

Logistics Performance Tracker

Q2 2022

August 2022

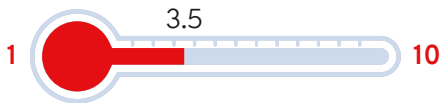
About the Logistics Performance Tracker

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

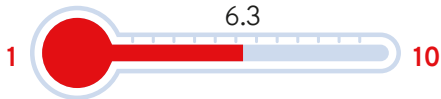
UK economic outlook in the coming 6 months

Not at all confident = 1 Completely confident = 10



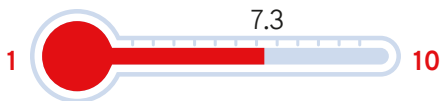
Logistics business outlook in the coming 6 months

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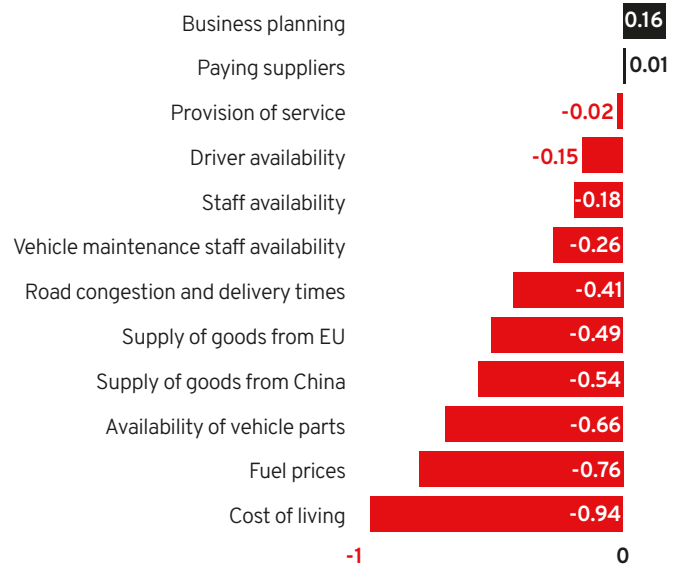
Current financial health of your company

Poor = 1 Excellent = 10



Business impacts expected in Q3 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	4.7%	22.4%	47.3%	13.2%	29.5%	36.5%	17.5%
Minor	16.3%	27.6%	10.9%	22.0%	26.2%	19.2%	31.3%
Moderate	14.0%	36.2%	30.9%	27.5%	32.8%	30.8%	37.5%
Severe	32.6%	6.9%	7.3%	25.3%	11.5%	5.8%	10.0%
Very severe	32.6%	6.9%	3.6%	12.1%	0.0%	7.7%	3.8%

