

eShipping®

January 2023

INDUSTRY UPDATES

Monthly metrics, trends, and key takeaways on the state of the LOGISTICS INDUSTRY to help your business plan for the coming months.

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Less Than Truckload

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Full Truckload

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International

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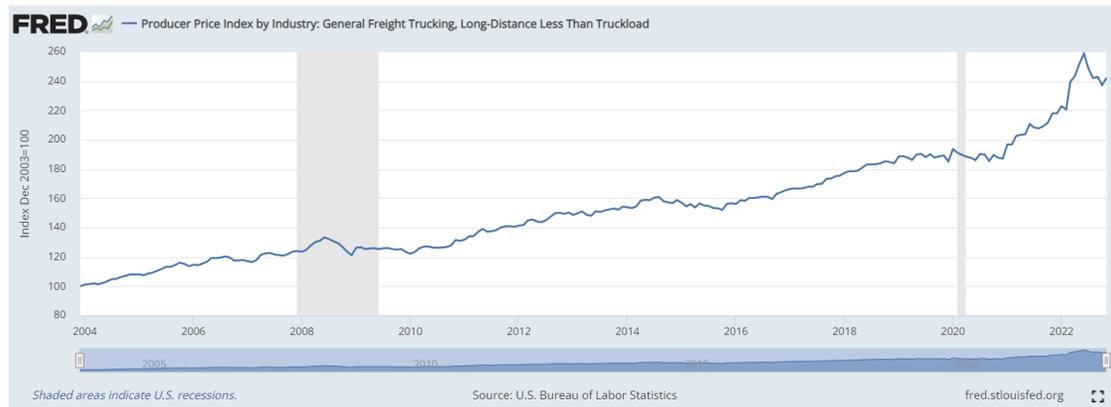
Parcel

SECTION

05

Warehousing

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INDUSTRY UPDATES

LTL

LTL Carriers Issue General Rate Increases in 2023

- Even as we see some softening in the market, LTL carriers have issued their general rate increases (GRI)
- The GRIs have varied between 5-7% and fall in line with previous years GRIs

Forward Air Acquires Land Air Express

- \$56.5 million dollar purchase includes 270 employees, 25 terminals and over 200 drivers
- Land Air Express moves Forward Air into 4 new markets as they continue to add to their airport-to-airport LTL network (FreightWaves)

Update Regarding Electronic Bills of Lading (eBOLs)

- The Digital LTL Council of the National Motor Freight Traffic Association (NMFTA) has established a new standard for Electronic Bills of Lading (eBOL)
- The new standard is the latest attempt by leading LTL carriers to adopt a single standard that will hopefully replace the multitude of conflicting and confusing digital platforms that shippers, carriers and 3PLs have used—and complained about—for decades (Logistics Management Magazine)

INDUSTRY UPDATES

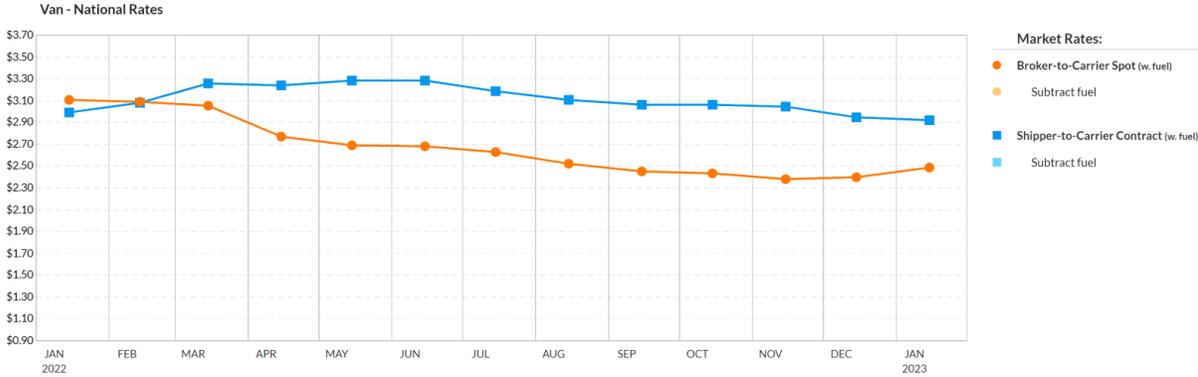
FTL

FTL Spot Market Pricing Is Seeing a Slight Uptick As We Begin 2023

- FTL spot market continues to remain stable going into 2023
- In the 4th quarter of 2022, there was not a “normal” seasonal spike due to muted demand which led to spot market pricing being stable
- FTL contract pricing continues to decline slowly, and it is expected that contract pricing will converge with spot market pricing in the months ahead.

Carriers Plan For California CARB Requirements

- In California, beginning January 1, 2023, no vehicle with an engine older than 2010 is permitted to be registered in the state as part of the California Air Resources Board (CARB) initiative on reducing emissions
- Over time, we expect the CARB requirements will likely continue to increase the operating cost for carriers operating in California.





