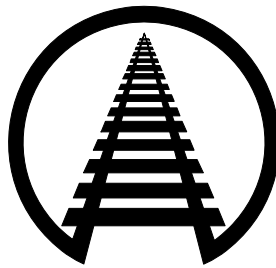


# **Rail Time Indicators**

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



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

**May 12, 2010**

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

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

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## SUMMARY OF MOST RECENT DATA

Economic Indicator	Most Recent Data
U.S. Freight Rail Traffic (p. 2)	<p><u>Unadjusted for Seasonal Variation:</u> Carloads in April 2010 ↑ <b>15.8% from April 2009</b>, weekly average of 294,758 <b>highest since Nov. 2008</b>. Intermodal in April 2010 ↑ <b>14.3%</b> from April 2009, weekly average of 209,703 highest since Nov. 2008.</p> <p><u>Adjusted for Seasonal Variation:</u> Carloads in April 2010 ↑ <b>0.5% from March 2010</b>. Intermodal in April 2010 ↑ <b>1.0%</b> from March 2010.</p>
Canadian Freight Rail Traffic (p. 3)	<p><u>Unadjusted for Seasonal Variation:</u> Carloads in April 2010 ↑ <b>26.7% from April 2009</b>; average of 74,762 carloads highest since October 2008. Intermodal in April 2010 ↑ <b>14.3%</b> from April 2009.</p> <p><u>Adjusted for Seasonal Variation:</u> Carloads in April 2010 ↓ <b>0.2% from March 2010</b>. Intermodal in April 2010 ↑ <b>0.4%</b> from March 2010.</p>
Gross Domestic Product (p. 15)	↑ <b>3.2%</b> in Q1 2010 (preliminary “advance” estimate subject to potentially substantial revision). Was 5.6% in Q4 2009.
Purchasing Managers Index (p. 16)	↑ <b>to 60.4</b> in April 2010 from 59.6 in March 2010. Highest level since June 2004. Was 40.4 in April 2009.
Manufacturing Inventories and Sales (p. 17)	From February 2010 to March 2010, <b>manufacturing sales</b> ↑ <b>2.2%</b> , <b>inventories</b> ↑ <b>0.3%</b> , and <b>inventory-to-sales ratio</b> ↓ <b>1.9%</b> .
Industrial Production (p. 18)	↑ <b>0.1%</b> in March 2010 from February 2010, the ninth straight monthly increase.
Capacity Utilization (p. 19)	↑ <b>to 73.2%</b> in March 2010 from 73.0% in February 2010, the ninth straight monthly increase.
Employment (p. 20)	↑ <b>290,000</b> in April 2010 from March 2010. Largest monthly gain since March 2006.
Unemployment Rate (p. 20)	↑ <b>to 9.9%</b> in April 2010 from 9.7% in March 2010.
Railroad Employment (p. 22)	↑ <b>1,658 to 147,966</b> in March 2010 from 146,308 in February 2010.
Consumer Confidence (p. 23)	↑ <b>to 57.9</b> in April 2010 from 52.3 in March 2010.
Retail Sales (p. 24)	↑ <b>1.6%</b> in March 2010 from February 2010.
Light Vehicle Sales (p. 25)	↓ <b>4.8%</b> in April 2010 from March 2010 to annualized 11.2 million.
Housing Starts (p. 26)	↑ <b>1.6%</b> in March 2010 from February 2010. Still no sign of an end to the housing recession.
Consumer Price Index (p. 26)	↑ <b>0.1%</b> in March 2010 from February 2010.
Exchange Rate (p. 27)	↓ <b>0.5%</b> in April 2010 from March 2010.
Rail Freight Cars in Storage (p. 28)	↓ <b>to 369,090</b> on May 1, 2010 (23.8% of the fleet) from 387,029 (25.0%) on April 1, 2010. Nearly 134,000 cars have come out of storage since the peak in July 2009.

## U.S. AND CANADIAN FREIGHT RAILROAD TRAFFIC

### Who releases it and when?

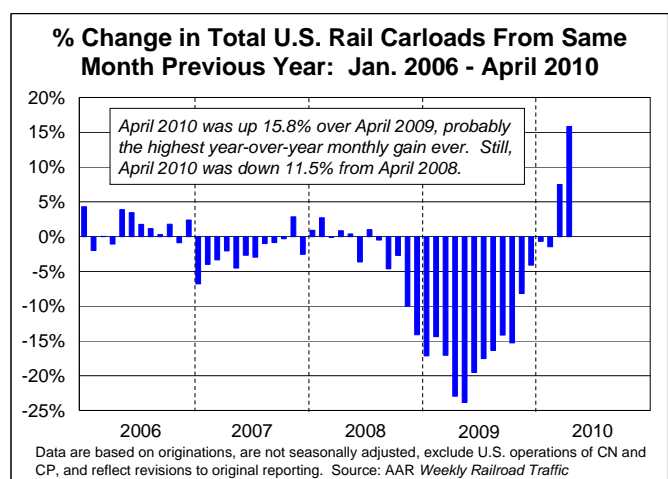
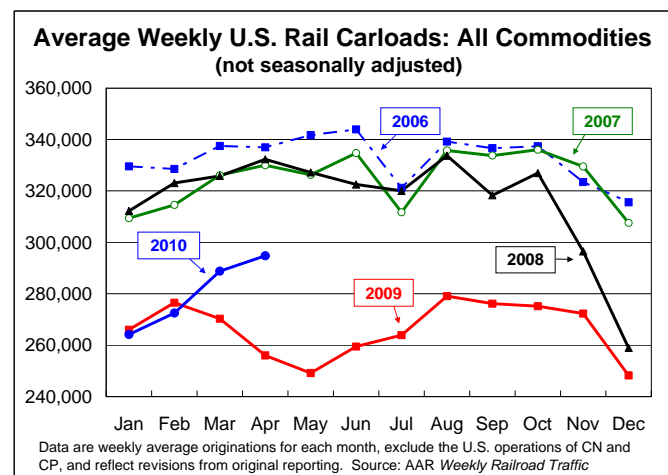
- The Association of American Railroads (AAR) releases its Weekly Railroad Traffic report every Thursday morning. The report contains rail traffic data for the previous week. Weekly data are aggregated into monthly figures in Rail Time Indicators.

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

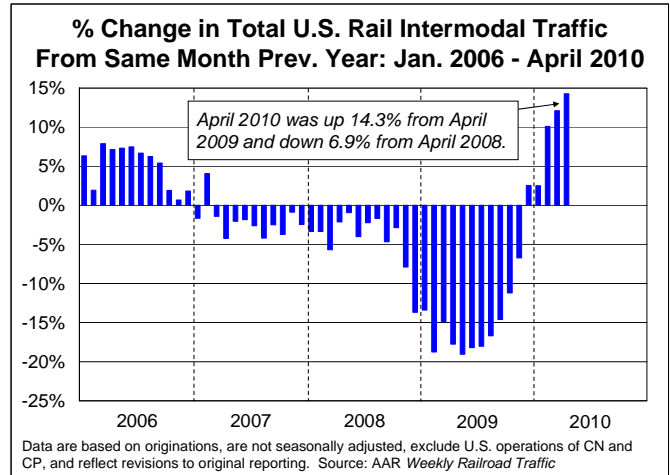
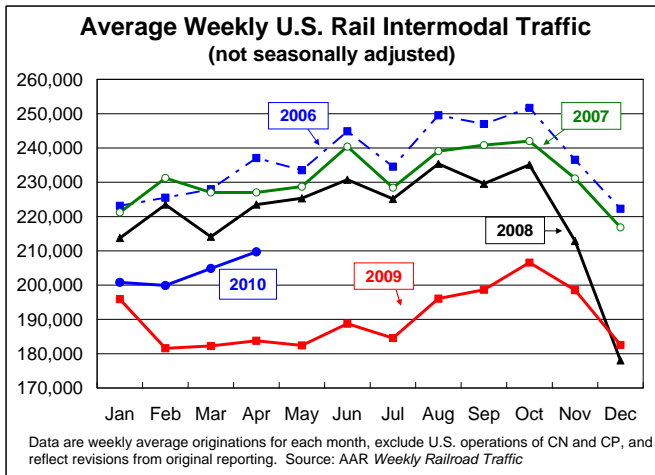
- The AAR traffic report details rail carloadings by railroad for 19 different major commodity categories, as well as intermodal units (trailers and containers). Railroads that report their data to the AAR collectively account for the vast majority of total U.S. and Canadian freight rail traffic.
- Freight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

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

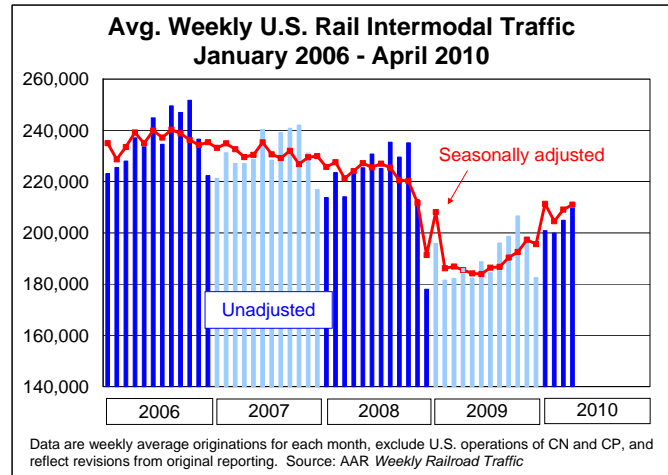
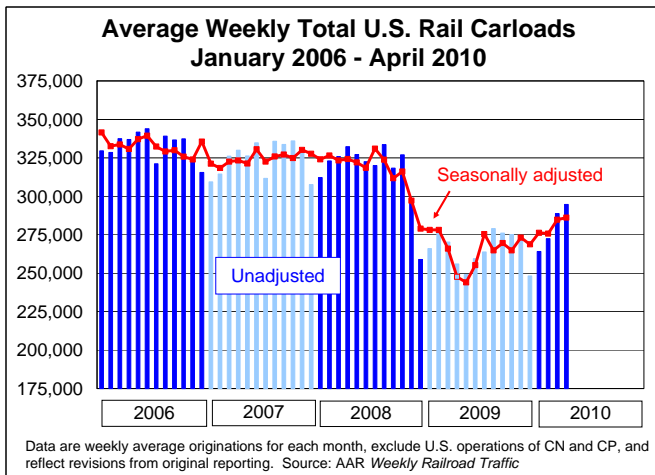
- U.S. freight railroads originated 1,179,029 carloads in April 2010, **up 15.8% from April 2009** on a non-seasonally adjusted basis. That could very well be the highest year-over-year percentage increase for any month ever. It’s definitely the highest since at least January 1989, which is the first month for which we have comparable data.
- Part of the big percentage gain in April 2010 reflects real traffic growth, but some of it also reflects the fact that April 2009 was a lousy month for U.S. freight railroads (see chart at right). May 2009 was even worse, so we can probably expect a very large year-over-year percentage increase in May 2010 too.
- April 2010’s average of **294,758 carloads per week** is the **highest since November 2008**. U.S. railroads originated 161,249 more carloads in April 2010 than in April 2009.
- In April 2010, **19 of the 19 major commodity categories** tracked by the AAR **saw carload gains** compared to the comparable year-earlier period. Our data go back to January 1989, and this is the **first time** that’s happened since then.
- Is this good news? Absolutely. But some caution is in order. Total U.S. rail carloads in April 2010 were still down 11.5% from April 2008, including in 17 of the 19 commodity categories. Generally speaking, recent U.S. rail traffic gains are consistent with an economy that is recovering at a moderate but not breathtaking pace. There’s a long way yet to go before economic — and rail — recovery is complete.



- Commodities showing the largest carload gains in April 2010 over April 2009 on U.S. railroads were coal (up 35,253 carloads, or 7.1%), steel and other primary metal products (up 18,317 carloads, or 90.5%), and metallic ores (up 16,449 carloads, or 176.1%). See the tables and charts beginning on page 5 for more commodity-level details.
- U.S. railroads originated 838,812 intermodal trailers and containers in April 2010, an average of 209,703 per week — **up 14.3%** from April 2009, **down 6.9%** from April 2008, and the highest monthly average since November 2008. Intermodal traffic is not included in the carload figures discussed earlier. The 14.3% gain in April 2010 was the tenth largest monthly increase for U.S. intermodal traffic since 1990 and the fifth straight monthly increase (see chart below right).



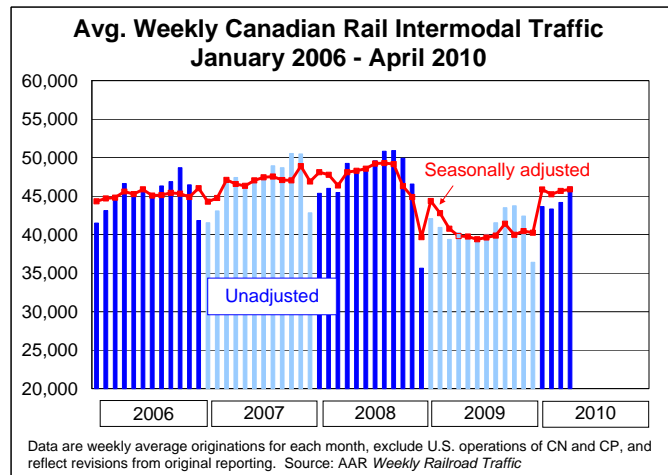
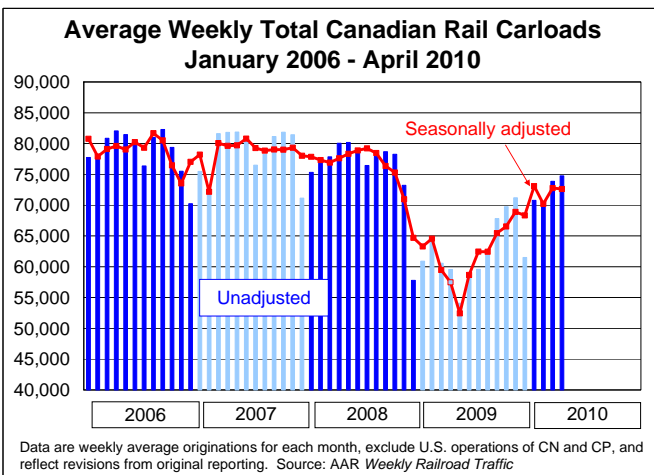
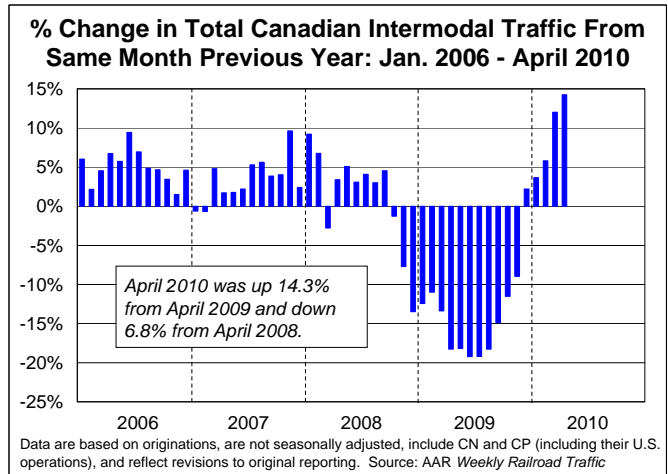
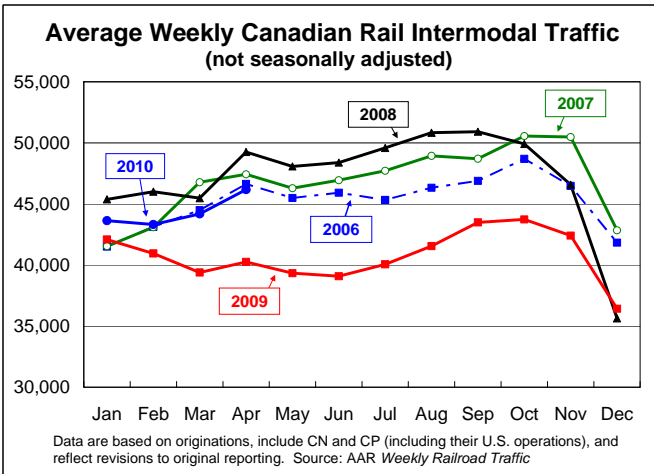
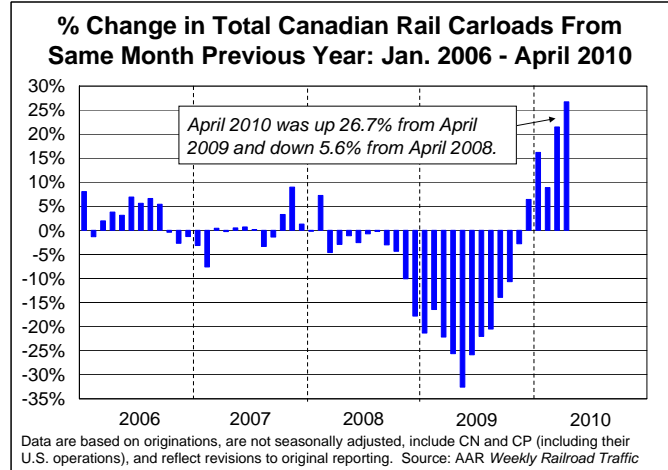
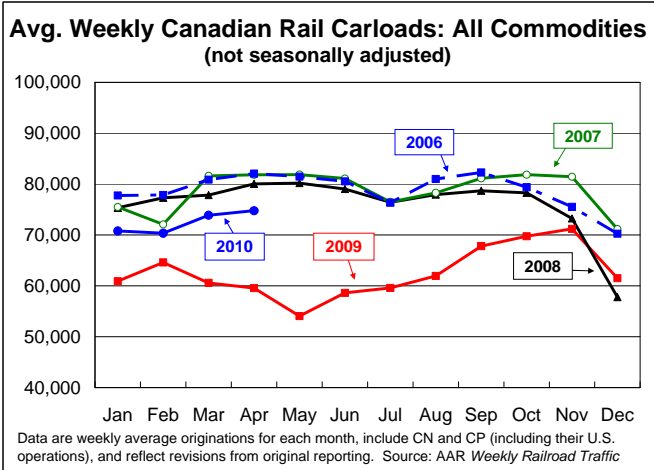
- **On a seasonally adjusted basis, U.S. carloads in April 2010 were up 0.5% from March 2010** (see chart below left). Seasonally adjusted intermodal traffic was **up 1.0%** in April 2010 from March 2010 (see chart below right).



