QUARTERLY FREIGHT DATA REPORT Q2 2023

A Q2 REVIEW OF KEY FREIGHT & ECONOMIC INDICATORS
AND HOW IT WILL SHAPE OUR THINKING FOR Q3

The trucking industry is cyclical. This means that in logistics you can count on history to repeat itself. That makes understanding where the market has been essential to predicting where the market is going.

In this report, you'll find trucking-related economic data and analysis, based on the previous quarter, that will provide a macroeconomic view on the state of the market with insights into how to prepare for the upcoming quarter. For each month you will find key factors that had an impact on our trucking economy, as well as volume and rate data for the most recent month.

Key Takeaways from Q2:

Flatbed rates are on an upward trajectory

Loadsmart's flatbed index started recovering in November '22 and is currently up 25% from the '22 bottom.

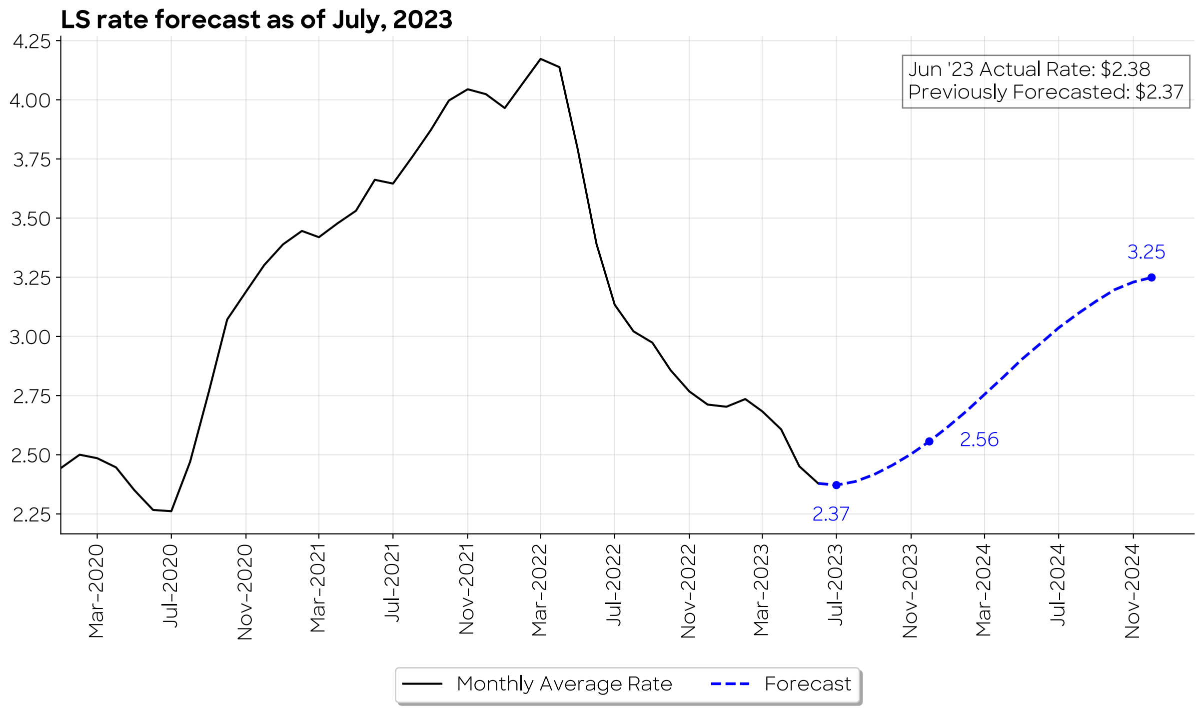
Ocean freight is looking at a modest peak season

As ocean freight rates have bottomed out and stabilized over the past two months, we expect to have traditional peak season back, but probably a modest one.

Consumers' recession fears are fading

A rise in the Conference Board's Consumer Confidence Index reflects consumers' optimism about current macroeconomic conditions.