Business and the UK economy

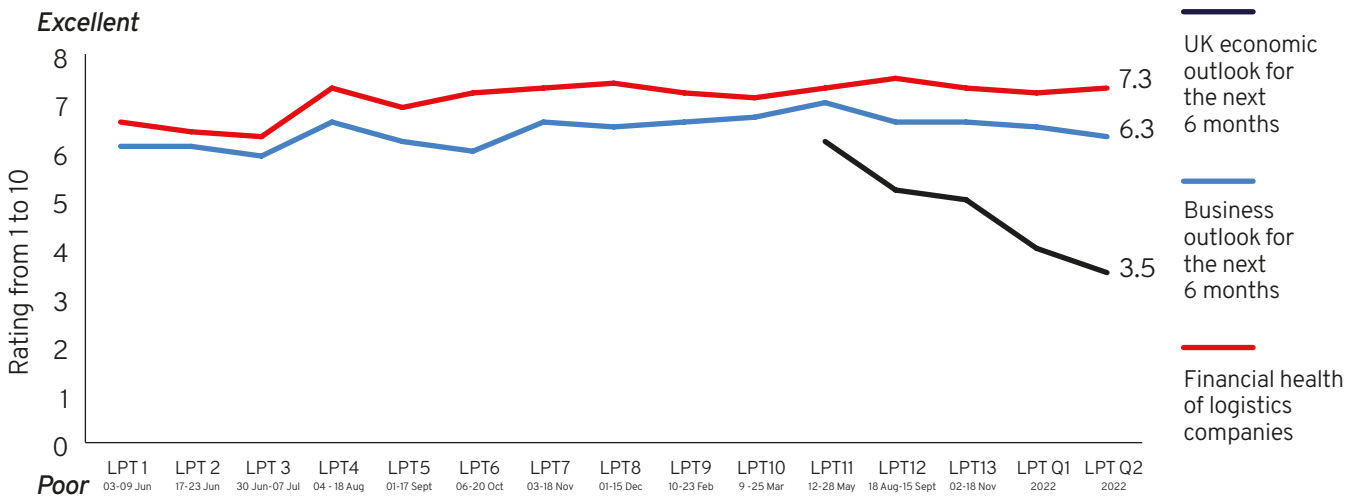
The UK economy is estimated to have contracted by 0.2% in April but grown by 0.5% in May 2022. With inflation at 8.2% in June 2022, growth forecasts have been revised down as the world suffers from a global energy price shock. Despite this, the OECD predicts the UK will grow approximately 3.6% in 2022.

Concerns about inflation are affecting the logistics industry too, with the UK economic outlook for the next six months,

as reported by respondents to Logistics UK's Logistics Performance Tracker, falling from 4.0 in Q1 2022 to 3.5 in Q2 2022.

The financial health of respondent companies was relatively unchanged at 7.3 and business outlook for the next six months was slightly down to 6.3 in Q2 2022.

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

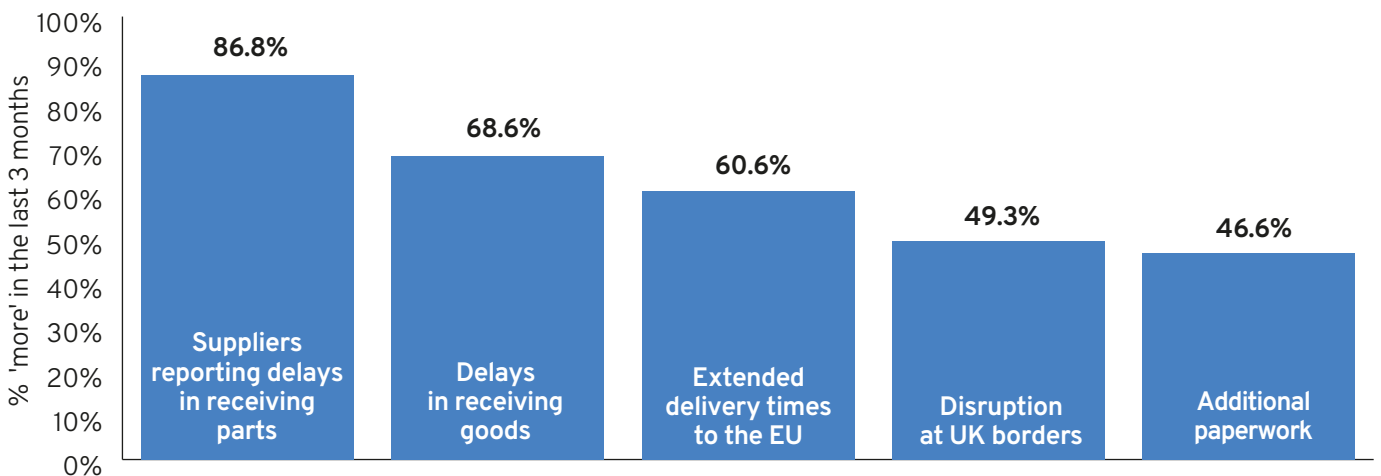


Supply chain issues

Respondents revealed that their suppliers have delays in receiving parts (for vehicle maintenance and repair) which is likely linked to the global shortage of semiconductors

(fig 2). Nearly 70% of respondents experienced delays in receiving goods, 61% reported extended delivery times to the EU, while 50% indicated delays at UK borders.

