

# TD Cowen/AFS Freight Index

January 2025



# AFS is one of the most experienced 3PLs in the country; leveraging Freight Audit and Payment data enables AFS to unlock unrivaled insights into the overall freight market.



**\$39B**

- AFS has visibility to over \$39B in transportation spend across multiple modes flowing into our systems annually providing maximum market insight.



**1,800+**

- The freight data comes from over 1,800 clients of all sizes and industries, representing a comprehensive view of the overall market.



**43 YRS**

- With AFS' deep expertise and 43 years of experience across all transportation modes, we have significant market insights to project future trends and industry patterns.



**Truckload**  
**LTL**  
**Parcel**

- AFS' team of Data Scientists and Analysts applied Machine Learning algorithms and modeling techniques to examine the historical data for Truckload, LTL and Parcel since 2018.
  - The following rate indices are developed for these modes and quarterly rate predictions are provided using AFS freight data and macroeconomic variables.

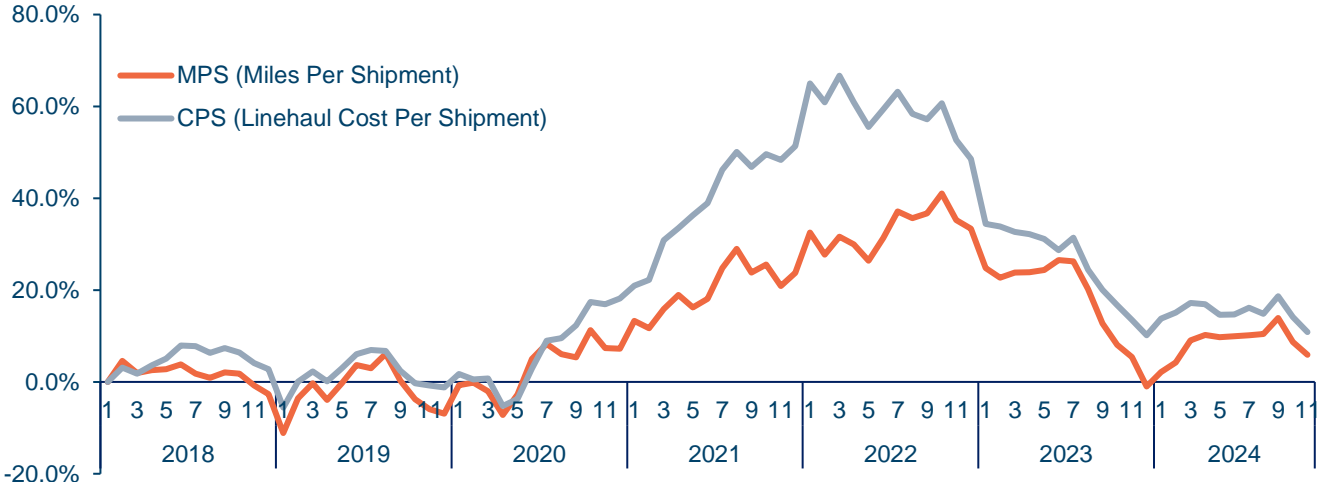
# Truckload



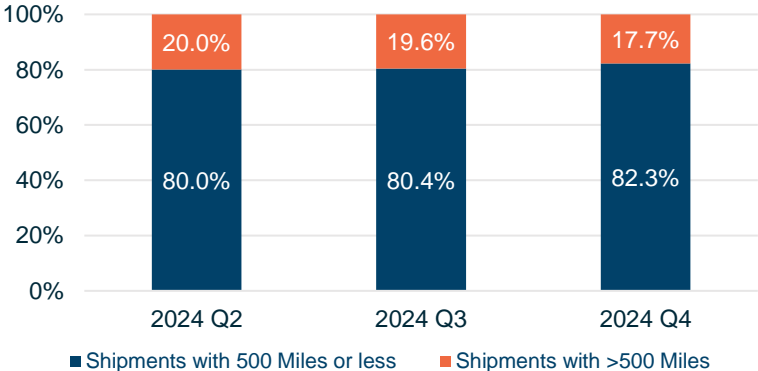
# The average Truckload (TL) Linehaul Cost Per Shipment declined by 3.3% QOQ in Q4:2024, accompanied by a 3.6% QOQ drop in Miles Per Shipment.

- The correlation between TL Linehaul Cost Per Shipment (CPS) and Miles Per Shipment (MPS) stayed strong throughout 2024; in Q4:2024, MPS experienced a marginally faster decline than CPS.
  - Despite a slight uptick in September, CPS continued to fall in Q4:2024, driven by persistent sluggish demand and surplus capacity.
  - Short-haul shipments increased by 1.9 percentage points, contributing to the decline of CPS.
  
