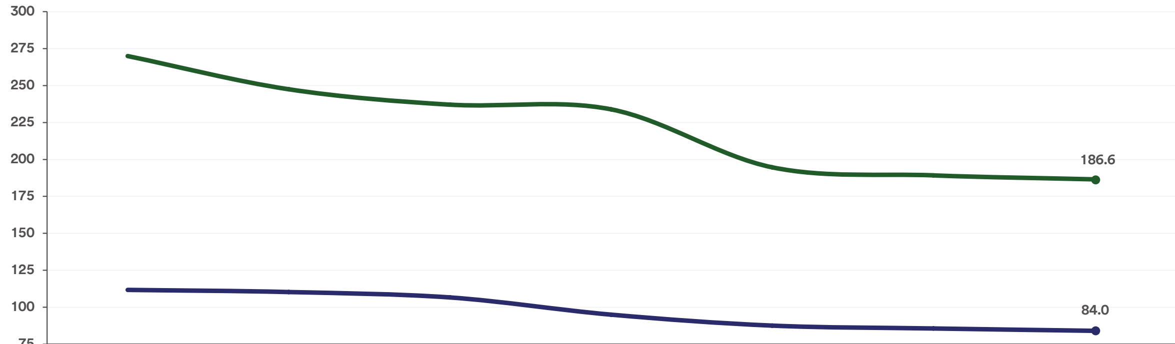
U.S. Bank Freight Payment Index™

Q3 2024

Q3 2024 national freight market overview



	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Spend	269.9	247.4	237.1	233.9	194.7	189.2	186.6
Shipments	111.7	110.3	106.6	95.0	87.5	85.6	84.0

Shipments	
Index value	84.0
Quarterly % change	-1.9% ▼
Yearly % change	-21.2% ▼

Spend	
Index value	186.6
Quarterly % change	-1.4% ▼
Yearly % change	-21.3% ▼

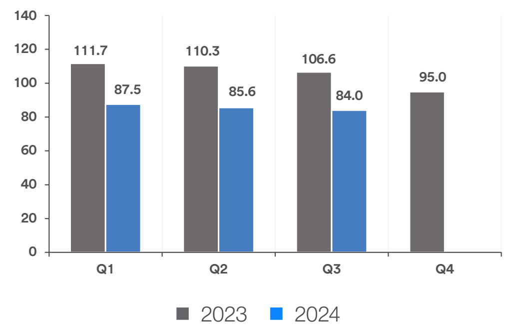
Despite some optimism that the truck freight market would begin to recover from continued downward pressure during the third quarter, the U.S. Bank national freight metrics showed that challenges remained for motor carriers with both shipments and spending softer during the third quarter of 2024. While there are positive signs for the freight market, these results are an indication that any recovery will be slow.

The freight market began to change significantly in late 2022 due to a slowdown in the goods-economy, including slowing household consumption of goods, home construction activity, and manufacturing output. The largest reductions in truck freight volumes were during the second half of 2023 and the first quarter of this year, with an average drop in shipments of 7.4% (quarter-to-quarter) over that period. The sequential declines continued in the third quarter of this year, with the U.S. Bank National Shipments Index decreasing 1.9% after a 2.2% drop in the second quarter. This is a much slower decline than late last year and earlier this year.

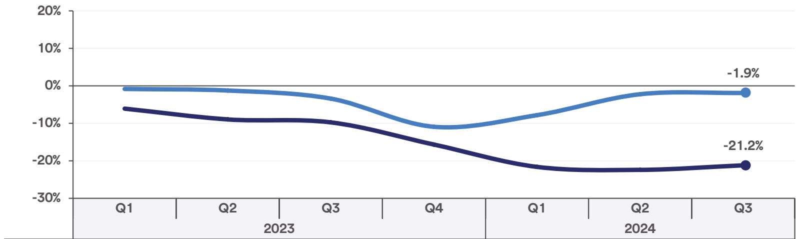
Even as real gross domestic product was expected to increase slightly above average, the U.S. manufacturing activity remained sluggish during the July through September period. Specifically, according to data published by the Federal Reserve, factory output contracted between 1% to 1.5% from the second to third quarter of the year.[1] Manufacturing activity is a large driver of truck freight, and it is a very high percentage of less-than-truckload volumes.[2] Much of the softness in the third quarter was in durable goods, which are big-ticket items with a useable life of at least three years, as production in this category saw a 2% to 2.5% drop from the second quarter.[3]

The declines in truck freight shipments and spend in Q3 were the smallest in the last six quarters, suggesting positive signs for truck freight, as well as indications that true market recovery will take time.

