



IANA

**INTERMODAL ASSOCIATION
OF NORTH AMERICA**

Inside the Numbers

2018 Year in Review & 2019 Outlook

February 19th 2019, 2:00 PM ET



Our Panel



Pat Casey
Vice President Fleet,
TTX Co.



Peter Wolff
Director of Market
Development, TTX Co.



John Woodcock
Director of Market
Development, TTX Co.

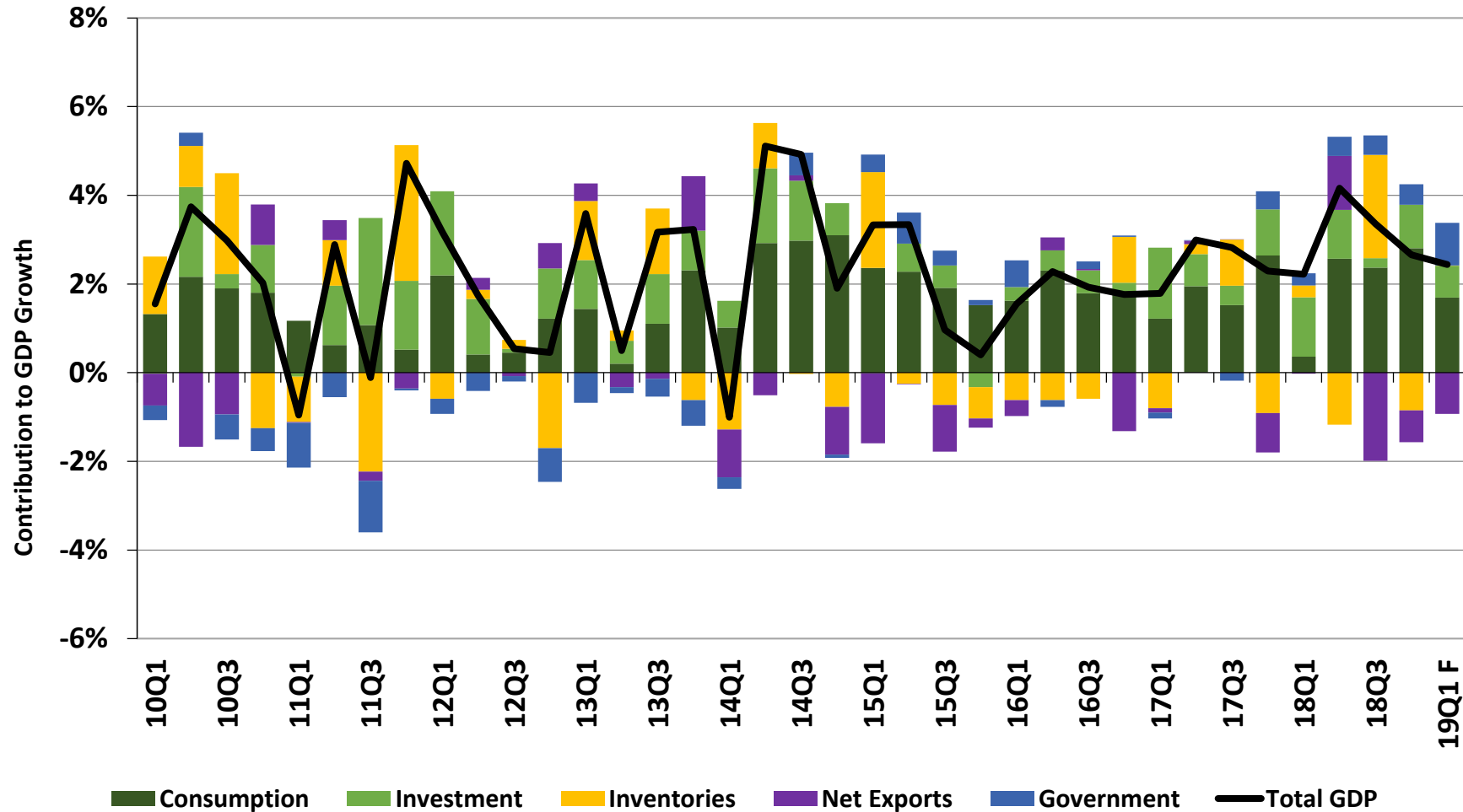
Agenda

- Economic conditions
- 2018 IANA numbers, the year in review
- International & Domestic Intermodal Discussion
- Questions

A white semi-truck is parked in a lot, with a large green shipping container attached to its trailer. The container has the text "HGU 644753" 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 an overcast sky.

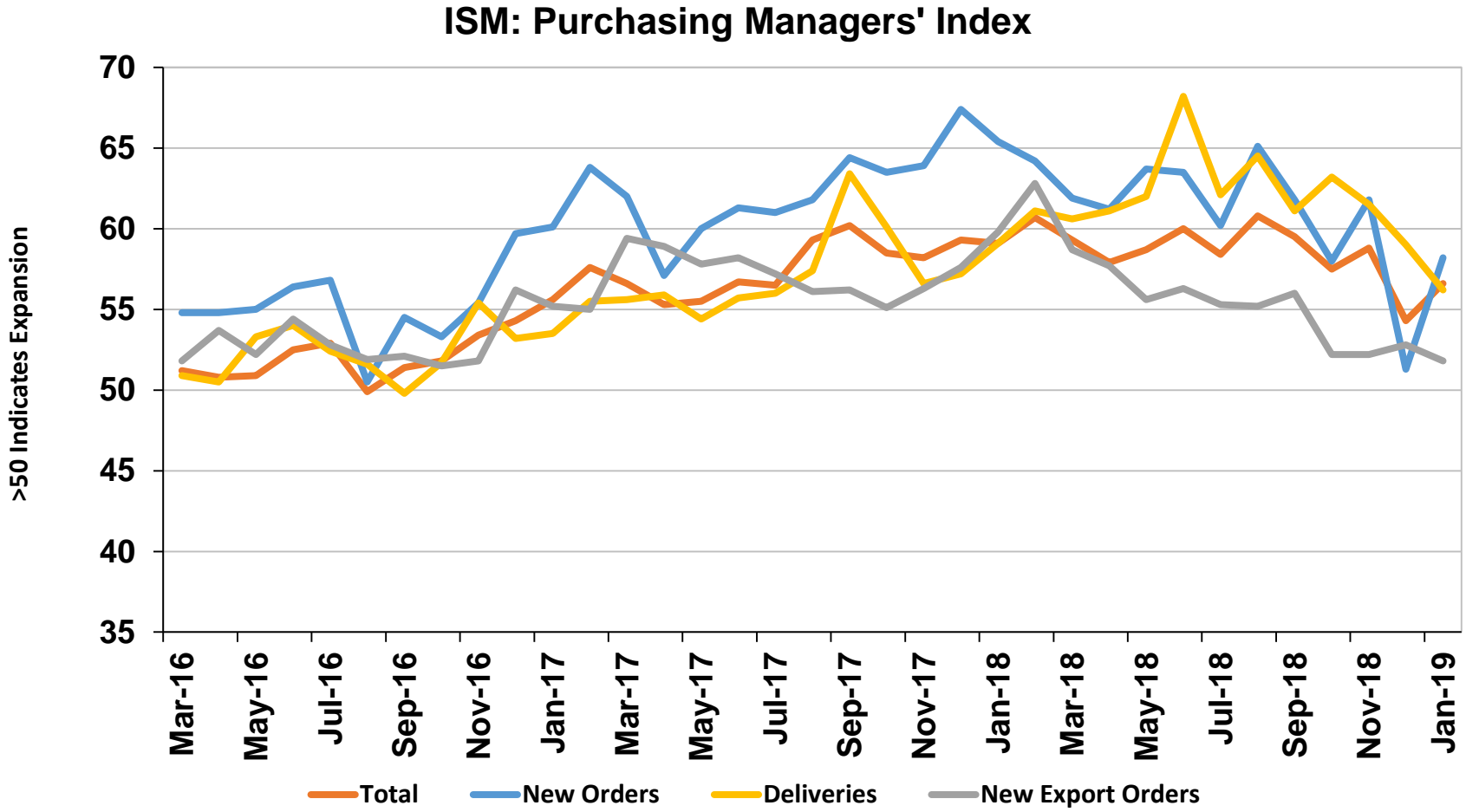
Economic Overview

3Q18 GDP grew at a 3.4% pace, but 4Q18 growth is estimated to have slowed to 2.7%



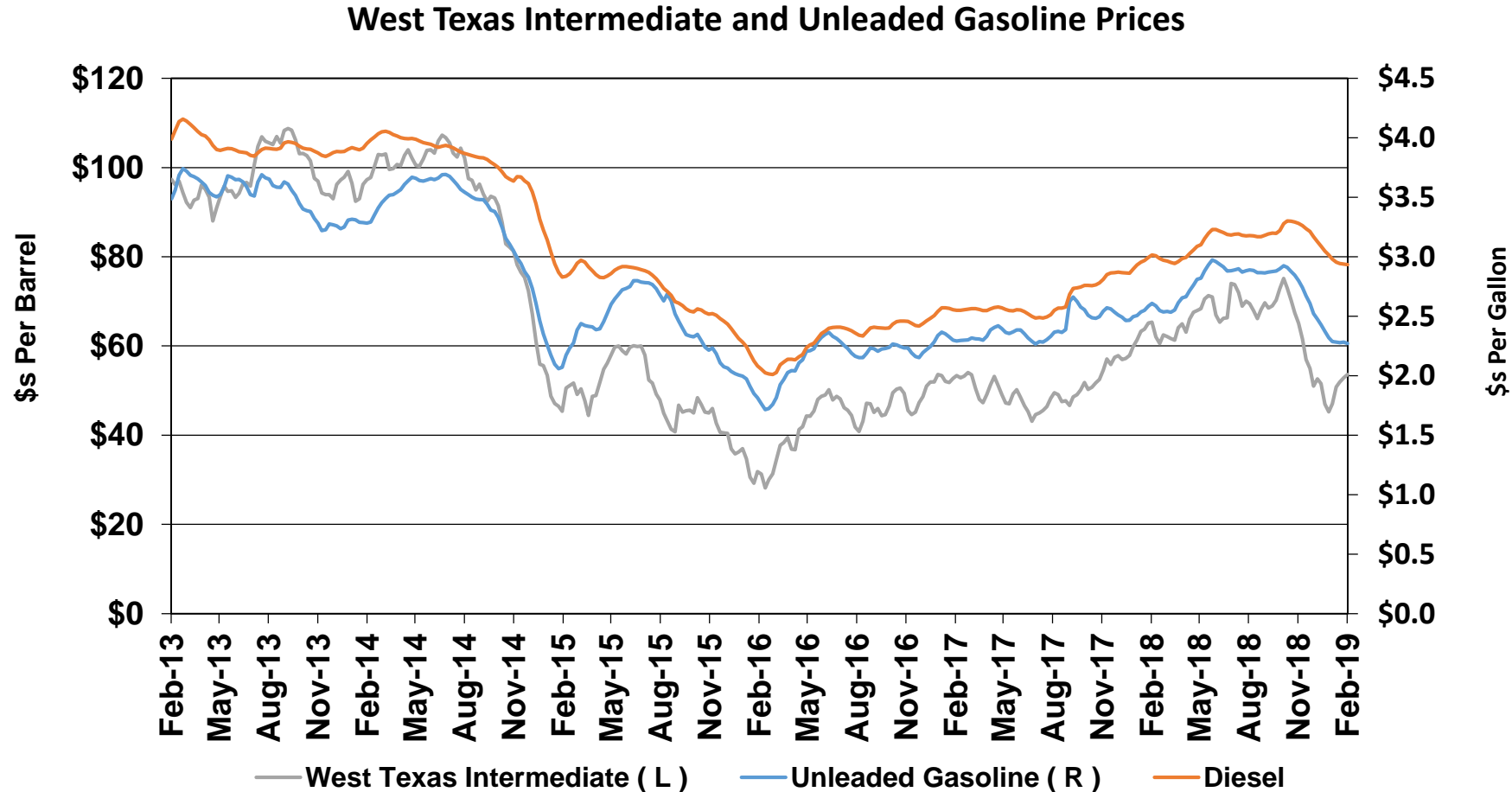
Source: U.S. Bureau of Economic Analysis

