CLEVELAND RESEARCH COMPANY

MARKET INTELLIGENCE

Transportation Industry Monthly: Trend Analysis
November 19, 2020

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Important Disclosures Found In Appendix

Key Themes for the Month

Global Airfreight, Containerized Ocean Traffic

- Total US and Canadian container imports were up 18% Y/Y in October, according to PIERS (YTD up ~3%; 2019 was +3%). Our work indicates volume strength is expected into January driven by improving organic demand (inventory restocking, consumer demand), and PPE shipments (converted from airfreight).
- Ocean rates in the spot market remain near all-time highs, with rates from Asia to the U.S. West Coast rising slightly over the past 30 days from $3,800 to $3,850 due to capacity constraints as volumes have recovered faster than capacity add-backs occur. FAK (spot rates with fuel) rates are now 185% above year ago levels according to the Shanghai Containerized Freight Index.
- Airfreight rates during September are 107% higher than year-ago levels (down 2% M/M) as capacity has shrunk faster than demand contraction. We expect rates to remain 50%+ higher Y/Y into 2021 or until passenger flights (capacity) meaningfully resume.

U.S. Trucking Trends

- Dry-van TL rates are +32% Y/Y, but largely unchanged M/M, and remain near all-time highs. As demand appears to be trending above seasonal average, our work indicates contract rates are near flat Y/Y after experiencing mid-cycle rate increases over the last 60 days (2019 down 5-15%, 2018 up 8-11%). Initial expectations for 2021 contract pricing likely +MSD.
- While rising M/M and outperforming seasonal trend, September truck tonnage was down 3% Y/Y according to the ATA (SA) and Cass, as strong consumer inventory rebuild and improving organic trends offset less heavy-weight industrial freight. The 3 month moving average (3MMA) was still 6% below year-ago, but flat M/M.
- Average truckload rates (blended average of contract and spot) were down 3% Y/Y in September excluding fuel surcharges and assessorial fees), according to Cass Information Systems. Rates have been lower Y/Y for sixteen consecutive months (was 15 months of Y/Y decline from February 2009-April 2010). Our work indicates contract rates are currently close to flat Y/Y with initial 2021 TL bid expectations +MSD.

Rail Trends

- 4QTD volumes at CSX are up 3% Y/Y (2Q was down 4%) while Norfolk Southern volumes are down 3% Y/Y (2Q was down 7%). Coal declines are expected to persist down 10-20% through the end of the year, while intermodal/auto/chem outlooks stabilize (likely still down Y/Y).
- Union Pacific's 4QTD volumes are up 3% Y/Y (3Q was down 5%) as intermodal strength is offset by lower coal and chemicals. BNSF's 4QTD volumes are down 1% lead by lower coal. Intermodal and agriculture market commentary is incrementally more positive versus 45 days ago.

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Transportation Universe: What Has Changed

The following charts summarize the results of our surveys and data analysis over the past thirty (30) days:

CONTAINERIZED OCEAN SHIPPING	Import Volumes	Export Volumes	Container Rates	Demand
Sequential Change	↑	↓	↓	→
Year-Over-Year Change	↑	↓	↑	↑

MACRO INDICATORS	Weekly Diesel Prices
Sequential Change	↓
Year-Over-Year	↓

INTERMODAL	Container Volumes	Trailer Volumes
Sequential Change	↓	↓
Year-Over-Year Change	↑	↑

TRUCKING	Demand Index	Load to Truck
Sequential Change	↑	↑
Year-Over-Year Change	↓	↓

INTERNATIONAL AIRFREIGHT	Trans-Pacfic Rates	Demand
Sequential Change	↓	↑
Year-Over-Year Change	↑	↓

Source: Cleveland Research Analysis

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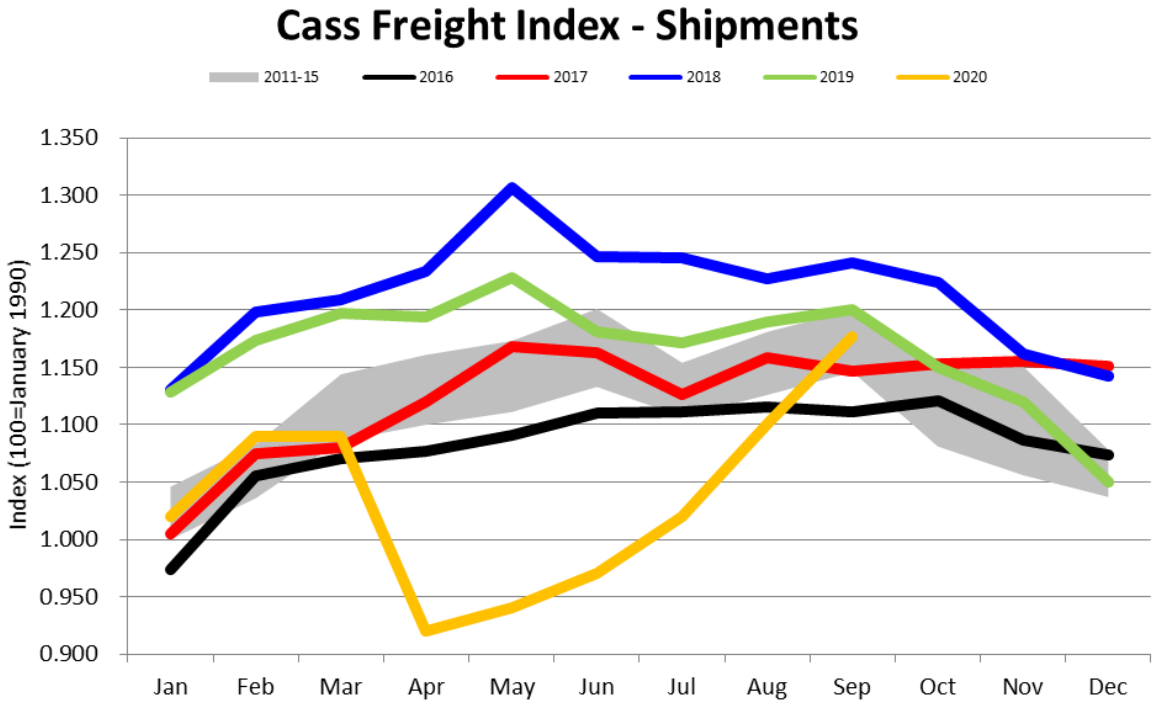
North American Freight Volumes

In September, total transport shipments (across all modes) improved 7% M/M but was down 2% Y/Y, its twenty-second consecutive month of Y/Y declines, according to Cass Information Systems. Our work indicates shipment volumes should continue rising M/M through 4Q20 primarily due to strong retail demand (eCommerce, building materials), general inventory restocking, and increased economic activity, but remains unclear when shipments will return to grow Y/Y (potentially late 4Q20, likely 1H21 event).



Source: Cass Transportation Indexes, CRC Analysis

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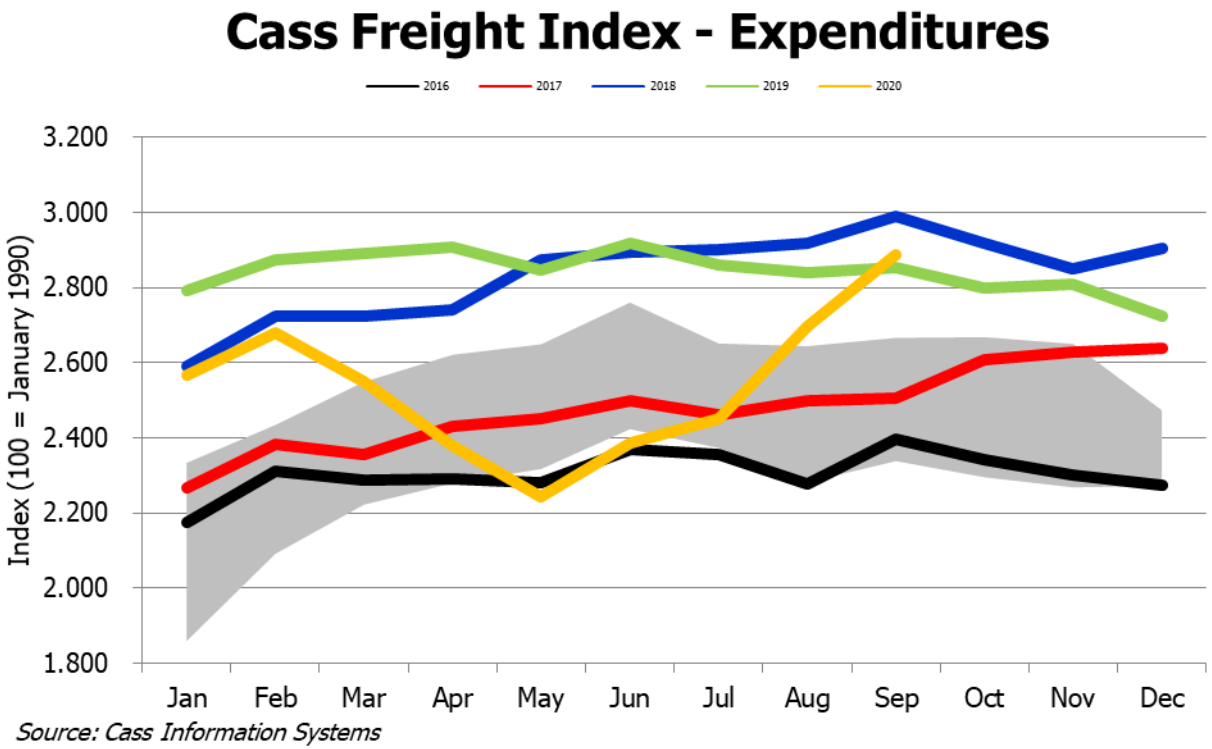
North American Freight Expenditures

Expenditures in September increased 1% Y/Y, the first Y/Y increase after 14 consecutive months of declines, as shipments fell 2% (prior slide) while price/mix likely saw inflation Y/Y. Our work indicates the average prices are seeing upward pressure M/M due to rising TL rates. Costs in other modes (parcel, LTL, rail, airfreight/ocean) have been inflationary throughout 2020.



Source: Cass Information Systems

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Containerized Ocean Shipping

Monthly Industry Trend Summary and Analysis

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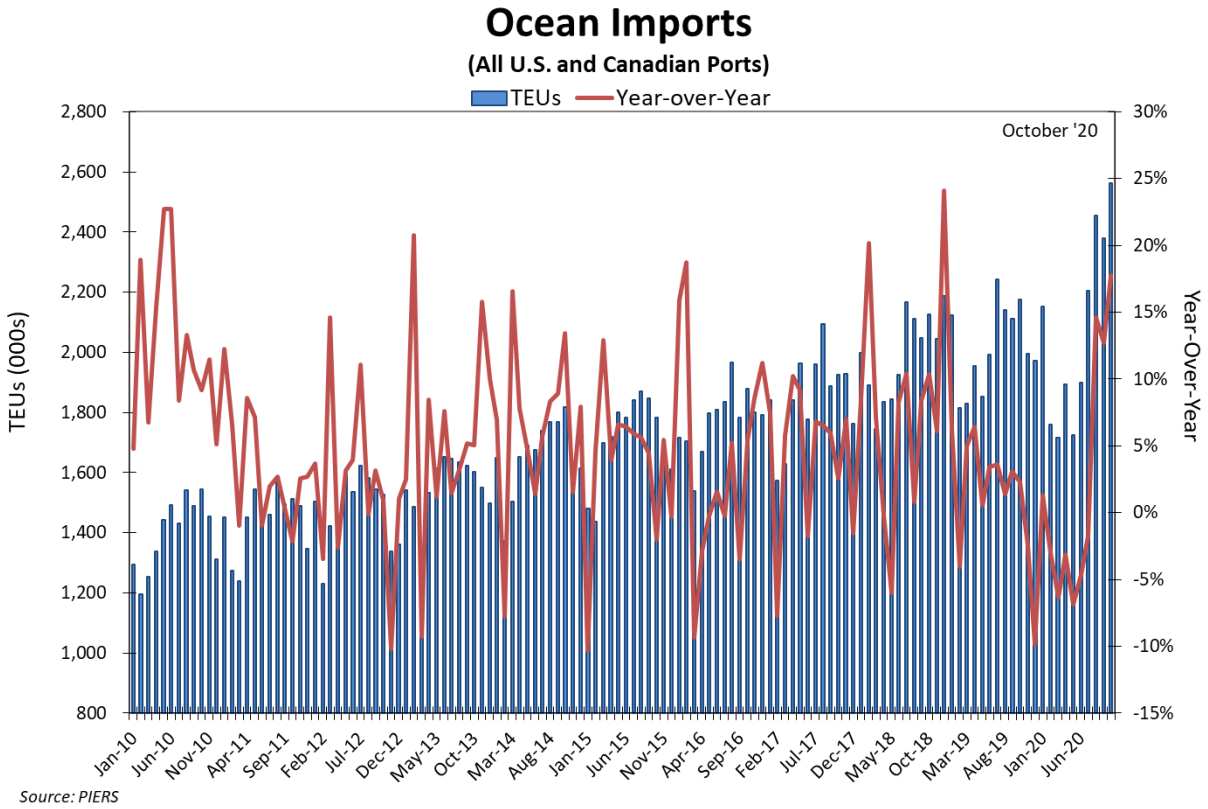
Inbound Ocean Container Trends at U.S., Canadian Ports

Total US and Canadian container imports were up 18% Y/Y in October, according to PIERS (YTD up ~3%; 2019 was +3%). Our work indicates volume strength is expected into January driven by improving organic demand (inventory restocking, consumer demand), and PPE shipments (converted from airfreight).



Source: PIERS

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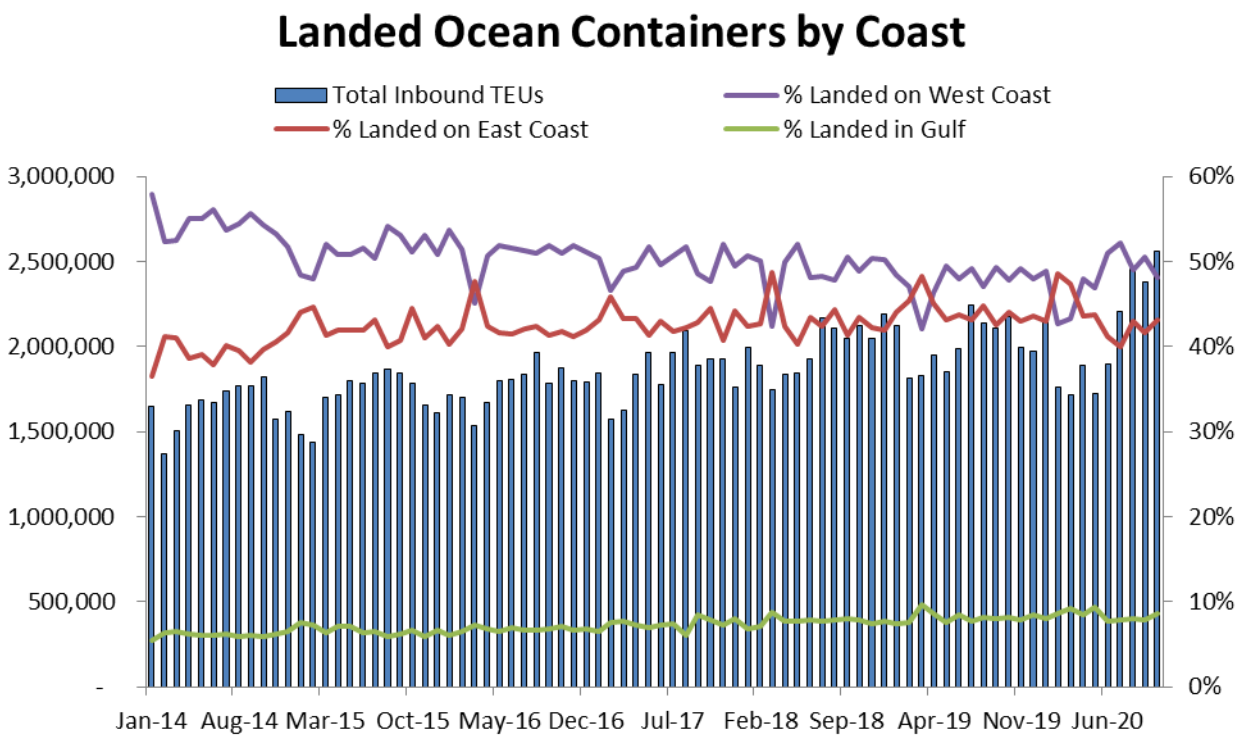
Inbound Ocean Container Trends at U.S. Ports by Coast

During October 2020, West Coast import volumes grew 19% Y/Y, East Coast imports increased 15% Y/Y, and Gulf Coast imports grew 25% Y/Y. 2019 volumes were -3%, +3%, and +6%, respectively. Our work indicates shippers have been over-indexing to West Coast ports over the past 3-6 months to reduce time-in-transit, leading to significant congestion. We expect share to revert to pre-COVID levels throughout 2021.



Source: PIERS, Cleveland Research

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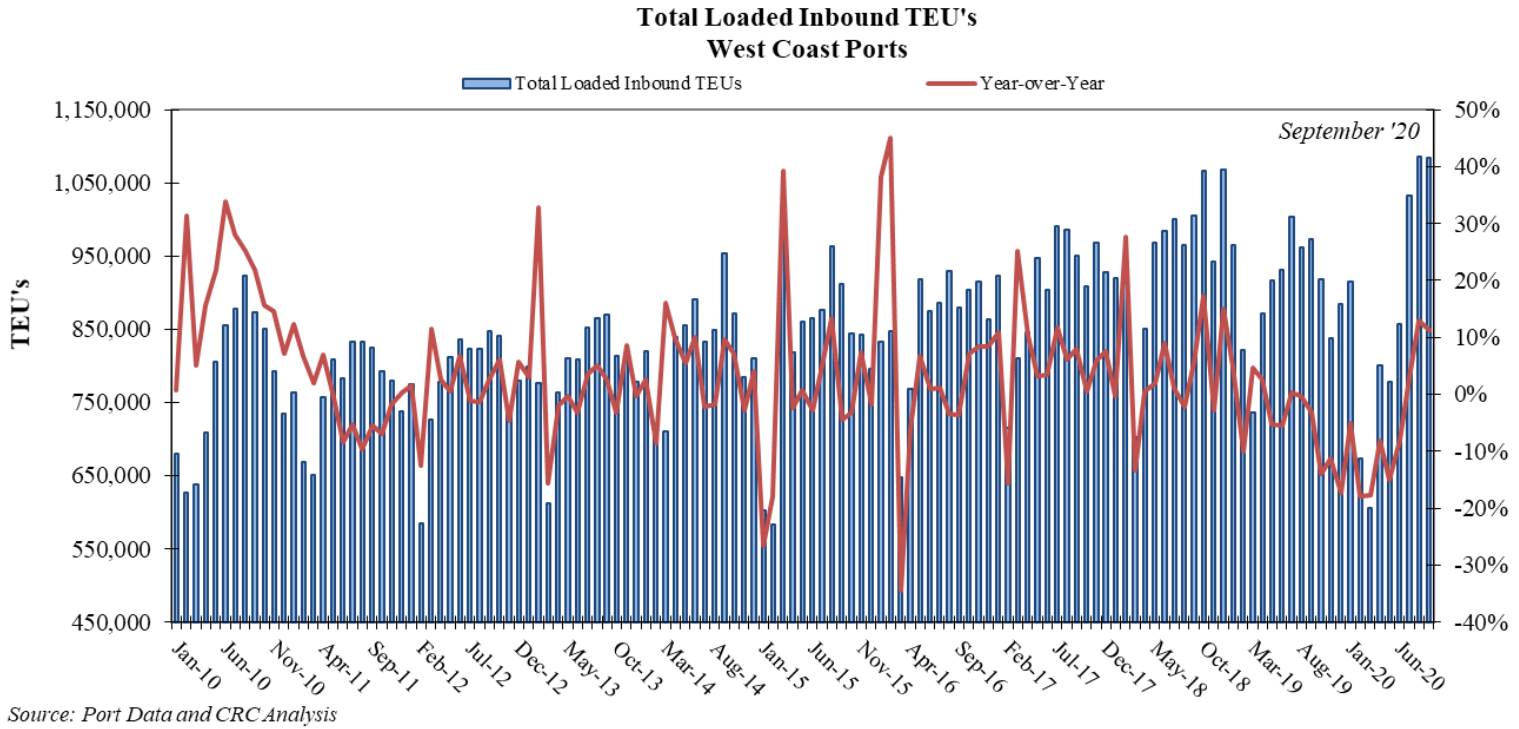
Import Ocean Container Trends at U.S. West Coast Ports

During September, inbound containerized ocean volumes at major West Coast ports were up 11% Y/Y and flat M/M likely due to organic demand recovery, inventory restocking/pull-forward, and share shift from East Coast ports. 2020 volumes YTD are down 4%, improving from the 5% decline in 2019 due to weaker industry volumes and coastal shift from West to East (2018 +5%, 2017 +6%).



