



**IANA**

**INTERMODAL ASSOCIATION  
OF NORTH AMERICA**

***THE CONNECTING FORCE BEHIND INTERMODAL FREIGHT***

# THE BUSINESS OF INTERMODAL CONTINUES



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# THE BUSINESS OF INTERMODAL CONTINUES

*Inside the Numbers*  
*Q2 2020 Review of*  
*Economic & Market Conditions*

August 25<sup>th</sup>, 2020, 2:00 PM ET

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# Housekeeping

- Audience will be muted
- A question & answer session will follow the presentation
- Submit questions at any time via the Questions pane in the Control Panel
- A recording of this webinar, including the slides, will be available in the near future



# Agenda

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- Economic conditions
- 2020 IANA numbers: 1H and June-July
- International & Domestic Intermodal Discussion
- Questions



John Woodcock  
Director of Market Development,  
TTX Co.



Pat Casey  
Vice President & Chief Economist,  
TTX Co.



Peter Wolff  
Director of Market Development,  
TTX Co.

# Our Panel



# Economic Overview



# The COVID-19 recession is exceptional and the outlook uncertain

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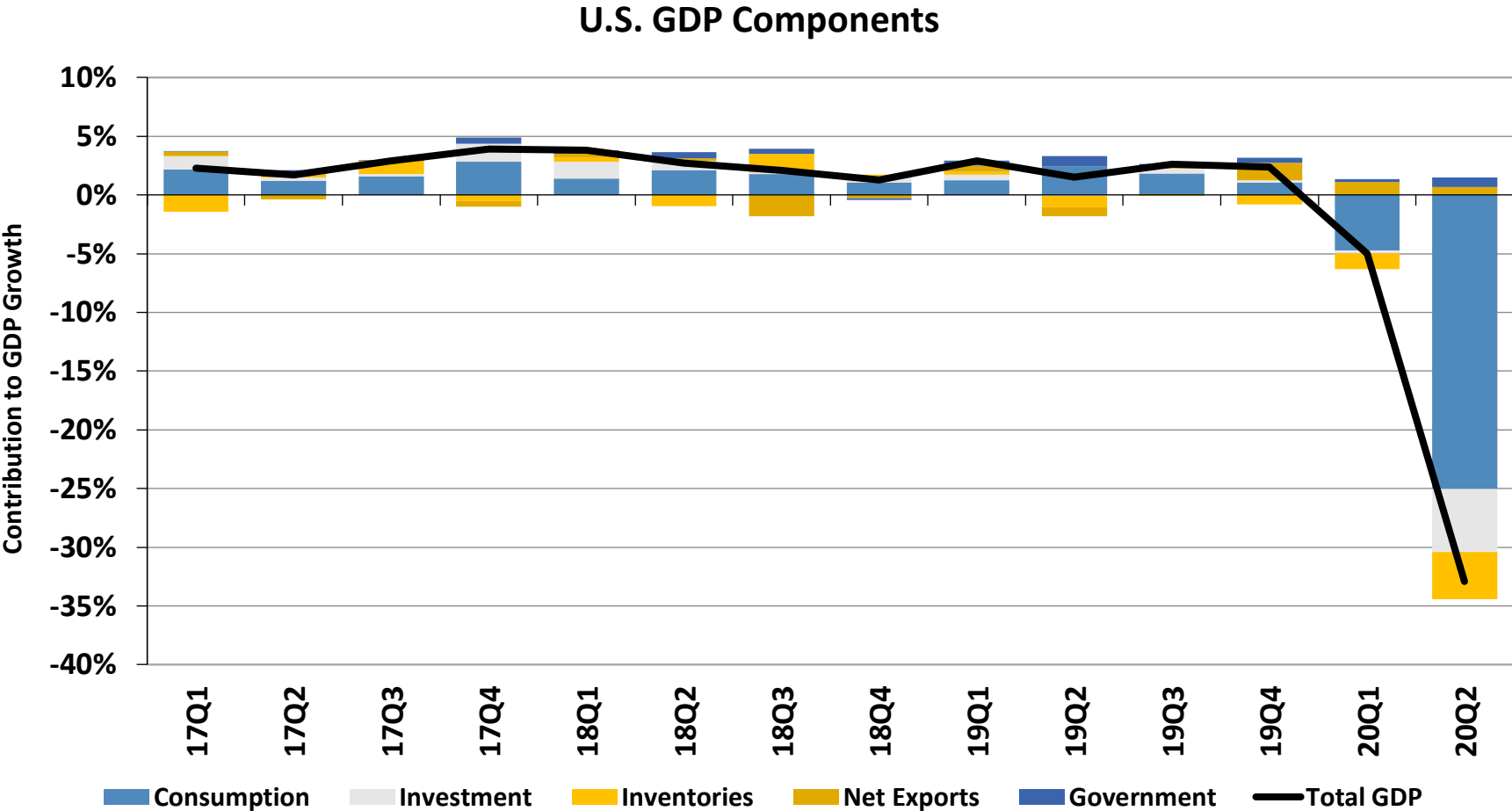
The COVID-19 recession is exceptional:

- Economic contraction is the most severe since the Great Depression
- Trough to peak rebound in durable goods consumption faster than prior recessions (in striking contrast to spending on services)
- The scale of government support to households is unprecedented
- Emergence and acceleration of new modes of spending, notably e-commerce

The near-term outlook is uncertain:

- Supply-side nature of the recession (business closures to address public health risks) ties economic growth to the path of the virus
- Recent improvement in labor markets encouraging; how robust remains to be seen
- Potential to bring back some manufacturing production, given high unemployment levels

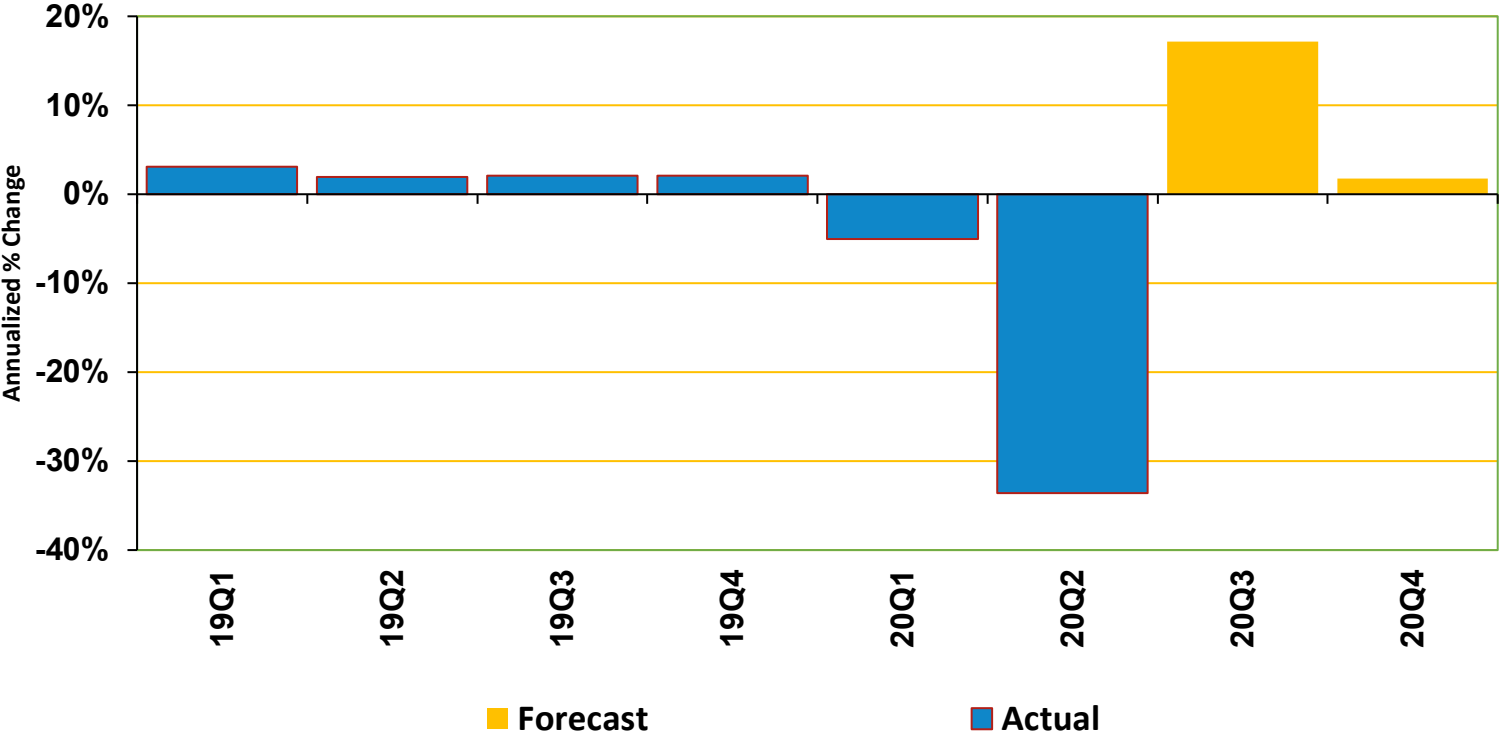
# 2020 Q2 Gross Domestic Product showed the largest decline since the Great Depression



Source: U.S. Bureau of Economic Analysis

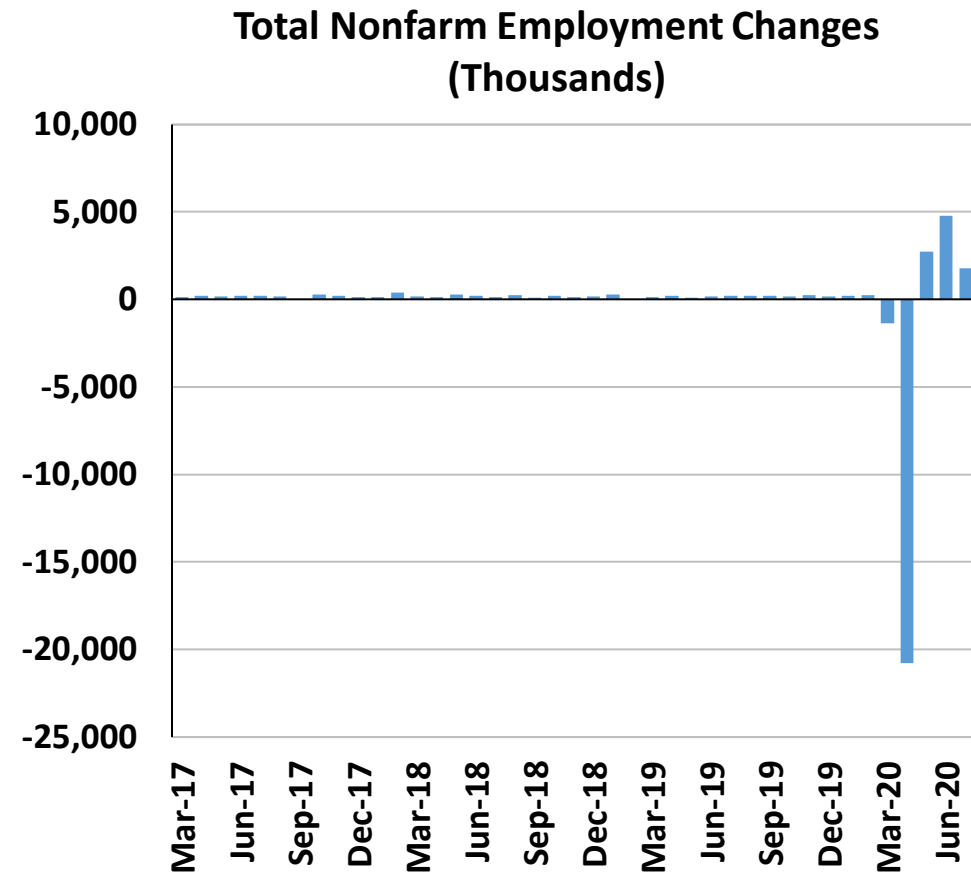
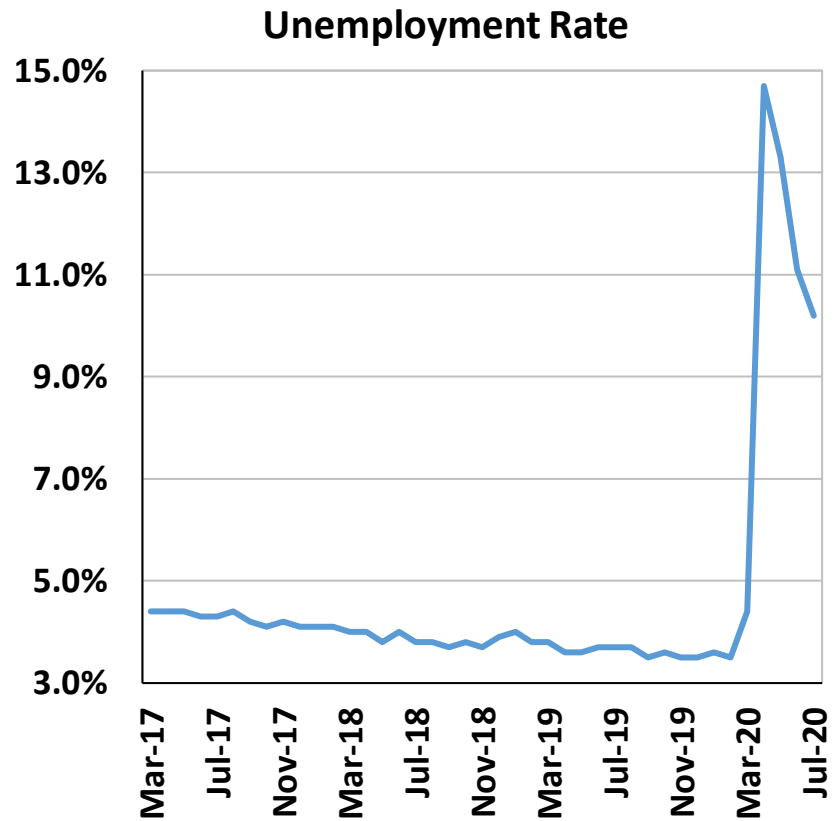
# GDP is expected to turn back up in the second half of 2020

