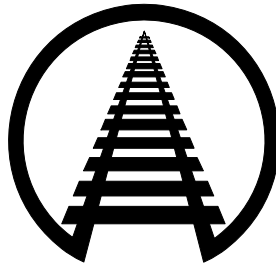


Rail Time Indicators

*A Review of Key Economic Trends
Shaping the Demand for Rail Transportation*



**Policy & Economics Department
Association of American Railroads
Washington, DC**

January 13, 2010

Rail Time Indicators is a non-technical summary of many of the key economic indicators potentially of interest to U.S. freight railroads. It is issued monthly by the Policy & Economics Department of the Association of American Railroads.

To get on the e-mail distribution list for Rail Time Indicators, send a request (including your name and business affiliation, if any) to Beth Eagney at beagney@aar.org. If you have questions or comments about the content of Rail Time Indicators, please contact Dan Keen (dkeen@aar.org) or Shannon Stare (ssstare@aar.org).

SUMMARY OF MOST RECENT DATA

| Economic Indicator | Most Recent Data |
|---|--|
| U.S. Freight Rail Traffic (p. 2) | Carloads: In Dec. 2009, ↓ 4.1% from Dec. 2008 and ↓ 17.6% from Dec. 2007 . Intermodal: In Dec. 2009, ↑ 2.5% from Dec. 2008 and ↓ 11.5% from Dec. 2007. |
| Canadian Freight Rail Traffic (p. 4) | Carloads: In Dec. 2009, ↑ 6.4% from Dec. 2008 and ↓ 12.5% from Dec. 2007 . Intermodal: In Dec. 2009, ↑ 2.2% from Dec. 2008 and ↓ 11.6% from Dec. 2007. |
| Gross Domestic Product (p. 17) | ↑ 2.2% in Q3 2009 (most recent revision). |
| Purchasing Managers Index (p. 17) | ↑ to 55.9 in December 2009 from 53.6 in November 2009. |
| Manufacturing Inventories and Sales (p. 18) | From Oct. 2009 to Nov. 2009, manufacturing sales ↑ 1.0% , inventories ↑ 0.2% , and inventory-to-sales ratio ↓ 0.9% . |
| Industrial Production (p. 20) | ↑ 0.8% in November 2009 from October 2009. |
| Capacity Utilization (p. 21) | ↑ to 71.3% in November 2009 from 70.6% in October 2009. |
| Non-Farm Employment (p. 21) | ↓ 85,000 in December 2009 from November 2009. |
| Unemployment Rate (p. 21) | 10.0% in December 2009, the same as in November 2009. |
| Class I Railroad Employment (p. 23) | ↓ to 147,097 in November 2009 from 149,020 in Oct. 2009. |
| Index of Consumer Confidence (p. 24) | ↑ to 52.9 in December 2009 from 50.6 in November 2009. |
| Retail Sales (p. 25) | ↑ 1.3% in November 2009 from October 2009. |
| Light Vehicle Sales (p. 25) | ↑ 2.9% in December 2009 from November 2009. |
| Housing Starts (p. 26) | ↑ 8.9% in November 2009 from October 2009. |
| Consumer Price Index (p. 27) | ↑ 0.4% in November 2009 from October 2009. |
| U.S. Dollar Exchange Rate (p. 28) | ↑ 0.5% in December 2009 from November 2009. |
| Rail Freight Cars in Storage (p. 28) | ↓ to 448,555 on Jan. 1, 2010 from 451,096 on Dec. 1, 2009. |

U.S. AND CANADIAN FREIGHT RAILROAD TRAFFIC

Who releases it and when?

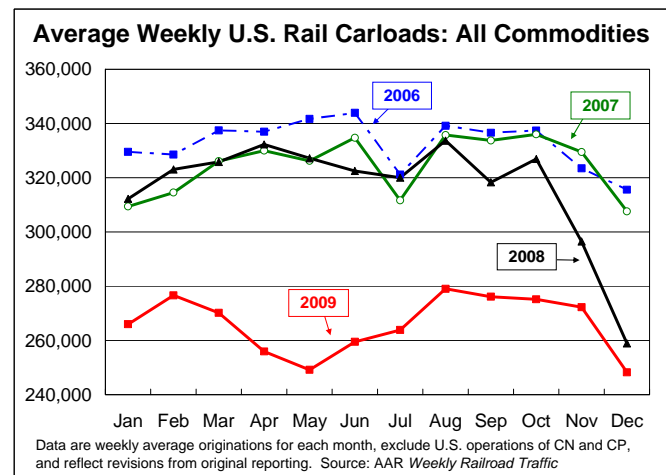
- The Association of American Railroads (AAR) releases its Weekly Railroad Traffic report every Thursday morning. The report contains rail traffic data for the previous week. Weekly data are aggregated into monthly figures in Rail Time Indicators.

What is it and why is it important?

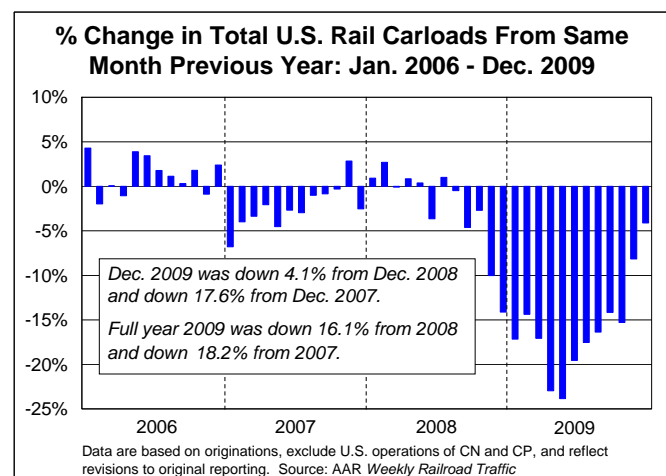
- The AAR traffic report details rail carloadings for 19 different major commodity categories, as well as intermodal units (trailers and containers), by railroad. Railroads that report their data to the AAR collectively account for the vast majority of total U.S. and Canadian freight rail traffic.
- Freight railroading is a “**derived demand**” industry — demand for rail service occurs as a result of demand elsewhere in the economy for the products that railroads haul. Thus, rail traffic is a useful gauge of the health of the overall economy.

What are the latest numbers for U.S. railroads?

- Good riddance to 2009. U.S. freight railroads completed a very difficult year by originating 1,241,293 carloads in December, an average of 248,259 carloads per week. That's **down 4.1% from December 2008's** average of 258,915 carloads per week and **down 17.6% from December 2007's** average of 301,466.

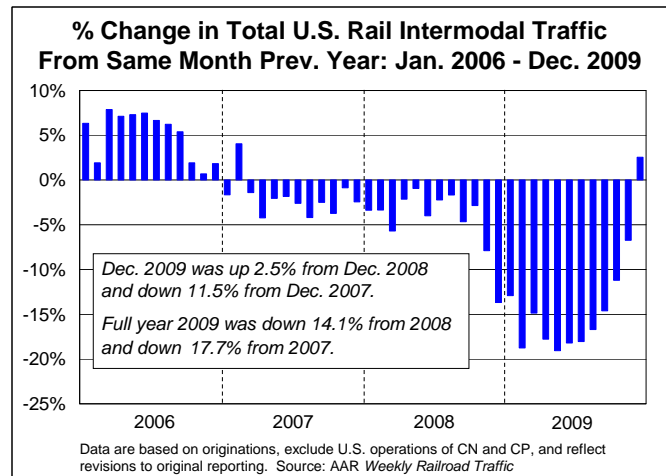
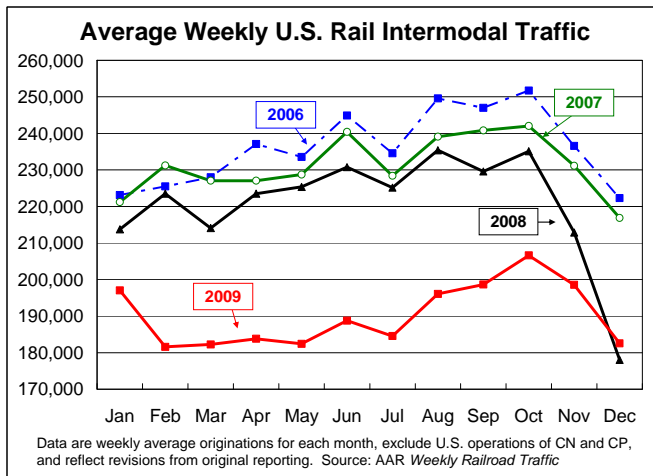


- Rail traffic always falls sharply in late December due to the holidays. This year, unusually heavy early-season snow in parts of the country also negatively affected rail traffic.
- Total U.S. rail carloads in December 2009 were 53,281 lower than in December 2008, **mainly because of coal**. Coal was down 96,022 carloads in December 2009 from December 2008. That's equal to 19,200 fewer coal carloads, or around 175 110-car coal trains, per week. Rail carloads excluding coal were **42,741 (6.9%) higher** in December 2009 than in December 2008.



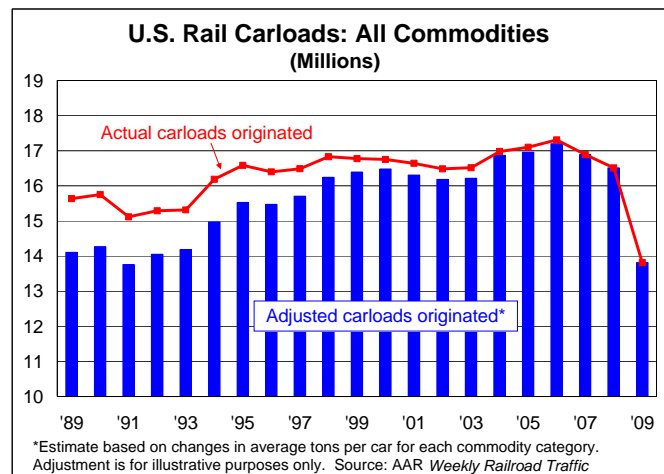
- It's useful to compare current rail traffic levels to the collapsed levels of a year-ago. To use a boxing analogy, doing so shows if rail carloads have gotten up off the mat after nearly getting knocked out. And, in fact, for many commodities that seems to be happening. **12 of the 19 major commodity categories tracked by the AAR saw higher carloads in December 2009 than in December 2008.** (See the table on page 5 and the charts that follow for details.)
- That said, U.S. rail traffic remains far below pre-collapse levels. To use the boxing analogy again, it's not yet time to put away the smelling salts.

- U.S. intermodal traffic (which is not included in carload figures) totaled 912,778 trailers and containers in December 2009, an average of 182,556 per week. That's **up 2.5% from December 2008** (when the weekly average was 178,027 units) and **down 11.5%** from December 2007, when the weekly average was 206,236 trailers and containers (see charts below).



- For the full year 2009, U.S. railroads originated **13,812,989 carloads, down 16.1%** (2.6 million carloads) from the comparable period in 2008 and down 18.2% (3.1 million carloads) from 2007. 2009's carload total (unadjusted for changes in rail car capacity) was the **lowest for U.S. railroads since before 1988**, when the AAR data series begins.

- Because of such factors as the use of lighter-weight aluminum instead of steel in rail cars, a typical rail car today carries substantially more freight than in the past. However, even after making a rough adjustment to account for today's higher average rail car capacity, total U.S. rail carloads in 2009 were still the lowest since 1991 (see chart at right).



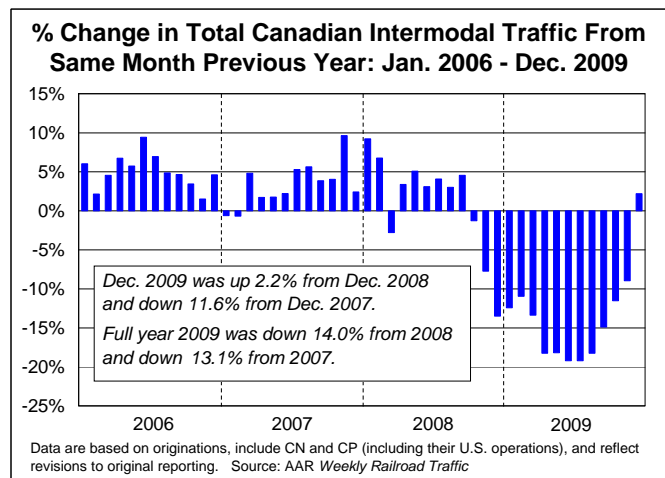
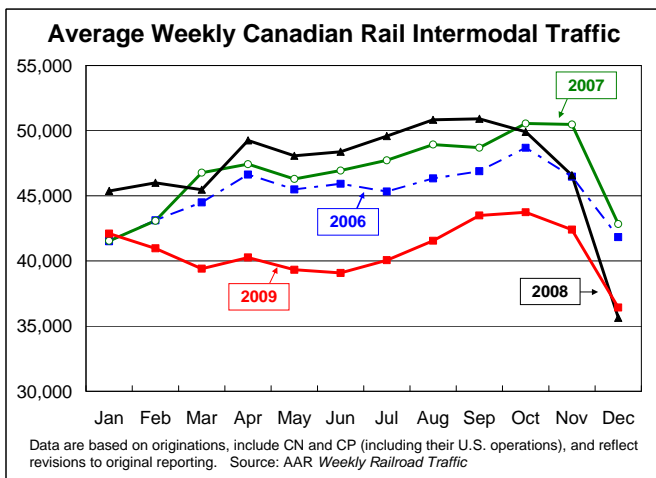
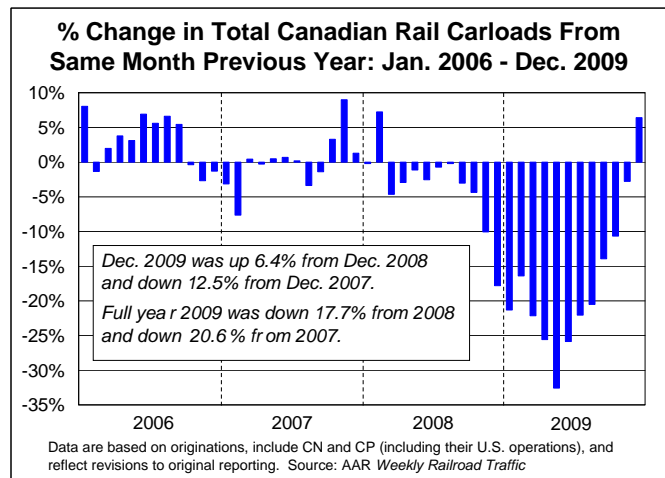
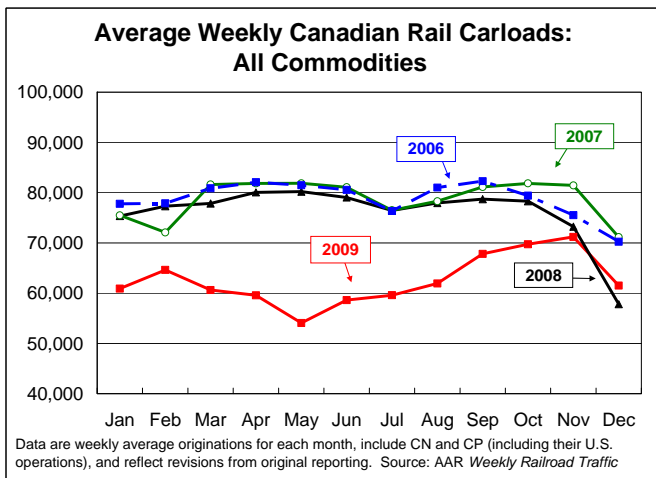
- The table on page 6 details 2009 U.S. rail traffic compared to 2008 and 2007 by commodity. Just a few of the highlights (or, more accurately, low lights):

- ✓ Coal carloads were down nearly 810,000 (10.9%) from 2008;
- ✓ Carloads of primary metal products (mainly steel) were down almost 258,000 (44.0%)
- ✓ Carloads of crushed stone, sand, and gravel (much of which is used in the construction industry) were down 215,000 carloads (22.1%) from 2008.
- ✓ The commodity with the biggest percentage decline in U.S. rail traffic in 2009 compared to 2008 was metallic ores, down 50.1%. The smallest decline? Grain mill products (flour, animal feed, corn syrup, corn starch, soybean meal, etc.), down 4.1%. Every major carload commodity category fell in 2009 compared with 2008 and 2007.

- U.S. intermodal traffic in 2009 totaled 9,880,602 trailers and containers, **down 14.1%** (1,619,376 units) **from 2008** and **down 17.7%** (2,121,246 units) **from 2007**. 2009's intermodal total was the **lowest annual figure for U.S. railroads since 2002**.

What are the latest numbers for Canadian railroads?

