



ARTICLE

Transportation and Logistics Industry – Year End Recap

Market Outlook

Global Logistics Market Outlook

The global logistics market is expected to grow at a 6.8%¹ CAGR during 2022-2030, particularly due to surge in e-commerce logistics, containers shortages, closure of major ports causing port congestion, shortage of truck drivers, and restricted capacity in the air freight market.

APAC will be the largest logistics market globally, holding ~45% of the total market share, and is expected to outperform other regions in the future due to positive outlook for emerging economies in the region. Asia is expected to contribute ~50% of global trade growth by 2030.

Impact of E-commerce Growth

With the omnichannel approach to e-commerce retail gaining ground, it has become imperative for logistics providers to adopt automation and newer technologies

such as AI, geo-fencing, IoT, and data analytics to make the delivery and returns experience seamless and cost-effective for both customers and retailers. Rising adoption of analytics-powered dynamic route planning systems is facilitating logistics companies in optimizing operations and providing cost-effective and seamless experience to both customers and retailers.

Impact of Russia's Assault on Ukraine:

- The conflict has disrupted the supply of key raw materials. Crude oil has surged past \$100 a barrel, resulting in the U.S. and other countries releasing oil from their emergency stockpiles.
- Freight has been re-routed, derailed, and suspended from surrounding areas disrupting the global supply chain network.

¹[menafn.com](https://www.menafn.com)

²[weforum.org](https://www.weforum.org)

Freight Forwarding Market Outlook

Market	Y-o-Y Growth Estimates (2022)	Comments
Global Freight Forwarding	11.6%	<ul style="list-style-type: none"> – Market recovery is expected to continue into 2022, as economic activities are likely to pick-up – leading to improvement in trade volumes – However, factors such as container shortage in APAC and port congestion in North America and Europe can inhibit market growth
Global Air Freight Forwarding	14.9%	<ul style="list-style-type: none"> – The Air Freight Forwarding Market is forecast to grow at a CAGR of 5.6% through 2025³ – Rising e-commerce consumption and new export orders performance will primarily drive the growth
Global Sea Freight Forwarding	7.6%	<ul style="list-style-type: none"> – Significant improvement in the shipping conditions is not expected during 2022, given the continued disruptions and congestion in ports, coupled with omicron restrictions – The rates are expected to rise again during Q1 2022 on account of pandemic-led supply disruptions

Post-COVID-19 recovery will continue in 2022, picking up pace over the next 2–3 years

Economic Outlook

Despite the threat of the Omicron variant, the near-term outlook for the global economy is positive; real GDP growth is expected to continue above 3.9% Y-o-Y in 2022, driven by continued expansions in the U.S. and Asia.⁴

Ongoing pandemic-related delays and closures, high demand for ocean freight from Asia to the U.S., and capacity constraints have resulted in high rates and unreliable transit times for both air and ship freight, but resumption of full operations at China’s Yantian airport will ease pressure on the logistics industry.

Freight Rates

Strong consumer demand, new pandemic-related restrictions and the lack of container capacity, expected to continue during 1Q22, will likely keep freight rates high across all geographies.

ESG Risk Framework

Amid mounting pressure from customers, employees, regulators, and investors, T&L providers are prioritizing the adoption of more sustainable processes to align with evolving market realities and to gain competitive edge, however, there are only few companies that have internalized these processes.

Workforce Diversity

Workforce diversity within the Transportation & Logistics (T&L) industry lags significantly, when compared with other industries; hence, industry players (such as DHL, Maersk, and XPO Logistics) are prioritizing the adoption of policies that ensure diversity and inclusion within their workforce.

³ prnewswire.com

⁴ msn.com

Freight Forwarding Market Recovery

Region	Growth (H1 2021, YoY)	Short-Term Recovery (2021 Vs 2019 levels)	Growth (2021–2025, CAGR%)
Global	19%	2.3%	5.1%
North America	22.6%	9.2%	4.9%
Asia Pacific	21.8%	3.6%	6%
Europe	15.7%	1.8%	4.3%

Challenges



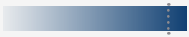


Shortage of shipping containers (“Black Swan” event) is emerging as a serious concern as the demand for Asian exports increased strongly, filling all available vessel capacity and leaving equipment stranded in the U.S. and EU.

Port congestion, particularly along the U.S. West Coast, has turned out to be a major issue for shipping companies, as ships now must wait longer to get unloaded, which results in higher costs.

With the demand for logistics services growing and the pandemic-led labor shortage, there is increasing pressure on the supply of labor, particularly in the trucking industry, which is facing a major shortage of drivers.

