

DECOUPLING OF THE RAILWAY INDUSTRIAL SEGMENT FROM TRANSPORT FINANCIAL PERFORMANCE: EVIDENCE FROM UZBEKISTAN RAILWAYS

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Introduction. National railway holdings combine two economically different activities: transport operations and industrial enterprises engaged in rolling stock repair and machine-building. Their performance is usually monitored through consolidated financial results. If the two segments follow different dynamics, consolidated indicators misrepresent the efficiency of the industrial segment and, consequently, the effects of its digitalization. The aim of this study is to test whether the dynamics of the industrial segment of Uzbekistan Railways JSC depend on the financial result of transport operations.

Methods. The study uses business plan execution reports for 2020–2023 [1], key performance indicator analyses for 2020 and 2022 [2], and quarterly reports for 2023 and 2026. Trajectories of industrial output, the localization programme, exports of services, the investment programme and the net financial result were compared. Only reported actual values were used; planned figures were excluded from the trend analysis. Since values are nominal, real growth was assessed using the company's own estimate of output growth in comparable prices.

Table 1.

Industrial segment and company-level indicators¹

Indicator	2020	2021	2022	Change
Industrial output, UZS bn	1,261.6	1,424.0	1,568.7	+24.3%
Localization programme, UZS bn	212.2	336.6	408.1	+92.3%

¹ Source: author's calculations based on [1; 2].

Localization share in output, %	16.8	23.6	26.0	+9.2 pp
Exports of services, USD mn	594.0	599.9	536.4	−9.7%
Investment programme, USD mn	515.2	579.6	486.9	−5.5%
Net financial result, UZS bn	+118.1	n/a	−1,173.9	—

Results. Between 2020 and 2022 industrial output increased by 24.3% in nominal terms, and the company estimated real growth in 2021 at 8.8% in comparable prices. The localization programme expanded almost twofold, raising its share in industrial output from 16.8% to 26.0%. In the same period the company moved from a net profit of 118.1 billion UZS to a net loss of 1,173.9 billion UZS, while exports of services and the investment programme declined. The industrial segment continued to outperform its plans afterwards: in January–September 2023 output reached 105.7% of the target, and in the first quarter of 2026 it reached 145.5%.

Discussion. The industrial segment grew precisely in the year when the consolidated financial result collapsed. This decoupling indicates that the crisis of 2022 was transmitted through transport revenues, exports and investment, not through industrial production. Two implications follow. First, the efficiency of the industrial segment cannot be inferred from consolidated financial indicators and requires its own set of metrics. Second, the effects of digitalizing repair and manufacturing processes must be evaluated at the segment level; otherwise they are masked by fluctuations in transport revenues.

The finding is consistent with the organizational logic of the 2023 reform, which separated the company's activities into distinct business lines with their own financial results [3]. The rising share of localization also suggests growing technological capability in the domestic industrial base. The main limitation of the analysis is the use of nominal values for most indicators; the conclusion on decoupling, however, does not depend on the price level, since it rests on the opposite direction of change rather than on its magnitude.

The subsequent recovery of the company confirms that the two segments respond to different drivers. In the first quarter of 2026 the company reported a net profit of 478.9 billion UZS, and a profit of 943.6 billion UZS was expected for the first half of the year. The industrial segment, however, had already been growing before this recovery, when transport performance was still negative. Its growth therefore cannot be explained as a by-product of improving company finances; it reflects the segment's own capacity and order book.

A further indication of segment-specific dynamics is the cost structure of the company. In 2017–2020 the share of rolling stock maintenance in total costs declined from 6.8% to 5.4%, while the shares of infrastructure and corporate management rose. Consolidated financial indicators thus mix activities whose costs and outputs move in different directions. For performance assessment this implies that each segment requires its own reference values: industrial output in comparable prices and unit production costs for manufacturing and repair, and transport-specific indicators for operations. Applying a single consolidated benchmark to both would systematically distort the evaluation of the industrial segment.

Conclusion. The industrial segment of the national railway holding develops largely independently of transport financial performance. Assessment of its efficiency and of the returns on its digitalization should therefore rely on segment-specific indicators — industrial output in comparable prices, the localization share and unit production costs — rather than on consolidated financial results [4].

References

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