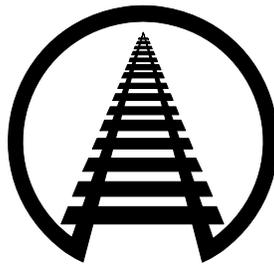


Rail Time Indicators

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



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

September 3, 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 by the Policy and Economics Department of the Association of American Railroads.

To get 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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SUMMARY OF MOST RECENT DATA

Economic Indicator	Most Recent Data
U.S. Freight Rail Traffic (p. 2)	<p><u>Not Seasonally Adjusted</u>: Carloads in August 2010 ↑ 5.7% over August 2009, ↓ 11.6% from August 2008. Weekly average of 294,862 carloads in August 2010 highest since November 2008. Intermodal in August 2010 ↑ 19.7% over August 2009, ↓ 0.3% from August 2008. Weekly average of 234,643 intermodal trailers and containers in August 2010 highest since October 2008.</p> <p><u>Seasonally Adjusted</u>: Carloads in August 2010 ↓ 1.6% from July 2010; intermodal in August 2010 ↑ 0.6% over July 2010.</p>
Canadian Freight Rail Traffic (p. 4)	<p><u>Not Seasonally Adjusted</u>: Carloads in August 2010 ↑ 17.4% over August 2009, ↓ 6.7% from August 2008. Intermodal in August 2010 ↑ 23.4% over August 2009 and ↑ 0.7% over August 2008.</p> <p><u>Seasonally Adjusted</u>: Carloads in August 2010 ↓ 1.4% from July 2010. Intermodal in August 2010 ↑ 0.6% from July 2010.</p>
Gross Domestic Product (p. 16)	↑ 1.6% in Q2 2010 according to the intermediate preliminary estimate released August 27, down from the initial preliminary estimate of 2.4%.
Purchasing Managers Index (p. 17)	↑ to 56.3 in August 2010 from 55.5 in July 2010. First increase in four months. New orders ↓ to 53.1 in August 2010 from 53.5 in July 2010.
Manufacturing Inventories and Sales (p. 18)	Manufacturing sales ↑ 1.1% , manufacturing inventories ↑ 1.0% , and inventory-to-sales ratio was flat in July 2010 from June 2010.
Industrial Production (p. 19)	↑ 1.0% in July 2010 over June 2010. Higher auto production led the way, though industrial production excluding autos still rose 0.6%.
Capacity Utilization (p. 20)	↑ to 74.8% in July 2010 from 74.1% in June 2010. Has risen for 13 straight months, July 2010 highest level since October 2008.
Employment (p. 21)	↓ 54,000 in August 2010 from July 2010 as 67,000 new private sector jobs not enough to offset loss of 114,000 Census-related govt. jobs.
Unemployment Rate (p. 23)	↑ to 9.6% in August 2010 from 9.5% in July 2010.
Class I Railroad Employment (p. 23)	↑ 1,519 to 153,046 employees in July 2010. Class I Railroads have added more than 7,400 employees in past six months.
Consumer Confidence (p. 24)	↑ to 53.5 in August 2010 from 51.0 in July 2010.
Retail Sales (p. 25)	↑ 0.4% (\$1.5 billion) in July 2010 from June 2010.
Light Vehicle Sales (p. 26)	↓ 0.8% in August 2010 from July 2010 to an annualized 11.4 million.
Housing Starts (p. 27)	↑ 1.7% in July 2010 to 546,000 from 537,000 in June 2010.
Consumer Price Index (p. 28)	↑ 0.3% in July 2010 from June 2010; "core" inflation was ↑ 0.1% .
Exchange Rate Index (p. 28)	↓ 0.8% in August 2010 (<i>i.e.</i> , the dollar got weaker) from July 2010.
Rail Freight Cars in Storage (p. 29)	↓ to 348,712 on September 1, 2010 (22.7% of the fleet) from 359,471 (23.4%) on August 1, 2010.

U.S. AND CANADIAN FREIGHT RAILROAD TRAFFIC

Who releases it and when?

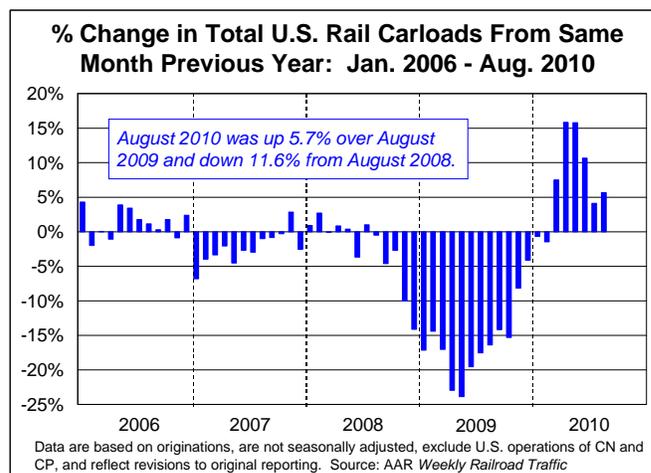
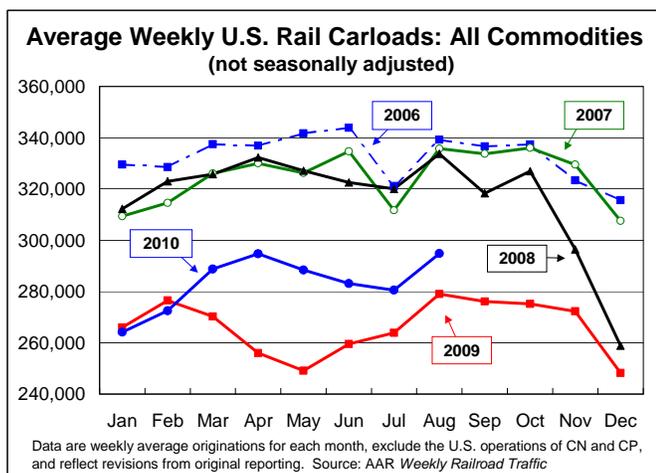
- The Association of American Railroads (AAR) releases its *Weekly Railroad Traffic* report every Thursday morning. The report contains rail traffic data for the previous week. Weekly data are aggregated into monthly figures in *Rail Time Indicators*. When comparing year-over-year rail traffic, comparisons are always made to the period 52 weeks prior to the present period.

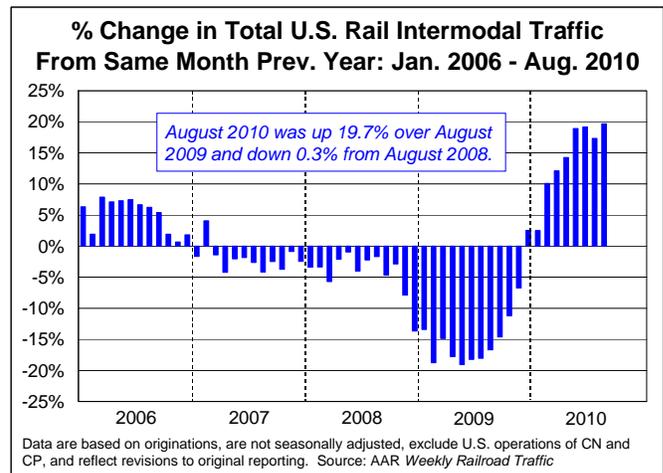
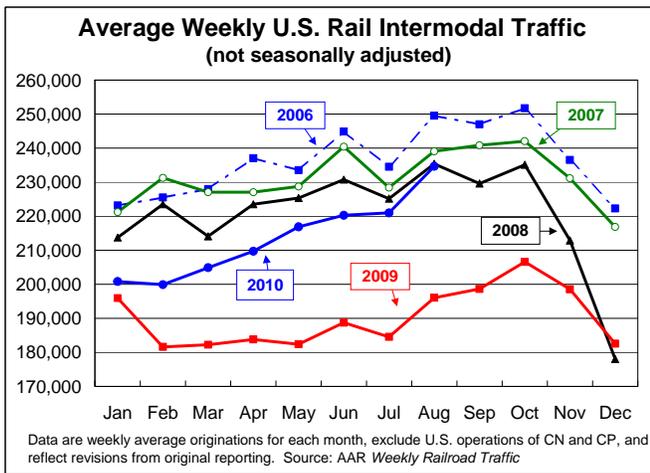
What is it and why is it important?

- The AAR traffic report details rail carloadings by railroad for 19 different major commodity categories, as well as intermodal units (truck trailers and shipping containers). Railroads reporting to the AAR collectively account for around 95% of total U.S. and Canadian freight 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 broader economic activity, especially of the “tangible” economy.

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

- U.S. freight railroads originated 1,179,447 carloads in August 2010, an average of 294,862 carloads per week. That’s **up 5.7% from August 2009** though **down 11.6% from August 2008** on a non-seasonally adjusted basis. It’s also the **highest weekly average for any month since November 2008** and reverses a string of three straight months in which average unadjusted carloads fell in absolute terms.
- The last week of August 2010 saw the highest U.S. rail carload total (302,358) of any week so far in 2010.** (August 2010 is weeks 31-34, so the last week is week 34, ending August 28.) **Two other weeks in August 2010 (weeks 32 and 33) were in the top six for carload traffic among the 34 weeks so far this year.**
- However, **on a seasonally adjusted basis, U.S. rail carloads fell 1.6% in August 2010 from July 2010** (see the top left chart on page 14). As the chart below left shows, on an unadjusted basis rail traffic almost always increases from July to August. In that chart, note the upward slope of the line segment from July 2010 to August 2010. That slope is not as steep as the line segments for the same period in most other years on the graph, or for most prior years not shown on the chart. In a nutshell, that explains why seasonally adjusted rail traffic in August 2010 is down a bit when unadjusted traffic is up. The seasonally adjusted weekly average of 284,703 carloads in August 2010 was slightly higher than the median for the first eight months of 2010.





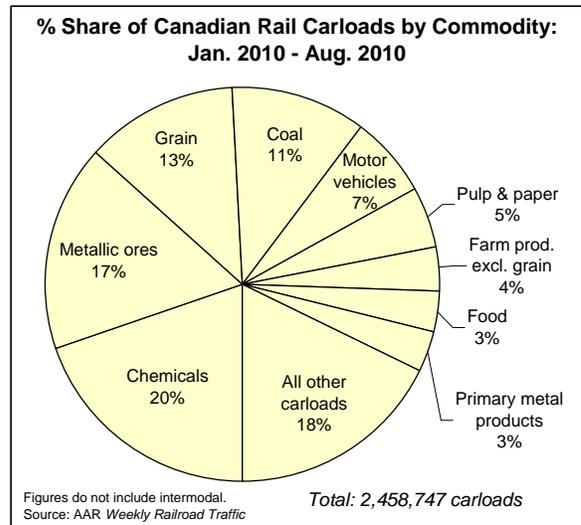
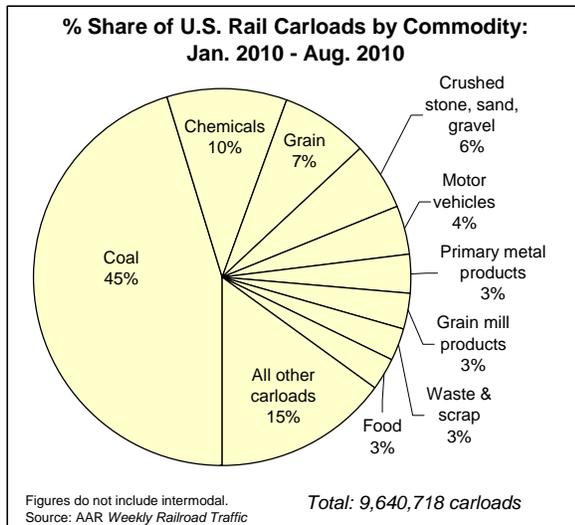
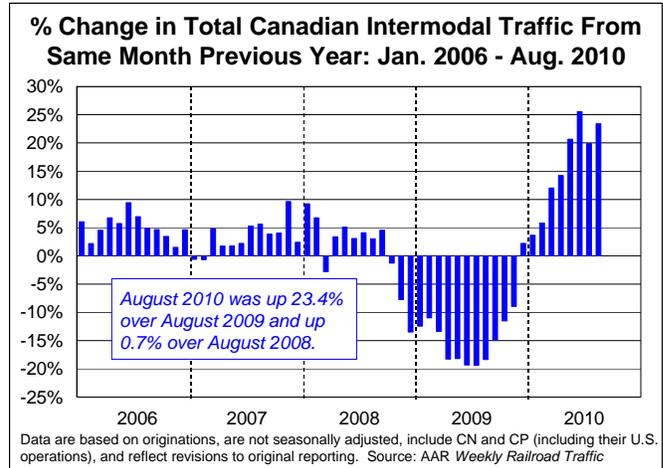
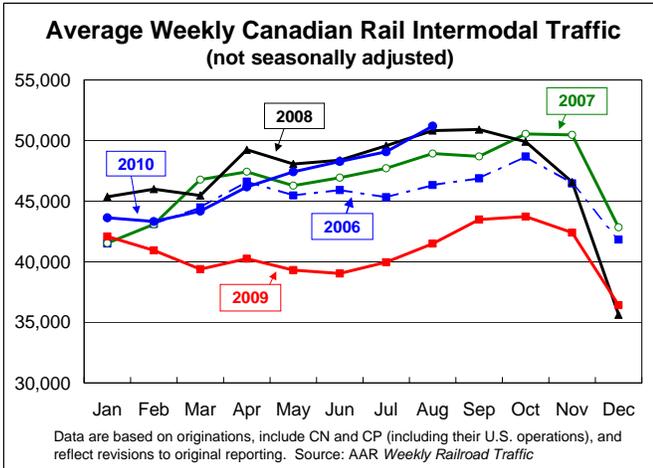
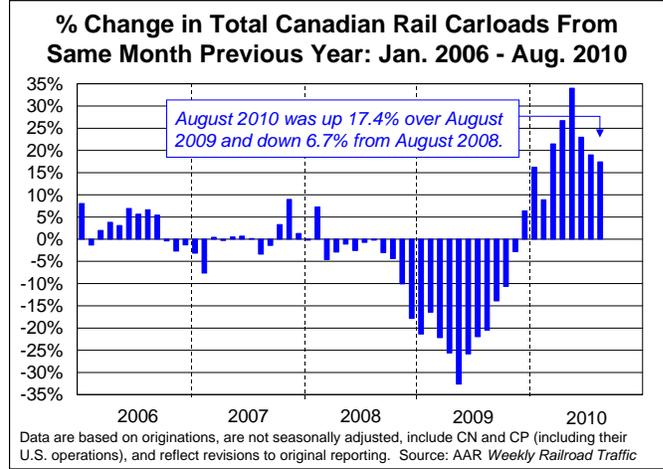
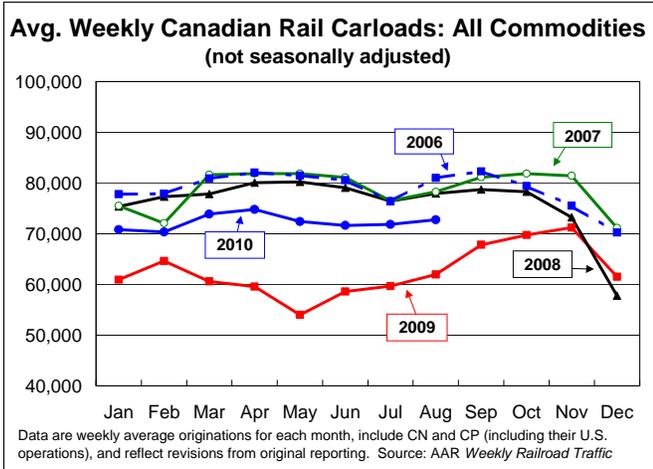
- U.S. railroads originated 938,573 **intermodal trailers and containers** in August 2010, an average of **234,643 per week** on an unadjusted basis (see chart above left). That's the **highest weekly average since October 2008, up 19.7% from August 2009**, and down just 0.3% from August 2008 (see charts above). The last three weeks of August 2010 were the three **highest-volume weeks for U.S. rail intermodal traffic so far in 2010**.
- **On a seasonally adjusted basis, U.S. rail intermodal traffic rose 0.6% in August 2010 over July 2010** (see top right chart on page 14). The seasonally-adjusted weekly average of 223,141 trailers and containers in August 2010 was the **highest since August 2008**.
- On an unadjusted basis, U.S. railroads originated **63,251 more carloads in August 2010 than in August 2009 but 155,328 fewer carloads than in August 2008** (see table on page 5). Commodities with the largest carload gains in August 2010 over August 2009 included metallic ores (up 11,686 carloads, or 60.8%); steel and other primary metal products (up 10,759 carloads, or 40.0%); and crushed stone, gravel, and sand (up 10,390 carloads, or 16.3%). These same three commodity categories saw the highest gains last month as well.
- Coal is the single most important commodity carried by U.S. railroads. In 2010 through August, coal accounted for 45% of non-intermodal U.S. rail carloads. Coal carloads were up 1.1% (5,718 carloads) in August 2010 compared to August 2009 but were down 11.1% (66,906 carloads) compared to August 2008. That's somewhat understandable: August 2008 was the second-highest month ever for U.S. rail coal carloads.
- On an unadjusted basis, **16 of the 19 commodity categories** tracked by the AAR **saw carload gains in August 2010 compared to August 2009**. The tables and charts beginning on page 5 have much more commodity-level detail.
- In 2010 through August, unadjusted total U.S. rail carloads averaged 283,551 per week. After roughly accounting for increases in average rail car capacity, the last year (other than 2009) average weekly total U.S. rail carloads were lower than that was 1993.

