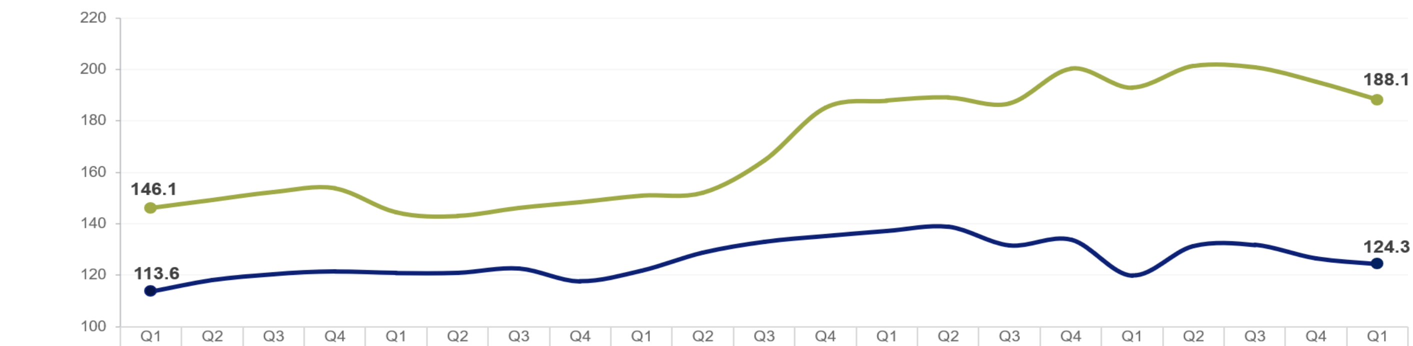
Q1 2020

U.S. Bank Freight Payment Index™

Q1 2020 National Freight Market Overview



	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
Spend	146.1	149.3	152.2	153.8	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	201.3	200.7	195.2	188.1
Shipments	113.6	118.0	120.5	121.3	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	131.3	131.7	126.5	124.3

Shipments	
Index Value	124.3
Quarterly % Change	–1.8% ▼
Yearly % Change	3.8% ▲

Spend	
Index Value	188.1
Quarterly % Change	–3.7% ▼
Yearly % Change	–2.5% ▼

The national freight market changed significantly during the first quarter of the year and the U.S. Bank National Shipment and Spend Indexes provide insight into what transpired. Despite the strong movement of consumer staples during the second half of March, both the shipment and spend indexes contracted from Q4 2019.

With most states implementing stay-at-home orders, freight to grocery stores and other household goods retailers surged in an effort to keep the shelves stocked. The surge in purchasing household goods in advance of the stay-at-home orders, caused what appeared to be shortages of

