U.S. Bank Freight Payment Index™

Q4 2022

Q4 2022 national freight market overview

	2018				2019				2020				2021				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Spend	187.8	189.1	186.8	200.3	192.9	201.3	200.7	195.2	188.1	162.3	186.0	222.6	212.2	233.6	246.8	267.5	270.7	279.6	272.9	272.3
Shipments	137.1	138.7	131.6	133.8	119.8	131.3	131.7	126.5	124.3	114.9	121.7	128.1	117.5	122.7	124.6	121.6	118.9	121.6	118.5	113.0

Shipments	
Index value	113.0
Quarterly % change	-4.6% ▼
Yearly % change	-7.1% ▼

Spend	
Index value	272.3
Quarterly % change	-0.2% ▼
Yearly % change	1.8% ▲

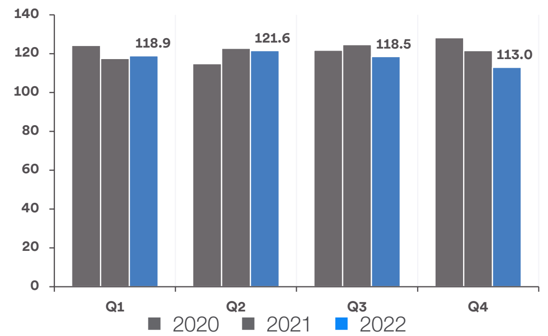
The U.S. Bank Freight Payment Index in the fourth quarter of 2022 pointed to a trucking market that continued to soften, especially in terms of freight volumes. Rising interest rates are having a disproportionally larger impact on goods consumption as many large-ticket items, like autos or homes, are so interest rate sensitive.

Through much of the pandemic, households bought a significant amount of goods, instead of services, which significantly helped truck freight shipments. However, spending has increased on services, like entertainment and travel at much higher levels than during the pandemic. Higher inflation led to less consumption of goods.

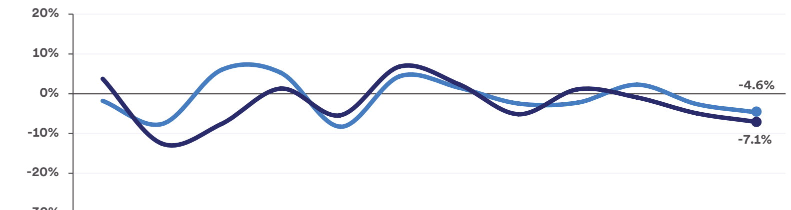
Despite lower volumes, spending on truck freight services didn't fall as much during the fourth quarter. The average price of diesel fuel fell during the quarter, yet contract freight rates remained relatively stable, which indicates that industry capacity overall is likely shrinking, at least modestly. Some capacity, from small to very small motor carriers, is most likely leaving the market as cost pressures remain high, especially when coupled with lower spot market volumes and rates.

> Macro-economic factors, and a continued shift away from goods procurement to services in Q4, led to a continued decline in shipments to the lowest levels since Q1 2014.

Shipments – index value

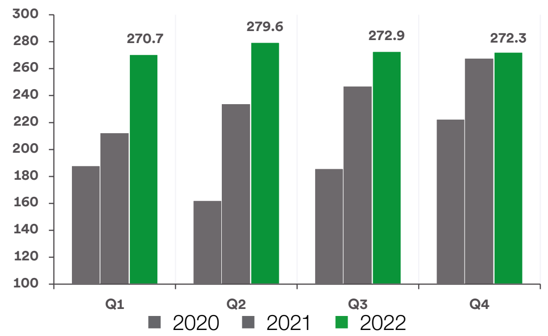


Shipments – % change

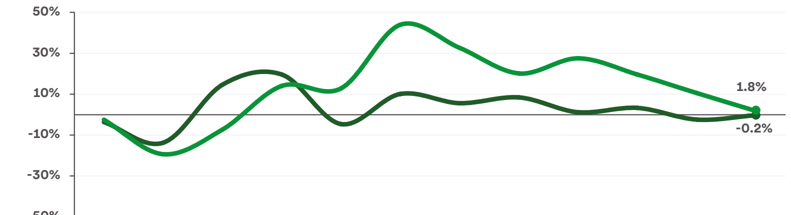


	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2020				2021				2022			
QoQ	-1.8%	-7.6%	6.0%	5.3%	-8.3%	4.4%	1.5%	-2.4%	-2.2%	2.3%	-2.6%	-4.6%
YoY	3.8%	-12.5%	-7.6%	1.3%	-5.4%	6.8%	2.4%	-5.1%	1.1%	-0.9%	-4.9%	-7.1%