Loadsmart's 2023 Truckload Market Outlook:



Note: Rates are smoothed. Source: Loadsmart.

Using Loadsmart's new long-term spot rate forecast - shown in the image above - derived from our predictive model that combines internal data with key macroeconomic indicators, we've generated our latest look-ahead below:

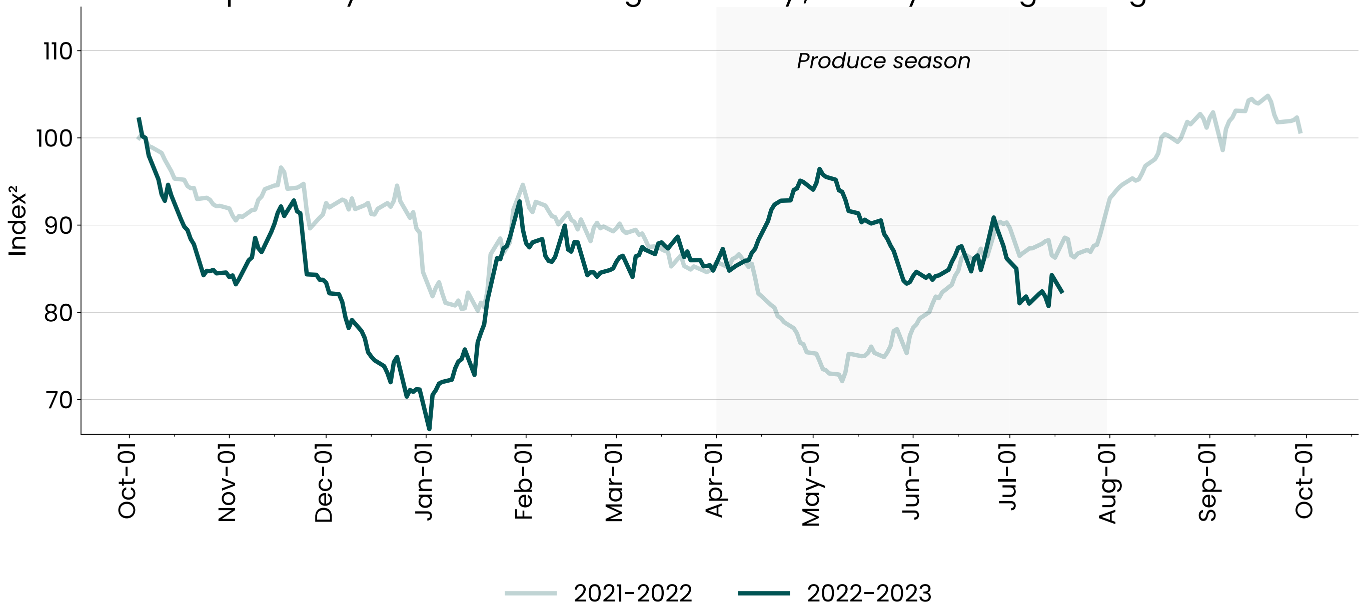
> As of July 1, 2023, our model predicts that the monthly average spot price should finally bottom out in July, falling from the June average of $2.38 to $2.37 in July only.
>
> Given the current economic outlook of declining consumption and industrial production, the model forecasts a mild recovery starting in August. This turnaround will be largely driven by the fact that capacity loosening has reached its limit, i.e. enough carriers have exited the market to rebalance supply & demand, as a result of extremely low spot & contract rates and lower overall freight volume.

By the end of 2023, our forecast predicts that rates will rise to $2.56 (a 9% increase from July's forecasted bottom) and continue on an upward trajectory through 2024.

An inside look into your industry: Food & Beverage

The Food industry volumes had a great spring, but a disappointing summer so far

Volumes quoted by the food & beverages industry[1], 20-day moving average



1. The food & beverages industry consists of shippers whose primary activity is the production and/or distribution of edible goods. From food producers to grocery stores, with the exception of department stores.
2. Indexed to first day of the series - Oct 4, 2021 volume = 100.
Note: Weekends are excluded.
Source: Loadsmart.

