LOGISTICS UK

The Logistics Report Summary 2022

LOGISTICS UK

We support, shape and stand-up for safe and efficient logistics

Logistics UK is one of the biggest business groups in the UK, supporting, shaping and standing up for efficient logistics. We are the only organisation in the UK that represents all of logistics, with members from the road, rail, sea and air industries, as well as the buyers of freight services such as retailers and manufacturers whose businesses depend on the efficient movement of goods.

An effective supply chain is vital to Keep Britain Trading, directly impacting over seven million people employed in making, selling and moving the goods that affect everyone everywhere.

With Brexit, technology and other disruptive forces driving changes in the way goods move across borders and through the supply chain, logistics has never been more important to UK plc.

As champions and challengers, Logistics UK speaks to Government with one voice on behalf of the whole sector, greatly increasing the impact of our messages and achieving amazing results for members.

Foreword

Welcome to the Logistics Report 2022 containing Logistics UK's assessment of the key events and trends that shaped the sector over the last year.

This evidence-based report explores factors influencing logistics, from international competitiveness, trade and connectivity to labour and skills developments, sustainability and innovation and safety.

The disruptive forces and demands facing our sector today are placing an extraordinary requirement on businesses moving freight to adapt, cut costs and increase efficiency at an astonishing pace.

The height of the COVID-19 pandemic brought its own challenges, especially of business resilience in the face of the economic dislocation brought on by the public health crisis. Seemingly without a pause the logistics sector has needed to adapt yet again to the reopening of society, rapidly escalating energy costs, rising inflation and a cost-of-living crisis. All this whilst addressing the seismic shift in individuals' purchasing habits and the move to online shopping. As a result, there is significant disruption to the global supply chain with increasing demand for freight, as well as a tightening labour market which has led to critical shortages of those with core skills.

The chapters of the logistics report describe all these changes through key statistics and the findings of our annual Logistics Industry Survey. We are immensely grateful to our members for their input to this report and our other industry research, as well as to our Policy Councils. The benefits of their knowledge and engagement with us are at the heart of our work.

As in previous editions, the report reflects on the past year, drawing insights for the year ahead but due to the impact of the Russian invasion of Ukraine we have also included a section bringing some of the key economic data up to date.

I am extremely proud to be part of the unfailingly resilient UK logistics sector. The coming months will undoubtedly be demanding but despite the uncertainty and volatility that characterises these times I am confident in our businesses' ability to continue to meet the needs of the economy and society.

