Institut für Weltwirtschaft an der Universität Kiel

Logistics Indicator in Q1 2015:

Increasing optimism in the German logistics sector

At the start of 2015, the climate in the German logistics industry began to look considerably brighter. While assessments of the current business situation show little change, the expectations for the next 12 months are noticeably more optimistic than they were three months ago. The short-term outlook has also improved, signalling a positive overall business trend for the spring. These assessments are based on the findings of the latest Logistics Indicator survey (February poll), conducted for Bundesvereinigung Logistik e.V. by the Institute for the World Economy in Kiel.

The comprehensive overall indicator for the German logistics sector has shown a modest increase of 8.2 points to a new level of 128.7 points. The climate score is therefore once again solidly above the neutral 100-line, and this indicates the presence of stronger economic expansion stimuli. Whereas the business climate on the supply side (logistics service providers) is practically unchanged (increase of 1.3 points to 125.2 points), the climate score on the demand side (industry and trade) has improved noticeably (up by 15.1 points to 132.1 points). The brighter sentiment on both sides of the market has been driven by more optimistic expectations for the next 12 months (up by 19.6 points to 130.6 points), while the assessment score for the business situation in the current quarter shows a slight decline. The rather restrained trend at the beginning of the year confirms the findings for the short-term trend from the November survey. The survey results currently point to a tangible revival of the business trend in the next quarter for both sides of the market: on balance, one in four respondents expects an improved business situation in the spring. Both sides of the market are in agreement here, and almost none of the polled logistics experts expects the business situation to deteriorate.

The slight downturn in current situation assessments among the logistics service providers (down by 8.2 points to 126 points) is driven by slightly less favourable scores for all sub-indicators with the exception of foreign business (score unchanged), but all sub-indicators are nevertheless still in the positive range. The more optimistic expectations (up by 10.9 points to 124.4 points) are the result of a noticeable improvement in the order and business situation. This improved sentiment has not yet, however, prompted any adjustment in capacity planning.

Current situation assessments are virtually unchanged on the demand side (up by 1.7 points to 127.4 points) with negligible changes in the sub-indicators. At the same time expectation scores have improved markedly (up by 28.4 points to 136.8 points), thereby offsetting the downslide of the last six months. Cross-border logistics requirements and the willingness to recruit new personnel have shown a particularly strong improvement.

The assessment of the market situation for logistics services is meanwhile viewed very similarly by both sides of the market: while, on balance, 12 percent of logistics service providers report above-average capacity utilisation levels, a balance of 7 percent of their customers describe the available logistics capacity in the market as scarce. All in all, this indicates a normal level of capacity utilisation in the German logistics industry - a finding that is in line with the general economic situation in Germany.

Digitalisation plays a key role in the German logistics industry. On a scale of 1 (very low level of penetration) to 5 (very high level of penetration), the average score for the degree of digitalisation is slightly higher on the supply side of the market at 3.9 than on the demand side (3.4). Whereas "cloud-based IT solutions" and "social networks for customer communication" still play little or no role for the majority of respondents, the areas of "information and communication-based process improvements" (92.7 percent), "Web-based networking with suppliers and service providers" (91.5 percent) and "improvements to internal and external communication systems" (89 percent) achieve similar application scores in nearly all segments on both sides of the market. The polled providers and users also agree on the main in-house drivers of digitalisation, with "process optimisation" leading the way with 92.7 percent, followed by "improvement of the cost structure" (65.9 percent), "general increase in complexity" (63.4 percent) and "growing data volume" (52.4 percent).

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.