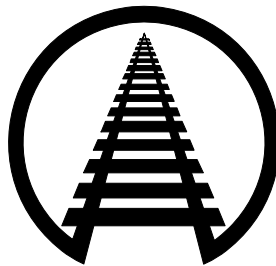


# **Rail Time Indicators**

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



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

**November 11, 2009**

**Rail Time Indicators 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  
you name and business affiliation, if any) to Beth Eagney at [beagney@aar.org](mailto:beagney@aar.org).**

**If you have questions or comments about the content of Rail Time indicators, please  
contact Dan Keen ([dkeen@aar.org](mailto:dkeen@aar.org)) or Shannon Stare ([sstare@aar.org](mailto:ssstare@aar.org)).**

## SUMMARY FOR NOVEMBER 2009

<b>Economic Indicator</b>	<b>Most Recent Data</b>
U.S. Freight Rail Traffic (p. 2)	↓ <b>15.3%</b> (carloads), ↓ <b>11.2%</b> (intermodal) in October 2009 from October 2008.
Canadian Freight Rail Traffic (p. 3)	↓ <b>13.9%</b> (carloads), ↓ <b>11.5%</b> (intermodal) in October 2009 from October 2008.
Gross Domestic Product (p. 14)	↑ <b>3.5%</b> in Q3 2009 (initial preliminary estimate).
Purchasing Managers Index (p. 15)	↑ <b>to 55.7</b> in October 2009 from 52.6 in September 2009.
Manufacturing Inventories and Sales (p. 16)	From August 2009 to September 2009, manufacturing sales ↑ <b>1.0%</b> , inventories ↓ <b>1.0%</b> , and inventory-to-sales ratio ↓ <b>1.8%</b> .
Index of Industrial Production (p. 17)	↑ <b>0.7%</b> in September 2009 from August 2009.
Capacity Utilization (p. 18)	↑ <b>to 70.5%</b> in September 2009 from 69.9% in August 2009.
Non-Farm Employment (p. 19)	↓ <b>190,000</b> in October 2009 from September 2009.
Unemployment Rate (p. 19)	↑ <b>to 10.2%</b> in October 2009 from 9.8% in September 2009.
Class I Railroad Employment (p. 20)	↓ <b>to 149,428</b> in Sept. 2009 from 150,026 in August 2009.
Index of Consumer Confidence (p. 21)	↓ <b>to 47.7</b> in October 2009 from 53.4 in September 2009.
Retail Sales (p. 22)	↓ <b>1.5%</b> in September 2009 from August 2009.
Light Vehicle Sales (p. 23)	↑ <b>12%</b> in October 2009 from September 2009.
Housing Starts (p. 23)	↑ <b>0.5%</b> in September 2009 from August 2009.
Consumer Price Index (p. 24)	↑ <b>0.2%</b> in September 2009 from August 2009.
Value of the U.S. Dollar (p. 25)	↓ <b>1.3%</b> in October 2009 from September 2009.
Dow Jones Economic Sentiment Indicator (p. 26)	↑ <b>to 36.9</b> in October 2009 from 34.1 in September 2009.
Rail Freight Cars in Storage (p. 27)	↓ <b>to 451,112</b> on Nov. 1, 2009 from 462,410 on Oct. 1, 2009.

## U.S. AND CANADIAN FREIGHT RAILROAD TRAFFIC

### Who releases it and when?

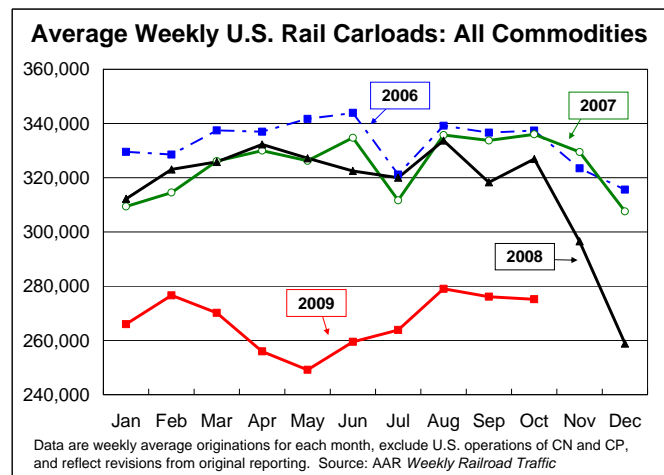
- The Association of American Railroads (AAR) releases its Weekly Railroad Traffic report every Thursday morning. The report contains rail traffic data for the previous week. Weekly data are compiled and aggregated into monthly figures in Rail Time Indicators.

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

- The AAR traffic data detail 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 — *i.e.*, demand for rail service occurs as a result of demand elsewhere in the economy for the products that railroads haul. Thus, rail traffic can be used to help gauge the health of the overall economy and certain sub-sectors.

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

- In October 2009, U.S. freight railroads originated 1,100,714 carloads, an average of 275,179 carloads per week. That’s **down 15.3% from October 2008** (when the weekly average was 324,836 carloads) and **down 0.3% from September 2009** (when the weekly average was 276,137 carloads). Average weekly carloads have now declined for two straight months.

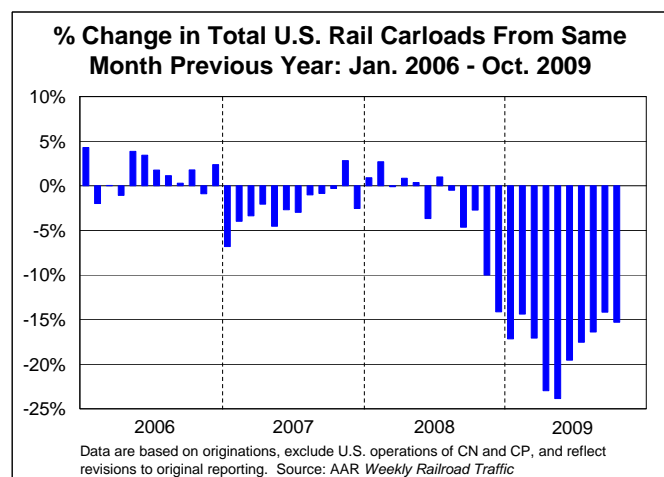


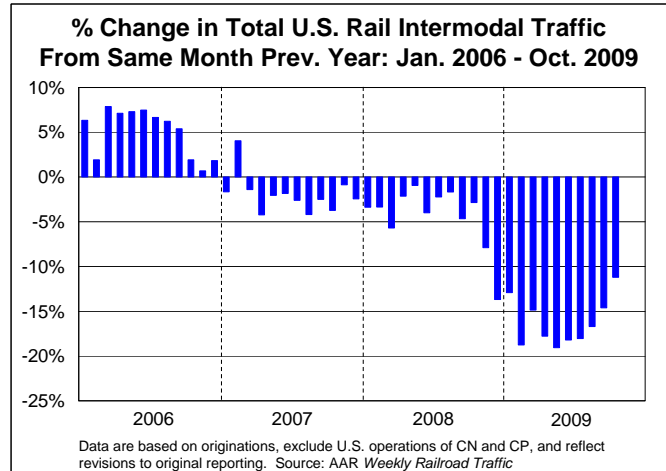
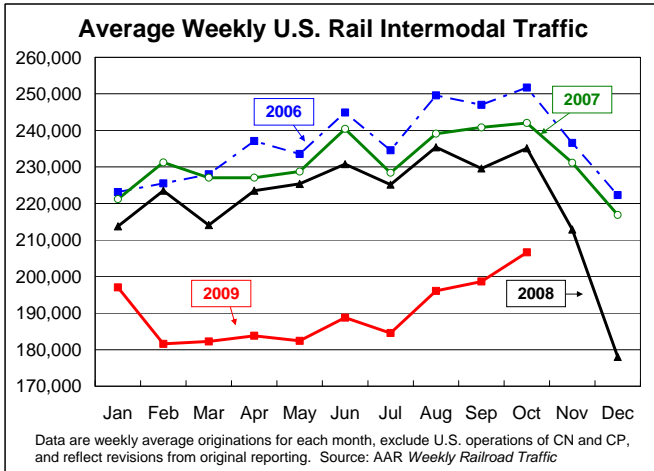
- U.S. intermodal traffic (which is not included in carload figures) totaled 826,341 trailers and containers in October 2009, an average of 206,585 per week. That’s **down 11.2% from the comparable period in 2008** (when the weekly average was 232,668 units) but **up 4.0%** from the weekly average of 198,647 in September 2009.

- For rail intermodal traffic, the highest volume weeks of the year are almost always in September and October as retailers stock their shelves for the upcoming holiday season. That’s the case this year too: so far in 2009, **seven of the eight highest-volume intermodal weeks were in September and October.**

- The highest-volume intermodal week of 2009 so far — week 40 (the first week of October), when volume was 208,941 trailers and containers — is 223<sup>rd</sup> on the all-time weekly list. First on the all-time list is week 39 of 2006, when volume was 258,511 trailers and containers.

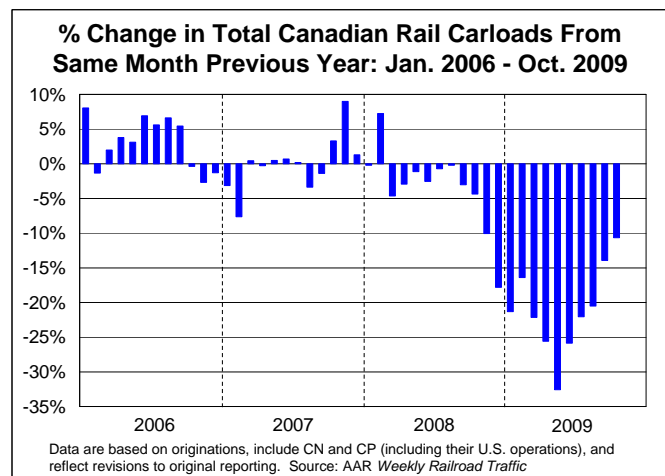
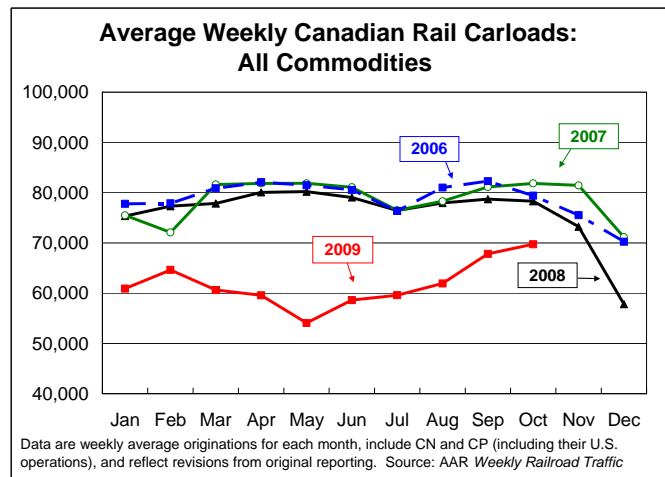
- For the first ten months of 2009, U.S. rail carloadings were **down 17.9%** (2,499,716 carloads), while intermodal traffic was **down 16.2%** (1,584,688 trailers and containers).





**What are the latest numbers for Canadian railroads?**

- In October 2009, Canadian freight railroads (including their U.S. and their Canadian operations) originated 278,917 carloads, an average of 69,729 carloads per week. That's **up 2.8%** from the weekly average of 67,813 carloads in September 2009, but down 10.7% from the weekly average of 78,043 carloads in the comparable period in 2008. Average weekly carloads have now risen for five straight months on Canadian railroads.
- Canadian intermodal traffic totaled 174,945 trailers and containers in October 2009, an average of 43,736 per week. That's **down 11.5% from the same period in 2008** (when the weekly average was 49,431 units) but **up 0.6%** from September 2009 (when the weekly average was 43,490 units).
- For the first 10 months of 2009, Canadian rail carloadings were down 21.1% (710,436 carloads), while intermodal traffic was down 15.8% (330,994 trailers and containers).



**Where to go for more information:**

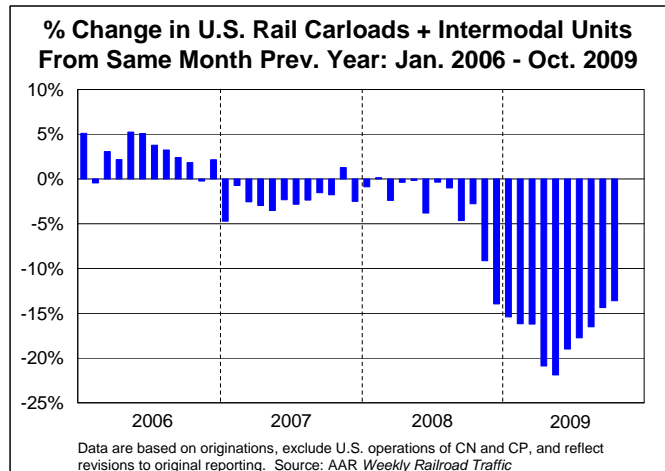
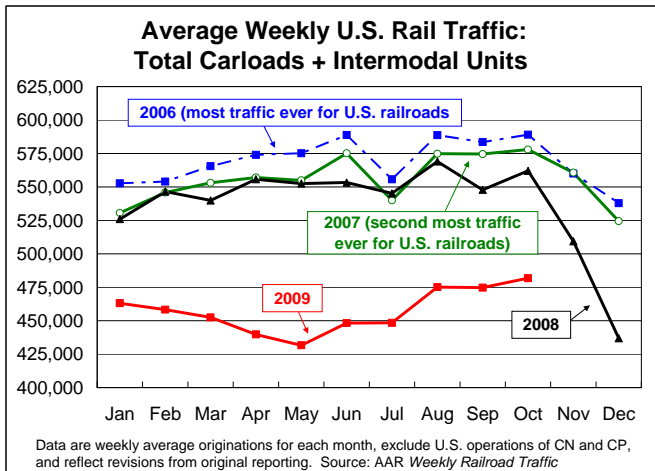
- Weekly AAR press releases on railroad traffic are available on the AAR web site [here](#). Those who are interested in obtaining a sample copy of the full AAR Weekly Railroad Traffic report (which is available free of charge to AAR members and by subscription to others) should send an e-mail to Paul Posey at [pposey@aar.org](mailto:pposey@aar.org).

