

UK logistics: a critical driver of growth and investment

Assessing the indirect, induced and catalytic impact of the logistics sector on the UK economy

A report for Logistics UK

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Logistics powers the UK economy

In 2026, Logistics UK released a report which estimated the logistics sector's direct contribution to the UK economy. The logistics sector generated **£175 billion** in gross value added (GVA) and employed **2.7 million** workers in 2024. Capital Economics have been commissioned to build on these estimates by estimating the additional value and jobs supported by the sector's supply chain and employee spending. In addition, this report assesses the relationship between logistics activity and FDI.

Impact through supply chain

- Businesses in the logistics sector purchase goods and services from other UK businesses. That spending underpinned **£91 billion** in gross value added and supported **1.5 million jobs** in 2024. The transport sector benefitted most.
- For every £1 of logistics GVA, a further **52p** of GVA is supported through supplier spending.

Tax contribution

- The value added and employment supported in the UK has associated tax revenues. This study quantifies the scale of income tax, national insurance contributions and corporation taxes.
- Total tax revenue raised through logistics sector indirect and induced activities came to **£34 billion** in 2024. Of that, £19 billion was raised through supply chain activities while £15 billion was generated from employee spending.

Impact through employee spending

- The spending of those employed by the logistics sector supported **1.1 million jobs** and **£90 billion** in gross value added.
- Spending by employees has the most significant impact on the real estate sector, generating **£29 billion** in gross value added.
- For every £1 of logistics GVA, a further **52p** of GVA is supported through employee spending.

Logistics and inward FDI (FDI)

- Analysis of cross-country data shows that there is a positive relationship between logistics activity and inward FDI.
- A 1.0 ppt increase in logistics GVA as a share of total GVA is associated with a **0.7-1.5 ppt** increase in inward FDI as a share of GDP.
- Robustness checks on alternative indicators capturing logistics activity suggest there is a statistically significant relationship between logistics and FDI.

Source: Capital Economics

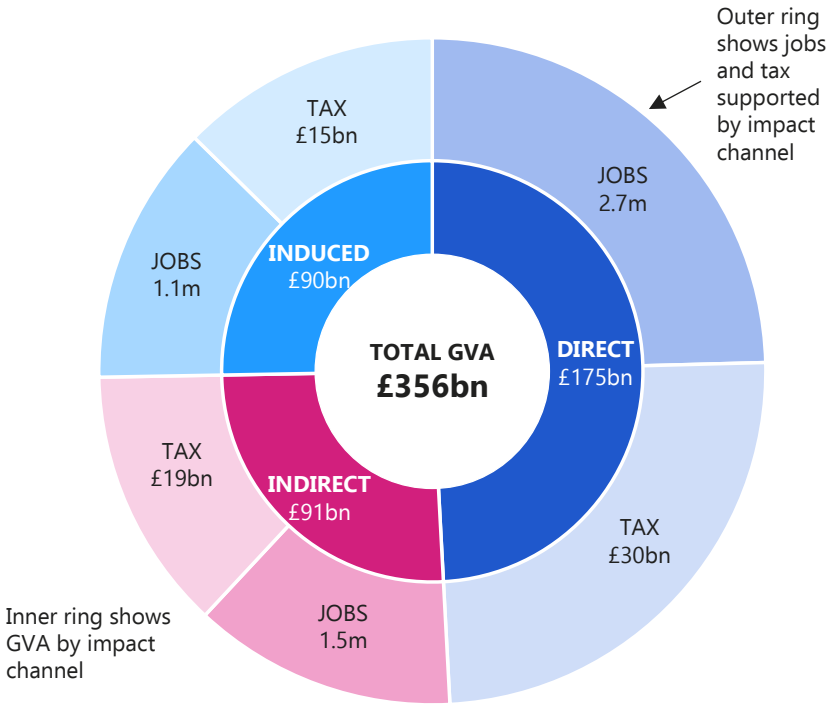
Logistics drives hundreds of billions of pounds in economic activity each year

Impact channels

- Direct** Activity generated by logistics businesses themselves
- Indirect** Activity supported through logistics businesses' supplier spending
- Induced** Activity supported through logistics businesses' employee spending

Total direct, indirect and induced impact		
GVA	JOBS	TAX
£356bn	5.3m	£65bn

Breakdown of economic contribution by impact (2024)

