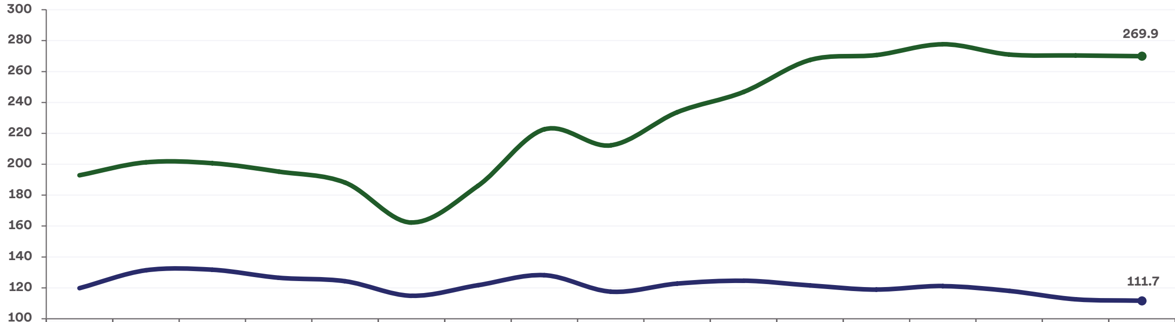
U.S. Bank Freight Payment Index™

Q1 2023

Q1 2023 national freight market overview



	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Spend	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	277.6	271.0	270.4	269.9
Shipments	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	121.1	118.0	112.6	111.7

Shipments	
Index value	111.7
Quarterly % change	-0.8% ▼
Yearly % change	-6.1% ▼

Spend	
Index value	269.9
Quarterly % change	-0.2% ▼
Yearly % change	-0.3% ▼

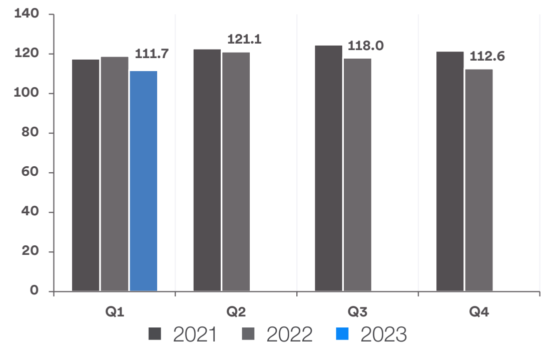
The first quarter truck freight market presented a mixed picture. The national metrics were down compared with the previous quarter and year prior, but the rate of decrease was smaller in terms of shipments. Additionally, some regions exhibited strength during the quarter, which shows not all freight markets are moving in unison. During the first quarter, not only did freight levels fall both sequentially and from a year earlier, so did spending, albeit modestly. This suggests capacity has loosened overall, but there are still regions where capacity appears tighter.

The market still faces challenges. For one, despite strong longer-term fundamentals, the home construction market remained soft. Manufacturing activity, another important generator of truck freight, also slowed during the same quarter. For example, the Manufacturing Purchasing Manager's Index (PMI), as reported in March by the Institute for Supply Management (ISM), hit the lowest level since the spring of 2020. This metric has been contracting since November 2022.

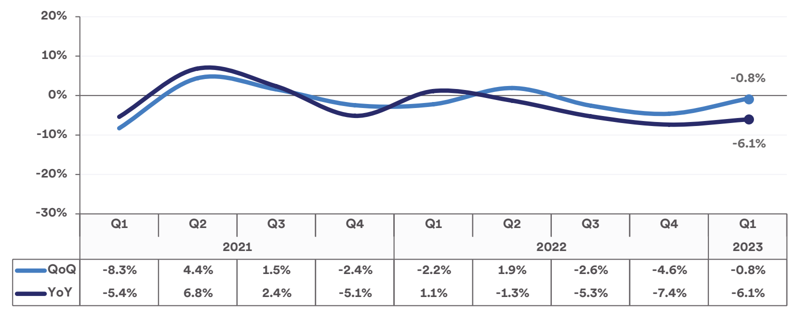
On a more positive note, general merchandise retailers made progress clearing out excess inventory during the first quarter, according to data from the Census Bureau[1]. Relative to sales, this group pushed inventories down to levels closer to the start of the pandemic. However, some supply chain managers say that inventories won't get completely back to normal until 2024.[2] This is part of the dynamics in today's freight market; it is an important development for truck freight in the quarters ahead, as inflated inventory have been a drag on freight volumes for the last year.

