

# TD Cowen/AFS Freight Index

October 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.

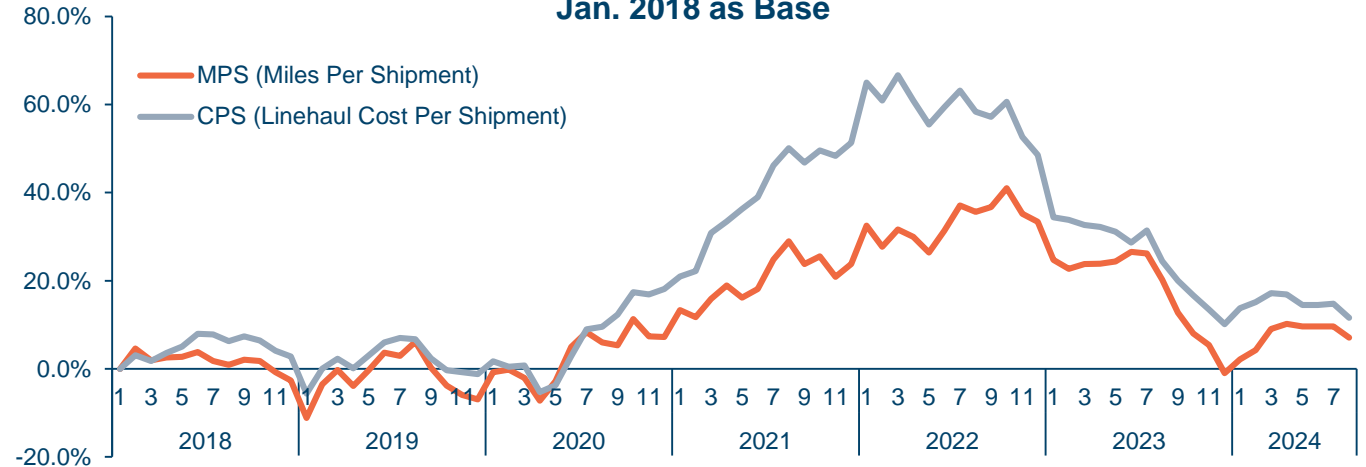
# Truckload



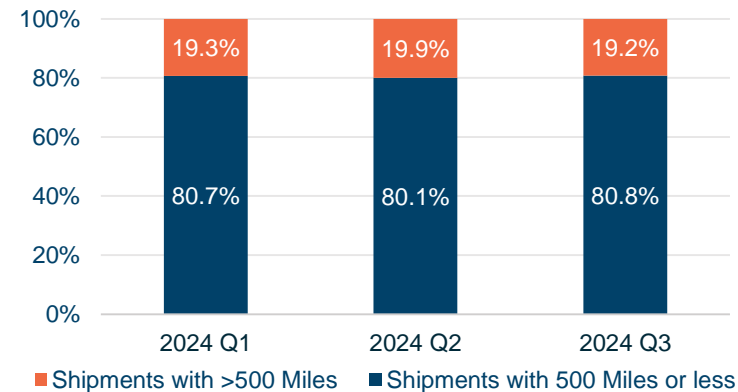
In Q3:2024, the average Truckload (TL) Linehaul Cost Per Shipment fell by 1.9%, while Miles Per Shipment decreased by 1.3% QOQ.

- TL Linehaul Cost Per Shipment (CPS) and Miles Per Shipment (MPS) continued to move in tandem in Q3:2024, with CPS declining at a slightly higher rate than MPS.
  - Despite some monthly fluctuations with increases in TL shipments in recent months, the average quarterly CPS has continued to decline.
  - The slight increase in short-haul shipments contributed to the CPS decline.
- In Q3:2024, CPS recorded its seventh consecutive quarterly YOY decline, with the pace slowing to single digits.
  - For the past four consecutive quarters, CPS has remained 12% to 14% above pre-pandemic levels.

