Tank Truck Industry & Economic Update

May 1, 2017

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Chief Economist & Senior Vice President
American Trucking Associations
2013 Truck Tonnage

- Tank Truck 25.6%
- Non-Tank Truck 74.4%
2013 Tank Truck Tonnage by Commodity

- Petroleum Based: 49.2%
- Everything Else: 35.0%
- Chemicals, including Fertilizers and Cryogenics: 15.8%
Economic Trends

• Moderate GDP growth picks up slightly in 2017 and 2018.
• There are now positive economic developments that were absent just six months ago, but they won’t happen overnight (e.g., tax reform, regulatory environment).
• Potential economic threats linger too (e.g., trade policy).
• Structural problems persist and, in some cases, are worsening (e.g., population growth).
• The supply chain has made significant progress on clearing out excess inventories, which is a big positive for truck freight.
• BOTTOM LINE: Slight acceleration in economic activity, but it will feel significantly better than 2016 for motor carriers.
Real Gross Domestic Product Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg 2000-2007</td>
<td>2.7%</td>
</tr>
<tr>
<td>Avg 2010-2014</td>
<td>2.1%</td>
</tr>
<tr>
<td>2015</td>
<td>2.6%</td>
</tr>
<tr>
<td>2016</td>
<td>1.6%</td>
</tr>
<tr>
<td>2017</td>
<td>2.1%</td>
</tr>
<tr>
<td>Avg 2018-2020</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Sources: BEA & ATA
Real Gross Domestic Product Growth

2014: -1.2%
2015: 2.3%
2016: 0.9%
2017: 0.7%

Sources: BEA & ATA
**Job Market**

**Monthly Job Changes**
(Thousands)

**Unemployment Rate**
(Percent)

Sources: BLS & ATA
Real Personal Disposable Income Growth & The Savings Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Real Disposable Income</th>
<th>Savings Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg 2000-07</td>
<td>3.1%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Avg 2010-14</td>
<td>1.6%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2015</td>
<td>2.8%</td>
<td>5.9%</td>
</tr>
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<tr>
<td>Avg 2018-20</td>
<td>3.2%</td>
<td>5.5%</td>
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</table>

Sources: BEA & ATA
2015 Savings Rates in Various Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Savings as a percent of household disposable income</th>
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<tbody>
<tr>
<td>China</td>
<td>37.0%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>19.0%</td>
</tr>
<tr>
<td>Germany</td>
<td>9.7%</td>
</tr>
<tr>
<td>France</td>
<td>8.9%</td>
</tr>
<tr>
<td>Austrailia</td>
<td>6.8%</td>
</tr>
<tr>
<td>Mexico</td>
<td>6.6%</td>
</tr>
<tr>
<td>Ireland</td>
<td>5.8%</td>
</tr>
<tr>
<td>USA</td>
<td>5.8%</td>
</tr>
<tr>
<td>Canada</td>
<td>4.3%</td>
</tr>
<tr>
<td>Great Britian</td>
<td>0.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>0.0%</td>
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</tbody>
</table>

Source: OECD
Real Personal Consumption Growth  
(Goods Only)

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Sources: BEA & ATA
Housing Starts Are Leveling Off At a Sustainable Pace

Housing Starts
(Monthly; Annualized Rate; Millions)

New Permits
(Monthly; Annualized Rate; Millions)

Sources: Census & ATA
Factory Output

Sources: Federal Reserve & ATA
Sales to average 17.5 million through 2020.
U.S. Plastics Production

2010 = 100

Sources: Federal Reserve, IHS, & ATA
U.S. Chemicals Production

2010 = 100

Sources: Federal Reserve, IHS, & ATA
U.S. Paint Production

2010 = 100

Sources: Federal Reserve, IHS, & ATA
U.S. Cement Production

2010 = 100

Sources: Federal Reserve, IHS, & ATA
U.S. Clay, Lime, and Gypsum Production

2010 = 100

Sources: Federal Reserve, IHS, & ATA
Price of WTI Crude Oil
(Weekly Prices, $/barrel)

Source: Energy Information Administration
Crude Oil Production
(Monthly, Thousand Barrels/Day)

Source: Energy Information Administration
Oil Rig Count
(Baker Hughes US Rig Count)

Source: Baker Hughes
US Crude Oil Exports
(Thousands Barrels per Day)

Crude exports are less than 10% of production.

Source: Energy Information Administration
Trucking Trends

• Last year the industry suffered with soft volumes and too many trucks.
• Truck freight will pick up moderately in 2017.
• Longer-term, there are some structural issues impacting industry volumes rate of growth.
• Fleets are finally slowing equipment growth, which will also help in 2017.
• **BOTTOM LINE:** Slight acceleration in freight activity, coupled with supply constraints, will help but not until the second half of the year and into 2018.
Tank Truck Loads

Index: January 2010=100; 3-Month Moving Average

Includes Liquid and Bulk Commodities

Source: ATA's Trucking Activity Report
Source: ATA
US Retail Class 8 Truck Sales

Thousands

Includes Tractors & Straight Trucks

Source: ATA’s American Trucking Trends 2016 & ACT Research
TL Tractor Changes: Large vs Small Fleets

Small Fleet: Less than $30 million in annual revenue

Source: ATA's Trucking Activity Report
TL Tractor Counts

Includes company tractors and independent contractors

Source: ATA’s Trucking Activity Report
TL Trailer Counts

Includes company tractors and independent contractors

Source: ATA's Trucking Activity Report
Impact of ELDs

1. Truckstop.com survey of 1,300 carriers, with vast majority operating fewer than 6 trucks, 84% had no ELDs on any trucks. Less than 50% of trucks have ELDs and it is likely less than 40%.

2. TL fleets that have already adopted are generally larger and more sophisticated than most of those that haven’t. So, productivity impact could be larger than fleets have seen so far.

3. What if just 1% to 3% of drivers leave the market for a host of reasons, including cheaters, anti-technology, anti-big government, or just don’t want to change?

4. Some carriers are likely to exit the industry.

5. Enforcement – law enforcement, liability insurance carriers, shippers, & brokers
ATA motor carrier & private fleet members are invited to come hear the latest economic indicators and forecasts in the supply chain ecosystem in order to strategize for your budget in the year ahead.

Registration link: trck.ng/econsummit
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