The ISM index softened in the 4th quarter



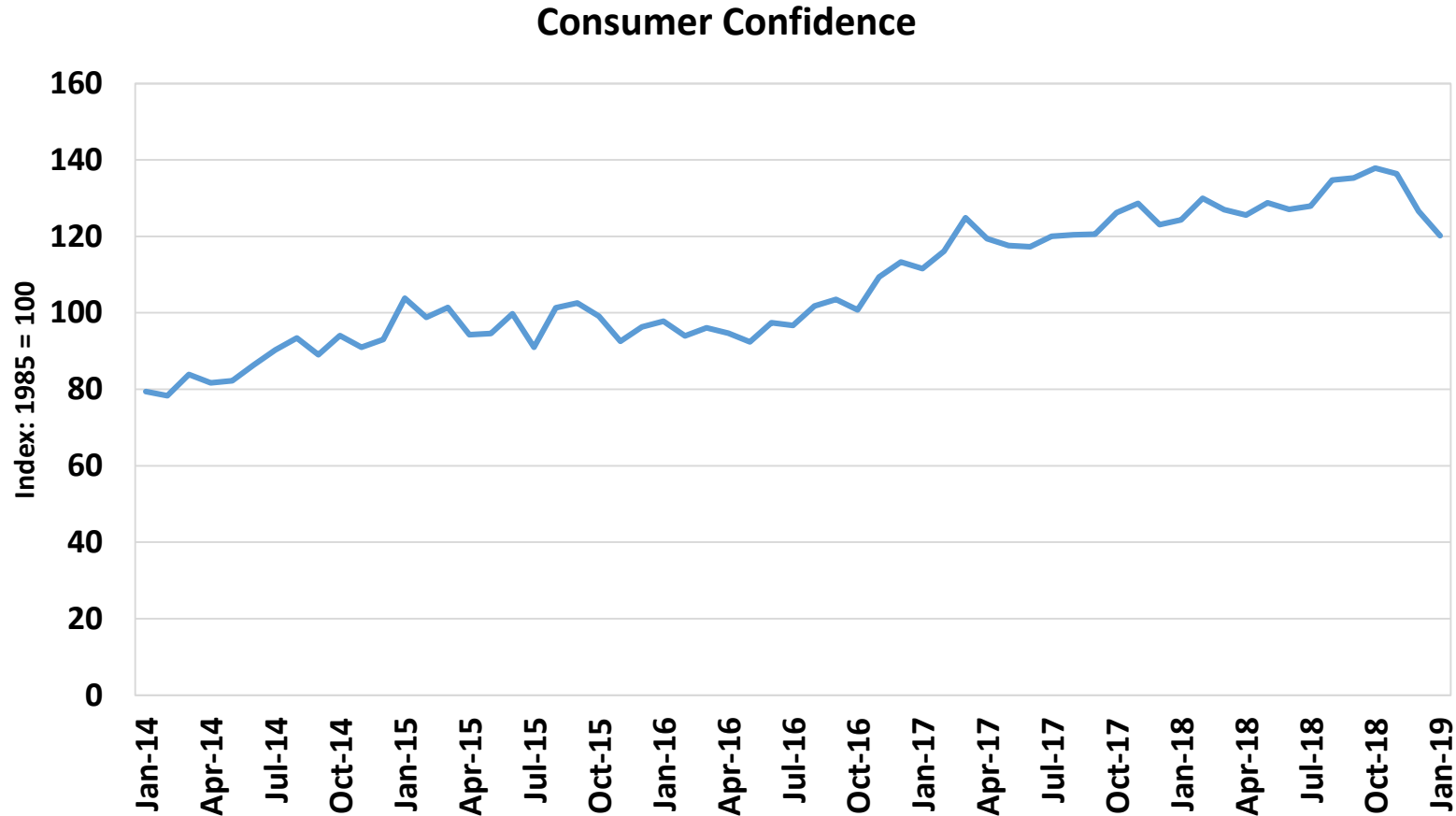
Source: Institute for Supply Management

Petroleum prices tumbled at the end of the year, but diesel prices were more stable



Source: Oil Price Information Service, Energy Information Service

Consumer confidence plunged, possibly as a result of the government shutdown



Summary of TTX's forecast for leading economic indicators

Economic Indicator	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast
GDP ¹	1.5%	2.3%	3.0%	2.7%
Consumer Spending ¹	2.7%	2.8%	2.5%	2.4%
Retail Sales	3.0%	4.7%	5.4%	4.5%
Investment ¹	-1.4%	4.8%	5.3%	6.4%
Housing Starts ³	1.18	1.21	1.32	1.36
US Vehicle Prod. (000)	11,961	10,960	10,992	11,242
US Vehicle Sales (000)	17,545	17,216	17,050	17,150
Industrial Prod. ²	-1.9%	1.6%	3.6%	2.1%
Mexico GDP ¹	2.76%	2.3%	2.5%	1.8%
Canada GDP ¹	1.4%	3.0%	2.0%	2.2%

1: SAAR, real % change 2: Year-over-Year %Change 3: Millions, annualized rate
 Canada and Mexico 2017 GDP is an estimate as is 2017 U.S. vehicle production



The Latest IANA Numbers

2018 North American intermodal growth summary

- **By Segment**

- International: 5.4%
- Domestic Container: 4.9%
- Trailers: 10.6%
- All Domestic Equipment: 5.7%
- Total Intermodal: 5.6%

- **By Origin Region**

- U.S.: 6.1%
- Canada: 3.5%
- Mexico: 3.1%

2018 intermodal volume growth by equipment type

	2017	2018	% Change
Trailers	1,306,282	1,444,571	10.6%
Domestic Containers	7,561,472	7,928,304	4.9%
All Domestic Equipment	8,867,754	9,372,875	5.7%
ISO Containers	9,067,555	9,558,448	5.4%
Total	17,935,309	18,931,323	5.6%

2018 regional loadings

	2017		2018		% Change
	Units	Share	Units	Share	Growth
Eastern Canada (EC)	1,340,143	7.5%	1,355,748	7.2%	1.2%
Mountain Central (MC)	243,240	1.4%	274,870	1.5%	13.0%
Midwest (MW)	4,816,376	26.9%	5,109,296	27.0%	6.1%
Mexico (MX)	620,199	3.5%	639,330	3.4%	3.1%
Northeast (NE)	1,694,759	9.4%	1,850,916	9.8%	9.2%
Northwest (NW)	754,101	4.2%	799,582	4.2%	6.0%
South Central (SC)	1,270,214	7.1%	1,377,433	7.3%	8.4%
Southeast (SE)	2,300,774	12.8%	2,428,239	12.8%	5.5%
Southwest (SW)	3,372,495	18.8%	3,487,515	18.4%	3.4%
Western Canada (WC)	1,523,008	8.5%	1,608,394	8.5%	5.6%

2018's top growth lanes

Corridor	2017		2018		% Change
	Units	Share	Units	Share	Growth
South Central-South Central	81,100	0.5%	102,230	0.5%	26.1%
Mountain Central-Southwest	94,164	0.5%	116,760	0.6%	24.0%
Midwest-Mountain Central	117,224	0.7%	142,159	0.8%	21.3%
South Central-Midwest	215,030	1.2%	254,156	1.3%	18.2%
Northwest-Northwest	149,441	0.8%	175,100	0.9%	17.2%
Midwest-Western Canada	303,104	1.7%	351,010	1.9%	15.8%

