Uber Freight

2025 Q1 Market update & outlook

February 2025

Market update & outlook
Executive summary – 2025 Q1

Macro Economy
- Tender acceptance and routing compliance rates fell to the lowest levels since mid-2022
- Spot rates are mirroring last year's trends, seasonality remains the main driver.

US – LTL
- Demand is expected to remain low through Q1 after a weak Q4
- Expect volume and pricing to begin trending upwards in Q2
- LTL pricing should not have a dramatic impact on shipper's budgets in 2025

Ocean & Air
- Schedule reliability has largely remained within the 50-55% range in 2024
- US tariffs by the new administration could cause future disruptions

Warehousing
- Retail inventory is expected to continue to increase
- The overall vacancy rate increased in Q4 and is expected to approach peak levels in 2025

US – Truckload
- Annual full-network RFP events continue to be the trend
- Volume cutoffs remain a key strategic discussion

US – Bulk
- Spot volume dropped in Q4 to its lowest level in 2 years
- Carriers are seeing a slight tightening of capacity and improved utilization
- Length of haul mix continues to trend towards shorter moves

Mexico
- Annual inflation closed below market forecasts and at its lowest level since 2020
- *Plan México* initiative announced to attract $277B USD in investments by 2030

Sustainability
- ESG Climate disclosures mandate proceed in CA
- CARB pulls request for ACF waiver; ACT waiver remains intact

US – Intermodal
- With minor exceptions, railroad networks have generally been free of congestion and delays
- Volume is up YoY since Nov. '23; results are expected to fluctuate more in '25
- Spot rates continue to be lower overall

Europe
- The contract market remains soft, resulting in positive savings from RFPs
- Input costs for carriers continue to rise due to several factors, including equipment costs
- Unfilled driver positions expected to rise to 15% in 2025

Canada
- GDP growth is projected to continue at around 2% through the first half of 2025
- Q4 2024 marks the highest freight volumes since early 2023

Tariffs are on hold for now

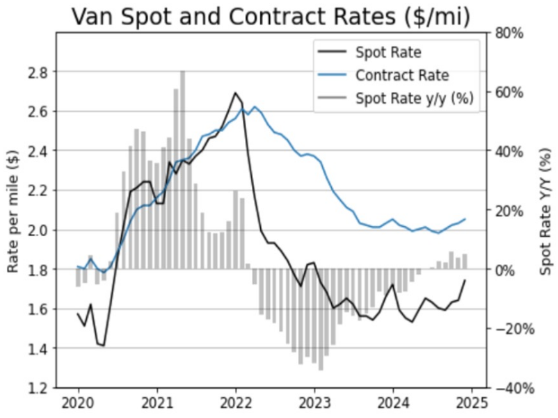
Tariff postponement allows time for negotiations, potentially averting damaging consequences for all parties. The severity of these consequences makes reaching an agreement more likely:

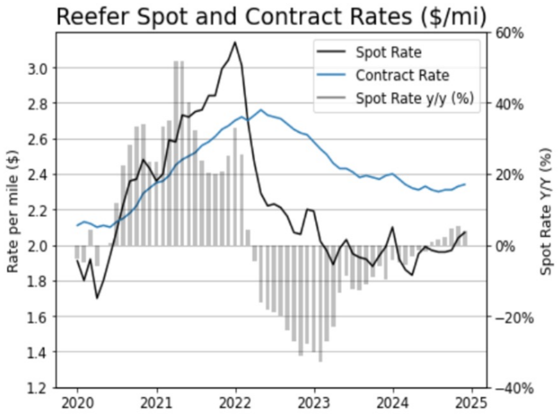
- **Tariffs could push U.S. inflation higher**, adding $1,000 to $1,200 to the average person's cost of living. This comes as inflation is already above the Fed's target, **delaying further rate cuts.**
- In the long run, tariffs might boost domestic freight by giving local manufacturers an edge. However, the magnitude and sudden implementation of tariffs means we likely won't see benefits for a while, and the immediate damage will be more significant.
- **Tariffs could significantly lower cross-border volumes**, resulting in abundant capacity.
- **Intra-Canada and Mexico volumes are particularly vulnerable**: Approximately 78% of Mexico's exports go to the U.S., as do roughly 77% of Canada's. Exports represent nearly one-third of both countries' GDP.

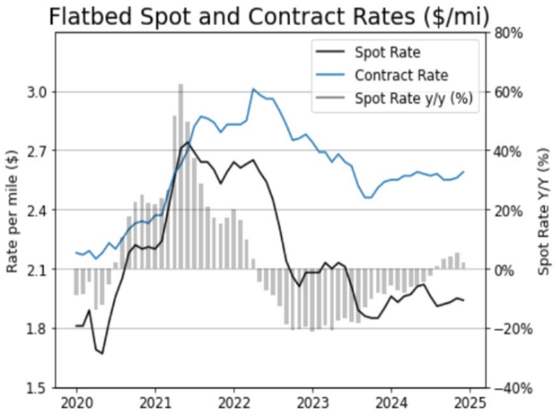
US Full Truckload

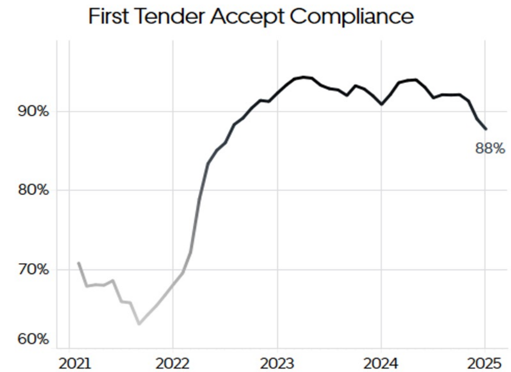
Following a tight peak season, spot rates are falling, mirroring last year's trend

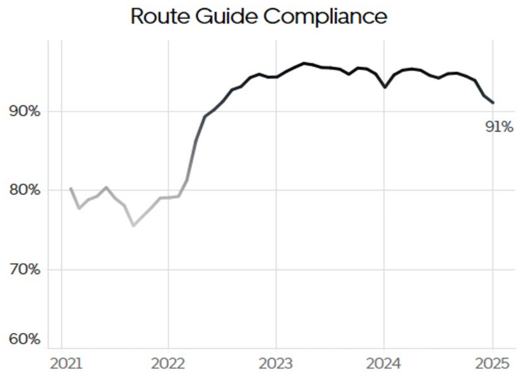
Tender acceptance rates fell below 90% - the recent tightening had notable effects on shippers' transportation costs.

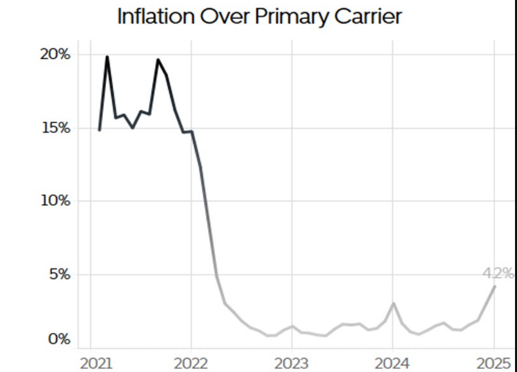










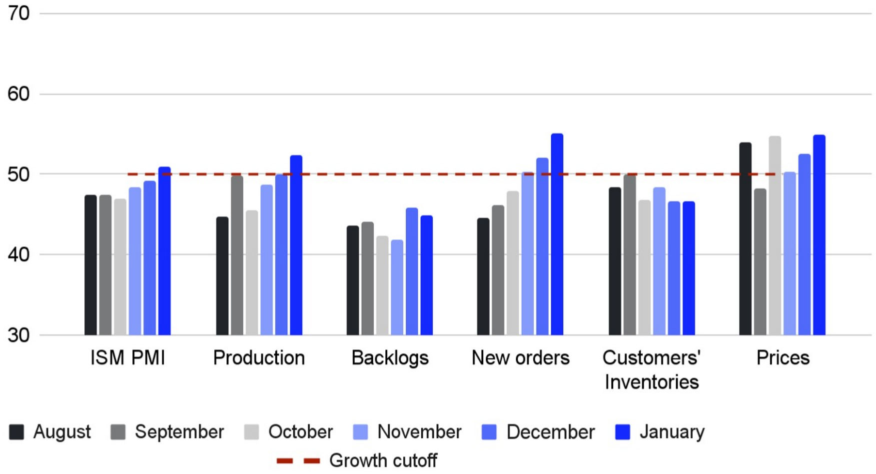


Sources: ACT Research, DAT, Uber Freight Data Insights

Despite weak current demand, signs of a recovery are emerging

ISM Manufacturing PMI [1]

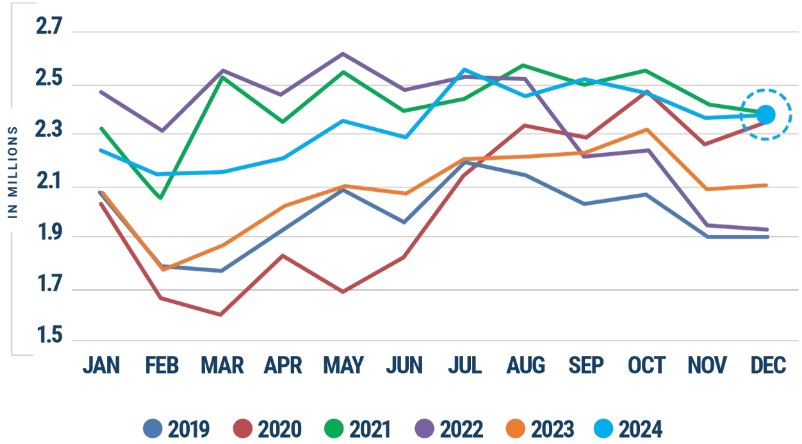
Values above 50 imply expansion and below 50 imply contraction



The ISM PMI edged up to 50.9 in December, surpassing the expansion threshold for the first time in 26 months. New orders and production increased while employment stabilized. The manufacturing economy appears to be expanding after a prolonged period of contraction, signaling a positive outlook for freight demand.

US Container Import Volume (TEUs) [2]

Millions of containers, not seasonally adjusted

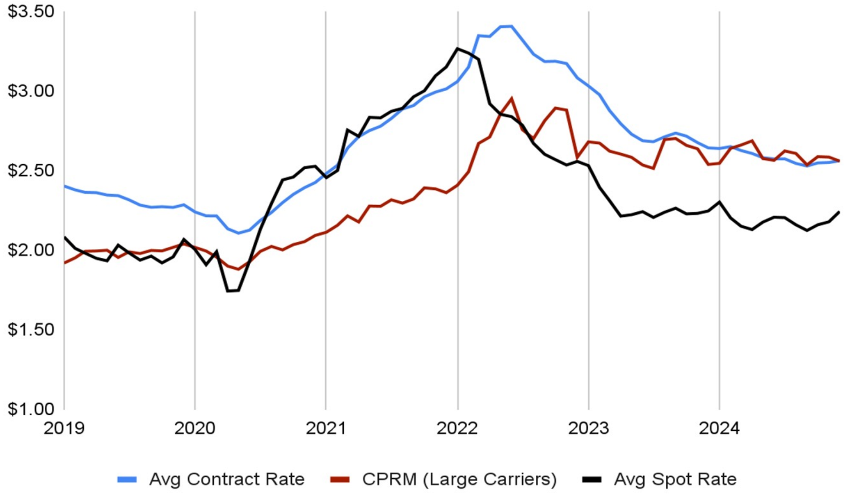


December marked a strong finish for container imports, with total volumes approaching 2.4 million TEU. Volumes increased by 12.4%, y/y and a remarkable 24.3% compared to pre-pandemic levels in Dec'2019. For the entire year of 2024, container imports surpassed 28M TEU, representing a 13% increase over 2023.

