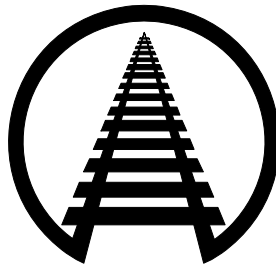


Rail Time Indicators

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



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

July 21, 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, 202-639-2326) or Shannon Stare ([sstare@aar.org](mailto:ssstare@aar.org), 202-639-2322).

SUMMARY FOR JUNE 2009

Economic Indicator	Most Recent Data
U.S. Freight Rail Traffic (p. 1)	↓ 19.5% (carloads), ↓ 18.2% (intermodal) in June 2009 from June 2008.
Canadian Freight Rail Traffic (p. 1)	↓ 25.8% (carloads), ↓ 19.2% (intermodal) in June 2009 from June 2008.
Gross Domestic Product (p. 7)	↓ 5.5% in Q1 2009 (final figure).
Purchasing Managers Index (p. 9)	↑ to 44.8 in June from 42.8 in May.
Manufacturing Inventories and Sales (p. 10)	From April to May, manufacturing sales ↓ 0.9% , manufacturing inventories ↓ 0.6% , and the inventory-to-sales ratio ↑ 0.2% .
Index of Industrial Production (p. 11)	↓ 0.4% in June from May.
Capacity Utilization (p. 12)	↓ to 68.0% in June from 68.2% in May.
Non-Farm Employment (p. 13)	↓ 467,000 in June from May
Unemployment Rate (p. 13)	↑ to 9.5% in June from 9.4% in May.
Class I Railroad Employment (p. 14)	↓ to 151,536 in May from 154,263 in April.
Index of Consumer Confidence (p. 15)	↓ to 49.3 in June from 54.8 in May.
Retail Sales (p. 15)	↑ 0.6% in June from May.
Light Vehicle Sales (p. 16)	↓ 2.0% in June from May.
Housing Starts (p. 17)	↑ 3.6% in June from May.
Consumer Price Index (p. 18)	↑ 0.7% in June from May.
Railroad Cost Index (p. 18)	From Q1 '09 to Q2 '09, wages ↑ 0.2% ; wage supplements ↑ 0.1% ; fuel ↓ 0.4% ; materials & supplies, ↓ 3.8% .
Value of the U.S. Dollar (p. 18)	↓ 1.4% in June from May.
Dow Jones Economic Sentiment Indicator (p. 19)	↑ to 31.8 in June from 29.0 in May.

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?

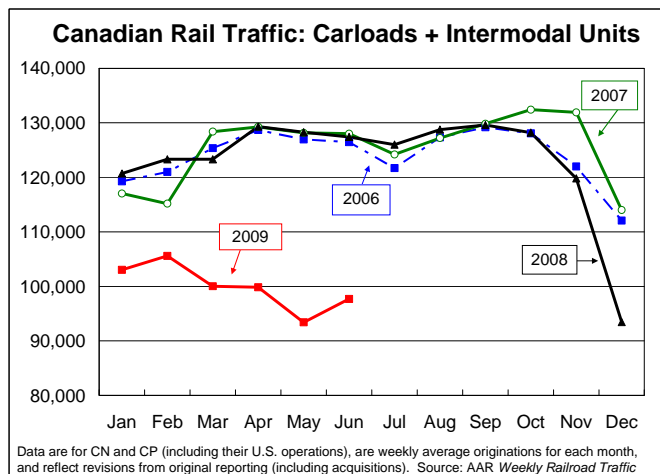
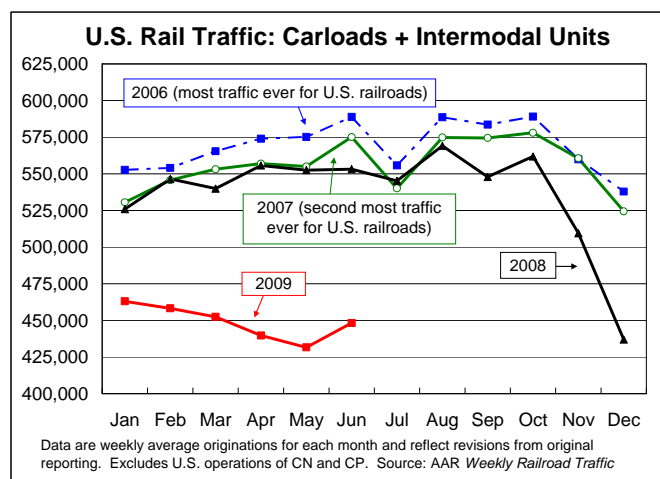
- Weekly AAR data detail rail carloadings for 19 major commodity categories, as well as intermodal trailers and containers, for the previous week for a group of railroads that collectively account for the vast majority of total U.S. and Canadian rail traffic.
- Freight railroading is a "derived demand" 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 **June 2009 were down 19.5%** (252,078 carloads) from June 2008 to 1,037,928 carloads. June 2009 was the eighth straight double-digit monthly carload decline, but it was a smaller decline than the previous two months. Average weekly carloads in June 2009 (259,482) were 10,311 carloads **higher** than in May 2009.
- U.S. **intermodal traffic** (which is not included in carloads) was **down 18.2%** (168,031 trailers and containers) in June 2009 to 755,000 units. (See table next page.)
- **For the second quarter of 2009, U.S. rail carloadings were down 22.2%** (945,652 carloads); **second quarter intermodal traffic was down 18.3%** 538,345 trailers and containers).
- **For the first six months of 2009, U.S. rail carloadings were down 19.3%** (1,573,998 carloads); intermodal traffic in the first half of 2009 was **down 17.0%** (950,147 trailers and containers).
- Canadian carload traffic (which includes both the Canadian and U.S. operations of CN and Canadian Pacific) **fell 25.8%** (81,700 carloads) in June 2009 to 234,401 carloads, while Canadian intermodal traffic **fell 19.2%** (37,205 units) to 156,341 trailers and containers. For the first six months of 2009, Canadian rail carloads were down 24.1% (474,163 carloads) and Canadian intermodal traffic was down 15.6% (185,431 units).

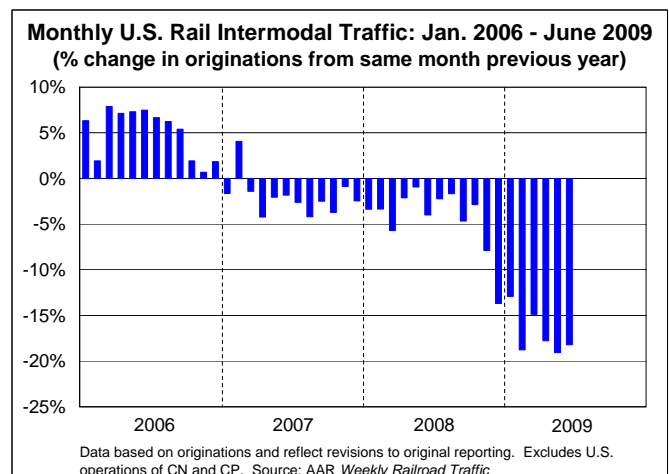
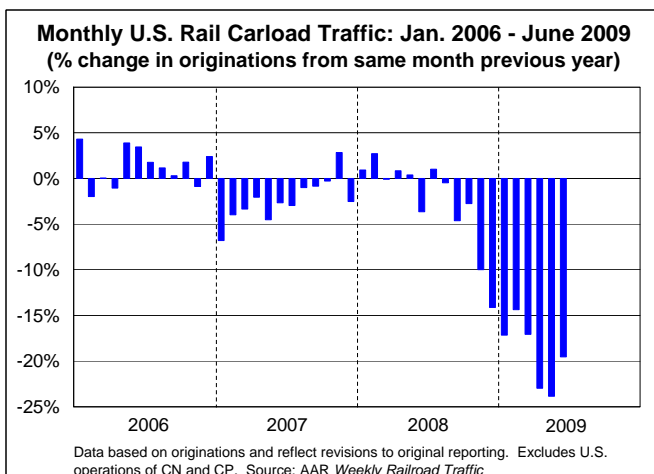
Where to go for more information:

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



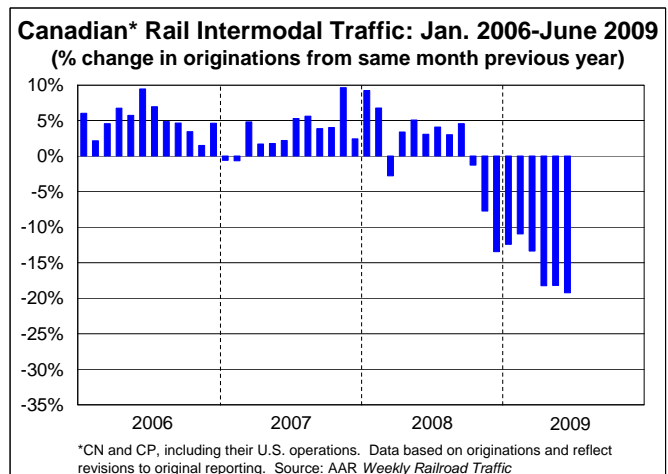
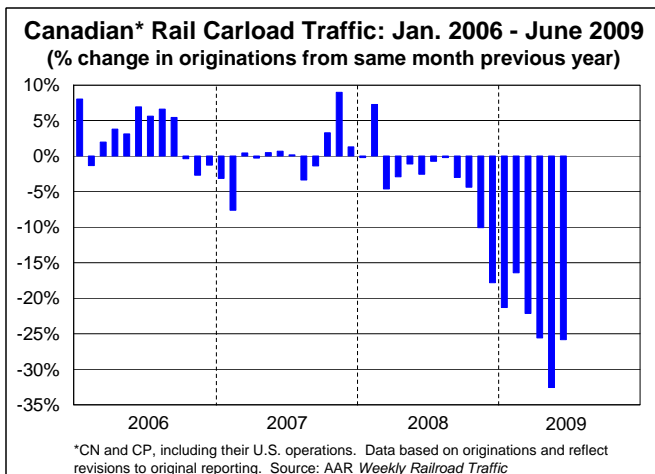
U.S. Rail Traffic*								
Commodity	June 09	June 08	Differ.	% Chng	YTD 2009	YTD 2008	Differ.	% Chng
Agricultural products	134,980	164,517	-29,537	-18.0%	877,199	1,082,778	-205,579	-19.0%
Grain	66,560	88,022	-21,462	-24.4%	461,499	607,460	-145,961	-24.0%
Farm products excl. grain	3,440	3,718	-278	-7.5%	19,231	27,163	-7,932	-29.2%
Grain mill products	33,789	36,641	-2,852	-7.8%	202,386	222,522	-20,136	-9.0%
Food products	31,191	36,136	-4,945	-13.7%	194,083	225,633	-31,550	-14.0%
Chemicals	125,212	148,934	-23,722	-15.9%	775,117	933,707	-158,590	-17.0%
Chemicals	102,539	123,284	-20,745	-16.8%	640,545	775,846	-135,301	-17.4%
Petroleum products	22,673	25,650	-2,977	-11.6%	134,572	157,861	-23,289	-14.8%
Coal	499,860	542,622	-42,762	-7.9%	3,248,662	3,550,150	-301,488	-8.5%
Forest products	39,610	54,245	-14,635	-27.0%	238,122	331,912	-93,790	-28.3%
Primary forest products	6,400	9,138	-2,738	-30.0%	36,072	54,825	-18,753	-34.2%
Lumber & wood products	9,810	15,958	-6,148	-38.5%	59,684	97,099	-37,415	-38.5%
Pulp & paper products	23,400	29,149	-5,749	-19.7%	142,366	179,988	-37,622	-20.9%
Metallic ores and metals	44,021	99,617	-55,596	-55.8%	272,266	564,551	-292,285	-51.8%
Metallic ores	12,408	33,124	-20,716	-62.5%	64,565	153,406	-88,841	-57.9%
Coke	9,969	15,367	-5,398	-35.1%	67,006	93,857	-26,851	-28.6%
Metals and products	21,644	51,126	-29,482	-57.7%	140,695	317,288	-176,593	-55.7%
Motor vehicles & equipment	35,835	72,433	-36,598	-50.5%	224,035	453,531	-229,496	-50.6%
Nonmetallic minerals & prod.	111,710	145,566	-33,856	-23.3%	644,931	839,864	-194,933	-23.2%
Crushed stone, gravel, sand	64,632	86,272	-21,640	-25.1%	379,465	487,590	-108,125	-22.2%
Nonmetallic minerals	18,763	22,962	-4,199	-18.3%	105,929	146,227	-40,298	-27.6%
Stone, clay & glass prod.	28,315	36,332	-8,017	-22.1%	159,537	206,047	-46,510	-22.6%
Other	46,700	62,072	-15,372	-24.8%	285,320	383,157	-97,837	-25.5%
Waste & scrap material	26,618	42,388	-15,770	-37.2%	159,041	258,497	-99,456	-38.5%
All other carloads	20,082	19,684	398	2.0%	126,279	124,660	1,619	1.3%
TOTAL ALL CARLOADS	1,037,928	1,290,006	-252,078	-19.5%	6,565,652	8,139,650	-1,573,998	-19.3%
Trailers	123,427	200,326	-76,899	-38.4%	802,698	1,219,643	-416,945	-34.2%
Containers	631,573	722,705	-91,132	-12.6%	3,844,370	4,377,572	-533,202	-12.2%
TOTAL ALL INTERMODAL	755,000	923,031	-168,031	-18.2%	4,647,068	5,597,215	-950,147	-17.0%

*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

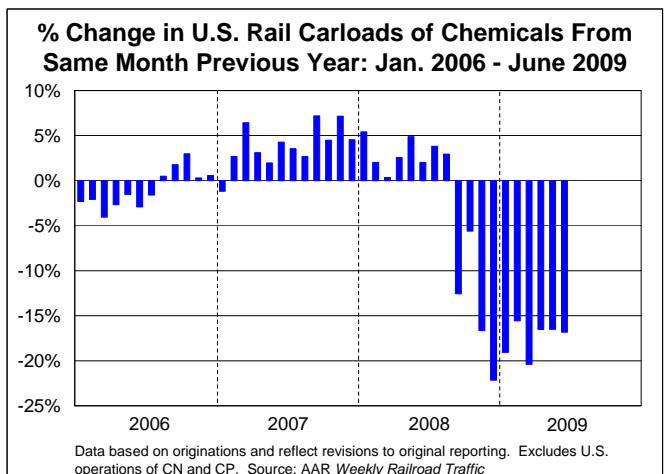
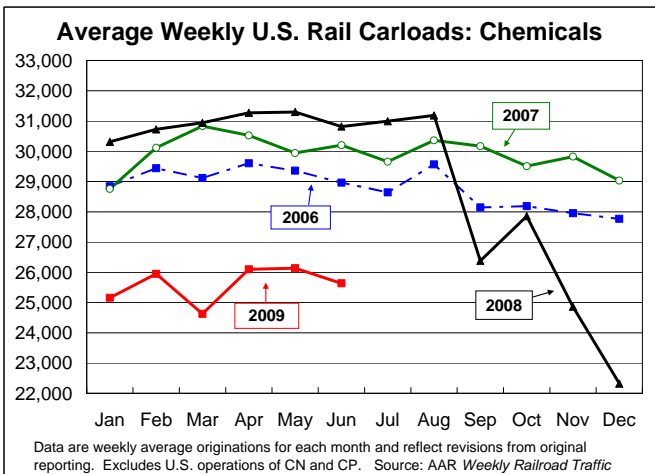
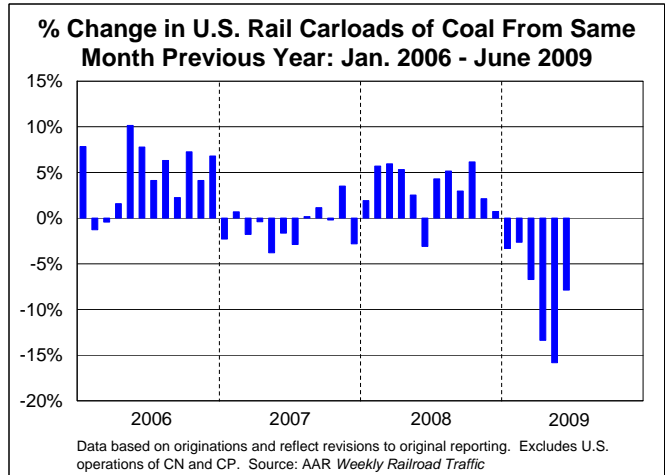
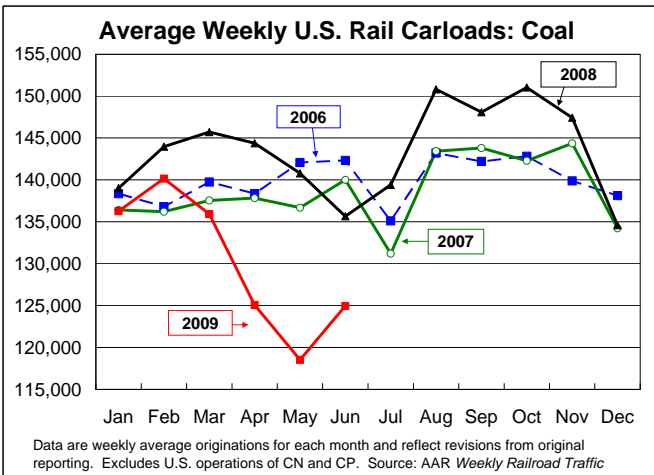
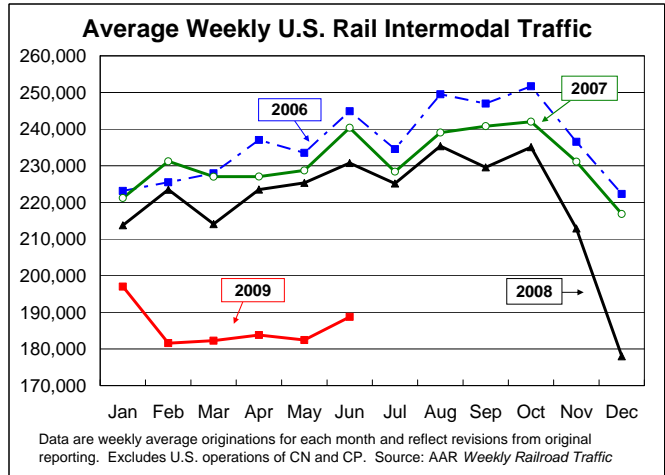
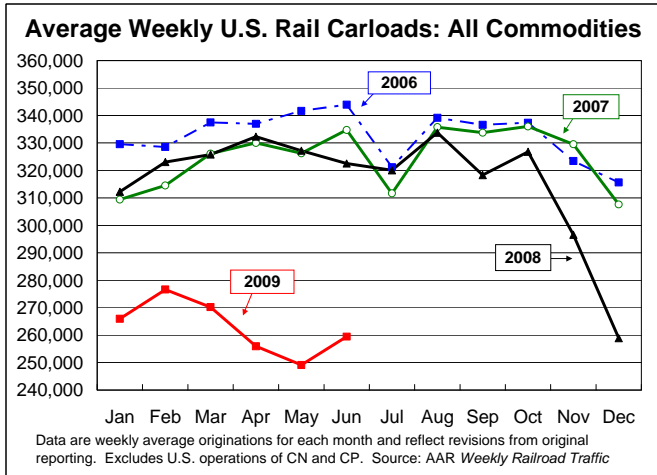