Moody's Baseline Scenario:  
U.S. GDP Forecast



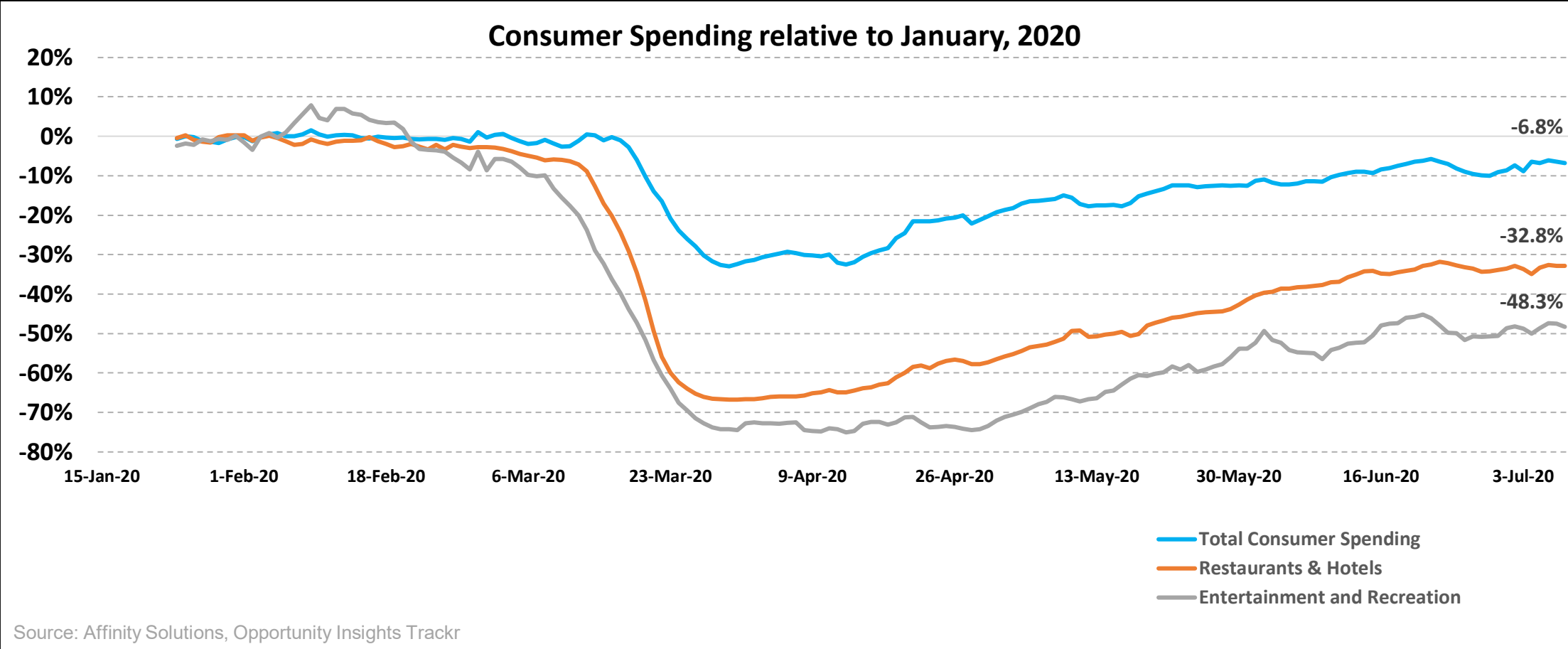
Source: U.S. Bureau of Economic Analysis, Moody's Analytics

# The unemployment rate was at a 50-year low before turning to the highest rate since the Great Depression



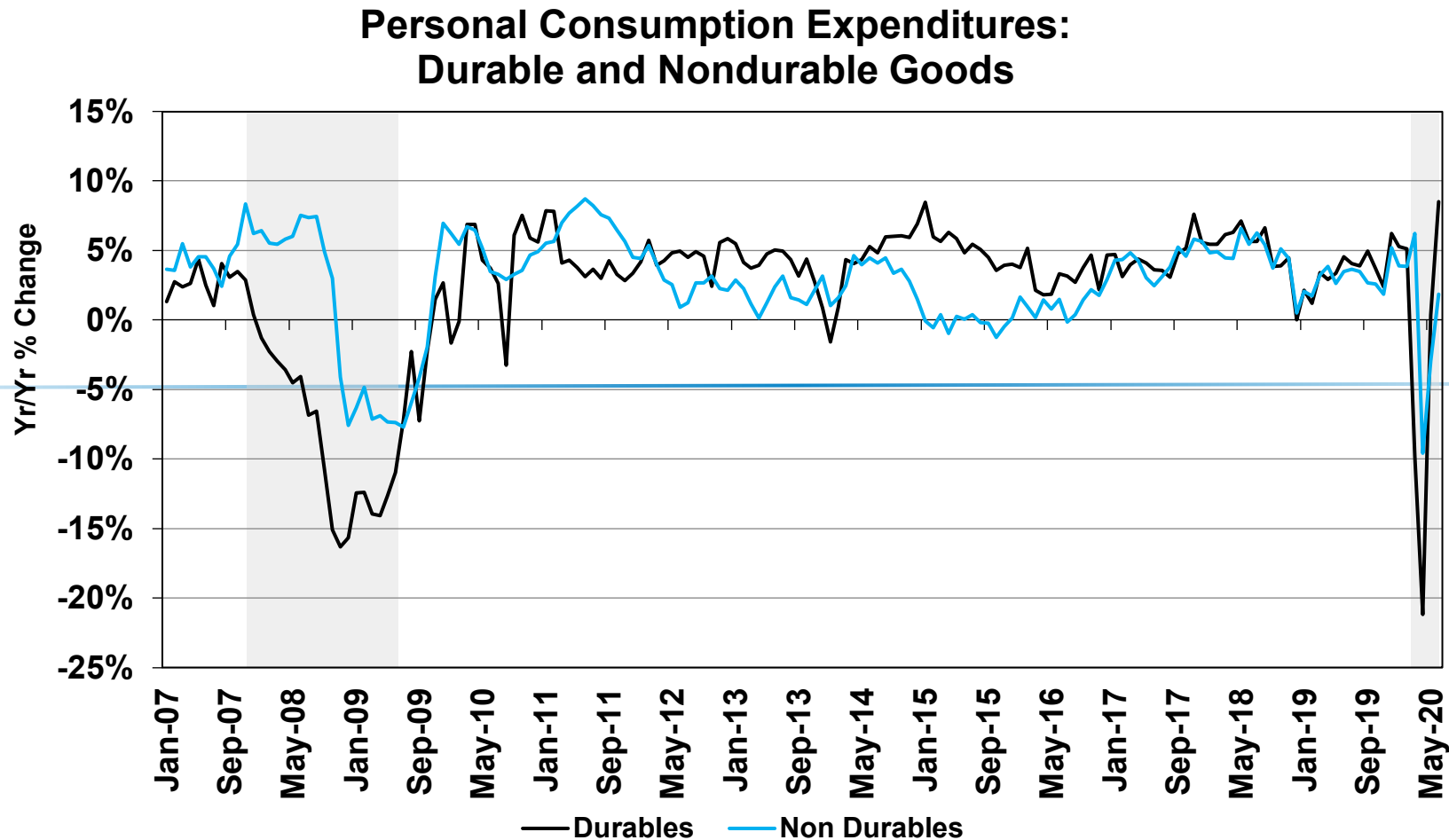
Source: U.S. Bureau of Labor Statistics

# Consumer spending has increased, but remains below pre-pandemic levels



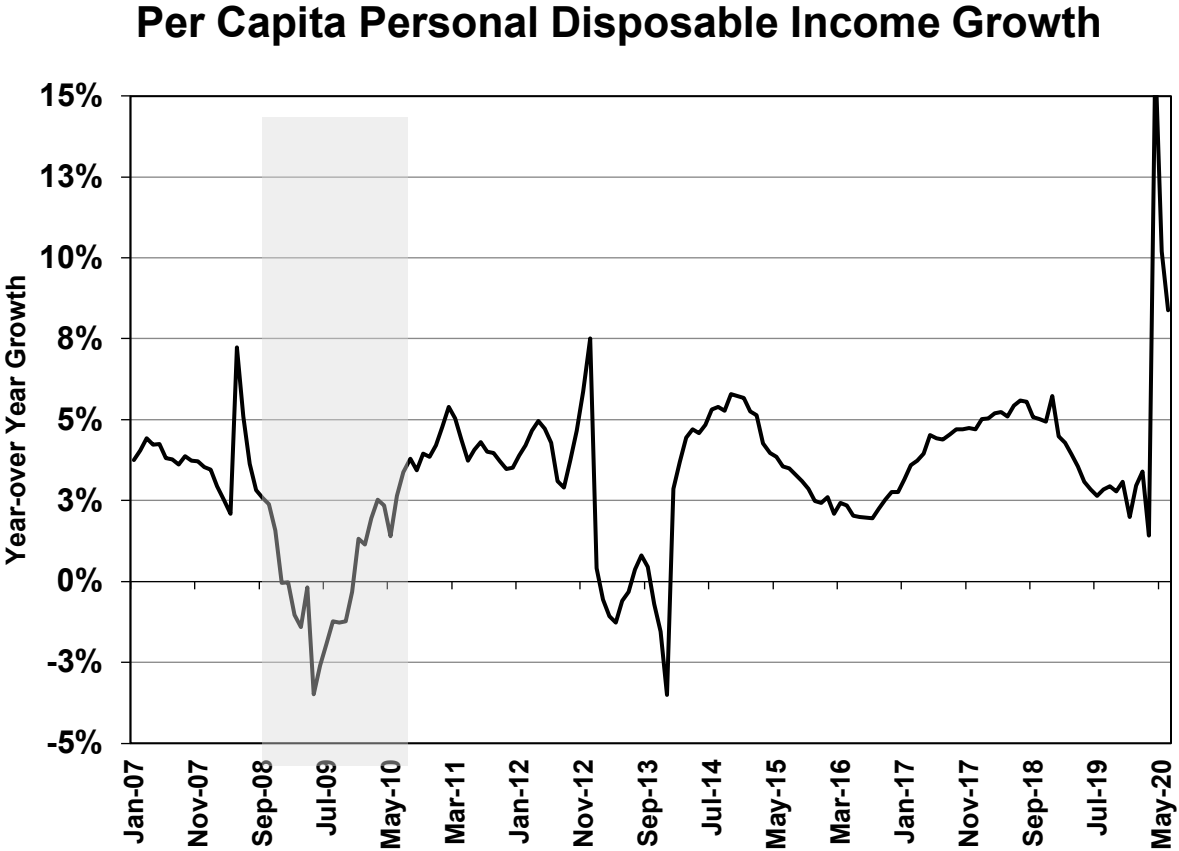
Source: Affinity Solutions, Opportunity Insights Tracker

