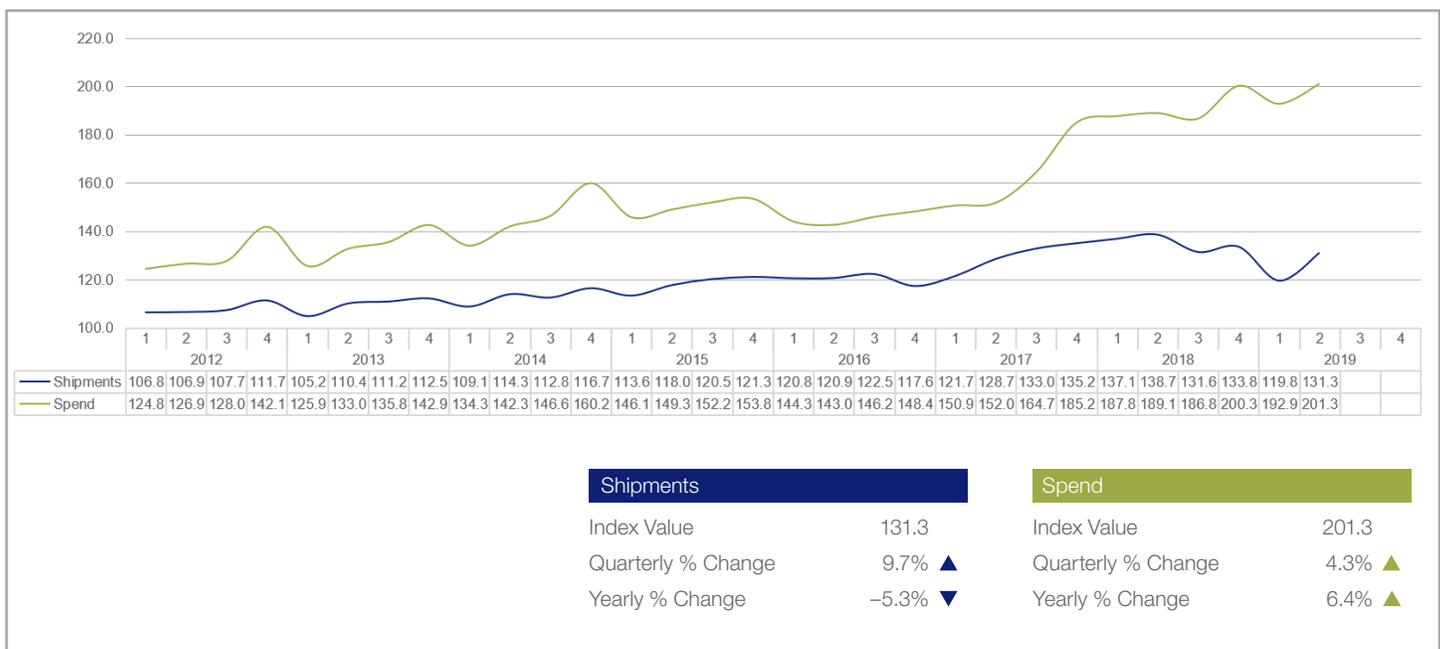


U.S. Bank Freight Payment Index™

Q2 2019 National Freight Market Overview



The U.S. Bank National Shipment and Spend Indexes bounced back during the second quarter, after a slow first quarter influenced by weather, trade tensions and the government shutdown. Despite the gains in the second quarter, the underlying economic conditions and freight market suggest this was a rebalancing from the first quarter of the year rather than an improvement in macroeconomic conditions. More specifically, winter weather as well as a late April Easter holiday, placed some normally first-quarter freight into the second quarter.