What are the latest numbers for Canadian railroads?

- On a non-seasonally adjusted basis, Canadian railroads (which include the extensive U.S. operations of Canadian railroads) originated 290,918 carloads of freight in August 2010, an average of 72,730 carloads per week. That's **up 17.4% over August 2009 and down 6.7% from August 2008** (see top left chart on next page). Canadian railroads originated 43,182 more carloads in August 2010 than in August 2009, but 20,768 fewer carloads than in August 2008.
- Canadian carloads in August 2010 were **higher in 14 of the 19 commodity categories** compared with August 2009. The biggest gains in August 2010 over August 2009 were in metallic ores (up 14,094 carloads, or 41.9%) and chemicals (up 7,915 carloads, or 16.2%). See page 6 for more commodity-level detail for Canadian railroads. Canadian railroads also originated **204,824 intermodal units** in August 2010, an average of 51,206 per week. That's the

highest non-seasonally adjusted weekly average ever for Canadian railroads, up 23.4% over August 2010, and up 0.7% over August 2008.

- On a seasonally adjusted basis, total Canadian rail carloads in August 2010 were down 1.4% from July 2010 but still the second highest since October 2008. Seasonally adjusted Canadian intermodal volumes in August 2010 were up 0.6% from July 2010 and were the highest since September 2008. (See charts on the middle row of page 14.)

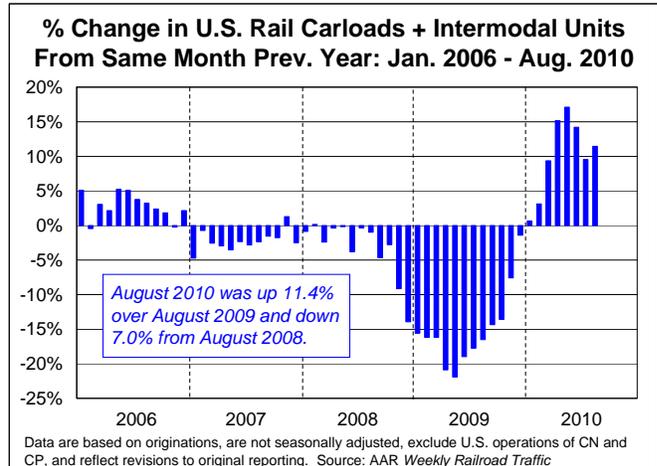
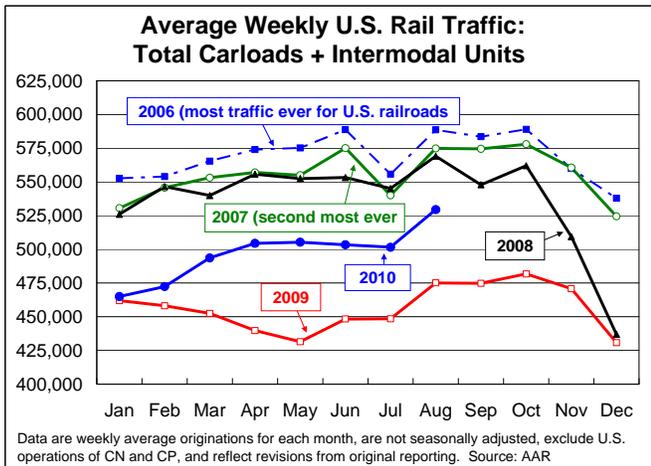


U.S. RAIL TRAFFIC: AUGUST 2010*
(4 weeks ending August 28, 2010)

Commodity	Aug. '10	Aug. '09	Aug. '08	Difference		% Change	
				'10-'09	'10-'08	'10-'09	'10-'08
Agricultural & food products	150,455	143,642	169,502	6,813	-19,047	4.7%	-11.2%
Grain	83,547	79,190	97,968	4,357	-14,421	5.5%	-14.7%
Farm products excl. grain	3,577	2,865	3,178	712	399	24.9%	12.6%
Grain mill products (1)	32,216	30,979	33,687	1,237	-1,471	4.0%	-4.4%
Food products	31,115	30,608	34,669	507	-3,554	1.7%	-10.3%
Chemicals and petroleum	139,886	134,572	150,085	5,314	-10,199	3.9%	-6.8%
Chemicals	116,734	111,872	124,726	4,862	-7,992	4.3%	-6.4%
Petroleum products (2)	23,152	22,700	25,359	452	-2,207	2.0%	-8.7%
Coal	536,693	530,975	603,599	5,718	-66,906	1.1%	-11.1%
Forest products	40,530	38,967	52,963	1,563	-12,433	4.0%	-23.5%
Primary forest products (3)	6,452	6,750	8,919	-298	-2,467	-4.4%	-27.7%
Lumber & wood products	10,209	9,717	14,705	492	-4,496	5.1%	-30.6%
Pulp & paper products	23,869	22,500	29,339	1,369	-5,470	6.1%	-18.6%
Metallic ores and metals	81,995	57,680	99,484	24,315	-17,489	42.2%	-17.6%
Metallic ores (4)	30,914	19,228	33,173	11,686	-2,259	60.8%	-6.8%
Coke	13,433	11,563	15,757	1,870	-2,324	16.2%	-14.7%
Primary metal products (5)	37,648	26,889	50,554	10,759	-12,906	40.0%	-25.5%
Motor vehicles & parts	51,175	44,286	55,132	6,889	-3,957	15.6%	-7.2%
Nonmetallic minerals & prod.	126,258	114,828	137,648	11,430	-11,390	10.0%	-8.3%
Crushed stone, gravel, sand	74,296	63,906	76,923	10,390	-2,627	16.3%	-3.4%
Nonmetallic minerals (6)	22,019	22,137	24,138	-118	-2,119	-0.5%	-8.8%
Stone, clay & glass prod. (7)	29,943	28,785	36,587	1,158	-6,644	4.0%	-18.2%
Other	52,455	51,246	66,362	1,209	-13,907	2.4%	-21.0%
Waste & scrap materials (8)	31,718	33,084	43,654	-1,366	-11,936	-4.1%	-27.3%
All other carloads	20,737	18,162	22,708	2,575	-1,971	14.2%	-8.7%
TOTAL ALL CARLOADS	1,179,447	1,116,196	1,334,775	63,251	-155,328	5.7%	-11.6%
Trailers	137,230	122,484	198,822	14,746	-61,592	12.0%	-31.0%
Containers	801,343	661,778	742,678	139,565	58,665	21.1%	7.9%
TOTAL ALL INTERMODAL	938,573	784,262	941,500	154,311	-2,927	19.7%	-0.3%

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

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

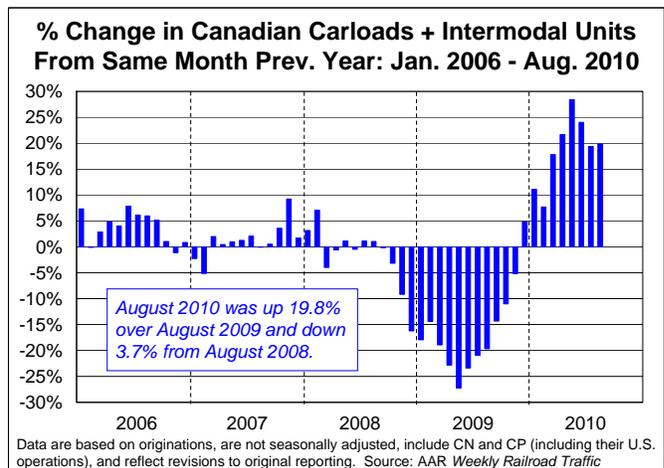
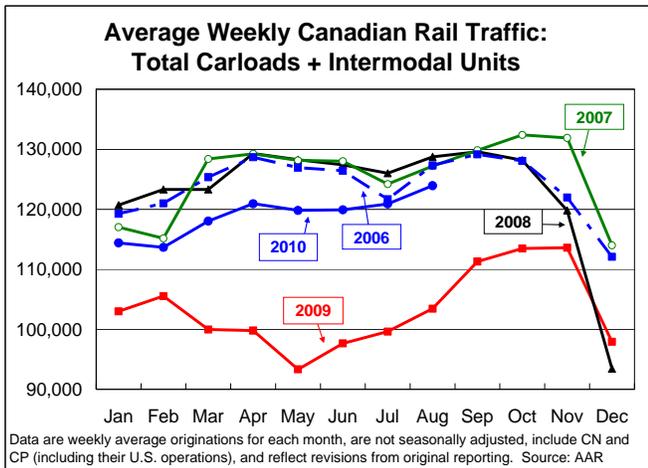


CANADIAN RAIL TRAFFIC: AUGUST 2010*
(4 weeks ending August 28, 2010)

Commodity	Aug. '10	Aug. '09	Aug. '08	Difference		% Change	
				'10-'09	'10-'08	'10-'09	'10-'08
Agricultural & food products	61,296	56,766	55,387	4,530	5,909	8.0%	10.7%
Grain	35,309	36,265	32,070	-956	3,239	-2.6%	10.1%
Farm products excl. grain	10,636	6,468	8,718	4,168	1,918	64.4%	22.0%
Grain mill products (1)	5,780	5,687	6,309	93	-529	1.6%	-8.4%
Food products	9,571	8,346	8,290	1,225	1,281	14.7%	15.5%
Chemicals and petroleum	59,663	51,692	58,328	7,971	1,335	15.4%	2.3%
Chemicals	56,807	48,892	55,400	7,915	1,407	16.2%	2.5%
Petroleum products (2)	2,856	2,800	2,928	56	-72	2.0%	-2.5%
Coal	33,584	28,403	35,128	5,181	-1,544	18.2%	-4.4%
Forest products	28,566	28,039	35,533	527	-6,967	1.9%	-19.6%
Primary forest products (3)	5,716	5,899	7,200	-183	-1,484	-3.1%	-20.6%
Lumber & wood products	8,083	8,142	10,273	-59	-2,190	-0.7%	-21.3%
Pulp & paper products	14,767	13,998	18,060	769	-3,293	5.5%	-18.2%
Metallic ores and metals	59,807	41,205	69,230	18,602	-9,423	45.1%	-13.6%
Metallic ores (4)	47,748	33,654	56,239	14,094	-8,491	41.9%	-15.1%
Coke	2,980	2,023	1,922	957	1,058	47.3%	55.0%
Primary metal products (5)	9,079	5,528	11,069	3,551	-1,990	64.2%	-18.0%
Motor vehicles & parts	19,545	15,454	22,640	4,091	-3,095	26.5%	-13.7%
Nonmetallic minerals & prod.	20,554	18,175	25,190	2,379	-4,636	13.1%	-18.4%
Crushed stone, gravel, sand	11,149	8,344	11,830	2,805	-681	33.6%	-5.8%
Nonmetallic minerals (6)	4,129	4,108	6,262	21	-2,133	0.5%	-34.1%
Stone, clay & glass prod. (7)	5,276	5,723	7,098	-447	-1,822	-7.8%	-25.7%
Other	7,903	8,002	10,250	-99	-2,347	-1.2%	-22.9%
Waste & scrap materials (8)	4,743	4,553	6,906	190	-2,163	4.2%	-31.3%
All other carloads	3,160	3,449	3,344	-289	-184	-8.4%	-5.5%
TOTAL ALL CARLOADS	290,918	247,736	311,686	43,182	-20,768	17.4%	-6.7%
Trailers	6,379	6,590	8,395	-211	-2,016	-3.2%	-24.0%
Containers	198,445	159,409	194,936	39,036	3,509	24.5%	1.8%
TOTAL ALL INTERMODAL	204,824	165,999	203,331	38,825	1,493	23.4%	0.7%

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

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



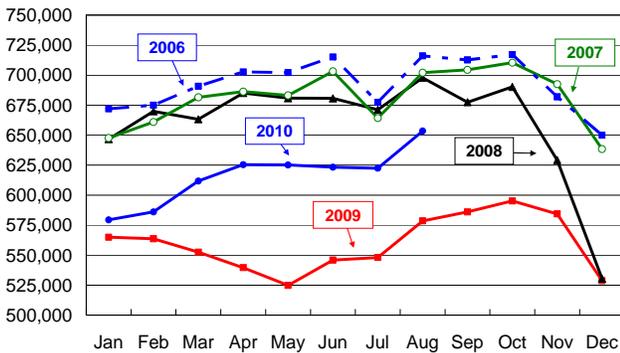
COMBINED U.S. AND CANADIAN RAIL TRAFFIC: AUGUST 2010*
(4 weeks ending August 28, 2010)

Commodity	Aug. '10	Aug. '09	Aug. '08	Difference		% Change	
				'10-'09	'10-'08	'10-'09	'10-'08
Agricultural & food products	211,751	200,408	224,889	11,343	-13,138	5.7%	-5.8%
Grain	118,856	115,455	130,038	3,401	-11,182	2.9%	-8.6%
Farm products excl. grain	14,213	9,333	11,896	4,880	2,317	52.3%	19.5%
Grain mill products (1)	37,996	36,666	39,996	1,330	-2,000	3.6%	-5.0%
Food products	40,686	38,954	42,959	1,732	-2,273	4.4%	-5.3%
Chemicals and petroleum	199,549	186,264	208,413	13,285	-8,864	7.1%	-4.3%
Chemicals	173,541	160,764	180,126	12,777	-6,585	7.9%	-3.7%
Petroleum products (2)	26,008	25,500	28,287	508	-2,279	2.0%	-8.1%
Coal	570,277	559,378	638,727	10,899	-68,450	1.9%	-10.7%
Forest products	69,096	67,006	88,496	2,090	-19,400	3.1%	-21.9%
Primary forest products (3)	12,168	12,649	16,119	-481	-3,951	-3.8%	-24.5%
Lumber & wood products	18,292	17,859	24,978	433	-6,686	2.4%	-26.8%
Pulp & paper products	38,636	36,498	47,399	2,138	-8,763	5.9%	-18.5%
Metallic ores and metals	141,802	98,885	168,714	42,917	-26,912	43.4%	-16.0%
Metallic ores (4)	78,662	52,882	89,412	25,780	-10,750	48.8%	-12.0%
Coke	16,413	13,586	17,679	2,827	-1,266	20.8%	-7.2%
Primary metal products (5)	46,727	32,417	61,623	14,310	-14,896	44.1%	-24.2%
Motor vehicles & parts	70,720	59,740	77,772	10,980	-7,052	18.4%	-9.1%
Nonmetallic minerals & prod.	146,812	133,003	162,838	13,809	-16,026	10.4%	-9.8%
Crushed stone, gravel, sand	85,445	72,250	88,753	13,195	-3,308	18.3%	-3.7%
Nonmetallic minerals (6)	26,148	26,245	30,400	-97	-4,252	-0.4%	-14.0%
Stone, clay & glass prod. (7)	35,219	34,508	43,685	711	-8,466	2.1%	-19.4%
Other	60,358	59,248	76,612	1,110	-16,254	1.9%	-21.2%
Waste & scrap materials (8)	36,461	37,637	50,560	-1,176	-14,099	-3.1%	-27.9%
All other carloads	23,897	21,611	26,052	2,286	-2,155	10.6%	-8.3%
TOTAL ALL CARLOADS	1,470,365	1,363,932	1,646,461	106,433	-176,096	7.8%	-10.7%
Trailers	143,609	129,074	207,217	14,535	-63,608	11.3%	-30.7%
Containers	999,788	821,187	937,614	178,601	62,174	21.7%	6.6%
TOTAL ALL INTERMODAL	1,143,397	950,261	1,144,831	193,136	-1,434	20.3%	-0.1%

