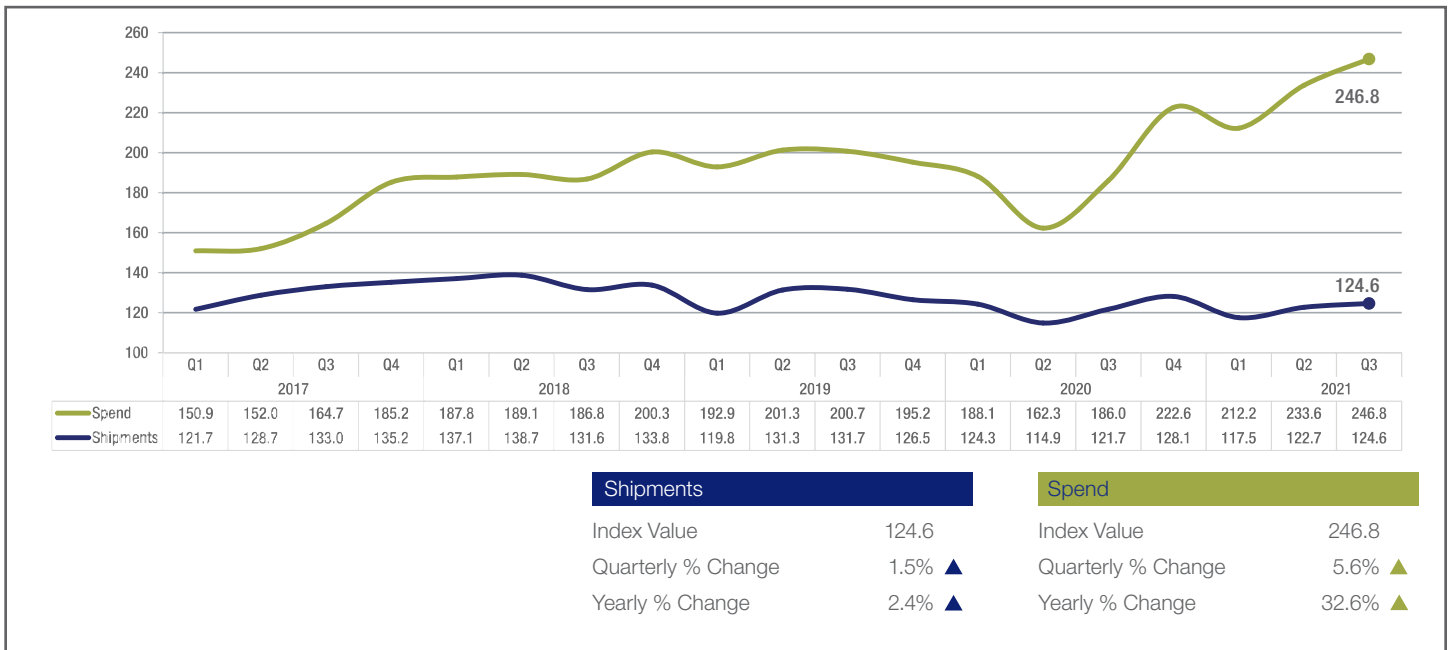


Q3 2021



U.S. Bank Freight Payment Index™

Q3 2021 National Freight Market Overview



The U.S. Bank National Shipments Index showed growth, but at a slightly slower pace in the third quarter, compared to the preceding quarter and year-over-year, reflecting several headwinds during the quarter. This included an increase in the COVID-19 Delta variant, general supply chain constraints and auto plant slowdowns/shutdowns due to supply chain and microchip shortage issues. In addition, there were seasonal storms, especially in the Southeast region, impacting the quarter's performance.

Despite these headwinds, the shipments index grew both sequentially and year-over-year because of strong freight activity. Positive contributors to freight shipments included robust port import traffic, solid home construction activity, continued robust household spending for goods and services, solid cross-border truck traffic with Mexico and Canada and improved factory output in some sectors.

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The national freight market for trucking shipments slowed during the third quarter, as the Delta variant and myriad supply chain constraints buffeted shipment activity.

