The railway industry is characterised by a high degree of uncertainty

The SCI RAIL BUSINESS INDEX is showing volatility, thus reflecting the ambiguity of the sector. Optimists and pessimists are dominating respectively at the regular survey of top managers from the global railway industry by consultancy SCI Verkehr. In contrast, the railway industry is agreeing on the evaluation of the declining demand: products and services are being continuously less requested at the companies – a negative trend can be clearly detected since the start of the year. With that in mind, the surveyed are formulating their strategic goals for 2024: digitalisation being named as the leading strategic goal again and the corresponding increase by 17 percentage points compared to the previous year is indicating the urgency. It underlines the persistent restructuring process of the industry as well as its massive backlog.

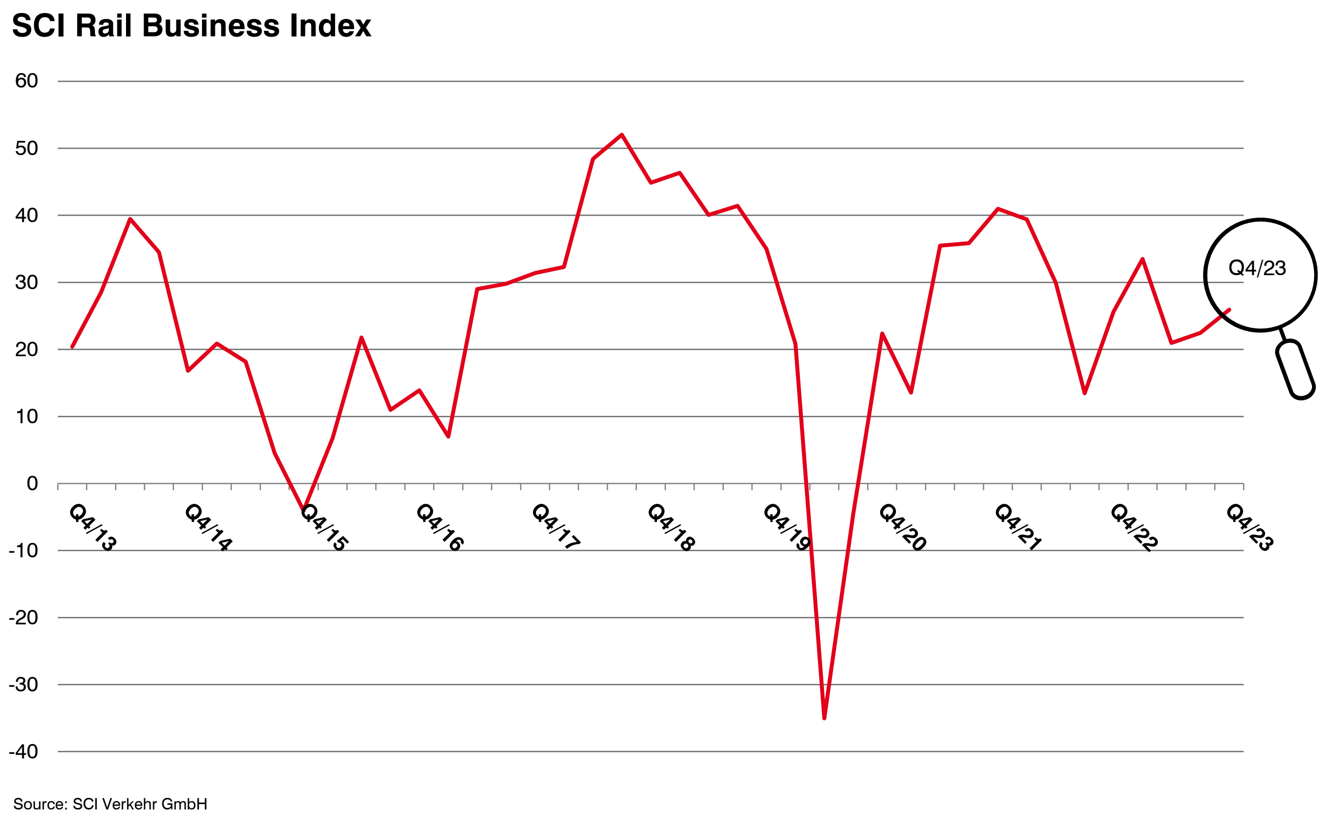
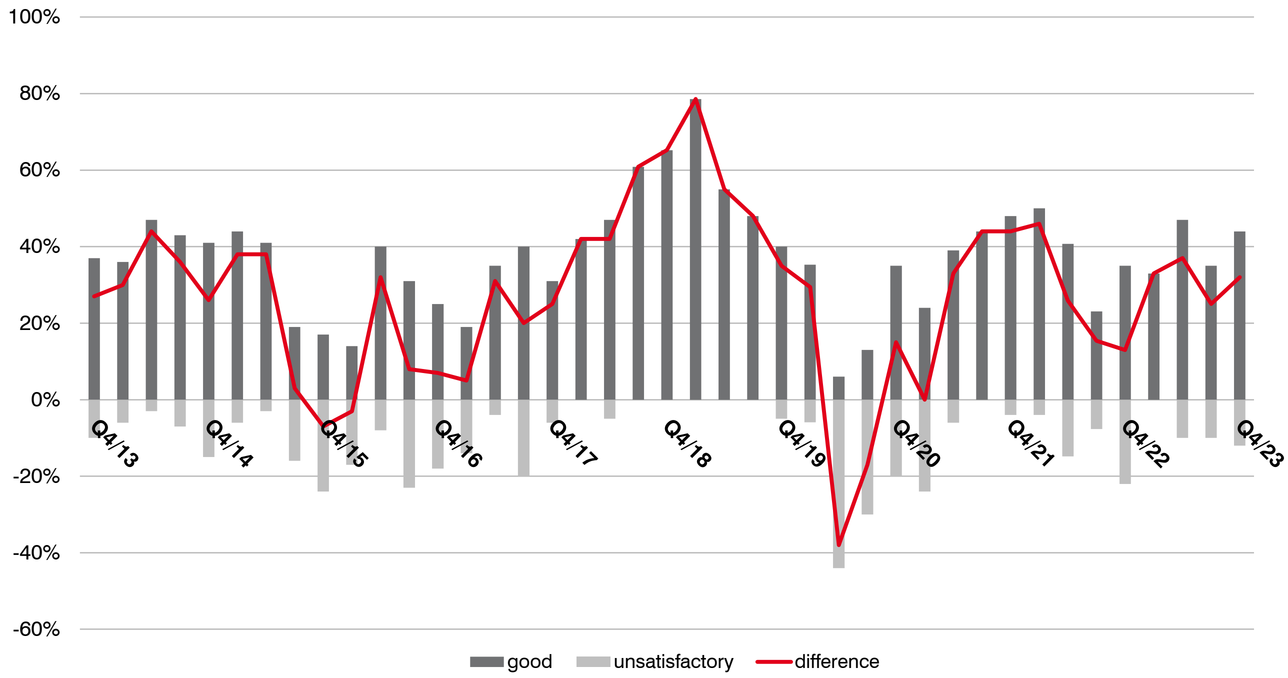