Canadian Rail Traffic*								
Commodity	June 09	June 08	Differ.	% Chng	YTD 2009	YTD 2008	Differ.	% Chng
Agricultural products	63,528	55,450	8,078	14.6%	400,331	392,965	7,366	1.9%
Grain	37,822	32,820	5,002	15.2%	234,957	242,200	-7,243	-3.0%
Farm products excl. grain	11,800	7,595	4,205	55.4%	78,135	55,097	23,038	41.8%
Grain mill products	5,712	6,540	-828	-12.7%	34,573	41,674	-7,101	-17.0%
Food products	8,194	8,495	-301	-3.5%	52,666	53,994	-1,328	-2.5%
Chemicals	46,803	61,504	-14,701	-23.9%	300,954	402,358	-101,404	-25.2%
Chemicals	44,545	58,732	-14,187	-24.2%	285,697	386,225	-100,528	-26.0%
Petroleum products	2,258	2,772	-514	-18.5%	15,257	16,133	-876	-5.4%
Coal	30,471	33,397	-2,926	-8.8%	155,944	202,424	-46,480	-23.0%
Forest products	28,159	36,054	-7,895	-21.9%	173,035	223,813	-50,778	-22.7%
Primary forest products	5,798	7,644	-1,846	-24.1%	36,193	43,296	-7,103	-16.4%
Lumber & wood products	8,527	11,355	-2,828	-24.9%	50,132	69,328	-19,196	-27.7%
Pulp & paper products	13,834	17,055	-3,221	-18.9%	86,710	111,189	-24,479	-22.0%
Metallic ores and metals	25,314	68,315	-43,001	-62.9%	236,823	411,637	-174,814	-42.5%
Metallic ores	18,043	55,308	-37,265	-67.4%	186,530	330,185	-143,655	-43.5%
Coke	1,519	1,616	-97	-6.0%	9,057	9,720	-663	-6.8%
Metals and products	5,752	11,391	-5,639	-49.5%	41,236	71,732	-30,496	-42.5%
Motor vehicles & equipment	14,871	24,502	-9,631	-39.3%	86,503	144,696	-58,193	-40.2%
Nonmetallic minerals & prod.	17,511	26,141	-8,630	-33.0%	88,932	123,721	-34,789	-28.1%
Crushed stone, gravel, sand	7,402	11,921	-4,519	-37.9%	30,688	46,929	-16,241	-34.6%
Nonmetallic minerals	5,203	7,616	-2,413	-31.7%	31,043	39,495	-8,452	-21.4%
Stone, clay & glass prod.	4,906	6,604	-1,698	-25.7%	27,201	37,297	-10,096	-27.1%
Other	7,744	10,738	-2,994	-27.9%	50,570	65,641	-15,071	-23.0%
Waste & scrap material	4,068	7,011	-2,943	-42.0%	25,128	42,568	-17,440	-41.0%
All other carloads	3,676	3,727	-51	-1.4%	25,442	23,073	2,369	10.3%
TOTAL ALL CARLOADS	234,401	316,101	-81,700	-25.8%	1,493,092	1,967,255	-474,163	-24.1%
Trailers	6,132	8,658	-2,526	-29.2%	39,699	49,731	-10,032	-20.2%
Containers	150,209	184,888	-34,679	-18.8%	965,161	1,140,560	-175,399	-15.4%
TOTAL ALL INTERMODAL	156,341	193,546	-37,205	-19.2%	1,004,860	1,190,291	-185,431	-15.6%

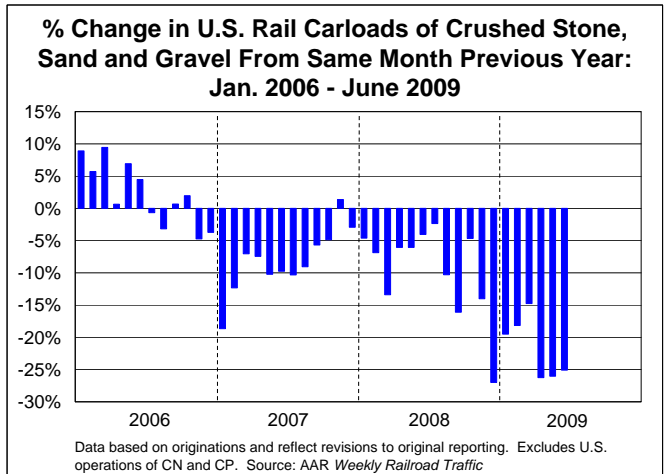
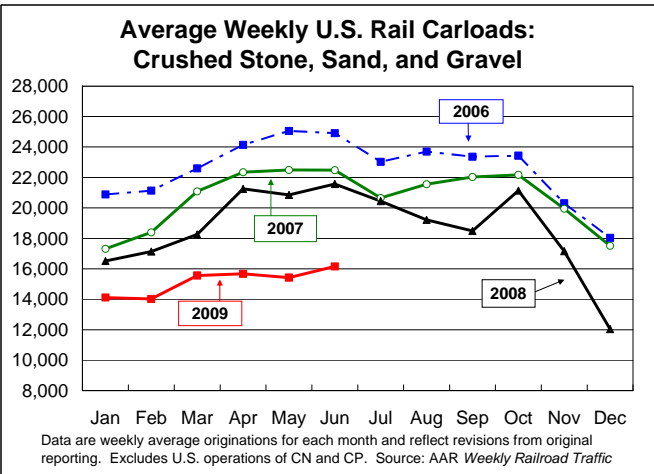
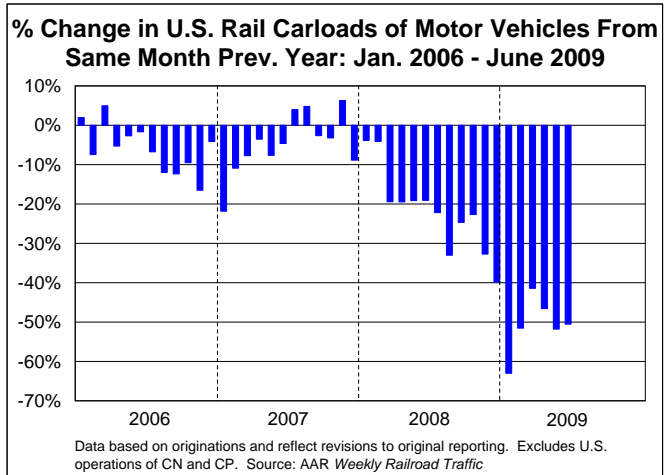
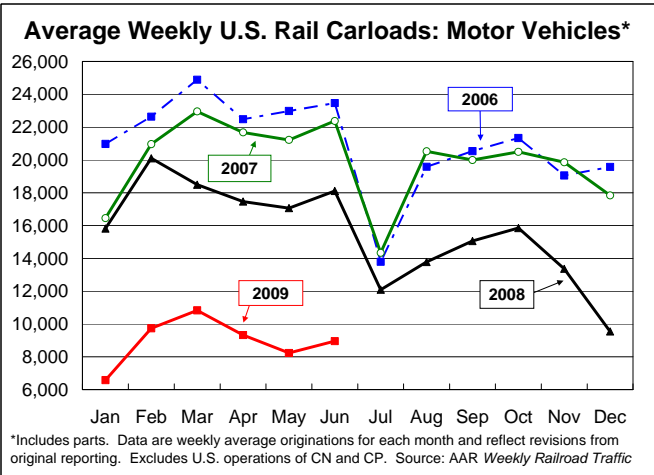
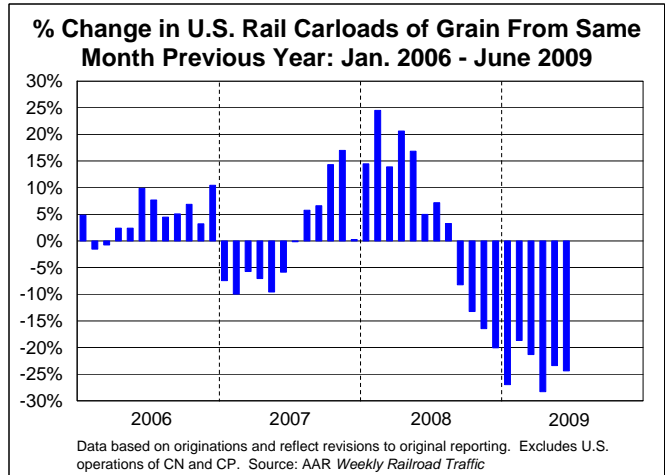
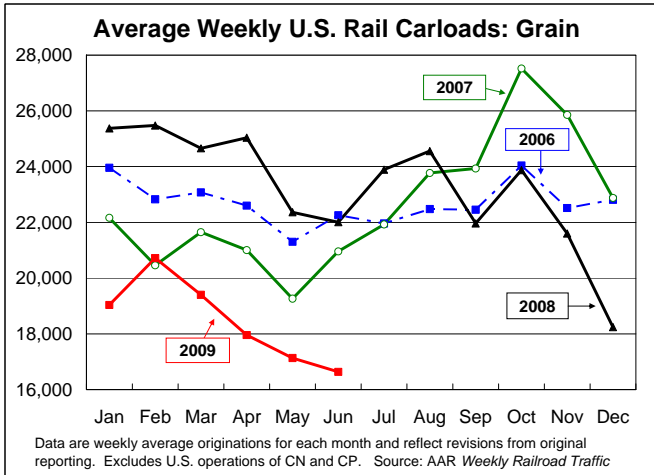
*CN and CP, including their U.S. operations. Source: AAR Weekly Railroad Traffic