Shipments – index value

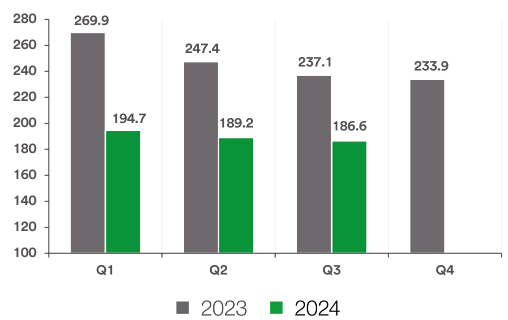


Shipments – % change

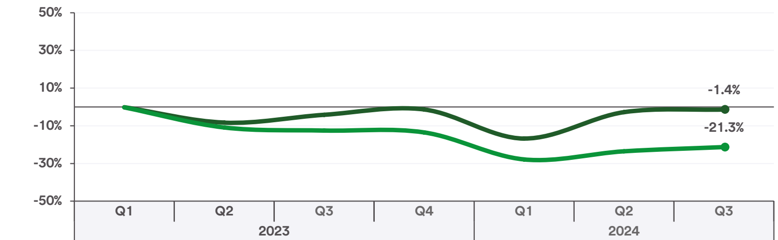


	Q1	Q2	Q3	Q4	Q1	Q2	Q3
		2023				2024	
QoQ	-0.8%	-1.2%	-3.4%	-10.9%	-7.8%	-2.2%	-1.9%
YoY	-6.1%	-9.0%	-9.7%	-15.7%	-21.6%	-22.4%	-21.2%

Spend – index value



Spend – % change



	Q1	Q2	Q3	Q4	Q1	Q2	Q3
		2023				2024	
QoQ	-0.2%	-8.3%	-4.2%	-1.4%	-16.8%	-2.8%	-1.4%
YoY	-0.3%	-10.9%	-12.5%	-13.5%	-27.9%	-23.5%	-21.3%

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

During the third quarter of 2024, the U.S. Bank National Shipments Index contracted 1.9% from the second quarter, marking the ninth consecutive decrease, but it was also the smallest drop in more than a year. Compared with a year ago, shipments were off 21.2%, one of the largest drops on record. The slowing rate of decrease over the last year suggests that the bottom in the freight market is near.

Drags on truck freight volumes in the third quarter included the previously mentioned softness in manufacturing activity. Other headwinds during the quarter included housing starts. According to the U.S. Census Bureau, total new housing units started during the quarter contracted between 5.5% to 6% from the second quarter across the country. Single-family home starts were off even more than the total, slipping nearly 10%.[4] Not only does home construction help freight volumes with construction materials (for example, lumber, shingles, drywall) but also furnishings, appliances, flooring and paint. One bright spot for freight was retail sales during the quarter. Excluding auto dealerships, gasoline stations, and restaurant sales, which gets closer to traditional retailers, sales rose nearly 2.5% from the second quarter and more than 4% from a year earlier.[5]

Meanwhile, the U.S. Bank National Spend Index contracted 1.4% from the second quarter and decreased 21.3% from a year earlier. In addition to lower shipment volumes, this metric was likely affected by lower diesel fuel prices. According to the Energy Information Administration, the national on-highway price of diesel fuel averaged 4.5% lower in the third quarter than in the second quarter.[6] However, this is an indication that there weren't severe freight rate reductions during the quarter.

> Despite a few market bright spots (stronger retail sales and declining diesel fuel prices), headwinds remain (softer manufacturing activity and contraction in housing starts) across much of the nation.

