

# Cowen/AFS Freight Index

July 2022



# 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.



**\$11B**

- AFS has over \$11B in transportation spend across multiple modes flowing into our systems annually creating maximum visibility.



**1,800+**

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



**40 YRS**

- With AFS's deep expertise and 40 years of experience across all transportation modes, we have significant market insights to project future trends and industry patterns.



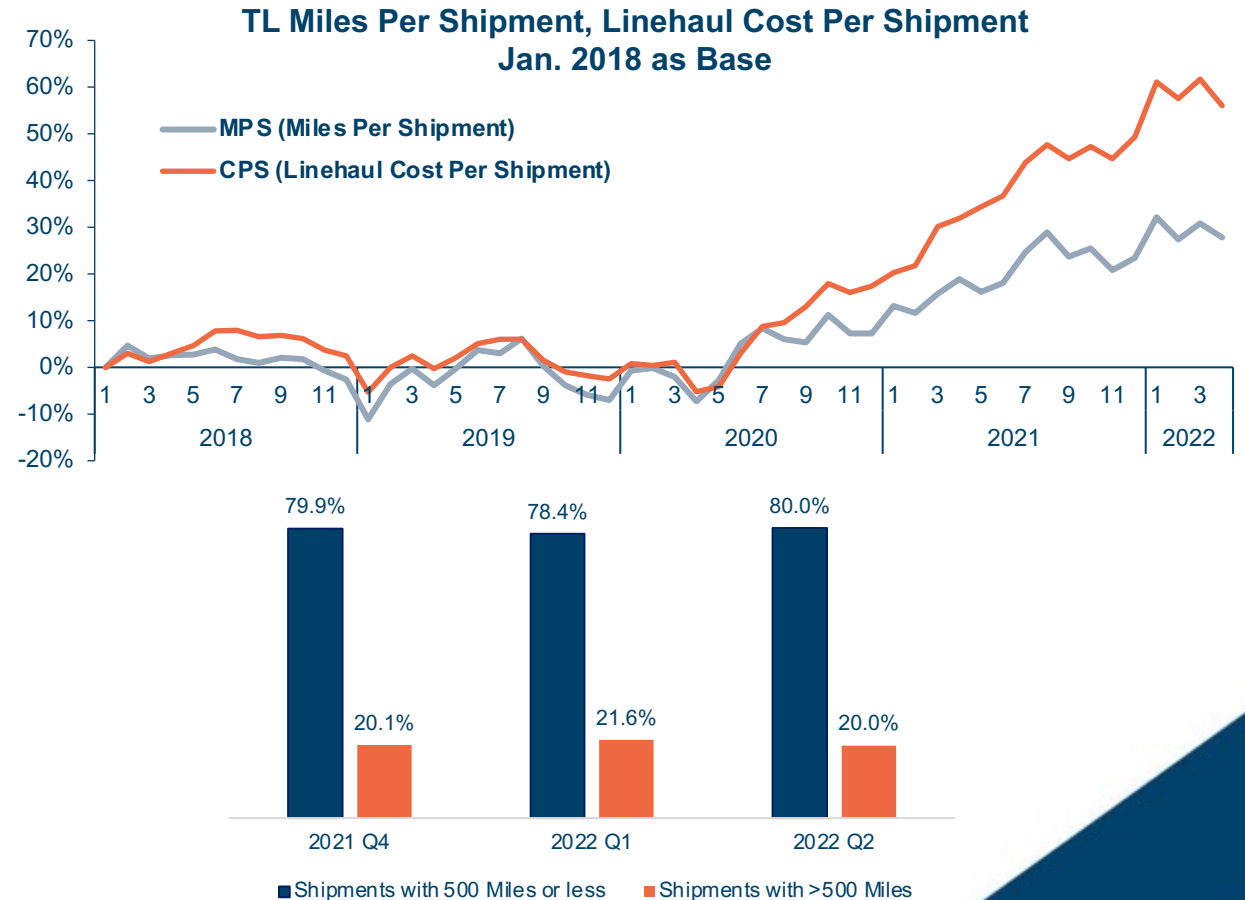
**Truckload  
LTL  
Parcel**

- AFS's 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 both AFS freight data and macroeconomic variables.

