Shippers’ Compass

Kearney’s logistics perspectives

Executive insights for budgeting/forecasting, service expectations, and optimizing

May 2024

KEARNEY

Highlights

The market continues to bounce along the bottom with an expectation that the next move is a gradual rate recovery, barring any sudden crisis or stimulus

Shipper market
Degree shippers are advantaged over carriers in the market:
– 100% bar = shipper advantage
– 0% bar = carrier advantage

Service quality
Lane capacity availability and delivery reliability in the market:
– 100% bar = excellent service
– 0% bar = poor service

Compass snapshot: April 2024

Freight segment US domestic in 2022	US 2022 market size ($ billion)	Carrier concentration	Shipper market	Service quality
Truckload	404	L		
LTL	96	M		
Intermodal	35	M		
Ocean	36	M		
Air	67	M		
Rail	99	H		
Parcel	217	H		
Last mile (bulky)	13	L		
Last mile (specialty)	Varies by subsegment	L		

Sources: ATA, company financial reports; State of Logistics report; Kearney analysis

Summary insights

GDP growth is expected to slow down in the second half of 2024 with moderation in **consumer demand. Inflation** is still expected to decline to 2–3% in 2024.

Truckload rates persist at low levels, benefiting shippers. Although capacity remains largely unchanged despite recent bankruptcies such as Arnold Transportation, there are **indications of demand slowly rebounding.** Tender rejection rates nevertheless hover at lows.

Ocean market rates were temporarily elevated as market stabilized from continued issues (e.g., Red Sea, Panama Canal, etc.). Rates are expected to drop now as oversupply in capacity finds equilibrium with regional shifts in demand. The Drewry Global Index dropped another 11% in April—below January but still ~60% higher than December 2023.

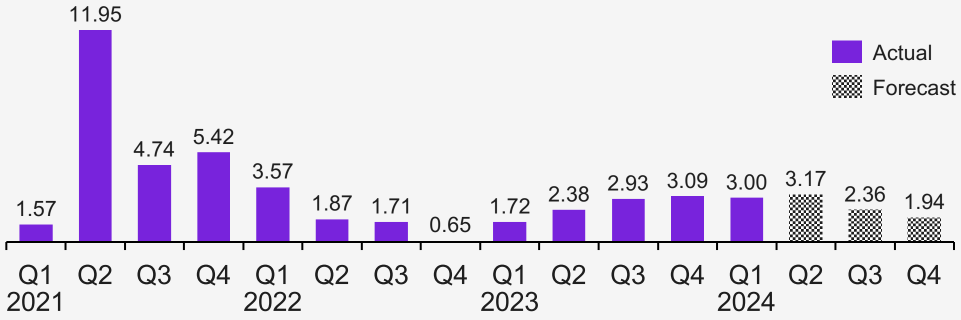
Air freight is experiencing a non-traditional strong quarter, mainly driven by **demand growth from China e-commerce exports** and a mode shift to mitigate unreliable Red Sea shipping.

In parcel, market volumes continue to see declines and are expected to be near flat in 2024; even announced 4.9% rates increase; averaged realized parcel rates are declining.

Demand is expected to recover gradually as consumer sentiment rises with slow but solid GDP growth

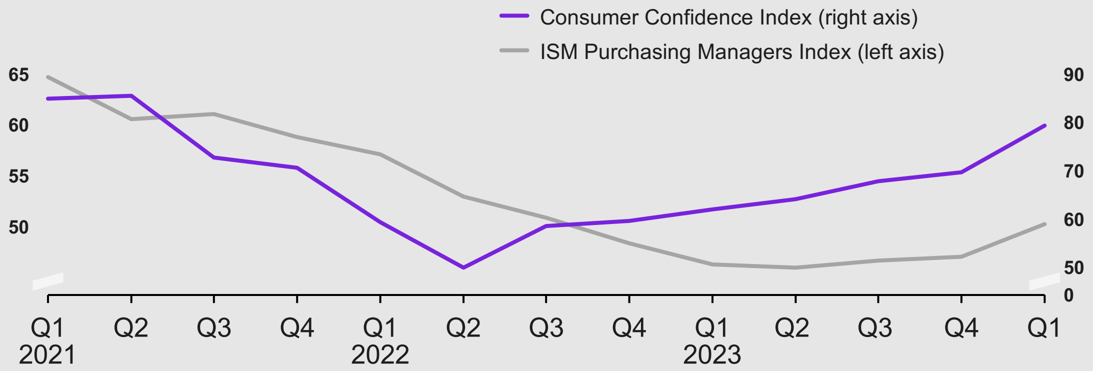
GDP growth is expected to decelerate in the latter half of 2024 due to an expected moderation in the growth of consumer spending

Real GDP (% change per year)



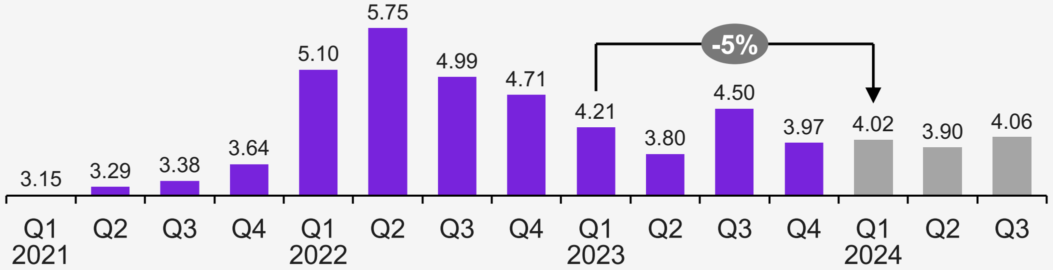
Consumer sentiment showed improvement and ISM PMI recovering, aided by an increase in production and factory employment

Manufacturing and consumer sentiment indexes



Fuel cost is expected to hover around $4 a gallon for the duration of 2024

US retail diesel prices ($ per gallon)



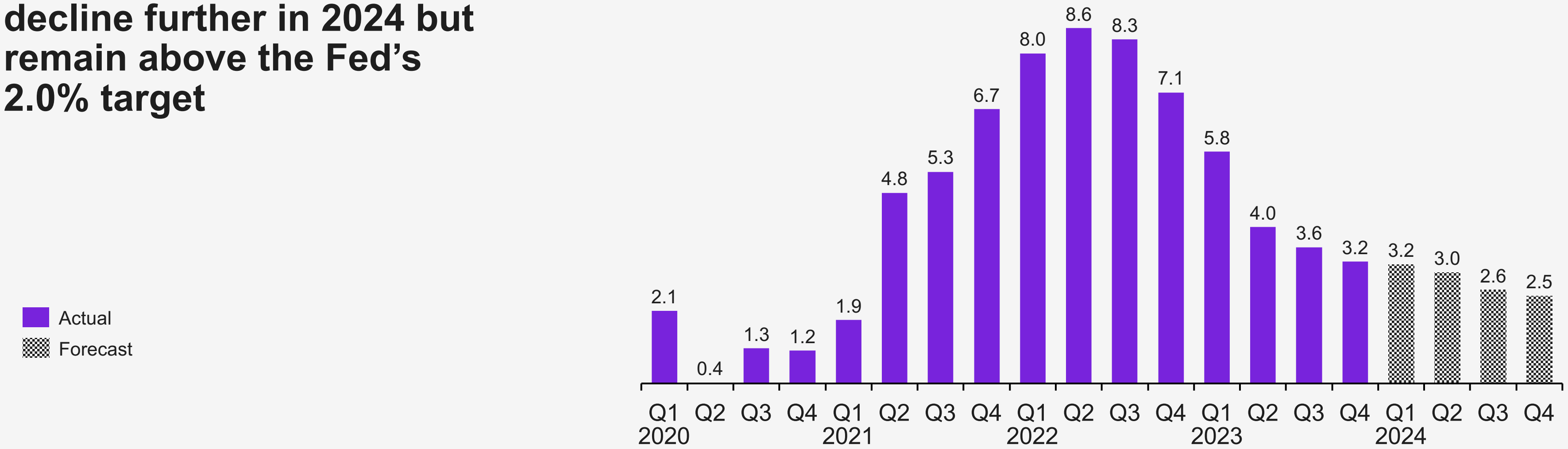
Actual
Forecast

Sources: Oxford, Institute of Supply Management, University of Michigan, EIA; Kearney analysis

Inflation is expected to drop to pre-pandemic levels in the second half of 2024 while unemployment rates grow