Figure 1: SCI Rail Business Index

Development of current business situation

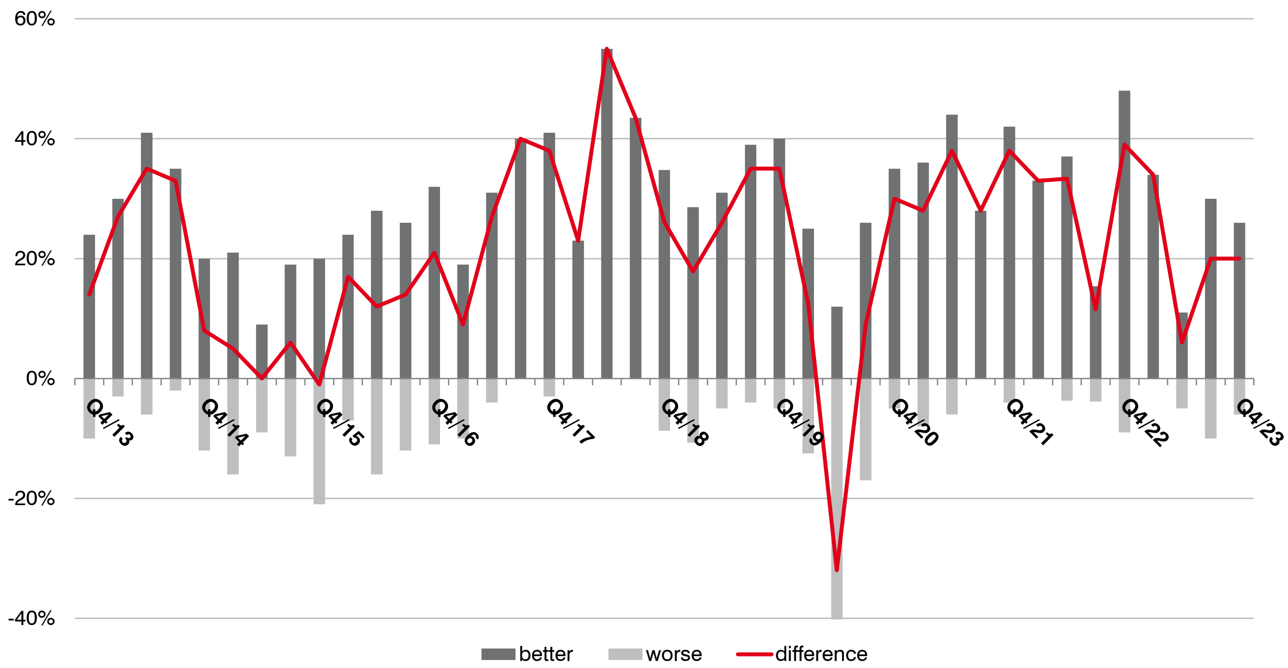


Source: SCI Verkehr GmbH

Figure 2: Development of the current business situation

According to the surveyed managers, the present business situation continues to be positive – compared to the previous quarter, the business situation is even being evaluated better. An equal number of respondents (44% each) stated that the situation is seasonally common or good. About every tenth person (12%) states that the current situation is poor. Taking into consideration the survey from the third quarter, the slight scepticism from autumn cannot be confirmed any longer. In the fourth quarter, more companies reported a good development of the business situation (+9 percentage points). Regardless of the in parts unsatisfactory development of some companies, the index is depicting a stable situation in total: the entrepreneurs are mostly content in the fourth quarter.

Expected business development in next quarter



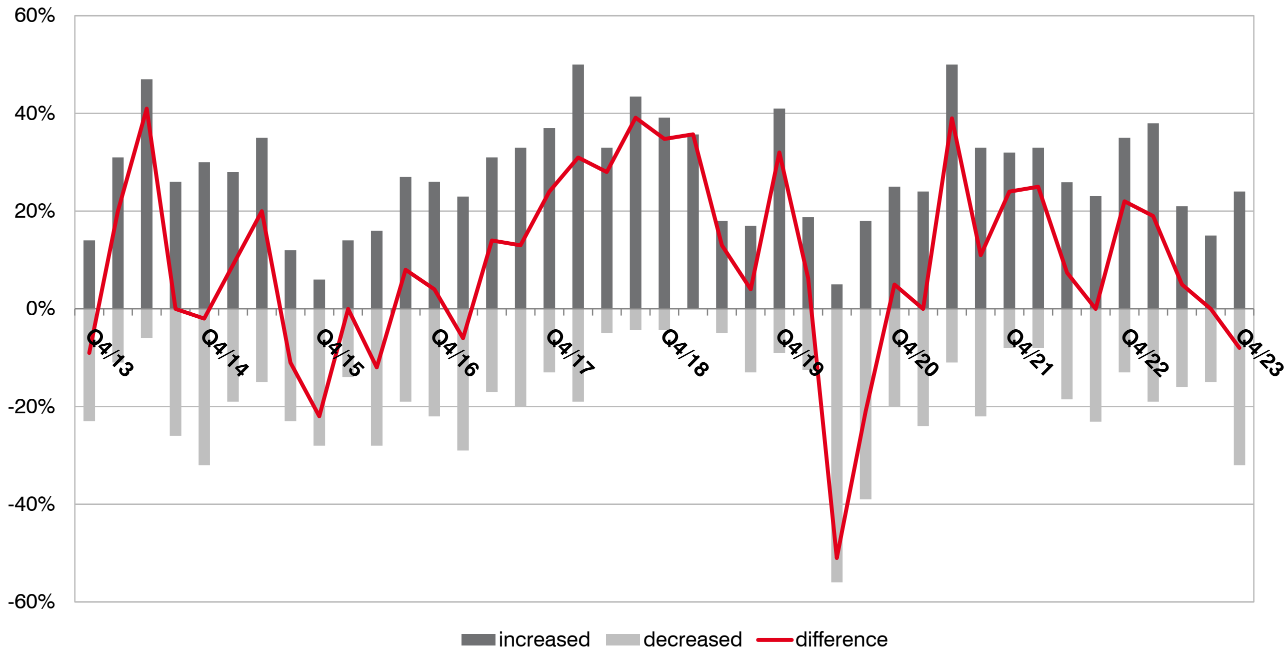
Source: SCI Verkehr GmbH

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 3: Expected business development in the next quarter

When asked about the expectation towards the business development in the next quarter, the entrepreneurs are on the same page: they mostly expect a constant situation. Based on definitely positive expectations for the third quarter, the present table is thus depicting a still constant sentiment. Seemingly not impressed by the economic weak phase, the surveyed entrepreneurs are mostly looking to the coming quarter with an optimistic perspective: At least 94% expect a more advantageous or constant business development, defying the general assessment and the predominating insecurity of the sector. Only 6% of the surveyed expect a less advantageous business development. (Comparison Q3/23: better 30%, unchanged 60%, worse 10%)

