

# U.S. Bank Freight Payment Index™

## Q2 2021 National Freight Market Overview



The national truck freight market improved during the second quarter, as the economy gained momentum emerging from the effects of the pandemic. The U.S. Bank National Shipments and Spend Indexes grew both sequentially and year-over-year, which is reflective of solid economic activity, including retail sales, imports, construction and manufacturing output. While still below peak levels prior to the pandemic, the shipments index has increased significantly.

The national shipments gain was notable during the second quarter, but the spend index surged from both the first quarter and year-over-year. These robust gains stem from extremely tight truck capacity due to a profound

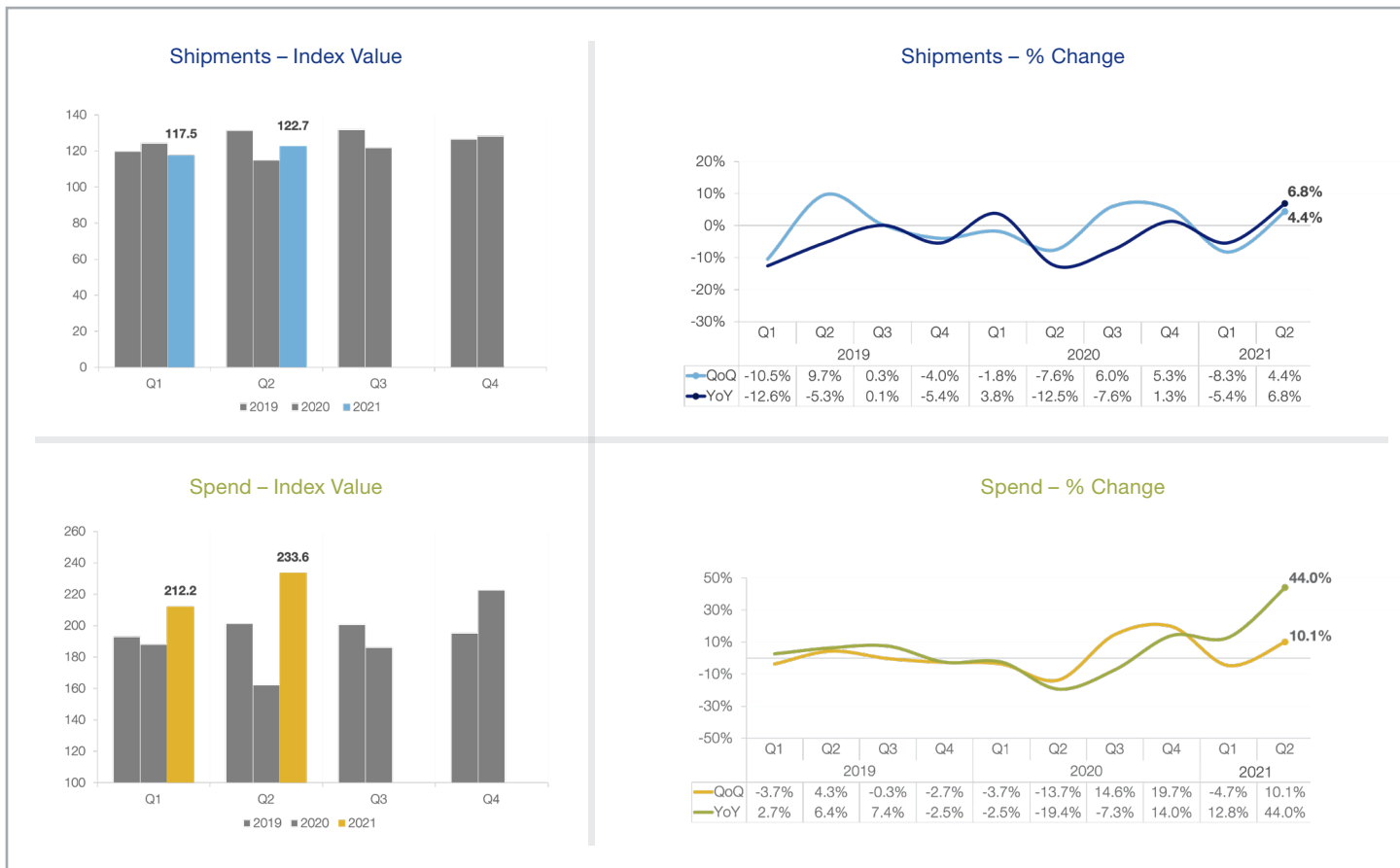
**The national truck freight market improved during the second quarter, as the economy gained momentum emerging from the effects of the pandemic.**

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driver shortage, as motor carriers have been unable to increase supply sufficiently to meet the growing demand. As a result, pricing increased considerably as shippers worked to get loads moved in the time frames needed. In addition to increased freight rates during the second quarter, the spend index was pushed up by rising diesel fuel prices, which are reflected in increased fuel surcharges.

