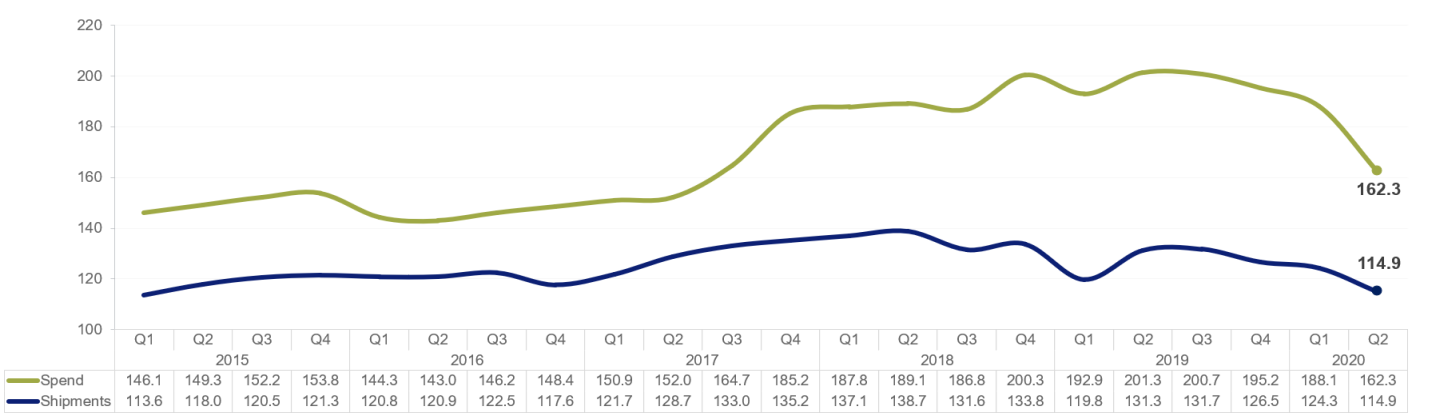
Q2 2020

U.S. Bank Freight Payment Index™

Q2 2020 National Freight Market Overview



	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Spend	146.1	149.3	152.2	153.8	144.3	143.0	146.2	148.4	150.9	152.0	164.7	185.2	187.8	189.1	186.8	200.3	192.9	201.3	200.7	195.2	188.1	162.3
Shipments	113.6	118.0	120.5	121.3	120.8	120.9	122.5	117.6	121.7	128.7	133.0	135.2	137.1	138.7	131.6	133.8	119.8	131.3	131.7	126.5	124.3	114.9

Shipments	
Index Value	114.9
Quarterly % Change	–7.6% ▼
Yearly % Change	–12.5% ▼

Spend	
Index Value	162.3
Quarterly % Change	–13.7% ▼
Yearly % Change	–19.4% ▼

The Q2 2020 U.S. Bank National Shipment and Spend Indexes reflect an economy in recession, an observation supported by the June 8 announcement from the National Bureau of Economic Research.[1] As much of the U.S. remained in lockdown mode during the second quarter of 2020, the freight industry saw a significant downturn in freight shipments and spend volume. However, there were improved signs of economic and trucking activity. For example, the Southwest, where Texas stay-at-home orders expired on April 30, saw a small gain in shipments from the first quarter.

As much of the U.S. remained in lockdown mode during the second quarter of 2020, **the freight industry saw a significant downturn in freight shipments and spend volume.**

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Decreases of 7.6% in the shipment index and 13.7% in the spend index from the first quarter indicate that the broader economy greatly declined. Some sectors, such as the automotive industry, have been hit harder in this downturn than others like construction and online retail.

For carriers, the second quarter was particularly difficult with impacts to both volumes and pricing. While this situation has improved some, it took a toll. Many shippers saw demand for their products fall as most places remained in lockdown mode, even as they saved money on lower shipping costs.

Total industrial production increased 1.4% in May as many factories resumed partial operations following suspensions from COVID-19. Though manufacturing output fell sharply in March and April, it rose 3.8% in May. Most major industries posted increases, with the largest gain registered by motor vehicles and parts.[2] Additionally, while employment is still well below pre-COVID-19 levels, economic activity in the non-manufacturing sector grew in June after two consecutive months of contraction.[3] This news bodes well for goods-related retail shippers and fleets that haul those goods, both brick-and-mortar and online.

