noatum logistics

Market Report

August 2025 | Europe

Market Report

Contents

noatum logistics

Executive Summary

Global trade gained short-term stability as the United States and China extended their suspension of tariff increases until November, providing clarity for importers and encouraging potential front-loading of shipments. However, the truce remains temporary, with tariff risks persisting.

Economic forecasts improved, with the IMF upgrading global growth to 3% for 2025 and 3.1% for 2026. The UK is set to be the third-fastest growing advanced economy. Inflation is easing globally, though the US remains elevated.

The J.P. Morgan Global PMI Composite Output Index rose to 52.4 in July from 51.7 in June, its highest level since December. The reading signalled continued expansion, consistent with annualised global GDP growth of 2.7% in July, up from 2.0% in Q2, though still below the pre-pandemic decade average of 3.1%.

Key Market Trends

Ocean freight

US-China tariff pause stabilises flows; Asia–Europe congestion worsens while transpacific rates weaken.

Air freight

July rebound on tariff front-loading; Asia-Europe strengthens as Southeast Asia softens and transatlantic holds firm

Road freight

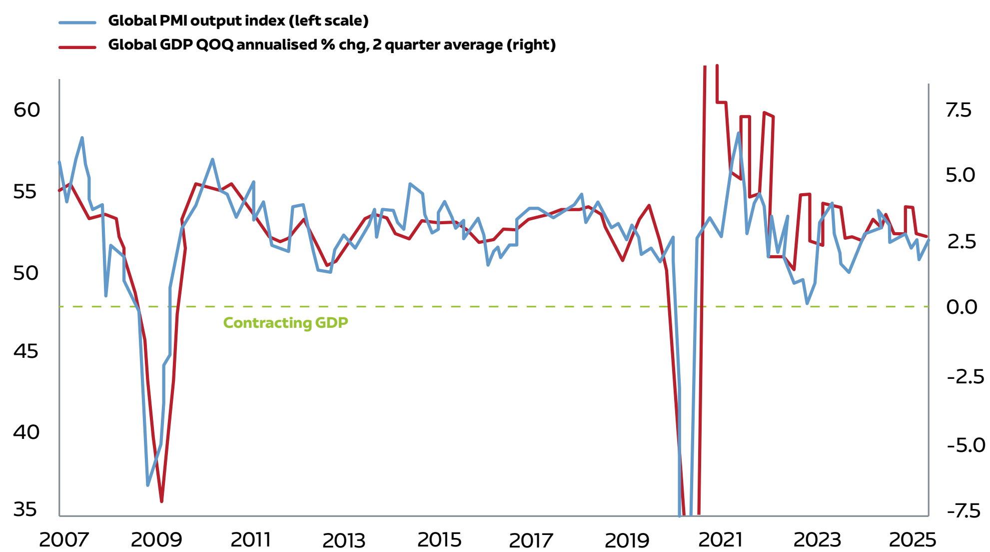
Capacity tightens unexpectedly; TEG Index rises as demand for smaller trucks surges and spot rates soften.

Contract logistics

UK duty threshold review reshapes fulfilment; eCommerce, automation, and sustainability continue driving long-term market growth.

Warehousing

Costs diverge globally; UK demand resilient as London remains world's most expensive warehousing market.



Data compiled August 4 including PMI data to July 2025.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month.

noatum logistics

Market Summaries

OCEAN FREIGHT

Ocean freight markets remain unsettled. The US–China tariff pause has steadied flows but not triggered a cargo rush, while Asia–Europe congestion worsens as weekly capacity volatility more than doubles since pre-pandemic levels. Transpacific lanes weaken, contrasting with surging demand into South America's East Coast. Rising bunker costs add further strain.

- Asia–Europe capacity volatility up 30% vs pre-pandemic
- East Coast South America rates up 122% in four weeks
- Transpacific West Coast rates down 6% since July
- Bunker prices rising month on month

AIR FREIGHT

Air cargo volumes rebounded in July after June's slowdown, lifted by tariff-related front-loading and mode shift from ocean to air. Asia–Europe demand strengthened while Southeast Asia softened. Transatlantic rates held firm on tight capacity, and global pricing was stable, with divergence across lanes reflecting uneven demand and redeployed freighters.

