

Sam Kyei

NABE Manufacturing Roundtable

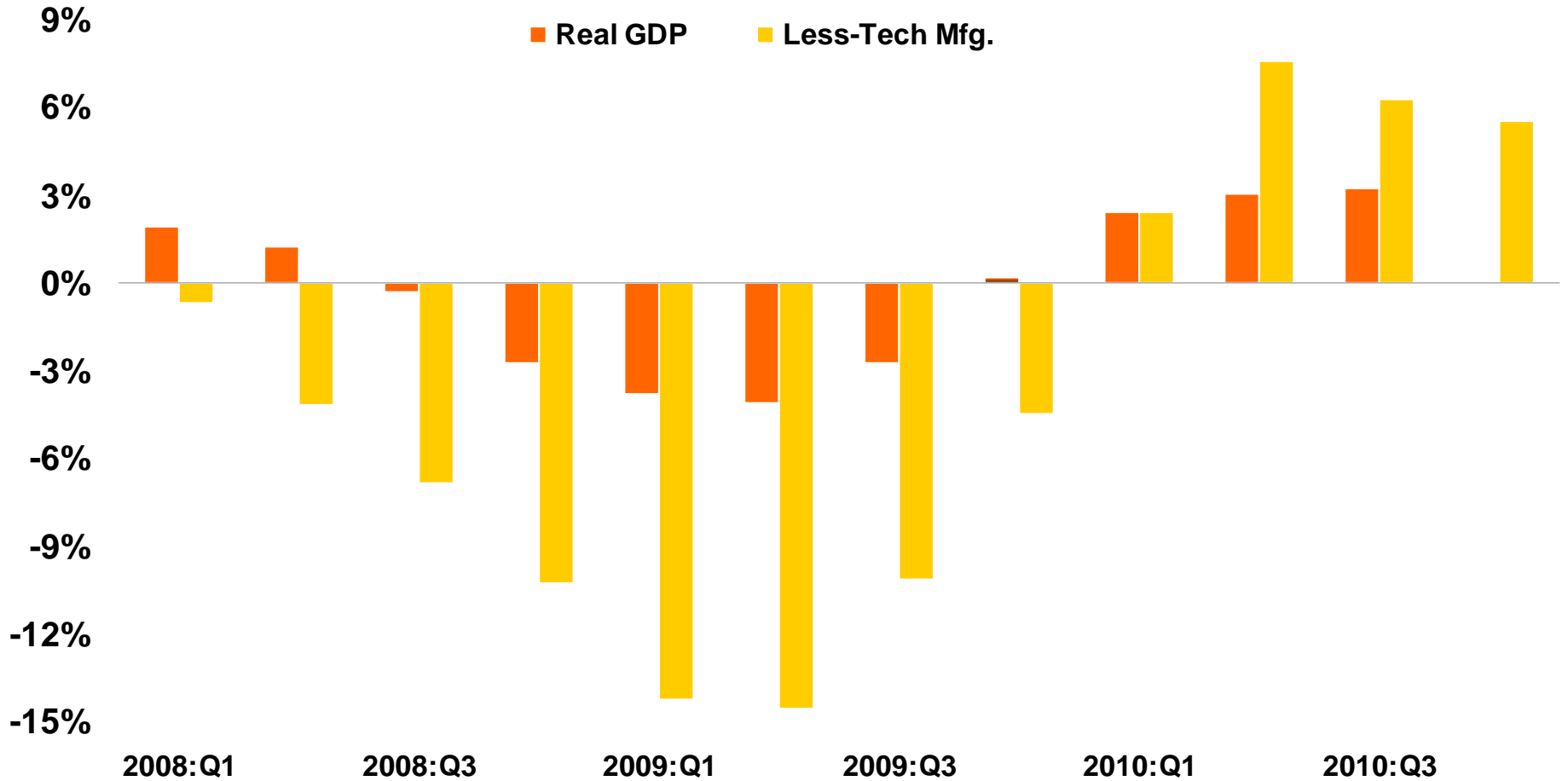
January 20, 2011

U.S. Economic Output

The impact of the Great Recession was greater on traditional manufacturing than the broader economy

Real GDP vs. "Less-Tech" Manufacturing Output

Growth, % Change YOY



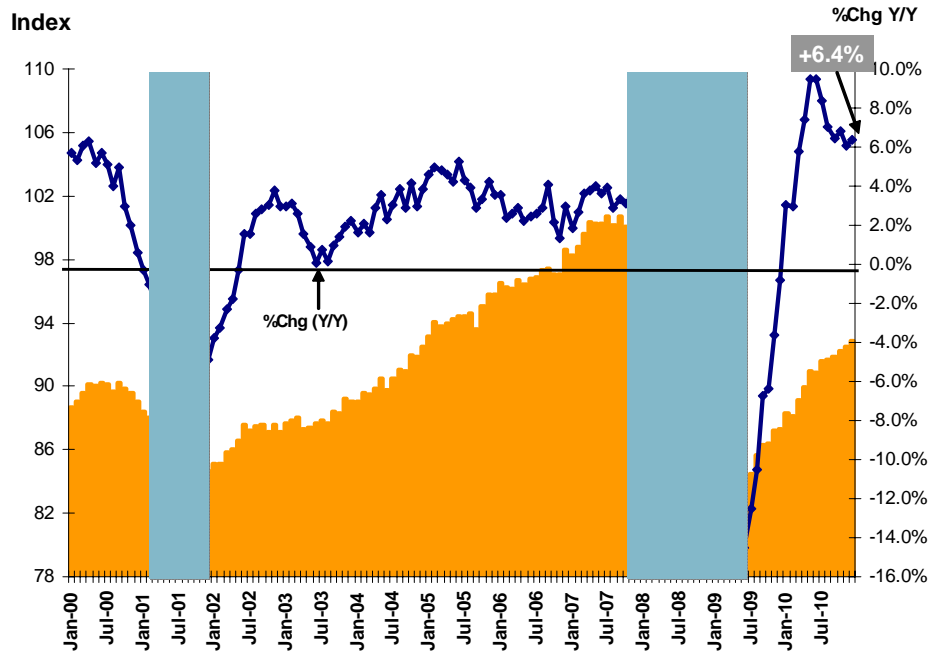
Manufacturing Output

Manufacturing sector's output is STILL slowly expanding. It is only 56% back. ISM index reflects growth not levels

