



Q4 2023 national freight market overview

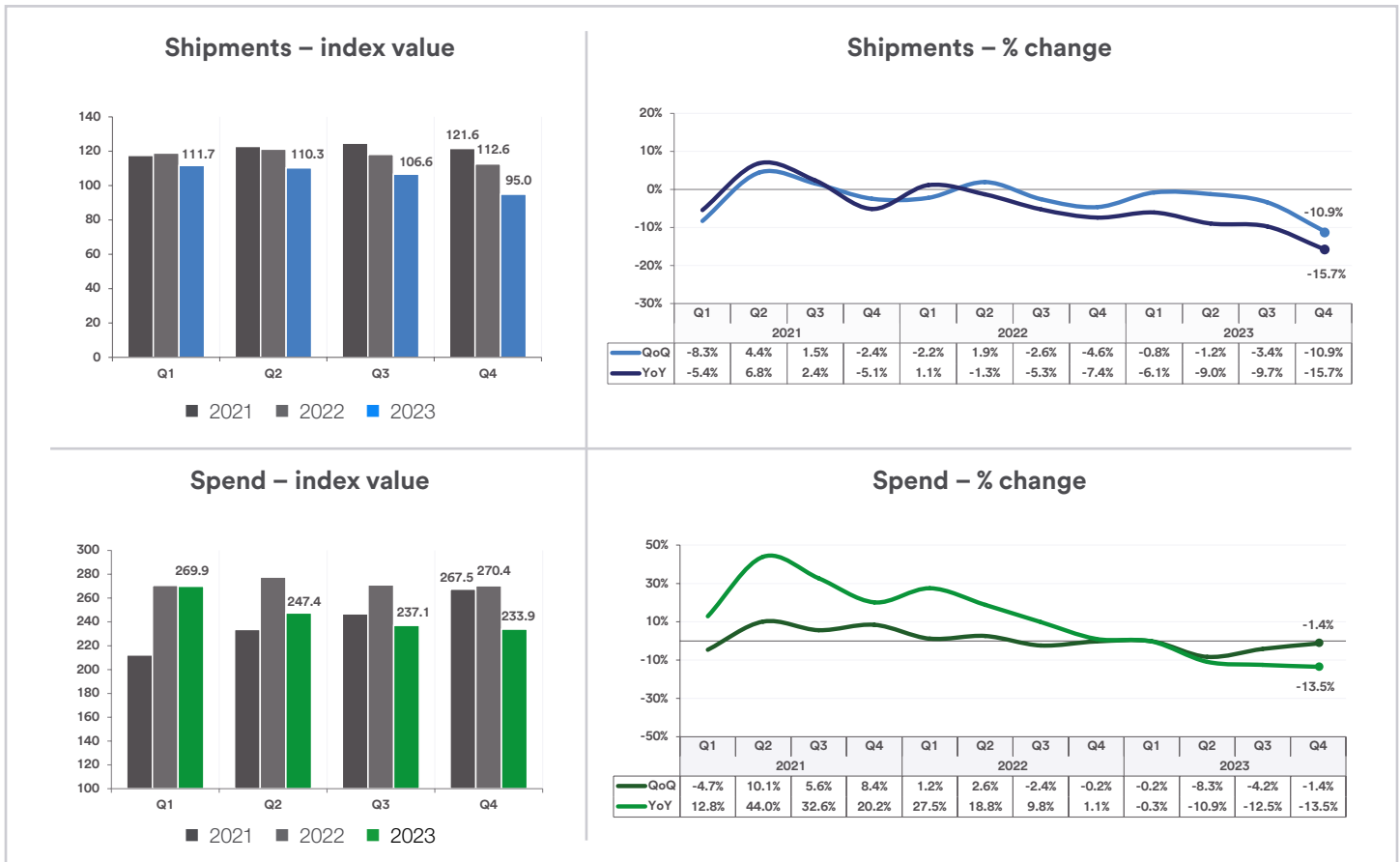


The national truck freight market declined further during the fourth quarter of 2023 as both shipments and spending contracted from both the third quarter and a year earlier. Despite the smaller sequential drop in spending, both metrics generally had larger drops from the previous quarter and a year earlier, compared with the declines during the third quarter. While macro-economic growth decelerated from its pace in the third quarter, it continued to outperform the freight economy.¹

One of the reasons why freight volumes were so soft during the final quarter was that retailer inventory reduction was significant during the final three months of 2023. As businesses worked to reduce inventories, they required fewer truck shipments. Furthermore, shelf destocking reduces total economic activity; the reduction in inventory, once completed, will no longer be a headwind on the freight supply chain. Bringing inventories into balance will be better for motor carriers in the months and quarters ahead as retailers and other businesses will require additional products to be delivered by trucks and can't simply pull from existing inventory.

