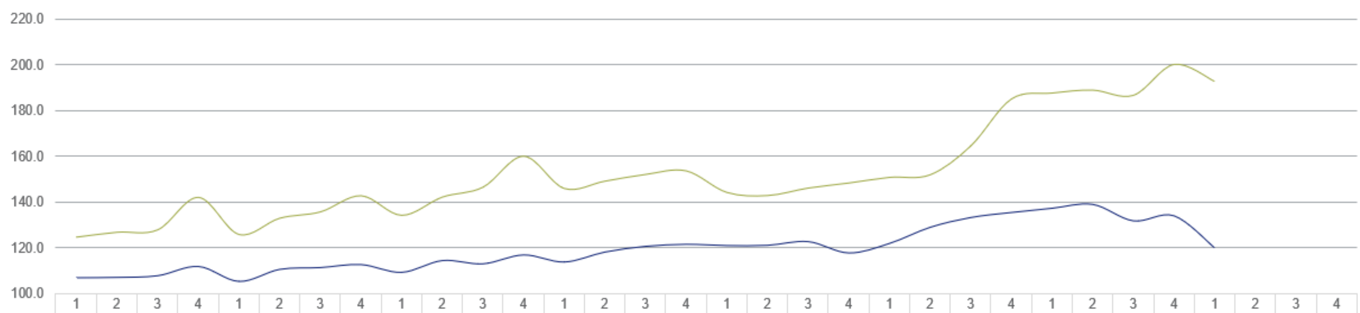
Q1 2019

U.S. Bank Freight Payment Index™

Q1 2019 National Freight Market Overview



	2012				2013				2014				2015			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Shipments	106.8	106.9	107.7	111.7	105.2	110.4	111.2	112.5	109.1	114.3	112.8	116.7	113.6	118.0	120.5	121.3
Spend	124.8	126.9	128.0	142.1	125.9	133.0	135.8	142.9	134.3	142.3	146.6	160.2	146.1	149.3	152.2	153.8

	2016				2017				2018				2019			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Shipments	120.8	120.9	122.5	117.6	121.7	128.7	133.0	135.2	137.1	138.7	131.6	133.8	119.8			
Spend	144.3	143.0	146.2	148.4	150.9	152.0	164.7	185.2	187.8	189.1	186.8	200.3	192.9			

Shipments	
Index Value	119.8
Quarterly % Change	–10.5% ▼
Yearly % Change	–12.6% ▼

Spend	
Index Value	192.9
Quarterly % Change	–3.7% ▼
Yearly % Change	2.7% ▲

The U.S. Bank National Shipment Index contracted significantly in the first quarter, both from last quarter and year over year, suggesting that economic activity softened during the first three months of 2019. First quarter inflation-adjusted gross domestic product is expected to be the weakest in three years with much of that deceleration in growth on the "goods-side" of the economy, including construction, manufacturing and retail activity. These sectors are key drivers of truck freight and thus the latest data from U.S. Bank supports other economic forecasts of sluggish first quarter GDP growth.

First quarter inflation-adjusted gross domestic product is expected to be **the weakest in three years.**

Commentary provided by Bob Costello, ATA senior vice president and chief economist

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While shipments were soft during the first quarter, the U.S. Bank National Spend Index was mixed. This index fell from the fourth quarter of last year, although not significantly. From a year earlier, the National Spend Index was actually up and remains at high levels. These changes suggest that capacity remains constrained from both market conditions as well as winter weather that impacted trucking operations during the quarter.

Severe winter storms affected a significant part of the country, which impacted both the shipment and spend indexes during the first three months of the year. Specifically, with the storms delaying truck movements, the shipment index was negatively impacted. Conversely, with trucks being stranded from the storms in places where they were not needed, capacity was constrained. This in turn caused spending to not fall as much as volumes. Additional factors that may have affected this quarter's results were the partial government shutdown, declines in consumer and business confidence resulting from stock market correction, international trade war and the cooling housing market. However, as the regional data shows, this impact was not universal, with better results seen in the Southeast and Southwest.

While shipments were soft during the first quarter, the U.S. Bank National Spend Index was mixed.

