Economic & Trucking Update

March 5, 2019

Bob Costello
Chief Economist &
Senior Vice President of International Trade Policy & Cross-Border Operations
American Trucking Associations
@ATAEconBob
2019 Economic Forecast: Recession or Moving Back to Trend?
Economic Forecast Highlights:

- **BACK TO TREND**
- GDP growth in Q2 (4.2%) and Q3 (3.4%) 2018 were two best consecutive quarters since Q2 (5.1%) and Q3 (4.9%) 2014.
- Expect reduced momentum in 2019, but still low prospects of a recession (25%) in 2019.
- That puts GDP growth slightly above trend growth in 2019 for the year, but then slightly below trend growth in 2020, but still growth at this point.
- Consumer fundamentals remain good, including a strong job market. Spending on goods slows slightly this year, but remains at or better than average this cycle.
- Housing starts, while growing, continues to disappoint.
- Inflation to remain subdued.
- **Moderating GDP growth and modest inflation have the Fed on pause for the moment – perhaps no rate hikes this year depending on data.**
Real Gross Domestic Product Growth

Sources: BEA & ATA
Real Gross Domestic Product Growth
Annualized Rates

Sources: BEA & ATA

Cannot average to get annual number.
Drivers of Truck Freight
Job Market

Monthly Job Changes (Thousands)

Unemployment Rate (Percent)

Sources: BLS & ATA

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>4.9%</td>
</tr>
<tr>
<td>2017</td>
<td>4.4%</td>
</tr>
<tr>
<td>2018</td>
<td>3.9%</td>
</tr>
<tr>
<td>2019</td>
<td>4.0%</td>
</tr>
</tbody>
</table>
U.S. Economy is at Full-Employment

Unemployed and Job Openings

Sources: Department of Labor
Employment Costs: Wages & Salaries

Sources: BLS & ATA
Real Personal Consumption Growth (Goods Only)

Sources: BEA & ATA
Housing Starts are Growing, but at a Disappointing, Slow Rate

Total Housing Starts
(Monthly; Annualized Rate; Millions)

Single-Family vs Multi-Family Units
(Monthly; Annualized Rate; Millions)

Sources: Census & ATA
Factory Output Outlook

Sources: Federal Reserve & ATA
Total Business Inventory-to-Sales Ratio
(Data adjusted for seasonal, holiday, and trading-day differences, but not price changes)

Likely Optimal Range

Source: Census Bureau
Freight Market
Trucking Trends:

• Freight fundamentals are good, not great.
• Expect slower growth rates in 2019 than in 2018, but still growth.
• Trade policy is making it difficult to read near-term tea leaves for freight volumes.
• Capacity growth remains difficult, but the large reductions have stopped.
• And, some efficiencies may have added effective capacity.
• Likely some new, small entrants into the industry – Credit freight based apps?
• Drivers market remains tight, but large pay increases seem to be helping.
Total For-Hire TL Loads

Index: January 2010=100; Seasonally Adjusted 3-Month Moving Average

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

Source: ATA's Trucking Activity Report
Spot Market Loads

Index: January 2010=100; Seasonally Adjusted 3-Month Moving Average

Source: DAT and ATA
For-Hire Carrier Volume Measures

Year-over-Year Changes

Source: ATA's Trucking Activity Report

TL data is loads; LTL data is tonnage
Industry Capacity Trends
US Retail Class 8 Truck Sales

Thousands

Source: ATA’s American Trucking Trends 2018 & ACT Research

Includes Tractors & Straight Trucks
For-Hire Net Tractor Changes

Year-over-Year Changes

- Total TL
- LTL

2016: 1.6% (Total TL) -0.2% (LTL)
2017: 1.8% (Total TL) -1.8% (LTL)
2018: 0.2% (Total TL) 1.0% (LTL)
Jan 2019: 2.8% (Total TL) 3.0% (LTL)

Source: ATA's Trucking Activity Report

Includes company and independent contractor equipment
Large TLs: Company Tractors vs Independent Contractor Equipment

Index: January 2017=100

Trough to Peak: +5.6%

Peak to Trough: -4.3%

Source: ATA's Trucking Activity Report
Small TLs: Company Tractors vs Independent Contractor Equipment

Index: January 2017=100

Trough to Peak: +3.3%

Peak to Trough: -1.1%

Source: ATA's Trucking Activity Report
US Class 8 Tractor Exports

Units

Source: Census Bureau

* 2018 is a YTD annualized rate
For-Hire Truckload Revenue per Mile

Year-Over-Year Growth

Includes Dry Van, Flatbed, Temp Controlled, and Tank Truck
Excludes Fuel Surcharges

Source: ATA’s Trucking Activity Report
The Driver Market
Truck Driver Turnover Rates

Source: ATA
Driver Shortage

Source: ATA's Truck Driver Shortage Analysis 2017
ATA Driver Compensation Study

2017 and 2013 Median Pay (Solo Company Drivers)

- Private: $70,000 (2017), $60,000 (2013)
- Refrigerated: $65,000 (2017), $55,000 (2013)
- Tank Truck OTR: $60,000 (2017), $50,000 (2013)
- LTL OTR: $65,000 (2017), $60,000 (2013)
- LTL Local P&D: $60,000 (2017), $55,000 (2013)
- Flatbed: $55,000 (2017), $50,000 (2013)
- Van Dedicated: $50,000 (2017), $45,000 (2013)
- TL National Irregular Route Van: $45,000 (2017), $40,000 (2013)
- Tank Local: $45,000 (2017), $50,000 (2013)

Source: ATA's 2017 Driver Compensation Study
WHAT ELSE CAN BE DONE?

• DRIVE-Safe Act
• Some improvement in driver efficiency/driving time – But more can be done to reduce driver waiting times
  • 8,500/month to 9,000 = 5.9%
  • 8,500/month to 9,500 = 11.8%
• Female Drivers
Final Prediction:

Next economic recession will be mild, but expect large number of motor carriers go out of business.