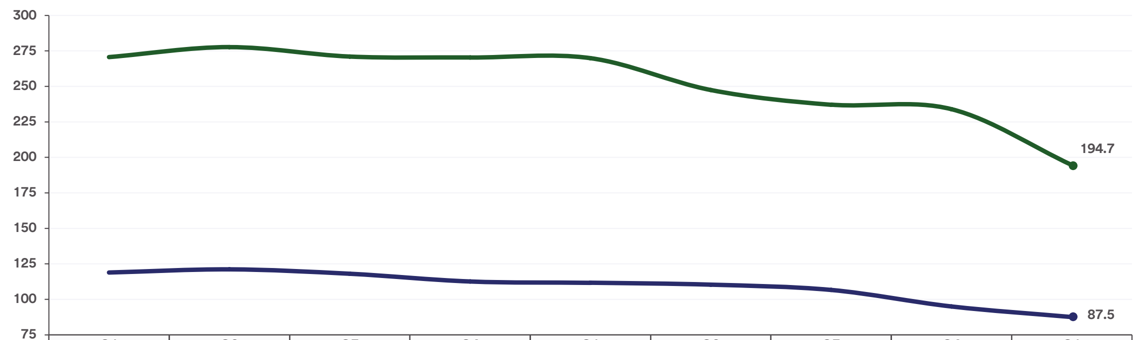
U.S. Bank Freight Payment Index™

Q1 2024

Q1 2024 national freight market overview



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Spend	270.7	277.6	271.0	270.4	269.9	247.4	237.1	233.9	194.7
Shipments	118.9	121.1	118.0	112.6	111.7	110.3	106.6	95.0	87.5

Shipments	
Index value	87.5
Quarterly % change	-7.8% ▼
Yearly % change	-21.6% ▼

Spend	
Index value	194.7
Quarterly % change	-16.8% ▼
Yearly % change	-27.9% ▼

The truck freight market continued to underperform the broader economy during the first quarter. This is reflected in the U.S. Bank National Shipments Index, as it contracted significantly from both the final quarter of 2023 and a year earlier. Several factors contributed to declining truck freight levels during the first three months of the year, including bad winter weather in many parts of the country. While there are indications that freight levels rebounded slightly in February, a strong March freight market didn't materialize as it would during a typical first quarter.

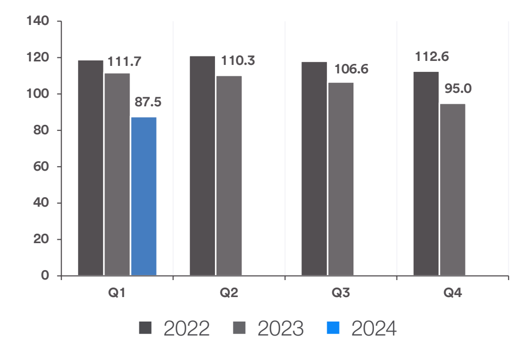
While this was a tough season for motor carriers, shipper spend fell substantially during the first quarter. In the end, shipping capacity was still high compared with the amount of freight available, leading to lower spend.

Many sectors of the economy generate truck freight, but household consumption of goods was one major factor in freight volumes contracting during the first quarter. While retail sales grew modestly, they were far too low to generate significant additional truck freight. Reviewing available Census Bureau data, retail sales were up in the 0.5% to 1.5% range compared with a year ago.[1] However, if adjusted for inflation, retail sales likely fell in the 1.5% to 2.5% range, which is a better indicator of freight volumes because it removes price effects.

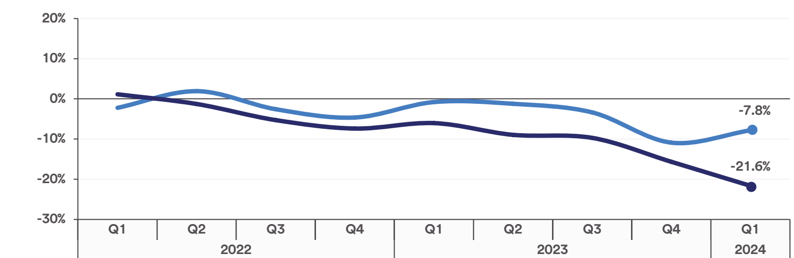
Other sources of freight, like home construction and factory output, were flat during the quarter, also impacting shipment volumes. Furthermore, international trade was affected by various factors that slowed shipments, including the conflict in the Red Sea targeting cargo ships. According to the 2024 Q1 U.S. Trade Report, West Coast ports saw an increase in imports, while reductions occurred in southern and eastern ports due to re-routing from the Suez and Panama Canals. Many ships were forced to adjust routes, adding significantly (up to two weeks) to transit times, making for a challenging quarter for truck freight.

