Logistics Indicator for the 1st quarter of 2024

Commentary on the Logistics Indicator of the ifo Institute for Q1 2024 by Prof. Dr.-Ing. Thomas Wimmer, Chairman of the Board of BVL – The Supply Chain Network

See what the future brings and accept the present

Encouragement needs a long-term perspective in times of multi-crisis

In a saying attributed to Alexander von Humboldt, we should "wait and see what happens in the future and enjoy or accept the present". Perhaps he should have considered himself fortunate not to have to pen a commentary on the Logistics Indicator back in 1799. Nevertheless, there was already sufficient mobility in the late 18th century to permit a cosmopolitan individual, all-round genius and travelled researcher to undertake a scientifically legendary trip to South America. This was certainly one of the elements that strengthened relationships worldwide and enabled global streams of goods. It was something innovative, creative and optimistic – and without doubt also plagued by crises.

What is left to say if everything has already been said in earlier commentaries? The business climate has once again become bleaker in the logistics sector. The current business situation is on a downtrend, and the more optimistic business expectations from the prior quarter have given way to a mood of pessimism in the early months of the new year.

Trade and industry have downgraded their assessments of the current business situation. Stocking levels are at the same level as in previous quarters, but less personnel is needed because there is too little happening. Both companies and households are experiencing a high degree of uncertainty; GDP fell by 0.3 percent in Q4 2023, and the first quarter of 2024 is less than encouraging, with a lack of orders, high workforce absenteeism due to illness, shrinking industrial output and declining investment levels. The only bright spot was consumer spending but – then again – consumers always tend to show restraint in the first quarter of a new year.

Inflation fell to 2.5% in February, the lowest figure since June 2021; wages increased and hence also purchasing power. However, this increased purchasing power was generally used to bolster private savings. The early indicators show no signs of a turnaround in the first months of 2024. Sickness levels remain high, and the economy is additionally suffering from frequent strike action. The number of supply bottlenecks is on the rise once again – also due to the damaging attacks on one of the key maritime shipping routes by the Houthi rebels.

The logistics service providers are particularly affected by declining flows of goods: orders on books are falling, business expectations are pessimistic, and plans for personnel downsizing are in the pipeline. Demand is still slipping and expectations are down on the prior quarter. It is worth noting that assessments of the current business situation have improved slightly, although both current business and expectations are trending downwards in trade and industry.

But there is light at the end of the tunnel: lending rates are falling, and the exchange prices for natural gas and electricity in Europe are already lower. The overall economy is expected to recover during the further course of the year on the back of a dynamic worldwide economic trend. The global early indicators point in particular to a recovery of the manufacturing sector, and a monetary policy turnaround in the early summer should then help to drive overall economic demand.

On March 7, the Handelsblatt financial newspaper reported that the DAX, Germany's most important stock market barometer, stood at just under 18,000 points, 20% higher than at the end of September 2023. Handelsblatt further noted that the price earnings ratio (P/E ratio) was slightly below the 20-year mean, as was the price to book ratio (the B/P, a parameter that measures the market value of a company), and that the dividend yield was exactly in line with the 20-year mean of 3%. These three indicators point to a slight undervaluation of the DAX.

So there is some good news. Moreover, price-adjusted gross domestic product (GDP) for 2024 will be up by 0.2% year on year. While perhaps not a highlight in itself, it does underscore the predictions for an overall economic recovery during the second half of 2024. This makes it somewhat easier to accept the current situation with a certain degree of equanimity – with or without the wisdom of Humboldt.