U.S. Bank Freight Payment Index™

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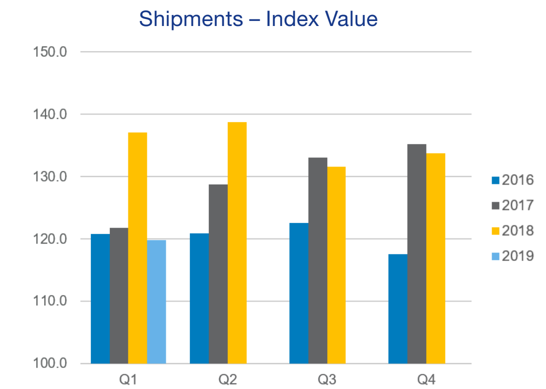

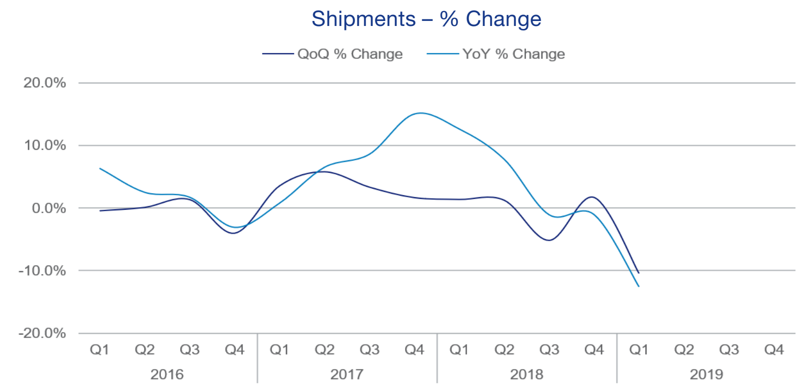

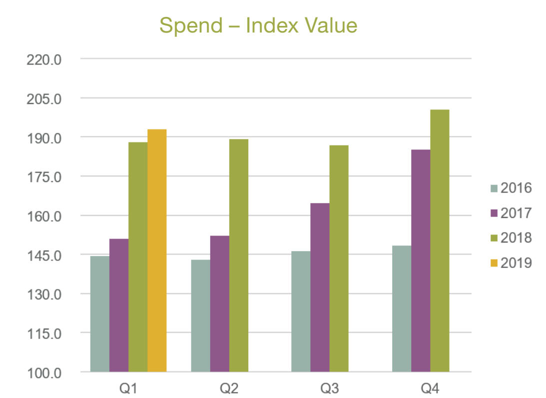

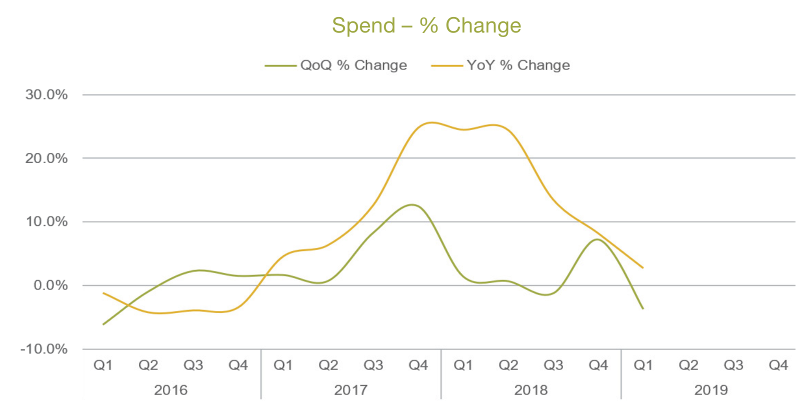

National Shipments and Spend — Quarter-over-Quarter, Year-over-Year

The U.S. Bank National Shipment Index decreased 10.5% from the fourth quarter, which was the largest quarterly decline since 2011. The drop, which was caused by weather events as well as a decelerating economy, put the level of shipments at the lowest point since the fourth quarter in 2016.

Compared with the first quarter in 2018, shipments contracted 12.6%, which was the largest year-over-year decrease and the only double-digit decline since 2011. However, part of the large contraction from a year earlier is that year-over-year comparisons have become difficult as the index grew a total of 18%[1] from early 2017 through the first half of 2018.

The U.S. Bank National Shipment Index decreased 10.5% from the fourth quarter.

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There is good reason to expect the shipment index to recover from the large drop in the first quarter as the winter weather effects will not be present in the second quarter, plus economic activity is expected to pick up from the slowing first quarter.

