

Logistics Performance Tracker

November 2021 (no. 13)

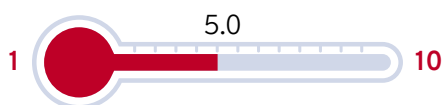
About the Logistics Performance Tracker

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

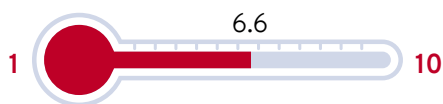
UK economic outlook in the coming 6 months

Not at all confident = 1 Completely confident = 10



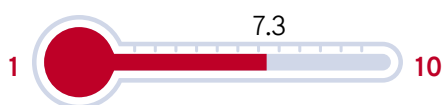
Logistics business outlook in the coming 6 months

Not at all confident = 1 Completely confident = 10



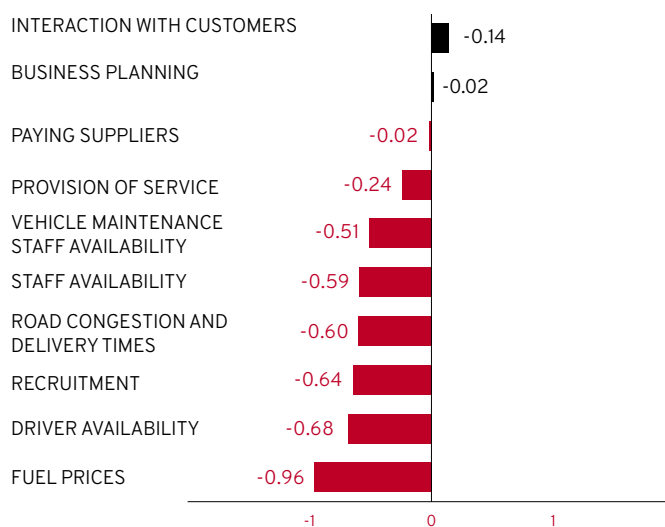
Current financial health of your company

Poor = 1 Excellent = 10



Business impacts in November 2021 compared with November 2020

-1 = Worsened, 0 = No change, +1 = Improved



Current expectations for filling vacancies

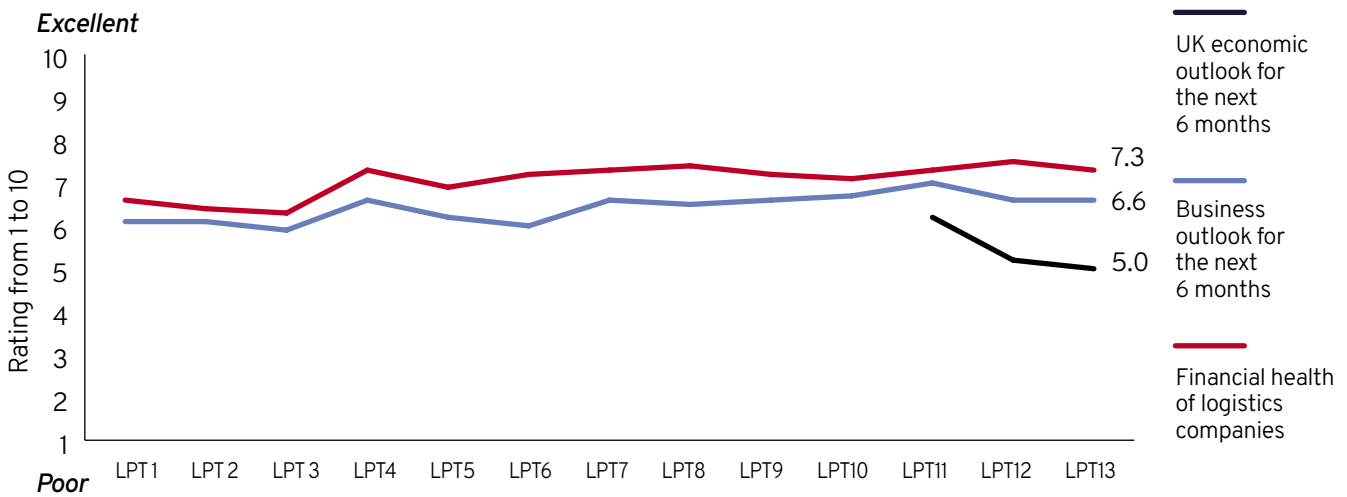
| | Fitters/mechanics/technicians | Warehouse staff | Transport managers | HGV drivers | Van drivers | Forklift drivers | Other staff |
|-------------|-------------------------------|-----------------|--------------------|-------------|-------------|------------------|-------------|
| No problem | 27.9% | 18.5% | 45.8% | 7.3% | 32.8% | 24.6% | 19.4% |
| Minor | 11.6% | 29.6% | 18.6% | 7.3% | 12.5% | 24.6% | 29.2% |
| Moderate | 25.6% | 27.8% | 23.7% | 24.4% | 35.9% | 31.1% | 36.1% |
| Severe | 20.9% | 20.4% | 8.5% | 20.7% | 10.9% | 16.4% | 11.1% |
| Very severe | 14.0% | 3.7% | 3.4% | 40.2% | 7.8% | 3.3% | 4.2% |