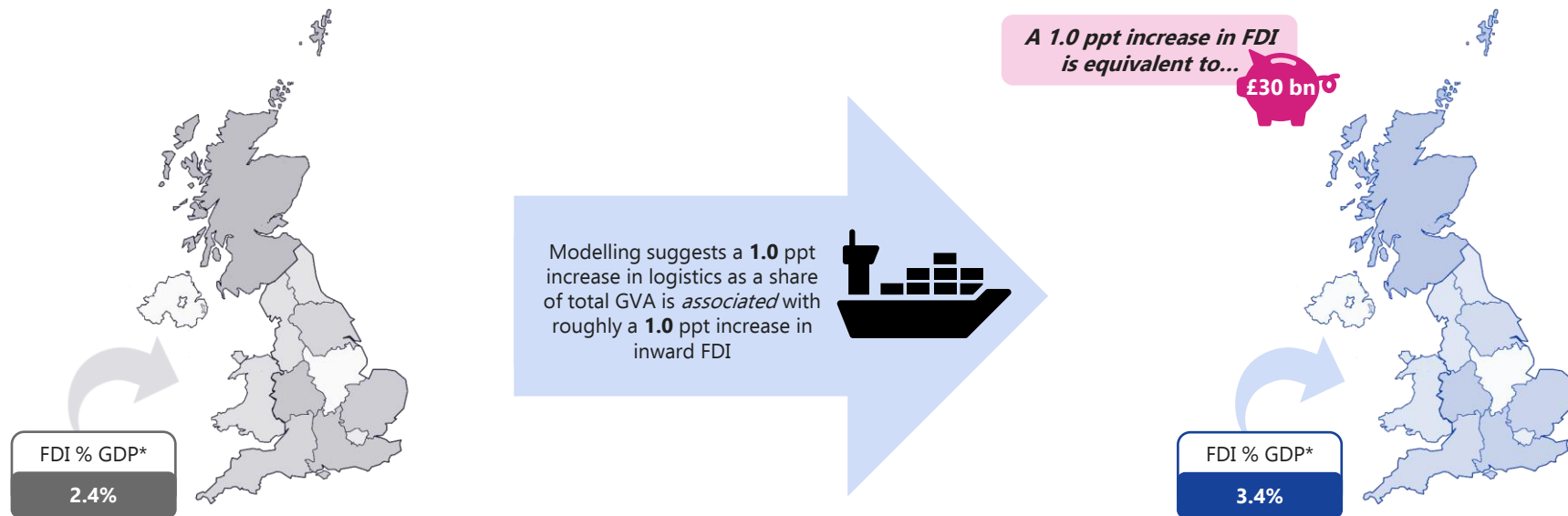


*Gross value added (GVA) measures an industry's contribution to the economy after accounting for inputs used in production.
Sources: Capital Economics and Logistics UK

Strong logistics attracts global investment

Contextualising FDI modelling results

The regression output suggests logistics sector activity is associated with an increase in foreign direct investment (FDI). Results imply that on average, a 1.0 percentage point (ppt) increase in logistics share of gross value added is associated with roughly a 1.0 percentage point increase in FDI as a share of GDP. This associated rise in foreign investment is contextualised in the graphic below.



*Note: 5-year average of UK inward FDI as a share of GDP used given volatility in annual data. Pound figure stated for FDI impact is to provide context to our modelling outputs, with the associated increase in investment assuming all else equal. This figure is based on 2025 GDP.

1 Economic contribution

This section outlines how logistics sector spending on suppliers and employee spending on businesses supported economic activity and jobs in the UK in 2024.

- Businesses in the logistics sector purchase goods and services from other UK businesses. That spending underpinned £91 billion in gross value added and supported 1.5 million jobs in 2024. The spending of those employed by the logistics sector supported a further 1.1 million jobs and £90 billion in gross value added.
- Tax revenue associated with the indirect and induced activity supported by the logistics sector totalled £34 billion in 2024. Of that, £19 billion was raised through supply chain activities while £15 billion was generated from employee spending.
- Taken together, the logistics sector supports a further £181bn of economic activity, 2.6 million jobs and £34 billion in tax revenues in other sectors across the economy. Including direct activity, this brings the total generated and supported to £356 billion of GVA, 5.3 million jobs and £65 billion in tax revenues.

The logistics sector plays a crucial role in the UK economy

The logistics ecosystem underpins British business

Nothing moves without logistics. According to Logistics UK's 'The Logistics Report 2026' the sector contributes £175 billion in GVA annually and employs 8% of the UK workforce, providing good jobs with strong career progression in communities across the country. This is comparable to, and in some cases larger than, construction, manufacturing, and financial and professional services.

Logistics is critical to growth across the UK and is fundamental to our way of life, delivering for homes, businesses and public services every day, enabling over £1 trillion of international trade. The sector plans and coordinates the movement and storage of the goods that we all rely on, using ports, airports, roads, railways, waterways, warehouses and smart digital systems to bring everything together.

As recognised in the Industrial Strategy, efficient logistics is essential to the competitiveness and resilience of the UK's supply chains. Oxford Economics found in 2023 that, with the right policies in place, the sector has the potential to boost UK growth by up to £8 billion a year.

Logistics sector definition is consistent with previous Logistics UK work

The logistics sector is defined in this report using the SIC codes associated with the activities listed in the table. (See appendix for full list of codes.) We have used this definition throughout the report to remain consistent with sector estimates reported by Logistics UK.

The broad definition of logistics includes wholesaling activity. In the appendix, we have included an assessment of the logistics sector excluding wholesale. (See slide 25.)

Logistics sector composition

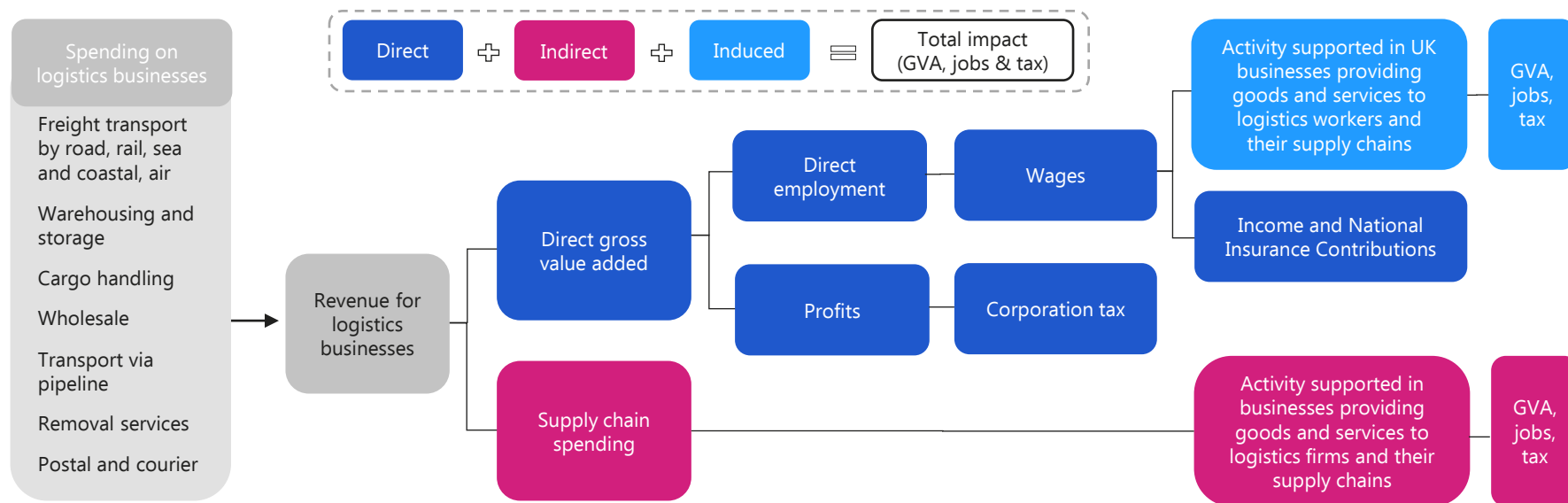
Logistics mode	Description of activity
Road	Freight transport by road, removal services, postal and courier activities
Rail	Freight rail transport
Sea and inland waterways	Sea and coastal freight water transport, inland freight water transport, service activities incidental to water transportation
Air	Freight air transport
Warehousing and cargo	Warehousing and storage, cargo handling, other transportation support activities
Wholesale	Wholesale
Transport via pipeline	Transport via pipeline