Source: Port Data and CRC Analysis

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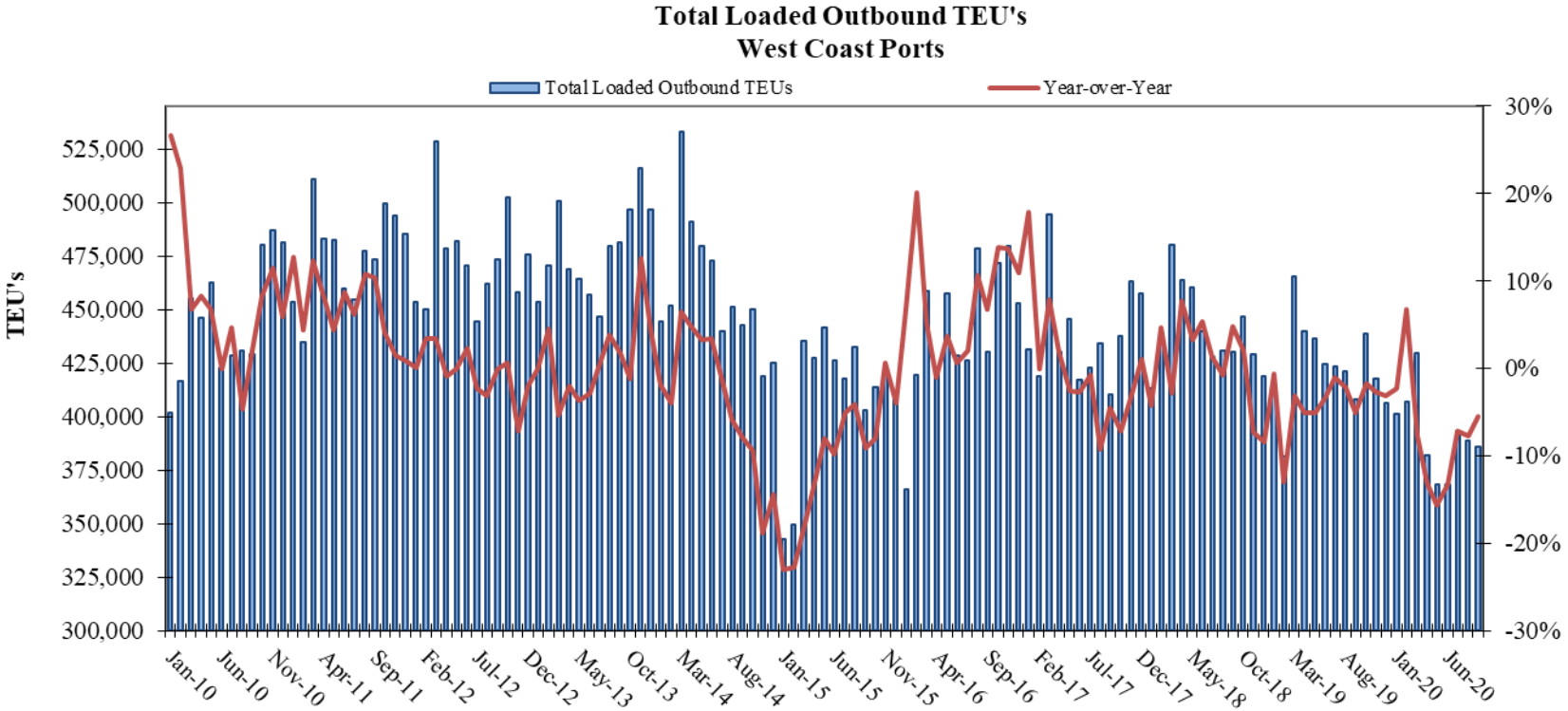
Export Ocean Container Volumes at U.S. West Coast Ports

During September, containerized exports from U.S. West Coast ports were down 6% Y/Y (down 1% M/M). 2019 volumes were down 5% versus 2018. Going forward, increasing Chinese demand for agricultural shipments likely helps volumes over the next 3-6 months, while broader export demand remains unclear.



Source: Port Data and CRC Analysis

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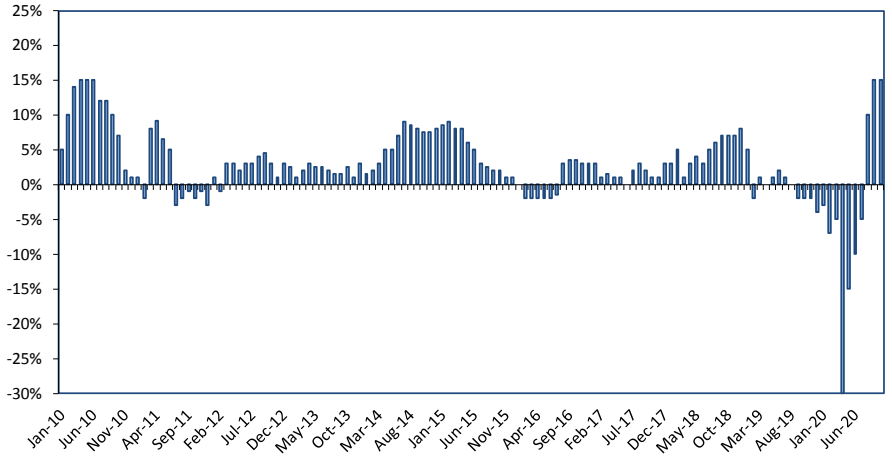
Demand for Ocean Freight Forwarding Services

Our work indicates ocean freight forwarders saw volume growth higher Y/Y during October. Industry expectations have improved versus 60 days ago due to organic demand improvements, however tariff uncertainty and COVID-19 remain headwinds. We expect 2H20 volumes at the high end of +0-5% Y/Y (vs prior estimate down 0-5%).

Percentage Change in Demand for Ocean Freight Forwarding Services
(year-over-year)



Percent Change in Demand for Ocean Freight Forwarding Services (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	5.0%	10.0%	14.0%	15.0%	15.0%	15.0%	12.0%	12.0%	10.0%	7.0%	2.0%	1.0%
2011	1.0%	-2.0%	8.0%	9.2%	6.6%	5.0%	-3.0%	-2.0%	-1.0%	-2.0%	-1.0%	-3.0%
2012	1.0%	-1.0%	3.0%	3.0%	2.0%	3.0%	3.0%	4.0%	4.5%	3.0%	1.0%	3.0%
2013	2.5%	1.0%	2.0%	3.0%	2.5%	2.5%	2.0%	1.5%	1.5%	2.5%	1.0%	3.0%
2014	1.5%	2.0%	3.0%	5.0%	5.0%	7.0%	9.0%	8.5%	8.0%	7.5%	7.5%	8.0%
2015	8.5%	9.0%	8.0%	8.0%	6.0%	5.0%	3.0%	2.5%	2.0%	2.0%	1.0%	1.0%
2016	0.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-1.5%	3.0%	3.5%	3.5%	3.0%	3.0%
2017	3.0%	1.0%	1.5%	1.0%	1.0%	0.0%	2.0%	3.0%	2.0%	1.0%	1.0%	3.0%
2018	3.0%	5.0%	1.0%	3.0%	4.0%	3.0%	5.0%	6.0%	7.0%	7.0%	7.0%	8.0%
2019	5.0%	-2.0%	1.0%	0.0%	1.0%	2.0%	1.0%	0.0%	-2.0%	-2.0%	-2.0%	-4.0%
2019	-3.0%	-7.0%	-5.0%	-30.0%	-15.0%	-10.0%	-5.0%	10.0%	15.0%	15.0%		

Source: CRC Research

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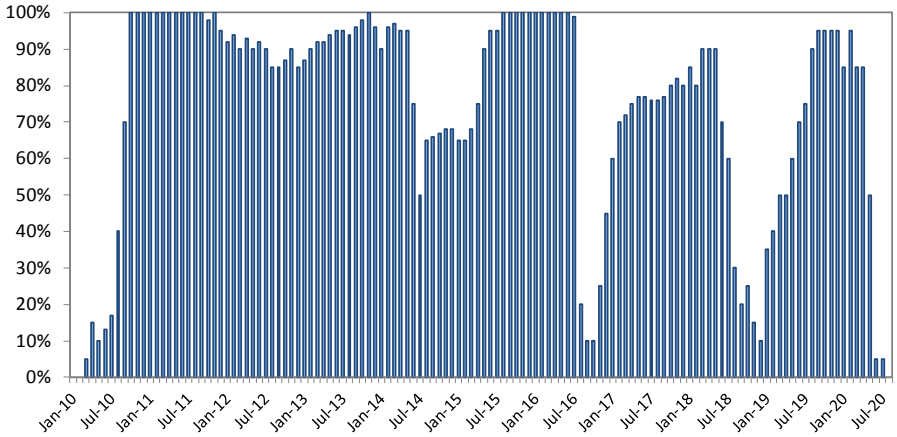
Ocean Container Capacity Trends

Our work indicates ocean capacity remains tight despite carriers having slowly returned capacity to service after reductions over the past 6 months (idling, blank sailings) while volumes continue to improve. We expect strong demand plus flexibility with blank sailings to keep capacity more closely aligned with demand into 2021.

Sources Reporting More Available Ocean Capacity
(year-over-year)



Sources Reporting More Available Ocean Capacity (Year-over-Year)	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	0%	0%	5%	15%	10%	13%	17%	40%	70%	100%	100%	100%
2011	100%	100%	100%	100%	100%	100%	100%	100%	100%	98%	100%	95%
2012	92%	94%	90%	93%	90%	92%	90%	85%	85%	87%	90%	85%
2013	87%	90%	92%	92%	94%	95%	95%	94%	96%	98%	100%	96%
2014	90%	96%	97%	95%	95%	75%	50%	65%	66%	67%	68%	68%
2015	65%	65%	68%	75%	90%	95%	95%	100%	100%	100%	100%	100%
2016	100%	100%	100%	100%	100%	100%	99%	20%	10%	10%	25%	45%
2017	60%	70%	72%	75%	77%	77%	76%	76%	77%	80%	82%	80%
2018	85%	80%	90%	90%	90%	70%	60%	30%	20%	25%	15%	10%
2019	35%	40%	50%	50%	60%	70%	75%	90%	95%	95%	95%	95%
2020	85%	95%	85%	85%	50%	5%	5%	0%	0%	0%		

Source: CRC Research

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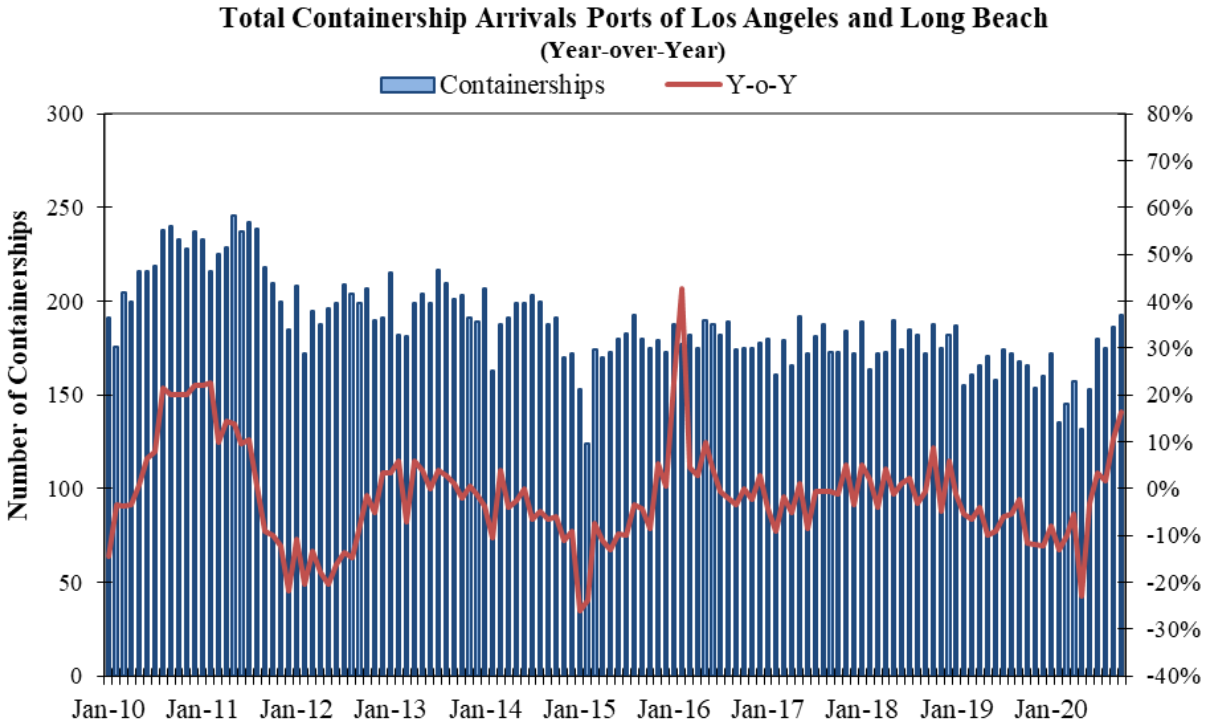
Total Number of Containerships Calling On LA/LB

During October, 193 containerships (27 more Y/Y, 7 more M/M) arrived at Los Angeles/Long Beach. Container volume growth was positive Y/Y for the fourth time in a row after 18 straight months of Y/Y declines. Carrier add backs of capacity have occurred over the past 60 days after significant capacity reductions (blank sailings) to support pricing.



Source: Marine Exchange of Southern California

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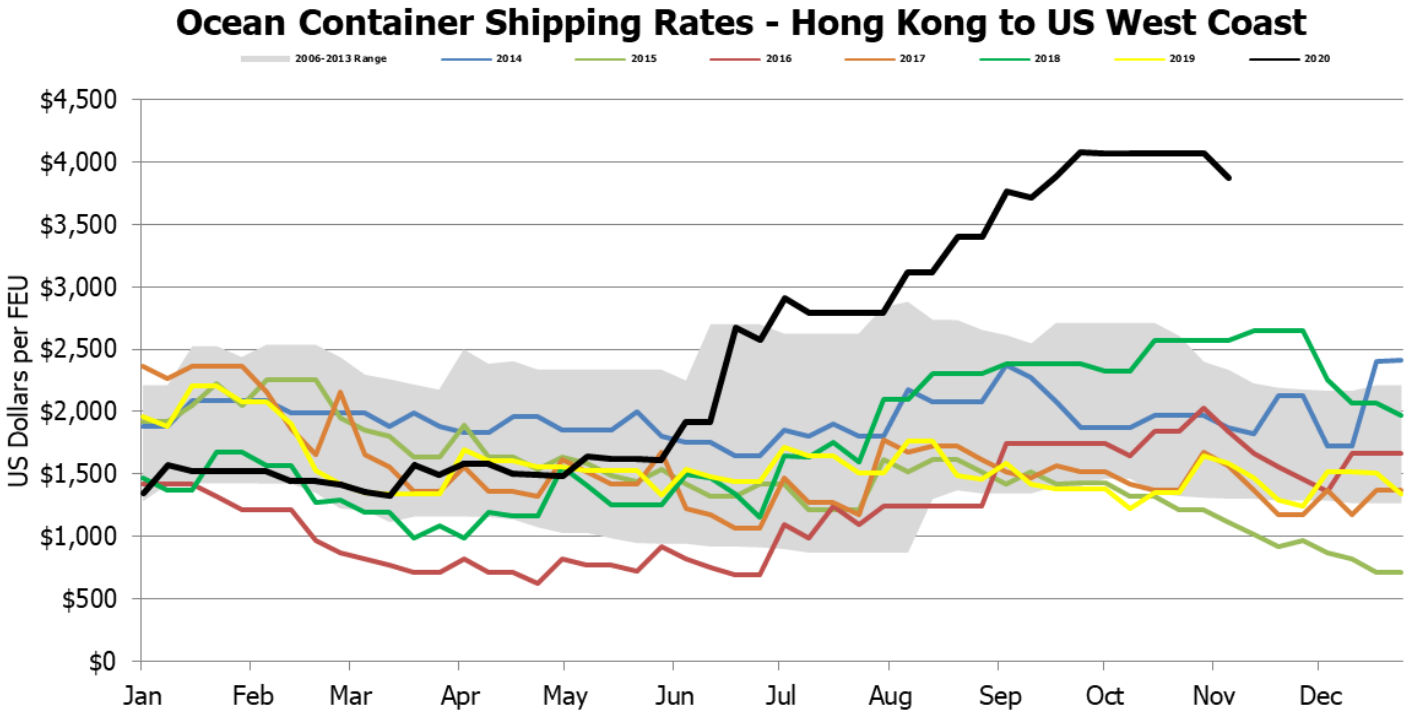
Containership Pricing: Hong Kong – U.S. West Coast

Rising steadily to all-time highs over the past 90 days, spot market prices for ocean shipping on trans-Pacific (Hong Kong to the U.S. West Coast) were 145% higher Y/Y in the first week of November. Initially supported by capacity reductions, pricing inflation is now being driven by strong demand. Our work indicates spot market rates will likely remain elevated (but likely come off current highs) as carriers return capacity to service. Expect spot rates likely up 50-100% in 1H21.



Source: Drewry Shipping, CRC Analysis

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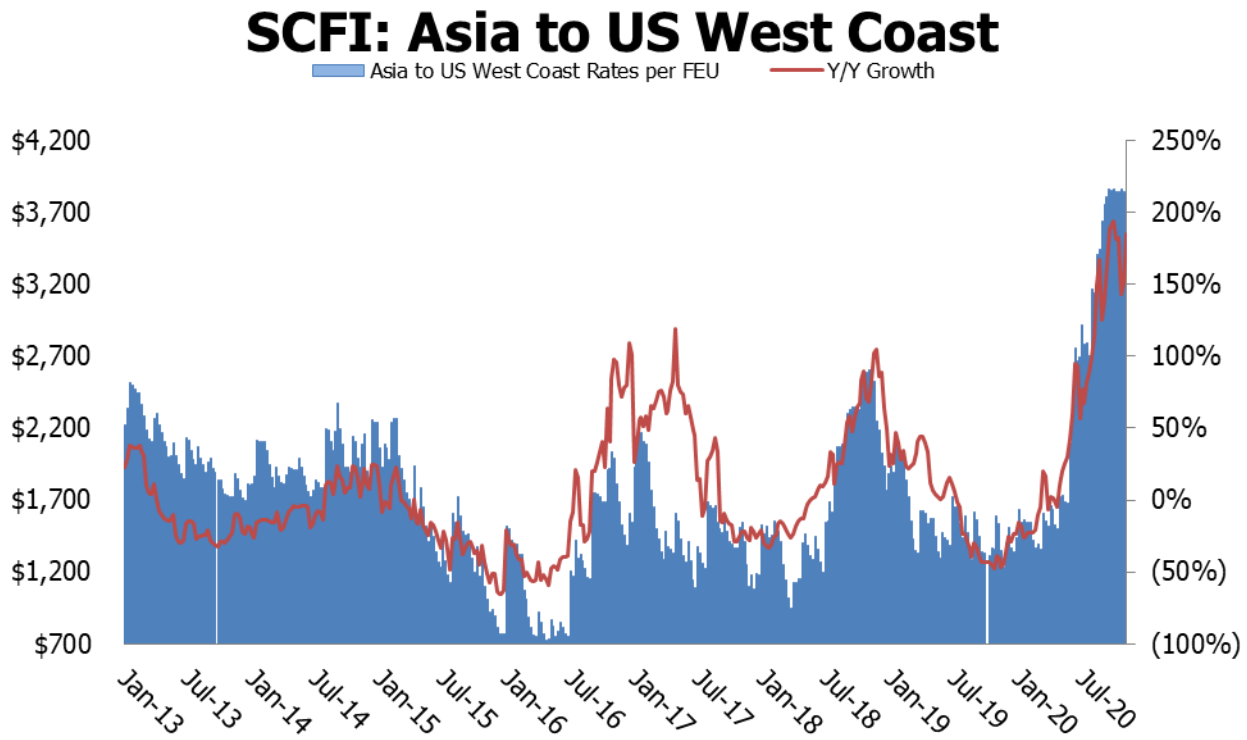
Shanghai Containerized Freight Index: Asia – U.S. West Coast

During the past 45 days, spot market rates from Asia to the U.S. West Coast rose from $3,800 to $3,850 due to capacity constraints as volumes have recovered faster than capacity add-backs occur. FAK (spot rates with fuel) rates are now 185% above year ago levels according to the Shanghai Containerized Freight Index. Our work indicates shippers are increasingly paying spot market rates and/or additional surcharges ($500-$1,000) to secure capacity and move volumes above contracted commitments.



Source: Shanghai Shipping Exchange

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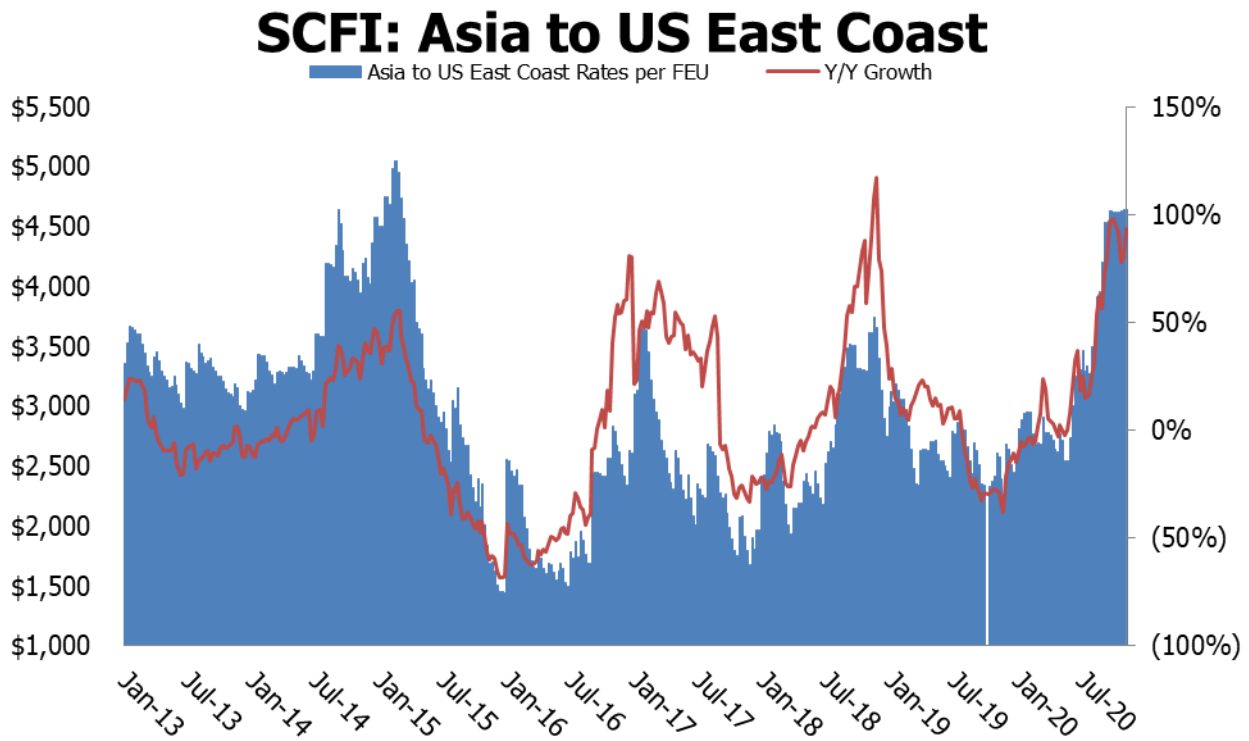
Shanghai Containerized Freight Index: Asia – U.S. East Coast

Spot market ocean rates to the US East Coast from Asia have risen over the past 45 days as carriers continue to limit capacity through blank sailings despite improving volumes. According to the SCFI, rates are up 94% Y/Y in early November. Our work indicates spot market rates will likely remain elevated as carriers more actively manage capacity relative to demand.



