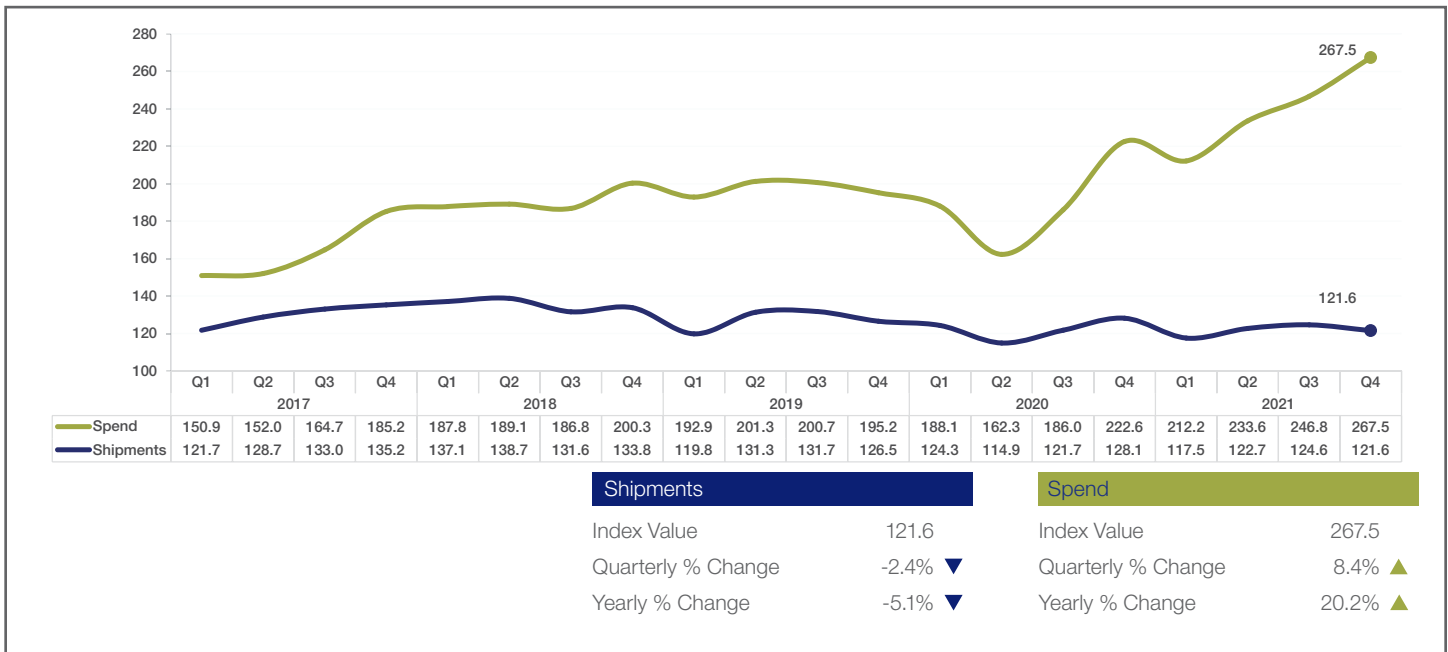


Q4 2021

U.S. Bank Freight Payment Index™



Q4 2021 National Freight Market Overview



The U.S. Bank National Spend Index increased, while the U.S. Bank National Shipments Index contracted. Supply chain factors drove softer shipment volumes in Q4 2021. The lack of drivers dedicated to a single company, and a shortage of new trucks and trailers, made it more difficult for fleets to haul more freight, creating more opportunities in the spot market.

Another impact to freight shipments in the fourth quarter was a shift in the traditional holiday shipping season. During the third quarter, when shipments rose both sequentially and from a year earlier, fleets hauled more than the usual amount of holiday freight. In the face of worldwide supply chain constraints, retailers were anxious about securing enough goods for holiday shoppers, so they elected to acquire many of those products earlier than normal.

Driver availability and the lack of new trucks and trailers made it difficult for fleets to haul more freight, which resulted in more opportunities in the spot market last quarter

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During the fourth quarter, shippers had to spend more to move freight via trucks. This was reflected in the robust gains in the spend index, both sequentially and from a year earlier. The largest factor for the strong gain in spending was rising freight rates due to capacity constraints. Rising diesel fuel prices also continued into the fourth quarter.

According to the U.S. Energy Information Administration, the average price of national on-highway diesel fuel during the final quarter of 2021 was up 9.3% from the third quarter, while surging nearly 49% from the same period in 2020.¹ As the price of diesel increases, fuel surcharges that fleets charge shippers also increase, in addition to any freight rate increase. Thus, the rise in diesel prices also leads to an increase in the spend index as well.

