

Mexico, Houston port volumes boosting US Southwest trucking: U.S. Bank



US Bank said truck freight shipments in the Southwest were up 14 percent year over year in the first quarter, compared with double-digit declines in several other US regions. Photo credit: melhijad / Shutterstock.com.

William B. Cassidy, Senior Editor | May 1, 2023, 12:46 PM EDT

If there's a silver lining in the overcast US freight outlook, it's in the Southwest, where truck freight shipments rose 5% sequentially in the first quarter and 14% year over year, U.S. Bank said Monday in its first-quarter freight payment index. Spurred by increased US trade with Mexico, truck volumes and shipper spending on truck freight in the Southwest rose for the eighth straight quarter, U.S. Bank said.

"This quarter was a prime example of how important it is to examine regional data when assessing truck freight shipments," Bobby Holland, director of freight data solutions at U.S. Bank, said in a statement. "Boosted by growing truck-transported trade with Mexico and increased activity at the Port of Houston, truck freight activity in the Southwest is markedly different than what we're seeing in other regions."

The Southwest was the only region where volumes and spending both increased, according to the index. Most of the US saw double-digit year-over-year declines in volumes, led by the Southeast, where shipments contracted 16.1% year over year and 10.1% from the fourth quarter, U.S. Bank said. Nationally, volumes dropped 6.1% from a year ago and 0.8% from the fourth quarter.

The first quarter historically is the weakest of the year for US trucking activity. The 0.8% quarter-to-quarter decline in the index supports the view that US truck freight markets are stabilizing, following sequential quarters with larger declines, U.S. Bank said. Spending by shippers only fell 0.3% from a year ago on a national basis, and 0.2% from the last quarter of 2022.

Cross-border boost

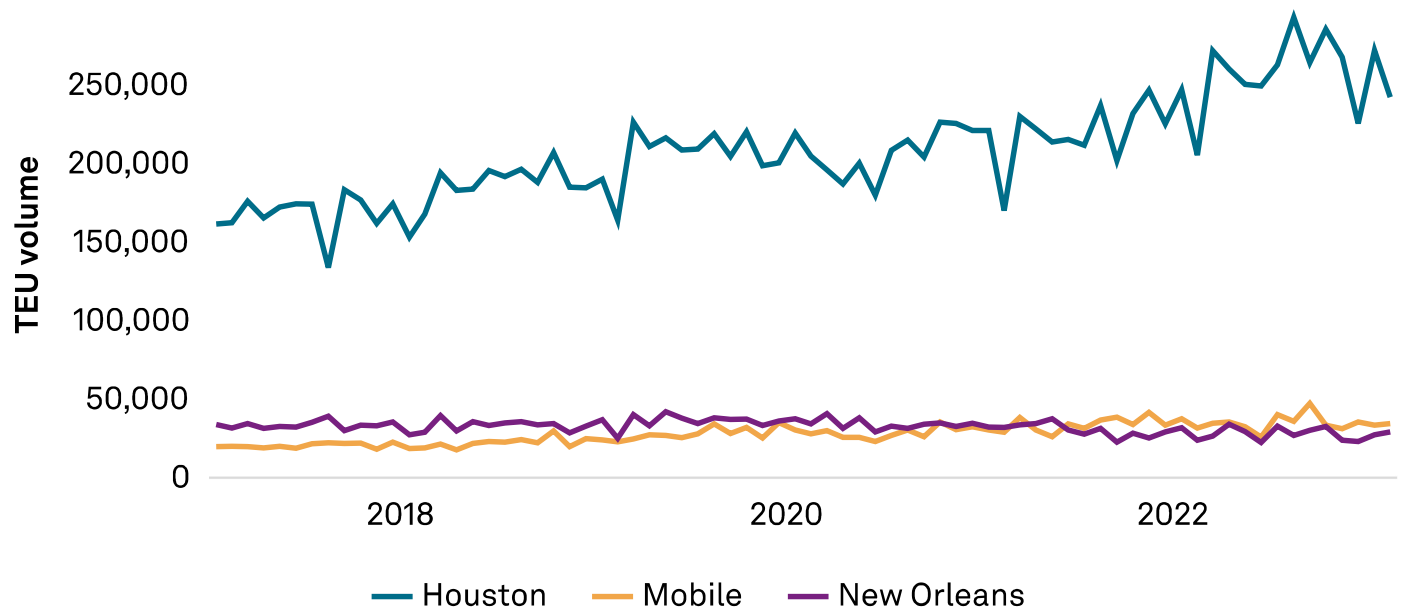
Those national numbers point to a developing equilibrium, with marked regional differences, and perhaps some accelerated reorientation of trade to a north-south axis.

The Southwest is benefiting from increased cross-border trade, with land ports in the region reporting nearly 4% more trucking crossings in the first quarter than a year ago, U.S. Bank said. Preliminary data from Laredo, Texas, the largest US land port, indicate a more than 7% increase in truck traffic.

Imports moving through Houston added to the volume. Total volumes handled by the port in January and February were up on a year-on-year basis before falling in March, according to data from PIERS, a sister product of the *Journal of Commerce* within S&P Global.

Houston volumes in early '23 helped boost Southwest truck shipments

Total monthly TEU volume among selected US Gulf ports with year-over-year change



Source: PIERS, S&P Global

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“Spending in the region jumped 5.7% from the fourth quarter, which was the eighth straight gain, and the largest in a year,” U.S. Bank said. Compared with the first quarter in 2022, spending was up 16.7%. “This is yet another example showing that there isn’t trucking capacity oversupply throughout the country, especially in a region witnessing robust freight gains,” the bank said.

The situation in the West, where import volumes at major US ports are down by double digits from a year ago, is different. Truck freight in the region dropped 14.1% year over year in the quarter and was down 2.8% sequentially, U.S. Bank said, adding that disruption from winter storms and a 15 to 20% contraction in housing starts in the region also depressed freight volumes.

However, shippers spent more on freight in the West, pushing the spending index up 6.9% and 2.8% year over year and sequentially, respectively. “The increase in spending is likely the result of tighter capacity in the region,” perhaps due to severe winter weather, U.S. Bank said.

The Midwest was the only region besides the Southwest that saw a quarterly sequential increase in truck volumes, with shipments rising 1.3% from the fourth

quarter. Year over year, shipments originating or ending in the Midwest dropped 2.4%, compared with a 14.1% drop in the West and a 13.8% decline in the Northeast, according to U.S. Bank.

U.S. Bank considers the Midwest the weakest of the five US regions, however, “when considering the totality of its freight market.”

“The level of freight activity in the region remains very low,” U.S. Bank said, largely because of reduced manufacturing activity. And spending on truck shipments dropped 5% from the fourth quarter and 8% year over year, indicating loose capacity, U.S. Bank said.

Spending on truck freight rose in the Northeast, despite declines in volume, with the spending portion of the index rising 2.2% sequentially and 2% from a year ago. U.S. Bank attributed the increases at least in part to “marginally constrained capacity,” and the reluctance of some carriers and drivers to service the Northeast region, especially during winter.

The Southeast saw the biggest annualized drop in volume, but the cost of moving goods by truck rose 7.9% year over year and 1.8% from the last quarter, according to U.S. Bank. “This suggests that some fleets, especially smaller ones, continue to exit the market or redeploy in other regions as costs increase and spot market rates fall,” it said.

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