

Logistics indicator - expectations deteriorate

The business climate in the German logistics industry deteriorated at the beginning of the year. The climate indicator fell to 83.2 index points. This is according to the monthly surveys of the Logistics Indicator carried out by the ifo Institute on behalf of the Bundesvereinigung Logistik e.V. (BVL) as part of its economic surveys. The downward trend was primarily due to business expectations - participants were significantly more pessimistic than at the end of the year. However, the business situation indicator also continued its downward trend, which has been ongoing since the end of 2021. Companies were widely dissatisfied with their current business.

The business expectations of logistics service providers deteriorated considerably: service companies were very worried about the coming months. The situation indicator, on the other hand, showed a slight upward trend. Nevertheless, the participants still often assessed their business situation as unfavorable. The business climate cooled further. The climate indicator stood at 83.3 index points. Declining demand was again reported somewhat more frequently. Order backlogs also continued to fall, albeit noticeably less frequently than in previous quarters. Companies revised their demand expectations downwards compared to the previous quarter: Expectations were often pessimistic, but less so than in the previous year. Job cuts in the coming months were only expected in isolated cases.

Companies in trade and industry reported a less favorable business situation than in the previous quarter - they were widely dissatisfied. Worries about the coming six months also increased. The business climate continued to deteriorate accordingly and stood at 83.4 index points, below the previous year's level. Inventories remained unchanged. Due to the overall poor mood, there are widespread plans to reduce staff numbers. Selling prices are to be increased.

The German economy is stuck. At the end of 2024, gross domestic product was only just above the 2019 average, with significant differences between the economic sectors. While the construction sector and industry are deep in recession, the economic output of public service providers is growing strongly. The business and consumer-related service sectors are tending to move sideways in line with the economy as a whole. Companies in almost all economic sectors are complaining about a lack of orders. Domestic demand for consumer and capital goods remains subdued despite renewed purchasing power and lower interest rates, as uncertainties about the economic policy course in Germany and the geopolitical environment are high.

are high. At the same time, the German export industry is not benefiting from the economic recovery on its sales markets. The loss of competitiveness of German industry is becoming increasingly noticeable here. Exports to China have been particularly affected, declining in price-adjusted terms for the third year in a row. In recent years, China has changed from being a buyer of German goods to a competitor.

Uncertainty about future economic development in Germany is extremely high. On the one hand, the new US government's policies are erratic. At least in the short term, the originally expected stimulus for the US economy as part of the "America First" policy appears to be turning

into the opposite. In any case, a number of US economic indicators have deteriorated at the start of the year, pointing to a weakening of the previously robust US economy. The looming trade war is also likely to have contributed to this. In any case, the US import tariffs are likely to be significantly higher and affect a broader range of goods than expected a few months ago. This in itself has increased the downside risks for the German economy. Secondly, a new Bundestag has been elected in Germany and coalition talks have begun. It is still unclear what specific economic policy course the new federal government will set for the coming years. However, there are signs of a noticeable fiscal easing, particularly in the area of infrastructure and defense spending, which could stimulate the German economy in the short term and boost production potential in the long term. However, it remains to be seen which plans will actually be implemented.

Overall, the economic outlook for this year remains rather subdued. A number of early indicators suggest that no further decline in economic output is to be expected, at least at the start of the year. The order situation in both the construction and industrial sectors has improved somewhat in recent months and the ifo business climate index has not fallen any further. However, the consumer climate has deteriorated again in recent months and the survey indicators are signaling a poor mood among both consumers and companies. Gross domestic product is therefore likely to increase only slightly this year and is expected to be just a quarter of a percent higher than in the previous 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).