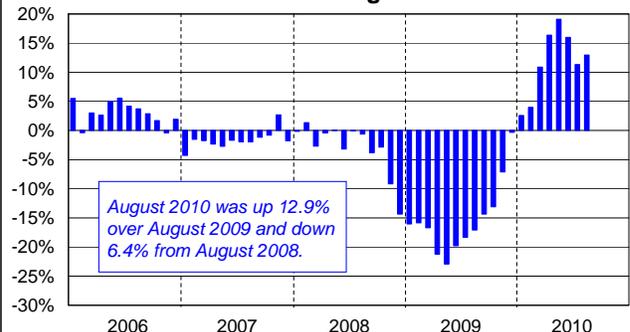
- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - primarily iron & steel products; some aluminum, copper, etc.
 (2) - liquefied gases, asphalt, fuel oil, lubricating oil, jet fuel, etc. (6) - phosphate rock, rock salt, crude sulphur, clay, etc.
 (3) - wood raw materials such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

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

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

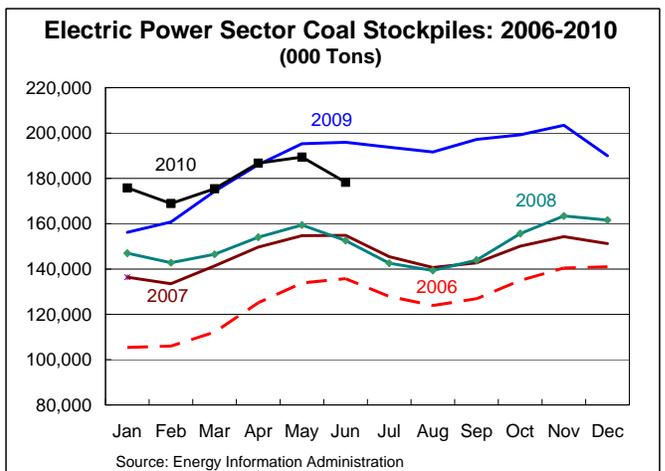
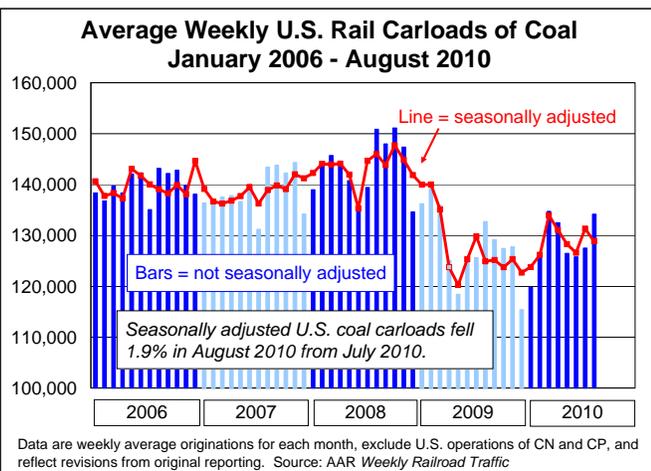
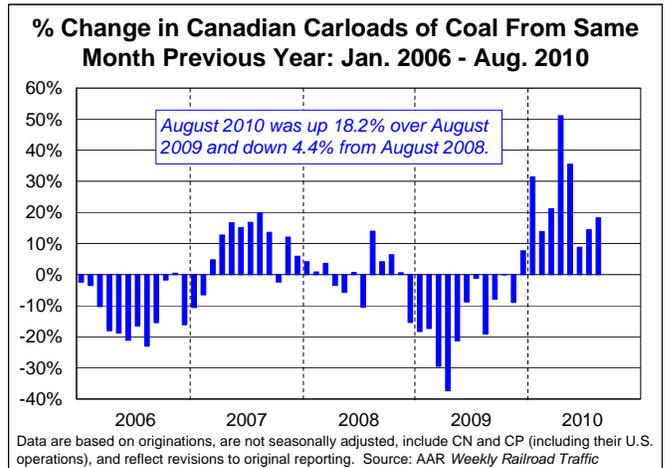
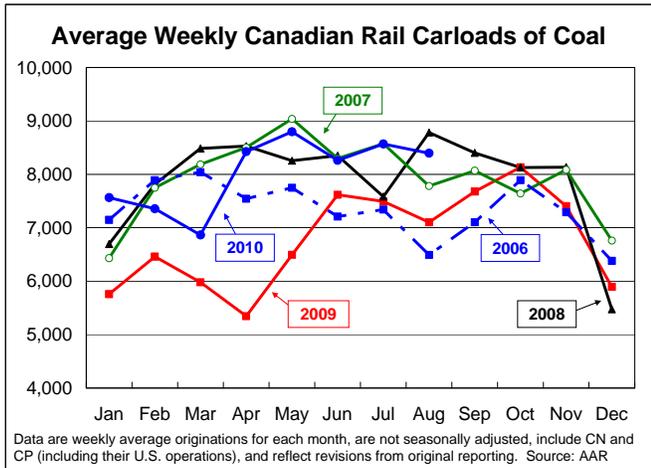
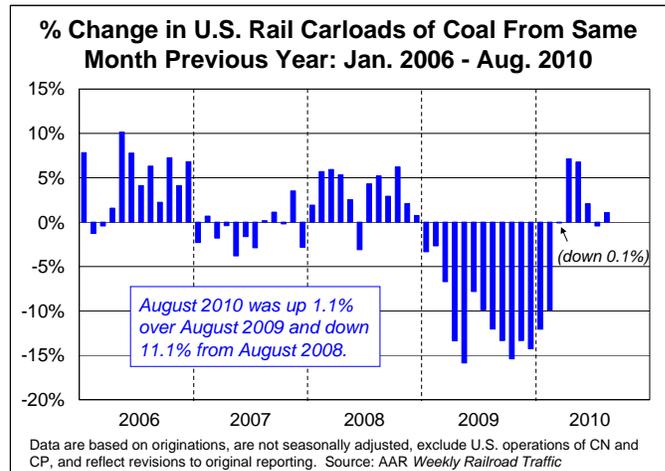
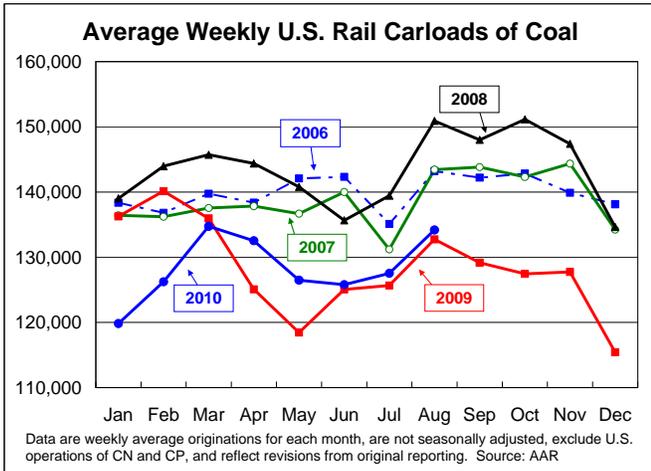


**% Change in Combined U.S. + Canadian Rail Carloads
+ Intermodal Units From Same Month Prev. Year:
Jan. 2006 - Aug. 2010**



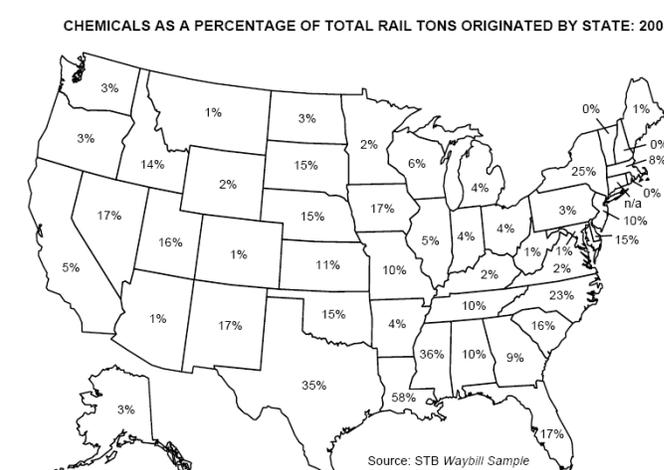
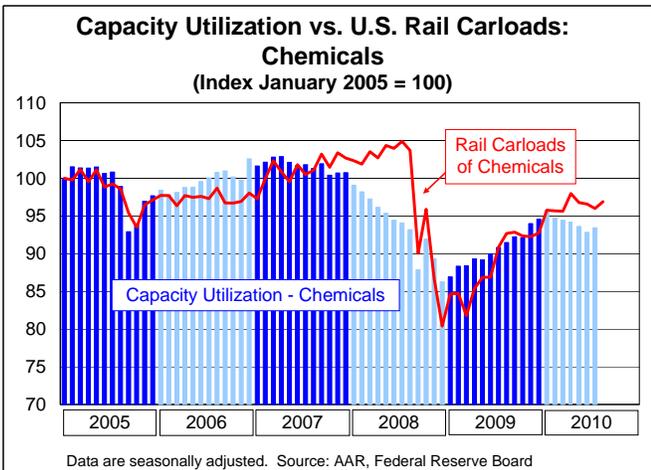
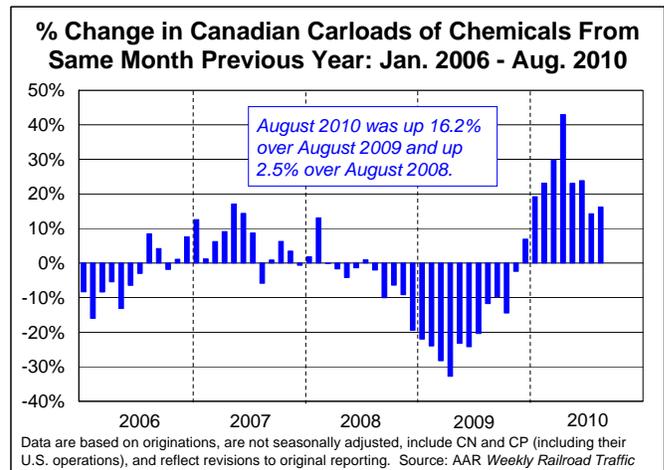
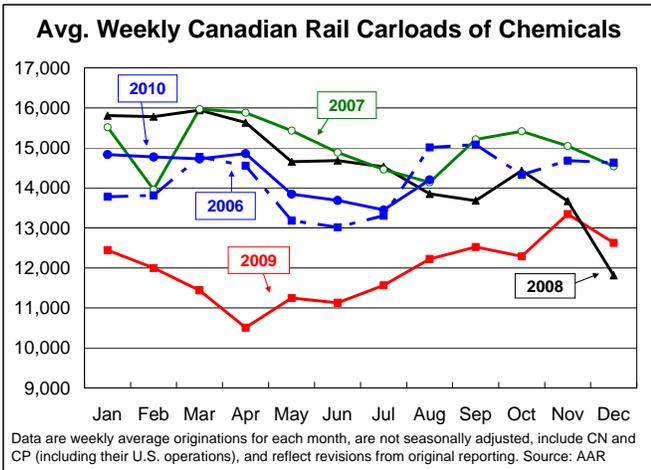
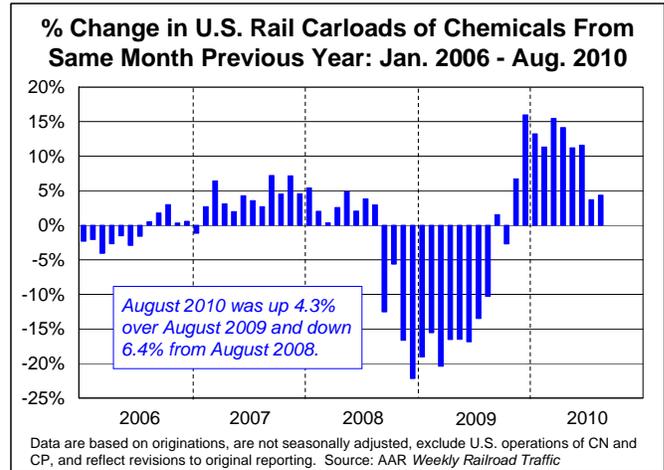
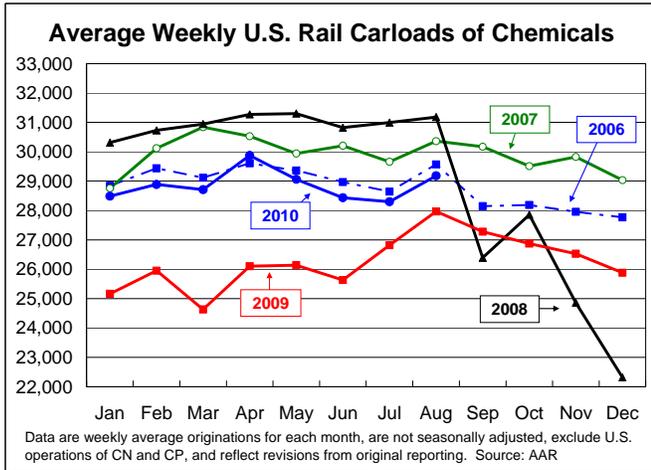
COAL

On a non-seasonally adjusted basis, U.S. railroads averaged 134,173 carloads of coal per week in August 2010, **up 1.1% over August 2009 though down 11.1% from August 2008**. (August 2008 was the second highest month ever for U.S. rail coal carloads, largely due to surging coal exports at that time.) On a seasonally adjusted basis, U.S. coal carloads were down 1.9% in August 2010 from July 2010. The chart on the bottom right shows that based on the most recent Department of Energy data, coal stockpiles at power plants are still much higher than they were at the same time in most of the previous few years.