Quoted volumes associated with the Food & Beverage sector peaked in May, then returned to April levels and remained steady. These results were below our expectations. The sector had a great spring but a disappointing start to summer, up only 2% QoQ.

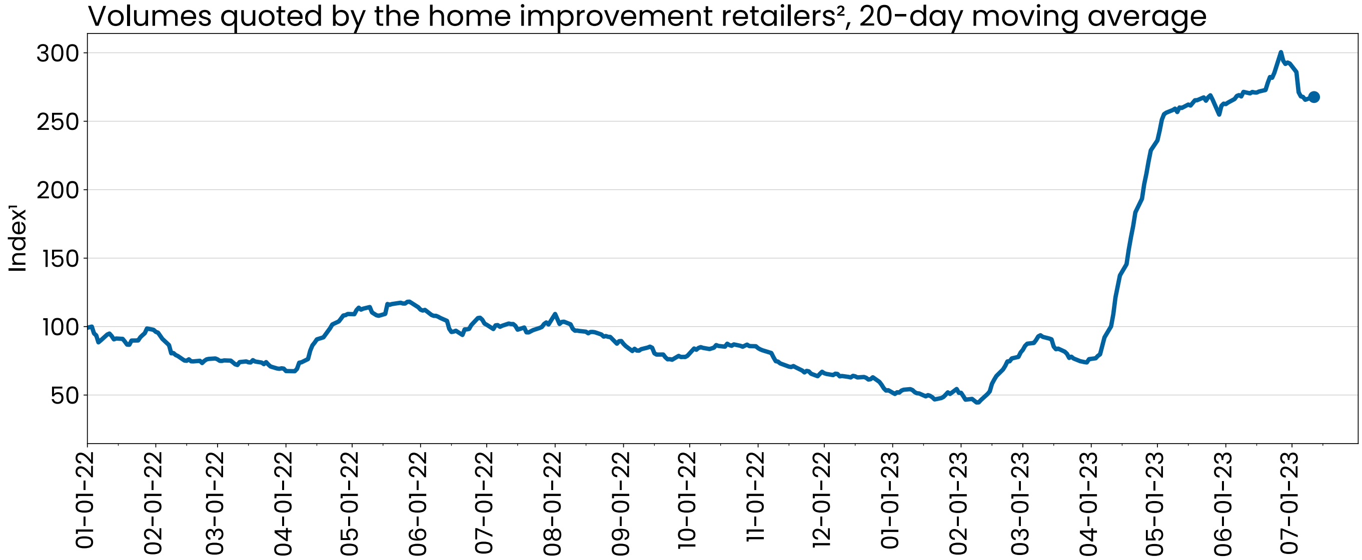
Our reefer quoted volumes for Food & Bev were down 3.5% in Q2 '23, compared to the same period last year. Dry van, on the other hand, we had a rise of 20% in Q2 '23, compared to the same period last year.

Last year's production season took a long time to ramp up, but once it did, demand remained strong through the end of spring. For the time being, we do not expect to see any major fluctuations in volume until the end of the summer, as we did not see much volatility in quotes due to the 4th of July holiday.

