EASTERN BORDER TRANSPORTATION COALITION

EBTC NEWS

DATE: February 5, 2015

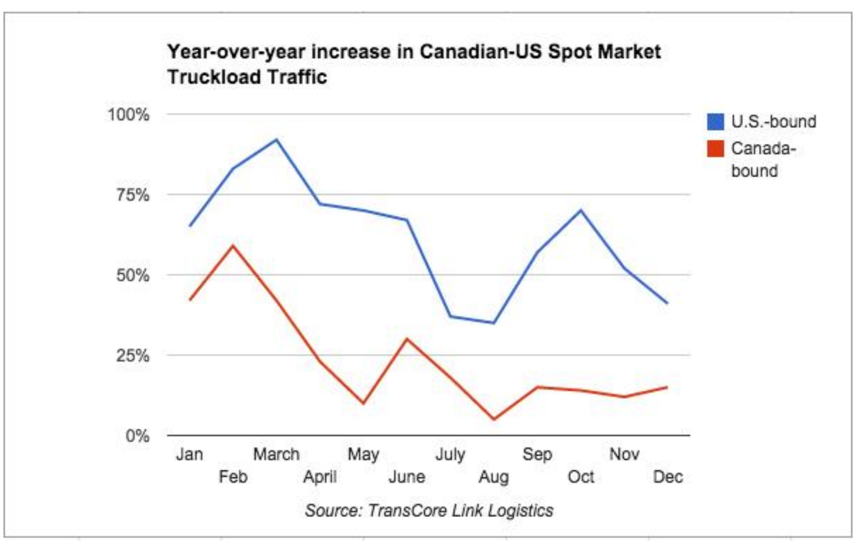
SUBJECT: US truckborne trade with Canada increases, spot market surges

SOURCE: William B. Cassidy, Journal of Commerce, 1/16/15

Economic recovery in the U.S. is generating manufacturing and freight demand in Canada, pushing up spot market truck volumes and freight traffic crossing the U.S. border.

Truckload volume on the Canadian spot market increased 11 percent from November to December, the biggest month-to-month change since March and third highest last year. Year-over-year, Canadian spot truckload volumes rose 19 percent in December, 20 percent for the third quarter, and 33 percent for 2013, TransCore Link Logistics said this week.

"The year saw historic volumes for 10 months, the most since TransCore Link Logistics started recording data," the Canadian load-matching arm of TransCore, parent of U.S.-based load matcher DAT Solutions, said in a statement Jan. 13. "The two months that did not set records, August and November, barely missed reaching all-time high volumes."