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

- In April 2010, Canadian freight railroads originated 299,050 carloads of freight, an average of 74,762 per week. That's **up 26.7% from April 2009**, easily the highest such increase since our data for Canadian carriers begin in January 1997. As with U.S. rail carloads, some caution is in order, though: April 2010 was still **down 5.6% from April 2008**. Data for Canadian railroads include their combined U.S. and Canadian operations.

- Canadian carloads in April 2010 were **higher in 16 of the 19 commodities** from April 2009 and in 6 of the 19 from April 2008. The biggest gains in April 2010 over April 2009 were in chemicals (up 17,854 carloads, 42.9%), metallic ores (12,000 carloads, 35.0%), and motor vehicles and parts (up 7,190 carloads, 49.9%). Canadian railroads originated 184,696 trailers and containers in April 2010, **up 14.3% from April 2009** but **down 6.8% from April 2008**.
- On a seasonally adjusted basis, total Canadian rail carloads in April 2010 were down 0.2% and intermodal traffic was up 0.4%, respectively, from March 2010 (see charts bottom row below).

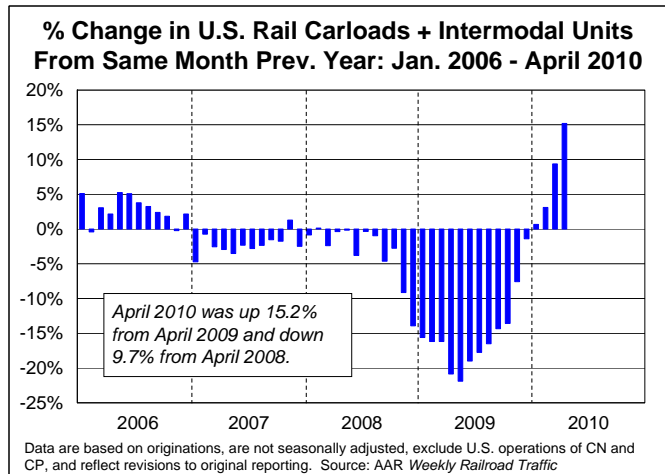
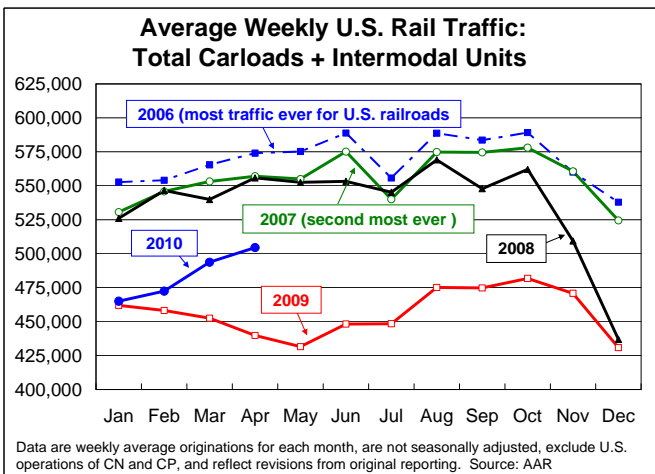


**U.S. RAIL TRAFFIC: APRIL 2010\***  
(4 weeks ending May 1, 2010)

Commodity	Apr '10	Apr '09	Apr '08	Difference		% Change	
				'10-'09	'10-'08	'10-'09	'10-'08
<b>Agricultural &amp; food products</b>	<b>151,695</b>	<b>135,611</b>	<b>174,941</b>	<b>16,084</b>	<b>-23,246</b>	<b>11.9%</b>	<b>-13.3%</b>
Grain	83,832	71,344	98,545	12,488	-14,713	17.5%	-14.9%
Farm products excl. grain	3,394	2,772	3,728	622	-334	22.4%	-9.0%
Grain mill products (1)	32,866	31,413	35,225	1,453	-2,359	4.6%	-6.7%
Food products	31,603	30,082	37,443	1,521	-5,840	5.1%	-15.6%
<b>Chemicals and petroleum</b>	<b>141,565</b>	<b>125,536</b>	<b>151,197</b>	<b>16,029</b>	<b>-9,632</b>	<b>12.8%</b>	<b>-6.4%</b>
Chemicals	119,488	104,707	125,300	14,781	-5,812	14.1%	-4.6%
Petroleum products (2)	22,077	20,829	25,897	1,248	-3,820	6.0%	-14.8%
<b>Coal</b>	<b>530,118</b>	<b>494,865</b>	<b>579,400</b>	<b>35,253</b>	<b>-49,282</b>	<b>7.1%</b>	<b>-8.5%</b>
<b>Forest products</b>	<b>41,743</b>	<b>37,450</b>	<b>53,303</b>	<b>4,293</b>	<b>-11,560</b>	<b>11.5%</b>	<b>-21.7%</b>
Primary forest products (3)	7,240	5,135	8,552	2,105	-1,312	41.0%	-15.3%
Lumber & wood products	12,149	10,132	16,469	2,017	-4,320	19.9%	-26.2%
Pulp & paper products	22,354	22,183	28,282	171	-5,928	0.8%	-21.0%
<b>Metallic ores and metals</b>	<b>78,289</b>	<b>39,999</b>	<b>94,157</b>	<b>38,290</b>	<b>-15,868</b>	<b>95.7%</b>	<b>-16.9%</b>
Metallic ores (4)	25,790	9,341	25,534	16,449	256	176.1%	1.0%
Coke	13,944	10,420	15,182	3,524	-1,238	33.8%	-8.2%
Primary metal products (5)	38,555	20,238	53,441	18,317	-14,886	90.5%	-27.9%
<b>Motor vehicles &amp; parts</b>	<b>49,193</b>	<b>36,979</b>	<b>70,134</b>	<b>12,214</b>	<b>-20,941</b>	<b>33.0%</b>	<b>-29.9%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>127,079</b>	<b>104,348</b>	<b>144,886</b>	<b>22,731</b>	<b>-17,807</b>	<b>21.8%</b>	<b>-12.3%</b>
Crushed stone, gravel, sand	75,618	62,954	85,702	12,664	-10,084	20.1%	-11.8%
Nonmetallic minerals (6)	21,491	17,723	24,184	3,768	-2,693	21.3%	-11.1%
Stone, clay & glass prod. (7)	29,970	23,671	35,000	6,299	-5,030	26.6%	-14.4%
<b>Other</b>	<b>59,347</b>	<b>42,992</b>	<b>64,454</b>	<b>16,355</b>	<b>-5,107</b>	<b>38.0%</b>	<b>-7.9%</b>
Waste & scrap materials (8)	36,594	23,494	43,130	13,100	-6,536	55.8%	-15.2%
All other carloads	22,753	19,498	21,324	3,255	1,429	16.7%	6.7%
<b>TOTAL ALL CARLOADS</b>	<b>1,179,029</b>	<b>1,017,780</b>	<b>1,332,472</b>	<b>161,249</b>	<b>-153,443</b>	<b>15.8%</b>	<b>-11.5%</b>
Trailers	125,700	123,711	194,530	1,989	-68,830	1.6%	-35.4%
Containers	713,112	610,390	706,372	102,722	6,740	16.8%	1.0%
<b>TOTAL ALL INTERMODAL</b>	<b>838,812</b>	<b>734,101</b>	<b>900,902</b>	<b>104,711</b>	<b>-62,090</b>	<b>14.3%</b>	<b>-6.9%</b>

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc.      (5) - primarily iron & steel products; some aluminum, copper, etc.  
 (2) - liquefied gases, asphalt, fuel oil, lubricating oil, jet fuel, etc.      (6) - phosphate rock, rock salt, crude sulphur, clay, etc.  
 (3) - wood raw materials such as pulpwood and wood chips      (7) - cement, ground earths or minerals, gypsum  
 (4) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc.      (8) - scrap metal and paper, construction debris, ashes, etc.

\*Data are originations and are not seasonally adjusted. 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*

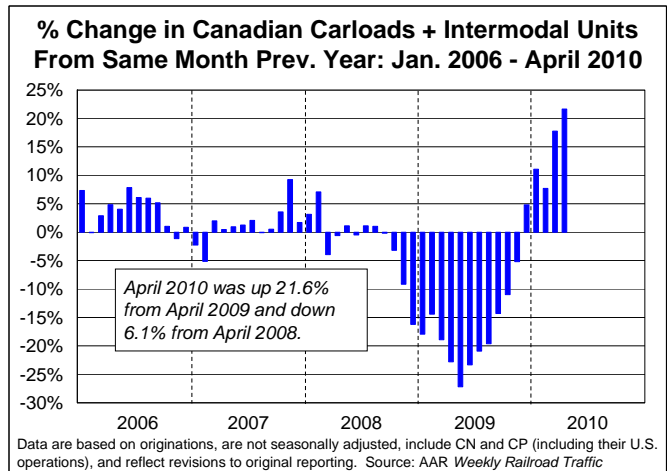
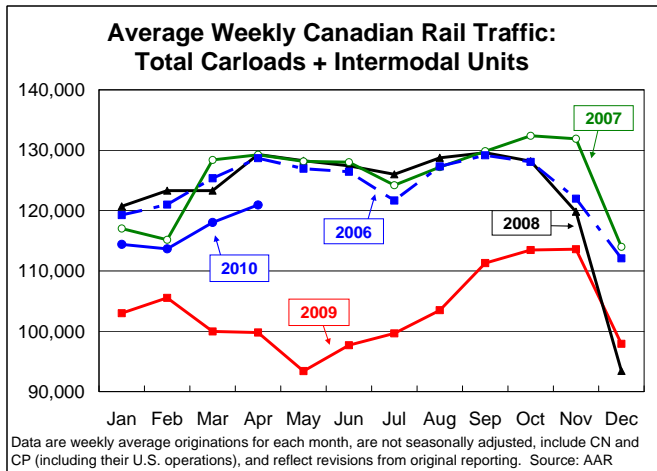


**CANADIAN RAIL TRAFFIC: APRIL 2010\***  
(4 weeks ending May 1, 2010)

Commodity	Apr '10	Apr '09	Apr '08	Difference		% Change	
				'10-'09	'10-'08	'10-'09	'10-'08
<b>Agricultural &amp; food products</b>	<b>67,907</b>	<b>65,174</b>	<b>64,908</b>	<b>2,733</b>	<b>2,999</b>	<b>4.2%</b>	<b>4.6%</b>
Grain	40,096	37,126	40,764	2,970	-668	8.0%	-1.6%
Farm products excl. grain	11,678	14,012	8,757	-2,334	2,921	-16.7%	33.4%
Grain mill products (1)	6,305	5,538	6,715	767	-410	13.8%	-6.1%
Food products	9,828	8,498	8,672	1,330	1,156	15.7%	13.3%
<b>Chemicals and petroleum</b>	<b>62,042</b>	<b>43,943</b>	<b>64,801</b>	<b>18,099</b>	<b>-2,759</b>	<b>41.2%</b>	<b>-4.3%</b>
Chemicals	59,429	41,575	62,345	17,854	-2,916	42.9%	-4.7%
Petroleum products (2)	2,613	2,368	2,456	245	157	10.3%	6.4%
<b>Coal</b>	<b>33,703</b>	<b>22,308</b>	<b>33,576</b>	<b>11,395</b>	<b>127</b>	<b>51.1%</b>	<b>0.4%</b>
<b>Forest products</b>	<b>29,354</b>	<b>27,324</b>	<b>37,074</b>	<b>2,030</b>	<b>-7,720</b>	<b>7.4%</b>	<b>-20.8%</b>
Primary forest products (3)	6,142	5,809	7,385	333	-1,243	5.7%	-16.8%
Lumber & wood products	9,593	8,346	12,155	1,247	-2,562	14.9%	-21.1%
Pulp & paper products	13,619	13,169	17,534	450	-3,915	3.4%	-22.3%
<b>Metallic ores and metals</b>	<b>57,305</b>	<b>41,784</b>	<b>63,555</b>	<b>15,521</b>	<b>-6,250</b>	<b>37.1%</b>	<b>-9.8%</b>
Metallic ores (4)	46,294	34,294	49,428	12,000	-3,134	35.0%	-6.3%
Coke	1,891	1,319	1,806	572	85	43.4%	4.7%
Primary metal products (5)	9,120	6,171	12,321	2,949	-3,201	47.8%	-26.0%
<b>Motor vehicles &amp; parts</b>	<b>21,612</b>	<b>14,422</b>	<b>21,828</b>	<b>7,190</b>	<b>-216</b>	<b>49.9%</b>	<b>-1.0%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>18,722</b>	<b>13,468</b>	<b>20,328</b>	<b>5,254</b>	<b>-1,606</b>	<b>39.0%</b>	<b>-7.9%</b>
Crushed stone, gravel, sand	8,275	4,212	6,491	4,063	1,784	96.5%	27.5%
Nonmetallic minerals (6)	4,986	4,990	7,640	-4	-2,654	-0.1%	-34.7%
Stone, clay & glass prod. (7)	5,461	4,266	6,197	1,195	-736	28.0%	-11.9%
<b>Other</b>	<b>8,405</b>	<b>7,625</b>	<b>10,874</b>	<b>780</b>	<b>-2,469</b>	<b>10.2%</b>	<b>-22.7%</b>
Waste & scrap materials (8)	4,975	3,454	7,121	1,521	-2,146	44.0%	-30.1%
All other carloads	3,430	4,171	3,753	-741	-323	-17.8%	-8.6%
<b>TOTAL ALL CARLOADS</b>	<b>299,050</b>	<b>236,048</b>	<b>316,944</b>	<b>63,002</b>	<b>-17,894</b>	<b>26.7%</b>	<b>-5.6%</b>
Trailers	6,822	6,598	8,699	224	-1,877	3.4%	-21.6%
Containers	177,874	155,053	189,568	22,821	-11,694	14.7%	-6.2%
<b>TOTAL ALL INTERMODAL</b>	<b>184,696</b>	<b>161,651</b>	<b>198,267</b>	<b>23,045</b>	<b>-13,571</b>	<b>14.3%</b>	<b>-6.8%</b>

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - primarily iron & steel products; some aluminum, copper, etc.  
 (2) - liquefied gases, asphalt, fuel oil, lubricating oil, jet fuel, etc. (6) - phosphate rock, rock salt, crude sulphur, clay, etc.  
 (3) - wood raw materials such as pulpwood and wood chips (7) - cement, ground earths or minerals, gypsum  
 (4) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc. (8) - scrap metal and paper, construction debris, ashes, etc.