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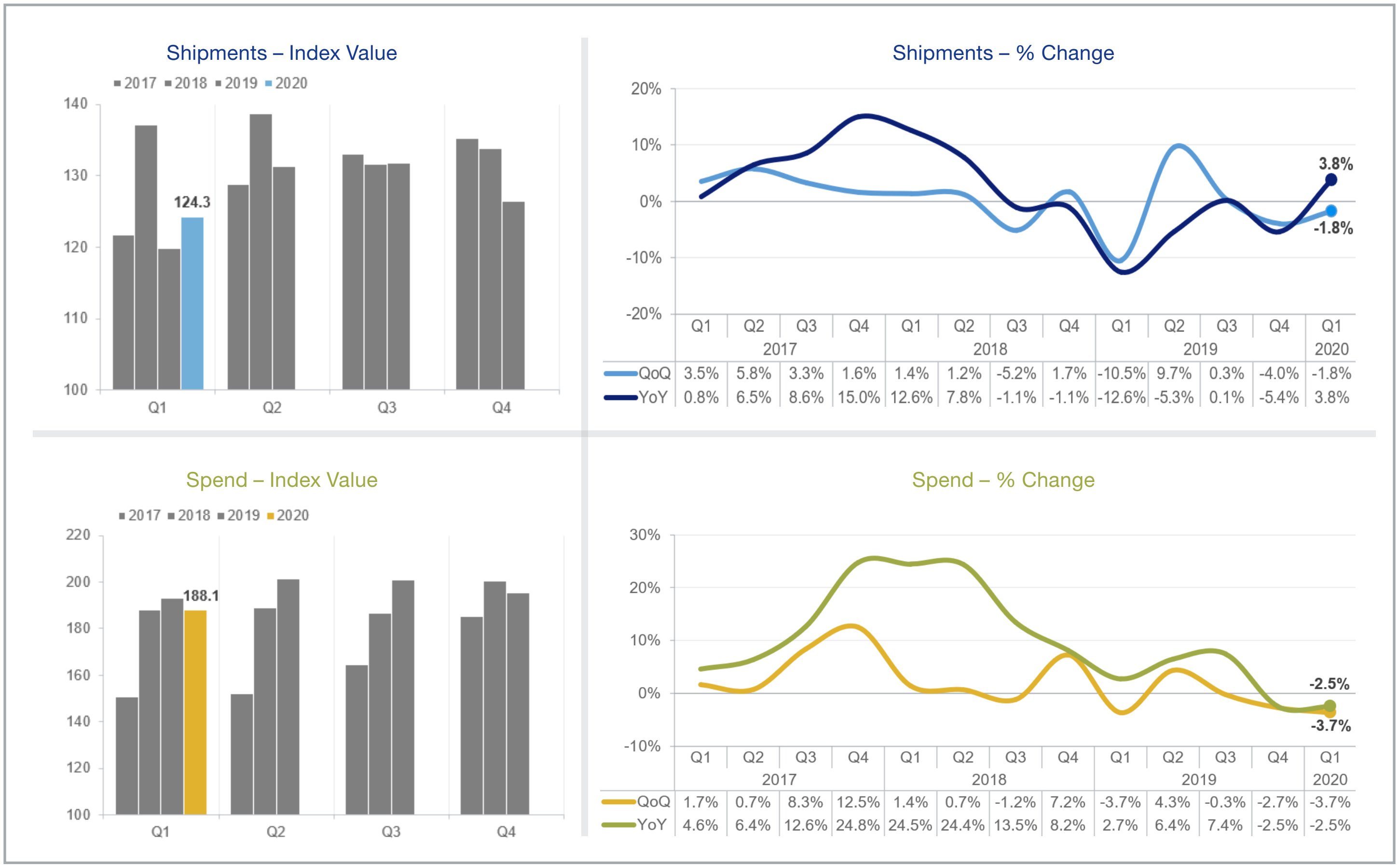
goods in stores. However, in most cases, it was simply that the supply chain could not keep up with the binge buying. For other market sectors, like restaurants and auto factories, freight shipments slowed dramatically as those businesses closed or reduced service.

According to the American Trucking Associations, trucking operators that are in supply chains around consumer staples, like food and cleaning supplies, or those that are in the medical supply chain, outperformed both the U.S. Bank National Shipment and Spend Indexes. But those operators that haul for the hospitality industry and others saw their freight dwindle rapidly during March and underperformed against the U.S. Bank National Indexes.

> **Trucking operators that are in supply chains around consumer staples outperformed the U.S. Bank National Shipment and Spend Indexes.**

As we approach the second quarter with some known and potentially new challenges, we anticipate that both indicators could continue to contract significantly. Trucking operators in the grocery store and online retail supply chains should outperform most other sectors. But in general, with businesses closed, and most people ordered to stay at home, spending will likely plummet and a continued drop in freight will likely be the result during the second quarter.



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

After contracting 4% in the final quarter of 2019, the U.S. Bank National Shipment Index contracted 1.8% sequentially during the first quarter of this year. Trucking operators and shippers in the grocery supply chains saw much stronger volumes and sales.

Compared with a year earlier, the shipment index rose 3.8%. However, the gain was primarily the result of a slower first quarter in 2019, resulting in an easy year-over-year comparison.

The National Spend Index was off 3.7% from the fourth quarter of 2019, and 2.5% from a year earlier. Weakness in spending during the first quarter was due to three factors: lower volumes, falling freight rates and lower fuel prices, which reduced fuel surcharge. Diesel fuel prices, according to the

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U.S. Department of Energy, averaged $2.88 per gallon in the first quarter, or 17.6 cents lower than the fourth quarter of 2019 and 13.5 cents below a year earlier.

Carriers and shippers should prepare for a challenging second quarter in 2020. There are wide ranges of predictions on the level of GDP contractions, anywhere from 12% to more than 30%[1]. Regardless of the level of GDP contractions, it will be reflected in truck freight. Trucking operators are likely to move to areas with better freight activity.