As industries ramp up output from increased demand in the second half of the year, truck freight demand will grow as well. The challenge for the motor carrier industry will be meeting that demand in the face of one of the largest supply crunches in history. Increased new driver training and rapidly rising pay will help, but it will take time to get additional drivers into the market.

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

The U.S. Bank National Shipments Index increased 4.4% during the second quarter, after dropping 8.3% in the first quarter. Compared with a year earlier, this metric rose a solid 6.8%. While freight shipments outperformed many economic sectors during the pandemic, they still contracted appreciably.

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The U.S. Bank National Spend Index jumped 10.1% during the second quarter of 2021 to its highest level on record. Compared with the same period in 2020, the spend index surged 44% and is the result of higher volumes and pricing, including higher fuel surcharges. The pricing gains are visible through a much larger gain in spending than shipments (6.8%) from a year earlier.

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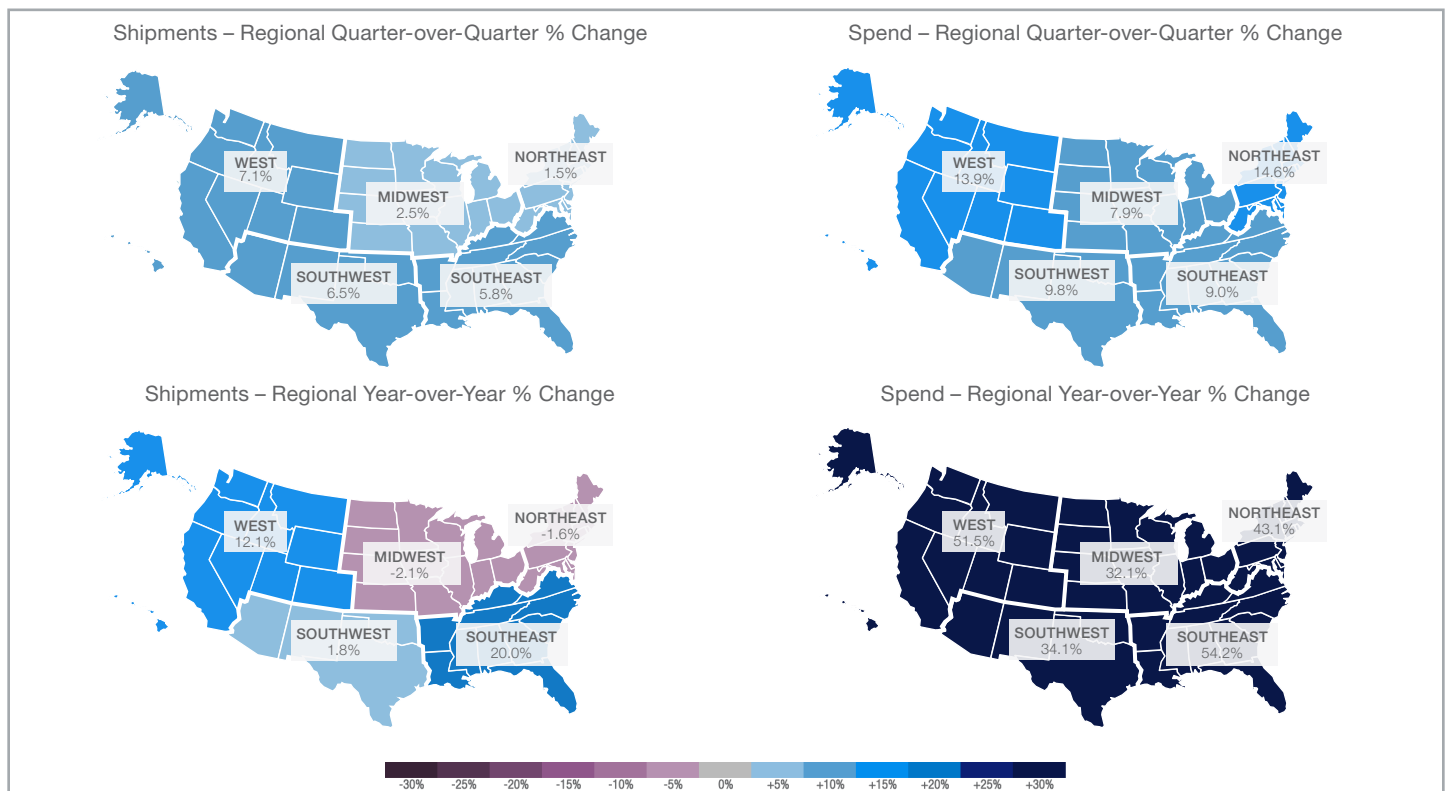
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## Regional Shipments and Spend – Quarter-over-Quarter, Year-over-Year