\*CN and CP, including their U.S. operations. Data are originations and are not seasonally adjusted. Source: AAR Weekly Railroad Traffic



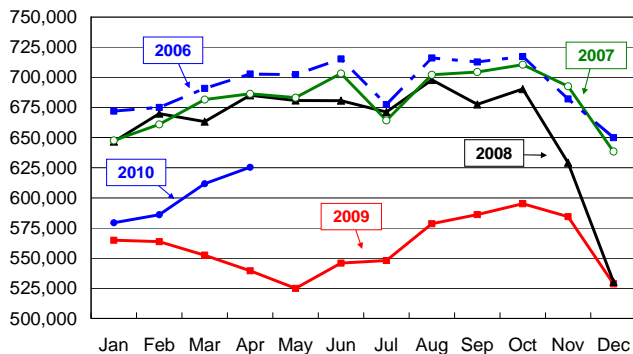
**COMBINED U.S. AND CANADIAN RAIL TRAFFIC: APRIL 2010\***  
(4 weeks ending May 1, 2010)

Commodity	Apr '10	Apr '09	Apr '08	Difference		% Change	
				'10-'09	'10-'08	'10-'09	'10-'08
<b>Agricultural &amp; food products</b>	<b>219,602</b>	<b>200,785</b>	<b>239,849</b>	<b>18,817</b>	<b>-20,247</b>	<b>9.4%</b>	<b>-8.4%</b>
Grain	123,928	108,470	139,309	15,458	-15,381	14.3%	-11.0%
Farm products excl. grain	15,072	16,784	12,485	-1,712	2,587	-10.2%	20.7%
Grain mill products (1)	39,171	36,951	41,940	2,220	-2,769	6.0%	-6.6%
Food products	41,431	38,580	46,115	2,851	-4,684	7.4%	-10.2%
<b>Chemicals and petroleum</b>	<b>203,607</b>	<b>169,479</b>	<b>215,998</b>	<b>34,128</b>	<b>-12,391</b>	<b>20.1%</b>	<b>-5.7%</b>
Chemicals	178,917	146,282	187,645	32,635	-8,728	22.3%	-4.7%
Petroleum products (2)	24,690	23,197	28,353	1,493	-3,663	6.4%	-12.9%
<b>Coal</b>	<b>563,821</b>	<b>517,173</b>	<b>612,976</b>	<b>46,648</b>	<b>-49,155</b>	<b>9.0%</b>	<b>-8.0%</b>
<b>Forest products</b>	<b>71,097</b>	<b>64,774</b>	<b>90,377</b>	<b>6,323</b>	<b>-19,280</b>	<b>9.8%</b>	<b>-21.3%</b>
Primary forest products (3)	13,382	10,944	15,937	2,438	-2,555	22.3%	-16.0%
Lumber & wood products	21,742	18,478	28,624	3,264	-6,882	17.7%	-24.0%
Pulp & paper products	35,973	35,352	45,816	621	-9,843	1.8%	-21.5%
<b>Metallic ores and metals</b>	<b>135,594</b>	<b>81,783</b>	<b>157,712</b>	<b>53,811</b>	<b>-22,118</b>	<b>65.8%</b>	<b>-14.0%</b>
Metallic ores (4)	72,084	43,635	74,962	28,449	-2,878	65.2%	-3.8%
Coke	15,835	11,739	16,988	4,096	-1,153	34.9%	-6.8%
Primary metal products (5)	47,675	26,409	65,762	21,266	-18,087	80.5%	-27.5%
<b>Motor vehicles &amp; parts</b>	<b>70,805</b>	<b>51,401</b>	<b>91,962</b>	<b>19,404</b>	<b>-21,157</b>	<b>37.8%</b>	<b>-23.0%</b>
<b>Nonmetallic minerals &amp; prod.</b>	<b>145,801</b>	<b>117,816</b>	<b>165,214</b>	<b>27,985</b>	<b>-19,413</b>	<b>23.8%</b>	<b>-11.8%</b>
Crushed stone, gravel, sand	83,893	67,166	92,193	16,727	-8,300	24.9%	-9.0%
Nonmetallic minerals (6)	26,477	22,713	31,824	3,764	-5,347	16.6%	-16.8%
Stone, clay & glass prod. (7)	35,431	27,937	41,197	7,494	-5,766	26.8%	-14.0%
<b>Other</b>	<b>67,752</b>	<b>50,617</b>	<b>75,328</b>	<b>17,135</b>	<b>-7,576</b>	<b>33.9%</b>	<b>-10.1%</b>
Waste & scrap materials (8)	41,569	26,948	50,251	14,621	-8,682	54.3%	-17.3%
All other carloads	26,183	23,669	25,077	2,514	1,106	10.6%	4.4%
<b>TOTAL ALL CARLOADS</b>	<b>1,478,079</b>	<b>1,253,828</b>	<b>1,649,416</b>	<b>224,251</b>	<b>-171,337</b>	<b>17.9%</b>	<b>-10.4%</b>
Trailers	132,522	130,309	203,229	2,213	-70,707	1.7%	-34.8%
Containers	890,986	765,443	895,940	125,543	-4,954	16.4%	-0.6%
<b>TOTAL ALL INTERMODAL</b>	<b>1,023,508</b>	<b>895,752</b>	<b>1,099,169</b>	<b>127,756</b>	<b>-75,661</b>	<b>14.3%</b>	<b>-6.9%</b>

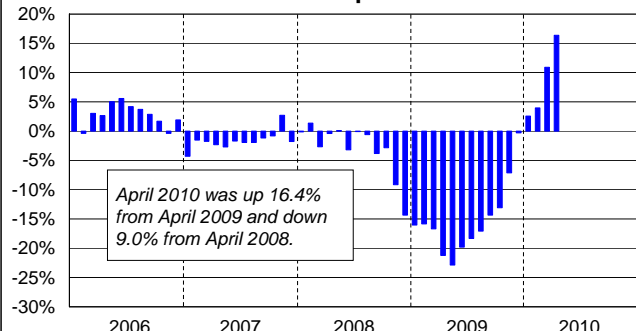
- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc.      (5) - primarily iron & steel products; some aluminum, copper, etc.  
 (2) - liquefied gases, asphalt, fuel oil, lubricating oil, jet fuel, etc.      (6) - phosphate rock, rock salt, crude sulphur, clay, etc.  
 (3) - wood raw materials such as pulpwood and wood chips                      (7) - cement, ground earths or minerals, gypsum  
 (4) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc.      (8) - scrap metal and paper, construction debris, ashes, etc.

\*Data are originations and are not seasonally adjusted. Source: AAR *Weekly Railroad Traffic*

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

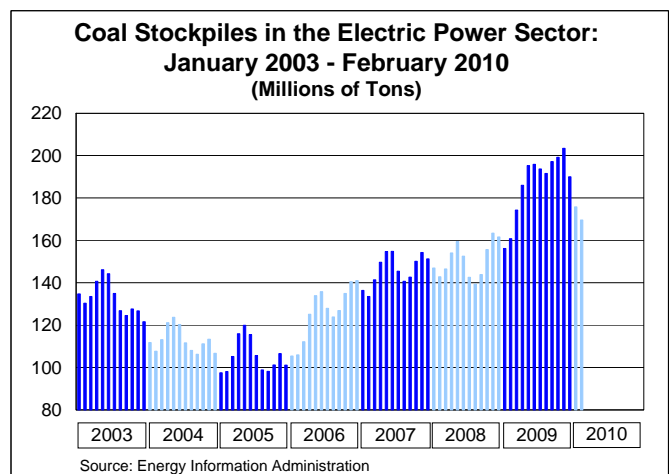
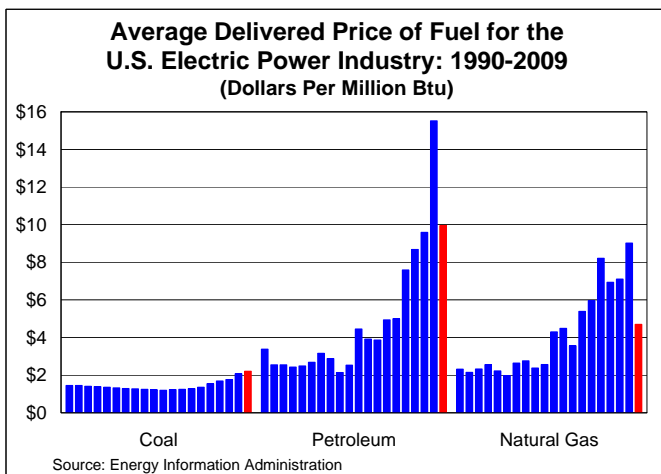
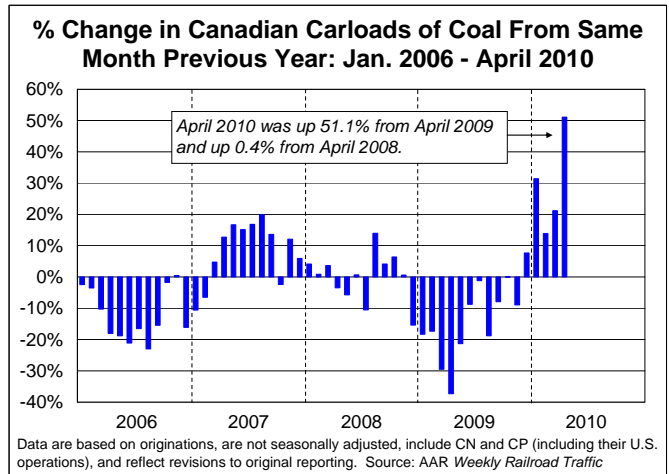
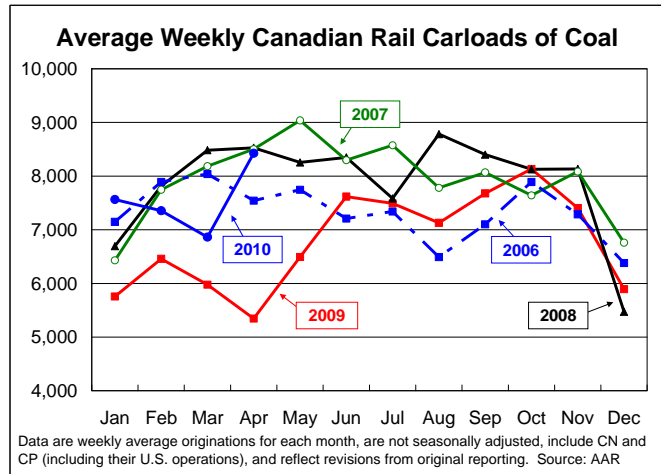
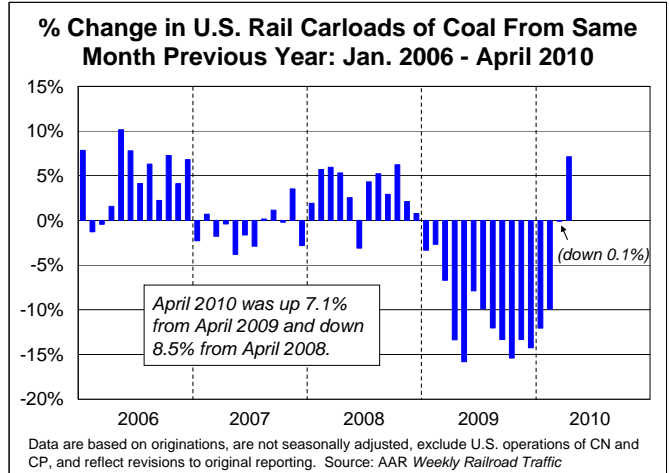
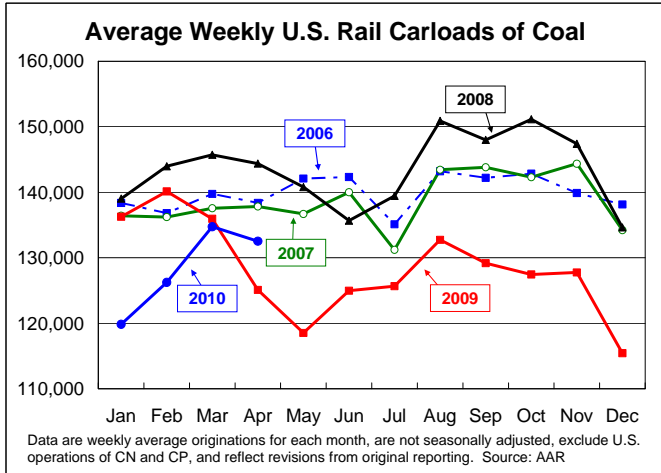


**% Change in Combined U.S. + Canadian Rail Carloads  
+ Intermodal Units From Same Month Prev. Year:  
Jan. 2006 - April 2010**



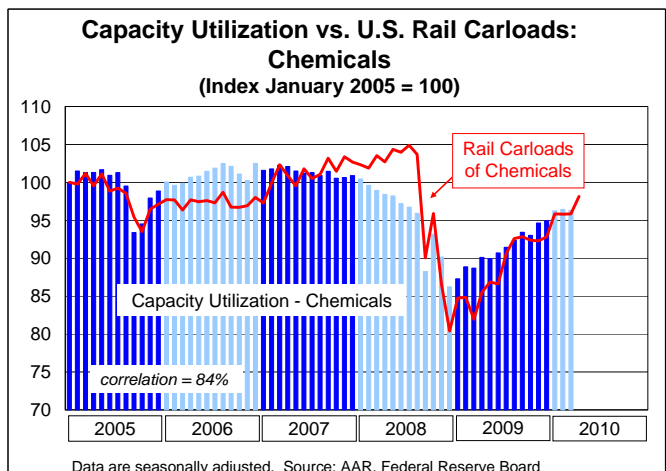
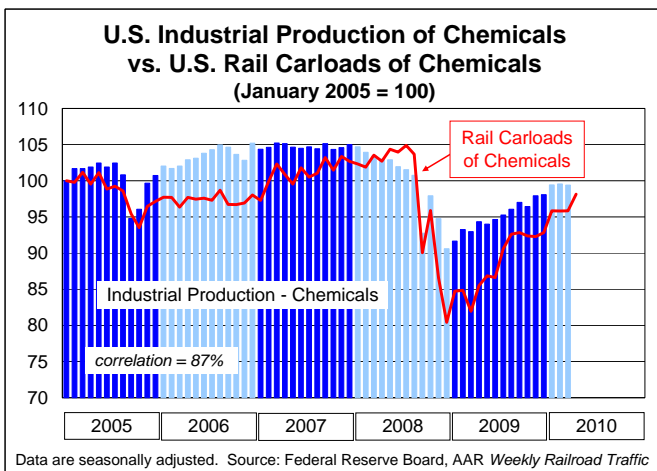
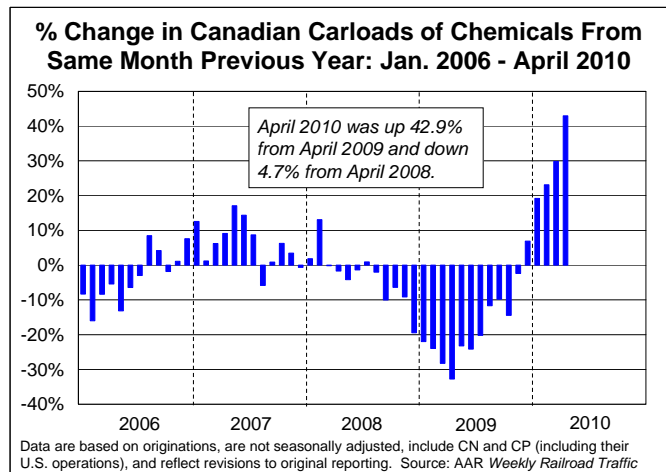
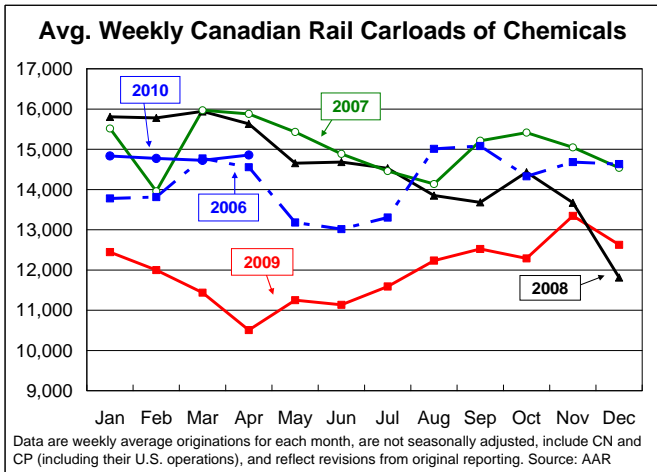
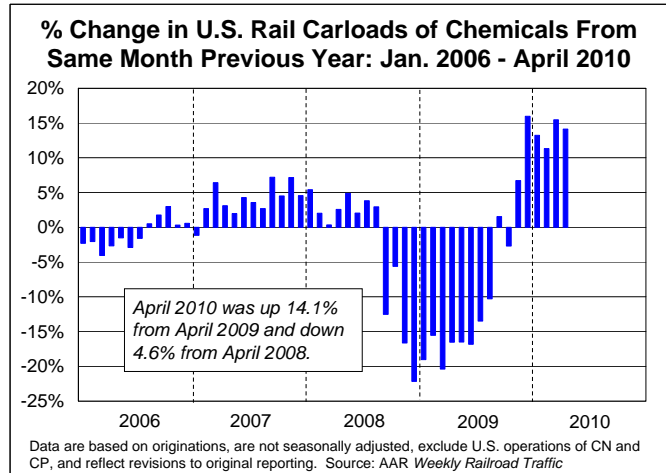
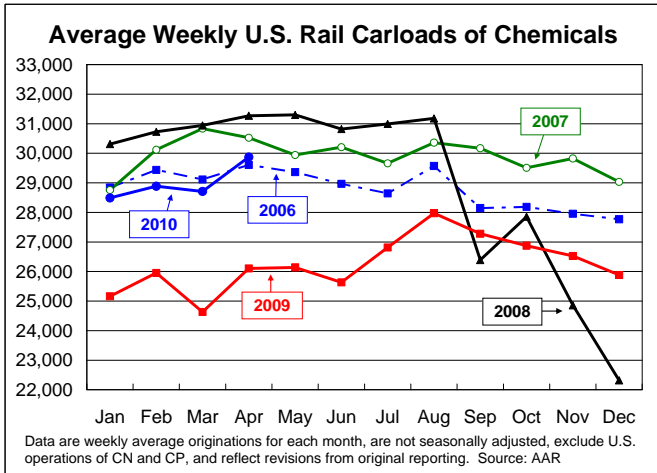
## COAL

U.S. railroads averaged 132,530 carloads of coal per week in April 2010, down a bit from March 2010 but up 7.1% from April 2009 — the first year-over-year increase in more than a year. In a typical year, well over 90% of coal mined in the U.S. is burned to generate electricity (around 5% is exported). It's no secret that coal-fired generation is under significant environmental pressure. It's also under pressure from gas-fired generation due to sharply lower natural gas prices (see chart bottom left). The chart on the bottom right shows that utility coal stockpiles have come down from their record highs.