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

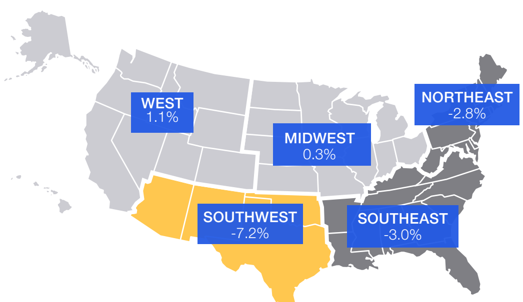
Regionally, the third quarter witnessed some stark differences in the amount of truck freight. Two regions, the Midwest and West, saw modest gains over second quarter shipment volumes, while the Northeast, Southeast and Southwest witnessed declines from the previous quarter. As with the National Shipments Index, most regions saw very large decreases in volumes late last year and early this year, which makes year-over-year comparisons difficult.[7]

However, all regions recorded double-digit drops in shipments compared with the third quarter in 2023, with the largest (-28.6) in the Southwest. The Northeast and Southeast regions also saw declines of greater than 23% over the same period. Spend by shippers was universally down compared with a year earlier in all the regions, but compared with the second quarter, it rose slightly in the Southwest (0.1%), and more significantly (4.4%) in the West.

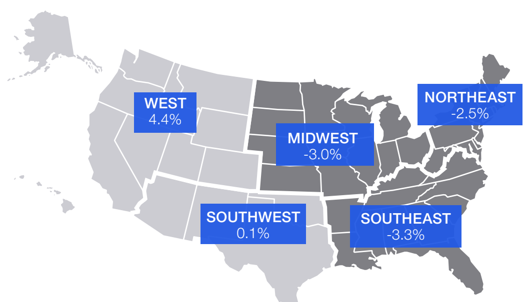
The interesting regional and national trend was that shipper spend was generally down on a year-over-year basis on the same or lower number of shipments. The average price of diesel fuel was off during the same period, which could account for lower spend and suggests that freight rates didn't erode further during the third quarter. Many factors can influence spend per shipment, including average length of haul, but based on the U.S. Bank data and anecdotal American Trucking Associations reports, it is likely that freight rates hit bottom in most regions.

> For the first time in the last six quarters, two of the five regions posted quarterly increases in shipment volumes and shipper spend in Q3.

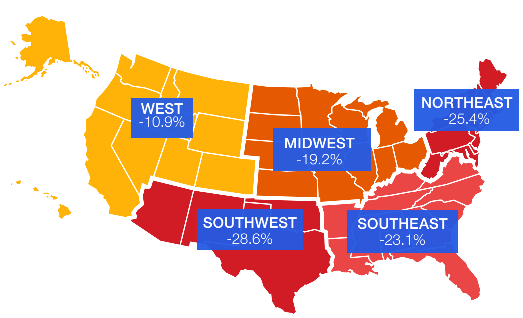
Shipments – regional quarter-over-quarter % change



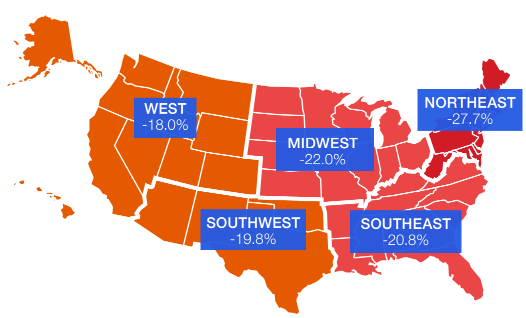
Spend – regional quarter-over-quarter % change

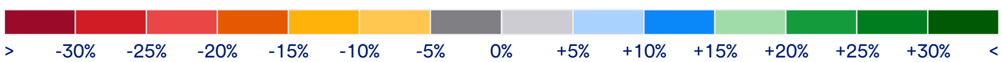


Shipments – regional year-over-year % change



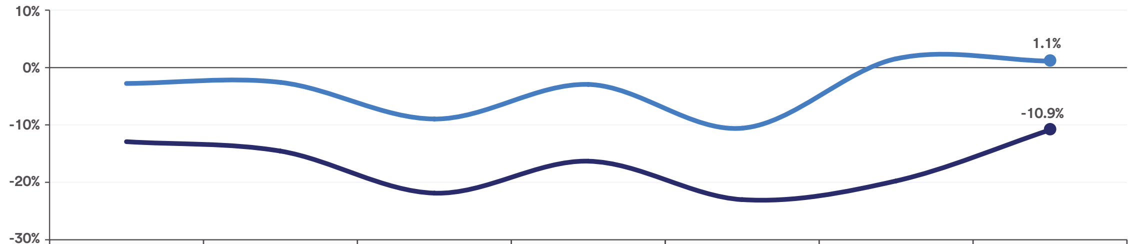
Spend – regional year-over-year % change





