

ifo-BVL Logistics Indicator

Results of the ifo Business Survey for the first quarter of 2021

Logistics Indicator – negative consequences of the second corona wave not as severe

The business climate in the German **logistics sector** cooled off during the second wave of the corona pandemic but then showed a slight recovery in February, when the corresponding indicator rose by 1.5 points to 93.9 points¹. 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. Although the majority of companies are still less than satisfied with the current business situation, this is not as frequently the case as in the previous month. Moreover, there is slightly less pessimism with regard to future business expectations, but the doubters are still in the majority.

The **providers of logistics services** continued to suffer from the impact of the virus and the accompanying restrictions. The majority of companies reported an unfavourable business situation, and the negative assessments were more frequent than in the previous quarter – albeit only slightly. Many respondents are also sceptical about the near future, but there was still little change in the business climate indicator for Q1 (92 points after 92.6 points last quarter). Accordingly, personnel recruitment planning is still on the restrictive side.

Sentiment was once again on a slightly more marked downtrend among the users of logistics services in **trade and industry**, with poorer scores for both assessment of the current business situation and future expectations. Overall, the positive responses just about tipped the balance. This downward slide was also reflected in the business climate indicator, which fell from the Q4 2020 score of 103.5 points to 101.4 points in the current quarter. The trend varied significantly in the different sectors, however. While the business climate in the manufacturing industry once again improved noticeably in the first quarter (up by almost 4 index points), it slipped by more than 7 index points in the trading sector. The shutdown resulted in considerably more negative assessments of the current business situation, particularly in the retail sector, even if the planned relaxations tempered this pessimism somewhat.

¹ The baseline year for index calculation has been set to the year 2015. This has led to shifts in the levels of the individual indices.

The second wave of the corona pandemic began with the colder months of the year. The German government reacted with a “**shutdown light**” in autumn and a tougher second shutdown from mid-December. The measures implemented to contain the pandemic were similar to those taken in the spring of 2020, with the result that sales and turnover in those sectors of the economy in which social contacts are a key element of the business model were hit hard once again – sectors like hospitality, leisure, cultural and sporting institutions, the retail sector, hairdressers and beauty salons. Nevertheless, the macroeconomic impact will likely be far less severe than in the spring of 2020, as business activities in industry and the construction sector as well as in industry-related and construction-related services have hardly been affected so far by the second wave of the corona pandemic. This also explains the surprising fact that GDP¹ was not down in Q4 2020 but in fact grew by 0.3% compared to the previous quarter.

This difference relative to the first corona wave is not only shown by the findings of the ifo business surveys but is also reflected in the development of the **truck toll mileage index**, the results for which currently cover the period through to the second half of February.² Whereas the mileage of tolled heavy trucks on Germany’s major road network fell by over 15% at the beginning of April 2020, the index is now back up near its pre-crisis level. Taken together, the available economic indicators for Q1 suggest that GDP at the start of the year will show only a slight downtrend. Value added will show a strong decline compared to the previous quarter, above all in the trading sector. Then, as the shutdown restrictions are gradually relaxed and more and more people are vaccinated, respondents expect to see a noticeable recovery during the further course of the year.

The Logistics Indicator is computed for Bundesvereinigung Logistik e.V. (BVL) by the ifo Institute. It is based on the monthly business climate surveys for the period from 2015 onwards. 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 100 and normalised to the mean value for a base year (currently 2015).

¹ Adjusted for price, seasonal and calendar effects

² Based on the status as of March 2, 2021, the data cover the period up to Feb 19, 2021.