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

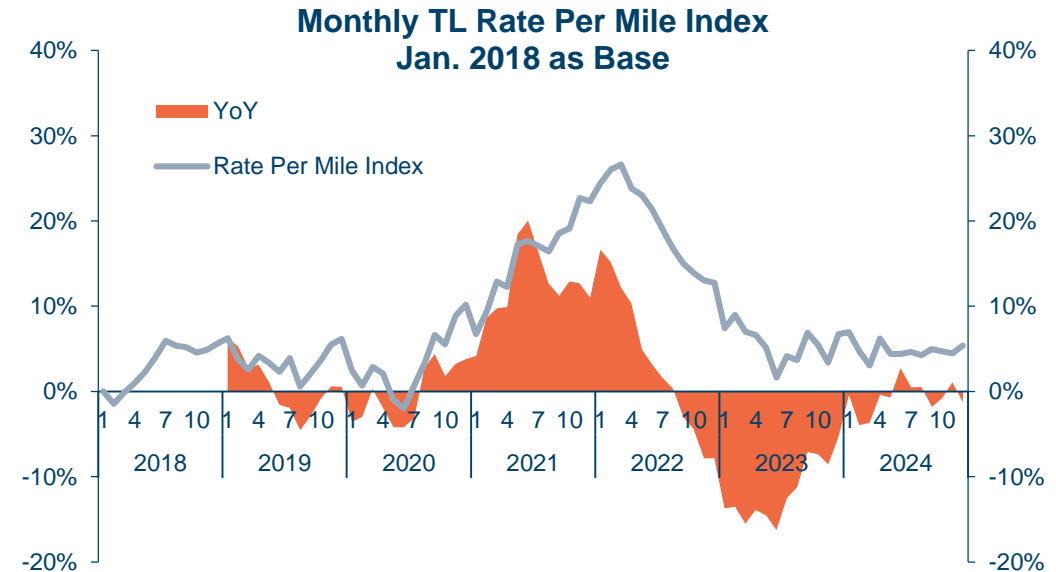


Short-haul vs. Long-haul Shipments



# The TD Cowen/AFS Truckload Freight Index is expected to stay steady with slight fluctuations in Q4:2024, reaching 4.9% with a QOQ increase of 0.2%.

- Overall macroeconomic conditions are relatively robust, but potential influences, such as the election and conflicts in the Middle East, could impact the situation.
  - Although 2024 had a slow start, the current estimate for real GDP growth has been adjusted up to 3%.
  - The annual inflation rate slowed for the fifth consecutive month, reaching 2.5% in August with energy cost declining by 4%.
  - The Federal Reserve cut interest rates by 50 basis points in September. Although the cut was widely anticipated, the magnitude caught some by surprise. This move is expected to stimulate economic activity, with minimal immediate effects on TL rates in Q4:2024.
- Despite some signs of recovery, truckload demand remains sluggish. TL Rate Per Mile Index is forecast to increase slightly to 4.9% in Q4:2024, reflecting a 0.3% YOY decline.



**Composite Truckload Rate Per Mile Freight Index**

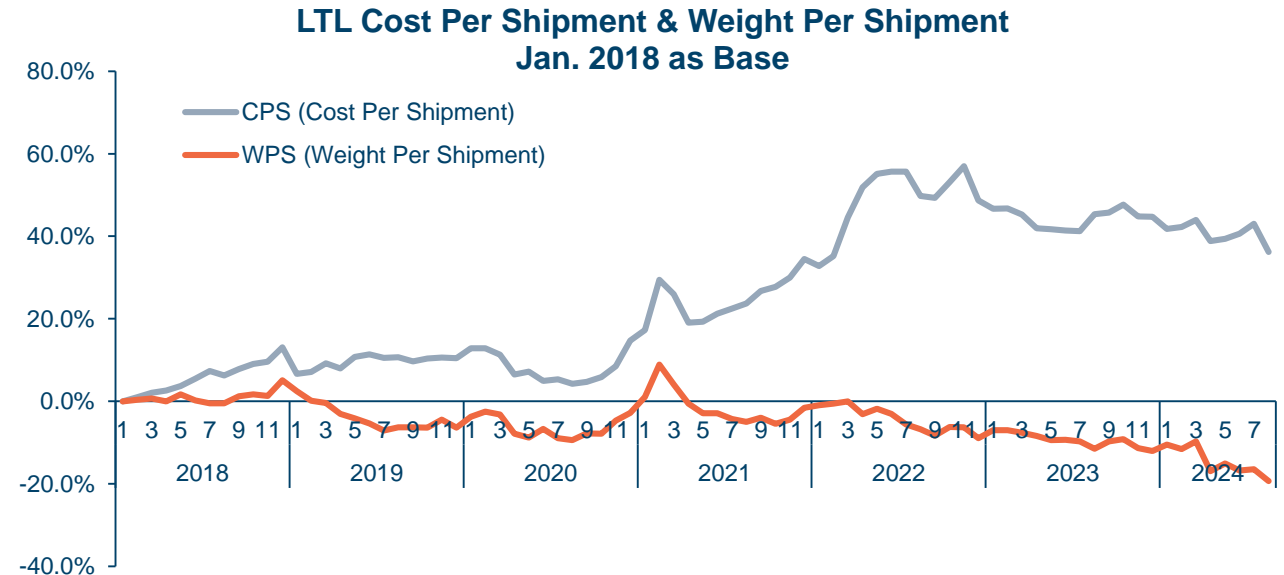
Year	Q1	Q2	Q3	Q4
2021	9.9%	15.7%	17.4%	21.3%
2022	25.7%	22.8%	17.0%	12.9%
2023	7.8%	4.3%	4.8%	5.2%
2024	4.9%	5.0%	4.6%	<b>4.9%</b>

