The Turbulent Twenties

A macro-economic outlook on the European transport sector

BDO White Paper

BDO Maritime
Transport & Logistics

Introduction

What to expect:

This publication is aimed at decision-makers and managers in the European maritime Transport and Logistics sector. Our goal is to provide you with a clear understanding of the surrounding macro-economic drivers and help you better navigate this environment.

- Overview macro-economic landscape
- Zoom on disruption and uncertainty
- Industry drivers and trends
- Thriving in a changing environment

Don't agree with our view?
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A century ago, Western economies entered what later became known as the "Roaring Twenties". This period is marked by rapid economic expansion following the profound disruptions of the First World War and the Spanish Flu. It also precedes another decade of instability. While history does not repeat itself, it often rhymes.

Today, European economies again find themselves navigating a period shaped by successive shocks and structural change. The aftermath of the COVID-19 pandemic, escalating geopolitical tensions, and the fragmentation of global trade relations are reshaping transport flows. It forces organisations to reconsider how supply chains are designed and governed. Ongoing conflicts in Ukraine, Central America and the Middle East, rising strategic competition in Asia, and broader economic and political uncertainty are no longer external factors, but active constraints on transport systems.

At the same time, transformative technologies - including advanced automation and artificial intelligence - are accelerating productivity potential while fundamentally challenging existing operating models and workforce structures. Together, these forces are redefining what efficiency, resilience and competitiveness mean in practice.

This paper does not seek to forecast the next shock or disruption. Instead, it aims to clarify the structural forces reshaping European transport and logistics, explain why traditional optimisation-based strategies are increasingly under strain, and outline the types of strategic trade-offs leaders now face in an environment where uncertainty is persistent rather than exceptional.

As you read this insight, we hope it triggers interest in the effect of the described trends and developments upon your business and unveils new approaches to your most pressing challenges as well as opportunities for innovation. We would be happy to elaborate on any topics covered in these articles, or on other areas of interest, as you chart your organisation's path forward.

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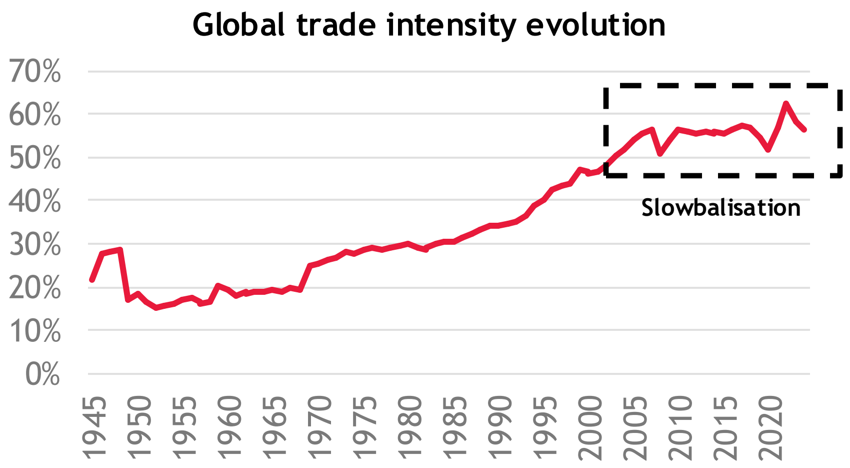
Trade related macro-economic indicators show that we have entered an era of *Slowbalisation* with a real risk of active regionalisation

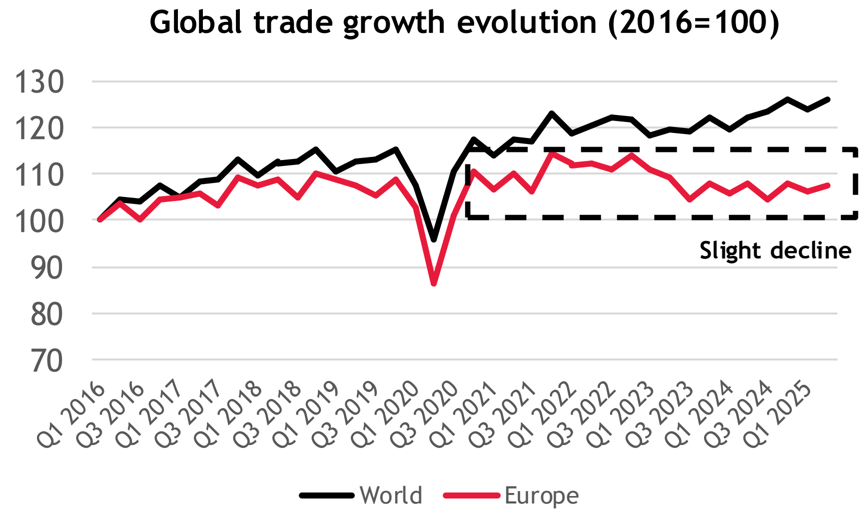
Economies, technology, culture and the human story tend to go through cycles. There are multiple generational theories coined by very intelligent psychologists, economists, sociologists, etc. As “luck” would have it, it seems that **we are currently at the end of such a cycle**. When we talk about 'we', we mean the world in its entirety, thanks to the widespread integration boom we have known over the past decades. **The world’s economies have never been more integrated** thanks to global financial instruments and near instant information transfers. Our supply chains can easily span over 10,000 nautical miles (e.g. Antwerp to Shenzen).

