ifo-BVL Logistics Indicator
Results of the ifo Business Survey for the third quarter of 2019

Logistics Indicator – business situation slightly bleaker

The business climate indicator for the German **logistics industry** fell again in August for the fourth month in succession and slid into the negative corridor for the first time since 2013. The index score has not been this low since February 2010, when German companies were still suffering heavily from the effects of the global economic crisis. This is the finding of the monthly survey for the Logistics Indicator conducted by the ifo Institute on behalf of BVL – The Supply Chain Network within the context of the Institute's business surveys. Assessments of the current business situation in the logistics sector are also on a downtrend for the fourth time running and were rated as below average in Q3. At the same time, the surveyed companies are increasingly sceptical about the trend for the coming months. We have to go back to May 2009 to find a similar level of pessimism. The survey findings indicate that personnel levels will be downsized within the next three months. **Germany's gross domestic product** in Q2 was down by 0.1% year on year. And, after the significant downturn in the ifo business climate for Germany in recent months, there are increasing signs that the German economy is now in recession. This is why GDP is also not expected to show any growth in Q3. The latest forecast from the ifo institute (June 2019) shows 0.6% growth in GDP for the year as a whole. However, this forecast was based on the assumption that the tariff dispute between the USA, China and the EU would not become any worse and that it would still be possible to avert a "hard" Brexit. On current information, both are less probable than was previously the case. This is already having effects that make the previous forecast for 2019 appear overly optimistic and that are likely to have a negative impact on the business activities of Germany's logistics industry.

The **logistics service providers** are increasingly sceptical about the business trend for the next six months, and the indicator for assessment of the current business situation stood at 100.3 points, the lowest score for three years. The business climate index fell accordingly and is now at 94.3 points, 12.9 index points down on the same time last year. This is the lowest value since November 2012. The majority of companies report that turnover has fallen both during the last three months and year on year. This may also be due to the level of orders on books, which has been falling for the past five months. This decline is affecting an increasingly high percentage of the polled service providers. Personnel levels have recently been downsized in response to this trend, and recruitment plans have been massively downgraded due to the (once again) less optimistic expectations for the development of turnover during the next three months.

The users of logistics services in **trade and industry** once again view the current business situation slightly more positively. There is, however, a striking downtrend compared to last year, with the business situation index in August standing at 109.1 points and therefore 12.7 lower than at this time in 2018. Pessimistic responses are increasingly dominant with regard to the outlook for the coming months. The business climate is bleaker, with an index score of 100.2 points. The stocking levels of the polled companies were once again at a high level in August and only slightly lower than in the previous month. Prices have remained more or less unchanged, with very few companies planning any price increases in the coming months. Moreover, the last six months have seen reductions in the planned levels of personnel recruitment.

The Logistics Indicator is computed for BVL – The Supply Chain Network 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).