



U.S. Bank Freight Payment Index™

Q3 2022



Q3 2022 national freight market overview



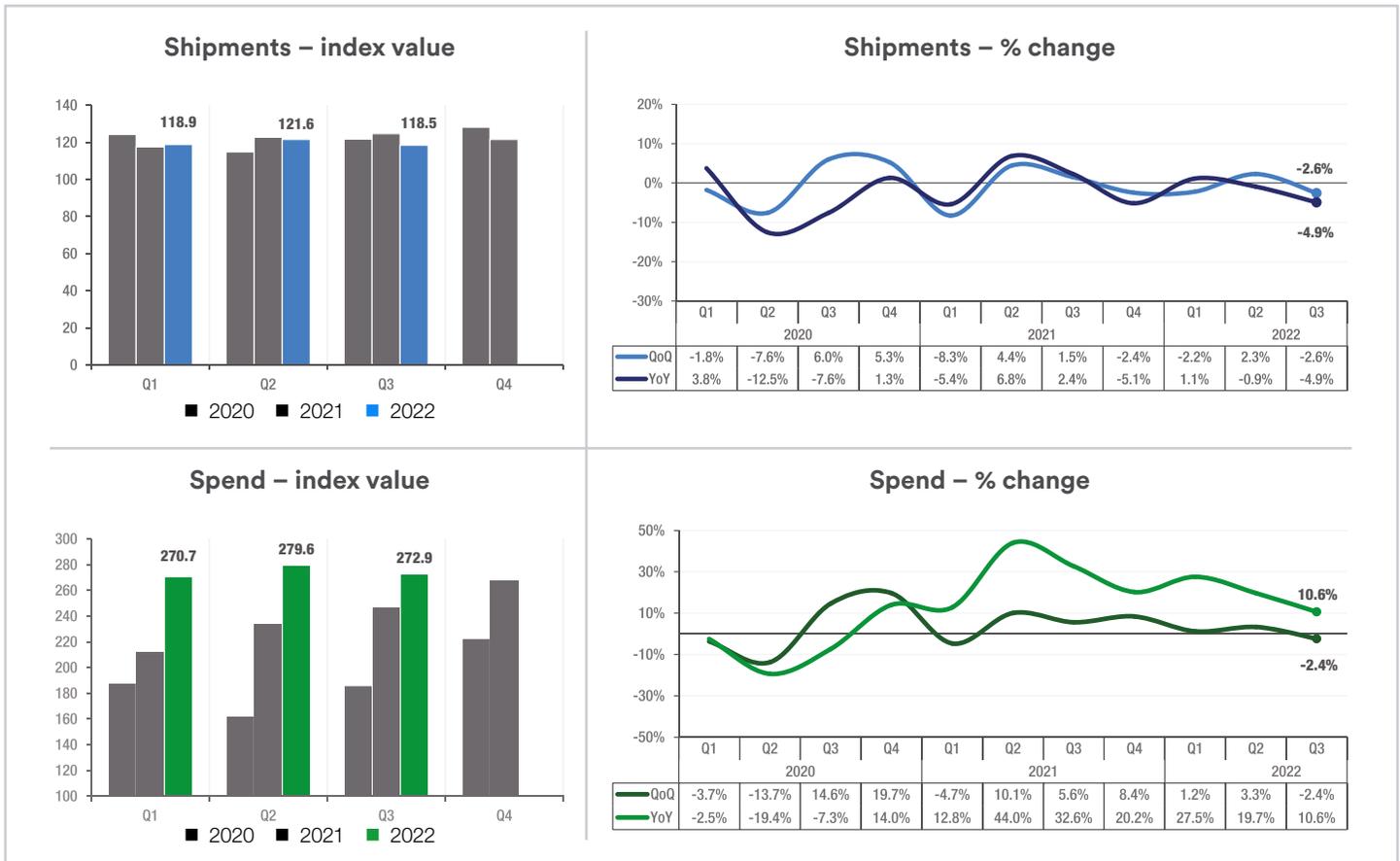
The national truck freight market, including both truckload and less-than-truckload freight activity, softened during the third quarter of 2022. One of the main reasons is that households continue shifting spend more to services versus goods. As that happens, it reduces truck freight volumes. Furthermore, inflation shifts outlays on goods, as consumers spend more for staple items, like food, leaving less money for other products. Home construction was also off during the third quarter, which impacted truck volumes. While up from a year earlier, the volume of imported and exported goods was lower in the third quarter than during the second quarter.

