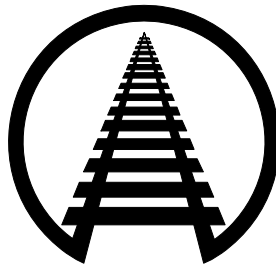


# **Rail Time Indicators**

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



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

**June 18, 2009**

**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 near the middle of each month by the Policy & Economics Department of the Association of American Railroads.**

**To get on the e-mail distribution list for Rail Time Indicators or to suggest ways to improve it, please contact Dan Keen ([dkeen@aar.org](mailto:dkeen@aar.org), 202-639-2326) or Shannon Stare ([sstare@aar.org](mailto:ssstare@aar.org), 202-639-2322).**

## SUMMARY FOR MAY 2009

<b>Economic Indicator</b>	<b>Most Recent Data</b>
U.S. Freight Rail Traffic (p. 1)	<b>Down 24.6%</b> (carloads), <b>down 19.7%</b> (intermodal) in May 2009 from May 2008.
Canadian Freight Rail Traffic (p. 1)	<b>Down 33.4%</b> (carloads), <b>down 18.1%</b> (intermodal) in May 2009 from May 2008.
Gross Domestic Product (p. 7)	<b>Down 5.7%</b> in Q1 2009 (revised preliminary figure).
Purchasing Managers Index (p. 9)	<b>Up to 42.8</b> in May from 40.1 in April.
Manufacturing Inventories and Sales (p. 10)	From March to April, manufacturing sales <b>down 0.2%</b> , manufacturing inventories <b>down 1.0%</b> , and inventory-to-sales ratio <b>down 0.7%</b> .
Index of Industrial Production (p. 11)	<b>Down 1.1%</b> in May from April.
Capacity Utilization (p. 12)	<b>68.3%</b> in May, <b>down</b> from 69.0% in April.
Non-Farm Employment (p. 13)	<b>Down 345,000</b> in May from April
Unemployment Rate (p. 13)	<b>Up to 9.4%</b> in May from 8.9% in April.
Class I Railroad Employment (p. 14)	<b>151,536</b> in May, <b>down</b> from 154,263 in April.
Index of Consumer Confidence (p. 14)	<b>Up to 54.9</b> in May from 40.8 in April.
Retail Sales (p. 15)	<b>Up 0.5%</b> in May from April.
Light Vehicle Sales (p. 16)	<b>Up 6.5%</b> in May from April.
Housing Starts (p. 16)	<b>Up 17.2%</b> in May from April.
Consumer Price Index (p. 17)	<b>Up 0.1%</b> in May from April.
Railroad Cost Index (p. 18)	From Q3 '08 to Q4 '08, wages <b>up 0.2%</b> ; wage supplements <b>up 0.2%</b> ; fuel <b>down 33.6%</b> ; materials & supplies, <b>up 10.5%</b> .
Value of the U.S. Dollar (p. 18)	<b>Down 2.9%</b> in May from April.
Dow Jones Economic Sentiment Indicator (p. 19)	<b>Up to 29.0</b> in May from 27.6 in April.

## FREIGHT RAILROAD TRAFFIC

### Who releases it and when?

- The Association of American Railroads (AAR), every Thursday morning, in the AAR's *Weekly Railroad Traffic* report.

### What is it and why is it important?

- Weekly AAR data detail rail carloadings for 19 major commodity categories, as well as intermodal trailers and containers, for the previous week for a group of railroads that collectively account for the vast majority of total U.S. and Canadian 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, freight rail traffic is a useful economic indicator, both for the overall economy and for specific sub-sectors.

### What are the latest numbers?

- Carloads** originated on U.S. railroads **in May 2009 were down 24.6%** (321,316 carloads) from May 2008 to 987,361 carloads. May 2009 was the seventh straight double-digit monthly carload decline, the largest year-over-year monthly decline since at least 1988 (when comparable AAR monthly data begin), and the lowest weekly average (246,840 carloads) for a month since at least 1988.

- Intermodal traffic** (which is not included in carloads) was down 19.7% (177,482 trailers and containers) in May 2009 to 723,898 units. (See table next page.)

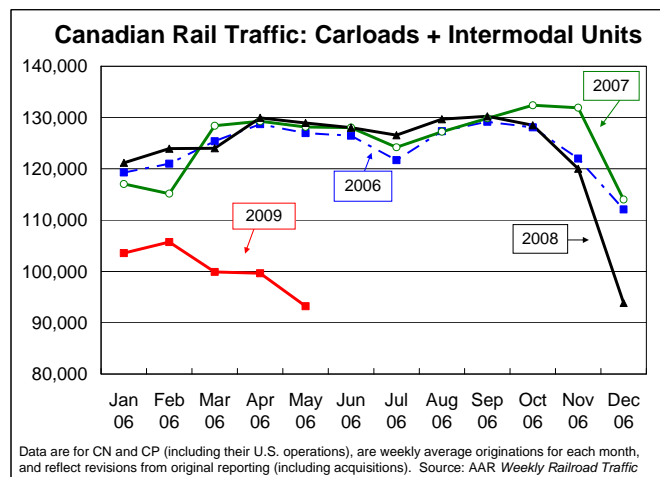
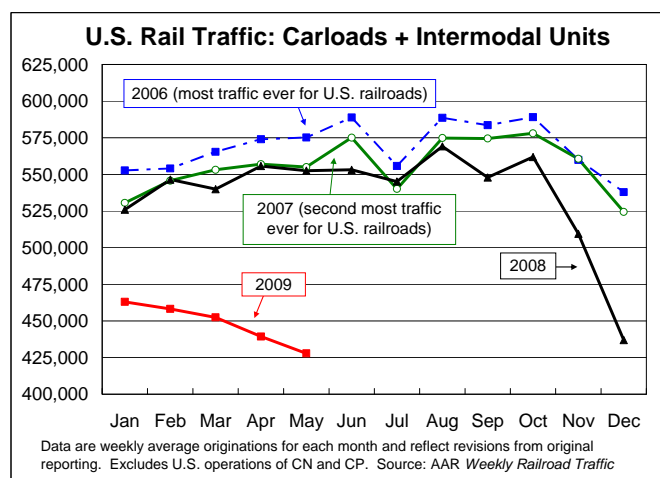
- U.S. rail carload traffic was down in all 19 commodity categories in May 2009 compared to May 2008.

- For the first five months of 2009, U.S. rail carloadings were down 19.5%** (1,332,274 carloads); **year-to-date intermodal traffic was down 16.9%** (788,814 trailers and containers).

- Canadian carload traffic (which includes both the Canadian and U.S. operations of CN and Canadian Pacific) fell 33.4% (107,954 carloads) in May 2009 to 215,462 carloads, while Canadian intermodal traffic fell 18.1% (34,844 units) to 157,446 trailers and containers. For the first five months of 2009, Canadian rail carloads were down 24.4% (405,557 carloads) and Canadian intermodal traffic was down 14.8% (147,495 units).

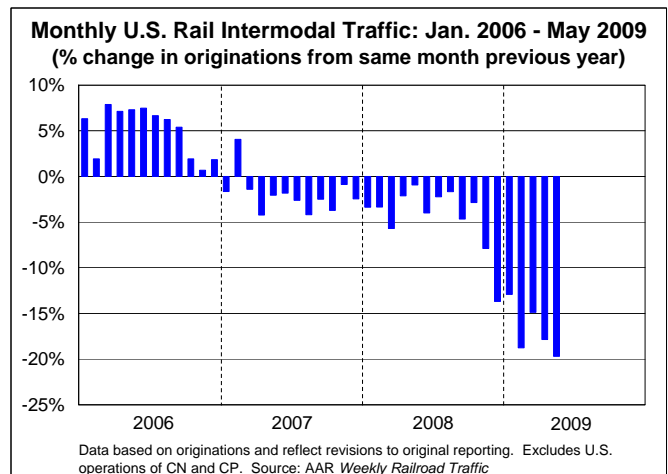
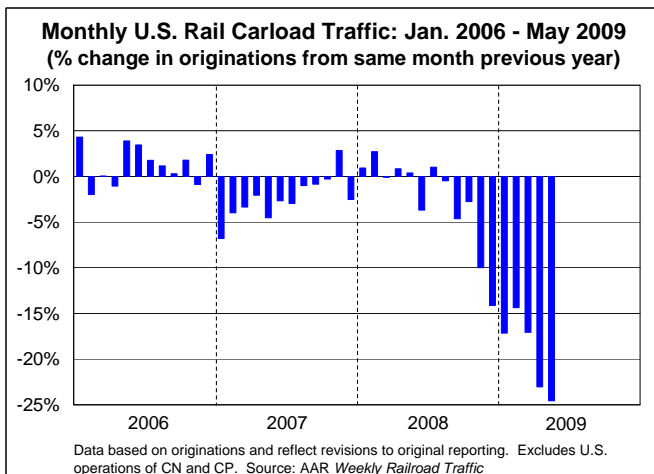
### Where to go for more information:

- Weekly AAR press releases on railroad traffic are available on the AAR web site [here](#).



