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# RF OI

RAILWAY FREIGHT ACTIVITY OPTIMISM INDEX

Q3 2022



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# EXECUTIVE SUMMARY

## OBJECTIVE

- RFAOI is a forwarding looking index of pan India rail freight activity
- An important input in supply chain planning of service providers, supply side industries and government
- Stakeholders will be able to identify the expected shift in demand and supply and meet expectations for operational efficiency across segments/regions to make informed decisions
- A ready reckoner for policy makers to understand the requirement of the user industries and plan towards meeting supply/investment demand



The Railway Freight Activity Optimism Index (RFAOI) is a unique index aiming to capture the optimism level of rail freight users (industry players and logistics service providers) i.e. whether the rail freight activity is expected to improve, remain stagnant or decline. The index is composed of 14 sub-parameters across four sub-indices



### Optimism for factors of supply

- Availability of wagons
- Availability of labour
- Connectivity: frequency of availability of rakes
- First & last mile connectivity



### Optimism for demand

- Domestic Trade
- Captive trade
- Export
- Import



### Optimism for operational efficiency

- Loading and unloading of goods
- Transit time
- Utilization of containers
- Utilization of wagons



### Optimism towards investment activity

- Investment in mechanization for loading and unloading
- Investment in technology

## KEY TAKEAWAYS



Railway Freight Activity Optimism Index for Q3 2022 stands at 67, indicating high optimism level of user industries and logistic service providers, towards transporting goods using railways, four percentage points higher than Q2 2022 and seven percentage points higher than Q1 2022

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Optimism for operational efficiency in Q3 2022 is the highest amongst the four sub-indices improving by seven points to 71 from Q2 2022

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Businesses are most optimistic about loading and unloading of goods (optimism index at 73)

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Survey reveals that optimism for transit time amongst businesses have improved the most (by 11 percentage points) amongst the 14 parameters

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Large businesses remained the most optimistic for domestic trade and export (optimism index at 74 each)

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Of all the five regions, businesses in the eastern and southern regions are the most optimistic in Q3 2022 as in (optimism index at 70 each)

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Business in the central region are the least optimistic about availability of labour, in the eastern region they are least optimistic about import. While businesses in the western, northern and southern regions are the least optimistic about captive trade

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Amongst businesses, more than two fifth of the medium scale businesses expect cost to increase.

# RAILWAY FREIGHT ACTIVITY OPTIMISM INDEX (RFAOI)

Railway Freight Activity Optimism Index for Q3 2022 stands at 67, indicating high optimism level of user industries and logistic service providers, towards transporting goods using railways, four percentage points higher than Q2 2022.

