

# THE EVANS DIFFERENCE

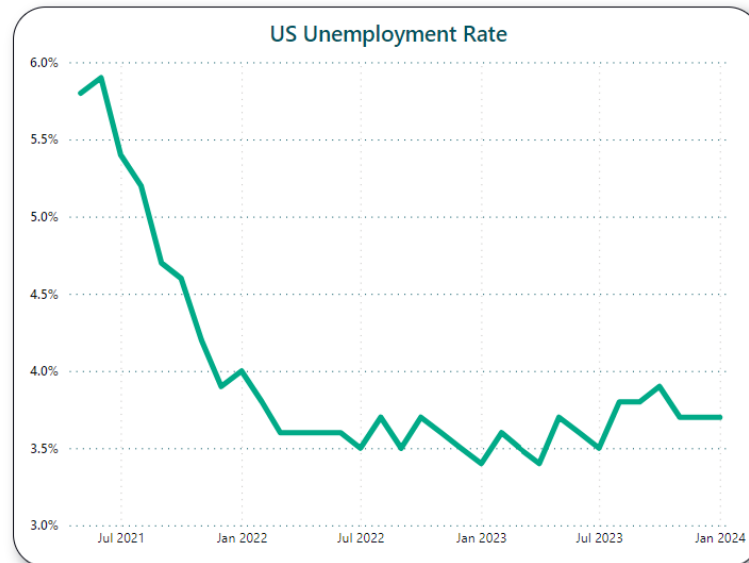
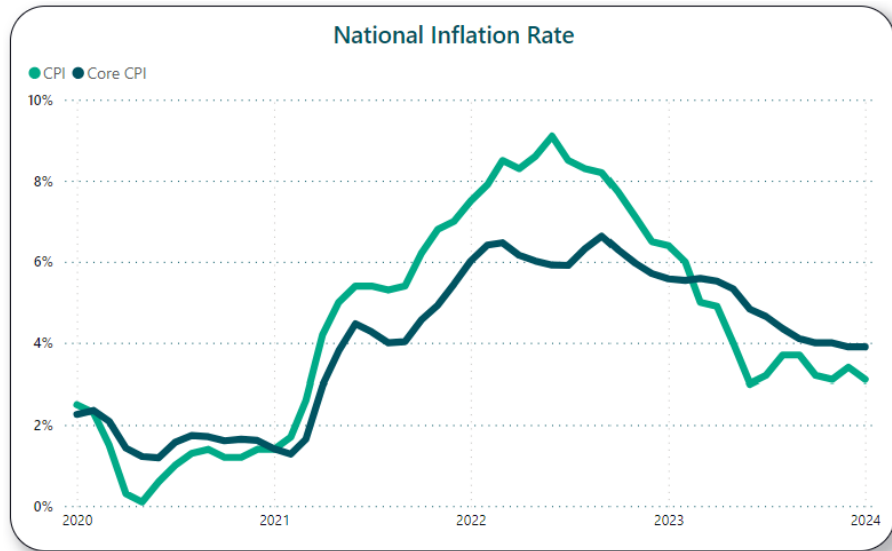
INDUSTRY UPDATE:

*FEBRUARY 2024*

# Industry Updates

Evans is here to support you with monthly industry updates, key metrics, forecasting, and trends. Leverage the #EX today and reach out to your Evans account manager!

- 1 [CPI Inflation Rates](#)
- 2 [Cass Expenditures and Volumes](#)
- 3 [DAT Truckload Data](#)
- 4 [Dry Van Cost Per Mile](#)
- 5 [Flatbed Cost Per Mile](#)
- 6 [LTL PPI Index](#)
- 7 [Average Crude and Diesel Costs](#)
- 8 [ISM PMI Index](#)
- 9 [Parcel Details](#)
- 10 [Connected to Evans](#)

