



IANA

**INTERMODAL ASSOCIATION
OF NORTH AMERICA**

THE CONNECTING FORCE BEHIND INTERMODAL FREIGHT

THE BUSINESS OF INTERMODAL CONTINUES



IANA

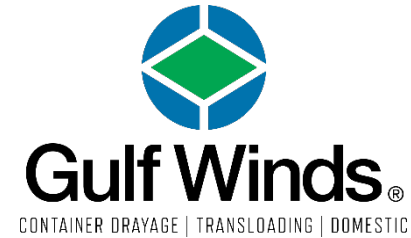
INTERMODAL ASSOCIATION
OF NORTH AMERICA

THE BUSINESS OF INTERMODAL CONTINUES

Inside the Numbers
Q3 2020 Review of
Economic & Market Conditions

December 1st, 2020, 2:00 PM ET

Thank you to our *Platinum* sponsors!



Housekeeping

- Audience will be muted
- A question & answer session will follow the presentation
- Submit questions at any time via the Questions pane in the Control Panel
- A recording of this webinar, including the slides, will be available soon



Agenda

- Economic conditions
- 2020 IANA numbers: YTD Sept. 2020
- International & Domestic Intermodal Discussion
- Questions



John Woodcock
Director of Market Development,
TTX Co.



Pat Casey, CBE
PJC Economics, LLC



Peter Wolff
Director of Market Development,
TTX Co.

Our Panel



Economic Overview

The COVID-19 recession is exceptional and the outlook uncertain

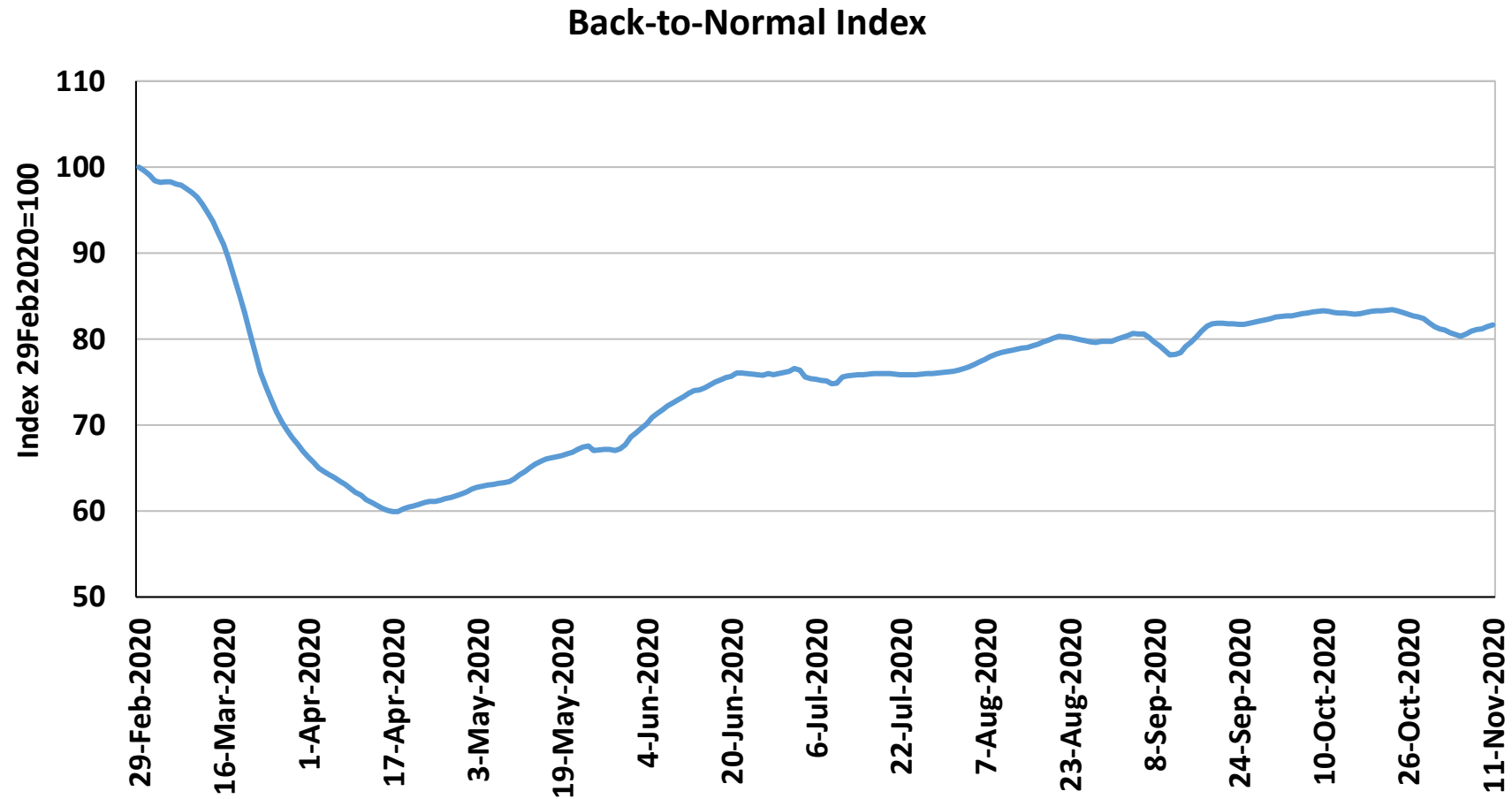
The negative economic impact of COVID-19 is singular:

- Economic contraction in the second quarter is the most severe since the Great Depression
- There was a significant increase in the third quarter, up about 75% from the second quarter downturn
- The government support of the economy was strong at first, but stopped recently
- Emergence and acceleration of new modes of spending, notably e-commerce

The near-term outlook is unpredictable:

- Supply-side nature of the recession (business closures to address public health risks) ties economic growth to the path of the virus
- Recent improvement in labor markets is encouraging, but still well above pre COVID-19 when unemployment was a 50-year low
- Potential to bring back some manufacturing production, given high unemployment levels

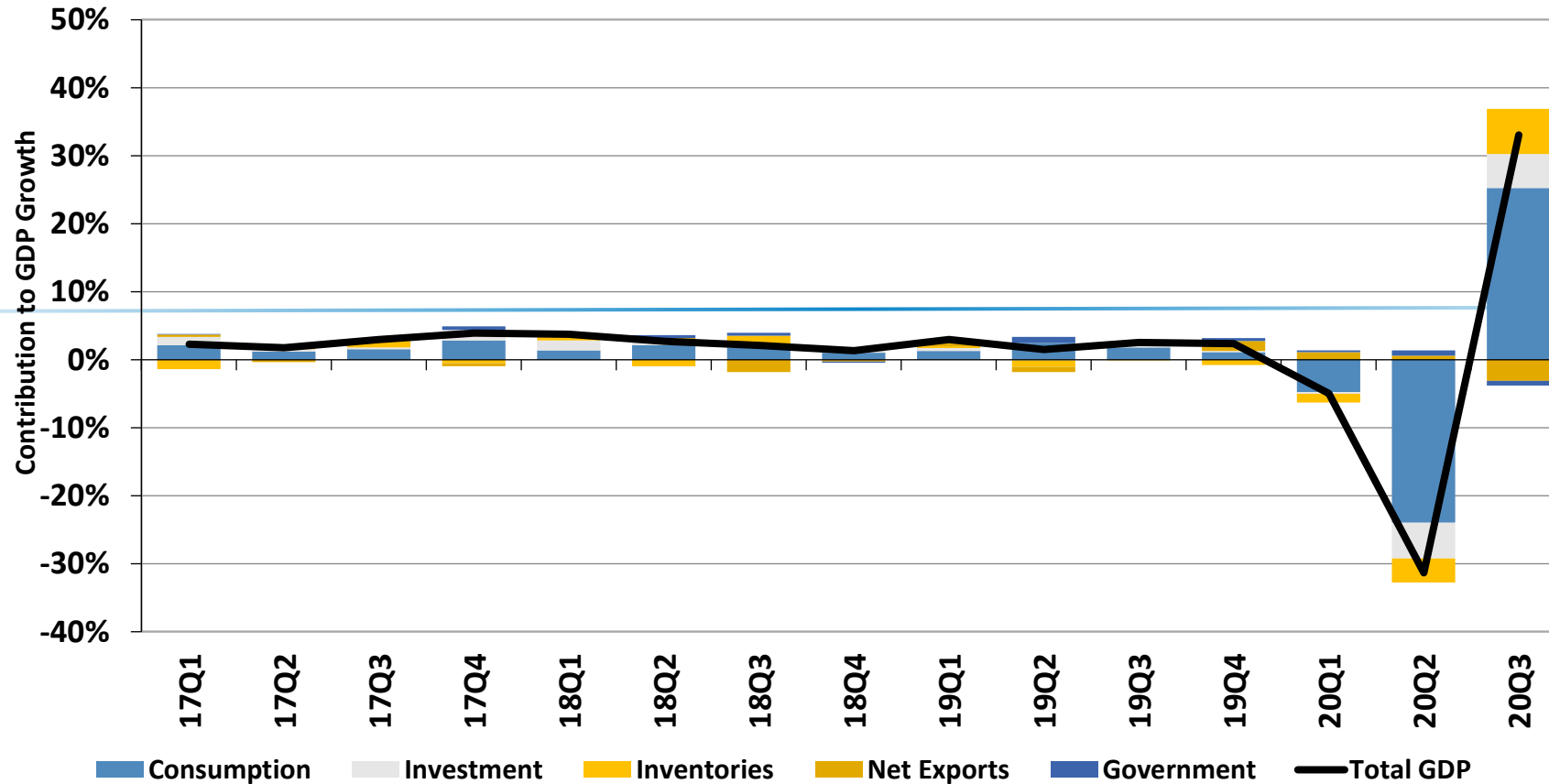
The U.S. economy “bottomed out” in April and has slowly recovered since then, but still not back to normal



