

# TD Cowen/AFS Freight Index

April 2024



# 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.



**42 YRS**

- With AFS' deep expertise and 42 years of experience across all transportation modes, we have significant market insights to project future trends and industry patterns.



**Truckload  
LTL  
Parcel**

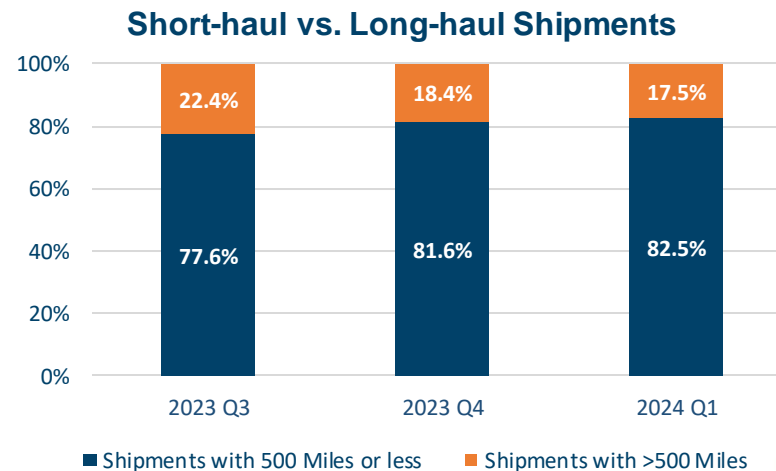
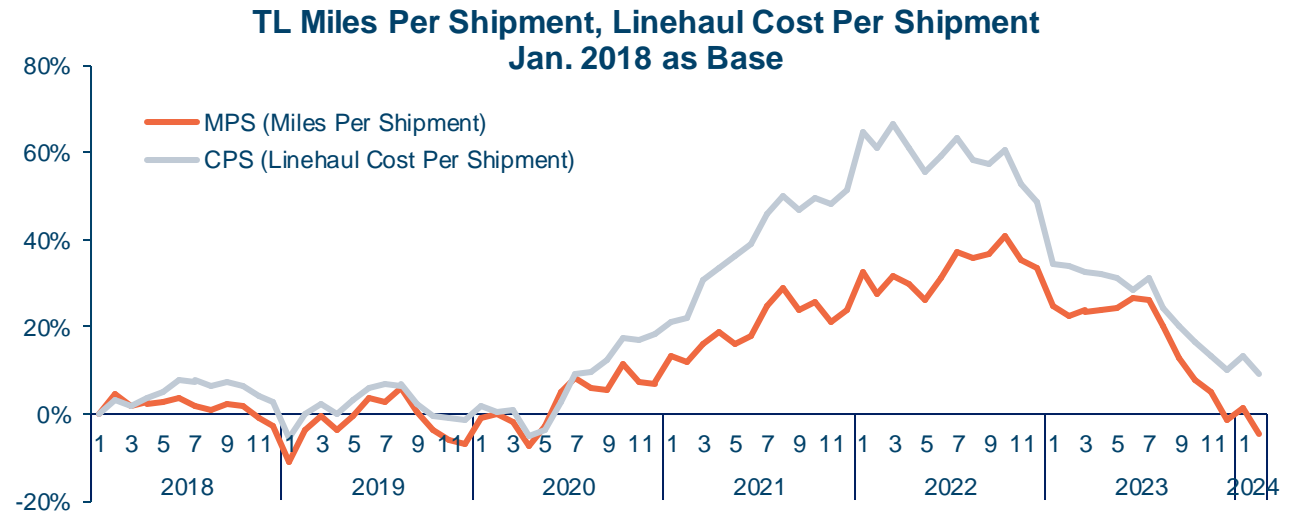
- AFS' team of Data Scientists and Analysts applied Machine Learning algorithms and modeling techniques to examine the historical data for Truckload, LTL and Parcel since 2018.
  - The following rate indices are developed for these modes and quarterly rate predictions are provided using AFS freight data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

