



// INDUSTRY INSIGHT REPORT: Q2 2019

TRANSPLACE

We're halfway through 2019, and our Q2 Industry Insight Report is here to provide you with an overview of the current state of transportation. Throughout the second quarter of 2019, events such as the annual Roadcheck inspection and the potential of international tariffs have directly impacted the industry—and it's critical for shippers to stay informed to keep ahead of the curve.

From the current capacity landscape, trucking and rate trends and economic outlook to vertical insights and much more—this report has all of the information that you need to successfully navigate this ever-changing industry while also working to optimize your organization's supply chain for the rest of 2019 and beyond.

TABLE OF CONTENTS

5

Current Truckload Rates

9

Current Capacity Conditions

10

Truck Tonnage Index

11

Intermodal and Rail

13

Less-Than-Truck Load Industry Update

14

Economic Landscape

Manufacturing

Housing

Auto

Retail

17

Driver Pay

18

Capacity

Industry Challenges

Overcoming a Tight Market

IN THIS EDITION, WE'D LIKE TO ACKNOWLEDGE THE FOLLOWING SOURCES:

DAT

Morgan Stanley

Association of American Railroads

Intermodal.org

Institute for Supply Chain Management

Trading Economics

MacroTrends

American Trucking Association

Bureau of Labor Statistics

Indeed.com

CURRENT TRUCKLOAD RATES

National Van Demand and Capacity

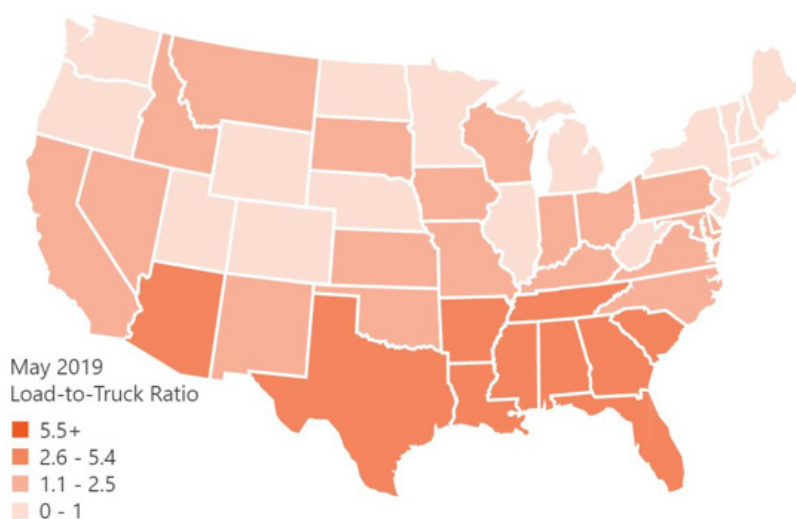
The start of June often brings higher truckload rates, and this year was no exception. Events such as the annual Roadcheck inspection played a role, as truck availability was limited by the three-day law enforcement event.

As a result, the national average rates for vans, flatbeds and reefers are well above May levels.