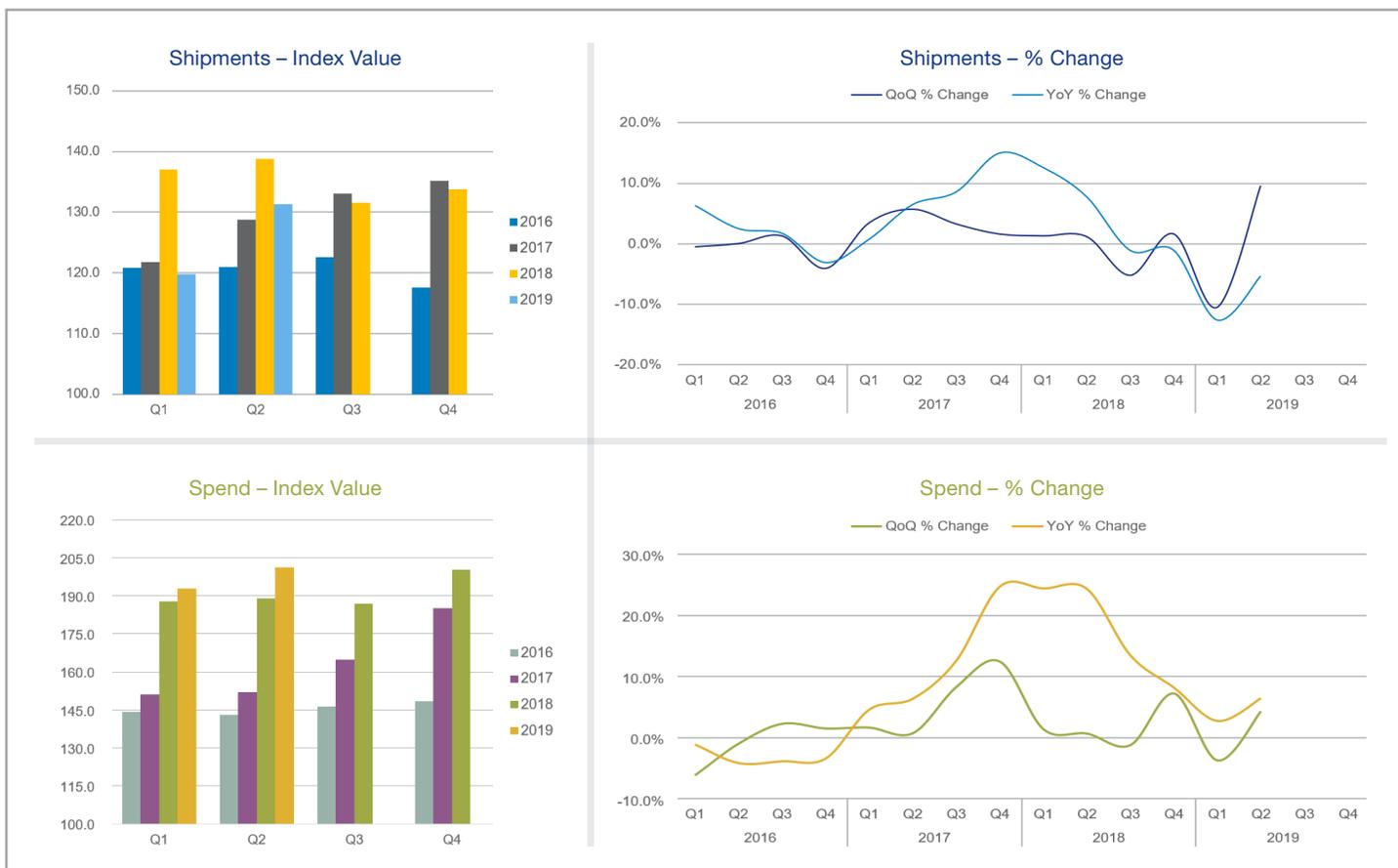
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While the gain in shipments is welcome, context is important. For example, the gain did not completely offset the first quarter decline. Second, truckload and less-than-truckload shipments continue to slow on a year-over-year basis. The main components of freight, including retail sales, factory output and construction activity, continued to moderate through the second quarter. Additionally, despite potential recent progress in the trade discussions with China, the business community remains uncertain about the trade outlook and the economic impact of increased tariffs.

As a result, many companies are pausing on expansions and investments while the current situations resolve, creating an economic drag. Related to international trade concerns, inventories throughout the supply chain remained elevated in the second quarter as businesses stockpiled goods from China, due to the threat of higher tariffs. Bloated supply stocks will remain an issue for truck freight growth, as the supply chain draws down that inventory.

**Retail sales,
factory output
and construction
activity continued to
moderate through the
second quarter.**



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

The U.S. Bank National Shipment Index came back 9.7% during the second quarter after falling 10.5% in the first quarter. The increase was more likely due to freight being pushed into the second quarter from difficult winter conditions in the first quarter and a late Easter holiday than any underlying acceleration in economic growth.

The National Shipment Index contracted 5.3% from a year earlier, the fourth straight quarter with a year-over-year decline. While the contraction from the second quarter of last year was better than the 12.6% year-over-year decline witnessed in the first quarter, and the comparison was against the all-time high second quarter of 2018, macroeconomic conditions last quarter did not improve as much as expected. As a result, any excitement needs to be tempered.

The U.S. Bank National Shipment Index came back 9.7% during the second quarter after falling 10.5% in the first quarter.

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Shipments remain at high levels despite the year-earlier contractions, however it cannot be overlooked that the shipment index was down 9%¹ in the first half of the year compared with the same period in 2018.

The National Spend Index rose 4.3% the second quarter, more than erasing the 3.7% drop the previous quarter to an all-time high. Compared with a year earlier, spending on truckload and less-than-truckload truck transportation was up 6.4% after rising 2.7% in the first quarter on a year-over-year basis. Despite softer freight growth and a modest gain in industry capacity, spending remains elevated. This suggests that capacity didn't soften as much in the second quarter as some feared.