Sources: Capital Economics and Logistics UK

Logistics creates value far beyond its own sector

This report builds on previous estimates of the direct size of the logistics sector by estimating indirect and induced impacts

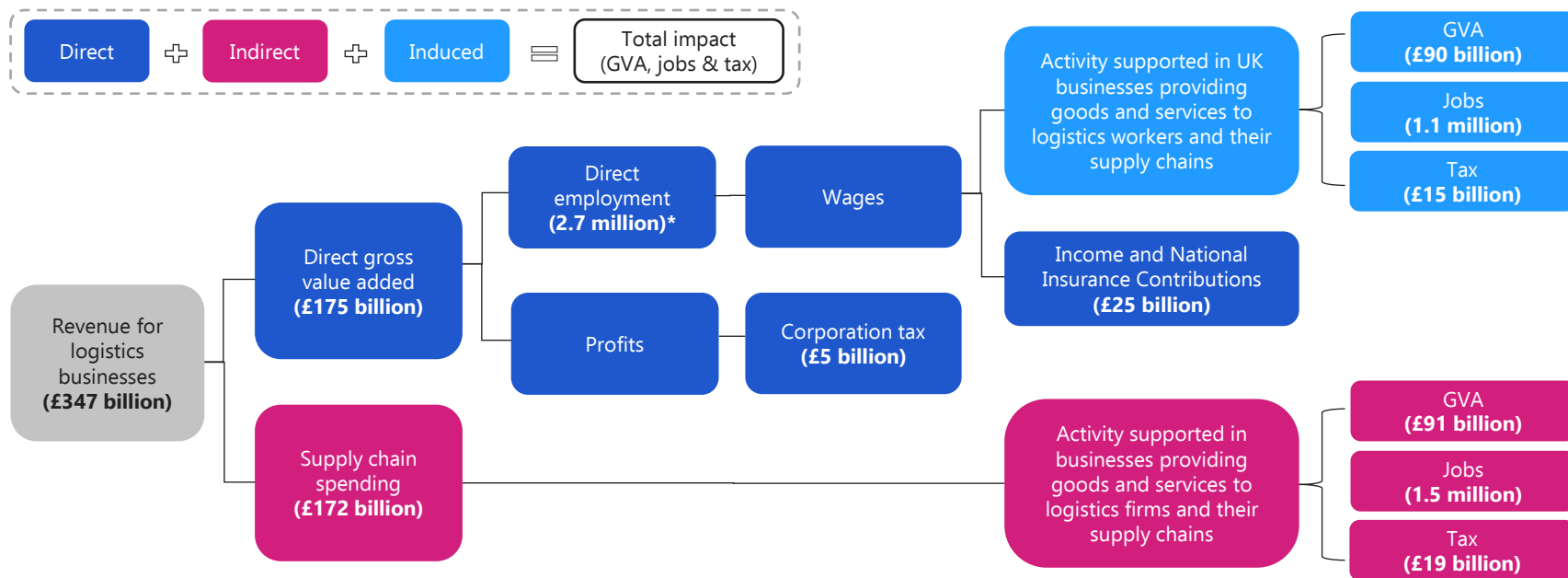
In this report we provide estimates of the economic contribution of the logistics industry in the UK. To do this we produced a bespoke model based on the input-output tables published by the ONS and survey data covering business expenditure of logistics firms. Our modelling builds on 2024 estimates of direct impacts published in Logistics UK's 'The Logistics Report 2026'. We have estimated the corresponding impact from spending through the supply chain ('indirect' impacts) and the impacts from the spending by employees working in the logistics sector ('induced' impacts). That impact is measured in terms of gross value added, employment and tax contributions.



*Gross value added (GVA) measures an industry's contribution to the economy after accounting for inputs used in production.
Sources: Capital Economics and Logistics UK

Logistics generates £356 billion across the UK economy

For every £1 of logistics economic activity, a further £1.04 of economic activity is supported elsewhere in the UK economy through these combined effects. Moreover, every 100 jobs in logistics support around 54 additional jobs through the supply chain and 42 additional jobs through employee spending.



*Gross value added (GVA) measures an industry's contribution to the economy after accounting for inputs used in production.

*The employment figure is for 2024 and based on total logistics occupations (i.e. those employed in logistics roles) rather than employment within the logistics SIC codes.

Sources: Capital Economics and Logistics UK

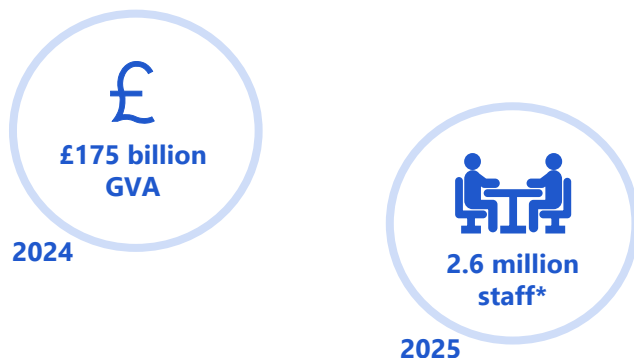
A major sector in its own right

Logistics is one of the largest sectors in the UK

According to 'The Logistics Report 2026', the logistics sector contributed £175 billion in gross value added in 2024, up 3.1% from the year before.

