

# Cowen/AFS Freight Index

October 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.



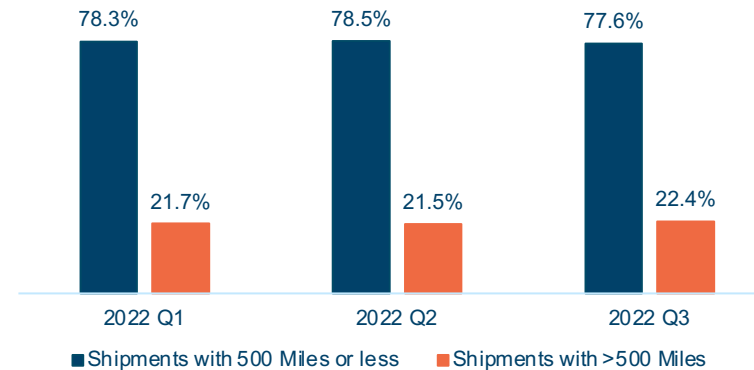
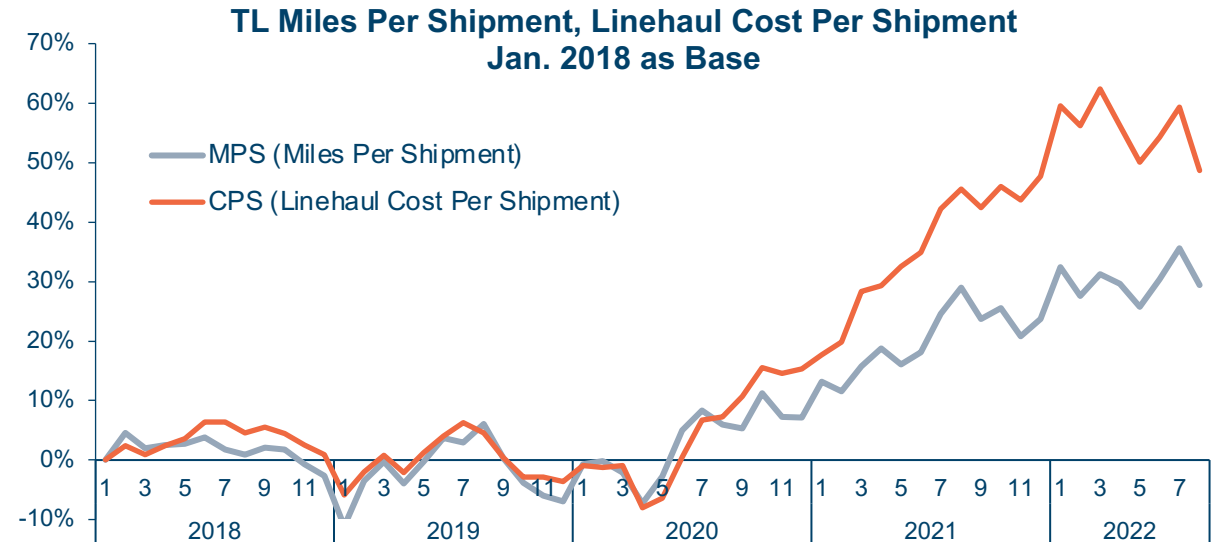
**Truckload  
LTL  
Parcel**

