starting to narrow focus to preferred volume vs. any volume
- Brokers continue to be aggressive in attempt to capture market share
- Incumbent carriers trying to stay whole in RFPs. Some even push pricing increases with little success

Carrier Pricing Q4

- TL savings range trending mid to low single digits as incumbents try to hold on price. Savings % declining

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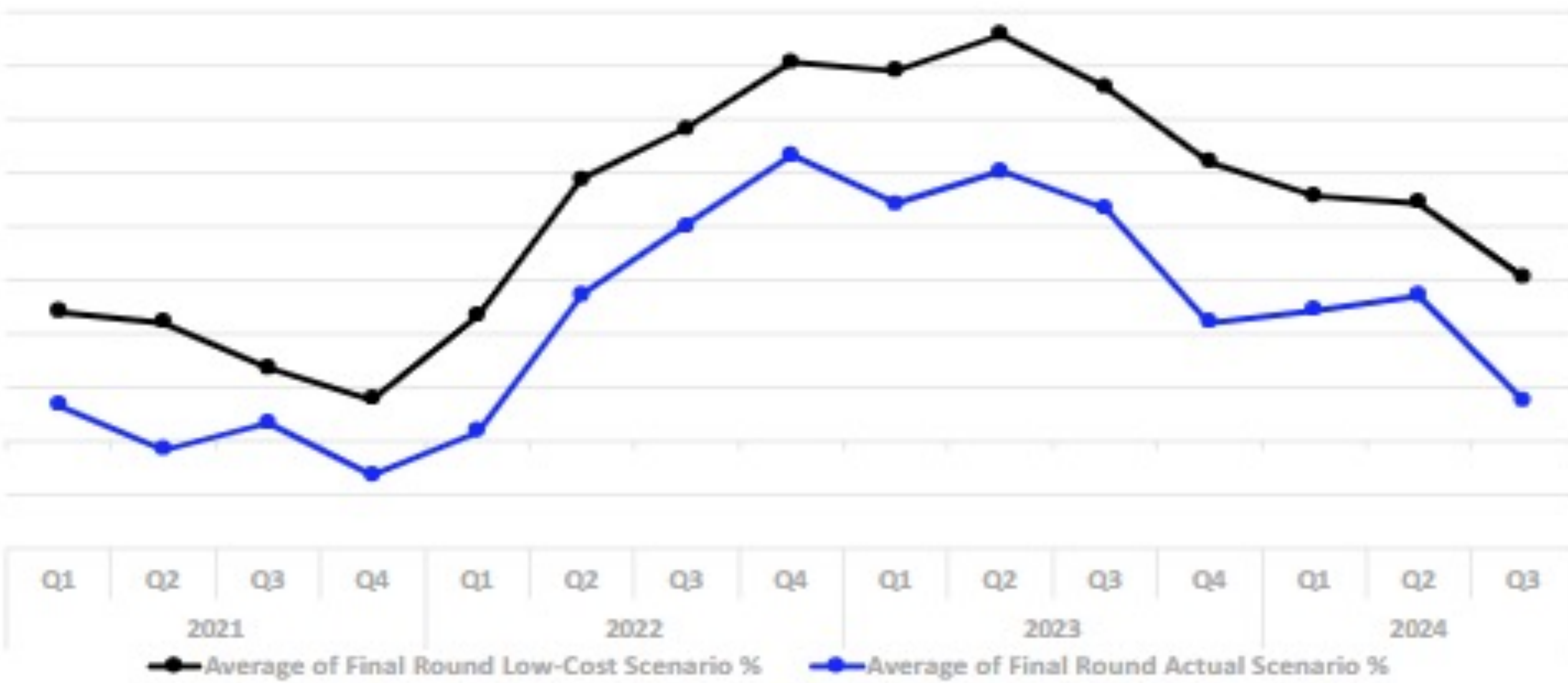
Procurement Insights

Savings Gap Between Low-Cost & Final Scenario - Truckload



- This graph represents the difference between the Low-Cost procurement Scenario (Base) vs the final scenario
- The higher the data point, the higher the savings %
- The wider the gap, the more aggressive but potentially not viable pricing
- Gap has continued to narrow and drop as carriers are trying to protect price with less aggressive starting bids

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Best practices for 2024

Carrier Management

- **Establish strategic relationships** with key providers in your network
- **Create symbiotic, long-term goals** with key partners
- **Partner with carriers** on company initiatives around technology, best practices, ease of doing business
- **Develop formal processes** to address service and performance improvement plans

Navigating Volatility

- **Understand where your rates are** to the market
- **Work with your carrier base** to understand their network and cost pressures
- **Work with strategic carriers for cost and price transparency** within your network and create an action plan for out-of-process lanes
- **Stay close to your incumbents** on critical lanes to understand price trends and capacity changes
- **Understand your carrier base's tracking and technology capabilities** and set clear expectations
- **Routing Guide** setup becomes more critical in a tightening market – Backup carriers, low volume, etc.

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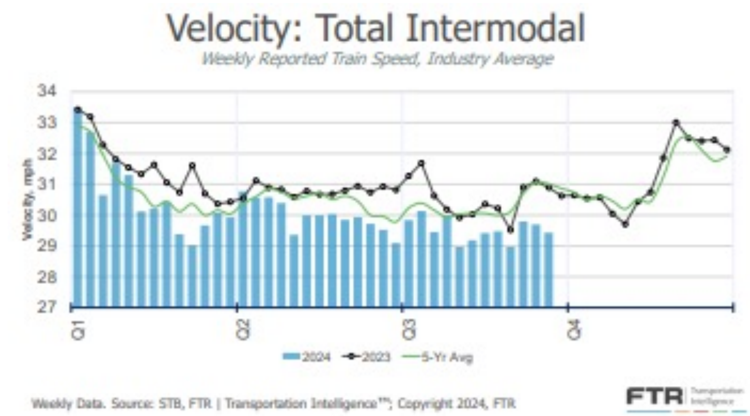
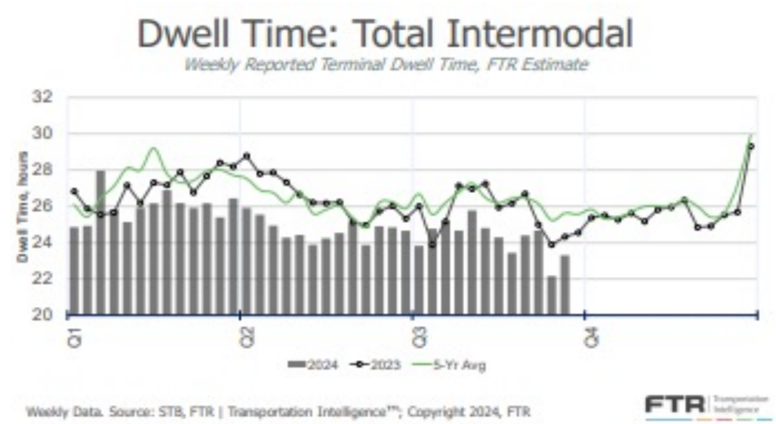
US Intermodal

Key factors impacting intermodal supply

- Rail capacity and container availability remain plentiful overall. There have been some seasonal constraints in Los Angeles and some BCOs have had to look for secondary support to cover their volume.
- Aside from LA, and with the exception of periodic weather events, the railroad networks have generally been free of congestion and delays.
- Dray capacity remains plentiful across the intermodal network.
- The railroads continue to be focused on growing volume out of Mexico. They are also working with providers to improve network balance, especially involving getting equipment to Los Angeles.





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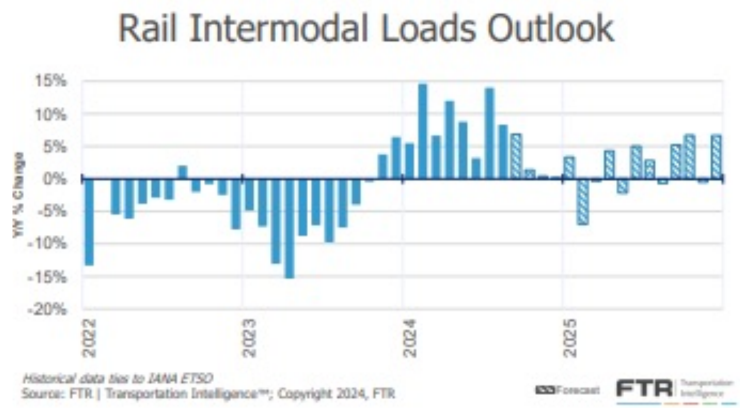
**Sources: FTR October 2024 Intermodal Report;*

Key factors impacting intermodal demand

- Intermodal volume was up year over year in the third quarter. It is now projected to be up year over year by 6.6% in 2024, and it is projected to be up just under 2% in 2025 (per FTR).
- Over-the-road capacity is still plentiful overall, which will impact Intermodal demand.
- Shipper inventory levels are mixed.
- Import volume continues to be up year over year. Due to labor concerns at the East and Gulf Coast ports, imports have been shifted to the West Coast, which has increased the demand for intermodal. The port of Los Angeles experienced record volumes in September.
- Nearshoring activity is driving shipper volume to Mexico, and the railroads are responding with new and improved service offerings.