All regional shipments indexes improved compared with the first quarter; the range between the regions highlighted how some areas of the country, and industries, are emerging from the pandemic at different paces. The Midwest and Northeast freight markets are recovering at slower rates than the South and West regions. The largest quarter-to-quarter increase among the regions was the West (7.1%), while the smallest increase was in the Northeast (1.5%). The largest year-over-year increase was 20% in the Southeast, while the Midwest experienced the worst, contracting 2.1%.

**All regional shipments indexes improved compared with the first quarter.**

Contract freight composes most of the freight in the United States. However, due to the constrained supply situation in the industry, many shippers were forced to put a higher percentage of freight into the spot market, which appears to be growing faster than contract freight.



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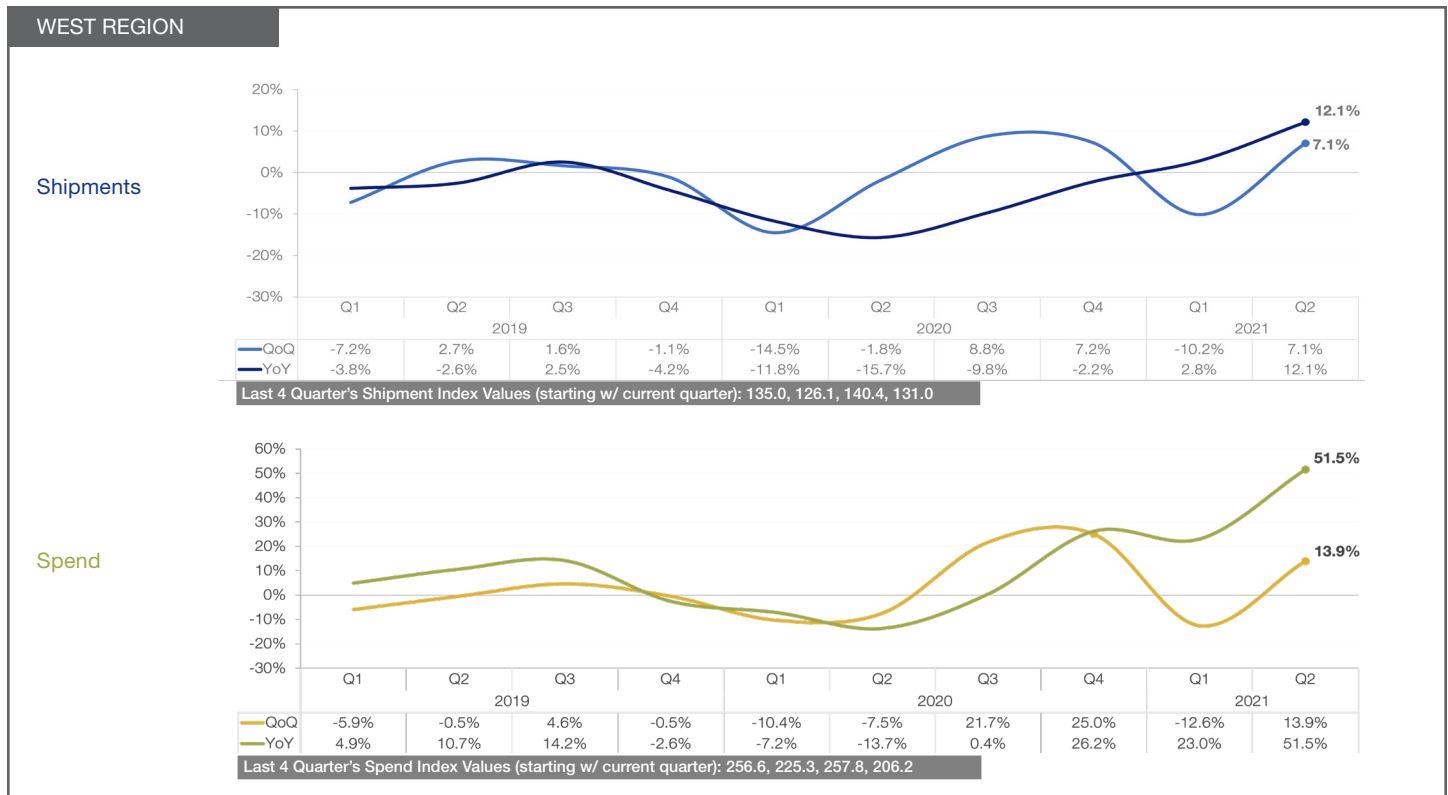