Truckload

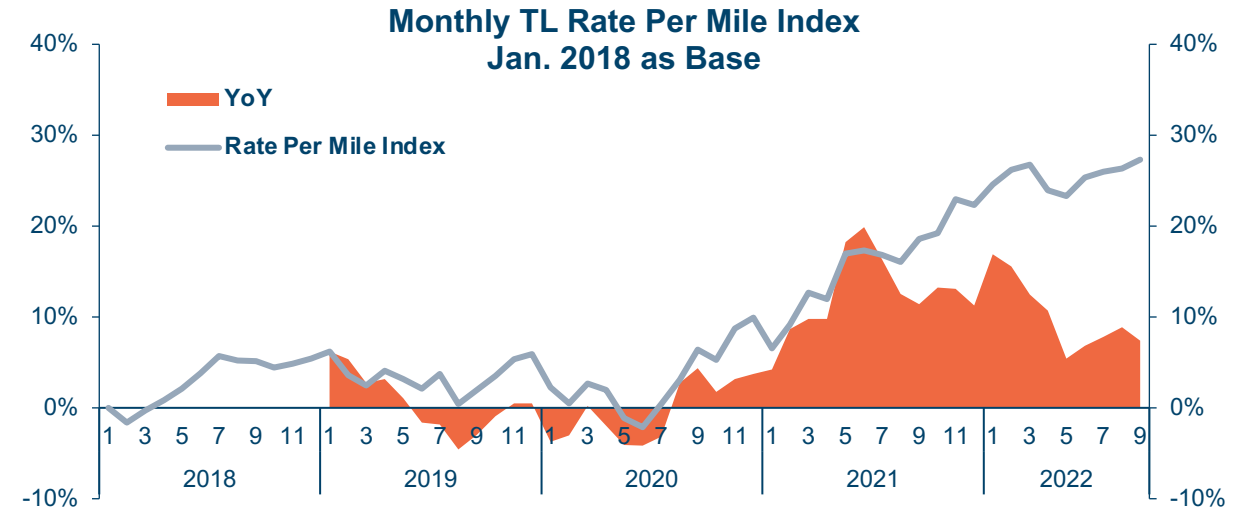
Truckload (TL) rates declined in Q2:2022 by 5.2% QOQ, however, the YOY increase of 14.5% illustrates that the industry remains robust.

- The price (Linehaul Cost Per Shipment) and distance (Miles Per Shipment) continued to remain strongly correlated through Q2:2022.
- Linehaul Cost Per Shipment in Q2:2022 reversed the upward trend established since mid 2020.
  - TL demand softened and YTD volume declined by 4.9% YOY.
  - TL Linehaul Cost Per Shipment in Q2:2022 showed a QOQ decline of 5.2% however, the YOY increase of 14.5% should not be overlooked.
- The mix of short-haul shipments increased in Q2:2022.
  - Overall Miles Per Shipment showed a QOQ decrease of 6.7%.
  - Likely a function of inventory build-up and port congestion reduction.



# TL Rate Per Mile will increase at a slower rate compared to 2021 – the Cowen/AFS Truckload Freight Index will reach 26.5% in Q3:2022.

- TL Rate Per Mile Index will be flattish in Q3:2022, with a slight QOQ increase, largely due to seasonal adjustments.
  - Inflation is expected to remain high, after reaching a 40-year high of 9.1% in June 2022.
  - Considering the impact from inflation and continued global supply chain issues, the Index is forecasted to be 26.5%, 2.4 percentage points above Q2 level.
- The YOY growth rate for the Index will be much more moderated in Q3:2022.



