ifo INSTITUTE
Leibniz Institute for Economic Research at the University of Munich

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

Logistics Indicator – dwindling optimism

The recovery of the business climate in the German **logistics sector** came to an end in Q4 of this year. In November, the corresponding indicator stood at 96.5 points, down slightly on the October score. 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 optimism voiced in the third quarter failed to carry over into November – and on balance the companies expressed slight pessimism regarding the expected trend during the next six months. Assessments of the current business situation were somewhat improved once again, however, even though the negative responses were still in the majority.

In response to the unfavourable business situation in many regions, the **logistics service providers** have further downsized their personnel levels. A small number of polled companies said they expect the business situation to continue to deteriorate. In contrast, the mood was more positive with regard to the development of turnover in recent months. There was little or no change in the business climate relative to the previous month, and the corresponding index remained in the negative corridor (net: -9.3; index: 91.1).

The assessments of the current business situation among the users of logistics services in **trade and industry** improved further and were in the net positive range in the month of November. However, the respondents were increasingly sceptical about the future and the anticipated trends in the coming six months. The responses in the period from July to October were still mainly optimistic; the business climate improved for the seventh month in a row and the indicator climbed to 102.7 points.

In the third quarter, the German economy recovered surprisingly quickly from the shutdown in the spring, with GDP[1], with up by 8.5% quarter on quarter. This still did not take the economy back up to pre-crisis levels, however, as the overall downturn in GDP for the first two quarters taken together had been in the order of 11.5%. The current **economic situation** is still heavily affected by the trend in new corona cases. Infections increased noticeably in the autumn, particularly in Europe and North America, with the result that national infection protection measures were tightened once again in most countries.

1 Adjusted for price, seasonal and calendar effects

This means that the recovery is probably on hold for the time being, and GDP is expected to fall once again in Europe during the final quarter. At the same time, however, the economic impact of the shutdown will likely be lesser than in the spring, as the restrictions imposed by the various governments are now far more targeted and mainly affect the providers of services associated with social consumer spending. The authorisation and use of an effective vaccine would once again pave the way for renewed activity in the affected sectors. It will probably be well into 2021 before sufficient vaccination coverage is achieved, however, suggesting that the restrictions on public life that are the main obstacle to full economic recovery will likely remain in place for some time to come.

The fact that many sectors of the German economy have not yet felt any effects from the renewed shutdown is also underlined by the **truck toll mileage index**, which measures the volume of freight transport on Germany's roads on a daily basis[1] and therefore also serves as an economic barometer for the logistics sector. The severe decline in freight transport in March and April of around 15% was followed by a steady recovery during the summer that continued up to the current end point (end of November). The recent estimates of the ifo institute with regard to **short-time work** were also characterised by a high level of variation. While the percentage of companies on short-time work increased in November for the first time in several months – particularly in consumer-related service sectors like food service, hotels or tourism – the numbers of employees on short time hours also fell markedly in some sectors such as automotive production and personnel services.

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).

1 And adjusted for calendar and seasonal effects