Source: Moody's Analytics

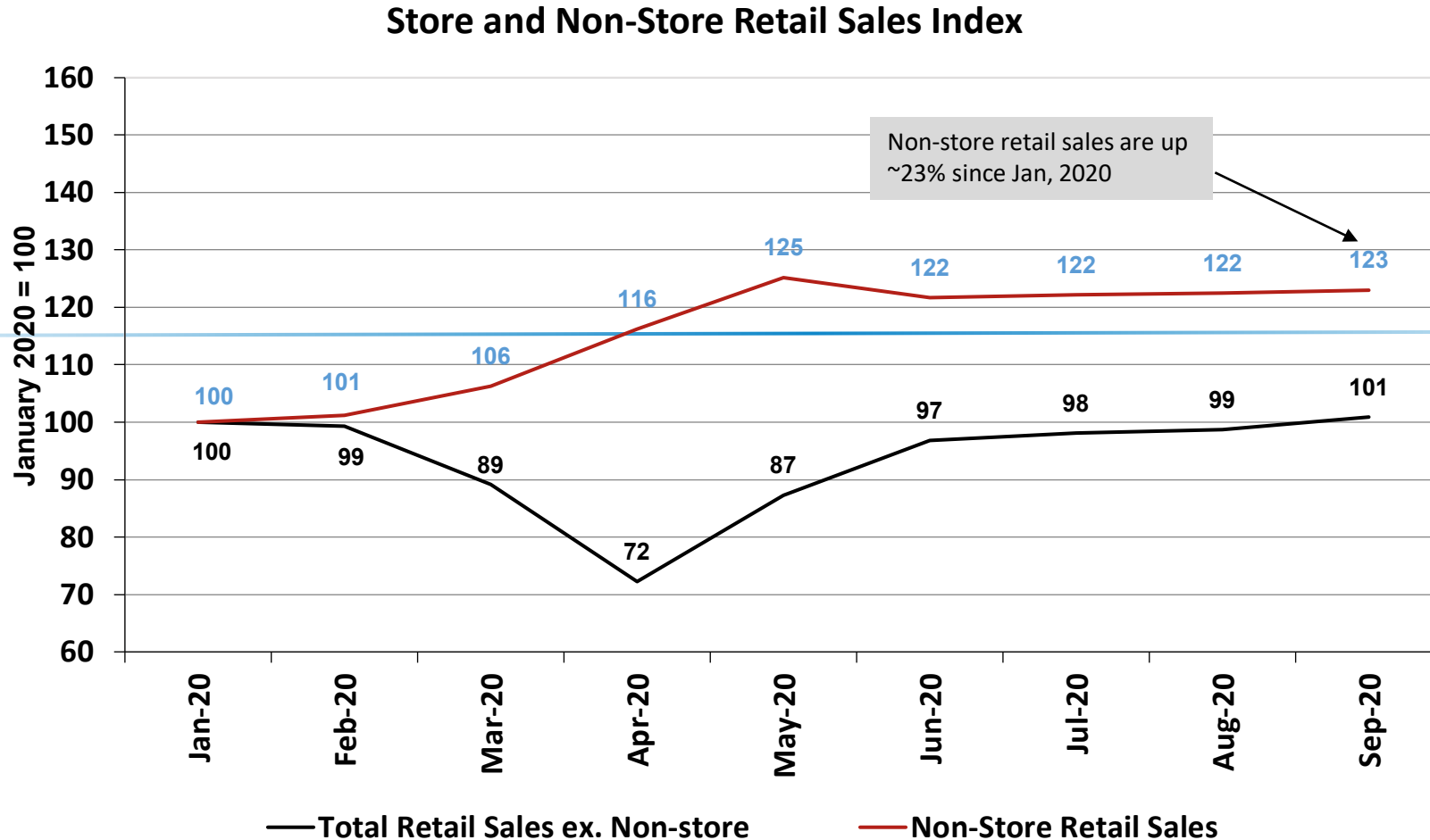
U.S. GDP grew 33.1% in 3Q20 after declining 31.4% in 2Q20, & FY 2020 forecasted to fall 4.0%

U.S. GDP Components



Source: U.S. Bureau of Economic Analysis

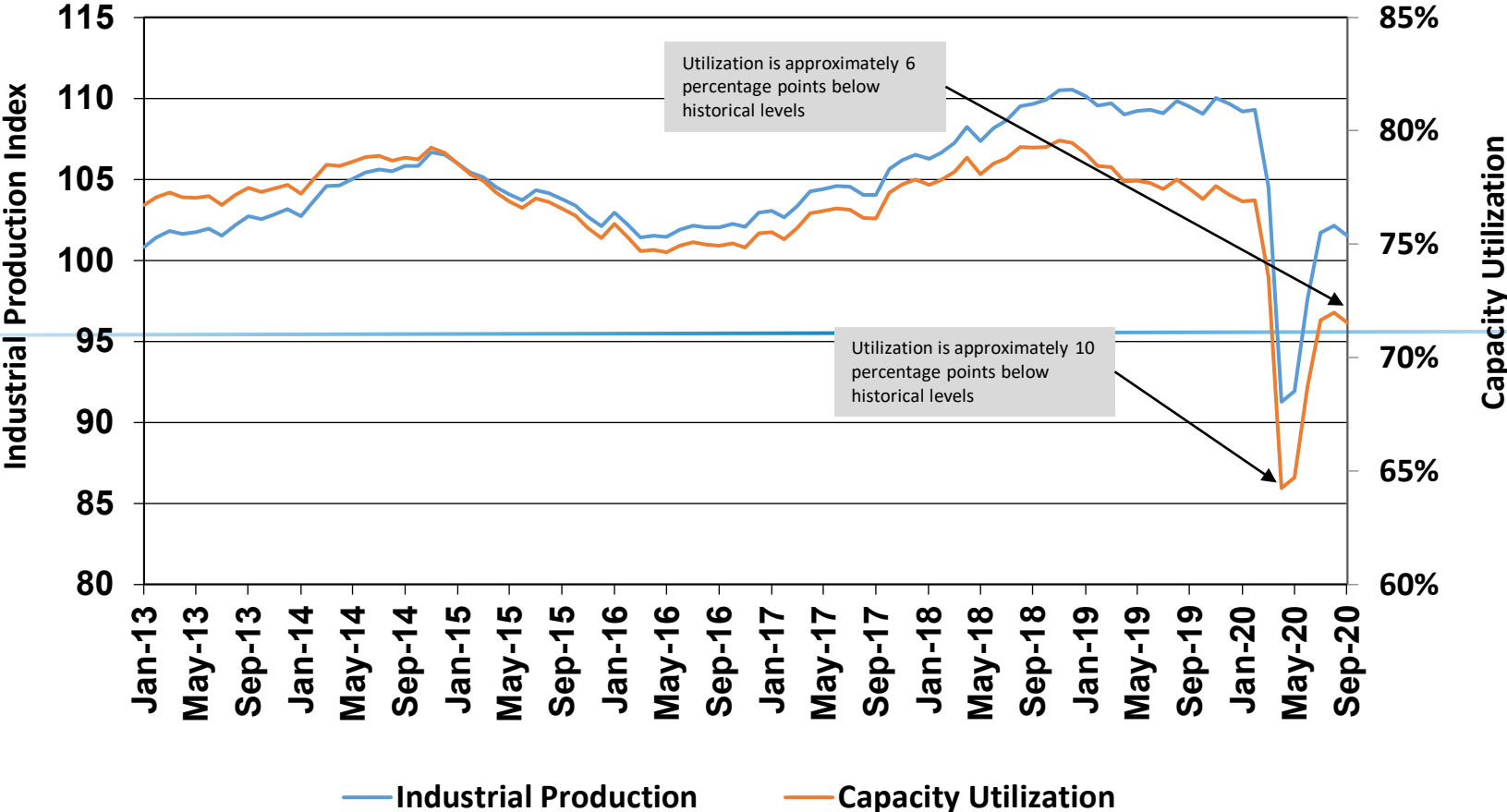
E-commerce spiked in the midst of the pandemic and continues to rise



Source: U.S. Census Bureau

Industrial production rose with the reopening of the economy, however utilization remains low

