THE EUROPEAN **ROAD FREIGHT RATE** DEVELOPMENT **BENCHMARK**

Q2 2023

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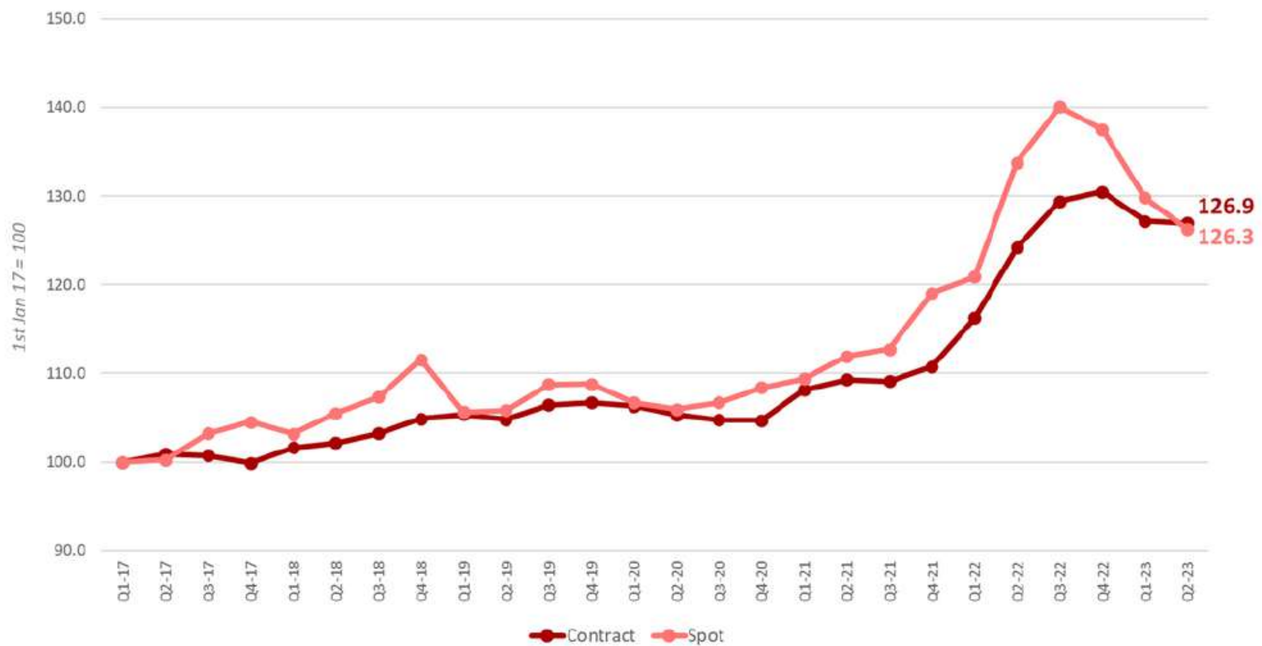
European Market

Ti x Upply x IRU European road freight benchmark
European road freight rates index, Q2-2023



Source: Upply

What does The Data Say?

Contract Rate Index: 126.9, down 0.2 points q-o-q. Remains up 2.8 points year-on-year.

Spot Rate Index: 126.3 down 3.5 points q-o-q. and down 7.5 points y-o-y.

2023 Q2 rates data suggests short term road freight demand is down with high consumer prices and lagging wages pushing down demand for the distribution of goods throughout Europe, resulting in further falls in freight rates on the spot market. The contract market has seen much smaller rate falls due to the elevated costs base and shipper sentiment suggesting that it is now a good time to lock in lower rates under contracts. This has allowed the Spot Index to drop below the Contract Index for the first time in 6 years.

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What are the key rate drivers in the European Spot market?

The spot market reflects short term demand for road freight in Europe. Rates in the spot market decreased due to falling demand for goods, increased capacity and thus greater competition between providers in the market. The decline in spot freight rates is also due to lower fuel prices than in Q2 2022.

Consumption is down q-o-q and y-o-y across the continent as the gap between price and wage rises is reducing Europeans' purchasing power in real terms. March 2023 data from the Eurostat shows that Eurozone wages grew 5.7% in the final quarter of 2022. However, these increases remain below inflation during that period, meaning consumers remain poorer in real terms. The effect can be seen in 2023 Q2 retail sales. Data from official sources puts consumption down vs the previous quarter in Germany (-7.2%), France (-3.6%), Poland (-0.7%), Italy (-2.3%) and Czechia (-0.1%). This has led to less immediate demand for goods to be transported to European consumers, increased road freight capacity and facilitated rate falls through greater provider competition.

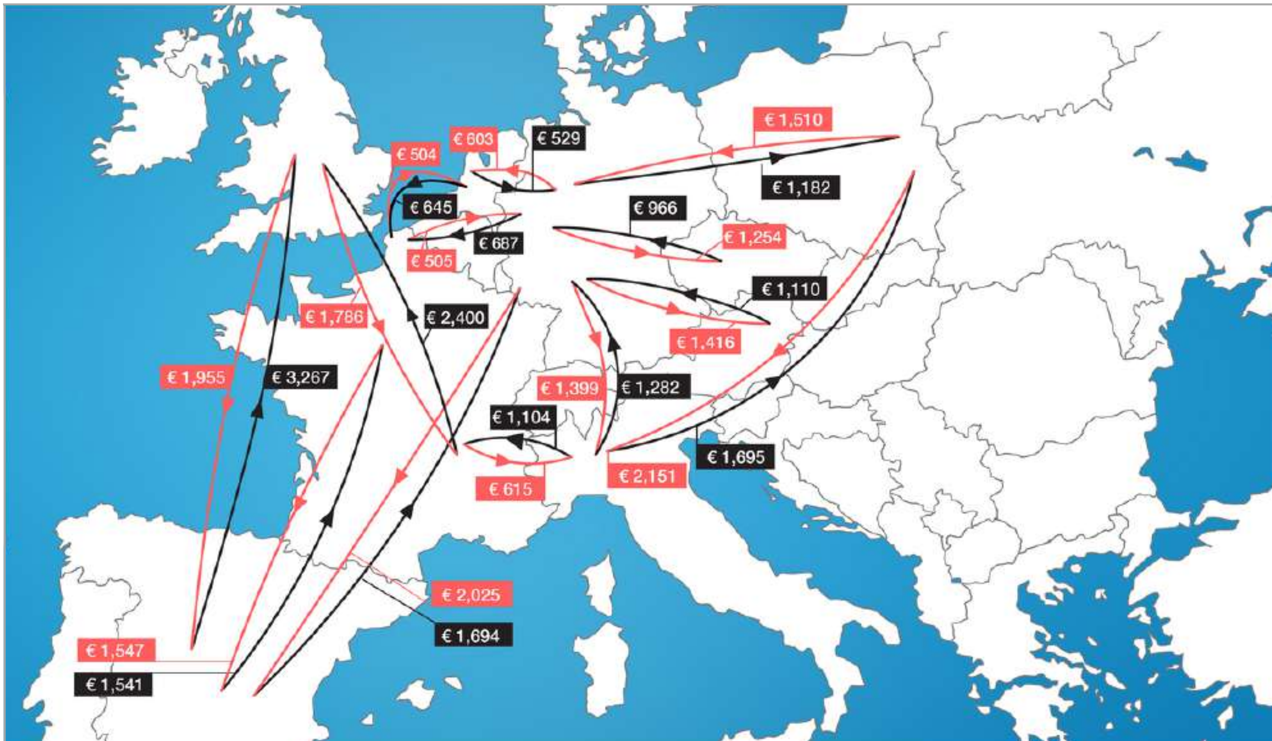
What are the key rate drivers in the European contract market?

Rate falls in the contract market have been much more muted than in the spot market. The two largest reasons for this are improved business sentiment and a structural lag in prices reflecting falling costs.