Source: Shanghai Shipping Exchange

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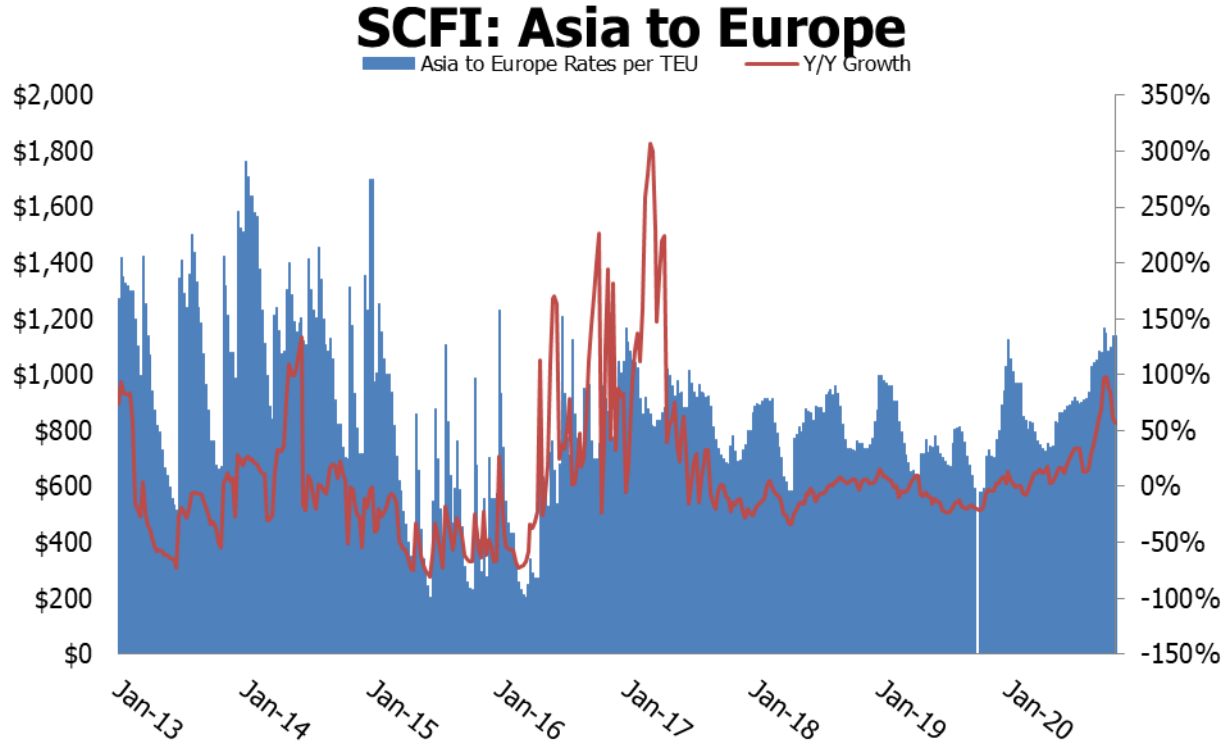
Shanghai Containerized Freight Index: Asia – Europe

Spot market rates on Asia-Europe rose 4% W/W in early November and are 56% higher Y/Y according to the SCFI. Rates have been relatively steadier versus Trans-Pacific lanes with slower volume recovery, more structural capacity, and alternatives (rail).



Source: Shanghai Shipping Exchange

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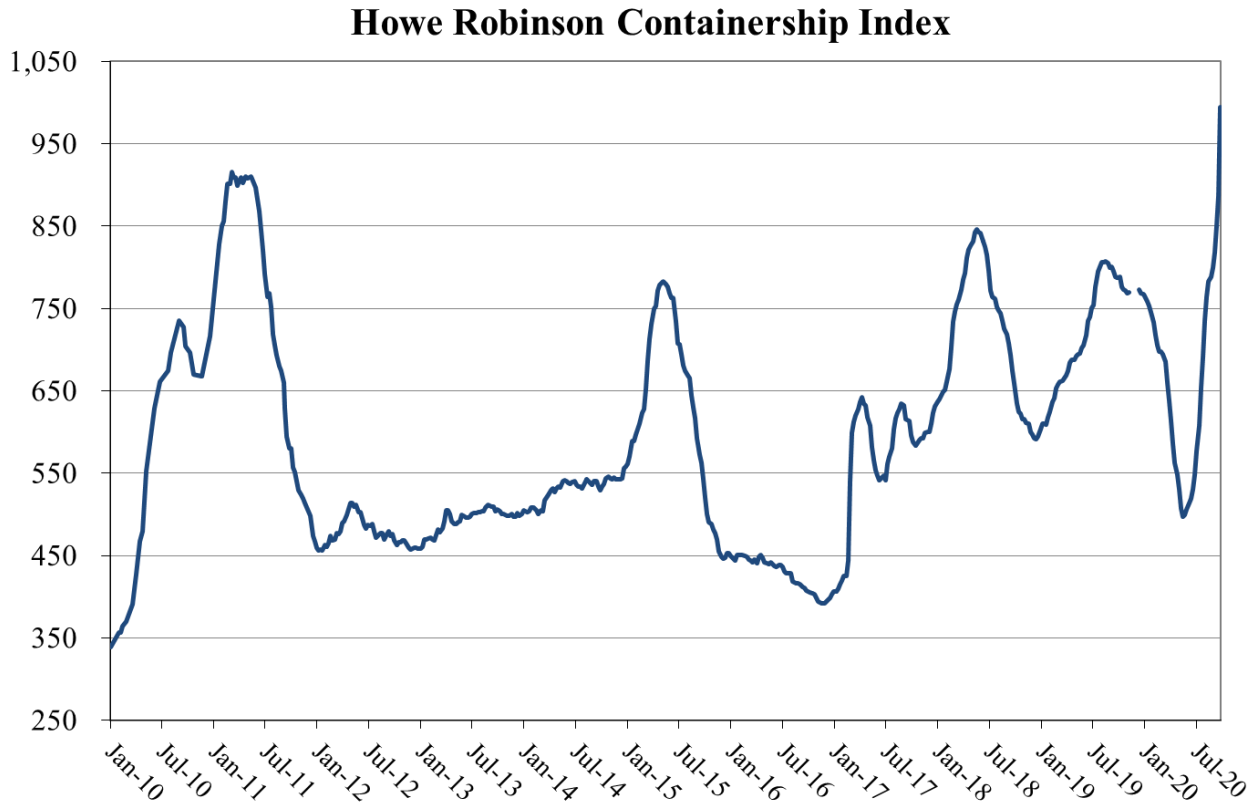
Ocean Containership Charter Rates

The Containership Lease Rate Index continued upward at the start of November as demand outlook improves and capacity is scarce, after hitting a multi-year low in mid-April.



Source: Lloyd's List

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IATA Airfreight Trends

Monthly Industry Trend Summary and Analysis

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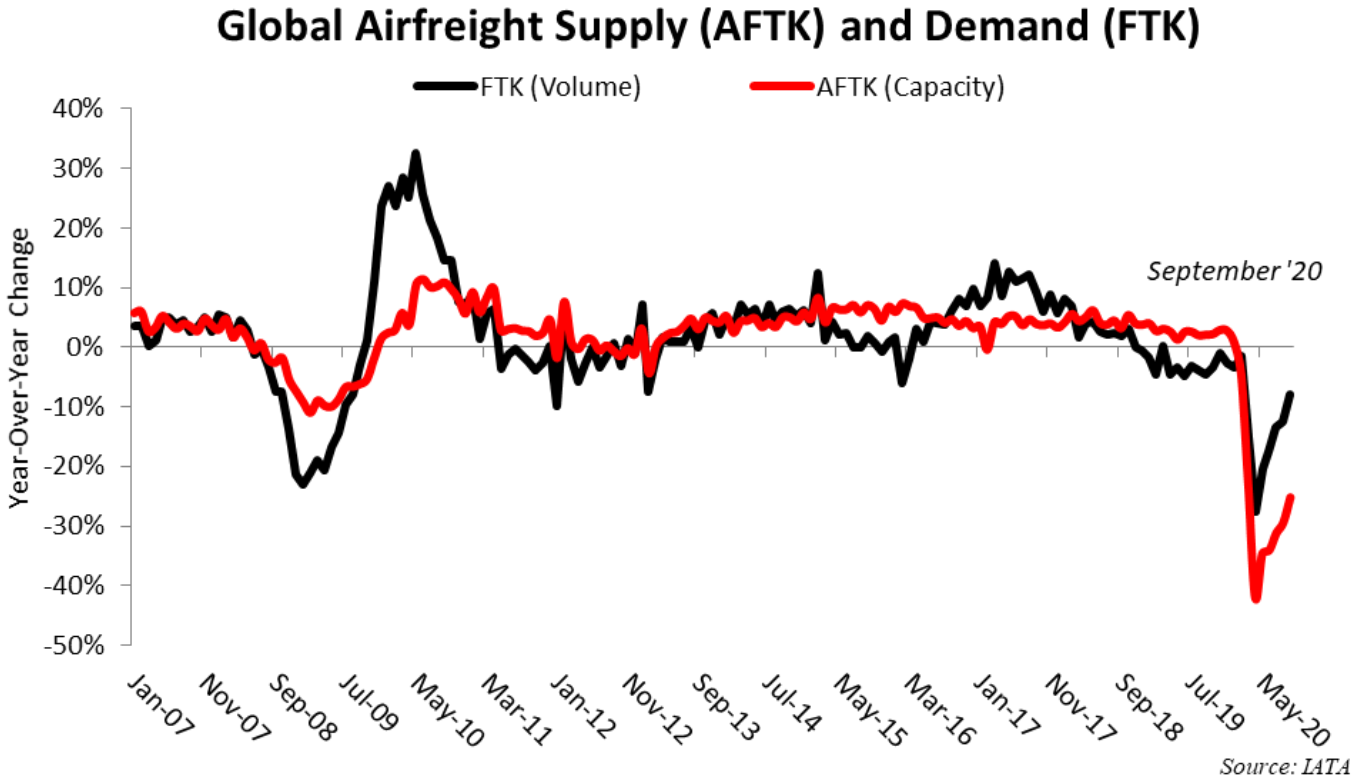
IATA Airfreight Trends: Worldwide

While airfreight activity has recovered from April lows and is down 8%, capacity remains in deficit as deployed capacity is down 25%+ Y/Y. As passenger capacity remains idled due to COVID (~40%+ of global capacity), we expect demand trends to outperform capacity, keeping rates elevated into 2021 (estimating rates up 50%+ Y/Y in 2H20).



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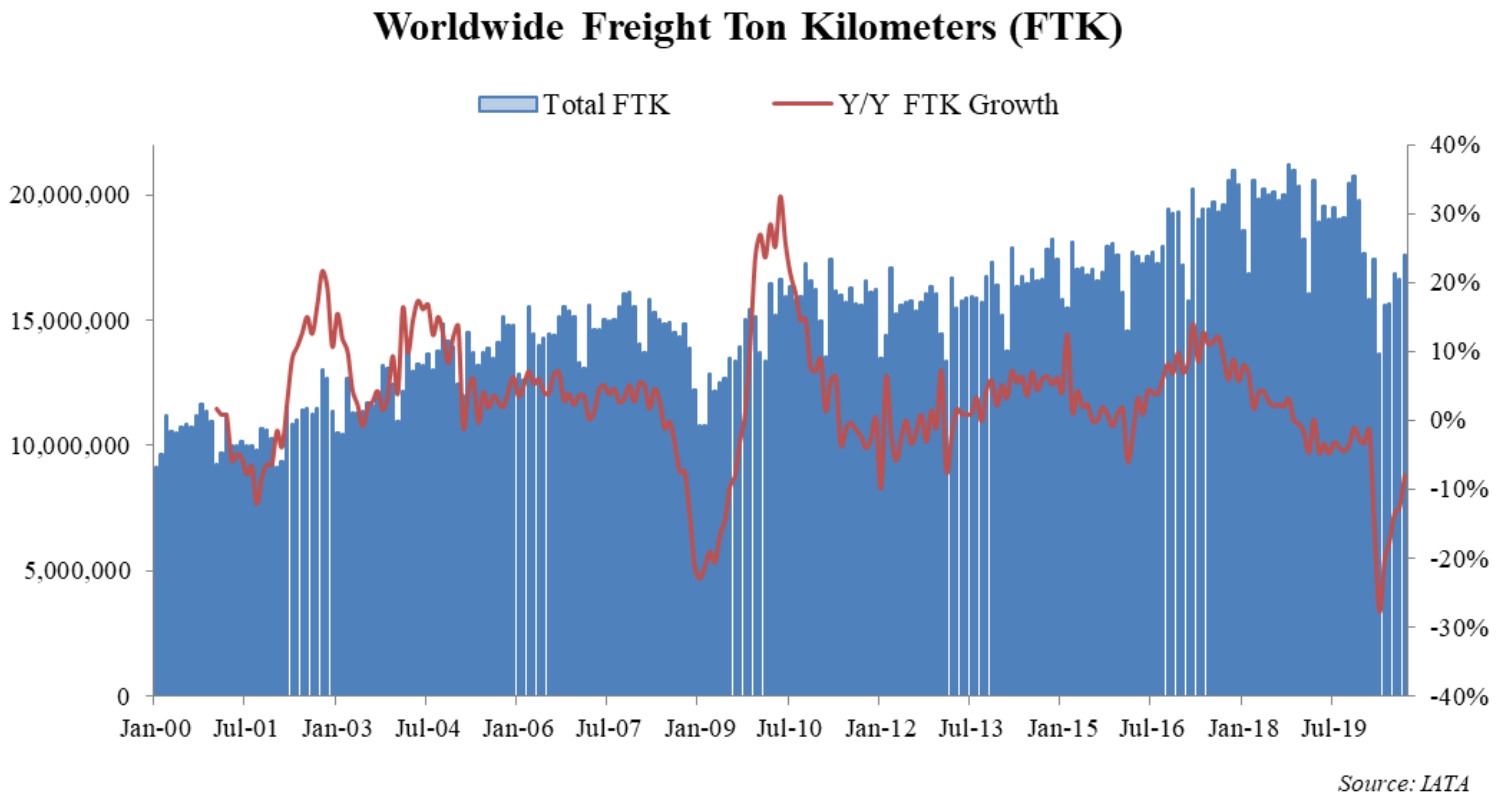
IATA Airfreight Trends: Worldwide

During September, global airfreight volumes dropped 8% Y/Y, its twenty-first decline in twenty-two months (March 2019 was +0.1%), but increased 6% M/M. We expect demand to improve Q/Q (but remain lower Y/Y) in 4Q with organic demand recovery and tech product launches.



Source: IATA

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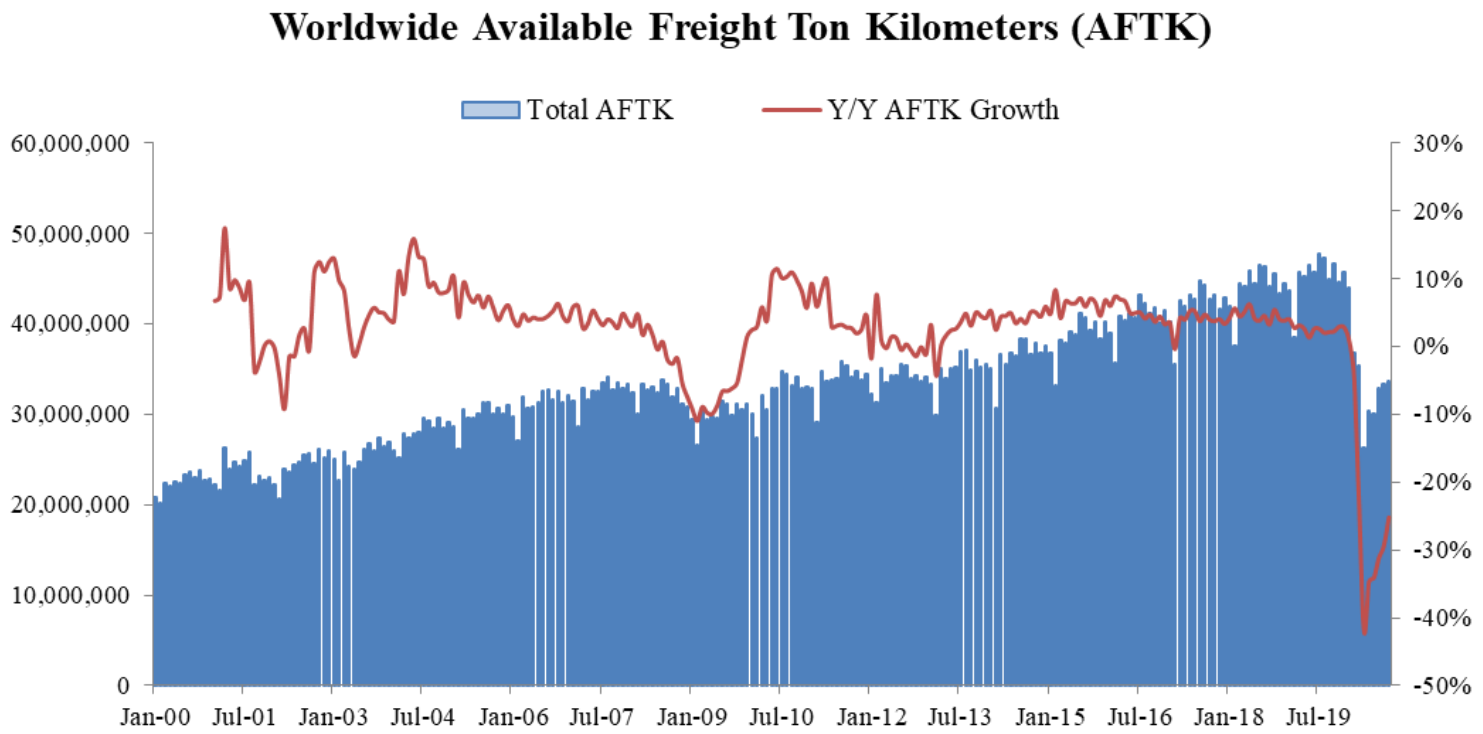
IATA Airfreight Trends: Worldwide

Global airfreight capacity, or available freight ton kilometers (AFTKs), was down 25% Y/Y in September (up 1% M/M), significantly below the multi-year average growth of 3-5%. This marks the eighth consecutive month that capacity fell faster than demand. Our work indicates AFTK's will likely remain limited through 2H20 due to COVID-19 impact on air travel, especially as passenger planes to Asia remain limited (40%+ of cargo AFTK capacity) and volumes improve.



Source: IATA

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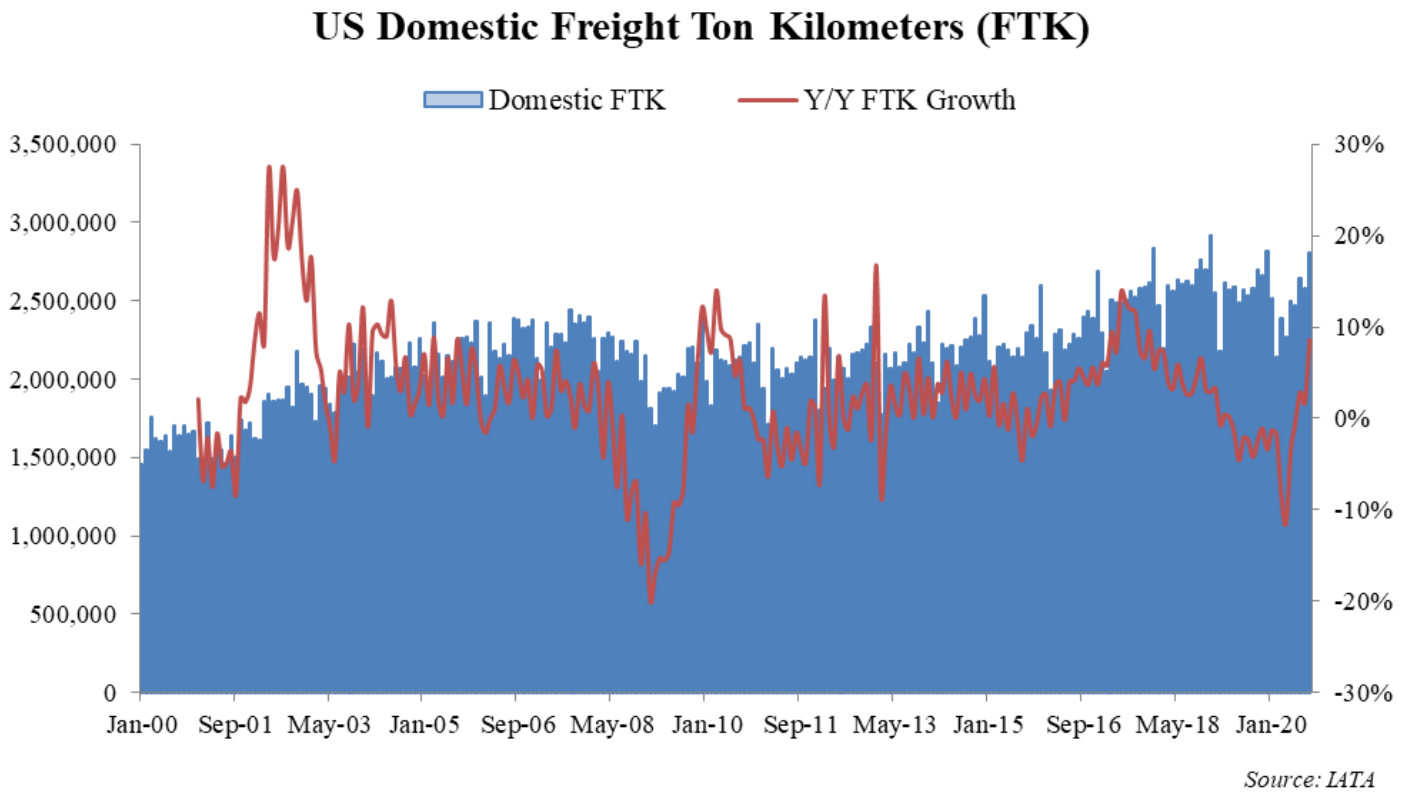
IATA Airfreight Trends: US Domestic

US domestic airfreight volumes (freight ton kilometers, or FTK) were up 7% Y/Y in September, its third Y/Y increase since April 2019 (up 9% M/M). While PPE demand has moderated, we expect volumes to improve into 4Q due to increased organic demand (inventory restocking), tech product launches, and incremental overflow from constrained ocean markets.



