



Cass Freight Index Report

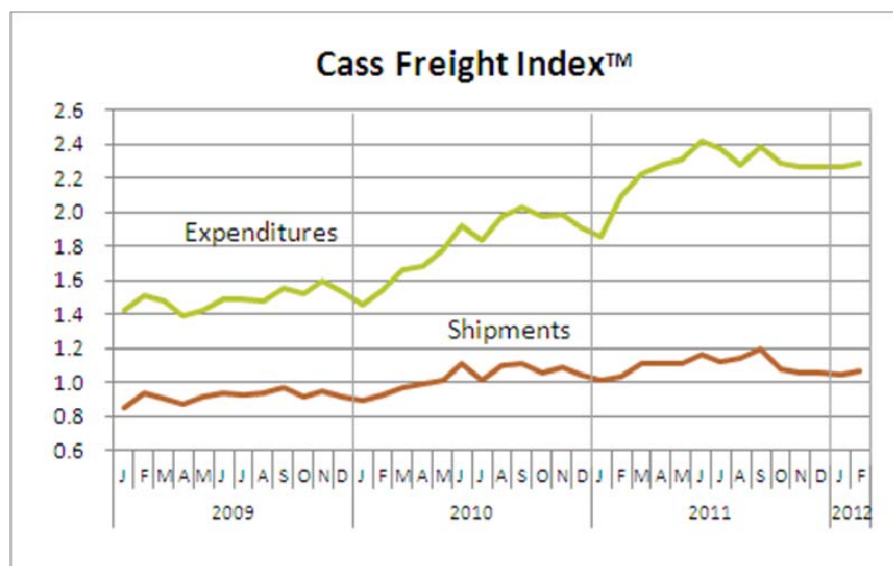
February 2012

Cass Freight Index Report™ - February 2012

Shipping begins to pick up post holiday season.

	February 2012	Year-over-year change	Month-to-month change
Shipments	1.072	+3.5%	+2.5%
Expenditures	2.295	+9.8%	+1.2%

In a possible reversal of a very long trend, the month-to-month change in freight movements in February was *greater* than that of expenditures. This is good news for the shipper, as costs to move goods seem to have flattened out for the time being. Compared to January, freight shipment volume was 2.5 percent higher in February, while freight spending was 1.2 percent higher. Annually, freight volumes were up 3.5 percent from January 2011.



February Shipment Volumes

As expected based on seasonal trends, the February rise in freight shipments reversed the downward trend over the last three months.

The manufacturing sector continues to be the backbone of the economy. The Commerce Department report on Manufacturers' Shipments, Inventories and Orders showed that shipments of manufactured durable goods were up 0.4 percent in January for the third consecutive month. Petroleum and coal products accounted for much of the 1.3 rise in nondurable goods shipments, which were up 3.5 percent. Railroad weekly carloadings and intermodal traffic have trended downward in recent weeks after an uneven start to the year. Truck tonnage has been edging up, but not on a consistent basis. Retail sales have been moderate, but retail stock is at high-enough levels that significant new orders are not likely. In fact, January new orders

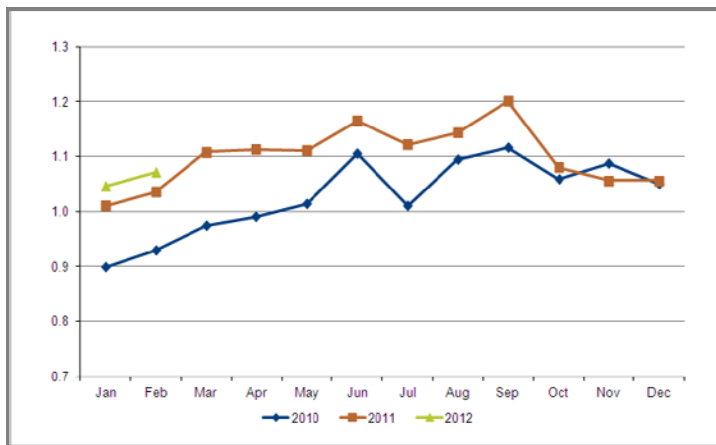
for manufactured durable goods declined 3.7 percent, while new orders for nondurable goods rose 1.3 percent. The inventories-to-shipments ratio was 1.33, unchanged from the previous month.

