

Good business sentiment in the sector at the start of the year

The business climate at companies in the global rail sector remains solid and is trending positive. This means that the sector's tentative optimism at the end of 2022 can be taken up for 2023. The reason for the index increase is the significantly more positive assessment of the business situation on the part of the experts surveyed. Flanked by stable demand for products and services and consistently full order books, the sector is optimistic. In the medium term, a further increase in order intake is expected, which is already at a high level. However, it remains to be seen whether this can be achieved against the background of the current economic situation. This is shown by the current SCI RAIL BUSINESS INDEX - a regular survey of top managers in the global rail industry by the consultancy SCI Verkehr.

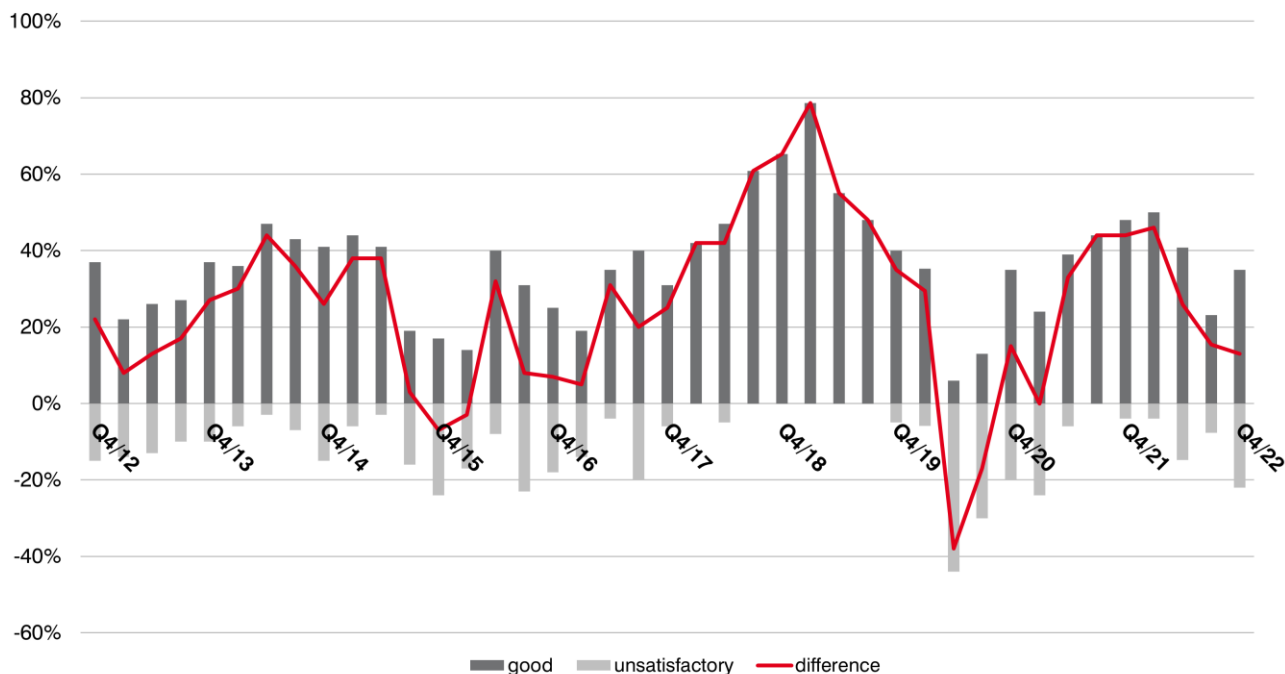
SCI Rail Business Index



Source: SCI Verkehr GmbH

Figure 1: SCI Rail Business Index

Development of current business situation

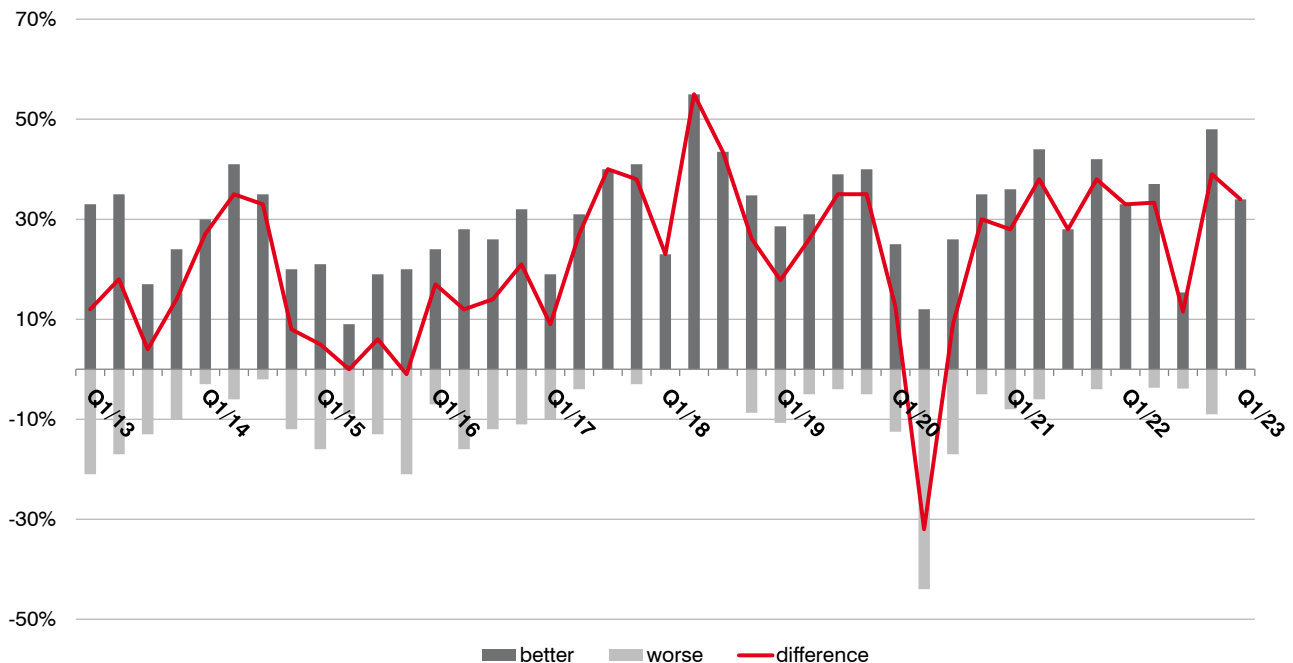


Source: SCI Verkehr GmbH

Figure 2: Development of current business situation

According to the managers surveyed, the development of the current business situation is significantly better overall than at the end of 2022. The majority of respondents state that the situation is normal for the season (64%) or even good (33%.) None of the managers surveyed gave a negative assessment of the current situation. Looking at the survey in the last quarter, this shows a positive development: at the end of 2022, one in five had still reported an unsatisfactory business situation. Feedback on the current order backlog also shows a positive trend. Whereas at the end of 2022, just under one in ten were dissatisfied and reported that their order backlog was too small, respondents now either report a "relatively large" (67%) or "sufficient" order backlog (33%).

