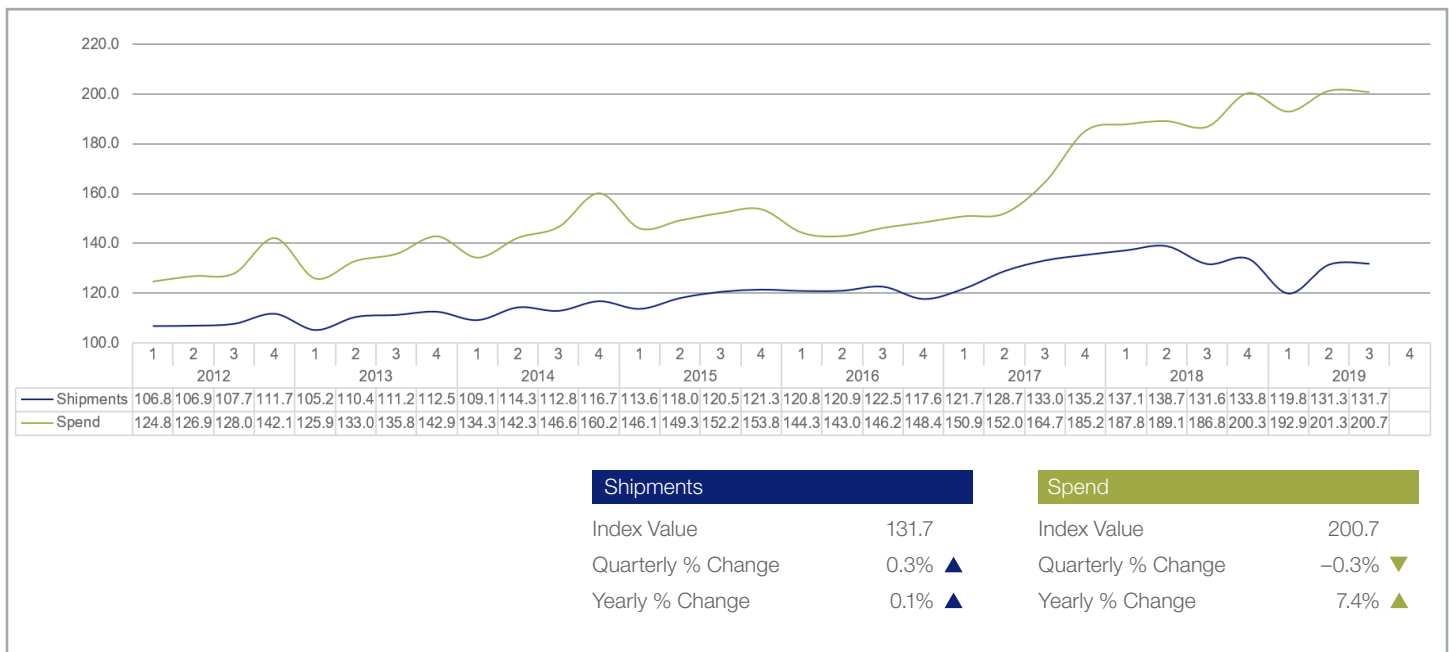


# U.S. Bank Freight Payment Index™

## Q3 2019 National Freight Market Overview



After a solid second quarter, the U.S. Bank National Shipment and Spend Indexes flattened sequentially during the third quarter, with shipments up slightly and spending moderately down. Both results are within expectations, as the overall economy was forecast to grow at roughly the same pace in the third quarter as in the second quarter. The third quarter results are not consistent with predictions that an economic recession is around the corner.

Overall, the U.S. Bank Freight Payment Index was essentially unchanged last quarter. However, there is significant divergence among freight types

