



IANA

**INTERMODAL ASSOCIATION
OF NORTH AMERICA**

Inside the Numbers

2019 Mid-Year Review & Outlook

August 15th 2019, 2:00 PM ET



Agenda

- Current economic conditions & 1st half of 2019 Review
- Year-to-Date IANA numbers
- International & Domestic Intermodal Discussion
- Questions

Our Panel



Melissa Peralta
Senior Manager Economic
Planning, TTX Co.



John Woodcock
Director of Market
Development, TTX Co.

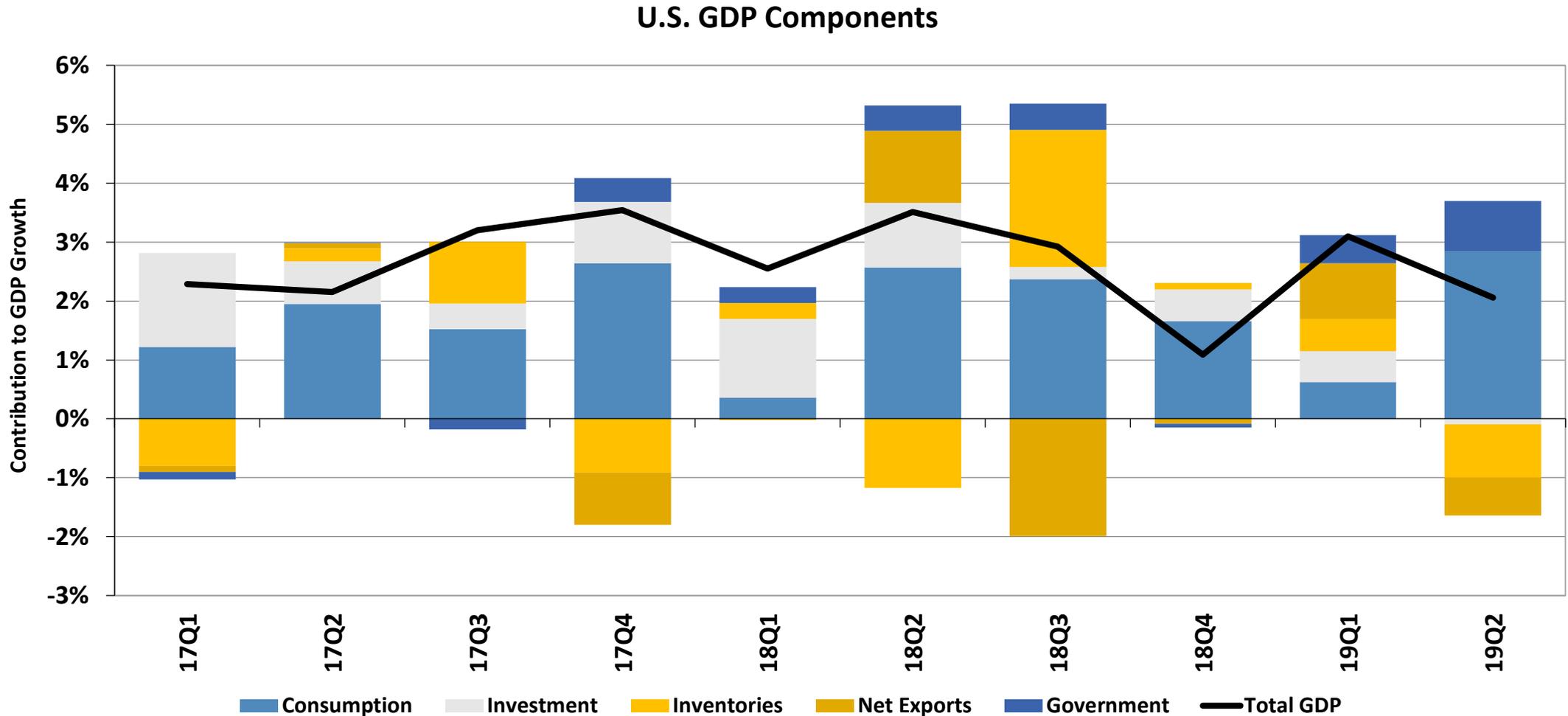


Peter Wolff
Director of Market
Development, TTX Co.

A white semi-truck is parked in a lot, with a large green shipping container mounted on its trailer. The container has the text "HCU 61475" and "53" visible on its side. A person is walking in the background to the right of the truck. The scene is set outdoors under a cloudy sky.

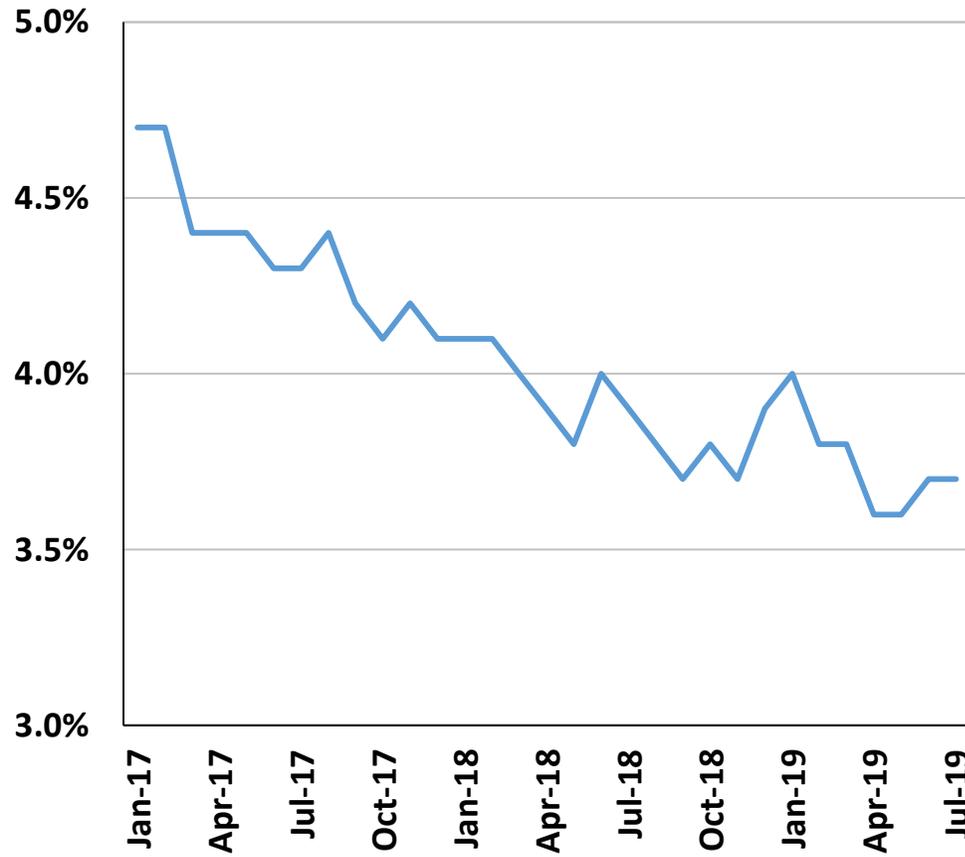
Economic Overview

Consumer spending rebounded in Q2, but inventories, net exports and investment were a drag

