

ifo-BVL Logistics Indicator

Results of the ifo Business Survey for the fourth quarter of 2019

Logistics Indicator – growing pessimism

The business climate indicator for the German **logistics industry** showed a downtrend in November for what is now the seventh month in succession (currently 96.1 points after 96.4 points) and is now noticeably in the negative corridor. 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. Although the current business situation was still assessed as being favourable on balance, the index score – after the downtrend during the last seven months – was considerably lower than in the previous year (now 103 compared to 115.6 in the same month last year) and is now lower than at any time since September 2013. Moreover, the polled businesses were once again more pessimistic with regard to the trend over the next six months (index score of 89.7 points), and companies are planning to downsize their personnel levels. We have to go back more than six years to find the last longer phase in which companies had similar plans. The German economy recently only just avoided a technical recession, and the country's Federal Statistical Office reported low Q3 growth of 0.1% quarter on quarter following a 0.2% contraction in Q2. Up till now, the domestic economy – driven as it is by consumption and construction – has proven to be fairly robust despite the significant slowdown in industrial activity, which is why gross domestic product is once again expected to show slight growth in the fourth quarter of 2019. The sectors of the economy that are highly dependent on exports are particularly prone to the uncertainties associated with Brexit and the trade conflict between the USA and China. Moreover, the automotive industry is undergoing far-reaching structural change. In contrast, the domestic economy is being underpinned by strong employment growth, low interest rates and an expansive fiscal policy.

Although the **logistics service providers** take a slightly more positive view of the current business situation than they did last month, the corresponding indicator remains well below the long-term mean at 99.4 index points. Scepticism over developments during the next six months was once again more marked (86.7 points). The business climate score trended further downwards, falling to 92.8 index points – the lowest score since November 2012. Respondents say that turnover continued to fall in the previous month, and a sizeable number of companies predict that turnover will also be down year on year. A high percentage of companies say they are faced with a relatively low volume of orders on books. The first companies are already reacting to this trend with lay-offs, and only sporadic new recruitment is expected in the coming months in response to increasingly cautious sales forecasts.

The responses from the users of logistics services in **trade and industry** once again showed a slightly less negative mood with regard to the development of business during the next six months (93.1 after 92.7 points in the previous month). Assessments of the current business situation in November were just as favourable as in October (at 107.5 points), and the business climate score improved overall for the second time in a row – but was still in the negative corridor, with the index standing at exactly 100 points. Respondents said that prices have remained more or less unchanged during the past three months, but a growing percentage of companies believe they will be able to raise their prices in the near future. Many respondents reported a high degree of stock pressure. Personnel lay-offs have already been in the pipeline for nine months now, and the corresponding index score was at its lowest level since March 2010.

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).