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Market Report

April 2025 | Europe

Market Report

Contents

Executive Summary

The global logistics market is undergoing significant shifts in 2025, shaped by economic uncertainties, regulatory changes, and evolving trade patterns.

While steady GDP growth is expected globally, with the IMF forecasting 3.3% expansion, the UK and European economies face moderate growth of 1.6% and 1.0%, respectively.

Freight markets are adapting to inflationary pressures, shifting supply chain strategies, and geopolitical risks, all of which are influencing capacity, rates, and demand dynamics across air, sea, road, warehousing, and contract logistics.

Key Market Trends

Ocean freight
Capacity growth slowing, SCFI down 17%, and rate volatility persists despite easing Red Sea diversions.

Air freight
Global tonnages up 5% YoY, but China-USA volumes fell 10% before recovering; eCommerce uncertainty continues.

Road freight
2% growth projected, but driver shortages (60% unfilled by 2026) and fuel costs remain key concerns.

Contract logistics
UK market to reach £100bn by 2034, with automation and digitalisation driving efficiency.

Warehousing
Capacity constraints, rising costs, and automation investments shaping the sector's growth.

	IMF JAN 2025			OECD DEC 2024		
	2024	2025	2026	2024	2025	2026
UK	0.9	1.6	1.5	0.9	1.7	1.3
France	1.1	0.8	1.1	1.1	0.9	1.0
Germany	-0.2	0.3	1.1	0.0	0.7	1.2
Eurozone	0.8	1.0	1.4	0.8	1.3	1.5
US	2.8	2.7	2.1	2.8	2.4	2.1
Japan	-0.2	1.1	0.8	-0.3	1.5	0.6
China	4.8	4.6	4.5	4.9	4.7	4.4
India*	6.5	6.5	6.5	6.8	6.9	6.8
Brazil	3.7	2.2	2.2	3.2	2.3	1.9
World	**3.2**	**3.3**	**3.3**	**3.2**	**3.3**	**3.3**

Note *For fiscal years (April-March)
Sources: IMF World Econ Outlook Jan 25. OECD Outlook Dec 24

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Market Summaries

OCEAN FREIGHT

The ocean freight market is navigating a period of transformation in 2025, influenced by regulatory shifts, evolving trade patterns, and shifting carrier alliances.

Meanwhile, global port congestion and Red Sea disruptions continue to impact schedule reliability, though diversions are beginning to ease.

Despite strong cargo demand in key regions and the EU Emissions Trading System increasing compliance costs, freight rates are under downward pressure, reflecting excess capacity and shifting market dynamics.

- Capacity growth slowing to 5% in 2025 after record vessel deliveries in 2024.
- Shanghai Containerised Freight Index (SCFI) down 17% since January, reflecting volatile rate conditions.
- 47 blank sailings announced, affecting Transpacific and Asia-Europe trade lanes.
- Potential Red Sea diversions easing could add 2 million TEU back into global circulation.

AIR FREIGHT

The global air freight market in February reflected shifting trade patterns and ongoing volatility, with regional disparities in demand and pricing. While total worldwide air cargo tonnages increased 5% year-on-year, performance varied across key routes. China to the USA volumes declined 10%, but rates showed signs of recovery later in the month.

Meanwhile, China to Europe remained resilient, with chargeable weight up 4% year-on-year, though Shanghai-Europe rates softened slightly. Uncertainty surrounding eCommerce, trade policies, and regulatory changes continues to shape market conditions.

- Global air cargo volumes up 5% year-on-year, led by strong Asia Pacific and Central & South America growth.
- China to the USA shipments fell 10%, with early rate declines but signs of recovery.
- Hong Kong spot rates rose 2.5% week-on-week, standing 12% higher year-on-year.
- London Heathrow indexed spot rates dropped nearly 8% week-on-week, reflecting weaker European outbound demand.

OVERLAND

The UK and European road freight markets are navigating a period of measured growth, with projections indicating a 2% increase in 2025. While cooling inflation and improved consumer spending support demand, structural challenges persist. Driver shortages, regulatory changes, and rising operational costs remain key concerns for freight operators.