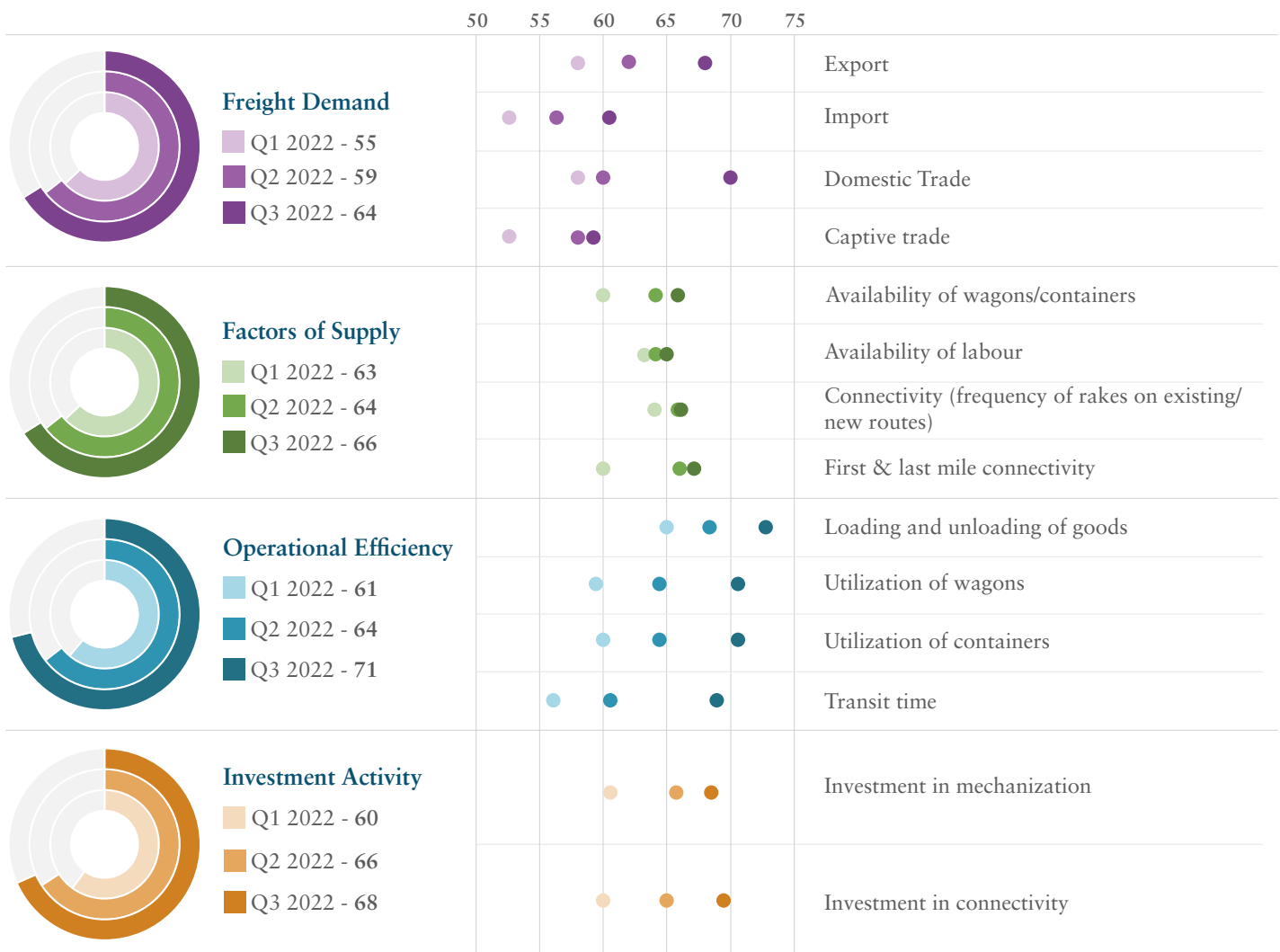
## RFAOI FOR Q3 2022



## SUB-INDICES

Out of four sub-indices, optimism for investment activity is the highest at 71, whereas optimism for demand is the least at 64.

## SUB-INDICES AND THE CONSTITUENT PARAMETERS





## RFAOI SUB-INDEX: OPTIMISM FOR FACTORS OF SUPPLY

- Optimism for factors of supply chain increased at the slowest pace (three percentage point gain) in Q3 2022 compared to the other three segments
- Optimism level for availability of labour was the lowest amongst the factors of supply; optimism remains low especially amongst businesses in the central region (optimism index at 60)
- Businesses in the eastern region (optimism index at 71) and northern region (optimism index at 70) are the most optimistic about availability of wagons/containers



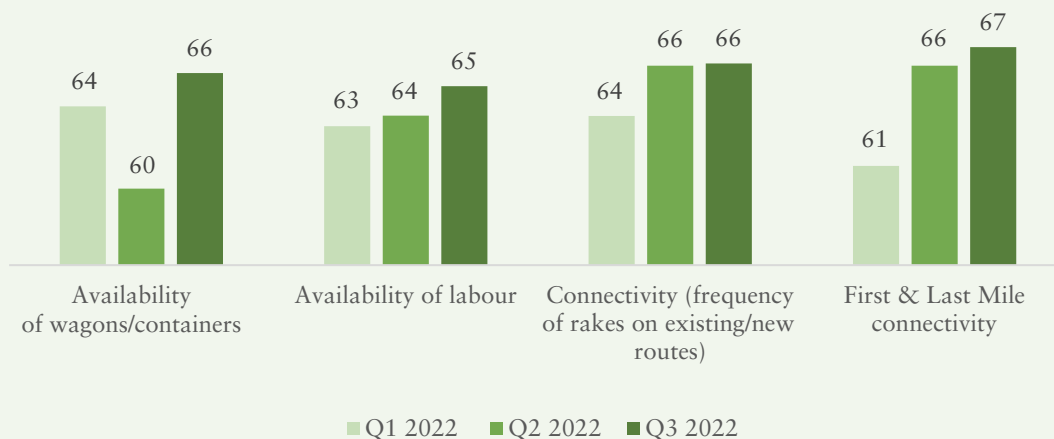
- Q1 2022 - 63
- Q2 2022 - 64
- Q3 2022 - 66



