

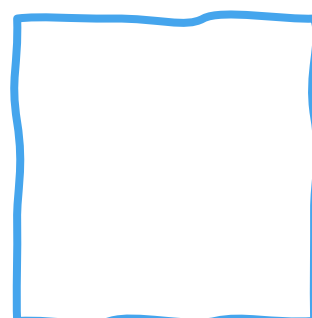
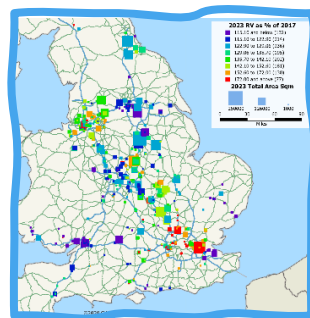
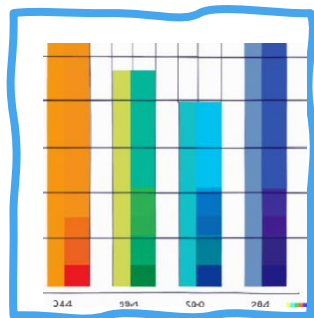
SCALA 3PL Best Practice Forum – No 2

Kirsten Tisdale FCILT

17 April 2024

Changing economy & impact:

- > Confidence
- > Demand volumes
- > Logistics impact
- > Staffing numbers
- > Pay & inflation

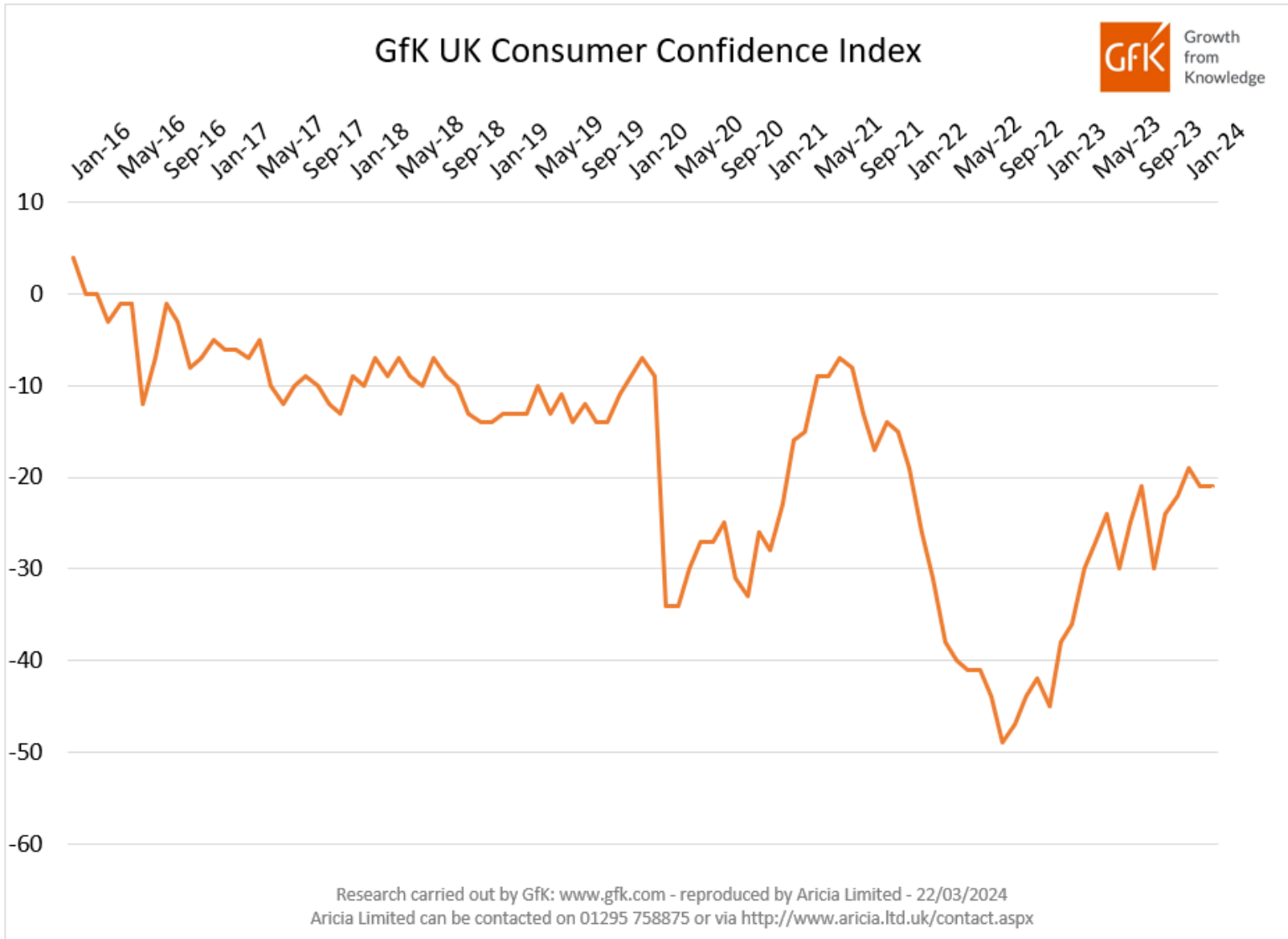




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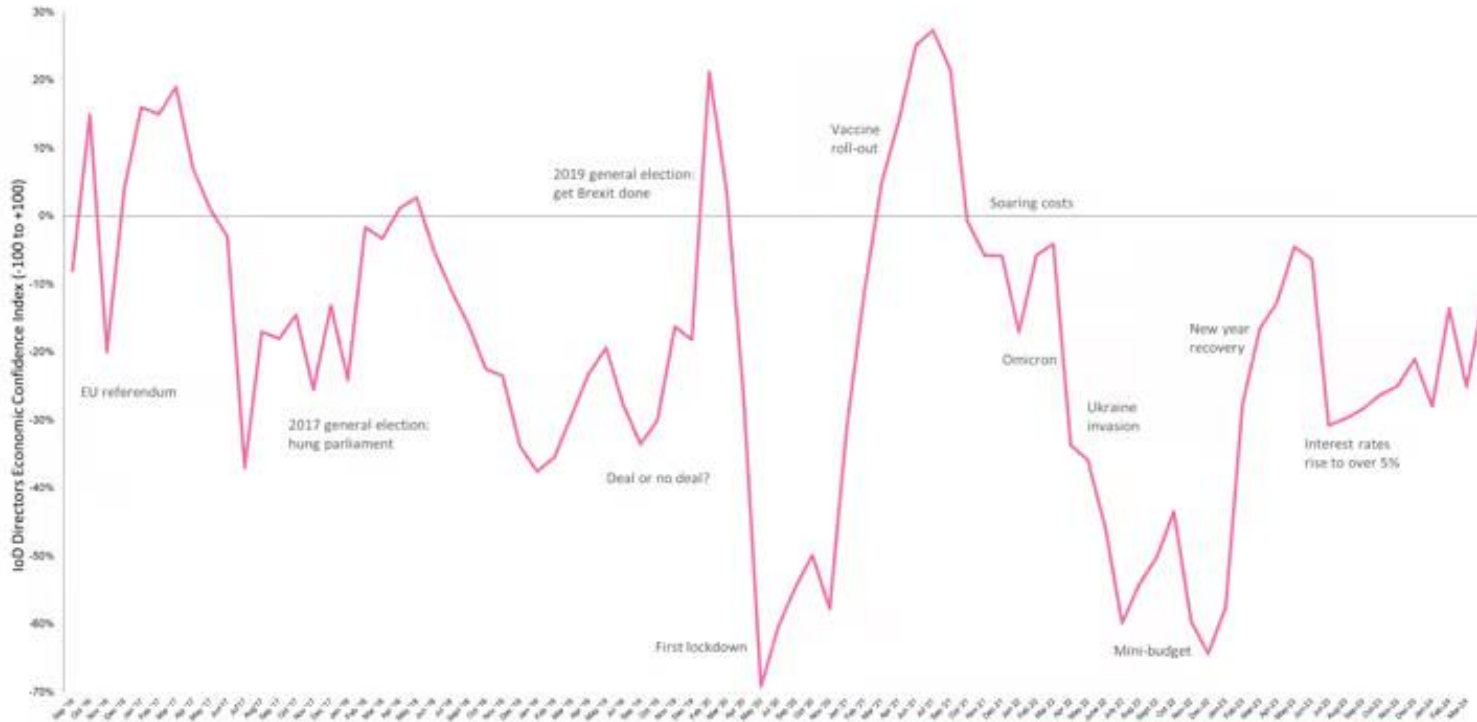
Consumer confidence – GfK

> GfK UK Consumer Confidence Index flat in March 2024 – but considerably better than 18 months ago!