David Wells
Chief Executive
Logistics UK

Logistics Business Index

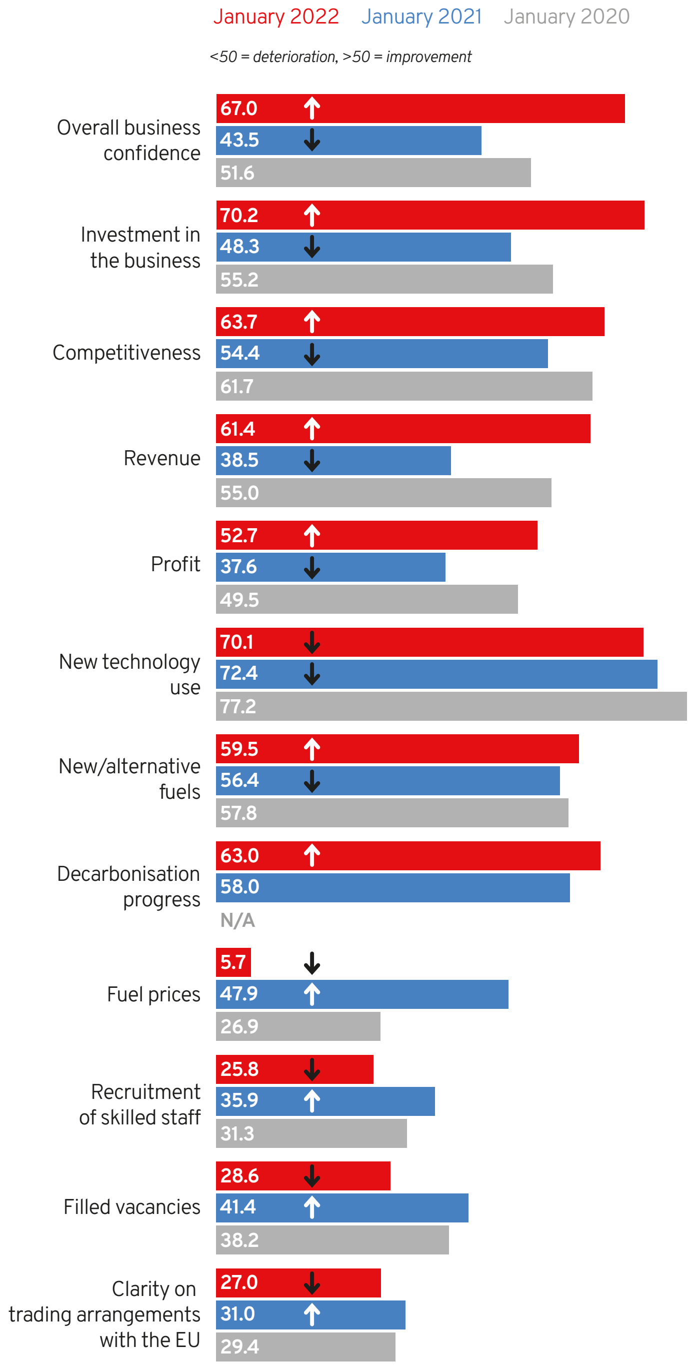
Business expectations

This is a measure covering the past three years of respondents' sentiment about their business' performance in the coming six months.

Overall business confidence has exceeded pre-pandemic levels in the logistics sector. Business investment, competitiveness, revenues and profits were up as of 1 January 2022 compared with the past two years, as was decarbonisation progress and the use of new/alternative fuels. Fuel prices rocketed in the beginning of 2022 and recruitment has worsened in the face of record vacancies and skills shortages in the industry. Clarity on trading arrangements with the EU has deteriorated in the past year.

Logistics Business Index

Compared to a year ago, have you experienced improvements or a deterioration in the following:



The logistics sector

Key facts

1. The logistics sector contributes **£139 billion** Gross Value Added (GVA) to the UK economy.
2. There are **226,220** logistics enterprises in the UK.
3. Online retail averaged **31.1%** of retail sales in 2021, up from **19.2%** in 2019.

Summary

The UK logistics sector adapted to pandemic pressures and maintained the flow of goods through supply chains in 2021, contributing 11% to the UK non-financial business economy. Despite a driver shortage leading to haulage availability issues, the UK economy began to recover in 2021 and logistics firms report a positive outlook for 2022.

Expectations

1. Logistics companies will continue to adapt to economic uncertainty through diversification, relocation and consolidation of their business in 2022.
2. Import and export trade on most sea and air routes are expected to rise in 2022.
3. Insolvencies are expected, particularly in road transport as costs for fuel, driver wages and parts increase.

The UK logistics market

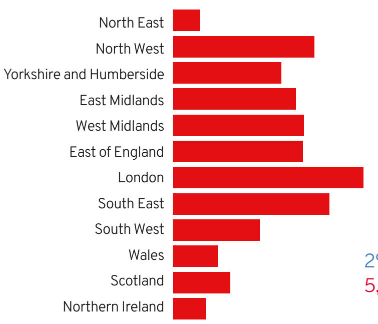
The logistics industry is a significant contributor to the UK economy, with 226,000 enterprises employing over two million individuals unequally distributed across the UK. Moreover, according to the latest data, the industry added £139 billion of value to the economy in 2019.

Additionally, there are positive signs for logistics in 2022. The economy is expected to perform better or the same as 2021 with 39.0% of road freight firms who responded to the Logistics Industry Survey 2021/22, planning to increase the size of their fleets.

