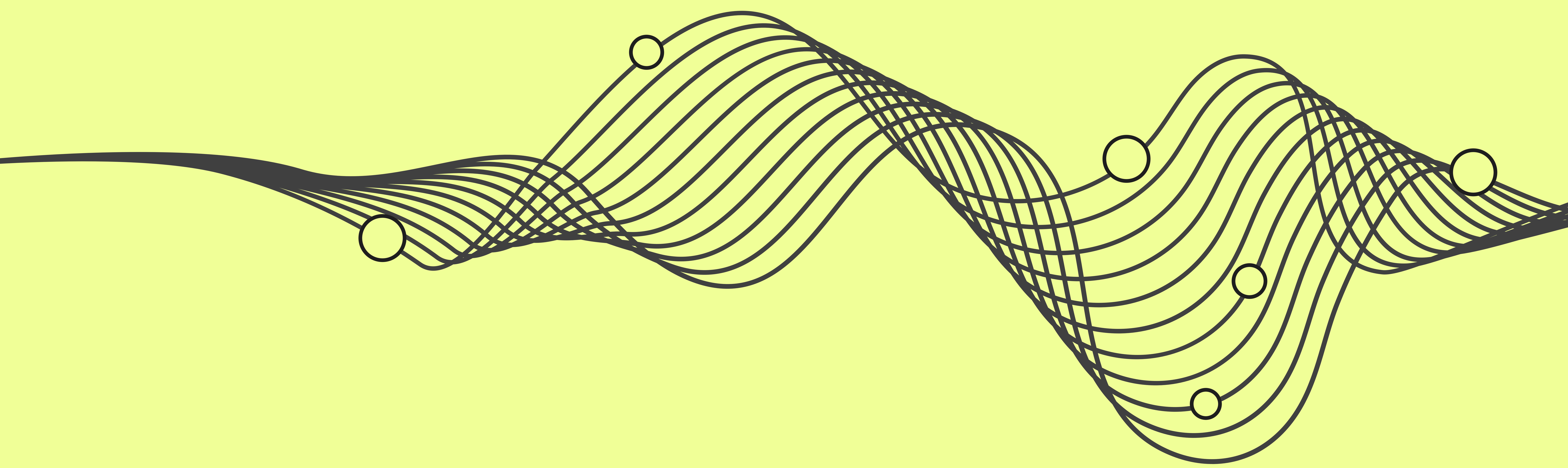
FLOCK

Maximizing the 2023 spot rate market.



A look into why spot rates were so low in 2022, predictions for 2023's rates, and how to make the market work in your favor.

Summary

In October 2022, spot rate loads posted on DAT were down by nearly 52% year-over-year. Average rates were also down by about 16% from 2021, and average rates for November 2022 were the lowest they'd seen since September 2020.[1]

After such an unprecedented year, this guide dives into:

- What caused these low rates in 2022
- Predictions for next year's freight rates
- Tips for making the most of 2023's market

Contents

What caused 2022's low spot rates?

With supply constraints and consumer demand steadily declining and the supply of carriers and class 8 truck orders only slightly increasing, the gap between contract rates and spot rates widened as spot rates plummeted—making 2022 a shipper's market.

So, what's been happening around the globe to cause these severe drops in rates?

What caused 2022's low spot rates?

1. **Dramatically rising inflation.**

When the growth of money supply increases too rapidly or when the Federal Reserve, the central banking system of the U.S., sets too low of a federal fund interest rate, inflation increases.

The inflation rate made the biggest jump in the shortest amount of time ever seen—drastically rising from 1.4% to 9.1% within 12 months.

Sitting extra low at 2.33% as of September 2022, the federal fund interest rate was a key reason for this high inflation rate.[2]

2. **Plummeting demand for goods.**

With the cost of living skyrocketing in 2022 due to inflation, consumers tightened their spending—causing the pandemic-related surge in consumer demand seen in 2021 to drastically drop off in 2022.[3]

With people buying less, demand for goods tanked—meaning that there was simply less freight to move.

What caused 2022's low spot rates?

3 **Stagnating global trade.**

As the amount of global merchandise—and, subsequently, the need for shipping—plateaued, world trade slowed.[4]

Container imports from China into the U.S. were down 23% in October from August's annual high, and the average price of shipping a 40-foot container reached its lowest cost in two years, according to the Drewry Worldwide Container Index.[1]

Additionally, between the conflict in Ukraine, pandemic-related lockdowns in China, rising inflationary pressures, multiple railroad strikes, and anticipated monetary policy tightening, world trade took disruptive hit after hit.

The halting and detouring of freight in such a volatile global landscape combined with the already low demand made predictability nearly impossible, causing carriers to bid for loads lower than they otherwise would in order to maintain some sort of profit.

2023 freight rate predictions.

