

## The railway industry defies the economic crisis

The rail sector is showing little sign of being impressed by the current global economic weakness and lower demand for transport - it is looking ahead to a solid situation in the third quarter. The reason for this is the stable assessment of the current business situation - which indicates an increasing scepticism in the course - flanked by an equally positive expectation for the coming quarter. As a major solution to the decarbonisation of the transport sector, the railways seem to be benefiting from a special boom. The demand for products and services is continuously decreasing in the companies - a downward trend has been noticeable since the beginning of the year. Businesses are also burdened by high purchase prices, ongoing supply chain problems and staff shortages - these parameters have had the greatest negative impact on businesses in the last twelve months. This is shown by the current SCI RAIL BUSINESS INDEX - a regular survey of the top managers in the global rail industry by the consulting company SCI Verkehr.

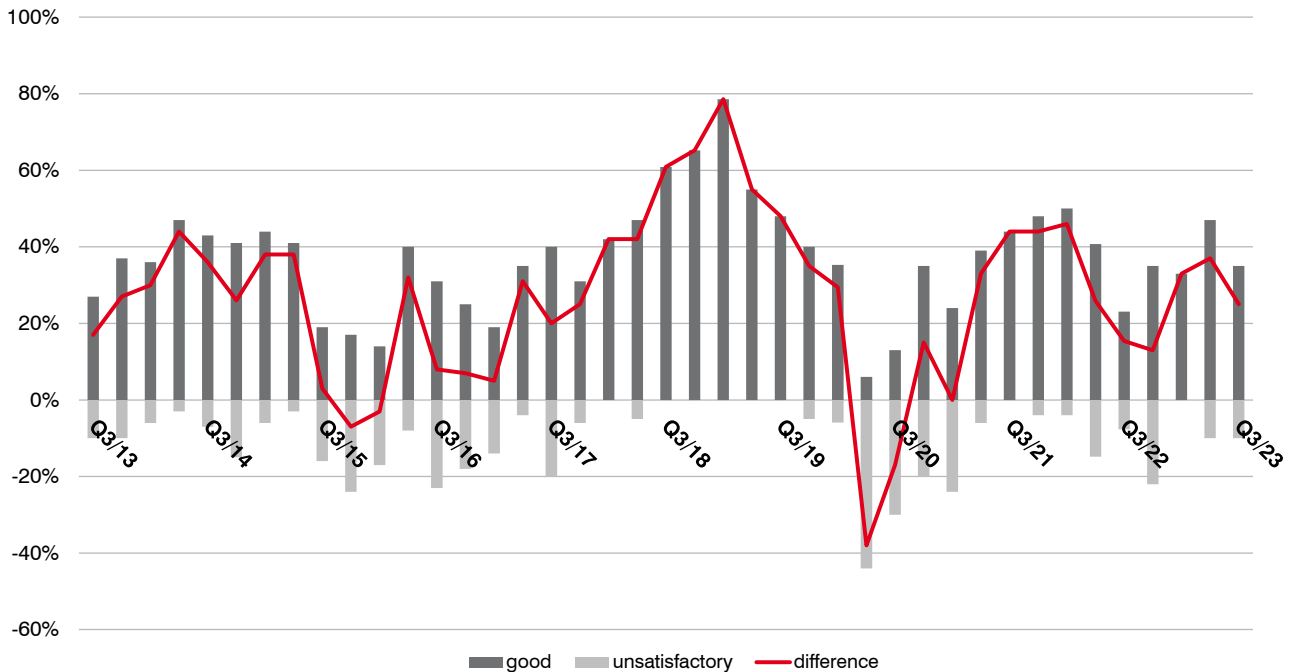
### SCI Rail Business Index



Source: SCI Verkehr GmbH

Figure 1: SCI Rail Business Index

## Development of current business situation

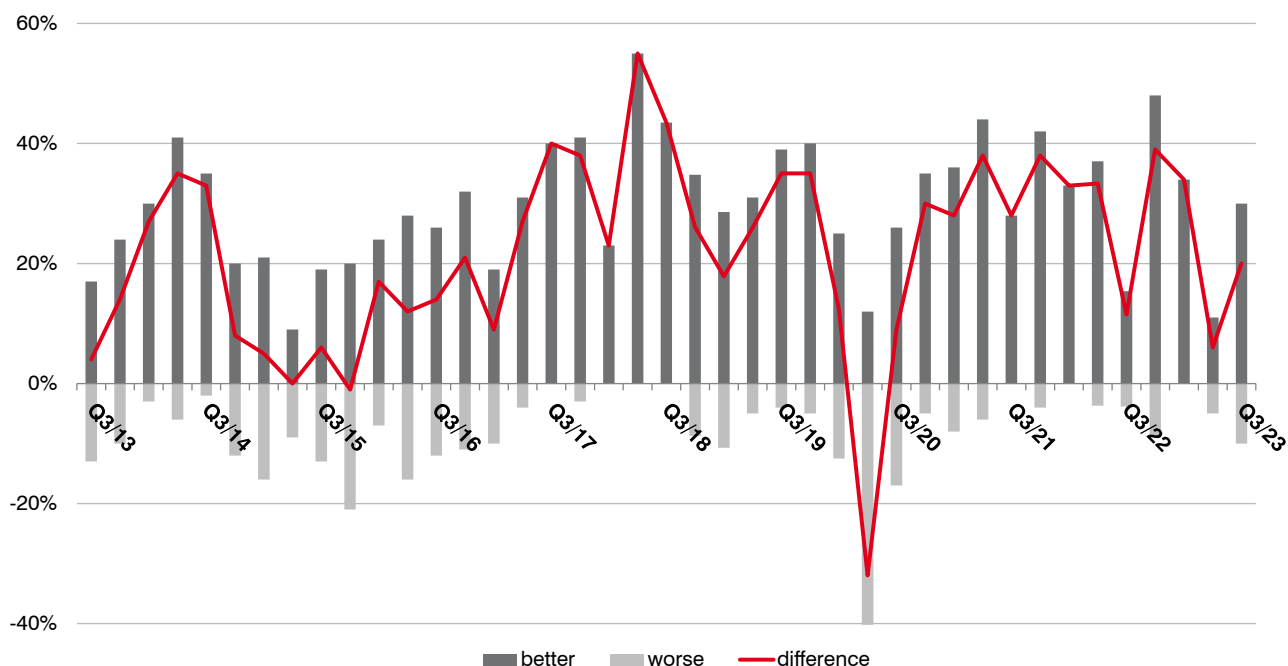


Source: SCI Verkehr GmbH

Figure 2: Development of the current business situation

