



Rail Industry Overview

More Uncertainty and Resilience

Someone once said the economy is like a weather system: countless local patterns interact, and storms in one region can trigger chain reactions far away, making real-time tracking and forecasting extremely difficult. Likewise, disruptions in one sector of the economy ripple across others in unpredictable ways. In that context, recently released economic data include signs of strain that could produce turbulence, though continuing resilience is evident too. It's as if the skies are cloudy, but it's still uncertain if there will be no rain, a light drizzle, or a sudden downpour.

The labor market is a case in point. Preliminary data from BLS released September 5th show U.S. payrolls grew by just 22,000 in August, following a gain of 79,000 in July (revised up from 73,000) and a loss of 13,000 in June (revised down from an increase of 14,000). Both the unemployment rate and initial jobless claims edged slightly higher in August, though they remain at relatively healthy levels.

Despite uncertainty in the labor market and elsewhere in the economy, rail volumes continue to hold up—a not-to-be-overlooked sign of resilience in today's supply chains.

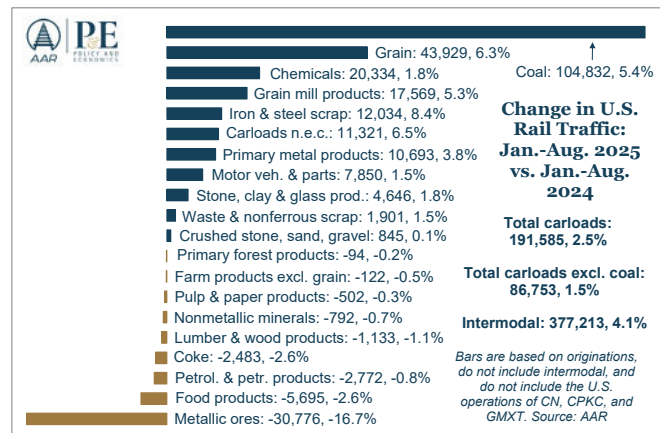
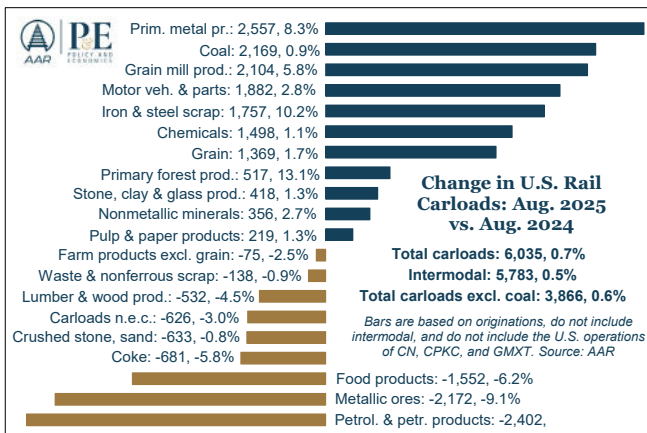
Intermodal Up Again in August

Rail intermodal volumes are closely tied to port activity (especially in the west) and the consumer side of the economy. In August, U.S. rail **intermodal** shipments were up 0.5% over last year. Average weekly intermodal volume in August 2025 was 284,316 containers and trailers, the most for any month since May 2021 and the most for August since 2018.

Key Takeaways

- **Modest Intermodal Growth.** U.S. rail intermodal volume rose 0.5% in August 2025 over August 2024; volume was the most since May 2021.
- **Multiple Commodities Driving Carload Growth.** Total rail carloads rose 0.7% year over year in August, their sixth consecutive gain. Steel, coal, and grain mill products led the 11 (of 20) carload categories with gains in August.
- **Manufacturing Remains Sluggish.** The Manufacturing PMI® remained below 50% in August, signaling continued manufacturing contraction. Sharply higher new orders in August offer a glimmer of hope for a turnaround.
- **Job Growth Slowdown, But Services Still Expanding.** A dramatic slowdown in job growth—including just 22,000 in August—could lead to a broader negative economic impact if it translates into weaker consumer spending. The Services PMI® indicated expansion in August for the third consecutive month.

