



## **The Latest Transportation Number Suggests Continuing Economic Recovery**

Released: March 9, 2004

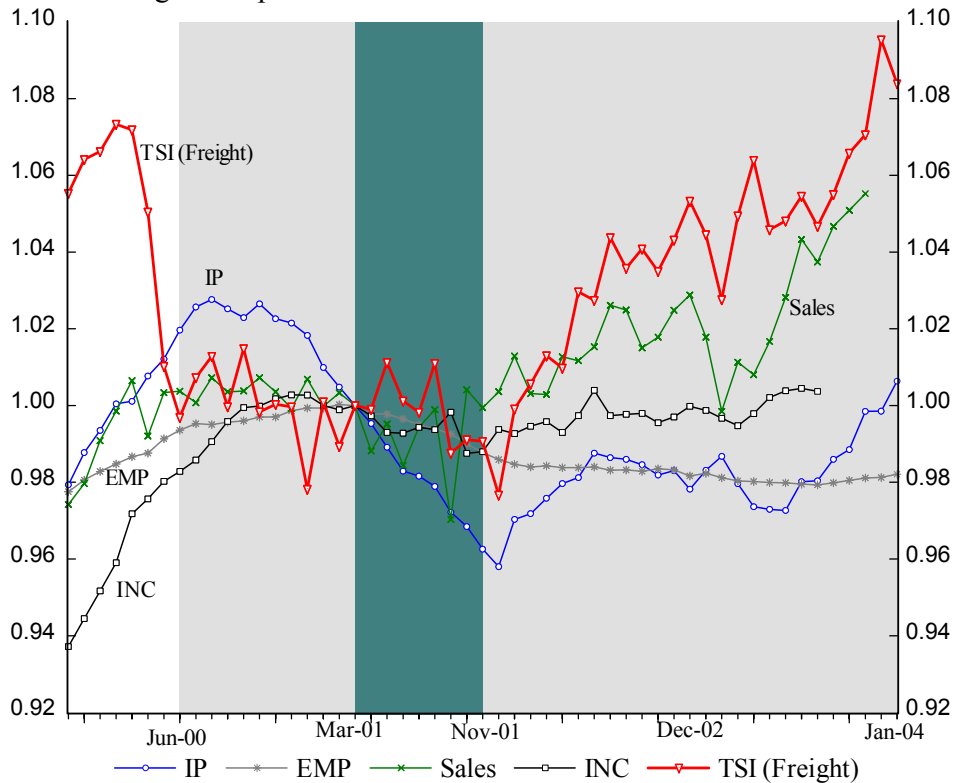
The most recent value of the experimental Transportation Services Index (TSI), released by University at Albany (SUNY) economist Dr. Kajal Lahiri, and his graduate student Vincent Yao, shows continuing economy-wide recovery in January 2004. This number, like industrial production (IP) index, comes out during the 1<sup>st</sup> week of each month and gauges the latest pulse in the transportation sector. The TSI is based on eight constituent series covering air, rail, water, truck, transit and pipeline activities.

As in previous recessions, TSI and its freight component, which is based on trucking tonnage, air freight, rail traffic, waterway tonnage, and movements of petroleum products by pipelines, declined precipitously much ahead of the latest recession that began in March 2001, as determined by the National Bureau of Economic Research (NBER). After the end of the recession in November 2001, TSI (freight) has steadily increased by over 12.0% by the end of December 2003. Figure 1 shows that recovery in freight TSI has also been much stronger than that in manufacturing and trade sectors, measured by IP and Sales respectively. Currently, the NBER uses IP, Sales, employment (EMP) and Personal Income (INC) as coincident indicators to define business cycles. Since the service providing sectors such as transportation has become increasingly more important in the economy than the manufacturing sectors, and none of the current coincident indicators represent services, the Index fills a huge void in monitoring where the bulk of the economy is headed. TSI tends to be more sensitive to economic shocks, and hence is more suitable in detecting cyclical turning points than these coincident indicators.

The latest TSI number also shows minor decrease (by 1.0%) in freight activities in January due to severe cold weather that hit the Northeast and Midwest at the end of January. The unfavorable weather conditions led to the first decrease (by 2.3%) in truck tonnage since August 2003. Trucking is the largest component (almost 40%) of TSI.



Figure 1 Spider Chart: Recession of 2001:03 to 2001:11



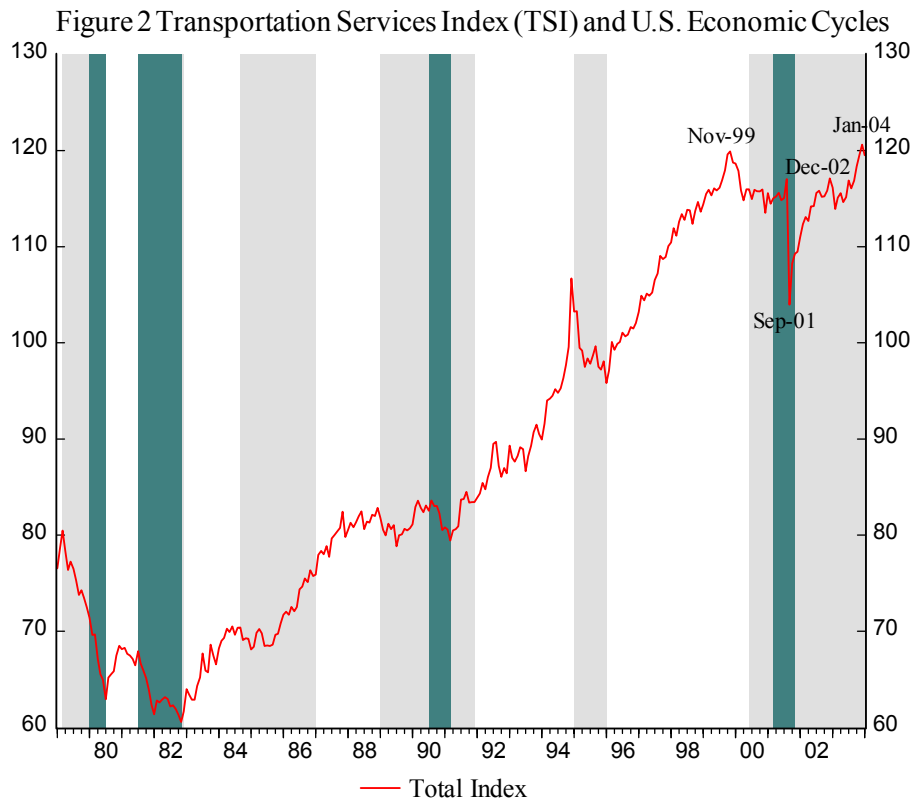
Note: Dark shaded areas represent the NBER-defined recessions for the U.S. economy;  
 lightly shaded areas represent growth slowdowns for the U.S. economy.