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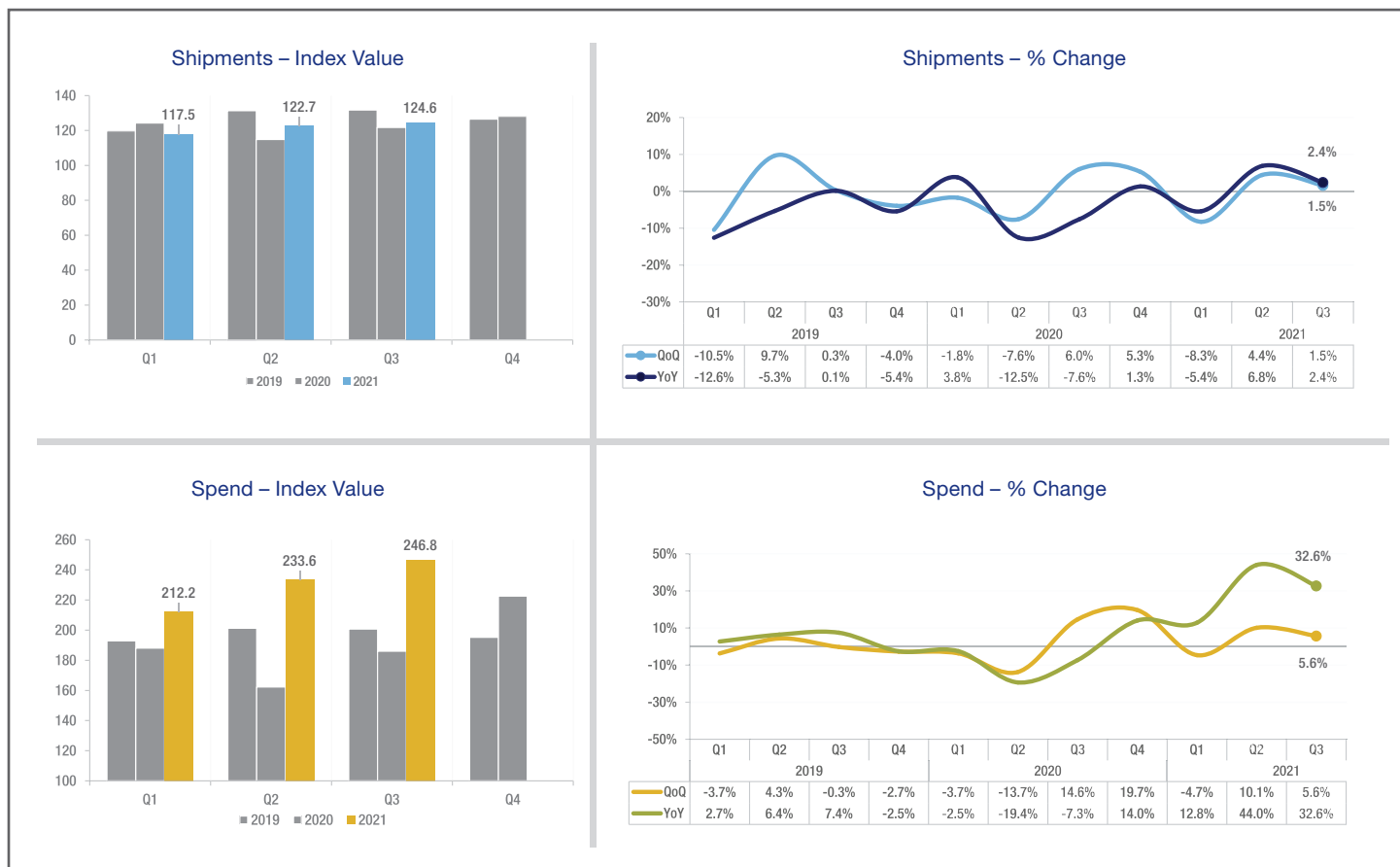
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The U.S. Bank National Spend Index remained higher during the third quarter as both freight rates and diesel prices continued to rise. While growing freight transportation demand is helping to push the spend index higher, the larger factor is the increasingly tight trucking industry capacity.

