

# TD Cowen/AFS Freight Index

July 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**

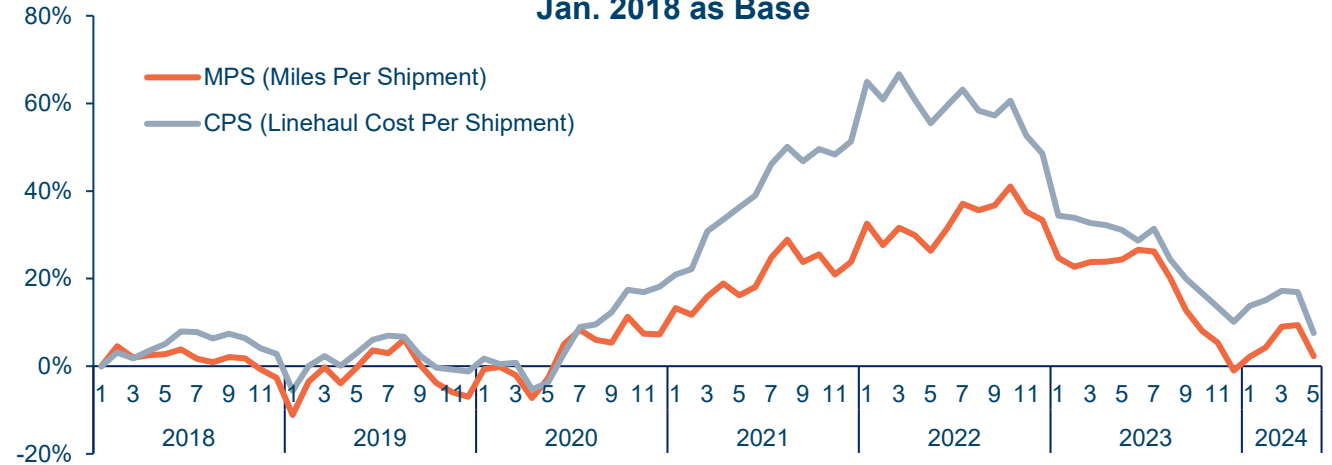
- AFS' team of Data Scientists and Analysts applied Machine Learning algorithms and modeling techniques to examine the historical data for Truckload, LTL and Parcel since 2018.
  - The following rate indices are developed for these modes and quarterly rate predictions are provided using AFS freight data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

Truckload

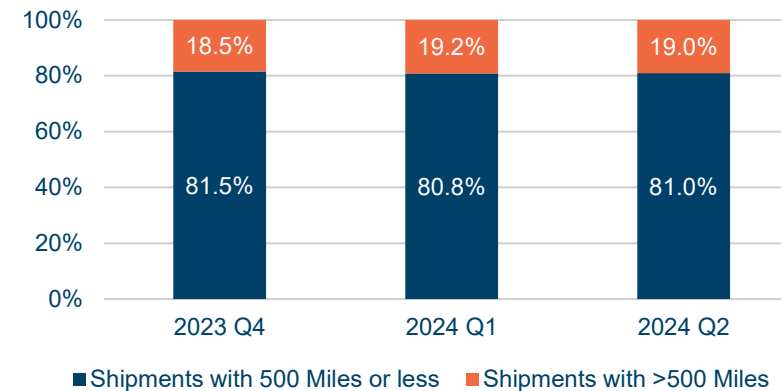
# Truckload (TL) average Linehaul Cost Per Shipment fell by 2.7% QOQ in Q2:2024, a 14% YOY decline.

- The correlation between Linehaul Cost Per Shipment (CPS) and Miles Per Shipment (MPS) persisted, with the gap between the two metrics narrowed again in Q2:2024.
  - TL Linehaul CPS has yet to see the long-awaited recovery, with rates continuing to fall in Q2:2024.
  - Despite some monthly fluctuations, the mix of short-haul vs. long-haul shipments remained relatively flat on quarterly basis.
- In Q2:2024, CPS experienced its sixth consecutive quarter of YOY decline.
  - However, the pace of the decline has slowed down in 2024.
  - Although Q2:2024 saw a YOY decline of 14%, it was still 11% higher than pre-pandemic levels.