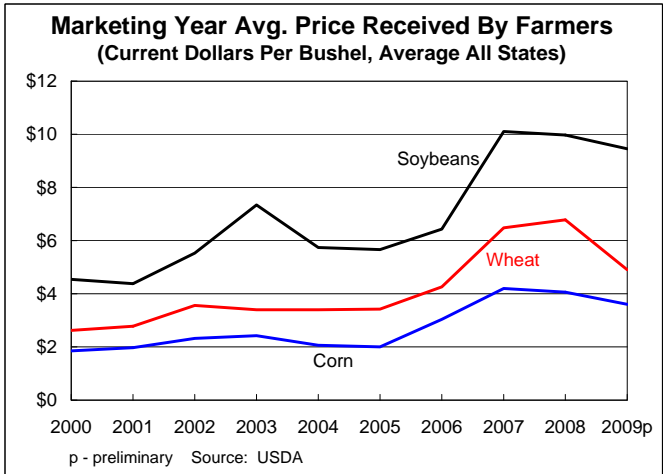
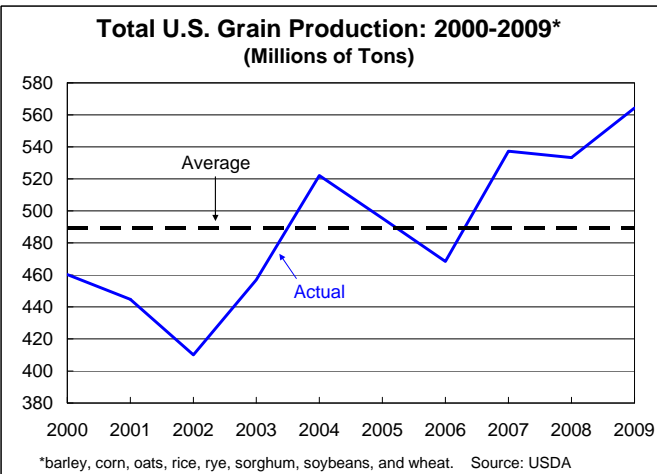
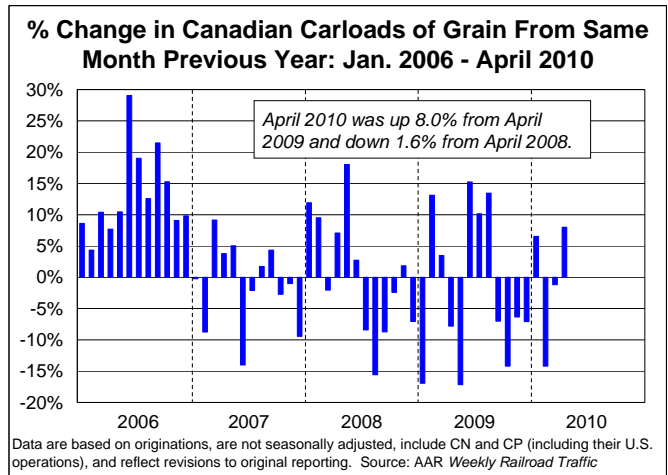
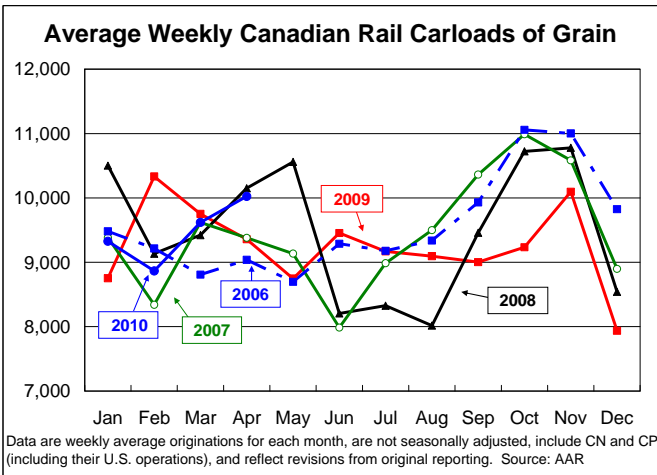
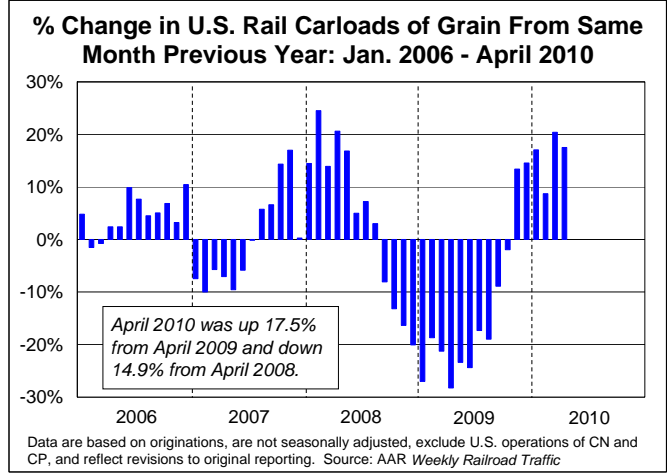
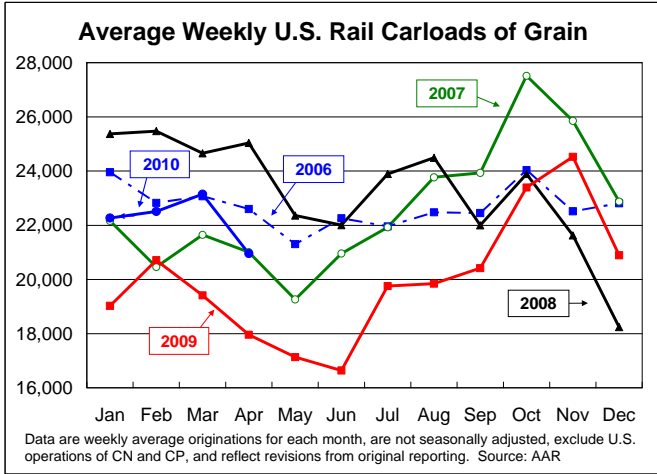
## CHEMICALS

The ongoing recovery of the chemical sector is reflected in higher rail chemical carloads. U.S. rail carloads of chemicals rose 14.1% in April 2010 over April 2009 (the fifth straight double-digit increase) while chemical carloads on Canadian railroads surged 42.9% in April 2010 over last year. Natural gas is a feedstock for a wide variety of chemicals, so the decline in natural gas prices mentioned on the previous page benefits many chemical producers as well. The chart on the bottom right shows that capacity utilization in the chemical sector is rising and is highly correlated with rail carloads of chemicals.

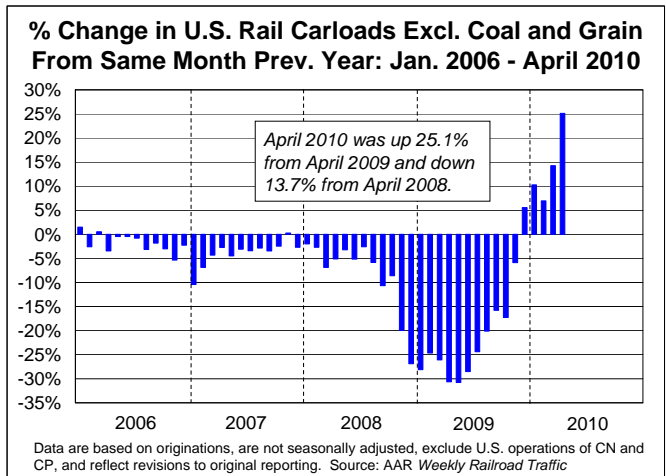
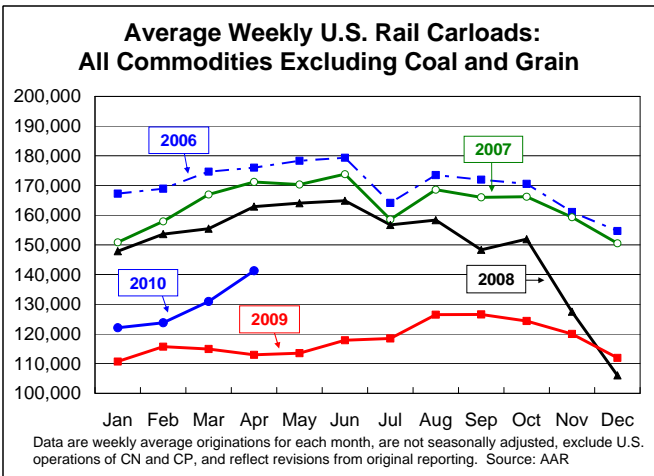


## GRAIN

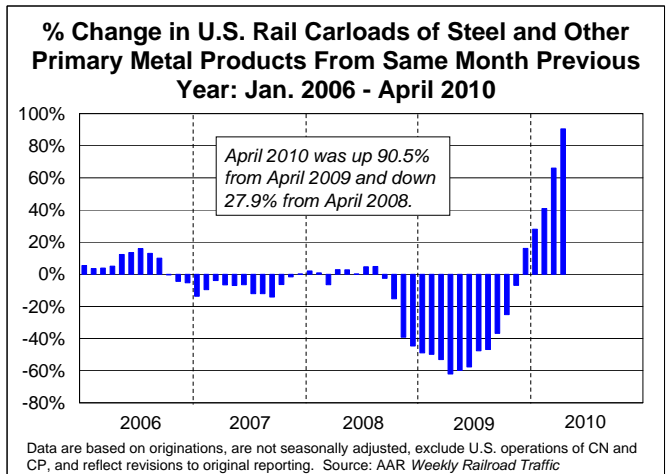
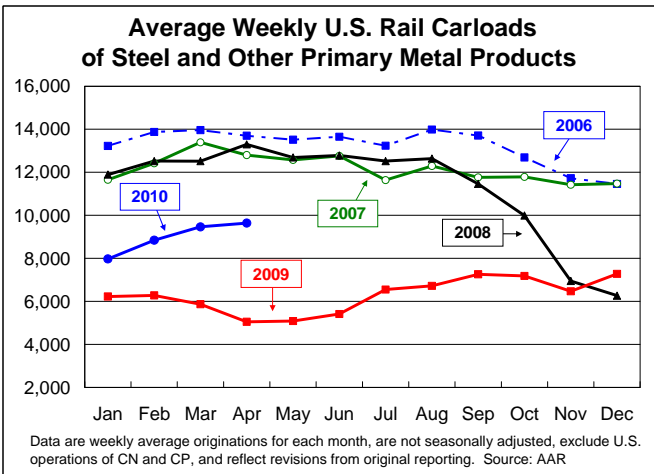
U.S. railroads averaged 20,958 carloads of grain per week in April 2010, down from 23,146 in March 2010 but up from 17,836 in April 2009. Year-over-year grain carloads on U.S. railroads have risen for six straight months at double-digit or near double-digit rates. Two of the many reasons why rail grain traffic is so variable are 1) grain production varies greatly from year to year (see chart bottom left) and 2) the price of grain varies too, which influences whether the grain will move to market rather than stay in storage in the hope that prices will rise later (see chart bottom right).



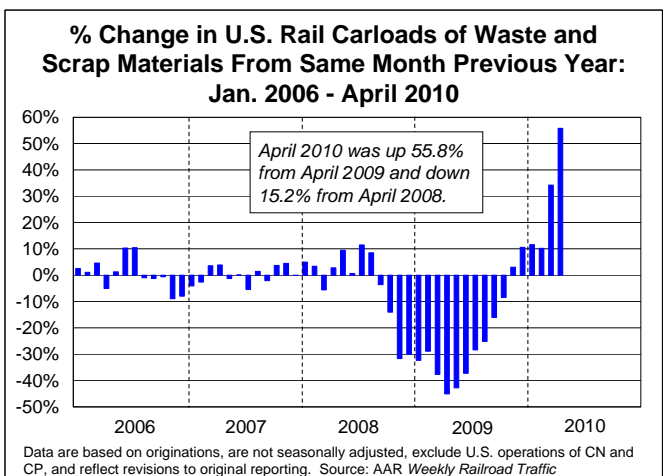
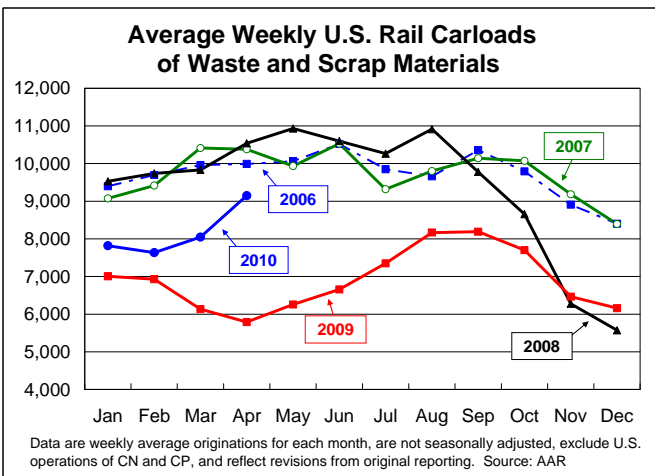
## ALL COMMODITIES EXCLUDING COAL AND GRAIN



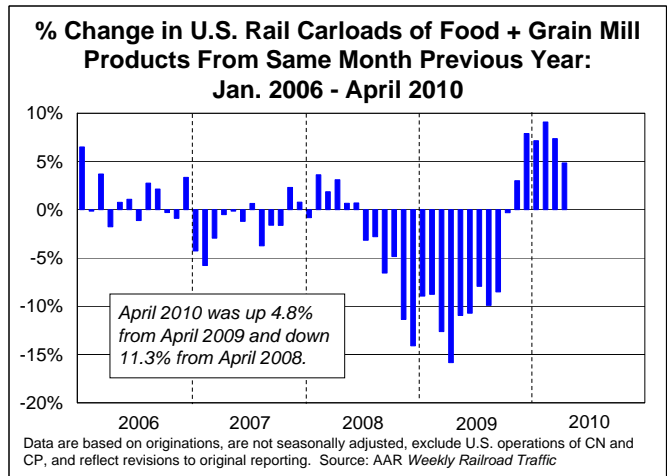
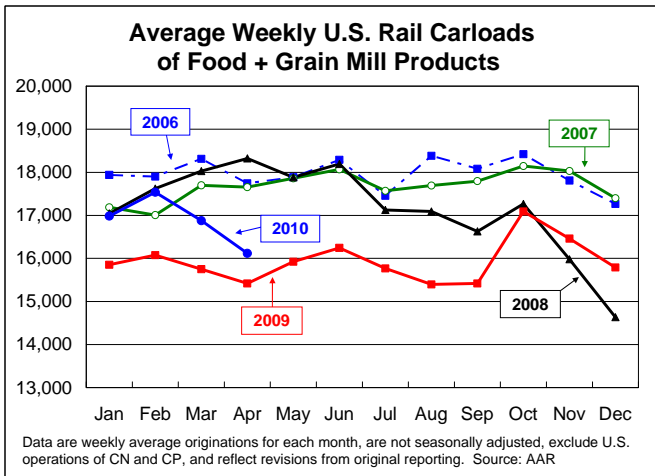
## PRIMARY METAL PRODUCTS (MAINLY STEEL)



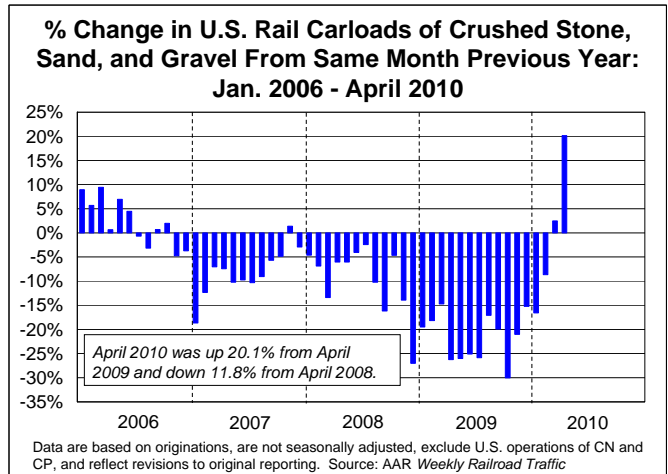
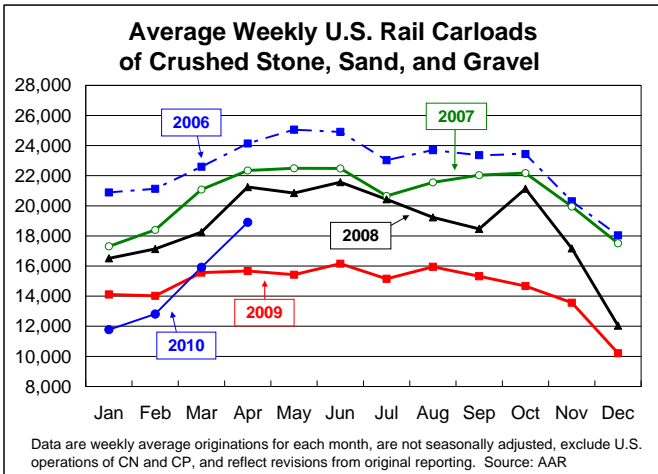
## WASTE & SCRAP MATERIALS (SCRAP STEEL, SCRAP PAPER, CONSTRUCTION DEBRIS, ETC.)



