• Washington continues to be a headwind on economic growth – 2013 tax increases, sequester, budget debate, and healthcare (2014).
• The housing recovery and auto production are helping freight volumes.
• The U.S. energy production boom is boosting truck tonnage.
• Freight drags include, slower manufacturing output and concerns over Fed tapering.
Various Housing Industry Measures
(YTD Year-Over-Year Percent Change)

Sources: Census Bureau, NAR, and ATA
Myth 1:
Recent increases in home prices and interest rates will not derail the housing recovery.
Home Prices
Percent Change in Single-Family Home Prices From July 2012

TN home prices are off just 4.3% from peak in July 2007.

Source: CoreLogic
The Housing Recovery

July: 4.37%, the highest average since July 2011.

Low: 3.4%

Sources: Freddie Mac & ATA
30-Year Fixed Mortgage Rates
(1972-2013 YTD; Average Annual Rates)

Source: Freddie Mac

1981: 16.6%
2013 YTD: 3.7%
Despite the Rise in Mortgage Rates, 30-Year Fixed Mortgages & Home Ownership is Still Cheap Historically

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Home Price</th>
<th>Inflation Adjusted Median Price</th>
<th>Interest Rate</th>
<th>Monthly Payment</th>
<th>Inflation Adjusted Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>$68,900</td>
<td>$182,812</td>
<td>16.60%</td>
<td>$960</td>
<td>$2,547</td>
</tr>
<tr>
<td>2003</td>
<td>$195,000</td>
<td>$255,744</td>
<td>5.83%</td>
<td>$1,148</td>
<td>$1,506</td>
</tr>
<tr>
<td>2013</td>
<td>$257,200</td>
<td>+41% ‘81 +1% ‘03</td>
<td>4.37%</td>
<td>$1,317</td>
<td>-48% ‘81 -13% ‘03</td>
</tr>
</tbody>
</table>

Monthly payment is interest and principal only;
Median home prices are of new residential homes (2013 is July);
Inflation adjusted is Q2 2013 Dollars

Sources: Freddie Mac, Census Bureau, Bureau of Labor Statistics, and ATA
• Rising prices and rising mortgage rates will slow the housing recovery, but not detail it.
• 5.1-months supply of existing homes in July, down from 6.3-months in June 2012, which is helping home building.
• Distressed homes – foreclosures and short sales – were only 15% of sales in July, down from 24% a year earlier.
• Home prices increased 12.4% from July 2012, the 17\textsuperscript{th} straight gain, although prices are still 18% below April 2006 peak.
Myth 2:

Consumer confidence drives consumer spending.
Drivers of Household Spending

Sources: BEA, BLS, and ATA
Average Payroll Changes by Quarter

<table>
<thead>
<tr>
<th>Jobs (Avg/mo)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg</td>
<td>186k</td>
<td>182k</td>
<td>210k</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unemployment Rate</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>8.1%</td>
<td>7.6%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Sources: DOL and ATA
Retail Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>5.3%</td>
<td>4.2%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

Sources: Census Bureau & ATA
Myth 3:
The U.S. doesn’t “make” anything anymore.
World’s Top Manufacturing Economies

Fact: U.S. is largest or second largest manufacturing country depending on how it is measured.

Source: United Nations
New Factory Orders x Aircraft

Sources: Census Bureau & ATA
Factory Output

Sources: Federal Reserve & ATA

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory Output</td>
<td>4.2%</td>
<td>2.3%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>
Increases in U.S. Factory Output by Decade
(Average Annual Increases)

Sources: Federal Reserve and ATA
Myth 4:
The U.S. imports most of our energy.
U.S. is Becoming Energy

1. Total U.S. fuel consumption is at the lowest level in 17 years.
2. The U.S. is now a net fuel EXPORTER for the first time since 1949.
3. By 2020, the U.S. is projected to become the largest oil producer globally (currently number 3).

Source: EIA
Crude and Natural Gas Production
(Annual Increases)

Source: Energy Information Administration
Myth 5: Inflation is on the verge of surging.
Inflation Measures
(Average Annual Percent Change)

CPI: Consumer Price Index
Core CPI: CPI x Food & Energy Prices
PPI: Producer Price Index
Core PPI: PPI x Food & Energy Prices

Sources: DOL and ATA
Wage Growth Drives Inflation
(Scatter Plot of Private Industry Wage Growth & Core CPI)

Sources: DOL & BEA
Myth 6: Fed tapering and rising interest rates will end the recovery.
Higher interest rates can have some positive impacts

• More risk taking/lending by banks

• More investment from foreigners
Real Gross Domestic Product
(quarterly, annualized rate percent change, 2005 dollars)
2010 – Q4 2014

Sources: BEA and ATA
Trucking Trends:

Demand
Changes in Freight Volumes
(Seasonally Adjusted)

2.3% 4.7% 2.4%
-0.1% 0.8% 1.3%

Tonnage  TL Loads  LTL Shipments

Sources: ATA’s Monthly Truck Tonnage Report & Trucking Activity Report
Changes in TL Loads by Sector
(Seasonally Adjusted)

Source: ATA’s Trucking Activity Report
Changes in TL Loads by Sector
(Seasonally Adjusted)

Short: < 500 miles
Medium: 500-999 miles
Long: >1,000 miles

Source: ATA’s Trucking Activity Report
Trucking Trends: Capacity
TL & LTL Capacity Changes
(Percent Change in the Number of Company & IC Tractors)

Includes all types of truckload carriers

Source: ATA’s Trucking Activity Report
Are All TL Fleets Adding Capacity?

No

- Added Tractors: 39%
- Decreased Tractors: 37%
- Unchanged: 24%

Source: ATA

Average Month in 2013
TL Supply vs Demand

2005 = 100

Through July 2013

Source: ATA
Large For-Hire TL Carriers: Trends in Independent Contractors & Company Drivers

Includes all types of TL carriers; January 2012=100; Carriers with at least $30 million in annual revenues

Company Drivers: +0.6%
ICs: -0.2%

Source: ATA’s Trucking Activity Report
Small For-Hire TL Carriers: Trends in Independent Contractors & Company Drivers

Includes all types of TL carriers; January 2012=100; Carriers with less than $30 million in annual revenues

Company Drivers: +8.6%
ICs: -7.2%

Source: ATA’s Trucking Activity Report
THE CUMULATIVE EFFECT
Adding It All Up

- Reduction in Productivity
  - ELDs
  - HOS

- Fewer “Qualified” Drivers
  - Sleep Apnea
  - ELDs
  - CSA

- Increased Demand & Less Supply
  - Economic Growth
  - Truck Count Down from Peak in 2007

- Capacity Crunch
The Driver Situation
TL Truck Driver Turnover Rates

Q1 2013
Large TL: 97%
Small TL: 82%
LTL: 15%

Source: ATA
From June 2012 through March 2013, construction employment increased by 184,000. And, in February 2013 alone, construction payrolls grew by 48,000, the largest single month in 7 years.
Industry Costs
Costs Continue to Rise

- **Regulatory Costs**
  - Equipment
  - HOS

- **Drivers**
  - Pay
  - Turnover
  - Recruitment

- **Fuel**
  - Despite Record Production, Fuel Costs Remain Elevated
Average Weekly Earnings for TL Drivers

Source: Department of Labor

+2.8% in Q1 ‘13 YOY

+58% since 1990
Real Average Weekly Earnings for TL Drivers

2012 Dollars

-11% since 1990

+1.1% in Q1 ‘13 YOY

Source: Department of Labor
Miles Per Truck Per Month Are Down

Includes all types of TL carriers

Source: ATA
Thanks!

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