Business and the UK economy

According to the latest ONS figures, Gross Domestic Product (GDP) is estimated to have increased by 1.3% in Quarter 3 (Jul to Sept) 2021. In September, output in consumer-facing services fell by 0.6%, mainly because of a 13.3% fall in the wholesale and retail trade and repair of motor vehicles and motorcycles. According to the Society of Motor Manufacturers and Traders (SMMT), new car registrations fell by 34.4% on 2020 to 215,312 units, the weakest September since 1998 with supply issues caused by semiconductor shortages continuing to impact the industry. October showed little improvement, falling 24.6% on last year and the weakest October since 1991. The UK HGV market declined by 9.8% in the third quarter, compared with a particularly weak Q3 pre-pandemic 2019.

UK retail sales volumes increased by 0.8% in October compared with the previous month and were 5.8% higher than pre-pandemic levels (February 2020). The Consumer Prices Index (CPI) has reflected rising prices as inflation rose to 4.3% in October. This was driven by soaring energy prices, compounded by shortages of building supplies and semiconductors and therefore having an upward effect on prices. The financial health of respondent companies fell slightly from 7.5 to 7.3 (fig 1). Business outlook for the next six months was unchanged at 6.6. Rising inflation is reflected in the UK economic outlook for the next six months, reported by respondents, which fell from 6.2 in May to 5.2 in September to 5.0 in November.

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

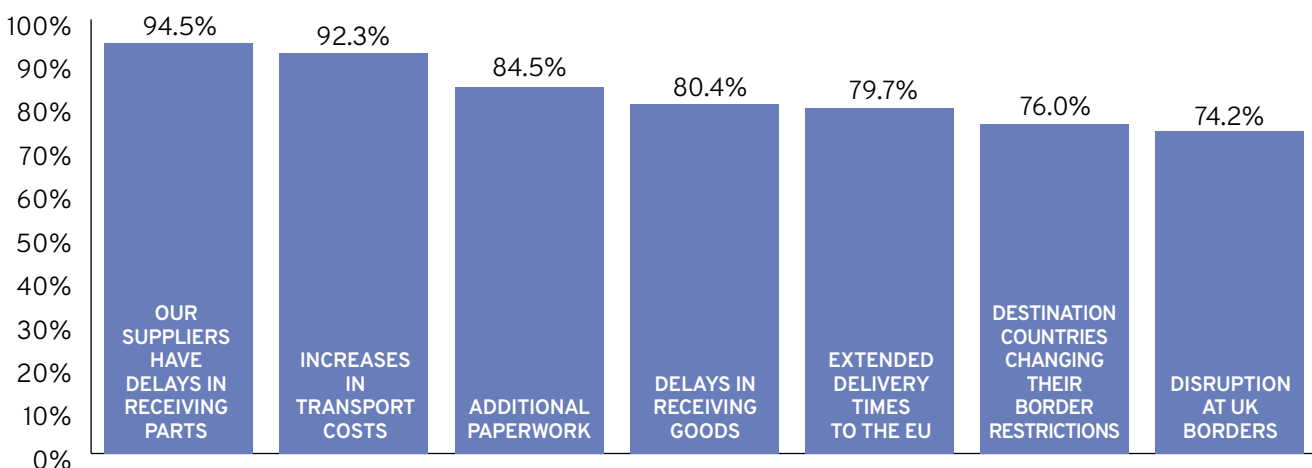


End of Brexit transition

Nearly all respondents who were 'more affected' by the end of the Brexit transition period, experienced suppliers having delays in receiving parts (which may be problematic for vehicle maintenance and repair) but is likely linked to the global shortage of semiconductors. Respondents have experienced increases in transport costs and additional

paperwork since the Brexit transition period ended on 31 December 2020 (fig 2). Around 80% experienced delays in receiving goods, and extended delivery times to the EU, three-quarters indicated delays at UK borders with the same proportion indicating that countries were changing border restrictions.

Fig 2. Percentage of respondents who were 'more affected' by the end of the Brexit transition period ended, since 1 January 2021.