Spend – index value



Spend – % change



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2020				2021				2022			
QoQ	-3.7%	-13.7%	14.6%	19.7%	-4.7%	10.1%	5.6%	8.4%	1.2%	3.3%	-2.4%	-0.2%
YoY	-2.5%	-19.4%	-7.3%	14.0%	12.8%	44.0%	32.6%	20.2%	27.5%	19.7%	10.6%	1.8%

National shipments and spending — quarter over quarter, year-over-year

The U.S. Bank National Shipments Index contracted 4.6% during the final quarter of 2022. The index has decreased in four of the last five quarters, with the latest drop being the largest sequential decline since the first quarter of 2021. As a result, the index also contracted 7.1% from the final quarter in 2021, which is the largest year-over-year decrease since the third quarter of 2020, during the depths of the pandemic.

In addition to less household spending on goods, a significant decline in housing activity, both in terms of new home construction and existing home sales, also had an impact on freight volumes.[1] Furthermore, manufacturing activity also slowed during the quarter, creating another headwind on truck freight volumes.

The U.S. Bank National Spend Index fell from the third quarter, but the 0.2% decrease was significantly below the 4.6% drop in volumes. This metric was up 1.8% from a year earlier, although it was the smallest year-over-year increase since the third quarter of 2020.

> Led by a double-digit drop in the West region, shipments in the fourth quarter were down 7.1% compared to same period in 2021.

Regional shipments and spending — quarter over quarter, year-over-year

Only the Southwest region saw a sequential increase in shipments during the final quarter of the year, gaining 0.4% over the third quarter, which was the region's third straight quarterly improvement. On the other end of the spectrum, the West Regional Shipments Index dropped 10.6% from the third quarter, which was the largest sequential drop for that region since the first quarter 2020. The Midwest and Northeast regions also exhibited large declines in volume during the final quarter of 2022 compared with the previous quarter. While still down, the Southeast Regional Shipments Index was off just 1.4%, which was well above the national drop of 4.6%.

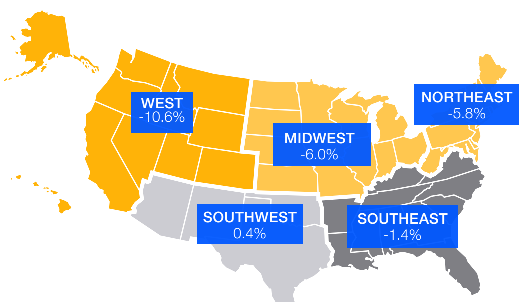
On a year-over-year basis, only the Southwest region posted higher freight volumes than the final quarter of 2021. Of the other four regions seeing yearly declines, the Midwest (6.6%) saw the smallest, while the Northeast (11.1%) saw the largest decrease from the final quarter of 2021.

Spend by shippers rose in three of five regions, compared with the third quarter, ranging from 0.1% in the Midwest, to 3.5% in the Southwest. Shippers saw the largest drop in spending in the West region (-7.0%) followed by a much smaller 0.9% decline in the Northeast.

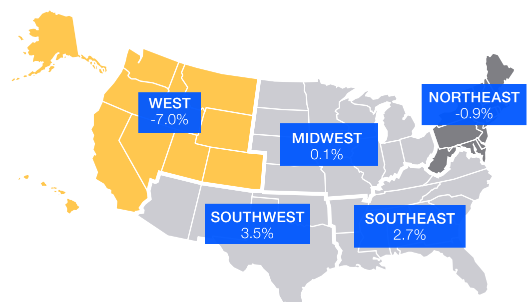
The spend metric was also mixed by region on a year-over-year basis. Specifically, spending on truck freight services in the Midwest (-0.1%) and West (-7.4%) regions were down from a year earlier, while increasing in the other regions from 2.7% in the Northeast to 19.6% in the Southwest.

For the second straight quarter, four of the five regions saw quarterly and year-over-year declines in shipments in Q4 2022.

