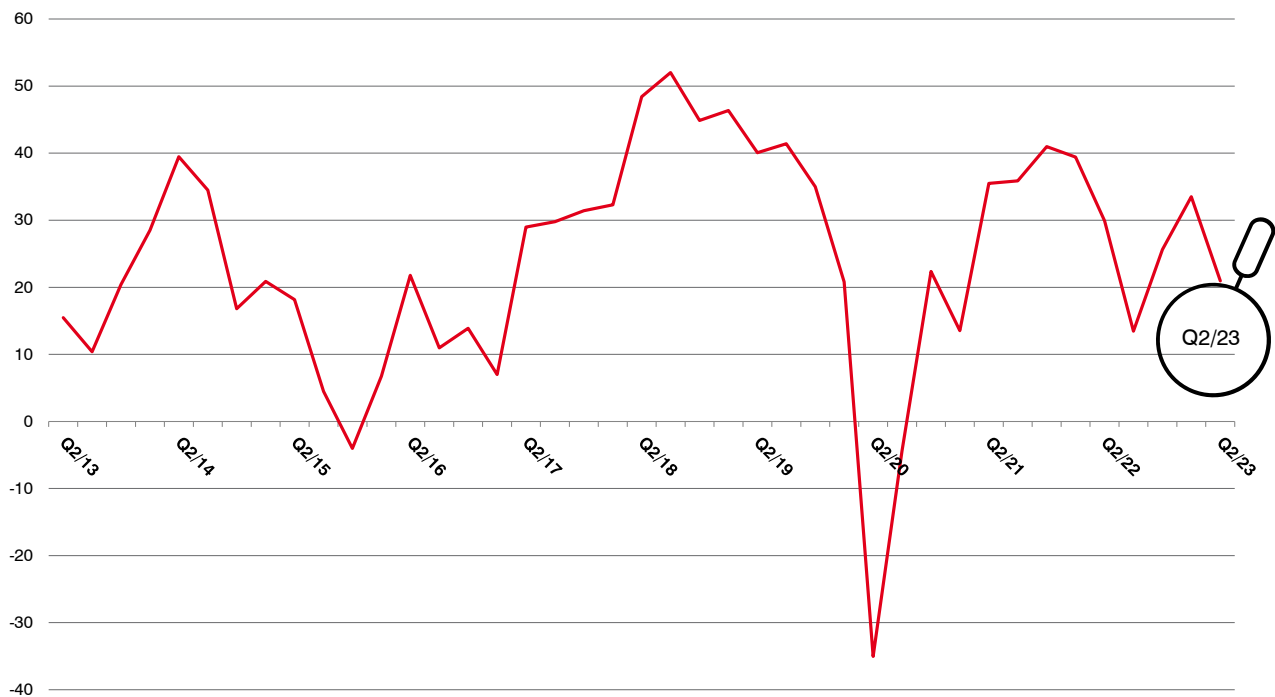


## RAIL INDUSTRY SATISFIED, BUT SCEPTICAL ABOUT THE FUTURE

The business climate in the companies of the global railway industry remains solid, but the index drops significantly in the second quarter. This put the brakes on the tentative upward movement of the last few months. The reason for this is the reduced demand for products and services, which in turn is reflected in the more negative expectations of entrepreneurs with regard to medium-term business development. Price increases of up to 60% in the past year for steel components and electrical/semiconductors have also had a massive impact on the mood in the sector. Even the good assessment of the current business situation cannot change this - the economic slowdown is continuing throughout Europe and the sector is reacting sensitively. This is shown by the current SCI RAIL BUSINESS INDEX - a regular survey of the top managers in the global rail industry by the consultancy SCI Verkehr.

