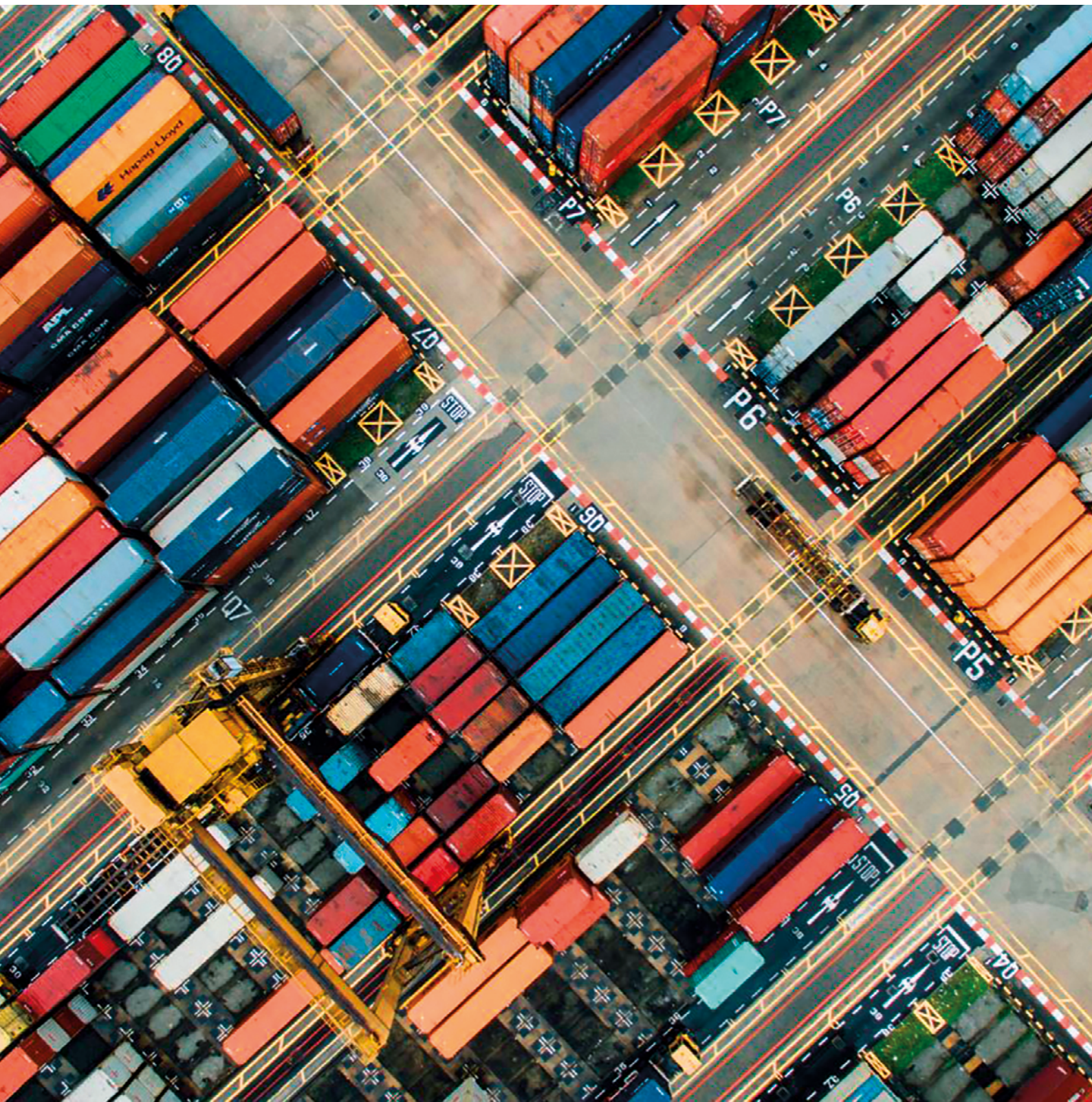


# The Logistics Report Summary 2023



# 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.

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# Foreword



Welcome to the Logistics Report 2023, containing Logistics UK's assessment of the key events and trends that shaped the industry over the last year.

