

Logistics Performance Tracker

Q3 2022

November 2022

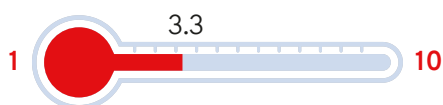
About the Logistics Performance Tracker

The Logistics Performance Tracker (LPT) is a quarterly survey to improve understanding of the current condition of this vital industry sector. It also gives insights into logistics businesses' financial health and outlook, and trends in the sector over the long term. Logistics UK also uses the findings to inform its responses to consultations on Government policy.

Economic and business outlook

UK economic outlook in the coming 6 months

Not at all confident = 1 Completely confident = 10



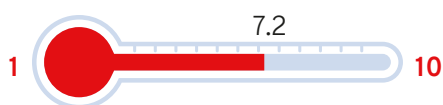
Logistics business outlook in the coming 6 months

Not at all confident = 1 Completely confident = 10



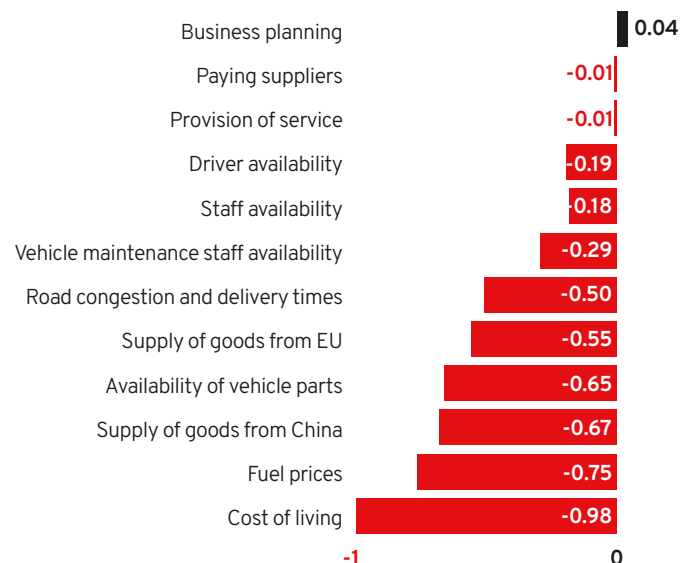
Current financial health of your company

Poor = 1 Excellent = 10



Business impacts expected in Q4 2022

-1 = Worse, 0 = No change, +1 = Better



Current expectations for filling vacancies

	Fitters/ mechanics/ technicians	Warehouse staff	Transport managers	HGV drivers	Van drivers	Forklift drivers	Other staff
No problem	5.0%	13.5%	36.2%	9.9%	16.2%	25.2%	19.4%
Minor	13.9%	30.8%	17.1%	16.8%	31.6%	27.8%	26.6%
Moderate	26.7%	37.5%	32.4%	36.0%	36.8%	31.3%	39.6%
Severe	35.6%	17.3%	9.5%	26.1%	11.1%	11.3%	12.2%
Very severe	18.8%	1.0%	4.8%	11.2%	4.3%	4.3%	2.2%

Business and the UK economy

According to the most recent ONS figures, gross domestic product (GDP) fell by 0.2% in the third quarter as households and businesses were affected by soaring inflation. Business activity was further impacted as companies closed for the funeral of Queen Elizabeth II.

The latest Business Insights and Conditions Survey (BICS) stated that the percentage of businesses currently trading was 95% in September, with 85% fully trading and 10% partially trading. 89% of businesses in the transport and storage industry were fully trading in September, which is the highest since the BICS survey began in June 2020.