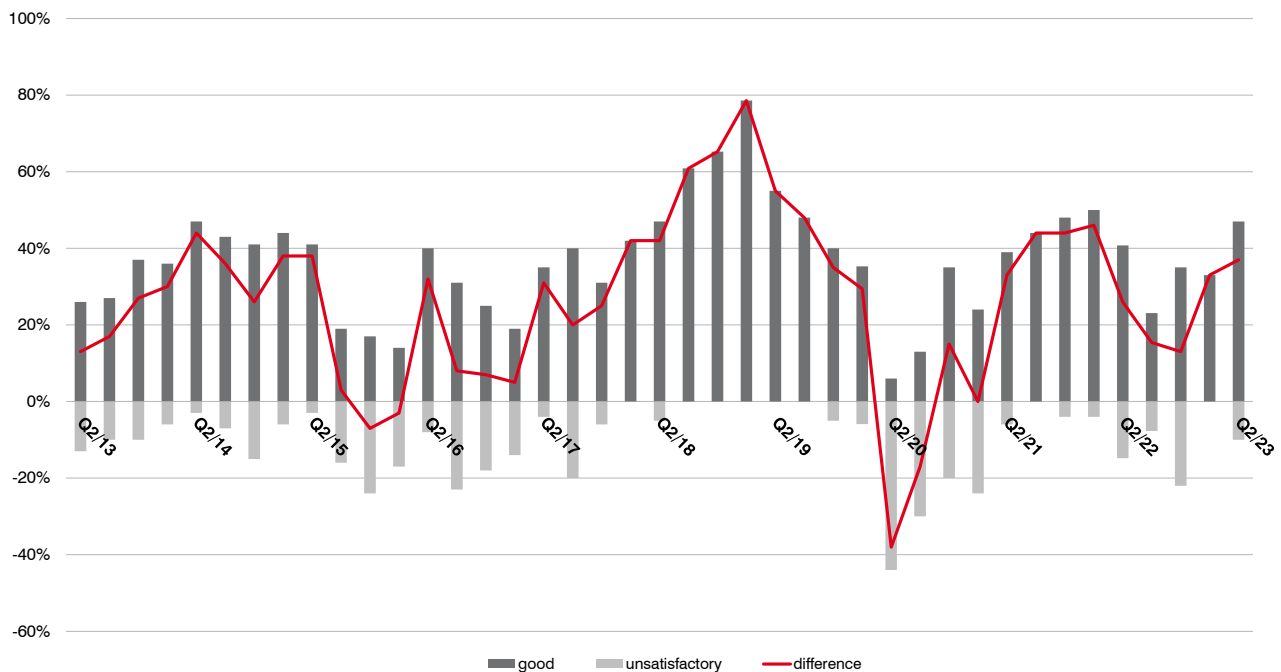
SCI Rail Business Index



Source: SCI Verkehr GmbH

Figure 1: SCI Rail Business Index

## Development of current business situation

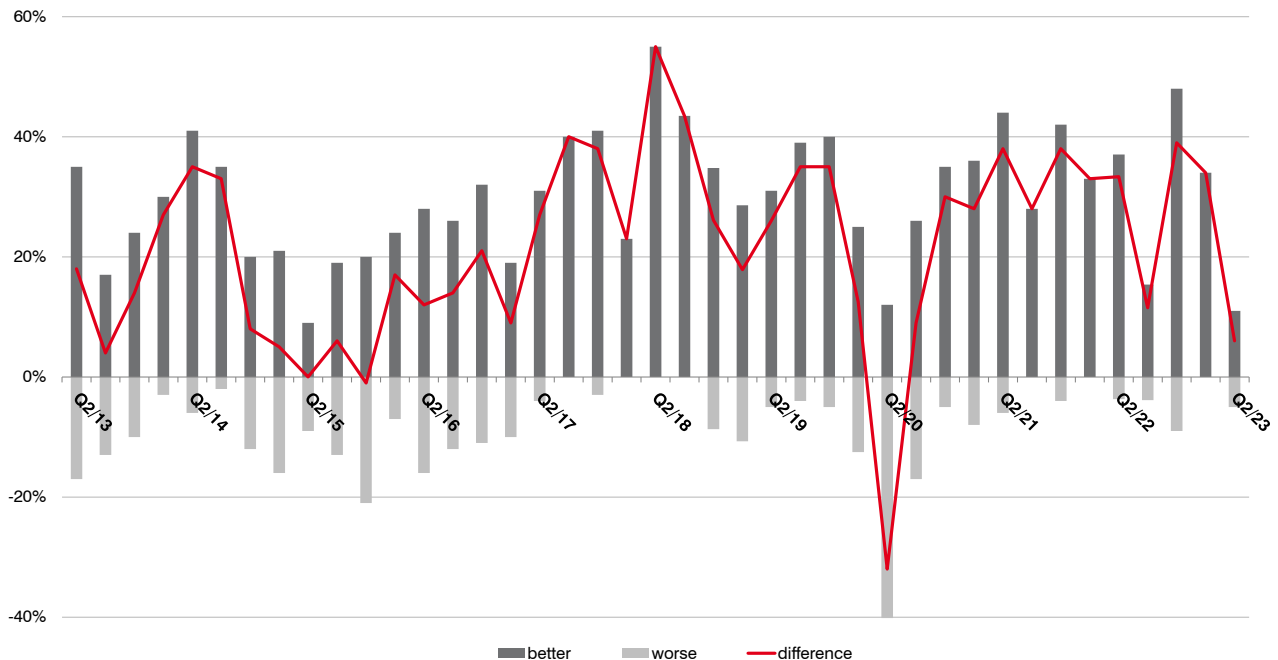


Source: SCI Verkehr GmbH

Figure 2: Development of the current business situation

According to the managers surveyed, the development of the current business situation continues to be positive. The majority of respondents say that the situation is normal for the season (43%) or even good (47%). One in ten assesses the current situation negatively. In comparison to the survey in the last quarter, this shows a good development: at the beginning of 2023, significantly fewer (-14%) companies had reported a good development of the business situation. Irrespective of the unsatisfactory development in some areas (10%) for some companies, the index shows an upward trend overall: companies are generally satisfied in the second quarter.