The chapters of the Logistics Report

2023 analyse the size and activity of the sector, along with issues and opportunities related to connectivity and efficiency, skills, decarbonisation and trade. The evidence base is national statistics and the findings of our annual Logistics UK Industry Survey. As always, 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. Their knowledge, experiences and engagement continues to be at the forefront of our work.

During 2022, the logistics sector navigated a difficult economic climate. A global energy price shock, triggered by the Russian invasion of Ukraine, resulted in crude oil and diesel prices rising by up to 50%. When coupled with changing trade processes driven by Britain's exit from the EU and the increasing need to decarbonise, it means that there is an extraordinary requirement on businesses to adapt, cut costs and increase efficiency.

Logistics is increasingly focused on innovation, decarbonisation and resilience. For example, over half of respondents to the Logistics UK Industry Survey outlined plans to invest more in alternative fuels this year, than last year. However, despite investment and reconfiguration of logistics operations to increase efficiency, the UK's competitiveness in logistics has declined due to factors largely outside the private sector's control. The UK is ranked 19th on the World Bank's 2023 Logistics Performance Index (LPI) – a significant drop compared to the average placement of 6th between 2012 and 2018 – suggesting further action is needed by government.

Now, more than ever, we are urging government to work with us in partnership to unlock the potential of the sector and the potential of

the whole UK economy. Investment needs to be value for money for both the taxpayer and private businesses – bringing a clear return on investment. There is more government can do by supporting innovative and integrated infrastructure, addressing congestion hotspots and, for the longer term, planning to deliver a productive, strategic and green national logistics network. The industry is also calling for a fair transition to a green economy. Long term plans are needed to unlock private sector investment alongside more immediate support with the higher costs associated with operating zero tailpipe emission vehicles and using low carbon fuels. Skills partnerships are needed to support a thriving logistics sector and to boost aspiration and resilience in communities across the UK. Logistics underpins all UK goods imports and exports. The sector wants to see trade supported to drive the country's innovation and productivity with simple borders and regulations that create as little friction as possible, together with improved international connectivity.

Logistics underpins the whole economy and by putting logistics first, with the right partnerships, regulations and investment, government can supercharge the UK.

I am extremely proud to be part of the unfailingly resilient UK logistics sector, a sector that delivers big public value on small margins every day, alongside smart, green and resilient growth and jobs for the UK's communities. The coming months will undoubtedly be demanding but despite the unprecedented challenges that characterise these times, I am confident in our sector's ability to continue to meet the needs of the economy and society.



**David Wells OBE**  
*Chief Executive*  
Logistics UK

# Executive summary

Since *The Logistics Report 2022*, the industry has continued to face challenges, including navigating a difficult economic climate, evolving to meet existing and new trade rules and processes, as well as adapting to reduce GHG emissions.

Against the backdrop of the changing political, economic and environmental landscape, the logistics sector is delivering an increasingly innovative, productive and sustainable system of essential national infrastructure – creating opportunities across the UK and linking the UK to the global trade network. Spanning land, sea and air, its mission is to deliver for everyone, everywhere, every day.

This report analyses the continued opportunities and challenges facing the UK logistics sector and assesses key trends which have shaped the industry over the past year, as well as what is expected when looking ahead. It also contains the results of the Logistics UK Industry Survey 2022/23, which represents the views of 569 respondents from the sector.

According to the latest national figures, in 2021, logistics businesses added £163 billion to the UK economy and generated just over £1 trillion in revenues, which is a 19.2% increase on the previous year and the same as 2019. The logistics industry in the UK comprises 227,000 logistics enterprises directly employing 1.8 million people across England, Wales, Scotland, and Northern Ireland. This is in addition to the 890,000 people employed in logistics roles in non-logistics businesses, meaning there are 2.7 million people employed in logistics overall. This is 8.2% of

the UK workforce, making logistics a significant employer.