55.5% of transport and storage firms are reporting demand for their products domestically which is unchanged. Economic uncertainty in the industry is high, with 47% of transport and

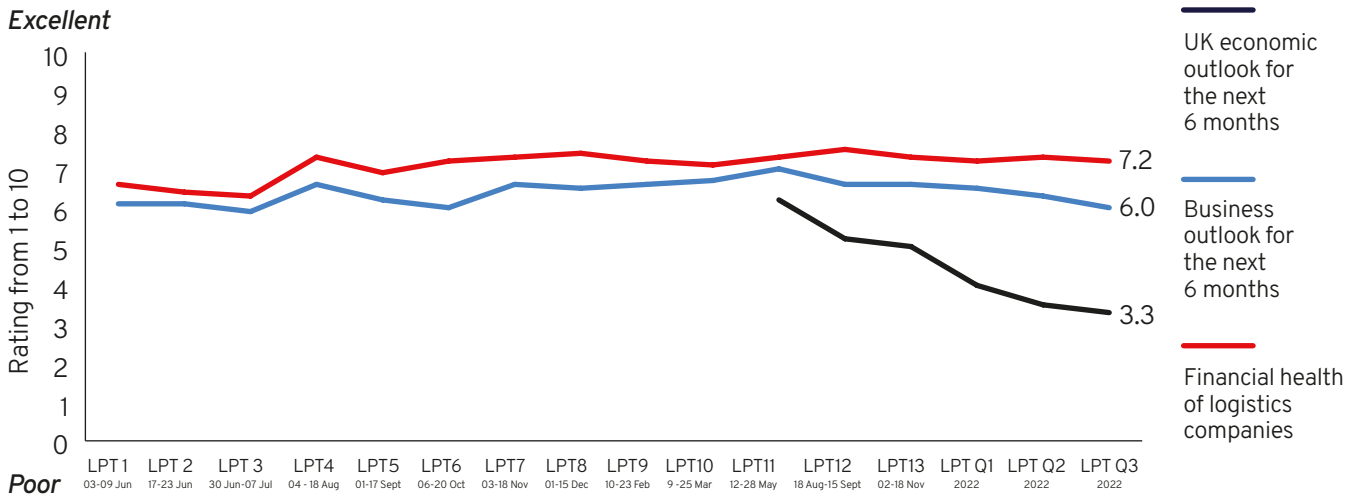
storage firms 'not sure' how they expect their business to perform over the next 12 months.

The Consumer Prices Index (CPI) rose by 11.1% in the 12 months to October 2022, up from 10.1% in September 2022, the highest since 1982.

The impact of rising inflation continues to affect the logistics industry, with the UK economic outlook for the next six months, as reported by respondents, falling again from 4.0 in Q1 2022 to 3.5 in Q2 2022, to reach 3.3 in Q3 2022.

The financial health of respondent companies was relatively unchanged at 7.2 and business outlook for the next six months was slightly down to 6.0 in Q3 2022, from 6.3 in Q2 (fig 1).

Fig 1 Business and economic outlook, and financial health of logistics companies.