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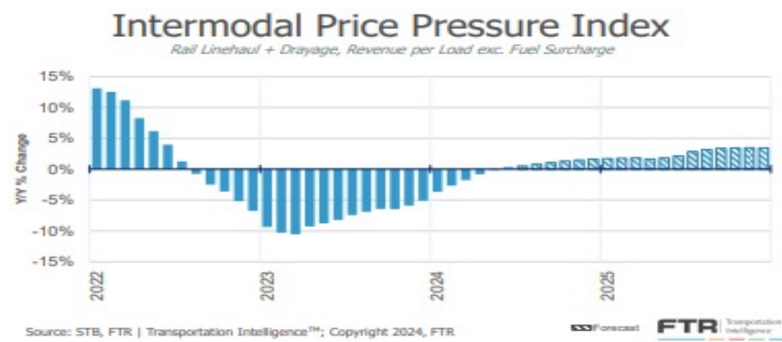
*Source: FTR October2024 Intermodal Report;

Current pricing, outlook, recommendation

- Intermodal remains challenged relative to the truckload competition.
- Spot rates continue to be lower overall to compete with truck prices.
- While rates dropped throughout bid season, they have moderated a bit in recent RFP events. In some events, the final result was held rates or even slight rate increases depending on the lane mix.
- The Intermodal Price Pressure Index has rates increasing year over year throughout 2025 (per FTR).
- In anticipation of an increase in rates in 2025, shippers have started to pull their bids forward into Q4, with a few even asking about multi-year deals to try to lock in the current rate levels long-term.

FTR's Intermodal Competitive Index fell to -0.2 in August, from 2.5 last month. This drop was principally due to the drop in the loads and utilization components. The ICI is expected to remain negative over the next few months, indicating a market environment that favors OTR trucking, before returning to more neutral territory in Q2 of 2025.



Final data for Q2 is coming in below our expectations and is likely to keep y/y growth negative into the start of 2025. Domestic intermodal rates, excluding FSC, are expected to finish 2024 below 2023 levels, followed by 2.6% growth in 2025. This low growth comes as a result of soft OTR market conditions.

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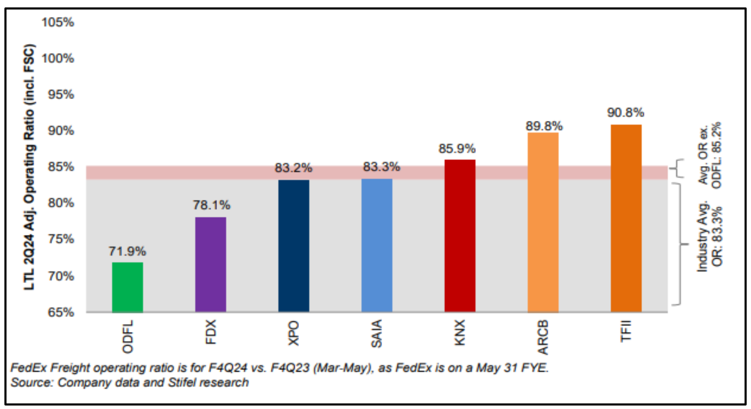
**Source: FTR October 2024 Intermodal Report;*

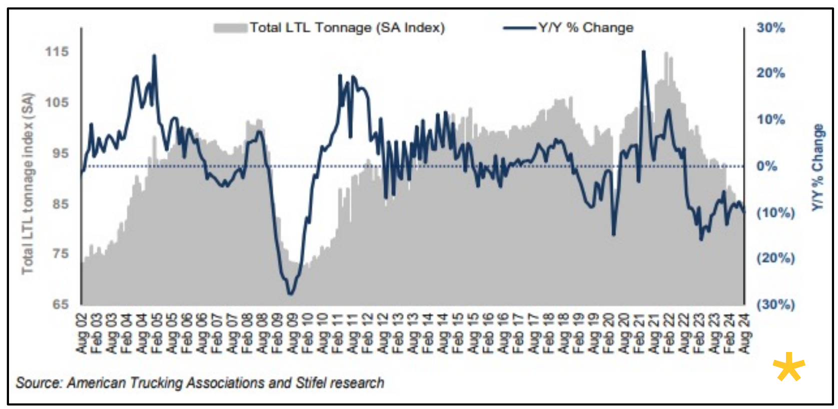
Less-than-truckload

LTL Market Trends

- LTL demand continues to be slightly lower than last year; most carriers have excess capacity and only a few are seeing volume increases.
- Carriers have capacity in their networks to handle increased volumes, ranging from 5-20%, based on conversations with carriers in Q3.
- Carriers continue to have historically favorable financial results despite weak demand. They are leveraging tech, creating internal efficiencies, exerting pricing control, and being more selective on opportunities to drive yield.
- Continued mergers and consolidations of regional and sub-regional or niche providers.
- Carriers invested heavily in the last 12-18 months to purchase terminals, upgrade equipment and systems, and keep up with driver pay, now they must balance flat volumes and higher costs.
- Flat to weakening volume is beginning to cap upward rate pressure. LTL increases through bid cycles for incumbents are mixed. Carriers who have not chased volume with price are coming in flat to 3%. Carriers who have been more price-aggressive are targeting larger increases to improve yield, but it is becoming increasingly difficult to do so, given the lack of overall volume.



FedEx Freight operating ratio is for F4Q24 vs. F4Q23 (Mar-May), as FedEx is on a May 31 FYE.
Source: Company data and Stifel research



Source: American Trucking Associations and Stifel research

* Carrier yield is healthy, but tonnage is lagging and may slow rates from rising.

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ROY2024 - Rate and Capacity Outlook

- Multiple publicly traded LTL carriers revised their Q4 revenue forecast down by 10-15%, largely based on declining volumes.
- Given this outlook for Q4, there is good reason to believe that, barring macro events of scale, the remainder of the year will see plenty of available capacity and competitive rates for shippers.

2025 - Outlook

- With an eye on the upcoming US Presidential election, mixed economic signals, and geopolitical challenges, the 2025 forecast will have a larger margin for error.
- But if we focus on the fundamentals:
  - The industry is oversupplied against current shipper demand.
  - LTL pricing should see GRI's in the 3-5% range with some flexibility remaining to mitigate through negotiations and lane realignment.
  - Q4 2024 bids should allow shippers to lock in competitive LTL pricing for the upcoming year. While the macro could still affect 2025 positively or negatively, it appears a safe bet to bid now or soon for the best combination of rate certainty and competitiveness.

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Source: Company Data and Stifel research

Shipper Recommendations

- Carriers are pushing for price in RFP cycles, but negotiations or lane mix changes can significantly curb financial impact.
- RFP Strategies:
  - Incumbent heavy: re-optimize lane mix and assignments to drive single-digit save with minimal disruption
  - Cost Reduction: double-digit save available with the introduction of lower-cost non-incumbent carriers
  - Service: Service is at a premium. We are seeing price control from quality providers, but service is excellent and often worth the investment.
- Real momentum is developing for density-based pricing; shippers and technology will need to adapt to being able to produce density on shipments to achieve accurate ratings. Timeline is 12-18 months.
- NMFC changes in 2025 will accelerate the requirement to calculate density and dimensional data on shipments to drive accurate pricing up front.
- Diversifying your carrier strategy for LTL based on tier of customer, internal transfers, inbound vs. outbound, claims sensitivity, or other factors is an effective strategy to mitigate incumbent costs, while still maintaining high service carriers on your most important lanes/customers.

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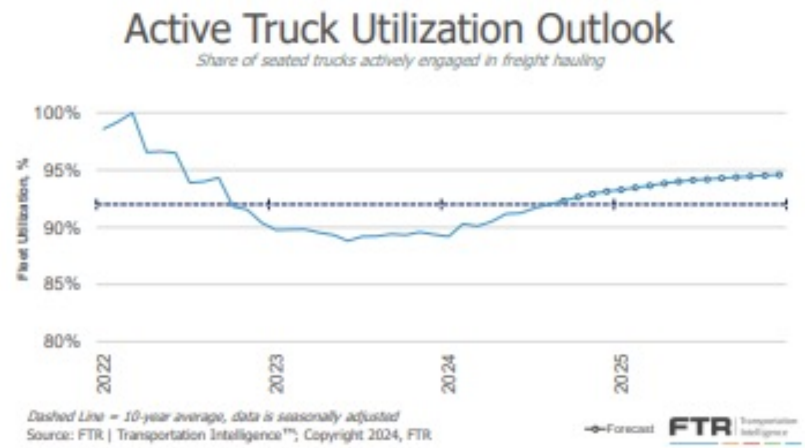
US Bulk

Key factors impacting supply

- Carriers continue to focus on utilization
  - The market continues to be shipper-friendly, with capacity generally available.
    - One notable short term blip was the recent hurricane and weather-related activity in the Gulf and Southeast, temporarily disrupting operations in that area of the country
  - Carriers continue to focus on committed volumes and longer-term opportunities
    - Carriers being selective is usually associated with tight markets, because carriers are able to be selective about what freight to haul. This looks to be a case of trying to avoid freight with negative margins, because they don't have high-margin lanes to offset the negative lanes.
  - Per carriers, hiring of drivers remains unchanged, with more driver availability in the South but with continued challenges in the Northeast and Midwest
  - Carriers continue to report slight increases in utilization, although, as mentioned above, the severe weather activity impacted operations of many carriers
  - A longer-term factor in improved utilization is a reduction in the driver pool. Although recruiting and hiring efforts are ongoing, some carriers in the segment are reducing fleet sizes through attrition – not replacing all drivers that leave or retire.



