The U.S. Bank National Spend Index surged during the final quarter of 2017 on both a sequential and a year-over-year basis, reflecting a tight truck market. Meanwhile, the National Shipment Index increased from the third to fourth quarters but by the smallest amount during any quarter in 2017. This slowdown fits with the expected deceleration in economic output during the final quarter last year.

Specifically, the National Shipment Index grew 1.6% quarter-to-quarter, which was significantly below the 5.8% and 3.3% gains during the second and third quarters, respectively. However, this deceleration on a quarterly

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

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basis matches with the broader economic picture, where real or inflation-adjusted gross domestic product (GDP) jumped at least 3% during both the second and third quarters in 2017 but is expected to slow to roughly 2.5% in the final quarter last year. To be sure, it is still a solid pace of growth for both the shipments index and GDP, but not quite the torrid pace of the previous two quarters.

The National Spend Index, conversely, reflects just how tight the truck market is becoming. The surge in spending for trucking services during the quarter, from both the previous period and a year earlier, puts it at the highest rate since 2010. This strength in spending is due to solid demand for trucking services, but also a tight-capacity situation due to driver shortages and the requirement of electronic logging devices, or ELDs, for truck driver hours-of-service regulations.
National Shipments and Spend—Quarter-over-Quarter, Year-over-Year

The U.S. Bank National Shipment Index increased 1.6% during the fourth quarter, which was slower than the 3.3% surge during the second quarter but is still solid and reflects a sound economy. Furthermore, the quarterly improvement was the best for the fourth quarter of any year since 2014. During the final quarter in 2016, the index fell 4%. This continued improvement in the index, which has increased a total of 15% since hitting a recent low during the final quarter of 2016, reflects good consumer spending, improved manufacturing activity and decent construction activity.

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Compared with the fourth quarter in 2016, the shipment index surged 15%, which was the largest year-over-year gain in the history of the index. For all of 2017, shipments grew 7.7%, making it the best year on record. For all of 2016, the shipment index grew a much smaller 1.8%.

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Also in the fourth quarter, the National Spend Index jumped 12.5% and 24.8% from the third quarter and a year earlier, respectively. The two gains were both records for the index dating back to 2010. For the entire year, the National Shipment Index was up 12.2%, which was the second-largest annual increase followed only by 2011 (13.2%). In 2016, this index fell 3.2% compared with 2015.

The surge in the spend index over the last couple of quarters is a reflection of a truck market that has tightened significantly for a few reasons. First, better demand for trucking helped to absorb the excess capacity that plagued the market in 2015 and 2016. Second, truck drivers are required to utilize ELDs for hours-of-service compliance—this, too, likely had the effect of reducing capacity. Finally, many motor carriers are struggling to find enough qualified truck drivers, thus making capacity expansion difficult. All of these factors have led to a situation where spending is increasing rapidly.
Regional Shipments and Spend—Quarter-over-Quarter, Year-over-Year

Truck freight shipments were quite mixed by region on a quarterly basis during the final quarter of 2017, with a range of –1.4% in the Midwest to a surge of 9.1% in the Southwest. The Southwest and Southeast regions were the strongest on a quarterly basis, likely due to freight related to recovery and rebuilding efforts from the hurricanes that struck these regions earlier in the year. Although at 9.1%, the Southwest jump was much stronger than the 3.3% increase in the Southeast.

While the shipment indexes were mixed on a quarterly basis, all regions saw double-digit shipment gains from a year earlier, including gains of at least 20% in the Southwest and Northeast.

All regions witnessed robust gains in spending on both a quarterly and a year-over-year basis during the final period of 2017. In fact, all gains were double-digit for all regions. From the third quarter, the largest jump was in the Northeast, rising 16%, while the smallest was in the Southeast (10.8%). From the same quarter in 2016, the Midwest saw an incredible 39% surge, while the smallest rise was a still-robust 13.4% jump in the West. While freight volumes were mixed in the regions, it is clear that all regions are seeing a tight truck capacity.
After increasing at least 5% during the previous three quarters, the West Regional Shipment Index added 0.5% last quarter. As a result, this regional shipment index stood at the highest level on record. Compared with a year earlier, the index surged 18.2%, the largest year-over-year gain since 2014. Solid West Coast port volumes, in addition to good general economic activity, helped this region in 2017. For the year, shipments were up an impressive 10.1% over 2016 in the West.

