



**Supposedly stable economic situation in the railway industry: The sector is currently only slightly unsettled, positive expectations still prevail\*.**

\*The survey was conducted between 22 and 28 February, so that the answers were given both before and after the start of the war. The assessments of the railway experts surveyed are correspondingly ambivalent.

The ongoing global crisis mode with a never-ending pandemic, continued fragile supply chains and most recently a war on European soil: The burdens on companies in the rail industry are growing immensely. According to the top managers surveyed, however, this has only a minor impact on the business climate: the current SCI RAIL BUSINESS INDEX - a regular survey of the top managers of the global railway industry by the consulting firm SCI Verkehr - is only marginally down and continues to be at a high level. The decisive factor for this is probably the period of the survey at the end of February, when the entrepreneurs surveyed expressed a quite surprisingly positive expectation of the general business development despite the already looming uncertainties of the geopolitical developments. Asked about the estimated order intake for 2022 and the medium-term future, the companies are unanimous: the majority of the sector expects even fuller order books. However, selected recent interviews from the sector show that supply chains are very largely disrupted due to the war in Ukraine and that prices for selected components are multiplying. This development is not adequately reflected here due to the time frame of the survey.

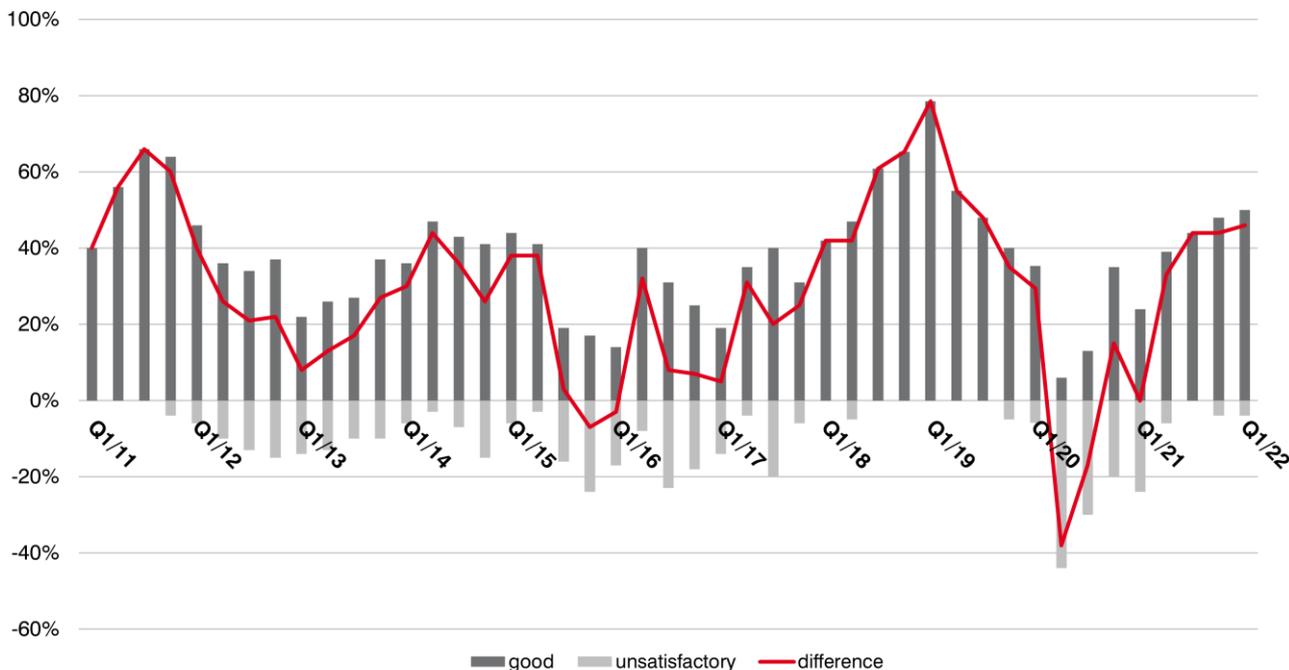
**SCI Rail Business Index**



Source: SCI Verkehr GmbH

Figure 1: SCI Rail Business Index

### Development of current business situation



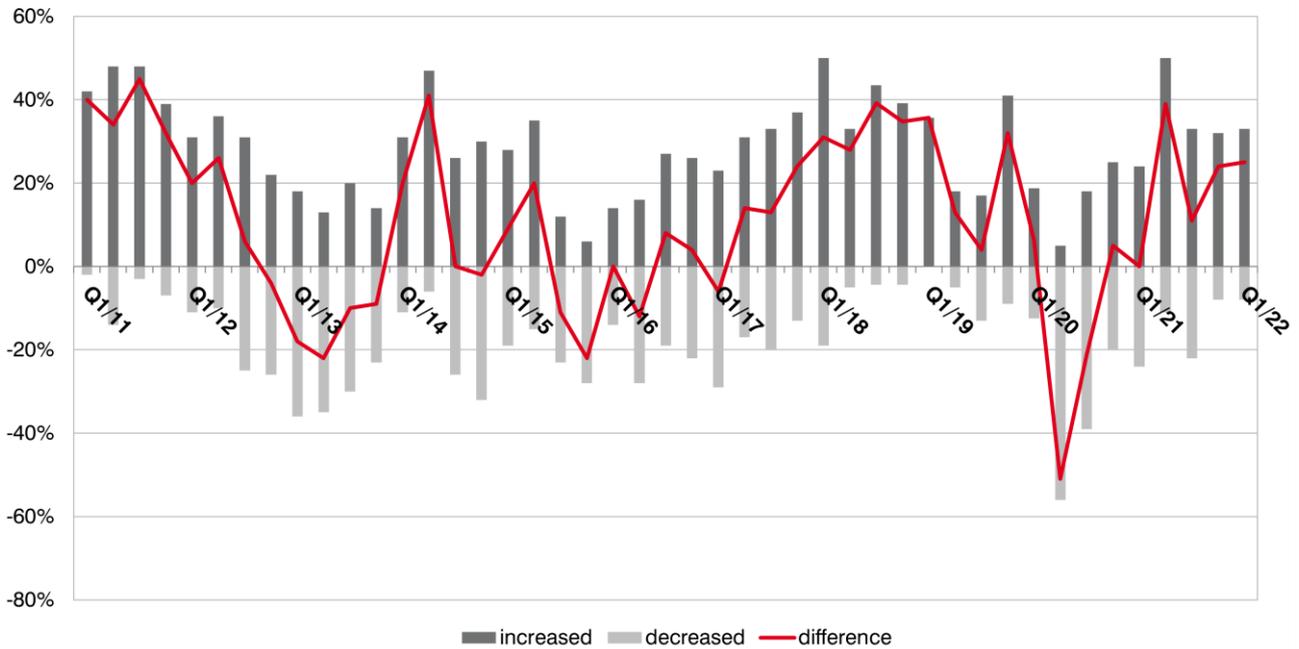
Source: SCI Verkehr GmbH

Up to Q 4/2009, only companies with headquarters in Germany surveyed.

Figure 2: Development of current business situation

Since the beginning of 2021, the assessment of the current business situation has developed positively overall. According to the current survey in the first quarter of 2022 (end of February), the managers surveyed continue to assess the situation positively: 96% rate the business situation as "good" or "seasonal". Only 4% assess the situation as "unsatisfactory". The majority describe the order backlog as "relatively large", which last occurred in autumn 2021. 46% of respondents report "sufficient" order backlogs, 4% must report "too small" stocks. This represents a slight positive shift compared to the previous quarter, when the majority reported only sufficient order backlogs. However, in-depth discussions in the sector showed that looking at the good order situation does not adequately reflect the now growing problems of the sector.