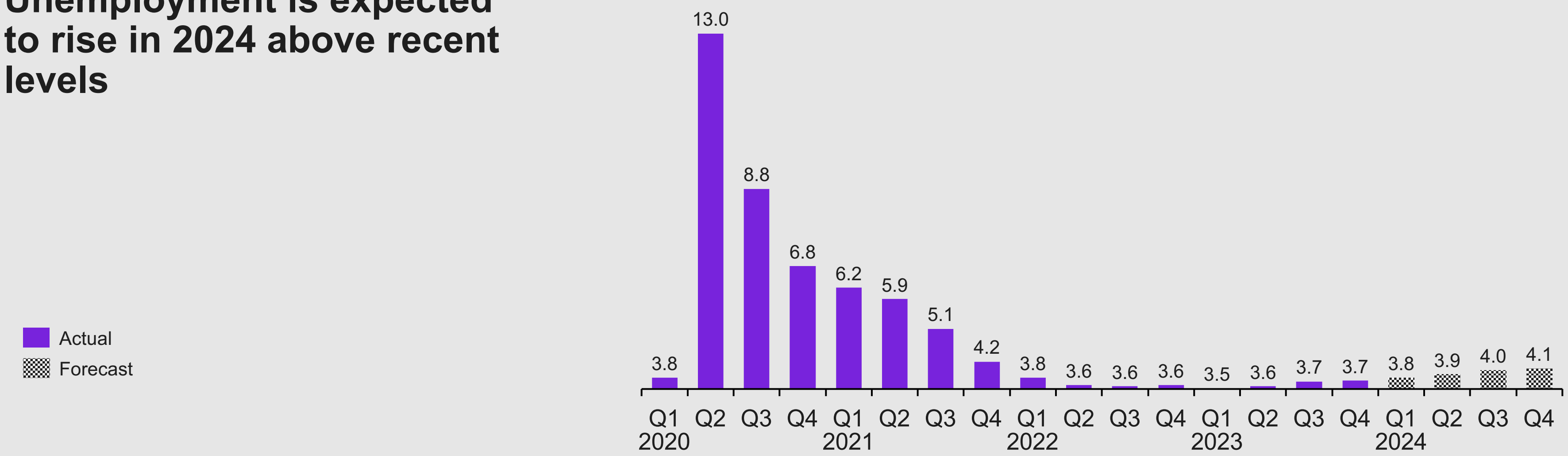
Inflation is expected to decline further in 2024 but remain above the Fed's 2.0% target

US Consumer Price Index YoY growth (%)



Unemployment is expected to rise in 2024 above recent levels

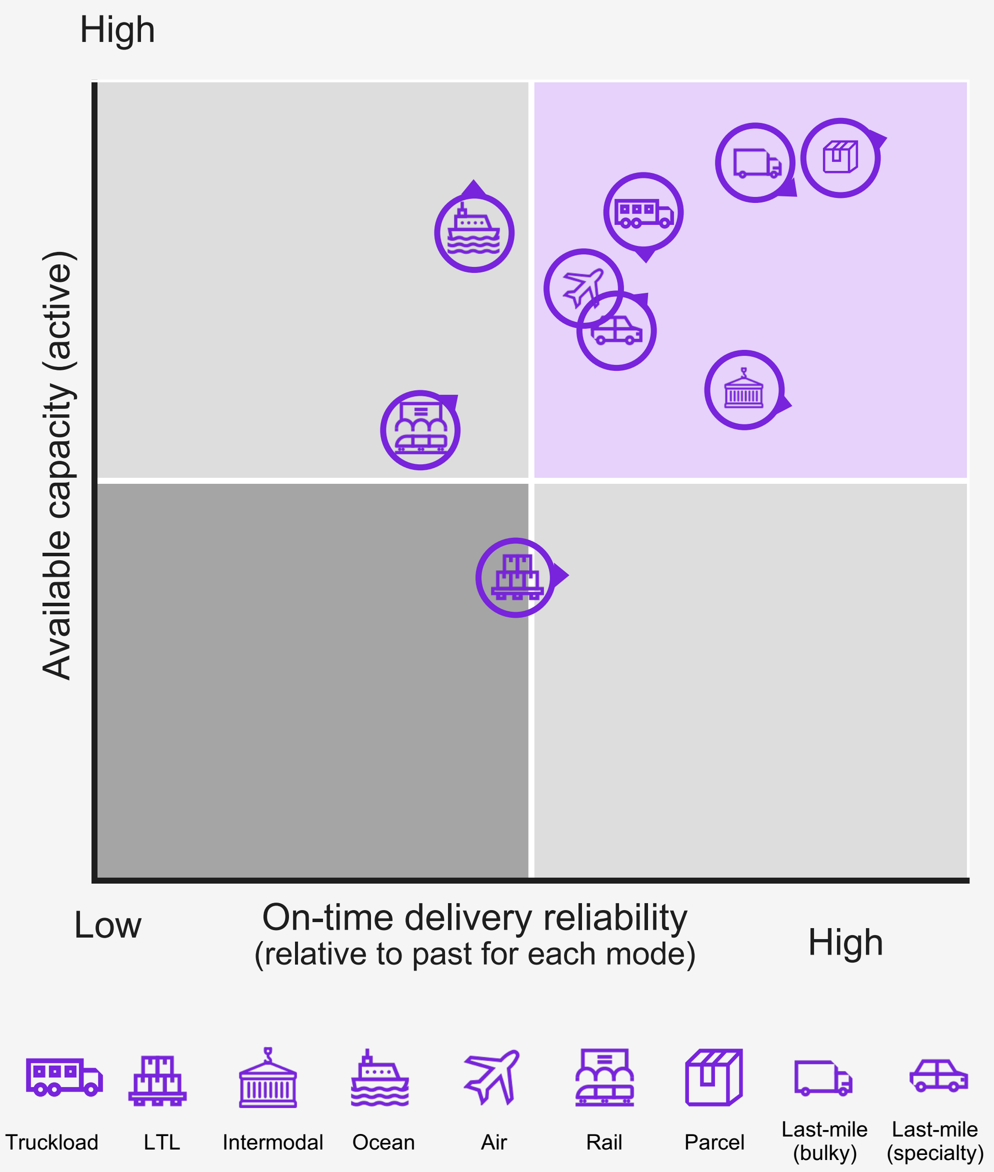
US unemployment (%)



Sources: Oxford Economics; Kearney analysis

Ample capacity and high service levels will continue to keep shippers happy in the near term

Service quality



Sources: Drewry; Kearney analysis

Insights

- Trucking demand shows small signs of returning, but rates remain around 2023 lows.
- Weak demand for truckloads has led to open capacity, with service levels marginally increasing.
- Ocean capacity is regulating as inventory corrects itself and capacity moves to areas where it is needed.
- Ocean service is still impacted by the Red Sea crisis and Panama Canal, both of which increase lead times.
- Overall sufficient air capacity is largely related to the growth of international belly capacity of passenger planes, which far exceeds the growth of freighter capacity.
- Parcel Q1 volumes have decreased 2.3% for UPS and 0.1% for FedEx YoY; UPS expects only 1% in volume growth in 2024.
- Shippers remain in control as carriers vie for market share through bolstered service levels offerings in capacity excess markets.

Truckload

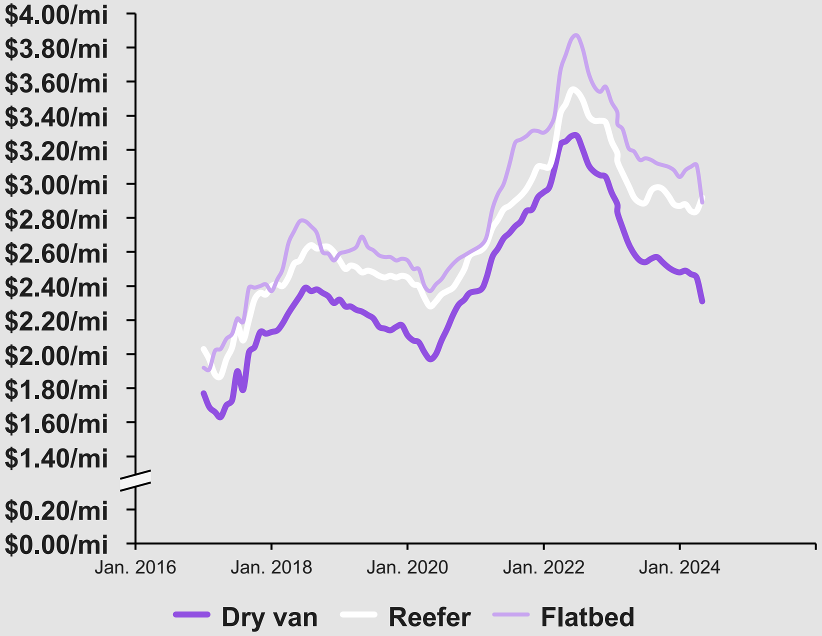
Truckload rates hover near the bottom as the industry awaits a capacity rebound

Shipper sentiment (April)
Morgan Stanley

- Now
- Three months from now

Truckload contract rates (May 2024)

DAT (includes fuel)



	Current	vs. last month	vs. last year	vs. 2022
Van	2.31	-5.7%	-10.8%	-29.6%
Reefer	2.92	2.8%	0.0%	-17.7%
Flatbed	2.89	-7.1%	-9.4%	-24.9%

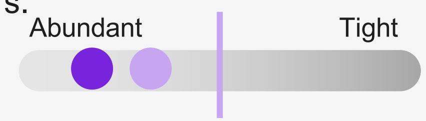
Source: Kearney analysis

Demand

- The Cass freight shipment volume index rose 7.3% m/m and is set to rise 3% between Q1 and Q2 in 2024.
- Spring and summer bring a hopeful uptick in demand through industries such as construction and agriculture.

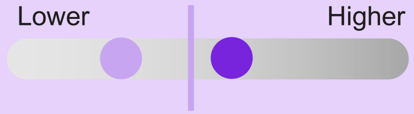
Capacity

- DAT van load-to-truck is up to 3.1 in March and 16% y/y, showing signs of a slow tightening in capacity.
- The number of active carriers dropped ~4.6K in the first two months of 2024 (Federal Motor Carrier Safety Administration). However, carriers have reported they are taking on more loads balancing out the reduction in carriers.



Rate trends

- Rates continue to make small fluctuations around the ~$2/mi mark as hopes of returning demand look to potentially increase rates in the second half of the year.
- Flatbed trucking saw a spike in rates as the peak season for machinery imports overlapped with the closure of the port of Baltimore as freight was diverted.