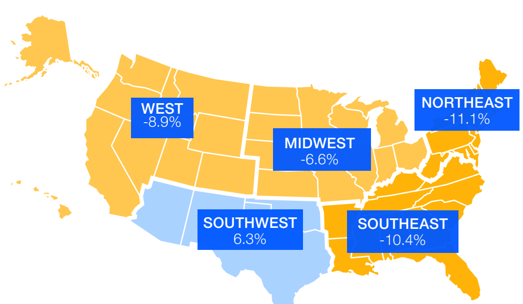
Shipments – Regional Quarter-over-Quarter % Change



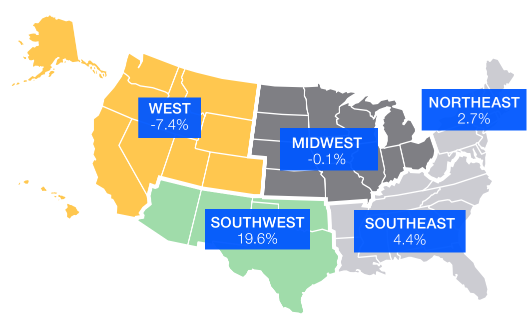
Spend – Regional Quarter-over-Quarter % Change

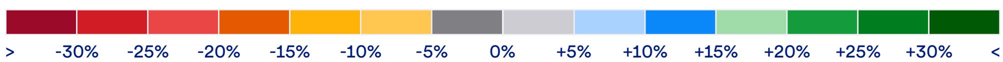


Shipments – Regional Year-over-Year % Change



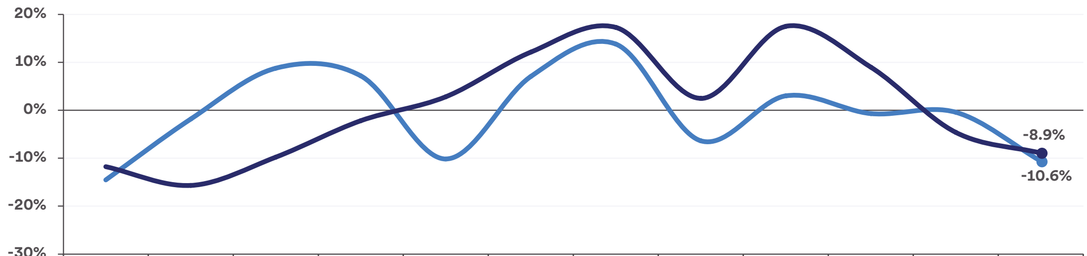
Spend – Regional Year-over-Year % Change





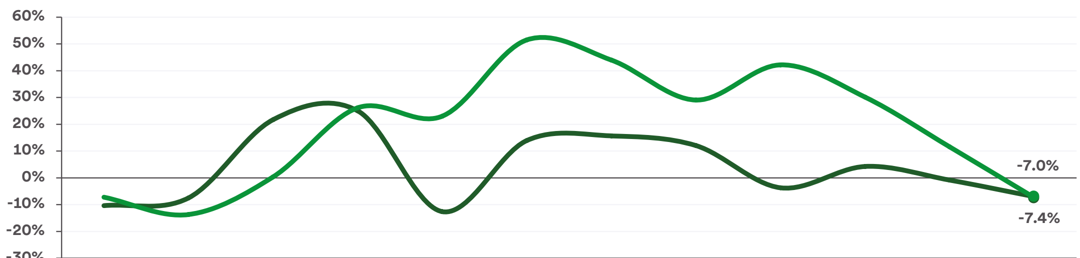
West regional shipments and spending — quarter over quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **131.0, 146.6, 147.2, 148.2**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-14.5%	-1.8%	8.8%	7.2%	-10.2%	7.1%	13.8%	-6.4%	3.0%	-0.7%	-0.4%	-10.6%
YoY	-11.8%	-15.7%	-9.8%	-2.2%	2.8%	12.1%	17.3%	2.5%	17.5%	9.0%	-4.6%	-8.9%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **308.1, 331.2, 334.0, 320.3**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-10.4%	-7.5%	21.7%	25.0%	-12.6%	13.9%	15.7%	12.0%	-3.7%	4.3%	-0.8%	-7.0%
YoY	-7.2%	-13.7%	0.4%	26.2%	23.0%	51.5%	44.0%	29.0%	42.2%	30.2%	11.6%	-7.4%

The West Regional Shipments Index fell 10.6% during the fourth quarter. The change in West Coast port activity is a significant reason for the downward move. According to data from the seaports, West Coast import container volumes fell 23.3% in October and 26.0% in November compared with year earlier levels.[2]

