

# Economic & Trucking Update

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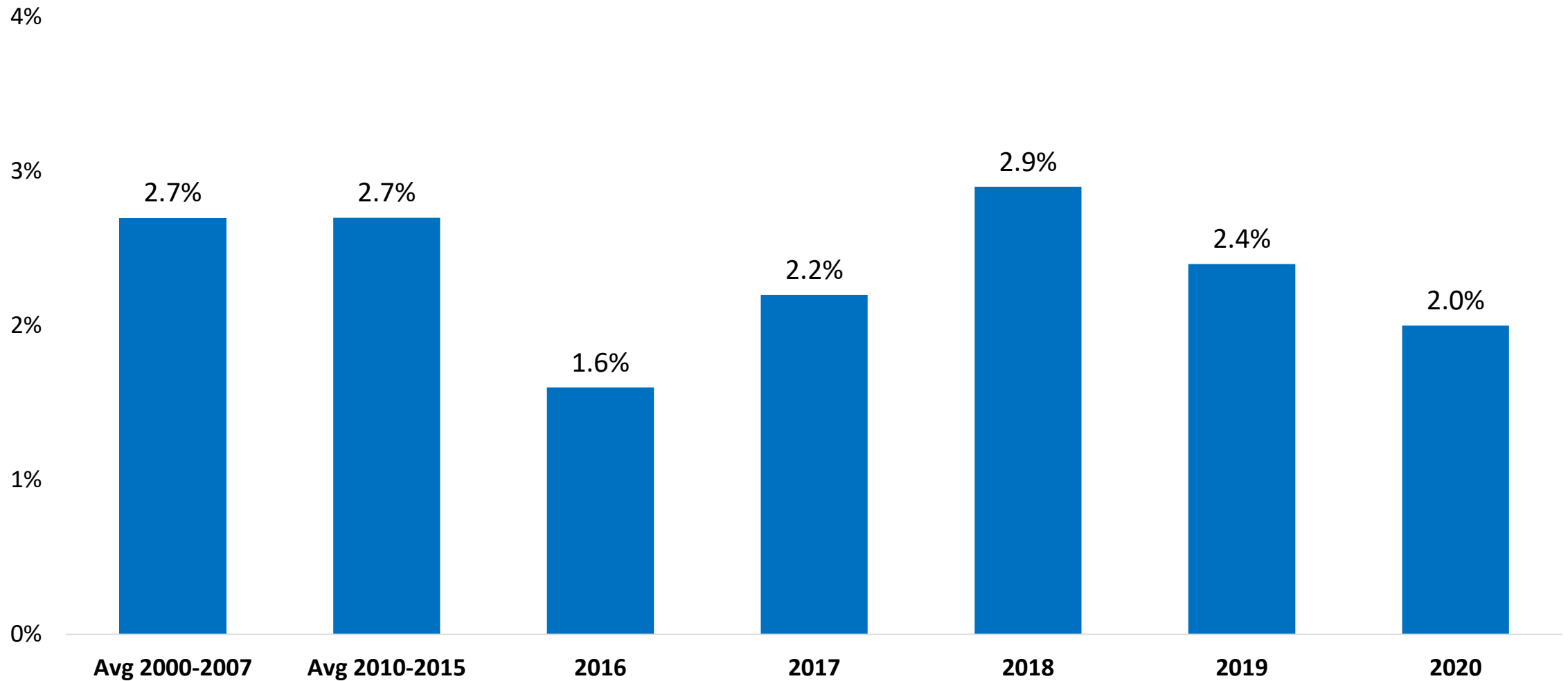
# 2019 Economic Forecast:

## 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.

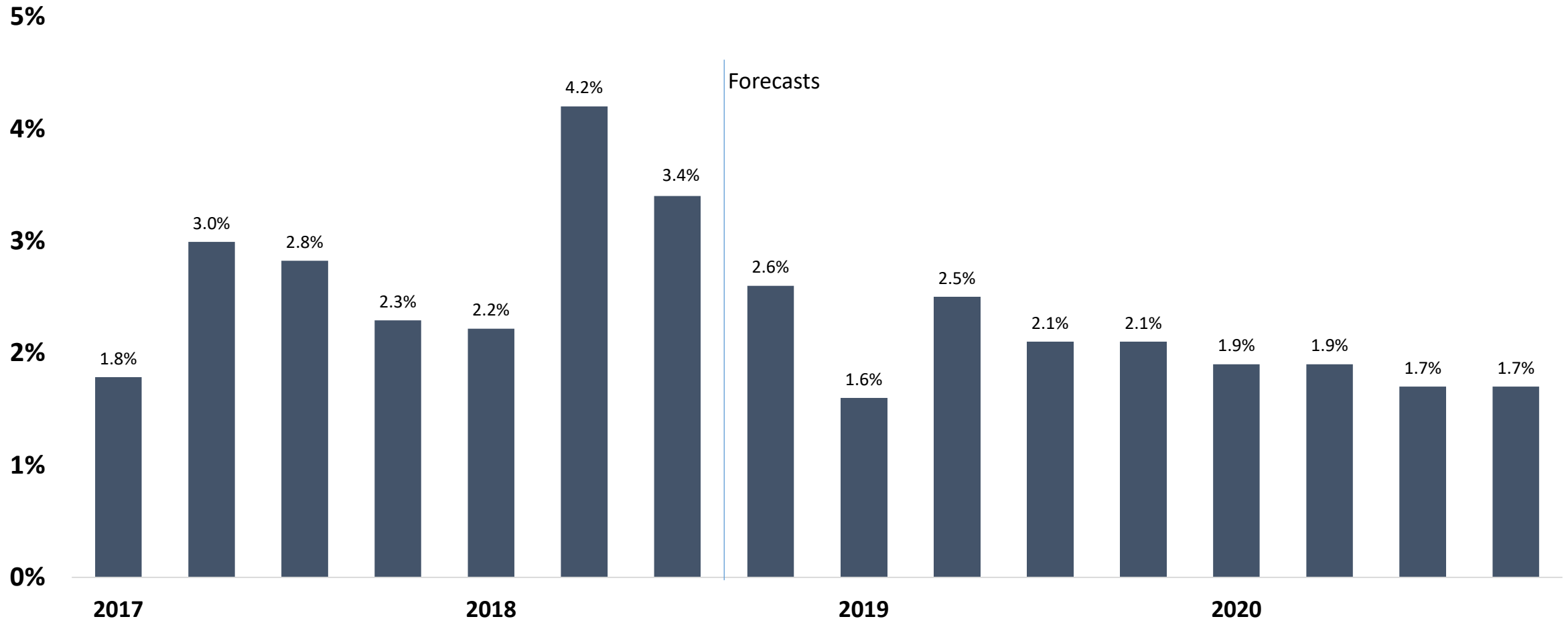
# Real Gross Domestic Product Growth



Sources: BEA & ATA

# Real Gross Domestic Product Growth

## Annualized Rates



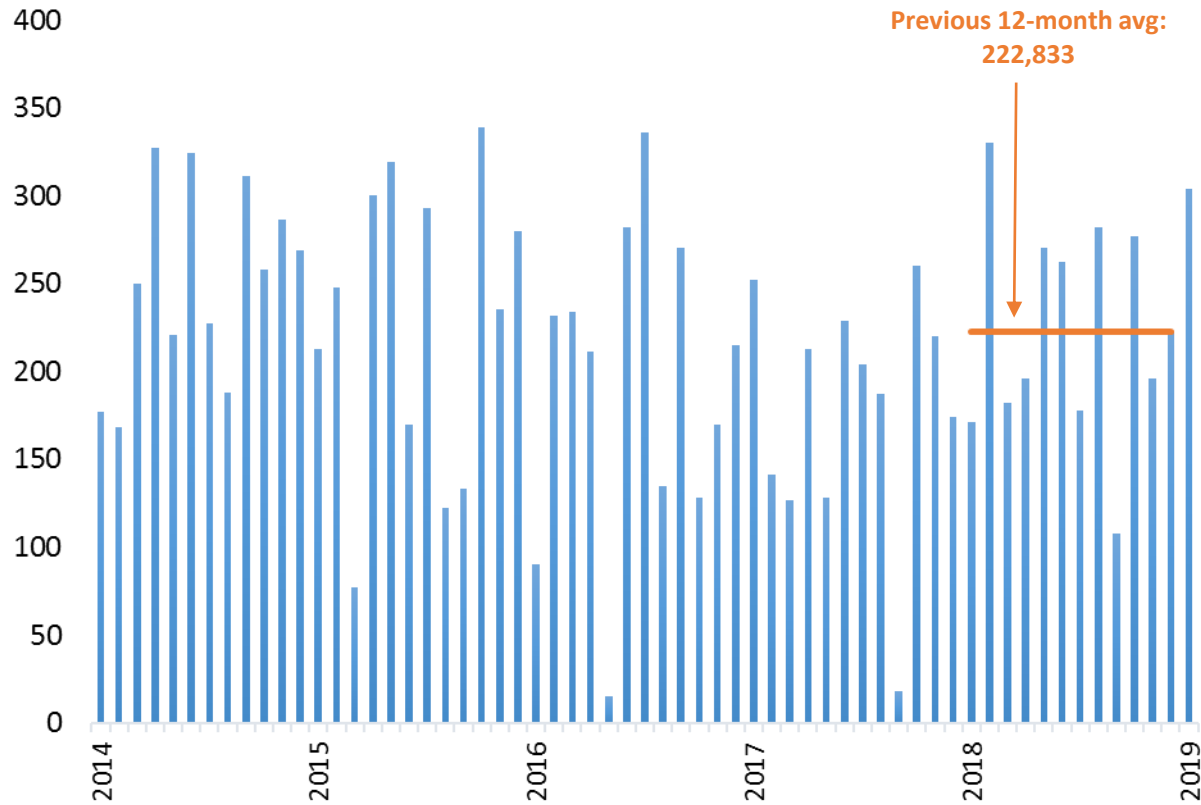
Sources: BEA & ATA

Cannot average to get annual number.