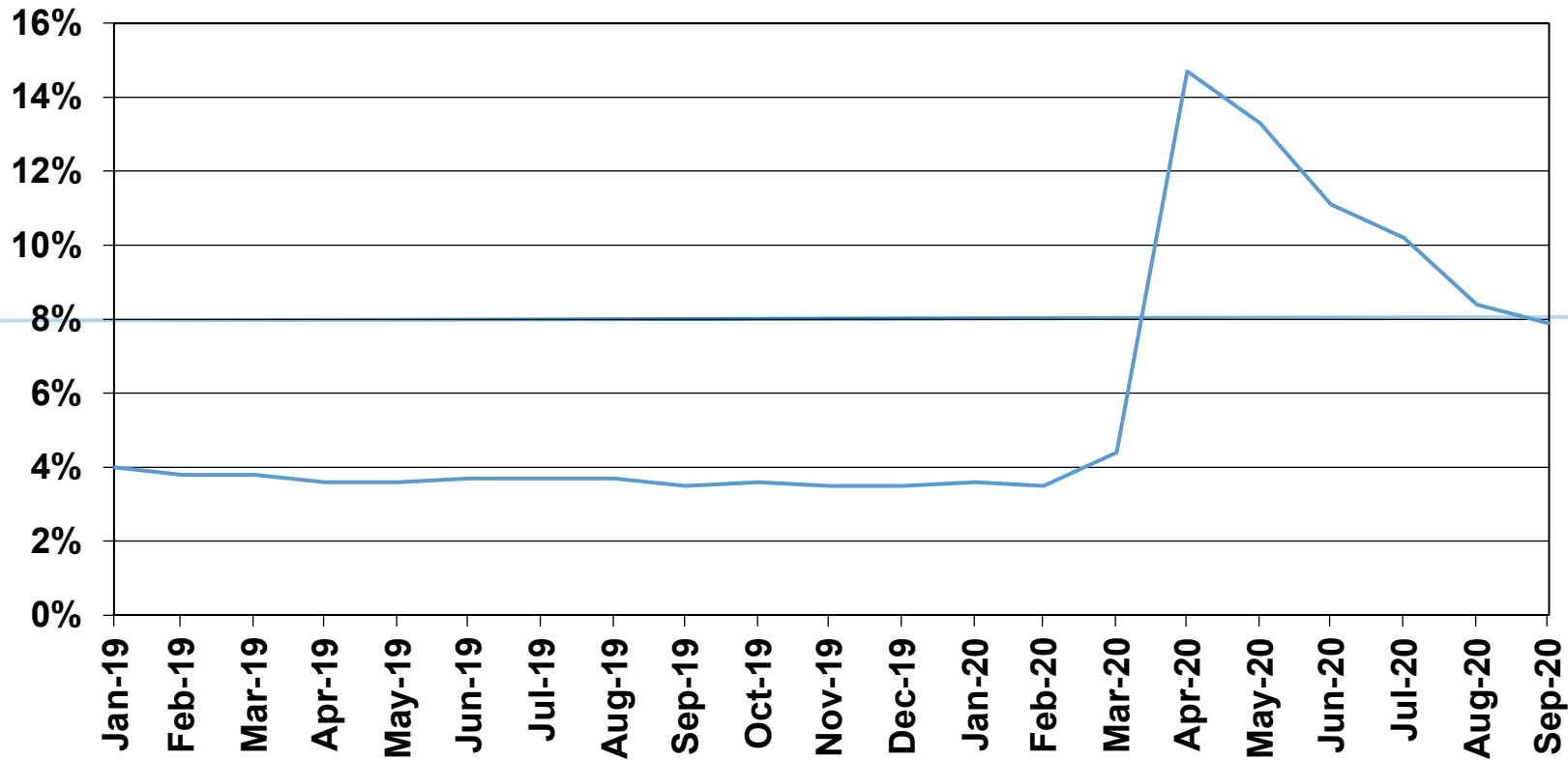
Total Industrial Production and Capacity Utilization



Source: U.S. Board of Governors of the Federal Reserve System

The unemployment rate fell from its double-digit peak in April, as economic activity rises after extended business closures

Unemployment Rate



Source: U.S. Board of Governors of the Federal Reserve System

Summary of TTX's forecast for leading economic indicators

Economic Indicator	2018 Actual	2019 Actual	2020 Forecast
GDP ¹	3.0%	2.2%	-4.0%
Consumer Spending ¹	2.7%	2.4%	-3.9%
Retail Sales	4.4%	3.5%	0.5%
Investment ¹	6.9%	2.9%	-6.4%
Housing Starts ³	1.25	1.30	1.31
US Vehicle Prod. ⁽⁰⁰⁰⁾	10,993	10,638	8,686
US Vehicle Sales ⁽⁰⁰⁰⁾	17,203	17,031	14,064
Industrial Prod. ²	3.9%	0.9%	-6.9%
Mexico GDP ¹	2.2%	-0.3%	-9.8%
Canada GDP ¹	2.0%	1.7%	-6.5%
Inflation	2.4%	1.8%	1.3%

Source: Bureau of Economic Analysis, Moody's Analytics, Autocast

1: SAAR, real % change 2: Year-over-Year %Change 3: Millions, annualized rate



The Latest IANA Numbers



YTD Sept. 2020 North American intermodal growth summary

- **By Segment**

- International: -11.0%
- Domestic Container: 1.7%
- Trailers: -9.8%
- All Domestic Equipment: 0.1%
- Total Intermodal: -5.7%

- **By Origin Region**

- U.S.: -5.7%
- Canada: -4.9%
- Mexico: -9.7%

YTD Sept. 2020 intermodal volume changes by equipment type

Segment	YTD Sept. 2019	YTD Sept. 2020	% Change
Trailers	935,102	843,636	-9.8%
Domestic Containers	5,612,187	5,708,551	1.7%
All Domestic Equipment	6,547,289	6,552,187	0.1%
ISO Containers	7,151,960	6,362,163	-11.0%
Total	13,699,249	12,914,350	-5.7%

YTD Sept 2020 regional loadings

	YTD Sept. 2019		YTD Sept. 2020		% Change
	Units	Share	Units	Share	Gain / Decline
Eastern Canada (EC)	1,007,890	7.4%	923,206	7.1%	-8.4%
Mountain Central (MC)	208,703	1.5%	208,626	1.6%	0.0%
Midwest (MW)	3,708,189	27.1%	3,494,176	27.1%	-5.8%
Mexico (MX)	443,564	3.2%	400,677	3.1%	-9.7%
Northeast (NE)	1,316,002	9.6%	1,259,798	9.8%	-4.3%
Northwest (NW)	569,223	4.2%	492,902	3.8%	-13.4%
South Central (SC)	978,581	7.1%	915,483	7.1%	-6.4%
Southeast (SE)	1,795,709	13.1%	1,673,978	13.0%	-6.8%
Southwest (SW)	2,460,217	18.0%	2,358,166	18.3%	-4.1%
Western Canada (WC)	1,211,171	8.8%	1,187,338	9.2%	-2.0%

Source: IANA

YTD Sept 2020's positive growth corridors

Corridor	YTD Sept. 2019		YTD Sept. 2020		% Change
	Units	Share	Units	Share	Gain
Northeast-Southwest	142,960	1.2%	144,768	1.3%	1.3%
Western Canada-Midwest	341,566	2.8%	344,415	3.0%	0.8%
Southeast-Midwest	233,912	1.9%	235,582	2.1%	0.7%
Midwest-Northeast	883,615	7.4%	889,598	7.9%	0.7%

Note: lanes exclude lanes with less than 100,000 moves

YTD Sept 2020's largest corridor declines

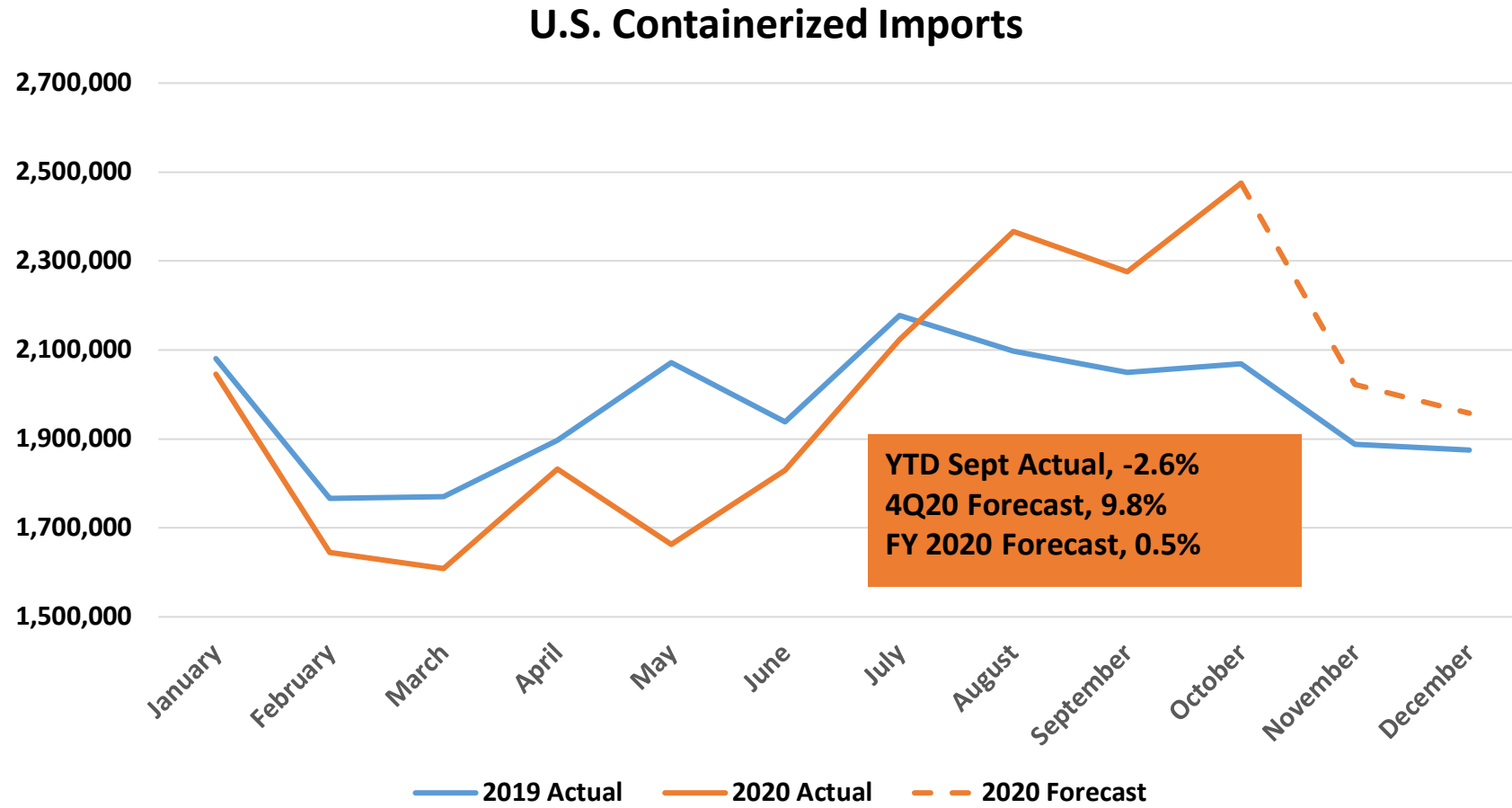
Corridor	YTD Sept. 2019		YTD Sept. 2020		% Change
	Units	Share	Units	Share	Decline
Midwest-Northwest	374,575	3.1%	306,937	2.7%	-18.1%
Northwest-Midwest	360,963	3.0%	311,424	2.8%	-13.7%
Intra-Midwest	251,183	2.1%	224,561	2.0%	-10.6%
Intra-Mexico	315,935	2.6%	283,230	2.5%	-10.4%
Midwest-South Central	200,603	1.7%	180,088	1.6%	-10.2%
Southeast-Southwest	338,651	2.8%	305,313	2.7%	-9.8%