Additionally, potential new US trade tariffs could affect European exporters, particularly in Germany and the Netherlands.

- European road freight market expected to reach €436.9 billion in 2025, reflecting a 2% growth rate.
- Driver shortages worsening, with unfilled positions potentially exceeding 60% by 2026.
- Contract freight rates rose by 2.8 points in Q4 2024, while spot rates saw only a 0.5-point increase.
- Adoption of digital technologies and sustainability initiatives expanding, helping to offset cost pressures.

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Market Summaries

CONTRACT LOGISTICS

The UK's contract logistics sector is on a steady growth trajectory, driven by eCommerce expansion and evolving supply chain complexities. As businesses seek greater efficiency and resilience, demand for outsourced logistics services, automation, and last-mile delivery solutions continues to rise.

Market consolidation is accelerating, with logistics firms investing in acquisitions and digital transformation to enhance service capabilities. However, rising operational costs and labour shortages pose ongoing challenges.

- UK contract logistics market projected to reach £100 billion by 2034, with a CAGR of 3.2%.
- Labour shortages and cybersecurity concerns slowing the adoption of new technologies.
- Omnichannel logistics strategies expanding, requiring greater investment in automation and AI-driven inventory management.
- Facility costs moderating, with annual increases slowing from 5.5% in 2024 to 3.7% in 2025.

eCOMMERCE

The UK and European warehousing markets are set for continued expansion in 2025, driven by eCommerce growth, supply chain optimisation, and increased automation.

Demand for high-quality logistics facilities remains strong, particularly in urban hubs, where limited space availability and rising rents are shaping investment strategies. However, labour shortages and rising operational costs continue to challenge the sector.

- European warehousing market projected to reach €95.9 billion by 2028, with a CAGR of 1.1%.
- UK warehouse market to hit $3.9 billion by 2025, maintaining its position as Europe's largest.
- Rental growth moderating to 3% annually through 2025-2026 after a 13.8% surge in 2023.
- Automation and sustainability investments increasing, as companies seek efficiency and regulatory compliance.

Ocean Freight

Introduction

The ocean freight market faces a period of transition in 2025, shaped by regulatory changes, shifting trade patterns, and alliance reshuffling. EU ETS expansion is adding compliance costs, while global port congestion and Red Sea disruptions affect reliability. Despite strong demand in key regions, freight rates continue to decline.

Situation

The ocean freight sector is undergoing significant change due to regulatory updates and market adjustments. The EU Emissions Trading System (ETS) has expanded, covering 70% of maritime emissions, raising surcharge costs.

Capacity growth is slowing to 5% in 2025, following a record 2024, while Red Sea diversions continue to disrupt schedules. Major carrier alliances are restructuring, with 2M ending, THE Alliance forming the Premier Alliance, and Gemini Cooperation launching in February 2025. Meanwhile, Shanghai Containerised Freight Index (SCFI) rates have dropped by 17% since January, reflecting ongoing rate volatility despite strong cargo volumes.

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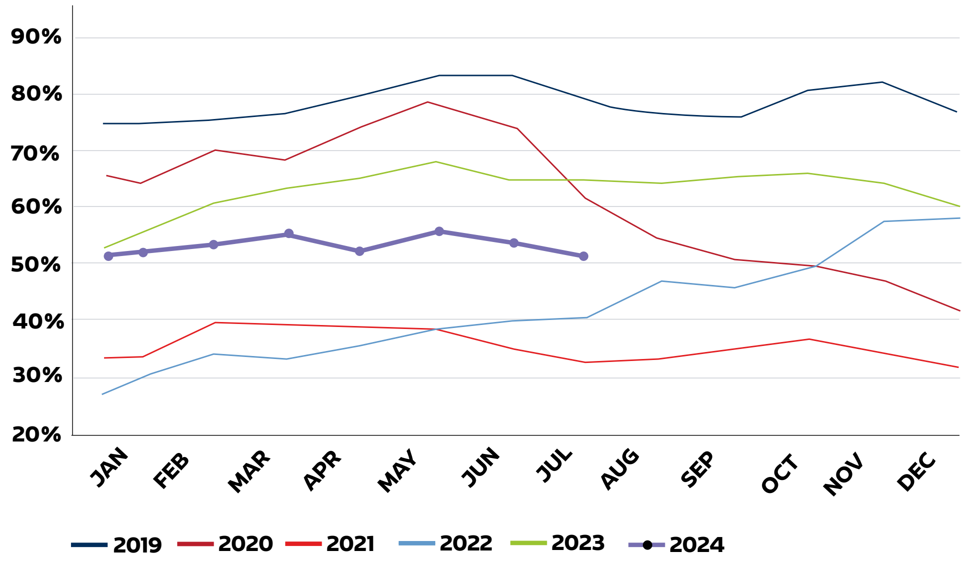
Market

