In this week's issue

Truckload and LTL
Rail, Intermodal & International
Fuel Updates
Economic Headlines
World Headlines

TRUCKLOAD AND LTL

As Capacity “Crisis” Eases, Truck Rates Continue to Rise
(This article requires registration at the Journal of Commerce. To access, please click on the above link.)
Shippers are agreeing to pay more to secure truckload capacity even as the sharp contraction in capacity seen this past winter eases.

Spot Freight Rates at Highest Levels in Last Four Weeks
A hike in the average rate for refrigerated cargo leads increases in all three categories for spot freight, according to new figures released by the freight marching service provider DAT. From May 18 through May 24, compared to the previous seven days, the average reefer rate increased 0.9% to $2.33 per mile, at least the third straight weekly gain, hitting a four-week high, due to increased demand for trucks in the Southeast and South Central regions of the country.
**Trucking Increases Share with U.S.-NAFTA Trade Hike**

U.S. trade with its next-door neighbors totaled $101.5 billion in March 2014, the second highest amount on record, as four of five transportation modes carried more freight than the same time a year ago, according to a new U.S. Transportation Department report. The March 2014 trade total, a 6.2% increase from March 2013, was exceeded only by trade value in October 2013.

---

**California Drought Worsens US-Mexico Truck Imbalance**

(This article requires registration at the Journal of Commerce. To access, please click on the above link.)
The normal excess of northbound versus southbound truck freight between Mexico and the U.S. is being exacerbated this year because of a high volume of northbound Mexican agricultural goods that is replacing produce normally shipped from California but lost due to the massive drought.

**IHS Automotive: New and Used CV Registrations Rise in Q1 2014**

Combined new and used Class 3-8 commercial vehicle registrations were up 5% in the first quarter to 319,045 units. According to recent analysis from IHS Automotive, new registrations were up during the first quarter 8.3% year-over-year and used transactions were up 2.4% from the first quarter of the 2013.

<table>
<thead>
<tr>
<th>Vehicle Class</th>
<th>Jan-Mar/14 (000's)</th>
<th>Jan-Mar/13 (000's)</th>
<th>2014 vs. 2013 % change</th>
<th>Jan-Mar/14 Class % of total</th>
<th>Jan-Mar/13 Class % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 3</td>
<td>53.2</td>
<td>52.1</td>
<td>2.0</td>
<td>30.1</td>
<td>30.4</td>
</tr>
<tr>
<td>Class 4</td>
<td>16.2</td>
<td>15.3</td>
<td>5.8</td>
<td>9.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Class 5</td>
<td>8.7</td>
<td>8.8</td>
<td>-1.3</td>
<td>5.1</td>
<td>5.3</td>
</tr>
<tr>
<td>Class 6</td>
<td>13.9</td>
<td>14.7</td>
<td>-5.0</td>
<td>8.0</td>
<td>8.8</td>
</tr>
<tr>
<td>Class 7</td>
<td>14.2</td>
<td>13.5</td>
<td>4.9</td>
<td>8.0</td>
<td>7.6</td>
</tr>
<tr>
<td>Class 8</td>
<td>69.6</td>
<td>67.3</td>
<td>3.5</td>
<td>39.7</td>
<td>39.1</td>
</tr>
<tr>
<td>Total</td>
<td>175.8</td>
<td>171.7</td>
<td>2.4</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: IHS Automotive, Polk Used Commercial Vehicle Transactions*

**Overall New Commercial Vehicle Registrations by Calendar Year Quarter**

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>196749</td>
<td>87292</td>
<td>65606</td>
<td>102406</td>
<td>135551</td>
<td>132272</td>
<td>143245</td>
</tr>
<tr>
<td>Q2</td>
<td>215347</td>
<td>79116</td>
<td>94420</td>
<td>116281</td>
<td>135786</td>
<td>144307</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>211262</td>
<td>81606</td>
<td>97638</td>
<td>125317</td>
<td>143915</td>
<td>152872</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>181984</td>
<td>81594</td>
<td>97932</td>
<td>127247</td>
<td>136212</td>
<td>147657</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>805342</td>
<td>329608</td>
<td>375596</td>
<td>471251</td>
<td>551464</td>
<td>577108</td>
<td></td>
</tr>
</tbody>
</table>