Significantly higher allocation towards connectivity enhancements would have added to the optimism levels

- Outlay for construction of new lines in FY23 at Rs 252.4 bn is 24 times the amount spent during FY21.
- Enhanced thrust on doubling of lines: Amount of Rs 121.1bn allocated during FY23 is double the amount spent in FY22 and 32 times from FY21.

### Optimism for Factors of Supply: Sub-parameters



## RFAOI SUB-INDEX: OPTIMISM FOR OPERATIONAL EFFICIENCY

- Optimism for operational efficiency in Q3 2022 is the highest amongst the four sub-indices improving by seven points to 71 from Q2 2022
- Businesses are most optimistic about loading and unloading of goods (optimism index at 73)
- Survey reveals that optimism for transit time amongst businesses have improved the most (by 11 percentage points) amongst the 14 parameters
- Size-wise, small & micro businesses are the most optimistic about all the parameters in the operational efficiency and region-wise businesses operating in the southern region are the most optimistic

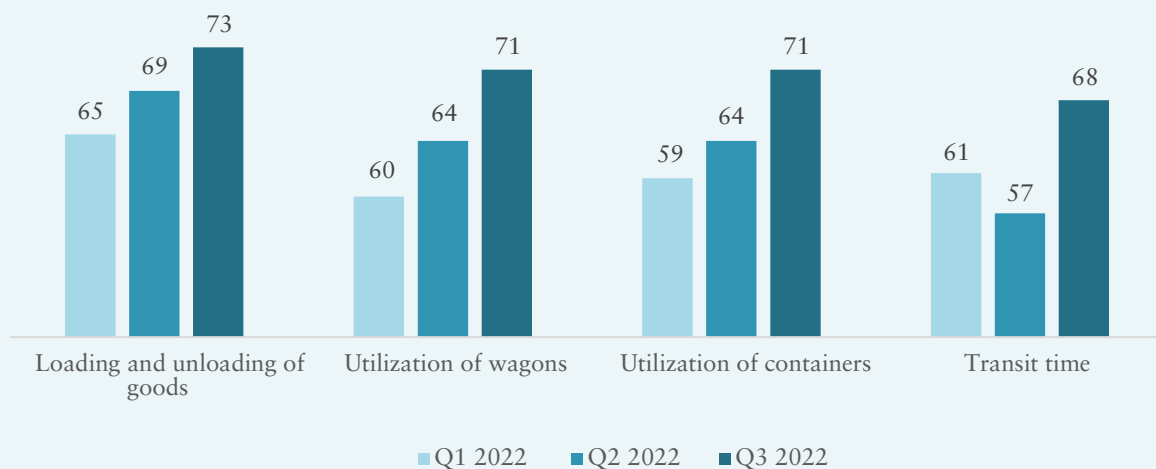


- Q1 2022 - 61
- Q2 2022 - 64
- Q3 2022 - 71



- 2,000 km of rail network to be brought under 'Kavach' programme in FY23. This aims for safety and capacity augmentation using indigenous world-class technology.
- Indian Railways plans to add new products and services for farmers and small businesses.
- 400 new generation Vande Bharat Trains to be developed in the next 3 years with improved energy efficiency and better riding experience.