By June, European CPI Energy has reduced by 18.4 points vs its peak in October 2022, reducing industrial costs across the continent. The result is a slightly more positive view than a year ago, which may encourage companies to secure greater capacity on annual contracts up for renewal. In addition, higher carrier costs have been priced into contracts due to labour cost growth (see p.8) and fuel prices (see p.6), which have fallen from their highs in 2022, remain higher than their pre-Ukraine conflict base. The EU Weighted average diesel price in July 2023 remains up 16.9% vs July 2021. The result is temporary greater demand for capacity in the contract market alongside a high-cost base.

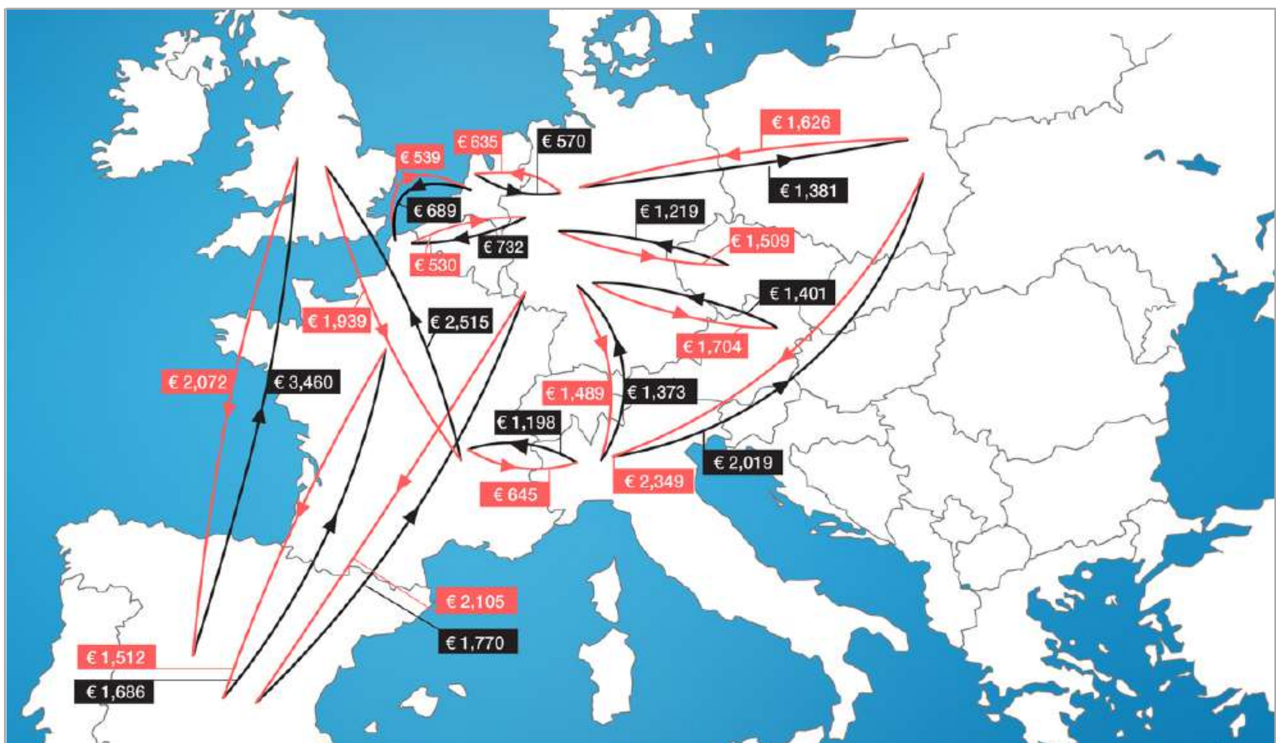
Lower prices have also encouraged many shippers to tender contracts in what they see as a buyer’s market, increasing demand for contracted capacity.

Ti x Upply x IRU European Road Freight Benchmark Map – Q2 2023 Contract Rates



Source: Upply

Ti x Upply x IRU European Road Freight Benchmark Map – Q2 2023 Spot Rates



Source: Upply

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Operator costs

1. Fuel Prices

Transport companies had to cope with a violent rise in fuel prices when the war in Ukraine broke out. Admittedly, these prices have fallen from the peaks reached in 2022, but they are still higher than before the conflict.

In Q2-2023, diesel prices continued to decrease until beginning of June, along with falling demand and economy slowdown, reaching their lowest level since the beginning of the war (EU weighted average diesel price at pump was 1.54€/L [1]). However, they have increased since then by 2%, reaching 1.64€/L on average at the end of July, mainly due to the OPEC+ oil production cuts of around 1.16 million barrels per day.

It was followed in June by Saudi Arabia pledging an additional voluntary oil output reduction of 1 million bpd for the month of July which has already been extended to September. In addition, oil demand is scaling record highs boosted by strong summer air travel, increased oil use in power generation and surging Chinese petrochemical activity.

The EU has managed to replace imports of Russian crude oil and refined petroleum products. As a result of the bans imposed in reaction to the invasion of Ukraine (sanctions on seaborne crude oil and refined petroleum products, applied from 5 December 2022 and from 5 February 2023 respectively [2]).

[1] EU Commission.
[2] Prohibition to purchase, import or transfer those products from Russia to the EU, with additionally a price cap on the same products ($60 per barrel for crude oil, $45 per barrel for discounted petroleum products and $100 per barrel for premium petroleum products). The cap also applies from 5 December 2022 for crude oil and from 5 February 2023 for petroleum products and is adjustable over time. The EU has prohibited EU vessels from transporting Russian crude oil and petroleum products to third countries. It has also prohibited the related provision of technical assistance, brokering services or financing or financial assistance. This ban doesn't apply if the crude oil or petroleum products are purchased at or below the oil price cap.

EU's imports on Russian oil have plunged by 90% in one year. In March 2023, the total imports of crude oil and petroleum products from Russia into the EU decreased to 1.4 million tonnes (Mt) compared with the average monthly figure of 15.2 Mt in the three years from 2019 to 2022 (-90%) [3]. Russia has been a significant source of oil for the EU, but the conflict with Ukraine prompted the Commission to issue a 6th package of EU sanctions (June 2022) which included embargoes on imports of Russian oil into the EU.

The ban on imports of seaborne crude oil entered into force on 5 December 2022, while the ban on petroleum products took effect on 5 February 2023. Total oil imports from Russia did not reach zero due to certain exceptions outlined in the bans [4], which allow for limited imports under specific conditions.

The gap between demand and decreasing imports from Russia has been filled in two ways:

1) The emergency stocks required by EU law allowed for two emergency stock releases in 2022 in order to stabilise the market. In 2022, the Commission assessed the situation in the domestic and international markets and advised EU member states to refill their emergency oil stocks to the minimum required levels by 31 March 2023. In July 2022, 10 EU countries were below their national minimum level [5]. However, by March 2023, only 5 [6] remained below their requirements, and 3 are close to fully restocking their oil reserves [7].

2) Imports from other countries have increased significantly: United States (+63.39 % increase in annual export volume of crude oil and petroleum product to the EU in 2022 versus 2019), Norway (+37.35 %), Brazil (+194.32 %), Angola (+56.94 %) and the United Arab Emirates (24.37 %) [8].