According to the managers surveyed, the current business situation continues to be positive. The majority of respondents state that the situation is normal for the time of year (55%) or even good (35%.) One in ten assesses the current situation as bad. Looking back at the survey in the second quarter, however, there is a tendency towards a negative development: In the third quarter, significantly fewer (-12% ) companies report a good development of the business situation. Despite the unsatisfactory development in some areas (10%) for some companies, the index shows a stable situation overall: the majority of managers are satisfied in the third quarter - although a certain scepticism can be seen in the slightly declining trend.

## Expected business development in next quarter



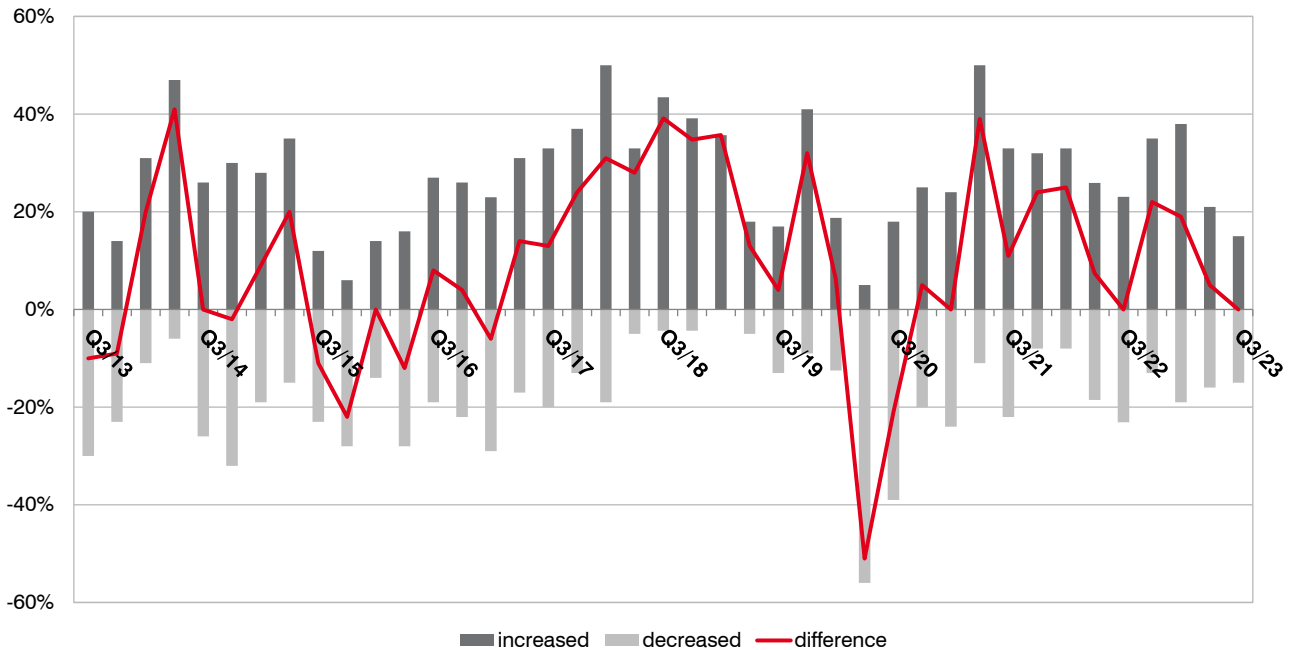
Source: SCI Verkehr GmbH

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

Despite the general signs of an economic slowdown, the majority of managers surveyed are optimistic about the coming quarter: As many as 90% expect business development to be more favourable or to remain the same, defying the general trend. Only one in ten respondents expects business to develop unfavourably. Compared to the second quarter - from whose results a sceptical attitude of the industry could be deduced - the index trend currently signals a rather positive expectation. (Cf. Q2/23: favourable 11%; unchanged 84%; unfavourable 5%)