> Continued macro-economic factors and consumer purchasing shifts away from goods to services, led to quarterly and yearly declines in shipments and spend in the first quarter of 2023.

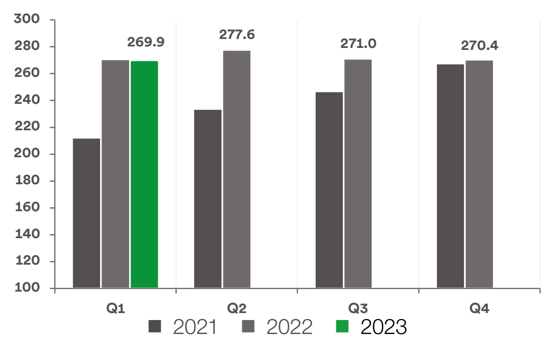
Shipments – index value



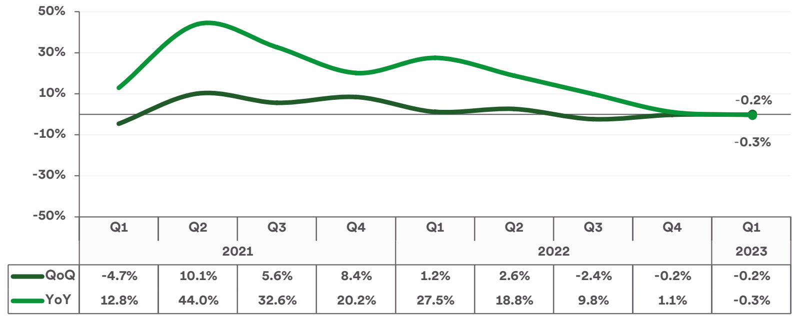
Shipments – % change



Spend – index value



Spend – % change



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

The U.S. Bank National Shipments Index contracted 0.8% compared with the fourth quarter of 2022. This latest sequential decrease in the index lends credence to the view that the freight market has stabilized, after back-to-back quarters with significantly larger declines.

Shipment volumes continue to slow as households are still buying more services, like travel, at the expense of goods. In addition, higher interest rates, which started in the first quarter of 2022, have impacted sales of more expensive items (cars, homes, etc.) over the last year, which negatively impacts truck freight levels. Compared with a year earlier, the shipments index contracted 6.1%.

The U.S. Bank National Spend Index fell 0.2% from the fourth quarter, matching the previous sequential decline. Compared with a year earlier, this metric was down 0.3%, marking the first year-over-year decline, albeit small, since the third quarter of 2020. Softer shipment volumes, combined with the 13% decrease in national on-highway diesel prices from the fourth quarter, factored into the modest decline in spend.[3] The combination of some fleets (mainly smaller ones) exiting the business as spot market rates fall and costs remain high, as well as larger fleets operating fewer trucks than pre-pandemic numbers, are a couple of reasons why spending likely did not fall further.[4]

> The 0.8% decline in national shipment volumes in Q1 2023 was the smallest drop in the last three quarters; the 0.3% drop in year-over-year spending in the quarter was the first decline in the last 10 quarters.