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

Excluding the Southeast, every other region posted weak results for the first quarter. The Southeast region is simply set up better to deal with surge freight as this is the area of the country frequently impacted by hurricanes and other severe storms. As a result, supply chains and trucking operators have more experience with rapid shifts in freight. In addition, the late start to stay-at-home orders in this region may have allowed for increased freight shipping activity.

In the other regions, freight was weaker for a variety of reasons, outlined in each regional commentary. Generally, the surge in freight demand for consumer staples, like food, cleaning supplies, as well as medical supplies for hospitals, was more than offset in most regions by a corresponding fall in demand for other products in the region.

All regions will most likely witness a decrease in freight levels during the second quarter. However, it may not all be negative – for example, carriers hauling for grocery stores will do better than those hauling food to restaurants.

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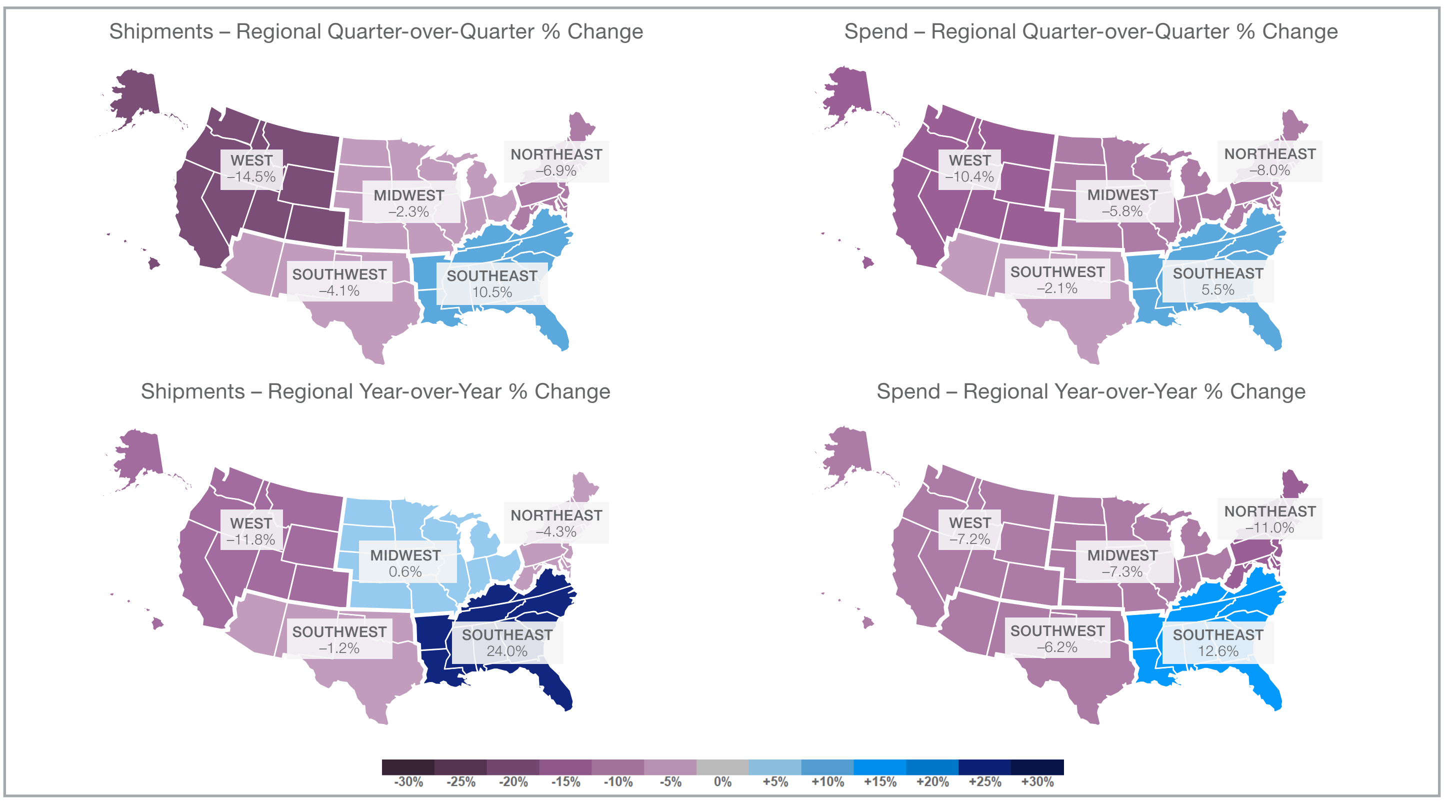
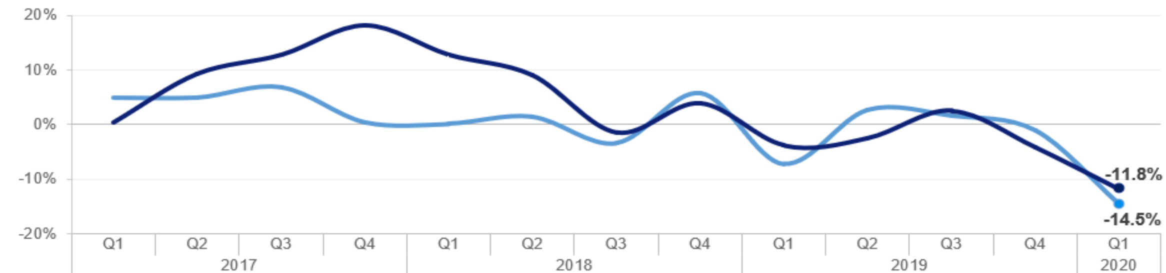