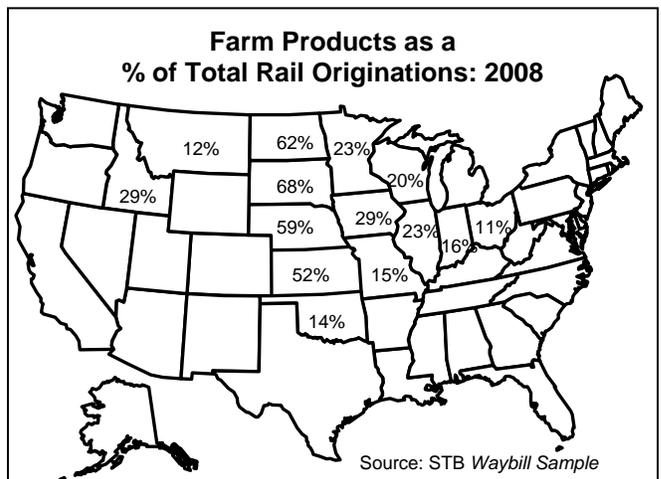
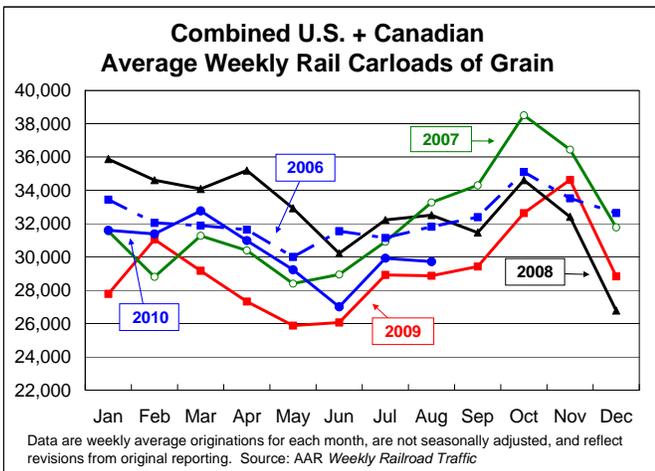
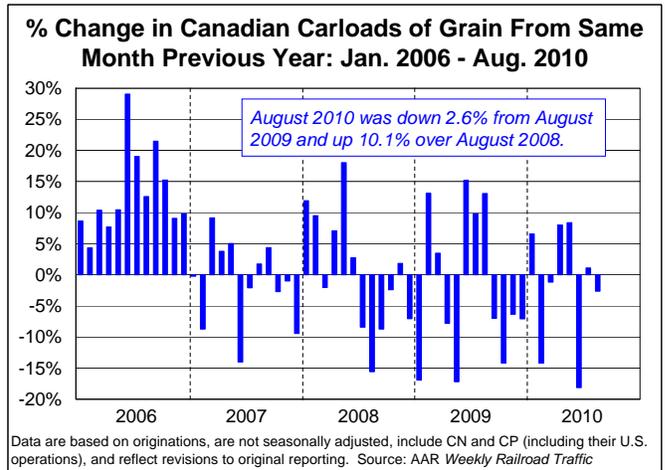
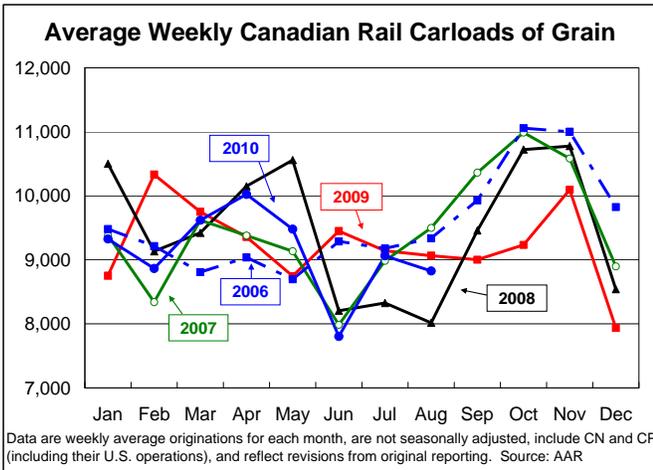
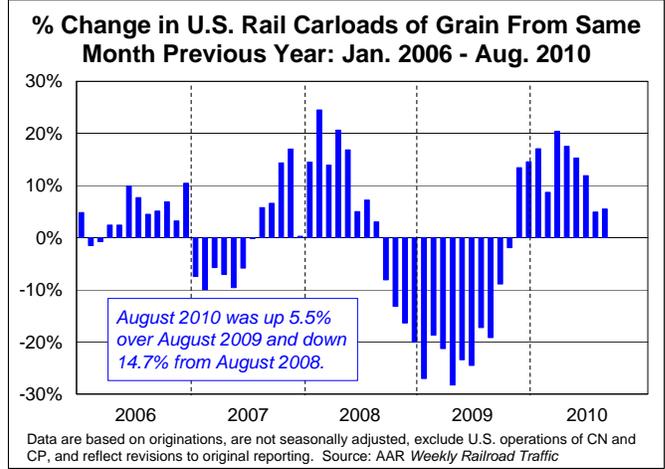
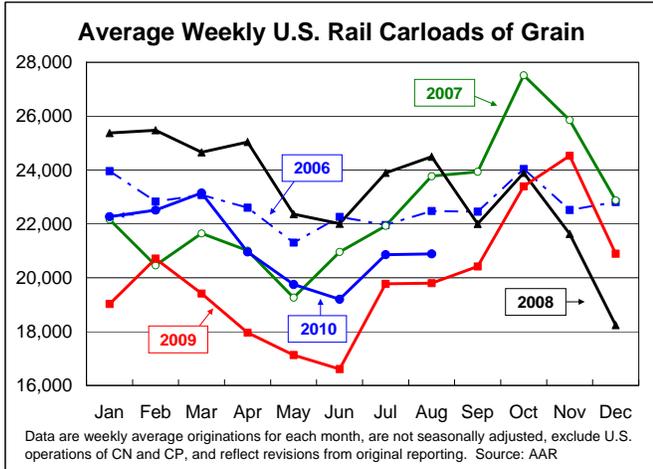
CHEMICALS

U.S. railroads originated 116,734 carloads of chemicals in August 2010, an average of 29,184 per week — the highest weekly average since April 2010 and up 4.3% over August 2009 (see top right chart below). As the pie chart on page 4 shows, chemicals accounted for 10% of non-intermodal U.S. rail carloads in the first eight months of 2010, second only to coal. For Canadian railroads, chemicals occupies the top slot at 20% of originated carloads in 2010 through August.

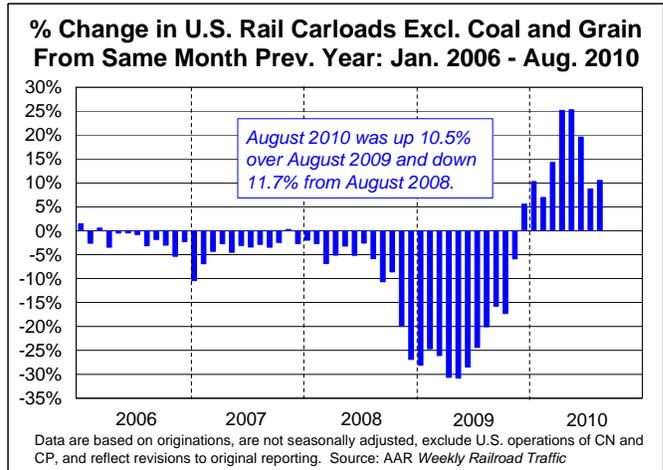
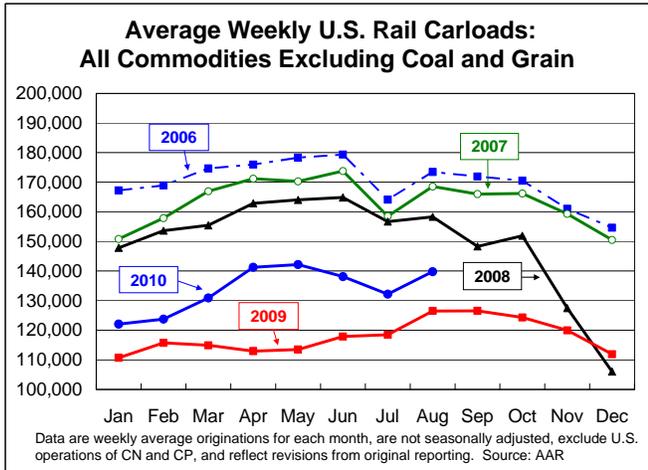


GRAIN

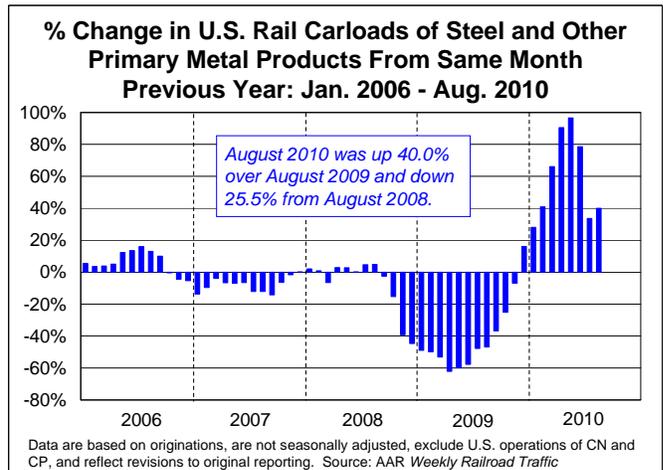
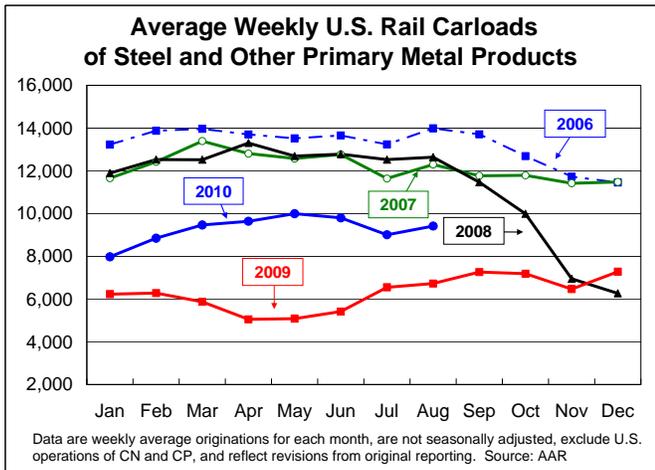
U.S. railroads originated 83,547 carloads of grain in August 2010, an average of 20,887 carloads per week. That's about the same as July 2010 (see chart top left chart below) but 5.5% higher than August 2009. In major grain-producing states, grain accounts for a major share of rail traffic. For example, the category "farm products" (nearly all of which is grain) accounted for 68% of South Dakota's rail tons originated in 2008, 59% of Nebraska's, and 29% of Iowa's (see map below right).



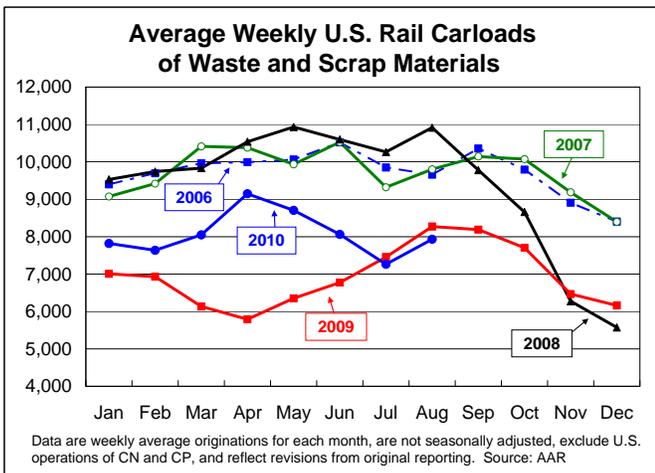
ALL COMMODITIES EXCLUDING COAL AND GRAIN



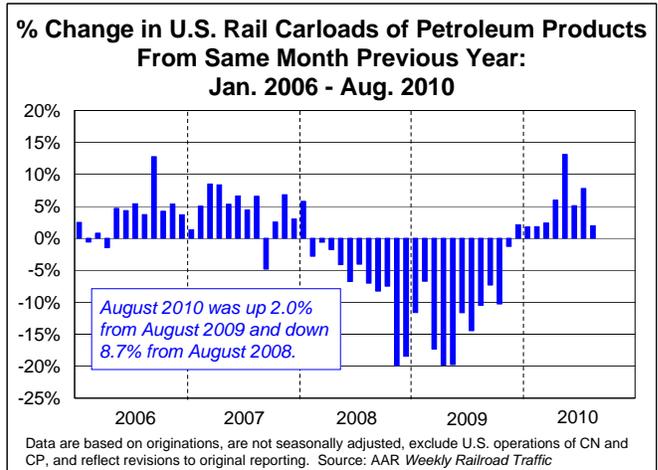
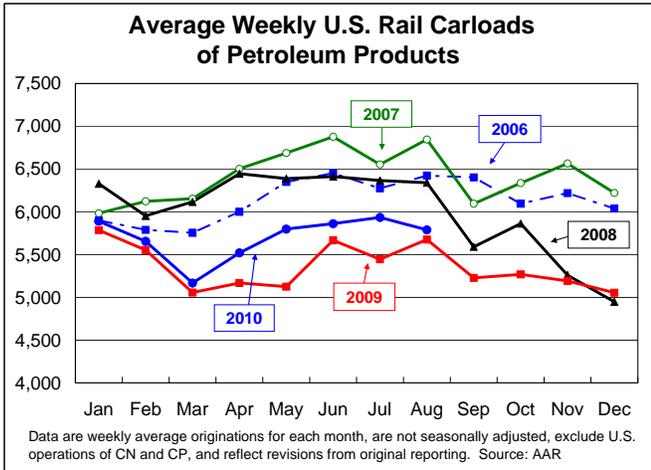
PRIMARY METAL PRODUCTS (MAINLY STEEL)



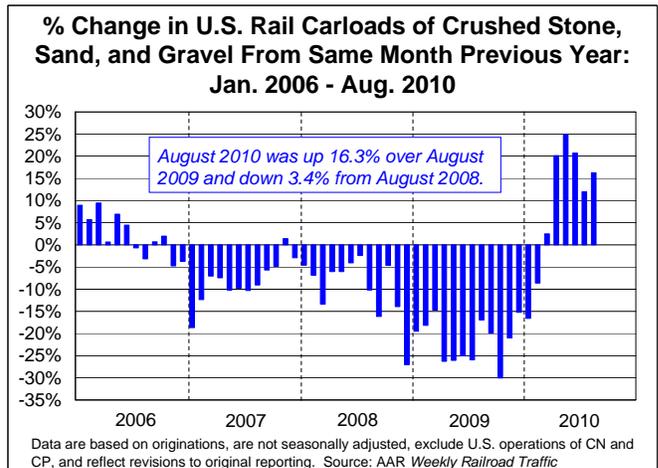
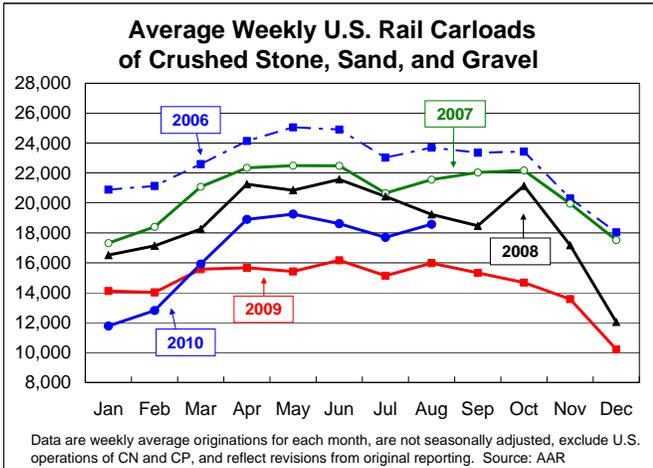
WASTE & SCRAP MATERIALS (SCRAP STEEL, SCRAP PAPER, CONSTRUCTION DEBRIS, ETC.)



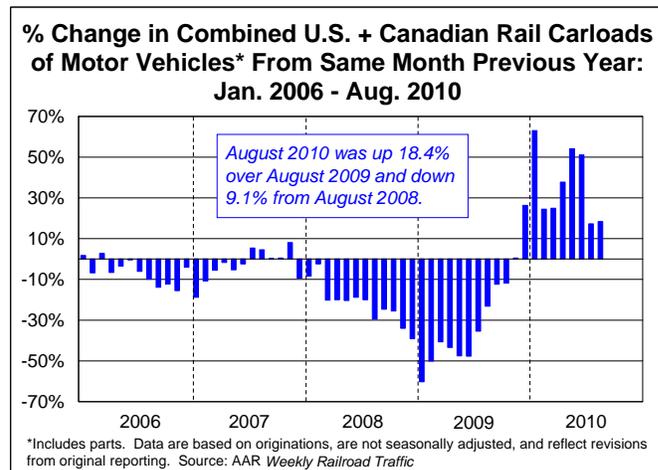
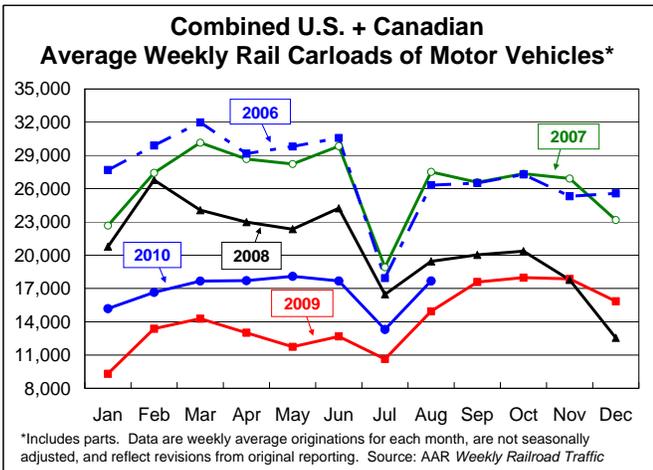
PETROLEUM PRODUCTS (LPGs, ASPHALT PRODUCTS, FUEL OIL, LUBRICATING OIL, ETC.)