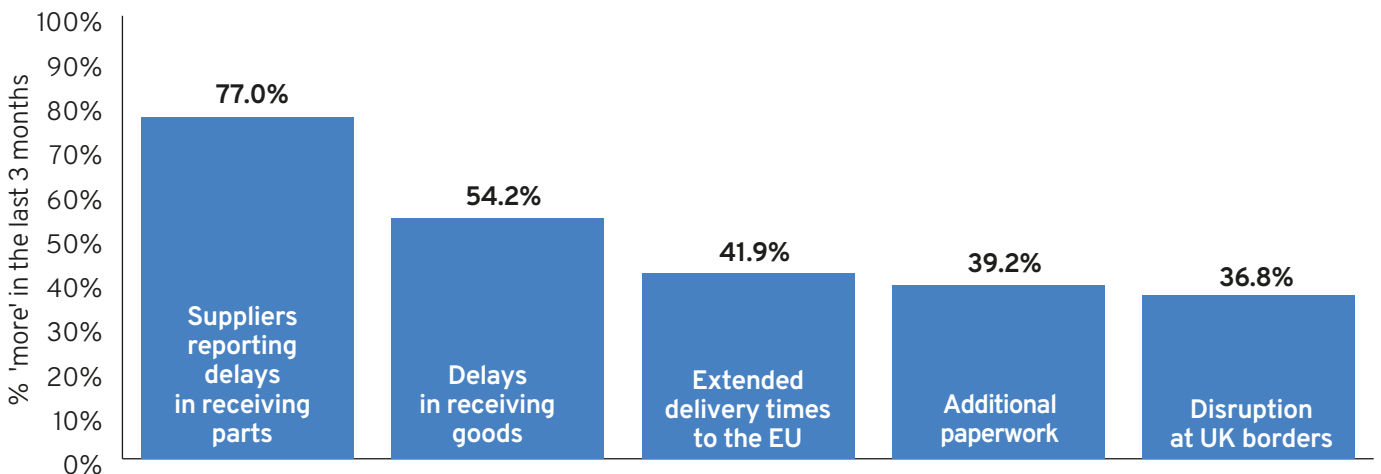


Supply chain issues

Respondents are still reporting delays in suppliers receiving parts for vehicle maintenance and repair, which are likely linked to the global shortage of semiconductors and manufacturing disruption in China (fig 2). Over half of respondents experienced delays in receiving goods in Q3

2022, which is an improvement on Q2 when 70% reported this issue. 42% reported extended delivery times to the EU, while 37% indicated delays at UK borders – falling from 61% in Q2.

Fig 2 Percentage of respondents who had more issues in Q3 2022 (excluding seasonal variations).



Freight rates

Freight rates across all modes are expected to increase in Q4 2022 compared to Q3 2022 (fig 3). Air freight rates are predicted to increase by 15.6%, however, a recent report by IATA found that in October the air cargo market slowed after 18 months of record gains. Domestic and international road freight rates are predicted to rise by an average of 8.1% and

10.3% respectively in Q4 2022, while sea freight rates are anticipated to grow by 9.2%. There are signs that container rates are unwinding; the rate for shipping a 40ft container from China to Europe has dropped by two-thirds to \$4,861, which is still around three and-a-half times higher than pre-pandemic levels.

Fig 3 Average change in freight rates expected in Q4 2022 compared with Q3 2022.

	Increased a lot
Road freight rates (domestic)	8.1%
Road freight rates (international)	10.3%
Rail freight rates	7.6%
Sea freight rates	9.2%
Air freight rates	15.6%
Warehouse rates	7.9%

Supply chain disruption

An escalation in the cost to transport goods expected in Q4 2022 was reported by 67% of respondents, on top of the already higher costs experienced in Q3 (fig 4). Freight volumes had mixed accounts, with one-third of respondents expecting a decrease in Q4 and 28% anticipating growth. These decreases may be due to the

predicted reduction in business orders envisaged by one-third of respondents as consumers reduce spending in response to the cost-of-living crisis. The run-up to Christmas is the busiest time for logistics and reduced orders at this time will affect annual profits.

Fig 4 Level of supply chain disruption experienced Q3 2022 and expected in Q4 2022.

	Moderate-severe disruption (decrease >25%)		Minor disruption (decrease ≤ 25%)		Normal performance		Minor disruption (increase ≤25%)		Moderate to severe disruption (increase >25%)	
	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4
Freight vol. (tonnes)	12.5%	14.2%	18.8%	18.9%	42.9%	40.5%	17.0%	17.1%	5.6%	10.6%
Freight km	8.3%	8.3%	12.4%	11.9%	67.3%	66.1%	11.5%	8.3%	2.8%	6.3%
No. of units	3.4%	2.1%	14.0%	18.0%	68.2%	63.9%	10.9%	10.7%	1.3%	3.4%
Storage/warehousing	5.0%	5.9%	9.6%	7.7%	55.3%	63.7%	18.1%	12.1%	10.1%	9.3%
Supplies/services orders	9.2%	7.0%	21.3%	25.4%	48.8%	44.3%	16.5%	17.2%	6.7%	7.6%
Return volumes	2.3%	3.4%	15.8%	17.0%	59.6%	58.5%	8.8%	9.4%	0.0%	1.1%
Transport costs	4.8%	6.3%	0.8%	1.6%	9.0%	10.4%	33.1%	35.2%	31.5%	32.1%

Respondents anticipate delays in Q4 2022 on all shipping routes, particularly Dover-Calais and Eurotunnel routes, where 61% and 64% respectively, are predicting delays (fig 5). Border checks are affecting the flow of traffic as commercial vehicles and holiday traffic move through the port.