In terms of business performance, 2022 was characterised by initial confidence and consumer spending and increased business activity. However, the second half of the year was impacted by high energy costs and cost-push inflation. Despite government interventions, such as the reduction of fuel duty by 5 pence per litre in March 2022, the Logistics UK Industry Survey 2022/23 found the greatest deterioration in business performance was due to high fuel prices. Furthermore, respondents to the survey reported issues with the recruitment of skilled staff and a decline in the clarity of trading arrangements with the EU. Nevertheless, overall business performance was perceived to have improved by January 2023, which was somewhat evidenced by 34.2% of survey respondents having better economic expectations for 2023 compared to 2022, and 42.6% predicting no change.

UK logistics is multi-modal, moving 208 billion tonne-kilometres of goods domestically in 2022 through warehouses to businesses and consumers. Furthermore, with a well-developed road network, extensive rail system, major ports and international airports, the UK's logistics connectivity enables businesses to access global markets, supporting economic growth within the UK.

In 2022, the UK traded over £1 trillion in goods, consisting of £414 billion exports and £644 billion imports. As an island nation, the connectivity of the UK to global markets through logistics is



crucial for driving innovation and productivity within the economy, which, in turn, boosts growth. While there is a new trading environment for the UK post Brexit, logistics firms organise the movement of goods across borders and contribute to the competitiveness of UK businesses in global markets.

However, the UK's competitiveness faced challenges related to supply chain disruption last year, with increasing costs, shortages of drivers and infrastructure issues. The findings on costs underscore the importance of efficient cost management strategies and adaptation to changing market conditions. In many respects, logistics shows strength and resilience, however, post-Brexit challenges have been exposed in other areas that need improvement.

The UK's competitiveness in logistics has declined, according to the World Bank's 2023 Logistics Performance Index (LPI) report. The UK was ranked 19th on the performance indicator, a significant drop compared to the average placement of 6th between 2012 and 2018. The fall in ranking from 2018 to 2023 is associated with Brexit-related changes that contributed to a decline in on-time shipments and efficient customs processes, as well as challenges in tracking shipments.

From December 2021 to December 2022, there were also notable changes in principal fuel prices across modes, with the operating costs for a 3.5 tonne van increasing by 7.4% compared to 2021, while HGV operating costs rose by 8.7%.

With regards to the transition to net zero, according to provisional data, transport remained the highest GHG emitting sector across the UK

in 2022. Industry is calling for direction and investment across a range of policy areas to provide a strong business case for investing in the green transition.

To prepare for future industry challenges, there is also a need for greater investment in infrastructure and innovation, with government announcements on delays to major infrastructure projects causing concern. Road congestion is a particular challenge as it creates both economic and environmental problems, costing the UK economy £9.5 billion in 2022 alone.

Despite initiatives to address carbon emissions, for the second consecutive year, London topped the Global Traffic Scorecard as the most congested city in the world, with the average London driver losing 156 hours due to congestion in 2022. Within the UK, Bristol is positioned as the second most congested city, followed by Manchester and then Birmingham. This congestion led to inefficiencies for the logistics sector in terms of delivery times and operating costs, but it also contributed to further air quality degradation as well as increased carbon emissions through tailpipe emissions, as vehicle engines idle whilst in traffic.

Finally, respondents to the Logistics UK Industry Survey 2022/23 indicated that freezing or reducing fuel duty was the top suggestion for government, followed by improving and investing in infrastructure, and supporting alternative fuels. Concerns have also been raised about current, as well as proposed, new trade policy. These priorities echo the importance of cost, efficiency, decarbonisation and trade to the industry and will continue to be a focus of Logistics UK policy and engagement activity.



# Logistics indices

During 2022, business performance in the UK showcased a mix of challenges and opportunities across the economy. Logistics companies expressed cautious optimism and reported improvements in overall business confidence. The logistics industry's sentiment towards investment, competitiveness, revenue and profit was positive and there were significant improvements in the use of new technologies and alternative fuels on their journeys to decarbonise.