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

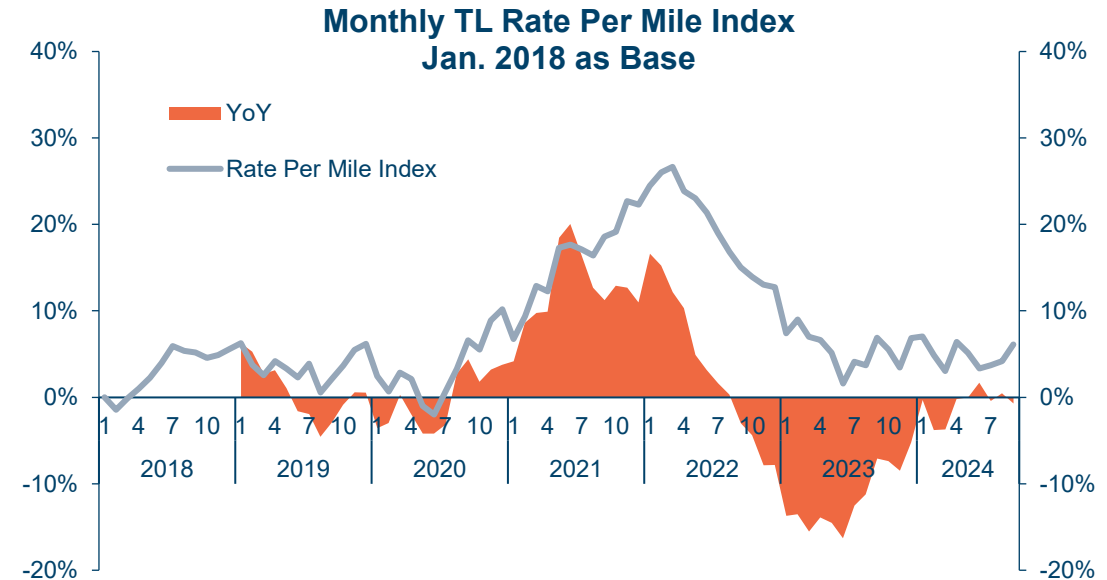


**Short-haul vs. Long-haul Shipments**



With insufficient demand or capacity exits to a pricing recovery, the TD Cowen/AFS Truckload Freight Index is expected to continue hovering at low rates, dropping to 4.7% in Q3:2024.

- TL Rate Per Mile Index is forecast to decline slightly by 0.3% to 4.7% in Q3:2024.
  - Carriers continued to face challenges due to excess capacity and weak demand.
- Overall truckload market is still seeking a clear catalyst for a pricing recovery.
  - In Q1:2024, GDP grew at a slower rate of 1.4%; the most recent forecast for Q2 has been adjusted down to 1.5%.
  - Inflation has shown moderate improvement, with the annualized rate reaching 3.3% in May 2024, down by 0.1% from April. This was partially driven by lower gasoline prices.
  - The Federal Reserve continued to wait for more definitive signs of economic recovery before implementing demand stimulating interest rate cuts. Despite earlier projections of three cuts in 2024, the likelihood of a rate cut has now diminished to just one.