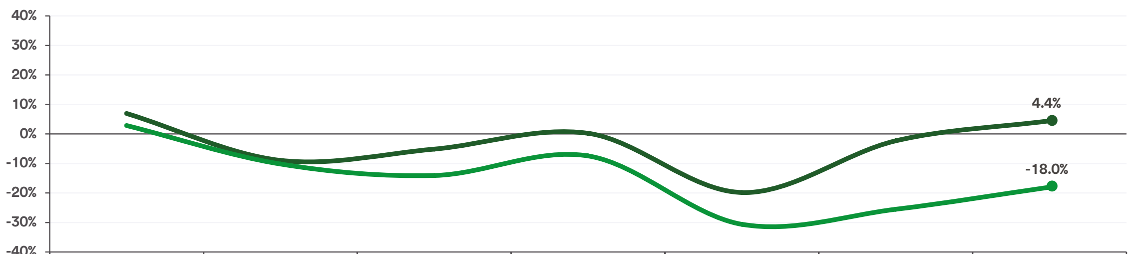
West regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **102.0, 100.9, 89.4, 109.6**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	-2.8%	-2.6%	-9.0%	-2.9%	-10.6%	1.5%	1.1%
YoY	-12.9%	-14.6%	-21.9%	-16.3%	-23.0%	-19.8%	-10.9%

Spend Last four quarterly values (starting w/ current quarter): **233.3, 223.4, 228.6, 285.3**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	6.9%	-9.0%	-5.1%	0.2%	-19.9%	-2.3%	4.4%
YoY	2.8%	-10.2%	-14.1%	-7.4%	-30.6%	-25.5%	-18.0%

The West region recorded its second straight sequential gain in shipment volumes during the third quarter. Volumes have not risen in this region for consecutive quarters since the pandemic and international trade boom in 2021. Specifically, the U.S. Bank West Regional Shipments Index was up 1.1% in Q3 after rising 1.5% in the second quarter. Still, volumes were off 10.9% compared with the third quarter in 2023, the smallest drop in seven quarters.

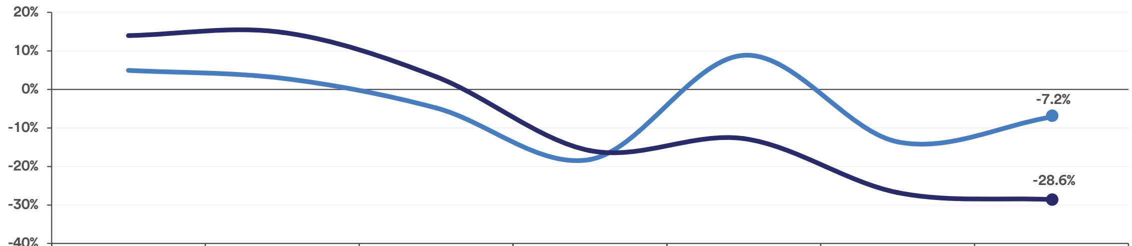
Helping freight volumes in the West region were stronger container imports to West Coast seaports. Retailers worked to replenish inventories that had fallen below normal levels, which helped imports. Additionally, in preparation for a potential East Coast and Gulf Coast port workers strike, some shippers moved imports from the East Coast to the West Coast during the quarter. West Coast seaports reported sequential gains in import containers of roughly 6% in July and 4% in August, which sustained truck freight activity. At the land port of entry in San Diego, inbound truck volumes from Mexico were up 2% in July over the second quarter average.[8] Conversely, a greater than 9% drop in housing starts from the second to third quarters was a drag on truck freight in the region.[9]

Shippers spent 4.4% (U.S. Bank West Regional Spend Index) more to move 1.1% more freight in the West during the third quarter compared with the previous quarter. This larger gain in outlays suggests that freight rates rose in the region in Q3. Despite enough truck capacity nationwide, due to the increase in volumes in the West, there was likely an imbalance in the region.

> Strong import volumes at coastal seaports and land ports of entry led to the West being the only one of the five regions to post gains in quarterly shipments and spend in Q3.