Note: lanes exclude lanes with less than 100,000 moves



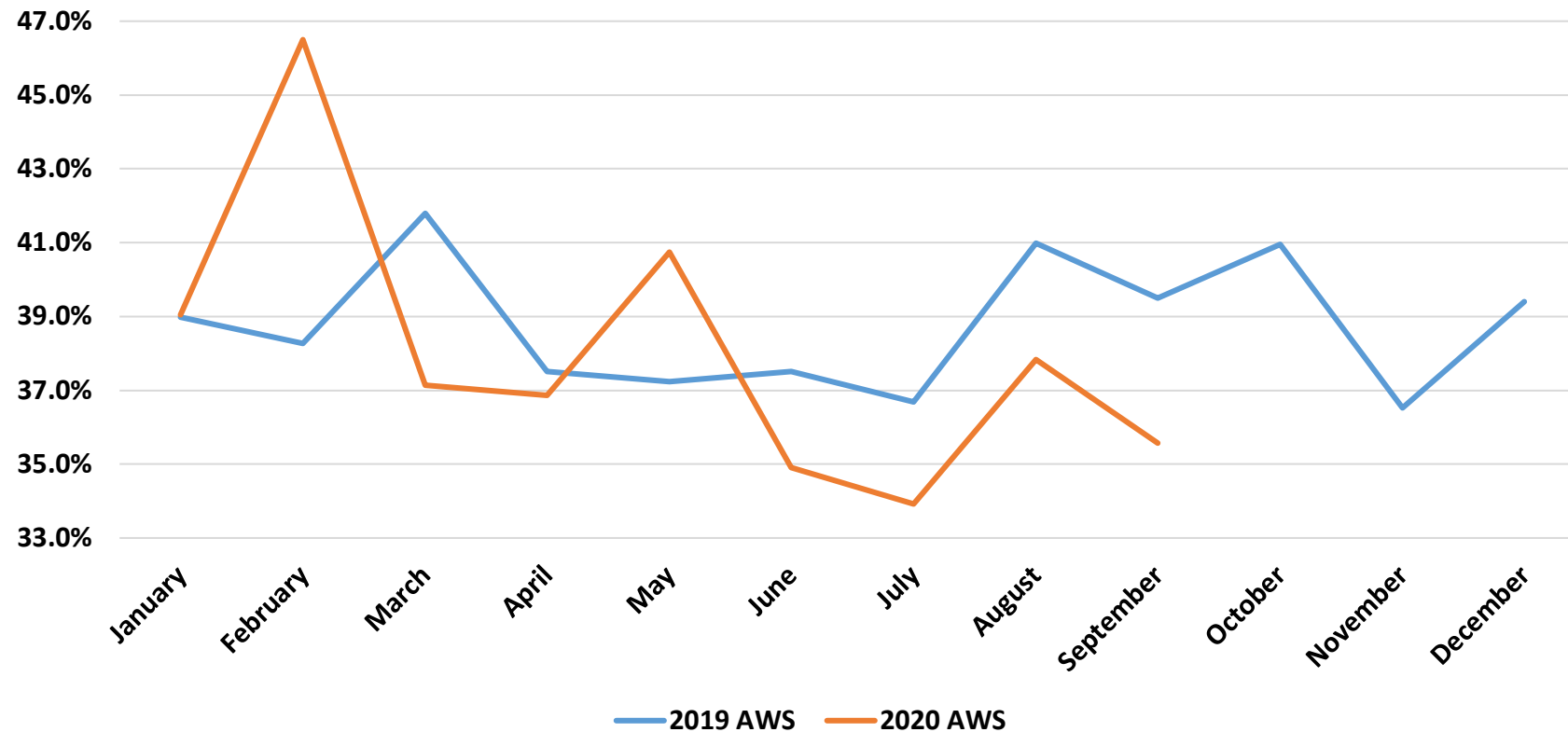
International Intermodal

U.S. import volume rebounded over the summer, and forecasted to exceed 2019 volume

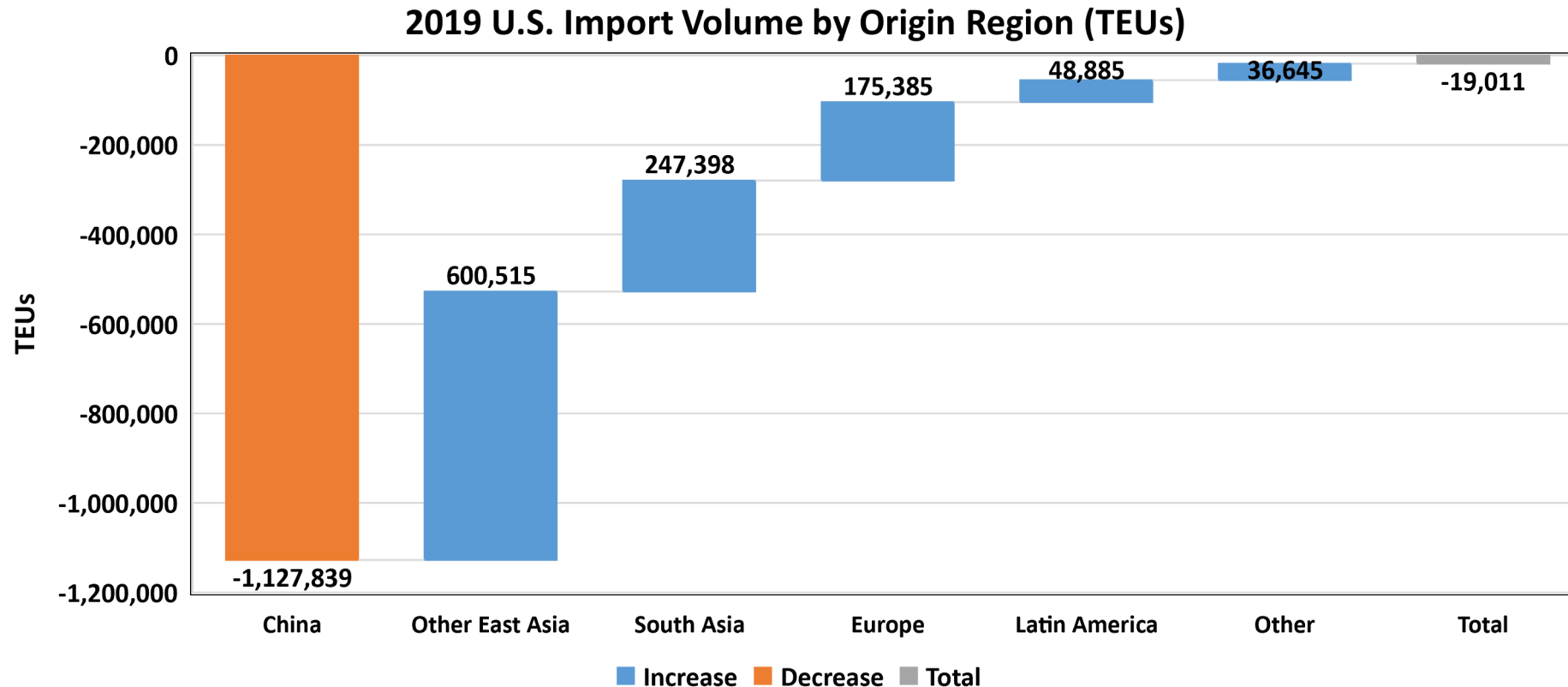


All-water share reversed course over the summer, but that is not expected to continue

2019 and 2020 All-Water Share



Tariffs walloped U.S. imports from China in 2019 with off-setting gains from Vietnam, India & Europe