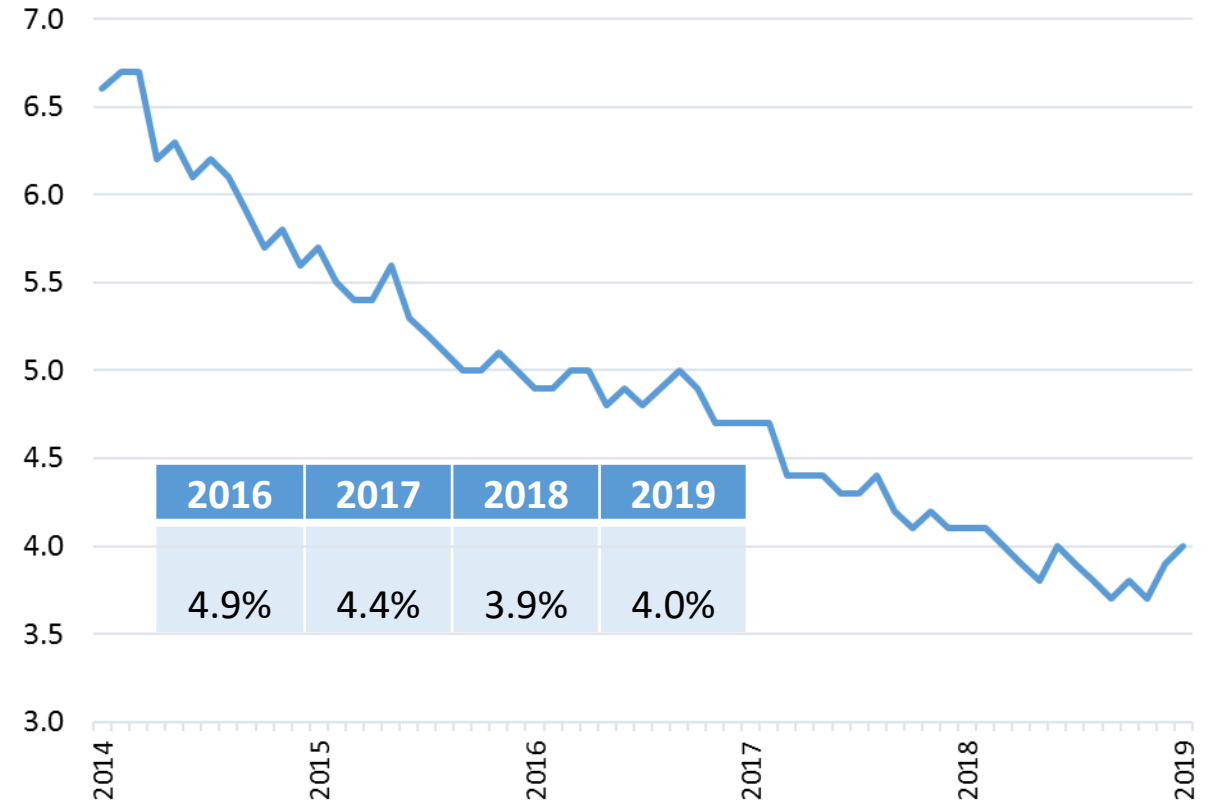
# Drivers of Truck Freight

# Job Market

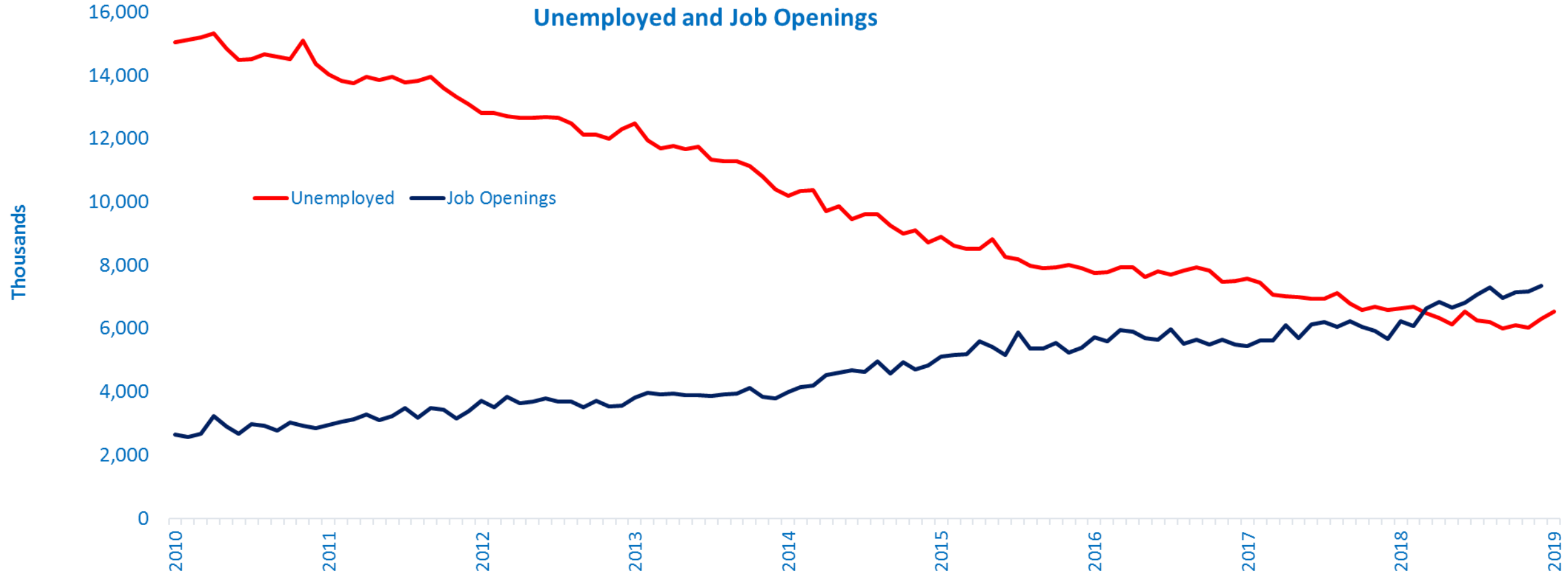
## Monthly Job Changes (Thousands)



