

U.S. Bank Freight Payment Index™

Q4 2020 National Freight Market Overview



The U.S. Bank National Shipment and Spend Indexes both posted gains, reflecting solid improvement in the full truckload and less-than-truckload freight market during the final quarter of 2020. E-commerce purchases, retailer demand and single-family home construction helped to push the indexes higher, however, freight in other sectors, like manufacturing and energy, stayed lower.

While freight volumes improved, the truck freight market remained tight. This is best highlighted by the upswing, both sequentially and from a year earlier, in the National Spend Index. With spending by shippers increasing

While freight volumes improved, the truck freight market remained tight.

Q4 2020

significantly more than shipments, it reflects a market where pricing for truck freight services rose during the final quarter of the year.

Leading reasons for the tight truck market include recruitment, retention and training of truck drivers. Truck driver training schools trained significantly fewer drivers in 2020 than in 2019 due to social distancing rules. Retention and recruitment of truck drivers have also been negatively impacted by COVID-19 with Department of Motor Vehicle closings and reduced services. In addition, the Federal Motor Carrier Safety Administration's new Drug and Alcohol Clearing House had an impact on the trucking labor market during the year,¹ which left the driver shortage more pronounced than ever.

Additionally, according to American Trucking Associations Senior Economist Bob Costello, some fleets are reporting decreased capacity from drivers either contracting COVID-19 or being exposed to the virus from family or friends and needing to quarantine. It is also likely that a modest, but not insignificant, number of carriers left the market, not due to COVID-19, but as a result of surging liability insurance premiums.² Combined, these trends made for a capacity issue during the second half of 2020.

With spending by shippers increasing significantly more than shipments, it reflects a market where pricing for truck freight services rose during the final quarter of the year.