National Spot Rates: Van, Flatbed, Reefer

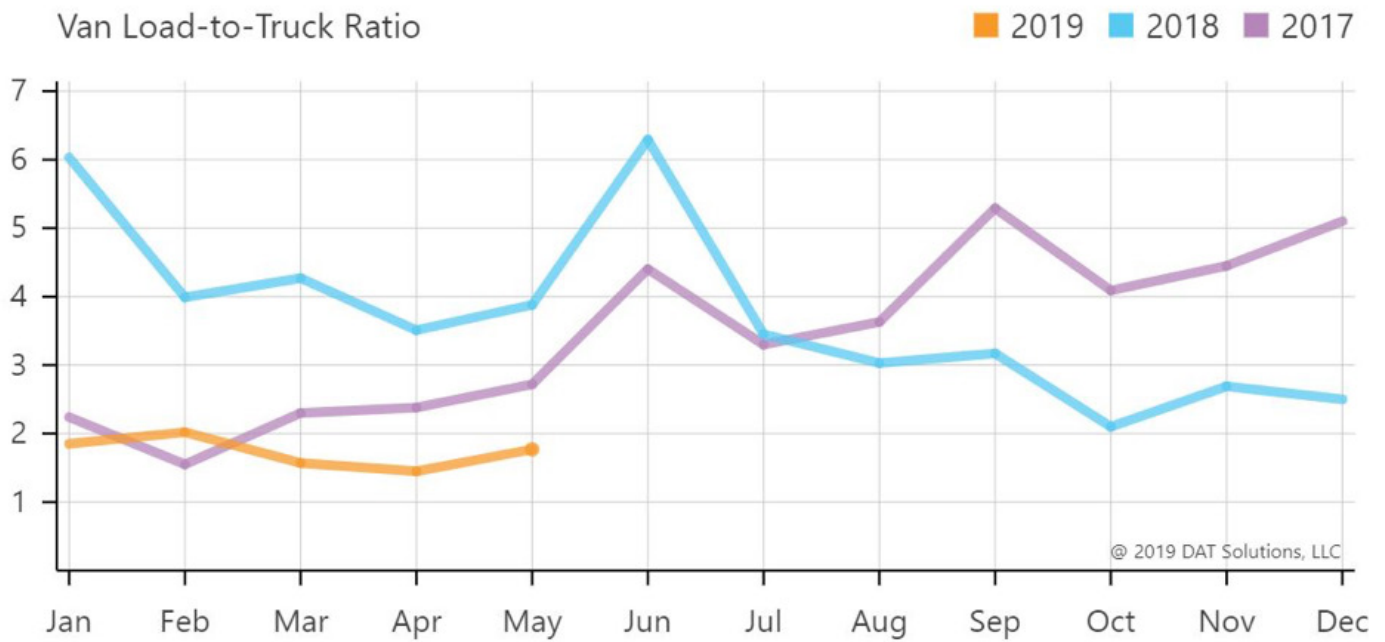
Source: DAT



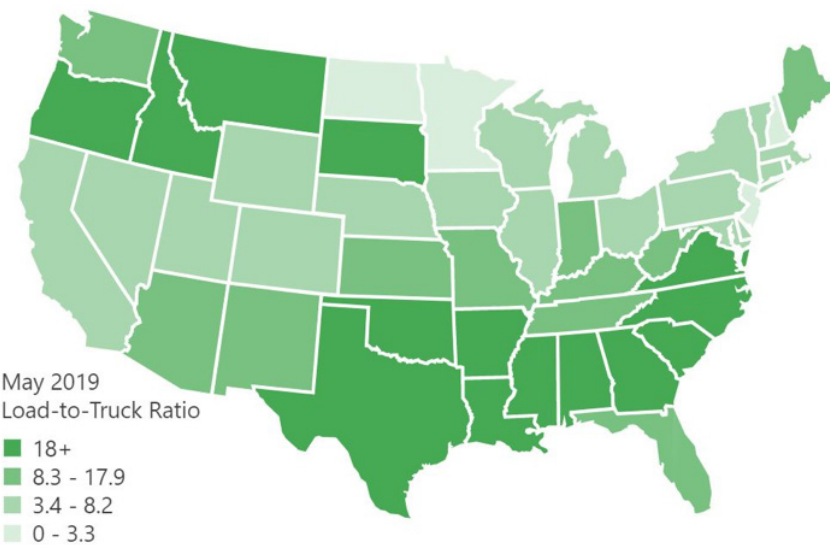
For the week of June 3rd, the van load-to truck ratio rose to 3.9 van loads per truck. Trucks were hard to find in the southern states.