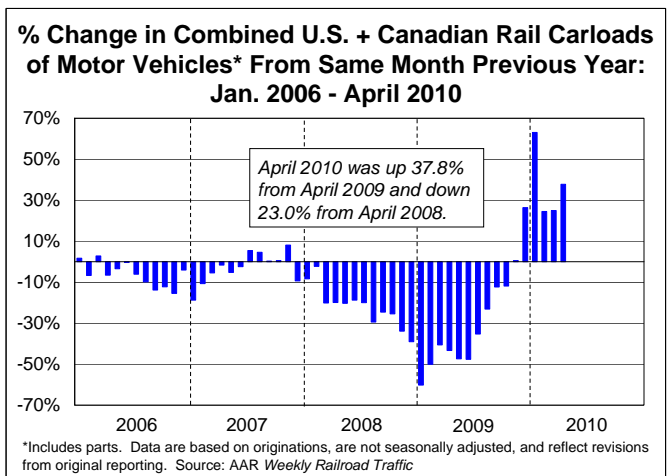
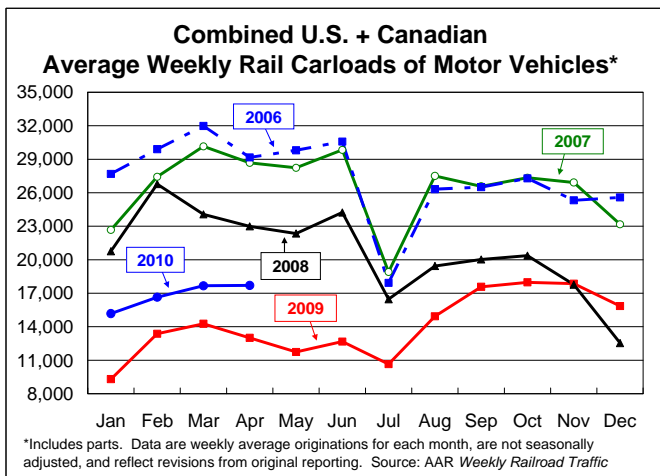
## FOOD AND GRAIN MILL PRODUCTS



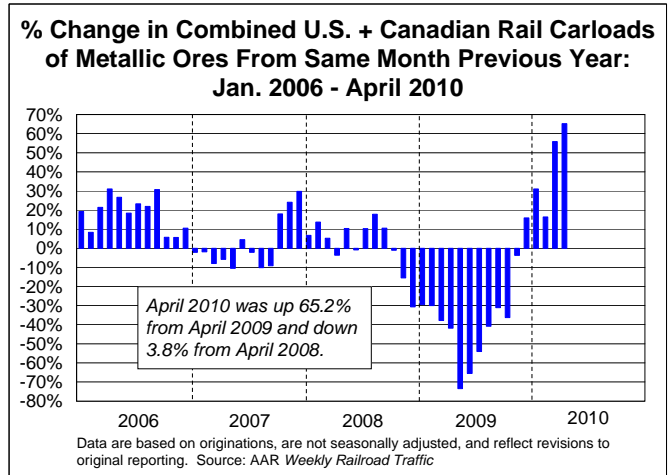
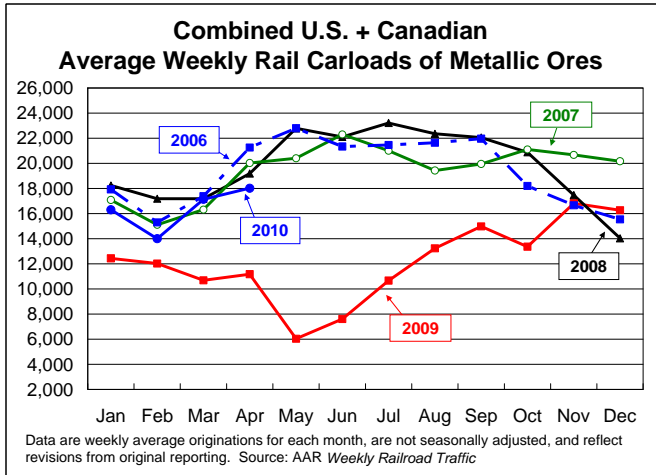
## CRUSHED STONE, SAND, AND GRAVEL



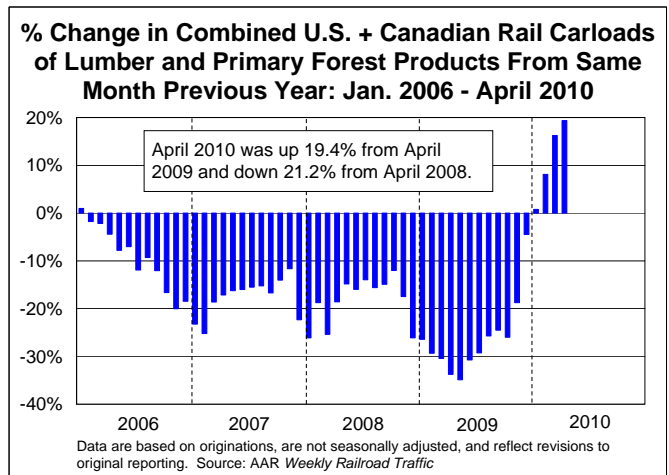
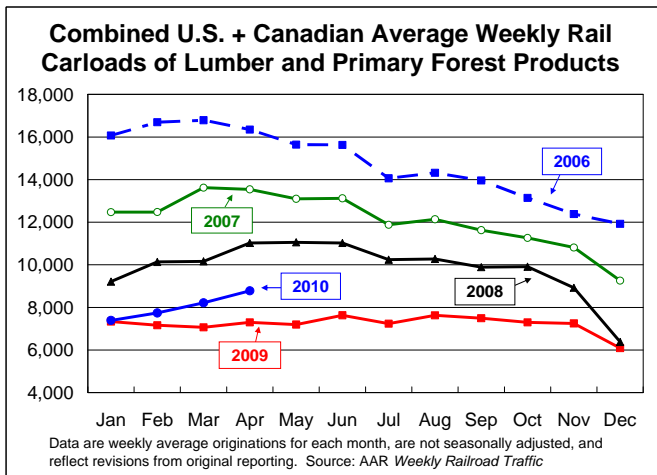
## MOTOR VEHICLES AND EQUIPMENT



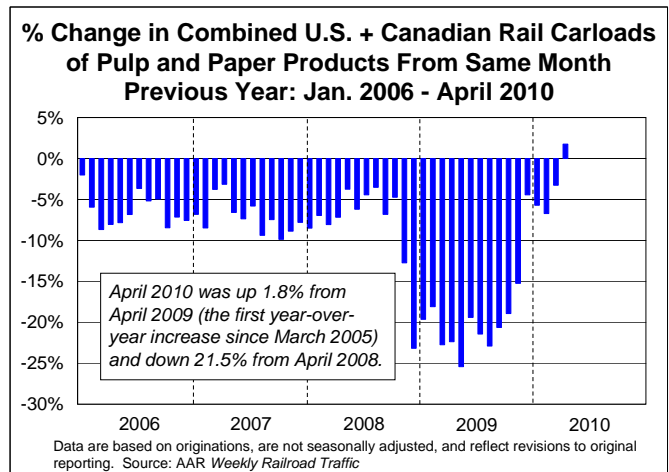
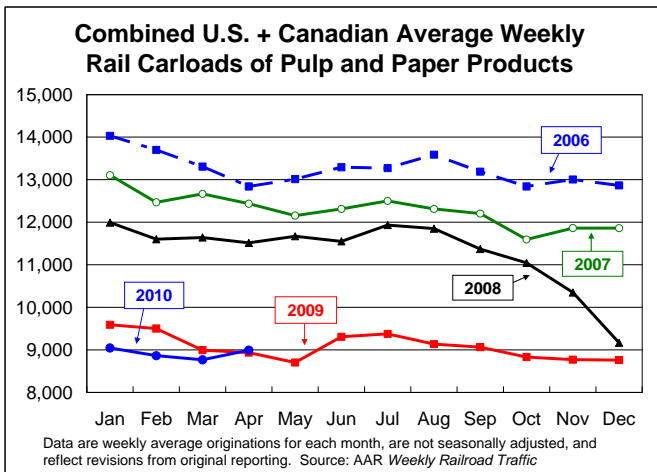
## METALLIC ORES



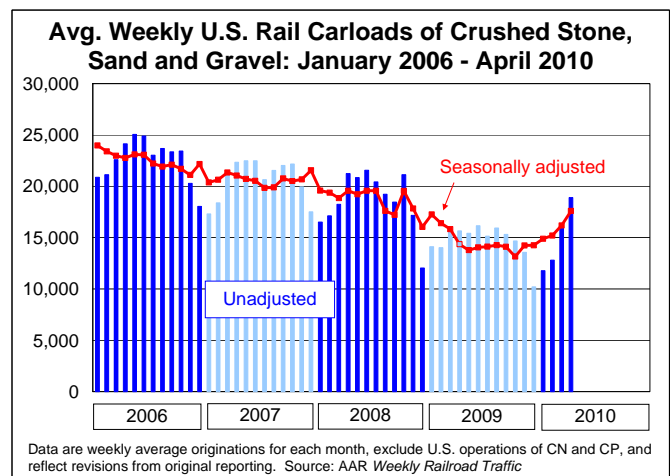
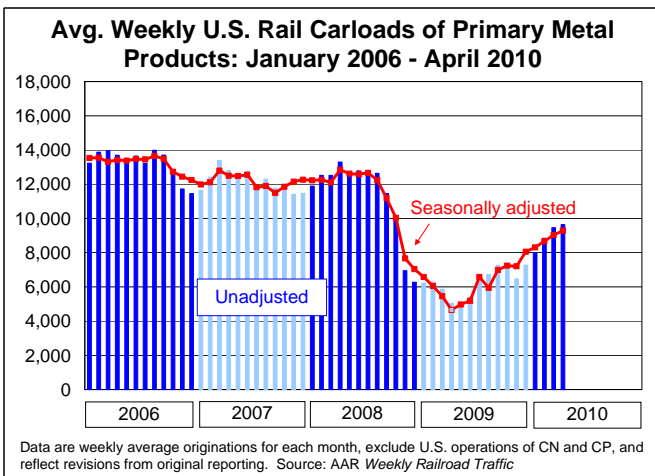
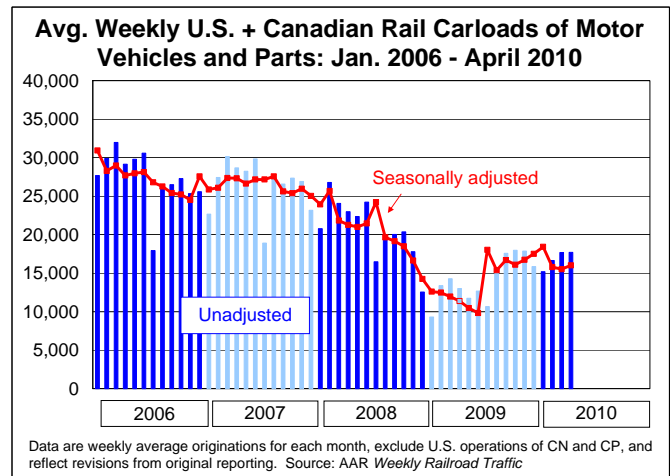
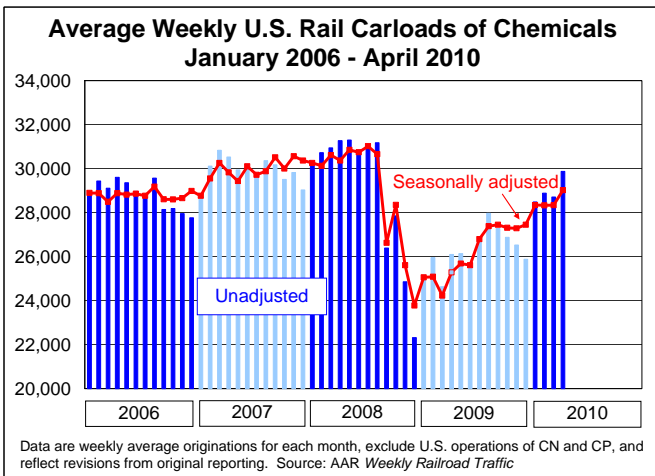
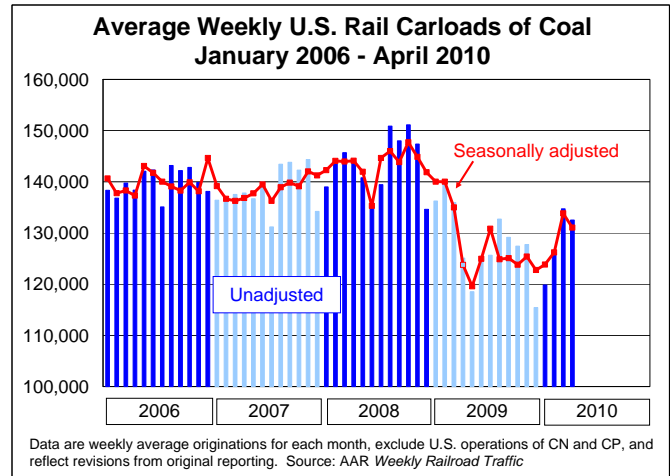
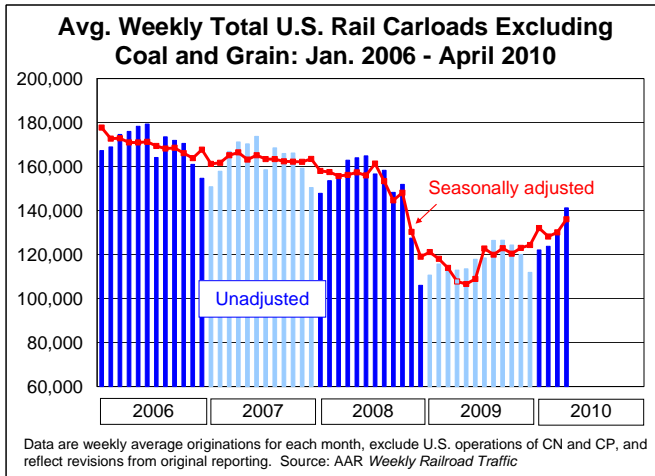
## LUMBER AND WOOD PRODUCTS + PRIMARY FOREST PRODUCTS



## PULP AND PAPER PRODUCTS



## SEASONALLY ADJUSTED RAIL TRAFFIC FOR SELECT COMMODITIES



**Where to go for more information:**

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

## GROSS DOMESTIC PRODUCT (GDP)

### Who releases it and when?

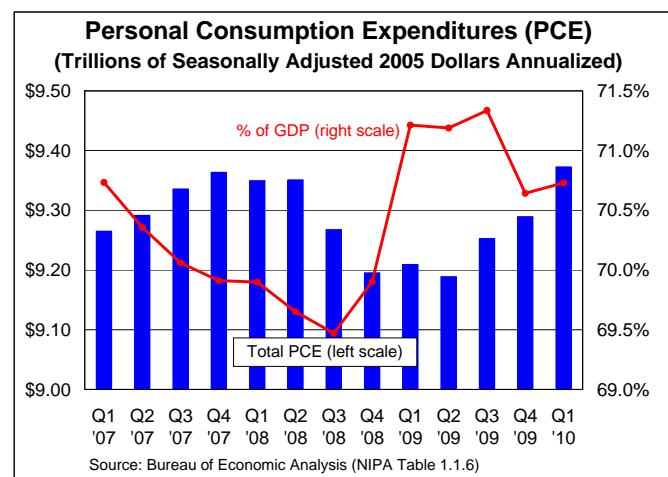
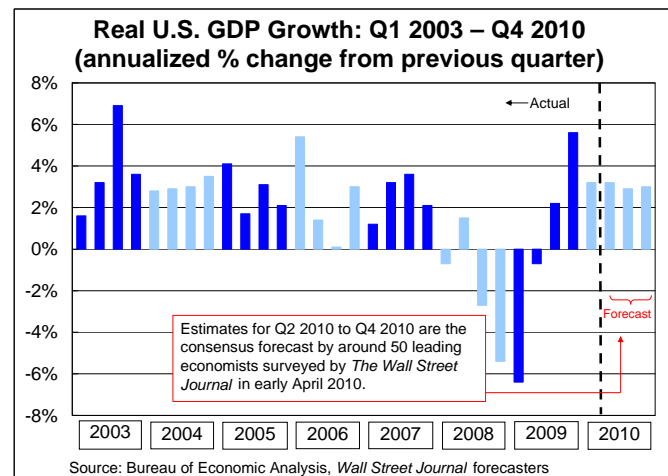
- U.S. Bureau of Economic Analysis (BEA), measured quarterly and revised several times as better data become available.

