

## U.S. MARKET:

<b>Gross Domestic Product</b>	<p>The U.S. GDP <b>increased at an annual rate of 2.0%</b> in the first quarter of 2018, according to the third estimate released by the Bureau of Economic Analysis in late June. The increase in real GDP reflected positive contributions from nonresidential fixed investment, personal consumption expenditures (PCE), exports, federal government spending, and state and local government spending that were partly offset by a negative contribution from residential fixed investment and private inventory investments. Imports, which are a subtraction in the calculation of GDP, increased. (Source: US BEA) As of July 6, <b>the latest GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2018 is 3.8%</b>. (Source: Federal Reserve Bank of Atlanta) <i>(The GDPNow forecast aggregates statistical model forecasts of 13 subcomponents that comprise GDP.)</i></p>
<b>U.S. Trade Deficit</b>	<p>The U.S. goods and services <b>trade deficit decreased 6.5%</b> in May 2018 to \$463.1 billion. In May, the U.S. had a trade surplus with South and Central America, Hong Kong, Brazil, United Kingdom, Saudi Arabia, and Singapore. The U.S. had a trade deficit with China, European Union, Germany, Japan, Mexico, Italy, South Korea, India, Canada, OPEC, Taiwan, and France. (Source: US DOC &amp; Census Bureau)</p>
<b>Import Volumes</b>	<p>In May 2018, the U.S. <b>imported \$210.7 billion</b> of cargo, <b>increasing 0.5%</b> from April. May imports of capital goods (\$59.0 billion) were the <b>highest on record</b>. (Source: US Census)</p>
<b>Export Volumes</b>	<p>In May 2018, the U.S. <b>exported \$144.9 billion</b> of cargo, <b>increasing 2.6%</b> from April and the <b>highest on record</b>. The May export of foods, feeds, and beverages (\$14.1 billion), capital goods (\$48.2 billion), non-petroleum goods (\$130.0 billion), and other goods (\$6.2 billion) were the <b>highest on record</b>. (Source: US Census)</p>
<b>Import &amp; Export Price Index</b>	<p>U.S. import prices <b>decreased 0.4%</b> in June 2018, the largest monthly drop since the index decreased 0.5% in February 2016. Lower prices for nonfuel and fuel imports contributed to the June decline. U.S. export prices <b>increased 0.3%</b> in June, with higher nonagricultural prices more than offsetting decreasing prices for agricultural exports. (Source: Bureau of Labor Statistics)</p>
<b>Unemployment Rate</b>	<p>The unemployment rate in America <b>increased to 4.0%</b> in June 2018. The increase was thought to be due to the official number of unemployed rising by 499,000 and the official size of the labor force rising by 601,000. This indicates that many people who were previously not looking for work began to look, and thus are now being counted in the official unemployment number. A preliminary <b>213,000 net new jobs were created</b> in June 2018, about equal to the average 215,000 in the first six months of 2018. <b>In the first half of 2018, 1.29 million net new jobs were created, the most since 2015</b>. The unemployment rate in <b>Georgia was 4.1%</b> in June 2018, <b>down from 4.2%</b> the previous month. (Source: US DOL, GDOL, AAR)</p>
<b>Labor Force Participation Rate</b>	<p>The labor force participation rate slightly <b>increased to 62.9% in June 2018</b>. The labor force participation rate for those of prime working age (25-54) was 82.0% in June, up from 81.8% the previous month. (Source: U.S. Bureau of Labor Statistics, AAR, FRED) <i>(The Workforce Participation Rate measures the share of Americans at least 16 years old who are either employed or actively looking for work)</i></p>
<b>Leading Economic Index</b>	<p>The Leading Economic Index for the U.S. <b>increased 0.5%</b> in June 2018, ending at a reading of 109.8. According to The Conference Board, "The widespread growth in leading indicators...does not suggest any considerable growth slowdown in the short-term." (Source: Conference Board   Note: The LEI was recently revised the seasonally adjusted index to 2016 = 100) <i>(The LEI is a composite of 10 economic indicators that together create an analytic system designed to signal peaks and troughs in the business cycle. The LEI reveals patterns in economic data in a clearer and more convincing manner than any individual component alone.)</i></p>
<b>Housing Starts</b>	<p>In May 2018, housing starts were an annualized 1,350,000 units, <b>up 5.0%</b> from the previous month, <b>20.3% higher</b> from May 2017, and <b>the most for any month since July 2007</b>. The index of pending home sales (sales that haven't closed yet but contracts have been signed) was 105.9 in May 2018, <b>down 0.5%</b> from the previous month. According to the National Association of Realtors, "This year's spring buying season will go down as one of unmet expectations. Realtors in most of the country continue to describe their markets as highly competitive and fast moving, but without enough new and existing inventory for sale, activity has essentially stalled. With the cost of buying a home getting more expensive, it's clear the summer months will be a true test for the housing market. One encouraging sign has been the increase in new home construction to a 10-year high." (Source: U.S. DOC, National Association of Realtors)</p>
<b>Light Vehicle Sales</b>	<p>New light vehicle sales were an annualized and seasonally adjusted 17.4 million in June 2018, <b>up 3.2%</b> from the previous month, <b>5.4% higher</b> from June 2017, and tied for the <b>highest level so far this year</b>. Light truck sales (pickups, minivans, and SUVs) accounted for 68.0% of sales in June, and now typically outsell cars by 500,000 or more units per month. (Source: AAR) <i>(Light vehicle sales record the number of domestically produced units of cars, SUVs, mini-vans, and light trucks that are sold. Because motor vehicle sales are a large part of consumer spending in the United States, the motor vehicle sales data can provide important information on consumer-spending trends and on the overall direction of the economy.)</i></p>