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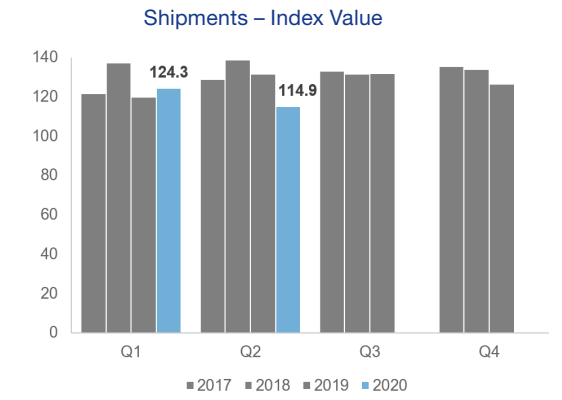
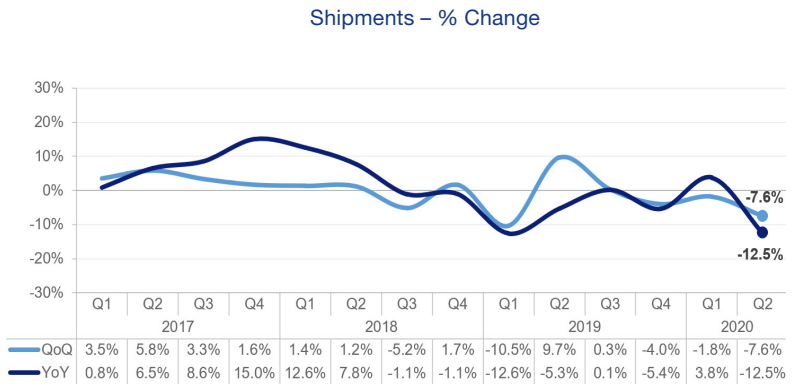
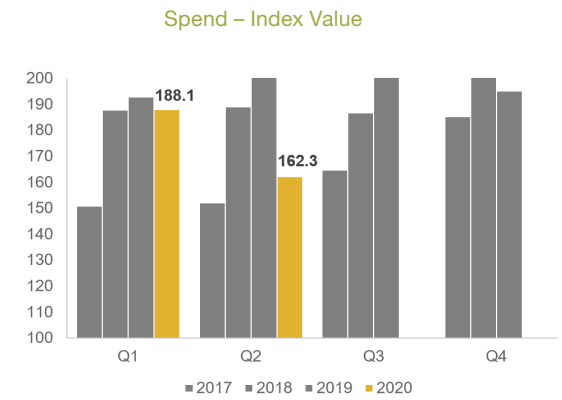
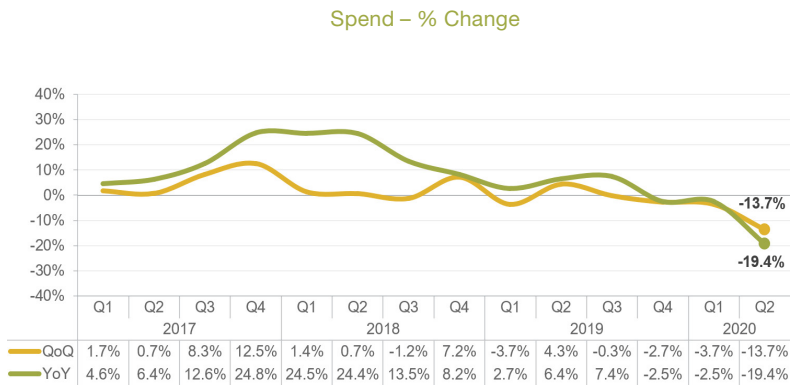
U.S. Bank Freight Payment Index™

Q2 2020









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

After contracting 1.8% sequentially in the first quarter, the U.S. Bank National Shipment Index fell 7.6% in the second quarter. Compared with a year earlier, the index decreased 12.5% during the second quarter.