The European transport sector has reached a critical inflection point. **From a booming growth pre-2009 we are seeing - at best - a stagnation by looking at total volumes transported and imports and exports**. Our ports, forwarders, shippers, terminal operators and other transport stakeholders are the backbone of flourishing communities. Yet now they face myriad challenges that threaten their ability to grow and thrive, from talent gaps to outdated operating models.

The first graph (trade openness) illustrates the long-run rise of global trade relative to GDP, followed by a recent plateauing often described as **“slowbalisation”**. As Europe is highly dependent on transport, import and export and home to some of the largest transport-industrial clusters like the Port of Antwerp-Bruges and Rotterdam, this trend is critical. Slower globalisation means lower growth in long-distance flows and a shift toward regional supply chains. Transport firms will need to adapt networks, invest in flexibility, and prepare for more intra-European rather than intercontinental traffic.

The second graph (global trade growth) shows that, despite recovery post COVID, trade growth has flattened rather than returning to its pre-2020 trajectory. As Europe's economic model is deeply interconnected with global value chains, this signals a structural shift. Slower momentum in world trade reduces the tailwinds that previously supported export-led growth and manufacturing output. **European transport and industrial clusters will increasingly operate in an environment where volatility is higher, growth is more subdued, and resilience matters as much as efficiency.** This underscores the need for firms to diversify trade corridors, strengthen supply chain adaptability, and anticipate more variable demand patterns linked to global disruptions and geopolitical tensions.





Sources: BDO analysis based on UN data

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Moderate GDP growth and declining FDI point to a stable yet constrained transport environment

Beyond trade volumes, GDP remains a key indicator of Europe's economic strength. GDP growth is expected to remain **moderate, around 1.2-1.5% annually**, providing a predictable but low-growth backdrop for European firms.

For the transport, logistics and port sector, this implies **stable baseline demand but limited volume-driven upside**. Freight flows are unlikely to collapse, but equally unlikely to grow fast enough to offset rising costs or inefficiencies. As a result, value creation increasingly depends on **productivity gains within existing assets**, rather than expansion. Ports and logistics operators are therefore under greater pressure to improve utilisation, coordination and service reliability, as growth alone will no longer compensate for structural cost pressures.

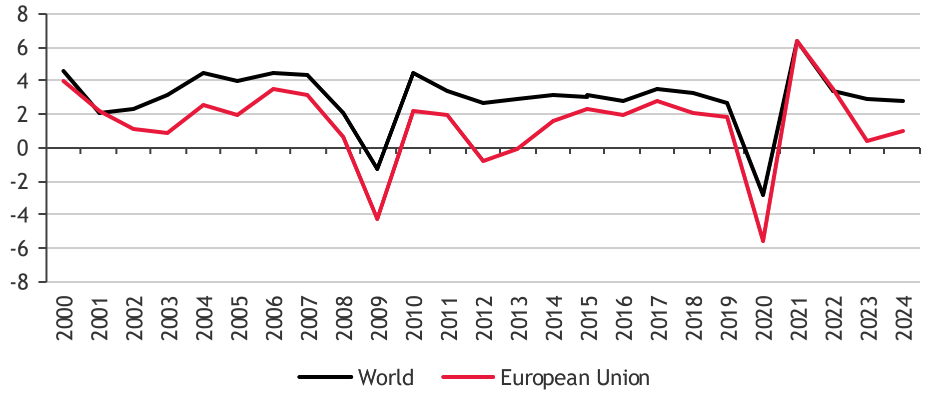
Foreign direct investment (FDI) into the EU has shown a **declining and volatile trend**. FDI is a critical driver of industrial renewal and cluster formation. This slowdown reflects geopolitical uncertainty, supply-chain reconfiguration and more selective global capital allocation.

For transport and ports, this matters because **FDI shapes future trade patterns**. Lower and more volatile investment suggests fewer large-scale greenfield projects and a shift toward regionalised or restructured supply chains. Growth in cargo flows is therefore more likely to come from **reconfiguration and corridor shifts** than from broad-based expansion.