## 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 continued to deteriorate compared to the second quarter. For the third time, the index shows an overall decline in demand. Although 15% continue to report an increase in demand for products and services, the value drops by 6% compared to the previous quarter. A majority of 70% of the industry experts surveyed say that demand has remained unchanged. In the previous quarter, the value was 7% lower at 63%. A decrease in demand was reported by 15% of respondents and thus remained constant compared to the previous month (16%),

### Influence parameters of business situation in the last 12 months (in percent)

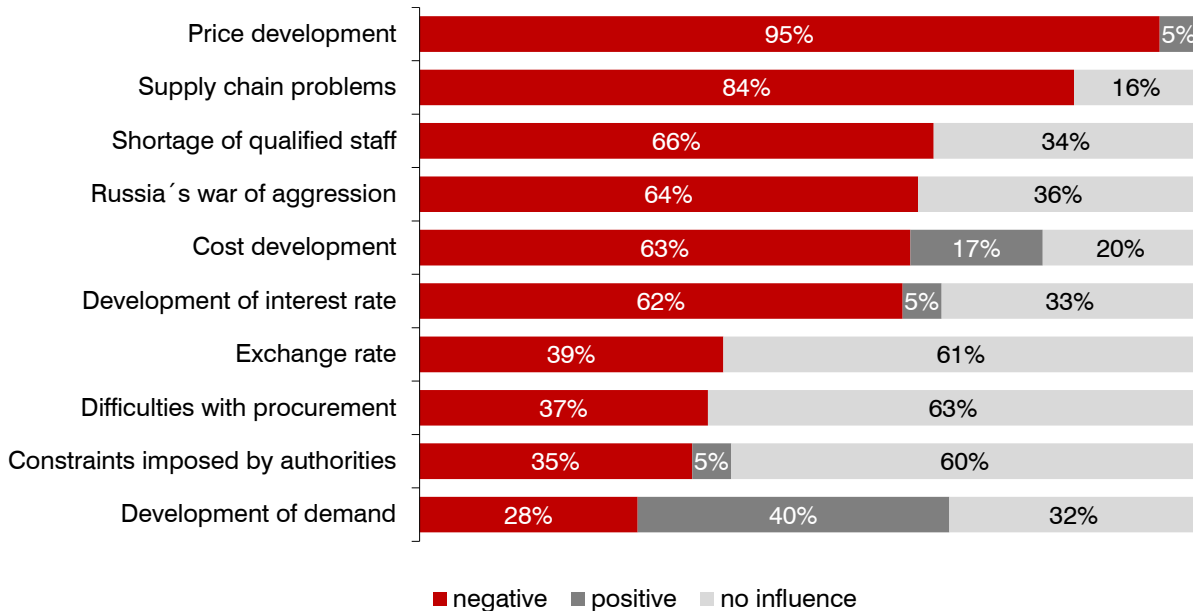


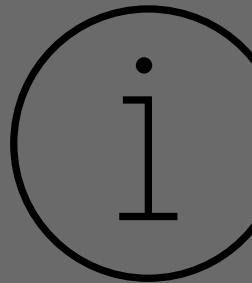
Figure 5: Influence parameters of business situation in the last 12 months

We asked the managers to indicate which parameters had an influence on the business situation of their companies in the last 12 months. Purchasing prices - which in most cases will have risen significantly - were mentioned by almost all respondents. At 95%, the value is 14% higher than in the previous year and thus clearly signals the cost dynamics in the companies. According to the respondents, supply chain problems also had a massive impact on the business situation over the past year. Although this factor, at 84%, no longer leads the evaluation as it did in the previous year's survey, the continuing tight procurement situation still presents a challenge for the sector. Looking back over the last 12 months, a lack of personnel is also seen as having a relevant influence on the business situation. Two-thirds of the managers surveyed see staff shortages as a limiting factor. In the previous year's survey, this factor was still in the lower midfield. The war in Ukraine was seen by 64% of respondents as having an influence on the business situation. Although this puts the position in the ranking into perspective - in the previous year, the effects of the war of aggression were attributed the second highest influence after supply chain problems - indirectly, the consequences of the war also pay into the dominant parameter (increased) purchase prices.



## 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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