ARRIVE LOGISTICS

North American

TRUCKLOAD FREIGHT FORECAST

2024 Q1 UPDATE

Hello...

Welcome to the Arrive Logistics North American Truckload Freight Forecast Update.

This document contains our comprehensive outlook for national dry van and reefer truckload rates for January 2023 through December 2024. The Arrive Insights team generated this forecast through a combination of extensive historical research and output from the predictive models built into ARRIVE**now**™, our proprietary technology platform.

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EXECUTIVE SUMMARY

A primer on how the freight market functions...

Successfully navigating freight market ebbs and flows begins with a basic understanding of the relationship between rates and the unique components of truckload supply and demand. Simply put, high or increasing demand and tight capacity will cause upward rate pressure, whereas low or easing demand and ample available capacity will drive rates down.

By tracking directional trends for truckload demand (volume) and available capacity (trucks) in the market at any given time, we can predict rate trends with a high degree of accuracy and consistency. With that, we present to you our rate forecast for the year ahead.

TRUCKLOAD FREIGHT OUTLOOK

Rates

We anticipate the spot rate floor increasing as 2024 progresses, resetting higher through periods of seasonal volatility. Contract rates will continue to normalize, but fall at a slower rate than in 2023, finding a floor sometime in Q2 or Q3. A shrinking contract-spot rate gap will increase the market's vulnerability to significant disruption. However, any major disruption will likely require a black swan event or other catalyst, making predicting the exact timing of a major shift very difficult.

- Routing guides will remain largely intact, especially early in the year, but seasonal demand surges will be the biggest pain points, with full disruption increasingly plausible as the year progresses.
- Shippers seeking the cheapest rates open themselves up to the greatest risk for routing guide disruptions and elevated transportation costs in the event of a larger disruption occurring.
- Without a meaningful capacity disruption or other black swan events, we do not forecast spot rates crossing contract rates. This indicates a relatively muted inflationary cycle that should conclude by early to mid-2025, depending on when it kicks off.
- Recent volatility for reefer equipment routing guides illustrates vulnerability to surging demand and indicates that the freight market recovery may be further along for reefer equipment.
- Forecast Indicates:
    - Van spot rates will reach a peak y/y growth rate of 14% in Q4-2024
    - Van contract rates will fall just short of flat y/y by the end of 2024 with the expectation of rate increases into 2025.
    - Reefer spot rates will reach a peak y/y growth rate of 12% in Q4-2024
    - Reefer contract rates will reach flat y/y by the end of 2024 with the expectation of further rate increases into 2025.
    - The dry van spot-contract rate spread will fall to $0.15 per mile by year-end.
    - The reefer spot-contract rate spread will reach a low of $0.17 in June before finishing off the year between just above $0.20 per mile.

TRUCKLOAD FREIGHT OUTLOOK

Demand

Freight tonnage is unlikely to give trucking conditions a meaningful boost, however, a resetting inventory cycle should help support flat to slow demand growth. Downside risk remains as economic conditions normalize toward pre-pandemic levels.