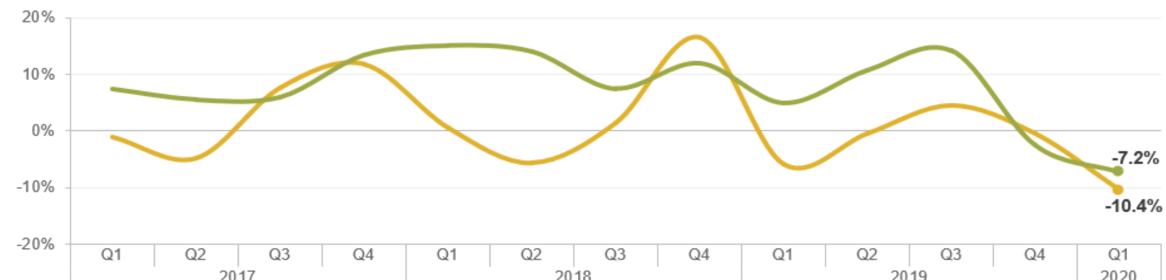
WEST REGION

Shipments



	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
QoQ	5.0%	5.0%	6.8%	0.5%	0.2%	1.4%	-3.4%	5.9%	-7.2%	2.7%	1.6%	-1.1%	-14.5%
YoY	0.5%	9.3%	12.8%	18.2%	12.8%	9.0%	-1.4%	3.8%	-3.8%	-2.6%	2.5%	-4.2%	-11.8%

Spend



	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
QoQ	-1.0%	-4.8%	7.6%	11.8%	0.5%	-5.7%	1.4%	16.6%	-5.9%	-0.5%	4.6%	-0.5%	-10.4%
YoY	7.5%	5.6%	6.1%	13.4%	15.1%	14.0%	7.4%	12.1%	4.9%	10.7%	14.2%	-2.6%	-7.2%

The West was the most significantly impacted among all regions for trucking volumes and spending during the first quarter for a couple of reasons. First, a significant part of truck freight in the West is related to international trade with China. Trade was down considerably as a result of continued trade wars and as the Chinese economy shut down to tackle COVID-19. As a result, freight coming into the West coast ports declined and trucking volumes were severely impacted. Second, the West was the first region in the U.S. to directly experience COVID-19 cases, which hurt truck freight as well.

Specifically, the West Shipment Index contracted 14.5% from the first quarter to the lowest level in more than three years. The index fell 11.8% from a year earlier as well. Also, during the first quarter, spending on truck freight decreased 10.4% from the final quarter in 2019 and 7.2% from the first quarter of 2019.