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

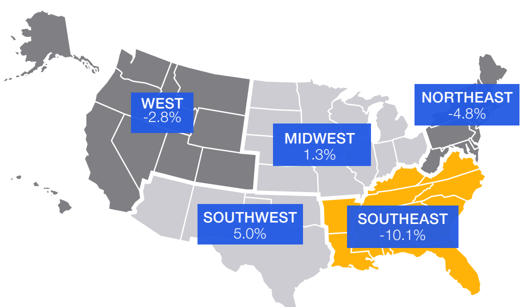
The regional data varied during the first quarter, with two out of five regions reporting sequential gains in freight, while the other three regions saw declines. The Southwest had the best quarter, with shipments rising 5% from the fourth quarter. Solid gains in truck transported trade with Mexico helped boost shipments in the Southwest, especially at the port in Laredo. Conversely, the Southeast and West regions are being negatively impacted by significant drops in seaport activity, with bad winter storms also impacting freight on the West Coast.

Compared with a year earlier, only the Southwest (14.0%) saw an increase in freight. There were large declines in shipments from a year earlier in the Southeast (-16.1%), the West (-14.1%) and Northeast (-13.8%). All regions, excluding the Midwest, had gains in truck freight spending from both the final quarter of 2022 and a year earlier. As with shipment volumes, the Southwest recorded the largest year-over-year-increase.

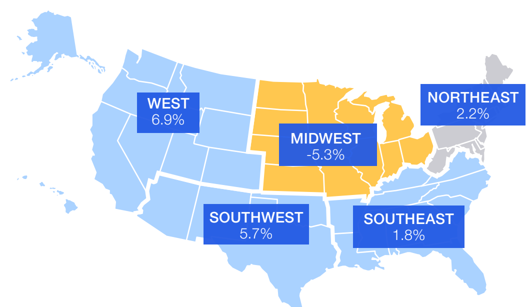
The other regions saw more modest spending gains, however the drop in the Midwest was large enough to weigh down the national figure into negative territory. Overall, this regional data suggests that capacity is not uniform across the country, with some areas in overcapacity situations, while other regions are not.

> The Southwest was the only region to post quarterly and yearly gains in shipments and spending; the Midwest was the only region to see declines in quarterly and year-over-year spending.

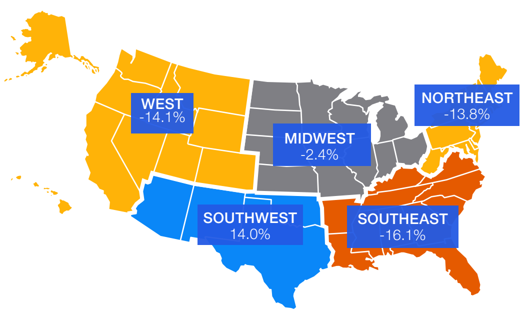
Shipments – Regional Quarter-over-Quarter % Change



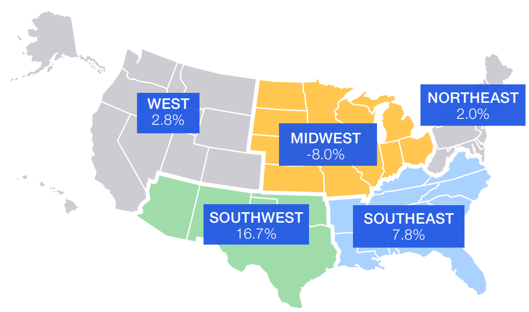
Spend – Regional Quarter-over-Quarter % Change