**Demand for products and services**



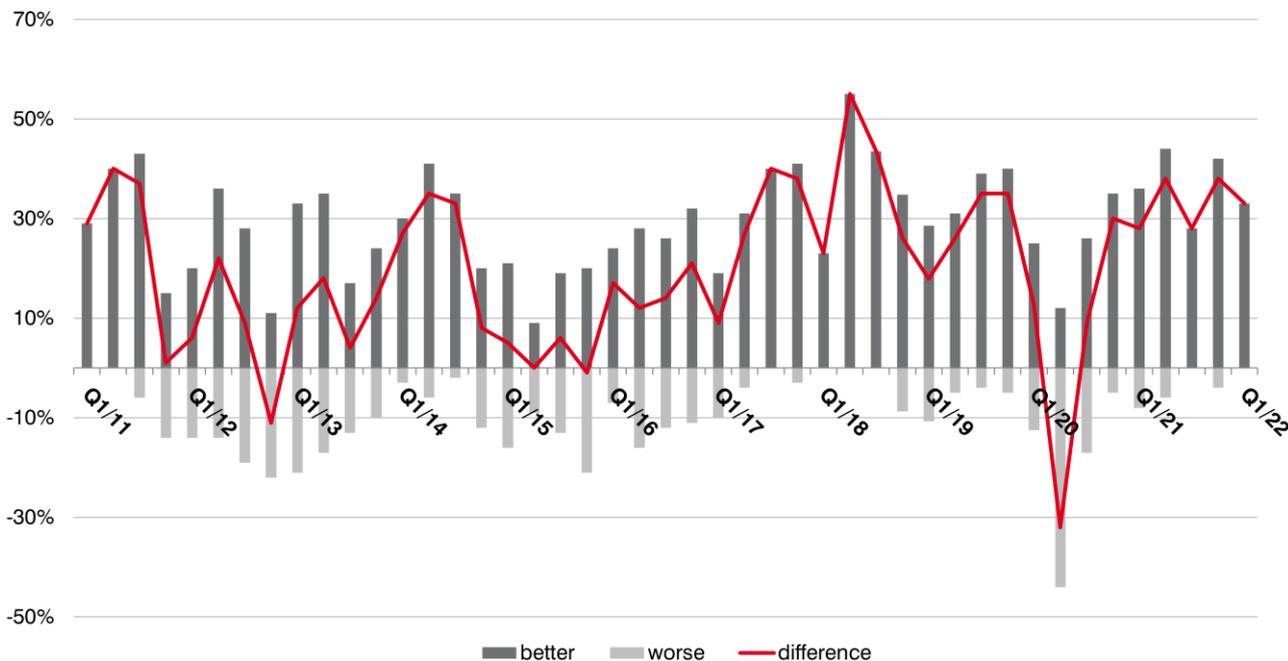
Source: SCI Verkehr GmbH

Since Q3 2020, the reference period for this question is the last quarter (previously: the last 6 months); Up to

Figure 3: Demand for products and services

The assessment of demand for products and services reflects the current situation in the rail industry: the sector is currently stagnating at a high level compared to Q4 2021: 58% of respondents (Q4 2022: 60%) reported unchanged demand for products and services. At the same time, more than one third of managers reported an increase in demand in the past three months (Q4 2022: 32%). This means that a significantly large proportion of 91% of participants continue to report at least unchanged or growing demand for products and services. Less than every tenth respondent reports a falling demand.