Jan. 2018 = Base, Q4:2024 forecasted

LTL

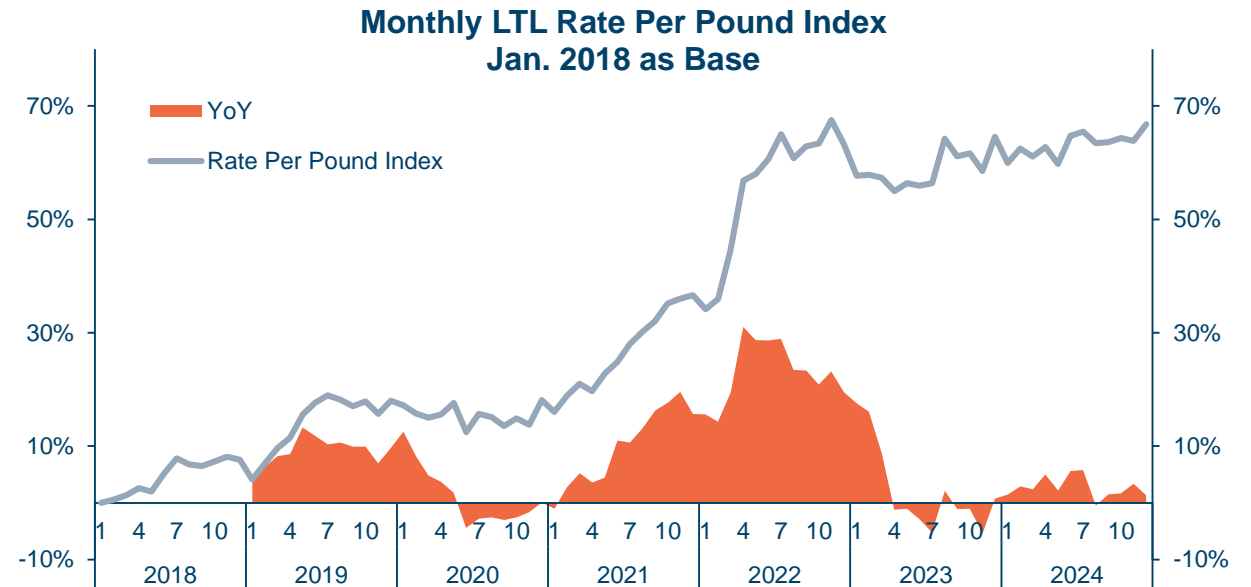
The LTL Cost Per Shipment continued to decline slightly, down 0.6% QOQ and 6.2% YOY as the average weight per shipment and fuel continued to slide in Q3:2024.