The National Spend Index also fell during the second quarter, decreasing 13.7% from the first quarter and 19.4% year-over-year. This decrease was due to lower volumes, pricing and fuel prices. Pricing for both contract freight as well as spot market freight fell early in the second quarter. While spot market freight rates have risen, it can take longer for contract pricing to follow. Additionally, the national price of diesel averaged 15.7% less during the second quarter than the first quarter,[4] meaning shippers paid less in fuel surcharges.

After contracting 1.8% in the first quarter, the U.S. Bank National Shipment Index fell 7.6% in the second quarter.

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Carriers and shippers should be prepared to be nimble as economic recovery will likely correlate to the trajectory of the virus and resulting ease of restrictions. Carriers and shippers in the retail, construction and factory supply chains could see better volumes during the second half of the year. Online retail sales will likely continue with strong numbers and brick-and-mortar activity will pick up as shoppers relieve cabin fever and payrolls expand. Restaurants are also likely to continue to see modest gains in sales, but until they are back to 100% capacity, sales will run at a lower level from a year earlier. However, should the virus continue to worsen over the current quarter, freight volumes could be negatively impacted.

Carriers and shippers in the retail, construction and factory supply chains could see better volumes during the second half of the year.

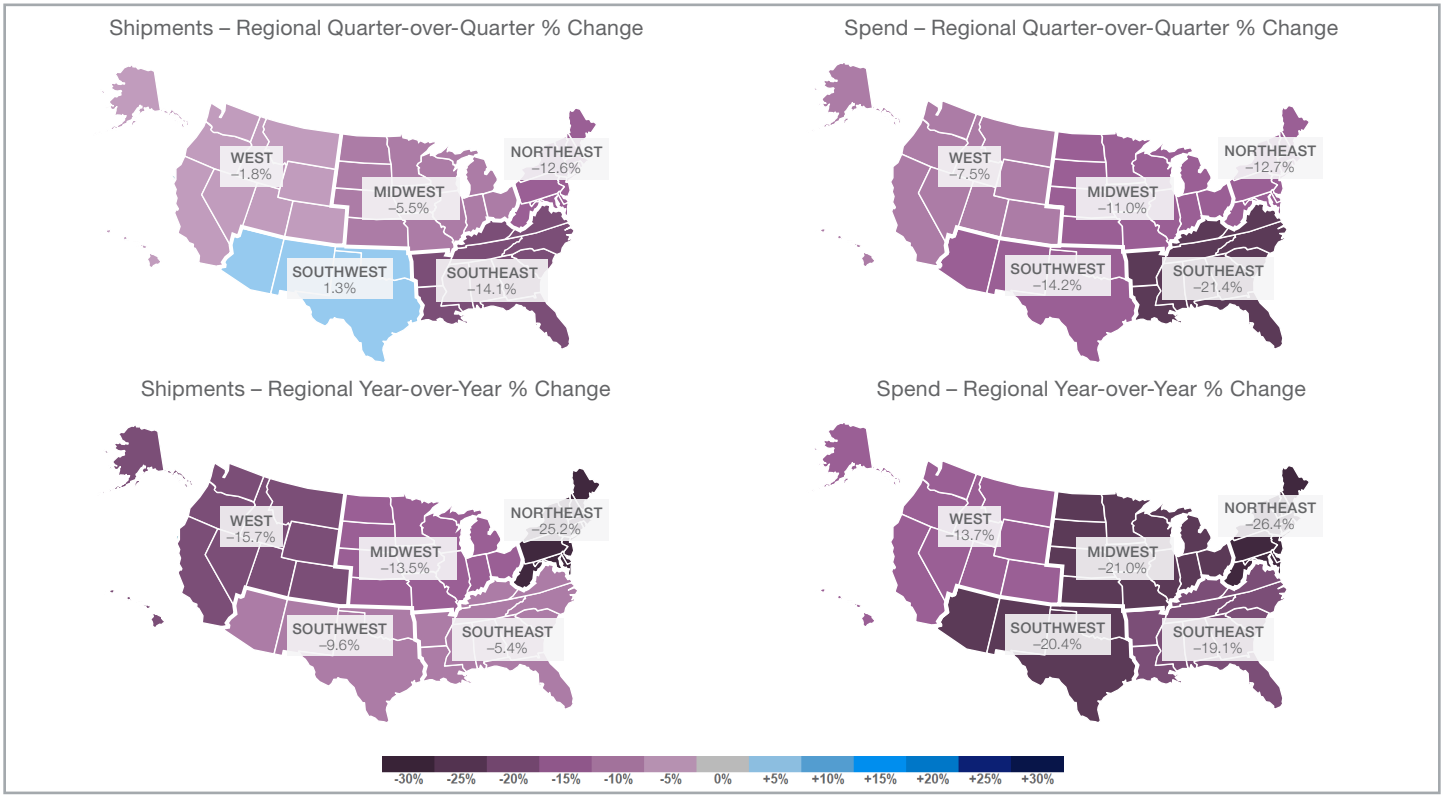
Regional Shipments and Spend — Quarter-over-Quarter, Year-over-Year