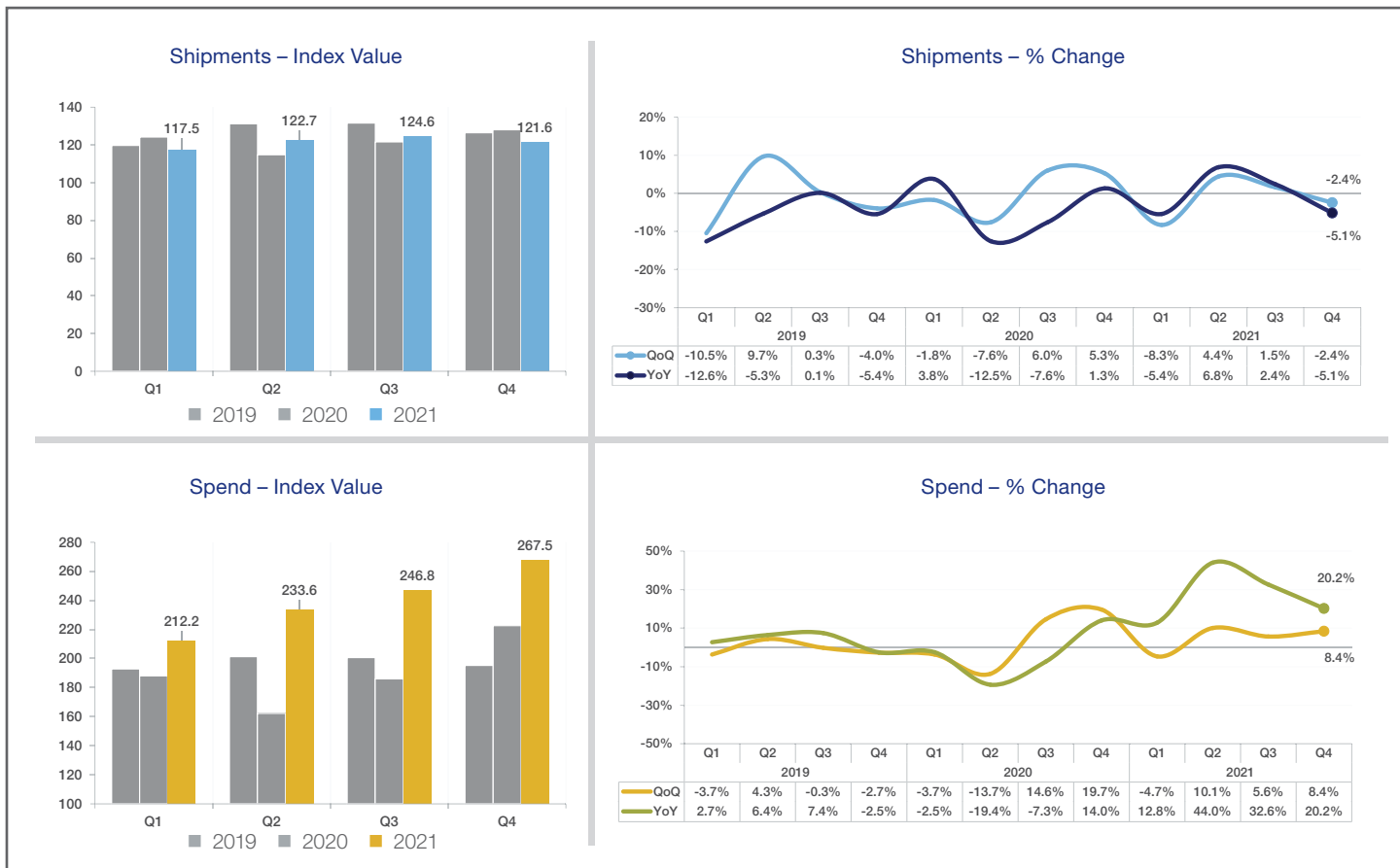
The largest factor for the strong gain in spending in Q4 was rising freight rates due to capacity constraints



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National Shipments and Spending—Quarter over Quarter, Year over Year

The U.S. Bank National Shipments Index declined 2.4% from the third quarter. On a year-over-year basis the shipments index was off 5.1% from the fourth quarter of 2020.

In 2021, the slowdown in shipments was due more to a lack of available capacity than a lack of demand for capacity. According to data from the American Trucking Associations, for-hire truckload carriers, who primarily haul contract freight, operated roughly 5% fewer trucks in 2021 compared with 2020, including company tractors and leased-on independent contractors.

The U.S. Bank National Spend Index increased 8.4% over the third quarter. This strong spending growth points to a very tight truck market, as a combination of the driver shortage and lack of trucks and trailers limits the industry’s ability to accommodate increasing freight transport needs.