Overall, the U.S. Bank National Shipments Index was lower from both the previous quarter, and a year earlier. However, the quarter-over-quarter changes varied by region, with the Southwest region seeing strong growth from the second quarter. While shipment volumes fell 2.6% in Q3, spend was down slightly less (2.4%), versus the second quarter of 2022.

There were a number of contributing factors behind the decrease in spending during the third quarter. In addition to reduced freight volumes, contract rates also likely flattened from the second quarter. Another contributing factor was the decrease in diesel prices from the second quarter. While still high, the price of diesel nationwide declined 4.6% from the second quarter, resulting in lower fuel surcharges, which, in turn, depressed total truck freight spending. According to the Energy Information Administration the average price for diesel fuel decreased from \$5.115 per gallon in July to around \$4.889 in September.¹

Combined, the third quarter readings indicate that a variety of factors led to the overall slowing of the trucking freight market. Unlike the spot market, contract freight, which makes up the majority of the U.S. Bank indexes, did not experience large drops.

Quarter-over-quarter changes varied by region, with the Southwest region seeing strong growth from the second quarter.



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

The U.S. Bank National Shipments Index contracted 2.6% in the third quarter after increasing 2.3% in Q2. As a result, the shipment volume in the third quarter was at roughly the same level as the first quarter of this year.

Freight shipments have essentially leveled off this year but remain below 2021 levels. The U.S. Bank National Shipments Index contracted 4.9% from the third quarter of 2021, which is the largest year-over-year decrease in 2022.

The U.S. Bank National Spend Index was down 2.4% during the third quarter of 2022, the first quarterly decrease since Q1 2021. As freight shipments slowed, upward pressure on contract rates eased during the third quarter but spend still increased a solid 10.6% from a year earlier.

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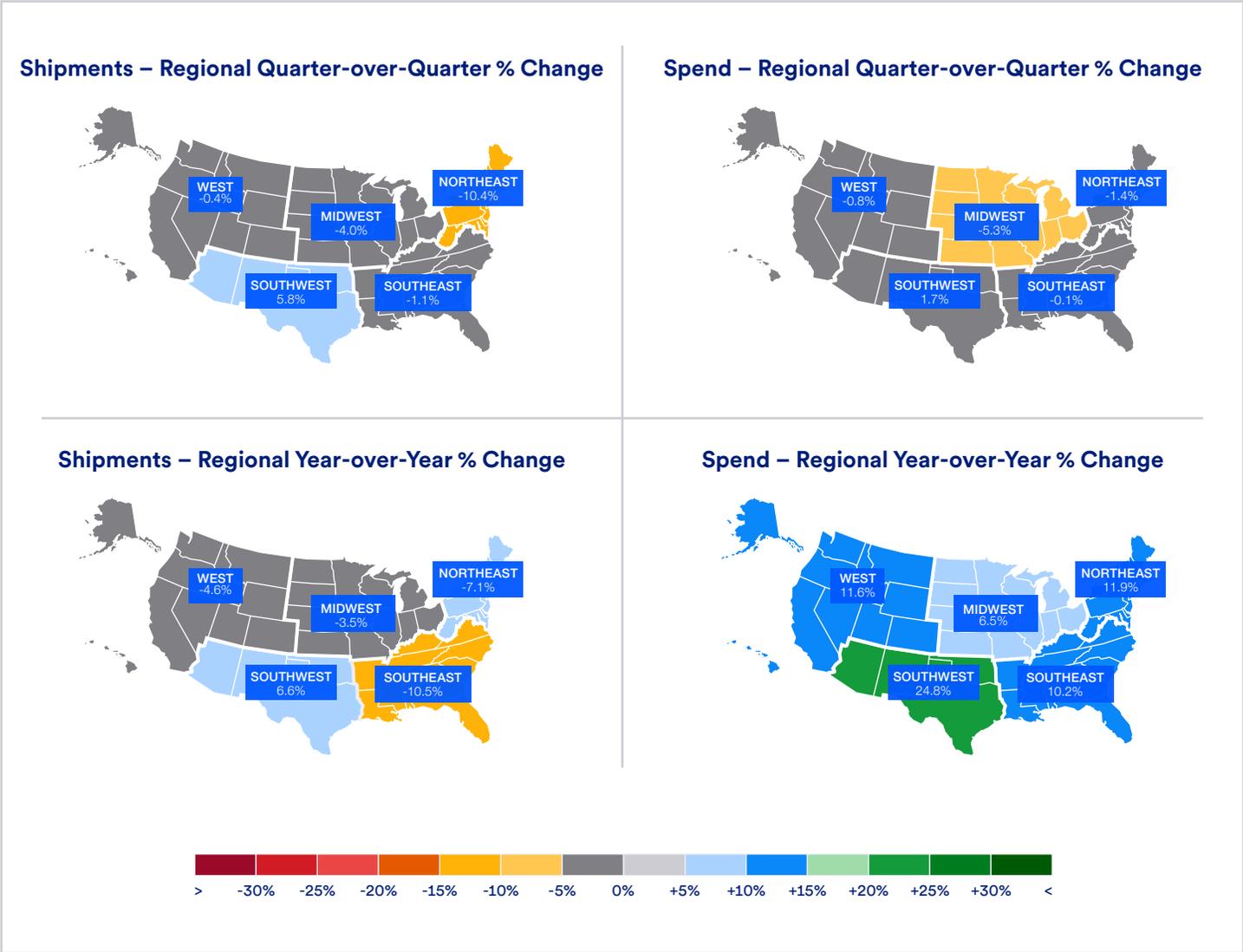
Regional shipments and spending — quarter over quarter, year over year