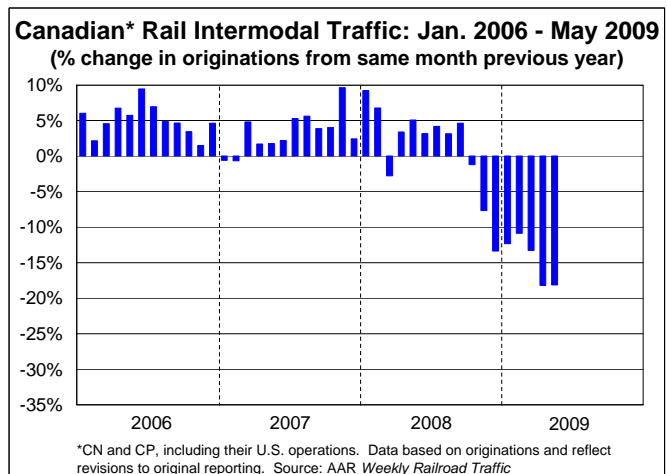
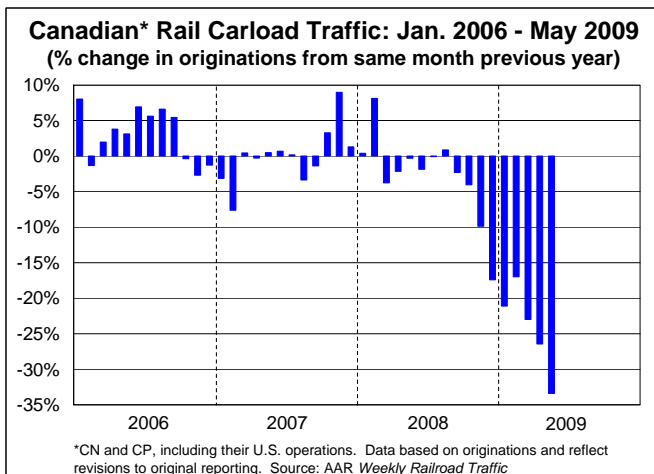
U.S. Rail Traffic*								
Commodity	May 09	May 08	Differ.	% Chng	YTD 2009	YTD 2008	Differ.	% Chng
<b>Agricultural products</b>	<b>132,665</b>	<b>164,717</b>	<b>-32,052</b>	<b>-19.5%</b>	<b>739,211</b>	<b>918,261</b>	<b>-179,050</b>	<b>-19.5%</b>
Grain	67,538	89,448	-21,910	-24.5%	393,933	519,438	-125,505	-24.2%
Farm products excl. grain	3,140	3,738	-598	-16.0%	15,713	23,445	-7,732	-33.0%
Grain mill products	32,395	36,090	-3,695	-10.2%	167,811	185,881	-18,070	-9.7%
Food products	29,592	35,441	-5,849	-16.5%	161,754	189,497	-27,743	-14.6%
<b>Chemicals</b>	<b>122,328</b>	<b>150,749</b>	<b>-28,421</b>	<b>-18.9%</b>	<b>646,816</b>	<b>784,773</b>	<b>-137,957</b>	<b>-17.6%</b>
Chemicals	102,131	125,203	-23,072	-18.4%	535,253	652,562	-117,309	-18.0%
Petroleum products	20,197	25,546	-5,349	-20.9%	111,563	132,211	-20,648	-15.6%
<b>Coal</b>	<b>474,020</b>	<b>563,154</b>	<b>-89,134</b>	<b>-15.8%</b>	<b>2,748,746</b>	<b>3,007,528</b>	<b>-258,782</b>	<b>-8.6%</b>
<b>Forest products</b>	<b>36,499</b>	<b>53,979</b>	<b>-17,480</b>	<b>-32.4%</b>	<b>197,990</b>	<b>277,667</b>	<b>-79,677</b>	<b>-28.7%</b>
Primary forest products	5,379	8,546	-3,167	-37.1%	29,647	45,687	-16,040	-35.1%
Lumber & wood products	9,238	16,400	-7,162	-43.7%	49,652	81,141	-31,489	-38.8%
Pulp & paper products	21,882	29,033	-7,151	-24.6%	118,691	150,839	-32,148	-21.3%
<b>Metallic ores and metals</b>	<b>42,264</b>	<b>99,908</b>	<b>-57,644</b>	<b>-57.7%</b>	<b>227,991</b>	<b>464,934</b>	<b>-236,943</b>	<b>-51.0%</b>
Metallic ores	12,629	34,225	-21,596	-63.1%	52,103	120,282	-68,179	-56.7%
Coke	9,465	14,922	-5,457	-36.6%	57,031	78,490	-21,459	-27.3%
Metals and products	20,170	50,761	-30,591	-60.3%	118,857	266,162	-147,305	-55.3%
<b>Motor vehicles &amp; equipment</b>	<b>32,589</b>	<b>68,263</b>	<b>-35,674</b>	<b>-52.3%</b>	<b>187,717</b>	<b>381,098</b>	<b>-193,381</b>	<b>-50.7%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>103,940</b>	<b>143,285</b>	<b>-39,345</b>	<b>-27.5%</b>	<b>530,788</b>	<b>694,298</b>	<b>-163,510</b>	<b>-23.6%</b>
Crushed stone, gravel, sand	60,308	83,399	-23,091	-27.7%	313,384	401,318	-87,934	-21.9%
Nonmetallic minerals	18,960	24,902	-5,942	-23.9%	86,674	123,265	-36,591	-29.7%
Stone, clay & glass prod.	24,672	34,984	-10,312	-29.5%	130,730	169,715	-38,985	-23.0%
<b>Other</b>	<b>43,056</b>	<b>64,622</b>	<b>-21,566</b>	<b>-33.4%</b>	<b>238,111</b>	<b>321,085</b>	<b>-82,974</b>	<b>-25.8%</b>
Waste & scrap material	24,852	43,721	-18,869	-43.2%	132,221	216,109	-83,888	-38.8%
All other carloads	18,204	20,901	-2,697	-12.9%	105,890	104,976	914	0.9%
<b>TOTAL ALL CARLOADS</b>	<b>987,361</b>	<b>1,308,677</b>	<b>-321,316</b>	<b>-24.6%</b>	<b>5,517,370</b>	<b>6,849,644</b>	<b>-1,332,274</b>	<b>-19.5%</b>
Trailers	118,361	191,831	-73,470	-38.3%	678,391	1,019,317	-340,926	-33.4%
Containers	605,537	709,549	-104,012	-14.7%	3,206,979	3,654,867	-447,888	-12.3%
<b>TOTAL ALL INTERMODAL</b>	<b>723,898</b>	<b>901,380</b>	<b>-177,482</b>	<b>-19.7%</b>	<b>3,885,370</b>	<b>4,674,184</b>	<b>-788,814</b>	<b>-16.9%</b>

\*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*

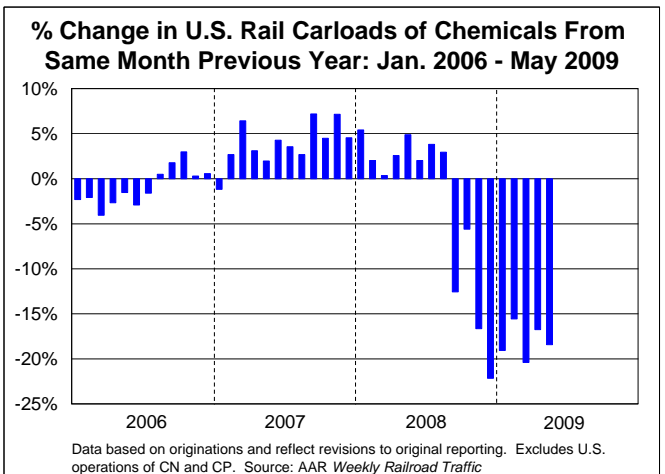
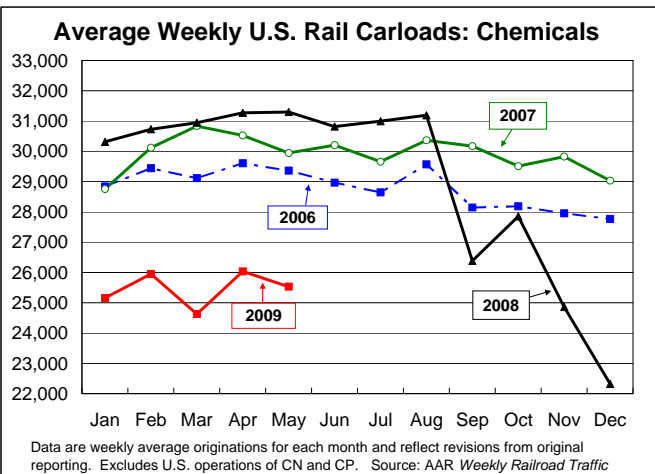
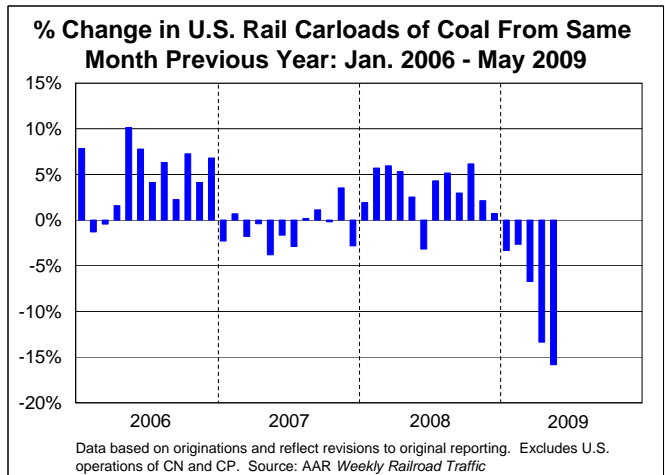
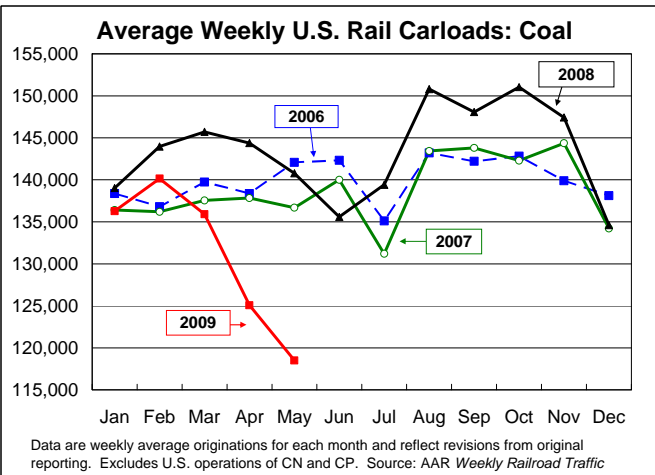
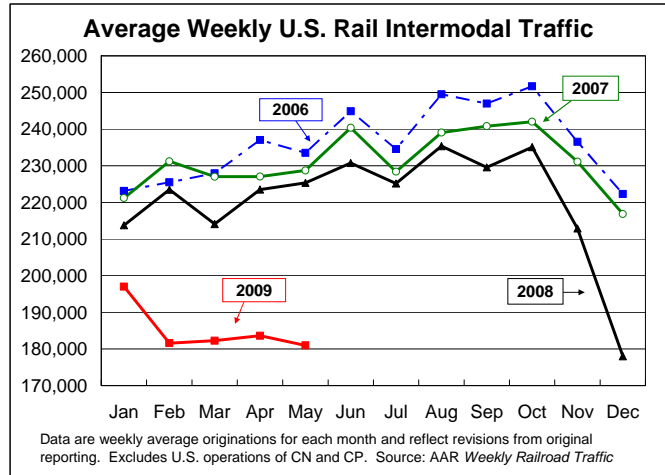
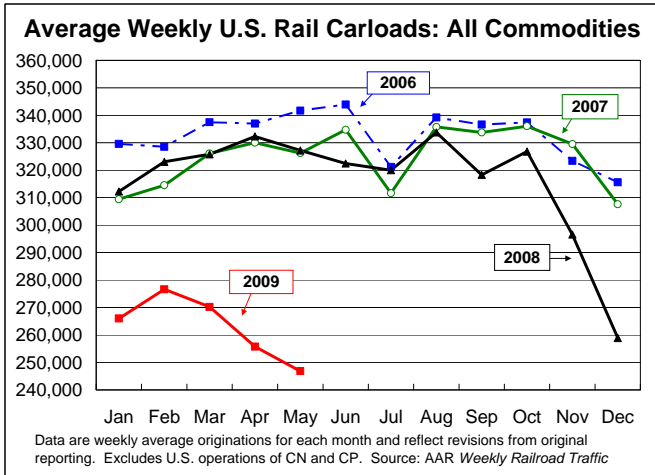