# The peak to trough rebound in durable goods consumption is faster than prior recessions



Source: U.S. Bureau of Economic Analysis  
Shaded area indicates recession

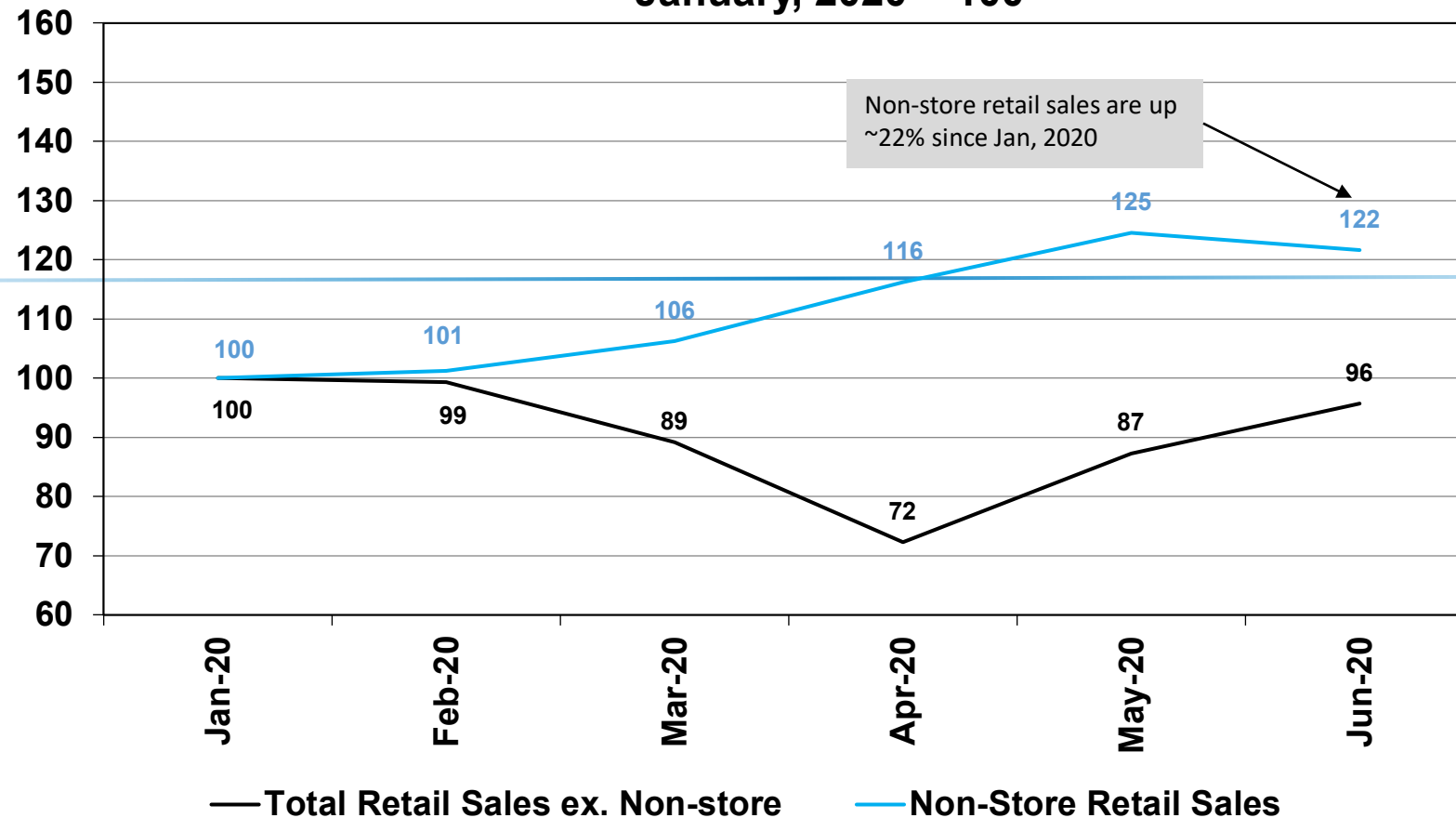
# Unprecedented government stimulus boosted personal income during 2Q20



Source: U.S. Board of Governors of the Federal Reserve System, Moody's Analytics  
Shaded area indicates recession

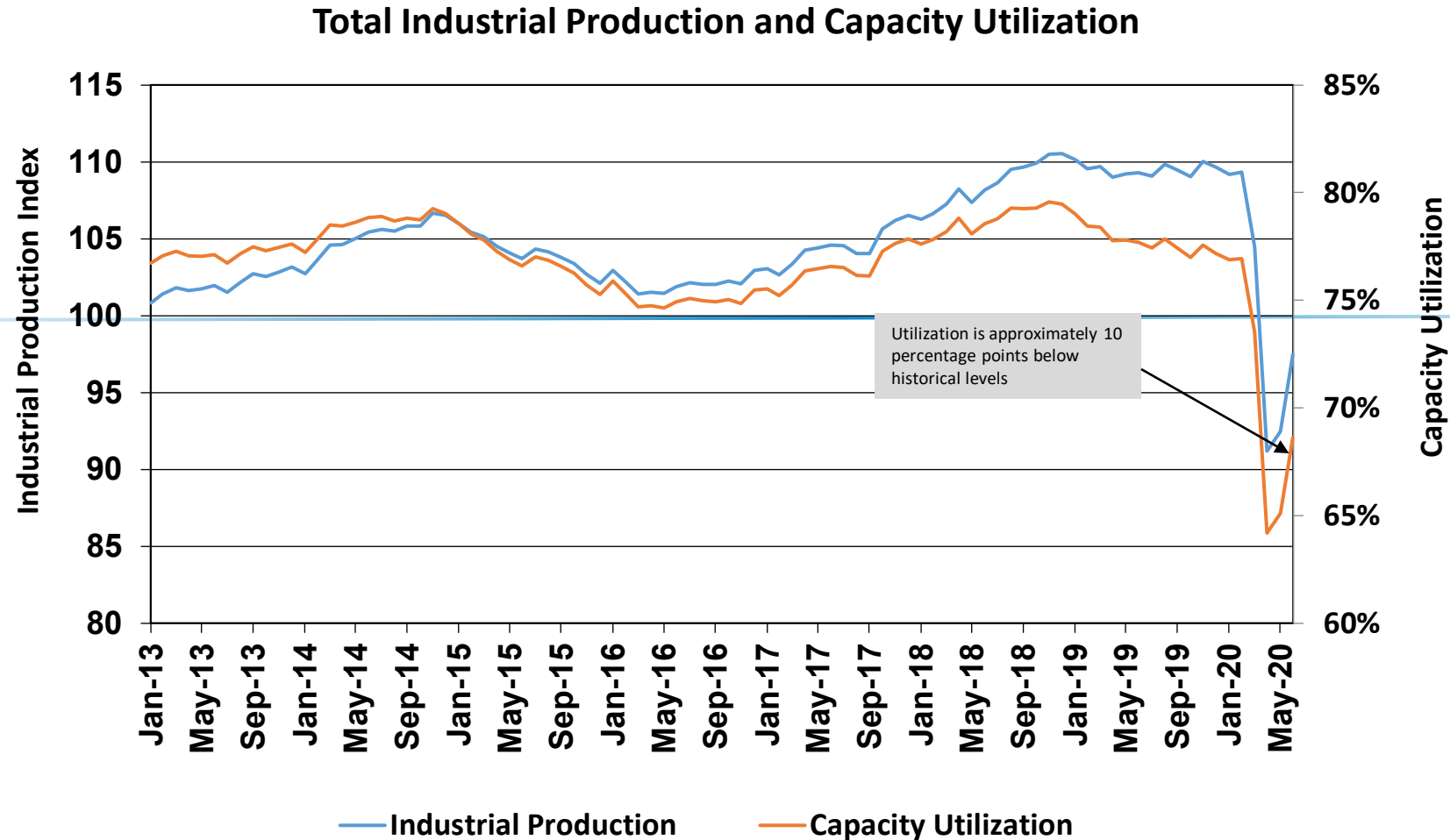
# E-commerce has spiked as retail outlets close for social distancing – potentially longer-term impact on sales

Store and Non-Store Retail Sales Index:  
January, 2020 = 100





# The industrial production was trending down slowly last year before plunging – and turning back up



Source: U.S. Board of Governors of the Federal Reserve System

# Summary of TTX's forecast for leading economic indicators

Economic Indicator	2017 Actual	2018 Actual	2019 Actual	2020 Forecast
GDP <sup>1</sup>	2.4%	2.9%	2.3%	-5.8%
Consumer Spending <sup>1</sup>	2.6%	3.0%	2.6%	-5.6%
Retail Sales	4.6%	4.2%	3.4%	-4.2%
Investment <sup>1</sup>	4.4%	6.4%	2.1%	-11.4%
Housing Starts <sup>3</sup>	1.21	1.25	1.30	1.21
US Vehicle Prod. <sup>(000)</sup>	10,960	10,993	10,638	8,256
US Vehicle Sales <sup>(000)</sup>	17,216	17,701	17,418	14,166
Industrial Prod. <sup>2</sup>	2.3%	3.9%	0.9%	-7.5%
Mexico GDP <sup>1</sup>	2.4%	2.2%	-0.3%	-10.2%
Canada GDP <sup>1</sup>	3.0%	2.0%	1.7%	-8.5%
Inflation	2.1%	2.4%	1.8%	0.9%

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



# The Latest IANA Numbers



# 1H2020 North American intermodal growth summary

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- **By Segment**

- International: -13.4%
- Domestic Container: -2.5%
- Trailers: -18.9%
- All Domestic Equipment: -4.9%
- Total Intermodal: -9.3%

- **By Origin Region**

- U.S.: -9.9%
- Canada: -7.1%
- Mexico: -5.2%

# 1H2020 intermodal volume changes by equipment type

Segment	1H19	1H20	% Change
Trailers	638,365	517,557	-18.9%
Domestic Containers	3,696,915	3,605,467	-2.5%
All Domestic Equipment	4,335,314	4,123,024	-4.9%
ISO Containers	4,701,467	4,071,864	-13.4%
Total	9,036,781	8,194,888	-9.3%

# 1H2020 regional loadings

	1H19		1H20		% Change
	Units	Share	Units	Share	Growth
Eastern Canada (EC)	668,351	7.4%	604,354	7.4%	-9.6%
Mountain Central (MC)	138,480	1.5%	132,571	1.6%	-4.3%
Midwest (MW)	2,453,192	27.1%	2,234,156	27.3%	-8.9%
Mexico (MX)	273,640	3.0%	259,430	3.2%	-5.2%
Northeast (NE)	879,641	9.7%	802,563	9.8%	-8.8%
Northwest (NW)	378,869	4.2%	315,797	3.9%	-16.6%
South Central (SC)	658,324	7.3%	573,607	7.0%	-12.9%
Southeast (SE)	1,190,059	13.2%	1,075,452	13.1%	-9.6%
Southwest (SW)	1,616,654	17.9%	1,455,969	17.8%	-9.9%
Western Canada (WC)	779,571	8.6%	740,989	9.0%	-4.9%

