

Cass Freight Index Report

February 2013

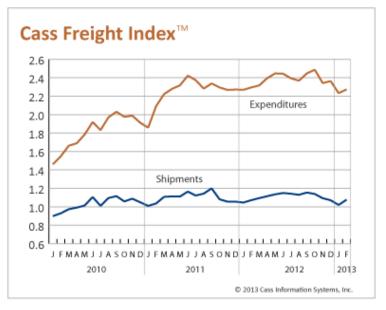


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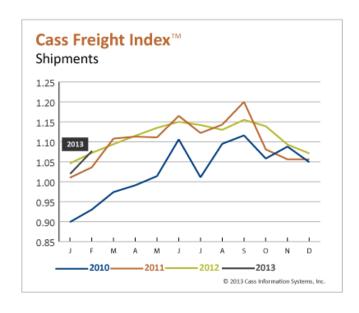
Growth in February freight volumes, but mixed economic indicators still make for unsettled 2013.

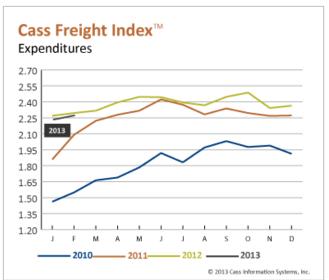
	Feb	Year- over-year	Month- to-
	2013	change	month
Shipments	1.077	0.5%	5.6%
Expenditures	2.273	-1.0%	1.8%

An increase in shipment volumes in February reversed a four-month downward slide, putting levels back on pace with 2012. Freight expenditures rose, meanwhile, but remained below same period 2012 levels. All modes have been experiencing up and down shifts in volume for the last eight months, with no signs of change in the coming months. Although there are some strong indicators of improvements in the economy, many of them do not translate to improvements in the freight



logistics market. Others signal weak demand for freight.





February Shipment Volumes

The 5.6% increase in shipments in February reversed last month's 4.8 percent sequential drop. This increase was enough to put freight shipments 0.5 percent ahead of February 2012 levels. The turn-around followed four consecutive months of declines, and still puts 2013 only 0.6 percent of December 2012. February's sharp

increase is partially due to the strong showing for rail over the last four weeks – carloadings are up 3.7 percent and intermodal units are up 6.9 percent over the preceding four weeks. Breaking it down week by week, however, demonstrates the uneven performance of the transportation sector; both carloadings and intermodal loadings were up two weeks and down two weeks. The most significant drop was 5.2 percent in intermodal loadings for the week ending February 28th. The ATA's truck tonnage index has shown growth during the last two periods (December and January), which would seem contrary to the trend in this index. The Cass shipments index is not a reflection of tonnage carried, so the two could vary for a variety of reasons. The most likely reason for the difference in the last few months is that the average weight of a shipment rose during the period. In addition, the trucking industry remains at near capacity and there was no indication of capacity pressure or truck shortages, suggesting that the same number of trucks were handling more tonnage per shipment. Anecdotal evidence also supports fuller loads for LTL carriers.

Total business inventory levels continue to rise. The values most used as barometers for inventory levels are retail inventories and the sales to inventory ratio (which also reflects retail sales). Prior to the start of the recession, changes in inventory handling were working their way through the supply chains. Retailers leaned their inventories, pushing back on wholesalers and manufacturers. By first quarter 2008, wholesale inventories had outpaced retail inventories for the first time since the series started in 1947, and the two have been diverging steadily since mid-2010. Retail inventories have grown slowly during the recovery, keeping pace with demand. Wholesale and manufacturing inventories, on the other hand, have been climbing steadily for the last two years. The relatively high levels of inventory in these two categories explain why production, new orders and order backlogs were eroding at the end of 2012. Exports and imports were both up in February, contributing to strong growth in TEUs at many ports.

February Freight Expenditures

Freight expenditures rose 1.8 percent in February, but still remain 1 percent below the same period last year. The weak performance of the economy has prevented carriers from implementing large rate increases. Most of February's growth in expenditures can be attributed to the heavier loads and fuel surcharges.

Although my GDP growth forecast for 2013 is still for low – probably below three percent – this month has produced a mixed bag of economic indicators. On the positive side for the transportation sector is housing – sales of new and existing homes picked up last month, and more importantly, building permits – an indicator of future construction – hit their highest level in four years; automobile and small truck sales have been strong for three months running; the Institute for Supply Management's PMI for manufacturing activity accelerated at the fastest pace in two years; and consumer sentiment is up despite hits to household income. On the negative side are the impact of the Sequester and resulting government spending cuts and personnel furloughs; the hike in payroll taxes; weak retail sales; high fuel prices; continued global economic decline; weak job growth and high unemployment; and rising operating costs. March should continue to look much the same as January and February for the freight transportation sector. The impact of government spending cuts will not hit all at once and will have long-term effects on the economy, but it is difficult to gauge them now.

Cass also releases truckload and intermodal linehaul cost indexes each month. Visit http://bit.ly/s9iniq to view or subscribe.

About The Cass Freight Index

The Cass Freight Index represents monthly levels of shipment activity, in terms of volume of shipments and expenditures for freight shipments. Cass Information Systems processes more than \$22 billion in annual freight payables on behalf of its clients. The Cass Freight Index is based upon the shipments of hundreds of Cass clients representing a broad spectrum of industries. The index uses January 1990 as its base month. Visit www.cassinfo.com/frtindex.html or call 314-506-5500 to get detailed information about the Cass Freight Index, including historical data.

About Rosalyn Wilson and Delcan Corporation

Analysis provided by Rosalyn Wilson, a nationally and internationally recognized supply chain expert, and senior business analyst with Delcan Corporation based in Vienna, Virginia. She has more than 30 years of experience in



the transportation and logistics field and is the author of the *Annual State of Logistics Report*[®], a widely-used analysis of the supply chain industry published by the Council of Supply Chain Management Professionals – a report which was created in 1988 by the late Robert V. Delaney, a former Cass executive. She is also the co-author of *Securing Global Transportation Networks*, a supply chain security reference and college textbook.

Delcan Corporation is a management consulting firm recognized by those in government and industry as a world leader in the transportation sector. Delcan advises top decision makers in the transportation sector on strategy, technology, program and project management, asset management, and finance and economics.



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