Source: IATA

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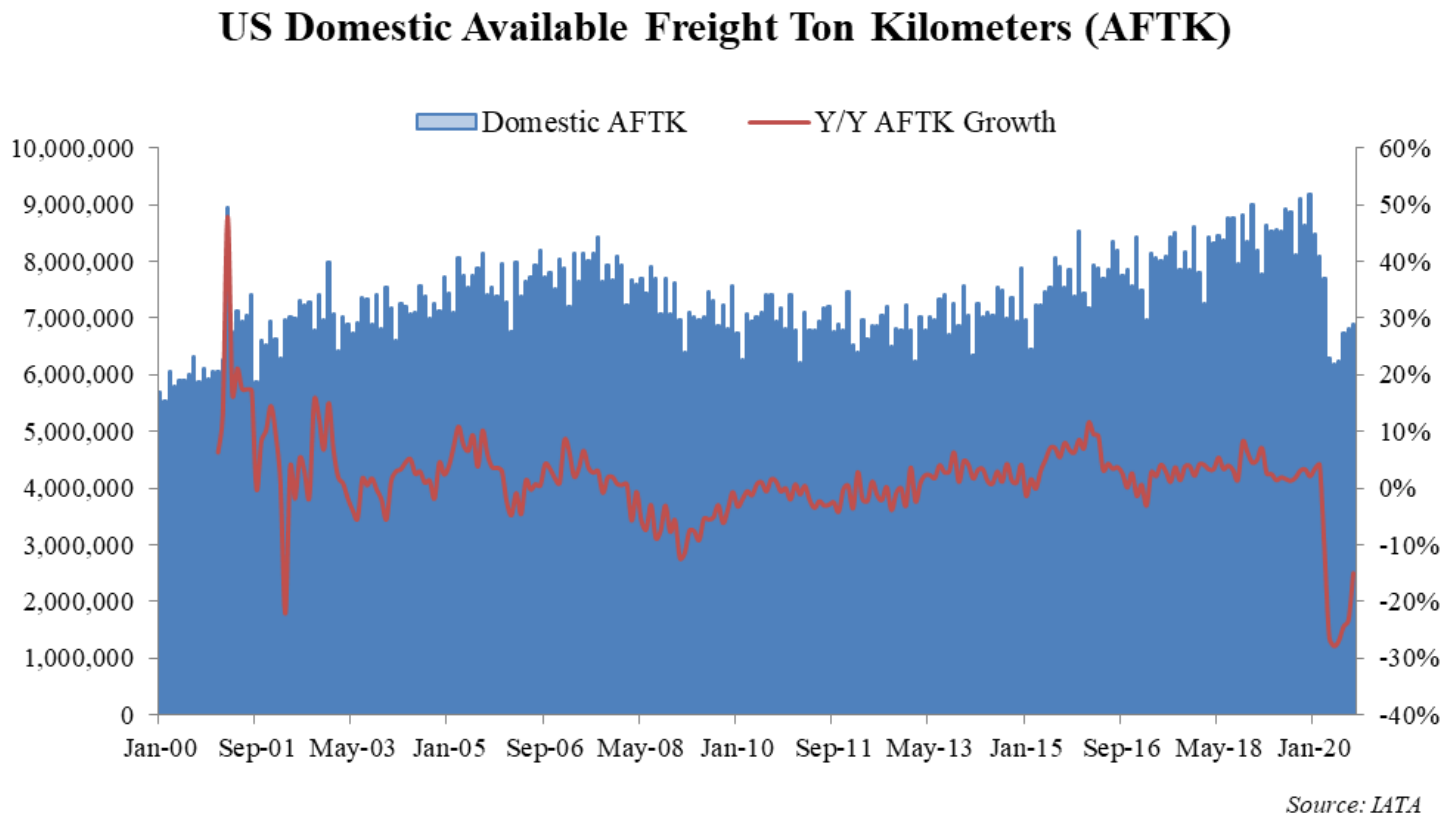
IATA Airfreight Trends: US Domestic

US domestic air capacity, or available freight ton kilometers (AFTK), fell 15% Y/Y in September, the seventh Y/Y decline since February 2017, likely due to continued passenger flight cancellations.



Source: IATA

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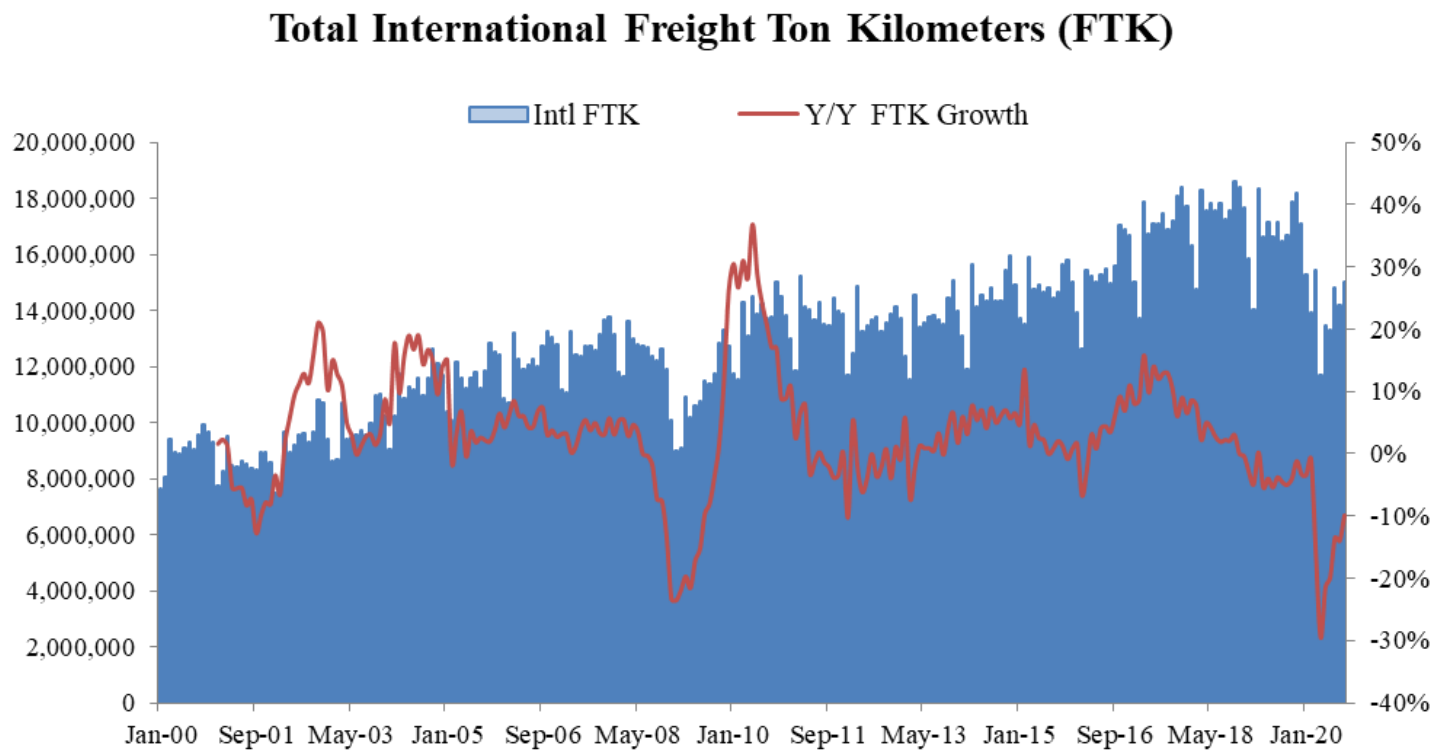
IATA Airfreight Trends: Total International

International airfreight volumes, or freight ton kilometers (FTK), fell 10% Y/Y in September (up 6% M/M). Volume has been lower versus year-ago periods for sixteen out of the past seventeen months as industry commentary indicates demand remains weak while growth rates lap year-ago weakness. We expect 2H demand to be down 5-10% due to COVID-19 impact.



Source: IATA

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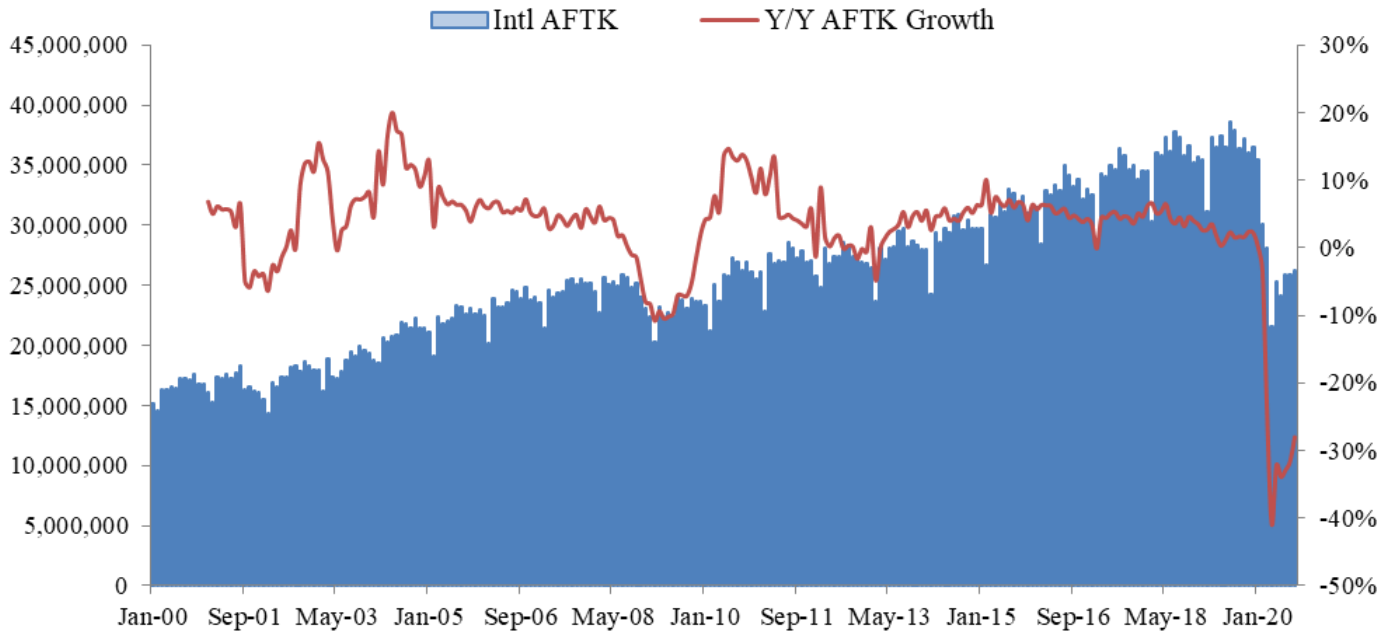
IATA Airfreight Trends: Total International

International airfreight capacity, or available freight ton kilometers (AFTK), was down 28% Y/Y in September (up 1% M/M). This was the seventh month of Y/Y decline, primarily due to reduced passenger flights (key catalyst for growth over the past 10 years). Our work indicates AFTK's will likely continue to be limited through 2H20 due to COVID-19 impact on air travel/passenger flight activity (50% of cargo capacity).

Total International Available Freight Ton Kilometers (AFTK)



Source: IATA

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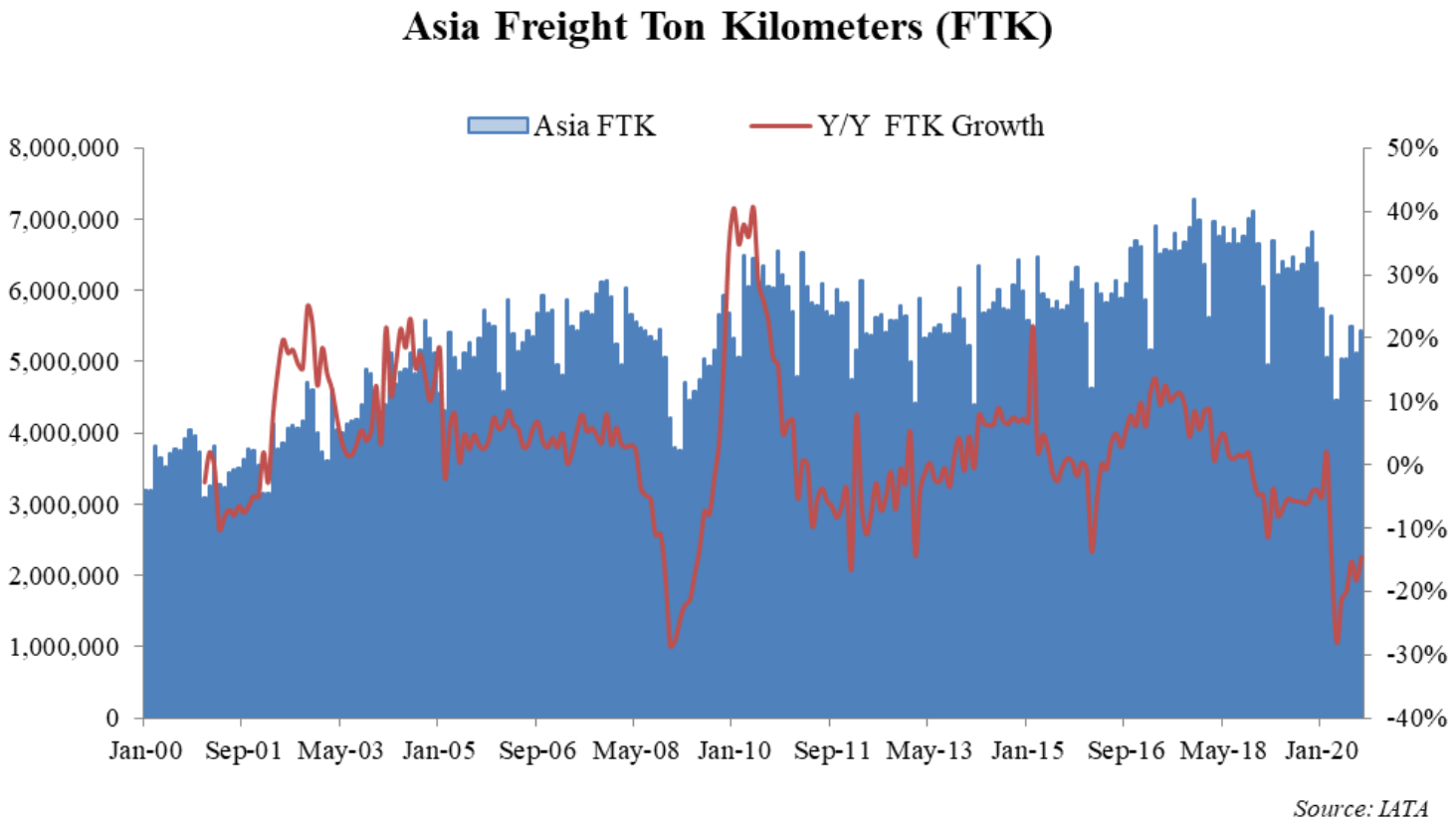
IATA Airfreight Trends: Asia

Asian airfreight volumes, or freight ton kilometers (FTK), fell 15% Y/Y in August (up 8% M/M). Decreased demand is likely attributed to reduced economic activity (COVID-19) but expected to improve Q/Q due to organic demand recovery.



Source: IATA

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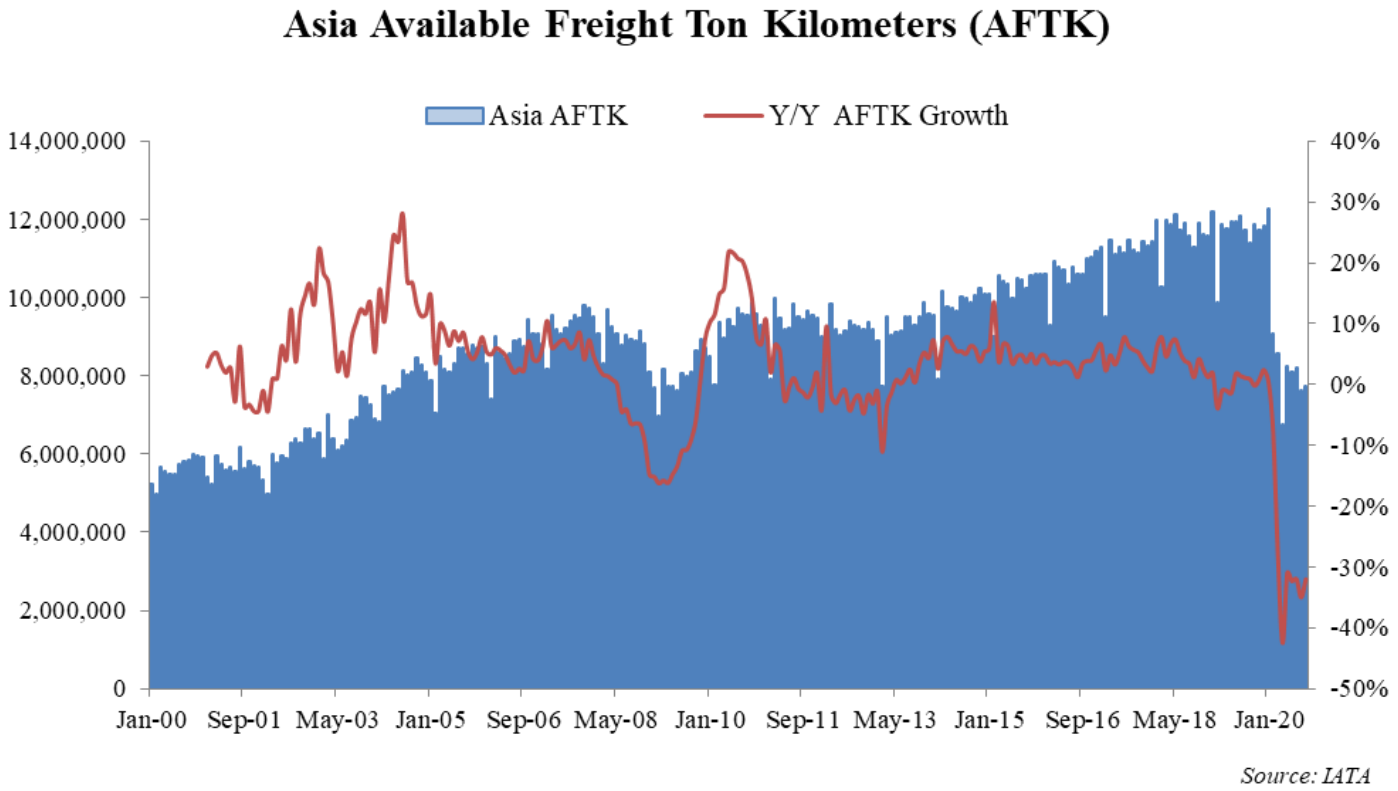
IATA Airfreight Trends: Asia

Capacity for Asian airfreight was down 32% Y/Y in September (up 2% M/M). Our work indicates AFTK's will likely remain limited through 2H20 due to COVID-19 impact on air travel, especially as passenger flights to Asia are reduced (50% of cargo capacity) and volumes improve.



Source: IATA

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International General Airfreight

Monthly Industry Trend Summary and Analysis

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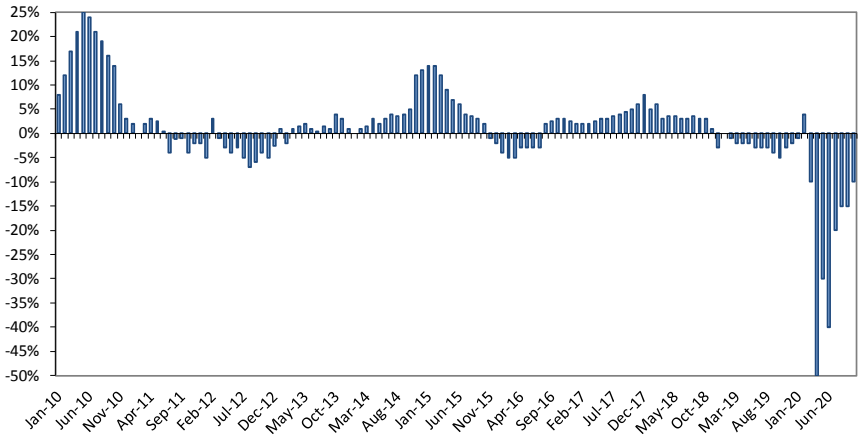
Air Freight Demand Trends

Our most recent research indicates airfreight demand through October was lower Y/Y but less bad M/M as capacity declines (limited passenger flight capacity) outpace organic demand trends. While 2H20 volumes are likely down Y/Y, we do expect an increase in tech shipments and incremental overflow from ocean markets to support airfreight forwarding demand.

Percentage Change in Demand for Airfreight Forwarding Services
(year-over-year)



Percent Change in Demand for Airfreight Forwarding Services (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	8.0%	12.0%	17.0%	21.0%	25.0%	24.0%	21.0%	19.0%	16.0%	14.0%	6.0%	3.0%
2011	2.0%	0.0%	2.0%	3.0%	2.5%	0.5%	-4.0%	-1.2%	-1.0%	-4.0%	-2.0%	-2.0%
2012	-5.0%	3.0%	-1.0%	-3.0%	-4.0%	-3.0%	-5.0%	-7.0%	-6.0%	-4.0%	-5.0%	-2.5%
2013	1.0%	-2.0%	1.0%	1.5%	2.0%	1.0%	0.5%	1.5%	1.0%	4.0%	3.0%	1.0%
2014	0.0%	1.0%	1.5%	3.0%	2.0%	3.0%	4.0%	3.5%	4.0%	5.0%	12.0%	13.0%
2015	14.0%	14.0%	12.0%	9.0%	7.0%	6.0%	4.0%	3.5%	3.0%	2.0%	-1.0%	-2.0%
2016	-4.0%	-5.0%	-5.0%	-3.0%	-3.0%	-3.0%	-3.0%	2.0%	2.5%	3.0%	3.0%	2.5%
2017	2.0%	2.0%	2.0%	2.5%	3.0%	3.0%	3.5%	4.0%	4.5%	5.0%	6.0%	8.0%
2018	5.0%	6.0%	3.0%	3.5%	3.5%	3.0%	3.0%	3.5%	3.0%	3.0%	1.0%	-3.0%
2019	0.0%	-1.0%	-2.0%	-2.0%	-2.0%	-3.0%	-3.0%	-3.0%	-4.0%	-5.0%	-3.0%	-2.0%
2020	-1.0%	4.0%	-10.0%	-50.0%	-30.0%	-40.0%	-20.0%	-15.0%	-15.0%	-10.0%		

Source: CRC Research

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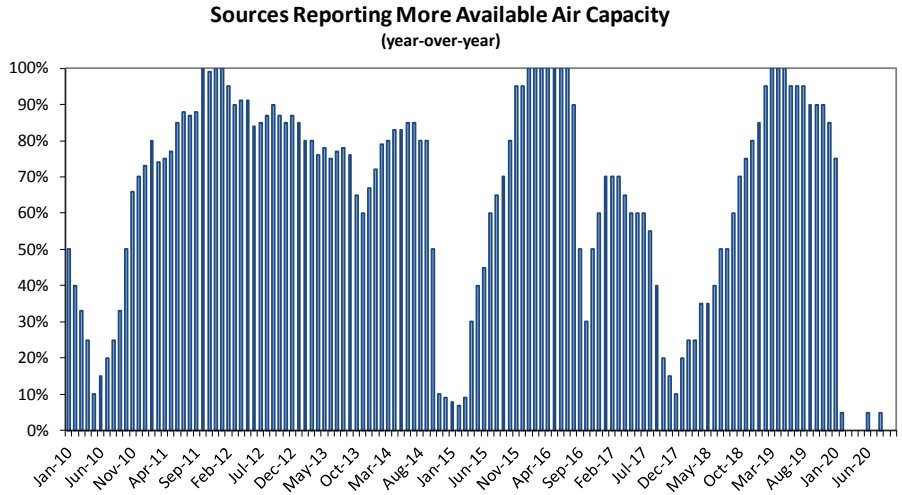
Air Freight Capacity Trends

Feedback indicates airfreight capacity remains limited as airlines reduce capacity (passenger flights). Our work indicates capacity into early 2021 will remain relatively scarce due to COVID-19 impact on fewer flights (passenger).



