



Economics & Statistics Group

MONTHLY TRUCK TONNAGE REPORT

Economics & Statistics Department

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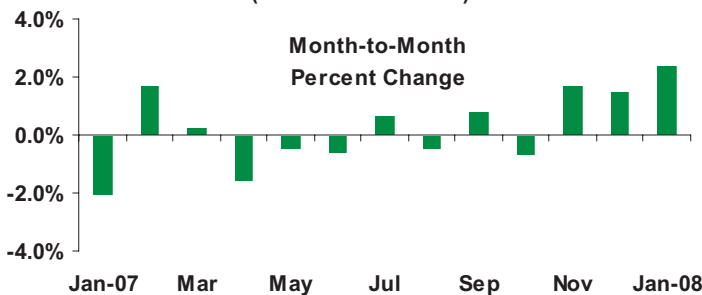
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The American Trucking Associations' seasonally adjusted (SA) For-Hire Truck Tonnage Index jumped 2.4 percent in January, marking the third consecutive monthly gain. Despite December's originally reported 4.1 percent increase being revised down to a 1.5 percent uptick, the SA index has dimmed a total of 5.7 percent over the past three months. The SA index now stands at 117.3 (2000=100), its highest level since November 2005.

Our not seasonally adjusted (NSA) truck tonnage index, which represents the freight volumes that motor carriers actually reported to ATA and is absent of any adjustment for reoccurring seasonal factors, rose 11.4 percent in January, to 113.6 (2000=100).

Figure 1 highlights the volatility in truck freight volumes over the past thirteen months. In order to minimize the volatility in the overall SA index and to get a clearer picture of the direction of tonnage, we utilize the 12-month moving average. The SA 12-month moving average tonnage index improved for the third straight month, increasing 0.4 percent in January. The 12-month moving average index currently stands at an 8-month high of 112.5 (see Figure 2).

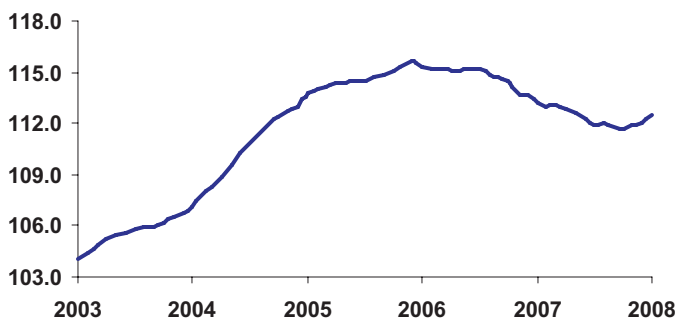
Figure 1: Seasonally Adjusted Truck Tonnage Index (Jan 2007 - Jan 2008)



Source: Economics & Statistics Dept., ATA

On a year-over-year (y-o-y) basis, the SA tonnage index surged 5.3 percent in January, marking the third consecutive y-o-y gain in the index. Prior to the current string of increases, tonnage volumes trailed year-earlier levels in six of the last seven months.

Figure 2: Seasonally Adjusted Truck Tonnage Index (12-Month Moving Average; 2000=100)