## Unemployment Rate (Percent)



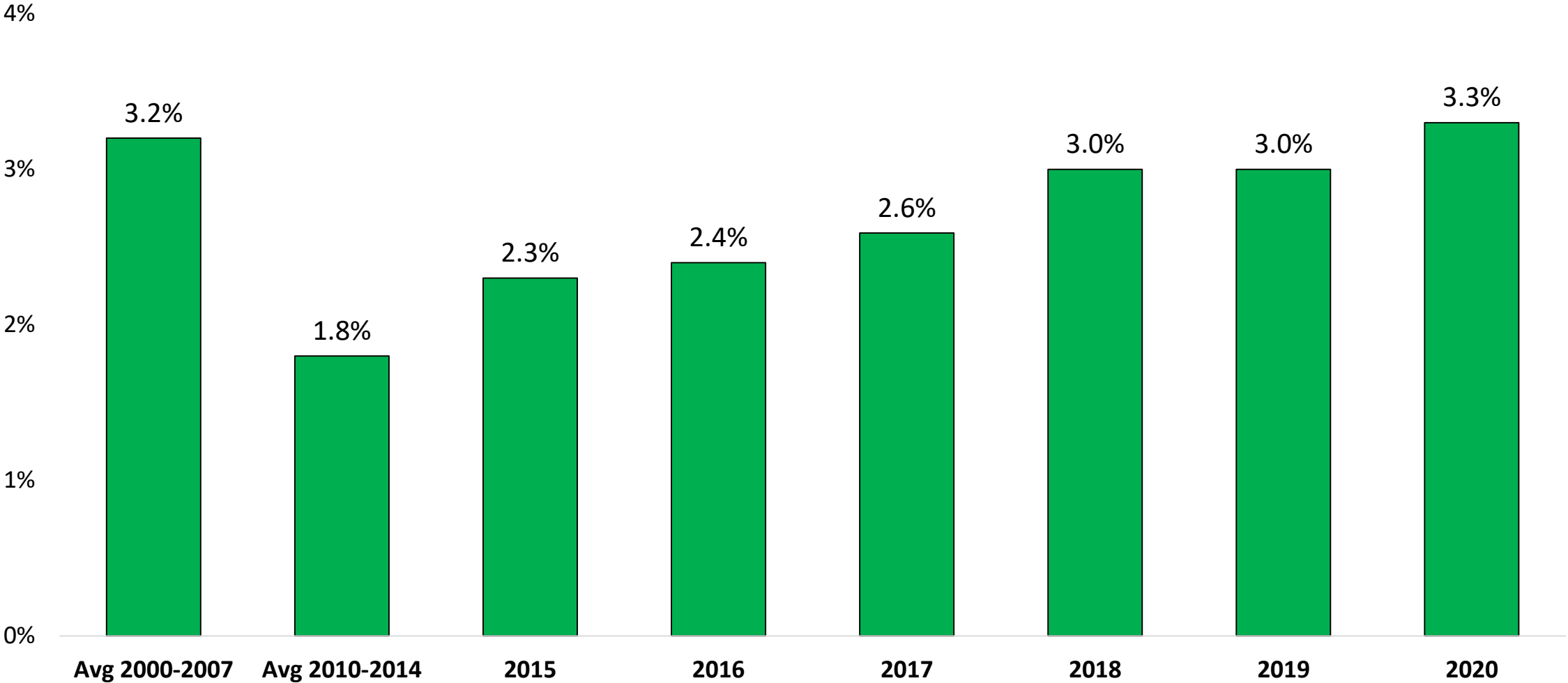
# U.S. Economy is at Full-Employment



Sources: Department of Labor

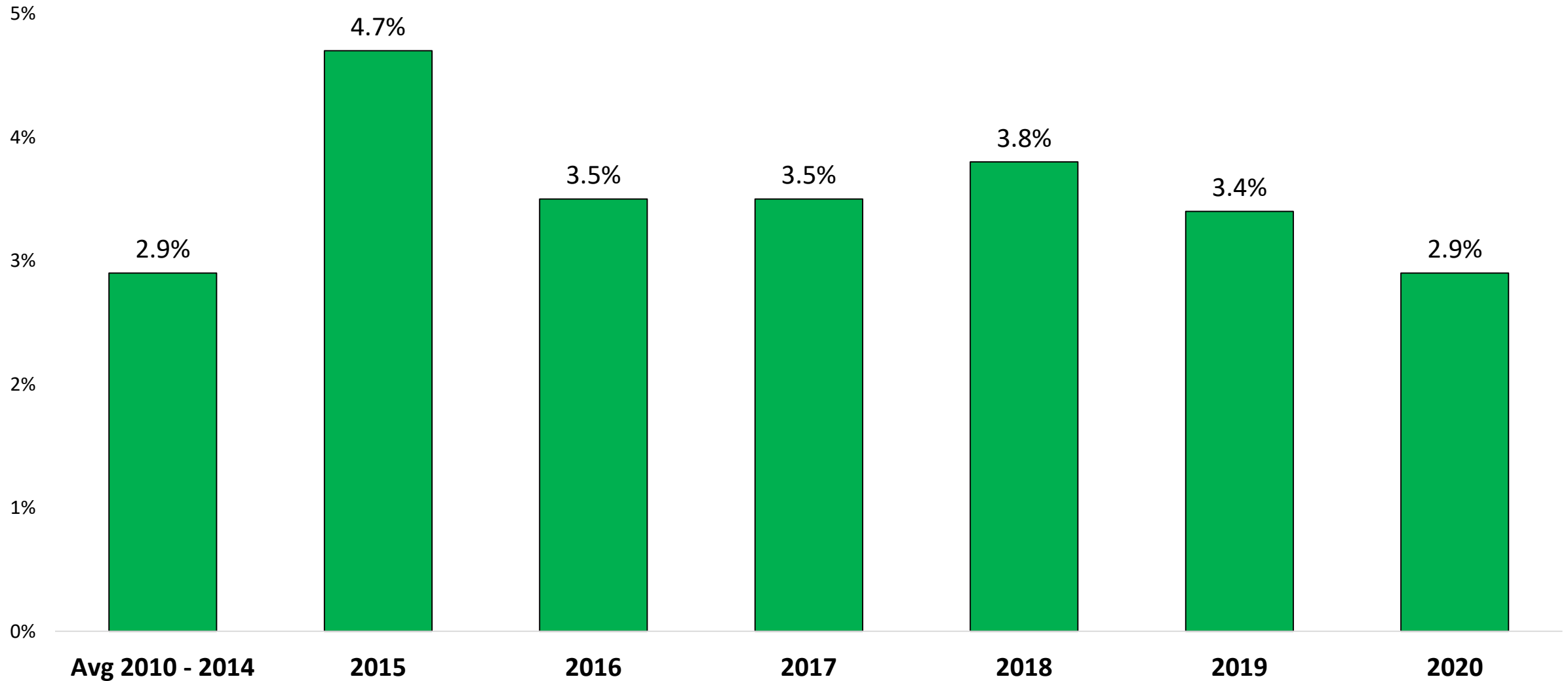


# Employment Costs: Wages & Salaries



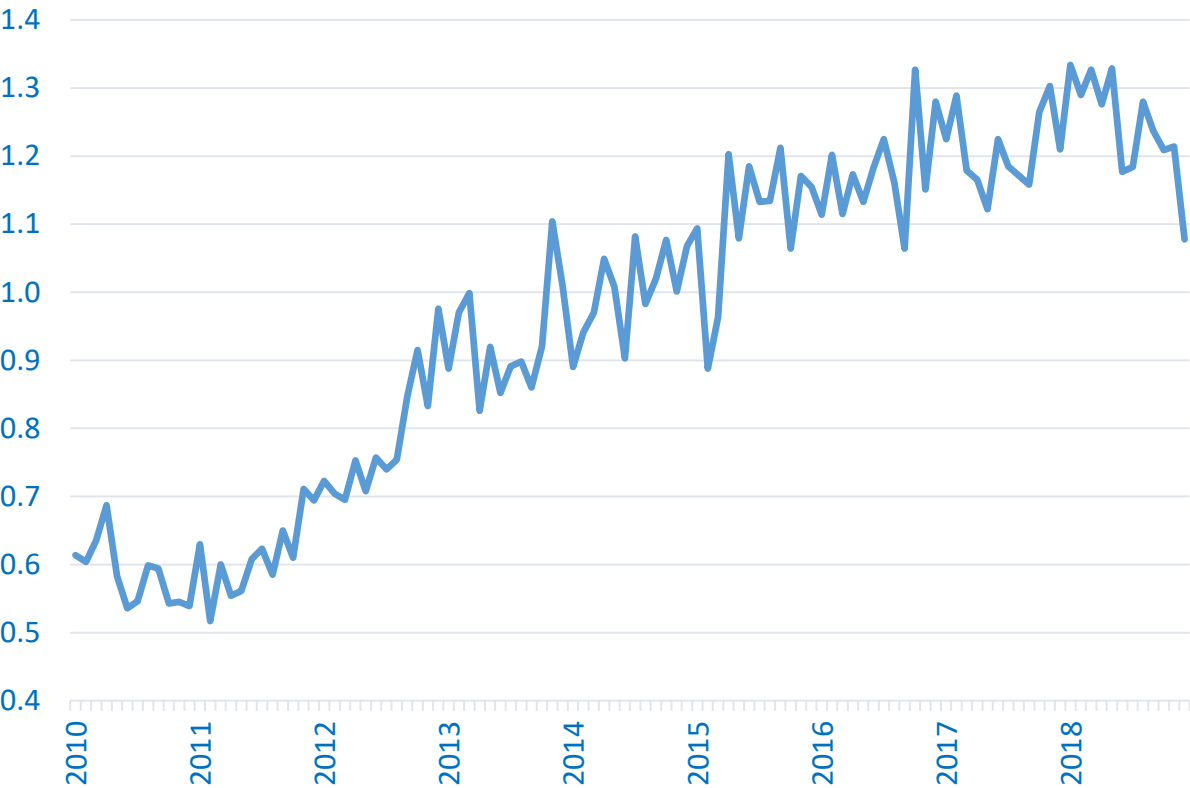
Sources: BLS & ATA

# Real Personal Consumption Growth (Goods Only)

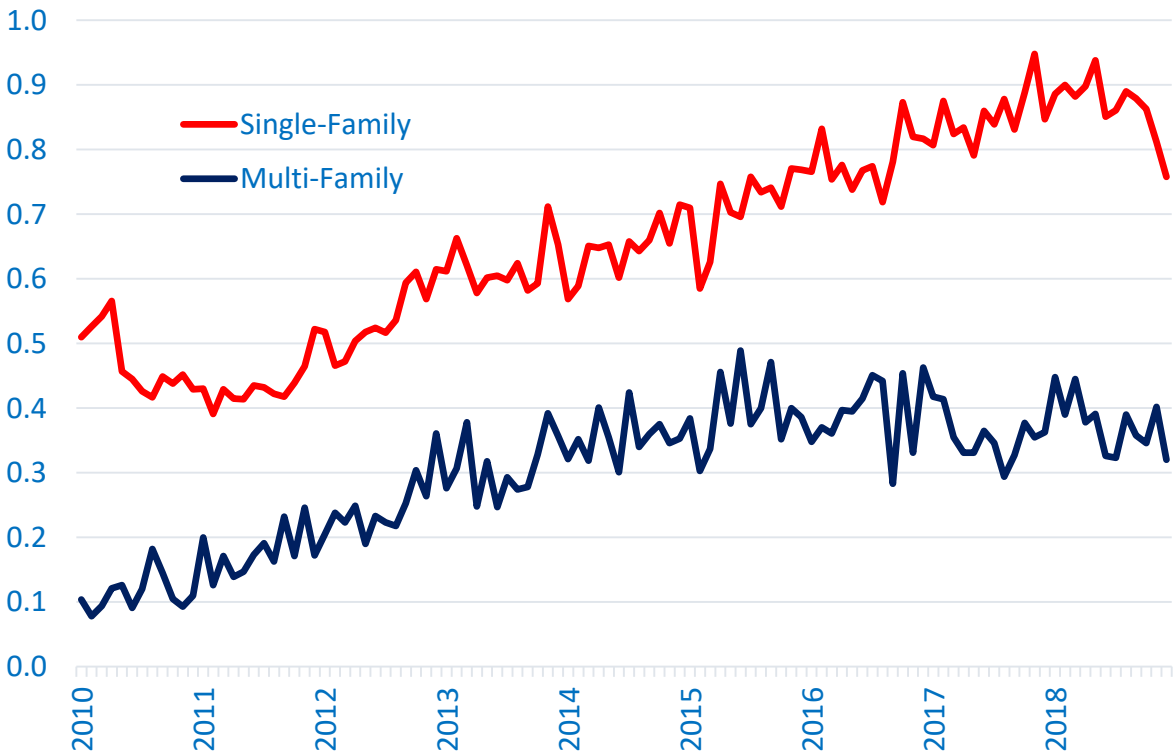


# Housing Starts are Growing, but at a Disappointing, Slow Rate

Total Housing Starts  
(Monthly; Annualized Rate; Millions)



