



GLOOMY MOOD IN THE RAIL INDUSTRY – CHALLENGING ENVIRONMENT AND COST PRESSURE SHAPE THE DYNAMIC – NEVERTHELESS, EXPECTATIONS REMAIN POSITIVE

The mood in the rail industry reflects the challenging economic environment in Germany and Europe, which is characterised by uncertainty. At minus 16 points, the assessment of the current business situation is so negative that even the 25-point improvement in business expectations to 10% is not enough to lift the overall business climate index into positive territory. This pulls the Rail Index below zero to minus 3 (for the first time since the coronavirus crisis). The value for expected business development stands out positively in the overall picture. However, despite full order books, the dynamic characterised by bad news, cost pressure and supply chain problems prevails.

SCI Rail Business Index

Quarterly indicator for the economic situation and the future of the global railway industry

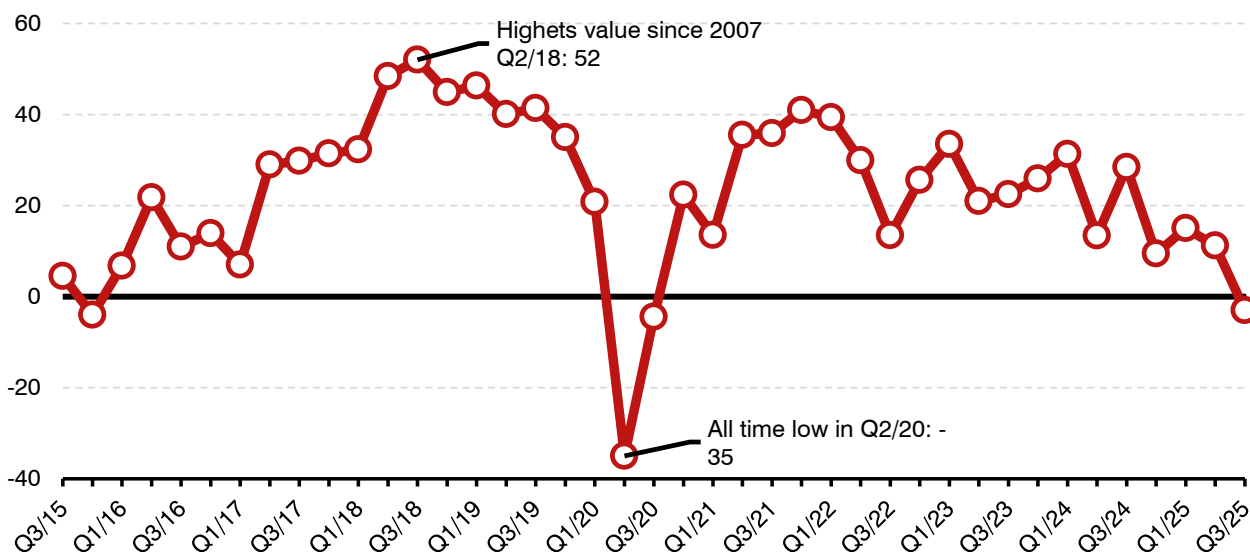
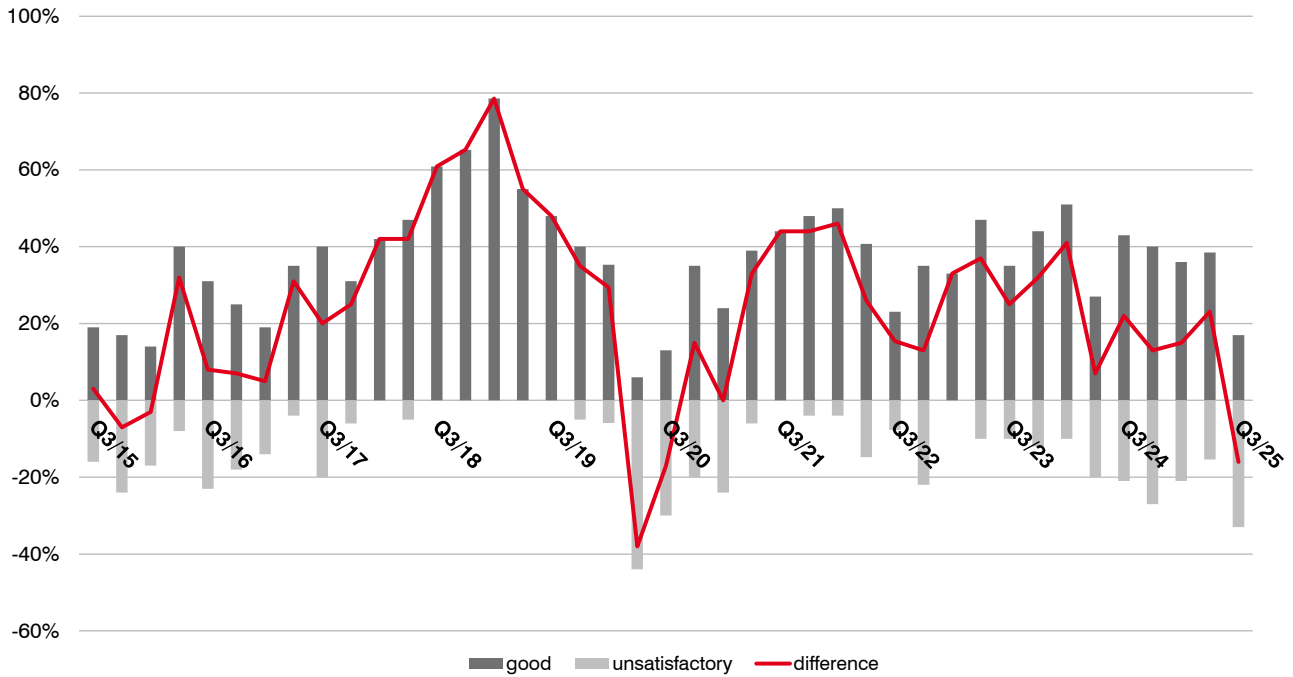


