

# European Road Freight Market Size & Growth 2020

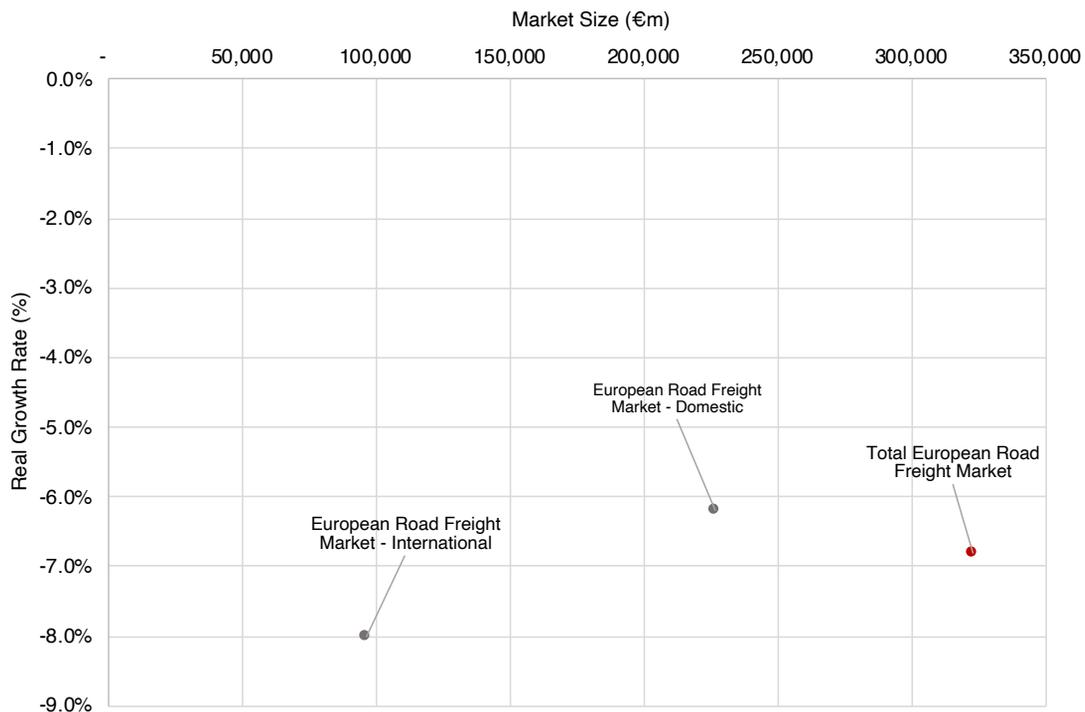


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# European Road Freight 2020 Market Size & Growth

The European road freight market is forecast to contract in real terms (holding prices and exchange rates constant) by 6.8% year-on-year (y-o-y) in 2020. In nominal terms (holding only exchange rates constant), the market is to contract by 8.3%. Overall, 2020 has been a challenging year for the European road freight market, as the Coronavirus pandemic brought the world to a standstill. As a result, both the domestic and international market shrank in real terms by 6.2% and 8.0%, respectively.

**European Road Freight - Total Market Size & Growth 2020**



The market was disrupted early in the year as a result of the effects of lockdown. Sixfold data showed truck traffic fell by more than 50% in Spain, 46% in France and 37% in Italy during a single week in mid-April, compared to pre-crisis times, as lockdowns took effect across Europe. Disruption caused by border closures and crossing times continued for several months but was most noticeable early on. The subsequent shutdown of manufacturing sites and non-essential retail outlets led to freight volumes falling, damaging the market further despite spikes in certain sectors, including grocery retail. The varied and mismatched rules across the continent meant some countries began to reopen as others were still closed, this meant trading was difficult and out of sync. As summer approached the picture looked brighter as manufacturing and retail rebounded and populations gained more freedom, providing a boost for the European economy. However, this was short lived and as the virus spread for a second time, many countries in the region were forced to implement new guidelines partially closing economies once more.

In 2020, the top five largest markets; Germany, France, the UK, Italy and Spain, are forecast to make up 60.1% of the total size of market, which is forecast to total €322,808m. This market share remains broadly in line with 2019 showing the market's shrinkage is not isolated to a group of countries but has affected the whole region. Domestic road freight markets are projected to fare better than the international markets. The domestic market totalled about 70.1% of the market, while the latter accounted for 29.9% of the market.