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

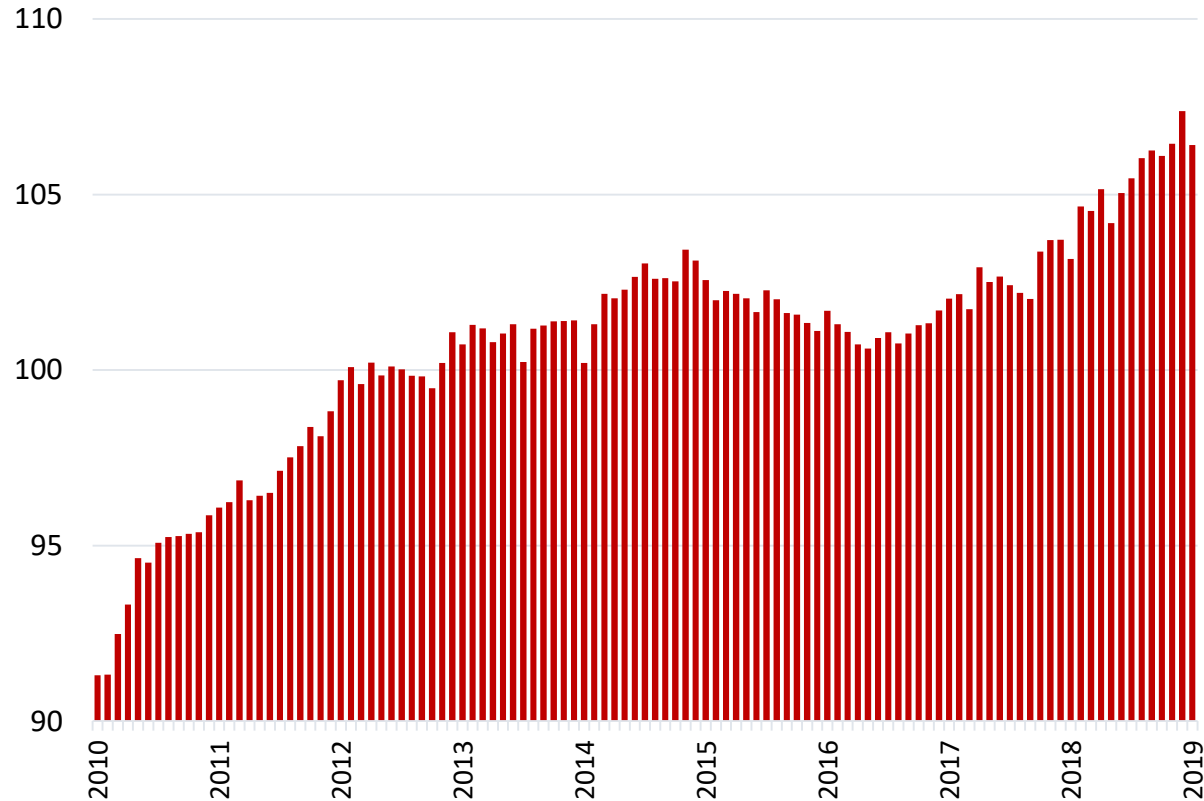


	2016	2017	2018	2019	2020
H.S.	1.18 M	1.21 M	1.25 M	1.28 M	1.38 M

Sources: Census & ATA

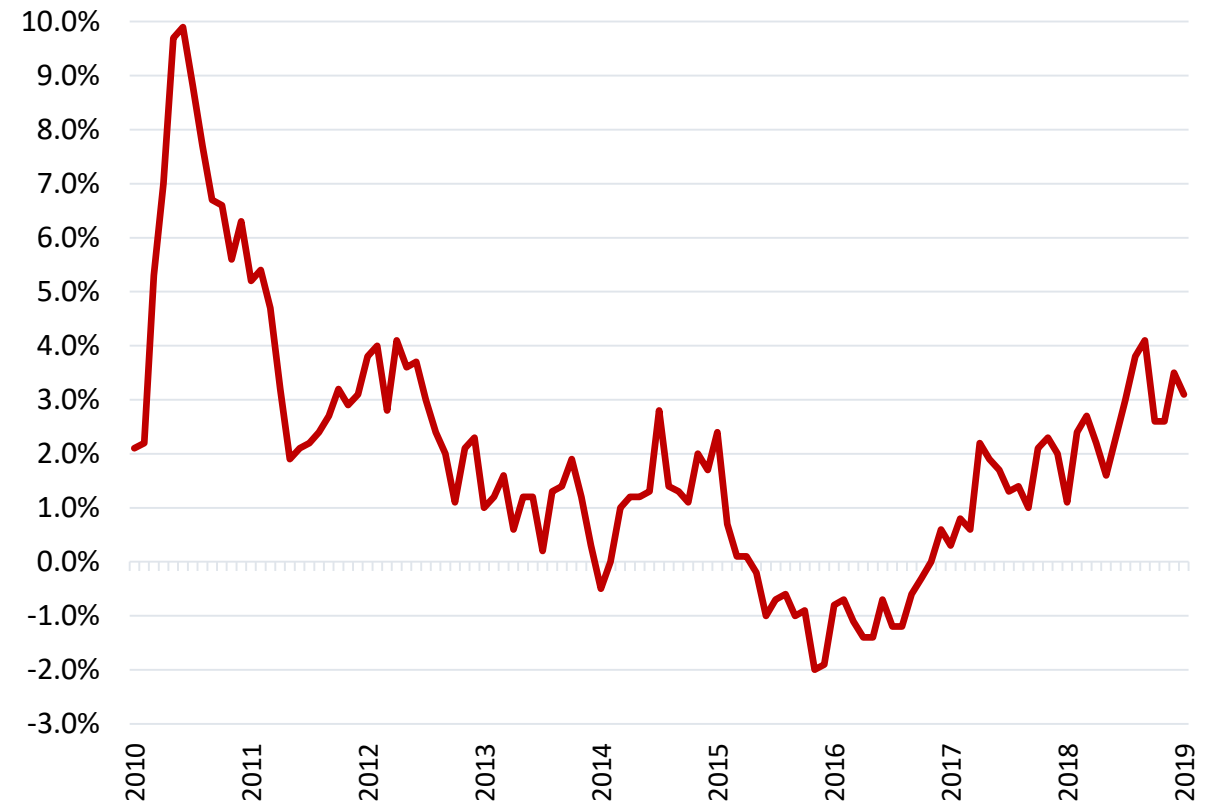
# Factory Output Outlook

**Factory Output**  
(Index)



	2016	2017	2018	2019	2020
Output	-0.7%	1.5%	2.7%	2.4%	1.8%

**Factory Output**  
(Year-over-Year Percent)



Sources: Federal Reserve & ATA