Manufacturing Output

(Thru December 2010)

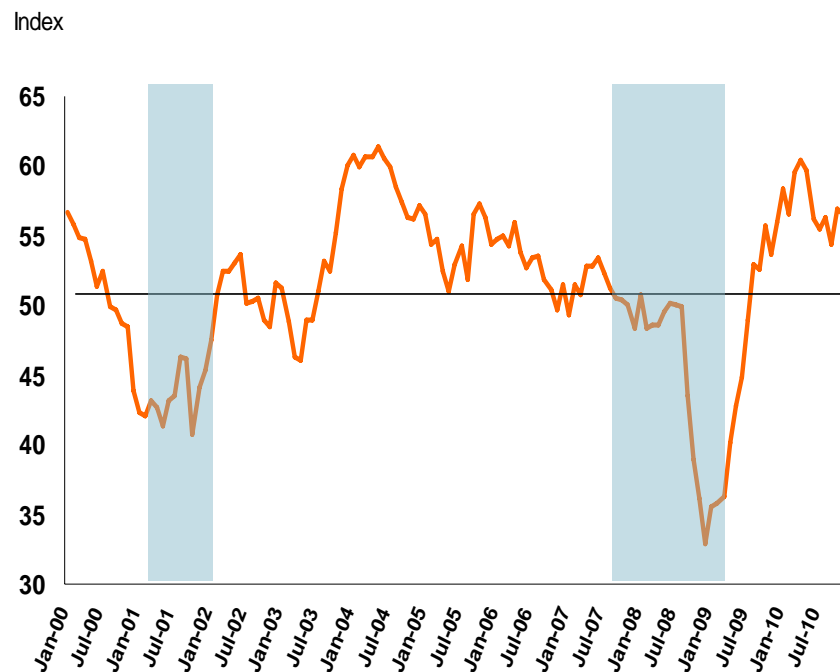
Recession



ISM Manufacturing Index

(Thru December 2010)