Rate Volatility Persists Despite Capacity Expansion

Freight demand remains strong, but regional disparities persist. North America and India outperform, while Europe's sluggish economy affects exports. China's exports exceed expectations, driven by early shipments ahead of potential tariff increases.

Port congestion exceeds 10%, particularly in China, while only 0.2% of the liner fleet remains idle, highlighting tight vessel utilisation. 47 blank sailings (7% of scheduled trips) were announced for East-West trades through mid-April, with Transpacific routes hit hardest (43%). Schedule reliability is forecasted to drop, but 93% of vessels are still expected to sail on time. Red Sea diversions easing may add 2M TEU back into circulation, affecting rates and capacity dynamics.

Global Schedule Reliability



Source: Sea-Intelligence, GLP report

-3%
WCI
LOWEST LEVEL SINCE JAN 2024

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Rates

Trade Lane Imbalances Drive Market Uncertainty

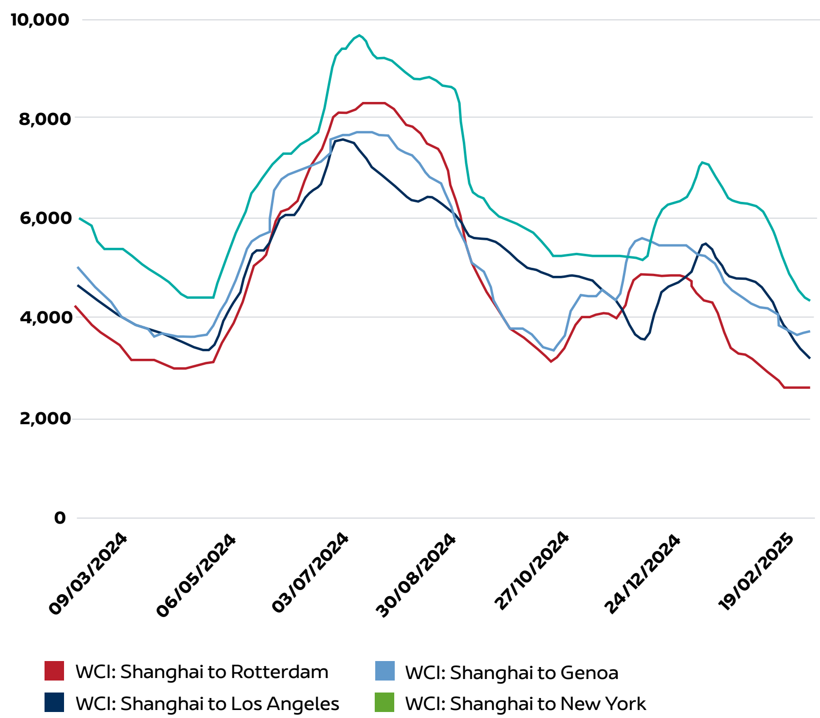
"Carriers are adjusting services, with blank sailings stabilising some routes."

Ocean freight rates continue to trend downward as increased capacity pressures pricing across major routes. The Drewry World Container Index (WCI) dropped 3%, marking its lowest level since January 2024. Rates remain 76% below pandemic peaks but are still 79% higher than 2019 pre-pandemic averages.