# Total Business Inventory-to-Sales Ratio

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



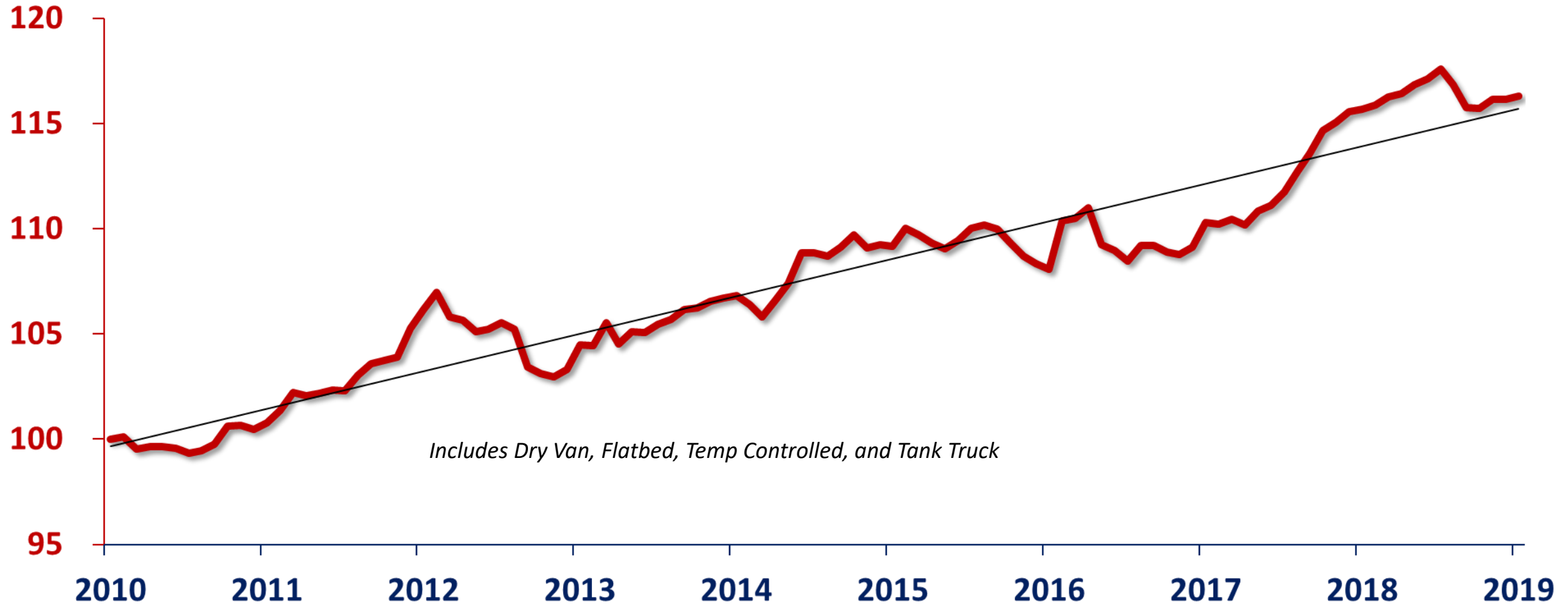
# Freight Market

# 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

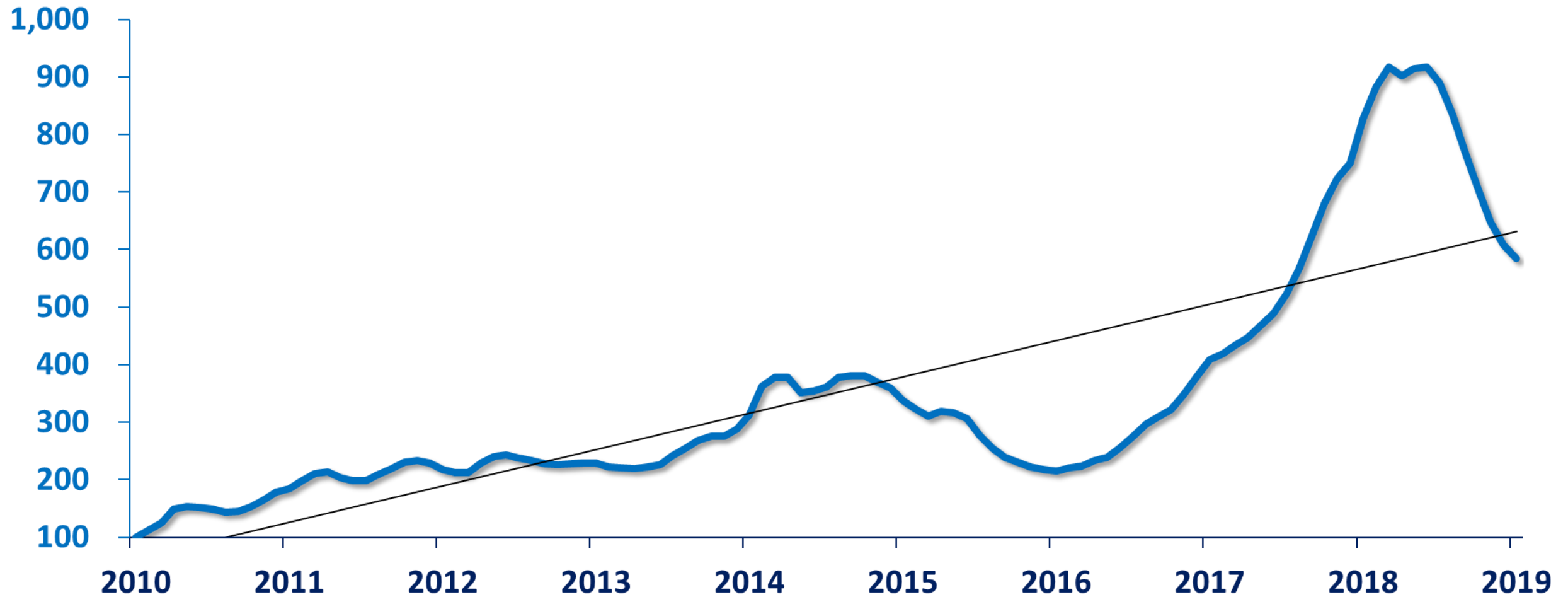


*Includes Dry Van, Flatbed, Temp Controlled, and Tank Truck*



# Spot Market Loads

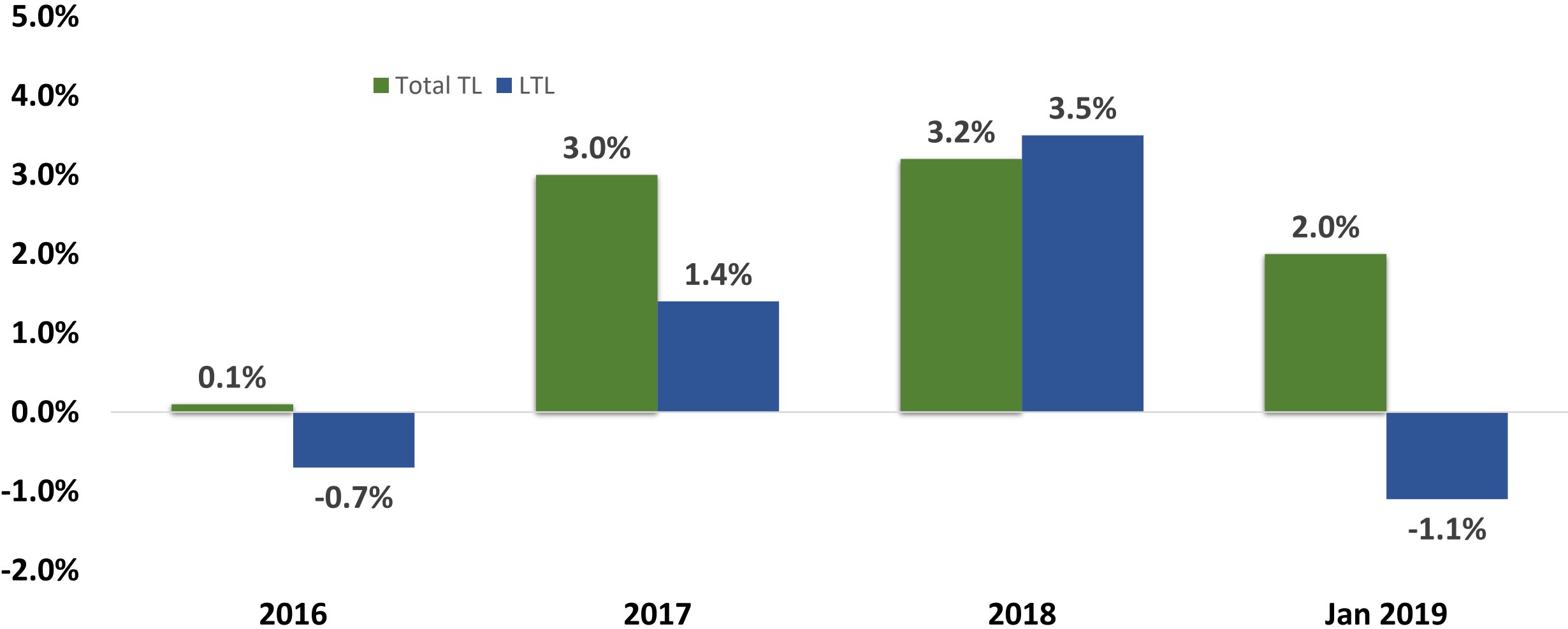
Index: January 2010=100; Seasonally Adjusted 3-Month Moving Average