A regional focus on U.S. Bank metrics highlights the differing impacts of government efforts to control the spread of COVID-19 on the freight industry.

The Southwest posted a small gain in shipments during the second quarter, compared to the first quarter, as some states' economies were less impacted by the virus during this period. Conversely, shipments were down significantly in the Southeast and Northeast. New York, New Jersey and Massachusetts were all hit hard by COVID-19 for a majority of the second quarter, which caused freight levels to be lower. The Southeast had a solid first quarter as many states in the region were among the last to act against the virus. Economic activity slowed significantly in the second quarter as the virus took hold.

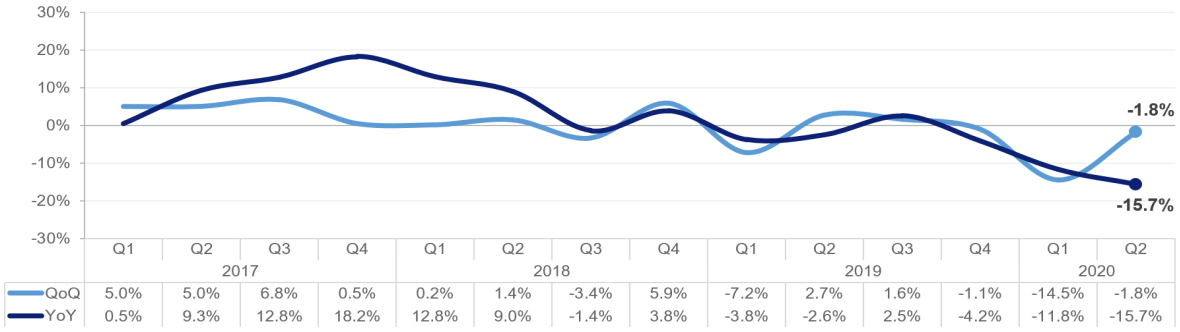
One common trend in all regions was that spending fell substantially in the second quarter. Generally, the decline was due to a combination of lower freight rates in most supply chains, falling fuel surcharges due to significantly lower diesel fuel prices and, except for the Southwest, lower freight volumes.

One common trend in all regions was that **spending fell substantially in the second quarter.**



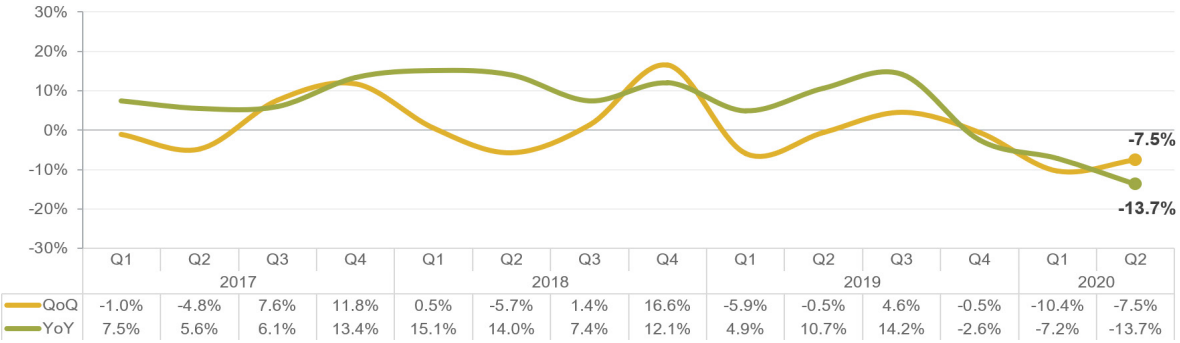
WEST REGION

Shipments



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
QoQ	5.0%	5.0%	6.8%	0.5%	0.2%	1.4%	-3.4%	5.9%	-7.2%	2.7%	1.6%	-1.1%	-14.5%	-1.8%
YoY	0.5%	9.3%	12.8%	18.2%	12.8%	9.0%	-1.4%	3.8%	-3.8%	-2.6%	2.5%	-4.2%	-11.8%	-15.7%

