Intermodal Quarterly

IANA
INTERMODAL ASSOCIATION OF NORTH AMERICA

First Quarter 2024 Intermodal Volume

Despite high interest rates, moderating but lingering inflation, and fears of a pullback in consumer spending and industrial activity, the U.S. economy continued to show surprising resilience in the first quarter. In fact, industrial activity picked up, and the March ISM Manufacturing Index clawed back into expansion territory for the first time since September 2022. Likewise, consumer spending continued to work down bloated retail inventories, driving imports in the face of trade disruptions in the Red Sea and at the Panama Canal.

Within this context, total intermodal volume increased 8.8 percent in the first quarter compared to that of 2023. It was the second consecutive quarter of year-over-year growth. International container volume added 18.0 percent, and domestic container originations improved 3.4 percent. The trailer segment continued its decline, falling 24.8 percent in the quarter. Overall loadings, however, still reached 4.3 million, only slightly lower than the 4.4 million reported for the previous quarter, the high-water mark for 2023.

All but two of the ten IANA regions saw growth. The Southwest posted a 19.6 percent increase, driven by another quarter of high import levels at the ports of Los Angeles and Long Beach. Mexico continued its upward trajectory with a 19.2 percent expansion. The South Central also notched double-digits at 11.7 percent. Other regions in the positive were the Midwest (7.3 percent), Southeast (6.7 percent), Western Canada (6.2 percent), Northeast (6.2 percent) and Mountain Central (5.9 percent). The Northwest and Eastern Canada were the only two regions that shrunk, dropping 3.5 percent and 0.9 percent, respectively.

Overall intermodal volume moved up in a typical quarterly seasonal pattern pointing to an August or September peak. This upward momentum was driven primarily by a surge in imports on the West Coast which led to increased international container traffic.

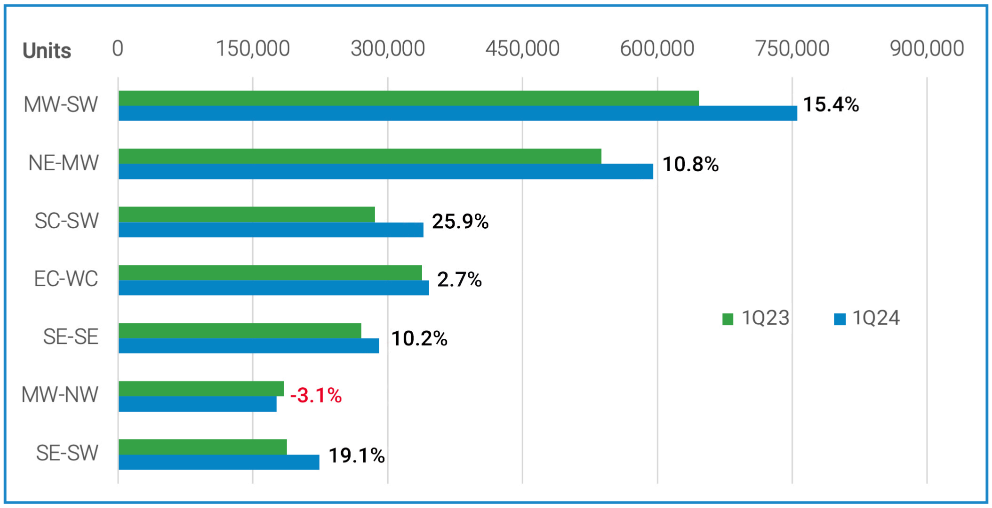
International Intermodal

Eight out of the ten IANA regions experienced international container volume growth in the quarter. The Southwest surged 46.1 percent, followed by the South Central, at 41.7 percent. The Mountain Central region climbed 27.3 percent, while the Northeast

First Quarter Totals

	2023	2024	Change
Trailers	191,941	144,342	-24.8%
Domestic Containers	1,927,682	1,993,687	3.4%
All Domestic Equipment	2,119,623	2,138,029	0.9%
ISO Containers	1,820,530	2,148,571	18.0%
Total	**3,940,153**	**4,286,600**	8.8%

First Quarter 2023–2024 Corridor Growth



grew 18.7 percent, and the Midwest did the same by 17.5 percent. The Southeast posted 16.1 percent, Western Canada, a more moderate 10.4 percent, and Mexico, an increase of just 2.5 percent. Tempering growth, the Northwest fell 3.1 percent, and Eastern Canada's volume decreased 1.0 percent.

New imports feeding consumer demand improvement and normalizing inventories drove the broad gains. Some retailers that deal primarily with durable goods found it difficult to unload inventory as consumers shifted away from larger purchases to focus more on nondurable goods or essential purchases. Overall, however, retailers were in a better position to restock and place new orders for imports compared to this time last year.

