CRANE WORLDWIDE LOGISTICS

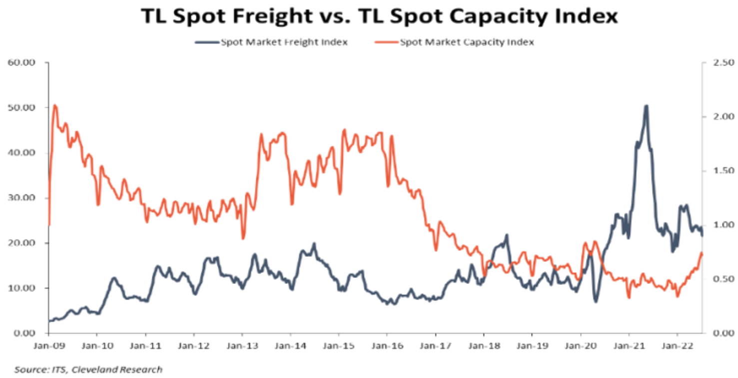
GROUND MARKET UPDATE

August 2022

CURRENT STATE

Trucking PPIs indicate 'cooling' contract pricing. The US producer price indexes (PPI) for trucking slipped a notch in July, with truck transportation pricing dropping 0.2 percent from June, primarily due to a 2.4 percent decrease in long-distance truckload pricing, the first decrease in the PPI since truckload spot rates began to fall this year. What's not cooling yet is pricing in the LTL and long-distance specialized trucking markets, which include refrigerated, flatbed, dry bulk, liquid tank, and heavy-haul carriers. The LTL PPI index rose 0.9 percent in July, following a 3.4 percent increase in June and a 1.7 percent gain in May. Although softer than a year ago, LTL carriers report solid demand and tight freight capacity in their networks.

US retail inventories are leveling off, but not manufacturing stocks. Stockpiles of goods across the US continue to creep higher, with total business inventories rising 0.7 percent on an unadjusted basis in June from May, according to data released by the US Census Bureau Friday. But not all those stockpiles are stacked the same. Retail inventories, unadjusted for seasonality, dropped $293 million in July while manufacturing inventories rose $12.7 billion.

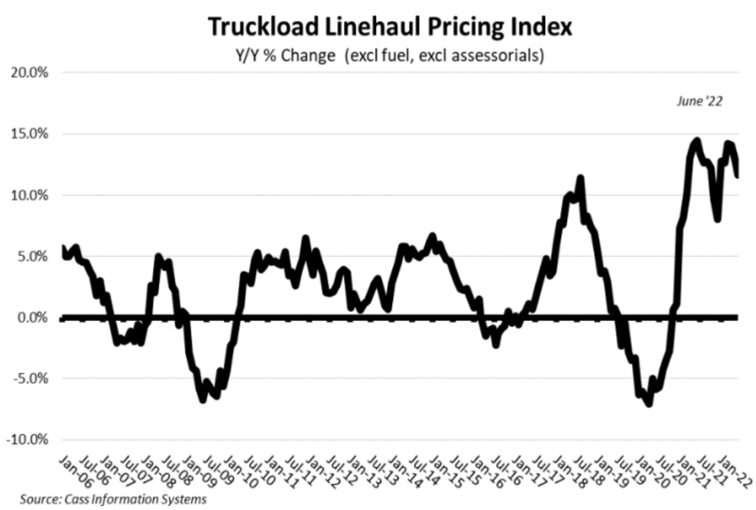


Truckload spot market demand has moderated during the last month as commentary indicates softening organic demand/normalizing inventory levels. Spot market demand during the second week of July is down 24% versus one year ago as we lap tougher comparisons. Spot market capacity has improved since the prior month. It is up 69% yearly, in line with 2019 levels, as easing demand opens up available capacity.