In the second quarter, limited truck capacity was due mainly to the driver shortage, but an emerging and significant factor during the third quarter was also the lack of new equipment. Truck and trailer manufacturers were unable to deliver as expected during the third quarter because of manufacturing supply chain bottlenecks, including, but not limited to, semiconductors. This is a significant consideration that is expected to continue well into 2022 and will likely slow capacity growth.

Spending remains higher across the nation as both freight rates and diesel fuel prices continue to rise.

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National Shipments and Spending—Quarter over Quarter, Year over Year

The U.S. Bank National Shipments Index increased 1.5% sequentially during the third quarter, which was a smaller gain than the second quarter rise of 4.4%. Compared with a year earlier, the shipments metric grew 2.4%, which was significantly below the 6.8% year-over-year growth in the second quarter. Year-to-date, compared with the first three quarters in 2020, the shipments index was up 1.1%.¹

The U.S. Bank National Spend Index posted an increase of 5.6% versus Q2 2021. During the second quarter, this metric increased 10.1% sequentially. Tight industry capacity, coupled with growing demand resulted in a robust 32.6% year-over-year gain in spend, the second-largest such increase on record, after the 44% increase last quarter. Due to a tight driver market and with truck and trailer manufacturers able to deliver just a fraction of the equipment ordered, this is not likely to abate anytime soon.

Third quarter shipments rose 1.5% compared to Q2 and 2.4% versus the same quarter in 2020.

The Q3 spend index jumped 32.6% compared to the same quarter in 2020. The second increase of more than 30% in the last two quarters

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

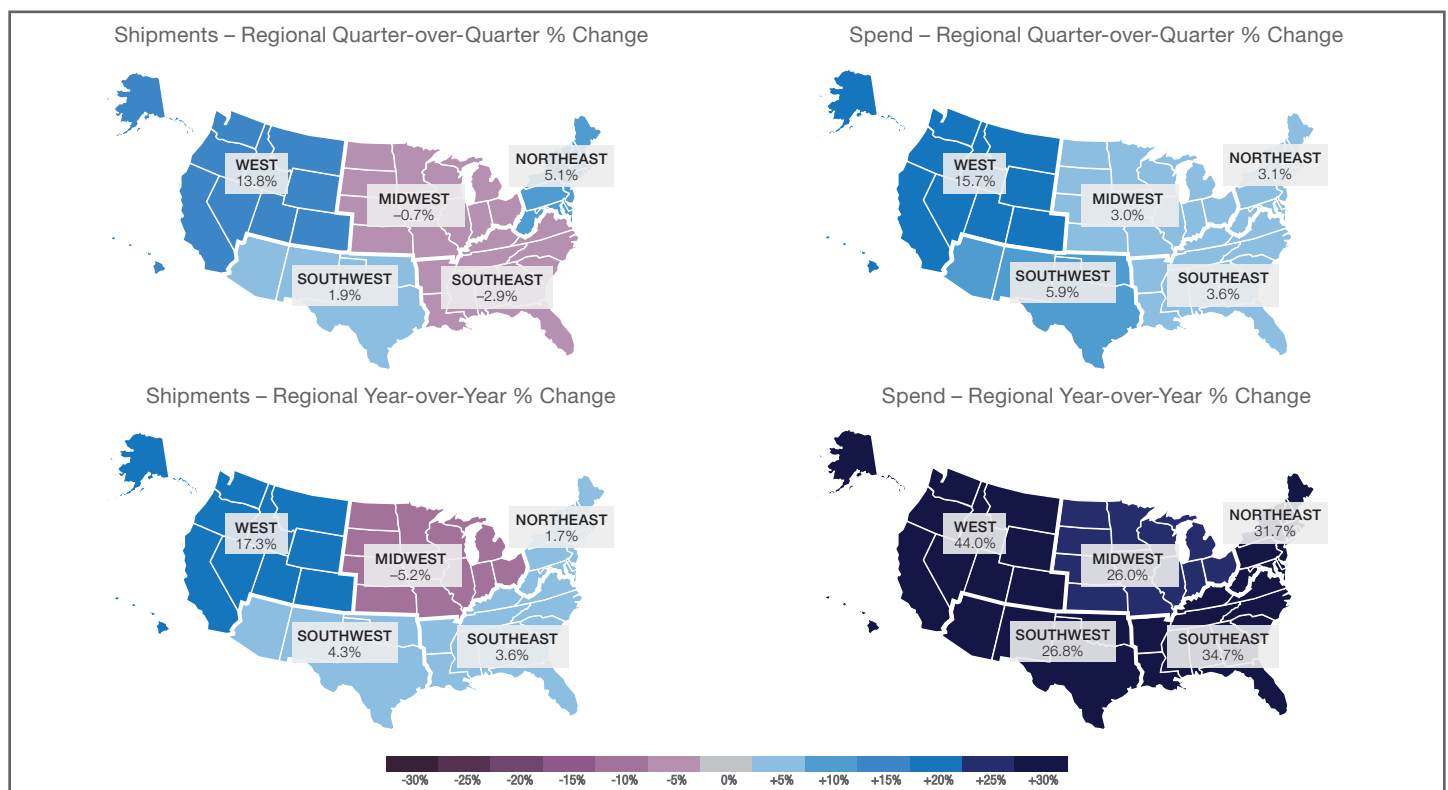
The regional shipments indexes were mixed during the third quarter, with very robust growth in the West versus slowdowns in the Midwest and Southeast. The West region saw an increase in the already strong seaport shipments last quarter, boosting shipments and spending activity there. Meanwhile the Southeast, which was the strongest region last quarter versus the same quarter in 2020, was hampered by severe weather, including Hurricane Ida that made landfall in Louisiana.