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

Trucking employment stabilized, but tractor and trailer orders surged

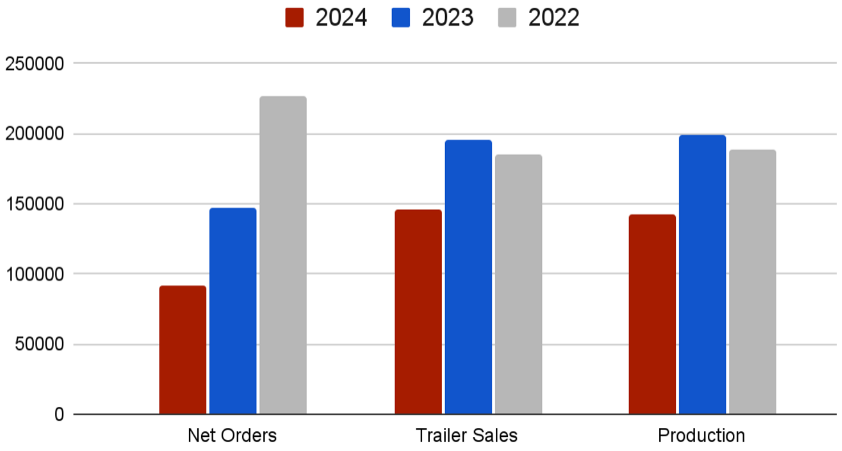
Spot and contract rates vs. cost per revenue mile



Truck operating costs rose 2 cents/mile in 2023 despite a 9-cent diesel price decline. This was due to y/y increases in insurance (+13%), truck and trailer costs (+9%), and driver wages (+8%). Costs fell 2 cents/mile in 2024, resulting in stable costs over the past two years. The cost per loaded mile exceeds spot rates significantly. However, rates are likely to increase further to align with rising costs.

Trailer Orders, Sales, and Production [2]

Dry van trailers only



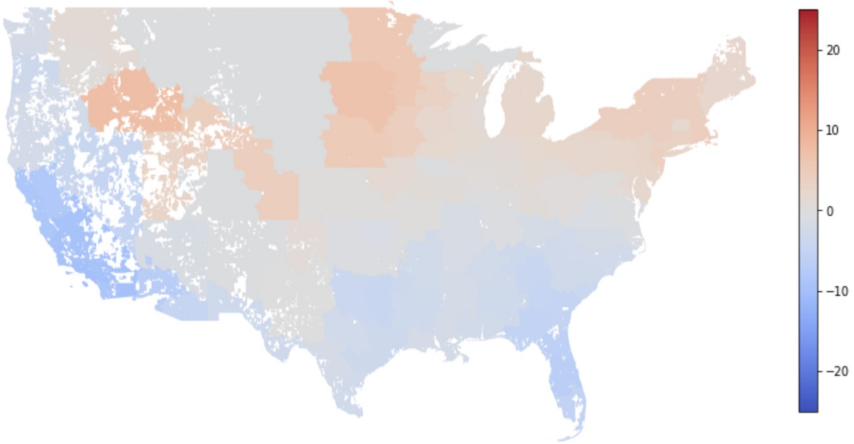
Tractor and trailer orders surged in November. Sleeper tractor orders soared 57% and were 11% higher year-over-year, while dry van trailer orders climbed 58% and were 15% higher year-over-year. This signals a rise in confidence among carriers. Weak production and sales, reflecting subdued demand in 2024, suggest that capacity will continue to contract in the coming months.

[1] Monthly cost per revenue mile (CPRM) is calculated with inputs from BLS, ATRI, and EIA; [2] ACT Research

Short-term Outlook: Expected Change in Van Spot Rates in the Next Quarter

February Seasonal Pressure Based on Historical Data

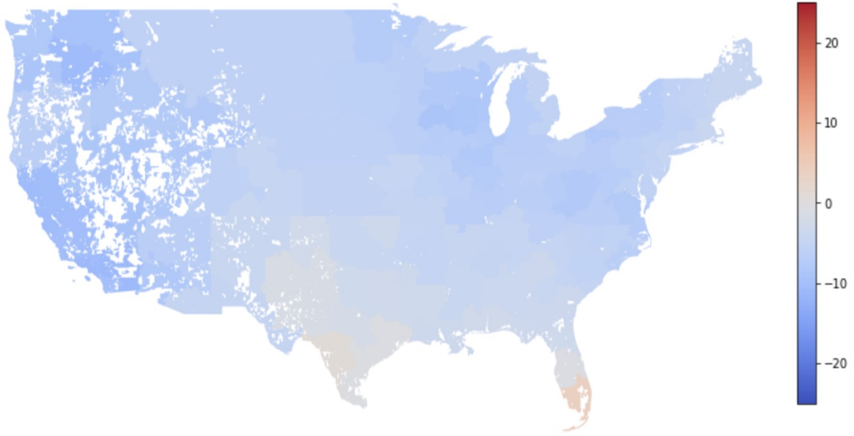
Spot rates relative to their year average (percent)



February typically marks a decline in spot market demand as the holiday rush subsides and drivers return to work. This usually results in spot rates falling below annual averages, with the exception of a few Midwest regions.

April Seasonal Pressure Based on Historical Data

Spot rates relative to their year average (percent)



Spot rates usually bottom in April as freight demand hits a year-low. Last year saw a 21 cent/mi drop between January and April. A less pronounced drop this year could signal a tightening market (on a seasonally adjusted basis).

Source: Uber Freight analysis of DAT data.

Long-term outlook

Freight Demand

- **No shocks on the horizon** (such as lockdowns or government stimulus).
- Expecting a **gradual recovery in manufacturing** and housing if rate cuts continue as planned.
- Although less likely, cross border demand might be severely impacted by tariffs if they go into effect.

Freight Supply

- **Rising tractor and trailer orders** signal carriers' confidence in a potential recovery.
- **Truck operating costs** remain well above spot rates.
- **Trucking employment has stabilized** following a slow correction.

Truckload Rates

- **Van spot rates remain positive y/y**, and seasonality continues to be the primary mover.
- **Contract rates** started to increase after remaining flat throughout 2024.

Rate Outlook

- **Spot rates likely to rise gradually**, driven by capacity exiting the market amidst stable demand.
- Various forecasts expect 5% to 23% increase in spot rates year-over-year.
- **Contract rates likely to rise** further following spot rates.

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 mostly flat, with a light uptick in Q4 as a few shippers chose to pull bids forward, projecting a market increase.

Strategic Trends

- Shippers beginning to insulate themselves ahead of a predicted upturn in the contract market.
- Shippers are willing to bid on the entire network vs. only select lanes but are looking at all options.
- 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: a low-volume strategy for coverage and backup carriers.

Carrier Behavior

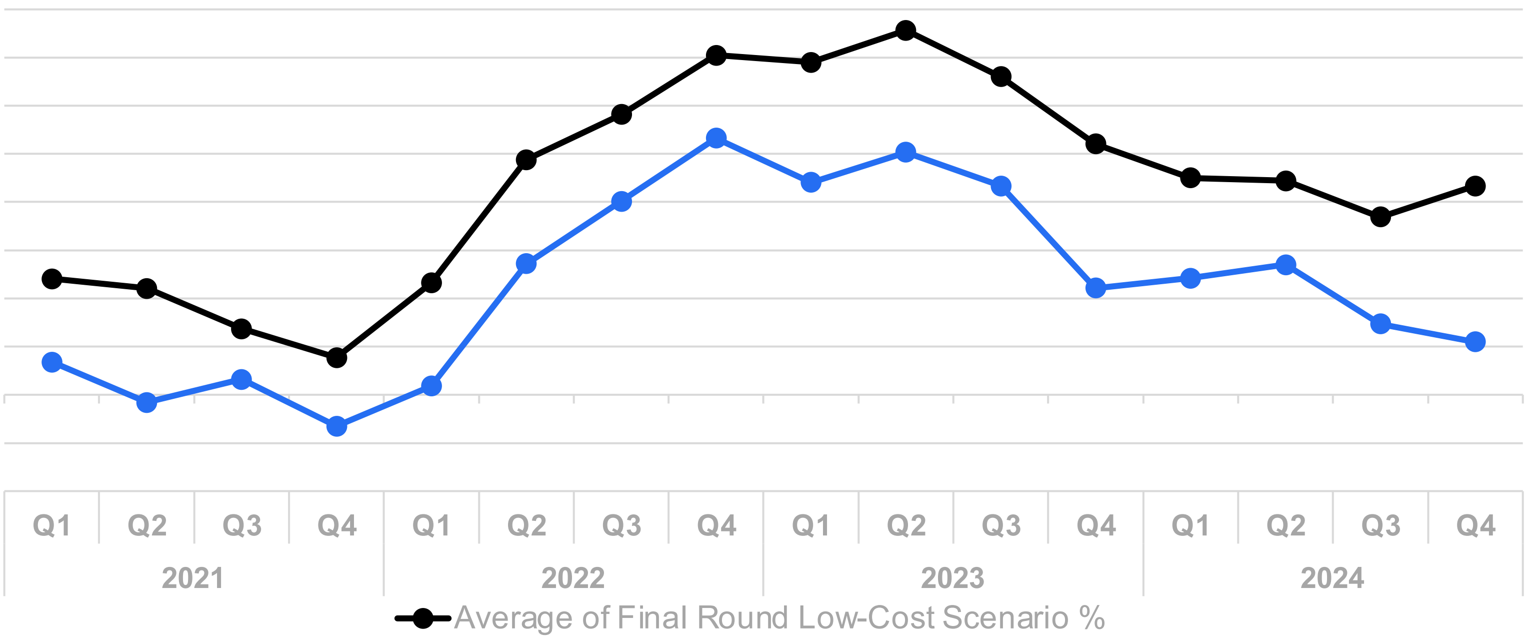
- TL carriers continue to cast a wide net in bids but are starting to narrow focus to preferred volume vs. any volume
- Brokers continue to be aggressive in an attempt to capture market share
- Incumbent carriers trying to stay whole in RFPs. Some even push pricing increases with little success

Carrier Pricing Q1

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

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
- Final has continued to drop as carriers are trying to gain traction on price