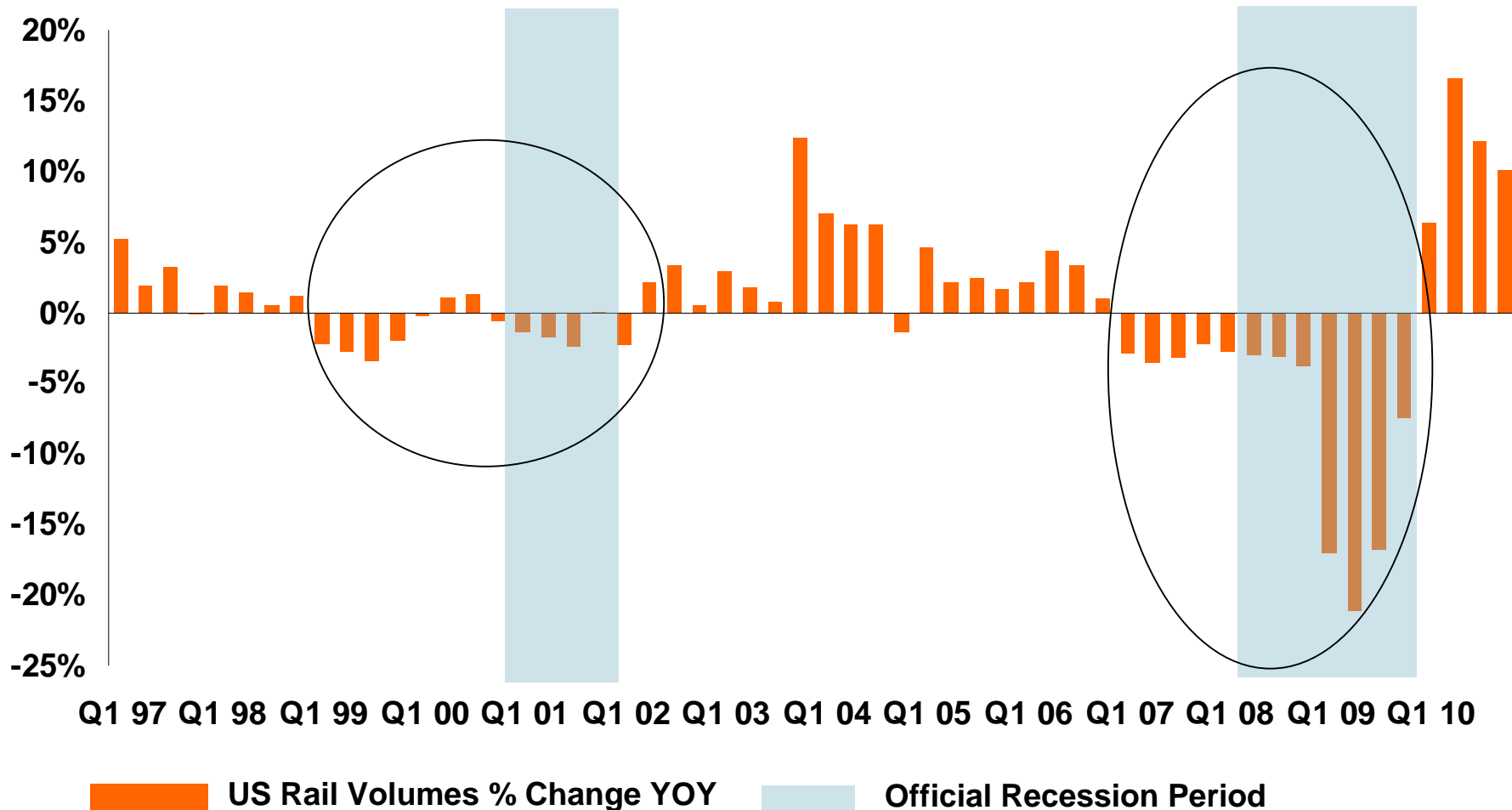
Recession



Rail Traffic and The Business Cycle

U. S. rail volume growth receded from Q4 '06 to Q4'09, but it is now showing significant improvement

US Rail Volumes vs. Recession Periods



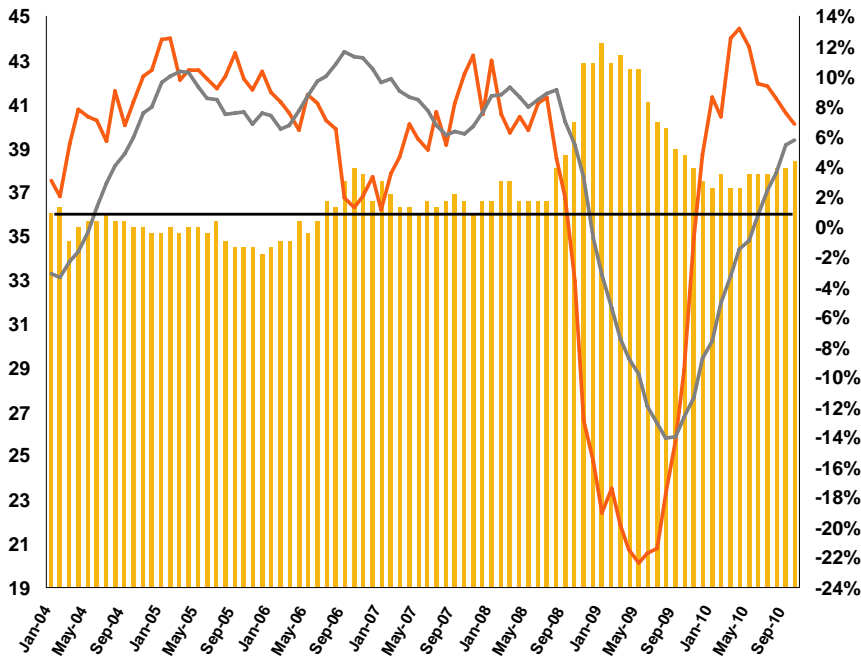
The Supply Chain and the Inventory Cycle

After 4 years of corrections, factory stocks are close to balance, but retailers cut stocks historically low

Manufacturing Inventories vs. Sales

October 2010

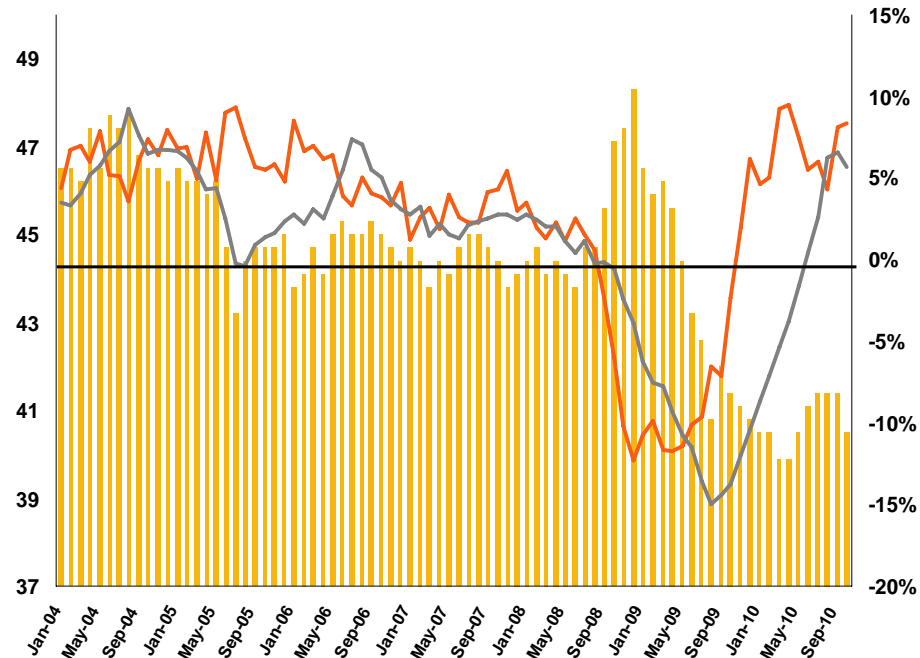
- Mfg Inventories Days Supply (Left Axis)
- Mfg. Sales Growth (Right Axis)
- Mfg Inventory Growth (Right Axis)



Retailers Inventories vs. Sales

October 2010

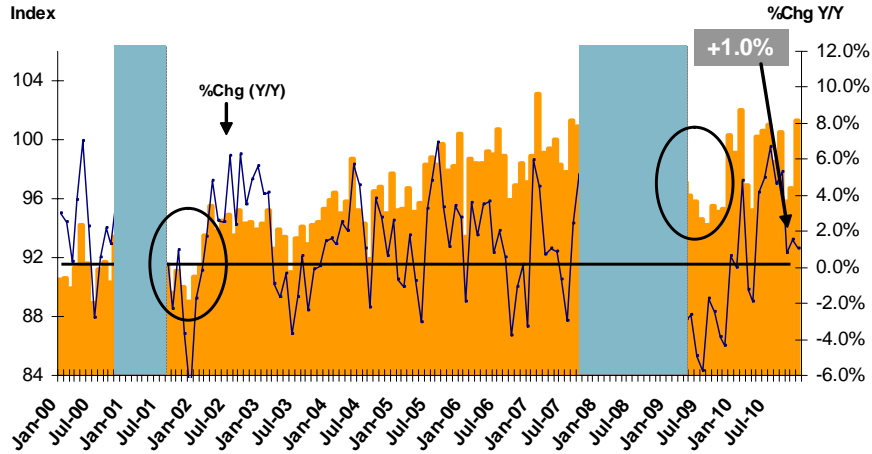
- Retail Inventories Days Supply (Left Axis)
- Retail. Sales Growth (Right Axis)
- Retail Inventory Growth (Right Axis)