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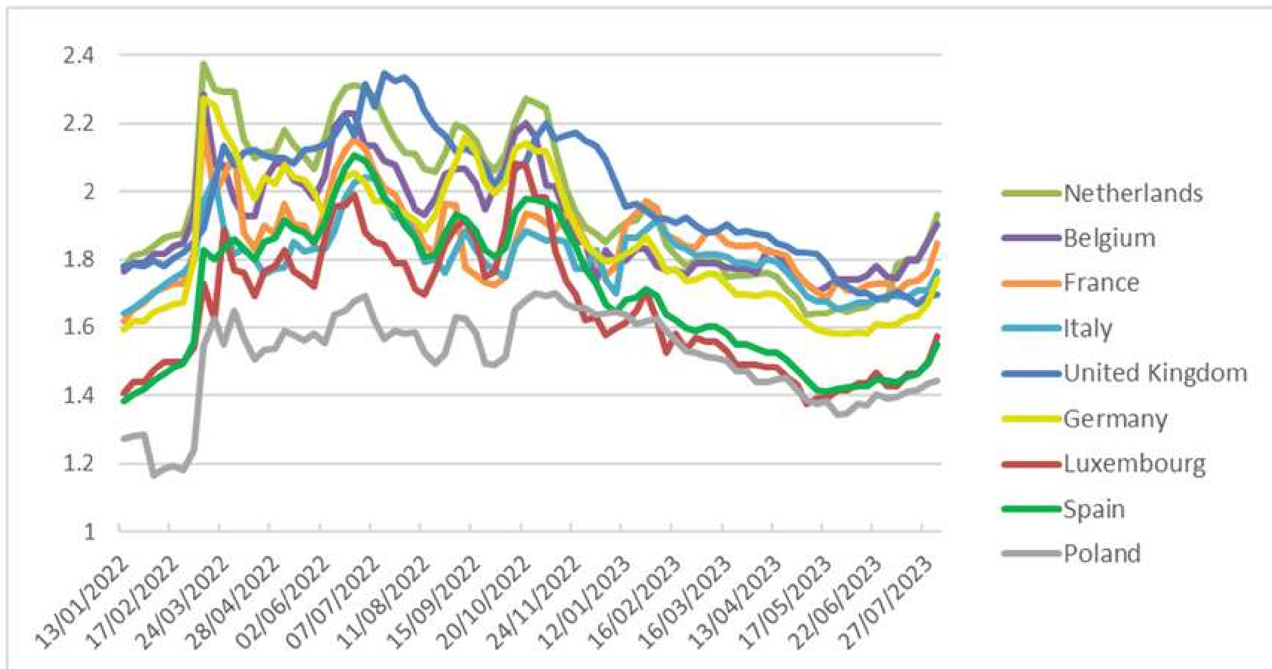
[3] Eurostat.
[4] Imports of crude oil by pipeline into those EU member states that, due to their geographic situation, suffer from a specific dependence on Russian supplies and have no viable alternative options. March 2023 data shows the majority of Russian crude oil went to Hungary, Slovakia and the Czech Republic. Moreover, Bulgaria and Croatia specifically will benefit from temporary derogations concerning the import of Russian seaborne crude oil and vacuum gas oil respectively.
[5] Bulgaria, Czechia, Ireland, Croatia, Italy, Latvia, Lithuania, Hungary, Austria and Romania.
[6] Bulgaria, Czechia, Ireland, Latvia and Lithuania.
[7] Eurostat.
[8] Eurostat.

Diesel prices at pump (€/L)



Source: IRU

2. Labour costs

There is also strong pressure on wages. According to Eurostat, labour costs in the EU were up by 5.8% in the 4th quarter of 2022. In the road haulage sector, the pressure for higher wages is even greater, as the industry is still facing a labour shortage, particularly for driver positions.

According to latest IRU driver shortage data, the shortage of truck drivers estimated in 2023 is lower than 2021, with 7% of truck driver positions expected to remain unfilled. Driver shortage is estimated to decrease in all countries studied except the Netherlands, where it should remain stable (7% unfilled truck driver positions). The primary reason of this decrease is the decline in transport demand due to falls in consumption, driven by inflation together with limited wage growth. In the UK, which had one of the most acute truck driver shortages at the end of 2021 (10% unfilled driver positions, representing 80-100 thousand truck driver jobs), driver shortage in 2023 is very low (1% / 1,400 unfilled positions), their current big issue being to find enough driver mechanics. Despite this temporary relief, the shortage of drivers still remains an issue for operators, with more than 220,000 truck driver jobs unfilled in Europe.

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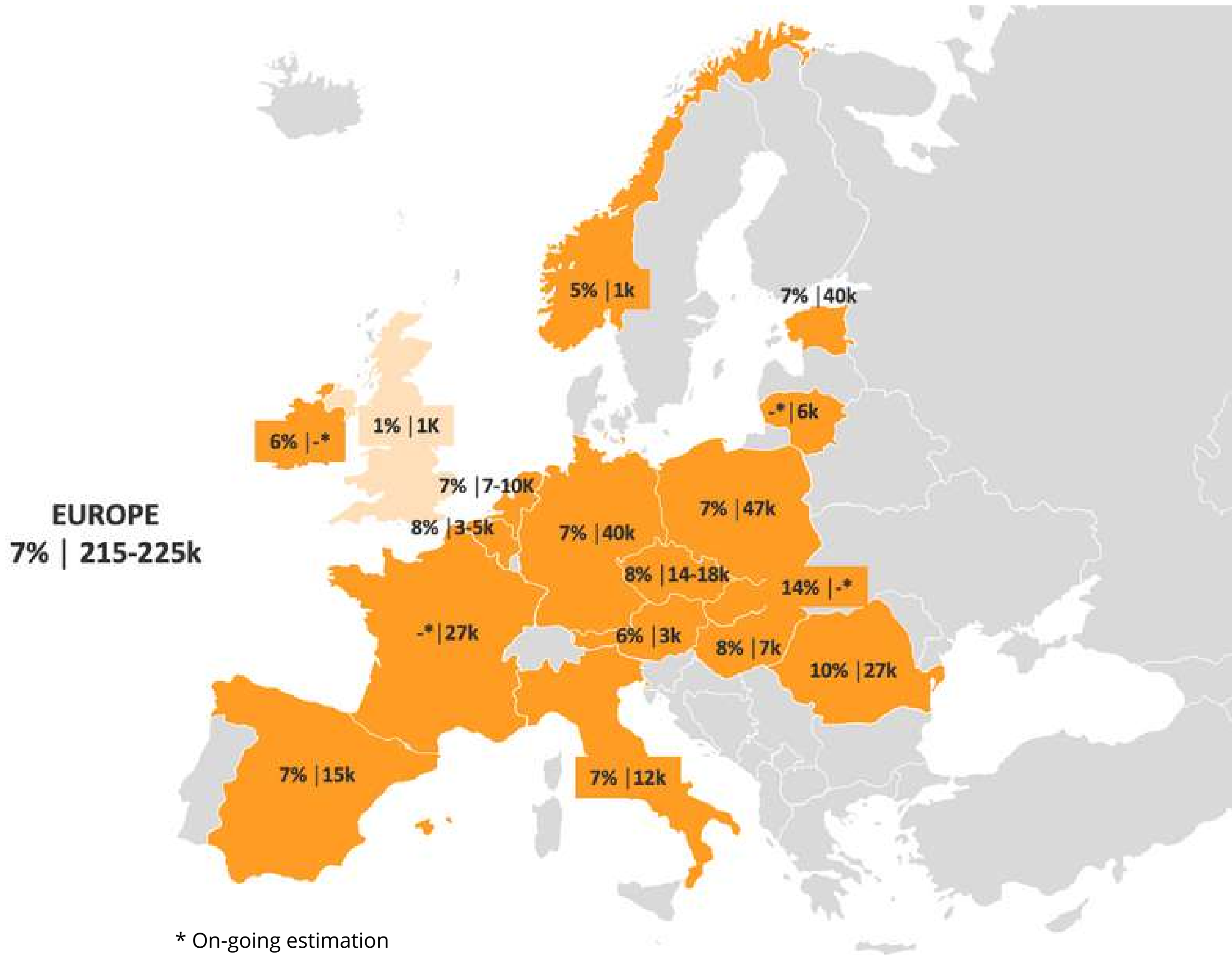
Estimated driver shortage in Europe 2023



% of unfilled truck driver positions in 2023 | number of unfilled truck driver positions in 2023

Source: IRU driver shortage survey 2023 (preliminary results) and national road transport associations

What is the outlook for costs?

