



# Rail Industry Overview

## Rail Indicators Point to Caution Amid Manufacturing Softness and Fed Easing

The U.S. economy enters November on uneven footing. Equity markets have seen record highs, buoyed by strong tech earnings and recent Fed rate cuts, but consumer confidence has been slipping and manufacturing remains mixed at best—AI and data centers are surging, but traditional sectors like autos and construction are not. Freight rail traffic likewise is uneven: grain and metals shipments are up, while intermodal volumes and automotive carloads have fallen. Against this backdrop, the industrial economy shows resilience in select areas even as broader growth faces headwinds from labor market strains and household budget pressures.

### Carloads Flat, Intermodal Down

In October 2025, total U.S. rail carloads were down a fraction (-0.03%) from October 2024, and 11 of the 20 major rail carload categories posted year-over-year declines. However, several key industrial commodities—including nonmetallic minerals, chemicals, and iron and steel scrap—saw gains.

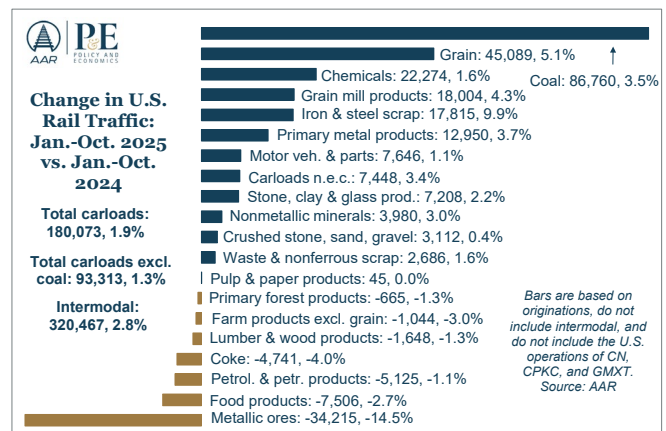
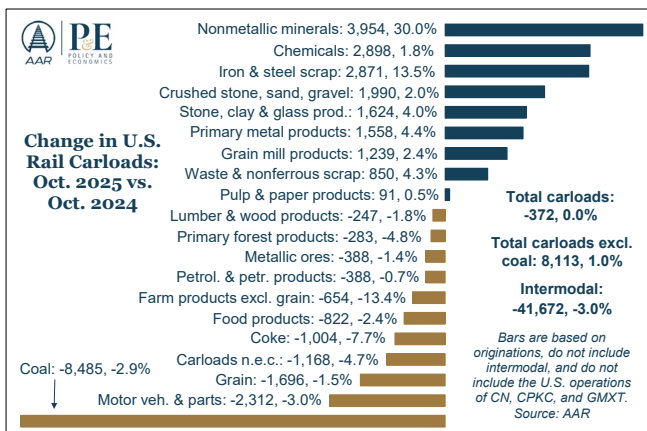
Total carloads averaged 225,547 per week in October, more than the weekly average for the first ten months of the year (222,273). Year-to-date total carloads through October were up 1.9%, or more than 180,000 carloads, over the same period in 2024. In 2025 through October, 13 of the 20 carload categories the AAR tracks saw year-over-year gains.

U.S. rail intermodal shipments fell 3.0% in October 2025 from October 2024—the third year-over-year decline in the past five months for intermodal and the steepest percentage drop since August 2023. Historically, October is one of the strongest months for intermodal traffic: in the 25 years from 2000 to 2024, it was among

## Key Takeaways

- **Intermodal Slowdown.** U.S. rail carload and intermodal volume combined fell 1.7% in October 2025 from October 2024. Intermodal alone was down 3.0%.
- **Carload Steadiness, Commodities Mixed.** Nonmetallic minerals, chemicals, and iron and steel scrap saw year-over-year gains in October. Coal, autos and parts, and grain saw year-over-year declines. Total carloads were nearly constant compared to 2024.
- **Manufacturing Stalled.** The Manufacturing PMI® declined further below 50% in October, signaling continued manufacturing weakness.
- **Uneven Economic Environment.** The Federal Reserve cut interest rates 0.25 points in October amid labor market strain and sticky inflation. The decision reflects the Fed's cautious stance in a period of data deprivation.