### Expected business development in next quarter



Source: SCI Verkehr GmbH

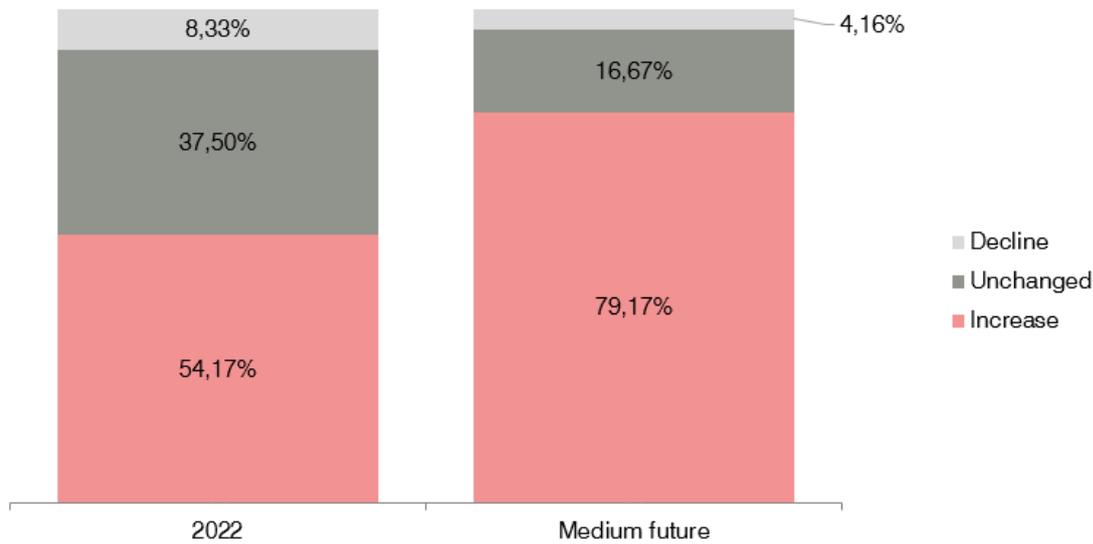
Since the latest survey, the forecast period for this question is the next quarter (previously: the next 6 months); Up to Q 4/2009, only companies with headquarters in Germany surveyed.

Figure 4: Expected business development in next quarter

What do rail industry managers expect from the coming quarter? Even before the widespread consideration of the war, the steady growth of positive expectations of recent months seemed to have come to a halt - this is expected to intensify significantly when the effects of supply bottlenecks, energy price increases and immense price rises reach the industry in full. Interviews are already showing an increase in the price of freight wagons of up to 30% due to supply bottlenecks for wheel sets. Up to now, these have been supplied in Europe to a considerable extent from Ukraine. The uncertainty in the industry regarding the economic and geopolitical changes is already evident here at the end of February: the entrepreneurs surveyed are nevertheless reacting cautiously positively: the majority of the industry representatives surveyed (67%) expect business development to remain the same (compared to the third quarter: 54%), but one third continue to expect a more favourable development and none of the respondents anticipate a less favourable business development.



**Estimated annual development of incoming orders in 2022 and medium future**



Source: SCI Verkehr

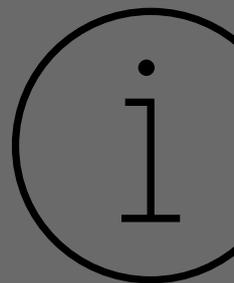
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Figure 5: Estimated annual development of incoming orders in 2022 and medium future

At the end of February 2022, SCI Verkehr asked the top managers of the global rail industry to assess the future development of order intake: In the short term, looking at growth rates over the course of 2022, and beyond that for the medium-term future over the next 3-5 years. Before the war in Ukraine was taken into account across the board, the sector still expected very full order books: for 2022, 54.17% expected an increase in order intake, 37.50% expected an unchanged level and less than one in ten expected order intake to develop negatively in 2022. In the medium term, the railway managers are even more optimistic: almost 80% expect an increase in incoming orders in the coming years. How this will develop against the backdrop of the current world situation remains a matter of speculation. However, it is very clear that the railway industry, with its global supply links, is massively affected by the Russian invasion of Ukraine.

**SCI GLOBAL RAIL INDEX**

The SCI GLOBAL RAIL INDEX is based on approximately 100 reports from representative companies in the global rail industry. The companies are regularly asked to assess their current business situation and their expectations for the coming six months. They can mark their situation as "good", "satisfactory" or "poor" and their business expectations for the coming six months as "more favourable", "stable" or "less favourable". The balance value of the current business situation is the difference between the percentages of the answers "good" and "poor", the balance value of the expectations is the difference between the percentages of the answers "more favourable" and "less favourable". The business climate is a transformed average of the balances of the business situation and expectations.



Kata Borbély  
 SCI Verkehr GmbH  
 Schanzenstraße 117  
 20357 Hamburg  
 Tel.: +49 (40) 50 71 97 18  
 E-Mail k.borbely@sci.de