**U.S. RAIL TRAFFIC\***  
(4 weeks ending October 31, 2009)

Commodity	Oct. 09	Oct. 08	Differ.	% Chng	YTD 2009	YTD 2008	Differ.	% Chng
<b>Agricultural &amp; food products</b>	<b>165,827</b>	<b>168,247</b>	<b>-2,420</b>	<b>-1.4%</b>	<b>1,551,623</b>	<b>1,830,516</b>	<b>-278,893</b>	<b>-15.2%</b>
Grain	93,573	95,419	-1,846	-1.9%	835,317	1,032,359	-197,042	-19.1%
Farm products excl. grain	3,889	4,253	-364	-8.6%	33,967	43,182	-9,215	-21.3%
Grain mill products (1)	36,117	33,735	2,382	7.1%	348,994	374,521	-25,527	-6.8%
Food products	32,248	34,840	-2,592	-7.4%	333,345	380,454	-47,109	-12.4%
<b>Chemicals and petroleum</b>	<b>128,574</b>	<b>133,966</b>	<b>-5,392</b>	<b>-4.0%</b>	<b>1,362,100</b>	<b>1,567,093</b>	<b>-204,993</b>	<b>-13.1%</b>
Chemicals	107,506	110,491	-2,985	-2.7%	1,130,402	1,300,383	-169,981	-13.1%
Petroleum products	21,068	23,475	-2,407	-10.3%	231,698	266,710	-35,012	-13.1%
<b>Coal</b>	<b>509,765</b>	<b>602,529</b>	<b>-92,764</b>	<b>-15.4%</b>	<b>5,563,505</b>	<b>6,198,583</b>	<b>-635,078</b>	<b>-10.2%</b>
<b>Forest products</b>	<b>37,300</b>	<b>48,510</b>	<b>-11,210</b>	<b>-23.1%</b>	<b>411,340</b>	<b>561,889</b>	<b>-150,549</b>	<b>-26.8%</b>
Primary forest products (2)	6,476	8,974	-2,498	-27.8%	65,479	94,246	-28,767	-30.5%
Lumber & wood products	8,961	12,523	-3,562	-28.4%	101,143	158,393	-57,250	-36.1%
Pulp & paper products	21,863	27,013	-5,150	-19.1%	244,718	309,250	-64,532	-20.9%
<b>Metallic ores and metals</b>	<b>50,856</b>	<b>85,875</b>	<b>-35,019</b>	<b>-40.8%</b>	<b>518,590</b>	<b>992,809</b>	<b>-474,219</b>	<b>-47.8%</b>
Metallic ores (3)	10,578	32,472	-21,894	-67.4%	135,036	304,134	-169,098	-55.6%
Coke	11,547	15,004	-3,457	-23.0%	118,189	162,426	-44,237	-27.2%
Primary metal products (4)	28,731	38,399	-9,668	-25.2%	265,365	526,249	-260,884	-49.6%
<b>Motor vehicles &amp; parts</b>	<b>52,883</b>	<b>63,463</b>	<b>-10,580</b>	<b>-16.7%</b>	<b>425,420</b>	<b>708,555</b>	<b>-283,135</b>	<b>-40.0%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>105,129</b>	<b>140,213</b>	<b>-35,084</b>	<b>-25.0%</b>	<b>1,138,381</b>	<b>1,462,832</b>	<b>-324,451</b>	<b>-22.2%</b>
Crushed stone, gravel, sand	58,705	83,893	-25,188	-30.0%	654,349	846,242	-191,893	-22.7%
Nonmetallic minerals (5)	21,746	22,181	-435	-2.0%	202,872	252,037	-49,165	-19.5%
Stone, clay & glass prod. (6)	24,678	34,139	-9,461	-27.7%	281,160	364,553	-83,393	-22.9%
<b>Other</b>	<b>50,380</b>	<b>56,540</b>	<b>-6,160</b>	<b>-10.9%</b>	<b>511,660</b>	<b>660,058</b>	<b>-148,398</b>	<b>-22.5%</b>
Waste & scrap materials (7)	30,809	33,643	-2,834	-8.4%	300,210	435,867	-135,657	-31.1%
All other carloads	19,571	22,897	-3,326	-14.5%	211,450	224,191	-12,741	-5.7%
<b>TOTAL ALL CARLOADS</b>	<b>1,100,714</b>	<b>1,299,343</b>	<b>-198,629</b>	<b>-15.3%</b>	<b>11,482,619</b>	<b>13,982,335</b>	<b>-2,499,716</b>	<b>-17.9%</b>
Trailers	128,508	195,561	-67,053	-34.3%	1,358,987	2,099,204	-740,217	-35.3%
Containers	697,833	735,110	-37,277	-5.1%	6,814,653	7,659,124	-844,471	-11.0%
<b>TOTAL ALL INTERMODAL</b>	<b>826,341</b>	<b>930,671</b>	<b>-104,330</b>	<b>-11.2%</b>	<b>8,173,640</b>	<b>9,758,328</b>	<b>-1,584,688</b>	<b>-16.2%</b>

- (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*

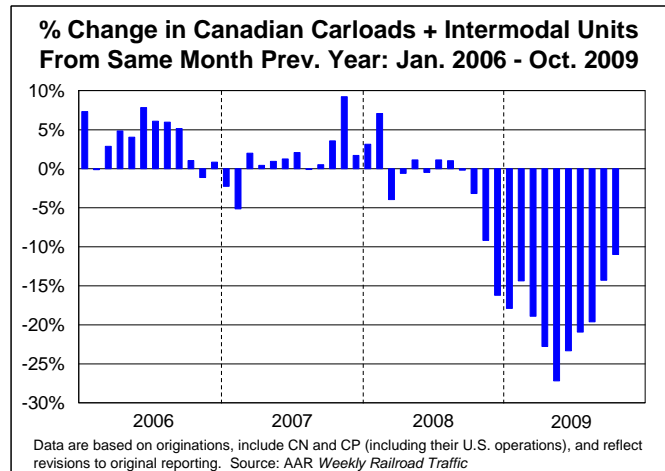
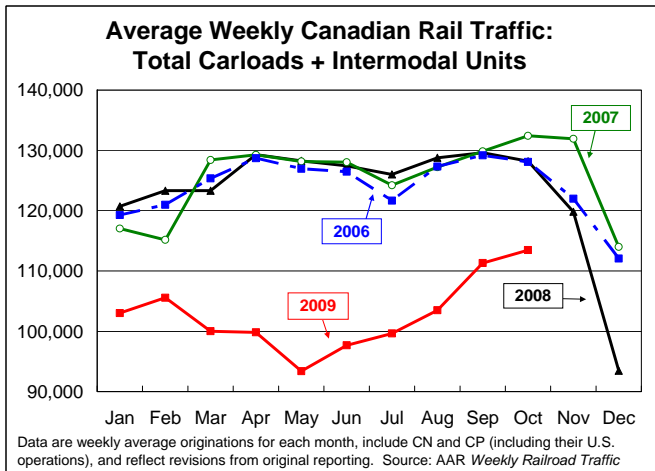


**CANADIAN RAIL TRAFFIC\***  
(4 weeks ending October 31, 2009)

Commodity	Oct. 09	Oct. 08	Differ.	% Chng	YTD 2009	YTD 2008	Differ.	% Chng
<b>Agricultural &amp; food products</b>	<b>67,774</b>	<b>70,794</b>	<b>-3,020</b>	<b>-4.3%</b>	<b>677,713</b>	<b>672,005</b>	<b>5,708</b>	<b>0.8%</b>
Grain	36,934	43,049	-6,115	-14.2%	399,144	407,362	-8,218	-2.0%
Farm products excl. grain	16,568	13,047	3,521	27.0%	126,617	103,381	23,236	22.5%
Grain mill products (1)	5,708	5,870	-162	-2.8%	60,324	69,636	-9,312	-13.4%
Food products	8,564	8,828	-264	-3.0%	91,628	91,626	2	0.0%
<b>Chemicals and petroleum</b>	<b>51,738</b>	<b>59,746</b>	<b>-8,008</b>	<b>-13.4%</b>	<b>531,614</b>	<b>669,357</b>	<b>-137,743</b>	<b>-20.6%</b>
Chemicals	49,149	57,458	-8,309	-14.5%	504,353	641,152	-136,799	-21.3%
Petroleum products	2,589	2,288	301	13.2%	27,261	28,205	-944	-3.3%
<b>Coal</b>	<b>32,529</b>	<b>32,549</b>	<b>-20</b>	<b>-0.1%</b>	<b>292,847</b>	<b>349,711</b>	<b>-56,864</b>	<b>-16.3%</b>
<b>Forest products</b>	<b>27,232</b>	<b>34,540</b>	<b>-7,308</b>	<b>-21.2%</b>	<b>297,281</b>	<b>383,014</b>	<b>-85,733</b>	<b>-22.4%</b>
Primary forest products (2)	6,022	7,529	-1,507	-20.0%	62,563	77,047	-14,484	-18.8%
Lumber & wood products	7,741	10,439	-2,698	-25.8%	86,285	116,266	-29,981	-25.8%
Pulp & paper products	13,469	16,572	-3,103	-18.7%	148,433	189,701	-41,268	-21.8%
<b>Metallic ores and metals</b>	<b>52,080</b>	<b>63,938</b>	<b>-11,858</b>	<b>-18.5%</b>	<b>438,214</b>	<b>716,859</b>	<b>-278,645</b>	<b>-38.9%</b>
Metallic ores (3)	42,901	51,479	-8,578	-16.7%	350,682	577,558	-226,876	-39.3%
Coke	2,082	1,947	135	6.9%	17,623	18,855	-1,232	-6.5%
Primary metal products (4)	7,097	10,512	-3,415	-32.5%	69,909	120,446	-50,537	-42.0%
<b>Motor vehicles &amp; parts</b>	<b>19,029</b>	<b>18,138</b>	<b>891</b>	<b>4.9%</b>	<b>157,932</b>	<b>231,731</b>	<b>-73,799</b>	<b>-31.8%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>20,310</b>	<b>23,072</b>	<b>-2,762</b>	<b>-12.0%</b>	<b>174,861</b>	<b>233,802</b>	<b>-58,941</b>	<b>-25.2%</b>
Crushed stone, gravel, sand	10,126	11,050	-924	-8.4%	70,547	98,557	-28,010	-28.4%
Nonmetallic minerals (5)	4,937	5,442	-505	-9.3%	51,786	66,644	-14,858	-22.3%
Stone, clay & glass prod. (6)	5,247	6,580	-1,333	-20.3%	52,528	68,601	-16,073	-23.4%
<b>Other</b>	<b>8,225</b>	<b>9,395</b>	<b>-1,170</b>	<b>-12.5%</b>	<b>86,251</b>	<b>110,670</b>	<b>-24,419</b>	<b>-22.1%</b>
Waste & scrap materials (7)	4,971	5,215	-244	-4.7%	46,591	70,874	-24,283	-34.3%
All other carloads	3,254	4,180	-926	-22.2%	39,660	39,796	-136	-0.3%
<b>TOTAL ALL CARLOADS</b>	<b>278,917</b>	<b>312,172</b>	<b>-33,255</b>	<b>-10.7%</b>	<b>2,656,713</b>	<b>3,367,149</b>	<b>-710,436</b>	<b>-21.1%</b>
Trailers	6,714	7,696	-982	-12.8%	69,395	85,669	-16,274	-19.0%
Containers	168,231	190,026	-21,795	-11.5%	1,694,364	2,009,084	-314,720	-15.7%
<b>TOTAL ALL INTERMODAL</b>	<b>174,945</b>	<b>197,722</b>	<b>-22,777</b>	<b>-11.5%</b>	<b>1,763,759</b>	<b>2,094,753</b>	<b>-330,994</b>	<b>-15.8%</b>

(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



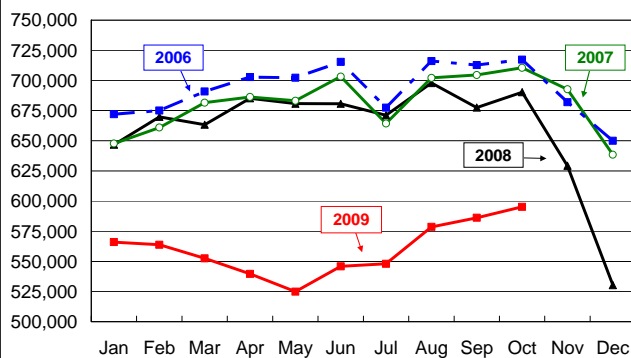
**COMBINED U.S. AND CANADIAN RAIL TRAFFIC**  
(4 weeks ending October 31, 2009)

Commodity	Oct. 09	Oct. 08	Differ.	% Chng	YTD 2009	YTD 2008	Differ.	% Chng
<b>Agricultural &amp; food products</b>	<b>233,601</b>	<b>239,041</b>	<b>-5,440</b>	<b>-2.3%</b>	<b>2,229,336</b>	<b>2,502,521</b>	<b>-273,185</b>	<b>-10.9%</b>
Grain	130,507	138,468	-7,961	-5.7%	1,234,461	1,439,721	-205,260	-14.3%
Farm products excl. grain	20,457	17,300	3,157	18.2%	160,584	146,563	14,021	9.6%
Grain mill products (1)	41,825	39,605	2,220	5.6%	409,318	444,157	-34,839	-7.8%
Food products	40,812	43,668	-2,856	-6.5%	424,973	472,080	-47,107	-10.0%
<b>Chemicals and petroleum</b>	<b>180,312</b>	<b>193,712</b>	<b>-13,400</b>	<b>-6.9%</b>	<b>1,893,714</b>	<b>2,236,450</b>	<b>-342,736</b>	<b>-15.3%</b>
Chemicals	156,655	167,949	-11,294	-6.7%	1,634,755	1,941,535	-306,780	-15.8%
Petroleum products	23,657	25,763	-2,106	-8.2%	258,959	294,915	-35,956	-12.2%
<b>Coal</b>	<b>542,294</b>	<b>635,078</b>	<b>-92,784</b>	<b>-14.6%</b>	<b>5,856,352</b>	<b>6,548,294</b>	<b>-691,942</b>	<b>-10.6%</b>
<b>Forest products</b>	<b>64,532</b>	<b>83,050</b>	<b>-18,518</b>	<b>-22.3%</b>	<b>708,621</b>	<b>944,903</b>	<b>-236,282</b>	<b>-25.0%</b>
Primary forest products (2)	12,498	16,503	-4,005	-24.3%	128,042	171,293	-43,251	-25.2%
Lumber & wood products	16,702	22,962	-6,260	-27.3%	187,428	274,659	-87,231	-31.8%
Pulp & paper products	35,332	43,585	-8,253	-18.9%	393,151	498,951	-105,800	-21.2%
<b>Metallic ores and metals</b>	<b>102,936</b>	<b>149,813</b>	<b>-46,877</b>	<b>-31.3%</b>	<b>956,804</b>	<b>1,709,668</b>	<b>-752,864</b>	<b>-44.0%</b>
Metallic ores (3)	53,479	83,951	-30,472	-36.3%	485,718	881,692	-395,974	-44.9%
Coke	13,629	16,951	-3,322	-19.6%	135,812	181,281	-45,469	-25.1%
Primary metal products (4)	35,828	48,911	-13,083	-26.7%	335,274	646,695	-311,421	-48.2%
<b>Motor vehicles &amp; parts</b>	<b>71,912</b>	<b>81,601</b>	<b>-9,689</b>	<b>-11.9%</b>	<b>583,352</b>	<b>940,286</b>	<b>-356,934</b>	<b>-38.0%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>125,439</b>	<b>163,285</b>	<b>-37,846</b>	<b>-23.2%</b>	<b>1,313,242</b>	<b>1,696,634</b>	<b>-383,392</b>	<b>-22.6%</b>
Crushed stone, gravel, sand	68,831	94,943	-26,112	-27.5%	724,896	944,799	-219,903	-23.3%
Nonmetallic minerals (5)	26,683	27,623	-940	-3.4%	254,658	318,681	-64,023	-20.1%
Stone, clay & glass prod. (6)	29,925	40,719	-10,794	-26.5%	333,688	433,154	-99,466	-23.0%
<b>Other</b>	<b>58,605</b>	<b>65,935</b>	<b>-7,330</b>	<b>-11.1%</b>	<b>597,911</b>	<b>770,728</b>	<b>-172,817</b>	<b>-22.4%</b>
Waste & scrap materials (7)	35,780	38,858	-3,078	-7.9%	346,801	506,741	-159,940	-31.6%
All other carloads	22,825	27,077	-4,252	-15.7%	251,110	263,987	-12,877	-4.9%
<b>TOTAL ALL CARLOADS</b>	<b>1,379,631</b>	<b>1,611,515</b>	<b>-231,884</b>	<b>-14.4%</b>	<b>14,139,332</b>	<b>17,349,484</b>	<b>-3,210,152</b>	<b>-18.5%</b>
Trailers	135,222	203,257	-68,035	-33.5%	1,428,382	2,184,873	-756,491	-34.6%
Containers	866,064	925,136	-59,072	-6.4%	8,509,017	9,668,208	-1,159,191	-12.0%
<b>TOTAL ALL INTERMODAL</b>	<b>1,001,286</b>	<b>1,128,393</b>	<b>-127,107</b>	<b>-11.3%</b>	<b>9,937,399</b>	<b>11,853,081</b>	<b>-1,915,682</b>	<b>-16.2%</b>

- (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.