Business confidence – IoD

> Institute of Directors Confidence Index as at March 2024 – going up, down, up – but again much better than 18 months ago



© IoD 2024

How optimistic are you about the wider UK economy over the next 12 months?
 (5-point scale from very optimistic to very pessimistic, net positive %). Latest datapoint: March 2024

Manufacturing confidence – S&P Global

- > S&P Global UK Manufacturing PMI® (Purchasing Managers' Index) March 2024 – 11 month high & very slightly into +ve territory at 50.3 - NB This and next graph start earlier than previous two

UK Manufacturing PMI

sa, >50 = improvement since previous month

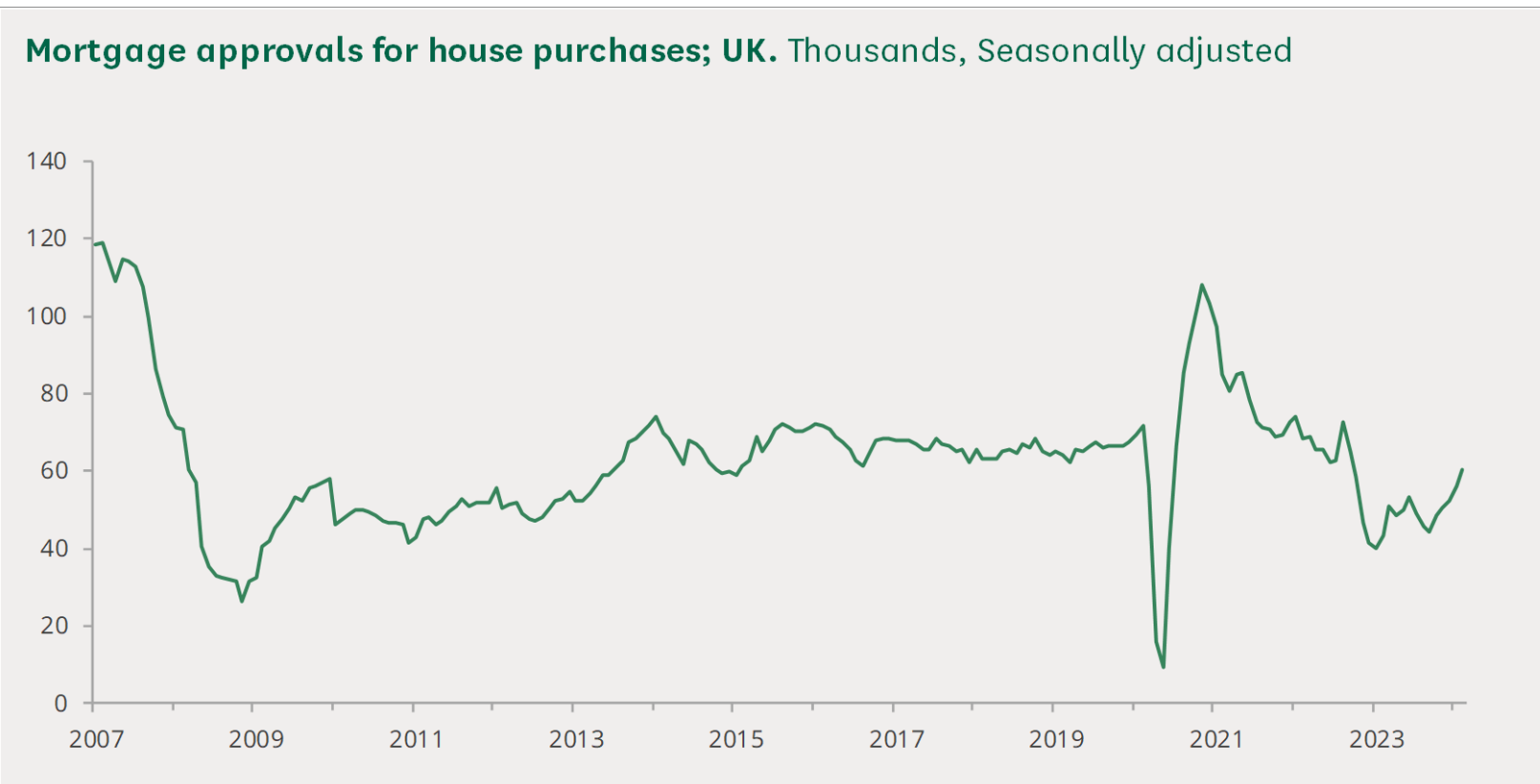


Source: S&P Global PMI.

Data were collected 12-25 March 2024.

Housing market confidence - BoE

- > Bank of England data reported by House of Commons library - mortgage approvals for house purchases in February 2024 were up 40% on a year ago – a leading index for house sales



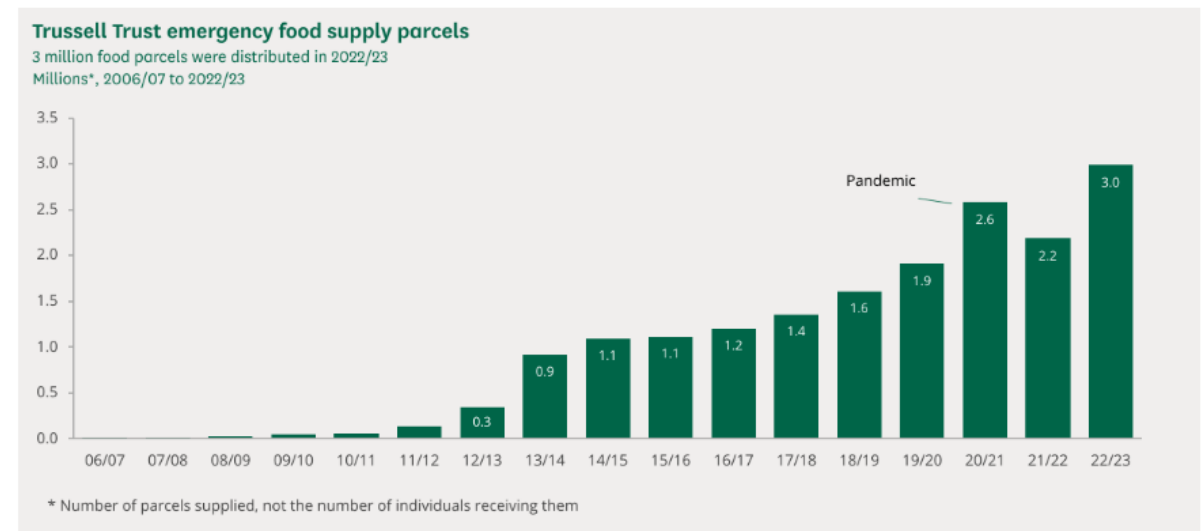
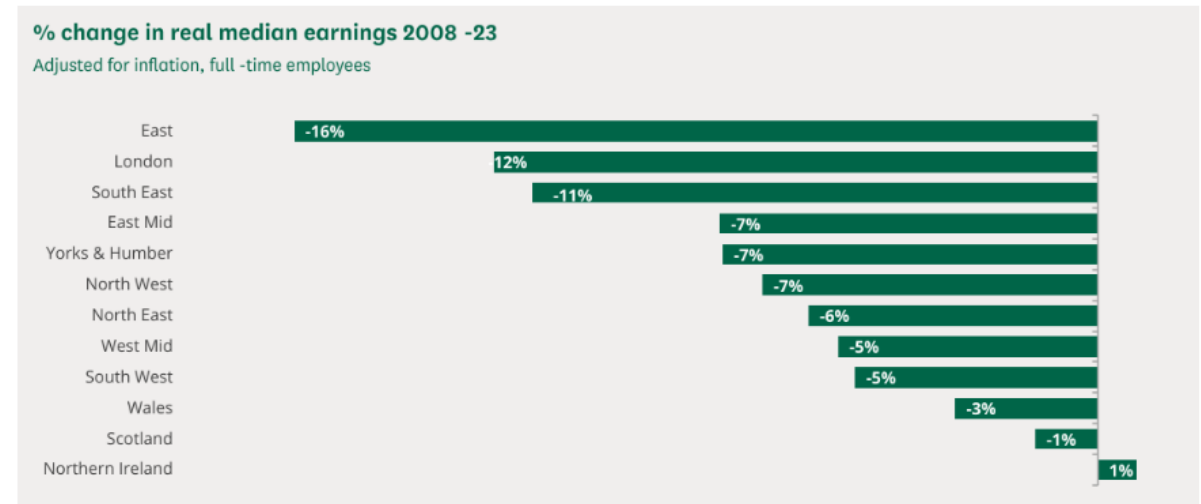
- > Although ...house building 'starts' in England in Q4 2023 was 51% lower than in Q4 2022
- > But ...that's likely due to house builders bringing forward the start of projects to avoid the costs of complying with new building regulatory standards, which caused a peak in Q2 2023
- > The new standards relate to energy performance and electric vehicle charging point



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From the House of Commons Library

- > Top graph: The reduction in real median earnings in some regions is dramatic
- > The only area of the UK where full-time employees have seen an increase in real median earnings (so after inflation) over 2008 levels is a 1% increase in N Ireland
- > Reuters 13 Feb 2024: “British households are on course to suffer a first decline in living standards over the course of a parliament since World War Two”
- > Bottom graph: This reduction in earnings is reflected in the increase in food bank use

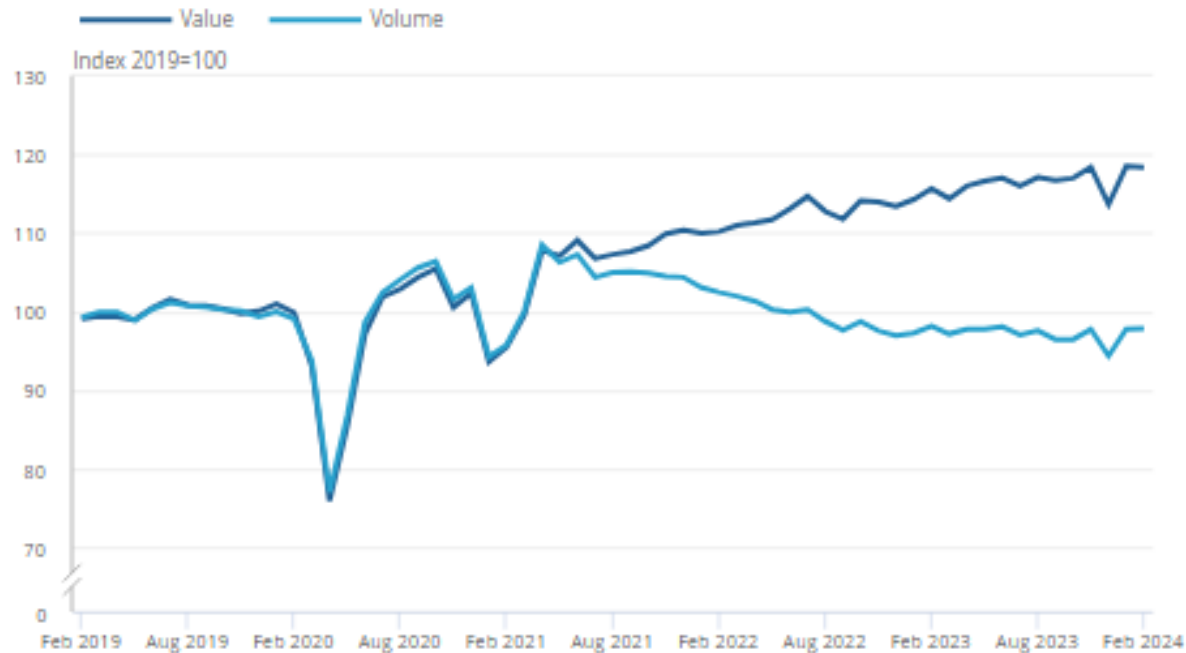


London was the region with the highest distribution of Trussell Trust food parcels in 2021/22, closely followed by South-East and North-West England.

