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RTA 2025 Wood Tie Outlook: A Strong Finish to 2024, Uncertainties That Could Shape the Market Ahead

VICKSBURG, Miss. — The wood crosstie and timber market closed out 2024 on a high note, driven by robust purchases, increased production, and a recovery in inventory levels (Figure 1). Looking ahead, the Railway Tie Association’s (RTA) 2025 outlook projects steady wood tie demand through 2026. However, a mix of potential headwinds and tailwinds still presents uncertainties that could shape the market’s trajectory (Table 1).

Key Drivers of a Strong 2024

Several factors contributed to a strong 2024:

- The U.S. economy is strong, with a predicted annual GDP growth rate about 2.8 percent for 2024.
- Interest rates also moderated due to disinflation.
- A strong demand for ties was timely for many hardwood sawmills, as they experienced less than ideal demand for many other commodities: flooring, pallet stock, lumber, etc., throughout 2024.
- Additional demand, partly attributable to Consolidated Rail Infrastructure and Safety Improvements (CRISI) grants for short line railroad improvements and unforeseen natural disasters forcing railroads to rebuild to restore service.

Labor Market Trends in 2024

In 2024, the job market stabilized with an unemployment rate around 4.1 percent over the last several months, while the labor force participation rate finished the year at 62.5 percent. In total, the U.S. economy added about 2.2 million jobs. But the manufacturing sector—and wood manufacturing specifically—lost about 1 percent of its workforce (Table 2).

The Role of Tariffs and Exchange Rates

Tariffs aim at creating more jobs in domestic manufacturing. However, this intention may not work if the U.S. dollar appreciates against the currencies of the United States’ trading partners. If the dollar depreciates, consumers will face increased prices not only due to tariffs but also due to dollar depreciation, as they must spend more dollars for the same foreign product. This may cause inflation to spike more than anticipated from the import duties themselves, potentially forcing the Federal Reserve (FED) to change course from lowering interest rates to holding or even increasing their rates.

Consumer Demand and Railroad Performance

Consumer demand is important for railroads. Demand for finished goods translates to intermodal traffic, transporting vehicles, and building materials for housing—such as lumber—among others. During the last

decade, the share of intermodal carloads rose from 47 percent to 55 percent, while share of industrial materials (coal, metallic and non-metallic materials) declined from 31 percent to 21 percent. With coal production predicted to be only marginally up in 2025 and 2026, as well as other industrial activity, the shipment of consumer-related products becomes an increasingly larger portion of the railroads' revenue. This in turn provides funds for track maintenance and tie demand.

In 2024, strong consumer spending manifested itself in higher intermodal traffic on the railroads, increasing by 9.3 percent and more than offsetting the decline in shipments of coal and other industrial materials (Source: Association of American Railroads, week 52 report).

Challenges Facing Hardwood Sawmills

Long-term hardwood sawmill health is a formidable concern as the number of operators that closed in 2024 is a direct reflection of the contraction of the marketplace, overall. Total domestic consumption of hardwoods for 2024 is estimated at just below 6 billion board feet (Source: Hardwood Market Report), compared to double that at the turn of the century (1999=12.9 billion board feet).

Figure 2 illustrates the stagnation of hardwood sawmill outputs via the Hardwood Market Report Demand Index. With fewer operators in place today, and with any slight change or disruption in tie demand, remaining operators will not be able to respond rapidly, thus creating a potential for a short-term shortage is plausible.

Impact of the CRISI Program

Additional questions with a direct impact on tie demand remain about the CRISI program. Early RTA estimates suggest that this program contributed to tie demand of more than 0.5 million ties in 2024. It is not clear to what extent the new administration will alter the CRISI program. Railroads in the Southeast lost nontrivial portions of their network with the potential to disrupt shipping to some manufacturers. It is unclear whether these railroads will rebuild and to what extent. But if they do, there could be a higher demand for ties due to that reconstruction.

Uncertainties for 2025 and Beyond

However, with the incoming administration, uncertainty rises for the future course of inflation, interest rates and, potentially, economic growth. While there is increased uncertainty about to what extent the proposed policies will be implemented, RTA assumes the following in its outlook:

- Only selective “surgical” tariffs.
- Minimal disruption from workforce immigration policies.
- Continued Federal Reserve policies, including two interest rate cuts in 2025 (Source: FED dot plot).
- A reduction in CRISI funding to half of 2024 levels by 2026.

Outlook for Tie Demand

In 2026, RTA incorporates the reduction of the funds available through the CRISI program to about half of 2024 levels. RTA's tie demand forecast is outlined in Table 1.



Table 1
New Wood Crossties (in thousands)

Year	Real GDP	Class 1 Purchases	Small Market Purchases	Total Purchases	Pct
2022	2.5%	14,797	3,599	18,397	-1.9%
2023	2.9%	13,040	6,137	19,176	4.2%
2024	2.7%	13,475	6,604	20,080	4.7%
2025	2.0%	13,553	6,341	19,894	-0.9%
2026	2.0%	13,503	5,929	19,432	-2.3%

Table 2

Employment Change: Dec. 2023 to Dec. 2024	
Industry Sector/Sub-sector	Pct. change
Health care and social assistance	4.1%
Construction	2.4%
Residential building construction	2.9%
Government	1.9%
Manufacturing	-0.7%
Wood product manufacturing	-0.9%

Figure 1

Table of Annual Observations
Production and Purchases are 12 months rolling totals, Inventory and ISR are 12MMA

Date	Production	Purchases	Inventory	ISR
November 2023	22,420	19,145	15,045	0.79
November 2024	24,294	21,481	18,554	0.90

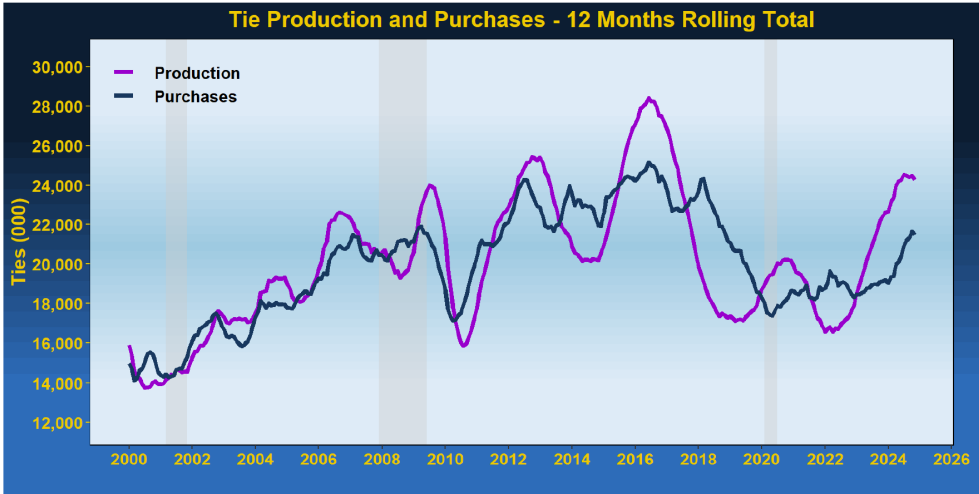


Figure 2

HMR DEMAND INDEX (HDI)

