Q1 2018 National Freight Market Overview

The U.S. Bank National Spend Index grew again during the first quarter of 2018 both sequentially and year-over-year, highlighting continued tightness in the truck market. The National Shipment Index rose for the fifth straight quarter, but by the smallest amount during any quarter over that period. Although, for a first quarter of the year, it was the second strongest on record and is quite good considering that the first three months of 2018 were expected to exhibit the softest economic growth of any quarter this year.

The National Shipment Index increased 1.4% quarter-to-quarter, which was slightly below the 1.6% rise during the previous quarter and the average

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Commentary provided by Bob Costello, ATA Senior Vice President and Chief Economist
gain of 4.2% from the first quarter of 2017 through the third quarter of last year. However, this deceleration on a quarterly basis matches the broader economic picture where inflation-adjusted gross domestic product growth jumped at least 2.9% in each of the previous three quarters, including two quarters of at least 3.1%, but was forecasted to slow to below 2% in the first quarter this year before accelerating significantly.

After surging 12.5% in the final quarter of 2017, the National Spend Index grew 1.4% to an all-time high during the first three months of this year. Compared to a year earlier, spending surged 24.5%, reflecting a very tight truck market where demand growth is outpacing available supply. Motor carriers of all types are having extreme difficulty finding qualified drivers, which is constraining capacity and pushing driver pay higher. The capacity situation will likely get even tighter throughout the year as economic growth accelerates and fleets have a difficult time adding trucks to meet that added demand.
National Shipments and Spend—Quarter-over-Quarter, Year-over-Year

The U.S. Bank National Shipment Index increased 1.4% during the first quarter, which was the fifth straight gain totaling 16.6%. This run of consecutive quarterly growth is the result of the three main drivers of freight (household consumption, factory output and construction) improving, plus leaner inventories throughout the supply chain over that period. The first-quarter sequential gain is actually the second-largest for a first quarter in the history of the index back to 2011, following the 3.5% jump in the first quarter of 2017. From 2011 through 2016, the average first-quarter percentage change was –2.9% without a single quarter over that period registering an increase. With that historical perspective, the first quarter was better than it might appear.

Spending has increased sequentially for seven straight quarters totaling 31.4%.
Compared to the first quarter of 2017, the shipment index jumped 12.6%, which was the second-largest year-over-year gain in the history of the index after the previous quarter (15%).

The spend index also rose 1.4% last quarter compared to the final three months of 2017. Spending has increased sequentially for seven straight quarters totaling 31.4%. Compared to a year earlier, the index jumped 24.5%, the second-largest year-over-year gain since 2011, just below the 24.8% increase in the final quarter of 2017.

The continued growth in the spend index both sequentially and year-over-year reflects a tight truck market, likely the tightest ever since trucking was deregulated in the early 1980s. And, with the economy expected to accelerate through the rest of the year, the market is expected to get even tighter.
Regional Shipments and Spend—Quarter-over-Quarter, Year-over-Year

Truck freight shipments by region were generally up on a quarterly basis during the first quarter of 2018, excluding a 0.3% decline in the Northeast. The Midwest was the strongest region last quarter, jumping 3.3%, due to continued strength in the factory sector, followed by a 1.6% rise in shipments in the Southwest. The Southeast and West regions saw gains in shipments from the final quarter of 2017, but less than 1%.

Spending was mixed during the first three months of the year on a sequential basis, with the Southeast and Northeast registering declines, while the other regions saw gains. The largest increase was in the Midwest at 5.2%.

On a year-over-year basis, however, all regions witnessed robust gains. In fact, all regional spending increases were double-digit from the first quarter of 2017, including a surge of 40.6% in the Midwest. These solid growth numbers highlight that capacity is constrained not only on a national average, but in all of the regions as well. Some regions are witnessing higher year-over-year gains than others, but all are robust. Some carriers and individual truckers are likely to migrate to the regions with larger gains, which could push the other regions higher in the quarters ahead.
Truck shipments and spending increases slowed during the quarter in the West compared to the previous quarter. However, both measures rose sequentially and on a year-over-year basis, so volumes remain good and capacity tight on the West Coast.

Specifically, the shipments index increased 0.2% from the final quarter of 2017, which was the fifth straight gain, albeit the smallest over that period. Since the final quarter in 2016, shipments in the region are up a robust 18.4%. Compared to the first three months of 2017, shipments jumped 12.8%, which was down from the 18.2% year-over-year gain in the fourth quarter 2017, but above the annual 10.1% increase in 2017 overall.

The spend index increased 0.5% and 15.1% from the fourth quarter and the first quarter of 2017, respectively. The year-over-year gain is the largest on record. Home building in the West remains solid, which is helping to keep the truck market constrained, but strong West Coast port volumes are also pushing truck freight volumes and spending higher in this region.