MARKET FORECAST

Larger US truckload carriers are still adding drivers. For-hire trucking companies have made unexpectedly significant payroll gains in 2022, adding a record 62,400 employees from April through June, compared with 31,400 in the same period last year. In 2018, the strongest year for trucking before 2021, the equivalent gain was 33,800 jobs. Carrier executives say many new employees were owner-operators pursuing higher spot rates last year. What these companies are not seeing is more trucks. Many truck manufacturers are still working through order backlogs caused by supply chain disruptions in 2020 and 2021. The shortage of semiconductors is one primary reason new trucks are in short supply, but other components have been lacking. As a result, truckload carriers did not oversupply in this last go around.

US retailers urge ports to prepare for strong 2022 second-half imports. US retailers' project continued strong imports at least through November. However, volumes during the summer-fall peak shipping season are forecasted to be down slightly from the record cargo that moved through the country's ports last year. "The year-over-year declines during the second half of the year contrast with unusually high numbers during the same period in 2021, but volumes remain high, and the full year is still expected to see a net increase over 2021," the National Retail Federation (NRF) and Hackett Associates said in their July Global Port Tracker (GPT).



According to Cass Information Systems, the average truckload rates ex-fuel (weighted mix of contract and spot, ex-fuel) were +12% year over year but down 2% month over month in July. Industry experts indicate truck pricing is near peak, with broker contract rates likely 5-10% lower in the second half of this year vs. current rates. In comparison, asset carriers hold price increases (2021 rates were +10-15%).

INDUSTRY INSIGHT

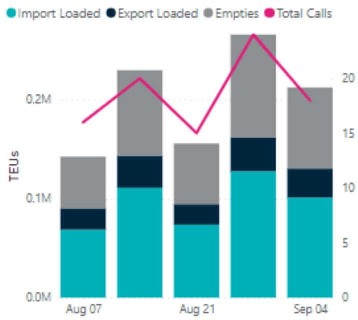
The Port of Long Beach currently has 12 container vessels at berth and one container vessel at anchor within 40NM destined for POLB's marine terminals. The average at anchor is nine days.

WAVE Weekly Advance Volume Estimate

Port of LONG BEACH THE PORT OF CHOICE

PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
33	08/07/2022	68,612	21,589	52,097
34	08/14/2022	110,943	32,439	86,125
35	08/21/2022	73,666	20,730	61,205
36	08/28/2022	127,501	33,889	104,066
37	09/04/2022	101,043	29,339	81,775



PROJECTED VESSEL CALLS

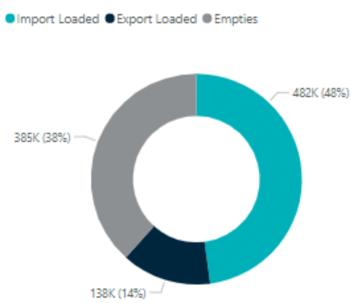
Week	Date	Blank Sailings	Extra Loaders	Planned Calls
33	08/07/2022	1	0	17
34	08/14/2022	1	1	20
35	08/21/2022	1	0	16
36	08/28/2022	1	0	25
37	09/04/2022	0	0	18

ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
33	08/07/2022	50,184	17,069	3,794	19,125	6,505	1,446
34	08/14/2022	80,939	27,530	6,120	30,846	10,492	2,332
35	08/21/2022	54,875	18,665	4,149	20,913	7,113	1,581
36	08/28/2022	93,617	31,842	7,079	35,678	12,135	2,698
37	09/04/2022	74,821	25,449	5,657	28,514	9,699	2,156

ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
33	08/07/2022	21,589	49,266
34	08/14/2022	32,439	83,244
35	08/21/2022	20,730	58,374
36	08/28/2022	33,889	101,185
37	09/04/2022	29,339	78,894



AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

Terminal	Day Shift	Night Shift
Pier A	57	35
Pier C	22	22
Pier E (LBCT)	41	47
Pier G (ITS)	76	86
Pier J (PCT)	58	37
Pier T (TTI)	74	68

Average turn-times vary by terminals, and based on terminals' data from the previous week