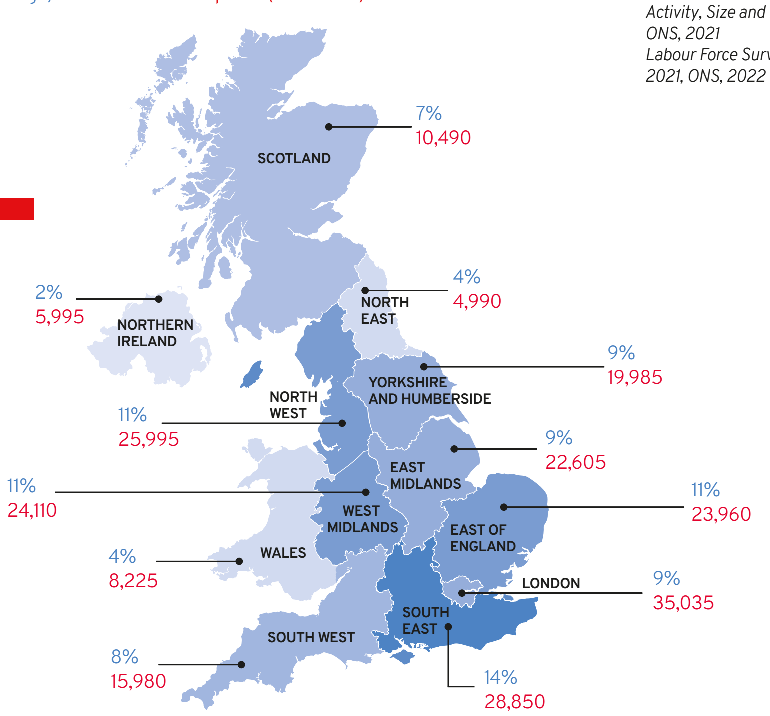
Nevertheless, there should be some caution as there were 118 insolvencies in the logistics sector in 2021: 86 in road freight, 29 in warehousing, and one in water freight.

Logistics employees and number of enterprises

Proportion of logistics employees (percentage)



Number of enterprises (thousands)



Sources: UK Business: Activity, Size and Location, ONS, 2021
Labour Force Survey, Q4 2021, ONS, 2022

Competitiveness

Key facts

1. In 2021, the cost of shipping to the UK was 24% higher compared with mainland Europe, as a result of the supply chain crisis.
2. Air freight rates increased by 70% on some routes in 2021 as competition for bellyhold space intensified with many passenger planes grounded during the year.
3. Brent crude, the internationally recognised benchmark for crude oil, rose 52% in the year the December 2021 to $76 per barrel.

Summary

The current supply chain disruption began at the onset of the COVID-19 pandemic in March 2020, when lockdown restrictions were implemented globally. Moreover, the end of the Brexit transition fed into labour shortages, in particular, of HGV drivers as haulage firms struggled to hire drivers even with record hikes in wages.

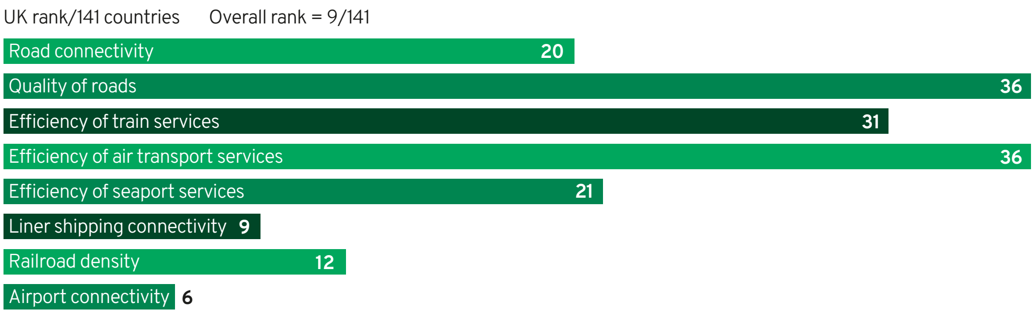
Expectations

1. Strain on the supply chain will last into 2022 and beyond
2. Ongoing political instability will be a main driver in maintaining high fuel prices, as markets adapt as they look to other sources of fuel supply.
3. The Government's decision to cut fuel duty in the March 2022 Spring Statement by 5 pence per litre (ppl) will result in an average saving of £2,356 per year per 44-tonne truck.

UK competitive capability

The UK logistics industry is highly competitive, ranking 9th in the World Economic Forum's global ranking. However, operators will be vulnerable to the recent increases in fuel prices experienced since the beginning of the year.