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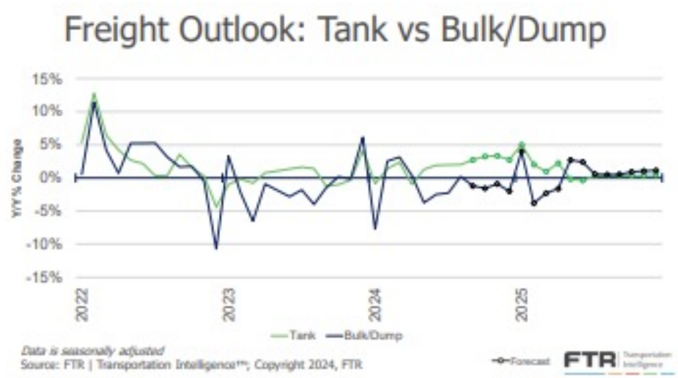
Key factors impacting demand

- **Market continues to favor shippers**
  - The overriding theme for the 2025 volume is “flat”. Most shippers are projecting volumes at or near current levels but with a few projecting modest increases
    - This aligns with the slightly improved utilization forecast for 2025, with slightly more volume available to carriers but not a big enough spike to tip the market in the near horizon
  - FTR forecasts do project 2025 growth in the chemical and fuels segments, key components of the bulk segment. Higher-than-expected growth here could result in early indicators of tightening capacity.
  - Shippers with private fleets continue to prioritize their own fleet utilization, which impacts available freight for external carriers when overall volume is down

- **Carriers are trying to force rates upward**
  - RFP activity has shown some carriers are trying to push linehaul rates higher, but with most carriers submitting rates based on current supply vs. demand market conditions, those testing the waters for higher rates either do not win the lanes or modify their bids to be competitive and come back to the pack



Truck Loadings Summary

Annual Growth Rate

Segment	2022	2023	2024 (Forecast)	2025 (Forecast)	2026 (Forecast)
Dry Van	1.4%	0.7%	1.7%	1.7%	2.4%
Refrigerated	1.7%	0.6%	1.9%	2.7%	2.3%
Flatbed	4.2%	-0.8%	-0.7%	1.8%	1.2%
Specialized	4.0%	1.4%	0.6%	1.5%	3.2%
Tank	2.8%	0.5%	1.8%	1.0%	0.9%
Bulk/Dump	2.2%	-1.1%	-1.3%	0.5%	1.5%
Total	**2.5%**	**0.2%**	**0.6%**	**1.4%**	**2.0%**

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

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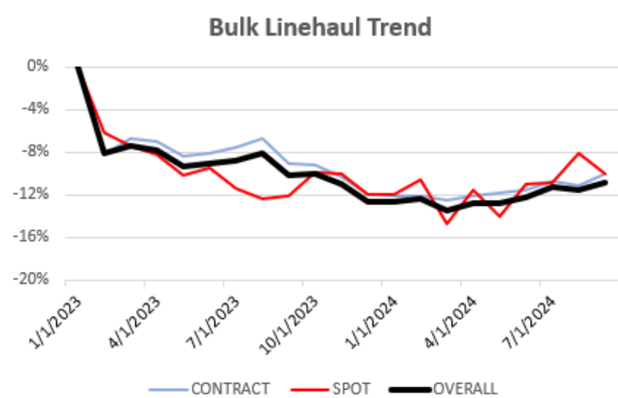
Bulk truck rate trends



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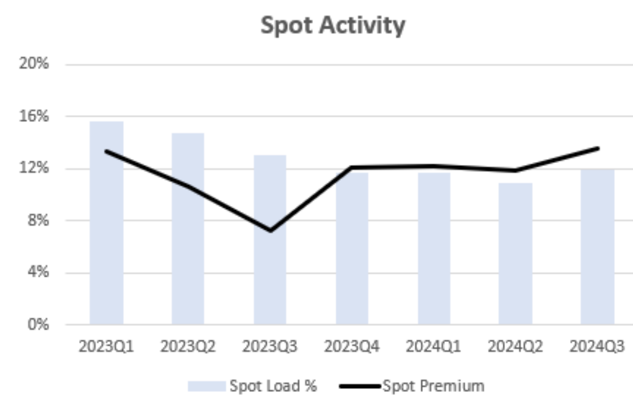

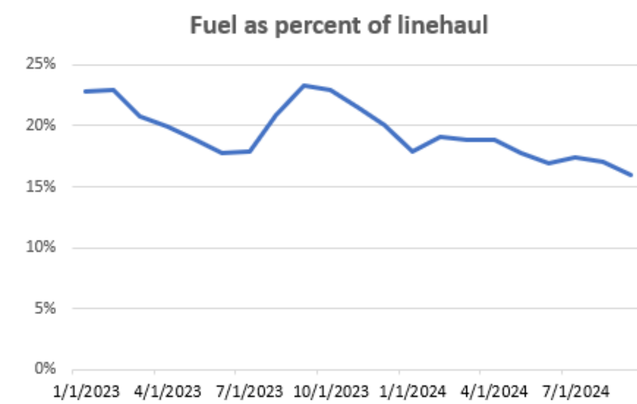

Source – Uber Freight TM

- Contract and overall rates maintain stability, as bulk shippers place value on incumbency due to safety, health, and environmental concerns, although we are starting to see slight upward pressure as we head into Q4
- Spot rates are more volatile, with lane mix and lead-time variation contributing to the swings

- Spot volume ticked up slightly in Q3, but has remained relatively stable over the past year
- Spot premium also increased slightly, with lead-time and lane mix being primary factors

- Fuel surcharge costs naturally mirror the path of the National DOE fuel rates, and after increases during Q1 of this year, Q2 and Q3 have shown a steady drop in rates
- Q3 ended with the national average down 6.7% from the end of Q2, and down 20.7% YoY

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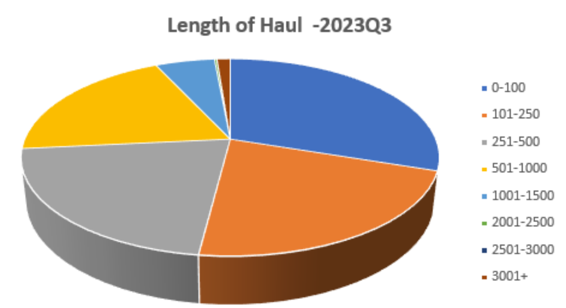
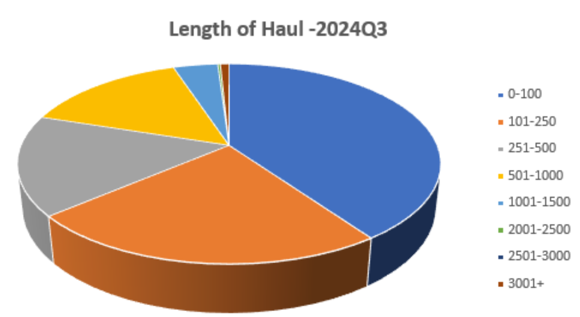
Uber Freight bulk network trends

YoY Length of Haul Comparison

- Liquid Bulk linehaul rates have been stable YTD, with mild fluctuation from quarter to quarter. In Q3, rates rose by 1.4% and are back at Q1 levels. YoY, rates are down 2.7%
- Dry Bulk linehaul dropped slightly this past quarter, falling by 1.7% from Q2. But, like liquid rates, 2024 has been very stable on the dry side, with current rates 0.5% below Q1 results. YoY, dry bulk rates are down 0.9%
- The length of the haul mix continues to trend toward shorter moves. In Q1 2023, 49.6% of shipments were under 250 miles. For Q3 2024, that figure is now at 63.8%. As this segment has grown, 251-500 and 501-1000 have dropped from a combined 42.8% to 31.1% of total volume.





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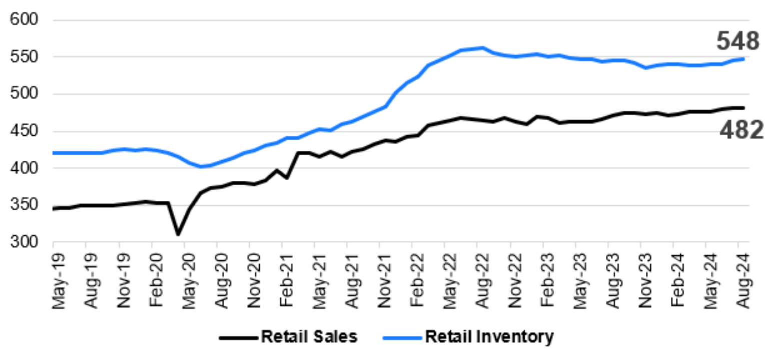
Warehousing

Inventory levels

Inventory to sales ratio tells the story of shippers and retailers planning for the potential disruption at the ports.