### Optimism for Operational Efficiency: Sub-parameters



## RFAOI SUB-INDEX: OPTIMISM FOR INVESTMENT ACTIVITY

- Optimism level for investment activity has improved by three percentage points to 68 in Q 3 2022
- Businesses in the central region are the most optimistic about investment in connectivity while businesses in the eastern region are the most optimistic about investment in mechanization

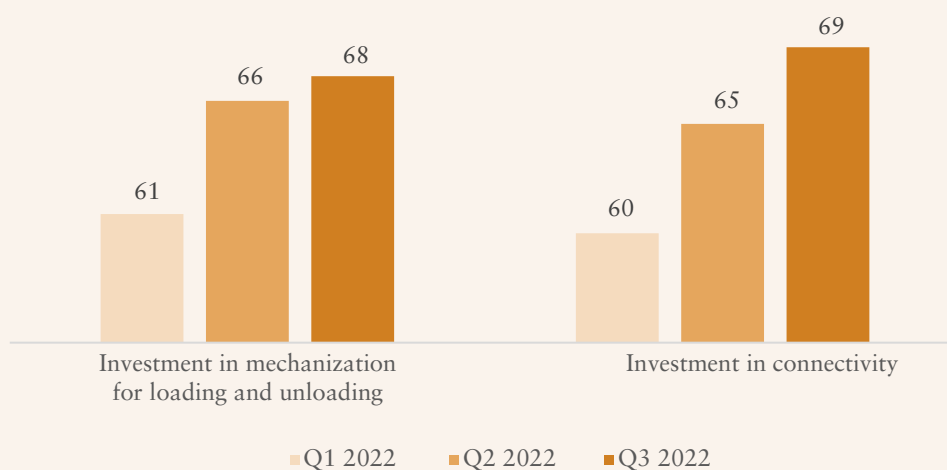


- Q1 2022 - 60
- Q2 2022 - 66
- Q3 2022 - 68



- PM GatiShakti aims to transform multi-modal connectivity offering higher efficiency.
- Integration of Postal and Railway networks to provide seamless solutions for movement of parcels.
- Multimodal connectivity between mass urban transport and railway stations to be facilitated on priority.

### Optimism for Investment Activity: Sub-parameters





## RFAOI SUB-INDEX: OPTIMISM FOR DEMAND

- Optimism for freight demand improved in Q3 2022 from Q2 2022 by five percentage points, yet remains lowest among all the four sub-indices at 64
- Large businesses remained the most optimistic for domestic trade and export (optimism index for each at 74)
- Of all the five regions, businesses in the eastern region are the most optimistic about domestic trade (optimism index at 79) as well as export (optimism index at 71)
- Optimism about captive trade is the lowest amongst the 14 parameters and respondents in the northern region are the least optimistic amongst others (optimism index at 56)