Generally, the Midwest and Northeast regions lagged behind the national averages for both shipments and spend during the third quarter, while the other three regions did better. In fact, the Southwest region saw a particularly strong third quarter compared to other regions.

In terms of shipments, the Northeast region recorded a 10.4% quarterly drop in volumes, while the Southwest saw a 5.8% gain. This spread shows how the regional indexes can help with gauging the overall freight market. An economy the size of the U.S. does not move in tandem across all regions. Compared with a year earlier, the spread was also significant, increasing 6.6% in the Southwest and dropping 10.5% in the Southeast.

There was one outlier in spend during the third quarter, with the Midwest region seeing a 5.3% decline from the second quarter. This large drop pulled the national average down with all other regions performing better than the overall spending index, although other regions saw small decreases from the previous quarter. Only the Southwest region (1.7%) recorded a gain from the second quarter. In addition to falling diesel prices, which meant lower fuel surcharge revenue to shippers, lower shipment volumes and stagnant rates also contributed to the declines in spend in the third quarter.

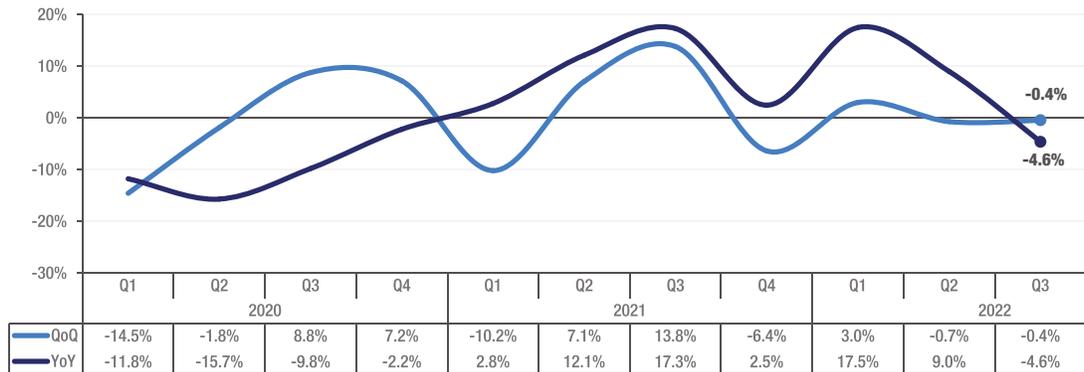
Four of the five regions saw declines in quarterly and year-over-year shipment and spend volumes in Q3. The Southwest region outperformed its peers with increases across the board.