- In December 2009, Canadian freight railroads (including their U.S. and Canadian operations) originated 307,465 carloads, for an average of 61,493 carloads per week. That's **up 6.4%** from the weekly average of 57,790 in December 2008 and **down 12.5%** from December 2007's 70,316 weekly average.
- **11 of the 19** major commodity categories tracked by the AAR saw Canadian rail carload gains in December 2009 compared to December 2008. (See table on page 7 for details.)
- Canadian intermodal traffic totaled 182,120 trailers and containers in December 2009, or 36,424 per week. That's **up 2.2%** from December 2008 and **down 11.6%** from December 2007.
- **For all of 2009, Canadian carloadings were down 17.7%** (700,074 fewer carloads) and **intermodal traffic was down 14.0%** (343,745 fewer trailers and containers) compared with 2008. The table on page 8 details the full-year changes for Canadian rail traffic by commodity in 2009 compared with 2008 and 2007.



Where to go for more information:

- Weekly AAR press releases on railroad traffic are available on the AAR web site [here](#). If you're interested in getting a sample copy of a complete AAR Weekly Railroad Traffic report, send an e-mail to Paul Posey at pposey@aar.org. Weekly Railroad Traffic is free to AAR members and available by subscription to others.

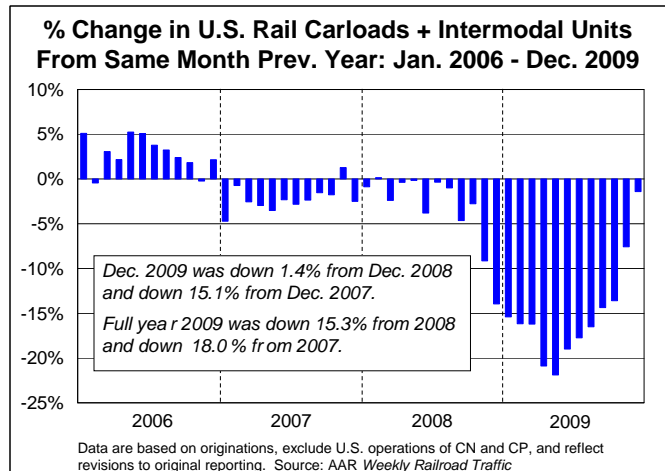
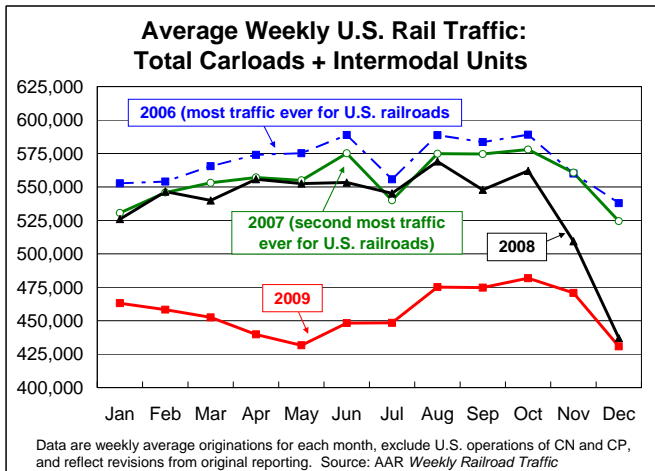
U.S. RAIL TRAFFIC: DECEMBER 2009*

(5 weeks ending January 2, 2010)

| Commodity | Dec. 09 | Dec. 08 | Dec. 07 | Difference | | % Change | |
|---|------------------|------------------|------------------|----------------|-----------------|---------------|---------------|
| | | | | '09-'08 | '09-'07 | '09-'08 | '09-'07 |
| Agricultural & food products | 187,579 | 168,127 | 204,061 | 19,452 | -16,482 | 11.6% | -8.1% |
| Grain | 104,465 | 91,202 | 114,090 | 13,263 | -9,625 | 14.5% | -8.4% |
| Farm products excl. grain | 4,171 | 3,754 | 4,787 | 417 | -616 | 11.1% | -12.9% |
| Grain mill products (1) | 43,067 | 37,529 | 44,499 | 5,538 | -1,432 | 14.8% | -3.2% |
| Food products | 35,876 | 35,642 | 40,685 | 234 | -4,809 | 0.7% | -11.8% |
| Chemicals and petroleum | 154,675 | 136,328 | 173,722 | 18,347 | -19,047 | 13.5% | -11.0% |
| Chemicals | 129,410 | 111,590 | 143,383 | 17,820 | -13,973 | 16.0% | -9.7% |
| Petroleum products | 25,265 | 24,738 | 30,339 | 527 | -5,074 | 2.1% | -16.7% |
| Coal | 577,170 | 673,192 | 668,154 | -96,022 | -90,984 | -14.3% | -13.6% |
| Forest products | 44,780 | 46,668 | 63,151 | -1,888 | -18,371 | -4.0% | -29.1% |
| Primary forest products (2) | 7,411 | 8,081 | 10,223 | -670 | -2,812 | -8.3% | -27.5% |
| Lumber & wood products | 9,536 | 9,386 | 15,457 | 150 | -5,921 | 1.6% | -38.3% |
| Pulp & paper products | 27,833 | 29,201 | 37,471 | -1,368 | -9,638 | -4.7% | -25.7% |
| Metallic ores and metals | 72,260 | 67,157 | 116,024 | 5,103 | -43,764 | 7.6% | -37.7% |
| Metallic ores (3) | 21,274 | 19,089 | 35,486 | 2,185 | -14,212 | 11.4% | -40.0% |
| Coke | 14,597 | 16,725 | 23,922 | -2,128 | -9,325 | -12.7% | -39.0% |
| Primary metal products (4) | 36,389 | 31,343 | 56,616 | 5,046 | -20,227 | 16.1% | -35.7% |
| Motor vehicles & parts | 59,104 | 47,739 | 79,335 | 11,365 | -20,231 | 23.8% | -25.5% |
| Nonmetallic minerals & prod. | 96,638 | 105,671 | 142,770 | -9,033 | -46,132 | -8.5% | -32.3% |
| Crushed stone, gravel, sand | 51,038 | 60,197 | 82,474 | -9,159 | -31,436 | -15.2% | -38.1% |
| Nonmetallic minerals (5) | 21,502 | 17,936 | 25,835 | 3,566 | -4,333 | 19.9% | -16.8% |
| Stone, clay & glass prod. (6) | 24,098 | 27,538 | 34,461 | -3,440 | -10,363 | -12.5% | -30.1% |
| Other | 49,087 | 49,692 | 60,115 | -605 | -11,028 | -1.2% | -18.3% |
| Waste & scrap materials (7) | 30,802 | 27,862 | 39,817 | 2,940 | -9,015 | 10.6% | -22.6% |
| All other carloads | 18,285 | 21,830 | 20,298 | -3,545 | -2,013 | -16.2% | -9.9% |
| TOTAL ALL CARLOADS | 1,241,293 | 1,294,574 | 1,507,332 | -53,281 | -266,039 | -4.1% | -17.6% |
| Trailers | 153,043 | 197,894 | 236,697 | -44,851 | -83,654 | -22.7% | -35.3% |
| Containers | 759,735 | 692,239 | 794,481 | 67,496 | -34,746 | 9.8% | -4.4% |
| TOTAL ALL INTERMODAL | 912,778 | 890,133 | 1,031,178 | 22,645 | -118,400 | 2.5% | -11.5% |

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - phosphate rock, rock salt, crude sulphur, clay, etc.
 (2) - wood raw materials such as pulpwood and wood chips (6) - cement, ground earths or minerals, gypsum products, etc.
 (3) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc. (7) - scrap metal and paper, construction debris, ashes, etc.
 (4) - primarily iron & steel products; some aluminum, copper, etc.

*Data are originations. Includes BNSF, CSX, KCS, NS, UP, Birmingham Southern, Florida East Coast, Lake Superior & Ishpeming, and Paducah & Louisville. Does not include CN's and CP's U.S. operations. Source: AAR *Weekly Railroad Traffic*



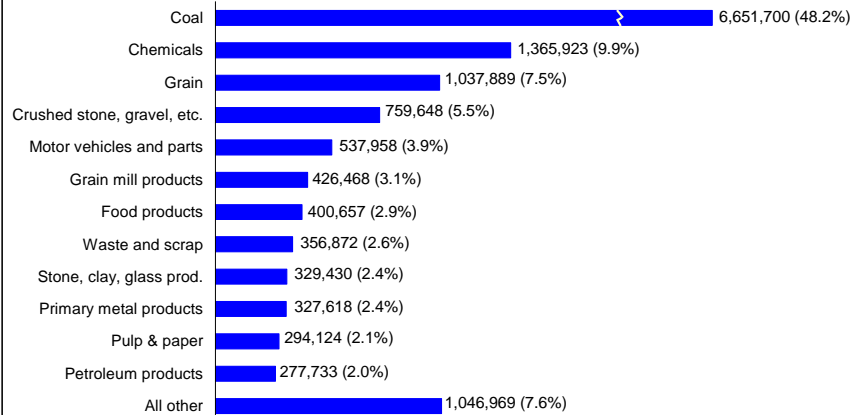
U.S. RAIL TRAFFIC: ANNUAL TOTALS*

| Commodity | 2009 | 2008 | 2007 | Difference | | % Change | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|
| | | | | '09-'08 | '09-'07 | '09-'08 | '09-'07 |
| Agricultural & food products | 1,906,858 | 2,152,785 | 2,151,692 | -245,927 | -244,834 | -11.4% | -11.4% |
| Grain | 1,037,889 | 1,210,066 | 1,179,881 | -172,177 | -141,992 | -14.2% | -12.0% |
| Farm products excl. grain | 41,844 | 50,649 | 52,441 | -8,805 | -10,597 | -17.4% | -20.2% |
| Grain mill products (1) | 426,468 | 444,729 | 466,916 | -18,261 | -40,448 | -4.1% | -8.7% |
| Food products | 400,657 | 447,341 | 452,454 | -46,684 | -51,797 | -10.4% | -11.4% |
| Chemicals and petroleum | 1,643,656 | 1,823,896 | 1,888,967 | -180,240 | -245,311 | -9.9% | -13.0% |
| Chemicals | 1,365,923 | 1,511,412 | 1,555,539 | -145,489 | -189,616 | -9.6% | -12.2% |
| Petroleum products | 277,733 | 312,484 | 333,428 | -34,751 | -55,695 | -11.1% | -16.7% |
| Coal | 6,651,700 | 7,461,335 | 7,218,757 | -809,635 | -567,057 | -10.9% | -7.9% |
| Forest products | 492,846 | 653,351 | 740,294 | -160,505 | -247,448 | -24.6% | -33.4% |
| Primary forest products (2) | 79,742 | 110,185 | 123,329 | -30,443 | -43,587 | -27.6% | -35.3% |
| Lumber & wood products | 118,980 | 178,375 | 225,802 | -59,395 | -106,822 | -33.3% | -47.3% |
| Pulp & paper products | 294,124 | 364,791 | 391,163 | -70,667 | -97,039 | -19.4% | -24.8% |
| Metallic ores and metals | 644,603 | 1,125,447 | 1,253,192 | -480,844 | -608,589 | -42.7% | -48.6% |
| Metallic ores (3) | 173,241 | 346,951 | 336,262 | -173,710 | -163,021 | -50.1% | -48.5% |
| Coke | 143,744 | 193,108 | 284,046 | -49,364 | -140,302 | -25.6% | -49.4% |
| Primary metal products (4) | 327,618 | 585,388 | 632,884 | -257,770 | -305,266 | -44.0% | -48.2% |
| Motor vehicles & parts | 537,958 | 809,786 | 1,028,460 | -271,828 | -490,502 | -33.6% | -47.7% |
| Nonmetallic minerals & prod. | 1,331,914 | 1,681,161 | 1,842,169 | -349,247 | -510,255 | -20.8% | -27.7% |
| Crushed stone, gravel, sand | 759,648 | 975,118 | 1,069,793 | -215,470 | -310,145 | -22.1% | -29.0% |
| Nonmetallic minerals (5) | 242,836 | 285,404 | 312,241 | -42,568 | -69,405 | -14.9% | -22.2% |
| Stone, clay & glass prod. (6) | 329,430 | 420,639 | 460,135 | -91,209 | -130,705 | -21.7% | -28.4% |
| Other | 603,454 | 755,125 | 755,951 | -151,671 | -152,497 | -20.1% | -20.2% |
| Waste & scrap materials (7) | 356,872 | 488,829 | 504,985 | -131,957 | -148,113 | -27.0% | -29.3% |
| All other carloads | 246,582 | 266,296 | 250,966 | -19,714 | -4,384 | -7.4% | -1.7% |
| TOTAL ALL CARLOADS | 13,812,989 | 16,462,886 | 16,879,482 | -2,649,897 | -3,066,493 | -16.1% | -18.2% |
| Trailers | 1,640,672 | 2,478,890 | 2,594,680 | -838,218 | -954,008 | -33.8% | -36.8% |
| Containers | 8,239,930 | 9,021,088 | 9,407,168 | -781,158 | -1,167,238 | -8.7% | -12.4% |
| TOTAL ALL INTERMODAL | 9,880,602 | 11,499,978 | 12,001,848 | -1,619,376 | -2,121,246 | -14.1% | -17.7% |

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - phosphate rock, rock salt, crude sulphur, clay, etc.
 (2) - wood raw materials such as pulpwood and wood chips (6) - cement, ground earths or minerals, gypsum products, etc.
 (3) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc. (7) - scrap metal and paper, construction debris, ashes, etc.
 (4) - primarily iron & steel products; some aluminum, copper, etc.

*Data are originations. Includes BNSF, CSX, KCS, NS, UP, Birmingham Southern, Florida East Coast, Lake Superior & Ishpeming, and Paducah & Louisville. Does not include CN's and CP's U.S. operations. Source: AAR *Weekly Railroad Traffic*

U.S. Railroad Carload* Traffic by Type of Commodity in 2009



*Data exclude intermodal traffic. Data include BNSF, CSX, KCS, NS, UP, Birmingham Southern, Florida East Coast, Lake Superior & Ishpeming, and Paducah & Louisville, and do not include CN's and CP's U.S. operations. Source: AAR *Weekly Railroad Traffic*

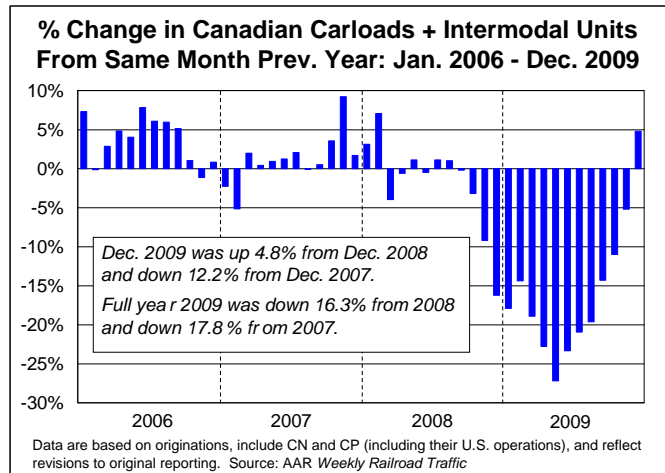
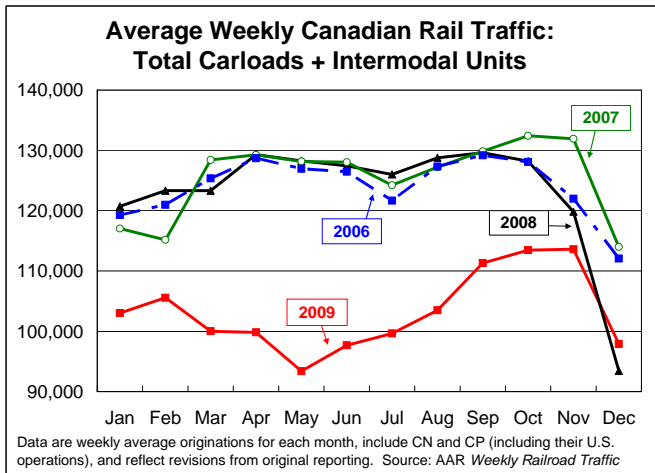
CANADIAN RAIL TRAFFIC: DECEMBER 2009*

