

Economic & Trucking Update

February 2020

Food Shippers of America

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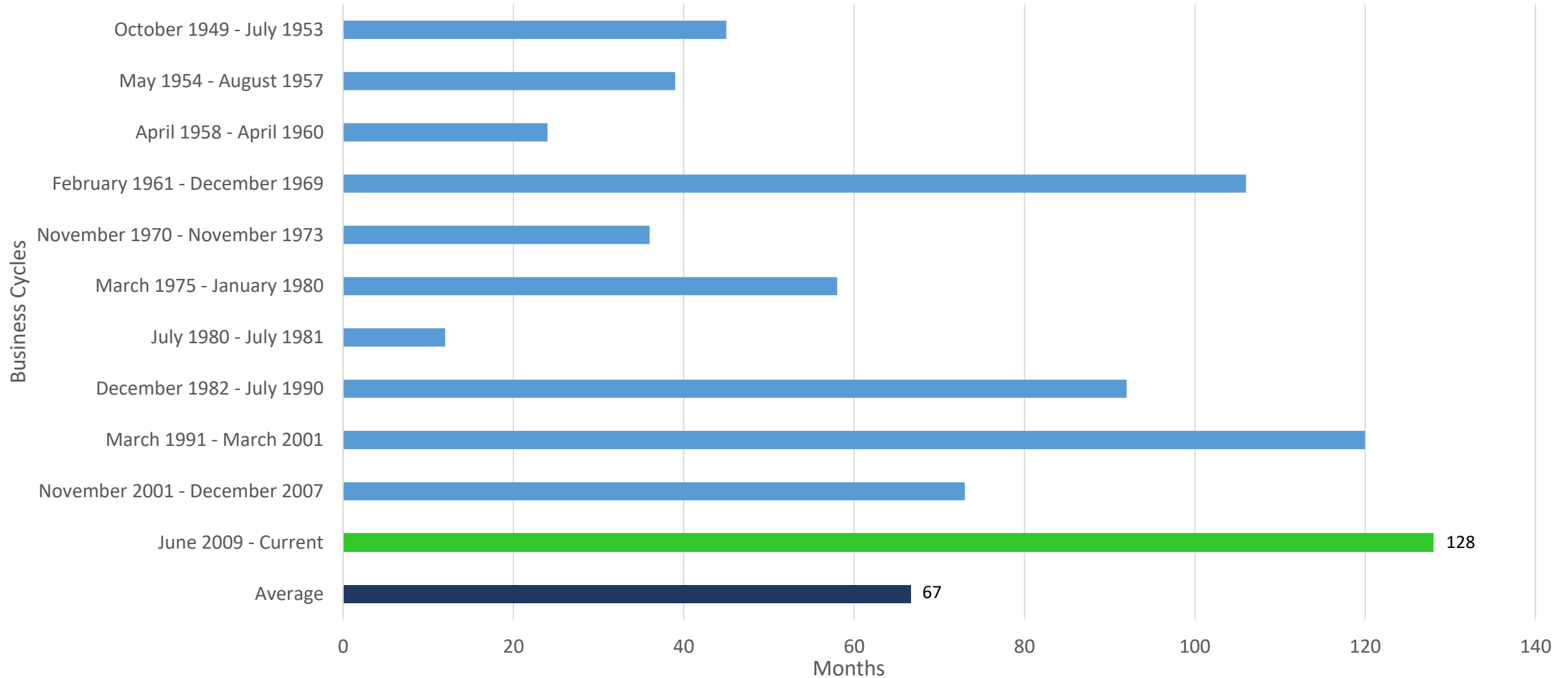
@ATAEconBob



Economic Forecast Highlights

- Economic expansion is the longest in history, but growth continues to moderate.
- GDP growth slows to 2.1% in 2020 from 2.9% in 2018 and 2.3% in 2019.
- Consumer fundamentals remain good, including a solid job market. Retail sales at high levels, but growth continues to slow this year.
- Housing starts are picking up and 2020 starts will reach the highest level in over a decade.
- Manufacturing sector is in a recession, but output will post some growth in the second half of the year if China meets their U.S. factory import commitments.
- After reducing interest rates three times in 2019, Federal Reserve will remain on pause in 2020 – Unless growth weakens from external factors.
- Threats: Coronavirus and election year concerns.