Truckload

The rate stability experienced in Q1 is expected through the remainder of the year

Demand increases slightly but is expected to remain muted

Monthly shipment index (March)
Cass

1.113
Cass Freight Index – shipments

-0.2%	-3.6%	- 7.5%
vs. last month (February 2024)	vs. last year (March 2023)	vs. 2021 (March 2022)

Insights

– The Cass Freight Index shows higher shipment volumes as operations recovered from weather effects and benefitted from the leap day in February.

– When adjusted for seasonality, shipment volumes increased 2% m/m with volumes expected to grow modestly through Q2.

Source: Kearney analysis

Capacity balancing but potential volatility in the future

Load-to-truck ratio (April)
DAT

	Current	vs. last month	vs. last year	vs. 2021
Van	**3.54**	13.1%	38.3%	1.1%
Reefer	**4.78**	-1.0%	24.2%	-26.5%
Flatbed	**18.51**	0.9%	20.0%	-71.3%

Insights

– New equipment orders remain strong despite sustained rate pressures. This is likely driven by upcoming emissions regulations but will no doubt pose challenges for a market recovery.

– In a Ti survey, 24% of freight providers say they're experiencing margin pressure, primarily due to rising competition.

Spot rates stabilizing and expected to continue

Spot rates (May)
DAT ($ per mile , excludes fuel)

	Current	vs. last month	vs. last year	vs. 2022
Van	**1.99**	0.0%	-3.4%	-26.6%
Reefer	**2.33**	0.4%	-5.3%	-24.4%
Flatbed	**2.51**	-1.0%	-5.3%	-26.6%

Insights

– Spot rates have remained steady over the past few months, and pressure on the contract market is loosening.

– Spot rates are hovering at the bottom with an estimated break-even cost of $1.65 per mile.

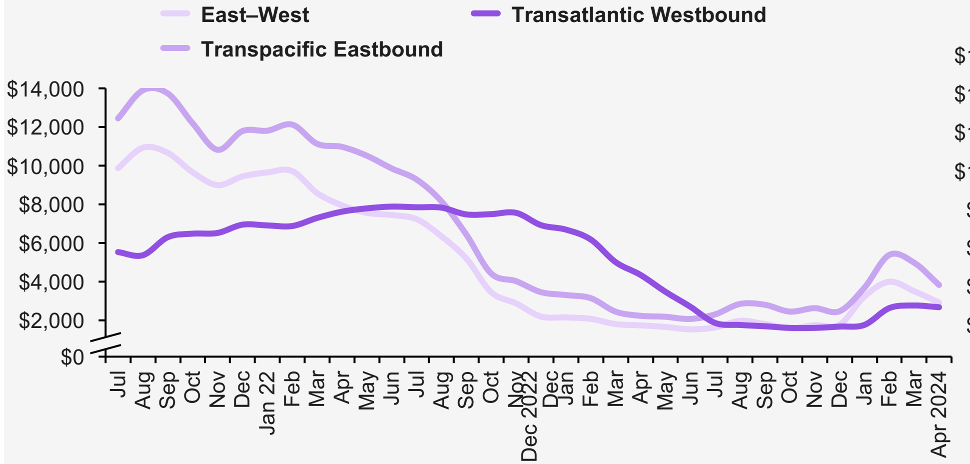
– Downward pressures on contract rates have started to loosen slightly, widening the gap between spot and contract rates.

Ocean

Geopolitical events cause rate volatility; expected to normalize as capacity absorbs impact

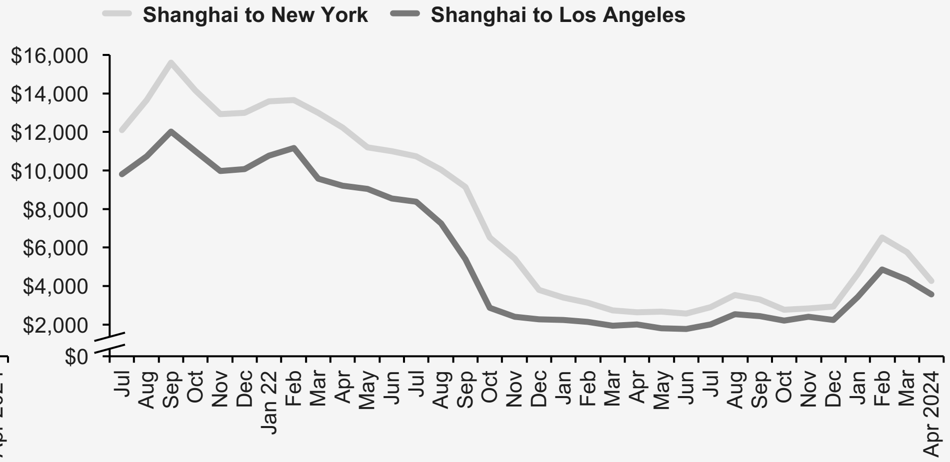
Ocean spot rates

Drewry East–West Freight Index (April 2024)
($ per 40-foot container)



	Current	vs. last month
East–West	$2,918	-17.0%
Transpacific Eastbound	$3,825	-23.0%
Transatlantic Westbound	$2,673	-3.0%

Container rates for select trade lanes (April 2024)
($ per 40-foot container)



	Current	vs. last month
Shanghai to New York	$4,248	-26.0%
Shanghai to Los Angeles	$3,581	-17.0%

Highlights

- Transatlantic Westbound saw increased rates despite a soft European economy due to GRIs, PSSs, and rate restorations; Emissions Trading System (ETS) tariffs were implemented beginning January 2024 and apply to all ships with a port of call in the EU.
- As expected, spot rates saw hikes in prices due to a combination of Red Sea crisis, the Panama Canal, and the Lunar New Year but are expected to normalize with only temporary heightening as excess market capacity absorbs those impacts. With nearly 3M TEUs of capacity still on order and recycling rates down to their lowest level in 20 years, carriers will continue to feel pressure.
- The port of Baltimore, Maryland, is slowly reopening with limited vessels now able to come and go nearly a month after a ship crashed into a bridge that collapsed and choked the port's shipping channel. Containers have been and will continue to be rerouted, primarily to New York and New Jersey terminals, which have no capacity constraints in absorbing the diverted traffic.

Sources: Drewry research; Kearney analysis

Ocean outlook

Supply disruptions are predicted to improve in H2 2024, while demand growth should remain moderately stable in the coming years

Macroeconomic trends

- The ocean freight market is **temporarily tight** as market stabilizes from continued geopolitical events (e.g., Red Sea, Panama Canal, etc.) and is expected to normalize as oversupply in capacity finds equilibrium with regional shifts in demand.
  - The service level is expected to recover as the market **normalizes in H2**. Transit times have increased ~10% on the Asia–North America East Coast routes along with a new low in schedule dependability since September 2022.
- Container fleet capacity will increase by 14% by the end of 2025; however, a fleet **capacity increase beyond 2025 is forecasted to slow down** due to fewer new orders and greater scrapping. (The majority of scrapping has been postponed due to the Red Sea crisis.)
- The International Monetary Fund reports that the **economy continues to show resilience**. GDP will continue to grow ~3.2% worldwide in 2024 and 2025, respectively.
  - The economic outlook beyond 2025 shows slow but steady growth across both GDP (~4%) and CPI (~2%).
- US companies continue to **move supply chains closer** to home. US imports from Mexico exceeded China in 2023 and maintained this trend into 2024, with 16% more imports (February 2024 YTD) from Mexico vs. China, according to the US Census Bureau.

Rate trends

Ocean

- The Drewry global freight rate index marked an approximate 16% month-over-month surge in February, but in March, it came down by 12%. We expect it will drop further starting in Q2 2024.
- There is a downward trend in spot rates, recording a decline of about 15% from the recent peak in January 2024.

Drayage

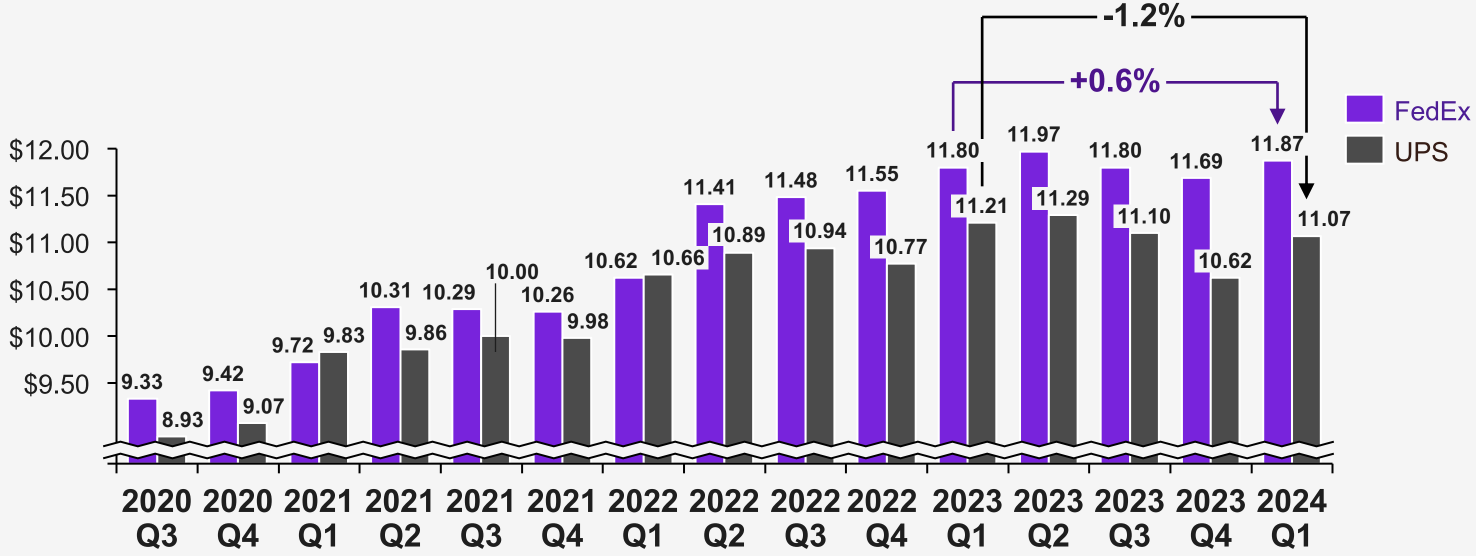
- Inventory buildup was forecasted to start again in Q1 2024.