1. Fuel Prices

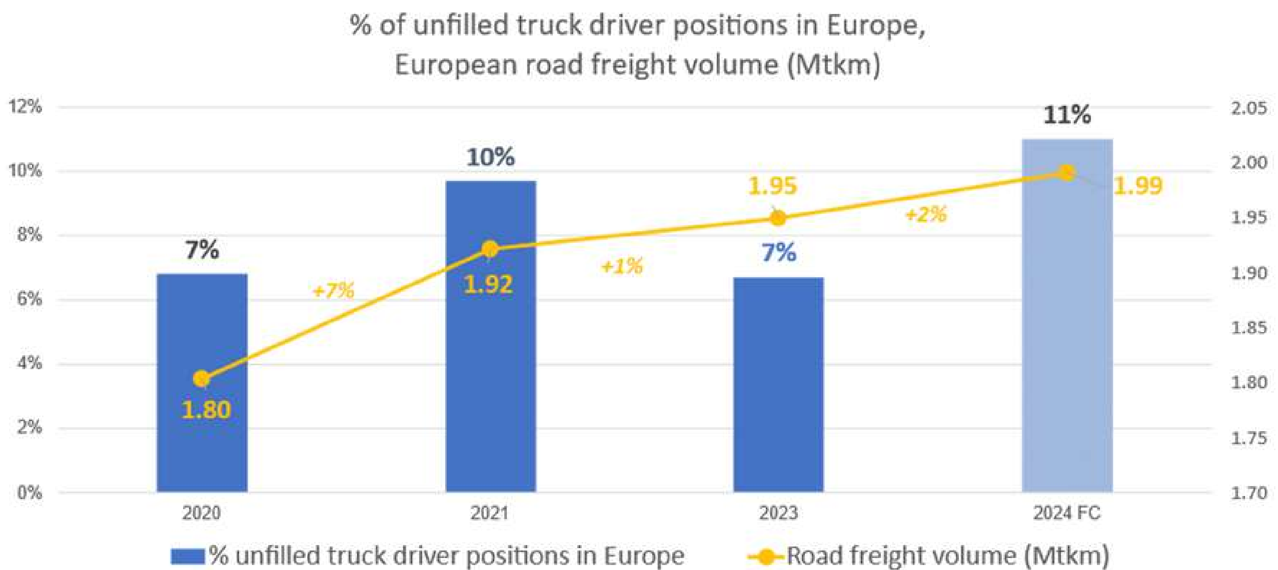
According to the US Energy Information Administration (EIA), the Brent crude oil spot price will gradually increase in the coming months, reflecting the expectations of a decline in global oil inventories. It will reach $80 per barrel (b) in Q4-2023 and average about $84/b in 2024, down from an average $101/b in 2022, potentially leading to continuous pressure on diesel prices at pump in the coming months.

The Brent price averaged $75 per barrel (b) in June, unchanged from May, as ongoing concerns regarding weakening global economic conditions continued to limit expectations for global oil demand growth, which countered upward price pressure from tighter near-term oil supplies. The reduction in expected near-term oil supplies was the result of the OPEC+ extended crude oil production cuts announced on June 4 and an extension of voluntary cuts through August announced by Saudi Arabia on July 3. EIA expects the production cuts and rising demand to increase prices going forward. On August 3, Saudi Arabia announced at it will extend the voluntary oil output cut of one million barrels per day for another month to include September, adding it could be extended beyond that or deepened. Russia will also cut oil exports by 300,000 bpd in September.

Consumption will increase, led by non-OECD Asia, while global oil inventories will transition from inventory builds in H2-Q3, to inventory draws, putting upward pressure on global oil prices.

2. Driver shortage

Next year, the shortage is forecasted to reach 11% unfilled jobs, driven by transport demand growth expectations as well as an ageing population of drivers.



Source: IRU driver shortage survey 2023 (preliminary results) and IRU estimation based on EU Central Bank GDP per capita growth forecasts

Over one third of truck drivers in Europe are currently over 55 years and will retire in 5 to 10 years, while the number of new entrants joining the profession is insufficient to ensure the replacement of older ones (less than 6% truck drivers are below 25 years old in Europe). Driver shortage medium term forecasts estimate over 1.2 million truck driver jobs could be unfilled in 5 to 10 years, solely due to driver retirements.

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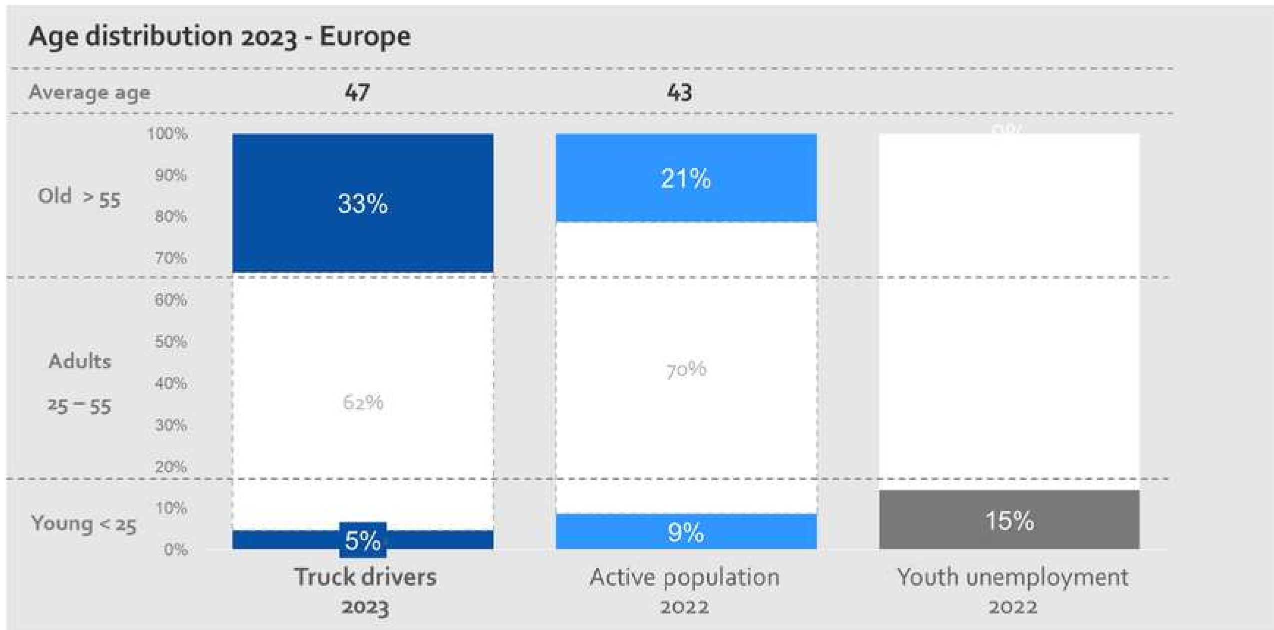


Source: IRU driver shortage survey 2023 (preliminary results)

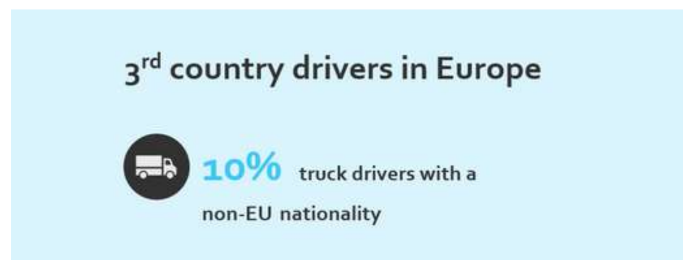
What can be done to revert this situation?