The truck freight market continued to underperform the broader economy during Q1 2024, which was the fifth consecutive quarter with year-over-year and quarterly declines in shipments and spend.

Shipments – index value

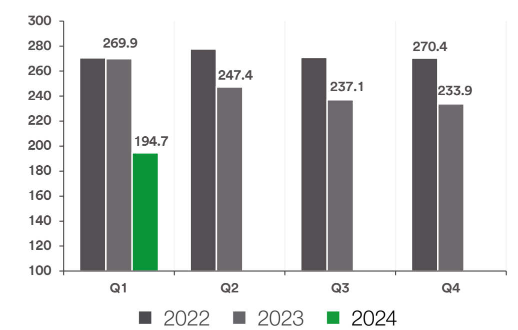


Shipments – % change

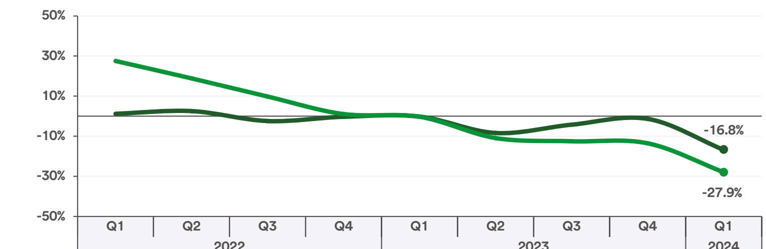


	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
QoQ	-2.2%	1.9%	-2.6%	-4.6%	-0.8%	-1.2%	-3.4%	-10.9%	-7.8%
YoY	1.1%	-1.3%	-5.3%	-7.4%	-6.1%	-9.0%	-9.7%	-15.7%	-21.6%

Spend – index value



Spend – % change



	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
QoQ	1.2%	2.6%	-2.4%	-0.2%	-0.2%	-8.3%	-4.2%	-1.4%	-16.8%
YoY	27.5%	18.8%	9.8%	1.1%	-0.3%	-10.9%	-12.5%	-13.5%	-27.9%

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

The Q1 2024 U.S. Bank National Shipments Index fell 7.8% compared with the fourth quarter of 2023, a smaller decline than the 10.9% drop during the fourth quarter. While many in the trucking industry are expecting the freight market to turn around, the shift did not happen during the first quarter. Another factor behind lower freight volumes was the inventory cycle. Specifically, retailer inventories have recently drawn down to more normal levels after being too high for a number of quarters. However, retailers didn't immediately start replenishing inventories, which would have helped freight volumes.[2]

Compared with the first quarter in 2023, shipments were off by 21.6%, which was not only the eighth straight quarter with a year-over-year decrease, but the largest decline on record. This highlights just how challenged the freight market has been for motor carriers of all sizes. As a result, it is likely that capacity left the industry through closings and restructures during the first quarter.

While the freight volumes for motor carriers contracted, the spend for those loads fell disproportionately more than volumes, which suggests downward pressure on rates during the quarter. Specifically, while shipments fell 7.8% from the final quarter of 2023, spend on those loads was down 16.8%. And while shipments decreased 21.6% from a year ago, the U.S. Bank National Spend Index had a more significant drop of 27.9%.

The price of diesel fuel has a significant impact on spend, in the form of fuel surcharges that shippers pay; during the first quarter of the year, this may have been a factor in the decline in spend. The national average price of diesel fuel, according to the Department of Energy, fell 6.4% from the previous quarter and 9.7% from a year earlier.[3] However, the reductions in fuel surcharges, which are reflected in the spend index, can't account for all of the decrease in spending. In addition to lower diesel fuel prices, diminished household consumption, international trade disruption and bad weather all contributed to lower spend in Q1.

Slow retail sales and continued imbalances with inventory and replenishment schedules weighed heavily on freight shipments in Q1 2024.