- Global volumes climb 5% YoY in July after June's 1% rise
- China/Hong Kong–Europe volumes up 15% YoY in June
- Transatlantic rates are 20% higher YoY
- Southeast Asia–Europe rates fall over 20% YoY

OVERLAND

European road freight pricing defied seasonal norms in July, with the TEG Index rising as capacity tightened. Demand surged for smaller trucks, while articulated supply contracted. Eurozone manufacturing edged towards expansion, improving the outlook, though H1 spot rates softened further while contract rates held firm in a stable cost environment.

- TEG Index up 0.6% in July, contrary to trend
- 7.5-tonne demand up 13.6%; articulated supply down 8.4%
- Spot rates down 2.2% QoQ, lowest since 2023
- 426,000 unfilled driver vacancies in Europe

Market Summaries

CONTRACT LOGISTICS

UK contract logistics is being reshaped by potential duty threshold reform, which would shift fulfilment strategies towards bulk import, domestic storage, and local fulfilment. Government spending commitments and eCommerce growth continue to drive demand, while labour shortages, automation, and sustainability initiatives shape long-term competitiveness in a fragmented but consolidating market.

- UK contract logistics CAGR forecast to grow 3.2% to 2034
- eCommerce exceeds 36% of UK retail sales
- £113bn UK Spending Review boosts logistics investment
- Automation market to reach £4.4bn by 2033

WAREHOUSING

Warehousing costs diverged globally in 2025. Europe remains structurally expensive despite slight easing, North America saw softening, and Asia Pacific stayed stable. UK demand continues to expand, with London the world's costliest market. Rising energy and labour costs offset slower rental growth, sustaining pressure on occupiers and shaping investment appetite.

- UK warehousing footprint grows over 60% in past decade
- Prime rents up 4.6% in 2024; with another 4% expected in 2025
- London occupancy costs near £45 per sq ft
- UK electricity costs climb 75% since 2021

noatum logistics

Ocean Freight

Introduction

Global ocean freight entered August under mixed conditions, with tariff pauses stabilising sentiment but capacity volatility persisting across key East–West trades. Seasonal adjustments, port congestion, and evolving carrier strategies continue to influence rates, while shifting capacity deployment is reshaping competitive dynamics on transpacific, Asia–Europe, and South American corridors.

Situation

The 90-day extension of current US-China tariff levels has eased immediate trade disruption, with no repeat of the early-summer cargo rush. Carriers are now facing oversupply on transpacific routes as earlier capacity additions outpace demand, prompting fresh blank sailings. Asia-Europe trades remain stronger, though worsening congestion in Northern Europe persists.

Weekly capacity volatility on Asia-Europe services has more than doubled since pre-pandemic levels, creating "lumpy" cargo flows and operational strain at ports. Service reinstatements and loop realignments, including sustainable vessel deployments signal moves towards normalisation, yet seasonal demand, geopolitical risks, and capacity shifts keep conditions fluid.

Market

Capacity volatility challenges stability

Capacity management remains a critical factor as carriers balance restoring services with avoiding oversupply. Since 2021, weekly capacity volatility on Asia-Europe trades has more than doubled, exacerbating congestion and terminal inefficiencies. Transpacific trades face sharper imbalances, with West Coast oversupply weighing heavily on spot rates.

Global demand momentum is softening, with PMI data indicating weaker growth into Q3 following geopolitical tensions and tariff deadlines. Intra-Europe volumes remain resilient, while East Coast South America demand continues to push rates sharply higher.

Carriers are adjusting loops and reinstating services to improve reliability, including new transpacific and transatlantic capacity, sustainable vessel deployments, with the return of an India-Mediterranean service to the Suez Canal. These moves are aimed at alleviating bottlenecks and shortening transit times.

Over four weeks East Coast South America spot rates increased over 120%, which contrasts sharply with the persistent declines seen on the transpacific. Meanwhile, an almost 30% increase in weekly capacity volatility on Asia–Europe trades (since pre-pandemic levels) is driving operational strain.