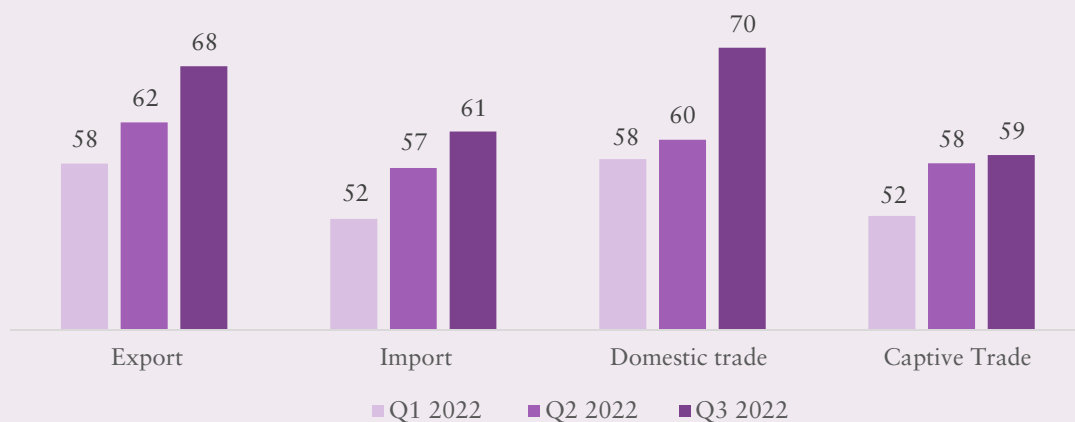


- Q1 2022 - 55
- Q2 2022 - 59
- Q3 2022 - 64



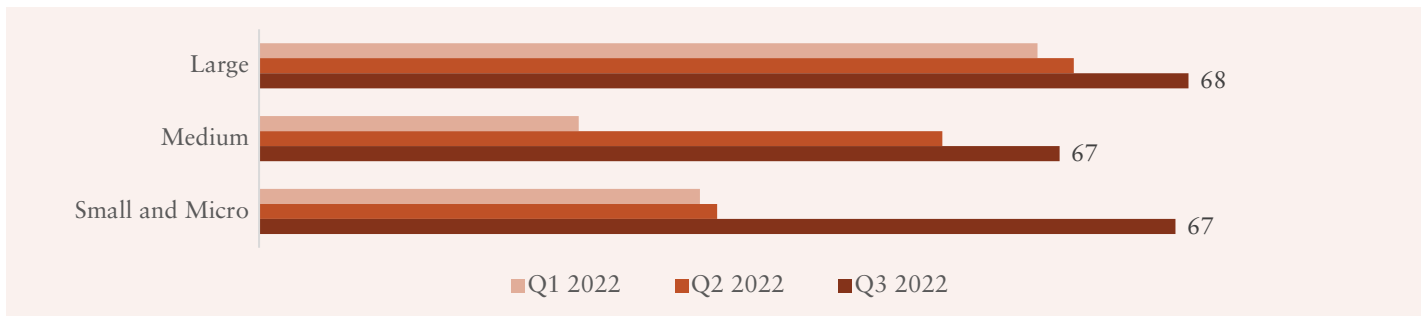
- Stable demand conditions albeit low, buoyant external demand and improved business continuity supported the increase in optimism level for freight demand despite the Russia Ukraine war.
- After UAE and Australia, FTA with UK in 2022 is likely to boost exports.

### Optimism for Demand: Sub-parameters



## RFAOI: BY SIZE OF BUSINESSES

### Large players are most optimistic about domestic trade and export



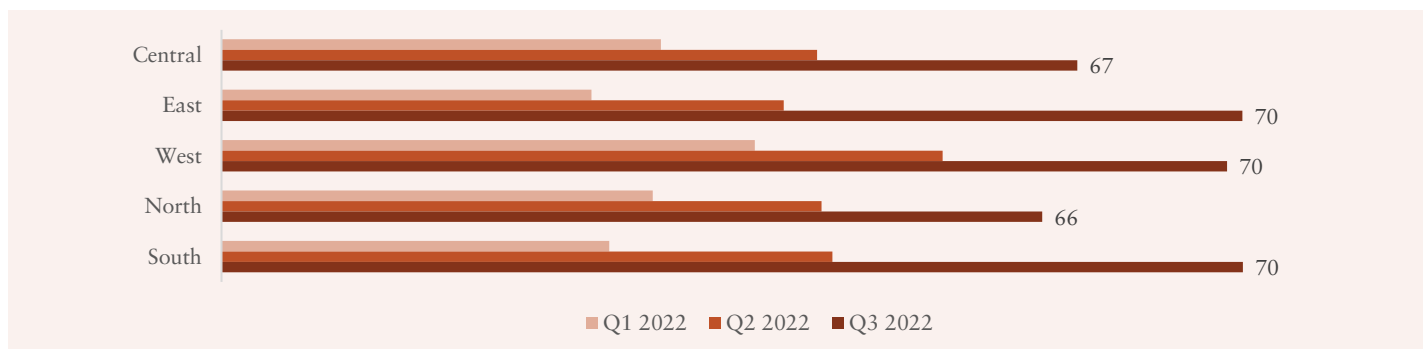
- Optimism for small and micro scale players increased by the maximum of 8 points while optimism for large players increased by two percentage points in Q3 2022 over Q2 2022
- Optimism level of large players are highest for export and domestic trade (optimism index at 74 respectively) and lowest for availability of labour and captive trade (optimism index at 61 each)
- Optimism level for medium scale businesses are highest for loading and unloading of goods (optimism index at 73) and lowest for captive trade (optimism index at 60)
- Optimism level for small & micro players are the highest for loading and unloading of goods along with utilization of wagons and containers (optimism index each at 73) and lowest for captive trade (optimism index at 55)

