

Logistics business on an uptrend

Logistics Indicator still extremely positive

Taken as an average over Q1 as a whole, the business climate in the German logistics sector recorded an almost imperceptible downtrend during the first quarter of 2018. This is the finding of the monthly survey for the Logistics Indicator conducted by the ifo Institute on behalf of German Logistics Association BVL International within the context of the Institute's economic surveys. The business climate indicator for the logistics industry settled at a mean value of 112.1 points, 0.3 index points down on the previous quarter. The noticeably more favourable assessments of the current business situation (up by 1.3 index points from the prior quarter to 119.7 points) were more than offset by the lower expectation scores for the development of business over the next six months (down by 1.6 index points to 105). The sub-indicator for the current business situation climbed to a new record of 121 points in February. Personnel recruitment plans in the logistics sector once again point to an increasing employee headcount during the next three months, and the mean score for the corresponding indicator over Q1 as a whole was only slightly down on the prior quarter (114.6 after 114.8). The data suggest that we will see rising prices for logistics products and services in the coming quarter – albeit not across as broad a front as has recently been the case (with the indicator down from 111 to 110.5 points).

The business climate index among the providers of logistics services continued to improve in Q1 2018, reaching a mean level of 109.8 points (after 109.3 points in Q4 2017). Survey respondents were even more satisfied with the current business situation, and the corresponding indicator picked up noticeably (+2.5 index points to 115.8 points). The recently very optimistic outlook for the coming six months was tempered by slightly more caution in the first quarter of 2018 (down by 1.3 index points to 104.1 points) but, on balance, forecasts were still well into the positive corridor. Satisfaction with orders on books was down by a modest 2.3 points for the quarter as a whole but still well above the long-term mean of -7.2. The majority of logistics service providers reported increasing demand, with the result that all the corresponding net scores were at a high level. When asked about the development of demand relative to the previous month, an even higher percentage of companies than in the previous quarter said they had seen increased demand (up by 6.7 points to +39.4 points). The survey respondents were also optimistic regarding the demand trend for the next quarter – and therefore also expect to see further personnel recruitment in the coming months (up to +27.8 points). A trend towards rising prices was reported slightly less frequently on average than in the previous quarter (down by 1.5 balance points to +38.9 points).

The business climate among the users of logistics services in trade and industry showed a slight downtrend (114.9 after 115.7 points) – but remains at a very positive level. This minor downturn was due to the slightly less optimistic expectations for the next six months. The average index for Q1 2018 was 2.3 points below the prior quarter figure (106.1 after 108.4). The current business situation remains highly positive (124.3 after 123.4), but a month-on-month analysis also points to a negative trend in this time series. Inventory levels have recently experienced a modest increase (up by 0.6 balance points to +5.7) following a downward trend in the time series since 2011. Companies say that they have been able to further raise the prices for the offered products (balance: +12.7), and further price increases are planned during the course of the next three months (balance: +14.9). The surveyed companies still intend to recruit more personnel in Q2 2018 (balance: +11.2), but personnel expansion was mentioned slightly less frequently during the course of Q1.

The Logistics Indicator is computed for BVL International (BVL) by the ifo Institute. It is based on the monthly business climate surveys that have been conducted since 2005. More than 4,000 responses from providers of logistics services (60% freight transport (without air freight); 40% freight carriers and logistics) and from companies in the manufacturing industry (66%) and the trading sector (wholesale: 17%; retail: 17%) as users of logistics services are used to calculate the Indicator. The overall Indicator is computed in equal parts based on the findings for the providers and the results for the users. The question design is geared towards the assessment of the current business situation, trends in recent months and expectations for the coming months. Survey respondents are generally given answer options that can be characterised as "positive-expansive", "average-neutral" and "negative-contractive". The percentage shares of positive-expansive and negative-contractive answers are balanced out, which means the net scores can lie anywhere between -100 (all companies gave a negative-contractive answer) and +100 (all companies give a positive-expansive answer). If the net score is 0, this means that negative and positive responses are in equilibrium. All questions refer to seasonally "normal" assessments. Moreover, all the reported figures are adjusted for any residual seasonal pattern using a standard statistical method for seasonal adjustment (X13-ARIMA-SEATS). For the purpose of calculating the index values of the business climate and the two components "business situation" and "expectations", the balances are each increased by 200 and normalised to the mean value for a base year (currently 2005).