**The U.S. Bank National Shipment and Spend Indexes flattened sequentially during the third quarter.**

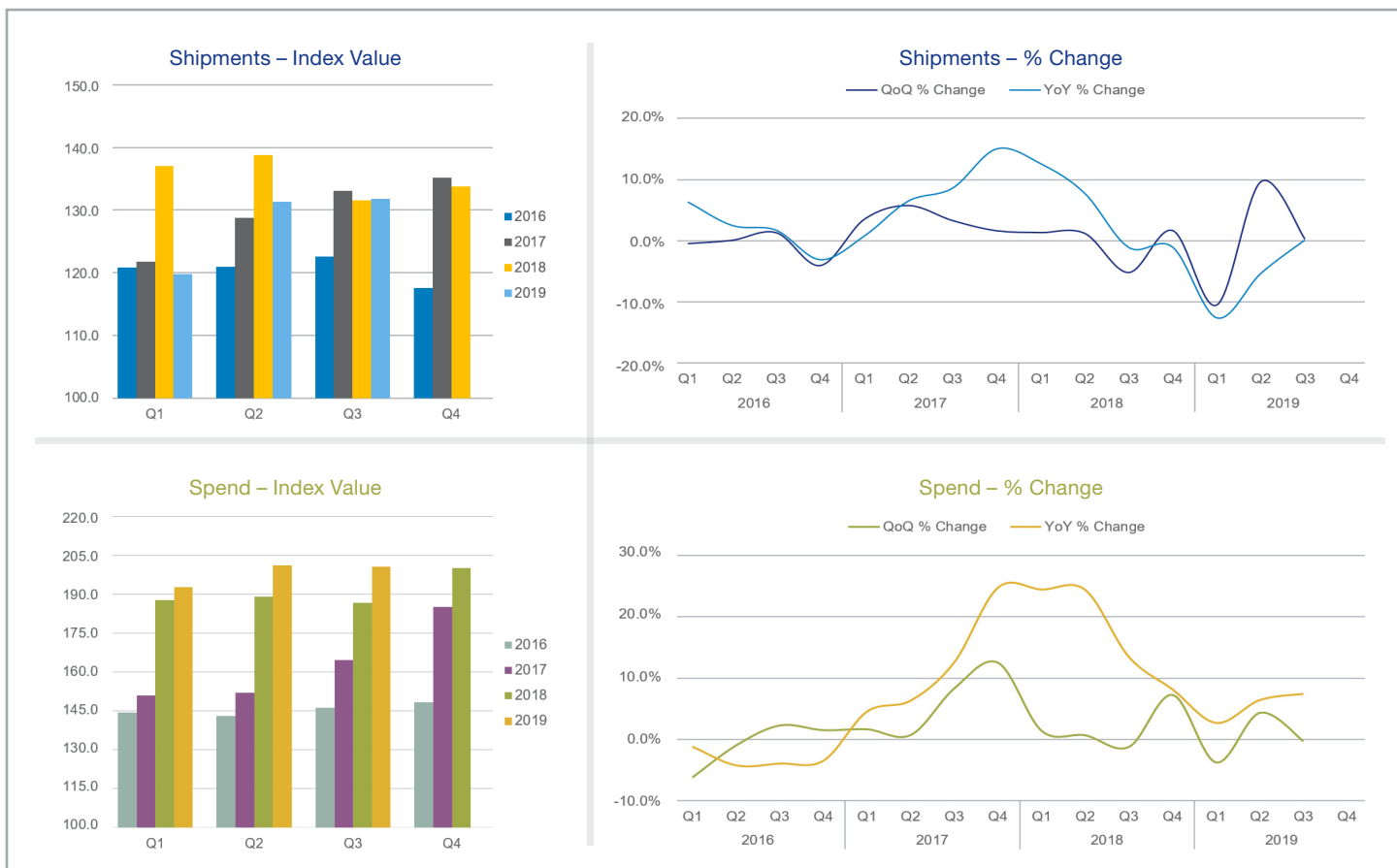
Q3 2019

and freight markets in the industry. For example, for-hire truckload contract freight volumes outperform less-than-truckload (LTL) volumes. Furthermore, within the truckload market, contract freight performs better than the spot volumes. It appears that spot volumes have reached a bottom.

As for the macroeconomic drivers for freight last quarter, consumer spending continues to be the pillar. Retail sales are off the pace set in 2018, but the level of freight in this sector remains high. Conversely, new home construction activity is essentially moving laterally, albeit at high levels. Meanwhile, factory output decelerated as economic growth around the world slows and businesses moderate capital investment. A soft factory sector has impacted the LTL market, with large portions of LTL freight coming from manufacturers. Inventory levels throughout the supply chain remain elevated, but there is evidence that the trends are improving. In summary, the U.S. Bank National Shipment and Spend Indexes were flat in the third quarter, as compared to the previous quarter.

**Inventory levels throughout the supply chain remain elevated, but there is evidence that the trends are improving.**

Q3 2019



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

The U.S. Bank National Shipment Index edged up 0.3% in the third quarter, which was preceded by a 9.7%<sup>1</sup> surge in the second quarter. Compared with a year earlier, the National Shipment Index increased 0.1%. As a result, the index remains at historically good levels. One of the factors that kept the shipment index up last quarter was solid consumer spending. Retail sales accelerated from the second quarter, helping support shipments from July through September.

Accounting for a large portion of truck freight, retail sales are supported by a near 50-year low in the unemployment rate, elevated consumer confidence and record levels of inflation-adjusted personal disposable income. Retail sales are also particularly good for the dry van truckload segment. The National Spend Index was more mixed last quarter, with a decline of 0.3%

**The U.S. Bank National Shipment Index edged up 0.3% in the third quarter, which was preceded by a 9.7% surge in the second quarter.**

To receive this report quarterly, sign up at [freight.usbank.com](http://freight.usbank.com).



