ifo / BVL Logistics Indicator
Results of the ifo Business Survey for the first quarter of 2019

Logistics Indicator – growing scepticism

The overall climate indicator of the German **logistics sector** showed a decline for the fifth time in succession in February 2019. This is the finding of the monthly survey for the Logistics Indicator conducted by the ifo Institute on behalf of BVL within the context of the Institute's business surveys. The overall business climate indicator for the logistics industry stood at 102.3 points, the lowest figure in exactly three years. This also corresponds to the data published by Germany's Federal Statistical Office which show a decrease in gross domestic product in Q3 and no change for Q4 2018. The increasingly difficult economic environment is also reflected in the level of incoming orders in the manufacturing industry. Based on these official figures, the volume of new orders in Q4 2018 was lower year on year and the production index also experienced a downturn. Companies are accordingly sceptical in their expectations for the future and voiced increasing pessimism in the business survey when asked about the anticipated business trend during the next six months. As a result, the indicator has fallen to a level of 93.5 points – with negative responses in January and February outweighing positive answers for the first time since February 2016. Moreover, companies said they were reining in their expansive recruitment plans, even through the indicator still points to continued growth. The current general business situation in the logistics sector was generally still viewed as positive. Although the latest indicator score of 111.9 is noticeably less favourable than the excellent values of recent years, it remains higher than the long-term average.

Sentiment among **logistics service providers** is now poorer for the fourth month running, and the overall business indicator has consequently fallen to its lowest level since February 2016. Pessimism dominated the assessments of the development of business for the next six months for the first time since October 2014 – with the indicator falling to its lowest level since May 2009. Nevertheless, the current business situation was still described as being favourable, even if the number of positive answers was tangibly lower than in previous months. Respondents said that they had recorded higher turnover both during the last few months and compared to last year. Also in recent months, companies on this side of the market have increasingly worked through the above-average volume of orders on books received in 2017 and 2018. All the same, the truck-toll-mileage index was also at an unusually high level in January. The less optimistic demand expectations mean that the recently more expansive recruitment plans have now been tempered by a greater degree of caution and that planned price increases are increasingly also being postponed.

In February, the surveyed companies in **trade and industry** who make use of logistics services were considerably less positive than last year in their assessment of both the current business situation and expectations for the future. While assessments of the current situation are still positive to an above-average degree, it was also more frequently the case that companies expect to see a downslide in the coming months, and the overall climate indicator fell to the lowest level since August 2016. The export-driven German economy is increasingly feeling the effects of a potentially disorderly Brexit. In addition, any downturn in the Chinese economy is likely to impact the business activities of German industrial companies to a particularly high degree. The finished goods warehouses of companies in the manufacturing sector are already fuller than they have been at any time since January 2016. The responses to the survey indicate that only few users of logistics services intend to increase their staffing levels.

The Logistics Indicator is computed for Bundesvereinigung Logistik e.V. (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).