For shippers from China to the UK, there are ongoing delays. UK ports are experiencing particularly high volumes as Christmas approaches. The British Ports Association

noted that vessel schedules were disrupted by global port congestion making planning more difficult.

A shortage of HGV drivers and tight warehousing space mean some traders are leaving goods at ports for longer, resulting in problems collecting containers from ports reported by 56% of respondents.

Fig 5 Extent to which your business is expected to experience the following in Q4 2022 compared with Q3 2022.

	A great deal more	Slightly more	Same	Slightly less	A great deal less
Delays in receiving goods from Northern Ireland (NI)	5.1%	35.9%	55.1%	2.6%	1.3%
Delays in receiving goods from outside GB (excluding NI)	14.1%	43.0%	39.6%	3.4%	0.0%
Delays on the Dover-Calais RO-RO route	15.3%	45.8%	37.5%	1.4%	0.0%
Delays in accessing Dover port or Eurotunnel	15.7%	48.6%	34.3%	1.4%	0.0%
Delays on Irish Sea RO-RO routes	2.7%	36.5%	58.1%	0.0%	2.7%
Delays on Deep Sea container routes (from China, Far East etc)	16.7%	44.9%	34.6%	3.8%	0.0%
Airfreight capacity availability	4.9%	26.8%	56.1%	9.8%	2.4%
Rail freight capacity availability	2.3%	36.4%	56.8%	4.5%	0.0%
Activity on international routes	3.0%	34.3%	52.2%	7.5%	3.0%
Problems collecting containers from ports	14.1%	42.3%	39.4%	4.2%	0.0%

HGV driver recruitment, retention and pay

Difficulties in filling HGV driver roles are stabilising, with 11% reporting a very severe problem in Q3 2022 compared with 12% in Q2. More respondents are reporting problems filling van driver vacancies with 30% recording no problem in Q2, falling to 16% in Q3 2022.

In addition, 95% of respondents continue to experience problems filling vacancies for mechanics, unchanged from Q2, though the severity has eased. 55% of respondents intend to raise driver pay in the next six months (fig 6). The average pay rise is expected to be 6.2%. The main reasons for raising pay are to remain competitive and retain drivers.

Difficulties in filling vacancies have a knock-on effect on logistics companies with 86% of respondents reporting that it would increase the workload for other staff (fig 7).

Fig 6 Will you raise the wages for HGV drivers in the next 6 months?

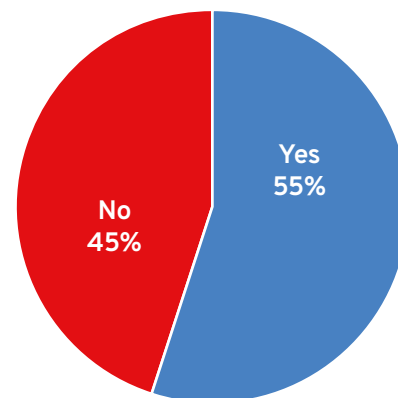


Fig 7 Thinking about the vacancies that are problematic to fill, are they causing your organisation to...



Focus on self-driving vehicles

Autonomous or self-driving vehicles are defined as:

- Vehicles where the driver will be able to hand control of all safety-critical functions to the vehicle, and only occasional control by the driver will be required and;
- Completely self-driving vehicles, where the vehicle will control all safety-critical functions for the entire trip.

Fig 8 How much do you currently know about self-driving vehicles for use in the logistics industry?