Canadian Rail Traffic*								
Commodity	May 09	May 08	Differ.	% Chng	YTD 2009	YTD 2008	Differ.	% Chng
<b>Agricultural products</b>	<b>60,915</b>	<b>63,931</b>	<b>-3,016</b>	<b>-4.7%</b>	<b>337,534</b>	<b>337,485</b>	<b>49</b>	<b>0.0%</b>
Grain	35,022	42,244	-7,222	-17.1%	197,732	209,342	-11,610	-5.5%
Farm products excl. grain	11,818	6,614	5,204	78.7%	66,381	47,508	18,873	39.7%
Grain mill products	5,881	6,892	-1,011	-14.7%	28,881	35,139	-6,258	-17.8%
Food products	8,194	8,181	13	0.2%	44,540	45,496	-956	-2.1%
<b>Chemicals</b>	<b>47,377</b>	<b>61,043</b>	<b>-13,666</b>	<b>-22.4%</b>	<b>254,672</b>	<b>340,348</b>	<b>-85,676</b>	<b>-25.2%</b>
Chemicals	45,023	58,585	-13,562	-23.1%	241,688	326,983	-85,295	-26.1%
Petroleum products	2,354	2,458	-104	-4.2%	12,984	13,365	-381	-2.9%
<b>Coal</b>	<b>25,973</b>	<b>33,020</b>	<b>-7,047</b>	<b>-21.3%</b>	<b>125,610</b>	<b>169,027</b>	<b>-43,417</b>	<b>-25.7%</b>
<b>Forest products</b>	<b>26,683</b>	<b>36,936</b>	<b>-10,253</b>	<b>-27.8%</b>	<b>144,953</b>	<b>187,774</b>	<b>-42,821</b>	<b>-22.8%</b>
Primary forest products	5,985	7,934	-1,949	-24.6%	30,399	35,652	-5,253	-14.7%
Lumber & wood products	7,996	11,349	-3,353	-29.5%	41,648	57,976	-16,328	-28.2%
Pulp & paper products	12,702	17,653	-4,951	-28.0%	72,906	94,146	-21,240	-22.6%
<b>Metallic ores and metals</b>	<b>18,618</b>	<b>72,605</b>	<b>-53,987</b>	<b>-74.4%</b>	<b>213,971</b>	<b>357,382</b>	<b>-143,411</b>	<b>-40.1%</b>
Metallic ores	11,513	56,905	-45,392	-79.8%	168,586	274,928	-106,342	-38.7%
Coke	1,298	1,772	-474	-26.7%	7,918	8,012	-94	-1.2%
Metals and products	5,807	13,928	-8,121	-58.3%	37,467	74,442	-36,975	-49.7%
<b>Motor vehicles &amp; equipment</b>	<b>14,050</b>	<b>21,134</b>	<b>-7,084</b>	<b>-33.5%</b>	<b>71,790</b>	<b>120,197</b>	<b>-48,407</b>	<b>-40.3%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>14,933</b>	<b>23,280</b>	<b>-8,347</b>	<b>-35.9%</b>	<b>71,594</b>	<b>97,496</b>	<b>-25,902</b>	<b>-26.6%</b>
Crushed stone, gravel, sand	5,757	10,415	-4,658	-44.7%	23,473	34,935	-11,462	-32.8%
Nonmetallic minerals	4,439	6,276	-1,837	-29.3%	25,830	31,878	-6,048	-19.0%
Stone, clay & glass prod.	4,737	6,589	-1,852	-28.1%	22,291	30,683	-8,392	-27.4%
<b>Other</b>	<b>6,913</b>	<b>11,467</b>	<b>-4,554</b>	<b>-39.7%</b>	<b>38,417</b>	<b>54,389</b>	<b>-15,972</b>	<b>-29.4%</b>
Waste & scrap material	3,592	7,314	-3,722	-50.9%	21,293	35,476	-14,183	-40.0%
All other carloads	3,321	4,153	-832	-20.0%	17,124	18,913	-1,789	-9.5%
<b>TOTAL ALL CARLOADS</b>	<b>215,462</b>	<b>323,416</b>	<b>-107,954</b>	<b>-33.4%</b>	<b>1,258,541</b>	<b>1,664,098</b>	<b>-405,557</b>	<b>-24.4%</b>
Trailers	6,415	8,572	-2,157	-25.2%	33,575	41,074	-7,499	-18.3%
Containers	151,031	183,718	-32,687	-17.8%	815,699	955,695	-139,996	-14.6%
<b>TOTAL ALL INTERMODAL</b>	<b>157,446</b>	<b>192,290</b>	<b>-34,844</b>	<b>-18.1%</b>	<b>849,274</b>	<b>996,769</b>	<b>-147,495</b>	<b>-14.8%</b>

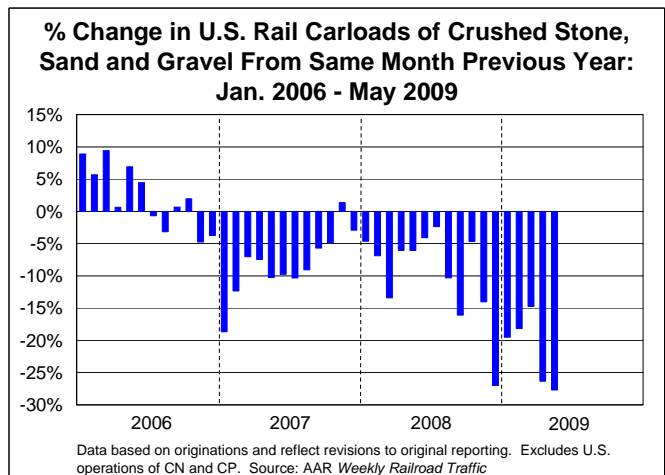
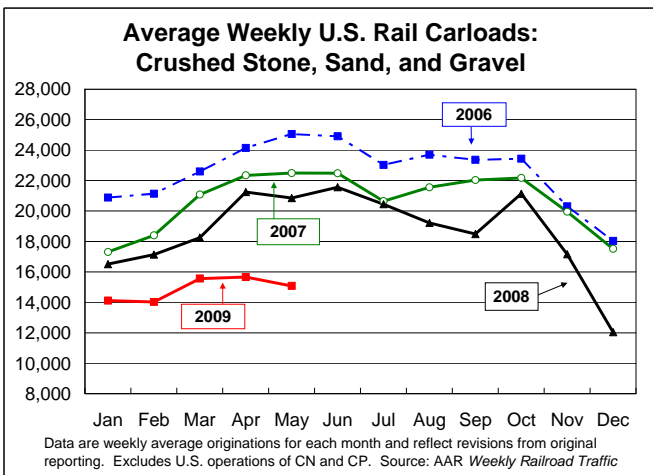
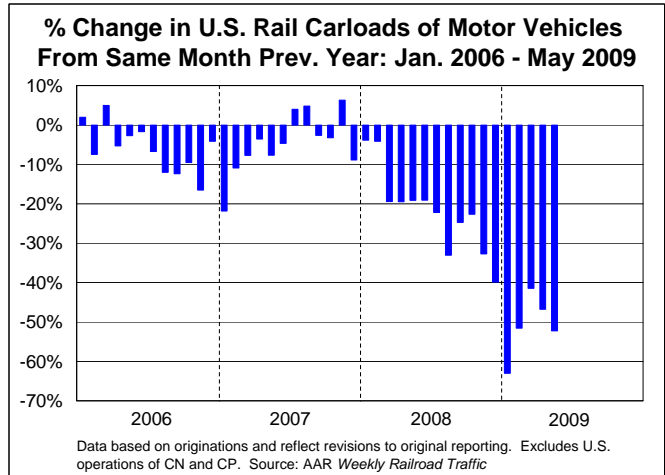
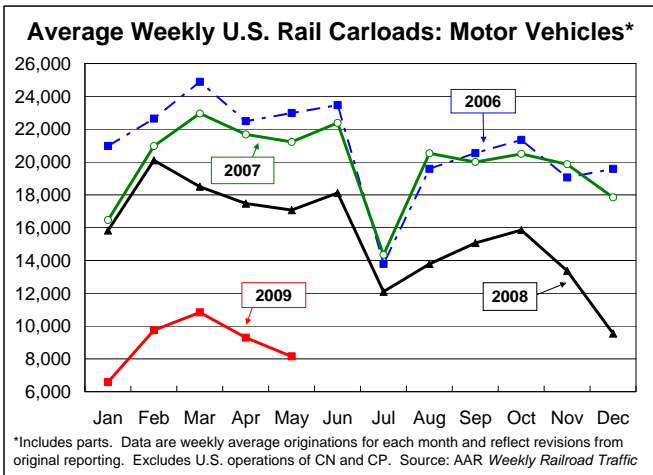
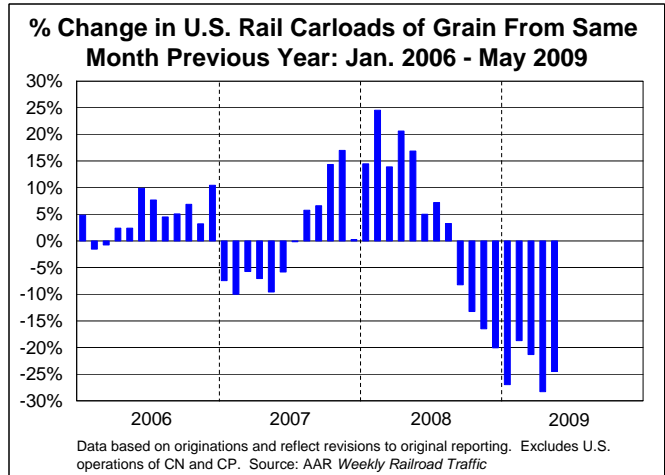
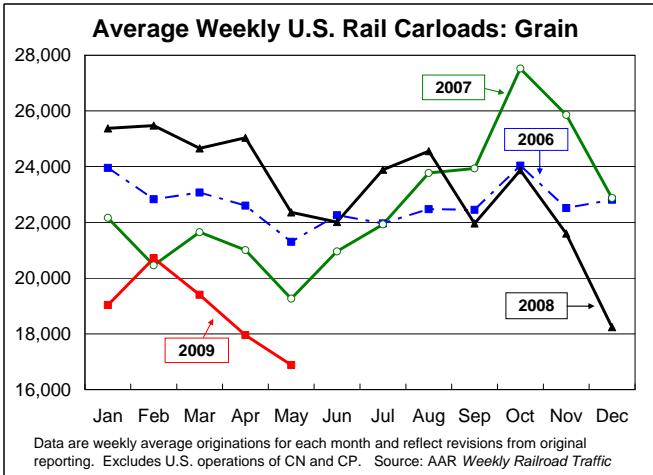
\*CN and CP, including their U.S. operations. Source: AAR Weekly Railroad Traffic