- 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

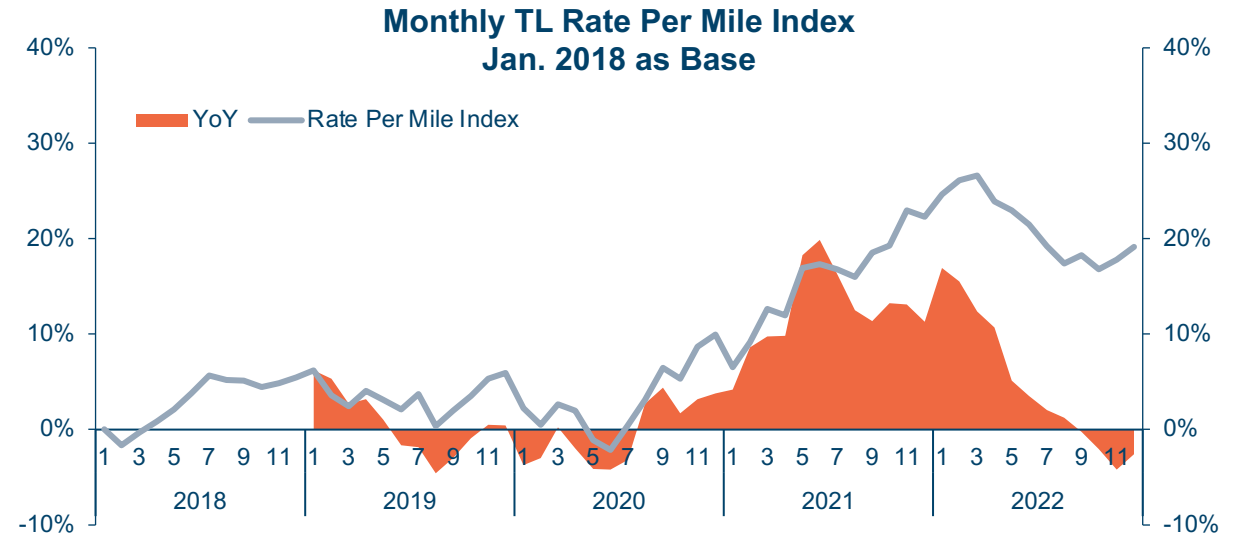
# Although Truckload (TL) Cost Per Shipment declined by 0.8% QOQ, this still represented a YOY increase of 6.4%.

- The price (Linehaul Cost Per Shipment) and distance (Miles Per Shipment) remained strongly correlated through Q3:2022.
- Linehaul Cost Per Shipment in Q3:2022 continued its downward trend that began last quarter.
  - TL demand continued to soften, and YTD volume declined by 10.0% YOY.
  - TL Linehaul Cost Per Shipment showed a QOQ decline of 0.8% in Q3:2022, but a 6.4% YOY increase.
  - This is ~10% less than last quarter's YOY (16.3%) growth rate -- indicating the pace of TL Cost Per Shipment increase is declining.
- The mix of long-haul shipments increased in Q3:2022.
  - Overall Miles Per Shipment showed a QOQ increase of 3.0%.



# Q3:2022 data showed a continued decline of TL Rate Per Mile; the Cowen/AFS Truckload Freight Index is forecasted to be 17.9% in Q4:2022, a QOQ decrease.

- TL Rate Per Mile Index will be decreasing in Q4:2022, largely driven by the current macroeconomic environment.
  - August inflation remained high at 8.3%, and September is expected to show only a minor decrease.
  - All speculation points to the Federal Reserve continuing to raise interest rates before the end of the year.
  - Considering global supply chain issues and a slowing economy, the Index is forecasted to be 17.9%, 0.4 percentage points below Q3:2022 level.
    - Typically, from Q3 to Q4, we would expect to see an increase.
- Q4:2022 Truckload Index indicates the first negative YOY change since Q3:2020.
- Truckload carriers are likely to face more challenges in maintaining their revenue growth in the next several quarters.