An inside look into your industry: Home Improvement Stores

Home improvement freight demand peaked in mid-June

Volumes quoted by the home improvement retailers², 20-day moving average



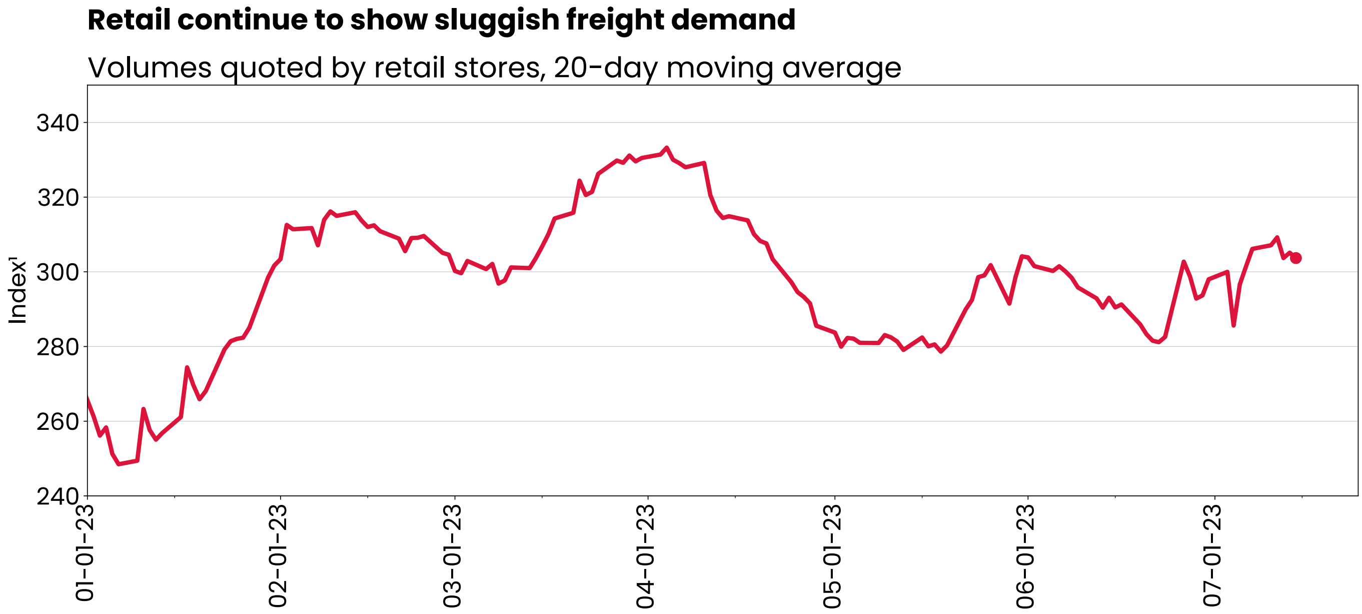
1. Indexed to first working day of the 2022 - Jan 3, 2022 volume = 100.
2. Refers to stores that sell home improvement items such as appliances, furniture, home decor, etc.

Note: Weekends are excluded.
Source: Loadsmart.

Our volumes quoted by the Home Improvement sector increased by 277% QoQ. We believe that this massive increase in demand has a strong seasonal component, as construction picks up in the summer, but it is also related to the heating real estate market.

In May, private residential construction spending and home prices started to rebound - both positive signs for the home improvement industry. As a result, we expect a year-over-year increase in demand, even with the seasonal slowdown once we move from summer to fall.

An inside look into your industry: Retail



1. Indexed to first working day of the 2022 - Jan 3, 2022 volume = 100.
Note: Weekends are excluded.
Source: Loadsmart.

Quoted volumes for the Retail sector are down 4% QoQ. The decline in freight demand is in line with the decline in sales volumes in this sector.

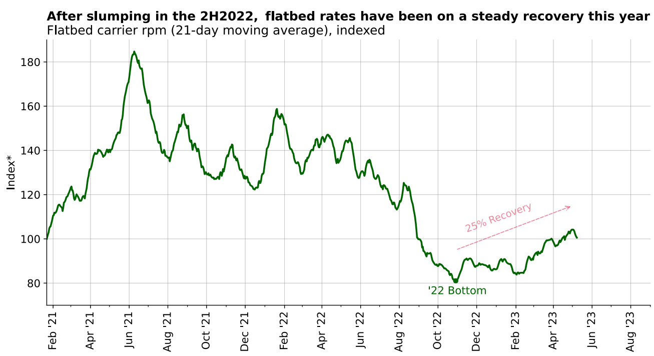
Despite the belief that large retailers would drive freight demand up in Q2 ‘23, given their seasonal inventory restocking needs, there has not been much change in the sector yet. We expect the sector’s freight demand to pick up only by October, the typical restocking month for stores.

