

The Logistics Report Summary 2024



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, water 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 EU Exit, 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.

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Logistics UK would like to thank MDS Transmodal and Portland Fuels for providing commentary and insights in this year's Logistics Report.

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Foreword



Welcome to the Logistics Report 2024, which includes Logistics UK's analysis and assessment of the trends that shaped the sector over the past year.

As always, we are immensely grateful to our

members for their input into this report and our other research, as well as providing their insight at our Policy Councils.

The production of the Logistics Report presents an opportunity to reflect on the headwinds that the sector has faced over the past 12 months, including global geopolitical volatility, new trade processes, a recession and changing climate conditions. These are all significant challenges in their own right, let alone when happening simultaneously and following several years of instability. In this context, our sector should be hugely proud of what it has achieved and, if there is a lesson to draw, it is that logistics businesses must continue to invest in their resilience and adaptability.

A key theme for the report this year is trade, which has been significantly disrupted in recent months, with attacks in the Red Sea resulting in goods being diverted from the Suez Canal to the Cape of Good Hope. This diversion is adding at least 10 days to journeys and increasing shipping costs and therefore has directly impacted importers and exporters, as well as consumers. This comes at the same time as drought has forced authorities to impose restrictions on maritime trade in the Panama Canal, resulting in reduced crossings and bottlenecks in supply chains.

Closer to home, the UK entered a recession at the end of 2023, following two quarters of minimal growth. Despite these circumstances, I know how hard the sector is working to expand

and grow, with warehouse capacity in recent years on the rise and strong investment in innovation taking place. The chapters of the Logistics Report dive deeper into these issues and describe all these changes through statistics and the findings from our Logistics Industry Survey. Other chapters cover UK logistics and how the economy is impacting business decisions, along with UK trade connectivity, efficiency, the environment and future trends.

With regards to engagement with the new government, which this report touches on, we will continue to highlight that logistics underpins the economy and, with the right policies, can drive further growth and productivity. Our priorities include ensuring costs on the sector are sustainable, infrastructure is invested in, innovation is supported, the transition to a green economy is fair, skills pipelines are strong, and that trade is backed, with reduced friction at our borders. This is a big and vital agenda which is why we are calling for the appointment of a dedicated minister for logistics and supply chain, backed by the centre of government to deliver for the sector and the UK.

Last but not least, I continue to be inspired by the sector and its ability to pivot depending on the wider landscape while keeping an eye on the future. This year has been no different and I am optimistic the sector will continue to grow and be stronger than ever as it innovates and decarbonises.

A handwritten signature in black ink, appearing to read 'David Wells'. The signature is fluid and cursive, with a horizontal line underneath it.

David Wells OBE
Chief Executive
Logistics UK

Executive summary

For the UK logistics sector, 2023 was a year that brought new challenges, with the industry facing a number of headwinds over the past 12 months including a recession, global geopolitical volatility, new trade processes and changing climate conditions.

This report analyses how these macro trends have impacted the UK logistics sector and looks at their implications for the movement and trading of goods. Data has been derived from national statistics, the Logistics UK Industry Survey 2023/24, which represents the views of over 500 respondents from the sector, as well as insights from industry experts.

According to the latest national figures, logistics businesses generated £1.3 trillion in revenues in 2022, an increase of 25.8% compared to 2021. In the same year, logistics enterprises added £185 billion of value to the UK economy, which is around 12% of the total non-financial economy and an increase of 15.6% on the previous year. In March 2023, there were 214,160 logistics enterprises, the majority (99.7%), were small to medium enterprises (SMEs) with less than 250 employees.

The latest data from the Logistics UK Business Performance Index shows a mixed picture of trends in the UK logistics sector, however, the industry is positioning itself well to cope with future expansion and growth. Measured with >50 representing an improvement and <50 representing a deterioration, overall business confidence has dipped slightly to 53.4 in January 2024 (54.9 in January 2023), reflecting some uncertainty in the industry. However, investment in the business remains relatively stable at 64.0, indicating continued efforts towards growth and development. Competitiveness has held steady at 61.0, while revenue has seen a decline to 53.4, suggesting some challenges in generating income. Despite this, there are positive signs in the adoption of new technology, with a score of 75.6, indicating a strong focus on innovation. Recruitment of skilled staff and trading arrangements with the EU show moderate improvements, suggesting efforts to address workforce needs and navigate post-EU Exit trade dynamics are starting to work. Warehouse capacity has also grown (by 4.3%),

which underscores the continuing expansion of the sector and highlights its readiness for future growth. However, challenges persist in areas such as the impact of inflationary pressures and fuel prices, which continue to fluctuate, requiring careful management and strategic planning within the industry.

