Rail Time Indicators

A Review of Key Economic Trends
Shaping Demand for Rail Transportation

Policy & Economics Department
Association of American Railroads
Washington, DC

June 7, 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.

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Previous editions of Rail Time Indicators are available on the AAR web site here.

Rail traffic data in Rail Time Indicators is sometimes presented on a seasonally adjusted basis and sometimes on a non-seasonally adjusted basis. Because of inherent imprecision in the adjustment process and the possibility of further refinements, the seasonally adjusted figures should be viewed as a complement to, rather than a replacement for, the unadjusted data.

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SUMMARY OF MOST RECENT DATA

Economic Indicator	Most Recent Data
U.S. Freight Rail Traffic (p. 2)	Not Seasonally Adjusted: Carloads in May 2010 ↑ **15.8% from May 2009, ↓ 11.8% from May 2008**. Weekly average of 288,419 carloads in May 2010 ↓ from 294,758 in April 2010. Intermodal in May 2010 ↑ **18.9% from May 2009**, ↓ **3.8% from May 2008**. Weekly average of 216,879 intermodal trailers and containers in May 2010 **highest since October 2008** and ↑ **from 209,703 in April 2010**. Seasonally Adjusted: Carloads in May 2010 ↓ **1.1%** from April 2010; intermodal in May 2010 ↑ **2.8%** from April 2010.
Canadian Freight Rail Traffic (p. 3)	Not Seasonally Adjusted: Carloads in May 2010 ↑ **34.0% from May 2009, ↓ 9.7% from May 2008**. Weekly average of 72,387 carloads in May 2010 ↓ from 74,762 in April 2010. Intermodal in May 2010 ↑ **20.6% from May 2009** and ↓ **1.3% from May 2008.** Seasonally Adjusted: Carloads in May 2010 ↓ **1.8% from April 2010**. Intermodal in May 2010 ↑ **3.5%** from April 2010.
Gross Domestic Prod. (p. 15)	↑ **3.0%** in Q1 2010 (revised down from preliminary 3.2% estimate).
Purchasing Managers Index (p. 16)	↓ **to 59.7** in May 2010 from 60.4 in April 2010. Second highest level since July 2004. Was 43.2 in May 2009.
Manufacturing Inventories and Sales (p. 17)	From March 2010 to April 2010, **manufacturing sales ↑ 0.6%**, **inventories ↑ 0.5%**, and **inventory-to-sales ratio ↓ 0.1%**.
Industrial Production (p. 18)	↑ **0.8%** in April 2010 from March 2010, the eighth increase in the past nine months. Manufacturing rose 1.0% in April 2010 from March 2010.
Capacity Utilization (p. 19)	↑ **to 73.7%** in April 2010 from 73.1% in March 2010.
Employment (p. 20)	↑ **431,000** in May 2010 from April 2010; 410,000 of these jobs were temporary jobs related to the 2010 Census.
Unemployment Rate (p. 20)	↓ **to 9.7%** in May 2010 from 9.9% in April 2010.
Railroad Employment (p. 22)	↑ **1,783** to 149,749 in April 2010 from 147,966 in March 2010.
Consumer Confidence (p. 23)	↑ **to 63.3** in May 2010 from 57.7 in April 2010.
Retail Sales (p. 24)	↑ **0.4%** in April 2010 from March 2010.
Light Vehicle Sales (p. 24)	↑ **3.7%** in May 2010 from April 2010 to annualized 11.6 million.
Housing Starts (p. 25)	↑ **5.8%** in April 2010 from March 2010 to 672,000.
Consumer Price Index (p. 26)	↓ **0.1%** in April 2010 from March 2010. "Core" inflation from April 2009 to April 2010 was up 0.9%, the smallest 12-month increase since 1966.
Exchange Rate Index (p. 26)	↑ **2.9%** in May 2010 from April 2010.
Rail Freight Cars in Storage (p. 27)	↓ **slightly to 368,343** on June 1, 2010 (23.8% of the fleet) from 369,090 (23.8%) on May 1, 2010.

U.S. AND CANADIAN FREIGHT RAILROAD TRAFFIC

Who releases it and when?

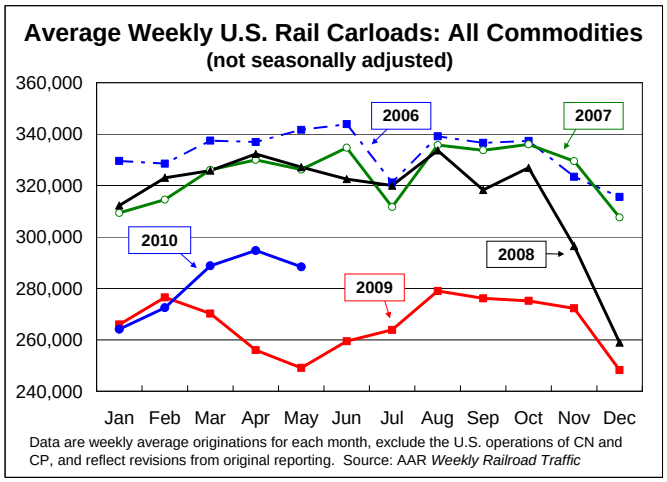
- The Association of American Railroads (AAR) releases its Weekly Railroad Traffic report every Thursday morning. The report contains rail traffic data for the previous week. Weekly data are aggregated into monthly figures in Rail Time Indicators.

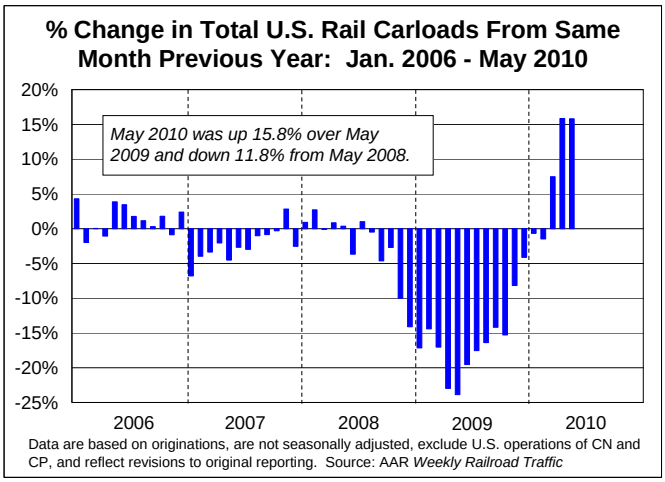
What is it and why is it important?

- 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?

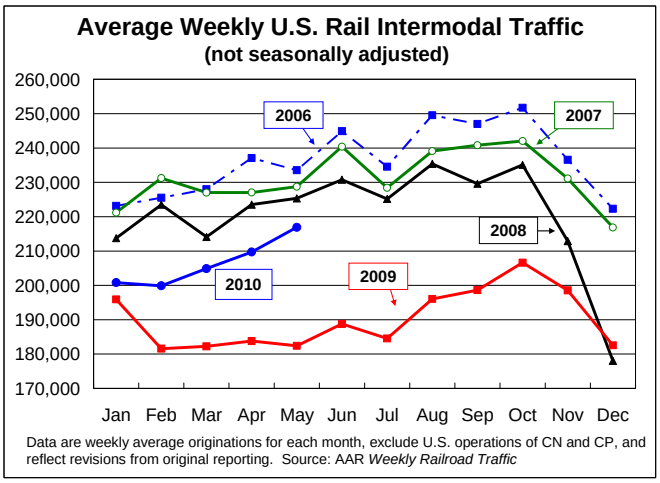
- U.S. freight railroads originated 1,153,675 carloads in May 2010, an average of 288,419 carloads per week. That's **up 15.8% from May 2009** (which is the second highest percentage gain ever, behind April 2010 — see chart below right) but **down 11.8% from May 2008**.
- U.S. railroads averaged 294,758 carloads per week in April 2010 and 288,793 in March 2010. Thus, May 2010's average was actually down slightly from those months (see chart below left). One month does not a trend make, but it would obviously be worrisome if the decline continued.
- In May 2010, **18 of the 19 major commodity categories saw carload gains compared to May 2009**, but just one saw carload gains compared to May 2008. Commodities with the largest carload gains included coal (up 32,081 carloads, or 6.8%), steel and other primary metal products (up 19,641 carloads, or 96.6%), and motor vehicles and parts (up 19,138 carloads, or 58.1%). The tables and charts beginning on page 5 have much more commodity-level detail.
- U.S. railroads originated 867,516 intermodal trailers and containers in May 2010, an average of 216,879 per week (see chart top of next page). That's the **highest average since October 2008**, **up 18.9% from May 2009**, and the **largest year-over-year monthly gain since AAR records begin in 1990**. Intermodal volume has risen in absolute terms for three straight months.
- As was the case in April 2010, the big year-over-year percentage gains in May 2010 U.S. rail traffic were partly a function of easy comparisons (May 2009 was a miserable month for rail traffic) and partly a function of real traffic growth. In total, U.S. railroads originated 157,322 more

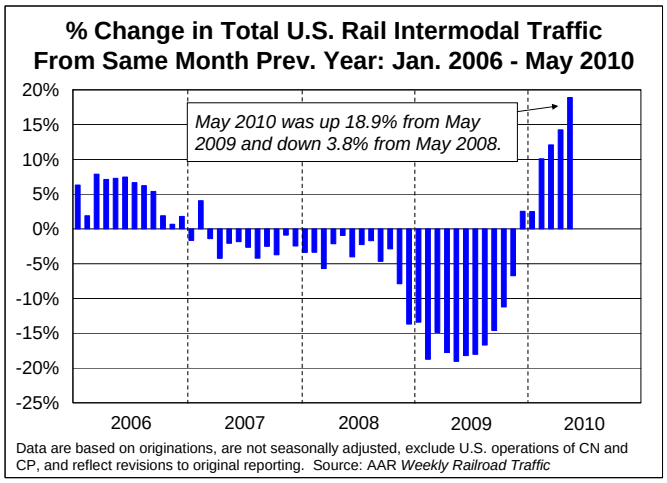




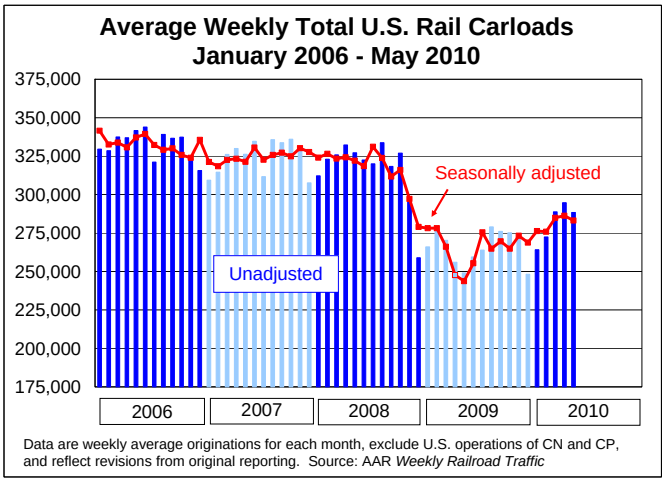
carloads and 137,885 more trailers and containers in May 2010 than in May 2009, but 155,002 fewer carloads and 33,864 fewer intermodal units than in May 2008.

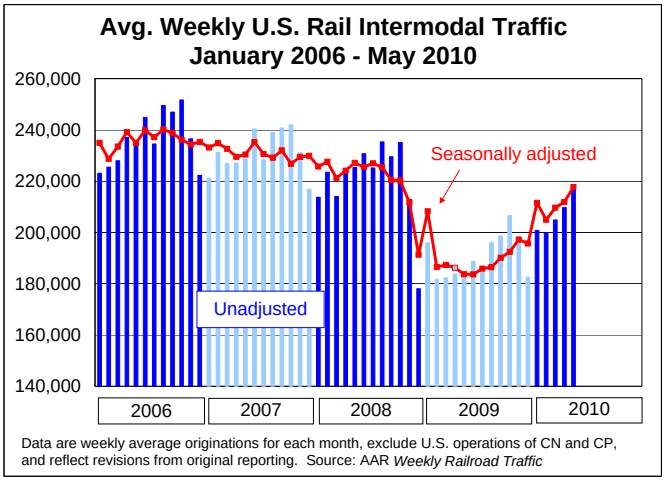
- For the purposes of AAR rail traffic data, May 2010 consists of the four weeks ending May 29 — *i.e.*, it does not include Memorial Day, which was May 31 this year. However, the May 2009 and May 2008 comparison months do include Memorial Day. The net result is that May 2010 data is a bit overstated relative to the two previous years, and June 2010 will be a bit understated relative to the two previous years. It is impossible to know exactly how much rail traffic is affected.





- **On a seasonally adjusted basis**, U.S. carloads in May 2010 **were down 1.1% from April 2010** (see chart below left). Seasonally adjusted intermodal traffic was **up 2.8%** in May 2010 from April 2010 (see chart below right).





What are the latest numbers for Canadian railroads?

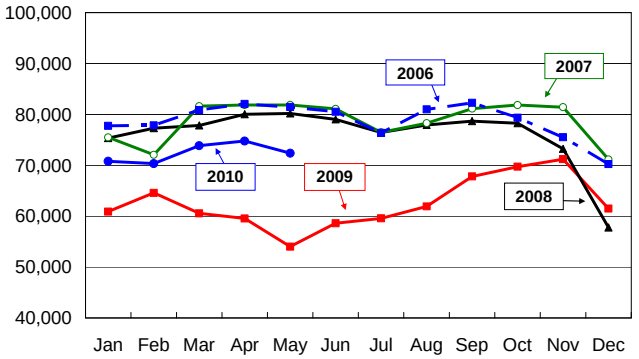
- In May 2010, Canadian freight railroads originated 289,546 carloads, an average of 72,387 per week. That's **up 34.0% from May 2009** and the highest increase since our data for Canadian railroads begin in January 1996. May 2009 was a horrendous month for Canadian railroads too, so it doesn't take much to look good in comparison. Still, a 34% gain is impressive no matter what the circumstances. Canadian carloads in May 2010 were down 9.7% from May 2008.

- Canadian carloads in May 2010 were **higher in 15 of the 19 commodity categories** from May 2009 and in 4 of the 19 categories from May 2008. The biggest gains in May 2010 over May

2009 were in metallic ores (up 34,045 carloads, or 295.8%), chemicals (up 10,385 carloads, 23.1%), and coal (up 9,213 carloads, 35.5%). See the table on page 6 for much more detail. Canadian railroads also originated 189,746 trailers and containers in May 2010, **up 20.6% from May 2009** and **down just 1.3% from May 2008**.

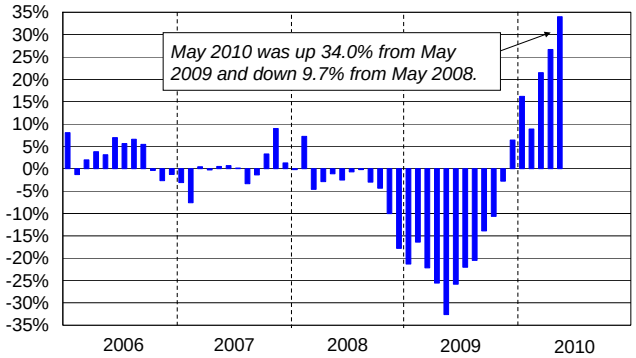
- On a seasonally adjusted basis, total Canadian rail carloads in May 2010 were **down 1.8%** and intermodal traffic was **up 3.5%**, respectively, from April 2010 (see charts bottom row below).

