In a sign that the U.S. economy moderated from the torrid pace in the second quarter, the U.S. Bank National Shipment and Spend Indexes fell sequentially in the third quarter. Declines in both indexes are in line with the expected deceleration in third-quarter gross domestic product growth. As trucking often leads the broader economy, the decreases in the indexes suggest economic growth has hit peak and will decelerate in the fourth quarter and beyond. With that said, economic output will be good enough to support growing truck freight volumes.

Hurricane Florence negatively impacted the U.S. Bank Freight Payment Index as well in the third quarter, especially in the Southeast region. It is very
difficult to determine the exact impact the hurricane had on the indexes, but it is safe to assume the declines would not have been quite as large without the storm. Additionally, while still very early in implementation, U.S. tariffs on some foreign products, as well as retaliatory tariffs on some U.S. goods, likely had at least a slight negative impact on the quarter.

Despite softness in the National Shipment Index and a sequential drop in the National Spend Index, the underlying economy is on solid footing and trucking capacity remains constrained. There are only two factors moving forward that will alter the tight capacity situation—either the industry attracts a significant number of new truck drivers in a short period of time, which is highly unlikely, or volumes have a prolonged reduction. It will be the latter that ultimately breaks this cycle, but at this point, that looks more like a 2020 event.
The U.S. Bank National Shipment and Spend Indexes both fell from the second to third quarter, which was the first period that both indexes contracted since the first quarter in 2016.

After rising for six straight quarters, totaling 18%,

the National Shipment Index contracted 5.2% during the July through September period. As a result, the index stood at its lowest level since the second quarter in 2017. Spot market volumes fell substantially from the second to third quarters, while contract loads recorded a moderate decrease. Both reductions helped pull down the National Shipment Index. Compared with the third quarter in 2017, the shipment index fell 1.1%, which was the first year-over-year decrease since the final quarter in 2016. Year-to-date, compared with the first three quarters of 2017, the National Shipment Index was up 6.2%.

Spot market volumes fell substantially from the second to third quarters, while contract loads recorded a moderate decrease.

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The National Spend Index slipped 1.2% last quarter, the first sequential decline since the second quarter of 2016. Despite the reduction, the index remains at very high levels. Compared with a year earlier, spend was up 13.5%. Year-to-date, compared with the same period last year, the spend index is up 20.6%.3

Despite the sequential decreases in shipments and spend last quarter, the national truck market remains solid and capacity tight. But, as both indexes exhibited in the third quarter, the robust year-over-year gains are slowing due to a moderating economy and more difficult year-over-year comparisons. As a result, what is more important in gauging the market moving forward is the level of shipments and spend, not the year-over-year gains.
Regional Shipments and Spend—Quarter-over-Quarter, Year-over-Year

All regions saw shipments contract from the second to third quarters this year, ranging from –3.4% in the West to –8.6% in the Southwest. These results are in line with contractions from the second to third quarters in both spot market and contract truck freight volumes, with the former decreasing more. However, on a year-over-year basis, the U.S. Bank Regional Shipment Indexes were mixed, with two regions witnessing gains and three regions recording declines.

Four of five regions saw declines in spend from the second to third quarters, with only the West registering a gain (1.4%). The smallest decline was in the Southeast (–0.6%), while the largest sequential drop was in the Southwest at –3.2% from the second quarter.

Conversely, on a year-over-year basis, all regions witnessed solid gains in spend. Except for the West region, where spend increased 7.4% compared with a year earlier, the other regions recorded double-digit gains, with the largest in the Southwest at 19.5%.

Trends affecting the regions during the third quarter included softer West Coast port volumes, especially in July and August; strong home construction in the South, but weakness in other regions; and Hurricane Florence in the Southeast. Despite a sequential drop in shipments across all regions, truck capacity remained constrained enough for all regions to witness robust year-over-year gains in spend.
Sequentially, including both shipments and spend, the West region had the best third quarter among all five regions as volumes contracted the least and it was the only region to post a gain in spend.

Specifically, the shipment index declined 3.4% from the second quarter in 2018, which was the first sequential decrease in seven quarters. Compared with the same period in 2017, shipments decreased 1.4%, marking the first year-over-year decline in seven quarters. Softer trade volumes at West Coast ports, especially in July and August, had a negative impact on volumes last quarter, as did new housing starts, which were also weaker in the West during the third quarter. There is recent evidence that port volumes are rebounding after a pause early in the third quarter.