- CPS marked its eighth consecutive quarterly YOY decrease in Q4:2024.
  - The CPS YOY decline decelerated to its slowest rate in the past two years.
  - CPS stood at 11.6% above pre-pandemic levels, also the lowest during this period.

**TL Miles Per Shipment, Linehaul Cost Per Shipment  
Jan. 2018 as Base**

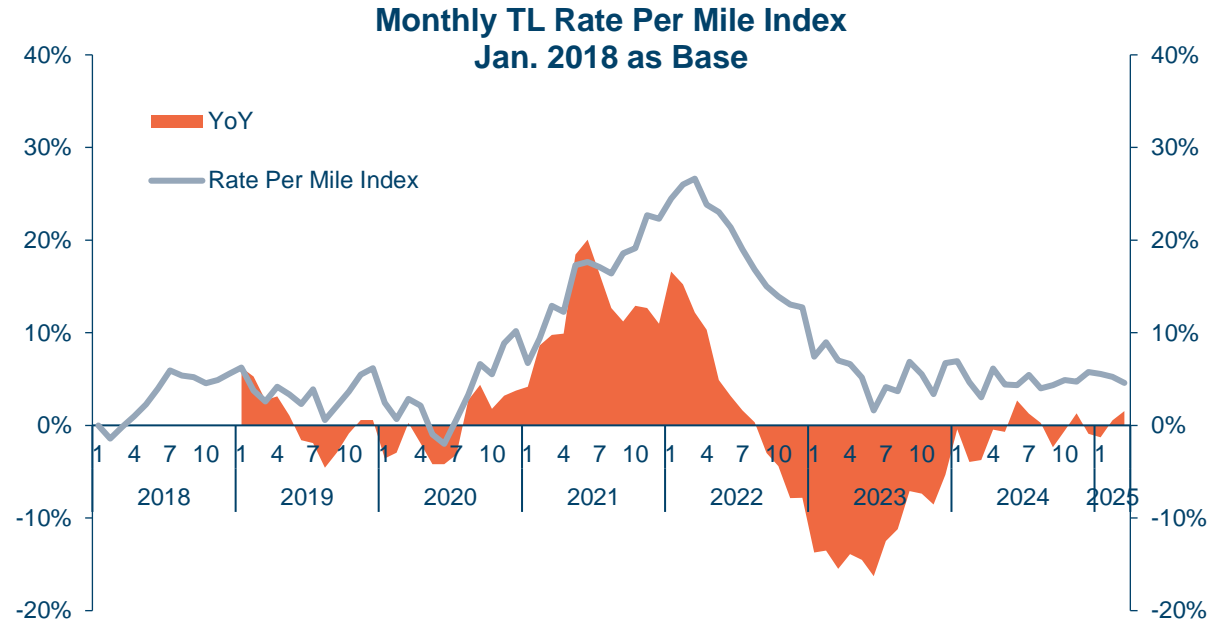


**Short-haul vs. Long-haul Shipments**



# The TD Cowen/AFS Truckload Freight Index is projected to be 5.1% in Q1:2025, a slight YOY increase of 0.2%.

- Macroeconomic conditions presented a sanguine outlook, but uncertainties exist with the incoming administration.
  - US GDP grew by 3.1% in Q3:2024, exceeding expectations due to robust consumer spending and strong exports.
  - Inflation reached its lowest point since Q2:2021 in September 2024 but has been increasing in October and November.
  - In December, the Federal Reserve lowered the interest rate by 0.25%, marking the third cut in 2024, though it remained at the highest level in two decades.
- The truckload demand remains flat, but signs of recovery are emerging, including rising spot rates and higher tender rejection rates. Factoring in seasonal effects, the TL Rate Per Mile Index is projected to stay steady at 5.1% for Q1 2025, reflecting a 0.2% YOY increase.