Avg. Weekly Canadian Rail Carloads: All Commodities
(not seasonally adjusted)



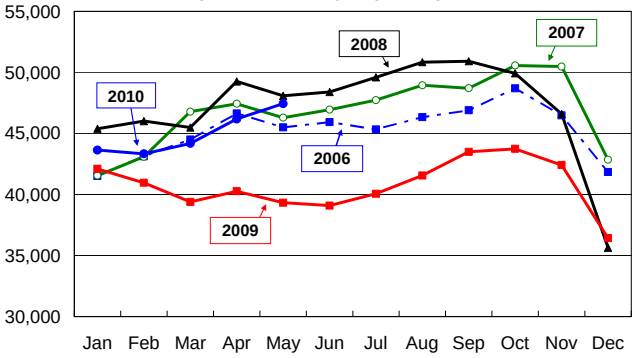
Data are weekly average originations for each month, include CN and CP (including their U.S. operations), and reflect revisions from original reporting. Source: AAR *Weekly Railroad Traffic*

% Change in Total Canadian Rail Carloads From Same Month Previous Year: Jan. 2006 - May 2010



Data are based on originations, are not seasonally adjusted, include CN and CP (including their U.S. operations), and reflect revisions to original reporting. Source: AAR *Weekly Railroad Traffic*

Average Weekly Canadian Rail Intermodal Traffic
(not seasonally adjusted)



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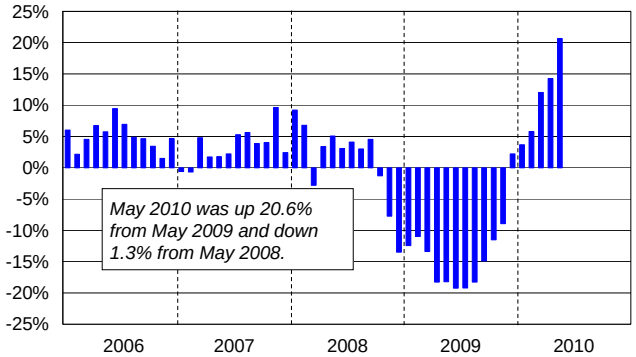
% Change in Total Canadian Intermodal Traffic From Same Month Previous Year: Jan. 2006 - May 2010



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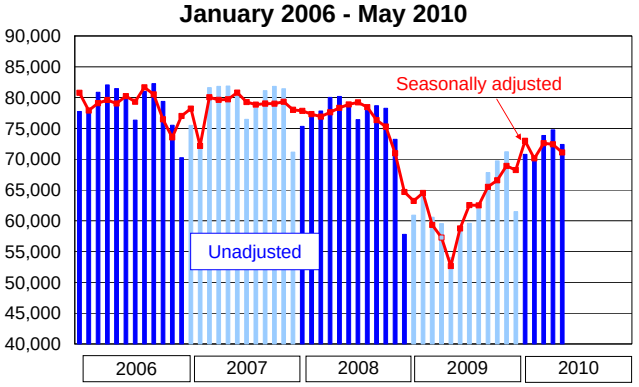
Average Weekly Total Canadian Rail Carloads
January 2006 - May 2010



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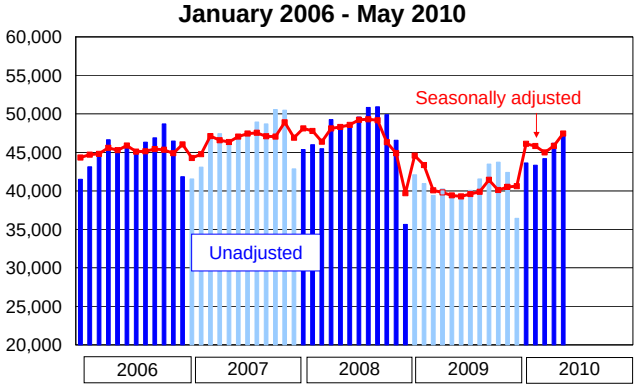
Avg. Weekly Canadian Rail Intermodal Traffic
January 2006 - May 2010



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U.S. RAIL TRAFFIC: MAY 2010*

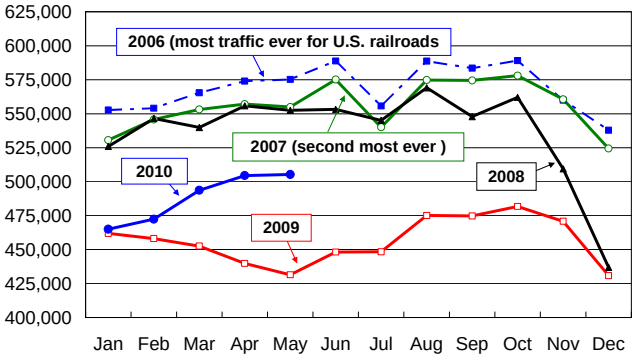
(4 weeks ending May 29, 2010)

Commodity	May '10	May '09	May '08	Difference '10-'09	Difference '10-'08	% Change '10-'09	% Change '10-'08
Agricultural & food products	**146,610**	**135,408**	**164,717**	**11,202**	**-18,107**	**8.3%**	**-11.0%**
Grain	79,002	68,522	89,448	10,480	-10,446	15.3%	-11.7%
Farm products excl. grain	3,518	3,207	3,738	311	-220	9.7%	-5.9%
Grain mill products (1)	32,377	33,071	36,090	-694	-3,713	-2.1%	-10.3%
Food products	31,713	30,608	35,441	1,105	-3,728	3.6%	-10.5%
Chemicals and petroleum	**139,441**	**125,044**	**150,749**	**14,397**	**-11,308**	**11.5%**	**-7.5%**
Chemicals	116,253	104,546	125,203	11,707	-8,950	11.2%	-7.1%
Petroleum products (2)	23,188	20,498	25,546	2,690	-2,358	13.1%	-9.2%
Coal	**505,924**	**473,843**	**563,154**	**32,081**	**-57,230**	**6.8%**	**-10.2%**
Forest products	**40,209**	**36,944**	**53,979**	**3,265**	**-13,770**	**8.8%**	**-25.5%**
Primary forest products (3)	6,583	5,401	8,546	1,182	-1,963	21.9%	-23.0%
Lumber & wood products	11,349	9,416	16,400	1,933	-5,051	20.5%	-30.8%
Pulp & paper products	22,277	22,127	29,033	150	-6,756	0.7%	-23.3%
Metallic ores and metals	**82,718**	**42,466**	**99,908**	**40,252**	**-17,190**	**94.8%**	**-17.2%**
Metallic ores (4)	27,950	12,653	34,225	15,297	-6,275	120.9%	-18.3%
Coke	14,794	9,480	14,922	5,314	-128	56.1%	-0.9%
Primary metal products (5)	39,974	20,333	50,761	19,641	-10,787	96.6%	-21.3%
Motor vehicles & parts	**52,073**	**32,935**	**68,263**	**19,138**	**-16,190**	**58.1%**	**-23.7%**
Nonmetallic minerals & prod.	**129,713**	**106,266**	**143,285**	**23,447**	**-13,572**	**22.1%**	**-9.5%**
Crushed stone, gravel, sand	77,018	61,676	83,399	15,342	-6,381	24.9%	-7.7%
Nonmetallic minerals (6)	22,825	19,451	24,902	3,374	-2,077	17.3%	-8.3%
Stone, clay & glass prod. (7)	29,870	25,139	34,984	4,731	-5,114	18.8%	-14.6%
Other	**56,987**	**43,447**	**64,622**	**13,540**	**-7,635**	**31.2%**	**-11.8%**
Waste & scrap materials (8)	34,816	25,402	43,721	9,414	-8,905	37.1%	-20.4%
All other carloads	22,171	18,045	20,901	4,126	1,270	22.9%	6.1%
TOTAL ALL CARLOADS	**1,153,675**	**996,353**	**1,308,677**	**157,322**	**-155,002**	**15.8%**	**-11.8%**
Trailers	130,394	119,063	191,831	11,331	-61,437	9.5%	-32.0%
Containers	737,122	610,568	709,549	126,554	27,573	20.7%	3.9%
TOTAL ALL INTERMODAL	**867,516**	**729,631**	**901,380**	**137,885**	**-33,864**	**18.9%**	**-3.8%**

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

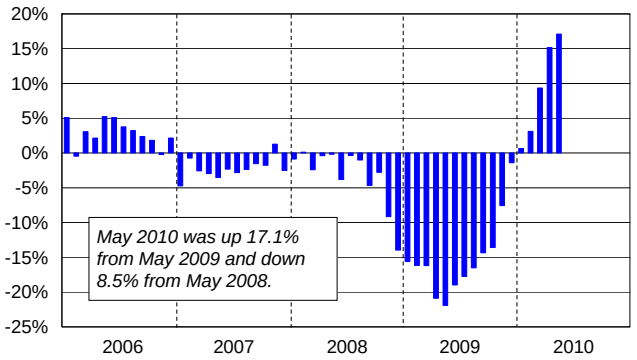
*Data are originations and are not seasonally adjusted. Includes BNSF, CSX, KCS, NS, UP, Birmingham Southern, Florida East Coast, Lake Superior & Ishpeming, and Paducah & Louisville. Does not include CN's and CP's U.S. operations. Source: AAR *Weekly Railroad Traffic*

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



Data are weekly average originations for each month, are not seasonally adjusted, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR

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



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CANADIAN RAIL TRAFFIC: MAY 2010*

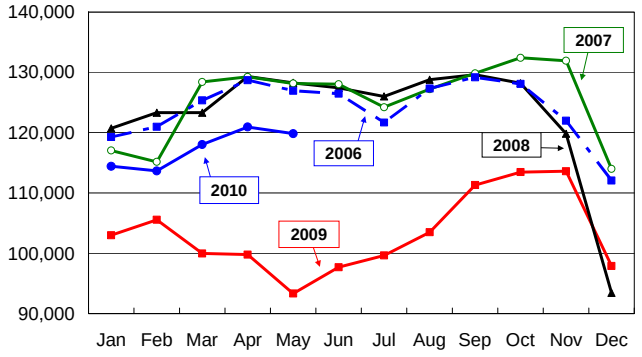
(4 weeks ending May 29, 2010)

Commodity	May '10	May '09	May '08	Difference '10-'09	Difference '10-'08	% Change '10-'09	% Change '10-'08
Agricultural & food products	**63,090**	**60,828**	**63,923**	**2,262**	**-833**	**3.7%**	**-1.3%**
Grain	37,922	34,986	42,241	2,936	-4,319	8.4%	-10.2%
Farm products excl. grain	9,827	11,817	6,608	-1,990	3,219	-16.8%	48.7%
Grain mill products (1)	5,601	5,845	6,892	-244	-1,291	-4.2%	-18.7%
Food products	9,740	8,180	8,182	1,560	1,558	19.1%	19.0%
Chemicals and petroleum	**57,709**	**47,347**	**61,075**	**10,362**	**-3,366**	**21.9%**	**-5.5%**
Chemicals	55,376	44,991	58,617	10,385	-3,241	23.1%	-5.5%
Petroleum products (2)	2,333	2,356	2,458	-23	-125	-1.0%	-5.1%
Coal	**35,186**	**25,973**	**33,020**	**9,213**	**2,166**	**35.5%**	**6.6%**
Forest products	**27,771**	**26,636**	**36,932**	**1,135**	**-9,161**	**4.3%**	**-24.8%**
Primary forest products (3)	6,330	5,979	7,934	351	-1,604	5.9%	-20.2%
Lumber & wood products	8,393	7,984	11,349	409	-2,956	5.1%	-26.0%
Pulp & paper products	13,048	12,673	17,649	375	-4,601	3.0%	-26.1%
Metallic ores and metals	**56,841**	**18,603**	**69,685**	**38,238**	**-12,844**	**205.5%**	**-18.4%**
Metallic ores (4)	45,556	11,511	56,904	34,045	-11,348	295.8%	-19.9%
Coke	2,582	1,298	1,772	1,284	810	98.9%	45.7%
Primary metal products (5)	8,703	5,794	11,009	2,909	-2,306	50.2%	-20.9%
Motor vehicles & parts	**20,293**	**14,020**	**21,134**	**6,273**	**-841**	**44.7%**	**-4.0%**
Nonmetallic minerals & prod.	**20,363**	**14,931**	**23,357**	**5,432**	**-2,994**	**36.4%**	**-12.8%**
Crushed stone, gravel, sand	10,024	5,754	10,492	4,270	-468	74.2%	-4.5%
Nonmetallic minerals (6)	4,810	4,437	6,276	373	-1,466	8.4%	-23.4%
Stone, clay & glass prod. (7)	5,529	4,740	6,589	789	-1,060	16.6%	-16.1%
Other	**8,293**	**7,720**	**11,621**	**573**	**-3,328**	**7.4%**	**-28.6%**
Waste & scrap materials (8)	5,055	3,583	7,359	1,472	-2,304	41.1%	-31.3%
All other carloads	3,238	4,137	4,262	-899	-1,024	-21.7%	-24.0%
TOTAL ALL CARLOADS	**289,546**	**216,058**	**320,747**	**73,488**	**-31,201**	**34.0%**	**-9.7%**
Trailers	6,688	6,413	8,572	275	-1,884	4.3%	-22.0%
Containers	183,058	150,857	183,717	32,201	-659	21.3%	-0.4%
TOTAL ALL INTERMODAL	**189,746**	**157,270**	**192,289**	**32,476**	**-2,543**	**20.6%**	**-1.3%**

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

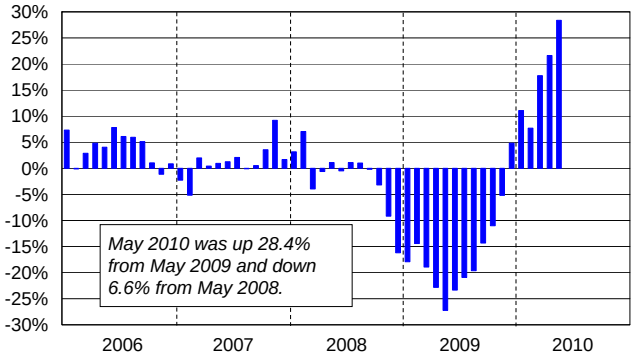
*CN and CP, including their U.S. operations. Data are originations and are not seasonally adjusted. Source: AAR *Weekly Railroad Traffic*

Average Weekly Canadian Rail Traffic: Total Carloads + Intermodal Units



Data are weekly average originations for each month, are not seasonally adjusted, include CN and CP (including their U.S. operations), and reflect revisions from original reporting. Source: AAR

% Change in Canadian Carloads + Intermodal Units From Same Month Prev. Year: Jan. 2006 - May 2010



Data are based on originations, are not seasonally adjusted, include CN and CP (including their U.S. operations), and reflect revisions to original reporting. Source: AAR *Weekly Railroad Traffic*

COMBINED U.S. AND CANADIAN RAIL TRAFFIC: MAY 2010*

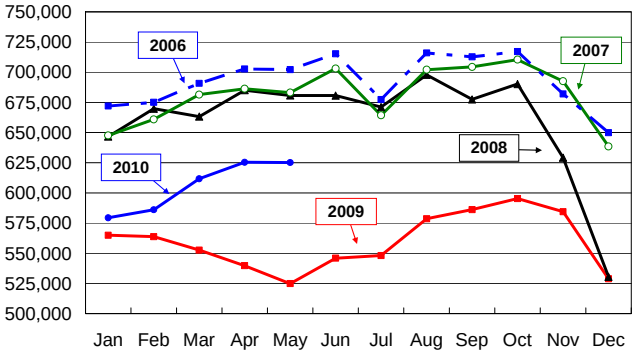
(4 weeks ending May 29, 2010)