Source: IANA

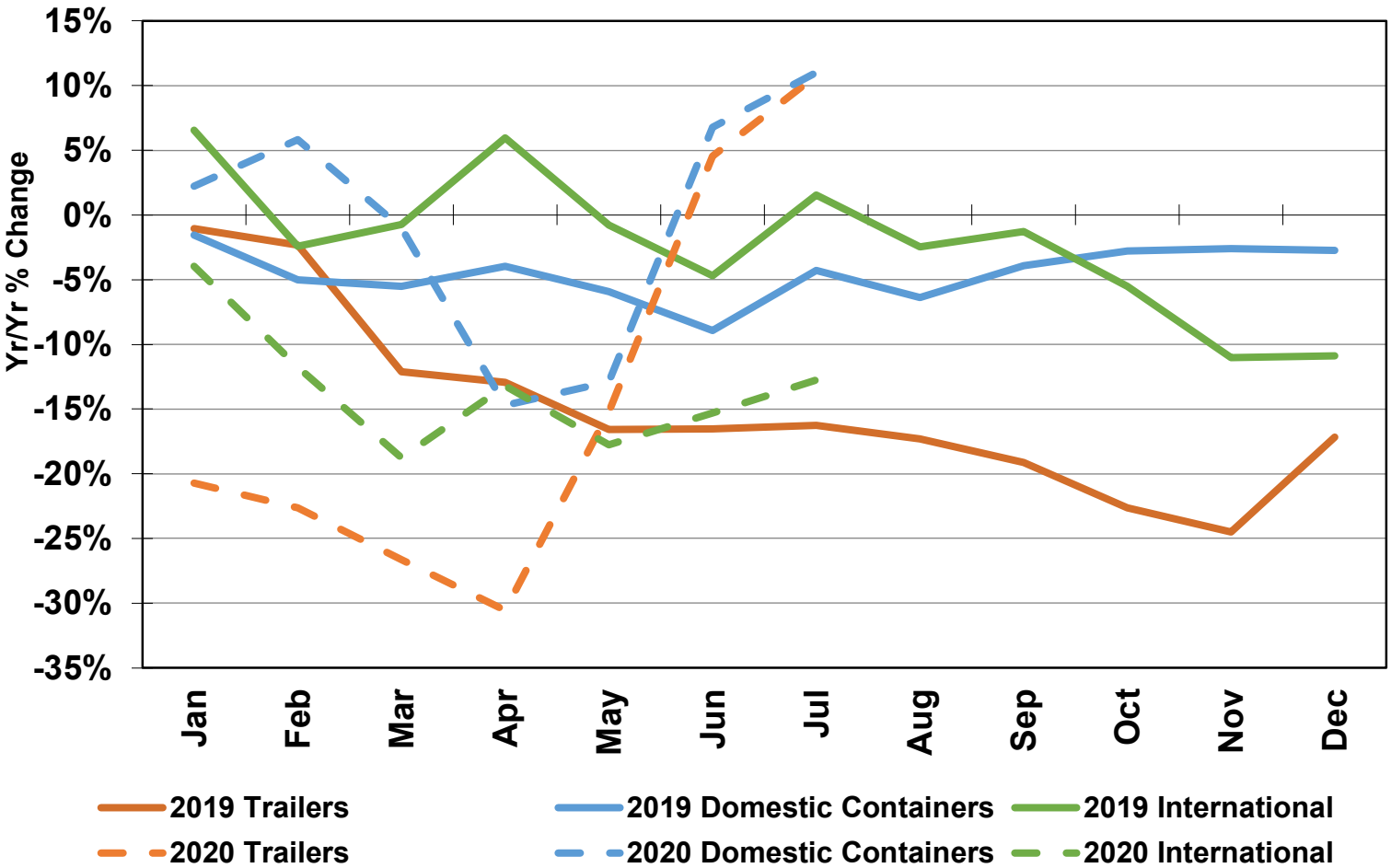
# 1H2020's largest corridor declines

Corridor	1H19		1H20		% Change
	Units	Share	Units	Share	Decline
<b>Northwest-Midwest</b>	485,655	12.0%	402,461	11.3%	-17.1%
<b>Southwest-South Central</b>	814,093	20.1%	694,966	19.5%	-14.6%
<b>Intra-Midwest</b>	165,976	4.1%	143,098	4.0%	-13.8%
<b>South Central-Midwest</b>	249,686	6.2%	216,409	6.1%	-13.3%
<b>Midwest- Eastern Canada</b>	122,246	3.0%	107,734	3.0%	-11.9%
<b>Intra-Southeast</b>	615,722	15.2%	547,795	15.4%	-11.0%

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

# The domestic market turned positive in June, while international volume continued in negative territory

### North America Intermodal Volume by Equipment Type



Source: IANA, TTX



# June-July 2020 North American intermodal growth summary

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- **By Segment**

- International: -14.0%
- Domestic Container: 8.9%
- Trailers: 7.7%
- All Domestic Equipment: 8.7%
- Total Intermodal: -3.3%

- **By Origin Region**

- U.S.: -2.0%
- Canada: -5.7%
- Mexico: -20.4%

# June-July 2020 intermodal volume changes by equipment type

Segment	June-July 19	June-July 20	% Change
Trailers	194,282	209,197	7.7%
Domestic Containers	1,238,532	1,348,947	8.9%
All Domestic Equipment	1,432,814	1,558,144	8.7%
ISO Containers	1,608,938	1,383,973	-14.0%
Total	3,041,756	2,942,117	-3.3%

# June-July 2020 regional loadings

	June-July 19		June-July 20		% Change
	Units	Share	Units	Share	Growth
Eastern Canada (EC)	223,557	7.3%	202,579	6.9%	-9.4%
Mountain Central (MC)	46,156	1.5%	48,597	1.7%	5.3%
Midwest (MW)	805,973	26.5%	796,583	27.1%	-1.2%
Mexico (MX)	105,976	3.5%	84,313	2.9%	-20.4%
Northeast (NE)	285,295	9.4%	279,823	9.5%	-1.9%
Northwest (NW)	124,259	4.1%	112,986	3.8%	-9.1%
South Central (SC)	216,672	7.1%	216,129	7.3%	-0.3%
Southeast (SE)	397,829	13.1%	369,743	12.6%	-7.1%
Southwest (SW)	556,643	18.3%	559,489	19.0%	0.5%
Western Canada (WC)	279,392	9.2%	271,875	9.2%	-2.7%

# June-July 2020's largest corridor declines

Corridor	June-July 19		June-July 20		% Change
	Units	Share	Units	Share	Decline
<b>Northwest-Midwest</b>	<b>161,706</b>	<b>7.4%</b>	<b>138,805</b>	<b>6.6%</b>	<b>-14.2%</b>
<b>Intra-Southeast</b>	<b>205,224</b>	<b>9.4%</b>	<b>185,562</b>	<b>8.8%</b>	<b>-9.6%</b>
<b>Southwest-Southeast</b>	<b>155,286</b>	<b>7.1%</b>	<b>143,884</b>	<b>6.8%</b>	<b>-7.3%</b>
<b>Western Canada-Midwest</b>	<b>148,533</b>	<b>6.8%</b>	<b>138,203</b>	<b>6.6%</b>	<b>-7.0%</b>
<b>Western Canada-Eastern Canada</b>	<b>238,962</b>	<b>11.0%</b>	<b>229,017</b>	<b>10.9%</b>	<b>-4.2%</b>
<b>Southwest-South Central</b>	<b>275,323</b>	<b>12.6%</b>	<b>265,734</b>	<b>12.6%</b>	<b>-3.5%</b>

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

# June-July 2020's largest corridor gains

Corridor	June-July 19		June-July 20		% Change
	Units	Share	Units	Share	Growth
<b>Southeast-Midwest</b>	<b>114,292</b>	<b>5.2%</b>	<b>117,458</b>	<b>5.6%</b>	<b>2.8%</b>
<b>Northeast-Midwest</b>	<b>374,575</b>	<b>17.2%</b>	<b>375,429</b>	<b>17.9%</b>	<b>0.2%</b>
<b>Southwest-Midwest</b>	<b>507,526</b>	<b>23.3%</b>	<b>508,602</b>	<b>24.2%</b>	<b>0.2%</b>

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



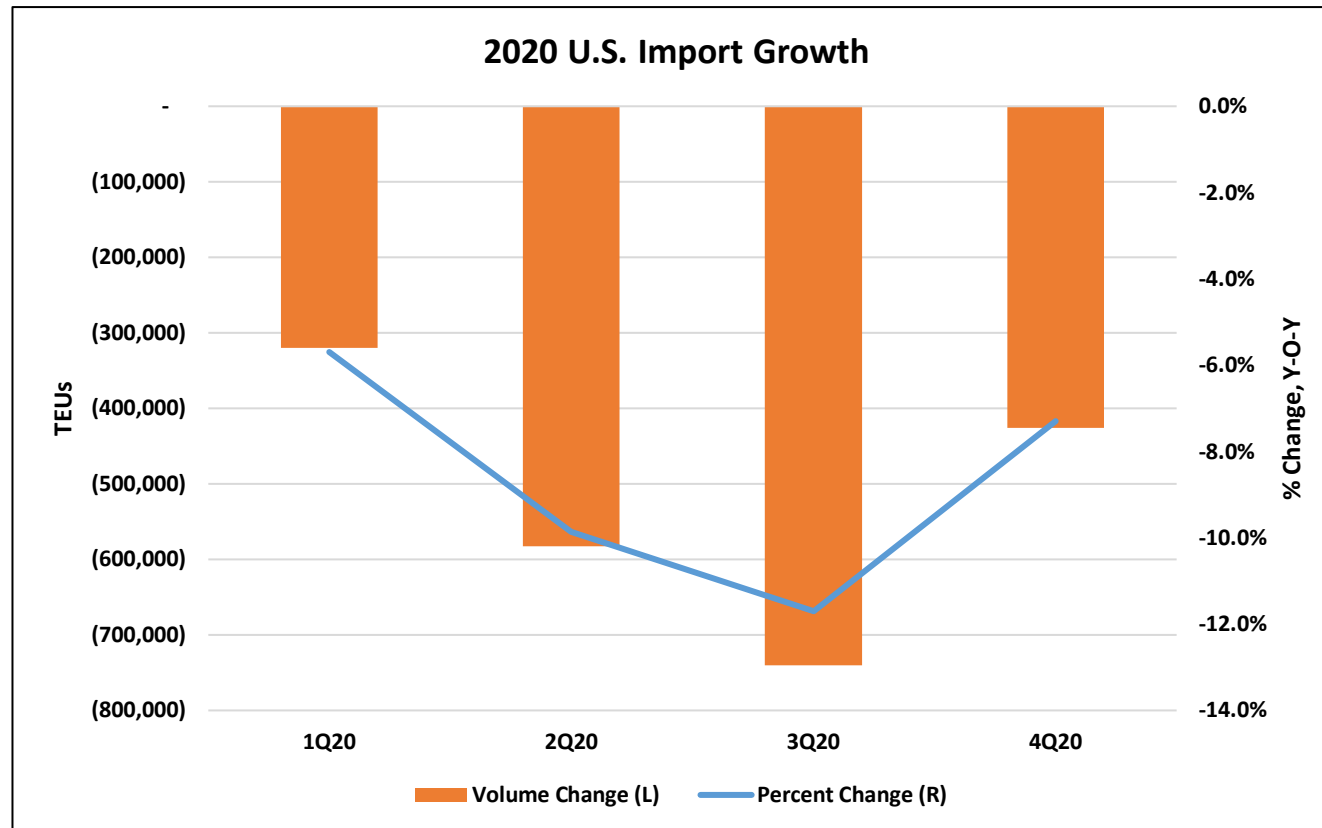
# International Intermodal

# International loadings reflect economic and supply chain disruptions

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- Jan/Feb: Normal
- Mar: More or less normal, but beginnings of supply shock from China
- Apr: Impacts of COVID shutdown in N. America take hold; economic activity follows expectations
- May: Wheels come off the bus, but the “good news” is the economic behavior more or less matches predictions (imports & IPI both -15%)
- June: Wheels back on the bus but historical relationships of international supply chains to commerce “decoupled”
  - PSW imports grew 3.2%, while East Coast declined over 11%
  - AWS share reversed 5 share points, 50k TEUs (2 trains / day)
  - IPI still fell ~15%, but PSW transloading +13.2% as shippers raced to refill empty store shelves
  - Import mix odd (no industrial goods, but food & consumer goods associated with home improvement up or flat)
- July: Import demand better than expected (positive growth again on the West Coast); strong transload growth offsetting continued weakness in IPI
- Aug: Similar to July but IPI may be picking up some steam – is this a sign that industrial goods and holiday merchandise flowing?
- What is next? Cannot predict the path of the virus and knowing what will come next for fiscal policy is difficult

After falling 19.8% in May, U.S. imports only dipped 5.6% in June, and July / August appear to following June's pace



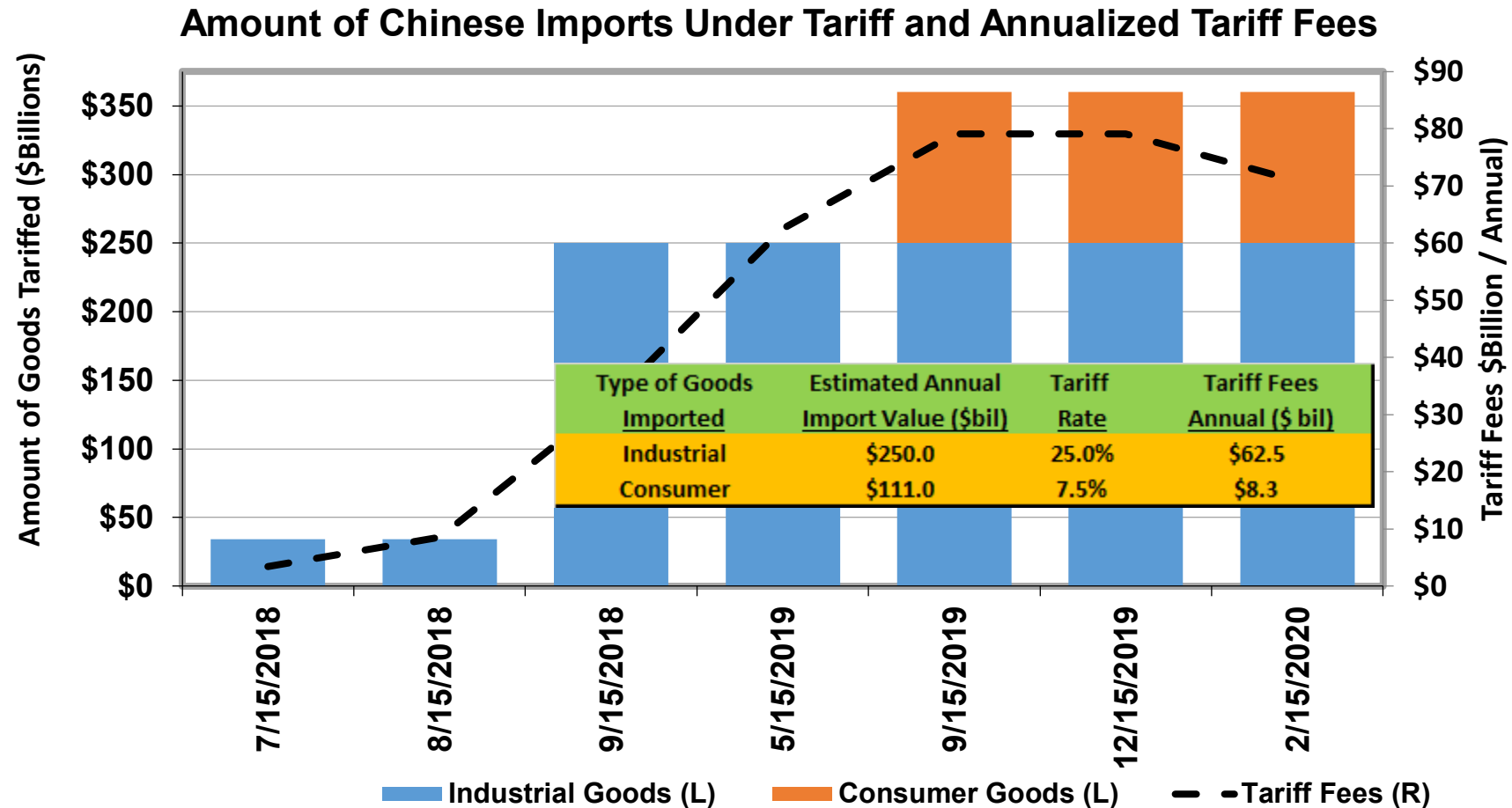
**Full Year 2020 Import Growth Rate Forecast: -8.7%, -2.1 million TEUs**