The National Spend Index rose 4.3% the second quarter to an all-time high.

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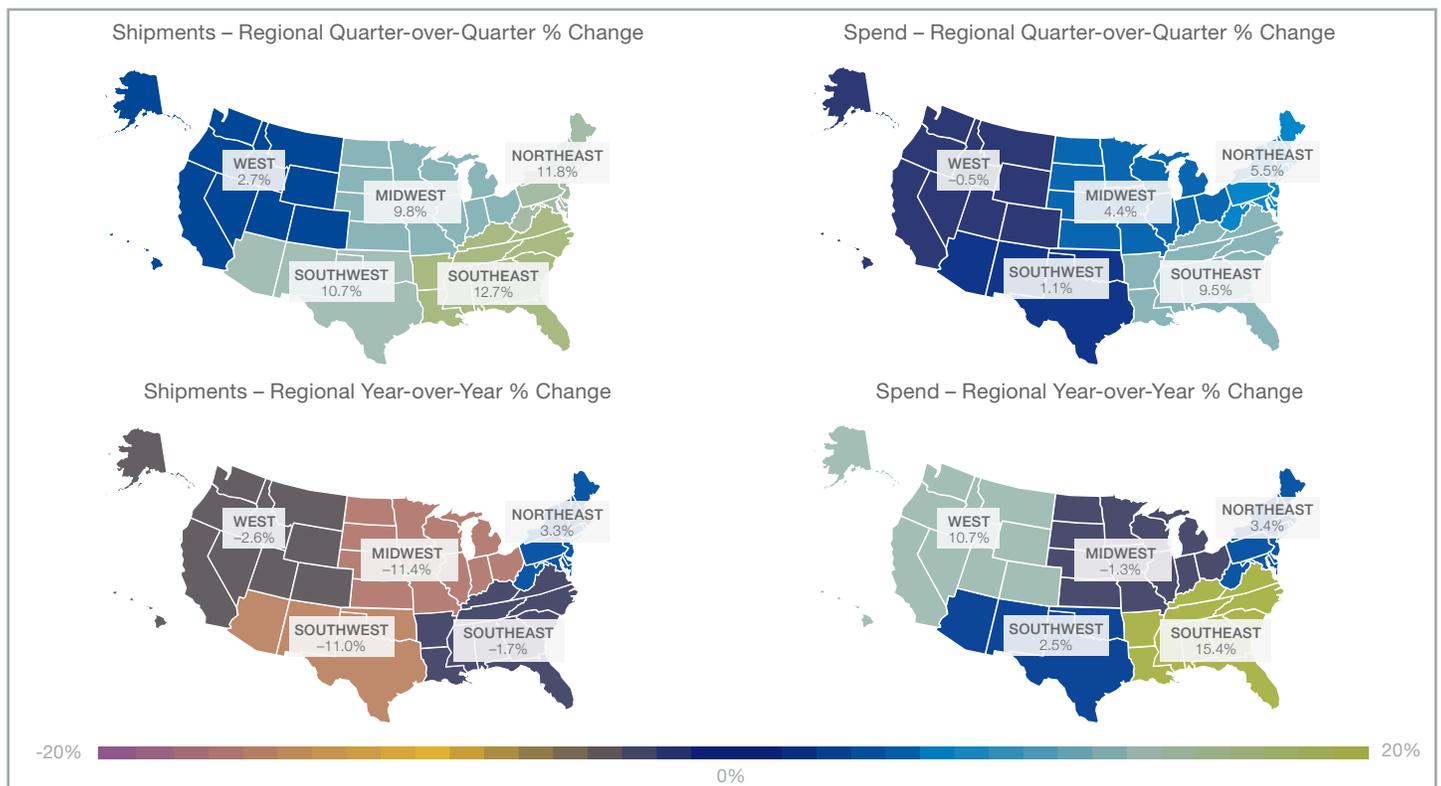
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Regional Shipments and Spend – Quarter-over-Quarter, Year-over-Year

After a challenging first quarter for shipments, all regions recorded gains in the second quarter, with four of five regions witnessing robust increases. The Northeast region, however, observed an expansion in volumes from a year earlier. For the regional spend indexes, the results were more mixed. All but the Midwest region saw gains, but there was a large spread of the size of those increases from the previous quarter. Compared with a year earlier, only the Midwest region saw a decline in spending, but here too there was a wide range in the amount of the increase among the other regions.

All but the Midwest region saw gains in spending.