The National Spend Index declined 3.7% during the first three months of the year, which was the largest quarterly drop in three years. But the decline was preceded by a 7.2%[2] surge in spending on trucking services during the final quarter in 2018, which means the National Spend Index remains at very high levels. In fact, the first quarter is the second highest on record. Despite the difficult year-over-year comparison, the spend index grew 2.7% from the first quarter in 2018.

Despite the difficult year-over-year comparison, the spend index grew 2.7% from the first quarter in 2018.

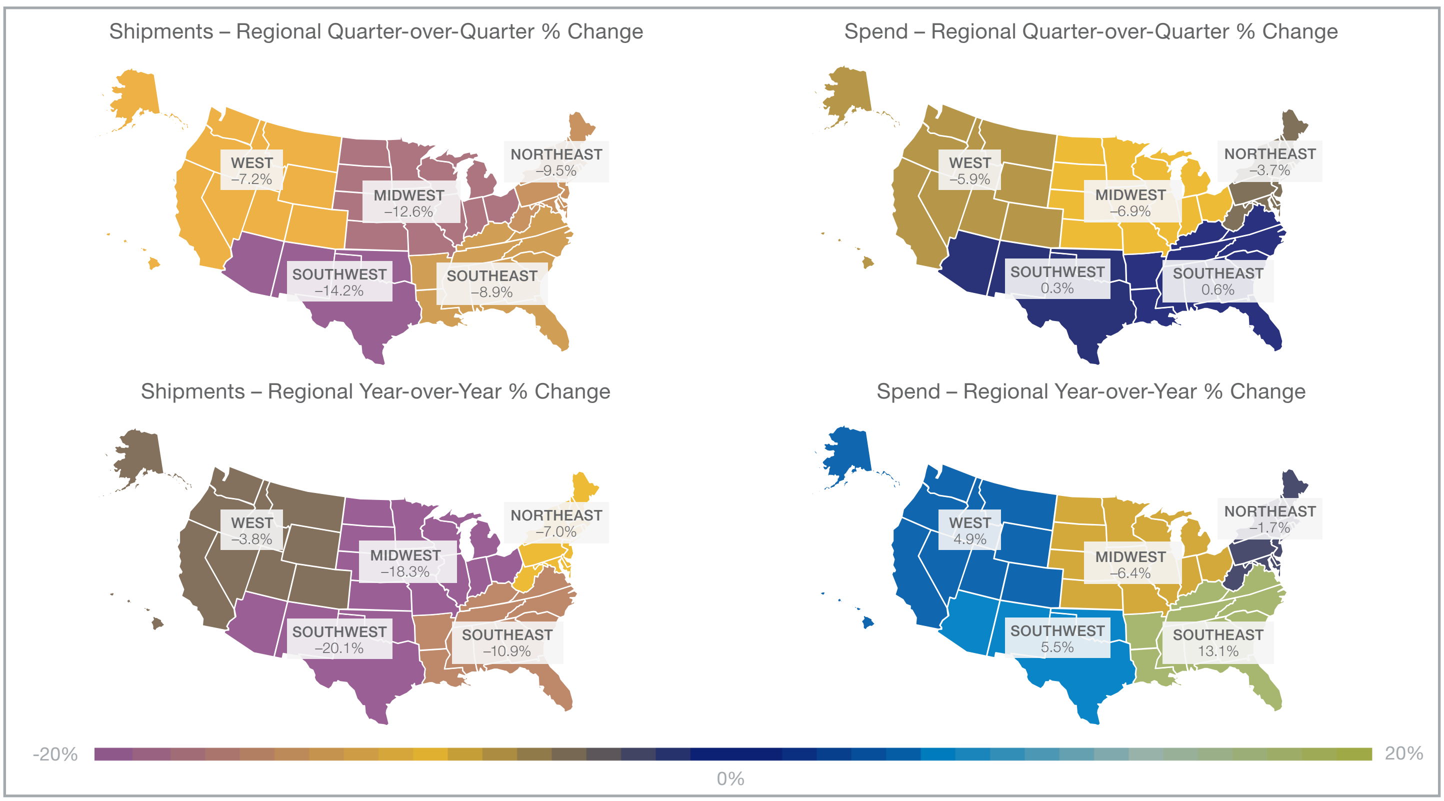
Regional Shipments and Spend — Quarter-over-Quarter, Year-over-Year

The first quarter saw larger than normal differences among some of the regions, especially on spending for trucking services. By far, the Midwest was hit the hardest during the first quarter in terms of volumes as well as spending. As a few winter storms took aim at this region, shipments fell significantly and any urgency to get freight moved, and a willingness to pay for it, was not enough to push spending up. However, while down, spending on trucking services was not off as much as volumes from January through March in the Midwest.