**Composite Truckload Rate Per Mile Freight Index**

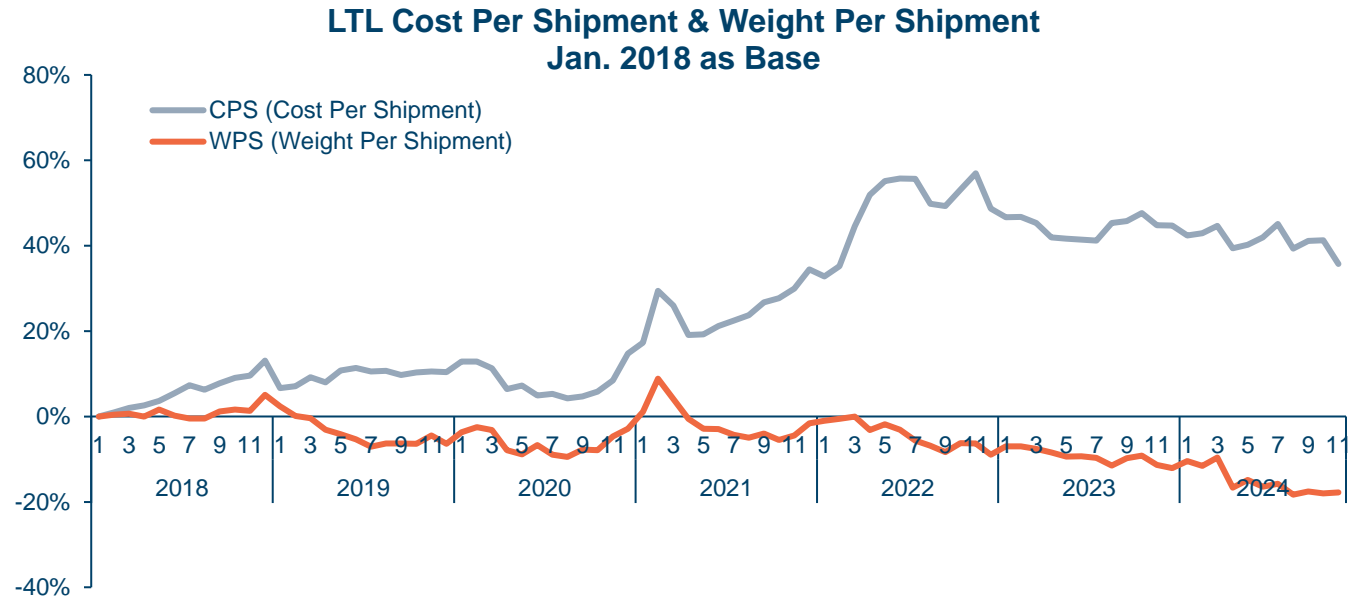
| Year | Q1    | Q2    | Q3    | Q4    |
|------|-------|-------|-------|-------|
| 2022 | 25.7% | 22.8% | 17.0% | 12.9% |
| 2023 | 7.8%  | 4.3%  | 4.8%  | 5.2%  |
| 2024 | 4.9%  | 5.0%  | 4.6%  | 5.1%  |
| 2025 | 5.1%  |       |       |       |

Jan. 2018 = Base, Q1:2025 forecasted

LTL

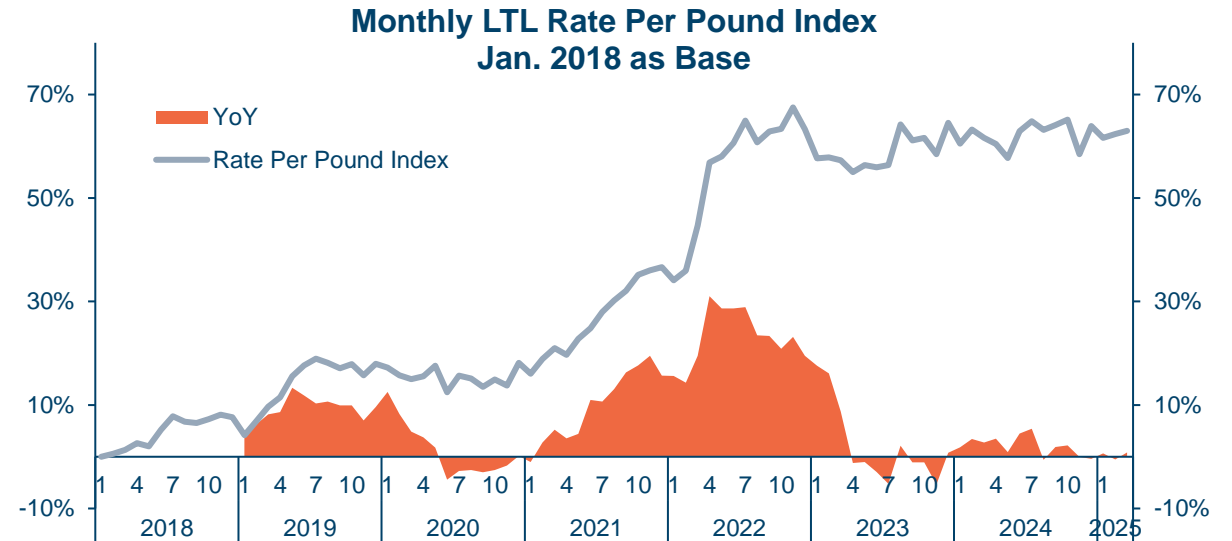
In Q4:2024, the LTL Cost Per Shipment declined by 1.3% QOQ and 6.6% YOY, driving primarily by lower fuel cost.