Commodity	May '10	May '09	May '08	Difference '10-'09	Difference '10-'08	% Change '10-'09	% Change '10-'08
Agricultural & food products	**209,700**	**196,236**	**228,640**	**13,464**	**-18,940**	**6.9%**	**-8.3%**
Grain	116,924	103,508	131,689	13,416	-14,765	13.0%	-11.2%
Farm products excl. grain	13,345	15,024	10,346	-1,679	2,999	-11.2%	29.0%
Grain mill products (1)	37,978	38,916	42,982	-938	-5,004	-2.4%	-11.6%
Food products	41,453	38,788	43,623	2,665	-2,170	6.9%	-5.0%
Chemicals and petroleum	**197,150**	**172,391**	**211,824**	**24,759**	**-14,674**	**14.4%**	**-6.9%**
Chemicals	171,629	149,537	183,820	22,092	-12,191	14.8%	-6.6%
Petroleum products (2)	25,521	22,854	28,004	2,667	-2,483	11.7%	-8.9%
Coal	**541,110**	**499,816**	**596,174**	**41,294**	**-55,064**	**8.3%**	**-9.2%**
Forest products	**67,980**	**63,580**	**90,911**	**4,400**	**-22,931**	**6.9%**	**-25.2%**
Primary forest products (3)	12,913	11,380	16,480	1,533	-3,567	13.5%	-21.6%
Lumber & wood products	19,742	17,400	27,749	2,342	-8,007	13.5%	-28.9%
Pulp & paper products	35,325	34,800	46,682	525	-11,357	1.5%	-24.3%
Metallic ores and metals	**139,559**	**61,069**	**169,593**	**78,490**	**-30,034**	**128.5%**	**-17.7%**
Metallic ores (4)	73,506	24,164	91,129	49,342	-17,623	204.2%	-19.3%
Coke	17,376	10,778	16,694	6,598	682	61.2%	4.1%
Primary metal products (5)	48,677	26,127	61,770	22,550	-13,093	86.3%	-21.2%
Motor vehicles & parts	**72,366**	**46,955**	**89,397**	**25,411**	**-17,031**	**54.1%**	**-19.1%**
Nonmetallic minerals & prod.	**150,076**	**121,197**	**166,642**	**28,879**	**-16,566**	**23.8%**	**-9.9%**
Crushed stone, gravel, sand	87,042	67,430	93,891	19,612	-6,849	29.1%	-7.3%
Nonmetallic minerals (6)	27,635	23,888	31,178	3,747	-3,543	15.7%	-11.4%
Stone, clay & glass prod. (7)	35,399	29,879	41,573	5,520	-6,174	18.5%	-14.9%
Other	**65,280**	**51,167**	**76,243**	**14,113**	**-10,963**	**27.6%**	**-14.4%**
Waste & scrap materials (8)	39,871	28,985	51,080	10,886	-11,209	37.6%	-21.9%
All other carloads	25,409	22,182	25,163	3,227	246	14.5%	1.0%
TOTAL ALL CARLOADS	**1,443,221**	**1,212,411**	**1,629,424**	**230,810**	**-186,203**	**19.0%**	**-11.4%**
Trailers	137,082	125,476	200,403	11,606	-63,321	9.2%	-31.6%
Containers	920,180	761,425	893,266	158,755	26,914	20.8%	3.0%
TOTAL ALL INTERMODAL	**1,057,262**	**886,901**	**1,093,669**	**170,361**	**-36,407**	**19.2%**	**-3.3%**

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



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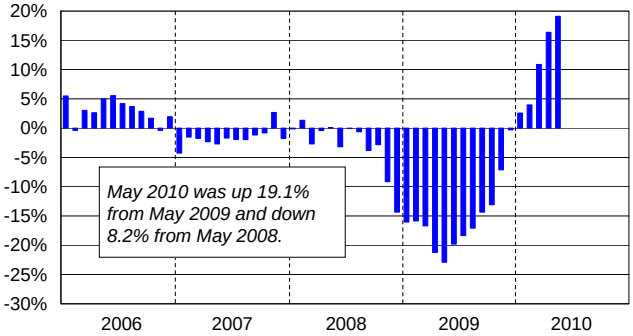
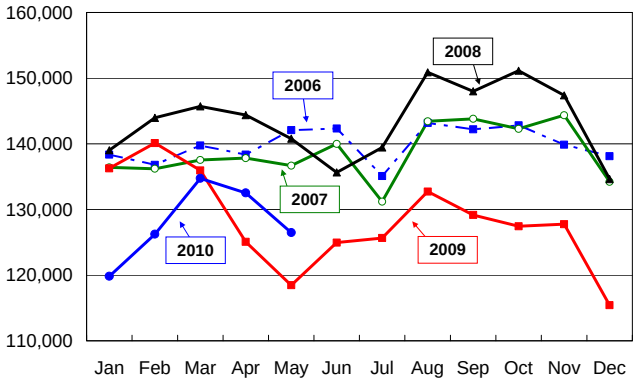
% Change in Combined U.S. + Canadian Rail Carloads + Intermodal Units From Same Month Prev. Year: Jan. 2006 - May 2010



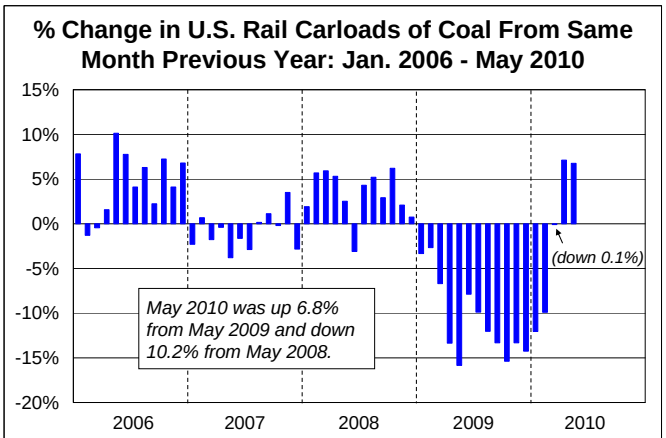
Data are based on originations, are not seasonally adjusted, and reflect revisions to original reporting. Source: AAR *Weekly Railroad Traffic*

COAL

U.S. railroads averaged 126,481 carloads of coal per week in May 2010, down from 132,530 in April 2010 and 134,737 in March 2010. Still, May 2010 was up 6.8% from May 2009. As the chart on the bottom left shows, railroads are the dominant mode for coal transportation in the U.S. The chart on the bottom right shows that coal exports surged in 2008 (a key reason for the record-high rail coal volumes in 2008) but retreated in 2009. Coal exports in Q1 2010 were up 31% over Q1 2009. That's good for rail coal traffic but mainly on the margins, since coal exports are very small (around 5% of domestic coal production in a typical year) compared to domestic coal consumption by electric power plants.



Data are weekly average originations for each month, are not seasonally adjusted, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR



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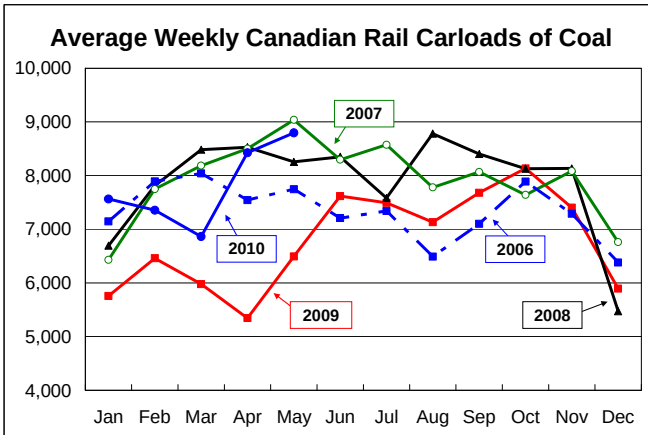

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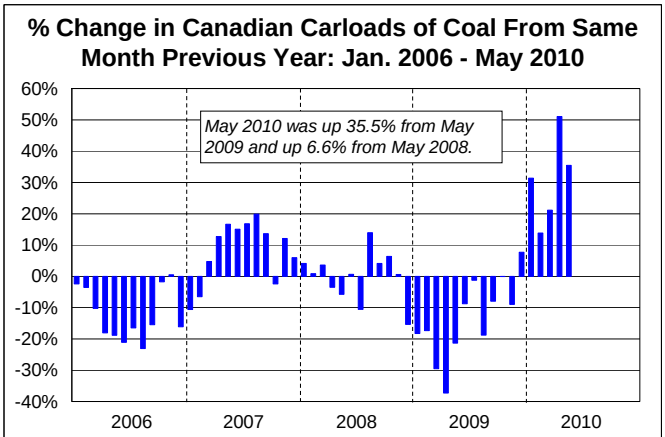

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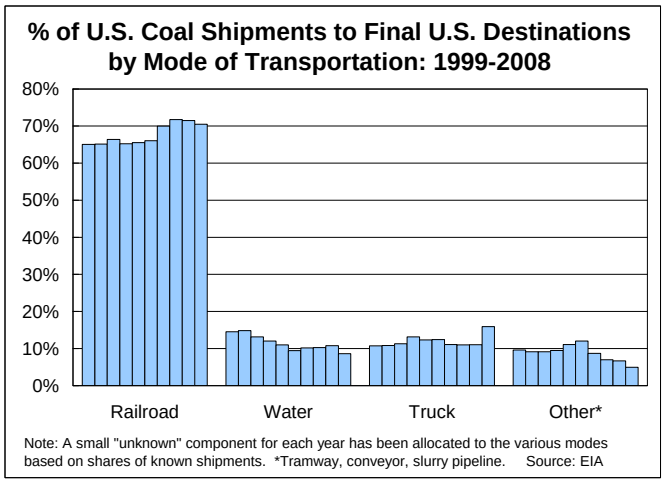
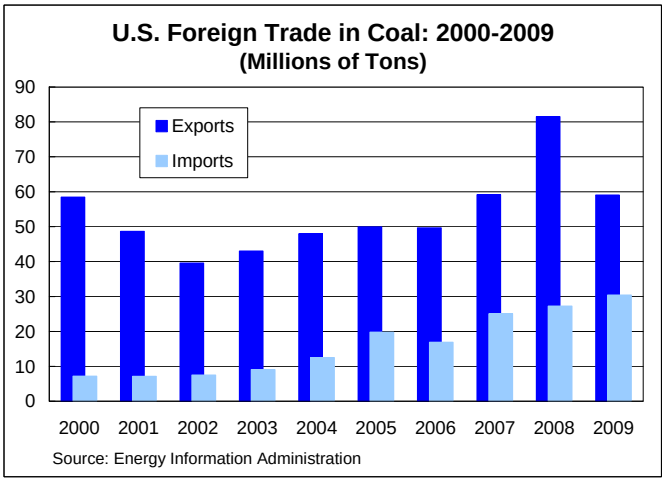


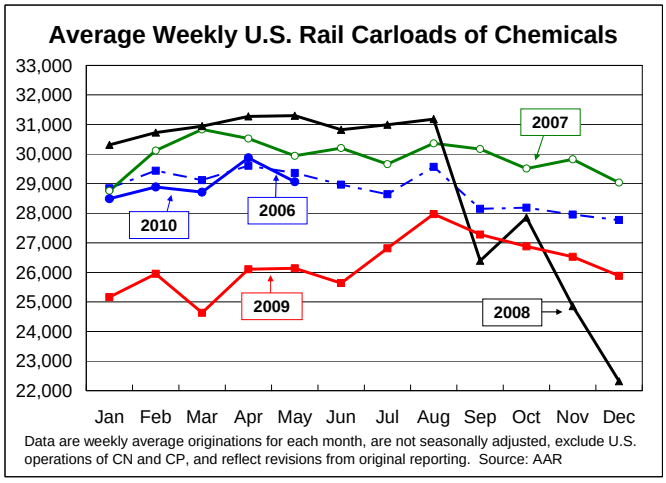
Note: A small "unknown" component for each year has been allocated to the various modes based on shares of known shipments. *Tramway, conveyor, slurry pipeline. Source: EIA

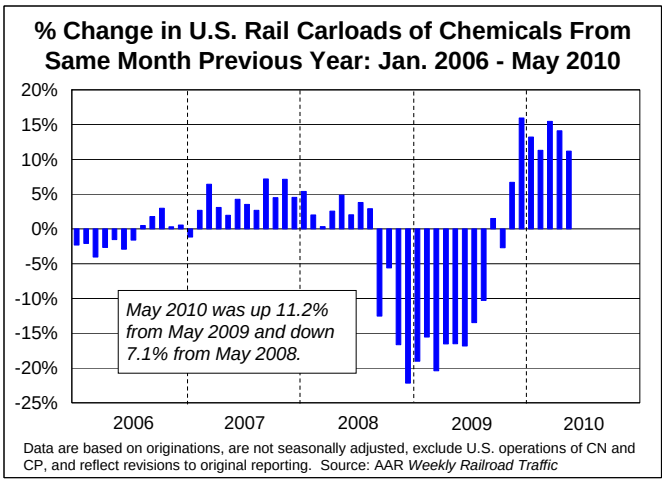


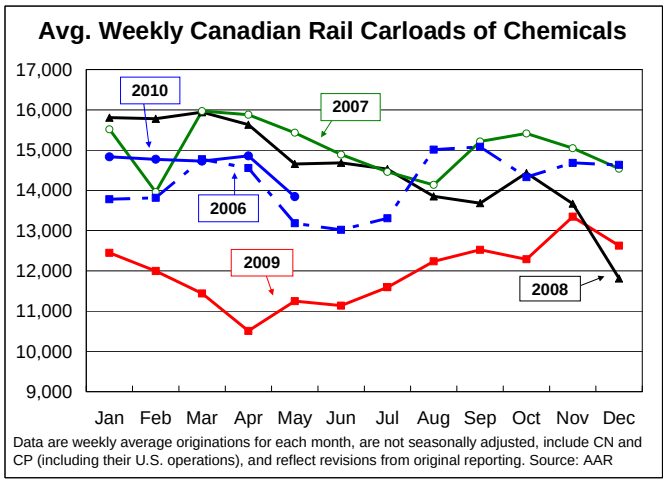
Source: Energy Information Administration

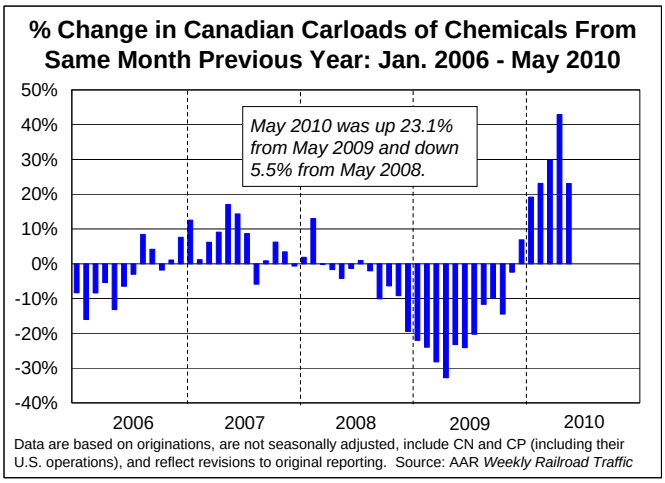
CHEMICALS

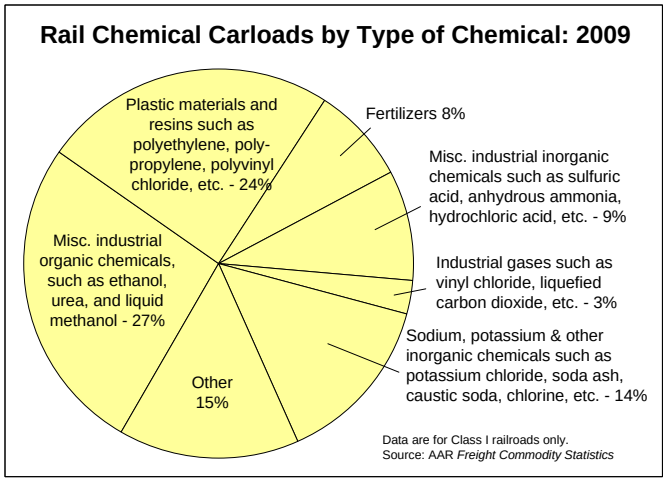
U.S. rail carloads of chemicals rose 11.2% in May 2010 over May 2009, the sixth straight double-digit increase, though they were down 7.1% from May 2008. Weekly average chemical carloads in May 2010 of 29,063 were down from April 2010's 29,872 average but were still the second highest since August 2008. The chart on the bottom left gives an idea of the broad types of chemicals carried by U.S. railroads. The chart on the bottom right shows that chemical production has been recovering from the recession much more quickly than manufacturing as a whole.