<b>Personal Income</b>	<p>Personal Income <b>increased 0.4%</b> to \$17.0 trillion in May 2018. The increase in May primarily reflected increases in wages and salaries, personal interest income, and nonfarm proprietors' income. During Q1 2018, Personal Income in Georgia was estimated at \$463.3 billion, an <b>increase of 4.0%</b> from Q4 2017. (Source: U.S. Bureau of Economic Analysis) <i>(Personal income is the income received by a person from all sources. It includes income from domestic sources as well as the rest of the world. It does not include realized or unrealized capital gains or losses).</i></p>
<b>Retail Sales</b>	<p>Advanced estimates of retail and food service sales in June 2018 were <b>\$506.8 billion, an increase of 0.5%</b> from the previous month, and <b>up 6.6%</b> from June 2017. Non-store retail sales were <b>10.0% higher</b> from the same month last year. (Source: US Census) <i>(Non-store retail sales are measured on a monthly basis and include internet-only sales outlets as well as other direct-to-customer channels)</i></p>
<b>E-Commerce</b>	<p>The estimate of U.S. retail e-commerce sales for the first quarter of 2018, adjusted for seasonal variation, was \$123.7 billion, an <b>increase of 3.9%</b> from the fourth quarter of 2017 and <b>16.4% higher than the first quarter of 2017</b>. E-commerce sales in the first quarter of 2018 accounted for 9.5% of total sales. (Source: US Census) <i>(E-Commerce sales are measured on a quarterly basis and include the sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online.)</i></p>
<b>Consumer Confidence</b>	<p>The Consumer Confidence Index slightly <b>decreased to 126.4</b> in June 2018, <b>down 1.9%</b> from the previous month. According to The Conference Board, "Consumers' assessment of present-day conditions was relatively unchanged, suggesting that the level of economic growth remains strong. While expectations remain high by historical standards, the modest curtailment in optimism suggests that consumers do not foresee the economy gaining much momentum in the months ahead." (Source: The Conference Board) <i>(The consumer confidence index is based on a monthly survey of 5,000 U.S. household. It is designed to gauge the financial health, spending power, and confidence of the average U.S. consumer.)</i></p>
<b>Consumer &amp; Producer Price Index</b>	<p>The Consumer Price Index for all urban consumers was <b>250.9 in June 2018, up 0.1%</b> from the previous month. The indexes for shelter, gasoline, and food all rose, leading to the seasonally adjusted increase in the all items index. The Producer Price Index for final demand was 116.4 in June, an <b>increase of 0.3%</b> from the previous month. In June, most of the rise in the index for final demand was attributable to a 0.4% advance in prices for final demand services. (Source: US Bureau of Labor Statistics)</p>
<b>Small Business Optimism Index</b>	<p>The Small Business Optimism Index was 107.2 in June, <b>down 0.6% from the previous month but the sixth highest level recorded</b>. Since December 2016, the Index has averaged an unprecedented 105.4, well above the 45-year average of 98 and rivaling the all-time high of 108.0 in July 1983. Out of 10 index components, five posted gains and five declined. (Source: National Federation of Independent Business) <i>(This Index collects data from small businesses on economic topics ranging from current job openings to expected credit conditions)</i></p>
<b>Industrial Production and Capacity Utilization</b>	<p>The Industrial Production Index was 107.7 in June 2018, an <b>increase of 0.6%</b> from the previous month and <b>3.8% higher than June 2017</b>. Year-over-year, Capacity Utilization for the industrial sector <b>increased 1.5%</b> in June 2018 to 78.0%. (Source: Federal Reserve) <i>(The industrial production and capacity utilization rates cover manufacturing, mining, and electric and gas utilities. The industrial detail provided by these measures helps illuminate structural developments in the economy)</i></p>
<b>Manufacturing &amp; Trade Sales</b>	<p>Total combined sales and manufacturing shipments totaled nearly <b>\$1.45 trillion</b> in May 2018, <b>up 1.4% from the previous month and up 8.6% from May of the previous year</b>. (Source: US Census)</p>
<b>Manufacturing &amp; Trade Inventory</b>	<p>Total value of inventory on-hand is estimated at <b>\$1.94 trillion</b> in May 2018, <b>up 0.4% from the previous month and up 4.4% from May of the previous year</b>. (Source: US Census)</p>
<b>Purchasing Managers Index</b>	<p>The National PMI <b>increased to 60.2%</b> in June 2018, an <b>increase of 150 basis points</b> from the previous month. New Orders <b>decreased 20 basis point to 63.5%</b>, however the index has been at 60% or above for 14 straight months. Production <b>increased 80 basis points to 62.3%</b>, the highest level in five months. In June, 17 out of the 18 manufacturing industries tracked by the ISM reported growth. (Source: Institute for Supply Management) <i>(The PMI combines data on new orders, inventory, production, supplier deliveries, and employment. A reading above 50 indicates that the manufacturing economy is generally expanding.)</i></p>
<b>Purchasing Managers Index in Georgia</b>	<p>Georgia's PMI <b>increased 1,070 basis points</b> month-over-month, to 75.7% in June 2018. New Orders in Georgia <b>increased to 71.4%</b> and Production <b>increased to 82.1%</b>. In the month of June, Georgia's PMI was <b>1,550 basis points above</b> the national PMI. (Source: Kennesaw State University) <i>(The PMI combines data on new orders, inventory, production, supplier deliveries, and employment. A reading above 50 indicates that the manufacturing economy is generally expanding.)</i></p>