Spend



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
QoQ	-1.0%	-4.8%	7.6%	11.8%	0.5%	-5.7%	1.4%	16.6%	-5.9%	-0.5%	4.6%	-0.5%	-10.4%	-7.5%
YoY	7.5%	5.6%	6.1%	13.4%	15.1%	14.0%	7.4%	12.1%	4.9%	10.7%	14.2%	-2.6%	-7.2%	-13.7%

The West Shipment Index posted the second-best sequential second-quarter results, falling just 1.8% after a 14.5% decline in the first quarter. While the number of shipments was 15.7% below the second quarter of 2019, freight activity stabilized as shown by the relatively small quarter-to-quarter decrease. This can be attributed to California flattening the curve in May and June, which helped spur economic activity and therefore freight activity.

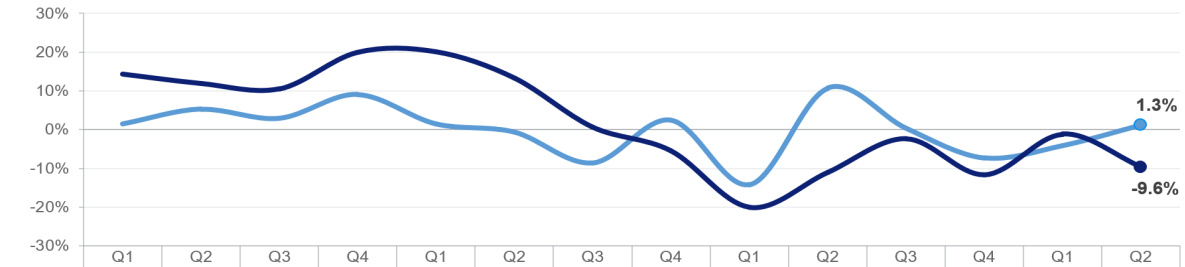
West coast port volumes faltered during the second quarter as supply chains were slow to resume normal activity. In general, foreign trade has fallen off due to COVID-19.

The West Spend Index contracted 7.5% in the second quarter and fell 13.7% year-over-year. The drop was due to slightly lower volumes coupled with lower fuel surcharges and pricing.

The West Shipment Index posted the second-best sequential second-quarter results, **falling just 1.8% after a 14.5% decline in the first quarter.**

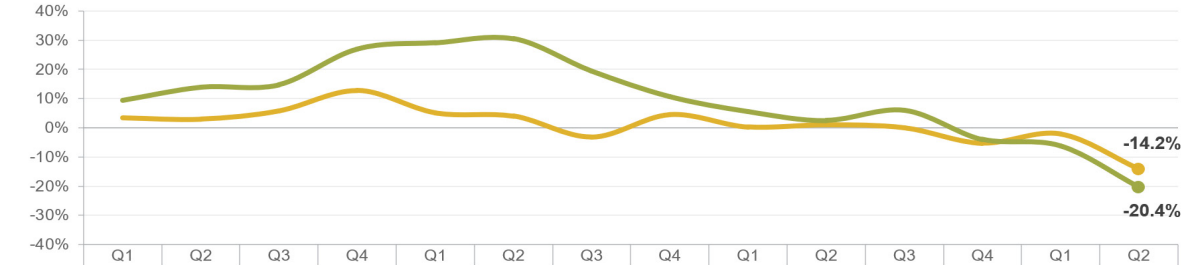
SOUTHWEST REGION

Shipments



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2017				2018				2019				2020	
QoQ	1.4%	5.3%	3.0%	9.1%	1.6%	-0.6%	-8.6%	2.5%	-14.2%	10.7%	0.4%	-7.3%	-4.1%	1.3%
YoY	14.3%	11.9%	10.5%	20.0%	20.2%	13.4%	0.7%	-5.4%	-20.1%	-11.0%	-2.3%	-11.6%	-1.2%	-9.6%