The other region that had a difficult first quarter, both in terms of trucking activity as well as winter weather, was the Northeast, which saw declines in volumes and a slight spending decline. While both southern regions had declines in volumes during the first part of 2019, both regions also saw spending rise too. In fact, spending in both the Southeast and Southwest hit record high levels.

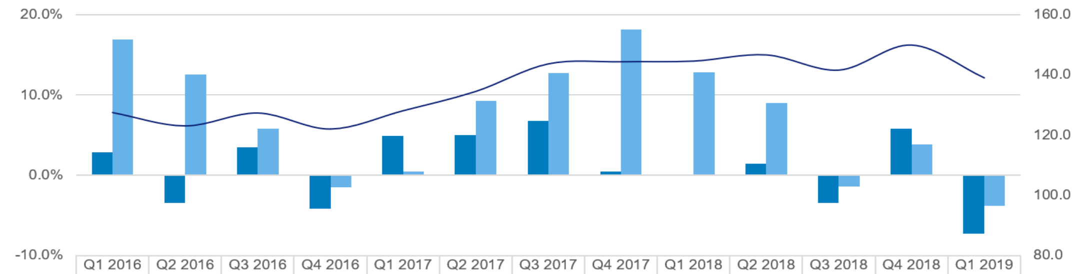
Finally, a slowdown in West Coast port volumes from the torrid pace early in the fourth quarter resulted in softer truck freight volumes as well as a decline in spending from the previous quarter in the West region. However, spending still managed to rise from a year earlier in the West.

The first quarter saw **larger than normal differences** among some of the regions.



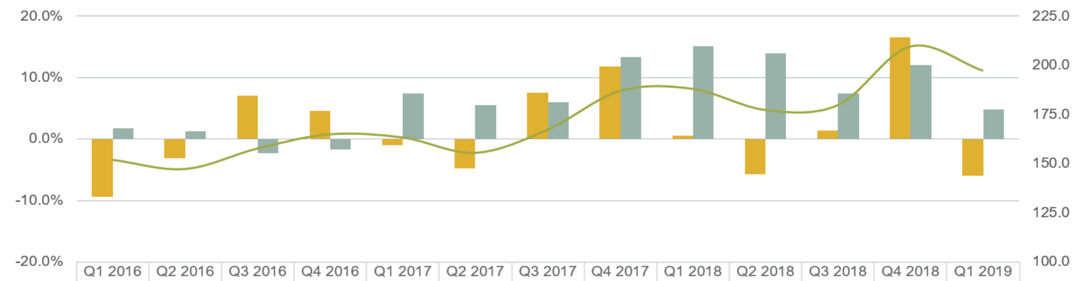
WEST REGION

Shipments



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	2.9%	-3.5%	3.5%	-4.2%	5.0%	5.0%	6.8%	0.5%	0.2%	1.4%	-3.4%	5.9%	-7.2%
YoY % Change	16.9%	12.6%	5.8%	-1.5%	0.5%	9.3%	12.8%	18.2%	12.8%	9.0%	-1.4%	3.8%	-3.8%
Index Value	127.6	123.2	127.4	122.1	128.2	134.6	143.7	144.4	144.6	146.6	141.6	149.9	139.1

Spend



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	-9.4%	-3.1%	7.1%	4.6%	-1.0%	-4.8%	7.6%	11.8%	0.5%	-5.7%	1.4%	16.6%	-5.9%
YoY % Change	1.8%	1.3%	-2.3%	-1.7%	7.5%	5.6%	6.1%	13.4%	15.1%	14.0%	7.4%	12.1%	4.9%
Index Value	152.0	147.4	157.8	165.0	163.4	155.6	167.4	187.1	188.1	177.3	179.8	209.6	197.2

The West region had a very robust fourth quarter as it was the beneficiary of strong international sea port volumes. Port activity was stout as shippers, especially retailers, imported goods from China in advance of a January 1 deadline that could have increased tariffs on many goods from the country from 10% to 25%.