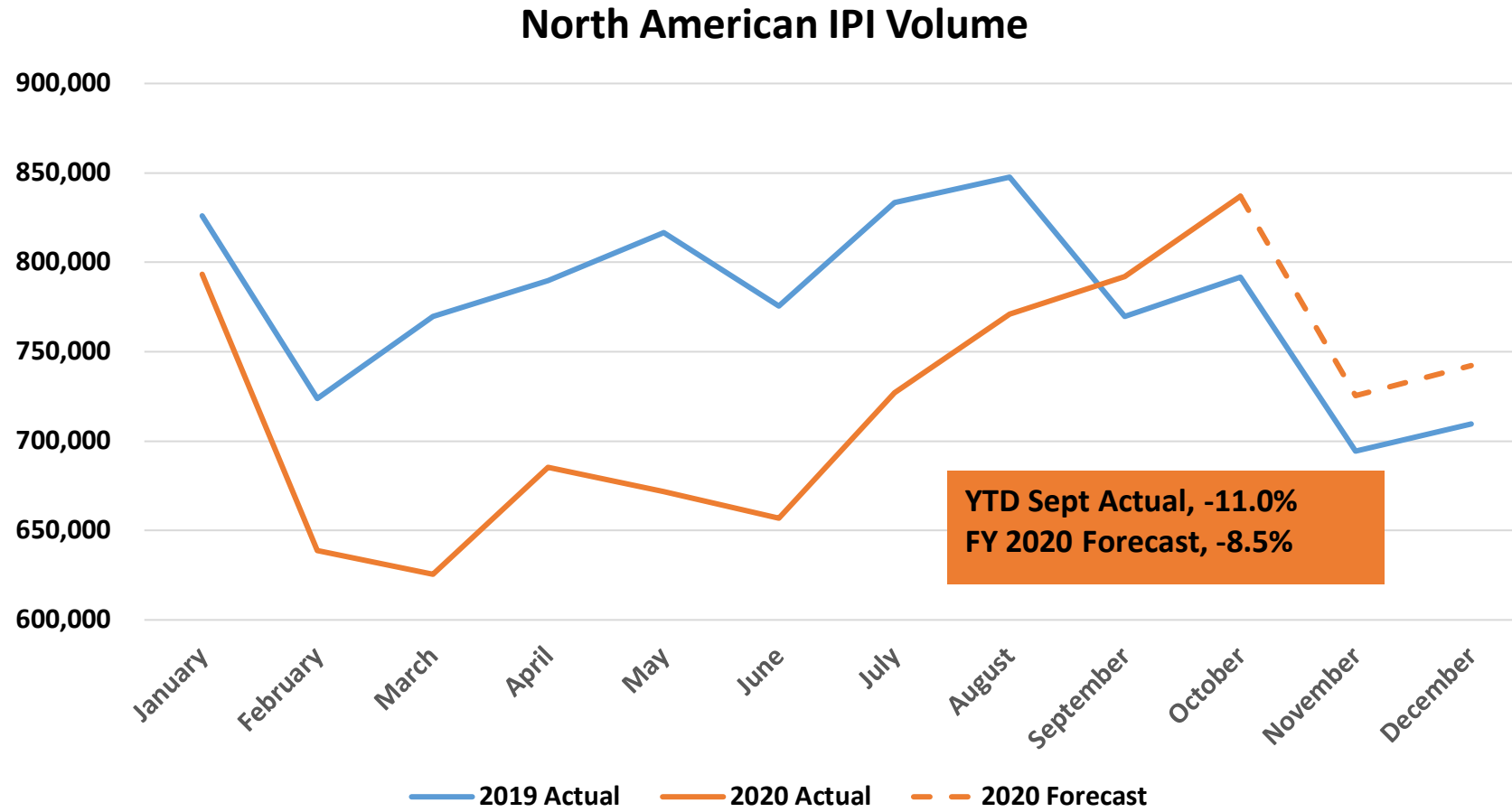
Source: TTX, PIERS

Impact of tariffs in 2020 unclear, as COVID-19 disrupted supply chains and Chinese manufacturing

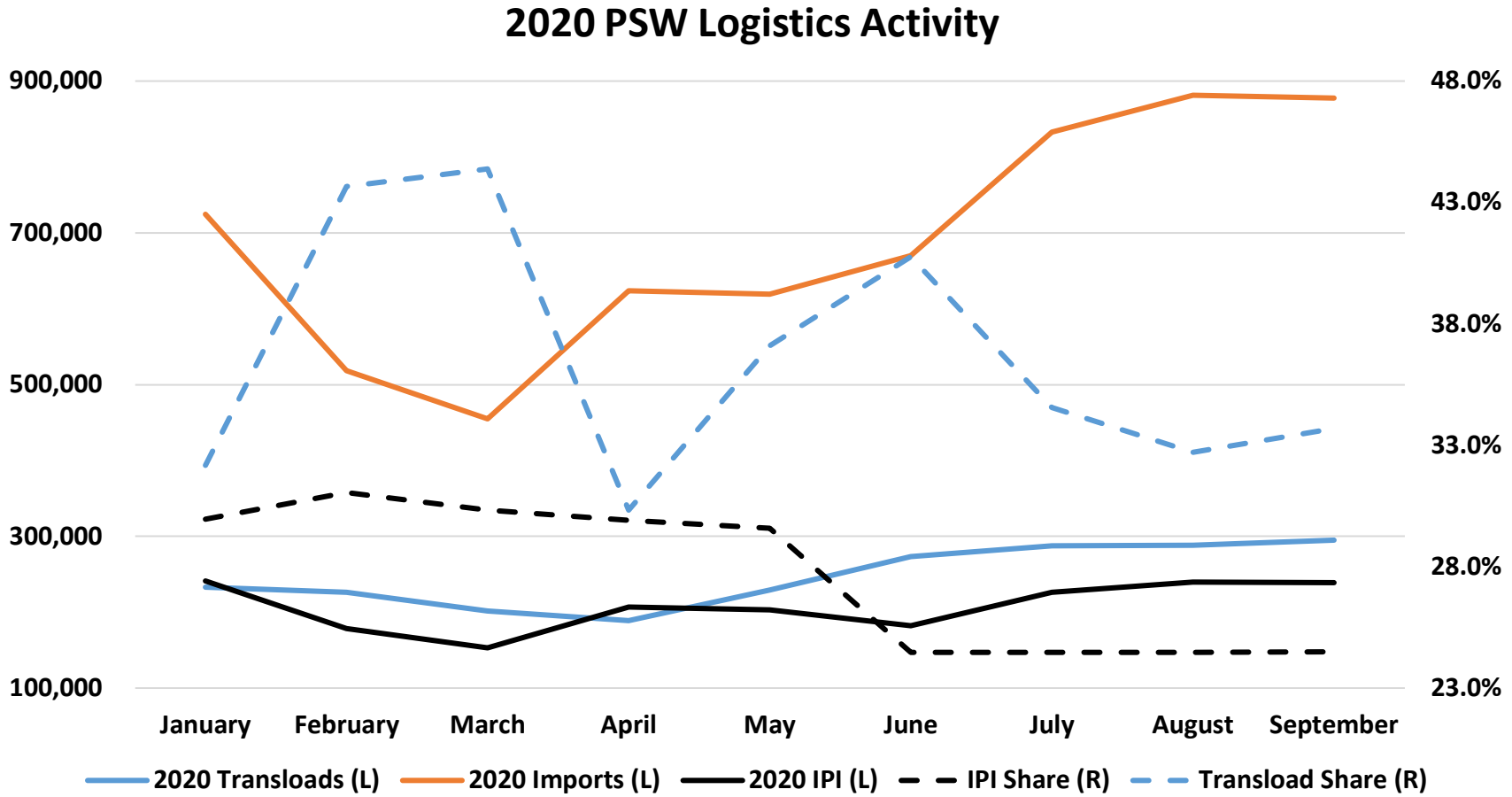


Source: PIERS, TTX

Despite import recovery and AWS shift to the West Coast, IPI volume still behind 2019 traffic levels



PSW Transload & IPI volume remains steady, but import volumes fluctuated; implying inventory building on the West Coast



Source: PIERS, IANA, TTX

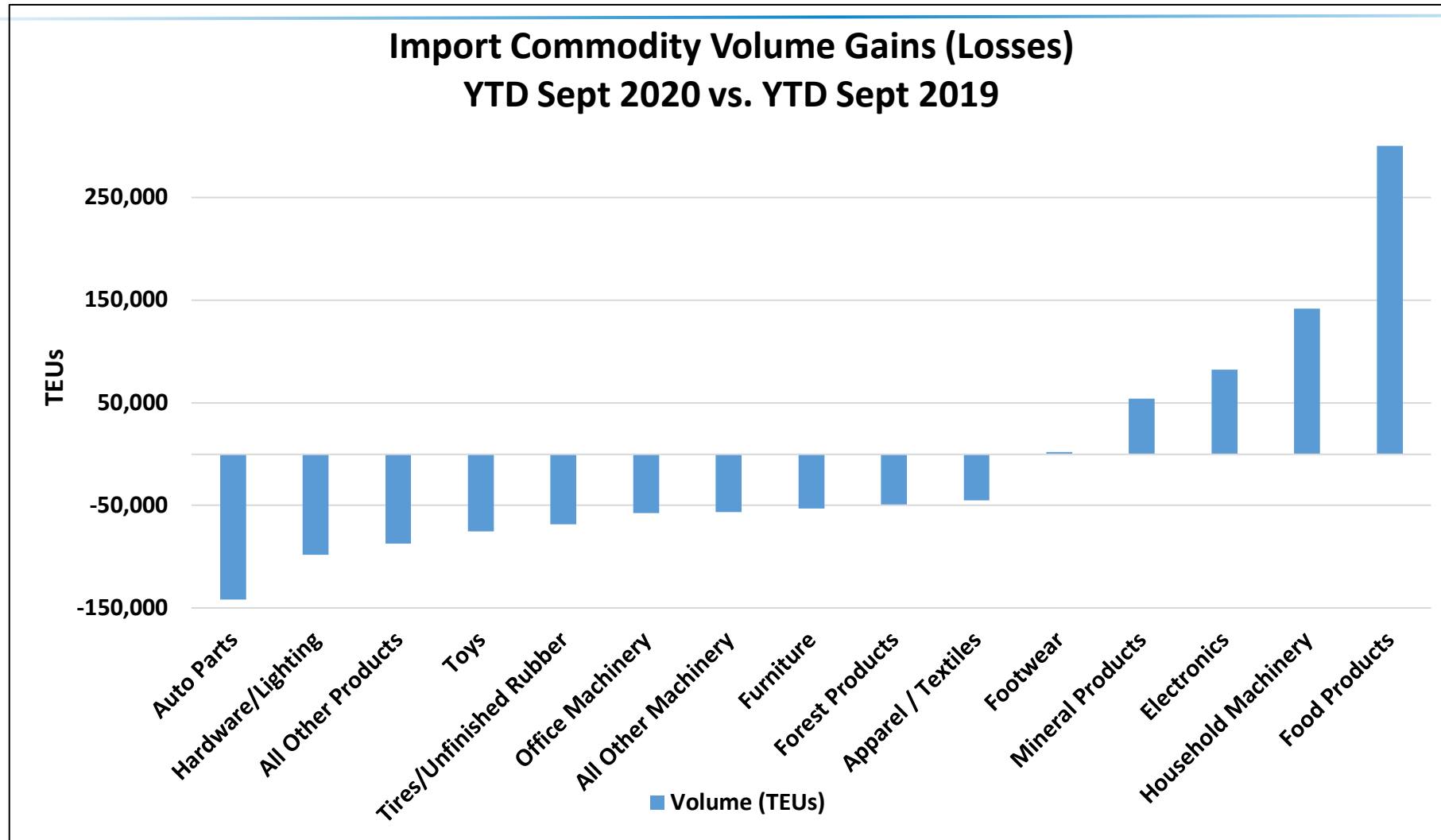
Changing import commodity mix may explain IPI's volume losses / transload gains