Source: DAT

Van Load-to-Truck Ratio



Source: DAT

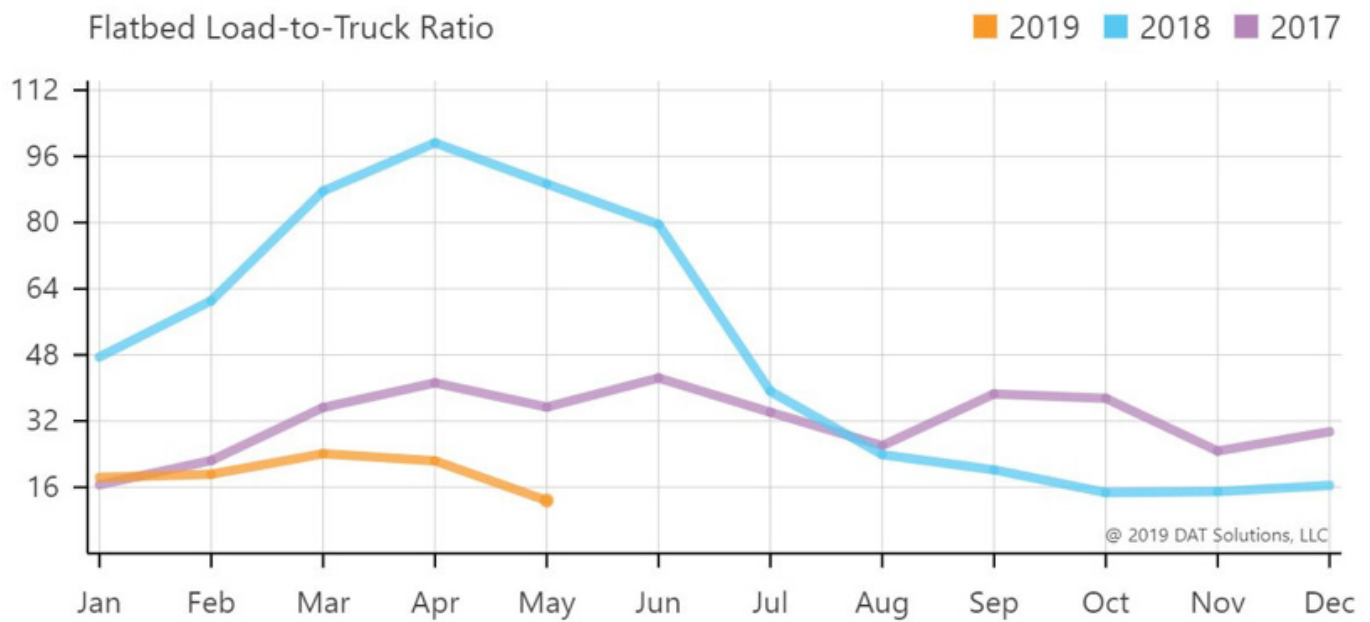


Source: DAT

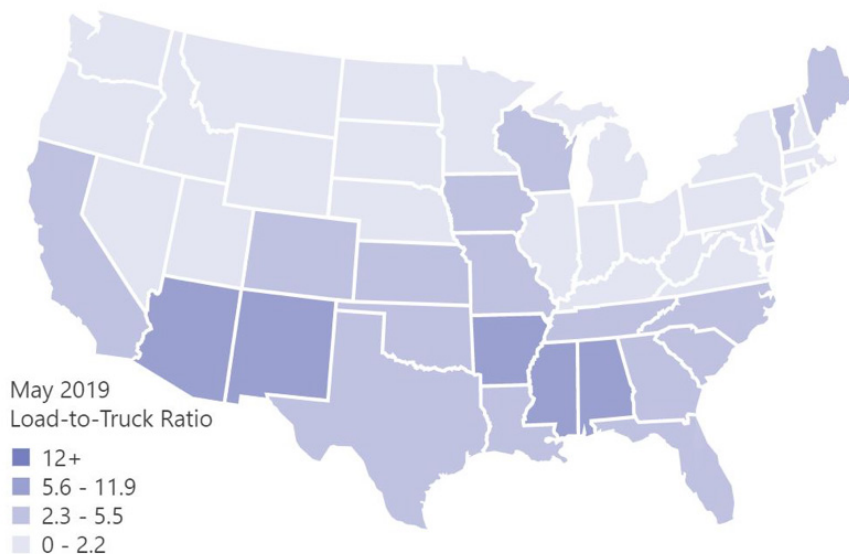
National Flatbed Demand and Capacity

The national flatbed load-to-truck ratio increased to 14.4 during the week of May 27th.