While that tariff increase never transpired, the impact pulled forward a significant amount of shipments that were set for the first quarter. Therefore, it was not surprising to see the West Coast Shipment Index fall 7.2% and 3.8% from the fourth quarter and the first quarter in 2018, respectively. Certainly not all of the blame for the first quarter decline can be placed on foreign trade, but it was a large contributor.

Spending for trucking services fell 5.9% in the first quarter, but that was from a record high in the previous quarter. As a result, the spend index landed at the second highest level on record during the first part of 2019. And compared with a year earlier, spending in the West was up 4.9%, the ninth straight year-over-year increase.

Not all of the blame for first quarter decline can be placed on foreign trade, but it was a large contributor.

U.S. Bank Freight Payment Index™

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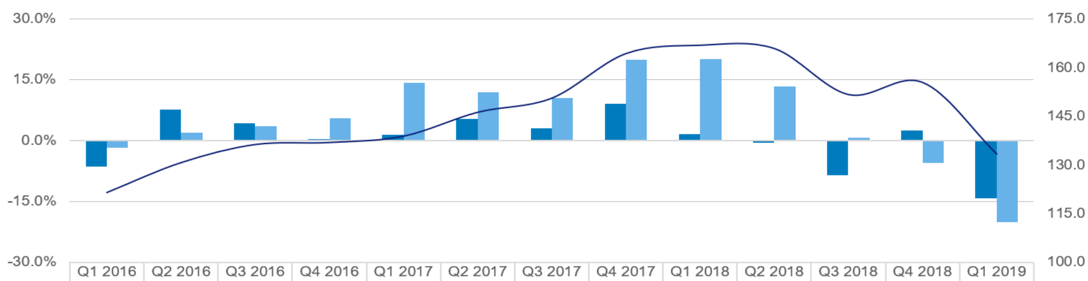
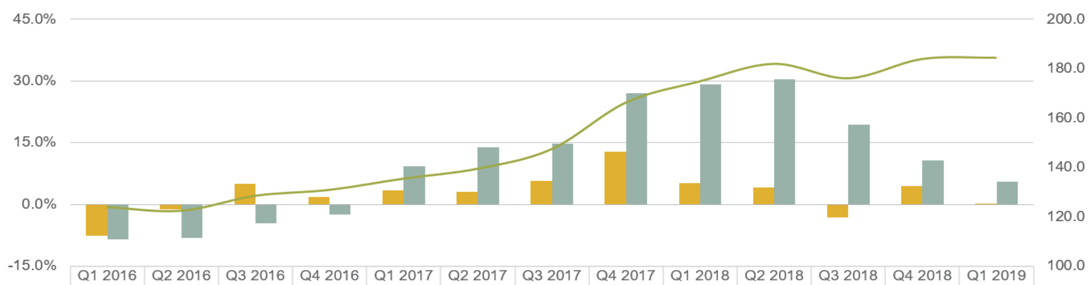
SOUTHWEST REGION

Shipments



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	-6.3%	7.6%	4.3%	0.5%	1.4%	5.3%	3.0%	9.1%	1.6%	-0.6%	-8.6%	2.5%	-14.2%
YoY % Change	-1.7%	2.0%	3.6%	5.5%	14.3%	11.9%	10.5%	20.0%	20.2%	13.4%	0.7%	-5.4%	-20.1%
Index Value	121.5	130.7	136.3	136.9	138.9	146.3	150.6	164.3	166.9	165.9	151.7	155.4	133.4

Spend



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	-7.6%	-1.2%	5.0%	1.9%	3.5%	3.0%	5.7%	12.8%	5.2%	4.0%	-3.2%	4.4%	0.3%
YoY % Change	-8.5%	-8.2%	-4.6%	-2.4%	9.3%	13.9%	14.7%	27.0%	29.1%	30.5%	19.5%	10.6%	5.5%
Index Value	123.9	122.4	128.5	130.9	135.4	139.4	147.4	166.2	174.8	181.9	176.1	183.9	184.4

After hitting a high during the first quarter in 2018, the shipment index for the Southwest region has now fallen sequentially in three of the last four quarters, including a 14.2% plunge during the first three months of 2019. As a result, the level of truck shipments was at the lowest in nearly three years. Here too, winter weather can take some of the blame for the recent softness, but it goes well beyond Mother Nature.