**Composite Truckload Rate Per Mile Freight Index**

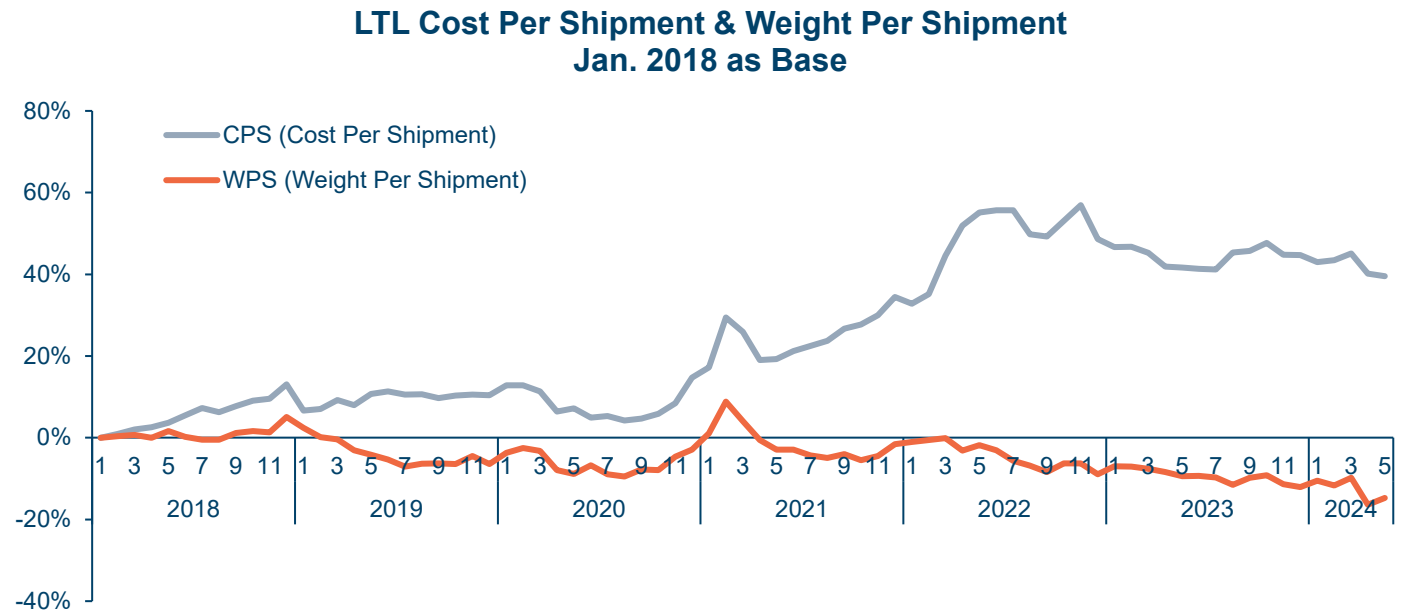
Year	Q1	Q2	Q3	Q4
2021	9.9%	15.7%	17.4%	21.3%
2022	25.7%	22.8%	17.0%	12.9%
2023	7.8%	4.3%	4.8%	5.2%
2024	4.9%	5.0%	4.7%	

Jan. 2018 = Base, Q3:2024 forecasted

LTL

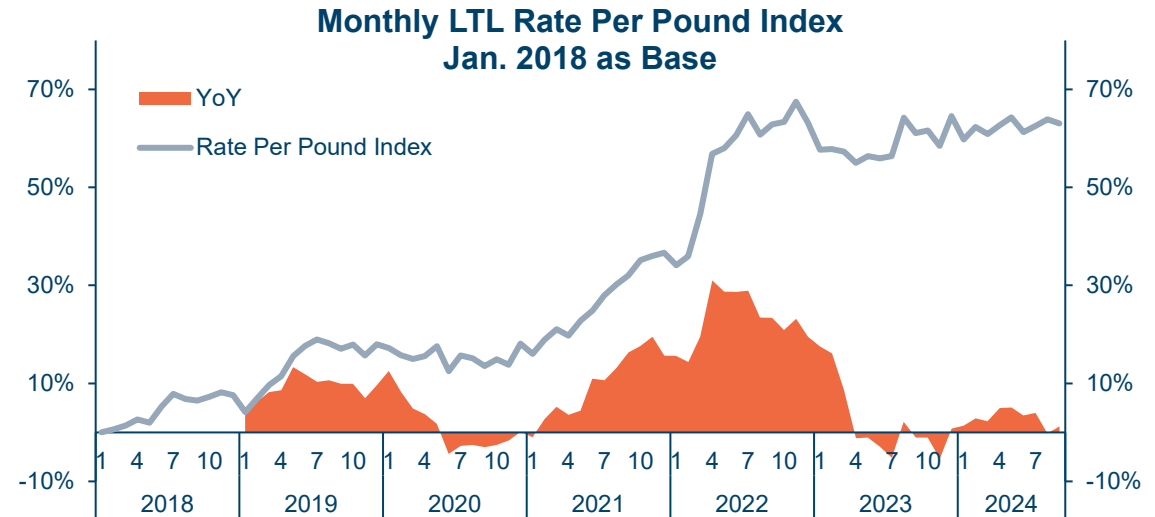
# Driven by average weight per shipment and fuel price declines, the LTL Cost Per Shipment continued to slide in Q2:2024, falling 2.6% QOQ and 1.0% YOY.