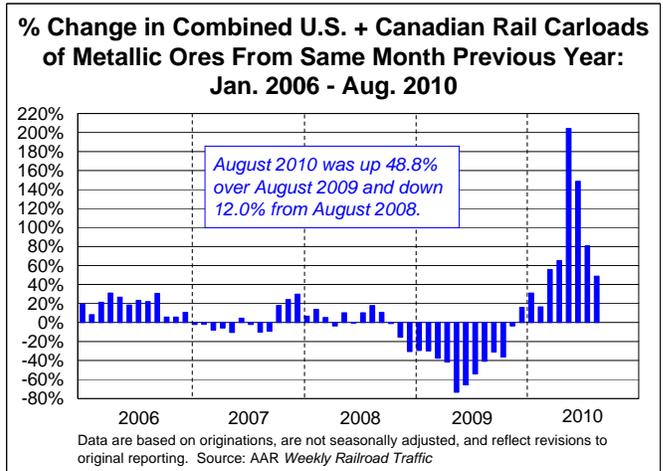
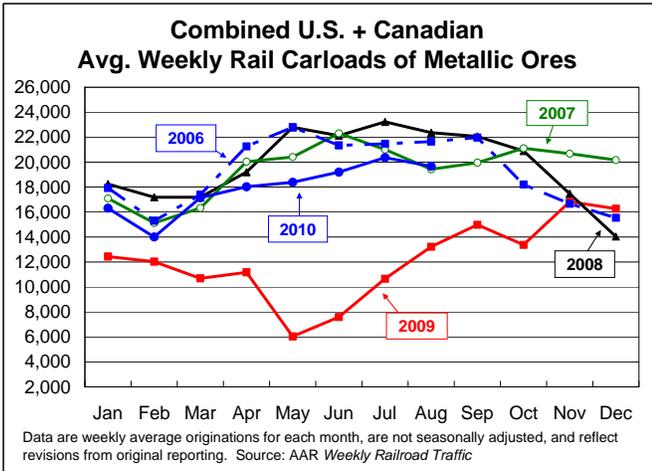
CRUSHED STONE, SAND, AND GRAVEL



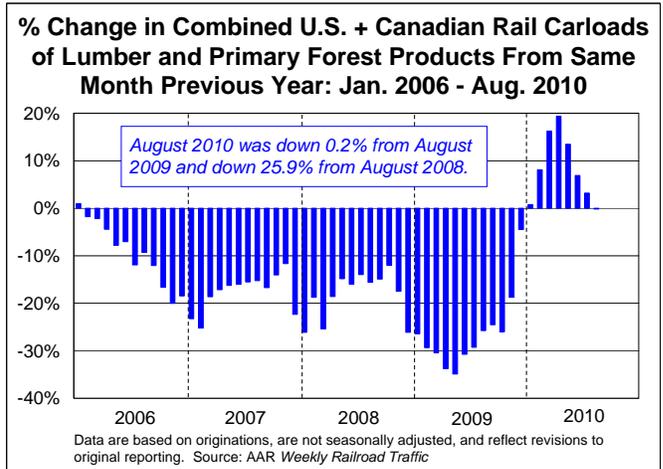
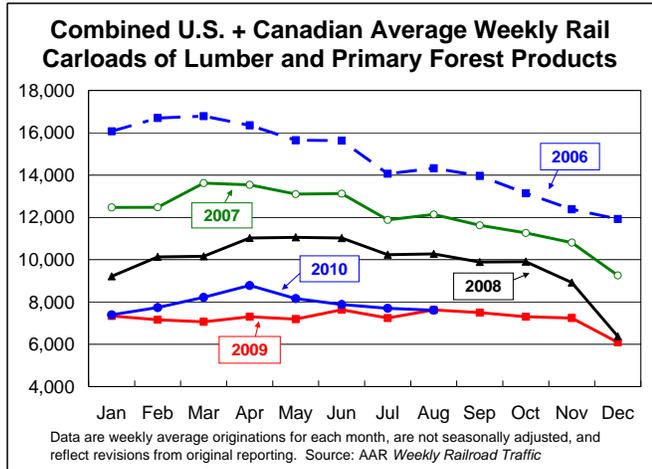
MOTOR VEHICLES AND PARTS



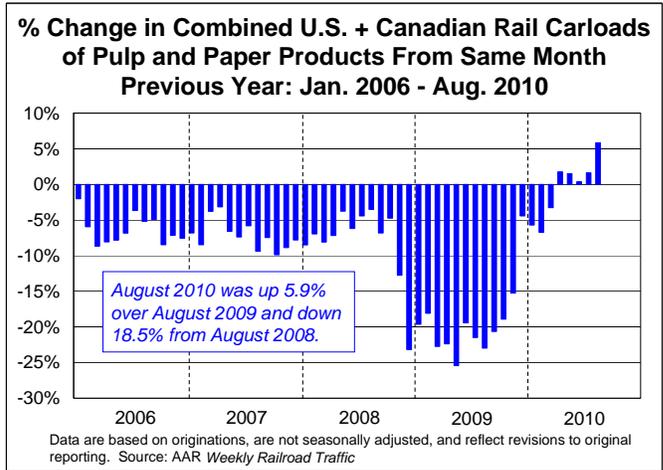
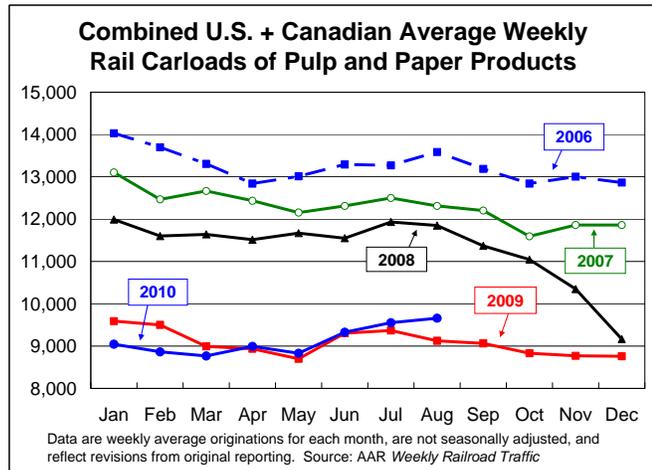
METALLIC ORES (OVERWHELMINGLY IRON ORE)



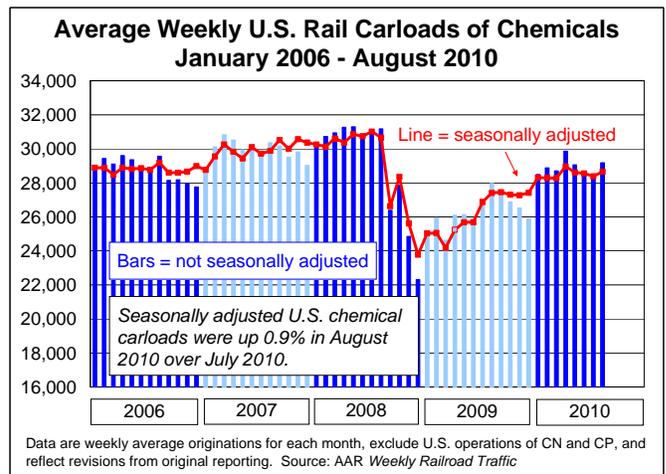
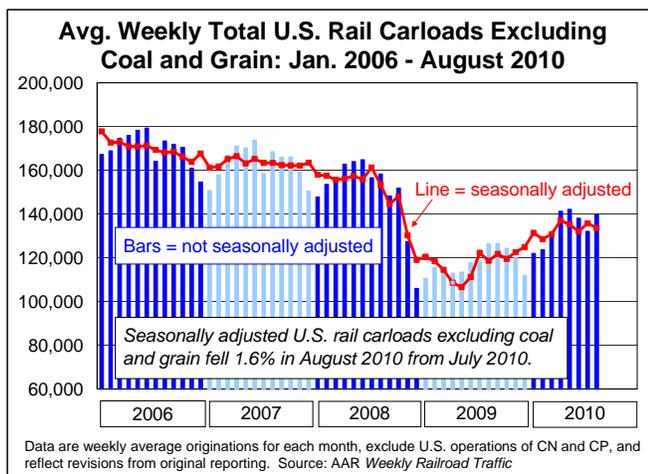
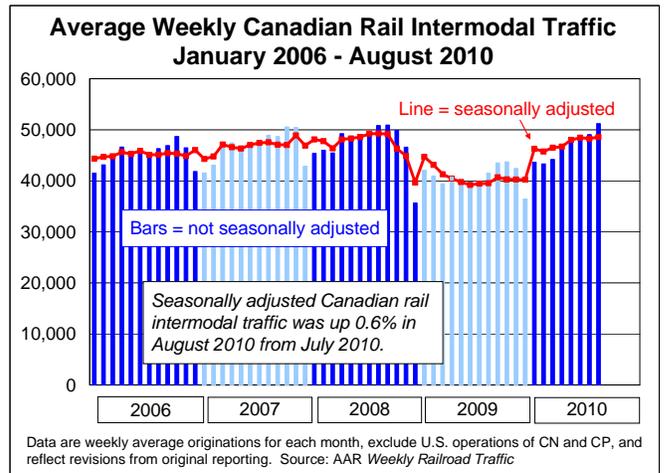
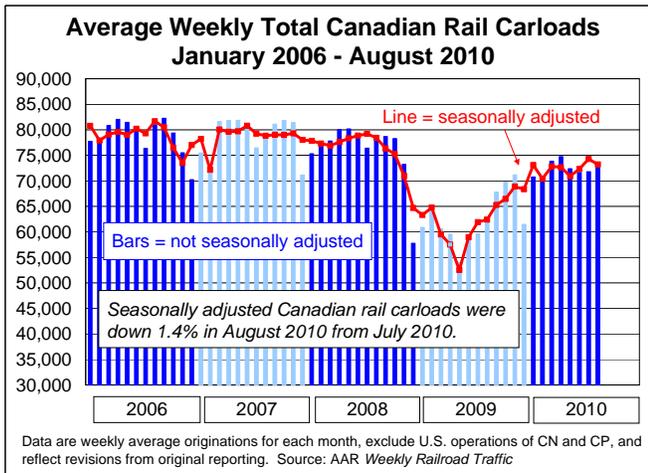
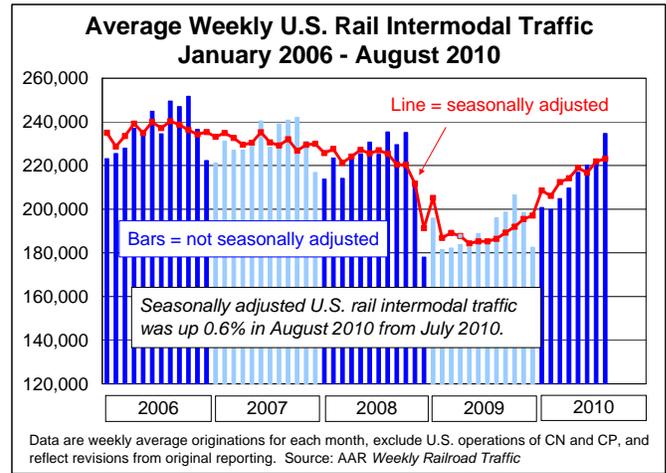
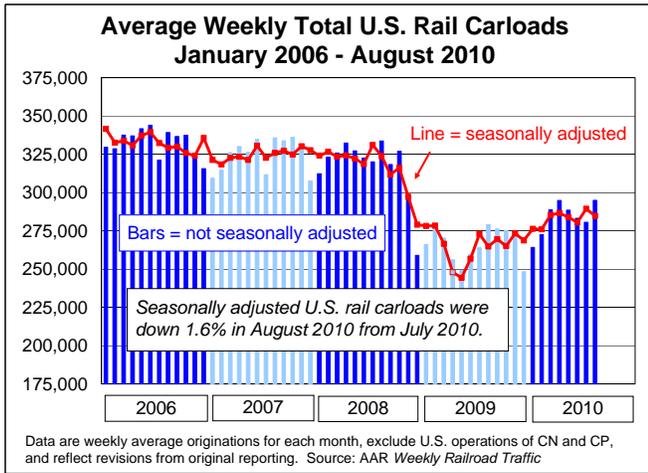
LUMBER AND WOOD PRODUCTS + PRIMARY FOREST PRODUCTS



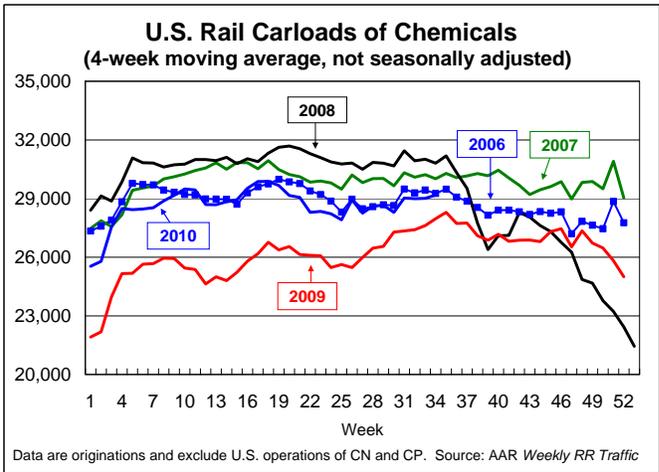
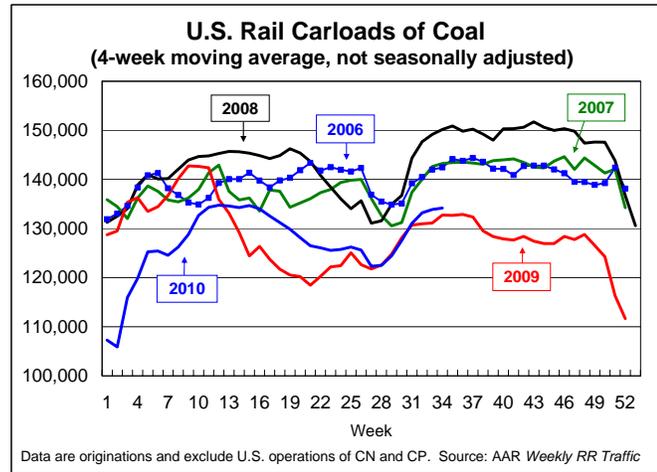
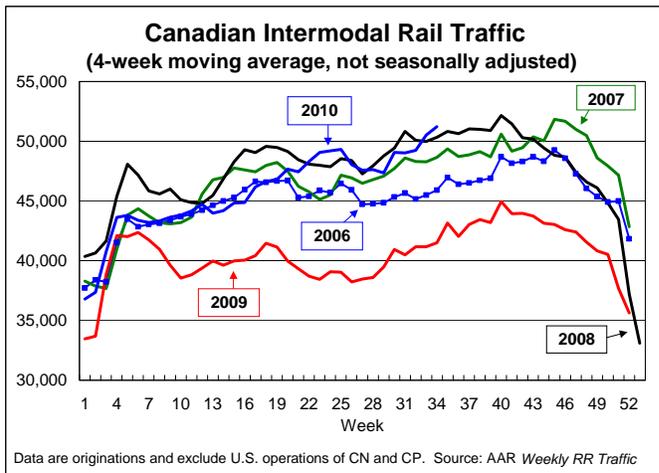
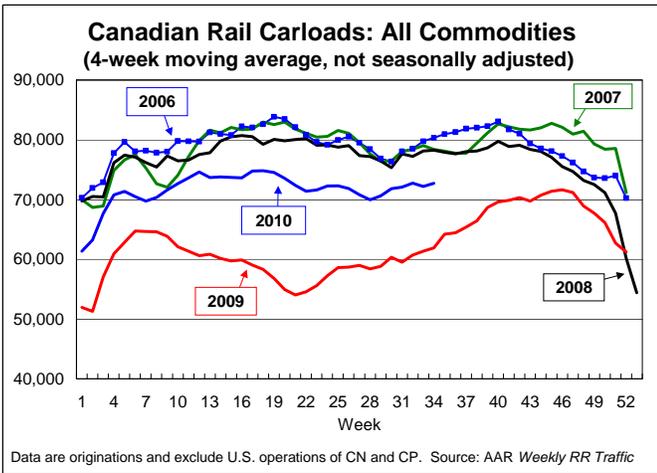
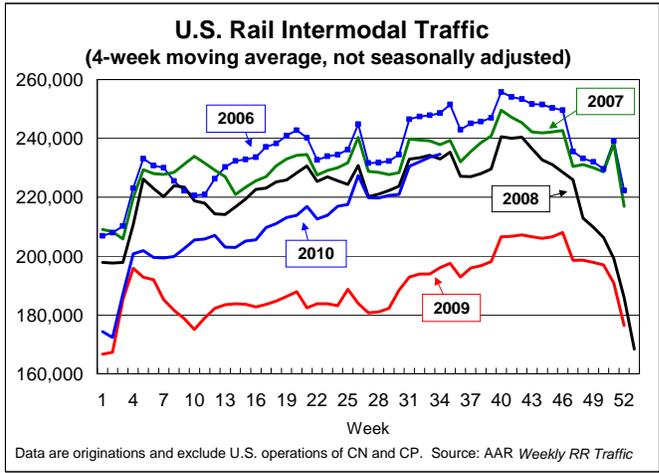
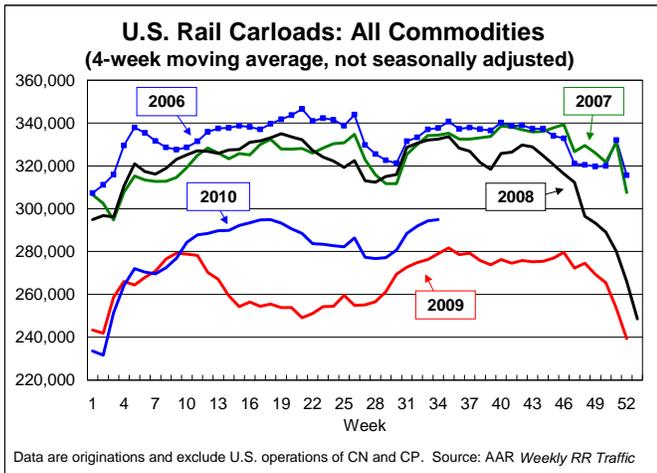
PULP AND PAPER PRODUCTS



SEASONALLY ADJUSTED RAIL TRAFFIC



4-WEEK MOVING AVERAGES



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?