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From a spending perspective, one thing that was consistent during the second quarter was robust growth, with all regions recording sequential and year-over-year increases. The quarterly gains ranged from 7.9% in the Midwest to 14.6% in the Northeast, while all five regions showed double-digit increases year-over-year, with all but the Midwest showing a greater than 40% jump.

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

The West Regional Shipments Index grew a solid 7.1% in the second quarter, after a 10.2% decrease during the first quarter of 2021. This metric was up 12.1% compared with the second quarter in 2020. West regional freight is being helped by solid retail sales, robust home construction and strong port shipments, which are the result of extremely low retail inventories. With consumption strong, retailers are scrambling to get more consumer goods from China and other parts of Asia, generating a significant amount of truck port activity.

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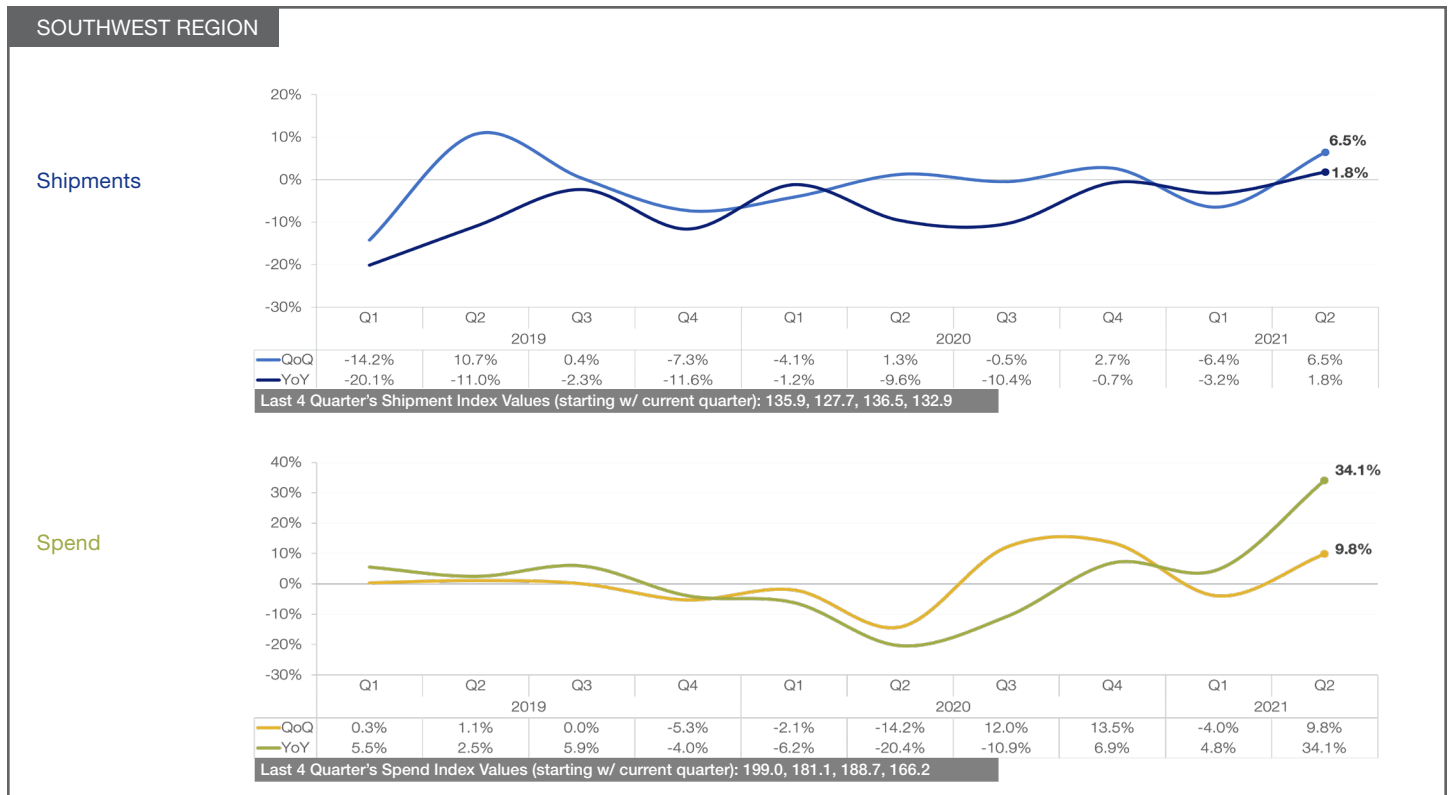
Besides the import shipments, there is strong freight in the West associated with housing activity. Based on data from the U.S. Census Bureau, home construction was up almost 50%<sup>1</sup> from a year earlier, while increasing marginally from the first quarter, despite high lumber prices dampening building.