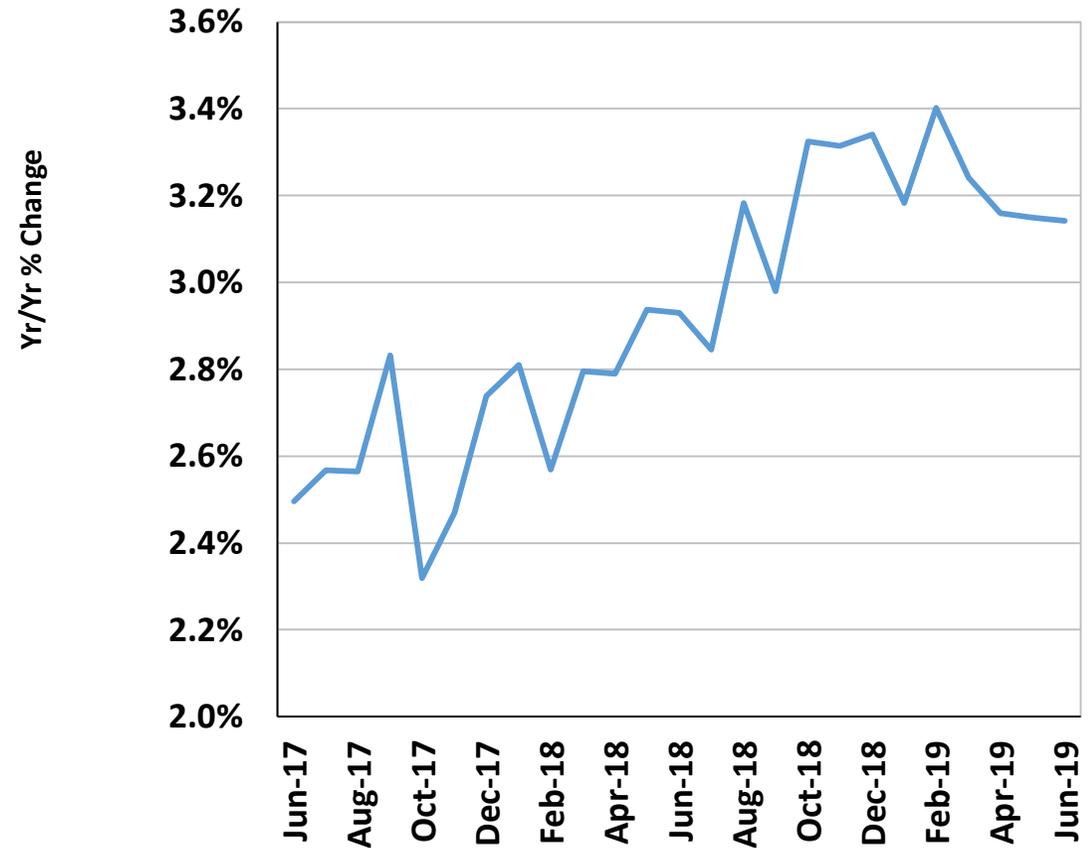


The unemployment rate is very low, and wage growth is above 3%

Unemployment Rate

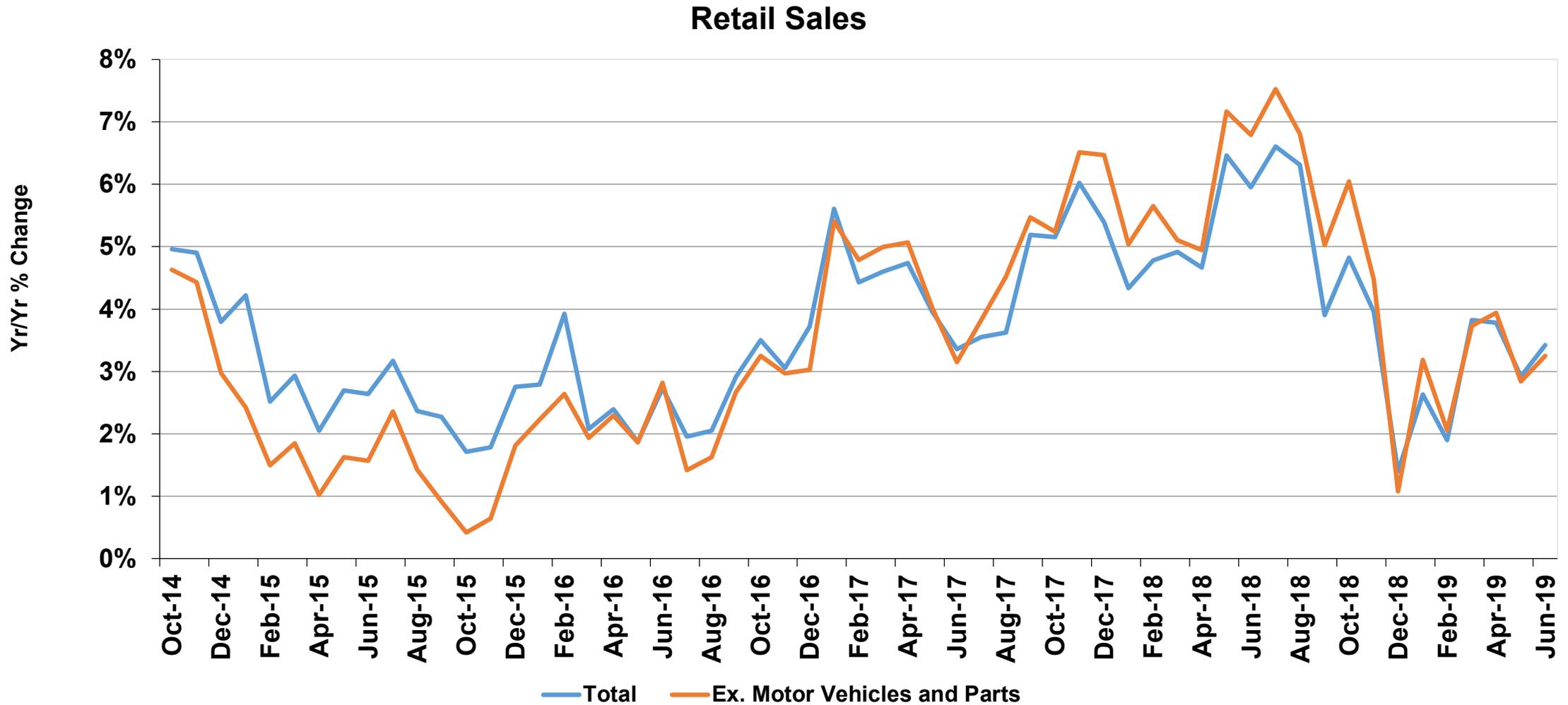


Wage Growth



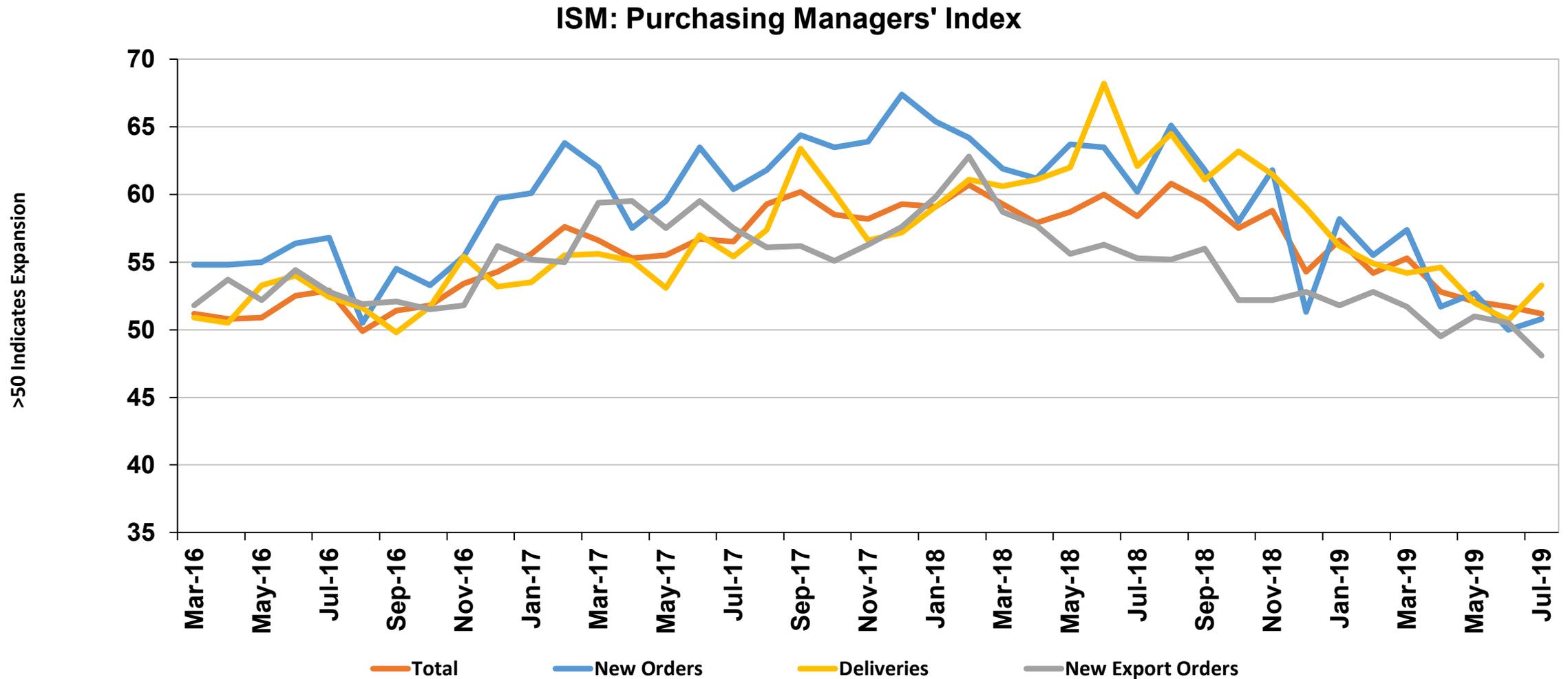
Source: U.S. Bureau of Labor Statistics

Retail sales growth has improved from the winter



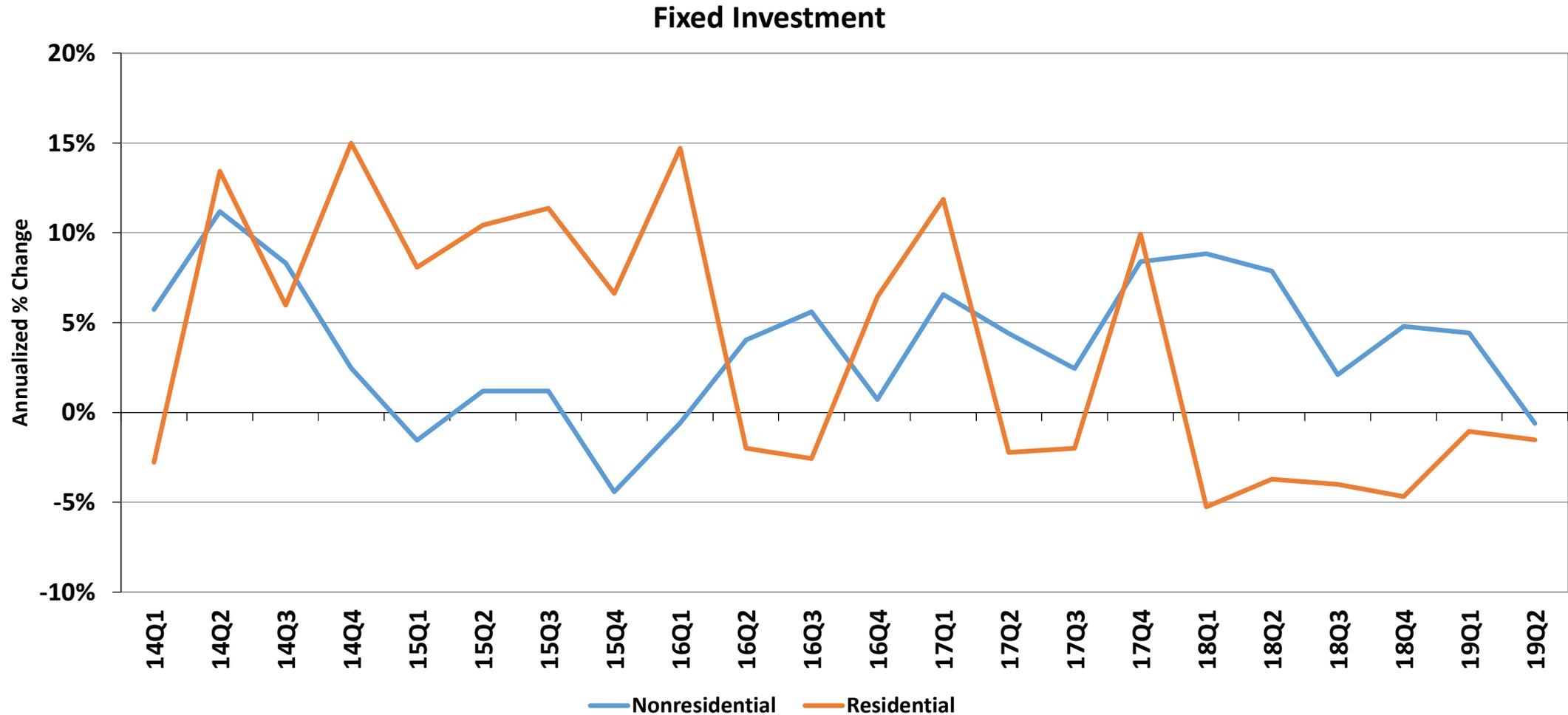
Source: U.S. Census Bureau

The ISM index has fallen, with the deepest declines in new export orders



Source: Institute for Supply Management

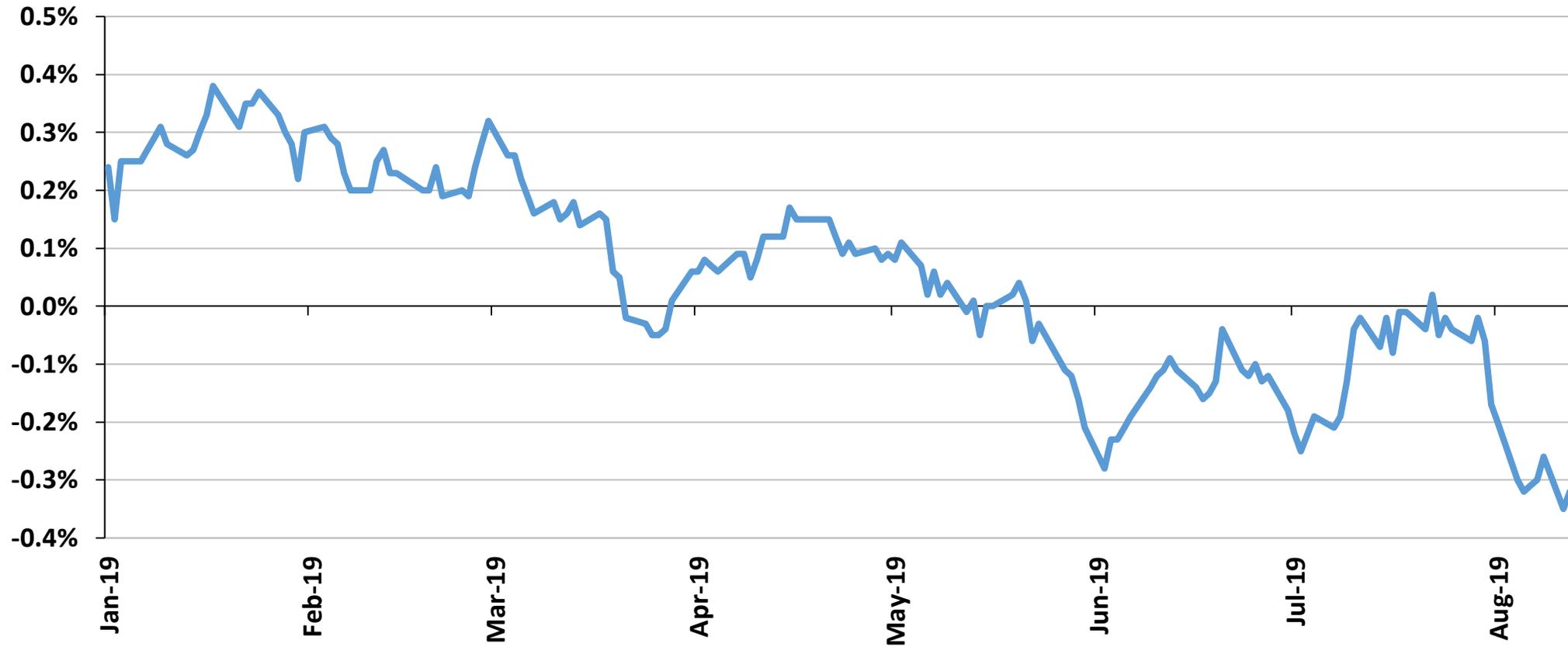
Investment fell in Q2 – possibly a side effect of trade uncertainty