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

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

### What are the latest numbers?

- **U.S. GDP rose at an annual rate of 3.2% in Q1 2010** from Q4 2009, according to a preliminary "advance" BEA estimate released April 30. GDP grew 5.6% in Q4 2009.
- Each month, The Wall Street Journal surveys around 50 leading economists to predict how the economy will fare in the year ahead. What the WSJ said on April 16 regarding its most recent survey: "On average, the economists expect the unemployment rate, currently at 9.7%, to fall to just 9.3% by December while the economy adds around 1.9 million jobs over the next 12 months. The survey found that, on average, the economists expect the U.S. economy to expand at about a 3% annual rate in each of the four quarters of this year, although three-quarters said growth is more likely to be stronger than weaker than their forecast."
- As we've noted before,  $GDP = C$  (personal consumption expenditures) +  $I$  (private investment) +  $G$  (government spending) +  $(X-M)$  (exports – imports). Personal consumption has been trending upward for the past few quarters (see bars in chart at right).
- Government expenditures (not shown in the chart) were down slightly in the past two quarters (mainly due to lower state and local government spending) while investment (not shown) has been trending slightly upward. (Anyone interested in all the details should go to the BEA web site [here](#).)



### Where to go for more information:

- The most recent BEA news release on GDP, including links to detailed data tables, is [here](#). A revised estimate of Q1 2010 GDP will be released on May 27. Click [here](#) for more on the most recent WSJ survey of economists; a new survey will be released very soon.

## PURCHASING MANAGERS INDEX (PMI)

### Who releases it and when?

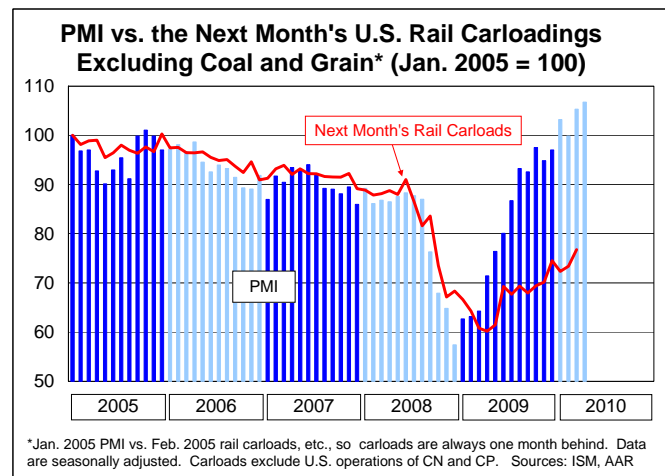
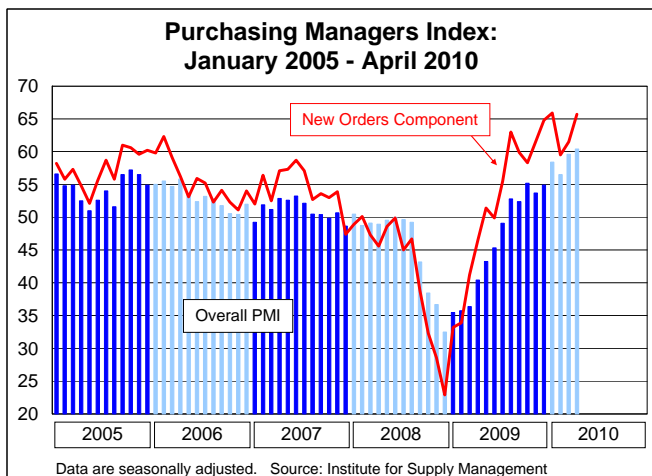
- Institute for Supply Management (ISM – formerly the National Association of Purchasing Managers), near the beginning of each month.

### 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 U.S. 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. And, of course, much of what railroads haul consists of raw materials for manufacturing or finished manufactured goods.
- According to the ISM, a **PMI > 50 indicates that overall manufacturing is expanding**; a PMI < 50 indicates that manufacturing is contracting. Also according to the ISM, a **PMI greater than 41.2**, over time, generally indicates an **expansion of the overall economy**.

### What are the latest numbers?

- PMI rose from 59.6 in March 2010 to **60.4 in April 2010**, its **highest level since June 2004**. It was 40.4 in April 2009, so the increase in a year has been extraordinary. The **new orders** component of PMI **rose to 65.7 in April 2010** from 61.5 in March 2010. It was just 46.5 in April 2009.
- What the ISM said about the April PMI: "The manufacturing sector grew for the ninth consecutive month during April. .... Manufacturers continue to see extraordinary strength in new orders, as the New Orders Index has averaged 61.6 percent for the past 10 months. ... Overall, the recovery in manufacturing continues quite strong, and the signs are positive for continued growth."
- The chart below right shows that PMI and the next month's rail carloadings excluding coal and grain used to move in virtual lockstep, but beginning in mid-2009 PMI began to significantly outpace rail carloads.



### Where to go for more information:

- The press release for the April PMI is [here](#). The May PMI will be released on June 1, 2010.

## MANUFACTURING INVENTORIES AND SALES

### Who releases it and when?

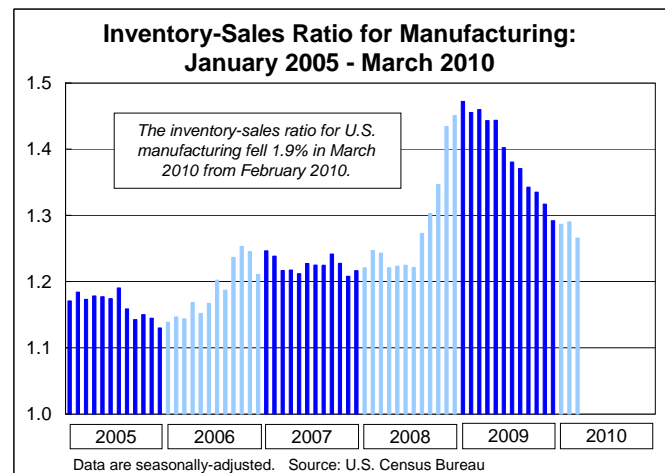
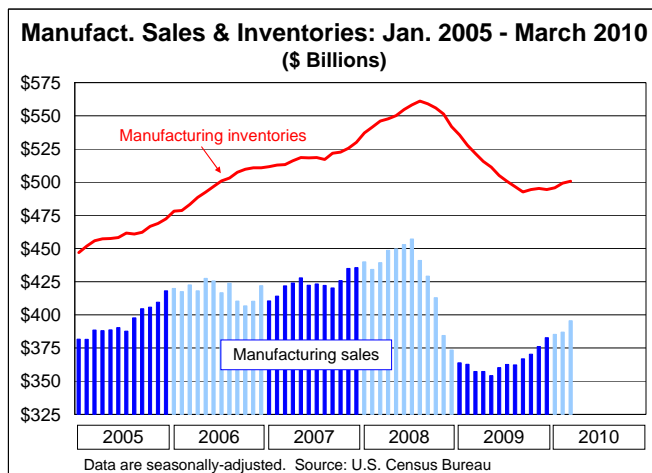
- The U.S. Census Bureau, near the beginning of each month, covering the month two months prior. (E.g., the report released in early May has data covering March.)

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

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

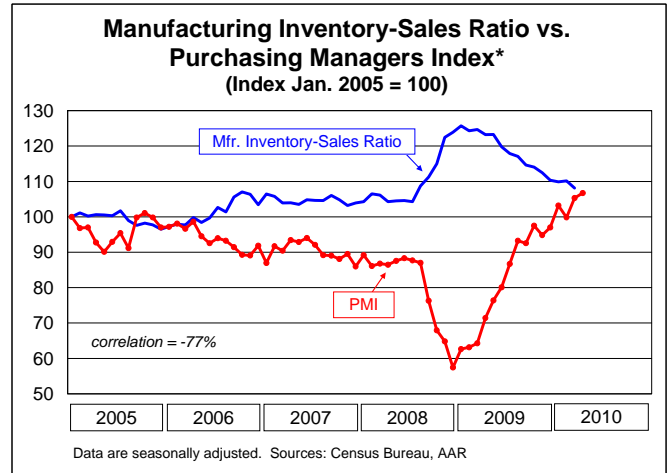
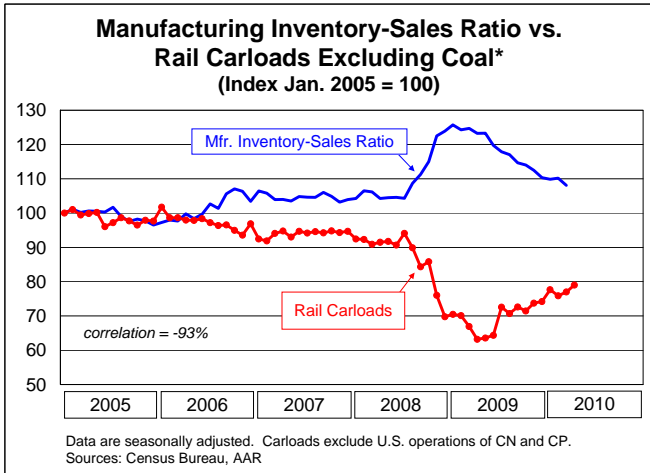
### What are the latest numbers?

- Manufacturing sales rose 2.2% in March 2010** from February 2010, the biggest percentage increase since December 2006. Part of the increase may be due to sales delayed by severe February storms. Manufacturing sales have now risen for seven straight months, consistent with the view that manufacturing is a primary impetus behind the economic recovery.
- Manufacturing inventories rose 0.3% in March 2010** from February 2010 but were still 4.0% lower than in March 2009.
- The resulting **inventory-sales ratio for manufacturing fell 1.9%** in March 2010 to 1.27 (see chart below right), its lowest level since July 2008. It's moving closer to its "normal" level of about 1.20 (its average from 2003 until mid-2008, when it began rising sharply).



- The chart on the top left of the next page is the familiar rail carloads vs. the inventory-sales ratio chart; it appears to show that the inventory-sales ratio is still too high and needs to fall further. The chart on the top right compares the inventory-sales ratio with the purchasing managers index (see page 16). This chart shows that the PMI fell much more, but then has also recovered much

more, than the inventory-sales ratio. If you put a lot of credence in the inventory-sales ratio, this chart shows that the PMI may be overvalued.



**Where to go for more information:**

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

**INDUSTRIAL PRODUCTION**

**Who releases it and when?**

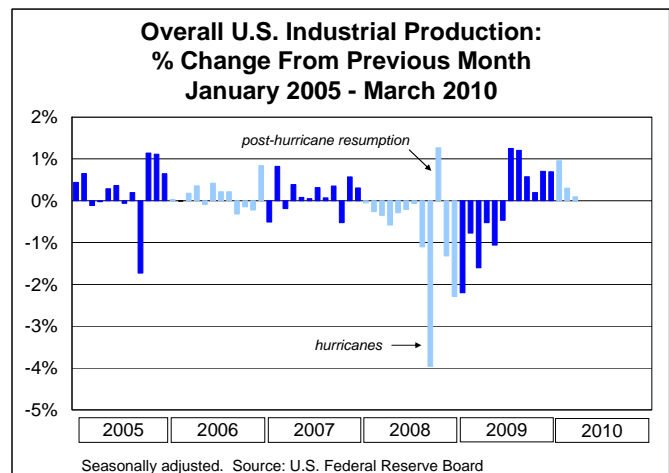
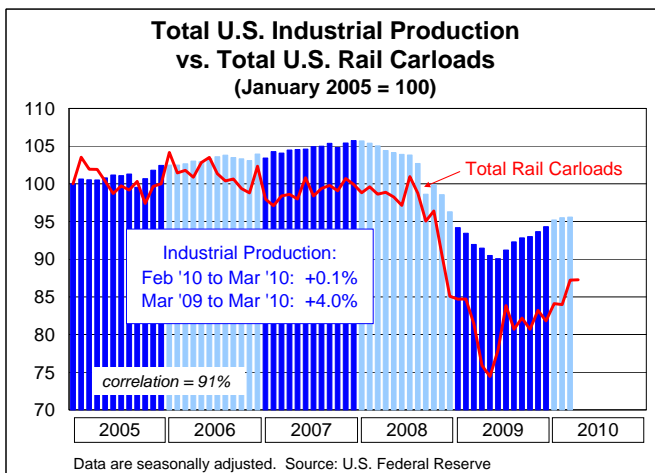
- The U.S. Federal Reserve Board, around the middle of each month.

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

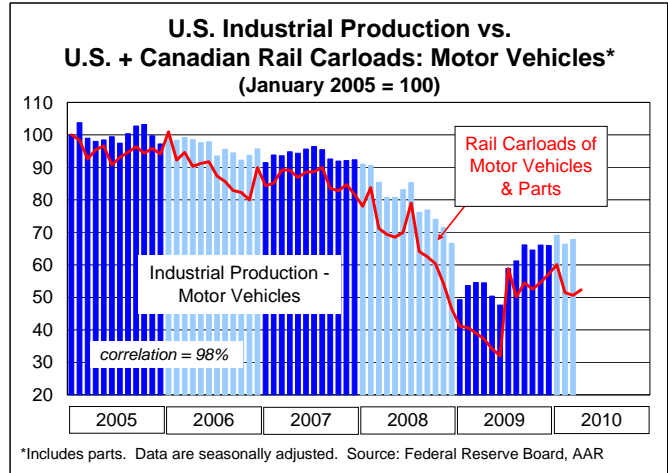
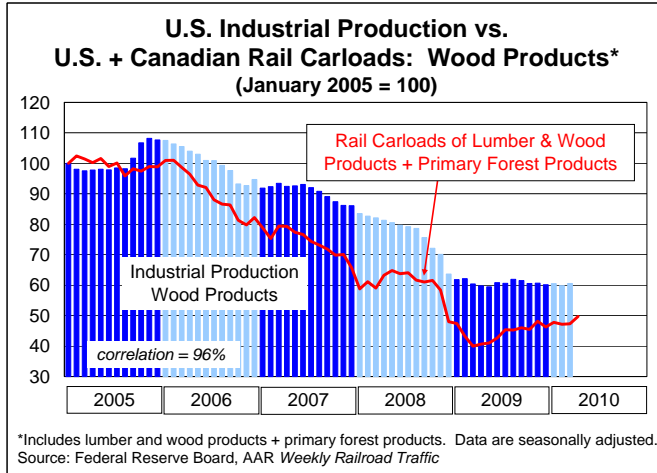
- Industrial production figures are based on the monthly raw volume of goods produced by U.S. industrial firms such as factories, mines, and electric utilities. The industrial sector generally exhibits the most volatility in output during a business cycle.

**What are the latest numbers?**

- **Industrial production rose 0.1% in March 2010** from February 2010, its ninth straight monthly increase. It's a bit worrying, though, that the trend over these nine months is for lower growth (see chart below left).



- Rail traffic is closely correlated with industrial production, both overall (see chart on left on bottom of previous page) and for various industrial sectors. Last month we showed the strong correlation between industrial production and rail carloads for steel and other metal products and for paper products. This month, we show similar charts for lumber/wood and motor vehicles (see below).



#### Where to go for more information:

- The Federal Reserve release on industrial production in March is [here](#). April 2010 data will be released on May 14, 2010.

## CAPACITY UTILIZATION

#### Who releases it and when?

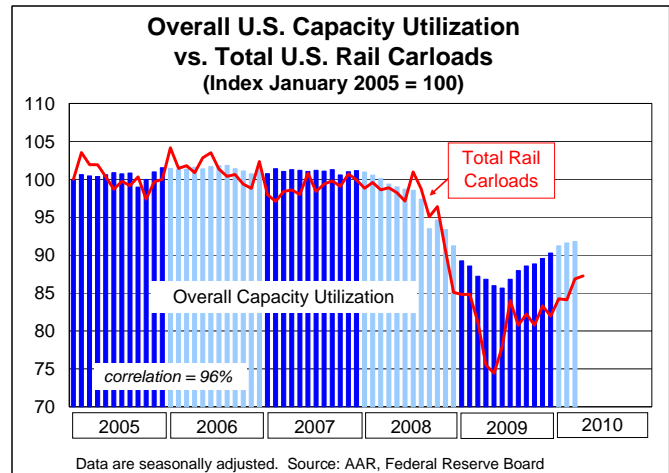
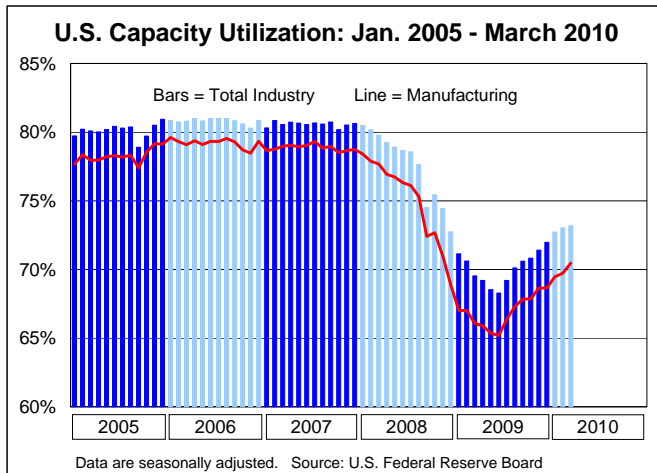
- The U.S. Federal Reserve Board, around the middle of each month.

