

Transportation Market Update

December 2, 2022



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This Market Review Update is intended to provide you with high-level macroeconomic and general industry data that may be relevant to your business. This update should not be used for any other purpose. This update does not state or imply anything about Schneider's performance, results, operations, strategy, projections or plans. The purpose of this update is to relay statistical and relevant facts from various industry professionals. This update does not predict or forecast any economic or industry outcome or results. This update has been prepared on the basis of information made available by third parties; Schneider has not attempted to independently verify any such third-party information.

For the latest information and updates, visit [Schneider's Trending Topics page](#).

Recent Customer Advisory Event in Green Bay, Wis.

We recently hosted a group of customers in Green Bay for our Customer Advisory Event. This is an annual event that allows our shippers the opportunity to learn more about market and industry trends, learn from each other and network. After our sessions, we enjoyed the Green Bay vs. Tennessee Titans football game together.

Thank you to our customers that attended this year!



11/23/22

In the News: 400 companies seek nearshoring opportunities in Mexico, but USMCA dispute needs to be resolved

According to the Economy Ministry, hundreds of companies are interested in relocating to Mexico owing to the country's geographical proximity to the United States and to the [U.S.-Mexico-Canada Agreement \(USMCA\)](#).

Credit Suisse says in October alone, Mexico registered an investment of US \$2.05 billion from nearshoring, and \$17.2 billion so far this year – a 25.5% increase year over year.



But, recently the U.S. requested dispute settlement consultations with Mexico under the USMCA over a series of changes in Mexico's energy policies. If the U.S. decides to call a dispute panel to rule on the energy policy dispute, the sanctions from such a decision could interfere with the nearshoring plans of the 400 companies interested in relocating.

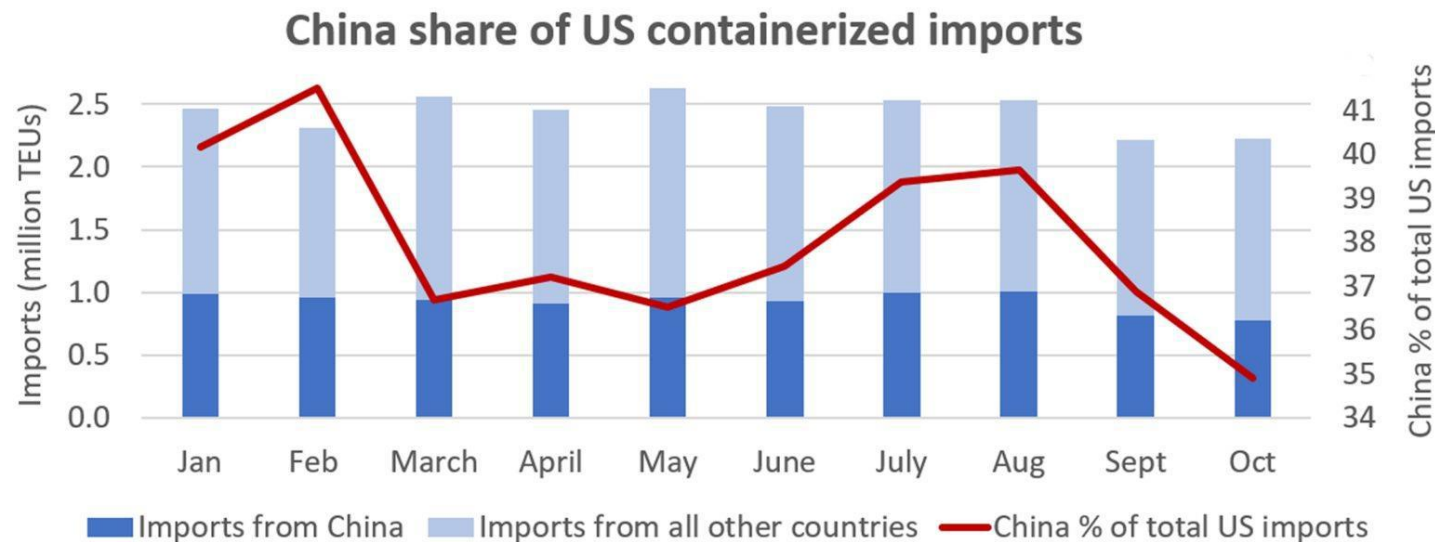
[**Read Article**](#)

