

JARRETT SUPPLY CHAIN REPORT



MARKET

- U.S. Gross Domestic Product (GDP) rose 1.1% in the first quarter, but the growth was a significant slowdown from the 2.6% in the fourth quarter. Many economists expect the economy to slow even more as the year progresses, predicting a recession in the second half of the year as the Federal Reserve continues its campaign to cool the economy and lower inflation. ([WSJ April 2023](#))
- The number of authorized interstate trucking fleets in the U.S. declined by nearly 9,000 in the first quarter, showing that capacity continues to exit the market as demand wanes. ([FreightWaves April 2023](#))
- LTL rates fell at the fastest pace recorded by the TD Cowen/AFS Freight index in the first quarter, but remained strong overall compared to other sectors. Declines in fuel prices, additional capacity and the highest-ever index reading established in the fourth quarter were the primary reasons for the drop. The index was essentially flat year over year (y/y). ([FreightWaves April 2023](#))
- The average price for a gallon of diesel fuel was \$4.077 the week of April 24. It is down 21% y/y and at its lowest point since February 2022. ([U.S. Energy Information Administration April 2023](#))

Less-than-Truckload (LTL)

- Major LTL carriers Old Dominion and TForce both reported drops in revenue and tonnage in the first quarter, highlighting the softening demand in the freight market. April tonnage for Old Dominion is down 15% y/y. “As we look forward to the remaining quarters of this year, we currently anticipate the softer demand environment will continue,” said Chief Operating Officer Marty Freeman, during a call with analysts. “The second quarter is generally the period when volumes begin to accelerate, but we have yet to see an inflection toward growth.” ([FreightWaves April 2023](#))
- U.S. trucking provider, Yellow, wants to reopen its five-year contract with the Teamsters Union to negotiate a way out of an impasse over plans to consolidate its eastern U.S. LTL subsidiaries, Holland and New Penn, to create one multi-regional carrier. If the

Teamsters agree to reopen the contract, negotiations with the three major unionized LTL carriers — ArcBest’s ABF Freight, TForce Freight and Yellow — would be underway at the same time. ([JOC April 2023](#))

TRUCKLOAD (TL)

- U.S. truckload rates continue to fall as demand drops. Dry van spot rates were down 3.7% from February to March and are currently down 4.1% from March to April. ([DAT Freight & Analytics April 2023](#))
- U.S. truck tonnage fell 5.4% in March after increasing 0.9% in February. “Falling home construction, decreasing factory output and soft retail sales all hurt contract freight tonnage [in March],” Bob Costello, American Trucking Association’s chief economist, said in a statement. ([American Trucking Associations April 2023](#))
- Schneider, the 4th largest truckload carrier by volume, reported better than expected first-quarter earnings on April 27, but doesn’t anticipate a freight recovery until later in the year. “We now anticipate that the currently challenged freight environment will persist longer than original forecasts,” CFO Steve Bruffett stated in a news release. “Concurrently, there are increasing signals that we are now in the trough of this freight cycle as customer inventories and industry capacity levels continue to rationalize.” ([FreightWaves April 2023](#))

PARCEL

- UPS is forecasting its first decline in annual revenue since 2009 after earnings and revenue both fell in the first quarter from a year ago. Declines were driven by sagging consumer spending that pushed fewer packages through its U.S. and international networks. ([WSJ April 2023](#))
- UPS and members of the Teamsters Union met in Washington, D.C. in April. Each side gave opening presentations, focusing on their negotiations priorities and outlining key topics for discussion in the weeks ahead. Talks also focused on the supplemental agreements. ([UPS April 2023](#))

MARITIME

- The container shipping industry will report a \$10 billion loss in 2024 as new contracts are signed at significantly lower rates and a flood of new ships results in effective capacity growth of 25% this year, according to the latest estimate from consultancy Drewry. ([JOC April 2023](#))
- Spot rate levels from Asia to the U.S. West Coast rose 28% last week to \$1,600 per FEU, the highest since November 1, 2022, according to Platts, a sister company of the Journal of Commerce within S&P Global. Rates from Asia to the U.S. East Coast were up 21.5% last week to \$2,400 per FEU. ([JOC April 2023](#))
- West Coast dockworkers reached a tentative agreement with employers regarding automated machinery at cargo terminals, clearing one major hurdle in talks on a new contract covering workers at some of the country's biggest seaports. The tentative agreement marks the first significant advance in the talks since a pact on healthcare benefits was reached last summer, and leaves wages as one of the main dividing points in reaching a new multi-year agreement. ([WSJ April 2023](#))