



Dear Customer-

As your trusted transportation and logistics provider, we want to help set expectations for 2021 so that your supply chain is prepared to address the year's challenges. In the following advisory, we provide a high-level explanation of current market conditions and identify trends that will potentially impact your supply chain. Although uncertainty still exists related to how the economy reacts to the initial pandemic recovery and the change in administration, we currently anticipate a volatile market next year with similar incremental inflation tendencies as 2018.

Demand/Consumer

COVID-19 has had a tremendous impact as illustrated in our March, July, and September market advisories. For the third quarter and early fourth quarter months, the economy has continually shifted from services to goods as social distancing requirements have shut down or limited the broader service industry. According to the U.S. Bureau of Economic Analysis, the personal consumption of durable and non-durable goods increased 6.9% year-over-year in the third quarter, a V-shaped recovery that is the highest quarterly year-over-year growth in more than a decade (Figure 1). Supply chains have been unable to replenish at the rapid pace of consumer spending, as illustrated in the inventory-to-sales ratios of retail provided by the U.S. Census Bureau (Figure 2). When compounded with the pandemic's initial impact, inventories remain at historically low levels and will continue to take time to rebuild.

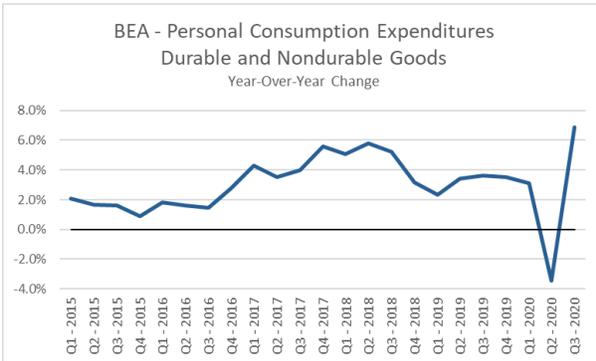


Figure 1

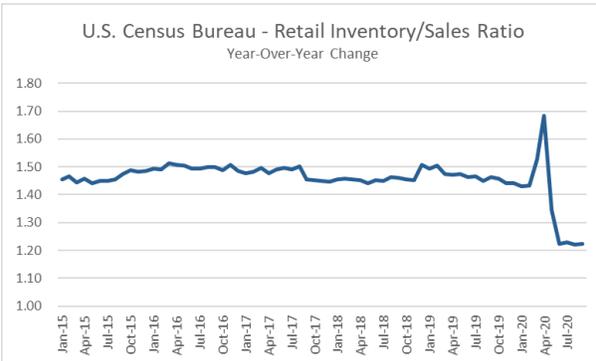


Figure 2

As mentioned in previous advisories, these conditions continue to affect the capability of current capacity to meet demand. According to FreightWaves, routing guide failures and outbound tender rejections continue to be elevated (Figure 3). The demand for inventory replenishment has generated large increases YOY in import activity, straining capacity for both international and domestic intermodal freight (Figure 4). Railroads are slower to ingate at the level needed to accommodate demand, resulting in longer dwell times on inbound shipments. Due to the increased activity at warehouses, shippers are holding onto dropped containers past allotted times. Ultimately, these activities decrease container utilization across the intermodal market.

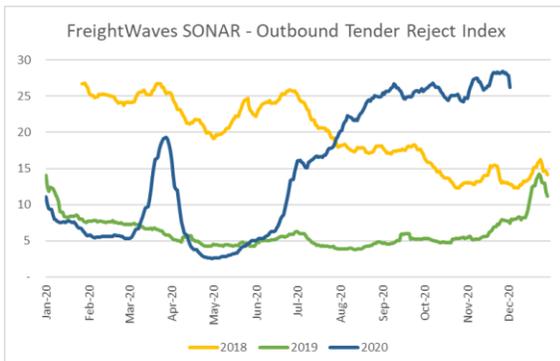


Figure 3

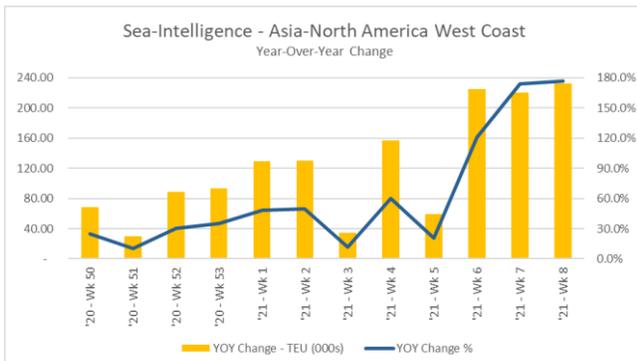


Figure 4

Supply/Drivers and Capacity

Current economic conditions and the COVID-19 pandemic continue to impact the overall number of drivers in the industry. Although improved from the record low of -6.5% reported in April, truck transportation employment in November still showed a negative

year-over-year comparison at -3.6%, according to the Bureau of Labor Statistics (Figure 5). Five areas contributing to this reduction include fewer driver school graduates, fallout from the Department of Transportation’s Drug & Alcohol Clearinghouse, a competitive job market, early retirement and quarantine due to COVID-19, and rising insurance rates.