2. Retail sales in February

Sales volumes and values broadly unchanged in February 2024

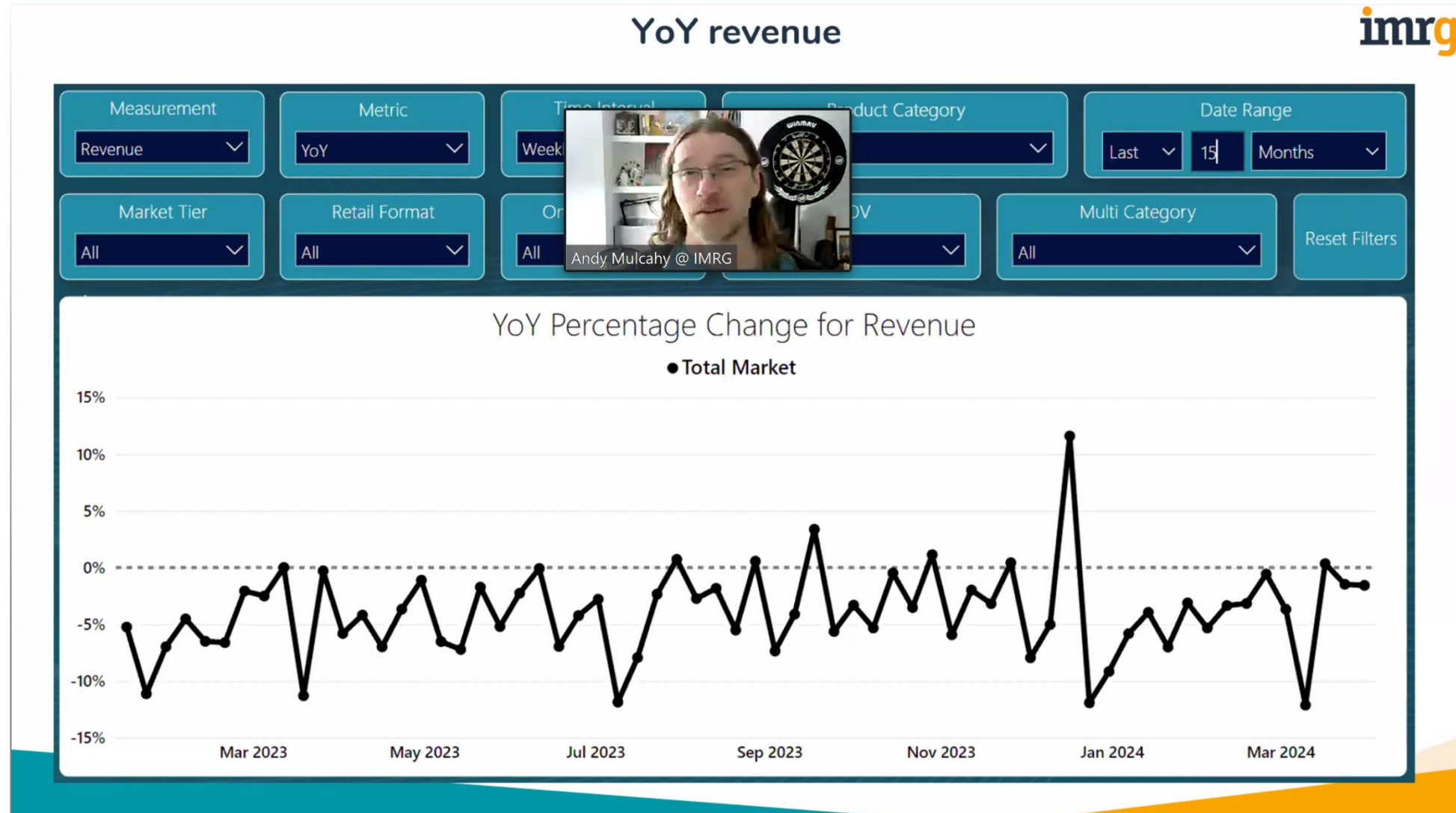
Volume and value sales, seasonally adjusted, Great Britain, February 2019 to February 2024



Source: Monthly Business Survey, Retail Sales Inquiry from the Office for National Statistics

- > Retail sales volumes (quantity bought) had a record fall of 3.3% in December 2023
- > Volumes then rebounded by 3.4% in January 2024 and then fell by 0.4% in Feb 2024
- > The January rebound saw increases in volume for all subsectors apart from clothing

- > The IMRG is the UK ecommerce association, with Amazon and many big retailers as members
- > IMRG organise weekly online events which look at performance data and also presentations by sponsoring partners
- > This slide comes from a very recent IMRG webinar – the graph shows overall Year on Year Percentage Change in Revenue for 15 months



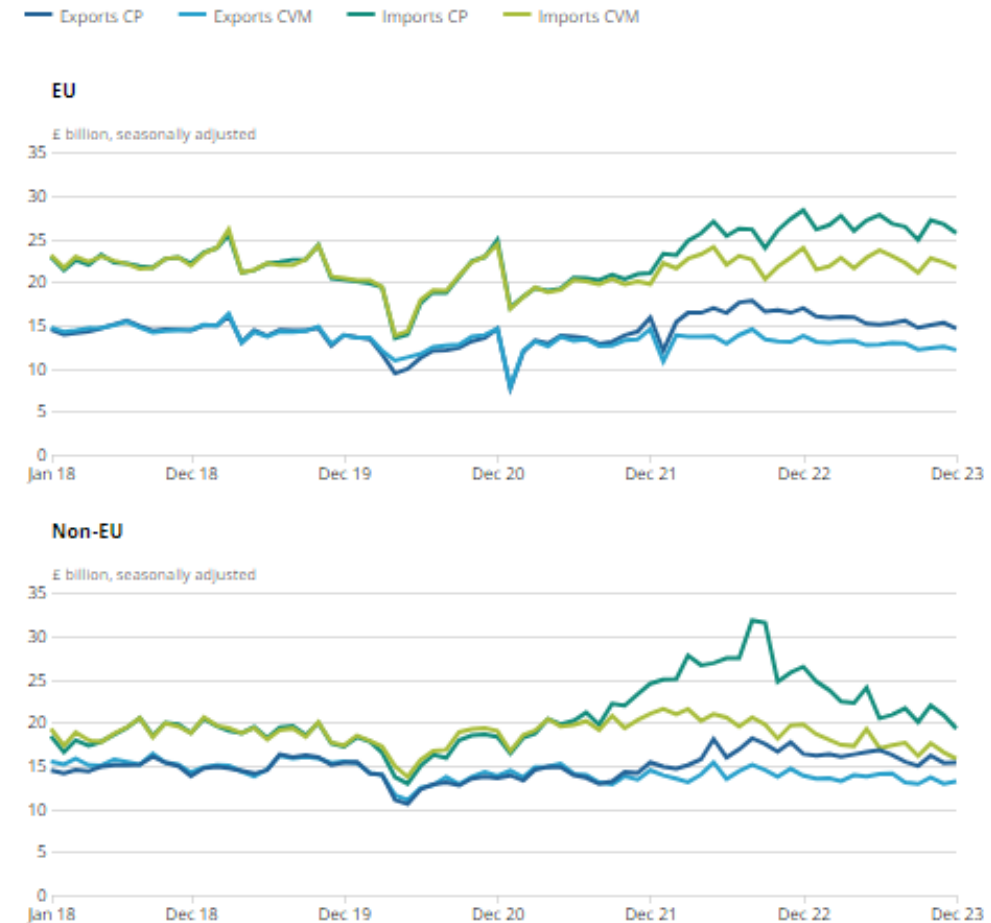
Imports & exports

— Exports CP — Exports CVM — Imports CP — Imports CVM

- > UK Trade figures from ONS up to December 2023
 - > CP = current prices – inflation included
 - > CVM = chained volume measure – no inflation
- > EU (top graph) & non-EU (bottom) of goods
 - > Excluding precious metals
 - > But does include fuels etc
- > January – most recent figures – not shown on graph:
 - > Volumes of EU imports and exports were broadly same as December, with value slightly up
 - > Non-EU imports were up by both value & volume, exports were down by both measures

Figure 1: Imports from non-EU countries have fallen steadily in both value and inflation-adjusted terms throughout 2023