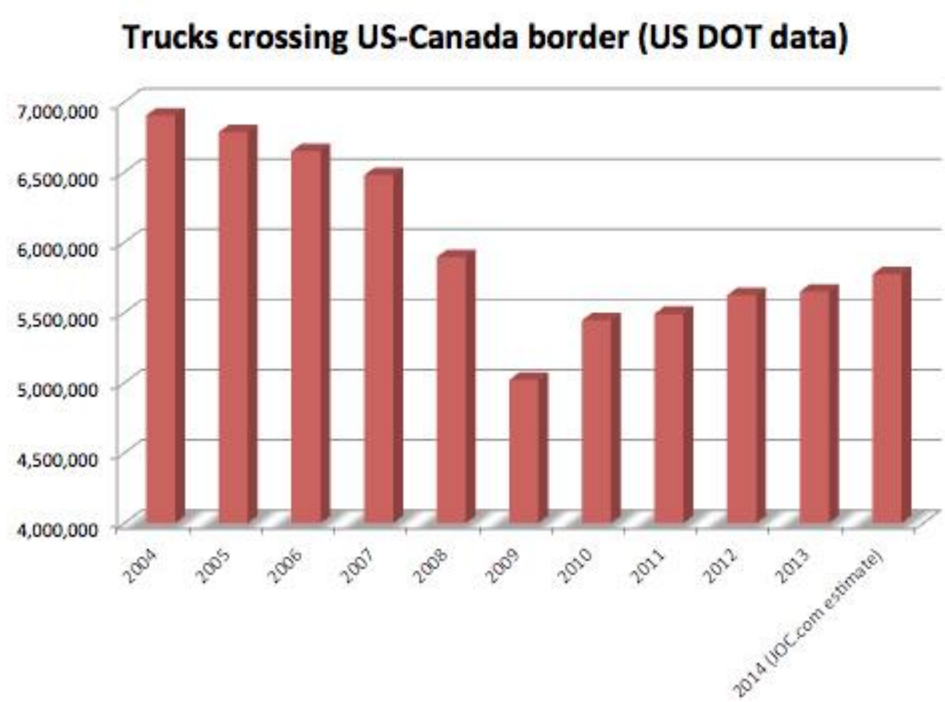


Cross-border traffic, especially exports to the U.S., played a major role in that increase. In December, the number of spot market truckloads exported to the U.S. increased 41 percent, TransCore Link Logistics said. That's down from 70 percent in October last year.

Over the fourth quarter, the increase in spot market truckloads bound for the U.S. from Canada rose 54 percent on average. For 2014, the 12-month average was 62 percent. Inbound spot market loads from the U.S. increased 15 percent in December, 14 percent in the third quarter and 24 percent on average for the full year, TransCore data show.

Total truck crossings are increasing at the U.S.-Canadian border. For the first eight months of 2014, truck crossings increased 2.3 percent year-over-year to 3,867,523. In the same period of 2013, truck crossings dropped 0.5 percent, after rising 3.5 percent in 2011. The January-August period, the latest for which data is available, typically represents about 67 percent of a year's cross-border truck traffic between the U.S. and Canada, according to data from the U.S. Bureau of Transportation Statistics, a Department of Transportation agency.

Based on data for the past 10 years, cross-border truck traffic with Canada was en route to a healthy increase for all of 2014, after almost going flat at 0.4 percent in 2013. If the January-August total represents about 67 percent of annual truck crossings, as it has since at least 2004, more than 5,772,000 trucks crossed the border last year, a 2.2 percent increase.



That’s still below the level of cross-border trade by truck that preceded the recession. The number of trucks crossing the border last peaked in 2004 at 6,903,882. The highest annual number since the 1995 implementation of the North American Free Trade agreement came in 2000, when 7,048,128 trucks crossed the Canadian border. Post recession, the total cross-border truck numbers have been more similar to the traffic levels of the mid-1990s.

BTS data also show the value of goods trucked across the Canadian border on the rise, increasing 4.7 percent year-over-year in October, the last month for which data is available. The value of U.S. imports from Canada transported by truck rose 11.3 percent in October, and 6.5 percent on average in the first nine months of 2014, the BTS data show.

Canada’s gross domestic product rose 2.8 percent year-over-year in the third quarter and 3.1 percent in the second quarter. In the U.S., real GDP increased 2.6 and 2.7 percent year-over-year, and 4.6 and 5 percent quarter-to-quarter, in the same periods.

Although lower oil prices are siphoning some of the strength from Canada’s recovery, especially in the energy-rich western provinces, strong demand in the U.S. for manufactured goods is likely to sustain cross-border freight. Exports of industrial machinery built in Ontario, for example, are expected to jump 17 percent this year, according to Export Development Canada. “Tight industrial capacity stateside is igniting U.S. business investment,” EDC Chief Economist Peter Hall said last November. Rising industrial output is expected to boost exports for Ontario’s chemicals and plastics industry by 5 percent in 2015.

Canadian businesses expect sales to grow at a slightly faster pace in 2015, the Bank of Canada said in its Winter 2014-15 Business Outlook Survey, released this week.

“Expectations of a strengthening U.S. economic outlook are widespread, and firms seeing benefits from improving U.S. demand, either directly through their exports or indirectly through export-oriented customers, are more optimistic than others,” the Bank of Canada said in its report. ‘Indicators of future sales growth have improved more for firms with international customers than for those selling mainly to domestic markets.”

Still, even businesses selling primarily to domestic markets expect sales to pick up this year, which should help boost intra-Canada load volumes, TransCore LInk Logistics reported a 10 percent increase in intra-Canada spot loads in December, following an 8 percent increase in November and a 22 percent jump in October. Intra-Canada loads jumped 29 percent on average in 2014.

Contact William B. Cassidy at wcassidy@joc.com and follow him on Twitter:@wbcassidy_joc