Compared with the third quarter in 2020, only the Midwest region saw a drop in shipments as this area of the country is being impacted by the slowdown, and in some cases shutdowns, in auto production caused by the lack of semiconductors and other inputs.

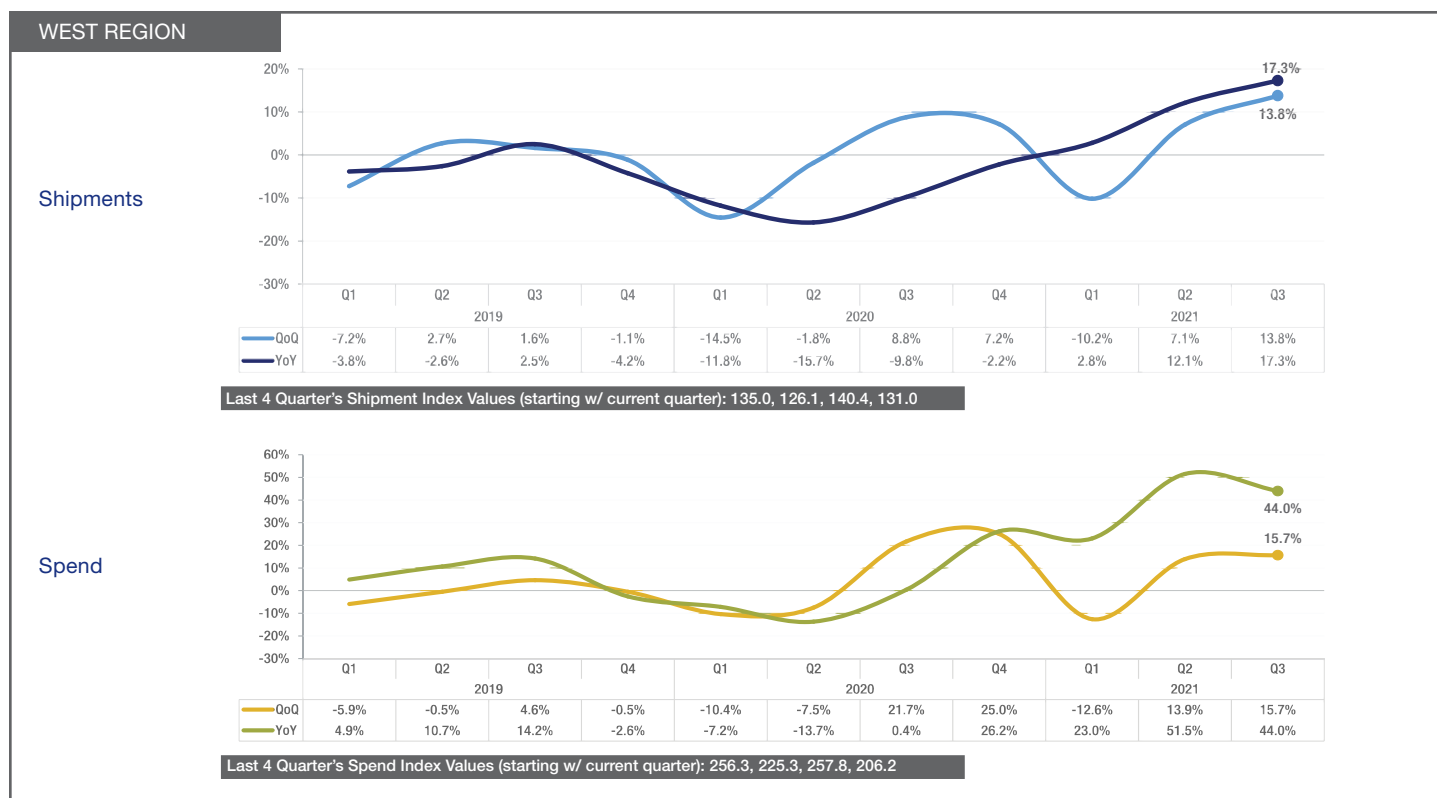
Despite mixed results on the freight side, the spend indexes were up in all regions, both sequentially and from a year earlier during the third quarter. Not surprisingly, the West region saw some very large gains with so much retail and manufacturing freight coming through southern California ports – despite an enormous number of container ships waiting offshore. But even in the Midwest region, where freight shipments were the softest, the spend index was up due to both tight capacity and higher diesel fuel prices.