The West Regional Spend Index surged 13.9% and 51.5% from the first quarter and a year earlier, respectively, during Q2, which underscores the constrained capacity in this region.

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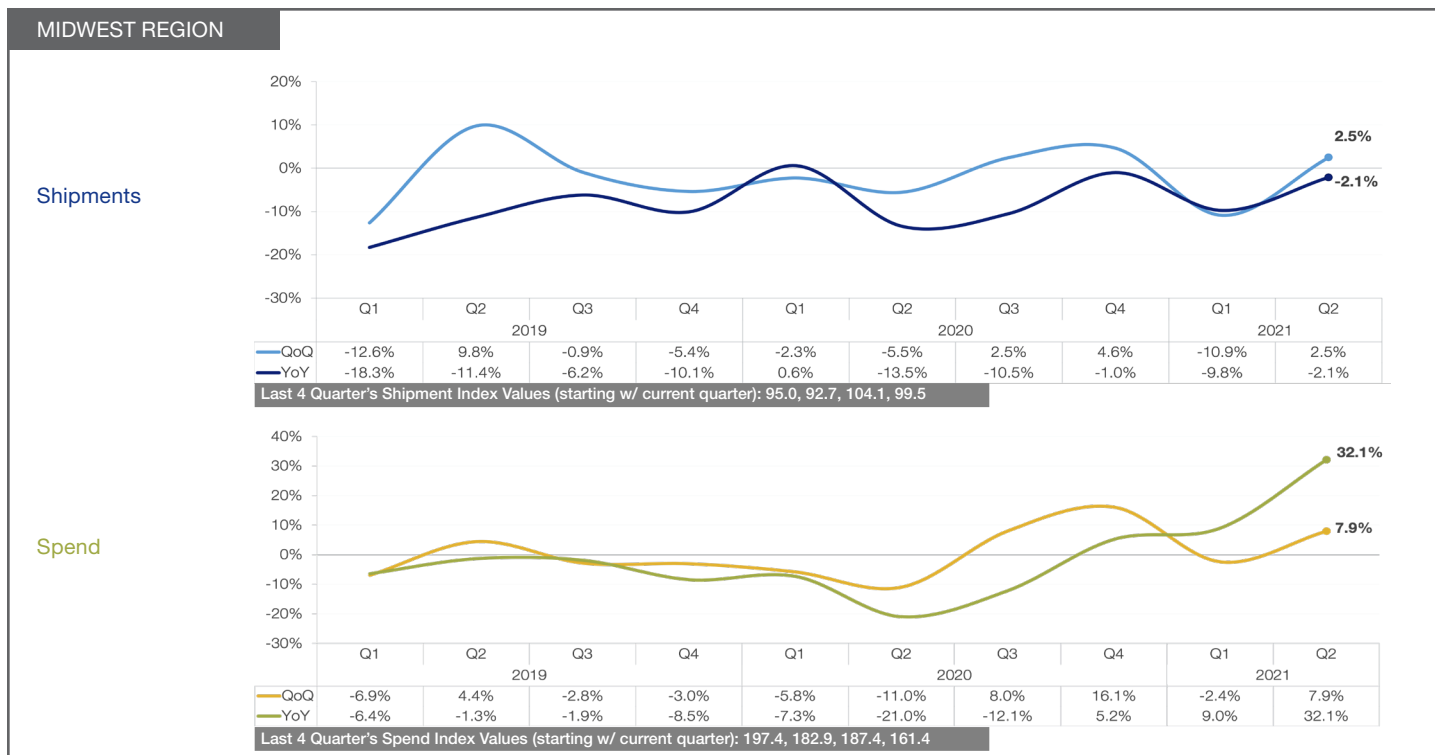
## Southwest Regional Shipments and Spend – Quarter-over-Quarter, Year-over-Year