Year	Ocean	Drayage
2024 H2	5–15% reduction over 2024 H1	0–4% increase over 2024 H1
2025	5–10% increase over 2024	3–7% increase over 2024
2026	3–7% increase over 2025	3–7% increase over 2025
2027	0–4% increase over 2026	0–4% increase over 2026
2028	0–4% increase over 2027	0–4% increase over 2027
2029	0–4% increase over 2028	0–4% increase over 2028

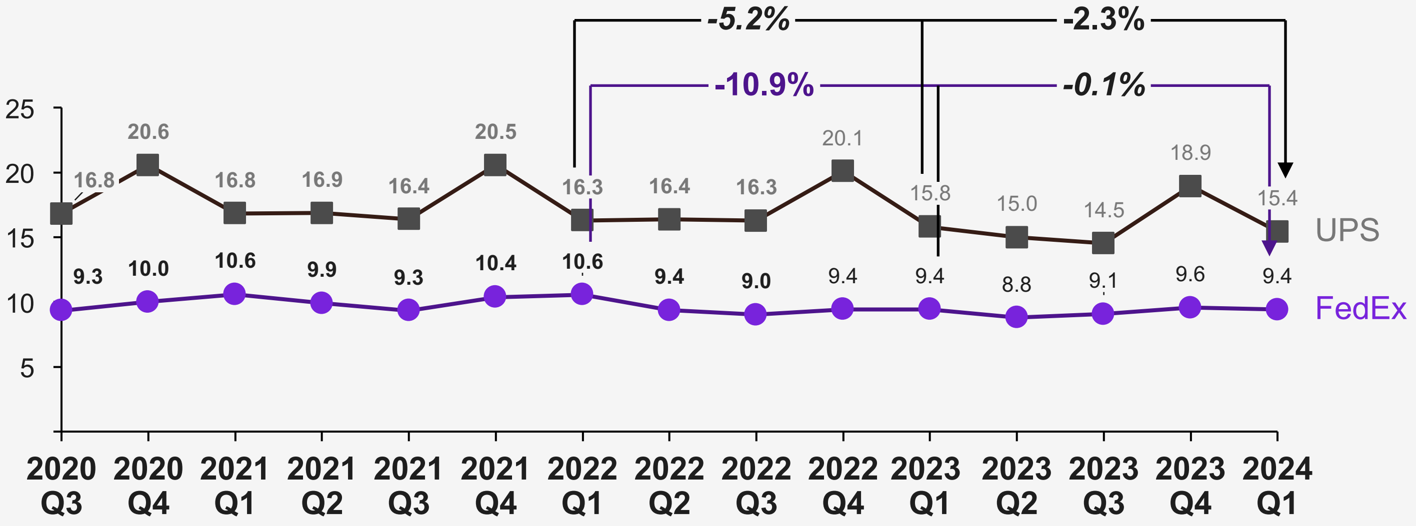
Parcel

Overall parcel volumes continue to be depressed, and revenue per piece is near flat

Parcel ground: average revenue per package



Parcel ground: average daily package volume (millions)



Sources: UPS and FedEx historical financial operating statistics (FY UPS = CY; FY FDX Q1 = June–August; quarterly mapping = UPS FYQ1 ~= FDX FYQ3; Kearney analysis

Insights

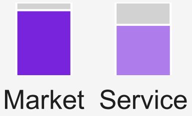
- Average ground revenue per piece decreased 1.2% for UPS and increased 0.6% for FedEx in Q1 versus last year Q1.
- UPS fuel surcharge (ground) average was 15.75% in April vs. 14.75% last year.
- FedEx and UPS retail rates were announced to increase an average of 5.9% in 2024 with greater increases in longer zones and express services.

- UPS ground volumes declined 2.3% vs. 2023 and 5.2% 2022.
- FedEx ground volumes decreased 0.1% vs. 2023 and 10.9% versus 2022.

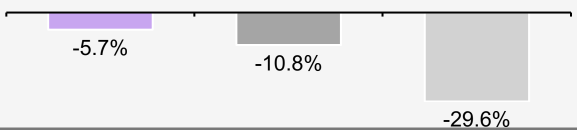
Trucking market rates remain constant as overcapacity absorbs expected moderate demand increases

vs. Last month
vs. Last year
vs. LLY

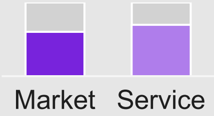
Truckload



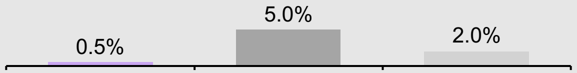
Van contract rates (May)
DAT



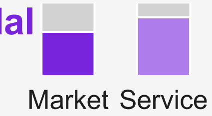
LTL



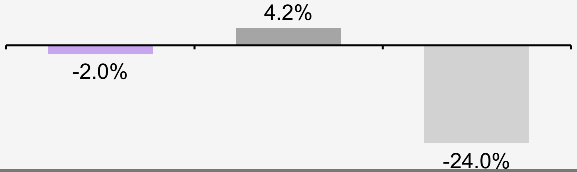
Long-distance LTL PPI (March)
US Bureau of Labor Statistics



Intermodal



Intermodal volume (March)
AAR



Market

Truckload

– Volume declines seem to be moderating as the Outbound Tender Reject Index hovers at 3.8%, the same as this time last year; there is hope that volumes will rise as we enter spring and ignite a “normal” year.
– Rates are expected to maintain low despite volume anticipation due to sheer overcapacity of dry vans in the marketplace. The tightest capacities can be found in SoCal and the Southeast.
– Shippers will continue benefitting from low rates in the market; any increase to rates should be minimal and not indicative of oncoming spikes.

LTL

– LTL rates have been elevated since the exit of Yellow with only the largest LTL carriers benefitting from the bankruptcy.
– AFS LTL Index predicts a small 0.4% increase in rates in Q2’24 from Q1 2024.
– Large LTL carriers have been expanding their footprint of consolidation facilities with the expectation that tonnage demand will begin to shift upward.

Intermodal

– IM volume is up 5.2% YoY, driven primarily by the recovery of west coast ports.
– Spot rates are down 5% YoY and are expected to stay down despite modest increases in demand until H2 2024.
– Transit times are performing above the five-year average with expedited service options beating road freight led times in some cases.

Optimization

Truckload

– Shippers should maintain contract rates but be weary of adding further downward pressures as carriers' profits remain low.

LTL

– LTL providers remain willful in prioritizing profits over demand. This means shippers’ will be less successful in forcing rate pressures and should prioritize shipper-of-choice methodologies.

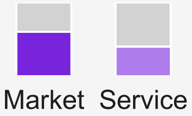
Intermodal

– Shippers should look to lock in rates ASAP as both contract and spot rates are expected to see increases starting in H2 2024.

Source: Kearney analysis

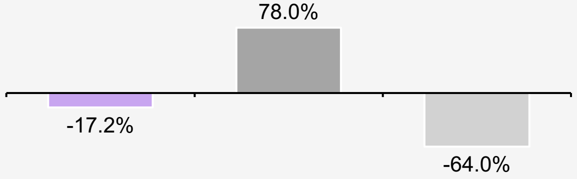
Multimodal indexes remain favorable to shippers, allowing for easy transition between modes when necessary

Ocean

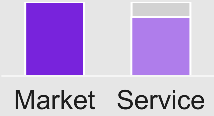


Container 40' freight rates: Shanghai to Los Angeles (April)

Drewry

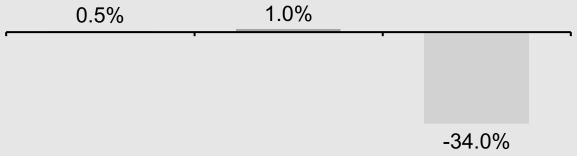


Air freight

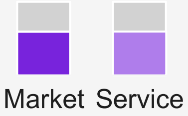


Air freight average rates: global ($/kg, March)

IATA

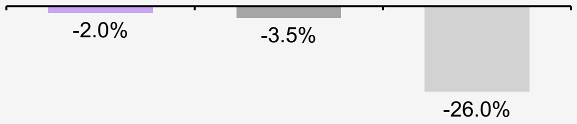


Rail



Railroad carloads: US (March)

AAR



vs. Last month

vs. Last year

vs. LLY

Market

Ocean

- US imports are expected to increase modestly through H1 2024.
- Temporary demand shifts due to the Red Sea crisis, Panama Canal, and Lunar New Year caused increased rates that are expected to be temporary as oversupplied market absorbs impacts.
- Ocean Alliance announced an extension of partnership through 2032, signaling stability, especially as the leading carrier on East–West trade lanes.

