Logistics Indicator in Q1 2016:

Further modest slowdown in the German logistics sector

The business climate in the German logistics industry has seen a further slowdown at the beginning of 2016. Although the economic indicators still point to expansion, the climate in the first quarter is once again slightly bleaker. This is the finding of the latest Logistics Indicator survey (March poll), conducted for Bundesvereinigung Logistik e.V. (BVL) by the Institute for the World Economy. The climate score is down by 7 points, but the overall indicator is still above the neutral 100-line at an index score of 115.2 points. While expectations show little or no change, the assessment of the current business situation has deteriorated considerably following the winter months (showing a decline of 12.9 points to a new level of 115.6 points). This climate downturn is driven solely by the supply side of the market (logistics service providers), where the sub-indicator recorded a clear fall of roughly 20 points. In contrast, the mood among users in industry and trade is back on an uptrend (up by 6 points).

The assessments of the *providers* are less favourable with regard to both the current situation and expectations for the future, with both scores down by around 20 points. The bleaker mood on this side of the market is a thread that runs through all the sub-questions in the survey, from orders on books and capacity utilisation all the way through to planned recruitment.

Although the assessment of the current business situation among *users* in industry and trade is slightly less favourable than in the previous quarter, expectations are significantly more positive (plus 17 points), almost totally cancelling out the slump in the winter quarter. As a result, current assessments show a growing demand for logistics services both within Germany and for cross-border transports; a far higher percentage of respondents among the users of logistics services also forecast expansion of personnel and physical resources.

The business trend at the current time points to an upward trend for both sides of the market: on balance, 22 percent of logistics service providers and 28 percent of logistics users take a positive view of the next quarter – far higher percentages than in the December poll. The positive general economic outlook in Germany should also additionally underpin the business prospects of the logistics sector during the further course of the year.

This time, the special question was about triggers and goals of change processes. On average, respondents ticked more than two possible answers, which means that the following percentage figures do not add up to 100. The assessments of the two sides of the market were quite similar with regard to both triggers and goals. As expected, the most important *trigger of change processes* is seen by 60-70 percent of respondents as being digitisation and technical progress. Further triggers are uncertainty concerning international economic trends (50 percent) and societal developments such as the migration of refugees (30-40 percent). Over 30 percent also named demands on employers to implement modern work organisation concepts (work-life balance) as a trigger. With regard to the *goals of change processes*, roughly 90 percent of respondents named cost reductions and/or productivity growth – followed in second place by the development of new products and services to meet customer expectations (60-70 percent), and the wish of employers to be more attractive for their employees (work satisfaction). Around one in four respondents named as further goals compliance with regulatory requirements and improved risk management.

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).