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Leibniz Institute for Economic Research
at the University of Munich

ifo-BVL Logistics Indicator
Results of the ifo Business Survey for the third quarter of 2018

Logistics Indicator recovers

Following a clear downtrend in Q2, the business climate indicator of the German logistics industry showed an improvement once again across the third quarter of 2018. This is the finding of the monthly survey for the Logistics Indicator conducted by the ifo Institute on behalf of Bundesvereinigung Logistik e.V. (BVL) within the context of the Institute's business surveys. The overall business climate indicator for the logistics industry stood at 110.2 points, 0.7 index points up on the previous quarter. Although the current business situation was once again assessed as being less favourable, the difference compared to Q2 was only marginal (117.5 against 117.7). At the same time, the responses with regard to the trend in the coming six months were more optimistic (up by 1.4 points to 103.3 index points). Even though new personnel is still being recruited with above-average frequency, the survey respondents reported a less expansive recruitment policy for the third quarter running (112.5 after 112.7). The trend line for pricing is heading in the opposite direction, and more and more companies now see opportunities to push through higher prices, a trend that has been in place since Q3 2017. The corresponding indicator showed a significant increase of 1.5 index points, rising to a new level of 112.7 points.
Sentiment among logistics service providers showed an improvement in Q3. The business climate indicator rose by 0.9 points to an index score of 108.3 points. Satisfaction with the current business situation was down slightly, but was still at a far above-average level (down by 0.3 points to 113.6). At the same time, the survey respondents predict improved business for the next six months slightly more frequently than was the case in the second quarter (up by 1.8 points to 103.2). Orders on books are frequently described as being at a relatively high level (up by 2.1 points to 119.2), once again confirming the excellent order situation among logistics service providers. The survey shows that demand has increased noticeably in recent months (index score: 107.0), and a large percentage of the companies recorded sales growth compared to last year (up by 2.3 index points to 106.9). Moreover, the demand forecasts in Q3 2018 were more optimistic than they have ever been since the surveys began in 2005 (106.3), and this is why the logistics service providers said they intend to recruit more personnel (up to 112.4 index points). In view of rising costs due to, among other things, higher fuel prices, the service providers plan to increase the prices for their services, and the corresponding index climbed to a new record level (118.8 after 117.3).
The business climate index for the users of logistics services in trade and industry remained at the prior-quarter level (111.7). Although this figure is down on the excellent figures recorded in 2017, it is still way above the long-term mean of 106.6. The same applies to the – unchanged – index level for the current business situation (121.7). Business expectations are also unchanged (102.4), but the optimism from 2017 is no longer apparent. As reflected by a balance value just below the zero line, only a small percentage of respondents expressed optimism with regard to the trend in the coming months. The polled companies were less likely to have recruitment plans for new personnel in Q3 2018 than in Q2 (112.7 after 113.4), marking the third downtrend in succession for the corresponding indicator. Warehouse inventories are up slightly once again to a level last seen in the first quarter of 2017 (index score: 96.1). After having seen a recently more broadly based renewed increase in prices (106.7 after 105.5), the pricing plans of companies in trade and industry suggest that prices may show stronger increases in the coming quarter (106.3 after 105.0).

The Logistics Indicator is computed for 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 three answer options per question 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 gave 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).