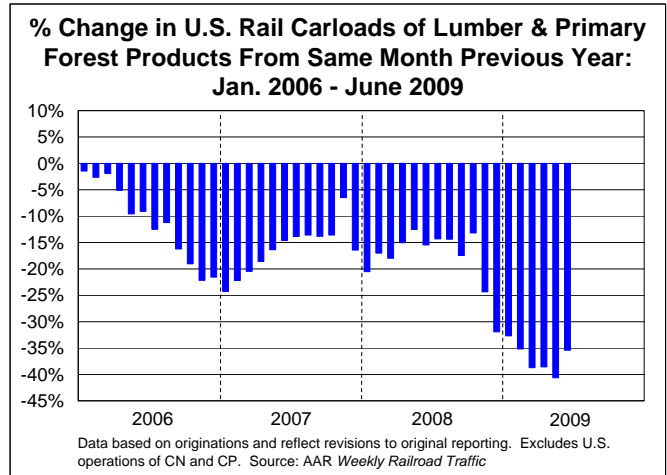
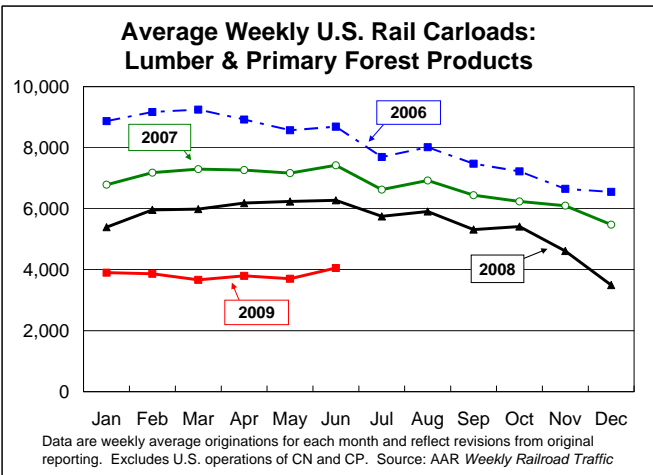
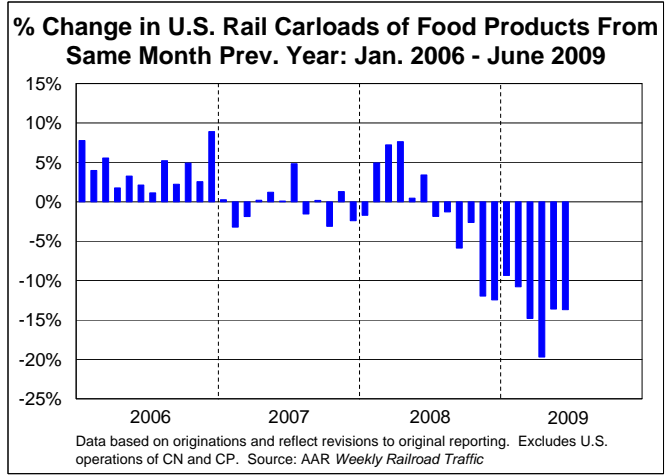
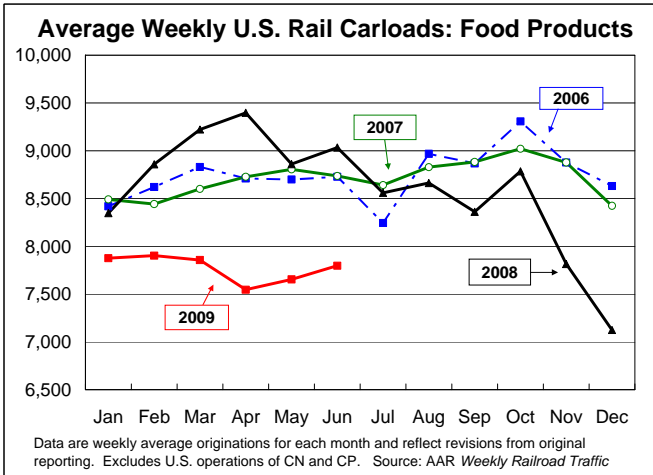
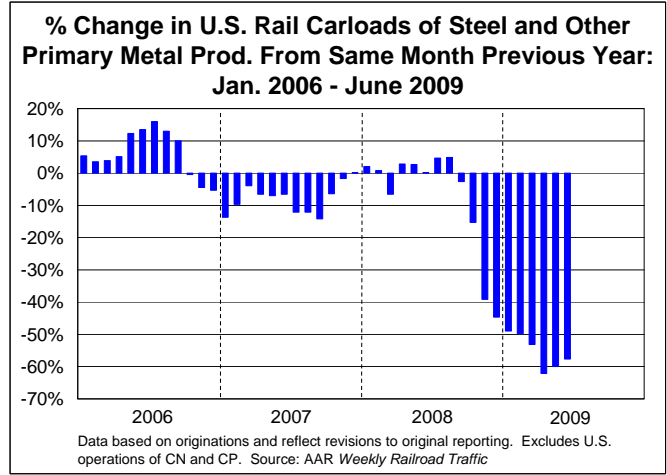
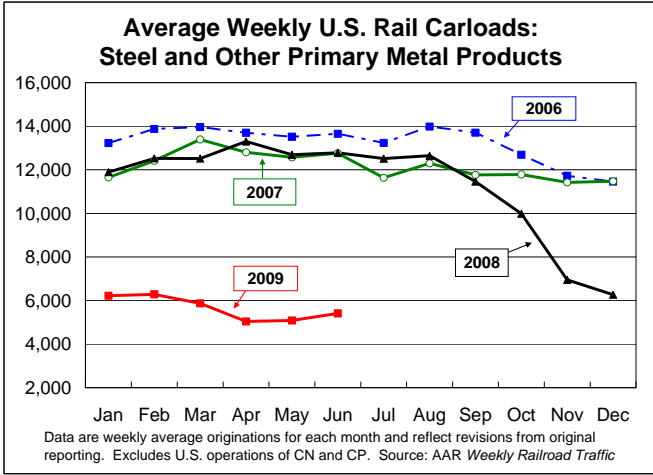
U.S. Rail Carload Traffic — Select Commodities



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 (BEA), measured quarterly and updated as better data become available.

What is it and why is it important?

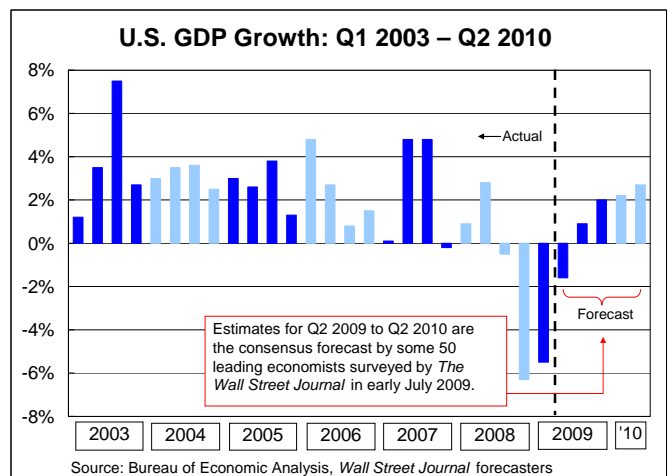
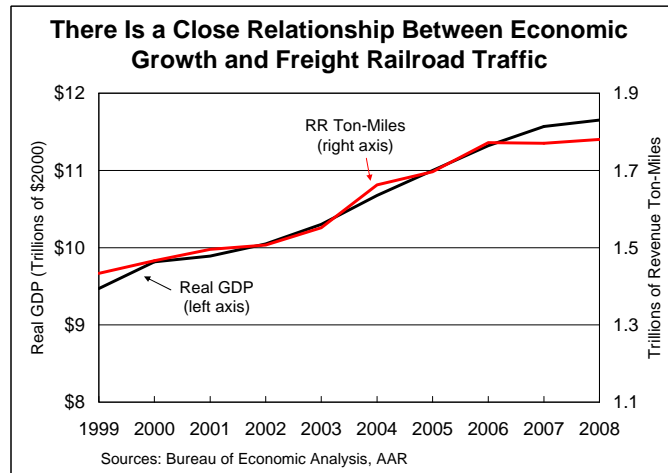
- GDP measures the size of the economy and how fast it's growing. It's the single most conclusive piece of information on the health of an economy.
- On a broad level, GDP growth and freight rail traffic are closely related.

What are the latest numbers?

