

Logistics Indicator in Q2 2013:

Business picking up in the German logistics sector – urgent need for infrastructure expansion

Logistics business in Germany is once again picking up pace, continuing the uptrend from the previous quarter - albeit at a reduced tempo. This is the finding of the most recent poll (May survey) for the Logistics Indicator computed for Bundesvereinigung Logistik e.V. (BLV) by the Institute for the World Economy in Kiel. The overall climate in the logistics sector has improved slightly quarter-on-quarter, climbing 6 points to 114.5 points. The uptrend is driven both by improved current situation assessments (which had previously been sliding for three quarters in succession) and - as in the last quarter - growing optimism with regard to future developments. This improvement is primarily driven by the more optimistic sentiment among logistics service providers (up by 11.8 index points), while the current situation assessments in industry and trade are stagnating. As a result, the two sides of the market are practically on the same level and more than 14 points above the neutral 100 line. The current situation assessment and expectation components have shown a similar trend on both sides of the market. While the business climate among the users of logistics services suggests we will see moderate expansion, the more or less stagnating score for this component is more in line with the still rather restrained signals for the overall economy, and the traditionally more cyclical logistics service providers have now caught up with their counterparts on the demand side.

With the exception of capacity utilisation, which is still characterised as "normal" in the main, all the current situation components on the *supply side* have shown significant improvement, with orders for cross-border services providing particularly strong stimuli. Overall, current situation assessments increased by 10 points to a new level of 113.7 points. The uptrend in expectation scores for the next 12 months was even more pronounced at 13.5 points (to 114.9 points). However, the improved business outlook is not yet sufficiently solid to prompt more expansive investment plans. It has, however, given a modest boost to personnel recruitment plans.

Sentiment among the *users of logistics services* in industry and trade has remained more or less unchanged during the last three months. Both the current situation score (115.1 points) and the expectation score for the next 12 months (114.6) are almost identical with the February figures. Capacity assessments have shown a slight increase and therefore remain high, while the perceived capacity availability in the market exactly mirrors the responses of the logistics service providers with regard to their own capacity utilisation levels in the current quarter.

Providers and users of logistics services not only generally agree on the current business situation but also have the same assessment of the infrastructure issue in Germany. Only 10 percent of respondents believe that the expansion and/or quality of infrastructure is of no importance, whereas 57 percent of logistics service providers and 43 percent of logistics managers in industry and trade say that infrastructure is key to the development of their business. The remainder say that their business is at least partly dependent on this issue. Only 5 percent of companies see improved prospects for infrastructure expansion in Germany; around one in two respondents see no change at all, and over 40 percent even see a backslide in this area. This is in line with the projections on the public capital stock in Germany recently published by the Institute for the World Economy and the Centre for European Economic Research (ZEW), which predicts that the capital stock will continue to decrease

over the medium term. Although the majority of respondents do not want to play any part in funding the quality of the infrastructure, a healthy 40.5 percent of logistics service providers and 37 percent of respondents from industry and trade are nevertheless willing to make these investments. The more infrastructure-critical the business models, the more likely companies would be willing to pay. User-financed models (expansion of toll charging) would be a suitable means of ensuring targeted control of infrastructure expansion (scope, modes of transport, regional distribution) based on the willingness of the logistics industry (and other users of the transport networks) to pay for its use.

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.