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Like nearly all the other regions, the Southwest slowed from the torrid pace in the final quarter of 2017 during the first quarter of the year. However, when considering both shipments and spend, the Southwest saw the second-best numbers during the quarter after the Midwest. Solid consumer spending and construction activity in the Southwest are keeping motor carriers busy in this region.

Sequentially, the shipment index increased 1.6% after jumping 9.1% during the fourth quarter. Shipments in this region have increased for two straight years, the longest streak of any region. Over that period, volumes are up 37.3%. Compared to a year earlier, shipments grew 20.2%, the largest year-over-year gain on record.

The lack of trucks for this increased demand pushed the spend index up 5.2% from the final quarter last year, equaling the Midwest’s increase for the largest among the regions. Compared to a year earlier, this measure surged 29.1%.

Solid consumer spending and construction activity in the Southwest are keeping motor carriers busy in this region.
After an unexpected decline of 1.4% in the final quarter of last year, truck shipments in the Midwest jumped 3.3% during the first quarter to the highest level on record. Considering the recent strength in manufacturing activity, this is no surprise. Compared to a year earlier, shipments surged 12.9%, the largest gain since U.S. Bank began the regional indexes in 2014 and significantly larger than the 5.9% annual gain witnessed in 2017.

Based on the solid volume gain, spending increased 5.2%, matching the Southwest increase for the largest sequential improvement during the first quarter. Even more impressive was the 40.6% surge from the first quarter of 2017, the largest year-over-year gain of any region in any quarter on record.

The Midwest is poised to see continued strength for the trucking industry in the quarters ahead from various sources, the largest of which will be factory activity. Output this year by factories will hit levels not seen since 2007, and 2019 should surpass that year as the highest on record.
Sequentially, the Northeast region has seen the weakest growth numbers in truck freight shipments over the last two quarters. Specifically, after no gain in the final quarter of 2017, shipments edged 0.3% lower in the first quarter of 2018. Despite that, year-over-year growth was solid in the first three months of the year at 14.2%, which more than doubled the 6.5% annual gain in 2017. One of the factors likely hurting this region’s volumes was adverse winter weather, especially late in the first quarter. Bad winter storms impacted construction activity and general freight movements for all products.

The spend index contracted 1.6% from the fourth quarter, but this was preceded by a sharp 16% gain in the fourth quarter. In fact, over the previous four quarters, spending on trucking services surged a total of 32%, so the slight setback in the first quarter of this year is not significant. Furthermore, spending in the region was up 25.5% from a year earlier, the second-largest year-over-year gain on record.

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Shipments in the Southeast rose 0.7% during the first quarter of the year, adding to the 3.3% gain during the previous quarter. This region has seen truck volumes improve for five straight quarters totaling 12.3%. Compared to a year earlier, truck shipments grew 8.2%, which was below the fourth quarter’s 11.5% jump, but still better than the 2017 annual increase of 5.8%.

Despite the gain in volumes, spending on truck freight services fell 2.7% in the first three months of the year. While it was not the only region to witness a decline in spend, it was the largest drop. However, it would be a mistake to read too much into the decline—it is likely just a seasonal issue. With spending up 13.5% from a year earlier, capacity has tightened in this region as well, and this measure, along with volumes, will increase in the quarters ahead in conjunction with a solid economy in the Southeast.

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About the Index

The U.S. Bank Freight Payment Index is a quarterly publication representing freight shipping volumes and spend on national and regional levels. The U.S. Bank Freight Payment Index source data is based on the actual transaction payment date, contains our highest-volume domestic freight modes of truckload and less-than-truckload, and is both seasonally and calendar adjusted. The first-quarter 2010 base point is 100. The chain-based index point for each subsequent quarter represents that quarter’s volume in relation to the immediately preceding quarter.

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About Bob Costello

Bob Costello is the Chief Economist and Senior Vice President for the American Trucking Associations (ATA), the national trade association for the trucking industry. As Chief Economist, he manages all of ATA’s collection, analysis and dissemination of trucking economic information. This includes monthly trucking economic data, motor carrier financial and operating data, an annual freight transportation forecast, driver wage studies, weekly diesel fuel price and economic reports, and a yearly trucking almanac. Bob also conducts economic analyses of proposed regulations and legislation affecting the trucking industry.

Bob is often cited in the news media as an expert on trucking economics, including The Wall Street Journal, Businessweek, CNBC, FOX Business Channel and National Public Radio.

In March 2010, the U.S. Secretary of Transportation appointed Bob to the Advisory Council on Transportation Statistics (ACTS), which advises the Department’s Bureau of Transportation Statistics (BTS).

Bob currently serves on the American Transportation Research Institute’s Research Advisory Committee. He is a member of the National Association for Business Economics and has served on several research and project panels for the Transportation Research Board, which is part of the National Academies. He is also a member of the Industrial Economists Group at Harvard University.

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