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For the first eight months of 2025, U.S. intermodal shipments totaled 9.47 million units, up 4.1% (more than 377,000 units) over last year and the third most ever (behind 2021 and 2018). Year-to-date container movements (9.20 million) were up 5.2% and were the most ever for the first eight months of a year.

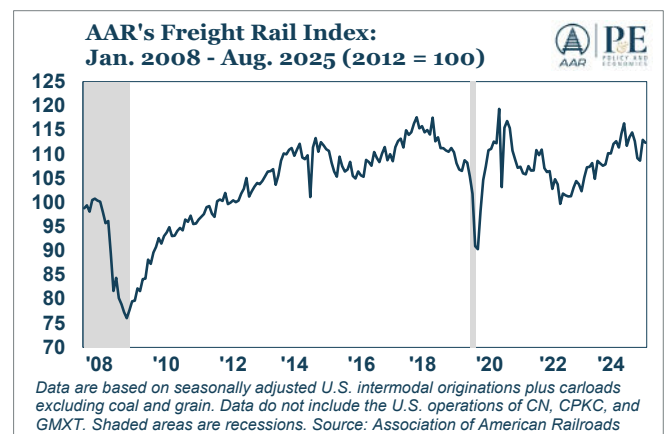
The outlook for intermodal, like the outlook for just about everything related to the economy right now, is unclear. Intermodal volumes have generally been holding up—over the past two years, year-over-year monthly volumes have fallen just once—but the sector remains vulnerable to shifts in consumer spending, global trade flows, and policy-driven uncertainties. For railroads, that means maintaining flexibility and efficiency will be critical to navigating an unpredictable demand environment.

Meanwhile, year-over-year total **U.S. rail carloads** rose 0.7% in August 2025 over August 2024, marking six consecutive monthly gains. Eleven of the 20 major carload categories tracked by the AAR saw gains in August, the sixth straight month in which at least half the categories saw increases. Total carloads averaged 230,184 per week in August 2025, the most for any month since October 2022. In 2025 through August, total carloads were up 2.5%, or nearly 192,000 carloads, over last year.

Should we be hoping for higher rail volume increases than we're seeing? Yes, because that would likely signal a stronger economy and less uncertainty. But the fact that rail volumes continue to grow shows that while economic momentum may be modest, it is still present. To use the weather analogy again, a storm could still develop, but right now a few rays of sunlight are breaking through the clouds.

Key Rail Commodities

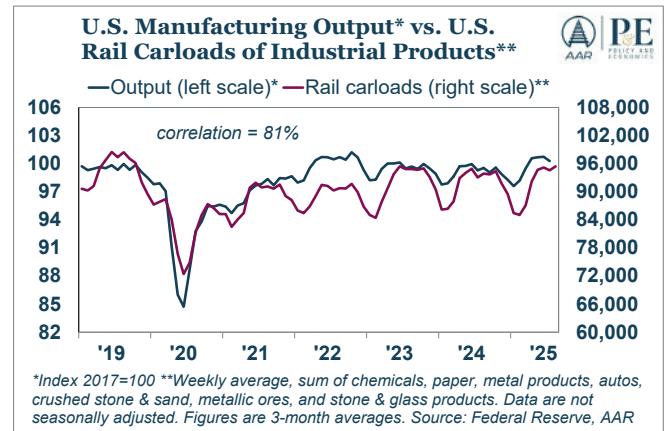
- Freight Rail Index:** The AAR [Freight Rail Index \(FRI\)](#), which measures seasonally adjusted month-to-month rail intermodal shipments plus carloads excluding coal and grain, fell 0.5% in August 2025 from July 2025, its fourth decline in the past five months. Still, the index remains relatively strong: since 2008, it's been higher than it was in August less than 15% of the time.
- Grain:** U.S. carloads of grain rose 1.7% in August, continuing a strong run over the past 18 months. Through August, carloads were up 6.3% (nearly 44,000 carloads) over last year, driven by higher U.S. grain exports: in the first seven months of 2025, they were up 6.6% over the same period in 2024. According to the USDA, railroads account for approximately 40% of U.S. grain exports, just behind barges.
- Coal:** U.S. coal carloads rose 0.9% in August, their sixth straight year-over-year gain (but the smallest percentage gain in those six months). Year-to-date carloads through August were up 5.4% (nearly 105,000 carloads). In the first half of 2025, U.S. electricity generation from coal was up 17% over last year. Countering that, U.S. coal exports (most of which move by rail) in 2025 through June were down 11%, or 5.8 million tons.