Different measures should be implemented, the most relevant being:

- Facilitate the access to the truck driver profession:

1. Subsidize the cost of the driver license and CPC: these costs represent a barrier to enter the profession. Looking at the main road transport markets, license costs are on average € 3 330, which is double the minimum and legal monthly gross salary in those countries. In some countries, such as the Netherlands, where this cost is over three times higher the minimum legal gross salary, costs are fully or partially covered by the government, transport sector organisations or by companies themselves to encourage young people to become truck drivers. In the UK, at the end of 2021, the government created a new HGV training program ("Skills bootcamp") which allows to get the license and CPC and is 100% free for trainees (it even covers the costs of the medical test). £54 million were allocated by central government to fund this program and it has been so successful in terms of people getting the HGV license that further £50 million has been provided for 2024-2025.
2. Facilitate the recruitment of third-country drivers (from non-EU countries): Europe has overall an ageing population, meaning its labour pool might not be enough to cover the driver gap.

Currently, the share of third country truck drivers in Europe is only 10% [9]. The reason is that third countries' professional qualifications are not recognized at EU-level, meaning a foreign driver must take the EU CPC training and exam in a national EU country language (which is an additional difficulty). The revision of the EU license directive offers a window of opportunity to create a common framework at EU level to recognise foreign CPCs from countries with similar driver requirements to those of the EU. Additionally, the European Commission is developing a concrete tool to attract third-country talents to the EU market and drivers [10], recognised as a highly skilled workforce. They have been included in a specific talent pool project involving non-EU workers.



- Improve the attractiveness of the profession for young people and women, especially by improving working conditions. The key elements to be improved are:

1. Improve the access to safe and secure parking spaces: currently, Europe has only 300 000 parking spaces available and only a fraction of these guarantee basic services and security levels. Another 100 000 parking areas are needed across Europe to provide decent working conditions and places to rest for truck drivers. Additionally, to current EU funding, which may not be sufficient, companies themselves are making efforts to offer better resting facilities for their drivers.
2. Improve the treatment of driver at delivery sites: some European countries have already banned loading and unloading activities to be performed by drivers. Here greater involvement and collaboration of shippers is needed in order to offer better treatment to the drivers (i.e toilets for drivers at delivery sites, reduce driver waiting times at delivery sites...).

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[9] IRU driver shortage survey 2023 (preliminary results).

[10] It started with the Migration Pact and continues with specific projects involving pools of non-EU workers.

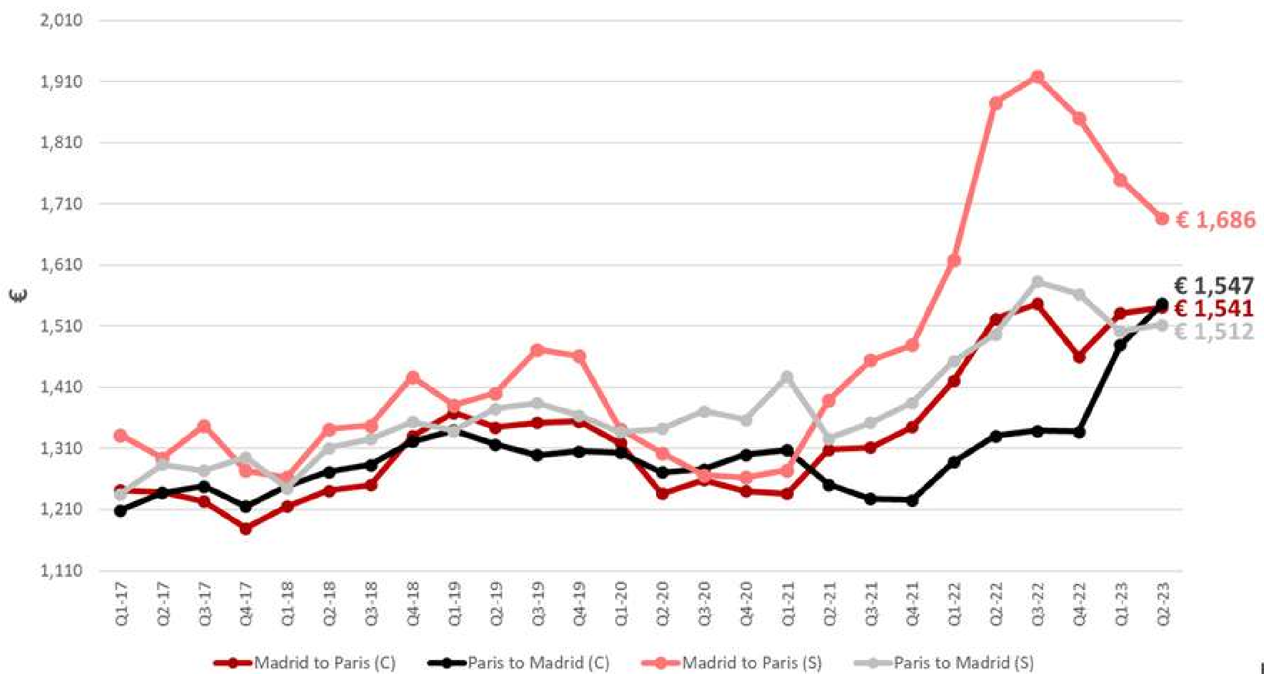
3. Long periods away from home: this is one of the most difficult to change. Solutions are currently developed by companies around smart parking infrastructure, providing improved driver facilities and experiences as well as opening new operating models, such as trailer drop and swap services (i.e FreightSafe smart parking services), which could lead to drivers spending more time at home.

Pricing outlook and demand forecast

The outlook for European road freight in the coming months is for further reduction in demand side pressure freeing up capacity and allowing for the possibility of further rate falls in the spot market. Wage growth may limit further falls in consumption, but we can expect it to remain low relative to inflation. Contract rates are under temporary pressure from improved sentiment vs 2022 with lower road freight prices encouraging companies to secure greater capacity than predicted a year ago on annual contracts. Thanks to lower energy prices, and in turn more sustainable producer prices, Ti predicts the road freight industry will grow 1.3% in 2023. This does however reflect a significant slowdown vs 2022 and 2021. Falling order levels, compounded by 22-year high ECB interest rates, indicate that demand pressure on the contract market will continue to ease, allowing for falls in H2 2023, albeit to higher floor due to a bigger carrier cost base.

France – Spain

Paris – Madrid Road Freight Rates



Source: Upply

What happened to rates during Q2 2023?
On the headhaul into Paris, contract rates are up 0.7% q-o-q to €1,541 (€1.22/km), this puts rates close to the 2022 Q3 all time high of €1,546 and up 1.3% vs 2022 Q2. In the spot market rates fell 3.6% q-o-q to €1,686 (€1.33/km), down 10.1% y-o-y.

Backhaul contract rates to Madrid grew to 4.6% to a new all-time high of €1,547 (€1.22/km) per journey and are now up 16.3% y-o-y. Spot rates grew a modest 0.7% to €1,512 (€1.19/km) leaving them up 1.0% y-o-y. This means contract rates on the Backhaul are now more expensive than spot rates.

What are the key rate drivers on the backhaul (Madrid to Paris)?
The French business environment remains healthy and resilient with total manufacturing up 2.4 q-o-q points. Consumption however is the key driver bringing the spot rates down.

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Available Insee data from Q2 2023 puts total consumption down 1.24% q-o-q and 3.62% vs 2022. Food is the biggest driver with the volumes of food demanded by French consumer down 3.0% vs Q1 23 and down 8.0% year-on-year. Manufactured goods are also down 3.64%.

Inflation can be seen as the driver here. Whilst June's 2023 inflation figure fell to 4.5% down from 6.3% in February 2023, food inflation stood at 13.6% in June 2023.Insee reported that food is contributing to around 40% of inflation whilst only representing 16% of goods in the calculated basket. As a result, French consumers are purchasing a smaller volume of regular perishable goods, this has reduced demand for road freight and pulled road freight rates down.