# June import growth concentrated in just a few commodity groups (either related to housing or food)

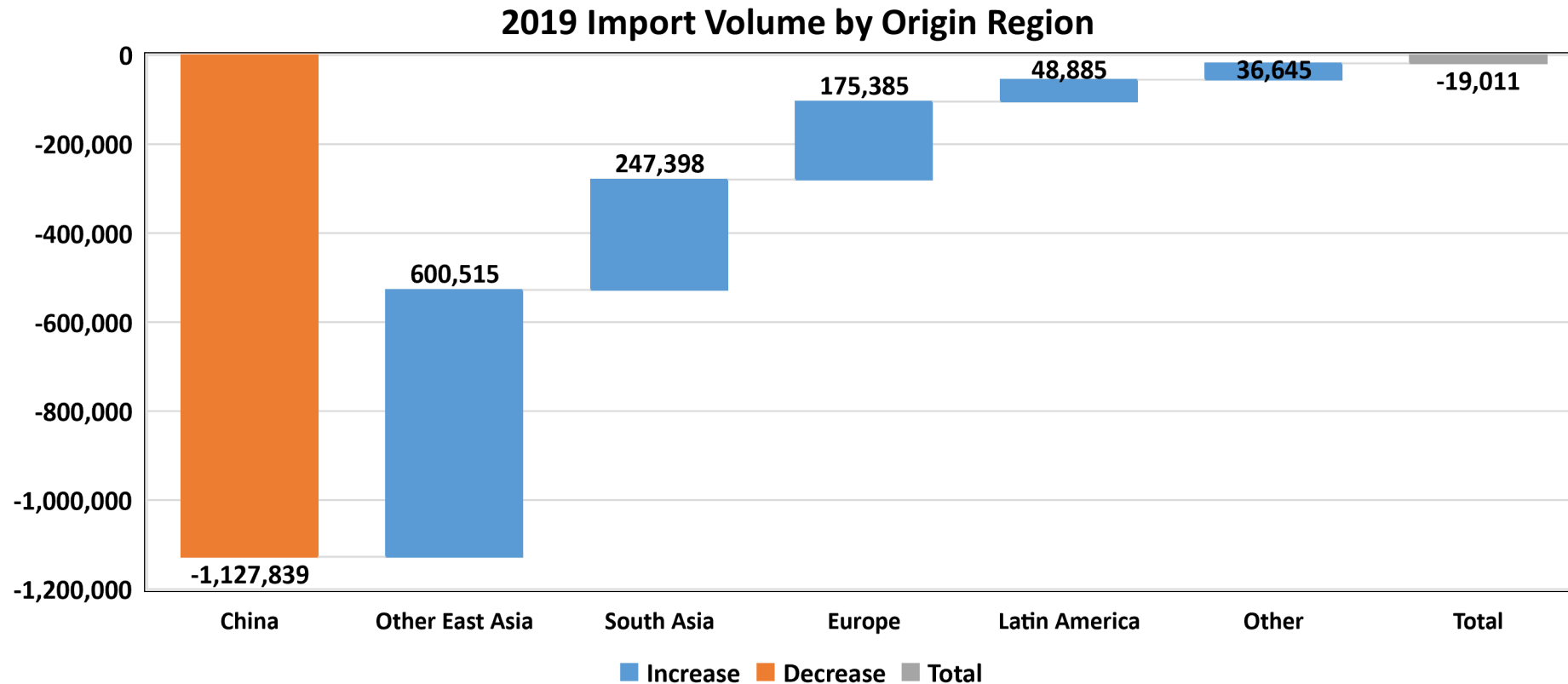
<b>Commodity</b>	<b>June 2020 (TEUs)</b>	<b>June 2019 (TEUs)</b>	<b>% Chg</b>	<b>Vol Chg</b>
Household Machinery	43,796	30,616	43.0%	13,180
Electronics	93,617	78,787	18.8%	14,830
Food Products	289,970	250,687	15.7%	39,283
All Other Products	368,498	365,942	0.7%	2,556
Mineral Products	93,650	94,604	-1.0%	(954)
Forest Products	107,395	109,233	-1.7%	(1,838)
Hardware and Lighting	129,807	137,393	-5.5%	(7,586)
Footwear	63,760	67,875	-6.1%	(4,115)
All Other Machinery	106,996	120,970	-11.6%	(13,974)
Apparel / Textiles	170,210	199,992	-14.9%	(29,782)
Tires / rubber Products	114,956	136,367	-15.7%	(21,411)
Furniture	173,434	211,397	-18.0%	(37,963)
Toys	32,842	44,967	-27.0%	(12,125)
Office Machinery	14,083	26,022	-45.9%	(11,939)
<u>Auto Parts</u>	<u>27,098</u>	<u>63,766</u>	<u>-57.5%</u>	<u>(36,668)</u>
<b>Total</b>	<b>1,830,112</b>	<b>1,938,618</b>	<b>-5.6%</b>	<b>(108,506)</b>

# Tariffs remain on \$361 billion of Chinese imports (2/3 of total); fees collected may exceed \$70 billion annually

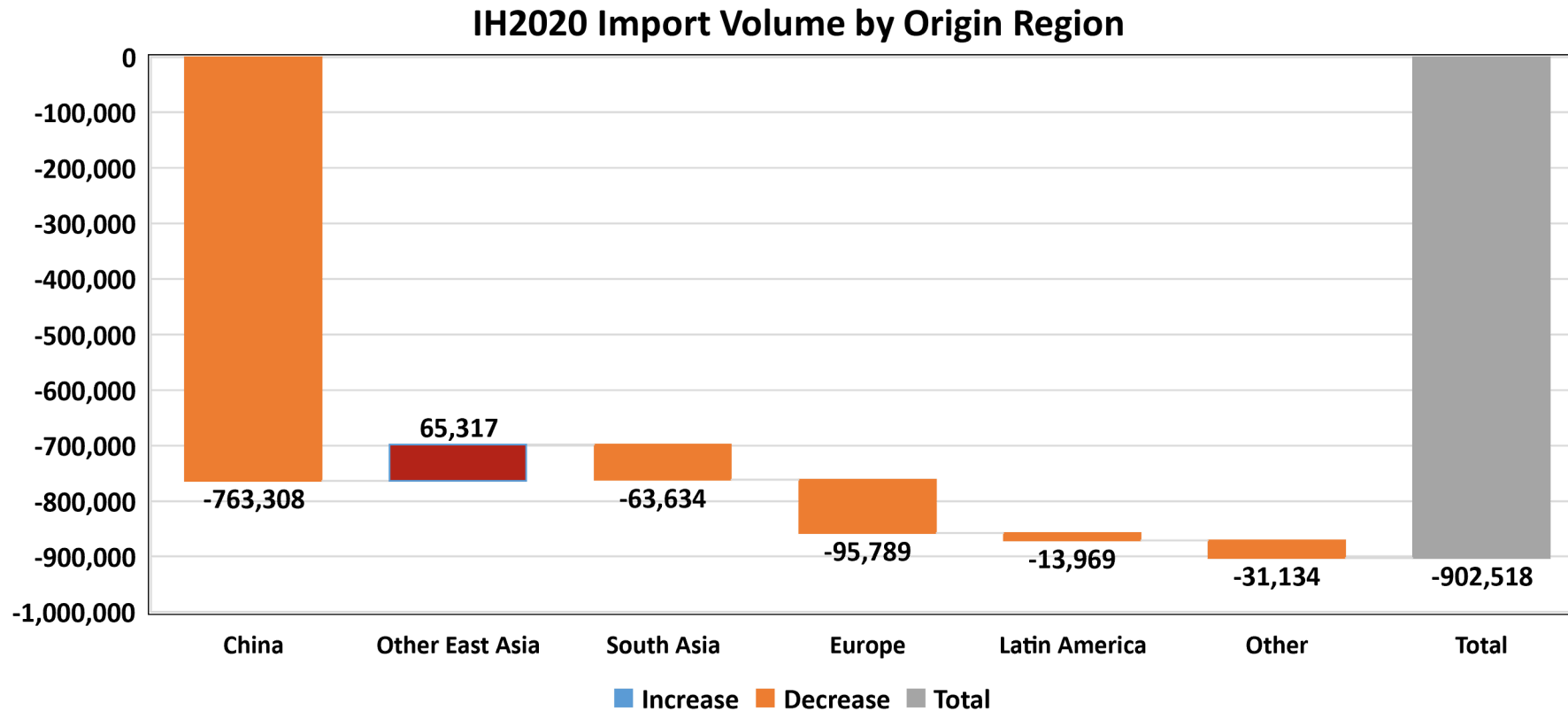


Source: TTX, NASSTRAC, MEMA, WSJ

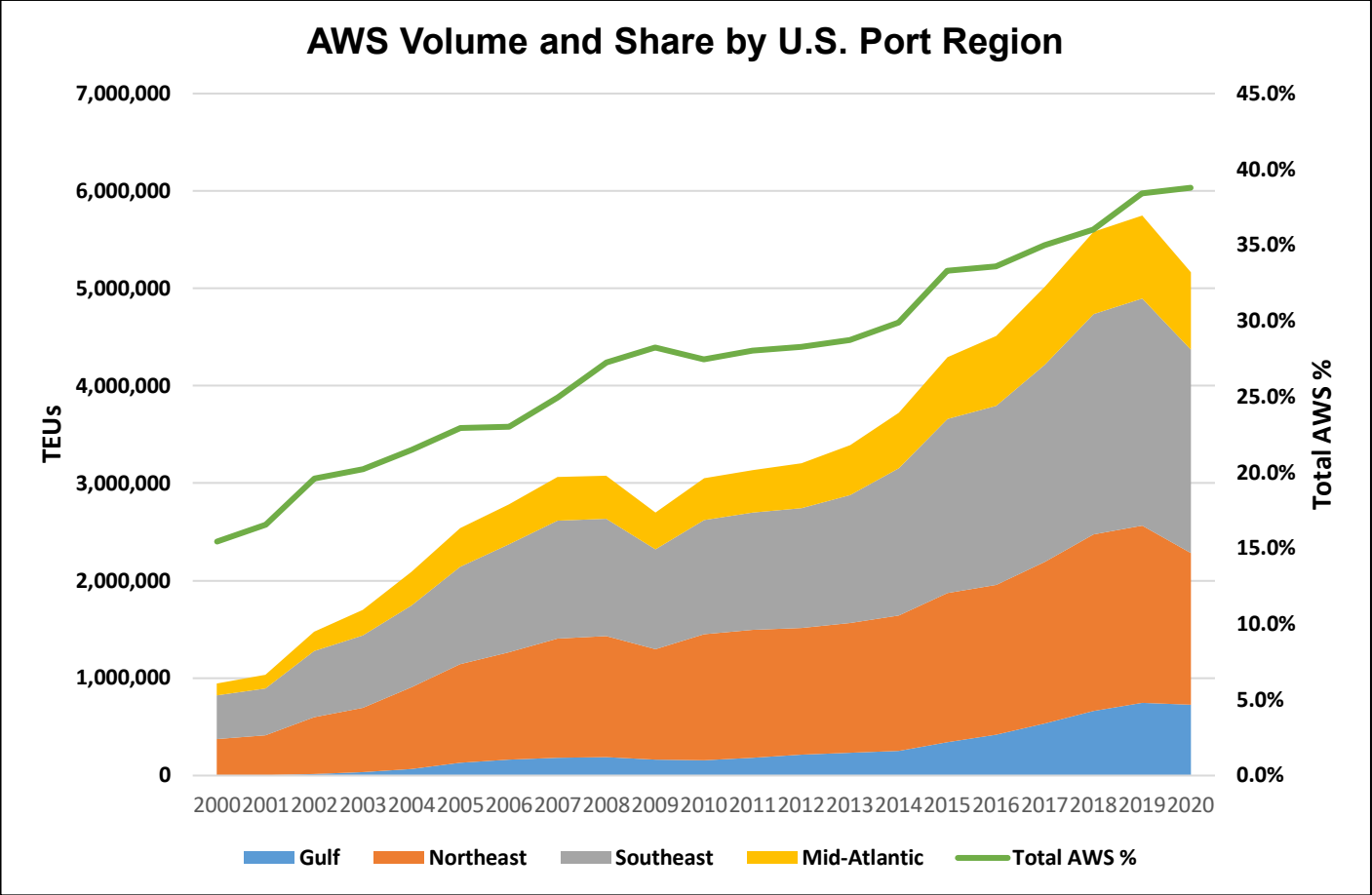
# Tariffs walloped imports from China in 2019 with off-setting gains from Vietnam, India & Europe