**Composite Truckload Rate Per Mile Freight Index**

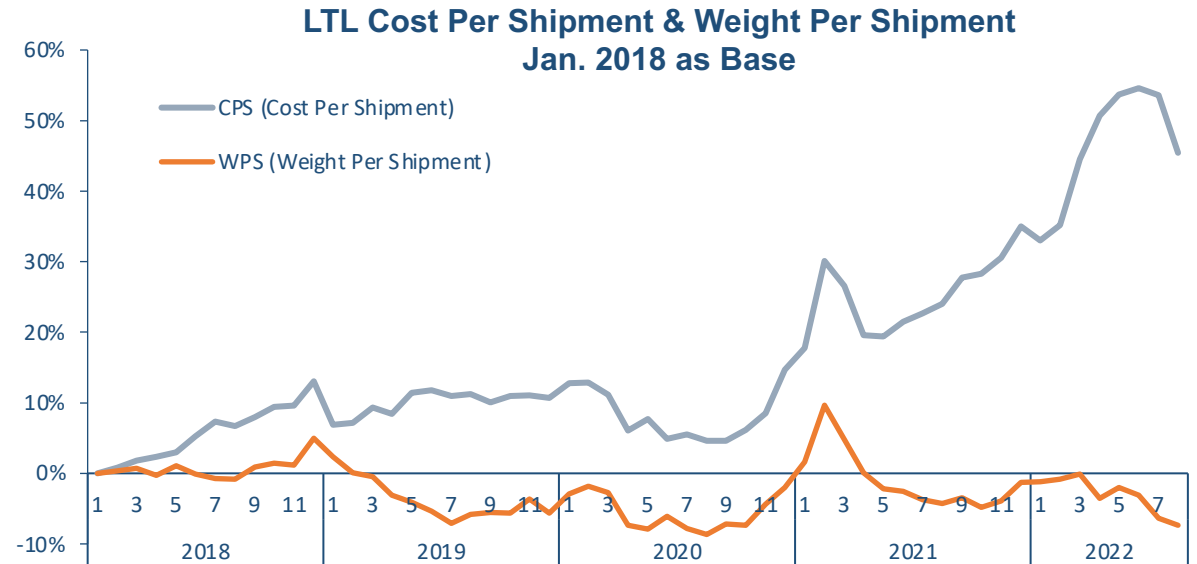
Year	Q1	Q2	Q3	Q4
2019	4.0%	3.1%	2.0%	4.8%
2020	1.8%	(0.6%)	3.3%	7.8%
2021	9.7%	15.4%	17.1%	21.5%
2022	25.8%	22.8%	18.3%	17.9%

Jan. 2018 = Base, Q4:2022 forecasted

LTL

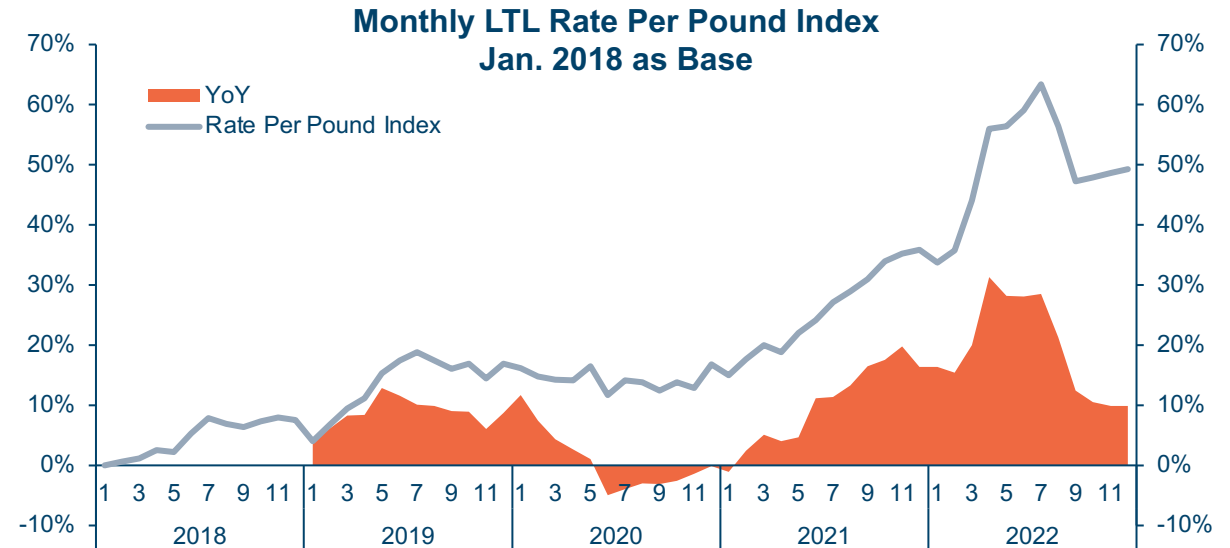
# LTL Weight Per Shipment continued to decline in Q3:2022; LTL Cost Per Shipment decreased 2.4% QOQ, but the YOY change of 20.3% is still a significant increase.