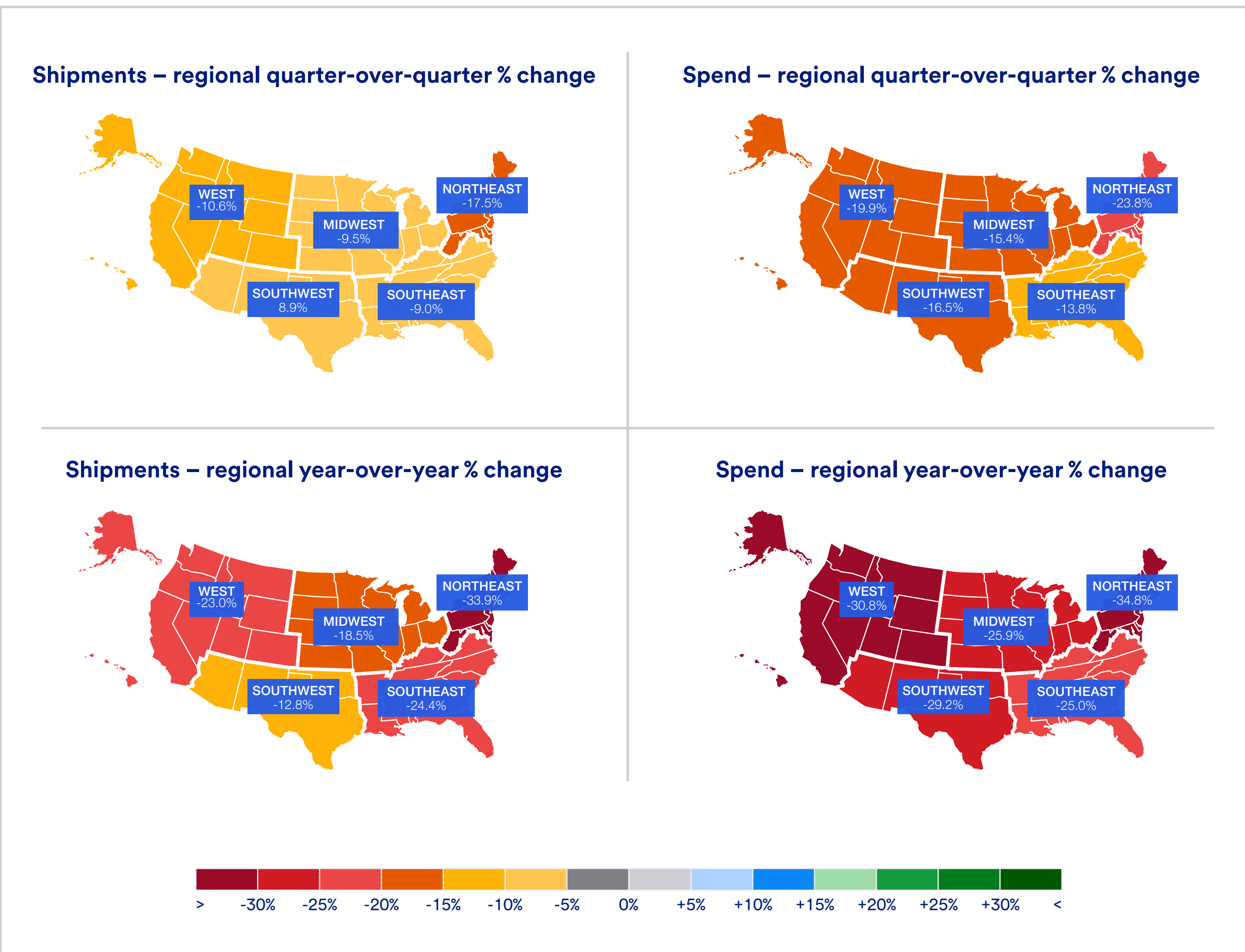
Regional shipments and spending – quarter-over-quarter, year-over-year

Except for a sequential gain in shipments in the Southwest, all regions saw significant contractions in both shipments and spend from the fourth quarter of 2023 and from a year earlier. These decreases across regions highlight that the difficult freight market is a national phenomenon and not contained to a region or two.

