Reflecting what is expected to be stronger economic output during the second quarter, the U.S. Bank National Shipment Index saw a robust gain in the second quarter of 2017. And, while it is common for this index to increase during the second quarter, the fact that it was such a large gain is significant for the broader economy. In fact, the 5.8% gain in the National Shipment Index justifies many economic forecasts for roughly 3% growth in second-quarter real gross domestic product.

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Beyond GDP growth, the latest reading in the National Shipment Index highlights that more sectors of the economy saw an acceleration in activity during the second quarter, including the fact that retail sales are increasing at a faster pace than in 2016, the housing market remains solid, and now manufacturing activity is picking up as business investment finally recovers. All of this bodes well for the transportation industry.

But perhaps the most important economic trend for the transportation industry, highlighting the strength in the second quarter, is the fact that inventories throughout the supply chain continued to decline, especially when excluding automobile stocks.

The U.S. Bank National Spend Index, while increasing, was softer than the National Shipment Index during the second quarter. This isn’t completely unexpected, though, as freight volumes have to grow more consistently before there is a sizable gain in spending. As freight continues to pick up, and assuming some of the excess capacity in the truck market is absorbed as a result, it is likely that the National Spend Index will follow suit later this year.
National Shipments and Spend—Quarter-over-Quarter, Year-over-Year

The National Shipment Index jumped 5.8% during the second quarter, compared with the first quarter, which was the largest gain of the current economic expansion. This robust increase put this shipment index to 128.7, which is the highest level since U.S. Bank started the series in 2010. Even more impressive, this index is up a total of 9.3% through the first half of 2017, compared with the end of 2016.

Not only was the National Shipment Index strong in the second quarter, it is worth noting that it was solid in the first quarter as well. The 3.5% rise during the first three months of the year was the largest increase for a first quarter in the history of the index.

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Compared with the second quarter of 2016, the National Shipment Index increased a robust 6.5%, the largest year-over-year gain in six years.

The National Spend Index also increased during the second quarter, but at a slower pace, rising 0.7% from the previous quarter. This gain put the index to 152.0, which is the highest level since the final quarter in 2015. During the first quarter, spending rose 1.7%. Although it was the slowest pace over the last year, the National Spend Index has increased for four consecutive quarters. This is the first time that has happened during the current economic expansion. Since hitting a recent low in the second quarter of 2016, the index is up a total of 6.2%, which is approximately the same as the year-over-year percent change and the fastest pace since early 2015.
Regional Shipments and Spend—Quarter-over-Quarter, Year-over-Year

Freight movements are generally not uniform across the country and that was true again during the second quarter. Shipments were up in all regions compared with the previous quarter, but the Midwest region exhibited the strongest growth, rising 8.9% from the first quarter of the year. This is likely reflective of better manufacturing activity in the region. The smallest quarterly increase was for the Southeast, at 3.9%. Despite registering the largest quarterly gain, the Midwest saw the second-smallest increase in shipments compared with a year earlier (5.5%), although this is still a solid rise. The largest year-over-year gain from the second quarter in 2016 was in the Southwest, at 11.9%, followed by a 9.3% increase in the West.

Unlike shipments, not all regions had gains in spend compared with the first quarter of the year. Specifically, the West had a 4.8% contraction in spend from the previous quarter, which was the second straight decline. The largest gain from the previous quarter was in the Midwest (4.1%). Compared with the second quarter of 2016, the Southwest and Midwest regions saw the largest gains, rising 13.9% and 7.4%, respectively. The Southeast had the smallest increase, at 2.7%.

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The West Regional Shipment Index jumped 5.0% during the second quarter, after increasing by the same 5.0% in the first quarter. As a result, this regional shipment index stood at the highest level on record. A continued recovery in West Coast port volumes helped the index during the first half of the year. Compared with a year earlier, the index jumped 9.3%, the largest year-over-year gain in one year.

Despite improving volumes, the West Regional Spend Index contracted for the second straight quarter, falling 4.8% from the previous quarter after a 1.0% drop during the first quarter. As a result, this regional spend index stood at the lowest level since the same quarter of last year. But thanks to a weakness during the second quarter of last year, this index increased 5.6% from the same period in 2016.

A continued recovery in West Coast port volumes helped the index during the first half of the year.
The Southwest region had a solid month in terms of both shipments and spend. The Southwest Regional Shipment Index jumped 5.3% from the first quarter and hit the highest level on record. In fact, this measure has increased for five straight quarters, the best showing of any region. Over that period, this regional shipment index increased a total of 19.1%. Compared with the second quarter of last year, this measure surged 11.9%.

The Southwest Regional Spend Index increased 3.0% from the first to the second quarter. This was the fourth straight rise totaling 13.4%, which is approximately the same as the year-over-year rise.
As stated previously, the Midwest Regional Shipment Index was the strongest among all regions in the second quarter, jumping 8.9% from the first quarter, following a 2.7% gain the previous quarter. These two increases put this regional shipment index to the highest level in the history of the index. Compared with a year earlier, shipments in the Midwest were up 5.5%, the first year-over-year gain since the third quarter of last year.

The Midwest Regional Spend Index jumped 4.1% last quarter in addition to the same 4.1% gain during the first quarter. Compared with a year earlier, spending was up 7.4% in this region.

Generally, this region has been helped by a rebound, albeit a moderate one, in general manufacturing activity. In addition, auto production remains high, which is also boosting the Midwest indexes.
The Southeast Regional Shipment Index increased 3.9% during the second quarter, which was the second straight gain and the third increase in the last four quarters. Prior to the third quarter last year, this regional shipment index fell a total of 2.8% over four consecutive quarters. Compared with the second quarter in 2016, shipments in the Southeast jumped 5.7%, the largest year-over-year gain in seven quarters.

Despite some progress on volumes, spending is slow to recover in the Southeast. Specifically, the Southeast Regional Spend Index edged 0.5% higher in the second quarter. And while increasing in four of the last five quarters, the total gain over that period is just 3.9%. Nevertheless, this regional spend index stood at the highest level of any other region during the second quarter. Compared with a year earlier, spend in the Southeast was up 2.7%, down from the 3.5% year-over-year gain in the first quarter, but the second-best reading over the last seven quarters.
The Northeast Regional Shipment Index increased 4.0% in the second quarter in addition to the 5.0% gain during the first quarter. And after falling for two straight quarters, this regional shipment index is now up two consecutive quarters, pushing it to the highest level since the first quarter of 2016. Compared with a year earlier, the index was up 1.6%, the best year-over-year reading in four quarters.

The Northeast Regional Spend Index rose 2.0% from the first quarter, putting the measure at the highest level in nearly two years. During the first two quarters of the year, spending in the Northeast increased a total of 5.5%. Compared with the second quarter in 2016, spending in the Northeast was up 5.9%, the largest year-over-year increase in two years.
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 18 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 $22 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.

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About U.S. Bank (usbank.com)

Minneapolis-based U.S. Bancorp (NYSE: USB), with $450 billion in assets as of March 31, 2017, is the parent company of U.S. Bank National Association, the fifth-largest commercial bank in the United States. The Company operates 3,091 banking offices in 25 states and 4,838 ATMs and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

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