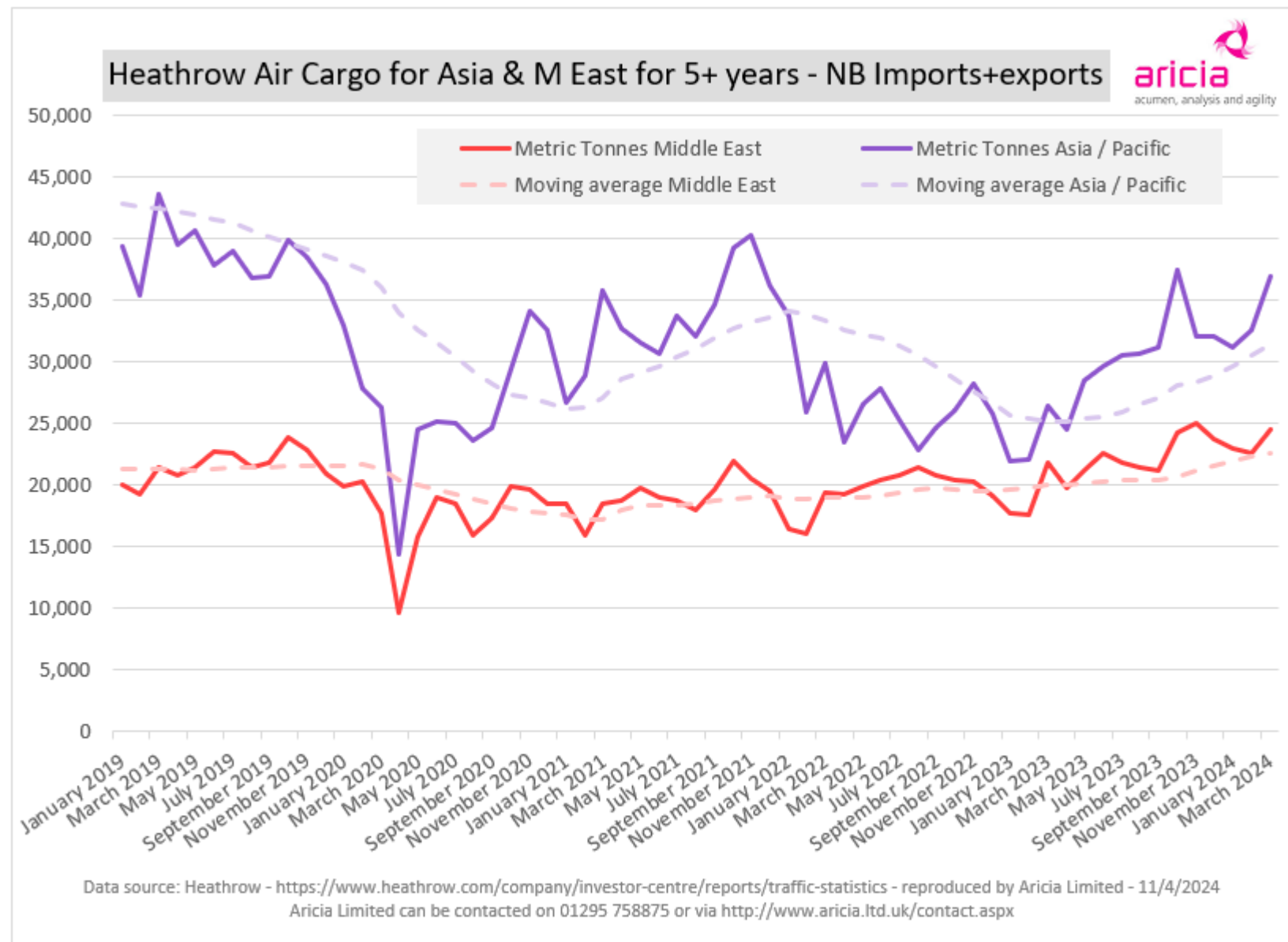
Imports and exports of goods, excluding precious metals, current prices and chained volume measures, EU and non-EU, January 2018 to December 2023



Source: UK trade statistics from the Office for National Statistics

Red Sea impact on air cargo?

- > The Red Sea crisis began on 19 October 2023
- > Since then, shipping lines have been avoiding the Red Sea / Suez canal, taking the Cape Route
- > This adds c10 days, increases costs, reduces capacity and disrupts schedules
- > The weather will get worse when it's winter in the southern hemisphere
- > Impact on air cargo?
- > Heathrow - Middle East does seem to have had a related uplift NB Imports plus exports
- > ? Asia/Pacific – probable uplift, but was increasing anyway

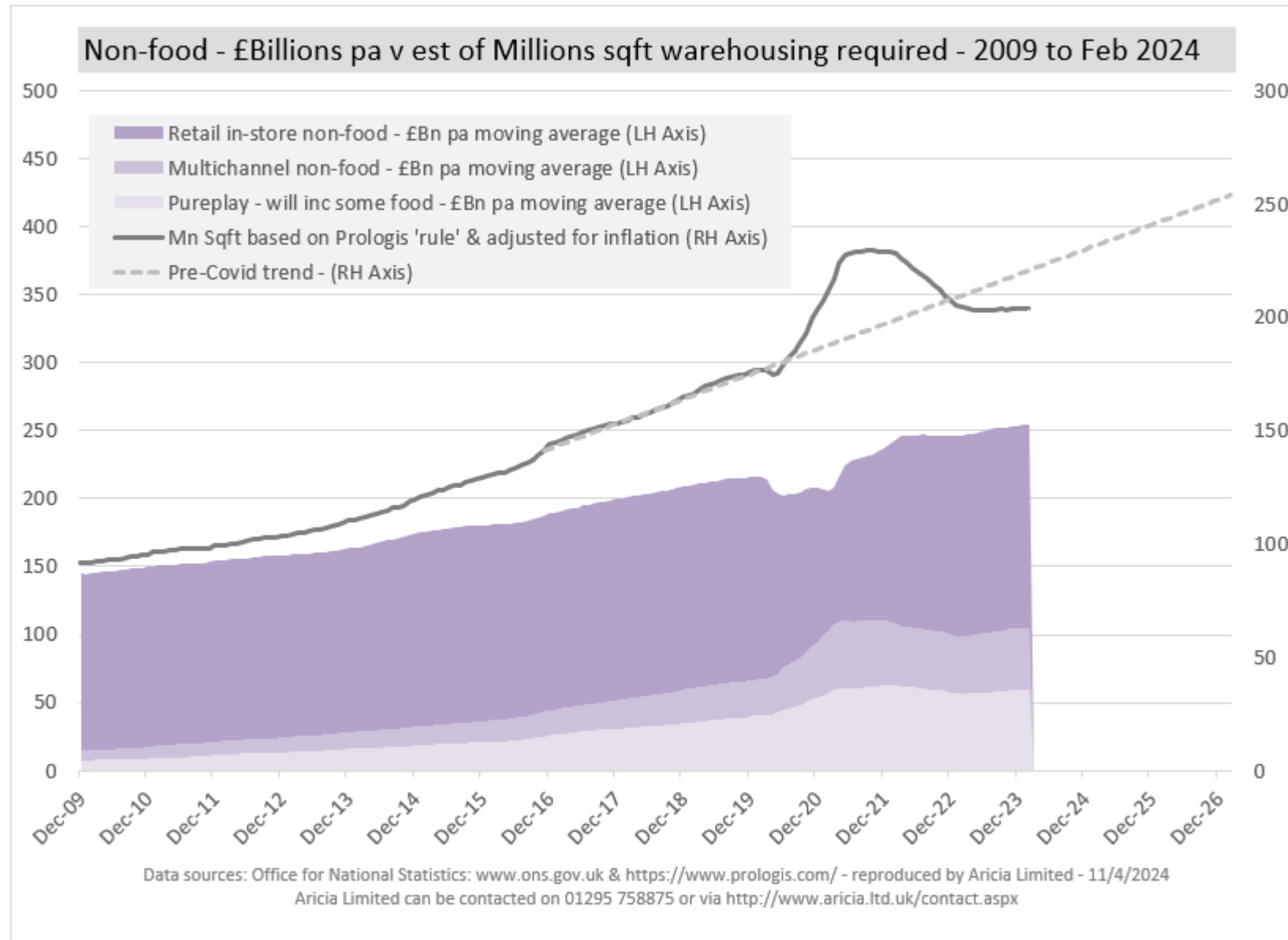




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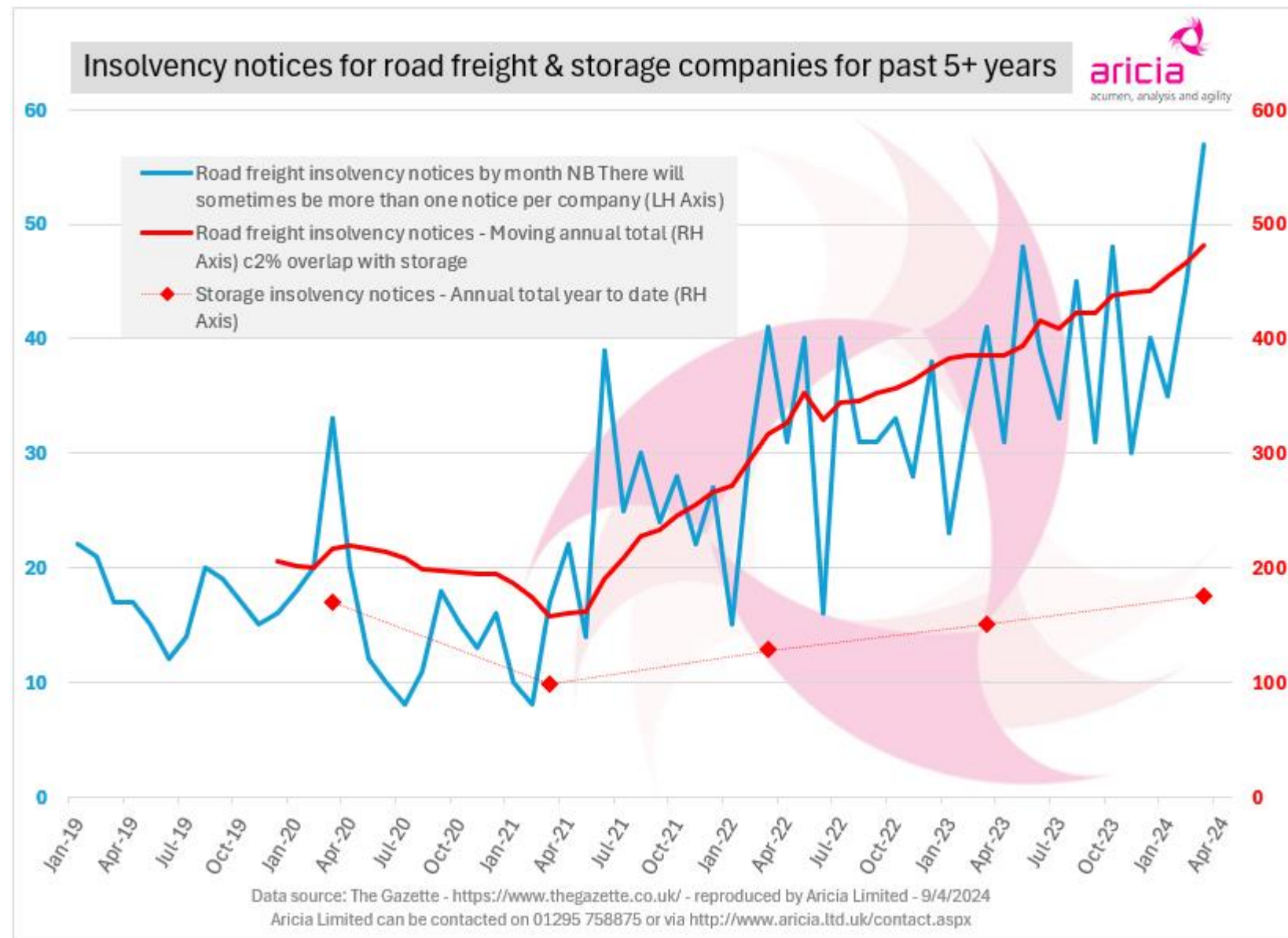
One element of warehousing - updated