*Source: IHS Automotive, Polk 2006-14 new commercial vehicle registration data.*

**Ontario Truckers Bullish on Industry's Future**

Ontario's truckers are reporting stronger freight and rate counts and are more optimistic than they've been in years. In the Ontario Trucking Association's second-quarter 2014 survey of business conditions, carriers showed across-the-board improvements and also said that rates are keeping pace with volume increases.
RAIL, INTERMODAL & INTERNATIONAL

AAR Reports Increased Weekly Rail Traffic
The Association of American Railroads (AAR) today reported increased U.S. rail traffic for the week ending May 24, 2014 with 300,936 total carloads, up 6.8 percent compared with the same week last year. Total U.S. weekly intermodal volume was 269,444 units, up 8.6 percent compared with the same week last year. Total combined U.S. weekly rail traffic was 570,380 carloads and intermodal units, up 7.6 percent compared with the same week last year.

North American Rail Volumes Continue to Rise
(This article requires registration at the Journal of Commerce. To access, please click on the above link.)
The volumes of both carloads and intermodal units on railroads in North America continued their upward trend in mid-May, according to the Association of American Railroads.

Could Natural Gas Enable Longer Intermodal Shipments?
The lower cost of fuel for natural gas-powered highway tractors compared to their diesel-fired brethren could make it more profitable for trucking companies to engage in longer lengths of haul for intermodal shipments.

U.S. East Coast Ports Pinch Canada’s Market Share
(This article requires registration at the Journal of Commerce. To access, please click on the above link.)
U.S. ports outpaced their Canadian rivals on the east coast of North America during the first quarter, with solid growth at Savannah helping the U.S. Southeast surpass other regions.

FUEL UPDATES

Diesel Prices Creep Downward to $3.918
The U.S. average price for on-highway diesel lost 0.7 cents over the past week, dipping to $3.918, its fifth consecutive weekly decline, the Energy Department reported on Monday. Diesel now sits 4.6 cents lower than it was one month ago, but 4.9 cents higher than it was the same week a year ago. It’s also 10.3 cents below its recent Mid-march peak of $4.021. Prices were down in all regions of the country except the Golf Coast region, where the price held steady from last week.

Natural Gas Production Reached Record High in March
Natural gas production in the United States reached a record-breaking 68.7 billion cubic feet (Bcf) per day in March, the highest for any month on record, according to the U.S. Enerav Information Administration.
**ECONOMIC HEADLINES**

**Manufacturing in U.S. Expands at Slower Rate than Forecast**

Manufacturing in the U.S. expanded at a slower pace than forecast in May as orders and production eased from the previous month. The Institute for Supply Management's factory index fell to a three-month low of 53.2 from the prior month's
54.9, the Tempe, Arizona-based group's report showed today. Fifty is the dividing line between growth and contraction. The median forecast of economists surveyed by Bloomberg called for a gain to 55.5.

**Economy on Solid Ground despite Cooler Hiring**
U.S. companies hired far fewer workers than expected last month, while the country’s trade deficit hit its widest point in two years in April, suggesting trade remained a drag on economic growth this quarter. But the data on Wednesday nevertheless suggested the economy was growing solidly, with payroll growth still fairly robust and demand for imports surging.

**Trade Gap Widest in Two Years**
The trade deficit ballooned in April to the widest in two years as Americans bought record amounts of consumer goods, business equipment and automobiles from abroad. The gap grew by 6.9% to $47.2 billion from the prior month's $44.2 billion, which was larger than previously estimated, Commerce Department figures showed.