Air freight

- Demand maintained strong growth: rose by 10.3% YoY in March; fourth consecutive month of double-digit YoY demand growth.
- Main drivers of demand: Chinese fast-fashion e-commerce companies and extended transits of ocean freight rerouted around the Red Sea
- Capacity +7.3% YoY in March thanks to growing belly capacity and remained sufficient in most regions except outbound CN, HK, and IL
- Rates remained strong during the traditionally non-peak season.

Rail

- Carloads are down 3.5% YoY with gains coming from grains, chemicals, and petroleum and petroleum products and declines across coal, crushed stone, sand and gravel.
- The ISM Manufacturing PMI turned positive last month, indicating a likely uptick in demand as manufacturing volumes increase.
- The Federal Railroad Administration announced a two-person crew minimum requirements for Class 1 railroad trains; this should not have a visible impact on capacity or rates.

Optimization

Ocean

- Consider looking at "green" shipping offerings (e.g., Maersk ECO delivery) to explore benefits and capabilities while market rates remain relatively low.

Air freight

- Revisit the plan around air freight seasonality, and secure capacity for the rest of 2024 considering the strong impact of e-commerce market, especially outbound China and Southeast Asia.

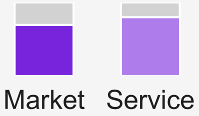
Rail

- Increase usage of rail when lead time is not a significant consideration as rates remain low and service levels for carloads continuously improve.

Sources: Ti Insight, DHL; Kearney analysis

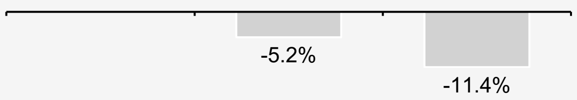
Parcel/last-mile indexes show declining volumes across all last-mile sectors

Parcel

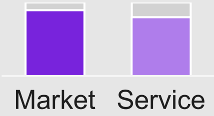


UPS and FedEx (domestic), most recent reported quarter[1] (December/February)

UPS and FedEx quarterly filings

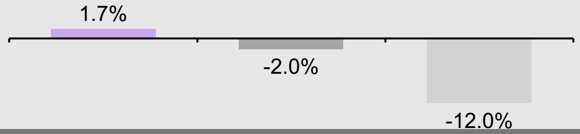


Last mile (bulky)



General freight trucking, local primary PPI – US (March)

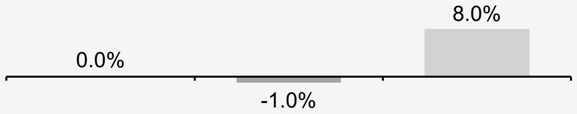
Federal Reserve economic data



Last mile (specialty)

Local messengers and delivery services PPI – US (March)

Federal Reserve economic data



Market

Parcel

- UPS ground volumes declined in Q1 2.3% vs. 2023 and 5.2% 2022 while FedEx ground volumes decreased 0.1% vs. 2023 and 10.9% versus 2022.
- Average ground revenue per piece decreased 1.2% for UPS and increased 0.6% for FedEx in Q1 versus last year Q1.
- According to Pitney Bowes, Amazon handles 5.6 billion parcels in 2023 (up 15.7%) compared with UPS and FedEx at 4.6 billion and 3.9 billion, respectively.

Last mile (bulky)

- JB Hunt's final mile services (FMS) number of Q1 stops decreased 7% YOY while total revenue increased 2% vLY, driven by multiple new contracts and revenue quality of the business.
- RXO last-mile revenue 7% for Q4 2023 vLY and declined 4% for the full year

Last mile (specialty)

- DoorDash Q4 results saw US marketplace YoY growth in total orders growth largely consistent with 2022; in Q4, ~90% of Dashers spent less than 10 hours per week on deliveries.
- Uber Q4 launched partnerships with select US restaurants and retailers, including Big Lots, Torchy's Tacos, Sprouts Famers Market, Eataly, and all US Domino's locations.

Optimization

Parcel

- Collaboration with carriers is key. Carrier strategy will vary by volume and speed needs.
- Optimize parcel in conjunction with service and network reviews
- Intelligent DOM and order consolidation

Last mile (bulky)

- Optimizing big and bulky while maintaining a high-touch customer experience requires optimizing the end-to-end network and strong delivery agent(s) management.

Last mile (specialty)

- Ongoing growth, technologies, fragmentation, entrants/exits, and service needs—specialty last-mile requires dynamic strategy and optimization.

vs. last month
vs. last year
vs. 2022

Sources: company financials; Kearney analysis

Canada

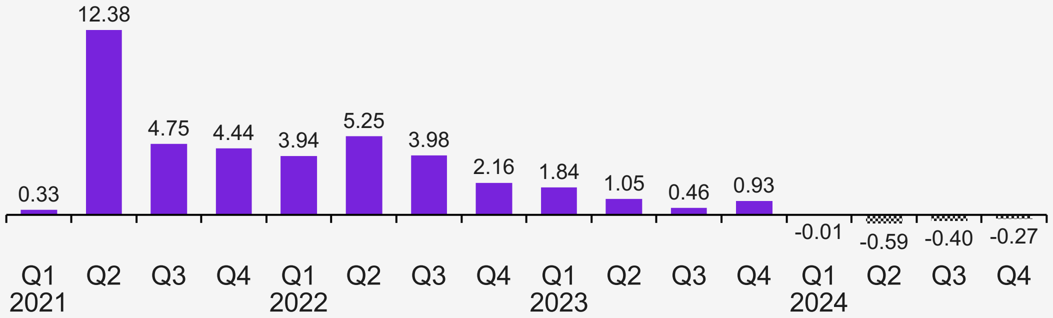
Carriers can expect rising demand in 2024 as inflation cools and e-commerce growth continues

Actual Forecast

Macroeconomic trends

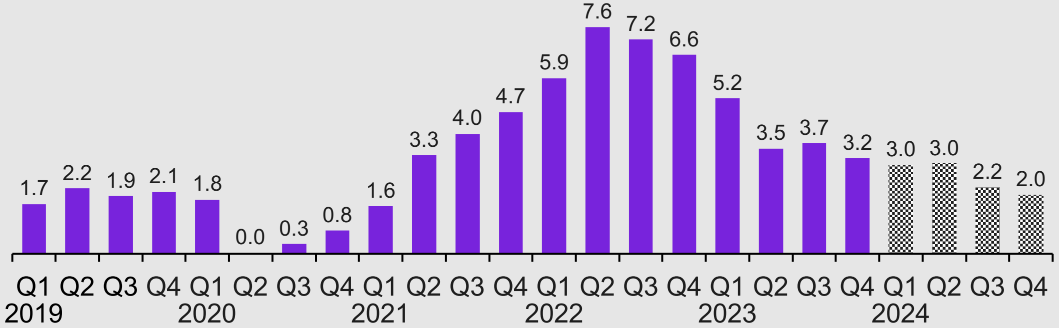
GDP is expected to decline in 2024 due to reduced business investments and exports

Real GDP (% change per year)



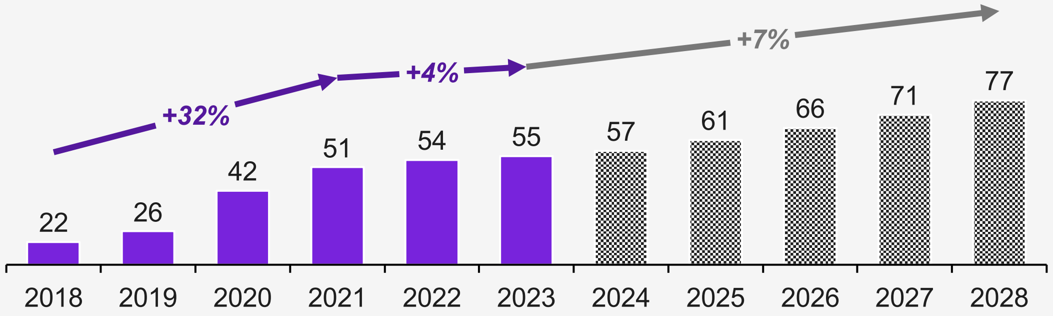
Inflation is expected to decline further in 2024 and projected to reach Bank of Canada's 2.0% target by Q4

Consumer Price Index YoY growth (%)



E-commerce, the largest demand driver, is projected to continue growing, driven by mobile commerce and expanding marketplaces

E-commerce market size ($ billion)



Sources: Oxford Economics, Bank of Canada, Euromonitor; Kearney analysis

Canada

Declining market rates are projected to rebound as demand recovers and fuel costs rise

