

Return to robust realism

Last year's pessimism not confirmed in Q1

Phase of continuous price hikes evidently over

Commentary by Prof. Dr.-Ing. Thomas Wimmer, Chairman of the Board of Bundesvereinigung Logistik (BVL)

Following the Russian invasion of Ukraine, the index scores for the Logistics Indicator plummeted downwards, as was to be expected. If we take a closer look at the long-term development of the business situation, business expectations and business climate, however, it is noticeable that the gap between the three indicators has never been so wide – and that the pessimism over business expectations has never been so out of step with the actual business situation – as was the case last year.

The only time we saw anything similar to these trends was during the Lehman crisis of 2008/2009 – although back then things were the other way around: despite the desperate business situation, managers in the logistics sector were highly optimistic that everything would return to normal in the short term. This contrasts starkly with the dominant feeling of pessimism in the German economy after the outbreak of the war in 2022, when there was more complaining than there was actual suffering. And indeed, the fears fell far short of the reality. In their defence, however, it must be said that, when the war began, the actors in the logistics sector had no way of knowing where and how the war would impact the economy.

The business situation has remained stable during the last three quarters at a level just below the “normal value”. Business expectations and assessments of the current business situation have climbed to their highest scores since the outbreak of the war and are today roughly back where they were in 2019. The gap between assessments of the current business situation and expectations for the future is closing fast, in particular in industry and trade. Although we see the same trend among the logistics service providers, their business expectations are still some way off those of the consignors. This comes as no surprise, given that warehouses are well stocked, demand from end customers is declining, and the flow of goods is therefore also on a downtrend.

Although the indicator score for price increases is still 10 points above the normal level, it is now at its lowest for around two years. In recent months, the same trend has been evident both among logistics service providers and in trade and industry – indicating that the phase of dynamic price hikes has now come to an end.

Stocking levels in industry and trade have been increasing significantly for three quarters and are now above the normal level of the Logistics Indicator for the first time since 2020. In many sectors of the economy, the shortage of materials and supply chain problems are now a thing of the past. Overall, we can see a slight yet restrained uptrend on both the demand and supply sides of the logistics market. The bleak predictions of the experts and the fears expressed by the players in the sector have not come to pass, and the actors in the logistics industry have now returned to a sentiment of robust realism.