Amazon recently announced it had sold more than 100 million products on Prime Day 2018, making it the biggest on record since it started the event in 2015. On July 10, about a week ahead of Prime Day, Coresight Research expected the event to draw more than \$3.4 billion in spending, a 40% increase over 2017. Given Amazon's generous return policy and the sheer scale of Prime Day, the retailer could see a higher return volume in the coming weeks. While it's very generous by consumer standards and has influenced return policies across the retail sector, it can also be costly when factoring in the complex reverse logistics of getting web-based purchases back to where they need to go. Amazon revealed in its 10K filing to the SEC for 2017 that it spent \$21.7 billion last year for sortation, delivery center and transportation costs. A return rate of 20% could mean more than 20 million items are on the way back through Amazon's reverse logistics system. JDA also found 40% of respondents made unplanned purchases at the time, something that could also boost the return rate. (Source: supplychaindive.com)

## U.S. Market News

### MULTIMODAL:

#### Dow Jones Transportation Index

Dow Jones Transportation Index **decreased 3.8%** in June 2018, ending at a reading of 10,344. (A price-weighted average of 20 U.S. companies in the transportation industry, average of June 1<sup>st</sup> thru June 30<sup>th</sup>. The index includes railroads, airlines, trucking, marine transportation, delivery services, and logistics companies.)