Source: Economics & Statistics Dept., ATA

ATA's Adjusted Monthly Truck Tonnage Index

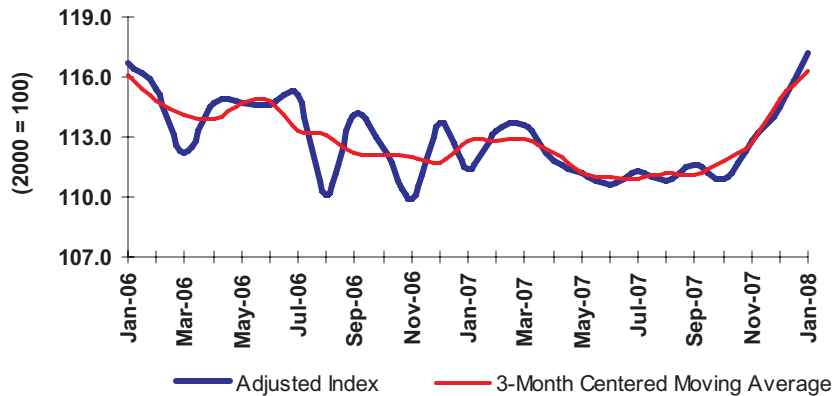
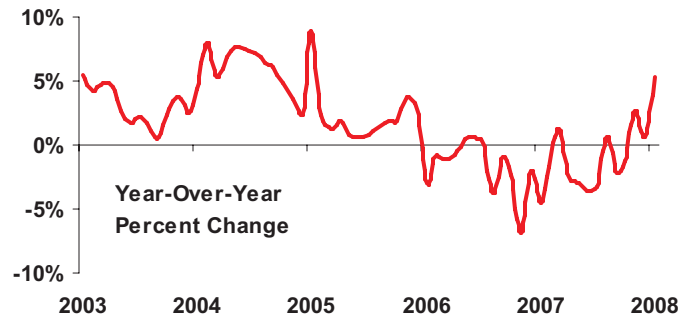


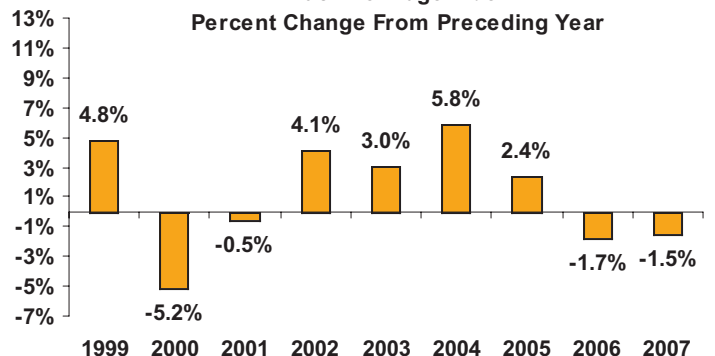
Figure 3: ATA's Seasonally Adjusted Truck Tonnage Index; Through January 2008



Source: Economics & Statistics Dept., ATA

After revising the tonnage data back five years, ATA found that 2007 tonnage volumes were 1.5 percent lower than 2006 levels, slightly larger than the originally reported 1.4 percent drop. The SA tonnage index decreased 1.7 percent in 2006. Figure 4 displays the year-to-year changes in tonnage levels since 1999.

Figure 4: ATA's Seasonally Adjusted Truck Tonnage Index: Percent Change From Preceding Year



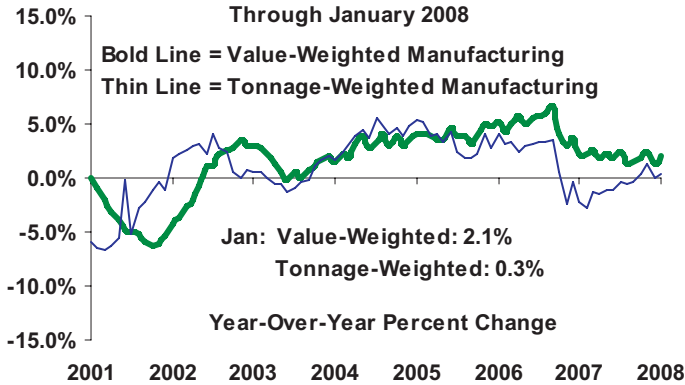
Source: Economics & Statistics Dept., ATA

Figure 5 compares the Federal Reserve's manufacturing index with the ATA-calculated tonnage-weighted manufacturing production index. (ATA re-weights manufacturing output based on its importance to truck tonnage, as opposed to value, which yields a more accurate indicator for the trucking industry.) In January, truck tonnage-weighted manufacturing production was unchanged from December and increased just 0.3



percent from January 2007. The ATA manufacturing index has increased on a year-over-year basis in three of the last four months after decreasing for eleven consecutive months. Moreover, the ATA manufacturing index contracted 0.8 percent for all of 2007, coinciding with the 1.5 percent contraction in ATA's For-Hire Truck Tonnage Index and reflecting the fact that production of heavier flatbed freight (e.g., building materials) is down significantly. In fact, the number of flatbed loads hauled in 2007 was down 5.8 percent from a year earlier. It is evident that the huge slowdown in the housing sector has impacted flatbed carriers. The latest data on flatbed freight (and other truckload sectors) are available in ATA's monthly *Trucking Activity Report (TRAC)*.