Three of the five regional shipments indexes improved when compared to the previous quarter.

All five regions saw double-digit growth in spend versus the same quarter a year ago.



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The West region had strong gains in both shipments and spending. The West Regional Shipments Index rose 13.8% from the second quarter. There is a significant amount of activity in the West, which ultimately was reflected in the high volume of imports through coastal seaports.² The one negative factor in this region for freight shipments was the slowdown in housing starts, which fell from the previous quarter, but still rose from a year earlier, based on preliminary data from the Census Bureau. Compared with the same period last year, the shipments index in the West increased 17.3%, by far the largest gain among the five regions.

The West Regional Spend Index was up 15.7% from the second quarter, which was the second straight gain totaling 28.6%.³ Compared with a year earlier, the spend index jumped 44%. Both the sequential and year-over-year increases were the largest among the regions last quarter.

The spend index in the West is up because of continued strong freight rates, and because retailers are replenishing their inventories from historic lows⁴, as the holiday sales season approaches. Increases in diesel fuel surcharges continue to rise as the price of diesel rose significantly in the West. Motor carriers saw the price of diesel increase 5.6% compared to second quarter and 36.5% compared with a year earlier.⁵

The West Regional Shipments Index grew a solid 13.8% in the third quarter, more than 3x the growth rate of the next highest region.

Spending in the region was incredibly strong as retailers work to replenish inventories in advance of the holiday season.

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The Southwest Regional Shipments Index rose during the third quarter after solid gains the previous quarter. Specifically, after jumping 6.5% sequentially during the second quarter, the Southwest shipments index increased another 1.9%, which pushed the level of freight to the highest point in two years. Additionally, the index rose 4.3% from a year earlier, which was the largest year-over-year gain in more than three years. Retail sales nationally remain at high levels and continue to grow on a year-over-year basis.⁶

Housing starts are growing in this region, according to the Census Bureau, as well as consumption, despite the surge of the COVID-19 Delta variant. Crude oil rig counts jumped 9.4% from the second to the third quarter, helping freight shipments.⁷ Additionally, cross-border shipments with Mexico surged early in the quarter with several important land ports of entry, including the largest one in Laredo, TX.⁸

Improved shipment activity, coupled with tight capacity and higher diesel fuel prices, led to solid gains in the spending index for the region last quarter, growing 5.9% and 26.8% from the second quarter and a year earlier, respectively. The Southwest Regional Spend Index stood at the highest level on record last quarter, and an impressive 42% above the recent low in the second quarter of 2020.