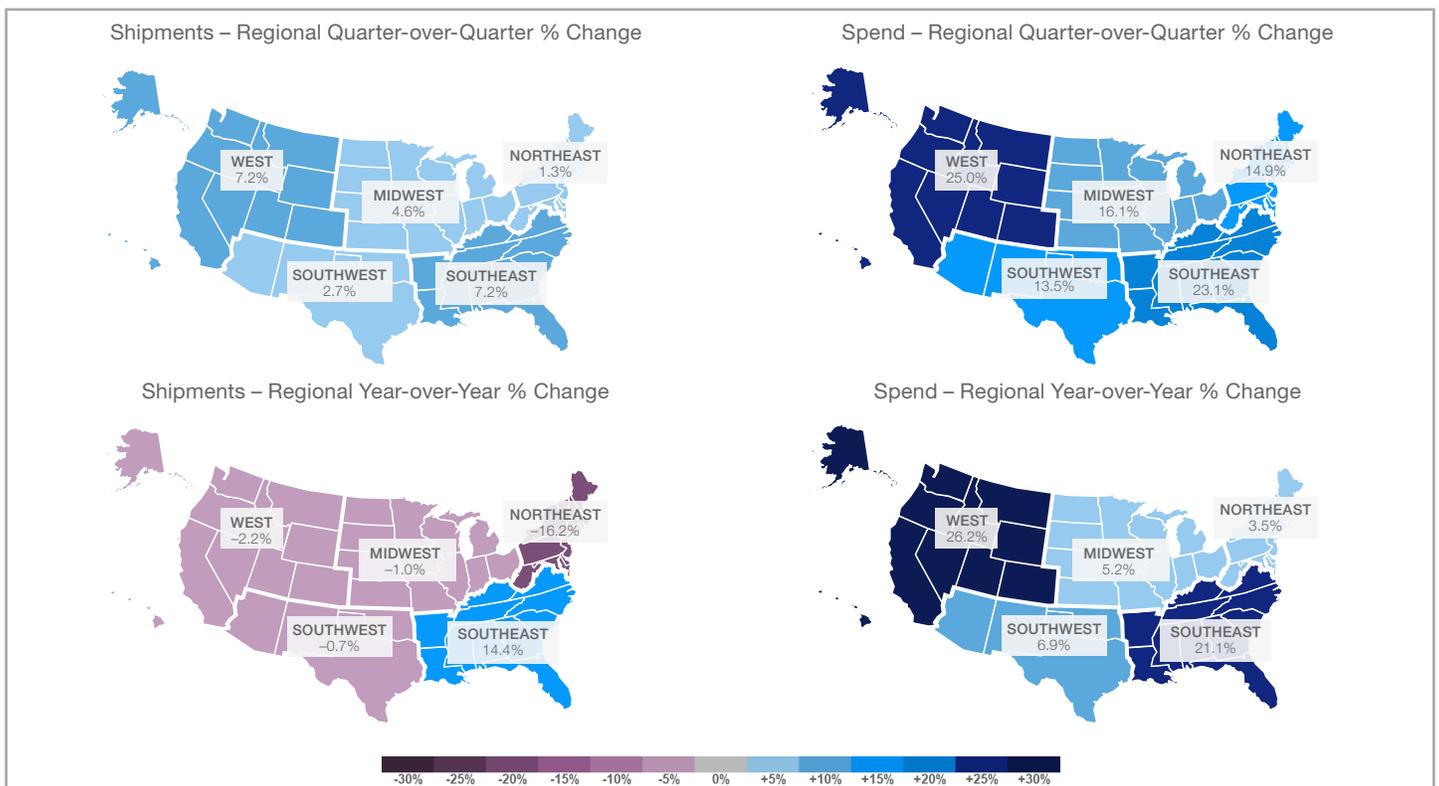
Q4 2020

Regional Shipments and Spend – Quarter-over-Quarter, Year-over-Year

For the first time in more than three years, every region posted sequential gains in both shipments and spend during the final quarter of 2020. This highlights how the freight market has adjusted to new operating guidelines within current COVID-19 restrictions. Additionally, every region posted year-over-year gains in spending as a result of improved volumes and rising rates. The Southeast continued its strong performance during the fourth quarter and was by far the best region for all of 2020. However, the West saw improved performance during the final three months of last year and for 2020 overall, as imports from Asia flooded into West Coast ports. In addition to strong e-commerce sales, retail inventories were at historical lows, leading to significant imports and truck volumes in the West.

Rates appeared to increase across all regions during the fourth quarter of 2020.