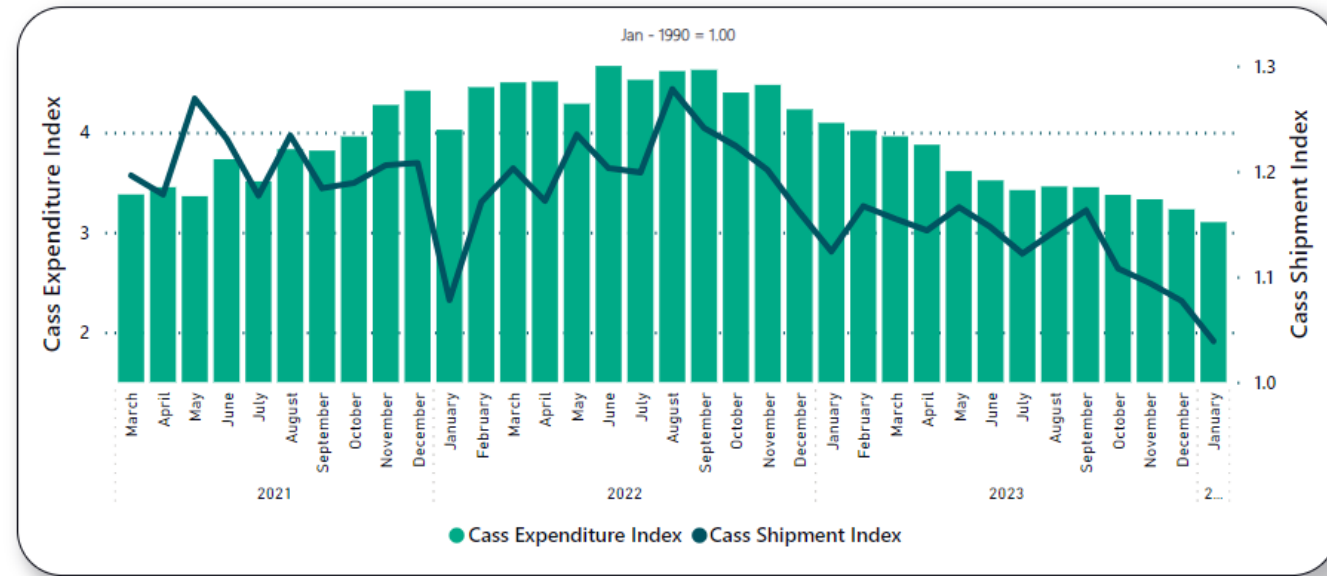


## Strong Economic Indicators Cause Concern

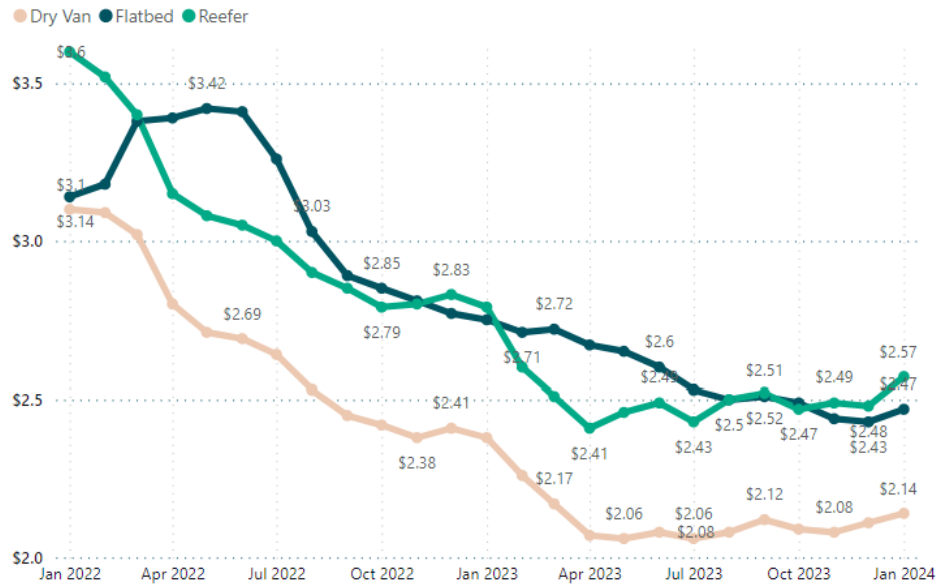
- Both Main CPI and Core CPI were reported higher than projected.
- The CPI annual rate increased 3.1% from last January and .3% from December.
- The Core CPI reading, which excludes food and energy, remained the same at 3.9% year-over-year.
- The unemployment level remained steady at 3.7% for three months in a row.
- Due to the strong report, the Feds advised that they would unlikely drop interest rates in March.

## Cass Index Remains Low

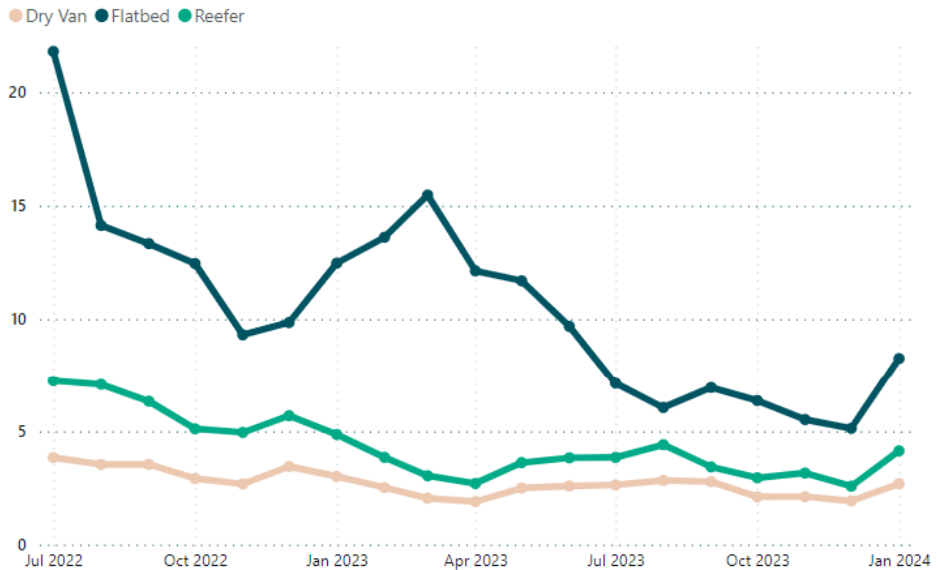
- Cass Freight Index's shipments component fell 3.5% month-over-month in January, consistent with seasonal trends, with a 7.6% year-over-year decline.
- The freight recession, ongoing for over two years, may be nearing its end as destocking concludes and rising disposable incomes hint at improving freight demand fundamentals.
- The expenditures component of the Cass Freight Index dropped 4.0% month-over-month and 24% year-over-year in January, reflecting a 19% decline in U.S. freight spending in 2023.
- The Cass Truckload Linehaul Index showed stability in January with a 0.6% month-over-month decline, the narrowest year-over-year decline in the past year.
- Rising import and intermodal trends indicate potential recovery in trucking, while global ocean shipping disruptions may impact U.S. freight movements in 2024.