UK competitiveness global ranking



Source: The Global Competitiveness Report 2020, World Economic Forum, October 2020

International trade

Key facts

1. 68% of UK trade flows are with the EU, US and China.
2. The UK's top exports in 2021 were road vehicles, pharmaceuticals and oil products.
3. Most UK trade is moved via maritime shipping: bulk, containerised, and roll-on/roll-off.

Summary

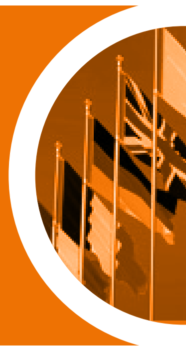
In 2021, the UK exported £320 billion goods but imported £476 billion, leaving a trade in goods deficit of £156 billion. Most UK trade flows are with the EU, US, and China. Respondents to Logistics UK's Industry Survey reported little change to UK trade with Northern Ireland, the EU, and the rest of the world.

Expectations

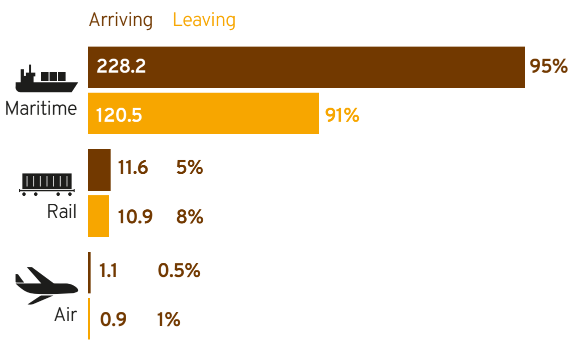
1. Disruption to trade with the EU is expected to continue due to HGV queues at seaports.
2. As the world economy re-opens, trade flows will continue to recover.
3. Supply chain disruption will begin to ease as container shipping with China picks up.

UK trade by mode of transport

UK international trade is dominated by the maritime industry, rail is responsible for a smaller but significant amount of trade, while air travel represents a relatively insignificant amount of trade in terms of tonnage lifted. UK port traffic totalled 343 billion tonnes in 2020 and was split relatively evenly between trade with the EU and trade with the rest of the world.

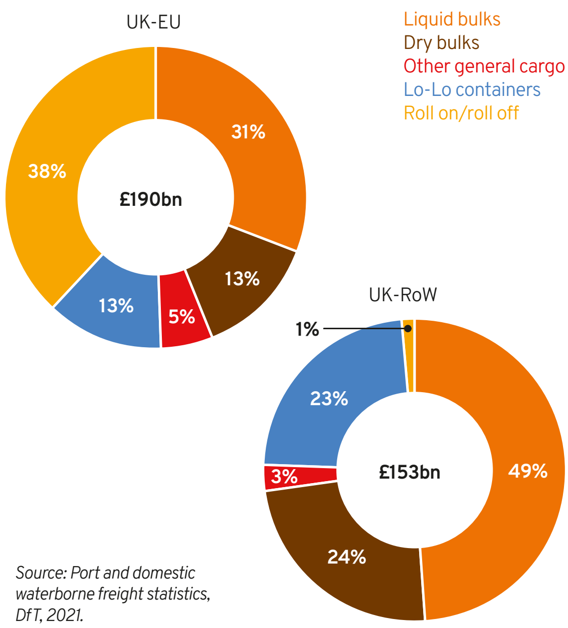


UK trade by direction and international mode of transport (mt)



Source: Transport Statistics Great Britain: 2021, DfT, 2021

UK port freight activity in 2020



Source: Port and domestic waterborne freight statistics, DfT, 2021.

Connectivity

Key facts

1 HGVs moved 11.3% and lifted 11.7% fewer goods in 2020 than in 2019 as coronavirus restrictions affected activity.

2 Global air cargo tonne kilometres increased by 6.9% in 2021, despite available capacity falling by 10.9%.

3 Short sea freight fell for the third consecutive year to 245.1 million tonnes in 2020.

Summary

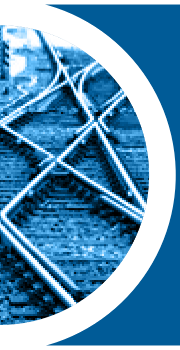
Freight activity across most modes rebounded in 2021, as the world economy reopened. As well as an expansion in global air freight in 2021, world maritime shipping is estimated to have grown by 4.3%. Domestically, in 2021 goods handled by UK major ports increased by 1.7% to 436.4 million tonnes and goods moved by rail increased by 8.6%, while in the first half of 2021, goods moved by road increased by 2.1% compared with pre-pandemic levels.