IMC Market Trends — 1st Qtr. 2023 vs. 2024

	Q1 2023	Q1 2024	Pct. Change
Intermodal Loads	298,783	288,152	*-3.6%*
Highway Loads	474,283	481,731	1.6%
Total Loads	**773,066**	**769,883**	*-0.4%*
Intermodal Revenue	$ 1,096,350,379	$ 880,602,256	*-19.7%*
Highway Revenue	$ 971,231,456	$ 862,294,600	*-11.2%*
Total Revenue	**$ 2,067,581,835**	**$ 1,742,896,856**	*-15.7%*
Average per Intermodal Load	$ 3,669	$ 3,056	*-16.7%*
Average per Highway Load	$ 2,048	$ 1,790	*-12.6%*

Domestic Intermodal

Four out of the ten IANA regions reported domestic container growth. Mexico saw the most, 45.0 percent, driven by expanded rail services in the country and increased nearshoring activity. The Southwest, benefiting from rising imports and additional transload volume, registered 6.7 percent growth. The Midwest increased 3.8 percent, while the Northwest managed 0.9 percent. At the same time, volume declined in Western Canada (8.4 percent) and in the South Central (1.0 percent). Eastern Canada, Mountain Central, the Southeast and Northeast kept losses under 1 percent, falling 0.6 percent, 0.3 percent, 0.2 percent and 0.1 percent, respectively.

Domestic container activity is tied to local industrial activity and retail sales, both of which started to level off over the past year or so. As a result, domestic containers did not see the same activity as international. Excess trucking capacity, reflected in the below-average active truck utilization, also limited the segment's ability to grow.

Trailers

The drop in trailer loadings (24.8 percent) was the eleventh consecutive quarter of year-over-year losses. With just under 145,000 moves, the trailer segment represented just 3.4 percent of total intermodal volume. Trailer loadings are not common in Mexico or Canada – only 0.2 percent of North American trailer moves originated outside of the U.S, and all seven U.S. regions shed more than 10 percent in Q1. The Northwest, the smallest volume region, fell off 41.8 percent. Likewise, losses lined up in the Mountain Central (34.1 percent), Southwest (31.1 percent), South Central (29.5 percent), Northeast (23.1 percent), Midwest (22.6 percent) and Southeast (13.1 percent).

Downward pressure on this segment came from different directions. Truckload, temperature controlled, parcel and LTL carriers balanced their driver base and business levels and required less assistance from the rail network. The loss of the TOFC traffic from the Yellow Corporation continued to impact volumes. Furthermore, long-time trailer shippers maintained their practice of swapping trailers for more efficient domestic containers.

IMC Results

Intermodal Marketing Company results are reported by participating IMCs. This quarter's results spoke to the continued intense competition with trucking. Intermodal loads handled by IMCs contracted 3.6 percent year-over-year, the eighth consecutive quarter of volume losses. Trucking volume handled by these same IMCs increased by 1.6 percent, a small gain that broke a string of five negative-growth quarters in highway originations. Combined, total loads for IMCs slid 0.4 percent this quarter. On the revenue side, total intermodal revenue dropped 19.7 percent, and total highway revenue declined 11.2 percent. Total IMC revenue for both modes combined was 15.7 percent lower. That equated to a per-unit decline in revenue of 16.7 percent for intermodal and a similar 12.6 percent drop for highway. IMCs have been forced to take pricing lower on both modes to attract freight.

Outlook

With containerized imports on the rise, especially on the U.S. West Coast, the outlook for international containers moving by rail is forecast to move up 9.0 percent for full-year 2024, notwithstanding the tougher quarterly comparisons that lie ahead. Loose trucking conditions are expected to keep a lid on domestic containers, limiting full-year growth to 2.5 percent. Furthermore, the slide in trailer loadings will likely continue, leading to a 20.3 percent loss. All combined, total North American intermodal volume is anticipated to increase 4.6 percent in 2024.

Higher interest rates, which typically take time to be fully felt throughout the economy, remain a variable, and progress on the inflation front has slowed a bit, forcing the Fed to rethink their rate cutting strategy. Higher interest rates for longer would likely result in a downward revision to some economic outlooks as borrowing costs remain higher for businesses and consumers.

Trucking Industry Outlook

Tractor-tractor trailer volume in the first quarter of 2024 was up 0.2 percent from the first quarter of 2023. Dry van moves increased 0.8 percent, refrigerated rose 1.7 percent, but specialized moves, which accounted for over half of the quarterly loadings, dropped 0.4 percent.

On a length-of-haul basis, only short-haul tractor-trailer moves (fewer than 125 miles) saw a decrease, 3.1 percent year-over-year. Medium-haul (125 to 299 miles) posted a 1.5 percent gain. Long-haul (300 to 549 miles) ticked up 0.3 percent, and super long-haul (550 or more miles) – the most competitive length of haul with intermodal – was up 0.6 percent.