Trade lane variations persist, with Shanghai to Los Angeles and New York rates falling 9% and 6%, respectively, while Shanghai to Rotterdam saw a slight 2% increase. Rotterdam to Shanghai and New York rates also declined. With additional shipping capacity entering the market, further rate softening is anticipated, particularly on long-haul east-west routes.

Carriers are adjusting services in response to demand fluctuations, with blank sailings helping to stabilise rates in some corridors while rate unpredictability persists across global routes.

Drewry WCI: Trade Routes from Shanghai (US$/40ft)



Air Freight

Introduction

5% YoY

GLOBAL AIR CARGO TONNAGES

February's air freight market showed mixed trends across major trade lanes. Global volumes increased 5% year-on-year, and the global Baltic Air Freight Index remained 6% higher. While China to the USA shipments weakened earlier in the month, spot rates rose in recent days, whereas China to Europe rates fell slightly. ECommerce uncertainty and shifting trade policies continue to drive volatility.

Situation

Dynamic demand shifts across regions dominated February's air freight market. Global tonnages increased 5% year-on-year, but China to the USA shipments fell 10%, with spot rates initially declining 9%. However, more recent data shows rates on this lane recovering, with outbound Hong Kong spot rates rising 2.5% week-on-week and standing 12% higher year-on-year.

China to Europe remained more stable, with chargeable weight up 4% year-on-year. However, Shanghai-Europe spot rates softened in early March, falling 2% week-on-week while remaining nearly 3% ahead year-on-year. Meanwhile, European outbound rates to the USA and Japan declined, with London Heathrow spot rates dropping nearly 8% week-on-week. The market remains uncertain as potential trade restrictions and tariff adjustments create short-term volatility.

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Market

Air Cargo Manoeuvres Uncertain Market

"eCommerce uncertainty shaping air freight demand."

Global air cargo tonnages rose 5% year-on-year in February, led by 8% growth from Asia Pacific and Central & South America, with Europe and North America both up 4%. Middle East & South Asia volumes declined 6% due to last year's Red Sea-driven spike.

Despite early February weakness, recent data suggests demand recovery, with global tonnages rising for four consecutive weeks. Hong Kong outbound volumes increased, pushing rates 12% higher year-on-year. In contrast, outbound European rates to key markets declined, with Frankfurt down 1% week-on-week and London Heathrow falling 8%. Uncertainty surrounding tariffs and trade restrictions continues to influence global freight flows.

Global Origins

Last 2 to 5 weeks

	Capacity1			Chargeable weight1		
	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY
Africa		+0	+1		+2	+6
Asia Pacific		+0	+6%		+6	+13%
C & S America		-1%	+18%		+0	+5
Europe		-1%	+2		+1	+3
M East & S Asia		-1%	+2		+0	+9%
North America		-5	+1		-5%	+8
Worldwide		**-2%**	**+3%**		**+2**	**+9%**

Source WORLD ACD

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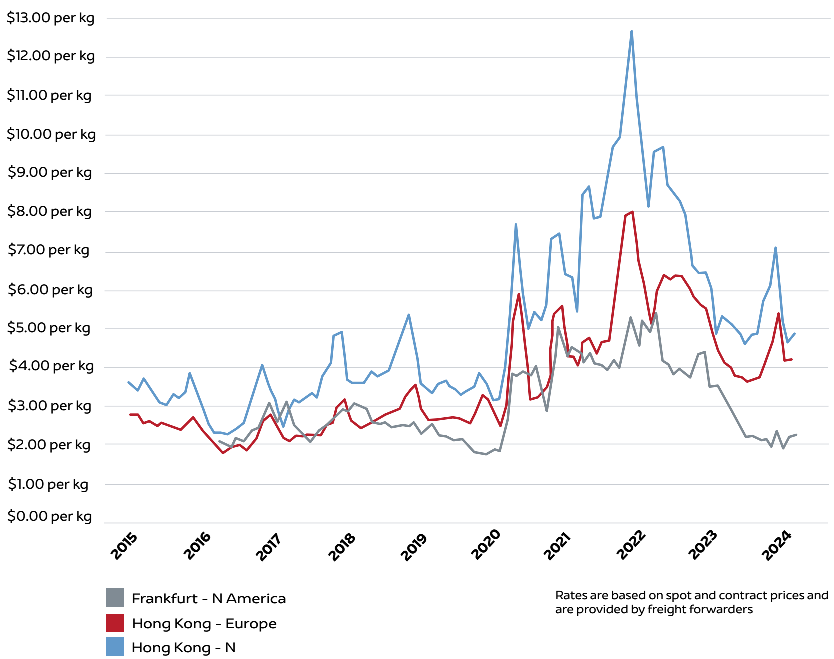
Rates

