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Executive summary 2025

CSCMP'S ANNUAL
STATE OF LOGISTICS REPORT®

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Rental | Leasing | Logistics

Executive summary

Macroeconomics

The global macroeconomic situation presents a study in contrasts, shaped by distinct policy directions, growth trajectories, and inflationary pressures. In the United States, the economy appears to be in a phase of moderating growth, with forecasts as of the publication of this report suggesting real GDP growth of around 1.7 to 1.8 percent for 2025—assuming no major impact on the economy from tariff-related dynamics—following 2.7 to 2.8 percent in 2024. In Europe, the picture is one of slight acceleration amid structural challenges, with real GDP growth projected to reach 1.3 to 1.5 percent in 2025, a step up from recent stagnation but still below pre-pandemic levels. In contrast, emerging and developing Asia is forecast to grow at 3.6 percent, supported by stable domestic conditions and strong external demand. GDP growth in sub-Saharan Africa is projected at 3.7 percent, reflecting improving investment and demographic trends, while Gulf Cooperation Council (GCC) economies are expected to expand by 3.9 percent, bolstered by non-oil sector activity and ongoing diversification efforts. As we look to the remainder of the year, we see several key trends that will impact growth in these major economies—including AI's potentially major role as a productivity driver, continued divergence in US and EU policies and performance, migration policy shifts and their impact on labor markets, and unfolding tariff dynamics that will disrupt global trade and supply chains.

Air

In 2024, the air freight market experienced a banner year, driven by record-breaking demand and notable capacity expansion, propelled by booming e-commerce from platforms such as Temu and Shein, growing demand for time-sensitive shipments in sectors including healthcare and electronics, and disruptions in ocean freight. Looking ahead, 2025 is expected to see slower growth—5.8 percent versus 2024's 8.6 percent—with projected volumes reaching 80 million tons. Rate fluctuations are anticipated due to policy changes, notably the elimination of the de minimis exemption, which will shift e-commerce shipping patterns. While this may boost bulk freight, express air cargo demand could soften. Trade policy uncertainty and shifting tariffs may further impact global flows, especially China–US routes. Shippers increasingly want to lock in long-term contracts to manage rate volatility, while air carriers are embracing innovation, such as new drone and sustainable aircraft technologies. In a climate marked by regulatory shifts and dynamic demand, strategic planning and digital integration will be key to managing costs and securing capacity effectively.

Parcel/last-mile

In 2024, the parcel and last-mile delivery sector remained a shipper's market, shaped by shifting consumer expectations and intense carrier competition. E-commerce demand rose moderately, driven by major US players such as Amazon and Walmart, alongside aggressive expansion from Chinese platforms including TEMU and Shein. These dynamics revealed a "barbell effect" in consumer preferences—demand split between ultra-fast delivery for essentials and ultra-low-cost, slower shipping for non-essentials. Chinese players leaned into budget-friendly, slow delivery models, while Amazon and Walmart expanded ultra-fast services. On the carrier side, start-ups and gig carriers supported Chinese e-commerce with ultra-low-cost solutions; regional carriers offered fast delivery in limited zones; and such national carriers as FedEx and UPS refocused on high-margin B2B and SMB B2C customers amid shrinking long-distance volume. Meanwhile, USPS's restructuring disrupted cost-effective shipping, contributing to Pitney Bowes' exit from the market. Amazon intensified competition, increasingly handling its own logistics and offering its network to third parties via Amazon Shipping and MCF (multichannel fulfillment). Looking ahead to 2025, regulatory changes, tariffs, and economic uncertainty will further pressure the sector.

