Commentary on the Logistics Indicator for Q3 2023 by Prof. Dr.-Ing. Thomas Wimmer, Chairman of the Board of BVL

Success as remedy for the “Logistics Indicator Blues”

The slowdown in the global economy is also increasingly reflected by the Logistics Indicator. Many companies are suffering from declining demand levels, with widespread reports of falling volumes of orders on books or new orders. At the same time, stocking levels continue to increase and many companies are unhappy with the current business situation.

Moreover, we are still not seeing any clear signs of a turnaround in production levels in energy-intensive sectors of German industry despite the significant fall in energy prices. Plans to recruit new personnel were once again on a downtrend in Q3, and companies say that price increases are feasible in only sporadic cases and are even less likely to be accepted by the market than was previously the case.

The warehouses are full and volumes are falling. Accordingly, the business expectations of the logistics service providers are once again bleaker, and these providers are also sceptical about business in the next six months. At the same time, the current business situation is reported as having deteriorated markedly since the prior quarter – a knock-on effect of the crisis among the shippers. This has impacted practically all sectors of the economy, which means that the economic slowdown is likely to continue during the second half of the year. The manufacturing industry is not expected to generate any economic stimuli in the near future, and demand for industrial goods in key sales markets will remain weak – and, according to prominent economists, will not pick up until the end of the year at the earliest.

Yet: in August at least the respondents from trade and industry once again reported a minor uptrend in business expectations for the next six months. If these expectations are confirmed, then past experience shows that the trend will also carry over to the logistics service providers after a certain time lag. And even in the face of the gloomy Logistics Indicator scores, I can already see positive signs. Why is this? It’s partly because the motto of many logistics managers is “Never miss the opportunities presented by a crisis.” The Indicator “only” depicts the next six months, but supply chain management and logistics are about longer-term planning. Our member companies are already making significant investments in new technologies so that they can combat the skill shortage by taking rationalisation measures and improving efficiency levels – with the help of AI for itinerary planning, for the automatic identification and management of shipments, and for the scheduling of intermodal transports. All this is happening in collaboration between science and practice. And these investments are a clear sign for the optimism of many companies.

At the Forum Automotive Logistics back in June of this year, Karsten Klude, Chief Economist at M.M. Warburg, predicted that GDP in Q3 would likely be 0.2% down on the prior quarter – but that he expected to see a slight improvement towards year end before the first signs of an overall economic recovery in the coming year. The ifo Institute forecasts GDP growth of 1.4% and 1.2% for the next two years, with inflation continuing to fall from an average of 6% this year to 2.6% in 2024 and 1.9% in 2025. Gas and electricity in particular will become cheaper for consumers and will fall below the price cap set by the German government at the latest as we enter the new year. Just a few days ago, the Kiel Trade Indicator reported that the figures for global trade are all already back in the green zone once again – and have in some cases risen markedly since July of this year. The figures for Germany also show an improvement. Surely that’s a ray of hope?