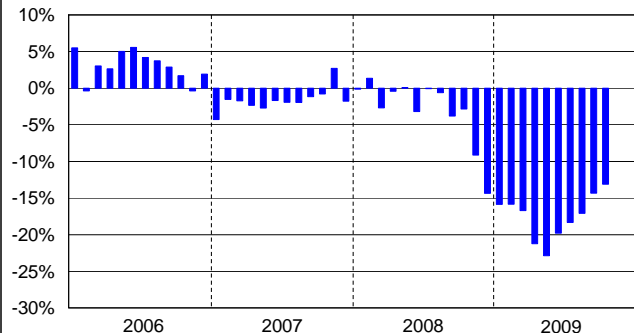
Data are originations. Source: AAR Weekly Railroad Traffic

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



Data are weekly average originations for each month and reflect revisions from original reporting. Source: AAR Weekly Railroad Traffic

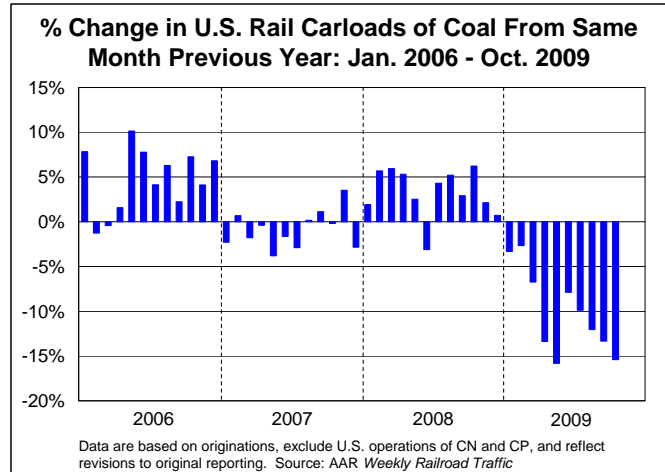
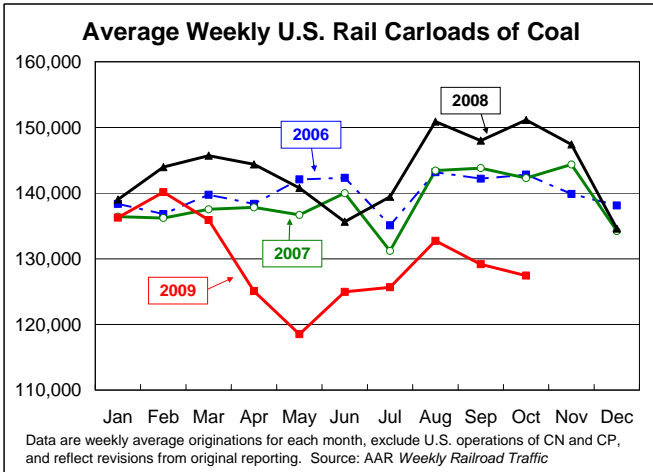
**% Change in Combined U.S. + Canadian Rail Carloads  
+ Intermodal Units From Same Month Prev. Year:  
Jan. 2006 - Oct. 2009**



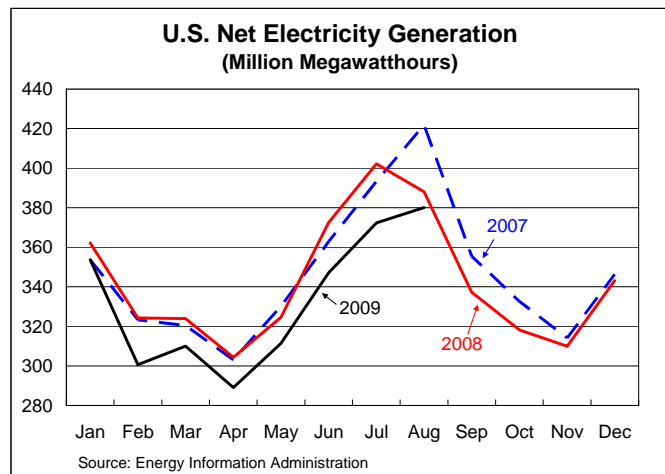
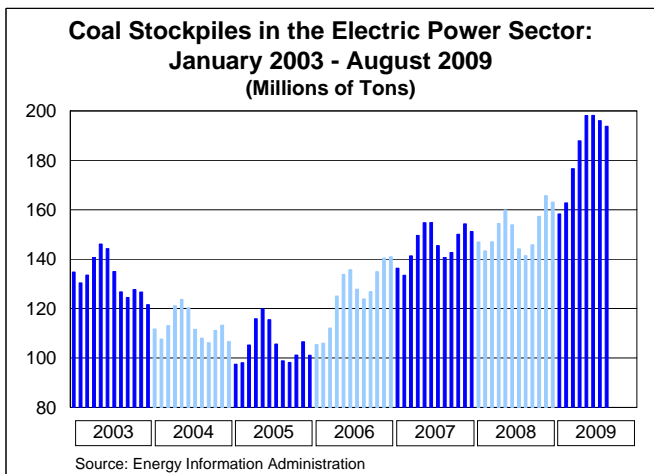
Data are based on originations and reflect revisions to original reporting. Source: AAR Weekly Railroad Traffic

**Commodity Focus: Why Are Coal Carloadings Down?**

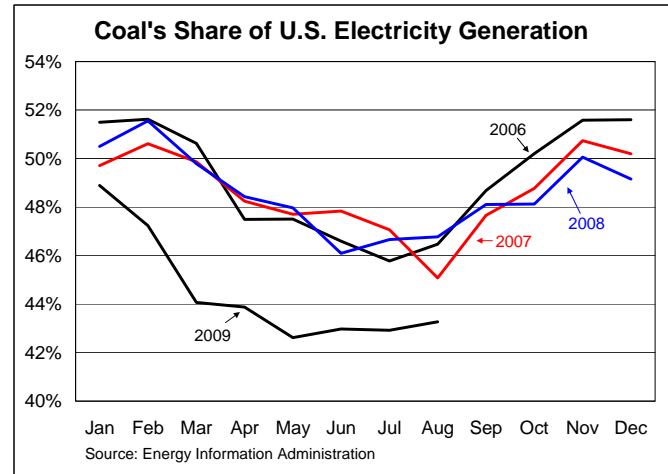
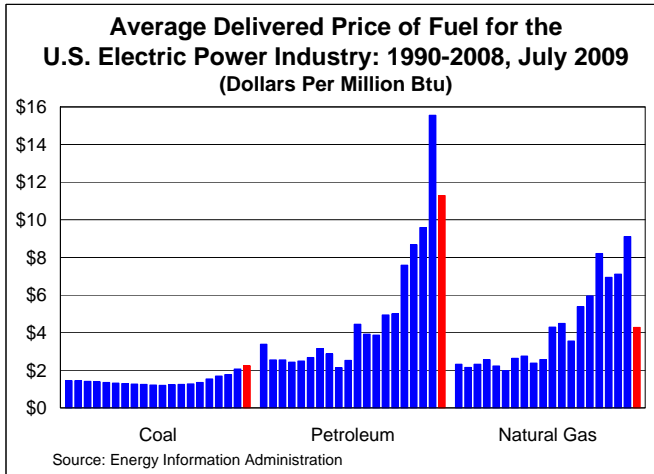
- U.S. rail carloads of coal averaged **127,441 per week in October 2009**, down 1.3% from September 2009 and down 15.4% from the average of **150,632 in October 2008** (which was the highest-volume U.S. rail coal month ever). For 2009 through October, U.S. coal carloadings are down 10.2% (635,078 carloads), with large year-over-year declines beginning in March 2009 and continuing since (see charts below). Since coal accounts for **around 46% non-intermodal U.S. rail carloads**, it will be difficult for total rail carloadings to increase if coal continues to decline.



- Why the decline in coal traffic? The short answer is that **utilities don't need as much**. The vast majority of coal in the U.S. is used to generate electricity. The chart below left shows coal stockpiles in the U.S. electric power sector in recent years. Note the huge run-up since early 2009. Stockpiles today are near **200 million tons**, a level higher than in any month since at least 1973 (when Energy Information Administration data begin) and possibly higher than ever before.
- So why the increase in coal stockpiles? First, **less electricity is being generated overall**, meaning the overall electricity "pie" is smaller (see chart below right). Reduced demand for electricity, in turn, is a function of the poor economy (a shuttered factory doesn't use much electricity) and a cooler-than-usual summer in areas that rely heavily on coal-generated power. In the East North Central region (IL, IN, MI, OH and WI), the cumulative number of "cooling degree-days" (a way to measure how hot it is in a given area over time) from January 2009 through November 7, 2009 was 513, versus a "normal" of 709. In the West North Central region (IA, KS, MN, MO, NE, ND and SD) cumulative cooling degree-days for 2009 through November 7 were 705, compared with a "normal" of 927.



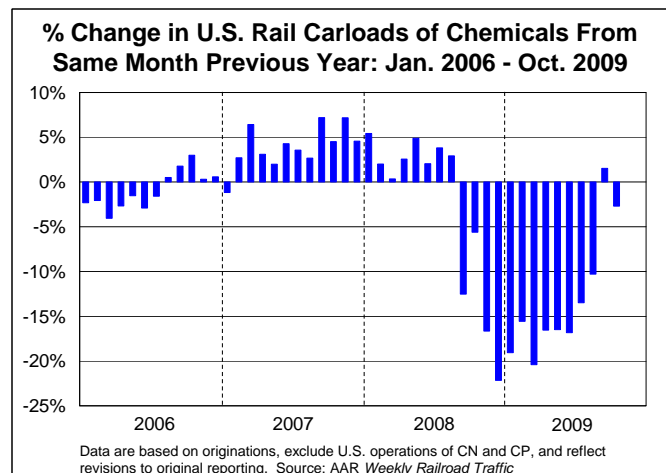
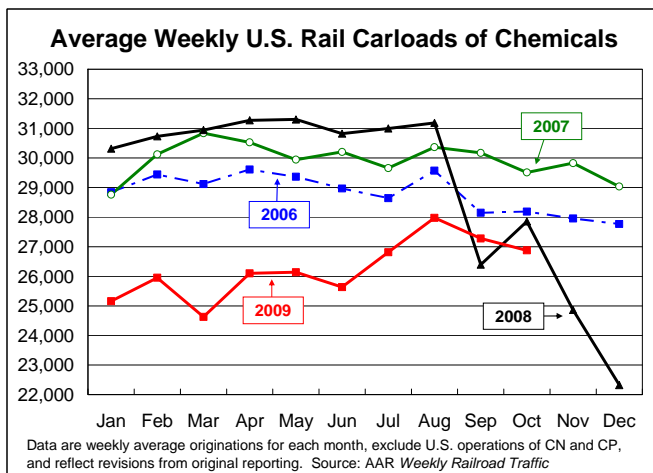
- A second key factor behind the increase in coal stockpiles in 2009 is the **price of natural gas**. The chart below left shows the annual average delivered price of coal, petroleum, and natural gas to the U.S. electric power industry from 1990 through 2008, along with the corresponding figures for July 2009. In 2009, the price of natural gas **has plummeted** and the competitiveness — and the market share — of electricity generated from natural gas has risen correspondingly. The chart below right shows the share of U.S. electricity generation from coal by month over the past few years. Not only is the overall electricity “pie” smaller, the coal “slice” is smaller too.



- Finally, U.S. **coal exports are down** too. U.S. coal exports averaged 51 million tons from 1999 to 2007, but rose to 81.5 million tons in 2008, much of it metallurgical coal for steelmaking. In the first six months of 2009, though, coal exports were down 32% (about 12.6 million tons) from 2008. Assuming that two-thirds of these lost exports would have moved by rail and that each railcar holds 110 tons of coal, this export loss equals a loss of around 75,000 rail carloads of coal.