Source: DAT and ATA

# For-Hire Carrier Volume Measures

Year-over-Year Changes



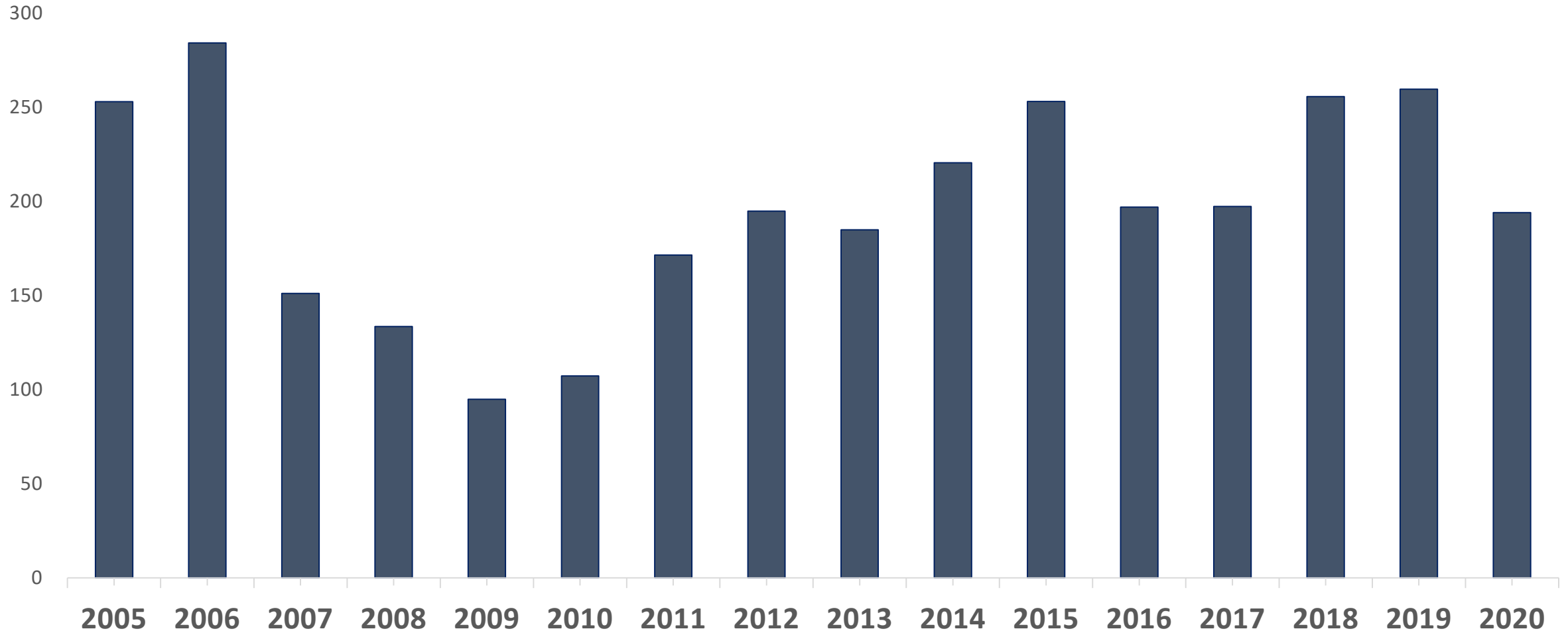
Source: ATA's Trucking Activity Report

TL data is loads; LTL data is tonnage

# Industry Capacity Trends

# US Retail Class 8 Truck Sales

Thousands

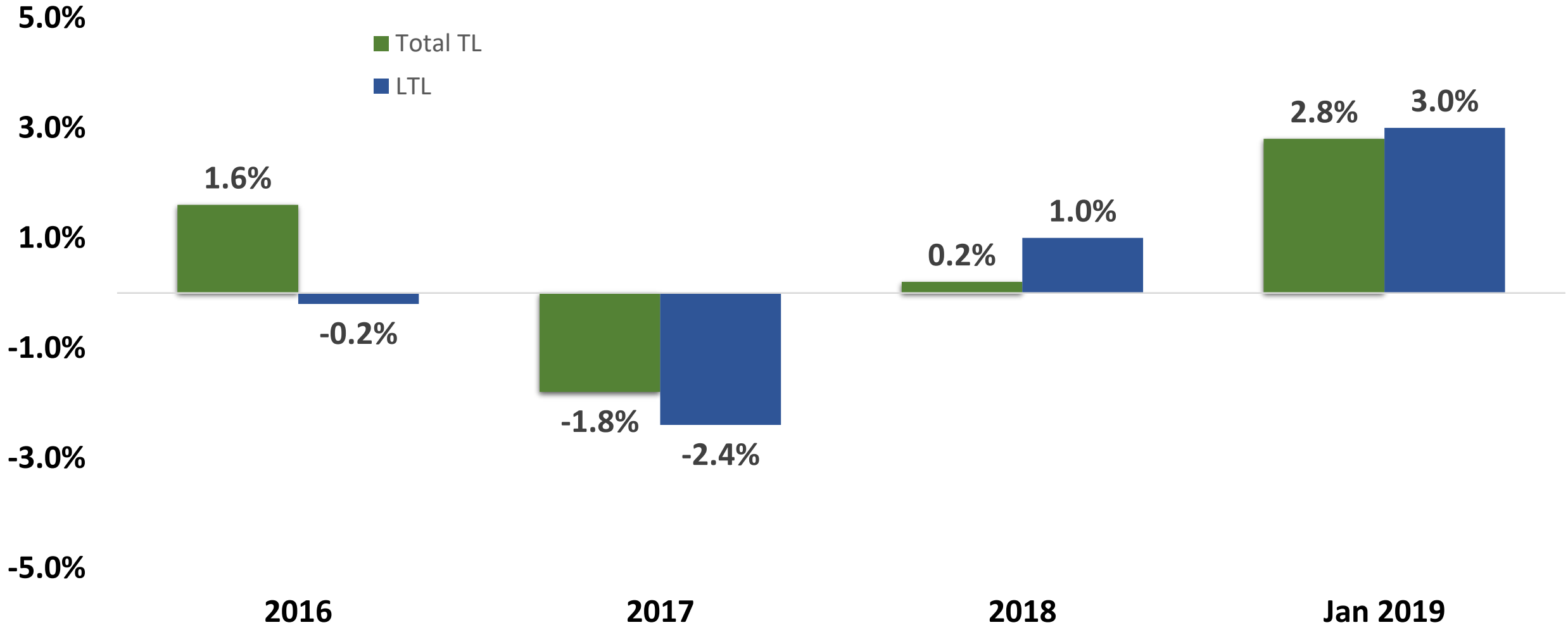


*Includes Tractors & Straight Trucks*

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

# For-Hire Net Tractor Changes

Year-over-Year Changes

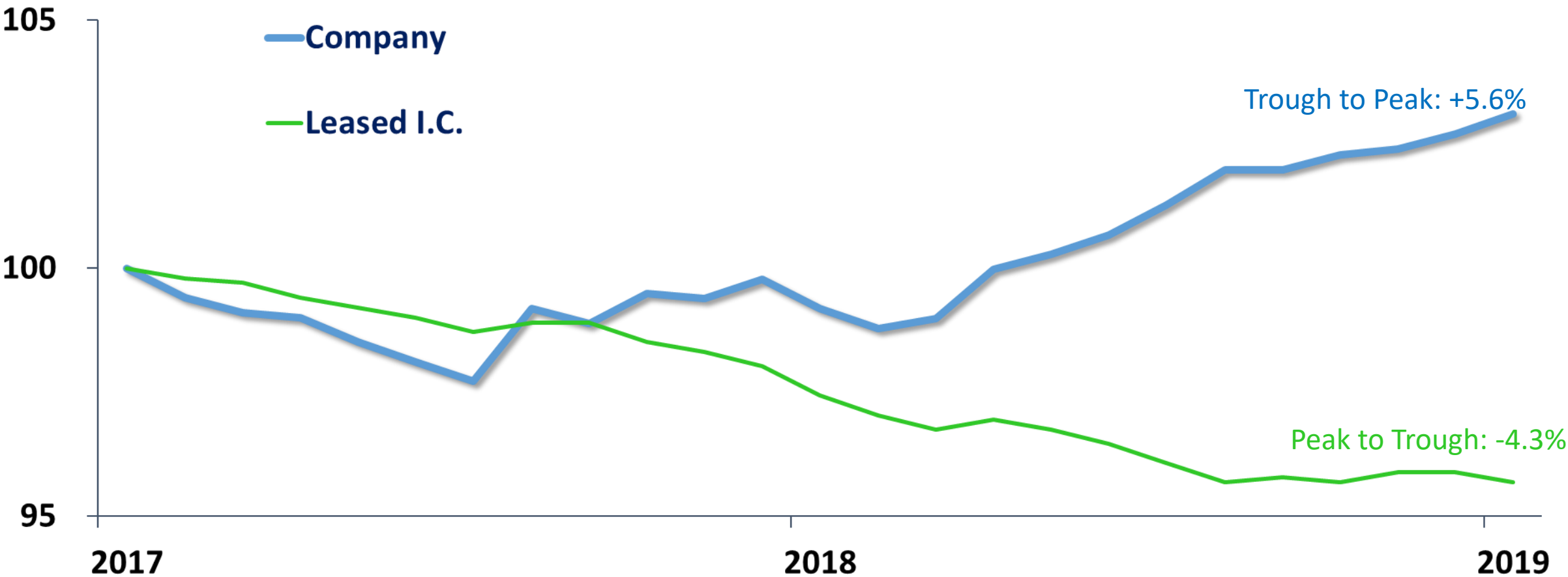


Source: ATA's *Trucking Activity Report*

Includes company and independent contractor equipment

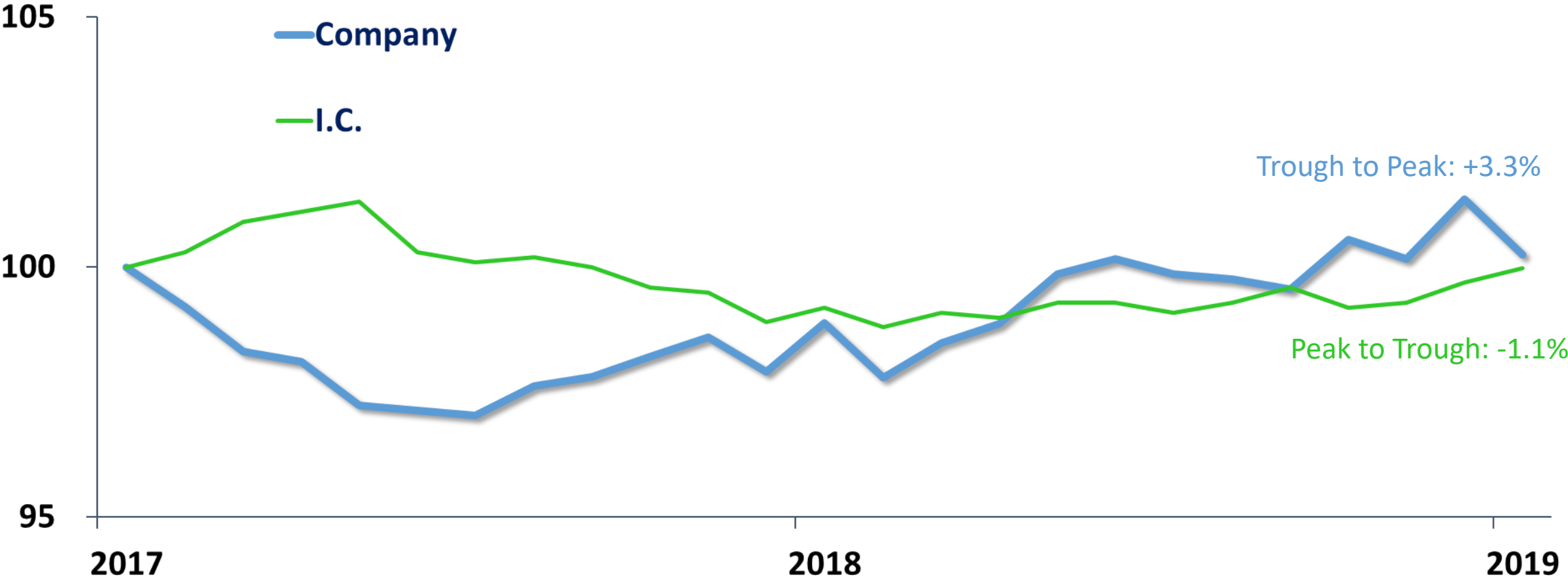
# Large TLs: Company Tractors vs Independent Contractor Equipment