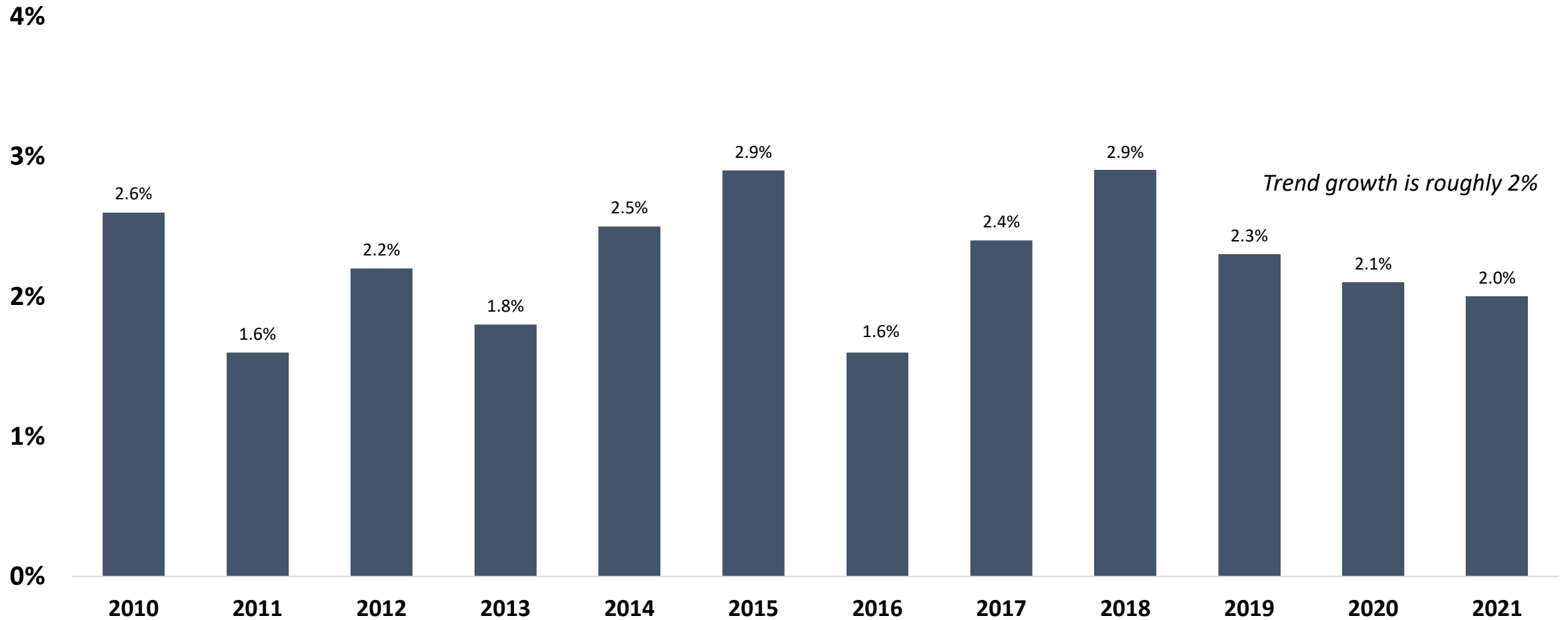
U.S. Expansions Duration



Sources: National Bureau of Economic Research and ATA



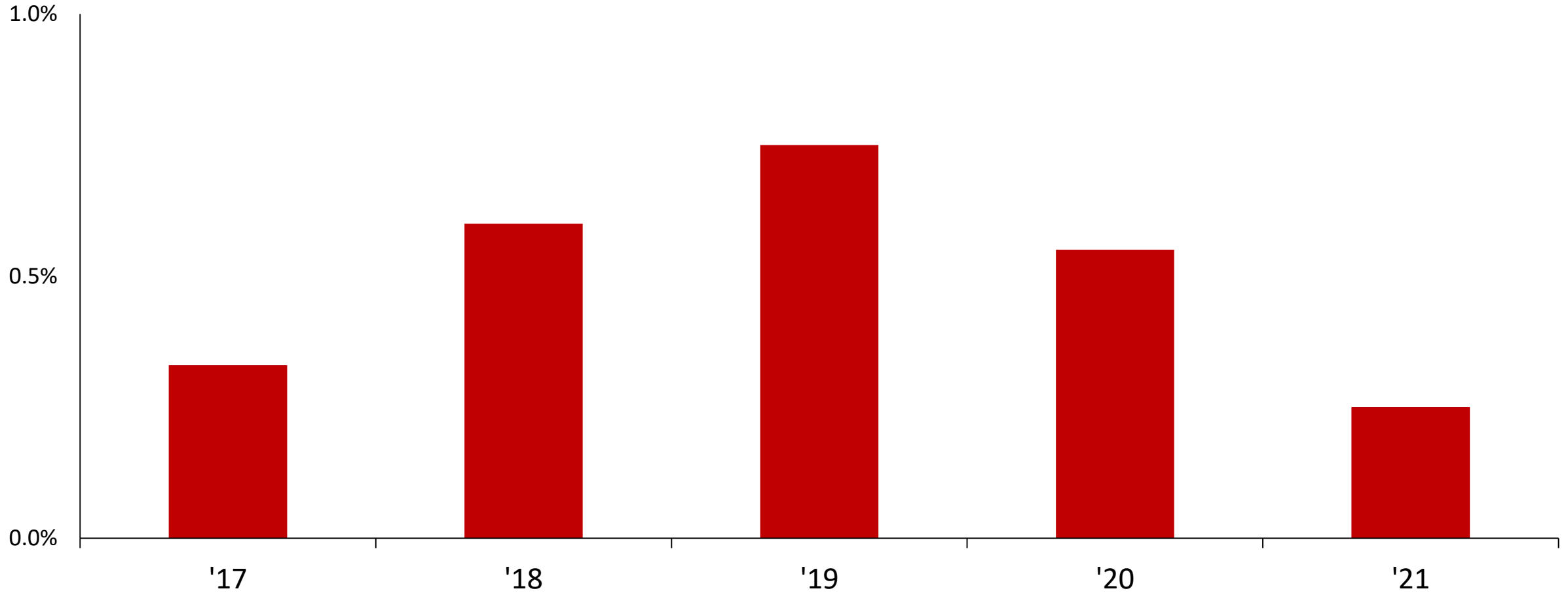
Real Gross Domestic Product Growth