The U.S. Bank National Shipments Index declined 2.4% from Q3 and was down 5.1% from the fourth quarter of 2020.

The Q4 U.S. Bank National Spend Index increased 8.4% from the third quarter and jumped 20.2% from the same quarter a year earlier.

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

Except for the Southwest region, all regions saw sequential declines in shipments during the final quarter of 2021, ranging from -1.5% in the Southeast to -6.4% in the West. The Southwest region posted a modest 0.7% gain in shipments over the third quarter. Compared with a year earlier, shipments were more mixed as the West and Southwest regions posted gains, while the other three regions saw declines.

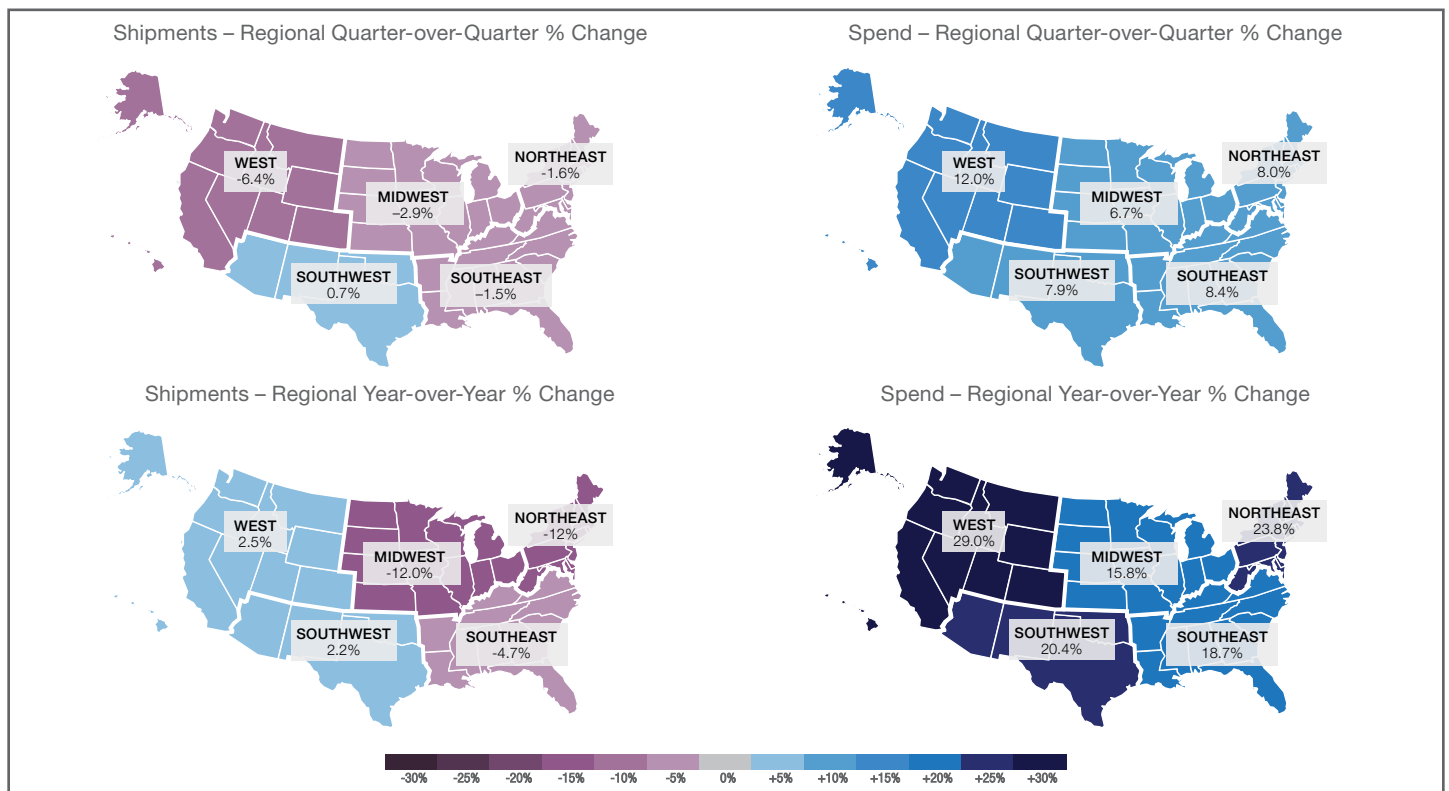
The varying results show how valuable this regional data can be for both motor carriers and shippers. Simply put, the freight network in the U.S. does not operate at the same pace throughout.

But like the national numbers, all regions reported strong gains in spending during the fourth quarter, which reflects a couple of trends. First, capacity is tight in all regions, even in those that reported softer shipment volumes. This tight capacity leads to rate increases far above the fluctuations in shipments, which results in higher spending.

