



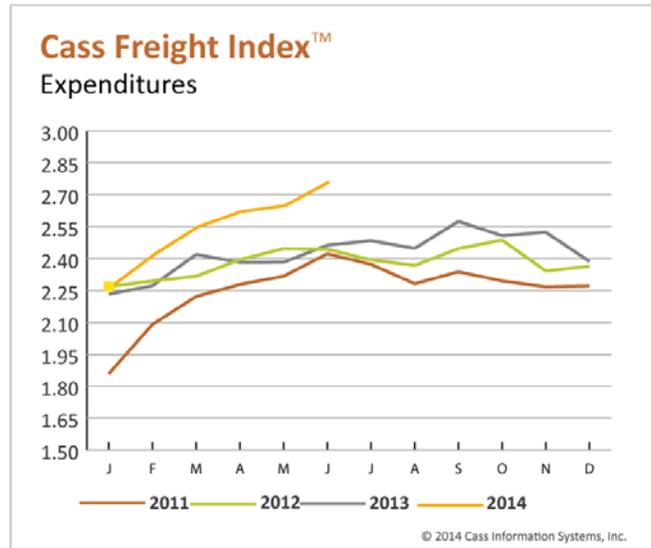
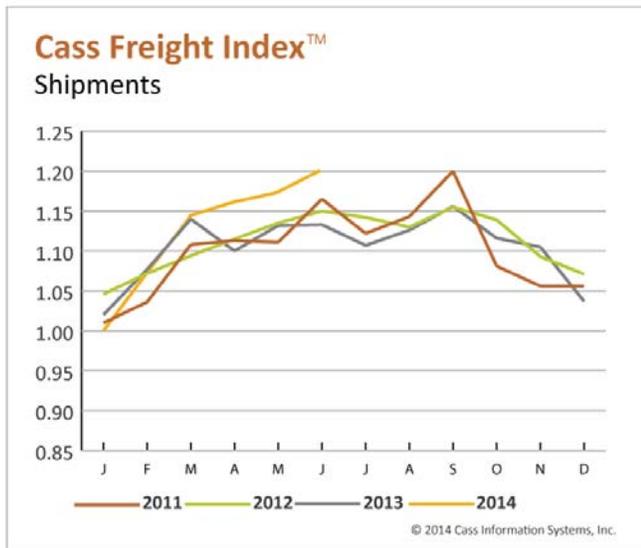
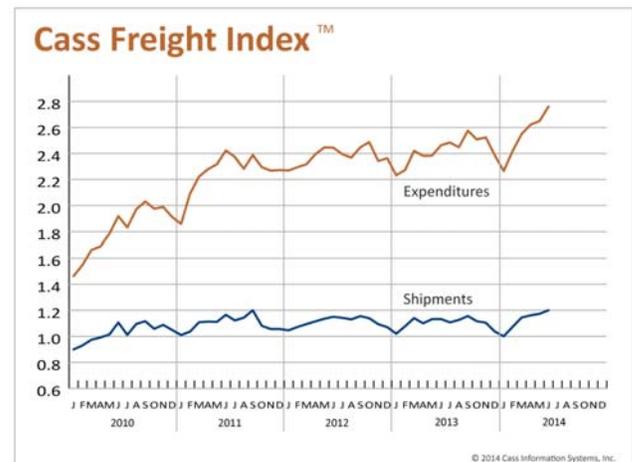
# CASS FREIGHT INDEX REPORT™

JUNE 2014

## Outlook for Freight Transportation Remains Strong for 2014

	June 2014	Year-over-year change	Month-to-month change
Shipments	1.201	+6.0%	+2.4%
Expenditures	2.760	+12.1%	+4.2%

The freight logistics sector continued to strengthen in June, with both shipment volumes and expenditures rising once again. Both indexes have increased every month since January. Although some measures of the overall economy indicate weakness, the freight sector has gained momentum throughout 2014.



## SHIPMENT VOLUMES

June shipment volumes increased 2.4 percent to the highest level since November 2007, just before the recession. Volumes were 6.0 percent higher than a year ago and are up 15.8 percent since the beginning of 2014. Construction and manufacturing activities - both drivers of demand for transportation services - have been rising for several months. The Institute for Supply Management's PMI® slipped just slightly from 55.4 to 55.3, but there was strong growth in the manufacturing of autos and construction equipment. New orders rose 3.5 percent, indicating that demand for transportation should remain strong for the next several months.

Despite record levels of new equipment orders, a lack of drivers is restricting growth in truck capacity. In tonnage terms, truck volume has been rising consistently in 2014 (according to the American Trucking Association). Railroad carload and intermodal traffic have posted solid gains..

## FREIGHT EXPENDITURES

The freight expenditures index rose 4.2 percent in June to 2.76, a record high. June 2014 freight spending was 12.1 percent higher than a year ago and is up 15.6 percent since the beginning of 2014. When you look at the truckload sector, the Cass Truckload Linehaul Index also shows that rates have been higher in each month of this year than last year. Rail rates have been on the rise since the beginning of the year, also pushing up transportation costs. The combination of tight capacity and higher shipment volumes will push expenditures up faster in the remainder of 2014.

## OVERALL PICTURE

The Commerce Department's third revision of GDP for the first quarter was dismal. It was revised downward for a second time to show that the economy shrank by 2.9 percent - the worst contraction in five years. The severe weather in January and February is partly to blame, but a sharp reduction in healthcare spending as the Affordable Care Act took effect, as well as the impact of the end of extended unemployment benefits, also curtailed GDP.

There is not necessarily a direct correlation between GDP and transportation. For instance, declining inventory levels and increasing imports are positives for the transportation sector but negatives for GDP. Despite some talk that the slowing and then contracting economy could signal another recession, the foundation and building blocks for a growing economy are stabilizing and growing. Sales of both new and existing homes are increasing, industrial and government construction have been up for the last several months, and manufacturing has been largely growing for close to a year. Retail sales have yet to show signs of significant growth, but they are not shrinking either, and consumer confidence levels have surpassed pre-recession levels. The current growth sectors in the economy depend on transportation services, so the outlook remains good for transportation.

## Other indexes published by Cass:

**Cass Truckload Linehaul Index** – measures fluctuations in U.S. truckload linehaul rates

**Cass Intermodal Price Index** – measures fluctuations in U.S. domestic intermodal costs

**Cass/INTTRA Ocean Freight Indexes** – measures fluctuations in U.S. import and export container volumes

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## 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 domestic freight 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](http://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 Parsons



Analysis is provided by Rosalyn Wilson, a nationally and internationally recognized supply chain expert, and senior business analyst with Parsons, where she leads the Real-Time Freight Intelligence (RTFI) team providing freight insight, analysis and near real-time data to the public sector, shippers and carriers, industrial real estate companies, and the finance community. She has more than 35 years of experience in transportation and logistics, particularly transportation economics and supply chain security. Roz is the author of the 25-year old Annual State of Logistics Report<sup>®</sup>, sponsored by the Council of Supply Chain Management Professionals (CSCMP) and Penske. She also provides analytical commentary for Cass Information Systems' monthly Freight Indexes and the

CASS/INTTRA Ocean Freight Indexes. She is co-author of *Securing Global Transportation Networks*, a supply chain security reference and college textbook.



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