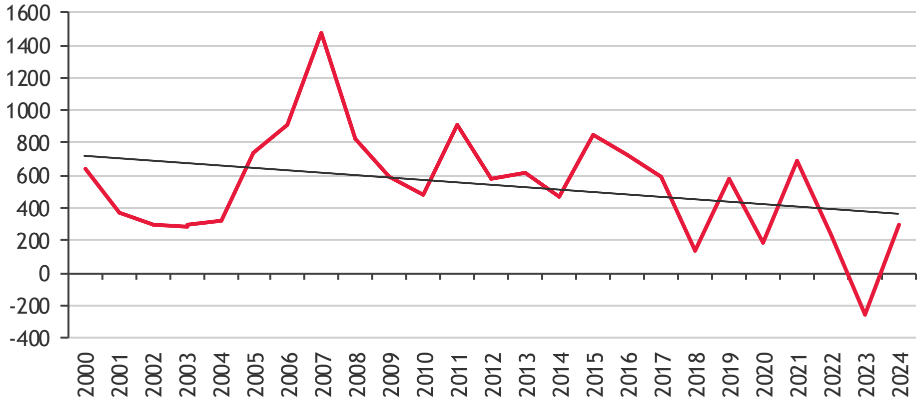
This increases competition between European hubs for strategic relevance and reinforces the need for ports and logistics networks to align capacity, connectivity and services with places where industrial activity and investment are materialising.

Taking both graphs together points to a transport environment that is **stable but constrained**. Demand persists, but strategic flexibility narrows. Success increasingly depends on extracting more value from existing networks, aligning investment with shifting trade patterns, and remaining adaptable in an environment where growth is no longer guaranteed.

GDP change %



FDI in Europe (mil €)



Sources: BDO analysis based on UN data

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Higher costs and structurally scarce labour drive a new operating reality for transport

Inflation and labour availability complete the macro-economic picture for the European transport sector.

The inflation shock of 2021–2023 marked a decisive break from the low-inflation environment that characterised the previous decade. While inflation has moderated, it remains structurally higher and more volatile, fundamentally reshaping cost structures. For transport and logistics firms, this translates into sustained pressure on wages, energy costs and financing, reducing margin headroom and increasing the importance of cost discipline, pricing power and longer-term contracting.

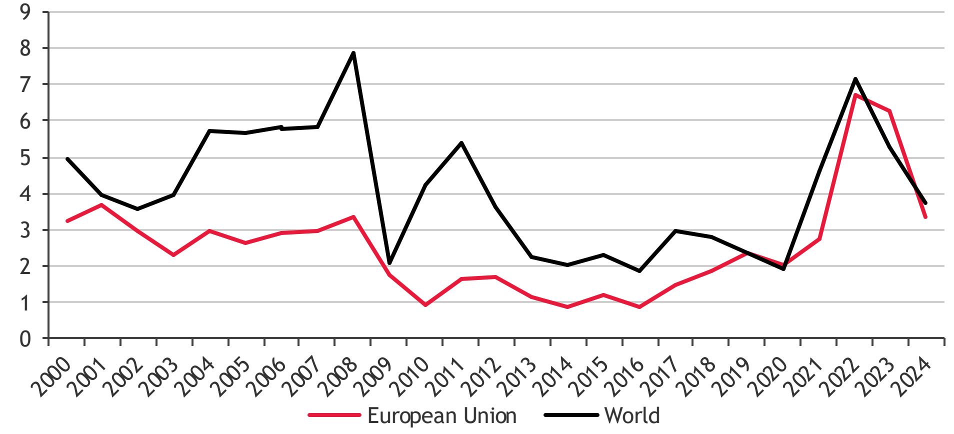
At the same time, Europe faces a persistently tight labour market. Unemployment has fallen to historically low levels, not as a sign of weak demand but as evidence of a **structural shortage of labour**. This shortage is particularly acute in this industry, where firms struggle to retain quality staff. Together, elevated inflation and labour scarcity reinforce a structural shift away from labour- and cost-intensive operating models. This accelerates the need for automation and modern workforce strategies.

These indicators point to a macro-economic landscape in which growth is steady but constrained, costs remain elevated, labour is scarce and long-term investment is under pressure.

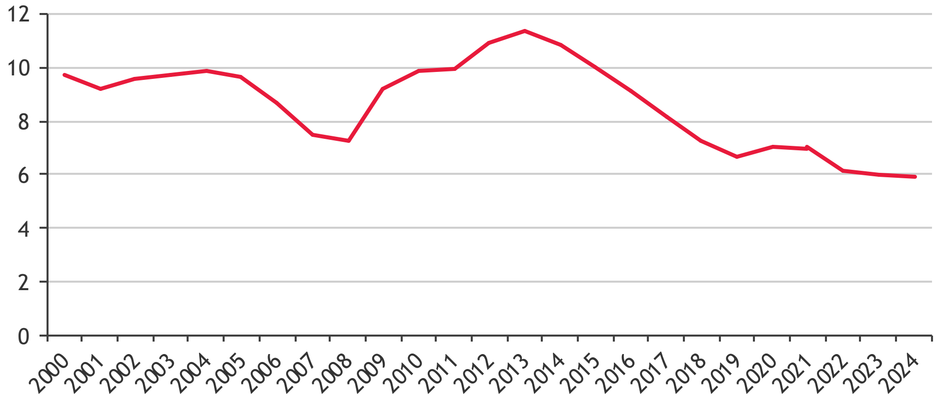
For European firms - particularly those embedded in international transport and value chains - the challenge will be to operate effectively in an environment that demands resilience, adaptability and strategic foresight rather than relying on past patterns of global expansion. This translates into:

- Higher cost of capital -> delayed fleet renewal, phased investments, higher hurdle rates
- Persistent labour scarcity -> pressure on service reliability, accelerated automation trade-offs
- Selective investment climate -> prioritisation of resilience and compliance

Annual inflation evolution



Unemployment evolution



Sources: BDO analysis based on UN data

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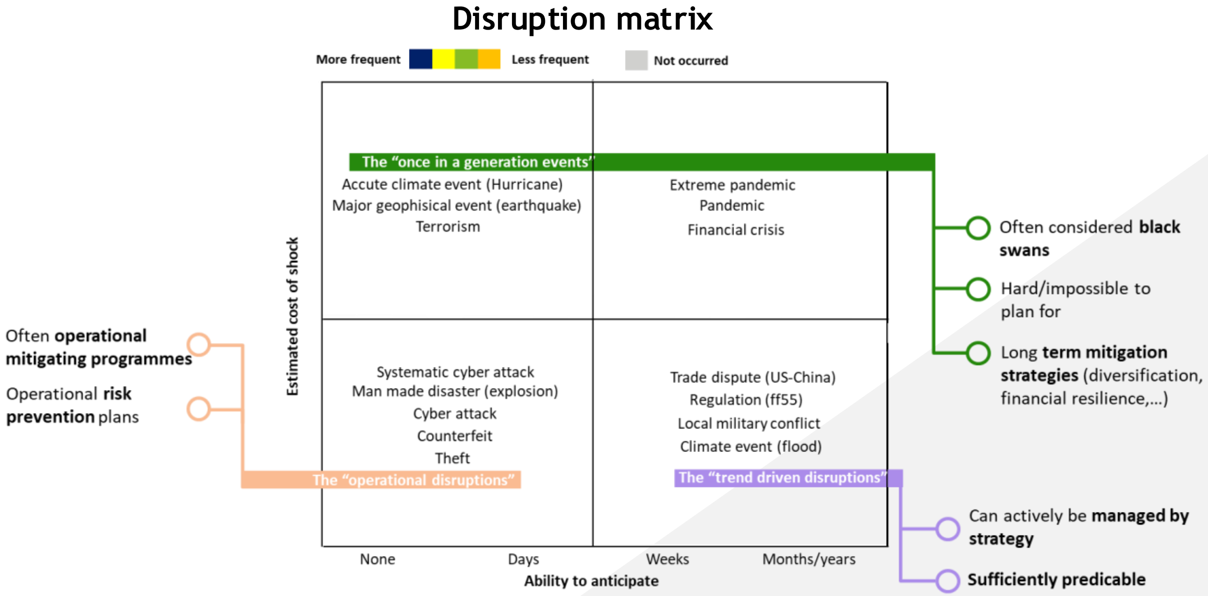
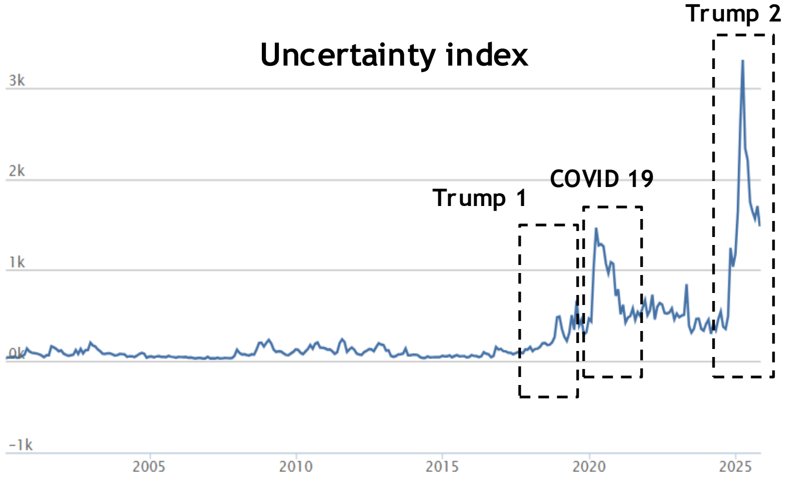
Building the correct strategy on key drivers in an increasingly uncertain environment

Even though the macro-economic landscape might be relatively stable and the outlook acceptable, other parameters are influencing the wellbeing of the European (maritime) transport and logistics firms. These days, it is primarily the **continuous fear of disruption** that leads to unprecedented levels of uncertainty in the market.

As we can see from our disruption matrix graph, the number of disruptions that hit the European transport market in this decade are numerous. A large number of these events can be countered by solid risk management and operational excellence, but a few were very hard to predict and required companies to be agile in their strategic approach towards them.