# U.S. Bank Freight Payment Index™

Q3 2019

from the second quarter, but a robust 7.4% rise from the same three-month period in 2018. Sequentially, spending fell in two of the last three quarters. However, the fact that the index is up 7.4% with shipments only increasing 0.1% from a year earlier is impressive and suggests capacity is coming more into balance. Related, in the first half of 2019, the industry saw a large number of motor carriers close their doors—more than all of 2018—which is a trend that could continue.

**The fact that the index is up 7.4% despite shipments only increasing 0.1% during the same period suggests capacity is coming more into balance.**

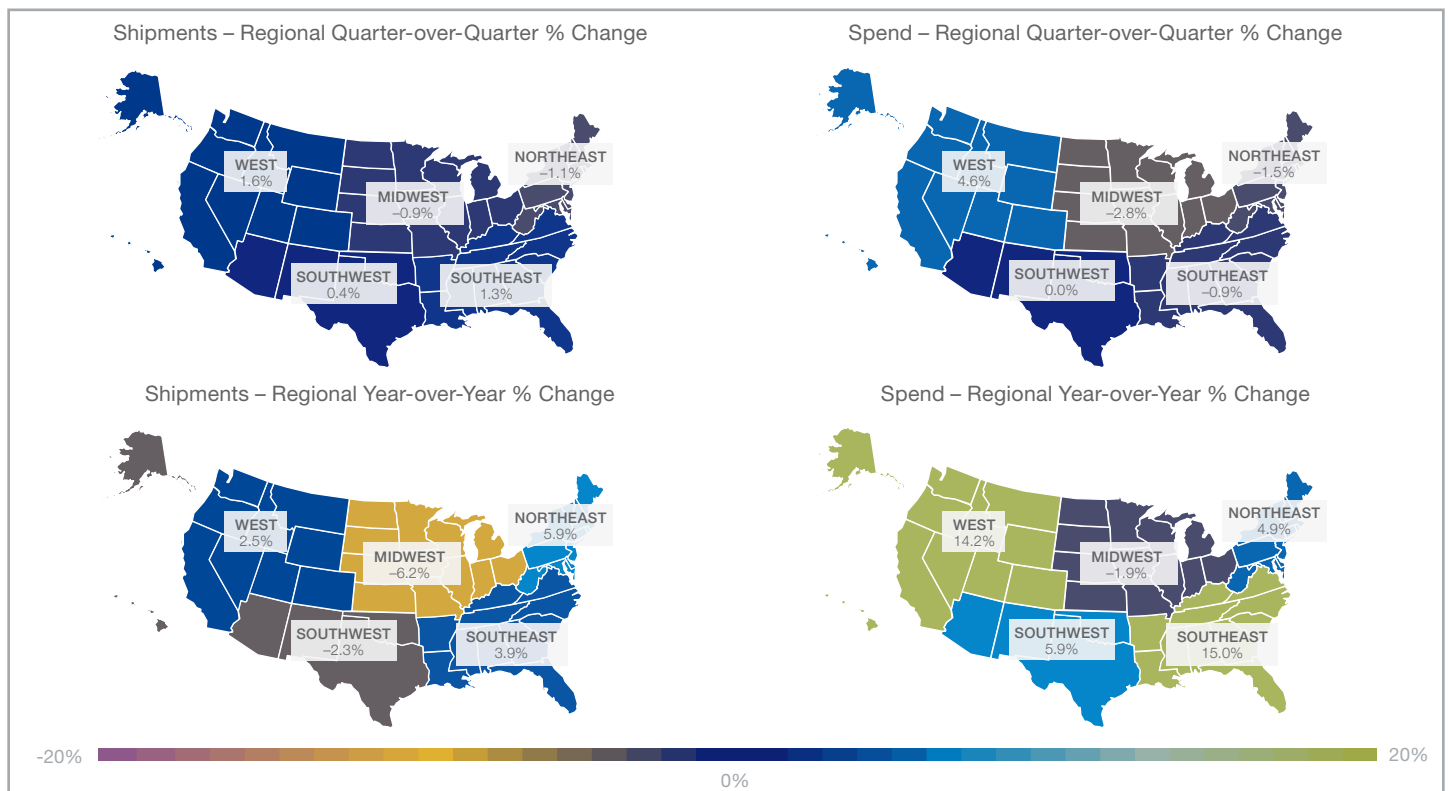
Q3 2019

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

The regional indexes showed mixed results during the third quarter. The best overall results were in the West, as both shipments and spending were up sequentially and from a year earlier. Conversely, the Midwest continued to exhibit the most softness as both indexes contracted from the third quarter of 2018. One of the factors affecting this region is its high percentage of manufacturing activity relative to other sectors. Factory activity is contracting on a year-over-year basis. Additionally, the Midwest agricultural sector has fewer exports as a result of trade tensions with China. Meanwhile, the West is being helped by high personal consumption, as well as port volumes that are running about the same as last year but well above average. Some of the port activity is due to businesses accelerating imports from China to beat the forthcoming higher tariffs.