#### NASDAQ Transportation Index

NASDAQ Transportation Index **decreased 3.0%** in June 2018, ending at a reading of 5,228. (Averaged share weights of NASDAQ-listed companies classified as transportation companies, average of June 1<sup>st</sup> thru June 30<sup>th</sup>)

#### DOT Freight Transportation Service Index

The USDOT's freight transportation services index was 135.6 in May 2018, an **increase of 1.0%** from the previous month, **6.4% higher** than May 2017, and the **highest level of all time**. May marked the third time a new high has been reached in the past four months. The May increase was broad based with increases in all modes except pipelines. (Source: US BTS)

#### Cass Freight Index

The Cass Freight Shipments Index was 1.247 in June 2018, a **decrease of 4.6%** from the previous month, and an **increase of 7.2%** year-over-year. The Cass Freight Expenditures Index was 2.894 in June, an **increase of 0.7%** from the previous month and an **increase of 15.9%** year-over-year. According to Cass Information Systems, "Demand is exceeding capacity in most modes of transportation by a significant margin. In turn, pricing power has erupted in those modes to levels that continue to spark overall inflationary concerns in the broader economy. With all of this positive news taken into account, we are seeing signs that the transportation infrastructure has reached its limit, at least in the short-term, to accommodate higher rates of volume growth. As we explained in previous months, we do not fear longer-term inflationary pressure given that technology provides multiple ways to increase asset utilization and price discovery in all parts of the economy, especially in transportation." (Source: Cass Information Systems | Cassinfo.com) (Based upon transportation dollars and shipments of Cass clients comprised of over 400 shipping companies)

#### Shippers Conditions Index

The Shippers Conditions Index for April 2018 remained in double digit negative territory, **decreasing to a reading of -13.4** and signifying that there has not been capacity or rate relief for shippers in the current strong freight environment. According to FTR, "Shippers could see some stabilization in 2019 as more capacity comes on line. However, there is no expectation for lower rates on an absolute basis until at least late 2019. Total shipping costs, with transportation the largest share, are forecast to rise an estimated 12% y/y in 2018 with another 5% increase expected in 2019." (Source: FTR Transportation Intelligence | ftrintel.com) (Figures below zero indicate a less-than-ideal environment for shippers)

#### NAFTA Trade

Surface transport-related trade between the U.S. and its NAFTA partners, Canada and Mexico totaled \$102.7 billion in April 2018, **down 2.9%** from the previous month, and **up 12.7%** year-over-year. April marked the **18<sup>th</sup> straight month** in which the year-over-year value of U.S. NAFTA freight increased from the same month of the previous year. Trucks carried \$65.7 billion of U.S.-NAFTA freight and continued to be the most heavily utilized mode for moving goods to and from both U.S.-NAFTA partners. (Source: US BTS)

#### Multimodal News Clips:

Talks to renegotiate NAFTA picked up speed in July, after negotiators took a two-month hiatus to observe the outcome of Mexico's presidential election. Mexican representatives traveled to Washington D.C. for bilateral talks on July 26, and reports indicate U.S. Trade Representative Robert Lighthizer is pushing to have a deal by August. Mexican Economy Minister Ildefonso Guajardo said nine out of 30 chapters are finished, and 10 are almost complete, according to El Sol de México. The remaining topics are "very specific," he said, adding he could not predict whether a deal would be finished by August, although they would try. (Source: Supplychaindive.com)

### RAIL:

#### U.S. Freight Rail Traffic

Originations of carloads in June 2018 totaled 1,080,769 units, a **decrease of 18.1%** from the previous month but an **increase of 2.0%** from June 2017, marking the fourth straight year-over-year monthly increase. Total carloads averaged 270,192 per week in June 2018, the most for any June since 2015. For the first half of 2018, total carloads were up 1.3%, or 87,169 carloads, over the same time period the previous year. (Source: AAR.org) (Report includes rail car-loadings by 20 different major commodity categories)

