

Logistics Indicator in Q4 2016:

German logistics climate still on an uptrend – positive outlook for the coming year

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The sentiment in the German logistics industry is still trending upwards. This is the finding of the most recent survey for the Logistics Indicator (November poll), conducted for BVL International by the Institute for the World Economy. The renewed improvement in the overall climate in the logistics sector is reflected by the increase in the index score by a further 9 points to a new level of 137.7 points, well above the long-term average score for the BVL Logistics Indicator. While expectations for the next 12 months are only slightly up on the prior quarter, current situation assessments show a clear improvement (increasing by 17 points). Whereas there has been a modest upturn above all among the logistics service providers during the course of the year to date, the positive trend is now being driven by both sides of the market. The climate improvement among the users of logistics services in industry and trade is particularly noticeable, with the corresponding climate indicator making major gains (plus 13.4 points). The uptrend that began at the start of the year on the supply side continues, albeit at a slower pace (up by 4.6 index points). When asked about the short-term business trend for the coming winter quarter, the majority of respondents are optimistic (in other words, they predict an increase in logistics activity during the next three months), scoring 15 percent higher on both sides of the market than the respondents who expect a lower level of activity.

The improved climate on the *supply side* is driven by a dramatic improvement in current situation assessments (up by 21 points to 153 points), more than offsetting the slight downturn in the previously highly positive trend in expectations (down by 12 points to 130 points). This improvement in the assessment of the current business situation is present across the board. There are noticeable improvements in both the business situation and orders on books, and incoming orders have grown far more robustly than in previous quarters, particularly in the cross-border segment. Capacity utilisation levels have also been significantly more favourable than originally expected. Expectations for the next 12 months are down slightly across all components, but this follows gains in the prior quarter. This means that the expectations of the logistics service providers are now roughly at the level they were 6 months ago. In absolute terms, expectations are still above the average, both in terms of plans for capacity and personnel expansion as well as in terms of order and business trends.

The climate among the *users of logistics services* in industry and trade has picked up noticeably and is now once again clearly above the long-term average for the first time in three years. The current survey records a marked uptrend in both current situation assessments (up by 12.6 points) and expectations, which gained 14.2 points. It is evidently the case that a higher demand for logistics services has recently been met by slightly better utilisation of in-house capacities. The overall picture

with regard to expectations for the next 12 months is considerably brighter. What is particularly apparent is the higher foreseeable demand for both in-country and cross-border services.

Special topic "digital transformation"

The average assessments of respondents (on a scale from 0 to 5) indicate that both sides of the market rate the need for transformation due to digitisation in the logistics sector as being equally high (average of approx. 3 scale points), with the figure for industry and trade being slightly higher. According to the respondents, there is a particular need for transformation with regard to the adaptation of data management and interfaces, the interconnection of process routines, and the further training of personnel.

Special topic "relevance of the regions in 2017"

The economic trend in the European Union is still the undisputed key factor in the success of logistics business. Developments in China and the USA are each named by roughly 60 percent of respondents, followed by Russia and the Near or Middle East, each with around 30 percent. The assessments of the importance of specific regions is generally very similar on both sides of the market, with the exception that Russia is named twice as often by the respondents in industry and trade as by the logistics service providers (40 percent versus 20 percent).

The Logistics Indicator is computed for BVL International 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).