(FBX): Global Container Freight Index

INDUSTRY UPDATES

International

Many Carriers Plan Blank Sailings After Lunar New Year Holiday

- Ocean carriers are expected to blank about 50% of all scheduled sailings from Asia to the US and Europe after the Lunar New Year (LNY) holiday
- This suggests they anticipate the slowdown to continue through the typical post-LNY lull months until inventories run down, and demand picks up some time in Q2 at the earliest, or possibly not until next year's peak season (Freightos)

China COVID Rules Change And Impact Workforce

- The pandemic has recently flared up in China. Up to 75% of labor force being impacted. Chinese manufacturers cannot operate properly producing less than their optimal output
- The container pickup, loading and drayage are also affected as all businesses are facing the impacts from Covid
- US imports from China dropped by 11.1% month-on-month in November, and the downside is widespread all over Asia

Chassis Shortages Cause Delays at Major In-land Ramps

- Shippers are continuing to hold onto marine chassis for prolonged periods in Chicago and Kansas City, the two remaining inland markets where congestion has persisted into 2023 (JOC)

INDUSTRY UPDATES

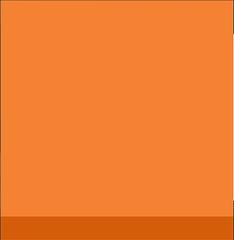
International

Pricing Remains Strong Even With Drop in Demand

- Tiaca is predicting another tough 12 months for air cargo demand, but has also outlined positives for the industry noting the current situation is temporary and we can hope that later in 2023 central banks will start reducing interest rates when inflation is considered to be under control (AirCargoNews)
- Chargeable air weight fell 8% year over year and the general airfreight spot rate registered its largest year on year decline of 35%. Capacity in December 2022 recovered to 93% of the 2019 level although average rates remained 75% above the pre-Covid level (CLIVE)
- The 8% fall in global air cargo volumes represented the tenth consecutive month of lower demand, down 13% compared to 2019, at a time when available airfreight capacity continued to restore above last year's level (Xeneta)



Global Air Index - FBX



Parcel



Parcel Carriers GRIs Into Effect

- UPS' 2023 Pricing went into effect 12/26/22.
 - With the GRI put into place, it is estimated that shippers will see closer to a 10% price increase over 2022, as opposed to the 6.9% increase publicized
- FedEx's 2023 Pricing went into effect 1/6/2022.
 - With the GRI put into place, it is estimated that shippers will realistically see closer to a 9% price increase over 2022, as opposed to the 6.9% increase publicized.

Peak Surcharge Timeframe

- FedEx peak surcharges on additional Handling, Residential Delivery, and Oversize shipments end 1/15/2023.
- UPS peak surcharges on Ground Res/Surepost, additional Handling / Large Package shipments end 1/14/2023.

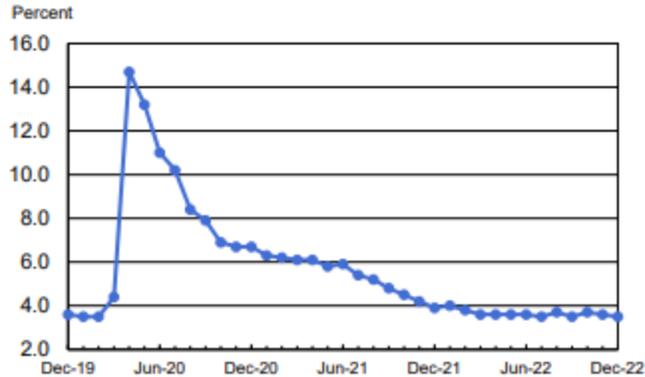
FedEx Ground Reducing Footprint of Sunday Delivery Availability

- FedEx will reduce the population covered with Sunday delivery from 80% to 50% in Mid-March.
- FedEx announced in December that they were looking to target \$3.7 billion in savings for this fiscal year.

INDUSTRY UPDATES

Warehousing

Chart 1. Unemployment rate, seasonally adjusted, December 2019 – December 2022



Labor Shortages Continue

- Despite the looming possibility of a recession, the national unemployment rate continues to hover around 3.5% as it has since March of 2022 (US Dept of Labor). Four of the six states EDS operates within remain above the national average, thus leaving an available labor pool within reach

Warehouse Capacity Constraints

- 3PL warehouses operating at or above capacity marked an all-time high in 2022. 3PLs will continue to maximizing each cubic foot of space in warehouses with creative storage solutions such as our 3-Phase VNA Racking Initiative

Rising Operating Costs

- Although the rate of inflation has declined since its peak at 9.1% in June of 2022, the year concluded with a 6.5% rate in December, leaving us with an average of 8.0% (Bureau of Labor Statistics). As an example, we can see the price of lumber is declining, now at a 52-Week Low. Monitoring information like this allows us to forecast a decrease in pallet pricing, and leverage that information with our existing relationships and/or explore alternative supplies if the cost does not decrease as expected