

**ifo-BVL Logistics Indicator**  
**Results of the ifo Business Survey for the third quarter of 2020**

**Logistics Indicator – on the road to recovery**

Since the corona low in April, the business climate in the German logistics industry has shown continuous improvement. The indicator stood at 94.8 points in August, slightly up on the previous month (92.7) – and this was the fourth upswing in the business climate in succession. 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 logistics sector is rediscovering its optimism, and respondents reported positive business expectations once again in Q2. Although the majority of surveyed companies still view the current business situation as unfavourable, there has nevertheless been a steady improvement in this parameter in recent months

Logistics service providers reported falling demand and were generally unhappy with the volume of orders on books. However, a lower percentage of companies described the current business situation as unfavourable, and many companies are optimistic about the trends in the coming months. The business climate indicator, while still in the negative corridor, also showed an improvement.

Optimism regarding the future outlook was also the majority view among the users of logistics services in trade and industry. Although assessments of the current business situation were still in the negative corridor in August, they have become tangibly more positive during the last three months. The business climate improved once again but was still in the negative range overall in August. At the same time, however, the indicator score climbed to 99.3 points, almost on a par with pre-crisis levels (February: 101.2 points).

The corona pandemic and the measures taken to contain the virus have plunged the German economy into by far its deepest recession since the Second World War. Following a 2.0% decline in gross domestic product in the first quarter of 2020, GDP fell by a further 9.7% in Q2. As new infection cases have continued to fall markedly, the shutdown measures have been relaxed or even completely lifted for some sectors of the economy. There is now no doubt that the economic downturn has been halted and economic activity has begun to recover. There is still a great deal of uncertainty over the tempo and the duration of this recovery, however. This uncertainty is due not only to the potential future trend in infections and the accompanying containment measures but also to the speed with which the demand for goods and services will continue to grow.

The factors that play a role in this respect include long-term changes in the behaviour of consumers and entrepreneurs. Many of the providers of the affected services must therefore expect to face structural changes that will probably result in a significant increase in the number of companies that go bankrupt. On the whole, however, sentiment among German companies has improved considerably since the low point in April, and the business climate is already close to pre-crisis levels in many sectors of the economy. The export-focused manufacturing industry is also likely to gradually profit from the improving economic situation in the most important buyer countries. This prediction is also underlined by the strong recovery in ifo export projections. GDP is expected to show strong growth in Q3 and Q4, mainly due to the fact that production of goods and services was at such a low level during the shutdown. All the same, average gross domestic product is still likely to be around 5% down on the 2019 figure.

The corona crisis also had a major negative impact on the labour market. In the period up to June, seasonally adjusted unemployment rose to 2.94 million, the highest figure since the euro crisis, and

has only fallen slowly since. However, the ifo employment barometer suggests that unemployment will fall by a slightly faster rate during the next few months. August was the first month in a while that the majority of surveyed companies, above all service providers and construction companies, said they expect to soon be recruiting new personnel. The number of people on short-time work – totalling just under 6 million in April according to official figures – is falling only gradually. The most recent figures from the ifo business surveys show that 37% of surveyed companies were still taking advantage of the short-time working scheme in August, compared to 50% in April.

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).