- There is a general decrease in the intention to expand physical infrastructure in the logistics sector in 2024, compared to 2023.
- In terms of investment in technology and innovation, there is a strategic shift towards enhancing operational efficiency and workforce development.
- The outlook for the economy in 2024 is cautiously optimistic, with 37.9% anticipating economic improvement and 45.2% expecting stability.

The overall Logistics Activity Index is expected to be relatively unchanged in 2024 compared to 2023. Road freight is projected to remain the same in 2024. Warehouse-road activity is expected to decline slightly while rail freight sentiment suggests robust growth. Sea freight showed a significant projected improvement from 48.7 to 55.4, moving from a negative to a positive sentiment. Air freight is forecast to see a dramatic rise from 28.3 to 64.6, indicating a substantial recovery.

Looking beyond UK borders, the UK is deeply integrated into the global market, with significant ties to major economies. Imports of goods and services slightly decreased by £0.1 billion to £895.6 billion, while exports of goods and services rose significantly by £36.8 billion (4.6%) to £842.6 billion. This resulted in a trade deficit (excluding precious metals) of £53.0 billion, narrowing by £36.7 billion compared to the previous year. When adjusted for inflation, imports declined by £6.5 billion to £741.5 billion and exports grew by £3.9 billion to £690.8 billion.

- Global maritime trade volumes decreased by 0.4% in 2022 but are estimated to have recovered by 2.4% in 2023 and maintain a growth rate of 3 to 4% in 2024 and 2025.
- Air freight activity sentiment for exports and imports across various regions showed a

significant positive shift between 2023 and 2024.

- Some temporary port congestion is expected when the Red Sea crisis comes to an end as ships passing via the Cape coincide with those again passing via the Suez Canal in arriving into Northern Europe.

From December 2022 to December 2023, there were notable decreases in principal fuel prices across modes. After increasing between 2021 and 2022, crude oil prices fell by 5.9% from \$81.47 per barrel (bbl) to \$76.66bbl in 2023. In 2023, global crude oil markets adapted to shifts in trade dynamics as Russian oil found new destinations beyond the EU. Despite OPEC+ supply curbs, global oil demand fell short of projections. However, crude oil prices fluctuated due to factors including an EU ban on Russian imports, central bank interest rate hikes and inflation concerns. Geopolitical tensions, particularly the Israel-Hamas conflict, prompted further price swings. Saudi Arabia extended production cuts through 2024, boosting prices temporarily. Attacks on Red Sea shipping vessels elevated prices further in December.

- The current economic landscape is likely to influence demand for haulage, distribution and just-in-time deliveries.
- As staff shortages stabilise, logistics firms are focusing on employee retention and are increasingly able to handle more operations in house.
- Rates for road, rail, sea, air and warehouses are expected to increase slightly in 2024 compared to 2023. Air freight demand is expected to increase by 4.5% in 2024, at the same time, pressure on rates is expected to bring down revenues by around 17.3% year-on-year.

In terms of progress around decarbonisation, greenhouse gas emissions are falling. Overall, domestic transport emitted 111.6 MtCO₂e in 2023, a decrease of 1.4% when compared to 2022. This is the first-time domestic transport emissions have fallen since 2020, yet despite this drop, transport remains the largest source of UK greenhouse gas emissions, however, the main source of emissions from domestic transport is the use of petrol and diesel in road vehicles, specifically passenger cars. High costs for low carbon fuels, insufficient and unavailable infrastructure for electrification and patchwork regulations remain key barriers to decarbonise freight and industry is calling for this to change.

- The Climate Change Committee's latest Progress Report to Parliament indicates that the UK's policy framework for achieving net zero is developing, but not at the pace required for future targets.
- Government has announced a rail freight growth target of 75% in net freight tonne kilometres by 2050.
- Of respondents to the Logistics Industry Survey, 62.9% planned to invest the same in alternative fuels in 2024 as last year and 28.8% planned to invest more.