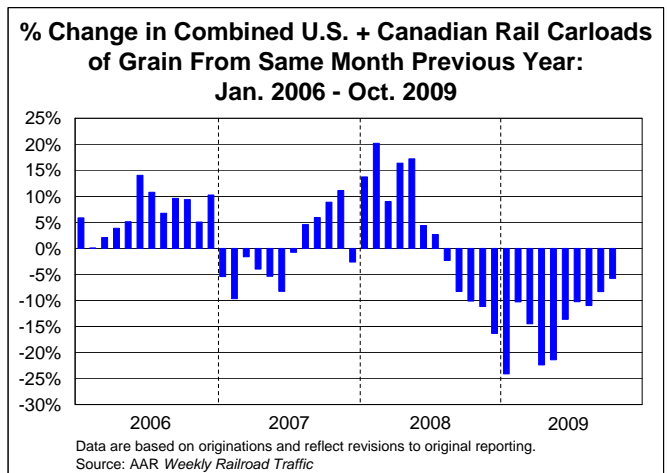
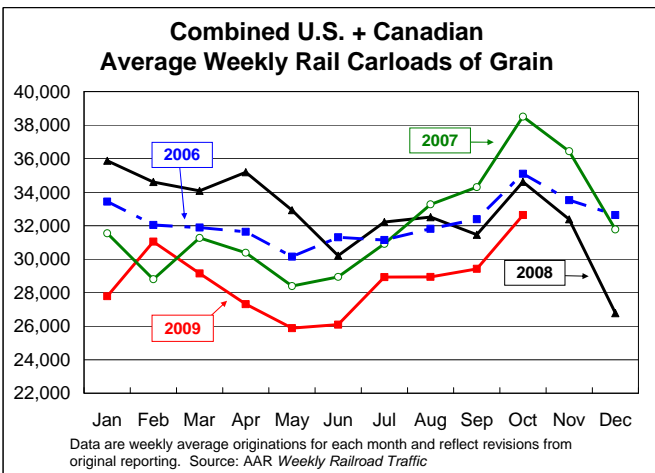
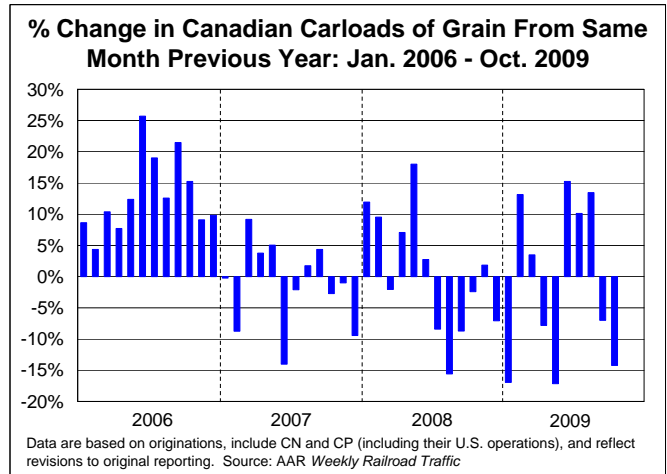
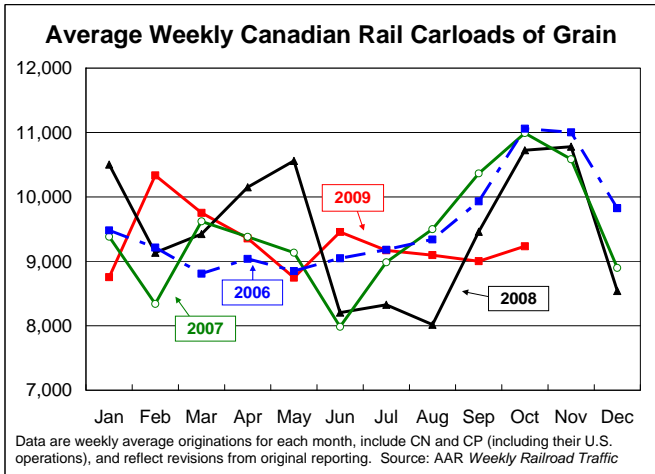
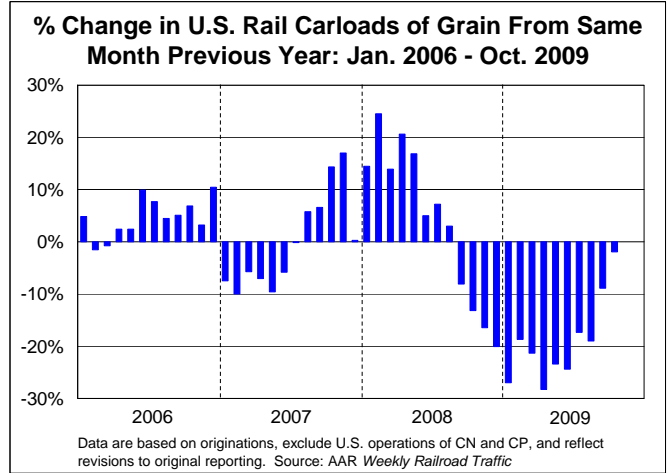
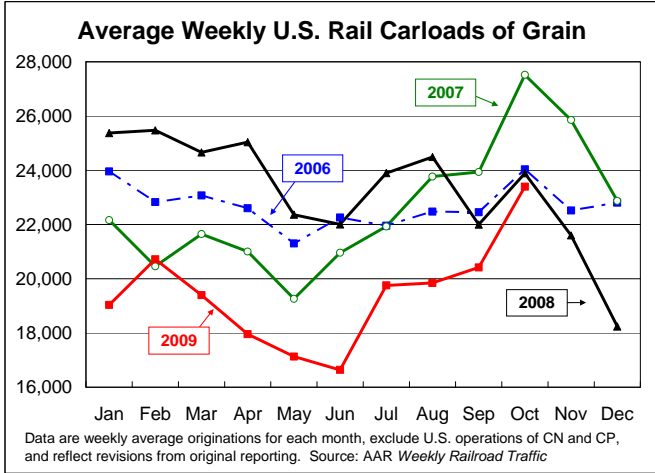
### Chemicals

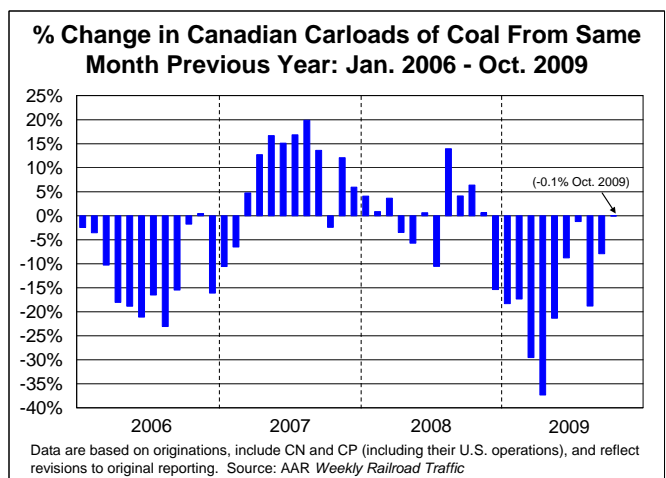
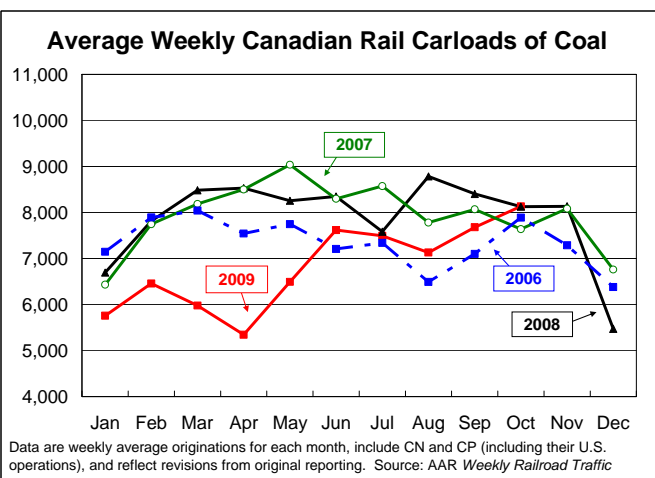
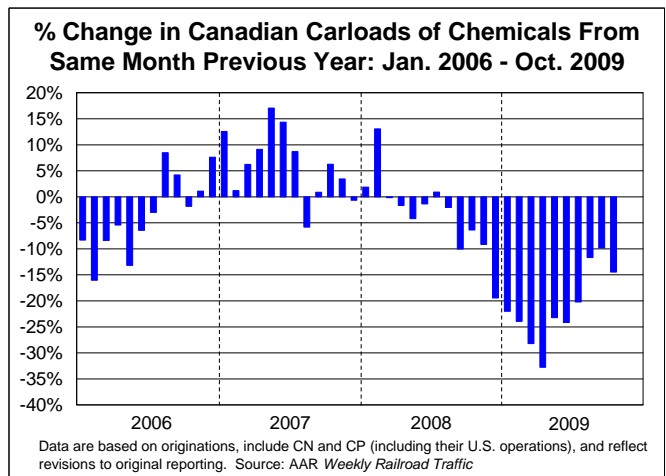
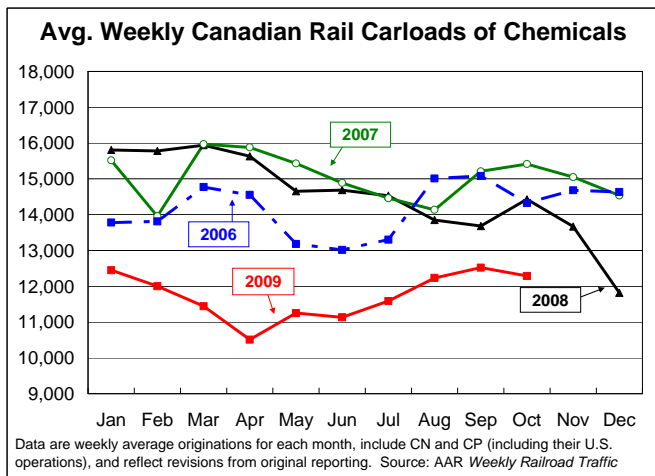
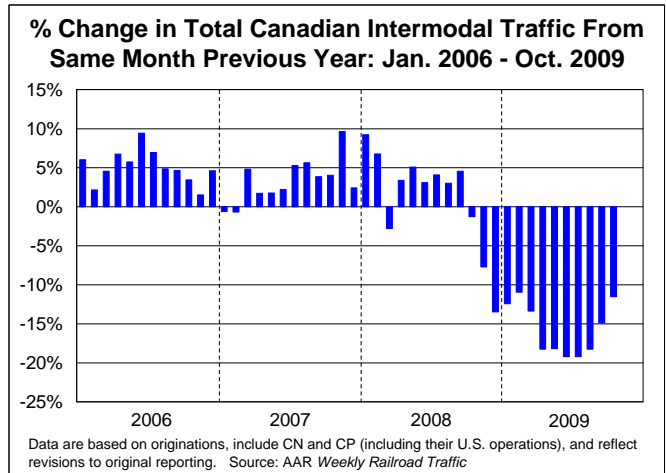
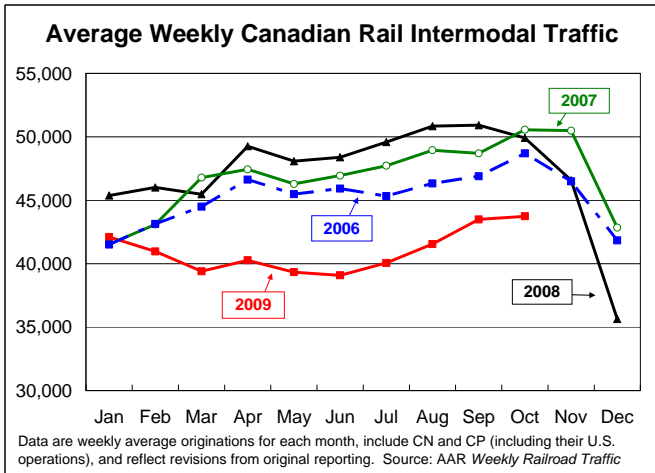
- U.S. rail **carloads of chemicals averaged 26,877 per week in October 2009, down 2.7%** from the 27,623 weekly average in the same period in 2008 and down 1.5% from the 27,279 average in September 2009. As the chart below left shows, October 2009 marked the second straight monthly decline in rail chemical carloadings, following two months (July and August) of increases. The relatively small year-over-year percentage decline this month (2.7% see chart below right) is more a function of easy comparisons than a signal of a major turnaround in rail traffic. (The issue of easy comparisons will affect nearly every category of rail traffic beginning in November 2009.)



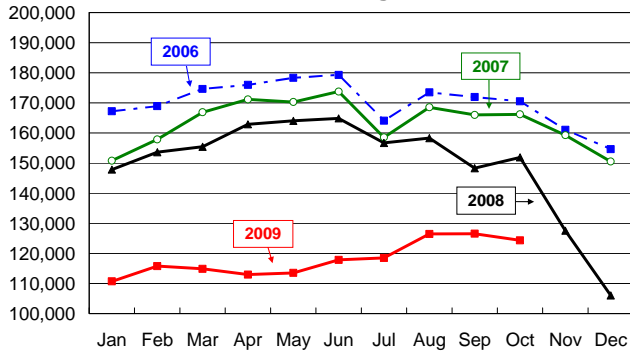
**Grain**

- U.S. rail grain traffic averaged 23,393 carloads per week in October 2009, down just 1.9% from October 2008's 23,855 and **up nearly 15% from September 2009's 20,417**. October often has more rail grain traffic than any other month. This year, the U.S. corn and soybean harvest is well behind schedule due to wet and cold weather. Grain exports, however — much of it reportedly soybean exports to Asia — have surged in October. These exports, in addition to the harvest that has been completed, are probably the main reasons for the surge in rail grain carloads.



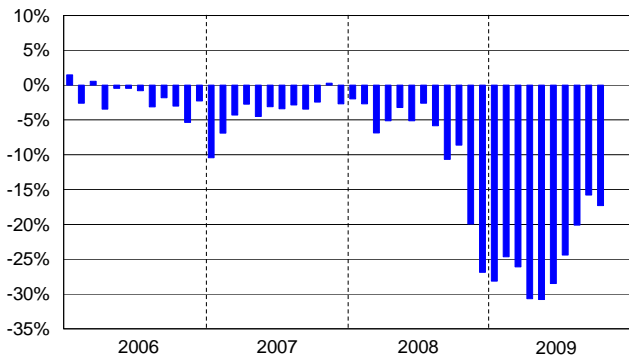


**Average Weekly U.S. Rail Carloads:  
All Commodities Excluding Coal and Grain**



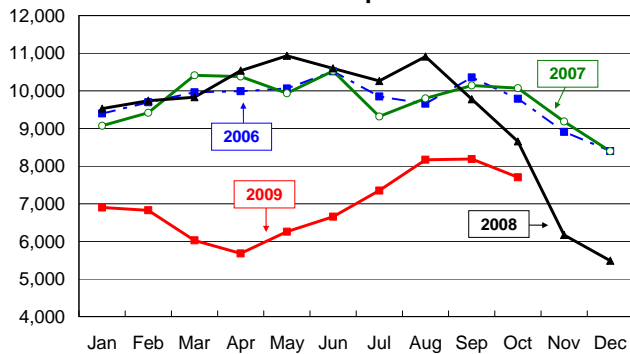
Data are weekly average originations for each month, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR Weekly Railroad Traffic

**% Change in U.S. Rail Carloads Excl. Coal and Grain  
From Same Month Prev. Year: Jan. 2006 - Oct. 2009**



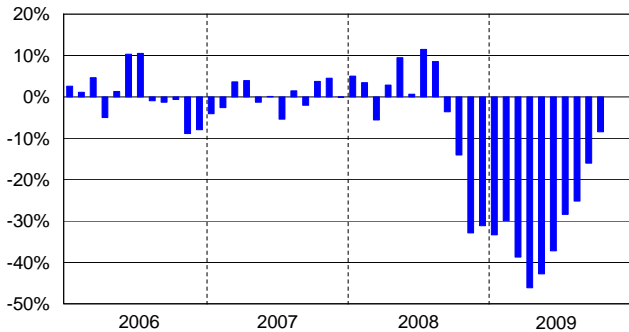
Data are based on originations, exclude U.S. operations of CN and CP, and reflect revisions to original reporting. Source: AAR Weekly Railroad Traffic