- The previously observed divergence between Cost Per Shipment and Weight Per Shipment for LTL had narrowed slightly in Q3:2022.
  - Weight Per Shipment declined by 4.1% QOQ, and Cost Per shipment dropped by 2.4% QOQ.
  - Average fuel surcharge per shipment decreased by 5.4% QOQ due to lower crude oil prices in Q3:2022, but average accessororial charges per shipment increased 8.4% QOQ.
    - Among major LTL carriers, the average fuel surcharge decreased from 47.7% in Q2:2022 to 44.6% in Q3:2022.



# The Q4:2022 Cowen/AFS LTL Freight Index is expected to decrease to 48.6%, a QOQ decrease but a 10.1% YOY increase.

- The LTL Rate Per Pound in Q4:2022 will decline from Q3:2022 levels by 4.3% and stay relatively flat for the quarter.
- The Cowen/AFS LTL Freight Index is forecasted to be 48.6% for Q4:2022.
- Despite the drastic rise and fall of fuel prices, a moderately high fuel surcharge is expected in Q4:2022.
- Shippers continue to seek ways to reduce cost, especially facing the carriers' General Rate Increases (GRIs) in the coming months.
  - FedEx Freight already announced the 2023 GRI to be 6.9% to 7.9%, depending on shippers' rate scales.



LTL Rate Per Pound Freight Index

Year	Q1	Q2	Q3	Q4
2019	6.7%	14.6%	17.5%	16.1%
2020	15.1%	13.9%	13.5%	14.3%
2021	17.7%	21.6%	29.0%	34.9%
2022	38.2%	57.1%	55.3%	48.6%

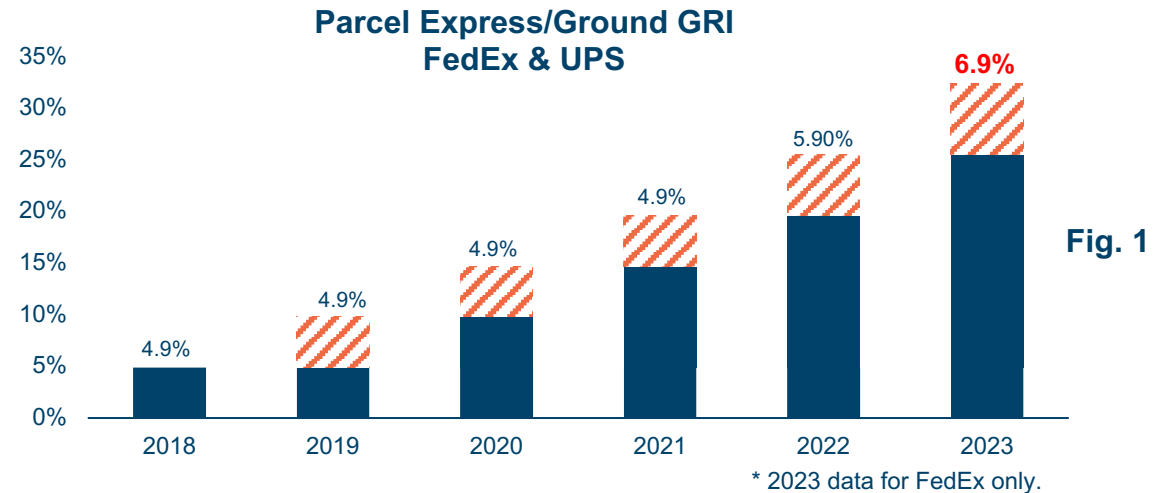
Jan. 2018 = Base, Q2:2022 forecasted



Parcel

# FedEx announced the highest-ever net General Rate Increase (GRI) of 6.9% for 2023, but the total expected net impact to shippers will exceed 8.3% on average.

