



Rail Industry Overview

Freight Rail Mirrors Mixed Economic Signals

September rail volumes reflect the uneven pace of the U.S. economy, with pockets of growth offset by emerging weaknesses. As businesses navigate ongoing uncertainty, rail activity has mirrored broader economic conditions—signaling cautious optimism but also persistent hesitation.

Isolated Growth Patterns

Rail traffic volumes continue to adjust to evolving market conditions. In September 2025, total U.S. rail carloads fell 1.2% year-over-year, with 12 of the 20 major carload categories tracked by the AAR posting declines. However, several key industrial commodities—including metal products, autos and parts, metallic ores, and stone and glass products—saw gains.

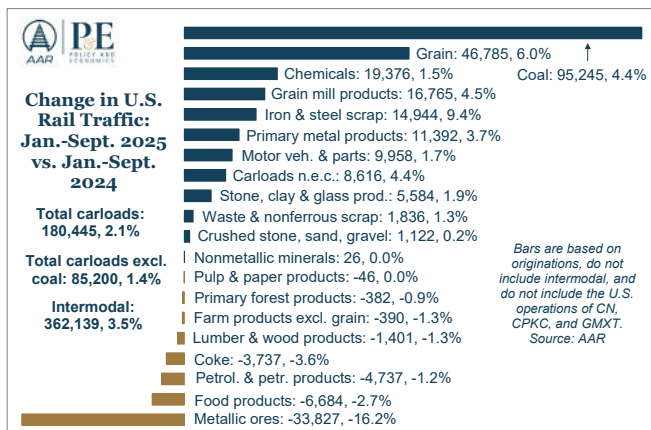
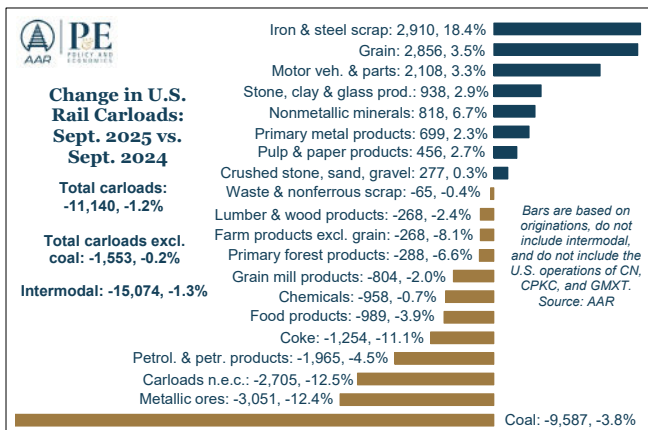
Total carloads averaged 225,783 per week in September, more than the weekly average for the first nine months of the year (221,853). Year-to-date total carloads through September were up 2.1%, or more than 180,000 carloads, over the same period in 2024. In 2025 through September, 12 of the 20 carload categories the AAR tracks saw year-over-year gains.

U.S. intermodal rail shipments, which are closely tied to consumer demand and international trade, fell 1.3% in September 2025 from September 2024. Still, average weekly intermodal volume in September (275,559 containers and trailers) was well above the year-to-date weekly average of 271,121. Year-to-date intermodal volume through September was 10.57 million units—up 3.5% (362,000 units) over last year, the most since 2021, and the third most ever.

Key Takeaways

- **Carload & Intermodal Softening.** U.S. rail carload and intermodal volume combined fell 1.3% in September 2025 from September 2024.
- **Isolated Commodities Driving Growth.** Metal products, autos and parts, metallic ores, and stone and glass products saw year-over-year gains in September. However, total carloads fell 1.2%, driven by coal's first decline in seven months and continued weakness in metallic ores.
- **Manufacturing Remains Sluggish.** The Manufacturing PMI® remained below 50% in September and U.S. manufacturing output rose only slightly in August—signaling continued manufacturing weakness. Until that turns around, rail volumes are likely to remain constrained.
- **Economic Uncertainty Persists.** Consumer spending remains steady, but the Fed's recent interest rate cut combined with an increase in inflation and a decrease in consumer confidence suggests continued uncertainty in the economy.

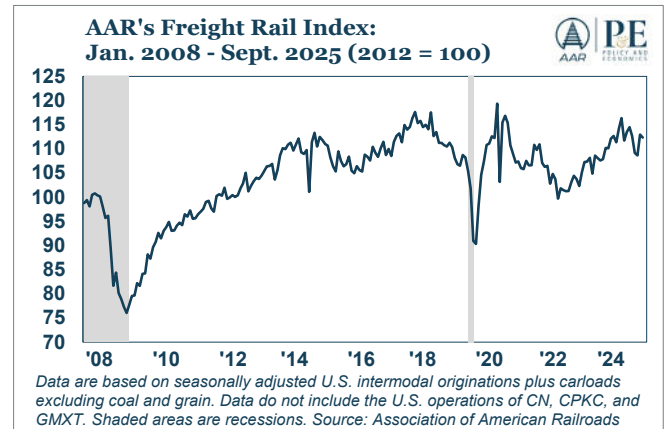
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Historically, September and October are peak months for intermodal traffic, but performance this year hinges on several unpredictable factors, including global supply chain shifts and consumer-driven freight demand. To hedge against uncertainty, many businesses have front-loaded shipments ahead of the holiday season, which could impact intermodal volumes going forward.