Sources: BEA & ATA

Federal Fiscal Stimulus

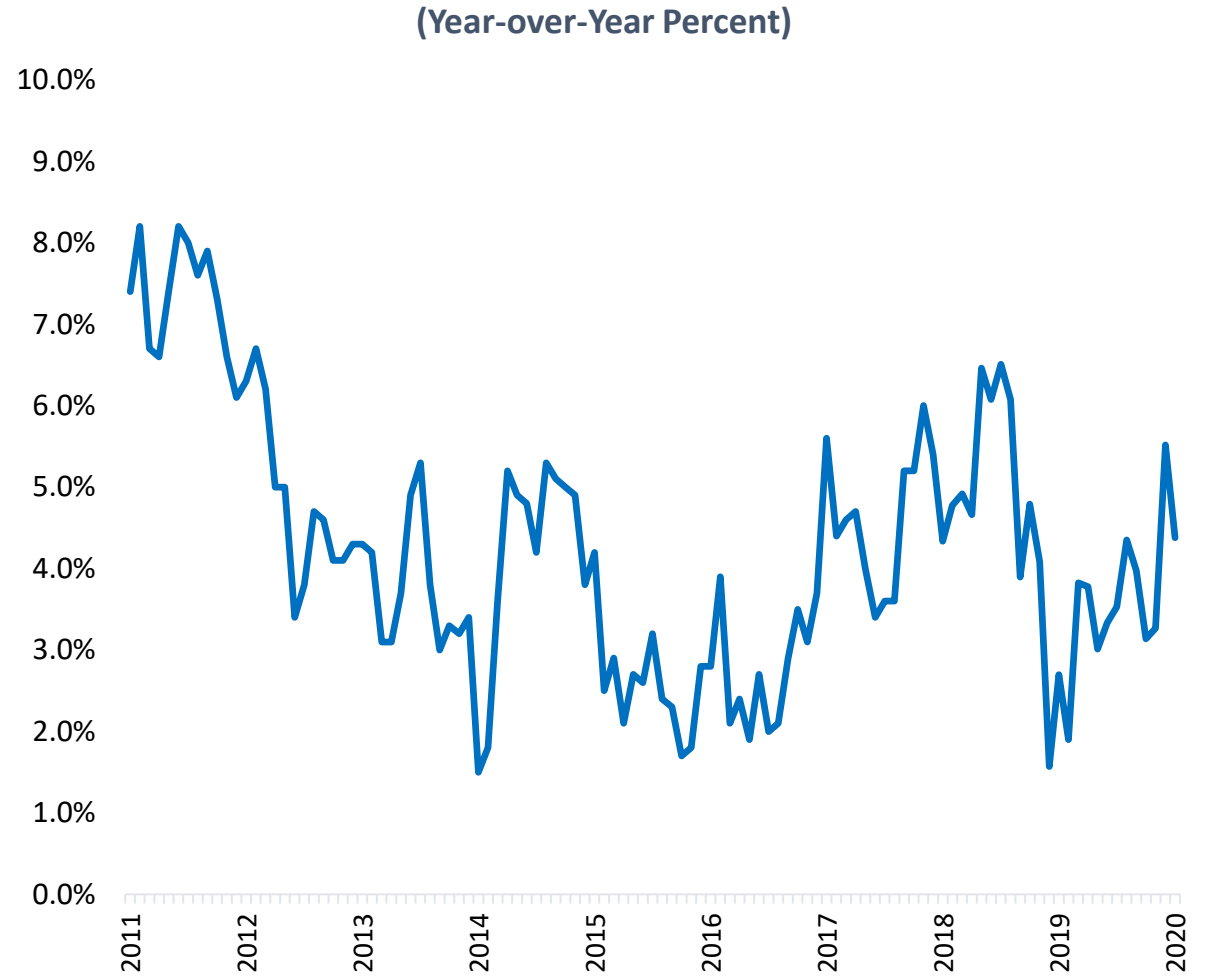
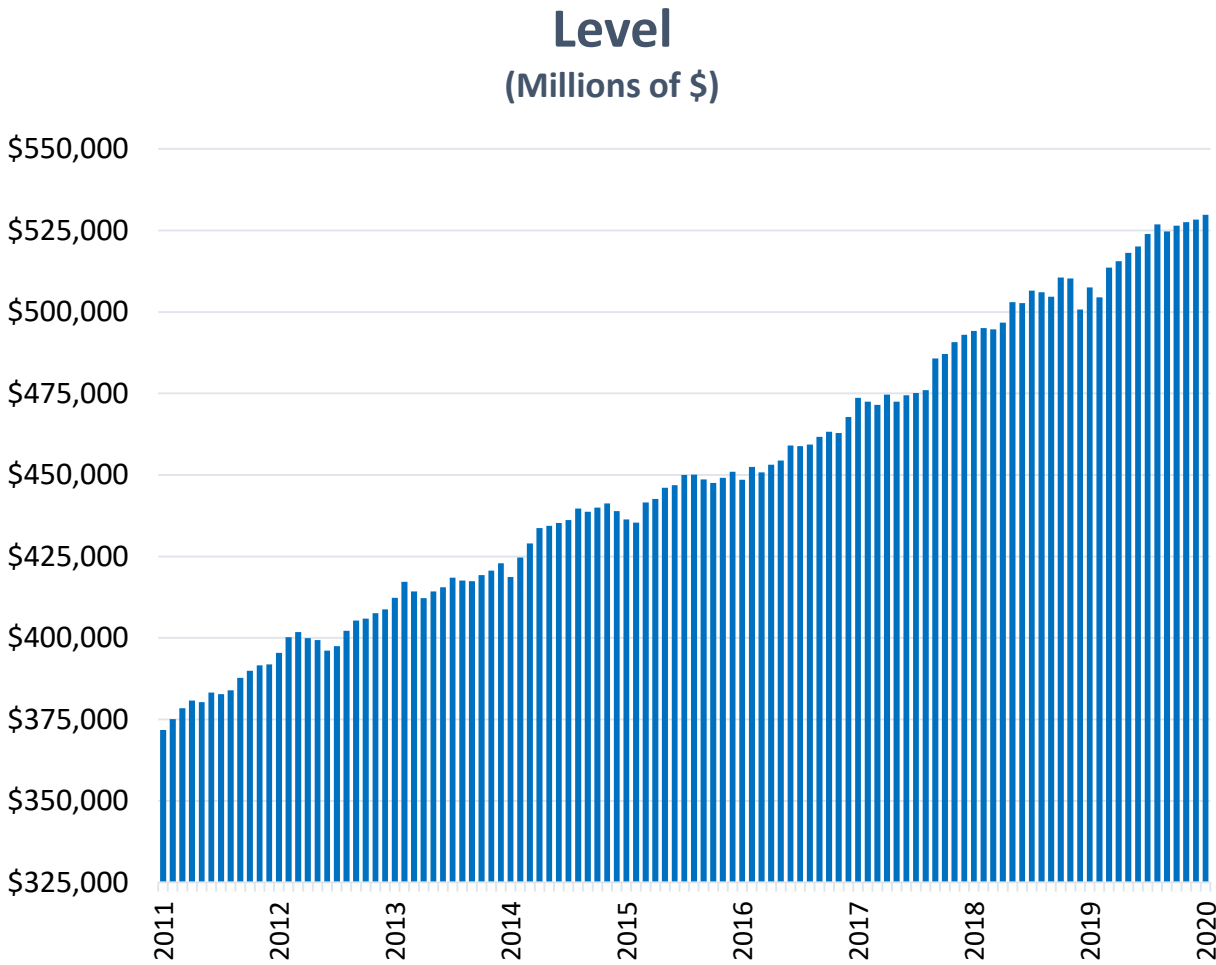
Contributions to 4-Qtr %
Change of Real GDP