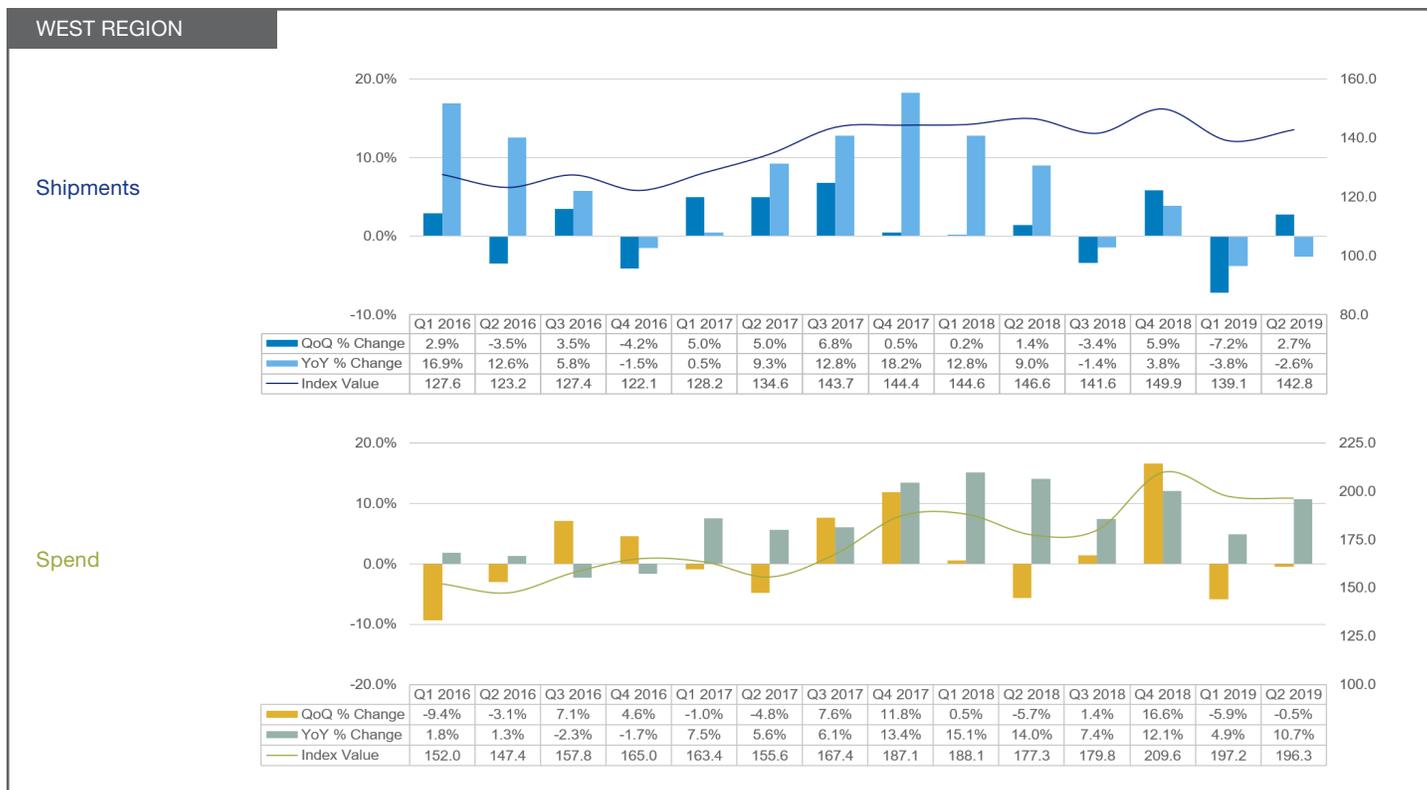
The economy is dynamic and rarely do the industries that generate the most freight, like retail, construction and manufacturing, move in tandem. Likewise, weather events can cause issues in some regions and not in others. For example, the West Coast witnessed the weakest performance as international trade slowed and housing activity fell short of expectations. Conversely, with both shipment volumes and spending taken into account, the Northeast had the best second quarter with both measurements increasing sequentially and on a year-over-year basis.