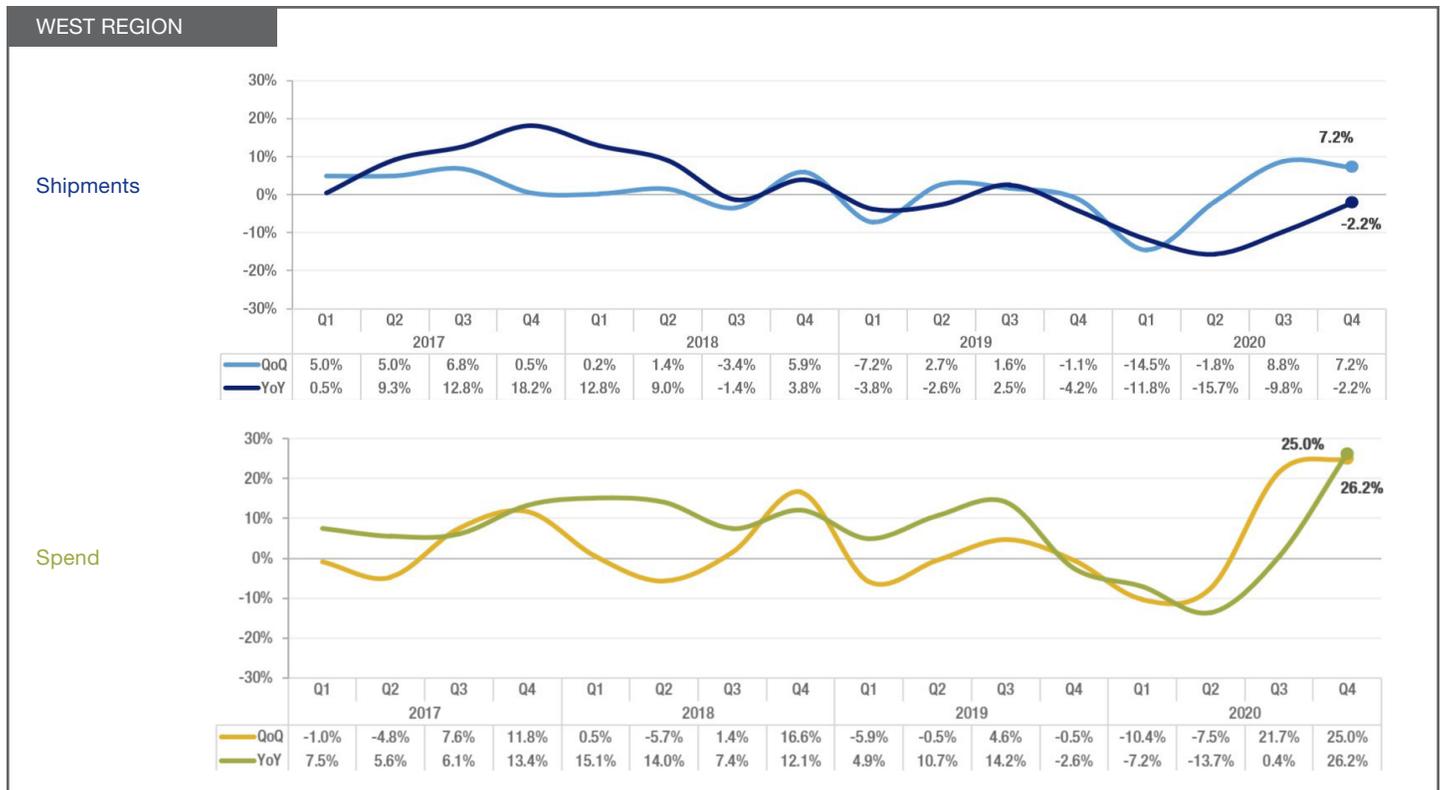
Rates appeared to increase across all regions in the fourth quarter of 2020, as spending gains outpaced shipment volumes. This suggests that capacity is tight nationwide influenced by the continued driver shortage. Strong volumes for retail, as well as single-family home construction and remodeling, led to a very tight truck market.



To receive this report quarterly, sign up at freight.usbank.com.