The sector also plays a crucial role in the UK labour market, providing employment opportunities and supporting household incomes across the country.

As of the first quarter of 2025, there were just over 195,000 logistics businesses operating in the UK, 100,000 of which were in the wholesale sector. Employment statistics show those businesses employed 2.6 million people in 2025, equivalent to 8.0% of the total UK workforce. Of that, 1.67 million individuals were employed directly in the sector, while over 900,000 were employed in logistics occupations in other sectors.*



Contribution to the UK economy by logistics mode (2024)*

Logistics mode	GVA (£ billion)
Road (Incld postal and courier)	32.0
Rail	0.6
Sea and inland waterways	6.0
Air	0.2
Warehousing and cargo	25.0
Wholesale	110.0
Transport via pipeline	1.0
Total	£175

*Please note: Figures may not sum to total due to rounding.
Sources: Capital Economics and Logistics UK

Logistics supply chain spending fuels jobs across the UK

Logistics businesses spent £172 billion on their supply chain

Businesses in the logistics sector purchase goods and services from other UK businesses. This includes purchases such as the goods and services needed to build, maintain and repair their vehicle fleet, warehousing rent, and financial and legal services.

Those suppliers then use this revenue to pay staff and produce output. Moreover, a proportion of that is spent on their own suppliers. This process continues as the money is gradually recycled through the economy, generating further rounds of economic activity. The activity that supplier spending supports is known as the 'indirect effect'.

In total, the logistics sector supplier spending underpins £91 billion in gross value added and 1.5 million jobs in businesses across the economy. In other words, for every £1 of logistics GVA, a further 52p of GVA is supported elsewhere in the economy.

Revenue supported £19 billion in tax revenues

The contribution to the UK economy by the logistics sector supply chain spending goes beyond jobs and revenue, providing further support to tax revenues. Including income tax, employer and employee national insurance contributions and corporation tax, indirect activity supported by the logistics sector was associated with £19 billion in tax revenues.

Economic activity supported by the logistics sector through its supply chain (2024)

Support to:	Supply chain spending
GVA (£ billion)	91.2
Jobs (millions)	1.5
Tax (£ billion)	19.1

Source: Capital Economics

Professional, business and transport services all benefit from logistics

Survey results allowed for adjustments to sector supplier spending

Standard input-output tables provide estimates of typical supplier-spending patterns across broad industries. We refined these estimates by conducting a survey on UK logistics firms across a range of transport modes to capture a more indicative estimate of logistics sector spending. This enabled us to adjust the first-round indirect impact to account for the sector composition of firms benefitting from the initial logistics supplier spending. We also applied adjustments to avoid double counting of activity supported by intra-logistics sector spending. (See appendix for methodology notes.)

Supplier spending supported over £10 bn in GVA across five sectors

Transport experienced the largest impact where supplier spending underpinned £14 billion of gross value added and around 335,000 jobs in the sector in 2024. Total jobs supported are on par with employment in the entire crop and animal production sector.

Logistics sector supply chain spending also underpinned substantial activity outside of the transport sector, including in business services. Indeed, spending on services such as legal and accounting activities supported just shy of £14 billion in gross value added in the administrative services sector in 2024.

Professional, finance and manufacturing sectors each saw at least £10 billion in supported gross value added. Meanwhile, administrative services benefitted from the largest employment effect, topping the rankings with 360,000 jobs. Meanwhile, professional services saw 185,000 jobs supported by supply chain spending.

Economic activity in the UK supported by logistics sector through its supply chain, by sector (including wholesale, 2024)*

Sectors	GVA (£billion)	Jobs (000s)
Transport	14.3	335
Administrative services	13.6	360
Professional services	11.9	185
Finance	10.3	60
Manufacturing	10.2	125
ICT	6.7	75
Wholesale & retail	5.3	110
Real estate	4.6	25
Construction	4.3	65
Utilities	4.0	15
Public admin & defence	2.1	25
Agriculture & mining	1.3	15
Health, care, recreation & education	1.2	30
Hospitality	1.1	25
Other personal services	0.3	5
Total	91.2	1,458

*Please note: Figures may not sum to total due to rounding
Source: Capital Economics

Logistics pay packets drive economic activity

Employee spending supported £90 billion in gross value added

Logistics sector employees spend part of their earnings on goods and services from UK businesses. These businesses use the resulting revenue to employ staff, and a portion is spent on their own suppliers, generating further economic activity. This process continues throughout the supply chain and is known as the 'induced effect'.

According to Logistics UK, wages for logistics occupations sit 21% above the UK average, ranging from £26,000 to £80,000. Accounting for taxes and savings, this translates to net spending of around £30,000 per employee on average, totalling £78 billion.

In total, logistics sector employee spending underpinned £90 billion in gross value added. In other words, for every £1 of logistics GVA, a further 52p of GVA is supported through employee spending. Logistics sector employee spending also supported 1.1 million jobs across the economy.

The sector's large workforce and above-average wages mean more money goes into people's pockets, supporting spending across the economy. To provide context, the logistics sector induced impact (52p) is larger than sectors such as the manufacturing of air and spacecraft (46p), repair and maintenance of ships and boats (48p), telecommunications (44p) and financial service activities (46p).

Employee spending supported £15 billion in tax revenues

The impact on the UK economy from logistics sector employee spending goes beyond jobs and revenue. Spending provides support to tax revenues through income taxes and corporation tax. The tax revenue associated with employee spending totalled £15 billion for the Exchequer.

Activity supported by logistics sector employee spending (2024)

Support to:	Employee spending
GVA (£ billion)	90.0
Jobs (millions)	1.1
Tax (£ billion)	15.3

Source: Capital Economics

From housing to hospitality, logistics spending matters

Employee spending supported at least 10,000 jobs in each sector

Logistics employee spending supports businesses across all sectors of the UK economy. This ranges from spending on leisure centres to banks, retailers to builders. That activity provides revenues for those businesses, supporting jobs within those sectors.

