ASSOCIATION OF AMERICAN RAILROADS | POLICY & ECONOMICS

Rail Industry Overview

December 2025

Continued Economic Uncertainty Reflected in Rail Volumes

As we near the end of 2025, the U.S. economy remains in many ways like it was at the beginning of the year: growing modestly but under a cloud of uncertainty. That uncertainty has impacted rail volumes throughout the year, including in November.

Slowdown in Intermodal, Carloads Up

In November 2025, total U.S. rail carloads were up 1.5% over November 2024, and 9 of the 20 major rail carload categories posted year-over-year gains. Gains in key bulk commodities—led by crushed stone, grain, and coal—offset declines in motor vehicles and parts, petroleum products, and metallic ores, among others. It's always the case that some rail traffic categories are rising and some are falling, for various reasons. In the case of motor vehicles, for instance, the pace of new car sales fell substantially in November, reducing the need for new shipments.

Total U.S. rail carloads averaged 220,075 per week in November 2025, the third-lowest month so far in 2025. November volumes are always limited by the Thanksgiving holiday. Year-to-date total carloads through November were up 1.8%, or almost 193,000 carloads, over the same period in 2024. In 2025 through November, 12 of the 20 carload categories the AAR tracks saw year-over-year gains.

Key Takeaways

- **Intermodal Cools.** U.S. rail intermodal volume fell 6.5% in November 2025 from November 2024 as port activity cooled following retailer inventory buildup earlier in the year. Consumer caution also appears to be increasing. The year-over-year intermodal decline in November was the third in the past six months.
- **Carload Counterbalance.** In November, key commodities such as crushed stone, grain, and coal posted year-over-year gains, offsetting declines in other industrial markets. Overall carload growth was up 1.5% year-over-year.
- **Manufacturing Contraction.** The Manufacturing PMI® declined further below 50% in November, signaling continued manufacturing weakness that is negatively impacting rail volumes.
- **Rail as an Inflation Buffer.** A new AAR analysis shows that that rail exhibits low pass-through into goods inflation; historically, a 10% increase in rail cost growth is associated with only a 0.7% rise in goods inflation, roughly one-third the impact observed in trucking.

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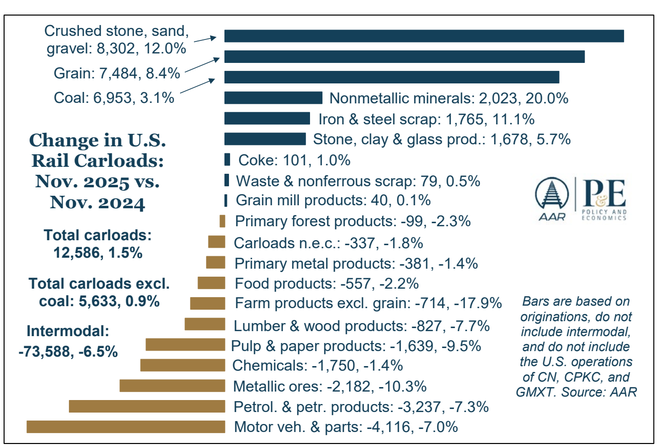
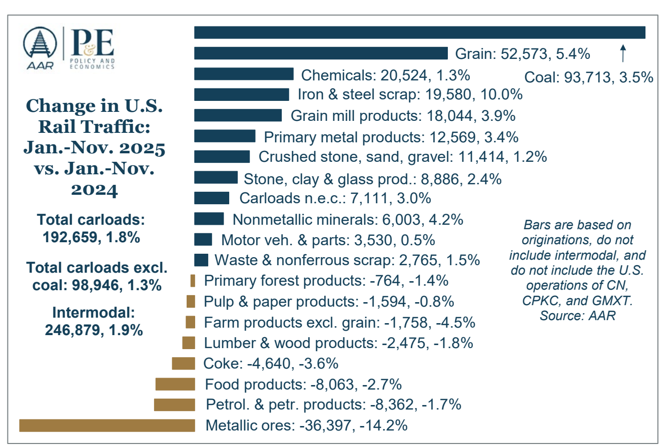
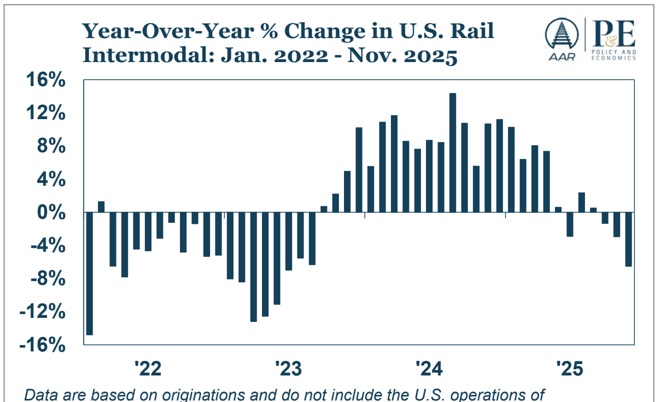
U.S. rail intermodal shipments, which are driven primarily by consumer goods, fell 6.5% in November 2025 from November 2024. Year-to-date intermodal volume through November was 13.00 million containers and trailers, up 1.9% (nearly 247,000 units) over last year.