The other factor that increased spending across the regions last quarter was the rise in fuel prices. As the price of diesel fuel rises, so too do the fuel surcharges, which in turn increases the amount that shippers spend on moving freight, not including general rate increases.

Except for the Southwest region, which posted a modest 0.7% gain, all regions saw quarterly declines in shipments during the final quarter of 2021.

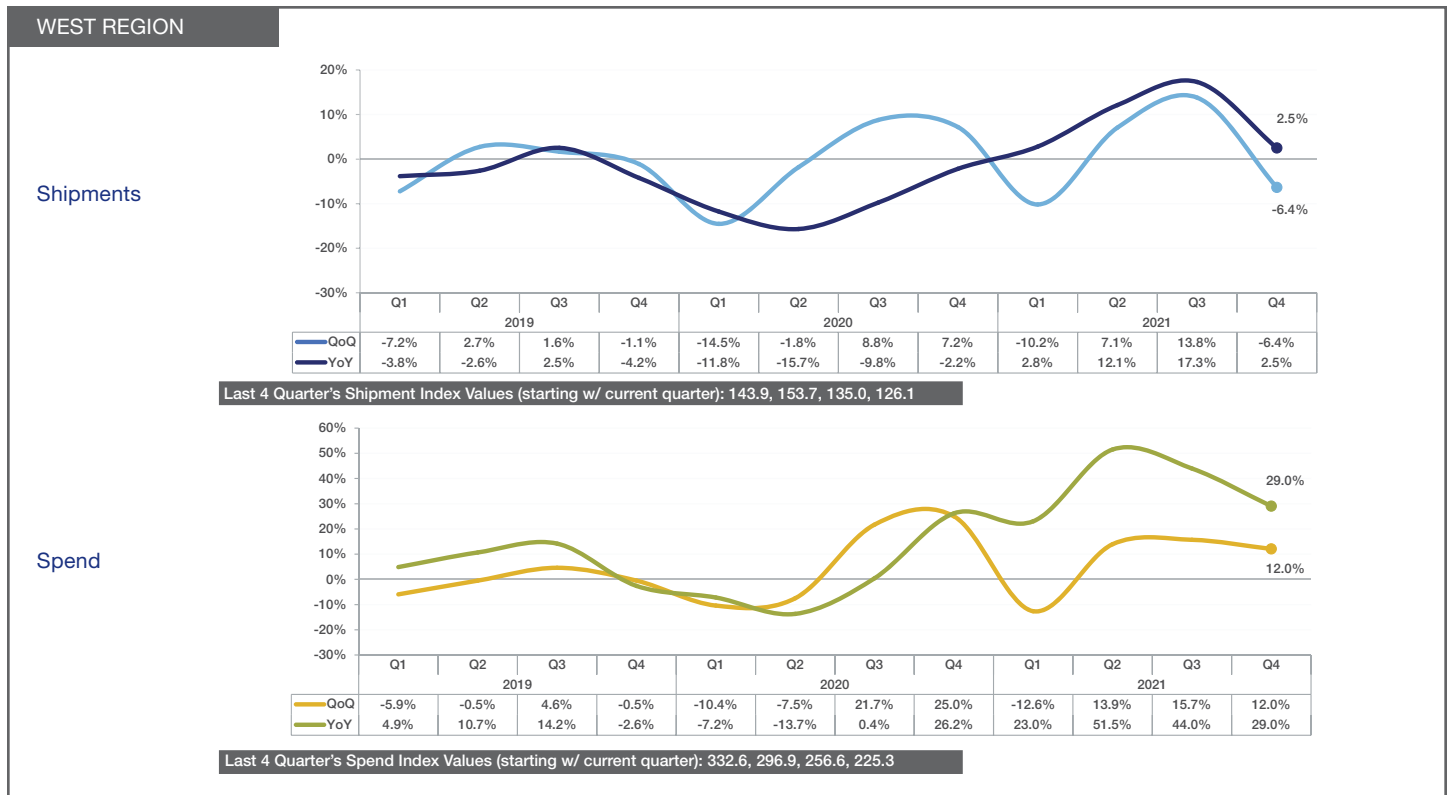
Tight capacity across the country led to rate increases far above the fluctuations in shipments, which resulted in higher spending.



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The West Regional Shipments Index receded 6.4% during the final quarter of 2021. Despite the sequential drop, the level of shipments in the region remained 2.5% above a year earlier. The Southwest region was the only other to witness a year-over-year gain in shipment volumes during the fourth quarter.

A couple of key factors influenced shipments in the West region: port congestion and home construction. The amount of West Coast port volumes edged down as seaports in Southern California remained congested. While there was some improvement in port congestion during the quarter, some shippers moved their imports from arriving at West Coast ports to East Coast ports instead.