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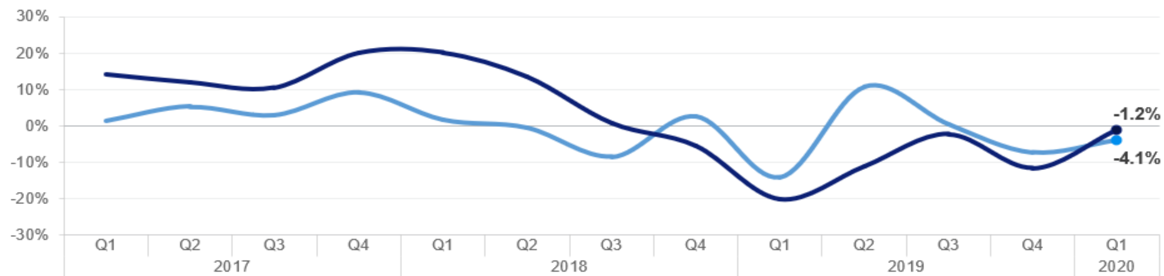
SOUTHWEST REGION

Shipments



	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
QoQ	1.4%	5.3%	3.0%	9.1%	1.6%	-0.6%	-8.6%	2.5%	-14.2%	10.7%	0.4%	-7.3%	-4.1%
YoY	14.3%	11.9%	10.5%	20.0%	20.2%	13.4%	0.7%	-5.4%	-20.1%	-11.0%	-2.3%	-11.6%	-1.2%

Spend

	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
QoQ	3.5%	3.0%	5.7%	12.8%	5.2%	4.0%	-3.2%	4.4%	0.3%	1.1%	0.0%	-5.3%	-2.1%
YoY	9.3%	13.9%	14.7%	27.0%	29.1%	30.5%	19.5%	10.6%	5.5%	2.5%	5.9%	-4.0%	-6.2%

The Southwest had its second straight down quarter, with volumes and spending again falling both sequentially and on a year-over-year basis. This region likely had fallout due to its direct adjacency to the West. But even more important in the Southwest was the massive drop in oil prices, hurting energy producing shippers and trucking operators servicing them. The price of West Texas Intermediate oil began the year trading in excess of $60 per barrel. By the end of the quarter, it fell below $21 per barrel, or a 65% drop[2]. This in turn hurt shale producers in the region, which consequently negatively impacted truck freight volumes.

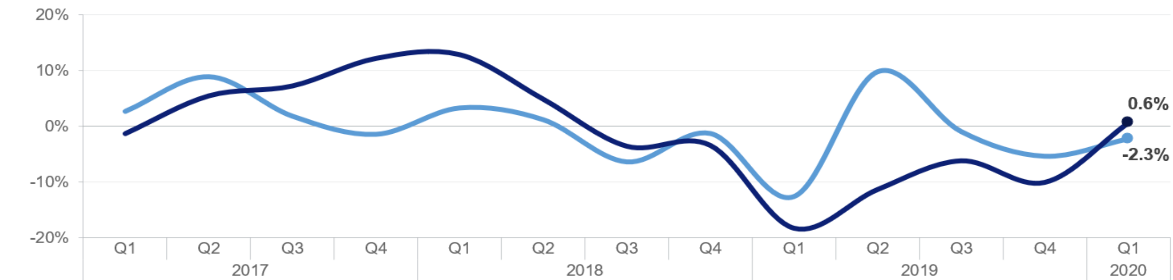
The Southwest Shipment Index contracted 4.1%, which was in addition to the 7.3% drop in the final quarter of 2019. This resulted in the lowest level of truck freight in this region since the second quarter in 2016.

The Southwest Spend Index was also off due to lower volumes, lower fuel surcharges, and softening pricing. Specifically, the spend index contracted 2.1% from the previous quarter and 6.2% from a year earlier.

This region likely had fallout due to its direct adjacency to the West.

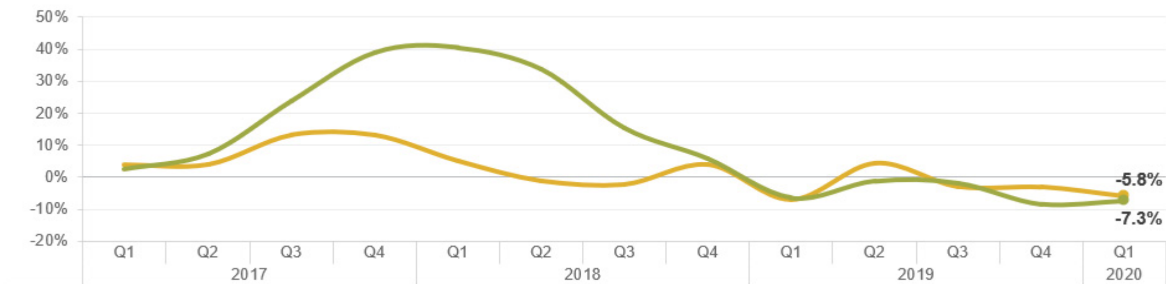
MIDWEST REGION

Shipments



	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
QoQ	2.7%	8.9%	1.8%	-1.4%	3.3%	1.2%	-6.4%	-1.3%	-12.6%	9.8%	-0.9%	-5.4%	-2.3%
YoY	-1.3%	5.5%	7.3%	12.2%	12.9%	4.9%	-3.6%	-3.4%	-18.3%	-11.4%	-6.2%	-10.1%	0.6%