Flatbed Load-to-Truck Ratio



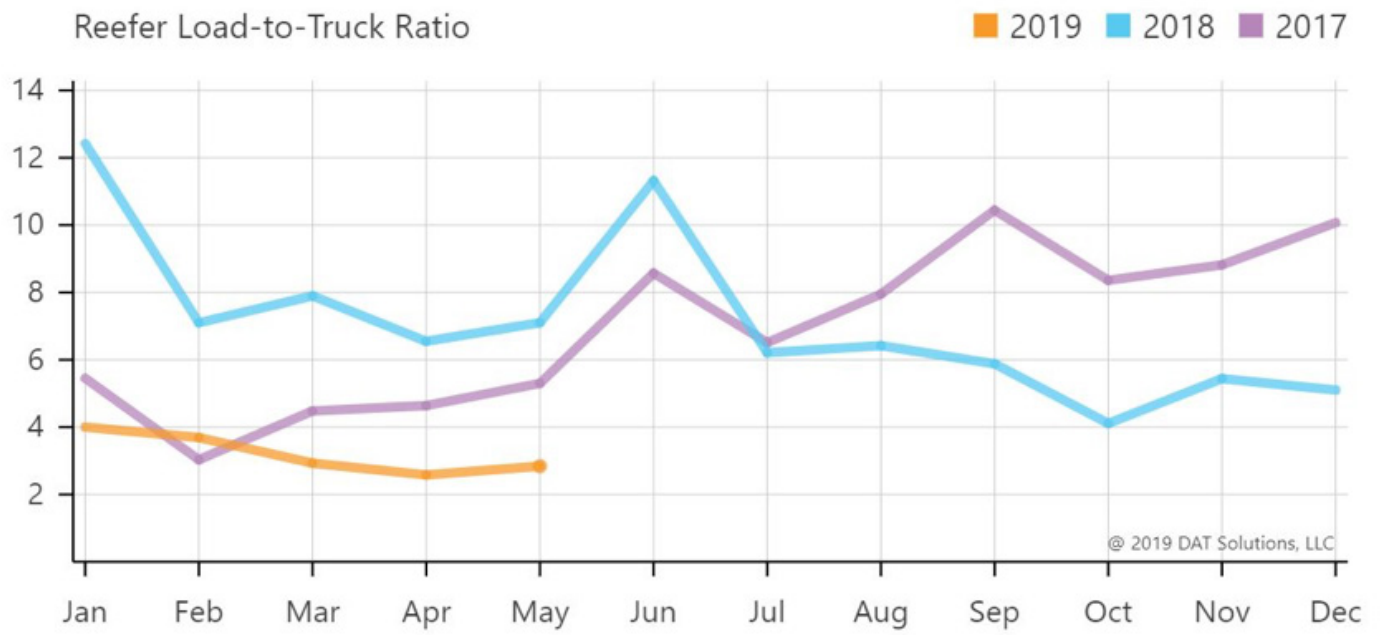
Source: DAT



Source: DAT

National Reefer Demand and Capacity

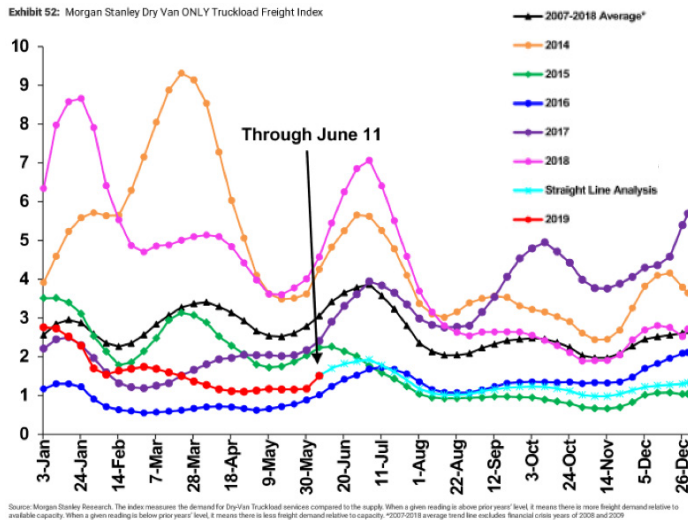
For the week of June 3rd, the national average load-to-truck ratio for reefers increased 67% to 6.4 loads per truck.