- In Q2:2024, the gap between LTL Cost Per Shipment (CPS) and Weight Per Shipment (WPS) exhibited a marginal increase.
  - Across major LTL carriers, fuel surcharge for Q2:2024 decreased by 3.1% QOQ. Average net fuel surcharge experienced a 3.9% QOQ decrease as a result.
  - As reported by most LTL carriers, WPS continued to decline. One hypothesis for this trend is the mode shift from large parcel shipments, as shippers seek to avoid the punitive fees imposed by parcel carriers.
  - Average length of haul and average accessororial charge per shipment increased by 1.8% and 2.5% QOQ, respectively.
- With subdued LTL demand, CPS remained relatively elevated compared to rate levels prior to 2022.



In Q3:2024, the TD Cowen/AFS LTL Freight Index is forecast to reach to 63.2%, with an increase of 0.3% QOQ.

- Apart from macroeconomic influences, no significant market shifts are expected for LTL in Q3:2024.
- LTL carriers will continue to leverage pricing discipline to maintain revenue growth against declining average weight per shipment.
  - During FY2024 fourth quarter earnings call, FedEx discussed potential spinoff of its freight division, FedEx Freight. The decision will be made by the end of 2024 but is unlikely to reduce overall LTL market capacity.
- The Q3:2024 TD Cowen/AFS LTL Freight Index is projected to be 63.2%, a 0.3% QOQ increase.
  - The LTL Rate Per Pound remains robust for the last 2 years.
  - Q3:2024 will mark the third consecutive quarter with positive YOY change.



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	61.0%	62.7%	63.2%	

Jan. 2018 = Base, Q3:2024 forecasted



Parcel

# Parcel carriers are hiking fuel surcharges to boost revenue while simultaneously slashing prices with heavy discounts, creating a revenue-boosting paradox.

- FedEx and UPS have consistently raised fuel surcharges since August 2021.
  - Fig. 1 illustrates the changes in UPS Ground fuel surcharges against the diesel price fluctuations. The divergence between fuel surcharges and diesel prices has become particularly noticeable since Q3:2023.
  - Should parcel carriers allow the fuel surcharge to follow purely market dynamics, the current diesel price would result in a Ground fuel surcharge that is 5.5% lower.
- Pricing discipline has been moderate at best, with shippers continuing to take advantage of the favorable environment to secure better rates.
  - There has been a clear pattern of more aggressive discounts extended to small and medium customers.
  - Although not proven effective yet, carriers continue to signal that the parcel pricing environment is “competitive but rational”.