Figure 5: Manufacturing Production Through January 2008



Sources: The Federal Reserve and ATA

Despite the recent improvement in our SA tonnage index, we feel that it is too early to conclude that freight volumes have bottomed out, particularly given the weak economic environment. Furthermore, the latest anecdotal evidence points to soft truck movements in February.

On a related note, in its latest *Beige Book* report, which covers January and February, the Fed made several references to lackluster trucking activity, including the following statements: "Trucking executives reported freight volume has declined somewhat over the past six weeks and they anticipate little change in the upcoming months. Nevertheless, a few contacts believe a turnaround might occur in the second half of 2008."

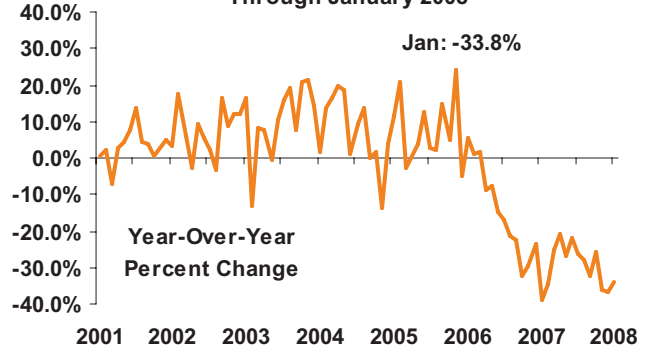
We also believe that there will be some improvement in truck volumes in the second half of the year as the fiscal stimulus begins to work its way through the economy. The President recently signed a fiscal package worth \$152 billion in 2008 (roughly 1 percent of GDP) with the majority of it being disbursed in rebate checks to consumers by mid-year. The rebate checks are targeted to low and moderate income families, which are more likely to spend the money. Therefore, we are optimistic that this targeted fiscal package of 2008, coupled with the size of the rebate checks (e.g., \$1,800 for a family with 2 kids and a 2007 adjusted growth income of less than \$150,000), will pump much needed cash into the economy. Since trucking hauls the vast majority of goods, anything that gives the economy a boost would be beneficial for our industry. Until then, though, economic activity is likely to be weak.

To that point, the Institute for Supply Management's index of manufacturing activity slipped below the significant 50.0 percent growth threshold for the second time in three months, falling 2.4 points in February to 48.3 percent. A reading below 50.0 percent corresponds to a contraction in manufacturing activity.

Staying with manufacturing, the Commerce Department reported that new orders of manufactured goods plummeted 2.5 percent in January, although much of the decrease was attributable to transportation equipment, which fell 13 percent during the month. Aircraft orders, which are highly volatile, dropped 30.4 percent on the month. Excluding transportation equipment, new orders still decreased 0.4 percent in the first month of the year.

The housing market correction continued in January as single-family housing starts fell 5.2 percent from December to their lowest level since the early 1990s. Starts were also down 33.8 percent from January 2007. Single-family housing permits, which are an indicator of future starts, dropped 4.1 percent from December and 40.3 percent from a year earlier. Unfortunately, the latest numbers suggest that a bottom in the housing market has yet to be reached.