- The gap between LTL Cost Per Shipment (CPS) and Weight Per Shipment (WPS) expanded further in Q3:2024.
  - While WPS declined by 1.9% QOQ, CPS decreased by only 0.6%, resulting in an increased disparity between the two metrics.
  - The average fuel surcharge for major LTL carriers was 4% lower compared to Q2:2024; consequently, the actual net fuel surcharge declined by 2.3% QOQ.
  - The average length of haul rose by 3.1% QOQ, positively impacting CPS.
- With minimal QOQ change, LTL CPS remained high compared to the rate levels observed before 2022.



The TD Cowen/AFS LTL Freight Index is projected to reach a new quarterly high of 65.0%, with a QOQ increase of 0.5% and a YOY rise of 2.2%.

- LTL demand remains soft and no major market shifts are expected for LTL in Q4:2024.
  - The FedEx assessment of its LTL unit is “well underway and on track to be completed” by the end of 2024.
  - The interest rate cut could create some opportunities to increase short-term demand.
  - Escalated conflict in the Middle East could push fuel prices higher.
- LTL carriers have consistently demonstrated their ability to uphold yield through disciplined pricing strategies, a trend that is expected to continue into Q4:2024.
- TD Cowen/AFS LTL Freight Index is forecast to reach 65.0%, increasing by 2.2% YOY.
  - The LTL Rate Per Pound is expected to return to the historic high levels observed in 2022.
  - Q4:2024 will mark the fourth consecutive quarter with positive YOY changes, underscoring persistent upward pressure on pricing.



**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%	62.3%	64.2%	65.0%

Jan. 2018 = Base, Q4:2024 forecasted



Parcel

The parcel cost push-pull dynamic is in full effect, with GRI-type actions driving prices up, while aggressive discounts are pulling them back down.

- FedEx and UPS effectively conditioned the market to accept frequent adjustments to the fuel surcharge tables, leading to fuel surcharge increases in a declining fuel market.
  - Figure 1 illustrates that while gas and Diesel prices for September 2024 are comparable to 2021 levels, the Ground fuel surcharge has skyrocketed by 77%.
- For the 2024 holiday season, shippers should be expecting additional costs.
  - Shipments that incur the Additional Handling Surcharge or Oversize/Large Package Surcharge will face increasingly higher Demand Surcharges.
  - A new “blanket” Demand Surcharge applies to all shipments, except for Ground Commercial.
  - Carriers defined a new “peak within peak” period during which Demand Surcharges could potentially double.
- FedEx and UPS pricing discipline was notably weak in Q3:2024.

