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## **Logistics Indicator in Q2 2013**

### **Uptrend with a modest tempo**

#### **Urgent need for higher investment in infrastructure**

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The Logistics Indicator is still on an uptrend in the second quarter of 2013 and the business climate in the logistics industry has improved. While sentiment among the logistics service providers is significantly more optimistic, the assessment scores of the users of logistics services in industry and trade are more or less unchanged. Both sides of the market now agree in their assessment of current business and expect to see a positive overall development in business during the next 12 months.

The logistics sector in Germany is growing at a modest pace. For the fourth time in succession, industry and trade are recording reasonable demand levels and reporting satisfactory capacity utilisation. Both cross-border and domestic demand are still developing highly favourably.

The responses from decision-makers in supply chain management and logistics therefore confirm the restrained positive signals from the German economy overall, with the Institute for the World Economy in Kiel predicting a continuing but modest upturn. In its quarterly economic report, the national F.A.Z. newspaper talks of a lack of momentum but also emphasises the underlying robustness of the German economy. This is reflected by the fact that industry already received far higher numbers of orders in February and March than had been forecast by economists and analysts. On May 7, the German Economics Ministry confirmed real growth in orders of 2.2 percent compared to the previous month. This also spells good prospects for logistics service providers, who intend to recruit more personnel but whose investment plans are still unchanged – indicating that the positive economic expectations are not yet seen as being wholly sustainable.

The providers and users of logistics services also agree in their assessment of the infrastructure issue: half of all respondents say that the successful development of their business is highly dependent on the transport infrastructure being in good condition and that the prospects for infrastructure expansion have remained the same or even deteriorated during the last year. According to the Daehre Commission on infrastructure, gross transport investment in Germany has fallen by 24 percent in real terms during the past 20 months, while transport capacity has tripled during the same period. Almost 20 percent of the German motorways and over 40 percent of the country's "A" roads have now exceeded the "warning value" of 3.5. And the problems not only concern transport: the expansion of the no less important electronic networks is lagging behind the ever-increasing demand resulting from Web 2.0 and the social media.

Around 40 percent of companies – in industry, trade and the logistics service sector – are willing to play a part in funding investment in infrastructure, but only provided that this investment noticeably improves the quality of infrastructure. To ensure that this is the case is one of the main jobs of the policymakers, who need to significantly increase the public funding for infrastructure investment.