

Logistics Indicator for Q4 2022

Commentary by Prof. Dr.-Ing. Thomas Wimmer, Chairman of the Board of der Bundesvereinigung Logistik (BVL) e.V. on the Logistics indicator of the ifo institute

## New day on the horizon?

### Business expectations still bleak – but current business situation still stable

The bad news is that the current **business situation** in the logistics sector in the fourth quarter is worse than at any time during the course of 2022. The good news is that the business situation is still close to “normal level” – as was the case in previous months – and not far from the long-term mean. Over 4,000 respondents from industry, trade and logistics services take a far more positive view of the situation than was ever predicted by the pundits.

The **business expectations** for the next six months are poor across the board, standing at 20 points below normal level and at the lowest level since 2008. As a result, the **business climate** also shows major potential for improvement. The only time it was worse was at the beginning of the corona pandemic in 2020.

Nevertheless, we can see the first positive signs in industry and trade. Business expectations among shipping companies and logistics service providers showed a slight improvement in November, although orders on books and demand expectations are still trending down. Orders on books in industry and trade have reached a “normal” indicator score – the best score since the beginning of the corona pandemic. Companies appear to have overcome supply bottlenecks in many cases, or the higher stocking volumes introduced in response to the supply chain problems are having the desired effect. The first companies are now even reporting that they feel their stocking levels are too high again; but this is one of the reasons for the bleak outlook among logistics service providers. The catch-up effects of past months are no longer a major factor and many sectors fear persistent weakness on the demand front.

While a majority of the companies in industry and trade intend to push through further price increases, it is noticeable that this is less often the case among the logistics service providers as in past months. This may also be due to the fact that the latter find it far more difficult to pass on higher prices to customers than their counterparts in trade and industry. The pressure of costs due to rising energy prices and inflation is affecting both segments of the sector in the same way.

All of the above means that there is little sign of a festive mood in the logistics sector; moreover, expectations are naturally not always “on the money”. But there’s always a new day on the horizon, and it is perhaps encouraging to note that the pessimistic assessments of past quarters have as yet not been confirmed by the current business situation. As we head for the usual upturn in business at the end of the year, the motto is once again “keep calm and carry on”. This will likely continue to be the order of the day in the new 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 200 and normalised to the mean value for a base year (currently 2015).