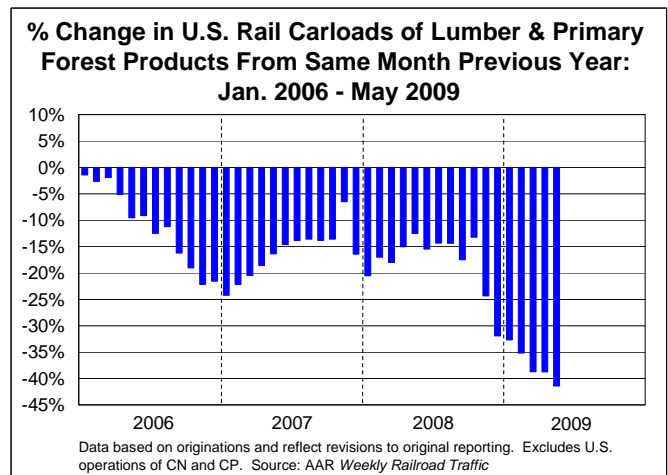
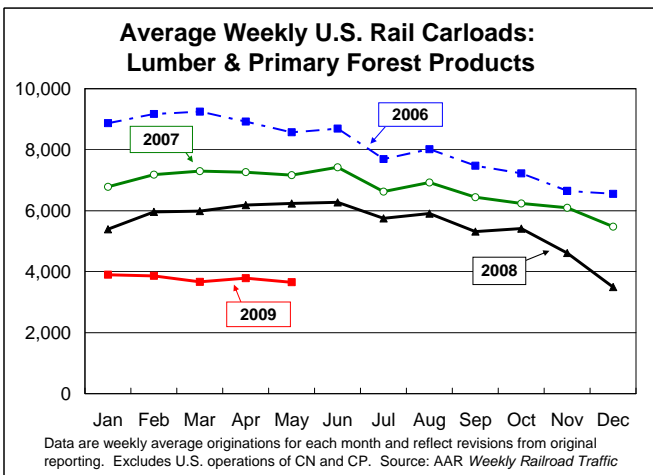
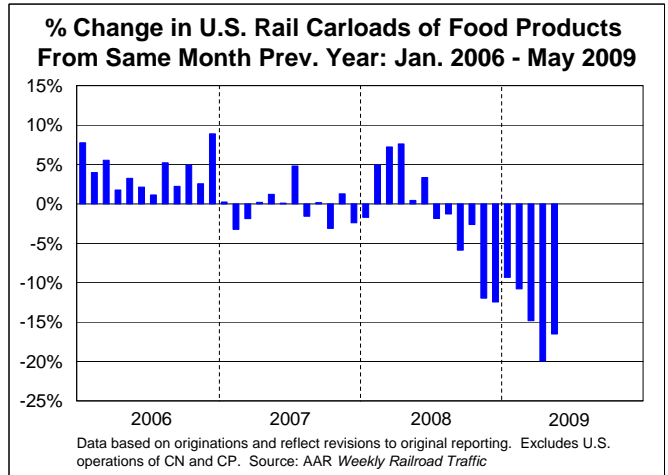
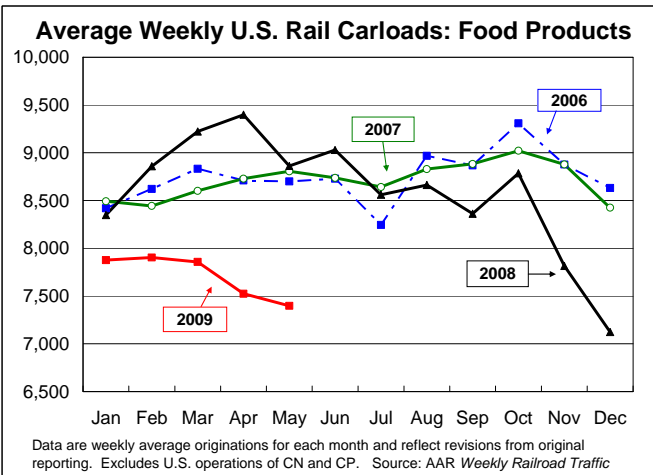
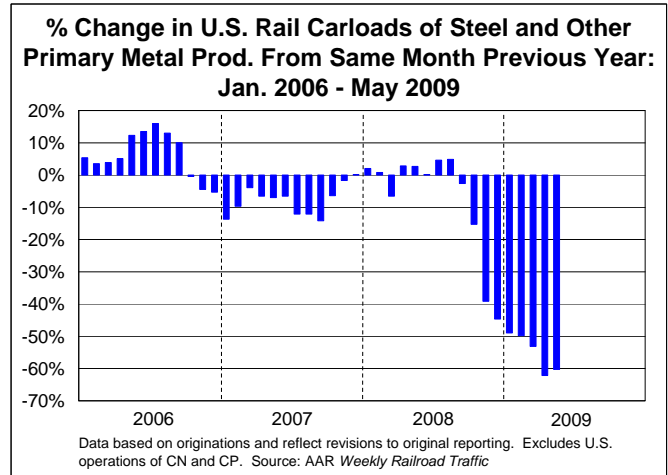
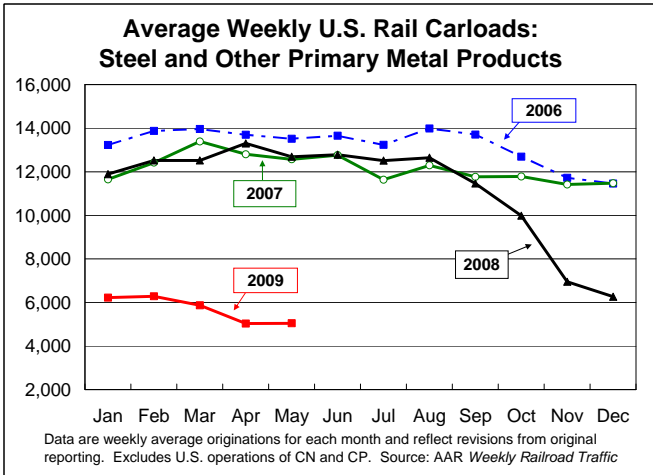
# U.S. Rail Carload Traffic — Select Commodities



## U.S. Rail Carload Traffic — Select Commodities, cont.



## U.S. Rail Carload Traffic — Select Commodities, cont.



## GROSS DOMESTIC PRODUCT (GDP)

### Who releases it and when?

- U.S. Bureau of Economic Analysis, measured quarterly and updated as better data become available.

### What is it and why is it important?

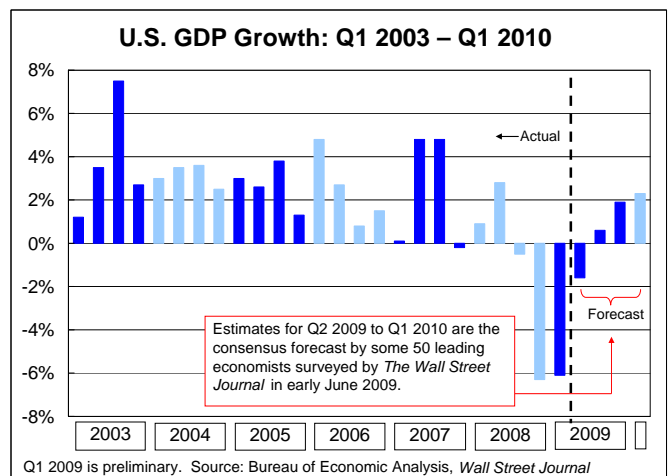
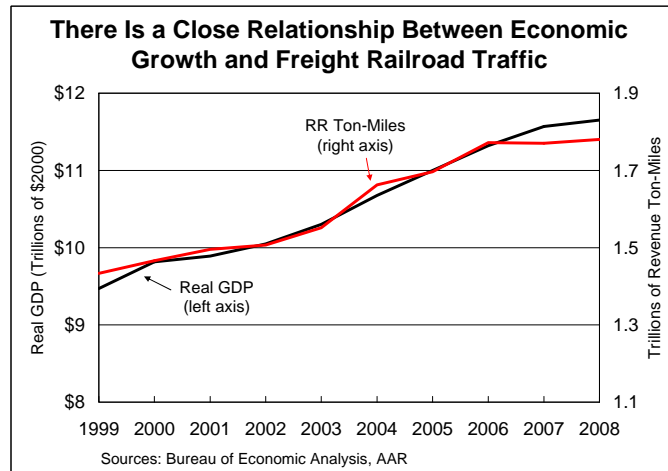
- GDP measures the size of the economy and how fast it's growing. It's the single most conclusive piece of information on the health of an economy.
- On a broad level, GDP growth and freight rail traffic are closely related.