The truck freight market was strong in the Southwest during the second quarter as shipments and spending were up both sequentially and year-over-year. The Southwest Regional Shipments Index increased 6.5% from the first quarter of the year, and 1.8% from a year earlier. Increased shale oil output is helping the freight market in this region, but production remains well below the peak in January 2020. According to the Bureau of Transportation Statistics, truck-transported trade with Mexico early in Q2 was up nearly 85%<sup>2</sup> from a year earlier, which helped shipments in the region.

The Southwest Regional Spend Index jumped 9.8% from the first quarter and 34.1% from a year earlier. Spending increases on truck transportation services in the region are a combination of higher freight rates, more fuel surcharges (as diesel prices in the region rose) and increased freight shipments.

**The Southwest Regional Spend Index jumped 9.8% from the first quarter and 34.1% from a year earlier.**



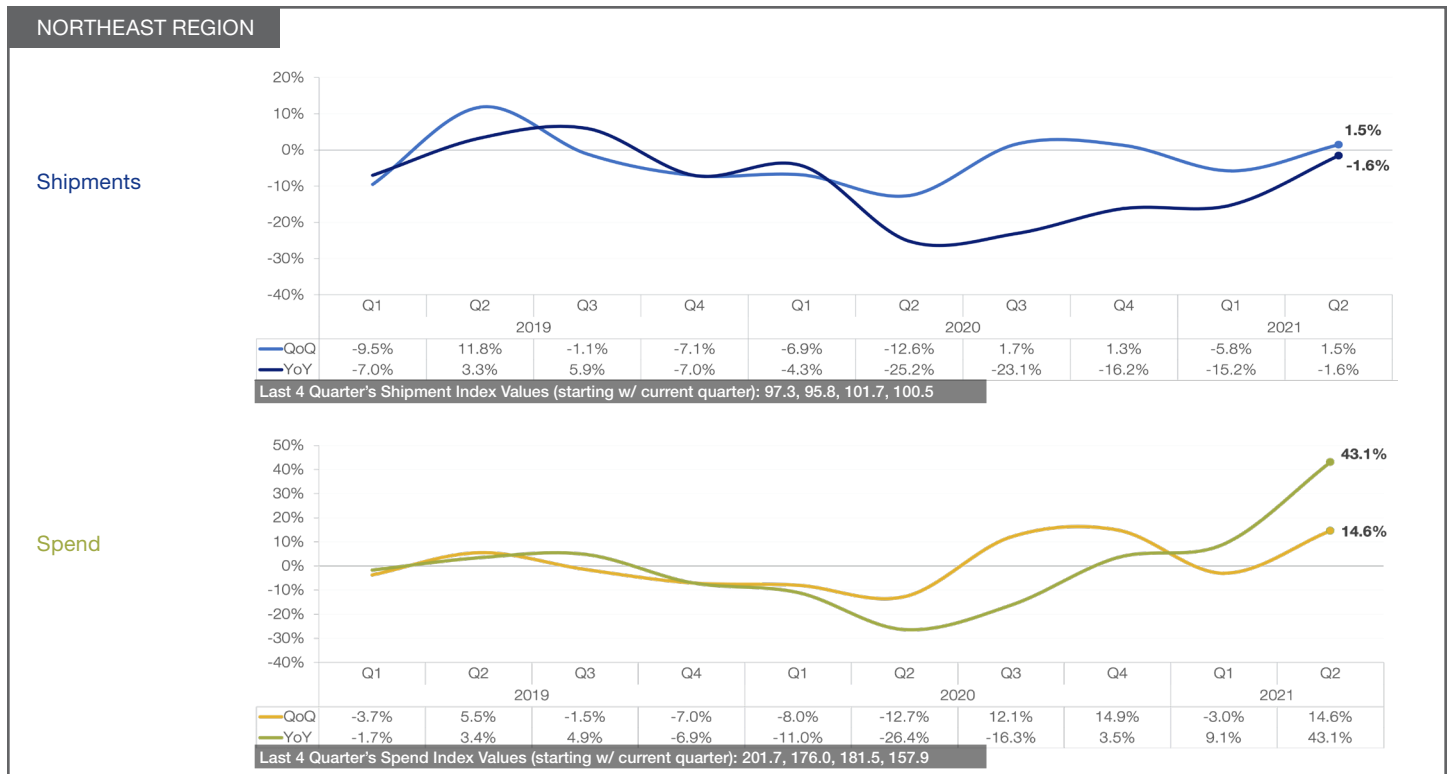


