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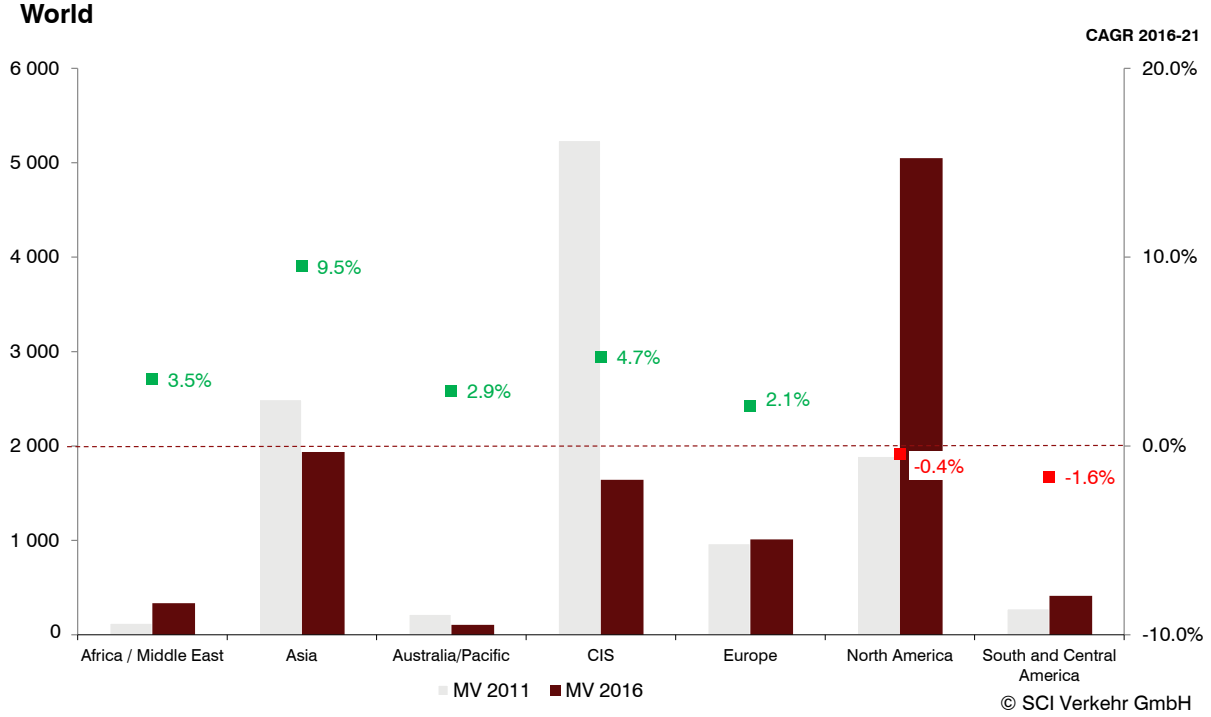
Freight wagons worldwide: Ownership structure is changing in a growing but volatile market

[13.12.2017] Leasing companies, and no longer the railway operators themselves, increasingly procure freight wagons in Europe, North America or the CIS. In comparison to the leading markets, in Asia alone the rail operators still dominate as the owners and purchasers of their vehicle fleets. After declines in recent years, the global demand for new freight wagons is recovering and will grow at an average of just under 3% over the next few years. However, this is an average, with widely differing demand cycles in the different regional markets. In 2015, an intermediate high in North America almost compensated for the massive decline in demand in both, Russia and China. While the market is weakening again in North America, procurement in Russia and China has been picking up. In contrast to other segments of the rail vehicle market, demand for freight wagons reacts directly to economic cycles and related changes in transport demand. In the current study "Freight Wagons – Global Market Trends", SCI Verkehr analyses the respective developments in the different market regions.

Market Volume OEM 2011 and 2016 and CAGR 2016-2021 [EUR million]
World



The original equipment market (OEM) for freight wagons accounted for around EUR 10.5 billion in 2016, more than EUR 0.5 billion less than in 2014. Compared with all rail vehicle segments worldwide, freight wagons not only account for the largest number of units but also the largest sales volume. The world's major freight wagon markets are traditionally North America, CIS and Asia, home to 80% of the world's fleet and realising more than 85% of all OEM sales. The after-sales market, with a total volume of EUR 15.7 billion, clearly exceeds the new wagon business and will continue to develop positively at an average of 2.4% per year.

The CIS region – which had been the world's largest market for new vehicles until 2013 – currently stands at less than a third of the record volume of well over EUR 5 billion in 2011/2012. The main reason is the collapse in transport performance as a result of the conflict between Russia and the Ukraine. After the privatisation of large parts of the former state railway fleet and the establishment of a rather large number of leasing companies, the CIS market has begun to return to the growth path, but well below the former growth level.

Meanwhile, the North American market boomed from an extremely low level in 2011 and grew at an average of 20% per year. This boom has been mainly driven by a high demand for open wagons (mainly for grain transport) and tank wagons – the latter because of the comparatively poor pipeline infrastructure in some parts of the country. Key customers of freight wagons in North America are leasing companies, with TTX as the most powerful player, which is owned by the major Class I railroads.

After several years of modal shift from rail to road and subsequently declining rail transport in China, demand for new freight wagons has been recovering, leading to a growing Asian market for freight wagons. Most recently, large orders for flat, intermodal and (covered) car transport wagons were awarded. Future growth is also being induced by the Dedicated Freight Corridors under construction in India.

While in North America, leasing companies traditionally account for a very high proportion of the total fleet, in the European market their position has been steadily gaining in importance in recent years. As the incumbent operators are under pressure to increase capacity while cutting asset costs in terms of reducing their fleets, financially strong leasing companies are ready to provide the sought-after modern rolling stock to the highly competitive rail freight market. In the medium to long term, SCI Verkehr expects an equalisation of the rail vehicle fleets of operators and leasing companies.

While the manufacturers in Russia and North America, with the exception of foreign participations, produce almost exclusively for their home markets, the Chinese manufacturer CRRC is increasingly turning to the global export of freight wagons, in addition to servicing its home market. In contrast, the European manufacturing landscape continues to be characterised by consolidation, the last milestone in this process was the merger of the Romanian manufacturer Astra Rail with the Greenbrier Europe / Wagony Swidnica.

The market study „Freight Wagons – Global Market Trends“ is going to be available in English language from 19th December 2017.

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