(5 weeks ending January 2, 2010)

| Commodity | Dec. 09 | Dec. 08 | Dec. 07 | Difference | | % Change | |
|---|----------------|----------------|----------------|---------------|----------------|---------------|---------------|
| | | | | '09-'08 | '09-'07 | '09-'08 | '09-'07 |
| Agricultural & food products | 69,344 | 68,782 | 71,878 | 562 | -2,534 | 0.8% | -3.5% |
| Grain | 39,685 | 42,707 | 45,955 | -3,022 | -6,270 | -7.1% | -13.6% |
| Farm products excl. grain | 12,249 | 10,996 | 10,116 | 1,253 | 2,133 | 11.4% | 21.1% |
| Grain mill products (1) | 6,681 | 5,930 | 6,482 | 751 | 199 | 12.7% | 3.1% |
| Food products | 10,729 | 9,149 | 9,325 | 1,580 | 1,404 | 17.3% | 15.1% |
| Chemicals and petroleum | 66,080 | 61,450 | 76,379 | 4,630 | -10,299 | 7.5% | -13.5% |
| Chemicals | 63,132 | 59,065 | 73,341 | 4,067 | -10,209 | 6.9% | -13.9% |
| Petroleum products | 2,948 | 2,385 | 3,038 | 563 | -90 | 23.6% | -3.0% |
| Coal | 29,469 | 27,363 | 32,331 | 2,106 | -2,862 | 7.7% | -8.9% |
| Forest products | 29,478 | 31,056 | 39,710 | -1,578 | -10,232 | -5.1% | -25.8% |
| Primary forest products (2) | 5,933 | 6,507 | 6,252 | -574 | -319 | -8.8% | -5.1% |
| Lumber & wood products | 7,577 | 7,919 | 11,258 | -342 | -3,681 | -4.3% | -32.7% |
| Pulp & paper products | 15,968 | 16,630 | 22,200 | -662 | -6,232 | -4.0% | -28.1% |
| Metallic ores and metals | 71,173 | 61,400 | 81,961 | 9,773 | -10,788 | 15.9% | -13.2% |
| Metallic ores (3) | 60,038 | 51,084 | 65,769 | 8,954 | -5,731 | 17.5% | -8.7% |
| Coke | 1,964 | 1,823 | 1,910 | 141 | 54 | 7.7% | 2.8% |
| Primary metal products (4) | 9,171 | 8,493 | 14,282 | 678 | -5,111 | 8.0% | -35.8% |
| Motor vehicles & parts | 20,148 | 14,977 | 23,614 | 5,171 | -3,466 | 34.5% | -14.7% |
| Nonmetallic minerals & prod. | 14,271 | 16,252 | 17,244 | -1,981 | -2,973 | -12.2% | -17.2% |
| Crushed stone, gravel, sand | 5,501 | 5,847 | 6,735 | -346 | -1,234 | -5.9% | -18.3% |
| Nonmetallic minerals (5) | 4,938 | 6,201 | 6,415 | -1,263 | -1,477 | -20.4% | -23.0% |
| Stone, clay & glass prod. (6) | 3,832 | 4,204 | 4,094 | -372 | -262 | -8.8% | -6.4% |
| Other | 7,502 | 7,669 | 8,464 | -167 | -962 | -2.2% | -11.4% |
| Waste & scrap materials (7) | 4,448 | 4,066 | 5,991 | 382 | -1,543 | 9.4% | -25.8% |
| All other carloads | 3,054 | 3,603 | 2,473 | -549 | 581 | -15.2% | 23.5% |
| TOTAL ALL CARLOADS | 307,465 | 288,949 | 351,581 | 18,516 | -44,116 | 6.4% | -12.5% |
| Trailers | 6,913 | 7,227 | 8,922 | -314 | -2,009 | -4.3% | -22.5% |
| Containers | 175,207 | 170,962 | 197,045 | 4,245 | -21,838 | 2.5% | -11.1% |
| TOTAL ALL INTERMODAL | 182,120 | 178,189 | 205,967 | 3,931 | -23,847 | 2.2% | -11.6% |

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - phosphate rock, rock salt, crude sulphur, clay, etc.
 (2) - wood raw materials such as pulpwood and wood chips (6) - cement, ground earths or minerals, gypsum products, etc.
 (3) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc. (7) - scrap metal and paper, construction debris, ashes, etc.
 (4) - primarily iron & steel products; some aluminum, copper, etc.

*CN and CP, including their U.S. operations. Data are originations. Source: AAR Weekly Railroad Traffic

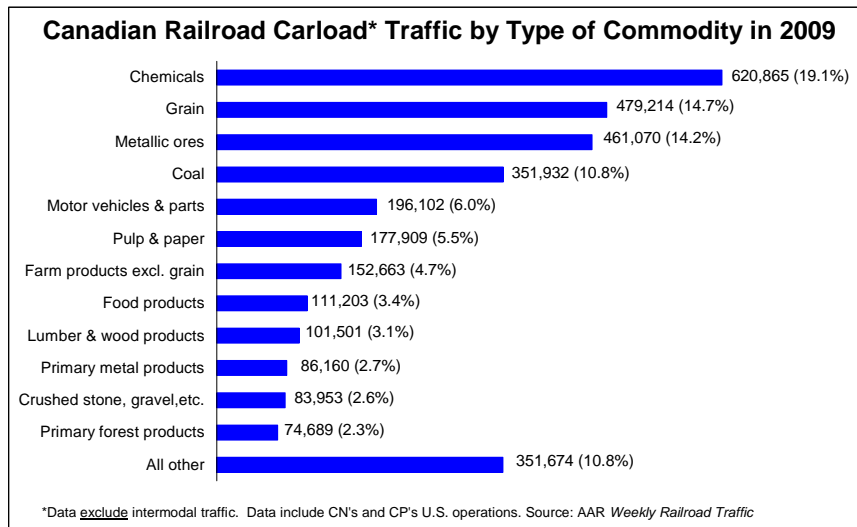


CANADIAN RAIL TRAFFIC: ANNUAL TOTALS*

| Commodity | 2009 | 2008 | 2007 | Difference | | % Change | |
|---|------------------|------------------|------------------|-----------------|-----------------|---------------|---------------|
| | | | | '09-'08 | '09-'07 | '09-'08 | '09-'07 |
| Agricultural & food products | 815,841 | 808,419 | 779,420 | 7,422 | 36,421 | 0.9% | 4.7% |
| Grain | 479,214 | 493,187 | 492,495 | -13,973 | -13,281 | -2.8% | -2.7% |
| Farm products excl. grain | 152,663 | 125,205 | 120,837 | 27,458 | 31,826 | 21.9% | 26.3% |
| Grain mill products (1) | 72,761 | 81,146 | 67,932 | -8,385 | 4,829 | -10.3% | 7.1% |
| Food products | 111,203 | 108,881 | 98,156 | 2,322 | 13,047 | 2.1% | 13.3% |
| Chemicals and petroleum | 653,563 | 787,931 | 817,401 | -134,368 | -163,838 | -17.1% | -20.0% |
| Chemicals | 620,865 | 754,898 | 782,463 | -134,033 | -161,598 | -17.8% | -20.7% |
| Petroleum products | 32,698 | 33,033 | 34,938 | -335 | -2,240 | -1.0% | -6.4% |
| Coal | 351,932 | 409,609 | 408,133 | -57,677 | -56,201 | -14.1% | -13.8% |
| Forest products | 354,099 | 446,355 | 523,949 | -92,256 | -169,850 | -20.7% | -32.4% |
| Primary forest products (2) | 74,689 | 90,903 | 90,061 | -16,214 | -15,372 | -17.8% | -17.1% |
| Lumber & wood products | 101,501 | 134,063 | 187,277 | -32,562 | -85,776 | -24.3% | -45.8% |
| Pulp & paper products | 177,909 | 221,389 | 246,611 | -43,480 | -68,702 | -19.6% | -27.9% |
| Metallic ores and metals | 568,970 | 835,460 | 864,077 | -266,490 | -295,107 | -31.9% | -34.2% |
| Metallic ores (3) | 461,070 | 674,787 | 680,109 | -213,717 | -219,039 | -31.7% | -32.2% |
| Coke | 21,740 | 23,254 | 21,503 | -1,514 | 237 | -6.5% | 1.1% |
| Primary metal products (4) | 86,160 | 137,419 | 162,465 | -51,259 | -76,305 | -37.3% | -47.0% |
| Motor vehicles & parts | 196,102 | 264,309 | 339,614 | -68,207 | -143,512 | -25.8% | -42.3% |
| Nonmetallic minerals & prod. | 206,498 | 270,260 | 254,835 | -63,762 | -48,337 | -23.6% | -19.0% |
| Crushed stone, gravel, sand | 83,953 | 113,828 | 100,613 | -29,875 | -16,660 | -26.2% | -16.6% |
| Nonmetallic minerals (5) | 61,508 | 78,437 | 91,709 | -16,929 | -30,201 | -21.6% | -32.9% |
| Stone, clay & glass prod. (6) | 61,037 | 77,995 | 62,513 | -16,958 | -1,476 | -21.7% | -2.4% |
| Other | 101,930 | 126,666 | 102,982 | -24,736 | -1,052 | -19.5% | -1.0% |
| Waste & scrap materials (7) | 54,888 | 79,108 | 70,989 | -24,220 | -16,101 | -30.6% | -22.7% |
| All other carloads | 47,042 | 47,558 | 31,993 | -516 | 15,049 | -1.1% | 47.0% |
| TOTAL ALL CARLOADS | 3,248,935 | 3,949,009 | 4,090,411 | -700,074 | -841,476 | -17.7% | -20.6% |
| Trailers | 82,783 | 99,949 | 119,213 | -17,166 | -36,430 | -17.2% | -30.6% |
| Containers | 2,032,734 | 2,359,313 | 2,315,508 | -326,579 | -282,774 | -13.8% | -12.2% |
| TOTAL ALL INTERMODAL | 2,115,517 | 2,459,262 | 2,434,721 | -343,745 | -319,204 | -14.0% | -13.1% |

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - phosphate rock, rock salt, crude sulphur, clay, etc.
 (2) - wood raw materials such as pulpwood and wood chips (6) - cement, ground earths or minerals, gypsum products, etc.
 (3) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc. (7) - scrap metal and paper, construction debris, ashes, etc.
 (4) - primarily iron & steel products; some aluminum, copper, etc.

*CN and CP, including their U.S. operations. Data are originations. Source: AAR *Weekly Railroad Traffic*



COMBINED U.S. AND CANADIAN RAIL TRAFFIC: DECEMBER 2009*

(5 weeks ending January 2, 2010)

| Commodity | Dec. 09 | Dec. 08 | Dec. 07 | Difference | | % Change | |
|---|------------------|------------------|------------------|----------------|-----------------|---------------|---------------|
| | | | | '09-'08 | '09-'07 | '09-'08 | '09-'07 |
| Agricultural & food products | 256,923 | 236,909 | 275,939 | 20,014 | -19,016 | 8.4% | -6.9% |
| Grain | 144,150 | 133,909 | 160,045 | 10,241 | -15,895 | 7.6% | -9.9% |
| Farm products excl. grain | 16,420 | 14,750 | 14,903 | 1,670 | 1,517 | 11.3% | 10.2% |
| Grain mill products (1) | 49,748 | 43,459 | 50,981 | 6,289 | -1,233 | 14.5% | -2.4% |
| Food products | 46,605 | 44,791 | 50,010 | 1,814 | -3,405 | 4.0% | -6.8% |
| Chemicals and petroleum | 220,755 | 197,778 | 250,101 | 22,977 | -29,346 | 11.6% | -11.7% |
| Chemicals | 192,542 | 170,655 | 216,724 | 21,887 | -24,182 | 12.8% | -11.2% |
| Petroleum products | 28,213 | 27,123 | 33,377 | 1,090 | -5,164 | 4.0% | -15.5% |
| Coal | 606,639 | 700,555 | 700,485 | -93,916 | -93,846 | -13.4% | -13.4% |
| Forest products | 74,258 | 77,724 | 102,861 | -3,466 | -28,603 | -4.5% | -27.8% |
| Primary forest products (2) | 13,344 | 14,588 | 16,475 | -1,244 | -3,131 | -8.5% | -19.0% |
| Lumber & wood products | 17,113 | 17,305 | 26,715 | -192 | -9,602 | -1.1% | -35.9% |
| Pulp & paper products | 43,801 | 45,831 | 59,671 | -2,030 | -15,870 | -4.4% | -26.6% |
| Metallic ores and metals | 143,433 | 128,557 | 197,985 | 14,876 | -54,552 | 11.6% | -27.6% |
| Metallic ores (3) | 81,312 | 70,173 | 101,255 | 11,139 | -19,943 | 15.9% | -19.7% |
| Coke | 16,561 | 18,548 | 25,832 | -1,987 | -9,271 | -10.7% | -35.9% |
| Primary metal products (4) | 45,560 | 39,836 | 70,898 | 5,724 | -25,338 | 14.4% | -35.7% |
| Motor vehicles & parts | 79,252 | 62,716 | 102,949 | 16,536 | -23,697 | 26.4% | -23.0% |
| Nonmetallic minerals & prod. | 110,909 | 121,923 | 160,014 | -11,014 | -49,105 | -9.0% | -30.7% |
| Crushed stone, gravel, sand | 56,539 | 66,044 | 89,209 | -9,505 | -32,670 | -14.4% | -36.6% |
| Nonmetallic minerals (5) | 26,440 | 24,137 | 32,250 | 2,303 | -5,810 | 9.5% | -18.0% |
| Stone, clay & glass prod. (6) | 27,930 | 31,742 | 38,555 | -3,812 | -10,625 | -12.0% | -27.6% |
| Other | 56,589 | 57,361 | 68,579 | -772 | -11,990 | -1.3% | -17.5% |
| Waste & scrap materials (7) | 35,250 | 31,928 | 45,808 | 3,322 | -10,558 | 10.4% | -23.0% |
| All other carloads | 21,339 | 25,433 | 22,771 | -4,094 | -1,432 | -16.1% | -6.3% |
| TOTAL ALL CARLOADS | 1,548,758 | 1,583,523 | 1,858,913 | -34,765 | -310,155 | -2.2% | -16.7% |
| Trailers | 159,956 | 205,121 | 245,619 | -45,165 | -85,663 | -22.0% | -34.9% |
| Containers | 934,942 | 863,201 | 991,526 | 71,741 | -56,584 | 8.3% | -5.7% |
| TOTAL ALL INTERMODAL | 1,094,898 | 1,068,322 | 1,237,145 | 26,576 | -142,247 | 2.5% | -11.5% |

(1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc.

(2) - wood raw materials such as pulpwood and wood chips

(3) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc.

(4) - primarily iron & steel products; some aluminum, copper, etc.

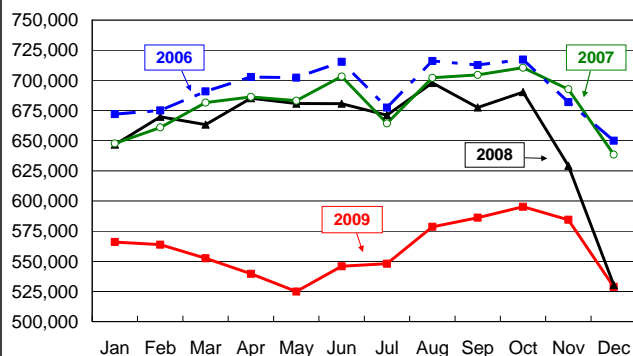
(5) - phosphate rock, rock salt, crude sulphur, clay, etc.

(6) - cement, ground earths or minerals, gypsum products, etc.

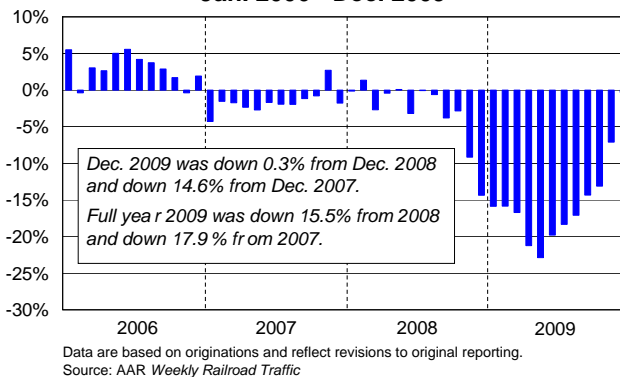
(7) - scrap metal and paper, construction debris, ashes, etc.

