The U.S. Bank National Shipment Index grew for the sixth straight quarter on both a sequential and a year-over-year basis, highlighting a solid trucking industry and national economy. The National Spend Index also increased last quarter, marking the eighth quarter-to-quarter increase and the sixth year-over-year gain. The national economy, as measured by inflation-adjusted gross domestic product, is expected to show very robust growth in the second quarter, so it is not surprising that the U.S. Bank indexes also did well.

The National Shipment Index increased 1.2% sequentially, slightly below the 1.4% rise during the previous quarter. The index, however, has increased

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Commentary provided by Bob Costello, ATA Senior Vice President and Chief Economist
at a slower rate in recent quarters. This can be attributed to a couple of factors: the driver shortage and electronic logging devices. Specifically, the industry’s driver shortage is limiting the ability of fleets to haul significantly more freight, as it is difficult to add trucks. Motor carriers have a very difficult time finding enough qualified drivers to keep their current trucks seated, let alone add trucks. Plus, the newly implemented electronic logging device rule has effectively reduced industry capacity, at least marginally.

The National Spend Index continues to rise sequentially and increase robustly on a year-over-year basis. It is quite simple—the economy remains strong, industry capacity is constrained for a host of reasons, and spending increases as a result. But like industry volumes, it should be expected that spending growth rates will begin to moderate in large part because year-over-year comparisons will become more difficult in the quarters ahead.
National Shipments and Spend—Quarter-over-Quarter, Year-over-Year

The U.S. Bank National Shipment and Spend Indexes continued growing in the second quarter, however at a slightly slower pace. It is expected that these indexes will remain high, but unlikely that they will continue to grow at their previously documented rates. For one, year-over-year comparisons are now a more difficult reach, as freight and spending have been robust for the last year. Second, given the driver shortage, the industry is approaching full capacity. Finally, there are some economic clouds on the horizon to watch. Newly imposed trade tariffs have the ability to reduce economic activity.

The National Shipment Index increased 1.2% in the second quarter to a record high, showing that the level of freight continues to be strong. Over the last six quarters, the index has been up 18% or an average of 3% per
quarter. Compared with the second quarter in 2017, the shipment index increased 7.8%, which is robust, albeit the smallest year-over-year gain over the past year. During the first half of the year, compared with the first six months of 2017, the National Shipment Index was up 10.1%.

The National Spend Index rose 0.7% last quarter compared with the first quarter. This marked its record high. Compared with a year earlier, the index jumped 24.4%, essentially matching the first-quarter year-over-year gain. Year-to-date, compared with the same period last year, the spend index is also up 24.4%, far outpacing 2017’s annual increase of 12.2%.

The continued growth in the National Spend Index both sequentially and year-over-year reflects a tight truck market, perhaps the tightest ever in the post-deregulation era.

Newly imposed trade tariffs have the ability to reduce economic activity.
Regional Shipments and Spend—Quarter-over-Quarter, Year-over-Year

While the national indexes were up sequentially during the second quarter, on a regional basis activity was mixed. However, all regions saw year-over-year gains for all indexes. Truck freight shipments grew from the previous quarter in all regions except in the Southwest, where the index slipped 0.6%. The West was the strongest region last quarter, increasing 1.4%, likely a small catch-up effect after two softer-than-average quarters. All regions saw solid year-over-year increases ranging from 4.9% in the Midwest to 13.4% in the Southwest.

Spending was also mixed last quarter on a sequential basis, with the Midwest and West registering declines, while the other regions saw gains. The largest increase was in the Southeast at 7.3%.

However, on a year-over-year basis, all regions witnessed robust gains in spending. In fact, all regional spending increases were in the double digits from the second quarter 2017, which is the third straight quarter all regions reported double-digit growth. These robust year-over-year gains reflect two primary trends in the second quarter: capacity remained constrained in all regions across the country and fuel prices were up from a year earlier, reflecting higher fuel surcharges. The national average price of diesel was 25% higher in the second quarter of this year than a year earlier, with all regions showing similar gains in diesel prices over the same period.

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The West region had a mixed quarter compared with the first quarter, with the number of truck shipments posting the largest sequential gain in three quarters, but the linked quarter spend index fell the largest amount in two years. However, both measures increased robustly on a year-over-year basis, so volumes remain good and capacity tight on the West Coast.