DAT Avg CPM Spot



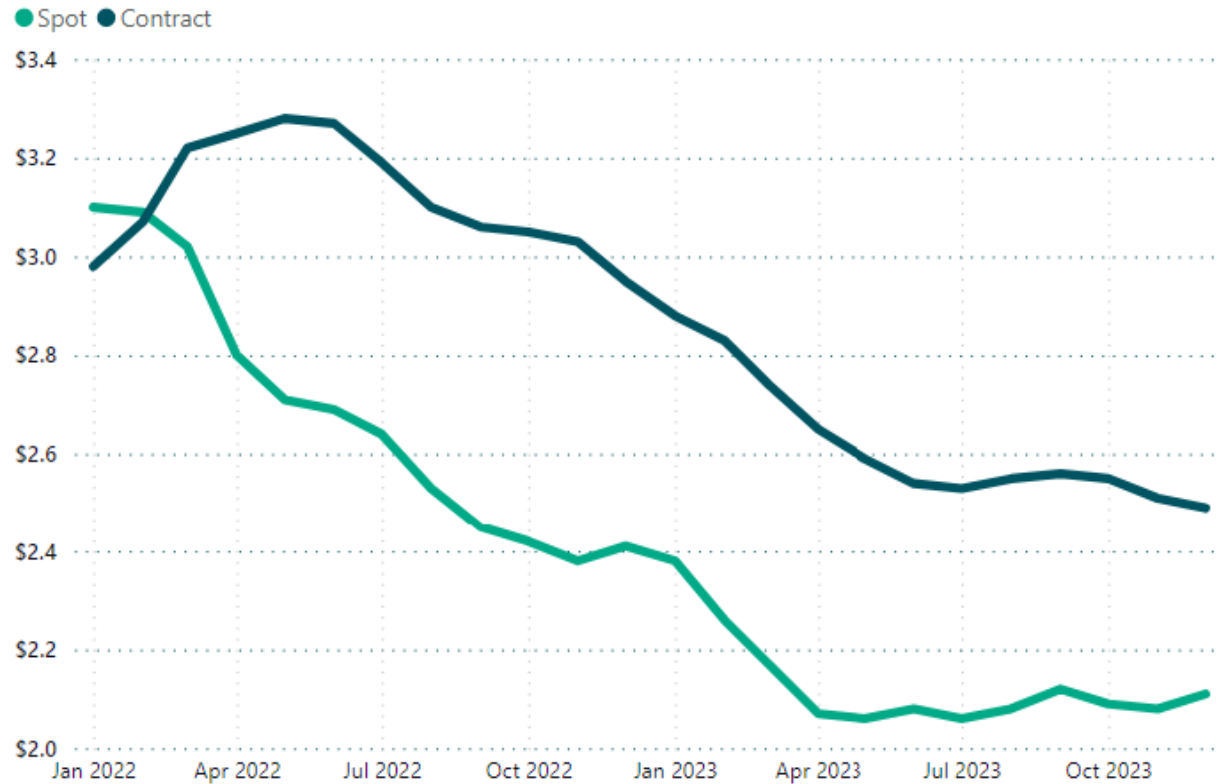
DAT Load to Truck Ratio



## DAT Data Shows Some Life

- January 2024 saw notable increases in load-to-truck ratios for Dry Van, Reefer, and Flatbed, signaling growing demand in the freight market.
- Simultaneously, the average cost per mile rose in January, further indicating heightened demand and potential pricing pressures.
- The uptick in load-to-truck ratios suggests increased demand for various freight types, reflecting a positive trend in market dynamics.
- Carrier exits have contributed to realigning the supply and demand balance in the freight industry, aiding in market stabilization.
- These January changes highlight a shifting landscape with rising demand, influencing load-to-truck ratios and pricing dynamics in the freight market.