**Composite Truckload Rate Per Mile Freight Index**

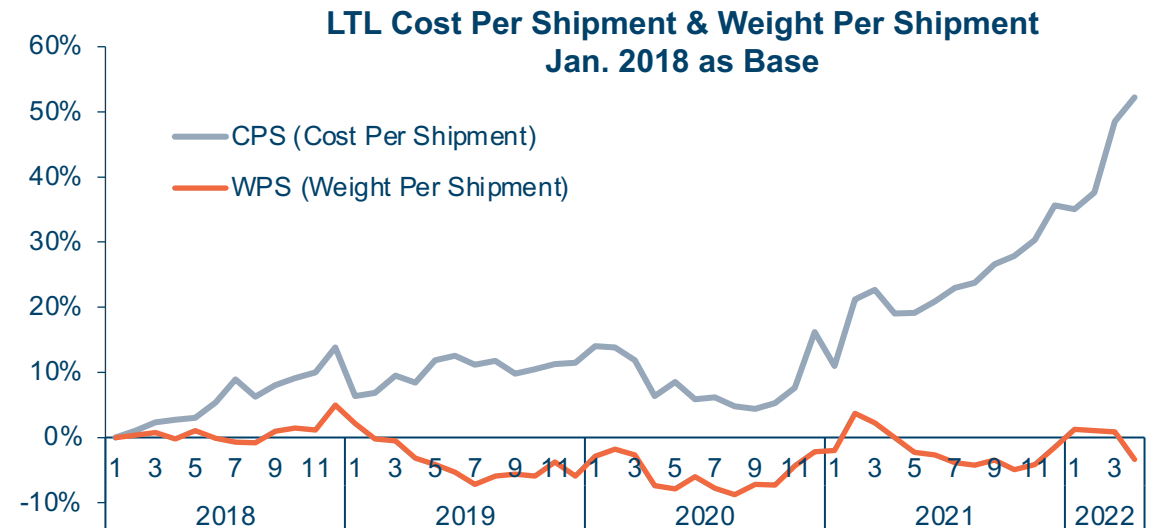
Year	Q1	Q2	Q3	Q4
2019	4.0%	3.1%	2.0%	4.8%
2020	1.8%	(0.6%)	3.3%	7.8%
2021	9.7%	15.4%	17.1%	21.4%
2022	25.8%	24.1%	<b>26.5%</b>	

Jan. 2018 = Base, Q2:2022 forecasted

LTL

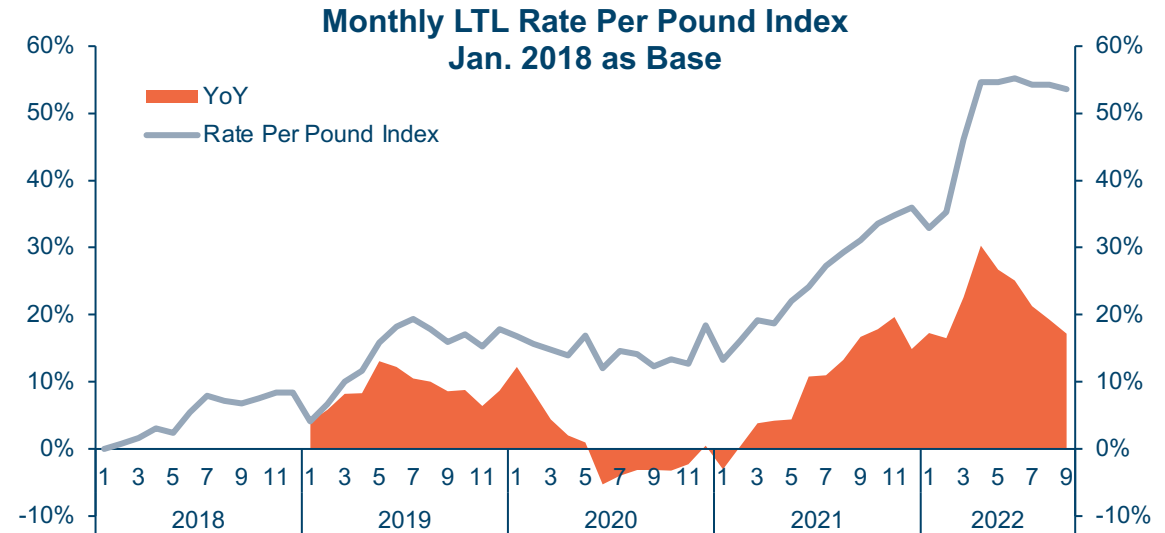
# Average LTL shipment weight continued its downward trend in 2022, yet LTL Cost Per Shipment skyrocketed, increasing by 6.8% QOQ due to higher fuel prices in Q2:2022.