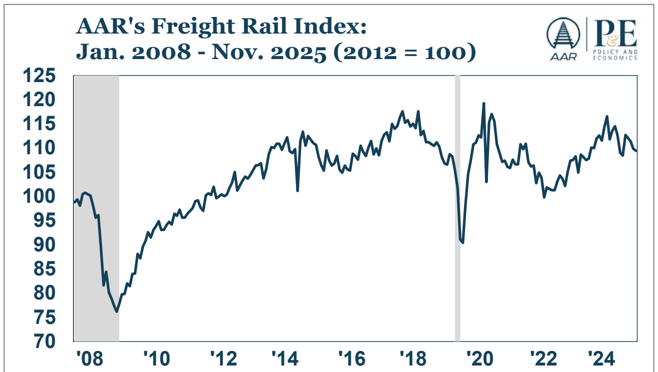
Year-to-date U.S. intermodal volume through May 2025 was up 6.7% compared with last year—a sharp contrast to the more modest 1.9% year-to-date increase recorded through November. The higher YTD change in May was a function of strong intermodal shipments early in the year that resulted in part from robust port activity as importers pulled forward goods they would normally bring in later. By mid-year, however, port traffic—and related intermodal volumes—slowed considerably. From June through November, intermodal volume declined year-over-year in four of the six months as business inventories normalized and the need for restocking diminished.



Data are based on originations and do not include the U.S. operations of CN, CPKC, and GMXT. Source: Association of American Railroads

Moreover, retailers have grown increasingly cautious amid signs of softer consumer demand. The most recent government consumer spending data say total inflation-adjusted spending was flat in September from August, and spending on goods was actually down. A cooling labor market and falling consumer confidence—November consumer confidence was near a post-pandemic low—have raised additional concerns about spending. Compounding this, the average household savings rate today is well below its historical norm, limiting the financial cushion for consumers. Finally, the declining share of goods in total consumer spending throughout 2024 and 2025 reduced demand for goods transport. The goods share is now back to its pre-pandemic level, suggesting this factor should be less of a drag on rail freight going forward.

Key Rail Commodities Were Mixed in November



Data are based on seasonally adjusted U.S. intermodal originations plus carloads excluding coal and grain. Data do not include the U.S. operations of CN, CPKC, and GMXT. Shaded areas are recessions. Source: Association of American Railroads

- ***Freight Rail Index:*** The AAR Freight Rail Index (FRI) combines seasonally adjusted month-to-month rail intermodal shipments with carloads excluding coal and grain. The index is a useful gauge of underlying freight demand associated with the industrial and consumer economy. The index fell 0.4% in November 2025 from October 2025, its seventh decline in the past eight months. The index is 4.4% below its year-earlier level, largely because of the intermodal slowdown in recent months.

- ***Grain:*** U.S. carloads of grain averaged 24,204 per week in November 2025, up 8.4% over November 2024 and the highest weekly average since May 2021. Year-to-date grain carloads were up 5.4%, or more than 52,000 carloads, over last year and were the most since 2021. Higher grain exports are driving the carload surge. Exports have climbed because U.S. grain today is generally attractive on the world market, with strong crop yields and excellent quality combining with competitive pricing and supply disruptions elsewhere. The surge in overseas demand means more grain must move from interior locations to export terminals, and rail is often the most efficient and cost-effective way to handle those volumes.

- ***Coal:*** Year-over-year U.S. coal carloads rose 3.1% in November, their seventh increase in the last nine months as higher coal-fired electricity generation so far this year has offset lower U.S. coal exports. Coal carloads averaged 58,382 per week in November 2025. In our data that begin in 1988, the only November with fewer coal carloads was November 2024. Year-to-date coal carloads in 2025 through November were 2.80 million, up 3.5% (nearly 94,000 carloads) over last year.