The Northeast also saw shipments and spending fall sequentially, but registered solid year-over-year gains. Shipments were good in the Southeast, although spending fell slightly from the previous quarter while jumping double-digits from a year earlier. Freight levels were flat in the Southwest, but spending grew from a year earlier.

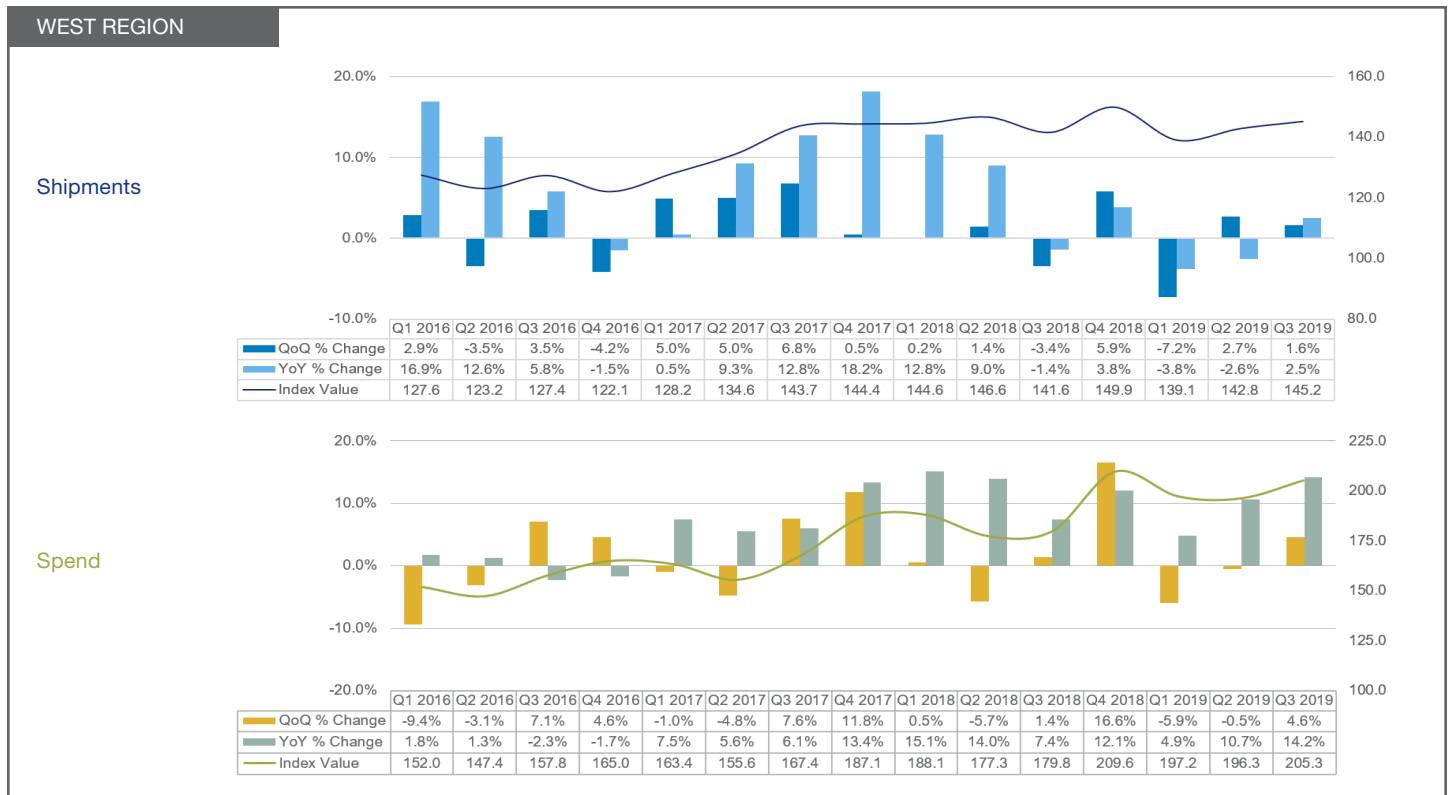
The regional indexes showed mixed results during the third quarter, with the best overall results in the West.



To receive this report quarterly, sign up at [freight.usbank.com](https://freight.usbank.com).