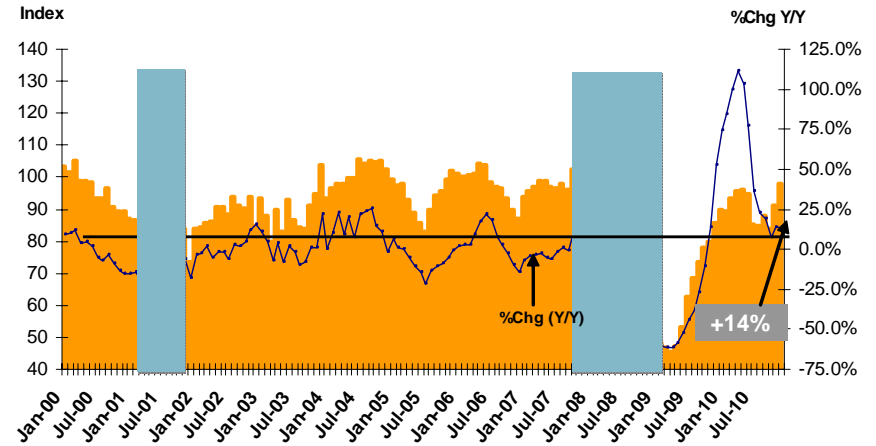
Manufacturing Industry Output - By Selected Sectors

The recession was broad-based. Most of the subsectors are expanding, but the recovery is uneven

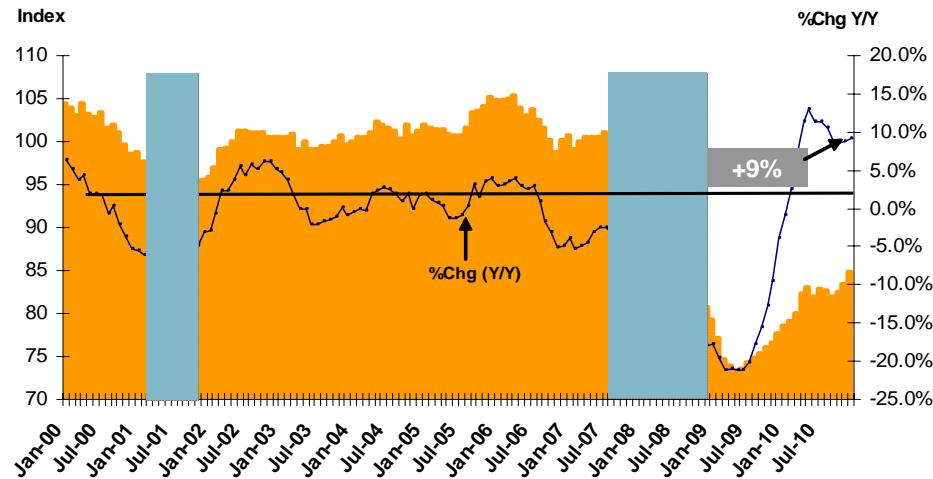
Utilities - Electric Power Generation
Thru December 2010