Index: January 2017=100



# Small TLs: Company Tractors vs Independent Contractor Equipment

Index: January 2017=100



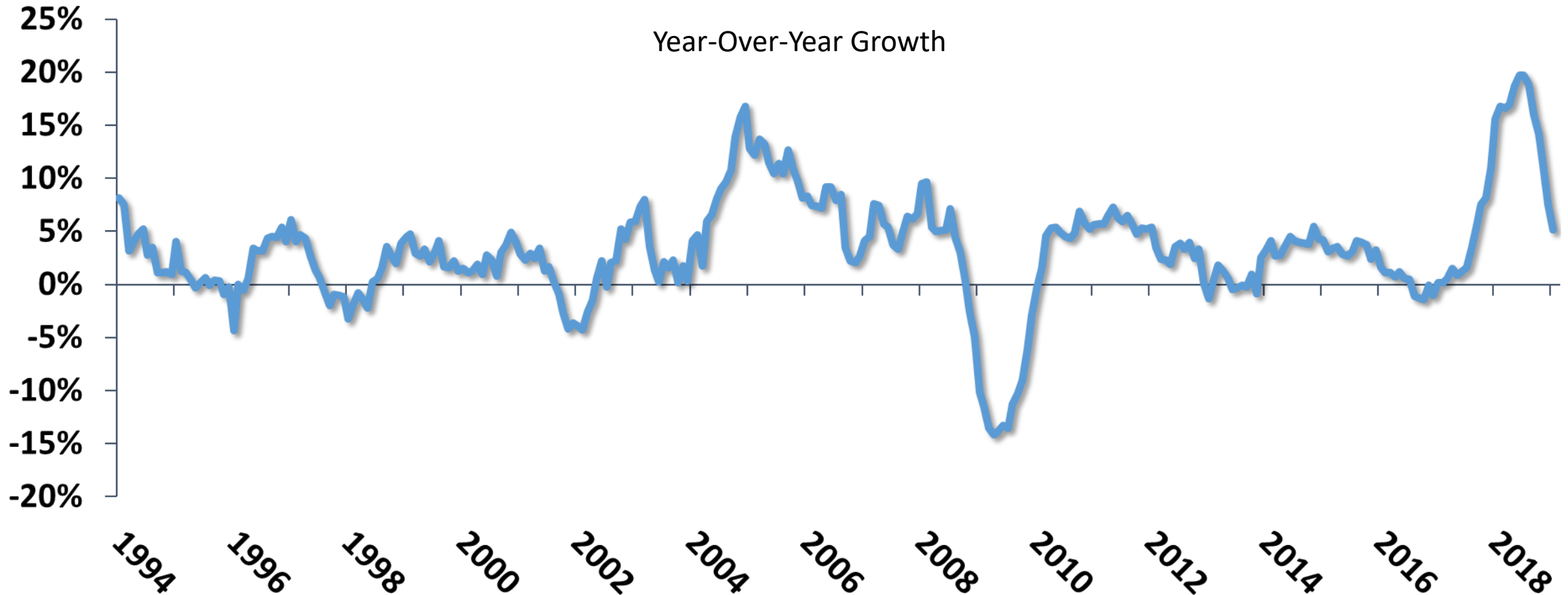
# US Class 8 Tractor Exports



*\* 2018 is a YTD annualized rate*



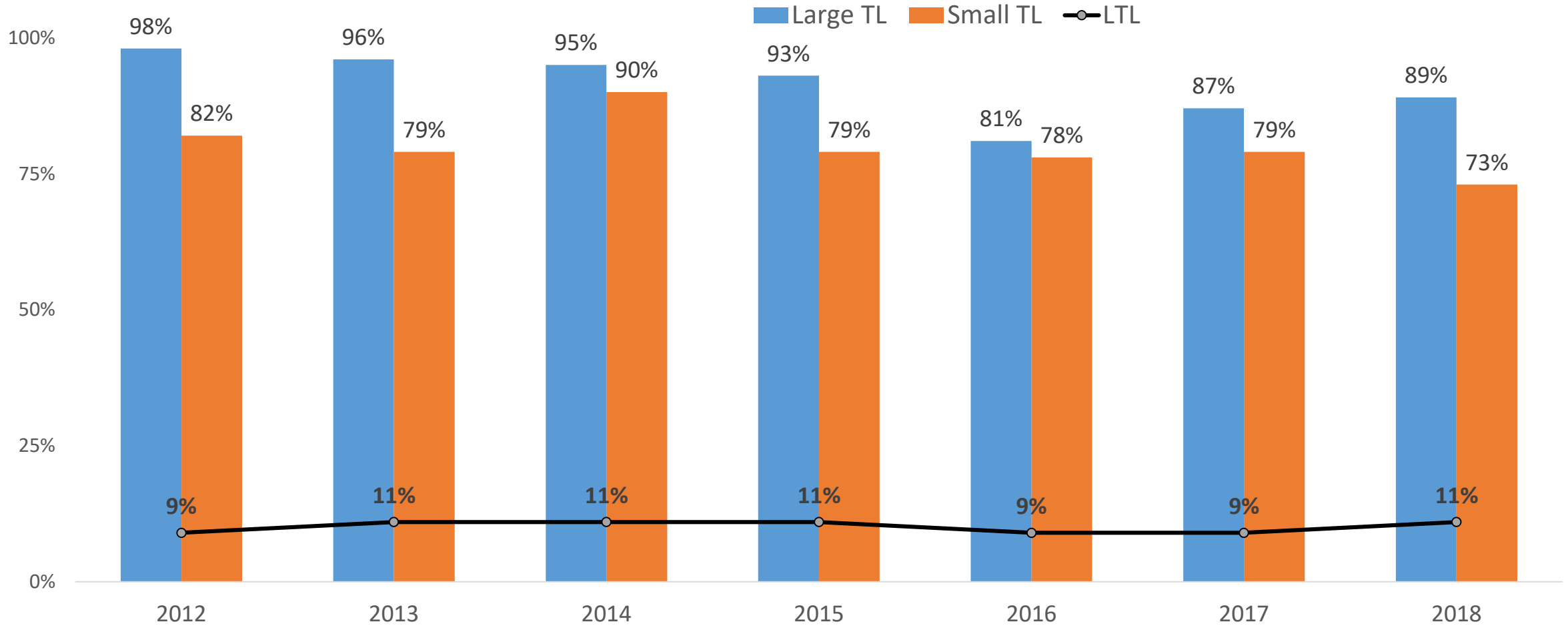
# For-Hire Truckload Revenue per Mile



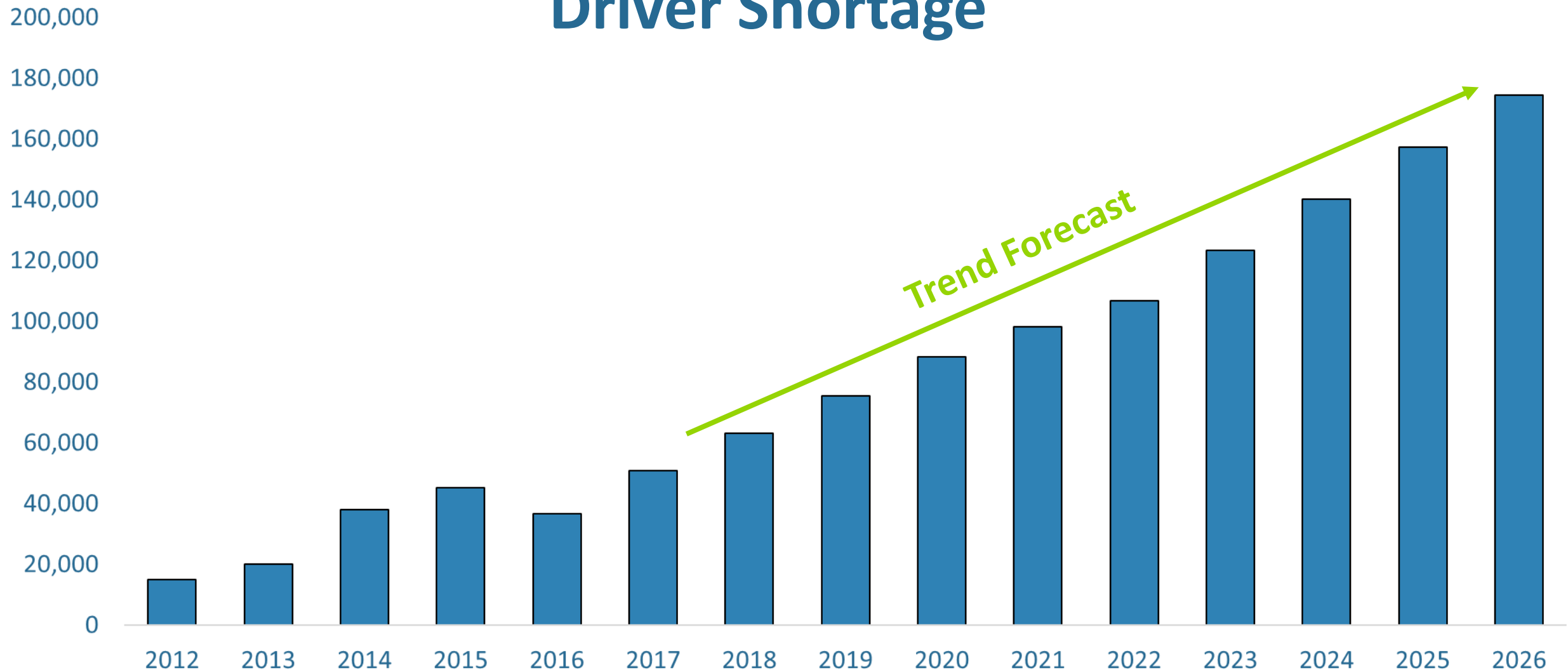