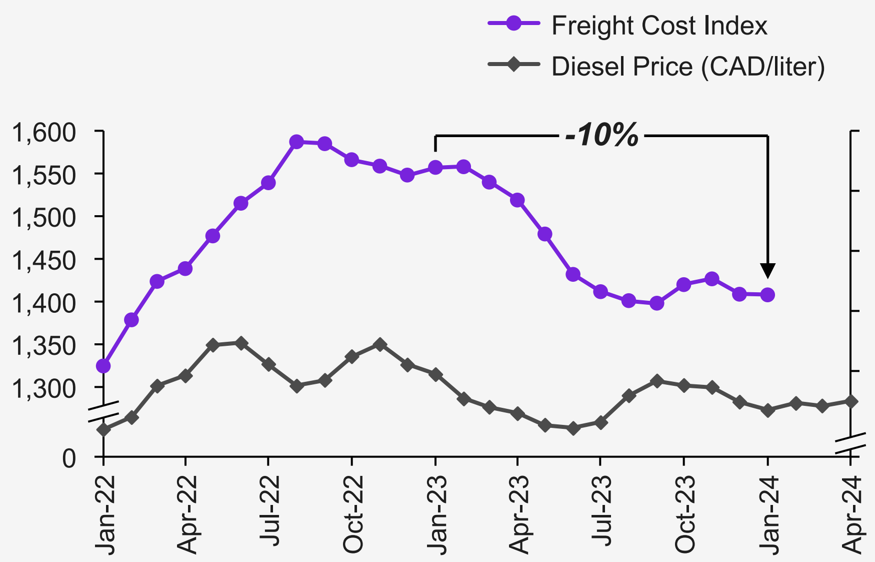
Market overview: road

Recent developments

- Total trucking freight costs **decreased 10% year over year**, driven by lower rates in domestic FTL, cross-border FTL and LTL. **Domestic LTL rates have increased** y-o-y.
- **Fuel surcharge**, which constitutes 25–30% of trucking base rates, has been **rising since the dip in Q2 2023**.
- The direct confrontation between Iran and Israel, production cuts from OPEC+ group, the Ukraine–Russia conflict, and Canada's recent carbon tax hike are **putting more upward pressure on fuel prices**.
- Projected growth in the CA–US trade could lead to **higher trucking rates, especially on imports** primarily driven by computers/parts, electrical machinery, and vehicles.
- The trucking **labor market showed signs of easing** in 2023, driven by decreasing vacancies.
- Q1 2024 saw Bank of Montreal's transportation group's **gross impaired loans rise by 26%,** indicating a **downturn in the Canadian trucking industry**.
- Canadian shippers should **secure rates** before they increase and **review carrier profiles** to prevent service disruptions caused by smaller carriers going bankrupt.

Sources: CGFI, Natural Resources Canada, BTS, Trucking HR Canada; Kearney analysis

Canada Truck Rates Index



CA–US cross-border freight flow via trucking

($ billion)

Mexico

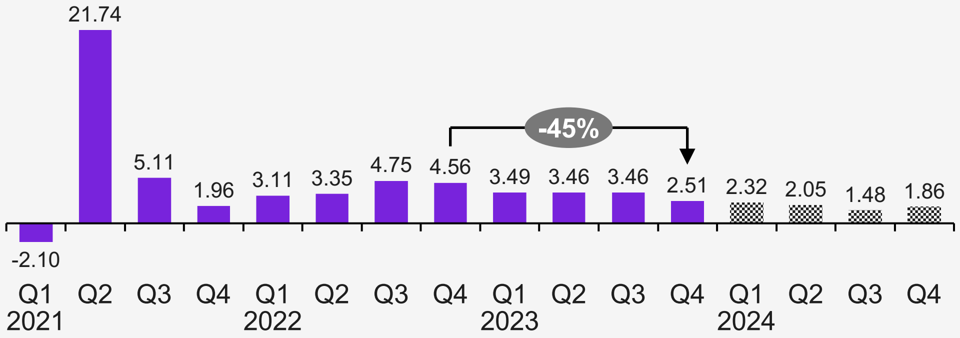
Carriers are expected to experience a decline in demand in 2024 due to macroeconomic factors

Actual Forecast

Macroeconomic trends

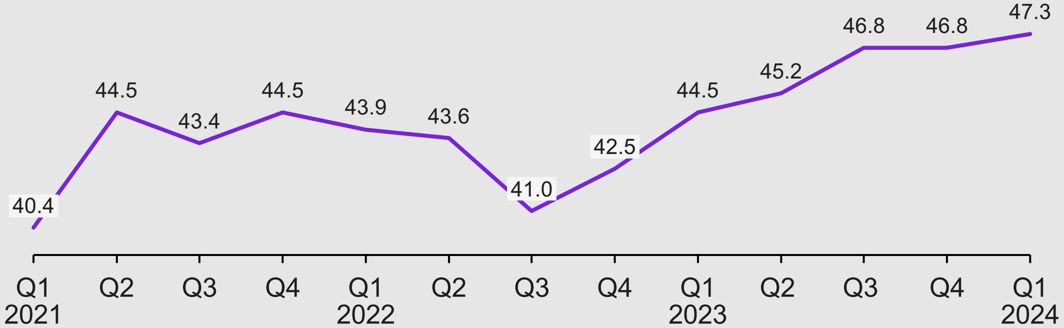
GDP growth to slowdown 2024 due to moderation in the growth of consumer spending and rising unemployment

Real GDP (% change per year)



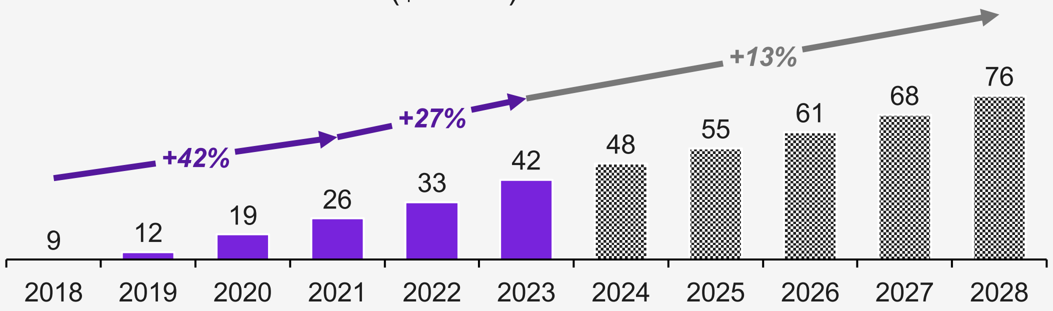
Consumer spending outlook remains positive in 2024 albeit at a slower growth rate compared to 2023

Mexico consumer sentiment indexes



E-commerce is set to maintain growth, although at a more modest pace compared with the pre-COVID period

E-commerce market size ($ billion)



Sources: Oxford, Euromonitor; Kearney analysis

Mexico

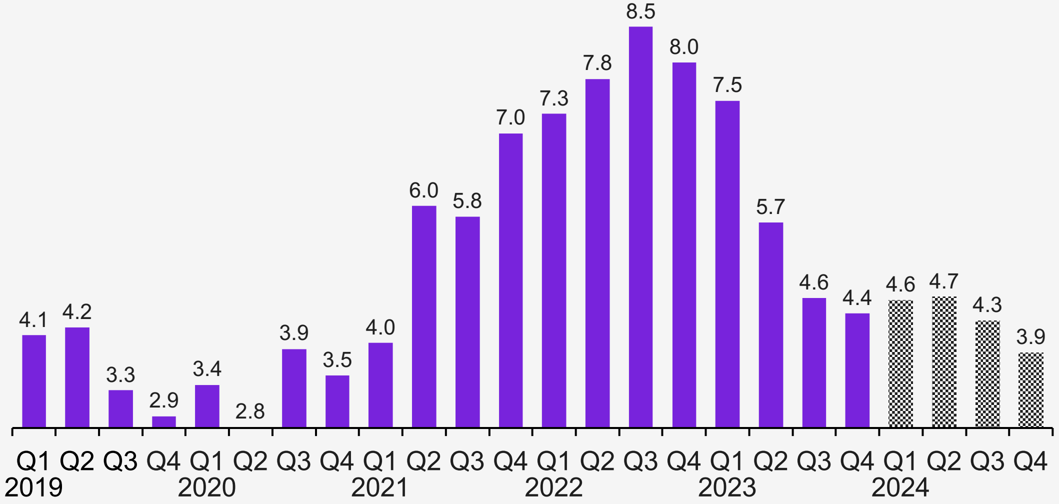
Inflation is expected to reach pre-pandemic levels in the second half of 2024 while unemployment rates grows

Actual Forecast

Macroeconomic trends

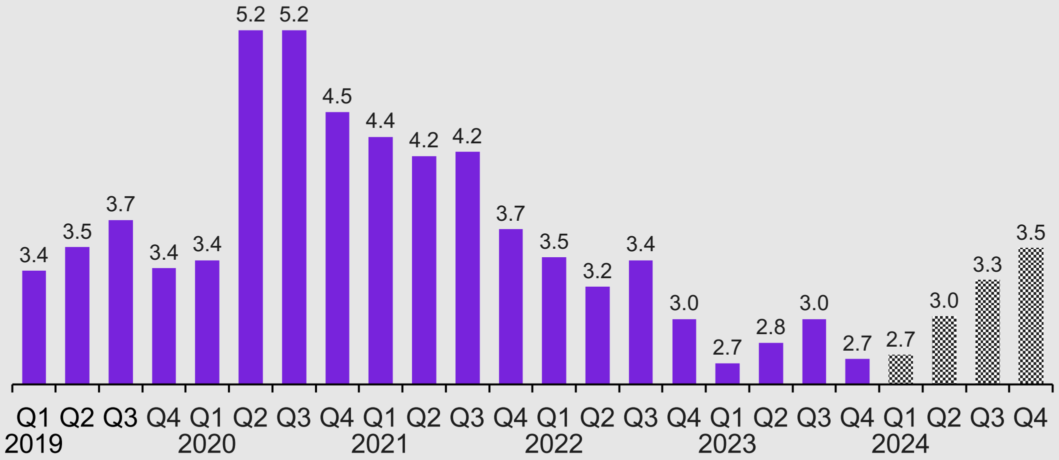
Inflation is expected to continue to decrease in the latter half of 2024, yet it is projected to stay higher than the 3% target of the Central Bank's