For example, not inclusive of the Southwest region, the smallest sequential decline was 9% in the Southeast, while truck freight volume in the Northeast dropped 17.5% from the fourth quarter, the largest drop of any region. Compared with a year earlier, the ranges were -12.8% in the Southwest to -33.9% in the Northeast. All drops are significant enough to highlight how the truck freight market pressures are impacting every region.

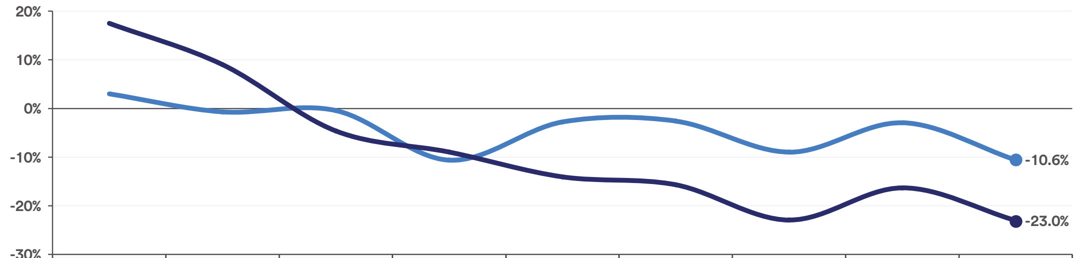
Essentially, shippers had too much capacity for too little freight in the first quarter. All regions saw spending contract, with the largest sequential drop coming in the Northeast (-23.8%) and the smallest decline in the southeast (-13.8%); the year-over-year decreases were even larger – with the smallest drop being 25% in the Southeast and the largest was 34.8% in the Northeast. As mentioned previously, drops in diesel fuel prices, and thus fuel surcharges, account for some of this decrease but not all of it.

Shippers benefited from a difficult freight marketplace in Q1: They spent less to move the goods they did ship as a result of dropping rates.



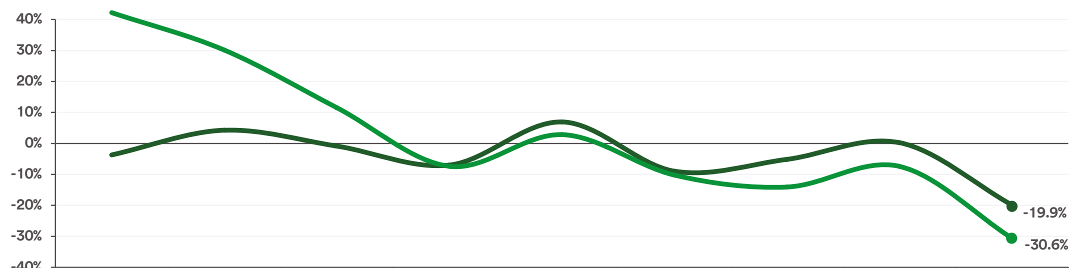
West regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **89.4, 109.6, 113.0, 124.1**



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
QoQ	3.0%	-0.7%	-0.4%	-10.6%	-2.8%	-2.6%	-9.0%	-2.9%	-10.6%
YoY	17.5%	9.0%	-4.6%	-8.9%	-14.1%	-15.7%	-22.9%	-16.3%	-23.0%

Spend Last four quarterly values (starting w/ current quarter): **228.6, 285.3, 284.6, 300.0**



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
QoQ	-3.7%	4.3%	-0.8%	-7.0%	6.9%	-9.0%	-5.1%	0.2%	-19.9%
YoY	42.2%	30.2%	11.6%	-7.4%	2.8%	-10.2%	-14.1%	-7.4%	-30.6%

Despite some trends that should be pushing international container ship freight to West Coast seaports (that is, inventory build-up, returning flow that was diverted in 2023 due to labor negotiations and geopolitical chaos), truck freight volumes and spending contracted significantly during the first quarter of 2024. Specifically, the U.S. Bank West Regional Shipment Index fell 10.6% from the final quarter of last year; compared with a year earlier, truck shipments were off 23%.

