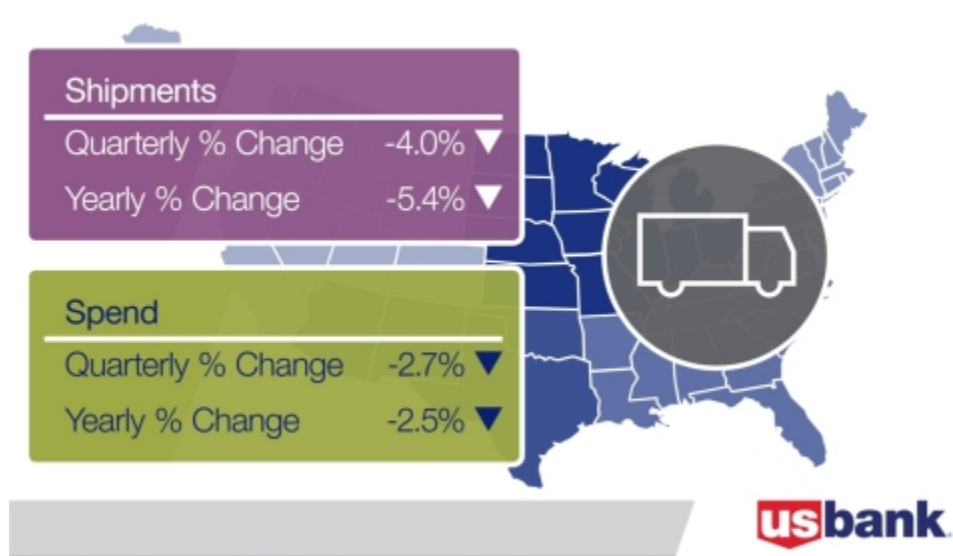


U.S. Bank Freight Payment Index: Shipping, Spending Down in Q4; Spending in 2019 up 3.4% YoY

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MINNEAPOLIS--(BUSINESS WIRE)--Jan. 22, 2020-- The [U.S. Bank Freight Payment Index](#), a quarterly analysis of freight shipment volumes and spending by organizations that ship goods, ended 2019 on a soft note, with both volumes and spending falling in the fourth quarter. However, thanks to strong second and third quarters, spending in 2019 overall was up 3.4% from 2018.

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The softer quarter was due to weaker economic activity and difficult comparisons from a strong fourth quarter in 2018. The indexes reflect that parts of the economy, like manufacturing activity, are currently under duress.

Shipment Index

The U.S. Bank National Shipment Index fell 4% in the fourth quarter after increasing a total of 10% in the second and third quarters. The international trade environment certainly played a part. While there has been progress between the U.S. and China in de-escalation of the trade war, irregular trade volumes hurt truck freight movement.

There are several reasons for the decline in shipping in 2019:

- Factory output is contracting as factories see softening demand for their exports and slowing investment

U.S. Bank Freight Payment Index – Q4 2019 (Graphic: U.S. Bank)

spending as businesses wait out uncertainty about future trade relations.

- The U.S. is importing less from China. Anticipating tariffs to go into effect in mid-December, a number of retailers ordered goods, and we saw a small spike in shipments, but as the economy slowed down (combined with the international trade situation), shipping capacity and inventory remained out of balance.
- In anticipation of a large number of shipments, truck sales spiked, but due to the economic slowdown and trade policy issues, supply exceeded demand. Freight levels will likely remain sluggish into the second quarter of 2020 as companies continue to work down inventories and the truck supply comes into balance.

Spend Index

The U.S. Bank National Spend Index in the final quarter of 2019 was lower as compared to Q3 2019 and compared to 2018 overall, falling 2.7% vs. the fourth quarter of 2018 and 2.5% when compared to Q3 2019.

There are several reasons for the decline in spending:

- [The fourth quarter of 2018 was an extremely strong quarter](#), with spending up 7.2% (a difficult comparison).
- The combination of lower contract rates and lower spot market pricing for freight contracts (both reflect the amount shippers of goods pay trucking companies) caused spending to fall. In other words, shippers didn't need to ship as many truckloads of goods and asked for rate decreases from truckers (and therefore spent less). The combination of fewer shipments and less spending to ship those goods resulted in the decline in the spending index.

Regional Data

- **Southeast:** For the full-year 2019, this region saw a relatively small 1.6% decline in the shipments index and a 12.6% surge in the regional spend index. Construction activity, especially in housing, has picked up, which has helped both shipments and spending.
- **West:** Compared with 2018, shipments were down just 2.1%, while spending was up 6.4% for all of 2019. This region saw solid gains in housing starts in the fourth quarter, but imports into West Coast ports saw large declines on a year-over-year basis.
- **Midwest:** Shipments fell 5.4% in Q4, and spending contracted 3% (vs. Q3 2019). Throughout 2019, the agriculture sector was plagued with weaker exports due to tariffs on U.S. farming products to China, and the manufacturing sector decelerated throughout the year.

- **Northeast:** The shipments index contracted 7.1% in Q4 vs. Q3 2019, and spending decreased 7% during the same period. Housing starts fell double digits from the previous quarter, and early winter storms hurt construction activity, as well as trucking generally.
- **Southwest:** Shipments contracted 7.3% in Q4 (vs. Q3) to the second lowest level in 2019, and spending contracted 5.3% for the same period. This region witnessed a difficult quarter for trucking activity during the final quarter in 2019.

"I think it's remarkable that overall spend was up on a full-year basis for 2019," said Bob Costello, senior vice president and chief economist for the American Trucking Associations. "It shows great resiliency given the challenging freight environment. Even though the U.S. economy is not in a recession, the factory sector is, and it's absolutely impacting truck freight volumes and spending. But there are some bright spots. The U.S. has taken the first steps of an agreement with China, and spending is up in some parts of the U.S. due to a surge in construction activity."

"Although we've seen some slowdown, we will be looking for inventory levels to even out and the trucking supply to come back into balance," said Bobby Holland, U.S. Bank vice president and director of Freight Data Solutions.

To see the full report including in-depth regional data, visit the [U.S. Bank Freight Payment Index website](#).

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 U.S. Bank Freight Payment Index measures quantitative changes in freight shipments and spend activity based on data from transactions processed through [U.S. Bank Freight Payment](#). The business processed more than \$28.8 billion in 2019 for some of the world's largest corporations and government agencies.

About U.S. Bank

U.S. Bancorp, with 74,000 employees and \$495 billion in assets as of Dec. 31, 2019, is the parent company of U.S. Bank National Association, the fifth-largest commercial bank in the United States. The Minneapolis-based bank blends its relationship teams, branches and ATM network with mobile and online tools that allow customers to bank how, when and where they prefer. U.S. Bank is committed to serving its millions of retail, business, wealth management, payment, commercial and corporate, and investment services customers across the country and around the world as a trusted financial partner, a commitment recognized by the Ethisphere Institute naming the bank a 2019 World's Most Ethical Company. Visit U.S. Bank at [usbank.com](#) or follow on social media to stay up to date with company news.

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