The West Regional Spend Index surged 11.8% from the third quarter while increasing 13.4% from the same period in 2016. The former gain was the largest in three years, while the latter was the largest on record. For all of 2017, spending was up 8.2%, significantly better than the 0.3% drop in 2016.

Solid West Coast port volumes, in addition to good general economic activity, helped this region in 2017.
Considering both shipments and spend, the Southwest had the best overall year in 2017. Specifically, shipments in this region increased an impressive 14.2% last year over 2016, while spending was up 16.4%. The annual performance was aided by a solid fourth quarter when shipments increased 9.1% over the fourth quarter of 2016 and spending was up 12.8% over the same period.

Compared with the final quarter in 2016, shipments and spend increased 20% and 27%, respectively. Both of these gains were record highs. Helping this region were the cleanup and rebuilding efforts associated with Hurricane Harvey that hit in August. This added boost in freight will likely continue for a couple more quarters, if not longer. Additionally, new housing starts were good in the South last quarter.

Helping this region were the cleanup and rebuilding efforts associated with Hurricane Harvey.
The only region to post a decrease in the shipment index during the fourth quarter was the Midwest. Specifically, the index fell 1.4% from the previous quarter but was still the second-highest level on record. Additionally, compared with the same quarter in 2016, shipments in the Midwest jumped 12.2%. For all of 2017, the index was up 5.9%, outpacing 2016’s annual increase of 1.4%.

The Midwest Regional Spend Index surged 13.2% last quarter to a record high. Compared with a year earlier, spending was up a very robust 39% in this region. For the year, this index surged 18.2% over 2016, which was much better than the annual declines of 4.5% in 2016 and 0.9% in 2015.

Looking ahead, the improvement in factory activity will help the Midwest trucking market through 2018.
Manufacturing activity and solid consumer spending continued to benefit the Northeast region during the final quarter of 2017. The shipment index was flat compared with the third quarter, but considering that this index grew 10% the previous quarter and fell 7.4% during the same period last year, the result is good. Compared with the fourth quarter in 2016, shipments surged 20.2%. For all of 2017, the number of Northeast truck shipments increased 6.5% over 2016, which was much better than the 0.8% annual gain witnessed the previous year.

With solid demand, the spend index shot up during the final quarter of 2017, jumping 16% from the third quarter and surging 32% from the fourth quarter in 2016. The annual gain in spending for this region was 12.2%, much bigger than the 2.5% drop in 2016. With a large consumer base and a high level of manufacturing, expect this region to continue performing well for quarters to come.

With a large consumer base and a high level of manufacturing, expect this region to continue performing well.
While not to the same magnitude as in the Southwest region (from Hurricane Harvey), the Southeast Regional Shipment Index was aided by recovery and rebuilding activity associated with Hurricane Irma during the final quarter in 2017. Specifically, the shipment index in this region increased 3.3% and 11.5% from the third quarter and a year earlier, respectively. The year-over-year gain was the largest on record. For all of 2017, shipments were up 5.8% compared with 2016, which was much better than the 1.5% annual drop registered last year. Solid new housing construction in this region also helped the fourth-quarter increase.

In the Southeast, as truck capacity undoubtedly continued to tighten last quarter, the spend index jumped as well. Specifically, the Southeast Regional Spend Index increased 10.8% from the third quarter, the largest quarterly gain on record. Compared with a year earlier, the spend index in the Southeast was up 16.6%, also a record. For the entire year, this measure rose 7.3%, significantly better than 2016’s drop of 3.4%.
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.
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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