



Rail Industry Overview

Freight Rail Holds the Line as Economic Signals Diverge

Recent shifts in U.S. policies on trade and immigration have introduced volatility in financial markets and heightened uncertainty for firms. The ultimate outcomes and impacts of these policy changes remain unclear. Nevertheless, U.S. rail volumes have thus far remained stable, and many core economic indicators continue to signal underlying resilience. Railroads have long adapted to changing conditions, a legacy of resilience that continues today.

Strong April for Carloads and Intermodal

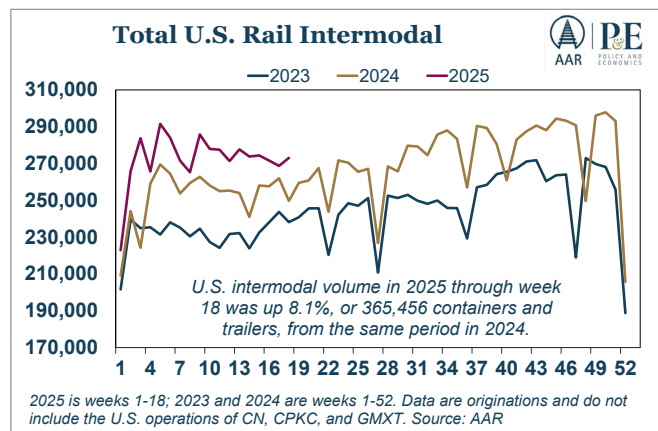
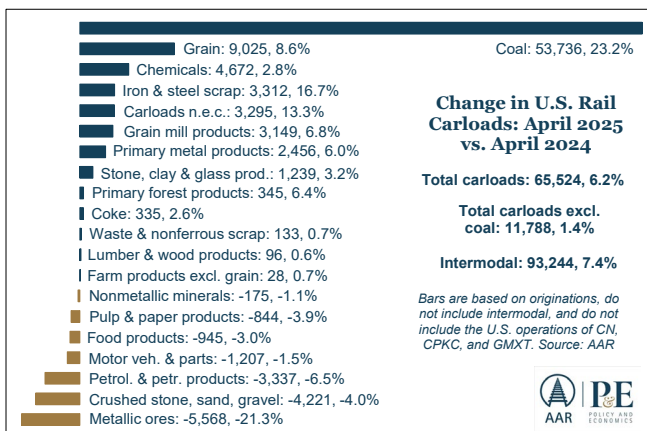
U.S. railroads originated 1.13 million total carloads in April 2025, up 6.2% (65,524 carloads) over April 2024. That's the largest year-over-year percentage gain in 16 months and the third largest in nearly four years. Carloads averaged 225,569 per week in April—slightly below March, but otherwise the highest since October 2024, with gains in 13 of 20 categories tracked by AAR. Through the first four months of 2025, total carloads were up 1.8% (67,282 carloads) over the same period last year, with 11 of 20 carload categories seeing gains.

U.S. rail intermodal traffic, which is not included in carload counts, totaled 1.36 million containers and trailers in April 2025, up 7.4% (93,244 units) over April 2024. Weekly intermodal volume averaged 272,300 units in April 2025. The only April with higher intermodal volume was April 2021. In fact, April 2021 holds the all-time intermodal record for any month, averaging 290,955 units per week. Year-to-date intermodal volume in 2025 through April was 4.90 million units, up 8.1% (365,456 units) over 2024 and the second highest ever for the first four months of a year (again behind 2021). Intermodal volume closely tracks port activity, making it a bellwether for international trade trends.

Key Takeaways

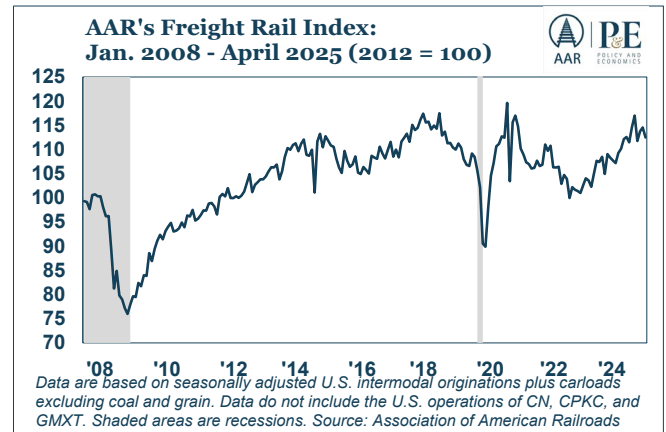
- **Rail Volumes Hold Firm Amid Uncertainty.** Despite policy and trade unknowns, both carload and intermodal traffic posted strong year-over-year gains in April—underscoring the sector's resilience.
- **The Q1 Decline in Headline GDP Was Driven by Temporary Trade Distortions.** Core domestic demand grew at a healthy 3.0% annualized rate, with April indicators reinforcing that momentum.
- **Underlying Economic Strength Persists.** While headline data remain mixed, steady job growth, solid consumer spending, and expanding services activity continue to support freight volumes and broader economic vitality.
- **Rail Freight Is a Real-Time Barometer.** Rail remains a powerful, real-time indicator of economic conditions—capturing both long-run structural demand and near-term shifts in manufacturing, trade, and consumption.