# Truckload



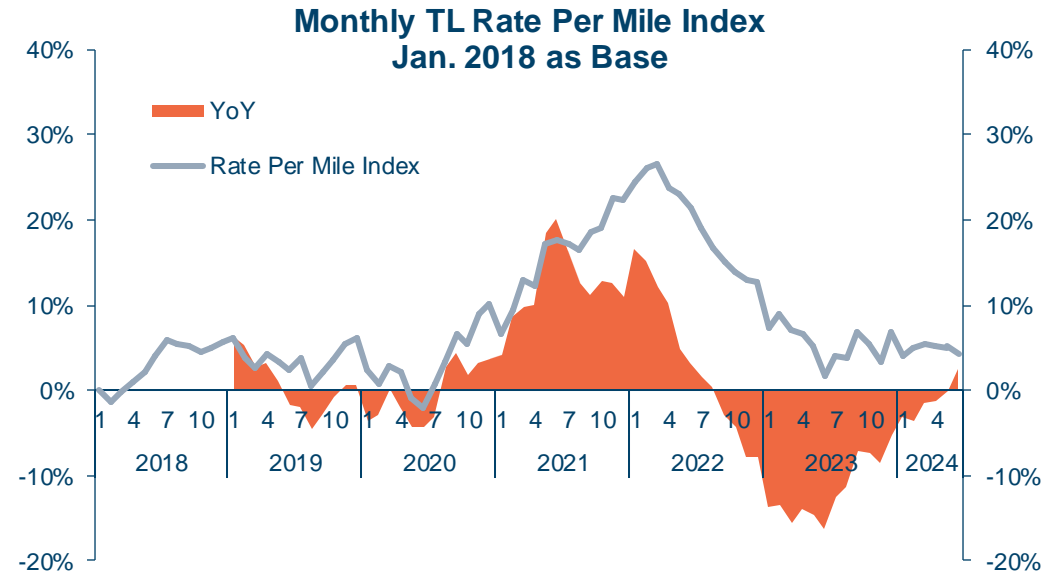
# Truckload (TL) average Linehaul Cost Per Shipment continued to slide in Q1:2024, with declines of 16.7% YOY and 2.0% QOQ.

- In Q1:2024, while the correlation between Linehaul Cost Per Shipment (CPS) and Miles Per Shipment (MPS) remained strong, the gap between the two metrics continued to expand.
  - As MPS experienced a deeper decline in Q1:2024, CPS demonstrated resilience, albeit partly attributed to the winter weather conditions in January. CPS declined in February and March 2024.
  - The short-haul shipments mix saw an improvement of nearly 1 percentage point in Q1, exerting downward pressure on CPS.
- In Q1:2024, there was a 16.7% YOY decrease in CPS, extending the pattern of consecutive quarterly YOY declines.
  - Despite the deceleration in the rate of decline, CPS in Q1:2024 remained 10% above pre-pandemic levels.



# The Q2:2024 TD Cowen/AFS Truckload Freight Index will stay level at 4.8%, a marginal decline from Q1:2024; marking the first YOY increase since Q3:2022.

- While YOY volume decline seems to have moderated, there is still no clear indication of TL market recovery.
  - US GDP grew at an annualized growth of 3.4% in Q4:2023, above previous estimates.
  - Inflation inched up by 0.1% to 3.2% in February 2024, slightly above the lowest level (3.0% in June 2023) observed in the last 12 months.
  - The long-anticipated interest cut has yet to materialize, as the Federal Reserve cautiously navigates a delicate balance on timing, preferring to await more positive signals before proceeding with rate reductions.
- TL Rate Per Mile Index is forecast to decline slightly to 4.8% in Q2:2024.
  - As truck capacity continues to adapt to lower demand and sustained high interest rates, it will inevitably drive rates up. However, the crucial question remains when the adjustment will occur.



**Composite Truckload Rate Per Mile Freight Index**

Year	Q1	Q2	Q3	Q4
2021	9.9%	15.7%	17.4%	21.3%
2022	25.7%	22.8%	17.0%	12.9%
2023	7.8%	4.3%	4.8%	5.2%
2024	4.9%	4.8%		