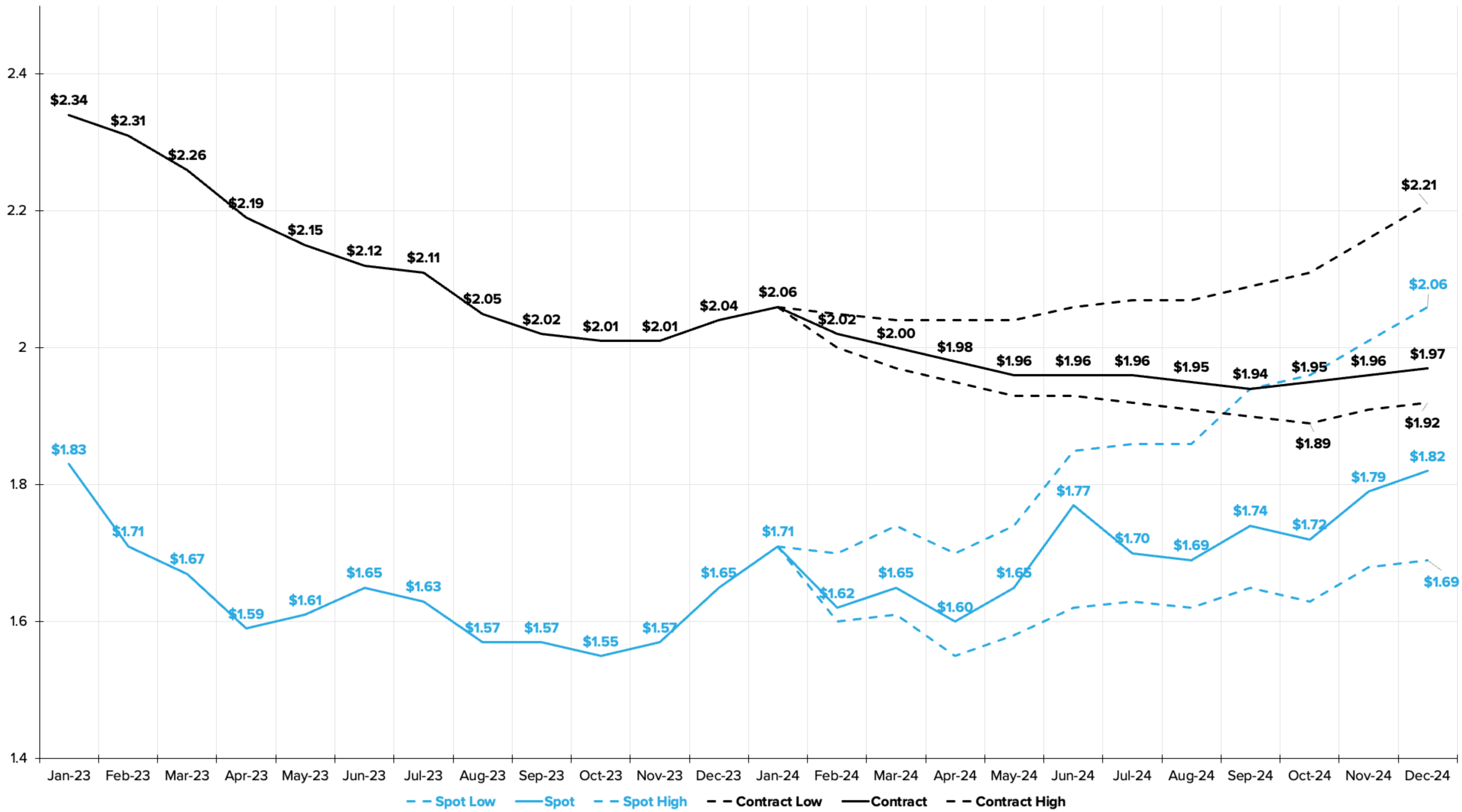
- Increasing vulnerability to disruption means increased routing guide challenges and a likely improvement for spot market demand as the year progresses.
- The downside risk associated with rising interest rates has likely passed, but until the FED executes meaningful rate cuts, upside risk from increased housing and lending activity will be limited.
- Declining manufacturing orders continue to increase downside risk in the demand outlook.
- The labor market remains a bright spot for the economy and as long as it remains stable, we expect consumer spending to remain relatively consistent with current levels.

Supply

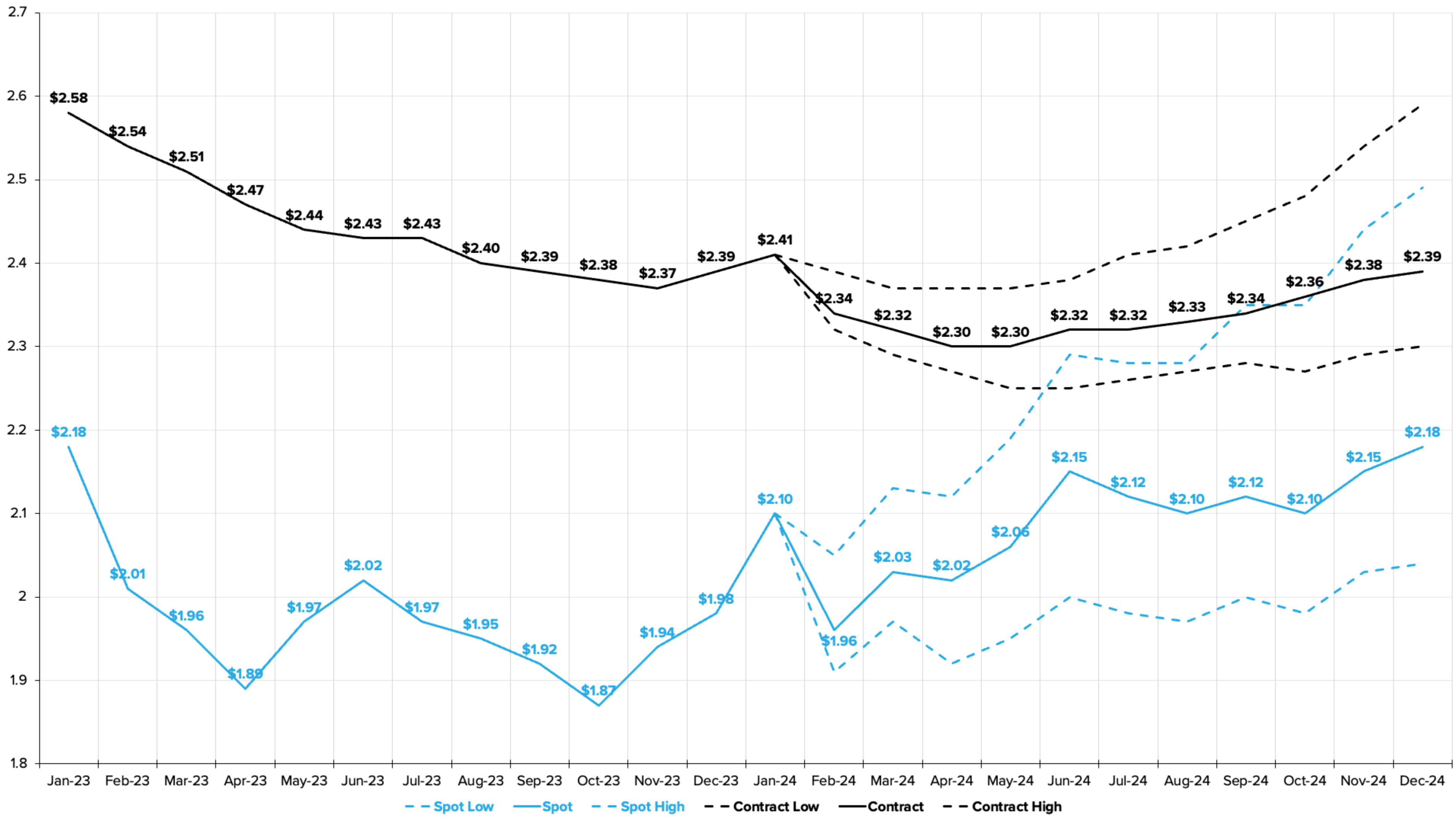
The market remains oversupplied but will become increasingly vulnerable to disruption as the year progresses.

