

Q1 2022

U.S. Bank Freight Payment Index™



Q1 2022 National Freight Market Overview



As the national economy slowed during the first quarter of the year, the U.S. Bank National Shipments index dipped 2.2% versus the final quarter of 2021. Both the national economy, and the freight market, were affected by global issues including COVID-19 variant cases and spiking energy prices. The temporary closure of the Ambassador Bridge, a key trade route between the U.S. and Canada, had a significant ripple effect that impacted freight volumes in the first quarter, while consumer inflation also played a role as households spent more for necessities, reducing the total volumes of goods purchased.

Despite these recent challenges, the shipments index, which often slows during the first quarter due to seasonal patterns, remains at healthy levels with several economic forces keeping the demand for freight shipping high.

Healthy economic activity offset seasonal patterns, low capacity and rising diesel prices and as a result, freight shipment volumes were only down 2.2% in Q1 2022.

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U.S. businesses added nearly 1.7 million workers to payrolls,¹ according to the Department of Labor, factory output hit its highest level since 2008,² according to the Federal Reserve, and retail sales were solid.

Even with the small decline in shipment volumes, the U.S. Bank National Spend index increased 1.2% versus the fourth quarter of 2021. Constrained capacity, due to an incredibly tight driver market and the difficulty for motor carriers to secure new and used trucks and trailers, contributed to the spending increase.

The major factor contributing to the increased spending in Q1; however, was the surge in fuel prices. According to the Energy Information Administration, diesel fuel rose to historic levels in March,³ and fuel surcharges, as a part of overall freight spend, also rose commensurately.

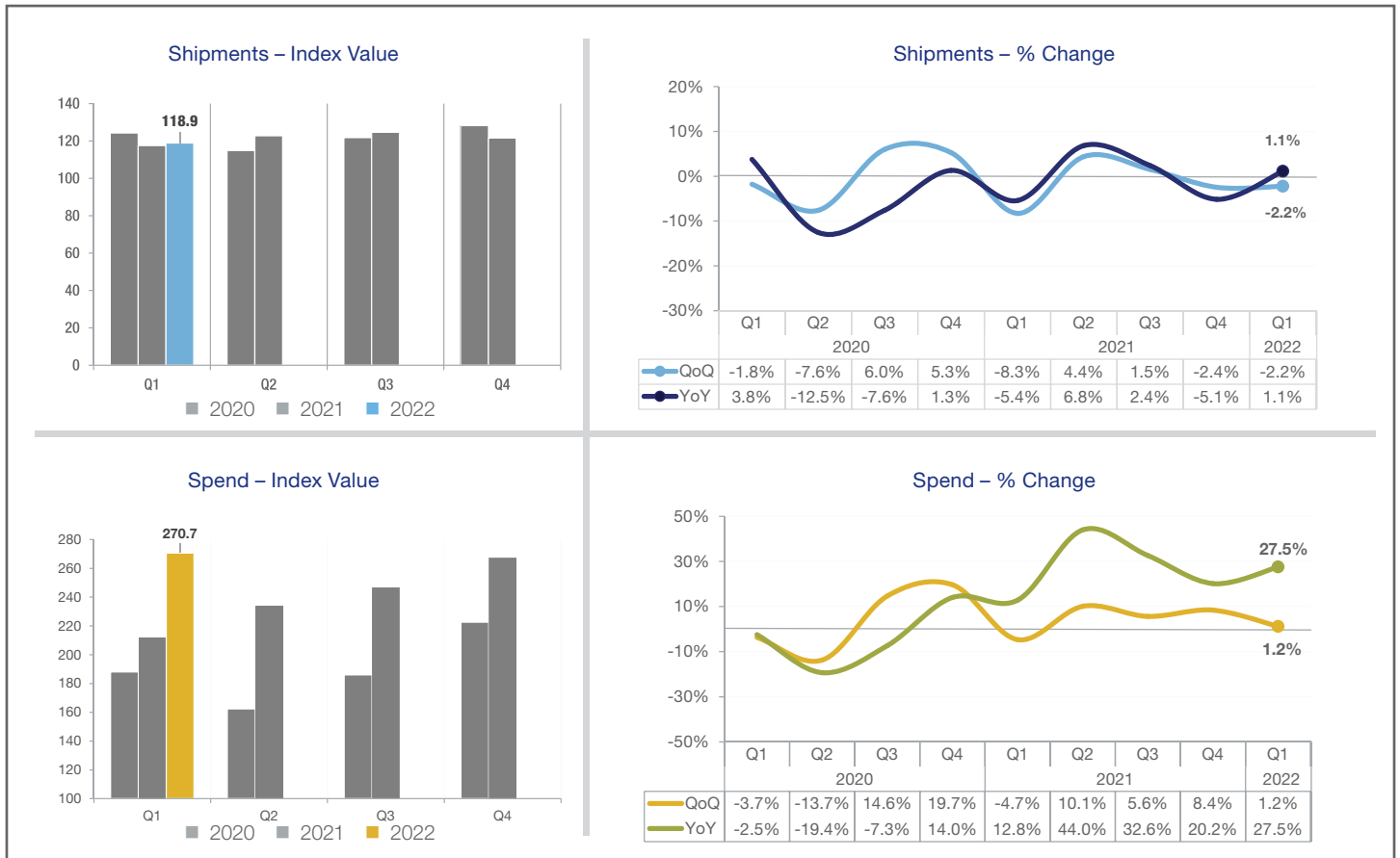
Continued tight capacity and spiking diesel fuel prices led to a 1.2% increase in spending versus the final quarter of 2021.