As shipments volumes contract, it results in too many trucks chasing too little freight. While this situation may drive lower shipping rates, it can also have a significant negative impact on motor carrier supply. For example, while the number of truck freight shipments declined 10.9% from the third quarter, spend only fell 1.4%, suggesting that the market may be moving closer to balance between supply and demand. This will be something to watch for in the first half of 2024.

For the fourth consecutive quarter, the national shipments and spend indexes all declined quarterly, and year-over-year.



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

The U.S. Bank National Shipments Index dropped 10.9% from the third quarter in Q4. Highlighting just how tough the freight market was in 2023 for motor carriers, shipments were down six straight quarters through the fourth quarter of 2023. The combination of consumer spending changes, like buying more experiences instead of goods, combined with decelerating economic activity in general, and businesses prioritizing the reduction of inventory levels, all weighed heavily on the truck freight market in Q4. Compared with the same quarter in 2022, the U.S. Bank National Shipments Index was off by 15.7%, which was six percentage points worse than the third quarter year-over-year decrease.

In the fourth quarter of 2023, the U.S. Bank National Spend Index contracted 1.4% from the previous quarter and 13.5% from a year earlier. It was the smallest reduction in three quarters. Compared with a year earlier, the U.S. Bank National Spend Index was off 13.5%, which was the largest year-over-year decrease since the second quarter in 2020 during the initial stages of the pandemic.

The drops in spending weren't as large as the declines in volumes. This suggests that there were some reductions in freight capacity in the industry, keeping costs higher. Motor carriers, especially those exclusively in the spot market, have been under tremendous pressure between falling freight rates and rising costs.

The combination of consumer spending changes, a decelerating economy and a retailer priority of inventory reduction, all weighed heavily on the truck freight market in the fourth quarter of 2023.

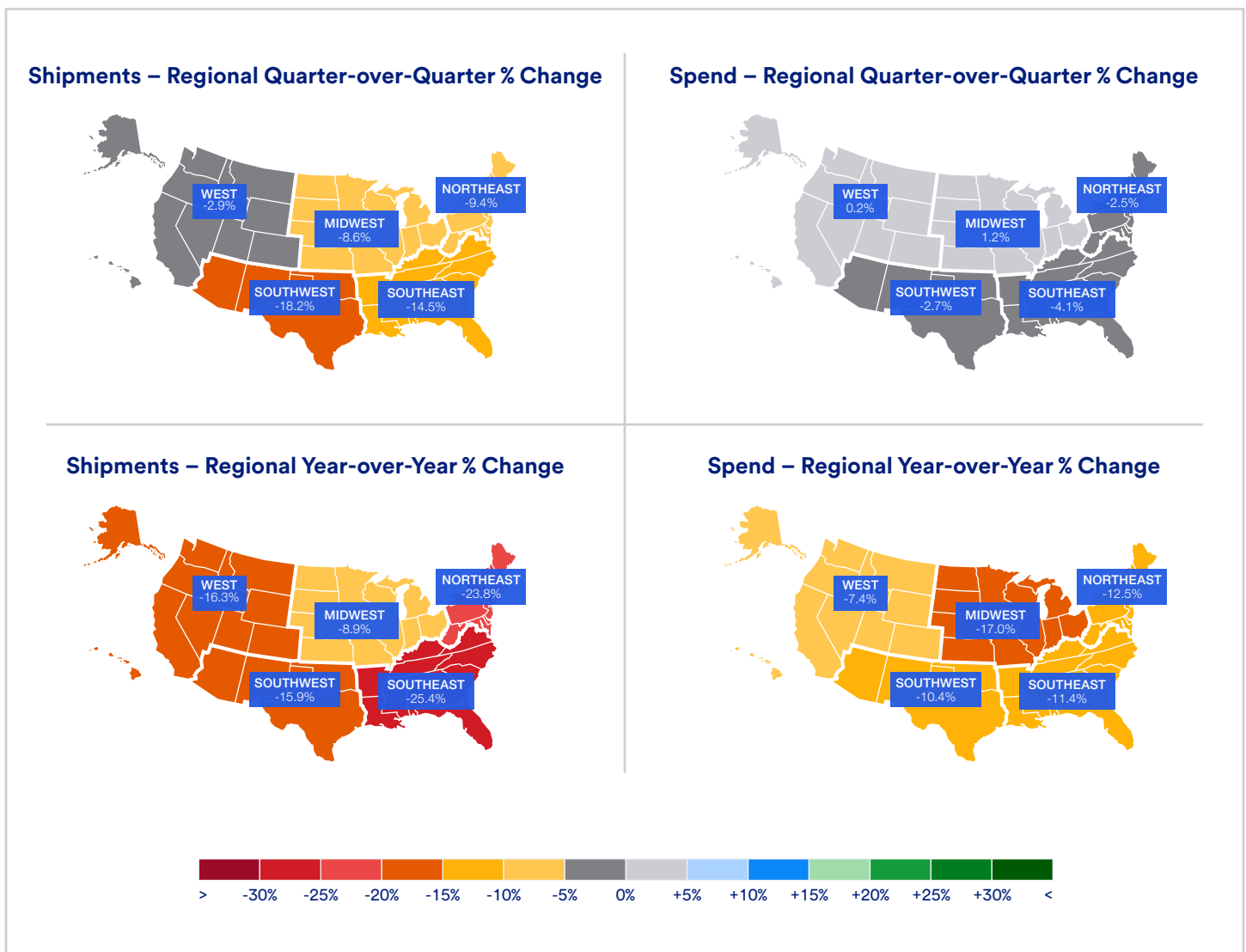
Regional shipments and spending — quarter-over-quarter, year-over-year