Reduced demand on the spot market has in turn freed up capacity, allowing for greater supply side competition in the bidding market, facilitating the rate falls we see in the graph above.

What are the key rate drivers on the backhaul (Paris to Madrid)?

Rates on the reverse leg show a vastly different story. Whilst French inflation has run a slow burn course, Spanish inflation was hard and fast during Q2 and Q3 of 2022. Consequently, Spanish inflation peaked in August 2022 at 10.5%, and has fallen to 1.9% in June 2023. Consumption has been on an upward trend since August 2022.

Available data from Q2 2023 put Spanish consumption up 2.1 points vs Q1 2023 and up 5.8 points vs 2022. This has increased immediate demand for road freight into Spain to meet the growing demand from Spanish consumers, in turn increasing demand side competition in the spot market and spot prices.

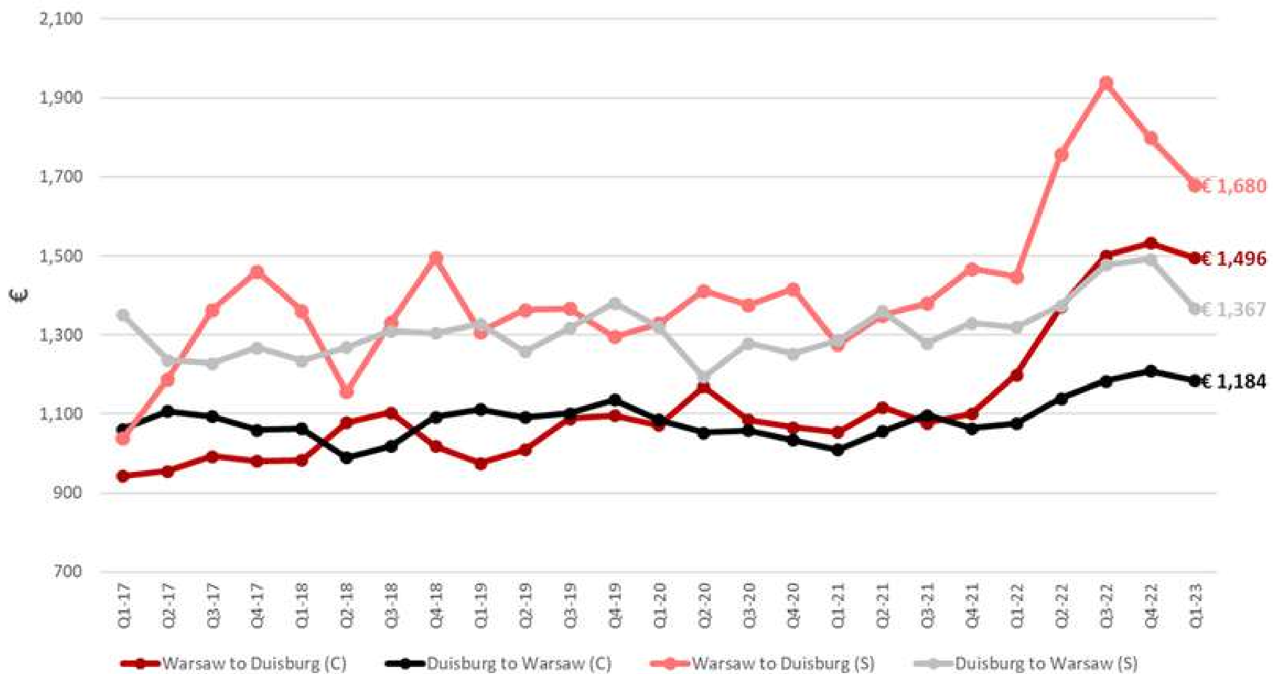
It's likely an improved outlook for the Spanish economy has also pushed up prices in the contract market as firms move to secure greater volume of road freight capacity in 2023. This effect pushed contract rates above spot rates in Q2 2023, with average contract rates in the quarter 2.2% higher than spot rates.

What’s the outlook for rates on this lane?

The outlook on this route is mixed. Inflation has left Spanish consumers poorer than a year ago, although price growth is cooling considerably. However recent monetary policy, the effect of which we can expect in H2 2023 to 2024, should reduce demand side pressure and pull rates back down, but to a level higher than historic rates due to a higher cost base.

For a world in motion

Germany – Poland



Source: Upply

What happened to rates during Q2 2023?

On the headhaul to Duisburg contract rates edged up 0.2% to €1,510 (€1.40/km) and are now up 6.9% y-o-y. Spot rate fell 1.4% to €1,626 (€1.51/km) leaving them down 6.0% y-o-y.

Backhaul contract rates fell 2.0% q-o-q to €1,182 (€1.09/km) but remain up 1.3% y-o-y whilst spot rates fell 0.9% q-o-q to €1,381 (€1.27/km) now down 2.6% y-o-y.

What are the key rate drivers on the headhaul (Warsaw to Duisburg)?

Demand from Europe's largest economy remains unpredictable. Data from Q1 suggested some type of recovery was on the cards for Germany in 2023. Q2 production trended back down, but only slightly. Available data from Q2 2023 puts total manufacturing volumes down 0.2 points vs Q1 2023. Capital goods production fell 0.3 points vs the previous quarter.

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A similar story can be seen in German consumption, where total price and seasonally adjusted retail turnover grew 0.4 points in Q2 2023 vs Q1 2023. Some key categories such as food (-2.8) and household equipment (-1.7) fell. Total German retail turnover remains down 4.0 points y-o-y, but sits above its 2019 level.

What are the key rate drivers on the backhaul (Duisburg to Warsaw)?
Polish inflation remains one of the highest in Europe, inflation peaked at 18.4% in February but has since fallen month on month down to 11.5% in June 2023. Available data from Q2 2023 sees consumption edge down by 0.68 points, driven largely by reduced expenditure on non-essential such as clothes (-5.8) and furniture and electricals (-3.3), whilst food consumption grew 3.1 points. Polish manufacturing has started to show signs of a slowdown following an impressive resilience throughout 2022. Total manufacturing output in Q2 2023 fell 4.6 points vs Q1 2023 with intermediate goods, which are key to the Warsaw Duisburg Lane, down 4.5 points vs the previous quarter. Available Q2 2023 data shows industrial new orders dropped 13.9 points vs Q1 2023.

What's the outlook for rates on this lane?
The outlook for this lane however suggests more rate falls are possible. Available Q2 2023 data from Destatis puts German new orders down 4.0 points vs Q1 2023 and down 5.0 points year-on-year. This is driven by falling orders from foreign buyers. This is likely the first signs of interest rate rise in the economies of Germany's major trading partners taking effect. We can expect demand side pressure to fall further as a result of higher interest rates in H2 2023 and in 2024. This will in turn reduce the demand side pressure on the road freight market.

Similar to the headhaul, falling inflation has allowed consumers to steady their feet and kept demand side pressure on road freight rates constant, resulting in little price change. Production now looks like the factor most likely to reduce the demand side pressure in coming months and facilitate any future rate falls. Falling new order levels has the potential to bring contract rates down as industry takes up less capacity for the coming months.

The outlook on this lane is falling demand side pressure that will allow for further spot rate falls in the year that will bring them down from their 2022 highs. Falls in the contract rate is likely going to be gentler as it becomes clear that Germany's industry has weathered the storm and companies aim to secure capacity for a stagnant 2023 rather than a disastrous 2023.