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

Typically, the Q1 shipments index will contract from the final quarter of the previous year, primarily due to softer post-holiday freight volumes in January and February. March tends to see increased volume for freight, but it's rarely strong enough to make up for the lower volumes of the first two months.

One trend to watch is the continued growth in the U.S. Bank National Spend index. During the first quarter, this metric rose 1.2% from the previous quarter, which was the fourth straight quarter-over-quarter gain, although the smallest increase over that period. Compared with a year earlier, spending was up 27.5%.

While capacity constraints from a continued driver shortage and a particularly tough equipment market pressured spending in the first quarter, much higher diesel fuel prices added to the pressure. The national average price of diesel fuel ended 2021 at \$3.62 per gallon, which was up roughly \$1 from a year earlier, according to data from the Energy Information Administration.⁴ Diesel then climbed rapidly to \$4.06 and spiked to \$5.25 per gallon before ending the quarter at \$5.19.

This is significant because diesel is often the second highest expense for a fleet and is passed on to shippers as fuel surcharges.

A slower first quarter saw the U.S. Bank National Shipments index rise 1.1% year-over-year and drop 2.2% compared to Q4 2021.

The U.S. Bank National Spend Index rose 1.2% from the preceding quarter and was up 27.5% versus the same quarter in 2021.

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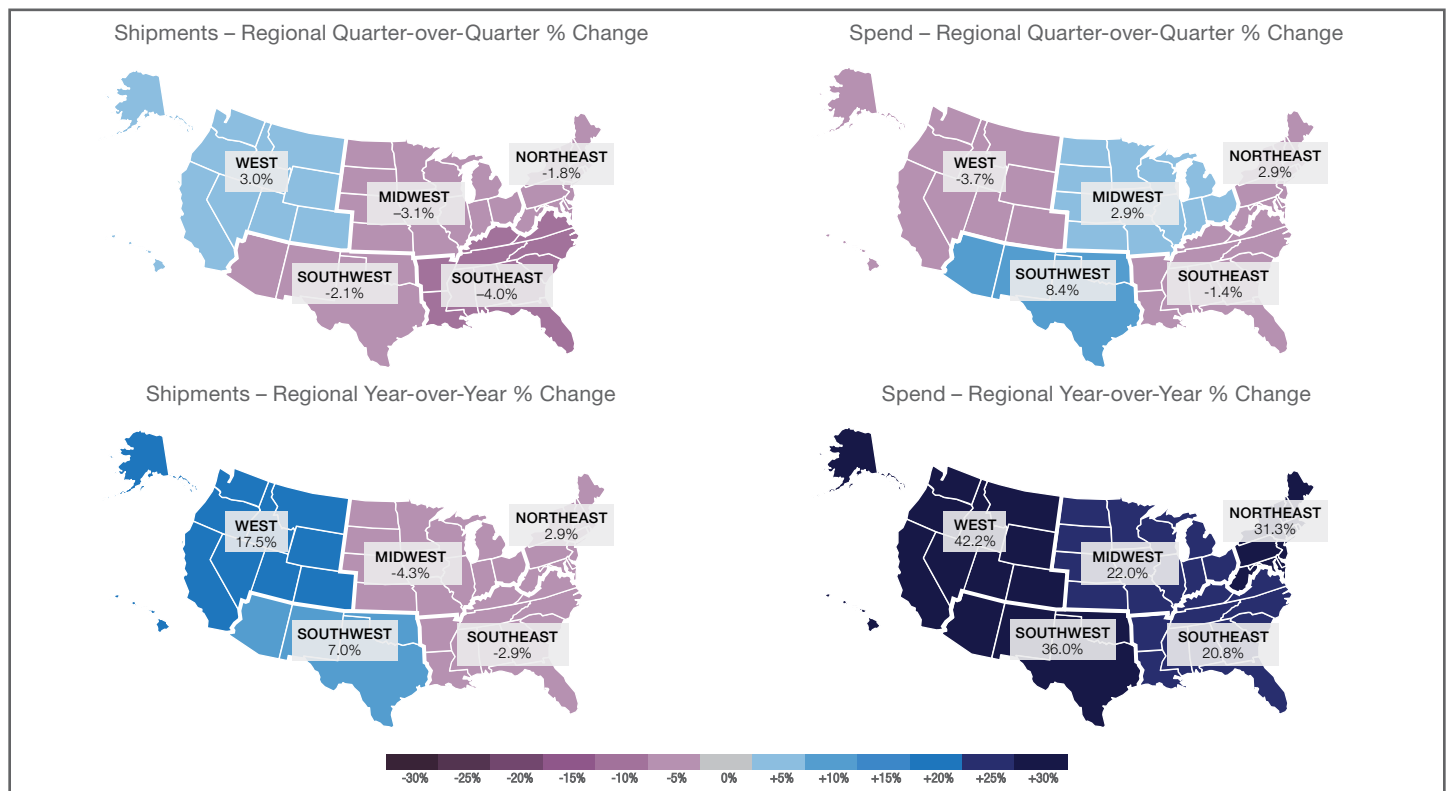
Quarter-over-quarter shipments fell in four of five regions during the first three months of 2022. Only the West region saw a gain in overall shipment volumes from the final quarter in 2021. The largest decline was in the Southeast region, which has experienced decreasing volumes for a few quarters. The Midwest is a major auto production region, but the Southeast region also has a significant amount and slowing auto manufacturing affected freight volumes there.

Both car-producing regions felt the impact from the closing of the Ambassador Bridge between the U.S. and Canada. Freight was unable to cross this key trade route, and as a result, many auto and auto-related plants, already hurt by the lack of semiconductors, reduced shifts or even closed temporarily on both sides of the border.

Regional spending indexes were more mixed during the first quarter, with quarter-over-quarter decreases in the Southeast and West. However, all regions saw significant spending gains from a year earlier.

The West region was the only region to experience a quarterly increase in shipments in the first three months of 2022.

All five regions experienced year-over-year spending increases from 20.8% in the Southeast to 42.2% in the West.