Key Rail Commodities

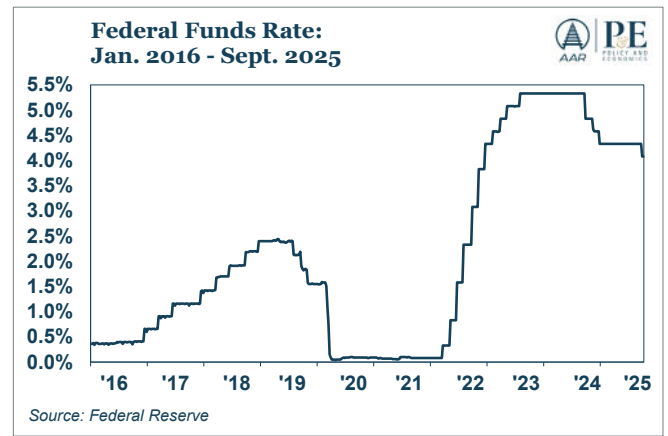
- Freight Rail Index:** The AAR Freight Rail Index (FRI), combines seasonally adjusted rail intermodal shipments plus carloads excluding coal and grain. The index fell 0.8% in September 2025 from August 2025, its fifth decline in the past six months. Still, the index is only 1.0% below its level from a year earlier, indicating that recent weakness reflects a gradual adjustment rather than a sharp downturn.
- Grain:** U.S. carloads of grain averaged 20,966 per week in September, up 3.5% over last year and slightly below the weekly average of 21,037 carloads in the first nine months of the year. Year-to-date carloads were up 6.0%, or nearly 47,000 carloads, over last year and were the most since 2021.
- Coal:** Year-over-year U.S. carloads of coal fell 3.8% in September, their first decline in seven months. Coal carloads averaged 60,318 per week in September 2025. In our records that begin in 1988, the only September with fewer carloads was September 2020. That said, September 2025's coal volumes were the second most for any month so far in 2025. Year-to-date carloads in 2025 through September were up 4.4%, or more than 95,000 carloads. Comparisons to last year benefit from the Baltimore bridge collapse in the spring of 2024 that led to sharply lower exports of rail-delivered coal.
- Excluding coal:** U.S. carloads fell 0.2% in September, their first year-over-year decline in seven months and only the second in the past 20 months. Year-to-date carloads excluding coal through September were up 1.4% (85,000 carloads) and were the most since 2019.
- Chemicals:** U.S. carloads of chemicals fell 0.7% in September, only their second year-over-year decline in 25 months. Despite the dip, carloads averaged 32,244 per week, making September a top 6% month all-time for rail chemical shipments. Year-to-date carloads through September were a record 1.29 million carloads, up 1.5% (more than 19,000 carloads) from the same period last year.
- Primary Metal Products:** U.S. carloads of primary metal products (mainly steel) rose 2.3% in September, their seventh straight year-over-year increase following 13 consecutive declines. Carloads of iron and steel scrap rose 18.4% in September, also their seventh straight increase. Year-to-date carloads of scrap were up 9.4% over last year and were the most since 2011.
- 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, they serve as a useful gauge of industrial activity. In September, carloads for this category rose 0.1% over last year (paced by motor vehicles and stone and glass products), marking their fifth straight year-over-year increase. This sustained growth underscores the resilience of some core industrial sectors amid broader economic uncertainty and manufacturing weakness.



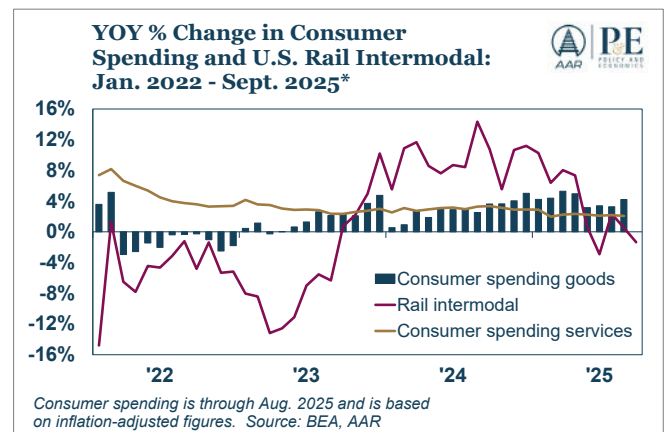
Continued Uncertainty Regarding the Labor Market and Inflation

- The Labor Market:** As of this report’s release, the federal government is shut down, delaying the September jobs report. The most recent available data, from August, showed a preliminary gain of only 22,000 net new jobs—evidence of a sharp hiring slowdown. The ADP National Employment Report, which does not include government workers, suggests that private sector jobs fell by more than 30,000 in September. Other recently released labor market indicators reinforce the trend found in the BLS’s August jobs report. For instance, the quits rate fell to 1.9% in August, matching its lowest level since May 2020. The hiring rate—the number of new hires as a percentage of total employment—was 3.2% in August, its lowest level since April 2020 and, before that, September 2012 (when unemployment was 7.8%, far higher than today’s 4.3%). Total estimated job openings stood at 7.23 million in August, roughly unchanged from July, though many of these openings may not reflect active recruitment.