Sources Reporting More Available Air Capacity (Year-over-Year)	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	50%	40%	33%	25%	10%	15%	20%	25%	33%	50%	66%	70%
2011	73%	80%	74%	75%	77%	85%	88%	87%	88%	100%	99%	100%
2012	100%	95%	90%	91%	91%	84%	85%	87%	90%	87%	85%	87%
2013	85%	80%	80%	76%	78%	75%	77%	78%	76%	65%	60%	67%
2014	72%	79%	80%	83%	83%	85%	85%	80%	80%	50%	10%	9%
2015	8%	7%	9%	30%	40%	45%	60%	65%	70%	80%	95%	95%
2016	100%	100%	100%	100%	100%	100%	100%	90%	50%	30%	50%	60%
2017	70%	70%	70%	65%	60%	60%	60%	55%	40%	20%	15%	10%
2018	20%	25%	25%	35%	35%	40%	50%	50%	60%	70%	75%	80%
2019	85%	95%	100%	100%	100%	95%	95%	95%	90%	90%	90%	85%
2020	75%	5%	0%	0%	0%	5%	0%	5%	0%	0%		

Source: CRC Research

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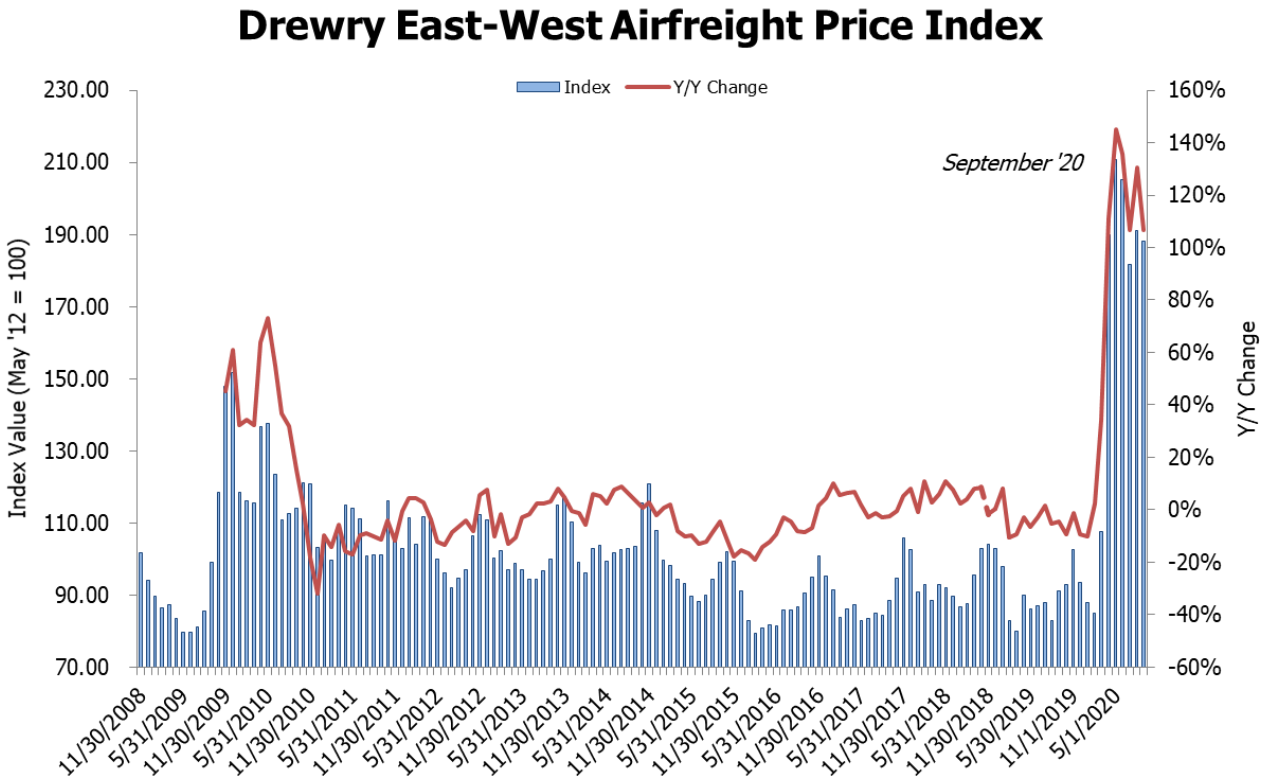
Air Freight Pricing Trends

Airfreight rates during September grew 107% Y/Y (down 2% M/M) as markets lap persistent demand weakness. We expect rates to decline M/M over the next 60 days as our work indicates rates slowing as demand for PPE moderates and holiday shipment slow, but remain elevated until passenger flights (capacity) meaningfully resume.



Source: Drewry Shipping Consultants, CRC Analysis

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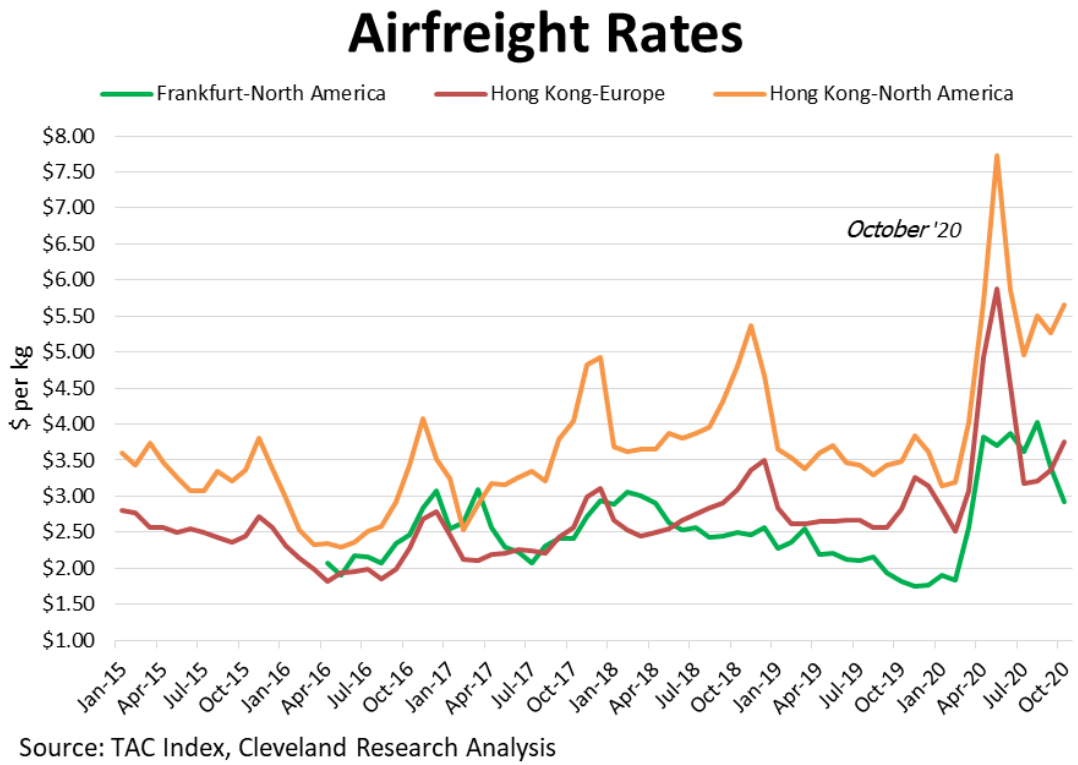
Air Freight Pricing Trends: Frankfurt to North America

Airfreight rates on various global benchmark lanes increased slightly M/M, while Frankfurt to North America decreased 14% M/M, and remain significantly higher Y/Y as demand continues to outpace available capacity. Rates in October were up 30-60% Y/Y (depending on lane), and are expected to remain at elevated through 2H20.



Source: TAC Index, CRC Analysis

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Trucking (Full-Truckload and Less-than-Truckload)

Monthly Industry Trend Summary and Analysis

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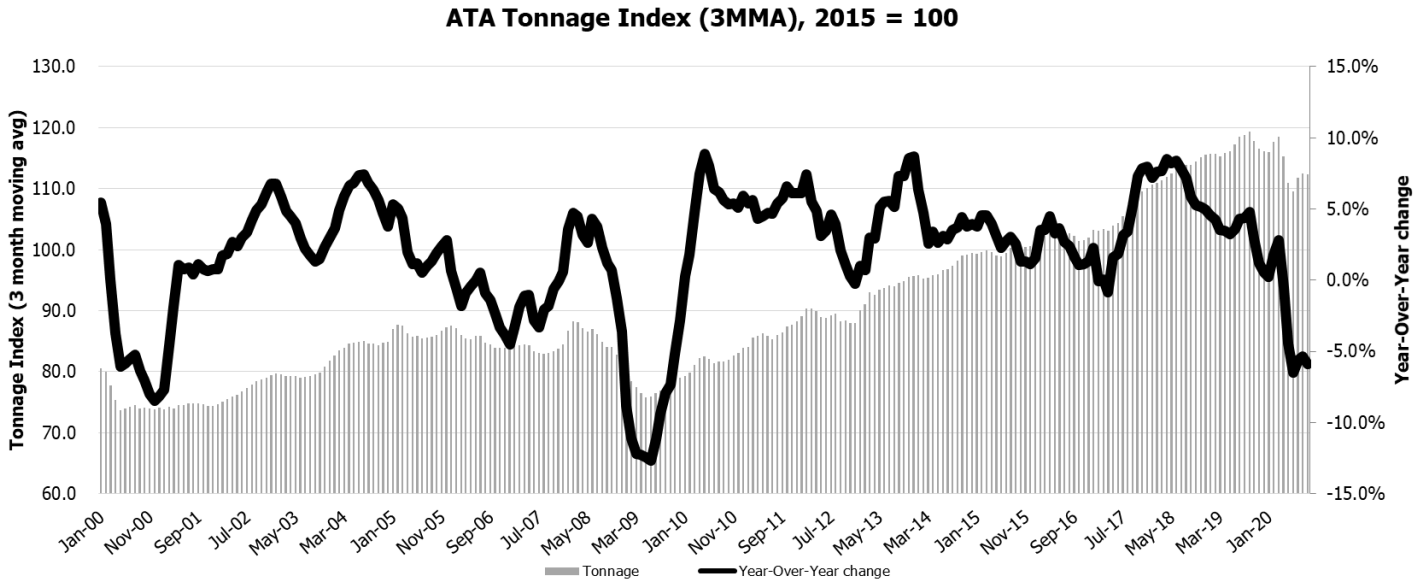
ATA Truck Tonnage Index

Seasonally adjusted tonnage in September fell 2.9% Y/Y according to the ATA, similar to Cass, as strong consumer inventory rebuild and improving organic trends offset less heavy-weight industrial freight. The 3 month moving average (3MMA) was down 5.9% Y/Y in September, but flat M/M. ATA Chief Economist Bob Costello commented "September had a nice recovery after a significant decline in August. The truck freight market continues to be bifurcated, with strength in retail and home construction, but some continued weakness in industrial freight." Year-to-date ATA truck tonnage through September is down 3% (2019+4%, 2018 +8%, 2013-2017 +0.5-4.5%).



Source: American Trucking Association, CRC Analysis

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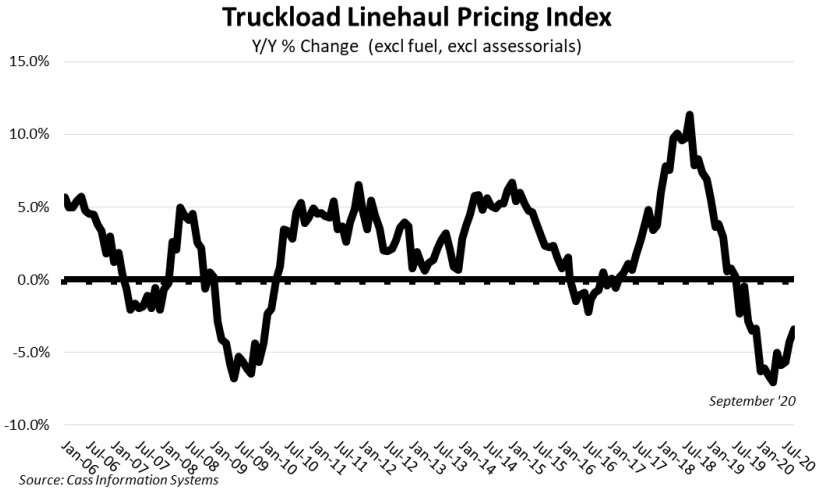
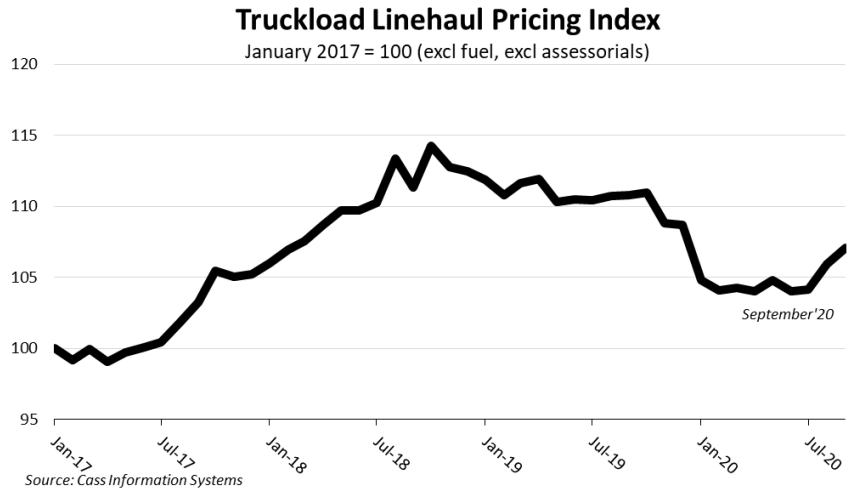
Truckload Pricing

Average truckload rates (blended average of contract and spot) were down 3% Y/Y in September excluding fuel surcharges and assessorial fees), according to Cass Information Systems, primarily due to lower contract rates Y/Y. This is the sixteenth consecutive month of Y/Y decline (was 15 months of Y/Y decline from February 2009-April 2010). Our work indicates contract rates declined 5-10%+ in 2020 bids during 1H20, but an increase in spot market rates and mid-cycle contract rate increases over the past 60 days (slides 37-39) has introduced incremental price inflation. We are hearing contract rates are currently close to flat Y/Y with initial 2021 TL bid expectations +MSD.





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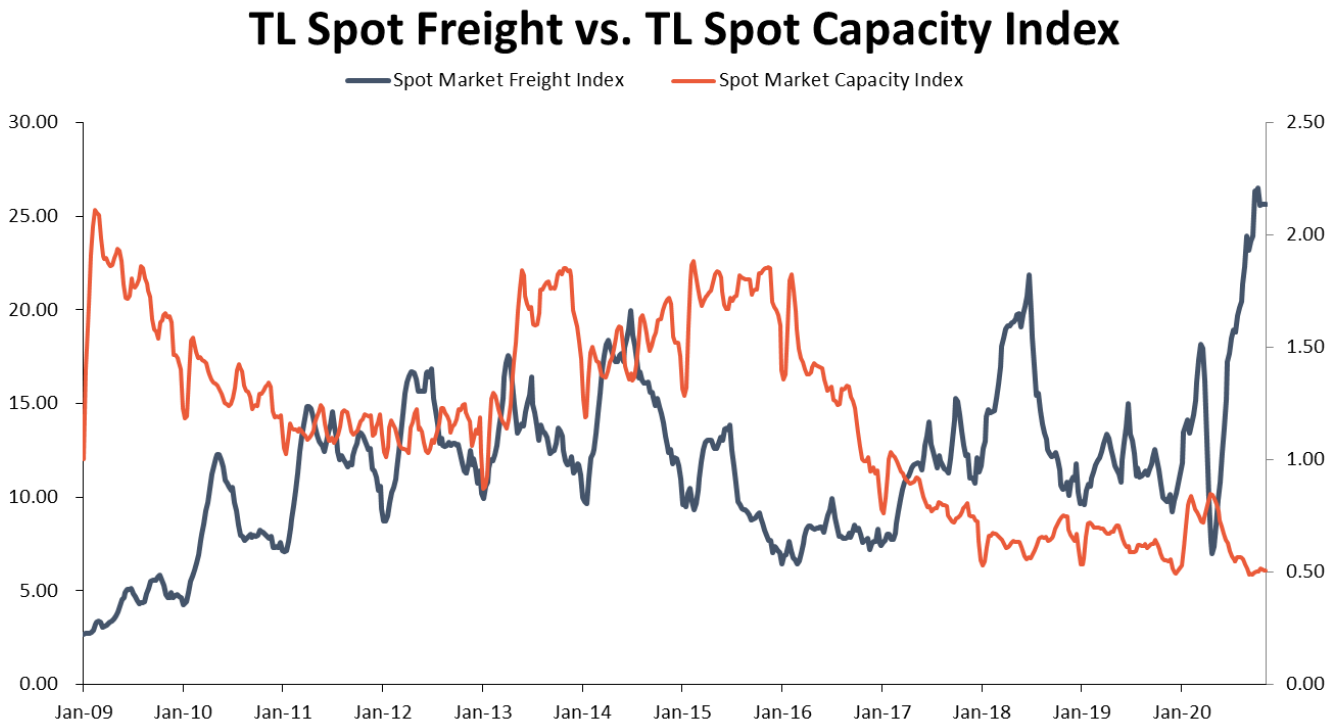
Truckload Spot Market Demand Index

After plummeting through April, truckload spot market demand has recovered. Spot market demand during the first week of November is up 160% versus one year ago (up 1% from one month ago). Spot market capacity has come down since April but is only down 9% Y/Y likely due to strong organic demand (inventory restocking).



Source: ITS, Cleveland Research

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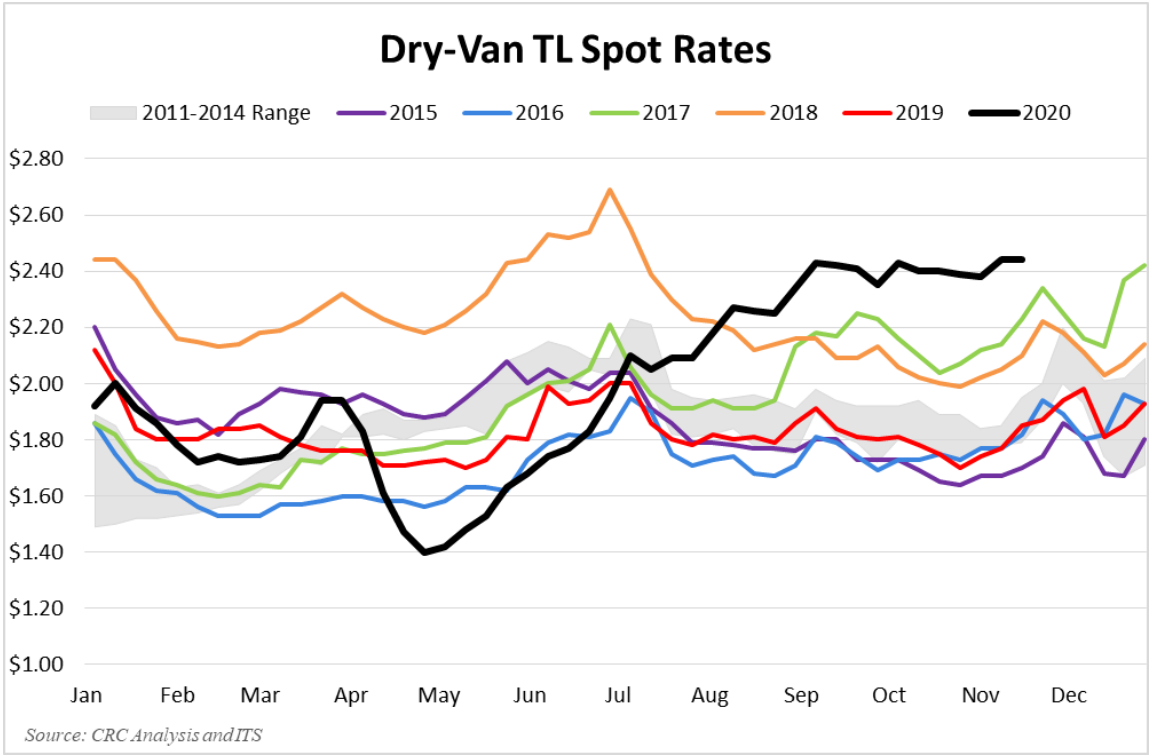
Dry-Van Truckload Spot Rates

As spot demand increases, dry-van TL rates are now up 32% Y/Y (versus down 20% Y/Y in April). As economic activity resumes, demand appears to be trending above seasonal average due to inventory replenishment. Our work indicates contract rates are returning to flat after experiencing mid-cycle rate increases over the last 60 days (2019 down 5-15%, 2018 up 8-11%). Initial expectations for 2021 contract pricing likely +MSD.