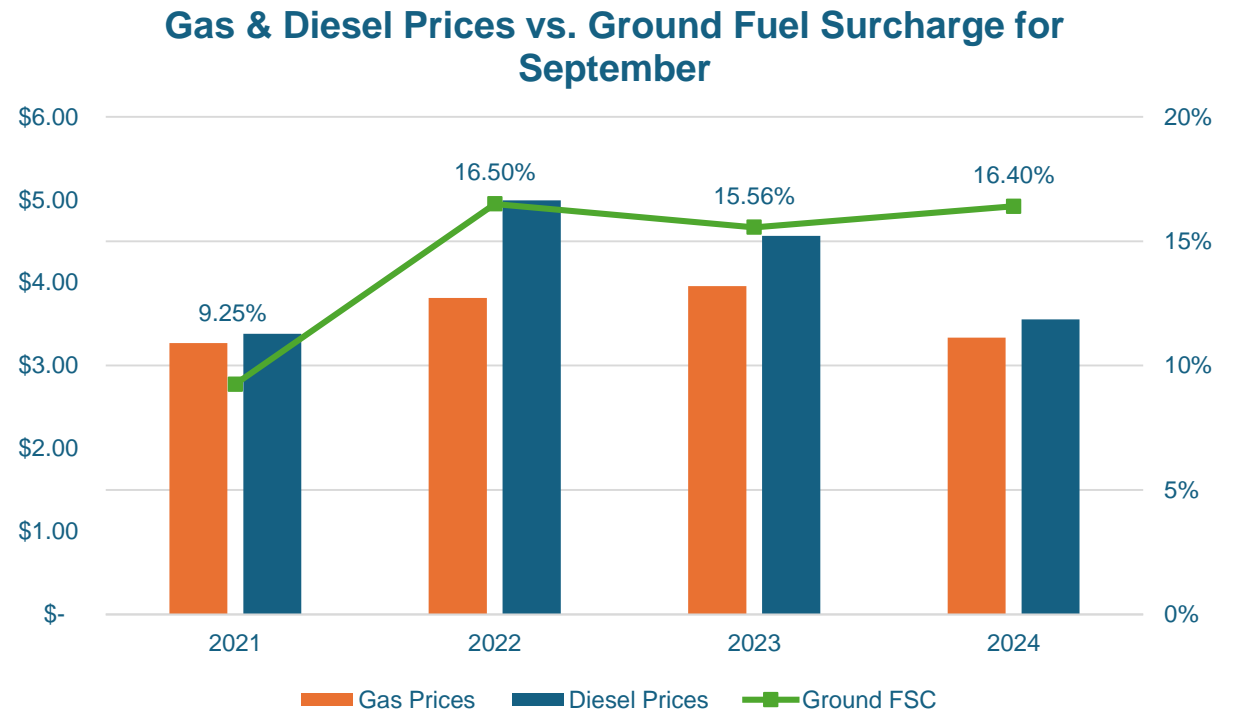
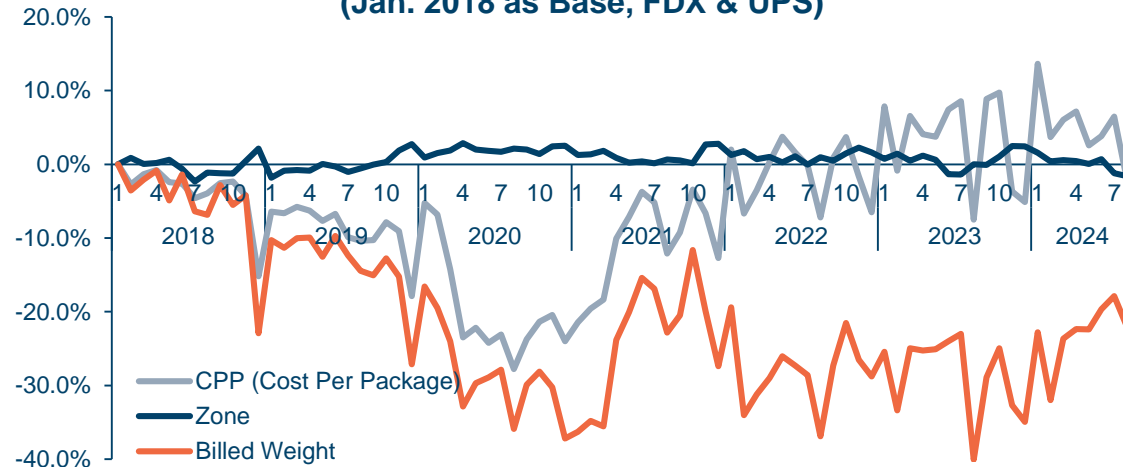