Mexico Consumer Price Index YoY growth (%)



Unemployment is expected to rise in the second half of 2024, but it remains significantly lower than the 2020–2021 averages

Mexico unemployment (%)



Sources: Oxford Economics; Kearney analysis

Mexico

Mexican exports growth spurs cross-border trucking to increase amid driver shortage and security challenges

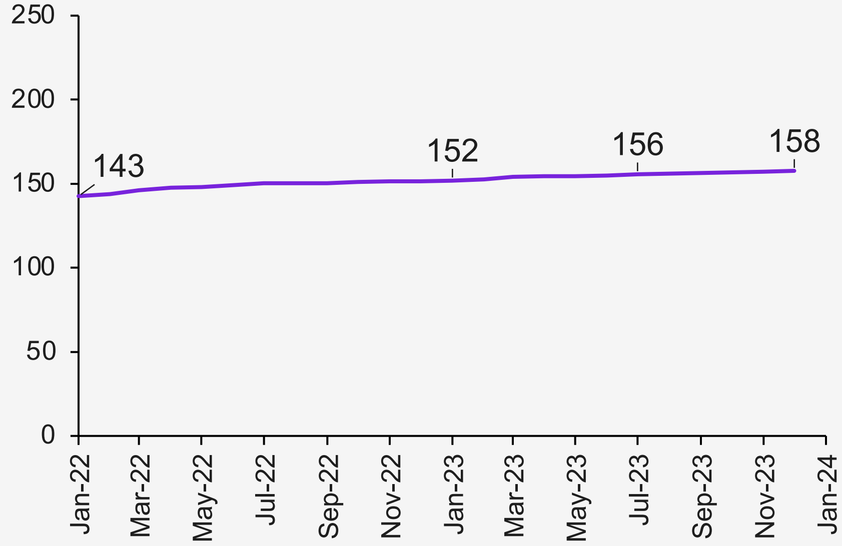
Market overview: road

Recent developments

- The surge in **Mexican exports and the rising demand for nearshoring are fueling the growth in cross-border trucking** of goods such as electrical equipment, computer components, and automobile parts.
- **Strict border security measures and stringent inspection processes** are obstructing the flow of trade and **causing significant delays** in trucking at the US–Mexico border crossings.
- To highlight the security issues that drivers encounter on Mexico's roads, **various trucking associations have obstructed key highways close to logistical centers**.
- In 2023, Mexico experienced a **deficit of 56,000 truck drivers**, which represents a 9% increase in the need for drivers from the previous year.
- Although primarily a passenger train, certain **sections of the Mayan Train are expected to facilitate freight transport by road**.
- Subsequent phases of the Mayan Train, slated for completion by middle 2024, **aim to enhance connectivity and trade capabilities by linking with the Interoceanic Corridor (CIIT)**, contributing to Mexico's development plan to bolster its position as a logistics hub.

Sources: BTS, Fred, press articles; Kearney analysis

Mexico Consumer Price Index: transport



US–Mexico cross-border freight flow via trucking

($ billions)

Europe

With the normalization of available capacity, rates also increased again, reducing tension for carriers

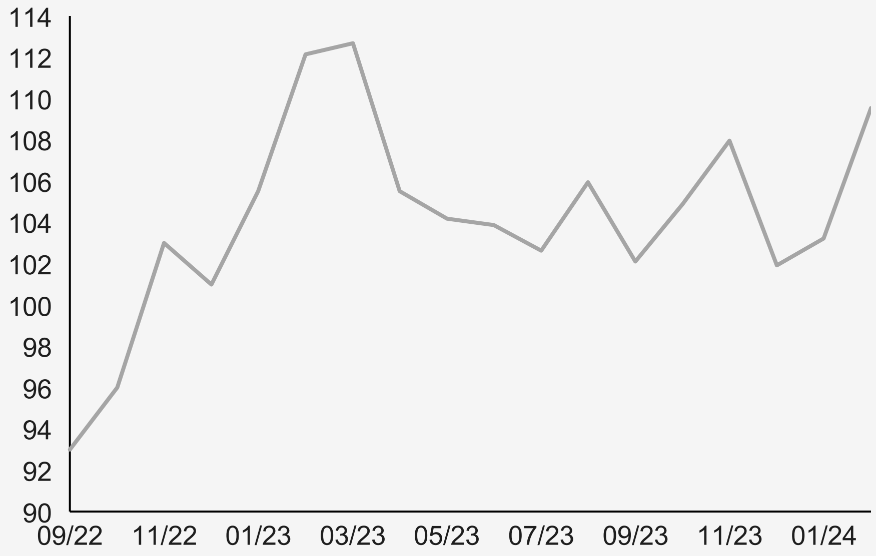
Q1 2024

Market overview: road

Recent developments

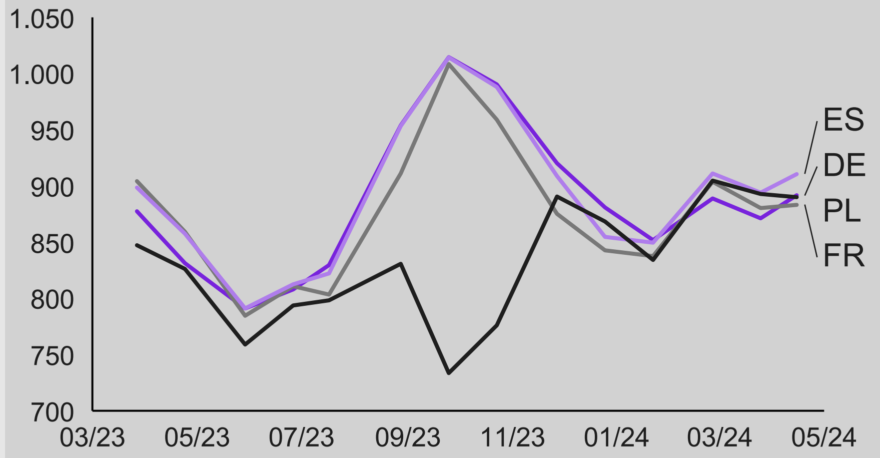
- In a **YoY comparison**, available **capacity was lower** in the first months of 2024, indicating a **normalization of the situation**. (See top right graphic.)
- In contrast, **spot and contract rates have been increasing slightly** since ~07/23, reducing tension for carriers; lower spot rates in 02/24 vs. 01/24 can be explained through the seasonality effect at the beginning of the year.
- Across recent months, **diesel prices followed similar patterns and levels** across the focus countries, ending **3–8% higher in a YoY comparison**. (See bottom right graphic.)
- The **ramp-up of the Cologne bio-LNG plant by Shell** has been an important step to reduce road-freight emissions; the plant produces fuel with less CO_2 emissions for ~5,000 LNG trucks per year.
- A recent study examining the **effects of Brexit** on trade relations indicated, that **trade volume between e.g., DE and UK decreased significantly** after the referendum in 2016; **increased administrative efforts, shipment costs, and duties** lead to a further **decoupling of markets** between UK and EU.

Road freight capacity index



Consumer fuel price development

(in €/1,000-liter diesel, without tax)



Europe

Amid the easing of the Red Sea and Panama Canal crisis, ocean freight rates on APAC to EU lanes have fallen from the high levels registered in Jan 2024