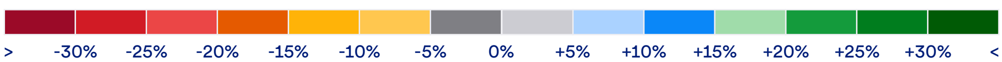


Shipments – Regional Year-over-Year % Change



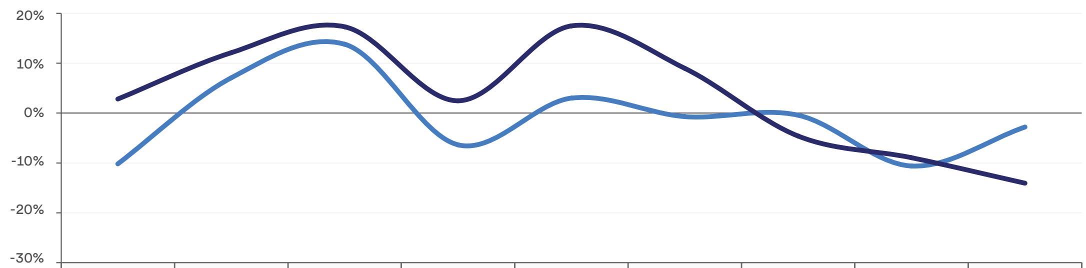
Spend – Regional Year-over-Year % Change





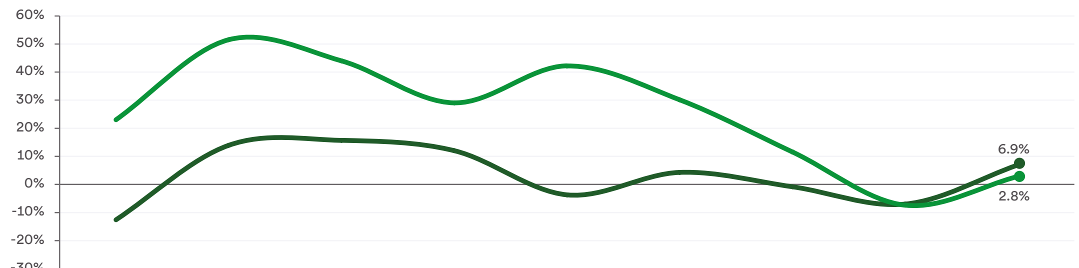
West regional shipments and spending — quarter-over-quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **144.4, 131.0, 146.6, 147.2**



	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
QoQ	-10.2%	7.1%	13.8%	-6.4%	3.0%	-0.7%	-0.4%	-10.6%	-2.8%
YoY	2.8%	12.1%	17.3%	2.5%	17.5%	9.0%	-4.6%	-8.9%	-14.1%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **423.3, 308.1, 331.2, 334.0**



	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
QoQ	-12.6%	13.9%	15.7%	12.0%	-3.7%	4.3%	-0.8%	-7.0%	6.9%
YoY	23.0%	51.5%	44.0%	29.0%	42.2%	30.2%	11.6%	-7.4%	2.8%

The West Regional Shipments Index contracted 2.8% from the final quarter in 2022. This was the region's fourth straight decrease. There are two main factors contributing to weakening volumes in this region. First, seaport volumes remain flat. According to preliminary data reported by the West Coast ports, it appears that imports were off more than 25% from the first quarter in 2022.

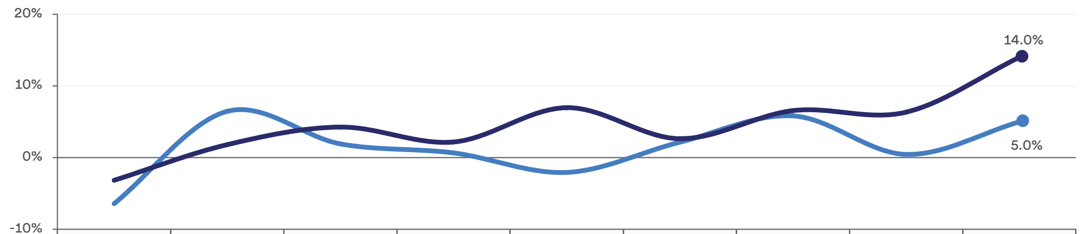
Movement to southern and eastern ports stemming from the previous port congestion, is still affecting the West region. In addition, housing starts have contracted 15 to 20% from a year earlier based on data from the Census Bureau[5]. Unusually severe winter weather in the region was a headwind for freight as well.