All regions posted sequential declines in shipments during the fourth quarter of 2023, and all except the West region saw significant declines. The largest drops were in the south generally, with the Southwest region reporting an 18.2% decline, while in the Southeast region shipments contracted by 14.5%. While not double-digit declines, the Midwest (-8.6%) and Northeast (-9.4%) recorded large decreases compared with the third quarter as well.

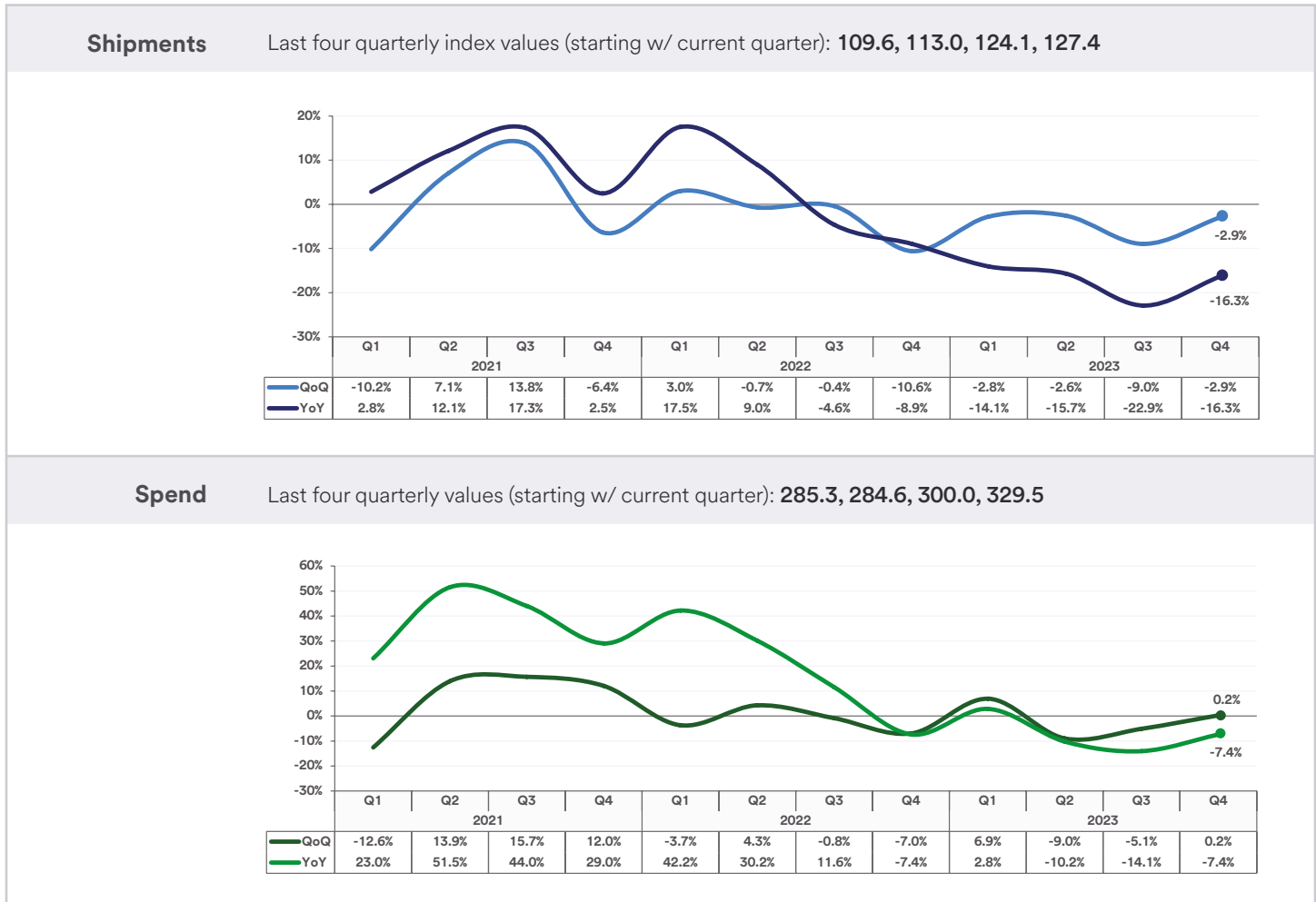
The West region saw shipments down just 2.9% from the previous quarter, although this region also reported the largest sequential decrease in volumes during the third quarter. Compared with a year earlier, all regions recorded significantly lower volumes ranging from -8.9% in the Midwest to -25.4% in the Southeast.

