FOURKITES

REPORT /

The Trends Shaping Manufacturing Supply Chains in 2024

FourKites Report Sheds Light on Manufacturing's Shift to the Americas and Changes in Consumer Habits

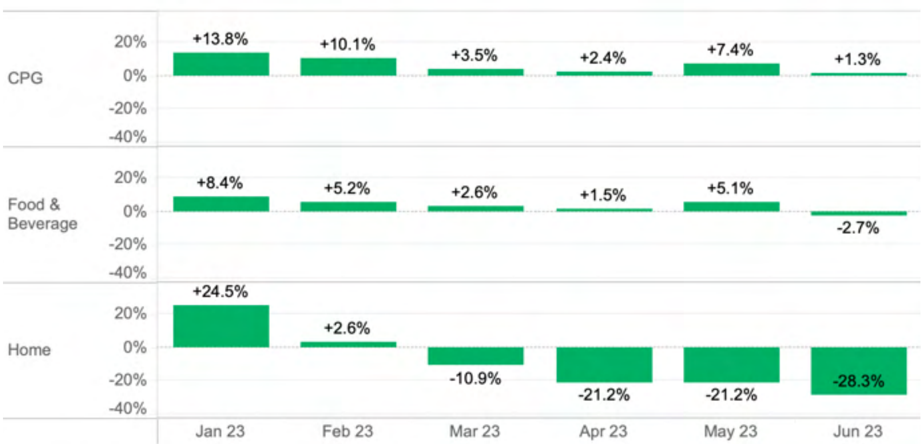
As the global landscape shifts with trends like nearshoring, the sting of high inflation and the unpredictability of consumer demand, it becomes imperative to understand their impact on supply chain operations. In this report, we look at how these trends are impacting volumes and dwell times and discuss the insights and strategies that supply chain professionals can leverage to navigate the challenges and capitalize on the opportunities ahead.

SHIFTING CONSUMER BEHAVIOR TAKES ITS TOLL

Recession concerns have significantly diminished due to robust consumer spending. However, certain sectors, such as home appliances, have experienced a slight downturn. “Consumers are using their paychecks to spend on necessities in food & beverage and consumer packaged goods categories,” explains Tom Gregorchik, vice president of manufacturing strategy, “and the volumes have increased, showing more down-branding to private label products than before.”

Home Goods Underperform in Recent Months Compared to Food & Beverage and CPG

Monthly over-the-road manufacturing shipment volume in North America for consumer goods (year-over-year % change)



Source: FourKites Tracking Data (2023)
Shipments represent tracked loads for FourKites customers.

In contrast, a softening real estate market, lower housing starts and inflation-weary consumers have driven down shipment volumes for home expenditures, with FourKites seeing a 28% decline on a year-over-year basis in June 2023. A trend that started after the significant surge in home-related purchases during the Covid-nesting period quickly tapered off starting in 2021 as inventory dried up in the face of shipping challenges.

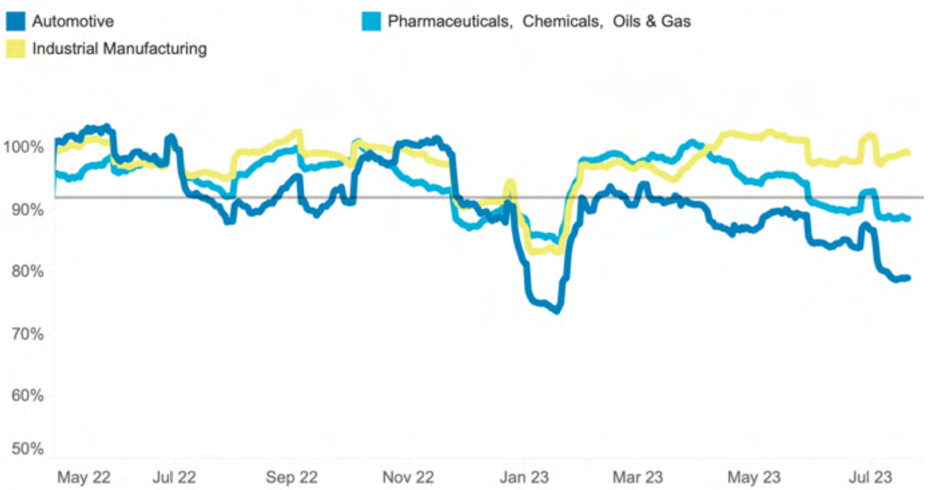
The recovery of inventory levels held by companies over the past 12 months has helped soften the blow of higher interest rates. Rather than invest in purchase orders over the last year, and taking advantage of accrued inventory, manufacturers have begun de-risking their supply chain by executing on their reshoring strategy – and it’s beginning to show in the data.