- > In 2016, Prologis came up with a formula that said online sales required approx. 3x the fulfilment space compared with traditional retailers
- > The graph applies this to non-food retail & internet sales
- > It's adjusted for inflation: the value of retail sales is increasing, but the overall *volume* has decreased
- > And the *mix* is changing as people returned to the high street

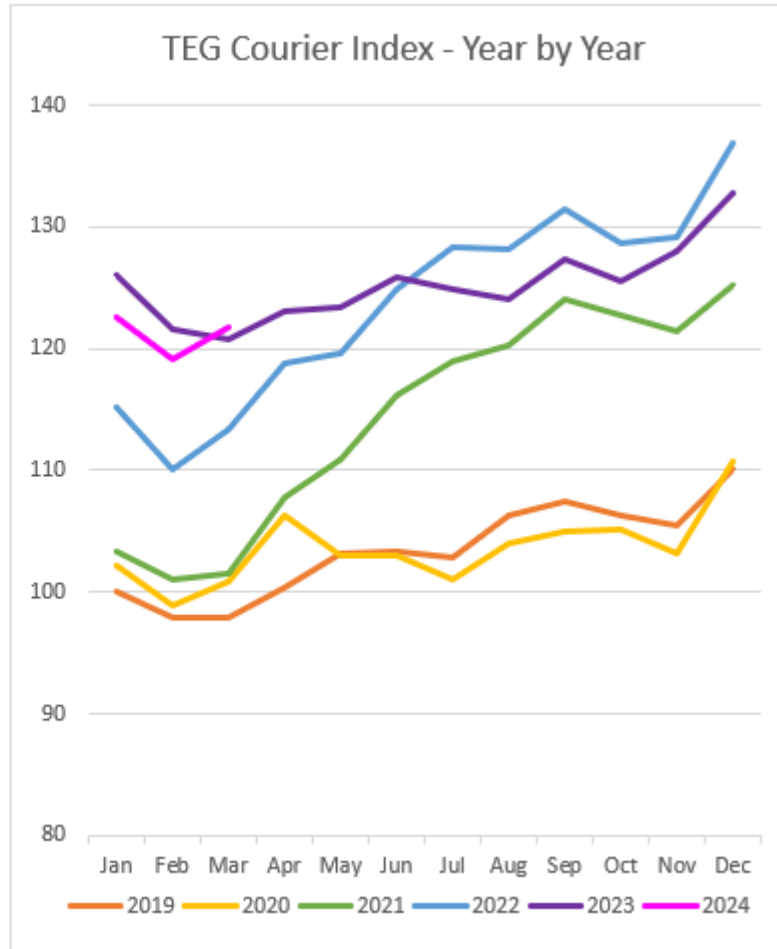
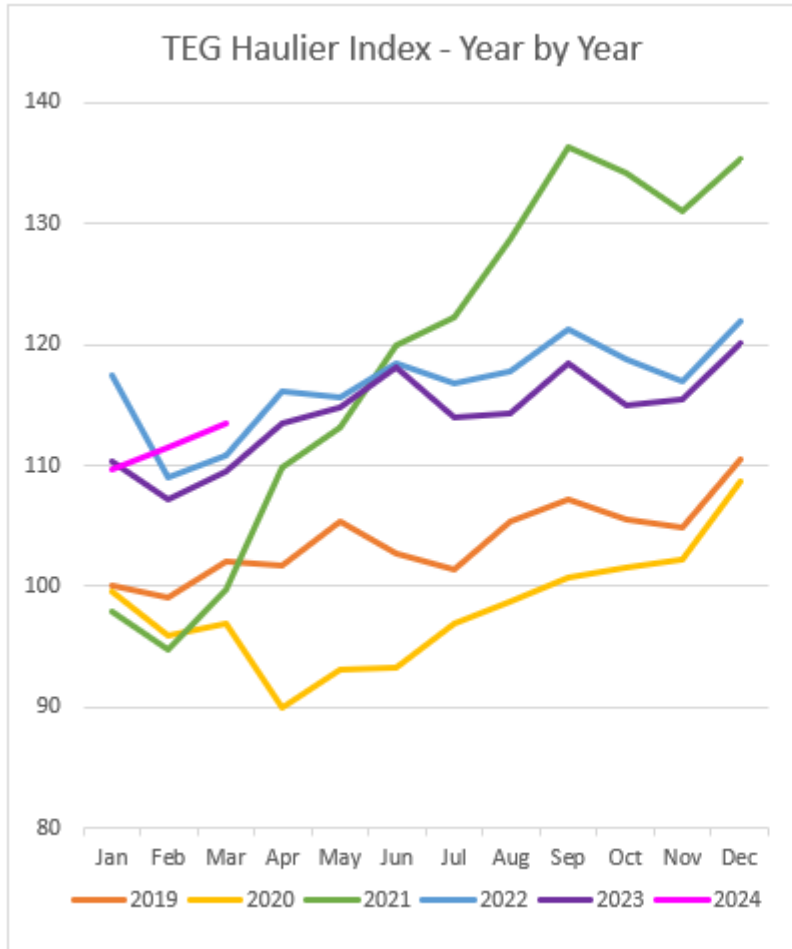


Insolvency notices - regard as an index

- > Motor Transport, 28 Nov 2023: “A record 463 British haulage businesses have collapsed in the last 12 months, more than double the number two years ago...”
- > Regard the graph as an index = no of insolvency notices
- > It's a combination count for
 - > Administration
 - > Creditors' voluntary liquidation
 - > Liquidation by the Court
 - > Members' voluntary liquidation
- > This will overstate, but is a consistent method



Spot rates



> Transport Exchange Group produce spot rate indices based on the average pence per mile paid via its two freight exchange platforms

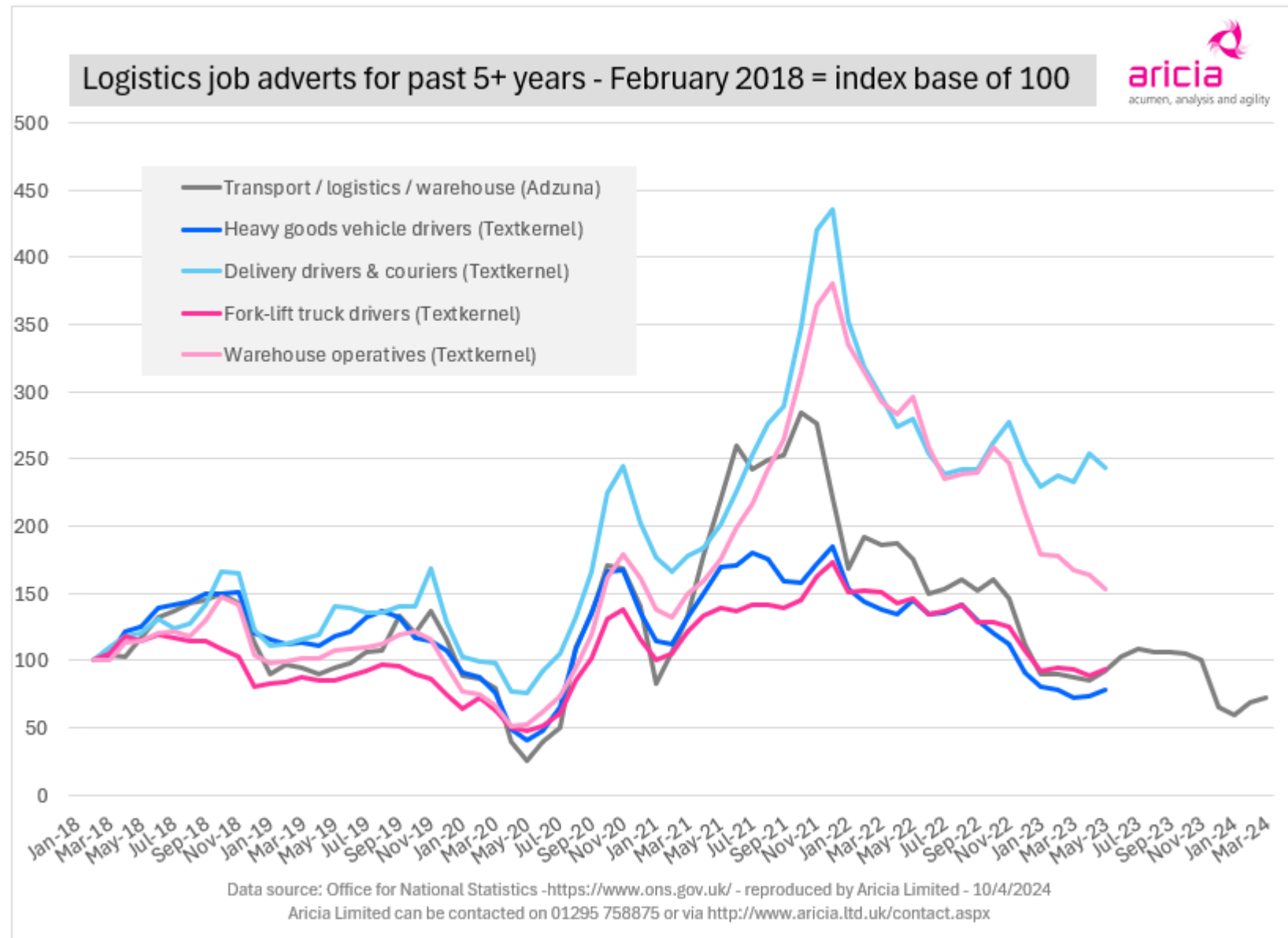
- > Lyall Cresswell, CEO of Transport Exchange Group on LinkedIn:
- > “...we saw completed transactions on the Transport Exchange Group platform jump by over 15% year on year compared to last February, albeit there was the extra day because of the Leap Year. January also saw a double digit increase.”
- > And...
- > “We’ve just had the busiest week on record in 24 years!” (c2 weeks ago)