Conversely, home construction, according to preliminary data from the Census Bureau, helped truck freight in the region last quarter. Housing starts edged up from the third quarter, which helped limit the decline in truck freight volumes, while rising slightly from a year earlier.²

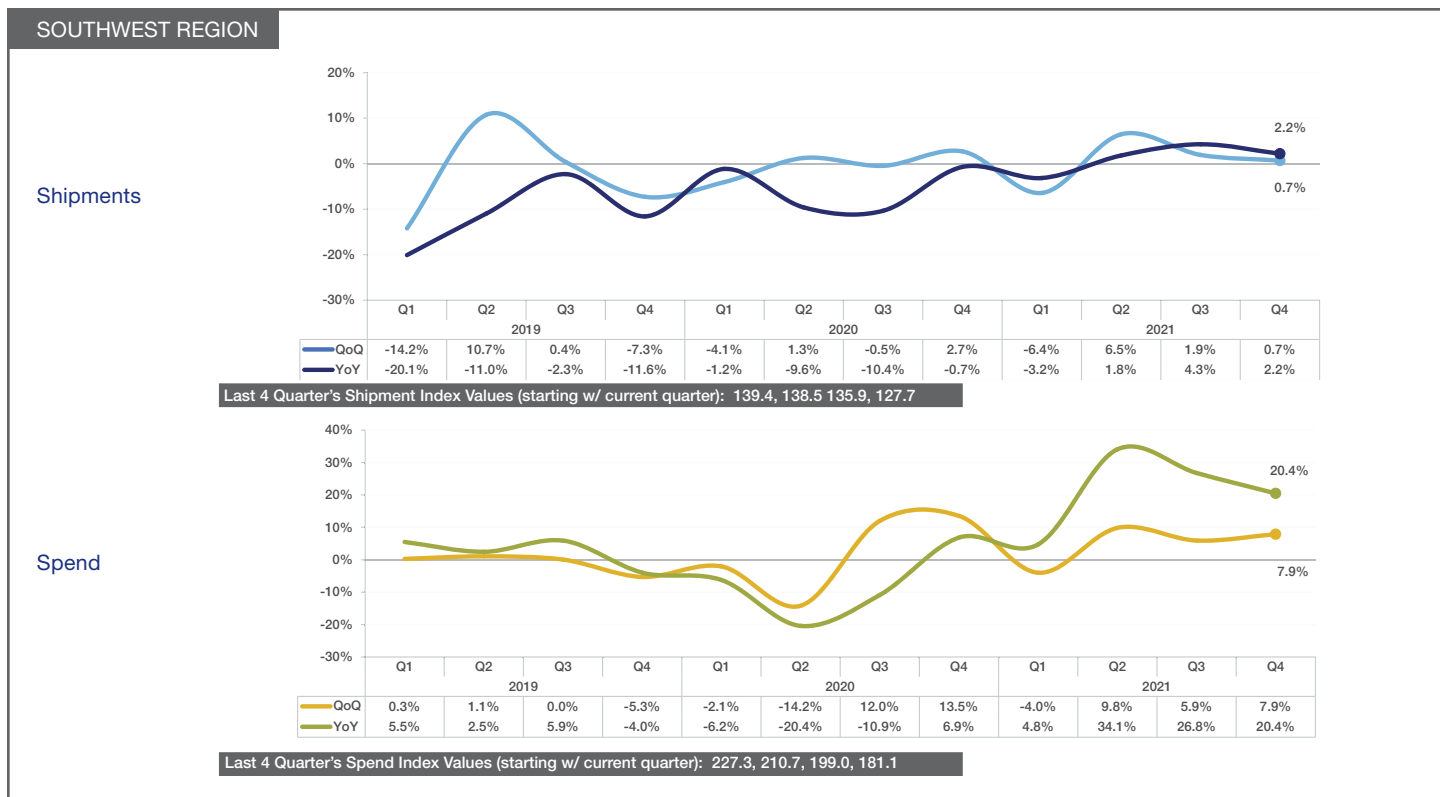
Despite the mixed volume activity, the West Regional Spend Index jumped 12% from the third quarter and 29% from a year earlier. The combination of limited capacity, higher freight rates and fuel surcharges pushed the spend index up in the West.

The West was the only region to post a double-digit increase in quarterly spending; its 29% year-over-year spending increase was more than 5% higher than the next best performing region.