Jan. 2018 = Base, Q1:2024 forecasted

LTL

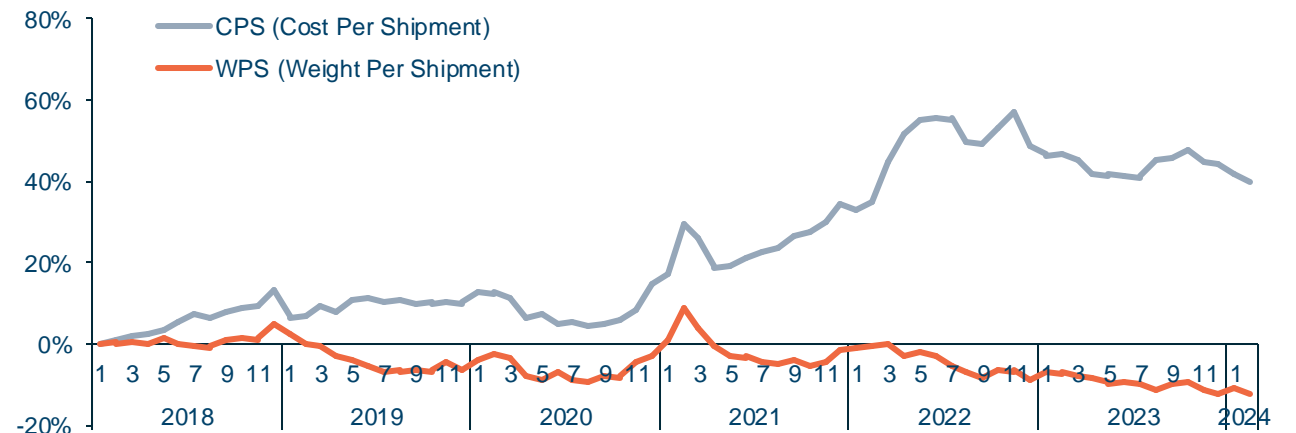
In Q1:2024, the LTL Cost Per Shipment experienced a 3.0% QOQ decline, primarily due to an 11.2% decrease in net fuel surcharge and a 1.5% decrease in Weight Per Shipment.

- In Q1:2024, the gap between LTL Cost Per Shipment (CPS) and Weight Per Shipment (WPS) narrowed compared to Q4:2023.

- Average fuel surcharge dropped by 8.3% across major LTL carriers in Q1:2024; coupled with changes in WPS and length of haul, this led to an 11.2% QOQ decrease in net fuel surcharge per shipment.
- WPS continued to follow a generally downward trajectory since mid-2022, with a 4.6% YOY decrease in Q1:2024.
- Average length of haul per shipment declined by 7.6% QOQ.

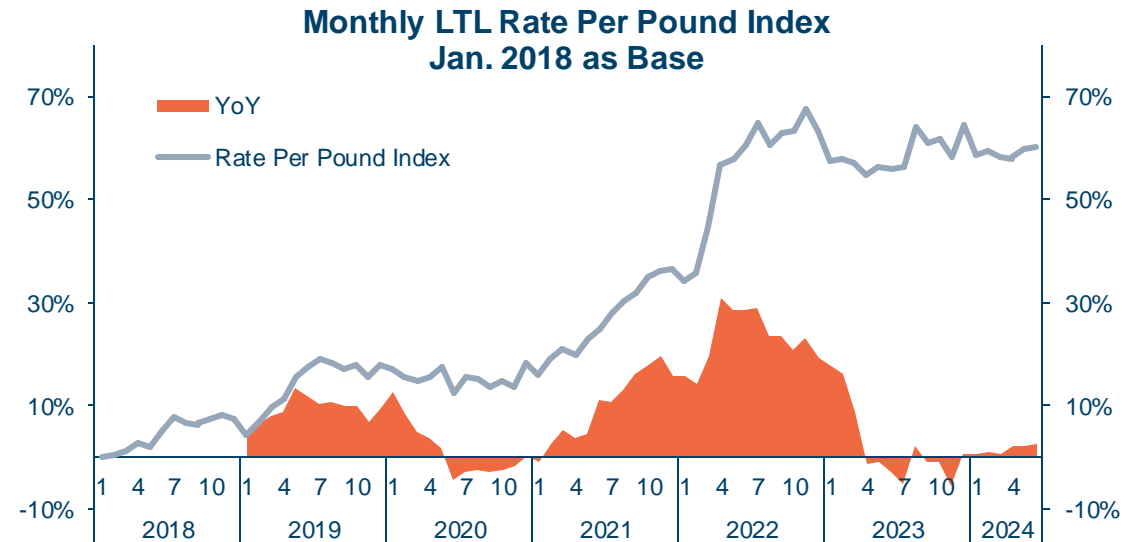
- While major LTL carriers benefited from Yellow's bankruptcy last summer, the broader LTL market remains relatively lackluster.