Fig 2. Percentage of respondents who had more issues in Q2 2022 (excluding seasonal variations).



Freight rates

Freight rates across all modes are expected to increase in Q3 2022 compared to Q2 2022. Domestic and international road freight rates are predicted to increase by an average of 5.9% and 5.0%, respectively, in Q3 2022, while sea freight

rates are anticipated to rise by 5.8%. Rail freight rates are forecast to increase by an average of 3.0%, the lowest rate rise across the modes.

Fig 3. Average change freight rates expected in Q3 2022 compared with Q2 2022.

	Increased a lot
Road freight rates (domestic)	5.9%
Road freight rates (international)	5.0%
Rail freight rates	3.0%
Sea freight rates	5.8%
Air freight rates	4.6%
Warehouse rates	3.7%

Supply chain disruption

Overall, supply chains are stabilising, except for costs to transport goods. A worrying escalation in costs to transport goods in Q3 2022 was reported by 82% of respondents, on top of the already higher costs experienced in Q2 (fig 4).

Freight volumes had mixed accounts, with one-third of respondents in Q2 2022 reporting a decrease and only

28% stating there was growth. In comparison, 37% of respondents are expecting a decrease in Q3 and 23% anticipating growth. Decreases may be due to a reduction in business orders envisaged by one-third of respondents as consumers reduce spending in response to the cost-of-living crisis. .

Fig 4. Level of supply chain disruption experienced Q2 2022 and expected in Q3 2022.

	Moderate-severe disruption (decrease >25%)		Minor disruption (decrease ≤ 25%)		Normal performance		Minor disruption (increase ≤ 25%)		Moderate to severe disruption (increase >25%)	
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3
Freight vol. (tonnes)	14.3%	18.0%	18.8%	18.9%	42.9%	40.5%	17.0%	17.1%	7.1%	5.4%
Freight km	5.3%	11.0%	12.4%	11.9%	67.3%	66.1%	11.5%	8.3%	3.5%	2.8%
No. of units	3.1%	4.9%	14.0%	18.0%	68.2%	63.9%	10.9%	10.7%	3.9%	2.5%
Storage/warehousing	8.5%	5.5%	9.6%	7.7%	55.3%	63.7%	18.1%	12.1%	8.5%	11.0%
Supplies/services orders	7.1%	8.2%	21.3%	25.4%	48.8%	44.3%	16.5%	17.2%	6.3%	4.9%
Return volumes	14.0%	15.1%	15.8%	17.0%	59.6%	58.5%	8.8%	9.4%	1.8%	0.0%
Transport costs	8.3%	6.4%	0.8%	1.6%	9.0%	10.4%	33.1%	35.2%	48.9%	46.4%

Respondents are anticipating more delays in Q3 2022 on all shipping routes, particularly Dover-Calais and Eurotunnel routes where 72% and 69%, respectively, are predicting delays. Border checks are affecting the flow of traffic as commercial vehicles and holiday traffic move through the port (fig 5). Delays in receiving non-GB goods are forecast by 62% of respondents. For shippers from China to the

UK, there are ongoing delays to both manufacturing and shipping due to the impact of COVID-19, leading to a high demand for containers and delays at ports, expected by 67% of respondents.

Fig 5. Extent to which your business is expected to experience the following in Q3 2022 compared with Q2 2022.