Q3 2019

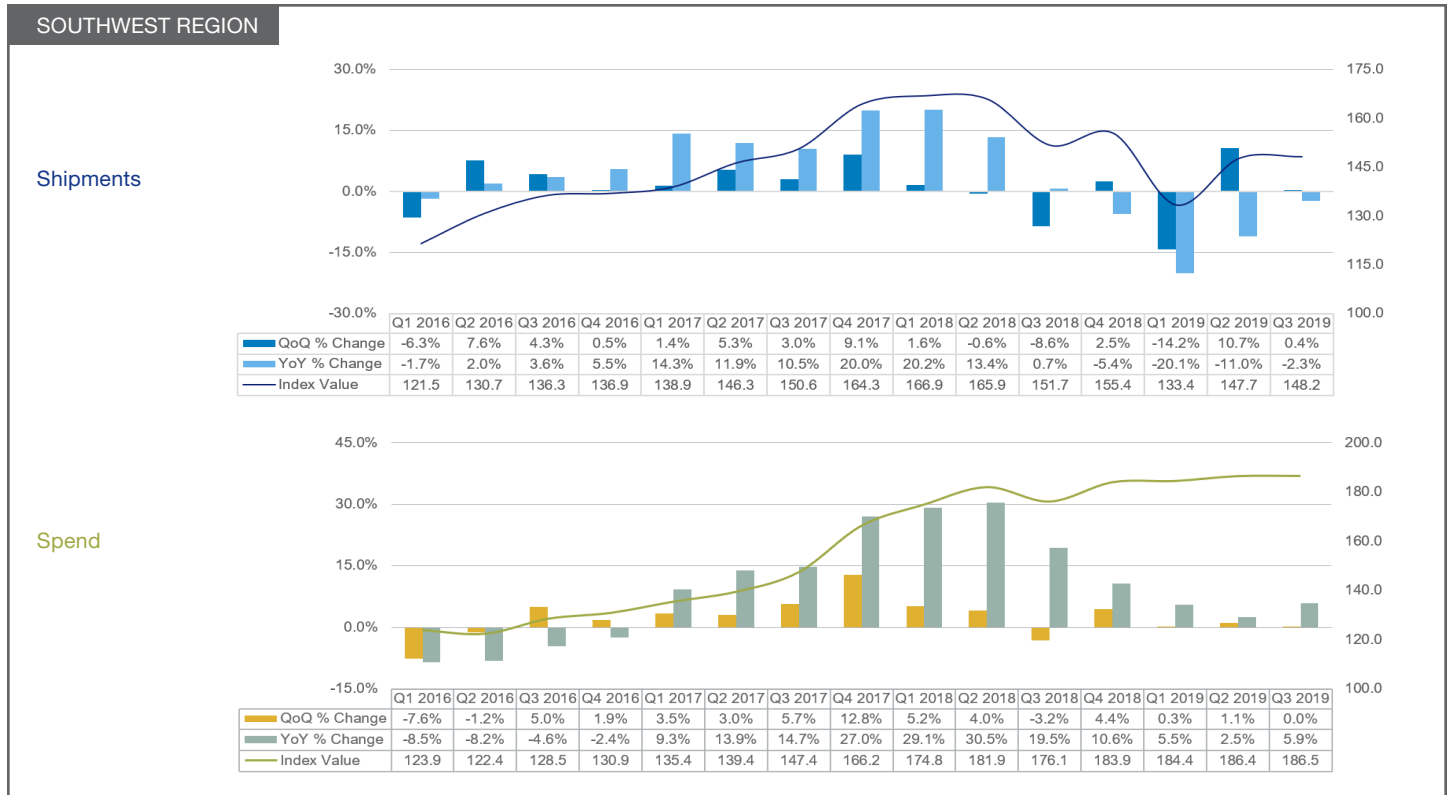


The West was just one of two regions that saw shipment gains both sequentially and on a year-over-year basis during the third quarter. Specifically, the index grew 1.6% from the second quarter while increasing 2.5% from a year earlier. On the positive side, West Coast port volumes were strong in the third quarter, essentially matching last year during the same period and remaining above average. Conversely, new home construction completions in the West were down from the previous quarter, the only region to witness a drop. However, new home construction starts in this area did rise slightly, which should help truck shipments in the fourth quarter.

After falling a total of 6.4%<sup>2</sup> the previous two quarters, the West Spend Index increased 4.6% in the third quarter, placing the index at the second highest level on record. More notably, the index surged 14.2% from a year earlier. With spending far outpacing shipments from a year earlier, it points to capacity that is balancing.