## U.S. Intermodal Rail Traffic

Intermodal rail traffic totaled 1,159,973 units in June 2018, a **decrease of 17.0% from the previous month but 6.3% higher than June 2017**. Average weekly intermodal volume in June 2018 was 289,993 units, **easily the most in history**. **The four weeks comprising June 2018 were the first, third, fourth, and fifth on the all-time weekly U.S. intermodal list**. Year-to-date intermodal volume through June was **7,153,557 units, up 6.0%** over the same period last year and on track to making 2018 a record year for intermodal. (Source: AAR.org) *(Report includes rail car-loadings by 19 different major commodity categories as well as intermodal units)*

## Railroad Fuel Price Index

The index of average railroad fuel prices in June 2018 was 444.6, **down 1.7%** from the previous month and **48.3% higher** year-over-year. (Source: AAR.org)  
*(Average monthly price for gallons purchased by freight railroads; Includes federal excise taxes, transportation, and handling expenses)*

## Class 1 Railroad Employment

Railroad employment in May 2018 **increased 0.7% from the previous month** to 147,000 employees total, the **biggest month-to-month increase since April 2015**. In May, the increase was spread among most employee categories, especially the train and engine category (rose by 702). (Source: U.S. STB, AAR)

## Short Line Rail Traffic

In May 2018, short line railroad shipments across North America **increased 7.5% from the previous month and increased 2.6% year-over-year**. A sampling of about 500 short line and regional railroads **loaded 379,189 railcars** and intermodal units during the month of May. Metals and products led gains with a 19.8% increase. Coal led declines, with a decrease of 8.8%. (Source: Railinc Short Line and Regional Traffic Index)

## Railroad News Clips:

Railroading entered a brave, new world as the first fully-autonomous freight train completed its initial run in Australia. Global mining conglomerate Rio Tinto marked the first delivery of iron ore by an autonomous train as part of its AutoHaul program. On July 10, the train, hauled by three locomotives and carrying around 28,000 metric tons of iron ore, traveled more than 175 miles without a driver in the cab. It was monitored remotely by operators from the company's Operations Centre in Perth, more than 900 miles away. Locomotives carrying AutoHaul software are fitted with on-board cameras allowing for constant monitoring from the Operations Centre. Executives from at least one North American Class I, Norfolk Southern, which has established an autonomous technology facility in Atlanta, have visited Australia to inspect the Rio Tinto operation. (Source: Railwayage.com)

## TRUCKING:

## Truck Tonnage Index

The ATA's seasonally adjusted For-Hire Truck Tonnage Index was 113.0 in June 2018, a **decrease of 0.4% from the previous month and an increase of 7.8% from June 2017**. According to ATA Chief Economist Bob Costello, "In the second quarter, we saw the tonnage index jump 1.8% from the previous quarter and 8.4% from a year earlier. This robust growth fits with what is likely to be a very strong GDP reading for the second quarter. I expect the growth in tonnage to moderate, but remain at very high levels in the months ahead." (Source: American Trucking Associations | Trucking.org. Note: ATA recently revised the seasonally adjusted index to 2015 = 100)

## Truckload Freight

The spot market for truckload-freight available for pick-up in June 2018 **increased 2.5%** compared to the previous month, and was **72% higher** year-over-year. Truck capacity **decreased 14%** for the month, and **increased 1.5%** year-over-year. (Source: DAT Trendlines | www.dat.com)

## Refrigerated Trucking

In June 2018, refrigerated loads posted on load boards **increased 22%** while refrigerated truck posts **decreased 15%**, compared to the previous month. That caused the load-to-truck ratio to **increase 43%** to 13.1 loads per truck. The ratio was **up 30%** compared to June 2017. In June, the national reefer rate was \$2.69 per mile, \$0.16 higher than the previous month and \$0.58 higher than June 2017. (Source: DAT Trendlines | www.dat.com)