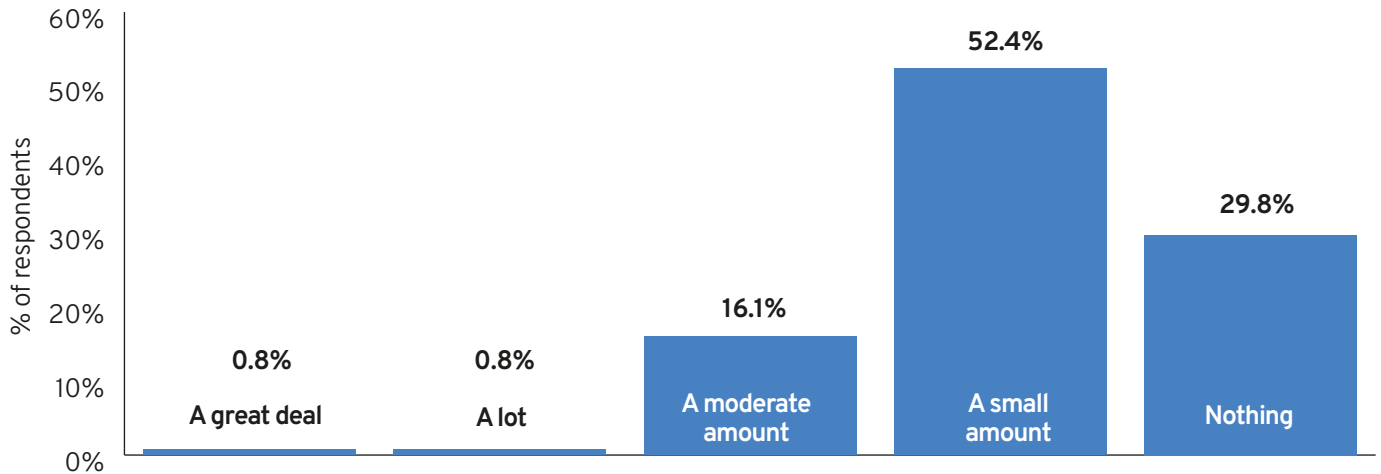


Fig 9 Have you considered the future impact that self-driving vehicles will have on your business?

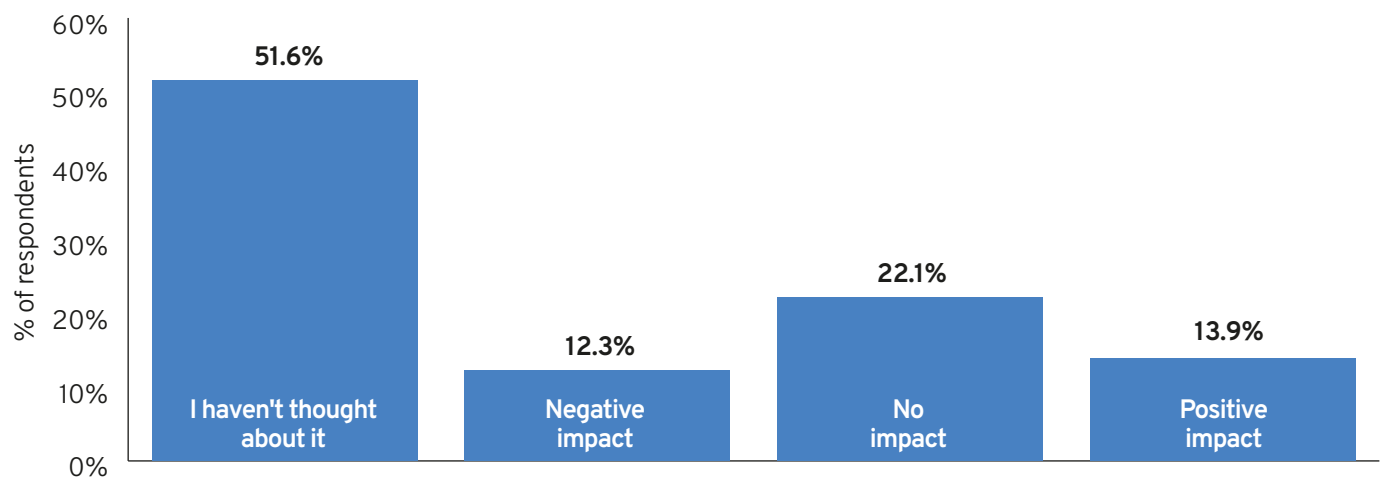


Fig 10 Percentage of your HGV and/or van fleet will be self-driving in the future:

	By 2025	By 2030	Beyond 2030
HGV fleet	0.0%	2.0%	15.6%
Van Fleet	0.4%	2.3%	11.5%