LTL Cost Per Shipment & Weight Per Shipment  
Jan. 2018 as Base



The TD Cowen/AFS LTL Freight Index is forecast to reach 59.4% in Q2:2024, an increase of 0.4% QOQ and 2.4% YOY.

- LTL Rate Per Pound has remained elevated since Yellow's exit. LTL carriers leveraged capacity adjustment and pricing discipline as the average weight and length of haul declined.
- Fuel surcharge is anticipated to increase slightly in Q2:2024 due to crude oil production cuts.
- Like Truckload, the TD Cowen/AFS LTL Freight Index predicts minimal fluctuations in Q2, projecting a relatively stagnant QOQ increase of 0.4%.
  - This remains a positive YOY change, reverting the negative trend observed in the last three quarters of 2023.



LTL Rate Per Pound Freight Index

Year	Q1	Q2	Q3	Q4
2021	18.8%	22.4%	30.1%	35.9%
2022	38.5%	58.5%	62.7%	64.6%
2023	57.4%	55.4%	60.6%	61.3%
2024	58.9%	59.4%		

Jan. 2018 = Base, Q1:2024 forecasted





Parcel

# Parcel carriers continued to implement off-cycle “GRI-inspired” changes to boost revenue streams.

- Since the 2024 General Rate Increase (GRI) announcements, UPS and FedEx have increased fuel surcharges multiple times.
  - When compared to 2021, fuel surcharge increases for Air/Ground by both carriers far exceeded the underlying indices changes (Fig. 1).
- Effective February 5, 2024, FedEx has chosen to “equalize” Demand Surcharges with UPS.
- Effective April 8, 2024, UPS Delivery Area Surcharge (DAS) will apply to 82 new zip codes (Fig. 2), with heavy concentration near San Francisco, New York and Miami.

**New UPS DAS Zip Codes**

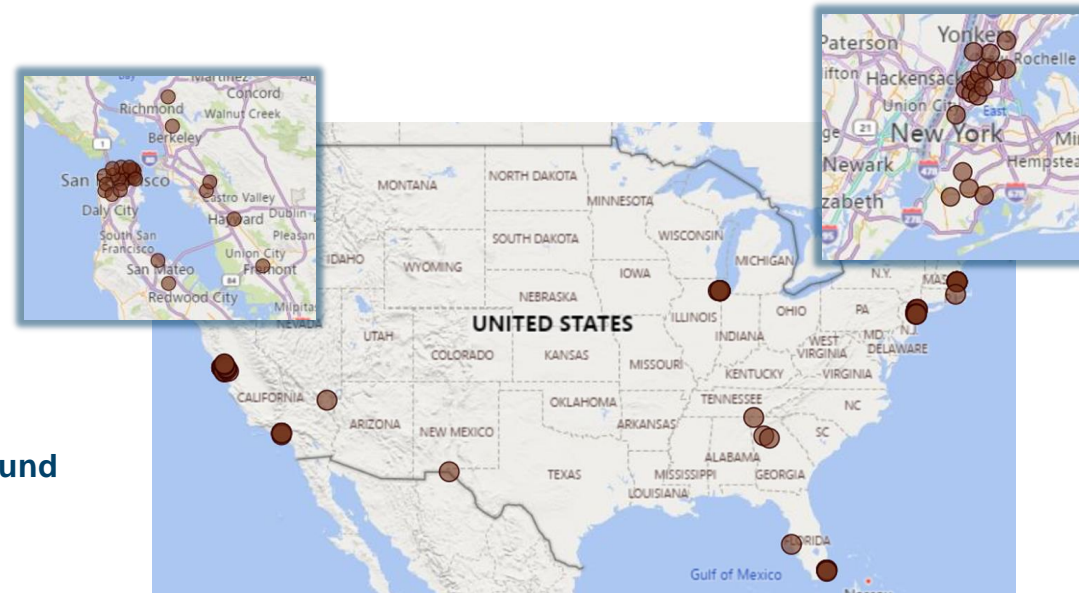
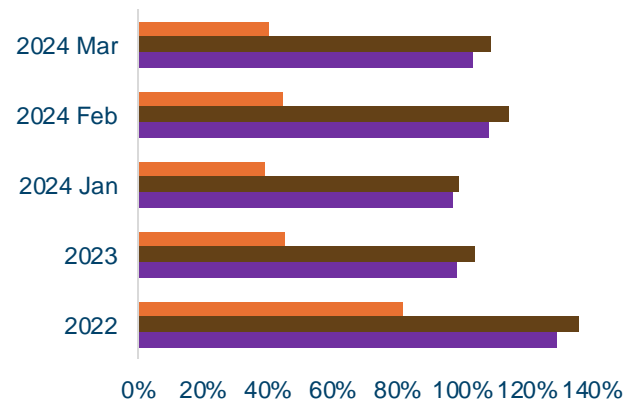