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

2018's largest decline / slowest growth lanes

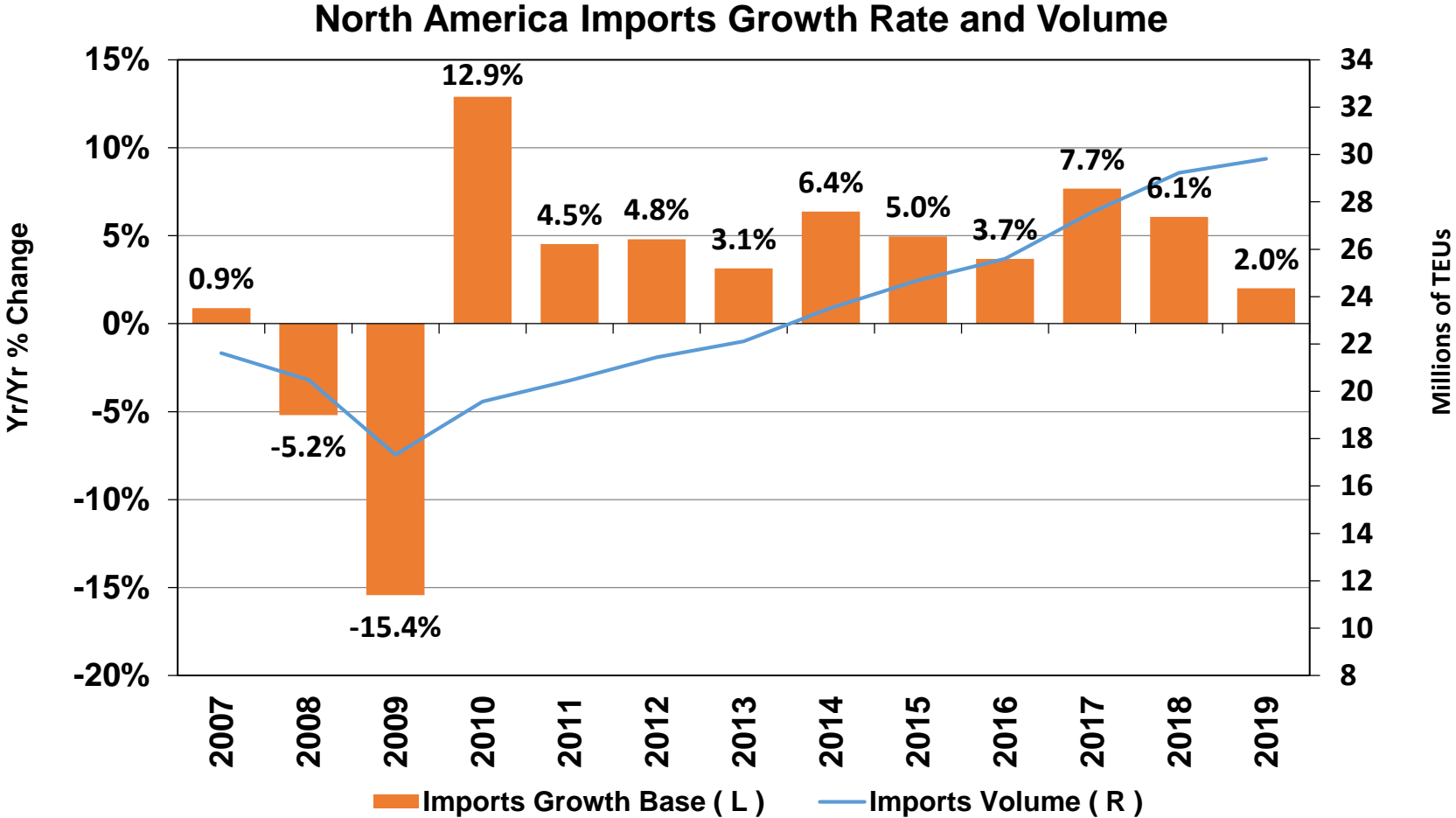
Corridor	2017		2018		% Change
	Units	Share	Units	Share	Decline
Midwest-Mexico	112,705	0.6%	99,394	0.5%	-11.8%
Eastern Canada-Midwest	124,230	0.7%	116,884	0.6%	-5.9%
Southwest-Southeast	491,874	2.7%	480,524	2.5%	-2.3%
Southwest-Northeast	241,658	1.3%	237,361	1.3%	-1.8%
Mexico-Midwest	132,649	0.7%	131,654	0.7%	-0.8%
Midwest-Eastern Canada	134,459	0.7%	135,036	0.7%	0.4%

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

International Intermodal



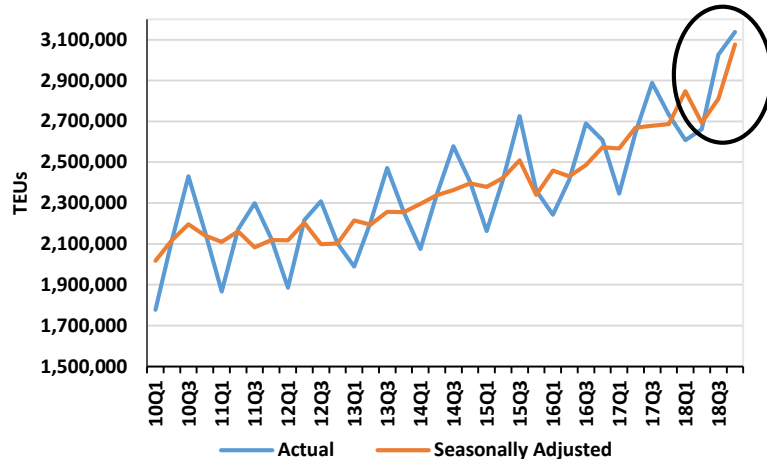
As the pace of GDP decelerates the growth rate of imports likely slow as well



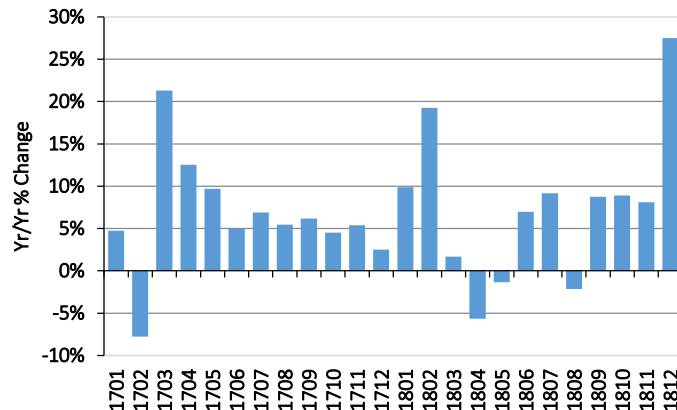
Source: PIERS, Port data, TTX

Pre-tariff surge from China was not evident in Q3 – but definitely happened in Q4

Quarterly Container Import Volume from China to U.S.



Monthly Container Import Growth from China to U.S.



- » First time in 15 years that Q4 was that year's highest volume from China
- » Most of that surge was in December – up 27% after averaging 6% the first 11 months of 2018
- » Almost all major U.S. ports had a double-digit increase from China in December

The China surge is affecting logistics & transportation firms

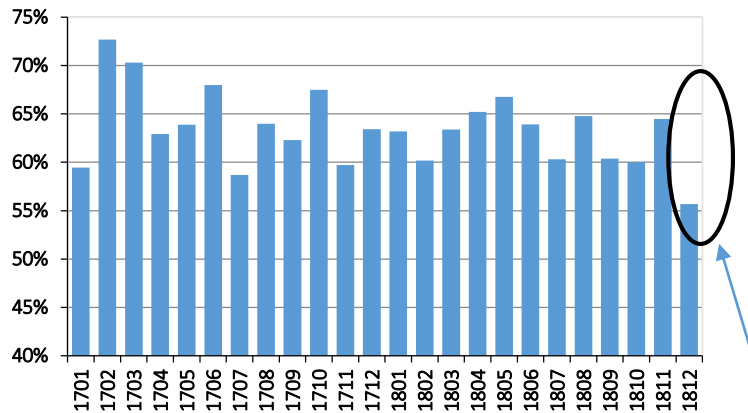
JOC ▶ PORT NEWS ▶ US PORTS

LA-LB port warehousing nears limits

Bill Mongelluzzo, Senior Editor | Feb 01, 2019 9:27AM EST

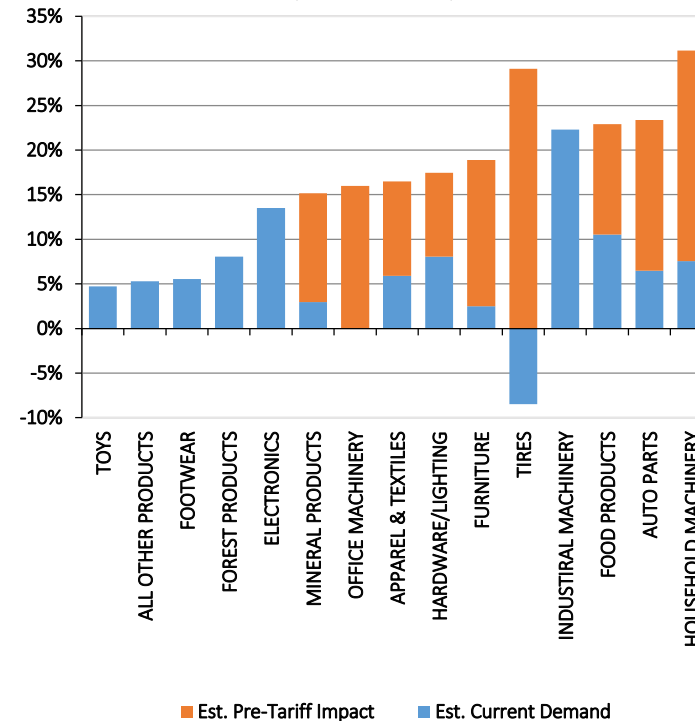
» Growth by commodity reflects expected tariff increases