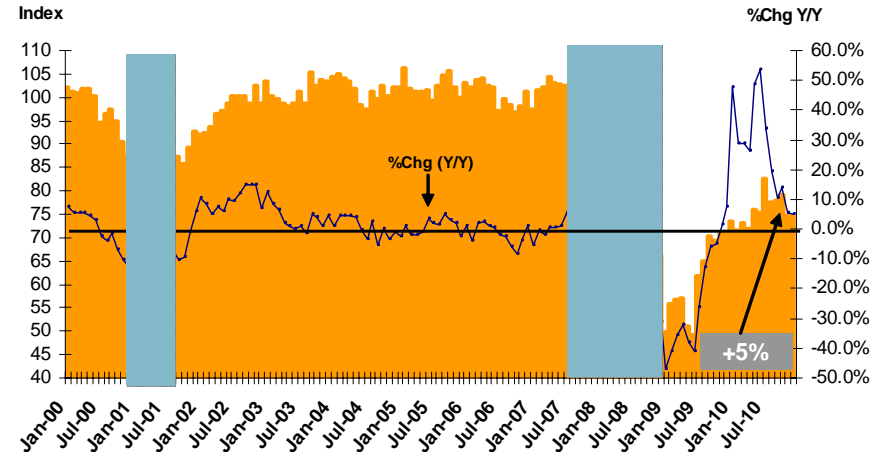
Steel Production
Thru December 2010



Plastics Production
Thru December 2010



Motor Vehicles & Parts Production
Thru December 2010

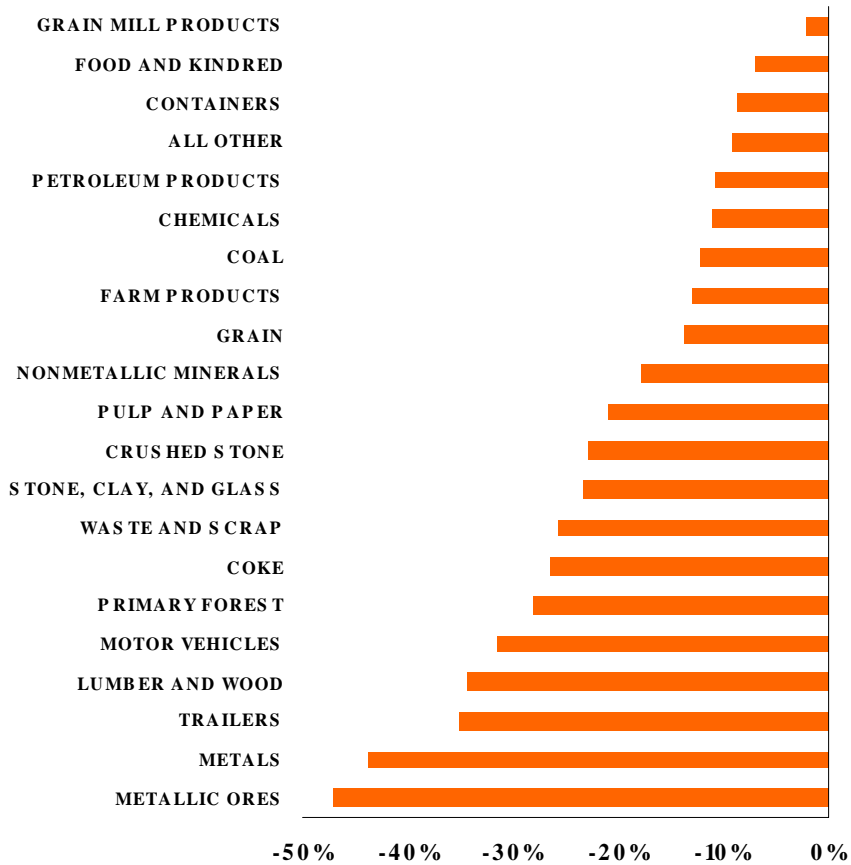


Rail Industry Volumes By Sector

The recession was broad-based. In November, 16 out of 21 rail subsectors expanded vs. 21 of 21 in April

U.S. Class I Railroads

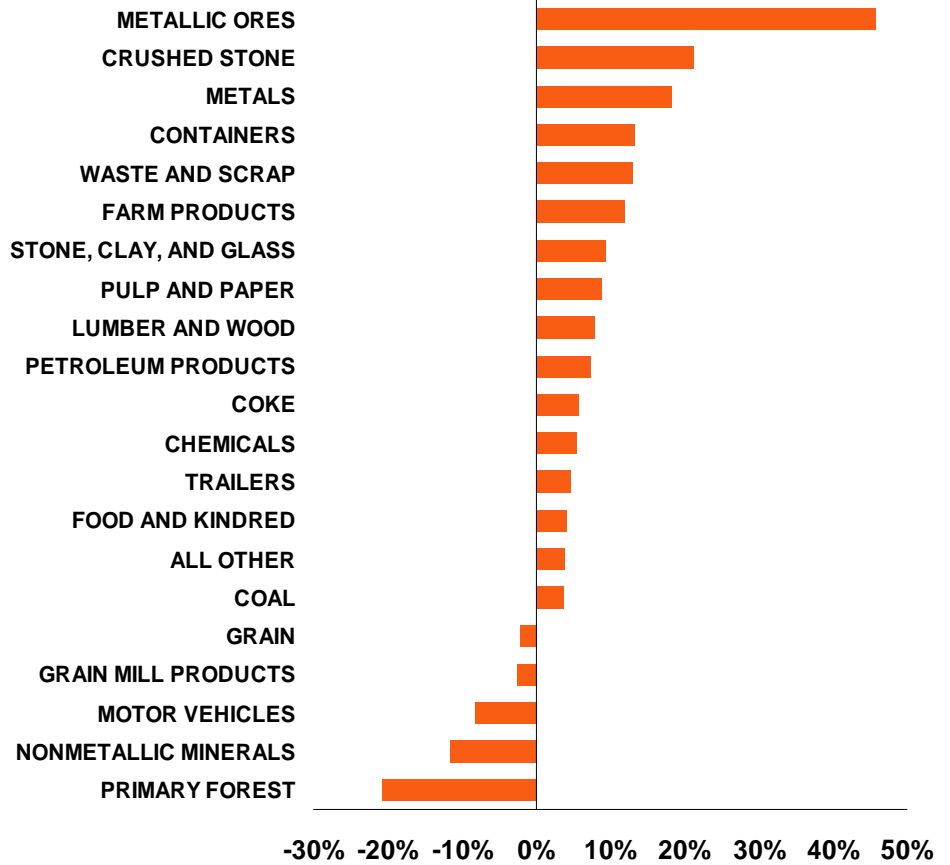
2009 Units



(Y/Y Percent Change)

