

Logistics Indicator in Q3 2014:

Slower expansion of the German logistics industry – disappointment with economic policy

The business climate in the German logistics sector has begun to look slightly bleaker in the current quarter and is now back where it was one year ago. This is the key finding of the most recent poll (September survey) for the Logistics Indicator computed for Bundesvereinigung Logistik e.V. (BLV) by the Institute for the World Economy in Kiel. The decline of just under 13 points to a new level of 124.9 points is mainly due to the less positive business expectations for the next 12 months (down 19.7 points); in contrast, the score for the assessment of current business showed only a modest decline of 6 points. It can be assumed that one of the factors behind this trend is the uncertainty over future developments in the various geopolitical flashpoints – in particular the potential escalation in tensions between Europe and Russia. What probably played an even more important role, however, was the slump in production order volumes in industry in the months leading up to the survey. The downturn in sentiment in the logistics sector is driven above all by the logistics service providers, where the climate score fell by over 15 points to 130.6 index points; by comparison, the figure for the users of logistics services in industry and trade was down by only 10.4 points to a new level of 119.2 points. The dominant factor among the latter was the downturn in expectations, while the supply side of the market also recorded a noticeable decline in the scores for assessment of the current business situation – despite the fact that the majority of logistics service providers had predicted a positive Q3 trend when asked in the previous quarter. On the whole, however, the climate scores are still well above the neutral 100 line and therefore still indicate an expansive baseline trend. The short-term forecast for the coming quarter is also positive: on balance, 40 percent of providers and just under 20 percent of users predict improved business in the final quarter of the current year.

With the exception of capacity utilisation, which even shows a slight upturn, all the situation indicators for the *logistics service providers* have declined noticeably. In particular, incoming orders from within Germany have grown far less strongly than in the previous quarter. Persisting high capacity utilisation may be the reason why the providers have not yet made any major changes to their investment plans. All the other expectation components are well below the scores measured three months ago.

The current situation assessments of the *users of logistics services* in industry and trade show little or no change compared to the previous quarter. One of the reasons for this is that the less dynamic growth in demand has been offset by a relative increase in the price of logistics services (an indicator of the tense market situation). In the 12-month expectation scores, all the indicators are down markedly with the exception of the almost unchanged expansive forecast for cross-border logistics requirements. This suggests that the respondents view the damper on logistics business as being due less to foreign trade factors and more a result of the less buoyant expectations for the German economy.

Almost across the board, the respondents give the new German government a poor performance rating when it comes to the policy fields that are of relevance for the logistics sector. While the measures to underpin Germany's status as a business location are seen as being just about satisfac-

tory, none of the other policy areas are rated better than "adequate". With an average rating of 3.9 (bordering on "inadequate"), the measures to improve the country's infrastructure are where the government is seen as underperforming most of all. Having said that, the scores for the other polled policy areas - namely "stimuli for eMobility and city logistics", "digital infrastructure" and "energy transition and energy grid expansion" - are hardly any better.

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.