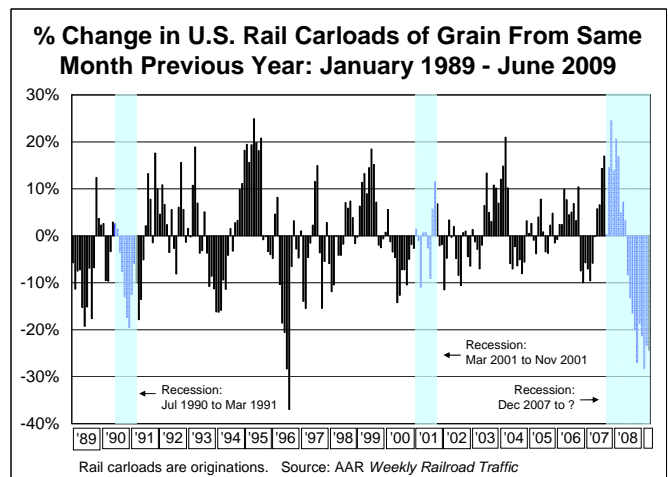
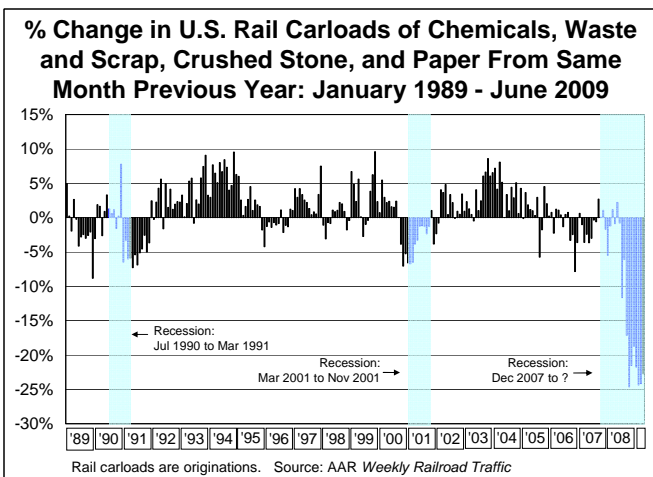
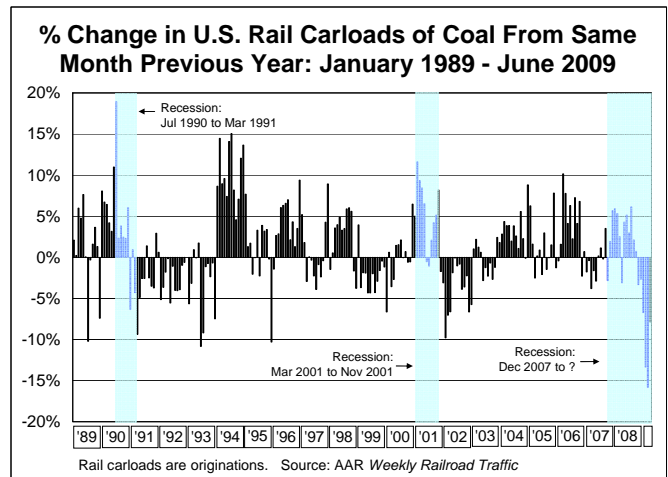
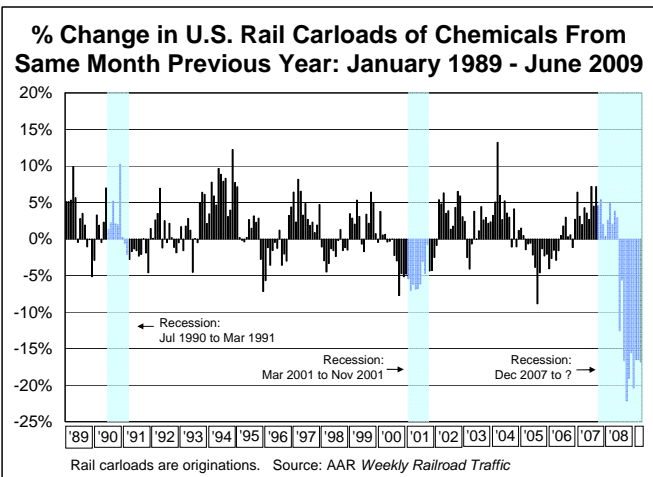
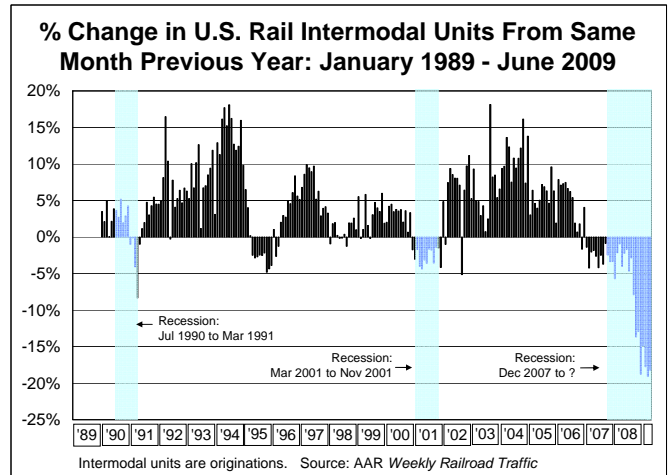
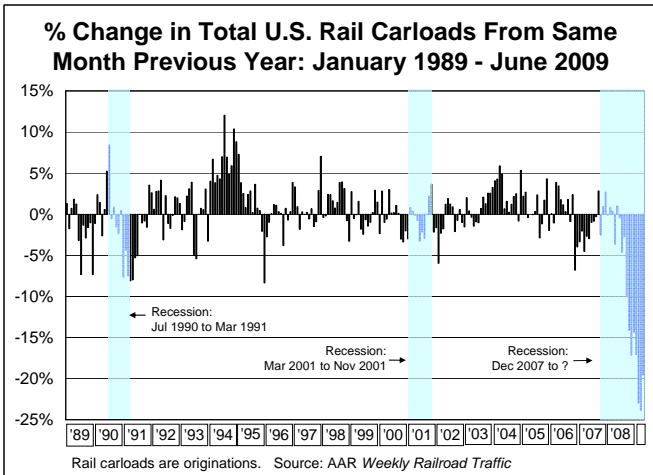
- The BEA announced on June 25 that **U.S. GDP fell** a revised (and now final) **5.5% in Q1 2009**. (The previous estimate was a 5.7% decline.) GDP fell 6.3% in Q4 2008.
- What the BEA said June 25: "The decrease in real GDP in the first quarter primarily reflected negative contributions from exports, equipment and software, private inventory investment, nonresidential structures, and residential fixed investment that were partly offset by a positive contribution from personal consumption expenditures (PCE). 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 July 10, the consensus was that U.S. GDP would fall 1.6% in Q2 2009 (same prediction as in the June *WSJ* forecast), before turning positive again in Q3 2009 (0.9%, up from a prediction of 0.6% in the June *WSJ* forecast), Q4 2009 (2.0%, up from 1.9% in the June forecast), and Q1 2010 (2.2%, up from 2.1% in the June forecast).
- What the *WSJ* said: "Most economists ...are expecting the just-ended second quarter to be the last in which gross domestic product contracts. They forecast growth rising more than 2% on a seasonally adjusted annualized basis in the first half of 2010. Meanwhile, the median forecast sees the end of the recession next month."

Where to go for more information:

- The most recent BEA news release on GDP, including links to detailed data tables, is [here](#). Preliminary Q2 2009 GDP figures will be released on July 31, 2009.
- Click [here](#) for more on the July *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?

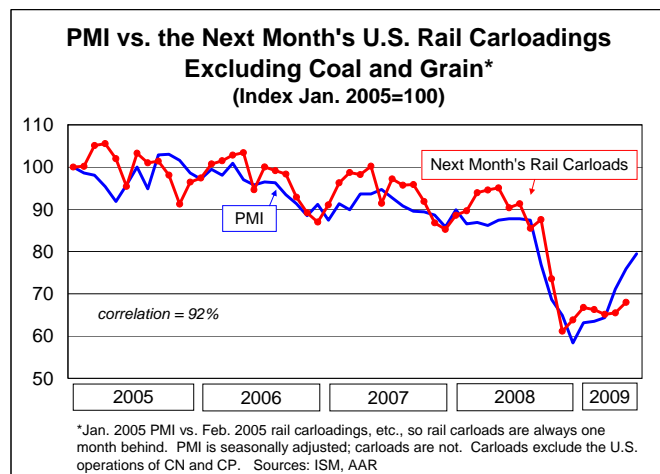
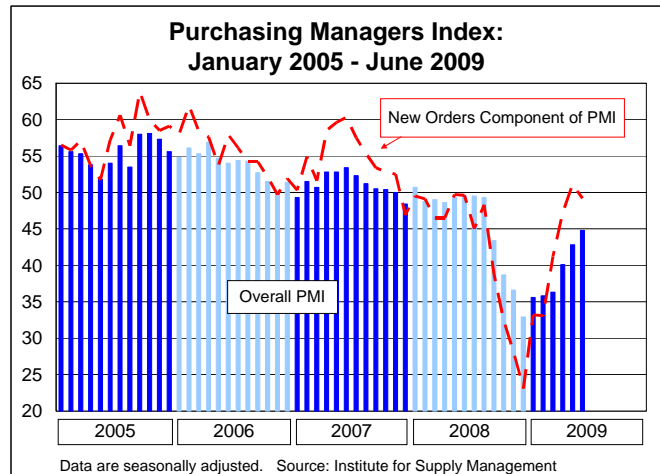
- Institute for Supply Management (ISM – formerly the National Association of Purchasing Managers), near the beginning of each month.

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 June 2009 was 44.8**, up from 42.8 in May and **the sixth straight monthly increase** since it bottomed out at 32.9 in December 2008. According to ISM, “[I]f the PMI for June (44.8 percent) is annualized, it corresponds to a 1.1 percent increase in real GDP annually.”
- The “new orders” component of the PMI fell to 49.2 in June 2009, an interruption in growth in that component that began in January 2009.
- What the ISM said: “Manufacturing continues to contract at a slower rate, but the trends in the indexes are encouraging as seven of 18 industries reported growth in June. Most encouraging is the gain in the Production Index, which is up 12.1 percentage points in the last two months to 52.5 percent. Aggressive inventory reduction continues and indications are that the de-stocking cycle is at or near the end in most industries....Overall, a slow recovery for manufacturing is forming based on the current trends in the ISM data.”
- 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

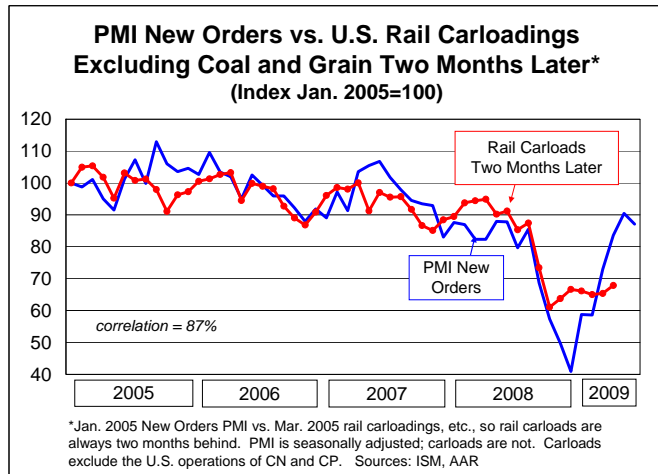


closely with the following month's rail carloads excluding coal and grain. (Due to seasonality issues such as harvests, the role of exports, and other factors, rail carloads of coal and grain are more volatile and less closely tied to manufacturing than other commodity categories. And since PMI focuses 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 future.

- Likewise, over the past few years, the new orders component of PMI has been closely correlated with U.S. rail carloadings (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 June PMI is [here](#). The July PMI will be released on August 3, 2009.



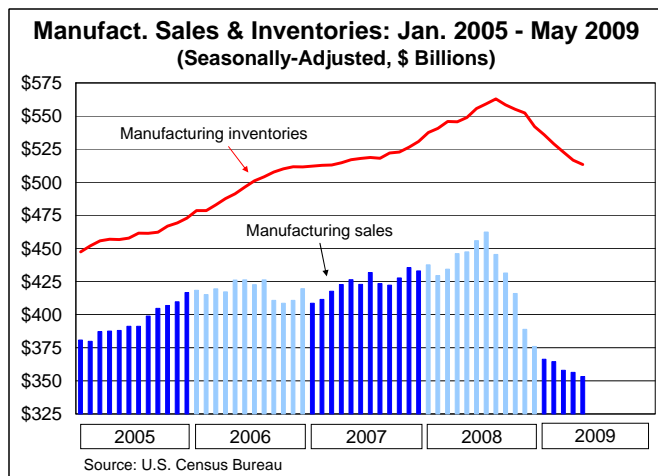
MANUFACTURING INVENTORIES AND SALES

Who releases it and when?

- The U.S. Census Bureau, near the beginning of each month.