- The divergence between Cost Per Shipment and Weight Per Shipment for LTL widened even more in Q2:2022.
  - While Weight Per Shipment declined by 4.4% QOQ, Cost Per shipment accelerated by 6.8% QOQ.
- Higher than expected fuel price continued to drive the increase of LTL rates in Q2:2022.
  - Among major LTL carriers, the average fuel surcharge increased to 47.6% in Q2:2022, compared to an average of 34% in Q1:2022.



The Q3:2022 Cowen/AFS LTL Freight Index is expected to be 54.0%, a slight drop from Q2 but a 19.2% YOY increase.

- The LTL Rate Per Pound will remain high in Q3:2022, but the YOY growth will continue to slow down.
- The Cowen/AFS LTL Freight Index predicts LTL Rate Per Pound Index at 54.0%.
- The Q2:2022 Index was higher than previously predicted, driven by unexpectedly high carrier fuel surcharges.
  - A rate change decomposition analysis revealed that fuel surcharge increase contributed to 69% of the total Index variance.
- Continued mitigation efforts are being observed from shippers, including freight holding and consolidation.



LTL Rate Per Pound Freight Index

Year	Q1	Q2	Q3	Q4
2019	6.8%	15.1%	17.7%	16.7%
2020	15.7%	14.1%	13.7%	14.8%
2021	16.5%	21.6%	29.2%	34.7%
2022	38.4%	54.8%	<b>54.0%</b>	

Jan. 2018 = Base, Q2:2022 forecasted

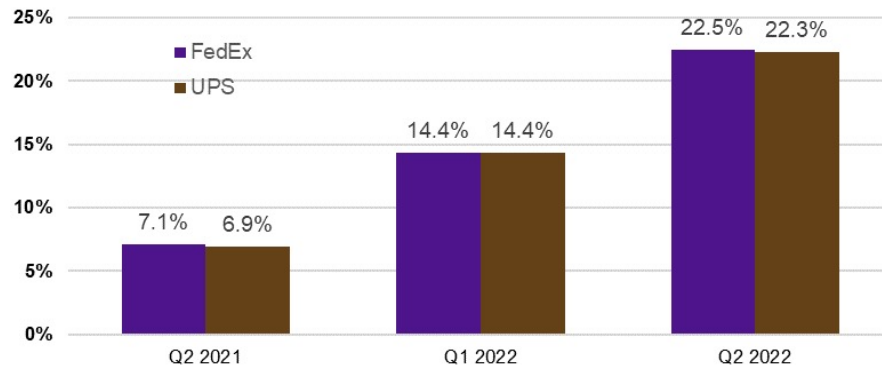
\* LTL carriers' fuel surcharges was the same for the last three weeks in June due to EIA delays.



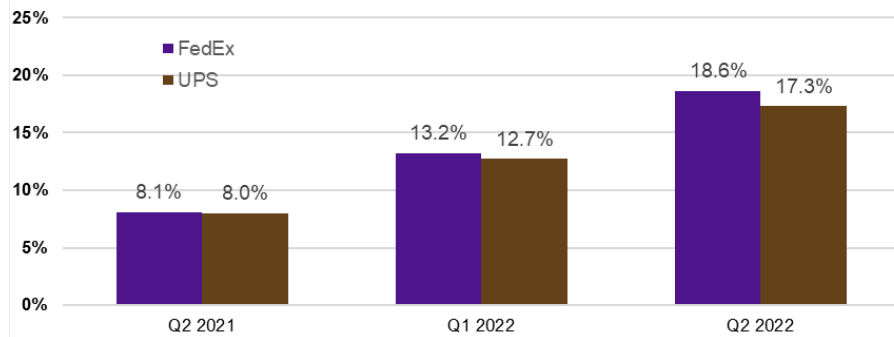
Parcel

# Parcel fuel surcharges continued to rise in Q2:2022; fuel surcharges for Express Parcel tripled YOY and more than doubled for Ground Parcel.