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Logistics job adverts

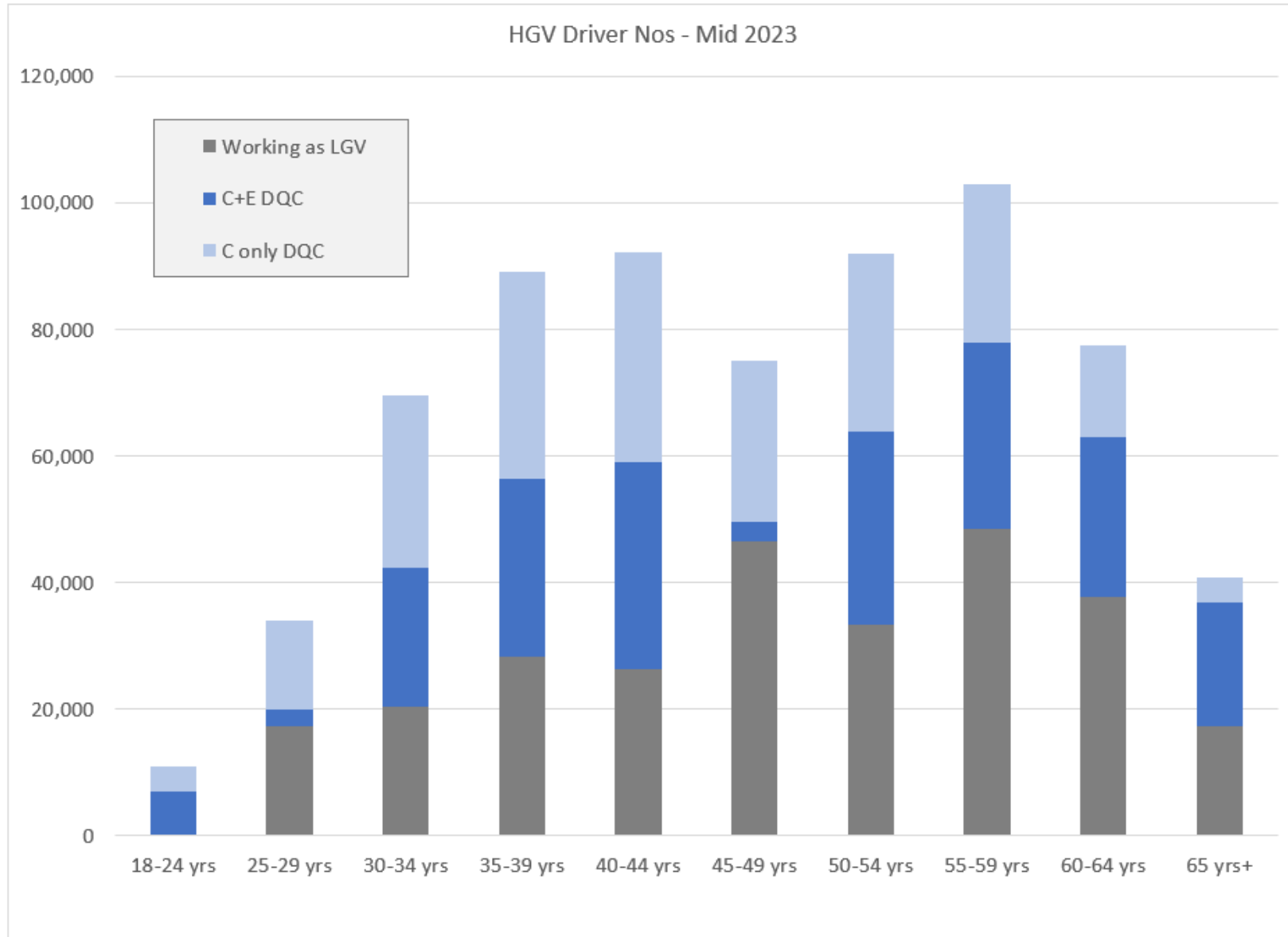
- > Many official figures on vacancies are dated and / or include passenger transport as well as logistics
- > The ONS has been actively seeking out more up-to-date sources of commercial data including for online job adverts and publishing deduplicated versions of this data
- > The Adzuna data is weekly - the graph uses the nearest point to mid-month
- > Textkernel data has been one-off snapshots, but more detailed
- > The different data sources have been converted to starting at 100 in February 2018



HGV Driver Nos

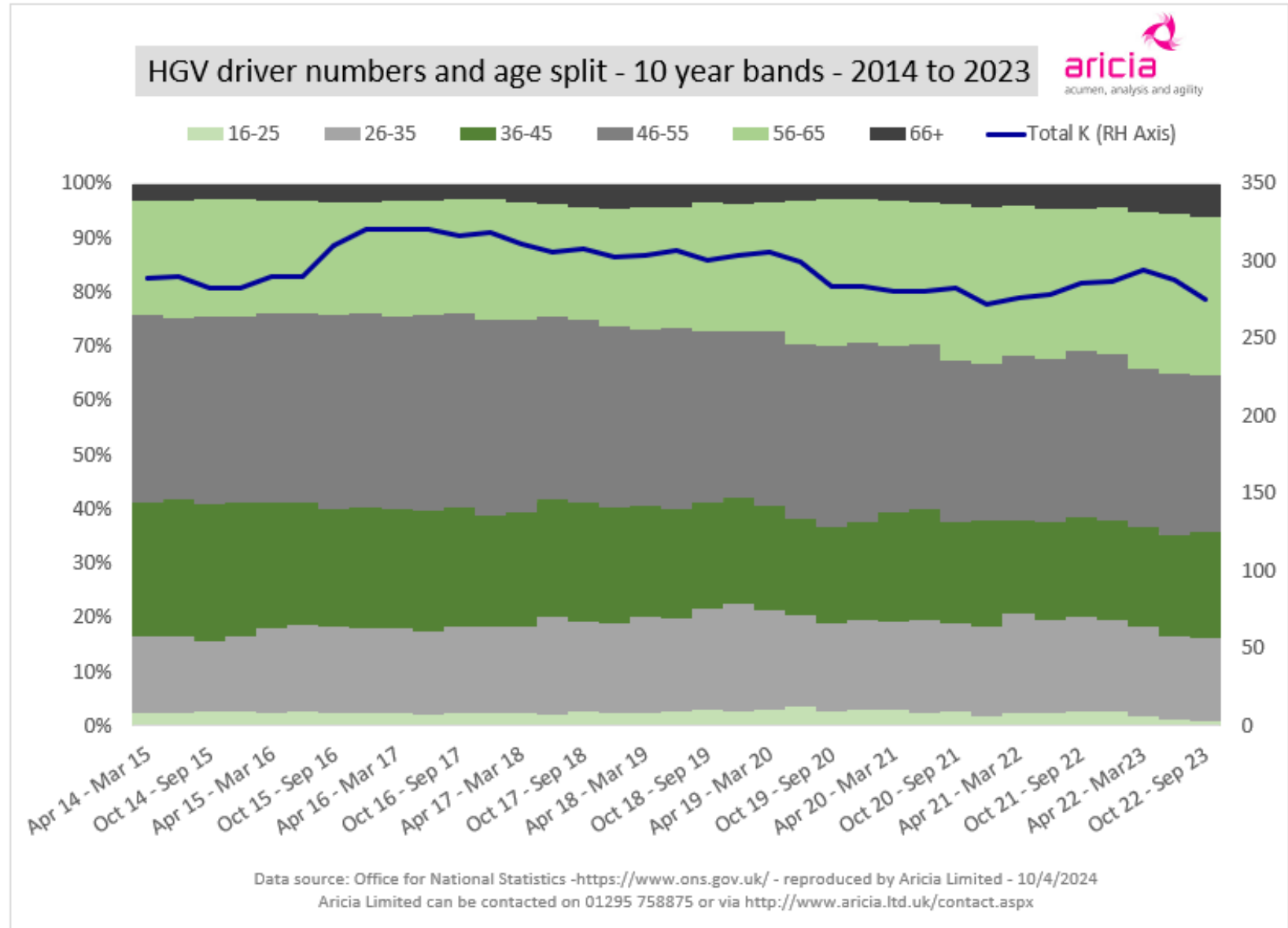
- > 'Working as LGV driver' in UK, April-June 2023 = 276K (Grey – no split for driver type)
- > Down from 304K previous qtr
- > Age continues to be an issue - 38% over 55 years old
- > These estimates are from the Labour Force Survey sourced by direct request to the ONS

- > DQC data is for GB, Sept 2023 direct from DVLA licence database via FOI request
- > CE = 476K (Dark blue inc grey)
- > C Only = 208K (Light blue only)
- > 61% of DQCs = 488K expire before end 2024