Figure 6: Single-Family Housing Starts Through January 2008

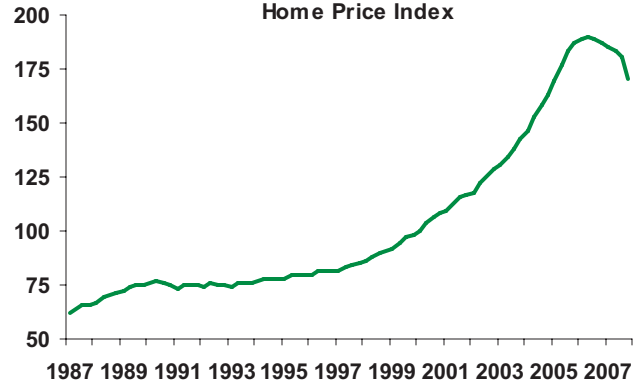


Source: U.S. Census Bureau, U.S. Department of Commerce

Recent residential sales data were also very bleak. New home sales in January plunged to their lowest level since the mid 1990s and were down nearly 34 percent from the previous year. Similarly, sales of existing homes decreased for the sixth consecutive month in January and now stand at their lowest level since October 1999. Both new and existing home sales are likely to fall further before bottoming out.

In other housing news, the S&P/Case-Shiller national home price index slid 5.4 percent from the third quarter 2007 to the fourth quarter of the same year. That placed the index at its lowest level since the first quarter of 2005. Home prices are expected to fall further in the coming quarters and are not likely to hit bottom until 2009, which would mark their steepest drop in over 50 years.

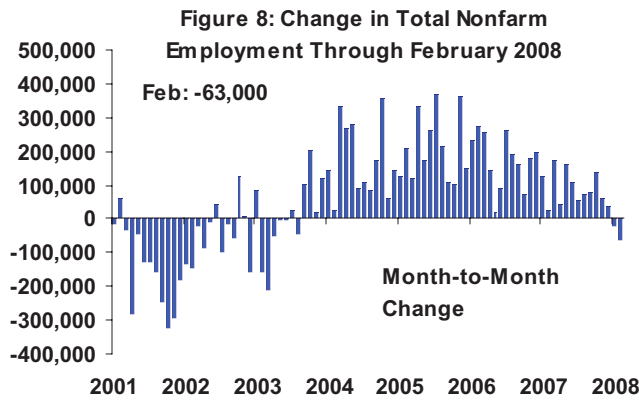
Figure 7: S&P/Case-Shiller U.S. National Home Price Index



Source: S&P/Case-Shiller

According to the U.S. Department of Labor, employers slashed 63,000 jobs (net) in February, which was the second sequential loss and the largest monthly reduction since March 2003. February's dismal employment report, which also included significant downward revisions to the December and January jobs data, confirmed that the economy has been contracting over the past few months.

The for-hire trucking industry cut 2,800 jobs in February, making it the fifth consecutive month of job reductions for this sector. Motor carriers trimmed payrolls by a total of 3,600 in the first two months of 2008. Unfortunately, the Department of Labor does not specify the types of jobs being added or shed by motor carriers, so there is no way to determine the change in employee drivers.

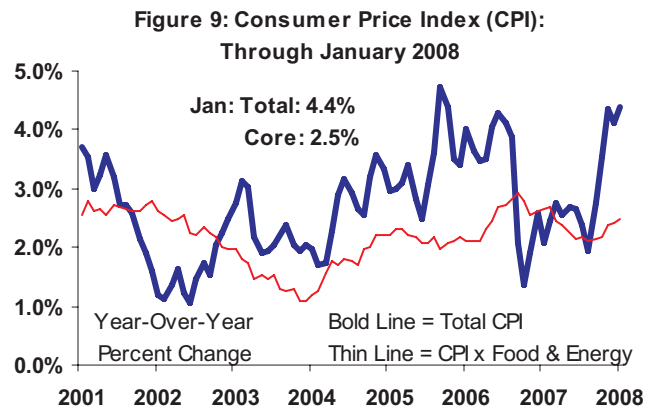


Source: Bureau of Labor Statistics, U.S. Department of Labor

In February, consumer confidence plummeted to its lowest level since the 2003 invasion of Iraq, as a softening labor market and higher fuel and food prices weighed heavily on consumers.