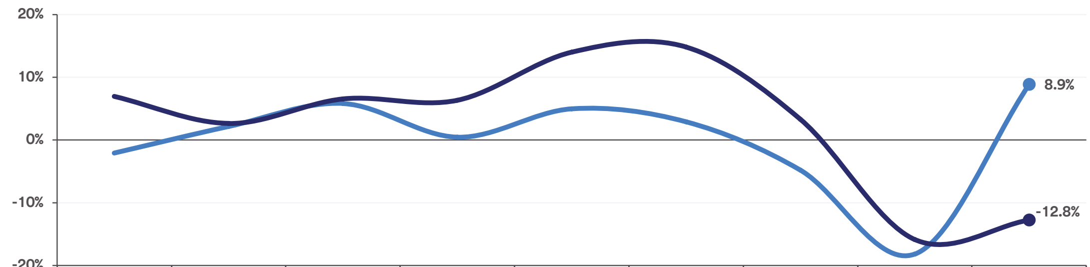
Meanwhile, the U.S. Bank West Regional Spend Index declined 19.9% from the previous quarter and 30.6% from a year earlier. Much of the reduction was due to overcapacity in the region. Fuel surcharges also contributed to the reduction. According to the U.S. Department of Energy, West Coast diesel fuel prices averaged nearly 10% less in the first quarter than the fourth quarter of 2023, and these prices were down 7.2% from a year earlier.[4]

Some of the trends that negatively impacted trucking activity in the region during the first three months of the year include bad weather[5] and consumers spending less on discretionary goods due to higher prices, according to the Federal Reserve.[6]

> For the third time since the height of the pandemic in 2020, the West region saw declines in quarterly and yearly shipments and spend.

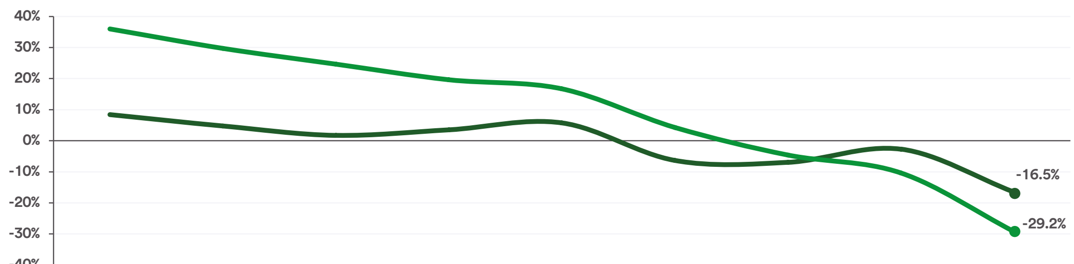
Southwest regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **135.8, 124.7, 152.5, 160.2**



	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
QoQ	-2.1%	2.2%	5.8%	0.4%	5.0%	2.9%	-4.8%	-18.2%	8.9%
YoY	7.0%	2.6%	6.6%	6.3%	14.0%	14.8%	3.3%	-15.9%	-12.8%

Spend Last four quarterly index values (starting w/ current quarter): **203.4, 243.6, 250.4, 269.2**



	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
QoQ	8.4%	4.8%	1.7%	3.5%	5.7%	-6.4%	-7.0%	-2.7%	-16.5%
YoY	36.0%	29.7%	24.6%	19.6%	16.7%	4.3%	-4.6%	-10.4%	-29.2%

The Southwest was the only region to post higher quarterly shipment volumes compared to Q4 2023. The U.S. Bank Southwest Regional Shipments Index grew 8.9% from the previous quarter. While better, this gain doesn't reflect a recovery in freight just yet. Plus, shipments contracted 12.8% from a year earlier.

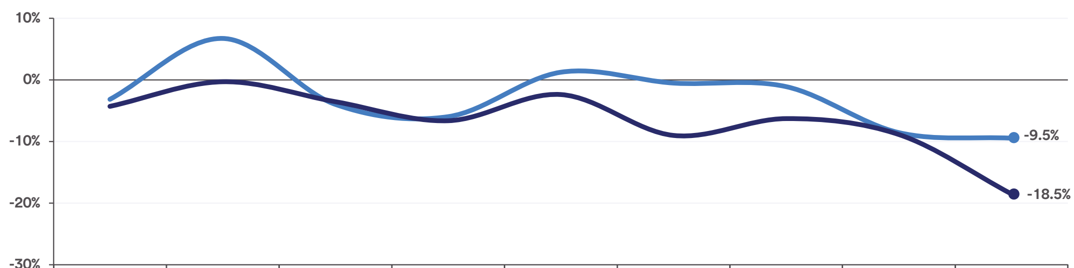
Some of the year-over-year weakness in freight stemmed from soft factory activity according to the Federal Reserve. In its February 2024 Beige Book, the Central Bank reported that manufacturing activity dropped sharply in January and only stabilized in February. The Fed also reported that retail sales were soft in January and did not recover much in February.[7] Offsetting some weakness in the region was continued rising truck freight volumes from Mexico with inbound trucks up 4.2% in January and February from a year earlier.[8]

Despite the sequential gain in truck shipments, the U.S. Bank West Regional Spend Index continued to decline during the first quarter, contracting 16.5% from the fourth quarter of 2023 and 29.2% from a year earlier. The decreases were due mainly to falling freight rates and lower diesel fuel surcharges.