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

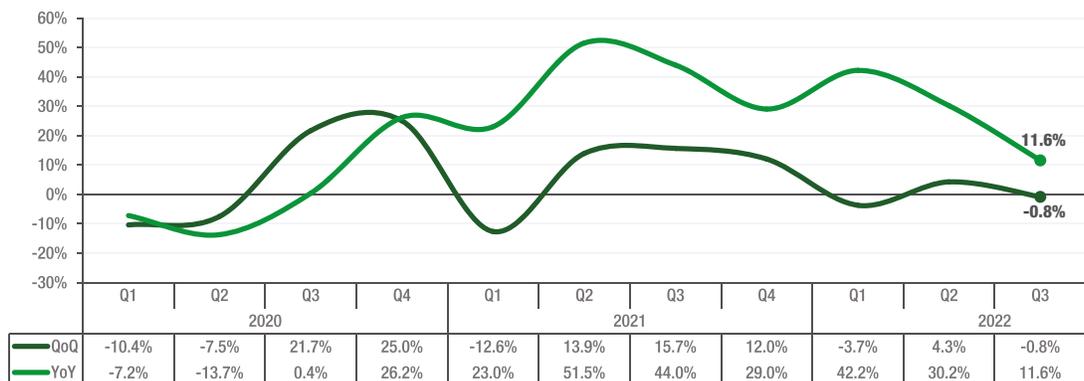
Shipments

Last 4 quarter's shipment index values (starting w/ current quarter): **146.6, 147.2, 148.2, 143.9**



Spend

Last 4 quarter's spend index values (starting w/ current quarter): **331.2, 334.0, 320.3, 332.6**



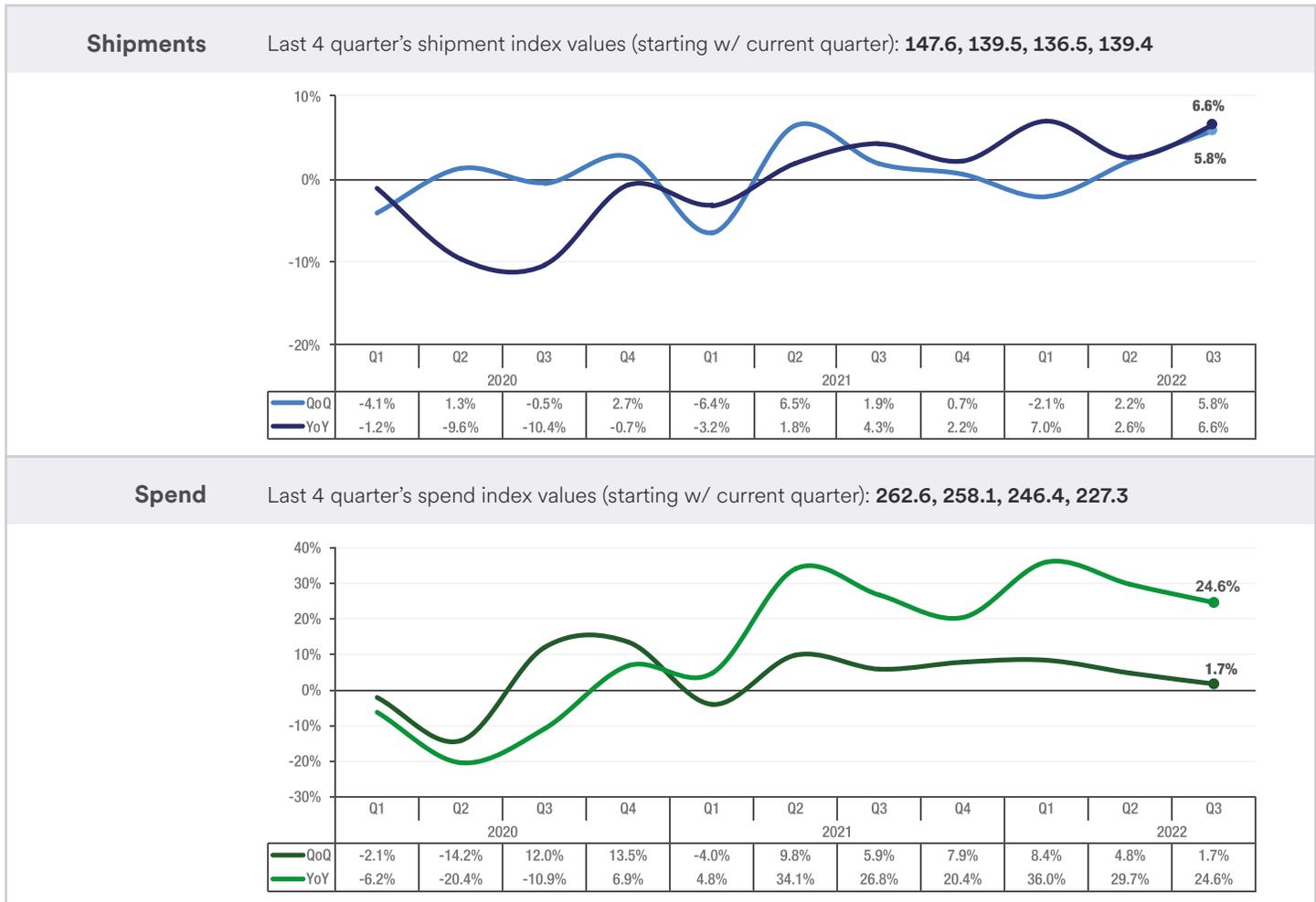
The West Regional Shipments Index contracted 0.4% in the third quarter, slightly less than its 0.7% drop in Q2. After hitting a high during the third quarter of 2021, West Coast shipments have moderated, but remain at historically high levels. Despite falling 4.6% from a year earlier on a very difficult year-over-year comparison, this region had the second best third quarter among the five regions.