Spend



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2017				2018				2019				2020	
QoQ	3.5%	3.0%	5.7%	12.8%	5.2%	4.0%	-3.2%	4.4%	0.3%	1.1%	0.0%	-5.3%	-2.1%	-14.2%
YoY	9.3%	13.9%	14.7%	27.0%	29.1%	30.5%	19.5%	10.6%	5.5%	2.5%	5.9%	-4.0%	-6.2%	-20.4%

After contracting the previous two quarters, the Southwest Shipment Index rose 1.3% during the second quarter. This was the only region to post a sequential gain in shipments in Q2. The index was still off 9.6% from a year earlier, but that was also one of the better performances among the regions.

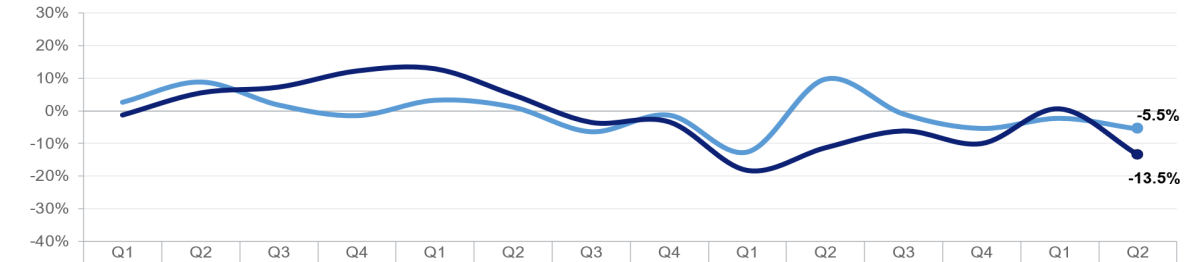
Volumes in this region were helped in two ways during the second quarter. The first was that there was more economic activity due to the region's approach to COVID-19. The second is that the border states saw more freight moving across the southern border as other parts of the country began to open more factories and Mexico re-started its industrial complex.

Despite the better volume numbers, the Southwest Spend Index contracted 14.2% from the first quarter and 20.4% from a year earlier, respectively, due to softer pricing and lower fuel surcharges.

This was the only region to post sequential gain in shipments in Q2.

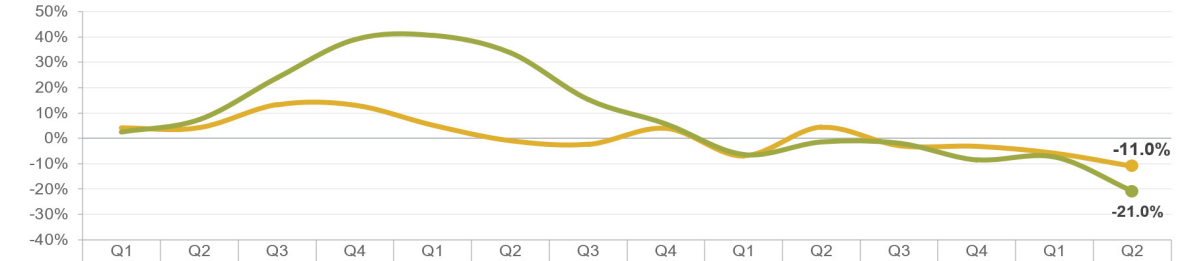
MIDWEST REGION

Shipments



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2017				2018				2019				2020	
QoQ	2.7%	8.9%	1.8%	-1.4%	3.3%	1.2%	-6.4%	-1.3%	-12.6%	9.8%	-0.9%	-5.4%	-2.3%	-5.5%
YoY	-1.3%	5.5%	7.3%	12.2%	12.9%	4.9%	-3.6%	-3.4%	-18.3%	-11.4%	-6.2%	-10.1%	0.6%	-13.5%

Spend



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2017				2018				2019				2020	
QoQ	4.1%	4.1%	13.3%	13.2%	5.2%	-1.0%	-2.3%	4.0%	-6.9%	4.4%	-2.8%	-3.0%	-5.8%	-11.0%
YoY	2.6%	7.4%	23.9%	39.0%	40.6%	33.7%	15.2%	5.8%	-6.4%	-1.3%	-1.9%	-8.5%	-7.3%	-21.0%

The Midwest Shipment Index contracted 5.5% sequentially during the second quarter and 13.5% from a year earlier. Carriers and shippers in the Midwest continue to be affected by soft manufacturing activity and the trade war with China. As a result, the shipment index continued to decline.

