

AFS Logistics releases April 2022 Cowen/AFS Freight Index: Rising fuel will drive higher transportation costs

Fuel surcharges together with market forces are predicted to push parcel and LTL rates to record highs, while truckload growth rate to ease

SHREVEPORT, La. (April 12, 2022) – AFS Logistics ([afs.net](https://www.afs.net)), an industry-leading 3PL provider, and Cowen Research today released the April 2022 Cowen/AFS Freight Index, a quarterly transportation pricing snapshot with predictive pricing across multiple sectors in the freight industry. Dramatically higher fuel surcharges are the primary driver of the accelerated growth in LTL and parcel costs in Q2 2022, while driver shortages and labor costs support continued truckload growth even as forecasted demand softens.

“Rising fuel prices are no secret. The average cost of diesel in the U.S. going up [over a dollar in just a month](#) made plenty of headlines, and in a tight capacity market carriers are responding with significantly higher fuel surcharges,” says Tom Nightingale, CEO, AFS Logistics. “Shippers should expect rising rates across the board, as those higher fuel surcharges join the usual suspects like capacity constraints, GRIs, firm pricing policies and steep accessorial increases to intensify upward pricing pressure.”

The Cowen/AFS Freight Index offers a unique, forward-looking view that leverages both past performance and a machine-learning forecast for the balance of the quarter. The predictions are derived from AFS Logistics’ freight data across transportation modes, including LTL, parcel express, parcel ground sectors and truckload. AFS Logistics uses insights from the freight index to help clients navigate, budget and strategically plan for what’s ahead. Cowen uses the freight index to provide institutional clients with predictive pricing tools for multiple sectors within the freight industry.

“Truckload carriers continue to wield contractual pricing power, even as waning demand and increased capacity from smaller fleets hit spot prices hard,” says Jason Seidl, senior analyst, airfreight and surface transportation, Cowen. “Consumer spending habits, inflation impacts and demand shifts from pending infrastructure projects are likely to have a big impact on 2H22 pricing trends.”

Key implications for truckload shippers

Data indicates continued rate-per-mile increases, albeit at a slower rate compared to 2021. Compared to the January 2018 baselines, the index is expected to grow from 25.2% in Q1 to plateau at 27.1% in Q2, a lower growth rate than previous quarters.

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The correlation between price and distance remains strong, and the overall miles per shipment increased 3.2% in Q1 compared to the previous quarter. Market forces like the driver shortage and higher labor costs continued to support cost-per-shipment growth in Q1 2022, but early data indicates truckload demand in 2022 will be softening compared to 2021.

Key implications for LTL shippers

Fuel is a major driver of cost-per-shipment growth in Q1 2022 and expected increases in Q2. Disruptions to global oil supply and continued high demand resulted in LTL carriers adjusting fuel surcharge tables, causing significant increases to fuel-related costs in the first quarter of 2022. Among major LTL carriers, the average fuel charge increased from 28.3% in Q4 2021 to 42.1% in March 2022.

Pressure from fuel, capacity constraints, firm pricing policies and accessorial charges are not expected to abate, and the LTL index is expected to reach an all-time high of 40.9% in Q2 2022 compared to the January 2018 baseline – a 4% quarter-over-quarter increase. With LTL rates at historic highs, shippers are considering alternatives like shipment consolidation, multi-stop truckload and additional warehousing solutions to help manage freight spend.

Key implications for ground and express parcel shippers

Both FedEx and UPS recently implemented significant changes to fuel surcharges, resulting in increases of 129% in express parcel and 89% for ground parcel compared to October 2021. The fuel surcharge increases outpaced the corresponding indices that drive fuel surcharge levels published by the U.S. Energy Information Administration – the [USGC Kerosene-type Jet Fuel rates](#) for express parcel and [on-highway diesel fuel prices](#) for ground parcel. To better capture the volatility of fuel cost, UPS joined FedEx in reducing the lag time in its fuel surcharge adjustments from two weeks to one week.

For express parcel, record-high general rate increases (GRIs), accessorial increases and higher fuel surcharges drove a quarter-over-quarter increase of 5.8% in Q1 2022. The GRIs pushed a sharp increase in parcel express rates in January 2022, but declining weight brought the average rate per package to a more moderate level. On a quarter-over-quarter basis, the express parcel net effective fuel surcharge increased 24.7% in Q1 2022. Looking ahead, the express parcel index is forecasted to stay above the 2018 baseline, growing from 0.8% in Q1 to 1.8% in Q2 2022.

The ground parcel index continued to increase, and is expected to reach an all-time high of 24.6% in Q2 2022, primarily driven by carriers leveraging fuel surcharges to boost per package cost. In Q1 2022, the

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net effective fuel charge was 17% higher than the previous quarter and 70% greater on a year-over-year basis.

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About AFS 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. To learn more, visit www.afs.net.

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