Excluding coal, U.S. carloads were up 0.6% in August, their 18th year-over-year increase in the past 19 months. Year-to-date carloads excluding coal through August were up 1.5% and were the most since 2019.

- Chemicals:** U.S. carloads of chemicals rose 1.1% in August, their 23rd year-over-year increase in the past 24 months. Year-to-date carloads in 2025 through August of 1.16 million were the most ever and were up 1.8% (more than 20,000 carloads) over last year.
- Primary Metal Products:** U.S. carloads of primary metal products (mainly steel) rose 8.3% in August, the sixth straight year-over-year increase following 13 consecutive declines. Carloads of iron and steel scrap rose 10.2% in August, also their sixth straight increase.

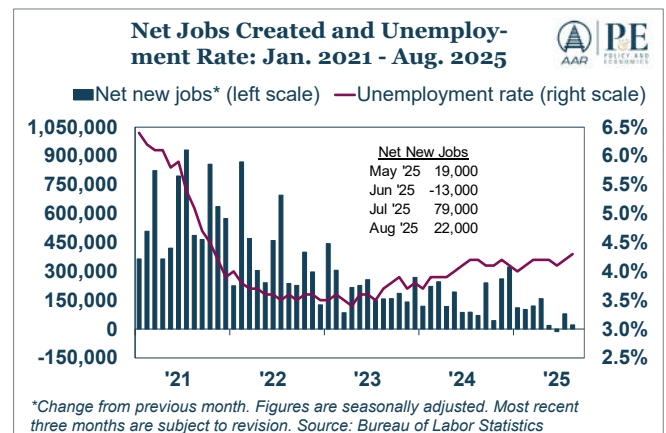
- Industrial Products:** The AAR's 'industrial products' category combines carloads of chemicals, paper, steel, autos, metallic ores, crushed stone, and stone and glass products (including ground minerals). Because these shipments track closely with manufacturing output (see nearby chart), they serve as a useful gauge of industrial activity. In August, these carloads rose 1.0% from last year (paced by steel products and motor vehicles), marking their fifth year-over-year increase in the past six months. Since January 2024, both manufacturing output and rail carloads of industrial products have shown only modest year-over-year changes, with volatility well below historical norms.



Uncertainty Regarding the Labor Market and Inflation

- GDP Growth:** U.S. GDP grew at an annualized 3.3% rate in Q2 2025 from Q1, according to revised data from the Bureau of Economic Analysis (BEA), up from the initial 3.0% estimate. As noted last month, imports and inventories contributed disproportionately to the headline figure. A more telling measure—"final sales to domestic purchasers," which excludes trade, inventories, and government spending—rose 1.9% in Q2. While not especially strong, that pace suggests steady, if modest, underlying momentum, in line with the modest growth seen in rail volumes.
- The Labor Market, Inflation, and the Fed:** The health of the labor market and what inflation is doing always matter, but recently they've come under even greater scrutiny. According to preliminary BLS data released on September 5, 22,000 net new jobs were created in August, while July's gains were revised up from 73,000 to 79,000 and June's figure was revised down to -13,000 from 14,000. In the first four months of 2025, job gains totaled 491,000; in the following four months job gains were just 107,000.