Source: IHS Markit

Drivers of Truck Freight

Retail Sales



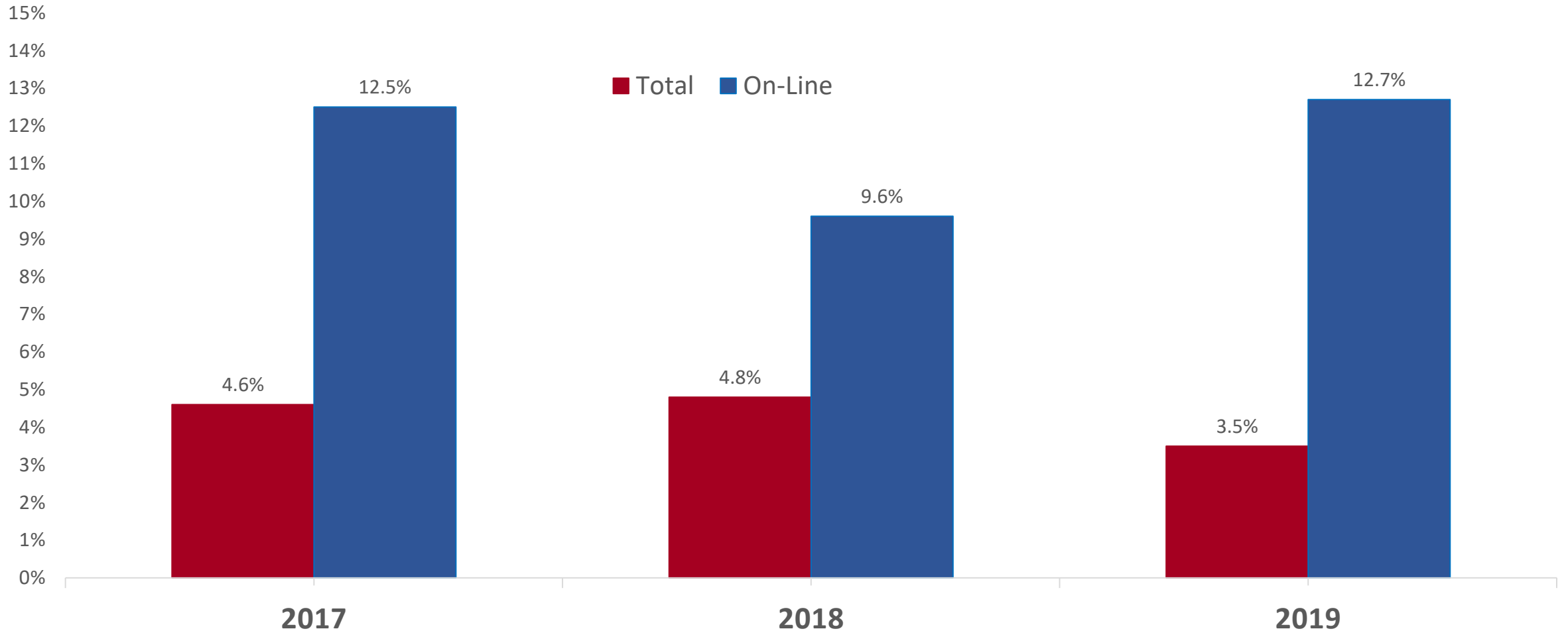
Sources: Census Bureau & ATA

	Avg 2010-15	2016	2017	2018	2019	2020
Sales Growth	4.7%	2.9%	4.7%	4.9%	3.5%	3.0%



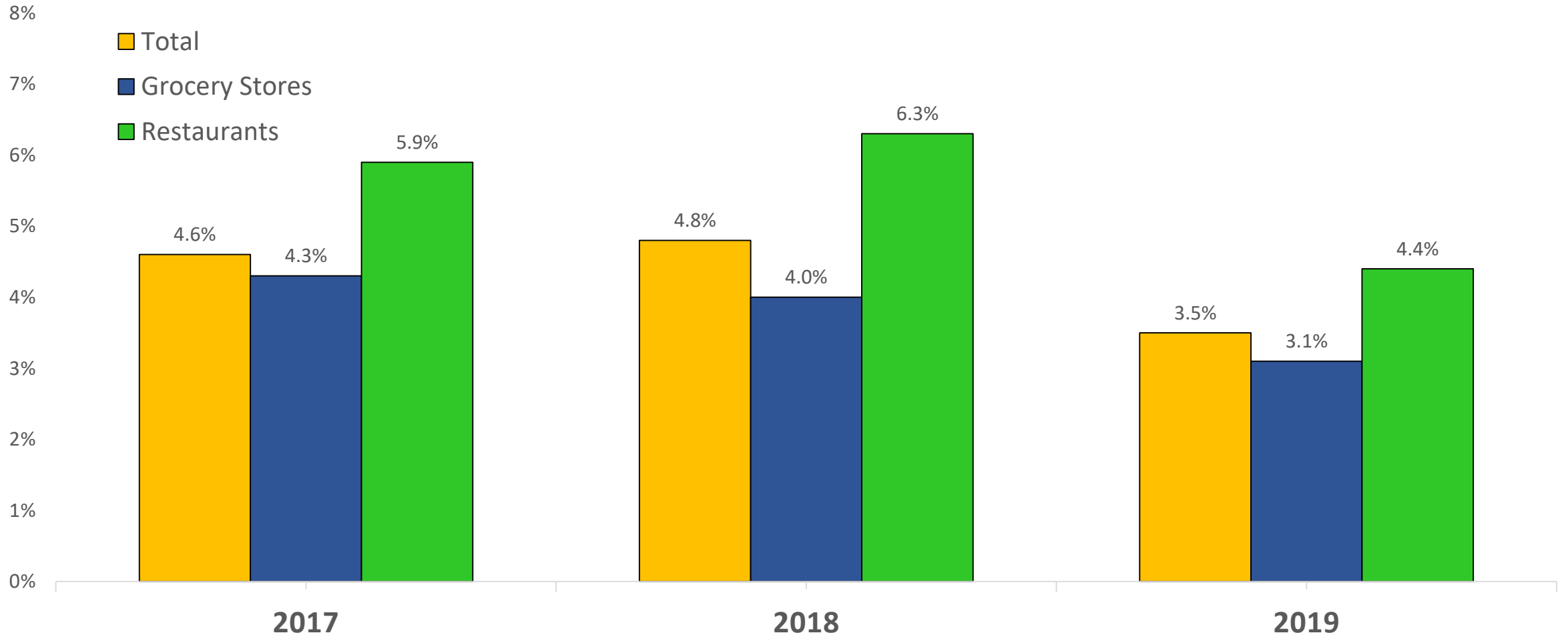
Retail Sales Highlights

Year-over-Year Percent Change



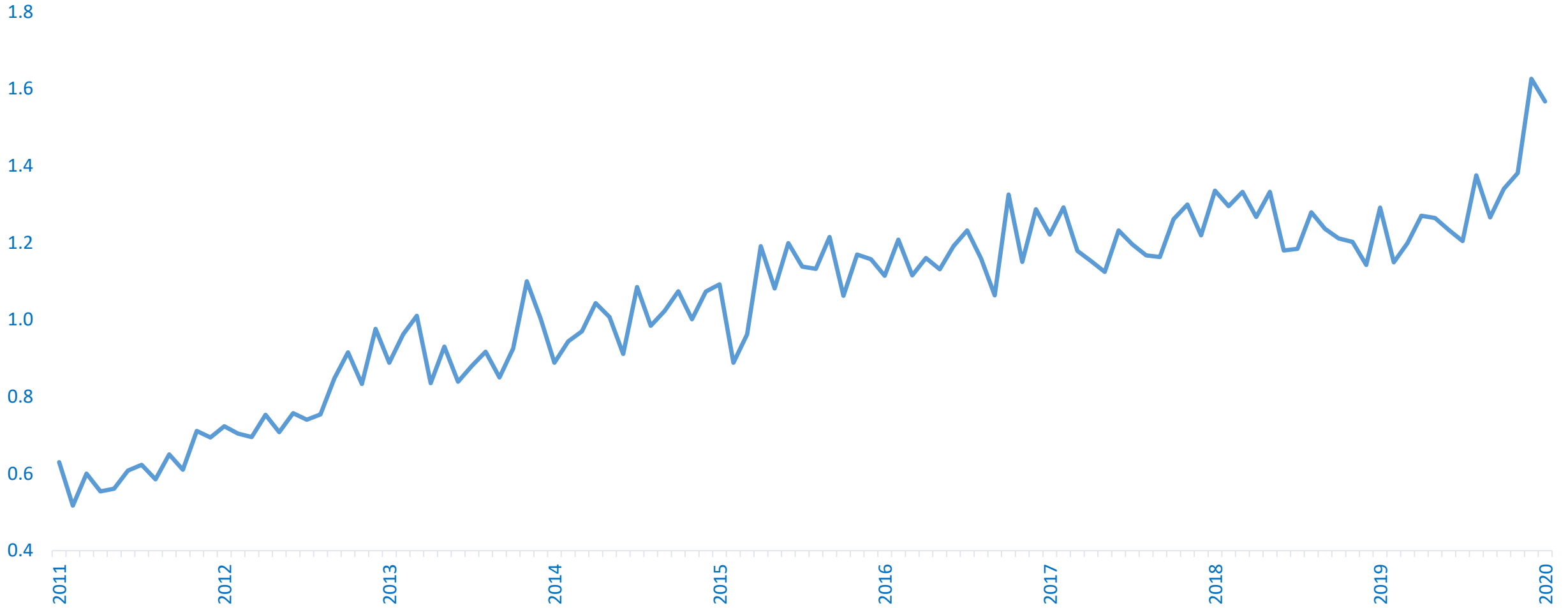
Retail Sales Highlights

Year-over-Year Percent Change



Housing Starts

(Monthly; Annualized Rate; Millions)