Best practices for 2025

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

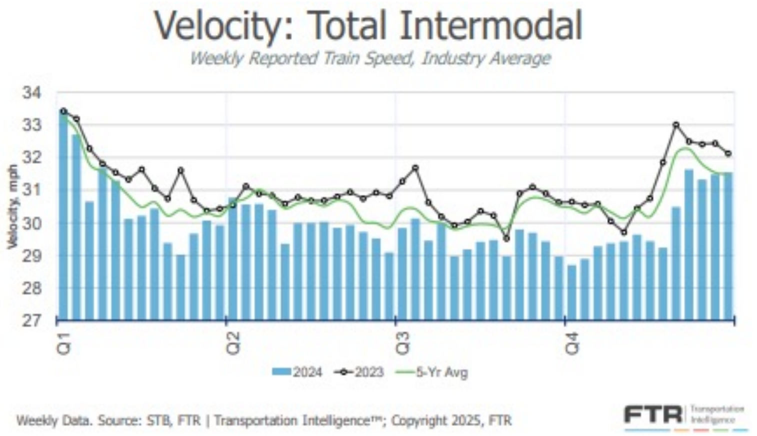
Navigating Volatility

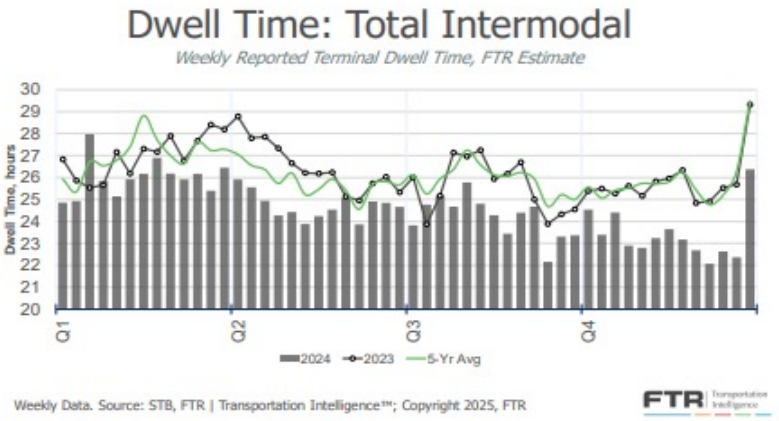
- **Understand where your rates are** to the market
- **Work with your carrier base** to understand their network and cost pressures
- **Work with strategic carriers for cost and price transparency** within your network and create an action plan for out-of-process lanes
- **Stay close to your incumbents** 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, such as backup carriers, low volume, etc.

US Intermodal

Key factors impacting intermodal supply

- Rail capacity and container availability remain plentiful overall. There were some seasonal constraints and peak surcharges out of Los Angeles in Q4, but those ended by the middle of December.
- Aside from LA, and with the exception of periodic weather events, the railroad networks have generally been free of congestion and delays. That shows up in the velocity results in Q4. The increase in Intermodal dwell time late in Q4 is tied to the impact of the holidays.
- Dray capacity remains plentiful across the intermodal network.
- The railroads continue to focus on improving network balance, especially in getting equipment to Los Angeles.





**Sources: FTR January 2025 Intermodal Report;*

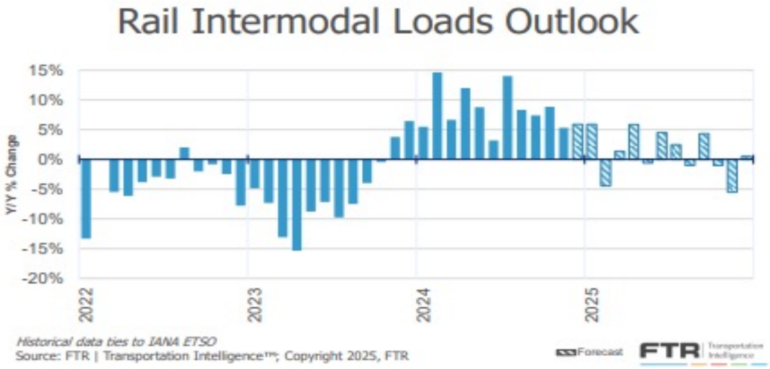
Key factors impacting intermodal demand

- Intermodal volume has been up year over year since November 2023. The results are expected to fluctuate more in 2025, with domestic volumes improving while international volumes remain flat (per FTR).

- Over-the-road capacity is still plentiful overall, which will impact Intermodal demand.

- Shipper inventory levels are mixed.

- Due to labor concerns at the East and Gulf Coast ports, imports had been shifted to the West Coast, which increased the demand for intermodal. Now that there appears to be a resolution to the labor concerns at the ports, it will be interesting to see if volume shifts again from the West Coast to the East Coast, which would have a negative impact on intermodal volume.

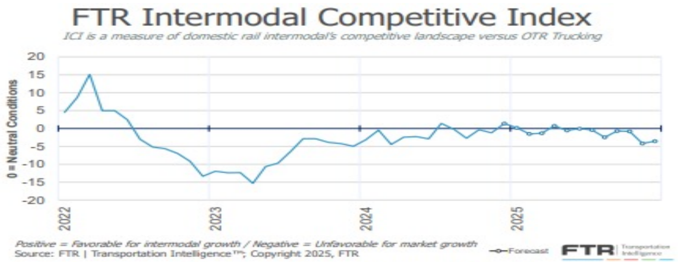


Based on current and anticipated shipper responses to political and labor risks, FTR's expectation of intermodal volumes was revised upward for 2024 at the expense of 2025 gains. Growth in 2025 will be concentrated in domestic equipment while international volumes are expected to be flat.

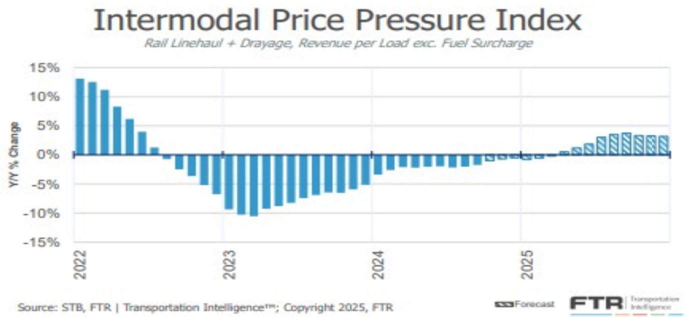
**Source: FTR January 2025 Intermodal Report;*

Current pricing, outlook, recommendation

- Spot rates continue to be lower overall to compete with truck prices.
- While some providers indicate that they desire to increase rates by 5%-8% in 2025, others show a willingness to hold rates if it allows them to grow volume. The change in rates varies by lane, with some providers willing to take rate reductions on backhaul lanes and for lanes inbound into southern California. Rates outbound out of Los Angeles have gone up by as much as 10%-15% on some customer RFPs.
- The Intermodal Price Pressure Index has rates increasing year over year in 2025, but the increases aren't expected to start until the second quarter (per FTR). For most customers, this is after their bids for the year have been completed.
- In anticipation of an increase in rates in 2025, shippers 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. We are seeing some of the Q1 bids open earlier than normal as well.



FTR's Intermodal Competitive Index (ICI) fell in November to -1.2 from -0.4 in October. Due primarily to the anticipated pull-forward of inventories, the ICI is expected to be stronger than originally anticipated in Q1 but weaker than expected in Q2. The ICI is forecasted to be generally negative in 2025 due to weak OTR trucking.



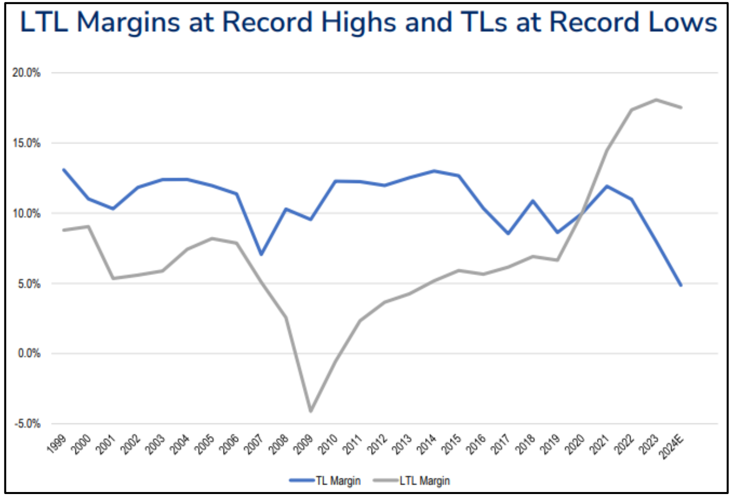
Expectations for intermodal rates were revised downward for both 2024 and 2025 due to weaker-than-expected Q3 financial figures and the reduction in traffic expectations. Excluding fuel surcharges, rates for domestic intermodal are estimated at down 1.9% in 2024 followed by 1.8% growth in 2025.

**Source: FTR January 2025 Intermodal Report;*

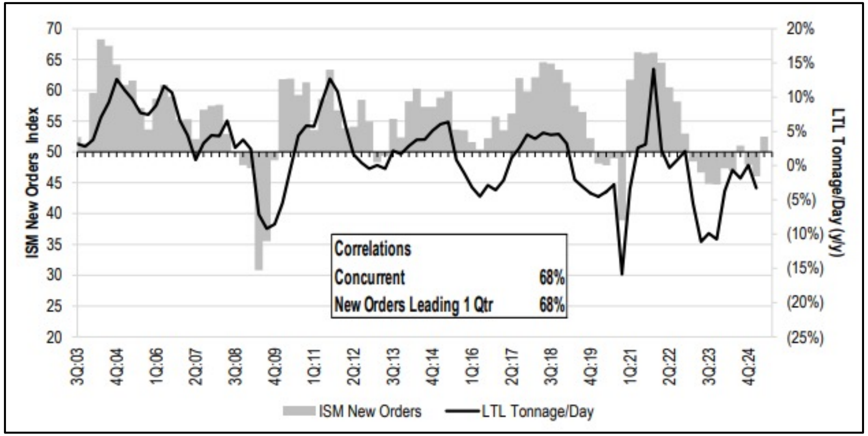
Less-than-truckload

LTL Market Trends

- LTL demand will remain low through Q1 after a weak Q4.
- LTL carrier sentiment from recent conversations leans towards economic acceleration in Q2 and remains strong through Q4, mostly based on “business-friendly” policies and regulations.
- General rate increases (GRI) are expected to be below 5%, we expect most negotiations with carriers to land in the 2-3% increase range.
- Carriers invested heavily in 2023 and 2024 and are relying on healthy economic growth to pay the bills.



Source: Company Reports; Wolfe Research.



Source: Company Reports; Bloomberg; FactSet; Wolfe Research.