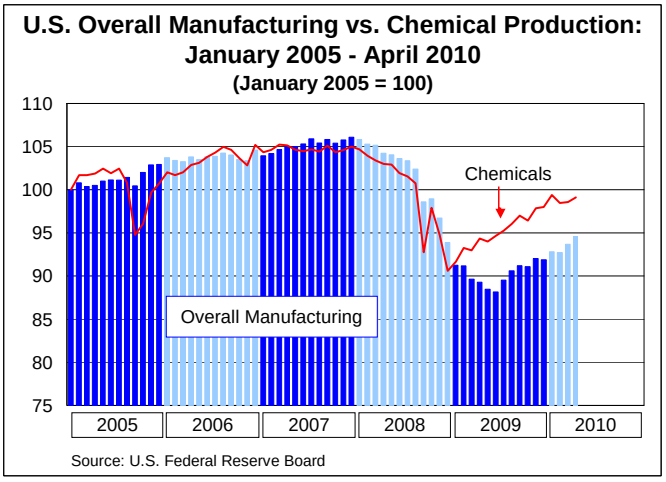






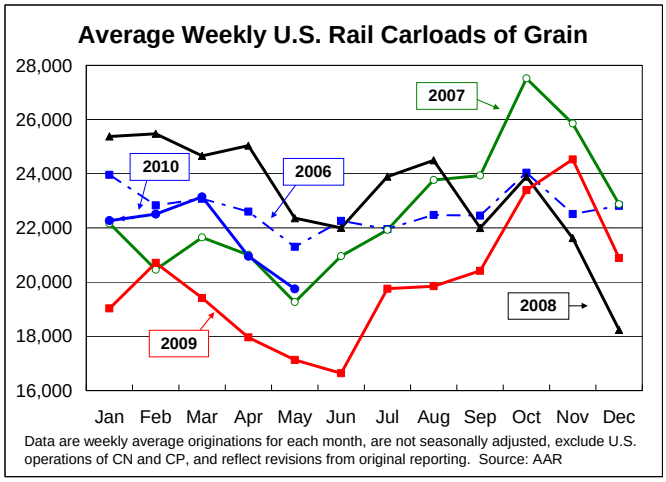


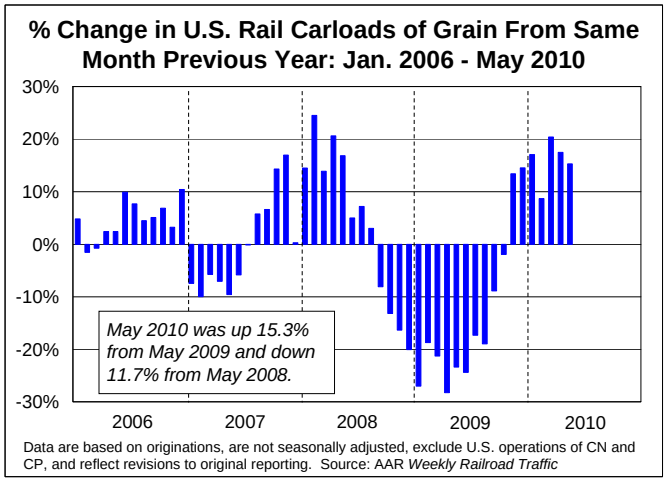


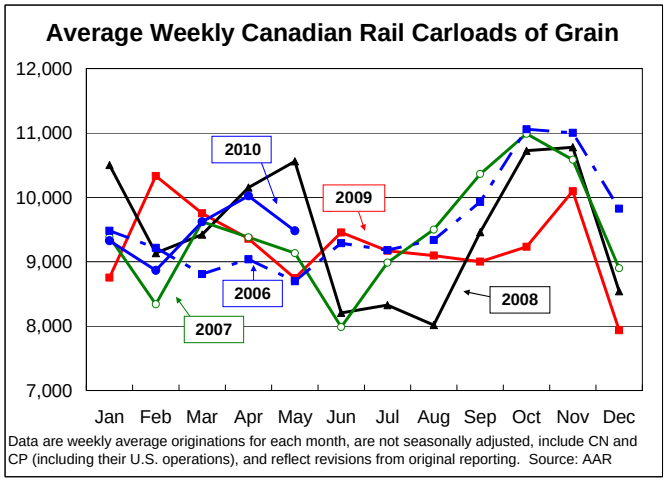


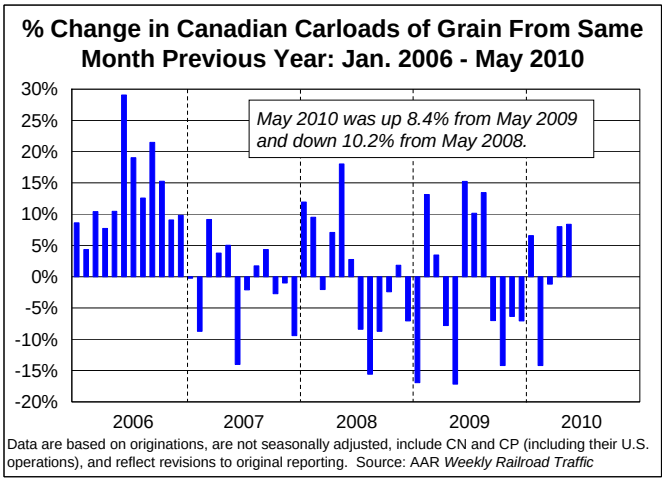
GRAIN

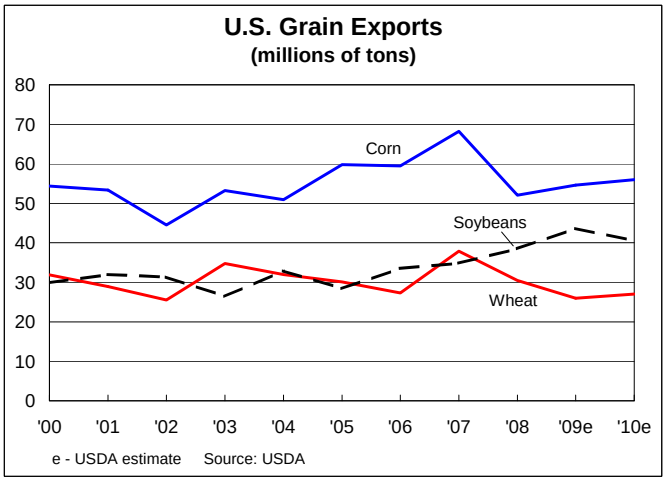
U.S. railroads averaged 19,751 carloads of grain per week in May 2010, the lowest average in almost a year. Grain carloads on Canadian railroads were also down in May 2010 from April 2010. In the U.S., grain carloadings typically fall in April and May before picking up again in late summer. On page 8 we noted that coal exports are important to railroads but are small in the grand scheme of things. Not so with grain exports. The bottom two charts on this page show that grain exports are both much higher than coal exports in volume terms and in terms of percentage of total production.

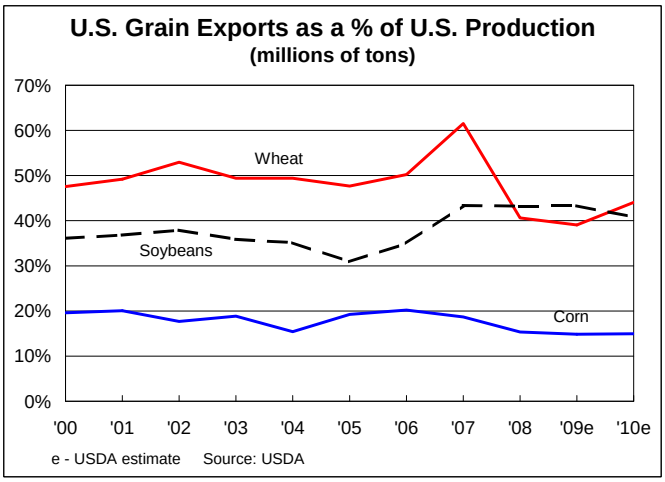




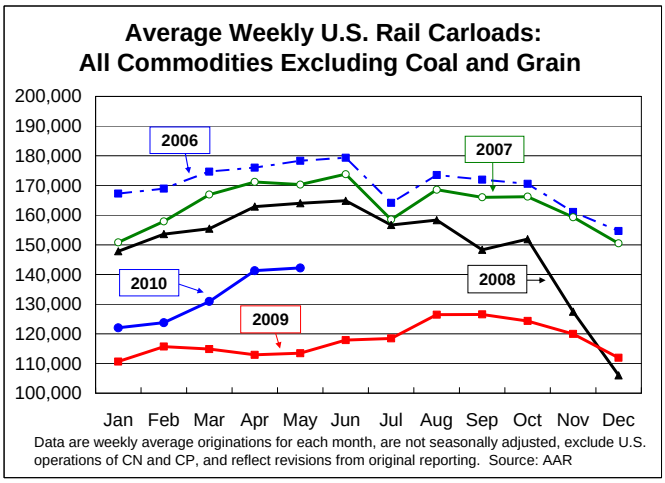


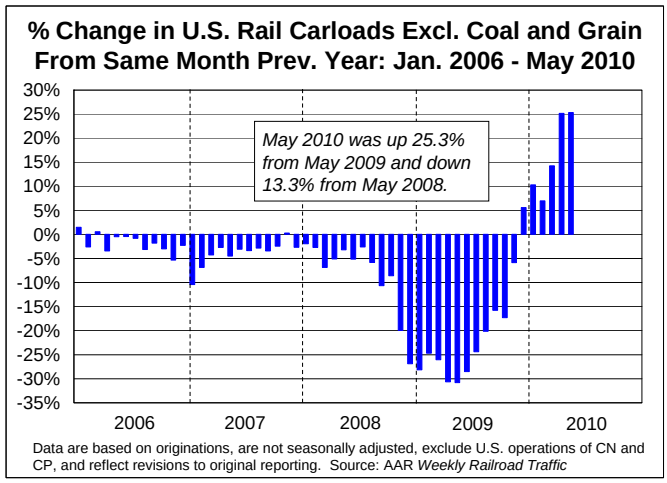




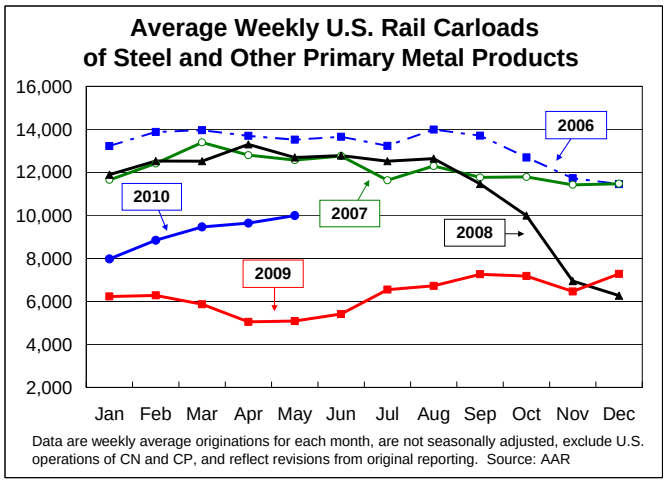


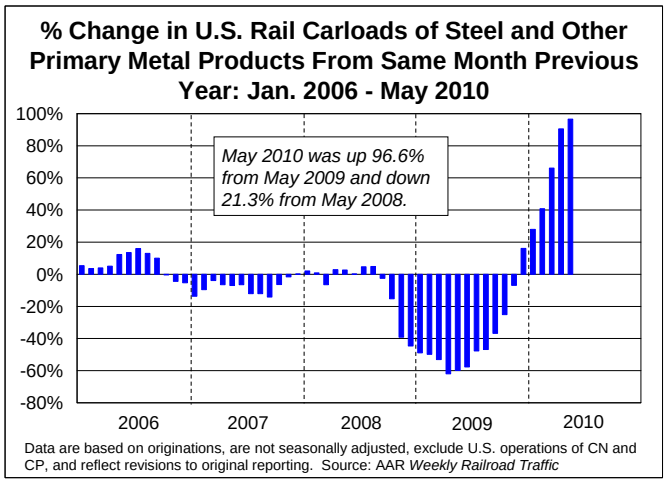
ALL COMMODITIES EXCLUDING COAL AND GRAIN



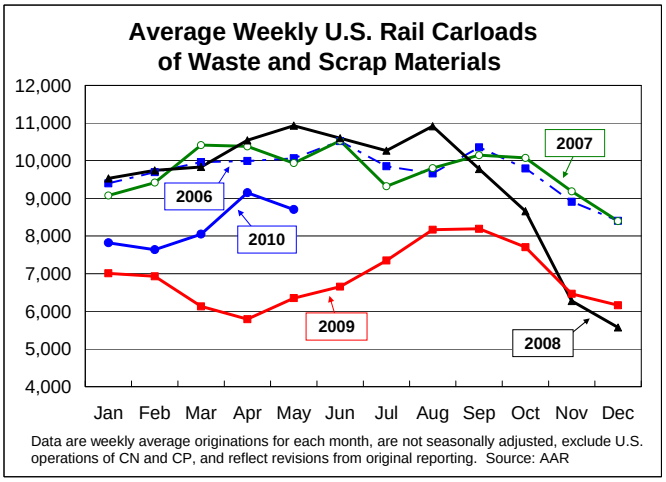


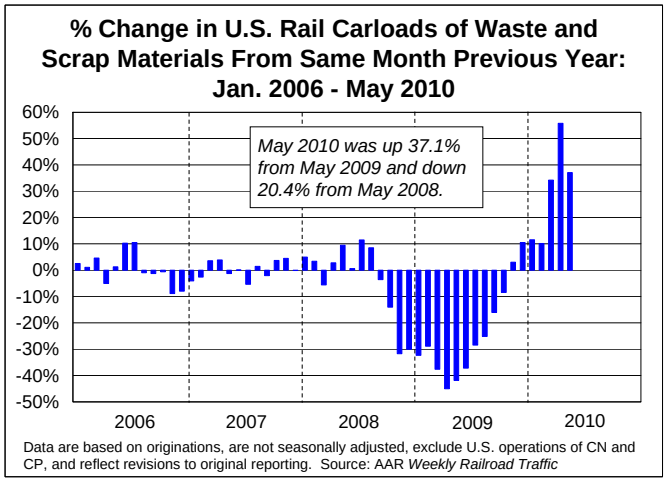
PRIMARY METAL PRODUCTS (MAINLY STEEL)



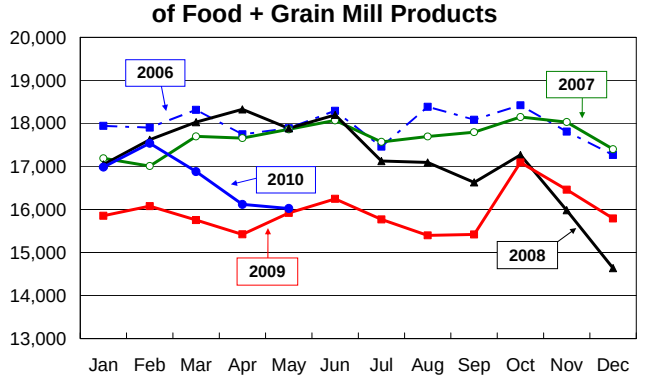


WASTE & SCRAP MATERIALS (SCRAP STEEL, SCRAP PAPER, CONSTRUCTION DEBRIS, ETC.)