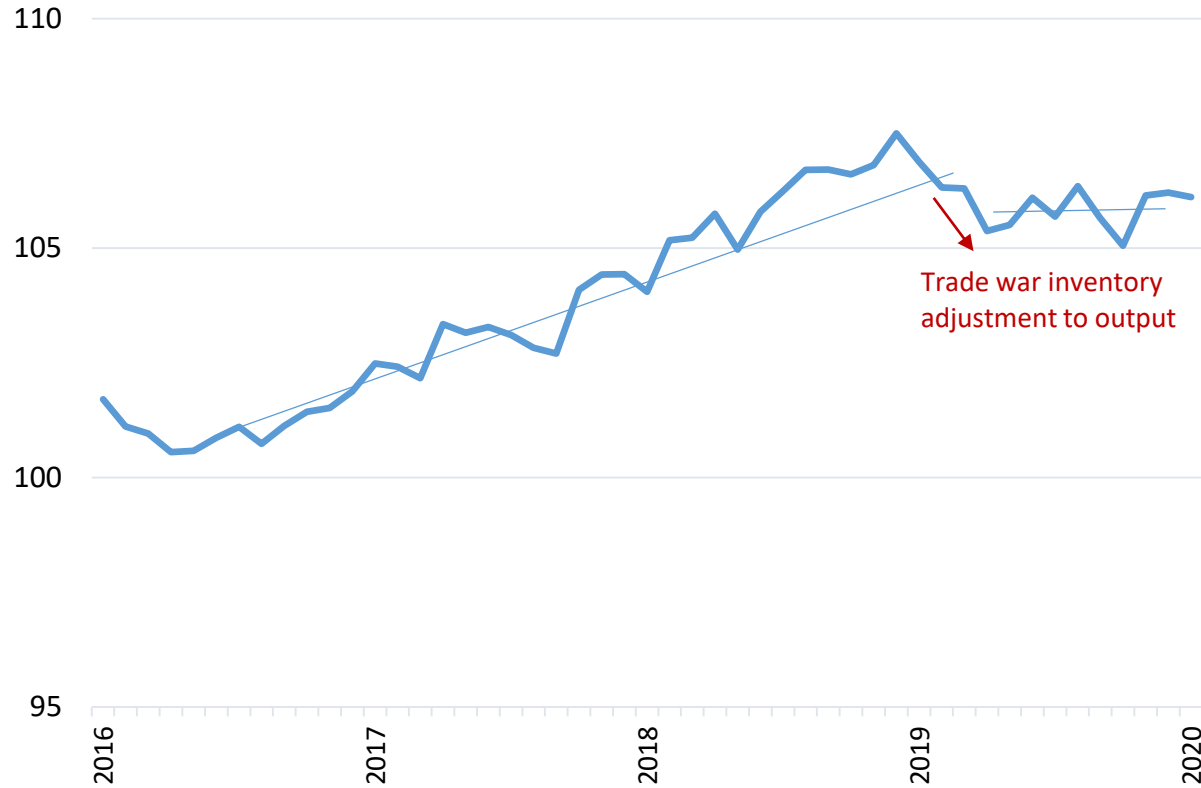
Sources: Census & ATA

	2016	2017	2018	2019	2020
H.S.	1.18 M	1.21 M	1.25 M	1.30 M	1.36 M

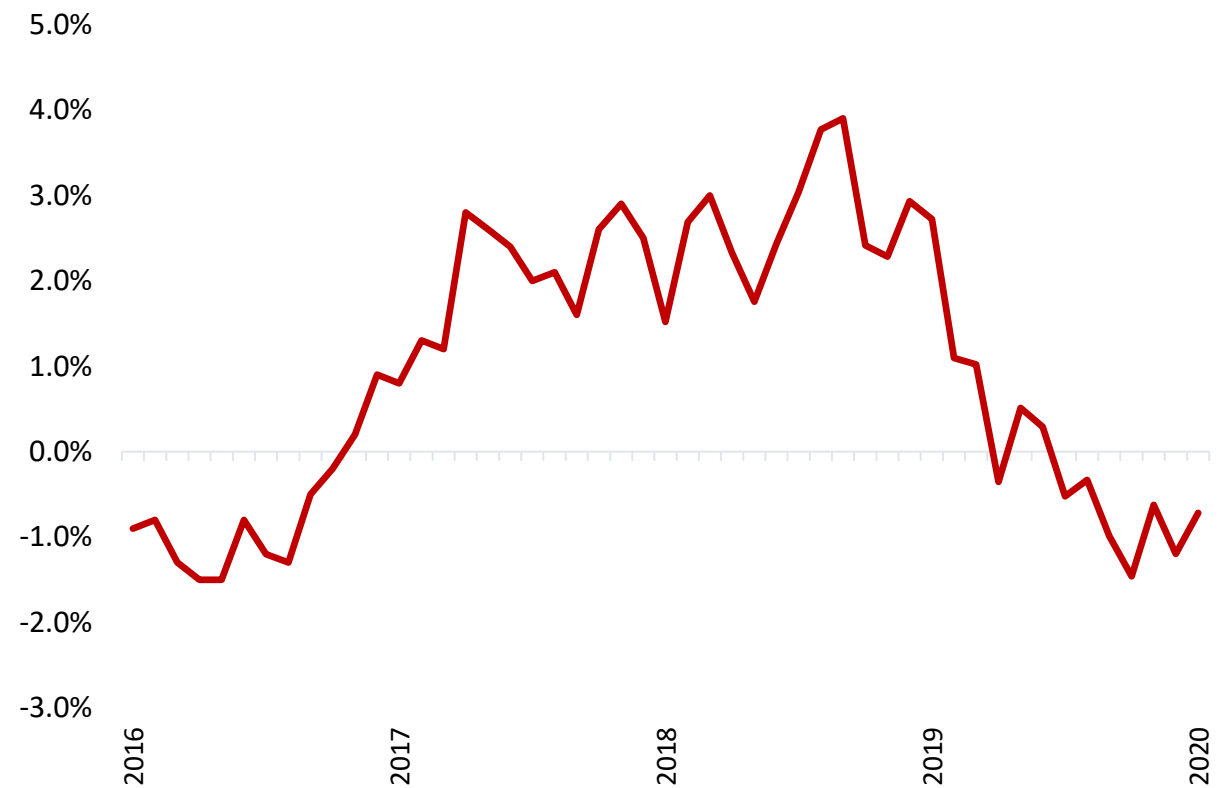


Manufacturing Sector Highlights

Factory Output (Index)



Factory Output (Year-over-Year Percent)