Source: U.S. Bureau of Economic Analysis

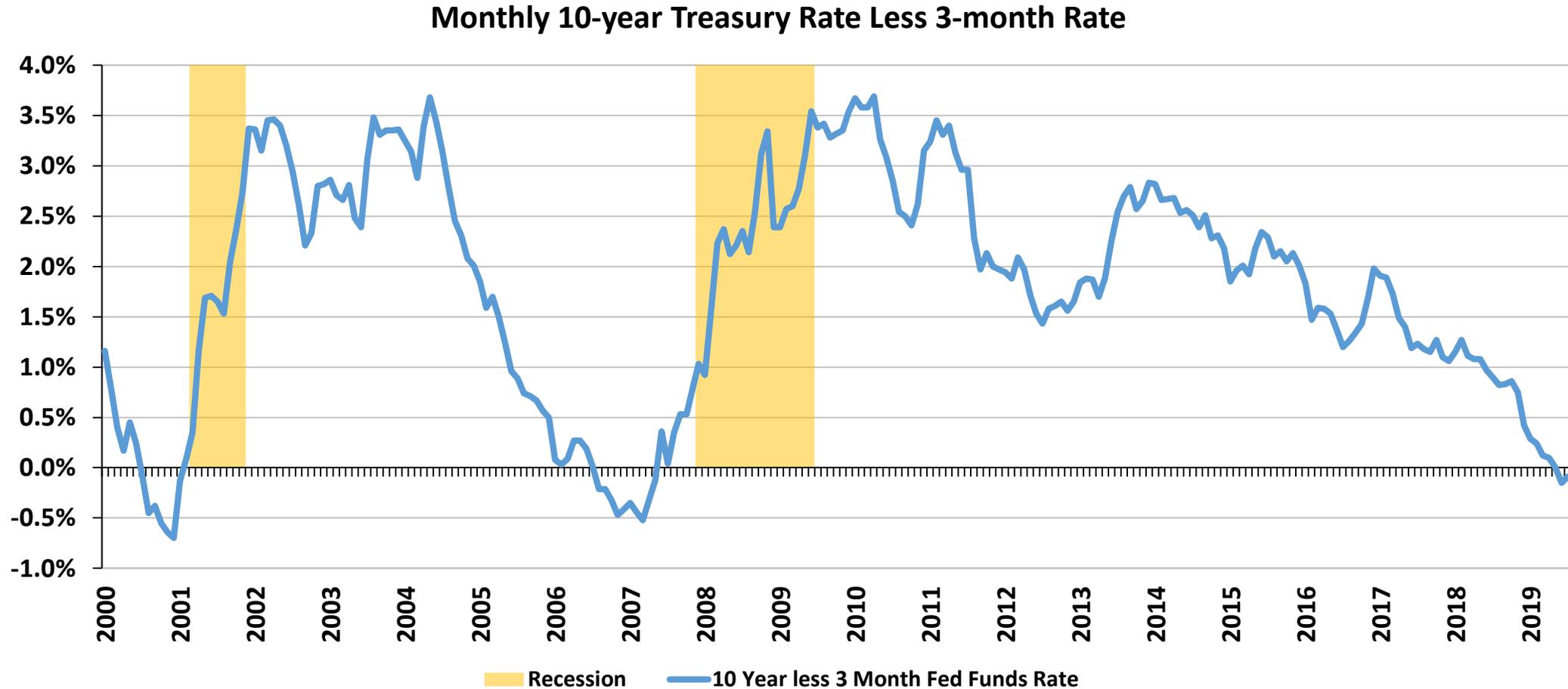
The impact of uncertainty is showing up in the yield curve

10-year Treasury Rate Less 3-month Rate



Source: U.S. Department of Treasury

An inverted yield curve often signals a recession in six months to a year



Source: U.S. Department of Treasury

Summary of TTX's forecast for leading economic indicators

Economic Indicator	2017 Actual	2018 Actual	2019 Original Forecast	2019 Updated Forecast
GDP ¹	2.2%	2.9%	2.5%	2.6%
Consumer Spending ¹	2.5%	2.6%	2.3%	2.4%
Retail Sales	4.7%	4.8%	4.5%	3.4%
Investment ¹	4.8%	5.9%	6.4%	3.6%
Housing Starts ³	1.21	1.25	1.36	1.23
US Vehicle Prod. ⁽⁰⁰⁰⁾	10,960	10,993	11,242	10,902
US Vehicle Sales ⁽⁰⁰⁰⁾	17,216	17,203	17,150	16,875
Industrial Prod. ²	2.3%	3.9%	2.1%	1.2%
Mexico GDP ¹	2.4%	2.0%	1.8%	0.5%
Canada GDP ¹	3.0%	1.9%	2.2%	1.5%

Source: Bureau of Economic Analysis, Moody's Analytics, Autocast

1: SAAR, real % change 2: Year-over-Year %Change 3: Millions, annualized rate



The Latest IANA Numbers

1H19 North American Intermodal Growth Summary

- **By Segment**

- International: 0.6%
- Domestic Container: -5.2%
- Trailers: -10.4%
- All Domestic Equipment: -6.0%
- Total Intermodal: -2.7%

- **By Origin Region**

- U.S.: -2.8%
- Canada: -0.5%
- Mexico: -9.8%

1H19 intermodal volume growth by equipment type

	1H18	1H19	% Change
Trailers	712,536	638,365	-10.4%
Domestic Containers	3,901,037	3,696,949	-5.2%
All Domestic Equipment	4,613,573	4,335,314	-6.0%
ISO Containers	4,674,728	4,701,467	0.6%
Total	9,288,301	9,036,781	-2.7%

Source: IANA

1H19 regional loadings

	1H18		1H19		% Change
	Units	Share	Units	Share	Growth
Eastern Canada (EC)	678,140	7.3%	668,351	7.4%	-1.4%
Mountain Central (MC)	132,547	1.4%	138,480	1.5%	4.5%
Midwest (MW)	2,519,038	27.1%	2,453,192	27.1%	-2.6%
Mexico (MX)	303,229	3.3%	273,640	3.0%	-9.8%
Northeast (NE)	905,744	9.8%	879,641	9.7%	-2.9%
Northwest (NW)	374,536	4.0%	378,869	4.2%	1.2%
South Central (SC)	683,660	7.4%	658,324	7.3%	-3.7%
Southeast (SE)	1,195,525	12.9%	1,190,059	13.2%	-0.5%
Southwest (SW)	1,718,717	18.5%	1,616,654	17.9%	-5.9%
Western Canada (WC)	777,165	8.4%	779,571	8.6%	0.3%

Source: IANA

Top growth lanes

Corridor	1H18		1H19		% Change
	Units	Share	Units	Share	Growth
Midwest-Western Canada	160,416	1.7%	186,799	2.1%	16.4%
Intra-Midwest	152,784	1.6%	165,976	1.8%	8.6%
Western Canada-Midwest	196,117	2.1%	209,382	2.3%	6.8%
Intra-Southeast	581,499	6.3%	615,722	6.8%	5.9%
Midwest-Northwest	237,863	2.6%	246,872	2.7%	3.8%
Eastern Canada-Western Canada	357,273	3.8%	364,629	4.0%	2.1%

Source: IANA

Note: top growth lanes exclude lanes with less than 100,000 moves

Largest decline / slowest growth lanes

Corridor	1H18		1H19		% Change
	Units	Share	Units	Share	Decline
Southeast-Northeast	120,823	1.3%	105,230	1.2%	-12.9%
Midwest-South Central	152,657	1.6%	134,997	1.5%	-11.6%
Intra-Mexico	214,386	2.3%	189,911	2.1%	-11.4%
Northeast-Southeast	112,171	1.2%	100,610	1.1%	-10.3%
Southwest-Midwest	815,512	8.8%	744,597	8.2%	-8.7%
South Central-Midwest	123,851	1.3%	114,689	1.3%	-7.4%

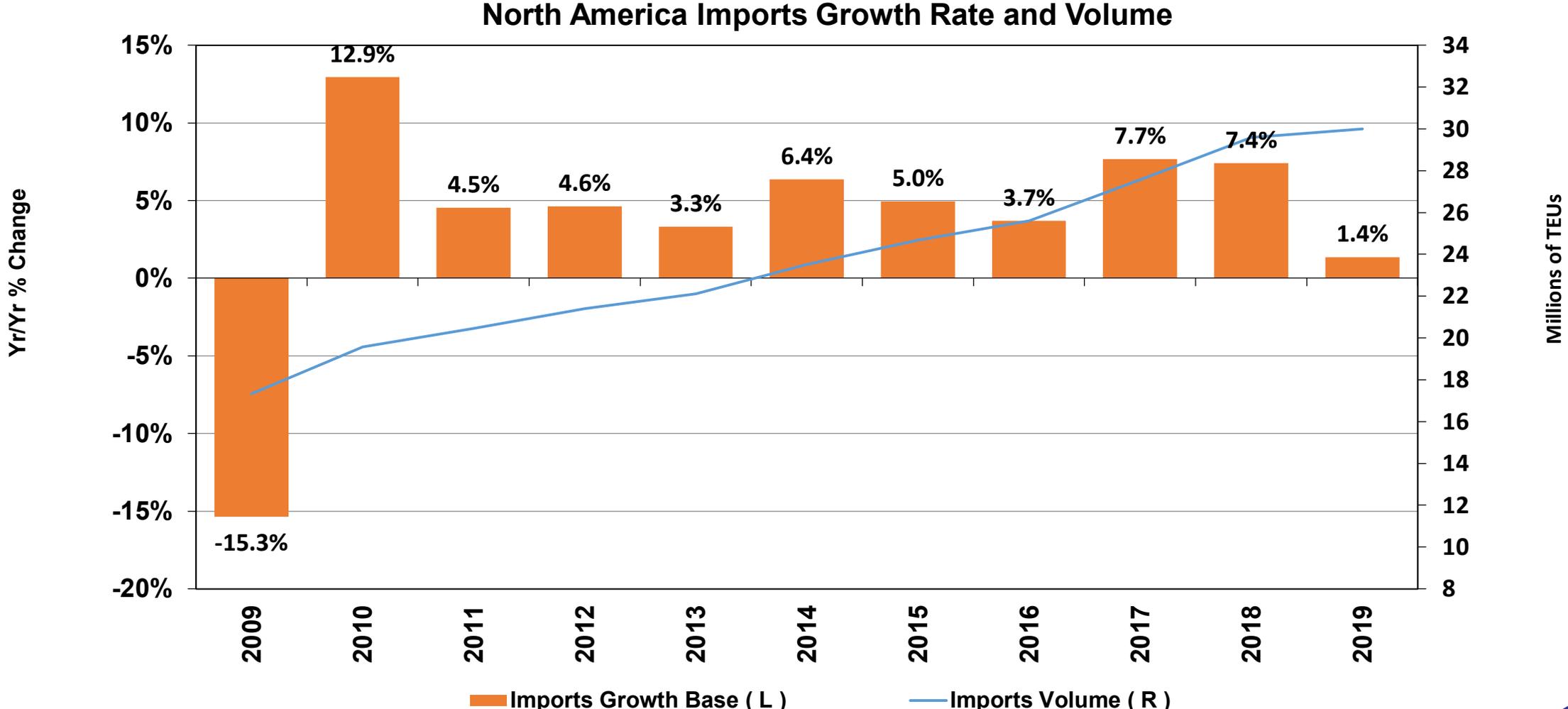
Source: IANA

Note: largest decline / slowest growth lanes exclude lanes with less than 100,000 moves

