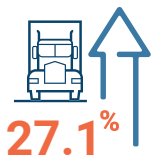


# Cowen/AFS Freight Index Key Takeaways

## BETTER THAN A CRYSTAL BALL: RELEVANT, DATA-DRIVEN INSIGHTS

Fuel prices are rising, and the latest edition of the Cowen/AFS Freight Index for Q2:2022 shows how your business may be impacted. We teamed up with Cowen, an award-winning diversified financial services firm, to create a comprehensive, forward-looking quarterly freight index based on more than \$11 billion in transportation spend, providing insights to help our clients navigate, budget, and strategically plan for what's ahead. In Q2, shippers should expect rising rates across the board as higher fuel surcharges join capacity constraints, general rate increases (GRIs), firm pricing policies and steep accessorial increases to apply even more upward pricing pressure.

### TRUCKLOAD



**Steady growth in the truckload index is expected to slow** compared to previous quarters, growing from 25.2% in Q1 to plateau at 27.1% in Q2.

Data indicates continued truckload rate-per-mile increases, though at a slower rate compared to 2021. Market forces like the driver shortage and higher labor costs continue to support cost-per-shipment growth, but early data indicates truckload demand in 2022 will be softening compared to 2021.



**Price and distance remain strongly correlated**, and overall miles per shipment increased 3.2% in Q1 compared to the previous quarter.

### LTL



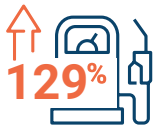
**The LTL index is expected to reach an all-time high of 40.9%** in Q2:2022 compared to the January 2018 baseline – a 4% QOQ increase.

Fuel is a major driver of cost-per-shipment growth in Q1:2022 and expected increases in Q2. Pressure from fuel, capacity constraints, firm pricing policies and accessorial charges are not expected to abate. 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.



Among major LTL carriers, the **average fuel charge increased from 28.3% in Q4:2021 to 42.1% in March 2022.**

## EXPRESS PARCEL



Significant changes implemented by both FedEx and UPS resulted in a **129% higher fuel surcharge** compared to October 2021.

On a QOQ basis, the express parcel net effective fuel surcharge increased 24.7% in Q1:2022. 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. 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.



Record-high GRIs, accessorial increases and higher fuel surcharges drove a **QOQ increase of 5.8% in Q1:2022**.

## GROUND PARCEL



The ground parcel index is expected to **reach an all-time high of 24.6% in Q2:2022**.

Per package costs continue to rise, primarily driven by a higher GRI and fuel surcharges. By April 2022, fuel surcharges increased 87% for FedEx and 76% for UPS compared to early October 2021 – outpacing the on-highway diesel fuel prices from the U.S. Energy Information Administration (EIA) on which they're based. Outside of fuel related factors, billed weight and cost per package were once again closely correlated in Q1:2022, after a long divergence that started Q3:2021.



In Q1:2022, the net effective fuel charge was **17% higher than the previous quarter and 70% greater on a YOY basis**.

## OTHER KEY TAKEAWAYS

To better account for the volatility of fuel prices, UPS recently changed their process to adjust fuel surcharge one week after the EIA index release. Both UPS and FedEx have raised fuel surcharge by another 1.75% in April 2022. The EIA index for jet fuel and diesel fuel increased by 82% and 51% respectively from October 2021 to April 2022, but the carrier fuel surcharges increased by 129% for air and over 76% for ground.

Looking ahead to the second half of 2022, consumer spending habits, inflation impacts and demand shifts from pending infrastructure projects are likely to have a major impact on pricing trends.

**Want more insights?** Access the full Cowen/AFS Freight Index at [afs.net](https://afs.net). Or, contact AFS for insights on new, strategic ways your organization can achieve a more agile, data-driven logistics network.

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