Sources: Disruptive actions – BDO analysis based on McKinsey
Uncertainty index: uncertainty.com

What distinguishes the current period is not the presence of shocks, but the erosion of reliable reference points. Disruptions increasingly differ in nature, scale and reversibility, challenging traditional forecasting and optimisation approaches. We distinguish 3 possible responses:

Operational: disruptions that can be managed through operational response.
Adaptive: disruptions that require structural adjustments over time through strategy. E.g. new regulations (tariffs, CBAM, NIS), trade route disruptions (Red Sea attacks), or economic head- or tailwinds.
Navigational: disruptions where outcomes and probabilities are unknown, requiring robustness rather than optimisation e.g. disruptions like black swans are almost impossible to predict. When it comes to liquidity and corporate risk spreads, the only way to protect yourself is with long-term financial strategies and good financial diligence.

Understanding the current market forces and outlook – trends affecting the maritime, transport and logistics space today

When looking at what generates the current situation, we focus on the driver-trend assessment rather than the previous shock assessment. Our market is influenced by several drivers, long-term trends which vary in importance over time.

Today we witness 4 main drivers affecting the current and future state of the maritime, transport & logistics market.

- The demographic driver gives rise to trends such as a scarcity of personnel.
- The geopolitical shift highlights trends such as growing protectionism, importance of strategic autonomy.
- Environmental and climate conditions – even though a little bit less prominent than 5 years ago - drives resilience over efficiency and regulatory burden.
- Economic and capital conditions in their turn drive project prioritisation, projects and others. These drivers interact and generate the list of **9 main trends affecting our European industry**.

For the diligent decision-maker, these trends don't come as a surprise. However, it is important to understand that they also shift the traditional mindset which is inherent in multiple industries of "if it is not broke - don't fix it". These dynamics do not point to a single outcome. They point to a shift in strategic decision-making. **This forces transport leaders to confront three hard shifts** (see next page). Transport leaders are increasingly required to balance efficiency with resilience, autonomy with integration, and innovation with capital discipline.

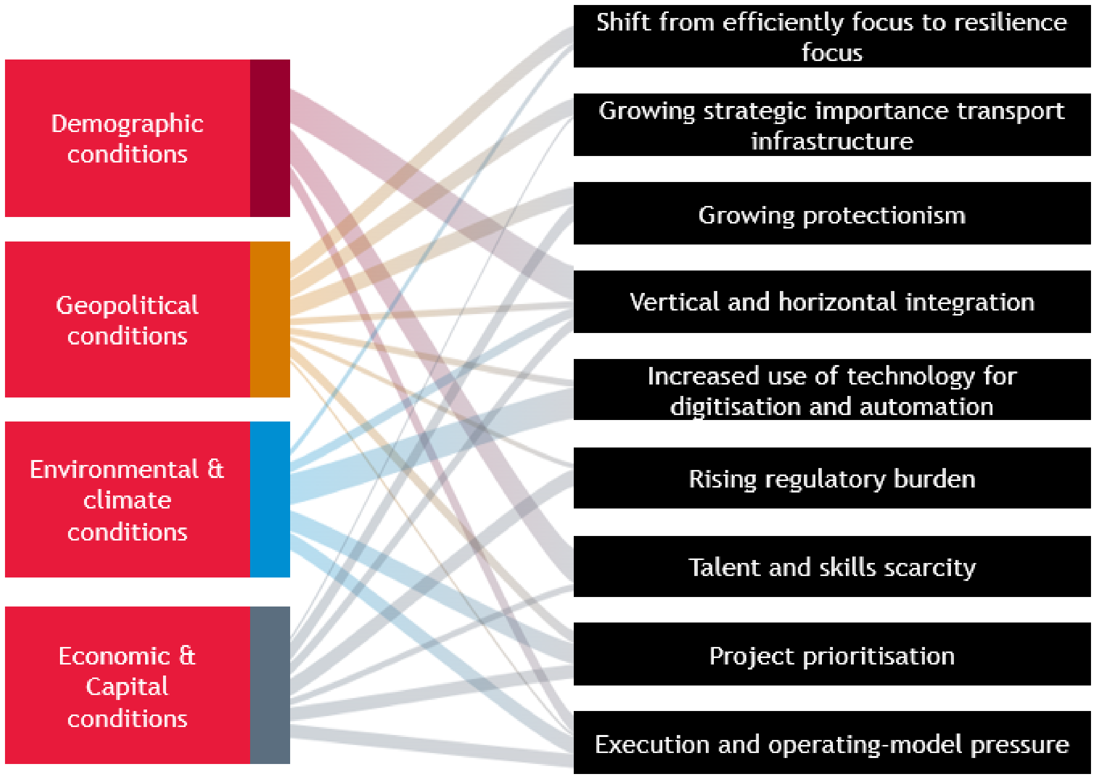
Don't agree with our view?