Spot rates for dry van and refrigerated equipment declined in January following brief spikes due to weather but stabilized by late February and through the end of the quarter, matched levels in the same 2023 weeks. Van spot rates approached positive in March, but 2023 was a weak comparison period.

Small carriers continue to exit the market in substantial numbers, but payroll employment for truckload carriers was barely down from its all-time high, and the market still had about 94,000 more authorized carriers than it did before the pandemic. Estimated active truck utilization – the share of seated trucks engaged in hauling freight – ticked up

Tractor/Trailer Loads Orig. — 1st Qtr. 2023 vs. 1st Qtr. 2024

Actual Length-of-Haul	1st Quarter 2023	1st Quarter 2024	Y/Y % Change
<125 Miles	22,616,762	21,916,856	*-3.1%*
125-299 Miles	48,691,153	49,414,795	1.5%
300-549 Miles	70,900,844	71,130,648	0.3%
550+ Miles	20,482,535	20,598,699	0.6%
Grand Total	**162,691,295**	**163,060,998**	**0.2%**

Short Term Trucking Outlook

	History	Forecast			
	Q1’24	Q2’24	Q3’24	Q4’24	Q1’25
Active Truck Utilization	**89.5%**	**90.3%**	**91.3%**	**92.2%**	**93.2%**
Cl. 8 Tractor/Trailer Loading Originated					
000s of Loadings	163,061	163,703	164,695	165,862	166,972
% Change, Q/Q	0.2%	0.4%	0.6%	0.7%	0.7%
% Change, Y/Y	0.2%	0.3%	1.0%	1.9%	2.4%
Driver Labor Availability Index					
Index (1992=100)	134.2	143.9	151.5	150.6	144.2
% Change, Q/Q	*3.5%*	*7.2%*	*5.3%*	*-0.6%*	*-4.3%*
% Change, Y/Y	*12.5%*	*17.7%*	*18.1%*	*16.1%*	*7.5%*
Truck Share of Employment Index					
Index (1992=100)	134.8	125.5	118.7	119.4	124.4
Truck Driver Pressure Index					
Index (0 = Neutral)	*-5.0*	*-3.7*	*-2.3*	*-1.1*	0.2

incrementally during the quarter but remained only slightly above the bottom that the market hit in 2019.

Outlook

Active truck utilization is forecast to increase slowly but steadily in the coming months, exceeding the 10-year average of 92 percent by the fourth quarter. Spot rates are expected to start turning positive year-over-year by the middle of 2024, and contract rates should begin making gains in the fourth quarter. This outlook assumes a steady decline in truckload capacity as carriers' finances deteriorate further without an upswing in the market.

Utilization could tighten more quickly if diesel prices surge or insurance costs accelerate, thereby speeding the departure or downsizing of weak truck operations. The Producer Price Index for commercial auto insurance premiums has been rising steadily for nearly a year. In March, that index was up 2 percent year-over-year, the strongest comparison since the end of 2019 – a year that saw substantial trucking capacity loss due to a hardening insurance market.

Sluggish freight volume likely will continue at least through the end of the next quarter when tractor-trailer loading are anticipated to eke out 0.3 percent. Signs of notable improvement begin in Q3, estimated at 1.0 percent growth, and accelerate thereafter. By the first quarter of next year, loadings are forecast to expand 2.4 percent.

One asterisk to the forecast is the automotive industry. After a drop in production in January, in part due to weather effects, motor vehicle and parts output rose in February and March to one of the strongest levels on record, trailing only July and May of last year. It certainly is possible that the automotive sector will maintain that strength, but it is not guaranteed.

The consumer sector has relatively less upside potential as Americans continue to exhaust what is left of their excess savings built up during the pandemic. Consumer spending remains steady, and solid job growth should maintain a healthy floor on consumption even in the face of sticky inflation and higher interest rates.

Intermodal implications

Intermodal's competitive position versus trucking is stable, but it is unlikely to improve significantly until 2025 when stronger truck volumes and firmer truck rates offer improved opportunities. Even higher diesel prices, which normally result in a competitive boost for intermodal, might have little effect in the near term due to the scope of trucking's overcapacity.

The resilience of this capacity seems unusual given the market's prolonged weakness. One factor is solid freight volume. Although growth stalled in 2022, volume has not declined. Freight activity flowed back to the contract arena from the spot market, but overall demand has been stable.

Meanwhile, government financial support during the pandemic and highly profitable spot rates from late 2020 through early 2022 apparently left small carriers better prepared financially than usual to weather a downturn in spot rates. Even the mere anticipation of a market upturn might be encouraging financially stressed carriers to stick around or maintain driver payrolls, thus delaying that very market turn.

Intermodal looks to be a stronger competitor for trucking within a few quarters, but the truck freight market still has a way to go before it becomes even modestly stressed or simply returns to normal.