## 1 Business Performance Index

	Index*			
	Jan-23	Jan-22	Jan-21	Jan-20
Overall business confidence	54.9	67.0	43.5	51.6
Investment in the business	67.1	70.2	48.3	55.2
Competitiveness	61.0	63.7	54.4	61.7
Revenue	58.9	61.4	38.5	55.0
Profit	54.4	52.7	37.6	49.5
New technology use	73.6	70.1	72.4	77.2
New/alternative fuels	62.8	59.5	56.4	57.8
Decarbonisation progress	65.9	63.0	58.0	N/A
Fuel prices	18.4	5.7	47.9	26.9
Recruitment of skilled staff	35.2	25.8	35.9	31.3
Filled vacancies	44.3	28.6	41.4	38.2
Improved trading arrangements with the EU**	41.0	27.0	31.0	29.4

\*<50 = deterioration, >50 = improvement \*\*was 'Clarity on trading arrangements with EU'

Source: Logistics UK Industry Survey 2022/23

Despite government interventions, such as the reduction of fuel duty by 5 pence per litre in March 2022, the greatest deterioration in business performance was due to high fuel prices. Nevertheless, overall business performance was perceived to have improved by January 2023.

## 2 Logistics Activity Index

	2022 (actual)		2023 (expected)
Road freight activity sentiment	62.2	↑	63.7
Warehouse - road activity and usage	56.6	↓	54.1
Rail freight activity sentiment (domestic)	62.7	↑	69.5
Sea freight activity sentiment	42.8	↑	49.3
Air freight activity sentiment	46.1	↑	49.2

<50 = deterioration, >50 = improvement

Source: Logistics UK Industry Survey 2022/23

In 2022 there was an increase in activity across all modes with the exception of air and sea freight, however, there was a slowing in the rate of improvement compared to 2021. The outlook for 2023 is mostly positive.

# UK logistics

## Summary

2022 presented a mix of challenges and opportunities across the UK economy. While the initial months witnessed a resurgence in consumer spending and increased business activity, the second half of the year brought high energy prices and cost-push inflation. Despite these challenges, logistics companies expressed cautious optimism and reported improvements in overall business confidence.

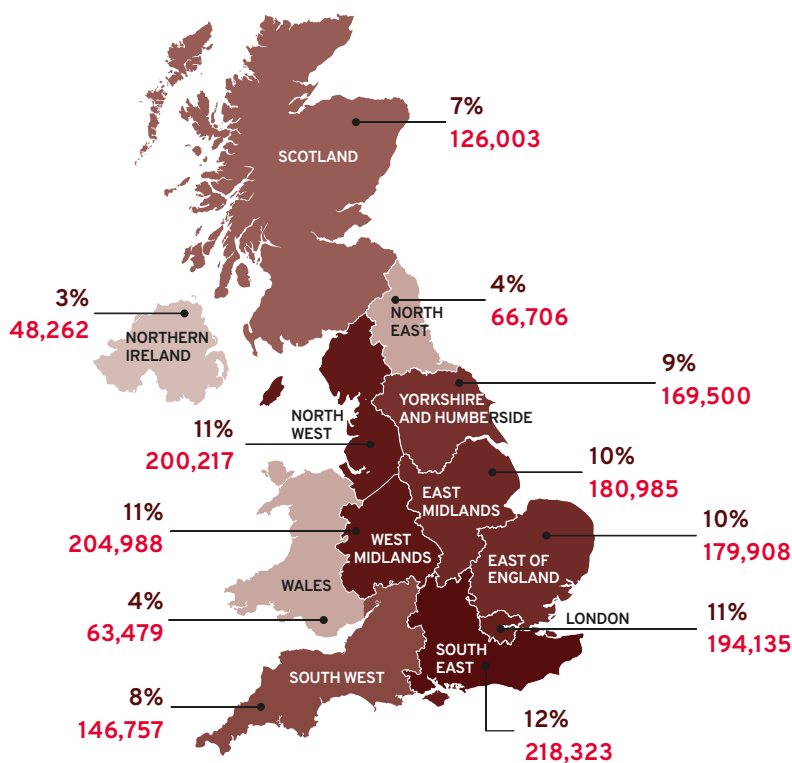
Government interventions, such as the reduction of fuel duty by five pence per litre in March 2022, were welcome but the greatest deterioration in business performance was due to high fuel prices. Issues with the recruitment of skilled staff continued to be problematic, along with organisations facing a deterioration in the clarity of trading agreements with the EU. Nevertheless, private investment in UK logistics has steadily increased in recent years.