DAT Dry Van Avg CPM



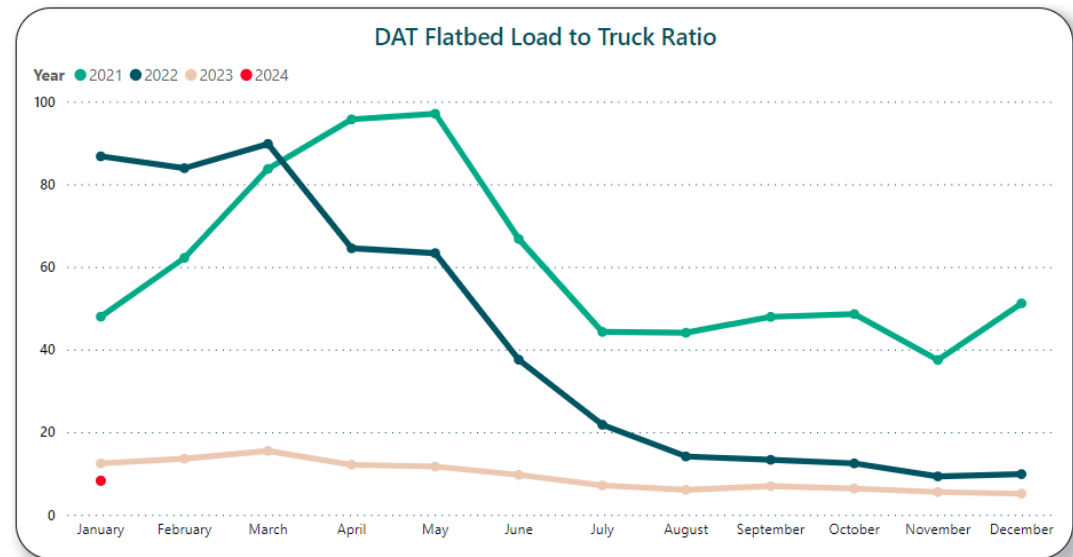
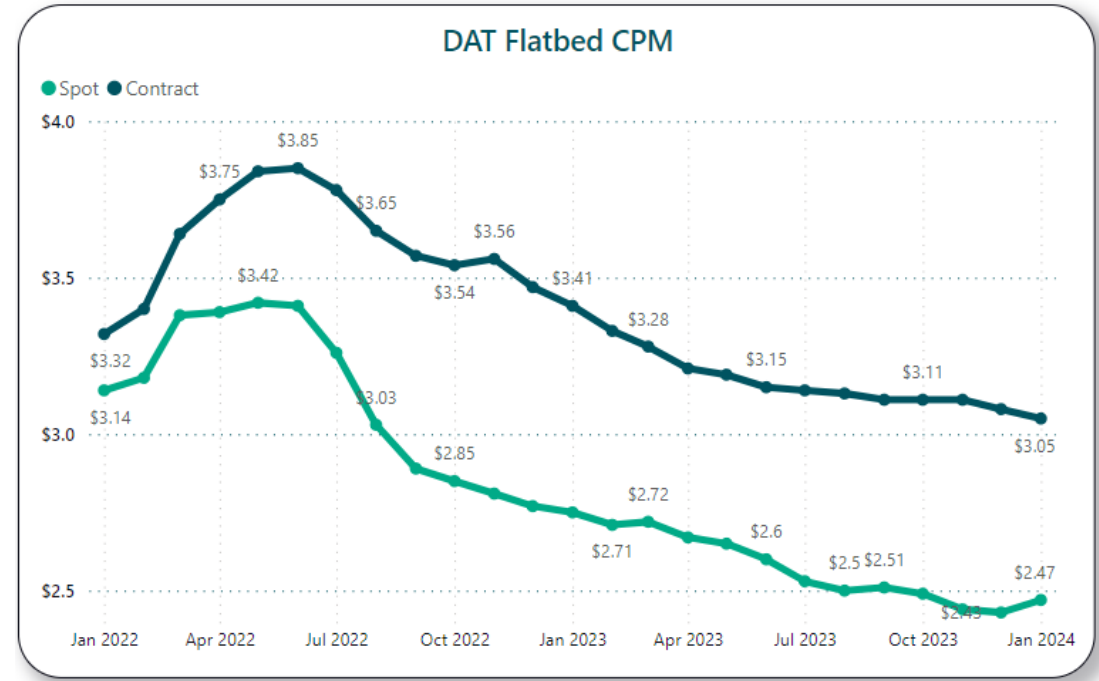
## Dry Van Rate Gap Continues to Close

- Dry van contractual rates fell 1 cent, and the spot market pushed upwards to \$2.14 a mile.
- The gap between contractual and spot price fell to 34 cents, the lowest reading from March of 2022.
- The gap between Spot and Contract Costs narrowed in January 2024, signaling a potential stabilization in the market.
- The expectation for 2024 is for it to remain steady at its current state, with an upcycle kicking in late Q1 or Q2.

