

Logistics Indicator in Q1 2013:

More stable business environment in the German logistics sector

Business activity in the German logistics industry has emerged from last year's downward spiral and has stabilised slightly above the prior-quarter level at the beginning of 2013. This is the finding of the most recent survey (February poll) for the Logistics Indicator conducted by the Institute for the World Economy on behalf of Bundesvereinigung Logistik e.V. (BLV). The climate score for logistics overall is now at 108.6 points (after 105 in Q4 2012). Although current business assessments were down slightly (falling by 3 points to 109.5 points), this was more than offset by a significant upturn in business expectations for the next 12 months (up by 10.5 to 107.7 points). Now that the score is above the neutral 100 line, this once again signals a more marked uptrend in the business outlook for the logistics sector. The climate trend currently differs between the two sides of the market: while the supply side (logistics service providers) are considerably more optimistic (as reflected by a score of 102.5 points after 92.7 points three months ago), the sentiment on the demand side (industry and trade) is slightly less positive, falling by 2.5 points to a new level of 114.7 points.

Both the current situation and expectation components of the climate score have improved on the *supply side*. The improvement in current situation assessments (up 6.9 to 103.6 points) is mainly due to the fact that capacity utilisation is once again seen as being normal on average, whereas the scores for the business situation and orders on books are down slightly. The persisting downtrend in above all incoming domestic orders shows, however, that there is still some way to go. The expectations for the next 12 months indicate that the logistics service providers do not see any sign of improvement, with expansive and contractive responses on order trends currently cancelling each other out. Nevertheless, the respondents are clearly more optimistic than in the previous quarter, when a significant majority was still forecasting a continued downtrend in orders. The improved mood has not yet translated into new investment and personnel recruitment plans to any relevant degree, however. All in all, the expectation component showed an increase of 12.6 points to a new level of 101.4 points.

The current situation and future business assessments among the *users of logistics services* in industry and trade are currently diverging. Current situation assessments are down by 13.4 to 115.4 index points, with all relevant components showing a similar downtrend. In contrast to the situation on the supply side, capacity utilisation on the demand side of the market has decreased, and capacity availability in the market is seen as less scarce than it was. With a view to the coming 12 months, the users of logistics services expect to see a stronger revival of logistics activity than in the November survey (8.4 percent increase in the expectation component to 114 points). As is the case with the logistics service providers, however, this optimism is still not reflected in plans for greater capacity expansion. Like the economy as a whole, the logistics managers appear to predominantly be adopting a wait-and-see attitude to investment and recruitment.

The separate question regarding the greatest threats to logistics business activity during the current year prompted fairly similar answers on both sides of the market. The biggest worry for the logistics experts is a potential increase in energy and raw material prices, whereas the security of energy sup-

plies over the next 12 months is seen as a medium-level risk at best and is generally not considered to pose any significant threat to logistics activities. The smouldering euro crisis is up near the top of the risk list for both sides of the market, with respondents from industry and trade voicing particular concern. In contrast, the economic trend in the USA and China plays a far more important role for the logistics service providers than for the users of logistics services. Almost one in two respondents says that payroll trends pose no risk at all, and fewer than 10 percent view this factor as a major risk. The level of concern that rising inflation could negatively affect the business situation is even lower. Whereas future interest rate trends are one of the most important risk factors for logistics service providers, they are at the bottom end of the risk list for the users of logistics services. Logistics managers in industry and trade view a possible downturn in consumer spending in Germany as a mid-level risk scenario, whereas this risk category appears to be of little or no importance in the eyes of the service providers.

The Logistics Indicator is computed for Bundesvereinigung Logistik e.V. (BVL) by the Institute for the World Economy (IfW) at Kiel University. The design of the indicator allows values between 0 and 200, where a value of 100 characterises a "normal" economic situation (satisfactory and stable business and order situation with normal capacity utilisation levels).

This commentary is based on the currently foreseeable development of the polled survey elements. With the data volume that is available to date, the computation of the profiled overall and sub-indicators is only possible as part of an initial calculation process. Using quarterly figures, the question design on which the indicator concept is based is geared towards assessment of the seasonally "normal" values (after adjustment for seasonal effects). Nevertheless, the possibility that seasonal effects impact response behaviour cannot be ruled out. Once the indicator has been in use for a sufficient period of time, it will be possible to statistically filter out these influences. Moreover, it will in future also be possible to conduct surveys on the lead time characteristics with regard to both the sectoral and the overall economic trend. These surveys will be conducted by the IfW as soon as the necessary volume of data is available.