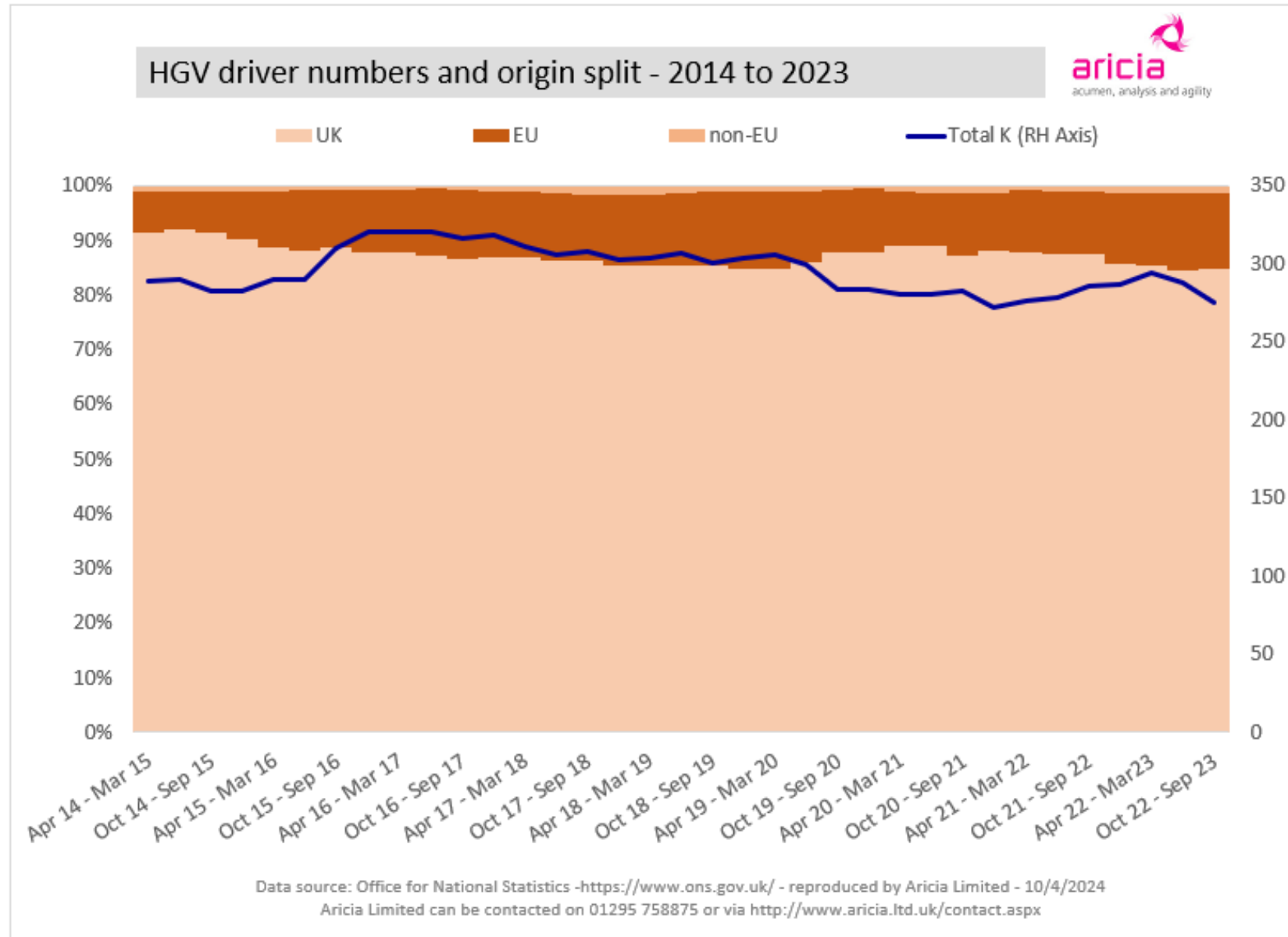
HGV Driver Age Profile

- > HGV driver age continues to be an issue
- > The percentage of younger drivers is reducing and vice versa
- > Quarterly data by rolling year from ONS from survey data that is then used to estimate the total number of people across occupations including those that work as Large goods vehicle drivers



HGV Driver Origin

- > The proportion of HGV drivers from EU was actually larger last year than in 2014

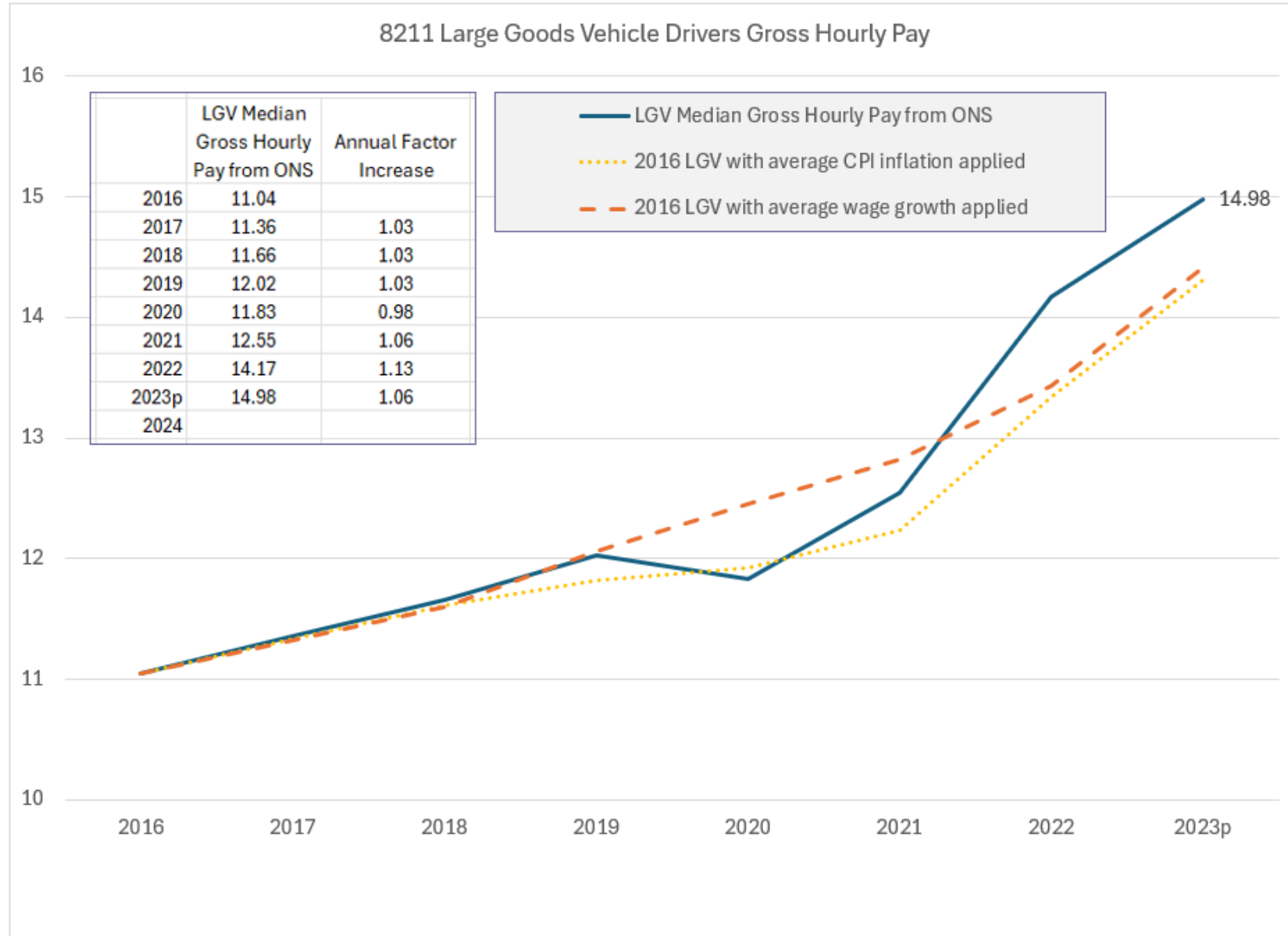




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HGV Driver Pay

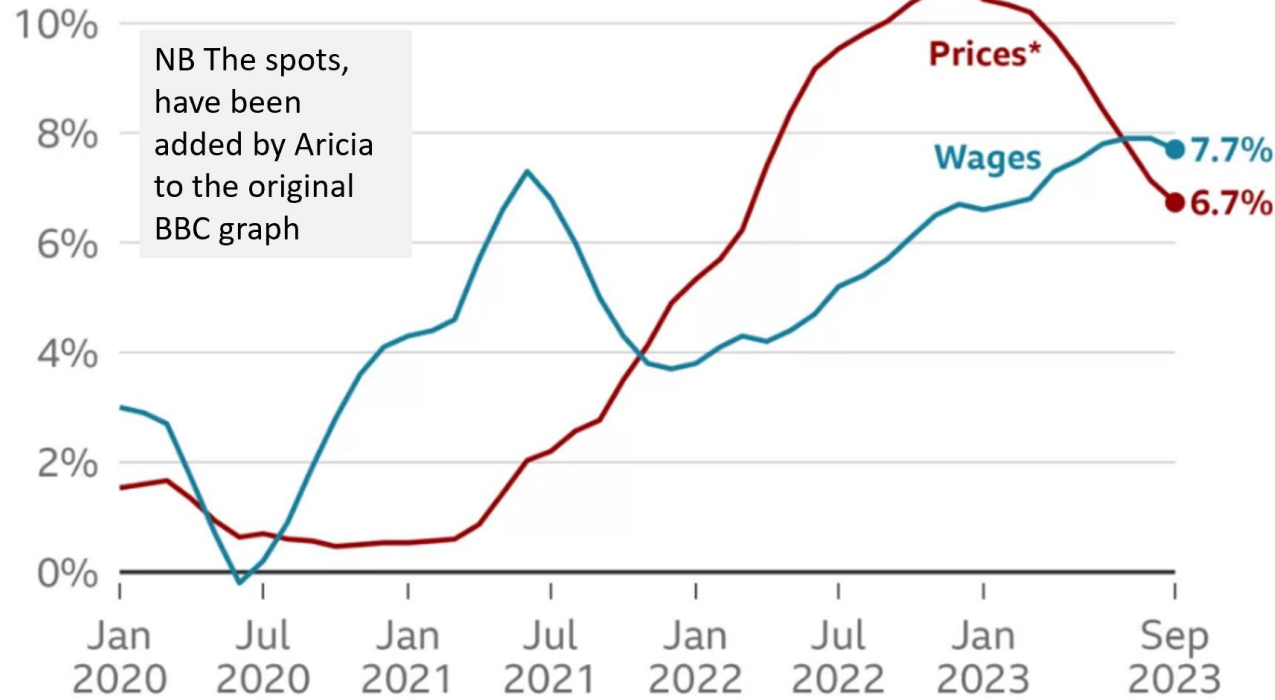
- > Large Goods Vehicle drivers have been paid c4.7% ahead of inflation over a span of seven years...
- > The past impact of Brexit, Covid & IR35 need to be borne in mind
- > There will continue to be upward pressure on wages generally from the large NLW increase in April
- > But the labour market continues to ease with less vacancies – both generally and in Transport & Storage
- > And there is **currently** a larger pool of drivers with DQCs