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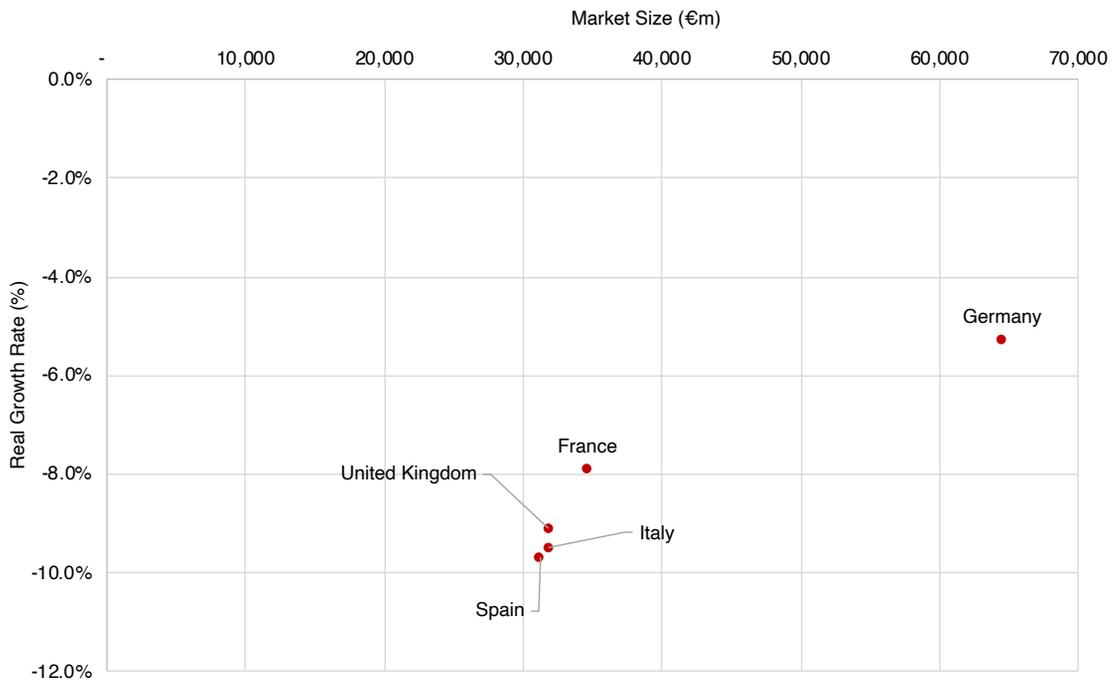
## Domestic European Road Freight Market

The domestic European road freight market is forecast to total €226,387m in 2020. The market is due to contract by 6.2% in real terms (nominal growth is forecasted at -8.4%). The Coronavirus lockdown measures pushed down private consumption growth and weakened manufacturing across the continent. One of the most notable domestic market contractions can be found in Italy, where the domestic market is expected to shrink by 9.4% after a dramatic decline in manufacturing output. The Spanish market has also been negatively impacted. The shutdown of the tourism industry combined with low consumer confidence and household spending, have both played roles.

## International European Road Freight Market

In 2020, the European international road freight total market is forecasted to be worth €96,421m. It is expected to see negative growth in 2020, contracting by 8.0% in real terms (nominal terms -8.1%). The shutdowns seen across much of Europe are the cause. A fall in exports of 12.4% between January and August 2020, compared to the same period in 2019, was recorded by Eurostat and shows the negative impact of the lockdowns. Germany, for example, is forecast to see its international market contract as a result of its automotive industry being hard hit by plant closures, loss of sales and reduced supply. The French market's growth is also set to suffer, falling as exports in the first half of 2020 dropped by 21.5% compared to the same period in 2019. With the UK's market set to contract as a result of the double-blows of Covid-19 and Brexit, all of Europe's Big 5 economies are expected to see negative growth in 2020, with the many seeing growth fall into minus double-digits.

### Road Freight Market Size & Growth 2020 - Europe's Largest Economies



Whilst Q3 saw Eurozone GDP make a record-breaking rebound of 12.7% quarter-on-quarter, the second wave looks set to dampen growth for Q4 and into 2021. Berenberg, a German based investment bank, expects the Eurozone economy will return to pre-COVID levels by mid-2022 but anticipates France and Germany will see recovery slightly earlier, whilst Italy may not see 2019-levels return until early 2023 due to its economic weaknesses.

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Lockdown and containment measures have seen a rise in unemployment across Europe. The European Commission has forecasted the unemployment rate in the euro area to rise from 7.5% in 2019 to 8.3% in 2020. This, of course leads to other economic issues. The EC has suggested household disposable income could fall by between 3.6% and 5.9% over the year, depending on government policy in the country. The rise of unemployment and decline in disposable income has an effect on the road freight market as it impacts consumer demand and confidence.

## *How COVID-19 altered European road freight pricing dynamics in 2020*

The COVID-19 pandemic has added increased complexity into the pricing structure of European road freight. Changes in the cost base, particularly in diesel prices, as well as usually small fluctuations in supply and demand tend to be influential in shaping road freight rates, but the pandemic has led to much more violent and unpredictable variations in a number of factors.