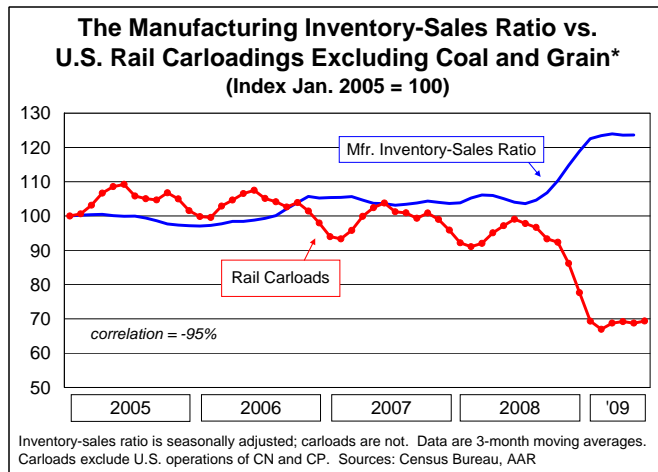
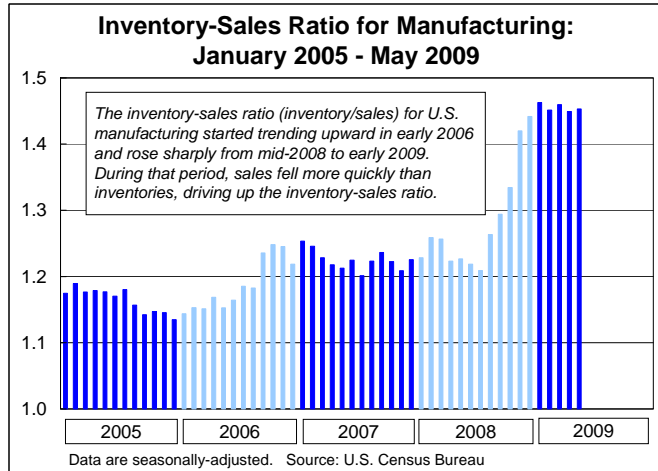
What is it and why is it important?

- The report is based on data reported from manufacturing establishments with \$500 million or more in annual shipments. Units may be divisions of diversified large companies, large homogenous companies, or single-unit manufacturers in 89 industry categories. 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 0.9%** in May 2009 from April 2009 and was **down 21%** from May 2008. May 2009 was the 10th straight month in which manufacturing sales fell, though the rate of decline has slowed in recent months.
- Seasonally-adjusted manufacturers' inventories **fell 0.6%** in May 2009 from April 2009 and were **down 6.5%** from their year-earlier level.
- The inventory-to-sales ratio **rose 0.2%** in May 2009 from April 2009. From mid-2008 through January 2009, manufacturing sales fell much faster than inventories, such that the inventory-to-sales ratio rose to a level (1.46 in January 2009) much higher than its recent norms (average of 1.22 in 2007, 1.19 in 2006, and 1.16 in 2005). Since then, the ratio has more or less stabilized around 1.45.
- Until the inventory-to-sales ratio falls to more normal levels, it is unlikely that inventory "re-stocking" will provide a significant boost to economic activity, at least in manufacturing.
- Since January 2005, there has been a very close negative correlation (*i.e.*, when one goes up, the other goes down) between the inventory-sales ratio for manufacturing and rail carloads excluding coal and grain. (This close relationship has not always held in the past and may not hold in future.)



Where to go for more information:

- The Census Bureau's full report on manufacturing sales and inventories in May is [here](#). Figures for June will be released on August 5.

INDEX OF INDUSTRIAL PRODUCTION

Who releases it and when?

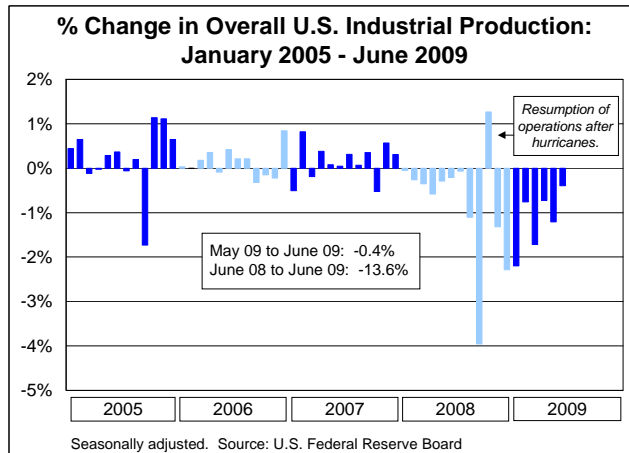
- The U.S. Federal Reserve Board, around the middle of each month.

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 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?

- The bad news is that seasonally-adjusted **industrial production fell 0.4% in June 2009** from May 2009. The good news is that this is the **slowest decline since October 2008** (when a return to operation of industrial facilities shut down by hurricanes artificially boosted industrial production for the month) and much better than the revised 1.2% decline in May. Industrial production has fallen in 17 of the 18 months since January 2008.
- What the Federal Reserve said: “For the second quarter as a whole, output fell at an annual rate of 11.6 percent, a more moderate contraction than in the first quarter, when output fell 19.1 percent. Manufacturing output moved down 0.6 percent in June, with declines at both durable and nondurable goods producers. Outside of manufacturing, the output of mines fell 0.5 percent in June, and the output of utilities increased 0.8 percent.”
- Although virtually every U.S. industrial sector has suffered from the current recession, the level of suffering across industries has not been equal. For example, for select industries of particular interest to railroads, declines in industrial production from June 2008 through June 2009 included 43.6% for primary metals (mainly iron and steel, which itself fell 54.5%), 14.9% for paper, 10.8% for chemicals, and 12.4% for coal mining.



Total Industrial Production	-13.6%
Manufacturing	-15.4%
Primary metals	-43.6%
Iron and steel products	-54.5%
Wood products	-23.8%
Motor vehicles and parts	-42.0%
Paper	-14.9%
Chemicals	-10.8%
Manuf. excluding autos	-13.9%
Coal mining	-12.4%

Source: Federal Reserve Board

Where to go for more information:

- The Federal Reserve release on industrial production in June is [here](#). July data will be released on August 14, 2009.

CAPACITY UTILIZATION

Who releases it and when?

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

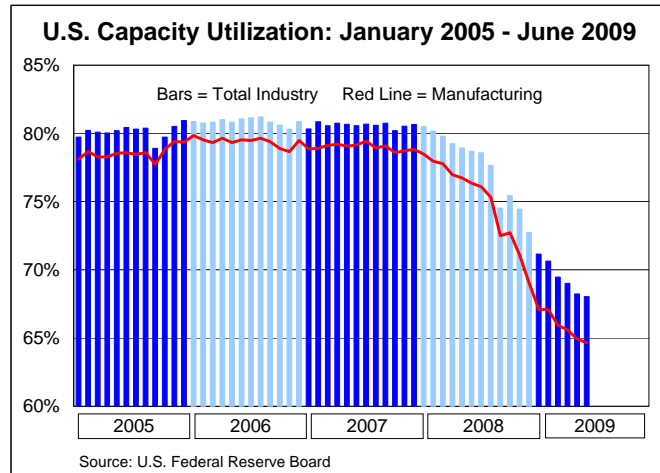
What is it and why is it important?

- 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 68.0% in June 2009, **the fourth straight monthly record low** in a series that began in 1967.
- Capacity utilization for **manufacturing** was 64.6% in June 2009, down from 64.9% in May 2009 and **also another record low**. (This series began in 1948.)
- Like some other indicators, capacity utilization too is showing signs of stabilizing — but at record low levels that indicate an enormous amount of slack capacity in the economy.



Where to go for more information:

- The Federal Reserve release on capacity utilization in June is [here](#). July data will be released on August 14, 2009.

NUMBER OF EMPLOYED PERSONS AND UNEMPLOYMENT RATE

Who releases it and when?

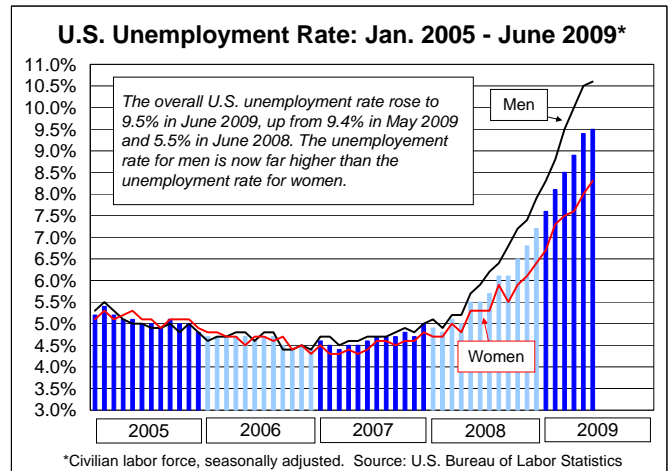
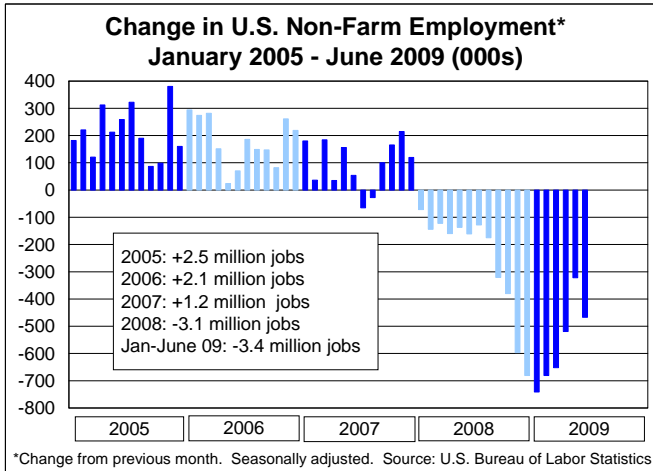
- U.S. Bureau of Labor Statistics (BLS) near the beginning of each month.

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.
- 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 467,000 in June 2009**, a much larger loss than the (revised) 322,000 net jobs lost in May 2009. It was hoped that the lower number of jobs lost in May 2009 — less than half the monthly average from December 2008 through April 2009 — was a signal that the worst of the recession was over. That still may be true, but the higher job losses in June don't do much to help make that case.
- The U.S. **unemployment rate in June 2009 rose to 9.5%**, up from 9.4% in May 2009. It was 5.5% in June 2008. Prior to the recession, the unemployment rates for men and women were comparable. Today, although the unemployment rate for both sexes has risen sharply, the unemployment rate for men is much higher than it is for women.
- Employment has fallen each month since January 2008. In the 18 months from January 2008 through June 2009, the U.S. economy has **lost 6.5 million** net jobs.