April 2023

The oscillation of sourced volumes was sharp during April, we had both a YTD peak and a bottom in the same month.

Flatbed Recovery

While there is still uncertainty in the truckload industry as to whether dry van rates have bottomed out, there are reasons to be optimistic about the flatbed share of the market. Loadsmart's flatbed index started recovering in November '22 and is currently up 25% from the '22 bottom.



Source: Loadsmart
*Index is set based on the first observation of our series: Jan-22-2021 value = 100

We believe flatbed rates will continue upward from November's bottom because of a few reasons:

01. Non-residential construction is booming and the uptrend should remain in the next months:

U.S. manufacturers are in a reshoring process, which intensified the demand for commercial and industrial buildings over the last year. The current construction spending expansion is being driven by this.

Manufacturers began reshoring during the pandemic as they felt the need to regain control of their end-to-end supply chain. However, the reshoring trend has intensified in the last two years, spurred by U.S. government policies, namely the bipartisan infrastructure bill and the recent CHIPS and Science Act.

These public initiatives are expected to continue to fuel the construction sector in 2023, driving further spending growth which should leverage flatbed demand.

02. Seasonal recovery:

The construction sector is characterized by a strong seasonality, with construction booming in the summer and slowing down in the winter. February is typically when the construction market spending cycle troughs and moves into the expansion phase. Hence, we expected the seasonal rebound in construction spending to also boost flatbed rates in the next two quarters.

May 2023

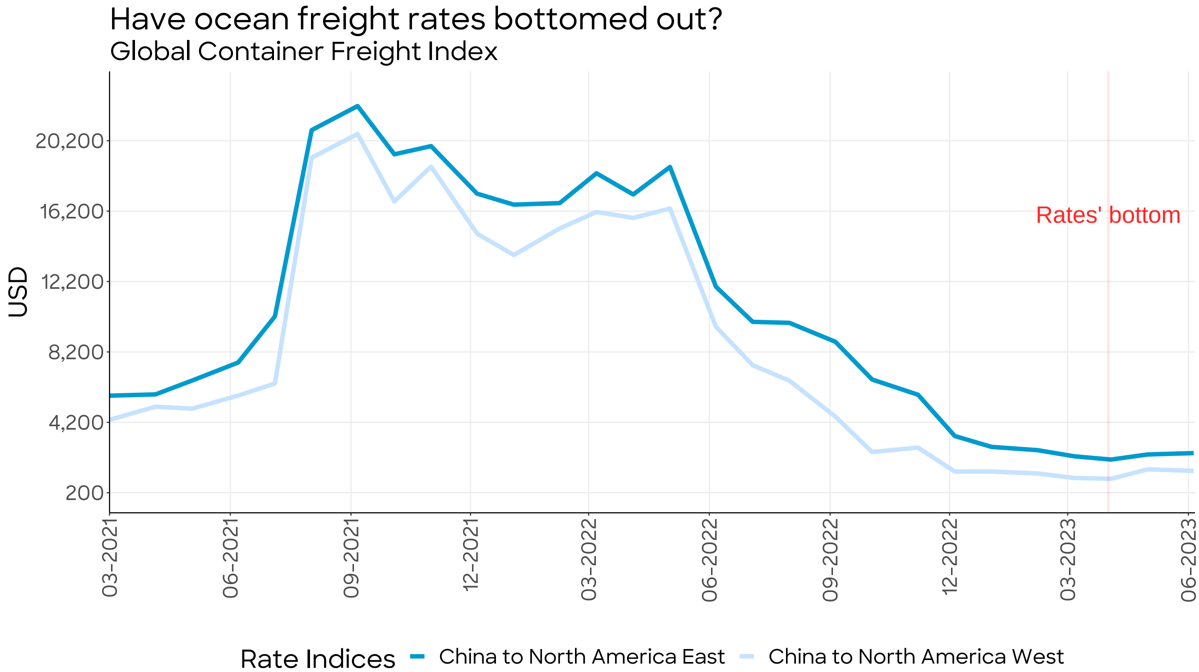
Our prices began a mild upward trend in mid-May, stemming from DOT week & Memorial Day. But, as rates rose, volumes fell, indicating that there is still excess capacity in the market.