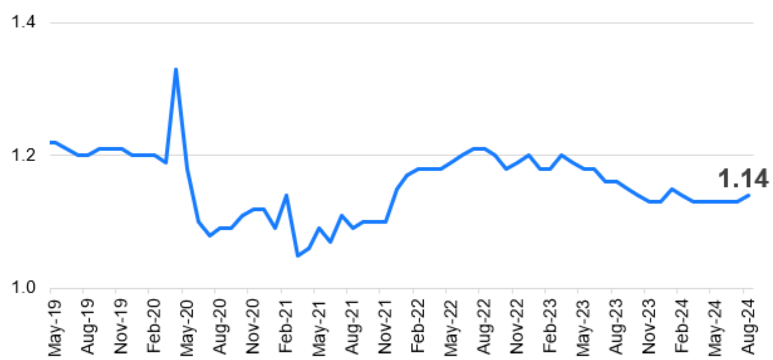
Retail sales & retail inventory (excluding auto industry) [1]

Billions of dollars, indexed to May 2019



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

Indexed to May 2019



Q3 2024 inventory:

- Retail inventory continued to increase in Q3 2024 after three consecutive months of growth in Q2 2024, landing at $547B in August 2024. This is 0.4% higher than this time last year.
- Retail sales held strong through August 2024 at **$482B**, a new all-time high.
- Inventory to sales ratio experienced a slight tick upwards to **1.14** in August 2024 marking continued lean supply chains but an increase in inventory.
- The small bump in the inventory-to-sales ratio is most likely due to the International Longshoreman Association's (ILA) long-anticipated strike that started on Oct. 1st. Upstream shippers stocked up before the ports had their crippling 3-day strike that completely shut down ports across the US East Coast and Gulf Coast.

Q3 2024 → Q4 2024 outlook:

- Currently, there is only a tentative agreement in place between the ILA and the United States Maritime Alliance (USMX) to keep the port running on the East & Gulf Coasts. Negotiations are planned to start back up in November which could have major implications on supply chains worldwide.
- An extended strike would be particularly devastating for retailers that have attempted to move back to JIT (Just-In-Time) models and may once again find themselves short on inventory heading into what should be a robust holiday season. [2]

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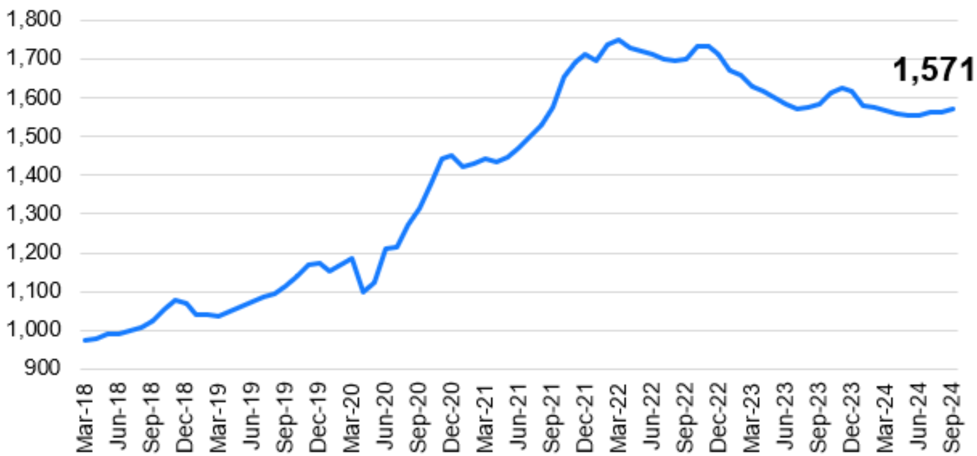
Source: [1] *US Census Bureau;* [2] *Logistics Managers' Index*

Warehouse labor trends

Warehouse employment increases in Q3 as wages continue to climb.

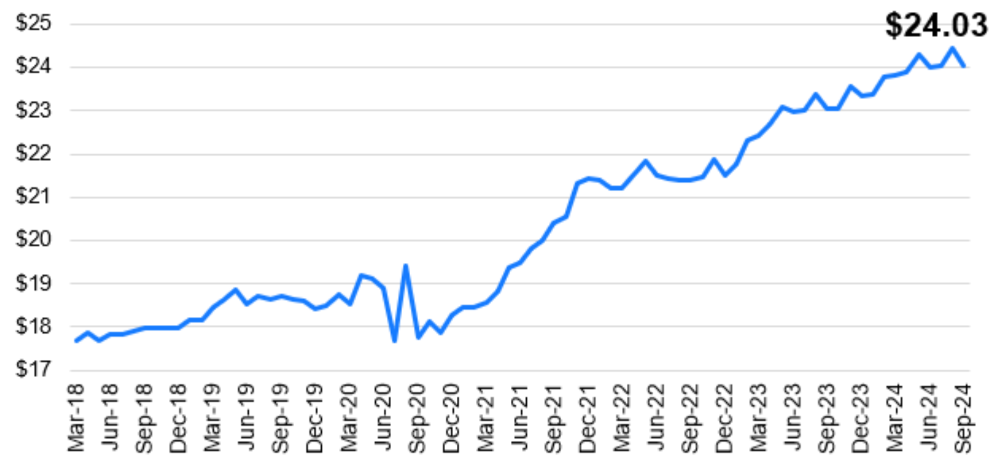
Warehouse Employment [1]

Thousands of employees, Indexed to Mar 2018



Warehouse Non-Supervisory Wages [1]

Per Hour Rate, Indexed to Mar 2018



Warehouse employment has held steady through Q3 2024 with a slight bump of +**0.9%** in Q3 2024. However, when compared to Q3 2023, employment has dropped by **1.0%**.

Non-supervisory warehouse wages hit another new all-time high of **$24.43** in August 2024 before it landed at $24.03 at the end of Q3 2024. This marks the **7th** month over the past twelve months to reach a new all-time high in wages.

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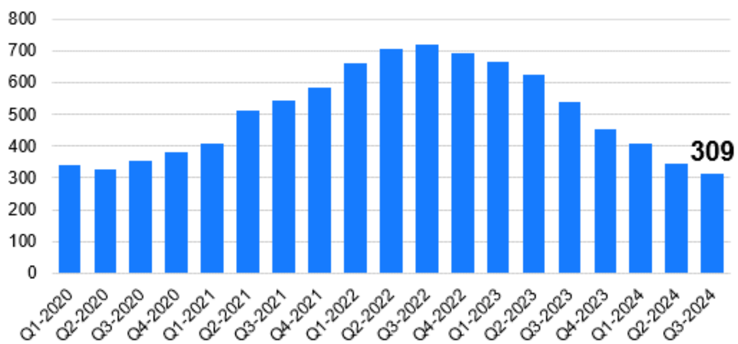
[1] *US Bureau of Llabor Statistics*

Warehouse space outlook

Lowest construction pipeline since 2018.

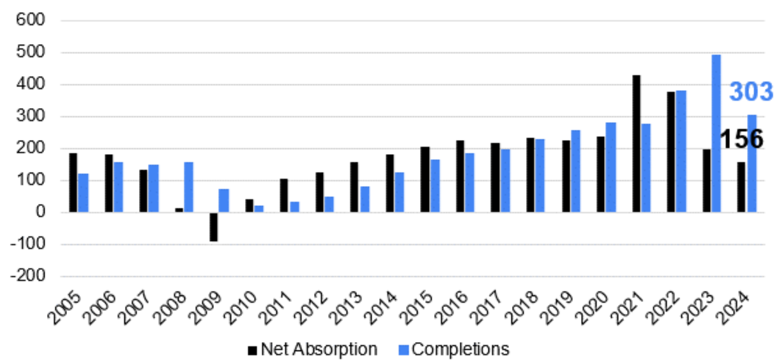
Under Construction [(1)]

Millions of Square Feet (MSF), Indexed to Q1-2020



Net Absorptions & Completions [(2)]

Millions of Square Feet (MSF), Indexed to 2005



Q3 2024 Warehousing Recap:

- The construction pipeline reached a low not seen since 2018; given high interest rates and slowing demand, the construction pipeline is slowing rapidly. [(1)]
- Net absorption was modest in the third quarter, as some large occupiers continued to shed unneeded space due to cooling consumer demand and shifting of inventory strategies. [(1)]
- Cushman & Wakefield reported another 90 MSF of new industrial facilities were delivered in the third quarter, marking the first time quarterly deliveries fell below the 100 MSF mark since the first quarter of 2022. [(1)]

Q3 2024 → Q4 2024 Outlook:

- This sharp drop in new construction sets the stage for vacancy to erode and rent growth to accelerate more meaningfully in the outer years of our forecast horizon (2026-27). [(1)]
- Net absorption is forecast to increase from around 100 MSF in 2024 to over 200 MSF in 2025 and more than 260 MSF in 2026. [(1)]

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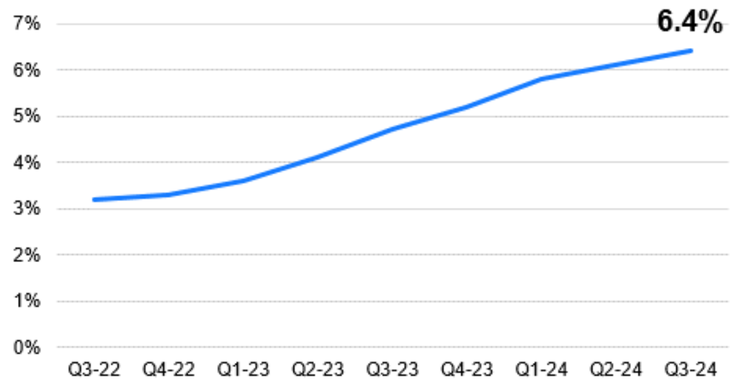
[(1)] *Cushman & Wakefield;* [(2)] *CBRE, JLL, Cushman & Wakefield, Colliers, CoStar, CBRE-EA, Prologis Research*

Space availability and cost

Vacancies continue to rise as asking rents increase the second quarter in a row after briefly decreasing in Q1.