Figure 1

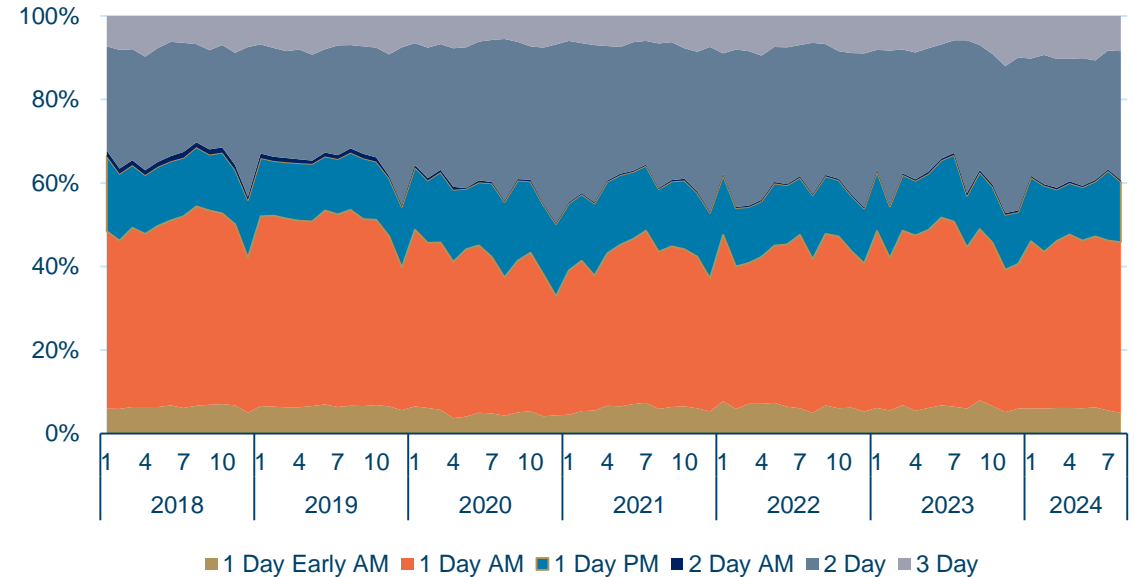
## Express Parcel

Largely driven by discounts and fuel surcharges, Express Parcel Cost Per Package decreased by 2.8% QOQ and 0.8% YOY in Q3:2024.

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



Express Parcel Spend by Mix

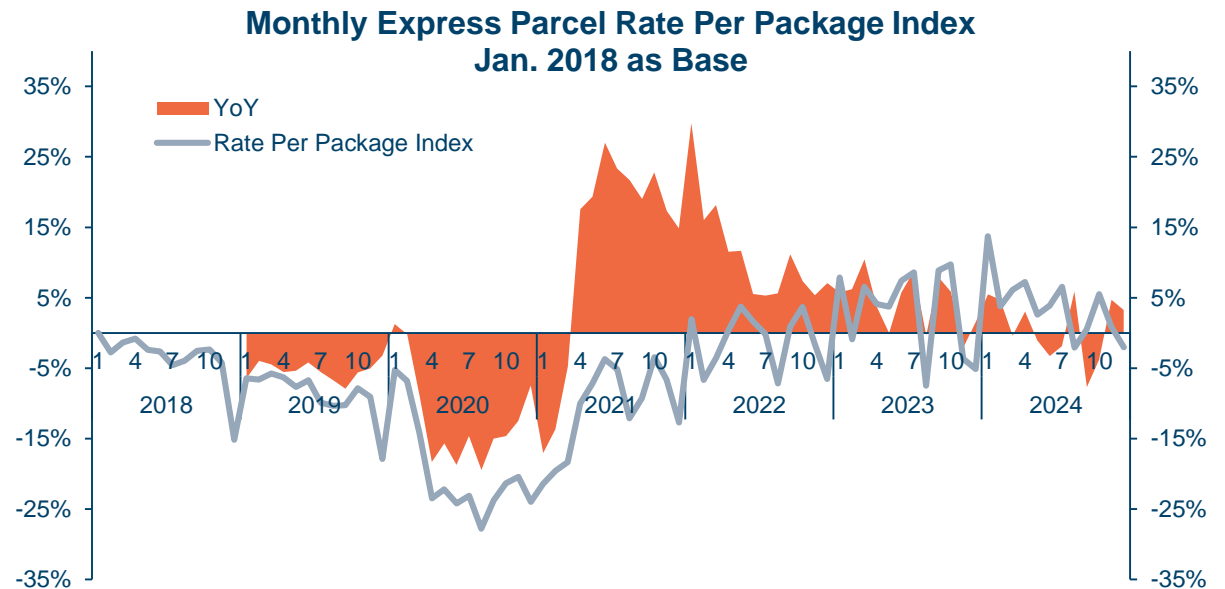


- Express Parcel Cost Per Package decreased by 2.8% in Q3:2024, driven by higher discounts and lower fuel surcharges.
  - The average discount continued to rise in Q3:2024, reflecting carriers' efforts to gain volume in a soft demand environment.
  - The USGC jet fuel price fell by 9.1% QOQ, leading to a mere 2% decrease in the carrier fuel surcharge due to some "timely" adjustments made by the carriers.

- However, when combined with discounts, the net fuel surcharge dropped by 4.9%.
- Average weight and service mix both continued to exert positive pressure on the Express Parcel Cost Per Package in Q3:2024.