3PL

Third-party logistics providers (3PLs) are being called upon to help shippers navigate an unprecedented mix of challenges—including shifting trade regulations, geopolitical tensions, and tariff uncertainty—while simultaneously improving efficiency and controlling costs. This growing pressure is prompting 3PLs to evolve rapidly, expanding the scope of their services and integrating advanced technologies to deliver greater flexibility, visibility, and resilience. AI, automation, and data analytics are becoming essential tools in this transformation, helping 3PLs optimize demand planning, inventory management, and delivery routes, while enabling real-time tracking and smarter decision-making. The shift from fixed routes and traditional cost-plus models to dynamic, variable routing and agile systems underscores the need for 3PLs to rethink their business strategies and shipper interactions. At the same time, the rise of e-commerce and customer demand for faster, more reliable fulfillment is pushing 3PLs to invest in regional hubs and last-mile delivery networks. Strategic partnerships with local carriers, coupled with cost-efficient automation in warehouses, are becoming key to meeting these expectations.

Freight forwarding

The US freight forwarding industry is undergoing a significant transformation driven by four major trends: technology, consolidation, nearshoring, and regulatory change. For instance, industry leaders including Flexport and CEVA Logistics, CMA CGM's logistics arm, are leveraging AI to automate documentation and optimize logistics. Consolidation is reshaping the market, with DSV's $15.9 billion acquisition of DB Schenker marking a major shift, along with CMA CGM's acquisition of Bollore Logistics and Forward Air's merger with Omni Logistics. Meanwhile, nearshoring as a strategy remains attractive to CEOs amid rising geopolitical tensions and supply chain disruptions, although Kearney's 2025 Reshoring Index shows a significant contraction in actual reshoring execution. New tariffs and the closure of the de minimis rule in 2025 are raising compliance costs and prompting companies to diversify supply chains and invest in tariff-tracking and management tools. Environmental regulations and sustainability pressures are also intensifying, driving logistics providers to adopt cleaner solutions. Looking ahead to 2025, the industry is poised to further embrace digital integration, strategic partnerships, and green initiatives, while the impact of trade tensions and the expected ensuing re-globalization will require freight forwarders to adjust their geographic coverage accordingly.

Water/ports

In 2024, the ocean freight industry struggled with geopolitical conflicts, port disruptions, and environmental regulations that drove up shipping costs, while carrier market restructuring created uncertainty. A 4.5 percent global demand increase featuring shipment frontloading, regional disruptions, and supply chain bottlenecks kept rates high despite carrier fleet expansion. In 2025, demand growth is expected to slow to 3 percent, while supply, driven by new vessel deliveries, will outpace demand, leading to reduced rates and increased competition. This shift, coupled with easing disruptions including improved Panama Canal conditions and reduced Red Sea tensions, promises a moderate shipping environment. The 2024 restructuring of shipping alliances reshaped competition—creating new routing options and increased carrier choices, while also introducing complexity in service planning and execution. Sustainability remains a key challenge, with international mandates pushing for significant reductions in greenhouse gas emissions. Shipping companies are investing in alternative fuels and eco-friendly technologies. Innovations such as autonomous vessel navigation, AI-driven routing systems, and smart port technologies are also improving efficiency and reducing emissions.

Motor carriers

In 2024, the motor carrier sector began stabilizing after years of volatility. Spot and contract rates for full truckload (FTL) shipments modestly declined throughout the year. However, the broader economic picture has since become more uncertain. Rather than stabilizing, the outlook is now clouded by escalating global geopolitical tensions. For US carriers, tariffs may introduce new financial pressures that, combined with potential declines in freight volume, will continue to squeeze carrier margins. Higher duties on commercial vehicles—more than a third of which are sourced from Canada and Mexico—could drive up equipment costs and lead to shortages, further straining fleets. As global trade policies evolve, both carriers and shippers must remain agile, adapting to an unpredictable landscape that will define supply and demand in the years ahead. AI can be a potent tool in creating such agility by helping carriers optimize routes and reduce inefficiencies, and by enhancing supply chain visibility and decision-making for shippers. The rise of autonomous trucking has the potential to help ameliorate the driver shortage challenge and substantially disrupt the motor carrier market.