- The GRI season is back! On 9/29/2022, FedEx announced the highest-ever net list rate increase of 6.9% for Express and Ground (Fig. 1).
  - Additional cost increases will be implemented via accessorial charges such as Delivery Area, Residential Delivery and Additional Handling, with increases of 8.2%, 7.9% and 16.2% respectively.
  - Although FedEx didn't announce any changes to fuel surcharge tables in January 2023, almost all rate changes will be compounded by the 3.5% net fuel surcharge increases since Nov. 2021.
  - Both FedEx and UPS announced peak surcharges for 2022 (Fig. 2). YOY rate increases range from 5% to 60%, adding a significant cost burden to shippers.
- It is expected that the 2023 UPS GRI will be comparable to FedEx's...look for their GRI announcement in the next few weeks.

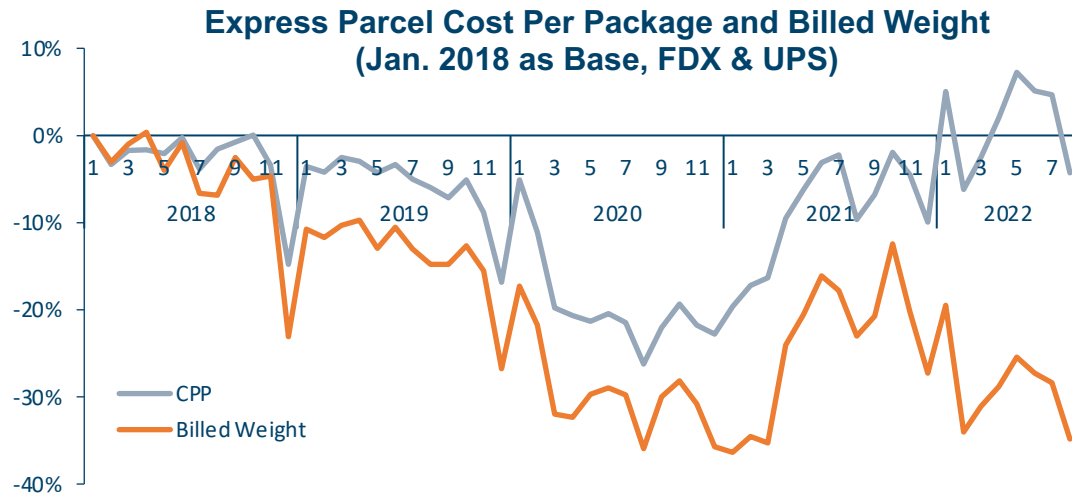


Surcharge Name	2022 GRI Increase	
	FedEx	UPS
Peak Additional Handling	10%	8%
Peak Oversize/Large Package	10%	17%
Peak Unauthorized Package/Over Max Limits	10%	60%
Peak Residential Delivery		
Express	5% - 17%	5% - 36%
Ground	9% - 20%	9% - 17%