While shipments fell, spending to move those shipments increased during the first three months of the year. In fact, spending rose 6.9% and 2.8% from the previous quarter and a year earlier, respectively. Since diesel fuel prices are down from the previous quarter and a year ago, the increase in spending is likely the result of tighter capacity in the region. The severe winter weather may also have reduced the number of trucks available, resulting in a temporary capacity squeeze.

> In addition to the lack of West Coast seaport activity, a slowdown in housing starts and inclement weather led to declines in quarterly and yearly shipment volumes. However, the 6.9% increase in spending to move those shipments in Q1 was the largest gain of the five regions.

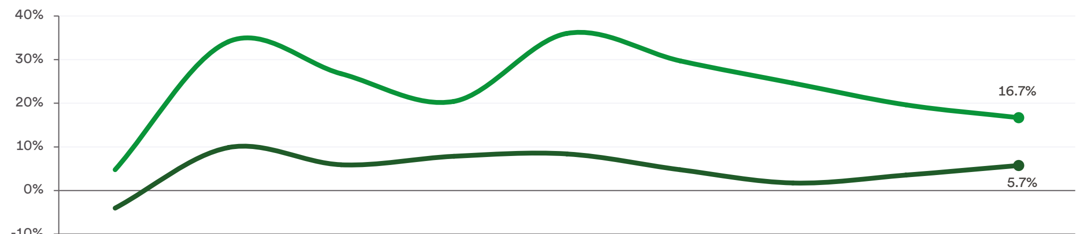
Southwest regional shipments and spending — quarter-over-quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **182.0, 148.3, 147.6, 139.5**



	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
QoQ	-6.4%	6.5%	1.9%	0.7%	-2.1%	2.2%	5.8%	0.4%	5.0%
YoY	-3.2%	1.8%	4.3%	2.2%	7.0%	2.6%	6.6%	6.3%	14.0%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **430.4, 271.9, 262.6, 258.1**



	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
QoQ	-4.0%	9.8%	5.9%	7.9%	8.4%	4.8%	1.7%	3.5%	5.7%
YoY	4.8%	34.1%	26.8%	20.4%	36.0%	29.7%	24.6%	19.6%	16.7%

Once again, the Southwest continued to be the top region during the first quarter, with both shipments and spending rising robustly. The Southwest Regional Shipments Index jumped 5% and 14% from the previous quarter and a year earlier, respectively. Freight in this region is being boosted by a few sources, including growing truck-transported trade volumes with Mexico.

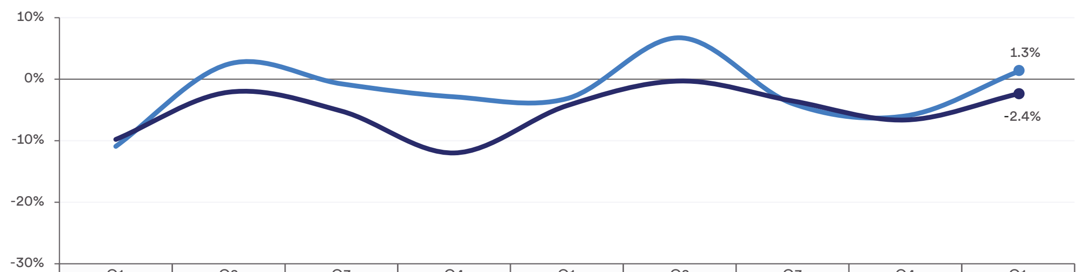
All the land ports of entry in this region combined saw nearly 4% more truck crossings than a year earlier, based on preliminary data. Laredo, by far the largest port in the region, saw year-over-year increases of more than 7% during the quarter.[6] Plus, the port of Houston is witnessing some of the largest activity among all seaports, which is helping truck freight volumes as well.

Spending in the region jumped 5.7% from the fourth quarter, which was the eighth straight gain, and the largest in a year. Compared with the first quarter in 2022, spending was up 16.7%. This is yet another example showing that there isn't trucking capacity oversupply throughout the country, especially in a region witnessing robust freight gains.