West region shipments were flatter in the third quarter. One factor that was limiting West Coast truck volumes was softer port activity. According to data from the seaports, West Coast import and export volumes were down in July and August due to the elevated dwell times in the ports as well as downstream effects and slowdowns surrounding the pre-strike port negotiations.² Also during the third quarter, new housing starts in the West region fell slightly from Q2 2022 according to preliminary data from the Census Bureau, which impacted freight from the second quarter of the year.⁵

Spending in the region fell a modest 0.8% from the second quarter. Despite the quarterly reduction, the spending index was up 11.6% from a year earlier.

After four straight quarters of posting the largest increase in year-over-year spending, the West region's 11.6% jump in Q3 was third highest among all regions.

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



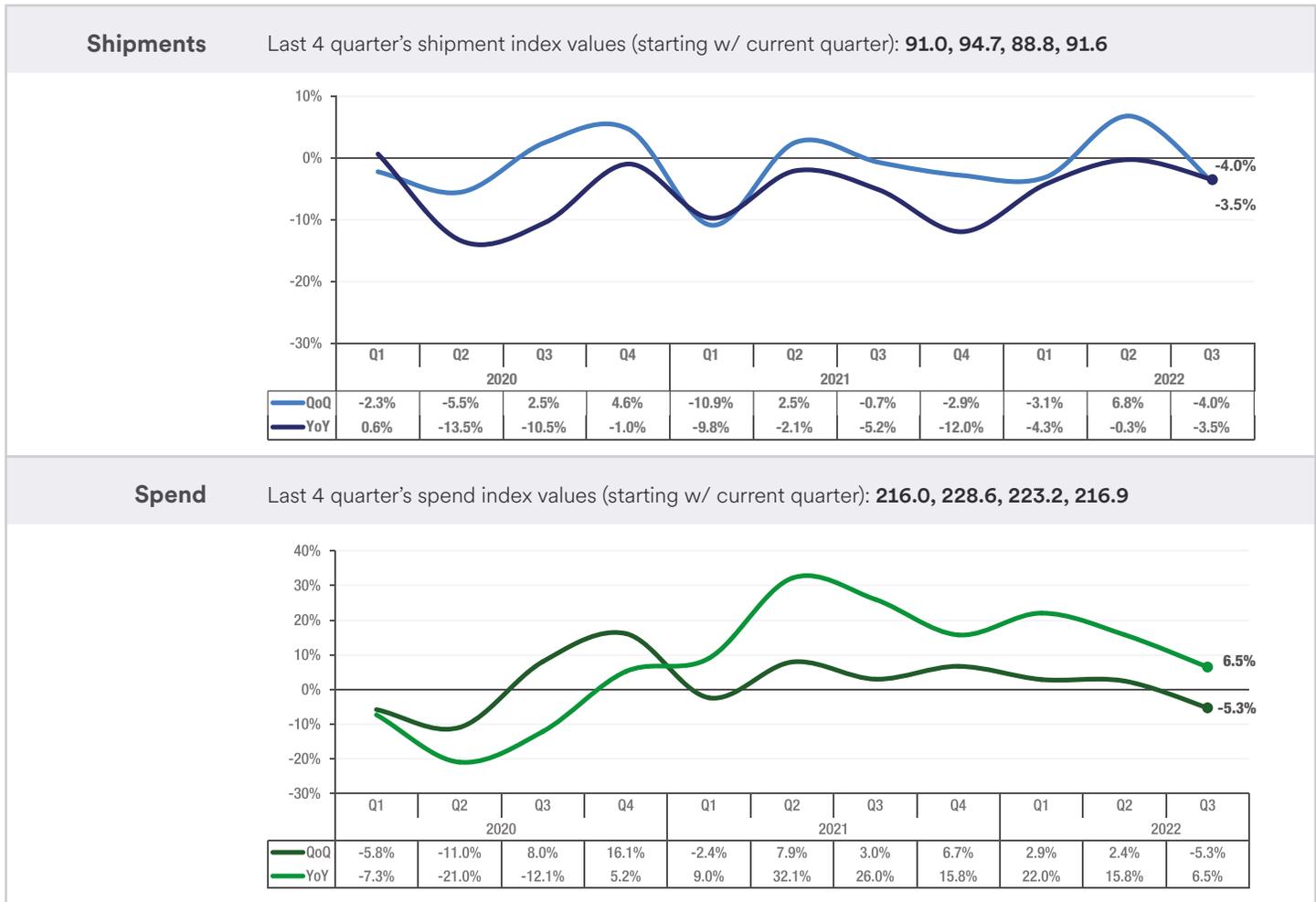
The Southwest region had the best third quarter among all the regions with both shipments and spending rising from the second quarter and versus a year earlier. To start, the Southwest Regional Shipments Index was up 5.8% from Q2. Compared with a year earlier, shipments grew by 6.6%, and it was the only region to post year-over-year growth in volumes.

There are a couple of sources of strong freight in this region, including solid production of crude oil and related refined product production. U.S. crude oil production remains at high levels and is growing mid-single digits in percentage terms over last year's levels according to data from the Energy Information Administration.⁴ Additionally, continued strong truck freight volumes with Mexico are helping shipments in this region too. According to preliminary data from the U.S. Department of Transportation, the volume of truck transported trade was up significantly for both imports and exports between the U.S. and Mexico.⁵

The Southwest Regional Spend Index saw a 1.7% gain during the third quarter. Compared with a year earlier, the spend jumped 24.6%, by far the largest among the five regions with the Northeast a distant second at 11.9%.

The Southwest region posted increases in quarterly and yearly shipment and spend volumes and was the only region of the five to do so in Q3.