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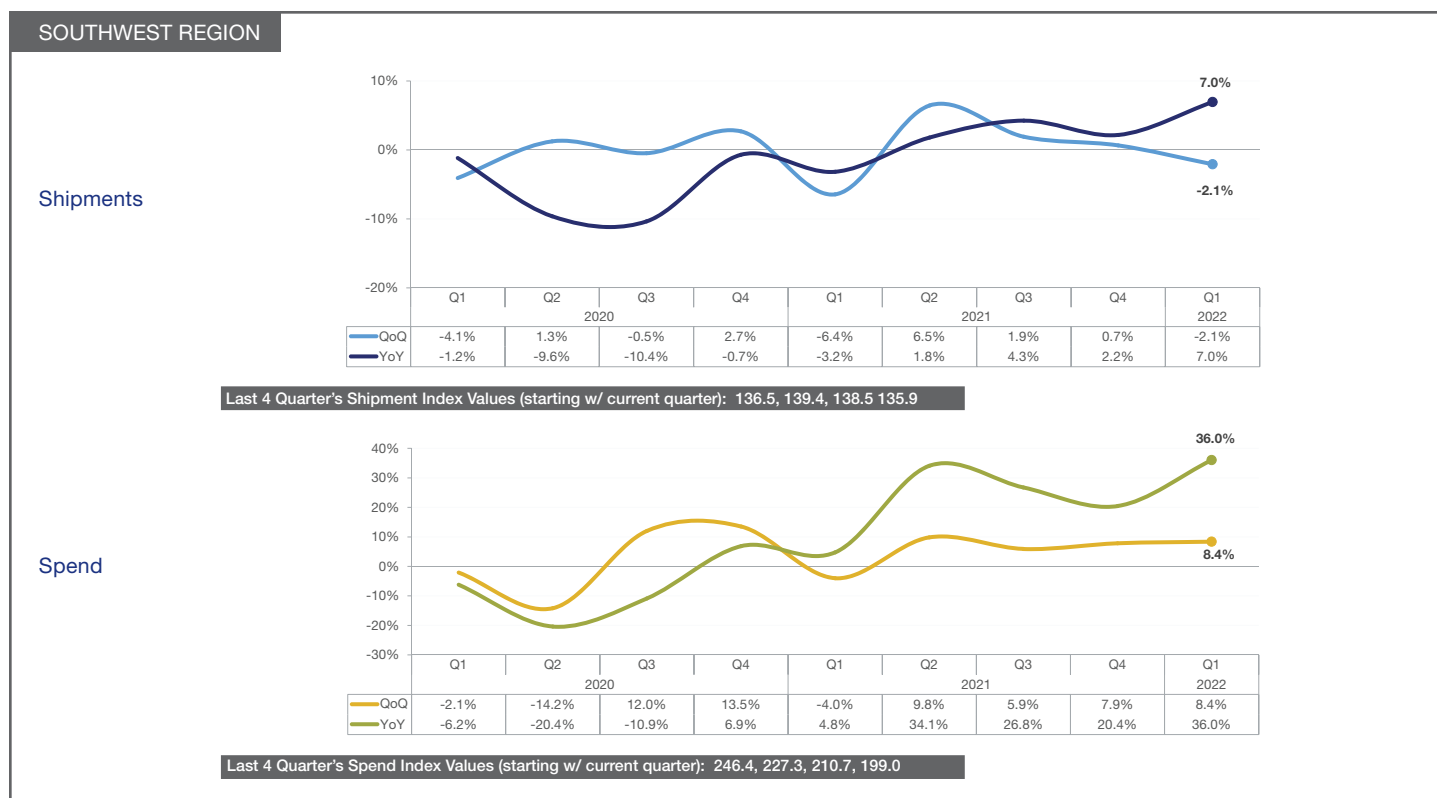
The West was the only region to experience an increase in truck freight volumes during the first quarter of 2022, as the West Regional Shipments index rose 3%. Although this was preceded by a 6.4% reduction in the final quarter of 2021, the index has increased in three of the last four quarters. These gains resulted in a 17.5% year-over-year jump in shipments from the Q1 2021.

West Coast import volumes at seaports increased modestly from a year earlier,⁵ but that was from a very strong first quarter in 2021. Another factor, according to data from the Census Bureau, is continued home building in the West. While modest, the region is seeing more housing starts compared with a year earlier.⁶

Despite the increase in shipment volumes, and significantly higher fuel surcharge spending last quarter, the West Regional Spend index fell 3.7% from the fourth quarter. However, this was preceded by three straight quarterly gains totaling 41.6%.⁷ As a result, the West Regional Spend index in the first quarter jumped 42.2% from a year earlier, the largest gain among all five regions.