Sub-indices	Parameters	Large	Medium	Small
Demand	Export	●	●	●
	Import	●	●	●
	Domestic Trade	●	●	●
	Captive trade	●	●	●
Supply	Availability of wagons/containers	●	●	●
	Availability of labour	●	●	●
	Connectivity (frequency of rakes)	●	●	●
	First & last mile connectivity	●	●	●
Operational Efficiency	Loading and unloading of goods	●	●	●
	Utilization of wagons	●	●	●
	Utilization of containers	●	●	●
	Transit time	●	●	●
Investment	Investment in mechanization for loading and unloading	●	●	●
	Investment in technology	●	●	●

In the above table, higher color intensity, indicates higher optimism level

## RFAOI: BY REGION

Southern region is the most optimistic about utilization of wagons but least optimistic about availability of wagons amongst the five regions



- Optimism level for businesses in the eastern, western and southern regions are high at 70 each, while it is the lowest in the northern region (optimism index at 66)
- Businesses in the southern and northern regions are the most optimistic loading and unloading of goods
- On the flip side, business in the central region are the least optimistic about availability of labour, in the eastern region they are least optimistic about import demand. While businesses in the western, northern and southern regions are the least optimistic about captive trade

Sub-indices	Parameters	Central	Eastern	Western	Northern	Southern
Demand	Export	●	●	●	●	●
	Import	●	●	●	●	●
	Domestic Trade	●	●	●	●	●
	Captive trade	●	●	●	●	●
Supply	Availability of wagons	●	●	●	●	●
	Availability of labour	●	●	●	●	●
	Connectivity (frequency of rakes)	●	●	●	●	●
	First & last mile connectivity	●	●	●	●	●
Operational Efficiency	Loading and unloading of goods	●	●	●	●	●
	Utilization of wagons	●	●	●	●	●
	Utilization of containers	●	●	●	●	●
	Transit time	●	●	●	●	●
Investment	Investment in mechanization for loading and unloading	●	●	●	●	●
	Investment in technology	●	●	●	●	●

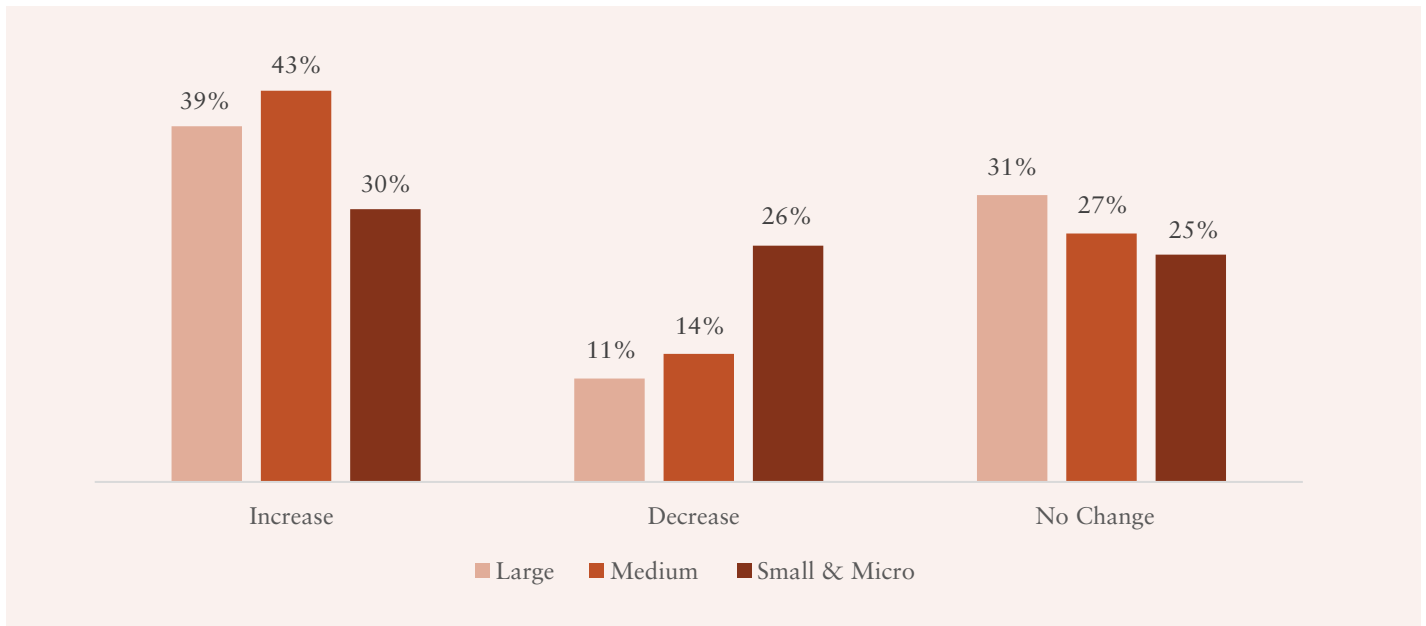
In the above table, higher color intensity, indicates higher optimism level