## Trucking Conditions Index

The Trucking Conditions Index in May 2018 **was unchanged, staying at a reading of 11.4**, reflecting continued full capacity utilization. According to FTR, "Key indicators of freight demand such as manufacturing and construction remain strong. Aside from any major negative impacts due to trade relations, which is difficult to forecast at this stage, freight demand should lead to even stronger trucking conditions in the near term. On the other hand, despite aggressive recruiting, a very tight labor market has allowed trucking companies to add only modestly to the driver force, keeping the industry at full active utilization. Therefore, two critical external factors in coming months will be trade and the labor market. Another factor will be the fuel environment as the direction of diesel and crude prices is unclear. Fuel pricing has risen a couple of times recently only to moderate slightly each time." (Source: FTR Transportation Intelligence | ftrintel.com) *(Figures below zero indicate a less-than-ideal environment for trucking)*

## Diesel Prices

As of July 9, 2018 the U.S. average diesel price was **\$3.23 per gallon**. The U.S. average diesel price was **\$0.74 lower** than the same week last year. The average price of diesel in the Southeastern Atlantic states was **\$3.10 per gallon, 4.0% less than the national average price**. (Source: U.S. DOE) *(Reflects the costs and profits of the entire production and distribution chain.)*

## Trucking Employment

The trucking industry workforce **increased by approximately 2,500 employees to 1,477,400 employees total** in June 2018. The trucking industry workforce **increased 0.2%** over the previous month and **increased 0.5%** over June 2017. (Source: U.S. Bureau of Labor Statistics)

## Trucking Earnings and Hours

The average earnings of truck transportation employees were \$24.09/hour in May 2018, **down 0.3%** from the previous month. The average weekly hours totaled 41.8 in May, **up 0.2%** from the previous month. (Source: U.S. Bureau of Labor Statistics)

## U.S. Truck & Trailer Orders (Class 8)

Preliminary data for heavy-duty Class 8 trucks net orders in North America were **41,800 units** in June 2018, an **increase of 18%** from the previous month, **140% higher year-over-year**, and the **highest June on record**. Fleets are ordering such large numbers of trucks that the OEM production cannot keep up with demand due to component shortfalls. The backlogs are being moved out further, which is pushing fleets to get orders in sooner rather than later so they can find a build slot. North American Class 8 orders for the past twelve months have now totaled 411,000 units. Preliminary June 2018 net trailer orders came in at **18,600 units**, **down 12.3%** from the previous month, and **down 1.6%** from June 2017. June numbers reflected the traditional slow-down that is seen during the summer months. According to FTR, “You can expect order rates to remain subdued for a couple of months. Fleets should begin placing substantial orders for 2019 beginning in September, a month earlier than normal, because production next year is expected to be hefty once again.” (Source: FTR Transportation Intelligence | ftrintel.com)

## Trucking News Clip

The Department of Transportation (DOT) is planning a test program that will allow 18- to 20-year-olds with the military equivalent of a commercial license to operate large trucks in interstate commerce. The current law requires such drivers to be 21 years of age or older. The basic training programs for heavy vehicle operations in the military were reviewed by both the Federal Motor Carrier Safety Administration (FMCSA) and the American Association of Motor Vehicle Administrators and determined to be equal to, or greater than, the standards required for a civilian CDL applicant. The young drivers will be hired and monitored by carriers approved by the FMCSA. Their safety records will be compared with those of a control group of drivers. They would not, however, be allowed to transport passengers or hazardous materials. (Source: supplychaindive.com, ttnews.com)

## AIR FREIGHT:

### Air Cargo Traffic

Global air freight traffic in May 2018 **increased by 4.2% year-over-year**. According to the IATA, “In a clear sign of the recent moderation in the upward demand trend, May was just the second month in two years in which annual FTK growth has lagged behind its five-year average pace (currently 5.1%).” (Source: IATA.org.) (*Global air freight covers international and domestic scheduled air traffic.*)

### Atlanta Air Cargo Traffic

In May 2018, Hartsfield-Jackson Atlanta International Airport transported **59,676 metric tons** of cargo, a **2.1% increase** from the previous month and a **6.7% increase** year-over-year. (Source: HJIA)

### Air Freight Price Index

In May 2018, average airfreight rates for East-West routes decreased \$0.03 from the previous month but were still up by 10.7% year-over-year to \$2.70. This is one area that is likely to continue its robust growth through at least June, and Drewry reports that it expects rates “to rise in June on the back of higher trans-Pacific rates.” (Source: Drewry, [aircargoworld.com](http://aircargoworld.com)) (*The Drewry East-West Air Freight Price Index is based on the average of rates (\$US per kg) for air freight services on 21 major East-West routes.*)