FOOD AND GRAIN MILL PRODUCTS



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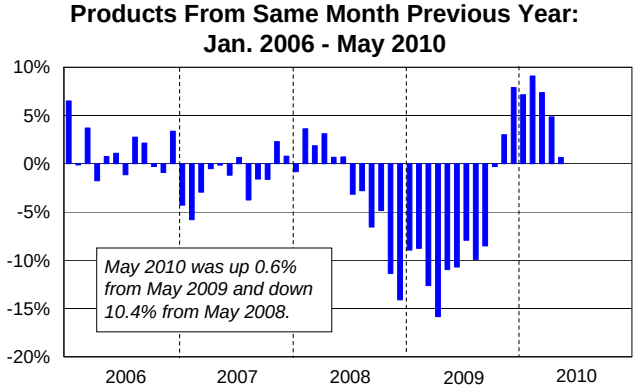

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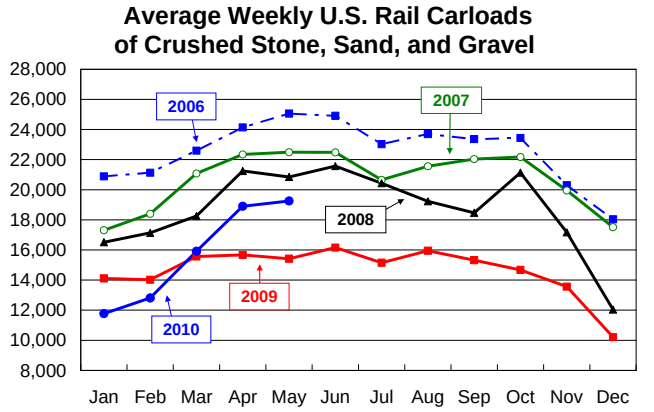
CRUSHED STONE, SAND, AND GRAVEL



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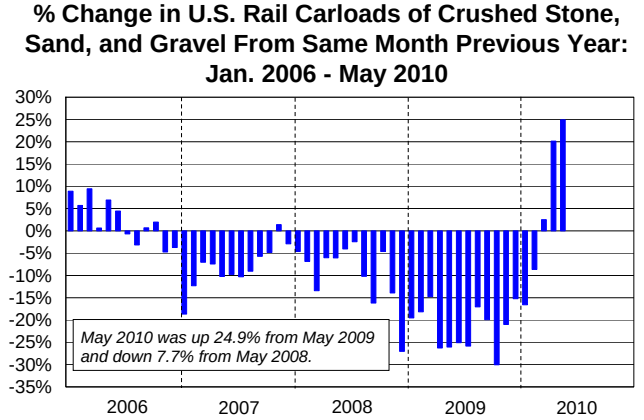

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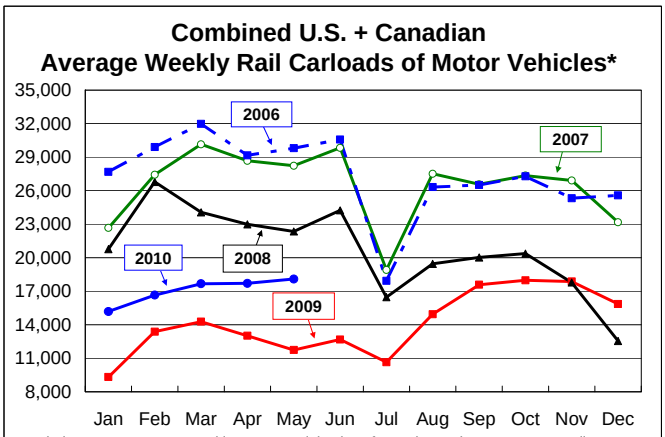
MOTOR VEHICLES AND EQUIPMENT



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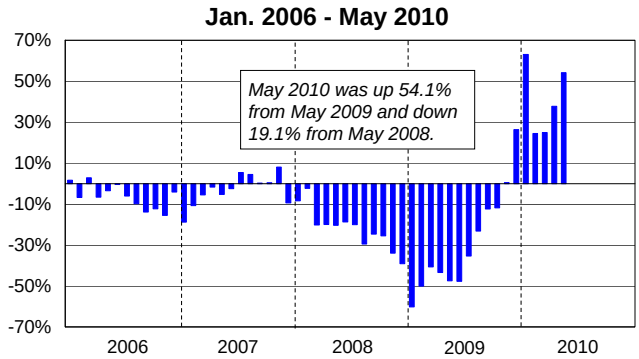

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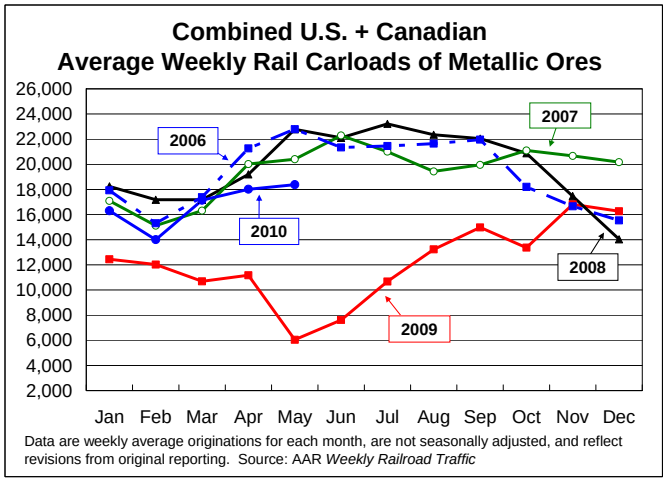
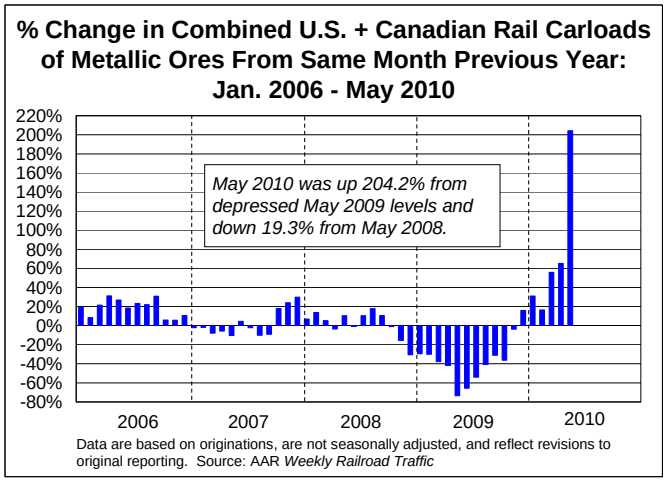
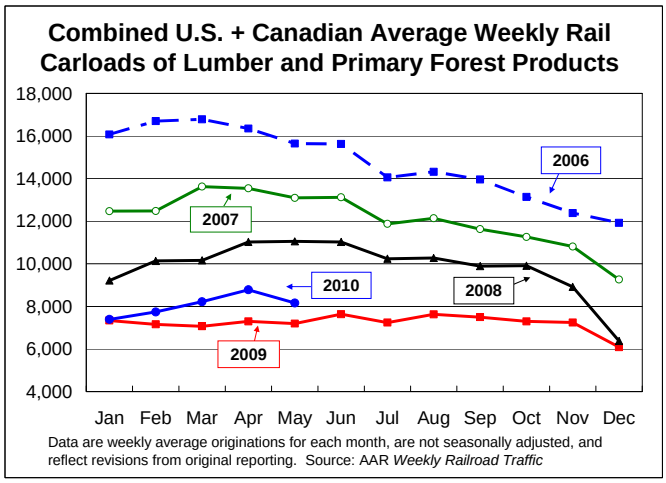
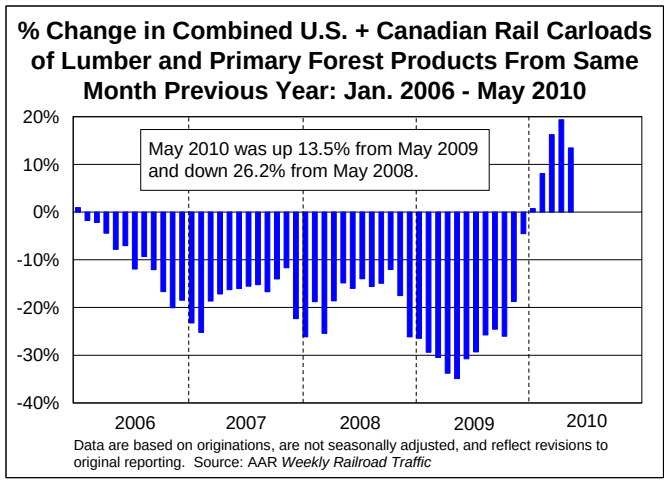
METALLIC ORES



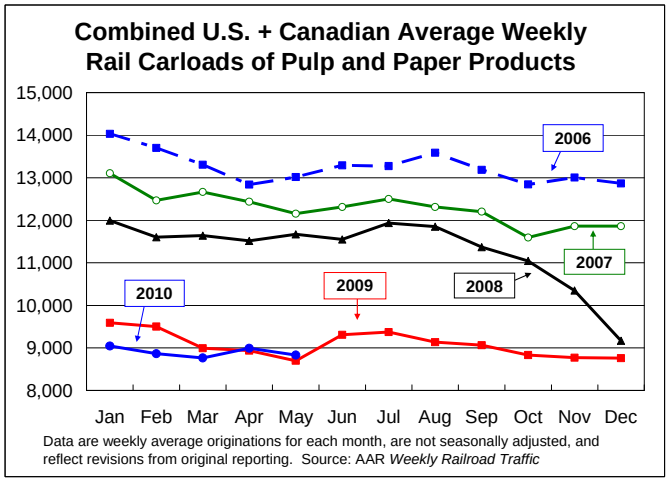


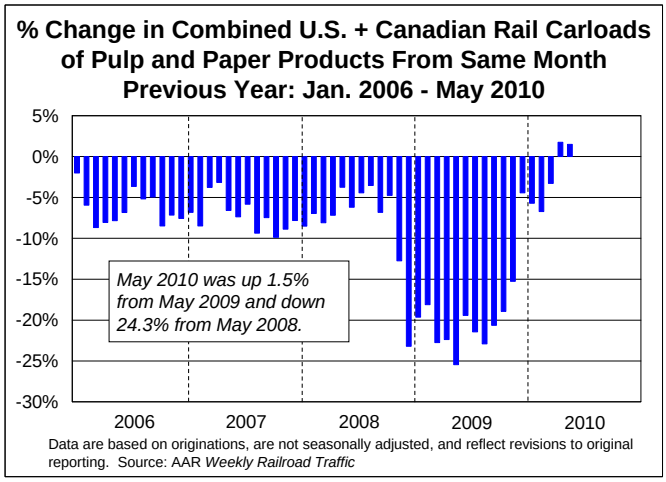
LUMBER AND WOOD PRODUCTS + PRIMARY FOREST PRODUCTS



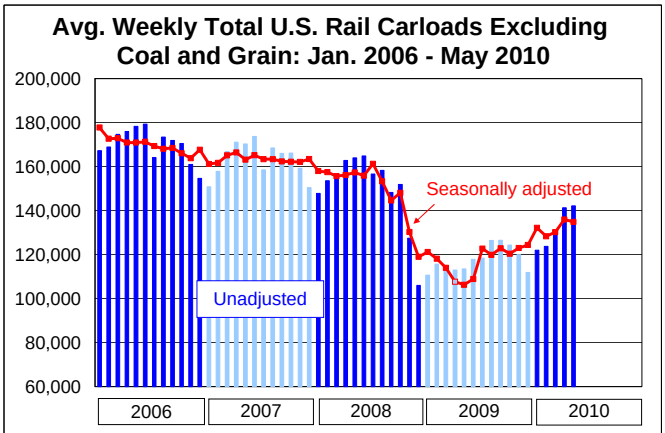


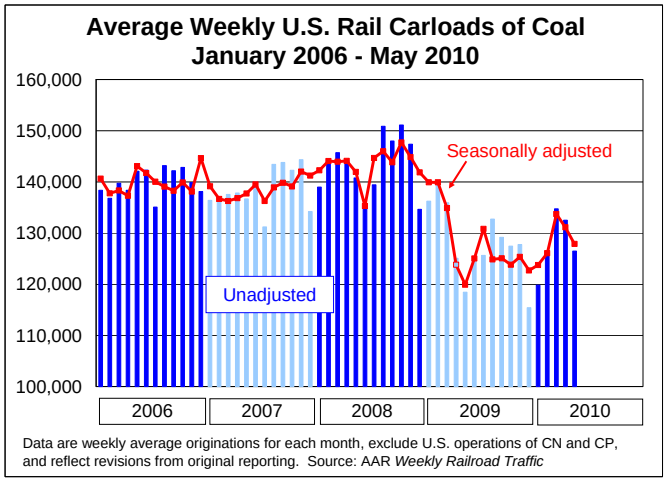
PULP AND PAPER PRODUCTS

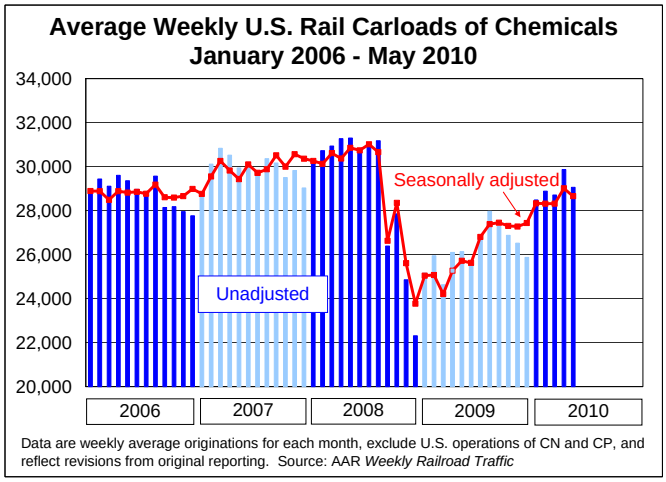


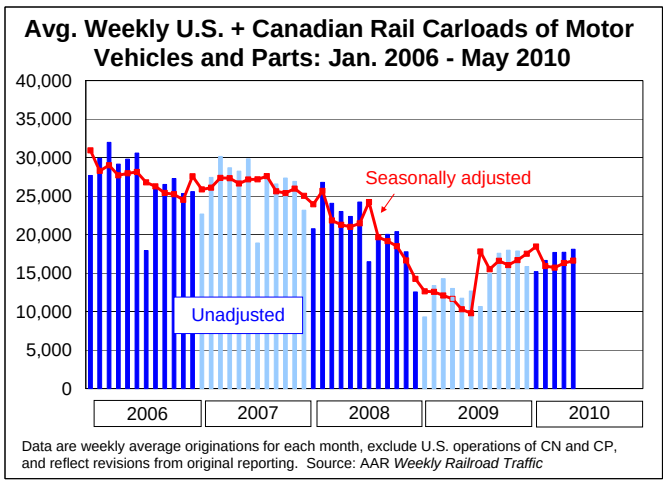


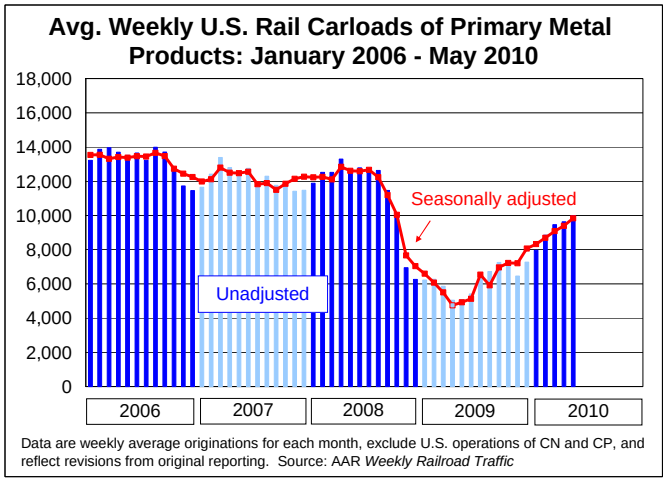
SEASONALLY ADJUSTED RAIL TRAFFIC FOR SELECT COMMODITIES

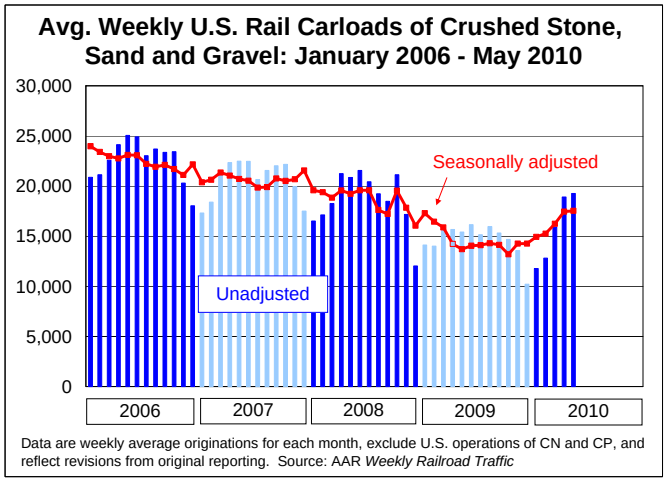












Where to go for more information:

- Weekly AAR press releases on railroad traffic are available on the AAR web site here.