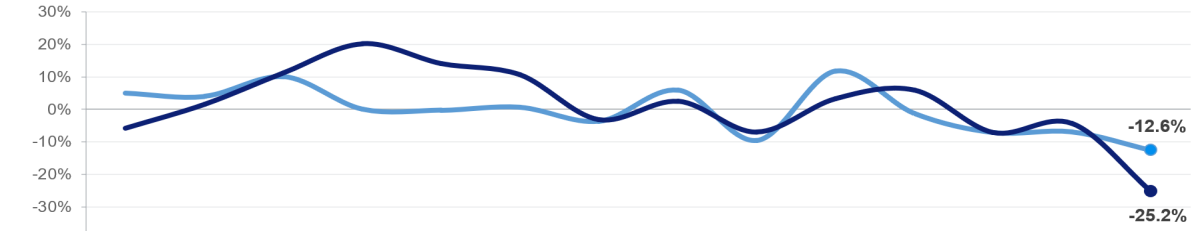
The spend index also fell significantly, contracting 11% from the previous quarter and falling 21% from a year earlier. This puts the index at the lowest level since the second quarter in 2017.

In this region, factories are ramping up production which should help the third quarter numbers. Conversely, China is not buying as many factory goods or agricultural products as they committed to buy in the Phase 1 U.S./China trade deal, which is hurting freight. If that changes, it could help this region greatly.

Carriers and shippers in the Midwest continue to be affected by soft manufacturing activity and the trade war with China.

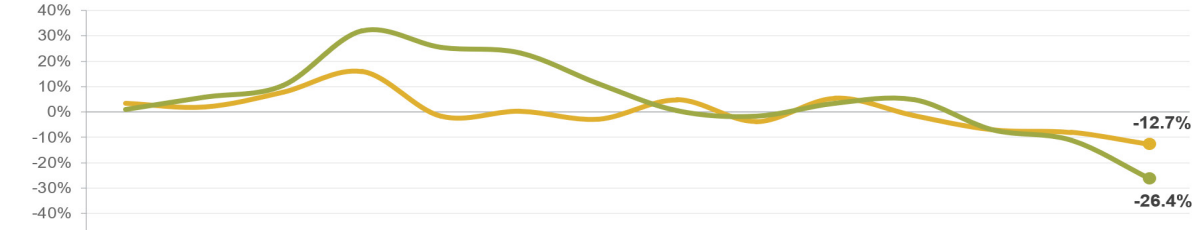
NORTHEAST REGION

Shipments



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2017				2018				2019				2020	
QoQ	5.0%	4.0%	10.0%	0.0%	-0.3%	0.7%	-3.6%	5.9%	-9.5%	11.8%	-1.1%	-7.1%	-6.9%	-12.6%
YoY	-5.7%	1.6%	11.3%	20.2%	14.2%	10.6%	-3.1%	2.5%	-7.0%	3.3%	5.9%	-7.0%	-4.3%	-25.2%

Spend



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2017				2018				2019				2020	
QoQ	3.5%	2.0%	7.8%	16.0%	-1.6%	0.2%	-2.8%	4.8%	-3.7%	5.5%	-1.5%	-7.0%	-8.0%	-12.7%
YoY	0.9%	5.9%	10.5%	32.0%	25.5%	23.4%	11.2%	0.4%	-1.7%	3.4%	4.9%	-6.9%	-11.0%	-26.4%

The Northeast was the epicenter of COVID-19 in Q2. States are working together for a more regional approach to safely restoring the economy. As a result, freight was softer in the region during Q2, with the shipment index contracting 12.6% from the first quarter. The index dropped more than 25% from a year earlier.