Fig. 2

- US Gulf Coast Kerosene-Type Jet Fuel – for Air
- On-Highway Diesel Fuel – for Ground
- UPS
- FedEx

**Fuel Surcharge Change from 2021 - Air**



**Fuel Surcharge Change from 2021 - Ground**

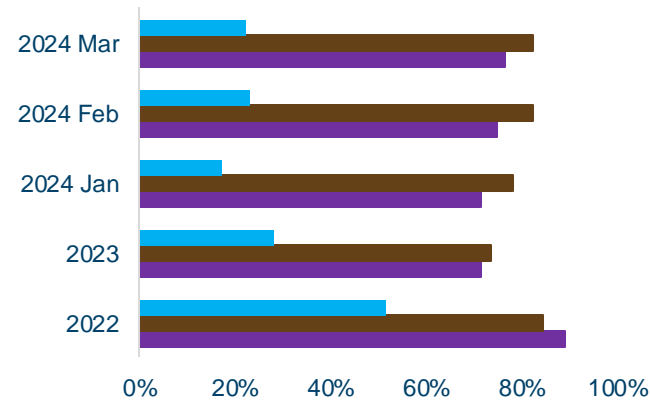
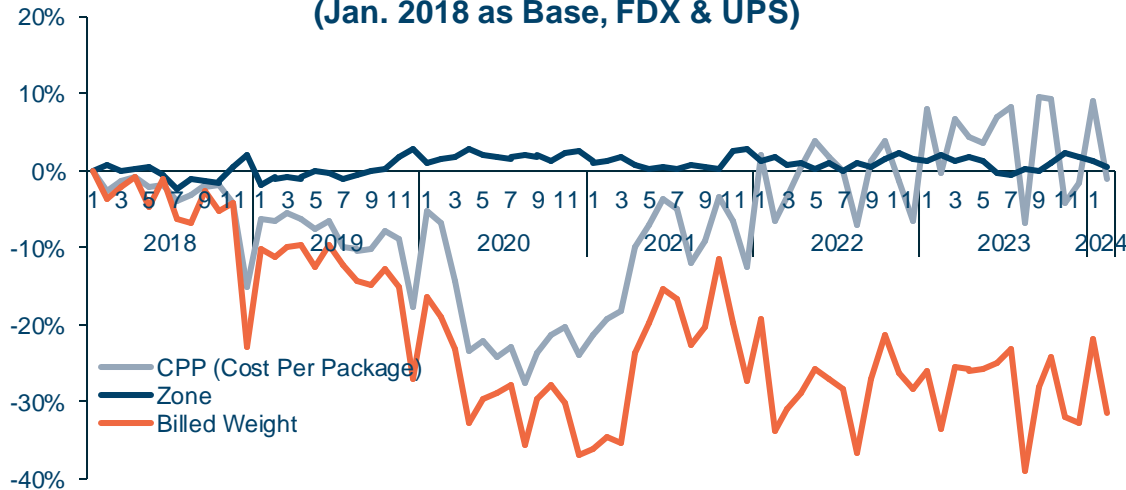