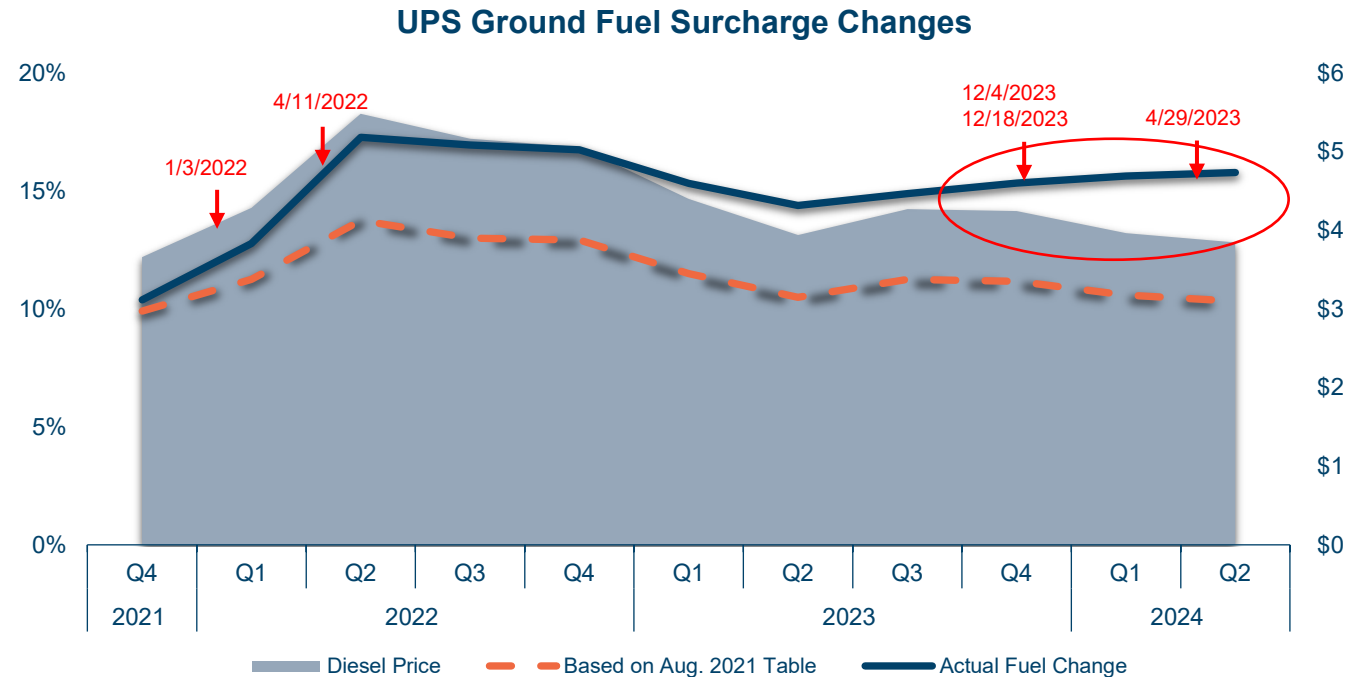


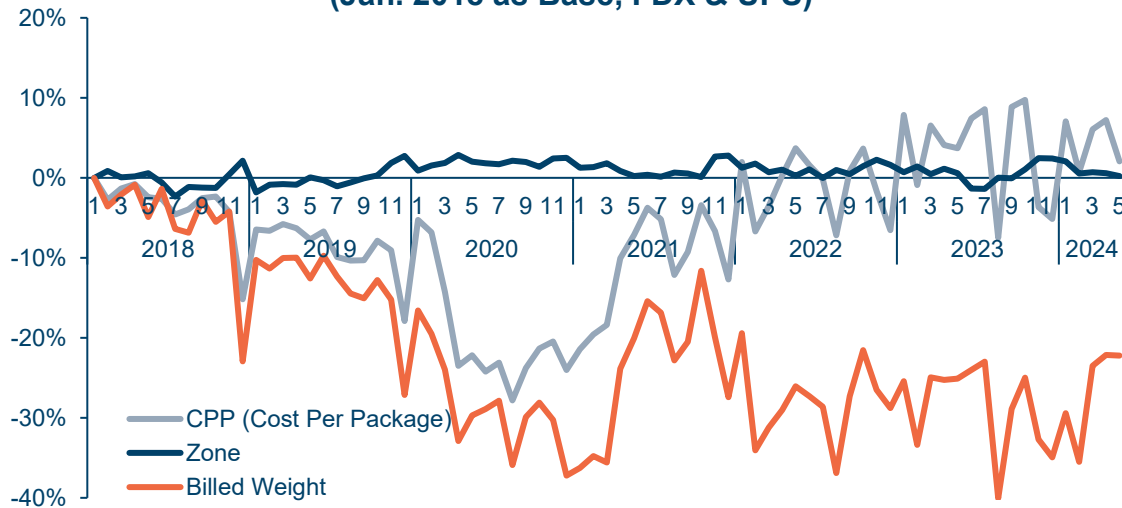
Fig. 1

Since late 2021, UPS and FedEx have increased their Ground fuel surcharges five and four times, respectively.