**Economic Watch: First Quarter GDP Falls 1%, Jobless Claims Hit 2007 Level**
The broadest measure of American economic health shows it throttled back in the first quarter of the year, according to the U.S. Commerce Department. New figures show the gross domestic product contracted at an annual rate of 1%, its first decline since the first quarter of 2011 when it fell 1.3%. This gauge of the total output of goods and services was revised from an increasing annual rate of 0.1%. This latest report is the second of three estimates from the department.

**Durable Goods Orders Up, Shipments Fall; Consumers Upbeat**
Shipments of manufactured durable goods in the U.S. fell in April while new orders increased, according to a Commerce Department report released Tuesday. Shipments for these items, designed to last three years or more, fell 0.2% from March, following a 1.3% gain. The decline was led by a 1% drop in transportation shipments.

**U.S. Construction Spending at Five-year High**
U.S. construction spending rose to its highest level in five years in April, but the increase was less than expected, suggesting a mild pick-up after residential and nonresidential construction contracted in the first quarter. Construction spending increased 0.2 percent to an annual rate of $953.5 billion, the Commerce Department said on Monday. That was the highest level since March 2009.

**U.S. Autos Sales Tick Up in May**
General Motors Co, Chrysler Group and Nissan Motor Co on Tuesday reported higher-than-expected U.S. new car sales in May, with consumer demand continuing to gather strength as temperatures rise across the country. GM and Chrysler said May sales were the best in seven years, and Nissan set a sales record for the month.
Walmart's 'Made in USA' Push Exposes Strains of Manufacturing Rebirth
When Walmart pledged last year to buy an extra $250 billion in U.S.-made goods over the next decade, it appeared to be just what was needed to help move America's putative manufacturing renaissance from rhetoric to reality. But suppliers trying to reshore production as part of the initiative by the world's largest retailer are running into practical problems as they try to restart long-idled corners of U.S. manufacturing.

Musk's Tesla to Name Final Gigafactory Site around Year-End
Tesla Motors Inc., the electric-car maker led by Elon Musk, won't decide until year-end where to build a battery "gigafactory" even as it readies multiple plant sites, the billionaire clarified for investors.

WORLD HEADLINES

China Manufacturing Gauge Rises to Five-Month High
China's manufacturing expanded at the fastest pace in five months, in a sign the government's measures to counter an economic slowdown are gaining traction. The Purchasing Managers'Index (CPMINDX) rose to 50.8 in May, the National Bureau of Statistics and China Federation of Logistics and Purchasing said.

Euro-Area Economy Slows as ECB Prepares to Drive Growth
Euro-area economic growth slowed to start the year, keeping pressure on the European Central Bank to act as soon as tomorrow to spur the fragile recovery and spark prices. Gross domestic product in the 18-nation currency bloc increased 0.2 percent in the first quarter, down from a revised 0.3 percent gain in the previous three months, the European Union's statistics office in Luxembourg said today.

Slower German Inflation Seen Raising Pressure on ECB to Act
Annual inflation in Europe's largest economy likely slowed in May, data from German states suggested on Monday, probably pushing down the broader euro zone rate and raising pressure on the European Central Bank to act when it meets this week. Data from six states showed annual inflation rates ranging from 0.6 percent to 1.1 percent.

Abe's Japan Reform Plan Draft Leaves Tough Questions Unanswered
A draft plan to boost Japanese growth promises to overhaul corporate governance, promote technology and attract private investment, but it leaves many of the toughest questions unanswered as the country seeks to claw its way out of a crippling cycle of deflation.

Canada Consumer Sentiment Rises on Finances, Real Estate
Canadian consumer confidence rose last week as optimism about personal finances and the real estate market improved, survey data show. The Bloomberg Nanos Confidence Index measured 60.0 for the week ended May 30, up from 59.6 the
previous week and close to the 12-month high of 60.1 reached on April 25.

**Australian Carrier Handed Record $1.25M Speeding Fine**
An Australian motor carrier, Scott's Transport, and two of its senior managers were fined $1.25 million this week over repeated speed offences and speed limiter tampering. A judge in The New South Wales issued the fines for 165 speeding offences that occurred between August 2010 and March, 2012, the Australian Daily Telegraph reports.