Key Trends

Key macroeconomic trends include rising warehouse rents and upcoming tech-based E-commerce startups

Trend	Category	Type	Implications	Trend Impact
Rebound in Freight Rates	Macro	Shipper	— Shippers may need to pay higher prices in the market to book more volume, resulting in higher operating costs due to a continuous increase in truckload demand and causing the outlook for capacity containers to deteriorate further	 Short- to Medium-Term
Growth in Warehouse Rents	Macro	Warehousing	— Rise in rents expected to continue in 2022, driven by robust demand for warehousing space; however, steady increase in supply of new warehouses and a modest growth forecast in demand are expected to slow the asking rent growth in the near term	 Long-Term
Shift to On-demand Warehousing	Technology	Warehousing	— Although on-demand warehousing is currently in a nascent stage, it is expected to become a standard practice in the coming years — Demand increased this year as a result of the pandemic, and with supply chains searching for agility and flexibility, the market is expected to reach \$25 billion by 2023 ⁵	 Predominantly Long-Term
Tech-based E-commerce Fulfilment Startups	Technology	Warehousing/ Shipper	— With increasing customer expectations of fast and free delivery and rising cases of delayed or lost parcels, organizations are investing in solutions that automate, streamline, digitize and provide greater insight into parcel tracking, delivery and management system	 Predominantly Long-Term
Relaxation in HOS Regulations	Regulatory	Carrier	— The new relaxations in Federal Motor Carrier Safety Administration (FMSCA) regulations, such as expansion of short-haul and a compulsory 30-minute break, aim to allow more flexibility to drivers without impacting highway safety	 Medium- to Long-Term

Legend

Short-term Impact  Long-term Impact 

⁵ [businesswire.com](https://www.businesswire.com)

Investments and Bankruptcies

M&A Trends: Deal value through November 15, 2021 grew 84% compared to the previous year, mainly driven by deals in the logistics, rail and passenger air sectors. Growth in deal volume increased by 11% as compared to FY20 due to an increase in deals in the vehicle rental/leasing, logistics and trucking sectors.

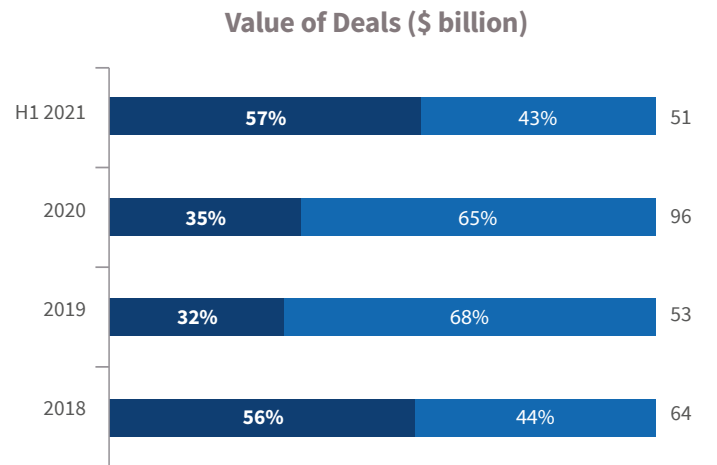
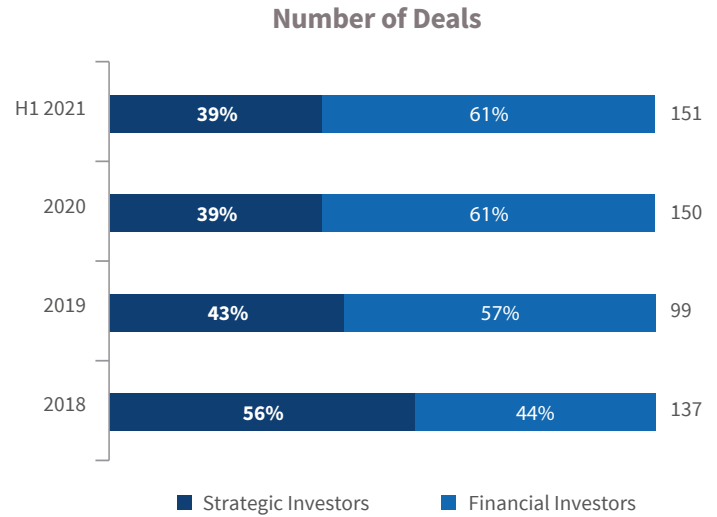
Private Equity (PE) Investments: PE firms witnessed 21.9% increase in deal values during the first five months of 2021, leading to a total of 2,346 deals.

PE firms are raising money faster on account of rise in the number of funds and institutional investor allocations; this led to an all-time high in dry powder of \$920 billion in October 2021.

Bankruptcies: Instability from the pandemic led to high volatility in demand, price and capacity, resulting in thousands of truck carriers going bankrupt, a fall in intermodal demand, and the number of rail carloads declining by 12%.

~3,000 trucking companies were forced to shut down business in 2020 due to pandemic, compared to 1,000 in 2019.

Distribution of Deals by Type of Investor⁶ (% , 2018–H1 2021)



⁶ Investor groups are counted as financial investors.

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