	A great deal more	Slightly more	Same	Slightly less	A great deal less
Delays in receiving goods from Northern Ireland (NI)	11.5%	30.8%	57.7%	0.0%	0.0%
Delays in receiving goods from outside GB (excluding NI)	19.4%	47.2%	31.5%	1.9%	0.0%
Delays on the Dover-Calais RO-RO route	18.9%	52.8%	24.5%	3.8%	0.0%
Delays in accessing Dover port or Eurotunnel	17.3%	51.9%	28.8%	1.9%	0.0%
Delays on Irish Sea RO-RO routes	7.4%	38.9%	51.9%	1.9%	0.0%
Delays on Deep Sea container routes (goods from China, Far East etc)	28.1%	39.1%	31.3%	1.6%	0.0%
Airfreight capacity availability	5.6%	27.8%	55.6%	8.3%	2.8%
Rail freight capacity availability	2.6%	26.3%	55.3%	13.2%	2.6%
Activity on international routes	4.3%	41.3%	47.8%	6.5%	0.0%
Problems collecting containers from ports	12.0%	52.0%	36.0%	0.0%	0.0%

HGV driver recruitment, retention and pay

Difficulties in filling HGV driver roles are easing, with 12% reporting a very severe problem in Q2 2022 compared with 14% in Q1. As the acute driver shortage lessens, the underlying chronic shortage remains, with only 13% having no problem in recruiting drivers.

In addition, 95% of respondents are experiencing problems filling vacancies for mechanics, up from 79% in Q1.

55% of respondents have HGV driver vacancies. Respondents stated that better pay in other companies and driver shortage were the main reasons for driver vacancies:

Fig 6. For what reason do you think HGV drivers leaving their roles?



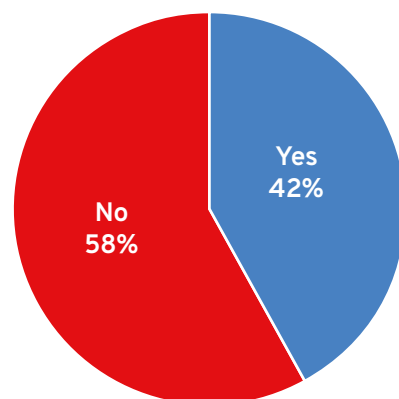
Some companies are raising driver pay more than once in a year; 42% of respondents intend to raise driver pay in the next six months (fig 7). This is in addition to 81% of respondents who raised driver pay in the six months to the end of March 2022.

“Shortage of HGV drivers is a constant and very few applicants have HGV entitlement to drive.”

“Drivers leaving for more money and no others to replace them.”

44% of respondents experienced issues with driver retention in the past six months. The majority of respondents stated that better pay was the main reason drivers were leaving. Other notable reasons were hours, poor facilities and working conditions. (fig 6).

Fig 7. Will you raise the wages for HGV drivers in the next 6 months?



The rate of pay increase is slowing with the average rise expected to be 5.6% in the next six months. This is on top of the 11.9% awarded by respondents in the six months to the end of March 2022.

Focus on apprentices

59% of respondents are interested in taking on apprentices and, of those, nearly two-thirds have taken on apprentices in the past year (fig 8).

Furthermore, around 50% of those who would take on apprentices had accessed apprenticeship funding, but the same proportion found the basic skills requirement a barrier to taking on apprentices (fig 9).

Fig 8. Are you interested in taking on apprentices?

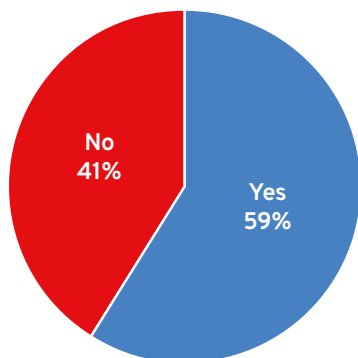


Fig 9. In the past year, have you...?

	Not at all	To a small extent	To a moderate extent	To a great extent
Taken on apprentices	36.7%	8.3%	15.0%	40.0%
Accessed apprenticeship funding	49.2%	3.4%	15.3%	32.2%
Found the basic skills requirement (English/Maths GCSE) a barrier to taking on apprentices	50.0%	3.4%	15.5%	31.0%