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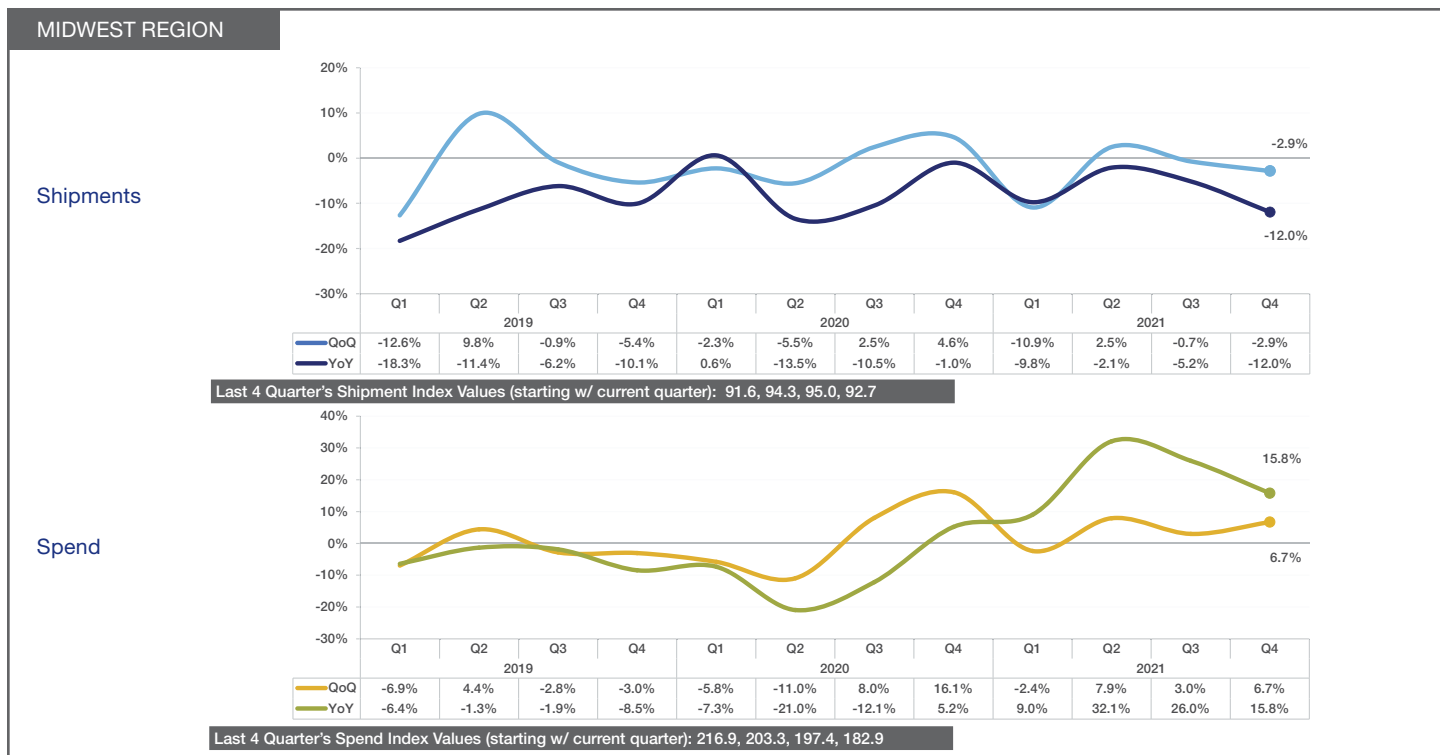
The Southwest Regional Shipments Index rose 0.7% sequentially during the final quarter. As a result, the level of shipments in this region during the final quarter reached the highest level since the third quarter of 2019. Compared with a year earlier, the volume metric rose 2.2%, which was the third straight year-over-year gain.

Fourth quarter spending was strong, highlighting the capacity crunch in the Southwest region and rising diesel fuel prices (resulting in higher fuel surcharges). The Southwest Regional Spend Index increased 7.9% from the third quarter and 20.4% from a year earlier.

According to preliminary data from the Energy Information Administration, crude oil production is increasing, especially in Texas. This added to the amount of truck freight in the Southwest region. Additionally, solid truck freight volumes between the U.S. and Mexico pushed freight levels higher in this region. On a year-over-year basis, truck entries from Mexico through Laredo, Texas, the largest land port in the U.S., were up roughly 9% in the quarter, according to Bureau of Transportation Statistics.³

The Southwest was the only region to see increases in shipments and spending, both on a quarterly and year-over-year basis.