Figure 1: SCI Rail Business Index



Development of current business situation



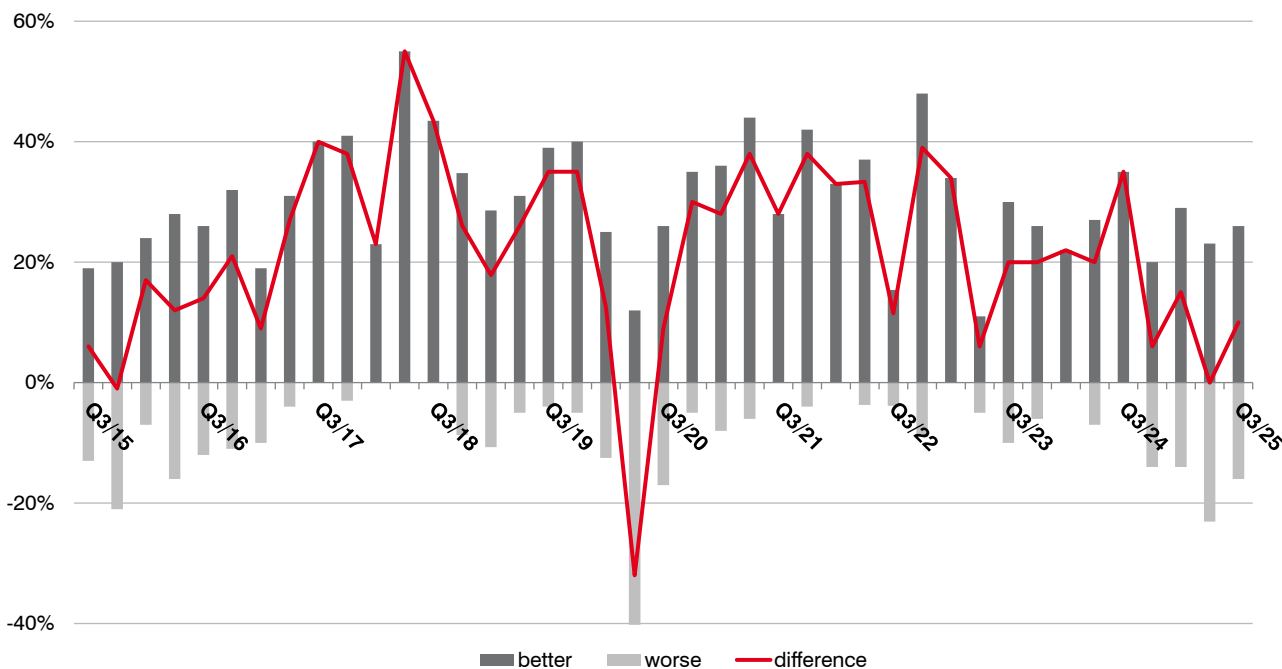
Source: SCI Verkehr GmbH

Figure 2: Development of current business situation

The 23% who expected business to develop unfavourably in the last quarter were right. Currently, only 17% (compared to 38% in Q2) of respondents assess their business situation as positive. Around half of respondents continue to see a seasonal trend, but the group of those who find themselves in an unsatisfactory situation has more than doubled: from 15% to 33% in Q2. Overall, the rating for the current business situation has fallen by seven points to -16%.