**Average Weekly U.S. Rail Carloads  
of Waste and Scrap Materials**



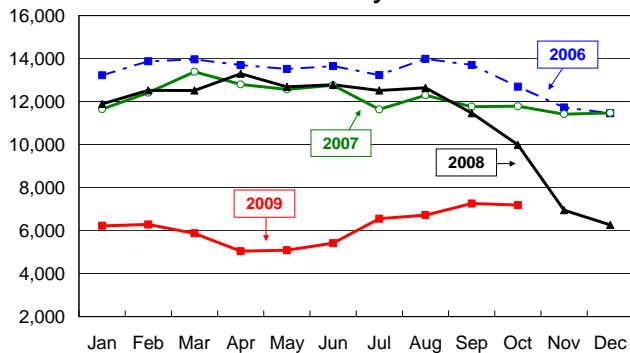
Data are weekly average originations for each month, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR Weekly Railroad Traffic

**% Change in U.S. Rail Carloads of Waste and  
Scrap Materials From Same Month Previous Year:  
Jan. 2006 - Oct. 2009**



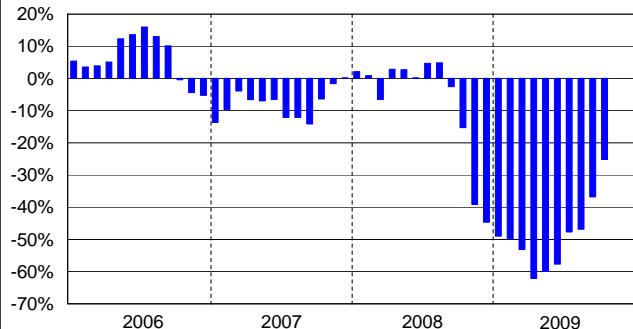
Data are based on originations, exclude U.S. operations of CN and CP, and reflect revisions to original reporting. Source: AAR Weekly Railroad Traffic

**Average Weekly U.S. Rail Carloads  
of Steel and Other Primary Metal Products**

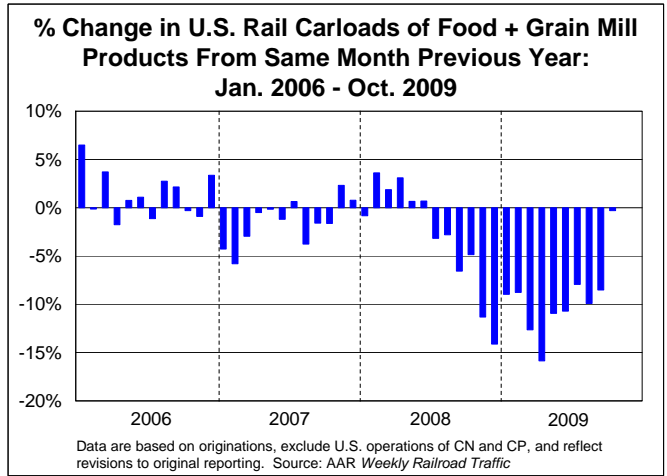
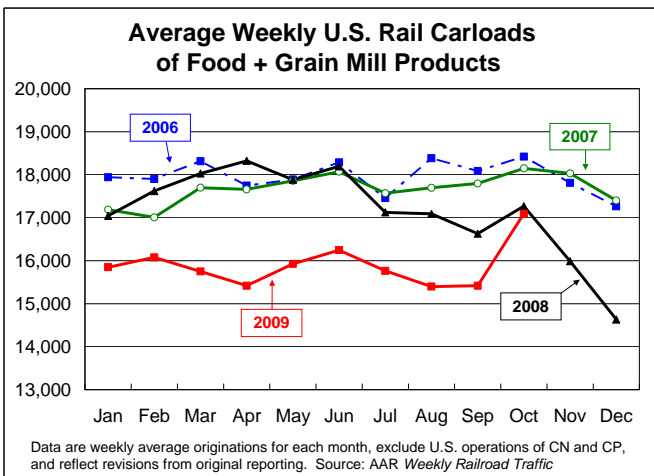
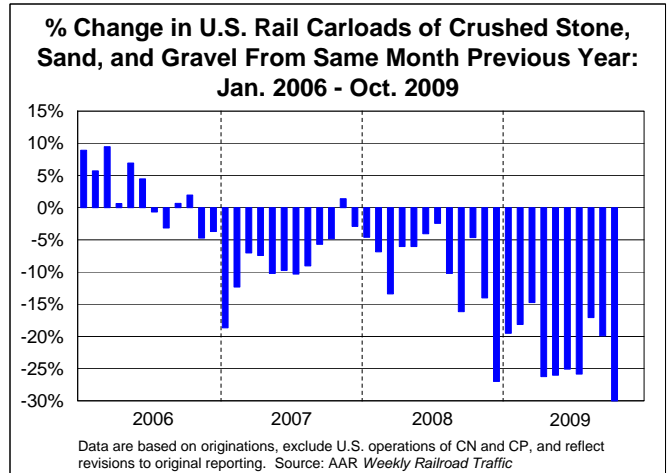
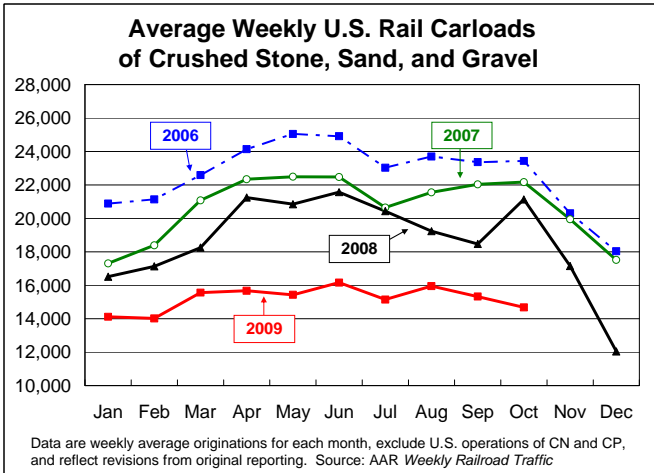


Data are weekly average originations for each month, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR Weekly Railroad Traffic

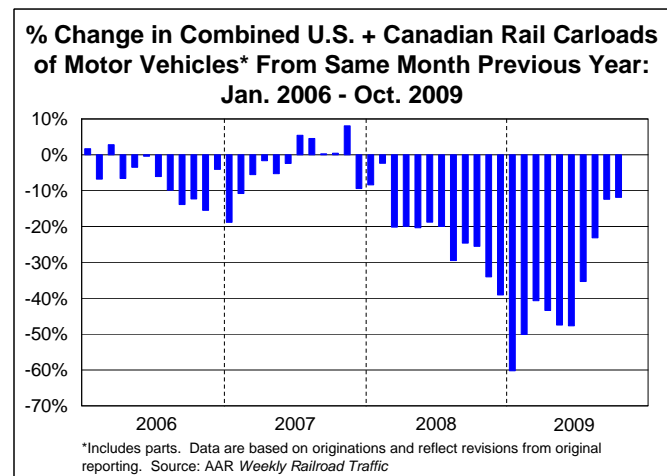
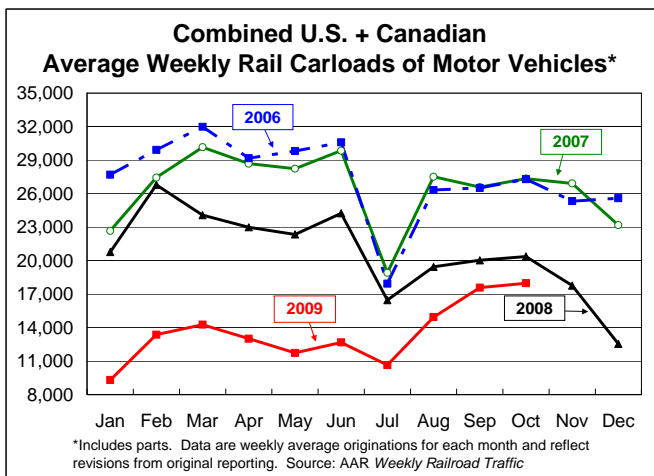
**% Change in U.S. Rail Carloads of Steel and Other  
Primary Metal Products From Same Month Previous  
Year: Jan. 2006 - Oct. 2009**

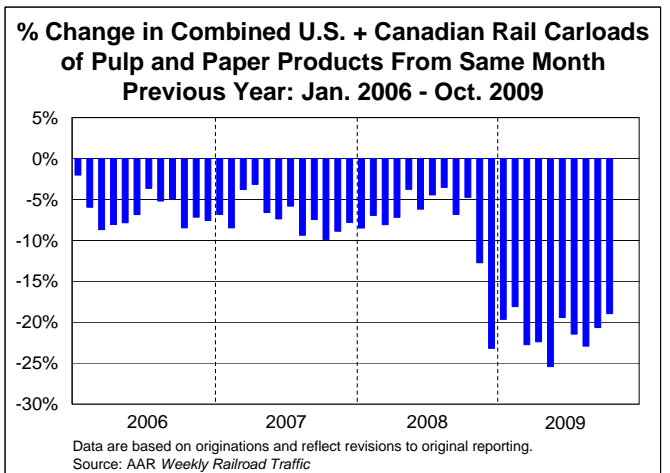
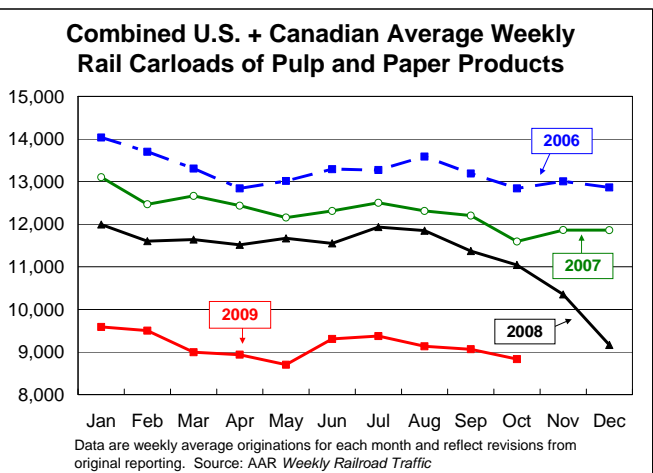
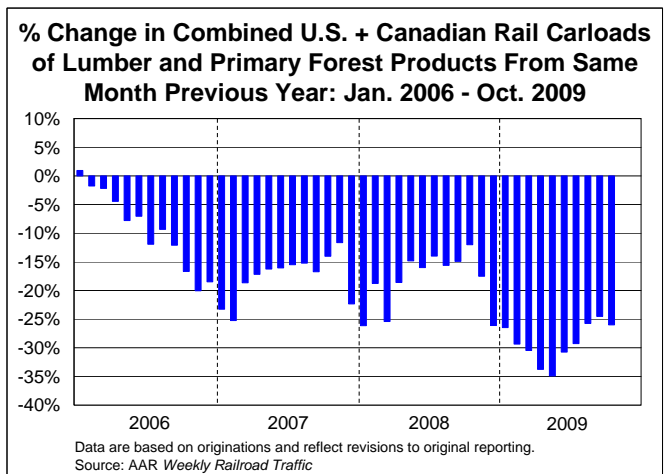
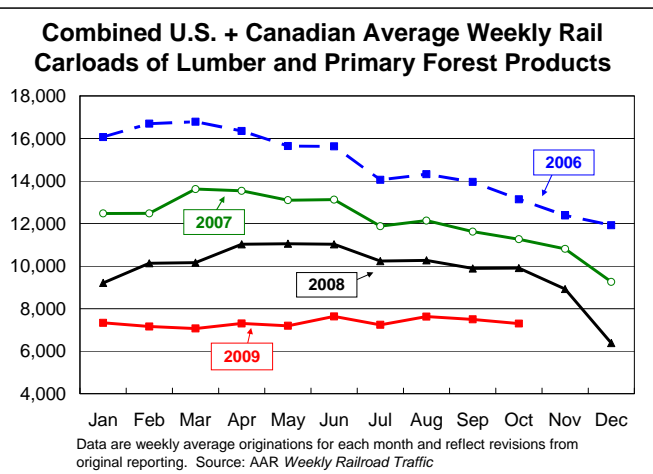
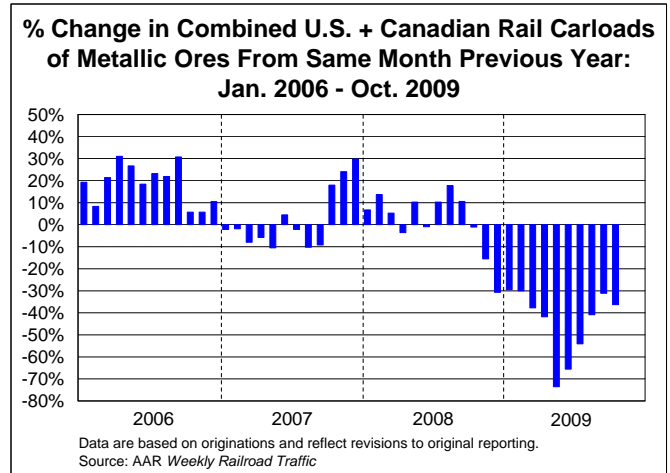
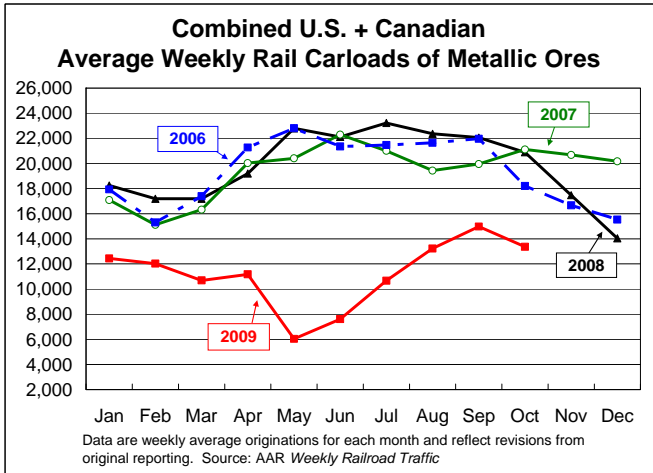


Data are based on originations, exclude U.S. operations of CN and CP, and reflect revisions to original reporting. Source: AAR Weekly Railroad Traffic



*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.