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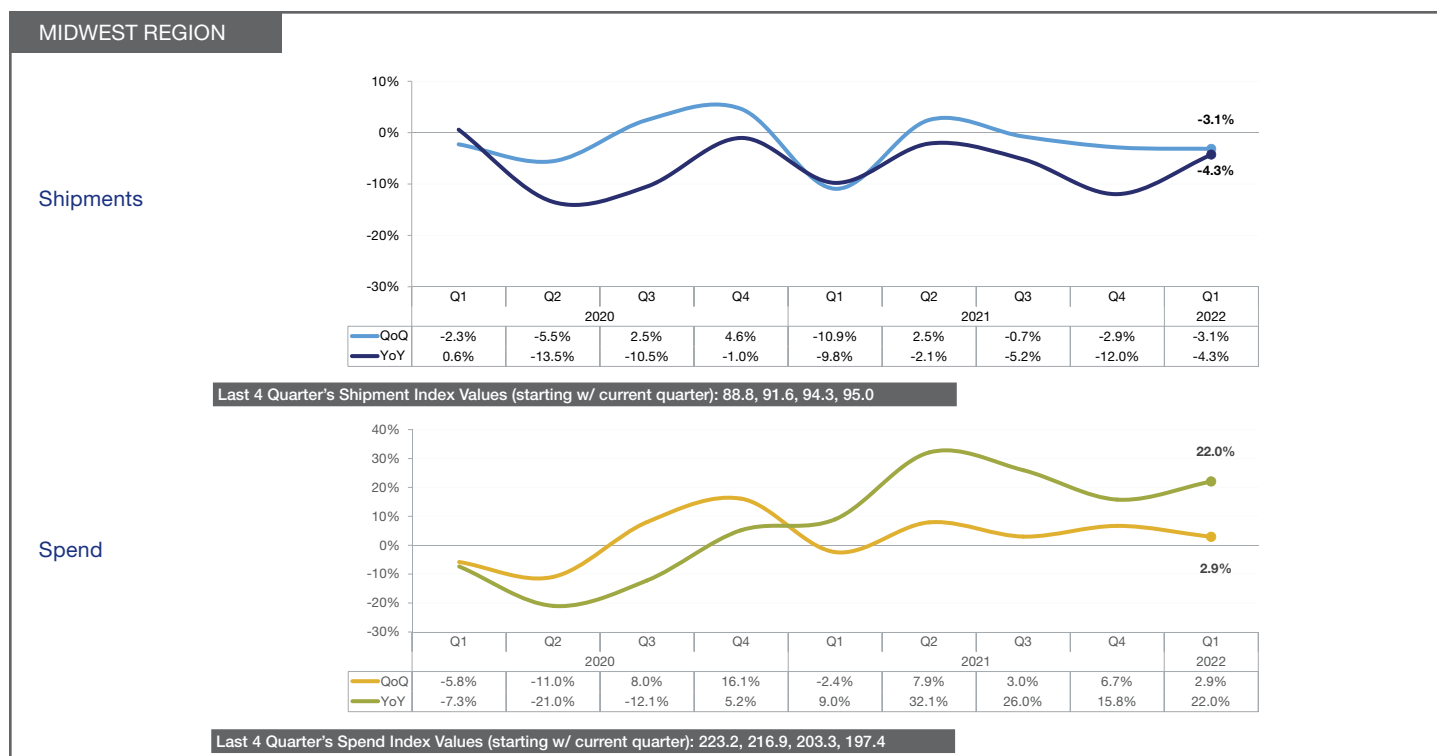
The Southwest Regional Shipments index contracted on a quarter-over-quarter basis, falling 2.1% from the fourth quarter of 2021. However, shipments in the region increased 7% from the first quarter in 2021, which was the fourth straight year-over-year increase, and the largest over that period. Truck freight volumes of goods going to and from Mexico are growing. According to data from the Bureau of Transportation Statistics, inbound truck volumes from Mexico were up 4.3% in this region during the first two months of the quarter compared with the same period in 2021.⁸

Another freight contributor in this region is energy production. Crude oil production (as of January 2022) in total for the states in the region was up 7% from a year earlier.⁹ Crude oil production leads to several types of energy product volumes for motor carriers, including tank truck operators.