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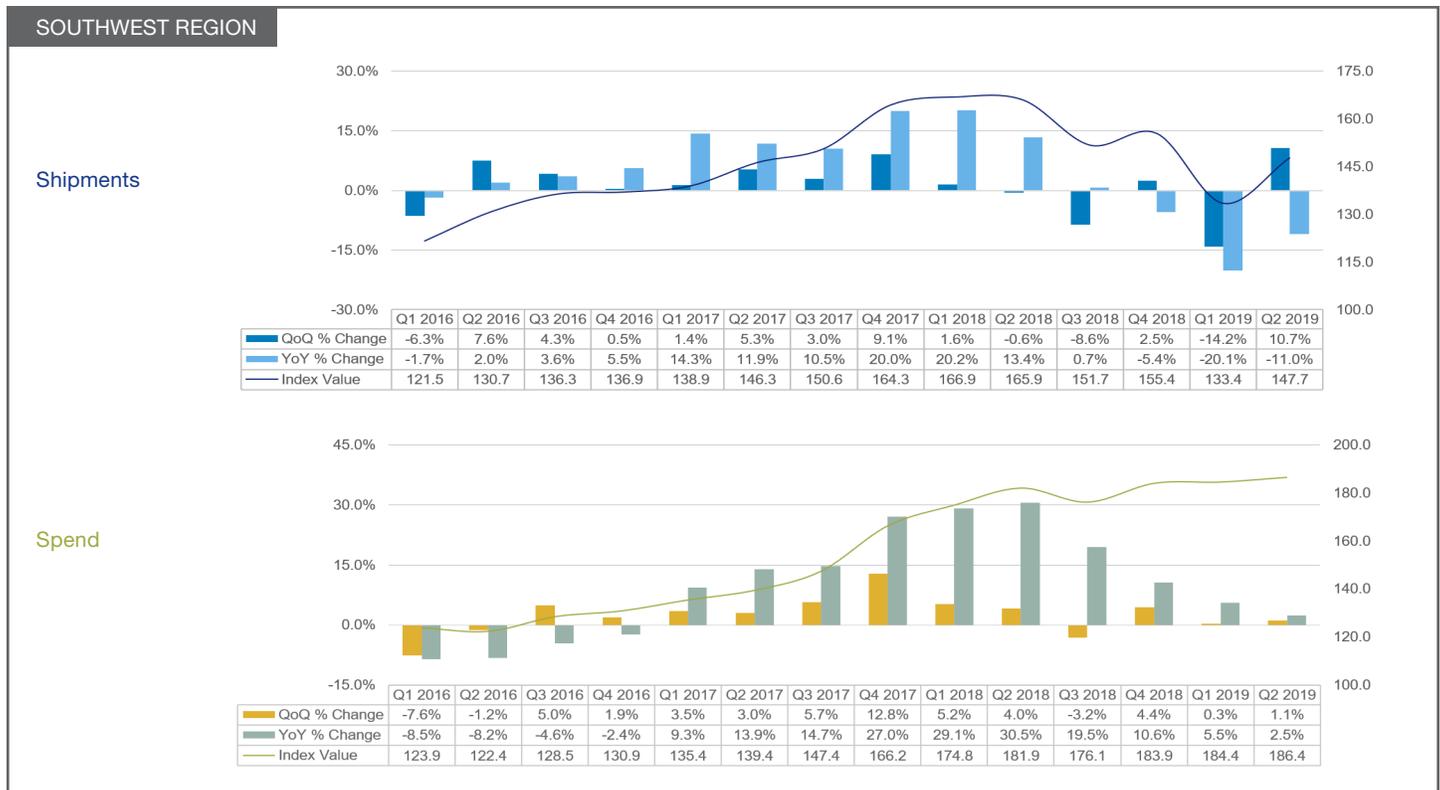


The West region witnessed the smallest sequential gain in shipments during the second quarter of all the regions. Foreign trade flows into sea ports slowed due to the trade conflict with China, as well as the glut of goods currently in warehouses. Additionally, residential construction activity is contracting in the region, which pulls down gains. Conversely, there has been some conversion from rail intermodal to highway as the truck spot market dropped, but it wasn't enough to push the shipment index much higher. Compared with the second quarter in 2018, shipments contracted 2.6%. Year-to-date, compared with first the half of 2018, shipments were down 3.2%¹ in the West.

Spending for trucking services fell 0.5% from the first quarter, and are off a total of 6.4%² from the final quarter of 2018. Nevertheless, compared with a year earlier, spending in the West was up a solid 10.7%.

Spend fell 0.5% from the first quarter and are off a total of 6.4%² from the cycle high in the final quarter of 2018.