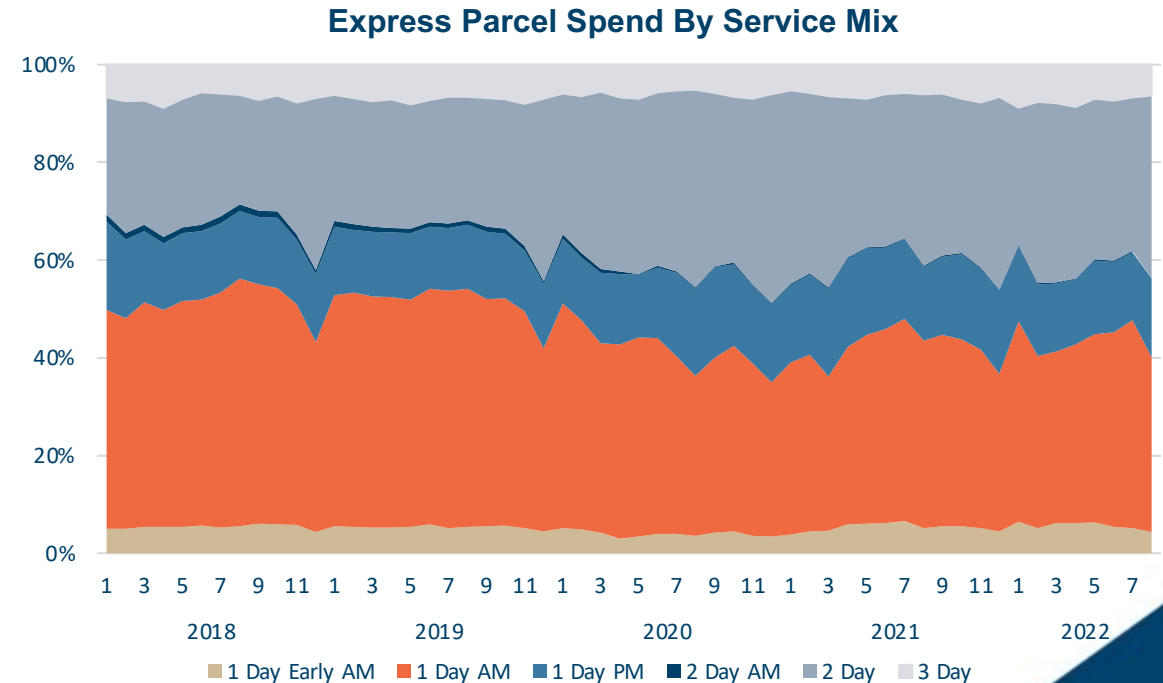
Fig. 2

## Express Parcel

Following the sharp increase in Q2:2022, Express Parcel rates had a decrease of 5.1% QOQ; driven by lower fuel surcharges, declining average Billed Weight, and service mix change.



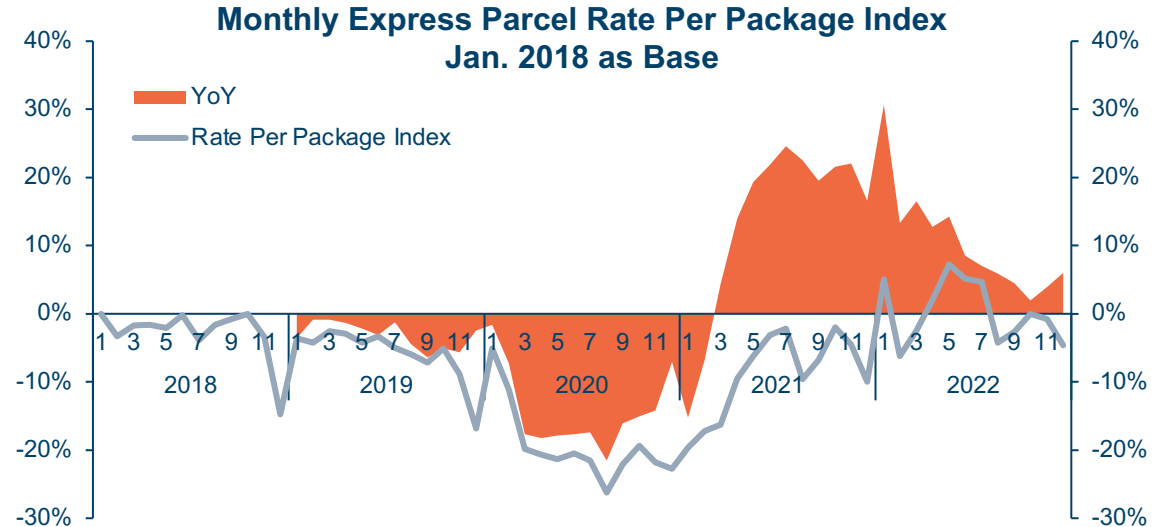
- The premium service mix has decreased since Q2:2022; pushing overall Express Parcel rates downward.