Ocean freight may be heading into a modest peak season this year

Before the Covid-19 supply chain disruption hit the freight industry, ocean shipping typically had a peak season from July through September. As ocean freight rates have bottomed out and stabilized over the past two months, we expect to have this traditional peak back - albeit it will probably be a modest one.

As shown in the figure below, the US's most relevant routes reached a floor in April 2023. In that month, rates for containers coming from China to the West Coast and China to the East Coast were around $990 and $2,085, respectively. After that, they both had slight rises and are currently at $1,440 and $2,451.

Now that prices have normalized to levels below the pre-covid period, carriers are ready to test new rate increases as soon as there is a seasonal rise in demand to justify it.

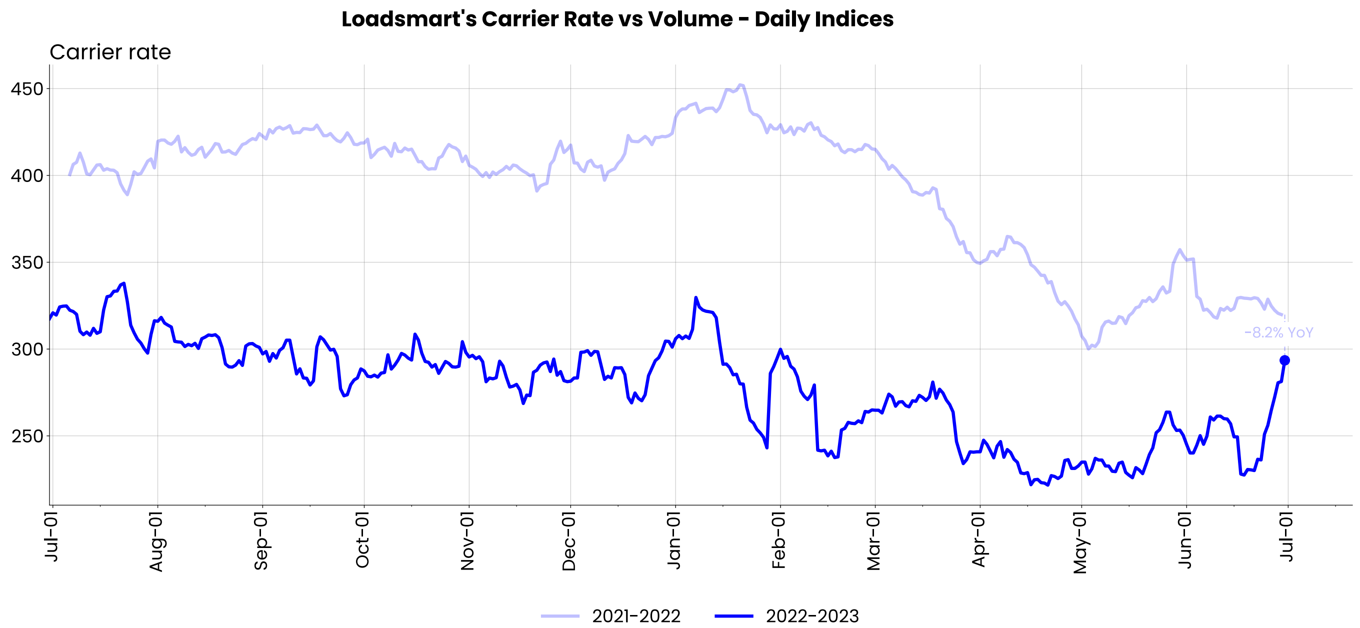


Source: Freightos.
Note: The datapoints plotted refer to the first Monday of each month for all indices.