Inflation concerns jumped again last month when the Department of Labor announced that the consumer price index (CPI) rose 0.4 percent in January, matching December's gain of the same magnitude. Compared with a year earlier, the CPI climbed 4.4 percent, which was the third consecutive month of at least 4.0 percent year-over-year growth. Undoubtedly, the latest price increases are worrisome for the Fed, which has aggressively cut interest rates in recent months. Prior to the last three months, year-over-year gains hadn't topped 4.0 percent in more than a year.

The so-called core CPI, which excludes volatile food and energy prices, rose 0.3 percent and 2.5 percent from December and January 2007, respectively. While commodity prices, such as food and energy, have been pushing the overall CPI number up in recent months, price increases go well beyond those types of products. For example, the cost



Source: Bureau of Labor Statistics, U.S. Department of Labor

of medical care services was 5.7 percent higher than a year earlier; while rent increased 3.9 percent during the same period. The Fed, however, despite inflation concerns, seems more worried about the economic outlook, thus we believe the central bank will lower interest rates at its next scheduled meeting on March 18.

The recent pick-up in our tonnage index is encouraging; however, we think there is the distinct possibility that tonnage volumes could fall again in the coming months before recovering modestly in the second half of the year as consumers start spending their rebate checks. That being said, the weakness in the housing sector, tightening credit conditions, and surging oil prices remain huge downside risks to the economy.

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Indexes and Comparisons: JANUARY 2008

	Jan-08	Dec-07 (R)	Nov-07 (R)	Jan-07 (R)	Yearly % Chg 1/08 - 1/07	Monthly % Chg 1/08 - 12/07
Tonnage Index (SA; 2000 = 100)	117.3	114.5	112.8	111.4	5.3%	2.4%
3-Month Centered Moving Average³ (SA; 2000 = 100)	114.9	112.7	111.8	111.7	--	--
12-Month Moving Average (SA; 2000 = 100)	112.5	112.0	111.9	113.2	--	--
Tonnage Index (NSA; 2000 = 100)	113.6	102.0	111.2	108.6	4.6%	11.4%
Industrial Production Index (total; SA; 2002 = 100)	114.2	114.1	114.0	111.7	2.3%	0.1%
Manufacturing (total; SA; 2002 = 100; NAICS)	117.0	117.0	116.8	114.7	2.1%	0.0%
Durable (total; SA; 2002 = 100; NAICS)	126.1	126.1	125.5	121.2	4.1%	0.0%
Non-durable (total; SA; 2002 = 100; NAICS)	107.3	107.2	107.4	107.5	-0.2%	0.1%
Factory Orders (total; SA; Billions of US\$)	429.2	440.0	431.5	398.5	7.7%	-2.5%
Durable (total; SA; Billions of US\$)	213.2	224.7	215.2	205.1	3.9%	-5.1%
Non-durable (total; SA; Billions of US\$)	216.1	215.3	216.2	193.4	11.7%	0.3%
ISM's Purchasing Managers' Index^{1,2}	48.3	50.7	48.4	51.5	--	--
Retail Sales (Billions of US\$)	382.9	381.7	383.4	368.7	3.9%	0.3%
Employment; Jobs Created/Lost (total; thousands)²	-63.0	-22.0	41.0	25.0	--	--
Trucking; Jobs Created/Lost (total; thousands)²	-2.8	-0.8	-5.6	-3.6	--	--

Notes: SA = seasonally adjusted; NSA = not seasonally adjusted; R = Revised data;

(1) Institute for Supply Management. (2) Data leads the rest of the series by one month. (3) Data lags the rest of the series by one month.

These figures were released today by ATA's Economics & Statistics Group. The figures listed for the current month are preliminary and the figures for the previous month are revised. All other data are final. The Monthly Truck Tonnage Index is based on a survey of the total tons of intercity freight transported by motor carriers. This includes both large and small truckload carriers, along with less-than-truckload carriers. For additional information on methodology, contact ATA Chief Economist & Vice President Bob Costello or Economist Tavio Headley at (703) 838-1799 or by email at econdept@trucking.org. For subscription information, click here [Economics/Subscriptions](#) or call 1-800-ATA LINE. ISBN 0738-3088