Regional Variations in Air Freight Performance

Air freight rates demonstrated resilience despite seasonal declines. Asia-US rates fell by 5% in January compared to December but remain 10% higher than January 2024. Asia-Europe spot rates, which softened by 6% month-on-month, remain 42% above their 2024 levels.

Transatlantic rates spiked sharply in late 2024 due to constrained capacity and held firm into early 2025. Long-term rate stabilisation will depend on how carriers navigate operational constraints and the cost pressures associated with sustainability initiatives.

Baltic Exchange Air Freight Index



Rates are based on spot and contract prices and are provided by freight forwarders

3%
YoY
SHANGHAI-EUROPE SPOT RATES HIGHER

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Overland

Introduction

The UK and European road freight markets are experiencing a period of cautious optimism. Forecasts indicate modest growth, with projections of a 2% increase in 2025. However, challenges such as driver shortages, economic uncertainties, and evolving regulatory landscapes continue to influence market dynamics and operational strategies.

Situation

The European road freight sector has shown resilience amid economic headwinds. In 2024, the market grew by 0.9% to €428.2 billion and is expected to accelerate by 2% in 2025, reaching €436.9 billion.

This growth is underpinned by cooling inflation and improved consumer spending. However, the industry faces significant challenges, notably a worsening driver shortage, with unfilled positions potentially exceeding 60% by 2026.

Additionally, rising operational costs, including fuel and toll expenses, are exerting pressure on profit margins. Companies are also navigating a complex regulatory environment, with new US trade tariffs under President Trump that could impact major economies like Germany and the Netherlands.

Despite these challenges, there is a growing emphasis on digital transformation and sustainability within the sector.

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Market

Resilient Cargo Demand Amid Policy Challenges

The European road freight market is projected to grow by €41.2 billion between 2025 and 2029, reflecting a compound annual growth rate (CAGR) of 1.8%. This expansion is driven by the sector's integral role in intermodal transportation and the adoption of digital technologies, including AI and IoT, to enhance operational efficiency.

However, the market is experiencing mixed trends. In Q4 2024, contract freight rates increased by 2.8 points quarter-on-quarter, while spot rates saw a modest rise of 0.5 points, indicating a cautious market sentiment amid economic uncertainties. The persistent driver shortage and rising costs continue to challenge the industry's capacity to meet growing demand.

"Despite growth, driver shortages and rising costs remain key hurdles."