In all regions, spending by shippers for truck freight transportation services fell less than volumes, and in two regions spend rose from the third quarter to the fourth quarter. The fact that volumes were weaker than spending in all regions further supports that freight capacity changes are likely occurring with some leaving the industry. For example, shippers spent 0.2% more in the West to move 2.9% fewer shipments during the final quarter of 2023. In the Midwest, the spending index rose 1.2% for 8.6% fewer shipments. However, in all regions, shipper outlays for truck transportation fell significantly compared with a year earlier, ranging from -7.4% in the West to -17% in the Midwest.

In the three regions where spending fell in Q4, the declines were less than those seen in shipment volumes, which suggests that demand changes could be taking place, with some leaving the industry.



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



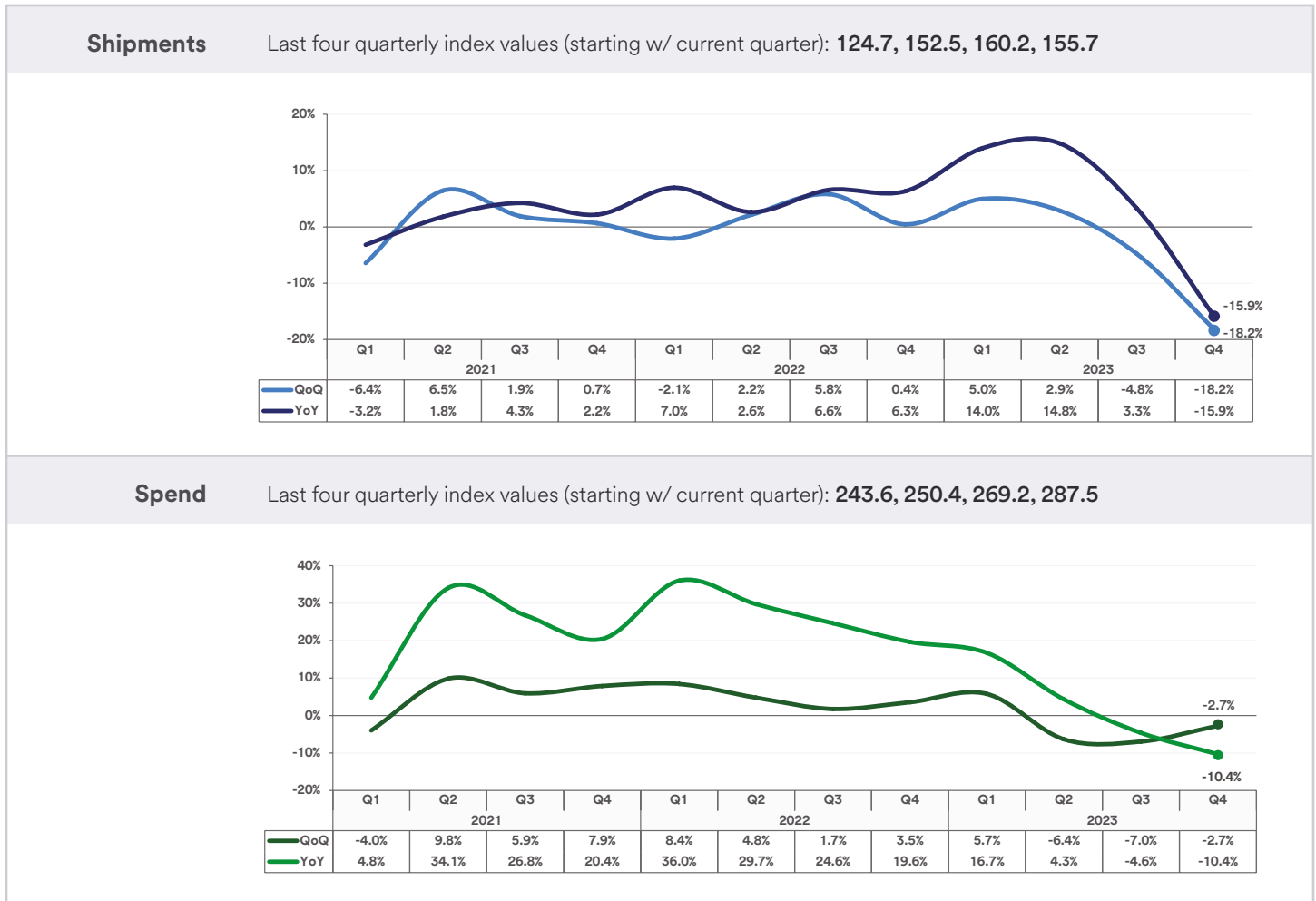
The West Coast has been plagued by a soft truck freight market for some time, which continued during the final quarter of 2023. Specifically, the U.S. Bank West Regional Shipments Index fell 2.9% from the third quarter to the lowest level since 2015. Compared with the same quarter in 2022, truck shipments in the West region were off 16.3%.