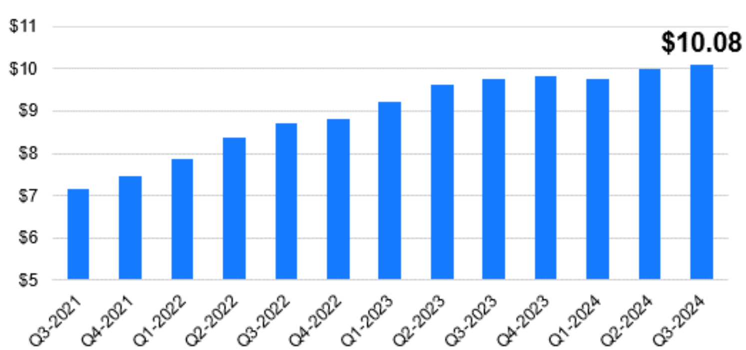
Vacancies [1]

Rate (%), Indexed to Q3-2022



Asking Rent [1]

$ Per Square Feet (PSF), Indexed to Q3-2021



Q3 2024 Warehousing Recap:

- Vacancies continue to normalize more consistently with the long-term average of 7% compared to the years coming out of the pandemic when vacancies were very tight. [1]
- Asking rents once again edged higher to $10.08 per square foot (PSF) for the first time in history, up 4.3% year-over-year (YOY). [1]
- 26 of the tracked 84 markets reported annual rent declines, with the largest decreases mostly occurring in West Coast markets. [1]

Q3 2024 → Q4 2024 Outlook:

- With new supply fading and demand poised to rebound next year, expect vacancies to peak at 6.7% midway through 2025 (still below the historical average) and then trend lower. [1]
- Rent growth is cooling to more sustainable levels. Annual rent growth is projected to finish the year at approximately 3% YOY before trending higher into the mid-single digits over the next two years, amid strengthening fundamentals and a smaller construction pipeline. [1]

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[1] *Cushman & Wakefield*

Europe

Factors affecting supply

Key points around capacity, pricing, and driver shortages

- The European contract rate index fell by 0.85% in the last three months and by 0.46% in the last six months. The market remains soft, resulting in positive savings from RFPs in FTL and LTL.
- The European spot rate index rose 0.55% in the last 3 months, and by 1.55% over the last 6 months.
- The spot rate index has increased vs. the contract rate index in the last three months on most country-to-country lanes.
- FTL and LTL capacity remain positive, but some brokerages are having capacity challenges at proposed rates due to the rising spot market.
- Input costs for carriers have risen dramatically, leading to a wave of insolvencies.
    - French Union of Transport and Logistics Companies: 45% increase in insolvencies in the last year. 5.4% increase in operating costs in the last year (excluding diesel.)
    - UK Road Haulage Association: 10% increase in insolvencies in the past year due to a 10% increase in operating costs. Margins down to 2%.
    - Germany: Insolvencies in the transport sector have increased by more than 30% since the end of 2023. A dramatic 83% increase in tolls is a factor.
- The Brent crude oil price dropped significantly during the quarter, falling from $86 per barrel at the start of July to $74 per barrel at the end of September.

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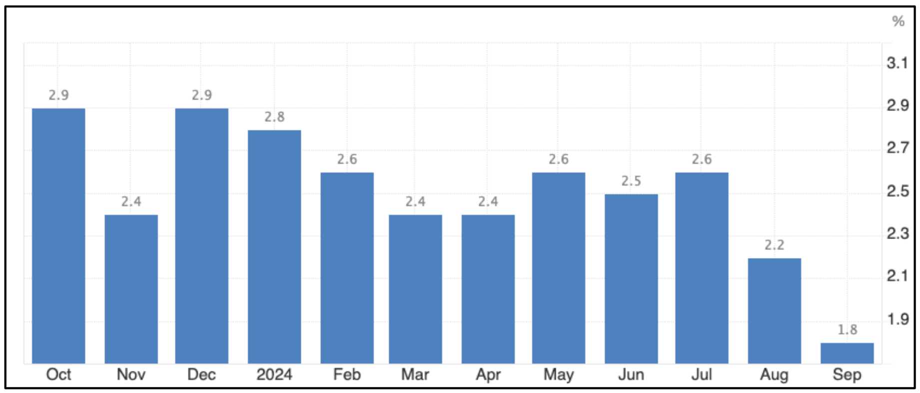
Factors affecting demand

Inflation continues to fall, but GDP growth forecasts are revised downwards and the PMI falls again

GDP Economic Outlook (EO)

	2023	2024		2025	
		Interim EO projections	Difference from May EO	Interim EO projections	Difference from May EO
Euro area	0.5	0.7	0.0	1.3	-0.2
Germany	-0.1	0.1	-0.1	1.0	-0.1
France	1.1	1.1	0.4	1.2	-0.1
Italy	1.0	0.8	0.1	1.1	-0.1
Spain[2]	2.5	2.8	1.0	2.2	0.2

Euro Area annual inflation rate



- GDP growth in the euro area remains weak at 0.7% in 2024 and 1.3% in 2025 (revised downwards from the May forecast.)
- The Euro area inflation rate was at 1.8% in September, the lowest since April 2021. Inflation is now below the European Central Bank target of 2%, signaling the possibility of further interest rate cuts.
- Energy prices fell significantly and inflation slowed for services.
- The Purchasing Managers Index (PMI) for the Euro Area decreased from 45.8 in June to 45.0 in September. The level remains well below 50, the threshold between expansion and contraction.

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

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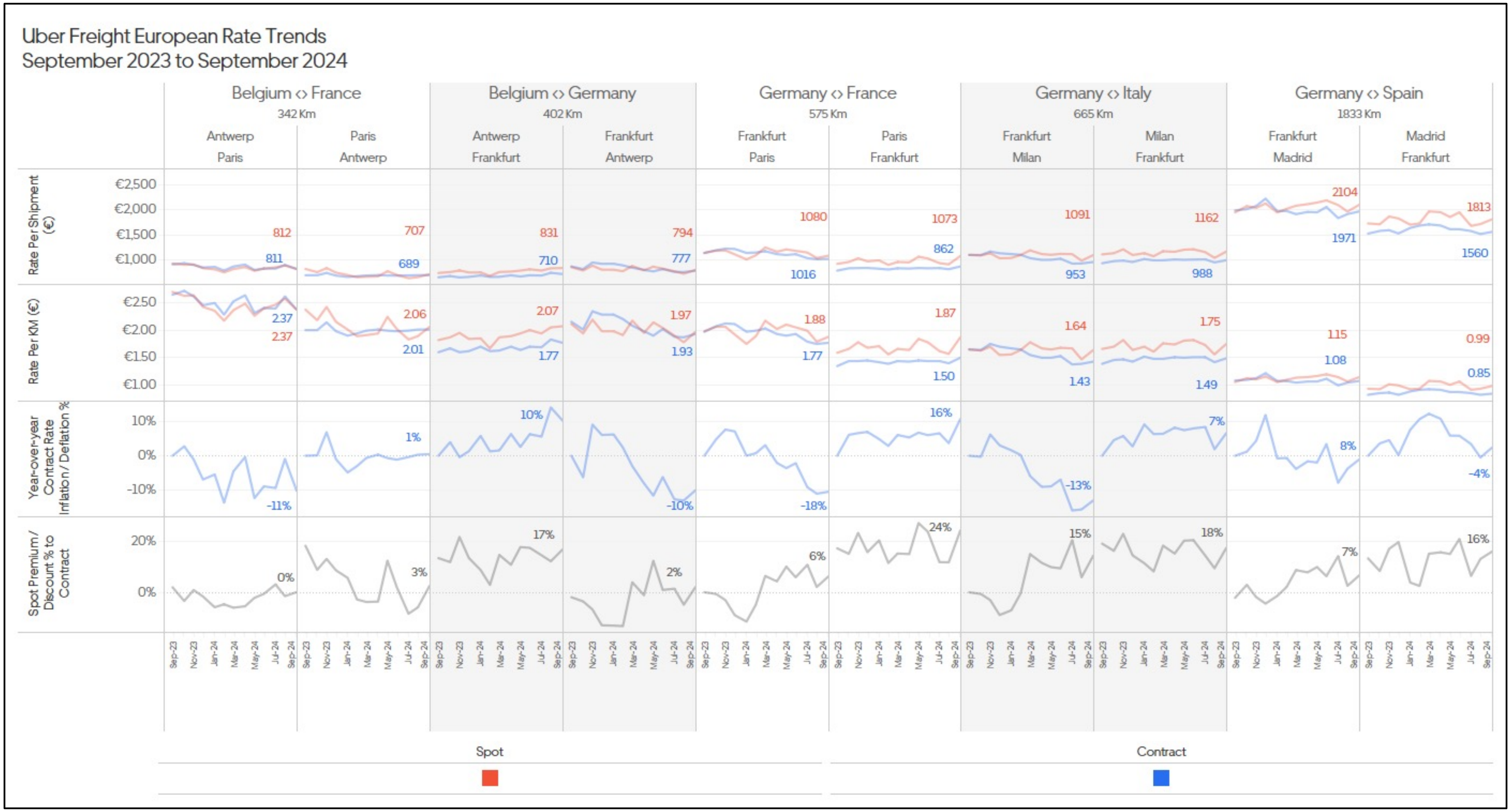
European rate trends



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Source: UPPLY.com

European rate trends

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Source: UPPLY.com

Outlook: Freight supply and demand

- As the European economy starts to slowly recover, capacity will become an increasing challenge.
- Fuel prices will remain volatile due to the unpredictable conflicts in Ukraine and the Middle East.
- The European Union's Court of Justice has annulled the EU's 2020 Mobility Package provision requiring vehicles involved in international transport to return to their operating base every 8 weeks.
- The European Parliament has voted for negotiations to lower the training age for drivers.
  - In Europe, truck drivers must be at least 21, with training permitted for those aged 18 and above, but the industry has been urging regulators to drop the minimum permitted trainee age to 17.
- Austria, France, and Denmark have extended border controls as countries within the Schengen zone take more control over migration and criminality.