International Intermodal



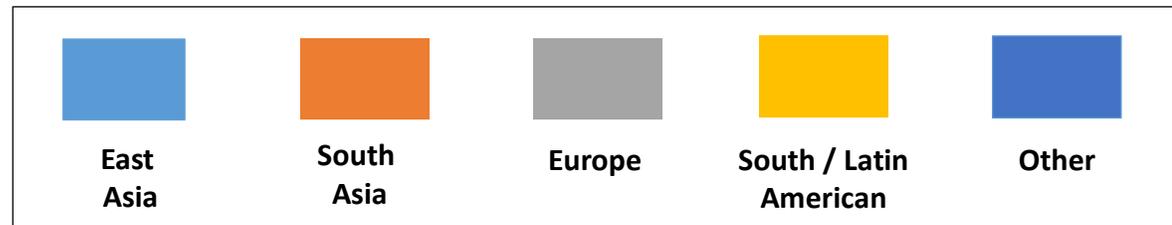
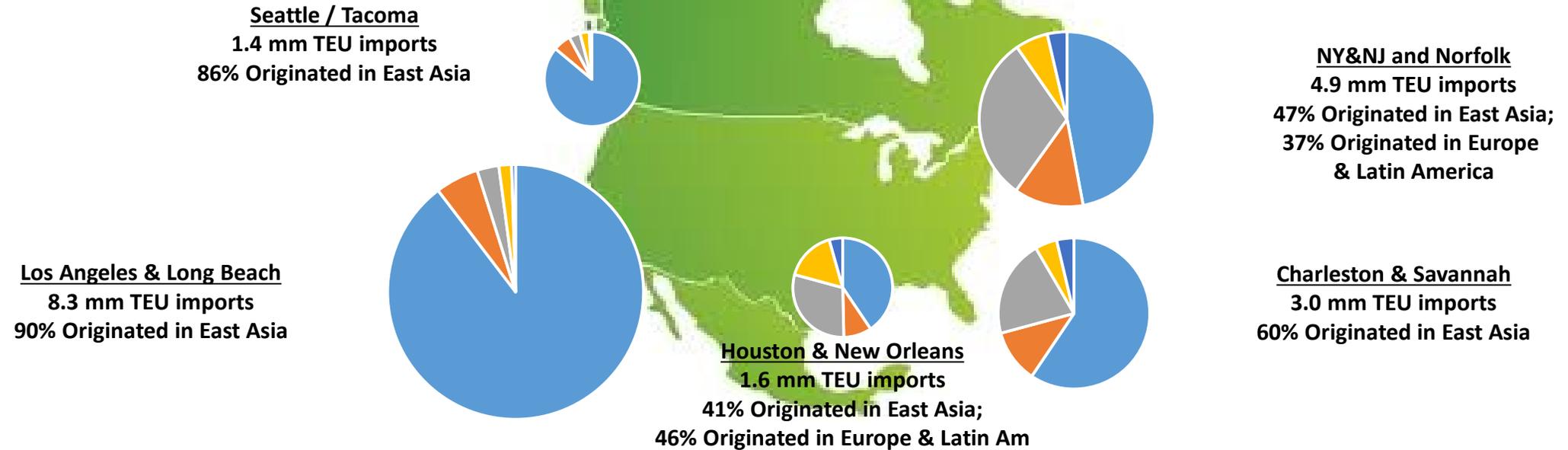
Container import forecast incorporates existing tariffs, but more tariffs in September may change the forecast



Source: PIERS, TTX

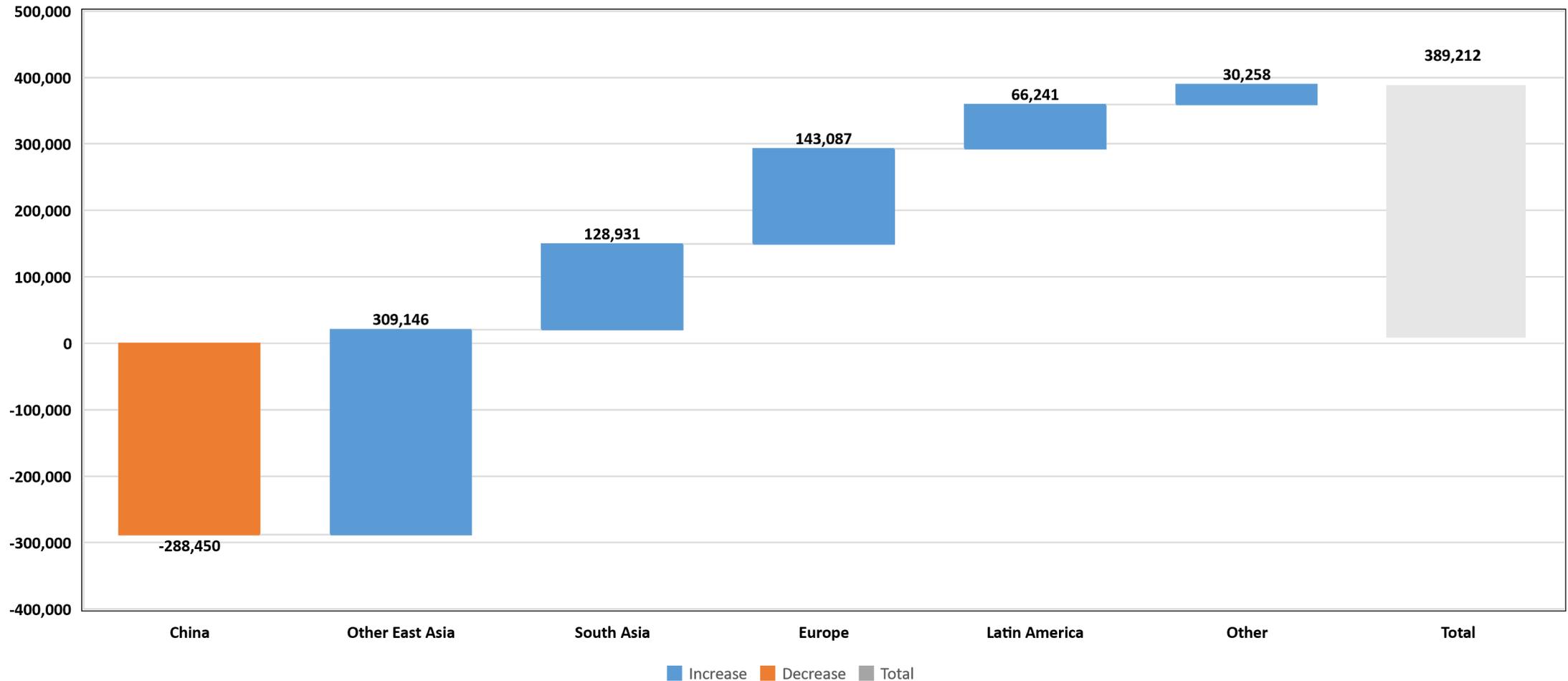
Western ports are heavily tied to imports from East Asia

2018 Origin Region by Destination Port



U.S. imports from China fell 5.6%, with China's share falling to 42.4% from 46.4% in 1H19