Q4 2020



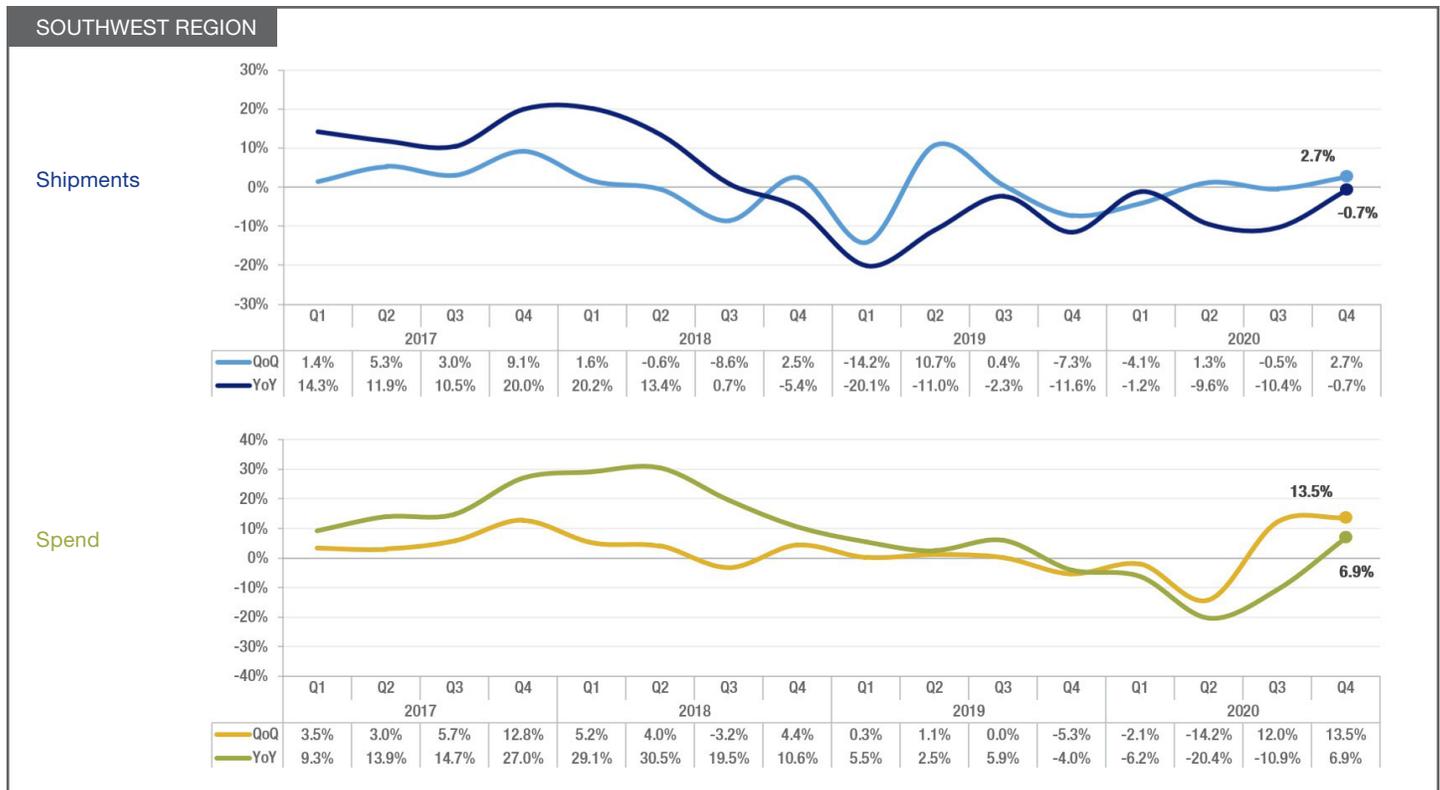
Volumes were solid in the West during the fourth quarter of 2020, jumping 7.2% sequentially following an 8.8% jump during the third quarter. Larger import volumes explain part of the gain, as retailers imported more consumer goods from Asia to satisfy demand for the holiday season. In addition, retail inventories, relative to sales, were near all-time lows. This means that retail chains needed to import even more products to replenish inventories, which boosted volumes. This region is also benefiting from an increased demand for housing. For example, new single-family housing starts in the region were up 11% during the fourth quarter from a year earlier.⁵

Despite the strong sequential gain, the Shipment Index was still off 2.2% from a year earlier, although this was the best year-over-year reading in five quarters.

The West Spend Index grew 25% from the third to fourth quarter, resulting in a record-high level. This was the largest sequential gain among all five regions during the quarter. Compared with the final quarter in 2019, the spend index jumped 26.2%.

The West Spend Index surged 25% from the third to fourth quarter, resulting in a record-high level.