# The TD Cowen/AFS Express Parcel Freight Index is expected to decrease by 0.2% QOQ to 1.4% in Q4:2024, which reflects a YOY increase of 0.5%

- With weak demand and low growth expectations, parcel carriers remain focused on improving operational efficiencies and cost reduction in their networks.
- The parcel pricing environment remains “competitive but still rational.” Carriers are balancing revenue-generating strategies with significant discounts to secure volume.
  - Both FedEx and UPS announced 2024 Demand Surcharges with increased fee levels, expanded scope and extended time span.
  - Both FedEx and UPS increased the Fuel Surcharge multiple times in 2024.
- The TD Cowen/AFS Express Parcel Freight Index is projected to reach 1.4%. This represents a slight QOQ decrease but still shows a 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%	4.5%	1.6%	1.4%

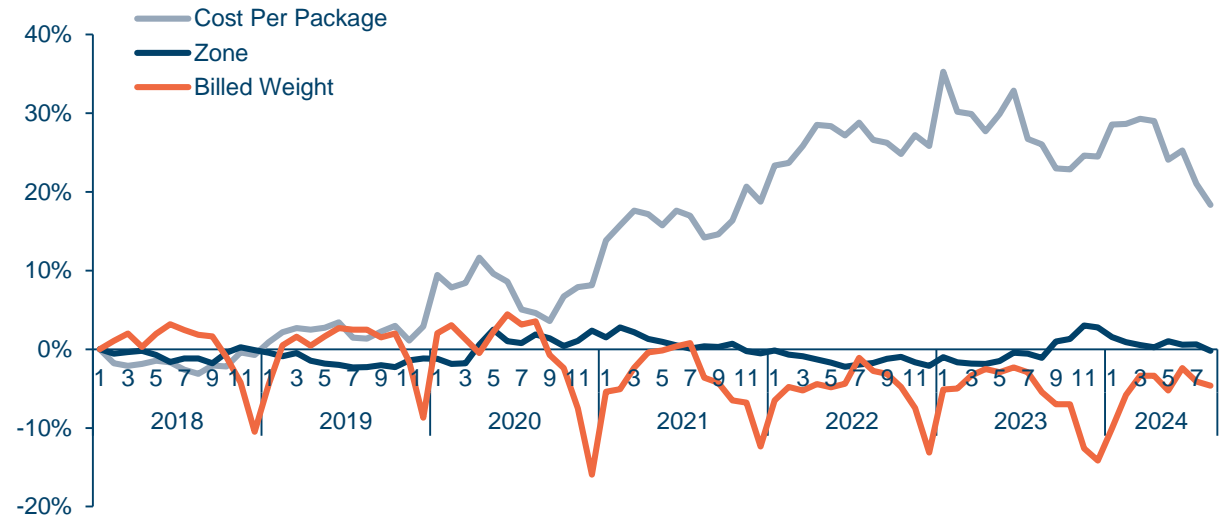
Jan. 2018 = Base, Q4:2024 forecasted

## Ground Parcel

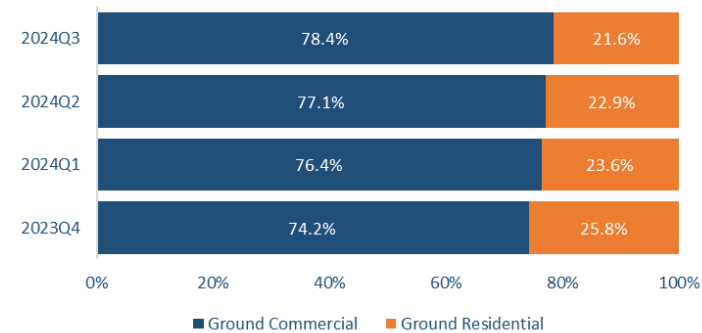
In Q3:2024, Ground Parcel rates experienced a 4.7% decrease QOQ, primarily driven by lower average weight and higher discounts from carriers.

