ARRIVE LOGISTICS

North American

TRUCKLOAD FREIGHT FORECAST

2024 Q2 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.

Table of Contents

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

As 2024 progresses, we anticipate spot rates will remain relatively stable, with some volatility in line with typical seasonal patterns. Contract rates will continue to normalize but slower than in 2023, likely finding a floor in late Q3 or early Q4 2024. The contract-spot rate gap will decrease slightly over the year, marginally increasing the market's vulnerability to significant disruption. However, given the current oversupply of capacity, any major disruption would likely require a black swan event or other catalyst, making it difficult to predict the exact timing of the next major cycle shift.

- Routing guides have been largely intact this year and should remain as such through the rest of 2024. Seasonal demand surges will be the most significant pain points, as full disruption is unlikely this calendar year.
- Asset carriers will face ongoing pressure from shippers to provide lower rates, making it difficult for many carriers to operate profitably. In turn, some carriers have had to shut down operations, reducing available capacity in the market.
- Without a meaningful capacity disruption or black swan event, we do not forecast spot rates crossing contract rates. In turn, the next inflationary cycle will likely be muted in terms of rate growth and duration of disruption.
- Continued reefer routing guide volatility during seasonal demand fluctuations illustrates greater 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 year-over-year growth rate of 5% in Q4 2024.
    - Van contract rates will be flat year-over-year by the end of 2024, with rate increases expected in 2025.
    - Reefer spot rates will match year-over-year highs in Q4 of 2024.
    - Reefer contract rates will be just shy of flat year-over-year by the end of 2024, with further rate increases expected in 2025.
    - The dry van spot-contract rate spread will fall to $0.15 per mile by the end of 2024.
    - The reefer spot-contract rate spread will reach a low of $0.17 per mile in June before finishing the year just above $0.20 per mile.

TRUCKLOAD FREIGHT OUTLOOK

Demand

Freight tonnage is unlikely to significantly improve trucking conditions. However, a resilient economy and steady consumer demand amid ongoing inflation are keeping demand relatively stable. Downside risk remains as economic conditions show signs of a potential slowdown.

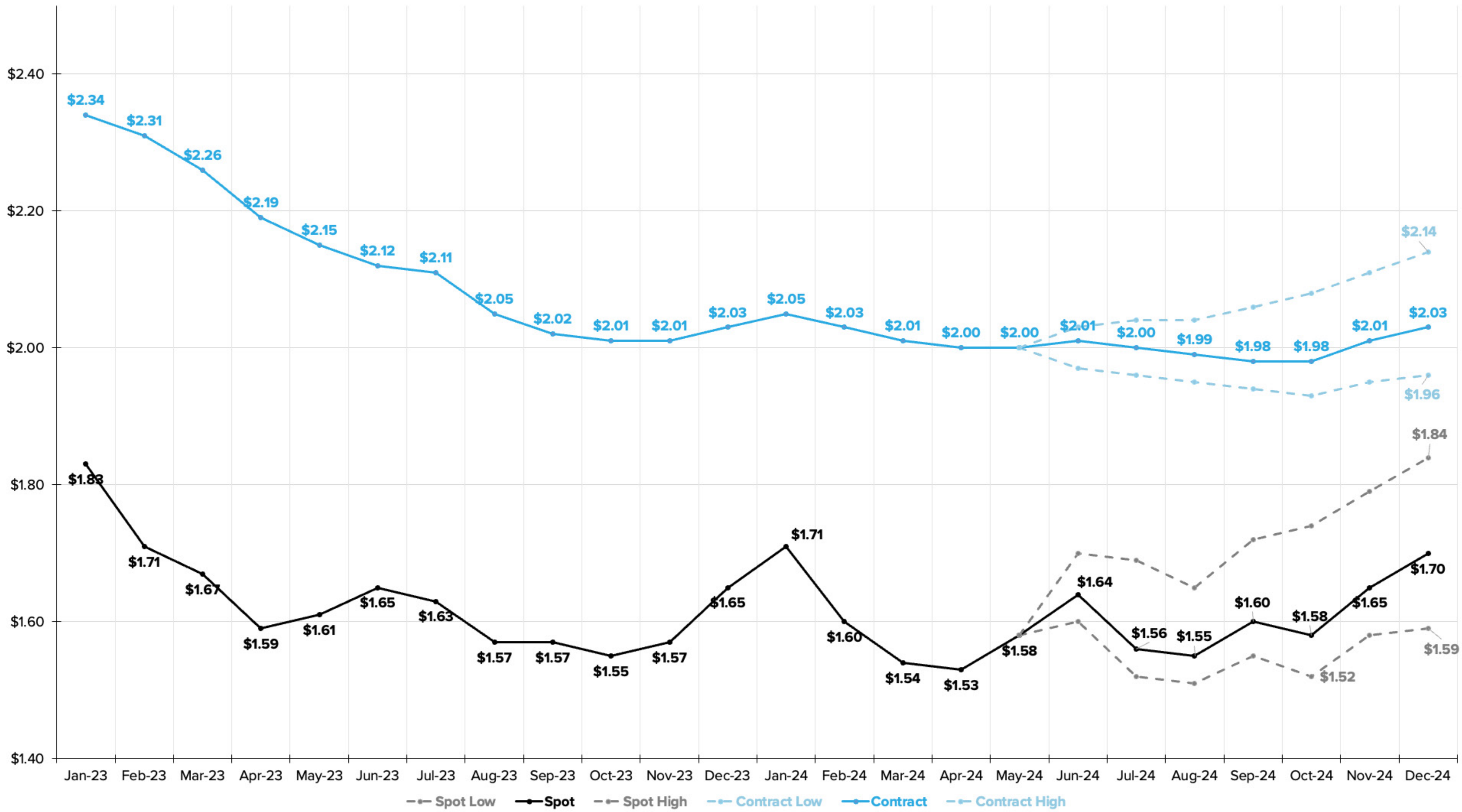
- Stable routing guides should continue to drive strong contract market share as limited demand shifts to the spot market.
- The downside risk associated with rising interest rates has likely passed, but until the Fed executes meaningful rate cuts, upside risk from increased housing and lending activity will be limited.
- In May, manufacturing sector activity contracted for the 18th time in the last 19 months, increasing the downside risks for demand.
- The labor market is a bright spot for the economy. As long as it stays stable, we expect consumer spending to remain at current levels.