> An uptick in cross-border freight from Mexico offset weaker factory output, which helped the Southwest post the only increase in shipments in the first quarter.

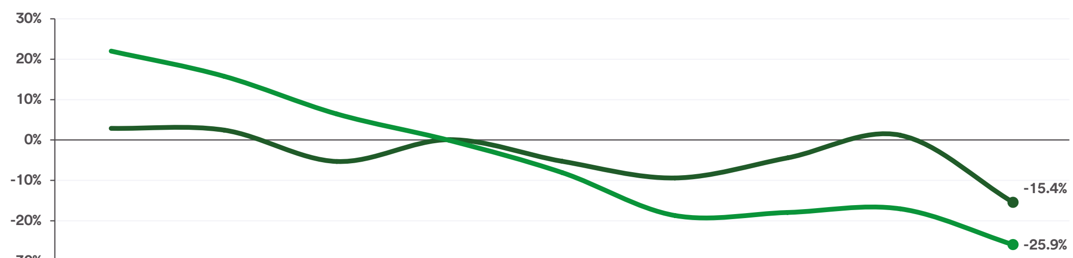
Midwest regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **70.6, 78.0, 85.3, 86.2**



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
QoQ	-3.1%	6.8%	-4.0%	-6.0%	1.3%	-0.5%	-1.1%	-8.6%	-9.5%
YoY	-4.3%	-0.3%	-3.5%	-6.6%	-2.4%	-9.0%	-6.3%	-8.9%	-18.5%

Spend Last four quarterly index values (starting w/ current quarter): **152.1, 179.8, 177.7, 185.9**



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
QoQ	2.9%	2.4%	-5.3%	0.1%	-5.3%	-9.4%	-4.4%	1.2%	-15.4%
YoY	22.0%	15.8%	6.5%	-0.1%	-8.0%	-18.7%	-17.9%	-17.0%	-25.9%

The U.S. Bank Midwest Regional Shipments Index contracted for the fourth straight quarter during the first three months of the year, slipping 9.5% after an 8.6% drop in the final quarter of 2023. As a result, truck freight volumes were down 18.5% versus a year earlier. Several factors continue to weigh on the truck freight market in the region, including manufacturing activity. According to the Beige Book from the Federal Reserve, most areas in the Midwest reported flat to falling factory output during the first half of the quarter.[9]

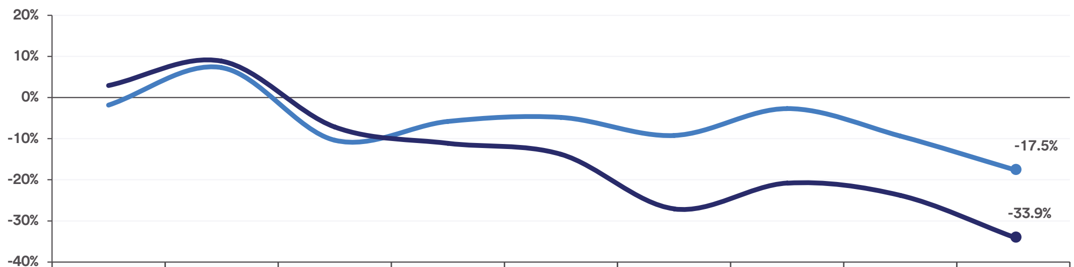
Another factor was falling auto sales in many Midwest areas with higher interest rates negatively impacting consumer confidence and loan financing.[10] One bright spot, however, was the uptick in inbound truck volumes from Canada in the Detroit area, which were up almost 5% during the first two months of the year compared to the same period in 2023.[11]

As truck freight volumes moved lower, so did spending by shippers. The combination of lower freight volumes, rates and diesel fuel surcharges caused the U.S. Bank Midwest Regional Spend Index to contract 15.4% from the final quarter of 2023 and 25.9% from a year earlier.