February Freight Spending

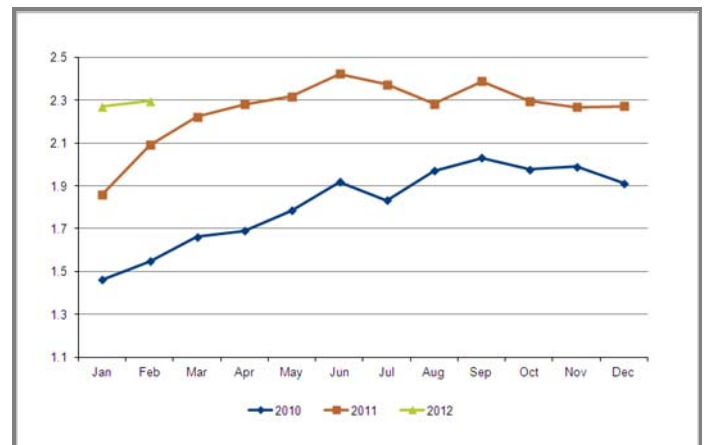
Monthly freight spending from January rose only 1.2 percent against the 2.5 increase in volumes. *Year-over-year* freight expenditures were 9.8 percent higher than in 2011, a difference that strongly contrasts January's gap of 22.1 percent. This gap in year-to-year freight spending has been slowly eroding since early last year, but has stayed ahead of the gap in year-to-year shipments.

Flatter rates are indicative of the sluggish economy and adequate capacity. Fuel costs have been rising during 2012, but total spending does not seem to reflect this increase. The conclusion would be that carriers have eased up on base rates to compensate for higher fuel charges.

Shipment Volumes



Freight Expenditures



The economy is continuing on its slow path to recovery. There have been many positive signs in recent months. Hiring has ramped up, unemployment has edged down, consumer confidence is continuing its five-month upward march, and retail sales (excluding autos) rose another 0.7 percent. However, consumers are still spending the biggest share of their paychecks on necessities, as prices for food and gas remain high. Further, consumers have been turning to credit, fueling a 10 percent growth in consumer debt from November to January and reaching the highest level in ten years. Despite figures that seem to indicate that the economy is off to a stronger start than last year, GDP growth is still expected to be below three percent. There are no clear signs that we can expect a fast turnaround for the freight industry; but rather several signs that this year may be more reflective of the uneven growth we have experienced for the last three years.

Cass also releases truckload and intermodal linehaul cost indexes each month. Visit <http://bit.ly/s9iniq> to view or subscribe.

About The Cass Freight Index

The Cass Freight Index represents monthly levels of shipment activity, in terms of volume of shipments and expenditures for freight shipments. Cass Information Systems processes more than \$20 billion in annual freight payables on behalf of its clients. The Cass Freight Index is based upon the shipments of hundreds of Cass clients representing a broad spectrum of industries. The index uses January 1990 as its base month. Visit www.cassinfo.com/frtindex.html or call 314-506-5500 to get detailed information about the Cass Freight Index, including historical data.

About Rosalyn Wilson and Delcan Corporation

Analysis provided by Rosalyn Wilson, a nationally and internationally recognized supply chain expert, and senior business analyst with Delcan Corporation based in Vienna, Virginia. She has more than 30 years of experience in the transportation and logistics field and is the author of the *Annual State of Logistics Report*®,



a widely-used analysis of the supply chain industry published by the Council of Supply Chain Management Professionals – a report which was created in 1988 by the late Robert V. Delaney, a former Cass executive. She is also the co-author of *Securing Global Transportation Networks*, a supply chain security reference and college textbook.

Delcan Corporation is a management consulting firm recognized by those in government and industry as a world leader in the transportation sector. Delcan advises top decision makers in the transportation sector on strategy, technology, program and project management, asset management, and finance and economics.



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