THE BEGINNING OF A NEW AGE OF AMERICAN MANUFACTURING

Improved domestic industrial output became a prevalent theme in the first half of 2023, sending over-the-road shipments 23% higher in July while dragging APAC imports down over 50%.

Industrial Goods

28-day average over-the-road manufacturing shipment volume in North America

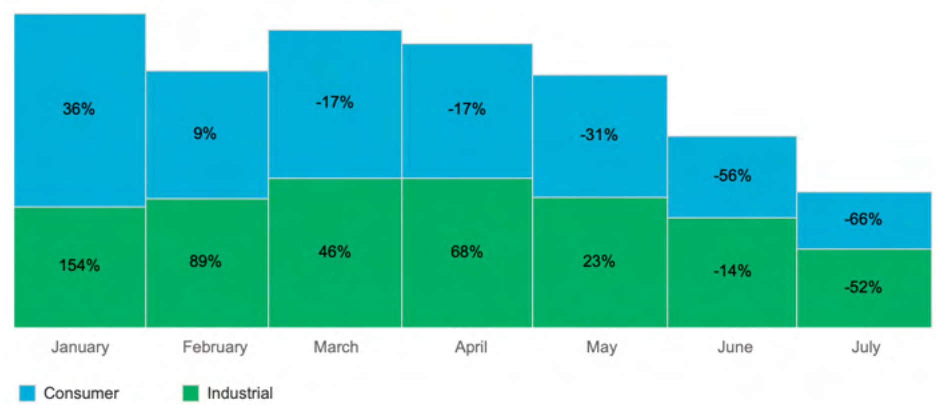


Source: FourKites Tracking Data (2023)
Shipments represent tracked loads for FourKites customers.

Meanwhile, the automotive, chemicals, oil and gas and pharmaceutical industries experienced a year-over-year decline this summer. In the July 2023 Manufacturing ISM Report, one executive in the chemical industry indicated that “sales are extremely slow entering into the second half of the year, and no upturn is expected until at least the fourth quarter.”

APAC Consumer Shipments Witnesses Decline in 2023, Hitting Lowest point in July

Monthly shipment volume (% Growth Y-o-Y)