Asia-NEUR Weekly Capacity Volatility 52 week rolling window

120%
SURGE IN EAST COAST SOUTH AMERICA SPOT RATES

30%
RISE IN ASIA–EUROPE WEEKLY CAPACITY VOLATILITY

noatum logistics

Rates

Rate declines steady but uneven

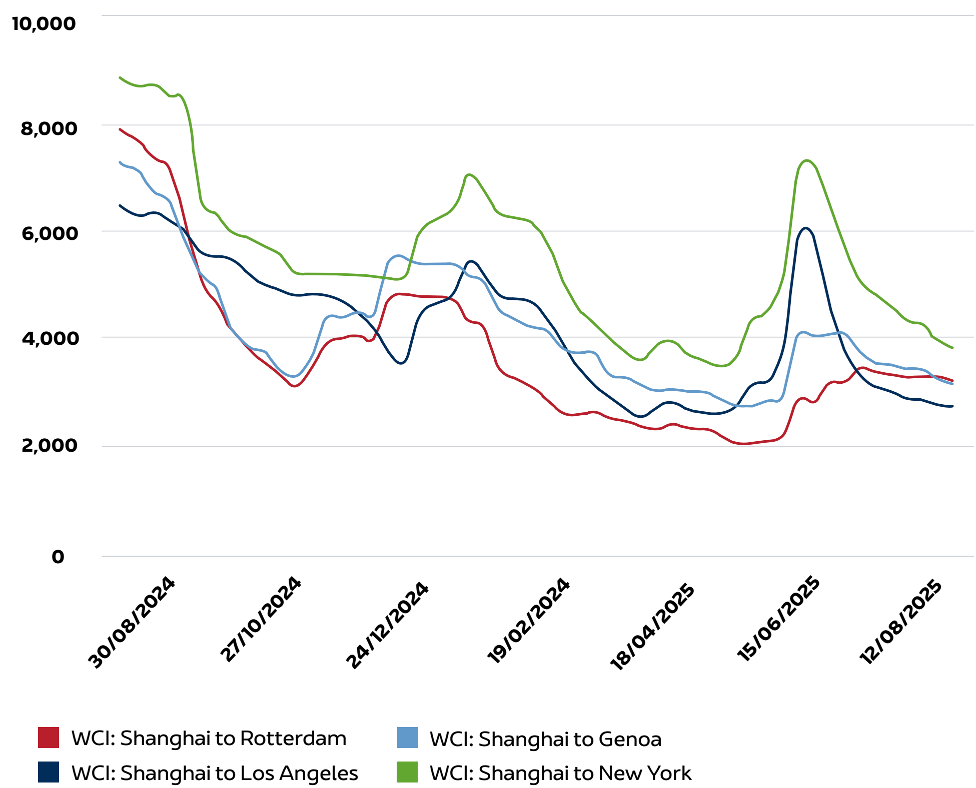
"Rates are falling more slowly, but instability across trades shows how fragile the balance between supply and demand remains."

Spot rates are softening across most main trades, though the pace of decline has slowed since July's sharp corrections. Far East–US West Coast rates have fallen around 6% since late July, now sitting near their lowest since late 2023. East Coast rates are down almost 13%, while Mediterranean lanes have slipped over 8%.

The extended tariff pause between the US and China has had a stabilising effect, preventing sudden surges or collapses. However, anticipated capacity increases in coming weeks could pressure Asia–Europe rates unless demand strengthens unexpectedly.

The 18.3% fall on Far East–South America West Coast routes marks the steepest recent drop outside transpacific trades. While the most recent 3% weekly fall in Drewry's WCI reflects nine consecutive weeks of decline, signalling a fragile supply–demand balance likely to remain sensitive to political and capacity shifts in the months ahead.

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



noatum logistics

Air Freight

Introduction

While July closed out with a 2% drop in global volumes, global air cargo demand gained momentum with a year-on-year (YoY) expansion of 6%, driven by tariff-related front-loading and modal shift. Rates remained largely stable on many lanes, with capacity adjustments between regions and seasonal belly-hold expansion shaping market conditions.

Situation

June's global air cargo volumes grew less than 1% year on year, the slowest pace of 2025, as tariffs dampened trade flows. July brought a sharp reversal, with tonnages up 8% month on month and around 5% above last year, returning growth to levels seen earlier in the year.