Q4 2020

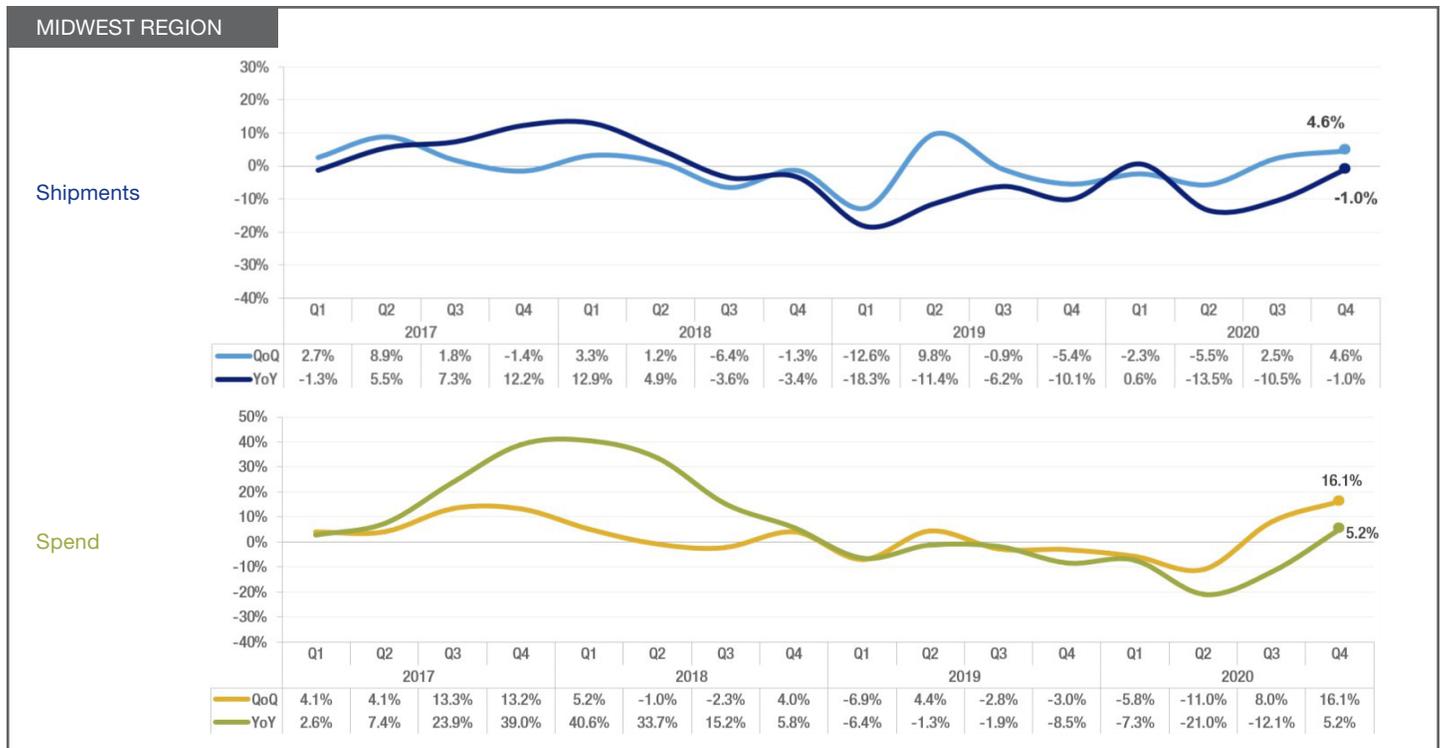


Southwest shipments rose just 2.7% sequentially during the final quarter, after contracting marginally (0.5%) in the third quarter. The fourth quarter sequential gain was only higher than the Northeast, which posted a 1.3% increase. This region recorded a 0.7% decline from the final quarter in 2019, which was much improved from the third quarter’s 10.4% drop.

Despite middling shipment numbers during Q4, spending was solid, which also highlights a capacity crunch in the Southwest. The spend index increased 13.5% and 6.9% from the third quarter and a year earlier, respectively.

This region is experiencing a mix of economic trends. On the positive side, truck-transported trade with Mexico continued to improve during the final quarter, helping volumes. Additionally, single-family housing starts in the region remain good because of near record-low mortgage rates. However, truck traffic associated with energy production continues to be lower than normal due to oil production overall remaining down in this region.

Despite middling shipment numbers during Q4, spending was solid, which also highlights a capacity crunch in the Southwest.