Rank the trends that matter to you (5min)

Take our 1-question survey =>

Sources: BDO

Driver-trend outlook framework



Shift 1 - From organisational optimisation to ecosystem coordination

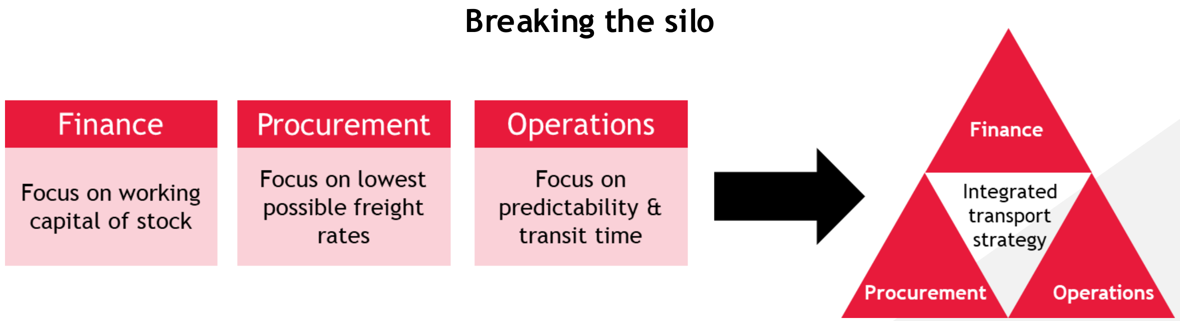
Traditional governance and ownership models are misaligned with the current reality of corridor optimisation and resilience. No single player controls resilience, security or decarbonisation. No single organisational silo can make strategic supply chain decisions by itself. Value creation in transport increasingly takes place across organisational and institutional boundaries. Corridors, ports and supply chains operate as interconnected systems, while decision rights, incentives and governance often remain fragmented.

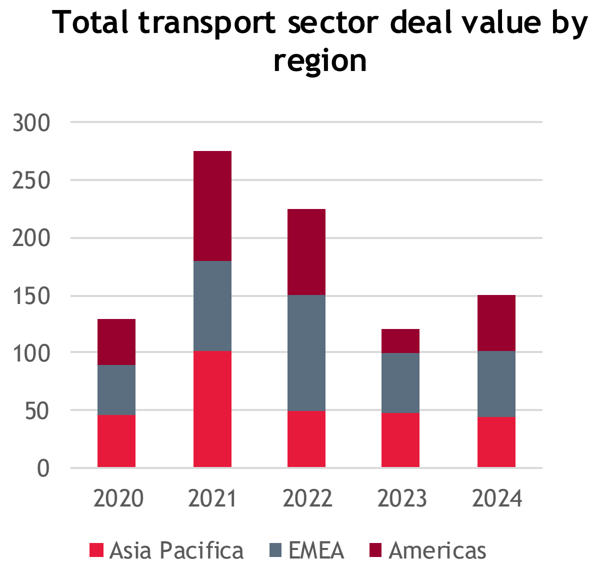
Internal silo breaking

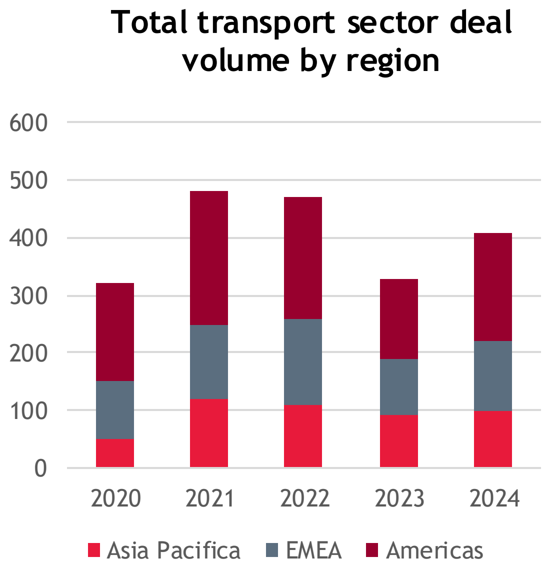
A central imperative for firms today is strengthening internal cooperation to manage rising costs and operational pressures. **Procurement, operations and finance each face different constraints** yet their decisions intersect: from securing competitive freight rates to maintaining workflow continuity and protecting working capital. When these functions coordinate, they reduce total inventory and holding costs and improve overall efficiency. Short and aligned decision cycles matter more than ever. In an environment shaped by higher interest rates and longer transit times, integrated internal processes become a foundation for greater resilience and more effective cost control.

External cooperation and integration - from data sharing to M&A

Equally important is the ability to work more closely with external partners as global trade patterns shift. Regional variations in deal activity underline the need for broader visibility and diversified relationships. **Informal collaboration can improve end-to-end value chain insight, while more structured integration supports both vertical and horizontal expansion of capabilities.** These forms of cooperation help firms respond faster to disruptions and capture new opportunities across markets. With volatility, geopolitical tension and supply chain reconfiguration defining today's landscape, external integration evolves from a tactical advantage into a strategic requirement for sustainable growth.