Source: DAT

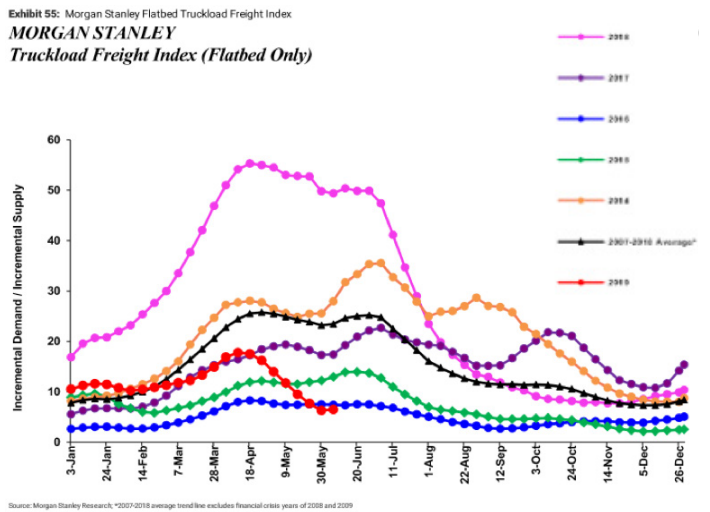
CURRENT CAPACITY CONDITIONS

Truckload Dry Van Demand and Capacity



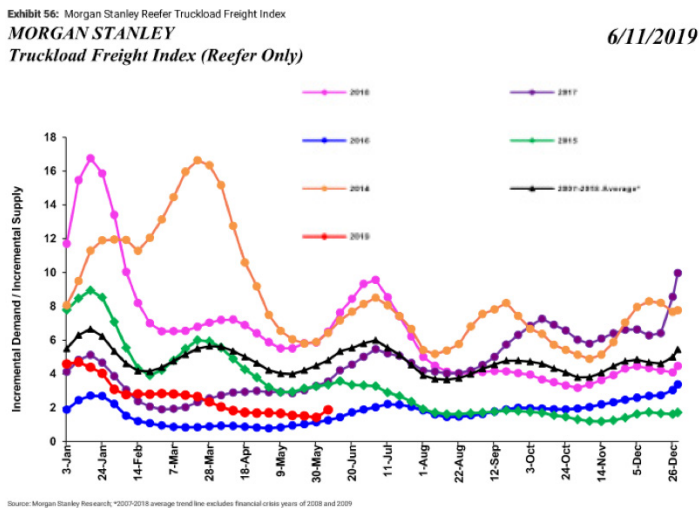
Source: Morgan Stanley

Truckload Flatbed Demand and Capacity



Source: Morgan Stanley

Truckload Refrigerated Demand and Capacity

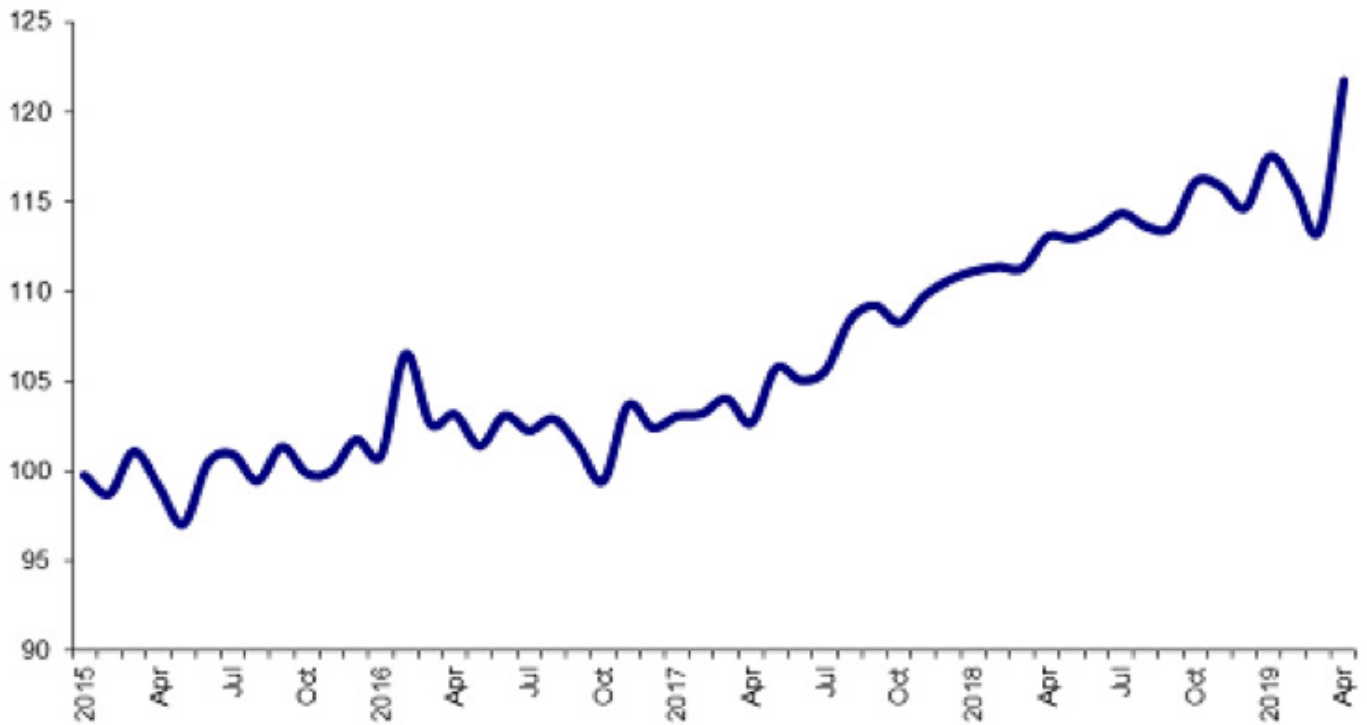


Source: Morgan Stanley

TRUCK TONNAGE INDEX

The American Trucking Associations' advanced seasonally adjusted For-Hire Truck Tonnage Index improved 7.4% in April after decreasing 2% in March. In April, the index was 121.8 compared with 113.4 in March.

**ATA's Truck Tonnage Index
(Seasonally Adjusted; 2015 = 100)**



Source: American Trucking Association

INTERMODAL AND RAIL

U.S. Rail Traffic¹
Week 23, 2019 – Ended June 8, 2019

	This Week		Year-To-Date		
	Cars	vs 2018	Cumulative	Avg/wk ²	vs 2018
Total Carloads	246,758	-9.1%	5,775,582	251,112	-2.7%
Chemicals	32,353	2.1%	743,309	32,318	-0.1%
Coal	71,526	-15.9%	1,791,407	77,887	-5.2%
Farm Products excl. Grain, and Food	15,319	-9.6%	358,953	15,607	-3.5%
Forest Products	9,530	-7.7%	229,002	9,957	-1.9%
Grain	21,213	-8.7%	504,978	21,956	-4.9%
Metallic Ores and Metals	22,440	-7.8%	499,819	21,731	-3.5%
Motor Vehicles and Parts	15,752	-12.5%	376,479	16,369	-2.8%
Nonmetallic Minerals	35,087	-13.9%	763,306	33,187	-5.9%
Petroleum and Petroleum Products	13,351	21.3%	293,178	12,747	24.1%
Other	10,187	1.1%	215,151	9,354	0.0%
Total Intermodal Units	266,341	-8.0%	6,114,628	265,853	-2.7%
Total Traffic	513,099	-8.5%	11,890,210	516,966	-2.7%

¹ Excludes U.S. operations of Canadian Pacific, CN and GMXT.

² Average per week figures may not sum to totals as a result of independent rounding.

Source: Association of American Railroads

Canadian Rail Traffic¹
Week 23, 2019 – Ended June 8, 2019

	This Week		Year-To-Date		
	Cars	vs 2018	Cumulative	Avg/wk ²	vs 2018
Total Carloads	84,023	1.5%	1,878,597	81,678	2.7%
Chemicals	11,956	0.5%	287,652	12,507	2.6%
Coal	7,208	-5.4%	178,800	7,774	5.3%
Farm Products excl. Grain, and Food	8,284	14.4%	163,589	7,113	-0.6%
Forest Products	6,771	-13.2%	162,335	7,058	-3.7%
Grain	8,623	-2.6%	199,645	8,680	4.0%
Metallic Ores and Metals	15,147	6.4%	351,284	15,273	2.7%
Motor Vehicles and Parts	5,617	-2.9%	125,797	5,469	1.4%
Nonmetallic Minerals	8,221	-3.6%	155,916	6,779	-11.3%
Petroleum and Petroleum Products	10,732	18.3%	220,334	9,580	24.4%
Other	1,464	-16.6%	33,245	1,445	-6.8%
Total Intermodal Units	69,961	1.0%	1,572,890	68,387	1.6%
Total Traffic	153,984	1.3%	3,451,487	150,065	2.2%

¹ Includes U.S. operations of Canadian Pacific and CN.

² Average per week figures may not sum to totals as a result of independent rounding.