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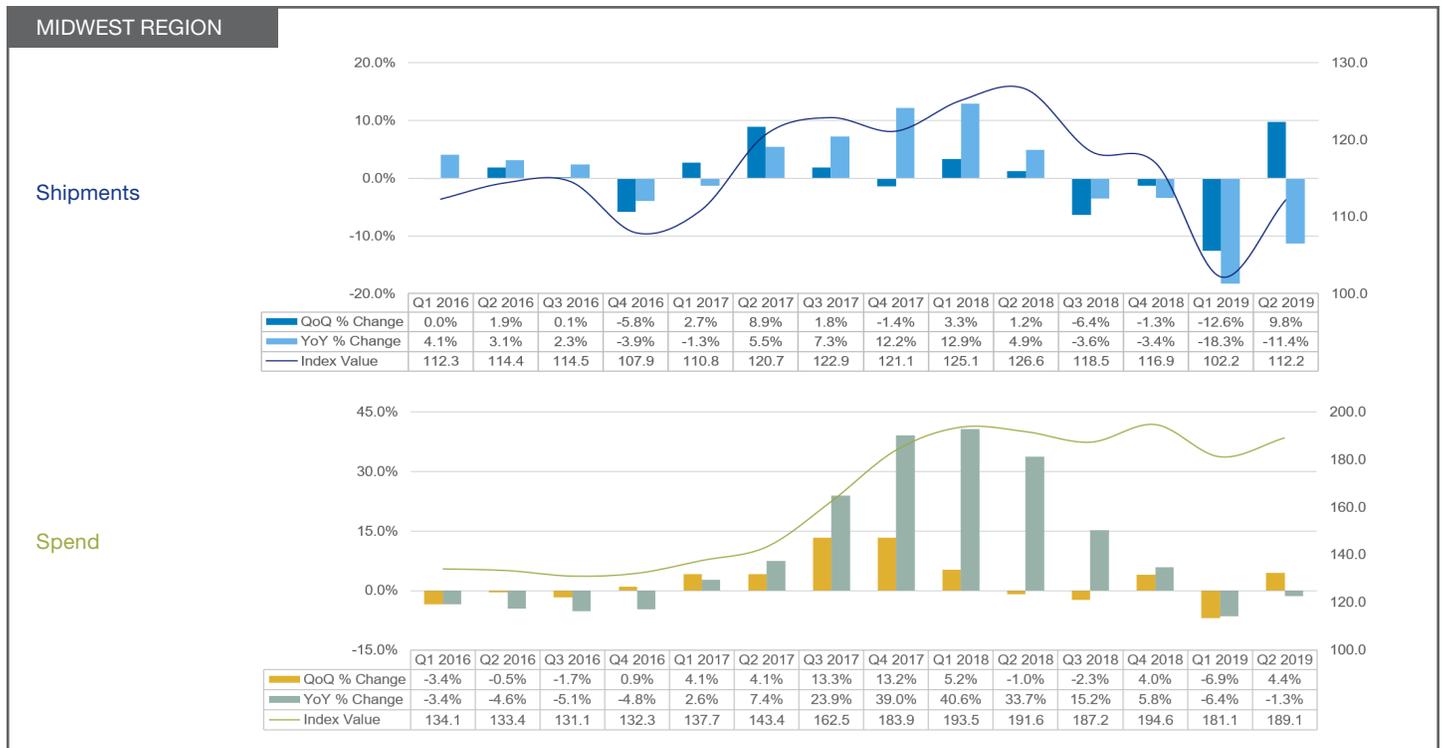


The Southwest region saw mixed results in terms of shipments during the second quarter. Compared with the previous quarter, volumes jumped 10.7%, although the gain wasn't large enough to wipe out the 14.2% decline in the first quarter. However, compared with the same quarter in 2018, shipments fell 11%³. Volumes were also down 15.5%¹ during the first half of the year, compared with the same period in 2018. Like the West region, continued softness in residential construction, especially single-family housing, is keeping growth down. In addition, activity at the border has slowed trucks crossing in both directions, impacting shipments and costs.

Despite mixed shipment results in the Southwest, the spend index increased 1.1% and 2.5% from the previous quarter and a year earlier, respectively.

Despite the mixed shipment data in the Southwest, the spend index increased 1.1% and 2.5% from the previous quarter and a year earlier, respectively. The index stood at an all-time high in the second quarter and was up 3.9%⁴ in the first half of the year from the same period last year. So, despite mixed signals this year on shipments in the region, pricing remains high enough, especially for contract freight, for spending to grow modestly.