*Data are originations. Source: AAR Weekly Railroad Traffic

**Average Weekly U.S. + Canadian Rail Traffic:
Total Carloads + Intermodal Units**



**% Change in Combined U.S. + Canadian Rail Carloads
+ Intermodal Units From Same Month Prev. Year:
Jan. 2006 - Dec. 2009**



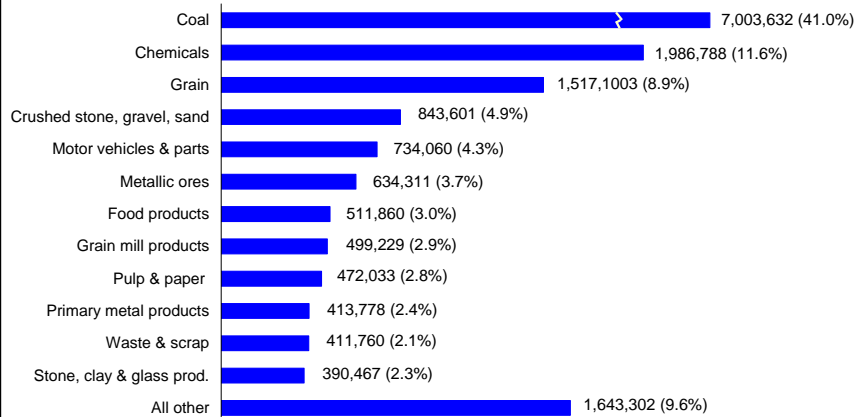
COMBINED U.S. AND CANADIAN RAIL TRAFFIC: ANNUAL TOTALS*

| Commodity | 2009 | 2008 | 2007 | Difference | | % Change | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|
| | | | | '09-'08 | '09-'07 | '09-'08 | '09-'07 |
| Agricultural & food products | 2,722,699 | 2,961,204 | 2,931,112 | -238,505 | -208,413 | -8.1% | -7.1% |
| Grain | 1,517,103 | 1,703,253 | 1,672,376 | -186,150 | -155,273 | -10.9% | -9.3% |
| Farm products excl. grain | 194,507 | 175,854 | 173,278 | 18,653 | 21,229 | 10.6% | 12.3% |
| Grain mill products (1) | 499,229 | 525,875 | 534,848 | -26,646 | -35,619 | -5.1% | -6.7% |
| Food products | 511,860 | 556,222 | 550,610 | -44,362 | -38,750 | -8.0% | -7.0% |
| Chemicals and petroleum | 2,297,219 | 2,611,827 | 2,706,368 | -314,608 | -409,149 | -12.0% | -15.1% |
| Chemicals | 1,986,788 | 2,266,310 | 2,338,002 | -279,522 | -351,214 | -12.3% | -15.0% |
| Petroleum products | 310,431 | 345,517 | 368,366 | -35,086 | -57,935 | -10.2% | -15.7% |
| Coal | 7,003,632 | 7,870,944 | 7,626,890 | -867,312 | -623,258 | -11.0% | -8.2% |
| Forest products | 846,945 | 1,099,706 | 1,264,243 | -252,761 | -417,298 | -23.0% | -33.0% |
| Primary forest products (2) | 154,431 | 201,088 | 213,390 | -46,657 | -58,959 | -23.2% | -27.6% |
| Lumber & wood products | 220,481 | 312,438 | 413,079 | -91,957 | -192,598 | -29.4% | -46.6% |
| Pulp & paper products | 472,033 | 586,180 | 637,774 | -114,147 | -165,741 | -19.5% | -26.0% |
| Metallic ores and metals | 1,213,573 | 1,960,907 | 2,117,269 | -747,334 | -903,696 | -38.1% | -42.7% |
| Metallic ores (3) | 634,311 | 1,021,738 | 1,016,371 | -387,427 | -382,060 | -37.9% | -37.6% |
| Coke | 165,484 | 216,362 | 305,549 | -50,878 | -140,065 | -23.5% | -45.8% |
| Primary metal products (4) | 413,778 | 722,807 | 795,349 | -309,029 | -381,571 | -42.8% | -48.0% |
| Motor vehicles & parts | 734,060 | 1,074,095 | 1,368,074 | -340,035 | -634,014 | -31.7% | -46.3% |
| Nonmetallic minerals & prod. | 1,538,412 | 1,951,421 | 2,097,004 | -413,009 | -558,592 | -21.2% | -26.6% |
| Crushed stone, gravel, sand | 843,601 | 1,088,946 | 1,170,406 | -245,345 | -326,805 | -22.5% | -27.9% |
| Nonmetallic minerals (5) | 304,344 | 363,841 | 403,950 | -59,497 | -99,606 | -16.4% | -24.7% |
| Stone, clay & glass prod. (6) | 390,467 | 498,634 | 522,648 | -108,167 | -132,181 | -21.7% | -25.3% |
| Other | 705,384 | 881,791 | 858,933 | -176,407 | -153,549 | -20.0% | -17.9% |
| Waste & scrap materials (7) | 411,760 | 567,937 | 575,974 | -156,177 | -164,214 | -27.5% | -28.5% |
| All other carloads | 293,624 | 313,854 | 282,959 | -20,230 | 10,665 | -6.4% | 3.8% |
| TOTAL ALL CARLOADS | 17,061,924 | 20,411,895 | 20,969,893 | -3,349,971 | -3,907,969 | -16.4% | -18.6% |
| Trailers | 1,723,455 | 2,578,839 | 2,713,893 | -855,384 | -990,438 | -33.2% | -36.5% |
| Containers | 10,272,664 | 11,380,401 | 11,722,676 | -1,107,737 | -1,450,012 | -9.7% | -12.4% |
| TOTAL ALL INTERMODAL | 11,996,119 | 13,959,240 | 14,436,569 | -1,963,121 | -2,440,450 | -14.1% | -16.9% |

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - phosphate rock, rock salt, crude sulphur, clay, etc.
 (2) - wood raw materials such as pulpwood and wood chips (6) - cement, ground earths or minerals, gypsum products, etc.
 (3) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc. (7) - scrap metal and paper, construction debris, ashes, etc.
 (4) - primarily iron & steel products; some aluminum, copper, etc.

*Data are originations. Source: AAR *Weekly Railroad Traffic*

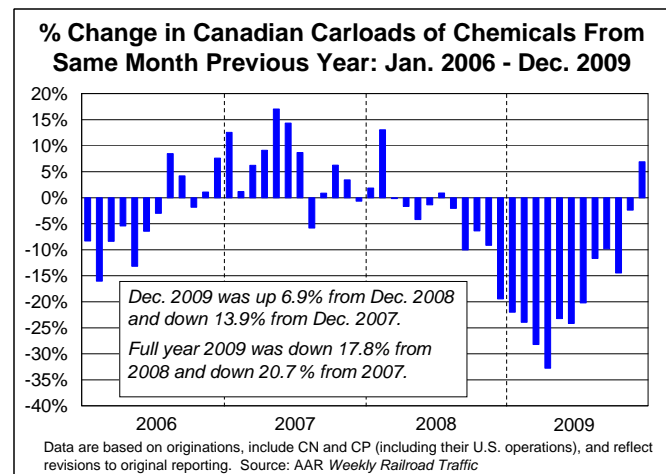
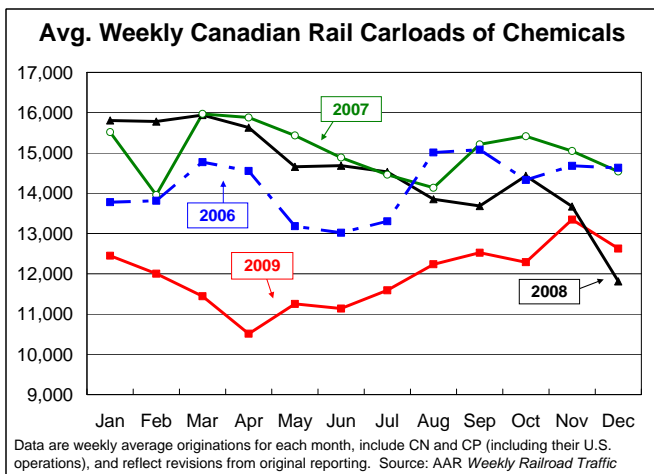
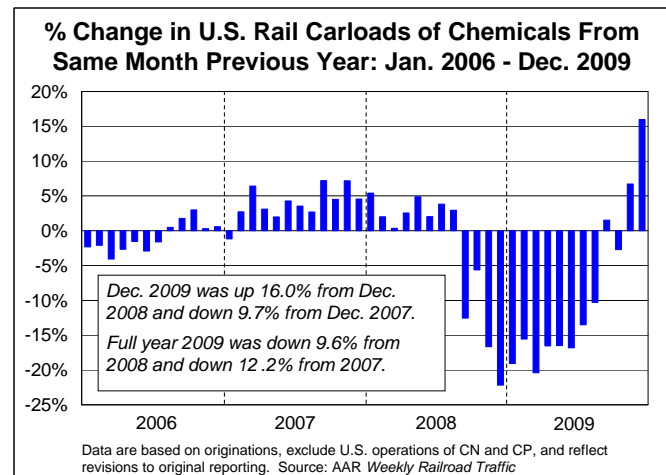
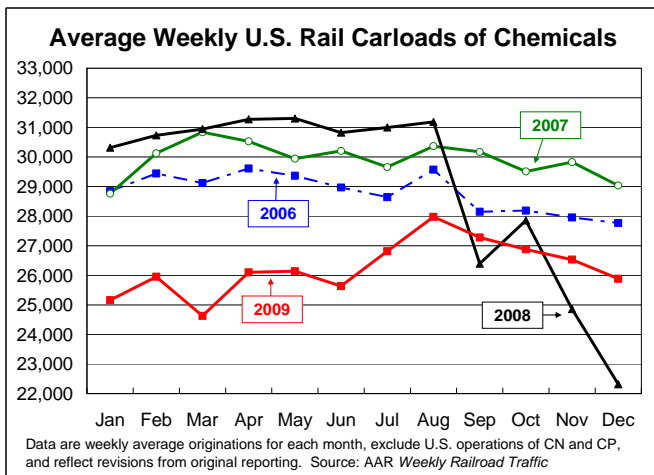
U.S. + Canadian RR Carload* Traffic by Type of Commodity in 2009



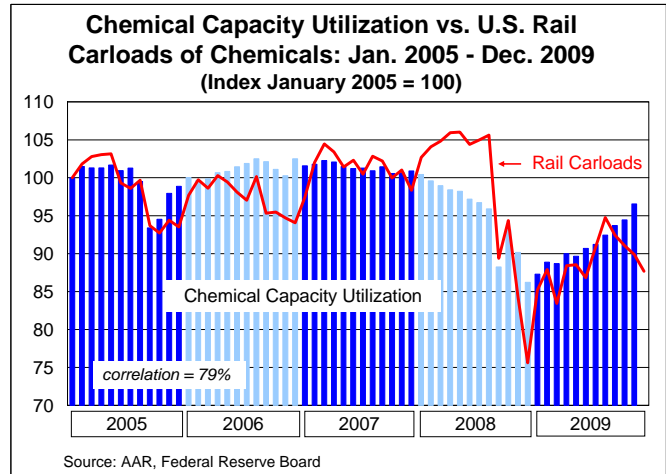
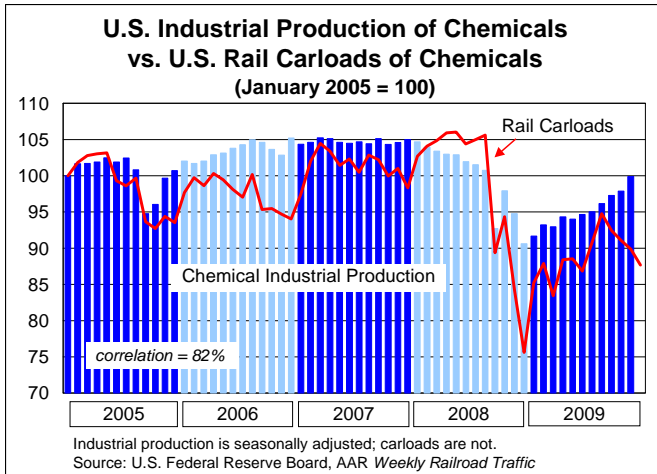
*Data exclude intermodal traffic. Data include BNSF, CSX, KCS, NS, UP, Birmingham Southern, Florida East Coast, Lake Superior & Ishpeming, Paducah & Louisville, CN, and CP. Source: AAR *Weekly Railroad Traffic*

Commodity Focus: Chemicals

- Since most chemicals are used in the production of other goods, the chemical industry's fortunes tend to rise and fall with the economy as a whole, especially manufacturing. The chemical industry is one of the largest U.S. industries — its shipments were approximately \$689 billion in 2008 (around \$515 billion if pharmaceuticals are excluded).
- More than half of all rail chemical tonnage consists of **various industrial chemicals**, including potassium chloride, sodium carbonate (soda ash), sodium hydroxide (caustic soda), sulfuric acid, urea, and anhydrous ammonia. **Plastic materials and synthetic resins** — including large quantities of polyethylene, polypropylene, polyvinyl chloride, and similar products — account for more than one-fourth of rail chemical tonnage. Most of the rest consists of various types of **fertilizers** and other **agricultural chemicals**.
- U.S. rail carloads of chemicals averaged 25,882 per week in December 2009, **up 16.0%** from a depressed December 2008 (22,318 carloads) and **down 9.7%** from the comparable period in 2007 (28,677 carloads). U.S. chemicals carloadings have fallen for four straight months.
- For all of 2009, U.S. rail carloadings of chemicals were **down 9.6% from 2008** and **down 12.2% from 2007**. Canadian rail carloadings of chemicals are down sharply too (see table page 8).

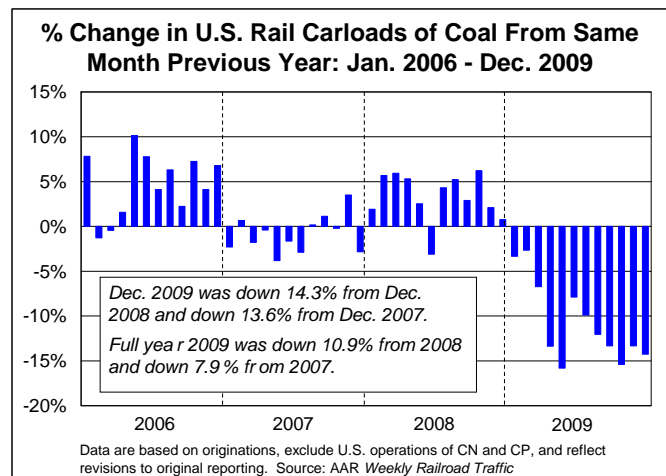
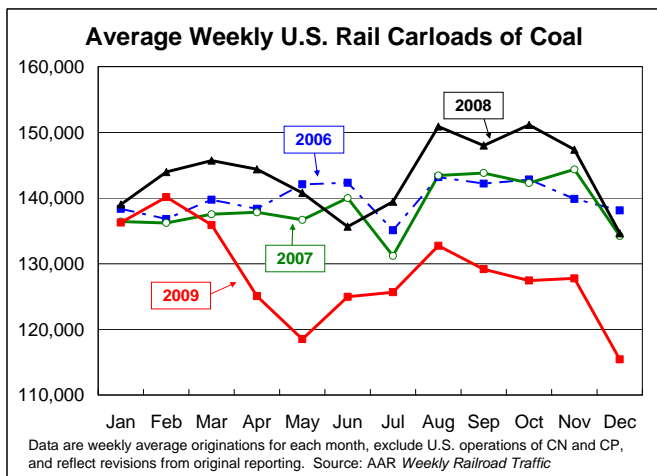


- By the end of 2009, U.S. chemical industrial production had recovered much (though certainly not all) of what it had lost in the second half of 2008 (see chart below left). U.S. rail carloadings of chemicals have generally followed suit, though not as well in recent months. Not surprisingly, there is also a fairly strong positive correlation between chemical capacity utilization and rail carloads (see chart below right).



