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hat is 2016 going to bring for the rail sector? There have recently been some very mixed forecasts for economic development in key markets. In its latest World Economic Outlook update, the International Monetary Fund presented a positive perspective for growth in the global economy over the next 12 months, but it also highlighted a number of downward risks which may hamper those prospects.

Two factors in particular may impact on the rail industry. Continuing concern over high levels of public sector debt in western economies has led to funding shortages and cuts to investment in several countries. Meanwhile, a steep decline in raw material prices is hurting those countries that rely on commodity exports, many of which have been seen as emerging rail markets.

In its most recent forecast, Oxford Economics predicted year-on-year growth of 2.7% for the global economy during 2016. This is slightly more cautious than the 2.8% predicted for 2015 at the same time in 2014 (RG 1.15 p52). Accordingly, the institute’s expectations for the most important rail markets vary significantly. Key European economies are expected to achieve a higher GDP growth in 2016 than predicted for 2015, along with India (Fig 1). By contrast, lower growth rates are anticipated for the USA, Canada, the UK, and China. Brazil and Russia are forecast to experience recession, with significant falls in GDP.

Nevertheless, our panel of senior executives remain relatively optimistic about the prospects for the rail supply industry in 2016. No fewer than 73% of respondents anticipate that order incomes will remain constant, or increase compared to 2015. The largest proportion, at 46%, expects some growth in orders, while a further 30% foresee declines in some regions being offset by increased business elsewhere. A further 14% of respondents anticipate that income will decline, but revenues will remain stable thanks to substantial order backlogs. Only a small minority of 4% expect both income and revenues to fall.

Compared to the results of our poll at the end of 2014, the survey respondents have shifted to a slightly more conservative stance while remaining relatively confident. Last year 63% of respondents expected order incomes to increase, while this time the figure has dropped to 46%. This drop of 17 percentage points comes will remain constant, or increase compared to 2015. The largest proportion, at 46%, expects some growth in orders, while a further 30% foresee declines in some regions being offset by increased business elsewhere. A further 14% of respondents anticipate that income will decline, but revenues will remain stable thanks to substantial order backlogs. Only a small minority of 4% expect both income and revenues to fall.

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