Sources: Federal Reserve & ATA

	2016	2017	2018	2019	2020
Output	-0.7%	2.0%	2.7%	0.0%	0.1%



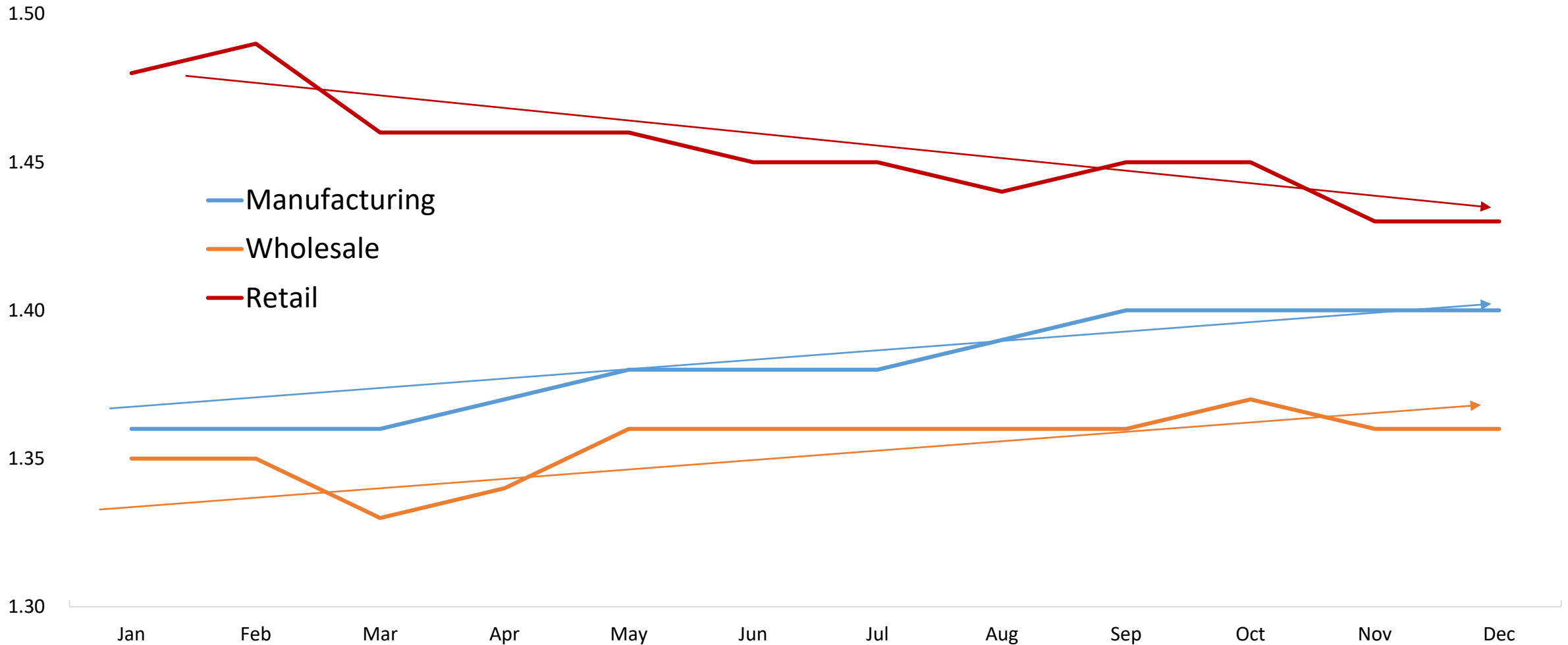
Total Business Inventory-to-Sales Ratio

(Data adjusted for seasonal, holiday, and trading-day differences, but not price changes)



2019 Inventory-to-Sales Ratio Trends

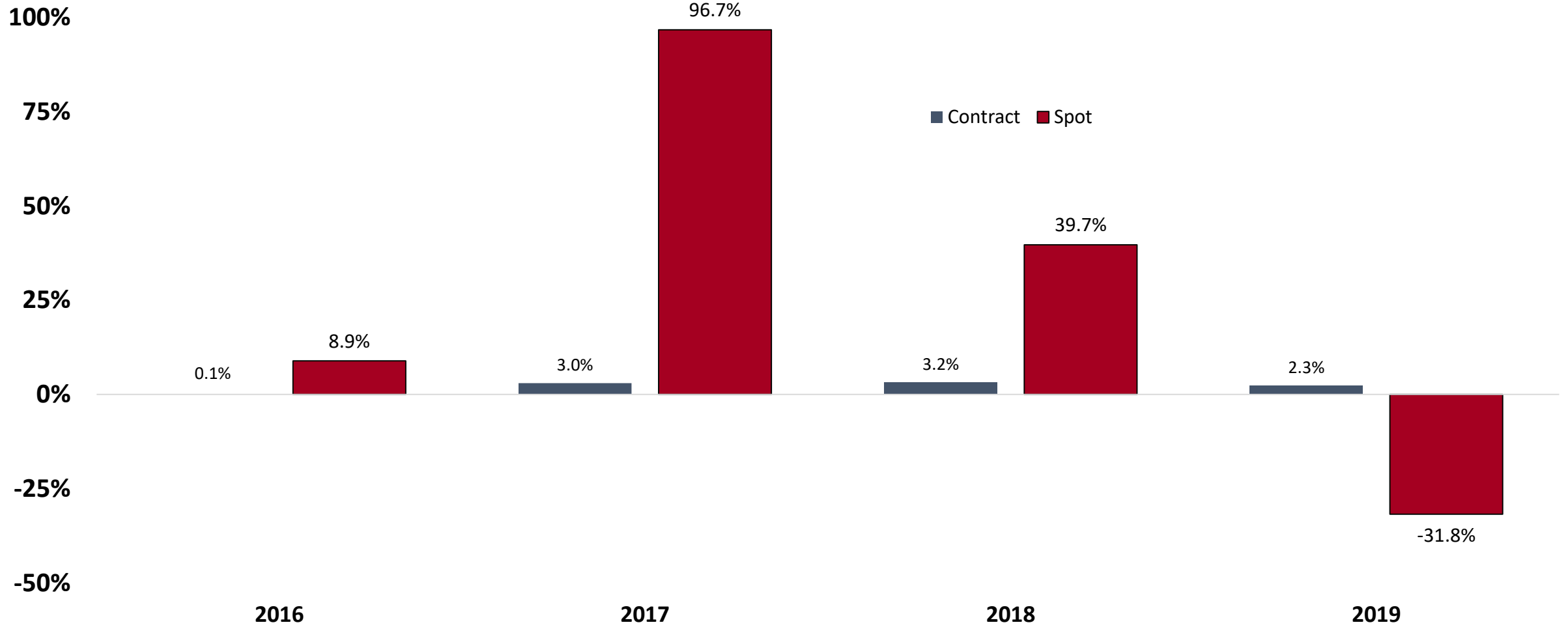
(Data adjusted for seasonal, holiday, and trading-day differences, but not price changes)



Trucking Trends

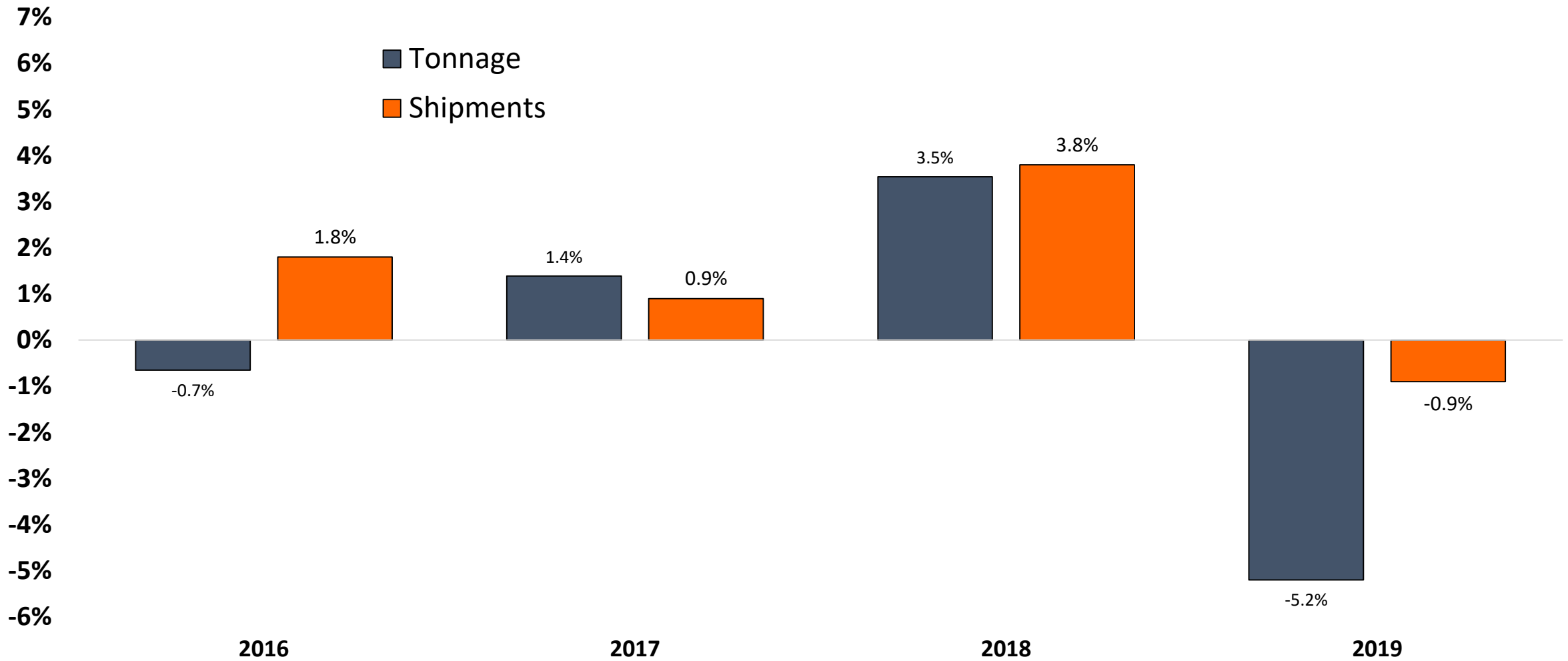
Truckload Contract Loads vs Spot Market Loads