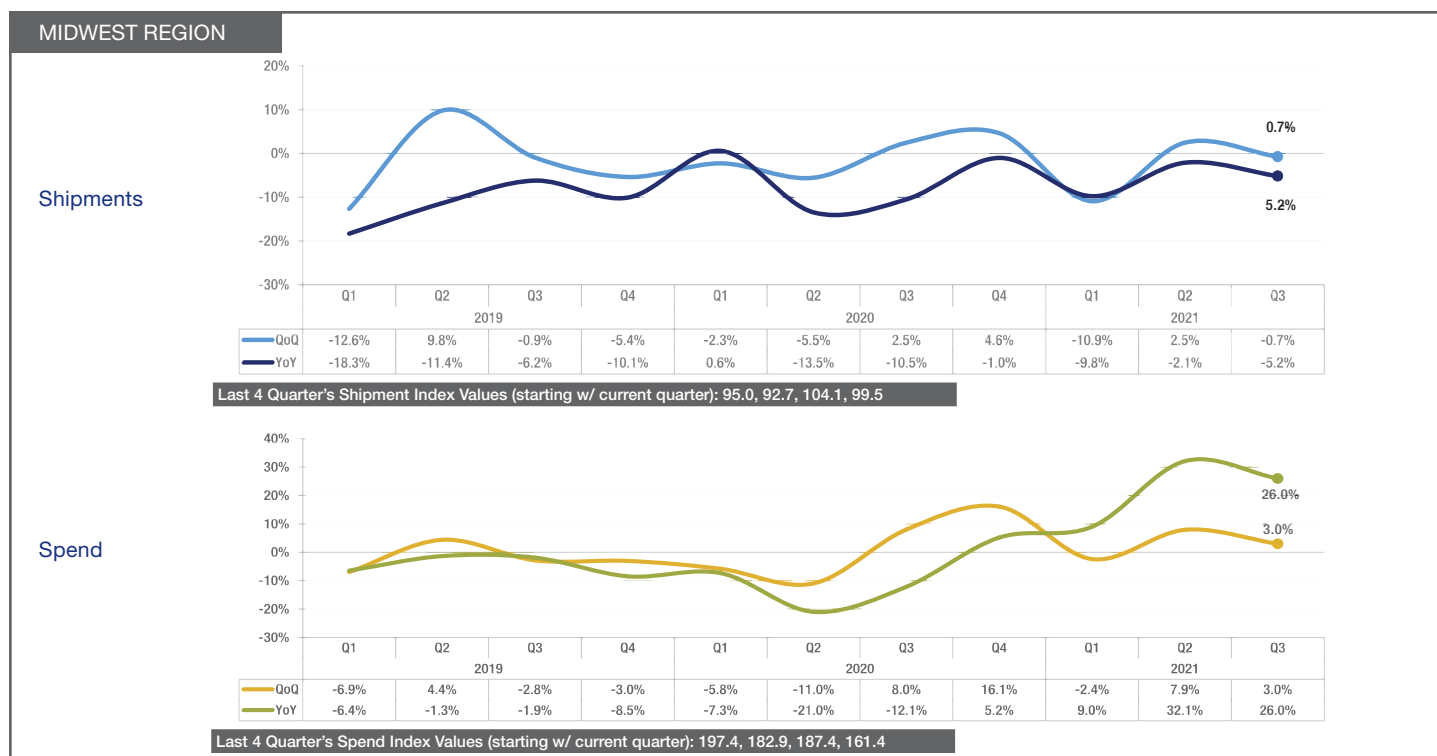
The Southwest Regional Shipments index rose slightly in Q3 after seeing a much larger increase in the second quarter.

Even with an impressive 26.3% increase in spend versus Q2, it was just the fourth highest increase of the five regions.

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In terms of shipments, the Midwest region saw a minimal decrease during the third quarter. While it was not the only region to post a decline in shipments from the second quarter, it was the only region to also see a drop from a year earlier. Specifically, the shipments index was down 0.7% sequentially, although this metric did rise 2.5% during the second quarter. Compared with a year earlier, shipments contracted 5.2%, which was the sixth straight year-over-year decrease.