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LTL/FTL segmentation and forecast data.
Weekly diesel prices & quarterly freight rate index.
Detailed analysis of driver shortages, fuel costs, EU Mobility Package and the war in Ukraine.
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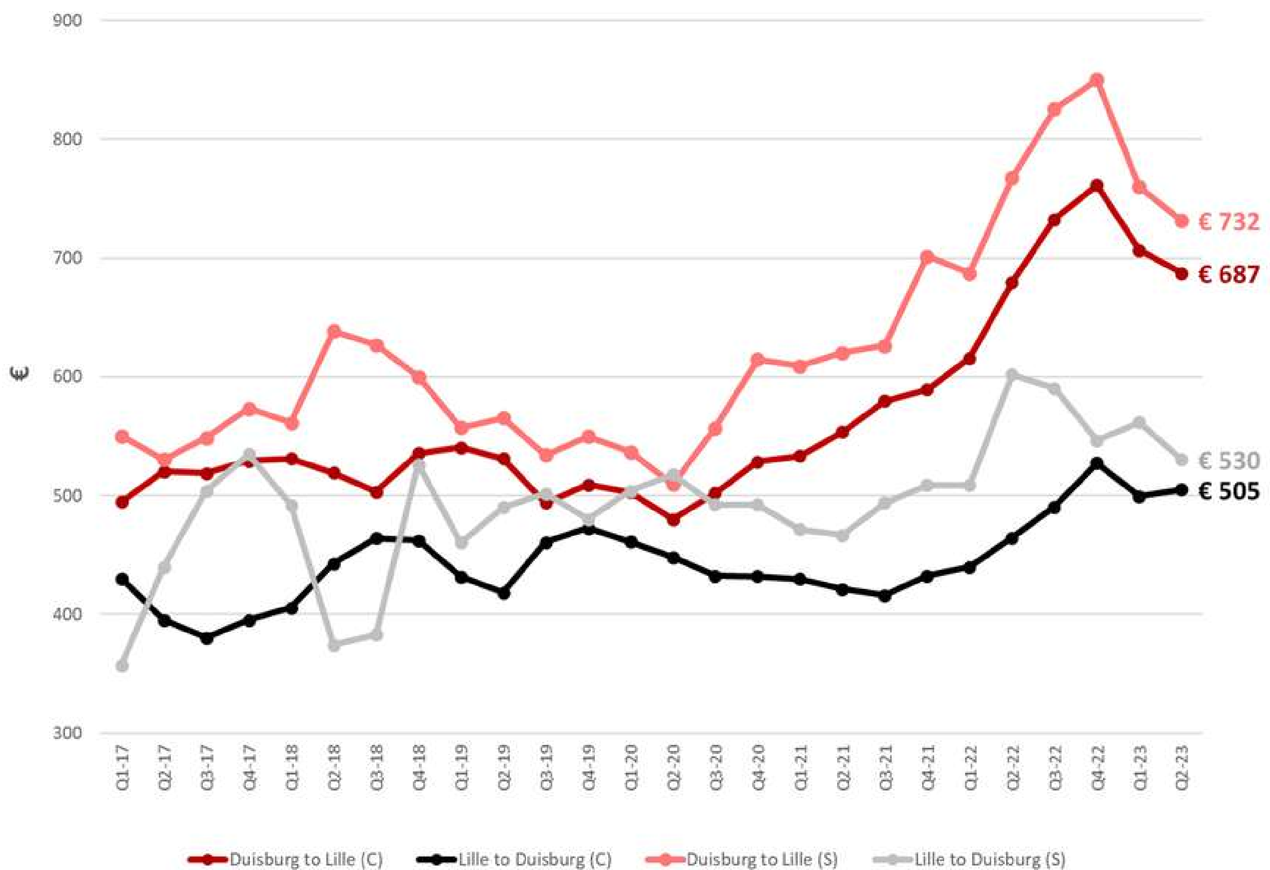
France – Germany



Source: Upply

What happened to rates during Q2 2023?

On the Headhaul towards Lille, Contract rates fell 2.7% q-o-q to €687 (€2.28/km) per journey however rates remain up 1.2% y-o-y. Spot prices on this leg fell 3.7% q-o-q to €732 (€2.42/km) and are now down 4.7% y-o-y.

On the backhaul, contract rates grew 1.1% q-o-q to €505 (€1.67/km) leaving them up 8.8% y-o-y whilst spot rates fell 5.6% q-o-q to €530 (1.76/km) and are now down 11.9% y-o-y.

Spot rates on the backhaul are now just 5.0% more expensive than contract rates, down from 12.4% in the previous quarter.

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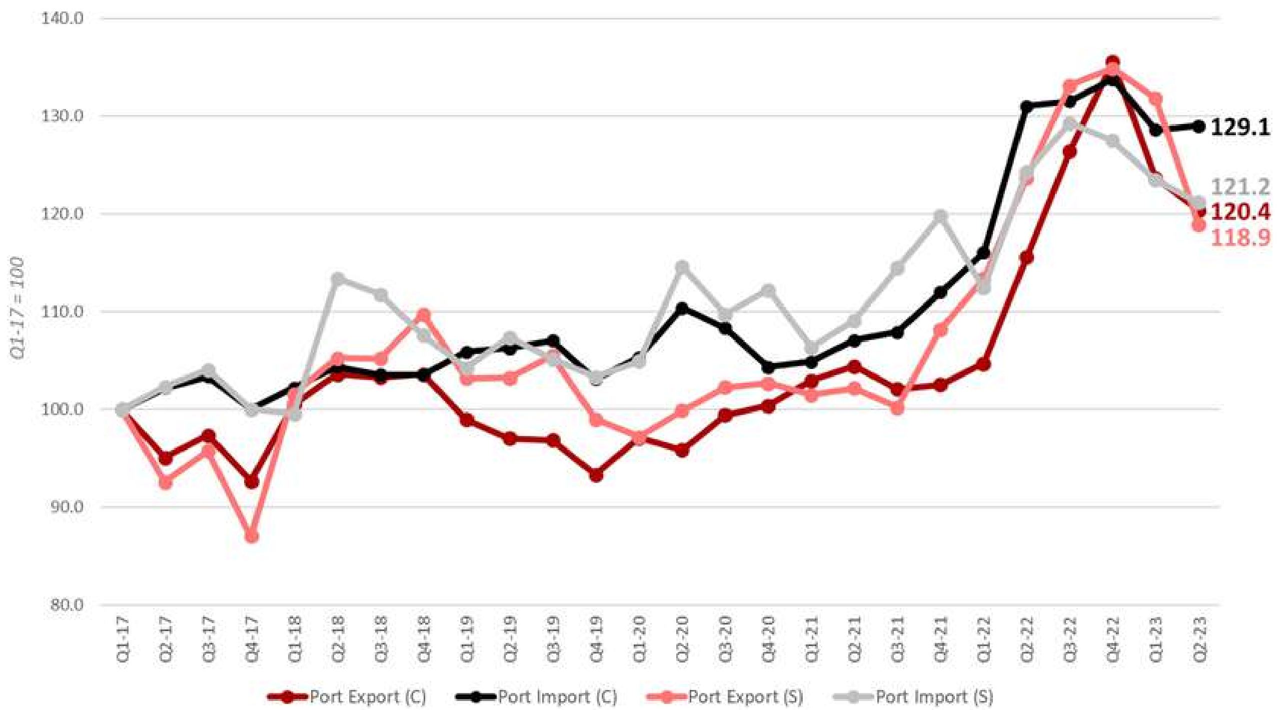
What are the key rate drivers on the headhaul (Duisburg to Lille)?
Available Insee data from 2023 Q2 puts total French retail sales down 1.24% vs the previous quarter, with food goods down 2.95% and manufactured goods down 1.75%. The Insee data shows a steady fall in demand for German goods resulting in the gentle rate falls seen in the data. Evidence shows that French manufacturing continues its steady growth, up 1.7 points q-o-q. The result is overall reduced demand from a consumption dominated French economy, but rate falls were limited by resilient French industrial output.