Share of Imports from Southern California Moving Inland by Rail

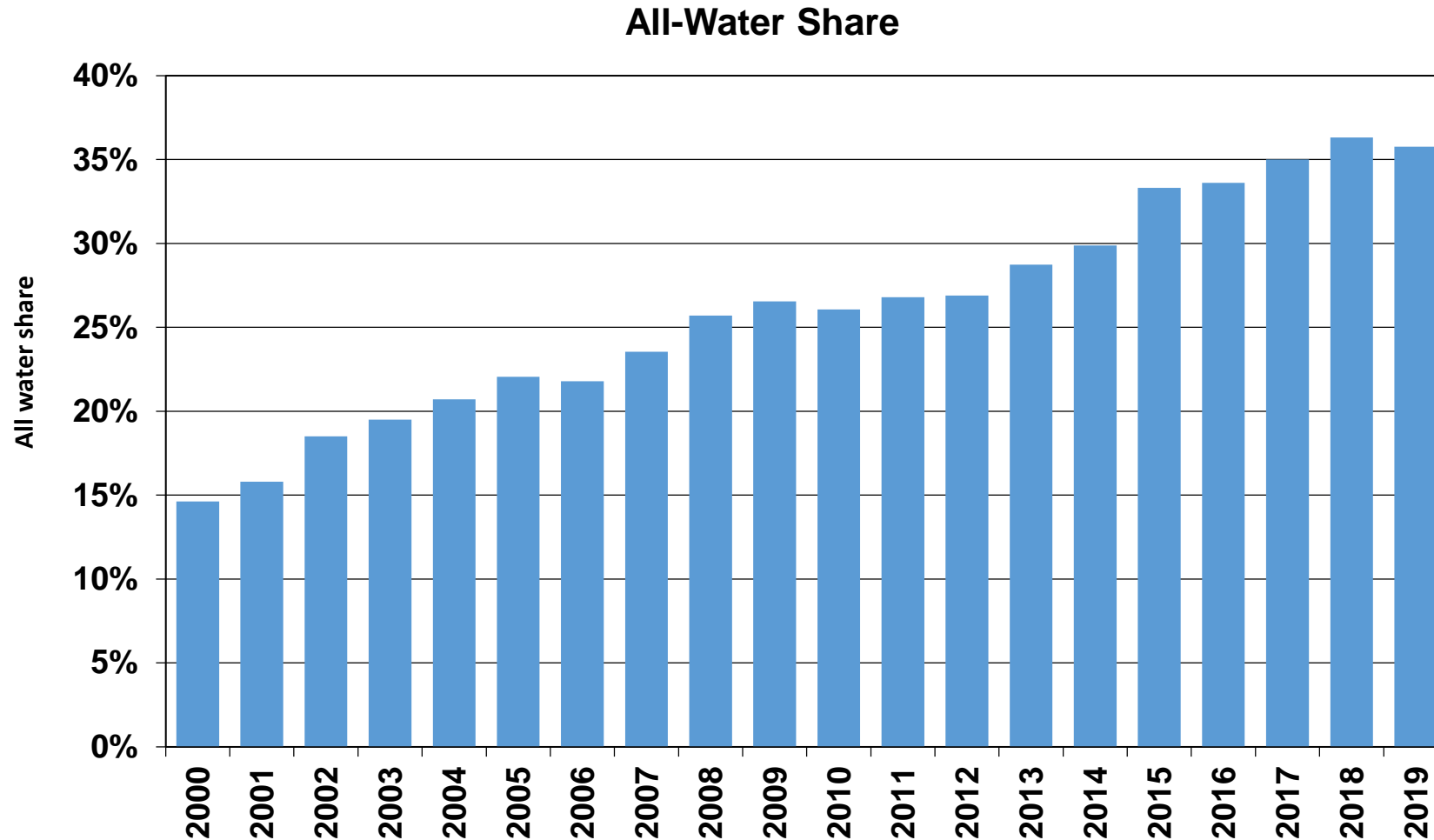


» Share moving inland was an all-time low of 55%; volume expected to tick up in 2019, coinciding with growth in Inventory-Sales Ratio

Q4 Import Growth from China by Commodity

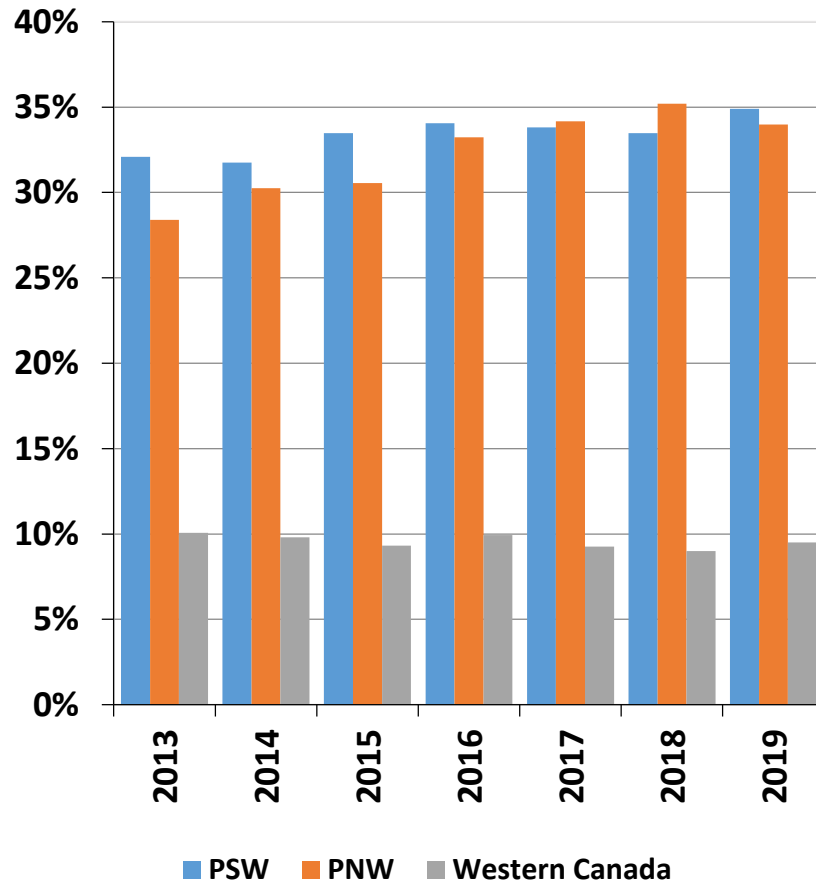


All-water share may decline in 2019, as the impacts of IMO 2020 take hold

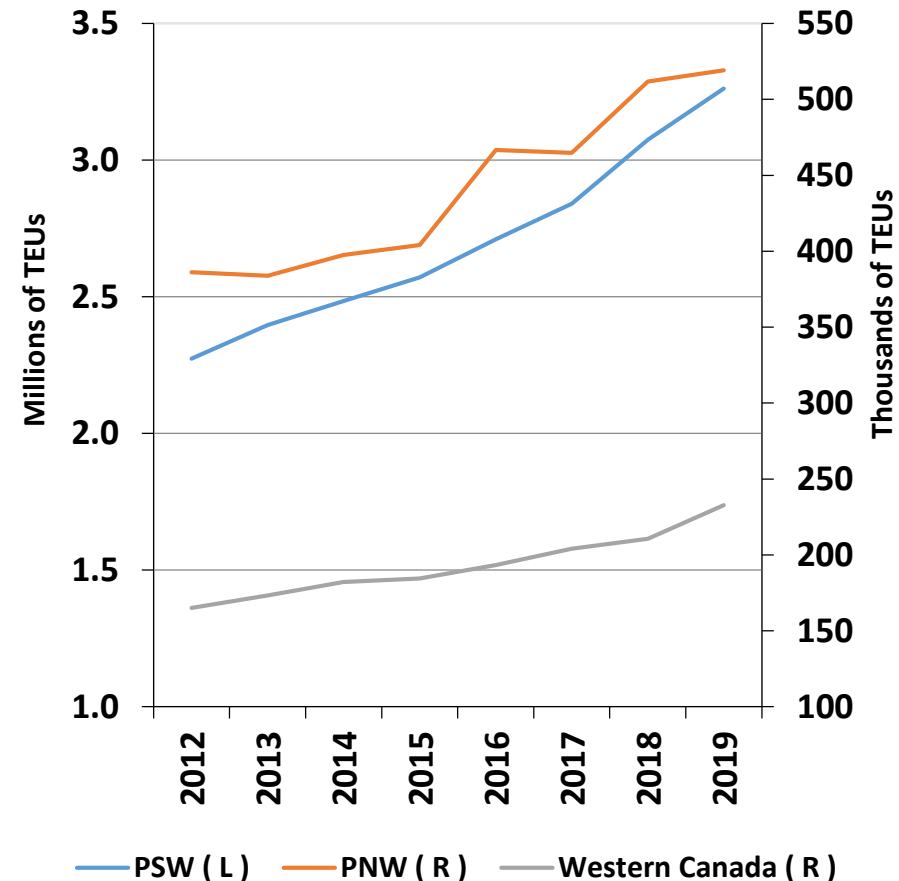


Transload share may begin to flatten, but rising imports should push total transloads higher