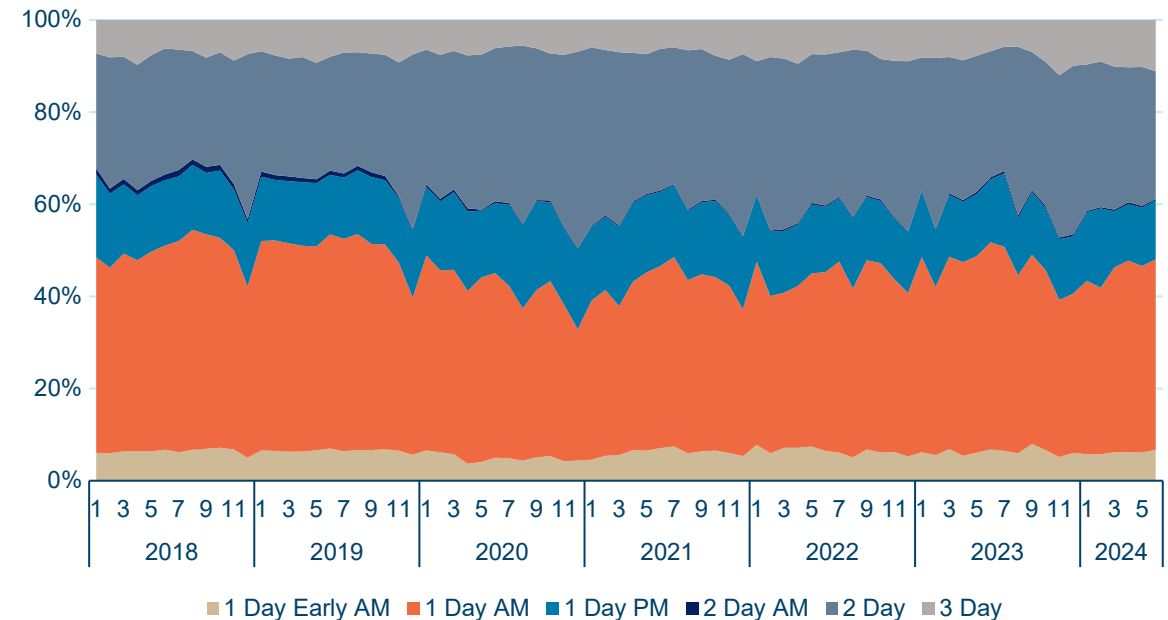
## Express Parcel

Express Parcel Cost Per Package increased by 0.2% QOQ in Q2:2024, representing a 0.3% YOY decline.

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



Express Parcel Spend by Mix

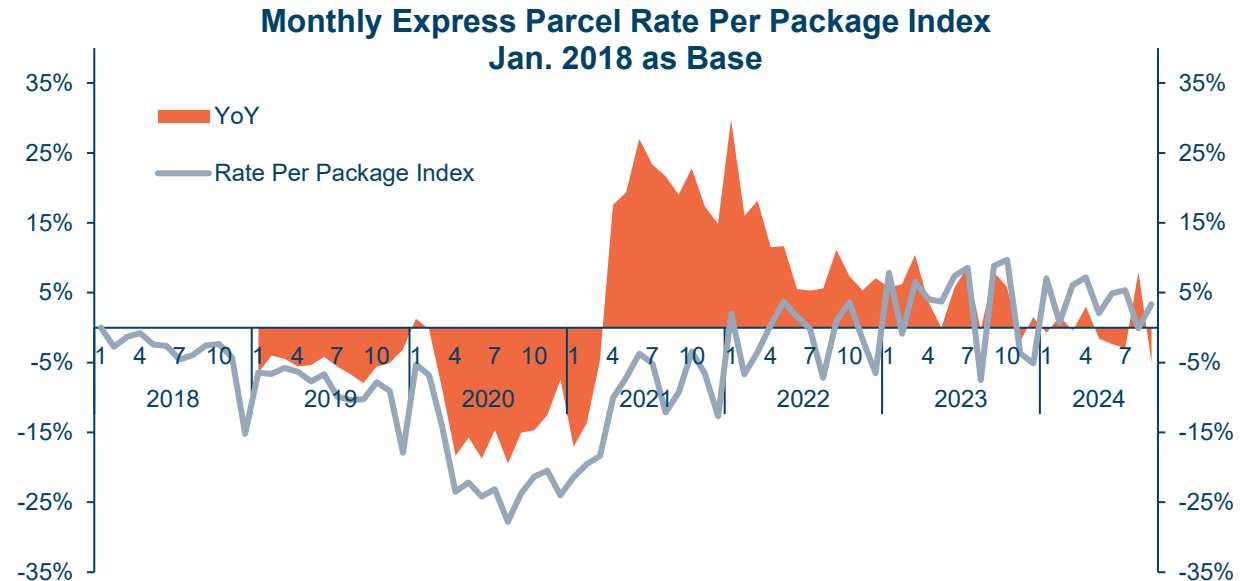


- Express Parcel Cost Per Package increased more than expected in Q2:2024, driven by weight, service mix and fuel surcharge changes.
  - The average Billed Weight Per Package recovered in Q2:2024, pushing Cost Per Package up.
  - Service mix showed a positive shift toward premium services, a 2.5% QOQ improvement.