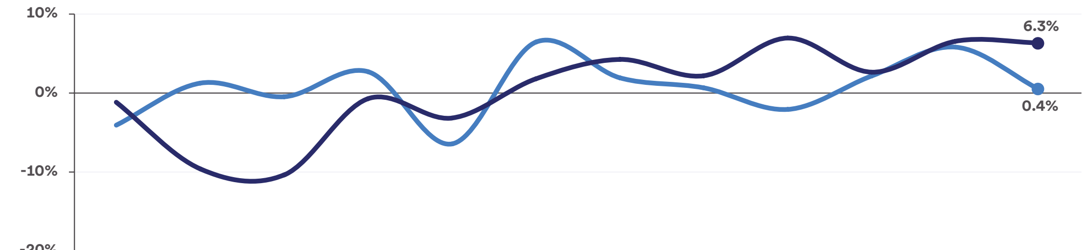
Some of the volume slowing is due to shippers importing less, but some of it is also loss of market share to East Coast and Gulf Coast ports. Shipments in the region were down 8.9% from a year earlier.

The West Regional Spend Index also fell significantly during the final three months of the year, contracting 7% from the third quarter and 7.4% from a year earlier. This was the first year-over-year decrease since the second quarter of 2020. For all of 2022, spending in the West was up 16.4% over the average in 2021.[3]

> Less activity at the West Coast seaports led to the largest quarterly decline in shipment volumes among the five regions.

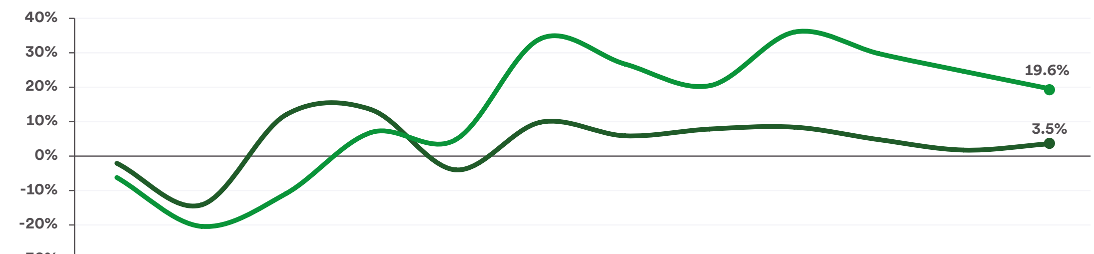
Southwest regional shipments and spending — quarter over quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **148.3, 147.6, 139.5, 136.5**



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2020				2021				2022			
QoQ	-4.1%	1.3%	-0.5%	2.7%	-6.4%	6.5%	1.9%	0.7%	-2.1%	2.2%	5.8%	0.4%
YoY	-1.2%	-9.6%	-10.4%	-0.7%	-3.2%	1.8%	4.3%	2.2%	7.0%	2.6%	6.6%	6.3%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **271.9, 262.6, 258.1, 246.4**



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2020				2021				2022			
QoQ	-2.1%	-14.2%	12.0%	13.5%	-4.0%	9.8%	5.9%	7.9%	8.4%	4.8%	1.7%	3.5%
YoY	-6.2%	-20.4%	-10.9%	6.9%	4.8%	34.1%	26.8%	20.4%	36.0%	29.7%	24.6%	19.6%

The Southwest region continued to be the top region during the fourth quarter, with both shipments and spend rising. Starting with volumes, the Southwest Regional Shipments Index edged up 0.4% over the third quarter. While that may seem insignificant, it was the third consecutive quarterly gain. Compared with a year earlier, the shipment index was up 6.3%. Retail sales, like other regions, is a headwind in the Southwest.