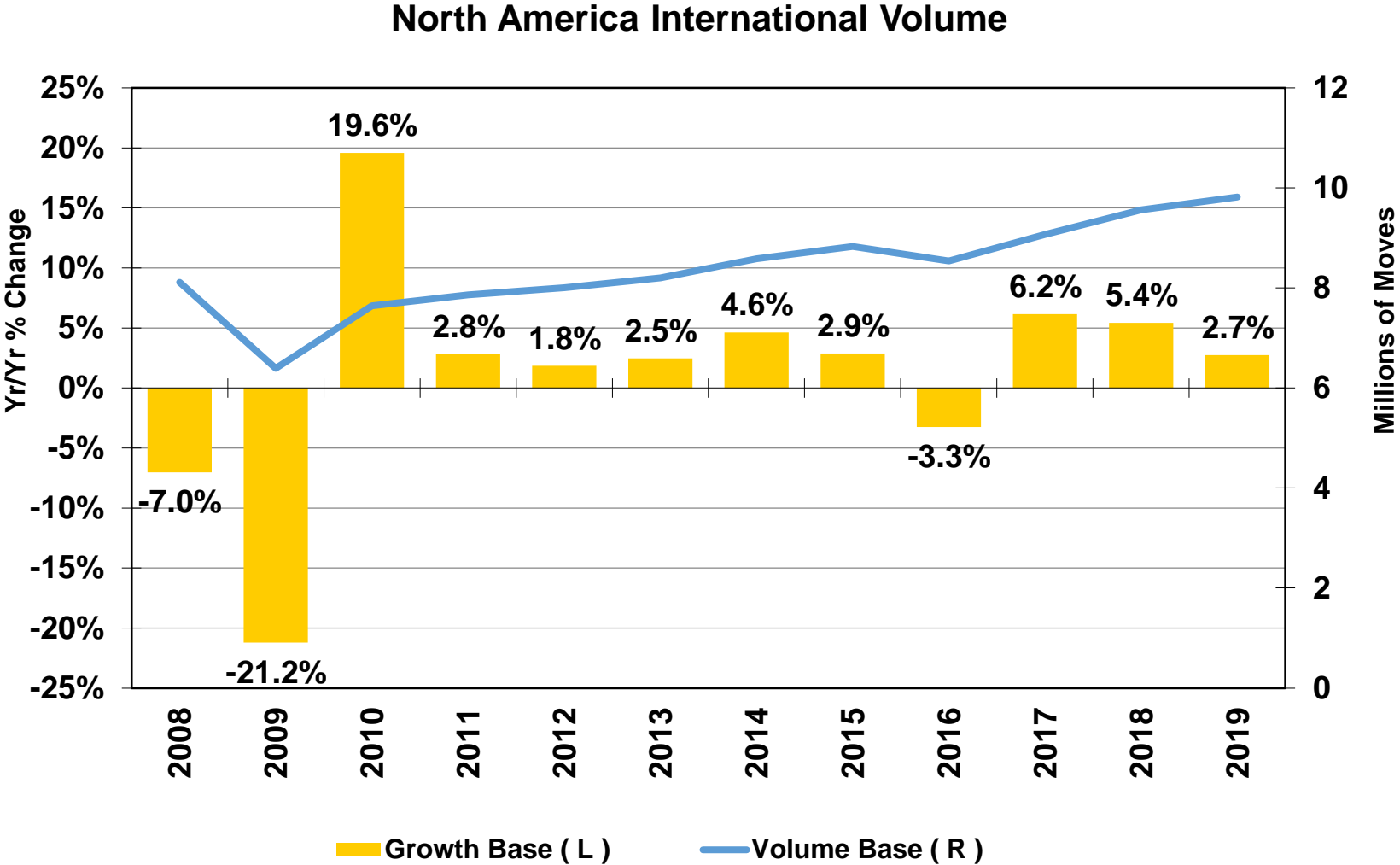
Rail Transloaded Share of Imports



Transloaded Import Volumes



IPI growth slowed to 5.4% after a strong 2017; IPI should follow import growth



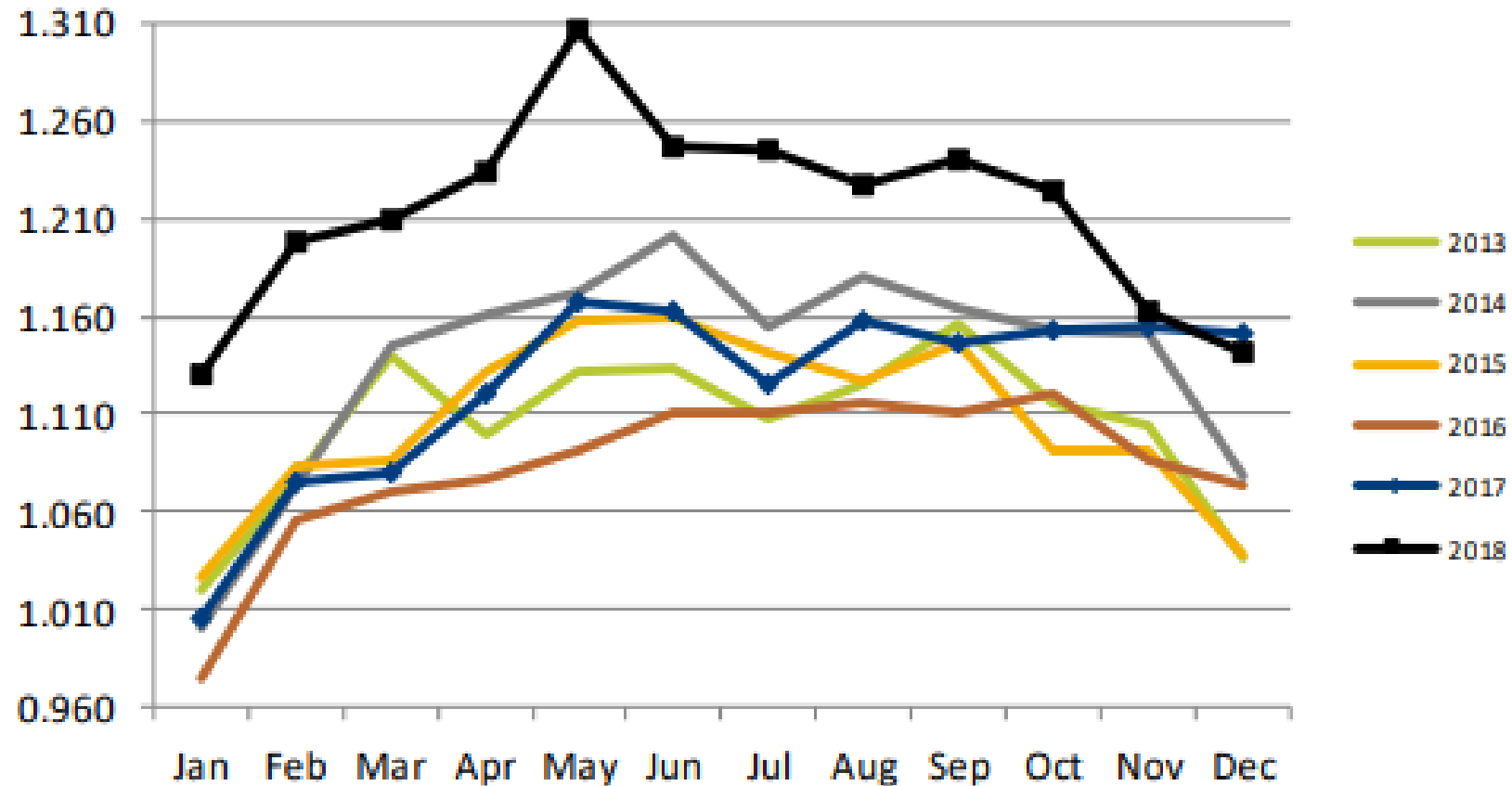
Source: IANA, TTX



Domestic Intermodal

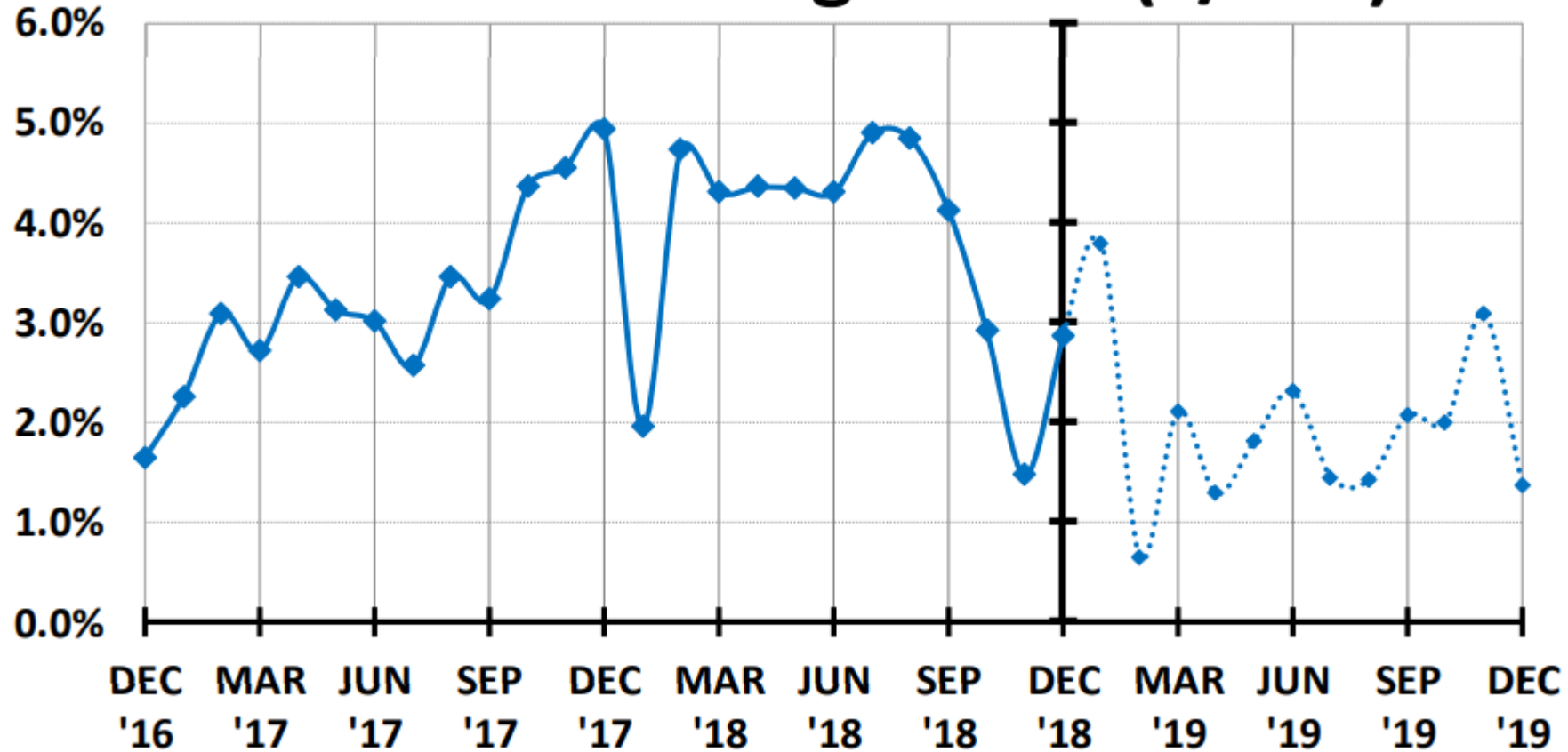
The Cass Freight Shipment Index fell in the fourth quarter, but remained resilient to close out a very strong 2018