YTD Sept PSW Activity			
	<u>Imports</u>	<u>IPI</u>	<u>Transloads</u>
2020	6,361,175	1,871,565	2,224,659
2019	6,360,389	2,106,788	2,144,694
Vol Chg	786	-235,223	79,965
% Chg	0.0%	-11.2%	3.7%

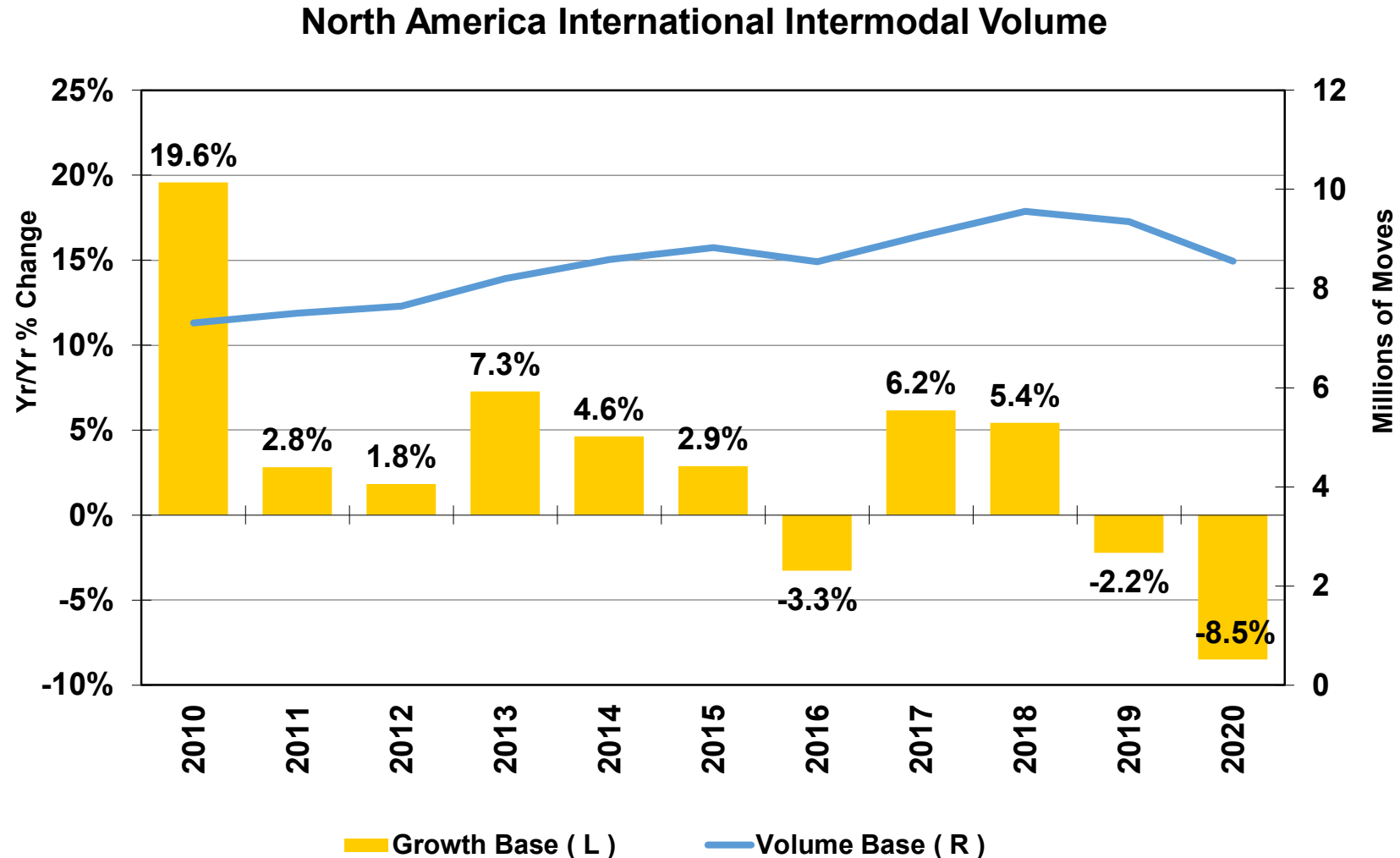
Commodities highlighted in yellow heavily use IPI and may explain IPI's losses

Total U.S. Imports (-2.6%)			
<u>Commodity</u>	<u>YTD Sept Volume</u>	<u>Vol Chg vs. '19</u>	<u>% Chg vs. '19</u>
Office Machinery	113,105	-57,344	-50.7%
Auto Parts	377,161	-141,812	-37.6%
Toys	356,332	-75,186	-21.1%
Apparel	699,721	-142,043	-20.3%
Hardware/Lighting	1,169,595	-98,246	-8.4%
Tires/Unfinished Rubber	1,197,796	-68,274	-5.7%
All Other Machinery	1,049,448	-56,670	-5.4%
Forest Products	942,720	-49,021	-5.2%
Furniture	1,900,421	-53,212	-2.8%
All Other Products	3,234,443	-87,330	-2.7%
Footwear	613,730	1,841	0.3%
Mineral Products	886,034	54,048	6.1%
Textiles	1,041,316	96,842	9.3%
Electronics	791,313	82,297	10.4%
Food Products	2,663,041	306,250	11.5%
Household Machinery	353,534	141,767	40.1%

IPI volumes hindered by declines in auto parts and other industrial goods imports