**The West Spend Index increased 4.6% in the third quarter, placing the index at the second highest level on record.**

Q3 2019

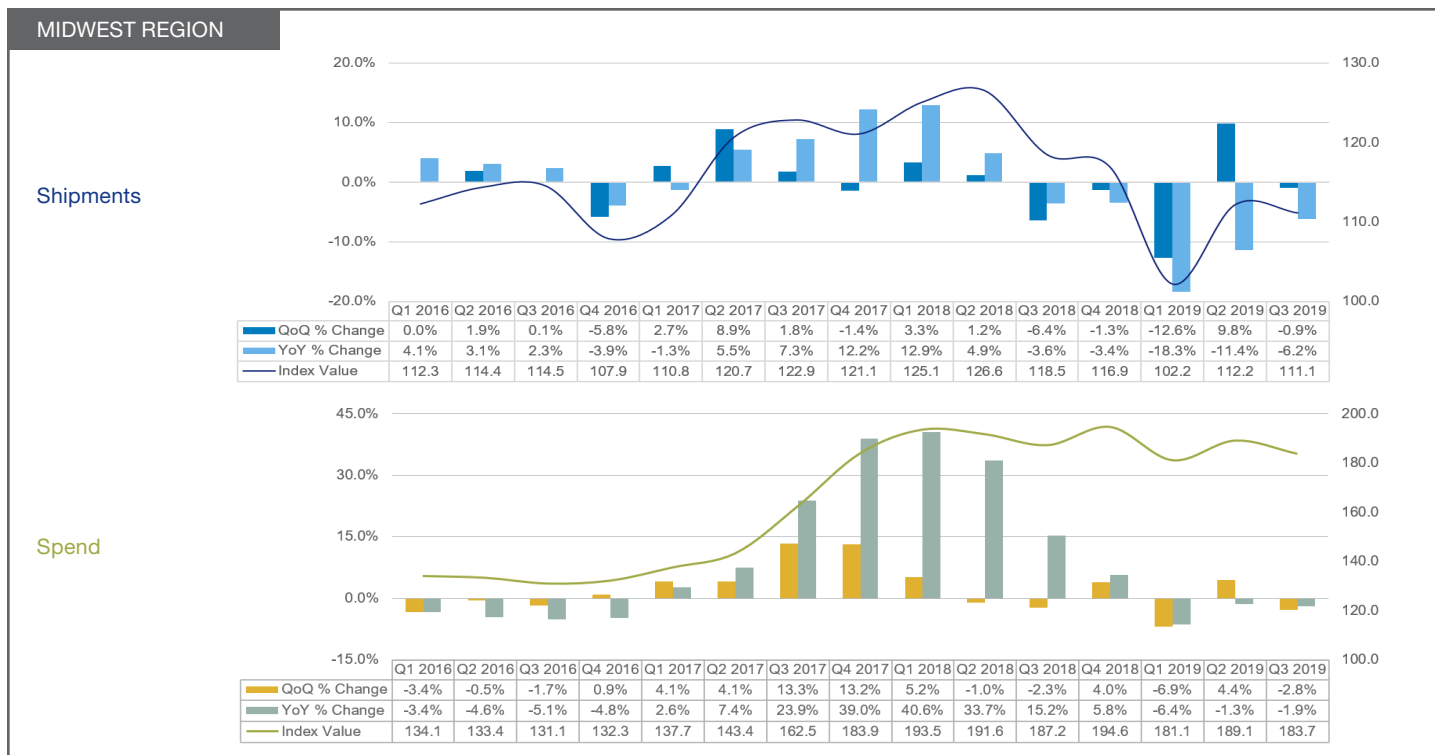


The Southwest saw shipments growing another 0.4% in volumes last quarter, after surging 10.7% in the second quarter. However, the small sequential gain was not enough to push this regional measure above a year earlier as it fell 2.3%. Housing starts in the region were mostly flat in the third quarter, which was one of the reasons why shipments only grew slightly. Chemical production increased moderately over the previous quarter, which is good for tank truck haulers in the region.

The Southwest Spend Index was flat from the previous quarter but remained at high levels. This measure increased 5.9% over a year earlier and could indicate that capacity is evening out in this region.

**Housing starts in the region were mostly flat in the third quarter, which was one of the reasons why shipments grew only slightly.**