Cass Freight Index™ - Shipments



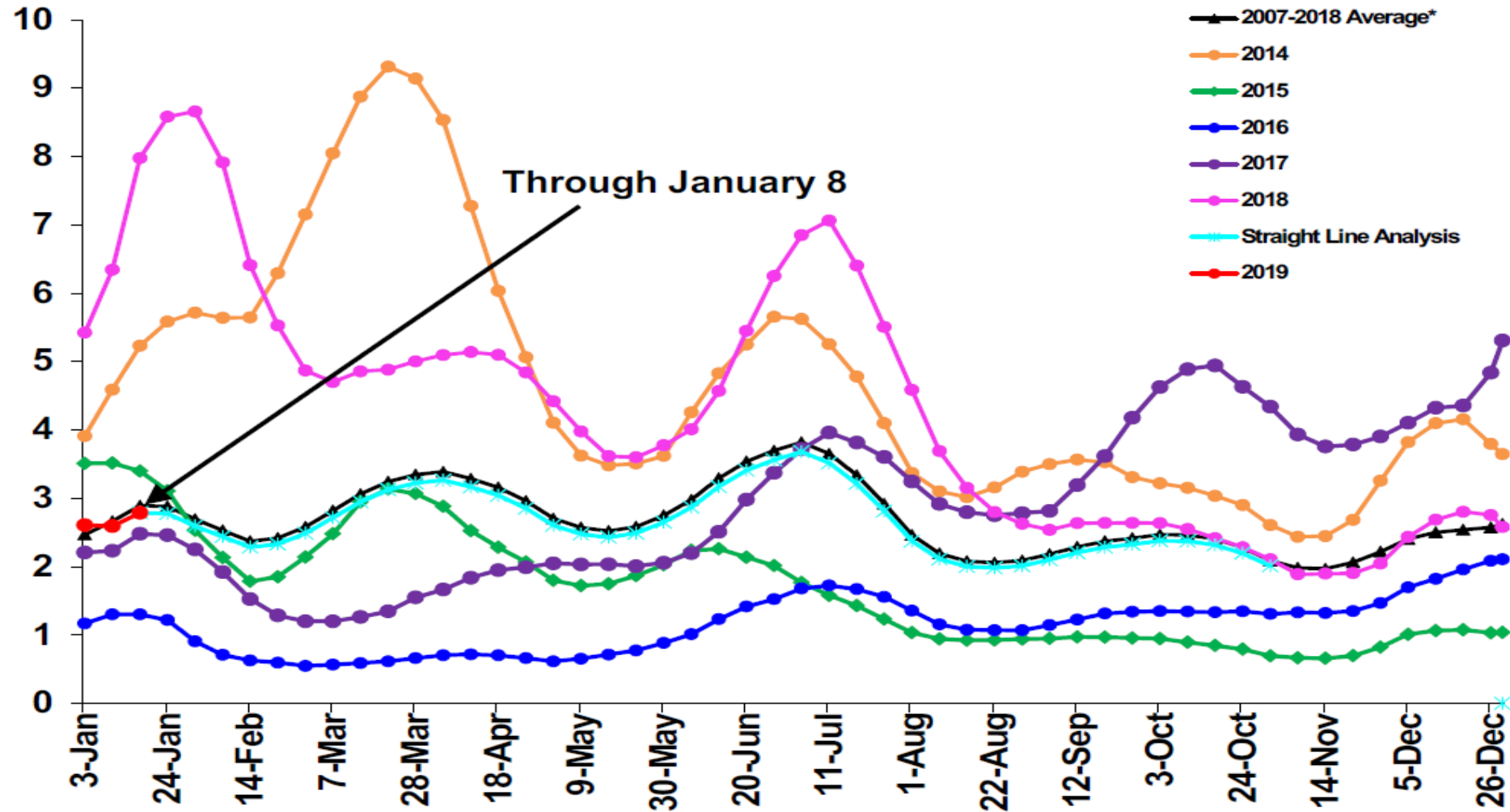
FTR index provides another illustration of a remarkable 2018

FTR Truck Loadings Index (Y/Y %)



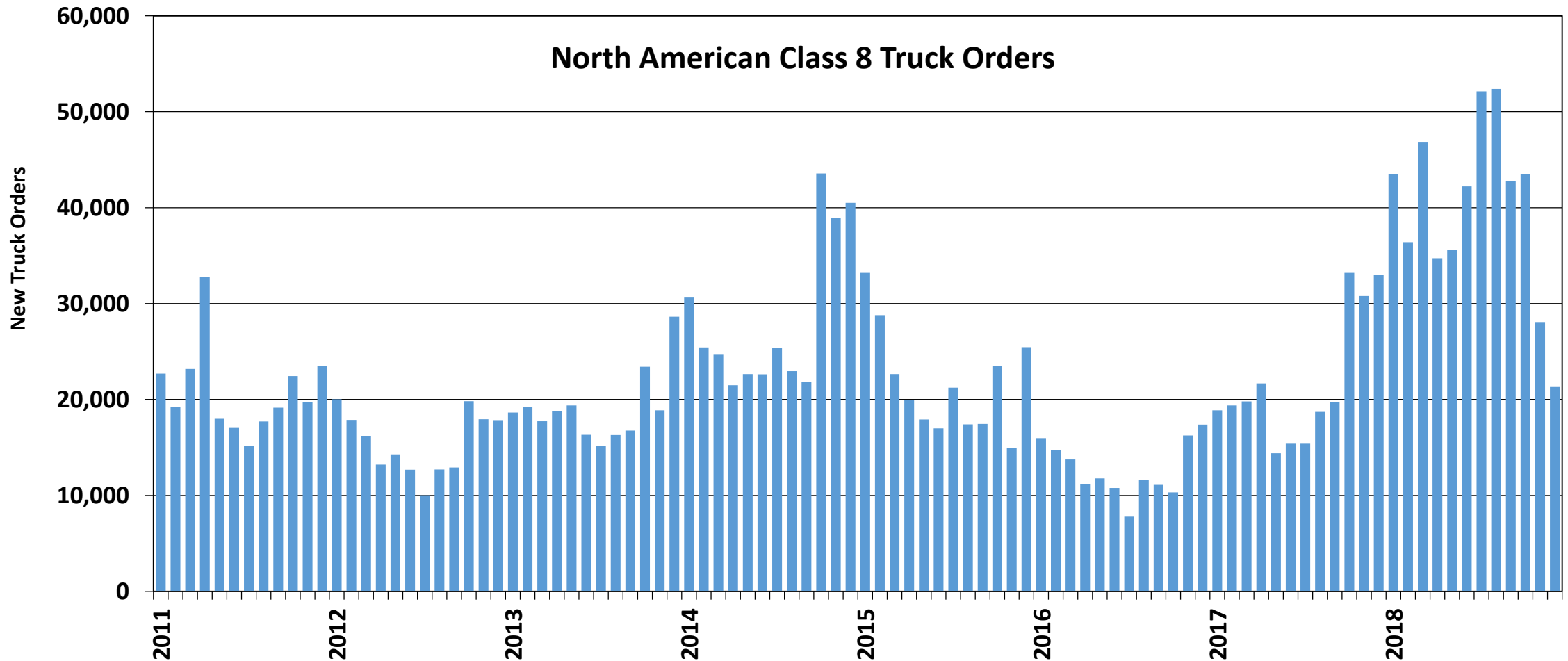
Source: FTR; Copyright 2019 -- Index: 2000 = 100

Morgan Stanley's Truckload Freight Index indicates moderating demand, combined with increased market capacity



Source: Morgan Stanley, TTX

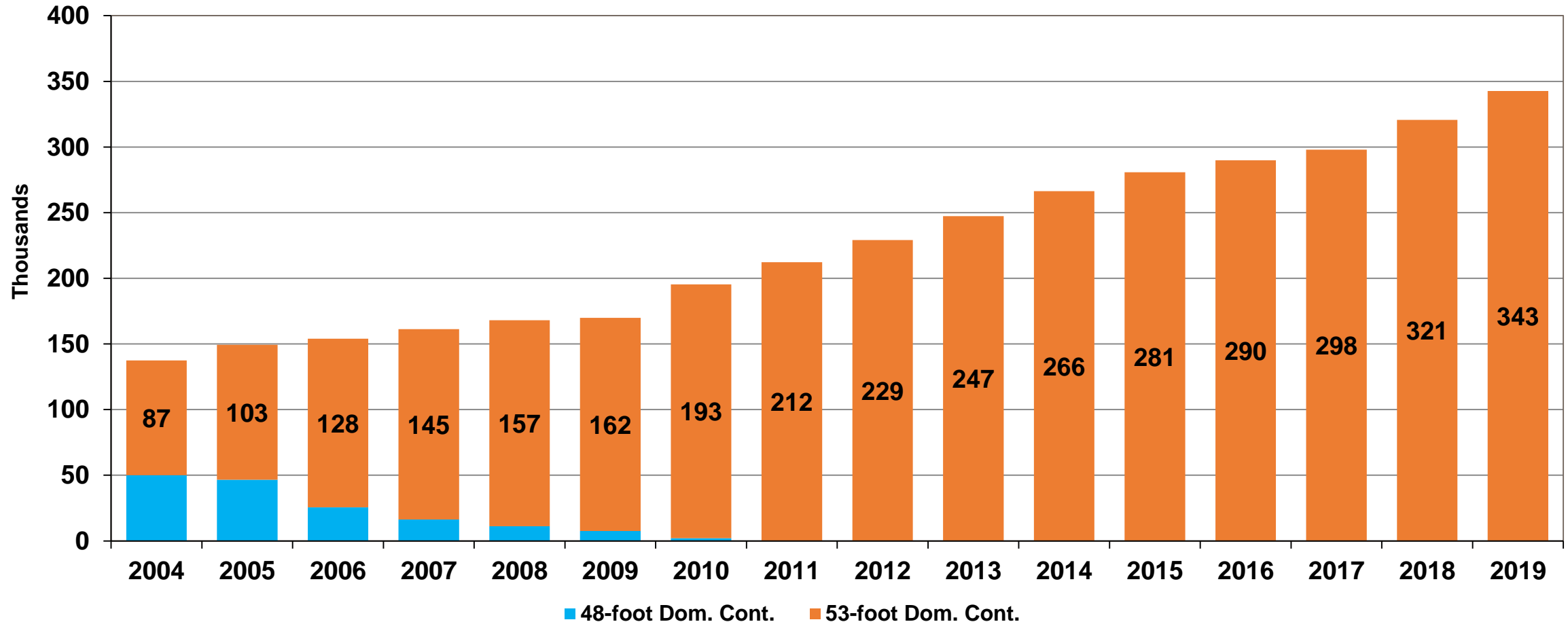
2018 Class 8 truck orders reflected healthy market conditions, cyclical replacement and the value of the latest model tractors



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

NA's DC fleet expanded 7.8% in 2018, and net growth expectation in 2019 equates to 6.9%

