

SURVEY Industry Watch

A promising outlook

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Many of the world's most important economic research institutes, as well as governments, have lowered their economic forecasts over the course of the last few months. The impacts of economic and social problems are apparent in almost all of the G7 and BRIC countries. Low or negligible growth rates are expected to continue in all of the largest European economies and Japan, and although steady growth is predicted in the USA and Canada, this will be at a lower level than before.

According to a forecast published by Oxford Economics at the beginning of December (Table I), Russia may experience a recession this year, driven in part by low oil prices and economic sanctions. Forecasts have also been lowered for Brazil and China, with only India now expected to show a stronger growth in 2015 than was predicted towards the end of 2013.

For our survey, we asked our panel of senior executives from the railway supply sector how they expected the state of the global economy to impact on their businesses during 2015.

As Fig 1 shows, almost two-thirds of the respondents expect to see further growth of order income in 2015, with the economic situation causing little or no significant effect. The second-placed scenario, selected by a further 17% of all participants, was that order incomes would remain flat, with any decline in affected regions being offset by increases in other faster-growing markets around the world.

RAIL SUPPLY INDUSTRY WATCH

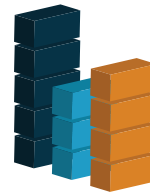
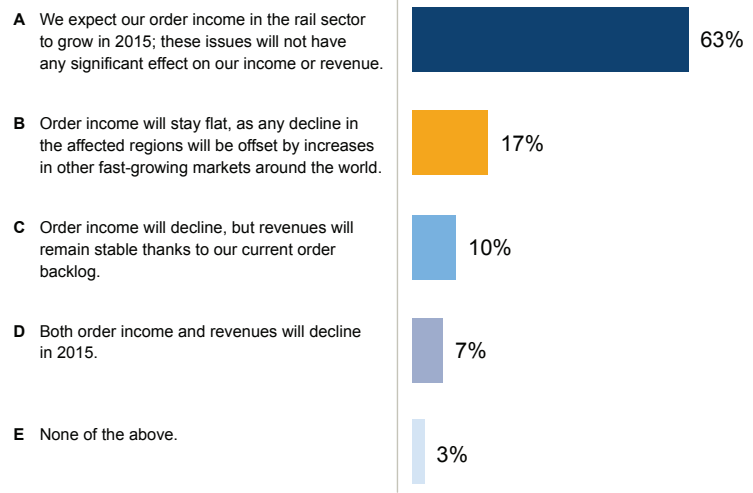


Fig 1. The vast majority of our survey respondents anticipate growing or stable activity despite the difficult economic conditions.



To find out more about the survey and apply to join our panel, visit the RSIW website at: www.railsupplyindustrywatch.com

Table I. Real GDP growth forecasts (%) for selected countries in 2015, as compiled by Oxford Economics on December 2 2014

Country	Forecast Nov 13	Forecast May 14	Forecast Nov 14	Change Nov-Nov	Change May-Nov
USA	3.2	3.3	3.0	-0.2	-0.3
Canada	2.7	2.6	2.2	-0.5	-0.4
Japan	1.3	1.3	0.8	-0.5	-0.5
Germany	1.7	1.8	1.6	-0.1	-0.2
France	1.2	1.1	0.9	-0.3	-0.2
UK	2.4	2.5	2.6	0.2	0.1
Italy	1.3	1.3	0.1	-1.2	-1.2
China	7.2	6.9	6.5	-0.7	-0.4
India	5.9	4.9	5.7	-0.2	0.8
Brazil	2.7	1.9	0.9	-1.8	-1.0
Russia	3.2	1.4	-0.8	-4.0	-2.2

A number of notable large projects are expected to generate substantial business for the rail sector during 2015. In the urban segment, for example, London Underground is expected to place orders for additional trains to operate on the Northern and Jubilee lines, as well as the complex SSL resignalling programme and ongoing track renewals, with a potential value around €1bn. Tendering will also start for the New Tube for London fleet to be ordered in 2016, valued at up to €2.5bn. Meanwhile, Moscow is expected to place further orders for trams, which combined with related infrastructure and signalling renewals is expected to amount to more than €400m.

In the high speed market, rolling stock, train control and infrastructure contracts totalling €1bn are expected from Turkey's TCDD, while in North Africa both Morocco's ONCF and Algeria's SNTF are looking to order additional electric and diesel multiple-units. Israel Railways is expected to order up to 80 electric locomotives for €200m as part of the programme to electrify the country's rail network.

Another 10% of the respondents anticipate a decline in order income without any impact on revenues. This reflects one key strength of the rail supply industry, which applies across all of the main market segments. Orders are frequently delivered over a multi-year

Amid concerns about the economic impact of the conflicts in eastern Ukraine and Iraq as well as the Ebola epidemic in west Africa, we asked our panel of senior executives about their business expectations for the coming year.

period, which leads to a strong backlog and stability in revenues. Thus a lower order income in one year does not translate directly into reduced revenues.

Only 7% of the executives in our survey took the pessimistic view that both order income and revenues would decline in 2015. These are likely to be the companies working in market segments that do not have a significant order backlog, or which focus specifically on the affected regions. Developments in the Russian market are likely to be of particular importance, given the efforts of many major suppliers to establish a local presence in recent years.

Nevertheless, despite the various crises and lower economic forecasts, 2015 is expected to be another good year for the rail supply industry. Many projects around the world have not been affected and should lead to a growth in order income. The industry will continue to benefit from two major factors: the existing order backlog and the commitment of governments and other public bodies to invest in rail as a driver of economic development.

According to UNIFE Director General Philippe Citroën, 'this message of optimism is fully consistent with the recently-published World Rail Market Study. Despite growing competition and the lack of a level playing field in some regions, the European rail industry is resilient to economic ups and downs.' ■