- Both FedEx and UPS increased their fuel surcharges in Q2:2024, despite a decrease in the jet fuel price index, resulting in higher Cost Per Package.

# The TD Cowen/AFS Express Parcel Freight Index will decrease by 1.8% QOQ to 2.8% in Q3:2024, marking a YOY increase of 0.4%.

- Cost reduction remains a priority for both FedEx and UPS as they continued to focus on operational efficiencies amidst declining demand.
- FedEx and UPS aggressively leveraged discounts to gain volume.
  - With carriers prioritizing volume over revenue, discounts for Express Parcel increased by 0.7% QOQ. The rise in discounts was notably higher for smaller customers than for larger ones.
  - Carriers used fuel surcharge adjustments to offset rate erosion from increased discounts, pushing the net Rate Per Package higher.
- Following the normal seasonal trend for the third quarter, the TD Cowen/AFS Express Parcel Freight Index is projected to be 2.8%, a QOQ decrease but YOY increase.



Express Parcel Rate Per Package Freight Index

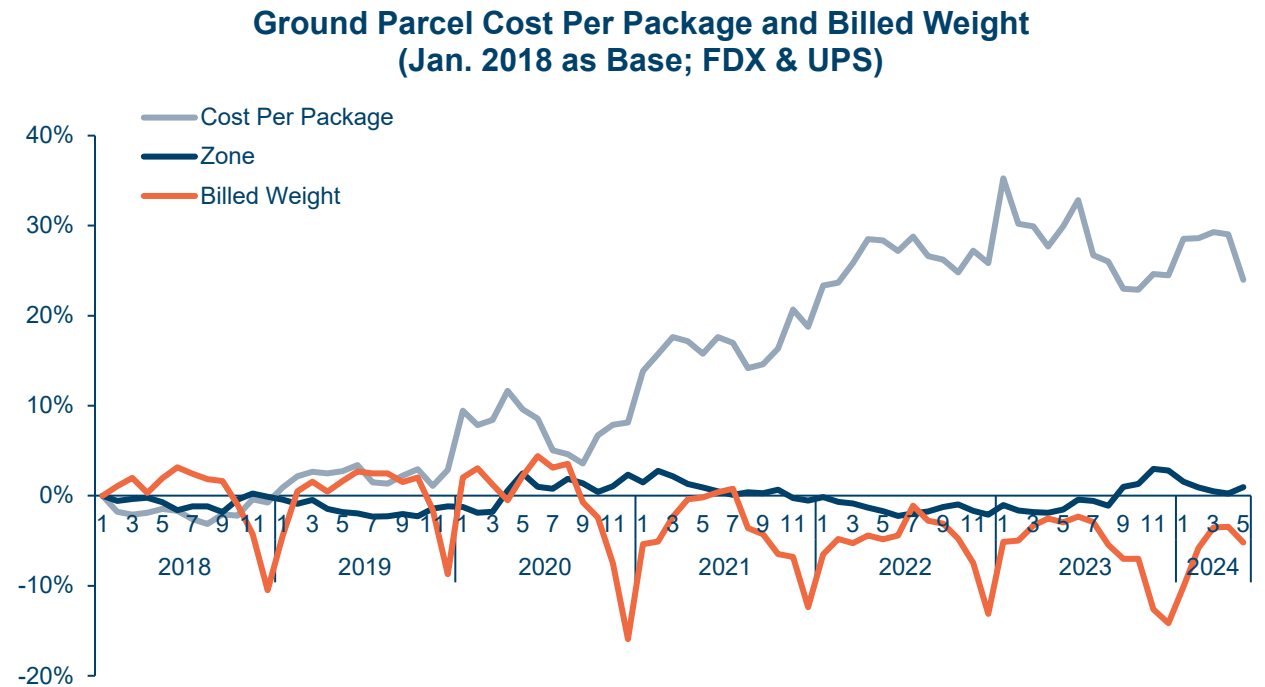
Year	Q1	Q2	Q3	Q4
2021	(19.5%)	(6.7%)	(8.9%)	(7.6%)
2022	(3.0%)	2.3%	(1.0%)	0.6%
2023	4.1%	3.8%	2.4%	0.9%
2024	4.5%	4.7%	2.8%	