Softer manufacturing activity and a slowdown in auto sales led to a fourth consecutive quarter of declining shipment volumes in the Midwest.

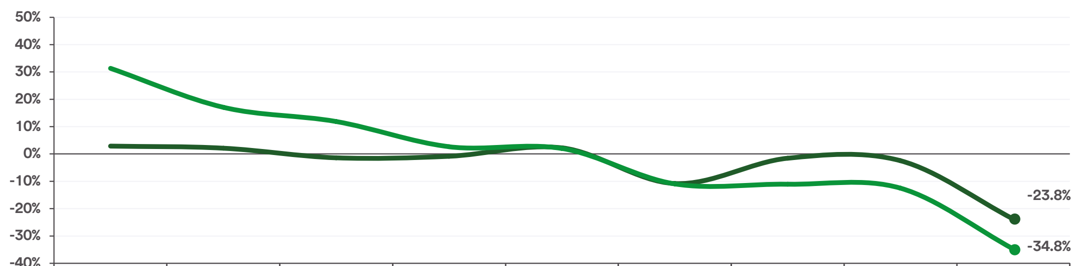
Northeast regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **56.7, 68.1, 75.1, 77.2**



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
QoQ	-1.8%	7.3%	-10.4%	-5.8%	-4.8%	-9.2%	-2.7%	-9.4%	-17.5%
YoY	2.9%	8.8%	-7.1%	-11.1%	-13.8%	-27.1%	-20.8%	-23.8%	-33.9%

Spend Last four quarterly values (starting w/ current quarter): **153.7, 201.7, 206.9, 210.2**



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
QoQ	2.9%	2.1%	-1.4%	-0.9%	2.2%	-10.9%	-1.6%	-2.5%	-23.8%
YoY	31.3%	17.0%	11.9%	2.7%	2.0%	-11.0%	-11.1%	-12.5%	-34.8%

The Northeast region continued to be a difficult truck freight market during the first quarter of the year, with both shipments and spending falling significantly. To start, the U.S. Bank Northeast Regional Shipments Index dropped 17.5% from the previous quarter and was down 33.9% from a year earlier. Both declines were the largest of all five regions by substantial margins.

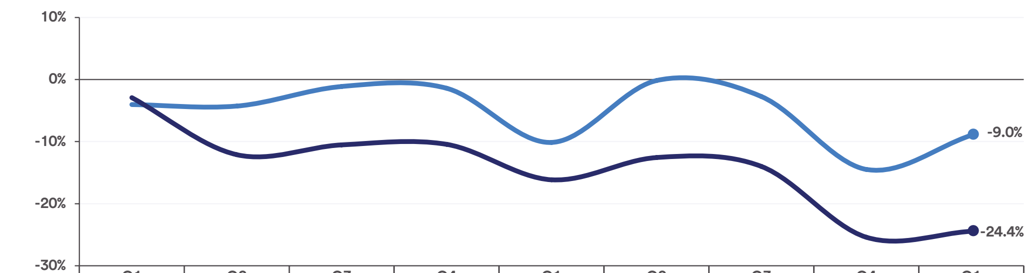
Several factors likely caused weakness in the first quarter, including bad winter storms. In addition, there is evidence that retail sales were soft in the first quarter of the year, also likely caused in part by the weather and retail drawdowns.[12] The longer-term down freight market could also stem from falling population in the region, with more people leaving the region than moving into it.[13]

Like other regions, the combination of lower volumes and falling freight rates caused spending for trucking services to fall significantly during the quarter. Specifically, the U.S. Bank Northeast Regional Spend Index plunged 23.8% from the previous quarter. The Northeast is proving to be an exceedingly tough region for fleets, which could reduce capacity in the quarters ahead.

> The Northeast region experienced an extremely difficult first quarter, with double-digit declines in shipments and spend ranging from 17.5% to 34.8%.