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April Highlights: Traffic Trends by Commodity

- The [AAR Freight Rail Index \(FRI\)](#)—which tracks seasonally adjusted intermodal units plus carloads excluding coal and grain—fell 1.8% in April from March, following a 0.7% month-to-month increase in March and a 1.8% increase in February. Despite the April dip and macroeconomic uncertainty, the Index remains well above levels seen through most of 2023.
- In recent years, coal has frequently recorded the steepest year-over-year declines among major carload categories. In April 2025, however, it posted the largest gain, rising by 53,736 carloads, or 23.2%, from a year earlier. April and May 2024 saw unusually low coal volumes, providing a low base for this year’s percentage increase.
- Excluding coal, U.S. carloads were up 1.4% in April, their third year-over-year gain in the first four months of 2025. Year-to-date carloads were up 0.6% (15,851 carloads).
- Chemical volumes hit a record average of 33,745 per week in April, a new all-time high. Year-to-date carloads through April were 596,918, up 2.2% over last year and the most ever. March and April are typically among the highest-volume rail chemical months of the year, in part because fertilizer shipments, which fall under chemicals, tend to peak in early spring as farmers prepare for planting.
- Grain carloads averaged 22,842 per week in April 2025, up 8.6% over April 2024 and the second most (behind October 2024) for any month in more than two years. It was the best April for rail grain carloads since 2021. Variations in rail grain volumes are closely linked to variations in U.S. grain export volumes. According to USDA data, railroads account for close to 40% of U.S. grain exports, on average.
- Rail carloads of industrial products, a composite category that includes motor vehicles, steel, chemicals, and crushed stone, among others, fell 0.7% in April, their third decline in the first four months of 2025. In April, declines in carloads of metallic ores and crushed stone overcame gains in steel products and chemicals. Over the past couple of years, this category has generally underperformed, reflecting weakness in U.S. manufacturing. To the extent weakness in factory output continues or output deteriorates further, rail volumes will be impacted.
- In March 2025, U.S. carloads of primary metal products (mainly steel) saw their best month since September 2021. Carloads in April 2025 were down slightly in absolute terms from March, but they were still up 6.0% over April 2024. That’s the biggest year-over-year percentage gain in 16 months.



Q1 GDP Decline Masks Strength in Private Demand

On April 30th, the Bureau of Economic Analysis reported that, according to its first preliminary estimate, U.S. GDP fell 0.3% in Q1 2025 from Q4 2024, the first quarterly decline since early 2022.

The contraction was driven by a surge in U.S. imports from an annualized \$2.99 trillion (in 2017 dollars) in Q4 2024 to \$3.31 trillion in Q1 2025, a quarter-to-quarter annualized rate of 50.9%. Much of the increase stemmed from businesses front-loading shipments to beat anticipated new tariffs. The increase in imports subtracted 5.0 percentage points from GDP growth.

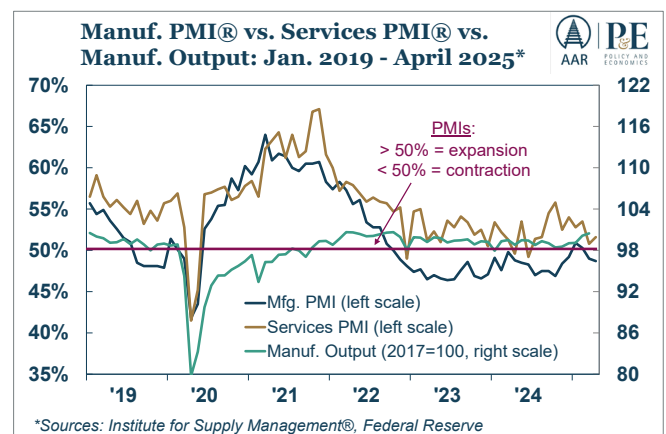
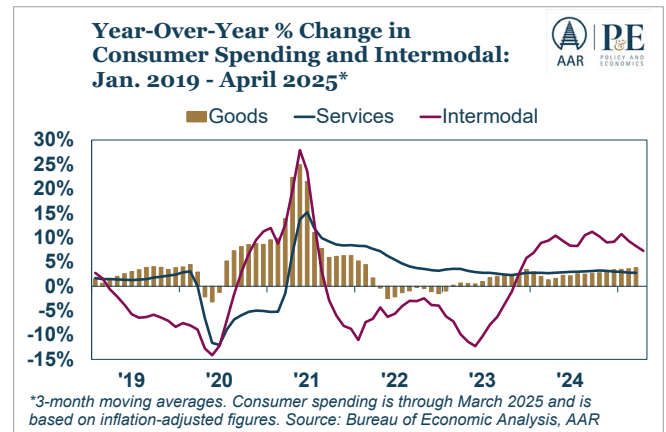
Much of the imported merchandise went into inventories. Under GDP accounting, unsold goods that add to inventories are treated as output, since they were produced (or acquired) for future sale. That means they add to GDP. The inventory buildup added 2.3 percentage points to Q1 2025 GDP growth, partially offsetting the impact of higher imports.