## Key findings

- In 2021, the sector added £163 billion to the UK economy. There were a total of 2.7 million logistics jobs across the economy in 2022, accounting for around 8.2% of total UK employment.
- Overall business performance was perceived to have improved by January 2023. 77% of survey respondents have the same or better economic expectations for 2023 compared to 2022.
- 29.3% of respondents expect their business to diversify in 2023 while 23.9% expect to consolidate their businesses to mitigate against difficult economic conditions.
- 26.6% of retail sales were made online in 2022, compared to 19.2% before COVID-19.

## Logistics employees by region\*

Proportion/Number of logistics employees



\*There are an additional 890,000 people employed in logistics roles in non-logistics businesses, such as retail and construction, yielding a total of 2.7 million logistics workers.

Source: Labour Force Survey. Office for National Statistics, Q3 2022

# UK and international connectivity

## Summary

UK logistics is multi-modal, moving goods 208 billion tonne-kilometres domestically in 2022 through warehouses to businesses and consumers by land, air, and sea. With a well-developed road network, extensive rail system, major ports and international airports, the UK's logistics connectivity enables businesses to access global markets, supporting economic growth within the UK.

The UK is a global economy and has a long history of engaging in international trade. In 2022, the UK traded over £1 trillion in goods, consisting of £414 billion exports and £644 billion imports. As an island nation, the connectivity of the UK to global markets through logistics is crucial for driving innovation and productivity within the economy, which, in turn, boosts growth. While there is a new trading environment for the UK post Brexit, logistics firms organise the movement of goods across borders and contribute to the competitiveness of UK businesses in global markets.

## Key findings

- Respondents to the Logistics UK Industry Survey reported that road freight activity improved during 2022 and is expected to progress again during 2023.
- A growing proportion of HGVs are registered with a small number of operators. In 2023, 31.6% of HGVs are owned by fleets with 50 or more vehicles, which has increased from 27.9% in 2014.
- While respondents to the Logistics UK Industry Survey said activity in the rail freight industry improved during 2022, actual freight volumes were 5% lower than 2021 and 6% lower than 2019.
- Around 67% of respondents to the Logistics UK Industry Survey reported that there was no change or decreasing trade with the EU, despite more than 65% expressing that trade with the rest of the world and Northern Ireland increased slightly or increased a lot.

## Logistics Activity Index

	2022 (actual)		2023 (expected)
Road freight activity sentiment	62.2	↑	63.7
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<50 = deterioration, >50 = improvement

Source: Logistics UK Industry Survey 2022/23



# Efficiency

## Summary

The UK's competitiveness faced challenges related to supply chain disruption in 2022, with increasing costs, shortages of drivers and infrastructure issues.

The findings on costs underscore the importance of efficient cost management strategies and adaptation to changing market conditions. In many respects logistics shows strength and resilience, however, post-Brexit challenges have been exposed in other areas that need improvement.