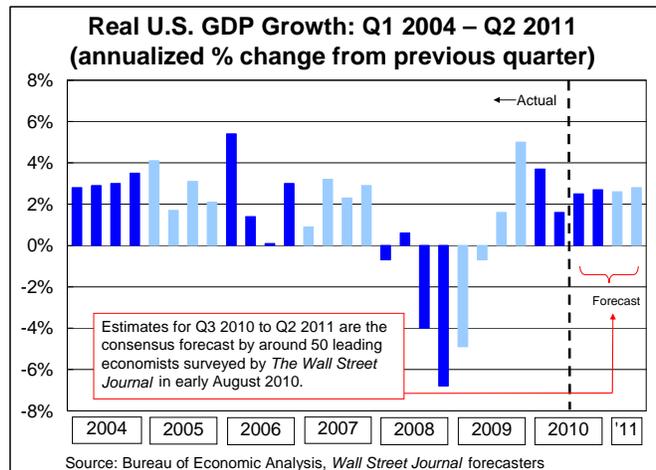
- U.S. Bureau of Economic Analysis (BEA), measured quarterly and revised several times as better data become available.

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.
- The GDP figure that gets all the press is the annualized percentage change in inflation-adjusted GDP from one quarter to the next — *i.e.*, take the percentage change in real GDP from one quarter to the next and multiply by four.
- In the United States, GDP and freight rail traffic have historically been closely correlated.

What are the latest numbers?

- According to the BEA's intermediate estimate released August 27, **U.S. GDP grew at an annualized rate of 1.6% in Q2 2010, revised down from the BEA's initial estimate of 2.4%**. A downward revision of this magnitude may have been unwelcome, but it was widely expected.
- According to the BEA, the downward revision primarily reflected an upward revision to imports (imports are a subtraction in the calculation of GDP), a downward revision to private inventory investment, and a downward revision to exports.¹



- Each month, *The Wall Street Journal* surveys around 50 leading economists. In the most recent survey, released August 13, the panel was more pessimistic than it had been about the strength of the U.S. recovery. According to the *WSJ*, "On average, [the economists] still don't see the unemployment rate dropping below 9% through at least June 2011. ... When asked about the biggest risk facing the economy, "too few jobs, too little wage income and too little consumer spending" was the most popular choice." In aggregate, the *WSJ* panel lowered its estimate for economic growth for the second half of 2010 and 2011 to less than 3% (see chart above).

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 second estimate of Q2 2010 GDP on September 30. Click [here](#) for more on the latest *WSJ* survey of economists.

¹ $GDP = C + I + G + (X-M)$ where C = private consumption, including most personal expenditures of households (e.g., food, rent, washing machines, medical expenses, etc.); I = investments by business or households in capital (e.g., housing, machine tools, locomotives); G = government spending; and (X-M) = exports minus imports. That's why a trade deficit (when the "M" is greater than the "X") results in a lowering of GDP. In percentage terms, C = approximately 70% of GDP; I = approximately 14% of GDP; and G = approximately 20% of GDP. In Q2 2010, GDP was an annualized \$14.6 trillion.

PURCHASING MANAGERS INDEX (PMI)

Who releases it and when?

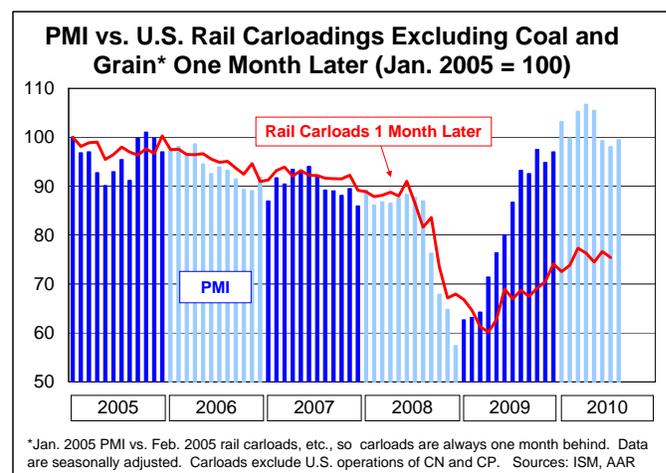
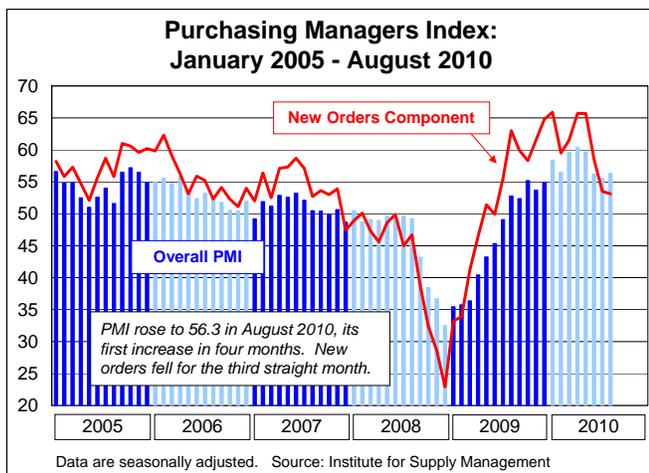
- Institute for Supply Management (ISM – formerly the National Association of Purchasing Managers), near the beginning of each month.

What is it and why is it important?

- The PMI combines data on new orders, inventory, production, supplier deliveries, and employment. It is 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. And, of course, much of what railroads haul consists of raw materials for manufacturing or finished manufactured goods.
- According to the ISM, a **PMI > 50 indicates that overall manufacturing is expanding**; a PMI < 50 indicates that manufacturing is contracting. Also according to the ISM, a **PMI greater than 41.2**, over time, generally indicates an **expansion of the overall economy**.

What are the latest numbers?

- **PMI rose to 56.3 in August 2010 from 55.5 the month before, its first increase in four months** and the 13th consecutive month of growth in U.S. manufacturing, according to ISM. The **new orders** component of PMI **fell to 53.1 in August 2010, its fourth straight month without an increase and its lowest level since June 2009**. It was 53.5 in July 2010.
- 11 of the 18 manufacturing industries followed by the ISM reported growth in August, up from 10 in July. Eight reported growth in new orders in August, the same as in July.



- The ISM said that, based on past relationships between the PMI and the overall economy, the average PMI for the first eight months of 2010 (57.8) corresponds to a 5.3% increase in real GDP, and that the PMI for August (56.3) corresponds to a 4.8% increase in real GDP. Given that other economic indicators aren’t as optimistic as the PMI seems to be, this might be a good time to remember that past relationships don’t always guarantee future relationships.

Where to go for more information:

- The press release and much more information regarding the August PMI are [here](#). The September PMI will be released on October 1, 2010.

MANUFACTURING INVENTORIES AND SALES

Who releases it and when?

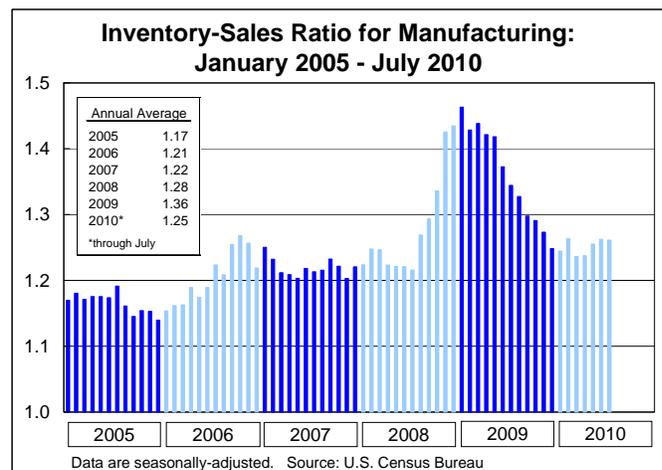
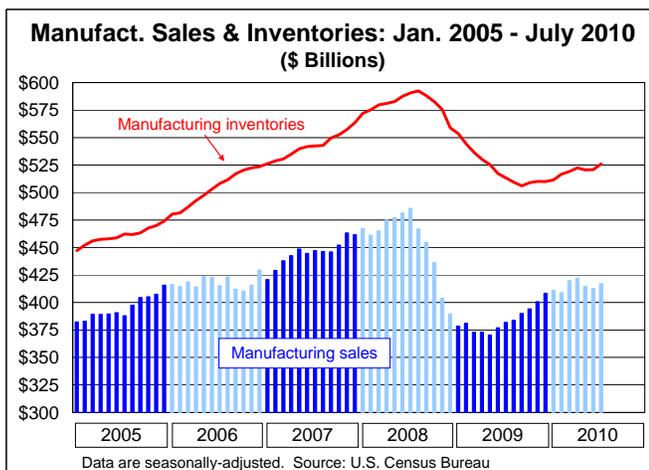
- The U.S. Census Bureau, near the beginning of each month, covering the month two months prior. (E.g., the report released in early August has data covering June.)

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?

- As shown in the chart below left, in July 2010 **manufacturing sales rose 1.1%** (the biggest increase in four months) and **inventories rose 1.0%** (the biggest increase in five months). The resulting **inventory-sales ratio for manufacturing barely moved for the month** (see chart below right). It's still higher than it generally was prior to mid-2008, but it has remained more or less stable for eight months or so, perhaps indicating that firms have their inventories pretty much where they want them to be.



Where to go for more information:

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

INDUSTRIAL PRODUCTION

Who releases it and when?

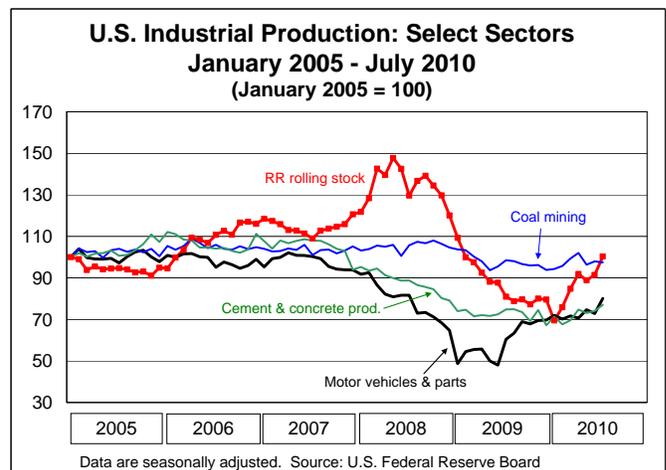
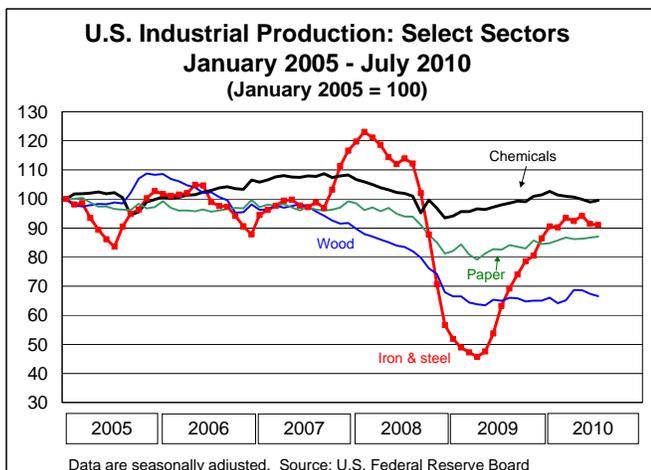
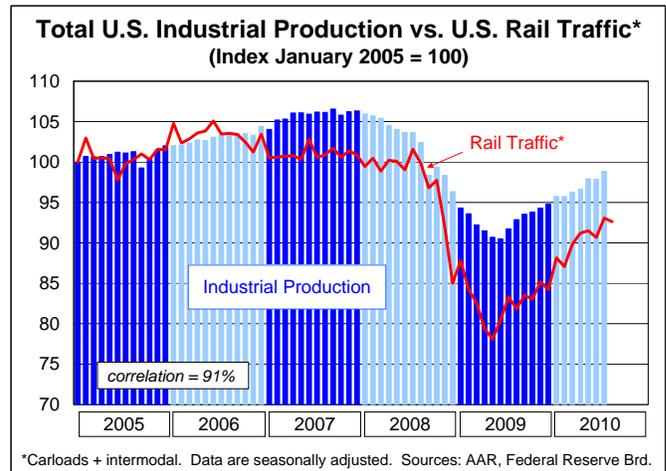
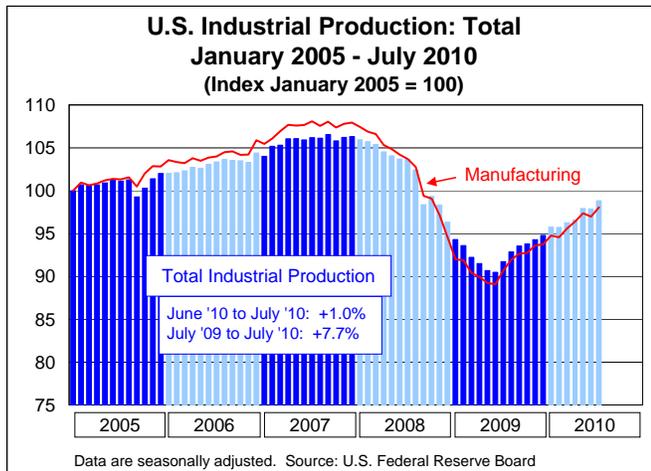
- The U.S. Federal Reserve Board, around the middle of each month.

What is it and why is it important?

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

What are the latest numbers?

- Total **industrial production rose 1.0% in July 2010** from June 2010. Industrial production has risen in 11 of the past 13 months and remains the bright spot for the economy.
- **Manufacturing** — by far the biggest component of industrial production — **rose 1.1% in July 2010** over June 2010, equal to its biggest increase in nearly a year.
- **A 9.9% increase in motor vehicle & parts output** (due in part to the fact that some car factories that normally close in July for retooling and maintenance stayed open) was the biggest factor behind July's increase, but other sectors saw increases too — e.g., chemicals (up 0.6% for the month); paper (0.5%); mining (0.9%); and cement & concrete (up 0.4%), among others. Industrial production excluding motor vehicles was up 0.6% in July 2010 over June 2010.



Where to go for more information:

- The Federal Reserve release on industrial production in July is [here](#). August 2010 data will be released on September 15, 2010.

CAPACITY UTILIZATION

Who releases it and when?