Barriers to business growth and recovery

Haulage availability, including subcontracting, is the biggest barrier to business growth and recovery. Access to vocational driver testing continues to be an issue (fig 3). However, the situation is improving with Department for Transport (DfT) data indicating the number of people undertaking practical HGV tests has grown by 26% in

Q3 2021 compared with Q3 2019 and Driver and Vehicle Standards Agency (DVSA) statistics show that the number of Driver Certificate of Professional Competence (CPC) initial qualifications awarded was only slightly down (5%) on pre-pandemic levels.

Fig 3. Please rate the extent to which each of the following are barriers to your business growth/recovery.

| | Not a barrier | Somewhat | Moderate | Extreme |
|--|---------------|----------|----------|---------|
| Social distancing | 50.4% | 37.4% | 10.8% | 1.4% |
| Cash flow | 61.6% | 20.0% | 14.4% | 4.0% |
| Customers no longer trading | 38.3% | 39.1% | 14.8% | 7.8% |
| Haulage availability (including subcontracting) | 13.1% | 40.2% | 30.3% | 16.4% |
| MOT availability | 35.1% | 32.1% | 20.6% | 12.2% |
| Access to Driver CPC training | 46.1% | 28.1% | 20.3% | 5.5% |
| Access to vocational driver testing | 26.1% | 28.8% | 27.0% | 18.0% |
| Lack of demand for business/lack of work | 65.9% | 14.6% | 11.4% | 8.1% |
| Extended payment terms from suppliers/delayed payments | 45.1% | 32.7% | 15.9% | 6.2% |
| New trading relationship with the EU | 37.6% | 27.1% | 25.9% | 9.4% |

Supply chain disruption

Increases in costs to transport goods is the dominant disruption to the supply chain (fig 4), with 69% reporting increases. Overall freight volumes were mixed with one-third reporting a decrease and 38% reporting an increase.

Decreases may be due to the driver shortage, while increases are likely to be attributed to rising demand in the run-up to Christmas.

Fig 4. Level of supply chain disruption experienced this week compared to normal levels of business.

| | Normal | ▼ ≤25% | ▲ ≤25% | ▼ >25/≤50% | ▲ >25/≤50% | ▼ 50+% | ▲ 50+% |
|--------------------------|--------|--------|--------|------------|------------|--------|--------|
| Freight vol. (tonnes) | 29.6% | 23.1% | 24.1% | 6.5% | 13.9% | 2.8% | 0.0% |
| Freight km | 43.6% | 19.8% | 19.8% | 5.0% | 11.9% | 0.0% | 0.0% |
| No. of units | 49.1% | 22.7% | 14.5% | 3.6% | 7.3% | 0.9% | 1.8% |
| Storage/warehousing | 56.3% | 8.8% | 7.5% | 6.3% | 12.5% | 2.5% | 6.3% |
| Supplies/services orders | 37.8% | 20.2% | 15.1% | 10.9% | 13.4% | 0.8% | 1.7% |
| Cash flow | 67.6% | 9.9% | 11.7% | 4.5% | 3.6% | 0.9% | 1.8% |
| Return volumes | 57.9% | 10.5% | 11.8% | 1.3% | 13.2% | 5.3% | 0.0% |
| Transport costs | 10.5% | 10.5% | 31.5% | 6.5% | 29.0% | 4.0% | 8.1% |

Reported air freight capacity availability plummeted in November with 47% reporting less compared with 17% in September as congestion and bottlenecks affected the supply chain (fig 5). 95% reported problems in collecting containers from ports and 94% stated that delays on deep sea routes were up compared with last year. Ports are awash with cargo in the pre-Christmas period, not helped by the driver shortage. The Port of Felixstowe, which handles 36%

of the UK's freight container traffic, reached capacity in October as shipping containers diverted to other European ports. Continuing disruption across the container supply chain means that containers are spending more time in transit. As a result of these pressures, 79% of respondents reported more delays in receiving goods from outside Great Britain.

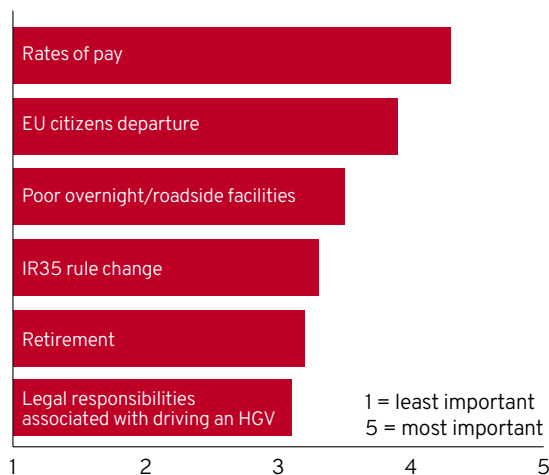
Fig 5. To what extent has your business experienced the following in the past three months compared to the same period last year?