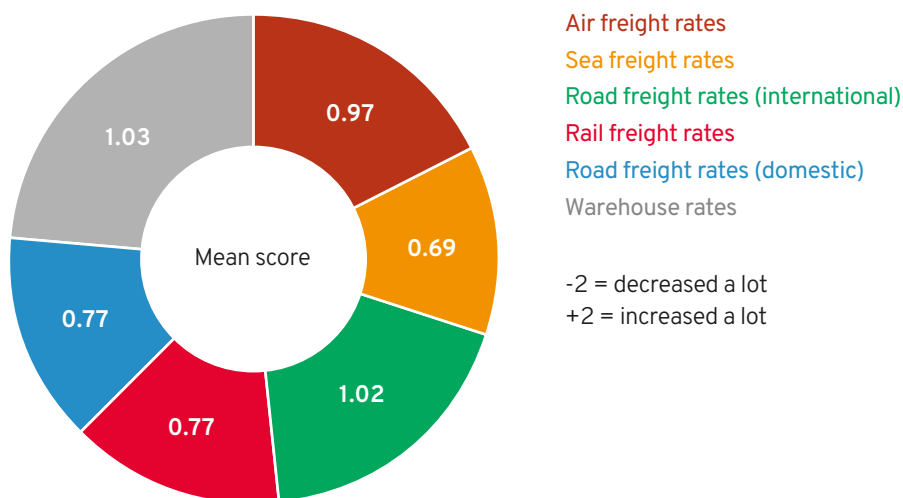
The UK's competitiveness in logistics has declined, according to the World Bank's 2023 Logistics Performance Index (LPI) report. The UK was ranked 19th on the performance indicator, a significant fall compared to the average placement of 6th between 2012 and 2018. The fall in ranking from 2018 to 2023 is associated with Brexit-related changes that contributed to a decline in on-time shipments and efficiency of customs processes, as well as challenges in tracking shipments.

From December 2021 to December 2022, there were also notable changes in principal fuel prices across modes, with the operating costs for a 3.5 tonne van increasing by 7.4% compared to 2021, while HGV operating costs rose by 8.7%.

## Key findings

- According to the Logistics UK Industry Survey, transport efficiency factors related to customs clearance procedures and other border-related government agencies, clearance procedures have not improved since the end of the Brexit transition period.
- Following the transition to the Customs Declaration Service, 31.6% of respondents faced problems, however, the majority (68.4%) did not.
- Haulage rates saw a significant increase of 13.9% in 2022 compared to the previous year, reflecting rising transportation costs.

## Expected changes in freight rate costs in 2023 compared to 2022



Source: Logistics UK Industry Survey 2022/23

# Environment

## Summary

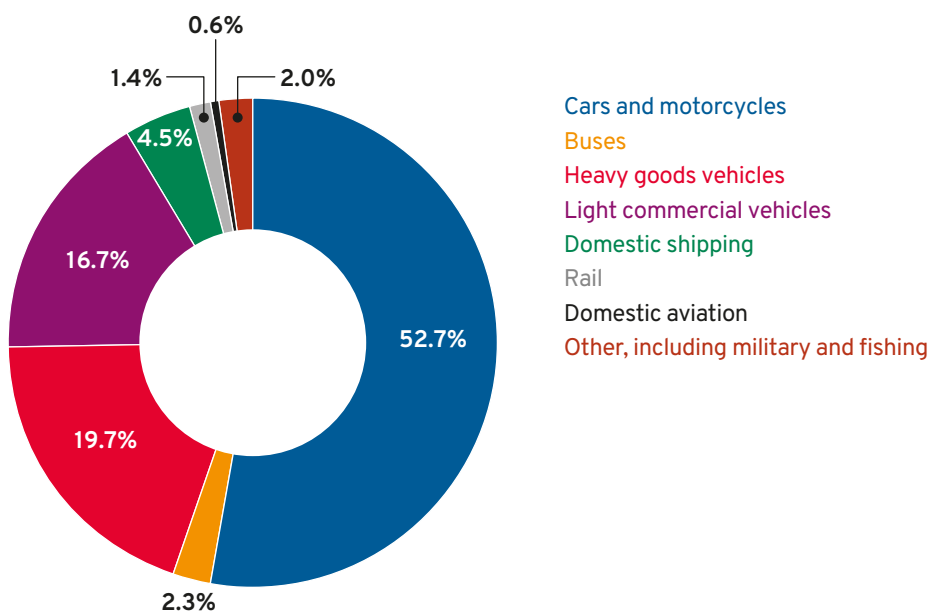
Transport remained the highest greenhouse gas (GHG) emitting sector across the UK in 2022, with industry calling for reform and investment across a host of policy areas to provide a strong business case for investing in the transition to net zero.

