

ifo-BVL Logistics Indicator

Results of the ifo Business Survey for the first quarter of 2024

Logistics Indicator – sentiment once again bleaker

The business climate in the German **logistics industry** deteriorated at the start of the new year, with the corresponding index score falling significantly to 81.8 points in Q1. This is the finding of the monthly survey for the Logistics Indicator conducted by the ifo Institute on behalf of Bundesvereinigung Logistik e.V. (BVL) within the context of the Institute's business surveys. The indicator for current business continued its downtrend, reflecting the unhappiness of respondents with their situation. Following an improvement in the score for the expectation indicator in the prior quarter, this indicator reverted to a downtrend in the early part of 2024. Many respondents expressed their apprehension regarding developments during the next six months.

The business expectations of the **logistics service providers** were considerably more pessimistic, with respondents expressing their concern over the coming months across a broad front. At the same time, the indicator for the current business situation showed a slight improvement. The downtrend in the expectation indicator outweighed any positive effects, however, which meant that the overall business climate was once again bleaker. The climate indicator stood at 78.4 index points, and demand was down slightly – albeit less frequently than in the two prior quarters. In contrast, orders on books were widely reported as being on the decrease. Demand expectations for the coming months were far worse than in the prior quarter and fell to the lowest level since the second quarter of 2020 at the onset of the corona crisis. As a result, some companies said they intend to reduce staffing levels.

Companies in **trade and industry** have noticeably downgraded their assessment of the current business situation, thereby expressing their dissatisfaction across a broad front. In addition, concerns over the next six months have increased significantly. The overall climate is seen as being more unfriendly once again, with the climate indicator standing at 84.8 index points. Stocking levels are still on a par with the previous quarters. Companies are looking to increase prices, and many of them intend to cut back on personnel.

The big picture is that the **German economy** appears paralysed. Sentiment is poor and uncertainty rampant among both companies and private households. Economic output stagnated during the summer months of last year and indeed fell by 0.3% in the final quarter of 2023. The decline in value added was particularly marked in industry and the construction sector. Above all, companies complained of a lack of orders. Not just this, but the heavy snowfall in December and unusually high absenteeism levels due to illness also put a damper on economic activity in general. Exports as well as corporate and construction investment showed a strong decline at the end of last year. The only factor underpinning the economy was private consumption. Inflation has now been falling apace for a full year, and the figure of 2.5% for February was the lowest since June 2021 – while wages have been increasing significantly during the same period. This helped to revive purchasing power, and consumer spending rose by ¼% on a price-adjusted basis. On the flip side, consumers were restrained in their spending and used part of this higher purchasing power to bolster their savings. This was likely also above all due to uncertainty in connection with the economic policy of the German government.

The available **early indicators** do not point to an economic turnaround in early 2024. Orders have continued on their downtrend in all sectors of the economy, and the majority of

respondents describe orders on books as being too low. Absenteeism levels remain high, and the situation is further aggravated by persistent strike action. Supply bottlenecks have also become more of a problem once again in recent months due to the Houthi attacks in the Red Sea. The construction industry should temporarily profit from the mild weather in the early part of this year, while the economy as a whole is only expected to see the first signs of recovery in the medium term. This predicted uptrend will also be supported by the development of the global economy, which is likely to be more dynamic than was previously thought. German exports should also profit from this trend, especially as the global early indicators suggest that the predicted recovery will all take place above all in the manufacturing industry. The monetary policy turnaround expected in the early summer should also stimulate overall economic demand both in Germany and in the European customer markets. Lending rates are already far lower in Germany than in the autumn of 2023, and the exchange prices for natural gas and electricity in Europe have also fallen significantly. This should benefit private households and companies during the further course of the forecasting period, particularly once the energy providers pass on lower purchase prices to the consumers with the customary delay.

All in all, GDP is likely to initially continue its downslide during Q1 and to fall by 0.1% quarter on quarter. This means that the German economy will have been in recession in the winter months from 2023 to 2024. The overall economy is not expected to recover noticeably until the second half of the year. The upshot of all this is that price-adjusted **gross domestic product** will probably only grow by 0.2% year on 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).