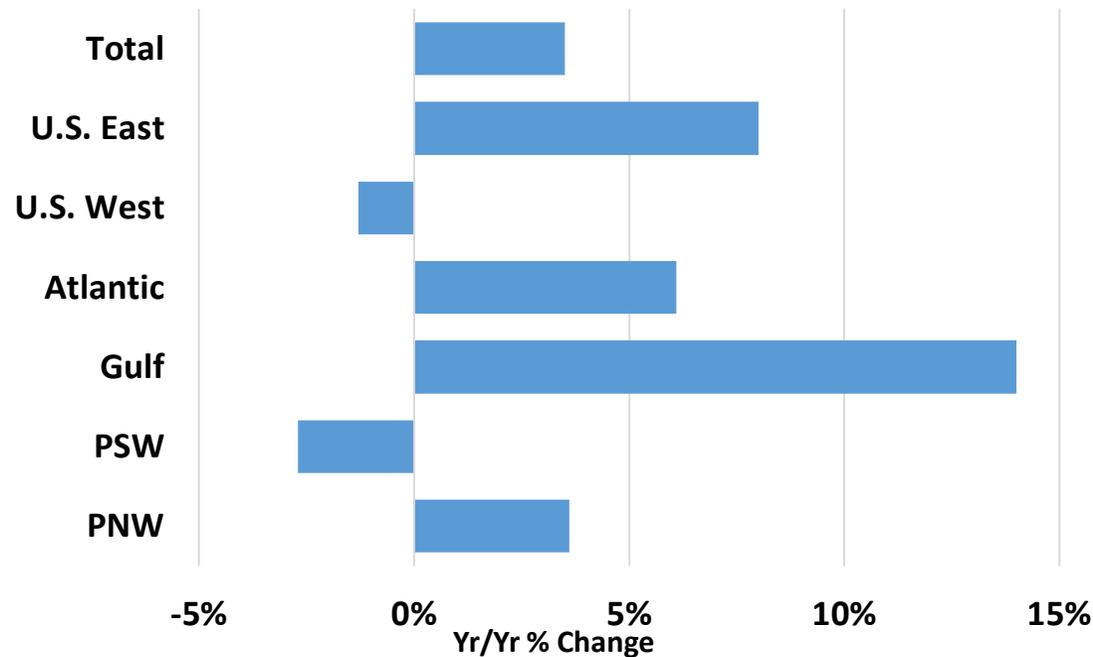
1H19 Import Growth by Origin Region



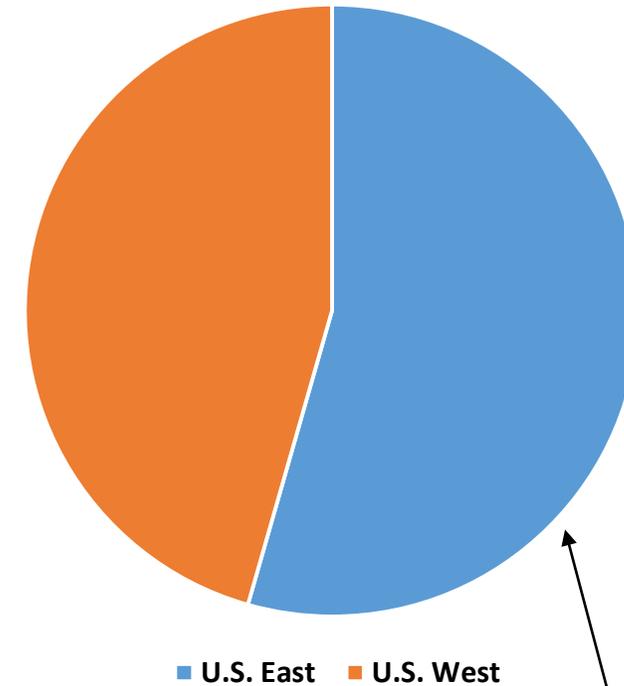
Source: TTX, PIERS

Shifting import origins resulted in more freight discharging on the East Coast

1H19 Import Growth by Destination Port Region



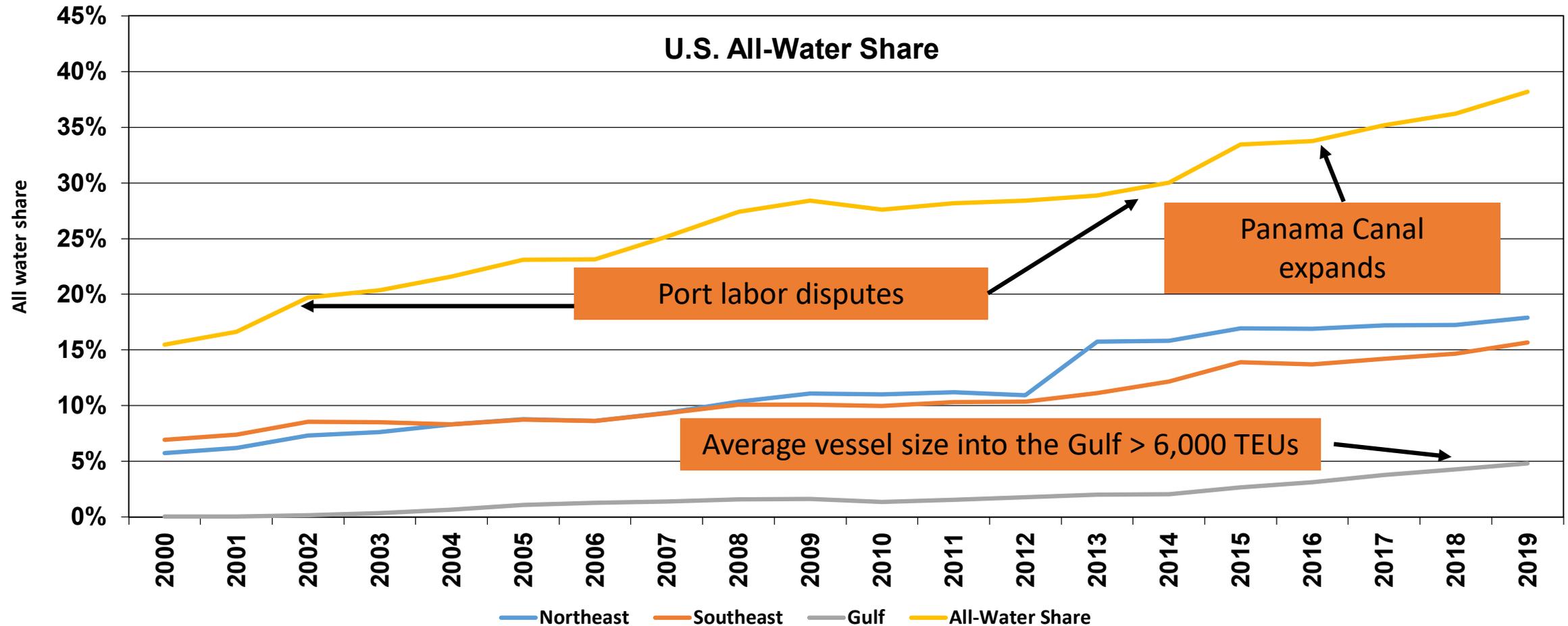
1H19 Import Share by U.S. Coast



54.4% of U.S. imports discharged on the East Coast; nearly a complete reversal of coast shares from 2014

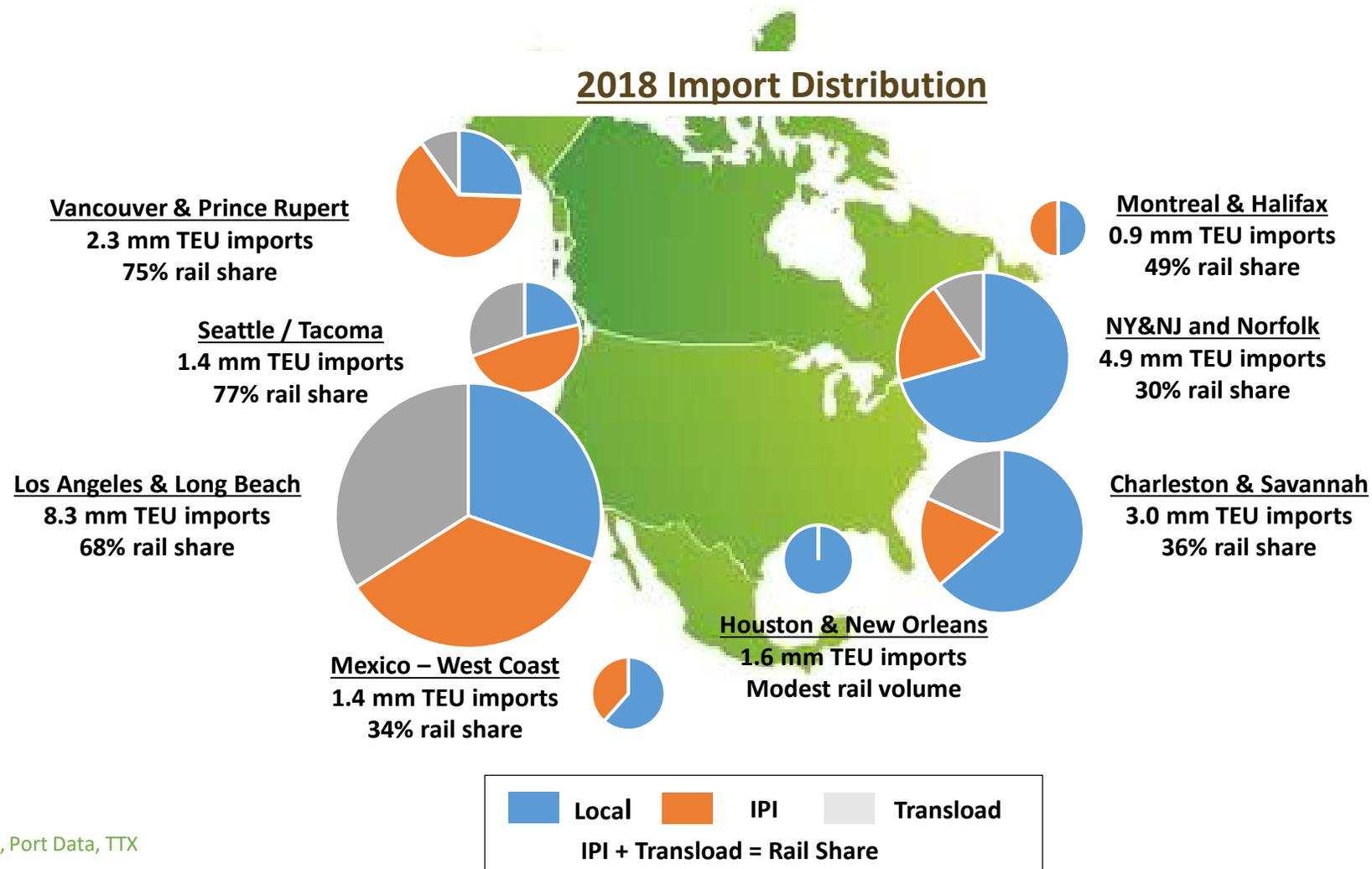
Source: TTX, PIERS

AWS share gaining in the Gulf as shippers continue to diversify their supply chains



Source: PIERS, Alphaliner, TTX

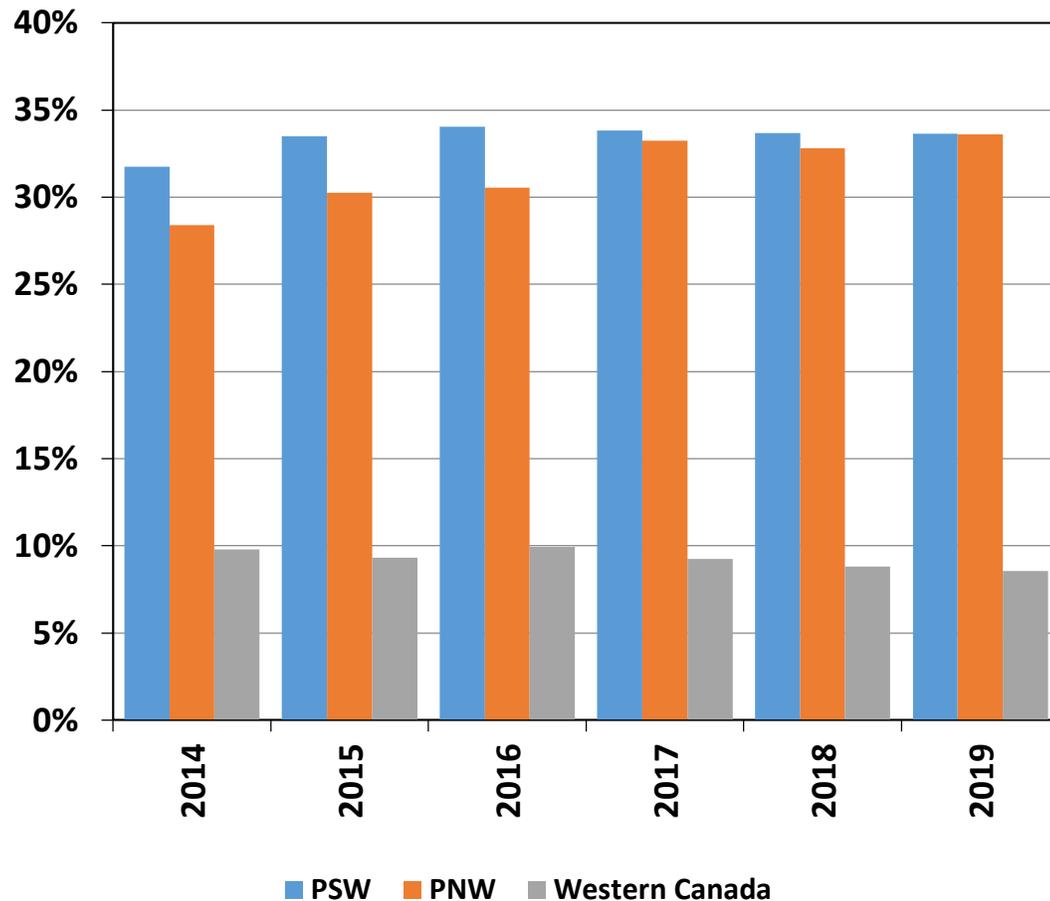
Rail share of the inland flow of imports is much greater for West Coast discharge