- In Q4:2024, the gap between LTL Cost Per Shipment (CPS) and Weight Per Shipment (WPS) narrowed slightly.
  - Fuel surcharge was the main driver of the CPS decline. With lower diesel fuel cost, the average fuel surcharge from major LTL carriers fell 3.4% compared to Q3:2024. The actual net fuel surcharge per shipment decreased by 5.5% QOQ.
  - The downward trend of WPS stalled in Q4:2024, with a 0.3% QOQ decrease. With a 1.3% drop in CPS, this suggests that carriers' pricing discipline might be weakening.
  - The average length of haul decreased by 1.4% QOQ.
- While still elevated, the LTL CPS continued its gradual decline in Q4:2024.



# The Q1:2025 TD Cowen/AFS LTL Freight Index is forecast to decline slightly to 62.4%, a 0.2% decrease QOQ but a 0.4% increase YOY.

- FedEx announced plans to spin off its Freight division into an independent, publicly traded company, with the process expected to conclude within the next 18 months.
  - This move allows FedEx Freight to leverage its network and pricing discipline in a competitive environment, free from parcel related limitations.
- The Q4:2024 index came in lower than projected in the last release, primarily due to changes in fuel prices. The average crude oil price in Q4:2024 was 9.0% lower than the EIA forecast in September 2024.
- Considering current macroeconomic conditions along with carrier GRIs, the TD Cowen/AFS LTL Freight Index is forecast at 62.4%, up by 0.4% YOY.
  - Q1:2025 will mark the fifth consecutive quarter with positive YOY changes, though the rate of increase is tapering off.



**LTL Rate Per Pound Freight Index**

| Year | Q1    | Q2    | Q3    | Q4    |
|------|-------|-------|-------|-------|
| 2022 | 38.5% | 58.5% | 62.7% | 64.6% |
| 2023 | 57.4% | 55.4% | 60.6% | 61.3% |
| 2024 | 61.0% | 62.3% | 64.1% | 62.7% |
| 2025 | 62.4% |       |       |       |

Jan. 2018 = Base, Q1:2025 forecasted



Parcel

# UPS and FedEx kept leveraging fuel and rating logic changes to boost revenue, but ongoing aggressive discounting continued to erode the gains.

- In December, UPS announced the eighth fuel surcharge adjustment in 2024, with additional “shift” and “tilt” of the fuel surcharge curve.
  - “shift” - the fuel surcharge increases at each diesel fuel price point.
  - “tilt” – the increase is not uniform, leading to a faster rise of fuel surcharge as diesel price increases and a slower decline when diesel price drops (solid vs. dotted line in Fig. 1).
- FedEx and UPS established a 5.9% General Rate Increase (GRI) for 2025, along with further hikes in most accessorial charges.
  - List rate differences align with those of 2024 (Fig 2), suggesting minimal differentiation between the two carriers.
  - Both carriers introduced a new rating logic, setting a Minimum Billable Weight of 40 lbs. for shipments subject to the Additional Handling Surcharge based on dimensions.
- Parcel market condition continued to be competitive in Q4:2024.