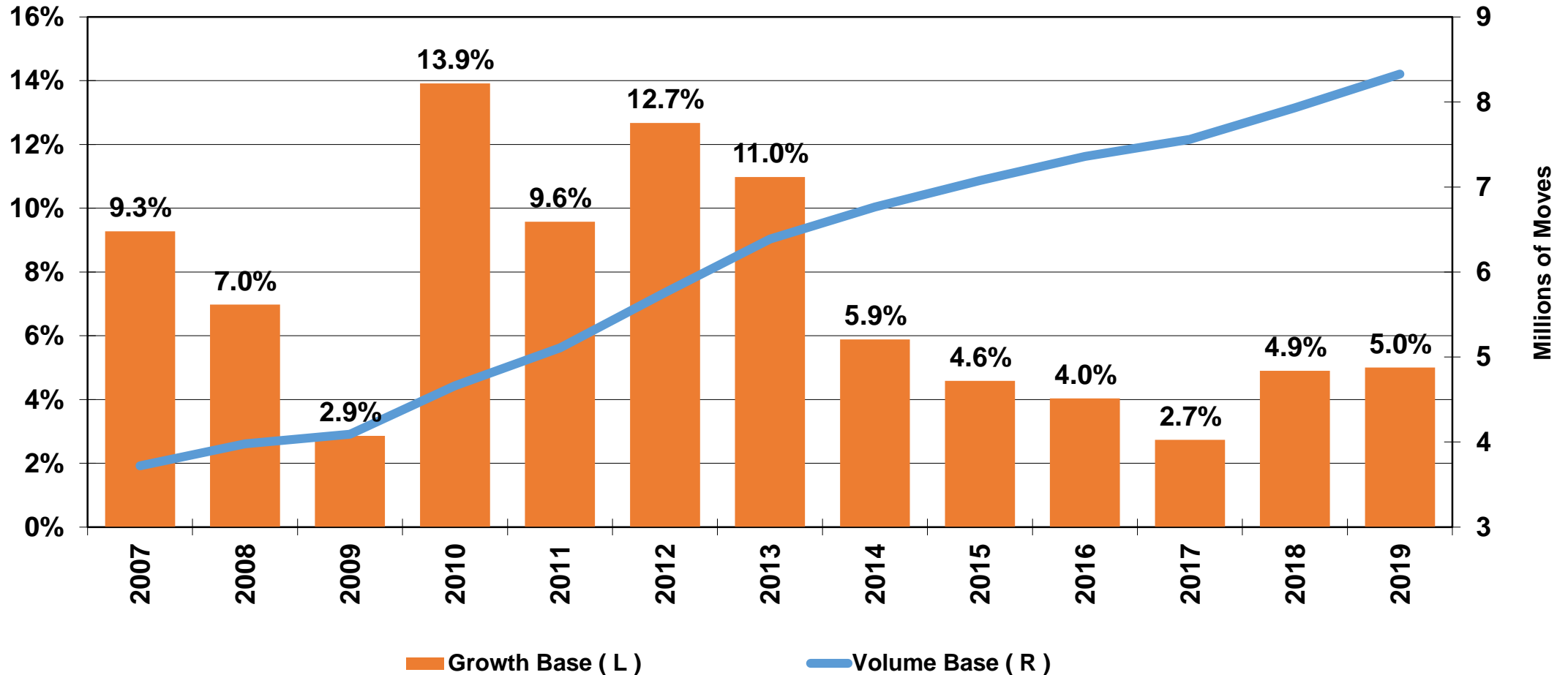
Year-end Domestic Container Fleet Size



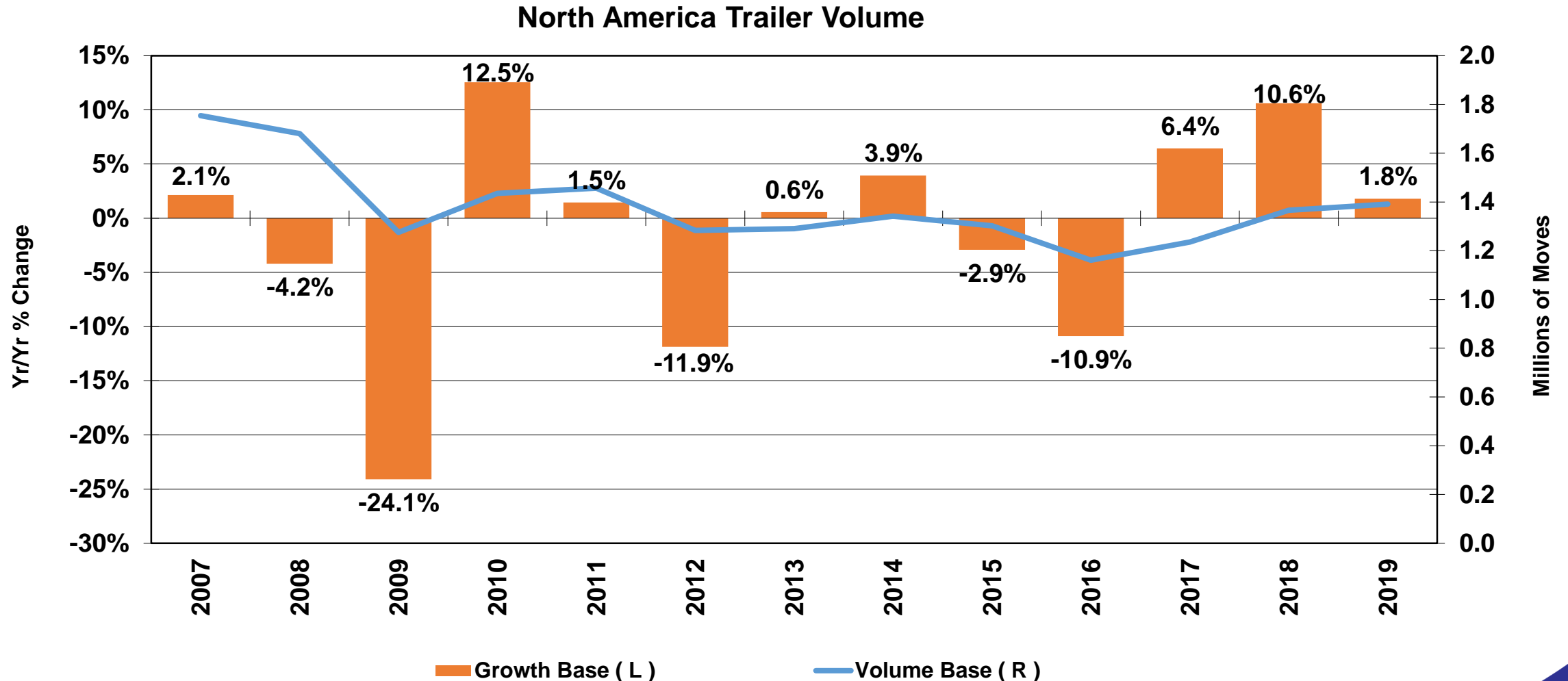
Source: TTX

Domestic container volumes 4.9% higher in 2018 and similar growth in 2019 is expected

North America Domestic Container Volume

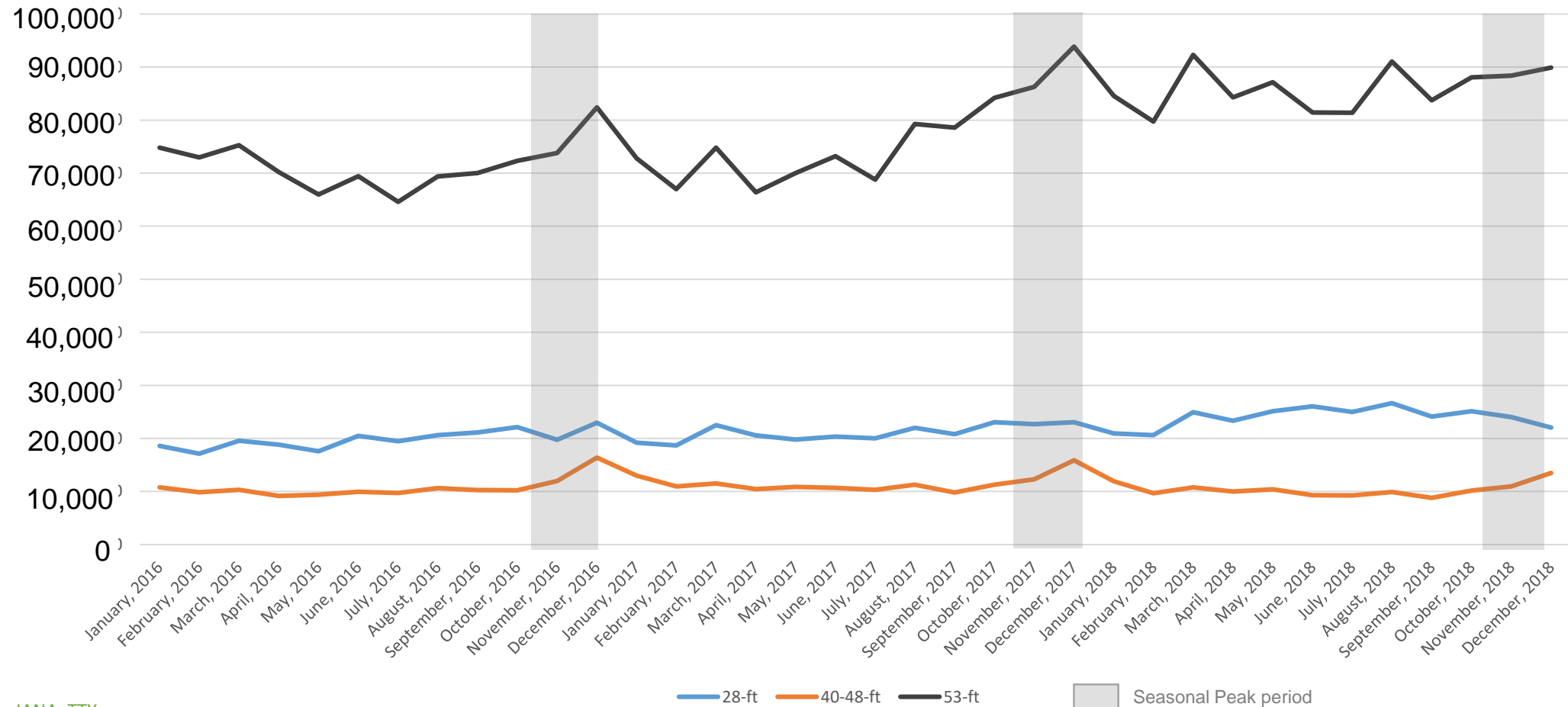


Impressive 10.6% trailer growth in 2018, but slower growth expected this year



All trailer market segments enjoyed gains throughout the year; peak was more muted in the LTL/parcel segment