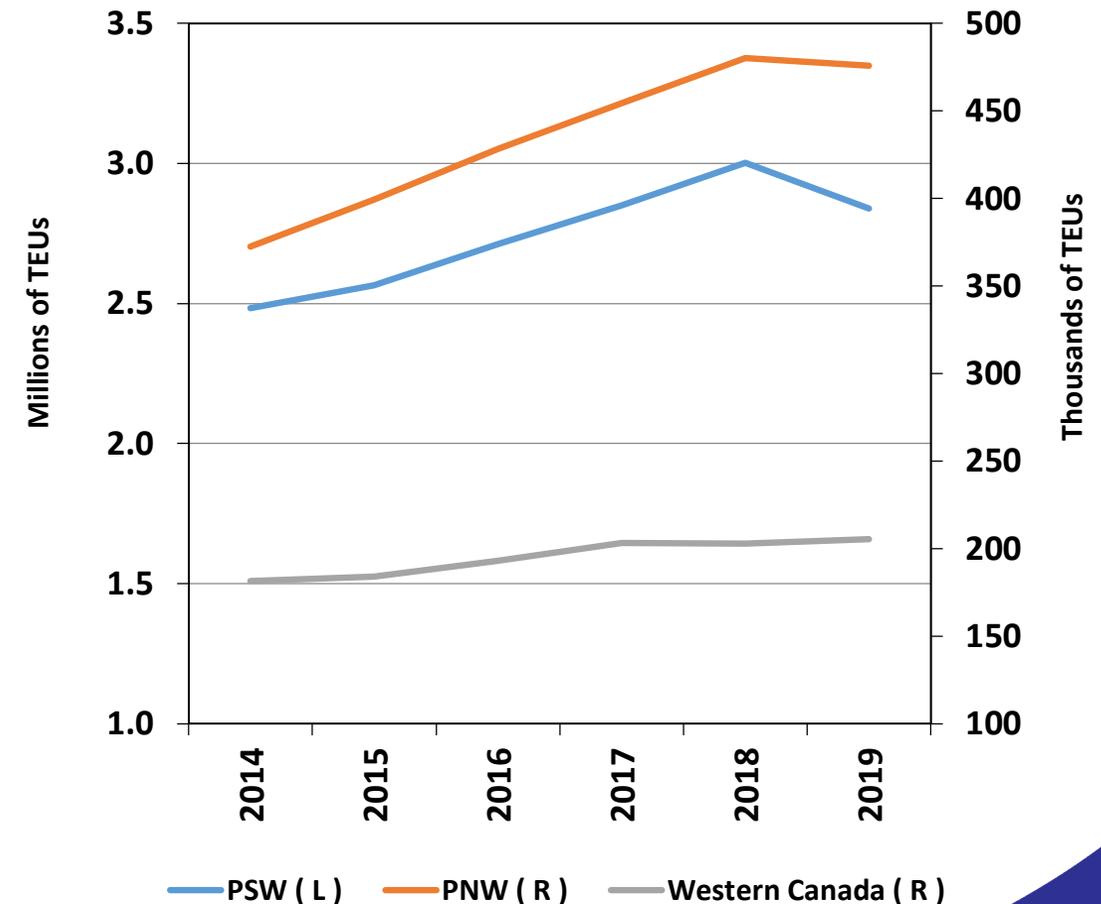
Source: IANA, PIERS, Port Data, TTX

Transload share is fairly constant, but rail volumes are declining as import volumes fall on the U.S. West Coast

Rail Transloaded Share of Imports



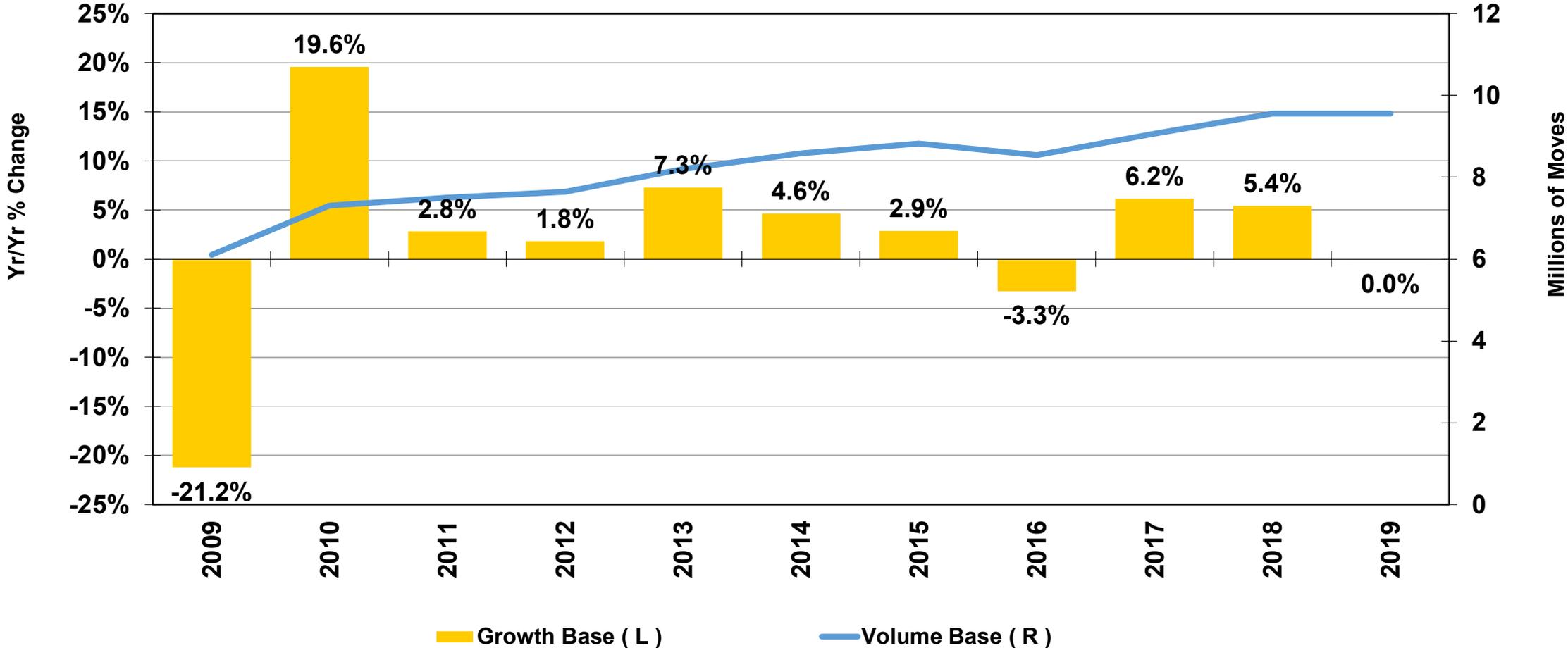
Transloaded Import Volumes



Source: PIERS, IANA, TTX

2019 IPI expected to barely grow based on origin mix changes

North America International Volume



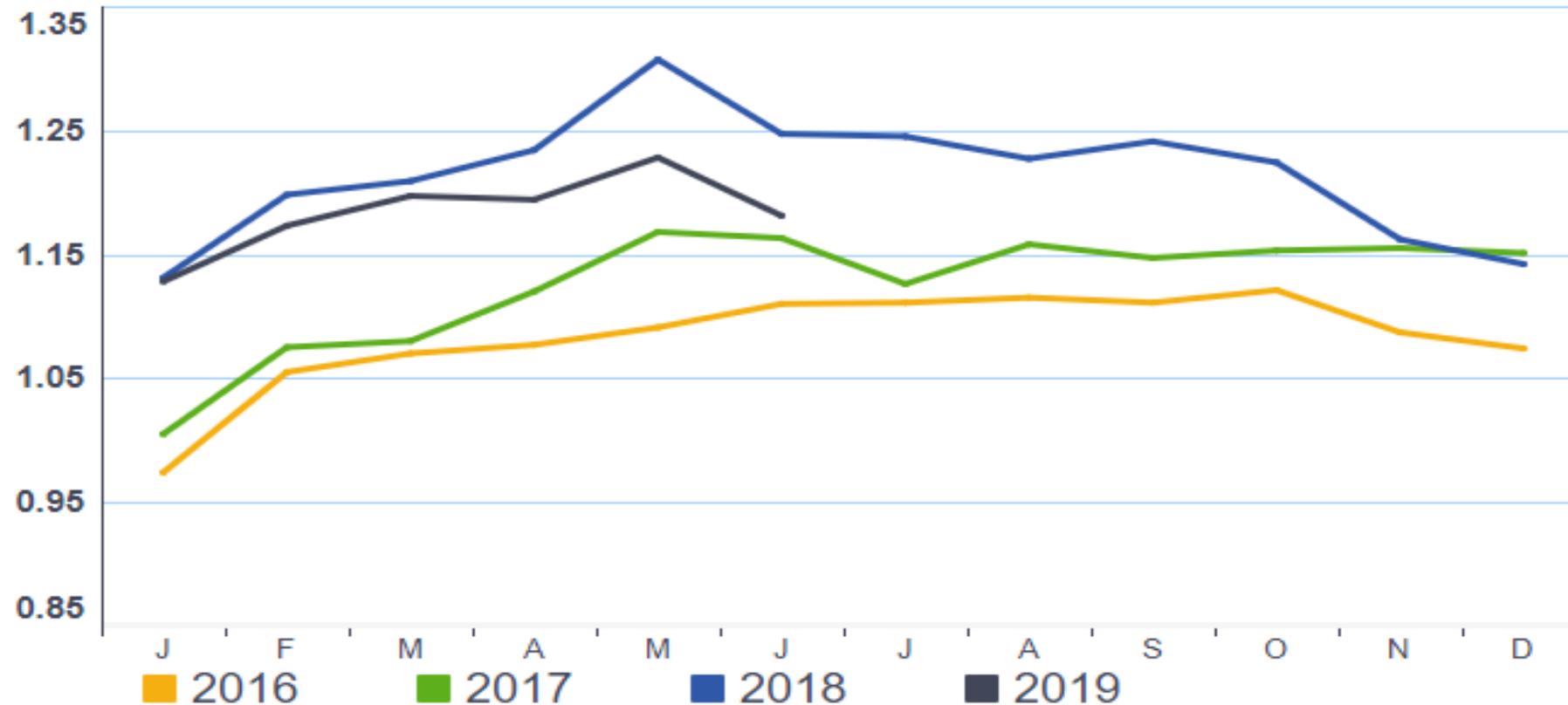
Source: IANA, TTX



Domestic Intermodal

The Cass Freight Shipment Index indicates that overall freight activity is contracting toward 2017 levels

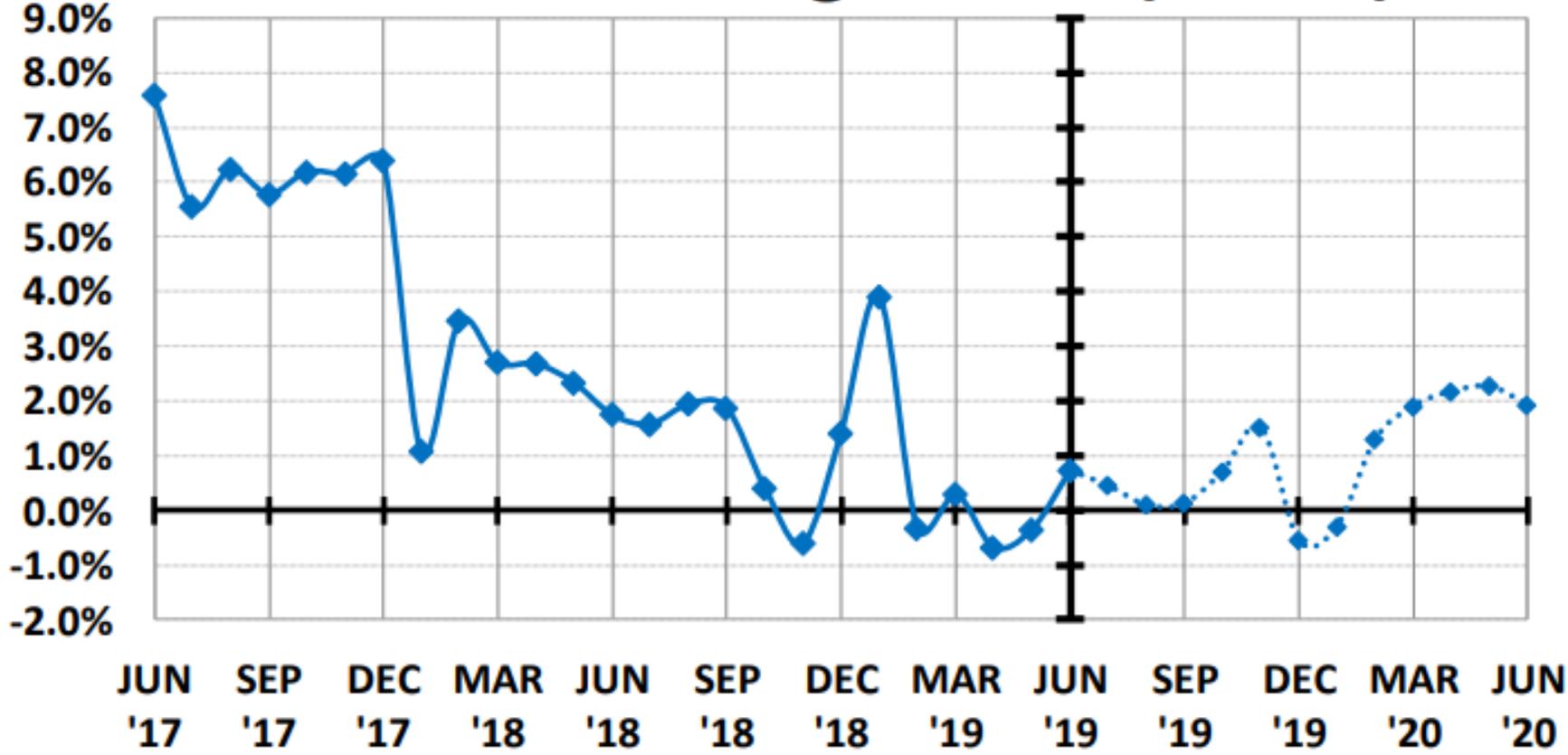
Cass Freight Index® Shipments



Source: Cass Information Systems

FTR's loading forecast similarly shows subdued freight demand continuing into 2020