Supply

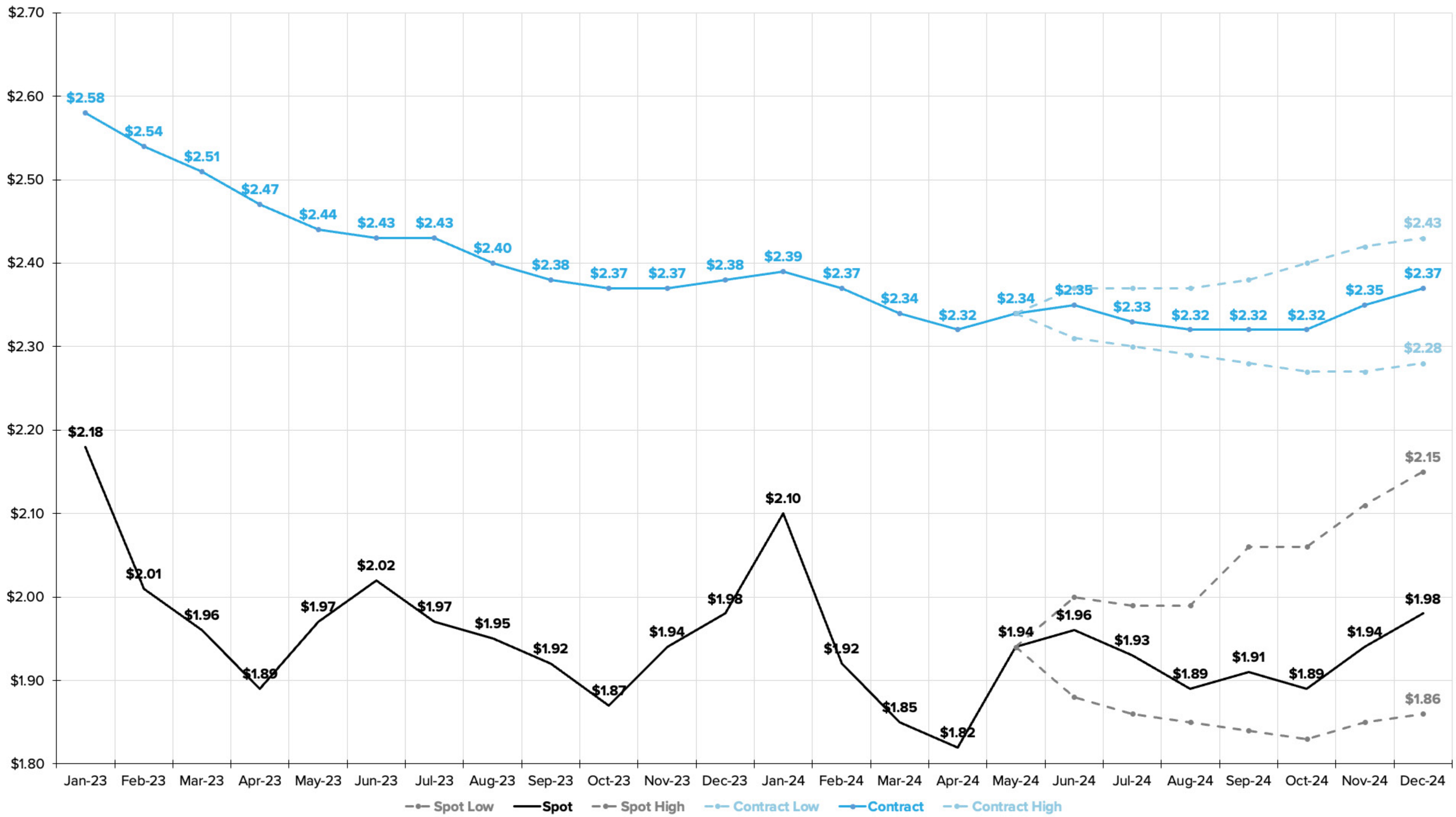
The market remains oversupplied and is thus unlikely to experience a significant enough correction to increase vulnerability to disruption in 2024.