Despite the reductions in shipments, the West Spend Index increased 1.4% and 7.4% from the previous quarter and year, respectively. These gains are a good indication that trucking capacity remains constrained in the region.
While the West region was the best of the five regions during the third quarter, at least sequentially, the Southwest region was the worst, as shipments and spend fell more than in any other region compared with the second quarter.

From the second to third quarters, the shipment index contracted 8.6%, the second-straight drop and the largest since 2010. Still, compared with the same quarter in 2017, the shipment index increased 0.7%, although this was the smallest year-over-year increase since the first quarter in 2016.

The Regional Spend Index was off 3.2% from the second quarter, although it was the first decline since the second quarter in 2016. And, over the prior eight quarters, spend surged a total of 49%, so the third-quarter reduction is fairly small. Compared with a year earlier, spend in the Southwest was up 19.5%.

The Southwest regional economy is one of the strongest in the country, and truck volumes and spending, while moderating in the third quarter, will remain at high levels there.

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The Midwest Shipment Index fell by 6.4% during the third quarter, which was the largest sequential drop since 2010. Additionally, shipments were down 3.6% in the region compared with a year earlier, which was the first year-over-year decline since the first quarter in 2017. Year-to-date, compared with the same period last year, shipments were up 4.5%.²

For the second-straight quarter, the spend index fell in the Midwest, contracting 2.3% from the second quarter after a 1% drop during the previous period. But unlike shipments, the Midwest Spend Index was up from a year earlier, rising 15.2%. Through the first three quarters of the year, compared with the same period in 2017, spending was up 29%.³

One of the factors hurting this region in the third quarter was weak home construction. It is too early to tell if Chinese tariffs on U.S. agriculture products, like soybeans, had a negative effect during the third quarter, but if the tariffs continue, there will be a drag on truck freight volumes in this region.
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The Northeast Shipment and Spend Indexes fell by similar magnitudes from the second to third quarters. Specifically, the shipment index was off 3.6%. Compared with a year earlier, this measure was down 3.1%, marking the first year-over-year volume decrease in the region since the first quarter in 2017. Still, year-to-date, compared with the same period in 2017, the Northeast Shipment Index was up 6.8%.

The Northeast Spend Index fell 2.8% last quarter, which was the second sequential decrease in the last three quarters. Compared with a year earlier, spending rose 11.2%. Year-to-date, compared with the same period last year, spending on trucking services is up 19.8% in the Northeast.³

A third-quarter drag in the region was softness in home construction, especially in multi-family units, like apartment buildings.

A third-quarter drag in the region was softness in home construction, especially in multi-family units, like apartment buildings. But despite the soft third quarter, going forward this region should benefit from better factory activity and a solid holiday spending season.
It is difficult to ascertain the exact impact that Hurricane Florence had in the Southeast region during the third quarter, but undoubtedly it was negative. It is part of the reason that the Southeast Shipment Index fell 4.1% from the second quarter. Not only was this the first sequential decline in shipments since the final quarter in 2016, but also it was the largest since 2010. But despite the drop from the second quarter, compared with the third quarter in 2017, the shipment index was up 2%, which was the best year-over-year performance of any region. Year-to-date, compared with the same period last year, shipments were up a solid 5.5%.2

The Southeast Spend Index slipped 0.6% from the previous period after jumping 7.3% during the second quarter. Compared with the third quarter in 2017, the spend index increased 15%.

There are a few factors that will be a positive for truck freight in the Southeast region going forward. One, there will eventually be a freight bump associated with hurricane rebuilding efforts. Additionally, this region will benefit from solid factory output in the quarters ahead, as well as strong household consumption.
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.
About U.S. Bank (usbank.com)

Minneapolis-based U.S. Bancorp (NYSE: USB), with $460 billion in assets as of May 31, 2018, is the parent company of U.S. Bank National Association, the fifth-largest commercial bank in the United States. The Company operates 3,045 banking offices in 25 states and 4,725 ATMs and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

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1. Percent change calculated using Q2 2018 shipment index value and Q4 2016 shipment index value
2. Percent change calculated using sum of shipment index values for Q1–3 2017 and sum of shipment index values for Q1–3 2018
3. Percent change calculated using sum of spend index values for Q1–3 2017 and sum of spend index values for Q1–3 2018
4. Percent change calculated using Q2 2018 shipment index value and Q2 2016 spend index value