Recommendations

- Contract rates remain under pressure so re-procure to gain benefits. Lock in capacity and service for the next 12 months via SLAs.
- Understand brokerage capacity capabilities as proposed rates are being challenged by spot market increases, leading to a lack of capacity.
- Carry out financial due diligence on current and new suppliers as insolvencies increase.

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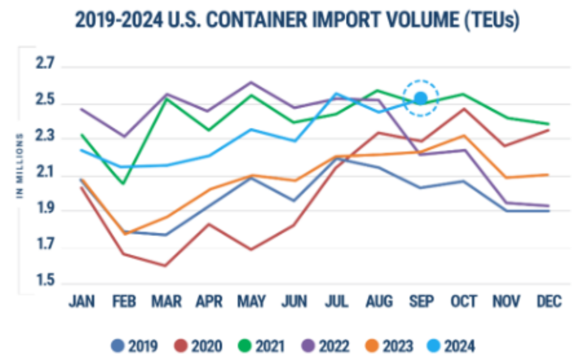
International

Global supply chain impacts

- US import container imports in September 2024 exceed 2.5M TEUs, third consecutive month of elevated volumes
- September 2024 volume: 14.4% YoY increase and 23.5% increase over 2019
- Overall, port transit delays have improved, excluding the ILA strike action at the beginning of October. There is ongoing rail congestion on USWC due to high import volumes.
- Red Sea disruptions continue: It has been 300+ days since diversions began, and analysts estimate they will continue through 2026 (Drewry).
  - Gemini Alliance (Maersk + Hapag Lloyd) announced they will bypass Red Sea as their new service kicks off in February 2025.
  - Re-opening the Suez Canal would increase shipping capacity by 25%.
- Global Supply Chain future disruptions considerations:
  - ILA contract negotiations postponed until January 15th. Major negotiation focus on port automation and future competitiveness of US ports. Tentative wage agreement between ILA and USMX creates estimated $5B in new labor costs over six-year life of new contract.
  - Consideration of new US tariffs impacting supply chains based on the outcome of the US presidential election.
- Global vessel schedule in August 2024 at 52.8% in June per Sea-Intelligence
- New FMC "Refusal to Deal" ruling update:
  - Rule published July 22nd specific to ocean carriers denial of export cargo and vessel space. Each claim will be evaluated individually.
  - The requirement for carriers to file documented export policies is delayed pending approval from the Office of Management & Budget.



Source: Descartes Datamyne™

Similar to 2023, the volume increase in September 2024 over August breaks from the typical pattern of month-over-month declines. September 2024 recorded the highest volume for the month in the past six years, narrowly surpassing September 2021 by 1.2% (see Figure 2).

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

Port	TEU Change	% Change
Los Angeles, CA	(203)	0.0%
New York/New Jersey	(19,731)	-5.3%
Long Beach, CA	50,401	12.6%
Savannah, GA	(7,730)	-3.2%
Houston, TX	390	0.2%
Norfolk, VA	8,739	6.8%
Charleston, SC	13,357	13.6%
Oakland, CA	(2,076)	-2.5%
Tacoma, WA	(2,435)	-3.5%
Baltimore, MD	6,144	17.8%
Total Top 10 Ports	**46,855**	**2.2%**

Source: Descartes Datamyne™

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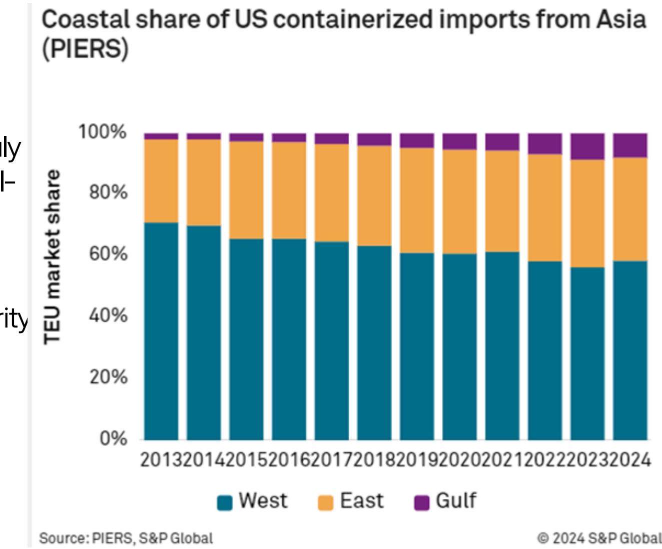
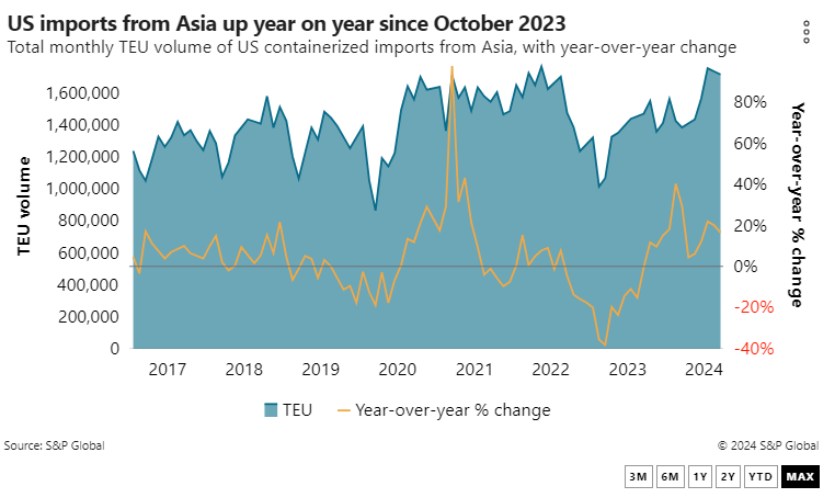
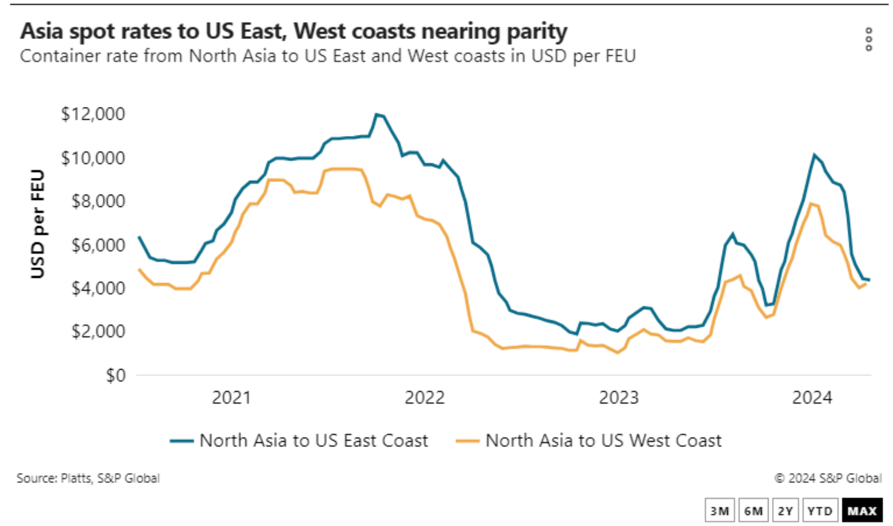
Transpacific trade

- July through September, China to US container import volume has been at elevated volumes, July being the highest volume month at > 1M TEUs. September volumes were down 3.3% from July all-time high.
- Heavy frontloading of import shipments in Q2 and Q3, leading to fast ending to peak shipping season.
- Space to USWC is plentiful for Q4. The spot market will decrease further, although it will be at parity with USEC in mid-October. Rates and space will be fluid based on ongoing ILA negotiations in December.
- 3m TEU of new tonnage arriving in 2025. Ongoing container ship orderbook set a record in Q3 2024 (> 1.8m TEU) – surpassing Q1 2021.
- Drewry forecasts that ongoing market disruption (ILA, Red Sea, increased EU emission trading system carbon taxes) will put inflationary pressure on spot rates. Xeneta predicts the opposite: tonnage will ease freight rates in 2025.
- Idle fleet capacity remains unusually low in Q4.