**FDX and UPS Fuel Surcharge - Express**



**FDX and UPS Fuel Surcharge - Ground**

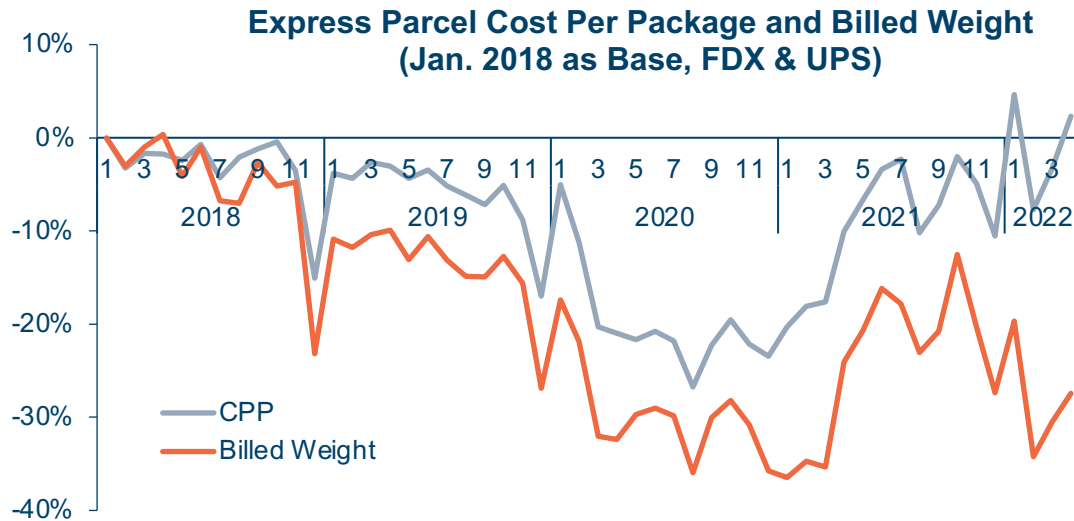


- FedEx and UPS adjusted their fuel surcharge tables twice since late 2021, for both Express and Ground – quietly making fuel surcharges a significant driver of profits.
- Fuel surcharge increases continued to outpace corresponding indices increases, especially for Express Parcel.
- Express Parcel:
  - The USGC Kerosene-type Jet Fuel rates increased by 125% YOY.
    - Fuel surcharge more than tripled YOY for both carriers.
  - The USGC Kerosene-type Jet Fuel rates increased 47% QOQ.
    - Compared to Q1:2022, fuel surcharge increased by 55%.
- Ground Parcel:
  - The On-Highway Diesel Fuel rates increased by 69% YOY.
    - Fuel surcharge more than doubled YOY for both carriers, a 131% and 116% increase for FedEx and UPS respectively.
  - The On-Highway Diesel Fuel rates increased by 35% QOQ.
    - Compared to Q1:2022, fuel surcharge increased by 41% for FedEx and 36% for UPS.

\* Both FedEx and UPS Ground fuel surcharges have remained the same for the last three weeks of June due to EIA delays.

