While Hurricanes Harvey and Irma affected the U.S. Bank National Shipment and Spend Indexes during the third quarter, making underlying trends more difficult to gauge, gains in both indexes show that freight volumes are improving and the truck market is getting tighter. An 8.3% jump in the National Spend Index, the largest quarterly gain since the final quarter in 2014, reflects a tighter truck market not only from the hurricanes but also more generally nationwide. The 3.3% increase in the National Shipment Index last quarter—much lower than the 5.8% increase in Q2—indicates a slowdown in real gross domestic product. The GDP gain in Q2 was a robust

An 8.3% jump in the National Spend Index, the largest quarterly gain since the final quarter in 2014, reflects a tighter truck market

Commentary provided by Bob Costello, ATA Senior Vice President and Chief Economist

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3.1%. But all things considered, the increase was good and reflects an economy that is still growing at a better pace on average than in 2016.

Offsetting some of the weather-related weakness in the third quarter are improving drivers of freight. Retail sales are increasing at a decent pace, albeit slightly slower than during the second quarter. One of the most important developments for the transportation sector recently has been the acceleration in factory output as the U.S. dollar retreated from high levels and businesses are reinvesting in capital equipment at a better clip than the past few years. The inventory overhang that plagued truck freight volumes for nearly two years is better, also helping the National Shipment Index. Finally, while housing construction hit a wall this summer, it should be short-lived as the rebuilding phase from the hurricanes starts. These trends in the key drivers of freight will support growth in the U.S. Bank Shipment and Spend Indexes in the quarters ahead.

One of the most important developments for the transportation sector recently has been the acceleration in factory output as the U.S. dollar retreated from high levels and businesses are reinvesting in capital equipment.
National Shipments and Spend—Quarter-over-Quarter, Year-over-Year

The U.S. Bank National Shipment Index increased 3.3% in the third quarter, which was slower than the 5.8% surge in the second quarter, but still solid considering the weather-related impacts from Hurricanes Harvey and Irma. The 3.3% gain in the face of these supply chain disruptions suggests seasonally strong freight in the third quarter. The index has now increased for three straight quarters totaling 13.1%, which is the best three-quarter period in the current economic expansion.

Compared with the third quarter in 2016, shipments jumped 8.6%, which was the largest year-over-year gain in several years. Through the first three quarters of the year, compared with the same period in 2016, shipments are up a solid 5.3%. In 2016, the index was up just 1.8% compared with 2015.

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Also in the third quarter, the National Spend Index surged 8.3% from the previous quarter and 12.6% from the previous year. This was the largest quarter-over-quarter gain since the final quarter in 2014 and the biggest year-over-year increase since the third quarter of 2011. Year-to-date, compared with the same period last year, the spend index is up 7.9%. In 2016, compared with 2015, this index fell 3.2%.

While the hurricanes caused truck capacity to tighten during the third quarter, resulting in higher truck spot market rates, at least temporarily, this index will likely outpace the shipment index, on average, going forward. Between the rebuilding in Texas and Florida, which will increase freight and tighten truck capacity, better GDP growth, and the electronic logging device rule for truck drivers’ hours-of-service compliance that will take effect on December 18, 2017, it is likely spend will increase at a decent clip going forward.
Regional Shipments and Spend—Quarter-over-Quarter, Year-over-Year

While freight movements are generally not uniform across the country in any given quarter, and that was true again during the third quarter, Hurricane Irma seems to have had a large impact on shipments in the Southeast region during the third quarter. The Southeast Regional Shipment Index slowed from a 3.9% gain in the second quarter to just a 0.1% increase in the third quarter, by far the smallest of any region last quarter. Shipments were up in all regions compared with the previous quarter with the Northeast region exhibiting the strongest growth, rising 10% from the second quarter. This is likely reflective of better manufacturing activity in the region.