U.S. Class I Railroads

Most Recent 4 weeks ending Nov 27, 2010 vs. 2009

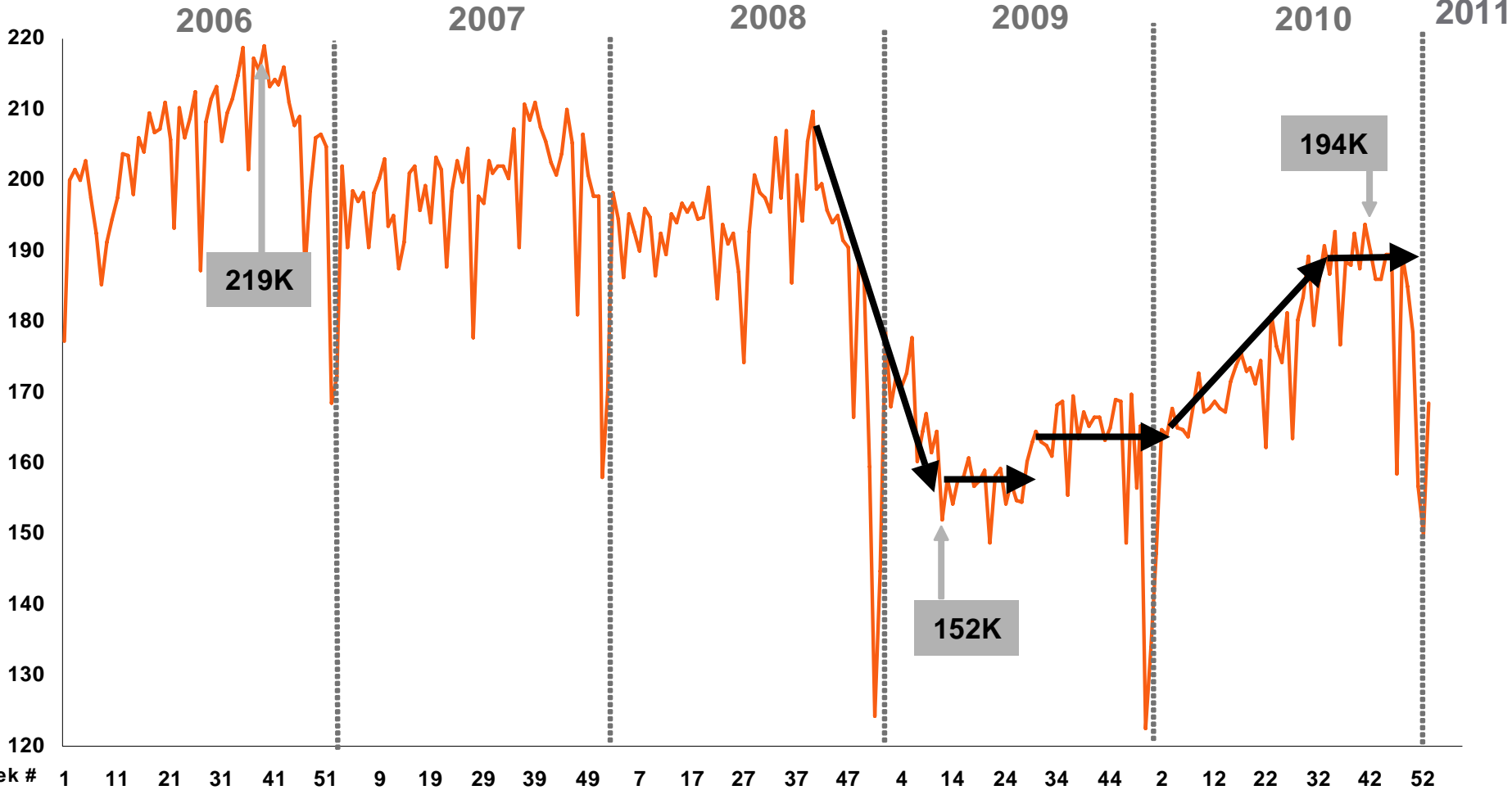


BNSF Weekly Volume Trends

Weekly traffic reflects continued slow recovery: 2010 peak was 194K in mid-Oct, 62% of the way back

BNSF Railway Units CS54

Thousands



Note: Peak of 219K occurred during the week ending 9/30/ 2006



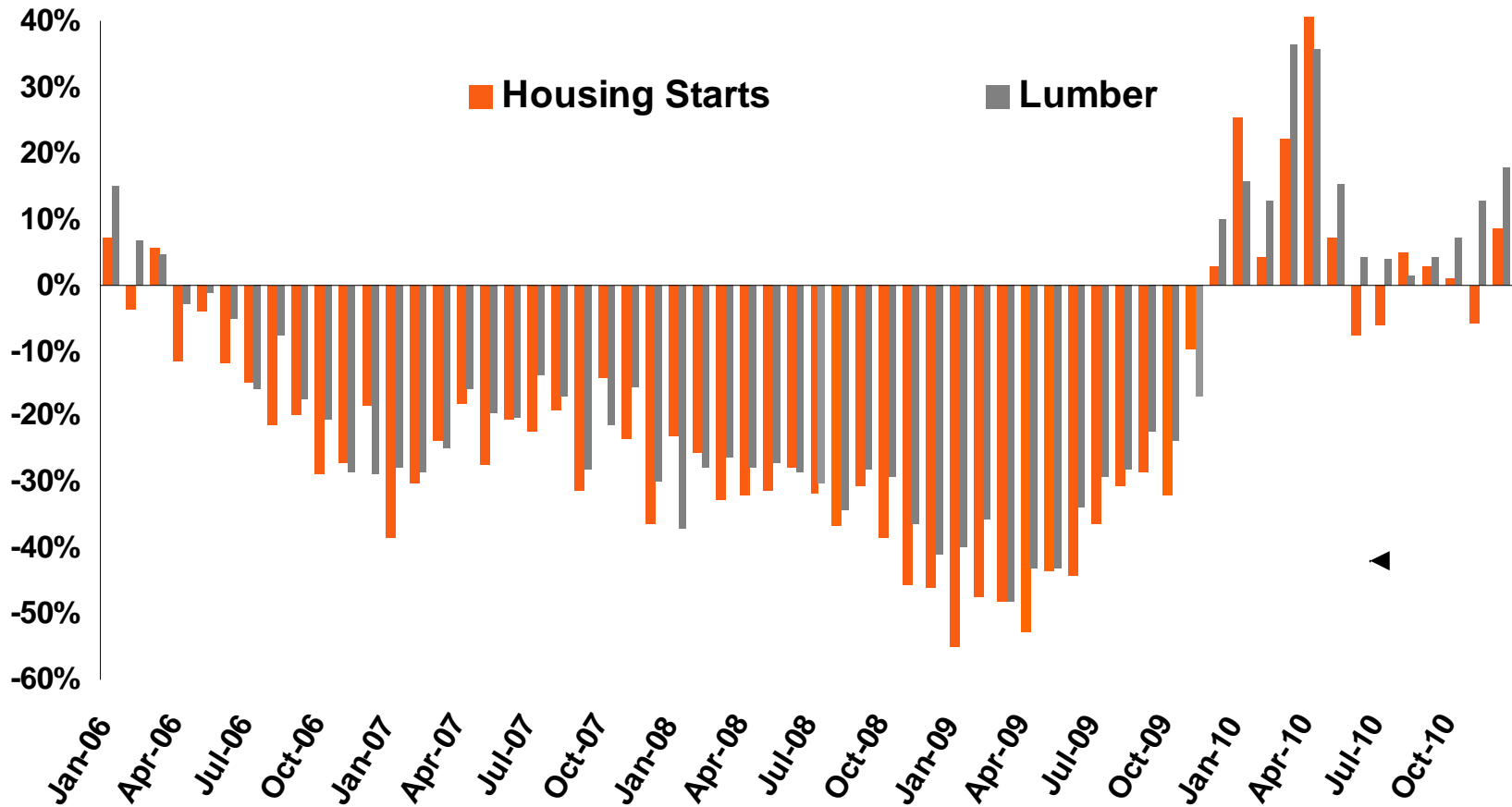
Source: Association of American Railroads (AAR); CS54 Data thru 1/8/2011