- Significant capacity entered the market during the last inflationary rate cycle. This capacity is now undergoing a slow correction as drivers exit and authority revocations continue.
- Trucking employment is down from its peak but remains above pre-pandemic levels.
- Strong routing guide compliance for van equipment amid seasonal and weather-related disruptions indicates that capacity is still sufficient to support current demand.
- Reefer routing guides will continue to face challenges from seasonal demand surges, indicating this equipment type will be more susceptible to disruptive events this year.

DRY VAN NATIONAL FORECAST



REEFER NATIONAL FORECAST



FREIGHT FORECAST CONSIDERATIONS

This forecast outlines what we believe will be the most likely scenario based on the information available at the time of writing. The upside and downside risks presented could materialize due to unforeseen events, including but not limited to the following:

Global Tensions

Ongoing wars in Europe and the Middle East, along with the threat of more attacks in the Red Sea, could continue to impact global trade. Similarly, tensions between China and Taiwan could affect Asia-U.S. relations and trade, particularly regarding Taiwan's significant semiconductor production.

Economic Conditions

Although a recession seems unlikely in the short term, uncertainty remains. Effects from elevated inflation and interest rates are still emerging and could worsen conditions faster than expected, leading to declining trucking demand due to reduced consumer spending and manufacturing slowdowns.

Severe Weather / Drought

Severe weather frequently disrupts the freight market. Winter storms early in Q1 had a notable impact, potentially indicating the market's response to future weather-related disruptions. Additionally, forecasts for this year's hurricane season show a high probability of numerous large storms, which have historically acted as inflationary catalysts.

Carrier Profitability

Spot rates have remained below the operating cost per mile for public truckload carriers for most of the past year. When this happens, spot rates usually rebound or experience upward pressure because rates can only fall so far before carriers start losing money and exit the market. This scenario creates a rate floor, which is why our forecasted spot rates typically trend downward. As more capacity exits the market, spot rates will likely reset higher after each period of seasonal volatility.

Fuel Volatility

Volatile fuel prices have impacted forecast trends, with rapid fuel surcharge changes complicating the measurement of forecast errors. These fluctuations can also alter shipper and carrier behavior. For instance, rapidly declining fuel costs create more favorable conditions for carriers and reduce pressure on shippers seeking cost reductions. Although fuel prices have been relatively stable recently, the past 2-3 years have redefined fuel price volatility.

METHODOLOGY

The national average spot and contract rates per mile used in this report are sourced from DAT and undergo no additional processing by Arrive. However, DAT sometimes updates previously published rates, which can lead to variations between our report and materials created by DAT.

Based on the macroeconomic factors impacting supply and demand in the domestic truckload freight market, we aim to set reasonable expectations for directional movements of the national average spot and contract rates published by DAT.

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