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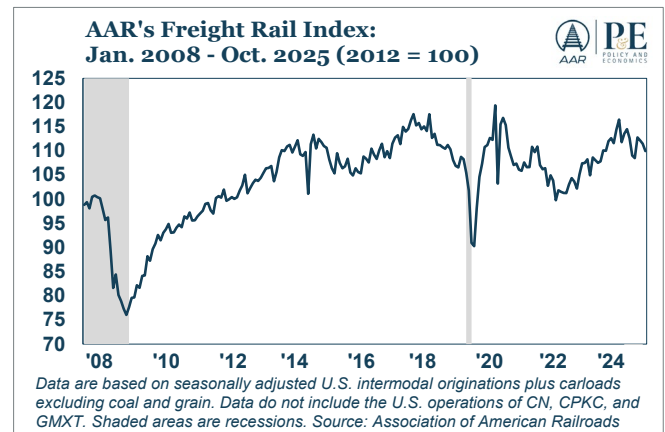
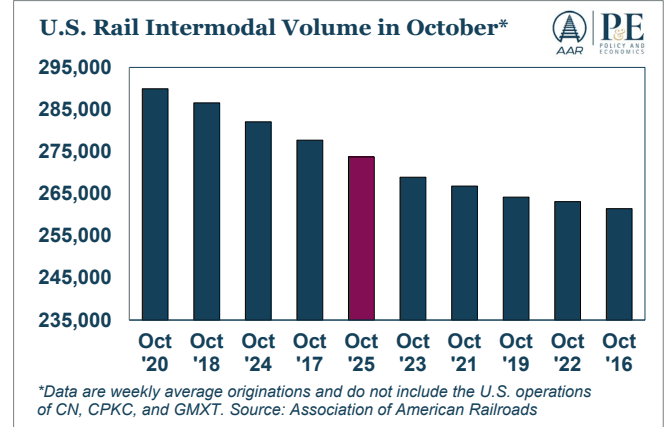
the top three months for average weekly intermodal volume in 20 of those years. It won't be this year: October's weekly average of 273,747 units has already been surpassed by four other months. Still, that's not a bad weekly average: it's the 26th best month in our records (442 months) and it's the fifth best average for October in history.

October's decline—and similar drops in two of the prior four months—reflect a combination of manufacturing malaise, a shift in consumer spending toward services, and front-loaded shipping patterns, all of which undercut what is normally a strong seasonal period for intermodal.

Year-to-date intermodal volume through October was 11.94 million units—up 2.8% (over 320,000 units) over last year, the most since 2021, and the third most ever.

### Key Rail Commodities

- Freight Rail Index:** The AAR [Freight Rail Index \(FRI\)](#) measures seasonally adjusted month-to-month rail intermodal shipments plus carloads excluding coal and grain. As such, it is a useful gauge of underlying freight demand tied to industrial production and consumer goods flows. The index fell 1.4% in October 2025 from September 2025, its sixth decline in the past seven months. The index is 1.5% below its level from a year earlier.
- Grain:** U.S. carloads of grain averaged 22,996 per week in October 2025, down 1.5% from October 2024 but the best weekly average since then. Year-to-date grain carloads were up 5.1%, or just over 45,000 carloads, over last year and were the most since 2021.
- Coal:** Year-over-year U.S. carloads of coal fell 2.9% in October, their second straight decline following six straight increases. Coal carloads averaged 57,375 per week in October 2025. In our records that begin in 1988, no other October had fewer coal carloads than October 2025. Most coal in the United States goes to coal-fired power plants, but coal-fired generation is being constrained by natural gas prices that are much lower today than they were at the beginning of the year. Year-to-date coal carloads in 2025 through October were up 3.5%, or nearly 87,000 carloads, over last year.
- Excluding Coal:** U.S. carloads excluding coal were 1.0% higher in October 2025 than October 2024, their seventh increase in the past eight months and the 19th in the past 21 months. Year-to-date carloads through October were up 1.3% (more than 93,000 carloads) and were the most since 2019.
- Chemicals:** U.S. carloads of chemicals rose 1.8% in October, their 24th year-over-year increase in the past 26 months. Carloads averaged 32,172 per week, making October 2025 the best October for chemical carloads ever. Year-to-date carloads through October were a record 1.45 million, up 1.6% (more than 22,000 carloads) over last year. Rail chemical volumes would likely be higher still if the U.S. manufacturing sector were healthier, since chemicals are key inputs in many manufacturing processes.
- Primary Metal Products:** U.S. carloads of primary metal products (mainly steel) rose 4.4% in October, their eighth straight year-over-year increase following 13 consecutive declines. Year-to-date carloads through October were up 3.7% over last year. The American Iron and Steel Institute recently reported that year-to-date steel shipments in 2025 through September were up 4.6% over last year. There is a very close