Spend



	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
QoQ	4.1%	4.1%	13.3%	13.2%	5.2%	-1.0%	-2.3%	4.0%	-6.9%	4.4%	-2.8%	-3.0%	-5.8%
YoY	2.6%	7.4%	23.9%	39.0%	40.6%	33.7%	15.2%	5.8%	-6.4%	-1.3%	-1.9%	-8.5%	-7.3%

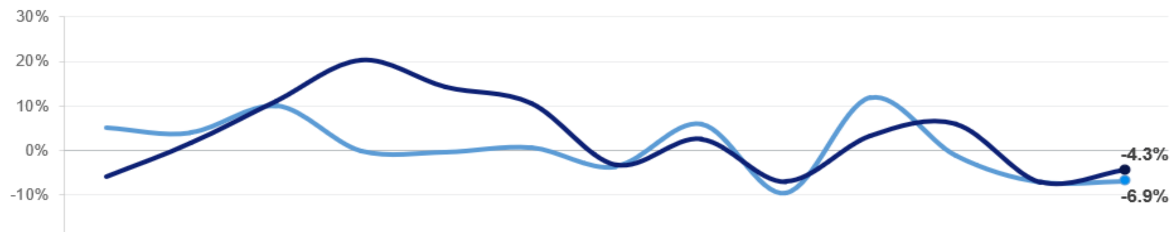
Truck freight has remained weak in the Midwest over the last six quarters as the agricultural sector continues to bear the brunt of lower exports during the trade war with China, as well as from a downturn in the factory sector. Factory production was trending better in January and February, until COVID-19 hit in mid-March, causing the closing of many factories in the region. This hurt trucking operators in the Midwest, some of which only haul freight for automobile production. This also caused increased activity in the spot market as carriers searched for additional freight.

Strength in March for shipments of food, cleaning products, and medical supplies was not enough to counterbalance the idling of factories, and the shipment index contracted 2.3% sequentially, but was up 0.6% from last year. During the first quarter, spending in the region was off 5.8% from the previous quarter while contracting 7.3% from a year earlier.

Strength in March for shipments of food, cleaning products and medical supplies was not enough to counterbalance the idling of factories.

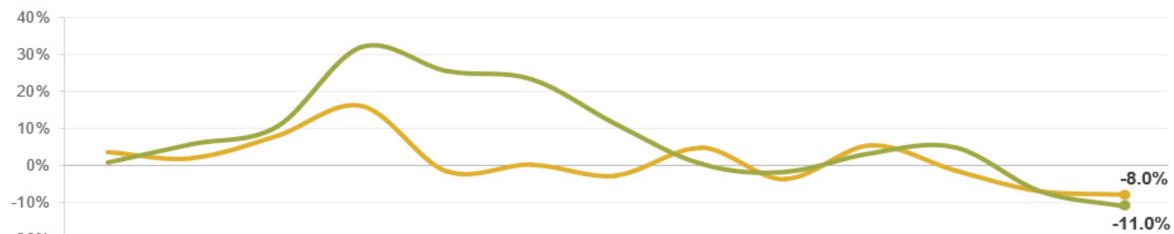
NORTHEAST REGION

Shipments



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
QoQ	5.0%	4.0%	10.0%	0.0%	-0.3%	0.7%	-3.6%	5.9%	-9.5%	11.8%	-1.1%	-7.1%	-6.9%
YoY	-5.7%	1.6%	11.3%	20.2%	14.2%	10.6%	-3.1%	2.5%	-7.0%	3.3%	5.9%	-7.0%	-4.3%

Spend



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
QoQ	3.5%	2.0%	7.8%	16.0%	-1.6%	0.2%	-2.8%	4.8%	-3.7%	5.5%	-1.5%	-7.0%	-8.0%
YoY	0.9%	5.9%	10.5%	32.0%	25.5%	23.4%	11.2%	0.4%	-1.7%	3.4%	4.9%	-6.9%	-11.0%

Despite heightened purchasing of consumer staples, the freight surge from COVID-19 stockpiling was not enough to offset weaknesses elsewhere in the Northeast. There was more inbound demand in the region for food and other consumer staples, but less outbound freight, which lowered shipments for trucking operators, as well as their revenue.

