

MARKET TRENDS

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Market Trends Update

Market Indicators

- US PMI 54.1, down 5.2 points
- Unemployment 3.9%
- Cass Freight Index 1.16 in November (latest data)
- US EIA: diesel \$3.013, trending down
- Tariffs – delayed 90 days, an agreement could bolster confidence whereas further tension could quicken the pace of a slowdown

Industry Indicators

- Truck utilization above 99%, expected to drop considerably throughout Q1
- Tender Rejections: 11.84, steady decline after a light ramp up before the holidays
- DAT postings: spot market down 5.5%, TL ratios for van up 7%, flatbed up 13%, reefer flat
- IMDL growth slowed to ~2% in December
- Weather – seasonal

Canada Market Data

- Canadian Consumer Confidence: 52.43
- Canadian Unemployment down slightly from 5.8% to 5.6%, lowest since 1976
- Canadian PMI: down slightly to 53.6, mostly due to slowing growth in factory activity

Mexico Market Data

- Launched a plan to stimulate economy
 - Reduced income and corporate taxes from 30% to 20%
 - Reduced VAT from 16% to 8%
 - Doubled minimum wage along US border

Forward Statement

- As the economy slows so too will any capacity issue that may have lingered in pockets through Q4'18.
- Tariffs, and the 90 day extension late in 2018 likely caused a pull-forward of imports that are likely to soften Q1'19.

Best Practice

- Ensure route guides are being followed internally and enforce compliance from suppliers
- Continue to utilize a mixed strategy that includes 3PL's to weather spotty tight capacity and plan for cost savings in the future
- Take this time to re-evaluate suppliers and look to partner with those who stuck near throughout 2018

News at BNSF Logistics

- Nancy Clark-Lamons joined full time as Chief People and Diversity Officer
- Broke ground on expansion of our Springdale, AR location
- New brand launches February of 2019