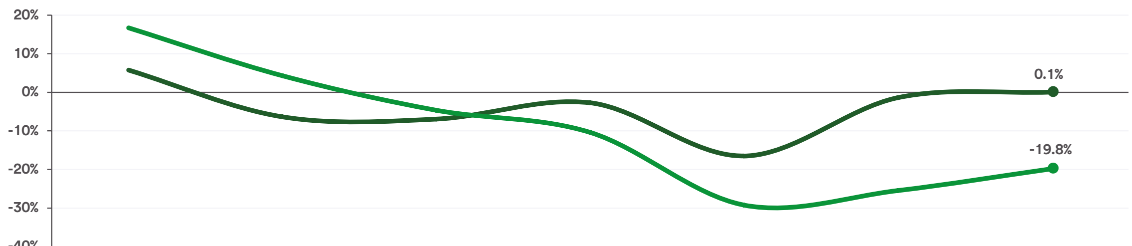
Southwest regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **108.9, 117.3, 135.8, 124.7**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	5.0%	2.9%	-4.8%	-18.2%	8.9%	-13.6%	-7.2%
YoY	14.0%	14.8%	3.3%	-15.9%	-12.8%	-26.8%	-28.6%

Spend Last four quarterly index values (starting w/ current quarter): **200.8, 200.7, 203.4, 243.6**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	5.7%	-6.4%	-7.0%	-2.7%	-16.5%	-1.4%	0.1%
YoY	16.7%	4.3%	-4.6%	-10.4%	-29.2%	-25.5%	-19.8%

Freight levels in the Southwest, including Texas, New Mexico, Oklahoma and Arizona, continued to erode during the third quarter, as the U.S. Bank Southwest Regional Shipments Index dropped 7.2% from the second quarter, which was in addition to the 13.6% drop the previous quarter. The year-over-year decline was 28.6% in the third quarter, the largest of the five regions.

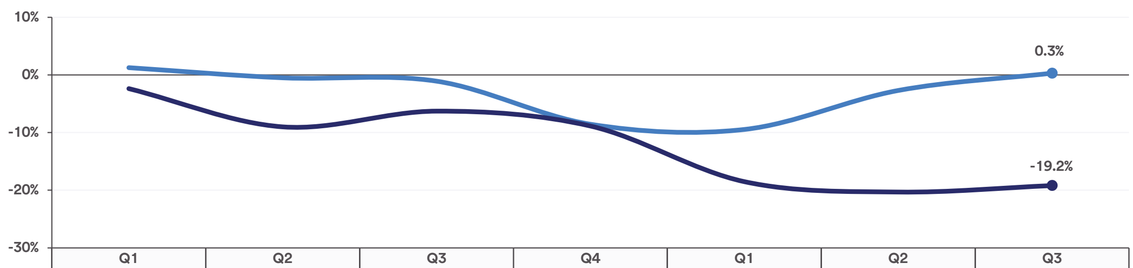
According to the Federal Reserve's Beige Book for economic activity in part of the third quarter, manufacturing activity was flat in Texas, while Hurricane Beryl caused power and factory production outages temporarily, likely hurting truck volumes.[10] Furthermore, retail sales declined modestly in the region due to storms and softer consumer demand.[11] Freight levels in the region were also hurt by soft home construction, with housing starts falling more than 10% compared with the second quarter.[12]

Truck freight imports from Mexico through the Laredo, Texas, port of entry were flat in Q3 as well.[13] Despite the large drop in volumes, the U.S. Bank Southwest Regional Spend Index rose 0.1% during the quarter, the first increase since the first quarter of 2023, an indication that overall, rates held firm in the region.

Flat cross-border trade with Mexico and softer manufacturing output in the region led to the Southwest posting the largest regional quarterly and yearly declines in shipments and spend in Q3.

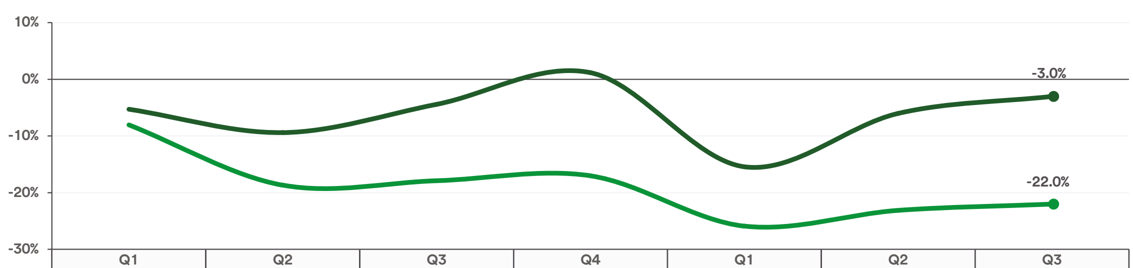
Midwest regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **68.9, 68.7, 70.6, 78.0**