Looking ahead, respondents to the Logistics Industry Survey were asked for their priorities for the government, with more than half of respondents stating they wanted a cut in fuel duty. Logistics UK has long argued that keeping fuel duty down is important for enabling businesses to invest, including in decarbonisation. Other suggestions for government were around reducing bureaucracy and improving infrastructure, regulations and support services. These priorities echo what Logistics UK is calling for, with priorities including to ensure costs on the sector are sustainable, infrastructure is invested in, innovation is supported, the transition to a green economy is fair, skills pipelines are strong, and that trade is backed, with reduced friction at our borders.

Logistics UK is calling for:

- A public-private partnership to unlock investment and enable logistics to maximise the benefit it can deliver to the economy.
- Ideally this would be backed by a cross-Whitehall Logistics Productivity Forum, led by a dedicated minister for logistics and supply chain, with cross-departmental responsibilities.
- Innovative and integrated infrastructure is also called for, backed by investment in a national logistics network, planning reforms and innovation funding.

The logistics sector

Key facts

- 1 The logistics sector added £185 billion of value to the UK economy in 2022.
- 2 As of March 2023, there were 214,160 logistics enterprises in the UK.
- 3 The logistics industry pays an estimated £5.84 billion per year in fuel duty.

Summary

In 2022, logistics businesses in the UK generated revenues of just over £1.3 trillion, marking a 25.8% increase from the previous year. Despite a slight dip in overall business confidence, investment and competitiveness remained stable, with a strong focus on innovation.

Expectations

- 1 There is a general decrease in the intention to expand physical infrastructure in the logistics sector in 2024, compared to 2023.
- 2 In terms of investment in technology and innovation, there is a strategic shift towards enhancing operational efficiency and workforce development.
- 3 The outlook for the economy in 2024 is cautiously optimistic, with 37.9% anticipating economic improvement and 45.2% expecting stability.

Logistics in the balance

In the 12 months leading up to December 2023, 500 haulage businesses collapsed, which is nearly double the number of insolvencies from two years ago. In 2023, road haulage firms reported tightening operating margins of around 2.5%. Rising wage demands, overheads, and the reinstatement of the Road User Levy (RUL) have impacted costs. Plus, higher interest rates have made it more difficult for these firms to service debt. This combination of factors is likely to have contributed to the rise in insolvencies.

Business investment plans

	2023 (actual)	2024 (expected)	
Purchase additional warehousing and distribution premises	21.8%	↓	15.2%
Rent additional warehousing and distribution premises	21.4%	↓	15.0%
Relocate business premises	19.2%	↓	14.7%
Acquire another business	22.8%	↓	18.0%
Diversify the business	24.9%	↑	27.0%
Consolidate the business	23.4%	↑	24.5%

Source: Logistics Industry Survey 2023/24. Logistics UK, 2024

UK connectivity

Key facts

- 1 The road freight sector facilitates approximately 81.1% of domestic freight.
- 2 Road freight peaked in 2021, but decreased in 2023, which is still above 2019 levels.
- 3 There has been a switch in UK road haulage from accompanied haulage, mainly across the Dover Straits, to unaccompanied trailers, mainly across the North Sea.

Summary

The UK has a comprehensive network of roads, which connect urban area, towns, and distribution centres. This is complemented by complex rail and inland waterway networks, as well as air and coastal routes. While air, rail and sea freight activity sentiment is positive, ongoing fallout from EU Exit continues to present connectivity challenges.

Expectations

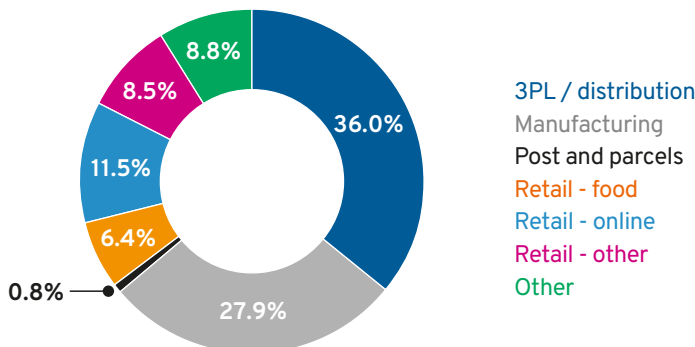
- 1 The growth in warehouse space between 2017 and 2023 reflects a switch towards online shopping as high streets decline.
- 2 The uptick in manufacturing take up of warehousing space may reflect a move to reshoring operations, owing to supply chain vulnerabilities and regulatory changes following EU Exit.
- 3 Internet sales as a percentage of total retail sales remained relatively stable in 2023 at 26.4%, above 19.2% in 2019 but below the peak of 31.0% in 2021 during COVID-19.

