

**Logistics Indicator in Q4 2013:**

## **Logistics business in Germany picks up further momentum – logistics experts concerned about trends in France and Spain**

The German logistics sector is ending 2013 with a great deal of positive momentum. This is the key finding of the most recent poll (November survey) for the Logistics Indicator computed for BVL International by the Institute for the World Economy in Kiel. The overall climate score has picked up pace for the fourth quarter running (up by 10.3 points to 132.4 index points). As a result, logistics sentiment is now half way between the neutral 100 line and the all-time record level reached in the spring of 2007. The improved mood is particularly noticeable among logistics service providers, who accounted for almost 75 percent of the total increase. During the course of the year so far, the scores for the 12-month forecast have consistently outstripped the current situation assessments, but the latter have now made up some ground against the expectation component of the Logistics Indicator (current situation score up by 12.2 to 127.2, expectation score up 8.3 to 137.7 points). These figures support the overall picture of thriving logistics business across a broad segment of the survey matrix (current situation and expectation assessment on both sides of the market).

The survey figures for the short-term trend suggest that the upswing will continue during the early part of next year, with 33 percent of surveyed logistics service providers and one in ten logistics managers from industry and trade predicting further improvement in the business situation during the next three months.

Following the setback in the previous quarter, the renewed positive sentiment with regard to current business among *logistics service providers* (up by 18.5 points to 127.8 index points) is driven by improved scores for all sub-indicators. Capacity utilisation and orders from abroad in particular are clearly in the expansive corridor. Expectations for the next 12 months continue to build on the positive mood during the course of the year to date (up by 10.7 to 139.2 points). The once again significantly more optimistic assessment of orders on books and current business is reflected in far greater willingness to invest, whereas plans to recruit new personnel are fairly modest by comparison.

The expansion signals are also stronger among the economically less volatile *users of logistics services* in industry and trade, with current situation and expectation scores showing an identical increase of 6 points to 126.6 and 136.2 index points respectively. Assessments of current business among users more or less confirm the scores on the supply side, even though the swing in available logistics capacity in the market is less pronounced than the change in capacity utilisation levels on the supply side. The anticipated growth in logistics demand during the next 12 months is also reflected in a greater willingness to expand capacities among users of logistics services, with plans to expand physical resources more or less on a par with willingness to recruit new personnel.

Both sides of the market are equally sceptical with regard to the *economic trend in the remainder of the Eurozone* (special question). 73 percent of logistics service providers and 68 percent of logistics users say their companies have not noticed any signs that business is picking up in the other Eurozone member countries. The respondents believe that above all France and Spain will continue to be the problem cases in terms of economic growth and therefore also in terms of the potential expansion of cross-border logistics services. Only few predict that these two countries will begin generating

positive economic stimuli once again in the near future, although the users of logistics services are slightly more optimistic in this respect than their counterparts on the supply side of the market. The finding that these foreign logistics markets are weak confirms the macroeconomic assessment of the IfW, who see, at best, a very modest uptrend, above all in the other Mediterranean countries in the Eurozone.

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.