Expectations

1 Annual growth in maritime trade between 2022 and 2026 will slow to 2.4%, compared to 2.9% over the past two decades.

2 Air freight volumes will continue to grow as passenger flights return to pre-pandemic levels, allowing for more bellyhold capacity.

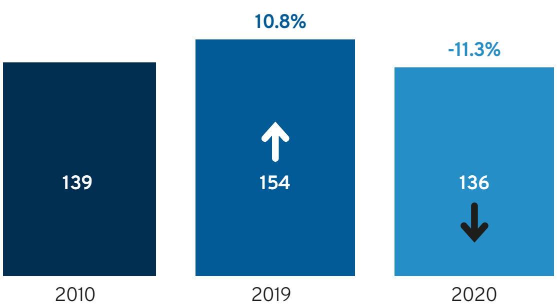
3 Road congestion is set to worsen as traffic volumes increase, affecting the reliability of road freight.



Freight activity

The volume of freight moved has increased compared with 2020. In Q2 of 2021, goods moved by HGVs was 42.5 billion tonne kilometres: a 58% increase on Q2 2020 and an 11% increase on Q2 of 2019. In comparison, cargo moved by rail increased 8.6% in 2021, fuelled by an increase in movements of construction equipment. The European air freight market also rebounded by 3.7% in 2021, while international maritime trade is estimated to have grown by 4.3%.

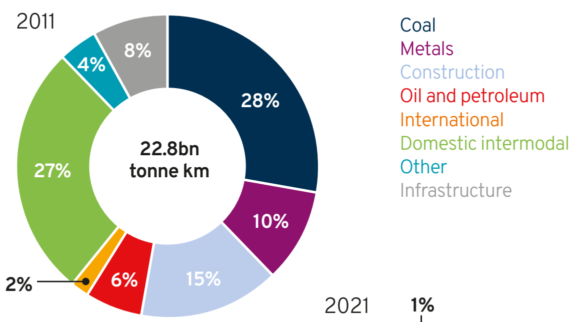
Goods moved* by HGVs (billion tonne km) (GB)

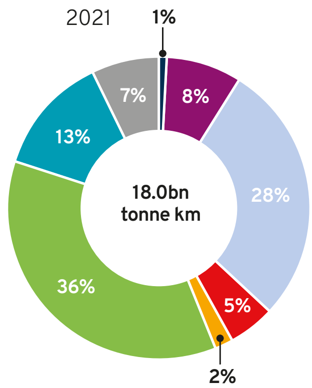


*Goods moved: the weight of goods carried multiplied by the distance hauled, measured in tonne kilometres

Source: Domestic Road Freight Statistics, Department for Transport, July 2021.

Rail freight moved by commodity (billion tonne km)





Source: Freight moved by commodity, Office of Rail and Road, March 2022.

Labour and skills

Key facts

1. While 26% of logistics jobs are considered low-skilled, this is greater than the national average, where they represent only 9.4% of all jobs in the economy.
2. In Q4 2021 the number of HGV drivers in employment fell by 49,000 to 265,000 from Q4 2019, making the workforce 15.6% smaller than it was before the pandemic.
3. 27,144 HGV vocational tests were undertaken in Q4 2021 which is a 53.5% increase on Q4 2019.

Summary

Employment in the logistics industry has remained unchanged since 2020. However, as consumers moved to online shopping, demand for logistics jobs grew. 2021 saw an acute shortage in many roles across the logistics industry underscored by an unprecedented driver shortage.