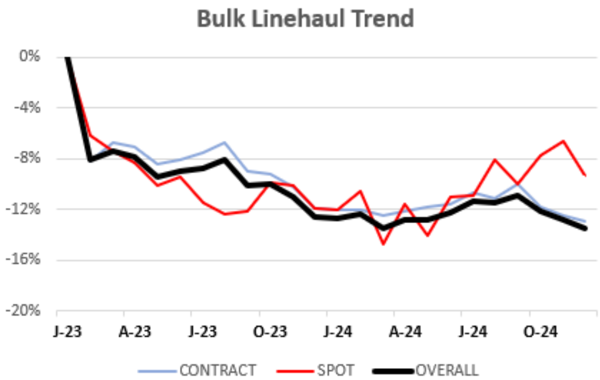
2025 – Shipper outlook and recommendations

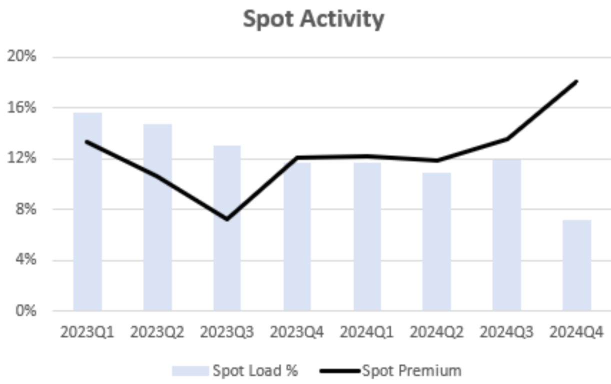
- We have revised our outlook on GRIs from 4-5% to 2-3%.
- Q1 is the absolute best time to bid or renew. We expect LTL volume and pricing to begin trending upward in Q2.
- We strongly recommend renewing with higher service incumbents and supplementing the network with niche regional or low-cost carriers.
- We expect the uptick in pricing and volume to be slow unless there is a sudden increase in demand for truckload capacity, which could shift volume shipments to LTL.
- All in all, the LTL industry remains healthy with good alternatives for shippers and LTL pricing should not have a dramatic impact on shipper's budgets this year.
- The National Motor Freight Classification (NMFC) changes in 2025 will accelerate the requirement to calculate density and dimensional data on shipments to drive accurate upfront pricing.

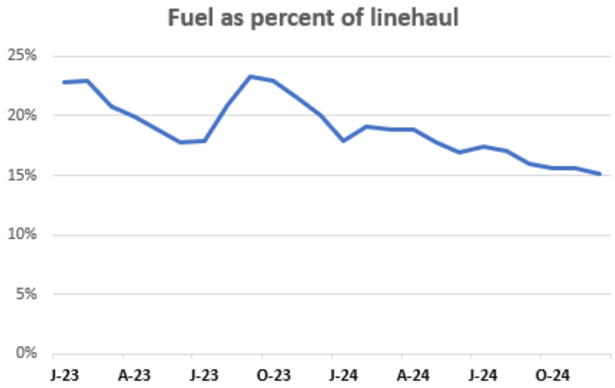
Source: Company Data and Stifel research

US Bulk

Bulk truck rate trends







- Contract and overall rates declined slightly in Q4, attributable more to varied lane mix than to changes in published rates
- Although spot rates increased, low spot volume had little impact on the overall cost.

- Spot volume dropped in Q4 to its lowest level in 2 years, at 7.2% of shipments
- Spot premium over published rates increased in Q4, with a large portion of the spot activity coming on lanes requiring specialized equipment

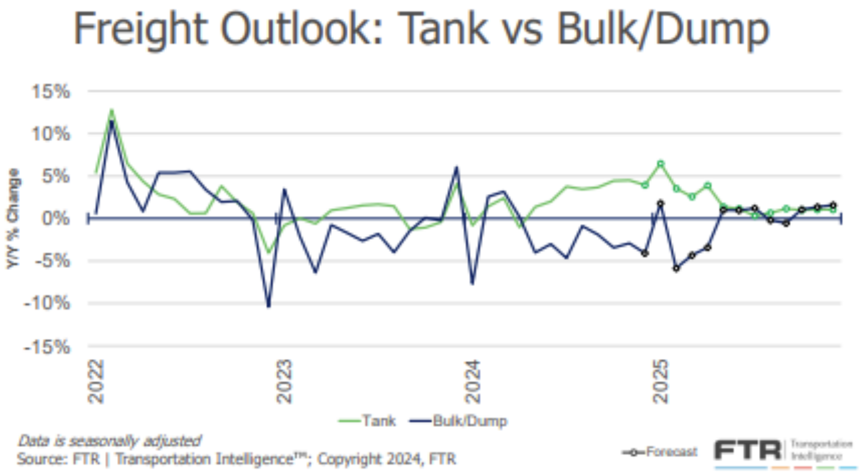
- Fuel surcharge costs mirror the path of the National DOE fuel rates. After increases in Q1 2024, the last 3 quarters showed a gradual decline in diesel prices
- Q4 ended with the national average down 1.2% from the end of Q3, and down 9.6% YoY

Bulk market trends

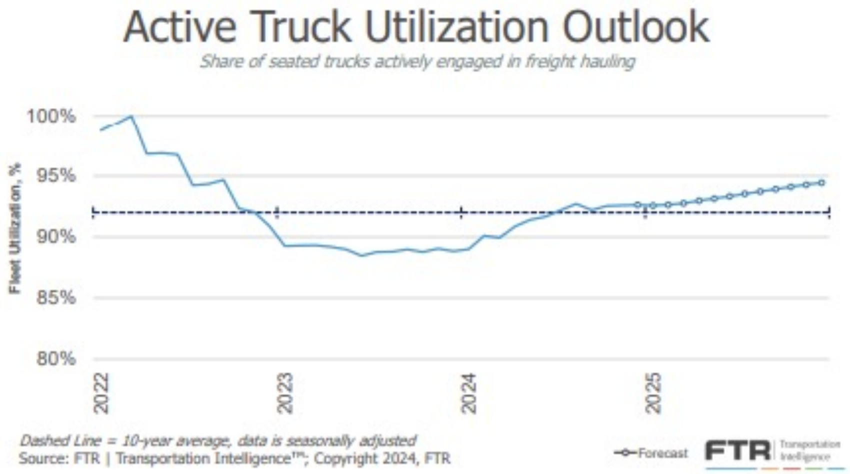
Volume Forecast Softens

- FTR has raised its 2025 Tanker projection to a 2.0% YoY increase, up from the 1.0% increase projected last quarter for 2025.
- Their 2025 dry bulk projection now calls for a 0.5% YoY decrease, down from the 0.5% increase projected last quarter for 2025.

- Despite the lowered growth projection, many carriers in our network are reporting cautious optimism for 2025, and some are seeing a slight tightening of capacity and improved utilization, particularly with specialized (multi-compartment, lined, heavyweight) equipment.
- This is likely more supply-driven than demand-driven, as fewer carriers have invested or re-invested in more expensive specialized equipment post-COVID.



Bulk market trends

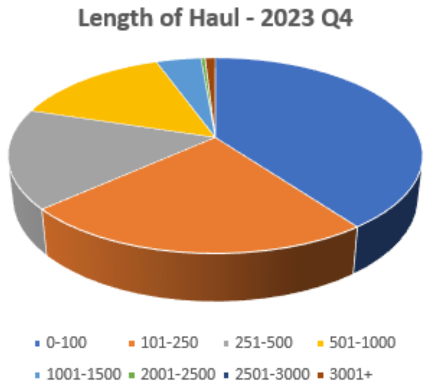


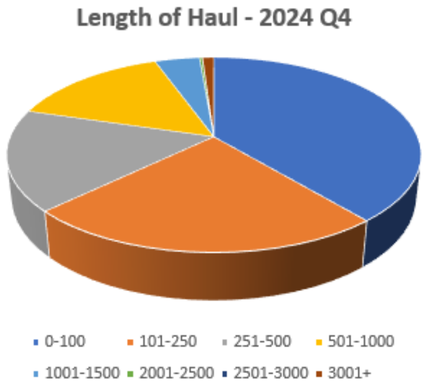
- Driver availability remains strong, but carriers anticipate tightening as the year progresses.
- Maintenance costs continue to rise, with a shortage of qualified mechanics driving labor costs higher in addition to rising parts costs.
- Although Carrier Revocations continue to drop, these ongoing cost pressures maintain an atmosphere ripe for acquisition, with smaller carriers being absorbed by larger ones.
- Carriers attempt to offset soft market conditions by using round-trip pricing on lanes where backhauls are unlikely.

Uber Freight bulk network trends

- Liquid Bulk linehaul rates have been stable YTD, with mild fluctuation from quarter to quarter. Q4 saw a slight drop of 0.4% vs. Q3, and rates are back at Q1 levels. YoY, rates are down 2.0%.
- Dry Bulk linehaul rates also dropped slightly this past quarter, falling by 1.3% from Q3. Like liquid rates, dry bulk rates softened slightly during the year, with YoY rates down 1.7%.
- Length of haul mix continues to trend toward shorter moves. In Q1 2023, 49.6% of shipments were under 250 miles. In Q4 2024, that figure was 62.9%. As this segment has grown, longer hauls (251-500 mi and 501-1000 mi) have dropped from a combined 42.8% to 31.7% of the total volume.
- The Liquid/Dry mix in our network has remained relatively stable. Liquid is the dominant sub-type, with 84.1% of the total shipment count in Q4, down slightly from 85.0% in 2023Q4.

YoY Length of Haul Comparison



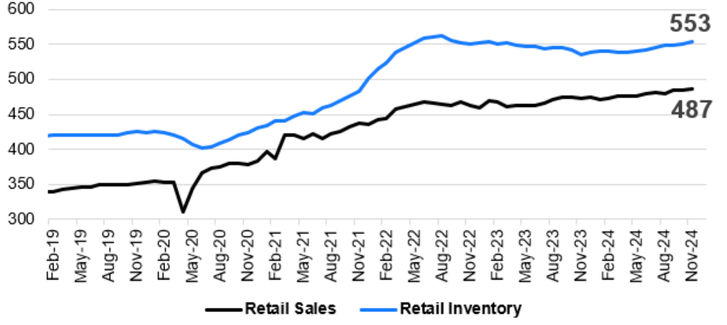


Warehousing

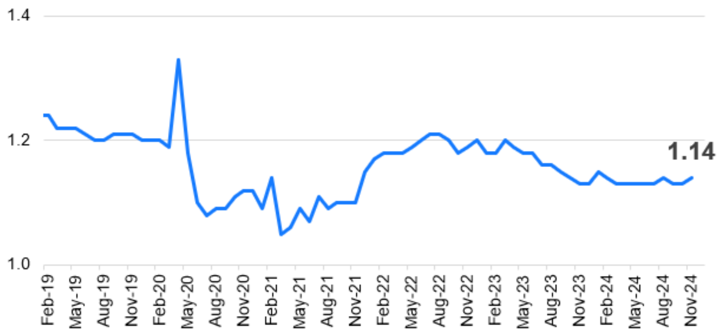
Inventory levels

Retail sales hits another all-time high as consumer optimism sets in. Inventory follows suit

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



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



Q4 2024 inventory:

- Retail inventory continued to increase in Q4 2024. After continued growth in Q2 and Q3 2024, retail inventory landed at **$553B** in Nov 2024.
- Retail sales held strong through Nov 2024 at **$487B**, a new all-time high.
- The inventory-to-sales ratio ticked back up to **1.14** in Nov 2024. This is only the second time in the past nine months that the ratio was not at 1.13. (Aug 2024, 1.14).
- Inventory levels increased for upstream firms like manufacturers, wholesalers, and 3PLs that are on the receiving end of the surge of imports that have been coming into the U.S. through December. Conversely, downstream retailers are reporting significant contractions in inventory levels; which is what should be happening in December during the holiday shopping season. [2]

Q4 2024 → Q1 2025 outlook:

- Despite the new tide of optimism, consumers across income levels and generations said they plan to keep their spending habits relatively subdued, particularly in discretionary and luxury categories. Their reported spending intentions suggest consumers are willing to delay immediate gratification in favor of long-term financial stability. [3]
- Both upstream and downstream retailers are predicting that inventory levels will increase significantly over the next 12 months. By bringing inventories forward now, retailers hope to avoid putting any increased costs stemming from potential tariffs onto consumers. [2]

Source: [1] US Census Bureau; [2] Logistics Managers' Index; [3] McKinsey & Co.