### Jet Fuel Prices

As of July 13, 2018 the global average jet fuel price was \$88.10 per barrel; **down 1.6%** from the previous month, and **47.2% higher** year-over-year. (Source: IATA.org, [platts.com](http://platts.com)) (*The weekly index and price data shows the global average price paid at the refinery for aviation jet fuel*)

### Air Freight News Clips:

Delta Cargo and Korean Air Cargo have launched a joint-venture partnership to share belly capacity and facilities in a move to capture demand for trans-Pacific airfreight services. The partnership introduces Korean Air to Delta’s intercontinental U.S. market, which will align it to import products, such as cell-phones, auto parts and electronics to North America. Heading west, Delta anticipates carrying perishables and various e-commerce goods from the Americas. Combined, the joint network will encompass 290 destinations in the Americas and more than 80 in Asia. “The partnership also means a host of new destinations with commercial and logistics solutions across Asia and North America for these important markets,” said Shawn Cole, vice president of Delta Cargo. The agreement is an expansion of a decade-long relationship between the two carriers – both founding members of the SkyTeam global airline alliance, which has 20 members, including Air France-KLM, AeroMexico and China Eastern Airlines. (Source: [Aircargoworld.com](http://Aircargoworld.com))

## OCEAN FREIGHT:

### Import Volumes by Ocean

In May 2018, the latest month for which after-the-fact numbers are available, U.S. container ports handled 1.82 million TEUs, an **11.6% increase** from the previous month, **4.3% higher** than May 2017, and **tied for the record number of TEUs imported during a single month** (record set in August 2017). According to the Global Port Tracker report, even though new tariffs on goods from China just took effect, “retailers cannot easily or quickly change their global supply chains, so imports from China and elsewhere are expected to continue to grow for the foreseeable future.” July and August are forecasted to be record-setting months, according to the report. (Source: NRF/Hackett Associates)

## Shanghai Containerized Freight Index

The July 13<sup>th</sup> SCFI comprehensive reading was **\$825 per FEU, up 6.2%** from last month. The spot rate for shipments to the U.S. East Coast was **\$2,710 per FEU, up 21.2%** from the previous month. (Source: Shanghai Shipping Exchange | [www1.chineseshipping.com.cn/en](http://www1.chineseshipping.com.cn/en)) *(The Shanghai Containerized Freight Index reflects the spot rates of the Shanghai container transport market. It is a weekly reported average spot rate of 15 major container trade routes exported from Shanghai to regions around the globe.)*

## Baltic Dry Index

The Baltic Dry Index **increased 27.1%** in June 2018, ending at 1,385. Compared to June 2017, the index **increased 53.7%**. (Source: [www.bloomberg.com/quote/BDIY:IND](http://www.bloomberg.com/quote/BDIY:IND).) *(The Baltic Dry Index is an index that tracks and averages worldwide international shipping prices of various dry bulk cargoes.)*

## Port of Savannah

The Port of Savannah moved **370,725 TEUs** in June 2018, a **2.7% increase** from the previous month, **9.8% higher** compared to June 2017, the **busiest June in GPA history**, and the **20<sup>th</sup> consecutive month** of positive year-over-year growth. In Fiscal Year 2018 (July '17 – June '18), the GPA handled a **record 4.2 million TEUs, 8.4% higher than FY 2017**. Total cargo crossing all GPA docks in FY18 grew by 8%, or 2.6 million tons, to reach a **record 36 million tons** of containerized, breakbulk and bulk cargoes. (Source: GPA)

## Port of Brunswick

During Fiscal Year 2018, forest products at Mayor's Point Terminal in Brunswick **increased by 34.5%**, up 35,953 tons, for a total of 138,653 tons. (Source: GPA)

