

Rail Industry Overview

Rail Data Point to a More Resilient Economy Than Many Headlines Suggest

Economic uncertainty remains elevated. Consumer confidence has softened, inflation pressures have re-emerged, and businesses continue to navigate a fluid trade environment. Yet the movement of goods across the rail network continues to tell a more constructive story.

Rail traffic strengthened again in May, extending a pattern that has become increasingly evident throughout 2026. More importantly, growth is becoming broader. Freight gains are no longer concentrated in a handful of commodity groups but are increasingly visible across much of the rail network.

That breadth may be the most important signal coming from freight markets today. When growth extends across agriculture, intermodal, chemicals, and other industrial sectors simultaneously, it often points to strengthening underlying economic activity rather than temporary gains in a single market.

No single month determines the economic outlook, and risks remain. However, recent rail data continue to suggest that the goods side of the economy is proving more resilient than many headline narratives imply.

Freight Growth Is Becoming More Broad-Based

The evidence of broadening economic momentum is increasingly difficult to ignore:

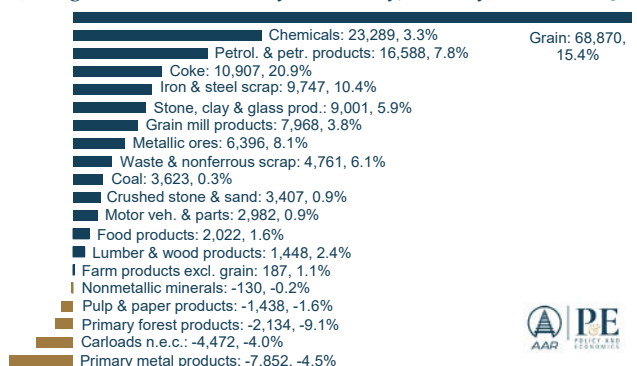
- Fifteen of twenty carload categories posted year-over-year gains in May, matching the breadth of growth seen earlier this year and highlighting the widespread nature of recent freight strength.
- Total carloads rose 2.5% in May, marking a fifth consecutive year-over-year increase. Through the first five months of 2026, total carloads were at their highest level since 2019.
- Intermodal volume increased 8.1% in May, its fourth straight gain. Rail container traffic reached a record year-to-date high, suggesting continued resilience in consumer-related freight demand and international trade flows.

Key Takeaways

- **Freight Growth Is Broadening.** Gains across most major commodity groups suggest economic momentum is becoming more widespread.
- **Goods Demand Remains Resilient.** Record container volumes continue to point to healthy consumer and trade-related freight activity.
- **Manufacturing Is Recovering.** Expanding factory activity is providing a more supportive backdrop for freight demand.
- **Risks Remain, but the Signal Is Positive.** Rail data continue to point to an economy that is proving more resilient than many headline narratives suggest.

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Freight Growth is Becoming More Broad-Based
(Change in U.S. Rail Traffic by Commodity, Jan-May 2026 vs. 2025)



Bars are based on originations, do not include intermodal, and do not include the U.S. operations of CN, CPKC, and GMXT.
Source: AAR

- The AAR Freight Rail Index (FRI), a measure of seasonally adjusted economically sensitive freight traffic, reached its highest level in 17 months, reinforcing broader signs of improving goods-sector activity.

The breadth of these gains may be the most important takeaway. Growth concentrated in one or two sectors can reflect temporary factors. Growth occurring across much of the rail network often points to more durable improvements in underlying economic activity.

Agriculture Remains One of the Economy's Bright Spots

Agricultural traffic remains one of the strongest areas of the rail network.

Grain carloads rose nearly 19% in May, supported by both stronger exports and increased domestic processing activity. Grain mill products also remained exceptionally strong, reaching their highest May level on record. Through the first five months of the year, grain traffic was at its highest level since 1990, while grain mill products established a new record.

These trends suggest agricultural demand remains supported by both export markets and domestic consumption, providing an important source of stability for freight markets.

Industrial Activity Is Showing Renewed Strength

Some of the clearest evidence of economic firming is coming from the industrial economy.