Expected business development in next quarter



Source: SCI Verkehr GmbH

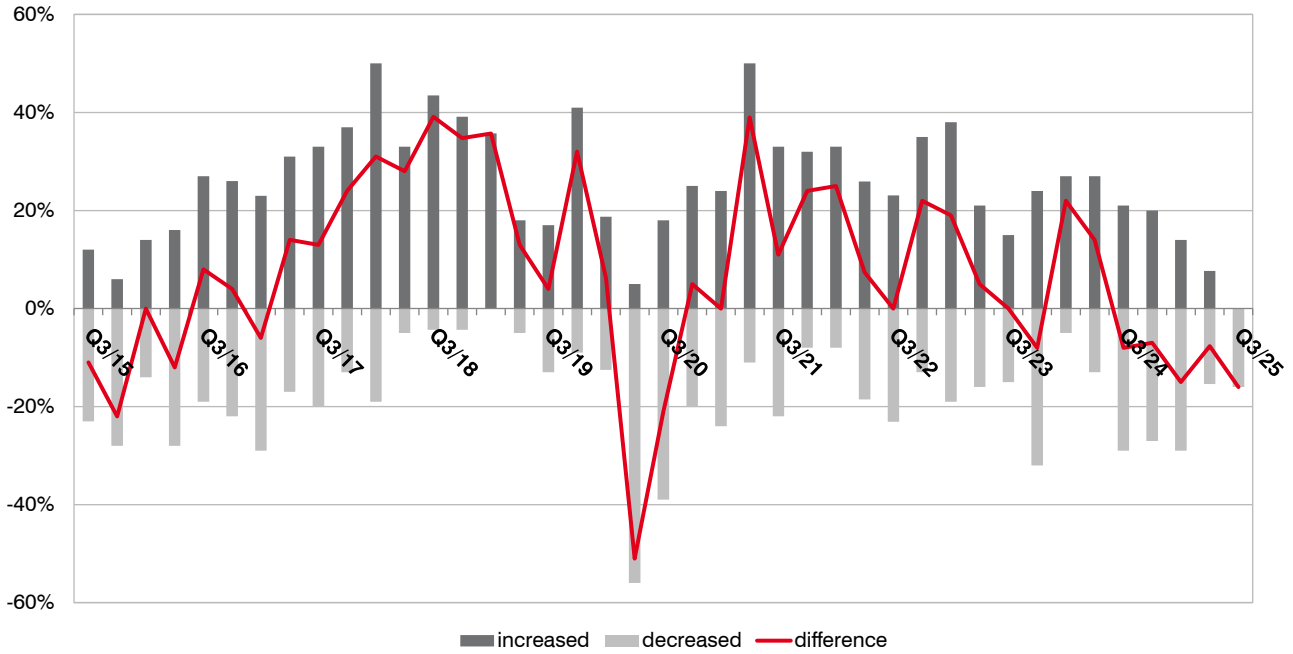
Since Q3 2020, the expectation period for this question is the next quarter (previously: the next 6 months); until quarter 4/2009, the survey was only conducted for companies headquartered in Germany.

Figure 3: Expected business development in next quarter

When asked about current business development, a surprisingly positive assessment of 26% was recorded. This represents an increase of 3 points compared to the previous quarter, when positive and negative expectations balanced each other out, resulting in a zero score. This quarter, the expected business development is positive at 10 per cent. The number of those who expect a more favourable business situation has also risen (26% compared to 23% in Q2). The number of sceptics who expect a less favourable development has fallen from 23 to 16. This brings a hopeful improvement of ten points overall, an upswing that is fuelled not least by expectations for the special fund for infrastructure and climate protection.