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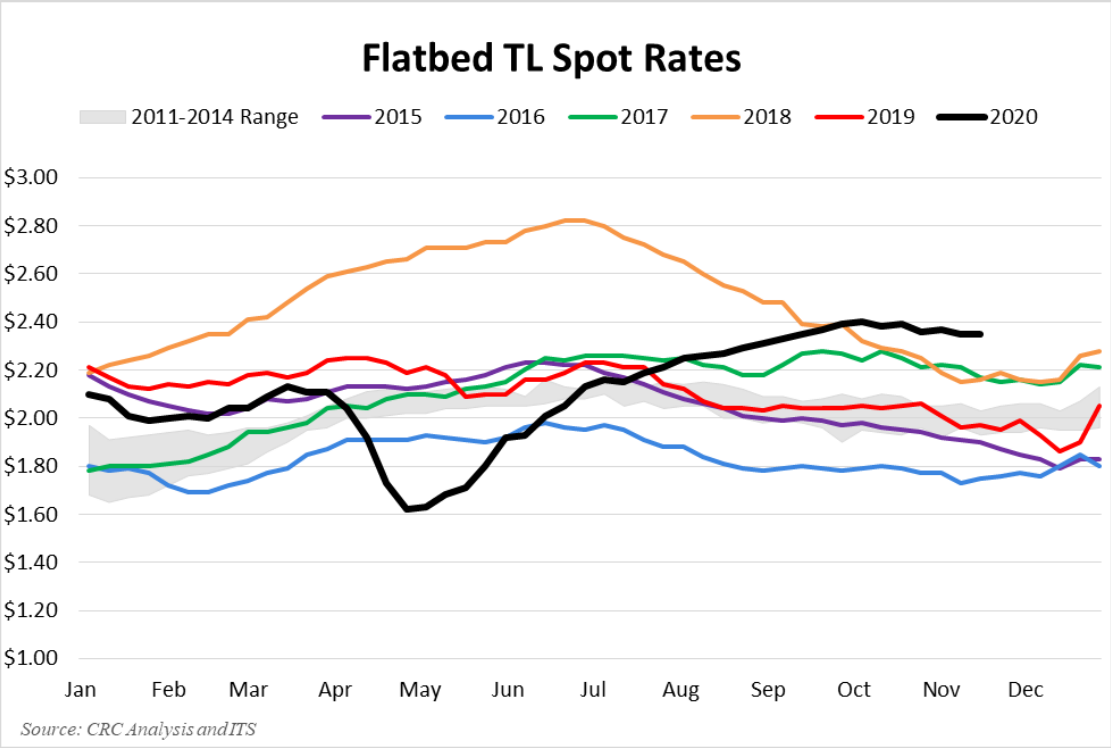
Flatbed Truckload Spot Rates

Similar to dry-van, flatbed spot market rates have risen off late April lows and are now up 19% Y/Y. Our work indicates flatbed contract prices are seeing mid-cycle increases of 5-10% (back to flat Y/Y) after contract rates dropped 0-3% in 1H20. Our work indicates demand has increased over the past several weeks due to increasing economic activity and opportunistic spot market use, lagging industrial/manufacturing demand.



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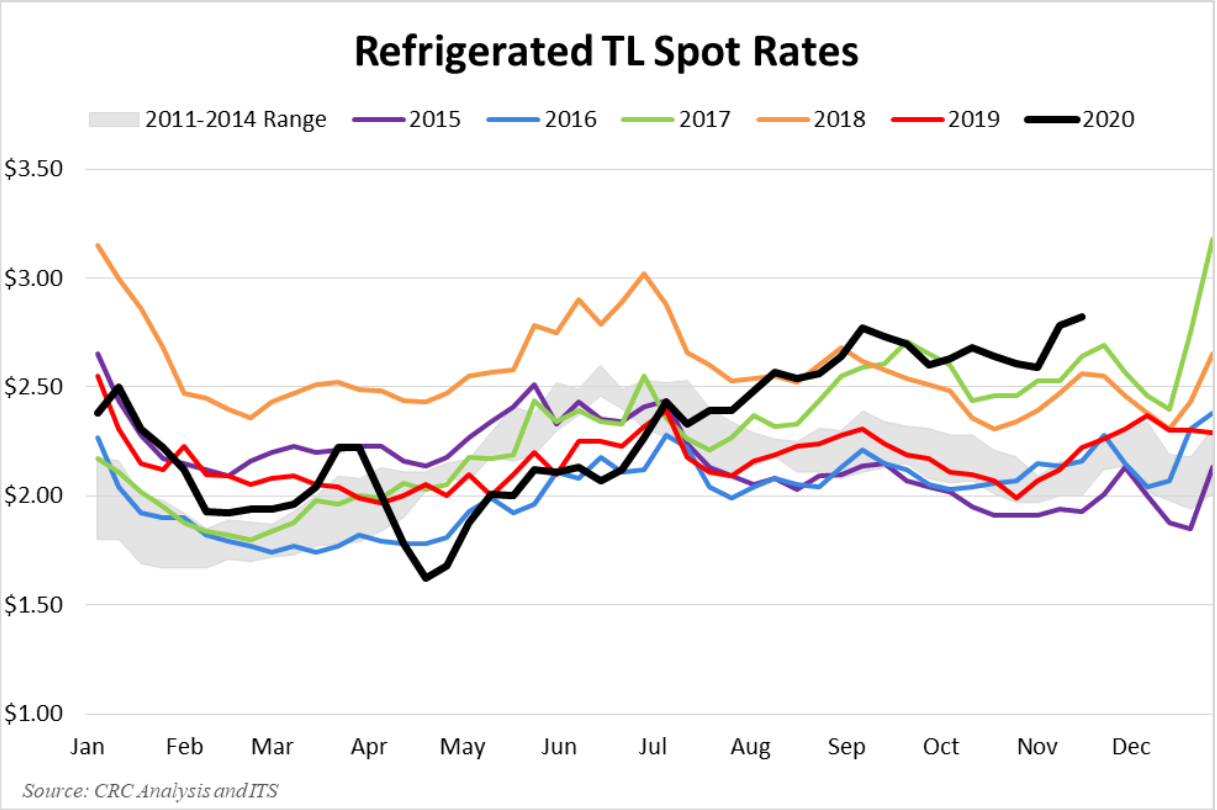
Refrigerated Truckload Spot Rates

Over the last 30 days, refrigerated spot TL rates have risen similar to dry-van and flatbed markets, and are up 27% Y/Y. While spot rates have risen, our work indicates contract rates are largely intact (dropped 5-10% Y/Y in 1H20) excluding outbound CA and outbound TX. Our work indicates demand is being driven by strong demand and inventory dislocation/restocking.



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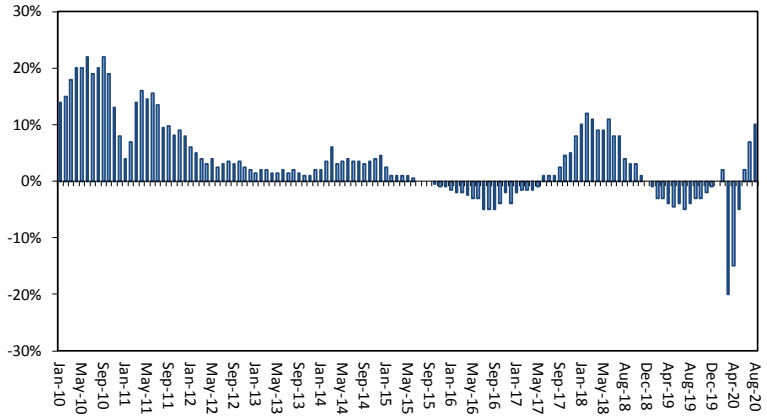
Full Truckload (TL) Demand Trends

Our work through September indicates same-shipper demand remained positive as inventory rebuild and rebounding organic demand drove volume growth. Demand appears better than expectations and forward commentary expects 2H20 volume up LSD-MSD (vs prior forecast flat).

Percentage Change in Same-Shipper Demand for Dry-Van Truck Brokerage Services (year-over-year)



Percentage Change in Same-Shipper Demand for Dry-Van Truck Brokerage Services (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	14.0%	15.0%	18.0%	20.0%	20.0%	22.0%	19.0%	20.0%	22.0%	19.0%	13.0%	8.0%
2011	4.0%	7.0%	14.0%	16.0%	14.5%	15.5%	13.5%	9.5%	9.8%	8.1%	9.0%	8.0%
2012	6.0%	5.0%	4.0%	3.0%	4.0%	2.5%	3.0%	3.5%	3.0%	3.5%	2.5%	2.0%
2013	1.5%	2.0%	2.0%	1.5%	1.5%	2.0%	1.5%	2%	1.5%	1.0%	1.0%	2.0%
2014	2.0%	3.5%	6.0%	3.0%	3.5%	4.0%	3.5%	3.5%	3.0%	3.5%	4.0%	4.5%
2015	2.5%	1.0%	1.0%	1.0%	1.0%	0.5%	0.0%	0.0%	0.0%	-0.5%	-1.0%	-1.0%
2016	-1.5%	-2.0%	-2.0%	-2.5%	-3.0%	-3.0%	-5.0%	-5.0%	-5.0%	-4.0%	-2.0%	-4.0%
2017	-2.0%	-1.5%	-1.5%	-1.5%	-1.0%	1.0%	1.0%	1.0%	2.5%	4.5%	5.0%	8.0%
2018	10.0%	12.0%	11.0%	9.0%	9.0%	11.0%	8.0%	8.0%	4.0%	3.0%	3.0%	1.0%
2019	0.0%	-1.0%	-3.0%	-3.0%	-4.0%	-4.5%	-4.0%	-5.0%	-4.0%	-3.0%	-3.0%	-2.0%
2020	-1.0%	0.0%	2.0%	-20.0%	-15.0%	-5.0%	2.0%	7.0%	10.0%			

Source: CRC Research

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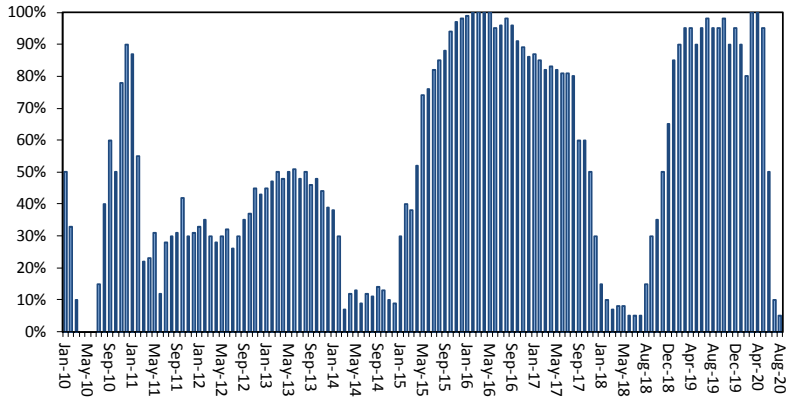
Full Truckload (TL) Capacity Trends

Through September, our work indicates capacity became scarce as demand remains strong. We are hearing first-load tender acceptance rates for contract committed volumes come down from prior 90%+ levels over the past 20 months. A quick uptick in freight volumes over the past 60 days likely resulted in incremental spot market volume not covered under contract commitments.

Sources Reporting More Available Dry-Van Capacity (year-over-year)



Sources Reporting More Available Dry-Van Truck Capacity (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	50%	33%	10%	0%	0%	0%	15%	40%	60%	50%	78%	90%
2011	87%	55%	22%	23%	31%	12%	28%	30%	31%	42%	30%	31%
2012	33%	35%	30%	28%	30%	32%	26%	30%	35%	37%	45%	43%
2013	45%	47%	50%	48%	50%	51%	48%	50%	46%	48%	44%	39%
2014	38%	30%	7%	12%	13%	9%	12%	11%	14%	13%	10%	9%
2015	30%	40%	38%	52%	74%	76%	82%	85%	88%	94%	97%	98%
2016	99%	100%	100%	100%	100%	95%	96%	98%	96%	91%	89%	86%
2017	87%	85%	82%	83%	82%	81%	81%	80%	60%	60%	50%	30%
2018	15%	10%	7%	8%	8%	5%	5%	5%	15%	30%	35%	50%
2019	65%	85%	90%	95%	95%	90%	95%	98%	95%	95%	98%	90%
2020	95%	90%	80%	100%	100%	95%	50%	10%	5%			

Source: CRC Research

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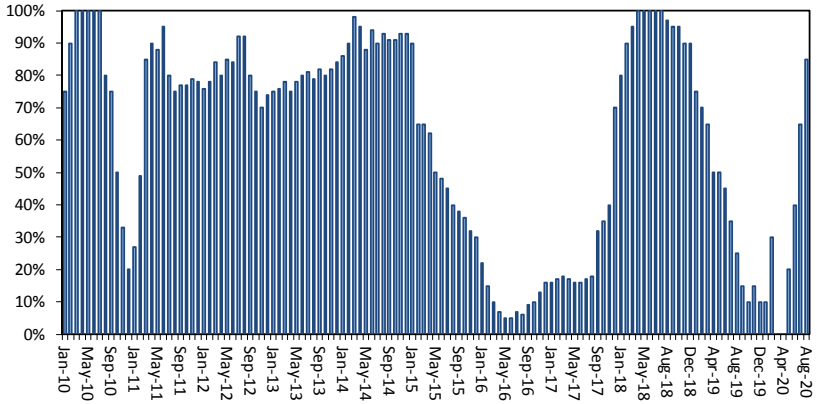
Full Truckload (TL) Pricing Trends

Through September, shippers continue to report paying higher rates Y/Y as carrier mid-cycle rate increases come into effect due to high demand and tight capacity. Spot market rates have seen upward pressure since April lows and are trending above year-ago levels, our work indicates contract rates are likely closer to flat Y/Y. 2021 TL bids likely +MSD.

Sources Reporting Higher Dry-Van Rates from Carriers (year-over-year)



Sources Reporting Higher Dry-Van Pricing from Carriers (Purchased Transportation Costs) (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	75%	90%	100%	100%	100%	100%	100%	80%	75%	50%	33%	20%
2011	27%	49%	85%	90%	88%	95%	80%	75%	77%	77%	79%	78%
2012	76%	78%	84%	80%	85%	84%	92%	92%	80%	75%	70%	74%
2013	75%	76%	78%	75%	78%	80%	81%	79%	82%	80%	82%	84%
2014	86%	90%	98%	95%	88%	94%	90%	93%	91%	91%	93%	93%
2015	90%	65%	65%	62%	50%	48%	45%	40%	38%	36%	32%	30%
2016	22%	15%	10%	7%	5%	5%	7%	6%	9%	10%	13%	16%
2017	16%	17%	18%	17%	16%	16%	17%	18%	32%	35%	40%	70%
2018	80%	90%	95%	100%	100%	100%	100%	100%	97%	95%	95%	90%
2019	90%	75%	70%	65%	50%	50%	45%	35%	25%	15%	10%	15%
2020	10%	10%	30%	0%	0%	20%	40%	65%	85%			

Source: CRC Research

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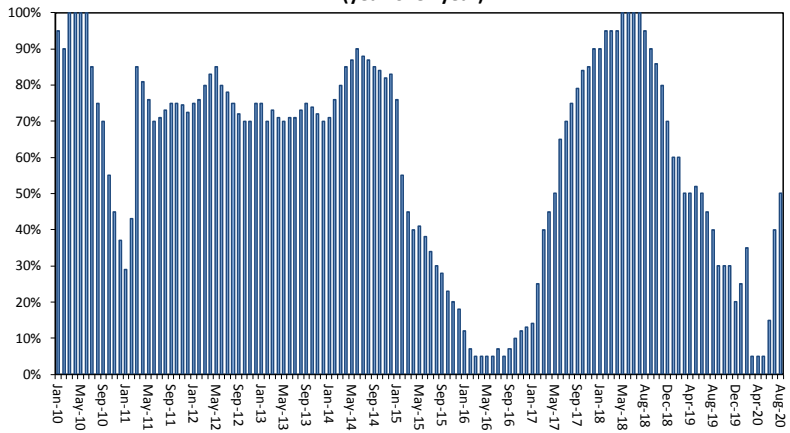
Flatbed Trucking Demand Trends

Through September, our work indicates shipper demand for flatbed truck brokerage service improved due to improving demand (building materials), inventory re-stocking, and manufacturing re-opening (auto). Improving economic activity levels over the past 45 days will likely drive increased demand.

Sources Reporting Increased Demand For Flatbed Truck Brokerage Services (year-over-year)



Sources Reporting Increased Demand for Flatbed Truck Brokerage Services
(Year-over-Year)

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	95%	90%	100%	100%	100%	100%	85%	75%	70%	55%	45%	37%
2011	29%	43%	85%	81%	76%	70%	71%	73%	75%	75%	75%	73%
2012	75%	76%	80%	83%	85%	80%	78%	75%	72%	70%	70%	75%
2013	75%	70%	73%	71%	70%	71%	71%	73%	75%	74%	72%	70%
2014	71%	76%	80%	85%	87%	90%	88%	87%	85%	84%	82%	83%
2015	76%	55%	45%	40%	41%	38%	34%	30%	28%	23%	20%	18%
2016	12%	7%	5%	5%	5%	5%	7%	5%	7%	10%	12%	13%
2017	14%	25%	40%	45%	50%	65%	70%	75%	79%	84%	85%	90%
2018	90%	95%	95%	95%	100%	100%	100%	100%	95%	90%	86%	80%
2019	70%	60%	60%	50%	50%	52%	50%	45%	40%	30%	30%	30%
2020	20%	25%	35%	5%	5%	5%	15%	40%	50%			

Source: CRC Research

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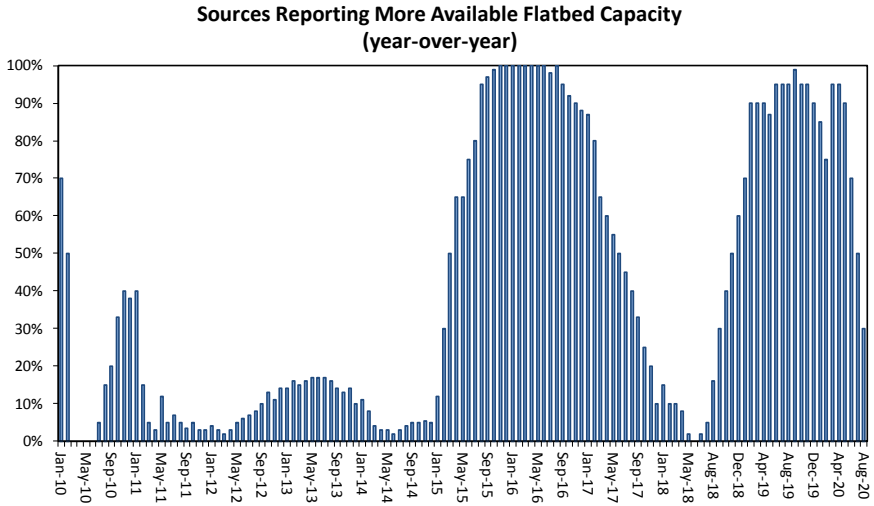
Flatbed Trucking Capacity Trends

Through September, flatbed truck availability became tighter likely due to improving demand trends. Increased spot market activity over the past 45 days likely further limits capacity.



Sources Reporting More Available Flatbed Truck Capacity (Year-over-Year)	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	70%	50%	0%	0%	0%	0%	5%	15%	20%	33%	40%	38%
2011	40%	15%	5%	3%	12%	5%	7%	5%	4%	5%	3%	3%
2012	4%	3%	2%	3%	5%	6%	7%	8%	10%	13%	11%	14%
2013	14%	16%	15%	16%	17%	17%	17%	16%	14%	13%	14%	10%
2014	11%	8%	4%	3%	3%	2%	3%	4%	5%	5%	6%	5%
2015	12%	30%	50%	65%	65%	75%	80%	95%	97%	99%	100%	100%
2016	100%	100%	100%	100%	100%	100%	98%	100%	95%	92%	90%	88%
2017	87%	80%	65%	60%	55%	50%	45%	40%	33%	25%	20%	10%
2018	15%	10%	10%	8%	2%	0%	2%	5%	16%	30%	40%	50%
2019	60%	70%	90%	90%	90%	87%	95%	95%	95%	99%	95%	95%
2020	90%	85%	75%	95%	95%	90%	70%	50%	30%			

Source: CRC Research

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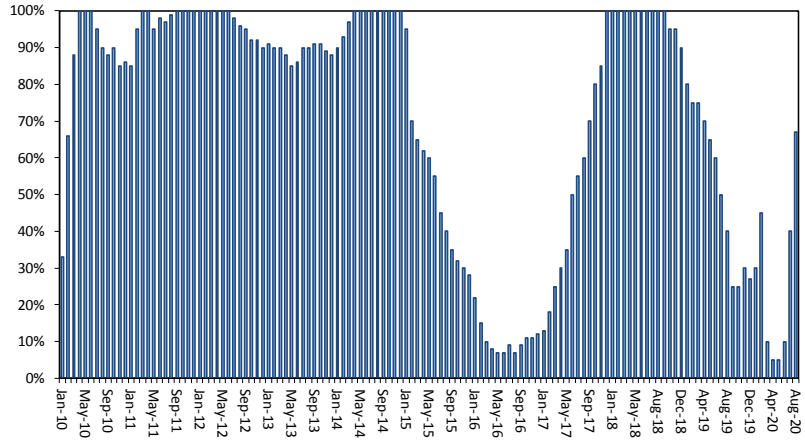
Flatbed Trucking Pricing Trends

Our work indicates pricing largely increased to flat Y/Y for most market participants after carriers implemented mid-cycle rate increases. Spot market activity continues to increase raising rates M/M since April/May lows and are now up ~10% above prior-year levels.