Asia–Europe flows led the recovery, particularly from China and Hong Kong, while Southeast Asia–Europe remained weaker. Transatlantic rates stayed firm, supported by seasonal passenger belly-hold capacity, while Asia-US saw mixed trends. Middle East carriers restored regional services but continued longer routings to avoid restricted airspace. Shifting capacity allocations between regions kept utilisation steady despite uneven demand.

noatum logistics

Market

Front-loading lifts volumes after June dip

"July's rebound was driven less by trade recovery and more by shippers racing to stay ahead of tariffs."

July's 5% year-on-year volume growth contrasted sharply with June's near-flat performance, reflecting a surge in tariff-related front-loading and a short-term shift from sea to air. The 8% month-on-month rise lifted the dynamic load factor back to 58%, reversing the drop recorded a month earlier.

Asia–Europe lanes benefitted most, with China and Hong Kong volumes climbing roughly 15% year on year to their highest 2025 level, boosted by eCommerce and high-value shipments. Intra-Asia demand strengthened on supply chain diversification, while Southeast Asia–Europe trades fell as capacity shifted to stronger lanes. Transatlantic corridors posted gains in both directions, supported by seasonal demand and tighter capacity.

Despite the rebound, global 2025 growth forecasts have been cut to under 1%, down from earlier estimates of over 5%. The near-term outlook remains tied to tariff developments and the approaching end of the US de minimis exemption, which may trigger further pre-deadline shipments.

Global Origins

Last 2 to 5 weeks

	Capacity[1]			Chargeable weight[1]			Rate[1]		
	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY	Last 5 wks	2Wo2W	YoY
Africa		-2%	+6%		-3%	-0%		-1%	+4%
Asia Pacific		+1%	+5%		-1%	+8%		+1%	-3%
C & S America		+2%	+1%		-1%	+5%		+1%	-2%
Europe		-0%	+5%		+3%	+3%		-1%	+4%
M East & S Asia		-1%	+2%		-1%	+1%		+0%	-12%
North America		+0%	+11%		-2%	+2%		+2%	+0%
Worldwide		**-0%**	**+5%**		**-0%**	**+5%**		**+0%**	**-2%**

Source WORLD ACD

noatum logistics

Rates

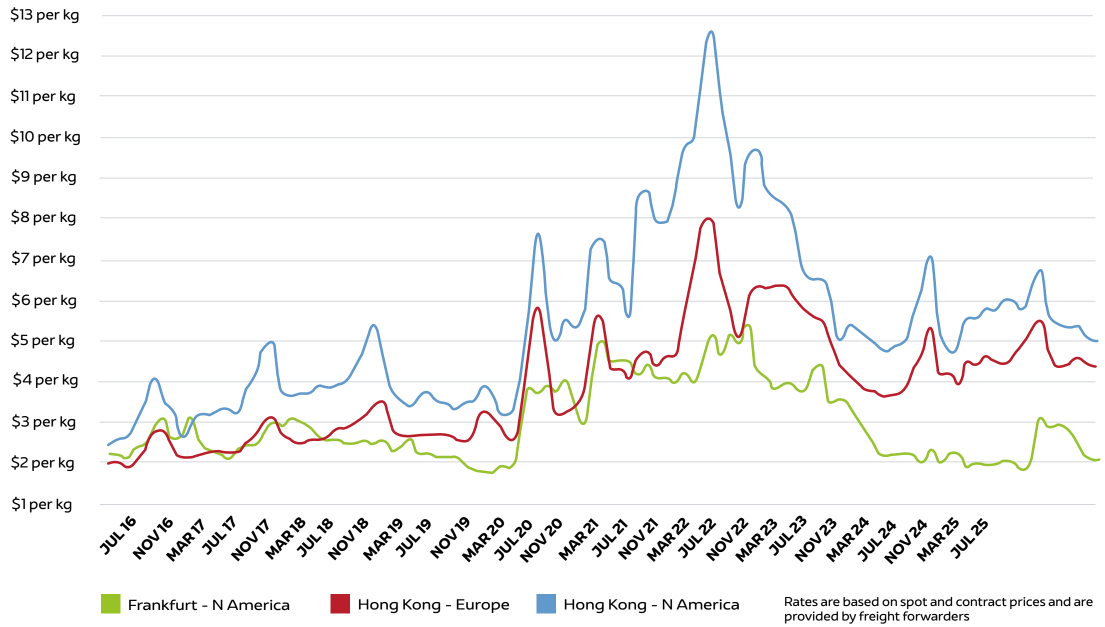
Stable overall, with lane divergence

Global air freight rates were steady in July, with the Baltic Air Freight Index (BAI00) rising about 1.5% month on month but remaining below last year's levels. Seasonal passenger belly-hold capacity, especially on transatlantic routes, helped cap upward pressure.