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

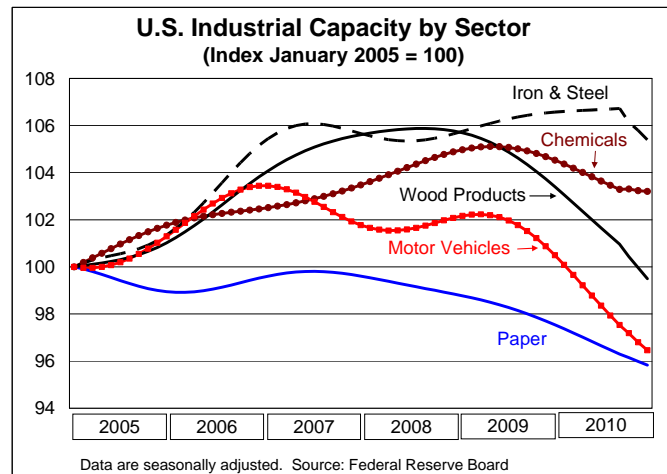
- Capacity utilization attempts to capture the concept of sustainable maximum output — *i.e.*, the highest output a plant can maintain assuming a realistic work schedule, normal downtime, and sufficient availability of inputs to operate the capital in place.
- In theory, a capacity utilization rate of,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

#### What are the latest numbers?

- **Capacity utilization for total industry** (mining, manufacturing, and gas and electric utilities) **rose to 73.2% in March 2010**, up from 73.0% in February 2010 and its ninth straight monthly increase (see chart top left of next page). If it continues this rate of increase, in about a year it will be back to about where it was in early 2008.
- **Capacity utilization for manufacturing also rose in March 2010, to 70.5% from 69.7% in February.** Like industrial production, the capacity utilization numbers are consistent with a recovering industrial sector.
- The chart on the top right of the next page shows the strong correlation between capacity utilization and rail traffic.



- The actual productive capacity of an industry changes over time as new capacity is added (generally during good economic times) or is removed (especially during tough economic times). Not surprisingly, capacity for most industries has fallen over the last 18 months (see chart at right for some examples).
- In any industry, the first capacity to be eliminated will be the most marginal (i.e., the least productive, the most expensive to operate, etc.). Once recovery is complete, many industries will not be able to produce as much as they could prior to the recession. Eventually, that could mean that shortages could develop more rapidly than in the past, resulting (among other things) in higher prices.



**Where to go for more information:**

- The Federal Reserve release on capacity utilization in March is [here](#). April 2010 data will be released on May 14, 2010.

**NUMBER OF EMPLOYED PERSONS AND UNEMPLOYMENT RATE**

**Who releases it and when?**

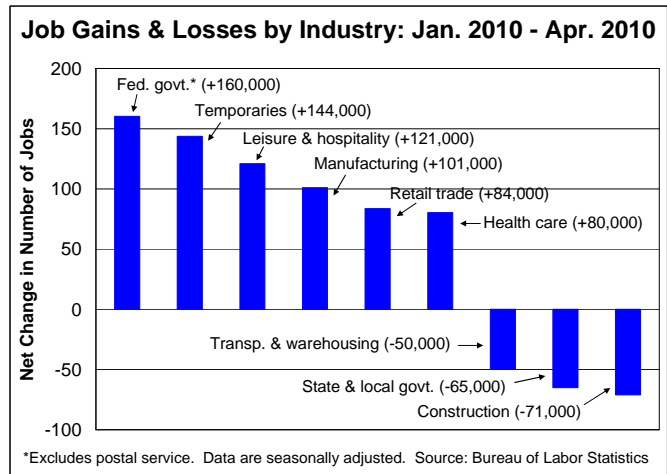
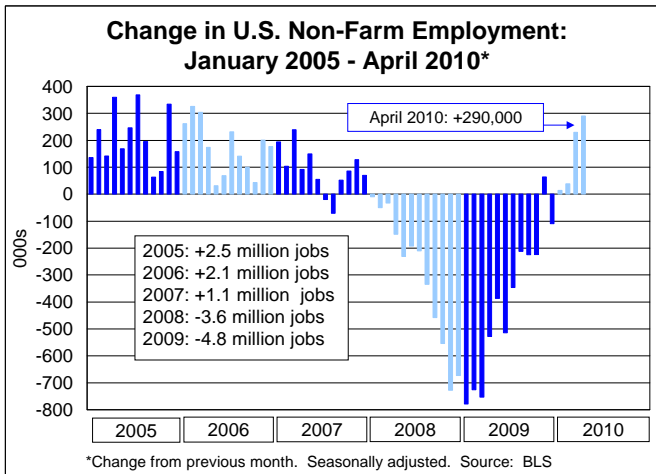
- U.S. Bureau of Labor Statistics (BLS) near the beginning of each month.

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

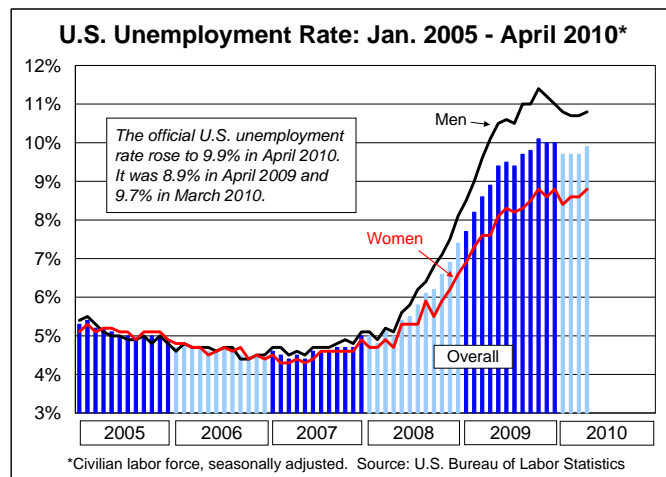
- The figures provide a snapshot of the strength of the U.S. labor market and are based on surveys of tens of thousands of households and businesses. In the United States, a gain of at least **150,000 or more jobs from one month to the next is generally considered solid job growth.**
- Employment is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

**What are the latest numbers?**

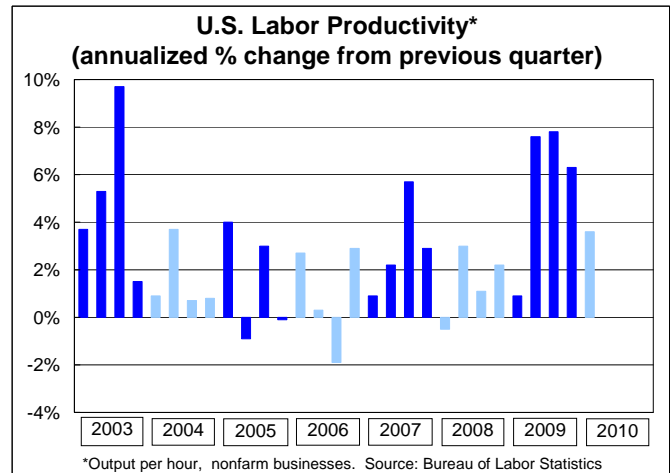
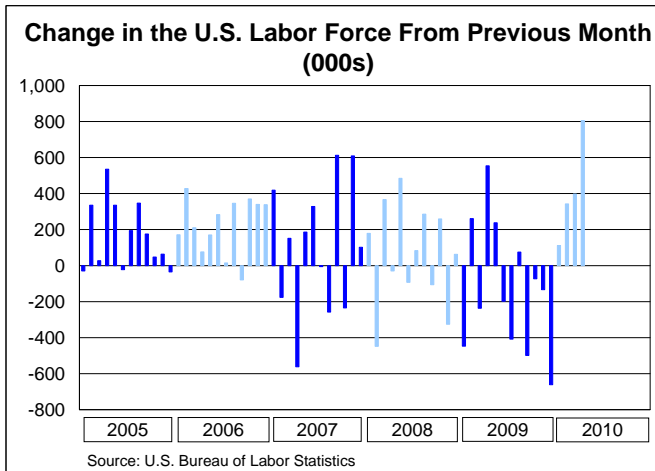
- Net U.S. **non-farm employment rose by 290,000 in April 2010, the largest gain since March 2006**. Meanwhile, employment for February and March 2010 were revised upward by 121,000 jobs. This means net employment gains in the first four months of 2010 totaled 573,000. Only 7.8 million jobs to go before the economy makes up all the jobs that were lost in 2008 and 2009.
- With the 290,000 jobs gained in April, employment has now **risen each month in 2009**. The gains have been spread across industries, including 160,000 jobs in the federal government (many are census-related temporary jobs), manufacturing, and retail (see chart below right).



- Despite the employment gains in April 2010, the official **unemployment rate for the month rose to 9.9% from 9.7% in March 2010**.
- The explanation (or “spin” in Washington parlance) why the unemployment rate can rise at the same time that employment sees its biggest increase in more than four years was discussed in last month’s Rail Time Indicators. It goes like this: a recovering economy has led a large number of people who had given up on getting a job to start looking again. They therefore became part of the labor force again and so again counted as unemployed. Since the growth in the labor force in April (805,000) significantly exceeded the job growth in April (290,000), the unemployment rate rose. That’s how we get statements like the following, which appeared in a blog for a popular newsmagazine: “A rising unemployment rate is actually one of the best signs yet that the economy is bouncing back.”



- Some people think this reasoning makes sense; others find the logic (higher unemployment rate = good news) bizarre. It’s true that the **labor force has grown sharply in the past few months** (see top left chart on the next page), but it’s also true that over the past couple of years there have been a number of wide swings in the labor force from month to month, including gains in the labor force that have corresponded with big job losses. In April 2009, for example, the labor force expanded by 554,000 even though the unemployment rate was still rising, net job losses were 528,000 for the month, and no one was calling any of it a sign of recovery.



- Moreover, the number of officially “discouraged” workers (persons not currently looking for work because they believe no jobs are available for them) actually rose from 994,000 in March 2010 to a near-record 1.2 million in April 2010. In addition, the number of long-term unemployed (more than 27 weeks) rose to a record 6.7 million in April, or 46% of total unemployed.
- Then there’s the question of labor productivity. Output per hour in 2009 was the highest since 2003 (see chart top right). As employers find they can “do more with less,” it presents an additional obstacle to job growth.
- All this said, the April job numbers taken as a whole have to be seen as a positive sign. We need much more improvement, though, before the term “jobless recovery” can be banished from the lexicon.

#### Where to go for more information:

- The BLS press release on the employment situation in April 2010 is [here](#). Data for May 2010 will be released on June 4, 2010.

## CLASS I RAILROAD EMPLOYMENT

#### Who releases it and when?

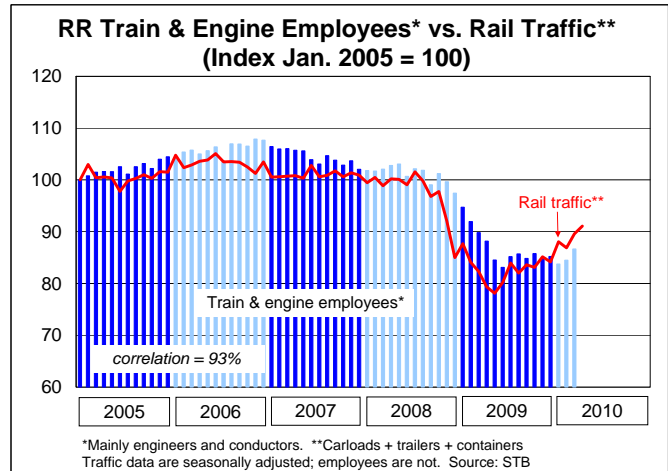
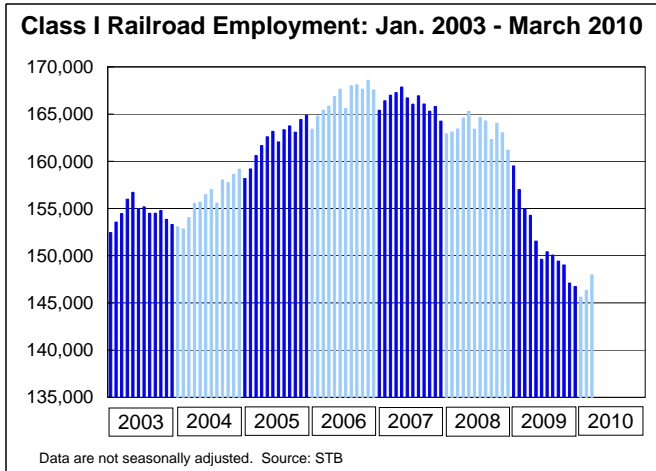
- Surface Transportation Board (STB), around the middle of the month.

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

- Report showing the average number of Class I employees at mid-month. These numbers are not seasonally adjusted. As in other industries, employment in the rail industry is in large part a function of the level of business — *i.e.*, how much freight is being hauled.

#### What are the latest numbers?

- Class I freight railroad employment **rose to 147,966 in March 2010**, up 1,658 from February 2010 and the second straight monthly increase. After the March increase, the rail industry is down more than 20,600 employees (12%) from its recent peak in November 2006 (see chart on the left on the top of the next page).
- **1,452 train and engine employees** (mainly engineers and conductors who operate trains) **came on board in March**, as well as 633 employees who take care of track and other infrastructure. Not surprisingly, there is a strong positive correlation between the number of train and engine employees and rail traffic volume (see chart top right of next page).



**Where to go for more information:**

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

**CONSUMER CONFIDENCE**

**Who releases it and when?**

- The Conference Board on the last Tuesday of the month.

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

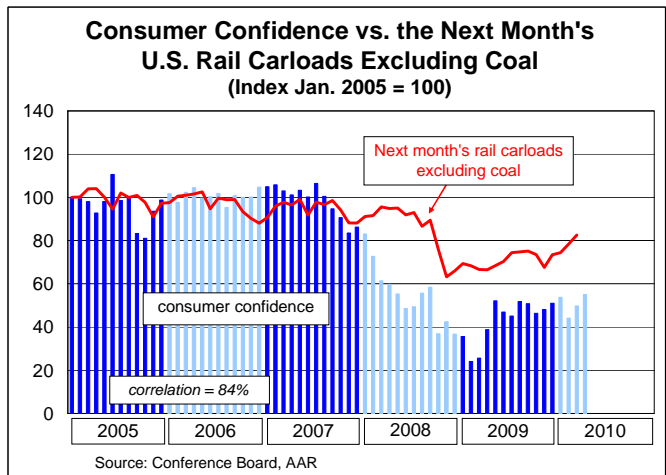
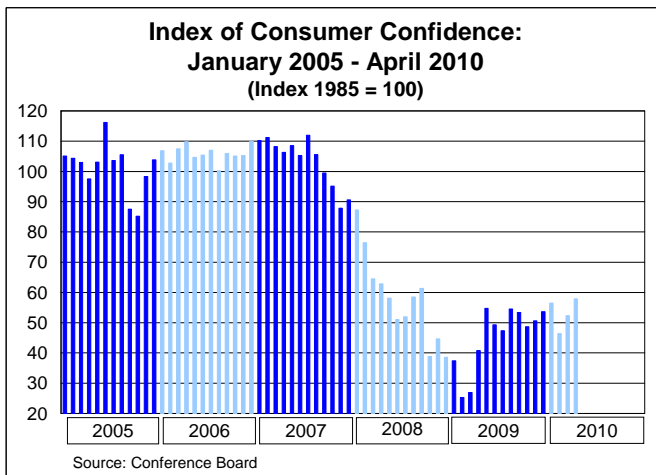
- The index is based on a monthly survey of 5,000 U.S. households. It is designed to gauge the financial health, spending power, and confidence of the average U.S. consumer. Respondents are asked about current conditions (“Present Situation Index”) and their expectations for the next six months (“Expectations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

**What are the latest numbers?**

- The consumer confidence index **rose to 57.9 in April 2010, its highest level since September 2008** (right before its big plunge). The index was 52.3 in March 2010 (see chart top left next page.)
- What the Conference Board said regarding the March index: "Consumer confidence, which had rebounded in March, gained further ground in April. The Index is now at its highest reading in about a year and a half.... Consumers' concerns about current business and labor market conditions eased again. And, their outlook regarding business conditions and the labor market was also more positive than last month. Looking ahead, continued job growth will be key in sustaining positive momentum."
- According to the Conference Board, respondents who claimed that current conditions are "good" rose from 8.5% to 9.1%. Those claiming that current conditions are "bad" fell to 40.2% from 42.1%.