One sector that is affecting freight levels in the Midwest is auto production, which was off more than 30% from a year earlier as the manufacturers lacked computer chips and other critical inputs.⁹ This challenge has also impacted cross-border shipments between the U.S. and Canada, as a significant amount of that trade is auto production related.¹⁰

The Midwest Regional Spend Index grew again in the third quarter. Spending was up 3% from the second quarter, and 26% from the third quarter of 2020. The largest contributors to these increases are tight capacity from the lack of available drivers and new equipment, as well as higher diesel prices in the form of higher fuel surcharges. The average price of diesel in the Midwest rose 3.9% in the third quarter from the previous quarter and 43.5% from a year earlier.¹¹

Auto production constraints continue to be a strong headwind in the Midwest impacting shipment activity on a sequential and year-over-year basis.

Spend in the region was up quarterly and compared to Q3 2020 due to tight capacity and truck driver shortages.

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The Q3 Northeast Regional Shipments Index went up 5.1% from the previous quarter, which was the largest quarter-to-quarter gain in more than two years. With the largest population of the five regions, the Northeast region saw higher household consumption than its peers, with retail sales having a big impact on shipments. New housing starts slowed in the Northeast last quarter, with indications it was nearly flat from the second quarter and up slightly from a year earlier.¹²

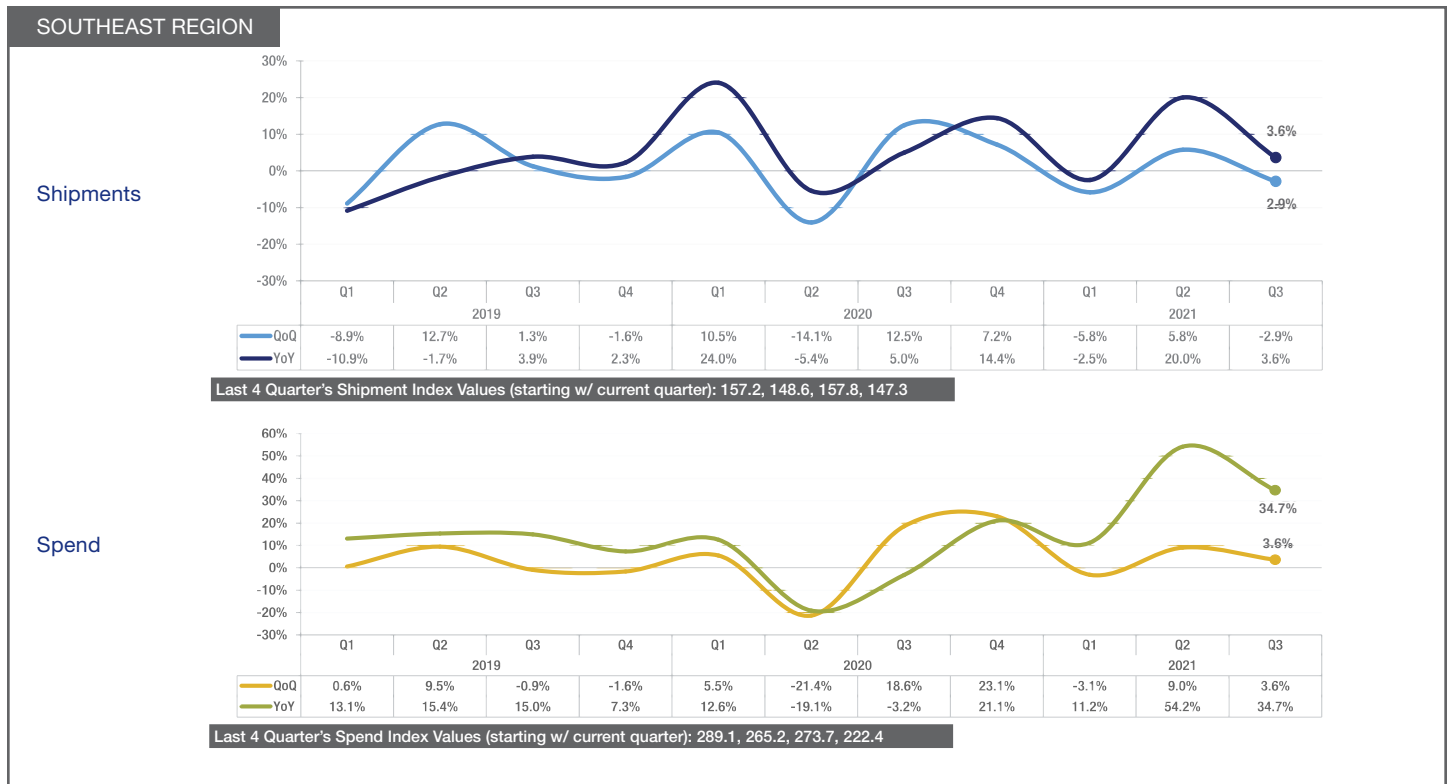
Compared with Q2 2020, the Northeast Regional Shipments Index was up 1.7% and while not a large year-over-year gain, it was the first increase in two years.