- What the BLS said: “Job losses were widespread across the major industry sectors, with large declines occurring in manufacturing, professional and business services, and construction.... The number of long-term unemployed (those jobless for 27 weeks or more) increased by 433,000 over the month to 4.4 million.” The 4.4 million is an all-time high.
- There is a widespread expectation that the unemployment rate will continue to rise. For example, the consensus view of the economists in the most recent *Wall Street Journal* survey (see p. 7) called for an unemployment rate of at least 10% through June 2010, with a decline to 9.5% by December 2010.

Where to go for more information:

- The BLS press release on the employment situation in June 2009 is [here](#). Data for July 2009 will be released on August 7, 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?

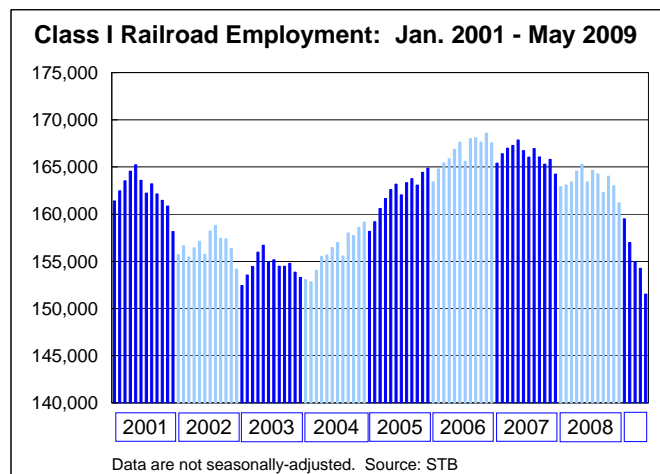
- Report showing the average number of Class I employees at mid-month. As in other industries, employment in the rail industry is a function of the level of business — *i.e.*, how much freight is being hauled.

What are the latest numbers?

- Class I railroad employment **fell to 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?

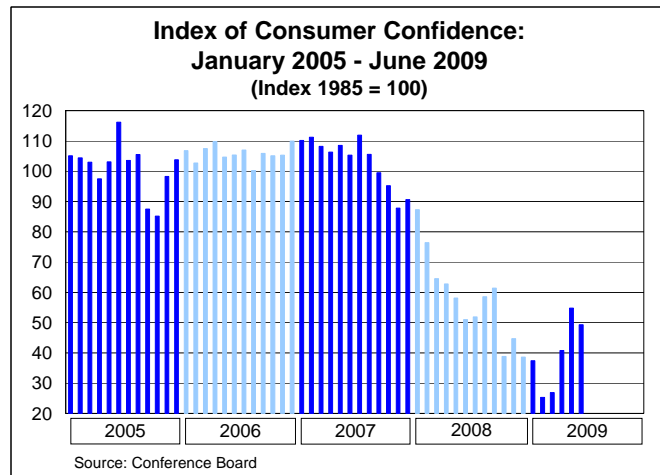
- The Conference Board, last Tuesday of the month.

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 June 30, the Conference Board reported that the consumer confidence index **fell in June 2009 to 49.3, down from 54.8 in May** but still **higher than any month since September 2008**.
- What the Conference Board said on June 30: "After back-to-back months of strong gains, Consumer Confidence retreated in June. The decline in the Present Situation Index, caused by a less favorable assessment of business conditions and employment, continues to imply that economic conditions, while not as weak as earlier this year, are nonetheless weak. Looking ahead, expectations continue to suggest less negative conditions in the months ahead, as opposed to strong growth."



Where to go for more information:

- The Conference Board's press release on the consumer confidence index in June 2009 is [here](#). The index for July will be released on July 28, 2009.

RETAIL SALES

Who releases it and when?

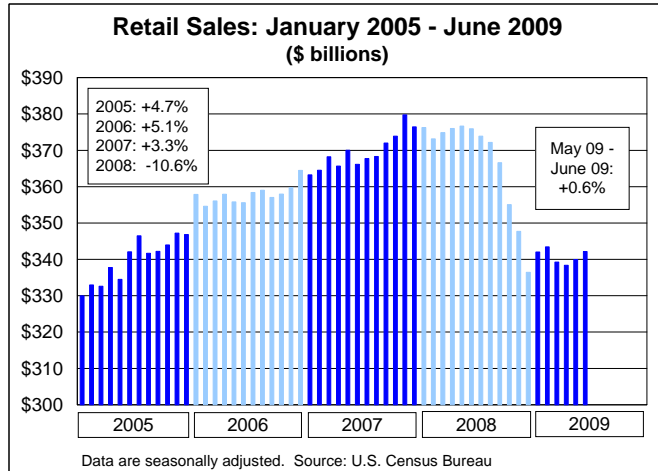
- The U.S. Census Bureau, around the ninth business day of each month.

What is it and why is it important?

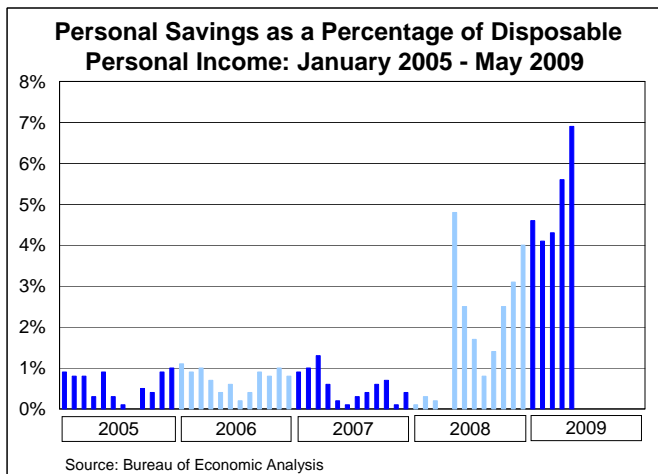
- Uses a monthly survey of 5,000 retailers of all types to track the dollar value of physical merchandise sold. The data are adjusted for holiday differences and seasonal variations, but are subject to sometimes-large revisions and are not adjusted for inflation.
- Personal consumption accounts for approximately 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 were up 0.6% in June 2009 from May 2009, but were 9.0% lower than June 2008.
- Two-thirds of the \$2.2 billion gain in retail sales in June consisted of higher gas station sales. As of the end of June 2009, the average price for a gallon of regular gasoline in the United States was \$2.64, up from \$1.61 in December 2008. Americans consume roughly 140 billion gallons of gasoline per year, or around 12 billion gallons per month if (for simplicity) spread evenly across the year. Thus, all else equal, a \$1 increase in the price of a gallon of gasoline — as occurred from December 2008 to June 2009 — means roughly \$12 billion in additional monthly consumer spending at the gas pump instead of on things like toys, clothes, cameras, etc.



- Retail sales are also suffering because of a higher savings rate, since a dollar saved is a dollar not spent. According to the U.S. Department of Commerce, in May 2009 personal saving as a percentage of personal disposable income rose to 6.9% — up from less than 1% for most of the past few years — as even those who can afford big purchases are more reluctant to make them. Because consumer spending is the main engine of the U.S. economy, if this reluctance to spend continues for a long period, businesses will be more reluctant than they otherwise would be to hire or rehire workers or make new investments. This would make rapid economic growth much less likely.



Where to go for more information:

- The Census Bureau's press release on June retail sales is [here](#). July retail sales will be released August 13, 2009.

LIGHT VEHICLE SALES

Who releases it and when?

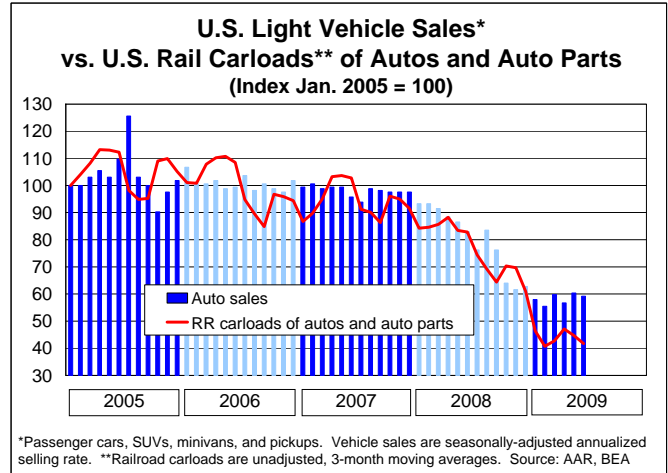
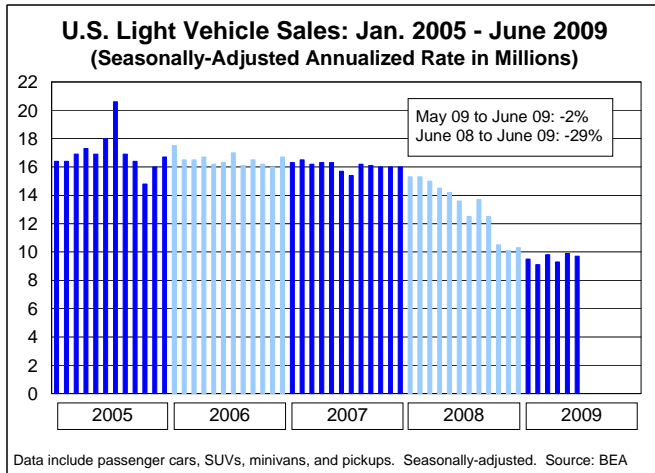
- The U.S. Bureau of Economic Analysis.

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 June 2009 were down 2%** from May 2009 to a seasonally-adjusted annualized selling rate (SAAR) of 9.7 million. This is down 29% from June 2008. Still, sales have roughly **stabilized over the past six months**.
- Rail carloads of autos and auto parts are closely correlated with motor 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?