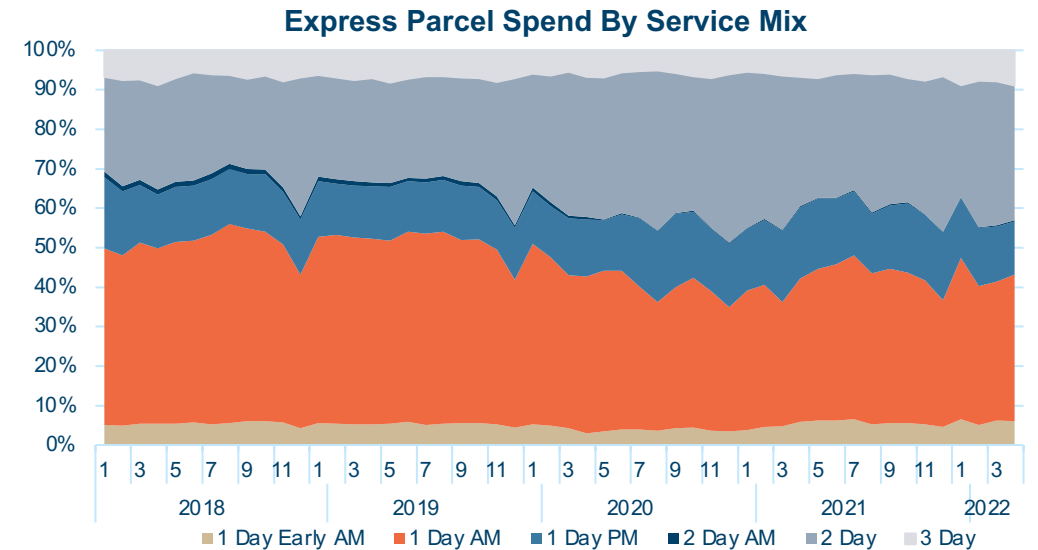
## Express Parcel

Express Parcel had an increase of 7.9% QOQ, largely driven by the fuel surcharge increases, weight and mix.



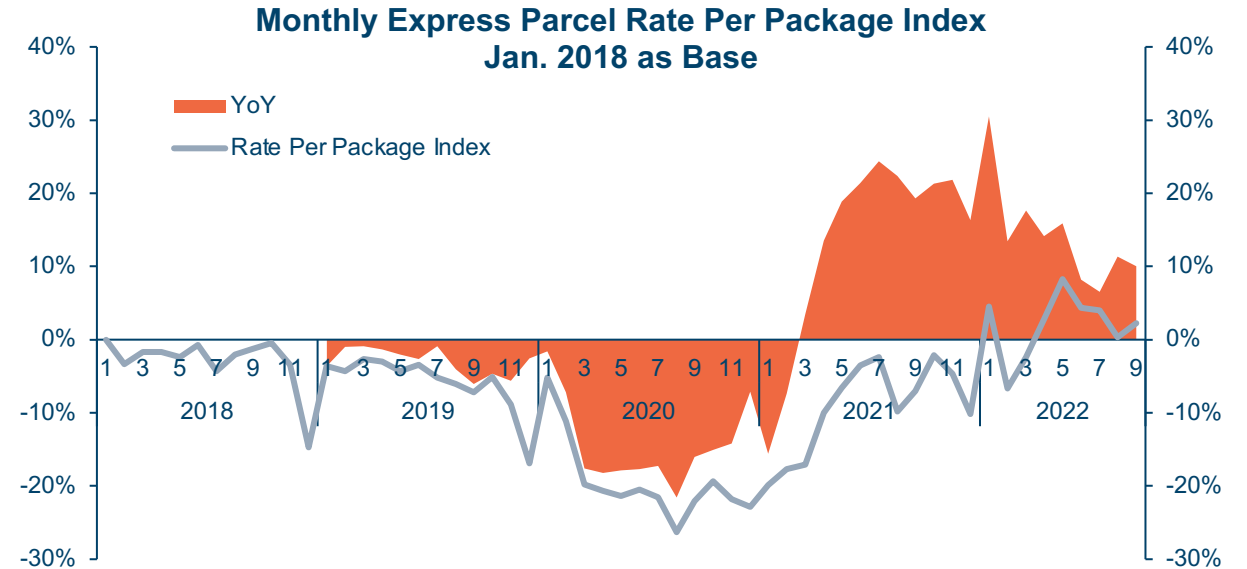
- The premium service mix has rebounded since Q1:2022; pushing overall Express Parcel rates upward.