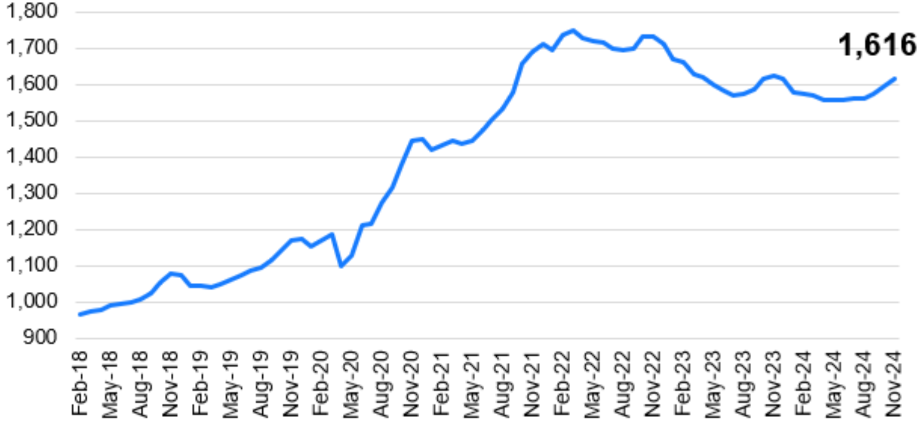
Uber Freight

Warehouse labor trends

Warehouse employment increased in Q4 as wages continue to climb

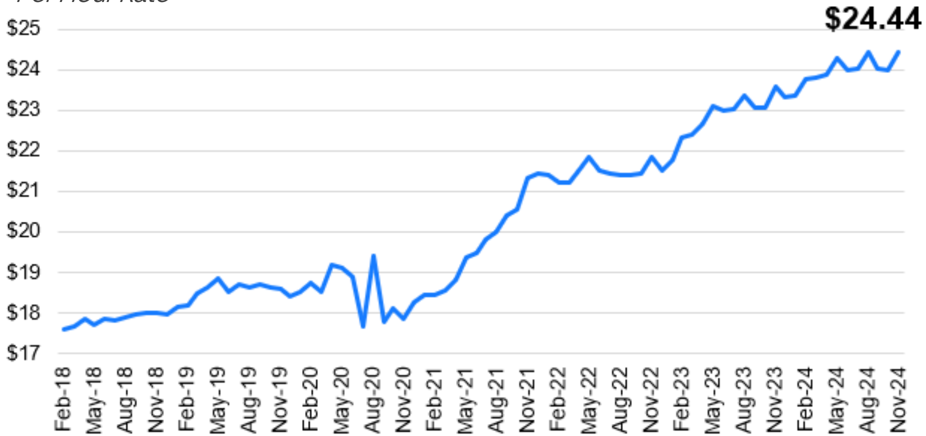
Warehouse Employment [(1)]

Thousands of employees



Warehouse Non-Supervisory Wages [(1)]

Per Hour Rate



Nov 2024 marked the first time warehouse employment has reached the threshold of **1.6M** employees since Dec 2023. The surge in employment is most likely related to the holiday activity but also due to the increased inventory levels for upstream shippers such as manufacturing, wholesalers, and 3PLs.

Non-supervisory warehouse wages hit another new all-time high of **$24.44** in Nov 2024. Wages have continued to climb since Q1 2021, though the rate of growth is starting to slow. The average Q1 2024 wages YOY were up 6.7%; in Q2 2024 wages YOY were up 5.0%; in Q3 2024 wages YOY were up 4.4%, and as of Nov 2024, wages are up 3.9% YOY.

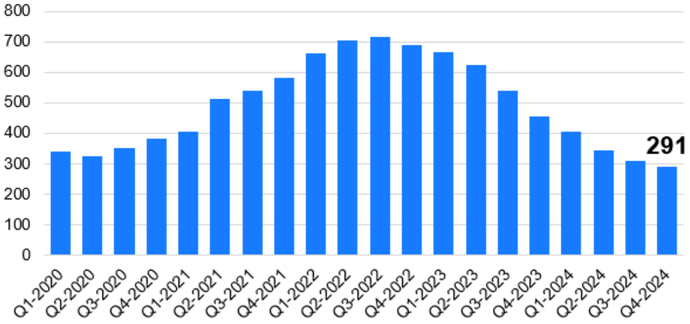
[(1)] *US Bureau of Labor Statistics*

Warehouse space outlook

Q4 2024 marks the weakest quarter for new supply since mid-2021

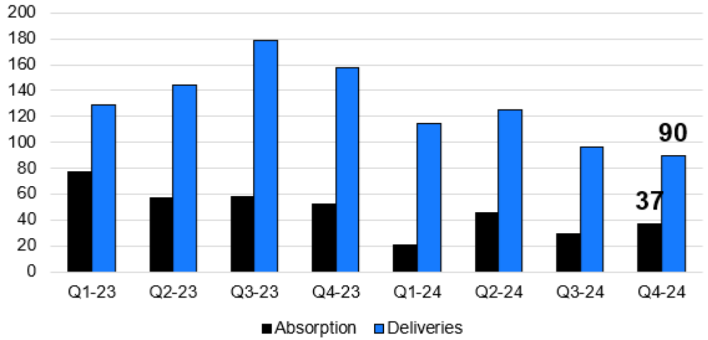
Under Construction [1]

Millions of Square Feet (MSF)



Net Absorptions & Completions [2]

Millions of Square Feet (MSF)



Q4 2024 Warehousing Recap:

- The construction pipeline continues to dissipate amid modest groundbreakings and healthy delivery totals, with **290.5 MSF** underway—a 36% drop from one year ago. [1]
- Net absorption totaled **36.8** million square feet (MSF) in the fourth quarter, up 10.5% quarter-over-quarter (QOQ). For 2024, **135 MSF** of industrial space was absorbed. [1]
- Over 425 MSF of industrial facilities were completed in 2024, 78% of which were **speculative**, driving vacancy rates higher in many markets. [1]

Q4 2024 → Q1 2025 Outlook:

- As larger occupiers continue to seek new construction for more efficient operations, the smaller development pipeline will likely lead to supply constraints in some markets. [1]
- Overall absorption is projected to increase to around 200 MSF in 2025 as leasing picks up steam and tenant consolidations moderate. Tailwinds, such as e-commerce, strong consumer confidence, and nearshoring and onshoring should propel the marketplace, especially in the second half of the year and into 2026. [1]

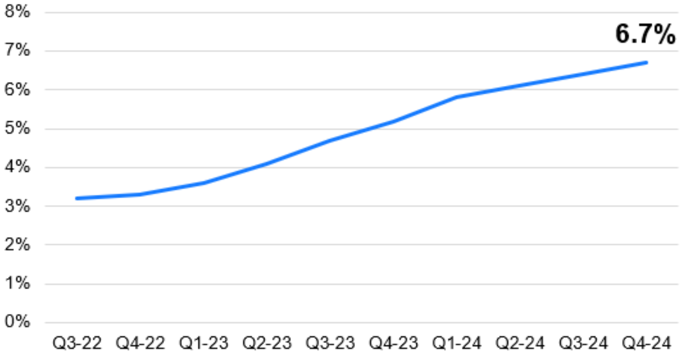
 [1] *Cushman & Wakefield;* [2] *CBRE, JLL, Cushman & Wakefield, Colliers, CoStar, CBRE-EA, Prologis Research*

Space availability and cost

Vacancies and asking rents both increased but at a slower rate than previous quarters

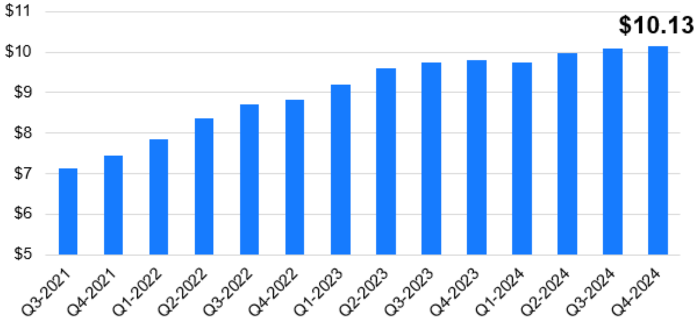
Vacancies (1)

Rate (%)



Asking Rent (1)

$ Per Square Feet (PSF),



Q4 2024 Warehousing Recap:

- The overall vacancy rate ticked up by 20 basis points (bps) in the fourth quarter to 6.7%. This was the smallest quarterly increase since the market cooldown began in late 2022. (1)
- The national average asking rent for industrial space rose by 0.9% QOQ to $10.13 per square foot (psf). Some rent increases were tied to deliveries of vacant, speculative industrial products priced at a premium over market averages. (1)
- Some markets with high speculative development or modest demand totals, such as Austin, Phoenix, Greenville, and Las Vegas—posted double-digit vacancy rates. (1)

Q4 2024 → Q1 2025 Outlook:

- The pace of increase slowed significantly in the fourth quarter, suggesting vacancy may approach peak levels in the first half of 2025 amid softer completion totals and a moderation in space dispositions. (1)
- Asking rent growth is anticipated to slow to just over 2% in 2025 and 2026 before rising back to the 3% range (growth will continue to be market-dependent). (1)

(1) *Cushman & Wakefield*

Europe

Factors affecting supply

Key points around capacity, pricing, and driver shortages

- The European contract rate index increased by 0.78% in the last three months but fell by 0.98% in the last 12 months. The market remains soft, resulting in positive savings from RFPs in FTL and LTL.
- The European spot rate index fell 4.54% in the last three months and 4.16% over the last six months, indicating weakening spot demand.
- FTL and LTL capacity remain stable outside of peak periods
- Input costs for carriers continue to rise with annual pay increases coming into effect, increasing structural costs, equipment costs, and toll costs.
- The combination of increasing costs and a highly competitive market driven by weak volume is leading to increased insolvencies.
    - There were 1339 failures of transport companies in France in 2024, a YoY increase of 38%.
    - The number of insolvencies in Belgium increased by more than 50% in 2024.
    - In Germany, the rate of failure of transport and warehousing companies is twice the national average.
- The Brent crude oil price was stable, starting and ending the quarter at $74 per barrel. The cost has increased sharply in early January 2025 to $82 per barrel.