IPI expected to contract for the second straight year





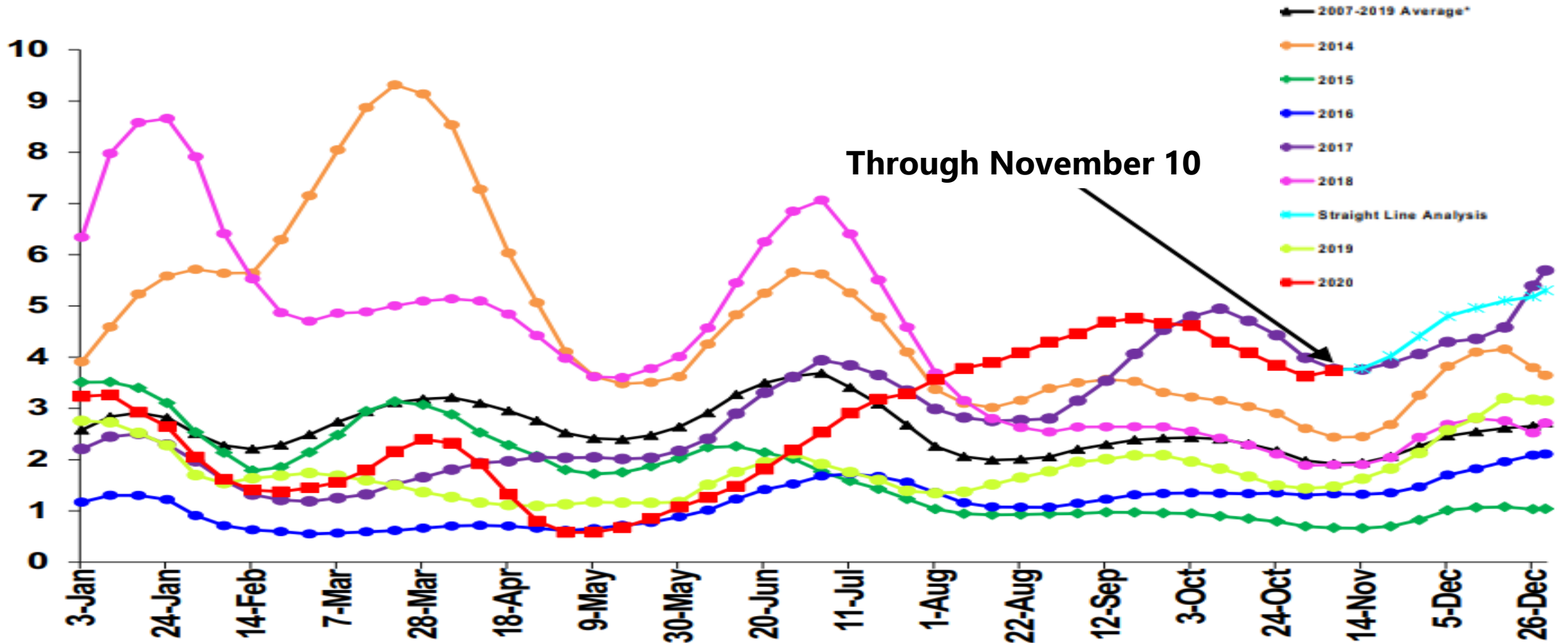
Domestic Intermodal



Robust retail sales are supporting continued solid demand

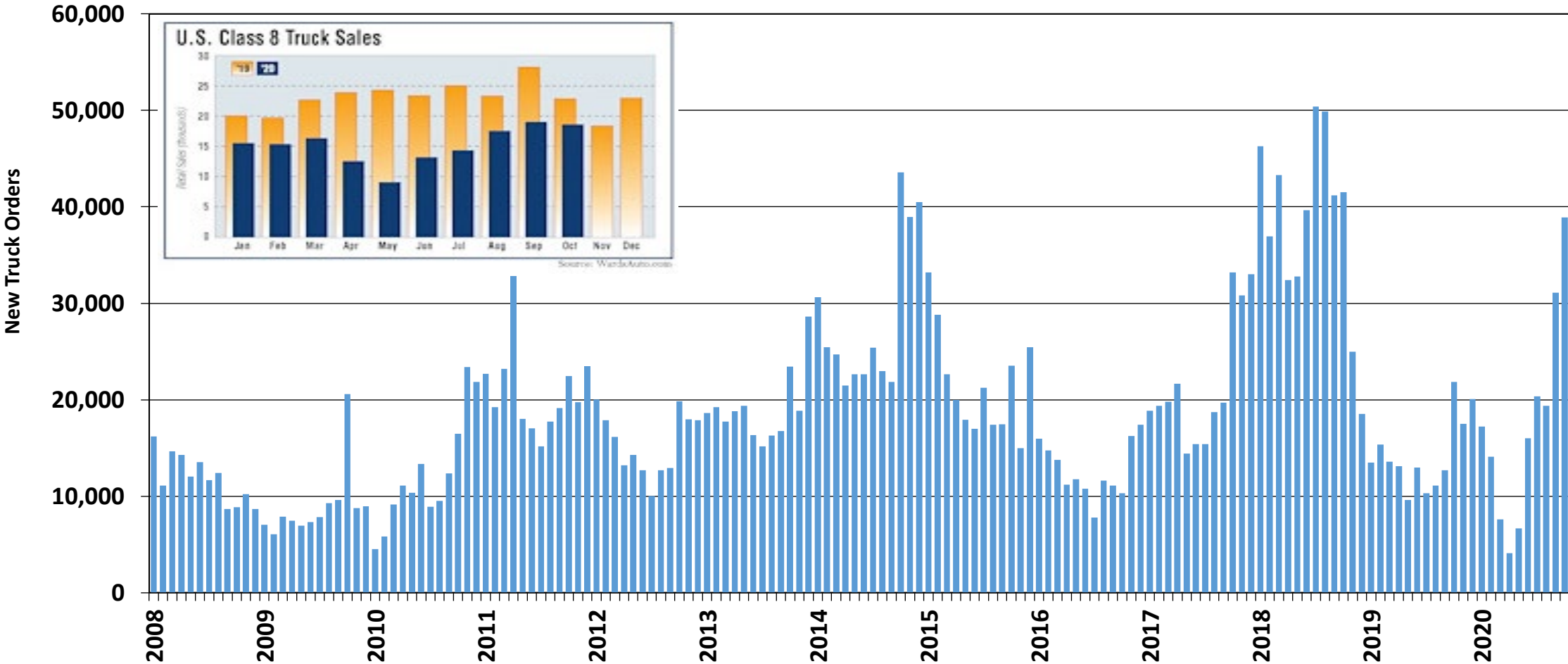
- E-commerce and restocking are responsible for today's tight conditions
 - Strong import activity has led to increased transloading off the West Coast
 - Restocking is expected to continue well into Q1 2021
 - Continued consumer demand will be influenced by government stimulus
- Driver capacity is “the” issue behind tight truck supply
 - Over 100K new drivers are needed annually according to ATA
 - CVTA reports a 40% decline in training throughput
 - Retirements reportedly accelerated during the pandemic
 - The FMCSA Drug Clearinghouse is forcing out thousands each month
 - Carriers are enacting driver pay increases of as much as 15%

Morgan Stanley's Truckload Freight Index indicates continued, elevated tightness in the market



While the market remains in surplus, motor carriers are again ordering tractors as profitability improves

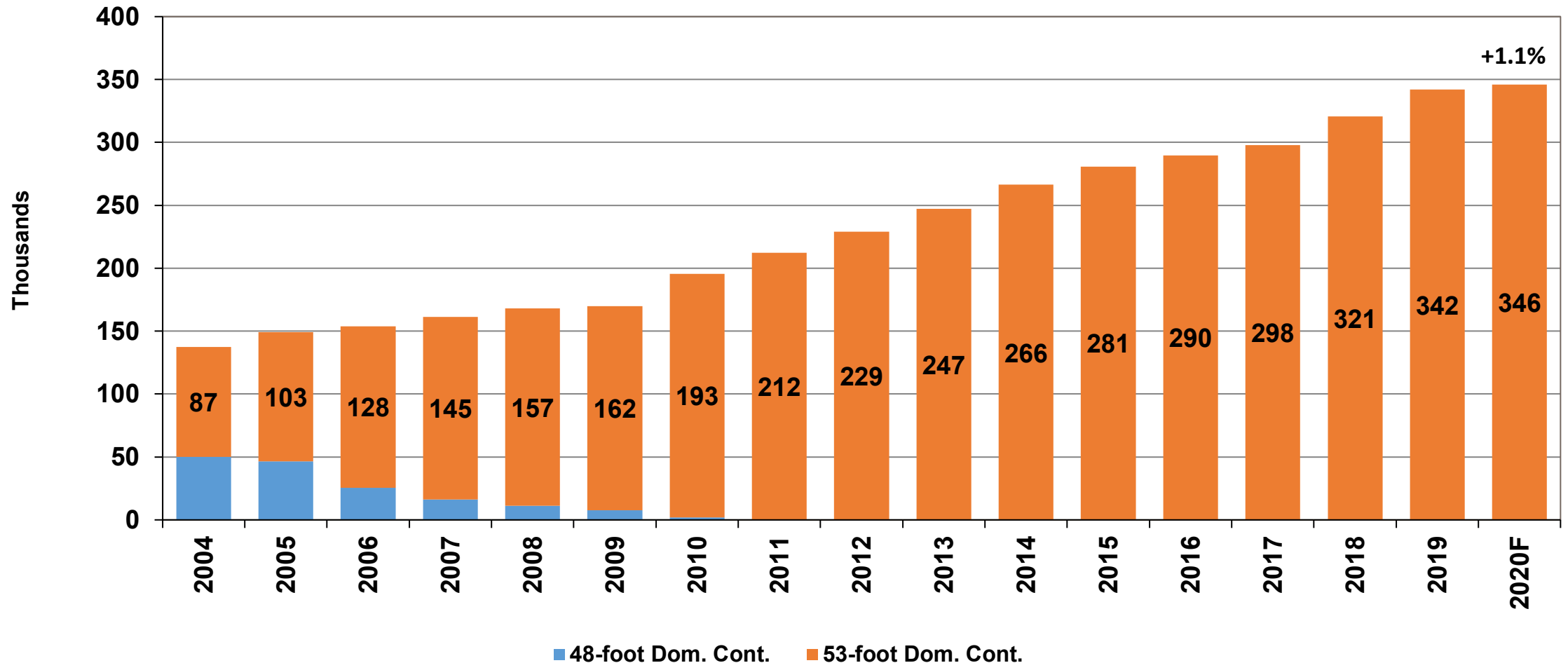
North American Class 8 Truck Orders



Source: FTR Transportation Intelligence, WardsAuto, ACT Research, Transport Topics, TTX

DC fleet investment has been largely limited to conversions for temperature-controlled and LTL fleets