Jan. 2018 = Base, Q3:2024 forecasted

## Ground Parcel

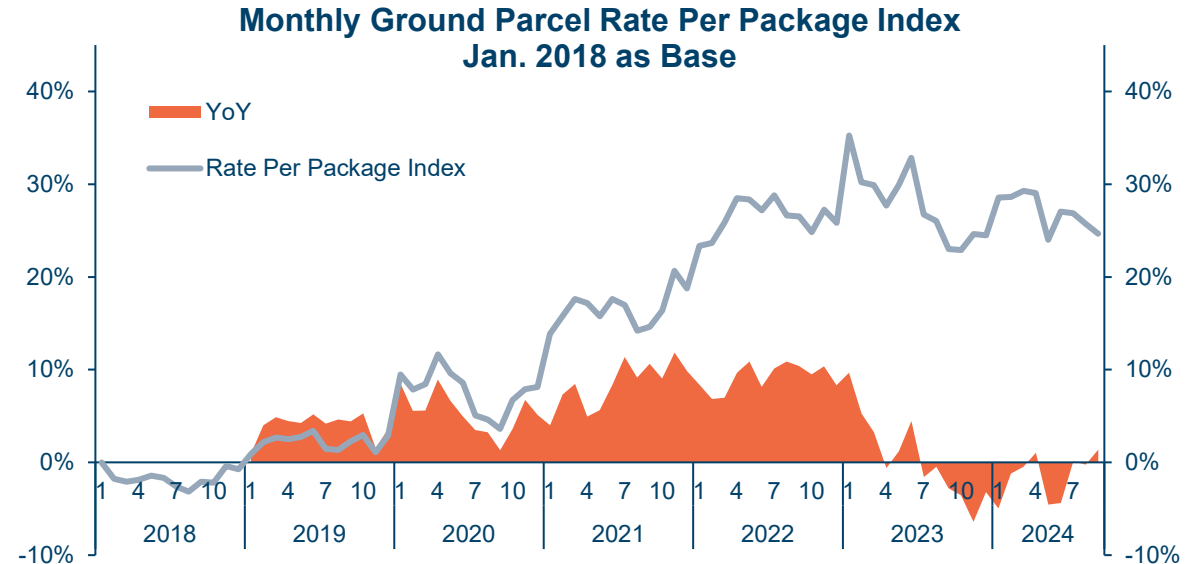
In Q2:2024, Ground Parcel rates saw a 1.6% decrease QOQ, which was mainly due to weak demand, aggressive discounts from carriers and lower net accessorial charges per package.

- Ground Parcel Cost Per Package decreased by 1.6% in Q2:2024, reversing the QOQ trend for the last two quarters. On a YOY basis, Cost Per Package declined for the fourth straight quarter.
  - Similar to the Express Parcel sector, FedEx and UPS utilized discounts to vie for greater market share, leading to an average discount increase of 0.9% QOQ.
  - Average Billed Weight Per Package increased by 2.2% QOQ in Q2:2024.
  - The aggressive discount strategy was evident in the 5% decline in net accessorial charges per package.



# The TD Cowen/AFS Ground Parcel Freight Index for Q3:2024 is projected to decrease to 25.7%, reflecting a 0.8% QOQ decrease but 1.9% YOY increase.

- With weak Ground Parcel demand and aggressive discounts, the TD Cowen/AFS Ground Parcel Freight Index will decrease to 25.7% in Q3:2024.
  - The ongoing pricing competition between FedEx and UPS is expected to extend beyond earlier projections, with negotiation activities in Q3 further diminishing the effects of the GRI.
    - Both carriers are more aggressive in discount offerings to small and medium customers while holding discounts for large customers steady.
  - Crude oil is forecast to be higher in Q3:2024. With carriers continuing to increase fuel surcharge, net fuel surcharge per package may see a slight increase.
  - Although a QOQ decrease, this represents a YOY increase after four consecutive quarters of 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%	26.8%	<b>25.7%</b>	

*Jan. 2018 = Base, Q3:2024 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.

Founded **1982**

**3** Core Values

- Ethics
- Engagement
- Excellence

**8** Locations with Teammates **380+**

**22** Acquisitions in 42 Years

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

Average Client Tenure **11.7** Years

**>304M** Freight Bills Paid Annually

**\$39B** Freight Audit & Payment

Payment in **180** Currencies

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

*“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).