Includes Dry Van, Flatbed, Temp Controlled, and Tank Truck



Sources: ATA's Trucking Activity Report & DAT.com

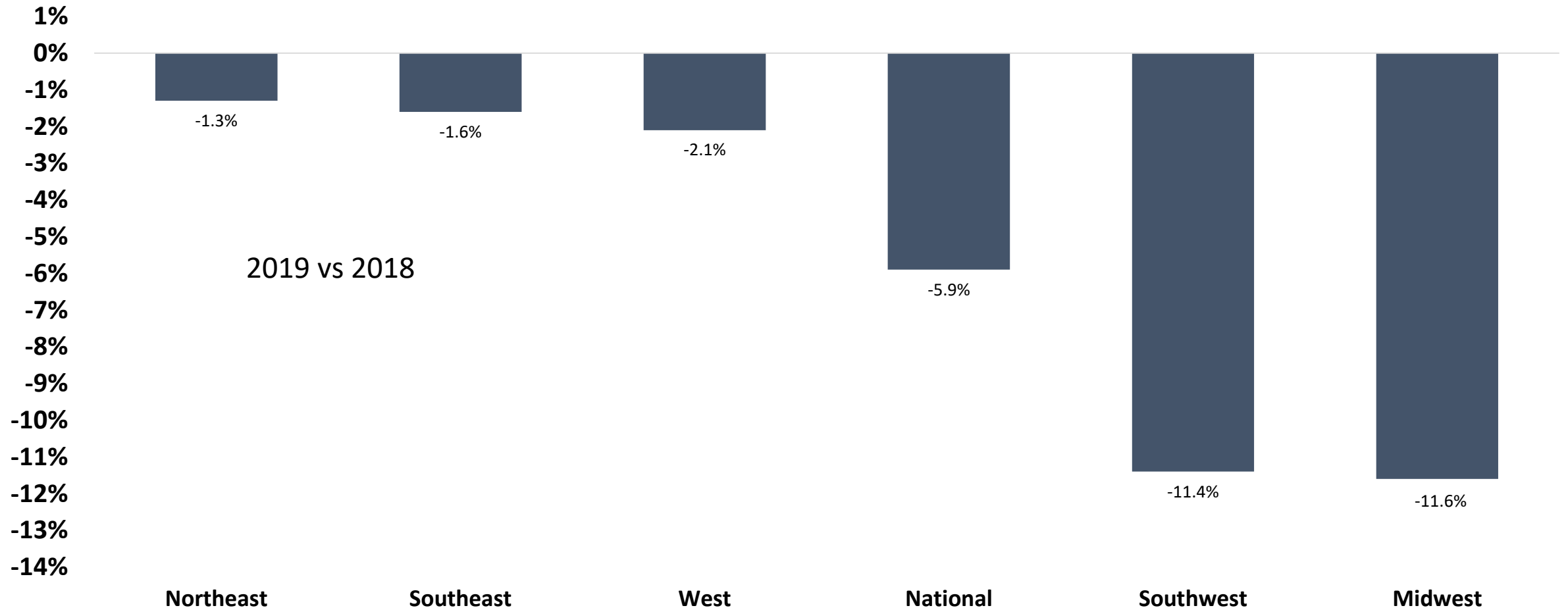
LTL Metrics



Sources: ATA's *Trucking Activity Report*

U.S. Bank Freight Shipments Index

Includes all types of TL and LTL freight



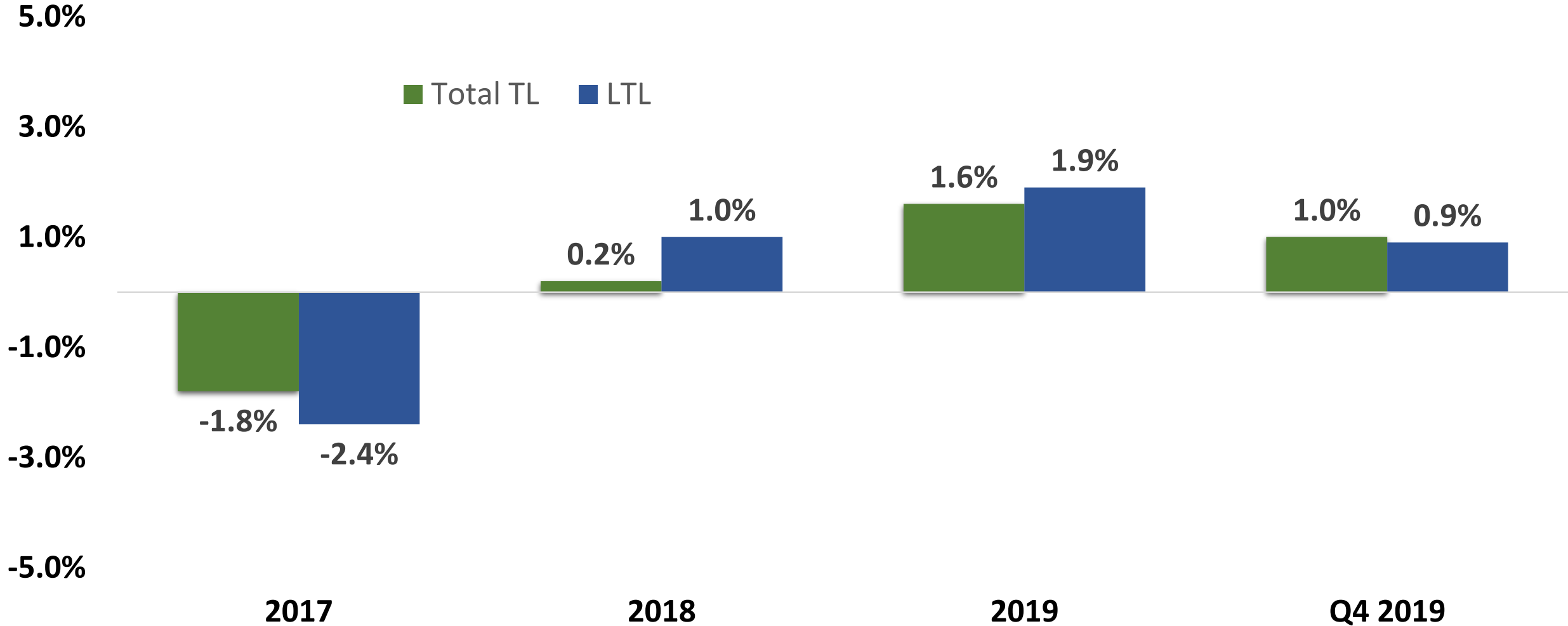
Source: U.S. Bank



Industry Capacity Trends

For-Hire Net Tractor Changes

Year-over-Year Changes

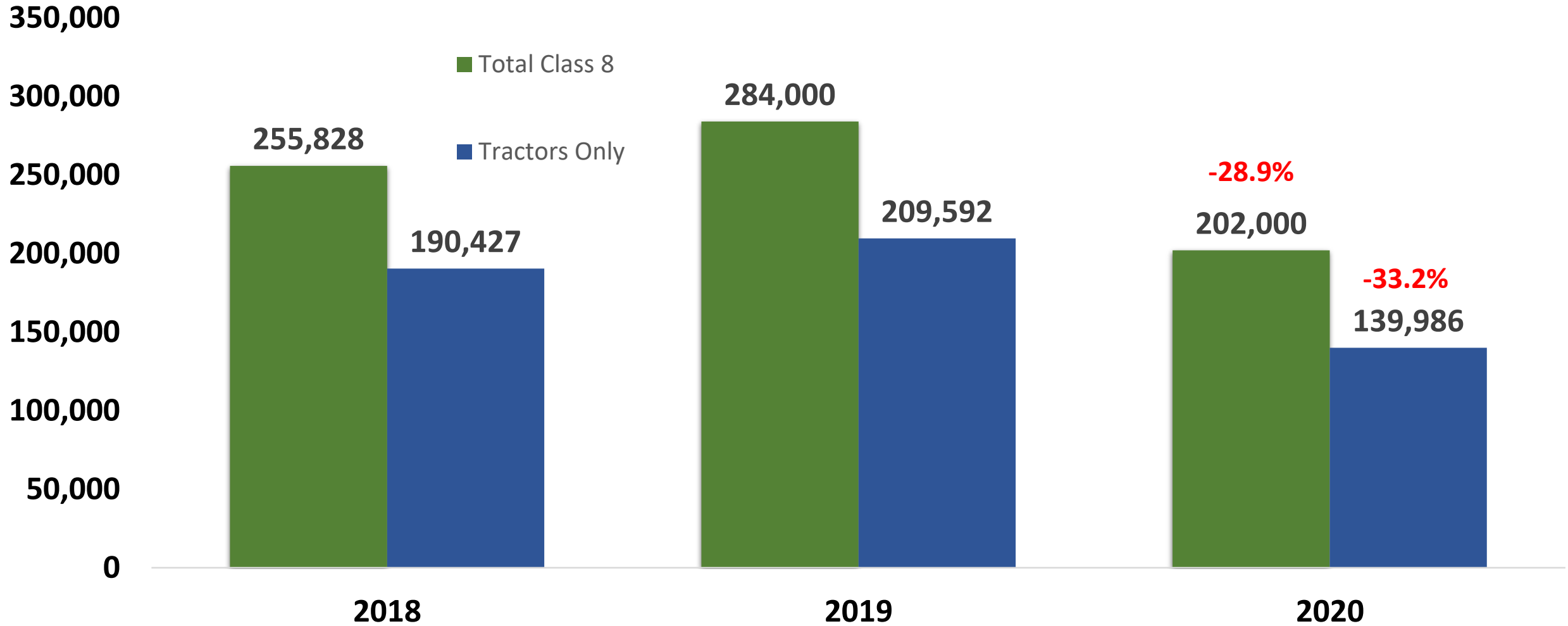


Source: ATA's Trucking Activity Report

Includes company and independent contractor equipment

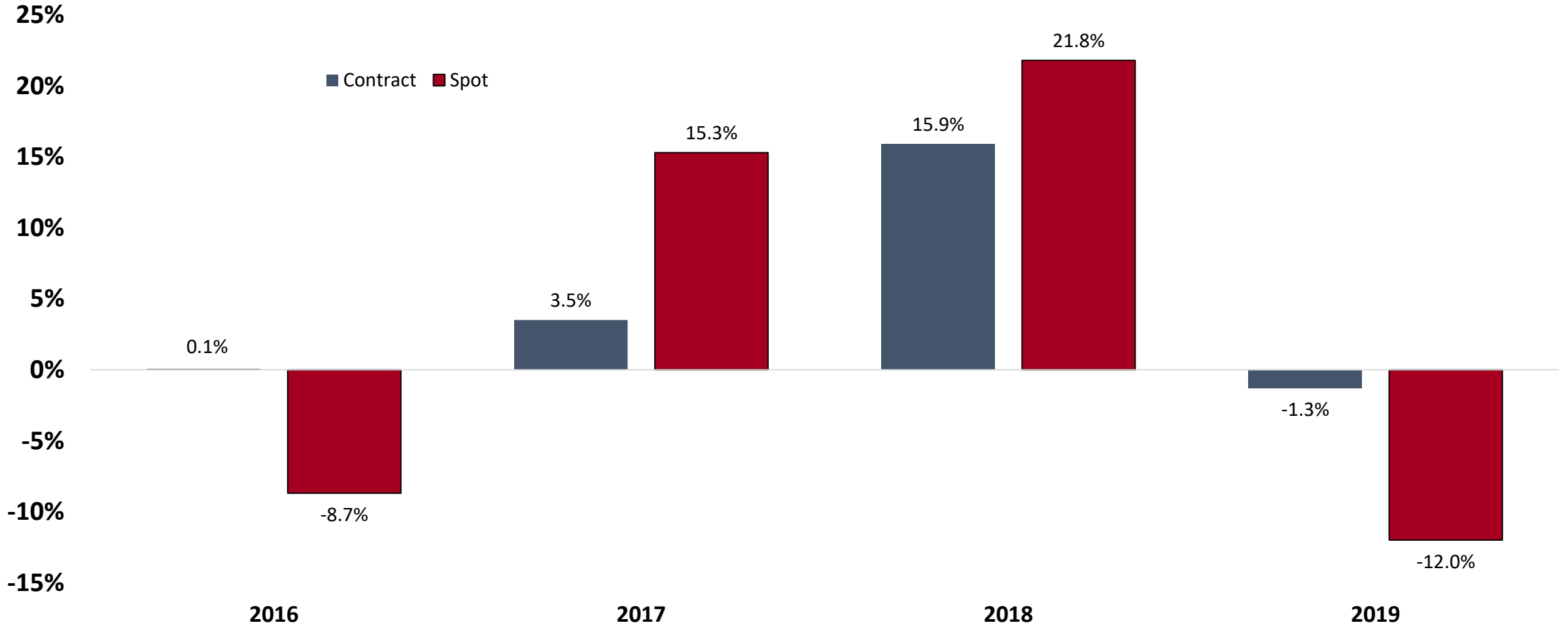


US Class 8 Tractor Sales



Pricing Trends

Truckload Contract vs Spot Market Pricing



Sources: *ATA's Trucking Activity Report & DAT.com*

Contract is average revenue per mile x FSC

Expect Continued High Fleet Closure Rates

- Combination of higher driver pay rates, minimum pay guarantees, and soft to falling rates, especially in the spot market, will lead to:
 - Significant amount of industry failures/closures – First 3 quarters 2019 795 carriers failed, 2.5x all of 2018
 - Not all of the fleets that have closed their doors have been small – Celadon (2,500); New England Motor Freight (1,472); Falcon Transport (585); LME (424); Cold Carriers (339)
- Adding to closures will be liability insurance renewals with very large premium increases.
- **Overall, expect tough market into Q2. Q2 should be transition quarter with a better, not great, second half as volumes improve and supply is more balanced.**