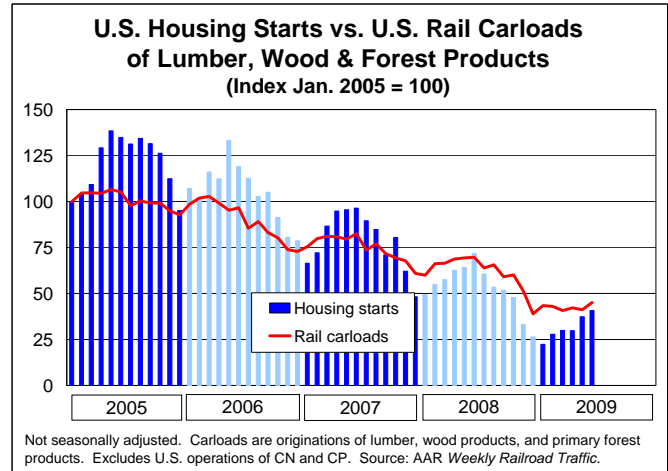
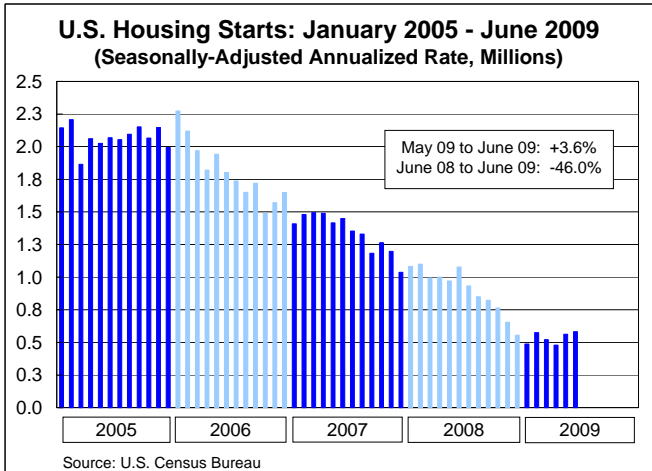
- A housing start is **beginning the foundation** of a **residential** home.
- Housing directly accounts for around 5% of the overall economy and has large spillover effects on other sectors, such as retail sales and manufacturing, since people buying new homes tend to spend on other goods such as furniture, 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 June 2009 **were up 3.6% to 582,000** from May on an annualized basis, the **second straight monthly increase** since April 2009’s record low (see chart next page). June 2009’s housing starts were down 46% from June 2008.
- Rail carloads of lumber, wood, and forest products closely track housing starts. From January 2005 to June 2009, housing starts (not seasonally adjusted) fell 59%, while U.S. rail carloads of lumber and wood fell 55%.

Where to go for more information:

- The Census Bureau’s press release on housings starts in June is [here](#). July’s housing starts will be released on August 18, 2009.



CONSUMER PRICE INDEX (CPI)

Who releases it and when?

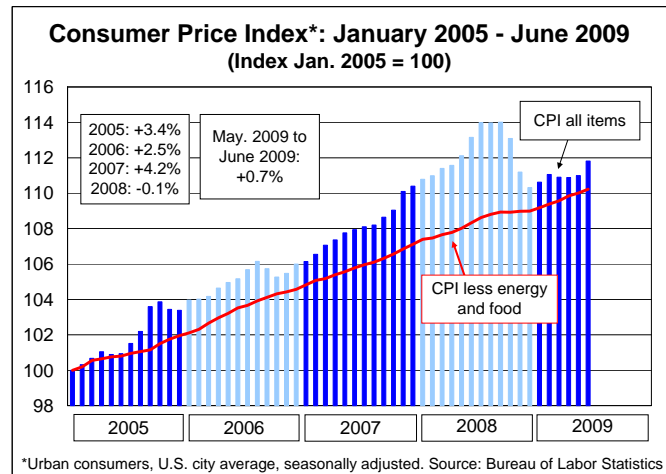
- U.S. Bureau of Labor Statistics (BLS), mid-month.

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, 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 (e.g., oil price fluctuations).
- 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.

What are the latest numbers?

- In June 2009, **CPI-U was up 0.7%** on a seasonally-adjusted basis **compared with May 2009, but down 1.2%** on a year-over-year basis.
- What BLS said: “On a seasonally adjusted basis, the CPI-U increased 0.7 percent in June after rising 0.1 percent in May. The acceleration was largely caused by the gasoline index, which rose 17.3 percent in June and accounted for over 80 percent of the increase in the all items index. The index for energy rose 7.4 percent in June, with a decline in the electricity index partly offsetting the sharp increase in gasoline.”



Where to go for more information:

- The BLS press release on the June CPI is [here](#). July’s CPI will be released on August 14, 2009.

RAILROAD COST INDEXES

Who releases it and when?

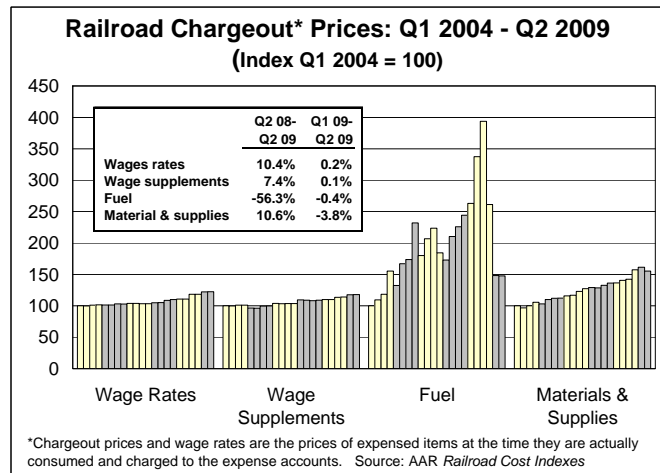
- The Association of American Railroads (AAR), quarterly.

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 Q2 2008 to Q2 2009, railroad wage prices rose 10.4%; wage supplements (*i.e.*, fringe benefits) rose 7.4%; fuel fell 56.3%; and the price of materials and supplies in aggregate rose 10.6%. From Q1 2009 to Q2 2009, railroad wage prices rose 0.2%; wage supplements rose 0.1%; fuel fell 0.4%; and the price of materials and supplies in aggregate fell 3.8%.



Where to go for more information:

- See the AAR web site [here](#) or contact Clyde Crimmel at 202-639-2309. The next quarterly release will be near the end of September 2009.

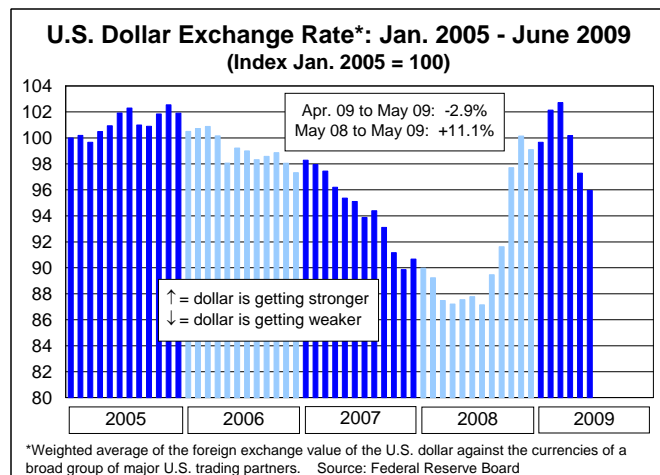
U.S. DOLLAR EXCHANGE RATE

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.
- An exchange rate is the **price of one currency against another**. A weaker U.S. dollar means that U.S. imports become relatively more expensive and U.S. exports become relatively less expensive abroad.¹ 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. All else equal, that means more U.S. imports and fewer U.S. exports.



What are the latest numbers?

- The U.S. dollar had been strengthening from mid-2008 through March 2009 but has been weakening since. In June 2009 it had **fallen 6.6%** from March 2009, though it was still 9.3% stronger than in June 2008.

¹ For example, suppose a U.S. coal mine wants to export a \$50 ton of coal to Germany. At \$1.50 per euro, the coal costs 33 euros (\$50/1.5) in Germany. If the dollar gets stronger so that one euro falls to \$1.20, the cost of the coal rises to 42 euros (\$50/1.2). If the dollar gets weaker so that one euro is, say, \$1.80, the coal falls to 28 euros (\$50/1.8).

Where to go for more information:

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

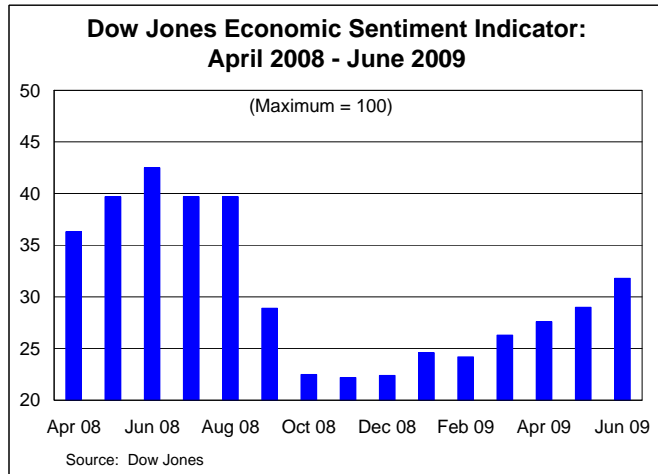
DOW JONES ECONOMIC SENTIMENT INDICATOR (ESI)

Who releases it and when?

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

What is it and why is it important?

- It's not yet clear it is important — the ESI was unveiled on April 30, 2009 — but it has big dreams for the future. 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.”



What are the latest numbers?

- The ESI for June was 31.8, up from 29.0 in May and the fourth straight monthly increase.
- According to Dow Jones, “[A]lthough the indicator has yet to show the kind of sharp jump that has signaled the end to previous recessions, its slow but steady crawl upwards is a positive sign....Although the indicator remains firmly in recessionary territory, a continuation of this trend would point to a return to economic growth by the fourth quarter of this year.”

Where to go for more information:

- Information on the Dow Jones ESI is [here](#). The July ESI will be released on July 31, 2009.

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

Note: Information in Rail Time Indicators is obtained from sources believed to be reliable. However, the Association of American Railroads makes no representations as to the accuracy or completeness of such information and assumes no liability for errors or omissions.