The combination of tight industry capacity and rising diesel fuel prices pushed the Northeast spending index to a record high in the third quarter. Specifically, the index rose 3.1% from the second quarter, which was the second straight gain totaling 17.6%¹³ while increasing 31.7% from a year earlier.

The 5.1% increase in Northeast shipments was the largest quarterly gain in more than two years driven by strong household consumption.

Tight capacity and rising diesel prices pushed spending in the region to a record high in Q3.

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The Southeast has been impacted by severe weather, as well as the COVID-19 Delta variant, resulting in lower shipment volumes during the third quarter. Specifically, the Southeast Regional Shipments Index contracted 2.9% from the previous quarter, joining only the Midwest in seeing a quarter-to-quarter decline. Compared with a year earlier, shipments were up by 3.6%.

This region was also impacted by the decline in auto production last quarter with several auto plants in the Southeast. On the positive side, housing starts remained elevated in the South generally, which helped construction-related shipments.¹⁴

The Southeast Regional Spend Index increased 3.6% from the second quarter and 34.7% from a year earlier. The level of spend was a record-high last quarter. Constrained motor carrier supply,¹⁵ due to a tight long-haul driver labor market and the lack of new trucks, coupled with rising fuel surcharges from higher diesel fuel prices, pushed the spend index to new levels. Diesel fuel prices in the lower Atlantic region were nearly 5% above the second quarter average, while gaining more than 35% from a year earlier. In the Gulf Coast region diesel prices increased 3.5% from the second quarter and nearly 40% from a year earlier.¹⁶

Shipments in the Southeast contracted 2.9% in the third quarter with severe storms and the COVID-19 Delta variant vexing the region.

The spend level increase of 34.7% was the second highest of the five regions and a record high for the Southeast.

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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 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 \$31.4 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.

20+ years of experience
\$31.4 billion in global
freight payments annually

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.

About U.S. Bank (usbank.com)

U.S. Bancorp, with nearly 70,000 employees and \$567 billion in assets as of September 30, 2021, 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. The company has been recognized for its approach to digital innovation, social responsibility, and customer service, including being named one of the 2021 World's Most Ethical Companies and *Fortune's* most admired superregional bank.

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¹Compares Q1-2020+Q2-2020+Q3-2020 to Q1-2021+Q2-2021+Q3-2021 Shipments Index numbers

²Data comes from reports from the specific ports

³Q2-2021+Q3-2021 Index values

⁴The U.S. Census Bureau/Monthly Retail Trade Inventories

⁵U.S. Energy Information Administration/Gasoline and Diesel Fuel Update

⁶The U.S. Census Bureau/Monthly Retail Trade Inventories

⁷U.S. Energy Information Administration/Gasoline and Diesel Fuel Update

⁸U.S. Department of Transportation/Bureau of Transportation Statistics

⁹Estimate based on production numbers from the Bureau of Economic Analysis

¹⁰U.S. Department of Transportation/Bureau of Transportation Statistics

¹¹U.S. Energy Information Administration/Gasoline and Diesel Fuel Update

¹²The U.S. Census Bureau/New Residential Construction

¹³Q2-2021+Q3-2021 Index values

¹⁴The U.S. Census Bureau/New Residential Construction

¹⁵U.S. Department of Transportation/Bureau of Transportation Statistics

¹⁶U.S. Energy Information Administration/Gasoline and Diesel Fuel Update