

Turnaround in sight?

Commentary on the Logistics Indicator for Q4 2023 by Prof. Dr.-Ing. Thomas Wimmer, Chairman of the Board of BVL

At first glance, it is difficult to sugar-coat the findings for the Logistics Indicator. After the shock of the war in Ukraine there was only a brief uptrend at the end of last year. All the indicators have been sliding ever since and are well below the normal line. The business situation continued to deteriorate during Q4 2023 and almost sank to the low last seen during the first half of 2020. We can, however, see signs of a slight uptrend in expectations for future business, while the overall business climate remains more or less unchanged.

The figures for the month of November are of particular interest, as all three indicators point upwards once again for the first time, and assessments of the current business situation also show an improvement – albeit at a low level. Business expectations in trade and industry in particular have been on a continuous uptrend since July. What is noticeable is that both the business situation and the six-month expectation scores for the shippers are seen as positive. In the past, this has always been a signal for a turnaround - in this case an encouraging one. The low level of this improvement is in line with the opinions voiced by Karl Haeusgen, President of the Mechanical Engineering Industry Association (VDMA), at the 40th International Supply Chain Conference in October: he said that the forecast 2% decline for 2024 was anything but cause for celebration but that it was nevertheless a good basis for a successful business trend compared to earlier crises (corona pandemic minus 5%, Lehman bankruptcy minus 20%). Haeusgen's assessment aligns with my observations based on the sporadic, cautiously positive signs from the business world in recent days – such as the handling of backed-up orders, good business news, falling inflation, the end-of-year rally on the stock markets, and much, much more. We should also be alert to these kinds of positive signals, lest they be buried under the wave of warnings and pessimism.

There is, however, a small downside: although the business expectations of the logistics service providers show a slight improvement for the quarter as a whole, they in fact went on another downtrend following a minor upswing in November. But this is not surprising, as it generally takes a while before an upturn at the shipping end of the market feeds through to the logistics service providers – or until the latter notice it to the extent that they upgrade their own business expectations. Here as well, there is certainly hope that things will begin to improve in the coming months.