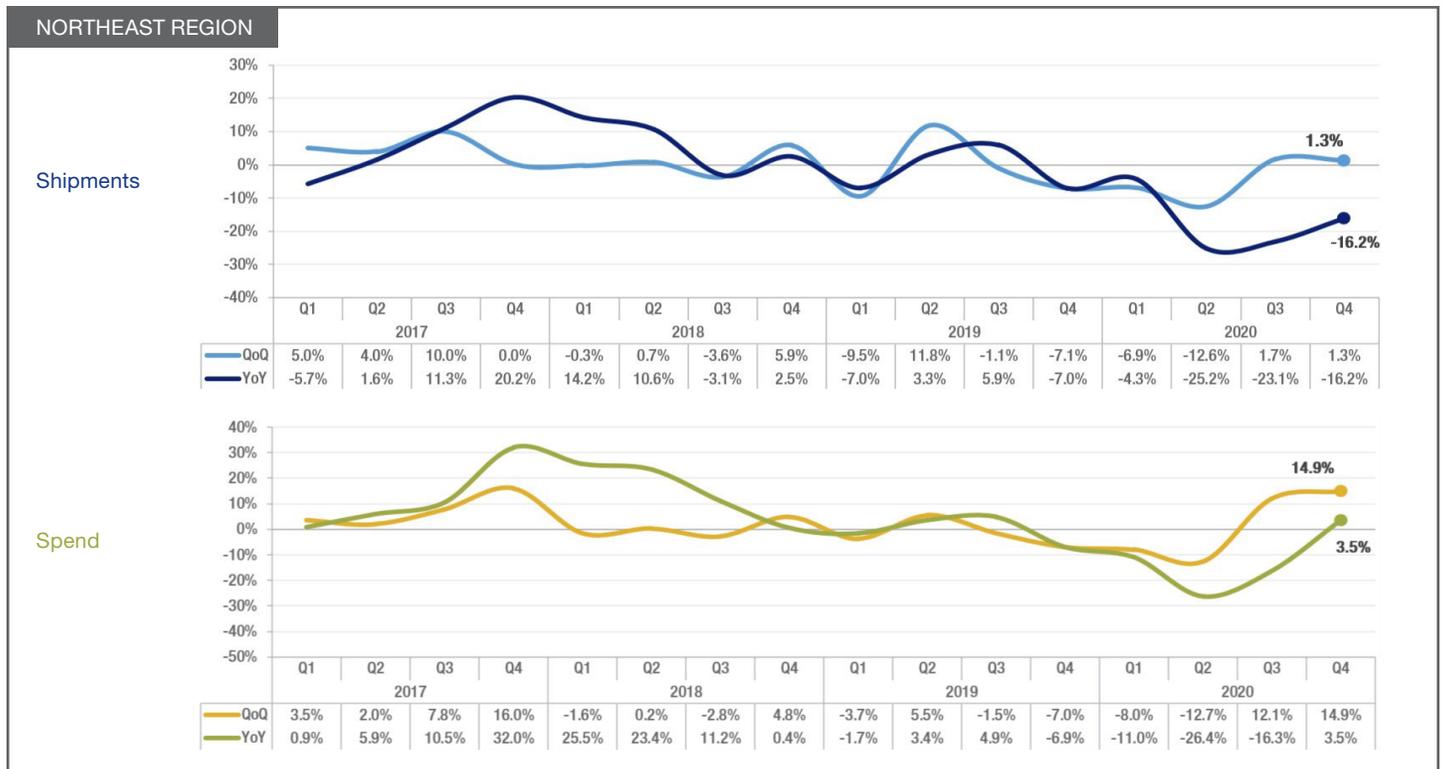
The Midwest Shipment Index rose 4.6% from the third quarter, which was the largest sequential gain since the second quarter in 2019. The total increase during the third and fourth quarters was 7.1%. Despite the improvement in volumes, shipments were still off 1% from a year earlier.

