

## Logistics Indicator in Q4 2015:

### Climate in the German logistics industry once again slightly less favourable

As the year draws to a close, the business climate in the German logistics sector is experiencing a slight downturn for the second quarter in a row. The main factor behind this trend is the marked downtrend in expectations among the users of logistics services (industry and trade) for the coming year. This is the finding of the latest Logistics Indicator survey (November poll), conducted for BVL International by the Institute for the World Economy. The overall climate indicator was down 3.7 points to 122 points. While assessments of the current business situation showed a slight increase of just under 2 points, the expectation score for the trend in the coming 12 months recorded a decline of 9.3 points. The climate on the demand side of the market (industry and trade) showed a marked fall of almost 12 points, whereas the same sub-indicator on the supply side (logistics service providers) was up by 4.4 points. When considering these findings, however, it is important to remember that some of the answers were directly affected by the recent terror attacks in Paris (the survey for the final quarter takes place slightly earlier than in the other quarters). The scores for all sub-indicators are still above the neutral 100 line, which indicates a modest uptrend overall with normal capacity utilisation levels at the present time. Looking ahead to the three coming winter months, most of the respondents in the logistics sector expect to see an unchanged level of business activity (neutral business trend), with the optimists slightly in the majority among the logistics service providers and the demand side (industry and trade) slightly more pessimistic on the whole.

The logistics service providers, who are generally more sensitive to economic trends, report not only an improved assessment of current business (+6.5 points) but also slightly more optimistic expectations (+2.3 points). The key factor behind this trend is the improved order and business situation among the surveyed companies. In contrast, the assessment of the current situation by companies in industry and the trading sector is slightly less favourable (-2.8 points), while expectations are down by almost 21 points to a new level of 108.2 points. This is the biggest drop in expectations on the demand side of the market for 4 years. Compared to the previous quarters, there is a clear downturn in expectations with regard to the demand for both domestic and cross-border logistics services. This results in accordingly downsized plans for the creation of physical resources, while recruitment plans meanwhile even point to personnel reduction rather than new recruitment.

In view of the strong influx of refugees into Germany, the special question asked whether companies intend to take on refugees in the coming year. Just under three in four surveyed companies said this was the case. Two in three of the companies who do not intend to take on refugees (slightly more than 25% of all surveyed companies) said that their company was not planning any new recruitment at all in the coming year. What is apparent is that the respondents do not consider the minimum wage to be a major obstacle. Alongside possibly inadequate qualifications of the refugees (14 percent) and a lack of German language proficiency (5 percent), another factor named by 19 percent of respondents is that cultural differences might pose a threat to the working atmosphere. Other reasons that were named show that at least a small percentage of respondents are fundamentally sceptical with regard to the current refugee policy of the German government.

The companies that intend to take on refugees were also asked about potential and risks. The answers show that many companies in the logistics sector see it as their social responsibility to play a



role in mastering the challenges ahead by offering refugees the opportunity to become integrated in the employment market. In particular, the companies see this as a chance for society to fill the hole left by demographic change. As only a low share (less than 10 percent) of companies on both sides of the logistics market believe that refugees will be of benefit due to their especially good educational background, it is fair to assume that the bulk of planned recruitment will be in the lower-qualified segment. Nevertheless, the current minimum wage is still not seen as being a major problem. Respondents say the anticipated challenges are more likely to be in the areas of inadequate language skills (around 40 percent), vocational qualifications (just under 25 percent) and uncertainty over the permanency of residence (also just under 25 percent).

The Logistics Indicator is computed for BVL International by the Institute for the World Economy (IfW) at Kiel University. It is based on a quarterly survey of experts from Germany's 100 biggest companies, for whom logistics services play an important role as providers (logistics service providers) or users in industry and trade. The survey is conducted in the first half of the last month in the quarter in question. The design of the questions is geared towards the business assessment of the economic activities associated with logistics services within the borders of the Federal Republic of Germany. All quarter-related questions refer to seasonally "normal" assessment (after adjustment for seasonal effects).