Many trends have negatively impacted freight on the West Coast over the last several quarters. Mexico has supplanted China as the United States' largest trading partner, which has squeezed import volumes coming into West Coast seaports.² However, the good news is during the final quarter of the year, import volumes at West Coast seaports improved overall, especially compared with a year earlier.³ For example, in October and November, West Coast port twenty-foot equivalent unit, or TEU, import volumes were up double digits from a year earlier.

So, what caused volume weakness in the West last quarter? One was soft retail sales, especially early in the quarter. According to the Federal Reserve's Beige Book, retail sales and demand for manufactured goods were flat in the region.⁴ The gain in seaport activity was offset by weakness in other parts of the West region. The U.S. Bank West Regional Spend Index was up 0.2% compared with the third quarter, although spend was off 7.4% from a year earlier.

Soft retail sales and lower demand for manufactured goods likely contributed to the 2.9% decrease in West region shipments in Q4, by far the lowest quarterly decline among the five regions.

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



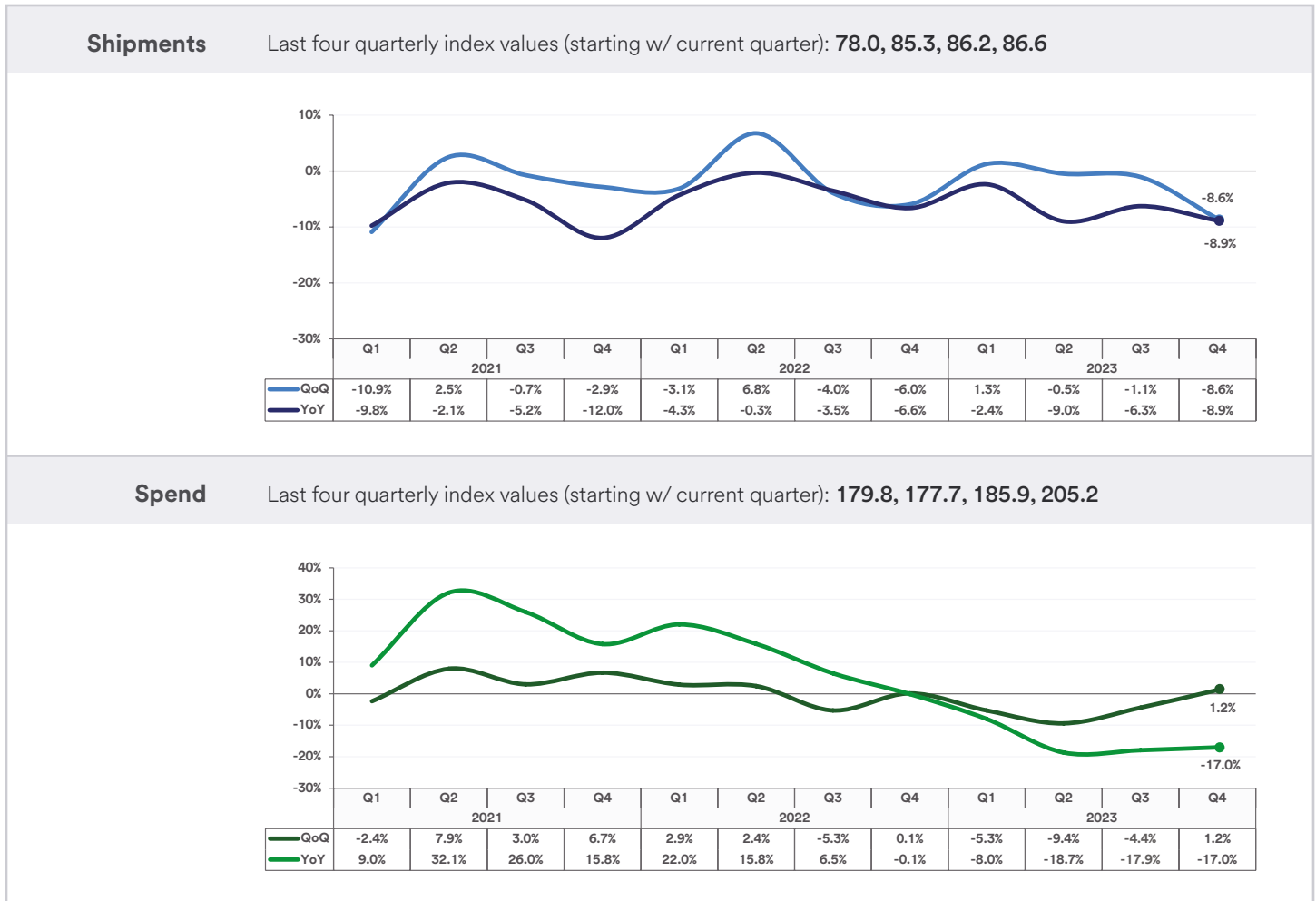
After strong performance for truck freight in 2022 and the first half of 2023, Southwest truck freight volumes declined during the second half of the year, including an 18.2% drop in the fourth quarter. This put shipments in the region to their lowest level since 2016.