Warehousing growth in 2023

In 2023, warehouse space take-up totalled 22.1 million square feet, down 42.0% from 2022 but aligning with the pre-pandemic 10-year average. Third-party logistics providers (3PLs) led with 36.0% of deals, up from 33.0% in 2022, while manufacturers took up 27.9%, rising from 23.2%. These shifts reflect changing consumer behaviour, following the COVID-19 pandemic and EU Exit, notably favouring online shopping, which have prompted the growth of logistics for efficient e-commerce management.



UK warehousing take-up by sector, 2023



Source: United Kingdom Logistics Q4 2023. CBRE, February 2024

International trade

Key facts

- 1 The UK's total annual trade showed a mixed performance in 2023, with imports decreasing slightly and exports of goods and services rising significantly.
- 2 Europe and the Mediterranean regions dominate both imports and exports, with North America and the Far East also playing significant roles in UK trade.
- 3 The proportion of the UK's GDP attributed to manufactured goods has almost halved from 16.5% in 1990 to 8.4% in 2022.

Summary

The UK has significant trade relations with other countries and is deeply integrated into the global market, with noteworthy ties to major economies, specialising in high-value manufacturing and technology-related products. Germany is the leading import partner and the United States is the top export destination. Both imports and exports are dominated by high-value products, suggesting that the UK's trade focuses on strategic, capital-intensive goods.

Expectations

- 1 Global maritime trade volumes decreased by 0.4% in 2022 but are estimated to have recovered by 2.4% in 2023 and maintain a growth rate of 3 to 4% in 2024 and 2025.
- 2 Air freight activity sentiment for exports and imports across various regions showed a significant positive shift between 2023 and 2024.
- 3 Some temporary port congestion is expected when the Red Sea crisis comes to an end as ships passing via the Cape coincide with those again passing via the Suez Canal in arriving into Northern Europe.

Complications arising from EU Exit

Since EU Exit, there has been added complexity in customs clearance and other border-related government agency procedures. However, import and export shipments are generally cleared and delivered as scheduled. Despite a slight decline in customs and border agency procedures post-EU Exit, customs operations are generally efficient, benefiting from high compliance rates and improving logistics services.

UK top 10 import partners

		£ million
1	Germany	76,286
2	United States	63,309
3	China	62,215
4	Netherlands	51,583
5	France	40,075
6	Belgium	28,225
7	Norway	26,665
8	Italy	22,126
9	Spain	19,408
10	Ireland	19,040

Source: Overseas Trade Statistics. HMRC, December 2023

UK top 10 export partners

		£ million
1	United States	57,673
2	Germany	32,429
3	Netherlands	29,935
4	Switzerland	28,554
5	Irish Republic	27,526
6	China	27,363
7	France	23,839
8	Belgium	17,131
9	Hong Kong	12,992
10	India	10,315

Source: Overseas Trade Statistics. HMRC, December 2023

Efficiency

Key facts

- 1 The availability of transport services across road, rail and air freight in the UK was generally positive in 2023, compared to 2022.
- 2 However, recent attacks on ships in the Red Sea, geopolitical tensions in the Black Sea, and climate change impacts on the Panama Canal have created a complex situation.
- 3 The air cargo industry continued to experience volatility in 2023, however, rates generally saw a decline before increasing from the end of the year onwards.

Summary

A key expectation of logistics is that it transports and delivers goods efficiently, something which is becoming increasingly challenging given global trade disruptions. Within the UK, issues such as operating costs, network reliability and congestion need to be addressed to improve efficiency.

Expectations

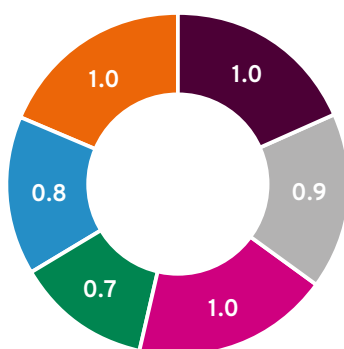
- 1 The current economic landscape is likely to influence demand for haulage, distribution and just-in-time deliveries.
- 2 As staff shortages stabilise, logistics firms are focusing on employee retention and are increasingly able to handle more operations in house.
- 3 Rates for road, rail, sea, air and warehouses are expected to increase slightly in 2024 compared to 2023. Air freight demand is predicted to increase by 4.5% in 2024, at the same time, pressure on rates is expected to bring down revenues by around 17.3% year-on-year.