# Most likely, production shifts from China continue, but COVID-19 supply chain disruptions skewed 1H20 data

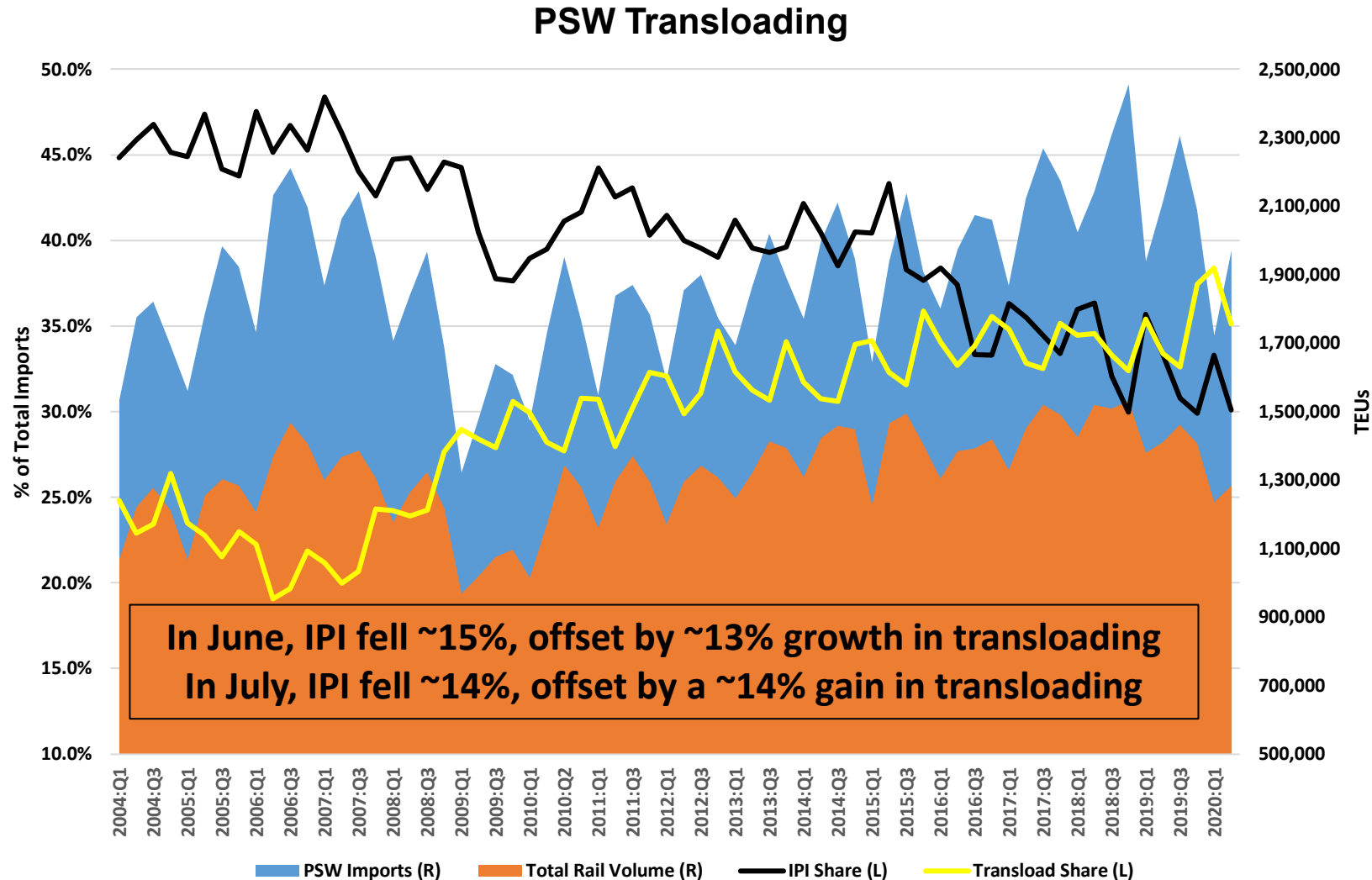


# All-water share gained 2.0 share points in 2019, and the trend continued through May, but reversed over 5 points in June

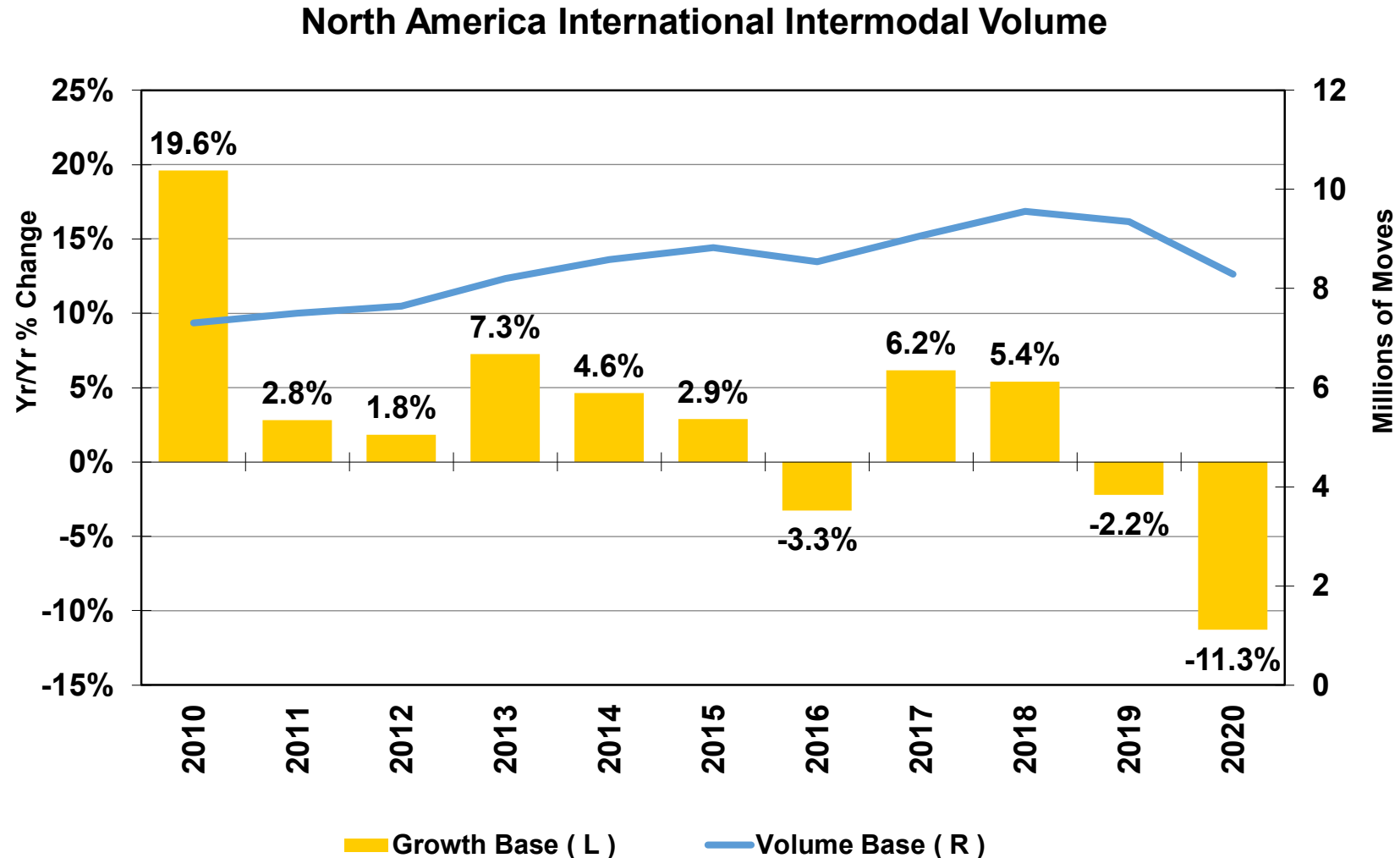


Source: PIERS, TTX

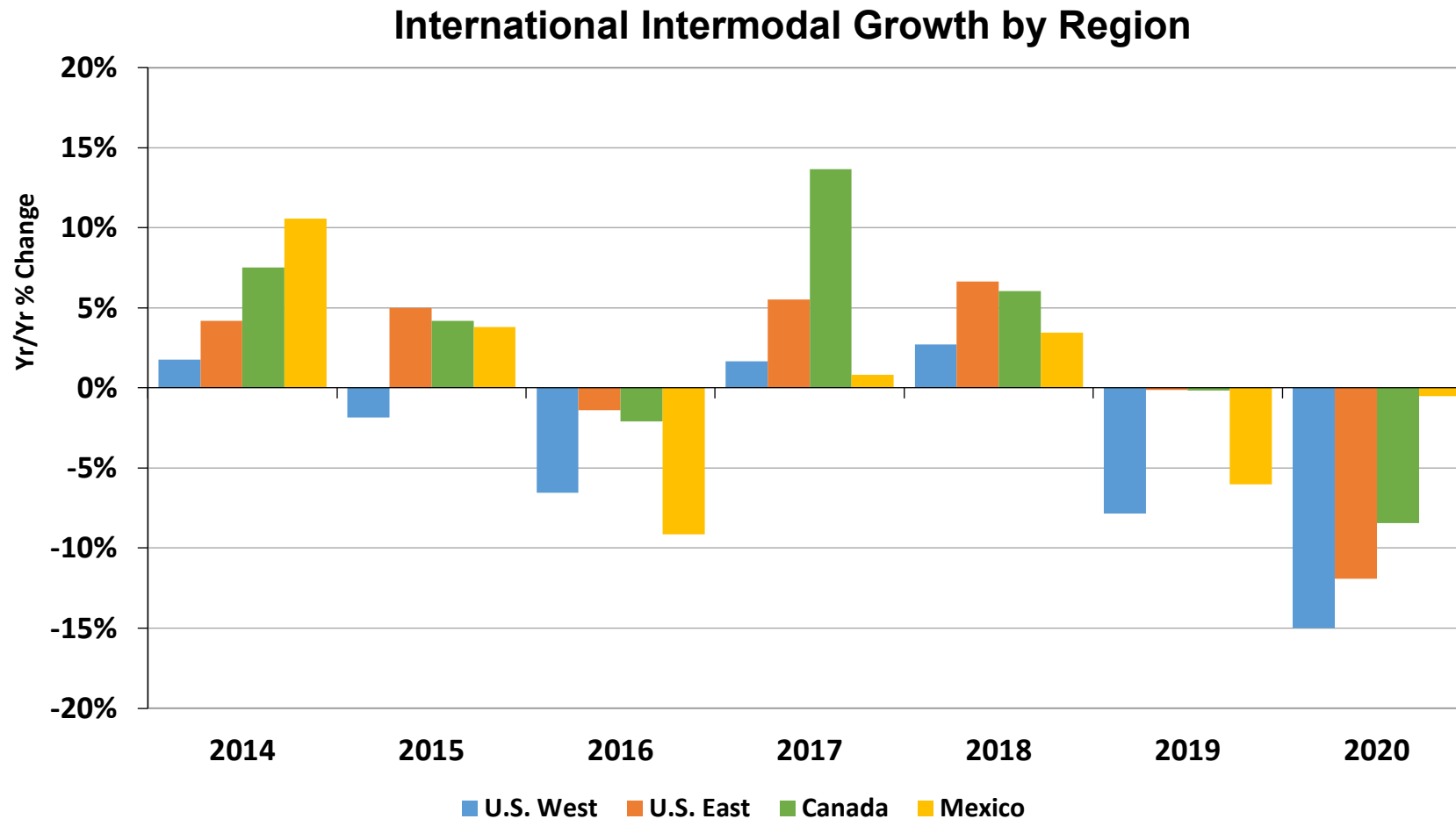
# In 2016, transload share of PSW imports exceed IPI share, and that trend continues...