Housing Market

The housing market is fragile: Lumber traffic growth weakened after expiry of tax credits

Housing Starts vs. Lumber Units

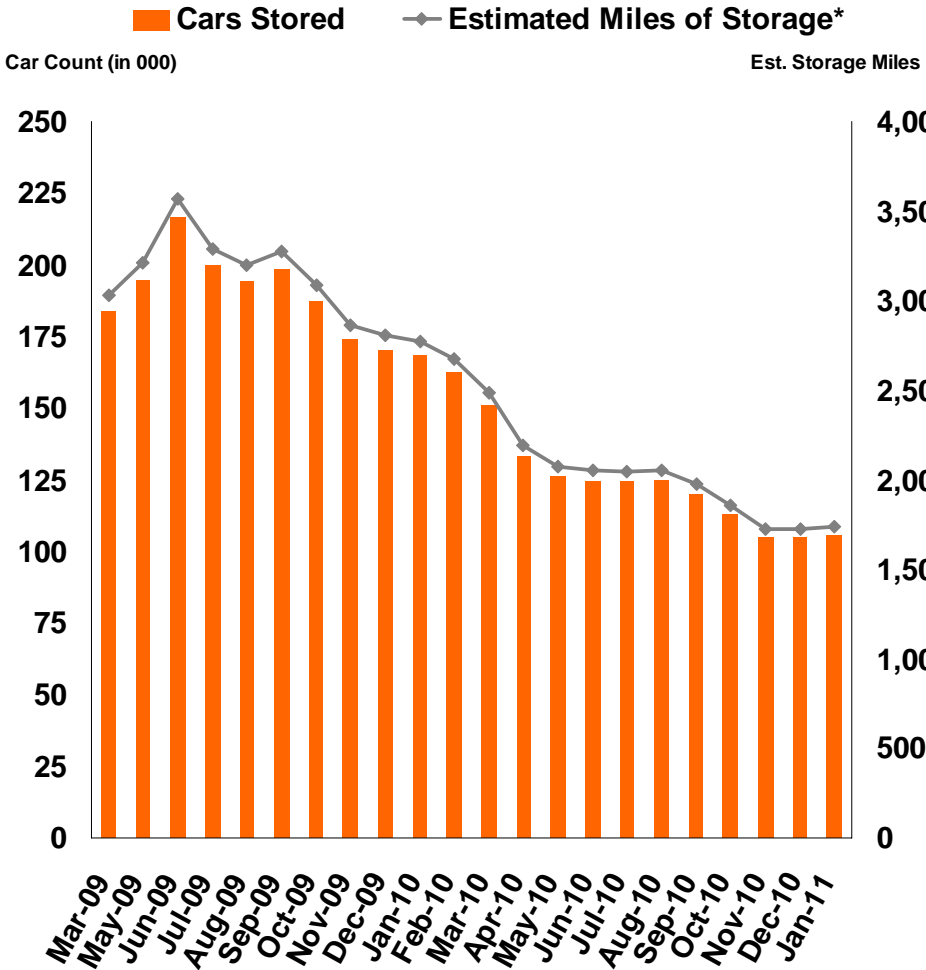
% Change YOY



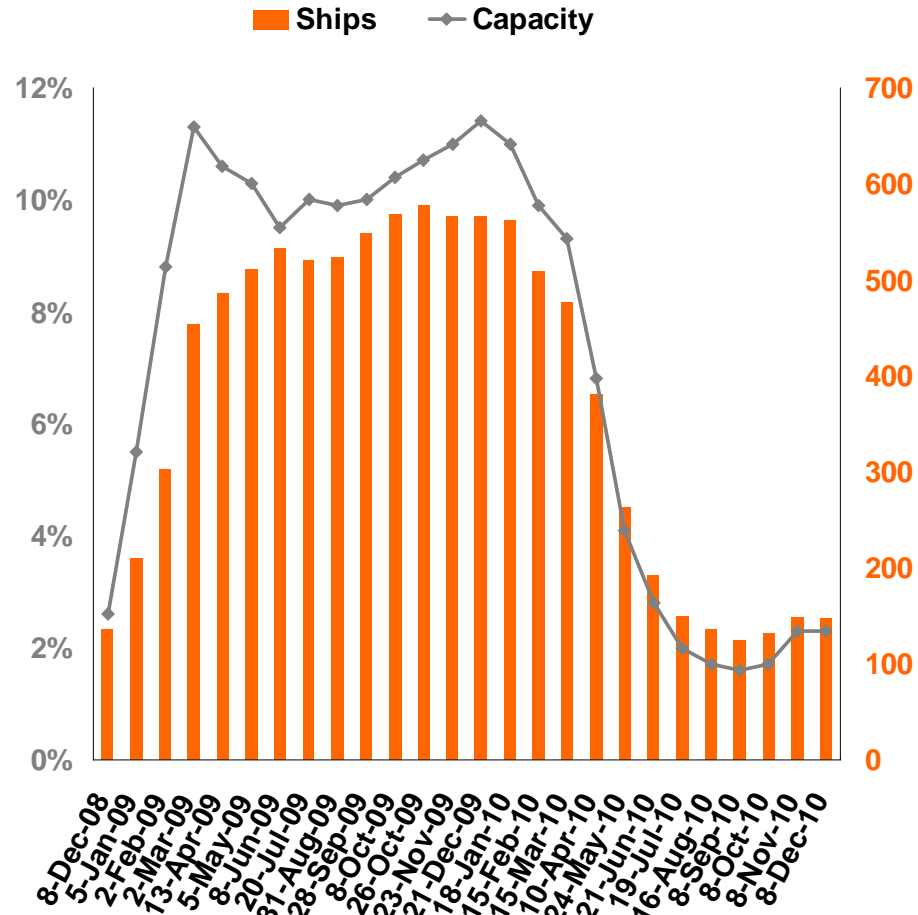
Rail and Steamship Capacity Trends

Equipment slack was high by historic standards. Storage reductions were negligible in Nov-Jan

Railroad-Owned Cars in Storage (Past 60 Days)



Steamship Laid-up Capacity