## COST OF TRANSPORTING GOODS

37% of businesses expect cost\* of transportation to increase in Q3 2022. Amongst businesses, more than two fifth of the medium scale business expect cost to increase.

*Cost inclusive of freight and other costs (any additional cost of door-bridging, charges for first/last mile road transportation and handling at origin and destination points, haulage charges etc).*

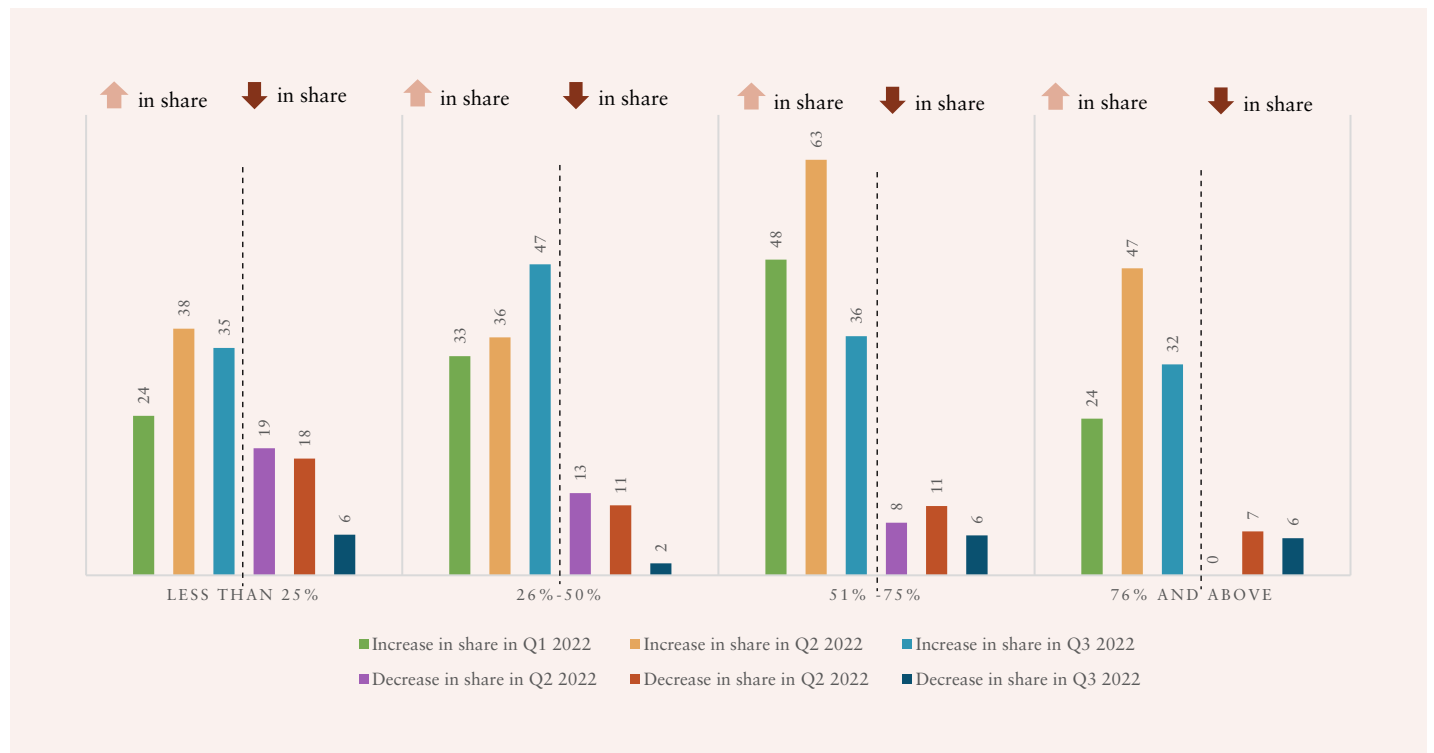
### Perceived change in overall cost of transportation (freight and other costs) in Q3 2022