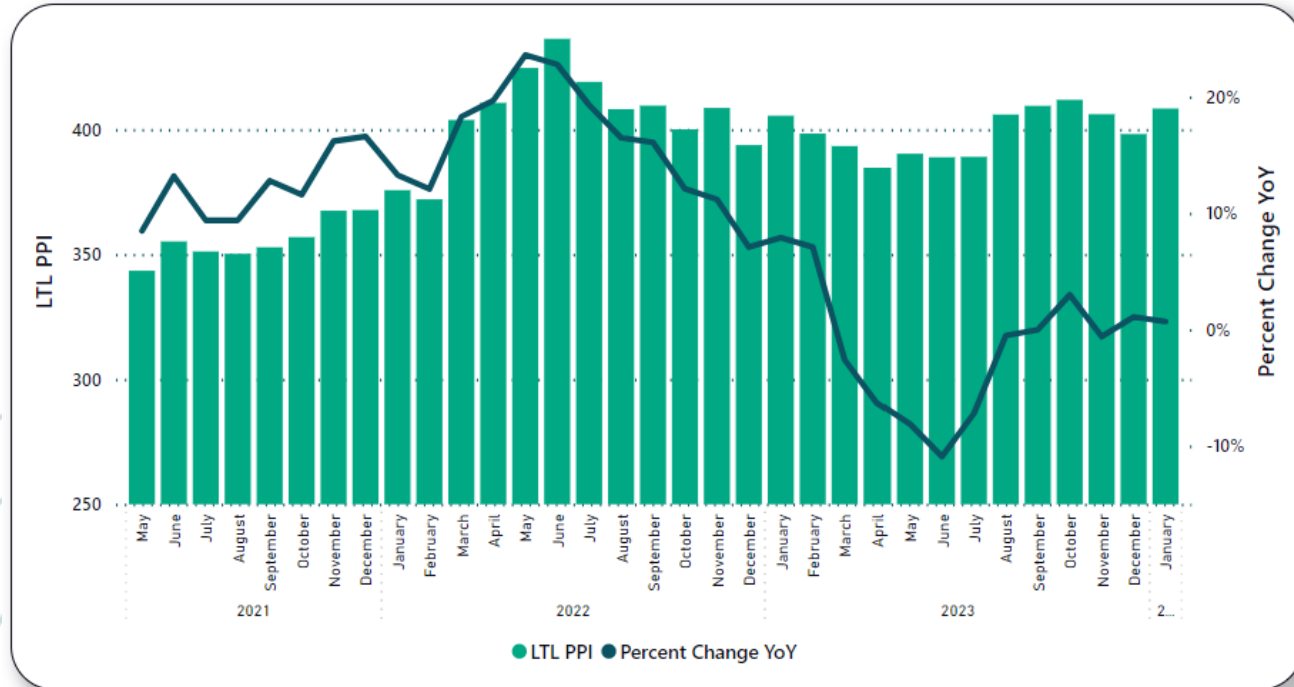
## Flatbed Demand Picked Up

- The flatbed spot market increased to \$2.47 while the contract dropped to \$3.05 a mile.
- The gap between spot and contract crept closer to 58 cents, Falling from the peak of 75 cents in November of last year.
- The Load-to-Truck ratio increased to 8.26, the highest reading since June last year.
- The growing demand in January could lead to the flatbed demand picking up in Spring for construction season.