The TSI was originally developed at UAlbany during FY 2001-2003 under a U.S. DOT-sponsored project. The Bureau of Transportation Statistics (BTS) of U.S. DOT will produce TSI from this month on a monthly basis. Due to its importance to both the transportation sector and the economy, U.S. Secretary of Transportation Mineta announced its roll out at NYSE on January 29, 2003. Dr. Lahiri and his team will continue to produce TSI at UAlbany on an experimental basis and keep innovating on it.

"The new Transportation Services Index will fill a crucial void by finally giving us a single number to measure how much transportation means to the American economy." said Mr. Mineta in his speech at Wall Street. Research by Lahiri and Yao has shown that the TSI foreshadows the start of economic recession by substantial lead time while coincides with the economic recoveries with remarkable regularity, as shown in Figure 2. Since TSI represents an important service sector that connects various sectors of the



economy, Lahiri and Yao suggest that TSI should be included in the current NBER indicator system in dating business cycles. For more information on their research, visit [http://www.albany.edu/~nysurvey/ERI/ERI\\_trans.htm](http://www.albany.edu/~nysurvey/ERI/ERI_trans.htm).

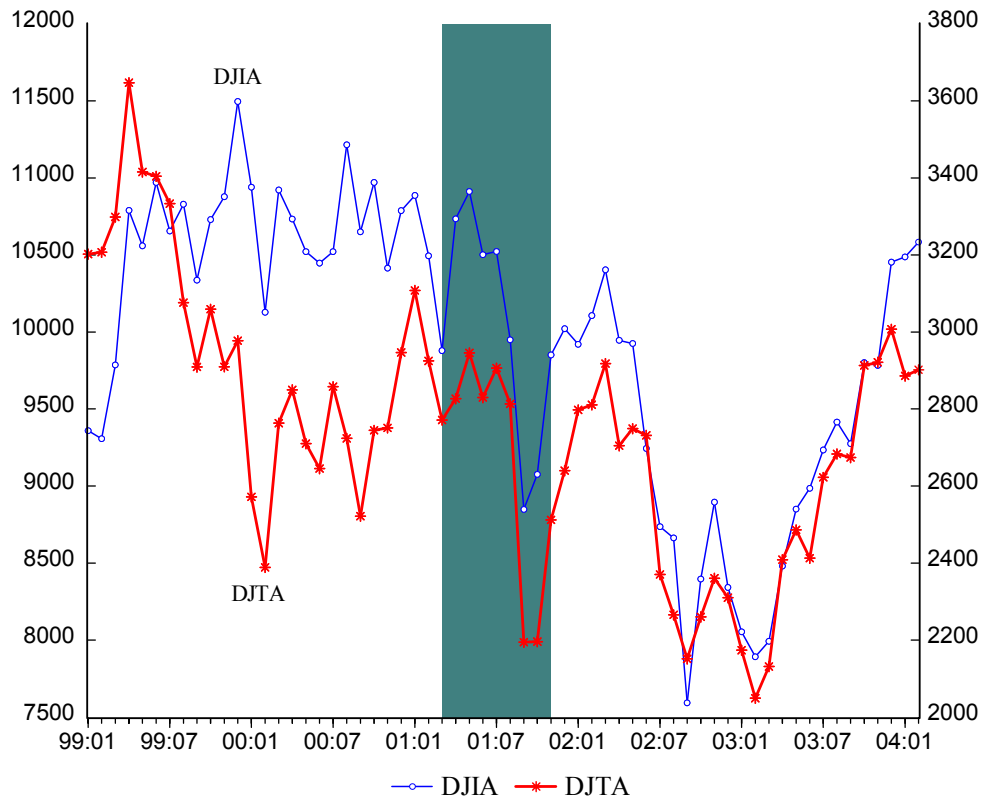


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Like blood flow in a human body, TSI provides insightful information on the health of this critical U.S. sector, and is sure to be useful to market analysts and financial planners for tracking the U.S. economy. This index can also be developed for individual states to monitor their economic growth. There are nearly 40 transportation companies listed in NYSE that together represent a current market value of over \$181 billion. The Transportation Industry accounts for 11 percent of the Gross Domestic Product and 11.6 million U.S. jobs. In Figure 3, we see that DJTA moves in tandem with DJIA.



Figure 3 Dow Jones Industrial Average (DJIA) vs. Dow Jones Transportation Average (DJTA)



Note: Shaded areas represent NBER-defined recession of 2001:3 to 2001:11 for the U.S. economy.