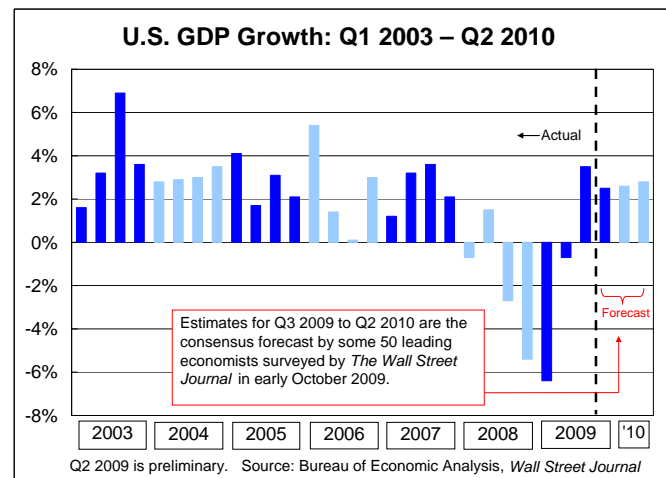
### What is it and why is it important?

- GDP 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. In the United States, GDP growth and freight railroad traffic are closely related. As of Q3 2009, U.S. GDP was \$14.3 trillion.

### What are the latest numbers?

- **U.S. GDP rose 3.5% in Q3 2009** compared with Q2 2009, according to an estimate released by the BEA on October 29. (The Q3 figure is based on incomplete data and is subject to further revision.) GDP fell 0.7% in Q2 2009. Some highlights of the Q3 GDP report:

- ✓ Personal consumption rose 3.4% in Q3 compared to a 0.9% decline in Q2. Much of this gain was related to “cash for clunkers” auto sales.
  - ✓ In fact, nearly half the gain in Q3 GDP was from increased motor vehicle output.
  - ✓ Exports rose 14.7% in Q3 2009, in contrast to a 4.1% decline in Q2 2009.
  - ✓ Federal government expenditures and gross investment rose 7.9% in Q3, compared with an 11.4% increase in Q2 2009. State and local government expenditures and gross investment fell 1.1%, compared to an increase of 3.9% in Q2.
  - ✓ Change in real private inventories added 0.94 percentage point to the Q3 change in real GDP after subtracting 1.42 percentage points from the Q2 change. Private businesses reduced inventories \$130.8 billion in Q3, following a decrease of \$160.2 billion in Q2.
- The National Association of Business Economists recently reported results of its October survey of members. Some highlights:
    - ✓ All 78 NABE panelists expect real GDP to grow in 2010, with 73 percent expecting growth to be between 1 percent and 3 percent in 2010.
    - ✓ Price increases were more common than price cuts in Q3 for the first time in a year.
    - ✓ Respondents expecting their firms to add employees over the coming six months exceeded the number expecting job cuts for the first time since the recession began.
    - ✓ For the first time since October 2008, more respondents reported a rise in capital spending over the prior quarter than a decrease.



### Where to go for more information:

- The most recent BEA news release on GDP, including links to detailed data tables, is [here](#). The BEA will release its revised estimate of Q3 GDP on November 24, 2009. Click [here](#) for more on the National Association of Business Economists October economic survey.

## PURCHASING MANAGERS INDEX (PMI)

### Who releases it and when?

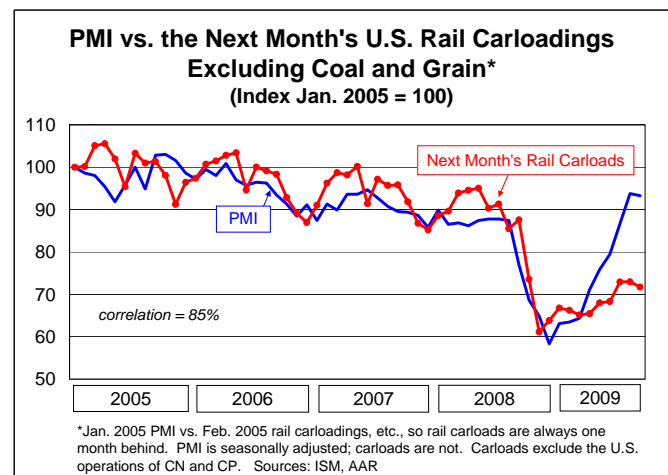
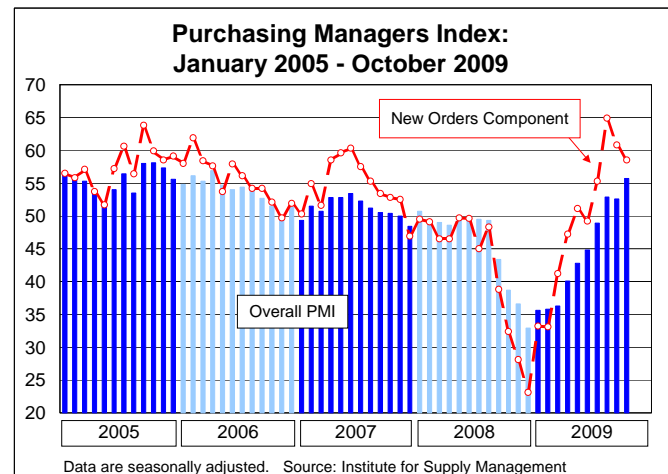
- Institute for Supply Management (ISM – formerly the National Association of Purchasing Managers), near the beginning of each month.

### 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**. Also according to ISM, a PMI > 41.2, over a period of time, generally indicates overall economic expansion.

### What are the latest numbers?

- The PMI rose to **55.7 in October 2009**, up from 52.6 in September 2009 — its highest level since April 2006 and the **ninth increase in the past 10 months**. The "new orders" component of the PMI fell for the second straight month in October 2009, dropping to 58.5 from 60.8 in September 2009.
- What the ISM said regarding the October PMI: "The jump in the index was driven by production and employment, with both registering significant gains. Production appears to be benefiting from the continuing strength in new orders, while the improvement in employment is due to some callbacks and opportunities for temporary workers. Overall, it appears that inventories are balanced and that manufacturing is in a sustainable recovery mode."
- The PMI is now **up 69%** since it bottomed out in December 2008 and continues to suggest a more positive economic outlook than any other indicator followed in this report.
- Since January 2005, **PMI has corresponded closely with the following month's U.S. rail carloads** excluding coal and grain — though that



relationship has become less robust since the recent surge in PMI (see chart previous page). It wouldn't be surprising to see the current wide gap narrow, either because PMI comes back to earth a bit or because rail carloadings increase, or both.

**Where to go for more information:**

- The press release for the October PMI is [here](#) – it includes much more detail than the summary above. The November PMI will be released on December 2, 2009.

**MANUFACTURING INVENTORIES AND SALES**

**Who releases it and when?**

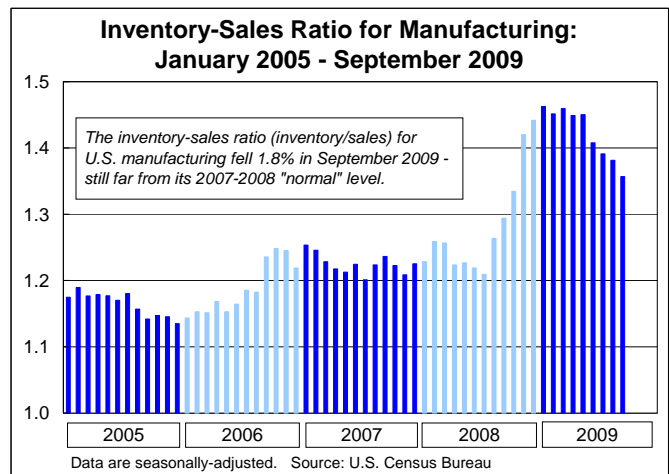
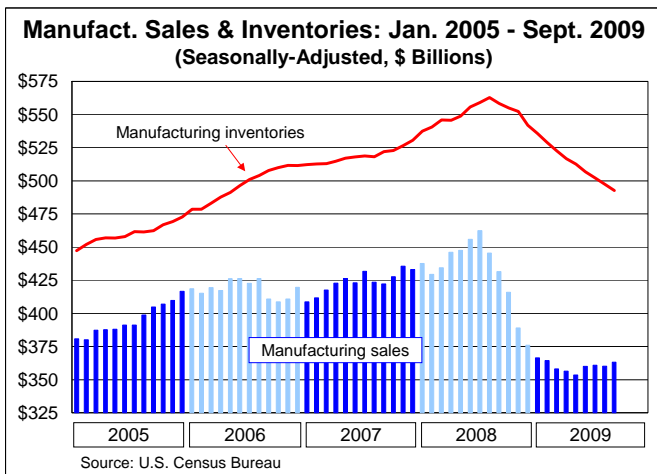
- The U.S. Census Bureau, near the beginning of each month, covering the month two months prior. (E.g., the report released in early October has data covering August.)

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

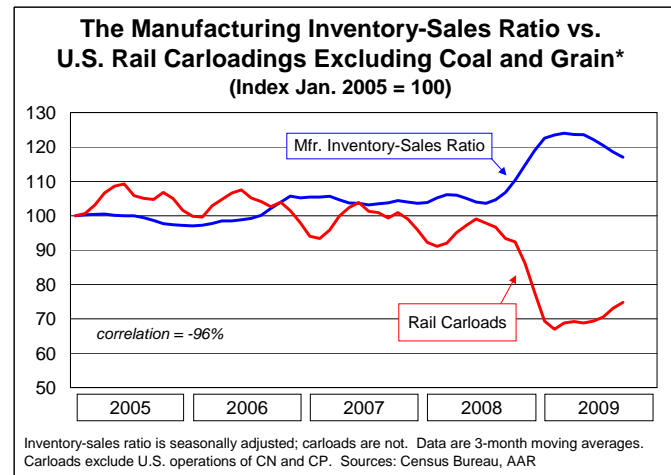
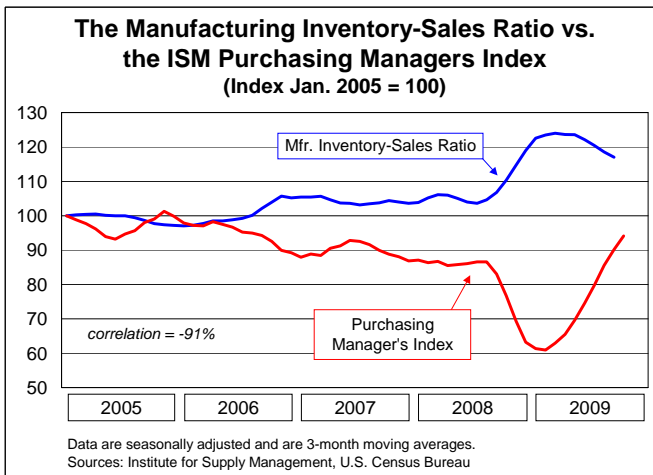
- The report is based on data reported from manufacturing establishments with \$500 million or more in annual shipments covering 89 industry categories. Figures are adjusted for seasonal differences but not for price changes.
- Manufacturers **don't want to hold too much inventory** because it costs money to store it and it can become obsolete or spoil. Moreover, inventory earns 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.
- 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?**

- **Manufacturing sales rose 0.8%** in September 2009 while manufacturing **inventories fell 1.0%** (both figures are seasonally-adjusted). Consequently, the September **inventory-sales ratio fell 1.8%** to 1.36, its lowest level since October 2008.



- Because the inventory-to-sales ratio in September is still far higher than its “normal” level of around 1.2 — implying that it still has a long way to fall before inventory restocking will provide a significant sustained boost for U.S. manufacturing — the ratio continues to lends itself to a much **less optimistic outlook** for U.S. manufacturing than the purchasing managers index (PMI), which has risen sharply over the past few months (see page 15).
- On the other hand, there’s a very strong negative correlation (meaning that when one goes up, the other goes down) between the inventory-sales ratio and PMI (see chart below left). The increase in PMI in October thus probably means that the inventory-sales ratio continued to fall in October, getting closer to its “normal” level. (The inventory-sales ratio data is a month behind; October data will be released by the Census Bureau in early December.)
- The strong negative correlation between the inventory-sales ratio for manufacturing and rail carloads excluding coal and grain continued this month (see chart below right).



**Where to go for more information:**

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

**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?**

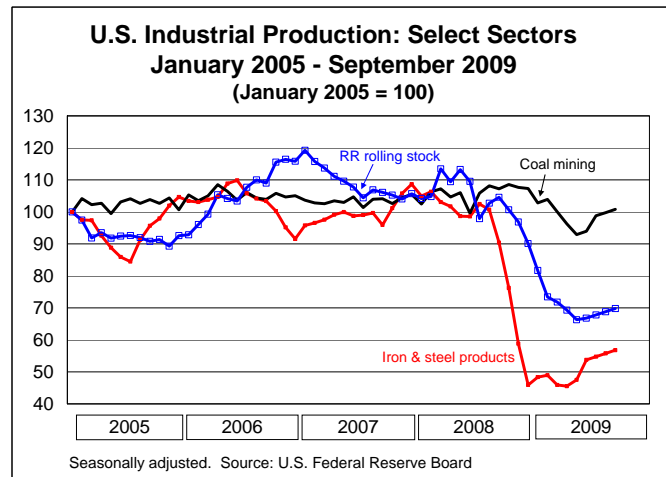
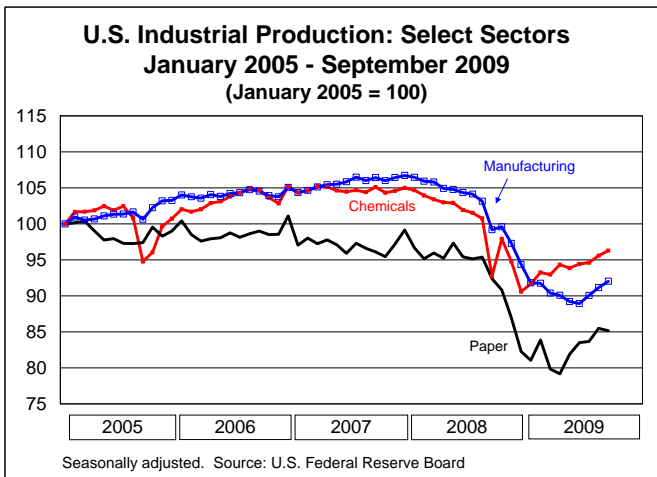
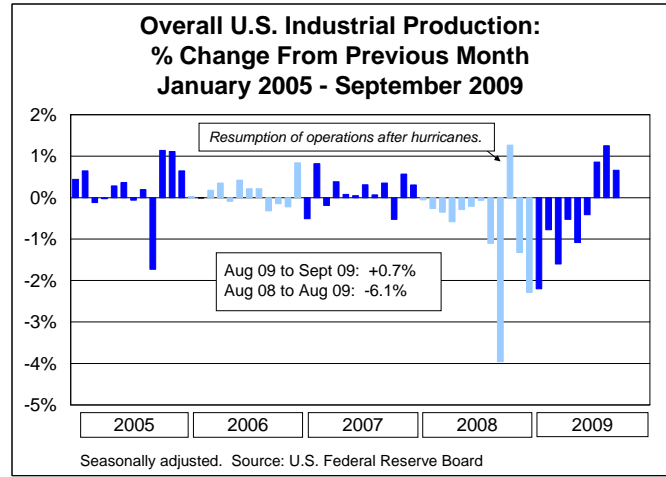
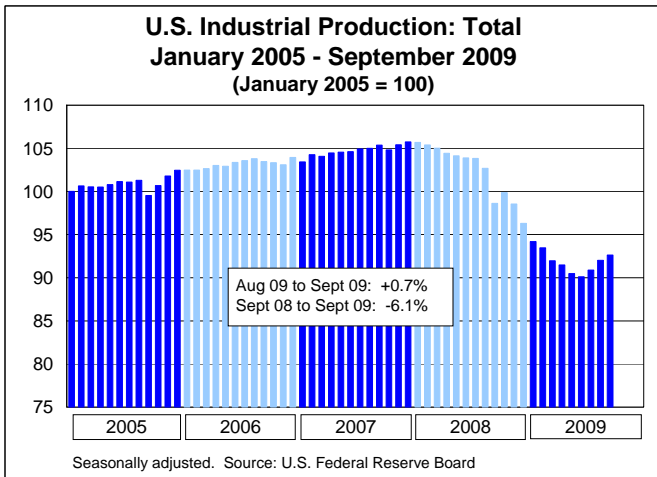
- Industrial production figures are based on the monthly raw volume of goods produced by U.S. industrial firms such as factories, mines, and electric utilities. Sector breakdowns are available. The industrial sector generally exhibits the most volatility in output during a business cycle. Large changes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

**What are the latest numbers?**

- Seasonally-adjusted **total industrial production rose 0.7% in September 2009** from August 2009 (see chart next page). That’s the third straight monthly increase, though it’s noticeably lower than the revised 1.2% increase in August 2009.