## Ocean Freight Business News:

ZIM Integrated Shipping Services and the members of the 2M Alliance, Maersk Line and Mediterranean Shipping Company (MSC), have announced a new strategic cooperation on the Asia – US East Coast trade. Starting in early September 2018, the parties will operate together five loops between Asia and the US East Coast. ZIM will operate one loop and 2M will operate four loops, and the parties will swap slots on all loops. The new cooperation offers ZIM's customers a more comprehensive product portfolio, with a wider range of direct calls in Asia and the US and faster transit time. In addition, it is expected to generate cost efficiencies for ZIM. (Source: Zim.com)

## WAREHOUSING & DISTRIBUTION:

## Industrial Vacancy

The **nationwide vacancy remained low during the second quarter of 2018, ending at 5.2%**. This is identical to the vacancy rate recorded since the fourth quarter of 2017 as well as the rate recorded one year ago. None of the 49 markets tracked by NGKF had a double-digit vacancy rate as of Q2 2018. According to NGKF, this speaks to the overall strength of the national industrial market and also helps to explain why investors have become keen on this product type. According to NCREIF, the U.S. industrial sector achieved a 3.25% unlevered total return during Q1 2018, far outperforming all other property sectors. Industrial outperformed the second-best performing sector, office, by 145 basis points during Q1 2018. The vacancy rate in **Atlanta, GA was 5.2%** in Q2 of 2018. (Source: NGKF)

## Warehouse Rent Rates

In Q2 2018, the average asking rent across the U.S. was **\$6.79/SF, up 1.8%** from the prior quarter **and the highest average recorded this cycle**. According to NGKF, e-commerce tenants are demanding top-quality distribution centers that can offer higher ceiling heights and automated warehouse management systems, which are helping to drive rents to record highs. **The average asking rent in Atlanta was \$4.94/SF in Q2 2018**. (Source: NGKF)

## Industrial Absorption

Net absorption in the U.S. increased by nearly 3.0 million square feet during Q2 2018, totaling 56.1 million square feet. Of the 49 industrial markets tracked by NGKF, 17 absorbed 1 million square feet or more in Q2, including Atlanta which absorbed 5.3 million square feet. (Source: NGKF) *(Absorption is the net change in occupied space between two points in time. Positive absorption means that previously unoccupied space is being occupied.)*

## Warehouse Employment

The nationwide warehousing industry workforce **increased by 800 employees** to 1,032,500 employees total in June 2018. The warehouse industry workforce **increased 0.1%** from the previous month and **increased 8.5%** year-over-year. (Source: U.S. Bureau of Labor Statistics)

## Warehouse Earnings and Hours

The average earnings of warehousing & storage employees across the U.S. were \$20.04/hour in May 2018, **down 0.7%** from the previous month. The average weekly hours totaled 42.0 in May, **unchanged** from the previous month. (Source: U.S. Bureau of Labor Statistics)

## W&D Business News:

- Private equity groups Stonepeak Partners LP and D1 Capital Partners, along with additional existing backers, are acquiring minority stakes worth a total of \$700 million in Lineage Logistics LLC, the second-largest global refrigerated storage company. Lineage customers include Walmart Inc., Tyson Foods Inc., General Mills Inc. Sysco Corp. and others. Its real estate holdings are worth an estimated \$4 billion, according to the company. The deal comes as private-equity investors are pushing more money toward cold-storage operations, a market where the high cost of warehouse development and low margins had long deterred investment. But with consumer tastes pivoting toward fresh food and e-commerce companies driving high growth in grocery delivery, demand for refrigerated warehouse space has climbed, boosting financial returns, analysts say. Private equity still accounts for only a small slice of the market, but that has been edging upward. (Source: Wall Street Journal)

- Five Below, a leading high-growth value retailer, will create 130 jobs and invest \$70 million to build a new distribution center in Monroe County, Georgia. The initial investment includes \$42 million in land and building and approximately \$28 million in machinery and equipment. Additional investment will occur over the next five years. “Five Below is excited to expand our distribution network in the state of Georgia,” said Five Below President and CEO Joel Anderson. “This distribution facility is expected to support Five Below’s store growth through the Southeast. We believe our ability to expand in Georgia to service our customers and our commitment to provide opportunities for employment will create a positive economic impact for the region.” (Source: Georgia.org)
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**Emily Schrenk Butler, Senior Project Manager | [EButler@georgia.org](mailto:EButler@georgia.org) | 912.966.7842**