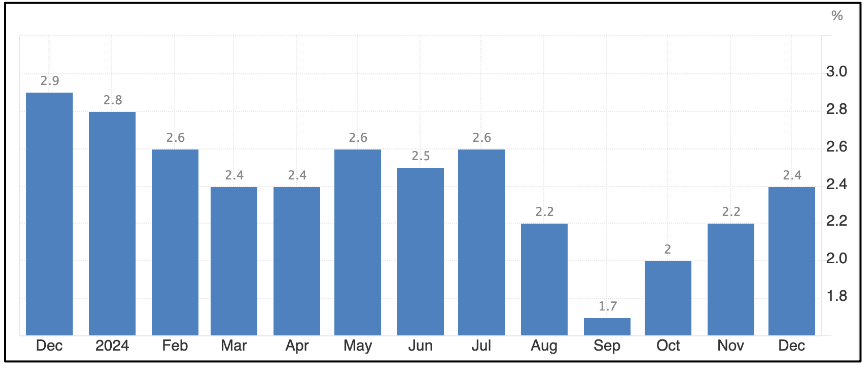
Factors affecting demand

Inflation rebounds, reducing the chance of further interest rate cuts. Growth remains weak, PMI remains stable.

GDP Economic Outlook (EO)

	Average 2013-2019	2023	2024	2025	2026	2024 Q4	2025 Q4	2026 Q4
				Per cent				
Real GDP growth[1]								
World[2]	3.4	3.2	3.2	3.3	3.3	3.3	3.3	3.2
G20[2]	3.5	3.6	3.3	3.3	3.2	3.3	3.2	3.1
OECD[2]	2.3	1.8	1.7	1.9	1.9	1.8	2.0	1.8
United States	2.5	2.9	2.8	2.4	2.1	2.5	2.2	2.0
Euro area	1.9	0.5	0.8	1.3	1.5	1.1	1.4	1.5
Japan	0.8	1.7	-0.3	1.5	0.6	0.6	1.3	0.3

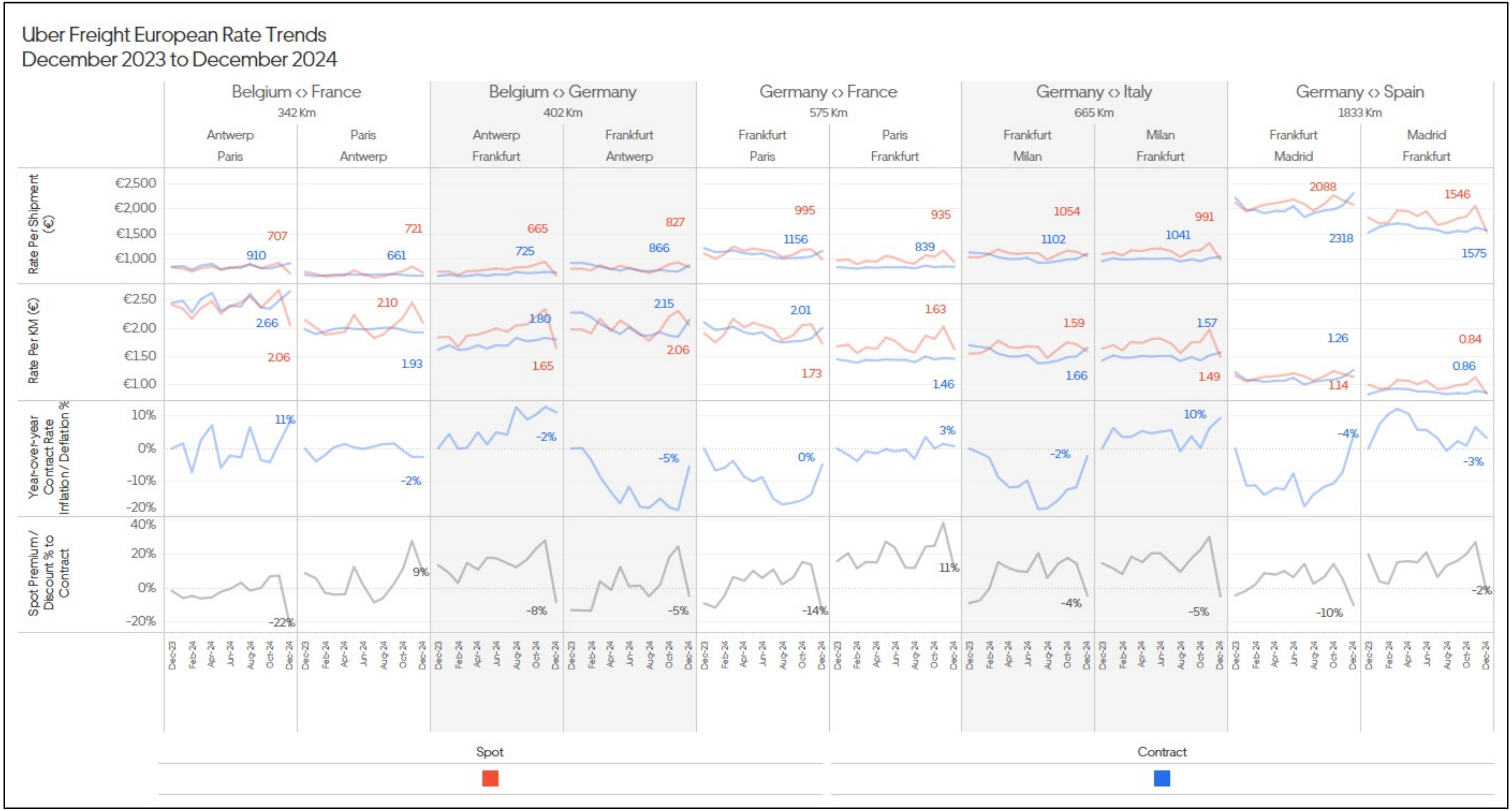
Euro Area annual inflation rate



Sources: OECD Economic Outlook, Eurostat

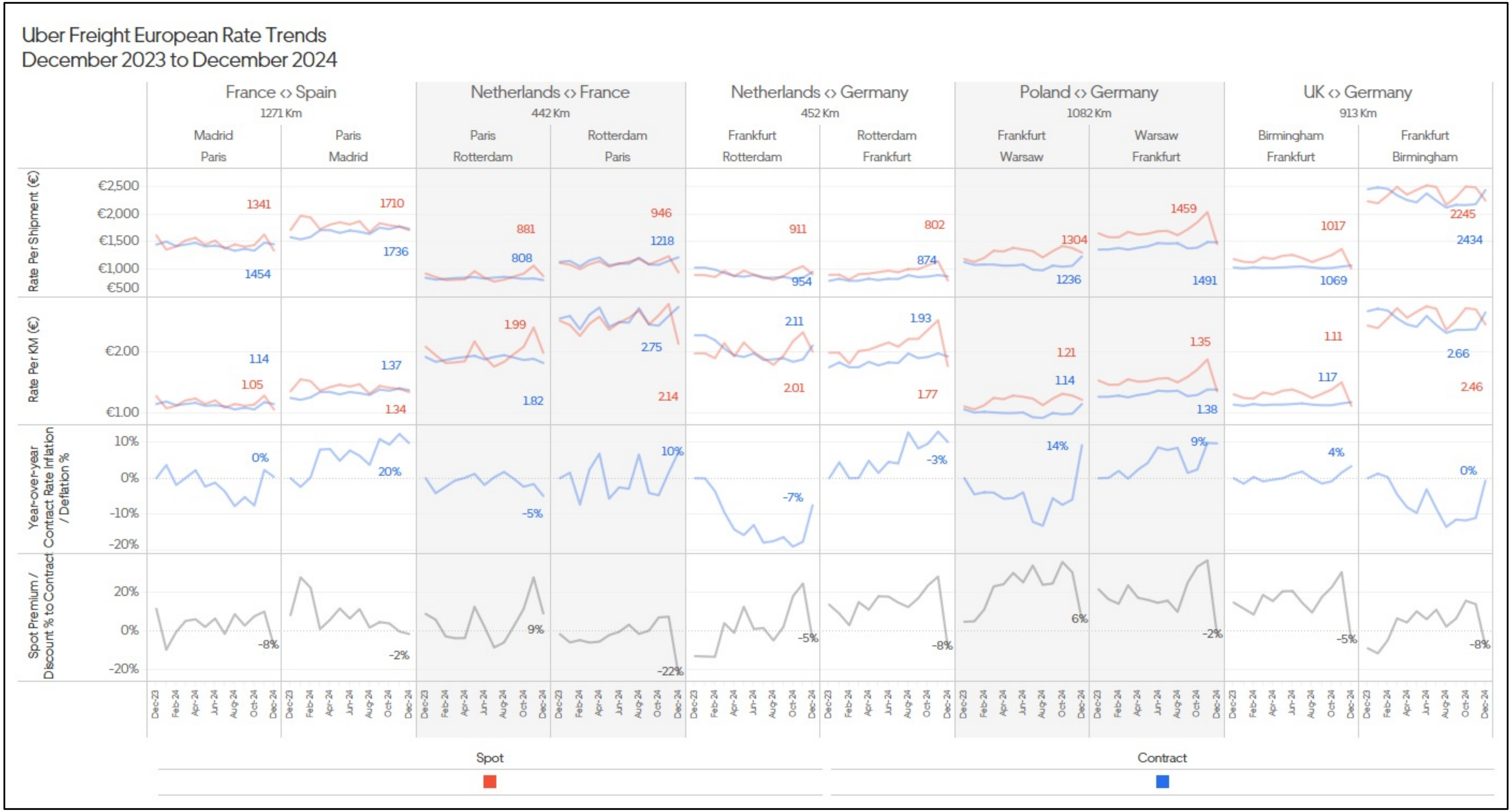
- GDP growth in the Euro area was weak at 0.8% in 2024 and forecast at 1.3% in 2025, making it one of the weakest world markets.
- The Euro area inflation rate was at 2.4% in December, back up from the September low of 1.7%. Inflation is now back above the European Central Bank target of 2%, making short-term interest rate cuts less likely.
- The Purchasing Managers Index (PMI) for the Euro Area marginally increased from 45.0 in September to 45.1 in December. The level remains well below 50, the threshold between expansion and contraction.