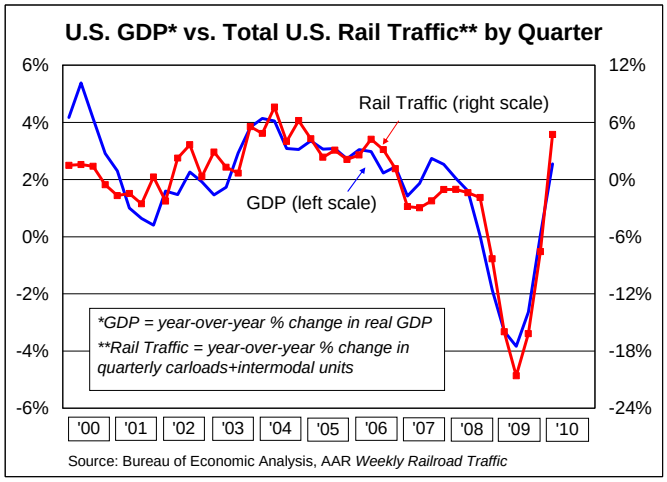
GROSS DOMESTIC PRODUCT (GDP)

Who releases it and when?

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

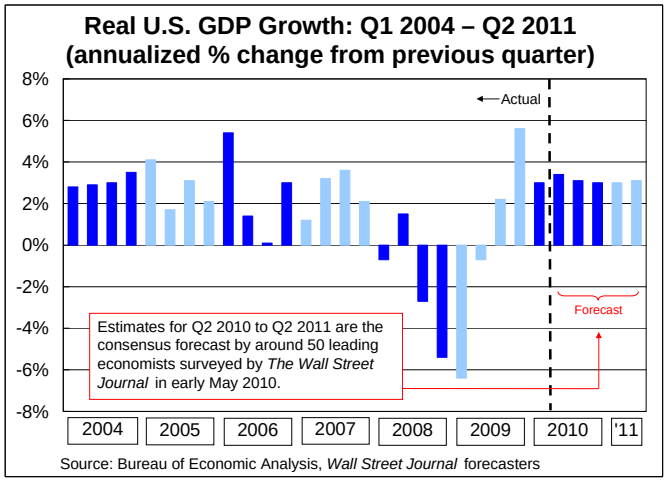
What is it and why is it important?

- 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 and freight rail traffic have historically been closely correlated (see chart at right).



What are the latest numbers?

- On May 27, the BEA revised **Q1 2010 GDP growth downward to 3.0% from its earlier estimate of 3.2%**. GDP rose 5.6% in Q4 2009.
- Each month, The Wall Street Journal asks 50 or so leading economists for their views on how the economy will perform in the year ahead. In its most recent survey, released May 13, the WSJ consensus forecast called for GDP growth of 3.4% in Q2 2010 and growth around 3% continuing for the rest of 2010 and into 2011 (see chart at right).



- On May 19, the Federal Reserve released the summary of economic projections associated with its April 27-28 Federal Open Market Committee (FOMC) meeting. (FOMC is the branch of the Fed that determines the direction of monetary policy.) As of April, the Fed expected U.S. GDP to grow 3.2% to 3.7% in 2010, 3.4% to 4.5% in 2011, and 3.5% to 4.5% in 2012.
- The International Monetary Fund (IMF) recently released its most recent *World Economic Outlook* report. According to the IMF (whose projections pre-date the crisis in Greece), GDP will grow much faster in developing Asia and especially China and India than in the advanced economies. The IMF expects U.S. GDP to grow 3.1% in 2010 and 2.6% in 2011, according to its outlook.

Real GDP Growth

	Actual		Projected	
	2008	2009	2010	2011
Advanced Economies	0.5%	-3.2%	2.3%	2.4%
U.S.	0.4%	-2.4%	3.1%	2.6%
Canada	0.4%	-2.6%	3.1%	3.2%
Euro Area	0.6%	-4.1%	1.0%	1.5%
Germany	1.2%	-5.0%	1.2%	1.7%
Japan	-1.2%	-5.2%	1.9%	2.0%
United Kingdom	0.5%	-4.9%	1.3%	2.5%
Mexico	1.5%	-6.5%	4.2%	4.5%
China	9.6%	8.7%	10.0%	9.9%
India	7.3%	5.7%	8.8%	8.4%

Source: IMF *World Economic Outlook*, April 2010

- Finally, the National Association of Business Economists (NABE), in its May 2010 outlook, forecasts 3.2% U.S. GDP for both 2010 and 2011.
- As these examples show, forecasts vary in their particulars but the consensus is that the U.S. economy is growing and, for the foreseeable future will continue to grow, at a moderate pace. Could be better, but could be a lot worse too. That's a fitting description for recent rail traffic volumes as well.

Where to go for more information:

- The most recent BEA news release on GDP, including links to detailed data tables, is here. BEA will release its third estimate of Q1 2010 GDP on June 25. Click here for more on the most recent WSJ survey of economists; a new survey will be released in mid-June. For more on the NABE's most recent economic outlook report, click here.

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?

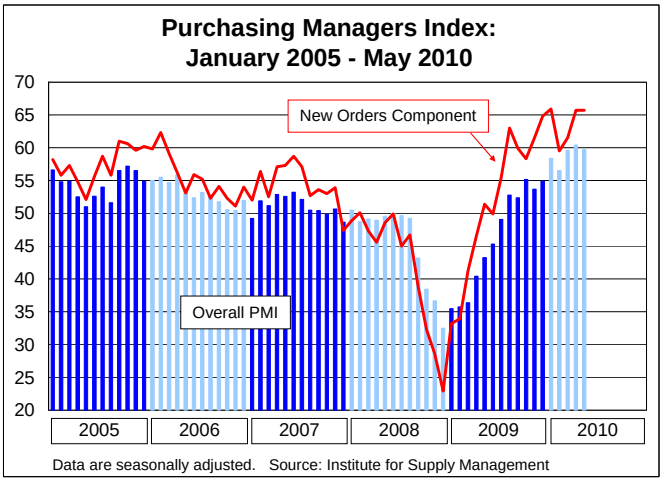
- The PMI combines data on new orders, inventory, production, supplier deliveries, and employment. It's based on a survey of several hundred supply managers at manufacturers throughout the country. Supply managers typically handle purchasing/procurement, inventory control and management, and physical 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**.

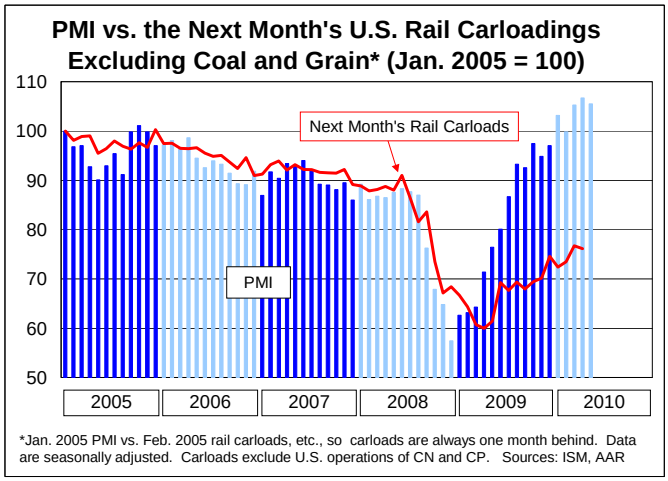
What are the latest numbers?

- PMI **fell from 60.4 in April 2010 to 59.7 in May 2010** (see chart top of next page). Despite the slight decline, PMI in May was the second highest since July 2004 and still well above 50, the point at which PMI indicates expansion in manufacturing. PMI was 43.2 in May 2009. The **new orders** component of PMI **remained constant at 65.7 in May 2010**. It was 51.4 in May 2009.
- What the ISM said about the May PMI: "The manufacturing sector grew for the 10th consecutive month during May. ... Employment continues to grow as manufacturers have added to payrolls for six consecutive months. The recovery continues to broaden as 16 of 18 industries report growth. There are a number of reports, particularly in the tech sector, of shortages of components; this is the result of excessive inventory de-stocking during the downturn."
- The chart on the top right of the next page shows that PMI continues to significantly outstrip the next month's rail carloadings excluding coal and grain, as it has since mid-2009. Based on the tight correlation since 2005 (of course, past correlations don't guarantee future correlations), either PMI or rail carloadings isn't where it should be.

Where to go for more information:

- The press release for the May PMI is here. The June PMI will be released on July 1, 2010.





MANUFACTURING INVENTORIES AND SALES

Who releases it and when?

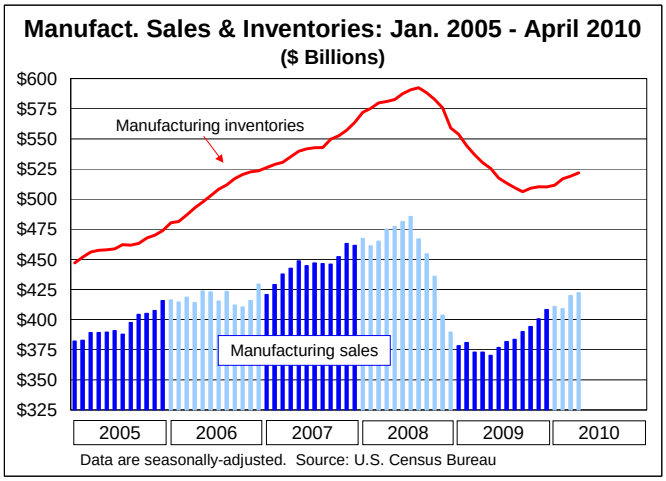
- The U.S. Census Bureau, near the beginning of each month, covering the month two months prior. (*E.g.*, the report released in early June has data covering April.)

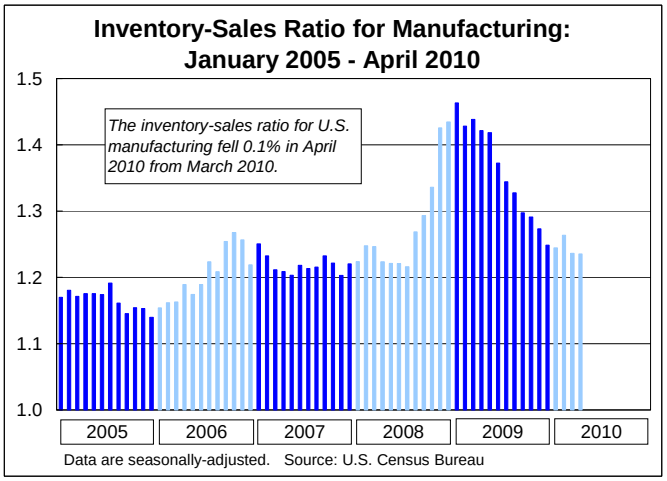
What is it and why is it important?

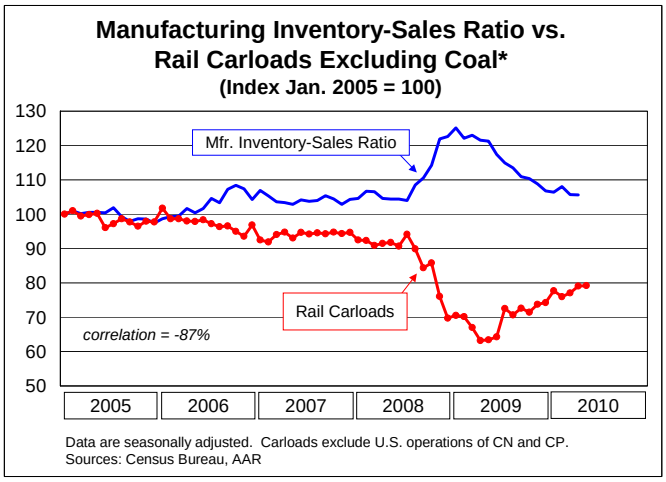
- The report is based on data reported from manufacturing establishments with $500 million or more in annual shipments covering 89 industry categories. Figures are seasonally adjusted.
- Manufacturers **don't want to hold too much inventory** because it costs money to store it and it can become obsolete 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, "destocking" 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 "**restocking**" occurs via production increases. This means more employment, more raw material purchases, and other positive economy-wide effects.

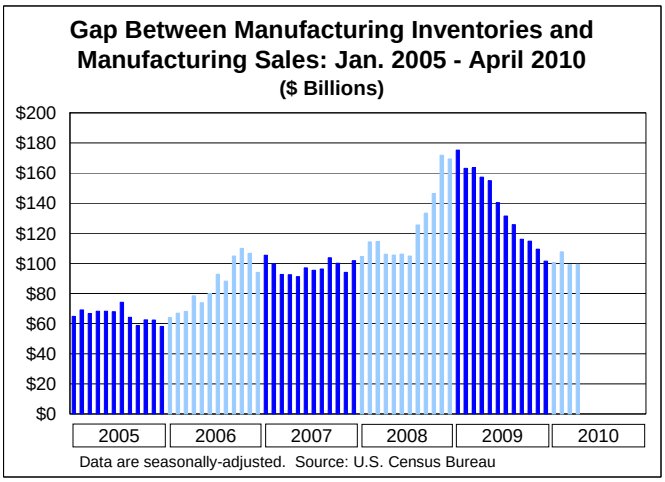
What are the latest numbers?

- **Manufacturing sales rose 0.6% in April 2010** from March 2010, much less than the 2.6% increase in March 2010. **Manufacturing inventories rose 0.5% in April 2010**, matching the increase in March 2010. The resulting **inventory-sales ratio for manufacturing fell 0.1%** in April 2010 to 1.24 and is now just slightly above its pre-recession level. (The applicable charts are on the top row of the next page. The Census Bureau recently revised several years of inventory and sales data, so the charts this month are slightly different from last month.)
- The chart on the bottom left of the next page shows the correlation between rail traffic and the inventory-sales ratio. Based on patterns over the past five years, either rail traffic today is lower than it should be given the inventory-sales ratio, or the inventory-sales ratio is higher today than it should be given the level of rail traffic. The bottom right chart on the next page shows that the gap between manufacturing inventories and sales is now back to about the level it was around 2007, but manufacturing sales are below what they were at that time. This would seem to indicate that there is room for manufacturing to grow.









Where to go for more information:

- The Census Bureau's full report on manufacturing sales and inventories in April is here. Figures for May 2010 will be released on July 2, 2010.

INDUSTRIAL PRODUCTION

Who releases it and when?

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

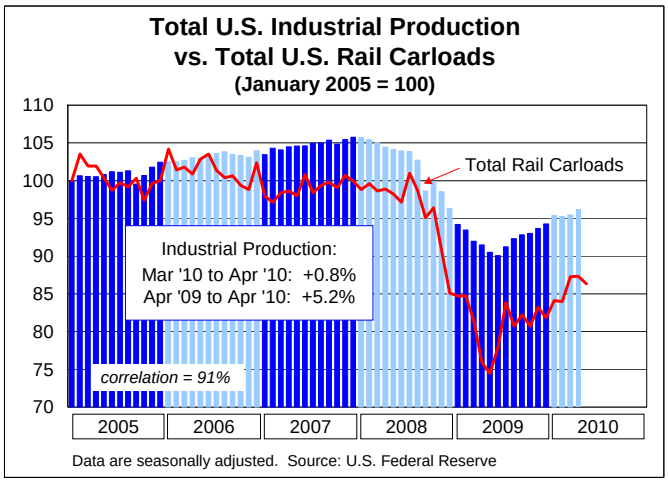
What is it and why is it important?