### EVANS TRANSPORTATION: Flatbed Outlook







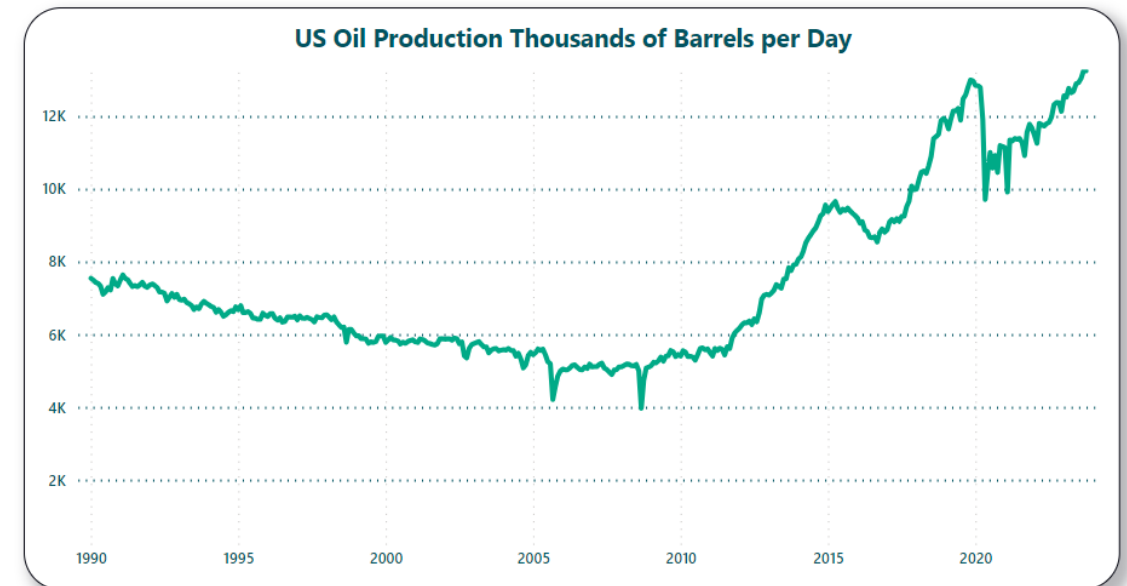
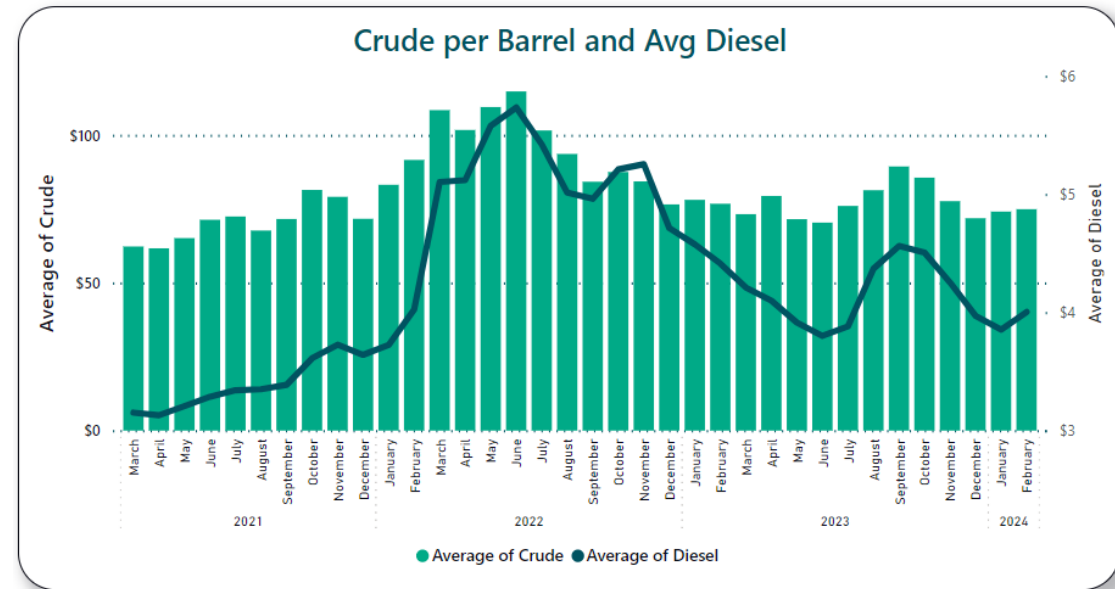
## LTL's Pricing Remains Strong

