Logistics Indicator in Q3 2016:

SLIGHTLY MORE OPTIMISM IN THE GERMAN LOGISTICS SECTOR

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The business climate in the German logistics industry showed a further slight improvement in the third quarter. Accompanied by only a modest downturn in current situation assessments, the forecast for business over the next year are more optimistic than they were just three months ago. On balance, the short-term predictions for the next three months also point to a positive business trend. These are the findings of the most recent survey for the Logistics Indicator (August poll), conducted for Bundesvereinigung Logistik e.V. (BVL) by the Institute for the World Economy.

For the first time this quarter, the raw data obtained from the survey were filtered using a standard statistical method, as the necessary data basis is in place now that the indicator has a measurement history extending back over 10 years. Although the original design of the indicator aimed to survey the assessments of respondents relative to the situation that is considered "normal" for the time of year (after adjustment for seasonal effects), it was still possible to identify a seasonal pattern in the overall answer scores. Analysis showed that the scores for the Logistics Indicator are consistently slightly higher in the May survey than in the other quarters. From now on, this seasonal pattern will be filtered out (also retrospectively), which means that short-term indicator movements will in future provide more clear-cut signals regarding the health of the sector. Accordingly, the interpretation of the survey results is now also referenced to the seasonally adjusted results. In future, the seasonal factors will be re-assessed once a year (within the context of the August poll).

The overall indicator for the German logistics industry is up slightly by 0.8 points to 128.7 points, confirming the brighter picture documented in the prior quarter. This means the climate score is just above the long-term average, and this indicates a "normal" business situation. While the business climate on the demand side of the market (industry and trade) is slightly less positive (down by 5.5 points to 120 points), it continues to improve on the supply side (logistics service providers), showing an increase of 7 points to 137.3 points. The modest upturn in the overall climate indicator is driven by slightly more optimistic expectations (up by 3.1 points to 133 points). On balance, the score for assessment of the current business situation is down somewhat, as the improvement on the supply side (logistics service providers) was more than offset by the downslide among the users of logistics services in industry and trade. The forecast business trend for the next quarter indicates that we will see a noticeable upturn on both sides of the market: on balance, just under one on three respondents predict an improved business situation over the autumn period. Both sides share this view, and almost none of the polled logistics experts forecasts a downturn.

The slightly less favourable assessment of the current business situation among the users of logistics services in industry and trade (down by 5.5 points to 120 points) is primarily due to the less positive

view of the current business situation. Compared to the previous survey, respondents reported weaker price trends and slightly higher availability of logistics capacity in the market. While the subindicator for expectations showed modestly improved forecasts for the development of business and domestic demand, the willingness to expand physical and personnel resources was slightly lower than in Q2. On the supply side, both the current situation assessment (up by 5.5 points) and the expectation component (up by 8.5 points) were significantly improved. When asked about their assessment of the current business situation, respondents reported higher capacity utilisation and an upturn in both current business and orders on books. The sub-questions for the expectation component revealed a willingness to expand physical and personnel capacities, while the already positive assessments of orders and current business situation showed further improvement.

The special question in the Q3 poll was about the traffic situation in city centres with regard to potential bottleneck situations (traffic congestion, air pollution and noise). More than one in two respondents on the supply side (logistics service providers) say that the current situation impedes their logistics activities, while 30 percent of the respondents from industry and trade view this as a problem. Around 60 percent of respondents agree with the statement that capacity utilisation of delivery vehicles in this connection is something that can be improved. Just under 40 percent would like to see city and traffic planners taking greater account of the needs of the logistics industry, while well below 20 percent of respondents point to the lack of storage facilities in the inner cities and say that such facilities could help to make delivery routes shorter.

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). The average indicator values since the survey for the BVL Logistics Indicator began 10 years ago are in the order of 127 points, and this provides added context for what can be considered a "normal" business situation in the logistics sector. 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 seasonal effects still impact response behaviour, and these influences are filtered out from the indicator values using a standard statistical method for seasonal adjustment (Census X12-ARIMA).