| | More | Same | Less |
|--|-------|-------|-------|
| Delays in receiving goods from Northern Ireland (NI) | 53.3% | 46.7% | 0.0% |
| Delays in receiving goods from outside GB (excluding NI) | 79.2% | 20.8% | 0.0% |
| Reduction in activity on international routes | 41.7% | 41.7% | 16.7% |
| Air freight capacity availability | 29.4% | 23.5% | 47.1% |
| Delays on the Dover-Calais RO-RO route | 66.7% | 33.3% | 0.0% |
| Delays in accessing Dover port or Eurotunnel | 60.7% | 39.3% | 0.0% |
| Delays on Irish Sea RO-RO routes | 56.7% | 43.3% | 0.0% |
| Delays on deep sea container routes (goods from China, Far East etc) | 94.4% | 5.6% | 0.0% |
| Rail freight capacity availability | 25.0% | 50.0% | 25.0% |
| Problems collecting containers from ports | 94.9% | 5.1% | 0.0% |

HGV driver recruitment, retention and pay

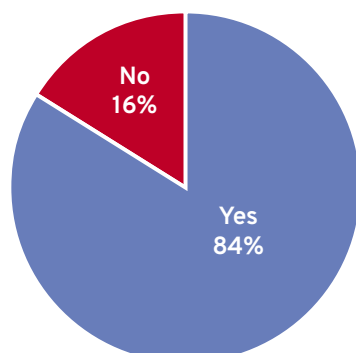
HGV driver roles are becoming increasingly difficult to fill with only 7% of respondents having no problem in recruiting drivers and 40% reporting very severe problems. The driver shortage continues to impact recruitment particularly in the Christmas peak.

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



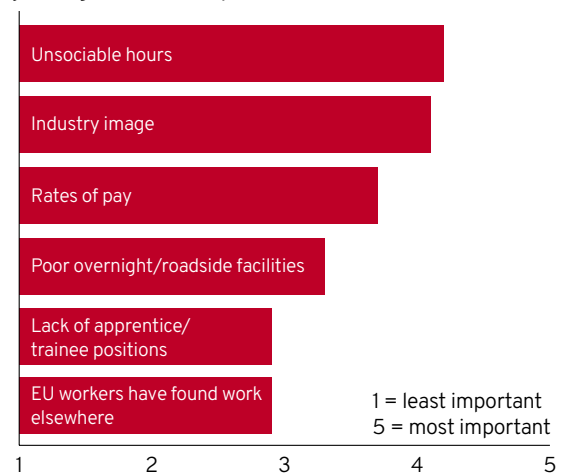
The majority of respondents (84%) raised driver pay in the past six months (fig 8). The average increase in pay was 11.4% and the main reasons for raising pay were driver retention and market forces. For those who did not increase pay, 64% stated they would do so in the next six months.

Fig 8. Have you raised the wages for HGV drivers in the past 6 months?



Driver recruitment and retention were explored and respondents ranked rates of pay and the departure of EU drivers as the top two reasons drivers were leaving the industry (fig 6). Unsocial hours and industry image were cited as the main causes for drivers not joining the HGV workforce (fig 7).

Fig 7. For what reason do you think HGV drivers are not joining the industry?



16% of respondents stated that their organisation had offered a sign-on bonus to attract new drivers and the average payment was £800.

Focus on vehicle supply issues

There is a global shortage of semiconductors which are needed for a wide range of manufactured goods such as laptops, washing machines and vehicle production. This is especially important as vehicle production in the EU

has been hit by this shortage of these microchips. 71% of respondents reported difficulties in purchasing or leasing new HGVs or vans in the past year which has affected some areas of their operation (fig 9).

Fig 9. To what extent has the lack of new vehicles affected the following areas of your operation?

| | Not at all | Slightly | Somewhat | Moderately | Extremely |
|---|------------|----------|----------|------------|-----------|
| Direct Vision Standard (DVS) compliance | 58.2% | 30.9% | 5.5% | 0.0% | 5.5% |
| Air quality schemes compliance (CAZ, LEZ, ULEZ) | 55.4% | 25.0% | 7.1% | 5.4% | 7.1% |
| Fulfilling new contracts | 36.4% | 43.6% | 12.7% | 1.8% | 5.5% |
| Fulfilling existing contracts | 37.1% | 43.5% | 12.9% | 3.2% | 3.2% |
| Decarbonisation plans | 46.0% | 28.0% | 16.0% | 8.0% | 2.0% |