

ifo-BVL Logistics Indicator

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

Logistics Indicator – year-end stagnation

The business climate in the German **logistics industry** improved slightly against the prior quarter, standing at 87.3 index points in Q4. 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. Even if slightly fewer respondents predict a business downturn during the next six months, many of them still voiced concern. At the same time, satisfaction with the current business situation was once again down slightly.

For the second time in succession, the **logistics service providers** were less likely to take a positive view of their current business activities. The responses with regard to the outlook for future business were also slightly more pessimistic. The business climate index continued to slide as a result and now stands at 86.9 points. Demand momentum was far slower, which is why the volume of orders on books was often described as too low. Moreover, many respondents expect to see falling demand in the short term. Plans to raise prices in the coming months are not as widespread as in previous months. Nevertheless, price expectations are still at a high level.

Companies in **trade and industry** are also less frequently satisfied with the current business situation. Many respondents predict slower business in the near future – albeit not as many as has recently been the case. The central climate indicator showed a marginal increase on the prior quarter, climbing to 87.0 index points. This means that the business climate continues to be unfavourable in many companies. Stocking levels increased further and were even felt to be too high by some respondents. A majority of companies still intend to increase their prices.

Gross domestic product (GDP) has grown continuously since the start of the year after adjustment for price, seasonal and calendar effects. This was due above all to a strong recovery in private consumption as the corona pandemic began to recede. There were also positive effects from the automotive industry, which succeeded in noticeably expanding both production and turnover with new cars from the spring onwards. A more robust recovery was prevented by difficult overall circumstances such as the war in Ukraine and the resulting energy shortage, the persisting supply bottlenecks for intermediate products, and the high price increases for both producers and consumers. Inflation has continued to increase in recent months and has been at a level of over 10% since October, a figure last seen way back in 1951. The increase in food and energy prices has been particularly marked, but nearly all other goods and services are meanwhile also being affected by inflation to a far above-average degree.

In particular the business expectations of companies were on a downtrend all the way into the late summer against such a backdrop, and uncertainty continued to grow. Incoming orders were slower in the manufacturing industry, while the construction sector reported an increasing number of order cancellations. Nevertheless, the majority of companies still described the situation as good until very recently. Despite high inflation and the marked increase in electricity and gas prices that are already being felt by many households, we have not yet seen any downturn in the turnover volume of consumer-related services. This is probably also due in part to the numerous relief packages adopted by the German government to support income levels of private households and to limit the increase in electricity and gas prices for both companies and private customers. This is likely also the reason why pessimism concerning the future business trend was significantly less noticeable in the latest ifo Business Survey. The gradual

improvement in the supply bottlenecks has almost certainly also played a role. In addition, the manufacturing industry is benefiting from the still very high level of orders on books.

Overall, however, the high inflation in winter will likely lead to tangible losses in purchasing power, which means that GDP is probably set to shrink in the coming months due to weaker private consumption. Nevertheless, the most recent findings of the ifo Business Survey suggest that the downturn will not be as pronounced as previously expected. Value added in industry is likely to stagnate during the winter months.

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-contracting answers are balanced out, which means the net scores can lie anywhere between -100 (all companies gave a negative-contracting 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).