- Ground Parcel Cost Per Package dropped by 4.7% in the third quarter, a steeper decline than anticipated, extending the ongoing trend of YOY decreases, which stood at 2.5% in Q3:2024.
  - The average discount reached a new high in the post-pandemic era, increasing by 2.4% QOQ and compressing Cost Per Package.
  - With on-highway diesel fuel prices trending downward in Q3:2024, carriers made adjustments that led to a 2.3% increase in the Ground fuel surcharge. However, substantial discounts (both transportation and fuel) resulted in a 6.8% decrease in the net fuel surcharge per package.
  - The average accessorial charge per package decreased by 7.1% QOQ.
    - This decline was partially driven by a shift in the volume mix between residential and commercial shipments.
    - Aggressive surcharge discounts stemming from the carrier's pricing strategies played a critical role in driving down the average cost.

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

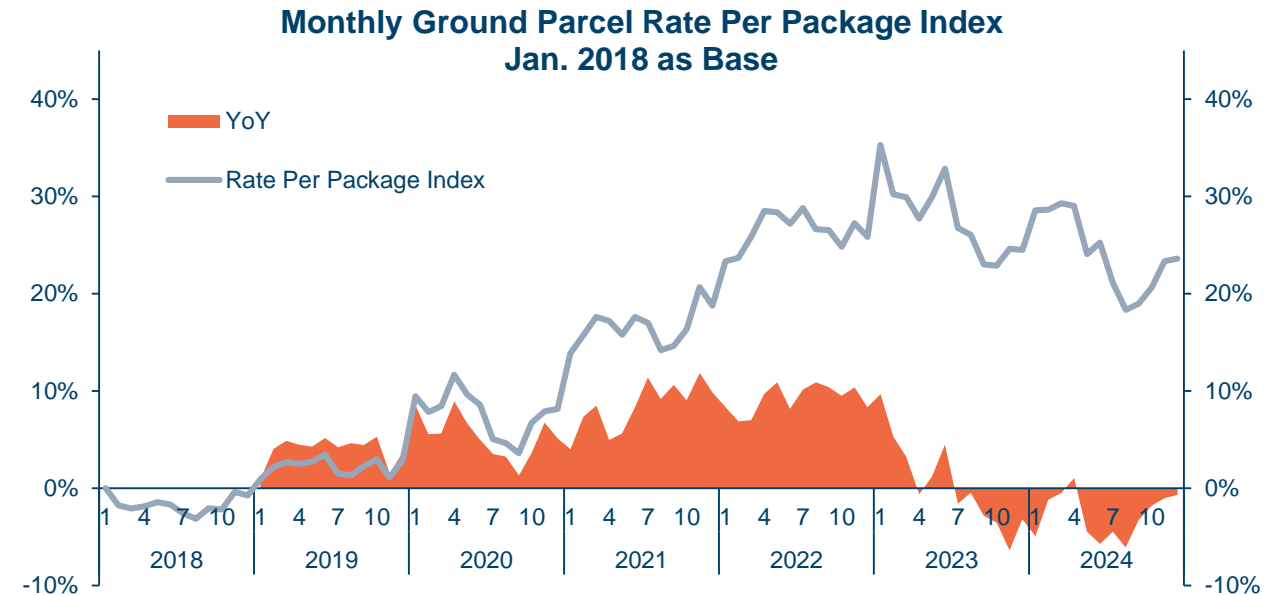


**Ground Comm vs Ground Resi**



# The TD Cowen/AFS Ground Parcel Freight Index is expected to rise slightly to 21.5%, reflecting a 1.0% increase QOQ but a 1.8% decrease YOY.

- The TD Cowen/AFS Ground Parcel Freight Index is anticipated to increase to 21.5% in Q4:2024.
  - Competitive pricing pressure will continue to dominate the holiday shipping season, with a notable trend of increasing discounts for large customers.
  - Ground parcel demand remains soft and aggressive discounts are expected to persist.
  - Fuel continues to be a volatile factor, especially amid the ongoing tensions in the Middle East.
  - Parcel Demand Surcharges will become effective in Q4:2024. These surcharges, especially the “blanket” Demand Surcharge, will lead to an increase in the average Rate Per Package for Ground Parcel.
  - Holiday shipping would increase the mix of residential shipments, increasing Rate Per Package due to associated surcharges.



**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%	26.2%	20.3%	<b>21.5%</b>

Jan. 2018 = Base, Q4:2024 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**

Core Values  
**3**

- 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).