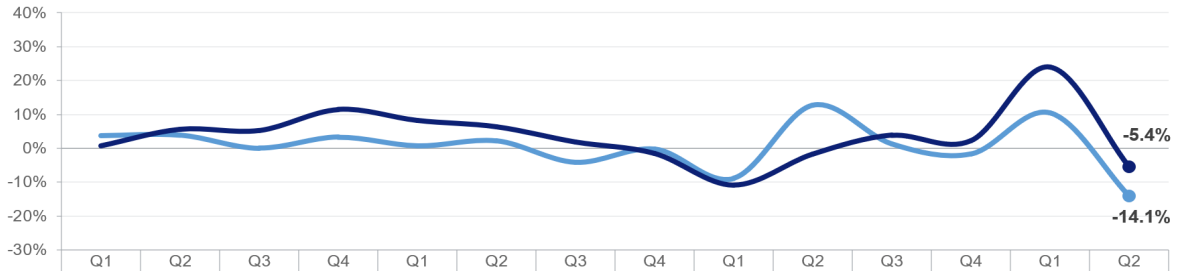
The Northeast Spend Index contracted by about the same magnitude, down 12.7% from the previous quarter and 26.4% from a year earlier. Unlike many of the other regions, the drop was due more to decreasing volumes than pricing issues.

As this region gains confidence in its ability to manage the virus, expect freight to improve. There is pent-up consumer demand for retail goods, which will help carriers and shippers.

Freight was softer in the region during Q2, with the shipment index contracting 12.6% from the first quarter.

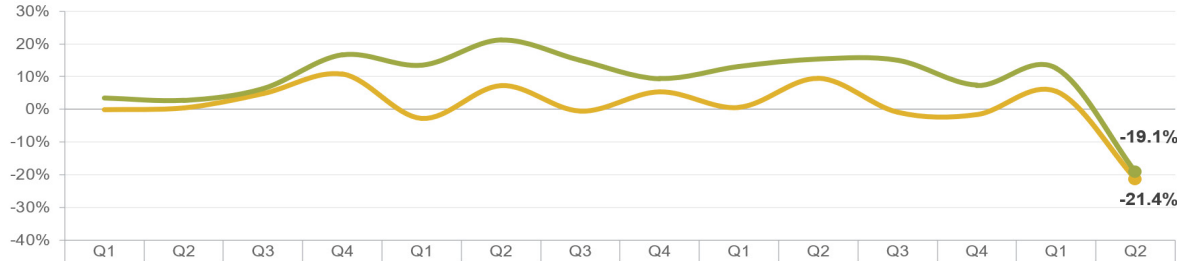
SOUTHEAST REGION

Shipments



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
QoQ	3.8%	3.9%	0.1%	3.3%	0.7%	2.2%	-4.1%	-0.2%	-8.9%	12.7%	1.3%	-1.6%	10.5%	-14.1%
YoY	0.8%	5.7%	5.3%	11.5%	8.2%	6.4%	2.0%	-1.4%	-10.9%	-1.7%	3.9%	2.3%	24.0%	-5.4%

Spend



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
QoQ	0.0%	0.5%	4.7%	10.8%	-2.7%	7.3%	-0.6%	5.4%	0.6%	9.5%	-0.9%	-1.6%	5.5%	-21.4%
YoY	3.5%	2.7%	6.3%	16.6%	13.5%	21.2%	15.0%	9.4%	13.1%	15.4%	15.0%	7.3%	12.6%	-19.1%

The Southeast Shipment and Spend Indexes fell significantly during the second quarter. The first quarter performed well because Southeast states were some of the last to act against the virus, and therefore experienced binge-buying of consumer staples late in the first quarter. This led to a 10.5% surge in shipments. However, in Q2 that same metric contracted by 14.1%. Compared with a year earlier, shipments were down 5.4%.

The Southeast Spend Index contracted 21.4% sequentially during the second quarter and dropped 19.1% from a year earlier.

Unfortunately, the Southeast region is now struggling with the number of positive COVID-19 cases. As some states in the area look to put new or additional restrictions in place, these could limit growth. However, it is likely that the indexes will recover in the second half of the year as spending improves, home construction grows and factories continue to boost output.

The Southeast Spend Index contracted 21.4% sequentially during the second quarter and dropped 19.1% from a year earlier.

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 $28.8 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

$28.8 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 more than 70,000 employees and $547 billion in assets as of June 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.

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