The Southwest Regional Spend index was strong during the first quarter, up 8.4% from the previous quarter and 36% from a year earlier. The capacity crunch in the Southwest region, along with rising diesel fuel prices are pushing spend growth.

The Southwest Regional Shipments index contracted on a sequential basis, falling 2.1%. However, shipments in the region increased 7% from the first quarter in 2021.

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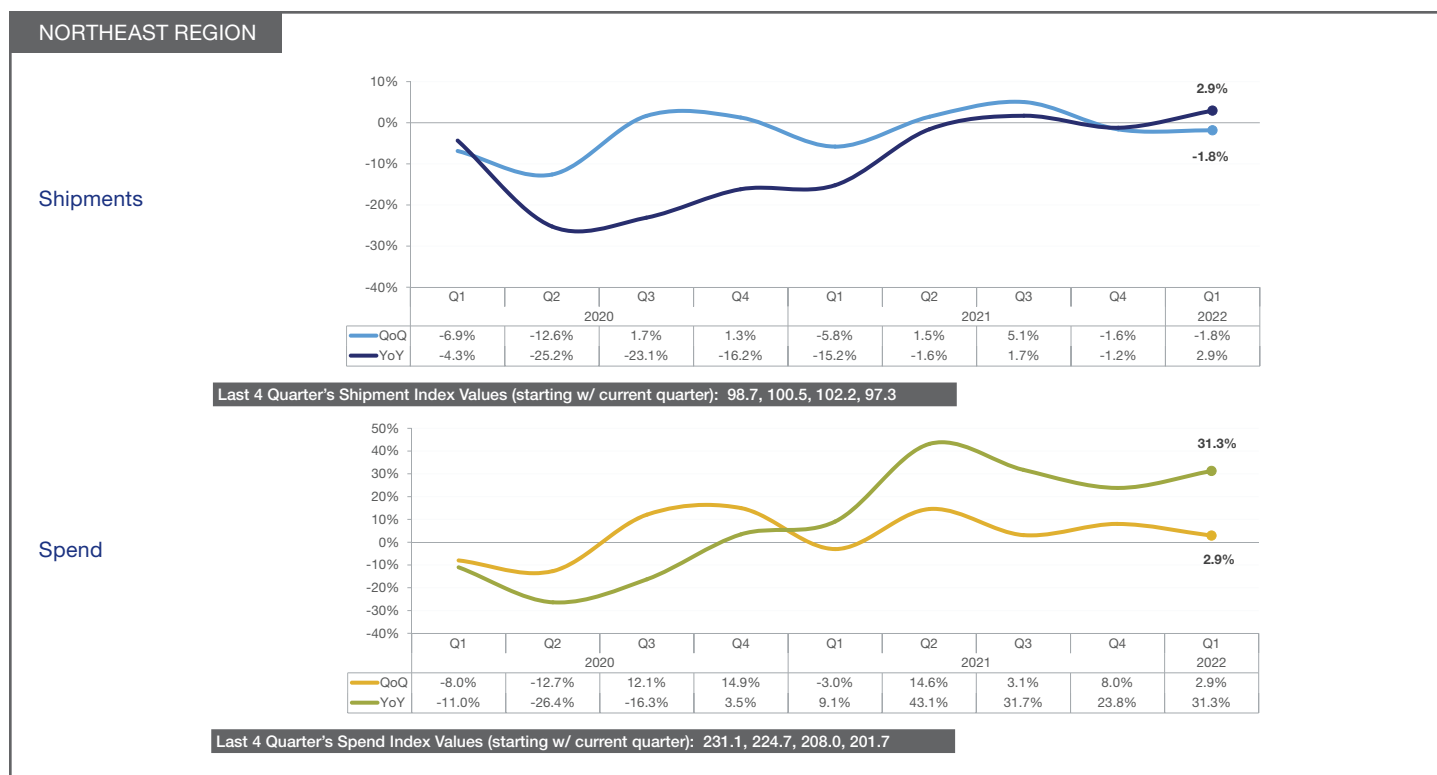
The Midwest region has been the weakest for freight shipment volumes among all five regions, a trend that continued during the first quarter of 2022. The Midwest Regional Shipments index contracted 3.1% from the previous quarter and 4.3% from a year earlier. That said, there is a significant amount of manufacturing in this region, which is still doing well. According to the Federal Reserve's manufacturing output data, manufacturing hit its highest level in this region (since 2008) in February.¹⁰ However, this region's dependence on auto production remains heavily impacted by the shortage of semiconductors.