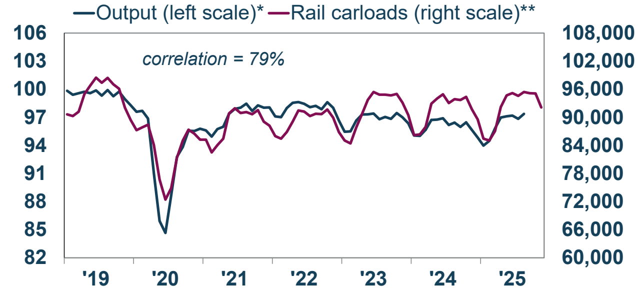
- ***Excluding Coal:*** U.S. carloads excluding coal were 0.9% higher in November 2025 than November 2024, their eighth increase in the past nine months and the 20th in the past 22 months. Most of those increases were small, a function of the modest economic growth seen in the past two years. Year-to-date carloads through November were up 1.3% (nearly 99,000 carloads) and were the most since 2019.

- ***Chemicals:*** Year-over-year U.S. carloads of chemicals fell 1.4% in November, their third decrease in the six months going back to June 2025. Carloads of chemicals rose for 21 straight months prior to June. Carloads averaged 31,852 per week in November 2025, the fewest of any month so far in 2025. Year-to-date carloads through November were a record 1.57 million, up 1.3% (more than 20,500 carloads) over last year. Natural gas is a primary feedstock for many chemical products. Natural gas prices were exceptionally low throughout most of 2023 and 2024, when rail carloads of chemicals were growing. Natural gas prices in 2025 are up substantially, though, impacting chemical output and, by extension, rail chemical volumes.

- ***Primary Metal Products:*** U.S. carloads of primary metal products (mainly steel) fell 1.4% in November, their first decline in nine months. Carloads averaged 6,895 per week in November 2025, the fewest for November since 2009. However, year-to-date carloads through November were up 3.4% over last year. The American Iron and Steel Institute recently reported that year-to-date steel shipments in 2025 through November were up 3.3% over last year. Carloads of iron and steel scrap rose 11.1% in November, their ninth straight year-over-year increase. Year-to-date carloads of scrap were up 10.0% over last year and were the most since 2011.

- ***Industrial Products:*** The AAR's 'industrial products' category aggregates carloads of chemicals, paper, steel, autos, metallic ores, crushed stone and sand, and stone and glass products. This category closely tracks manufacturing output (see the nearby chart) and so is a useful gauge of industrial activity. In November, carloads for this category were down fractionally (-0.02%) as solid gains in crushed stone and sand were offset by declines in motor vehicles, metallic ores, and chemicals. November's tiny decline follows six consecutive months of year-over-year gains for this category. Those gains were mostly small, reflecting the sluggish U.S. manufacturing environment in 2025 (see below).

U.S. Manufacturing Output* vs. U.S. Rail Carloads of Industrial Products**



*Index 2017=100 **Weekly average, sum of chemicals, paper, metal products, autos, crushed stone & sand, metallic ores, and stone & glass products. Data are not seasonally adjusted. Figures are 3-month averages. Source: Federal Reserve, AAR

Questions Regarding, Well, Just About Everything About the Economy

- ***Signs Point to Labor Market Cooling*:** The Bureau of Labor Statistics reported recently that a preliminary 119,000 net new jobs were created in September 2025. That's the most since April 2025 and far more than most economists expected.[1] The overall unemployment rate was 4.4% in September, up from 4.3% in August and the highest it's been since October 2021.

  One good sign: there's no sign of a big uptick in job cuts. Initial claims for unemployment insurance—a useful early warning system of labor market weakness—averaged 217,600 in November, well below October's 227,000 and September's 235,000. Unfortunately, hiring appears subdued as well: the number of persons who file continuing claims for unemployment insurance averaged 1.945 million in November, close to October's 1.949 million and up from 1.924 million in September. This suggests those who lose their job may have a harder time finding a replacement. That's consistent with the "hiring rate," defined as new hires as a percentage of total employed. In August (the most recent number available), the hiring rate was 3.2%, its lowest level since April 2020.