	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
QoQ	1.3%	-0.5%	-1.1%	-8.6%	-9.5%	-2.7%	0.3%
YoY	-2.4%	-9.0%	-6.3%	-8.9%	-18.5%	-20.3%	-19.2%

Spend Last four quarterly index values (starting w/ current quarter): **138.6, 142.9, 152.1, 179.8**



	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
QoQ	-5.3%	-9.4%	-4.4%	1.2%	-15.4%	-6.0%	-3.0%
YoY	-8.0%	-18.7%	-17.9%	-17.0%	-25.9%	-23.1%	-22.0%

For the first time since Q1 2023, the U.S. Bank Midwest Regional Shipments Index increased sequentially, albeit a modest 0.3%. Housing starts in the Midwest helped truck freight shipments in the quarter, as total starts were up roughly 7.5% and single-family starts were up more than 10%.[14] Conversely, manufacturing activity in the region was flat to down, according to the latest Beige Book.[15]

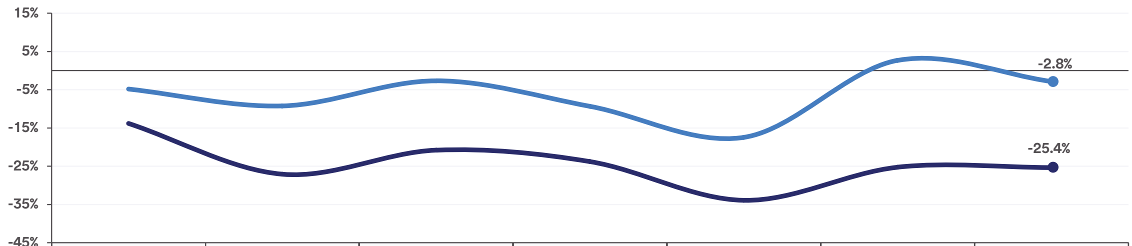
The Fed also reported that non-auto retail sales in the region were flat. Even with the small gain in volumes from the second quarter, shipments fell more than 19% from a year earlier. This was the third straight year-over-year decrease of at least 19%.

Despite the modest increase in shipments from the second quarter, the U.S. Bank Midwest Regional Spend Index fell 3% over the same period. This was the third straight decline including a 15.4% drop in the first quarter of the year. Compared with a year ago, spend in the region was down 22% as the result of a large drop in shipment volumes over the same period. There are indications of some freight rate softness in the region as well as a decline in fuel surcharges.

After five straight quarters of shipment volume declines, robust housing start activity helped propel the Midwest region to its first quarterly gain in shipments since the first quarter of 2023.

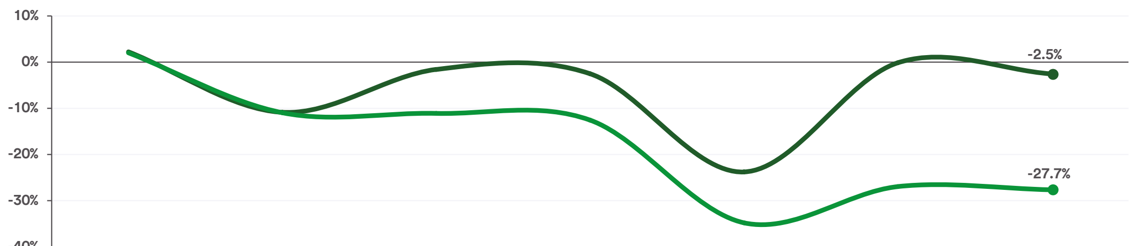
Northeast regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **56.1, 57.7, 56.7, 68.1**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	-4.8%	-9.2%	-2.7%	-9.4%	-17.5%	2.7%	-2.8%
YoY	-13.8%	-27.1%	-20.8%	-23.8%	-33.9%	-25.2%	-25.4%