Source: mexiconewsdaily.com; September 2022

In the News: U.S. imports from China falling faster than from other countries

- Throughout 2021, the index for bookings loaded in China was significantly higher than the index for all export destinations.
- The gap has narrowed since March and has now almost vanished, as the China-to-U.S. bookings index declined faster than the overall index.

[Read the article](#)



(Chart: American Shipper based on data from Descartes Datamyne)

Monthly market-share data highlights how the move toward import diversification predated the pandemic.

- In 2016-2018, China accounted for an average of 36% of U.S. import cargo tonnage, with the rest of Asia accounting for only 25%.
- China's average monthly share was down to 31% in 2019, and the rest of Asia's share had risen to 29%.
- In 2020-2021, they were even at 30% each.

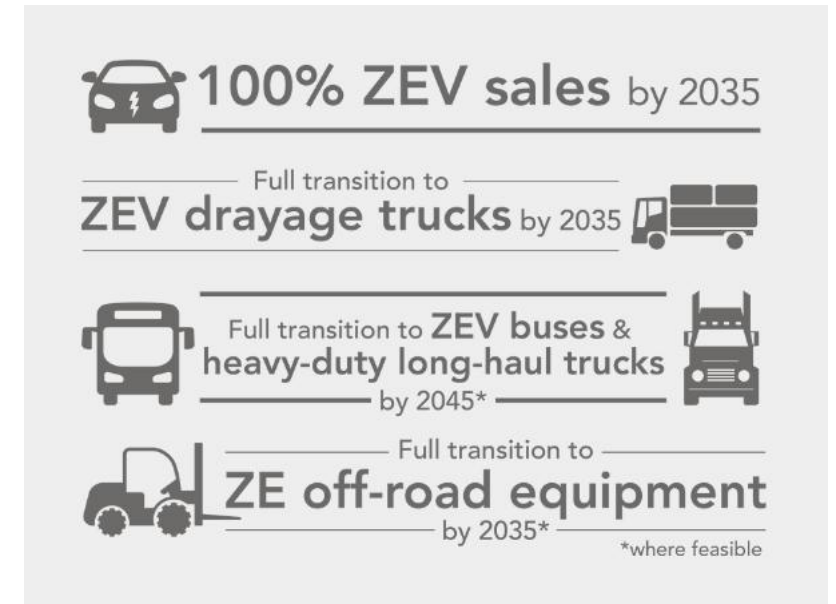
Source: freightwaves.com; 11/23/22

In the News: California Looks to Ban Diesel Trucks at Ports by 2035

The [California Air Resources Board \(CARB\)](#) is proposing phasing out older big rigs operating in the busy corridors shuttling shipping containers between ports, rail yards and warehouses and require that all new vehicles be powered by clean fuels starting in 2024.

The goal is to push more than 30,000 heavily-polluting trucks to clean energy by 2035. But trucking industry officials say there is a big gap between the target and the charging infrastructure that barely exists today and would take years to build. In addition, electric trucks cost 2-3 times more and are currently only capable of running shorter routes.

[Read Article](#)



Source: [wsj.com](https://www.wsj.com); 11/23/22

In the News: Schneider and other carriers expect little equipment market relief in 2023

- Schneider National and other carriers noted they expect difficulty replacing aging vehicles to continue into 2023, during the recent Stephens Annual Investment Conference.
- Mark Rourke, president and CEO at Schneider, agreed with other carrier executives, saying that while his company may get some of the new equipment it needs next year, OEMs also must fulfill orders from other trucking companies.
- Data from FTR supports that idea. The research firm's [October report](#) said component shortages remain a week-to-week issue, but “the overall sentiment from manufacturers is optimistic that improvements will be made in the coming months.”