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

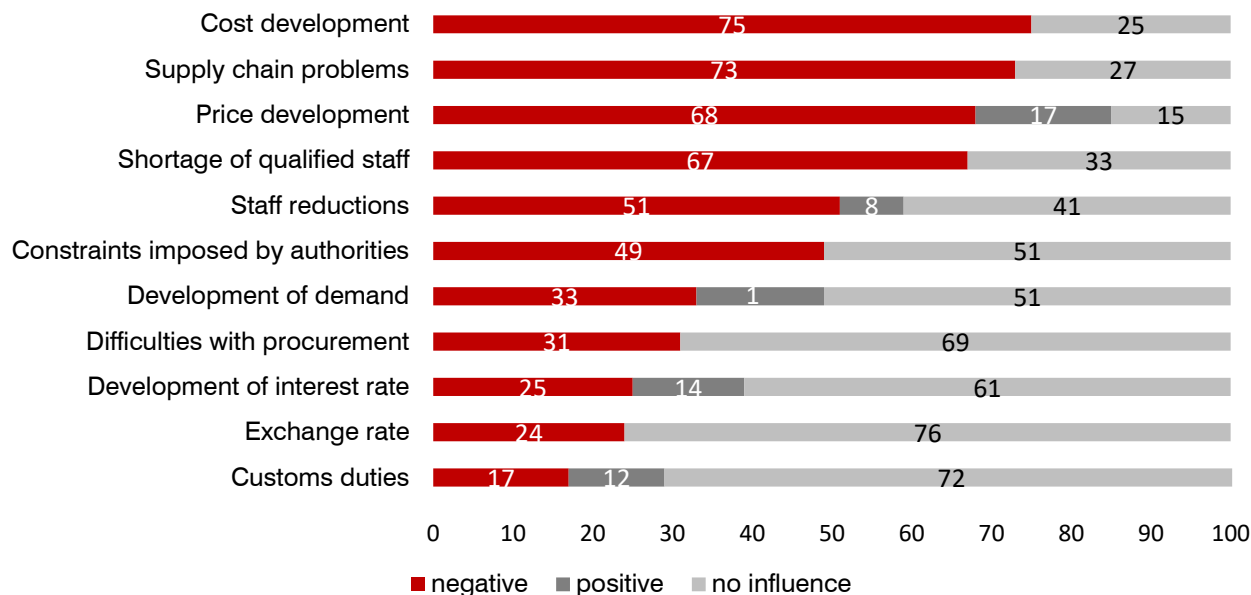
Figure 4: Demand for products and services

The curve for demand for products and services is pointing downwards: while a good 8% reported increased demand in the previous quarter, there is currently no increase in demand (0% growth). In addition, 16% consistently report a decline in demand. This, together with the downward trend in positive values, pushes the overall result for demand for products and services down to an unattractive -16%.



Influence parameters of business situation in the last 12 months

(in percent)



Source: SCI Verkehr GmbH

© SCI Verkehr

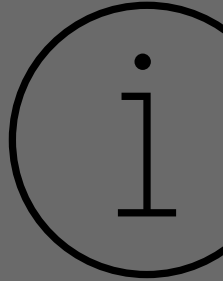
Figure 5: Influence parameters of business situation in the last 12 months

The vast majority of respondents (75% and 73%) cite cost developments and problems in the supply chain as the strongest negative factors. Customs duties, on the other hand, are clearly not the biggest problem, as they rank at the bottom of the negative list. A moderate interest rate policy seems to be well received by companies, with the assessment of interest rate developments ranking third among the positive factors. Overall, the high values for negative assessments (between 75% and 17%) in contrast to the rather rare and lower positive values (between 17% and 8%) point to a very sceptical to poor level of motivation in the industry.



SCI GLOBAL RAIL INDEX

The SCI GLOBAL RAIL INDEX is based on approximately 100 reports from representative companies within the global rail industry. Companies are regularly asked to assess their current business situation and provide their expectations for the next six months. They can rate their situation as "good", "satisfactory", or "poor", and their business expectations for the upcoming six months as "more favourable", "unchanged", or "less favourable". The balance value for the current business situation is the difference between the percentage of "good" and "poor" responses, while the balance value for expectations is the difference between the percentage of "more favourable" and "less favourable" responses. The business climate is a transformed average of the balances for both the business situation and expectations.



Kata Borbély
SCI Verkehr GmbH
Schanzenstraße 117
20357 Hamburg
Tel.: +49 40 507197-18
Mail: k.borbely@sci.de