- Compared to Q2:2022, Billed Weight and fuel surcharge are the key factors contributing to the overall decrease in Express Parcel rates in Q3:2022.
  - Average Billed Weight per package decreased 6.9% QOQ.
  - Average fuel surcharge per package decreased 12.1% QOQ, but still presented a YOY increase of 127%.
  - Both average discount and zone remain relatively stable through Q3:2022.

The Cowen/AFS Express Parcel Freight Index will continue to decrease to **(1.8%)** in Q4:2022, although it is still a 4.3% YOY increase.

- Express Parcel Freight Index record-highs in Q2:2022 were short-lived. The Index dropped to negative 1.3% in Q3:2022 and is expected to decline further in Q4:2022 to negative 1.8%.
  - In Q4:2022, seasonal trend of lower average Billed Weight is expected to occur once again due to holiday shipping.
  - Moderately high fuel surcharge is predicted in Q4:2022.
- The YOY change of the Index is forecasted to rebound slightly in Q4:2022.



Express Parcel Rate Per Package Freight Index

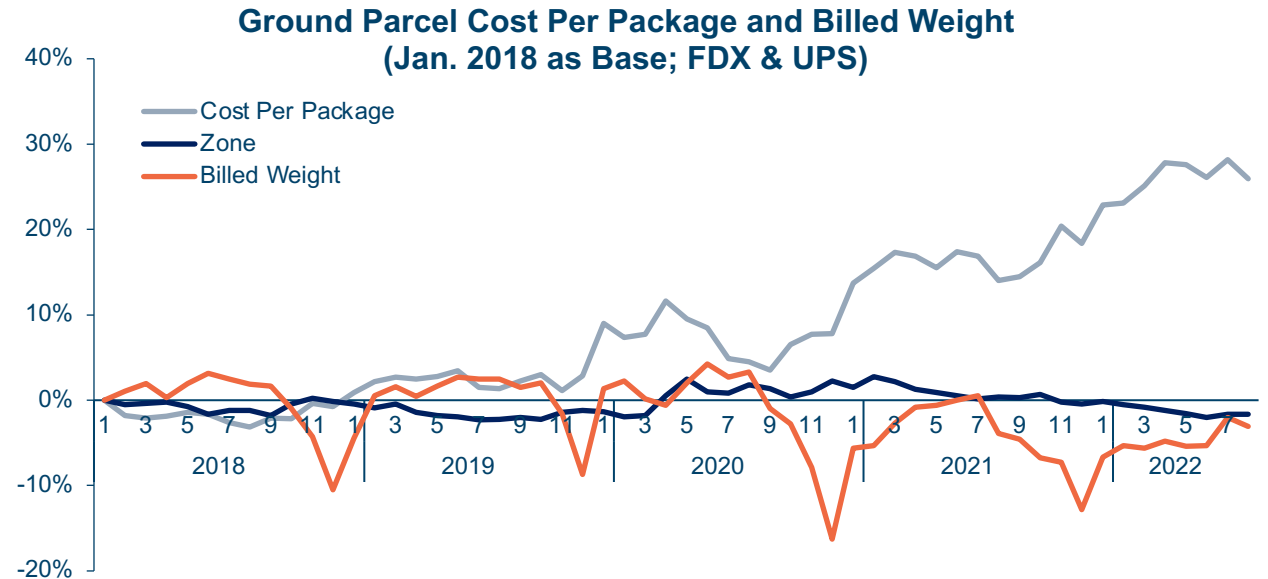
Year	Q1	Q2	Q3	Q4
2019	(3.4%)	(3.6%)	(6.1%)	(10.7%)
2020	(12.5%)	(20.8%)	(23.4%)	(21.4%)
2021	(17.7%)	(6.3%)	(6.5%)	(5.8%)
2022	(2.0%)	4.8%	(1.3%)	<b>(1.8%)</b>