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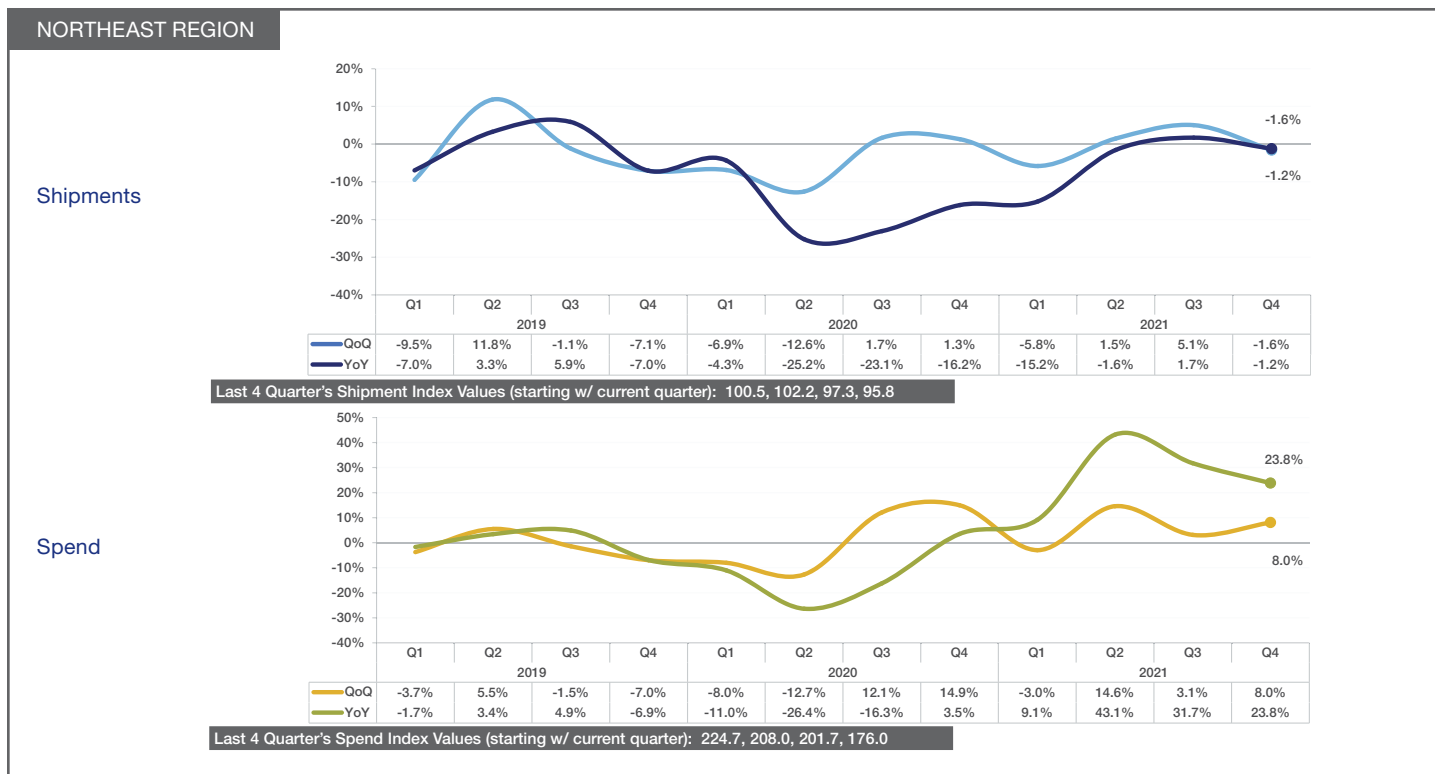


The Midwest region continued to see a tougher freight environment than all other regions during the final quarter of 2021. Specifically, the Midwest Regional Shipments Index contracted 2.9% from the third quarter, and 12% from the fourth quarter in 2020. Auto production challenges, due to supply constraints for microchips and other products, have reduced freight levels in this region.

Auto production challenges, plague freight levels in the Midwest.

Based on data from the Federal Reserve, auto production was off between 10% and 15% in the quarter compared with a year earlier.⁴ A drop in production of this size results in a huge impact to the freight components of the supply chain, from raw steel and aluminum to finished cars and trucks, and the parts for them as well.

Despite the slower freight environment, spending in the region for truck freight services was solid in the fourth quarter and 2021 overall. While the shipments index fell both sequentially and, on a year-over-year basis in the fourth quarter, the Midwest Regional Spend Index rose 6.7% from the third quarter and 15.8% from the final quarter in 2020.