Indeed, gross value added of £4 billion or more was supported in over half of the 15 broad sectors included in the table. Moreover, all sectors saw at least 10,000 jobs supported by employee spending.

Employee spending supported £29 billion in GVA in the real estate sector

The modelling assumes that households spend in line with the average UK household, which benefits sectors across the economy. As the logistics sector definition spans official industry codes, we applied adjustments to avoid double counting of intra-sector spending. (See appendix for methodology notes.)

As households typically spend a large share of their income on housing, the real estate sector benefited most. Indeed, spending of logistics sector employees supported £29 billion in gross value added, accounting for around a third of the total GVA impact.

That was followed by the wholesale and retail sector, where employee spending underpinned approximately £10 billion in gross value added and 265,000 jobs.

Economic activity in the UK supported by logistics (including wholesale) through employee spending, by sector (2024)*

Sectors	GVA (£billion)	Jobs (000s)
Real estate	29.3	30
Wholesale & retail	10.8	265
Finance	7.4	35
Hospitality	6.0	210
Manufacturing	6.0	75
Health, care, recreation & education	5.9	160
Professional services	4.7	75
Utilities	4.4	15
ICT	4.1	40
Administrative services	3.3	90
Other personal services	2.9	65
Construction	1.9	30
Agriculture & mining	1.5	25
Transport	0.7	15
Public admin & defence	0.6	10
Total	90.0	1,137

*Please note: Figures may not sum to total due to rounding
Source: Capital Economics

Logistics delivers £65 billion for the Exchequer

Tax contributions from direct logistics activity totalled £30 billion in 2024

The activity generated and supported by the logistics sector is associated with a variety of tax revenues.

We have estimated the income tax and national insurance contributions supported by direct, indirect and induced employment, as well as the corporation tax linked to the profits generated by the firms.

Estimates of the direct tax paid by the logistics sector totalled a touch above £30 billion in 2024.

Indirect and induced activity supported a further £34 billion in tax revenues

Beyond direct contributions, total tax revenue associated with the sector's indirect and induced activity was £34 billion in 2024. Of that, £19 billion was supported through supply chain activities while just over £15 billion was generated through activity associated with logistics sector employee spending.

That took the total tax associated with direct, indirect and induced activity to £65 billion. This is equivalent to the annual salaries of around 1.5 million nurses assuming the median wage for the profession.

Within that total, income tax was the largest component, followed by employer national insurance contributions, corporation tax and employee national insurance contributions.

Total tax contribution supported by the logistics sector (£ billion, 2024)*

Tax paid related to:	Total
Income tax	23.3
Employee National Insurance Contribution	9.2
Employer National Insurance Contribution	19.8
Corporation tax	12.3
Total	64.6

Breakdown of tax contribution supported by the logistics sector (£ billion, 2024)*

Tax paid related to:	Direct	Indirect	Induced
Income tax	11.4	6.7	5.2
Employee National Insurance Contribution	4.4	2.7	2.1
Employer National Insurance Contribution	9.7	5.7	4.4
Corporation tax	4.9	4.0	3.5
Total	30.3	19.1	15.3

*Please note: Figures may not sum to total due to rounding
Source: Capital Economics

2 The role of logistics in attracting FDI

This section considers the link between the depth and quality of a country's logistics sector with inward FDI (FDI). We draw on existing literature and use regression analysis to quantitatively assess the relationship.

- Empirical studies indicate that the quality/depth of the logistics sector is one of the drivers of inward FDI. High-quality logistics is important for inward foreign investment as it improves reliability, lowers production costs and expands access to new consumers domestically and internationally.
- There is a positive relationship between the size of the logistics sector relative to the size of an economy and the amount of FDI a country attracts. Our results suggest a 1.0 ppt increase in logistics gross value added as a share of total gross value added is associated with a 0.7-1.5 ppt increase in FDI as a share of GDP.
- Robustness checks show a positive and statistically significant relationship between FDI and alternative measures of logistics quality and quantity (such as port throughput and airports per capita)

Multinationals invest where logistics works

High-quality infrastructure and logistics services are important considerations for multinational corporations looking to invest abroad. Reliable networks can have substantial benefits, drawing investors to a region.

While not all the benefits listed below are unique to logistics, the logistics sector has an unusually broad reach compared to sectors such as construction. Almost every business that produces, imports, exports or sells physical goods relies on freight transport, warehousing or distribution services.

High-quality logistics can:

- **Reduce production costs:** Lower production costs mean firms can lower the prices of their goods and services, making them more competitive.
- **Increase profits:** Efficient movement of goods through logistics services reduces unnecessary costs throughout the production and distribution process.
- **Reduce upfront costs for firms:** With existing infrastructure and efficient logistics services, firms may not need to invest in new infrastructure and networks, reducing the initial set-up costs.
- **Improve reliability:** Increased efficiency, fewer delays and supply-chain disruptions.
- **Increase a firm's customer base:** Better transport links and efficient supply-chains can connect firms to new consumers domestically and globally.

These potential benefits associated with high-quality logistics motivate the quantitative assessment of the sector's relationship with FDI.



Sources: Capital Economics and OECD

Research shows logistics matters to investors

Logistics among the drivers of foreign investment

There are many determinants of inward FDI including trade openness, the value of the local currency relative to trading partners, labour costs and relative market size. Empirical studies have identified that the quality/depth of a country's logistics sector is one factor associated with inward foreign investment.

Literature identifies a positive relationship between logistics and FDI

The results from existing studies are mixed, however there is evidence of a positive relationship between the logistics sector and FDI.

Kearney's 2025 FDI Confidence Index report includes a survey question on the reasons for investing by market. After economic performance, infrastructure quality was the second most frequently cited reason for investing in the UK.