**Where to go for more information:**

- The Federal Reserve release on industrial production in September is [here](#). October data will be released on November 17, 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?**

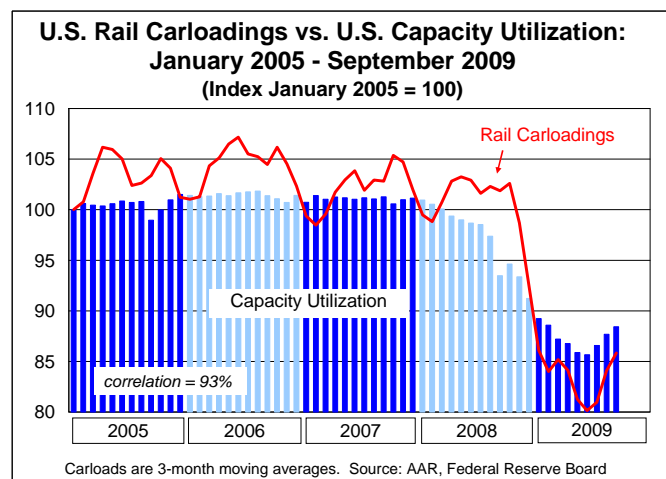
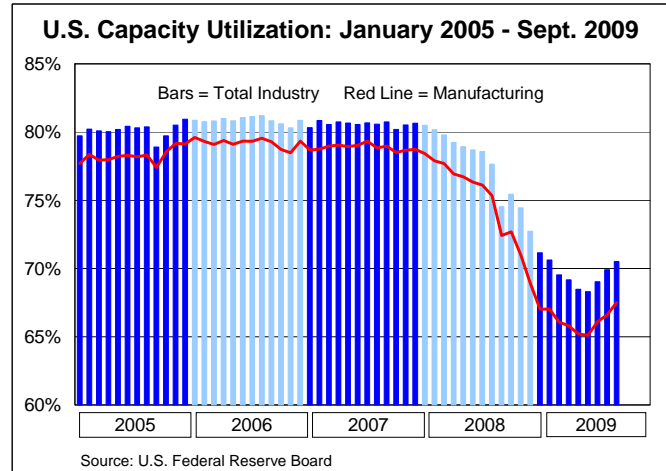
- Capacity utilization attempts to capture the concept of sustainable maximum output — *i.e.*, the highest output a plant can maintain assuming a realistic work schedule, normal downtime, and sufficient availability of inputs to operate the capital in place. The Fed provides capacity indexes for 87 industries (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 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.

### What are the latest numbers?

- **Capacity utilization for total industry** (mining, manufacturing, and gas and electric utilities) **rose to 70.5% in September 2009** from 69.9% in August 2009. This marks the **third straight monthly increase** and its highest point since February 2009. It's still down sharply from September 2008's 74.5% and September 2007's 80.7%, but the upward movement is clear. Now, we just need about 22 more months like September and capacity utilization will be about where it was in 2006 and 2007.
- Capacity utilization for **manufacturing** was 67.5% in September 2009, up from 66.6% in August 2009 and also the **third straight monthly increase**. It was 72.4% in September 2008 and 79.0% in September 2007.
- In yet another example of how freight rail traffic is directly tied to the health of the economy, there is a strong positive correlation between total capacity utilization and total rail carloadings (see chart at right).

### Where to go for more information:

- The Federal Reserve release on capacity utilization in September is [here](#). October data will be released on November 17, 2009.



## NUMBER OF EMPLOYED PERSONS AND UNEMPLOYMENT RATE

### Who releases it and when?

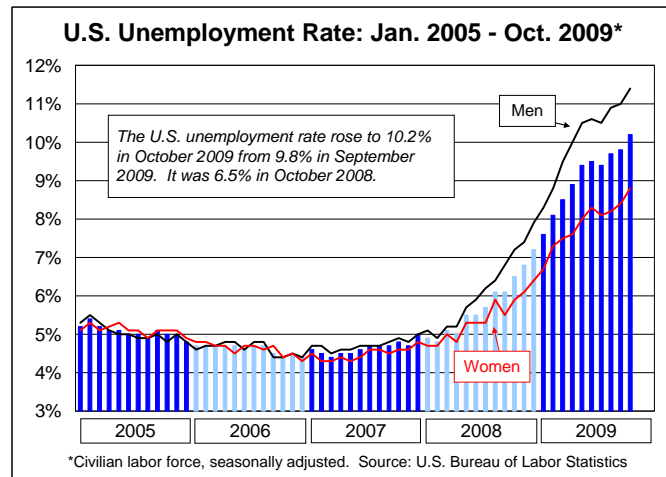
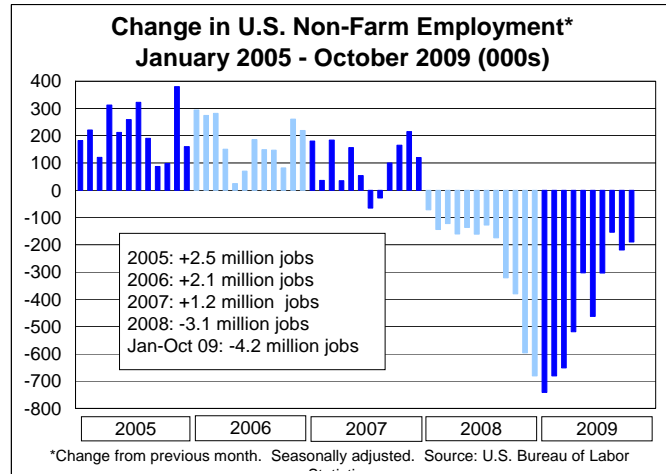
- U.S. Bureau of Labor Statistics (BLS) near the beginning of each month.

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

- The figures provide a snapshot of the strength of the U.S. labor market 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**. (Average monthly U.S. job growth from September 2003 through December 2007 was 159,000 jobs.) Anything less constitutes a weak job market.
- 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 **190,000 in October 2009** from September 2009. In the 22 months from January 2008, the U.S. economy has lost 7.3 million net jobs.
- The **unemployment rate in October 2009 rose to 10.2%**, up from 9.8% in September 2009 and the highest rate since April 1983.
- The labor force participation rate — the proportion of working-age people who either have jobs or are actively looking for a job — fell to 65.1% in October 2009 from 65.2% in September 2009 and 65.5% in August 2009. That’s the lowest level since April 1986 and a possible indication that more people are simply giving up on finding a job.
- BLS also recently reported that U.S. labor productivity rose at an annual rate of 9.5% in Q3 2009, up from 6.9% in Q2 2009 and the highest rate since Q3 2003. These productivity gains are largely a result of job cuts and fewer hours worked by remaining employees. Employers can’t keep squeezing more out of their existing staff forever – at some point, they’ll have to hire more employees. But as long as they can continue to squeeze more output out of them, they will be reluctant to hire more and unemployment will remain higher than it otherwise would be.



**Where to go for more information:**

- The BLS press release on the employment situation in October 2009 is [here](#). Data for November 2009 will be released on December 4, 2009.

**CLASS I RAILROAD EMPLOYMENT**

**Who releases it and when?**

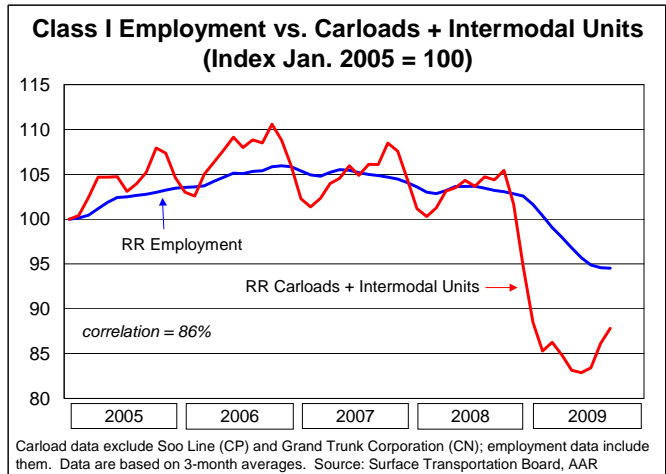
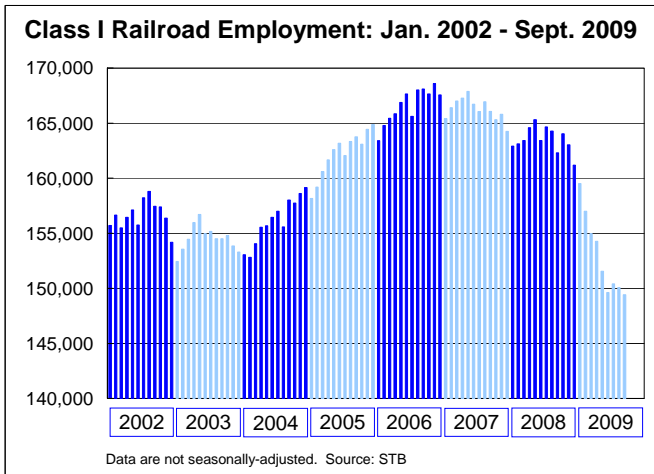
- Surface Transportation Board (STB), around the middle of the month.

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

- Report showing the average number of 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 railroad employment **fell to 149,428 in September 2009, down 636 employees** from August 2009 and down nearly 13,000 from September 2008.
- Railroad employment started to pick up substantially in 2004, corresponding to a period when rail traffic was increasing. As one would expect, there is a fairly strong statistical correlation between railroad traffic and railroad employment (see chart below right), though it appears that rail traffic has fallen much more than rail employment.



### Where to go for more information:

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

## INDEX OF CONSUMER CONFIDENCE

### Who releases it and when?

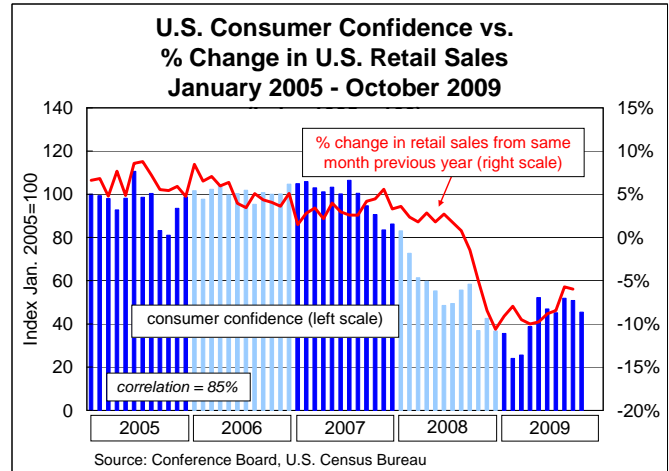
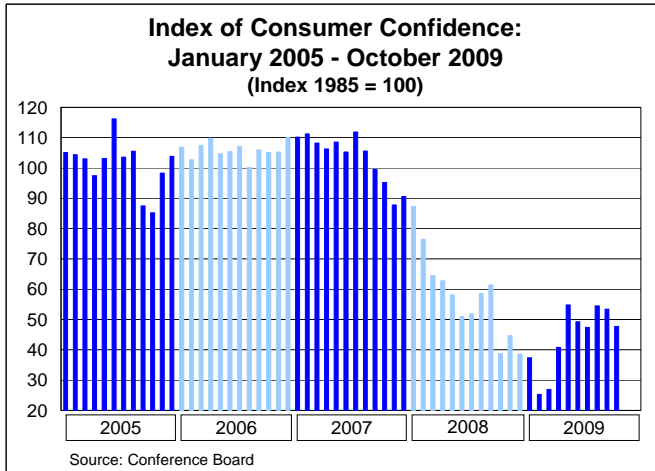
- The Conference Board, last Tuesday of the month.

### 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 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 **fell in October 2009 to 47.7**, down from a revised 53.4 in September 2009.
- What the Conference Board said regarding the October data: "The short-term outlook has ... grown more negative, as a greater proportion of consumers anticipate business and labor market conditions will worsen in the months ahead. Consumers also remain quite pessimistic about their future earnings, a sentiment that will likely constrain spending during the holidays."
- The index of consumer confidence really does correlate pretty well with consumer spending (see chart at right next page).



**Where to go for more information:**

- The Conference Board's press release on the consumer confidence index in October is [here](#).

**RETAIL SALES**

**Who releases it and when?**

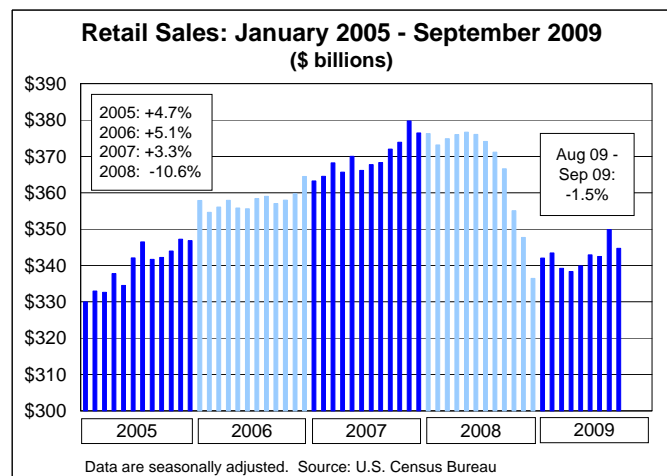
- The U.S. Census Bureau, around the ninth business day of each month.