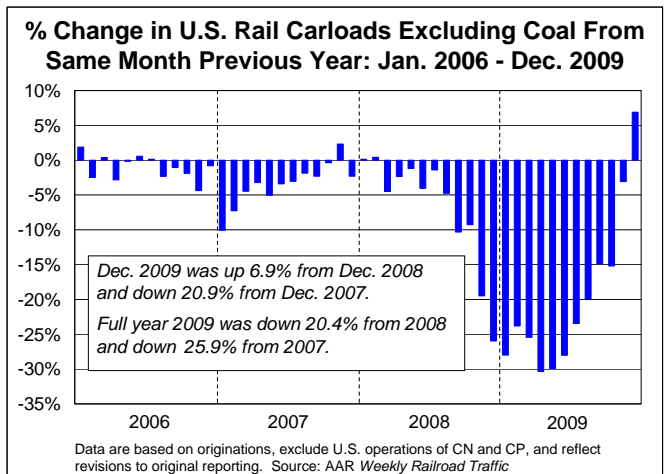
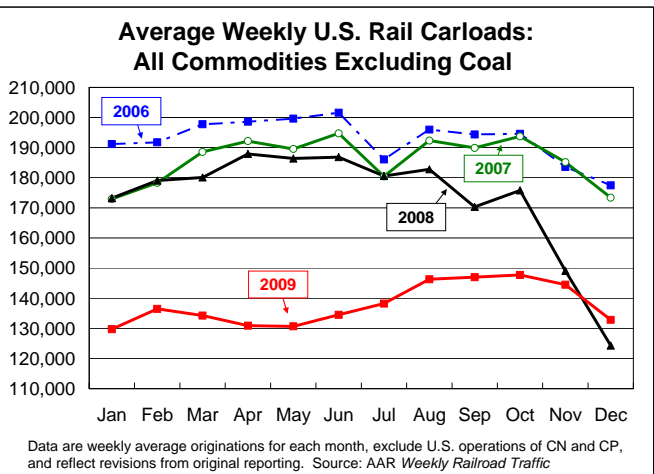
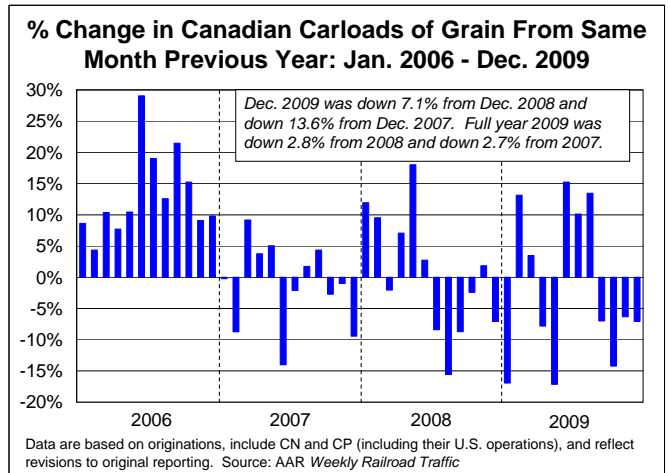
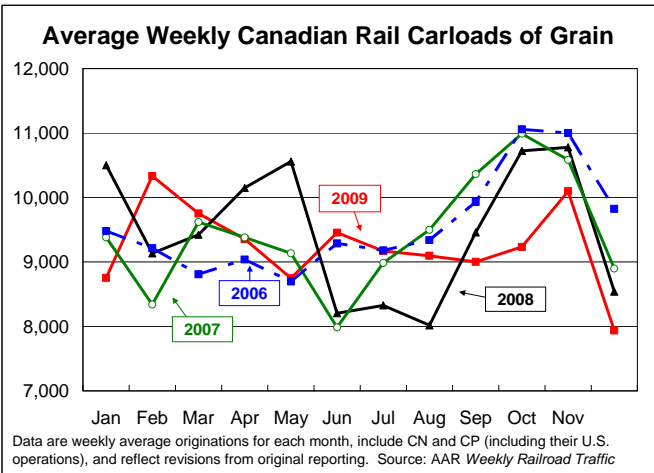
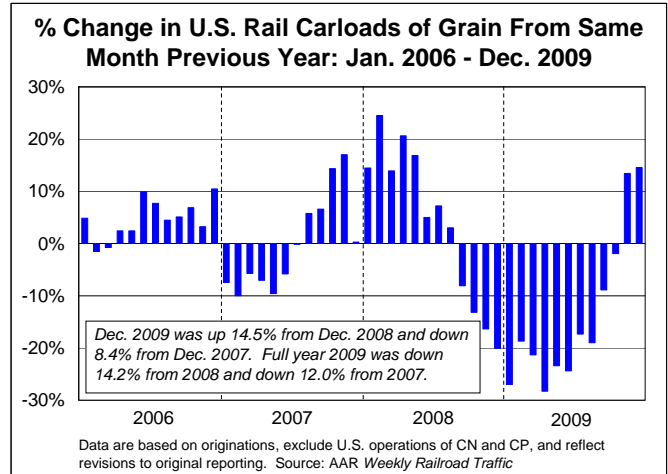
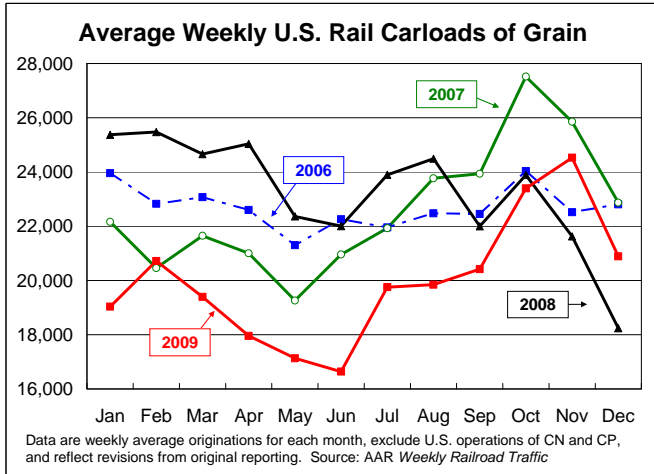
Coal

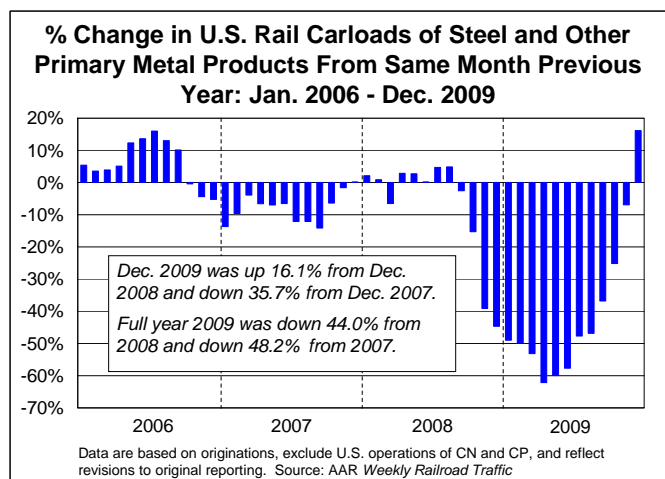
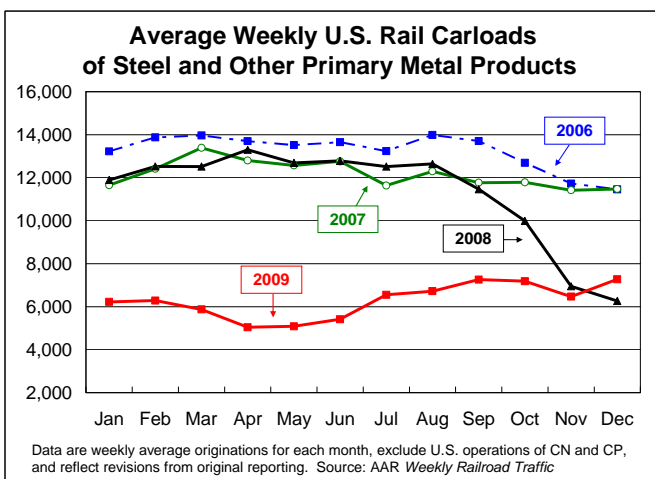
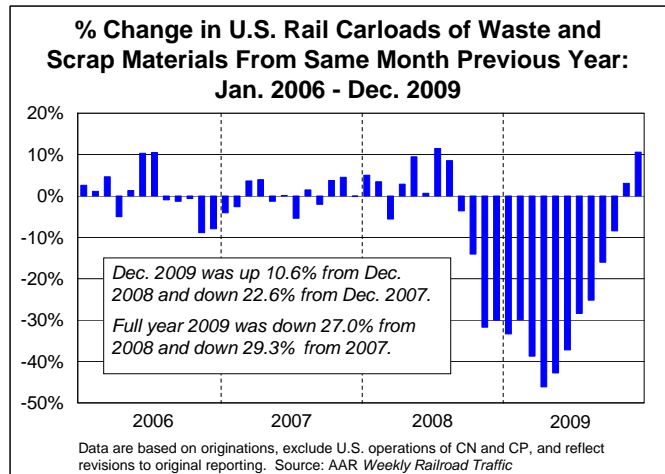
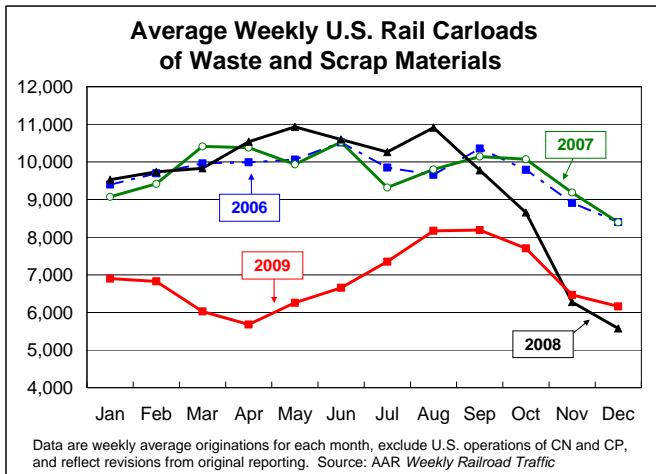
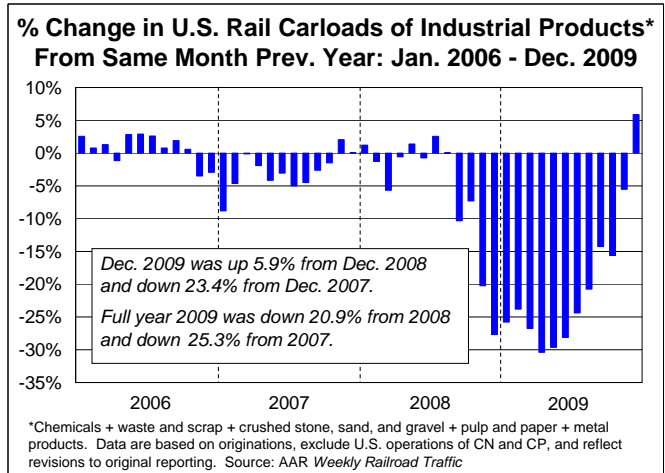
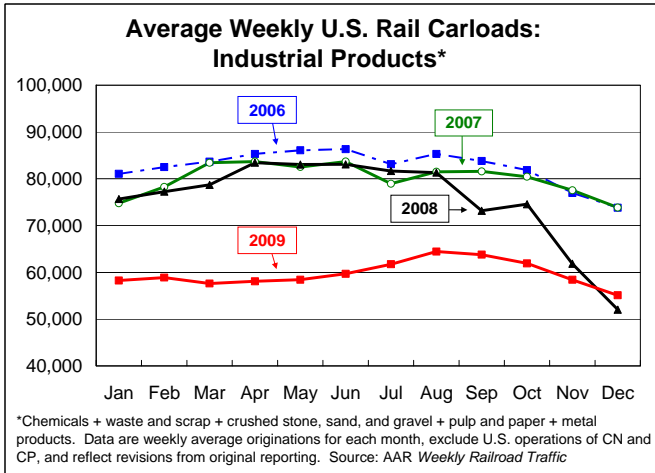
- As noted earlier, U.S. rail carloads of coal continued their long decline in December, averaging 115,434 carloads, **down 14.3%** from December 2008's weekly average of 134,638 and **down 13.6%** from December 2007's 133,631 weekly average. The last time average weekly U.S. coal carloads were as low as they were in December 2009 was **January 1996**.
- Coal demand continues to be hampered by relatively high stockpiles at utilities (the most recent available data — for October 2009 — show stockpiles were higher than probably ever before) and relatively low natural gas prices. However, a continuation of the unseasonably cold weather currently gripping much of the country could increase demand for (and the price of) natural gas, leading to higher demand for coal. At some point utility stockpiles have to go down. When that happens, replenishment via **more rail coal carloads will follow**.
- In 2009, coal accounted for 48.2% of U.S. rail carload traffic and 10.8% of Canadian rail carload traffic.

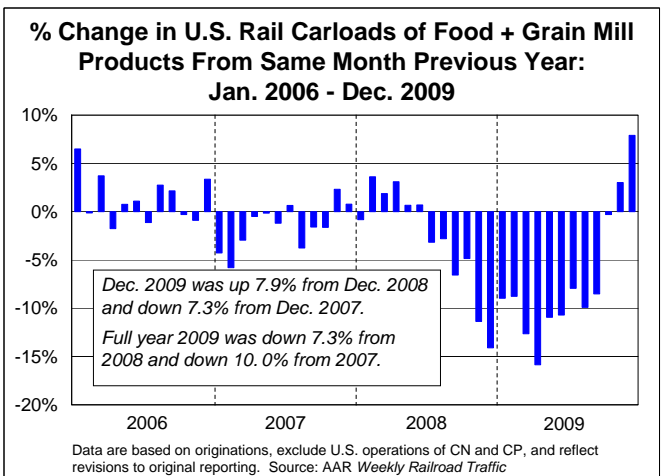
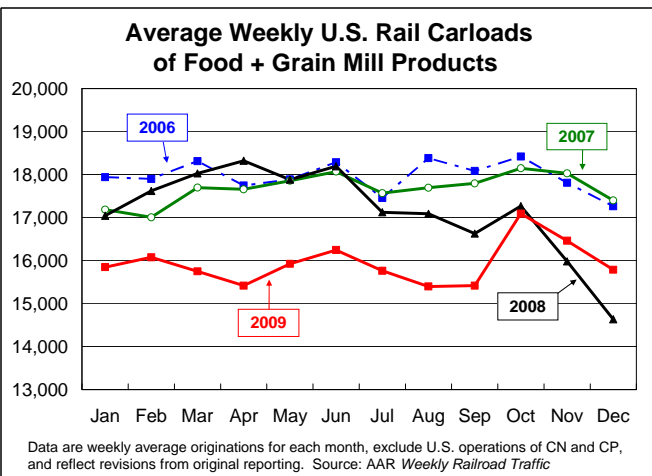
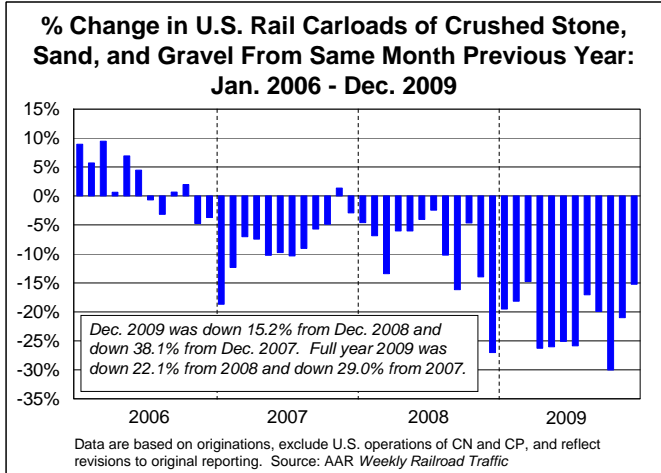
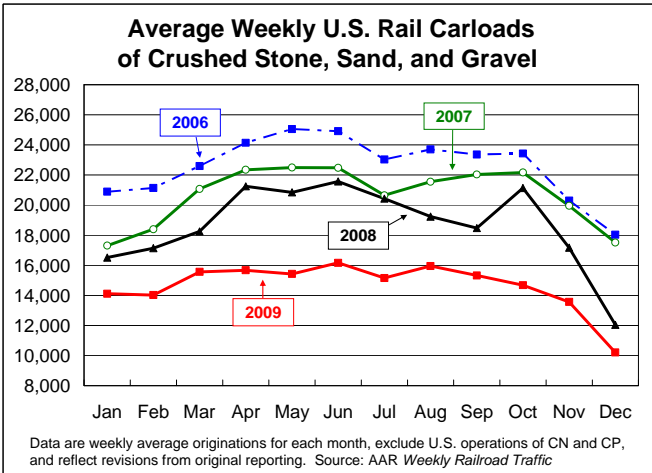


Grain

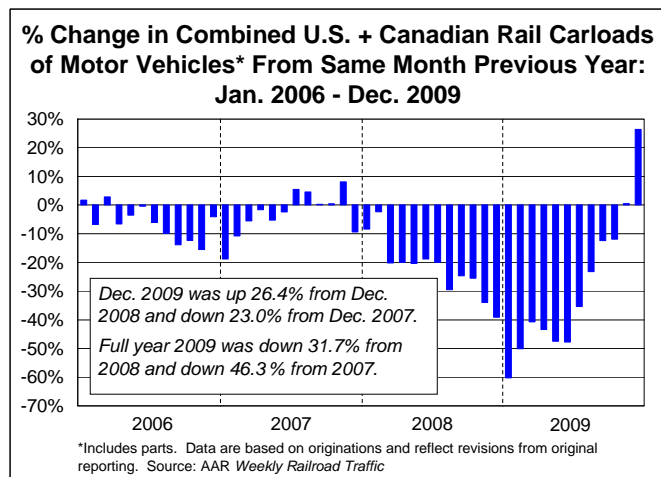
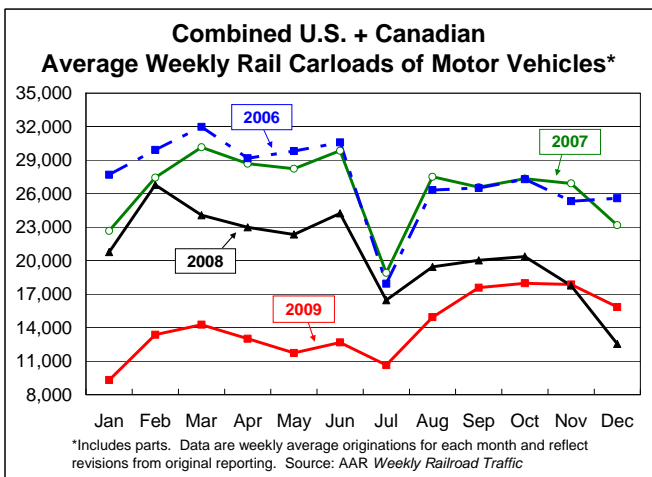
- U.S. rail carloads of **grain** averaged 20,893 per week in December 2009, **up 14.5%** from December 2008 and down 8.4% from December 2007. For all of 2009, grain carloads on U.S. railroads were down 14.2% (172,177 carloads) from the previous year. On Canadian railroads, they were down 2.8% (13,973 carloads) for the year.