An OECD paper assessing transport accessibility and foreign investment in European regions supports the case that well-developed transport and logistics infrastructure can enhance a region's attractiveness to FDI. The paper found that air transport, which facilitates business travel, is a key determinant of regional investment attractiveness.

The paper also found that railway access supported investment in high value add industries that rely on employee access from large metropolitan areas.

Meanwhile, a paper by Bugarčić and Skvarciany (2024) investigating the potential of logistics in attracting FDI using panel regressions found logistics to be positively associated with foreign direct inflows in EU countries.

Determinants of inward FDI

Indicator	Description
Logistics	Higher quality logistics improves investment attractiveness by increasing reliability and reducing production costs.
Trade openness	Greater trade openness suggests fewer barriers to trade, including good pre-existing trade links.
Real effective exchange rates	Increased buying power and implied strength of the economy can boost FDI. A stronger currency can also reduce export competitiveness.
Real GDP	The larger the economy or positive changes in the economic backdrop can attract FDI.
Labour costs	Higher wage costs increase the cost of production, which may disincentivise investment.

Key:

Positive Neutral Negative

Sources: OECD, World Bank, and Capital Economics

Countries with stronger logistics attract more FDI

Analysis assesses link between logistics and FDI

In this section we quantitatively assess the link between logistics and FDI using a cross-country approach.

Regressions are a technique for summarising and describing patterns in data. Our regression analysis for this report examines the historical relationship between logistics and FDI across a set of comparable advanced economies and over time. This estimates how changes in logistics are associated with changes in FDI.

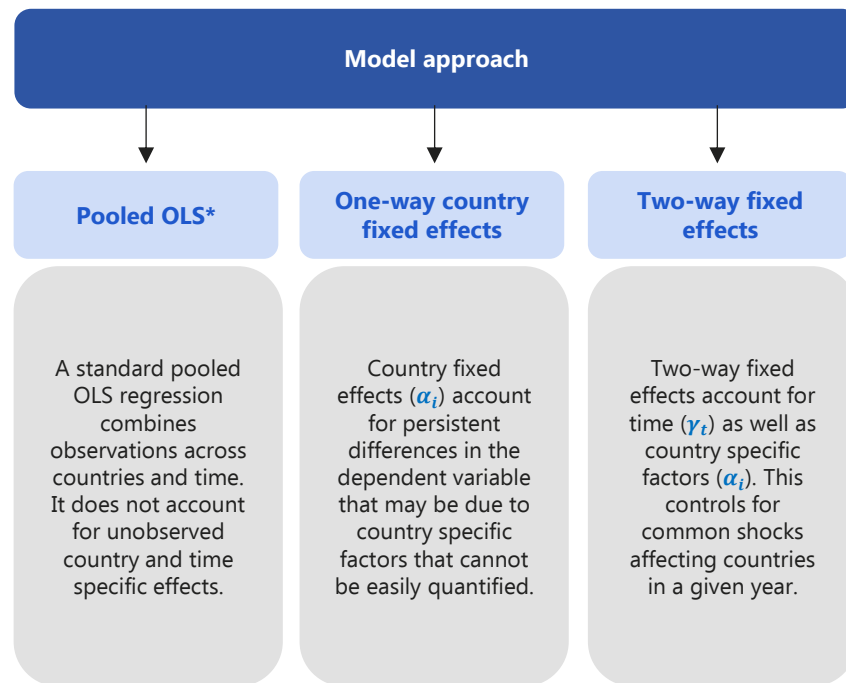
We used a panel dataset, which combines cross-country and time-series analysis. This approach maximises the number of observations in the model. To ensure the robustness of our results, we used approaches such as a standard pooled OLS, one-way country fixed effects and two-way fixed effects.

We collected data across a sample of 35 countries, although the sample varies between model specifications due to missing data or the exclusion of significant outliers.

Modelling suggests a positive and statistically significant link

Our analysis found a positive relationship between logistics and inward FDI. The following slides provide detail of the specifications used, with the strength of the association between the sector and FDI varying by logistics proxy and sample.

Overview of modelling approach



*An OLS regression is a statistical method that estimates the relationship between variables by finding the line that best fits the observed data.
Source: Capital Economics

Multiple indicators tell the same FDI story

A variety of logistics indicators used in our modelling

Estimating the relationship between logistics and FDI requires consistent, comparable data across a sufficiently large panel. There is no clearly defined single, consistent indicator of logistics quality that also provides a long back history of data for analysis. As such, we have used a variety of indicators in our analysis:

- **Transport GVA:** OECD publishes an annual dataset of transport gross value added across economies. While a good proxy, there are some limitations. First, transport gross value added will not capture the wholesale sector which is included in the broader definition of logistics. Second, as the sector includes all forms of transport, this indicator consists of passenger as well as freight transport.
- **Logistics GVA:** To address some of the issues with using transport gross value added, we used Eurostat GVA data to create a measure consistent with Logistics UK's definition of the sector (See appendix for detail on SIC codes.). This removes passenger transport and means we are able to include or exclude wholesale from our regression. As this data was only consistent across economies covered by Eurostat, the sample size was reduced relative to transport GVA modelling outputs.
- **Measures of modes of logistics:** Both transport and logistics gross value added solely measure the size of the market. We therefore also tested alternative measures of logistics quality and quantity across a range of transport modes. This includes metrics such as port throughput, motorway capacity and airports per capita.

Other approaches were investigated but suffered from issues with data availability, limiting suitability for regression analysis. (See appendix.)



Source: Capital Economics

An increase in transport GVA is associated with a larger increase in FDI

Transport gross value added is used as a proxy for logistics

This model uses transport GVA as a proxy for logistics activity and uses data from 20 advanced economies spanning 2001 to 2023.

We also included controls in our model such as trade openness. This allows us to account for some of the variation in foreign investment not associated with logistics. (See box for more detail.)

Positive relationship between transport GVA and FDI

The regression output suggests the sector is associated with an increase in foreign investment. Results imply a 1 ppt increase in transport GVA as a share of GVA is associated with a 1.47 ppts increase in FDI as a share of GDP.