### What are the latest numbers?

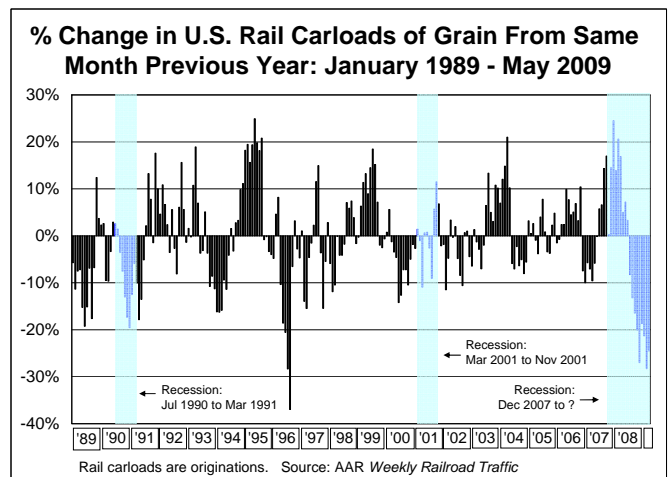
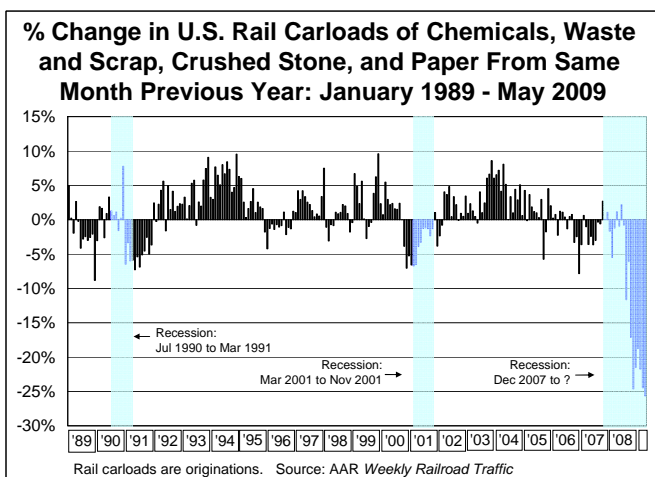
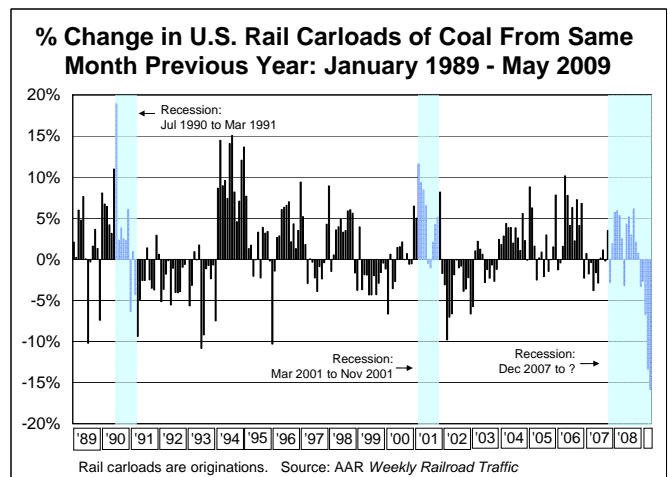
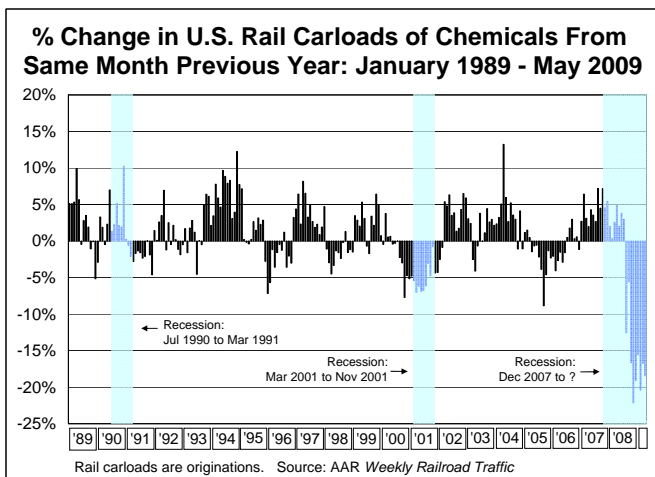
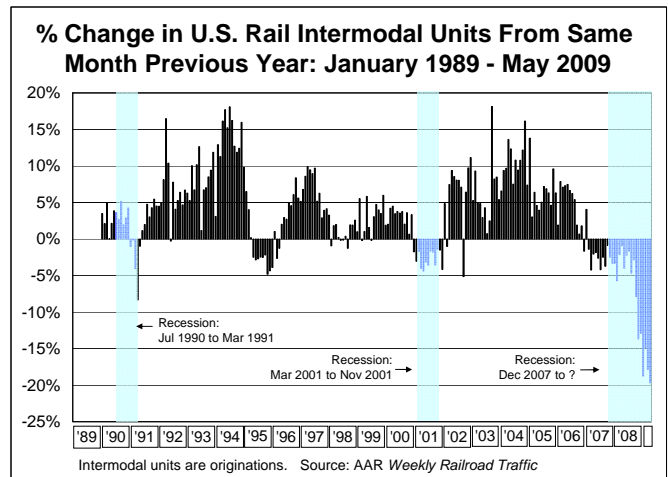
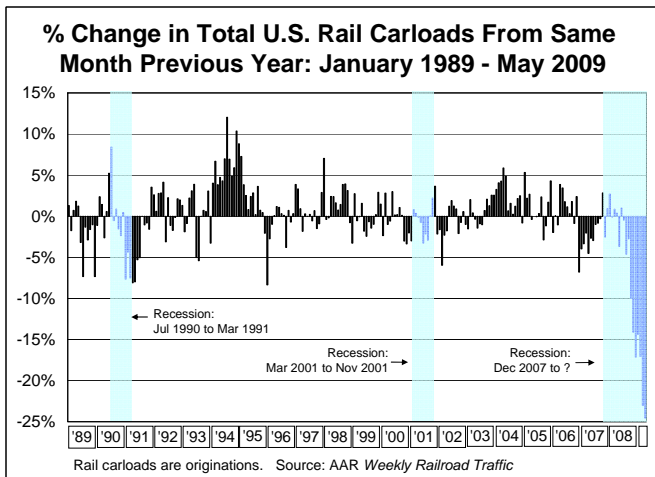
- The BEA announced on May 29 that **U.S. GDP fell** a revised (though still preliminary) **5.7% in Q1 2009**. (The initial estimate was a 6.1% decline.) GDP fell 6.3% in Q4 2008.
- What the BEA said May 29: "The decrease in real GDP in the first quarter primarily reflected negative contributions from exports, equipment and software, private inventory investment, nonresidential structures, and residential fixed investment that were partly offset by a positive contribution from personal consumption expenditures. Imports, which are a subtraction in the calculation of GDP, decreased."
- Each month, *The Wall Street Journal* surveys approximately 50 leading economists. In the most recent survey, released June 11, the consensus was that U.S. GDP would fall 1.6% in Q2 2009, before turning positive again in Q3 2009 (0.6%), Q4 2009 (1.9%), and Q1 2010 (2.3%). These forecasts were about the same as the ones from May.
- On average, the 52 economists who participated in the June survey believe the **recession will end in August**. The consensus view was that the U.S. unemployment rate will remain above 9% through the end of 2010, and most believe the Federal Reserve won't raise interest rates until at least the spring of 2010. On average, the economists don't expect the consumer price index to top 2% through 2010.

### Where to go for more information:

- The most recent BEA news release on GDP, including links to detailed data tables, is [here](#). Final Q1 2009 GDP figures will be released on June 25, 2009.
- Click [here](#) for more on the June *Wall Street Journal* economic survey.



## U.S. Rail Traffic vs. U.S. Business Cycles Since 1989: Select Commodities



## PURCHASING MANAGERS INDEX (PMI)

### Who releases it and when?

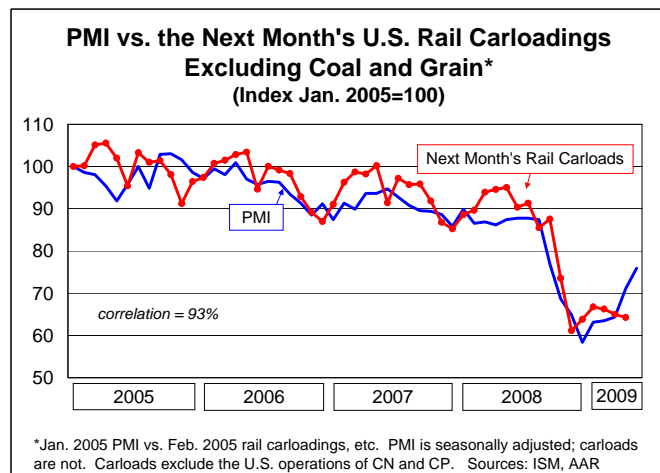
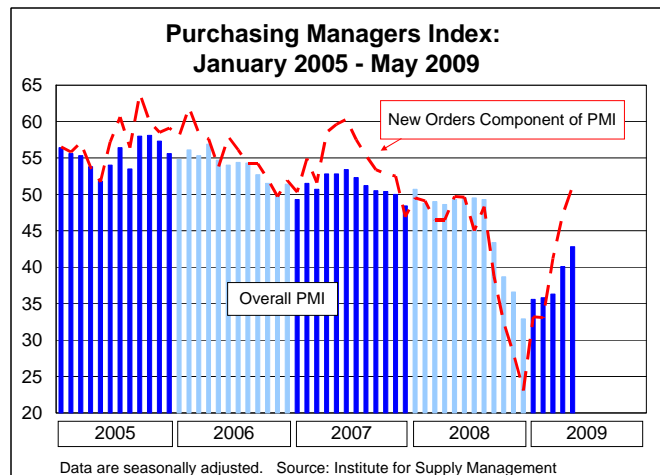
- Institute for Supply Management (ISM – formerly the National Association of Purchasing Managers), near the beginning of each month.

### What is it and why is it important?

- The PMI is a compilation of data on new orders, inventory, production, supplier deliveries, and employment, based on a survey of several hundred supply managers at manufacturers throughout the United States. It is considered a key indicator both of actual “on-the-ground” conditions as well as sentiment for what the near- to medium-term will hold.
- 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 be the eighth largest economy in the world.
- According to ISM, a PMI greater than 50 indicates that overall manufacturing is expanding; a PMI less than 50 indicates that manufacturing is contracting. Also according to ISM, a PMI greater than 41.2, over a period of time, generally indicates an expansion of the overall economy.

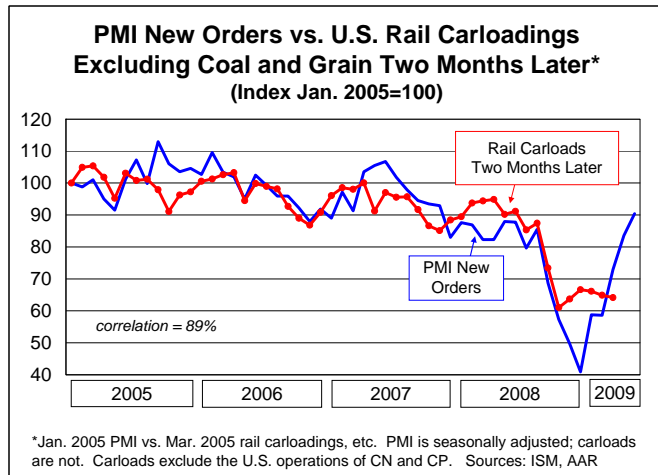
### What are the latest numbers?

- The **PMI in May 2009 was 42.8**, up from 40.1 in April and **the fifth straight monthly increase** since it bottomed out at 32.9 in December 2008. According to ISM, “If the PMI for May (42.8) is annualized, it corresponds to a 0.5 percent increase in real GDP annually.”
- The “new orders” component of the PMI rose to 51.1 in May 2009, continuing the growth in that component that began in January 2009.
- What the ISM said: “While [manufacturing] continued to contract, there are signs of improvement. May is the first month of growth in the New Orders Index since November 2007, with nine of 18 industries reporting growth.... Also, the Customers’ Inventories Index remained below 50 ... for the second consecutive month, offering encouragement that supply chains are starting to free themselves of excess inventories.”
- In statistics, “correlation coefficient” measures how closely two variables co-vary, from -100% (perfect negative correlation) to zero (no correlation, i.e. completely random) to +100% (perfect positive correlation). Since January 2005, PMI has corresponded very closely with the following month’s rail carloads excluding coal and grain. (Due to seasonality issues such as harvests, the role of exports, and



other factors, rail carloads of coal and grain are more volatile and less closely tied to manufacturing than other commodity categories. And since PMI focuses on manufacturing, it makes sense to exclude coal and grain when comparing rail traffic to the PMI.) This close relationship has not always held in the past and may not hold in the future. If it does, though, rail traffic is due to increase very soon, given the recent increase in PMI.