The shipment index increased 1.4% from the first quarter in 2018, to a record high. This was the sixth straight gain totaling 20.1%. Compared with the same period in 2017, shipments increased 9%, marking the sixth year-over-year gain, but it was the smallest increase since the first quarter in 2017.

In somewhat of a surprise, the spend index contracted 5.7% from the first quarter, but increased a solid 14% from the same period in 2017. West Coast trucking activity should remain good in the quarters ahead, but there are a couple of areas to watch for: housing starts softened in the region through much of the second quarter, and international trade plays an important role for the West, which is likely to see softer volumes the longer tariffs with China remain in effect.
The Southwest region was the only area to post a decline in shipments from the first to second quarters, but that was the first sequential decline in over two years. Spending in this region was strong both from the previous quarter and from a year earlier. Construction activity in the Southwest as well as household spending are good supports for freight activity there. However, looking ahead, this region could be hurt by softer trade volumes should they develop from the current tariffs, especially with Mexico. Roughly 78% of all truck border crossings with Mexico go through this region.

Sequentially, the shipment index fell 0.6%, but remained at the second-highest level for the history of the index. Compared with the same quarter last year, this index was up 13.4%. Despite the small decline in shipments, the spend index increased 4% from the first quarter for the eighth straight gain. Compared with a year earlier, spending in the Southwest jumped 30.5%.
The Midwest regional indexes were mixed during the second quarter, with shipments up slightly from the first quarter, while the spend index contracted marginally. Specifically, the shipment index rose 1.2% after gaining 3.3% during the first quarter. The spend index fell 1% from the previous quarter, although this was the first decline since the third quarter in 2016.

Despite the mixed quarter sequentially, both indexes increased from year-earlier levels. The shipment index increased 4.9% from the second quarter in 2017, while the spend index surged 33.7%, which was the largest gain of any region.

The trucking outlook remains good for this region, with one potential hiccup—international trade. Motor carriers in this region depend heavily on agriculture-related exports. Agriculture, livestock and food products equal about 15% of all truck tonnage across the nation and probably higher in this region. Excluding a potential slowdown of agriculture exports, this region will benefit from continued high levels of factory output and improving housing starts.

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The Northeast region shipment index increased 0.7% in the second quarter, which was the largest sequential gain since a 10% surge in the third quarter last year. As a result, the index hit the highest level in the history of the index. More impressive was the 10.6% increase from the second quarter in 2017. This year-over-year gain was the second largest after the Southwest increase of 13.4%.

The spend index for this region rose 0.2% last quarter to the second-highest level in the history of the index. Compared with a year earlier, spending jumped 23.4%.

The Northeast region shipment index increased 0.7% in the second quarter, which was the largest sequential gain since a 10% surge in the third quarter last year.
Taking into consideration both shipments and spending, as well as sequential and year-over-year changes, trucking activity in the Southeast was the strongest among the five regions in the second quarter. Specifically, the shipment index increased a record 2.2%, marking the sixth consecutive gain. Compared with the second quarter last year, shipments increased a solid 6.4%, which is higher than the annual gain in 2017.

The spend index jumped 7.3% to a record high as well. In the first quarter, this measure fell 2.7%. Compared with the second quarter in 2017, the Southeast Spend Index jumped 21.2%, the largest year-over-year increase in the history of the index.

There are a few factors helping with truck freight in the Southeast region. One is freight associated with home construction, which continues to be strong and will remain solid for the rest of the year. Additionally, this region is benefiting from solid factory output, including auto- and aircraft-related production, as well as strong household consumption.

This region is benefiting from solid factory output, including auto- and aircraft-related production.
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.

For more than 20 years, organizations have turned to U.S. Bank Freight Payment for the service, reliability and security that only a bank can provide. The pioneer in electronic freight payment, U.S. Bank Freight Payment processes more than $24.5 billion in global freight payments annually for our corporate and federal government clients. Through a comprehensive online solution, organizations can streamline and automate their freight audit and payment processes and obtain the business intelligence needed to maintain a competitive supply chain.

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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Minneapolis-based U.S. Bancorp (NYSE: USB), with $460 billion in assets as of March 31, 2018, is the parent company of U.S. Bank National Association, the fifth-largest commercial bank in the United States. The Company operates 3,054 banking offices in 25 states and 4,729 ATMs and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

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