Demand for products and services



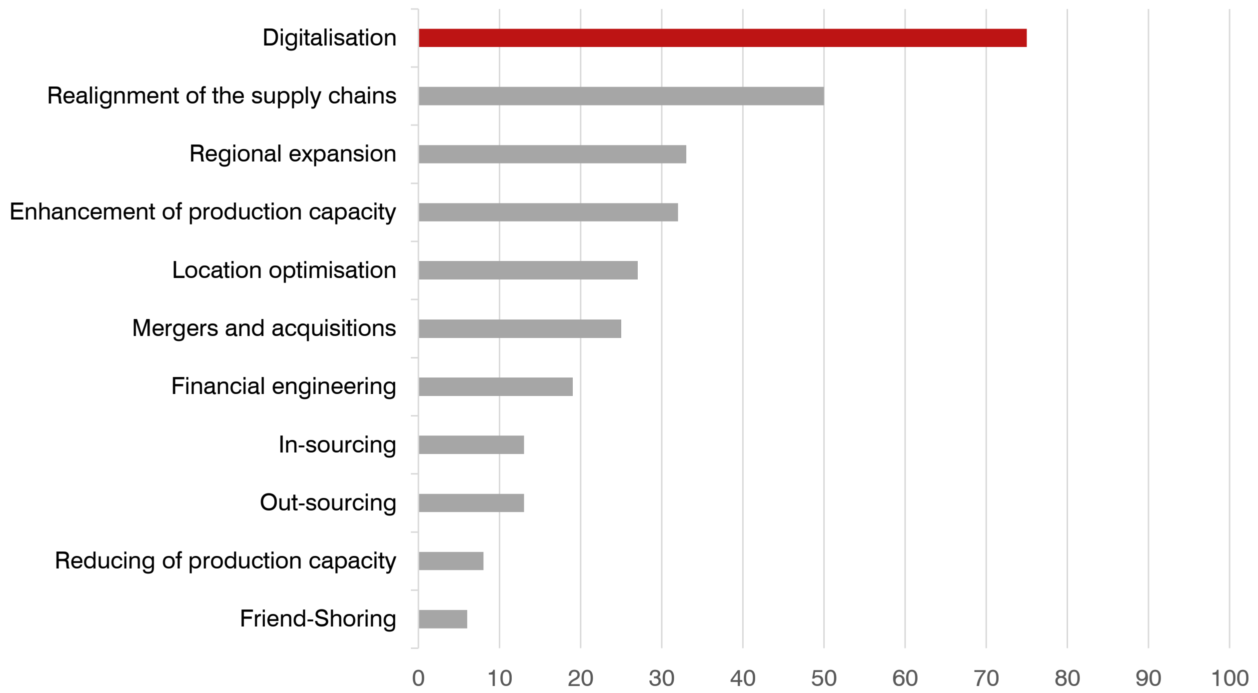
Source: SCI Verkehr GmbH

Since Q3 2020, the reference period for this question is the last quarter (previously: the last 6 months).
Until quarter 4/2009 survey only conducted for companies with headquarters in Germany

Figure 4: Demand for products and services

The demand for products and services has worsened further compared to the third quarter. The index is depicting a generally declining demand for the fourth time and places itself in the negative range. The last time this occurred was in the second quarter of 2020 – at the beginning of the global coronavirus crisis. Although every fourth manager is reporting an increased demand for products and services – which is 9 percentage points more than in the third quarter – the share of surveyed entrepreneurs having to record a declining demand has increased by 17 percentage points at the same time. 44% of the surveyed industry experts are indicating that demand remained unchanged.

Strategic objectives for 2024 (in %)



Source: SCI Verkehr GmbH

Figure 5: Strategic objectives for 2024

At the end of the year, SCI Verkehr has asked the top managers of the worldwide railway industry about their strategic goals for 2024. As was the case in the previous year, the experts put the topic of digitalisation at the top of the list. With influences in both internal company processes as well as in the product development to a higher degree, digitalisation has a broad semantic range according to the assessment of three quarters of the managers. The renewed naming as the leading strategic goal and the increase by the 17 percentage points compared to the previous year are underlining the urgency of the digital transformation. It demonstrates the continuing restructuring process of the industry as well as its massive backlog. In times of persistent radical changes and insecurities, every second surveyed person is planning to review the fragile supply chains and sets their optimisation or even a complete realignment as a strategic goal. In addition to that, every third surveyed expert has set a regional expansion as a goal for 2024.

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.

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