The Midwest continues to be the weakest region for freight shipment volumes, contracting 3.1% from the previous quarter and 4.3% from a year earlier.

As was stated at the outset, the heavy volume of trade crossing the Ambassador Bridge includes a huge amount of auto plant-related parts and accessories, and many factories on both sides of the border were forced to reduce production or close temporarily. The ripple effect was significant and impacted this region during the first quarter.

Spending by shippers continued to grow in the first quarter of 2022. The Midwest Regional Spend index rose 2.9% from the final quarter in 2021, while jumping 22% from a year earlier. As with other regions, higher diesel prices and fuel surcharges helped push the spending index up.

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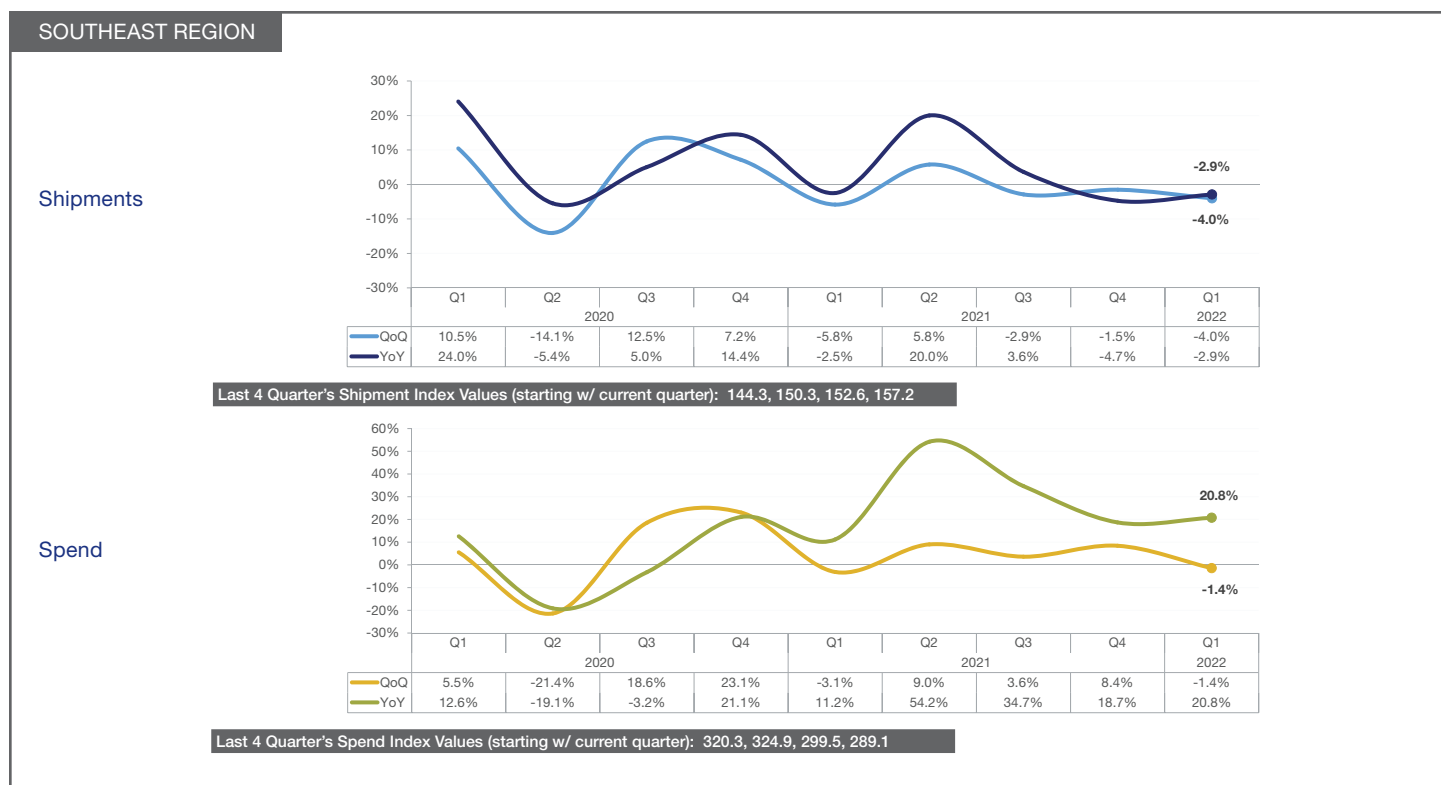
The Northeast region also experienced falling shipment volumes during the first three months of the year. In the first quarter of 2022, the Northeast Regional Shipments index contracted 1.8%. However, compared with a year earlier, shipments increased 2.9%, which was the largest quarterly gain since the third quarter of 2019.