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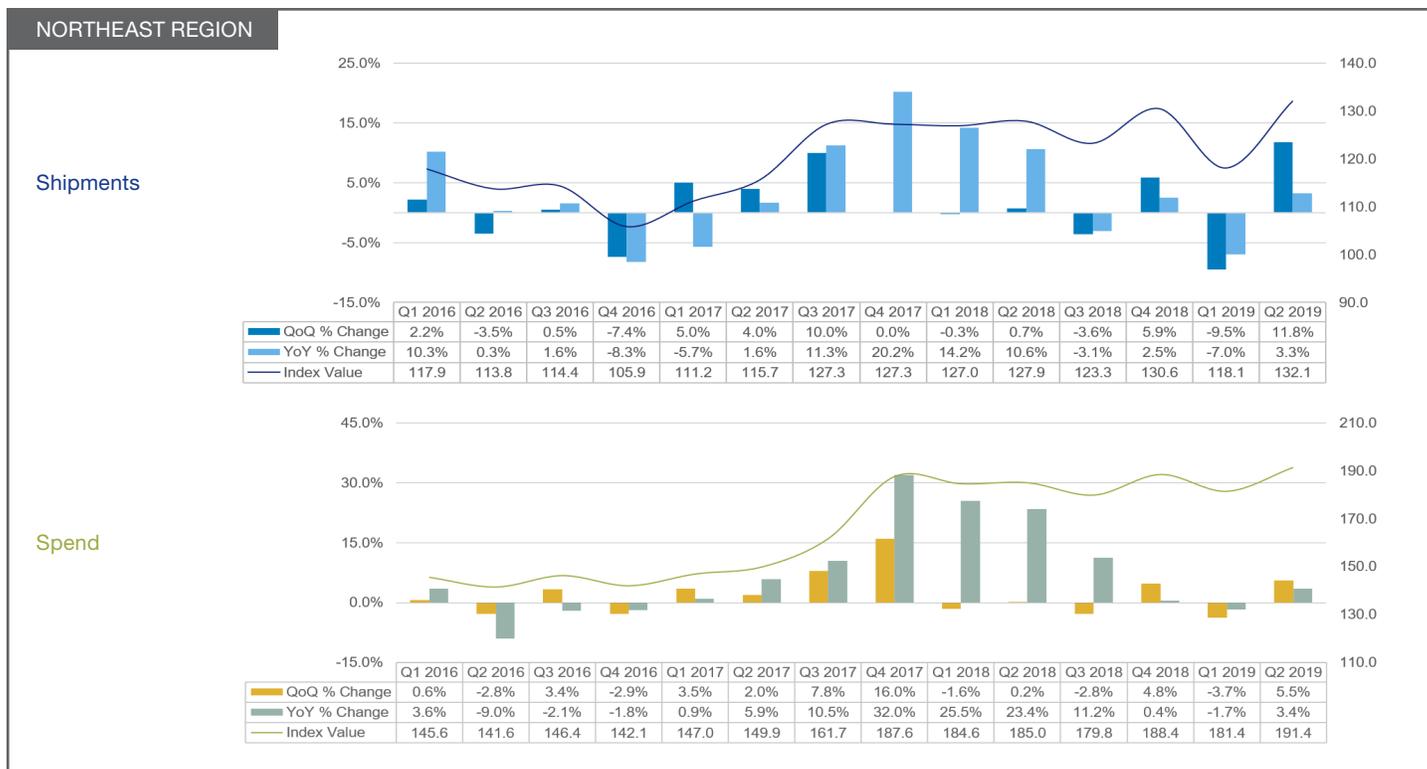


The weather continued to affect the Midwest. The region was hit by severe winter storms in the first quarter and in the second quarter, parts of the region saw significant flooding which has suppressed freight volumes in the short-run. Residential construction activity in the second quarter was down in the region on a year-over-year basis. Longer term, as construction activity improves for any rebuilding necessary from the flooding, shipments will benefit. Manufacturing output, which is also important in parts of this region, continued to decelerate in the second quarter and is barely growing on a year-over-year basis.

As construction activity improves for any rebuilding necessary from flooding in this region, shipments will benefit.

During the second quarter, the Midwest Shipment Index rose 9.8% from the first quarter. Compared with a year earlier, the shipment index was off 11.4% and contracted 14.8% in the first half of the year compared with the same period last year. The Midwest Spend Index rose 4.4% in the second quarter, but fell short of offsetting the 6.9% drop in the first quarter. Compared with a year earlier, the spend index fell 1.3%.

