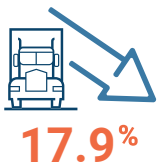


Cowen/AFS Freight Index Key Takeaways

NO CRYSTAL BALL REQUIRED: RELEVANT, DATA-DRIVEN INSIGHTS

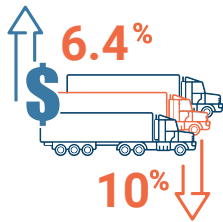
Falling demand, economic headwinds and a jarring earnings report in parcel. How cool is a cooling freight market and what can shippers expect from peak season and looming general rate increases (GRI)? Together with Cowen Research, we have answers from our predictive, quarterly freight index, which is based on more than \$11 billion in transportation transactions. The latest release of the index predicts quarter-over-quarter declines in transportation costs across modes, with the exception of ground parcel.

TRUCKLOAD



The **truckload rate-per-mile index will decline** on a yearly and quarterly basis, from 18.3% in Q3 to 17.9% in Q4:2022.

The Q4 truckload index will not only decline QoQ, but indicate the first negative YoY change since Q3 of 2020. This decline is due to the current macroeconomic environment, driven by factors like inflation remaining above 8% and expected rate hikes by Federal Reserve. In Q3, truckload rates held up better than declining volumes, which could be evidence of logistics professionals taking prudent steps to rein in costs by consolidating smaller, more frequent LTL shipments into truckload shipments in the face of record-high transportation costs earlier this year.



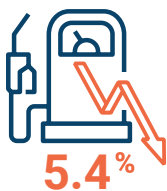
Linehaul cost per shipment showed a 6.4% YoY increase in Q3, but truckload volume declined 10% YoY.

LTL



The **LTL rate-per-pound index is expected to decrease to 48.6%** in Q4, a QoQ decrease but elevated 10.1% YoY.

The LTL freight index is expected to continue its decline, falling from 55.3% in Q3:2022 to 48.6% in Q4. Going forward, shippers should continue to seek ways to reduce costs, with a moderately high fuel surcharge expected to remain and LTL GRIs coming soon.



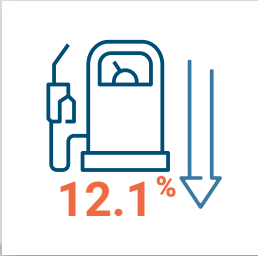
In Q3, average **fuel surcharge per shipment decreased by 5.4%**, but accessorial charges per shipment increased 8.4% QoQ.

EXPRESS PARCEL



The express parcel index is expected to continue its decline, **falling from -1.3% in Q3:2022 to -1.8% in Q4.**

The record highs of the Q2 express parcel index were short-lived, as the index dropped from 4.8% in Q2 to -1.3% in Q3:2022. The negative trend is expected to continue in Q4, dropping to -1.8%, largely due to lower billed weight per package and lower average fuel surcharge compared to Q2, though fuel surcharge still remains significantly elevated YoY.



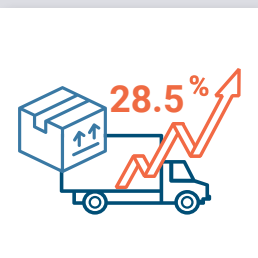
In Q3:2022, **average fuel surcharge per package decreased 12.1%** from the previous quarter, but still presented a YOY increase of 127%.

GROUND PARCEL



Peak surcharges are in effect longer, apply to more shippers and some surcharges **have risen as much as 60% YoY.**

The Q4 index is projected to hit a record high of 28.5%, driven by aggressive peak surcharge increases and additional surcharge costs arising from the seasonal increased share of residential deliveries. Anticipated Q4 rate growth stands in contrast to the previous quarter, in which ground parcel rates flattened due to lower fuel surcharges and a higher average discount, indicating more relaxed carrier pricing in pursuit of volume.



The Q4 **ground parcel freight index is expected to reach a record-high of 28.5%**, up from 26.6% in Q3:2022.

GRI's MAY BE STEEPER THAN THEY LOOK

FedEx announced the highest-ever net list rate increase, effective January 2023 for ground and express parcel, and a UPS announcement will follow soon. But that published average can be misleading. The actual list rate increase varies based on package characteristics, as do increases to individual surcharges, which can drive the realized increase significantly higher than the announced GRI. Furthermore, annual GRI's have a compounding effect, with shipping costs that can go up over 30% in just five years.

See below for sample calculations illustrating the compounding effect of GRI's over time and how packages are subject to a higher GRI than the standard announced rate.

SHIPMENT INFORMATION		RATING	OCT. 2021	OCT. 2022	JAN. 2023
Service	Priority 2-day	List Rate	\$193.82	\$203.31 +4.9%	\$218.35 +7.4%
OriginZip	New York (10013)	Discount	45%	45%	45%
DesZip	Malibu, CA (90264)	Net Charge	\$106.60	\$111.82	\$120.09
Actual Weight	10	AHS-Dimensions	\$16.00	\$21.50 +34.4%	\$25.00 +16.3%
Item	Surfboard (62x19x3)	Discount	35%	35%	35%
Billed Weight	26	Net Charge	\$10.40	\$13.98	\$16.25
Zone	8	DAS Resi	\$4.70	\$5.20 +10.6%	\$13.25 +154.8%
		Discount	25%	25%	25%
		Net Charge	\$3.53	\$3.90	\$9.94
		Residential Delivery	\$4.95	\$5.30 +7.1%	\$5.80 +9.4%
		Discount	20%	20%	20%
		Net Charge	\$3.96	\$4.24	\$4.64
		Fuel Surcharge (Express)	16.25%	19.75% +21.5%	19.75% +0.0%
		Discount	25%	25%	25%
		Net Charge	\$15.17	\$19.84	\$22.36
		GRAND TOTAL	\$139.66	\$153.77 +10.1%	\$173.28 +12.7%

GRI'S AND SURCHARGES	
2022 GRI	Avg of 5.9% in 2022 and 6.9% in 2023
2022 FSC	1.75% in Nov. 2021
	1.75% in Apr. 2022
DAS Remote	New in 2023, charges will increase from \$5.20 to \$13.25

Want more insights? Access the full Cowen/AFS Freight Index at afs.net. Or, contact AFS for insights on new, strategic ways your organization can achieve a more agile, data-driven logistics network.