Q3 2019



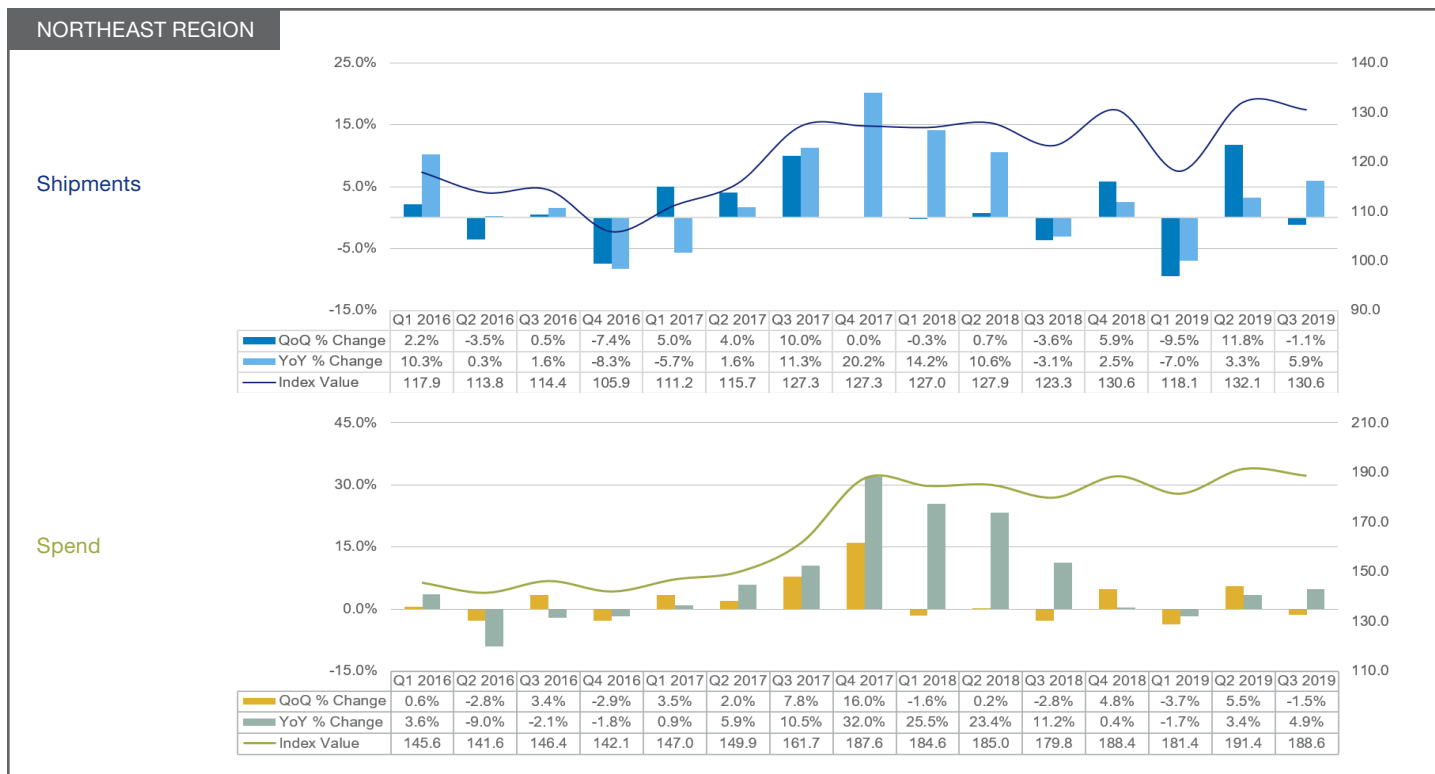
The Midwest continues to lag the other four regions for both shipments and spending. Shipments, after surging 9.8% in the second quarter, slowed 0.9% last quarter. That was the fourth sequential drop in the last five quarters. The index was off 6.2% from a year earlier. The Midwest has several factors weakening it currently. First is its high percentage of manufacturing activity relative to other sectors. Factory output is now contracting on a year-over-year basis and fell from the second quarter. Second, this region has seen fewer exports, including agriculture products, to China from trade disputes. Higher Chinese tariffs on goods from the U.S. went into effect on September 1, including on soybeans, pork and beef.

**Shipments, after surging 9.8% in the second quarter, slowed 0.9% in the last quarter.**

Lower volume has resulted in lower spend as well. In the third quarter, the Midwest Spend Index fell 2.8% from the second quarter and 1.9% from a year earlier.



