

Results of the ifo Business Survey for the third quarter of 2022

Logistics Indicator – sentiment reflects future concerns

The business climate in the German **logistics industry** was noticeably less favourable than in the prior quarter, falling to a level of just 87.6 points. 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. This decline was driven by the significantly more pessimistic sentiment regarding the current business situation and expectations for the future.

The business outlook among the **providers of logistics services** were considerably bleaker, and satisfaction with the current business situation was also significantly lower. As a result, the climate indicator also slid to a new score of 88.4 points. Demand momentum was clearly down compared to the previous three months with the result that some companies felt orders on books were at too low a level. Few companies anticipated rising demand in the short term, and plans to increase prices were also far less evident than was previously the case.

Companies in **trade and industry** were noticeably more sceptical about the predicted business trend, and satisfaction with current business also declined markedly. This led to a clear downtrend in the business climate, with some companies describing this trend as definitely unfavourable. The climate indicator stood at 87.8 points. Companies have been able to replenish stocks in recent months; in contrast to the prior quarter, some respondents even described stocking levels as being as too high. Companies in the sector do not plan to raise prices quite as frequently as was the case in previous quarters.

After stagnating at the end of 2021, GDP recorded a strong 0.8% boost in Q1 2022 and rose further by 0.1% in the second quarter after adjustment for price, seasonal and calendar effects. This meagre growth in Q2 was by no means due to the corona wave in the summer but was mainly the result of the **war in the Ukraine** and the ensuing sanctions imposed on Russia. The embargo of the European Union on Russian oil via maritime routes and the reduction in oil supply volumes from Russia to Germany and Europe combined to drive up the prices for fossil fuels. The war in the Ukraine not only affected energy prices but also led to a strong increase in food prices, with the result that inflation in Germany climbed to 7.9% in August 2022 despite various measures implemented by the national government (9-euro rail ticket, fuel discounts). The figure of 7.9% matched the already high level in May, when inflation reached its highest since the two oil price crises in the 1970s.

The energy crisis and the resulting high level of uncertainty regarding the sources of energy supply have negatively impacted the German economy. During the first half of 2022, private households in Germany spent most of the savings they had built up during the pandemic over the last two years. As the increase in consumer prices is set to accelerate in the coming months – due not least to the fact that the energy providers will gradually be passing on the significantly higher prices for gas and electricity to their customers – consumer spending and therefore overall GDP will fall during the second half of 2022.

The latest ifo business surveys also point to this kind of **slowdown**, with companies across all sectors expressing concern over business prospects in the coming months. The percentage of companies who were satisfied with the current business situation has also fallen. The fact that

assessments of the economic situation were still positive on balance is likely primarily due to the high level of orders on books among companies in the manufacturing and construction sectors, although these orders are also on a downtrend. There have recently been reports of frequent order cancellations, particularly in the area of housing construction. Significantly higher numbers of companies in the trading sector anticipate declining order levels due to high inflation, and both assessments of the current business situation and expectations for the future in this sector have been seriously affected.

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 200 and normalised to the mean value for a base year (currently 2015).