Retail and home sales fell during the first half of the fourth quarter, weighing on truck freight volumes.⁵ Additionally, cross-border truck transportation continued to grow, but at a slower pace during the fourth quarter. Specifically, according to quarterly data by the Bureau of Transportation Statistics, inbound trucks from Mexico into the U.S. in this region rose 3.2% compared with the third quarter and only increased 2.2% from a year earlier.⁶

During the final quarter of 2023, the U.S. Bank Southwest Regional Spend Index was down 2.7% sequentially from the previous quarter. Compared with a year earlier, spending in the region was off 10.4%, the largest year-over-year drop since the third quarter of 2020.

Falling home prices and retail sales, combined with a slower pace in cross-border trade with Mexico, pushed the Southwest to double-digit declines in quarterly and year-over-year shipment volumes.

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



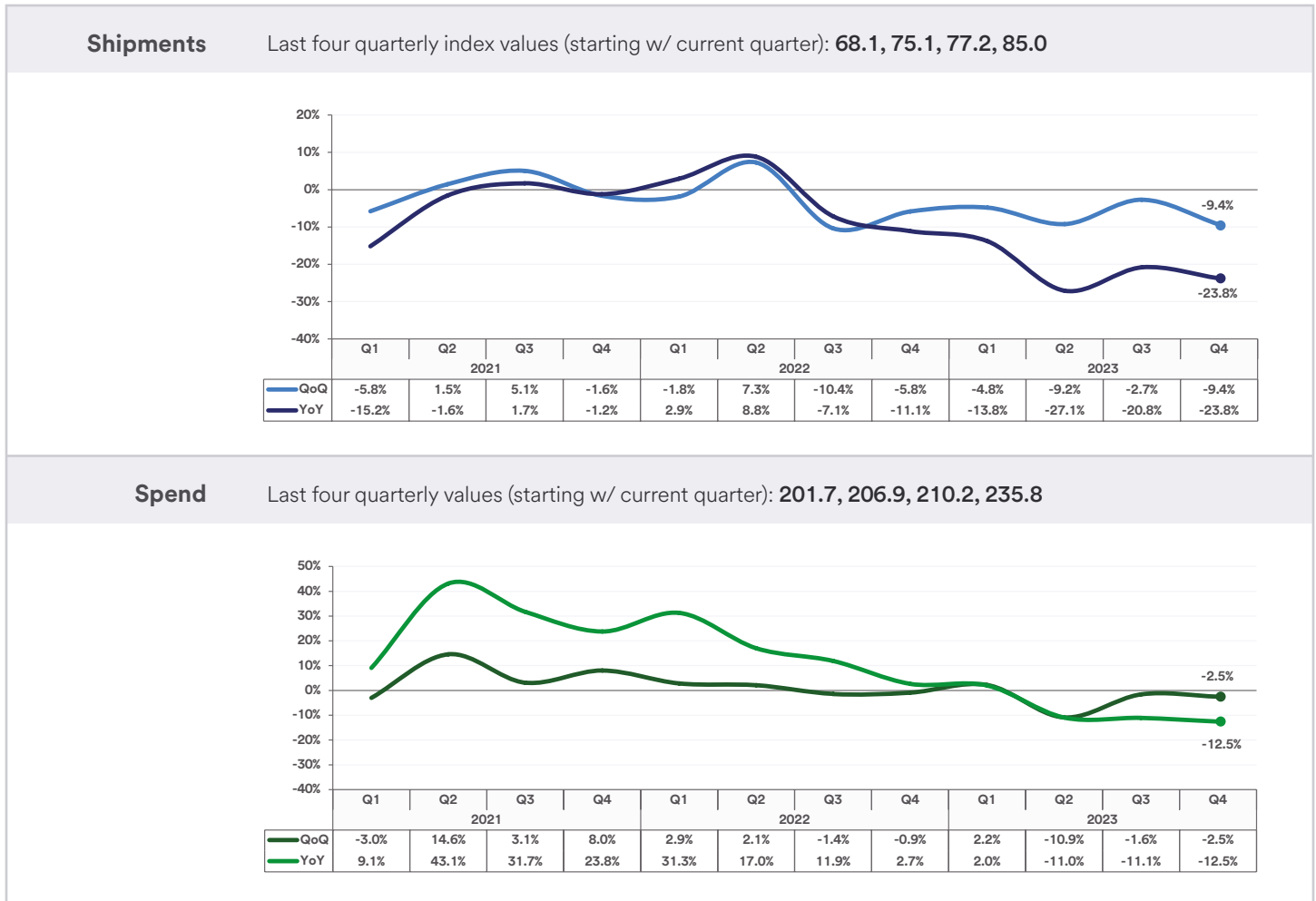
The U.S. Bank Midwest Regional Shipments Index tumbled 8.6% sequentially during the fourth quarter, which was the third straight decline, and the largest since the first quarter of 2021. Compared with a year earlier, shipments in the Midwest were off 8.9%. This region has seen lower freight volumes in recent history for many reasons, including soft manufacturing, changing consumer spending, and weaker housing activity.