June 2023

Our spot rate index seemed to be on a rather erratic path due to the holidays: prices had a temporary drop associated with the Juneteenth holiday and a late spike associated with the 4th of July holiday.

Full Truckload Market Update:



Volumes:

Our volume index decreased by 4.9% MoM in June. In the first two weeks of June, the index rebounded slightly from its mid-May lows but then it plummeted due to the Juneteenth holiday. After Juneteenth, volumes inched up again.

> In our view, the recent holidays have made our volume data noisy and not very useful for long-term analysis. However, the fact that prices responded so massively to the increase in demand for the 4th of July this year, unlike last year, may indicate that capacity is not as abundant as it once was.

Rates:

Our price index increased by 16.5% MoM in June. The index has been on a rather erratic path due to the holidays: prices have had a temporary drop associated with the Juneteenth holiday and a late spike associated with the 4th of July holiday.

> These price fluctuations were greater in the Southwest, West, and Northeast regions, while in other areas they remained stable throughout the month. We expect this index to revert back down at least 5-10% as we progress in July, but it should remain above the June lows

June 2023

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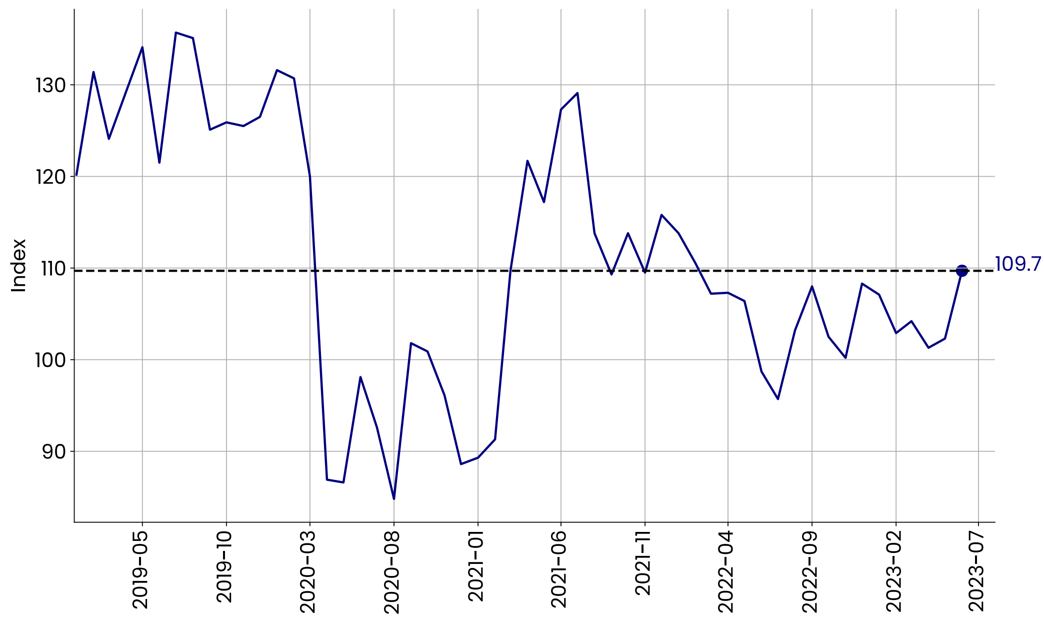
Consumers' recession fears are fading

The Conference Board's Consumer Confidence Index rose back to levels seen in early 2022 when consumption was still growing above 5% year-over-year. The index jumped from 102.5 to 109.7 from May to June, as seen in the figure below

Consumers' optimism is on the rise
Consumer Confidence Index, monthly



Source: The Conference Board.