Revised 8/01/2022

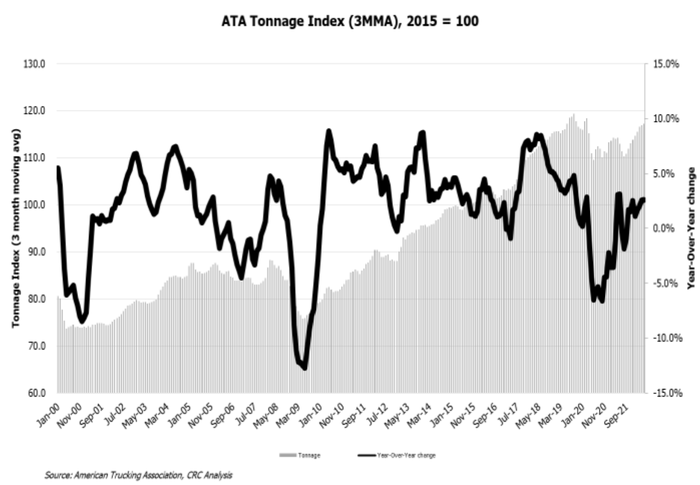
Freight market volatility highlights the importance of broker-carrier relationships. Surging freight demand during the economic recovery from the coronavirus pandemic put a strain on freight capacity. Still, the U.S. freight market has since loosened. "For those thousands and thousands of smaller carriers working primarily in the spot market, that means they have less freight to choose from," said Pat Nolan, vice president of North American surface transportation for C.H. Robinson Worldwide. For those carriers, relationships with brokers are vital when there is less spot freight available, he said. Plus, the carrier market is highly fragmented. Nolan noted that nearly 90% of all U.S. carriers have five trucks or fewer, and 66% are owner-operators with a single truck. Shippers work with select carriers for only about 20% of their lanes. "They need about 80% of their lanes covered by brokers because not all freight is created equal," Nolan said. "In all those lanes where freight is less dense, less frequent, and less predictable, few of the big carriers position trucks there. So, shippers need to tap into the 90% of carriers with five trucks or less."

Freight growth to continue despite inflation and rising oil prices. Most drivers of freight demand are high. Consumers are still spending, and there is still a solid freight movement. U.S. gross domestic product is forecasted to increase 2.4 percent in 2022, which, although down from 4.8 percent in 2021, is consistent with annual GDP growth in pre-COVID years.

INDUSTRY INSIGHT

Long-haul truckload carriers continue regional buying spree. The P.A.M.-Metropolitan deal follows Schneider National's acquisition last week of regional carrier deBoer Transportation and Heartland Express's June 2 acquisition of Smith Transport, an eastern US truckload carrier based in Pennsylvania. In all these cases, national truckload carriers acquired regional operators, gaining shorter-haul business and greater density in new and existing freight markets. These M&As don't spell fewer options for shippers in a highly fragmented and diverse truckload market. The M&A activity gives their more significant truckload partners broader service portfolios that reach deeper into their supply chains. It's a sizeable drive-by carrier to provide not just one-way truckload but dedicated, intermodal, trailer pool, and even less-than-truckload (LTL) services to customers.

According to the ATA, seasonally adjusted tonnage in July was up 3% yearly. The ATA index is largely weighted by contract freight. Spot market demand continues to soften as shippers reduce spot market exposure. Overall demand commentary appears mixed as tonnage growth rates likely moderate due to normalizing inventories, softer organic demand, and tougher year-over-year comparisons. Tonnage in 2021 was flat year over year (2020 down 3%, 2019 +4%, 2018 +8%, 2013-2017 +0.5-4.5%).



Insurance costs continue to rise for truckers. Accident rates are on the rise, and so are insurance premiums. According to the American Transportation Research Institute (ATRI), insurance premium costs per mile increased by 47% over the last ten years, from $0.059 to $0.087. But accidents are not the only factor in rising insurance premiums; there are also increasing medical and litigation costs, nuclear verdicts, catastrophic (CAT) losses, reinsurance costs, a higher percentage of inexperienced truckload capacity entering the market, and lastly, the economic performance (underwriting profits) of the insurance industry itself. The latter point plays a more significant role than most would have you believe. Like the trucking industry, the commercial, automotive insurance market is cyclical, and right now, we're in a "hard market." For truckload carriers, understanding the differences and what to expect is essential as these cycles affect commercial insurance availability, terms, and price (part of the Property & Casualty line of business).