Sources: BDO analysis based on Merger market

Shift 2- From efficiency-driven optimisation to resilience-driven design

Risk is no longer marginal, it is structural. Regulation, security and capital constraints redefine "optimal". Compliance-driven decisions are key and geopolitical disruptions are frequent. This means that firms must understand and comply with the regulatory environment as well as optimise their operations and supply chains to work in this environment. They also need to design supply and value chains for failure, not just flow.

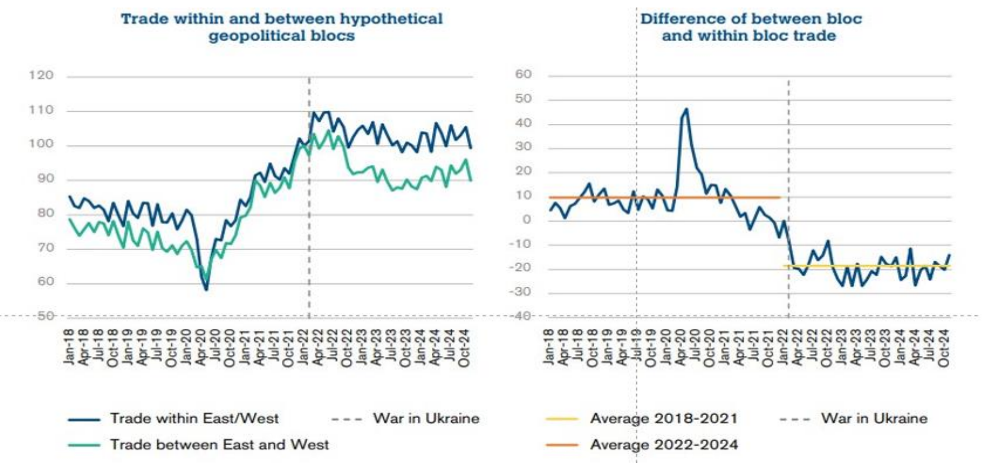
Geopolitical fragmentation and the need to rebalance trade exposure

Geopolitical fragmentation is reshaping trade dynamics and firms must adapt by reducing exposure to high-risk corridors. Before the war in Ukraine, trade between blocs such as East and West followed a relatively stable trajectory. Once the conflict began, the data shows a clear decline in inter-bloc trade while intra-bloc trade became relatively more resilient. This shift demonstrates how quickly external shocks can erode long-established commercial flows. Greater reliance on a single bloc or corridor amplifies vulnerability when geopolitical tensions escalate. As trade patterns become more volatile and differentiated across regions, companies need to rebalance their networks, diversify sourcing and reroute flows to create optionality. Derisking supply chains is not only prudent but essential to maintaining continuity and competitiveness in an era of geopolitical uncertainty.

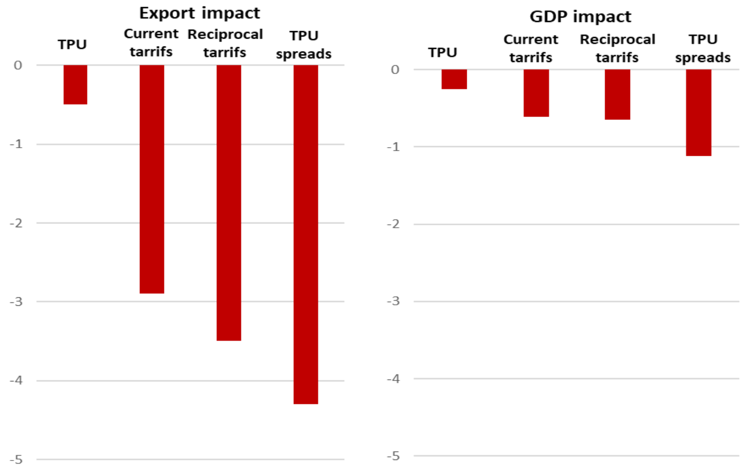
Trade policy uncertainty and economic impact require structural risk mitigation

Trade policy uncertainty (TPU) reinforces the case for derisking. Evidence from export and GDP impact measures shows that TPU, current tariffs and reciprocal tariffs all exert downward pressure on performance. Export volumes fall sharply under scenarios of rising tariffs or widening uncertainty spreads, and GDP impacts follow a similar negative pattern. These indicators highlight how exposed firms remain to shifts in trade policy and to retaliatory measures between major economies. Short and reactive adjustments are insufficient meaning the structure of supply chains must evolve. By diversifying supplier bases, increasing regional or nearshore production and building redundancy into logistics networks, companies can reduce their sensitivity to policy shocks. It is crucial to mitigate the combined effects of geopolitical tension and policy volatility. This requires deliberate derisking strategies that strengthen resilience across the entire supply chain.

Nearshoring and reshoring in practice



Trade war impact estimation



Sources: WTO trade outlook 2025

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Shift 3 - From broad digitisation to capital-disciplined innovation

The challenge for transport leaders is no longer whether to digitise, but where innovation meaningfully improves resilience, productivity or capital efficiency. In a constrained investment environment, technology adoption must be prioritised, not accelerated indiscriminately.