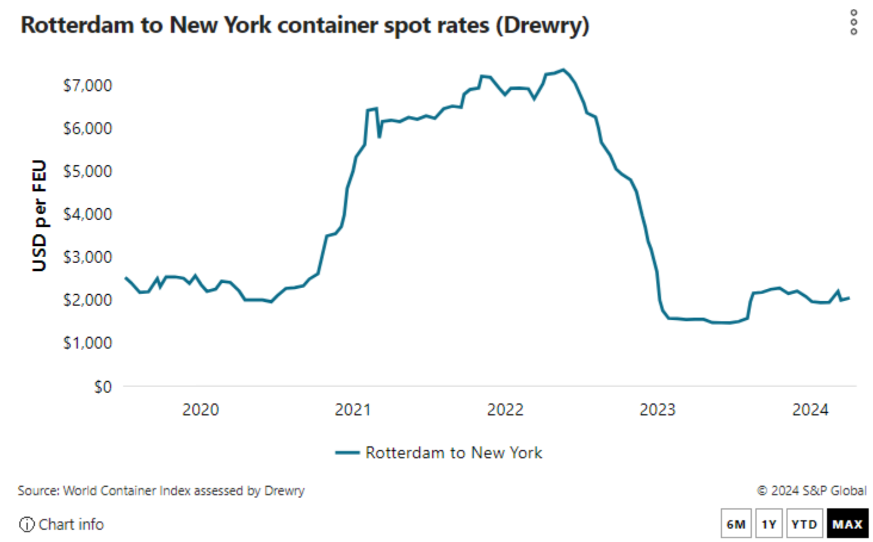






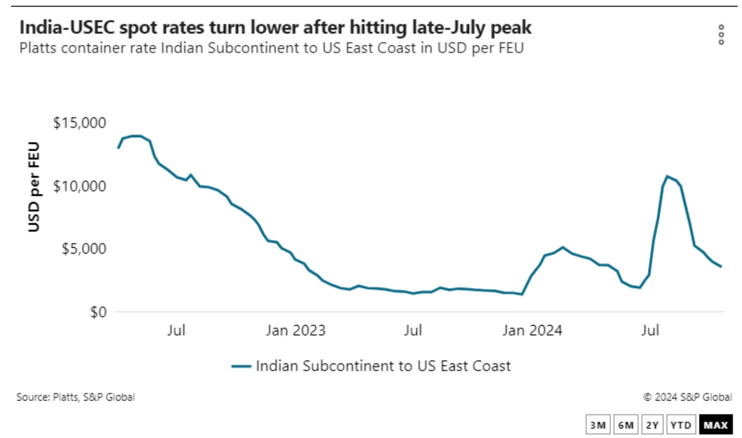
Trans-Atlantic trade

- Significant reduction in trans-Atlantic vessel capacity in October due to ILA strike. Sea-Intelligence forecasts that Mediterranean and North Europe routes will face a 10 to 14% reduction by end of October.
- North Europe ports face ongoing port congestion. Yard utilization is at 112%.



India trade

- Rates have dropped quickly on India to USEC lanes as bookings have plummeted



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Mexico Truckload

Mexico economic outlook

Mexico economy

- Mexico's annual inflation fell for the second month in September to 4.58%. This has been the lowest rate since March, closing below market forecasts.
- The Bank of Mexico (Banxico) decided to cut the interest rate to 10.5% in September. This is the second consecutive month the government has adjusted, as the rate was lowered to 10.75% in August.

Mexico Presidential Elections

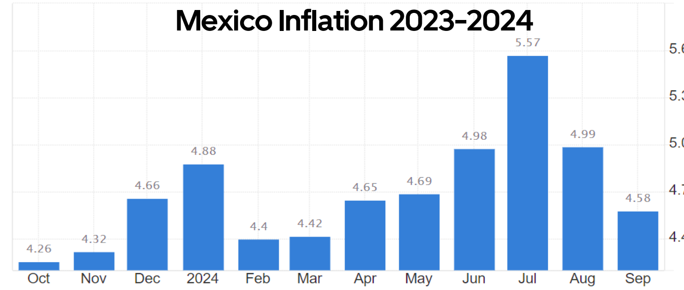
- As of October 1st, the first female president, Claudia Sheinbaum, took office.
- Sheinbaum's administration faces several challenges; the stability of her administration will be crucial in attracting further foreign investment and enhancing cross-border trade relations. However, Sheinbaum must address significant concerns, including insecurity, public safety, and macroeconomic stability. Key economic issues include managing inflation and fiscal deficits while pushing forward with infrastructure projects to support economic growth.

Exchange rate

- The average exchange rate for September 2024 closed at $19.69 USD/MXN, the year's highest monthly average record. Banxico forecasts that the Peso will fluctuate between $19.50 USD/MXN and $19.74 USD/MXN during Q4 2024.

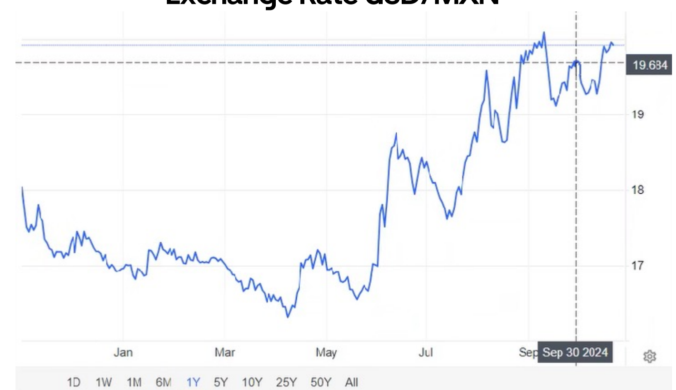
Mexico and US Trade

- USA-Mexico trade reached $74 billion in August 2024, marking a 4% increase compared to the same period last year. Laredo's port was also ranked No. 1 as the main port of entry between the two countries.



Source: Inegi (Instituto Nacional de Estadística y Geografía)

Exchange Rate USD/MXN



Source: Trading Economy

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Mexico current situation

Transportation cost and capacity

- Cross-border carriers continue offering direct capacity from Mexico to the US, especially in the northern region due to its proximity to the border. On the other hand, transload capacity in Mexico remains tight as Mexican carriers are still struggling with the driver shortage.

- According to the last IRU* report in 2023, there were 56,000 unfilled driver positions in Mexico; this number could rise to at least 106,000 drivers by 2028, potentially disrupting the nation's logistics chain and impacting projects arriving in Mexico for the nearshoring investment.

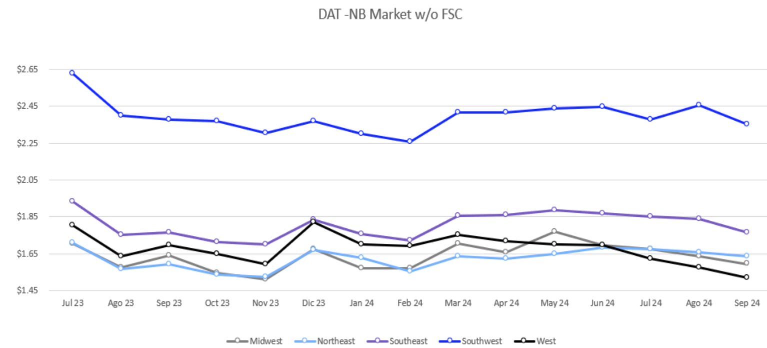
- The average diesel price of Q3 closed at $25.56 MXN/L, a 2% increase compared to Q2 2024. In September 2024, the price per liter of diesel closed at $25.52 MXN/L, a 6% increase YoY.

- The Laredo load/truck ratio averaged 4:1 in September 2024, indicating a neutral market.

Security:

- In its latest monthly report on vehicle theft, the National Association of Vehicle Tracking and Protection Companies (ANERPV) detailed that, by the end of August, 142 stolen units were recorded. This represented an increase of 2.8% compared to August of the previous year.

NB Market w/o FSC



Mexico cargo risk heat map

Source: Overhaul

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*IRU: International Road Transport Union

Nearshoring

- As of September 2024, Mexico has seen a surge in foreign investment announcements, with the private sector committing over $64.7 billion USD across 209 projects. These investments are projected to generate nearly 100,000 new jobs, with manufacturing taking the lead, receiving 56% of the total.
- Noteworthy recent investments include Constellation Brands ($4.6 billion USD), Iberdrola ($2.9 billion USD), and Stellantis ($1.6 billion USD).
- Geographically, states like Querétaro, Nuevo León, Estado de México, and Veracruz have emerged as top recipients of these investments. The investments emphasize Mexico's role as a hub for nearshoring and signal sustained interest from international companies. The United States continues to be the main contributor, accounting for 46% of the capital inflows.
- However, while these announcements signal economic optimism, geopolitical and regulatory uncertainties—such as judicial reforms and upcoming U.S. elections—may impact the realization of some projects, with $35 billion USD in investments currently reported to be stalled or delayed pending more clarity on political developments.