The need for qualified drivers has and will continue to influence hiring capabilities and costs as the demand for pay increases across the industry is realized. In 2018, the National Transportation Institute reported that driver industry rates increased over 10% as capacity tightened and access to available drivers was limited (Figure 6). Current market conditions are very similar to those of 2018, and we anticipate similar constraints with driver availability to surface in 2021.

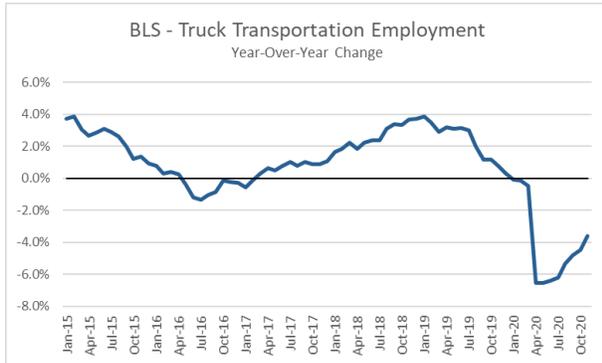


Figure 5

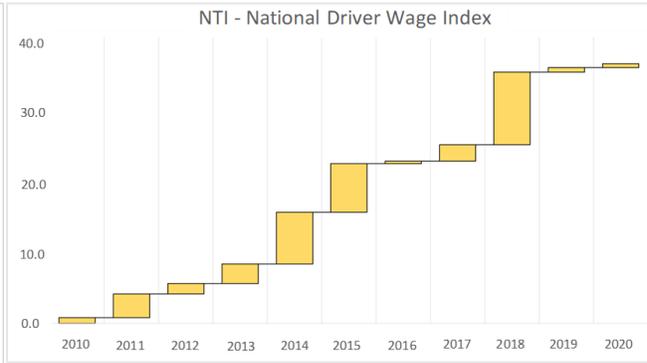


Figure 6

Summary

The repercussions resulting from the COVID-19 pandemic continue to disrupt supply chains and transportation. Consumer spending on goods and products is reaching unprecedented levels at such a rapid pace that inventory replenishment is strained. Additional factors such as the heightened driver shortage are also amplifying capacity strain. As a provider and purchaser of transportation services, we currently anticipate this trend to continue throughout 2021, reflecting the cost pressures and inflation of 2018 (Figure 7 and Figure 8). As you prepare for next year, we recommend using your 2018 experience as a guideline for budgeting transportation costs and creating your capacity plans.

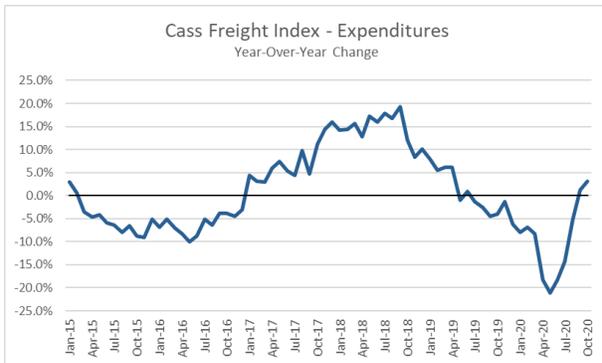


Figure 7

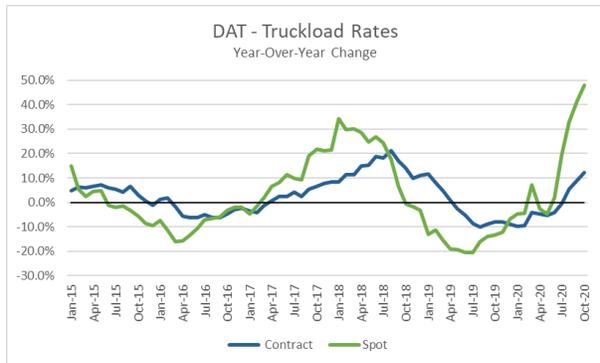


Figure 8

We value that you trust J.B. Hunt with your transportation and logistics needs and want to help overcome these challenges. We have identified several strategies for reducing inefficiencies in your supply chain. Your J.B. Hunt representative will be contacting you to discuss these solutions for 2021.

Sincerely,

John Roberts
President & Chief Executive Officer

Shelley Simpson
Chief Commercial Officer &
EVP, People and Human Resources