Jan. 2018 = Base, Q2:2022 forecasted

## Ground Parcel

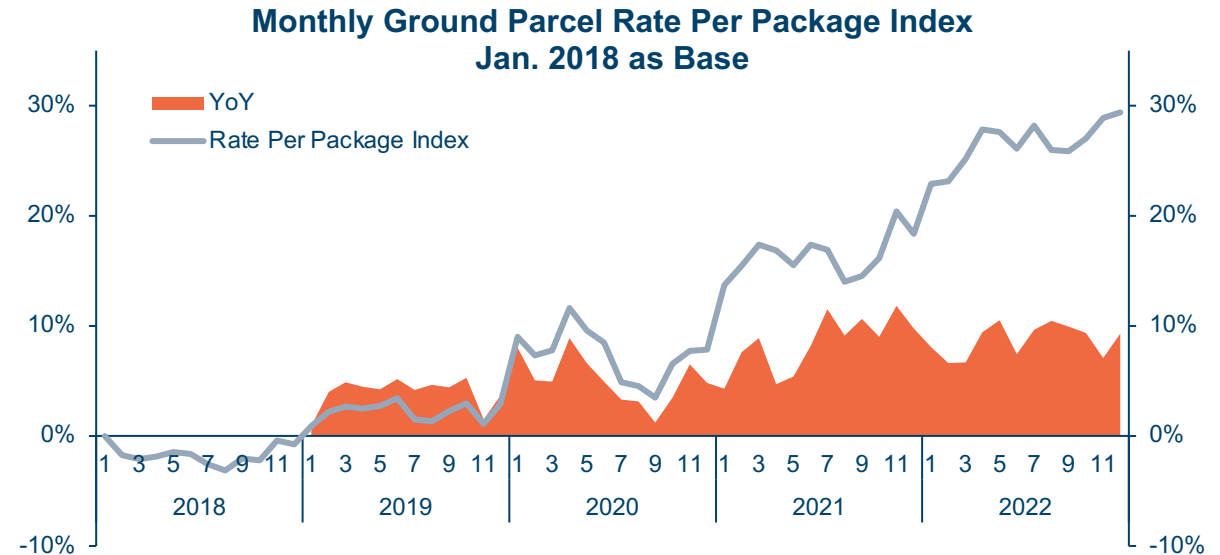
# Ground Parcel rates stayed flat in Q3:2022 due to lower fuel surcharges and negative impacts from a reduction in the average zone, despite increases in average Billed Weight.

- Unlike previous quarters, Q3:2022 saw relatively flat Ground Parcel rates due to counterbalancing factors:
  - QOQ average fuel surcharges and average accessorial charges decreased, by 0.3% and 1.6% respectively.
  - Average Billed Weight continued to increase, up by 2.7% QOQ.
  - More importantly, average discount increased 0.5% in Q3:2022, indicating a more relaxed carrier pricing policy in pursuit of volume.
  - Average Zone decreased 0.1% QOQ in Q3:2022.



# The Cowen/AFS Ground Parcel Freight Index is expected to reach 28.5%, setting a new record in Q4:2022.

- Ground Parcel Rate Per Package will remain on a generally upward trend established since early 2021.
- The Cowen/AFS Ground Parcel Freight Index is forecasted to be at a record-high 28.5% in Q4:2022.
  - Parcel carriers' aggressive increases on peak surcharges will add to the average Rate Per Package for Ground Parcel.
  - Increased share of residential deliveries in Q4:2022 will bring additional surcharge costs.
  - Moderately high fuel surcharges are still expected in Q4:2022.



**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%	18.4%
2022	23.8%	27.2%	26.6%	<b>28.5%</b>

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**

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

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

**>300M**  
**Freight Bills Paid Annually**

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

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

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

[www.afs.net](http://www.afs.net)



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 2022.

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