# IPI expected to contract for the second straight year



# IPI in the U.S. West expected to decline more than in the U.S. East, Canada or Mexico







# Domestic Intermodal

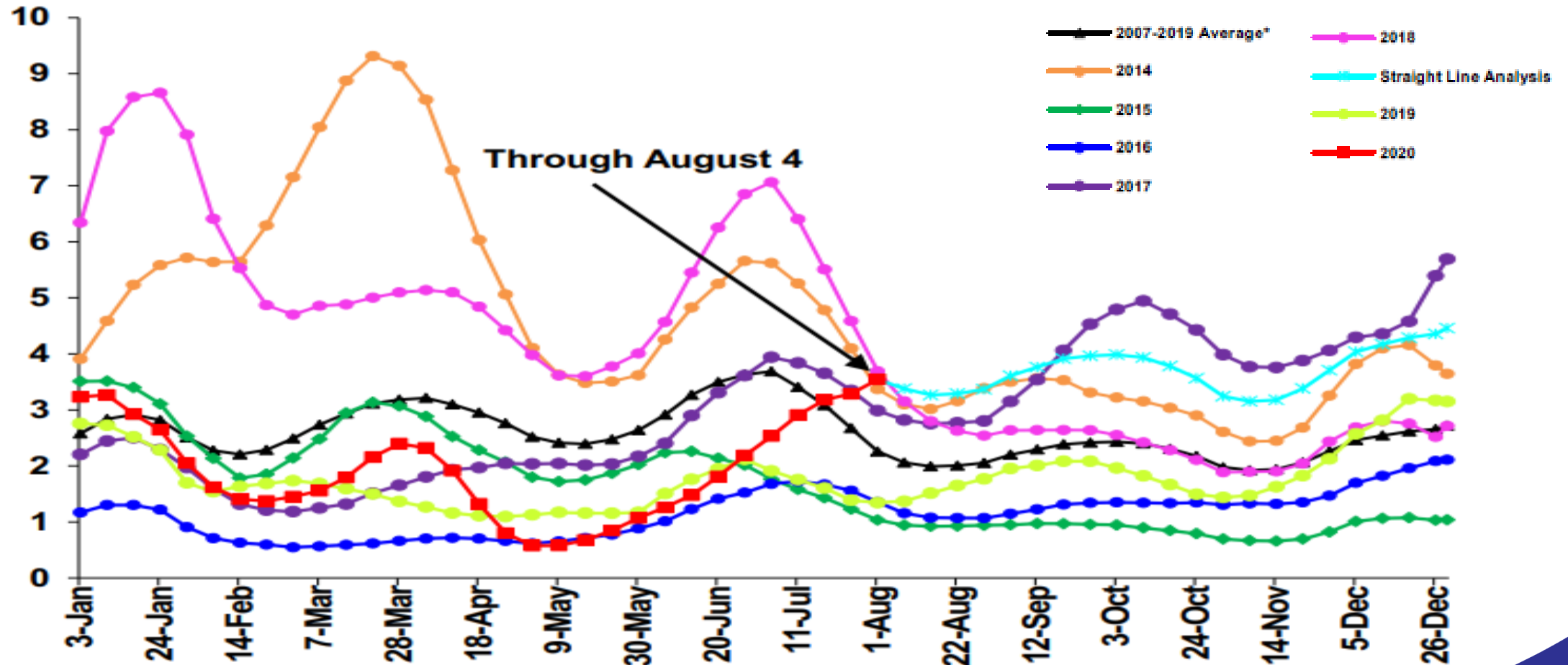


# Domestic loadings reflect economic and supply chain disruption

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- A lackluster market went negative with COVID-19 shutdowns
  - Automotive and import-related transload sectors were hard hit
- Premium services led a return to more positive conditions
  - Surging e-commerce and retail restocking fueled the rebound
  - Supply chain disruptions have also prompted inventory repositioning
- Driver capacity is again an issue
  - Government incentives, health fears, driving school disruptions all contributing
  - Class 8 capacity appears ample after growing in earlier flat conditions
- Service levels have reflected a fluid network
  - Roads remained cautious with service expansions

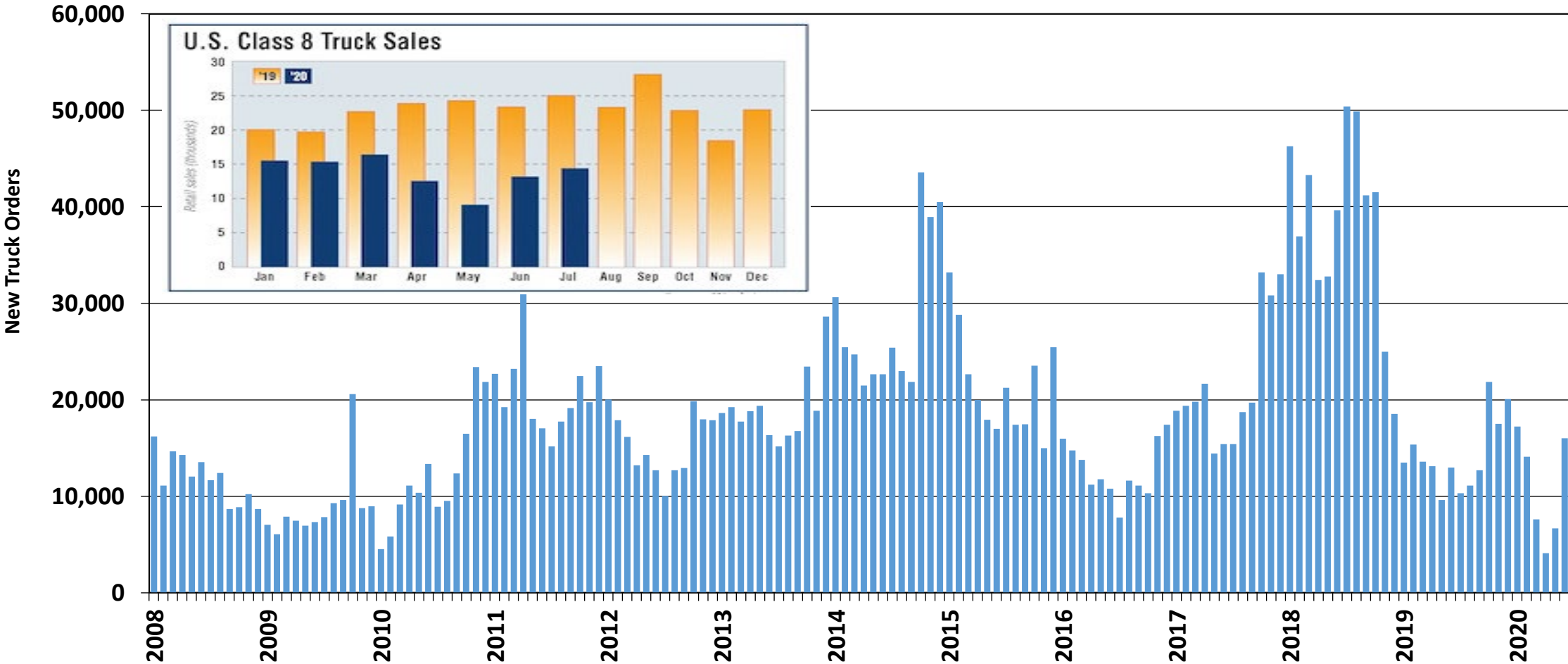
# Morgan Stanley's Truckload Freight Index illustrates tightening supply-demand balance; regional variance is significant