**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 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 fell 1.5% (\$5.2 billion) in September 2009 from August 2009. Sales at motor vehicles and parts dealers fell \$6.5 billion in September, more than accounting for the overall decline. Excluding motor vehicles and parts, retail sales in September were up 0.5%, or \$1.3 billion, including a 0.9% increase (\$440 million) at general merchandise stores (e.g., department stores, warehouse stores, supercenters).
- It's worth highlighting again that personal consumption contributes about 70% of GDP. That's why continued



weakness in retail sales highlights one of the major threats to economic recovery. Without vibrant consumer spending, it will be difficult for the economy to consistently improve. And as *The Wall Street Journal* recently pointed out, "Savings by suddenly frugal U.S. households soared to an annualized \$566 billion in the second quarter, more than quadruple the rate at the start of 2008." Money saved is money not spent.

**Where to go for more information:**

- The Census Bureau's press release on September retail sales is [here](#). October retail sales will be released November 16, 2009.

**LIGHT VEHICLE SALES**

**Who releases it and when?**

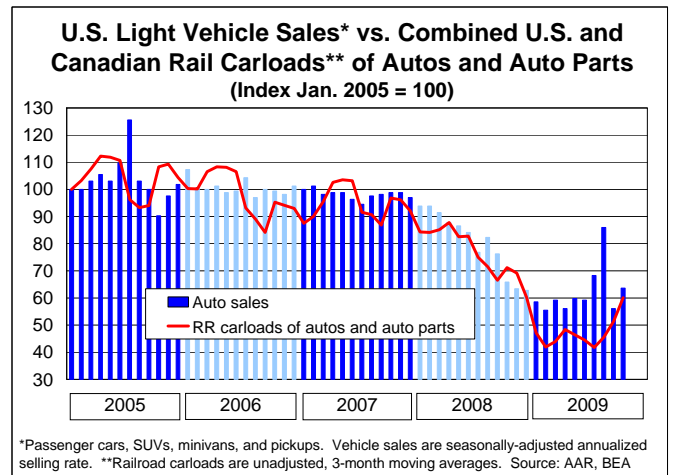
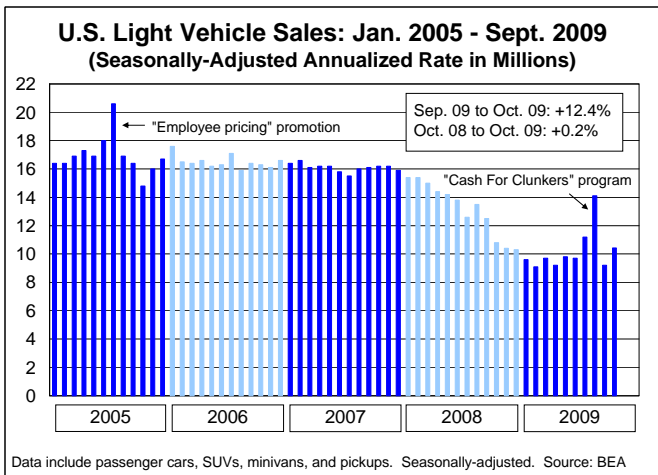
- The U.S. Bureau of Economic Analysis.

**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 U.S. Class I railroad revenue came from hauling autos and auto parts.

**What are the latest numbers?**

- U.S. light vehicle sales rebounded in October 2009, **rising 12.4% over September 2009's level** to a seasonally-adjusted annualized selling rate (SAAR) of **10.4 million**. U.S. and Canadian rail carloads of motor vehicles and parts saw an uptick in October as well (see chart below right).



**Where to go for more information:**

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

**HOUSING STARTS**

**Who releases it and when?**

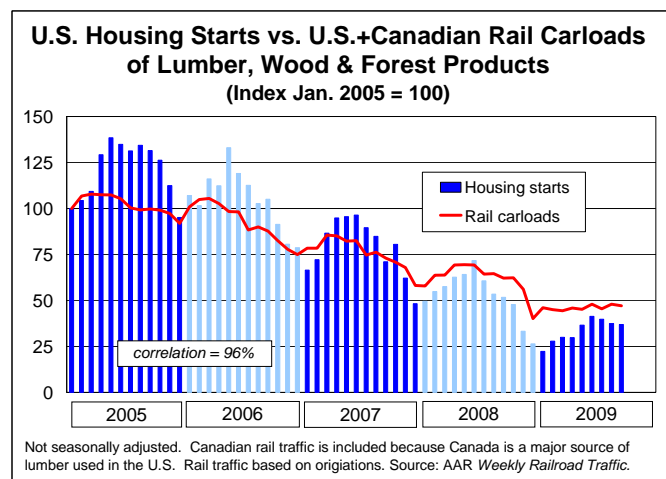
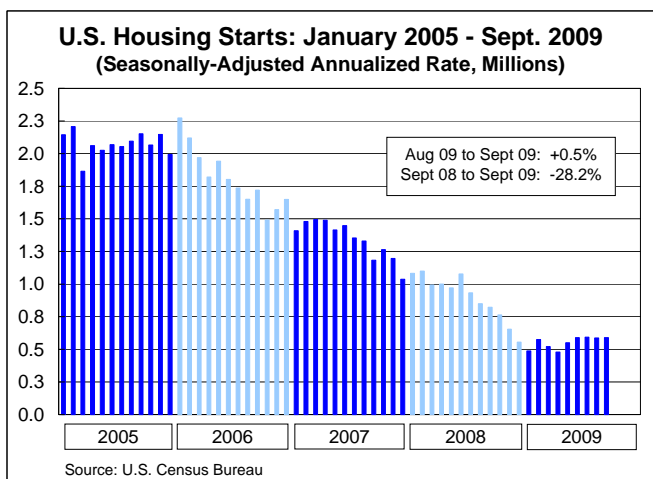
- Census Bureau, around the middle of each month.

### 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?

- On an annualized basis, seasonally-adjusted housing starts in September 2009 **were up 0.5% to 590,000** from August 2009. Housing starts have been basically flat for several months – as have U.S. and Canadian rail carloads of lumber and forest products, which track housing starts very closely.



### Where to go for more information:

- The Census Bureau's press release on housings starts in September is [here](#). October's housing starts will be released on November 18, 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?

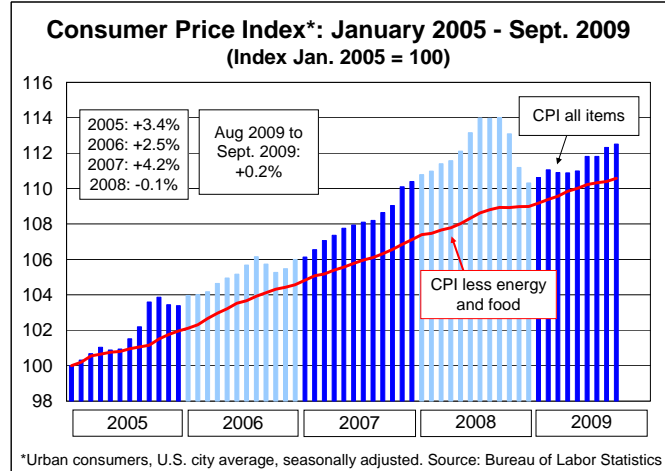
- The CPI is the benchmark inflation guide for the U.S. economy, measuring the changes in the cost of a representative basket of consumer goods and services. Prices are collected in 87 urban areas throughout the country and from about 23,000 retail and service establishments.
- The “CPI for All Urban Consumers” (CPI-U) is the inflation index most often reported by the media. The “core” CPI — CPI less food and energy — is also commonly cited.
- Among other uses, the CPI is the basis for cost-of-living adjustments for Social Security, federal retirement payments, many private pensions, and food stamps. A pick-up in inflation can mean an overheated economy, which could result in an increase in interest rates to slow it down.

**What are the latest numbers?**

- In September 2009, the consumer price index for all urban consumers (CPI-U) was up 0.2% on a seasonally-adjusted basis compared with August 2009 and down 1.3% on a year-over-year basis. The “core” CPI was also up 0.2% in September 2009.

**Where to go for more information:**

- The BLS press release on the September CPI is [here](#). October’s CPI will be released on November 18.



**U.S. DOLLAR EXCHANGE RATE**

**Who releases it and when?**

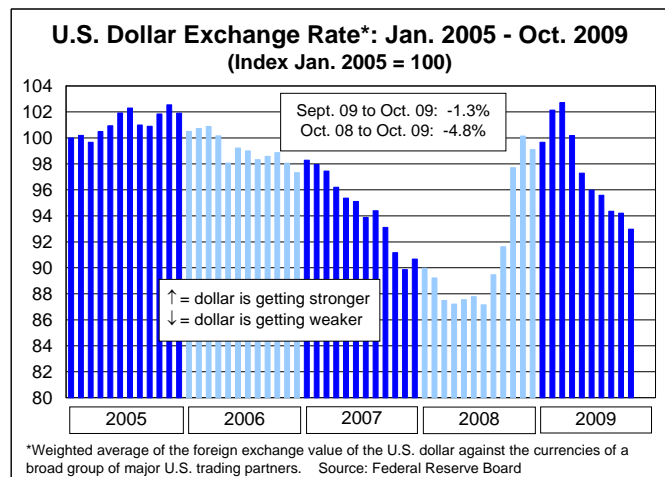
- The Federal Reserve Board, daily.

**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.
- 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 continued its months-long fall in October, dropping another 1.3% from September.
- No one knows for sure if the dollar’s decline will continue — and if they did, they wouldn’t admit it, but instead would use that knowledge to make a ton of money trading currencies.
- That said, common reasons given for the dollar’s recent decline include concern that the U.S. has “lost its way” economically (e.g., concern that budget deficits have become so big as to be nearly uncontrollable); low U.S. interest rates and fears this will lead to higher inflation; and a belief that other global economies will fare better in the near term than the U.S. economy will.



- As noted above, everything else equal, when the U.S. dollar weakens, U.S. exports become less expensive abroad. So it is with grain, a major U.S. export — over past 10 years, 18% of U.S.

corn, 49% of wheat, and 37% of soybeans have been exported. In October 2009, U.S. grain exports surged (see chart at right), no doubt aided to at least some degree by the falling U.S. dollar.

**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 last 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, the ESI “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. ...The ESI’s back-testing to 1990 ...suggests the indicator can help predict economic turning points as much as seven months in advance of other indicators.”

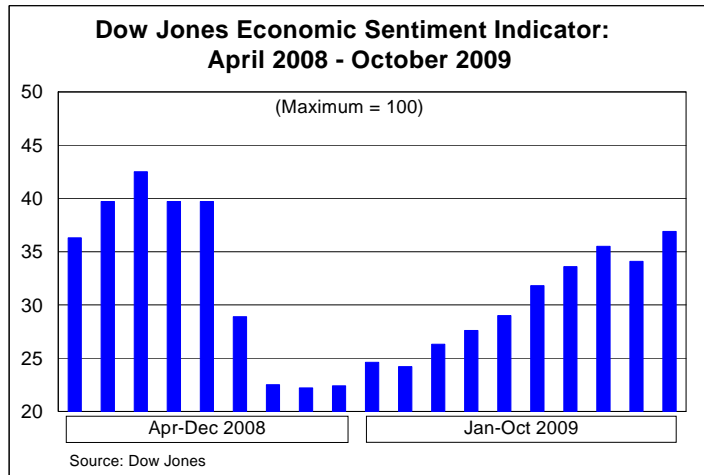
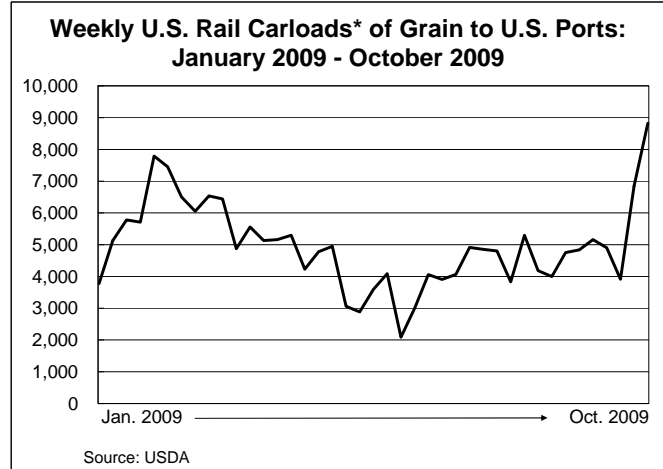
**What are the latest numbers?**

- The ESI for October 2009 was **36.9**, up from 34.1 in September.
- According to Dow Jones, the gain in the ESI in October was “a result of positive media coverage of ongoing stock market gains and news that the gross domestic product rose at an annual rate of 3.5 percent in the third quarter.”

- Dow Jones noted that the ESI’s gain in October contrasts with a decline in consumer confidence in the month. Why the contrast? According to Dow Jones, “Consumers are likely to focus on the continuing bad employment news because of the fear that they could be next.” The ESI, though, is based on newspaper coverage of the economy, and “there was a drop off in coverage of the recession as the media focus on broader positive economic trends such as the stock market’s rebound, improved corporate earnings and the growth in the GDP outweighed coverage of mixed or negative news during the month.”

**Where to go for more information:**

- Information on the Dow Jones ESI 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?

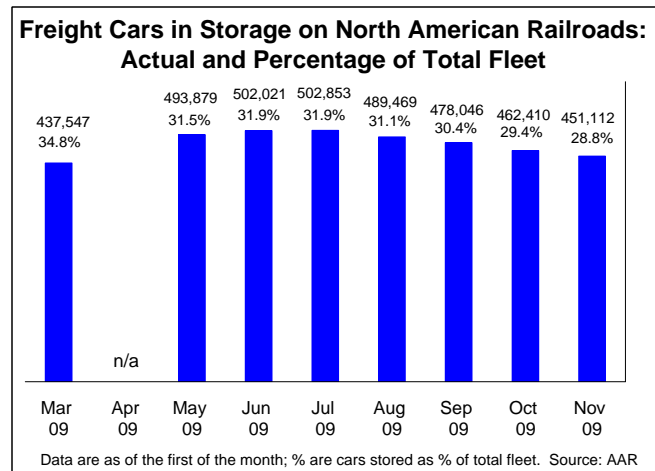
- The AAR began measuring this in March 2009. (Data for previous periods are not available.) A freight car is deemed to be “in storage” if it has not had a loaded revenue move in more than 60 days. Rail cars are stored when they are not needed; they come out of storage when they are. Figures are for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

### What are the latest numbers?

- As of November 1, 2009, freight cars in storage fell to 451,112, or 28.8% of the North American fleet. That’s an 11,000+ cars reduction from the 462,410 (29.4% of the fleet) on October 1, 2009.
- The drop of slightly over 50,000 cars in storage from the peak in July 2009 has been most pronounced in large covered hoppers, probably for grain transport.

### 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](mailto:fhardesty@aar.org).



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**Previous editions of Rail Time Indicators are available on the AAR web site [here](#).**