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Logistics Indicator in Q1 2014

Foot off the gas at full speed

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An electronic lane-change assistant of the kind found in modern cars can serve as a metaphor: if a car accelerates too fast or drives through a curve at excessive speed, the assistant takes corrective action. Over the years, the Logistics Indicator has established itself as a reliable predictor. All the signals from the real economy are positive: despite political crises, the economy appears to be on a steady course. The German government forecasts growth of two percent in 2014 after 1.8 percent in 2013. The Ifo business climate index for the industrial sector rose once again in February. And the expectation scores recorded by the Logistics Indicator for the first quarter of 2014 are still more positive than the current situation assessments.

At the same time, the expectation scores for the next twelve months are lower than those recorded in the previous quarter. This decline is more noticeable among the logistics providers than the supply chain managers in industry and trade. When asked about the short-term forecast for the next quarter, the scores are higher than at the beginning of the year. 40 percent of respondents polled between the beginning of March and mid-March expect to see an improvement in the business situation over the next three months (compared to only 22 percent in the previous quarter). The worsening Crimean crisis has had only little effect on business expectations to date. Is this wishful thinking?

In global market terms, the general conditions for companies are characterised by a high level of volatility. Rising customer expectations and high cost pressure driven by global markets are leading to dependencies and demand fluctuations in product ranges and trading volumes. These effects are reinforced by ever-faster market and technology trends. BVL studies confirm this and also show that excessive demands on companies in the value added chains negatively impact quality and punctuality. On top of all this comes a serious political crisis with potentially global effects. In situations like these, it is almost impossible to make reliable forecasts.

The scenario can be described as one of "subjective uncertainty" caused by a number of factors. The Chinese market, one of the motors of the global economy, has not stabilised to the expected degree during the first quarter of 2014. As shown by the reaction of the stock markets, the worsening political crisis in the Ukraine could also impact the world economy. In Germany, there is uncertainty concerning the development of energy costs. The negotiations between the EU and the USA on a potential transatlantic free trade zone are stalling. The majority of companies believe that such an agreement would generate stimuli for growth, but it could now take some time before we see these effects.

Despite all the uncertainty, however, the scores for incoming orders, capacity utilisation, personnel resources or investments are more or less on a par with the previous quarter. Emergency plans or strategic changes should remain in the drawer for the time being – and the sector should keep a close eye on the overall economic climate.