

**Logistics Indicator in Q1 2019**

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## **A dent in the economy is not a recession!**

*Commentary by Robert Blackburn, Chairman of the Board, BVL – The Supply Chain Network*

Temporary slowdown or recession? This is the question that has been preoccupying economic researchers since the autumn of last year. According to the “four-phase theory”, an upturn is followed by a boom, then a recession and, finally, a depression, before the economy begins looking up again. So where are we now?

In February 2019, the ifo Business Climate Index fell to its lowest level since December 2014, slightly below the normal range but still close to it. Companies once again see their current business situation as being less favourable and express greater pessimism with regard to the business trend over the next six months. Economic growth in the first quarter of 2019 will likely be no more than 0.2 percent.

Although the business climate index for the logistics sector polled in this survey is at its lowest since February 2016, it is still at a level slightly above the normal range. The survey back in 2016 also recorded a certain degree of pessimism. But this downturn in sentiment was not followed by a recession but by a continuous two-year uptrend – which was always characterised by a constellation in which expectation scores were well below the scores for the business situation at the time. The year 2018 was a year with many uncertainties, and it is these uncertainties that have led to the prevailing downturn in sentiment and a general scepticism, possibly also driven by a feeling that the last ten excellent years for the German economy have accounted for a major part of growth and earnings success – and that it might be unwise to press one’s luck, even if this good fortune is largely the result of endeavour and industriousness.

I interpret the fact that logistics managers in industry, trade and services are, for example, downsizing their recruitment plans as a sign of caution rather than any fear of recession. Perhaps these less expansive plans are already prompted by the realisation that there is also a shortage of available labour. Moreover, the overall figures show that the respondents in the logistics sector only gave negative responses to a single question, namely in their assessment of general business expectations. If we look at all the assessments in greater detail, we see that they are still in the expansive corridor.

There are good reasons for logistics not to be swayed by doubt. Over the last ten good years there have regularly been dents in the economy, but none of them has signalled the onset of a recession. It has often been international developments in areas like foreign exchange, finance or politics that have affected the real economy – and supply chain managers and logistics experts have reacted effectively in their globally interconnected fields of activity. News reporting is currently dominated by Brexit and the trade conflict between the USA and China.

With regard to Brexit, the votes in the House of Commons appear to now have once again paved the way for an orderly withdrawal of the UK from the EU. A Brexit under these conditions would doubtless impact the unity of Europe but would nevertheless ensure that the economic consequences are softened. As concerns the trade conflict between the superpowers, there is still the hope that economic reason will prevail. Europe is not currently feeling any major effects as a result of the disagreements between Washington and Beijing, and the new Silk Road could well act as a catalyst for the economic relationship between Europe and Asia.

The answer to the question I asked at the start is therefore “No. A dent in the economy is not the same thing as a recession. We should remain optimistic and let ourselves be inspired”.