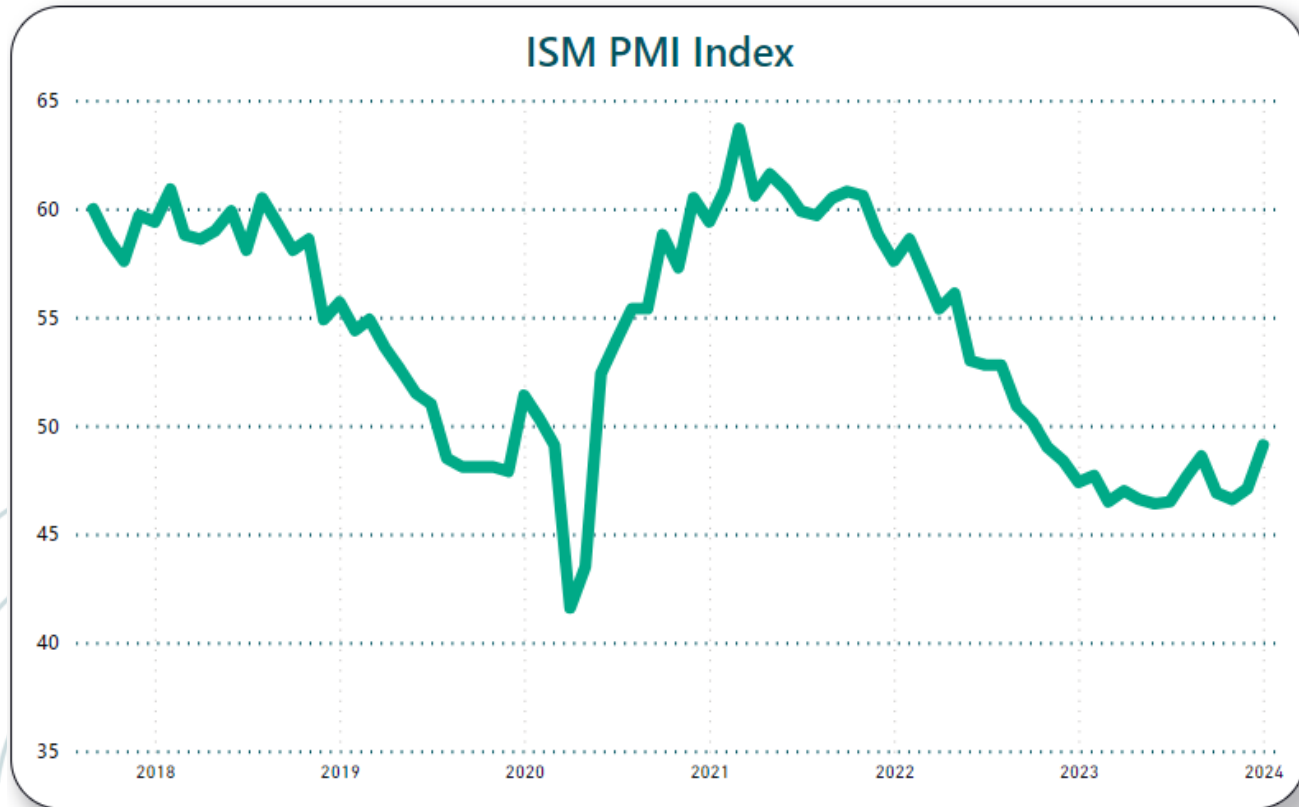
- LTL PPI rose to 408.43 in December from 398.21 in November, indicating a recent increase in average LTL costs.
- Despite a modest year-over-year increase of only 0.7%, the LTL PPI highlights ongoing strength in LTL pricing.
- Following the Yellow bankruptcy, LTL pricing began rising in August and saw a subsequent fall starting in November.
- Carriers are still adjusting networks post-Yellow, contributing to the sustained strength in LTL pricing with limited signs of decline.
- Expect LTL pricing to remain robust throughout the year, driven by ongoing adjustments and the absence of Yellow's impact.



## Fuel Volatility Continues

- January crude oil averaged \$74.96 per barrel, hinting at potential annual cost impacts.
- Diesel prices exceeded \$4 per gallon, urging budget considerations for transportation costs.
- Geopolitical pressures drive rising crude oil costs, demanding customer attention to global events.
- Ongoing OPEC calls for reduced oil production contribute to escalating fuel prices.
- Crude oil nears \$80 per barrel, emphasizing the need for customer awareness and ongoing market monitoring.





## Manufacturing Still Contracting

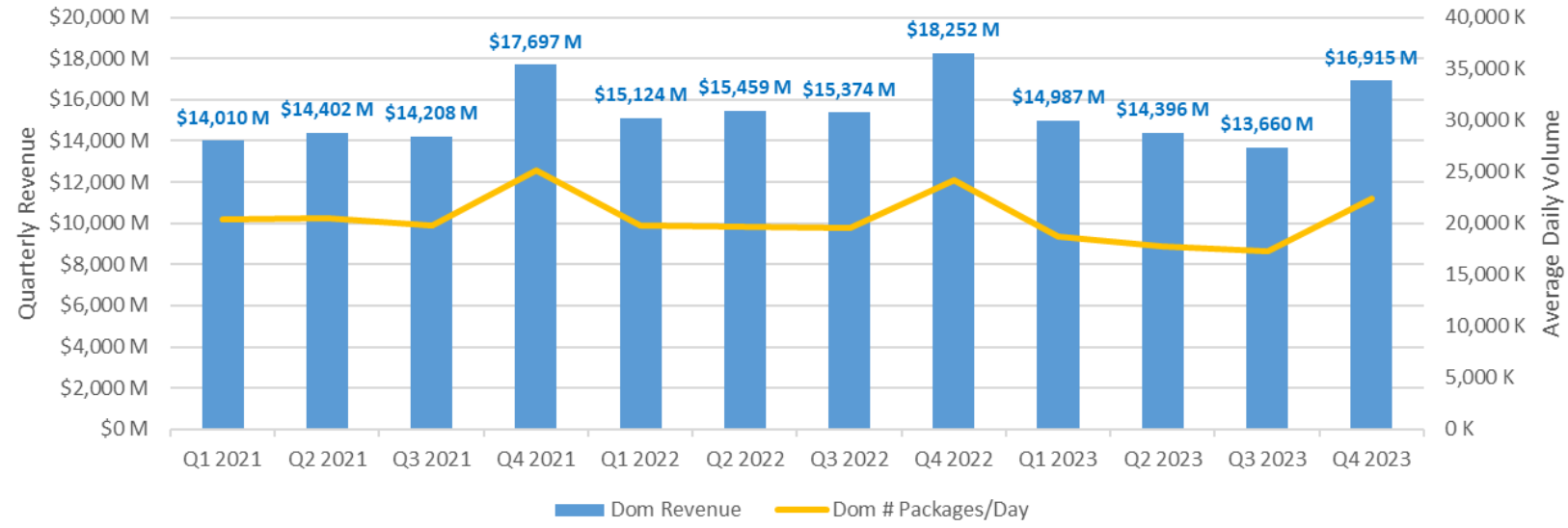
- The U.S. manufacturing sector extended its contraction to 15 months in January, with a Manufacturing PMI® at 49.1%, a slight improvement from December's 47.1%.
- The overall economy marked its 45th consecutive month of expansion, notably driven by the New Orders Index reaching 52.5%.
- The Production Index increased to 50.4%, and the Prices Index climbed to 52.9%, signaling a rise in pricing levels for 2024.
- The Employment Index declined to 47.1%, while the Supplier Deliveries Index indicated faster deliveries for the 16th consecutive month.