European rate trends



Source: UPPLY.com

European rate trends



Source: UPPLY.com

Outlook: Freight supply and demand

- GDP growth is expected to increase to 1.3% in 2025 in the Euro area. As the European economy starts to slowly recover, carrier insolvencies will result in increasing capacity challenges.
- Fuel prices are likely to remain volatile, with potential short-term geopolitical changes in the Middle East and Ukraine.
- The second phase of a 3-year phase-in of the Emission Trading System (ETS) for the maritime sector came into effect on 1 January 2025. This reduces the discount from 60% to 30%, meaning ETS surcharges are likely to double.
- The current driver shortage in Europe led to 12% unfilled positions in 2024, and according to the IRU, this is expected to rise to 15% in 2025.
- Near sourcing set to increase: Over half of the 2000 companies surveyed by Maersk are considering new sourcing locations closer to or within Europe. Turkey, Egypt, Poland, Morocco, and Romania are emerging as top near-sourcing choices.

Recommendations

- Contract rates continue to be relatively soft. Procure with current and new carriers to obtain up-to-date market rates.
- Look for possible route alternatives where maritime ETS surcharges have increased.
- Review options for intermodal – the changing driver market is making intermodal more attractive for certain flows.
- Carry out financial due diligence on current and new suppliers as insolvencies increase.

International

Global supply chain impacts

Ocean Carrier Reliability

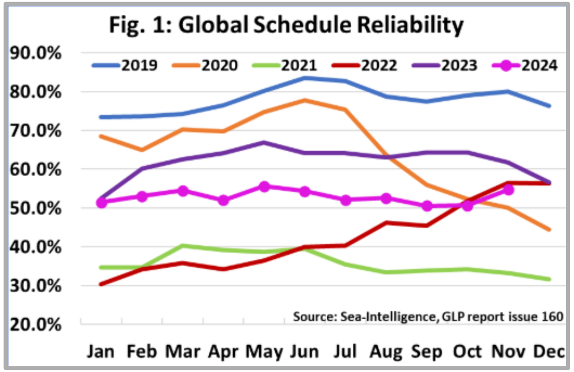
- Schedule reliability has largely remained within the 50%-55% range in 2024

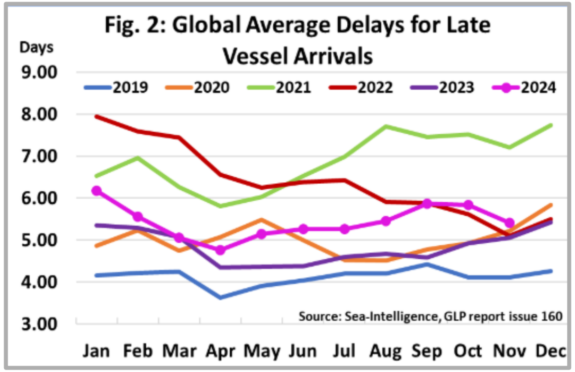
Freight Disruptions

- The International Longshoremen's Association (ILA) and United States Maritime Alliance (USMX) reached a tentative agreement on all items for a new six-year Master Contract.
- US Tariffs by the new administration could cause future disruptions.

Ocean Carrier Alliance Updates

- Maersk & MSC to discontinue 2M Alliance effective Feb 2025.
- New Gemini Alliance (Hapag & Maersk) : Hub & Spoke System , expected to result in more reliability, improved service & transit times.

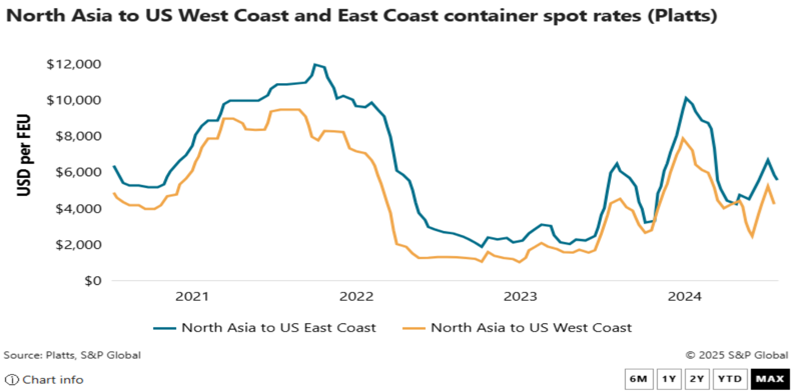




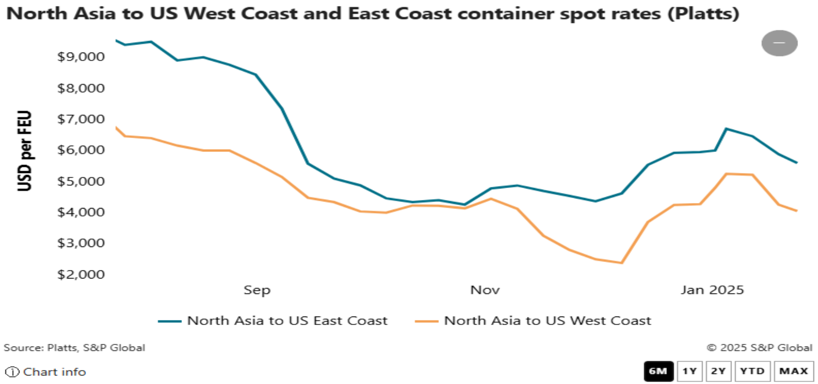
2024	2M Alliance: MAERSK, MSC	Ocean Alliance: CMA CGM, COSCO SHIPPING, OOCL, EVERGREEN	THE Alliance: Hapag-Lloyd, HMM, ONE, YANG MING	ZIM
Starting Feb 2025	Gemini Cooperation: Hapag-Lloyd, MAERSK	Ocean Alliance: CMA CGM, COSCO SHIPPING, OOCL, EVERGREEN	Premier Alliance: HMM, ONE, YANG MING	MSC, ZIM

Transpacific trade

YoY



Past 6 Months



- Rates in the eastbound trans-Pacific are surging to peak-season levels as US retailers rush to ship merchandise before many factories in Asia close during the holiday celebrations that begin on January 29.
- Spot rates from Asia to the US rose to highs. The looming dockworker strike on Jan. 15, the early Lunar New Year in Asia, and the threat of tariffs under the new administration are keeping front-loading of imports at unusually high levels for December.

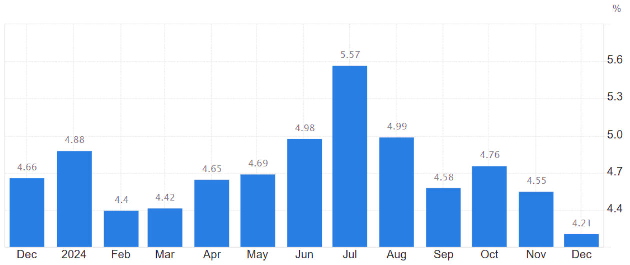
Mexico Truckload

Mexico economic outlook

Mexico economy

- Mexico approaches 2025 with many opportunities and challenges. The government's ambitious investment initiatives are paired with fiscal management concerns and external economic pressures.
- The IMF* has adjusted Mexico's 2025 forecast to modest GDP growth of 1.4%, down from the estimate provided in July 2024 of 1.6%. This reflects a decline in private consumption and external demand.
- Annual inflation closed at 4.21% in December 2024, below market forecasts and at its lowest level since 2020. Banxico has also decided to cut the interest rate to 10.00% and is expected to cut it further in the first months of 2025.
- On Jan 13th, President Claudia Sheinbaum presented *Plan México*, an initiative to attract $277B USD in investments between 2025 and 2030 and establish Mexico as a hub for global supply chains. The main goals include:
    - Position Mexico in the top 10 global economies.
    - Enhance local manufacturing in strategic sectors.
    - Create 1.5 million new jobs in specialized manufacturing.

Mexico Inflation 2023-2024



Source: Inegi (Instituto Nacional de Estadística y Geografía)

*IMF: International Monetary Fund

Mexico economic outlook

Exchange rate

- The exchange rate for December 2024 closed at $20.24 USD/MXN, this level was last recorded in July 2022. For the first three weeks of Jan 2025, the exchange rate fluctuated from $20.31 to $20.80 MXN/USD.

- It is expected that the Peso will continue to depreciate in 2025 in an environment of uncertainty, particularly in the external sector (tariffs), along with lower remittance flows due to the migration policies of the USA's new administration. According to economic experts, the exchange rate is expected to approach levels near $21.00 MXN/USD this year.

Exchange Rate USD/MXN

Source: Trading Economy

*IMF: International Monetary Fund

Mexico economic outlook

Mexico and US Trade

- Mexico remained the No. 1 partner in trade with the USA in 2024; however, the imposition of up to 25% in tariffs announced by President Donald Trump during his campaign represents one of the biggest challenges for this year. A key point to ensure the continuity of this partnership and the economic stability of both countries will be the review of the USMCA*, which is officially scheduled for 2026. However, the conversations among the three countries are expected to start as soon as the new administration of the U.S. takes office.

Nearshoring

- Although exports slowed in Q4 2024 due to a demand reduction, they are expected to grow in 2025, even in the face of tariff threats. COMCE* estimates that exports from Mexico will grow by 3.9% in 2025 and 4.4% in 2026.
- In 2025, Mexico's main challenge will be to consolidate the announced foreign investments and promote the appropriate means to expand the operations of established companies. According to a KPMG survey, 60% of investors indicated plans to increase their investments in Mexico.
- The country benefits from its geographic location and the cost of its skilled labor. However, the government must focus on leveraging these advantages by addressing issues such as industrial park and road infrastructure, technology, road security, energy policies, and water availability.
- Another key focus for the government will be enforcing the compliance of rules of origin. Mexico will need to impose stricter regulations to discourage the sourcing of products from Asia.

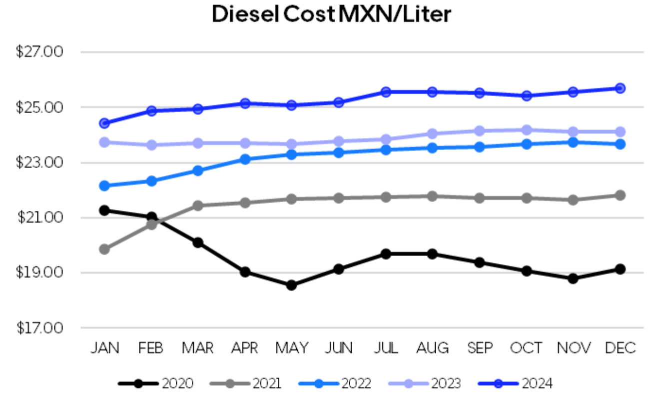
USMCA: United States-Mexico-Canada Agreement
COMCE: Mexican Business Council for Foreign Trade, Investment, and Technology

Mexico current situation

Transportation cost and capacity

Transportation costs [1] in 2024 reached their highest levels in 20 months. Driven by rising diesel prices, maintenance costs, and inflation.