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



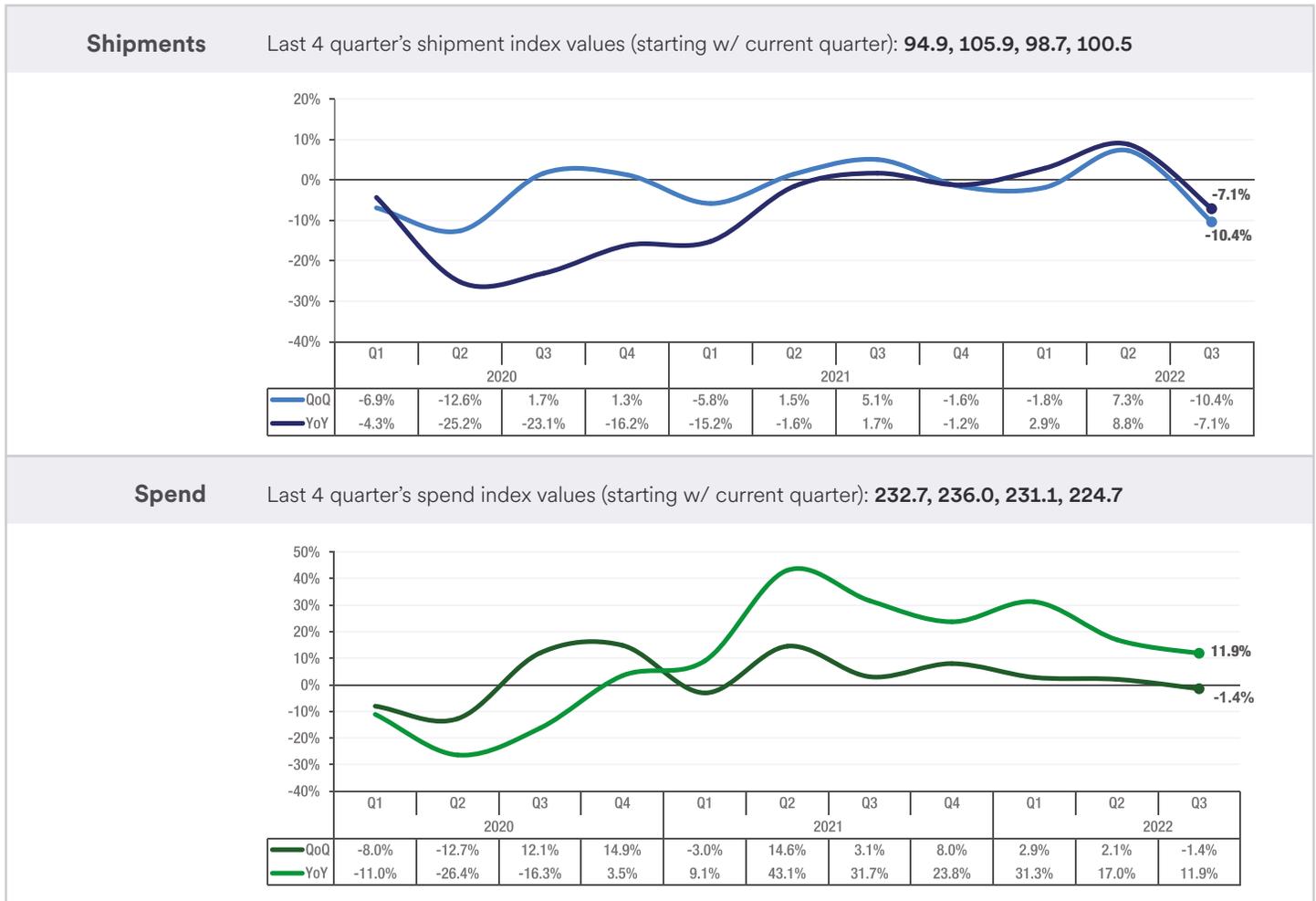
After a solid second quarter, the Midwest Regional Shipments Index decreased 4% during the third quarter. This region hasn't seen a year-over-year increase in volumes since the first quarter of 2020. Compared with the same period last year, Midwest shipments were down 3.5%.

Contributing to this decline is the weaker housing market. According to data from the Census Bureau, new home construction in the Midwest was off more than 15% from the same period last year.⁶ Manufacturing activity is growing at a slower pace, which impacts factory related shippers and fleets in the region.

The Midwest Regional Spend Index contracted 5.3% sequentially in the third quarter, the first decrease since the Q1 2021. From a year earlier, this metric was up 6.5%.

The Midwest region posted the largest quarterly decrease and the smallest year-over-year increase in spending in the third quarter

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



The Northeast Regional Shipments Index fell 10.4% in the third quarter of 2022. The drop erased the 7.3% increase in Q2, when the index saw its post-pandemic high. On a year-over-year basis, shipment volumes in the Northeast were down 7.1% versus the same quarter in 2021.

With such a large population, any slowdown in retail sales is going to weigh heavily in the Northeast region. As inflation remained high in the third quarter, it not only changed consumer buying patterns, but it also eroded household purchasing power as well.