Rail

In 2024, Class I railroads reported modest revenue growth and a stronger increase in operating income, reflecting a shift from cost efficiency to growth strategies. Operating ratios improved slightly, and intermodal volumes rose, although carload volumes declined due to weak demand in key commodities including coal and metals. Railroads are investing in infrastructure and strategic partnerships to support long-term growth, aligning with broader trends including continued interest in nearshoring and a resurgence in US manufacturing. Carload remains the most profitable rail segment, accounting for nearly 80 percent of revenue in 2024; however, growth has stagnated. To unlock its potential, railroads must improve access through transloading and shortline partnerships. These infrastructure enhancements can extend reach to underserved markets, though transloading remains underdeveloped due to high costs and limited investment incentives. To address this, Class I railroads should rethink partnership models by creating new contract structures that reward volume growth and service improvements. This approach could allow railroads to convert a share of the $50 billion long-haul truck freight market to rail, boosting profitability while minimizing operational risk.

Warehousing

In 2024, the US warehousing market stabilized after a period of rapid growth. The vacancy rate rose at its slowest pace in two years due to less new capacity becoming available, and cost pressures persisted as expiring leases from before COVID-19 required companies to choose between absorbing cost increases or downsizing. Labor in the sector showed mild growth and companies focused on labor efficiency, using automation and AI technologies to help manage staffing and enhance productivity. Vacancy rates for industrial spaces hit a high of 6.8 percent in 2024, while construction activity slowed significantly—compounded by a drop in absorption rates and slowed rent growth, which had been in the double digits in previous years. In inventory management, 2024 marked a return to normalcy, with stable inventory-to-sales ratios and companies leveraging such technologies as AI to optimize inventory levels. The outlook for 2025 remains cautiously optimistic, driven by steady economic growth and the continued importance of e-commerce, despite uncertainties surrounding tariffs and economic conditions.

Sustainability

The landscape of sustainability in logistics is becoming increasingly complex, influenced by divergent regulatory frameworks and evolving business priorities. While the EU pushes for stricter mandates, US companies are navigating a more fragmented approach that presents challenges, particularly around waning federal support for green initiatives. Global economic factors are leading to revisions in sustainability targets and timelines, while companies are focusing on short-term optimization and operational improvements that deliver cost savings, increasingly emphasizing pragmatism and ROI in their sustainability initiatives. As businesses balance regulatory compliance, financial pressures, and consumer demands, leveraging technology such as IoT, blockchain, and AI will be essential in optimizing resource use and tracking emissions. These tools provide the transparency and insights necessary to meet sustainability goals without sacrificing profitability. Ultimately, companies that embrace these technologies while staying agile in the face of regulatory changes will be best positioned to lead in both sustainability and business performance.

Network trends

From 2020 to 2023, the COVID-19 pandemic, inflation, and rising interest rates forced companies to urgently rewire their supply chains to reduce disruptions and control costs. However, as inflation and interest rates have since stabilized, the urgency has waned, and companies are shifting focus from short-term cost savings to long-term strategic priorities—resilience, flexibility, and growth. Heightened geopolitical tensions and trade policies are prompting incremental shifts such as supplier diversification and production relocation from China to Southeast Asia and nearer shores. Today, supply chains are increasingly central to corporate strategy, supported by digital tools such as AI and IoT that improve agility and visibility. As a result, network design is beginning to shift from an effort done every three years to more of a continuing exercise to keep pace with the rate of change and volatility. Despite a drop in 2024, nearshoring, particularly to Mexico, is expected to become a key strategy to improve supply chain resilience and reduce costs, though execution obstacles remain. However, while most companies now adopt a measured approach to network redesign, mergers and acquisitions (M&A) remain an exception. M&A-driven supply chain integration—particularly in deals involving private equity—requires rapid action to capture synergies, reduce redundancies, and avoid "network debt." Pre-merger supply chain optimization is also gaining traction to ease integration and reduce reliance on costly transition agreements.

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