ifo-BVL Logistics Indicator

Results of the ifo Business Survey for the second quarter of 2025

Logistics indicator - bottom reached?

After a bumpy start to the year, the business climate in the German logistics industry deteriorated once again. The climate indicator fell to 81.7 index points, down from 83.2 in the first quarter. This is according to the monthly surveys on the logistics indicator, which the ifo Institute carries out on behalf of the Bundesvereinigung Logistik e.V. (BVL) as part of its economic surveys. The companies' assessment of their business situation in the second quarter was similarly unfavorable as in the previous quarter. Although expectations for the coming six months deteriorated on average in the second quarter compared to the first quarter, a significant improvement was observed in May compared to April. This indicates an upward trend for the remainder of the quarter.

Logistics service providers assess their business situation as noticeably worse than in the previous quarter. Significantly more participants than at the start of the year assessed their demand as declining and order backlogs also continued to fall in many places. The fall in order backlogs was particularly noticeable at the beginning of the quarter, and in May it stabilized again at the level of the first three months of the year. Some companies are still expecting to cut jobs in the coming months. After business expectations collapsed in April, service providers were significantly less pessimistic about the coming six months in May - although expectations remain (still) gloomy. Demand expectations also improved again over the course of the quarter, with demand only expected to fall in some areas at the current margin. The overall business climate was once again rougher in a quarter-on-quarter comparison, but was able to improve significantly again in May compared to the previous month.

Companies in trade and industry reported a slight improvement in their business situation compared to the previous quarter - but still rated it as unfavorable. On the other hand, pessimism regarding business prospects in the first month of the quarter also led to a deterioration here. However, the expectations indicator rose sharply again in May and represented the best value since the beginning of the year. At 83.4 index points, the business climate for the quarter was only slightly below the level of the previous quarter. Here too, the development of expectations over the course of the quarter indicates a significant improvement in May compared to the April figure. Inventories decreased compared to the 1st quarter and thus remained at the previous year's level. Companies were still often planning to cut jobs, although less frequently than in the first quarter of the year. At the same time, selling prices are to be increased.

At the beginning of 2025, gross domestic product grew strongly by 0.4% compared to the previous quarter. It is estimated that half of this increase was due to German exporters bringing forward sales to US customers in response to the expected increase in US import tariffs in April. However, domestic forces such as private consumption and investment activity also contributed to the increase. Overall, a number of indicators suggest that the crisis in the German economy is likely to have reached its low point in the past winter half-year. On the one hand, private consumption has been on an upward trend for four quarters now and is accelerating. This means that the gains in purchasing power brought about by the sharp rise in real disposable income last year are increasingly being spent rather than saved. On the other hand, there are also initial signs of a gradual recovery in the construction and manufacturing industries. The mood among companies as measured by the ifo economic surveys is still poor and utilization of production capacity is still far below its long-term average. However, there have been signs of a gradual improvement in the order situation in both sectors in recent months. At the same time, expectations regarding the future business situation have brightened noticeably.

The strong economic momentum of the first quarter will not be maintained over the rest of the year. In April 2025, there was a setback in industrial production and goods exports, particularly as a result of US advance purchases in the previous quarter. However, the improved order situation and the brightening of sentiment indicators in recent months suggest that, on balance, a renewed decline in economic output is not to be expected, but rather stagnation in the second quarter. The growing optimism is presumably also fueled by the

hope that the new German government will put an end to the economic standstill and that an agreement will be reached in the trade dispute with the US. Nevertheless, the uncertainties in Germany remain high and, in particular, higher than in other countries, meaning that an overly rapid recovery is still a long way off. If the new German government swiftly implements its plans resulting from the expanded fiscal framework for infrastructure and defense, which were announced in the coalition negotiations, this should give the economy a noticeable boost, especially in the coming 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).