### Expected business development in next quarter



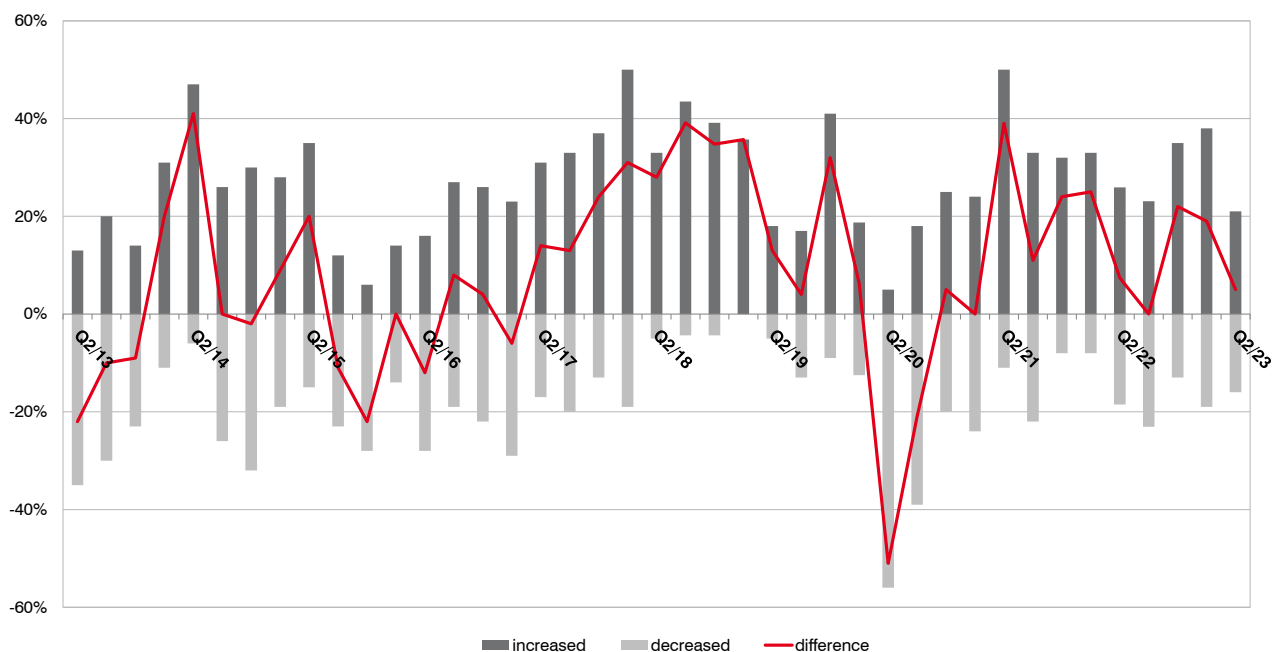
Source: SCI Verkehr GmbH

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

According to the assessment of the industry experts surveyed, a stable business development is expected for the coming quarter. The majority (84%) of the managers surveyed expect business to remain stable. About one in ten (11%) expect a more favourable development, 5% an unfavourable business development. (Q1/23: favourable 34%; stable 66%; unfavourable 0%). Despite moderate expectations for the development in the coming quarter, the declining index trend reflects a sceptical view of the sector's medium-term business development.