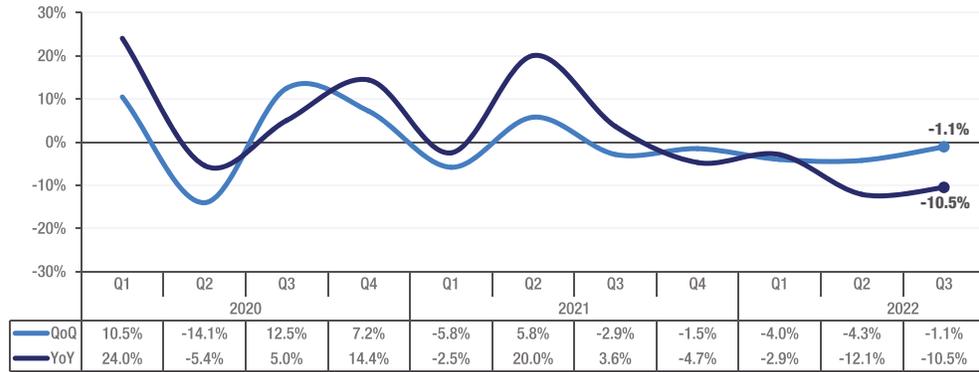
The Northeast Regional Spend Index fell just 1.4% compared with the previous quarter. This decrease was much smaller than the drop in shipments, suggesting that capacity remains somewhat constrained in the Northeast. Compared with the third quarter of 2021, spend was up 11.9%. This was the eighth consecutive quarter with an increase in spending versus the same quarter the year before, although the smallest gain since Q1 2021.

The Northeast's 11.9% increase in yearly spending in Q3 was the region's eighth consecutive quarter with an increase in spending versus the same quarter the year before.

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

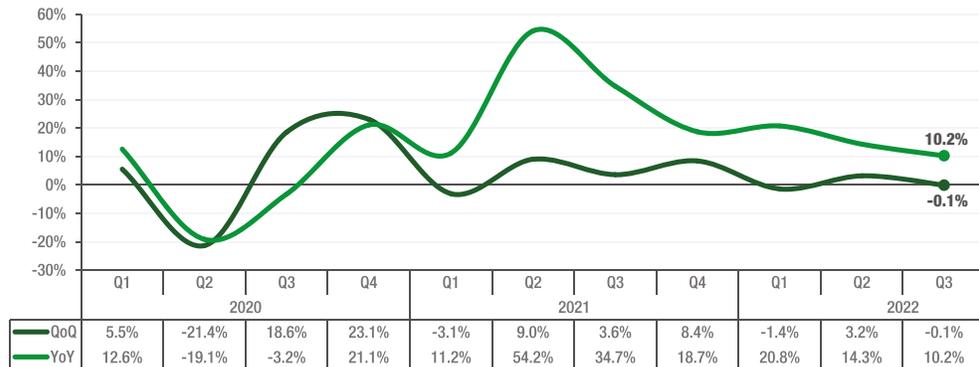
Shipments

Last 4 quarter's shipment index values (starting w/ current quarter): **136.6, 138.1, 144.3, 150.3**



Spend

Last 4 quarter's spend index values (starting w/ current quarter): **330.1, 330.6, 320.3, 324.9**



The Southeast Regional Shipments Index contracted for the fifth straight quarter, showing a 1.1% decline during the third quarter. Compared with a year earlier, shipments were down 10.5%. Higher mortgage rates are slowing the housing market, including housing starts, resulting in a corresponding impact to regional truck volumes. According to preliminary third quarter data from the U.S. Census Bureau, housing starts across the Southeast were off more than 10% from a year earlier.⁷

The Southeast region's 10.5% drop in year-over-year shipment volumes was the largest decrease among all five regions.

The Southeast Regional Spend Index contracted a modest 0.1% during the third quarter, which was much better than the 2.4% drop in the national spend index. This metric was up 10.2% from a year earlier, which was just below the 10.6% gain in the national spend index.

While spending in this region remains high, it is slowing. For example, the year-over-year gain was the smallest in two years.

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.

About U.S. Bank (usbank.com)

U.S. Bancorp, with nearly 70,000 employees and \$601 billion in assets as of September 30, 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 2022 World's Most Ethical Companies and Fortune's most admired superregional bank.

Learn more at usbank.com/about.

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¹U.S. Energy Information Administration/Gasoline and Diesel Fuel Update

²U.S. PORTS UPDATE/Cushman Wakefield

³The U.S. Census Bureau/New Residential Construction

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

⁵U.S. Department of Transportation/Bureau of Transportation Statistics

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

⁷The U.S. Census Bureau/New Residential Construction