Using the 2.4% five-year average of UK FDI as a share of GDP to contextualise those regression results, a 1.0 ppt increase in transport GVA as a share of total would correspond to an increase in inward FDI to 3.9% of GDP, all else equal. Taking the latest (2025) GDP figure, that would be equivalent to an increase in inward FDI of £45 billion.

The model also finds that a 1 ppt increase in the annual change in trade over GDP is associated with a 0.13 ppt increase in FDI as a share of GDP.

Note: Lower p-value suggests that the relationship between the predictor and the outcome variable is statistically significant. A p-value below 0.05 is commonly used as an indicator of statistical significance.

Results from preferred model

$(FDI_GDP)_t$	Coefficient	P-value
C	-3.33	0.31
Transport GVA_t	1.47	0.04
$d(\text{Trade openness})_t$	0.13	0.01
$d(\log(REER))_t$	-0.15	0.28

Time period: 2001-2023

Cross-sections included: 20; Number of observations: 444; Adjusted R-squared: 0.14; Country-clustered robust standard errors; Country fixed effects (α_i)

Model relates inward FDI as a share of GDP to:

c – constant

$\text{Transport } GVA_{(t)}$ – Transport gross value added as a share of total value added

$d(\text{Trade openness})_t$ – Annual change in ((Exports + Imports)/GDP)

$d(\log(REER))_t$ – Annual change in the real exchange rate

α_i – Country fixed effect capturing persistent, time-invariant differences between countries

ε – A random error

*Logistics activity is expressed as a share of total GVA to show the sector's importance within the economy. FDI and trade are expressed relative to GDP, their conventional benchmark. Scaling each measure in this way enables meaningful comparisons across countries and over time.

Source: Capital Economics

Continued

Logistics GVA is used as a proxy for logistics

In addition to transport GVA, we tested two logistics GVA variables, defined using the SIC codes associated with the sector on slide 27. These models use logistics gross value added, using data from 11-13 advanced economies from 2010 to 2023. We tested logistics GVA with and without wholesale.

There are some limitations to using this logistics variable. Namely, the availability of consistent data on GVA by 4-digit SIC codes. This means advanced economies previously included in our sample were removed.

Positive relationship between logistics GVA and FDI

Regression outputs mirror results using transport GVA, suggesting a larger logistics sector relative to total gross value added is associated with an increase in FDI.

The modelling suggests that a 1.0 ppt increase in logistics sector GVA as a share of total is associated with a 0.7 ppt increase in FDI as a share of GDP. Excluding the wholesale sector implies a 1.0 ppt increase in logistics GVA as a share of total GVA is associated with a 1.1 ppt increase in FDI as a share of GDP.

Using the 2.4% five-year average of UK FDI as a share of GDP to contextualise those regression results, a 1.0 ppt increase in logistics GVA as a share of total would correspond to an increase in inward FDI to 3.1% of GDP, all else equal. Taking the latest (2025) GDP figure, that would be equivalent to an increase in inward FDI of £21 billion. Excluding wholesale from our logistics definition suggests a rise in FDI to 3.5% of GDP, equivalent to £34 billion.

*Logistics activity is expressed as a share of total GVA to show the sector's importance within the economy. FDI and trade are expressed relative to GDP, their conventional benchmark. Scaling each measure in this way enables meaningful comparisons across countries and over time.
Source: Capital Economics

Results from preferred model

Incl. wholesale

$(\text{FDI_GDP})_t$	Coefficient	P-value
C	-2.95	0.17
Logistics GVA _t	0.70	0.03
d(Trade openness) _t	0.14	0.00

Time period: 2010-2023

Cross-sections included: 13; Number of observations: 172; Adjusted R-squared: 0.3; Country-clustered robust standard errors; country fixed effects (α_i)

Results from preferred model

Excl. wholesale

$(\text{FDI_GDP})_t$	Coefficient	P-value
C	-0.72	0.51
LogisticsXwholesale GVA _t	1.13	0.03
d(Trade openness) _t	0.15	0.00

Time period: 2010-2023

Cross-sections included: 11; Number of observations: 149; Adjusted R-squared: 0.2; Robust standard errors clustered by year; country fixed effects (α_i)

The evidence for logistics and FDI is consistent

Port throughput and airport capacity as a proxy for logistics

As an alternative to using gross value added, we have conducted regression analysis using measures of logistics quality and quantity. This provides a robustness check on our GVA results.

Positive relationship between port throughput, airports per capita and FDI

Regression analysis found airports and port throughput per capita both imply a rise in logistics would have a positive association with inflows of FDI.

Both models indicate a positive association between the logistics proxy and FDI (see tables on the right).

The regressions imply an annual increase in port throughput of 1 TEU per 100 people is associated with a 0.03 ppt increase in FDI as a share of GDP. A 10 ppt increase in the annual growth rate of airports per million people is associated with a 0.005 ppt increase in FDI as a share of GDP.

These regressions provide a robustness check for our results, adding to the evidence base that there is a meaningful relationship between logistics and foreign investment.

Results from model using port throughput per capita as logistics proxy

$(\text{FDI_GDP})_t$	Coefficient	P-value
C	3.51	0.00
$d(\text{Port_throughput})_t$	0.03	0.00
$d(\text{Trade openness})_{t-1}$	0.06	0.00

Time period: 2013 2024

Cross-sections included: 14; Number of observations: 168; Country-clustered robust standard errors; Country fixed effects (α_i) and time effects (γ_t)

Results from model using airports per million people as logistics proxy

$(\text{FDI_GDP})_t$	Coefficient	P-value
C	5.93	0.00
$d(\log(\text{airports}))_t$	0.05	0.03
$d(\text{Trade openness})_t$	0.19	0.03

Time period: 2008 2016

Cross-sections included: 28; Number of observations: 252; Country-clustered robust standard errors; Country fixed effects (α_i)

*TEU: Twenty-foot equivalent unit
Source: Capital Economics

Appendix



Excluding wholesale, the direct, indirect and induced activities supported a total £146 billion to gross value added, 2.6 million jobs and £30 billion in tax revenues

Logistics excluding wholesale

The broad definition of logistics includes wholesaling activity. Wholesaling is a large part of the UK economy, and although it is an important part of logistics activities, it does include activity that would not be considered strictly logistics. Excluding wholesale allows us to capture the core logistics sector (freight, warehousing, postal activities).