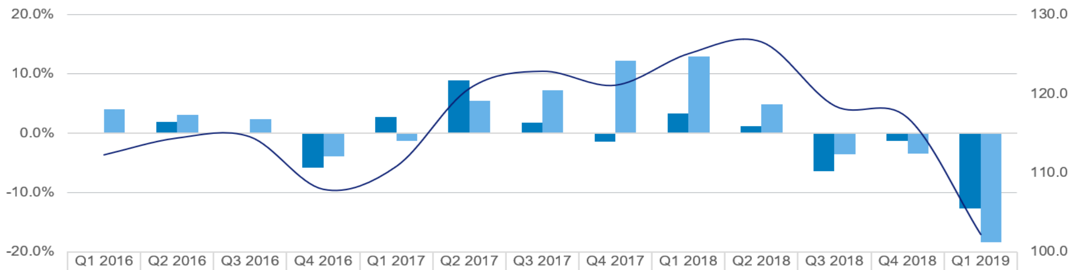
Disappointing home construction also plays a part. Following up on a moderating fourth quarter, housing starts contracted during the first quarter of 2019 on a year-over-year basis. Therefore, it isn't surprising that shipments in the Southwest plunged 20.1% from the first quarter in 2018. Expect truck freight to improve in the quarters ahead.

Despite the robust declines in volumes, spending on trucking services in the region remained at high levels. The spend index for the region edged up 0.3% from the final quarter last year to a record. Spending was up 5.5% from a year earlier too.

Despite the robust declines in volumes, spending on trucking services in the region remained at high levels.

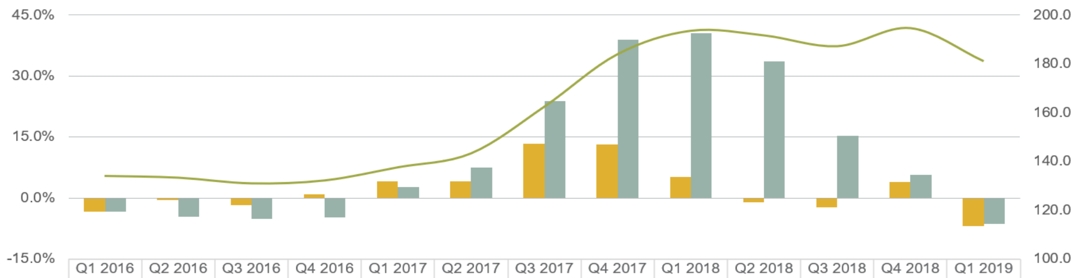
MIDWEST REGION

Shipments



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	0.0%	1.9%	0.1%	-5.8%	2.7%	8.9%	1.8%	-1.4%	3.3%	1.2%	-6.4%	-1.3%	-12.6%
YoY % Change	4.1%	3.1%	2.3%	-3.9%	-1.3%	5.5%	7.3%	12.2%	12.9%	4.9%	-3.6%	-3.4%	-18.3%
Index Value	112.3	114.4	114.5	107.9	110.8	120.7	122.9	121.1	125.1	126.6	118.5	116.9	102.2

Spend



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	-3.4%	-0.5%	-1.7%	0.9%	4.1%	4.1%	13.3%	13.2%	5.2%	-1.0%	-2.3%	4.0%	-6.9%
YoY % Change	-3.4%	-4.6%	-5.1%	-4.8%	2.6%	7.4%	23.9%	39.0%	40.6%	33.7%	15.2%	5.8%	-6.4%
Index Value	134.1	133.4	131.1	132.3	137.7	143.4	162.5	183.9	193.5	191.6	187.2	194.6	181.1

The Midwest region was severely impacted by winter storms in the first quarter, which caused significant declines in shipments. The Midwest Shipment Index was down 12.6% from the previous quarter, while plunging 18.3% from the same quarter last year. But more is at play in this region than just bad weather.