HGV GHG emissions show minimal change over the past few decades, however, advances are being made in the electrification of vehicle fleets and railways. Gaining adequate power supplies remains problematic, along with accessing chargepoint infrastructure and energy supply. Some progress has been made across aviation, with the first commercially produced Sustainable Aviation Fuel (SAF) available last year. However, aviation will likely remain one of the UK's largest residual emitting sectors in 2050.

## Key findings

- Provisional 2022 data shows that UK territorial GHG emissions were 417.1 MtCO<sub>2e</sub>, 2.2% lower than 2021. For the second consecutive year, London was named the most congested city in the world, with the average London driver losing 156 hours due to congestion in 2022.
- Respondents to the Logistics UK Industry Survey, who represented businesses operating 47,821 HGVs, 84,180 vans and 51,637 trailers, found that 54.9% of their van fleet and 62.4% of their HGV fleet met the Euro 6/VI standard.
- 64.5% of respondents had not invested in any alternative fuels across their vehicle fleets.
- Cumulatively since 2019, it is estimated the London Ultra Low Emission Zone (ULEZ) led to nitrogen oxide (NO<sub>x</sub>) emissions from road traffic reducing by 13,500 tonnes across London.
- It is predicted that by the end of 2023 Euro VI HGVs will account for 80.2% of the total number of HGVs and 88.4% by the end of 2024.

## Proportion of GHG emissions (MtCO<sub>2e</sub>) by transport mode 2021



Source: 2021 UK Greenhouse Gas Emissions, Final Figures. Department for Business, Energy & Industrial Strategy, 2023

# Preparing for the future

## Summary

The logistics industry is investing in meeting the skills needs of the future, however, due to the rapidly changing needs of businesses, the ageing population and a diminishing pool of EU workers, the sector continues to face challenges around the existing workforce, especially given the significant investment in skills necessary to help grow and decarbonise.

To prepare for future industry challenges, there is also a need for greater investment in infrastructure and innovation, with government announcements on delays to major infrastructure projects across road and rail networks causing concern. Road congestion is a particular challenge as it creates both economic and environmental problems, costing the UK economy £9.5 billion in 2022 alone.

Top trends for the sector in 2023 included autonomous vehicles, vehicle connectivity and electrification – all demanding the development of novel technologies and investment to scale up and commercialise. Automation is growing within the sector, but at different rates. Supply chains are being transformed globally by the development of a more digital environment, with distribution systems becoming autonomous and connected.

Respondents to the Logistics UK Industry Survey indicated that freezing/reducing fuel duty was the top suggestion for government to assist logistics in 2023, followed by improving and investing in infrastructure, and supporting alternative fuels. Concerns have also been raised about the current, as well as proposed, new trade policy.

## Key findings

- The Logistics Performance Tracker (November 2022), found that 68% of respondents were interested in taking on apprentices and, of those, 72% had taken on apprentices in the past year.
- In Q3 2022, 95% of respondents continued to experience problems filling vacancies for mechanics, unchanged from Q2.
- 51.1% of respondents are planning on investing more in alternative fuels this year, than last year, when 64.5% of respondents said they had not invested in any alternative fuels across their vehicle fleets.
- Government spending on national roads in GB totaled £5.4 billion in 2022, with £6 billion being spent on local roads. Spending on national roads last year decreased by 11.3% year-on-year.

## Expectations for filling vacancies (Q3 2022)

	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 problem	13.9%	30.8%	17.1%	16.8%	31.6%	27.8%	26.6%
Moderate problem	26.7%	37.5%	32.4%	36.0%	36.8%	31.3%	39.6%
Severe problem	35.6%	17.3%	9.5%	26.1%	11.1%	11.3%	12.2%
Very severe problem	18.8%	1.0%	4.8%	11.2%	4.3%	4.3%	2.2%

Source: Logistics Performance Tracker, Q3 2022, Logistics UK, November 2022

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