Asia-Europe prices held firm, supported by eCommerce flows and freighter redeployment. Southeast Asia-North America saw notable declines as earlier constraints eased, while Northeast Asia-North America stayed resilient on strong technology exports. Transatlantic rates rose modestly in both directions, reflecting capacity constraints and front-loading.

From London, rates climbed nearly 3% month on month and nearly 30% year on year, while from Hong Kong to Europe there was a slight 0.7% increase, with rates on the route down just over 2% down on a year ago. The end of the de minimis duty exemption on 27 August is likely to spur further short-term rate support on affected lanes before seasonal softness returns.

Baltic Exchange Air Freight Index



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

30% YoY INCREASE IN LONDON OUTBOUND RATES

noatum logistics

Overland

Introduction

European road freight is showing mixed signals as stabilising manufacturing contrasts with weaker consumer sentiment. While diesel prices remain lower year on year, recent rebounds and ongoing driver shortages continue to pressure costs. Demand remains the decisive factor, with short-term easing but medium--term recovery expected, particularly from improving retail activity.

Situation

Demand pressures eased in Q2, but a rebound is expected as retail and manufacturing stabilise. Eurozone factory output expanded in June for the first time since 2022, with the PMI edging up to 49.5, just shy of growth territory.

UK diesel prices are set for a second month of increases, while European diesel prices fell by 6.4% compared to Q1. Truck maintenance costs rose slightly and wages increased by 4.5%. Overall overheads remain stable.

In Northern Ireland, strict new rules under the Windsor Framework have disrupted trade, with nearly a third of transport firms reporting falling volumes. Businesses remain cautious, with weak retail sentiment limiting demand for contract haulage.

noatum logistics

Market

Seasonal norms disrupted

While UK operators face rising wage, NI and diesel costs, cost pressures on European carriers are subsiding, with falls in diesel prices offsetting increases in wages and operating costs. Thus, the biggest factors driving performance are demand side related.

Demand for articulated transport increased by 5% during July, while supply fell by 8% and demand for 7.5 tonne capacity rose over 13%, while capacity fell by 1%.

Limited vehicle availability appears to be the most likely cause of any price increases, and while supply and demand ultimately dictate rates, several variables shifted both. Fuel costs edged higher, adding pressure, with ongoing driver shortages, seasonal leave, and tariff-related distortions tightening capacity.

Grocery and essential goods demand supported baseline volumes. Automotive output, by contrast, slumped, reflecting tariff uncertainty. While sentiment remains cautious, fundamentals are improving, and a retail rebound could bring medium-term upward pressure on contract rates.

"July saw diesel and petrol prices increase following a period of relative stability."

13.6%
JULY DEMAND GROWTH FOR 7.5-TONNE TRANSPORT

5%
JULY DEMAND GROWTH FOR ARTICULATED TRANSPORT

noatum logistics

Rates

Spot rates slip as contracts hold firm

July road freight pricing defied seasonal trends for a second month, with the TEG Price Index rising by 0.6% when it typically falls. Haulage index prices are nearly 5% higher than a year earlier.

