



Rail Industry Overview

Intermodal Slips, But Carloads Hold Steady Amid Continued Uncertainty

Rail freight volumes in May 2025 tell a story of an industry navigating crosscurrents. On one side, carload traffic showed solid growth, reflecting resilience in key sectors of the domestic economy. On the other, intermodal container volumes barely eked out a gain, hinting at softening global trade and cautious consumer demand. Mixed economic signals – from cooling manufacturing output to consumers pulling back on goods purchases – underscore the uncertainty facing railroads. Recent data on factory activity, consumer spending, and housing all paint a cautionary picture for the coming months, even as the labor market remains a relative bright spot.

Solid Carloads, Shakier Intermodal

Total U.S. rail carloads rose 5.9% in May 2025 compared with a year ago (about 50,000 extra carloads), a slight step down from April's 6.2% growth. Year-to-date carloads through May were up 2.5% versus the same period in 2024. In May, 13 out of 20 carload commodity categories notched annual gains – the widest breadth of growth in about nine months. This suggests that freight demand is broadly improving in many industrial sectors, not just one or two. Weekly carload originations averaged roughly 224,000 in May, just a hair below the March and April pace, indicating a still-steady flow of freight on the rails.

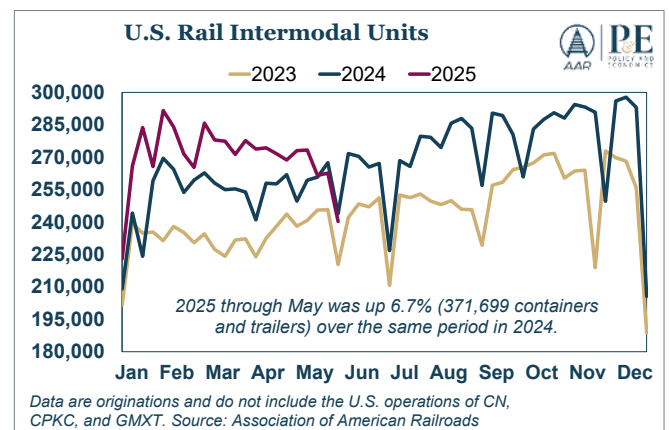
By contrast, intermodal volume (containers and trailers) barely grew, rising only 0.6% in May year-over-year (around +6,200 units). This marks the 21st consecutive month of year-over-year intermodal gains, but notably it's the weakest percentage increase of that entire streak. In fact, average weekly intermodal loadings in May (about 259,400 units) were the lowest in a year and essentially equal to the 10-year May average.

Tracking with declines in port activity and lower import volumes, rail traffic saw its first non-holiday intermodal declines since September 2023 to end the month with volumes falling ~1.5%–1.8% compared to the same weeks a year ago. Time will tell if this two-week trend continues or if shippers and retailers are becoming more cautious,

Key Takeaways

- **Carload Growth Gathers Momentum.** Total U.S. carloads rose 5.9% in May, with 13 of 20 major commodities seeing gains—the broadest growth in nearly nine months and a sign of underlying industrial resilience.
- **Intermodal Momentum Falters.** Intermodal volumes grew a modest 0.6% in May—the weakest in nearly two years—hinting at softening consumer demand and trade-driven headwinds as port activity slowed.
- **Manufacturing Stuck in Neutral.** The ISM Manufacturing PMI® dropped to 48.5% in May, and factory output remained flat—both weighing on rail volumes for industrial materials and equipment.
- **Consumers Getting More Cautious.** Real goods spending dipped in April, and weak housing starts are dampening freight tied to homebuilding and consumer goods—suggesting households may be pulling back.
- **Railroads Holding Steady Despite Uncertainty.** Overall rail traffic continues to outpace 2024 levels, reflecting steady demand in key carload segments even as intermodal and consumer-related freight growth cools.