**Where to go for more information:**

- The Conference Board's press release on the consumer confidence index in April is [here](#). May's consumer confidence index will be released on May 25.



## RETAIL SALES

### Who releases it and when?

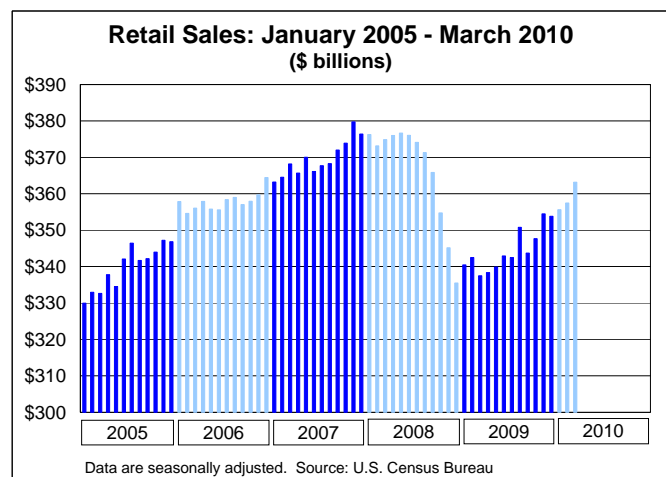
- The U.S. Census Bureau, around the ninth business day of each month.

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

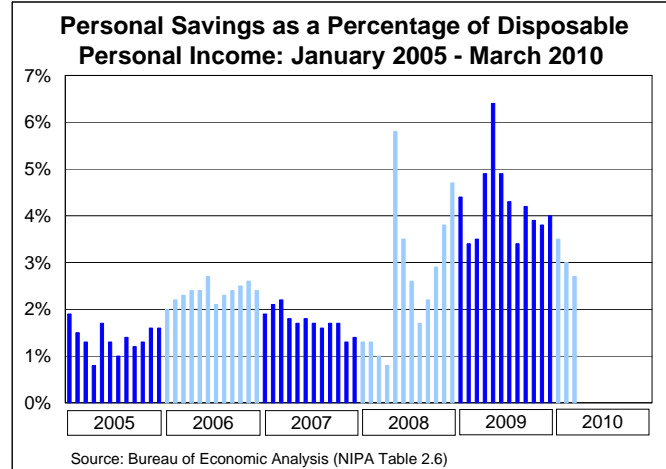
- The Census Bureau surveys 5,000 retailers of all types to track the dollar value of physical merchandise sold. The data are adjusted for holiday differences and seasonal variations but are not adjusted for inflation. (The “personal consumption expenditures” component of GDP is adjusted for inflation,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

### What are the latest numbers?

- Total retail sales were up 1.6% (\$5.7 billion) in March 2010 from February 2010. That’s the biggest increase in four months and continues a year-long upward trend. Retail sales in March 2010 were 7.6% higher than in March 2009.
- Of the \$5.7 billion increase in March 2010 retail sales, \$3.9 billion was auto related, another \$730 million was building materials and garden supplies, and the remainder spread among various retail categories.
- “Core” retail sales — retail sales excluding autos, gasoline, and building materials — rose 0.5% in March, the seventh increase in the past eight months for that measure. In March 2010 core retail sales were the highest ever.



- Back in the December 2009 [Rail Time Indicators](#) report we noted that there had recently been a slight decline in **savings as a percentage of disposable income**. We noted that since what is not saved is spent, if this trend continues it may foretell a return to more free-spending days. A few months later, that trend is continuing. Savings as a percentage of disposable income in March 2010 was 2.7%, its lowest level since September 2008 and the fifth decrease in the last six months.



**Where to go for more information:**

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

**LIGHT VEHICLE SALES**

**Who releases it and when?**

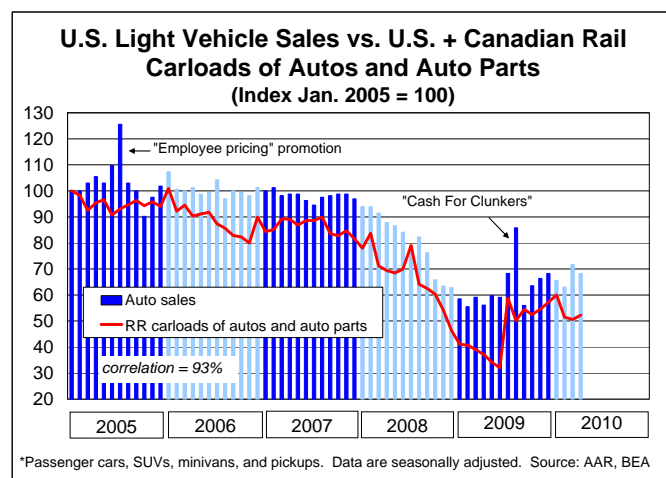
- The U.S. Bureau of Economic Analysis.

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

- Covers U.S. sales of cars and light trucks, including pickups and SUVs. Over the past 50 years, spending on motor vehicles has accounted, on average, for about 3.7% of U.S. GDP. Monthly auto sales are often referred to in terms of seasonally-adjusted annualized rates (SAAR), which measures what sales would be over 12 months if demand remained constant and seasonal adjustments were made. (Seasonal adjustment is important for auto sales. For example, everything else equal, sales will be higher in June than in January because fewer people visit showrooms in January than in June.)
- 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 in April 2010 were 11.2 million at a seasonally-adjusted annualized rate, **down 4.8% from March 2010 but up almost 22% from April 2009**.
- Despite the decline from the previous month, the April sales data indicate a steady if slow recovery from the truly dismal sales levels of early 2009, when auto sales fell to levels not seen since the early 1980s.
- Press reports indicate that industry incentives fell \$152 per vehicle in April 2010 from March 2010 to \$2,654. If automakers can continue to reduce incentives without losing sales — that's a big if — they would obviously make more money. It would also indicate a greater willingness by consumers to part with their cash, a key factor for an economy like the U.S. economy which depends so much on personal consumption (see page 15).



### Where to go for more information:

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

## HOUSING STARTS

### Who releases it and when?

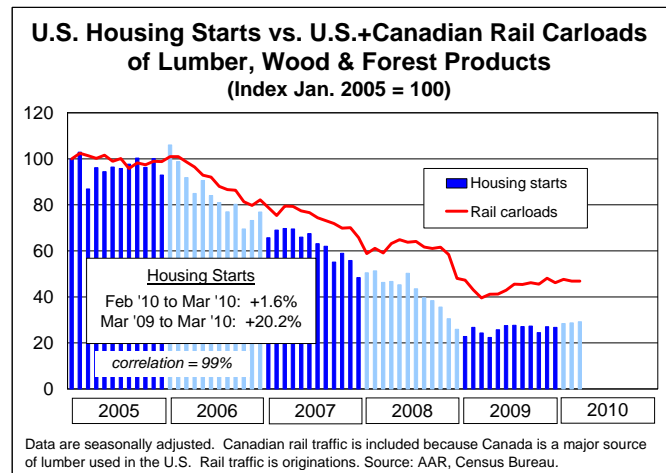
- Census Bureau, around the middle of each month. Prior months' data are subject to revision.

### 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. Factors affecting today's housing market, including a huge oversupply of existing houses, might mean that new construction is a lagging indicator this time around.

### What are the latest numbers?

- Seasonally-adjusted housing starts rose from an annualized 616,000 in February 2010 to 626,000 in March 2010, a **1.6% increase**.
- Housing starts in March 2010 were **20.2% higher** than March 2009 totals, but that's mainly due to the fact that March 2009 was a dismal month for housing starts. Happy days are not yet here again for homebuilders.



### Where to go for more information:

- The Census Bureau's press release on housings starts in March is [here](#). April's housing starts will be released on May 18, 2010.

## CONSUMER PRICE INDEX (CPI)

### Who releases it and when?

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

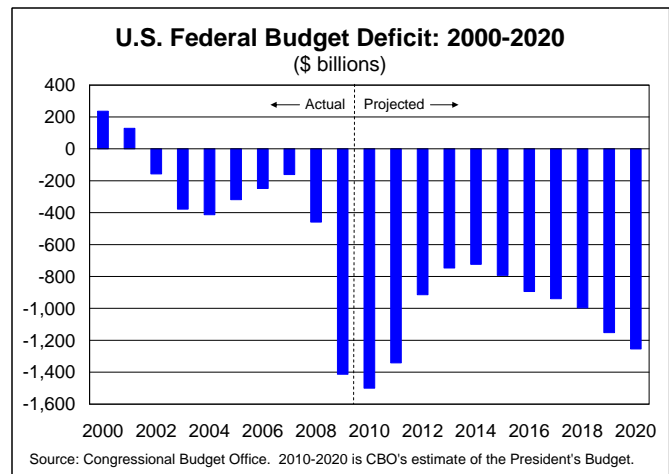
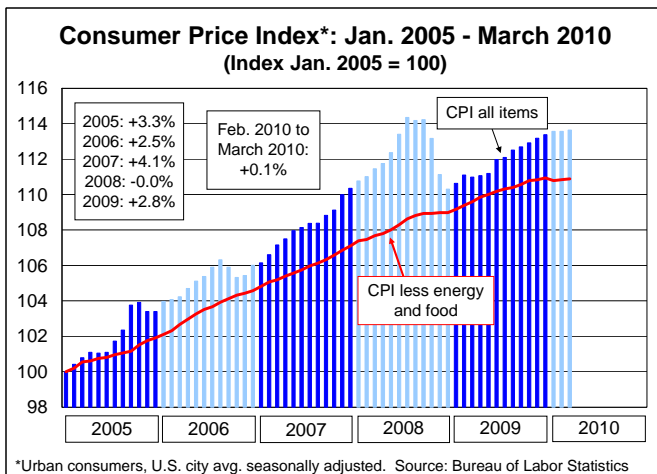
### What is it and why is it important?

- The CPI is the benchmark inflation guide for the U.S. economy. It measures the changes in the cost of a representative basket of consumer goods and services. The BLS collects prices from 23,000 retail and service establishments throughout the country.
- It's hard not to have at least a little inflation when an economy is growing, but it can harm economies in many ways. Just one example: inflation confuses price signals — producers don't know if higher prices are simply part of an inflation-related adjustment or if they signal higher demand that warrants expanded production.

- The CPI is the basis for cost-of-living adjustments for Social Security, federal retirement payments, many private pensions, and food stamps.

**What are the latest numbers?**

- **The consumer price index** for all urban consumers (CPI-U) **rose 0.1%** on a seasonally adjusted basis in March 2010 from February 2010 and **is up 2.4%** on a **year-over-year basis**.
- According to the BLS, the increase in CPI in March was mostly due to an increase in the fresh fruits and vegetables index, which rose 4.6% in March and accounted for more than 60% of the all-items increase. “Core” inflation — CPI excluding food and energy — was virtually unchanged in March 2010 from February 2010.
- The huge excess capacity in the economy (of workers, machine tools, printing presses, chemical factories, and just about everything else that makes anything) is one of the main factors keeping inflation low. Generally speaking, most companies or employees have limited leverage to raise their prices substantially — if they do, their customers or employers usually have alternatives.
- As the Wall Street Journal pointed out in an article on March 19, some analysts consider much higher inflation inevitable in the long run due to huge government budget deficits (see chart below right) and the Federal Reserve’s easy credit policies. The article notes that Washington has an incentive to tolerate more inflation: “The White House budget office estimates a one-percentage-point increase in the inflation rate above its current estimates, sustained for 10 years, would reduce the federal budget deficit by \$462 billion over 10 years even if interest rates rose one percentage point over the same period. Higher inflation raises government receipts more than it increases government spending.” (No, we’re not claiming that an intentionally high-inflation government policy is actually in the works.)



**Where to go for more information:**

- The BLS press release on the March CPI is [here](#). April’s CPI will be released on May 19.

**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.

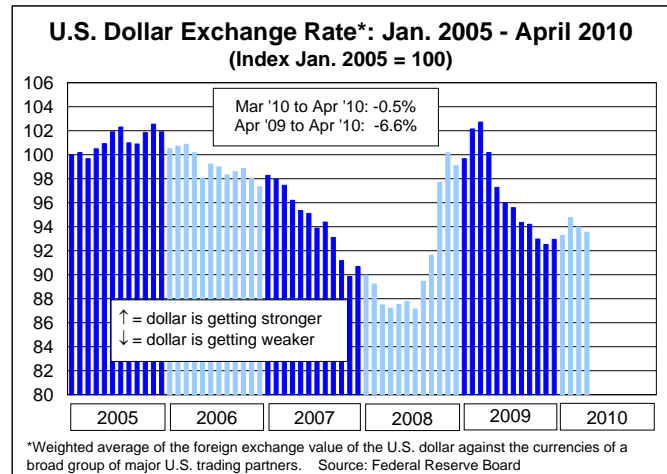
- An exchange rate is the **price of one currency against another**. A weaker U.S. dollar (“depreciation”) means that U.S. imports become relatively more expensive and U.S. exports become relatively less expensive abroad. All else equal, that means fewer U.S. imports and more U.S. exports.<sup>1</sup> Because the U.S. is such a huge market, prolonged weakness in the dollar’s value could harm the economies of export-driven countries around the world.
- Conversely, a stronger dollar (“appreciation”) means U.S. imports become relatively cheaper and U.S. exports become more expensive. All else equal, that means more U.S. imports and fewer U.S. exports.

**What are the latest numbers?**

- The U.S. dollar **fell 0.5% in April 2010** — not much, but the second straight monthly decline. The dollar was 6.6% lower in April 2010 than in April 2009.

**Where to go for more information:**

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



**RAIL FREIGHT CARS IN STORAGE**

**Who releases it and when?**

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

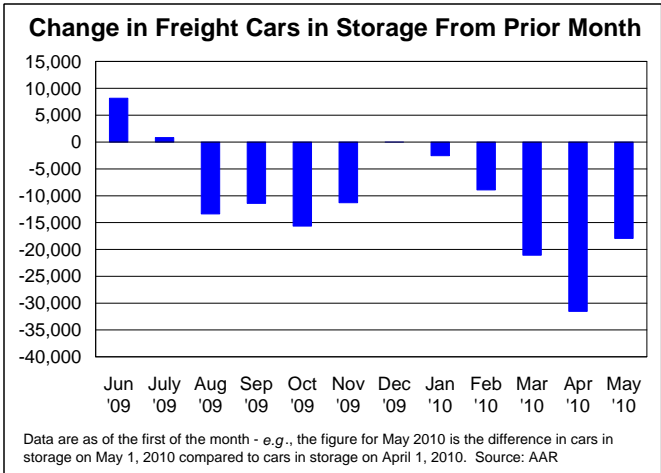
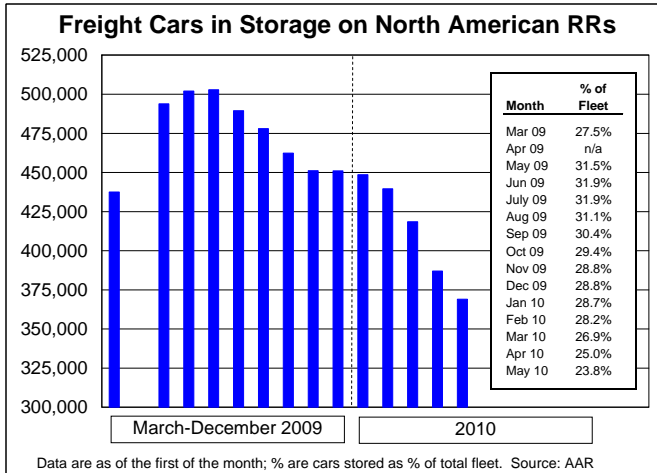
**What is it and why is it important?**

- 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 due to lack of demand; they come out of storage when demand improves. Figures are for the entire North American rail freight car fleet and include rail cars owned by railroads, leasing companies, shippers, and others. The total freight car fleet changes from month to month as new cars are added and old cars are scrapped. Data prior to March 2009 are not available.
- Our best estimate is that, when the economy and the rail industry are at their healthiest, around 2% or 3% of freight cars are in storage.

**What are the latest numbers?**

- As of May 1, 2010, **369,090 freight cars — 23.8% of the fleet — were in storage**. Cars in storage have declined for 10 straight months, totaling nearly 134,000 cars out since that time. Approximately 18,000 cars came out of storage in April 2010, down from 21,000 in February 2010 and more than 31,000 in March 2010 (see chart top right next page).

<sup>1</sup> For example, suppose a German company wants to export to the United States a ton of chemicals that costs 100 euros in Germany. At \$1.50 per euro, the chemicals cost \$150 (100 x 1.5) in the U.S. If the dollar gets stronger so that one euro falls to \$1.20, the cost of the chemicals to a U.S. customer falls to \$120 (100 x 1.2). If the dollar gets weaker so that one euro is, say, \$1.80, the cost of the chemicals in the U.S. rises to \$180 (100 x 1.8).



**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).