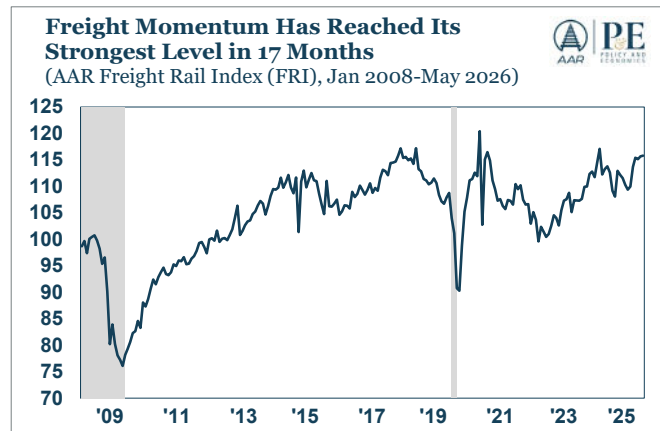
Rail chemical shipments, often viewed as a leading indicator of manufacturing activity because chemicals serve as inputs into so many industrial processes, have now increased on a year-over-year basis for five consecutive months. Year-to-date chemical volumes through May reached a record high, supported by expanding manufacturing activity and favorable production economics for U.S. producers.

Meanwhile, there are early signs that conditions in steel markets may be stabilizing. Steel carloads posted their first year-over-year increase of 2026 in May, while steel scrap volumes have now risen for fifteen consecutive months. Although it remains too early to declare a sustained recovery, recent freight patterns suggest that some of the weaknesses that characterized industrial markets in recent years may be beginning to ease.

The broader manufacturing backdrop has also improved. The ISM Manufacturing PMI® remained above the 50-point threshold in May, marking its fifth consecutive month in expansion territory, while U.S. manufacturing output has increased each month so far this year. Together, these indicators point to a more supportive environment for freight demand than existed a year ago.

Not every sector is participating in the recovery. Coal traffic declined again in May, reflecting longer-term shifts in the U.S. energy mix and continued uncertainty surrounding future electricity demand.

However, the divergence between coal and most other freight categories reinforces a broader point: growth is becoming increasingly widespread across much of the goods-producing economy.



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: AAR

Resilience Despite Uncertainty

The broader economic backdrop remains mixed. Consumer confidence has softened in recent months, inflation pressures have re-emerged, and businesses continue to navigate uncertainty surrounding trade policy and global developments.

Yet actual economic activity continues to hold up better than many sentiment measures suggest. Manufacturing output is rising, agricultural demand remains strong, and intermodal traffic continues to reflect healthy goods movement across domestic and international supply chains.

One of the defining features of today's economy is the gap between sentiment and activity. Surveys suggest households and businesses remain cautious. Yet measures tied to actual economic behavior, including manufacturing output, freight shipments, and trade flows, continue to show surprising resilience.

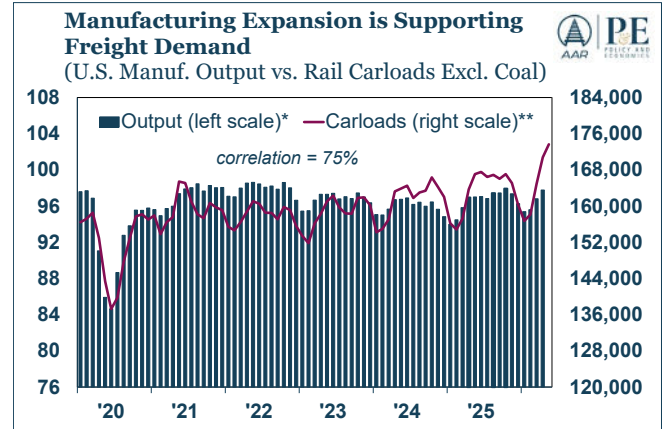
Rail data fit squarely within that pattern. While uncertainty remains elevated, businesses continue to produce, move, and sell goods at levels consistent with ongoing economic expansion.

Looking Ahead

The economic outlook remains subject to several uncertainties, including inflation trends, labor market conditions, trade policy developments, and geopolitical events. These factors will continue to shape business investment decisions, consumer spending patterns, and freight demand in the months ahead.

At the same time, the cumulative signal from rail markets remains constructive. Freight growth has become increasingly broad-based, manufacturing activity continues to improve, agricultural demand remains strong, and intermodal traffic suggests consumer-related goods demand remains resilient.

Rail traffic does not capture every dimension of economic activity, but it remains one of the clearest windows into the movement of goods across the economy. The signal coming from rail markets remains constructive. Freight growth is broadening, manufacturing activity is improving, and demand across many key commodity groups remains strong. For now, rail markets continue to point to an economy that is proving more resilient than many expected and whose growth is becoming increasingly broad-based.



*Index 2017=100 **Weekly average. Data are not seasonally adjusted. Figures are 3-month averages.
Source: Federal Reserve, AAR