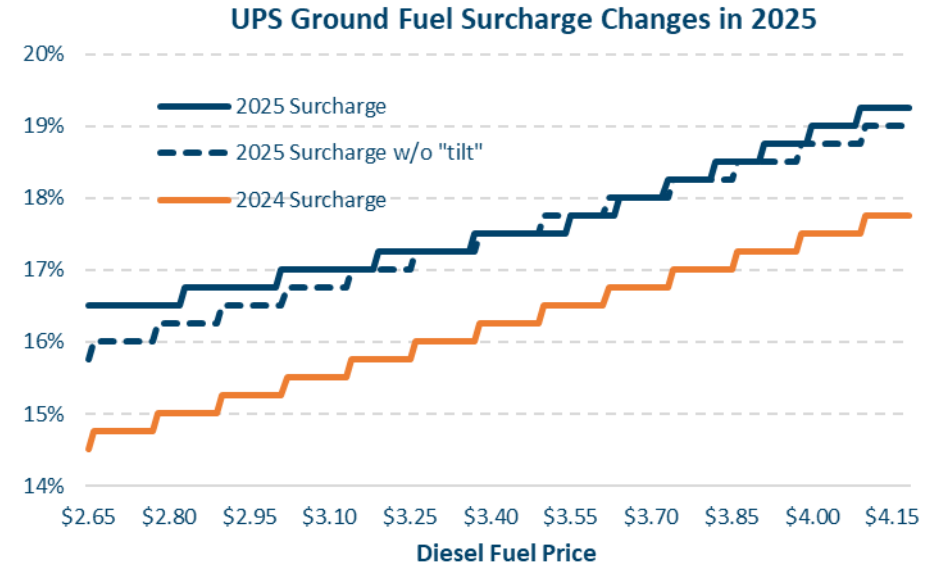


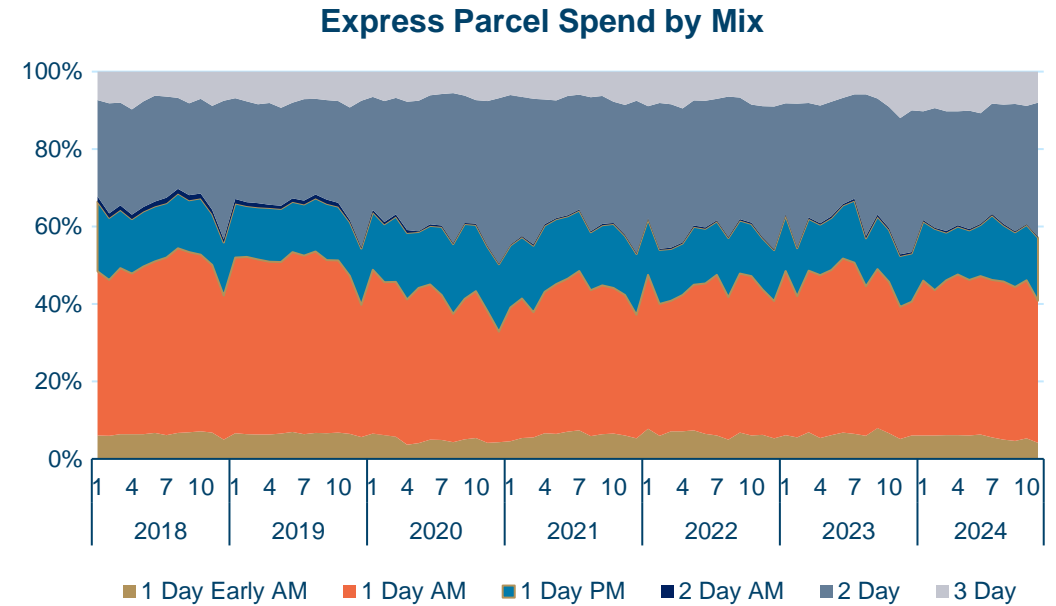
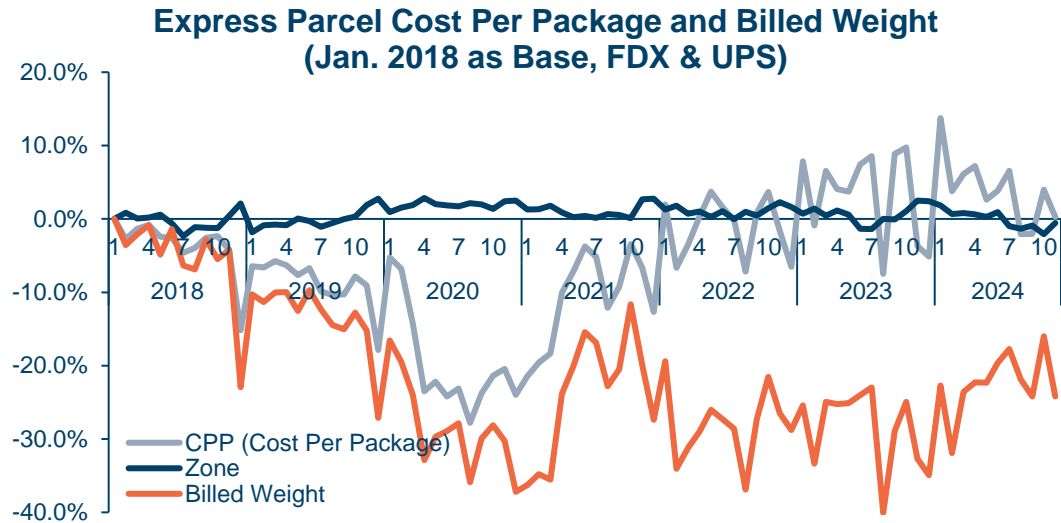
Fig. 1

| Domestic List Rate Comparison (FedEx over UPS) |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|
| Service  | Zone 2 | Zone 3 | Zone 4 | Zone 5 | Zone 6 | Zone 7 | Zone 8 |
| 1 Day Early AM                                 | 0.7%   | 0.6%   | (0.6%) | (0.7%) | (0.7%) | (0.9%) | (0.6%) |
| 1 Day AM                                       | (0.5%) | (0.6%) | (0.3%) | (0.5%) | (0.5%) | (0.7%) | (0.6%) |
| 1 Day PM                                       | (1.0%) | (1.0%) | (1.0%) | (1.0%) | (1.0%) | (1.0%) | (1.0%) |
| 2 Day AM                                       | 2.3%   | 3.0%   | 3.2%   | 3.6%   | 1.9%   | 0.7%   | 0.7%   |
| 2 Day  | (0.0%) | (0.1%) | (0.5%) | (0.0%) | (0.2%) | (0.6%) | (0.7%) |
| 3 Day  | 30.5%  | 26.2%  | 26.0%  | 18.2%  | 10.0%  | 9.9%   | 14.0%  |
| Ground   | 0.2%   | 0.3%   | 0.2%   | 0.2%   | 0.1%   | 0.1%   | 0.1%   |

Fig. 2

## Express Parcel

The Express Parcel Cost Per Package stayed relatively flat in Q4:2024, decreasing by 0.2% QOQ and 0.4% YOY, primarily influenced by fuel surcharge and service mix.