# SHARE OF GOODS TRANSPORTED THROUGH RAILWAYS

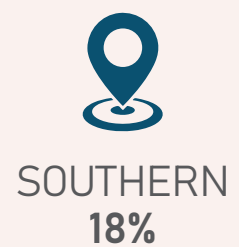
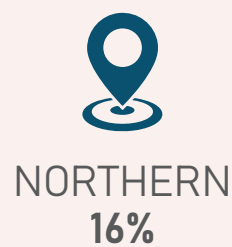
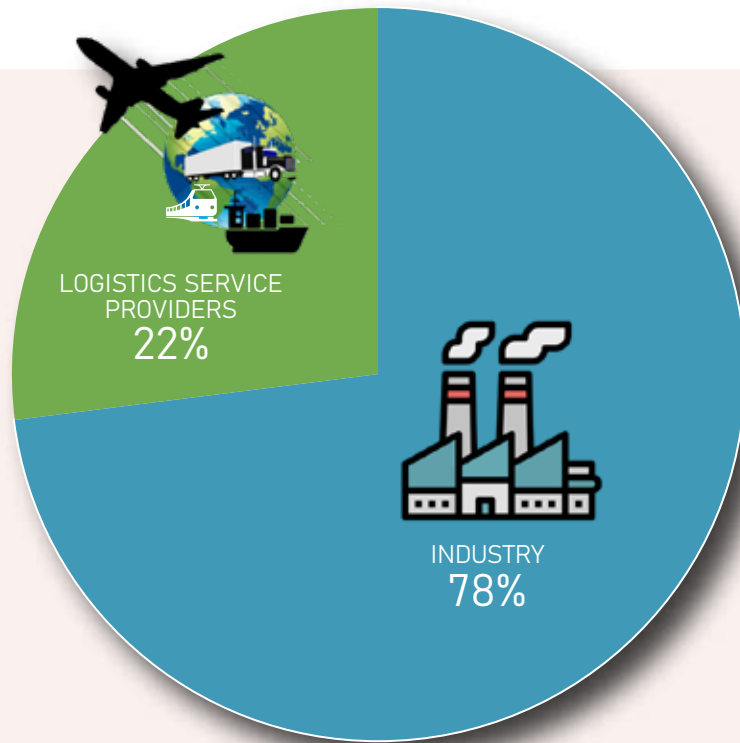
- Majority of the respondents i.e., 51% transport less than 25% of their goods via railways
- Around 50% of businesses who transport 26% to 50% of goods transported through railways intent to increase their share of goods transported through railways

Percentage share of goods transported through railways





# FIRMOGRAPHICS



## ABOUT THE INDEX

Dun & Bradstreet conducted a pan India survey of more than 300 Large, Medium, Small, and Micro players to create the RFAOI index. This is a unique, forward looking index, capturing the optimism of user industries and logistics service providers on Rail Freight Activity for the forthcoming quarter. The index is composed of four sub-indices viz Optimism for Freight Demand, Optimism for Supply Factors, Optimism for Operational Efficiency and Optimism towards Investment Activity. Each of the sub-indices constitute of four parameters each, except for investment. There are a total of 14 parameters.

Survey sought respondent's expectation towards freight demand, improvement in supply factors, gains in operational efficiencies, and improvement in the railway investment in terms of an increase, decrease or no change for the upcoming quarter compared to the same quarter in the previous year.

The percentage share of responses indicating increase, decrease or no change were then aggregated to arrive at a diffusion index. The diffusion index for each parameter was then multiplied by respective weights and aggregated to arrive at the Railway Freight Activity Optimism Index (RFAOI). The derived index value can range between 0 to 100, with 50 being the neutral level of optimism viz-a-viz the base period. An Index value above 50, indicates an increase in the level of optimism from the previous year's quarter and vice-versa.

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