Source: Association of American Railroads

For the week ending on June 8th, the total U.S. weekly rail traffic was 513,099 carloads and intermodal units, down 8.5% compared with the same time in 2018.

Canadian railroads reported 84,023 carloads for the week ending on June 8th, up 1.5%, and 69,961 intermodal units overall. This is an increase of 1% compared with the same week last year.

Mexican Rail Traffic¹

Week 23, 2019 – Ended June 8, 2019

	This Week		Year-To-Date		
	Cars	vs 2018	Cumulative	Avg/wk ²	vs 2018
Total Carloads	21,740	-2.4%	461,257	20,055	-4.4%
Chemicals	1,180	7.3%	22,078	960	-7.2%
Coal	26	-73.7%	2,483	108	-25.9%
Farm Products excl. Grain, and Food	2,246	6.0%	46,711	2,031	-2.2%
Forest Products	25	56.3%	540	23	-26.9%
Grain	2,649	-2.4%	48,962	2,129	-0.6%
Metallic Ores and Metals	3,774	-13.7%	98,988	4,304	-6.8%
Motor Vehicles and Parts	5,386	4.0%	104,114	4,527	-0.2%
Nonmetallic Minerals	4,230	-2.7%	93,611	4,070	-2.8%
Petroleum and Petroleum Products	1,002	-7.1%	19,726	858	-25.1%
Other	1,222	-1.8%	24,044	1,045	-2.4%
Total Intermodal Units	17,841	-3.7%	382,183	16,617	-4.1%
Total Traffic	39,581	-3.0%	843,440	36,671	-4.3%

¹ Includes U.S. operations of GMXT.

² Average per week figures may not sum to totals as a result of independent rounding.

Source: Association of American Railroads

North American Rail Traffic

Week 23, 2019 – Ended June 8, 2019

	This Week		Year-To-Date		
	Cars	vs 2018	Cumulative	Avg/wk ¹	vs 2018
Total Carloads	352,521	-6.4%	8,115,436	352,845	-1.6%
Chemicals	45,489	1.8%	1,053,039	45,784	0.4%
Coal	78,760	-15.1%	1,972,690	85,769	-4.4%
Farm Products excl. Grain, and Food	25,849	-1.8%	569,253	24,750	-2.6%
Forest Products	16,326	-10.0%	391,877	17,038	-2.7%
Grain	32,485	-6.7%	753,585	32,765	-2.4%
Metallic Ores and Metals	41,361	-3.7%	950,091	41,308	-1.7%
Motor Vehicles and Parts	26,755	-7.6%	606,390	26,365	-1.5%
Nonmetallic Minerals	47,538	-11.4%	1,012,833	44,036	-6.5%
Petroleum and Petroleum Products	25,085	18.6%	533,238	23,184	21.3%
Other	12,873	-1.5%	272,440	11,845	-1.1%
Total Intermodal Units	354,143	-6.1%	8,069,701	350,857	-1.9%
Total Traffic	706,664	-6.2%	16,185,137	703,702	-1.8%

¹ Average per week figures may not sum to totals as a result of independent rounding.

Source: Association of American Railroads

Mexican railroads reported 21,740 carloads for the week ending on June 8th, down 2.4% compared with the same week in 2018, and 17,841 intermodal units, which is a drop of 3.7%.

North American rail volume for the week ending on June 8, 2019, totaled 352,521 carloads, a drop of 6.4% compared with the same time in 2018, and 354,143 intermodal units, down 6.1%.