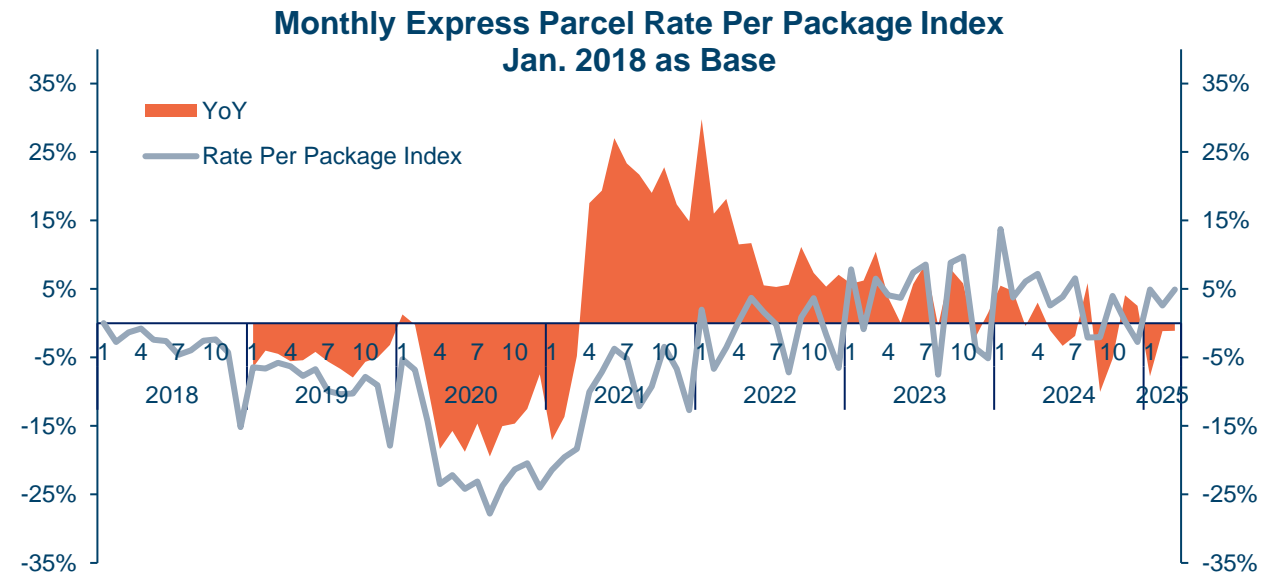


- Express Parcel Cost Per Package saw a slight decline in Q4:2024, driven by opposing factors that offset each other.
  - The USGC jet fuel price decreased by 8.8% QOQ, leading to a 2.7% drop in the carrier fuel surcharge.
  - Accessorial costs rose significantly due to the Demand Surcharges, including the newly implemented “blanket” Demand Surcharge.

- Service mix experienced a seasonal shift toward deferred services, contributing to a 3.8% QOQ decline in the average gross cost per package.

The TD Cowen/AFS Express Parcel Freight Index is expected to increase to 4.1% in Q1:2025, reflecting a 3.6% QOQ increase but a 0.4% YOY decline.

- The Express parcel market is expected to stay highly competitive, driven by continued pressure from regional carriers, Amazon and the USPS, with aggressive discounting expected to persist into 2025.
- Through their respective quarterly earnings calls, FedEx and UPS conveyed that they are actively working on network improvements, cost reductions, and enhancing revenue quality.
- The TD Cowen/AFS Express Parcel Freight Index is projected to reach 4.1% in Q1:2025.
  - The impact of the 2025 GRI and associated changes is projected to be most significant in the first quarter of 2025.
  - The YOY decline stems from a full year of aggressive discounting.



