

ifo-BVL Logistics Indicator

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

Logistics Indicator – growing optimism

The recovery of the business climate in the German **logistics sector** continued in the second quarter of 2021. In May, the corresponding indicator stood at 100.1 points, well above the pre-crisis level. 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 growing optimism is not only reflected in the assessments of the current situation of companies, which have improved significantly during just the last three months; more and more companies also predict a more favourable business trend over the further course of the year.

Very few **logistics service providers** are still concerned about insufficient orders on books and, on balance, they assess the current business situation as favourable. The outlook for future business is becoming ever more positive, with the result that the majority of companies plan to recruit new personnel. Overall, the business climate has improved noticeably, and the corresponding indicator re-entered the positive zone for the first time since mid-2019.

The business climate is now far brighter in **trade and industry**. The primary indicator showed a strong increase and now stands at 102.5 points. This is mainly due to the favourable assessments of current business, which has grown substantially. Expectations for future business were also more optimistic, with companies predicting further business growth in the coming months – and planning significant price increases. Industry in particular experienced a strong recovery in the prior quarter, and the trading sector has now followed suit. Optimism was voiced above all in the retail sector in response to the plans to relax the corona restrictions. Wholesalers also expressed their more positive assessment of the current business situation, albeit not at the same level as their retail colleagues.

Having recovered quickly from the first corona wave during the second half of 2020, the German economy was hit once again at the beginning of 2021. The second and third corona wave prompted a 1.8%¹ fall in gross domestic product (GDP) in Q1 2021 compared to the fourth quarter of 2020. The retail sector and contact-intensive services were once again particularly severely affected. The situation improved with the rapid fall in new infection figures, and expanded **testing options** combined with the progress of the **vaccination campaign** paved the way for the gradual return to public life. Retailers were allowed to open under strict rules in many places, and this is also reflected in the ifo estimates for **short-time working**. The number of those on short-time work fell to 227,000 in May from 427,000 in January. Restrictions in the hospitality sector remained strict, with the result that the decrease in short-time work was far weaker (down by 88,000 employees from 577,000 in January to 489,000 in May). Short-time work also declined continuously in the overall economy from the beginning of 2021 onwards and has fallen by more than 40% since the peak in April of last year. The uptrend on the labour market is also mirrored by the ifo **employment barometer**, which in May climbed to its highest level since June 2019. German companies intend to take on new employees, above all in industry and the service sector.

The trend in the early indicators of Germany's Federal Statistics Office is similarly positive. **Mobility data** point to a continuous rise in mobility among the population since the beginning of the year, although the indicators are in some cases still far behind the summer of 2020. The **transport index**, which measures economic activity based on transport performance and supplements the **truck toll mileage index** with other modes of transport in the freight transport mix, reflects the increasing

¹ Adjusted for price, seasonal and calendar effects

economic activity since the start of 2021. At the same time, the daily updated truck toll mileage index trended slightly downward during the month of May. This trend is likely driven by the production problems in some sectors of industry resulting from bottlenecks in the delivery of primary products. It is worth noting that 45% of the companies polled by the ifo institute reported problems of this kind.

Overall, the available early indicators suggest that the recovery of the German economy is set to pick up pace. After large parts of the manufacturing industry already experienced a boom last year and are expected to put the brakes on their often strong production growth in the coming months due to the supply bottlenecks, it is now above all the retail sector, hospitality and other contact-intensive service providers who are profiting from the receding corona crisis.

The Logistics Indicator is computed for BVL - The Supply Chain Network by the ifo Institute. It is based on the monthly business climate surveys for the period from 2005 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).