Logistics Indicator in Q2 2014:

Upturn in the German logistics industry picks up pace once again

Following the slight damper at the start of the year, the signs are that the German logistics sector is clearly once again on course for growth. This is the finding of the most recent poll (June survey) for the Logistics Indicator computed for Bundesvereinigung Logistik e.V. (BLV) by the Institute for the World Economy in Kiel. The overall climate improved by over 8 points to 138.8 points. This more favourable finding is due above all to the improved assessment of the current business situation (up by 11.3 points to 133.4 points), while expectations for the next 12 months are up only modestly, by 5 points to 142.2 index points. The improved sentiment was mainly driven by the supply side (logistics service providers): whereas the climate score for the providers showed a strong increase of 14.5 points to a new level of 145.8 points, the score for the users of logistics services in industry and trade remained more or less at the prior-quarter level (up by 1.9 points to 129.7 points).

With regard to the short-term economic trend (development of business in the next quarter), optimism on the supply side of the market is more restrained than on the demand side. On balance, 22 percent of providers and 38 percent of users expect to see an improvement in the business situation or the demand for logistics services.

The marked upturn in sentiment among the *logistics service providers* above all reflects the far more favourable assessment of the current situation in the second quarter. The corresponding indicator showed a strong improvement across a broad front, rising by 18.9 points to 145.8 points. The last time a score this high was recorded was three years ago. This might explain why the optimism among respondents with regard to a further improvement during the next three months is slightly restrained. In contrast, the outlook for the next 12 months has improved significantly, with the index score up by 10 points to 147.3 points. This figure also represents a 3-year high; moreover, all the expectation components supply an extremely balanced indication of further expansion, which means that the positive outlook for the development of business and orders is accompanied by a corresponding willingness to recruit new personnel and expand physical resources.

The fact that the business climate shows only a minor improvement among the *users of logistics services* in industry and trade is solely due to the slightly more favourable assessment of the current business situation (up by 3.8 points to 122.3 index points). This in turn is due to a level of capacity availability that is viewed by the market as being less tight, and this finding is generally in line with (though not quite as strong as) the assessment of the logistics service providers. With regard to expectations for the next 12 months, the Logistics Indicator merely records minor shifts; business expectations are slightly improved while assessments with respect to additional logistics requirements are down marginally but still at a high level. Moreover, the renewed and more significant plans to recruit new personnel are accompanied by more modest plans to expand physical resources.

The respondents do not currently believe that the crisis in Ukraine and possible sanctions against Russia will have any negative long-term impact on the logistics sector in Germany. When asked about short-term effects, the scores for the supply side of the market are more robust than among the users of logistics services. Almost one in two surveyed logistics service providers do not expect any negative effects at all (and the figure for logistics managers in industry and trade is just 2.5 percent).

The demand side of the market believes the above factors will only have a temporary impact if at all. Half of the polled users expect temporary effects, while the other half say that any negative impact can be offset by more lively business with other countries. These assessments are shared by 29 percent and 18 percent of respondents on the supply side, respectively.

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.