## Midwest Regional Shipments and Spend – Quarter-over-Quarter, Year-over-Year

Freight shipments improved in the second quarter in the Midwest, rising 2.5% from the previous quarter, although not enough to offset 10.9% contraction during Q1. Compared with a year earlier, the Midwest Regional Shipments Index was off 2.1%. Auto production constraints, due to microchip and other supply chain input shortages, were a significant factor in hurting truck freight volumes in the region. Additionally, home construction is softer in the Midwest than the other regions, with housing starts flat from the first quarter.

Spending is solid in the region as the capacity crunch pushes rates higher. Additionally, according to the Energy Information Administration, diesel prices in the Midwest were up more than 10% from the first to the second quarters of the year<sup>3</sup> adding to spending gains through higher fuel surcharges. The Midwest Regional Spend Index was up 7.9% from the first quarter of 2021, and 32.1% from the second quarter of 2020.

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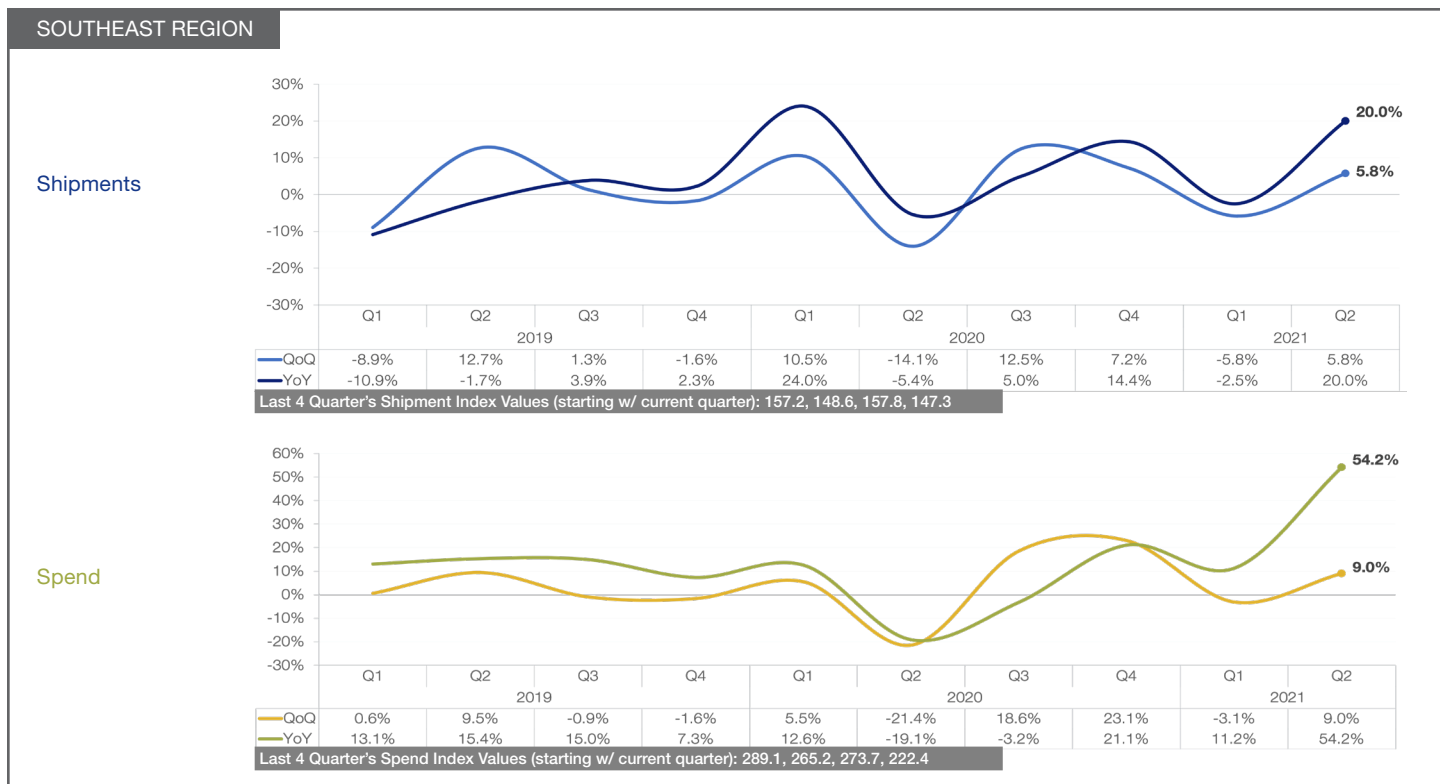
## Northeast Regional Shipments and Spend — Quarter-over-Quarter, Year-over-Year