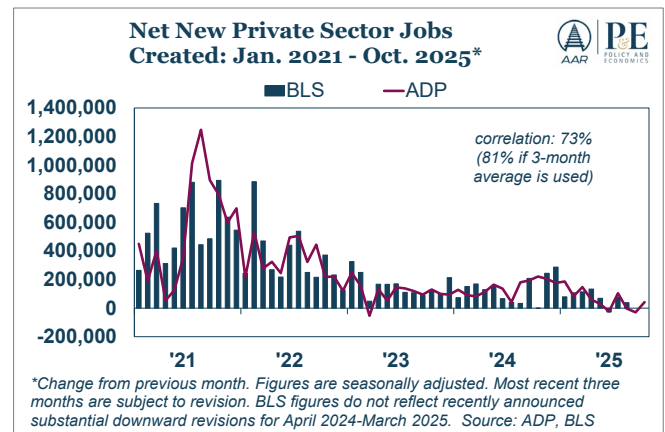


correlation between rail carloads of steel products and U.S. steel production. Carloads of iron and steel scrap rose 13.5% in October, also their eighth straight increase. Year-to-date carloads of scrap were up 9.9% over last year and were the most since 2011.

- 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 October, carloads for this category rose 1.2% over last year (carloads of chemicals and crushed stone outpaced declines in motor vehicles and metallic ores), their sixth straight year-over-year increase. The continued uptick highlights steady movement of essential inputs and finished goods, reinforcing the critical role of freight in sustaining production.
- Grain Mill Products:** Soybean cake and meal, dried distillers grains, corn syrup, flour, and animal feed are just some of the wide variety of products included in the "grain mill products" traffic category. Carloads for this category averaged 10,427 per week in October, the most ever for a month; year-to-date carloads were up 4.3% over last year and were also a record high. Growth in this category is being driven by soybean cake and meal, an indication of the deep interconnections between railroads and the agricultural sector.

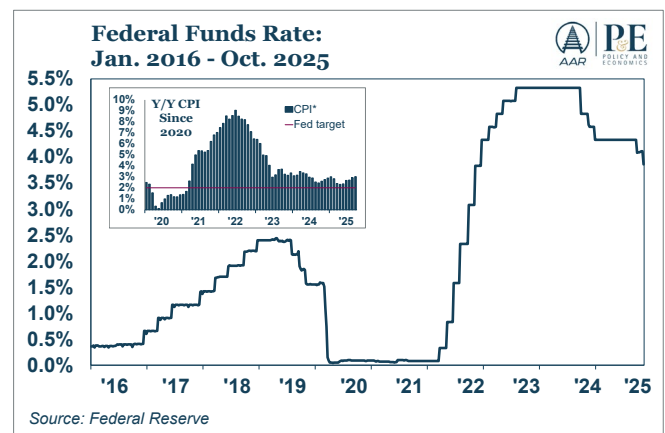
### Another Interest Rate Cut, Inflation Persists, Services Driving Growth

- Uncertainty in the Labor Market:** The government shutdown is limiting government economic data, including labor market data. One alternative is the ADP National Employment Report (NER), a monthly snapshot produced by the ADP Research Institute and the Stanford Digital Economy Lab. ADP, a payroll services company, uses anonymized payroll data from its clients, which cover about 26 million workers at 500,000+ companies, or roughly a fifth of U.S. private sector employment. ADP data do not include government workers. ADP says 42,000 net new jobs were created in October 2025, much better than ADP's 29,000 job losses in September and 3,000 job losses in August. From January 2021 to August 2025, the correlation between ADP and BLS estimates of job growth was 73%—not perfect but indicating substantial alignment over time.