The rise in the index reflects consumers' optimism about current macroeconomic conditions (the labor market, business conditions, and household income), which might be stemming from recent positive news: inflation is easing, the labor market remains strong and the debt ceiling crisis is over.

Consumption data for the months of May and June are not yet available to indicate whether the improvement in the index has translated into a real increase in spending. However, in the current context of economic uncertainty, the rebound in consumer confidence suggests the odds of a soft landing have been raised, at least from consumers' perspective.

June 2023

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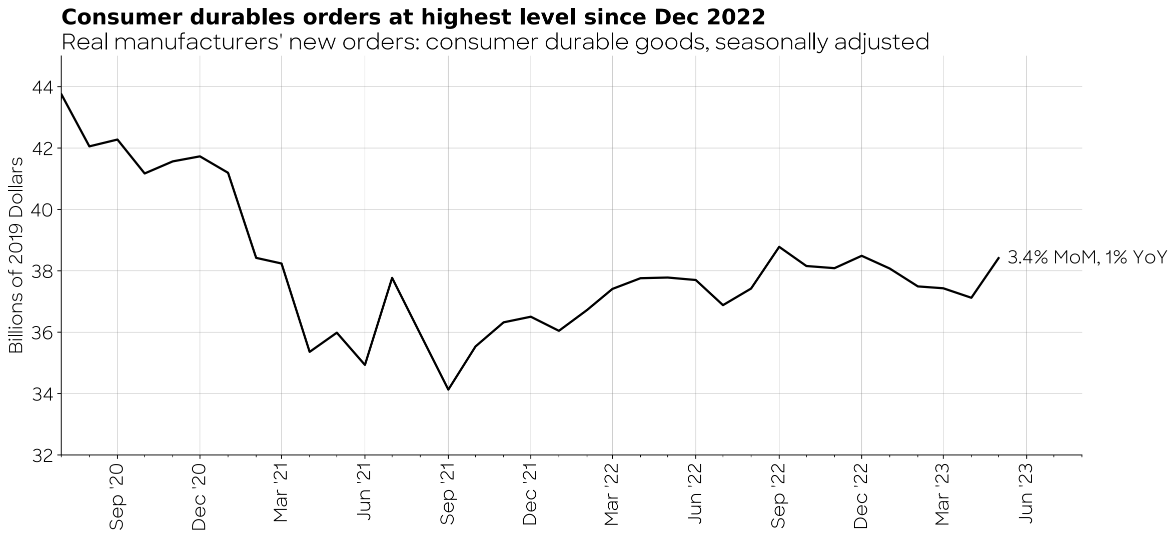
Factory orders are showing strength, although it is limited to a few sectors

May's industrial activity results show signs of resilience. Real consumer durables orders rose 3.4% MoM - shown below.



Source: U.S. Census Bureau.

This strength in the factory orders data is mainly driven by motor vehicles, the only sector that has seen consistent order growth throughout the year. The auto industry is one of the few that is still suffering from the effects of pent-up demand due to production shortages during the pandemic.

Household appliance manufacturing orders grew 4% MoM, after consecutive declines since February, and furniture & related products remained stable.

The Manufacturing ISM Report on Business for June also showed an increase of 7% in the New Orders Index, even though the Production index in the month has declined.

In our view, industrial activity associated with durables will remain stagnant, with outputs below 2020 levels until consumer spending responds to an easing of inflation.

We Are Loadsmart

Loadsmart pairs advanced technologies with deep-seated industry expertise to fuel growth, simplify operational complexity, and bolster efficiency for carriers and shippers alike. Transforming the future of freight, Loadsmart leverages artificial intelligence, machine learning and strategic partnerships to automate how freight is priced, booked and shipped.

Whether through digital brokerage, freight procurement tools, dock scheduling software, truck management software, managed transportation services, freight and network optimization or custom solutions, our shippers and carriers move more with less.

As a one-stop-shop logistics solution, learn more about how Loadsmart is reinventing the future of freight operations.

Learn more