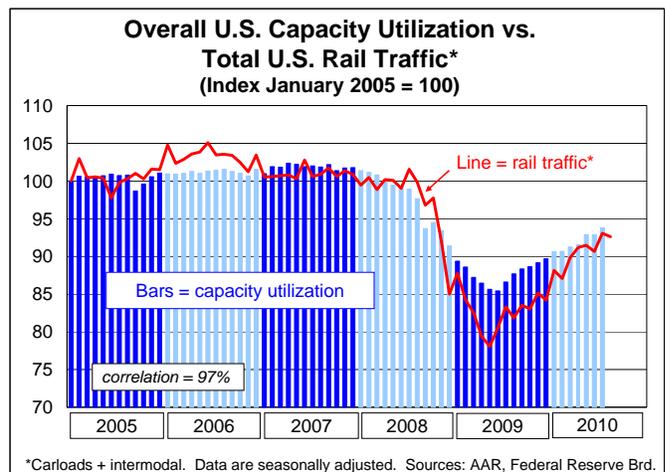
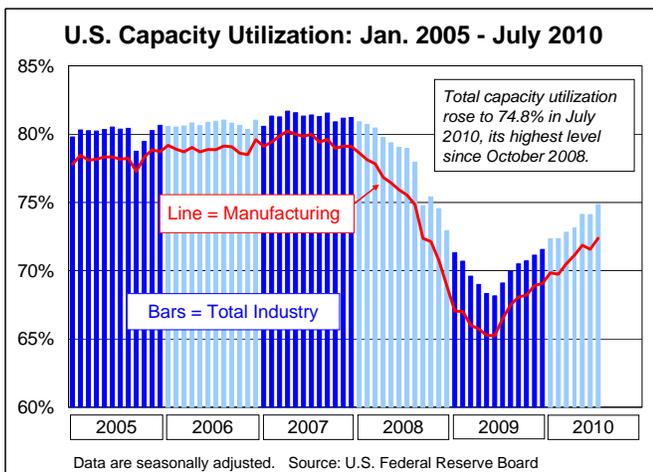
- The U.S. Federal Reserve Board, around the middle of each month.

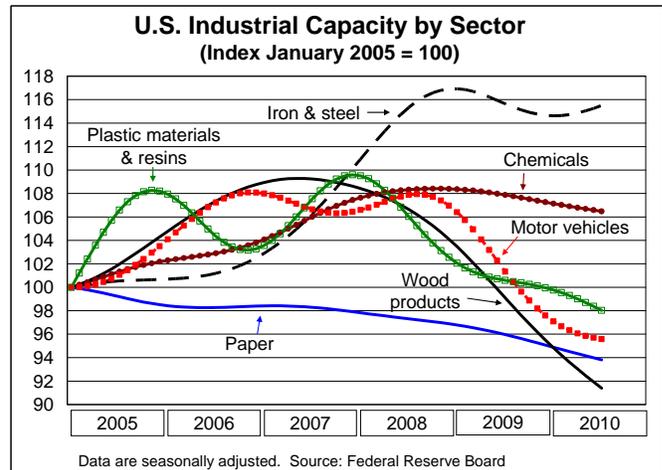
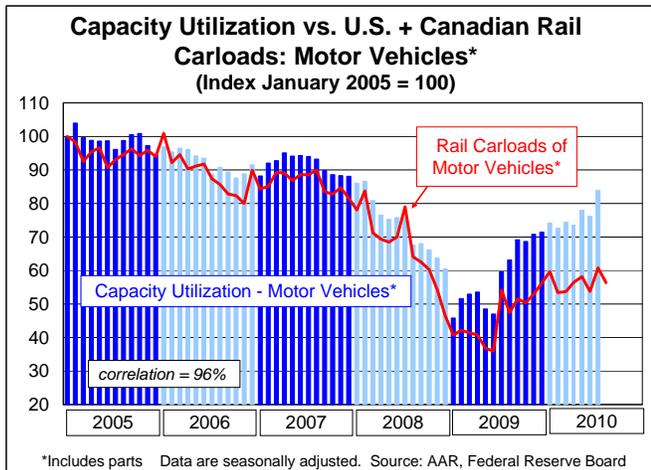
What is it and why is it important?

- 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. The Fed's data cover manufacturing, mining, and electric and gas utilities. Industry breakouts are also available.
- 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.
- Firms in every industry (including railroads) walk a tightrope when it comes to capacity. If they take too long to bring back idled capacity or build new capacity, they risk shortages and lost sales. Or, they could face higher costs in other areas (e.g., higher overtime costs). On the other hand, adding capacity that ends up not being used adds costs with no offsetting returns.

What are the latest numbers?

- **Capacity utilization for total industry** (mining, manufacturing, and gas and electric utilities) **rose to 74.8% in July 2010 from 74.1% in June 2010**. That's the highest it's been since October 2008 and the 13th straight monthly increase. July 2010's 74.8% compares with July 2009's 69.1% and July 2008's 79.0%
- **Capacity utilization for manufacturing rose to 72.4% in July 2010** from 71.6% in June 2010, reaching its highest level since September 2008 and matching its biggest month-to-month rise since August 2009. It was 66.5% in July 2009. As was the case with industrial production, the relatively large increase in capacity utilization in July was due mainly to motor vehicles. Capacity utilization for motor vehicles and parts in July 2010 rose to 65.5% from 59.5% the month before. Other industries played a role too: capacity utilization for manufacturing excluding high tech industries and autos rose from 72.2% in June 2010 to 72.6% in July 2010.





- As we noted in May 2010's *Rail Time Indicators*, an industry's productive capacity changes over time as new capacity is added (generally when times are good) or is removed (when times aren't so good). The most marginal capacity — the least productive, the most expensive to operate, etc. — will usually be removed first. For most industries, capacity has fallen since the recession began, according to Federal Reserve Board data. The chart above right provides some examples. Theoretically, if we ever see a strong recovery, some of these industries could actually experience shortages until additional capacity is added.

Where to go for more information:

- The Federal Reserve release on capacity utilization in July is [here](#). August 2010 data will be released on September 15, 2010.

NUMBER OF EMPLOYED PERSONS AND UNEMPLOYMENT RATE

Who releases it and when?

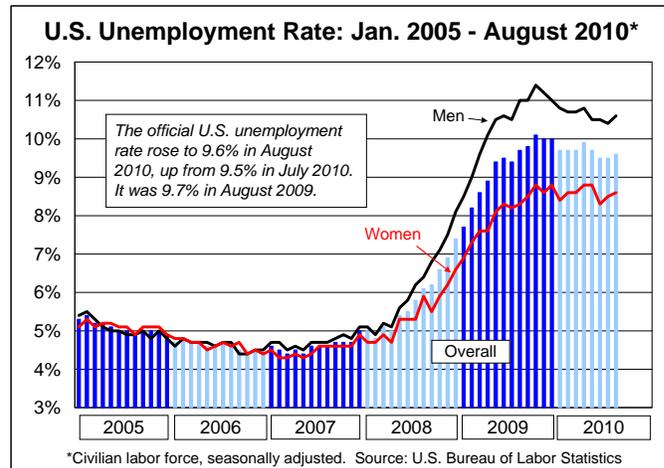
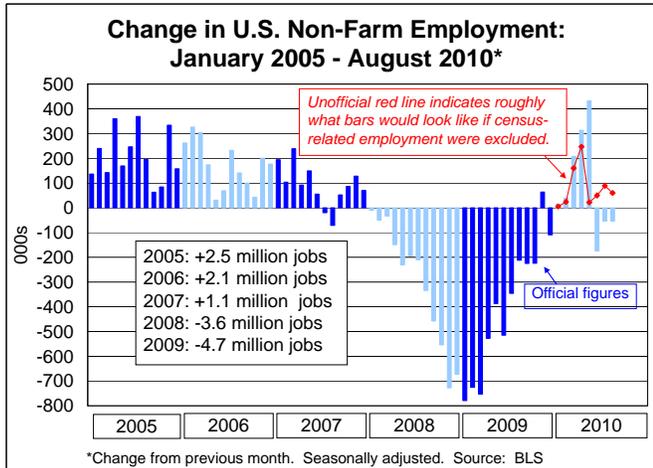
- U.S. Bureau of Labor Statistics (BLS) near the beginning of each month.

What is it and why is it important?

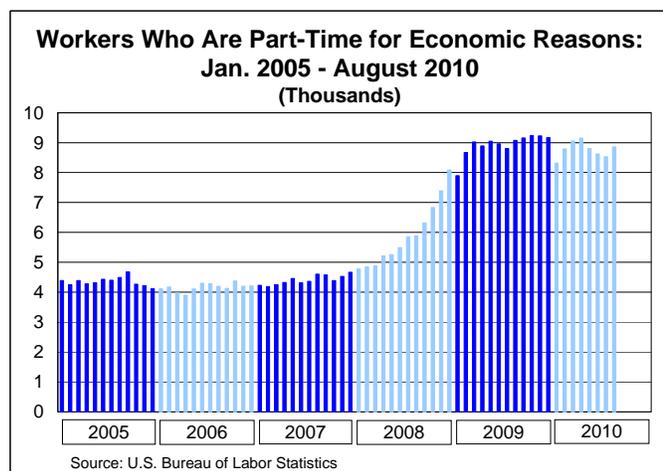
- The figures provide a snapshot of the strength of the U.S. labor market and are based on surveys of tens of thousands of households and businesses. In the United States, **a gain of 150,000 or more jobs** from one month to the next is **generally considered solid job growth**. Historically, 125,000-150,000 has also been approximately what's necessary to keep up with the growth in the labor force from one month to the next. Revisions from one month to the next can be large.
- 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 permanent hires. In the meantime, they might rely on more hours for working existing workers or on temporary workers. 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?

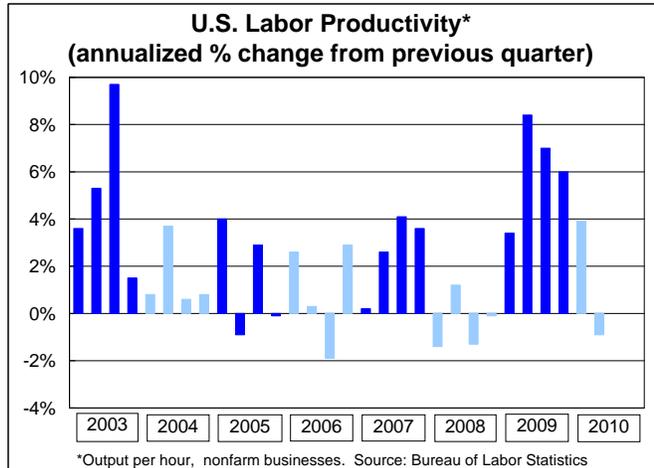
- Total net U.S. **non-farm employment fell by 54,000 in August 2010**. That's the same net job loss as in July 2010 and the third straight monthly decline. (In last month's release, BLS pegged July's job loss at 131,000 but revised that to 54,000 with the release of the August data. August's figure is subject to potentially large revisions next month.)
- The unemployment rate rose to 9.6% in August 2010** from 9.5% the month before.



- As has been the case for many months, the bottom-line jobs number is misleading because of census-related employment. In August, for example, 114,000 temporary census workers completed their work and were counted as job losses. The chart above left shows the official non-farm employment figures from BLS as well as unofficial figures that show roughly what the chart would look like without the census effect. Without the census, both job gains earlier in the year and job losses in more recent months would have been moderated.
- In August 2010, the private sector gained 67,000 jobs, down from a revised 107,000 gain in July 2010.** Private sector jobs have increased for eight straight months, but August's modest gains are still far too low to signal a sustained, solid expansion. And what we said in last month's *Rail Time Indicators* still holds: it's not high enough to cause unconfident consumers (see page 24) to change their outlook.
- Manufacturing lost a net 27,000 jobs in August, the first decline in eight months. Construction gained 19,000 jobs, the first increase in four months. Health care gained 28,000 jobs in August. It's been years since there's been a month-over-month decline in health care jobs.
- Other information from the August employment report:
 - ✓ 550,000 people rejoined the labor force, helping push up the unemployment rate.
 - ✓ The number of long-term unemployed (27 weeks or more) fell to 6.25 million (42% of total unemployed) from 6.57 million (45%) in July.
 - ✓ The number of temporary workers rose again after a slight decline in July. Employers often hire temps before hiring permanent employees, so an increase in temporary employment could be a sign that employers anticipate higher payrolls. Or, it could be a sign that employers just want to maintain greater staffing flexibility, since temporary workers are usually easier to shed.
 - ✓ The number of workers who are part-time for economic reasons rose to 8.9 million from 8.5 in July (see chart at right).



- BLS also recently reported that **U.S. labor productivity** (% change in annualized output per hour) **fell 0.9% in Q2 2010**, the first decline since Q4 2008 (see chart at right). From Q1 2009 through Q1 2010, labor productivity growth averaged 5.7% as firms “did more with less” in terms of employees. Employers can’t keep squeezing more out of a fixed staff forever: at some point, they have to hire more employees if they want to keep expanding output.



- Are we at that point yet? Harry Truman supposedly once said, “Give me a one-handed economist! All my economists say, ‘On the one hand, on the other.’” The reaction to the labor productivity data illustrates why he was frustrated. According to some economists, Q2 2010’s labor productivity decline does mean employment will grow because it shows employers can’t get more out of existing staffs. Other economists, though, claim that slower labor productivity growth means firms will redouble their efforts to keep costs under control by, among other things, not hiring new staff.

Where to go for more information:

- The BLS press release on the employment situation in August 2010 is [here](#). Data for September 2010 will be released on October 8, 2010.

CLASS I FREIGHT 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?

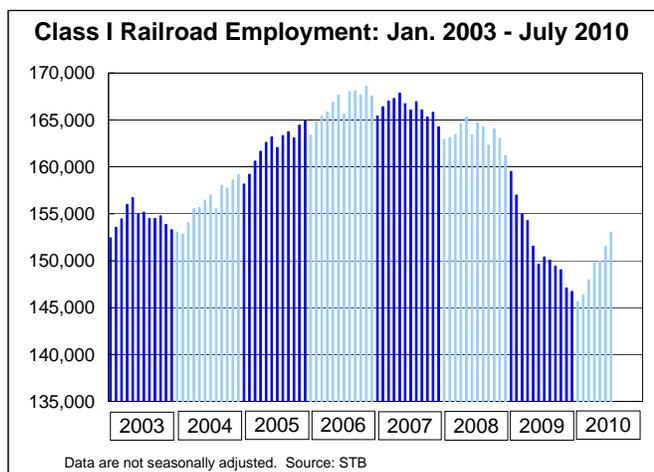
- Report showing the average number of Class I employees at mid-month. These numbers are not seasonally adjusted. As in other industries, employment in the rail industry is in large part a function of the level of business — *i.e.*, how much freight is being hauled.

What are the latest numbers?

- Class I freight railroad employment **rose to 153,046 in July 2010, the highest level since April 2009** and up 1,519 employees from June 2010. Class I railroads have now added more than 7,400 net employees over the past six months.
- More than half of July’s increase consisted of “train and engine” employees — mainly engineers and conductors who operate trains.

Where to go for more information:

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



CONSUMER CONFIDENCE

Who releases it and when?

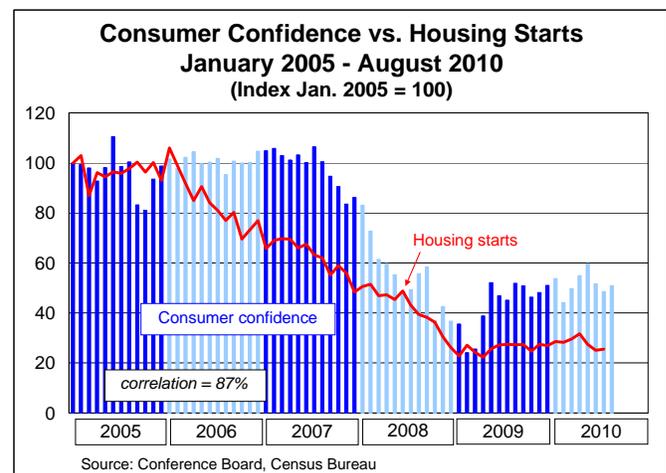
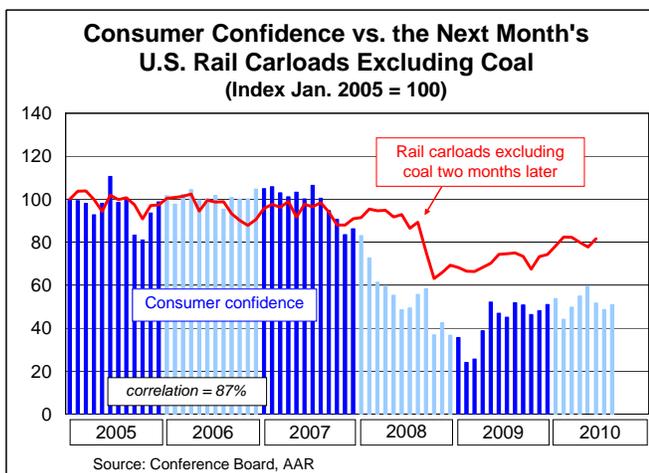
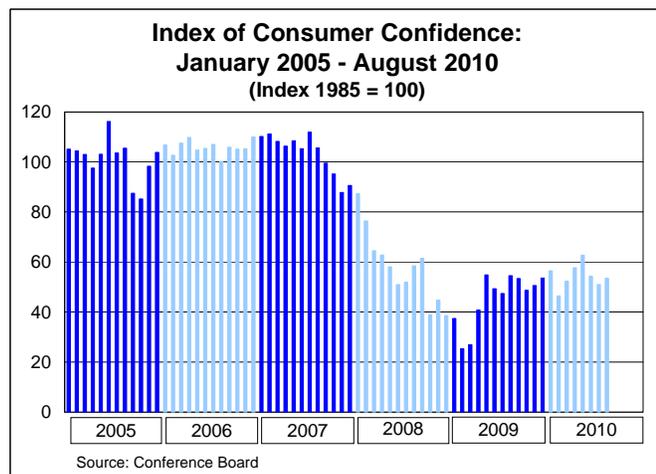
- The Conference Board on the last Tuesday of the month.