## UPS Releases 2023 Q4 Earnings

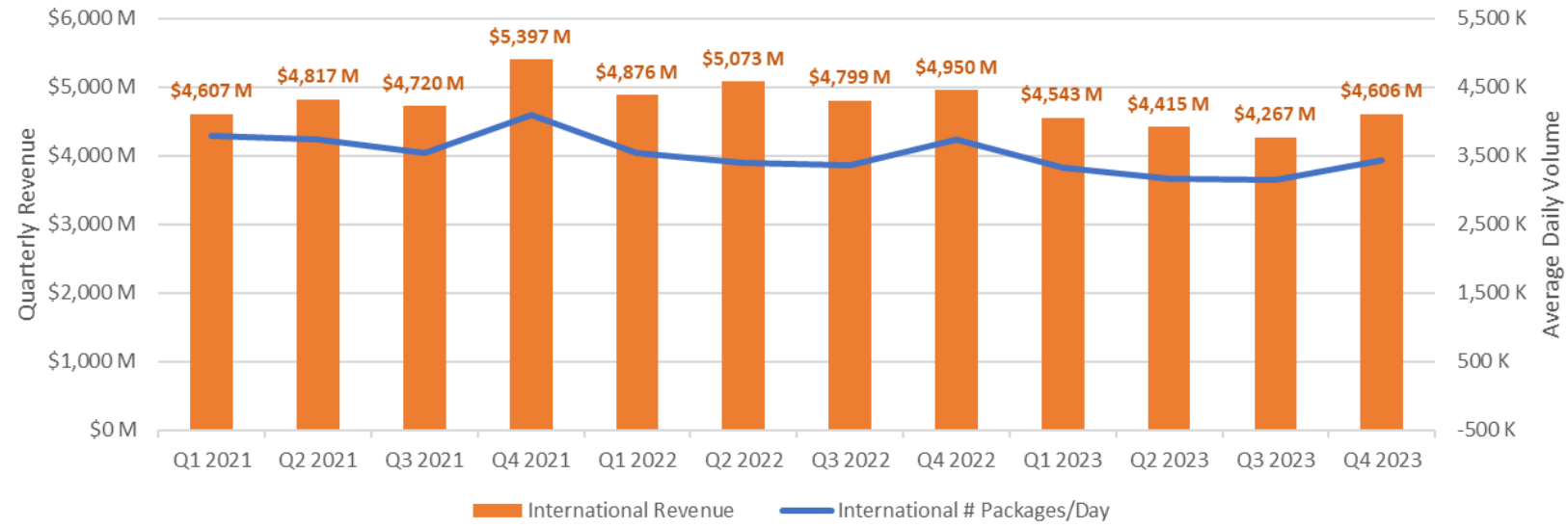
- UPS held their 2023 Q4 earnings call on January 30, 2024.
- Although Q4 was stronger than Q3 due to peak season, Earnings show a 7% drop in revenue and a 19%+ drop in Operating Profit.

	2022 Q4			2023 Q4			% Variance		
	Revenue	Op Profit	Adj Op Profit	Revenue	Op Profit	Adj Op Profit	Revenue	Op Profit	Adj Op Profit
US Domestic	\$18,252	\$1,840	\$2,328	\$16,915	\$1,437	\$1,569	-7%	-22%	-33%
International	\$4,950	\$1,020	\$1,091	\$4,606	\$890	\$899	-7%	-13%	-18%
All UPS Small Package	\$23,202	\$2,860	\$3,419	\$21,521	\$2,327	\$2,468	-7%	-19%	-28%

UPS Domestic Revenue & Volume By Quarter



UPS International Revenue & Volume By Quarter



## How do current UPS volumes stack up against previous years?

- 2023 Q4 volume is the strongest of the year, but still down compared to previous years.
- 2024 Q1 volume is expected to drop, as the impact to UPS volume was dampened due to peak season.

# Did You Know?

Chat #2: Ryan Keepman, CEO @ Evans Transportation

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**CHAT #2**

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CEO, EVANS TRANSPORTATION

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