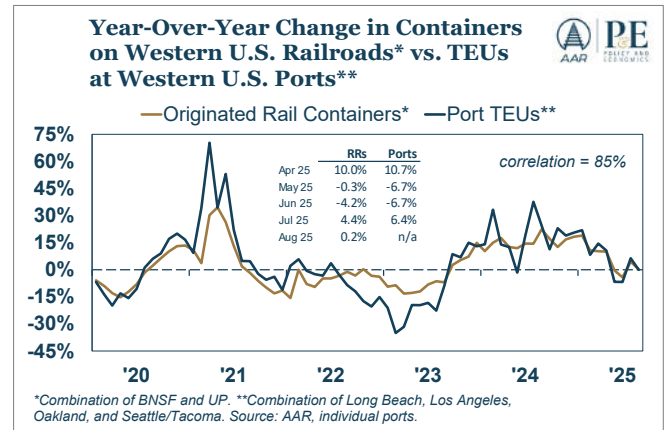
The unemployment rate was 4.3% in August—still low by historical standards but the highest since October 2021. Initial jobless claims averaged 230,200, little changed from earlier this year, and layoffs remain modest at 1.1% of employment. But other indicators point to softening demand: job openings fell to 7.2 million in July, the lowest since late 2020; new hires dropped to a 3.3% hiring rate, near a post-Covid low and well below the pre-Covid norm of 3.8%; and the number of discouraged workers—those who want to work and are available but are not looking for a job because they don't think they'll find one—rose to 6.4 million, the most since mid-2021.



Meanwhile, the Fed's preferred inflation gauge—the personal consumption expenditures index—rose 2.6% in July year over year, its biggest gain in five months. It was up 0.2% in July over June, about equal to the average month-to-month change so far this year. The overall consumer price index was 2.7% higher in July year-over-year, also the most in five months. Some economists warn that ongoing economic uncertainties could push inflation higher in the months ahead.

As it weighs its next move on interest rates, the Federal Reserve is closely monitoring all this, trying to determine if rising inflation or a deteriorating labor market is the bigger risk. Many economists expect the Fed, at its upcoming September 16–17 meeting, to cut rates for the first time since December 2024. If it does, it will signal it thinks labor market deterioration is a bigger threat than inflation.

- Consumer Spending:** Consumer spending is hanging on. Based on preliminary data from BEA, total inflation-adjusted consumer spending in July was up 0.3% over June, the biggest month-to-month increase in four months. The year-over-year gain in July was 2.1%, the lowest in 18 months. Spending on goods was up 0.9% in July month-to-month and 2.9% year over year. Since consumer spending accounts for around 70% of the U.S. economy, its continued resilience is crucial for continued overall growth, and for demand for rail services (especially intermodal). The health of the labor market is the single most important determinant of the health of consumer spending: wages are the primary source of household income.



- Manufacturing:** The Institute for Supply Management's Manufacturing PMI® was 48.7% in August, up slightly from 48.0% in July but still below (for the 32nd time in the past 34 months) 50%, the dividing line between manufacturing contraction and expansion. A ray of hope: the new orders component was 51.4% in August, up from 47.1% in July and its first time above 50% since January.

Recent government data also suggest stagnation for manufacturing is continuing. Spending on the construction of factories in July was down 6.7% from last year. Federal Reserve data show manufacturing output has been essentially flat for the past six months. And new orders for manufactured goods fell 1.3% in July from June, their third decline in the past four months. This weakness in manufacturing is constraining rail carloads.

- Services:** The Services PMI® from the ISM—it's like the Manufacturing PMI® but covers services instead of manufacturing—was 52.0% in August, up from 50.1% in July and 50.8% in June. The new orders subindex surged from 50.3% in July to 56.0% in August, the highest it's been in 10 months. Services account for around three-fourths of the U.S. economy, so continued strength in services is helping to offset weakness elsewhere in the economy—as has been the case for the past couple of years.

Partly Cloudy Ahead? Or Partly Sunny?

Like forecasting the weather, predicting the economy is notoriously difficult, with a range of complex and interrelated factors contributing to uncertainty. Rail volumes—up 0.5% for intermodal and 0.7% for carloads in August 2025—point to continued supply chain resilience. Still, the broader economy remains fragile, as labor market weakness threatens to undermine consumer spending, which has been a key driver of growth in recent years. While this may sound familiar, current economic data continue to suggest an uncertain trajectory, with indicators warranting close observation. This uncertainty is sure to influence rail volumes as well.