- The fluctuation of billed weight remained a major contributing factor to the overall change in Express Parcel Cost Per Package.
- Continued impact from 2022 GRI, along with the additional fuel surcharge table adjustments in April, increased overall Parcel Express rates by 7.9% QOQ.
  - Express Parcel net effective fuel surcharge increased by 55.4% QOQ in Q2:2022.



# The Cowen/AFS Express Parcel Freight Index is expected to decrease to 2.2% (vs. baseline 2018) in Q3:2022, declining from the historic high of 5.1% in Q2:2022.

- Since late 2020, Express Parcel Freight Index has steadily increased.
- The elevated fuel surcharges resulted in higher-than-expected Express Parcel Rate Per Package Index in Q2:2022, reaching a record high of 5.1%.
  - The increase in fuel surcharge accounted for 79% of the variance in Q2:2022 Index.
- Fuel surcharge is likely to remain high in Q3:2022 due to the current political and economic conditions. Along with other seasonal factors, the Express Parcel Freight Index is forecast to be 2.2% in Q3:2022—still above the 2018 baseline level.
- The YOY change of the Index is expected to decline in Q3:2022.



Express Parcel Rate Per Package Freight Index

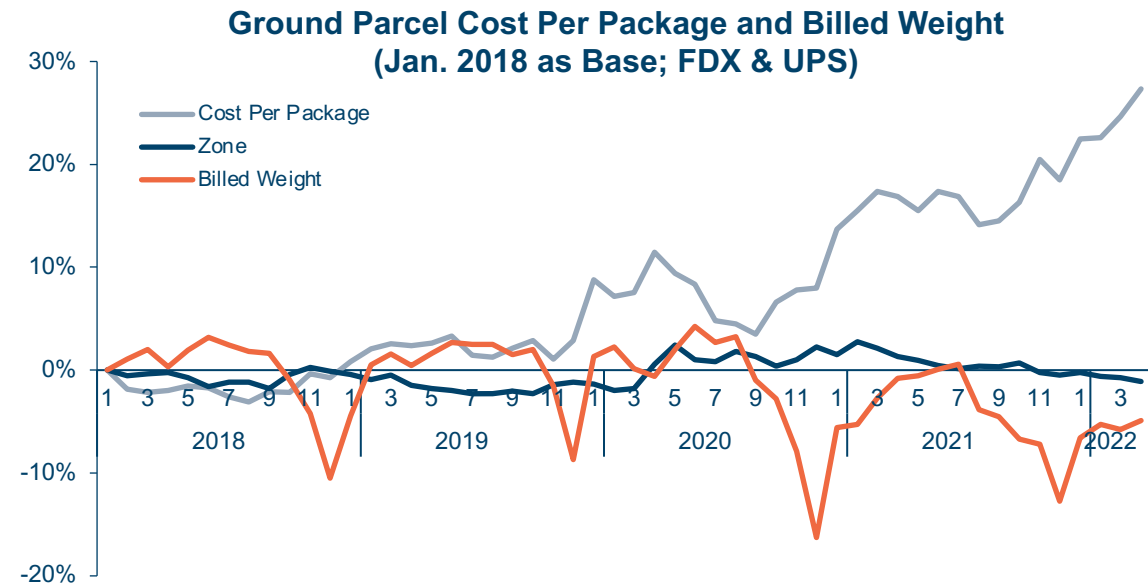
Year	Q1	Q2	Q3	Q4
2019	(3.5%)	(3.6%)	(6.1%)	(10.8%)
2020	(12.5%)	(20.8%)	(23.4%)	(21.4%)
2021	(18.2%)	(6.7%)	(6.8%)	(6.0%)
2022	(2.2%)	5.1%	2.2%	