In this region as well, spending increased more during the fourth quarter than shipments. Specifically, this metric jumped 16.1% from the third quarter, after rising 8% the previous period. Compared with the final quarter in 2019, spending was up 5.2%, the first year-over-year increase in two years.

Compared with the final quarter in 2019, spending was up 5.2%, the first year-over-year increase in two years.

Manufacturing freight in the region is improving. For example, the manufacturing component of industrial production was off about 3% on a year-over-year basis during the final quarter. Conversely, when comparing January to November of 2020 to the same time-frame in 2019, single-family housing starts were up 11% in the Midwest.⁴ Midwest freight volume, when coupled with the driver shortage, will keep capacity tight.

Q4 2020



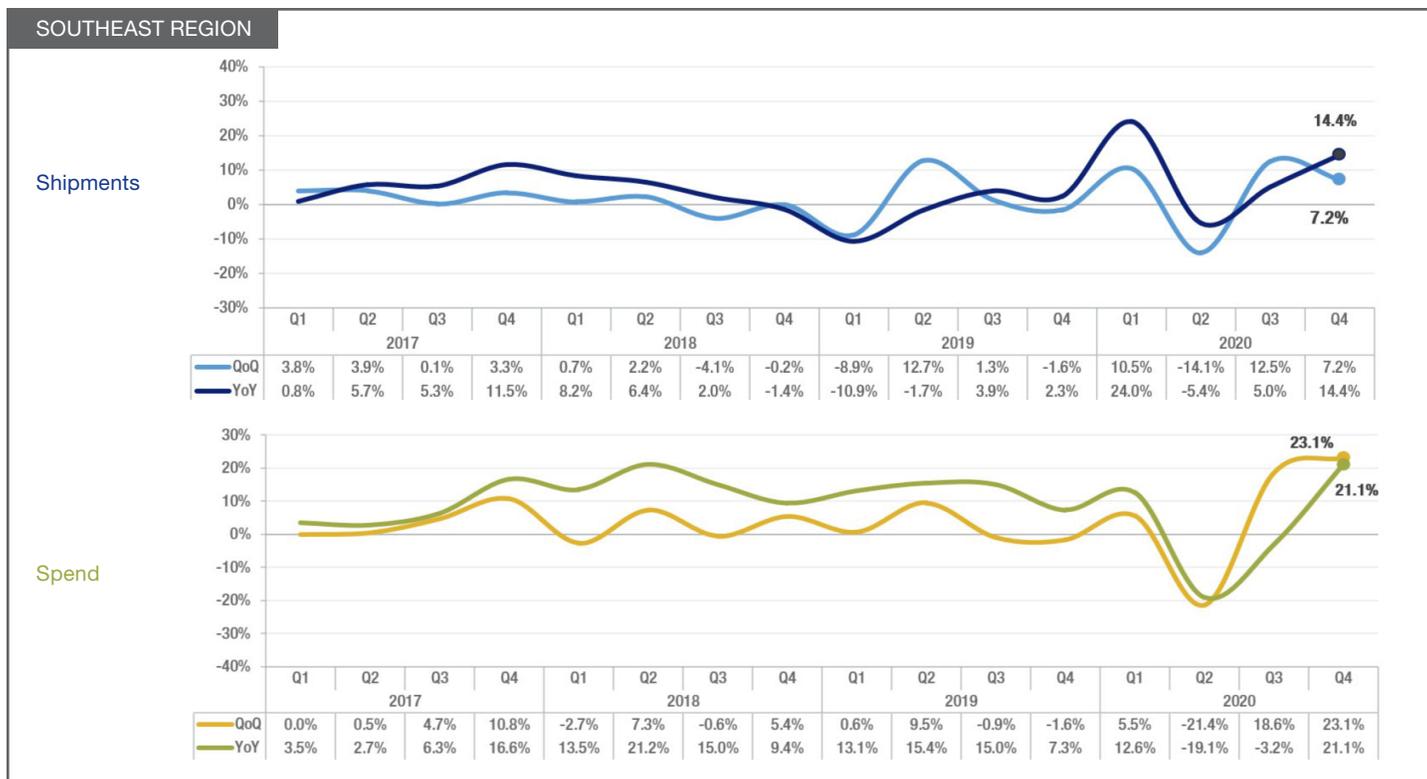
In terms of volumes, the freight recovery in the Northeast has been the slowest among all the regions. After plunging a total of 19.5%⁵ during the first and second quarters, this metric increased just 3%⁶ in the second half of the year, including a small 1.3% gain in the fourth quarter. As a result, volumes were off 16.2% on a year-over-year basis.

