

## Bloomberg Intelligence

# BI NITL Shipper Poll



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### Shippers Optimistic About 2H; Rail Service Is Not Up to Par

(Bloomberg Intelligence) -- Shippers in Bloomberg's inaugural poll with the National Industrial Transportation League (NITL) expect demand to rise in 2H, yet many remain unsatisfied with rail service, despite recent improvements. The survey included a variety of companies with global operations, with a majority having transportation budgets of more than \$101 million and in sectors like food and petrochemicals. (07/06/23)

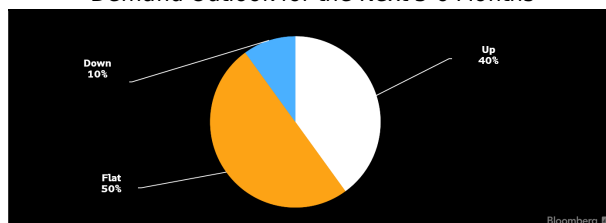
#### 1. Freight Recession End Might Be Around the Corner

Though shippers have faced some steep headwinds over the past few months, with half of our respondents reporting a year-over-year decrease in demand for their services in 2Q, conditions might take a turn for the better. About 40% of shippers polled expect demand to rise in the next 3-6 months and another 50% believe it will be flat. Additionally, 75% feel their current inventories are at an adequate level. This could result in a more normal peak season this year as shippers re-order more goods and replenish stock.

Consensus expects US GDP growth to moderate but remain positive and puts the probability of a recession at 65%. Any recession might likely be short and shallow, limiting its effect on demand.

(07/06/23)

Demand Outlook for the Next 3-6 Months



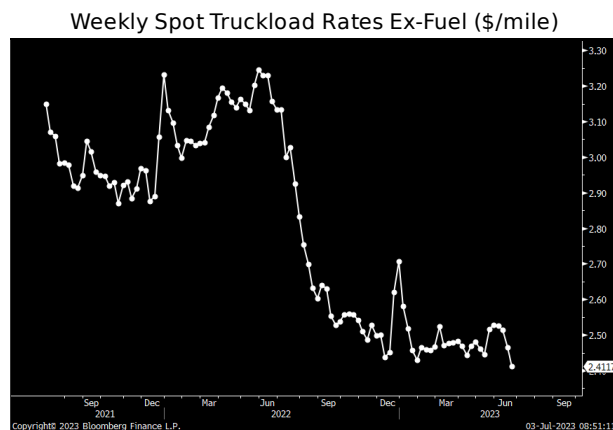
Source: NITL, Bloomberg Intelligence

#### 2. Freight Rates are a Mixed Bag for Shippers

Our NITL poll garnered some interesting insights on spot and contract rate spreads for various methods of shipping. Truck and ocean spot rates are significantly lower than contractual rates, with 47% of our respondents noting a 5% spread in the trucking market and 57% observing a 5% spread in the ocean sector. Though spot truck rates may be at a bottom and are poised to increase later this year, challenging supply-demand dynamics could keep suppressing ocean rates.

Rail and less-than-truckload (LTL) spot rates are holding up slightly better, with 73% of respondents saying rail rates are at least 3% higher than contract rates, while 50% noted that LTL spot and contract rates are about the same. Pricing discipline at LTL and railroads may help drive more rate increases that are crucial to mitigating inflation pressure. (07/06/23)

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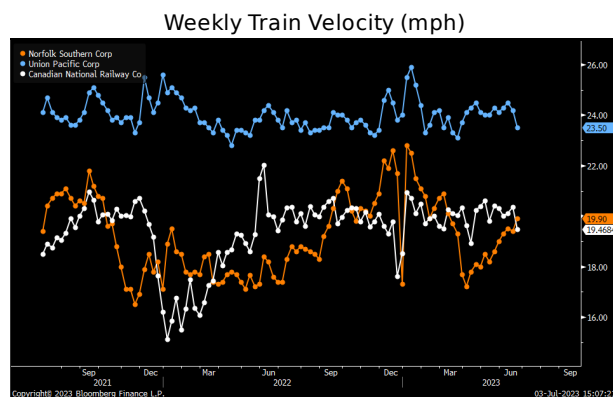


Source: Truckstop, Bloomberg Intelligence

### 3. Rail Service Is Up, But Not Enough for Shippers

Despite improvements in network fluidity from Class I rails, with four-week moving average velocity and dwell both 5% better year over year through June 23, shippers still aren't happy with current service levels. The poll found that 77% of respondents are unsatisfied with Class I railroad service. Additionally, 75% believe that things are worse since the widespread adoption of precision-scheduled railroading (PSR). Respondents cite equipment shortages, labor issues and increased demurrage costs as reasons behind the weakness in PSR implementation.

Canadian rails appear to be providing better service than Class I peers, with Canadian National (CN) excelling in particular. CN's refocus toward PSR might not have been as disruptive as US peers, as shippers were more constructive about its service levels. (07/06/23)



Source: AAR, Bloomberg Intelligence

### 4. Shippers Shifting to Truck From Rail

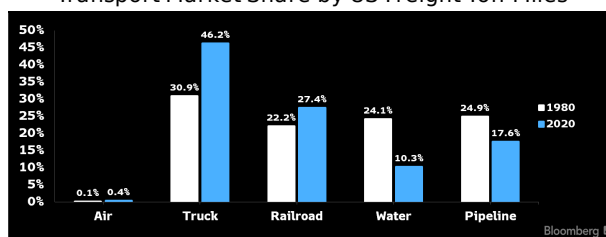
Until rail service picks up significantly, shippers aren't shying away from diverting their freight toward trucking. In the past three months, 40% of respondents have shifted their freight mix to trucking and away from rail, with 50% citing lower service levels as the primary reason. Another 50% of respondents expect to give more freight to truckload carriers over the next 3-6 months, so improvements in service are critical for Class I rails to maintain market share. Railroads will be more compelling for shippers if service improves and fuel prices are elevated.

The trucking and rail industries have taken the most cargo-shipping market share since 1980, at the expense of pipeline and water freight-transportation. Trucking is the freight ton-mile leader at 46%, followed by railroads (27%). (07/06/23)

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Transport Market Share by US Freight Ton-Miles



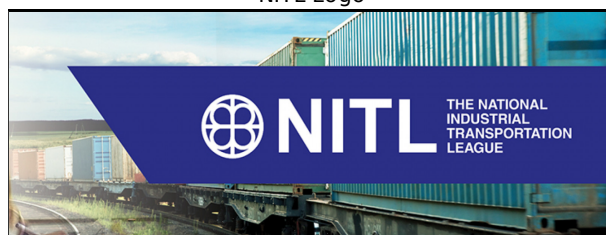
Source: DOT, Bloomberg Intelligence

### 5. What Is the National Industrial Transportation League?

The NITL is the country's oldest freight-transportation association, with membership from a variety of industries. The association has represented shippers' perspectives on topics such as rail service and unfair port costs. The Bloomberg/NITL poll accumulated responses from member organizations across a broad range of industries. Of our respondents, 35% were in the petrochemical industry, 20% in paper and forest products, 5% in agriculture, 5% in manufacturing and the rest in other sectors such as third-party services and railroading.

The NITL has membership from a number of well-known companies, including Exxon Mobil, Johnson & Johnson and UPS. (07/06/23)

NITL Logo



Source: NITL, Bloomberg Intelligence

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