- Likewise, over the past few years, the new orders component of PMI has been closely correlated with U.S. rail carloadings (again excluding coal and grain) two months in the future. Again, this relationship has not always held in the past and may not hold in future.



**Where to go for more information:**

- The press release for the May PMI is [here](#). The June PMI will be released on July 1, 2009.

**MANUFACTURING INVENTORIES AND SALES**

**Who releases it and when?**

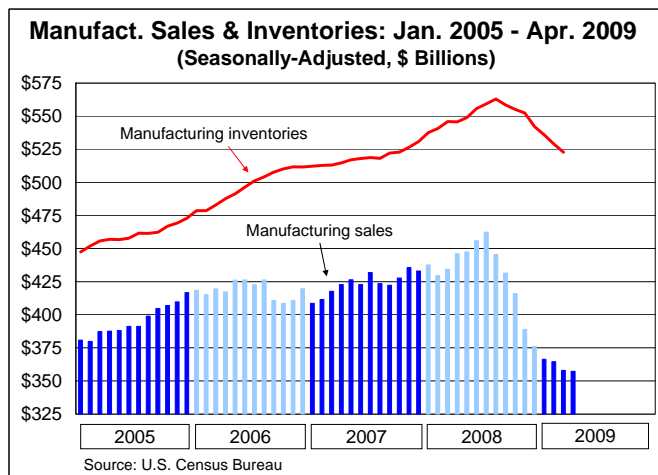
- The U.S. Census Bureau, around the ninth business day of each month.

**What is it and why is it important?**

- Data are derived from several Census Bureau surveys. Figures are adjusted for seasonal and trading-day differences but not for price changes.
- 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 a zero return on investment. But manufacturers don't want too little inventory either, or they risk losing potential 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. Conversely, 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.

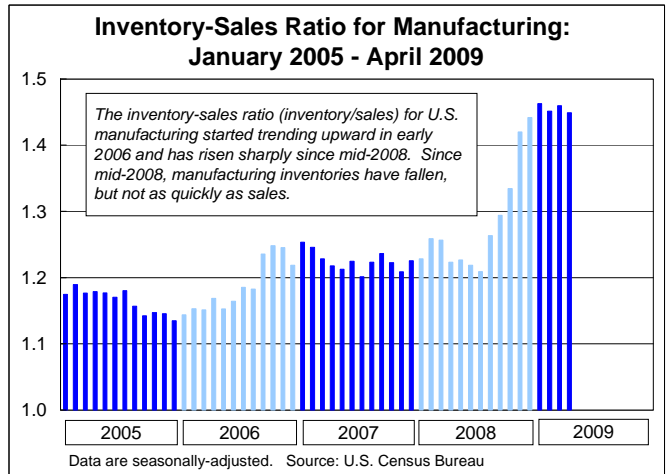
**What are the latest numbers?**

- Seasonally-adjusted manufacturing sales **fell 0.2%** in April 2009 from March 2009 and was **down 19.9%** from April 2008. April 2009 was the



ninth straight month in which manufacturing sales have fallen, though the rate of decline has fallen too.

- Seasonally-adjusted manufacturers' inventories **fell 1.0%** in April 2009 from March 2009 and was **down 5.1%** from its year-earlier level.
- The inventory-to-sales ratio **fell 0.7%** in April 2009 from March. Still, over the nine months or so, manufacturing sales have fallen much faster than inventories, such that the inventory-to-sales ratio has risen sharply. It was 1.45 in April 2009, much higher than the 2007 average (1.22), 2006 average (1.19) and 2005 average (1.16). The April 2009 figure is essentially where it has been for the past five months.
- Until the inventory-to-sales ratio falls to more normal levels, it would seem to be unlikely that inventory "re-stocking" will provide a significant boost to economic activity, at least in manufacturing.



**Where to go for more information:**

- The Census Bureau's press release on manufacturing sales and inventories in April is [here](#). Figures for May will be released on July 14.

**INDEX OF INDUSTRIAL PRODUCTION**

**Who releases it and when?**

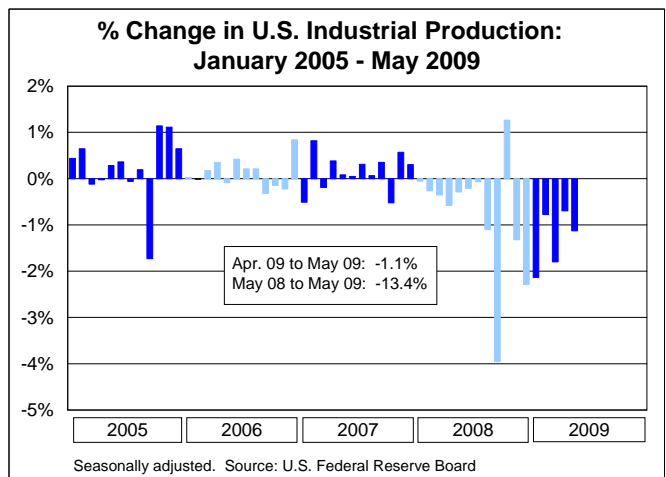
- The U.S. Federal Reserve Board, around the middle of each month.

**What is it and why is it important?**

- Industrial production figures are based on the monthly raw volume of goods produced by industrial firms such as factories, mines, and electric utilities in the United States. Sector breakdowns are available.
- The industrial sector generally exhibits the most volatility in terms of output during a business cycle. Large changes in industrial output can mean that a business cycle has reached an inflection point.

**What are the latest numbers?**

- Seasonally-adjusted **industrial production fell 1.1% in May 2009** from April 2009, a larger rate of decline than the 0.7% from March 2009 to April 2009. Industrial production has now fallen in 16 of the 17 months since January 2008, including each of the last seven months.



- What the Federal Reserve said: “Manufacturing output moved down 1.0 percent in May with broad-based declines across industries. Outside of manufacturing, the output of mines dropped 2.1 percent, and the output of utilities fell 1.4 percent.... Manufacturing output fell 1.0 percent in May and was more than 15 percent below its year-earlier level. The production of durable goods fell 1.8 percent with declines in most categories. The largest decreases were in motor vehicles and parts and in machinery. Gains were recorded in primary metals, aerospace and miscellaneous transportation equipment.”

**Where to go for more information:**

- The Federal Reserve release on industrial production in May is [here](#). June data will be released on July 15, 2009.

**CAPACITY UTILIZATION**

**Who releases it and when?**

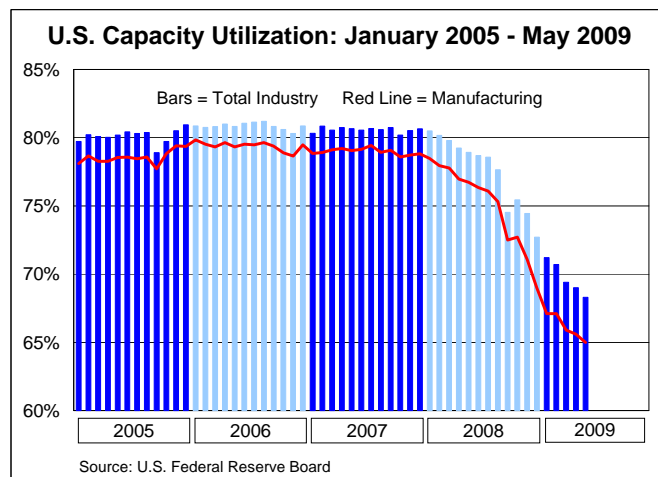
- The U.S. Federal Reserve Board, around the middle of each month.

**What is it and why is it important?**

- Capacity utilization captures the concept of sustainable maximum output — *i.e.*, the highest output a plant can maintain using a realistic work schedule, normal downtime, and assuming sufficient availability of inputs to operate the capital in place. Capacity indexes are constructed for 87 detailed industries (69 in manufacturing, 16 in mining, and 2 in utilities).
- In theory, a capacity utilization rate of, say, 70% means there is room to increase production up to a 100% level without having to build new plants or add equipment. In practice, though, capacity utilization rates (at least on an economy-wide basis) never come close to 100%. Utilization levels above 82%-85% are 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.

**What are the latest numbers?**

- Capacity utilization for **total industry** (mining, manufacturing, and gas and electric utilities) was 68.3% in May 2009, **the third straight monthly record low** in a series that began in 1967. Prior to the current recession, the low point for this series was 70.9% in December 1982.
- Capacity utilization for **manufacturing** was 65.0% in May 2009, down from 65.6% in April 2009 and **also a record low**. (This series began in 1948.)



**Where to go for more information:**

- The Federal Reserve release on capacity utilization in May is [here](#). June data will be released on July 15, 2009.

## NUMBER OF EMPLOYED PERSONS AND UNEMPLOYMENT RATE

### Who releases it and when?

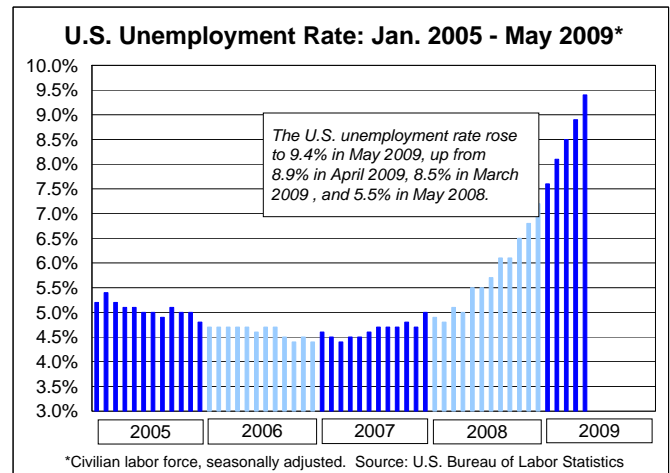
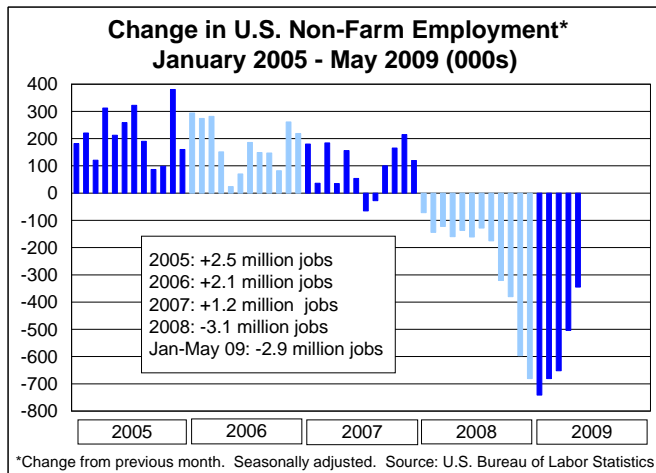
- U.S. Bureau of Labor Statistics (BLS) near the beginning of each month.