€436.9 BILLION

EUROPEAN ROAD FREIGHT MARKET IN 2025

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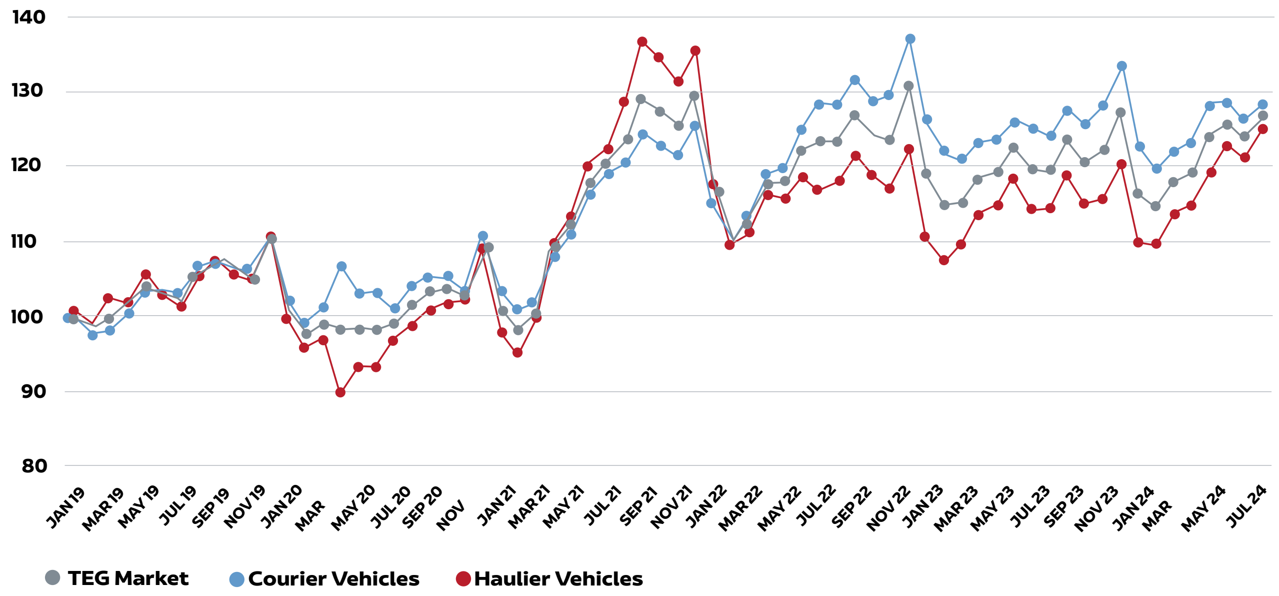
Rates

Digitalisation and Sustainability Shape Road Freight's Future

European road freight rates have experienced modest increases. In Q4 2024, the contract rate index rose by 2.8 points quarter-on-quarter to 128.9, although it remained 1.4 points lower year-on-year. Spot rates edged up by 0.5 points to 123.9 during the same period, but were down 1 point compared to the previous year.

These rate movements reflect the ongoing balance between subdued demand and escalating operational costs, including fuel and labour expenses. Despite these challenges, the market's gradual recovery and the adoption of digital technologies are expected to support rate stability in the medium term.

TEG Road Transport Index



60% UNFILLED DRIVER SHORTAGES BY 2026

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Contract Logistics

Introduction

The UK's contract logistics sector continues to expand, supported by the rapid rise of eCommerce and increasingly complex supply chains. Forecasts indicate the market will reach approximately £100 billion by 2034, reflecting a compound annual growth rate (CAGR) of 3.2% from 2025 to 2034. However, rising operational costs remain a key challenge.

Situation

Recent trends show that the steady growth of the UK's logistics industry is driven by the booming eCommerce sector, which has heightened demand for streamlined supply chain solutions and last-mile delivery networks. At the same time, market consolidation is intensifying, as logistics firms pursue acquisitions to enhance their digital capabilities and strengthen supply chain resilience.

However, labour shortages continue to pose challenges, while the transition to automation and digital solutions is accelerating, with over 86% of logistics operators planning to integrate new technologies despite concerns over cybersecurity and implementation costs.