Q3 2019

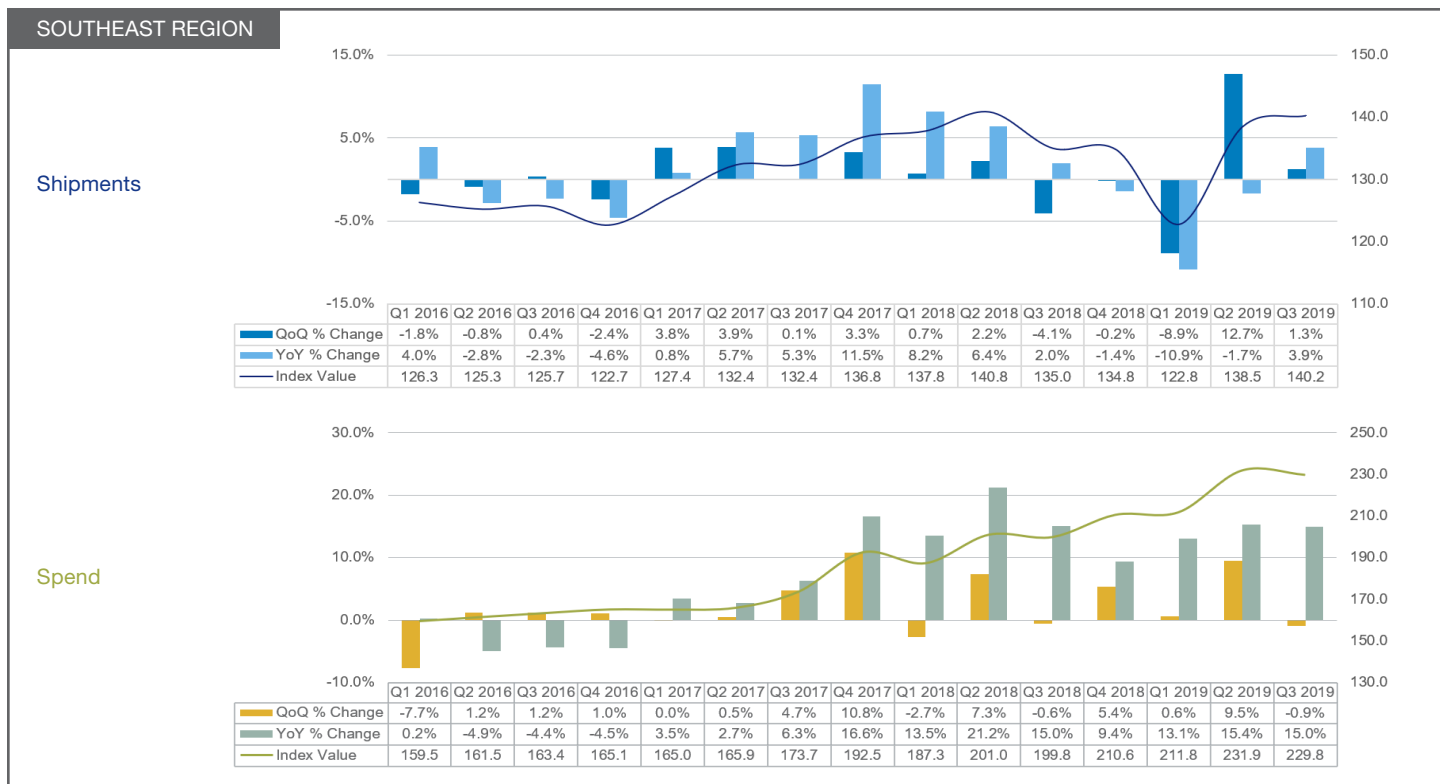


The Northeast saw sequential declines, but year-over-year increases during the third quarter. Specifically, the shipment index fell 1.1%, although the drop was preceded by an 11.8% surge during the second quarter. Compared with a year earlier, shipments increased a solid 5.9%. Year-to-date, shipments are up 0.7%<sup>3</sup>. Solid consumer spending is boosting retail freight in the region. Additionally, this region saw a strong gain in new home completions from a year earlier.

Despite falling 1.5% from the second quarter, the spend index rose 4.9% from a year earlier. The spend index, contrasted with the shipment index, suggests that pricing isn't increasing as much here as in other regions where spending is up significantly more than volumes.

**Despite falling 1.5% from the second quarter, the spend index rose 4.9% from a year earlier.**

Q3 2019



Hurricane Dorian, while not devastating the Southeast, probably added freight last quarter as supplies were rushed to the region in anticipation of the storm and several states declared a state of emergency. This contributed to the Southeast Shipment Index rising another 1.3% in the third quarter, on top of the 12.7% surge in the second quarter. Compared with a year earlier, the index was up 3.9%, the first year-over-year increase in four quarters.

While the spend index contracted 0.9% last quarter, the first drop in a year, it surged 15% from a year earlier. This suggests that supply is close to being in balance in the Southeast and has been for a while as this metric is up a robust 14.5% year-to-date compared to the same period last year. That is by far the largest gain of any region.

**Compared with a year earlier, the shipment index was up 3.9%, the first year-over-year increase in four quarters.**

Q3 2019

## 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 of international trade policy and cross-border operations 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.

To receive this report quarterly, sign up at [freight.usbank.com](https://freight.usbank.com).



# About U.S. Bank (usbank.com)

U.S. Bancorp, with 74,000 employees and \$488 billion in assets as of September 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.

## For more information:

866.274.5898

[cpstransportation@usbank.com](mailto:cpstransportation@usbank.com)

[usbank.com](https://www.usbank.com)

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