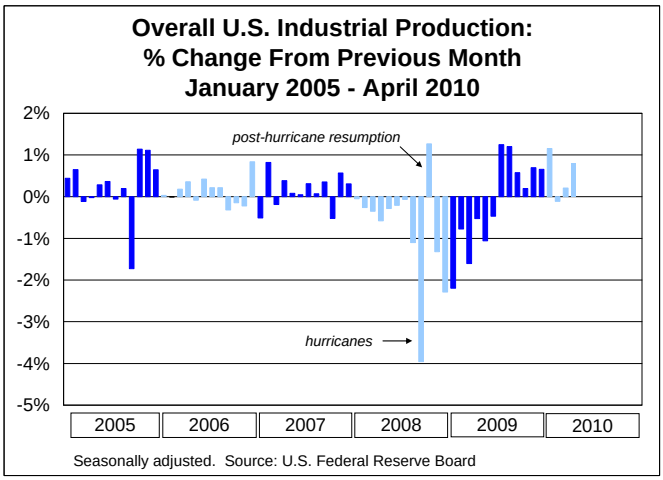
- Industrial production figures are based on the monthly raw volume of goods produced by U.S. industrial firms such as factories, mines, and electric utilities. The industrial sector generally exhibits the most volatility in output during a business cycle.

What are the latest numbers?

- **Total industrial production rose 0.8% in April 2010**, an improvement over the 0.1% decline in February 2010 and the 0.2% increase in March 2010. The manufacturing component of industrial production rose 1.0% in April, the same as in March.

- What the Federal Reserve said regarding industrial production in April: "The increases in manufacturing continued to be broadly based across industries. Outside of manufacturing, the output of mines rose 1.4 percent, and the output of utilities decreased 1.3 percent. ...[T]otal industrial output in April was 5.2 percent above its year-earlier level."





Where to go for more information:

- The Federal Reserve release on industrial production in April is here. May 2010 data will be released on June 16, 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?

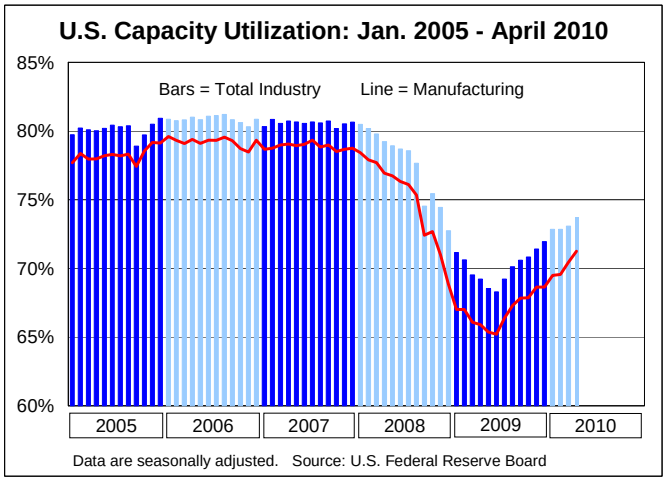
- Capacity utilization attempts to capture the concept of sustainable maximum output — *i.e.*, the highest output a plant can maintain assuming a realistic work schedule, normal downtime, and sufficient availability of inputs to operate the capital in place.
- In theory, a capacity utilization rate of, 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 portend 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.

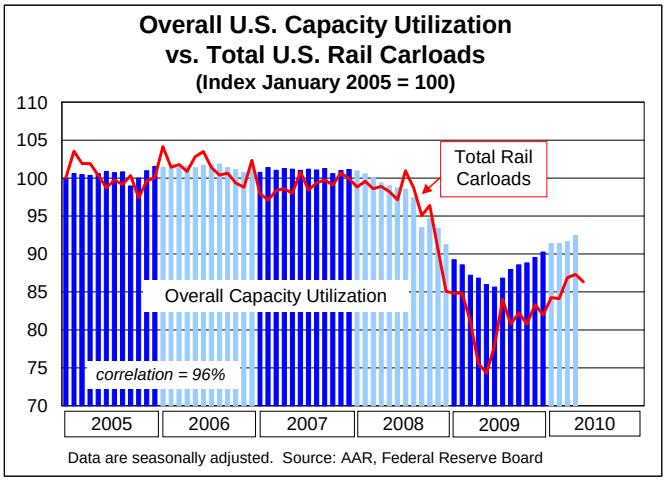
What are the latest numbers?

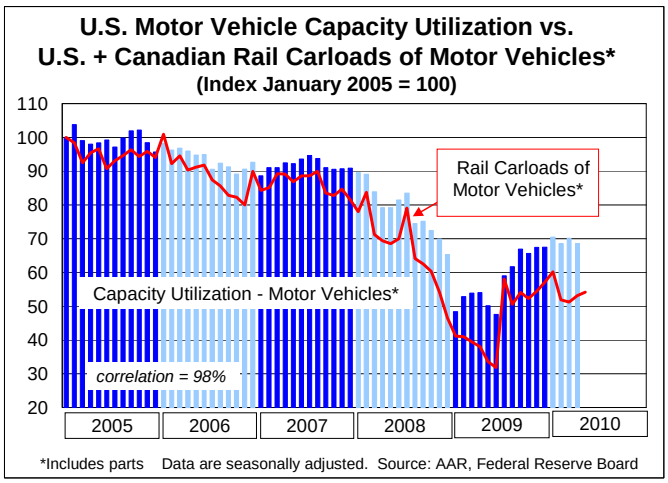
- **Capacity utilization for total industry** (mining, manufacturing, and gas and electric utilities) **rose to 73.7% in April 2010**, up from 73.1% in March 2010 and its 10th straight monthly increase. It was 69.2% in April 2009.
- **Capacity utilization for manufacturing rose to 71.2% in April 2010 from 70.4% in March**.

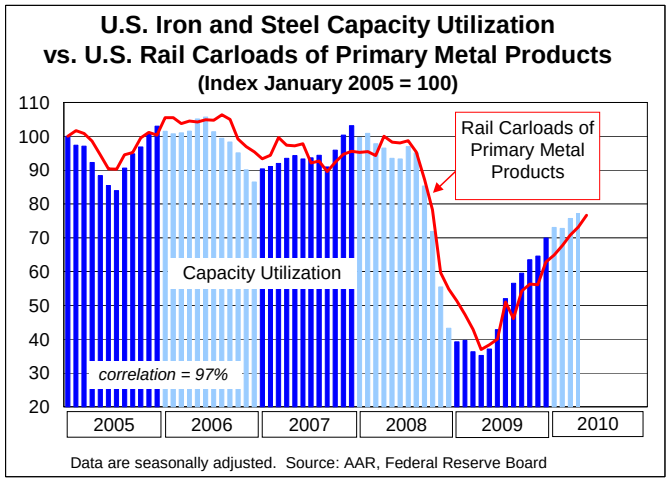
Where to go for more information:

- The Federal Reserve release on capacity utilization in April is here. May 2010 data will be released on June 16, 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?

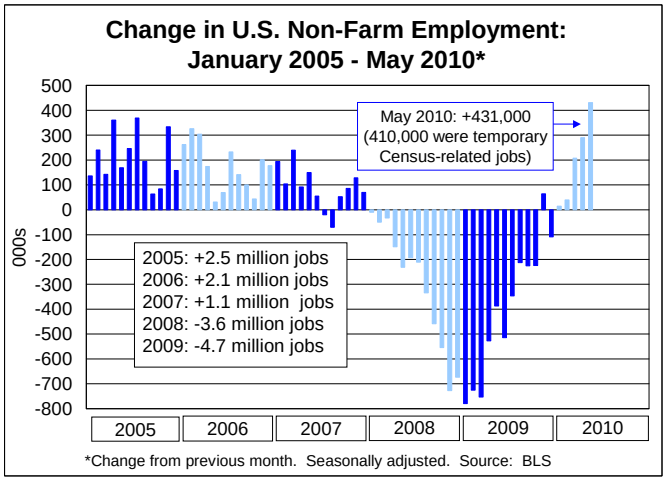
- The figures provide a snapshot of the strength of the U.S. labor market and are based on surveys of tens of thousands of households and businesses. In the United States, **a gain of 150,000 or more jobs** from one month to the next **is generally considered solid job growth**.
- Employment is often 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).

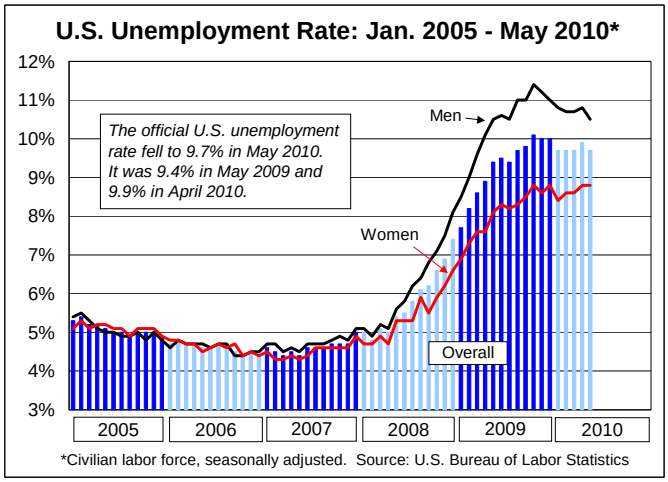
What are the latest numbers?

- Net U.S. **non-farm employment rose by 431,000 in May 2010**. The good news is that this is the biggest monthly gain since March 2000. The bad news is that 410,000 of the new jobs are temporary jobs related to the decennial census. The private sector created just 41,000 new jobs in May 2010, breaking a streak of four months of steadily increasing private sector employment

growth that had yielded 454,000 private-sector jobs in the first four months of 2010 combined (see chart on the top left of the next page).

- The official **unemployment rate fell to 9.7% in May 2010** from 9.9% in April 2010.

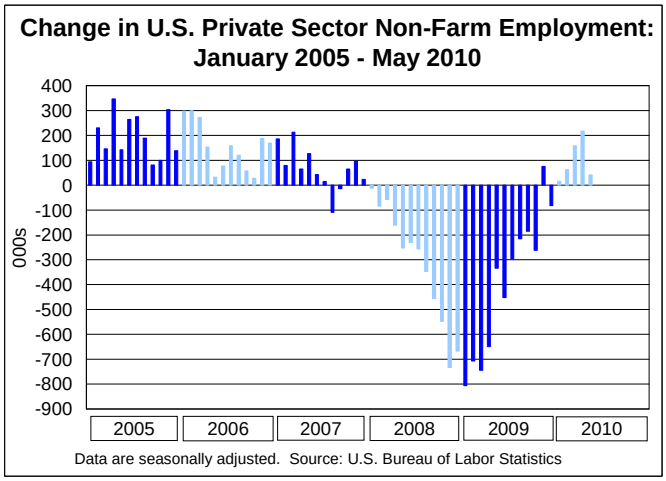


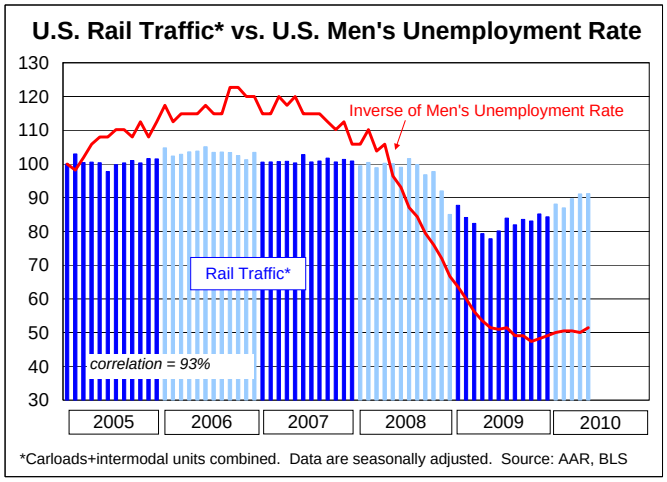


- When the employment numbers came out in April 2010, the unemployment rate rose to 9.9% from 9.7% the month before. As discussed in last month's Rail Time Indicators, at the time many said that the rise in the unemployment rate was actually good news because it meant that a recovering economy was leading many people who had given up looking for work to start looking again, and thus once again be included in the official unemployment rolls. And, in fact, in April 2010, the labor force grew by 805,000. **In May 2010, however, the labor force fell by 322,000**: it's as though a large number of people tested the water, found it too cold, and decided not to go in after all. If you're like the blogger who wrote last month that "a rising unemployment rate is actually one of the best signs yet that the economy is bouncing back," then this month's employment numbers have to be a sign that the economy's ball isn't bouncing as high as you thought it was. The key question is whether the ball has sprung a leak.
- That said, the May 2010 employment numbers weren't all bad:
  - The number of officially "**discouraged" workers** (persons not currently looking for work because they believe no jobs are available for them) **fell from 1.2 million in April 2010 to 1.1 million in May**.
  - The average weekly hours for production and non-supervisory workers rose from **33.4 in April to 33.5 in May**, its highest level since October 2008. Average hours in goods producing industries remained at 40.5 in May 2010, its highest level since April 2008.
  - Average **overtime hours** for manufacturing workers **rose for the third straight month** in May to 4.1, its highest level since March 2008.
- On the other hand, the number of long-term unemployed (27 weeks or more) set another record in May at 6.8 million, or 45% of all unemployed. It was typically under 20% in 2007 and 2008.
- There is a **strong positive correlation between the unemployment rate and overall rail traffic**. The correlation is slightly higher if the men's — rather than the overall — unemployment rate is used (see chart top right of next page).

Where to go for more information:

- The BLS press release on the employment situation in May 2010 is here. Data for June 2010 will be released on July 2, 2010.





CLASS I RAILROAD EMPLOYMENT

Who releases it and when?

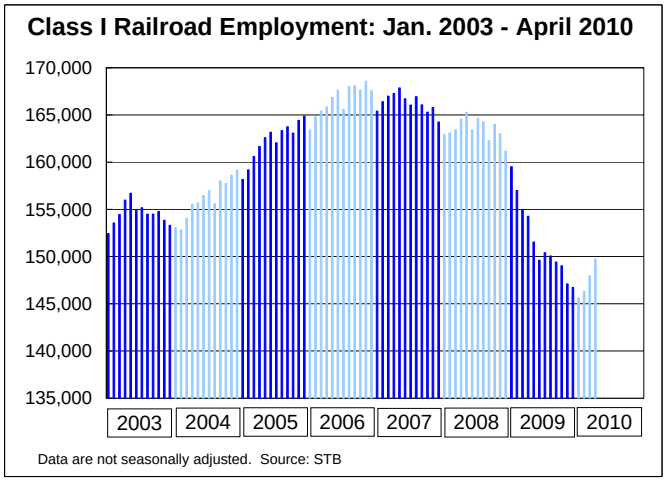
- Surface Transportation Board (STB), around the middle of the month.

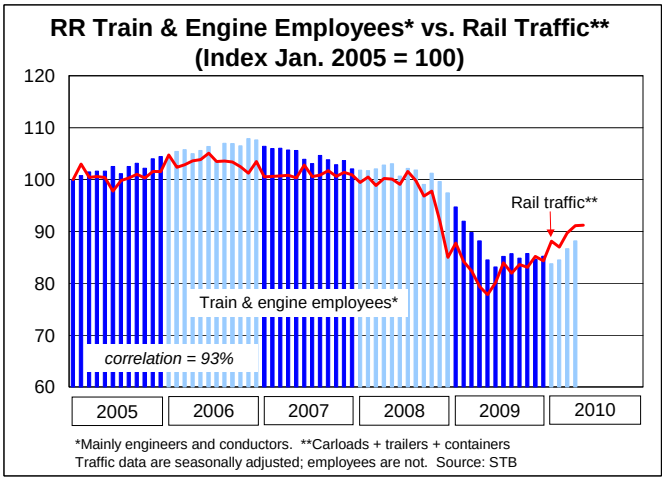
What is it and why is it important?