Year-end Domestic Container Fleet Size

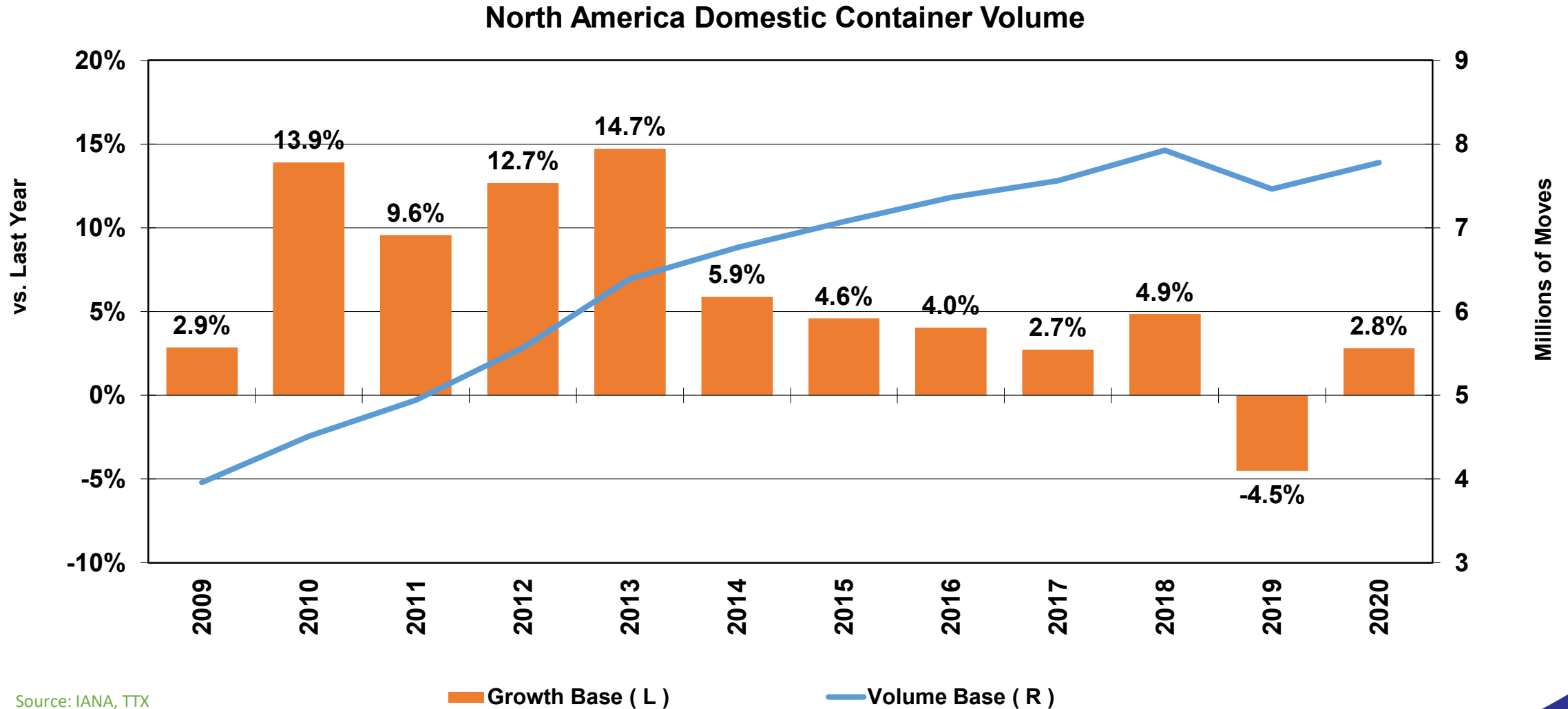


Source: TTX

Recent fleet adds have been primarily with new owners, largely in the parcel/LTL and reefer segments



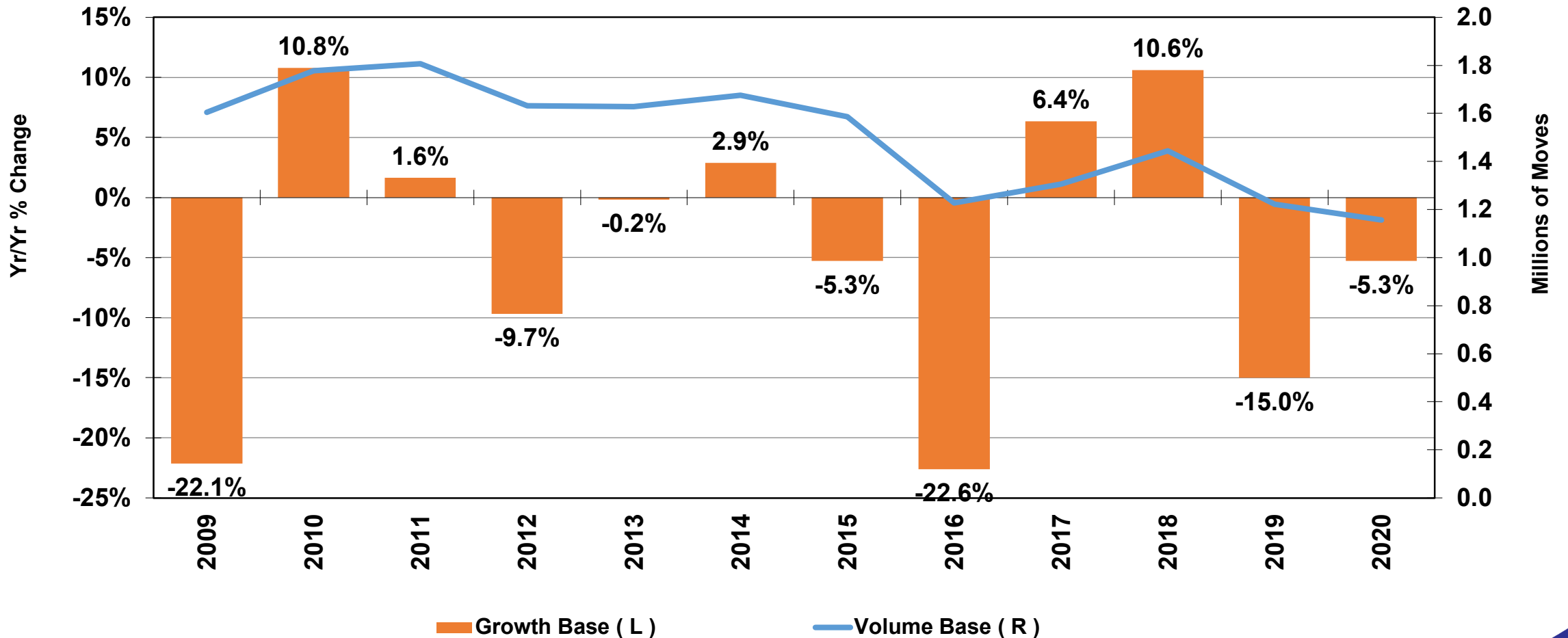
DC volume will likely outperform earlier expectations



Source: IANA, TTX

Trailers will unlikely turn positive in 2020, but e-commerce has cushioned COFC conversion losses

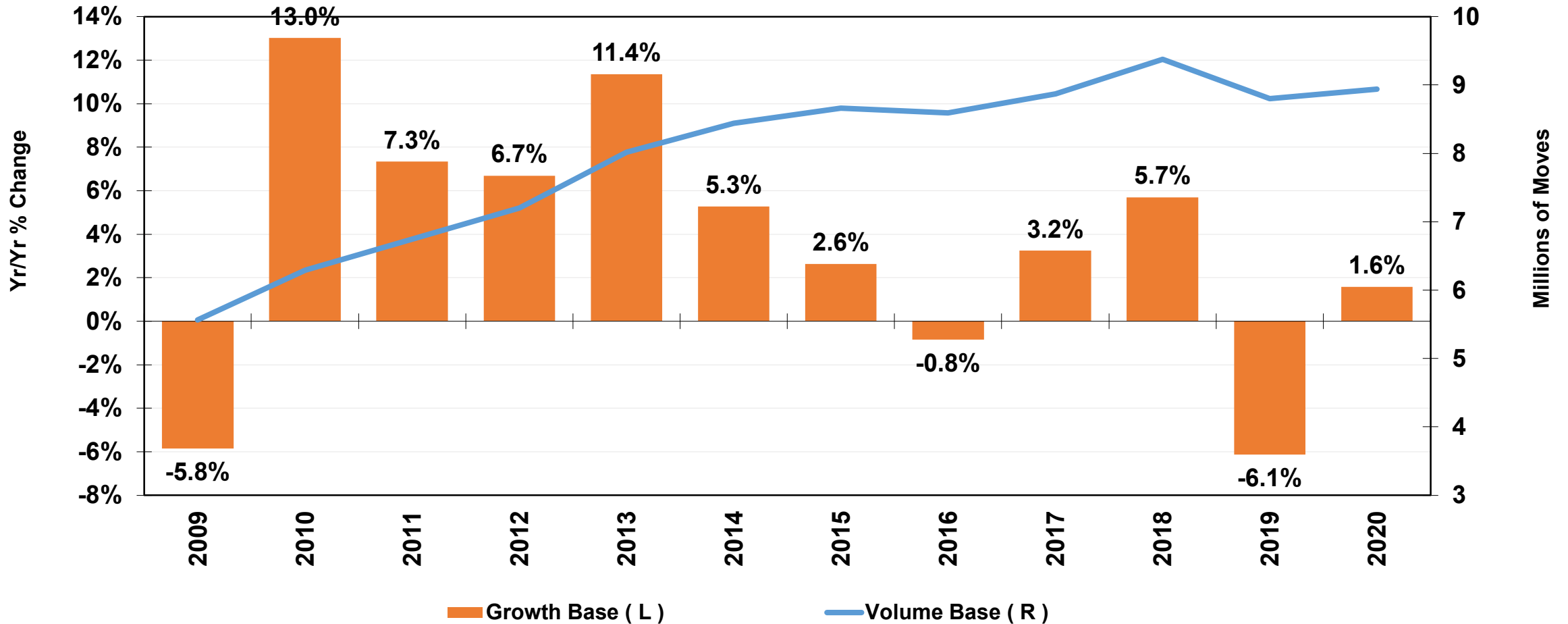
North America Trailer Volume



Source: IANA, TTX

Overall domestic volume projection for 2020 is an upside surprise not even expected prior to the pandemic

North America Domestic Volume



A close-up, slightly blurred photograph of a person's hand resting on a black steering wheel. The background shows a road with white lane markings and greenery, suggesting a driving scene. The overall tone is professional and focused.

What We're Watching

Economic growth and transportation demand will be a function of:

- Path of COVID-19
- Government stimulus

Q&A

Please type your questions
in the control panel



For more information about **IANA** data,
including and the

ETSO Database

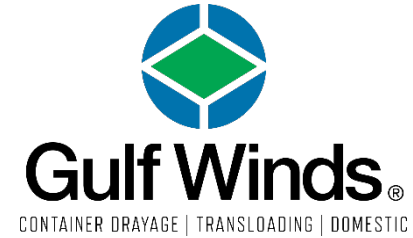
And the

Volume Analyzer

visit intermodal.org

or e-mail us at: [**info@intermodal.org**](mailto:info@intermodal.org)

Thank you to our *Platinum* sponsors!





IANA

INTERMODAL ASSOCIATION
OF NORTH AMERICA

THE CONNECTING FORCE BEHIND INTERMODAL FREIGHT

© 2020 Intermodal Association of North America. This presentation was produced for the use of IANA members and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of IANA. IANA, 11785 Beltsville Drive, Calverton, MD 20705-4048.