Diesel prices are a key cost component of European road freight. Ti analysis on GSCi shows it can account for between 20% and 40% of the non-structural costs involved in long haul European trucking. There is a correlation between diesel prices and freight rates. Although longer term rises or falls in diesel prices tend to get captured in rates, strong weekly fluctuations are often not captured immediately. This is because of contract rates agreed in advance between shippers and carriers and because of the contracted purchasing of diesel by larger carriers, with prices sometimes agreed months in advance. Nevertheless, these pump price changes still make a difference. An 8% fall in diesel prices in H1, shown in Eurostat data, was beneficial to carriers overall.

Wages are the other major component of non-structural road freight costs. These tend to be relatively steady on a month-to-month basis, although rising wages in Central and Eastern Europe as a result of recent strong economic expansions are affecting carrier costs to an extent. Apart from this, other cost components such as taxes, insurance and tolls tend to show steady increases over time.

Even though demand slumped overall early into the pandemic, the pattern across trade lanes was highly volatile and unpredictable, which also influenced rates. For example, demand in pharmaceuticals and consumer electronics remained strong, but automotive and other manufacturing volumes were much weaker. Where a fronthaul and backhaul consist of different sets of these goods, pricing dynamics can be affected. For carriers on international routes, the backhaul load is often critical in fronthaul pricing. If the possibility of getting a backhaul load is less certain, carriers have to price up the fronthaul to ensure they can cover their costs on a potentially empty or only part-full backhaul. Note, this can also be an issue for domestic hauliers.

Supply was affected as well to varying degrees. Government furlough and job retention schemes effectively led to limits on available capacity to varying extents across Europe. Although strikes or bankruptcies can have this effect too, this dynamic is unprecedented at such scale in the road freight market.

COVID-19 has had some other very direct effects on some elements of road freight pricing, particularly on the international side. By nature, these tend to be longer routes, with higher complexity in terms of route planning, traffic and border disruptions. The latter was a particular issue in March as many European countries shut their borders or implemented stringent checks on the movement of people. Although these restrictions did exclude freight movements, it did nonetheless cause significant queues at borders for trucks. These time delays were often priced

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in on the routes where this was most prevalent.

The ability of violent swings in certain price-relevant factors to dramatically alter rates is limited due to the margins of carriers. They tend to operate with thin margins, often in the low-single digit range. This means prices cannot effectively breach a certain floor, or else carriers will not be able to carry the load profitably. All carriers remain in this situation to varying degrees, limiting the ability of demand slumps to push prices down too sharply.

Whilst some of these COVID-19 dynamics ought to lead to price hikes and others to price falls, the overall effect of these dynamics appears to have been to push prices down. Ultimately it appears that the economic shock and fall in demand has led to carriers accepting lower prices. This was shown in the performance of the Ti & Upply Development Benchmark rate over the nine months of the year, as well by the results of some major carriers:

- DHL Freight saw an 8.7% fall in revenues despite volumes only falling 0.9%.
- At DB Schenker, volumes fell 4.1% over the first half, but revenues fell by a sharper 9.9%.
- At Waberer's, volumes fell 18.2%, with revenues down 32.3%.

Although currency fluctuations will have an impact here, the main factor pulling revenues down lower than volume growth is a decline in prices.

## Global Supply Chain Intelligence (GSCi):

**Currently offering short term access for those not looking for long term commitments**

- Weekly road freight data and trend analysis for 36 international European Road Freight lanes.
- Road Freight market sizing, share and forecast data.
- Ti survey and interview findings on road freight trends like digitization and driver shortages.
- Market maps for the new digital landscape, with strategic profiling of start-ups and market incumbents.
- Detailed coverage of the wider logistics market.



# About Ti



## About Ti

Ti is a leading UK-headquartered logistics and supply chain market research and analysis company providing:

- Supply Chain and Logistics Market Research Reports
- Global Supply Chain Intelligence (GSCi) online knowledge platform
- Consulting and Market Research projects
- Training, Conferences and Webinars.

Ti has acted as advisors to the World Economic Forum, World Bank, UN and European Commission as well as providing expert analysis to the world's leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

## Expertise includes:

- Analysis of the corporate strategies of leading express, freight forwarding and logistics companies.
- Global usage and perception studies of shipper and logistics provider behaviour.
- Micro-economic analysis of key logistics segments: express, freight forwarding, road freight, contract logistics, warehousing, air cargo, shipping and e-commerce logistics.
- Analysis of supply chain strategies employed in industry vertical sectors: pharmaceutical, fashion, high tech, oil and gas, chemical, cold chain, automotive and retail.
- Market sizing and forecasts of key logistics segments.
- Intelligence on emerging markets logistics sectors in Asia, Africa, Latin America, Eastern Europe and Middle East.

## What Sets Ti apart?

- Led by leading industry experienced experts
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- Global Associate Network provides a multi-country, multi-disciplinary and multi-lingual extension to Ti's in-house capabilities
- More than fifteen years of knowledge delivery to global manufacturers, retailers, banks, consultancies, shipping lines and logistics providers
- Unique web-based intelligence portals
- On-going and comprehensive programmes of primary and secondary research

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