But this region has a few factors that continue to help truck freight volumes: energy production, cross-border trade with Mexico, and Texas port activity. Texas crude oil production, a proxy for all petroleum product output, early in the quarter was up roughly 4.5% from a year earlier. New Mexico production, while significantly less than Texas, was up over 25% during the same period, with Oklahoma production up about 4%.[4] At the same time, transported goods between the U.S. and Mexico, as measured by U.S. truck entries, was up roughly 1.5% during the quarter from a year earlier.[5]

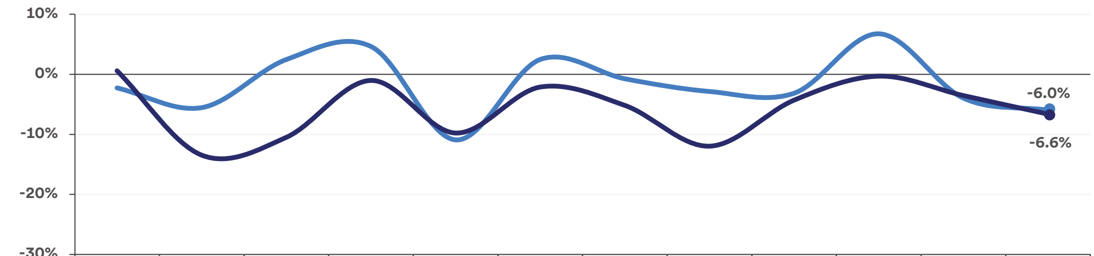
While West Coast seaports are seeing much lower container volumes, the Port of Houston is surging. Based on data from the port, imports in October and November were up 19.7% and 7.9%, respectively, from year earlier levels.[6]

More shipments led to a 3.5% sequential gain in the Southwest Regional Spend Index by shippers. Compared with a year earlier, spending was up 19.6%, by far the largest year-over-year gain among the five regions.

For the third straight quarter, the Southwest was the only region to show quarterly and yearly gains in both shipments and spend activity.

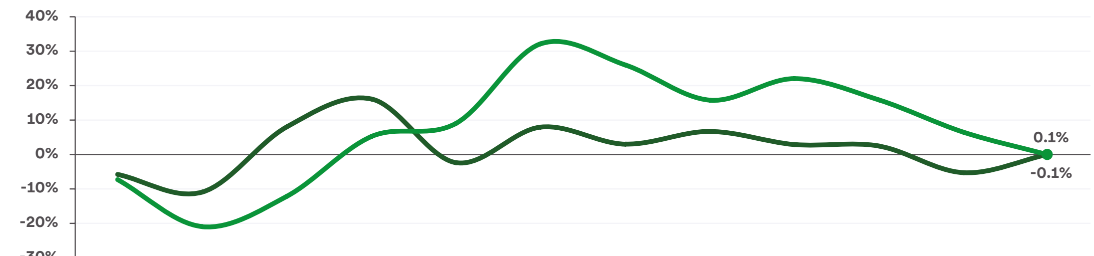
Midwest regional shipments and spending — quarter over quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **85.6, 91.0, 94.7, 88.8**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-2.3%	-5.5%	2.5%	4.6%	-10.9%	2.5%	-0.7%	-2.9%	-3.1%	6.8%	-4.0%	-6.0%
YoY	0.6%	-13.5%	-10.5%	-1.0%	-9.8%	-2.1%	-5.2%	-12.0%	-4.3%	-0.3%	-3.5%	-6.6%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **216.7, 216.5, 228.6, 223.2**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-5.8%	-11.0%	8.0%	16.1%	-2.4%	7.9%	3.0%	6.7%	2.9%	2.4%	-5.3%	0.1%
YoY	-7.3%	-21.0%	-12.1%	5.2%	9.0%	32.1%	26.0%	15.8%	22.0%	15.8%	6.5%	-0.1%

Freight volumes in the Midwest continued to be weak during the fourth quarter, falling 6% sequentially. Compared with a year earlier, the Midwest Regional Shipments Index contracted 6.6%, continuing a trend of quarterly declines dating back to the first quarter of 2020.

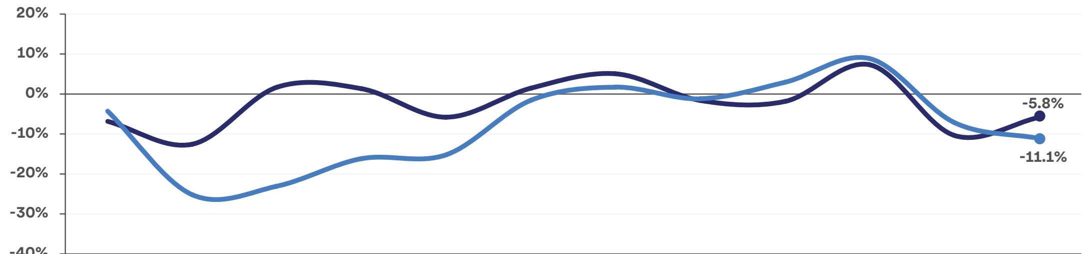
After dropping 5.3% in the third quarter, the Midwest Regional Spend Index flattened in the final quarter of 2022. Compared with a year earlier, shipper spending was also flat.