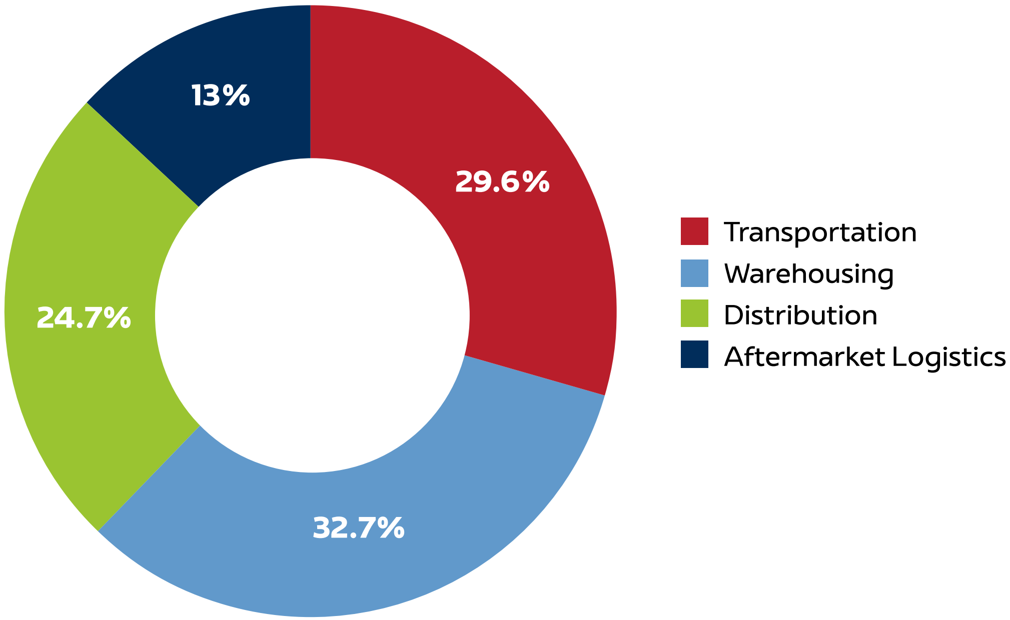
Market

eCommerce Growth Continues to Drive Logistics Expansion

Industry projections suggest that the UK's contract logistics market will grow at a CAGR of 3.2% between 2025 and 2034, reaching a total value of £100 billion. This sustained expansion reflects the increasing demand for tailored logistics services, particularly in response to eCommerce-driven supply chain complexities.

Additionally, the sector is witnessing wider adoption of automation, AI-driven inventory management, and sustainable logistics practices, helping companies enhance efficiency while reducing environmental impact. Meanwhile, the shift towards omnichannel distribution strategies is prompting logistics providers to diversify service offerings, ensuring adaptability to evolving customer expectations.

Contract logistics market by service



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Rates

Automation and Investment Reshaping the Logistics Landscape

Facility acquisition activity within the UK's logistics sector remains strong but stabilising, with investment continuing in high-quality industrial and warehousing developments. Following record-high price hikes in 2022, growth is now moderating, with average annual increases of 5.5% in 2024, projected to slow further to 3.7% in 2025.

Meanwhile, investors and developers are shifting their focus towards strategic acquisitions to meet the changing demands of occupiers, particularly in urban logistics hubs. Despite rising operational costs, the long-term outlook for contract logistics remains positive, supported by the continued expansion of eCommerce and the growing complexity of supply chains.

"Companies are investing in automation and digital solutions to enhance efficiency and resilience."

3.2%
UK CONTRACT LOGISTICS MARKET CAGR

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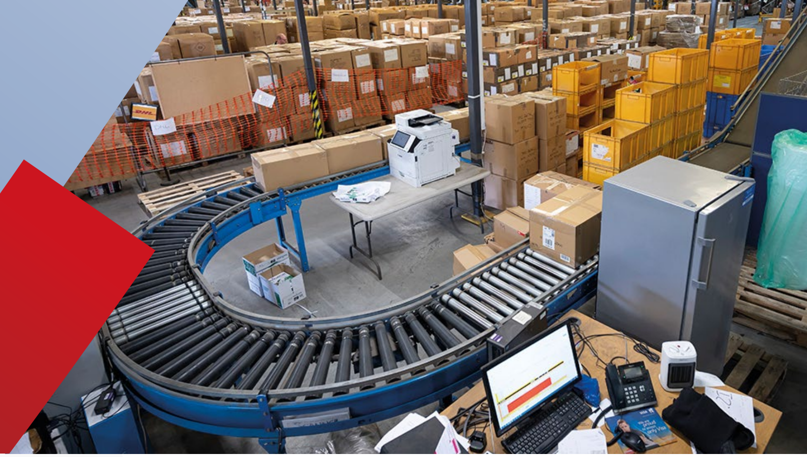


Warehouse

Introduction

The UK and European warehousing markets are poised for steady growth in 2025, driven by the eCommerce boom and supply chain restructuring. However, challenges such as limited space availability and rising operational costs persist, necessitating strategic adaptations by industry stakeholders.