Fig. 1

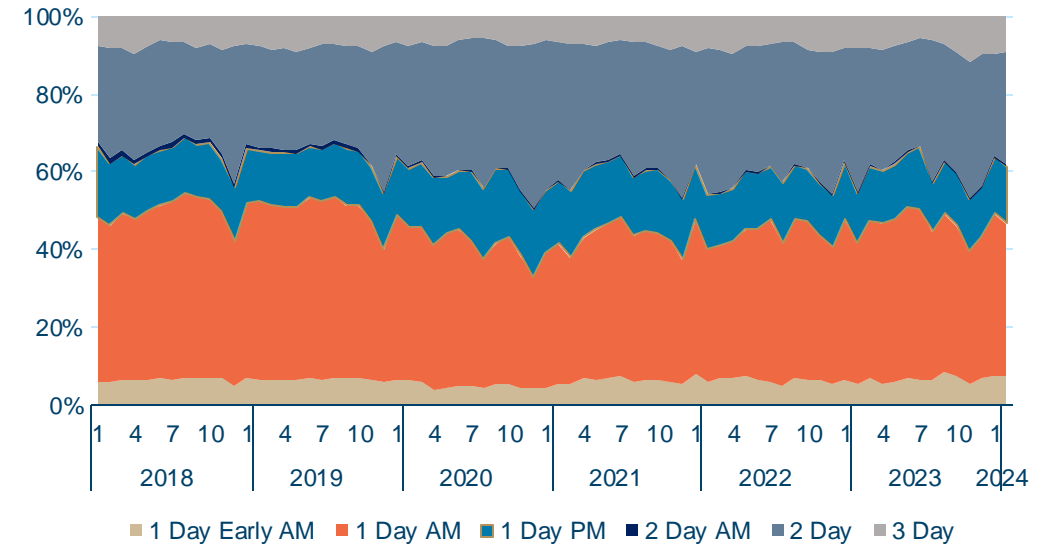
## Express Parcel

# 2024 carrier GRIs raised the Express Parcel Cost Per Package in Q1:2024 by 3.0% QOQ – which is a 0.6% YOY decline.

**Express Parcel Cost Per Package and Billed Weight (Jan. 2018 as Base, FDX & UPS)**



**Express Parcel Spend by Mix**

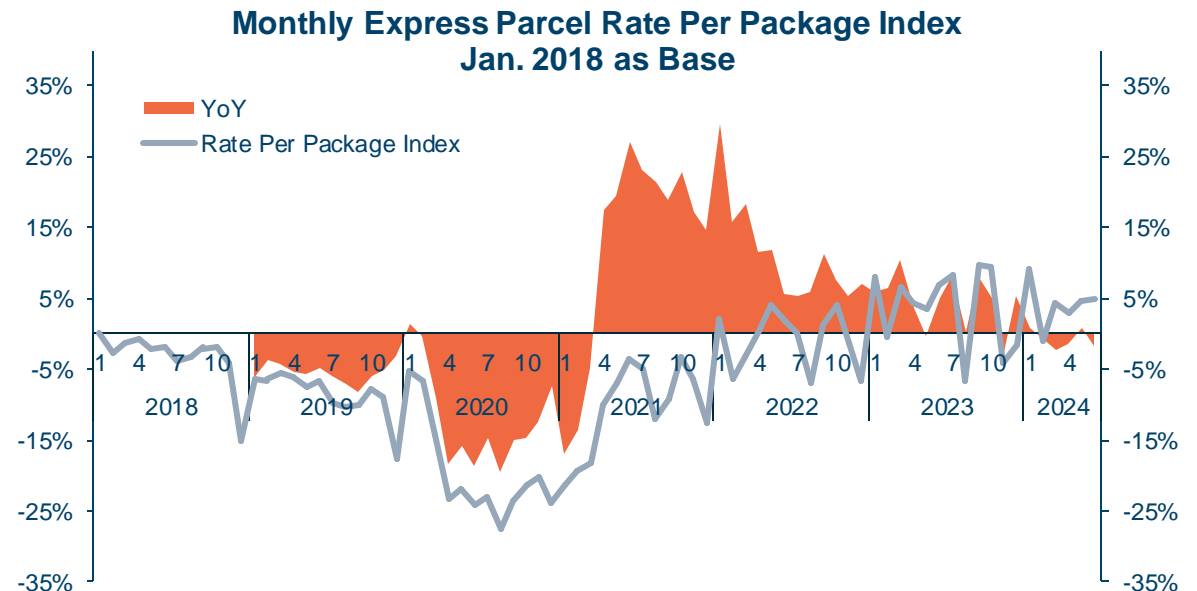


- The net increase in Express Parcel Cost Per Package exceeded expectations in Q1:2024, driven by various offsetting factors.
  - Average Billed Weight Per Package experienced a seasonal uptick of 4.2% in Q1:2024.
  - Service mix showed a positive shift toward one-day services, exhibiting a 2.7 percentage point improvement YOY.

