JARRETT SUPPLY CHAIN REPORT

MARKET

- Total freight costs fell year over year (y/y) in December for the first time in 28 months, according to the *Cass Freight Index*. Total freight expenditures were down 4.3% y/y in December and total shipments were down 3.9% y/y. (FreightWaves January 2023)
- The measure of freight volume has declined sequentially for 5 consecutive months. However, Bob Costello, Chief Economist for the American Trucking Association, does not expect the "freight recession" to be a long one. "We've got this quarter and next quarter before we get through it," said Costello. "We'll hit bottom and flatten out before we come up." (JOC January 2023)
- The average price for a gallon of diesel fuel in the US was $4.60 the week of January 23. The price is up 8.24% y/y. (US Energy Information Administration January 2023)

Less-than-Truckload (LTL)

- Despite increasing pressure from shipper customers to lower rates, LTL carriers are holding the line on pricing, according to the Cowen/AFS Freight Index for the first quarter of 2023. The data collected for the Cowen/AFS Logistics index shows continued strength in LTL pricing, with rates heading higher, despite loosening LTL capacity and weakening macroeconomic trends. The LTL producer price index was up 7.6% in December y/y. (JOC January 2023)
- Less-than-truckload carrier Saia implemented a 6.5% general rate increase (GRI) for shipments subject to general rules tariffs on Monday, January 31. The above-market increase comes as Saia looks to raise rates to levels commensurate with its service offering and peers, according to Deutsche Bank analyst Amit Mehrotra. "This is consistent with our analysis that shows Saia is underpriced for the service it provides," Mehrotra said in a note to clients. (FreightWaves January 2023)

TRUCKLOAD (TL)

- In spite of increasing volume since the start of 2023, truckload spot rates (net of fuel) dropped from $2.02 per mile on January 9 to $1.82 per mile on January 25. While this is certainly above the lowest rate in the current cycle ($1.67 per mile on November 17, 2022), the downward trend isn't instilling hope for truckload carriers that the market has bottomed yet. (FreightWaves January 2023)
- A loss of freight from US home construction and manufacturing is depressing spot market volumes and rates for flatbed trucks, creating surplus capacity that at the moment isn't being matched with demand. Flatbed spot loads posted in the second week of January were down 73% y/y on DAT Freight & Analytics spot market load boards. (JOC January 2023)

PARCEL

- On Monday, January 9th the Teamsters held their first strategy meeting in preparation for their upcoming contract negotiation with UPS. The contract, which covers approximately 350,000 UPS employees, is the largest of its kind in North America. It typically runs for five years. The contract covers drivers, loaders, unloaders and other personnel. At the meeting Sean O'Brien, Teamsters President, reiterated his "clear message to UPS" that a contract must be agreed to no later than August 1, the day after the current pact expires. If not, the union will strike, according to O'Brien. (FreightWaves January 2023)

MARITIME

- Maersk and MSC will discontinue their 2M alliance in 2025 as the two companies pursue different strategies. The 2M alliance allowed the world's two largest ocean shipping carriers to share cargo capacity in the Asia-Europe, Transatlantic and Transpacific trade lanes as part of a container shipping line vessel sharing agreement. The alliance has been in place since 2015. (SupplyChainDive January 2023)
- East Coast container imports are still far above pre-pandemic levels. Port of Charleston's December imports were up 28% versus December 2019. Savannah's were up 26% and Virginia's 21%. In stark contrast, combined imports in Los Angeles and Long Beach were down 15% in December versus December 2019, Oakland was down 19% and Seattle/Tacoma was down 20%. (FreightWaves January 2023)