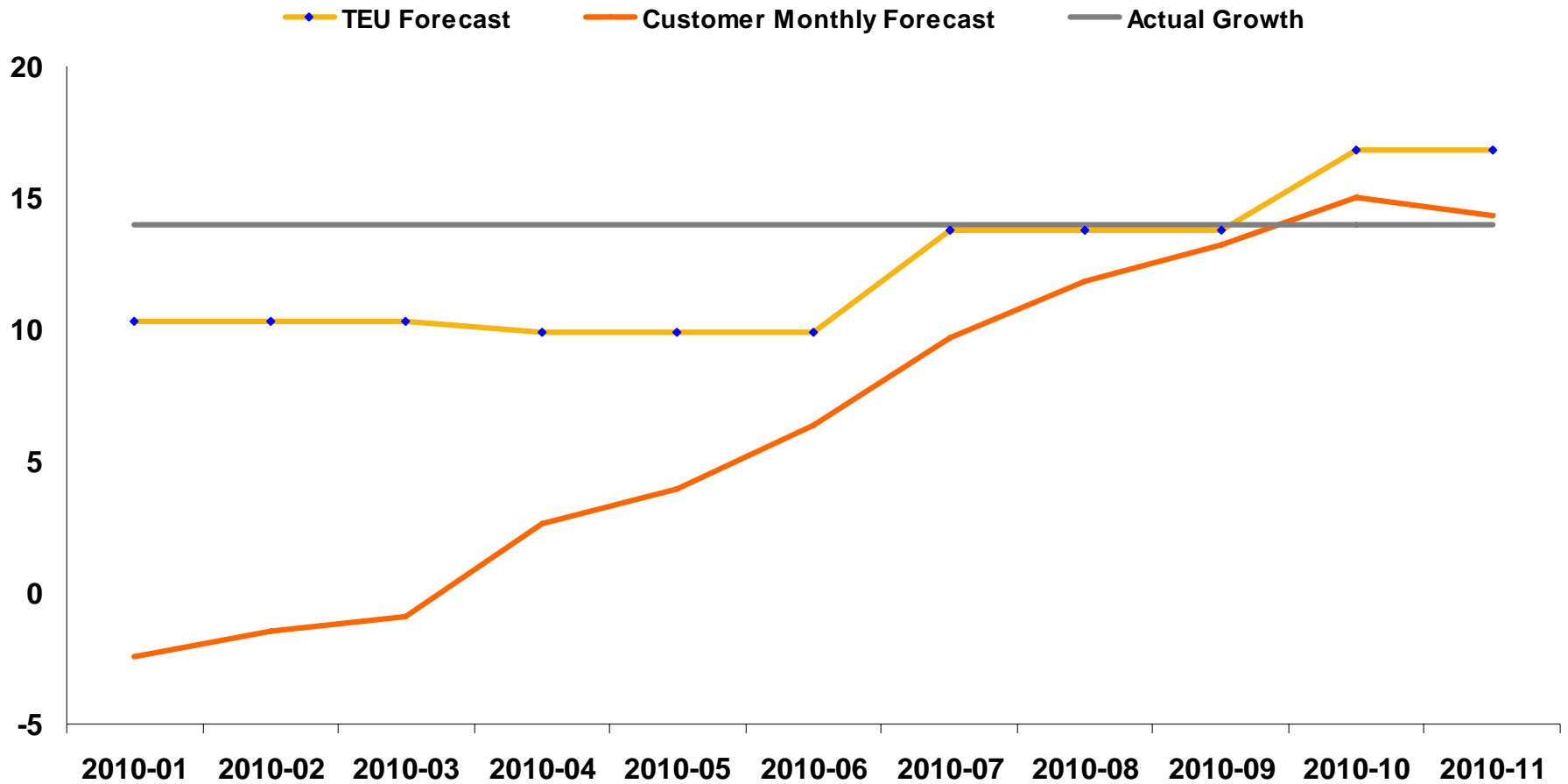


Merchandise Imports

Many steamship customers in transpacific trade had trouble seeing a 2010 recovery due to balance sheet issues

West Coast Container Imports (Annual 2010 Growth)

% Change YOY



Railroad Planning Process

When committing operating resources, accurate and detailed shipper forecasts are important

Planning and Forecasting Process at BNSF Railway

Daily, Weekly, Monthly, Annual, Long Range Economic Outlook