Sources Reporting Higher Flatbed Pricing from Carriers (year-over-year)



Sources Reporting Higher Flatbed Pricing from Carriers (Purchased Transportation Costs) (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	33%	66%	88%	100%	100%	100%	95%	90%	88%	90%	85%	86%
2011	85%	95%	100%	100%	95%	98%	97%	99%	100%	100%	100%	100%
2012	100%	100%	100%	100%	100%	100%	98%	96%	95%	92%	92%	90%
2013	91%	90%	90%	88%	85%	86%	90%	90%	91%	91%	89%	88%
2014	90%	93%	97%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2015	95%	70%	65%	62%	60%	55%	45%	40%	35%	32%	30%	28%
2016	22%	15%	10%	8%	7%	7%	9%	7%	9%	11%	11%	12%
2017	13%	18%	25%	30%	35%	50%	55%	60%	70%	80%	85%	100%
2018	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	95%	95%
2019	90%	80%	75%	75%	70%	65%	60%	50%	40%	25%	25%	30%
2020	27%	30%	45%	10%	5%	5%	10%	40%	67%			

Source: CRC Research

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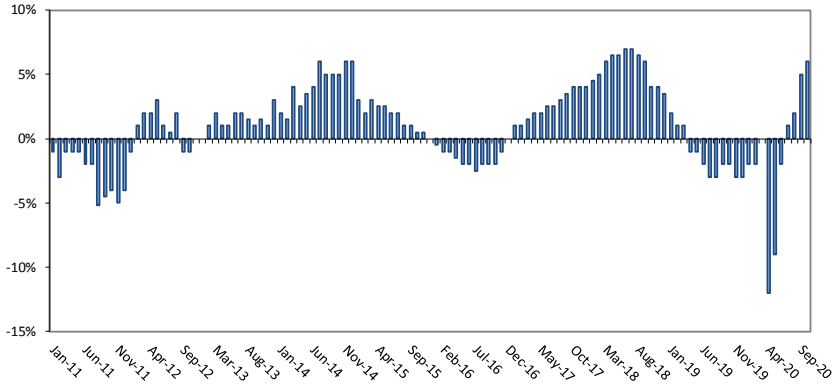
Regional Less-than-Truckload (LTL) Demand Trends

Our research in the LTL industry indicates tonnage growth remained positive in October. Demand has seen M/M improvement due to broad-based organic demand recovery, increased eCommerce, and incremental overflow TL freight. We expect 2H20 volumes to be up on sustained demand rebound.

Percentage Change in Demand for Less-than-Truckload (LTL) Services
(year-over-year)



Percentage Change in Demand for Regional Less-than-Truckload (LTL) Services (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	18%	23%	26%	30%	28%	26%	22%	19%	16%	15%	5%	3%
2011	-1%	-3%	-1%	-1%	-1%	-2%	-2%	-5%	-5%	-4%	-5%	-4%
2012	-1%	1%	2%	2%	3%	1%	1%	2%	-1%	-1%	0%	0%
2013	1%	2%	2%	1%	1%	2%	2%	1.5%	1%	1.5%	1%	3%
2014	2.0%	1.5%	4.0%	2.5%	3.5%	4.0%	6.0%	5.0%	5.0%	5.0%	6.0%	6.0%
2015	3.0%	2.0%	3.0%	2.5%	2.5%	2.0%	2.0%	1.0%	1.0%	0.5%	0.5%	0.0%
2016	-0.5%	-1.0%	-1.0%	-1.5%	-2.0%	-2.0%	-2.5%	-2.0%	-2.0%	-2.0%	-1.0%	0.0%
2017	1.0%	1.0%	1.5%	2.0%	2.0%	2.5%	2.5%	3.0%	3.5%	4.0%	4.0%	4.0%
2018	4.5%	5.0%	6.0%	6.5%	6.5%	7.0%	7.0%	6.5%	6.0%	4.0%	4.0%	3.5%
2019	2.0%	1.0%	1.0%	-1.0%	-1.0%	-2.0%	-3.0%	-3.0%	-2.0%	-2.0%	-3.0%	-3.0%
2020	-2.0%	-2.0%	0.0%	-12.0%	-9.0%	-2.0%	1.0%	2.0%	5.0%	6.0%		

Source: CRC Channel Research

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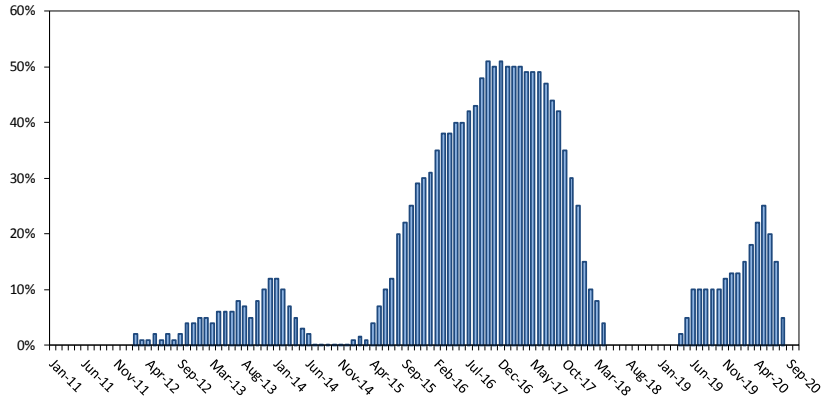
Regional Less-than-Truckload (LTL) Pricing Trends

Our work indicates LTL pricing is seeing steady inflation as a consolidated industry appears relatively price disciplined. We expect LTL pricing likely +4-6% in 2021, up from 2020's +2-4%. Our work indicates any discounting activity by LTL carriers has largely been reversed with spot rates now higher Y/Y.

Sources Reporting Greater Discounts for LTL Services



Sources Reporting More Aggressive Pricing (Greater Discounts) for Regional Less-than-Truckload Services (Year-over-Year)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
2010	66%	66%	50%	25%	10%	0%	0%	0%	5%	5%	0%	0%
2011	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2012	0%	2%	1%	1%	2%	1%	2%	1%	2%	4%	4%	5%
2013	5%	5%	4%	6%	6%	6%	8%	7%	5%	8%	10%	12%
2014	12%	10%	7%	5%	3%	2%	0%	0%	0%	0%	0%	0%
2015	1%	2%	1%	4%	7%	10%	12%	20%	22%	25%	29%	30%
2016	31%	35%	38%	38%	40%	40%	42%	43%	48%	51%	50%	51%
2017	50%	50%	50%	49%	49%	49%	47%	44%	42%	35%	30%	25%
2018	15%	10%	8%	4%	0%	0%	0%	0%	0%	0%	0%	0%
2019	0%	0%	0%	2%	5%	10%	10%	10%	10%	10%	12%	13%
2020	13%	15%	18%	22%	25%	20%	15%	5%	0%	0%		

Source: CRC Channel Research

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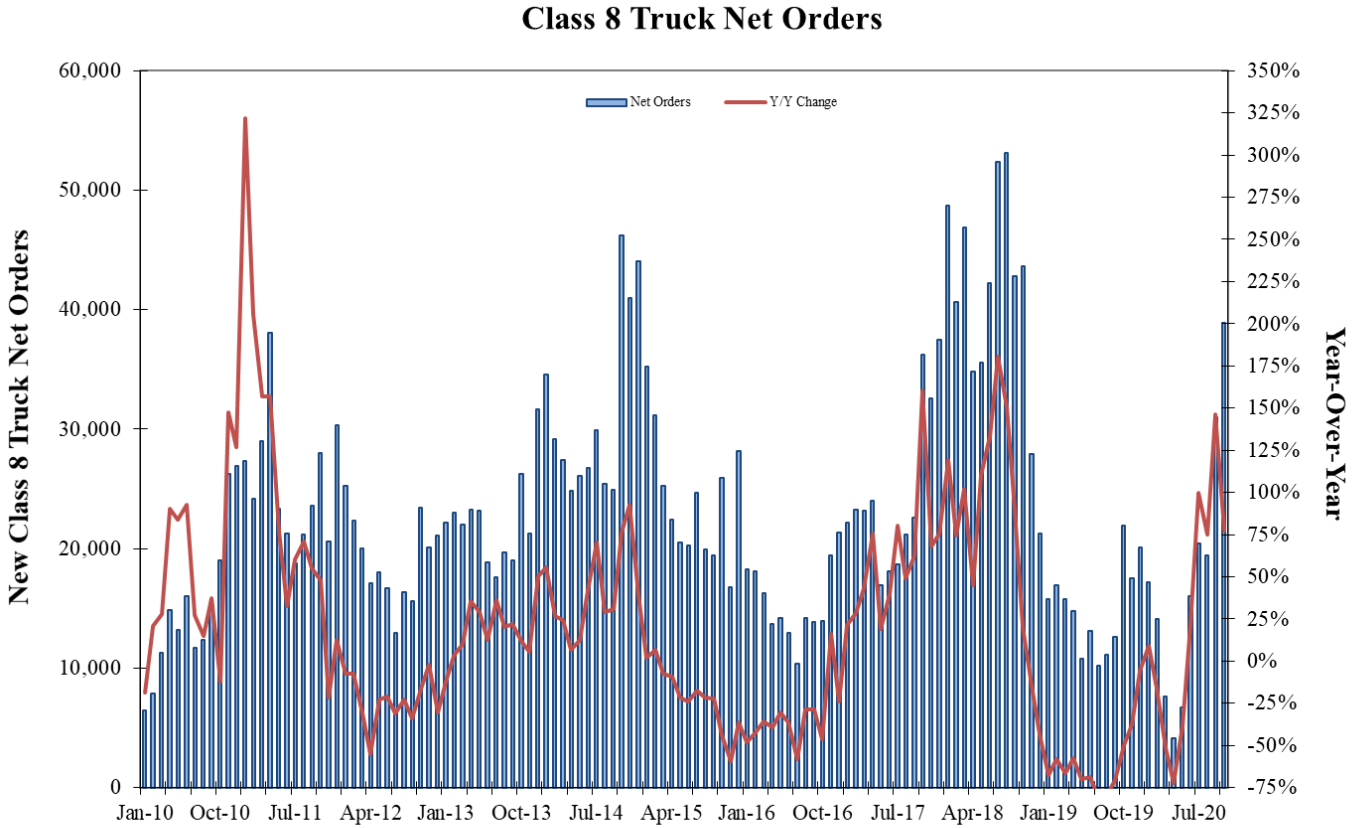
New Truck Capacity Insights: Class 8 Truck Net Orders

October industry heavy truck orders increased 78% y/y to 38.9k units, down compared to September's 146% increase. Medium duty orders increased to 29.2k in October vs. 17.6k in September, increasing 75% y/y.



Source: ACT Research Company

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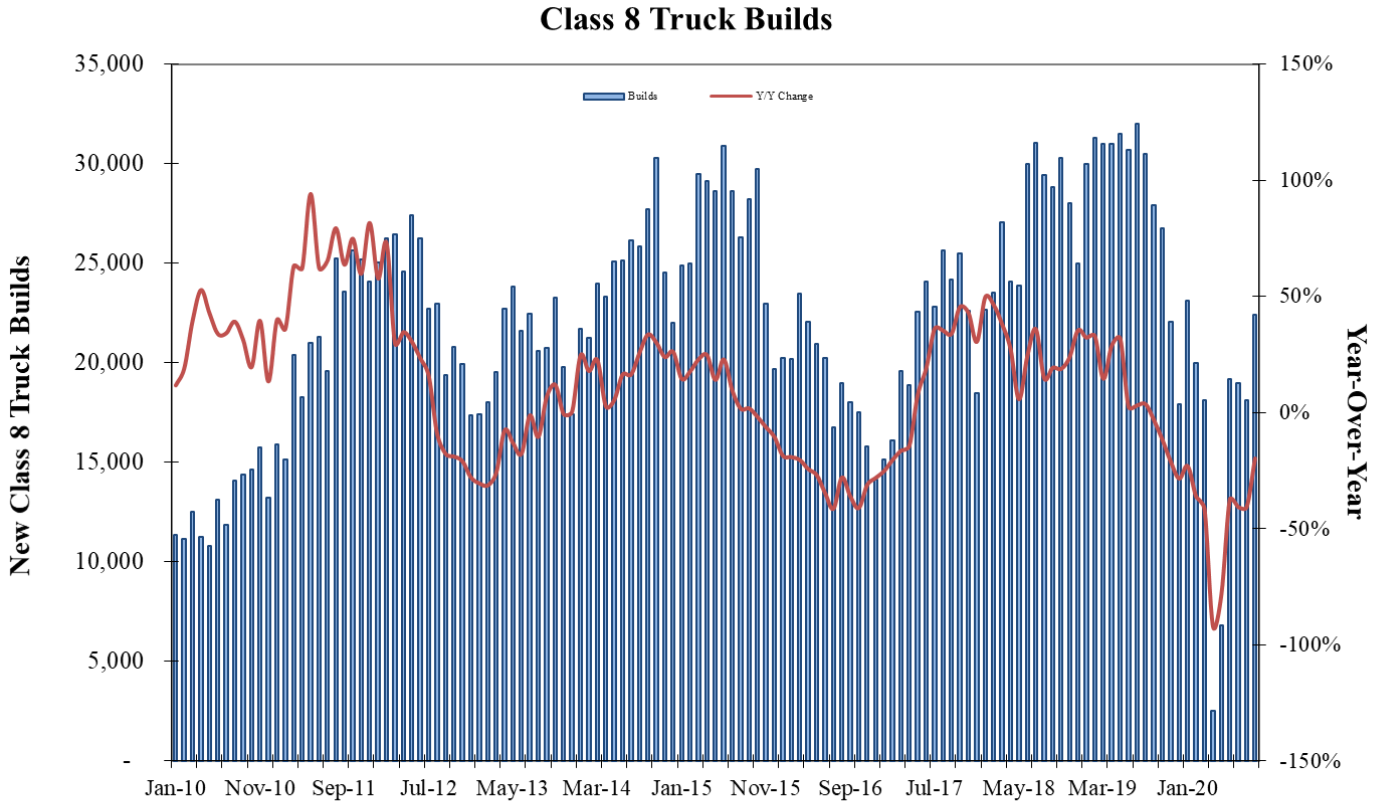
New Truck Capacity Insights: Class 8 Truck Builds

Truck builds in October were 22.4k representing a 20% y/y decrease but a 24% sequential increase. The order backlog increased 9% sequentially to ~99.8k and ACT Research expects the Class 8 backlog to rise to by 17.7k units to 117k through November. We're forecasting 2021 class 8 builds at ~275 units vs 200k in 2020.



Source: ACT Research Company

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Railroad

Monthly Industry Trend Summary and Analysis

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Eastern US Railroad Demand Trends QTD

4QTD volumes at CSX are up 3% Y/Y (2Q was down 4%) while Norfolk Southern volumes are down 3% Y/Y (2Q was down 7%). Coal declines are expected to persist down 10-20% through the end of the year, while intermodal/auto/chem outlooks stabilize (likely still down Y/Y).

CSX CORPORATION (CSX)

4Q20 Carload Volume (through Week 45)

Reporting Segment	QTD Δ Y/Y	% of Total Carloads
Coal	-14.1%	10.0%
Chemicals	3.4%	8.0%
Automotive	-2.4%	6.7%
Crushed Stone, Sand & Gravel	-16.0%	3.9%
Non-Metallic Minerals	0.9%	2.2%
Pulp, Paper & Allied Products	-6.3%	2.2%
Waste and Scrap Materials	9.4%	2.2%
Petroleum Products	0.5%	2.5%
Metals & Products	25.8%	2.1%
Stone, Clay & Glass Products	-2.3%	2.1%
Grain	-6.4%	2.3%
Food & Kindred Products	5.8%	1.9%
Grain Mill Products	6.7%	1.8%
Military, Machinery & Transport Equip	2.5%	0.9%
Iron & Steel Scrap	17.0%	1.1%
Lumber and Wood Products	2.0%	1.0%
Coke	-2.8%	0.7%
Metallic Ores	-1.2%	0.7%
Primary Forest Products	0.9%	0.5%
Farm Products	-7.7%	0.1%
Total Carloads	-2.9%	52.8%
Trailers	25.8%	1.7%
Containers	9.1%	45.5%
Total Intermodal	9.6%	47.2%
Total Traffic	2.6%	100.0%

NORFOLK SOUTHERN (NSC)

4Q20 Carload Volumes (through Week 45)

Reporting Segment	QTD Δ Y/Y	% of Total Carloads
Chemicals	-5.1%	5.3%
Motor Vechicles and Equipment	1.5%	5.5%
Metals and Products	-2.3%	3.2%
Crushed Stone, Sand, and Gravel	-10.9%	3.0%
Grain	-0.5%	1.7%
Petroleum Products	-52.6%	1.3%
Pulp, Paper, and Glass Products	-6.3%	1.7%
Stone, Clay and Glass Products	-0.1%	1.9%
Grain Mill Products	20.1%	2.5%
Food and Kindred Products	-2.3%	1.2%
Iron and Steel Scrap	6.7%	1.0%
Lumber and Wood Products	6.9%	0.6%
Waste and Scrap Materials	14.9%	0.8%
All Other Carloads	-33.6%	0.4%
Primary Forest Products	-29.2%	0.2%
Non Metallic Minerals	-37.9%	0.2%
Farm Products ex. Grain	-5.7%	0.1%
Metallic Ores	6.8%	0.1%
Total Merchandise	-6.2%	30.7%
Container	3.5%	56.4%
Trailer	13.5%	4.7%
Total Intermodal	4.2%	61.1%
Coal	-34.7%	7.7%
Coke	-49.3%	0.4%
Total Coal and Coke	-29.2%	8.1%
Total Carloadings	-2.9%	100.0%

Source: CSX Corporation, Norfolk Southern Corp.

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Western US Railroad Demand Trends QTD

Union Pacific's 4QTD volumes are up 3% Y/Y (3Q was down 5%) as intermodal strength is offset by lower coal and chemicals. BNSF's 4QTD volumes are down 1% lead by lower coal. Intermodal commentary is incrementally more positive versus 45 days ago.

UNION PACIFIC (UNP)

4Q20 Carload Volumes (through Week 45)

Reporting Segment	QTD Δ Y/Y	% of Total Carloads
Chemicals	-1.3%	10.8%
Coal	-19.3%	8.1%
Motor Vechicles & Equipment	6.4%	5.0%
Crushed Stone, Gravel & Sand	-12.4%	4.1%
Petroleum Products	-35.0%	2.3%
Grain	42.6%	5.4%
Food & Kindred Products	4.0%	2.9%
All Other	-2.8%	2.5%
Grain Mill Products	5.4%	1.9%
Stone, Clay & Glass	2.7%	1.9%
Lumber & Wood Products	13.8%	1.5%
Metals & Products	-15.5%	1.3%
Pulp, Paper & Allied Products	7.7%	1.1%
Nonmetallic Minerals	-23.5%	0.6%
Waste & Nonferrous Scrap	0.1%	0.5%
Coke	-14.3%	0.4%
Iron & Steel Scrap	52.3%	0.5%
Farm Products, Except Grain	-0.6%	0.2%
Metallic Ores	58.2%	0.3%
Primary Forest Products	-21.5%	0.2%
Total Carloads	-3.4%	51.4%
Intermodal Containers	9.9%	46.5%
Intermodal Trailers	23.8%	2.1%
Total Intermodal	10.4%	48.6%
Total Carloads & Intermodal	2.8%	100.0%

BNSF

4Q20 Carload Volumes (through Week 44)

Reporting Segment	QTD Δ Y/Y	% of Total Carloads
Coal	-24.6%	13.7%
Grain	27.3%	7.0%
Chemicals	0.7%	4.4%
Sand & Gravel	1.6%	2.8%
Petroleum	8.6%	1.7%
Motor Vehicles	-12.8%	1.1%
Grain Mill	-9.3%	0.8%
Metallic Ores	-36.1%	1.7%
Food	2.0%	1.3%
Stone, Clay & Glass	-7.5%	0.7%
Other	-32.9%	2.9%
Metals	7.7%	0.8%
Lumber & Wood Products	0.7%	2.1%
Pulp & Paper	57.0%	0.4%
Coke	-13.1%	0.2%
Iron & Steel Scrap	-21.0%	0.0%
Non-Metalic Minerals	-22.4%	0.2%
Farm (No Grain)	-26.3%	0.2%
Waste & Nonferrous Scrap	18.1%	0.3%
Forest Products	-2.9%	1.5%
Total Carloads	-10.9%	44.0%
Intermodal Containers	7.6%	49.6%
Intermodal Trailers	24.8%	6.4%
Total Intermodal	9.3%	56.0%
Total Carloads & Intermodal	-0.6%	100.0%

Source: Union Pacific, BNSF

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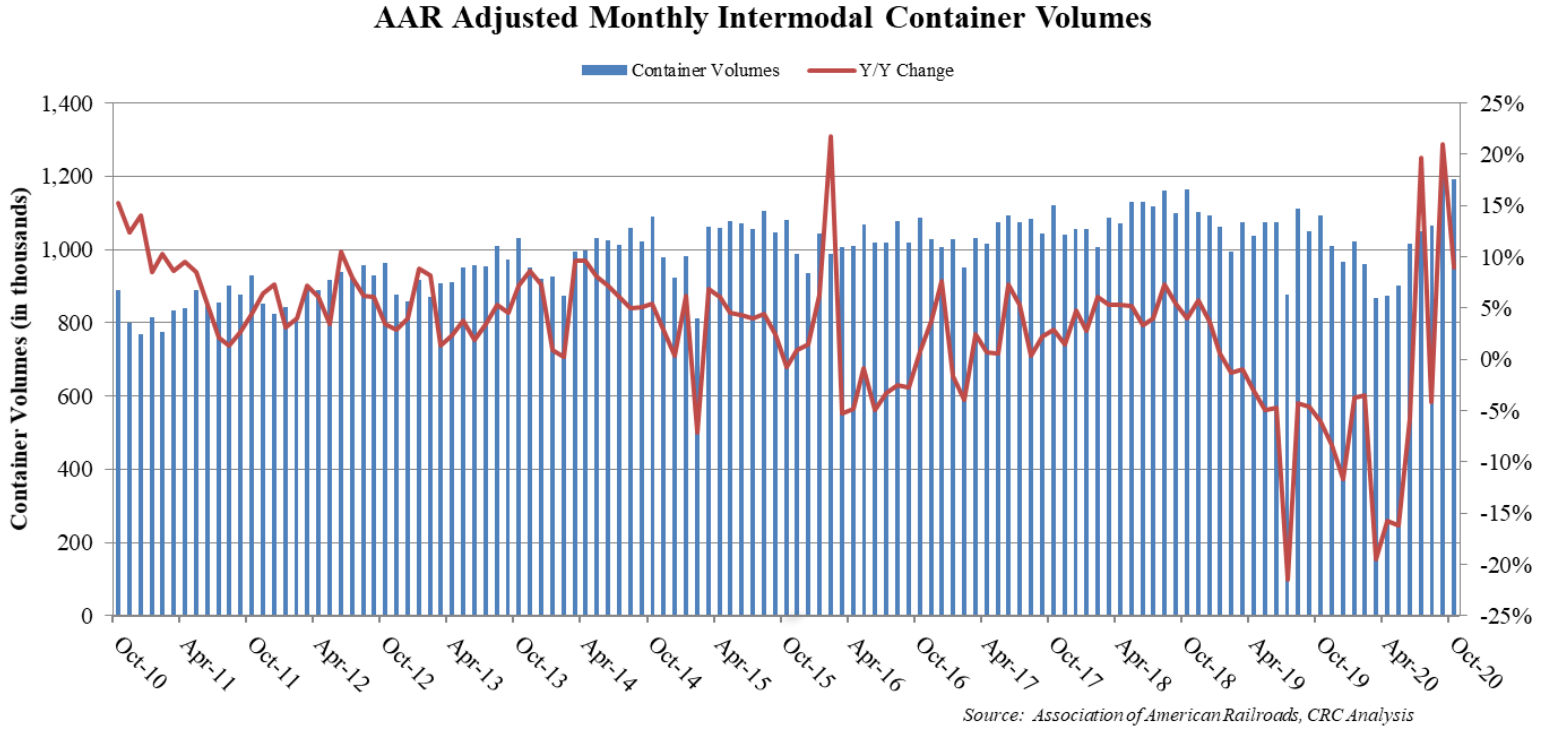
Intermodal Container Volumes

In October, US Intermodal container volumes were up 9% Y/Y (down 6% M/M) on a calendar-adjusted basis while September was up 21%. Our work indicates COVID-19 remains an ongoing headwind however demand has been better than expected as organic volumes recover and share gains from TL markets.