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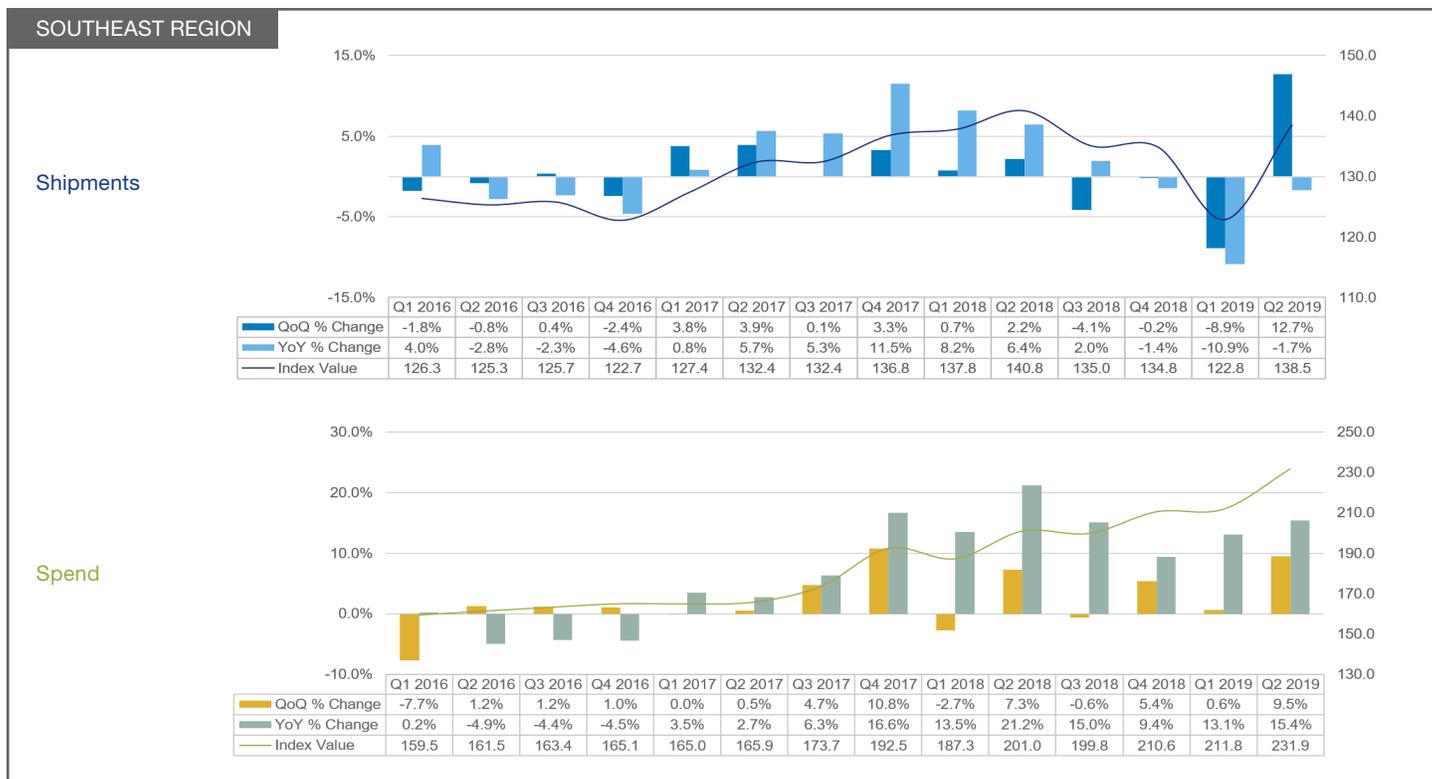
The Northeast region, when considering both shipments and spend, saw the best second quarter among all five regions. In fact, the shipment index jumped to the highest level on record and increased from the second quarter in 2018 despite a difficult year-over-year comparison. Spending also rose from the previous quarter and a year earlier.

Unlike other regions, residential construction activity is increasing in the Northeast, especially single-family units, which is helping shipment volumes. Activity in this region also benefited from better weather after a tough first quarter, which pushed some freight activity into the second quarter.

After decreasing 9.5% in the first three months of the year, the Northeast Shipment Index surged 11.8% in the second quarter, the largest quarterly gain since 2014. Compared with a year earlier, the index rose 3.3%, which was much better than the 7% contraction during the first quarter. Meanwhile, the spend index rose 5.5% and 3.4% from the first quarter and a year earlier, respectively. Like the shipment index, the spend index reached the highest level on record during the second quarter.

The Northeast Shipment Index jumped to the highest level on record and increased from the second quarter in 2018 despite a difficult year-over-year comparison.

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The Southeast Shipment Index rose 12.7% during the second quarter to the second highest level on record. Despite the solid gain, the index was still off 1.7% from a year earlier. Truck freight volumes were down a total of 6.2%¹ during the first half of the year compared with the same period last year. But freight shipments in this region remains at high levels despite falling from a year earlier.

The spend index jumped 9.5% in the Southeast to a record level. Compared with a year earlier, the spend index was up 15.4%, which also increased 14.3%⁴ during the first half of the year compared with the same period in 2018. This was by far the best result of any region during the first half of the year.

This region is likely to experience more moderate growth going forward as the longest economic expansion in U.S. history continues, but at a restrained pace.

Shipment volumes were down a total of 6.2% during the first half of the year compared with the same period last year, but remain at high levels.

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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.

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.

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.

20+ years of experience

\$27.6 billion in global freight payments annually

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About U.S. Bank ([usbank.com](https://www.usbank.com))

U.S. Bancorp, with 74,000 employees and \$482 billion in assets as of June 30, 2019, is the parent company of U.S. Bank, the fifth-largest commercial bank in the United States. The Minneapolis-based bank blends its relationship teams, branches and ATM network with mobile and online tools that allow customers to bank how, when and where they prefer. U.S. Bank is committed to serving its millions of retail, business, wealth management, payment, commercial and corporate, and investment services customers across the country and around the world as a trusted financial partner, a commitment recognized by the Ethisphere Institute naming the bank a 2019 World's Most Ethical Company.

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1. Percent change calculated using sum of Q1-2 2018 shipment index values and sum of Q1-2 2019 shipment index values
2. Percent change calculated using the sum of spend index QoQ percent change for Q1-2 2019
3. Percent change calculated using [Q2 2018 shipment index](#) value and Q2 2019 shipment index value
4. Percent change calculated using sum of spend index values for Q1-2 2018 and sum of spend index values for Q1-2 2019
5. Percent change calculated using sum of shipment index values for Q3 2018-Q1 2019