- Significant capacity entered the market during the last inflationary rate cycle and is now undergoing a correction cycle as driver exits and authority revocations continue.
- Trucking employment is down from the peak but remains elevated above pre-pandemic levels.
- Strong routing guide compliance for van equipment amid seasonal and weather-related disruptions illustrates capacity is still sufficient to support current demand. However, recent volatility indicates some increased sensitivity to small disruptions such as adverse weather and normal seasonal demand surges.
- Reefer routing guide compliance to experience more challenges associated with seasonal demand surges and adverse winter weather, indicating temp control equipment will see increased susceptibility to these events in the year ahead.

DRY VAN NATIONAL FORECAST



REEFER NATIONAL FORECAST



FREIGHT FORECAST CONSIDERATIONS

This forecast outlines what we believe will be the most likely scenario given the information available at the time of writing. Upside risk and downside risk scenarios are illustrated as part of the forecast and can be realized as a result of unforeseen events, including but not limited to the following.

Global Tensions

The wars in Europe and the Middle East, as well as the threat of attacks in the Red Sea, are all risks that have impacted global trade, and could continue to do so for the foreseeable future. Similarly, tensions between China and Taiwan could impact Asia-U.S. relations and trade, including Taiwan's prominent semiconductor production.

Economic Conditions

Although a recession is likely off the table in the short term, uncertainty for economic conditions remains. Effects from elevated inflation and interest rates are still materializing and could cause conditions to worsen faster than expected, resulting in declining trucking demand due to dwindling consumer demand and manufacturing pullbacks.

Severe Weather / Drought

Severe weather is a frequent source of freight market disruption. Winter storms early in Q1 had a recognizable impact and could be a foreshadowing for future weather-related disruptions. Additionally, drought in the Panama Canal region is impacting global trade flows, which could lead to a shift in import ports of entry.

Carrier Profitability

Spot rates continue to persist below public truckload carriers' operating cost per mile for most of the past year. When this occurs, it usually isn't long before spot rates rebound or experience some upward pressure because rates can only fall so far before carriers start to lose money and decide to sit out or leave the market entirely. This scenario creates a floor for rates and is why our forecasted spot rates typically trend to the downside. With capacity exiting the market, spot rates will likely continue to see a floor reset higher after each period of seasonal volatility.

Fuel Volatility

A factor that has now had impacts on the forecast trends due to volatility in both directions, rapidly changing fuel surcharges can make measuring forecast errors more complex. They can also create different behavioral profiles for shippers and carriers in the marketplace. For example, rapidly declining fuel costs drive more favorable conditions for carriers and alleviate pressure on shippers looking for cost reductions. As of late, fuel has stabilized, but over the past 24 months, we have redefined what fuel price volatility looks like.

METHODOLOGY

The national average spot rate per mile and the national average contract rate per mile are values sourced from DAT and undergo no additional processing. However, at times, DAT executes updates to previously published rates, which can lead to variations in what we report vs. what is accessible through materials published directly by DAT.

Our goal is to set reasonable expectations for directional rate movements of the national average spot and contract rates published by DAT, based on the macroeconomic factors impacting supply and demand in the domestic truckload freight market.

WE DELIVER, SO YOU CAN.