### What is it and why is it important?

- The figures provide a snapshot of the strength of the U.S. labor market. They are based on two separate surveys: 1) an “establishment survey” of more than 400,000 businesses, and 2) a “household survey” of 60,000 households.
- 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. (Average monthly U.S. job growth from September 2003 through December 2007 was 159,000 jobs.) Anything less constitutes a weak job market.
- 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 **non-farm employment fell by 345,000 in May 2009** from April 2009, the first time since October 2008 job losses were less than 500,000. On a historical basis, a loss of 345,000 jobs is huge — outside of the current recession, a monthly job loss of this magnitude last occurred in May 1980 (four recessions ago) — but because it is much lower than recent monthly job losses, it is considered by many to be a positive sign, *i.e.* that the worst of the recession is over.
- The U.S. **unemployment rate in May 2009 rose to 9.4%**, up from 8.9% in April 2009, 8.5% in March 2009, and 5.5% in May 2008.
- Employment has fallen each month since January 2008. In the 17 months from January 2008 through May 2009, the U.S. economy has **lost 6.0 million** net jobs.
- What the BLS said: “Nonfarm payroll employment fell by...about half the average monthly decline for the prior 6 months... Steep job losses continued in manufacturing, while declines moderated in construction and several service-providing industries. ...The number of long-term unemployed (those jobless for 27 weeks or more) increased by 268,000 over the month to 3.9 million and has tripled since the start of the recession.”



### Where to go for more information:

- The BLS press release on the employment situation in May 2009 is [here](#). Data for June 2009 will be released on July 2, 2009.

## CLASS I RAILROAD EMPLOYMENT

### Who releases it and when?

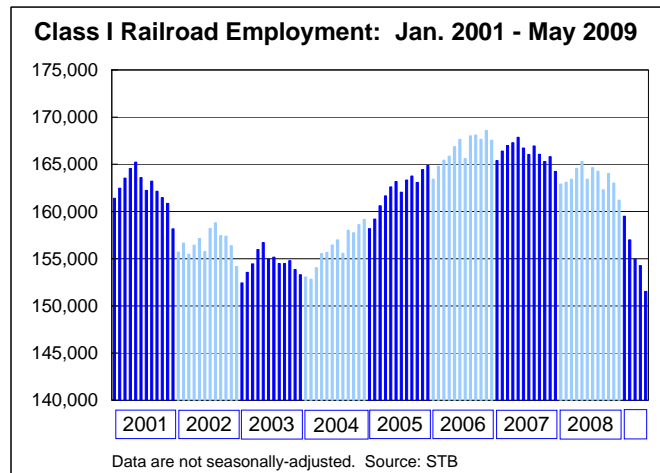
- Surface Transportation Board (STB), around the middle of the month.

### What is it and why is it important?

- Report showing the average number of employees at mid-month in six job classification groups (executive, professional, maintenance-of-way, equipment and transportation/train and engine and transportation/other than train and engine) for Class I railroads.

### What are the latest numbers?

- Class I railroad employment **fell to 151,536 in May 2009, down 2,727 from April 2009** and down 17,046 from the recent peak of 168,582 in November 2006.



### Where to go for more information:

- The STB web site for employment data is [here](#).

## INDEX OF CONSUMER CONFIDENCE

### Who releases it and when?

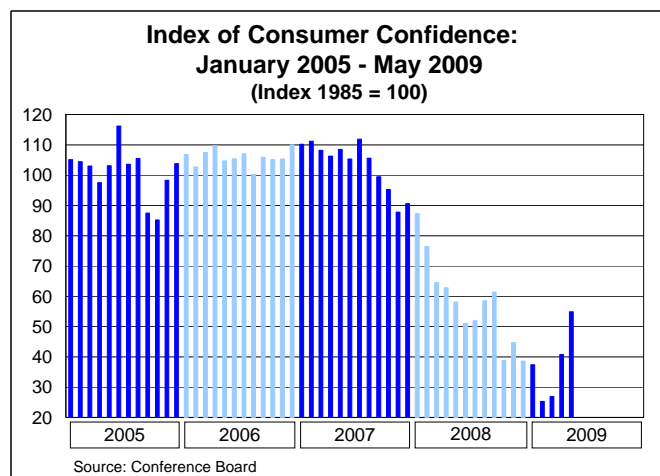
- The Conference Board, last Tuesday of the month.

### 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 and their expectations for the next six months.
- The index is used mainly to predict future consumer spending, on the theory that consumers who are confident about their job prospects, income, etc. are more likely to make purchases (especially big-ticket purchases) than pessimistic consumers.

### What are the latest numbers?

- On May 26, the Conference Board reported that the consumer confidence index **rose sharply in May 2009 to 54.9, up from 40.8 in April** and **more than double March's 26.9**.
- What the Conference Board said on May 26: "After two months of significant improvements, the Consumer Confidence Index is now at



its highest level in eight months. Continued gains in the Present Situation Index indicate that current conditions have moderately improved, and growth in the second quarter is likely to be less negative than in the first. Looking ahead, consumers are considerably less pessimistic than they were earlier this year, and expectations are that business conditions, the labor market and incomes will improve in the coming months. While confidence is still weak by historical standards, as far as consumers are concerned, the worst is now behind us.”

**Where to go for more information:**

- The Conference Board’s press release on the consumer confidence index in May 2009 is [here](#). The index for June will be released on June 30, 2009.

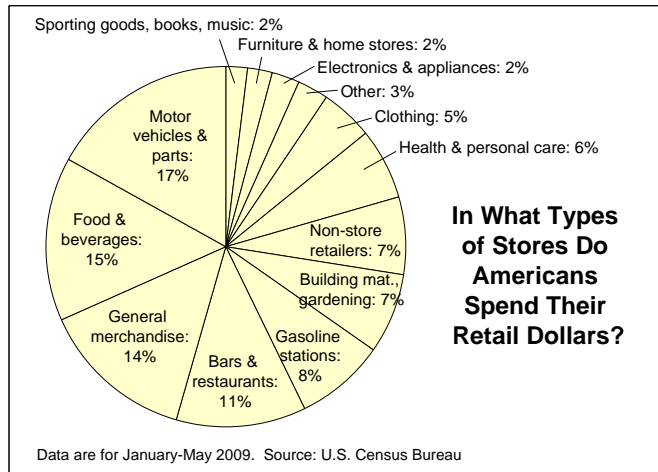
**RETAIL SALES**

**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 subject to sometimes-large revisions and are not adjusted for inflation.
- Personal consumption accounts for approximately 70% of U.S. GDP. Thus, the health of the economy is largely dependent on how much “stuff” people are buying.
- 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, while a decrease in spending today may confirm an ongoing or worsening recession.

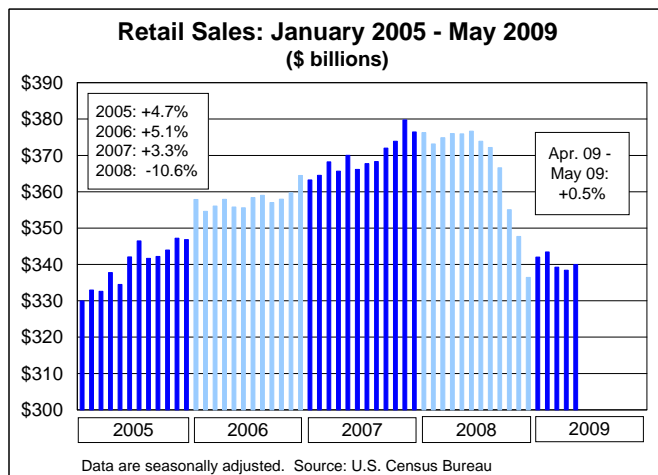


**What are the latest numbers?**

- Total retail sales in May 2009 were up 0.5% from April 2009, though approximately 2/3 of the gain was due to higher gasoline sales due to higher gasoline prices. Retail sales in May 2009 were down 9.6% from May 2008.

**Where to go for more information:**

- The Census Bureau press release on May retail sales is [here](#). June retail sales will be released July 14, 2009.



## LIGHT VEHICLE SALES

### Who releases it and when?

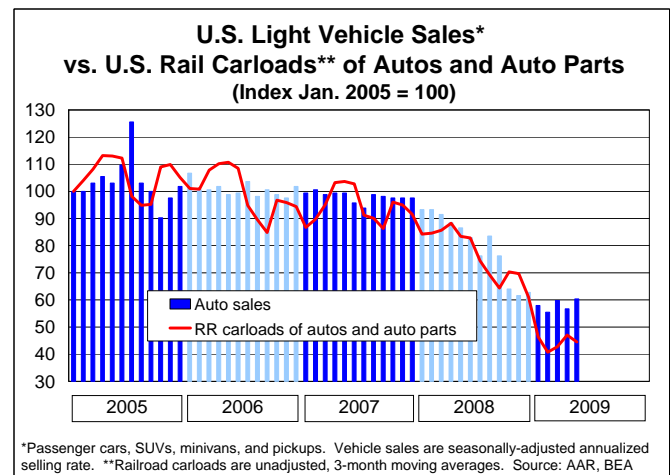
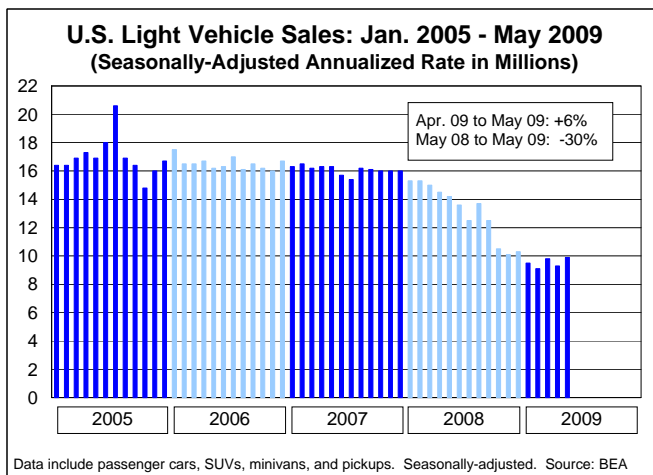
- The U.S. Bureau of Economic Analysis.

### 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 Class I rail gross revenue came from hauling autos and auto parts.

### What are the latest numbers?

- **U.S. light vehicle sales in May 2009 were up 6.5%** from April 2009 to a seasonally-adjusted annualized selling rate (SAAR) of 9.9 million. This is down 34% from May 2008.
- Rail carloads of autos and auto parts are closely correlated with light vehicle sales.