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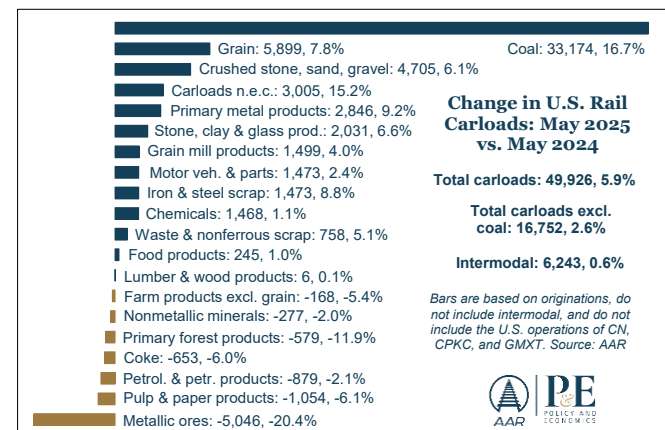
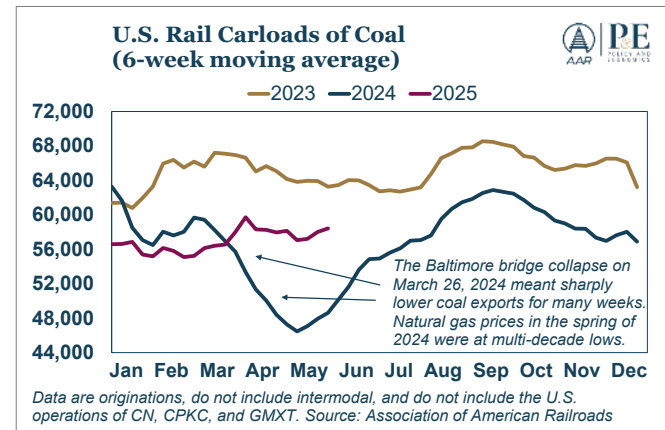
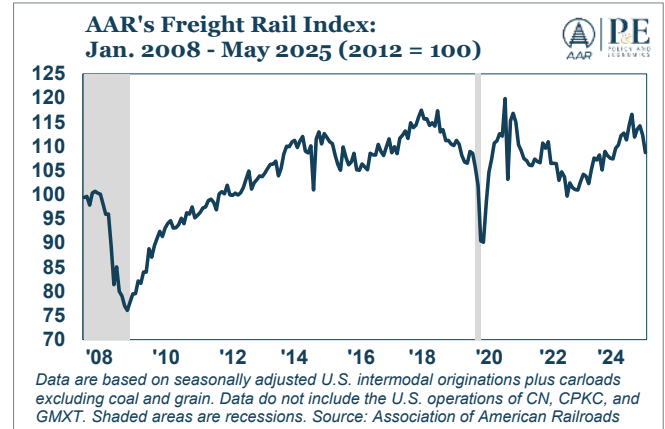


drawing down inventories and importing less as consumer goods demand cools. Still, thanks to a strong first quarter, total intermodal units in 2025 through May reached 5.94 million, up a solid 6.7% from the same period last year and the third-highest January–May total on record. The question is whether intermodal can regain momentum later this year, or if these headwinds will persist.

Traffic Trends For Key Commodity Categories

Several individual freight sectors tell their own tales behind the top-line numbers.

- Freight Rail Index Signals Cooling.** The AAR Freight Rail Index (FRI), which excludes coal and grain, fell 3.2% in May from April—the sharpest monthly decline in five months and the lowest level in a year. This dip reflects broad-based softness in economically sensitive freight, especially intermodal, and hints at challenges for consumer goods and intermediate materials traffic.
- Coal** – Coal carloads jumped 16.7% in May (over 33,000 more carloads than a year ago), leading all commodities. Coal carloads were down last May because of lost coal exports due to the Baltimore bridge collapse and because natural gas prices were exceptionally low last spring.
- Chemicals** – *A record month.* Rail chemical carloads averaged 32,728 per week in May, the highest weekly rate ever recorded for May. Year-to-date chemical loadings are up 2.0%, putting the first five months of 2025 at an all-time high for chemical rail volumes. Strong industrial output in sectors like plastics and fertilizers, along with seasonal agricultural demand (e.g. fertilizers for spring planting), has kept chemical traffic resilient even as other manufacturing segments wobble.
- Grain** – Grain shipments improved as well, averaging 20,462 carloads per week in May, up 7.8% over last year. This was the best May for grain by volume since 2022. A pickup in grain exports – thanks to solid global demand and perhaps easing of some transportation bottlenecks – has boosted rail grain carloads this spring. Many Midwestern elevators and ports are seeing heavier traffic, which bodes well for farmers and railroads alike.
- Industrial Products** – Covering a basket of manufacturing-related cargos (including motor vehicles, steel, paper, and minerals), “industrial products” carloads rose 1.7% year-over-year in May. This matches the strongest growth rate for these products in over a year. Within this category, U.S. motor vehicle carloads were up 2.4% (4.5% if Mexican and Canadian railroads are included) – only the second monthly increase in seven months – as automakers navigate an uncertain environment.



Crushed stone, sand and gravel also climbed (around +6.1%), the biggest jump in nearly two years, reflecting steady construction activity and infrastructure projects. Meanwhile, not all industries saw positive results: North American metallic ores traffic fell 7.2% (the twelfth straight monthly decline), lumber and wood products fell 2.7% (continuing a prolonged slump tied to weak housing construction), and paper carloads dropped 4.4% on lower demand. In short, freight tied to construction and autos is looking better, while lumber and other inputs to home-building remain in the doldrums – a direct echo of the uneven economy.