> The Southwest region continues to be the powerhouse among the five regions; Q1 was its fourth consecutive quarter posting quarter-over-quarter and year-over-year gains in shipments and spending.

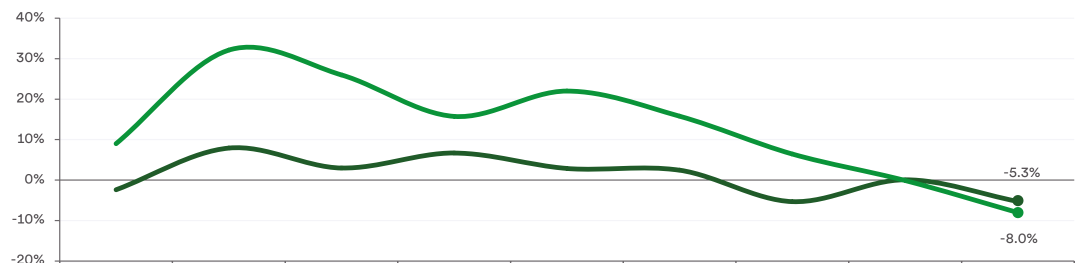
Midwest regional shipments and spending — quarter-over-quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **86.6, 85.6, 91.0, 94.7**



	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
QoQ	-10.9%	2.5%	-0.7%	-2.9%	-3.1%	6.8%	-4.0%	-6.0%	1.3%
YoY	-9.8%	-2.1%	-5.2%	-12.0%	-4.3%	-0.3%	-3.5%	-6.6%	-2.4%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **205.2, 216.7, 216.5, 228.6**



	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
QoQ	-2.4%	7.9%	3.0%	6.7%	2.9%	2.4%	-5.3%	0.1%	-5.3%
YoY	9.0%	32.1%	26.0%	15.8%	22.0%	15.8%	6.5%	-0.1%	-8.0%

While the Midwest posted a 1.3% gain in truck shipments compared with the previous quarter, this continues to be the weakest region among the five when considering the totality of the freight market. The good news for fleets in the Midwest is that the combination of a 1.3% gain from the fourth quarter and a 2.4% reduction from a year earlier is the best result since the second quarter of last year.

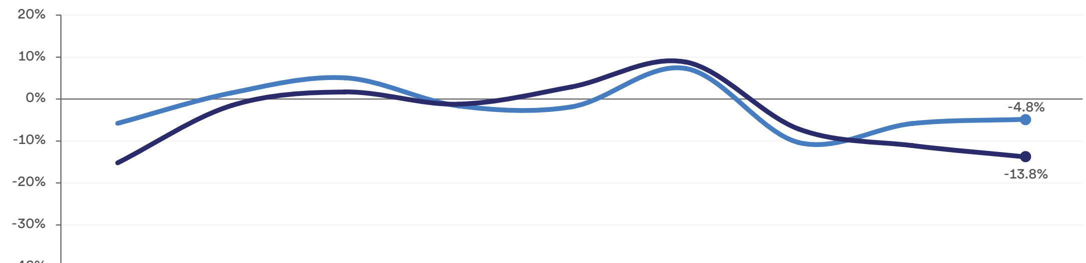
Unfortunately, the level of freight activity in the region remains very low highlighted by the twelfth straight quarter of year-over-year contraction. One of the headwinds for freight levels in this region is slower manufacturing activity. As highlighted previously, the March ISM Manufacturing PMI was down to its lowest level in nearly three years.

The Midwest was the only region to post declines, both sequentially (-5.3%) and from a year earlier (-8%), in spend during the first quarter of the year, which suggests there is ample truck capacity in the region relative to the demand.

> The Midwest region posted its 12th consecutive quarter with a year-over-year decline in shipment volume. However, along with the Southwest it was one of only two regions to see a quarterly increase in shipments.