**Express Parcel Rate Per Package Freight Index**

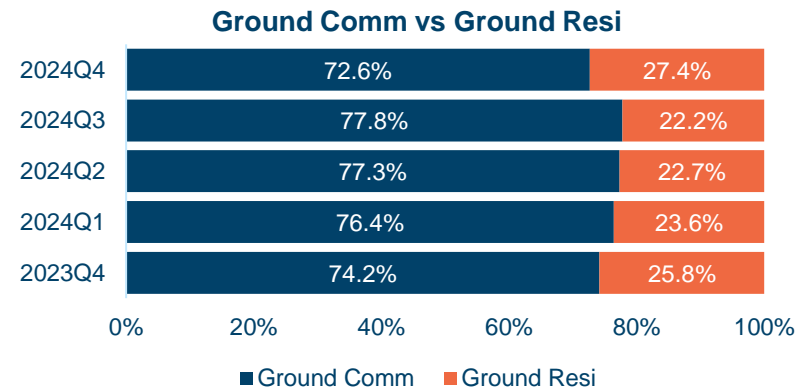
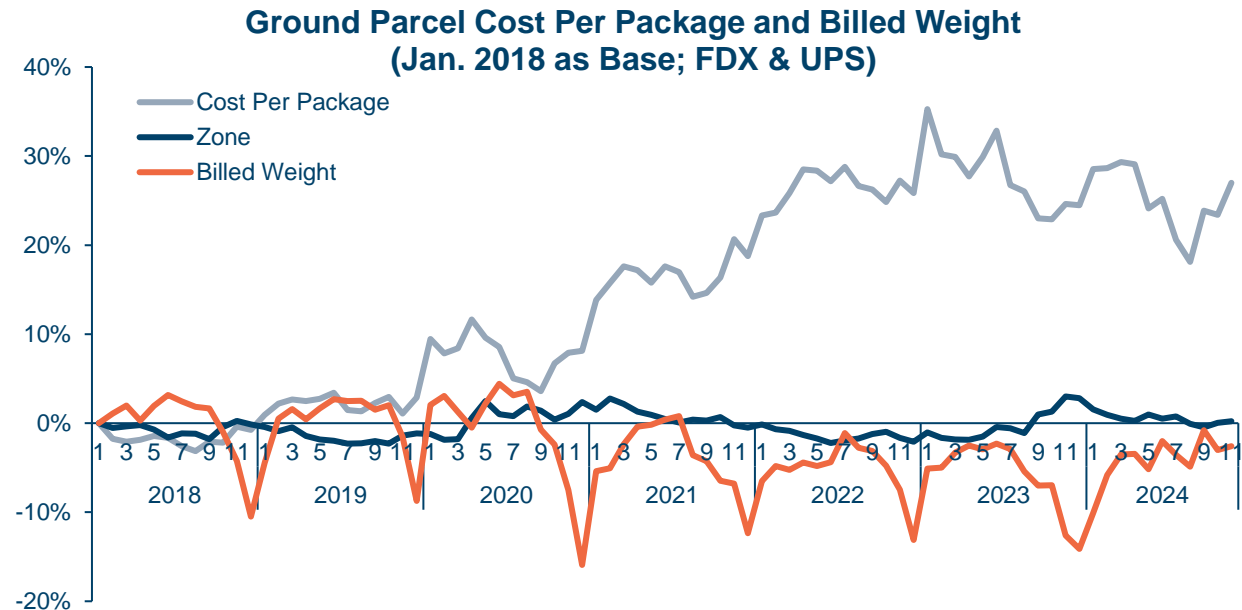
| Year | Q1     | Q2   | Q3     | Q4   |
|------|--------|------|--------|------|
| 2022 | (3.0%) | 2.3% | (1.0%) | 0.6% |
| 2023 | 4.1%   | 3.8% | 2.4%   | 0.9% |
| 2024 | 4.5%   | 4.5% | 0.7%   | 0.5% |
| 2025 | 4.1%   |      |        |      |