  A cooling labor market can have mixed implications for railroads. Slower job growth and rising unemployment often signal weaker consumer demand, which could reduce shipments of retail goods and finished products. Combined with subdued hiring, high interest rates, and persistent inflation, businesses may delay expansion plans—potentially dampening manufacturing output and construction activity, both key drivers of rail carloads such as metals, lumber, and chemicals.

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[1] Data for October cannot be calculated due to the recent government shutdown; data for November will be released in mid-December.

However, the impact is far from uniform. Current data suggest the economy is not in freefall, so core freight categories like agriculture and energy may remain resilient. Sectoral differences matter: intermodal traffic is highly sensitive to consumer spending, while commodities such as coal and grain tend to follow global and domestic cycles. In short, labor market cooling could slow rail traffic growth, but the extent will depend on how it affects industrial activity and supply chain adjustments.

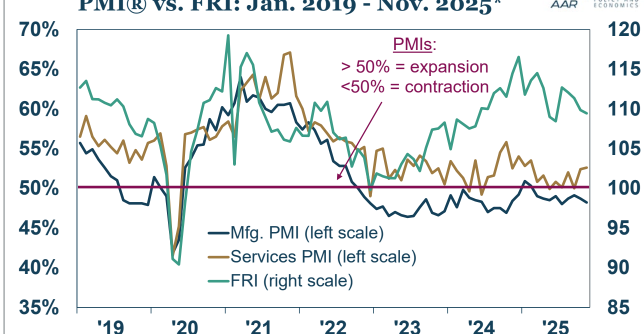
- ***Fed Weighs Inflation vs. Labor Market Health*:** After quarter-point interest rate cuts in September and November, Fed officials are divided as they prepare to meet December 9-10. Inflation is still above the Fed's 2% target—the most recent CPI, for September 2025, was up 3.0% year-over-year, the biggest gain in 16 months. Some Fed officials think bringing inflation down should guide Fed interest rate policy: they worry that cutting rates too quickly might allow inflation to linger. Others, though, are more concerned with labor market softness. They believe that further rate cuts could help prevent a sharper downturn in jobs. For railroads and other firms, the uncertainty around interest rates creates a moving target for investment decisions and operational planning.

  A new study from the AAR's Policy & Economics Department provides additional context on price dynamics at year-end. Using three decades of federal data, the study finds that freight rail has historically low and gradual pass-through into goods inflation. Historically, a 10% change in rail cost growth is associated with an estimated 0.7% change in goods prices, and the effect fades quickly. This suggests that rail tends to absorb rather than transmit cost shocks, offering a stabilizing influence during periods of macroeconomic uncertainty.

- ***Still No Positive Momentum for Manufacturing:*** The Manufacturing PMI® from the Institute for Supply Management® (ISM) fell from 48.7% in October to 48.2% in November, its lowest point in four months and the 35th month in the past 37 it's been below 50%, signifying manufacturing contraction. The new orders component of the index fell from 49.4% in October to 47.4% in November. The continued weakness in manufacturing in 2025, illustrated by the Manufacturing PMI® and by data from the Federal Reserve that showed stagnant industrial output throughout the year, meant that rail carload volumes for industrial commodities were lower than they would have been had manufacturing been on firmer ground.

- ***Services Activity Holding Firm:*** The ISM's Services PMI® is a useful gauge of the much larger (than manufacturing) U.S. services sector. The Services PMI® rose from 52.4% in October to 52.6% in November, its highest level in nine months. This uptick suggests that continued resilience in the largest part of the economy is offsetting weakness in manufacturing and housing. This resilience largely reflects steady consumer spending on health care, leisure, and professional services, as well as ongoing demand for technology and financial services. The new orders subindex fell to 52.9% in November, down from 56.2% in October but still well within "expansion" range. For freight railroads, stronger services activity tends to support intermodal volumes tied to consumer goods and e-commerce, partially offsetting weakness in manufacturing-related carloads.

Manufacturing PMI® vs. Services PMI® vs. FRI: Jan. 2019 - Nov. 2025*



*FRI, or Freight Rail Index, is seasonally adjusted U.S. rail intermodal plus carloads excluding coal and grain, 2012 = 100. Source: AAR, Institute for Supply Management®

Cautious Optimism for 2026

Overall, railroads enter 2026 navigating a complex economic environment. Manufacturing remains subdued, the labor market appears wobbly, and it's not clear if consumer spending will remain as resilient as it was in 2025. That said, gains in key bulk commodities, solid network performance, and historically low inflation pass-through leave the industry well positioned to support supply-chain stability in the year ahead.