Northeast regional shipments in the second quarter rose 1.5%, which was the third sequential gain in the last four quarters, and was off marginally (1.6%) from a year earlier. This region has a dense population, and goods consumption is helping freight levels. However, Bob Costello, chief economist for the American Trucking Associations, expects that growth rates may slow as greater numbers of people attend sporting events or travel, versus spending those dollars buying goods. Additionally, carriers in the region are dealing with pretty significant capacity limitations.

Following the trend in all other regions, the Northeast Regional Spend Index surged in the second quarter, up 14.6% from Q1 and 43.1% year-over-year. As with other regions, it was a combination of more shipping volume, higher freight rates and increasing fuel surcharges due to higher diesel prices. According to the Energy Information Administration, the price of diesel in New England rose nearly 9%<sup>3</sup> from the first to second quarter.

**Northeast regional shipments in the second quarter rose 1.5%, which was the third sequential gain in the last four quarters.**

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## Southeast Regional Shipments and Spend – Quarter-over-Quarter, Year-over-Year

After falling 5.8% in the first quarter, the Southeast Regional Shipments Index increased 5.8% in the second quarter to the second highest level on record. The index was up an impressive 20% from a year ago. This was the largest year-over-year increase among the five regions. Solid manufacturing activity growth in the region, despite soft auto output, which is also important in the Southeast, is helping freight shipments. Home construction is also boosting freight in the region, not only from new home construction, but also from remodeling and repairs to homes damaged by hurricanes last year.

The Southeast Regional Spend Index rose 9% from the first quarter to the highest level on record. Spending jumped 54.2% from a year earlier, as the driver shortage constrained capacity, leading to freight rate increases. Like all other regions, rising diesel prices pushed fuel surcharges up in the Southeast region too, adding to the rise in spending. Diesel prices in the lower Atlantic area, according to the Energy Information Administration, were up 10%<sup>3</sup> in the second quarter compared to the first quarter.

**Spending jumped 54.2% from a year earlier, as the driver shortage constrained capacity, leading to freight rate increases.**

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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 \$31.4 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 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.

**20+** years of experience

**\$31.4 billion** in global freight payments annually

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U.S. Bancorp, with nearly 70,000 employees and \$559 billion in assets as of June 30, 2021, 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. Learn more at [usbank.com/about](https://usbank.com/about).

## For more information:

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[usbank.com](https://usbank.com)

1. <https://www.census.gov/construction/nrc/index.html> – New Residential Construction
2. Bureau of Transportation Statistics – Overview of U.S. – North American Freight by Port, Commodity Group and Mode; Mode = Truck as of April 2021
3. <https://www.eia.gov/petroleum/gasdiesel/> – Gasoline and Diesel Fuel Update