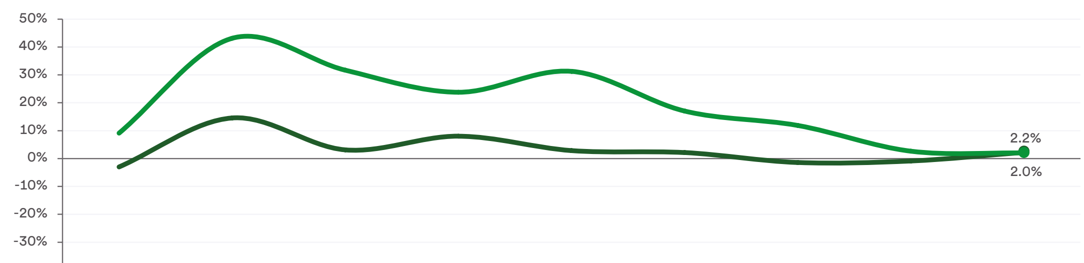
Northeast regional shipments and spending — quarter-over-quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **85.0, 89.3, 94.9, 105.9**



	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
QoQ	-5.8%	1.5%	5.1%	-1.6%	-1.8%	7.3%	-10.4%	-5.8%	-4.8%
YoY	-15.2%	-1.6%	1.7%	-1.2%	2.9%	8.8%	-7.1%	-11.1%	-13.8%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **235.8, 230.6, 232.7, 236.0**



	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
QoQ	-3.0%	14.6%	3.1%	8.0%	2.9%	2.1%	-1.4%	-0.9%	2.2%
YoY	9.1%	43.1%	31.7%	23.8%	31.3%	17.0%	11.9%	2.7%	2.0%

Truck freight volumes were lower in the Northeast region during the first quarter, falling both sequentially and from a year earlier. The shipments index contracted 4.8% in Q1. Compared with a year earlier, shipments in the region were off 13.8%, which was the largest year-over-year drop in two years.

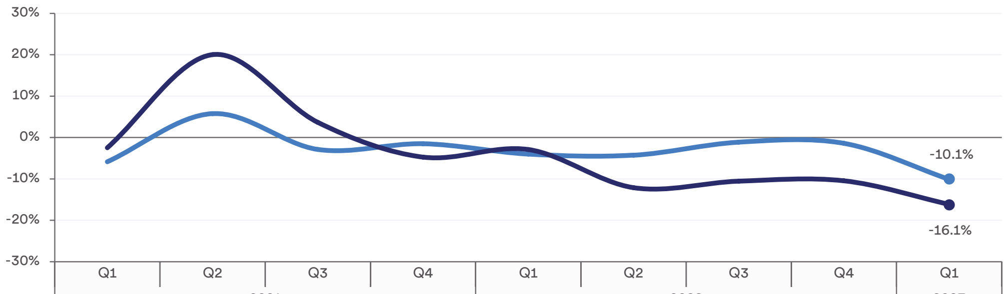
Spend, however, increased 2.2% from the final quarter in 2022, and was up 2% from a year earlier. With diesel fuel prices falling relative to the fourth quarter, it is likely that marginally constrained capacity led to higher spending. Many drivers, and some fleets, don't service the Northeast region because of the high population density and significant highway congestion.

Soft manufacturing activity, construction, and slowing retail all impacted this region during the first quarter. For example, in March, the Federal Reserve Bank of New York reported that, "Manufacturing activity declined further in early 2023 ..." in the region.[7]

> With softer manufacturing output and slower retail sales, the Northeast region saw quarterly and yearly declines in shipment volumes and modest spending increases