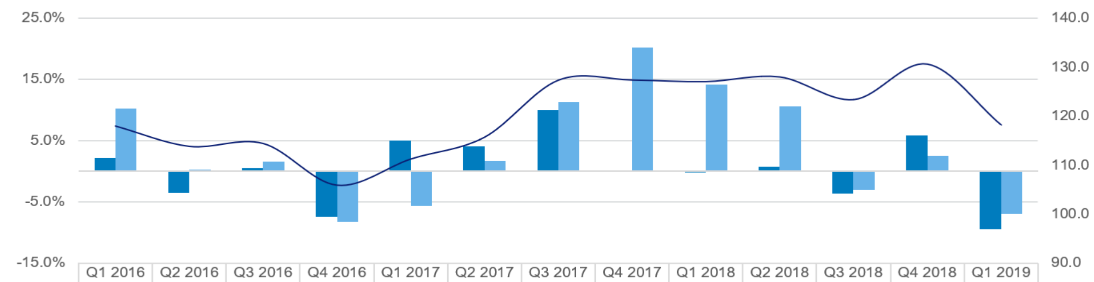
Shipments have been moving lower since a high in the second quarter last year, which is due to a few factors. One is that this region has been negatively impacted by international trade and tariffs – many countries have retaliated to U.S. tariffs on imported goods by putting tariffs on U.S. agriculture exports, thus hurting this region. But softer manufacturing growth and home construction activity is also to blame over the last few quarters.

Meanwhile, spending on trucking activity in the region was off 6.9% and 6.4% from the fourth quarter and a year earlier, respectively. The declines for these metrics reflect that capacity is still constrained.

The Midwest region was severely impacted by winter storms in the first quarter.

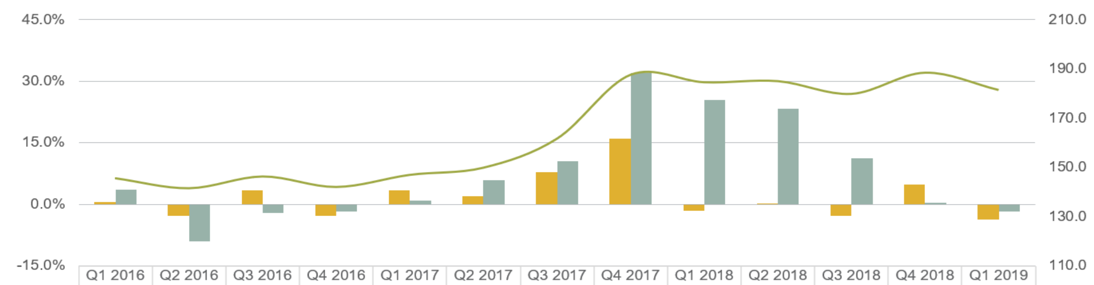
NORTHEAST REGION

Shipments



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	2.2%	-3.5%	0.5%	-7.4%	5.0%	4.0%	10.0%	0.0%	-0.3%	0.7%	-3.6%	5.9%	-9.5%
YoY % Change	10.3%	0.3%	1.6%	-8.3%	-5.7%	1.6%	11.3%	20.2%	14.2%	10.6%	-3.1%	2.5%	-7.0%
Index Value	117.9	113.8	114.4	105.9	111.2	115.7	127.3	127.3	127.0	127.9	123.3	130.6	118.1

Spend



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	0.6%	-2.8%	3.4%	-2.9%	3.5%	2.0%	7.8%	16.0%	-1.6%	0.2%	-2.8%	4.8%	-3.7%
YoY % Change	3.6%	-9.0%	-2.1%	-1.8%	0.9%	5.9%	10.5%	32.0%	25.5%	23.4%	11.2%	0.4%	-1.7%
Index Value	145.6	141.6	146.4	142.1	147.0	149.9	161.7	187.6	184.6	185.0	179.8	188.4	181.4

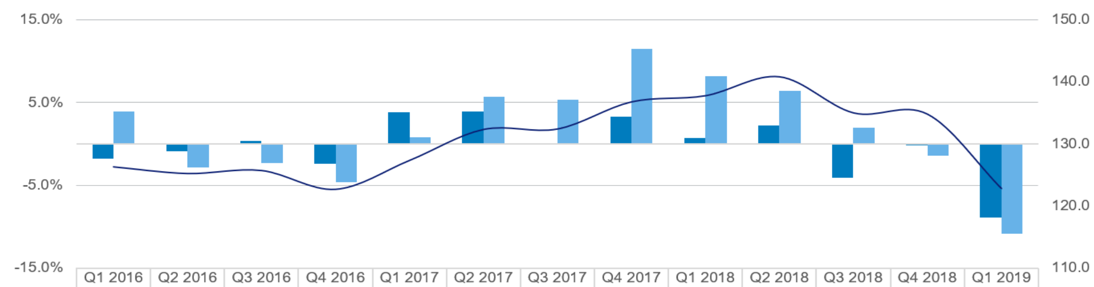
The Northeast region, struggling with winter weather as well, saw decreases in shipments of 9.5% sequentially while falling 7% first quarter last year. The quarterly drop resulted in the index settling at the lowest level since the second quarter 2017. But with the final quarter last year being a record high, this may drive a bounce back next quarter; the decline appears worse than it actually was.