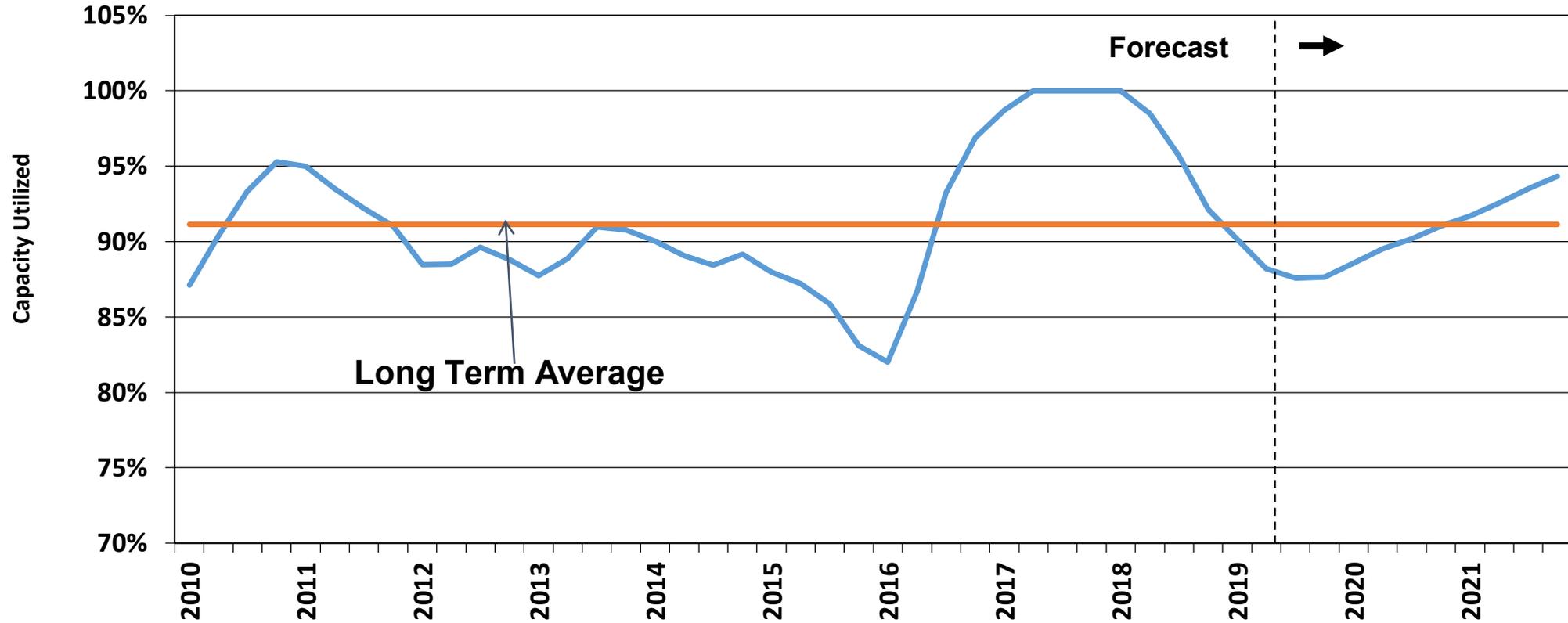
FTR Truck Loadings Index (Y/Y %)



Source: FTR Associates

Faltering demand + substantial capacity additions = below average truck utilization

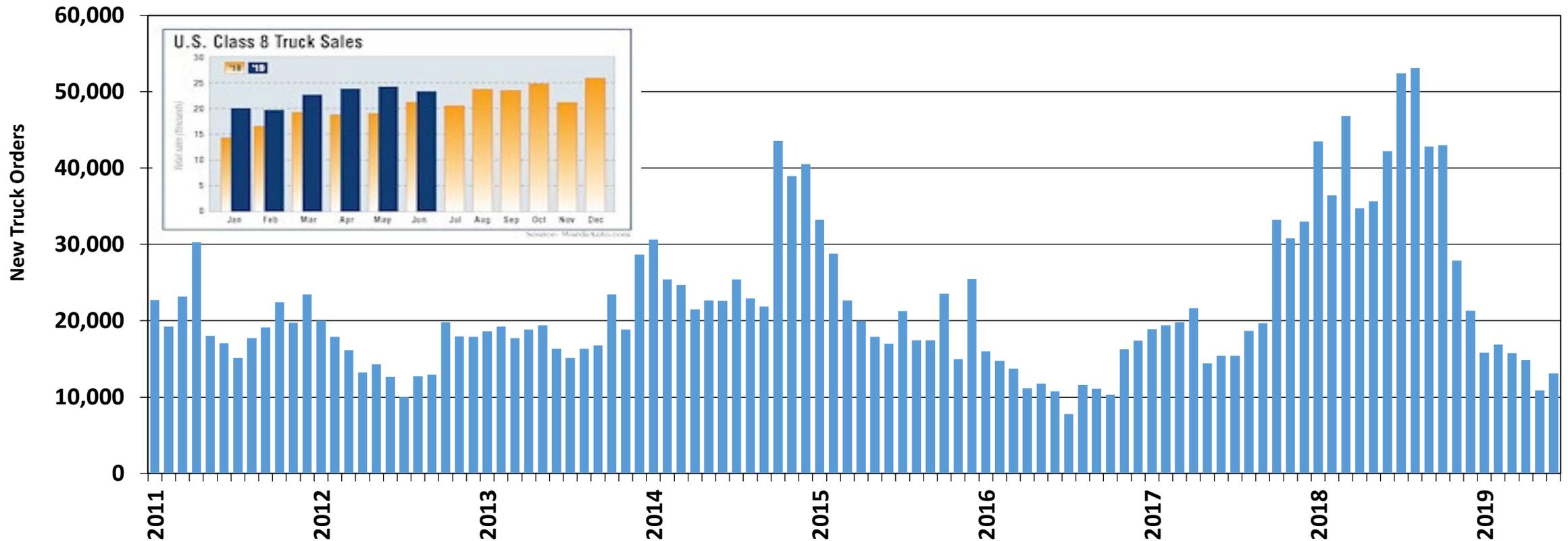
U.S. Trucking Supply



Source: FTR Associates

Class 8 truck orders reflect the end of the freight boom, though backorders remain