Spend Last four quarterly values (starting w/ current quarter): **149.6, 153.5, 153.7, 201.7**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	2.2%	-10.9%	-1.6%	-2.5%	-23.8%	-0.1%	-2.5%
YoY	2.0%	-11.0%	-11.1%	-12.5%	-34.8%	-26.9%	-27.7%

After increasing 2.7% in the second quarter, the U.S. Bank Northeast Regional Shipments Index contracted 2.8% in the third quarter. Additionally, shipments in the Northeast were down 25.4% from a year earlier. Only the Southwest region saw a larger year-over-year decline during the third quarter. While volumes fell in the quarter, an emerging positive development was the Census Bureau residential construction activity report, including single-family homes and multi-family units, which increased significantly over both the second quarter of the year and a year earlier.[16]

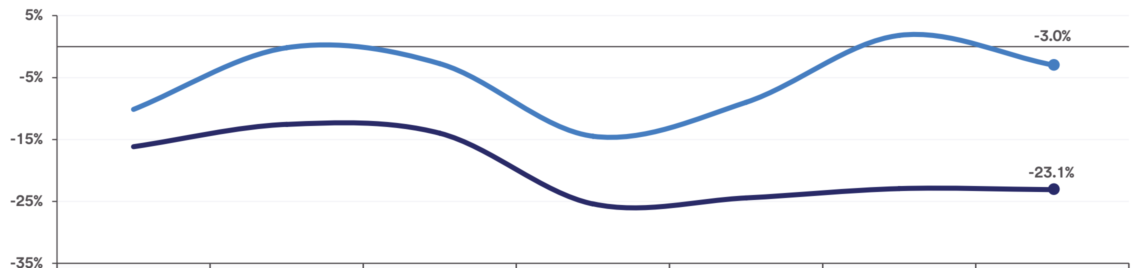
Despite weakness overall in the region for motor carriers, there were pockets of strength. Better residential construction activity was countered by softness at the retail level, with lower retail sales in July and early August.[17] Manufacturing activity in the region was mixed last month, with flatter factory production, but declining orders.[18]

Contracting volumes led to falling outlays for shippers during the quarter, with the U.S. Bank Northeast Regional Spend Index down 2.5% from the second quarter and 27.7% from a year earlier. Like most other regions, much of the decrease was due to fewer shipments, with some downward impacts from falling diesel prices as well.

Soft retail sales and flat factory production outweighed strong housing starts in the Northeast, which led to the largest year-over-year spending decline of the five regions.

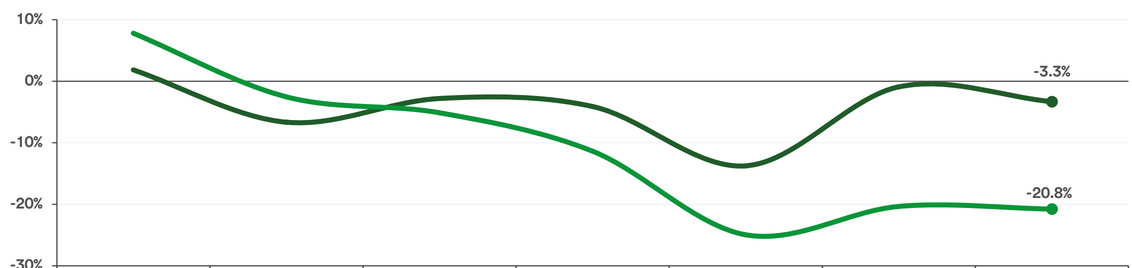
Southeast regional shipments and spending – quarter-over-quarter, year-over-year

Shipments Last four quarterly index values (starting w/ current quarter): **90.3, 93.1, 91.4, 100.4**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	-10.1%	-0.2%	-2.7%	-14.5%	-9.0%	1.8%	-3.0%
YoY	-16.1%	-12.6%	-14.0%	-25.4%	-24.4%	-22.9%	-23.1%

Spend Last four quarterly index values (starting w/ current quarter): **248.1, 256.7, 259.0, 300.4**



	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
QoQ	1.8%	-6.7%	-2.8%	-4.1%	-13.8%	-0.9%	-3.3%
YoY	7.8%	-2.5%	-5.1%	-11.4%	-25.0%	-20.3%	-20.8%

After a 1.8% second-quarter shipment gain, the U.S. Bank Southeast Regional Shipments Index contracted 3% in the third quarter of 2024. Compared with a year earlier, shipments in the Southeast contracted 23.1%, the fourth straight quarter with volumes down more than 22.9%.

