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Grant Thornton

Confidence returns to UK's logistics sector as growth prospects strengthen



A survey of over 100 senior executives in the UK's logistics sector has identified a significant increase in confidence throughout the first half of 2013, compared with the previous six months.

The bi-annual Logistics Confidence Index*, commissioned by business and financial advisers Grant Thornton UK LLP and Barclays, showed an overall confidence reading of 60.3 for the first half of 2013 - a 15% rise on the previous six months. The survey also points to a largely optimistic outlook for the remainder of the year, despite continued cost pressures and increased concerns over market volatility and legislative changes.

Operators appear cautiously optimistic that business conditions will remain stable over the coming months, rather than deteriorate any further. Over a third (35%) of respondents expect business conditions to further improve throughout the latter half of this year. A majority (71%) of executives forecast revenue growth over the next 12 months and over half (52%) anticipate an increase in profitability within the year.

This positive outlook is expected to drive capital expenditure in the sector, with nearly two-thirds (64%) of respondents looking to make a significant investment over the next six months. The optimism is also



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leading to stronger employment prospects in the sector, with 43% expecting to increase employee numbers within the next six months.

Operators' modest growth plans are underpinned by a focus on business development and winning new contracts, along with better management of their operating costs. Over one-fifth (21%) of respondents pointed to the growth of their current customers' business as their main source of new business won in the first half of this year, suggesting improvements in the broader UK economy are driving a tangible impact on prospects in the sector.

Margin pressures remain a major concern in the sector, with a majority suggesting to this to be the greatest challenge currently facing the industry. Moreover, the onset of the European Commission's 'Euro 6' regulations on diesel engine emissions looks set to put a further strain operating costs, with most executives suggesting they'll lead to higher maintenance costs and ultimately, higher fuel usage.

Steve Hammell, director in corporate finance at Grant Thornton in Yorkshire, said: "The UK's logistics sector is in many ways a barometer of the overall economy. The cautious optimism we're seeing in the sector supports much of the more recent economic data that has been published. Logistics companies seem to be adopting a pragmatic and proactive approach to growth, as reflected in their capital expenditure and employee plans; and are now seeing the benefits of the leaner operating models that were adopted over the last few years in response to economic conditions."

Exploring new sectors and service lines was noted as a core opportunity for the sector by respondents. Although around a quarter (24%) are actively reviewing or engaged in acquisition opportunities, respondents indicated less of a focus on consolidation and collaboration than in previous surveys. Rather, the focus on customer service and retention, with the aim of growing alongside clients as the economy recovers, is driving logisticians to introduce new value-added services to strengthen their market share.

Debbie Mullen, head of Yorkshire for Barclays Corporate, added: "The Logistics sector has been through a difficult few years as economic conditions have been challenging, therefore it is pleasing to see that the industry is looking forward to improved prospects. The industry is now well placed to help the economy continue to grow as we enter recovery mode, and with a number looking to explore new sectors and services lines, there is realisation of a need to adapt and continually improve."

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Notes to Editors:

*The UK Logistics Confidence Index is based on a twice yearly survey undertaken by specialist sector research agency Analytiqa for Grant Thornton UK LLP and Barclays. Respondents to the June 2013



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survey represent senior decision-makers (CEOs, CFOs, managing directors and finance directors), across the UK logistics sector. The H1 2013 report marks the third edition of the UK Logistics Confidence Index.

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