Retail sales have done well, especially online sales. Factory activity was down year-over-year, while energy production in this region, which is concentrated in West Virginia and Pennsylvania, was off significantly too. Single-family home construction was up in the Northeast during the final quarter, on a year-over-year basis, but it lagged behind all other regions.

Tight capacity is also affecting this region, leading to rising spending by shippers. In the fourth quarter, the spend index rose 14.9% over the third quarter, resulting in a total increase of 28.8%⁷ in the second half of the year. Compared with the final quarter in 2019, spending was up 3.5%, the first year-over-year gain since the third quarter in 2019.

Tight capacity is also affecting this region, leading to a rising spending by shippers.

Q4 2020



The Southeast continued to see strong volumes, pricing, and revenue during the final quarter. The shipment index increased 7.2% sequentially after surging 12.5% during the third quarter. More impressive was the 14.4% jump in shipments compared with the final quarter in 2019. The Southeast not only has a high population, leading to strong retail sales, but it is also seeing a housing construction and remodeling boom. According to Bob Costello (ATA), single-family housing starts were up over 20% compared with the final quarter in 2019. There is also significant auto production in the region, which is one of the few areas of manufacturing that is doing well.

A solid gain in shipping volume, coupled with rate increases, pushed the spend index up 23.1% from the third quarter while growing 21.1% from a year earlier. This was the largest year-over-year increase since the last trucking capacity crunch in 2018.

The Southeast not only has a high population, leading to strong retail sales, but it is also seeing a housing construction and remodeling boom.

Q4 2020

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 \$29.7 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.

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 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.

20+ years of experience

\$29.7 billion in global freight payments annually

To receive this report quarterly, sign up at freight.usbank.com.



About U.S. Bank (usbank.com)

U.S. Bancorp, with more than 70,000 employees and \$554 billion in assets as of December 30, 2020, is the parent company of U.S. Bank, the fifth-largest commercial bank in the United States. The Minneapolis-based bank blends its relationship teams, branches and ATM network with mobile and online tools that allow customers to bank how, when and where they prefer. U.S. Bank is committed to serving its millions of retail, business, wealth management, payment, commercial and corporate, and investment services customers across the country and around the world as a trusted financial partner, a commitment recognized by the Ethisphere Institute naming the bank a 2020 World's Most Ethical Company.

For more information:

CPSTransportation@usbank.com

[usbank.com](https://www.usbank.com)

1. FMCSA Drug Clearinghouse Records 46,000 Violations in First 10 Months. (2020, December 8). Transport Topics.
2. No surprise that driver shortage is No. 1 industry concern. (2020, November 10). FleetOwner.
3. Percent change calculated using the sum of shipment index QoQ percent change for Q3-Q4 2020
4. Dietz, R. (2020, November 18). Single-Family Built-for-Rent Construction Expands | Eye On Housing | National Association of Home Builders Discusses Economics and Housing Policy.
5. Percent change calculated using the sum of shipment index QoQ percent change for Q1-Q2 2020
6. Percent change calculated using the sum of shipment index QoQ percent change for Q3-Q4 2020
7. Percent change calculated using the Q4 raw index value of 181.5 divided by the Q2 raw index value of 140.9 = 1.288