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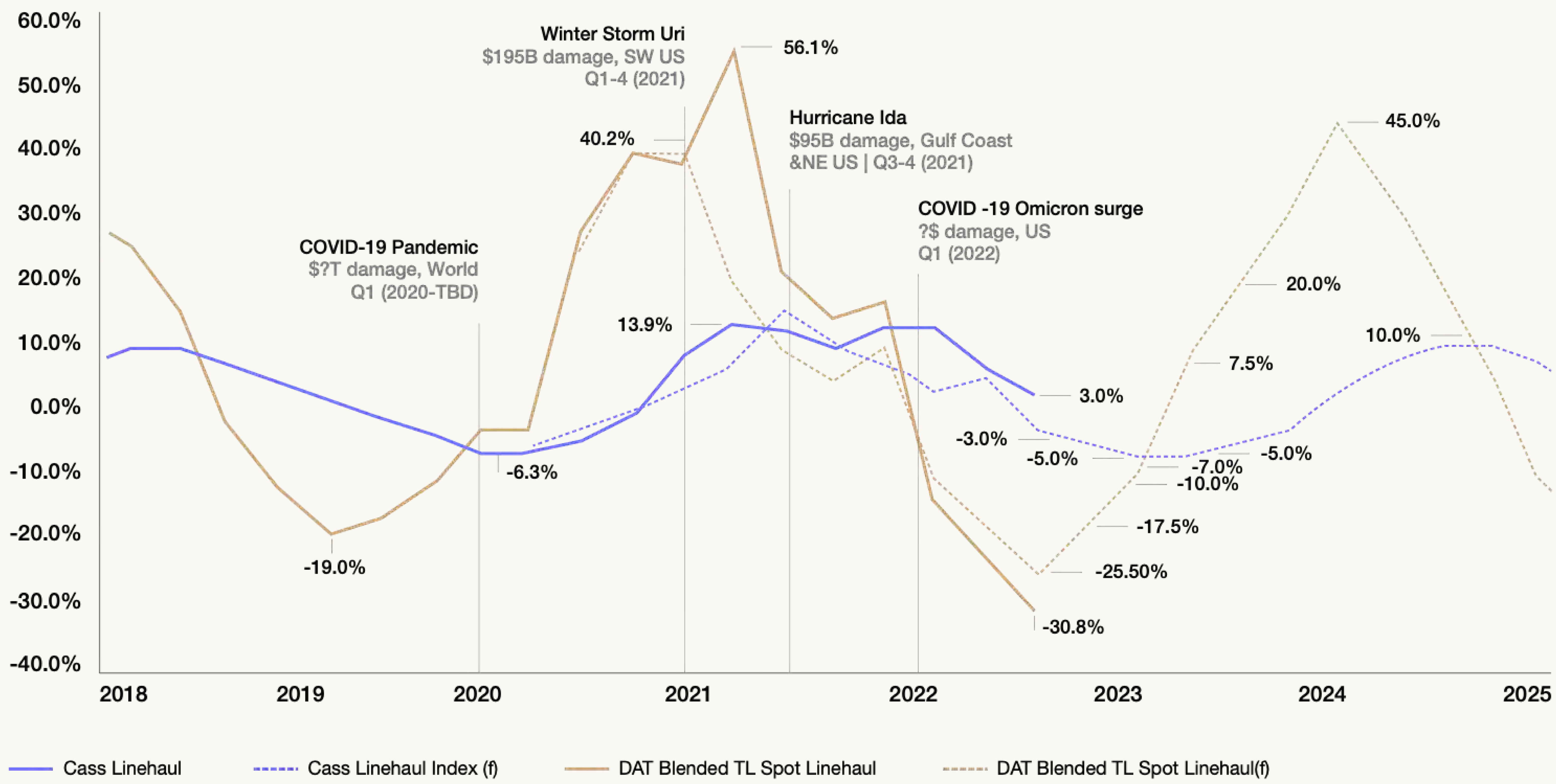
Spot rates are expected to turn back towards carrier favor in the latter half of 2023, and, historically, the trend of contract rates trails spot rates.

So heading into 2023, we'll most likely see an influx of shippers looking to secure contracted rates at these low prices before the market flips.

"Look for spot rates to begin their recovery higher in the months ahead while contract rates have more room to run lower before breaking year-over-year deflationary as early as this quarter, finding a floor in mid-2023, and breaking year-over-year inflationary once again in 2024."

Chris Pickett—a market analyst with 20 years in global supply chain management and transportation market economics and Flock's COO.

The US Market Rate Cycle:
Contract Linehaul CPM vs Spot Linehaul CPM, %Y/Y



Tips for navigating the 2023 market.

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Lock in 2023 contract rates now.

With prices at an all-time low, it's a great time to lock in contract rates for 2023 so you can keep reaping the low-cost benefits for as long as possible.

Plan for carriers to go after spot rates in the later half of the year, though, as there will be more money to be made.

Diversify your carrier mix.

If you operate largely on the spot market, then it's a great idea to expand your carrier network.

Carriers want your business right now, so not putting all of your eggs in one basket will help to secure the lowest possible spot rates.

Tips for navigating the 2023 market.

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Ship more frequent, smaller loads.

Flock's patented technology optimizes for efficiency and cost savings.

Let our shared truckload service smartly combine your shipments, so you don't have to wait to fill a truckload to get your goods out the door—and can take advantage of low cost spot rates while they're still here.

Save up to 20% more with no-risk shared truckloads.

Start shipping with Flock ↗

References

1. The Logistics and Supply-Chain Slowdown Has Begun. Here's How to Take Advantage.

This Wall Street Journal article dives into how shipping prices plunged after a pandemic surge, casting a cloud over the 2022 peak season.

2. What causes inflation? Stanford scholar explains.

In this Stanford news article, Stanford economist John Taylor explains how monetary policy is a major cause of the increase in inflation in 2022.

3. Goods Barometer points to stagnating global trade growth.

The latest WTO Goods Trade Barometer issued on 23 August was steady but below the recent trend line for merchandise trade, suggesting that global goods trade continued to grow in the second quarter of 2022 but that the pace of growth was slower than in Q1 and is likely to remain weak in the second half of the year.

4. Shipping rates are still falling, in another sign that a global recession may be coming.

CNBC article details how and why freight rates continued to fall as global trade volumes slowed as a result of shrinking demand for goods.

Start shipping, start saving.

Flock Freight is a technology company that's creating a smarter, more sustainable supply chain. Our patented technology finds and fills trucks' empty spaces so shippers can save money, carriers can earn more money, and goods move terminal-free with more accuracy and fewer emissions.