- General Rate Increase (GRI) and fuel surcharge adjustments are in full effect, resulting in higher parcel rates.
- In Q1:2024, FedEx and UPS continued to pursue volume over revenue, resulting in higher average discounts for Express Parcel.

# The TD Cowen/AFS Express Parcel Freight Index will increase by 0.1% QOQ to 4.1% in Q2:2024, marking a YOY increase of 0.3%.

- The parcel market continues to face decreasing demand; both FedEx and UPS are prioritizing operational efficiency including network improvement and cost reduction.
- FedEx and UPS have been aggressive in leveraging discounts to (re)gain market share.
  - Our data does not provide clear evidence of FedEx retaining the volume it gained during UPS labor negotiations.
  - During the latest earnings call, FedEx delivered an unmistakable signal to UPS to refrain from price cutting.
- If the Express Parcel market stays “competitive but rational”, Rate Per Package in Q2:2024 is forecast to increase slightly to 4.1%.



**Express Parcel Rate Per Package Freight Index**

Year	Q1	Q2	Q3	Q4
2021	(19.5%)	(6.7%)	(8.9%)	(7.6%)
2022	(3.0%)	2.3%	(1.0%)	0.6%
2023	4.1%	3.8%	2.4%	0.9%
2024	3.9%	4.1%		

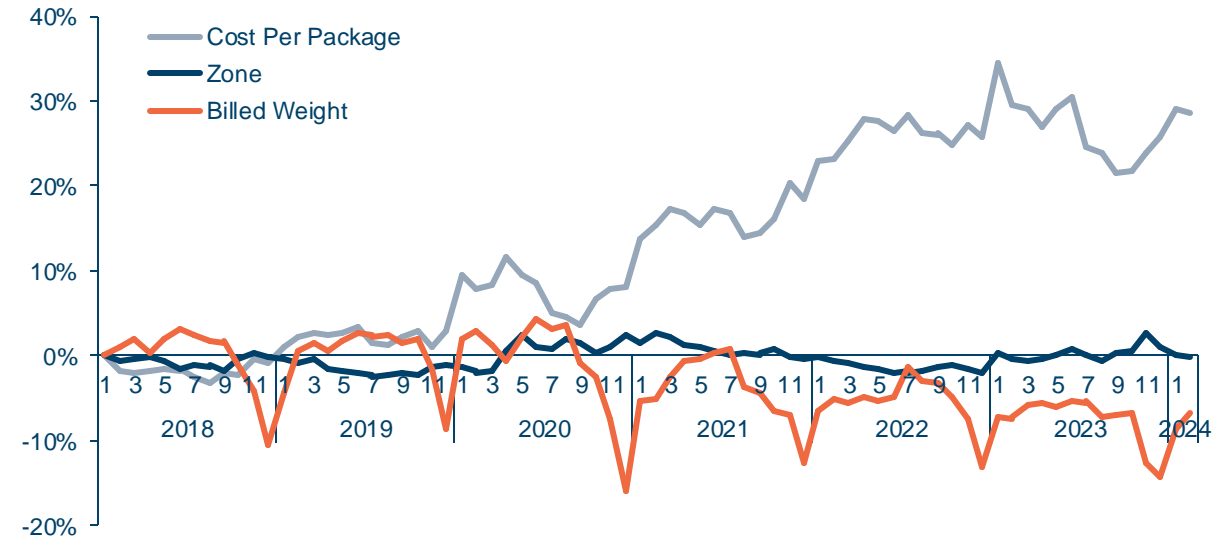
Jan. 2018 = Base, Q1:2024 forecasted

## Ground Parcel

# Ground Parcel rates saw a 4.1% increase QOQ, largely attributed to 2024 GRI, fuel surcharge adjustments, and the customary, seasonal rise in Billed Weight.