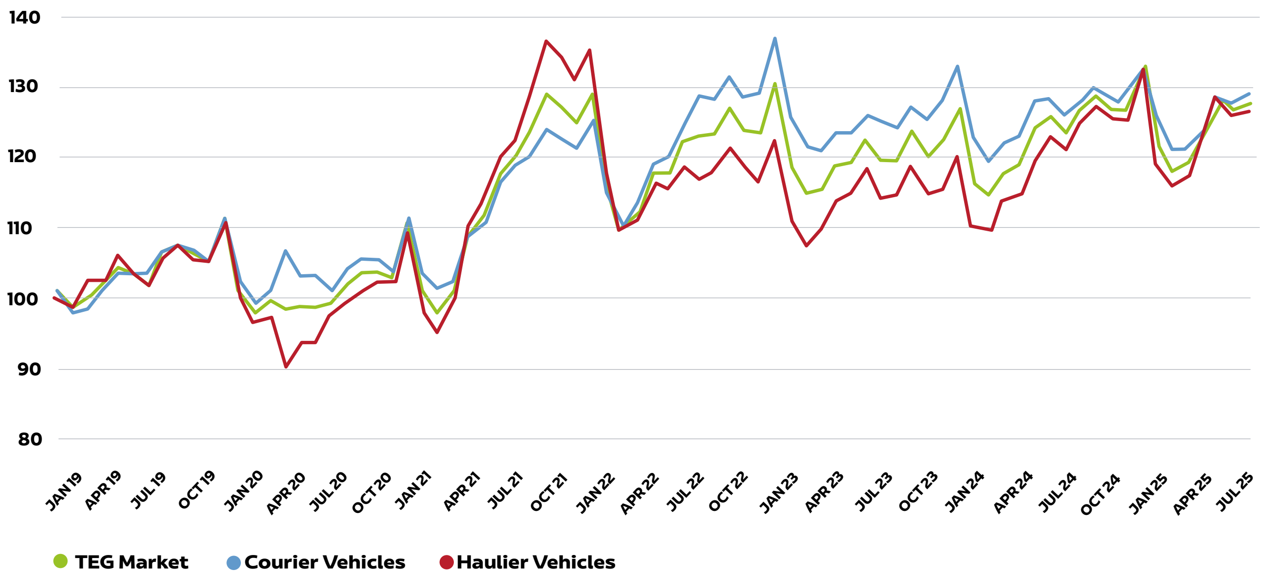
The Upply x Ti x IRU study on European road freight shows rates converging in Q2, with both spot and contract benchmarks meeting at the same index level. Spot rates fell by just over 2% quarter on quarter, their lowest since late 2023, while contract rates edged 1% higher, highlighting weaker short-term demand but firmer long-term agreements.

Trades by road between Germany, France, Poland, Italy and Spain are showing a rebound from December 2024. However, in a year-to-year comparison, international tonnage exchanges between these economies are lower in 2025 compared to 2024.

Looking ahead, stabilising manufacturing and recovering retail activity could drive gradual contract rate increases. While spot rates remain pressured by soft consumer sentiment IRU members expect a slight increase in the next quarter.

0.6%
JULY RISE IN THE TEG INDEX DEFIED NORMAL SEASONAL PATTERNS.

TEG Road Transport Index



Contract Logistics

Introduction

The UK contract logistics sector is navigating policy shifts, cost pressures, and rapid digital adoption. With eCommerce expansion, manufacturing specialisation, and infrastructure investment fuelling demand, operators must also address labour shortages, sustainability goals, and regulatory complexity. Market consolidation and technological integration are reshaping service models in an increasingly competitive environment.

Situation

The UK is reviewing its £135 duty threshold, with potential removal set to reshape logistics flows.

Lower-value imports currently fulfilled directly from China may instead shift to bulk shipping, local storage, and domestic fulfilment, creating new demand for UK warehousing and contract logistics capacity.

The US has already eliminated its $800 exemption, while the EU plans to phase out its €150 threshold by 2028, intensifying pressure on UK policymakers. If adopted, the changes could encourage Chinese retailers to invest directly in UK supply chains.

Political and fiscal priorities, combined with retailer lobbying, suggest a greater likelihood of reform ahead.

noatum logistics

Market

Growth and transformation drivers

Government spending commitments of £113 billion on infrastructure, energy, defence, and transport will stimulate demand for industrial real estate and logistics support, particularly around defence hubs. The UK contract logistics market is forecast to grow at a 3.2% CAGR to 2034, underpinned by eCommerce, which now accounts for over a third of retail sales.

