

Logistics Indicator in Q1 2014:

Damper on the upturn in the German logistics sector

The logistics sector has been unable to carry the momentum from year-end 2013 over into the new year. Although the signs still all point clearly to expansion, the climate in the German logistics sector is slightly less optimistic in the first quarter of 2014. This is the key finding of the most recent poll (March survey) for the Logistics Indicator computed for Bundesvereinigung Logistik e.V. (BLV) by the Institute for the World Economy in Kiel. The overall climate score is down by 3 points but, at an index score of 129.6 points, is still well above the neutral 100 line. Whereas expectations are more or less unchanged, the current business situation is seen as being not quite as favourable compared to the cautious optimism of the last quarter (down by 5.1 to 122 points). The first three months have therefore not delivered on the promise shown in Q4 2013.

The logistics climate on both sides of the market is slightly less optimistic, with the users of logistics services reacting slightly more strongly (minus 3.6 points) than their counterparts on the supply side (minus 2.1 points). While the latter are slightly more reserved both with regard to their assessment of the current situation and their expectations for the next 12 months, the slight downturn in sentiment among the users of logistics services in industry and trade is driven exclusively by the less positive assessments of current business compared to the previous quarter. At the same time, however, the current economic trend is clearly positive for both sides of the market: on balance, an average 40 percent of respondents forecast an improvement in the business situation in the spring (compared to only 22 percent three months ago). Together with the practically unchanged expectations of respondents and the generally favourable economic outlook for Germany, this finding can also be expected to underpin the business outlook for the logistics sector during the further course of the year.

Although the *logistics service providers* report slightly improved order volumes compared to the previous quarter combined with a generally stable business environment, incoming orders are not quite at the level they were. As a result, capacity utilisation has levelled out across a broad front. Expectations for orders and business trends in the coming 12 months are slightly more reserved, albeit at a high level, while investments and personnel recruitment are still on an uptrend.

The *users of logistics services* in industry and trade confirm the situation assessments on the supply side of the market, with capacity availability described as normal and persisting high demand, albeit at a slightly lower level than in the previous quarter. With regard to logistics requirements during the next 12 months, users are more optimistic than providers. This optimism is not reflected by a greater willingness to expand capacity in industry and trade, however, indicating that the demand side intends to leave it to the service providers to handle some part of the anticipated additional requirements.

On balance, the companies in the German logistics sector believe that a potential transatlantic free trade zone between the USA and the European Union will create additional stimuli for their own business activities. Indeed, one in two respondents from industry and trade predict positive or very positive effects. The service providers are more reserved in this respect: 61 percent of respondents do not believe that a transatlantic free trade agreement would have any beneficial effect on their business.



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.