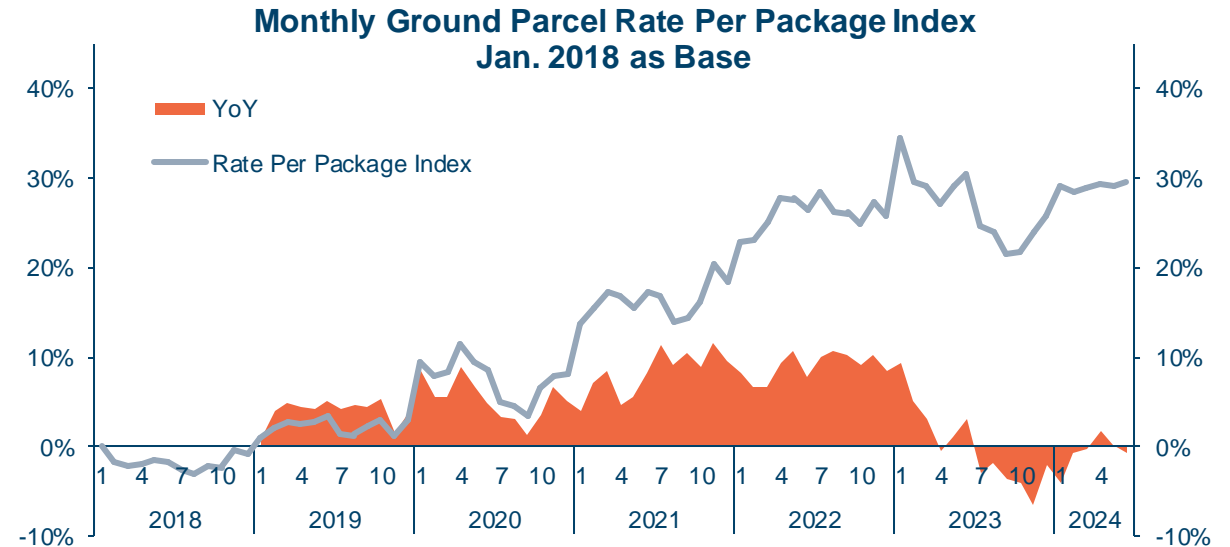
- Ground Parcel Cost Per Package continued its upward trend initiated in Q3:2023, increasing by 4.1% QOQ in Q1:2024. As forecasted, this also marked the third consecutive quarter of YOY decline.
  - Both FedEx and UPS implemented Ground GRI's exceeding 6%, accompanied by additional fuel surcharge of 1% and 1.25%, respectively. This is the biggest contributor driving up Ground Parcel Cost Per Package.
  - Average Billed Weight Per Package increased by 4.1% in Q1:2024.
  - The impact of GRI on accessorial charges was offset by the moderation of Demand Surcharges in mid-January, resulting in flat net accessorial charge per package.
  - Average discount on Ground Parcel remained relatively flat QOQ in Q1:2024.

**Ground Parcel Cost Per Package and Billed Weight  
(Jan. 2018 as Base; FDX & UPS)**



# The TD Cowen/AFS Ground Parcel Freight Index in Q2:2024 is projected to reach 29.3%, reflecting a 0.4% increase QOQ and YOY.

- Balancing counteracting factors amidst weak demand, the TD Cowen/AFS Ground Parcel Freight Index will increase to 29.3% in Q2:2024.
  - Given the crude oil production cuts, it is anticipated that fuel surcharge will increase slightly in Q2:2024.
  - Network efficiency plays a crucial role in both carriers' profitability. With the latest discount data showing no evident increases and the signal sent by FedEx to the market, it is less likely for Ground discounts to experience significant increases.
- The forecasted Q2:2024 Ground Parcel Freight Index of 29.3% is nearing the historic high set in Q1:2023. This signifies a reversal of the trend of consecutive quarterly YOY declines.



Ground Parcel Rate Per Package Freight Index

Year	Q1	Q2	Q3	Q4
2021	15.6%	16.6%	15.1%	18.4%
2022	23.9%	27.4%	26.9%	26.0%
2023	31.0%	28.9%	23.4%	23.8%
2024	28.8%	29.3%		

Jan. 2018 = Base, Q1:2024 forecasted



# Appendix



AFS is one of the most experienced 3PLs in the country, pioneering the space 42 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).