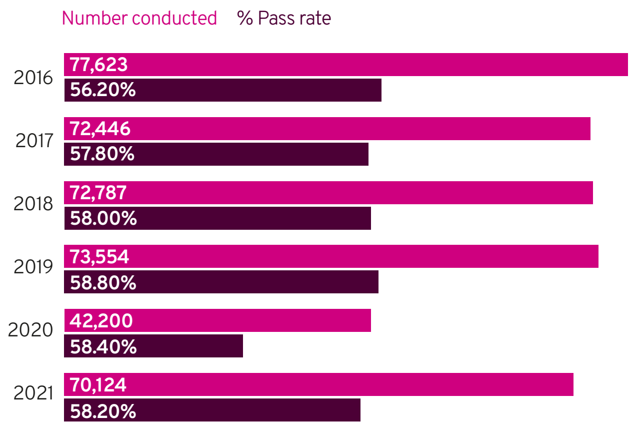
Expectations

1. Employee retention and wellbeing are top HR priorities for 2022.
2. Logistics staff shortages are expected to continue in 2022.
3. There is likely to be an increase in staff gross pay.

Employment in logistics

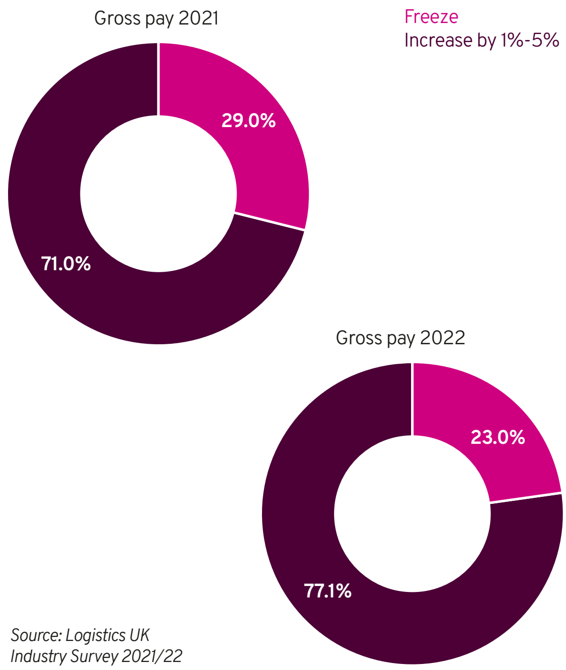
In 2021, there were 2.6 million logistics employees in the wider sector. Employers struggled to source qualified HGV drivers, increasing pay by 12.3% to retain existing staff and attract new drivers. In Q4 2021, 27,144 HGV vocational tests were undertaken, however, higher pay and more testing has not translated into more HGV drivers in the profession. In Q4 2021 the number of HGV drivers in employment was 265,000, making the workforce 15.6% smaller than it was before the pandemic.

HGV vocational tests



Source: Driver Testing Statistics, UK Government, April 2022

Percentage of respondents changing staff gross pay



Source: Logistics UK Industry Survey 2021/22

Sustainability

Key facts

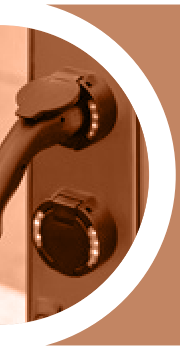
1. 87% of logistics firms are considering decarbonising their fleet.
2. 2021 saw the return of congestion on UK roads, with drivers spending nearly one billion hours in traffic, costing £595 per driver and the country £8 billion.
3. Congestion at UK ports has worsened in 2021 with the capacity and availability of road and rail links for movements of containers deteriorating.

Summary

The sustained growth in online retail has seen congestion levels return to pre-pandemic levels. While fleet operators are seeking an 80% reduction in emissions by 2050, decarbonisation targets pose serious challenges. Government objectives propose diesel and petrol engines of vehicles between 3.5 and 26 tonnes be phased out by 2035 and by 2040 for vehicles over 26 tonnes.

Expectations

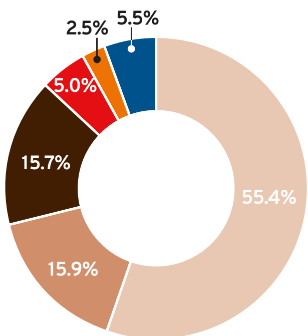
1. An increase in congestion across all modes is expected in 2022, as traffic levels rise.
2. By the end of 2022, Euro VI HGVs will account for around 72% of the total number of HGVs.
3. The number of licensed ultra-low emission HGVs and vans will increase at a higher rate in 2022 than in 2021.