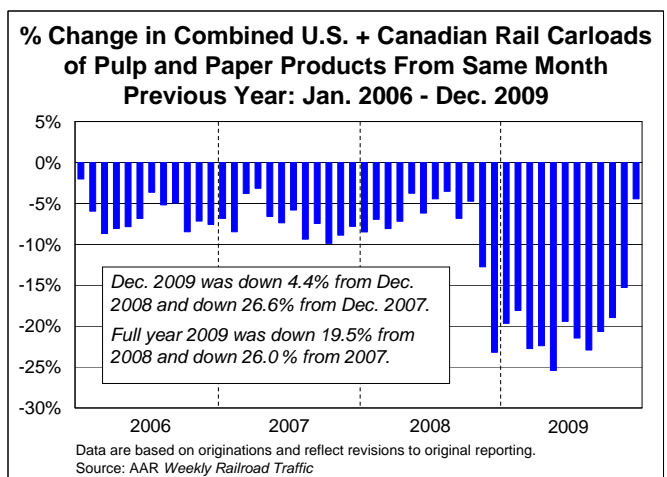
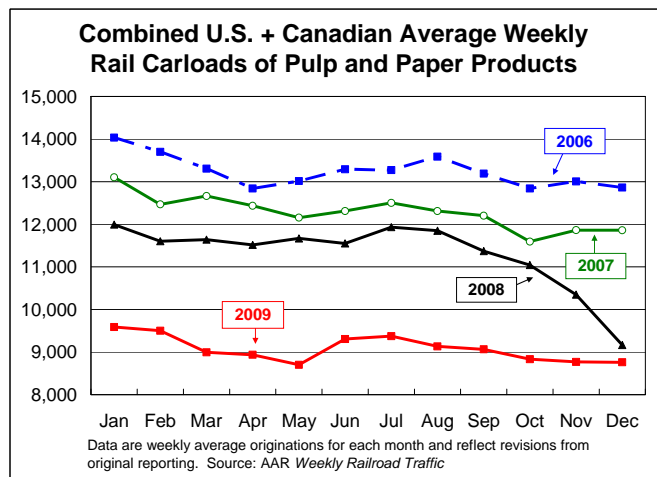
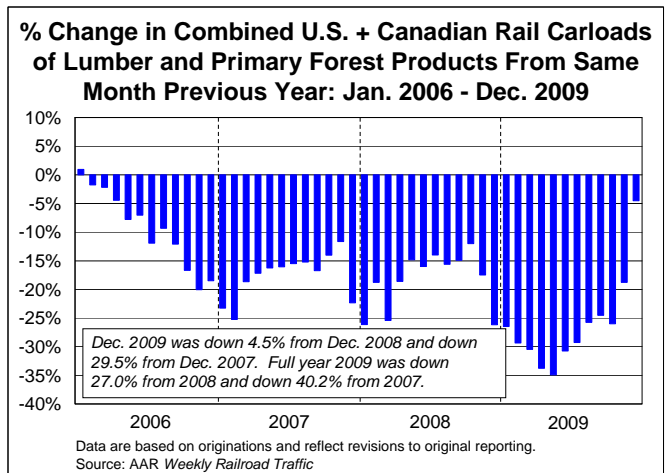
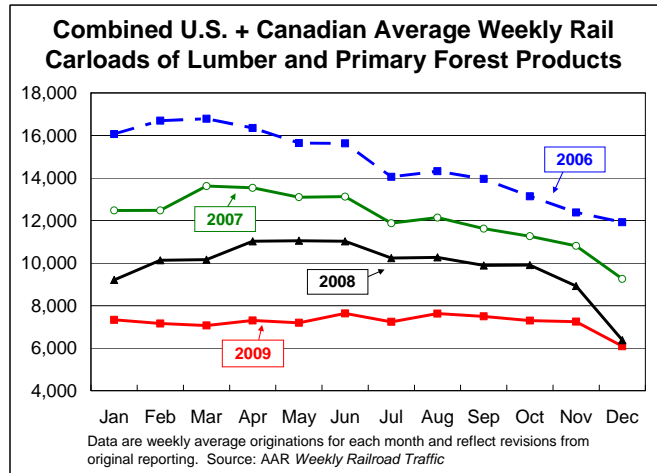
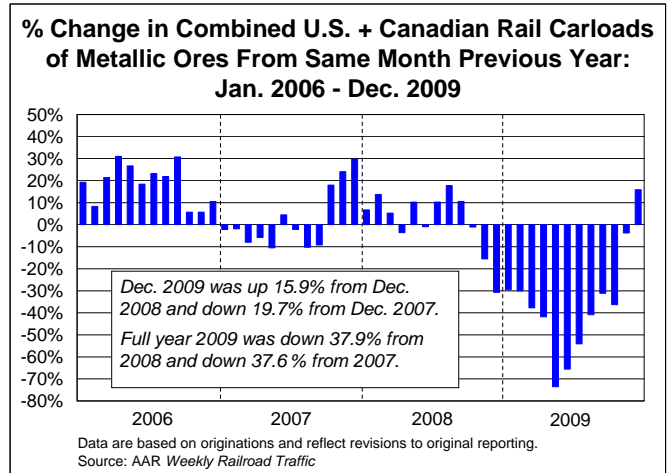
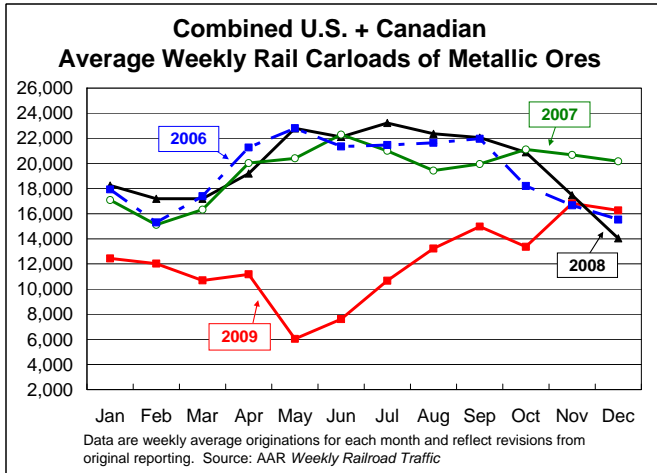






For some commodities, including those in the next four sets of charts, it makes most sense to combine U.S. and Canadian carloads into a single aggregate. The U.S. and Canadian auto industries, for example, are fully integrated. Likewise, much of the paper and lumber consumed in the United States is carried by Canadian railroads, either in Canada or in the United States.





GROSS DOMESTIC PRODUCT (GDP)

Who releases it and when?

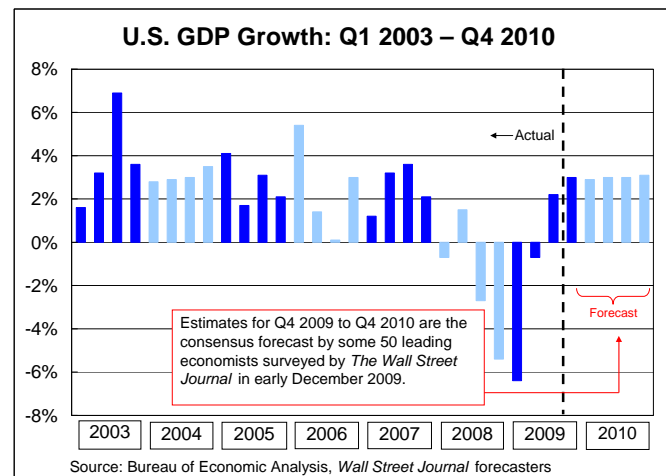
- U.S. Bureau of Economic Analysis (BEA), measured quarterly and revised as better data become available.

What is it and why is it important?

- GDP — the output of goods and services produced by labor and property located in a country — measures the size of an economy and how fast it's growing. Assuming it's measured accurately, it's probably the single most conclusive piece of information on the health of an economy. In the United States, GDP growth and freight railroad traffic are closely positively correlated.

What are the latest numbers?

- **U.S. GDP rose** at an annual rate of **2.2% in Q3 2009** compared with Q2 2009, according to the most recent BEA figures. The original Q3 GDP estimate was 3.5%, which was revised downward to 2.8%, and then revised downward again to 2.2%.
- Each month, The Wall Street Journal surveys some 50 leading economists. In the most recent survey, released December 11, **the consensus was that GDP would grow around 3% in 2010**.
- What the WSJ said: “[T]here is broad agreement that there is a slow recovery for the jobs market. Just four respondents expected the unemployment rate to drop below 9% by December of next year, and the average forecast remained at 9.6%.”



Where to go for more information:

- The most recent BEA news release on GDP, including links to detailed data tables, is [here](#). The initial preliminary Q4 2009 GDP figure will be released on January 29. Click [here](#) for more on the most recent WSJ survey of economists. As of RTI's press time, a new survey was imminent.

PURCHASING MANAGERS INDEX (PMI)

Who releases it and when?

- Institute for Supply Management (ISM – formerly the National Association of Purchasing Managers), near the beginning of each month.

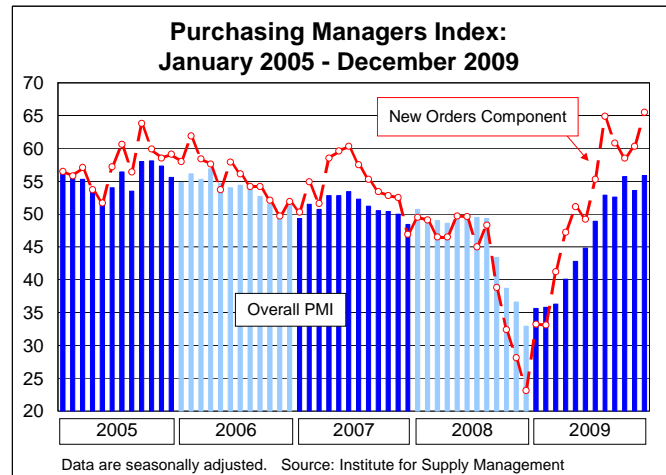
What is it and why is it important?

- The PMI combines data on new orders, inventory, production, supplier deliveries, and employment. It's based on a survey of several hundred supply managers at manufacturers throughout the country. (Supply managers typically handle purchasing/procurement, inventory control and management, and physical distribution and warehousing.) The PMI is considered an indicator both of actual “on-the-ground” conditions as well as near- to medium-term sentiment.
- Manufacturing accounts for approximately 12% of U.S. GDP — not as much as it used to be, but the United States is still the world's top manufacturer. In fact, by itself, U.S. manufacturing would still be around the eighth largest economy in the world.

- According to ISM, a **PMI > 50** indicates that overall **manufacturing is expanding**; a **PMI < 50** indicates that **manufacturing is contracting**.

What are the latest numbers?

- The **PMI rebounded to 55.9 in December 2009** from 53.6 in November, continuing a generally upward trend throughout 2009 and reaching its highest point since April 2006. According to ISM, a PMI greater than 41.2, over a period of time, generally indicates overall economic expansion. PMI has been greater than 41.2 (and usually much greater) since May 2009.
- The “**new orders**” component of the PMI **jumped in December 2009 to 65.5**, up from 60.3 in November 2009 and its highest point since March 2004. As noted on page 20, PMI new orders often signal higher industrial production a few months down the road.
- What the ISM said regarding the December PMI: “This month's report is quite strong as both the New Orders and Production Indexes are above 60 percent. ... Overall, the recovery in manufacturing is continuing, but there are still some industries mired in the downturn as evidenced by the seven industries still in decline.”



Where to go for more information:

- The press release for the December PMI is [here](#) and includes much more detail than the summary above. The January PMI will be released on February 1, 2010.

MANUFACTURING INVENTORIES AND SALES

Who releases it and when?

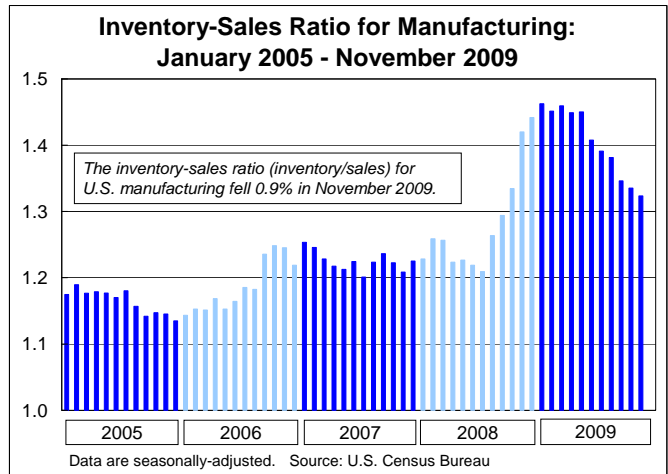
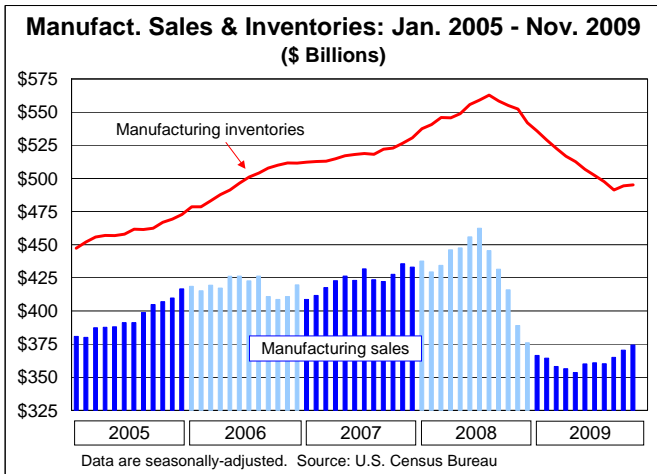
- The U.S. Census Bureau, near the beginning of each month, covering the month two months prior. (E.g., the report released in early January has data covering November.)

What is it and why is it important?

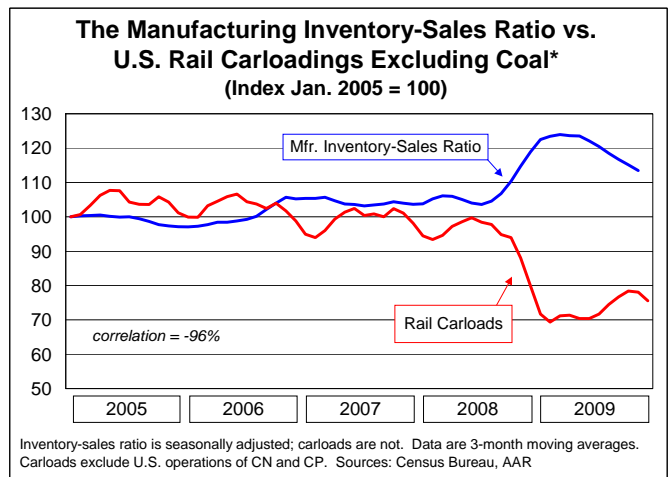
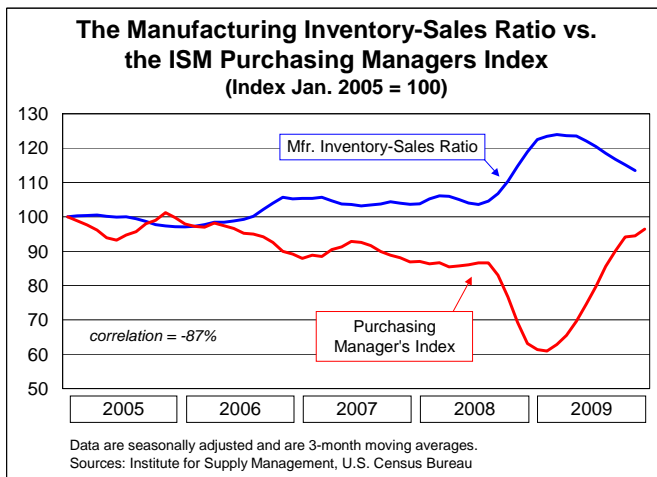
- The report is based on data reported from manufacturing establishments with \$500 million or more in annual shipments covering 89 industry categories. Figures are seasonally adjusted.
- Manufacturers **don't want to hold too much inventory** because it costs money to store it and it can become obsolete or spoil. Moreover, inventory earns no return on investment. But manufacturers **don't want too little inventory either**, or they could lose sales. Like Goldilocks, they want an inventory level that's “just right.”
- When sales fall, inventories must rise if production is kept at the same pace. Eventually, when inventories are too high, “de-stocking” occurs via production cuts. This leads to job losses, fewer raw material purchases, and other negative economy-wide effects.
- When sales rise, either inventories must fall, production must increase, or both. Eventually, inventories becomes too low and “re-stocking” occurs via production increases. This means more employment, more raw material purchases, and other positive economy-wide effects.

What are the latest numbers?

- Seasonally-adjusted **manufacturing sales rose 1.0%** in November 2009 from October 2009, while seasonally-adjusted **manufacturing inventories rose 0.2%**. November marked the second straight monthly increase — see the blip at the end of the red line in the chart below left — after 13 straight monthly declines. Could it be that manufacturers are getting a bit ahead of themselves in terms of increasing production?
- Still, because sales rose much more than inventories, the **inventory-sales ratio fell 0.9%** in November to 1.32 (see chart below right). This ratio is now about halfway between its peak in January 2009 and its typical level prior to its rapid run-up beginning in mid-2008.