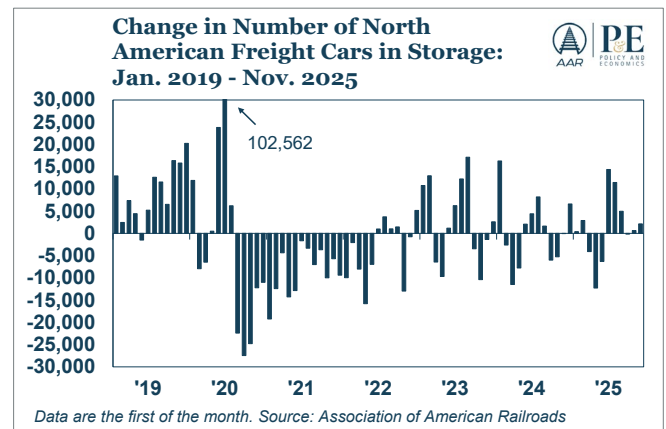
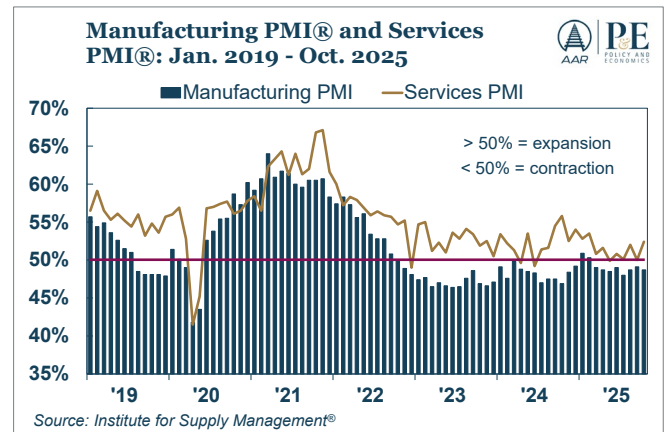
- Another Interest Rate Cut Despite Sticky Inflation:** On October 29, the Federal Reserve cut the main interest rate it controls (the federal funds rate) by a quarter point to between 3.75% and 4.00%. This follows a similar quarter-point cut in September.

After months of holding rates steady, the Fed cited slower job creation, rising unemployment, and corporate layoffs to justify the hikes. Although inflation is still above the Fed's 2% target, its decline from earlier peaks has allowed the Fed to focus more on maintaining employment than on inflation control. By easing borrowing costs, the Fed aims to support consumer spending and business investment.



Fed Chairman Powell stressed that further rate cuts are not guaranteed. The latest inflation reading comes from September's Consumer Price Index, which rose 3.0% compared with a year earlier. That marks the largest annual increase in 16 months and extends a five-month streak of accelerating year-over-year gains—signaling that price pressures remain persistent despite earlier signs of easing.

- Manufacturing Still Sluggish:** Same song, different verse: in October, the Manufacturing PMI® from the Institute for Supply Management® (ISM) was 48.7%, down from 49.1% and the 34th month in the past 36 months it's been below 50% (signaling manufacturing contraction). The new orders component of the index was 49.4% in October, little changed from 48.9% in September. Because of the government shutdown, updated U.S. manufacturing output figures are not available. With manufacturing demand stalled, rail freight remains constrained by a lack of upstream momentum.
- Services Still Resilient:** Manufacturing, while still critical for trade and supply chains (including railroads), represents only about 11% of U.S. GDP and 8% of employment. By contrast, services account for roughly 77% of GDP and 85% of private-sector employment. This explains why service-sector trends tend to drive overall economic performance. While manufacturing has stagnated over the past couple of years, services have stayed relatively strong. That's continuing. The ISM's Services PMI®, a well-respected gauge of service-sector health, was 52.4% in October, up from 50.0% in September and its highest level in eight months. The new orders component was 56.2% in October, the highest it's been in a year and suggesting underlying demand fundamentals in the service economy remain relatively robust.
- Railcars in Storage:** Each month the AAR calculates the number of railcars in storage. A change in that number serves as a real-time indicator of rail transportation demand—and, by extension, broader economic activity. The share of the railcar fleet that is in storage has risen slowly for the past six months (consistent with sluggish industrial activity) and stood at 20.3% in October 2025. The average from 2016-2024 was 20.8%.



## Murky Outlook

As we head to the end of 2025, the rail sector reflects the broader economy's uneven and evolving trajectory—pockets of strength in agriculture and metals contrast with softer intermodal flows and sluggish consumer-driven freight. Inflation remains stubborn, and labor market cooling adds another layer of uncertainty. Meanwhile, the ongoing government shutdown is disrupting access to critical economic data, complicating decision-making for policymakers and reinforcing a more cautious stance. For shippers and carriers alike, adaptability will be critical heading into 2026, as supply chains recalibrate to shifting demand patterns and a policy environment still in flux.