As a result, Northeast shipments and spend slowed during the first quarter of 2020. The shipment index fell 6.9% sequentially, to the lowest level since the second quarter in 2017, while also contracting 4.3% from a year earlier. Meanwhile, the spend index was off 8% from the previous quarter and 11% from a year earlier.

It is reasonable to expect the Northeast to see lower freight levels for trucking operators and shippers in the second quarter as the full impact of stay-at-home orders and business closures are felt.

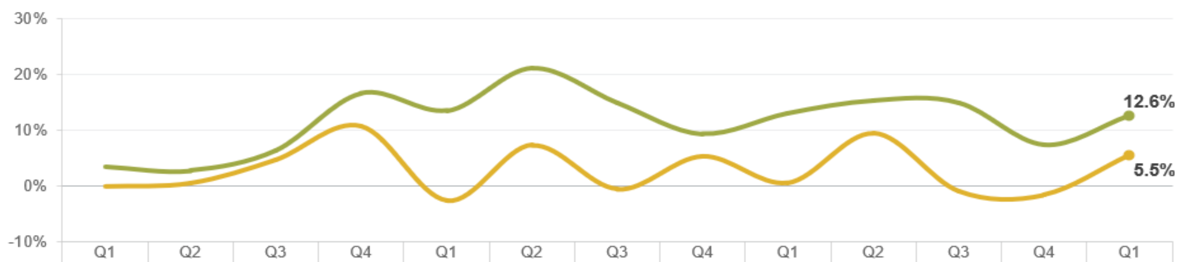
There was more inbound demand in the region for food and other consumable staples, but less outbound freight.

SOUTHEAST REGION

Shipments

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
QoQ	3.8%	3.9%	0.1%	3.3%	0.7%	2.2%	-4.1%	-0.2%	-8.9%	12.7%	1.3%	-1.6%	10.5%
YoY	0.8%	5.7%	5.3%	11.5%	8.2%	6.4%	2.0%	-1.4%	-10.9%	-1.7%	3.9%	2.3%	24.0%

Spend



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
QoQ	0.0%	0.5%	4.7%	10.8%	-2.7%	7.3%	-0.6%	5.4%	0.6%	9.5%	-0.9%	-1.6%	5.5%
YoY	3.5%	2.7%	6.3%	16.6%	13.5%	21.2%	15.0%	9.4%	13.1%	15.4%	15.0%	7.3%	12.6%

The Southeast was the only region with big gains in freight and spending. To be sure, this has been the best region for trucking operators over the last five quarters among all the U.S. Bank regions in this report, but the first quarter of 2020 was particularly strong.

This area was better able to cope with the surge demand for household goods because shippers and trucking operators have considerable experience rushing supplies to the region in advance of impending hurricanes or other severe storms. While COVID-19 is a health crisis and not a natural disaster, the supply chains work similarly and unlike the Northeast, there are backhauls out of many states in this region which have robust industrial sectors.

Specifically, the Southeast Shipment Index jumped 10.5% from the final quarter in 2019 to a record high, while the index surged by 24% from the first quarter in 2019, by far the largest year-over-year increase on record. The Southeast Spend Index grew, but not as much as volumes, up 5.5% from the previous quarter while increasing 12.6% from a year earlier. One reason for the smaller gain in spending was that the large drop in diesel fuel prices caused lower fuel surcharge revenue throughout the quarter.

The Southeast Shipment Index jumped 10.5% and spend was up 5.5% from Q4 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 $28.8 billion in 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

$28.8 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 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)

U.S. Bancorp, with more than 70,000 employees and $543 billion in assets as of March 31, 2020, 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 2020 World's Most Ethical Company.

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1. Reinicke, C. (2020, March 20) Retrieved from markets.businessinsider.com/news/stocks/us-gdp-drop-record-2q-amid-coronavirus-recession-goldman-sachs-2020-3-1029018308
2. Commentary provided by Bob Costello, ATA senior vice president and chief economist