- The strong negative correlation between the inventory-sales ratio for manufacturing and PMI (see chart below left) continues to hold, as does the strong negative correlation between the manufacturing-sales ratio and rail carloads excluding coal (see chart below right).



Where to go for more information:

- The Census Bureau's full report on manufacturing sales and inventories in November is [here](#). Figures for December will be released on February 4, 2010.

INDUSTRIAL PRODUCTION

Who releases it and when?

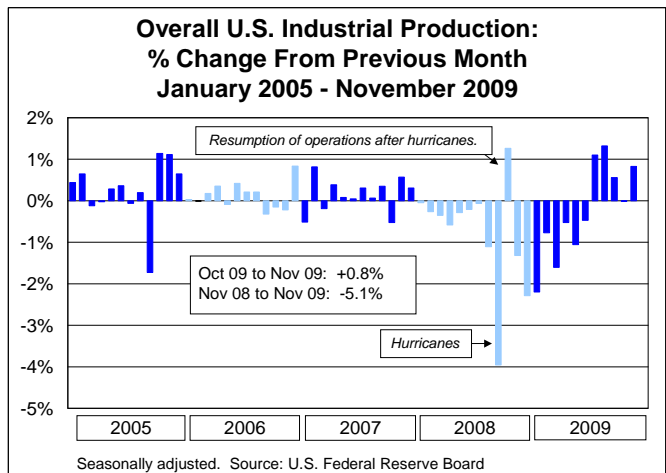
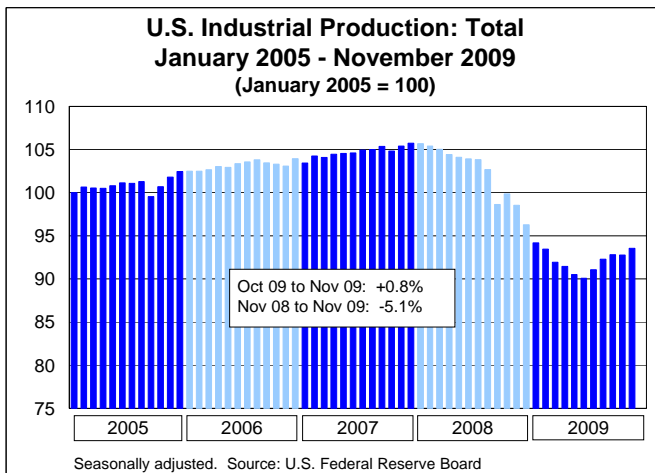
- The U.S. Federal Reserve Board, around the middle of each month.

What is it and why is it important?

- Industrial production figures are based on the monthly raw volume of goods produced by U.S. industrial firms such as factories, mines, and electric utilities. The industrial sector generally exhibits the most volatility in output during a business cycle.

What are the latest numbers?

- Industrial production rose 0.8% in November 2009** from October 2009 (see charts below), the fifth straight monthly increase. Gains were spread across a number of industrial sectors — e.g., 1.1% for manufacturing as a whole, 6.3% for primary metals (there was a sizable increase in rail carloads of primary metal products in December – see page 14), 1.8% for motor vehicles and parts, 1.8% for paper, and 2.1% for chemicals. Overall industrial production was held down by a decrease in the index for utilities, which fell 1.8% primarily because of lower output by gas utilities due to unseasonably warm temperatures in November that reduced the need for heating.



- On page 18 we noted that the new orders component of the ISM's Purchasing Managers Index (PMI) in December 2009 was at its highest point since March 2004. That should mean higher industrial production down the road, but not right away.
- In fact, as the table at the right shows, in recent years there has been a moderately strong positive correlation between industrial production and PMI's new orders, but the correlation has been strongest when the current month's industrial production is compared to PMI new orders 6 or 7 months earlier. (E.g., December 2009 industrial production compared to June 2009 or July 2009 PMI new orders.)

Where to go for more information:

- The Federal Reserve release on industrial production in November is [here](#). December data will be released on January 15, 2010.

Correlation Between Current Month's Industrial Production and PMI New Orders:

| | |
|------------------|-----|
| 1 month earlier | 32% |
| 2 months earlier | 44% |
| 3 months earlier | 56% |
| 4 months earlier | 68% |
| 5 months earlier | 74% |
| 6 months earlier | 75% |
| 7 months earlier | 75% |
| 8 months earlier | 73% |

Based on data from Jan. 2005 through Dec. 2009. Source: Federal Reserve Board, ISM

CAPACITY UTILIZATION

Who releases it and when?

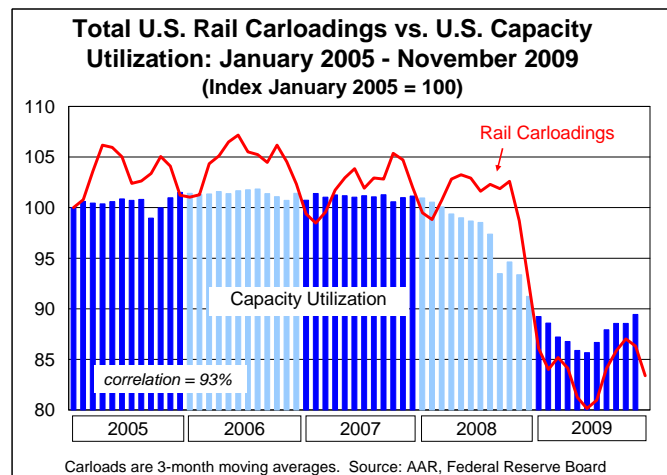
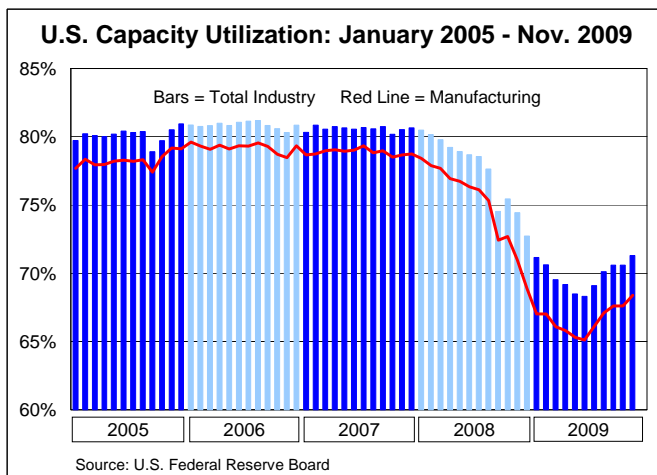
- The U.S. Federal Reserve Board, around the middle of each month.

What is it and why is it important?

- Capacity utilization attempts to capture the concept of sustainable maximum output — *i.e.*, the highest output a plant can maintain assuming a realistic work schedule, normal downtime, and sufficient availability of inputs to operate the capital in place.
- In theory, a capacity utilization rate of, say, 70% means there is room to increase production up to 100% without having to build new plants or add equipment. In practice, capacity utilization rates (at least on an economy-wide basis) never come close to 100%. Utilization levels above 82%-85% are generally considered "tight" and forecast price increases or supply shortages in the near future. The farther below this level, the more slack there is in the economy or particular sector.

What are the latest numbers?

- **Capacity utilization for total industry** (mining, manufacturing, and gas and electric utilities) **rose to 71.3% in November 2009** from 70.6% in October 2009. It's now at its highest point since December 2008 after bottoming out at 68.3% in June 2009.
- Capacity utilization for manufacturing rose to 68.4% in November 2009, also its highest point since December 2008 and up from a low of 65.1% in June 2009 (see chart below left). The chart below right shows the strong positive correlation between capacity utilization and rail carloadings.



Where to go for more information:

- The Federal Reserve release on capacity utilization in November is [here](#). December data will be released on January 15, 2010.

NUMBER OF EMPLOYED PERSONS AND UNEMPLOYMENT RATE

Who releases it and when?

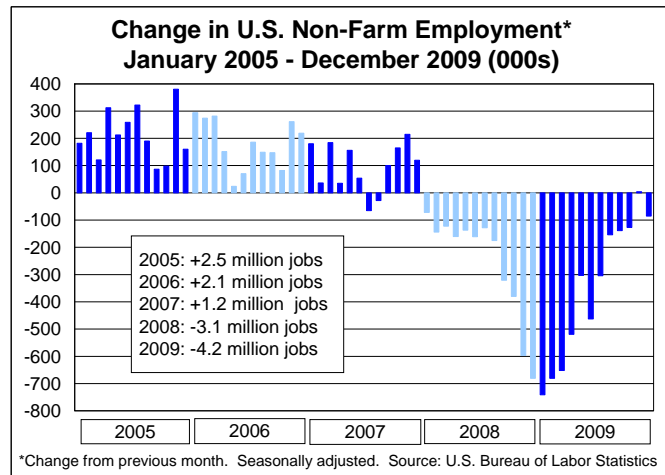
- U.S. Bureau of Labor Statistics (BLS) near the beginning of each month.

What is it and why is it important?

- The figures provide a snapshot of the strength of the U.S. labor market and are based on surveys of tens of thousands of households and businesses. In the United States, a gain of at least **150,000 or more jobs from one month to the next is generally considered solid job growth.**
- Employment is often considered a lagging indicator because employers often decide to wait until they're sure an economic recovery is here to stay before making new hires.
- Weak job numbers cause even the still-employed to become less confident of the future, and, therefore, less prone to spend money (see "Consumer Confidence" and "Retail Sales" below).

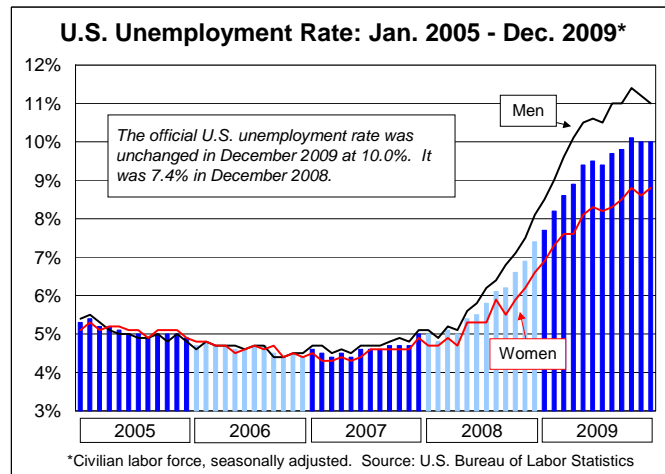
What are the latest numbers?

- Net U.S. **non-farm employment fell by 85,000 in December 2009** from November 2009, while revised figures for November showed a **gain of 4,000 jobs** — the first gain since December 2007. (Preliminary November figures showed a loss of 11,000 jobs.)



- Compared with what they were earlier in 2009, the job losses in December weren't that bad. However, if the economy really is out of the recession, as most economists now seem to think, it means jobs are still being lost even as the economy is growing and nearly a year after the **\$787 billion** stimulus package was passed.

- The official **unemployment rate in December 2009 was 10.0%**, the same as in November 2009. Some 661,000 people left the official labor force in December alone. All else equal, if they re-enter the work force, the official unemployment rate will climb. The broadest measure of unemployment, which includes discouraged workers and those working part-time for economic reasons, was 17.3% in December, up from 17.2% in November.

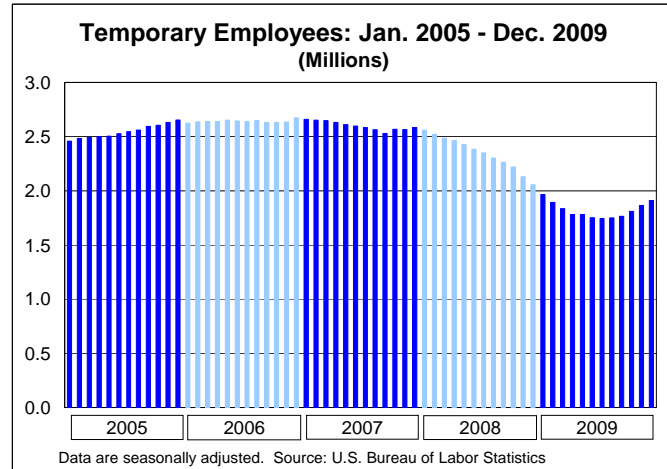


- All that needs to happen now regarding jobs is for the economy to:

- ✓ Generate the **7.2 million** jobs it lost since the recession began;
- ✓ Provide full-time jobs to the **9.4 million** people who are working part time for economic reasons (either because their hours have been cut back or because they cannot find a full-time job);
- ✓ Generate the **100,000** or so jobs each month needed just to keep up with the average growth in new entrants to the labor force.

No question, accomplishing these tasks will be very difficult. Still, it may be a mistake to underestimate the resiliency and underlying strength of the U.S. economy.

- The temporary employment numbers is a bit of hopeful news in the December jobs report. As the Wall Street Journal reported on January 8, the hiring of temporary workers is a leading indicator of future job growth. In December, temporary employment rose 2.5%, the fifth straight annual increase (see chart at right). In the WSJ article, the president of the American Staffing Association noted, “As employers feel more secure, they bring back furloughed workers, lengthen the hours for existing workers and then bring on temporary staffers.” (The average work week for U.S. production and non-supervisory workers in December 2009 was 33.2 hours, the same as in November but higher than any month since February 2009.)



Where to go for more information:

- The BLS press release on the employment situation in December 2009 is here. Data for January 2010 will be released on February 5, 2010.

CLASS I RAILROAD EMPLOYMENT

Who releases it and when?

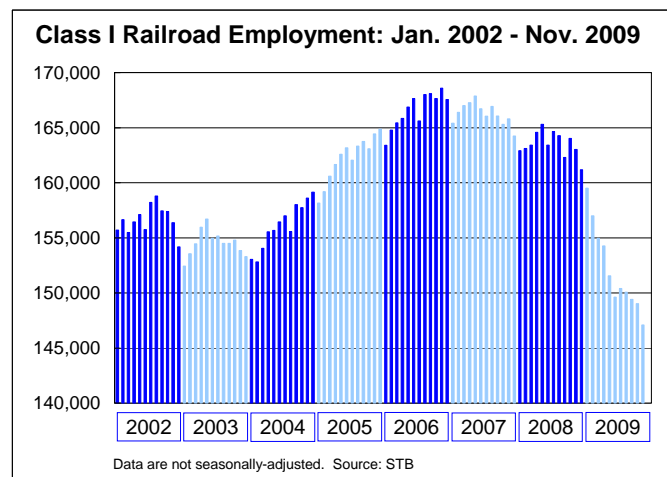
- Surface Transportation Board (STB), around the middle of the month.

What is it and why is it important?

- Report showing the average number of Class I employees at mid-month. As in other industries, employment in the rail industry is in large part a function of the level of business — *i.e.*, how much freight is being hauled.

What are the latest numbers?

- Class I freight railroad employment **fell to 147,097 in November 2009, down approximately 1,900 employees** from October 2009 and down nearly 21,500 from the recent peak of 168,582 in November 2006.



- Around 86% of Class I rail employees are unionized, represented by one of more than a dozen different labor unions. Labor relations in the rail industry are subject to the Railway Labor Act (RLA). Under the RLA, labor contracts do not expire. Rather, they remain in effect until modified by the parties involved through a complex process that can take years. The most recent round of contracts were approved in 2007. A new bargaining round began in early November 2009.

Where to go for more information:

- The STB web site for employment data is here.

CONSUMER CONFIDENCE

Who releases it and when?

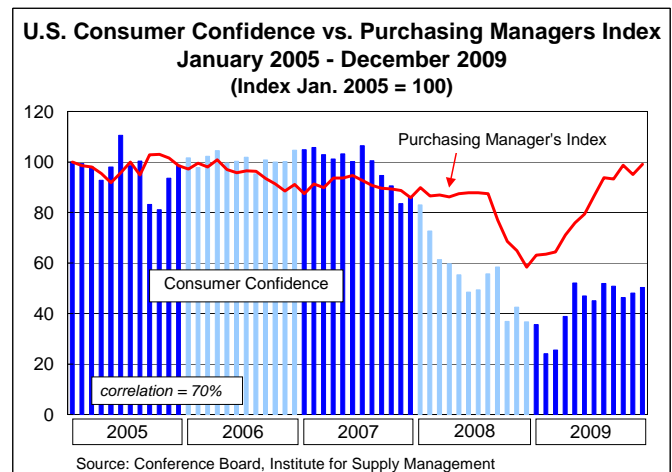
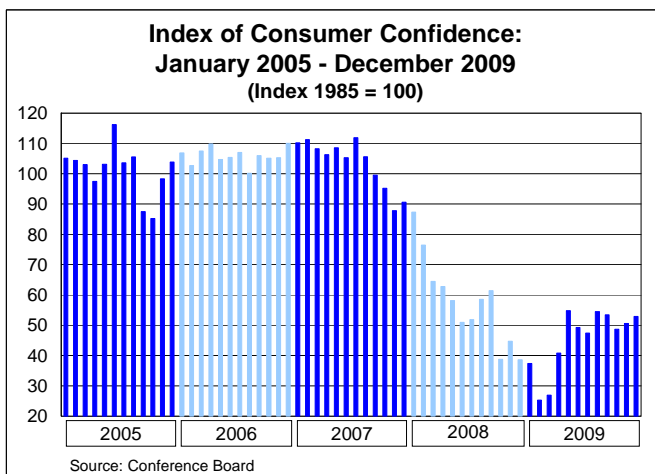
- The Conference Board, last Tuesday of the month.