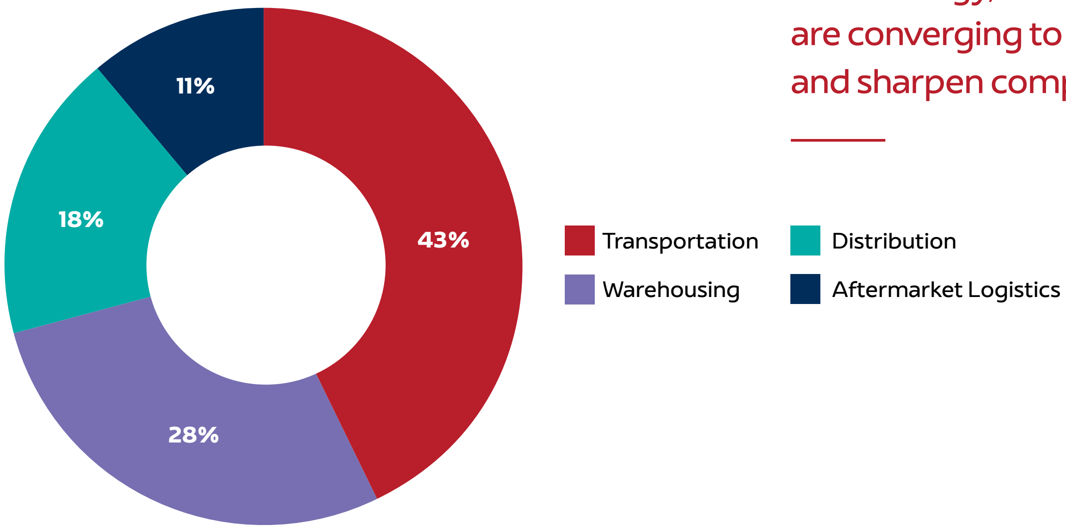
Specialised supply chains in automotive, aerospace, and pharmaceuticals require tailored services, while rising costs, labour shortages, and regulatory compliance remain significant challenges. Digitisation is accelerating, with IoT, AI, and automation improving route planning, fulfilment, and inventory visibility. The UK logistics automation market alone is projected to exceed £4.4 billion by 2033.

Sustainability initiatives are reshaping practices, with electric vehicles, hydrogen fuels, and renewable-powered warehouses becoming mainstream. Consolidation is also advancing, with M&A activity strengthening scale and technology capabilities.

Market resilience rests on adapting to smaller, more frequent shipments, and building flexible supply chains able to withstand geopolitical and economic shocks.

Contract Logistics Market - by service

Total Market Size: USD 302.11 Bn



“Technology, sustainability, and consolidation are converging to redefine UK contract logistics and sharpen competitiveness.”

3.2%
CAGR FORECAST TO 2034

noatum logistics

Rates

Cost pressures meet rising expectations

UK contract logistics rates are being shaped by the interplay of easing energy costs, April's higher minimum wage, and increased National Insurance contributions. These measures have pushed unemployment slightly higher, while persistent labour shortages continue to drive wage inflation.

Consumer expectations for faster, more accurate deliveries are fuelling demand for micro-fulfilment centres and hybrid online–offline models. Providers are investing in automation, AI, and smart warehousing to enhance efficiency and maintain competitiveness.

Geopolitical uncertainty, supply chain volatility, and regulatory complexity still weigh on margins, but technology adoption offers a counterbalance. Consolidation among operators may help spread costs, though budgetary constraints could limit the pace of M&A.

"Rates are expected to remain broadly stable, with efficiency gains offsetting higher operating expenses."

0.1%
PERCENTAGE POINT RISE IN UNEMPLOYMENT HIGHLIGHTS LABOUR MARKET STRAIN

noatum logistics

Warehousing

Introduction

Warehousing remains central to supply chains, with costs diverging across regions and strong demand sustaining UK growth. While Europe retains its position as the most expensive market, North America has softened, and Asia Pacific offers stability. In the UK, prime rents and energy costs continue to shape occupier decisions and investment appetite.

Situation

Warehousing cost dynamics are diverging globally. Europe's index eased slightly after earlier increases but remains the most expensive region, reflecting high wages, land scarcity, and volatile energy costs. North America saw its third consecutive quarterly decline, as tariffs initially softened throughput before inventories rose. Asia Pacific costs climbed modestly, maintaining a predictable trajectory into H2 2025.

In Europe, prime rents surged once more, driven by demand for ESG-compliant space and limited land, while labour costs plateaued but remain well above pre-2022 levels. Renewed volatility in energy markets is re-emerging. Europe stays structurally costly, while Asia Pacific offers the most stable environment.