Q1 2024

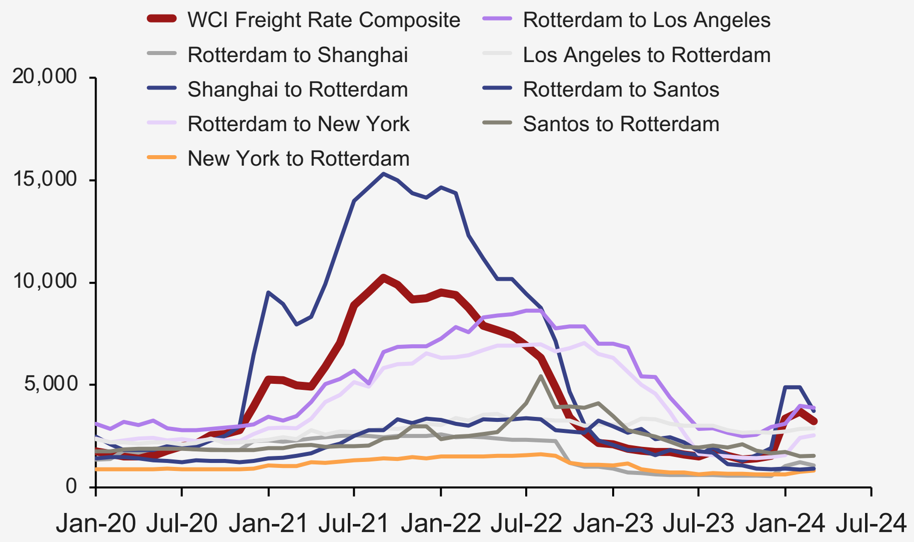
Market overview: ocean

Recent developments

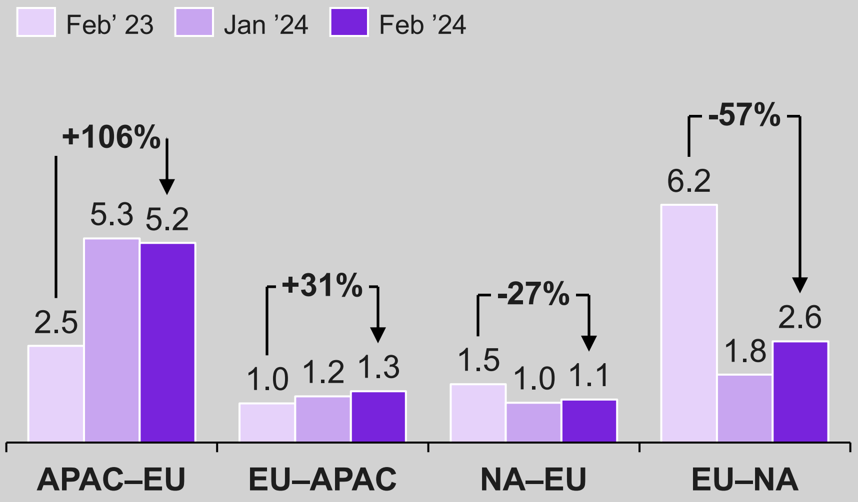
- In Q1 2024, the WCI Freight Rate Composite saw a **quarterly increase of 108%**. Since a redoubling only in month 01/24, it remains on this level since then. (See top right graphic.)
- The **repercussions of two significant incidents**—the Houthi assaults on shipping in the Red Sea and the drought affecting the Panama Canal region—**are beginning to diminish**, particularly on the trade routes from APAC to EU; nevertheless, in a YoY comparison, rates on the APAC–EU corridor are significantly higher. (See bottom right graphic.)
  - The **freight rates from Shanghai to Rotterdam** have seen a **23% decrease from levels seen in 01/24**. However, on an annual comparison, they have surged by **104%.**
- In Q1 2024, the freight rates between the **EU and the US**, and vice versa, have seen a notable increase.
  - For example, the rates for the **Rotterdam to Los Angeles route climbed by 31%** in Q1'24, yet they show a 28% decrease in a YoY comparison. In a similar trend, **the rates from New York to Rotterdam have increased by 29% quarterly** but exhibit a 6% reduction on an annual basis.

Notes: APAC is Asian Pacific; EU is Europe; FEU is 40ft container equivalent unit; MoM is month-over-month; NA is North America, WCI is World Container Index; YoY is year-over-year.

Container rates on selected routes
(US$ per FEU)



Container rates on major corridors
(kUS$ per FEU, all-in rates)



Europe

Air freight rates further declined across major corridors except APAC to EU, driven by increased demand and supply chain disruptions

Q1 2024

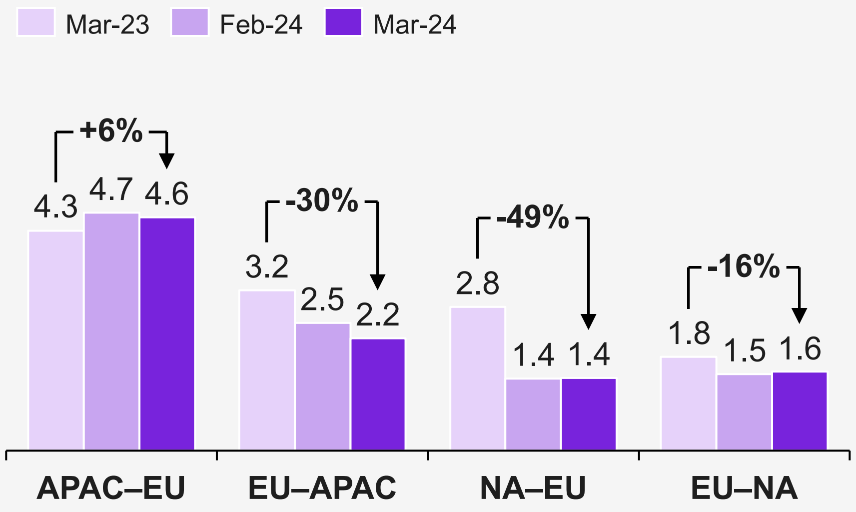
Market overview: air

Recent developments

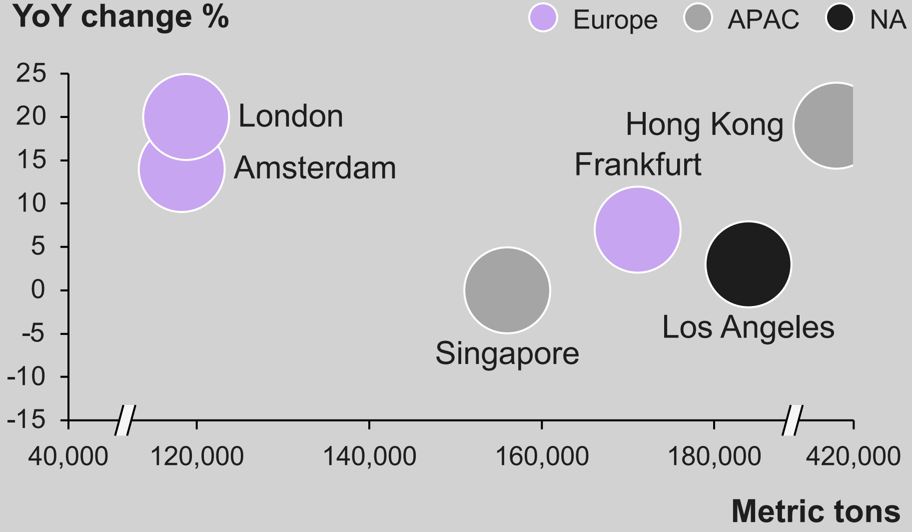
- In February 2024, **EU airlines witnessed a 15% YoY increase in air cargo demand**.
- The demand for **air cargo within EU surged by 25% YoY**, marking the most robust growth in nearly three years.
- **Air cargo traffic on routes between EU and ME grew by 39% YoY** (partly driven by the Red Sea crisis), and the EU to NA routes also saw a 5% growth compared with last year.
- In a YoY comparison, **air freight rates on major corridors** have **decreased by 16 to 49% except for APAC to EU** where rates have slightly increased. (See top-right graphic.)
- Factors such as **strong export demand** across Asian countries—India and Bangladesh along with **supply issues caused by disruptions to container shipping** and Ramadan—have pushed rates on South Asia to EU lanes.
- In a YoY comparison, **major EU airports** saw remarkable **volume increases** following the above-mentioned volume surge. (See bottom right graphic.)

Notes: APAC is Asian Pacific; CTK is cargo ton kilometers; EU is Europe; ME is Middle East; MoM is month-over-month; NA is North America; YoY is year-over-year.

Air freight rates on major corridors
(US$ per kg, all-in rates)



Airfreight traffic at selected EU and global airports
(Metric tons per month, YoY comparison)



These are the top five areas we think are winners for shippers in this market. It's worth a conversation to do a deeper dive.

Road, ocean, and air sourcing

Take advantage of the improving market rates and excess capacity in the market to negotiate better rates via multi-round RFP process. We are seeing 30%+ savings via our collaborative optimization process across clients.

Inbound terms conversion

Leverage the favoring freight market conditions to bring down the hidden inflation in your purchased goods and materials. Dramatic short-term wins can be had with relatively low effort.

Freight forwarder rate and relationship restructuring

Kearney surveyed and worked with shippers and found that shippers were largely dissatisfied with the service, cost, and visibility performance brought by their forwarders. Source and partner better with forwarders so they up their game.

ESG improvement

Dropping rates and excess capacity in the market make it the right time to think beyond cost in the supply chain and improve the carbon footprint while solving for cost and efficiency. Logistics sourcing and optimization yields ESG benefits that shippers can take credit for.

Market monitor and spot buy desk

Increase your freight market trends insights. Get logistics procurement capabilities more agile in down and up markets so you drive rate outcomes rather than react to them. Logistics teams have the answers and the actions to win instead of reacting to suppliers and the press.

In this shippers' market, Kearney can help you source, optimize, and hit ESG targets with our proven approaches

Collaborative optimization

Use advanced analytical tools for RFP process to model and optimize a combination of external offers and internal business requirements.

5–20%
savings
third-party logistics spend

3PL sourcing, outsourcing, and rationalization

Outsource specific logistics services to qualified partners under contract (for example, 3PL managed transportation, outsourcing warehousing function), enabling a reduction in overhead and flexible capacity.

3–6 months
time to value

Freight procurement organization

Establishing the right organization, team, and skill sets to sustain freight-sourcing benefits.

Sustainment

We can help you take an end-to-end mindset, deploy cost-takeout levers, and hit CO_2 targets

Select levers; non-exhaustive

Network and footprint optimization

Right-size distribution network to minimize total network cost while guaranteeing customer service levels.

4–15%
savings
total supply chain spend

Mode and delivery optimization

Optimize delivery frequency by customer based on level of volume to increase truck utilization and minimize total mileage.

7–16%
savings
total transportation spend

Match the right lanes with the right mode based on cost of transportation, utilization, lead time, carrier requirements, and so on. Common mode/fleet conversions include LTL to FTL, FTL to intermodal, rail to short sea, one-way FTL to dedicated, dedicated to private fleet.

6–12 months
time to value

Logistics operating model optimization

Diagnostic and improvements across transportation department activities: organization, technology, load-planning, freight auditing, load execution, carrier management, BI.

Sustainment

Thank you

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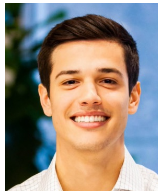

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