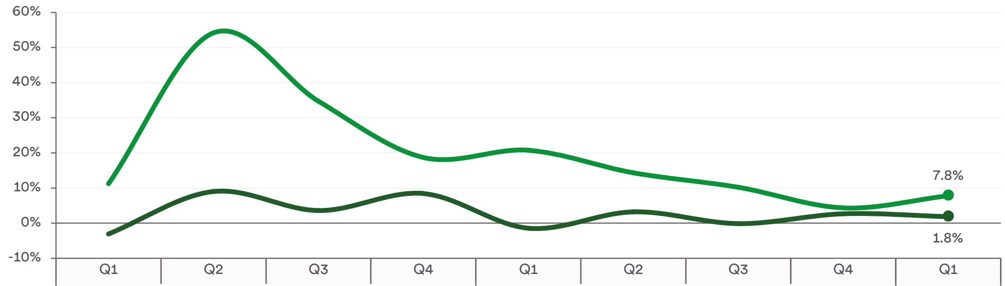
Southeast regional shipments and spending — quarter-over-quarter, year-over-year

Shipments Last 4 quarter's shipment index values (starting w/ current quarter): **121.0, 134.6, 136.6, 138.1**



	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
QoQ	-5.8%	5.8%	-2.9%	-1.5%	-4.0%	-4.3%	-1.1%	-1.4%	-10.1%
YoY	-2.5%	20.0%	3.6%	-4.7%	-2.9%	-12.1%	-10.5%	-10.4%	-16.1%

Spend Last 4 quarter's spend index values (starting w/ current quarter): **345.2, 339.0, 330.1, 330.6**



	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
QoQ	-3.1%	9.0%	3.6%	8.4%	-1.4%	3.2%	-0.1%	2.7%	1.8%
YoY	11.2%	54.2%	34.7%	18.7%	20.8%	14.3%	10.2%	4.4%	7.8%

The Southeast region experienced weaker volumes with shipments contracting 10.1% from the fourth quarter, by far the largest decline of any region. Not only was this the seventh straight quarterly decrease, it was also the largest over that period. As a result, truck freight volumes were 16.1% below the first quarter of 2022.

A soft housing market is one of the reasons for the contracting volumes in the Southeast, especially compared with a year earlier. According to data from the Census Bureau, new housing starts in the South were down between 15% and 20% from a year earlier during the quarter.[8] And like the West Coast seaports, ports in the Southeast region are also witnessing declining volumes, with Savannah GA, Charleston SC, and Norfolk VA, all experiencing import volume decreases of more than 10% from a year earlier.[9]

The interesting trend in the quarter was that the cost to move 10% fewer volumes still rose 1.8% despite declining diesel fuel prices. This suggests that some fleets, especially smaller ones, continue to exit the market or redeploy in other regions as costs increase and spot market rates fall. Compared with the first quarter in 2022, the Southeast Regional Spending Index was up 7.8%, the second largest gain of the five regions.

> The Southeast region had the largest year-over-year decline in shipments in Q1 2023, but its 7.8% increase in yearly spending was second only to that of the robust Southwest.

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 25 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.

25 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

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U.S. Bancorp, with approximately 77,000 employees and $682 billion in assets as of March 31, 2023, 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. Union Bank, consisting primarily of retail banking branches on the West Coast, joined U.S. Bancorp in 2022. U.S. Bank has been recognized for its approach to digital innovation, social responsibility, and customer service, including being named one of the 2023 World's Most Ethical Companies.

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[1] The U.S. Census Bureau/Monthly Retail Trade Inventories
[2] Inflation's inventory gluts are here to stay and will hit the bottom line in weaker economy/CNBC
[3] Lower diesel prices, as reported by the Energy Information Administration, result in lower fuel surcharges for shippers. Fuel surcharges are included in the spending Index calculation.
[4] The American Trucking Associations reports that the number of company trucks and leased-on independent contractors at for-hire truckload carriers is down 6.5% from the end of 2019 through February of this year.
[5] The U.S. Census Bureau and the U.S. Department of Housing and Urban Development
[6] U.S. Department of Transportation/Bureau of Transportation Statistics
[7] Atlanta Regional Fed Bank/Summary of Current Economic Conditions
[8] The U.S. Census Bureau and the U.S. Department of Housing and Urban Development
[9] U.S. Department of Transportation/Bureau of Transportation Statistics

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