The Federal Reserve’s Beige Book, covering the first half of the fourth quarter, noted that consumer spending and construction activity decreased slightly.⁷ And according to data from the Census Bureau, new housing starts in the Midwest, while rising from the third quarter, contracted between 6.5% and 7.5% from a year earlier.⁸ One positive trend in this region is cross-border truck activity with Canada. According to preliminary data from the Bureau of Transportation Statistics, truck crossings from Canada into this region were up roughly 3% from the third quarter and 2% from a year earlier.⁹

Despite falling volumes, the U.S. Bank Midwest Regional Spend Index rose 1.2% compared with the third quarter, which was the region’s only quarterly spending gain in 2023. However, compared with a year earlier, spending was still down 17%.

Despite falling shipment volumes in the Midwest, spending still rose 1.2% compared to Q3, representing the region’s only quarterly spending increase in 2023, and the largest since the second quarter of 2022.

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



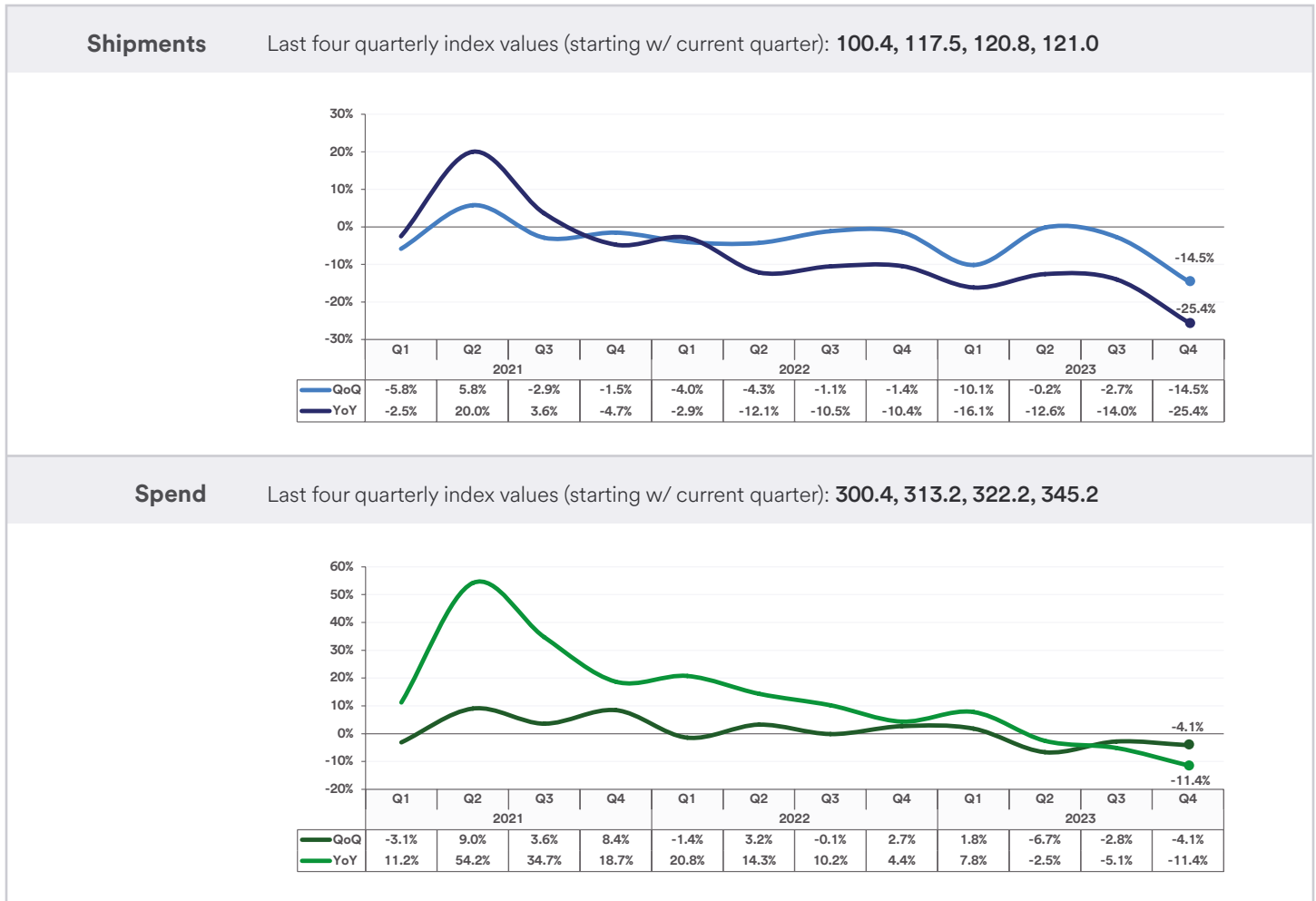
The Northeast region continued to see weak volumes during the final quarter of 2023, with the U.S. Bank Northeast Regional Shipments Index contracting 9.4% from the third quarter. Furthermore, the index contracted 23.8% from a year earlier, the fifth consecutive quarter with a double-digit decrease. In most regions truck freight volumes started falling during the third quarter in 2022.