Similar to the Southwest region, a sharp drop in housing activity in the Southeast was one of the reasons for truck freight softness in the region, with a decline of more than 10% from the second quarter.[19] Additionally, according to the Federal Reserve, consumer spending and manufacturing activity were both soft in Q3, which hurt truck freight levels in the region.[20] And while seaport activity was generally up in the Southeast region, it wasn't enough of a lift to offset other difficulties in freight.[21]

As freight softened, so too did shipper outlays for truck transportation. Specifically, the U.S. Bank Southeast Regional Spend Index contracted 3.3% from the second quarter and 20.8% from a year earlier. Most of this drop was simply from falling volumes, coupled with lower fuel costs. Because diesel fuel prices were down, and spending fell about the same as volumes, it suggests freight rates did not slide further in the region during the quarter.

Drops in housing activity, manufacturing output and consumer spending led to a 3.0% decline in Southeast region shipments in Q3, after posting a 1.8% gain in the second quarter.

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 more than 25 years, organizations have turned to U.S. Bank Freight Payment for the service, reliability and security of a federally regulated financial institution and payments provider. 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.

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 to the U.S.-Mexico-Canada Agreement (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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usbank.com/transportation-solutions/freight

[1]Based on July and August 2024 factory output data published by the Federal Reserve. Data is not seasonally adjusted. It is better to look at volumes that are not seasonally adjusted, as U.S. Bank data is seasonally adjusted.

[2]U.S. Bank indexes include both truckload and less-than-truckload freight volumes.

[3]Based on production data from the Federal Reserve. Data is not seasonally adjusted.

[4]Based on home construction data from the U.S. Census Bureau. Data is not seasonally adjusted.

[5]Based on retail sales data from the U.S. Census Bureau. Data is not seasonally adjusted and not adjusted for price changes.

[6]This metric was also down 13% from the third quarter in 2023. Data is from U.S. Energy Information Administration.

[7]"Difficult" meaning that volumes were off sharply due to large decreases in previous quarters, not necessarily the current one.

[8]Data is from U.S. Customs and Border Protection report.

[9]Preliminary July and August 2024 housing starts data in the West published by the U.S. Census Bureau. Data is not seasonally adjusted.

[10]The Beige Book: Summary of Commentary on Current Economic Conditions by the Federal Reserve District. *Federal Reserve (Bank of Dallas).* 4 September 2024.

[11]The Beige Book: Summary of Commentary on Current Economic Conditions by the Federal Reserve District. *Federal Reserve (Bank of Dallas).* 4 September 2024.

[12]Based on July and August 2024 not-seasonally-adjusted housing starts data from the U.S. Census Bureau. Data includes all of the south, not just the Southwest.

[13]The Laredo sector is by far the largest land port of entry on the U.S.-Mexico border. Based on US. Department of Transportation Statistics Border Crossing Data. Data is for July 2024 compared with the second quarter average.

[14]Based on preliminary July and August 2024 data from the U.S. Census Bureau. Data is not seasonally adjusted.

[15]The Beige Book: Summary of Commentary on Current Economic Conditions by the Federal Reserve District. *Federal Reserve (Banks of Chicago and St. Louis).* 4 September 2024.

[16]Based on July and August 2024 housing starts data in the Northeast published by the U.S. Census Bureau. Data is not seasonally adjusted.

[17]The Beige Book: Summary of Commentary on Current Economic Conditions by the Federal Reserve District. *Federal Reserve (Bank of Boston).* 4 September 2024.

[18]The Beige Book: Summary of Commentary on Current Economic Conditions by the Federal Reserve District. *Federal Reserve (Bank of New York).* 4 September 2024.

[19]Based on July and August 2024 housing starts data from the U.S. Census Bureau. Data includes all of the south, not just the Southeast, and is not seasonally adjusted.

[20]The Beige Book: Summary of Commentary on Current Economic Conditions by the Federal Reserve District. *Federal Reserve (Banks of Richmond and Atlanta).* 4 September 2024.

[21]Based on data from U.S. Department of Transportation Bureau of Transportation Statistics - TEU Monthly Container Report..

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