Jan. 2018 = Base, Q2:2022 forecasted

## Ground Parcel

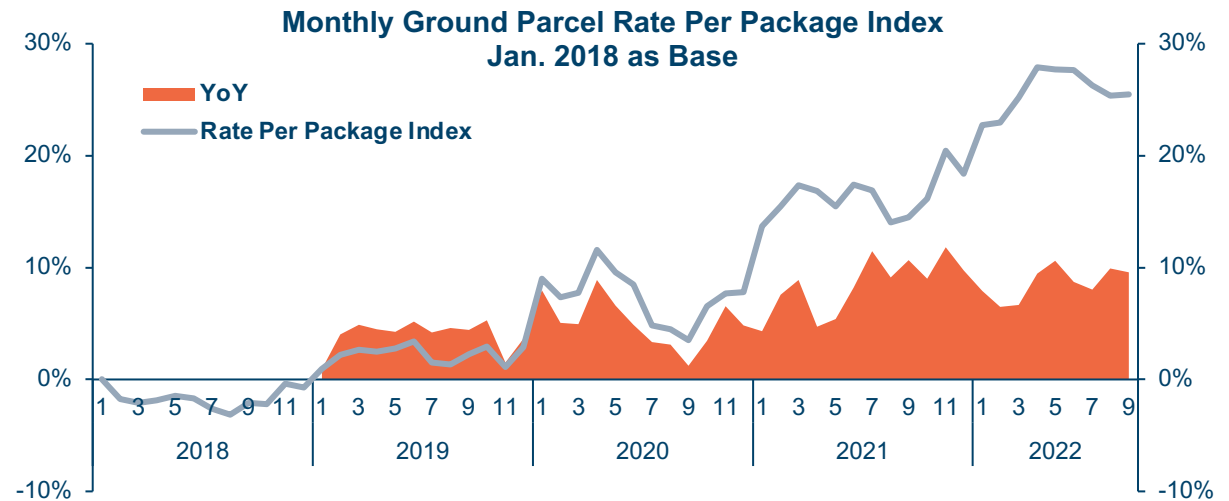
Ground Parcel Rates showed a continued increase since January, as a result of higher fuel surcharges, good GRI retention and favorable weight trends.

- Ground Parcel Rates continued to increase through Q2:2022, due to better GRI stickiness than exhibited in Express Parcel.
  - QOQ Cost Per Package went up by 3.3%, dominated by higher fuel surcharges, along with other accessorial charge increases.
  - Average discount level stayed fairly stable in Q2:2022.
- Ground Parcel average Billed Weight continued its seasonal rebound in Q2:2022, exerting upward momentum on Cost Per Package.
- The average Zone has dipped below Jan. 2018 baseline level likely as a result of inventory build-up.



The Cowen/AFS Ground Parcel Freight Index is expected to reach 25.7%, down slightly from the record high level of 27.7% in Q2:2022.

- Ground Parcel fuel surcharge will remain high in Q3:2022, which will keep the Cost Per Package elevated.
  - The QOQ net effective fuel surcharge increase was 33.5% in Q2:2022.
  - The YOY net effective fuel surcharge increase was 115% in Q2:2022.
- The Cowen/AFS Ground Parcel Freight Index is forecast to be 25.7% in Q3:2022, adjusting for seasonal trends of key factors.



Ground Parcel Rate Per Package Freight Index

Year	Q1	Q2	Q3	Q4
2019	1.9%	2.9%	1.7%	2.4%
2020	8.0%	9.8%	4.3%	7.4%
2021	15.6%	16.6%	15.1%	18.3%
2022	23.7%	27.7%	25.7%	

Jan. 2018 = Base, Q2:2022 forecasted



# Appendix



AFS is one of the most experienced 3PLs in the country, pioneering the space 40 years ago, enabling us to save our clients \$183M.

**Founded 1982**      **3** **Core Values**  
• Ethics  
• Engagement  
• Excellence

**8** **Locations with Teammates**      **380+**      **22** **Acquisitions in 40 Years**

**More than 1,800** **in 35**  
**Clients**      **Countries**

**Average Client Tenure**  
**11.7**  
**Years**

**>304M**  
**Freight Bills Paid Annually**

**\$11B**  
**Freight Audit & Pay**

**Payment in**  
**30**  
**Currencies**

**\$183,000,000**  
**Saved for our Clients Annually**

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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 2022 Top 100 3PL by a respected logistics publication.

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