*Includes Dry Van, Flatbed, Temp Controlled, and Tank Truck  
Excludes Fuel Surcharges*

# The Driver Market

# Truck Driver Turnover Rates



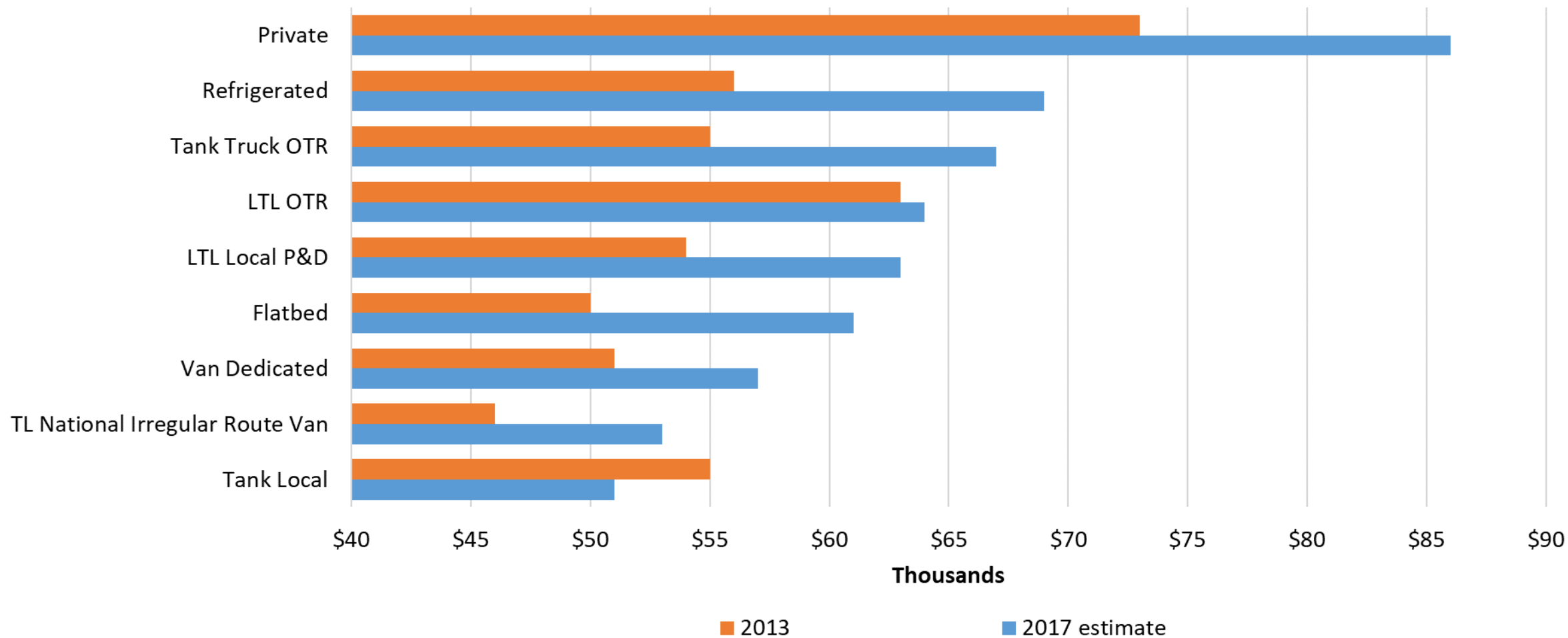
# Driver Shortage



Source: ATA's *Truck Driver Shortage Analysis 2017*

# ATA Driver Compensation Study

2017 and 2013 Median Pay (Solo Company Drivers)



# 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.