Wage growth & inflation

Wage growth overtakes inflation

Annual wage and price growth, three months to Sep 2023



- NLW for Apr 2024 = 9.8%
- Wage growth Mar 2024 = c5.6% Est
- CPI for Mar 2024 = 3.2%

* Prices averaged over three months to match wage growth indicator.

Source: Office for National Statistics



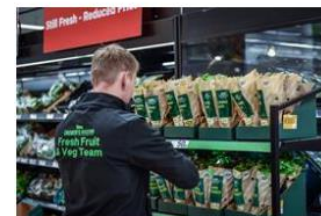
- > This BBC graph has been updated to make it as current as possible
- > There will be some impact from the National Living Wage increase, for example, retail pay has been rising fast over past month or so:



Holland & Barrett latest retailer to boost staff pay
 20 March 2024
 The pay rise would put H&B in a "strong position" against other high street retailers, H&B said



Co-op to boost staff pay to at least £12 an hour
 6 March 2024
 The move marks a record investment in staff wages for the Co-op, rising 10.1% from £10.90 to £12 an hour

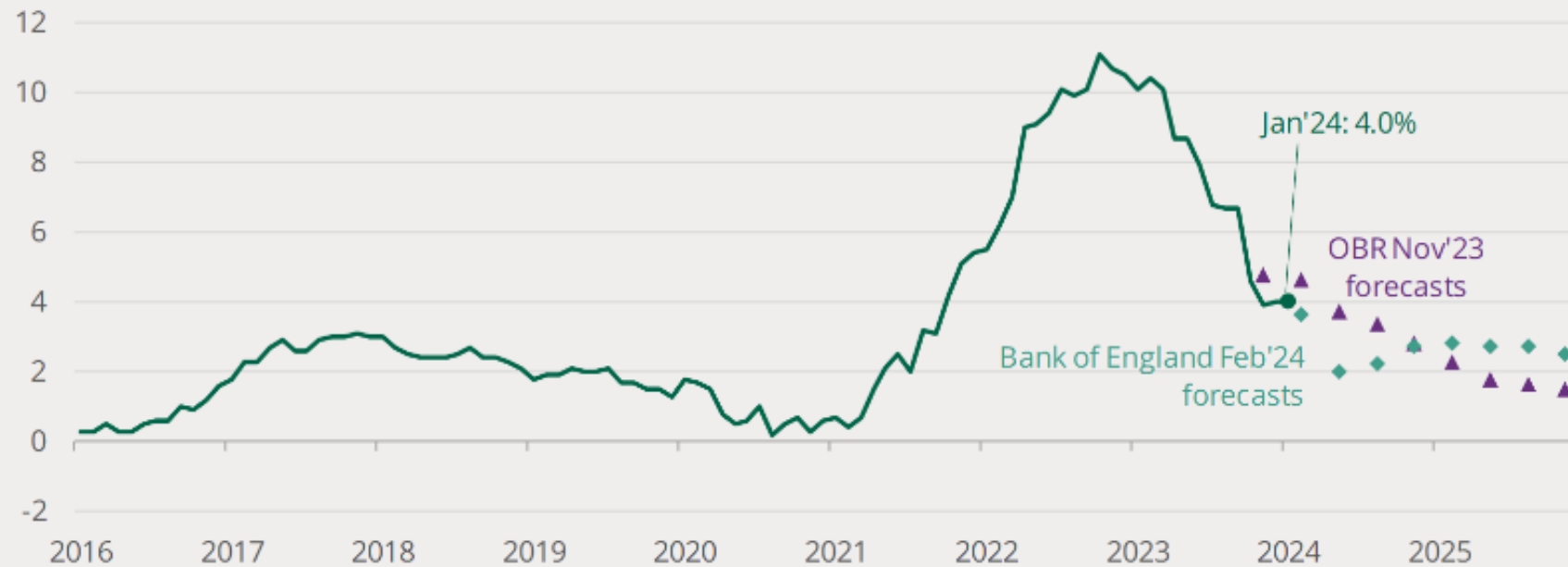


Asda announces new staff benefits as pay deal is accepted
 19 March 2024
 The Care Concierge benefit, managed by Legal & General, will offer workers assistance in later-life care for loved ones

Inflation forecasts

Inflation rate expected to fall further during 2024

%, annual change in consumer prices (CPI)

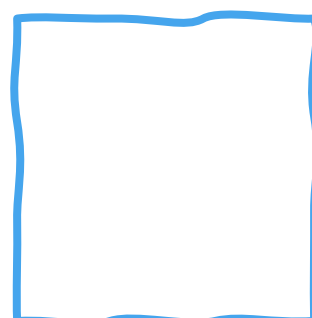
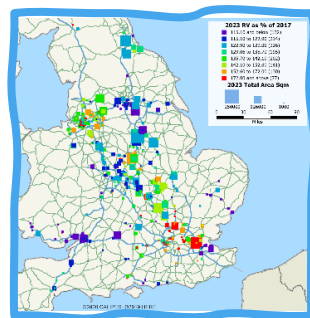
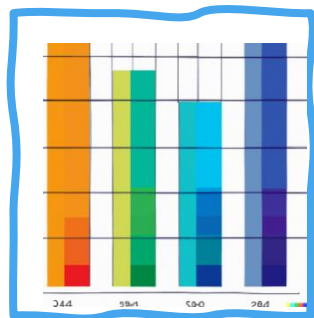


Sources: ONS monthly outturn data to Jan 2024; quarterly forecasts from OBR Nov'23 and Bank of England Feb'24, based on market interest rate expectations

- > Forecasting inflation isn't easy!
- > The Bank of England latest forecast in February is shown in green, along with the Office for Budget Responsibility's November forecast in purple
- > The BoE only produce a report every other Monetary Policy Committee meeting, so next BoE report not until May

SCALA 3PL Best Practice Forum – No 2

Thank you, any questions and over to Chris Clowes!



- > Always check you have most up to date version
- > GfK Consumer Confidence Index: <https://www.gfk.com/press/uk-consumer-confidence-remains-at-21-in-march>
- > IoD Business Confidence Index: <https://www.iod.com/news/uk-economy/iod-press-release-tentative-signs-of-economic-green-shoots-as-business-confidence-rises/>
- > S&P UK Manufacturing PMI: <https://www.pmi.spglobal.com/Public/Home/PressRelease/9885ef01f5544d11b7d84072583e5060>
- > BoE Mortgage Approvals via HoC Library: <https://commonslibrary.parliament.uk/research-briefings/sn02820/>
- > Change in real earnings: <https://commonslibrary.parliament.uk/research-briefings/cbp-8456/> with link through to ONS
- > Decline in living standards: <https://www.reuters.com/world/uk/uk-regular-wages-grow-62-3-months-december-2024-02-13/>
- > Increase in foodbanks: <https://commonslibrary.parliament.uk/research-briefings/cbp-8585/> with link through to Trussell report
- > Retail sales value v volume graph: <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/february2024>
- > IMRG including ecommerce webinars: <https://www.imrg.org/imrg-events/>
- > Imports & exports: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/february2024>
- > Heathrow air cargo: <https://www.heathrow.com/company/investor-centre/reports/traffic-statistics>
- > Retail sales inc internet data: <https://www.ons.gov.uk/releases/retailsalesgreatbritainfebruary2024>
- > Prologis 2016 report on ecommerce sqft (one off):
https://www.prologis.com/sites/corporate/files/documents/2017/02/Research_Whitepaper_Ecommerce_Impact_on_Logistics_Real_Estate.pdf
- > The Gazette – insolvency notices: <https://www.thegazette.co.uk/insolvency/notice>
- > TEG Road Transport Price Index: <https://transportexchange.com/road-transport-price-index/>
- > Job adverts by sector regularly published: <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/onlinejobadvertestimates>
- > Job adverts by role – Table 7: <https://www.ons.gov.uk/releases/labourdemandvolumesbystandardoccupationclassification2020ukjanuary2017tomay2023>
- > DVLA data for DQCs obtained by Freedom of Information request - happy to share
- > Motor Transport on DQC expiry: <https://motortransport.co.uk/warning-as-record-number-of-driver-cards-due-to-expire/18119.article>
- > LGV driver numbers by age and origin:
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/14398hgvdriversbynationalityand10yearagegroup>
- > LGV driver (and other pay) Table 14.5a:
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>
- > Past inflation – Table 23: <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>
- > Wage growth – more recent BBC graph from ONS data, split into private & public sector: <https://www.bbc.co.uk/news/business-67983212>
- > Current inflation: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/february2024>
- > Inflation forecasting included in: <https://commonslibrary.parliament.uk/research-briefings/cbp-9976/>
- > Agenda slides - Image Copyright: Reinaldo Lombardi