Jan. 2018 = Base, Q1:2025 forecasted

## Ground Parcel

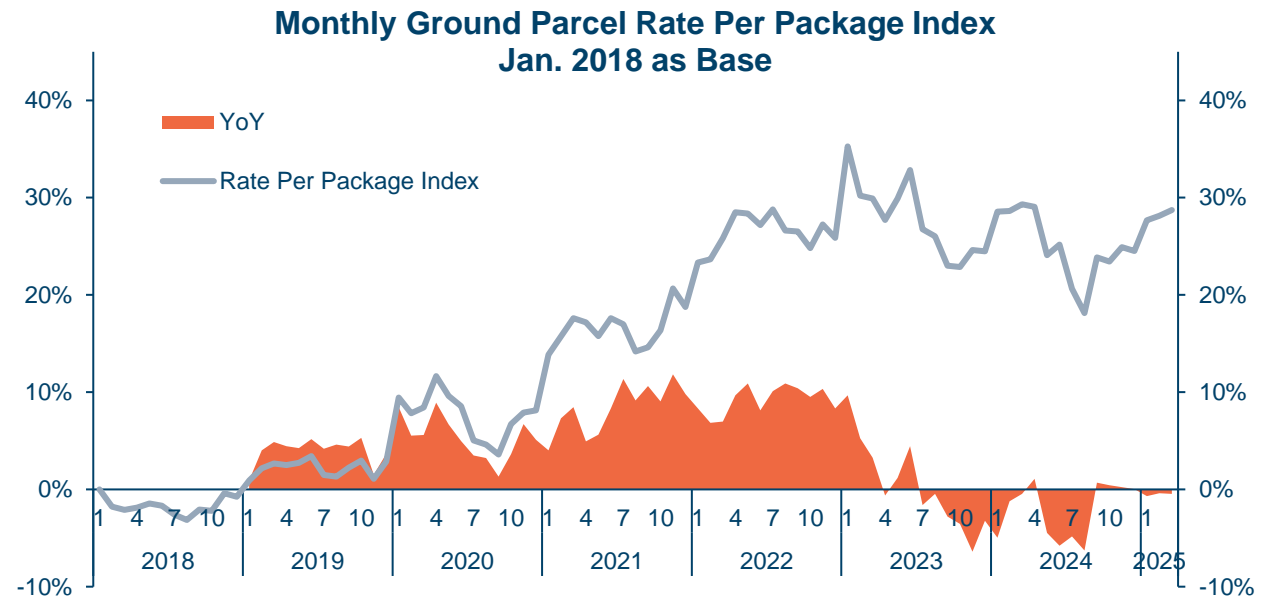
In Q4:2024, Ground Parcel rates saw a 3.0% QOQ increase, mainly due to higher accessorial charges and an increase in the fuel surcharge.

- Ground Parcel Cost Per Package rose by 3.0% QOQ in Q4:2024 but remained relatively stable on YOY basis.
  - Despite a 4.6% QOQ decline in the On-Highway Diesel Fuel prices in Q4:2024, the average fuel surcharge rates for carriers increased, owing to fuel surcharge hikes throughout 2024.
  - The average net fuel cost for Ground Parcel rose by 4.7% QOQ.
- The average accessorial charge per package increased by 16.4% QOQ.
  - This increase was partially driven by the volume mix shift favoring residential shipments.
  - The recently introduced "blanket" Demand Surcharge played a major role in driving up the average accessorial cost.



The Q1:2025 TD Cowen/AFS Ground Parcel Freight Index is projected to increase to 28.2%, reflecting a 3.0% increase QOQ but a 0.5% YOY decline.

- The TD Cowen/AFS Ground Parcel Freight Index is expected to reach to 28.2% in Q1:2025.
  - The Ground Parcel pricing environment remained favorable for shippers in Q4:2024, and this trend is expected to persist into 2025.
  - With carriers prioritizing revenue quality, it is likely that pricing control will tighten in the near future.
  - The 2025 carrier GRIs took effect, exerting upward pressure on Rate Per Package. Carriers have announced additional changes (without details) that could further raise costs in Q1:2025.
  - With the first quarter representing the most effective GRI impact, the Q1:2025 Ground Parcel index is 2% shy of the record high set in Q1:2023, driven by discounting practices over the past year.



Ground Parcel Rate Per Package Freight Index

| Year | Q1    | Q2    | Q3    | Q4    |
|------|-------|-------|-------|-------|
| 2022 | 23.9% | 27.4% | 26.9% | 26.0% |
| 2023 | 31.0% | 28.9% | 23.4% | 23.8% |
| 2024 | 28.8% | 26.2% | 20.8% | 24.4% |
| 2025 | 28.2% |       |       |       |

Jan. 2018 = Base, Q1:2025 forecasted



# Appendix



AFS is one of the most experienced 3PLs in the country, pioneering the space 43 years ago, enabling us to save our clients \$183M.



*“As capacity further tightens, freight rates increase, and e-commerce flourishes, customers can benefit from the transportation cost savings and visibility achieved through a relationship with 3PLs such as AFS Logistics.” – Armstrong & Associates*

AFS named in the **GARTNER**<sup>1</sup> 2023 Market Guide for Freight Audit and Payment Providers<sup>2</sup> and **GARTNER**<sup>1</sup> 2023 Market Guide For Benchmarking Services For Transportation Rates And Logistics Performance Metrics.

AFS named as 2023 Top 3PL by **Inbound Logistics**.

AFS Logistics helps more than 1,800 companies across more than 35 countries drive sustained savings and operational improvements, while turning their logistics operations into competitive, customer-centric differentiators. As a non-asset based and non-asset biased 3PL, AFS provides a range of logistics services, featuring freight and parcel audit, parcel cost management, LTL cost management and transportation management, which includes freight brokerage and freight forwarding. Founded in 1982 and employing a team of more than 380 logistics teammates in eight major locations across the U.S. and Canada, AFS is regularly part of the Inc. 5000 list of fastest growing companies and was named a Top 100 3PL by Inbound Logistics in 2023.

To learn more, visit [www.afs.net](http://www.afs.net).