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 53.5 in August 2010 from 51.0 in July**. Respondents who believe current conditions are "good" fell to 8.7% in August from 8.8% in July. (We're not sure we want to know what else this group of people believes in.) Those claiming current conditions are "bad" fell to 41.9% from 43.3% in July.
- What the Conference Board said regarding the August index: "Expectations about future business and labor market conditions have brightened somewhat, but overall, consumers remain apprehensive about the future. All in all, consumers are about as confident today as they were a year ago."
- In last month's *Rail Time Indicators*, we noted that, at least since 2005, consumer confidence has been strongly and positively correlated with some categories of rail traffic, and that the correlation grew stronger if consumer confidence were compared to rail traffic a month or two later. The chart below left shows one such relationship: consumer confidence vs. U.S. rail carloads excluding coal two months in the future.



- In the past we've shown a chart showing the very strong positive correlation between consumer confidence and auto sales. There also seems to be a strong positive correlation between consumer confidence and housing starts (see page 27) too, as the chart on the bottom right of the previous page shows.
- Everything seems to come back to jobs. Consumer confidence probably won't improve much until the jobs picture improves, and until consumer confidence improves auto sales, housing, and consumer spending probably won't improve much either. It's no wonder that job creation seems to be the primary justification cited nowadays for just about every government expenditure.

Where to go for more information:

- The Conference Board's press release on August's consumer confidence index is [here](#). September's consumer confidence index will be released on September 28.

RETAIL SALES

Who releases it and when?

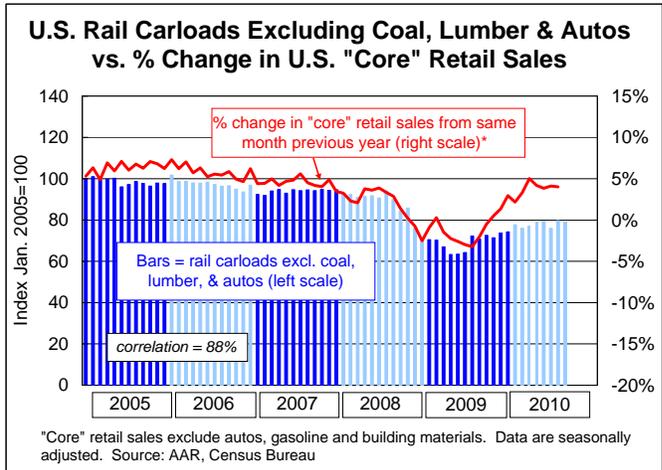
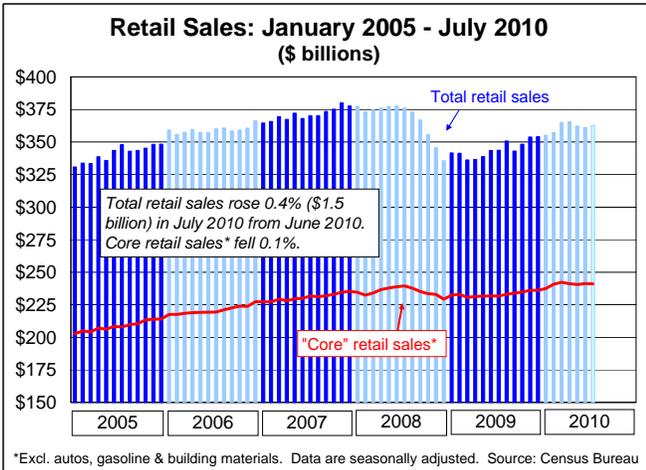
- The U.S. Census Bureau, around the ninth business day of each month.

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.)
- 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 rose 0.4% (\$1.5 billion) in July 2010 from June 2010.** It was the **first gain in three months**. July 2010 sales were 5.5% higher than in July 2009. (Retail sales data are not adjusted for inflation, but inflation over the last year has been very low — see page 28.)
- In July 2010, auto sales rose nearly \$1 billion and gasoline sales rose nearly \$700 million from the month before. Thus, those two categories alone more than comprised the entire increase in retail sales for the month.
- So-called "core" retail sales, which do not include autos, gasoline, or building materials, fell 0.1% in July 2010 — a sign that many consumers are still keeping their wallets and purses tightly closed.
- That said, some perspective might be in order. For all the talk of lackluster consumer spending, "core" retail sales, which exclude volatile auto and gasoline sales, have actually been higher in 2010 than ever before. (July 2010 was the fourth highest ever.) In other words, there is still an immense amount of "buying" going on, and for transportation providers still an immense amount of freight that has to be moved from one place to another.
- A rough rail equivalent to "core" retail sales is rail carloadings excluding coal, autos, and lumber. The chart at the top right of the next page shows the close positive correlation since 2005 between these data sets.



Where to go for more information:

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

LIGHT VEHICLE SALES

Who releases it and when?

- The U.S. Bureau of Economic Analysis.

What is it and why is it important?

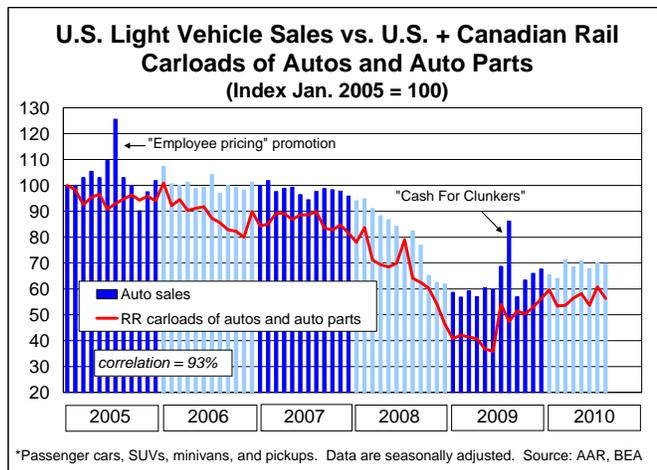
- Covers U.S. sales of cars and light trucks, including pickups and SUVs. Over the past 50 years, spending on motor vehicles has accounted, on average, for about 3.7% of U.S. GDP. Monthly auto sales are often referred to in terms of seasonally-adjusted annualized rates (SAAR). In 2009, 6% of U.S. Class I railroad revenue came from hauling autos and auto parts.

What are the latest numbers?

- U.S. light vehicle sales in August 2010 were a seasonally-adjusted and annualized **11.4 million, down from 11.5 million in July 2010**. They were 14.1 million in August 2009, the height of the "cash for clunkers" program. Auto sales have now been fluctuating within a fairly narrow range (11.1 million to 11.7 million) for six months.
- Seasonally adjusted Canadian and U.S. rail carloads of autos and auto parts fell 7.3% in August.

Where to go for more information:

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



HOUSING STARTS

Who releases it and when?

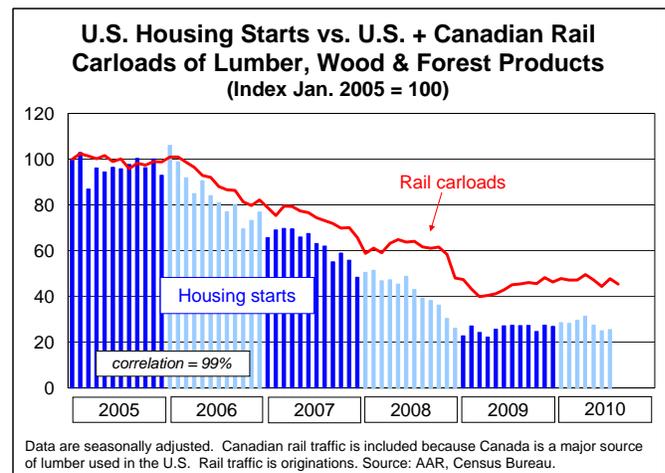
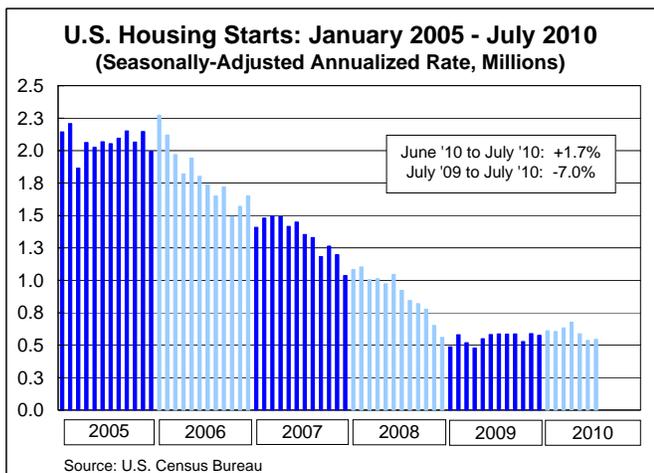
- U.S. Census Bureau, around the middle of each month.

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 have historically been considered a “leading indicator” because construction growth usually picks up at the beginning of a business cycle. However, various factors affecting today’s housing market — including a huge oversupply of existing houses due to slow sales and widespread foreclosures — means that new construction is a lagging indicator this time around.

What are the latest numbers?

- **Housing starts rose all of 1.7% in July 2010** to an annualized and seasonally adjusted **546,000**, up from a revised and equally unimpressive 537,000 in June 2010. June 2010’s housing starts were originally reported at 549,000, so the only reason July’s total was an increase over June was because June’s figure was revised downward.
- At a 1.7% monthly rate of increase, it will take around 6½ years to reach 2.1 million housing starts, the average in 2005 prior to the long decline that started in January 2006 (see chart below left). Housing starts have been more or less flat, at very low levels, since January 2009.
- Since sales of new homes in July 2010 were the lowest in the 40 years such data have been collected (see [here](#) for more on this) and the fact that U.S. and Canadian rail carloads of lumber and forest products fell in August (see chart below right), it wouldn’t be going too far out on a limb to say that August’s housing starts probably won’t be appreciably better than they were in July.



Where to go for more information:

- The Census Bureau's press release on housing starts in July is [here](#). August's housing starts will be released on September 21, 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?

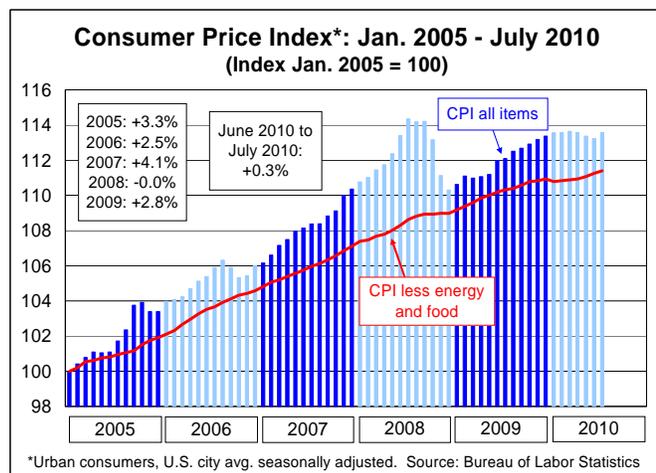
- The CPI is the benchmark inflation guide for the U.S. economy. It measures the changes in the cost of a representative basket of consumer goods and services. The BLS collects prices from more than 20,000 retail and service establishments throughout the country.
- It's hard not to have at least a little 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) **rose 0.3%** on a seasonally adjusted basis in July 2010 from June 2010, the first increase in four months. As of July, it was **up just 1.2%** on a **year-over-year basis**.
- “Core” inflation — CPI less food and energy — was up 0.1% in July 2010 over June 2010 and up 0.9% year-over-year.

Where to go for more information:

- The BLS press release on the July 2010 CPI is [here](#). August's CPI will be released on September 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. 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 fell **0.8% in August 2010** and is now slightly below where it was a year ago.

Where to go for more information:

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

RAIL FREIGHT CARS IN STORAGE

Who releases it and when?

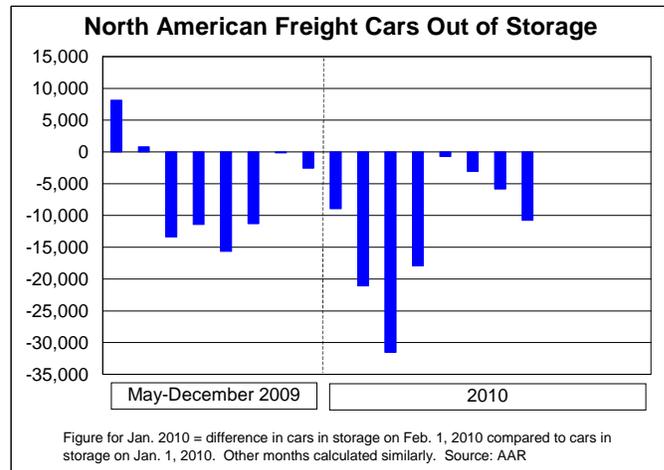
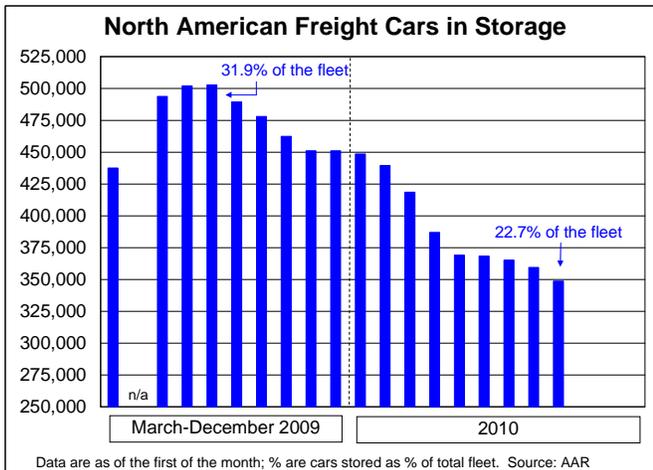
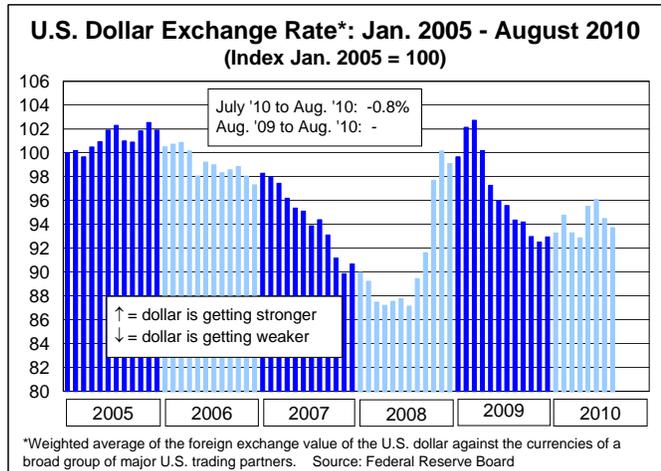
- The Association of American Railroads, each month in *Rail Time Indicators*.

What is it and why is it important?

- A freight car is deemed to be “in storage” if it has not had a loaded revenue move in more than 60 days. Rail cars are stored when they are not needed due to lack of demand; they come out of storage when demand improves. Figures are for the entire North American rail freight car fleet and include rail cars owned by railroads, leasing companies, shippers, and others. The total freight car fleet changes from month to month as new cars are added and old cars are scrapped. Data prior to March 2009 are not available.
- Our best estimate is that, when the economy and the rail industry are at their healthiest, around 2% or 3% of freight cars are in storage.

What are the latest numbers?

- As of September 1, 2010, **348,712 freight cars — 22.7% of the fleet — were in storage**, a decline of 10,759 cars from August 1, 2010. Cars in storage have declined for 14 straight months, totaling more than 154,000 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.