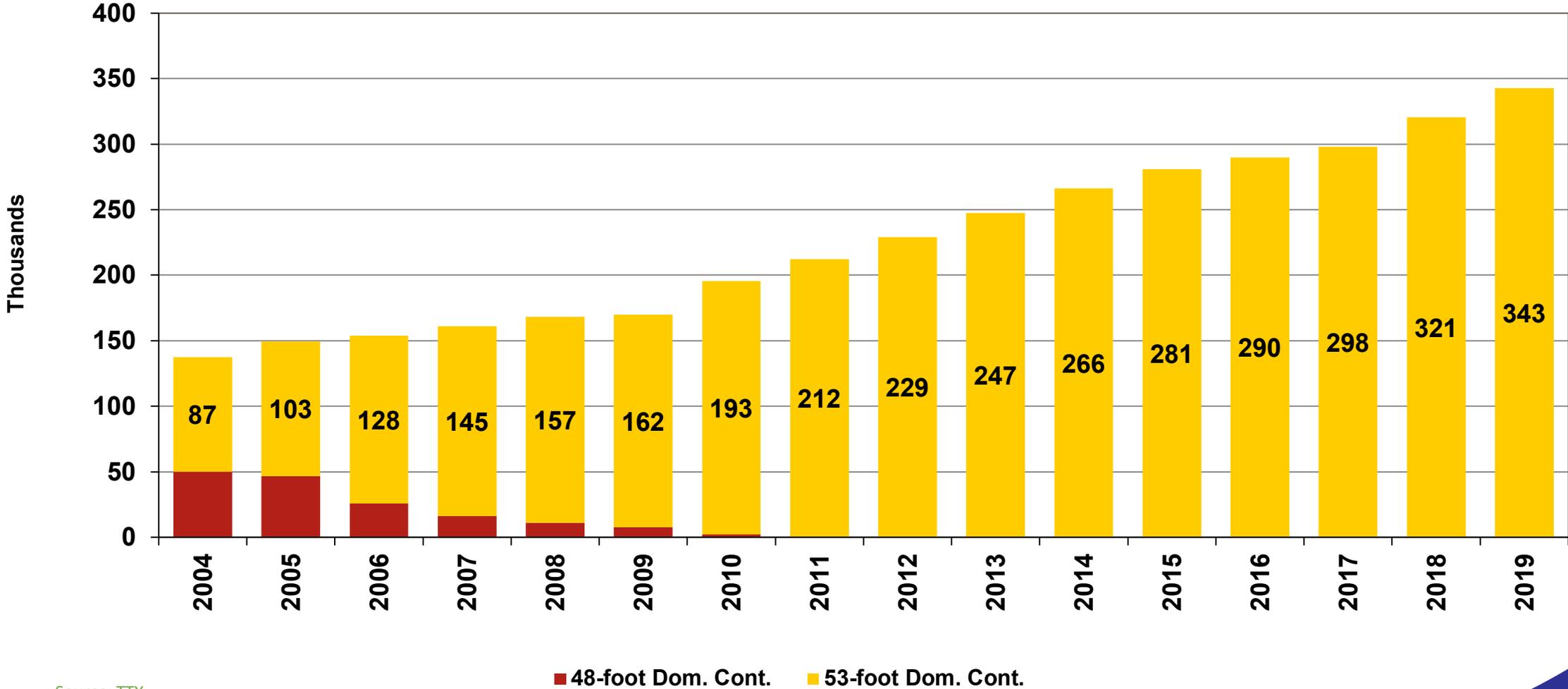
North American Class 8 Truck Orders



Source: FTR Transportation Intelligence, WardsAuto, ACT Research, TTX

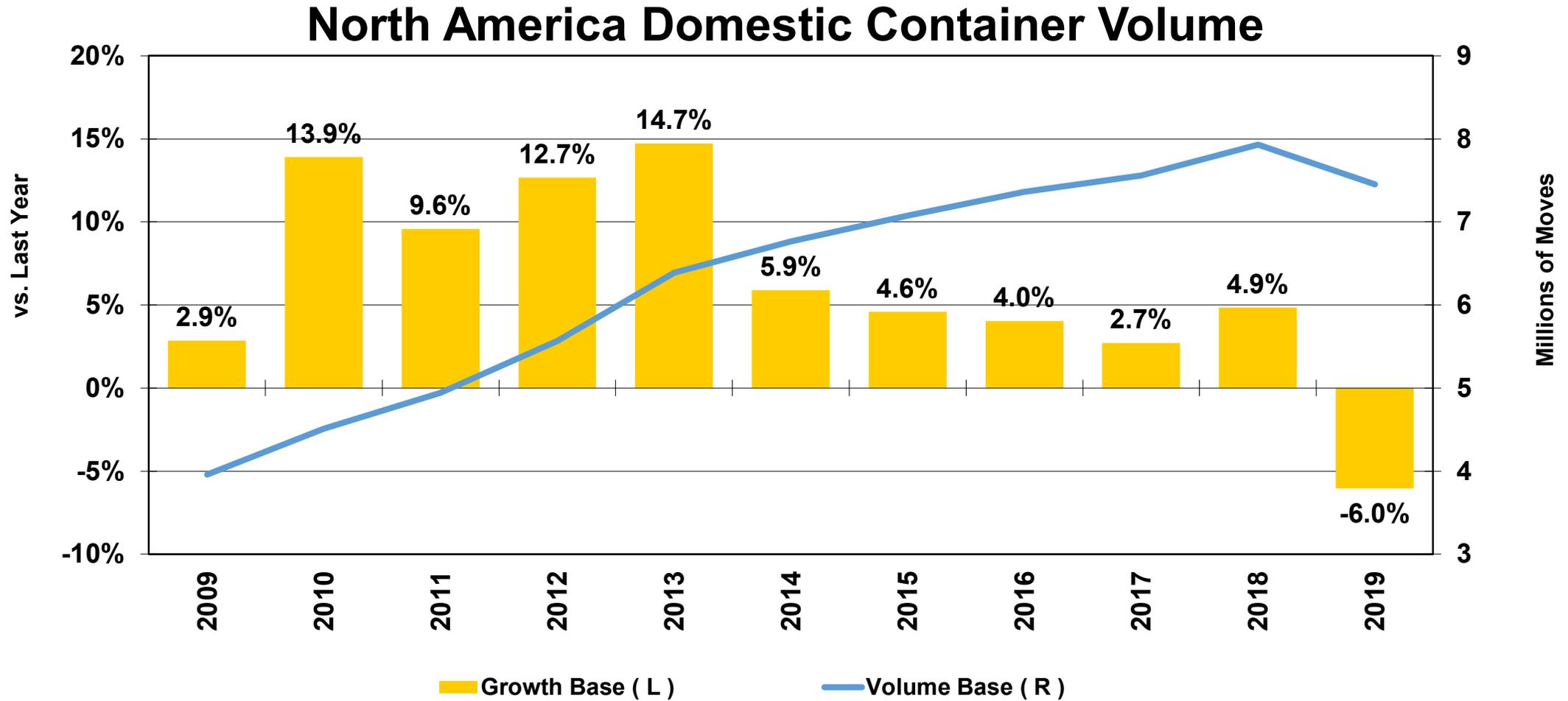
NA's DC fleet was expected to grow 6.9% this year, but order postponements and cancellations may bring that down

Year-end North American Domestic Container Fleet Size



Source: TTX

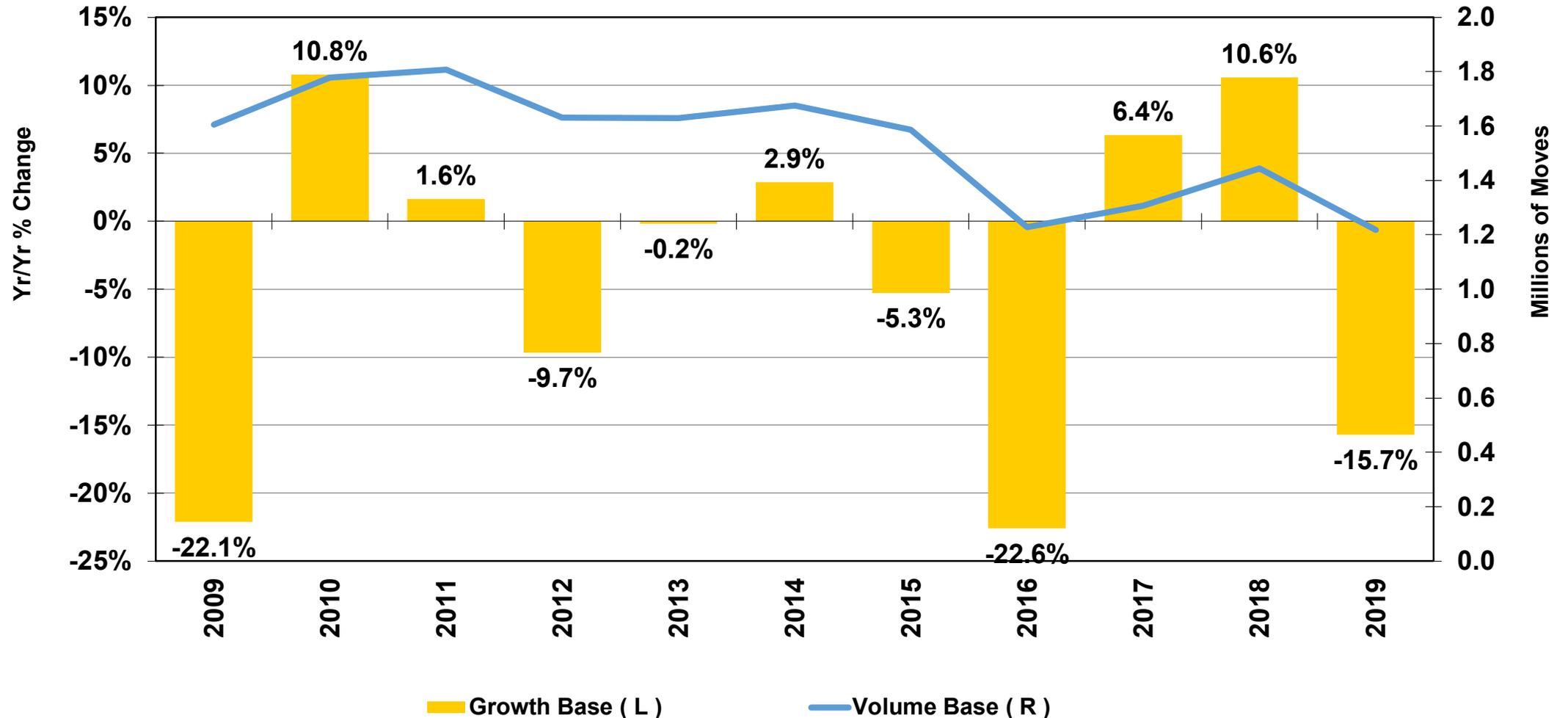
Freight conditions are expected to stabilize, but remain soft in 2H 2019



Source: IANA, Licensed material, TTX

TOFC has fallen below 2017 levels due to lane rationalization, container conversions and migration (back) to truck

North America Trailer Volume



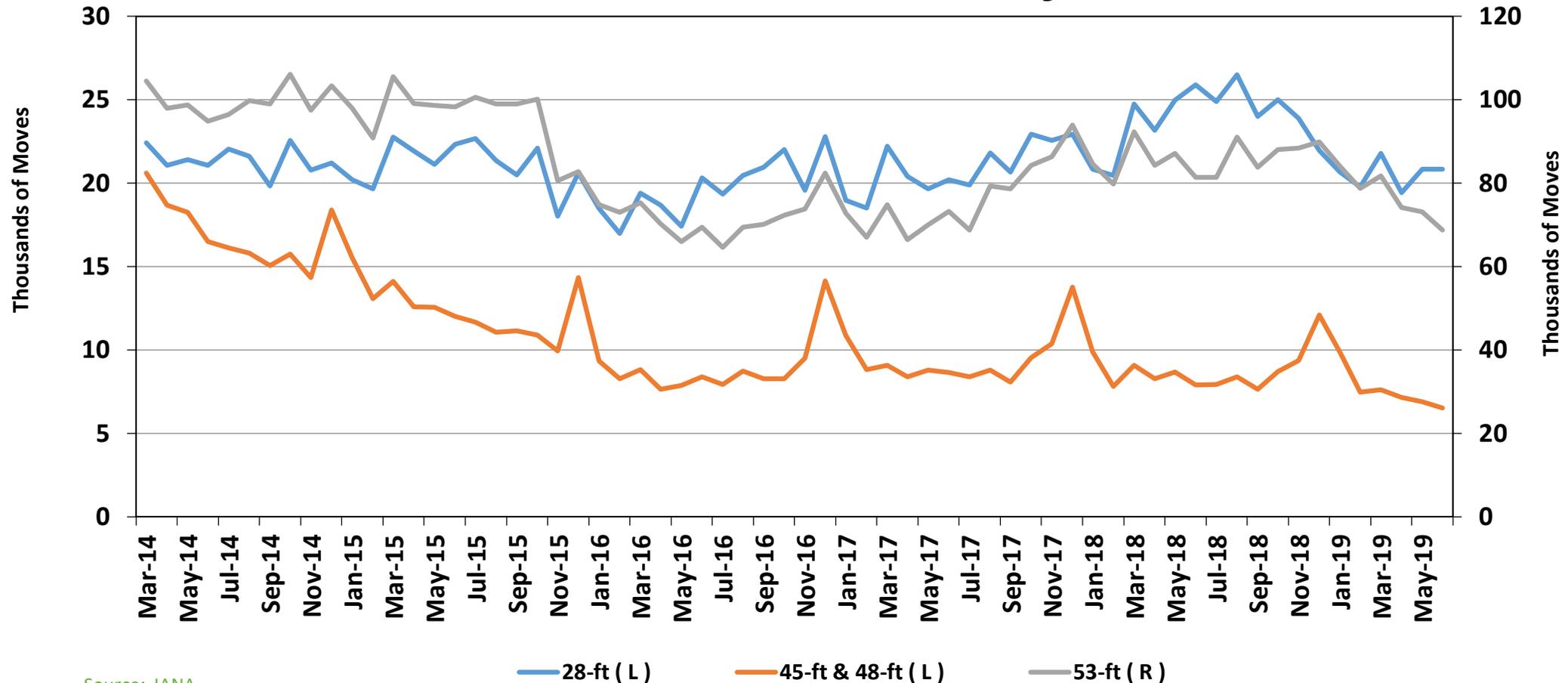
New reefer container design may foster COFC conversions in what traditionally has been a TOFC product



Source: KLLM, TTX

Pups are likely being helped by e-commerce growth, while mid-length trailers continue to decline and 53's lose momentum

Intermodal Trailer Moves by Size



Source: IANA

What We're Watching



Trucking regulations are expected to reduce driver supply and productivity

- December deadline looms for truckers to complete ELD adoption
 - Up to 50% of existing Class 8 vehicles are still not compliant
 - Productivity effect of up to -3% is estimated
- FMCSA Drug and Alcohol Clearinghouse begins in January, 2020
 - Reporting of positive tests/refusals is compulsory
 - Impact will grow as database is populated (5-10% of drivers?)

IMO 2020 may increase ocean carrier costs ~15%, while having a collateral effect on domestic diesel prices



Source: Platts Global, Hapag-Lloyd, Breakthrough, TTX

Assumption: Cost difference of low sulfur marine fuel versus bunker is \$250 per ton

Questions?



Enter your questions in the control panel

For more information about topics like this,
IANA membership and how to get engaged,
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intermodal.org

or e-mail us at: info@intermodal.org

For more information about the
*Intermodal Volume Analyzer, the Historical
Intermodal Volume Analyzer, and the ETSO
Database*

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