Excluding wholesale, the direct contribution of the logistics sector totalled £64 billion in gross value added and 1.4 million jobs.

Beyond the direct contribution, the logistics sector excluding wholesale also underpinned £82 billion in gross value added and 1.2 million jobs in businesses across the economy. Of that, £42 billion in gross value added and 675,000 jobs were supported by supplier spending (indirect), while employee spending (induced) supported a further £40 billion in gross value added and 500,000 jobs.

The logistics sector excluding wholesale supported £30 billion in taxes

The logistics sector excluding wholesale supports economic activity that is associated with £30 billion in revenues for the exchequer. Of that, £14.8 billion was from direct activity while £8.6 billion was generated through supplier spending and just shy of £7 billion was supported by employee spending.

Economic activity supported by the logistics sector excluding wholesale (2024)

Support to:	Direct	Indirect	Induced	Total
GVA (£ billion)	64	42	40	146
Jobs (millions)	1.4	0.7	0.5	2.6
Tax (£ billion)	15	9	7	30

Economic activity supported by the logistics sector excluding wholesale (£bn, 2024)

Tax paid related to:	Direct	Indirect	Induced
Income tax	6.2	3.1	2.3
Employee NIC	2.4	1.2	0.9
Employer NIC	5.3	2.6	2.0
Corporation tax	0.9	1.6	1.5
Total	14.8	8.6	6.7

*Please note: Figures may not sum to total due to rounding
Source: Capital Economics

Methodology

Estimating the indirect and induced economic impact of the logistics sector in the United Kingdom

- We developed a bespoke model based on the 2023 Input-Output (I-O) tables published by the Office for National Statistics.
- These tables provided domestic multipliers, which applied to 2024 logistics sector data provided estimates of the indirect and induced impact, by gross value added and employment.
- Publicly available statistics on income tax and national insurance contributions were used to estimate tax associated with wages. To estimate corporation tax, we applied national level ratios of economic activity to tax collected. Together, this provided total tax contribution by direct, indirect and induced impact.

Survey: results supplemented input-output table methodology to estimate the indirect impact

To better understand and quantify the logistics sector in the UK, Capital Economics conducted a survey of Logistics UK members between 9th July 2026 and 28th August 2026. This included responses from the following logistics modes; road, rail, sea and inland waterways, warehousing and cargo and wholesale.

In total, 15 logistics sector firms completed the questionnaires with responses ranging by mode and company size. Survey results included turnover and employee count as well as purchases from suppliers split by sub-sector. Survey results were used to adjust two thirds of the first-round supplier spending (indirect activities) of the logistics sector to better represent the sectoral composition of the sector as defined across multiple SIC codes. Based on previous studies, we have assumed 50% of the indirect activity is within the first-round.

Logistics definition (SIC)

Activity	SIC code
Freight transport by road	4941
Removal services	4942
Postal and courier activities	53
Freight rail transport	4920
Sea and coastal freight water transport	5020
Inland freight water transport	5040
Service activities incidental to water transportation	5222
Freight air transport	5121
Warehousing and storage	5210
Cargo handling	5224
Other transportation support activities	5229
Wholesale	46
Transport via pipeline	4950

Methodology

Inter-sector multiplier adjustments

Our input-output model produces estimates of Type I and Type II multipliers for each sector, allowing for the estimation of indirect and induced impacts in sectors across the economy.

Because the logistics sector as defined in this report spans across SIC codes in the ONS published Input-Output tables, we adjusted the results for any double counting. For example, some of the spending of land transport firms goes to wholesalers, but the entirety of wholesale sector activity is already included in the direct impact of the sector. As such, we have excluded this activity from our indirect and induced estimates. These adjustments were made based on assumptions relating to the purchase of goods by 4-digit logistics SIC code relative to the 2-digit SIC code that sub-sector resides in (for indirect) and total employment costs by 4-digit logistics SIC code relative to the 2-digit SIC code that sub-sector resides in (for induced).

Regression analysis

The data used in the models presented in the report are annual and the reporting dates span from 2000 to 2024. Key variables include inward FDI flows, transport gross value added, logistics gross value added, trade openness, real exchange rates, real GDP, world GDP, unit labour costs, World Bank LPI score and a range of logistics indicators (such as port throughput). We collected data across 35 advanced economies. Final modelling outputs did not include all 35 economies, as they dropped out due to missing series or they were significant outliers. Sample observations are presented in the tables in the report.

Other model specifications were tested but not reported due to data issues with the models. Running regressions using the World Bank's LPI score as our logistics proxy provided statistically insignificant results. While the data set spans many economies, insignificant results were largely to be expected as data are patchy, only providing scores for 2007, 2010, 2012, 2014, 2016, 2018 and 2023. Data constraints led to fewer observations across our panel. Regressions using principal component analysis (PCA) outputs were unsuccessful. Alternative indicators with more consistent annual coverage were assessed as robustness checks. Their results were a good sense check for our gross value added based modelling outputs.

Glossary

Indicator	Description
Inward FDI (FDI)	Investment made by a foreign investor in a domestic business
Gross value added (GVA)	Measures the value generated by an industry or sector after accounting for the inputs used in production
Real gross domestic product (GDP)	Measures the value of goods and services produced in an economy (adjusting for inflation)
Trade openness	Measures an economy's exposure to international trade and is calculated as exports plus imports as a share of GDP
Real effective exchange rate (REER)	Measures a currency's value against a trade-weighted basket of currencies, adjusted for relative price or cost
Unit labour costs	Measures the average labour cost associated with producing one unit of economic output

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