2024 Foreign Direct Investment by Country of Origin

Source: Secretary of Economy

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Outlook and recommendations

- As foreign investment increases and more companies establish operations in Mexico, Claudia Sheinbaum's government must focus on critical areas to ensure successful trade growth. These include road security, infrastructure investment at major border crossings, additional warehouse space, improving key transportation roads, and administrative stability to attract foreign investment.
- Cargo theft and driver shortage continue to be the biggest challenges for Mexico's transportation industry.
- The Mexican peso depreciation has helped mitigate rate increases by Mexican carriers serving cross-border corridors.
- Cross-border carriers continue to report US equipment availability in Mexico for direct shipment; as more companies are established in Mexico, we anticipate this trend will ease in the upcoming years.
- It's a good time to budget for 2025 through RFPs and lock rates and capacity.
- The holiday season is coming. Plan, secure capacity, and set service expectations with your incumbent carriers for the upcoming months.
- Flexibility is critical! Consider alternatives such as mode diversification (OTR, IM, Ocean) and using multiple border crossing points.

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Canada

Canada: key factors impacting demand

The Canadian economy experienced supply chain disruptions and modest growth in the third quarter of 2024, but government spending and business investments provided stability:

- Real GDP grew 0.2% in Jul'24 over the previous month and reflected a 1.5% rise from the same period last year
- Bank of Canada (BoC) cut the key interest rate by 0.5% to 3.75% in Oct'24 due to easing inflation, which fell to 1.6% in September, below the target of 2%
- The Canadian dollar has been depreciating against the US dollar. October's average exchange rate is 1 CAD = 0.729 US, down from 0.738 USD on the Sep'24 average. The decline is due to factors such as disinflation, a softening labor market in Canada and contrasting monetary policies.
- In Sep'24, core retail sales in Canada increased by 0.7% compared to Aug'24. This growth reflects a recovery following a decline in August. Year-over-year, core retail sales increased by 0.9%.
- Unemployment rate was 6.5% in Sep'24, down 0.1% m/m. YoY, rate is up by 1.5 percentage points.
- Manufacturing PMI in Canada increased to 50.4 in Sep'24 from 49.5 in Aug'24, marking the first improvement in operating conditions since Apr'23.

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Canada: key factors impacting supply

Trucking activity continues to balance compared to last year, primarily due to a gradual reduction in market capacity:

- Cross-border trade remains strong, driven by Outbound loads from Canada to the United States, while Inbound loads from the United States are declining, primarily due to the weakened Canadian dollar.
- Over the road linehaul rate index in July increased slightly +0.5% MoM and +0.9% YoY on a 4-month moving average basis, according to the Canadian General Freight Index.
- Class 8 retail sales continue to decline as carriers remain cautious about adding additional capacity and are not in a rush to replace equipment.
- In September, the ratio reached 3.31 trucks per load, a significant decrease from 4.34 in the previous year, according to data from LoadLink. Whilst an improvement y/y, the market remains oversupplied.
- Inventory levels are gradually returning to pre-pandemic norms as supply chain disruptions continue to ease.

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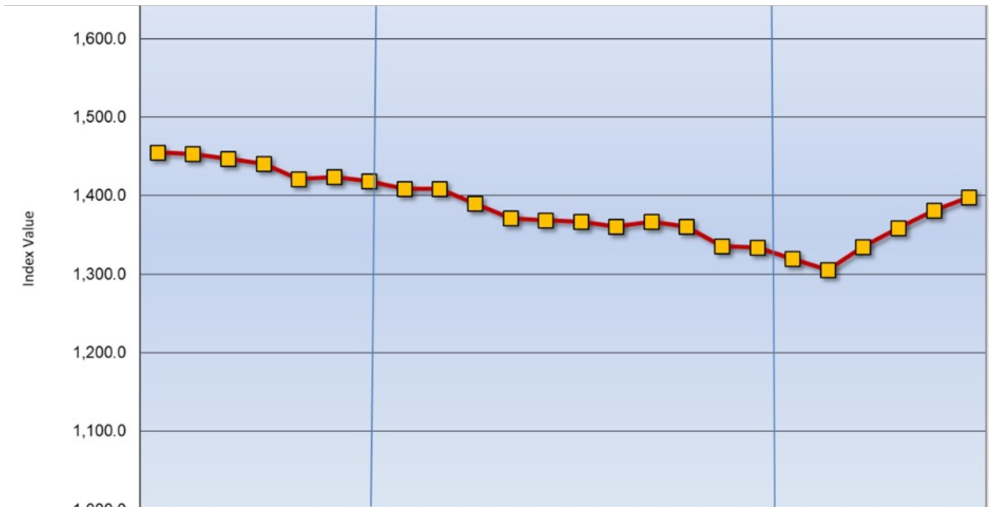
Canada: rate trends

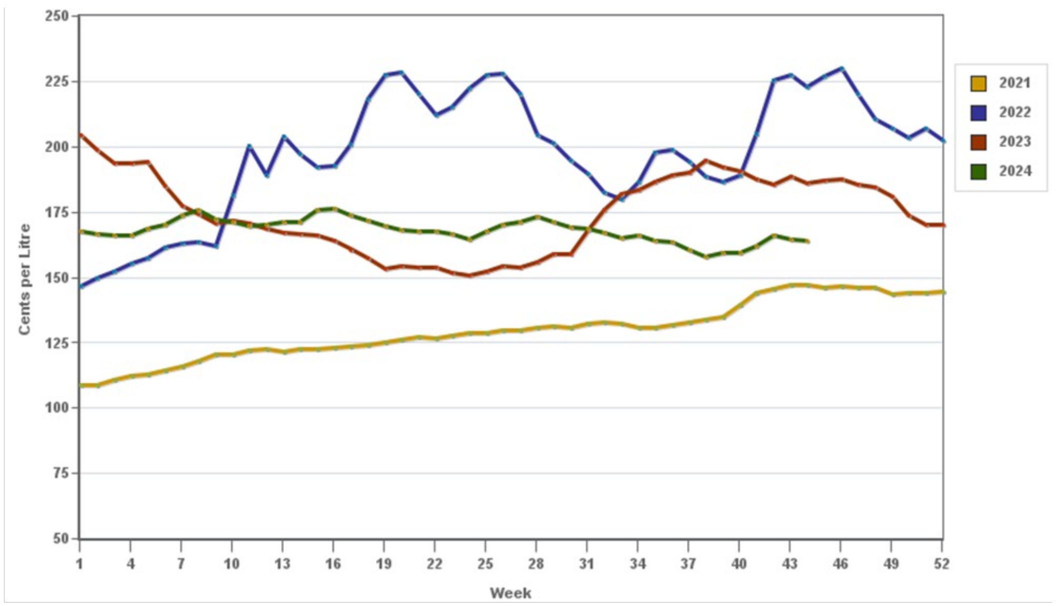
Over the road linehaul rate index in July increased slightly +0.5% MoM and +0.9% YoY on a 4-month moving average basis, according to the Canadian General Freight Index.



	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
% vs. Prior Month	2.54%	-0.12%	-0.47%	-0.43%	-1.33%	0.14%	-0.37%	-0.65%	-0.01%	-1.34%	-1.37%	-0.15%
% vs. Prior Year	11.64%	11.72%	11.99%	12.53%	11.01%	9.88%	6.29%	3.07%	2.59%	-0.40%	-2.73%	-3.54%
4 Month Moving Average	1,455.	1,453.	1,446.	1,440.	1,421.	1,423.	1,418.	1,409.	1,409.	1,390.	1,371.	1,369.

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
% vs. Prior Month	-0.15%	-0.45%	0.46%	-0.46%	-1.83%	-0.15%	-1.06%	-1.11%	2.29%	1.78%	1.62%	1.28%
% vs. Prior Year	-6.08%	-6.39%	-5.51%	-5.55%	-6.02%	-6.29%	-6.94%	-7.37%	-5.25%	-2.26%	0.70%	2.15%
4 Month Moving Average	1,367.	1,360.	1,367.	1,360.	1,336.	1,334.	1,319.	1,305.	1,335.	1,358.	1,380.	1,398.

Linehaul over-the-road freight rates excluding fuel and accessorial charges. Source: Canadian General Freight Index



Average Retail Prices for Diesel in Canada. Source: Natural Resources Canada

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Canada: recommendations

Execute carrier RFP and secure capacity at current rates as the market starts to re-balance

- Continue to partner with financially healthy carriers
- Plan to contract rates in Q1 and get committed capacity from carriers
- Review, standardize, and re-negotiate accessorial charges
- Emphasize carrier relationships, develop long-term partnerships with carriers to enhance service efficiency

Implement network efficiencies:

- Leverage sailing schedule for long-haul freight flows
- Create consolidation opportunities by holding orders for 24 to 48 hours, where possible
- Consider multi-stop truckload or pooling options to substitute the traditional hub-and-spoke LTL method
- Embrace data and technology utilization to optimize carrier selection and consolidation opportunities

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Sustainability

Sustainability policy updates

- ESG Climate disclosures are mandatory for businesses operating in the following areas. Determine your eligibility to participate and develop a reporting and auditing plan:
  - Europe
    - Corporate Sustainability Reporting Directive (CSRD)
  - USA
    - SEC's Enhancement and Standardization of Climate-Related Disclosures
  - California
    - California Climate Accountability Package: SB 253 California Climate Corporate Data Accountability Act
    - California Climate Accountability Package: SB 261 Greenhouse Gasses: Climate-Related Risk
    - California Voluntary Carbon Market Disclosure Rule: AB-1305 Voluntary Carbon Market Disclosures

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Uber Freight