Source: FourKites Tracking Data (2023)
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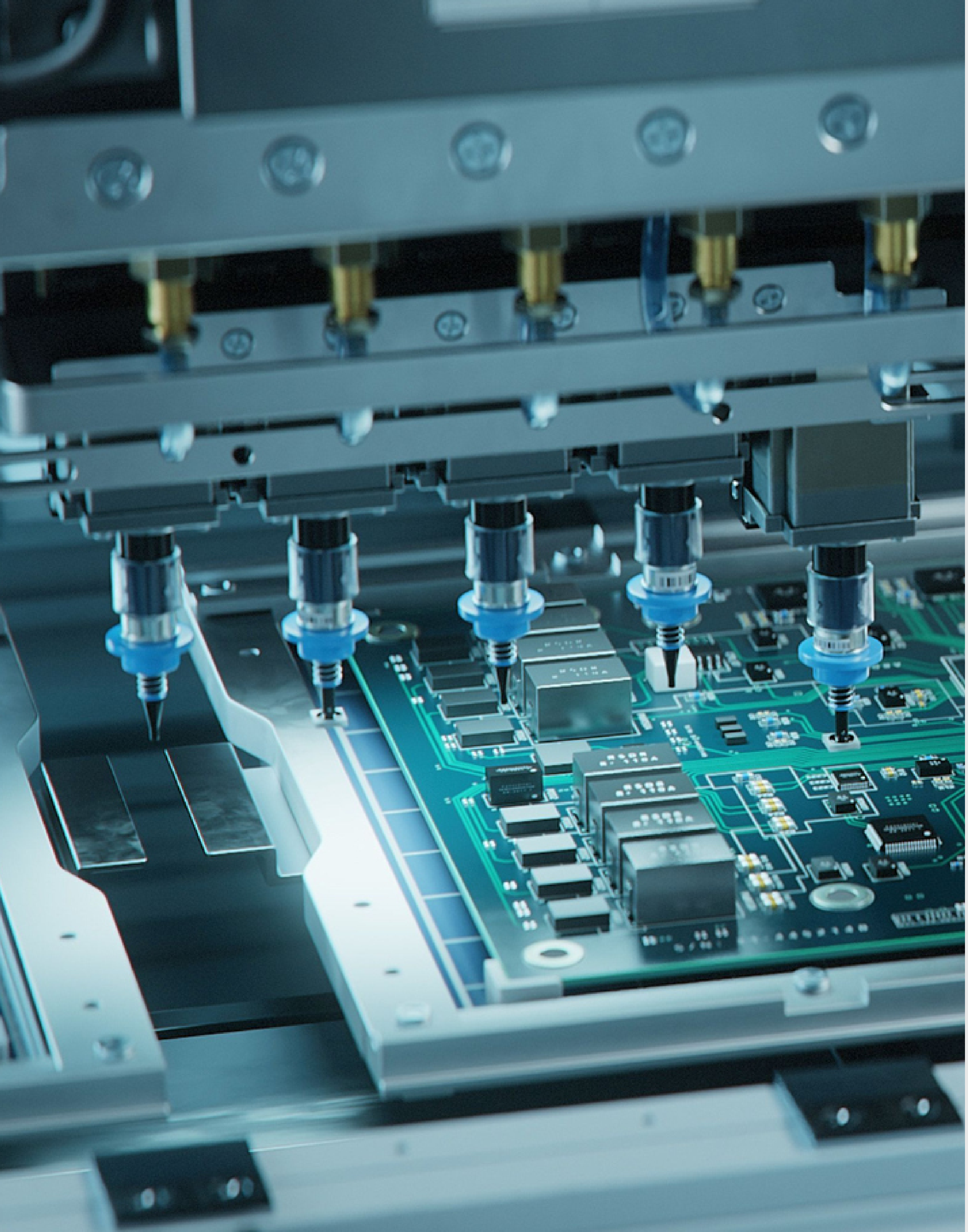
Companies began to execute their reshoring strategy, taking contracts out of low-cost East Asian countries and bringing them across the Pacific. “Reshoring not only provides more agility throughout the supply chain,” elaborates Gregorchik, “it also results in much less of an inventory investment when tying up working capital.” Many manufacturers are using this strategy to offset the impact of slower-moving goods and lower spending.

A CLEARER PATH FORWARD

While recession fears may have abated – for now – thanks to improved domestic production, the road ahead is still murky in understanding where the manufacturing sector is headed. While de-risking bets on nearshoring pave the way for leaner inventories and more agile business practices, it still has to contend with a red-hot job market.

There's a lot riding on the remainder of the year, especially running into peak season. What does remain certain is that companies that invest in digital transformation will fare best in the next disruption – be it consumer-driven or manufacturing-inflicted. Those that can out-maneuver their competitors will win market share, avoid cost catastrophes and see silver linings in even the most difficult situations.



Tom Gregorchik, Vice President of Industry Strategy, focuses on helping manufacturing companies improve transportation visibility across all modes to ensure their supply chain is running seamlessly across the network. He has over 20 years of supply chain technology expertise across different disciplines, including execution, planning and strategy. Gregorchik was previously a Senior Industry Principal at Kinaxis, supporting the sales organization in executive value industry positioning and value engineering.

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