The Omicron variant hit this region hard early in the first quarter, which negatively impacted freight volumes. The Federal Reserve noted in its March 2, 2022, Beige Book that in the Federal Reserve Bank of New York region, “Non-auto retailers reported that sales fell in January due to the Omicron outbreak and harsh winter weather...”

Despite the mixed shipments data, the Northeast Regional Spend index grew 2.9% from the final quarter of 2021 and jumped 31.3% from a year earlier. Driver shortages, coupled with rising diesel fuel prices helped push the regional spend index to a new high during the quarter.

Spending in the Northeast increased 31.3% versus the final quarter of 2021, the third highest quarterly jump across all five regions.

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The Southeast Regional Shipments index declined 4% in the first quarter. Shipment volumes were also off 2.9% from a year earlier. The Midwest was the only other region to experience falling shipments year-over-year. As stated previously, these two regions rely heavily on auto manufacturing and assembly facilities, which have been plagued by production woes due to the lack of semiconductors and were exacerbated by the lack of freight traffic between the U.S. and Canada.

The Southeast Regional Shipments index declined 4% in the first quarter of 2022 and 2.9% from the same quarter a year earlier.

While the bridge has since reopened the impacts to the supply chain are still recovering. However, housing starts across the South, including the Southeast region, were up about 20% from a year earlier based on preliminary data from the Census Bureau.¹¹

After three straight quarterly gains totaling 21.0%,¹² the Southeast Spend index contracted 1.4% from the fourth quarter. It is likely that as freight dried up in the auto sector, fleets moved freight in other sectors, which would increase supply and ease pricing pressures at least temporarily. But the spend index still climbed from a year earlier, rising 20.8% on a year-over-year basis.

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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 \$37 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

\$37 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.

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U.S. Bancorp, with nearly 70,000 employees and \$587 billion in assets as of March 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. 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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¹Bureau of Labor Statistics Data

²Federal Reserve Beige Book/Summary of Current Economic Conditions

³U.S. Energy Information Administration/Gasoline and Diesel Fuel Update

⁴U.S. Energy Information Administration/Gasoline and Diesel Fuel Update

⁵West Coast Trade Report/Board of California Pilot Commissioners

⁶The U.S. Census Bureau/New Residential Construction

⁷Q2-2021 + Q3-2021 + Q4-2021 Spend Index values

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

⁹U.S. Energy Information Administration/Gasoline and Diesel Fuel Update

¹⁰Atlanta Regional Fed Bank/Summary of Current Economic Conditions

¹¹The U.S. Census Bureau/New Residential Construction

¹²Q2-2021 + Q3-2021 + Q4-2021 Spend Index values