Date: 24 March 2014

Grant Thornton

UK's logistics sector registers a big leap in confidence, although pressure on margins remains a key challenge

The findings of the latest UK Logistics Confidence Index report a surge in confidence amongst the sector during the second half of 2013, compared to the previous six months. The bi-annual Index, commissioned by Barclays and Grant Thornton UK LLP, which surveyed over one hundred senior decision-makers within logistics businesses, recorded an overall confidence reading of 74.9, a leap of almost 25% on the previous six months and 43% year on year.

Following a promising start to the year, confidence in the sector continued to grow throughout 2013 and the latest figure marks the highest index rating and largest half-year increase since the survey was launched in H1 2012. However, the sector is still grappling with some big challenges as margin pressure,
customer demand, fuel costs and market volatility are cited as the greatest cause for concern over the next six months.

Of those surveyed, over three-fifths (61%) said that operating conditions were more favourable, compared to 26% in the first half of 2013. Only 7% stated that the current outlook had worsened with 32% saying that conditions had stayed the same. Looking ahead to the next six months, the majority of respondents believe the outlook is likely to improve further with over half (55%) expecting more favourable conditions. 35% believe it will stay the same and just 10% believe conditions will deteriorate.

In line with this more positive outlook, 84% of respondents expect their turnover to increase in the next year. Just under half (48%) are expecting an increase of 5% or more with 16% forecasting a rise of 10% plus, which is well ahead of the current UK inflation rate. Size does not appear to be a factor with regard to turnover expectations as the same percentage of larger and smaller operators (84%) are expecting an increase over the next year, up from 60% and 74% respectively on the first half of 2013.

Similarly, the rise in optimism translates into increased profit expectations with nearly three-quarters (73%) of logistics operators surveyed expecting a rise over the next twelve months. Over a third (38%) are forecasting a rise of 5% or more, with 16% anticipating an increase of 10% plus. Less than one in ten (9%) foresee a decrease in profitability, compared to 15% in the first half of 2013.

Investment intentions are also high for the vast majority of logistics businesses with three-quarters planning to invest profits in significant capital expenditure. Operators are looking to invest in fleets, infrastructure and technology in order to drive growth and competitiveness. A quarter of businesses say they are assessing acquisition opportunities which is broadly the same as in the previous six months.

Debbie Mullen, head of Yorkshire for Barclays Corporate, commented: “With the logistics sector a lead indicator on manufacturing and retail activity, the marked rise in confidence is an encouraging sign for the UK economy. For nearly a third of the industry, customers expanding their contracts are the main source of new business, up from a fifth in the previous six months. However, while confidence has improved, this is only the start of an upturn in the sector where challenges remain and margins continue to bite.”

Logistics businesses are also looking to take on more employees with half of operators planning to increase staff levels, up 6% on the previous year. This growing figure reflects the findings of the recent Barclays Employers Survey which also reported that 50% of logistics companies were looking to fill more roles over the next year.

However, major challenges persist for the sector with respondents reporting that continuing downward pressure on margins is still by far the biggest issue for the sector as customers continue to demand more for their money and also are very prepared to change service providers in order to get it. Another continuing challenge for the sector is the lack of qualified drivers and other skilled employees. The concern lies not only in attracting suitable talent but also in retaining skilled employees with the added
burden of trying to attract younger recruits to counter an ageing workforce, a particular problem for the sector.

Phil Whaley, director in corporate finance at Grant Thornton in Yorkshire, said: "Operators have entered 2014 on a strong footing, confident that the wider economic revival will continue to drive demand for logistics services. This momentum is encouraging for the sector, however the relatively high level of competition in the sector is putting continued pressure on margins. Operators would be wise to keep an eye on value-add opportunities which ingrain them deeper into supply chains and strengthen their roles as critical partners in clients' success."

-ends-

Photo shows: Phil Whaley, director in corporate finance at Grant Thornton in Yorkshire

For further information please contact:

Susan Reid on (01423) 56 99 99 or susan@appealpr.com for Grant Thornton

Ronan Kelleher
Media Relations, Barclays
T +44 20 7116 4325
M +44 7990 081776
E ronan.kelleher@barclays.com

Notes to editors:

About the report:

*The UK Logistics Confidence Index is based on a twice yearly survey undertaken by specialist sector research agency Analytica for Grant Thornton UK LLP and Barclays. Respondents to the November/December 2013 survey represent senior decision-makers (CEOs, CFOs, managing directors and finance directors), across the UK logistics sector. The H2 2013 report marks the fourth edition of the UK Logistics Confidence Index.

About Grant Thornton UK LLP:
Grant Thornton is one of the world’s leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward-thinking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 35,000 Grant Thornton people, across over 100 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work. The UK Grant Thornton member firm provides services to over 40,000 privately held businesses, public interest entities and individuals. It is led by more than 185 partners and employs more than 4,200 of the profession's brightest minds.

Find out more at www.grant-thornton.co.uk

About Barclays:

Barclays is a major global financial services provider engaged in personal banking, credit cards, corporate and investment banking and wealth and investment management with an extensive international presence in Europe, the Americas, Africa and Asia. Barclays’ purpose is to help people achieve their ambitions – in the right way.

With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs approximately 140,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

For further information about Barclays, please visit our website www.barclays.com