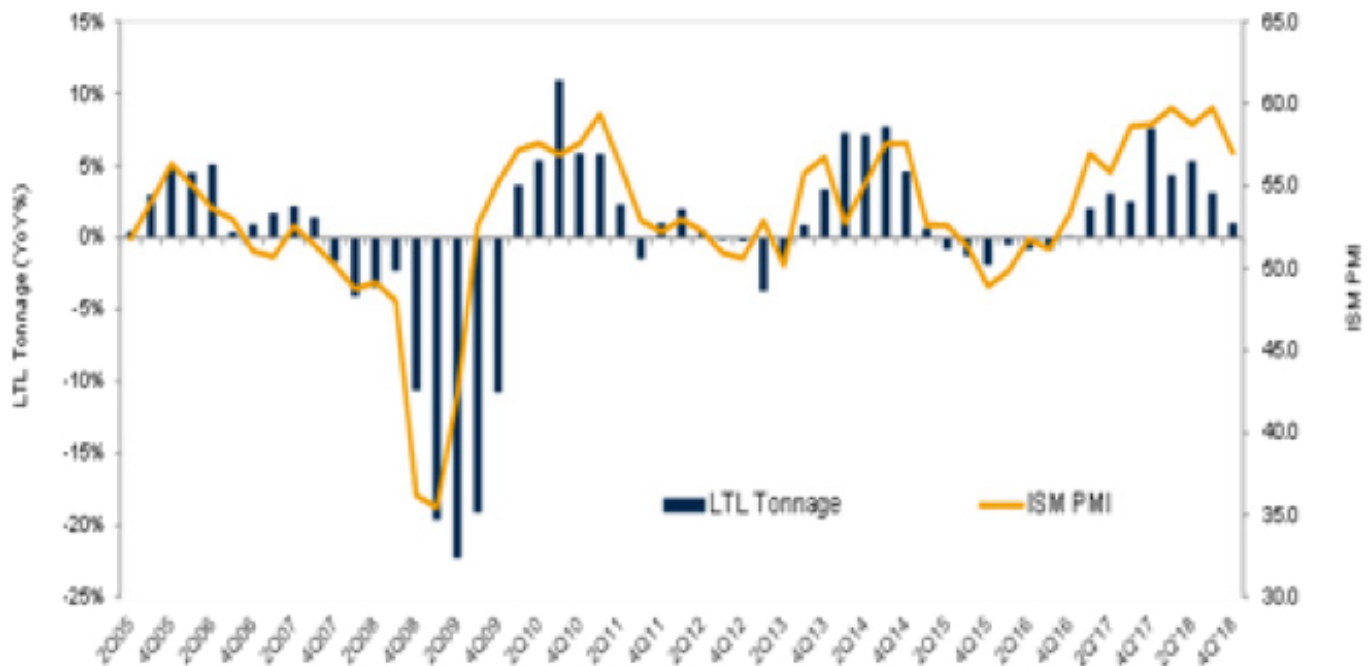
LESS-THAN-TRUCKLOAD INDUSTRY UPDATE

In 2018 less-than-load (LTL) channels were all operating at or over capacity, but in 2019, tonnage is declining and networks are beginning to balance back out. In addition, carriers have been more strategic in the freight they are moving in order to drive profitability and reduce claims as the LTL industry remains price disciplined.

Despite slowing tonnage, LTL carriers remain very disciplined, and expect 2019 contractual increases to be in the 3% to 6% range. Carriers are also increasing their use of dimensioners to better understand the cost of hauling particular shipments; which is resulting in "right sizing" pricing, as density is a primary factor for LTL pricing.

E-commerce growth, makes up 17% of retail today and is expected to double by the end of 2019, which will place massive pressure on LTL carriers and shippers seeking available capacity.

The average weight per shipment is declining, primarily as a result of less TL spillover due to the softening of the TL market and an increase in shipment counts.



ECONOMIC LANDSCAPE

Manufacturing

The Manufacturing Index is currently at 52.1 and the sector expanded in May of 2019. According to the Manufacturing ISM® Report on Business®, the overall economy grew for the 121th consecutive month.