Many of the freight headwinds that have affected the region over the past year remained during the final quarter. For example, in New York and northern New Jersey, consumer spending moderated in the first half of the fourth quarter.¹⁰ Likewise, Philadelphia and southern New Jersey, non-auto retail sales declined and manufacturing activity softened.¹¹ In New England, restaurant sales moderated and clothing retailers reported softer sales.¹²

The U.S. Bank Northeast Regional Spend Index contracted 2.5% from the third quarter and 12.5% from a year earlier. For all of 2023, spending in the Northeast, on average, was below that in 2022. Only the Midwest saw a larger average decrease last year.

The region's 23.8% decline in year-over-year shipments was the second highest of the five regions and, it was the fifth consecutive quarter where the Northeast posted double-digit drops in yearly shipment volumes.

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



The U.S. Bank Southeast Regional Shipments Index recorded another very difficult quarter for motor carriers during the final three months of 2023. Specifically, shipments contracted 14.5% from the third quarter and 25.4% from a year earlier. The combination of consumers spending more on experiences, and cooling, albeit still solid, labor markets put some downward pressure on retail spending in the region last quarter.

To that point, the Atlanta Regional Fed Bank noted that, “Retail sales softened,” in the Fed’s Beige Book covering the first half of the quarter.¹³ The Beige Book also noted slowing housing demand, which also weakens truck freight.

Meanwhile, the U.S. Bank Southeast Regional Spend Index contracted 4.1% from the third quarter and 11.4% from a year earlier. While fuel surcharges are included in the spending figures, the national average price of diesel fuel averaged 15.5% less in 2023 compared with 2022.¹⁴

The combination of consumers spending more on experiences, and a cooling labor market put downward pressure on retail spending in the Southeast region, which led to a double-digit quarterly decrease in shipments for only the second time since Q2 2020.

About the index

The U.S. Bank Freight Payment Index is a quarterly publication representing freight shipping and spend volumes 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 25 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 \$42 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 & senior vice president of International Trade & Security Policy 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 to 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.

25 years of experience

\$42 billion in global freight payments annually

About U.S. Bank

usbank.com

U.S. Bancorp, with more than 70,000 employees and \$663 billion in assets as of December 31, 2023, is the parent company of U.S. Bank National Association. Headquartered in Minneapolis, the company serves millions of customers locally, nationally and globally through a diversified mix of businesses including consumer banking, business banking, commercial banking, institutional banking, payments and wealth management. U.S. Bancorp has been recognized for its approach to digital innovation, community partnerships and customer service, including being named one of the 2023 World's Most Ethical Companies and Fortune's most admired superregional bank. To learn more, please visit the U.S. Bancorp website at usbank.com and click on "About Us."

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¹During the third quarter, real (i.e., inflation adjusted) gross domestic product (GDP) grew at a 4.9% annualized rate. As of this writing, real GDP slowed to 3.3% in Q4.

²Business Insider. <https://www.businessinsider.com/mexico-overtook-china-us-top-trade-partner-supply-chain-economy-2023-8>

³Bloomberg. <https://www.bloomberg.com/news/newsletters/2024-01-10/supply-chain-latest-us-west-coast-port-activity>

⁴San Francisco Fed Region. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20231129.pdf (pgs 29-30)

⁵Dallas Fed Region. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20231129.pdf (pgs 27-28)

⁶U.S. Department of Transportation Bureau of Transportation Statistics. <https://data.bts.gov/stories/s/jswi-2e7b>

⁷Chicago Fed Bank Region. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20231129.pdf (pgs 19-20)

⁸Based on U.S. Census Bureau housing starts data.

⁹U.S. Department of Transportation Bureau of Transportation Statistics. <https://data.bts.gov/stories/s/jswi-2e7b>

¹⁰New York Fed Region. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20231129.pdf (pgs 9-10)

¹¹Philadelphia Fed Region. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20231129.pdf (pgs 11-12)

¹²Boston Fed Region. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20231129.pdf (pgs 7-8)

¹³Atlanta Fed Region. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20231129.pdf (pgs 17-18)

¹⁴U.S. Energy Information Administration. <https://www.eia.gov/>