[Read the article](#)

Source: transportdive.com; 11/23/22

ACT Research: Spot Rates Now Further Below Costs Than Ever Before

ACT Research released the latest installment of the ACT Freight Forecast, U.S. Rate and Volume Outlook report.

“This month's report focuses on the key question of how much further spot rates can decline and concerns about diesel shortages, which could hasten the bottoming process. Goods demand is soft, and destocking is just beginning, but lower freight costs are set to be a growing disinflationary force in 2023.”

- Tim Denoyer, ACT Research's Vice President and Senior Analyst

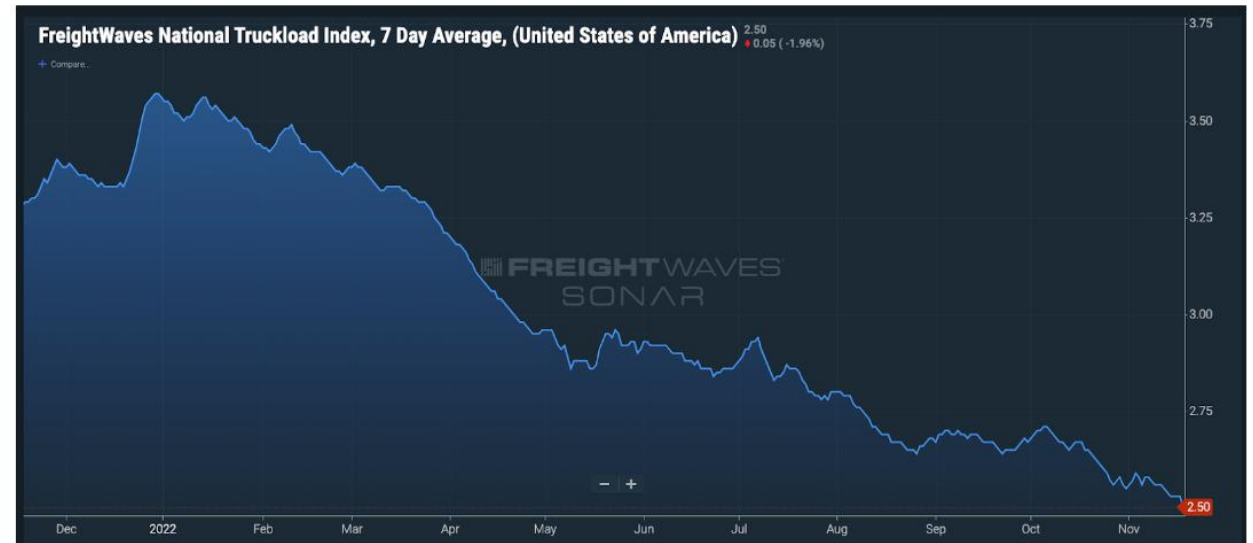
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Source: actresearch.net; freightwaves.com; 11/23/22

In the News: ACT Research sounds alarm on ‘bottoming’ trucking market

- Compared to 2021, diesel was 44% higher in the month of October, [according to the Department of Energy](#). That’s the biggest contributor to rising costs for trucking fleets.
- The cost of parts and truck maintenance are also up from 2021, [according to a July report from Truckstop.com](#).
- Meanwhile, according to the FreightWaves National Truckload Index, spot rates are down 23% year over year.



Why does this matter?

The decrease in spot rates and increase in costs pose a challenge for small fleets and owner-operators in the trucking industry.

[Read Article](#)

Source: [actresearch.net](#); [freightwaves.com](#); 11/23/22

Outbound Tender Volume Index

Compared to the Outbound Tender Volume Index levels during this time in the previous three years, current OTVI is -28% lower than 2021, -33% lower than 2020, and 8% higher than 2019.