What is it and why is it important?

- An index based on a monthly survey of 5,000 U.S. households designed to gauge the financial health, spending power, and confidence of the average consumer. Respondents are asked about current conditions ("Present Situation Index") and their expectations for the next six months ("Expectations Index").
- The index is designed to predict **future consumer spending**, on the theory that the more confident consumers are about their job prospects, income, etc. the more likely they are to make purchases, especially big-ticket items.

What are the latest numbers?

- The consumer confidence index **rose in December 2009 to 52.9** from a revised 50.6 in November 2009 (see chart below left).
- What the Conference Board said regarding the December figure: "...[E]xpectations for the short-term future increased to the highest level in two years.... The Present Situation Index, however, continued to lose ground and remains at a 26-year low... A more optimistic outlook for business and labor market conditions was the driving force behind the increase in the Expectations Index. Regarding income, however, consumers remain rather pessimistic about their short-term prospects and this will likely continue to play a key role in spending decisions in early 2010."
- Previous Rail Time Indicators have shown the strong correlation between consumer confidence and rail carloadings (p. 20 of December 2009's RTI), retail sales (p. 22 of November 2009's RTI), and unemployment (p. 21 of October 2009's RTI). This month, we show the correlation between consumer confidence and the purchasing manager's index (see chart below right). This correlation is clearly positive, but not quite as strong as the others mentioned above.



Where to go for more information:

- The Conference Board's press release on the consumer confidence index in December is [here](#). January's consumer confidence index will be released on January 26.

RETAIL SALES

Who releases it and when?

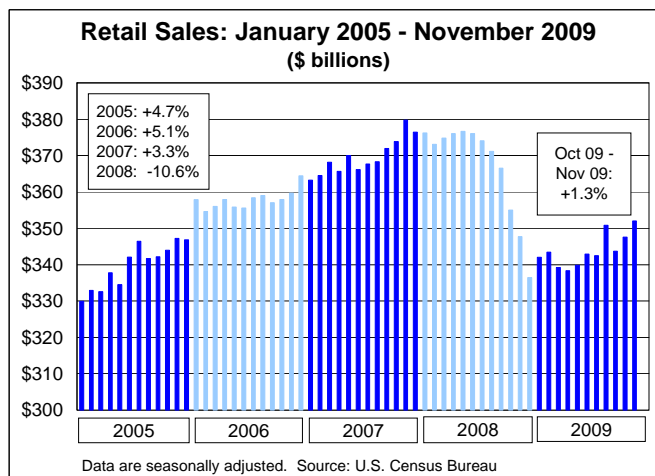
- The U.S. Census Bureau, around the ninth business day of each month.

What is it and why is it important?

- Uses a monthly survey of 5,000 retailers of all types to track the dollar value of physical merchandise sold. The data are adjusted for holiday differences and seasonal variations but are not adjusted for inflation. Revisions to prior data can be sizable.
- Personal consumption accounts for approximately 70% of U.S. GDP. Thus, the health of the economy depends largely on how much “stuff” people buy.
- It often takes time for consumers to recover from and respond to economic events. Thus, an increase in spending today may reflect the results of an economy that began to recover a few months earlier. A decrease in spending today may confirm an ongoing or worsening recession.

What are the latest numbers?

- Total **retail sales were up 1.3%** (\$4.5 billion) in **November 2009 from October 2009**. They were up 1.3% from November 2008 as well.
- \$1.9 billion of the \$4.5 billion increase in retail sales in November 2009 from October 2009 was gasoline. As all of us know, the price of gasoline can fluctuate a great deal from month to month. Sales of motor vehicles and parts were up nearly \$1 billion in November.
- Excluding gasoline and autos, retail sales **rose 0.6%** in November 2009 from October 2009.



Where to go for more information:

- The Census Bureau's press release on November retail sales is [here](#). December retail sales will be released on January 14, 2010.

LIGHT VEHICLE SALES

Who releases it and when?

- The U.S. Bureau of Economic Analysis.

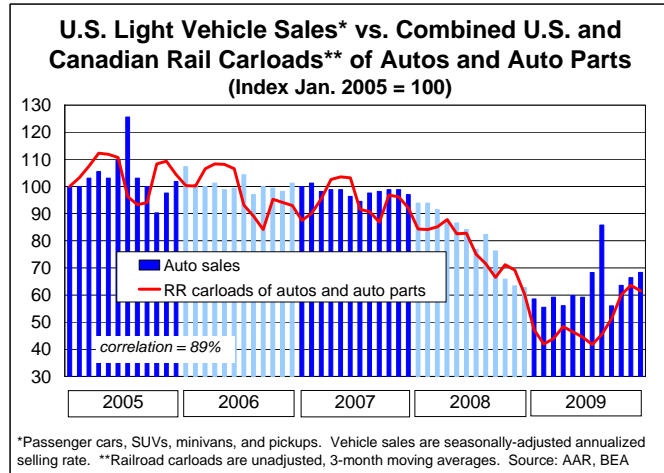
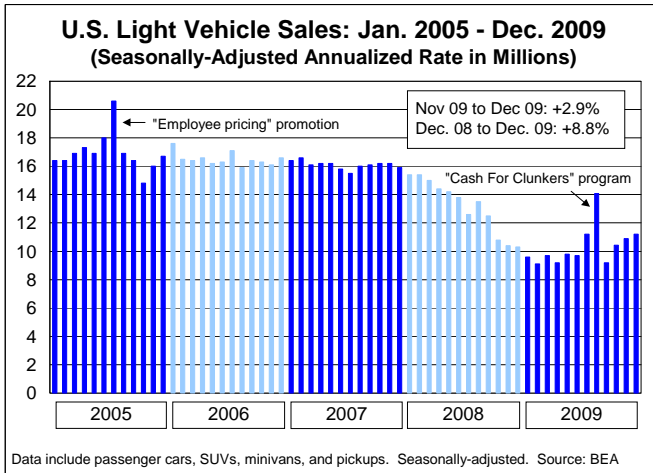
What is it and why is it important?

- Covers U.S. sales of cars and light trucks, including pickups and SUVs. Over the past 50 years, spending on motor vehicles has accounted, on average, for about 3.7% of U.S. GDP.
- In 2008, 6% of U.S. Class I railroad revenue came from hauling autos and auto parts.

What are the latest numbers?

- U.S. light vehicle sales **rose 2.9% in December 2009** from November 2009 to a seasonally-adjusted annualized selling rate (SAAR) of **11.2 million** (see chart top left next page). U.S. and

Canadian rail carloads of motor vehicles and parts remain closely correlated with auto production (see chart below right).



Where to go for more information:

- BEA data on auto sales are [here](#).

HOUSING STARTS

Who releases it and when?

- Census Bureau, around the middle of each month.

What is it and why is it important?

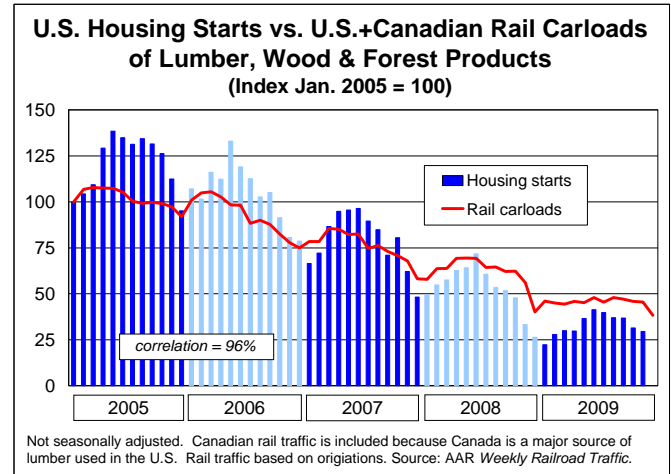
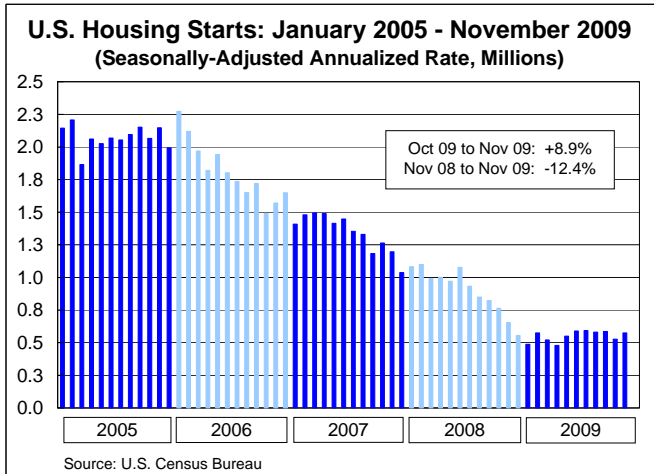
- A housing start is beginning the foundation of a residential home.
- Housing directly accounts for around 5% of the overall economy and has large spillover effects on other sectors, such as retail sales and manufacturing, since people buying new homes tend to spend on other goods such as furniture, lawn and garden supplies, and appliances.
- Housing starts are generally considered to be a “leading indicator” because construction growth usually picks up at the beginning of a business cycle.

What are the latest numbers?

- Seasonally-adjusted housing starts **rose 8.9% in November 2009 to an annualized 574,000**, up from 527,000 in October 2009 (see chart at left on top of next page).
- By definition, a housing start is a new home. But new homes compete against existing homes, including many almost-new homes built in the past few years. New homes are also generally more expensive than existing homes. With so many existing homes on the market — including an enormous number of foreclosed homes that new homes must compete against — it’s not surprising that housing starts haven’t rebounded in 2009.
- Until new homes do rebound, rail lumber and wood traffic will continue to suffer (see chart at top right of next page).

Where to go for more information:

- The Census Bureau’s press release on housings starts in November is [here](#). November’s housing starts will be released on January 20, 2009.



CONSUMER PRICE INDEX (CPI)

Who releases it and when?

- U.S. Bureau of Labor Statistics (BLS), mid-month.

What is it and why is it important?

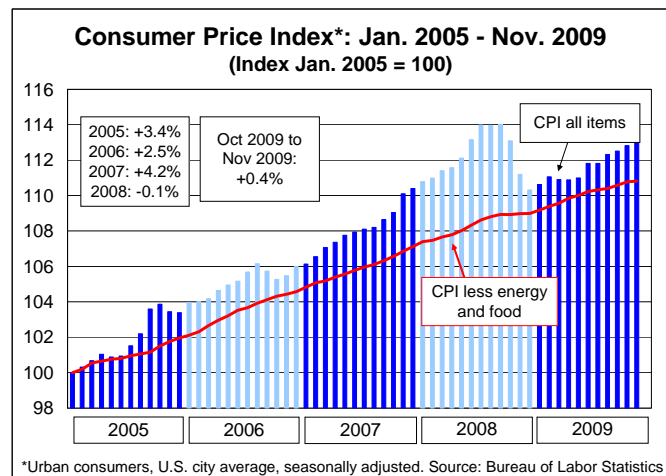
- The CPI is the benchmark inflation guide for the U.S. economy. It measures the changes in the cost of a representative basket of consumer goods and services. The BLS collects prices from 23,000 retail and service establishments throughout the country.
- It's hard not to have at least a little inflation when an economy is growing, but inflation can harm economies in many ways. Just one example: inflation confuses price signals — producers don't know if higher prices are simply part of an inflation-related adjustment or if they signal higher demand that warrants expanded production. Inflation also erodes the value of wages and savings, adds to uncertainty, and complicates business planning.
- The CPI is the basis for cost-of-living adjustments for Social Security, federal retirement payments, many private pensions, and food stamps.

What are the latest numbers?

- **The consumer price index** for all urban consumers (CPI-U) **was up 0.4%** on a seasonally-adjusted basis in November 2009 over October 2009 and **up 1.9%** on a **year-over-year** basis (the first positive year-over-year increase since February 2009). Higher energy prices, including a 6.4% rise in the price of gasoline, were a major factor behind the CPI increase in November.
- The "core" CPI was flat in November and up 1.7% year-over-year.

Where to go for more information:

- The BLS press release on the November CPI is [here](#). December's CPI will be released on January 15, 2010.



U.S. DOLLAR EXCHANGE RATE

Who releases it and when?

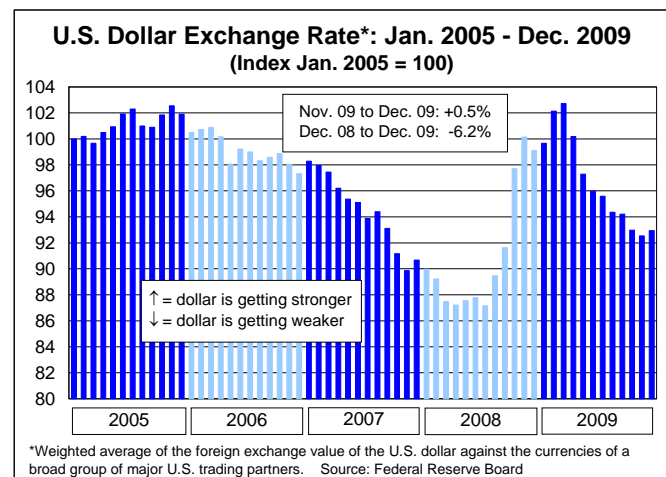
- The Federal Reserve Board, daily.

What is it and why is it important?

- An index comprised of a weighted average of the value of the U.S. dollar against the currencies of a group of major U.S. trading partners.
- An exchange rate is the **price of one currency against another**. A weaker U.S. dollar (“depreciation”) means that U.S. imports become relatively more expensive and U.S. exports become relatively less expensive abroad. All else equal, that means fewer U.S. imports and more U.S. exports. Because the U.S. is such a huge market, prolonged weakness in the dollar’s value could harm the economies of export-driven countries around the world.
- Conversely, a stronger dollar (“appreciation”) means U.S. imports become relatively cheaper and U.S. exports become more expensive. All else equal, that means more U.S. imports and fewer U.S. exports.

What are the latest numbers?

- The U.S. dollar **rose 0.5% in December 2009**, the first monthly increase since March 2009. The dollar finished 2009 6.2% lower than its year-earlier level.
- Not that anyone really knows for sure whether the U.S. dollar will get stronger or weaker tomorrow, much less next month or next year, but the dollar’s recent strengthening reportedly has to do, at least in part, with the idea that U.S. economic growth will lead to higher interest rates that make the dollar more attractive.



Where to go for more information:

- Exchange rate data from the Federal Reserve is [here](#).

RAIL FREIGHT CARS IN STORAGE

Who releases it and when?

- The Association of American Railroads, each month in [Rail Time Indicators](#).

What is it and why is it important?

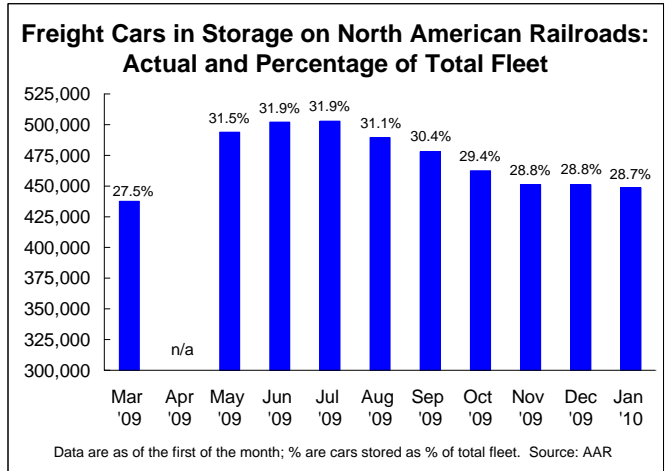
- The AAR began measuring this in March 2009. (Data for previous periods are not available.) A freight car is deemed to be “in storage” if it has not had a loaded revenue move in more than 60 days. Rail cars are stored when they are not needed; they come out of storage when they are. Figures are for the entire North American rail freight car fleet.

What are the latest numbers?

- As of January 1, 2010, there were 448,555 freight cars in storage — 2,541 cars fewer than on December 1 and equal to 28.7% of the total fleet. That’s down slightly from 28.8% in December and the lowest percentage since March 2009. It’s still far, far higher, though, than the 2% or 3% of cars in storage when the economy is healthy.

Where to go for more information:

- Contact Frank Hardesty of the AAR’s Policy and Economics Department at 202-639-2321 or fhardesty@aar.org.



To get on the e-mail distribution list for Rail Time Indicators, send a request (including your name and business affiliation, if any) to Beth Eagney at beagney@aar.org.

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