While spending is holding up much more than shipments in the Midwest, there are indications of a weak peak season. Slowing freight demand had an impact this quarter, and manufacturing activity in the region is still being hampered by labor and supply chain issues.

With manufacturing still distressed in the region, the Midwest has not seen a year-over-year gain in shipments since the first quarter of 2020.

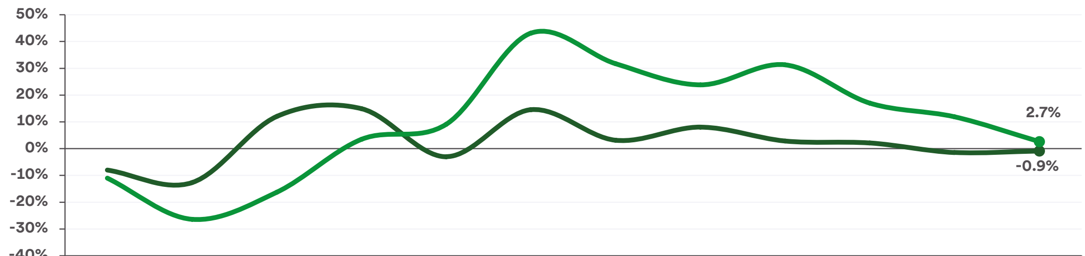
Northeast regional shipments and spending — quarter over quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **89.3, 94.9, 105.9, 98.7**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-6.9%	-12.6%	1.7%	1.3%	-5.8%	1.5%	5.1%	-1.6%	-1.8%	7.3%	-10.4%	-5.8%
YoY	-4.3%	-25.2%	-23.1%	-16.2%	-15.2%	-1.6%	1.7%	-1.2%	2.9%	8.8%	-7.1%	-11.1%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **230.6, 232.7, 236.0, 231.1**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-8.0%	-12.7%	12.1%	14.9%	-3.0%	14.6%	3.1%	8.0%	2.9%	2.1%	-1.4%	-0.9%
YoY	-11.0%	-26.4%	-16.3%	3.5%	9.1%	43.1%	31.7%	23.8%	31.3%	17.0%	11.9%	2.7%

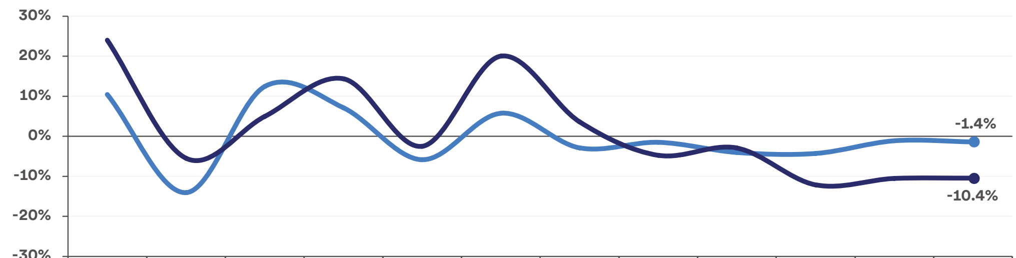
The Northeast Regional Shipments Index contracted 5.8% sequentially during the fourth quarter. Higher household spending on services in the Northeast during Q4 impacted freight movement, and subsequently put pressure on holiday season retail.

Compared with a year earlier, the Northeast Regional Shipments Index dropped 11.1%—the largest drop of the five regions—in the fourth quarter. The Northeast Regional Spend Index was 0.9% below the third quarter, although spending in the region did go up 2.7% versus a year earlier.

Slower holiday sales during the fourth quarter contributed to an 11.1% decline in year-over-year shipments, the largest decline among the five regions.