Outbound tender volumes represent demand for capacity in the origin area. An increase in volume represents an increase in demand.

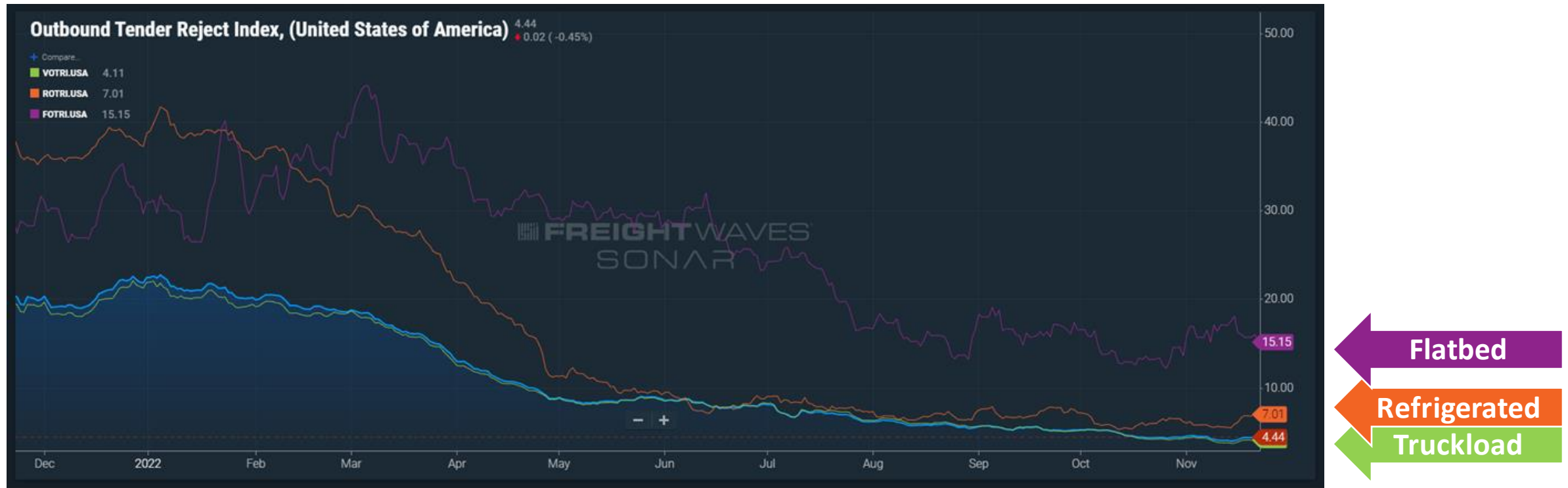
Source: FreightWaves; Updated 11/23/22

Important reminder regarding YOY data: April of 2020 was when we saw tender volumes and rejects begin to plummet as businesses were forced to close due to lockdowns caused by the COVID-19 pandemic. The Outbound Tender Volume Index bottomed out on April 16th at 8439.35, while Overall Outbound Tender Rejects bottomed out on April 30th at 2.57%. After this time, both volumes and rejects began their slow climb upwards to extremely elevated levels, where they have remained consistent.

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Outbound Tender Reject Index

Outbound Tender Reject levels have declined for all modes and are at 4% overall. Truckload rejects are at 4%, Reefer rejects are at 7% -- while Flatbed rejects have been consistently higher at 15%.



Outbound tender rejects are an indication of available capacity in the origin market of the freight. If rejections are increasing, capacity may be tightening in that area.

Source: FreightWaves; Updated 11/23/22

Outbound Tender Reject Index by length of haul

The graph below details outbound tender rejects based on length of haul, regardless of mode. Since our last report, rejects have stayed consistent for most lengths of haul.