Market

London tops global warehousing costs

The UK warehousing sector continues to expand, reflecting both its economic role and structural constraints. Gross Value Added has grown by over 50% in a decade, with warehousing now employing more than a third of the wider logistics workforce. The national footprint has expanded by 61%, underpinned by eCommerce and resilient demand from retail and manufacturing.

Investment appetite has slowed in 2025, with gilt volatility, tariff uncertainty, and geopolitical tensions prompting caution. First-half volumes reached £21.9 billion, 7% below long-term averages, though industrial assets remain favoured, accounting for over a quarter of activity.

London retained its ranking as the world's most expensive warehousing market for the fifth year, with total occupancy costs approaching £45 per sq ft. Prime rental growth averaged nearly 5% across key UK hubs in 2024, with a similar increase forecast for 2025.

"Prime rents surge in Europe amid tight supply."

6.1%
UK WAREHOUSING FOOTPRINT EXPANSION OVER THE PAST DECADE

noatum logistics

Rates

Costs rise despite rent stabilisation

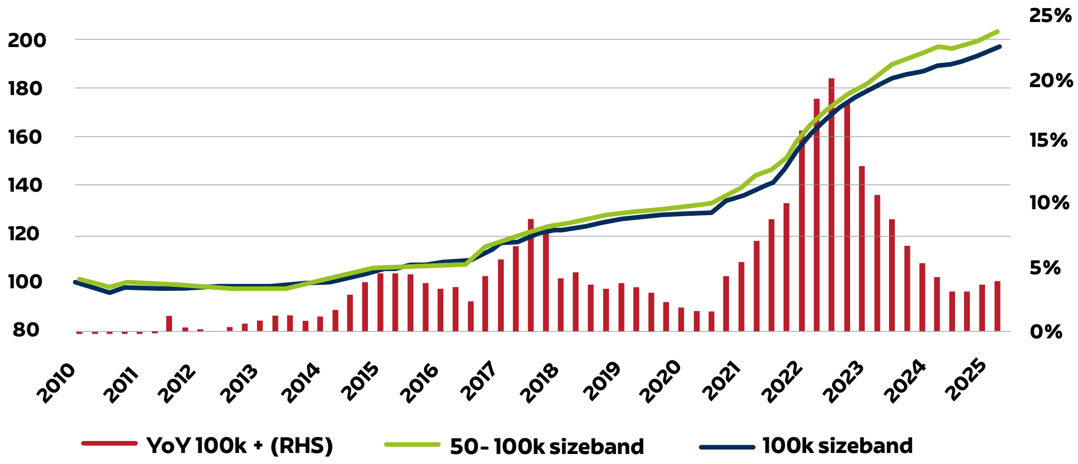
Rising operating expenses are driving overall warehouse costs higher, even as headline rents show signs of stabilising. Since 2021, UK non-domestic electricity prices have surged by nearly 75%, easing slightly in 2024 but remaining elevated. Energy, labour, and compliance remain major contributors to occupier cost burdens.

Prime rents in London remain among the highest globally, underpinned by scarcity of space and strong demand from eCommerce and omnichannel retail. Regional markets such as the East Midlands are seeing more development, with vacancy levels softening rental growth, though overall demand continues to outpace supply.

Overall, demand growth will sustain upward cost pressure, even as investors expect rents to plateau in some regional markets.

"London is the world's most expensive warehousing market for the fifth year."

Prime Average Rent Index



75% INCREASE IN UK ELECTRICITY COSTS SINCE 2021

noatum logistics

noatum logistics

Lee Ward
General Manager Retail and Consumer-UK
Noatum Logistics UK
lee.ward@noatumlogistics.com

UK HEAD OFFICE
Noatum Logistics UK Limited
Unit 1, Alpha Way, Thorpe Industrial Park Egham, Surrey
TW20 8RZ
T +44 (0) 1784 480100

noatumlogistics.com/uk

SOURCES
Baltic Air Freight Index | CBRE | Drewry's | JoC | Knight Frank | PMI | Sea Intelligence | S&P | TAC Index | TEG | Trans.Info | Transport Intelligence | WorldACD | Xeneta