Expected business development in next quarter



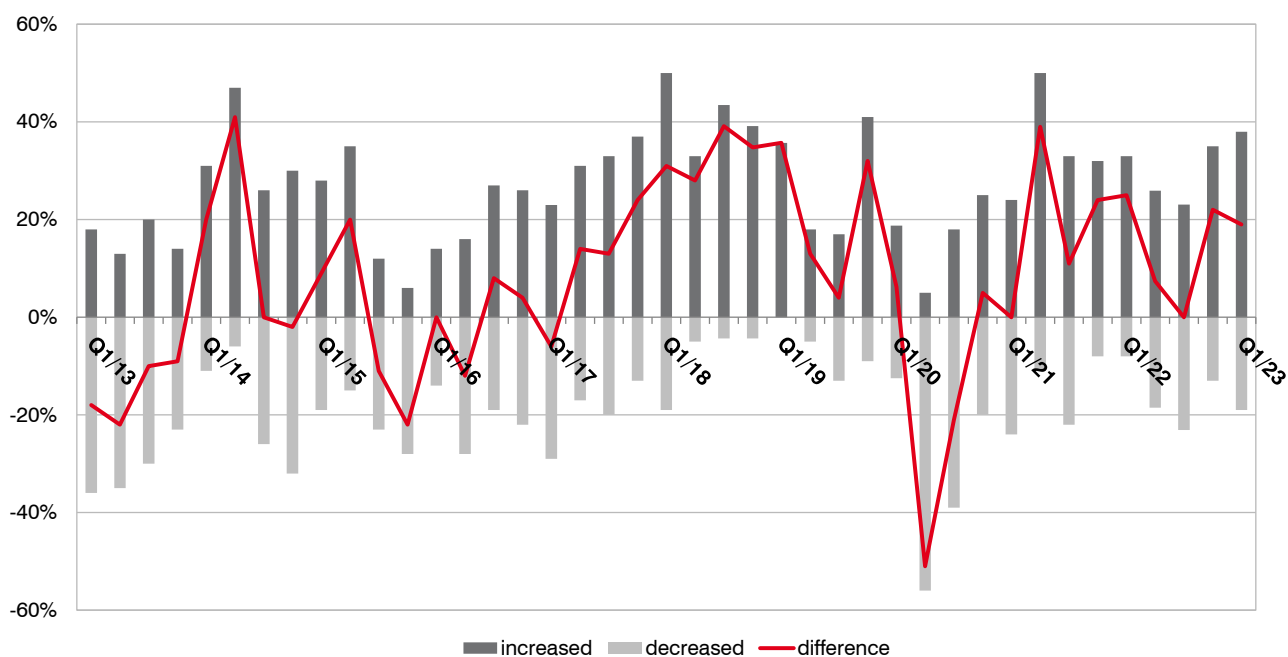
Source: SCI Verkehr GmbH

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 next quarter

According to the managers surveyed, business development is expected to remain stable in the coming quarter. The majority (66%) of the experts surveyed expect business to remain stable. Around one in three (34%) expect a more favourable development. None of the respondents anticipates a less favourable business trend. (Cf. Q4/22: more favourable 48%; unchanged 66%; less favourable 9%). While the assessments of the current business situation and expectations for the coming business situation differed significantly in most cases, the assessments of industry experts in the first quarter of 2023 are almost identical for both factors.

Demand for products and services

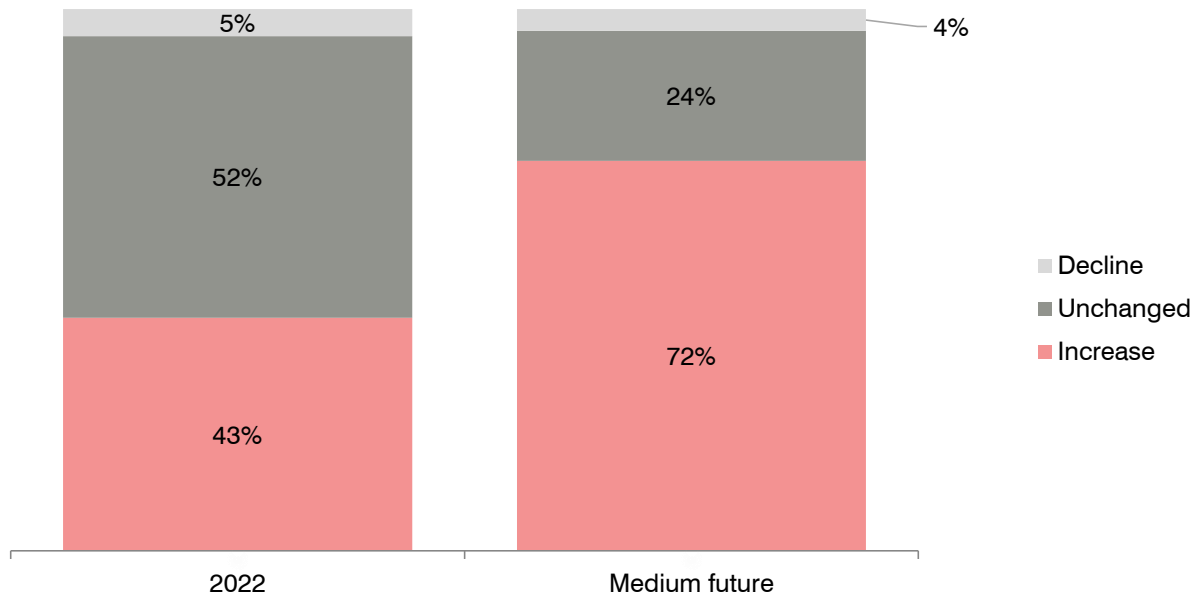


Source: SCI Verkehr GmbH

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

Demand for products and services has hardly changed compared with the fourth quarter. 38% of respondents assess the first quarter of 2023 more positively than the previous quarter (vs. Q4/22: 35%). Around one in five (19%) report a decline in demand. (in the previous quarter it was only 13%). Demand has remained unchanged, according to 43% of the industry experts surveyed. In the previous quarter, the figure was nine percentage points higher at 52%.

Estimated annual development of incoming orders in 2023 and medium future

Source: SCI Verkehr

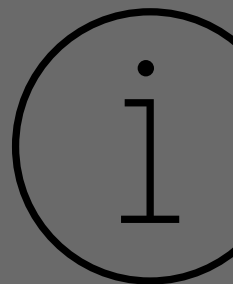
Figure 5: Development of incoming orders

At the end of February 2023, SCI Verkehr asked the top managers in the global rail industry to assess the future development of the order intake: In the short term, looking at growth rates over the course of 2023, and beyond that for the medium-term future over the next 3-5 years. According to the respondents' assessment, the sector expects well-filled order books. For 2023, 43% expect a further increase in order intake, 52% anticipate an unchanged order book - which is already at a high level - and only around 5% expect order intake to develop negatively in 2023. In the medium term, rail managers are even more optimistic: 72% expect an increase in order intake in the coming years. Whether this can be realised against the backdrop of the current economic situation remains to be seen. The effects of inflation, persistently disrupted supply chains and geopolitical uncertainties represent elementary imponderables for the sector and its order situation.



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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