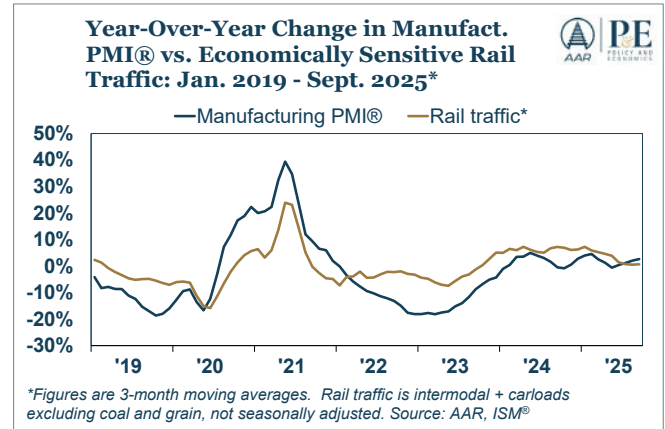
- Fed’s Policy:** On September 17, the Federal Reserve cut interest rates by a quarter point to between 4.00% and 4.25%, its lowest level in almost three years. The cut—the first since December 2024—reflected the Fed’s growing concern over a labor market that has weakened significantly in recent months. Officials described the decision as a response to “a shift in the balance of risks,” while also signaling internal divisions over the path forward. Until now, the Fed’s primary concern has been inflation, which has exceeded its 2% target for more than four years. The price index for personal consumption expenditures, the inflation measure preferred by the Fed, was up 0.3% in August from July, matching its highest month-to-month gain in six months. The year-over-year increase was 2.7% in August, the highest in 16 months. Meanwhile, the consumer price index was 2.9% higher in August 2025 than in August 2024, its biggest increase in seven months. Together, the readings reinforce that inflationary pressures remain sticky enough to complicate the Fed’s rate cut decisions. The Fed’s next steps will hinge on upcoming labor and inflation data, which remain stubbornly at odds.



- Consumer Confidence & Spending:** The Conference Board’s consumer confidence index fell from 97.8 in August to 94.2 in September, a five-month low that continues a generally downward trend from the most recent peak of 112.8 in November 2024. The Conference Board said pessimistic business conditions and reductions in job availability were the main factors contributing to September’s decline. Consumer spending has remained resilient, helping the economy maintain momentum. Based on preliminary data from BEA, total inflation-adjusted consumer spending in August was up 0.3% over July, about the same increase as the prior two months. The year-over-year gain in August was 2.7%, the most in four months. Spending on goods (which is more relevant for railroads, especially for intermodal) rose a preliminary 0.7% in August from July (matching the biggest month-to-month increase in five months) and 4.2% year over year. With the recent slowdown in the labor market, the resilience of household demand will hinge in part on accumulated savings buffers. However, the savings rate fell to 4.6% in August—its lowest level this year and well below its 2023 (5.6%) and 2024 (5.4%) averages—raising questions about how long consumers can sustain this pace.



- Manufacturing:** The Manufacturing PMI® from the Institute for Supply Management® (ISM) was 49.1% in September, up slightly from 48.7% in August and the 33rd month in the past 35 months in which the index was below the 50% dividing line between manufacturing contraction and expansion. The new orders component fell to 48.9% in September, the seventh time in the past eight months it was below 50%. Meanwhile, total U.S. manufacturing output rose slightly in August from July, according to preliminary data from the Federal Reserve. The increase in August brought total output to its highest level since October 2022. On a year-over-year basis, output was up 0.9% over last year—its seventh straight year-over-year gain, though all those gains have been minimal.



The key dynamic remains unchanged: without a stronger manufacturing rebound, freight rail volumes will stay constrained.

- Services:** The Services PMI® from the ISM covers services instead of manufacturing. Because services dominate the U.S. economy, the ISM's services report is often seen as a bellwether for overall economic health. The index was 50.0% in September, down from 52.0% in August. The slip suggests the service sector's momentum is fading, which would leave the economy more vulnerable to downturns elsewhere and suggests the economy has less margin for error than it has had.

The Only Constant is Uncertainty

Uncertainty remains the dominant theme. Yet, rail volumes continue to show underlying resilience: through September, total carloads were up 2.1% and intermodal volumes up 3.5%, pointing to a steady demand across key supply chains. Even so, mixed economic signals and the added complication of a government shutdown—temporarily disrupting key data flows—reinforce the need for caution as the year enters its final quarter.