After reaching a record high in the fourth quarter, spending on trucking services in the Northeast slipped 3.7% in the first quarter. Compared with the same period in 2018, spending was down a scant 1.7%, the first year-over-year decrease in over two years. Like a couple of other regions, decelerating manufacturing activity is also a reason Northeast trucking activity was soft during the first three months of 2019.

With the final quarter last year being a record high, this may drive a bounce back next quarter; the decline appears worse than it actually was.

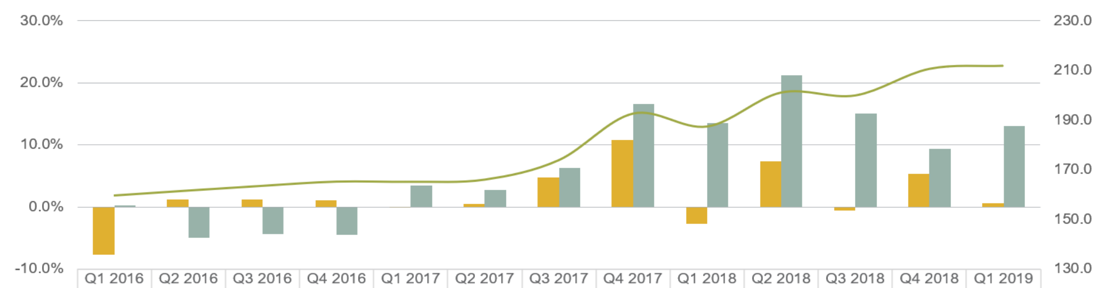
SOUTHEAST REGION

Shipments



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	-1.8%	-0.8%	0.4%	-2.4%	3.8%	3.9%	0.1%	3.3%	0.7%	2.2%	-4.1%	-0.2%	-8.9%
YoY % Change	4.0%	-2.8%	-2.3%	-4.6%	0.8%	5.7%	5.3%	11.5%	8.2%	6.4%	2.0%	-1.4%	-10.9%
Index Value	126.3	125.3	125.7	122.7	127.4	132.4	132.4	136.8	137.8	140.8	135.0	134.8	122.8

Spend



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
QoQ % Change	-7.7%	1.2%	1.2%	1.0%	0.0%	0.5%	4.7%	10.8%	-2.7%	7.3%	-0.6%	5.4%	0.6%
YoY % Change	0.2%	-4.9%	-4.4%	-4.5%	3.5%	2.7%	6.3%	16.6%	13.5%	21.2%	15.0%	9.4%	13.1%
Index Value	159.5	161.5	163.4	165.1	165.0	165.9	173.7	192.5	187.3	201.0	199.8	210.6	211.8

The Southeast region also had a mixed first quarter, with shipments falling and spend rising. Specifically, the shipment index fell 8.9% from the final quarter in 2018 to the lowest level since the fourth quarter 2016. This index has decreased for three straight quarters, totaling 12.8%[3].

Compared with a year earlier, shipments were down 10.9% on a difficult comparison because during the first quarter 2018, the index was at the second highest level on record.

Conversely, the Southeast Spend Index rose 0.6% during the first quarter and 13.1% from the previous quarter and a year earlier, respectively. As a result, this index stood at the highest level on record.

The Southeast region also had a mixed first quarter, with shipments falling and spending rising.

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 $27.6 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.

20+ years of experience

$27.6 billion in global freight payments annually

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 $467 billion in assets as of December 31, 2018, is the parent company of U.S. Bank National Association, the fifth-largest commercial bank in the United States. The Company operates 3,018 banking offices in 25 states and 4,681 ATMs and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

For more information:

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1. Percent change calculated using Q4 2016 shipment index value and Q2 2018 shipment index value
2. Percent change calculated using Q4 2018 shipment index value
3. Percent change calculated using Q2 2018 shipment index value and Q1 2019 shipment index value