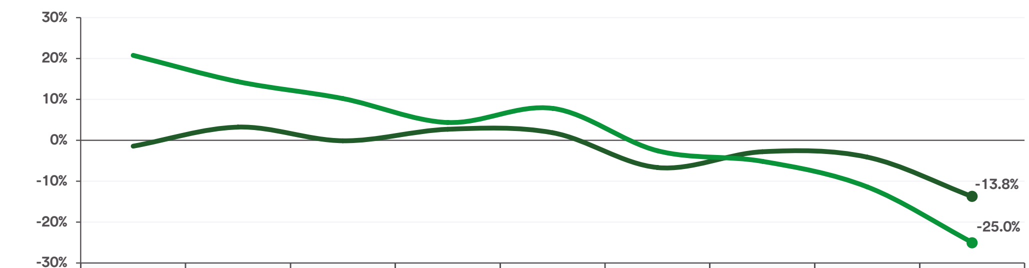
Southeast regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **91.4, 100.4, 117.5, 120.8**



	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
QoQ	-4.0%	-4.3%	-1.1%	-1.4%	-10.1%	-0.2%	-2.7%	-14.5%	-9.0%
YoY	-2.9%	-12.1%	-10.5%	-10.4%	-16.1%	-12.6%	-14.0%	-25.4%	-24.4%

Spend Last four quarterly index values (starting w/ current quarter): **259.0, 300.4, 313.2, 322.2**



	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
QoQ	-1.4%	3.2%	-0.1%	2.7%	1.8%	-6.7%	-2.8%	-4.1%	-13.8%
YoY	20.8%	14.3%	10.2%	4.4%	7.8%	-2.5%	-5.1%	-11.4%	-25.0%

For the eleventh consecutive quarter, the Southeast region saw truck freight shipments contract sequentially during the first quarter. Specifically, the U.S. Bank Southeast Regional Shipment Index fell 9% from the fourth quarter, which was in addition to the 14.5% decline during the previous quarter. Truck volumes were also down 24.4% from a year earlier, only slightly better than the fourth quarter's 25.4% year-over-year drop.

Like many other regions, a host of factors caused the soft freight market in the Southeast. For example, retailers reported soft sales numbers in the region, including auto sales.[14] Highlighting truck freight weakness in the region, the Beige Book reported "trucking firms struggled with significantly reduced volumes."[15] Additionally, factory output also weighed on truck freight volumes in the Southeast, with the Federal Reserve reporting that "manufacturing activity softened … amid uncertainty about business conditions."

Falling volumes, coupled with decreasing rates, resulted in a 13.8% decline in the U.S. Bank Southeast Regional Spend Index, compared with the previous quarter. Furthermore, spending was down 25% from a year earlier, the region's largest year-over-year decrease on record.

> The Southeast region had the smallest decline in quarterly shipments (of the four regions that dropped) and the smallest decline in spend of all regions.

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 $42.8 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.

25 years of experience

$42.8 billion in global freight payments annually

About Bob Costello

Bob Costello is the chief economist and senior vice president of International Trade and 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 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 and Company in Washington, D.C., an economic consulting firm that specializes in the analysis of wages, inflation, and economic trends

About U.S. Bank

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CPSTransportation@usbank.com

usbank.com/transportation-solutions/freight

[1]Census Bureau/Retail Sales Report/March 2024

[2]When supply chains build inventories, it generates more truck freight. When supply chains reduce inventories, it reduces truck freight volumes.

[3]U.S. Energy Information Administration/Gasoline and Diesel Fuel Update/April 2024

[4]U.S. Energy Information Administration/Gasoline and Diesel Fuel Update/April 2024

[5]For example, Southern California had significant amounts of rain that caused mud slides

[6]San Francisco Regional Fed Bank/Summary of Current Economic Conditions/February 2024

[7]Dallas Regional Fed Bank/Summary of Current Economic Conditions/February 2024

[8]Calculated on data from the Bureau of Transportation Statistics

[9]Chicago & Minneapolis Regional Fed Banks/ Summary of Current Economic Conditions/February 2024

[10]Dealers feel falling profits amid inventory growth, weaker market/Automotive News/March 2024

[11]Calculated on data from the Bureau of Transportation Statistics

[12]Boston & New York Regional Fed Banks/Summary of Current Economic Conditions/February 2024

[13]Which regions in the US have the most people moving in?/Miami Herald/January 2024

[14]Richmond & Atlanta Regional Fed Banks/Summary of Current Economic Conditions/February 2024

[15]Atlanta Regional Fed Bank/Summary of Current Economic Conditions/February 2024

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