### Where to go for more information:

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

## HOUSING STARTS

### Who releases it and when?

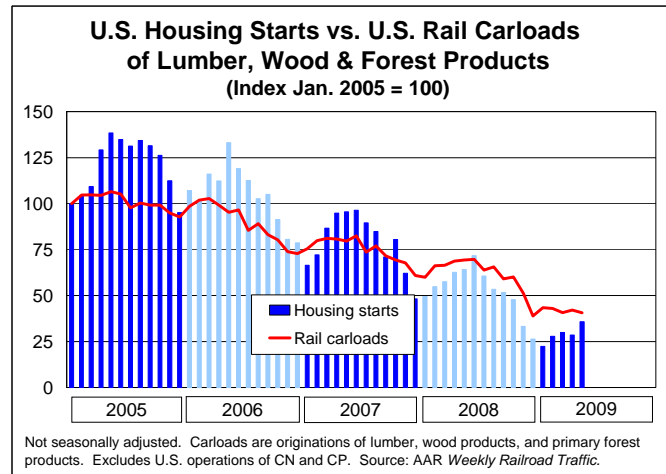
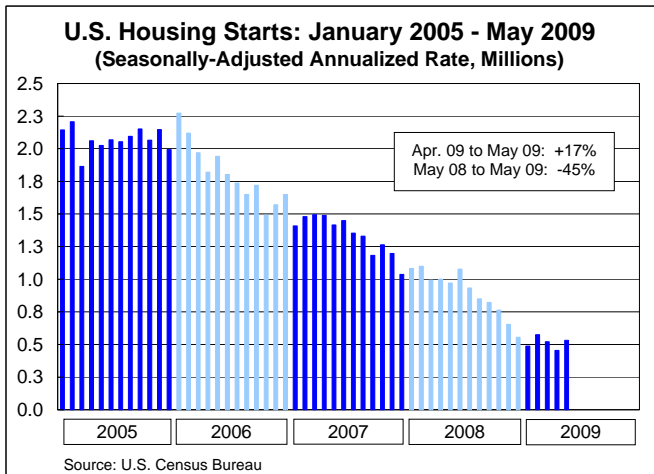
- Census Bureau, around the middle of each month.

### 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 a “leading indicator” — construction growth usually picks up at the beginning of a business cycle.

### What are the latest numbers?

- Seasonally-adjusted housing starts in May 2009 **were up 17.2% to 532,000** from April on an annualized basis — a nice increase, to be sure, though it's worth noting that April 2009 was the lowest since recordkeeping began in 1959. May 2009's housing starts were down 45% from May 2008 and down 77% from the most recent peak in January 2006, when they were 2.3 million.
- Rail carloads of lumber, wood, and forest products closely track housing starts. From January 2005 to May 2009, housing starts (not seasonally adjusted) fell 64%, while U.S. rail carloads of lumber and wood fell 59%.



### Where to go for more information:

- The Census Bureau's press release on housing starts in May is [here](#). June's housing starts will be released on July 17, 2009.

## CONSUMER PRICE INDEX (CPI)

### Who releases it and when?

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

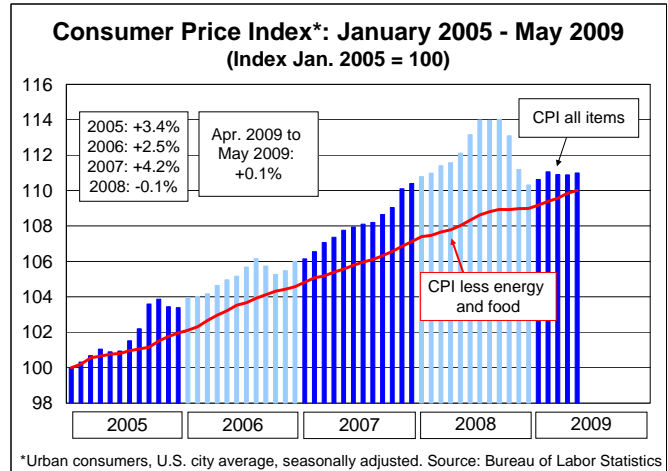
### What is it and why is it important?

- The CPI is the benchmark inflation guide for the U.S. economy, measuring the changes in the cost of a representative basket of consumer goods and services. Prices are collected in 87 urban areas throughout the country and from about 23,000 retail and service establishments.
- The "CPI for All Urban Consumers" (CPI-U) is the inflation index most often reported by the media, although BLS publishes hundreds of CPI indexes each month. The "core" CPI — defined as CPI less food and energy — is also commonly used. Food and energy prices are typically more volatile than other prices due to their susceptibility to external shocks.
- Among other uses, the CPI is the basis for cost-of-living adjustments for things like Social Security, federal retirement payments, pensions, and food stamps.

### What are the latest numbers?

- **In May 2009, CPI-U was up 0.1% on a seasonally-adjusted basis compared with April 2009, but down 1.0% on year-over-year basis.** CPI-U rose 3.4% in 2005, 2.5% in 2006, and 4.2% in 2007, but fell 0.1% in 2008 — the first year-over-year decline since 1955. Much of the year-over-year decline was due to lower energy costs.

- What BLS said: “On a seasonally adjusted basis, the CPI-U increased 0.1 percent in May after being unchanged in April. The index for energy, which had declined the previous two months, rose 0.2 percent in May as an increase in the gasoline index more than offset declines in other energy indexes. The food index decreased for the fourth consecutive month, falling 0.2 percent as the indexes for all major grocery store food groups declined.”



**Where to go for more information:**

- The BLS press release on the CPI in May is [here](#). June’s CPI will be released on July 15, 2009.

**RAILROAD COST INDEXES**

**Who releases it and when?**

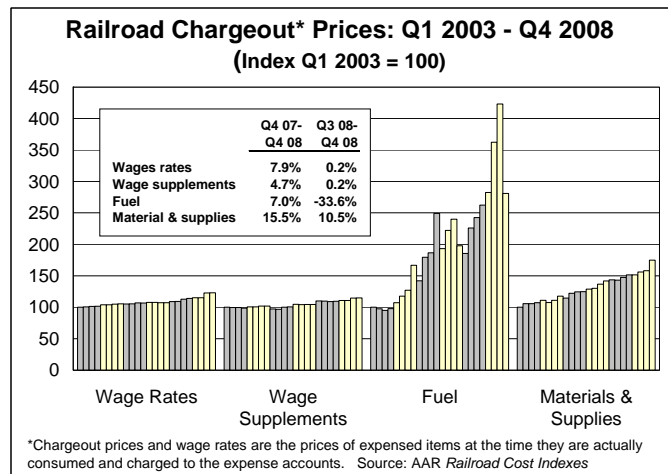
- The Association of American Railroads (AAR), quarterly.

**What is it and why is it important?**

- It details changes in the price level of inputs to freight railroad operations.

**What are the latest numbers?**

- From Q4 2007 to Q4 2008, railroad wage prices rose 7.9%; wage supplements (*i.e.*, fringe benefits) rose 4.7%; fuel rose 7.0%; and the price of materials and supplies in aggregate rose 15.5%. From Q3 2008 to Q4 2008, railroad wage prices rose 0.2%; wage supplements rose 0.2%; fuel fell 33.6%; and the price of materials and supplies in aggregate rose 10.5%.



**Where to go for more information:**

- See the AAR web site [here](#) or contact Clyde Crimmel at 202-639-2309. Next quarterly release is near the end of June 2009.

**U.S. DOLLAR EXCHANGE RATE**

**Who releases it and when?**

- The Federal Reserve Board, daily.

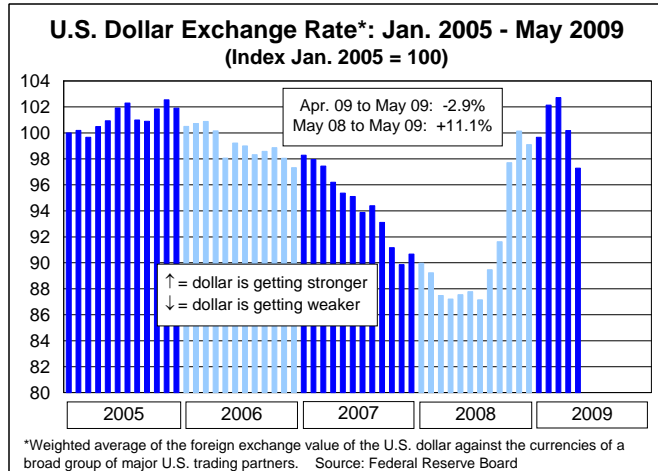
**What is it and why is it important?**

- 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.

- A weaker U.S. dollar 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. Conversely, a stronger dollar means U.S. imports become relatively cheaper and U.S. exports become more expensive.

**What are the latest numbers?**

- The U.S. dollar had been strengthening from mid-2008 to earlier this year, but weakened again in April (2.5%) and May (2.9%). Still, as of May 2009, it was 11.1% higher than it was in May 2008.



**Where to go for more information:**

- Information from the Federal Reserve on exchange rates is [here](#).

**DOW JONES ECONOMIC SENTIMENT INDICATOR (ESI)**

**Who releases it and when?**

- Dow Jones, on the first business day of the month.

**What is it and why is it important?**

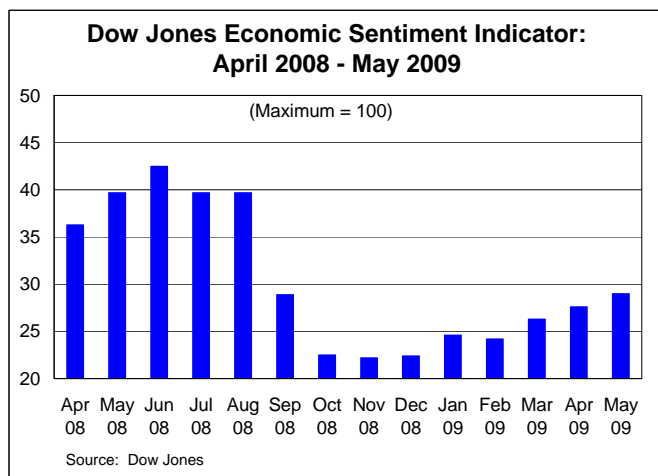
- The ESI was unveiled on April 30, 2009. According to Dow Jones, it “aims to predict the health of the U.S. economy by analyzing the coverage of 15 major daily newspapers in the U.S. It uses a numerical scale from 0 to 100 to express the balance of sentiment in articles about the economy.”
- According to Dow Jones, “historical analysis of the series ... suggests the indicator can help predict economic turning points as much as seven months in advance of other indicators.”

**What are the latest numbers?**

- The ESI for May was 29.0, up from 27.6 in April and continuing a several-month upward trend. What a Dow Jones economist says: “The May increase leads me to believe that while the economy may have bottomed out, we still have a way to go before we can comfortably say we’re moving out of this deep recession.”

**Where to go for more information:**

- Information on the Dow Jones ESI is [here](#). The June ESI will be released on July 1, 2009.



**To get on the e-mail distribution list for [Rail Time Indicators](#), please contact Dan Keen ([dkeen@aar.org](mailto:dkeen@aar.org), 202-639-2326) or Shannon Stare ([ssstare@aar.org](mailto:ssstare@aar.org), 202-639-2322)**