Source: Morgan Stanley, TTX

# Class 8 replacement activity showing signs of life, but orders and sales don't reflect tight equipment conditions

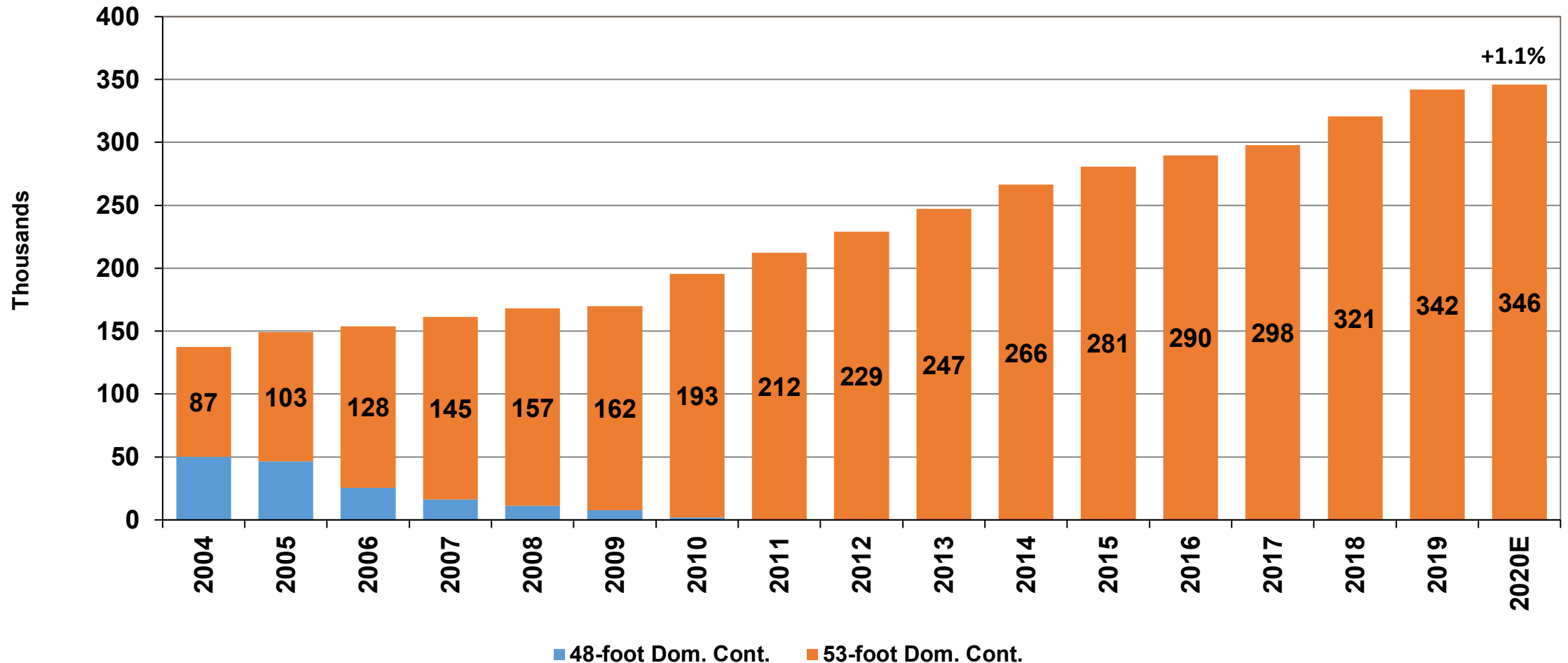
North American Class 8 Truck Orders



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

# DC fleet investment has been largely limited to conversions for temperature-controlled and LTL fleets

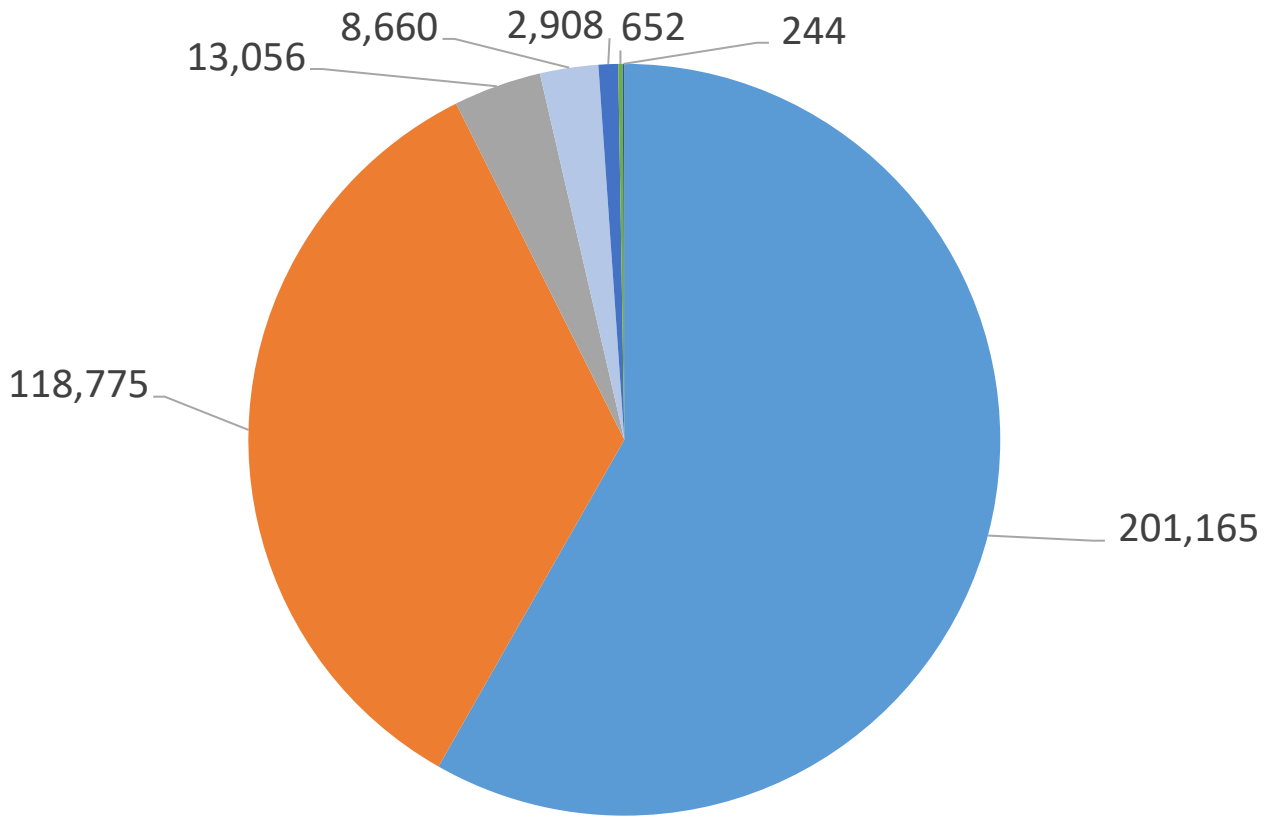
Year-end Domestic Container Fleet Size



Source: TTX

# The DC fleet is largely made up of private equipment

2020 North American Domestic Container Fleet, by Segment

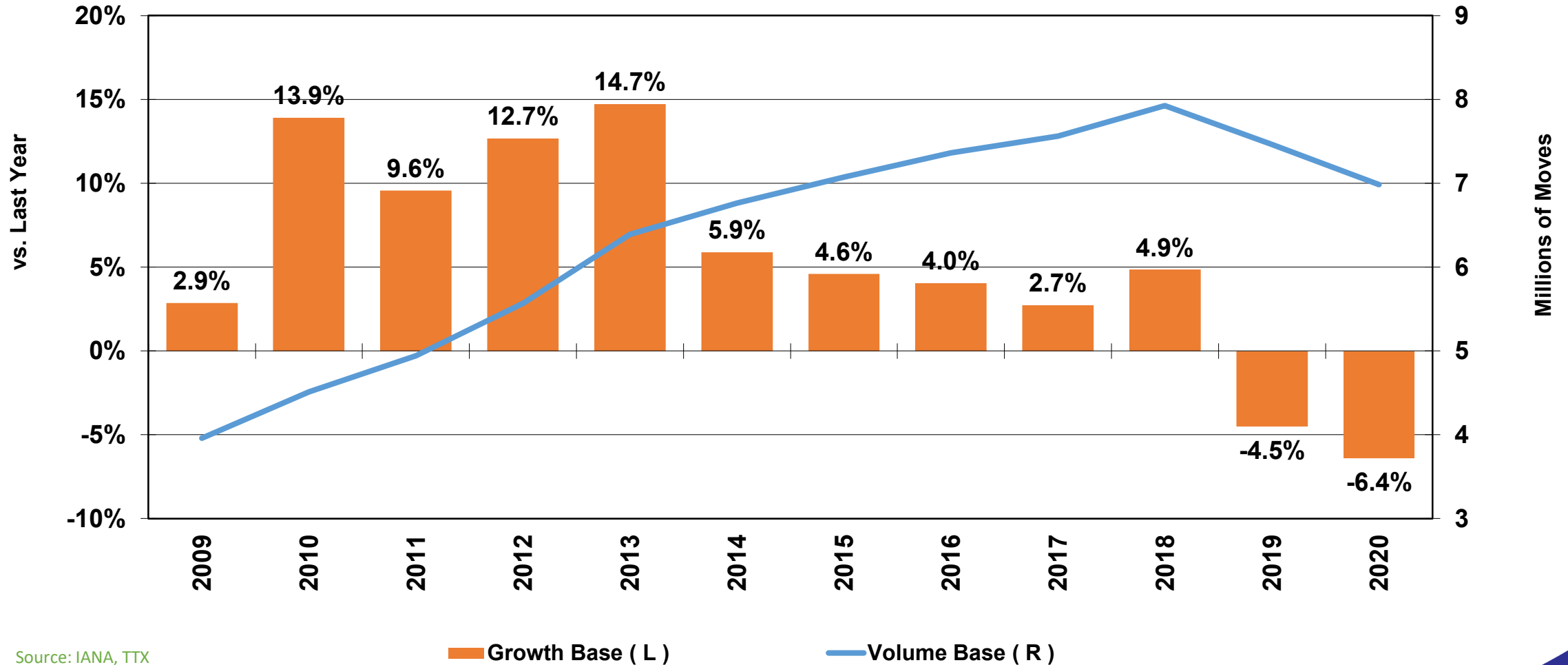


- US Private
- Marine (US/CDA/MEX)
- Railroad (US/CDA/MX)
- Other (tank, flat rack)
- CDA Private
- MX Private
- Reefer (US/CDA)

Source: TTX

# TTX forecasts DC market conditions may erode later in 2020

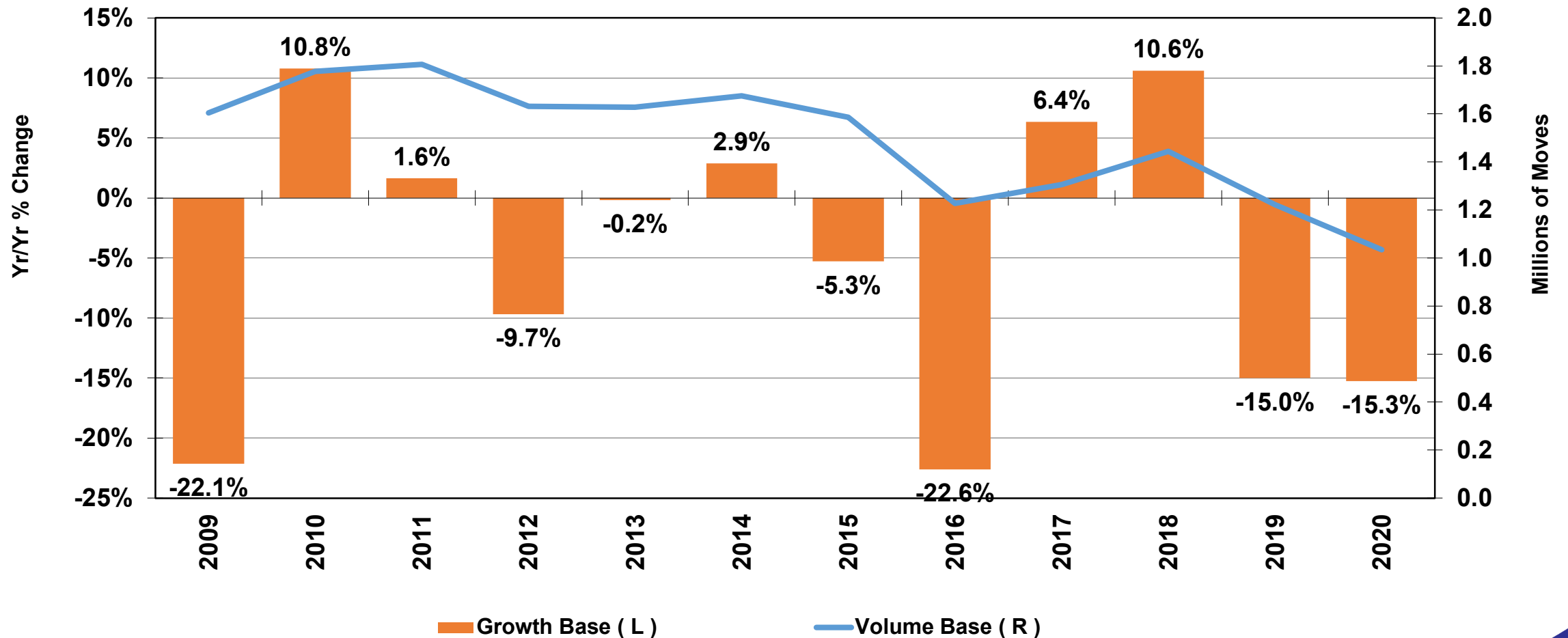
## North America Domestic Container Volume



Source: IANA, TTX

# E-commerce has somewhat offset COFC conversion losses

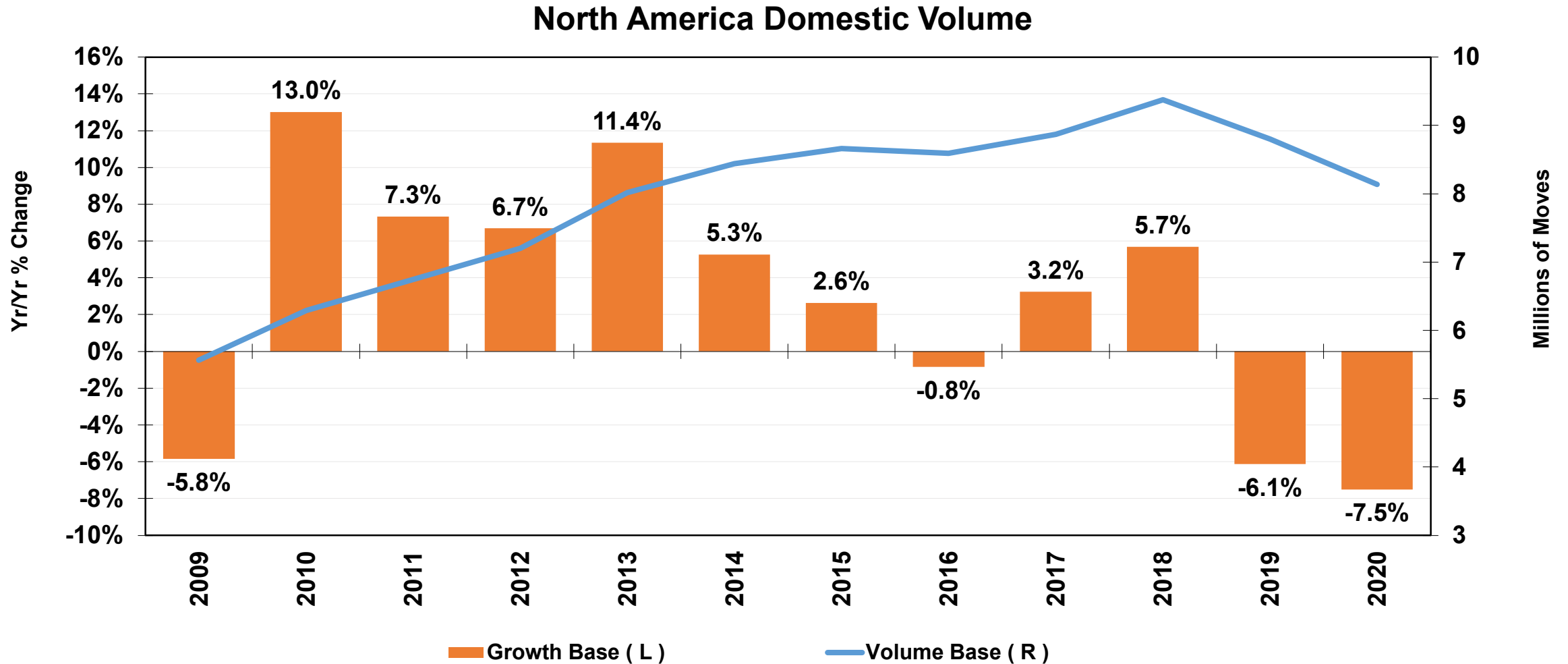
## North America Trailer Volume



Source: IANA, TTX



# Overall domestic volume is forecasted to decline again in 2020



A close-up, slightly blurred photograph of a person's hand resting on a black steering wheel. The background shows a road with white lane markings and greenery, suggesting a driving scene. The overall tone is professional and focused.

# What We're Watching

Economic growth and transportation demand will be a function of:

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- Path of COVID-19
- Government stimulus

# Q&A

Please type your questions  
in the control panel



For more information about **IANA** data,  
including and the

***ETSO Database***

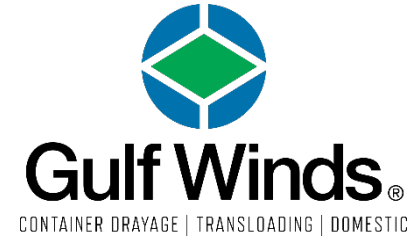
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