Situation

In 2025, the European logistics property market is expected to experience steady investment and occupier demand, with a focus on high-quality developments and a moderation in rental growth. Investors and developers are likely to prioritise strategic acquisitions and developments that meet evolving occupier needs and sustainability standards.

Additionally, the UK's warehousing market is projected to reach $3.9 billion by 2025, making it the largest in Europe. However, the sector faces challenges, including rising operational costs, labour shortages, and the need for technological advancements to enhance efficiency.

"Sustainability initiatives are gaining momentum."

Market

Warehouse Market Faces Rising Costs and Space Constraints

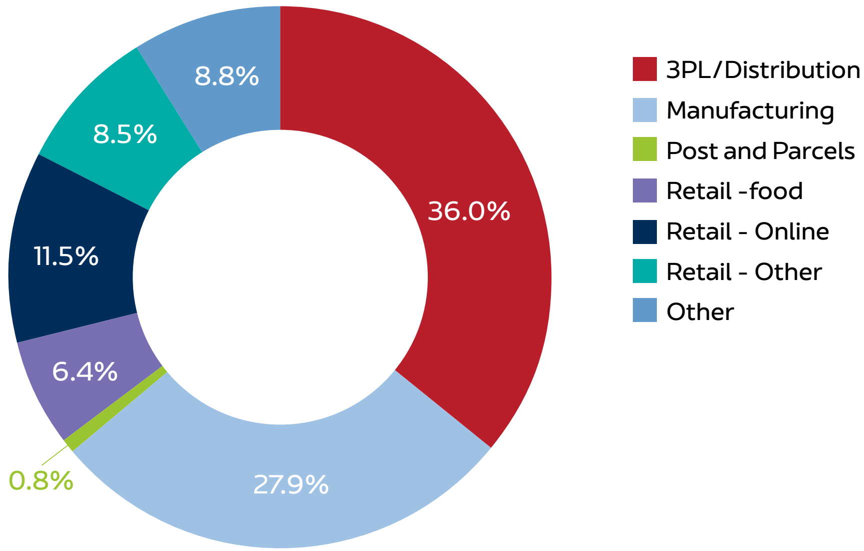
The European warehousing market is projected to grow at a compound annual growth rate (CAGR) of 1.1% from 2023 to 2028, reaching €95.9 billion by 2028.

The UK leads in warehouse automation, with its market expected to reach $3.9 billion by 2025. However, the sector faces challenges such as labour shortages and rising operational costs, prompting investments in automation and technology to enhance efficiency. Additionally, sustainability initiatives are gaining momentum, with companies adopting eco-friendly practices to meet regulatory requirements and consumer expectations.

"Automation and sustainability investments are shaping the future of warehousing."

13.8%
AVERAGE EUROPEAN LOGISTICS RENTAL GROWTH IN 2023

UK Warehousing take-up by sector



Source: United Kingdom Logistics Q4 2023, CBRE, Feb 2024

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Rates

Macroeconomic Trends Reshaping Logistics Strategies

European logistics rental growth has started to show signs of slowing, with prime logistics rents averaging a 13.8% increase over the twelve months to Q2 2023.

Despite this moderation, rental rates remain elevated due to limited supply and sustained demand. For instance, in the UK, prime logistics rental growth averaged 13.8% over the twelve months to Q2 2023.

Looking ahead, rental growth in the sector is projected to be approximately 3% per annum through 2025 and 2026, supported by structural growth drivers. However, rising operational costs, including labour and energy expenses, may exert pressure on profit margins, necessitating strategic cost management by operators.

1.6%
IMF
PROJECTS UK GDP GROWTH

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SOURCES
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Mordor Intelligence | Reuters | Supply Market Insights | TAC Index | Trans.Info | Transport Intelligence | WorldACD