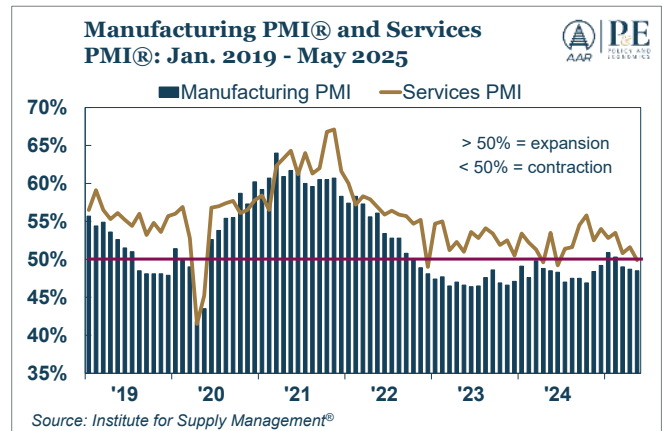
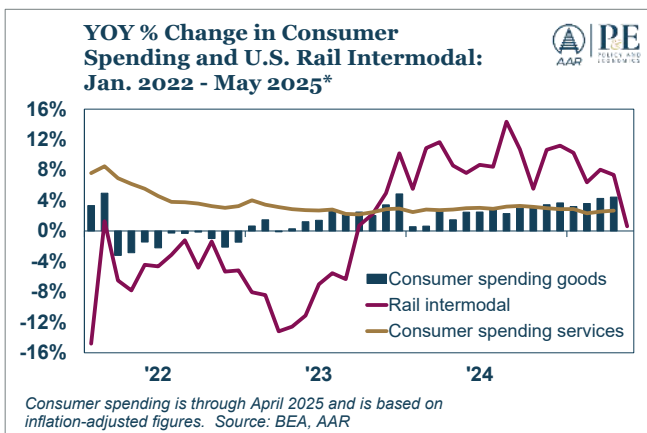
- **Other Energy** – Carloads of petroleum and petroleum products were modestly lower in May, consistent with reasonably steady domestic energy production. Natural gas liquids, propane shipments, and ethanol volumes appear to have remained generally steady. Ethanol generally sees high plant utilization ahead of the summer driving season, which should boost rail ethanol volumes.

Overall, the carload gains outside of coal indicate that underlying industrial demand is inching up in several areas. Excluding the coal sector, U.S. carloads were still up 2.6% in May versus a year ago – the largest such gain in eight months – and are up nearly 1% year-to-date. Railroads are benefiting from pockets of strength in commodities like chemicals, agriculture, and autos, even as other segments lag.

Labor Market Resilient, But Manufacturing Still Weak

Zooming out to the broader economy, recent data has offered mixed signals. Some indicators—particularly consumer and labor data—remain solid, while others point to persistent weakness in goods-producing sectors.

- The May jobs report offered a mixed snapshot of the labor market: solid headline gains of +139,000 jobs, but all of that growth came from healthcare and hospitality while other sectors, including those more relevant to freight rail, remained essentially flat. The unemployment rate held steady at 4.2%, yet broader measures of participation and hiring momentum suggest a labor market that’s treading water. Wage growth accelerated last month, but it’s more of a catch-up from earlier softness than a sign of inflationary heat. For railroads, the uneven labor picture may limit near-term gains in freight demand, but steady job growth and contained wage pressures are likely to keep broader economic conditions stable for now.
- **Consumer Spending:** Households are becoming more cautious. Inflation-adjusted total consumer spending rose just 0.1% in April, with goods spending down 0.2% and services up 0.3%. Analysts see “clear evidence” of households pulling back amid uncertainty. If this caution persists, it could weigh on intermodal and merchandise carload volumes.



- **Manufacturing:** The factory economy remains sluggish. The ISM Manufacturing PMI® slipped to 48.5% in May—still below the growth threshold. Manufacturing output was flat for a third straight month in April, signaling a sector stuck in neutral.

- **Service Sector:** The services sector, which has been a bright spot, showed new cracks. The ISM Services PMI® dipped below 50% in May—its first contraction in almost a year—while new orders plunged to 46.4%. If this downturn persists, it could cool job growth and consumer demand, dampening intermodal flows further.

Second-Half 2025: Cautious Optimism or Early Warning?

As we move into the second half of 2025, rail volumes remain tied to an economy showing uneven momentum. There are reasons for cautious optimism: strong carload gains in coal, chemicals, and grain are bolstering volumes, and the labor market is still supporting consumer spending. With inflation under control, purchasing power remains intact.

Yet warning signs are clear. The sharp slowdown in intermodal growth—after nearly two years of steady gains—signals potential headwinds: softening consumer demand and high inventories. Manufacturing output remains flat, and the housing market is stuck in a prolonged slump.

In this uncertain environment, the prudent stance is to balance cautious optimism with realism. The first half of 2025 showed there's still strong demand in some sectors, but the easy growth days have passed. Railroads will need to adapt quickly, watching indicators like jobs, factory activity, housing, and global trade to stay ahead of whatever comes next.