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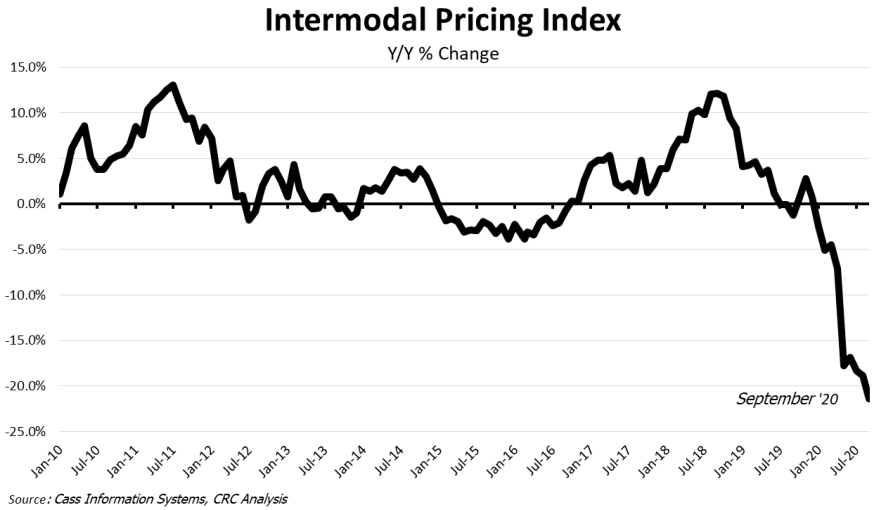
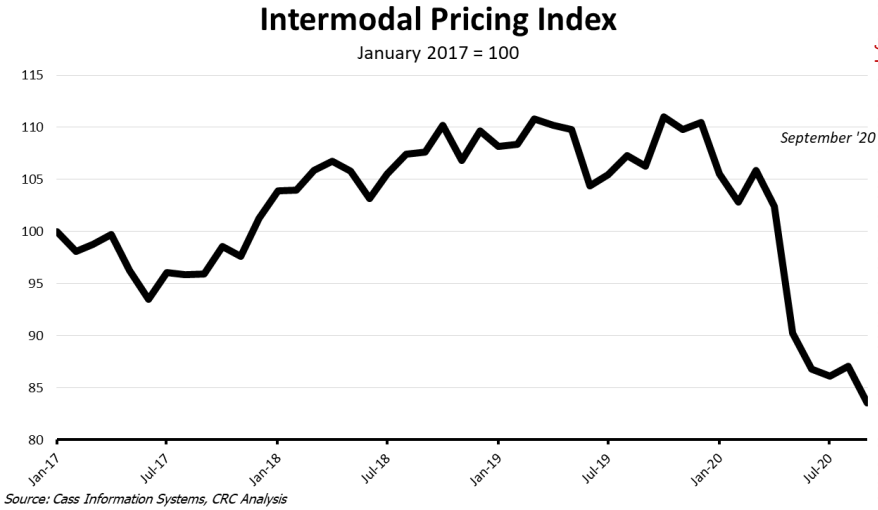
Intermodal Container Pricing

In September, intermodal prices were down 21% Y/Y and down 4% M/M (incl fuel). Deflation is primarily due to lower fuel prices (slide 58) and likely due a decline in spot and contract rates. Whereas same-shipper rates in 2020 are likely down 0-3%, our work indicates 2021 contract rates are expected to be +3-5%. Spot market rates likely down 10-20% Y/Y with easing comparisons, but we are hearing spot rates have seen meaningful upward pressure (especially outbound CA) over the last 45 days and should lead to this index rising further M/M into 2021.



Source: Cass Information Systems, CRC Analysis



Source: Cass Information Systems, CRC Analysis

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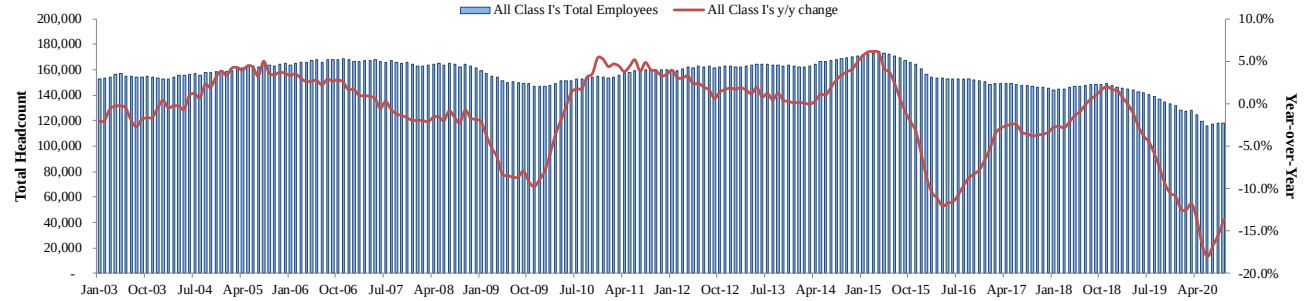
Railroad Labor Levels

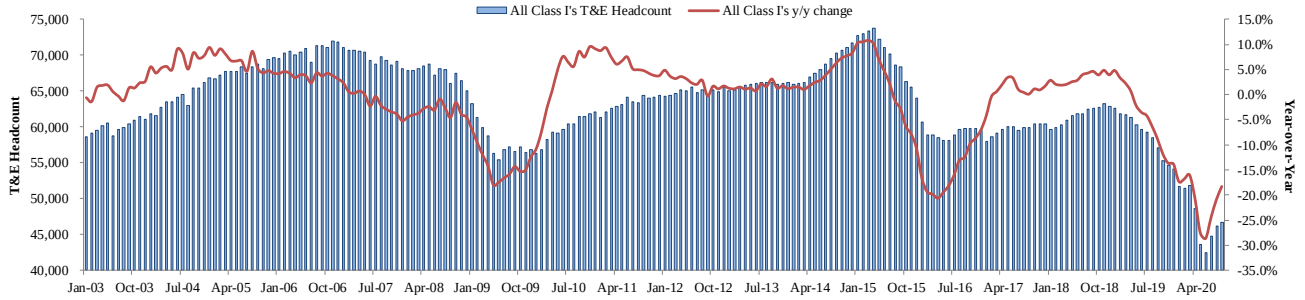
Rail industry headcount continues to decline Y/Y, a trend since 1H19, as precision scheduled railroading strategies take hold and economic activity slows. During September, Class 1 railroad employment headcount was down 14% Y/Y. Train and Engine (T&E) labor levels are declining from the peak in 4Q18 and are down 18% Y/Y. We expect headcount reductions to slow or even incrementally reverse over the next 3-6 months as volumes stabilize or even re-accelerate.

Total Class I Railroad Employment (and y/y change)



Source: Surface Transportation Board (STB), CRC Analysis

Total Class I Train and Engine (T&E) Headcount (and y/y change)



Source: Surface Transportation Board (STB), CRC Analysis

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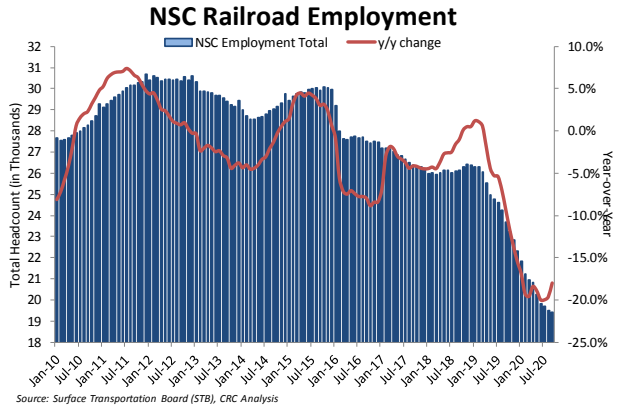
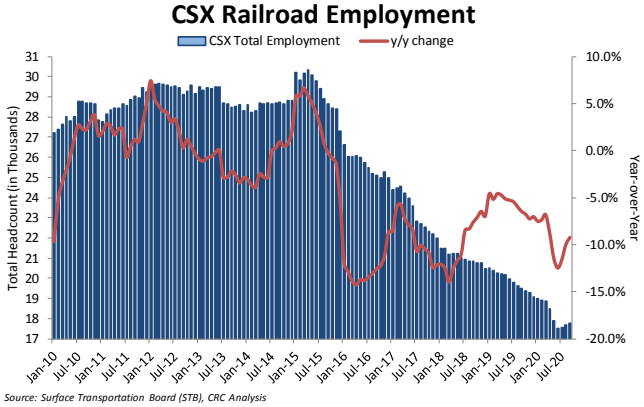
Railroad Labor Levels

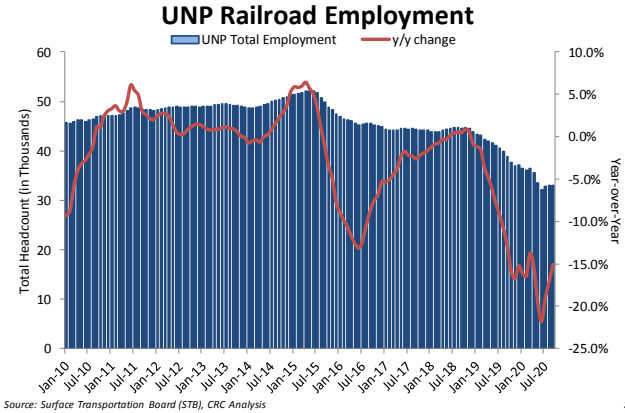
All rails maintained headcount relatively flat M/M during September but remain lower Y/Y. We expect headcounts will continue to move lower through 2020 despite a modest volume recovery enabled by Precision Scheduled Railroading operating plans.



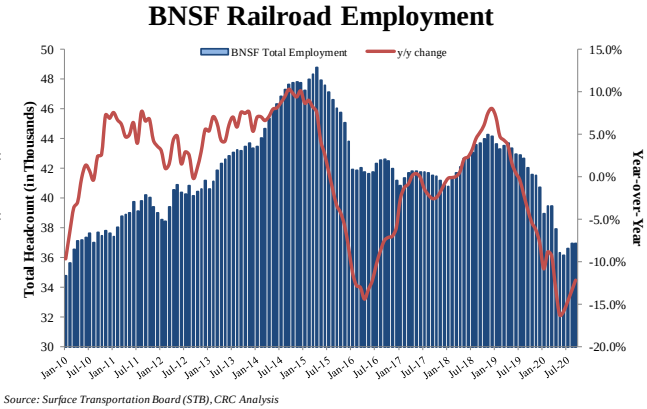
Source: Surface Transportation Board (STB), CRC Analysis



Source: Surface Transportation Board (STB), CRC Analysis



Source: Surface Transportation Board (STB), CRC Analysis



Source: Surface Transportation Board (STB), CRC Analysis

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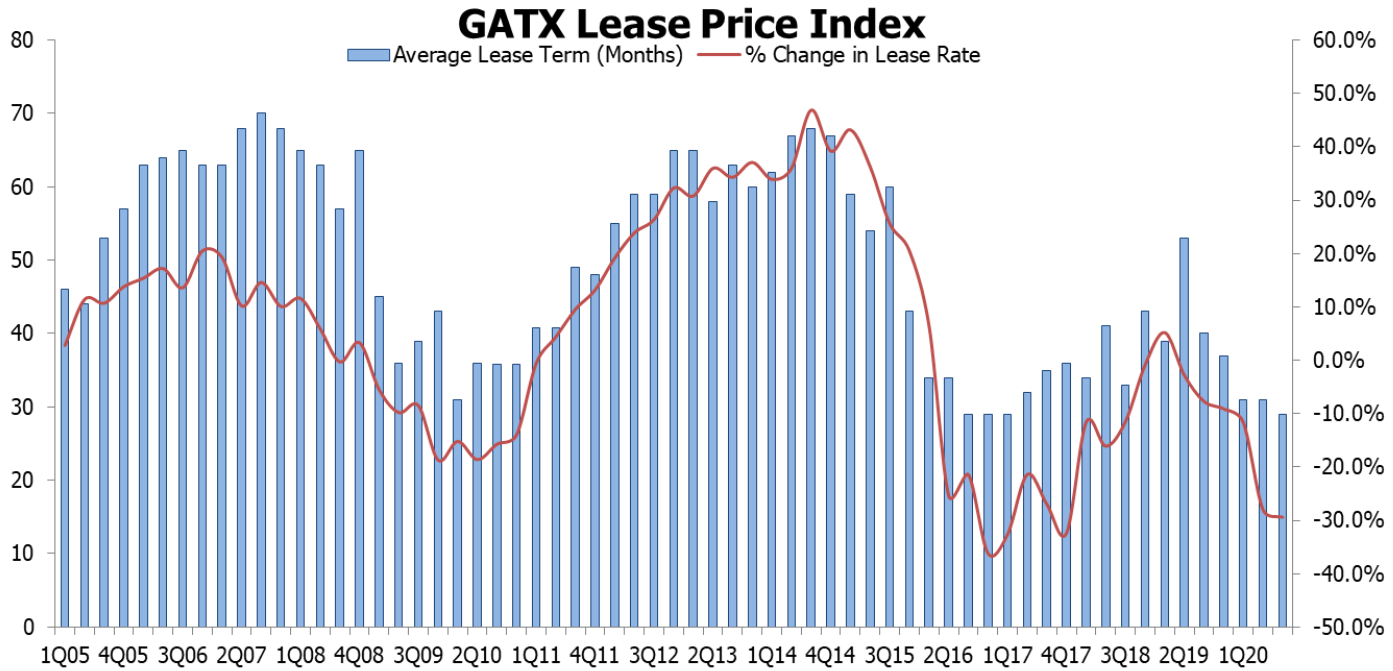
Railcar Leasing Index

The GATX Lease Price Index (LPI) measures the percentage change in renewal lease rates and the average lease term on a basket of nine common railcar types. The average GATX lease rates for its railcar fleet in 3Q20 were 29% lower on expiring multi-year or single-year leases as the index has bottomed over the past two years. The average term length fell slightly from the previous quarter to 29 months, shorter than the 70 month lease agreements during the 2014 peak.



Source: GATX Company Filings

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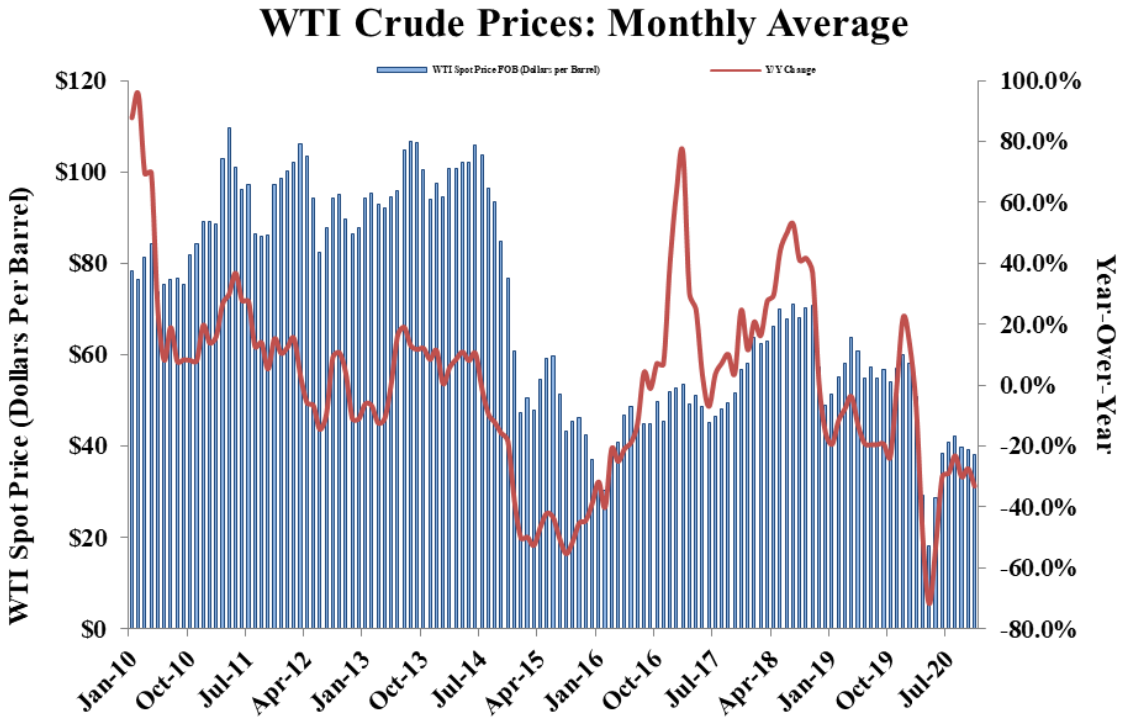
Railroad Fuel Surcharge: WTI Crude

Rail fuel surcharges benefits continue to improve as November's fuel surcharge is based on the average WTI crude price in October, which was $39.29, down 1% M/M and down 27% Y/Y. Class I railroads fuel surcharges for coal and general merchandise traffic are based on the monthly average price of West Texas Intermediate Crude Oil (WTI) or the monthly average price of On-Highway Diesel (HDF). These surcharges are reset the first day of each month, based on the average price for the second preceding calendar month.



Source: EIA, CRC Analysis

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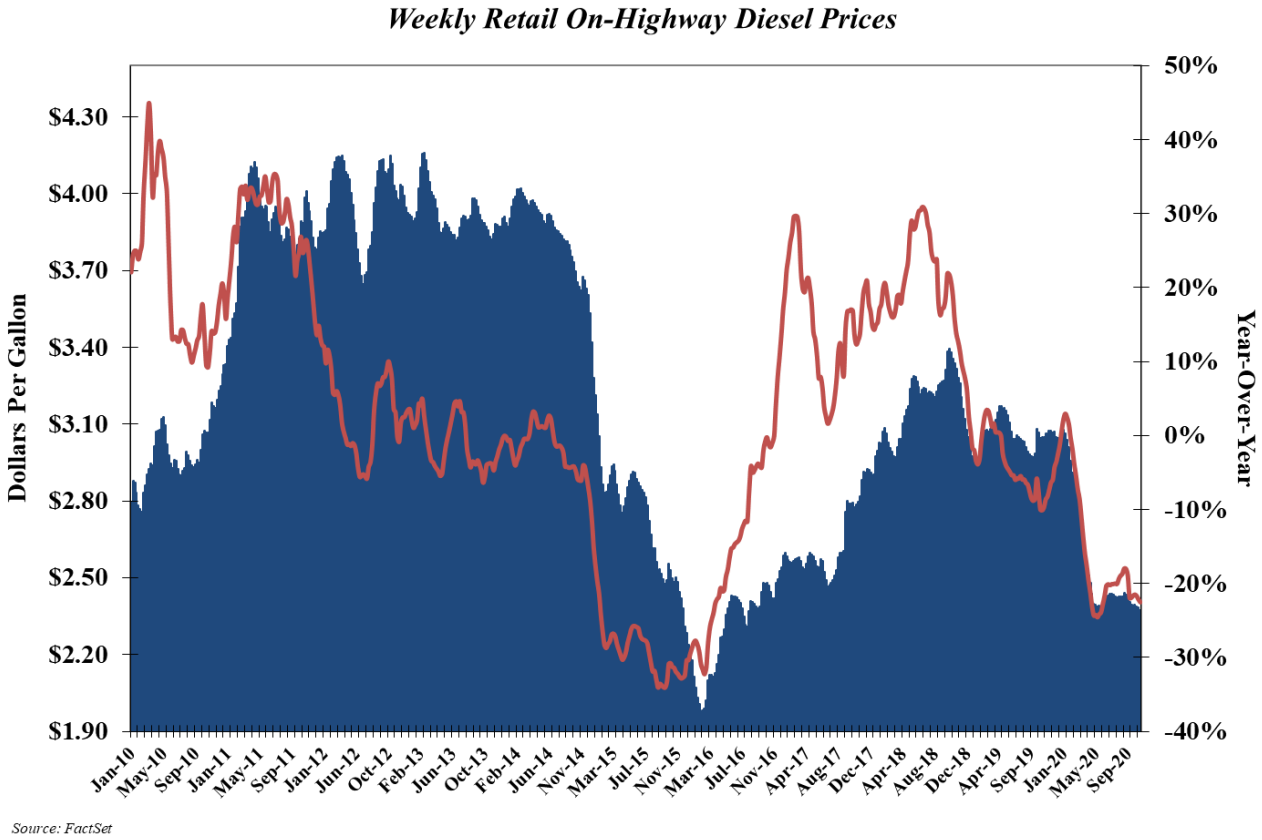
Department of Energy Weekly Diesel (HDF) Prices

The U.S. average price of diesel went down to $2.37 per gallon for the week of November 2nd. The cost of diesel fuel is down 23% Y/Y, and average prices in 3Q (Jul-Sept) were $2.43 per gallon.



Source: FactSet

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APPENDIX

Important Disclosures

Important disclosures can be found at www.cleveland-research.com/clients/disclosures

Other Disclosures: *I, Chris Johnson, certify that the views expressed in the research report(s) accurately reflect my personal views about the subject security(s). Further, I certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report(s). CRC and its principals have investments and own a minority interest in a fund manager which may or may not have a position in this security in the funds it manages and oversees. Cleveland Research Company provides no investment banking services of any type on this or any company. Proprietary research and Information contained herein which forms the basis for findings or opinions expressed by Cleveland Research Company may be used by Cleveland Research for other purposes in the course of compensated consulting and other services rendered to third parties. The information transmitted is intended only for the person or entity to which it is addressed. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this in error, please contact the sender and delete the material from any computer. Member FINRA/SIPC*

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