Not surprisingly, the Southeast also had the smallest year-over-year gain in shipments during the quarter, but still rose a respectable 5.3%. The largest year-over-year gain was in the West (12.8%), likely helped by West Coast port volumes.

For the first quarter in three years, all regions posted increases in spend on a quarter-over-quarter basis. And for the second straight quarter, the Midwest saw the largest gain from the previous quarter (13.3%). The smallest increase was in the Southeast at 4.7%. Compared with the third quarter 2016, the Midwest region saw the largest gain, rising 23.9%. The West had the smallest increase, 6.1%, but that is still a solid increase from a year earlier.
After gaining a robust 5% in the second quarter, the West Regional Shipment Index jumped 6.8% last quarter, which was the best quarterly showing in two years. As a result, this regional shipment index stood at the highest level on record, aided by better West Coast port volumes. Compared with a year earlier, the index surged 12.8%, the largest year-over-year gain since the first quarter in 2016.

The West Regional Shipment Index increased 5% in each of the first two quarters of the year, but the spend index contracted a total of 5.7% over the same period. However, what often happens is that spending eventually catches up to volumes, and that is what happened in the third quarter. Specifically, the West Regional Spend Index increased 7.6% last quarter, the largest gain in two years, while rising 6.1% from the same quarter in 2016.

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Despite Hurricane Harvey wreaking havoc in Southeast Texas during the third quarter, the Southwest Regional Shipment Index increased 3% from the second quarter. This was certainly slower than the 5.3% gain during the previous quarter, but considering what happened, it is impressive. This region will likely get a significant boost when the rebuilding gets into full swing. Additionally, housing starts in the South, across both regions, are outpacing the second quarter. Compared with a year earlier, shipments in this region were up a robust 10.5%.

The Southwest Regional Spend Index increased 5.7% from the second to the third quarter, which was the fifth straight increase totaling 20.4%. Compared with the third quarter of 2016, this measure was up a robust 14.7%.

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After having the largest gain in shipments during the second quarter, the Midwest Regional Shipment Index only bested the Southeast during the third quarter, increasing 1.8%. However, this was the third straight improvement totaling 13.9%. Despite the moderate quarterly rise, compared with a year earlier, shipments in the Midwest were up 7.3%, the largest year-over-year gain in several years.

The Midwest Regional Spend Index surged 13.3% last quarter to a record high. Compared with a year earlier, spending was up a very robust 23.9% in this region.

This region was assisted by a rebound in general manufacturing activity during the quarter. In fact, one measure of factory output hit the highest level in 13 years during September.
The Northeast region is another area that is benefiting from better manufacturing activity and that certainly showed up in the numbers during the third quarter. The shipment index surged 10% from the second quarter. Housing starts are running slightly higher than the second quarter for this region too, which is helping volumes as well. The third-quarter gain in shipments was in addition to the combined 9% increase in the first and second quarters. Compared with a year earlier, Northeast shipments jumped 11.3%.

The Northeast Regional Spend Index jumped 7.8% from the second quarter, the largest quarterly gain since the second quarter in 2015. Compared with the third quarter in 2016, spending in the Northeast was up 10.5%, the largest year-over-year increase in years.
The Southeast Regional Shipment Index increased just 0.1% during the third quarter as Hurricane Irma disrupted the supply chain in the region, especially in Florida. But like the Southwest region, this area will get a boost once the rebuilding phase starts in earnest. Prior to the third quarter, this regional shipment index increased a total of 7.9% over the two previous quarters. Compared with the third quarter in 2016, shipments in the Southeast increased 5.3%, just below the 5.7% year-over-year gain the previous quarter.

While volumes were soft last quarter, spending jumped in the Southeast as truck capacity undoubtedly tightened prior to and just after Hurricane Irma. Specifically, the Southeast Regional Spend Index increased 4.7% from the second quarter, the largest gain since the second quarter of 2015. Compared with a year earlier, the spend index in the Southeast was up 6.3%, which was the largest year-over-year gain in two years.

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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 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 $23 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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