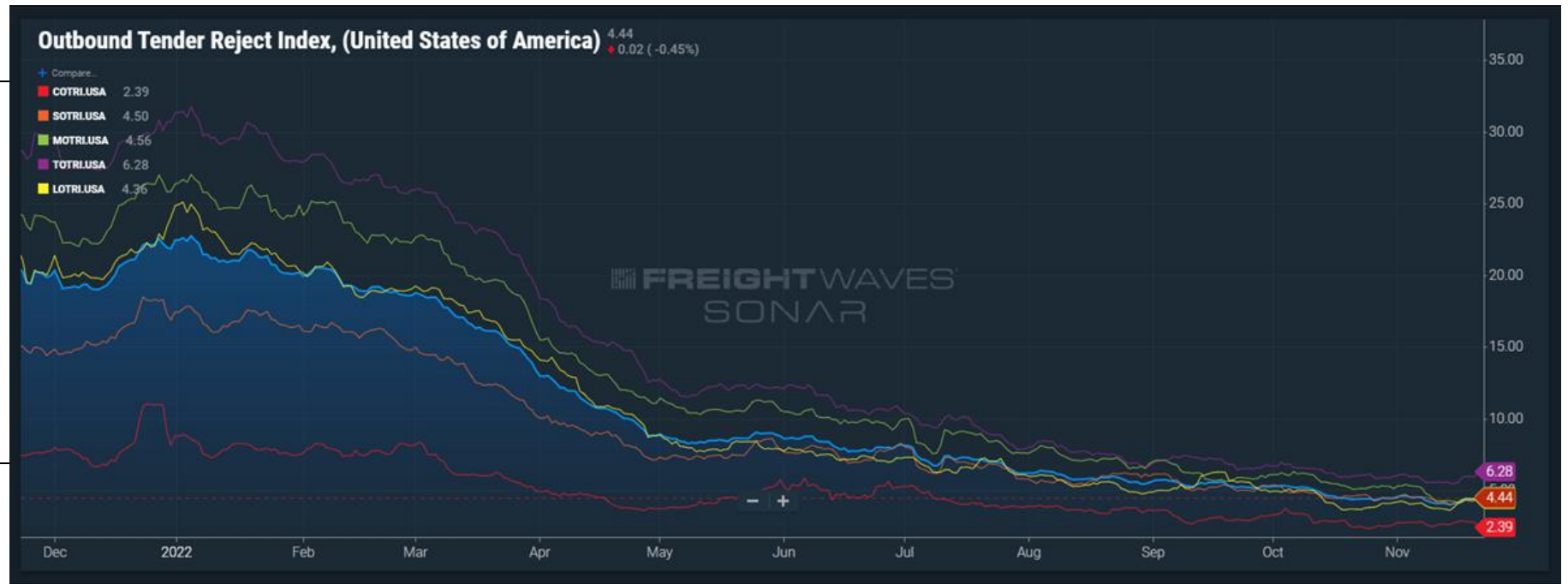
City/local (< 100 miles): 2%

Short-haul (100-250 miles): 5%

Mid-haul (250-450 miles): 5%

Tweener (450-800 miles): 6%

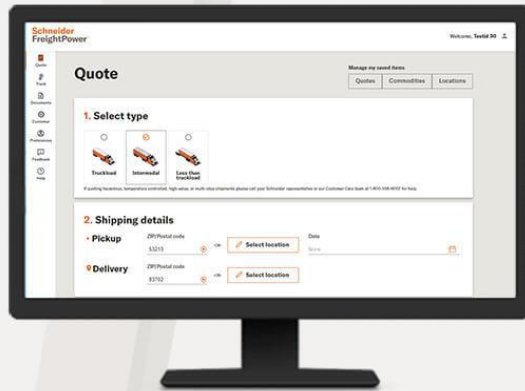
Long-haul (800+ miles): 4%



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Source: FreightWaves; Updated 11/23/22

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