The bottom line is the headline: the 0.3% decline in Q1 2025 GDP is misleading, as it reflects a timing distortion in trade and inventory flows—likely to unwind in the coming quarters—rather than signaling underlying economic weakness. This point is brought home by a separate metric called “final sales to private domestic purchasers,” which measures underlying domestic demand by stripping out government spending, net exports, and changes in inventories. What remains—the combined total of consumer spending and private fixed investment—offers a clearer picture of demand generated by households and businesses within the U.S. economy. Final sales to private domestic purchasers rose at a 3.0% annualized rate in Q1, pointing to continued momentum in the domestic economy.

Labor Market Resilient, But Manufacturing Still Weak

GDP aside, key economic indicators released in the past 30 days were mixed, as they have been for many months, but collectively they offer no indication that a serious economic downturn is imminent:

- Preliminary data show the U.S. added 177,000 jobs in April, roughly in line with March’s revised gain of 185,000 (down from the initially reported 228,000). Job growth in April was led by health care (+51,000), food services (+17,000), local government (+13,000), construction (+11,000), and warehousing and storage (+10,000). Manufacturing and federal employment both edged down slightly. The unemployment rate held steady at 4.2%, a level broadly viewed as consistent with full employment (that is, tight enough to support wage growth, but not so low as to risk overheating). Initial claims for unemployment insurance averaged 226,000 per week in April, changing little from recent months. Altogether, the data point to a labor market that remains resilient. This continued job growth underpins consumer spending, a key driver of rail volume.
- Speaking of which, total consumer spending rose a preliminary 0.7% (adjusted for inflation) in March 2025 over February 2025, its biggest increase in 26 months. Spending on goods was up 1.3%, also the most in 26 months. March’s spending gains may reflect a mix of rising wages, reduced inflation concerns, and possibly preemptive buying behavior.
- The Institute for Supply Management® (ISM) publishes two closely watched monthly reports. One is the Manufacturing PMI®, a gauge of U.S. manufacturing health. A reading above 50% signals expansion; below 50% indicates contraction. In April 2025, the index registered 48.7%, down from 49.0% in March and the lowest in five months. The new orders component rose to 47.2% in April from 45.2% in March, possibly suggesting some stabilization in demand. The Manufacturing PMI® has been below 50% in 28 of the past 30 months. That’s consistent with Federal Reserve data showing little growth in manufacturing output since 2022, though output in March 2025 was the strongest since October 2022. The prolonged contraction in manufacturing remains a drag on rail volumes, particularly for industrial commodities.
- The Services PMI®, also from ISM, is like the Manufacturing PMI® except it gauges the health of the U.S. services sector, which is several times larger than the U.S. manufacturing sector. The Services PMI® was 51.6% in April, up from 50.8% in March. The new orders component rose as well, to 52.3%



from 50.4%. Generally speaking, service-sector firms are often not major rail customers, but they drive demand for goods—everything from food to fuel to consumer products—that do move by rail.

- The price index for personal consumption expenditures (PCE)—the Federal Reserve’s preferred inflation gauge—was 2.3% higher in March 2025 than in March 2024, its smallest year-over-year gain in six months. It is unclear to what extent, if any, recent tariff activity will impact prices over the long term. The Federal Reserve monitors inflation closely, adjusting interest rates up or down in response. The Fed has kept interest rates stable since December 2024. Fed officials have said that, looking ahead, they will monitor incoming data and the evolving economic outlook carefully and will adjust policy as needed to ensure inflation returns sustainably to its 2% target.
- Consumer confidence has fallen sharply in recent months. The Conference Board’s consumer confidence index fell to 86.0 in April from 93.9 in March, its fifth straight decline that took the index to its lowest point since May 2020. Meanwhile, a key consumer confidence gauge from the University of Michigan fell in April for the fourth consecutive month, dropping to its lowest point since July 2022. For both confidence measures, respondents maintained relatively sanguine views of present conditions but expectations for the future deteriorated sharply.

Adaptability Remains Rail’s Competitive Edge

Headline indicators may become noisier in the months ahead, but private-sector demand and freight rail’s adaptability suggest continued strength. Railroads will remain a vital barometer of economic momentum, grounded not just in global volatility but in the steady movement of goods.