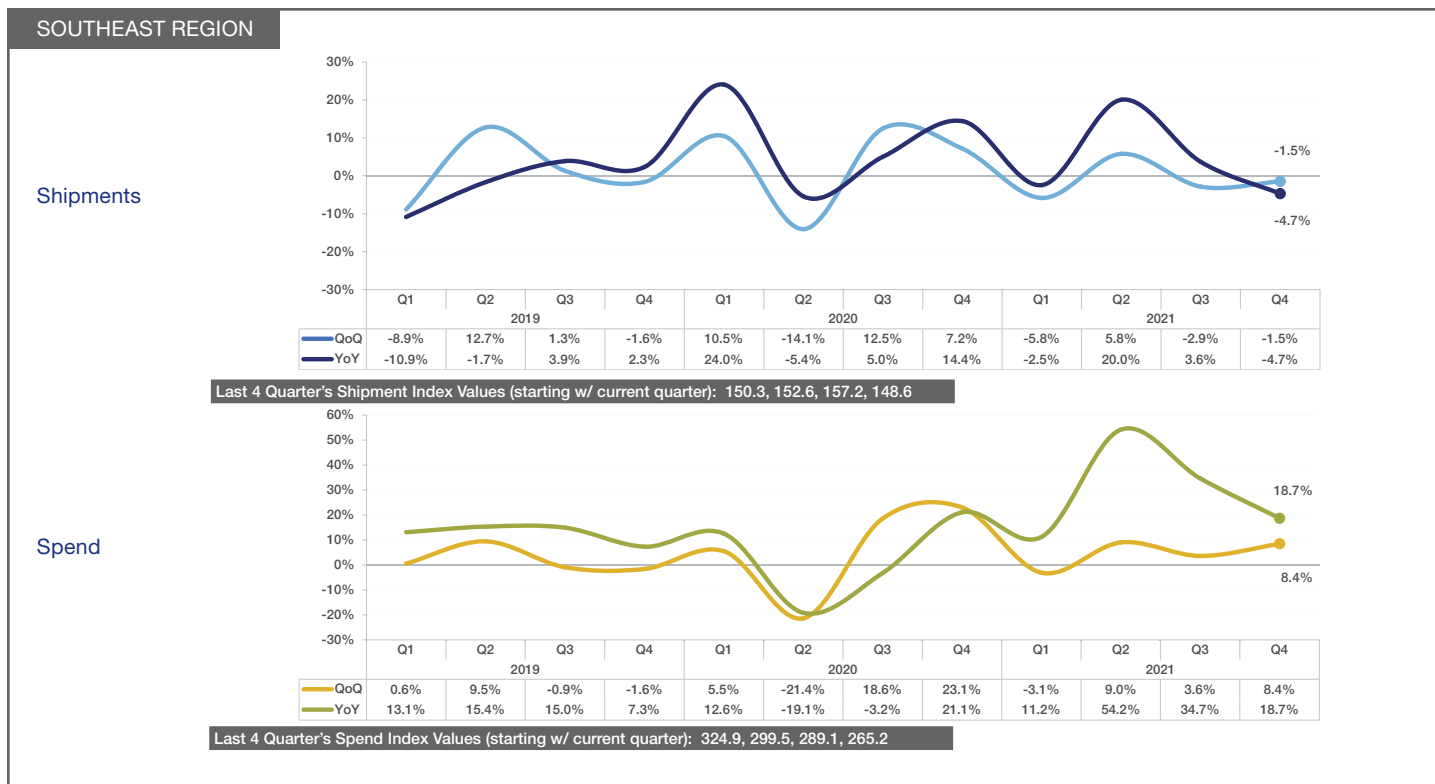


The Northeast region also saw a downturn in freight shipments in 2021. While falling 1.6% from the third quarter, the Northeast Regional Shipments Index was only down 1.2% from a year earlier. Solid household consumption of goods is helping truck shipments in the Northeast. According to the preliminary data from the Census Bureau, new housing starts fell nearly 4% from the third quarter to the fourth quarter but managed to grow roughly 2% from a year earlier.⁵

Tight capacity in the region propelled spending on truck freight services during the fourth quarter, increasing 8% over the third quarter to a record high. Compared with a year earlier, the Northeast Regional Spend Index increased 23.8%. The 2021 annual average for the spend index was 26.3% above the previous year.

Spending in the Northeast increased 23.8% versus the same quarter in 2020, the second highest jump across all five regions.

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The Southeast Regional Shipments Index saw truck freight shipments decline 1.5% compared with the third quarter. Compared with a year earlier, the index fell 4.7%, which was the first year-over-year drop since the first quarter, and the largest since the second quarter of 2020.

Compared with a year earlier, shipments in the Southeast fell 4.7%.

The Midwest is known for auto production, but there are also a significant number of automobile manufacturing or assembly facilities in the Southeast region, which impacts truck freight volumes there as well.

As with other regions, shippers are having to spend more to move freight in the Southeast. The Southeast Regional Spend Index was up 8.4% compared with the third quarter and 18.7% compared with the final quarter in 2020.

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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, with commentary provided by Bob Costello from the American Trucking Associations. 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 more than 22 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.

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.

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¹Energy Information Administration (EIA)

²U.S. Census Bureau Monthly Residential Construction

³Bureau of Transportation Statistics

⁴Federal Reserve: Industrial Production and Capacity Utilization

⁵U.S. Census Bureau Monthly Residential Construction