- The national average diesel price closed in 2024 at $25.69 MXN/Liter. A 6.5% increase compared to Dec 2023. This increase is majorly driven by the reduction of fiscal incentives compared to the previous two years. [2]
- Toll increases for 2025 oscillate between 5% - 9% and will become effective in Feb 2025. [3]
- Oils and spare parts also presented an annual inflation of +6%, the highest variation since 2022.



Cargo Theft:

- Road insecurity continues to be a main issue for Mexico's transportation. In 2024, cargo theft significantly rose on the main industrial corridors, increasing operational complexities for carriers and shippers and raising transportation costs to find security measures such as escorts, insurance, and in-transit protocols.
- Cargo thefts recorded until November 2024 presented a 9.15% increase compared to the same period in 2023. This led insurance companies participating in the transportation sector to become very selective and increase prices by 15% during 2024. [4]

Mexico cargo risk heat map

Source: Overhaul

[1]INEGI: National Institute of Statistics and Geography [2]CRE
[3]CAPUFE: Federal Roads and Bridges [4]AMIS

Outlook

- Rising transportation operational costs are putting pressure on carriers to increase their rates. While the appreciation of the USD against the MXN has provided some relief to Mexican cross-border carriers, rising costs for fuel, maintenance, tolls, and insurance premiums continue to strain their financial stability.
- Given the uncertainty, carriers are focusing on year-round contracts for guaranteed consistent business.
- A successful execution of Plan Mexico, which President Claudia Sheinbaum proposed, will be crucial in enhancing international investment confidence in the country.
- Cargo theft today is still an obstacle for both shippers and carriers. 2024 was one of Mexico's worst years in transportation security. Insurance premiums will continue to be quite high throughout 2025.

Recommendations

- Leverage technology and TMS platforms to integrate networks, minimize inefficiencies, and eliminate redundancies.
- Apply engineering and data-centric best practices to build cost-efficient models that minimize transit times at the best cost.
- Diversify border crossing points and modes to increase flexibility and ease traffic.
- Foster relations with incumbent carriers to stay ahead of market trends and adapt to changes.

Canada

Canada: key factors impacting demand

The Canadian economy experienced supply chain disruptions and a continuing trend of modest growth in the fourth quarter of 2024. GDP growth is projected to continue at around 2% through the first half of 2025 [(1)]:

- Real GDP grew 0.3% in Oct'24 over the previous month and reflected a 1.9% rise from the same period last year
- Bank of Canada (BoC) key interest rate, as of Jan'25, stands at 3%. This rate was set following a 50-basis point cut in Dec'24 marking the second consecutive 50 basis point reduction. The Dec'24 inflation rate came in at 1.8%, slightly below the Bank's 2% target.[(2)]
- The Canadian dollar has been depreciating against the US dollar. 2024-Q4 average exchange rate is 1 CAD = 0.715 US, down from 0.733 USD in Q3. The decline is due to factors such as interest rate differentials, weaker economic performance relative to the US, and the new administration's threat of a potential 25% tariff on Canadian goods.
- Based on December estimates[(2)], annual retail sales grew 1.1% for 2024 compared to 2023.
- The unemployment rate was 6.7% in December '24, down 0.1% m/m. Year-over-year, it is up by 0.9%.
- The Manufacturing PMI in Canada increased to 52.2 in Dec'24 from 52.0 in Nov'24, marking the fourth consecutive month of expansion in Canadian manufacturing activity.

[(1)] Bank of Canada, [(2)] Statistics Canada

Canada: key factors impacting supply

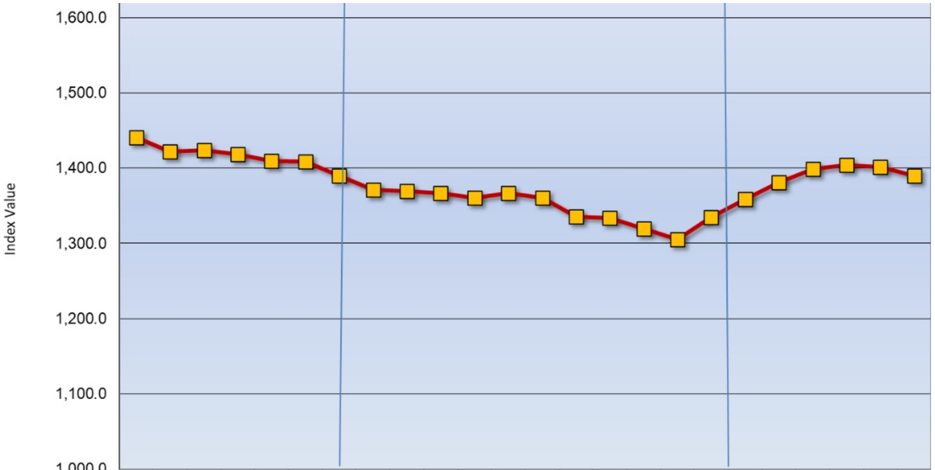
Has Canada's longest freight recession come to an end? The downturn, driven by excess capacity that persisted throughout the year, appears to be easing. Q4 trends indicate the industry has started to transition back to a more "normal" pre-COVID environment.

- Q4 2024 marks the highest freight volumes since early 2023. At the same time, equipment availability has dropped to its lowest level in over two years.[3]
- The spread between contract and spot rates has narrowed to minimal levels, particularly for southbound volumes.
- The RFQ season reflects a slight decline in carrier participation and engagement.
- December Class 8 truck orders indicate strong tractor demand.
- Significant improvement in the truck-to-load ratio for spot freight. The monthly ratio dropped to 2.24, down from 3.19 in November 2024 and 3.68 in December 2023. Quarter over quarter the truck-to-load ratio decreased by 13.3 percent. This marks the most significant drop in equipment postings since prior to January of 2023.[3]
- Inventory levels are gradually returning to pre-pandemic norms, with "just-in-time" supply chain practices once again becoming the standard.

[3] *LoadLink,*

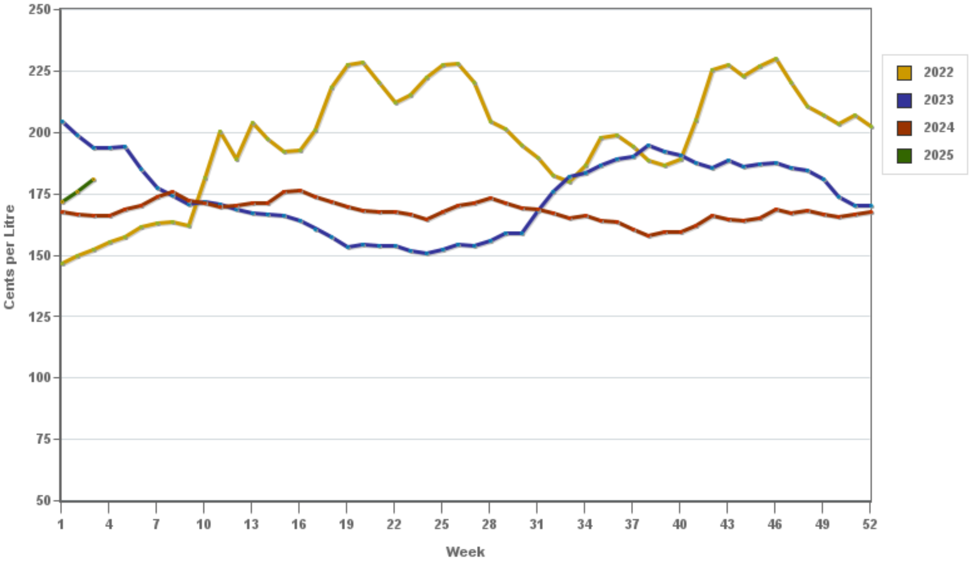
Canada: rate trends

Over the road linehaul rate index in Oct'24 decreased 0.8% MoM and increased +1.68% YoY, on a 4-month moving average basis, according to the Canadian General Freight Index.



	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
% vs. Prior Month	-0.43%	-1.33%	0.14%	-0.37%	-0.65%	-0.01%	-1.34%	-1.37%	-0.15%	-0.15%	-0.45%	0.46%	-0.46%	-1.83%	-0.15%	-1.06%	-1.11%	2.29%	1.78%	1.62%	1.28%	0.39%	-0.16%	-0.83%
% vs. Prior Year	12.53%	11.01%	9.88%	6.29%	3.07%	2.59%	-0.40%	-2.73%	-3.54%	-6.08%	-6.39%	-5.51%	-5.55%	-6.02%	-6.29%	-6.94%	-7.37%	-5.25%	-2.26%	0.70%	2.15%	2.71%	3.01%	1.68%
4 Month Moving Average	1,440.	1,421.	1,423.	1,418.	1,409.	1,409.	1,390.	1,371.	1,369.	1,367.	1,360.	1,367.	1,360.	1,336.	1,334.	1,319.	1,305.	1,335.	1,358.	1,380.	1,398.	1,404.	1,401.	1,390.

4 Month Moving Average



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

Canada: recommendations

Secure capacity through RFQs or mini-bids as the market starts to re-balance

- Conduct carrier RFPs and secure capacity at prevailing rates as the market begins to stabilize.
- Maintain collaboration with financially stable carriers.
- Aim to finalize contracted rates in Q1 and secure committed capacity from carriers.
- Evaluate, standardize, and renegotiate accessorial charges.
- Focus on strengthening carrier relationships and building long-term partnerships to improve service efficiency.

Implement network efficiencies:

- Utilize sailing schedules to optimize long-distance freight transportation.
- Where feasible, hold orders for 24-48 hours to create opportunities for shipment consolidation.
- Explore multi-stop truckload or pooling alternatives as potential replacements for conventional hub-and-spoke LTL shipping methods.
- Leverage data analytics and technological solutions to enhance carrier selection processes and identify consolidation possibilities

Sustainability

Sustainability policy updates

ESG Climate disclosures update [California]:

- CARB released an information solicitation to inform the implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219, compel US companies doing business in California to disclose their scope 1, 2, and 3 greenhouse gas emissions and/or climate-related financial risk information.

Pro tip: If you're an existing Uber Freight customer, reach out to your UF representative to attain your network's GLEC-accredited Scope 3 emissions estimates

US Zero Emissions Trucks (ZET) Update [California]:

- CARB pulled back a request from EPA for a waiver – permission to enforce it's own rule within the state that go beyond federal standards - for the Advanced Clean Fleets (ACF) rule, which required fleets to transition to zero-emission vehicles (ZEVs) over time, targeting a 100% ZEV adoption by 2045 to reduce greenhouse gas emissions and improve air quality.
- EPA waiver for CARB's Advanced Clean Trucks (ACT) rule was granted in March 2023. The rule requires manufacturers to increase the sale of zero-emission trucks and vans, aiming for 100% of medium- and heavy-duty vehicle sales to be zero-emission by 2045.

Pro tip: If you're an existing Uber Freight customer, reach out to your UF representative to attain your network's EV eligibility assessment

Uber Freight