Efficiency, infrastructure and investment

For international transportation, the reliability of bulk or semi-bulk transportation, as well as links to ports and intermodal, remained unchanged from 2022 to 2023. However, there has been a decrease in the reliability of the road network in recent years. In the fiscal year 2022/23, a total of £5,937.8 million was spent on road maintenance across the UK.



Changes in freight rate costs in 2023 compared to 2022



-2 = decreased a lot, +2 = increased a lot

Source: Logistics Industry Survey 2023/24. Logistics UK, 2024

Environment

Key facts


- 1 The logistics sector is embracing the decarbonisation agenda but faces challenges such as the high cost of low carbon fuels and insufficient grid capacity.
- 2 Climate change is causing more frequent and intense extreme weather events, disrupting transport networks and damaging infrastructure.
- 3 As of March 2023 38% of the GB rail network is electrified.

Summary

As net zero deadlines approach, the logistics sector must adapt to meet decarbonisation targets. Although progress is being made and greenhouse gas emissions are decreasing, there are still significant obstacles. These include high costs for low carbon fuels, lack of sufficient infrastructure for electrification, and inconsistent regulations. Climate change is causing more frequent and intense extreme weather events too, which affect operations across all modes of transport. It will be crucial to adapt and future-proof the transport and logistics system to ensure the continued delivery of goods.

Expectations

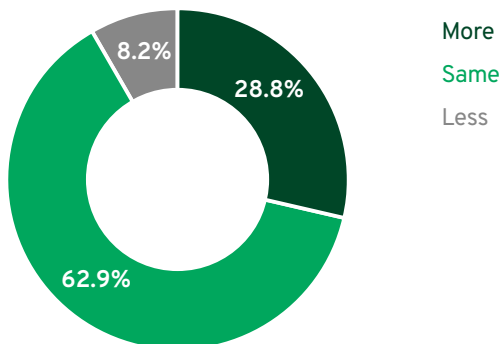
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Supply chain resilience and climate change

Extreme weather events are disrupting transport networks and damaging infrastructure. The Department for Transport (DfT) has noted that these changes are already impacting the transport system and will continue to do so as the climate changes. The economic cost of this disruption is high, with weather-related costs for Network Rail exceeding £3 billion over the last 15 years.

Thinking about your investment in alternative fuels in 2024, will it be more, less or the same as last year?



Source: Logistics UK Industry Survey 2023/24. Logistics UK, 2024

Looking ahead

Key facts

- 1 A recent study by Oxford Economics suggests that logistics could boost UK growth by up to £7.9 billion per year through productivity gains by 2030.
- 2 Logistics businesses want to see a combination of advocacy, investment, educational efforts and policy changes.
- 3 Top suggestions for the government from respondents to the Logistics Industry Survey include reducing fuel duty and bureaucracy, and improving infrastructure and regulations.

Summary

The logistics sector is ambitious and has plans to innovate, decarbonise and increase its efficiency. Logistics UK is committed to continuing its engagement with the government, supporting the industry and promoting the sector to unlock the full potential of both the industry and the wider economy.

Expectations

- 1 Logistics UK is calling for a public-private partnership to unlock investment and enable logistics to maximise the benefit it can deliver to the economy.
- 2 Ideally this would be backed by a cross-Whitehall Logistics Productivity Forum, led by a dedicated minister for logistics and supply chain, with cross-departmental responsibilities.
- 3 Innovative and integrated infrastructure is also called for, backed by investment in a national logistics network, planning reforms and innovation funding.

Infrastructure investment and decarbonisation priorities

Over two-thirds of respondents to the Logistics Industry Survey wanted a cut in fuel duty, while around 40% thought government should provide incentives for alternative fuels and carbon reduction. Investment in road and rail infrastructure and roadside facilities were also judged a priority. Policy makers are urged to understand that logistics operates on low margins and requires investment in infrastructure and policies to support its decarbonisation.



Top three suggestions for government, industry, Logistics UK and the consumer

Government	Industry	Logistics UK	Consumer
Reduce fuel duty	Promote itself	Engage with government	Understand logistics
Reduce bureaucracy	Invest in technology, infrastructure and people	Support industry in strategic direction	Support the logistics industry
Improve infrastructure, regulations and support services	Training on skills development	Promote the industry	Understand the industry's importance

Source: Logistics Industry Survey 2023/24. Logistics UK, 2024

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