Sustainability and logistics

In the UK, Greenhouse gas (GHG) emissions are only 4.6% lower than they were in 1990 and most transport emissions are a result of road transport. Although there has been an increase in ultra-low emission and Euro VI compliant HGVs and vans, they still contribute 31.6% of all UK transport GHG emissions.

Proportion of GHG emissions (MtCO2e) by transport mode, 2019

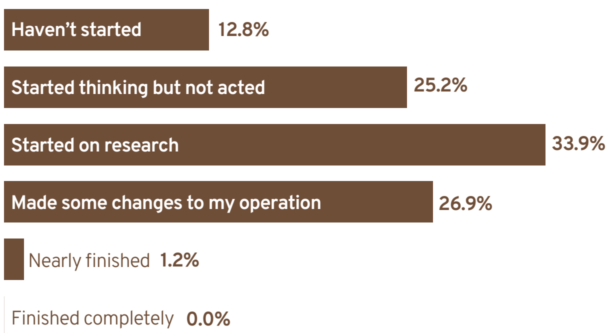


Source: Transport and Environment Statistics 2021, Annual Report, DfT, May 2021

Cars and taxis
Heavy goods vehicles
Light vans
Domestic shipping
Buses and coaches

Other	Rail	1.4%
	Domestic aviation	1.2%
	Motorcycles & mopeds	0.4%
	Other road transport emissions	0.6%
	Other transport	1.9%

Whereabouts are you on the journey to decarbonisation of your fleet?



Source: Logistics UK Industry Survey 2021/22

Safety and innovation

Key facts

1. Goods vehicle operator licences rose by 2.0% to 70,146, compared with 2020.
2. The number of fatal accidents in 2020 was 40% lower than 2008, however road traffic was down 21% compared with 2019.
3. Government spent £12.5 billion on the UK's roads.

Summary

Vehicle and driver testing rebounded after initial lockdown restrictions in 2020. Annual test pass rates are improving and the number of fatal accidents involving commercial vehicles decreased as road traffic was below pre-pandemic levels. Technology developments are expected to give rise to autonomous vehicles and more automation across all modes.

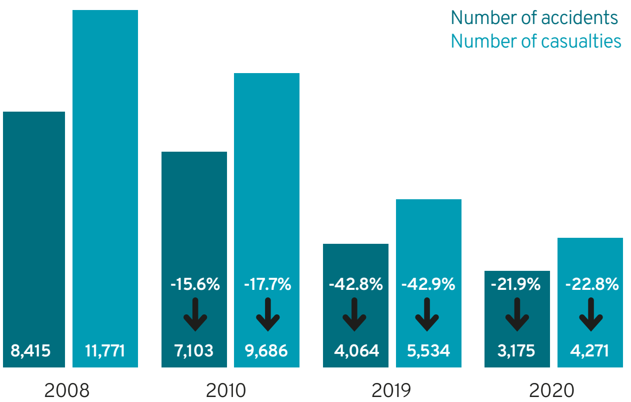
Expectations

1. Supply-chain capacity constraints for air and sea freight will be exacerbated by further lockdowns in China and the Russian war in Ukraine
2. Use of automated technology and autonomous vehicle is expected to grow.
3. Warehouse rents will increase as demand for space outstrips supply.

HGV safety

The number of accidents, of all severities, and casualties involving HGVS has fallen 21.9% and 22.8%, respectively. This should be treated with caution as traffic was lower during the pandemic. The adoption of autonomous vehicles could improve road safety and reduce accidents.

Number of accidents and casualties and accidents involving HGVs



Source: Reported Road Casualties in Great Britain: 2020 annual report, DfT, September 2021

Top trends that will shape the global automotive industry in 2022

1. Autonomous Vehicles (AVs)
2. Vehicle connectivity
3. Electrification
4. Shared mobility
5. Artificial intelligence

Source: Top 10 Automotive Industry Trends and Innovations in 2022, StartUS, 2022

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