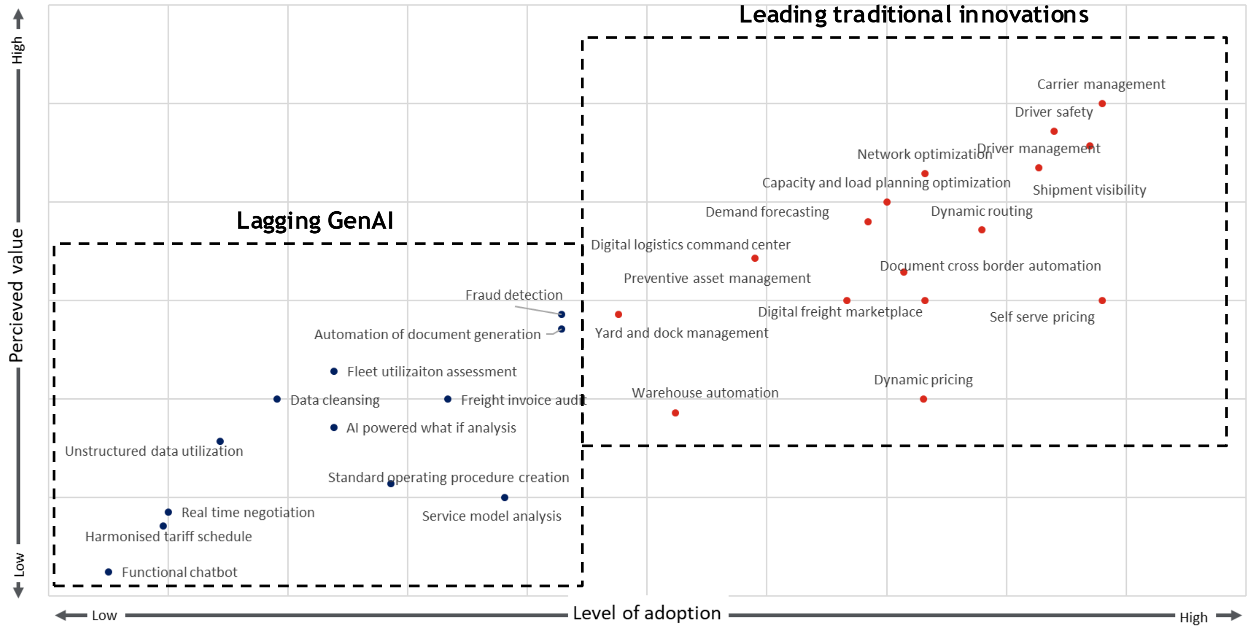
The transport industry increasingly recognises that modernising tools and systems is essential to stay competitive and resilient. The adoption-value graph indicates that solutions such as carrier management, network optimisation, shipment visibility and dynamic routing sit in the high-adoption, high-value quadrant. This shows that technology is now viewed as an enabler rather than a disruptor. Conversely, several high-value capabilities such as warehouse automation, AI-powered scenario analysis and advanced data utilisation remain under-adopted, signalling untapped potential. This distribution highlights a widening gap between what firms currently deploy and what could materially improve performance.

Expanding the innovation toolkit with digital and GenAI capabilities
A broad set of innovations is emerging to strengthen operational control, improve decision-making and enhance customer experience across transport networks. Digital innovations focus on core logistical processes, from shipment visibility and dynamic pricing to demand forecasting, preventive asset management and document automation. These solutions build a more transparent, efficient and predictable ecosystem. In parallel, GenAI innovations unlock new layers of value through automation and intelligence. This enables fraud detection, real-time negotiation, fleet utilisation assessment, unstructured data processing, harmonised tariff schedules and AI-driven "what-if" analyses.

Together, these capabilities expand the industry's strategic toolkit, allowing firms to elevate productivity, reduce manual workload and respond faster to market conditions. The combined force of digital and GenAI advancements positions transport organisations to operate with greater agility and resilience in an increasingly complex world.

Sources: BDO analysis based on Mckinsey

Value vs adoption of technological innovations in the transport sector



Don't agree with our view?

Rank which innovation you master and how useful they are (5min)

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What the turbulent 2020s mean for transport leaders

The defining challenge for European transport in the 2020s is not navigating a single crisis. It is operating in an environment where structural pressure is persistent and uncertainty is the norm.

In this context, growth alone no longer compensates for inefficiency, scale does not guarantee resilience, and technology adoption without capital discipline creates risk rather than advantage.

Strategy shifts from optimisation to navigation: balancing efficiency with resilience, autonomy with integration, and innovation with disciplined investment.

In this environment, leadership increasingly revolves around a small set of unresolved questions:

1. **How resilient is your network to disruptions that cannot be forecast or optimised away?**
2. **Where does efficiency create value for your firm, and where does it introduce fragility?**
3. **Which decisions require coordination beyond organisational and institutional boundaries?**
4. **How will labour scarcity reshape your operating model, skills and automation priorities over the next decade?**

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