- 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 149,749 in April 2010**, up 1,783 employees from March 2010 and the highest level since August 2009. After the April increase, the rail industry is down about 18,800 employees (11%) from its recent peak in November 2006. The increase in April consisted almost entirely of a 1,007-employee increase in train and engine employees (mainly engineers and conductors who operate trains) and a 736-employee increase in employees who take care of track and other infrastructure.





Where to go for more information:

- The STB web site for employment data is here.

CONSUMER CONFIDENCE

Who releases it and when?

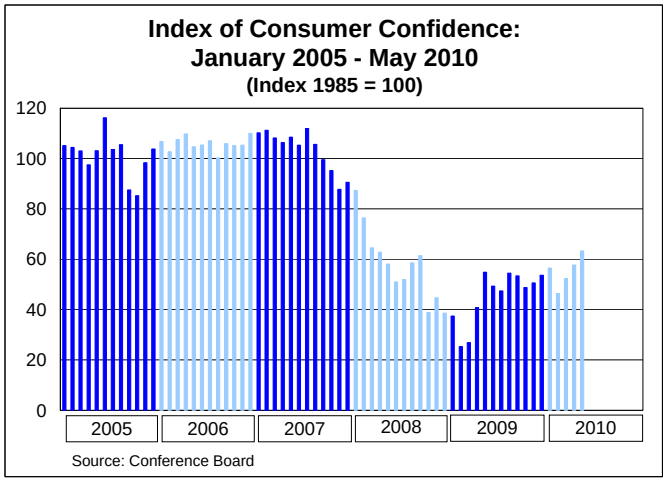
- The Conference Board on the last Tuesday of the month.

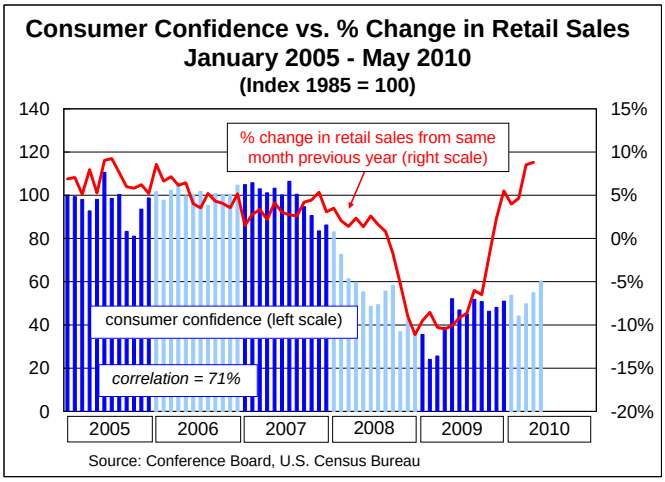
What is it and why is it important?

- 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 63.3 in May 2010 from 57.7 in April 2010, reaching its highest level since March 2008** (see chart below left). The percentage of respondents who claimed that current conditions are "good" rose from 8.9% in April 2010 to 10.0% in May 2010. Those claiming that current conditions are "bad" fell to 39.3% in May from 40.0% in April.
- Though there have been some fluctuations from month to month, the trend in consumer confidence since early 2009 has clearly been up. Still, at the pace it's been increasing, it'll be another 2 ½ years before consumer confidence is where it was in 2006 and 2007.
- What the Conference Board said regarding the May index: "Consumer confidence posted its third consecutive monthly gain, and although still weak by historical levels, appears to be gaining some traction. Consumers' apprehension about current business conditions and the job market continues to slowly dissipate."
- There is a positive, though not overwhelmingly so, correlation between consumer confidence and year-over-year change in total retail sales (see chart below right).





Where to go for more information:

- The Conference Board's press release on the consumer confidence index in May is here. June's consumer confidence index will be released on June 29.

RETAIL SALES

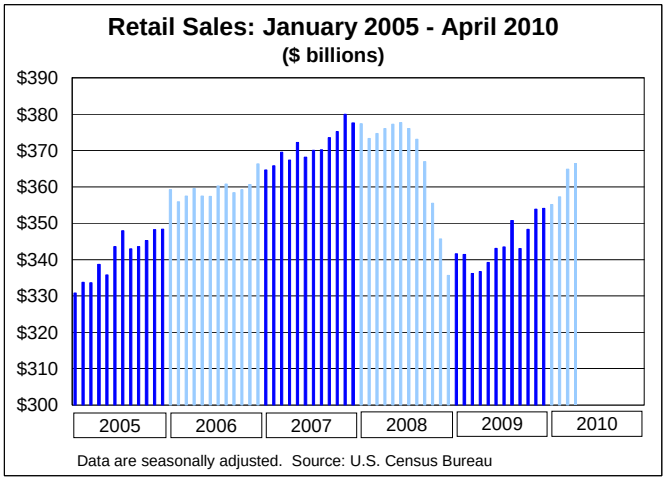
Who releases it and when?

- 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 0.4% in April 2010 from March 2010**, a much slower rate of growth than the 2.1% increase in March 2010. But, it's the seventh straight monthly increase.
- However, "core" retail sales — retail sales excluding autos, gasoline, and building materials — actually fell 0.2% in April 2010.
- The biggest factor behind the much slower pace of increase in total retail sales in April 2010 was auto-related sales. In March 2010, auto sales were $3.9 billion higher than the previous month. In April 2010, auto sales were just $337 million higher than the previous month.

Where to go for more information:

- The Census Bureau's press release on April retail sales is here. May retail sales will be released on June 11, 2010.

LIGHT VEHICLE SALES

Who releases it and when?

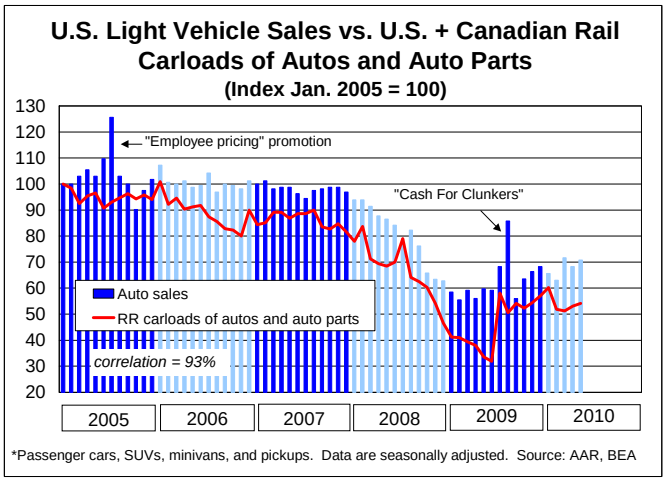
- The U.S. Bureau of Economic Analysis.

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). In 2009, 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 May 2010 were 11.6 million at a seasonally-adjusted annualized rate, **up 3.7% from April 2010** and **up 18.5% from April 2009.**
- Relatively moderate gasoline prices may have helped auto sales by providing a psychological boost if nothing else. The U.S. Department of Energy reports that the average U.S. retail price for a gallon of regular gasoline was $2.68 for the week of May 31, 2010, down from $2.82 the last week of April 2010.



Where to go for more information:

- BEA data on auto sales are here.

HOUSING STARTS

Who releases it and when?

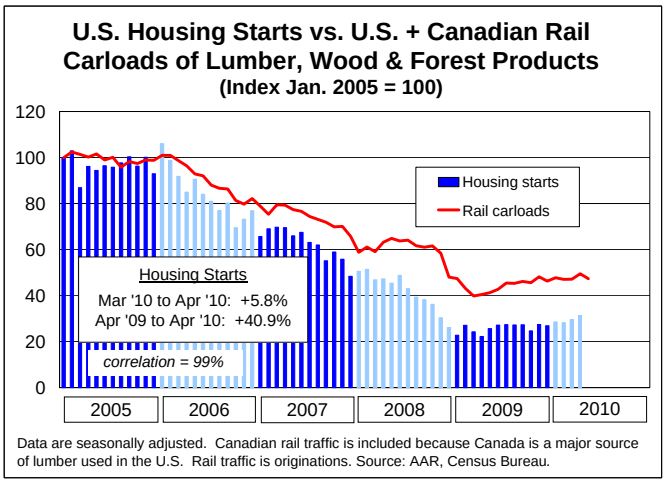
- U.S. Census Bureau, around the middle of each month. Prior data are subject to revision.

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. Various 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 (and revised) 635,000 in March 2010 to 672,000 in April 2010, **a 5.8% increase.**
- Housing starts in April 2010 were **41% higher** than April 2009, but that's not saying much since April 2009 had the fewest housing starts since recordkeeping began in 1959.



Where to go for more information:

- The Census Bureau's press release on housing starts in April is here. May's housing starts will be released on June 16, 2010.

CONSUMER PRICE INDEX (CPI)

Who releases it and when?

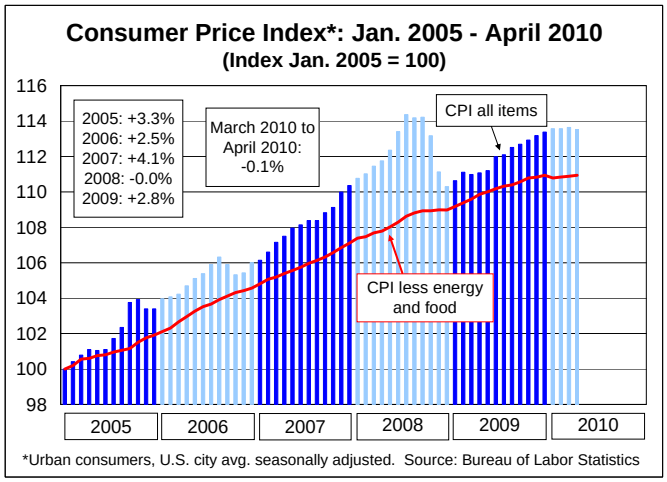
- U.S. Bureau of Labor Statistics (BLS), mid-month.

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 more than 20,000 retail and service establishments throughout the country.
- It's hard not to have at least a little inflation when an economy is growing, but inflation 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) **fell 0.1%** on a seasonally adjusted basis in April 2010 from March 2010. As of April, it was **up 2.2%** on a **year-over-year basis**. So-called "core" inflation — CPI less food and energy — was essentially flat in April 2010 over March 2010 and was up 0.9% year-over-year. According to BLS, that's the smallest 12-month increase since January 1966.
- According to the BLS, the index for energy fell 1.4% in April and accounted for the seasonally adjusted decline in the all-items index. The indexes for gasoline and natural gas both fell significantly, outweighing increases in the indexes for fuel oil and electricity.



- Economists in the latest Wall Street Journal survey (see page 15) expect the increases in CPI to remain around no more than 2% throughout 2010, which would be within the 1.5% to 2.0% that is thought to be the unofficial Fed target.

Where to go for more information:

- The BLS press release on the April 2010 CPI is here. May's CPI will be released on June 17.

U.S. DOLLAR EXCHANGE RATE INDEX

Who releases it and when?

- The Federal Reserve Board, daily.

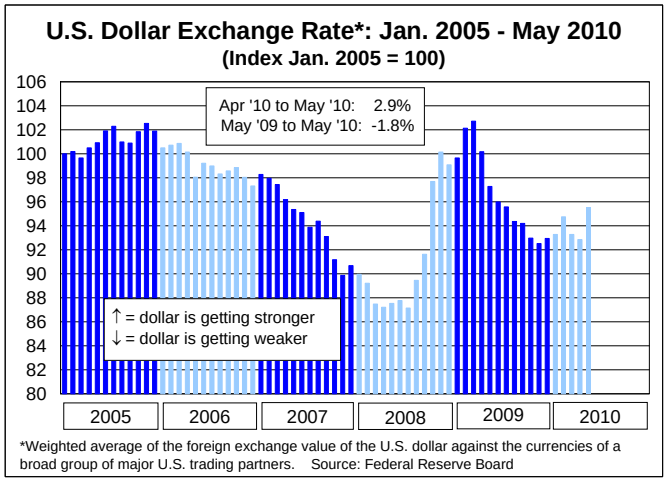
What is it and why is it important?

- 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.[1] 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 abroad. All else equal, that means more U.S. imports and fewer U.S. exports.

What are the latest numbers?

- The U.S. dollar **rose 2.9% in May 2010,** reaching its highest level since July 2009.
- Here at RTI we're not going to pretend we know why exchange rates do what they do — we're not sure anyone really does — but part of the reason for the dollar's gain in May has to be that, given the financial crisis in Greece in particular and in Europe more broadly, the euro (the common currency for much of Europe) isn't terribly appealing right now. Hard as it might be to believe, the U.S. fiscal situation actually looks good compared to some other countries.



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.

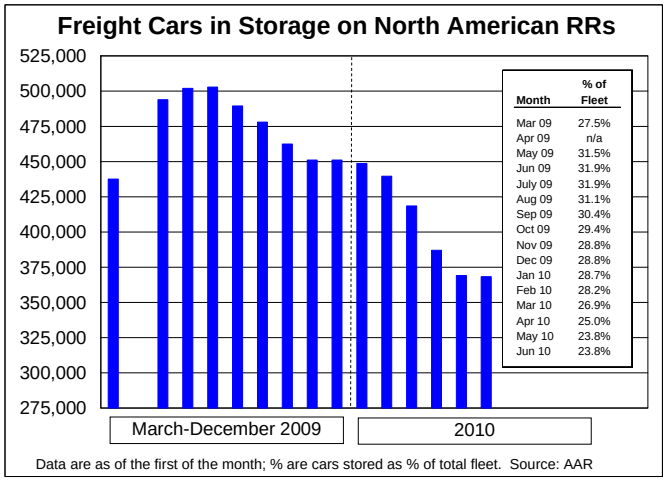
What is it and why is it important?

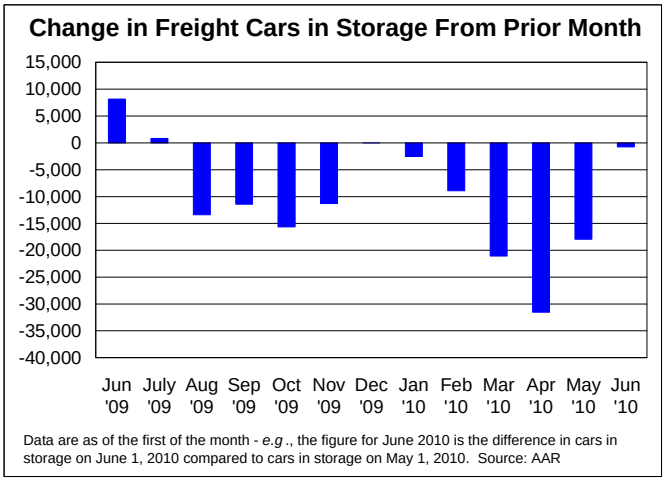
- A freight car is deemed to be "in storage" if it has not had a loaded revenue move in more than 60 days. Rail cars are stored when they are not needed due to lack of demand; they come out of storage when demand improves. Figures are for the entire North American rail freight car fleet and include rail 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.

[1] 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).

What are the latest numbers?

- As of June 1, 2010, **368,343 freight cars** — **23.8% of the fleet** — **were in storage**. That's down 747 cars from May 1, 2010, representing the smallest decline in cars in storage since December 2009 (see chart below right). Still, cars in storage have declined for 11 straight months, totaling more than 134,000 cars out since that time.





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.

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For more information on anything in Rail Time Indicators
or if you have suggestions on ways to improve it, please contact:

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or

Shannon Stare (sstare@aar.org, 202-639-2322).