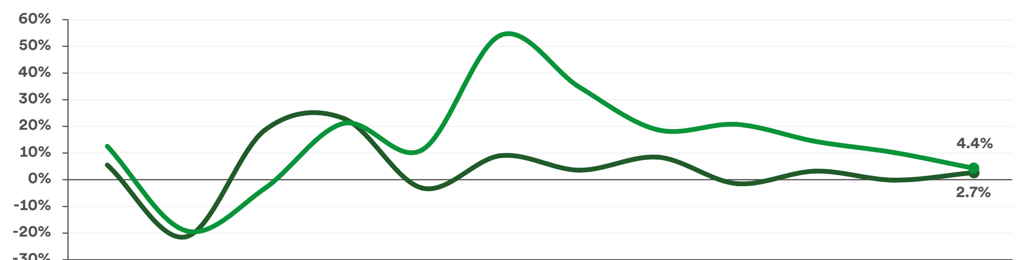
Southeast regional shipments and spending — quarter over quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **134.6, 136.6, 138.1, 144.3**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	10.5%	-14.1%	12.5%	7.2%	-5.8%	5.8%	-2.9%	-1.5%	-4.0%	-4.3%	-1.1%	-1.4%
YoY	24.0%	-5.4%	5.0%	14.4%	-2.5%	20.0%	3.6%	-4.7%	-2.9%	-12.1%	-10.5%	-10.4%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **339.0, 330.1, 330.6, 320.3**



	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	5.5%	-21.4%	18.6%	23.1%	-3.1%	9.0%	3.6%	8.4%	-1.4%	3.2%	-0.1%	2.7%
YoY	12.6%	-19.1%	-3.2%	21.1%	11.2%	54.2%	34.7%	18.7%	20.8%	14.3%	10.2%	4.4%

The freight market was more mixed in the Southeast region. The Southeast Regional Shipments Index was down 1.4% on a quarterly basis and 10.4% when contrasted with a year earlier. Weaker housing activity has slowed freight movement in this region as well. For example, according to the Census Bureau, new housing starts in the Southeast during November were off 16.7% from a year earlier.[7]

Despite falling freight volumes, the Southeast Regional Spend Index rose 2.7% from the third quarter and 4.4% from a year earlier. Spending on truck transportation by shippers has increased in five of the last seven quarters; the year-over-year gain during the fourth quarter was the second largest among the five regions. This divergence suggests that capacity in the region tightened.

> The 4.4% increase in year-over-year spending in the Southeast was the second largest gain of the five regions.

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 $46 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.

22+ years of experience

$46 billion in global freight payments annually

About Bob Costello

Bob Costello is the chief economist & 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 ATA's collection, analysis and dissemination of trucking economic information. This includes several monthly trucking economic indicators, 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 and heads up ATA's International Trade Policy and Cross Border Operations Department. In this capacity, he works on issues related USMCA, tariffs, customs, and immigration. He is often cited in the news media as an expert on trucking economics and serves on the 45-member Advisory Committee on Supply Chain Competitiveness to provide the Secretary of Commerce with detailed advice on the elements of a comprehensive national freight infrastructure and freight policy.

He is on the Board of Directors for the Border Trade Alliance and is also a member of the National Association for Business Economics and a member of the Industrial Economists Group at Harvard University. Prior to joining ATA in 1997, Bob was an economist with Joel Popkin & Company in Washington D.C., an economic consulting firm that specializes in the analysis of wages, inflation, and economic trends.

About U.S. Bank

U.S. Bancorp, with approximately 77,000 employees and $675 billion in assets as of December 31, 2022, is the parent company of U.S. Bank National Association. The Minneapolis-based company serves millions of customers locally, nationally and globally through a diversified mix of businesses: Consumer and Business Banking; Payment Services; Corporate & Commercial Banking; and Wealth Management and Investment Services. MUFG Union Bank, consisting primarily of retail banking branches on the West Coast, joined U.S. Bancorp in 2022. The company has been recognized for its approach to digital innovation, social responsibility, and customer service, including being named one of the 2022 World's Most Ethical Companies and Fortune's most admired superregional bank.

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[1] https://www.census.gov/construction/nrc/current/index.html

[2] https://www.portoflosangeles.org/business/statistics/container-statistics/historical-teu-statistics-2022

[3] Compare average of Q1-Q4 2022 index values to average of Q1-Q4 2021 index values

[4] https://www.eia.gov/petroleum/production/

[5] https://explore.dot.gov/views/Dashboard_PortbyCommodity/Overview?%3Aembed=y&%3Aiid=1&%3AisGuestRedirectFromVizportal=y

[6] https://www.porthouston.com/about/our-port/statistics/

[7] https://www.census.gov/construction/nrc/current/index.html

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