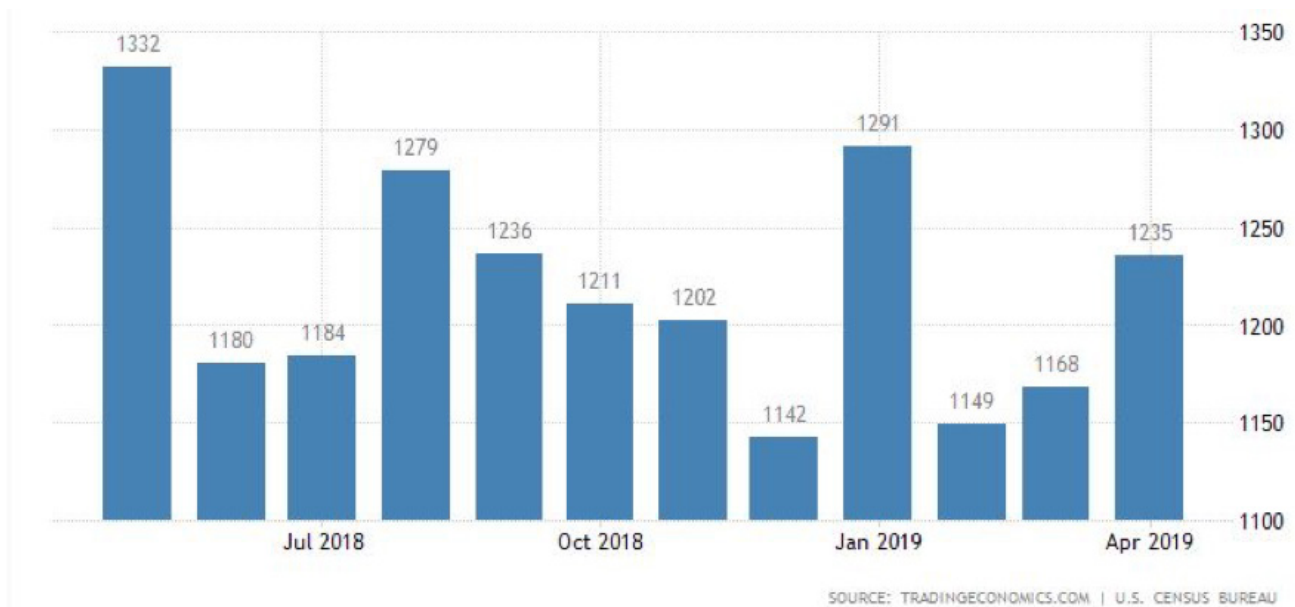
MANUFACTURING AT A GLANCE MAY 2019

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	52.1	52.8	-0.7	Growing	Slower	33
New Orders	52.7	51.7	+1.0	Growing	Faster	41
Production	51.3	52.3	-1.0	Growing	Slower	33
Employment	53.7	52.4	+1.3	Growing	Faster	32
Supplier Deliveries	52.0	54.6	-2.6	Slowing	Slower	39
Inventories	50.9	52.9	-2.0	Growing	Slower	17
Customers' Inventories	43.7	42.6	+1.1	Too Low	Slower	32
Prices	53.2	50.0	+3.2	Increasing	From Unchanged	1
Backlog of Orders	47.2	53.9	-6.7	Contracting	From Growing	1
New Export Orders	51.0	49.5	+1.5	Growing	From Contracting	1
Imports	49.4	49.8	-0.4	Contracting	Faster	2
OVERALL ECONOMY				Growing	Slower	121
Manufacturing Sector				Growing	Slower	33

Source: Institute for Supply Chain Management

Housing

U.S. housing starts rose 5.8% month-over-month to an annualized rate of 1,235 in April of 2019, which followed a 1.7% increase in March 2019.



Source: Trading Economics

Automotive

The current sales rate for autos and light trucks as of May 2019 was 17.31 million.



Source: MacroTrends

RETAIL INDUSTRY UPDATE

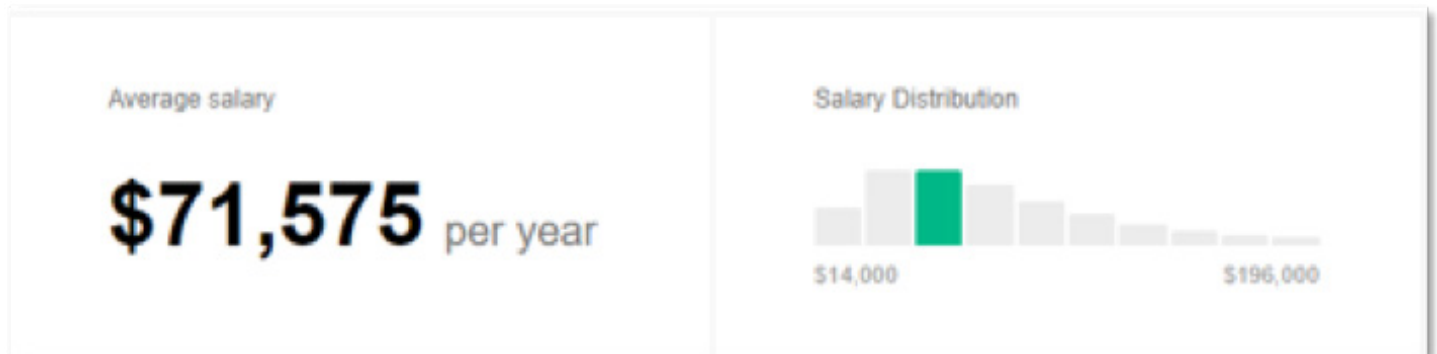
U.S. retail trade increased 0.2% in April 2019, which followed a 1.7% increase in March. Excluding automobiles, gasoline, building materials and food services, retail sales were even in April after a 1.1% increase in March.



Source: Trading Economics

DRIVER PAY

The driver shortage, which is estimated to be at a deficit of 50,000 to 60,000 drivers by the end of 2019, is primarily an issue in the over-the-road long haul area. Today, the average salary for a class 8 trucker is \$71,575 per year, but a recent study by the Bureau of Labor Statistics reported that driver pay, adjusted for inflation should be \$110,000+ per year. The driver shortage remains a significant challenge and will continue to have an impact on trucking capacity as it climbs.



Source: Indeed

CAPACITY CHALLENGES & STRATEGIES



Key Contributors for Capacity Challenges

- Large volume power lanes
- Walmart OTIF and other large retailer on-time requirements and fines
- Seasonal and promotional surges
- Year-end/quarter-end surges
- Production challenges/swings
- Limited carrier bases
- Constrained pick-up/delivery times
- Updating failing route guides



Thinking Ahead: Overcome Capacity Constrains

- Route guide optimization
- Collaborative optimization
- Dynamic continuous moves
- Matching networks to help drive inbound capacity
- Optimal modes of transportation
- Collaboration with facilities, receivers and departments
- Working with customers/production planning teams to improve accurate forecasts
- Tracking metrics and taking action

ABOUT TRANSPLACE



Transplace is the leading provider of transportation management services and logistics technology, helping manufacturers, retailers and distributors optimize supply chain operations and increase financial performance. Offering a complete suite of transportation management, strategic capacity, and cross-border & global trade services, Transplace's customizable logistics solutions and best-in-class technology gives businesses greater control of their transportation operations and enhanced visibility of shipments and overall supply chain performance. With deep expertise in key vertical markets, including consumer packaged goods, manufacturing, retail and chemicals, Transplace works to strategically design and manage customer networks in the most efficient, cost-effective manner. As North America's largest transportation management provider, Transplace leverages its entire network to solve large-scale, complex supply chain problems for its customers. From small-to-medium businesses to global brands, Transplace delivers the optimal blend of actionable business intelligence and operational excellence you need to manage your supply chain with certainty.