Trailer Originations per Month

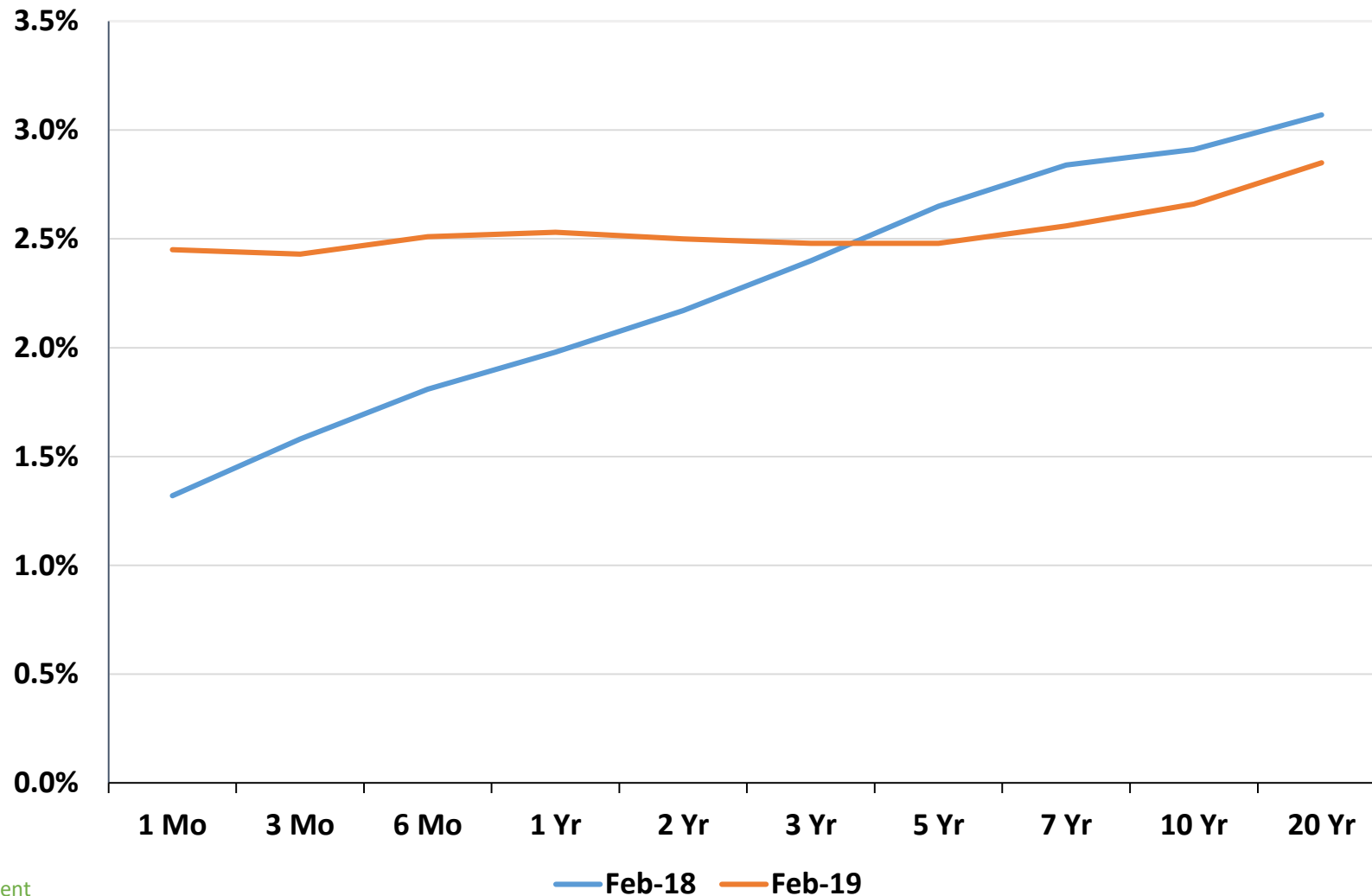


Source: IANA, TTX

What We're Watching

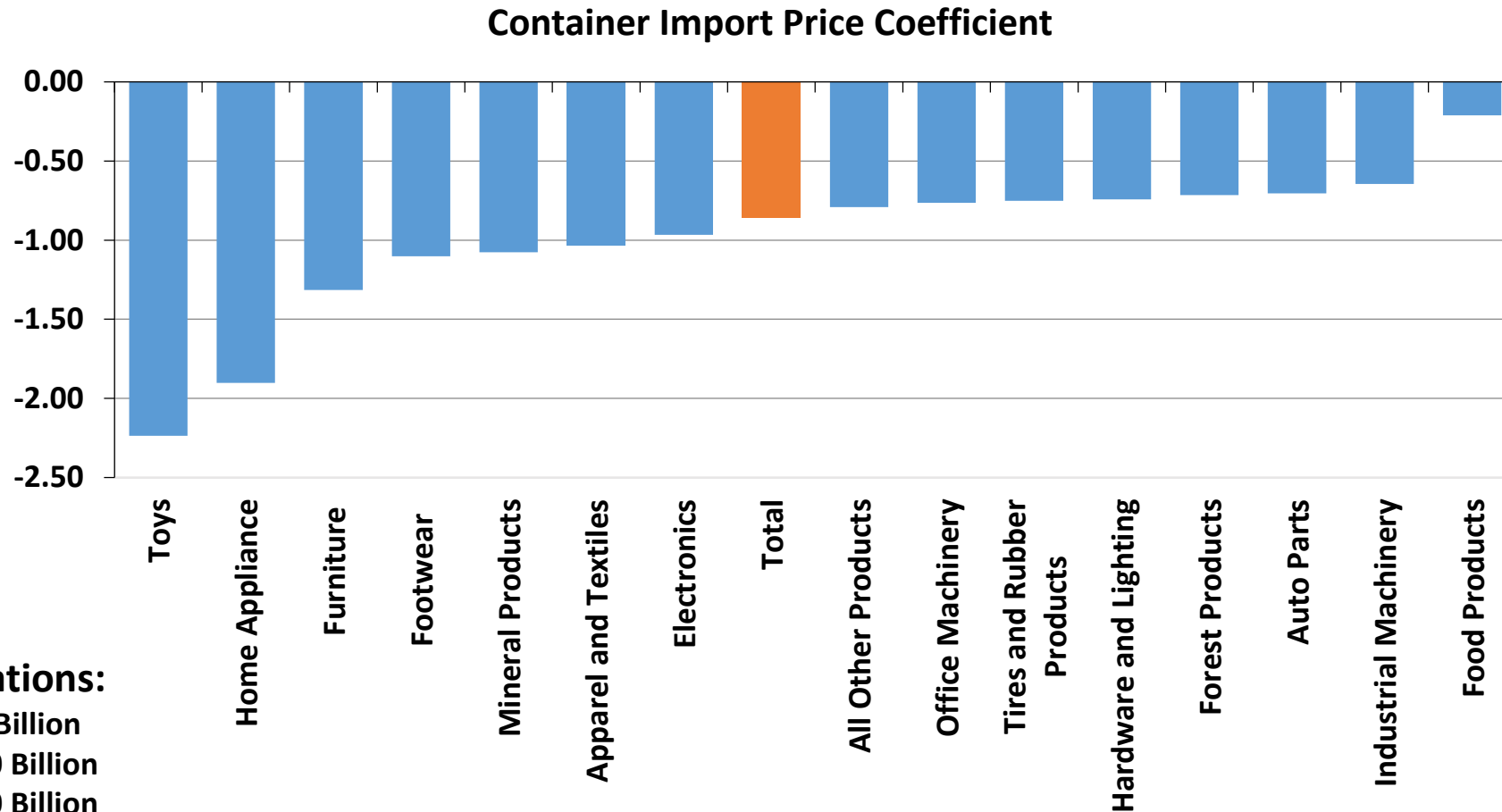


The long and short term bond yield curve is flattening out; a sign of a recession?



Source: Treasury Department

The impact of tariffs is unknown, but tariffs are effectively price increases that affect commodity demand

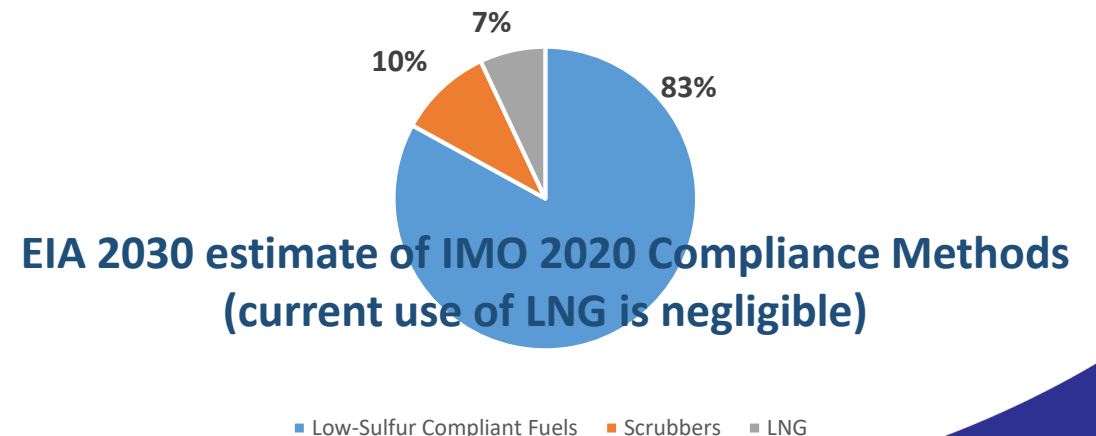
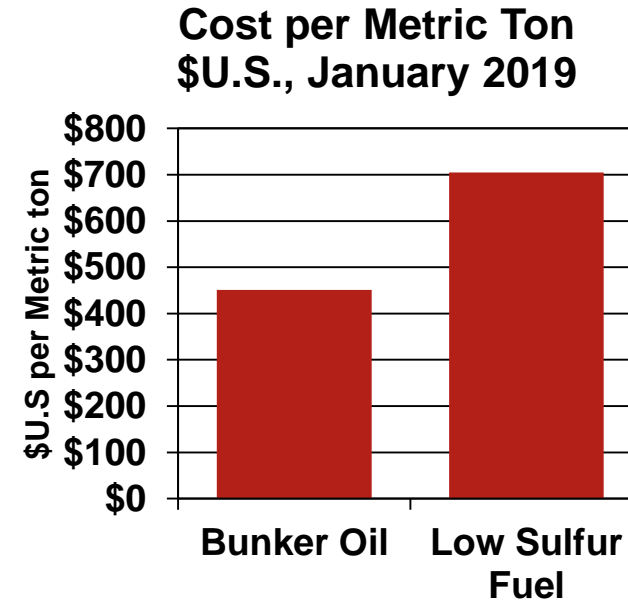


Tariff Applications:

- 25% on \$50 Billion
- 10% on \$250 Billion
- 25% on \$250 Billion
- 25% on \$500 Billion (threatened)

Ocean carrier fuel costs will most likely spike as IMO 2020 begins

- Low sulfur fuel demands a \$200 - \$300 per metric ton premium
- Fuel represents ~ 50% of container ship total operating costs
- Installation of scrubbers costs \$ millions and regulation controlling disposal of the residue limits practicality
- LNG enables ships to meet pollution control requirements, but offers no cost savings
- An impact on domestic diesel is expected



For more information about **IANA** data,
including and the
ETSO Database
visit intermodal.org
or e-mail us at: info@intermodal.org

© 2019 Intermodal Association of North America. This presentation was produced for the use of IANA members and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of IANA. IANA, 11785 Beltsville Drive, Calverton, MD 20705-4048.



IANA
INTERMODAL ASSOCIATION
OF NORTH AMERICA™