## Demand for products and services



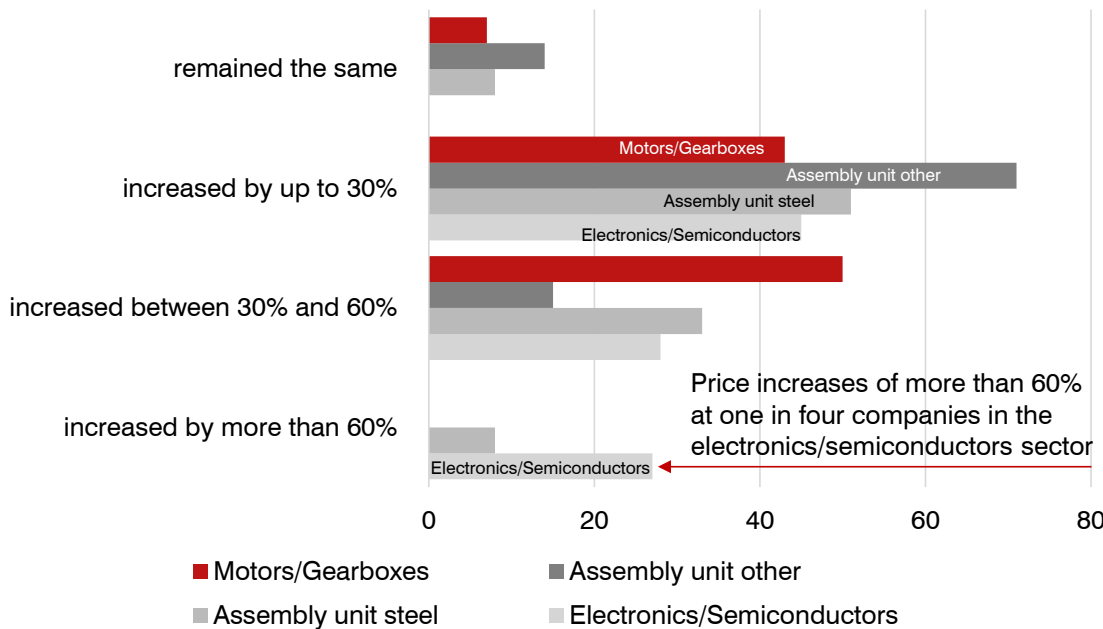
Source: SCI Verkehr GmbH

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 deteriorated significantly compared to the first quarter. The index reflects an overall decline in demand. Although about one in five reports an increase in demand for products and services, the value drops by 17% from 38% to 21% compared to the previous quarter. A majority of 63% of the industry experts surveyed said that demand had remained unchanged. In the previous quarter, the figure was twenty percentage points lower at 43%. A decrease in demand was reported by 16% of respondents (Q1/2023: 19%).

### Price increases for products/parts/components (over the course of the year)



Source: SCI Verkehr

Figure 5: Price increases products/parts/components

Supply shortages had a massive impact on the rail industry in 2022. Currently, price development is driven by inflation. At the end of May 2023, SCI Verkehr asked the top managers in the global rail industry: In your opinion, how have the prices for products/parts/components changed compared to the previous year? The experts are unanimous in their assessment: in the period from April 2022 to April 2023, the companies had to calculate with massive price increases in the important segments. The majority of entrepreneurs report price increases of up to 30% compared to the previous year in all segments offered for selection (engines/gearboxes, steel components, other components, electronics/semiconductors). Price increases between 30% and 60% per segment were also significantly reported. 8% of the managers surveyed reported increases of more than 60% for steel components. For electronics/semiconductors, about one in four companies had to calculate with a cost increase of this magnitude.



## 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.



Nicole Heinrichs  
SCI Verkehr GmbH  
Vor den Siebenburgen 2  
50676 Cologne  
Germany  
Tel.: +49 221 931 78 0  
Mail: n.heinrichs@sci.de