Again, inflation can be seen as a major driver in France. French inflation dropped to 4.5% in June 2023, however food inflation sat at 13.6% which inhibited growth in discretionary spending.

What are the key rate drivers on the backhaul (Lille to Duisburg)?
On the backhaul the two markets paint contrasting stories. In the spot market rates fell due to reduced demand, increased supply and the resulting supply side competition between hauliers. German inflation stood at 6.4% in June 2023. Whilst down from highs of 10.4% in October 2022, the June figure increased 0.3% vs May, suggesting the country isn't on a clear path to more stable prices. In June 2023 food inflation sat at 13.4% and is largest contributor to inflation since energy rates subsided. Food inflation is down from 21.2% in February. However, the reality is that consumers are now paying much more for regular essentials and the result is a smaller volume of goods demanded reducing immediate demand in the spot market. This has freed up capacity in the spot market, allowing for greater supply side competition and reduced prices.
Contract rates however have risen, this can be partly attributed to a more positive outlook on the German economy in H2 of 2023. The German finance minister said: "A gradual recovery is underway, despite a persistently difficult environment," this follows the German government adjusting up its 2023 growth forecast from 0.2% to 0.4%.
In addition, despite the fall in fuel prices, road hauliers' operating costs are still on the rise (vehicle prices, maintenance costs, toll costs, salaries, etc.).
In this context, companies may seek to secure greater capacity in the coming 12 months by accepting higher contractual rates.

European Ports Import and Export Lanes



Source: Upply

What happened to rates during Q2 2023?
The 6 largest spot market q-o-q rate falls were all on Import lanes originating from either the port of Antwerp or Rotterdam.

On export lanes contract prices reached 120.4 points down 3.3 points q-o-q and up 4.8 points y-o-y. Spot rates on export lanes fell to 118.9 points, down 12.9 points q-o-q and 4.8 points y-o-y.

On import lanes contract rates sat at 129.1 points up just 0.4 points q-o-q but remain down 2.0 points y-o-y. Spot lanes fell to 121.2 points, down 2.3 points q-o-q and 3.1 points y-o-y.

What are the key rate drivers on Import Lanes (originating in Antwerp or Rotterdam)?

Low European consumption is a clear driver pulling down spot rates on import lanes from European ports. The effect of more than 18 months of higher inflation rates and over 12 months of growing interest rates are now being seen in the volume of goods demanded. Available Q2 2023 data from national statistics sources puts total consumption is down y-o-y: 3.6% in France, 4.0% in Germany, 2.6% in the UK, 2.8% in Italy and 5.5% in Spain. European retailers are now adjusting to a consumer base that is poorer in real terms than a year a year ago and are preparing for H2 2023 by ordering lower volumes of goods to meet reduced demand in the short to medium term.

This in turn has reduced short to medium term demand side price pressure in the road freight market and pulled down spot prices. The drop in prices in the contract market was much more subdued. Whilst overall European demand for goods is low and putting less price pressure on the market, sentiment has improved slightly from a year ago when energy prices, and inflation were high and rising. Alongside rising prices being costed into contract there was less downwards pressure in this market.

What are the key rate drivers on Export Lanes (destined for Antwerp or Rotterdam)?

Export rates are down by a larger amount than import. In the spot market, exports rates fell 5 times faster than import spot rates. This is the result of a combination of: high producer prices making European goods less competitive in the global market, weakened demand from trading partners and high interest rates which are discouraging investment into European goods. Data from Q2 2023 saw the biggest annualised drop in US business investment since the pandemic in 2020 (-7.3%) as a result we're seeing a drop in B2B trade on transatlantic ocean freight routes. In addition, a combination of weak Chinese economic growth and the on going decoupling between the two economies is also reducing exports toward China.

What's the outlook for rates on this lane?

The outlook for price on this is dependent on the development of European inflation rates over the coming months and the ability for consumers to absorb any future price rises. Even if inflation does continue to slow, the European consumer's buying power has been weakened and demand side price pressure will remain low. On export lanes, high interest rates are keeping demand for key European B2B exports low, we can expect this to continue.

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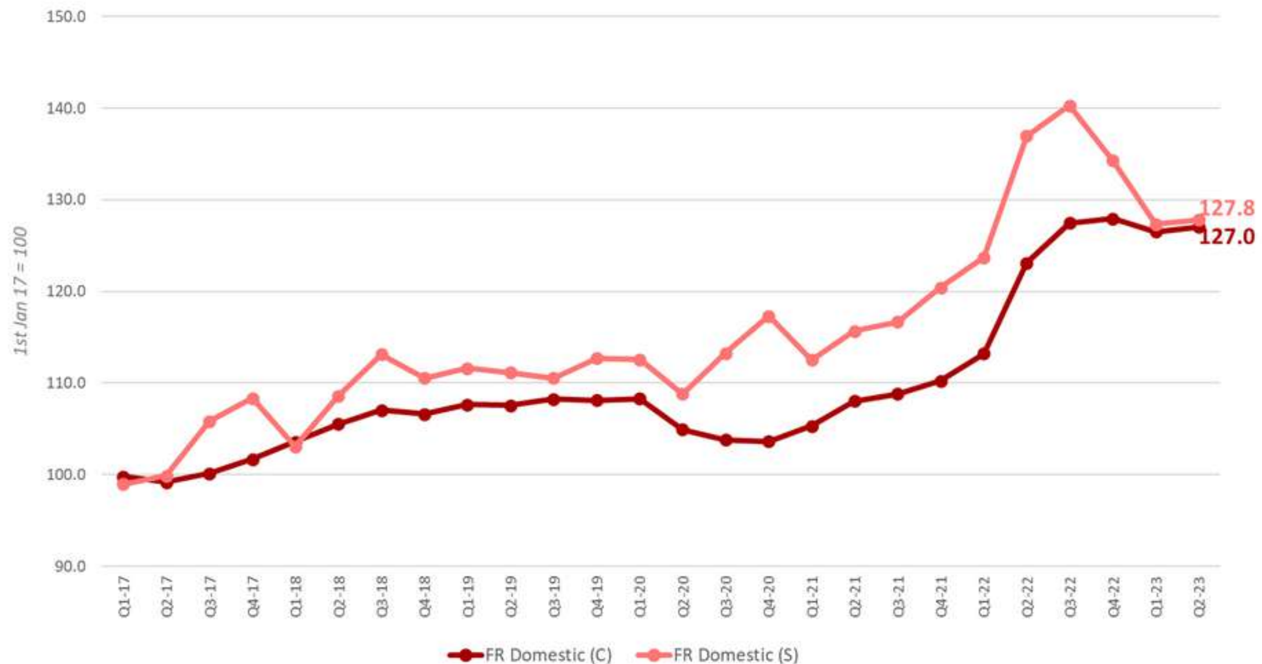
French Domestic Rates



Source: Upply

What happened to rates during Q2 2023?
Both the domestic spot and contract markets rose 0.5 points vs the previous quarter. In the spot market, after large falls in the previous two quarters, rates edged up to 127.8 points. However, they remain down 9.1 points y-o-y. The contract market now sits at 127.0 points and is up 3.9 points y-o-y.

What are the key rate drivers on French Domestic Market?
France has had a much smoother relationship with prices over the previous 18 months when compared to its European neighbours. Government policies to protect consumer energy bills in 2022 helped to inhibit inflation, yet consumption still appears to be trending downwards, primarily due to growing food prices. The cushion provided by falling fuel prices allowed falling demand to pull rates down in Q1 2023, however a resilient business environment alongside elevated costs vs historical levels keep road transport prices high.

Whilst food inflation discourages growth in the demand for perishables in France, headline inflation remains stable and signs of growth in demand for other goods can be seen.

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Data from Plateforme de la filière automobile (PFA) puts car sales in France up 11.5% in June 2023 and up 15.3% for H1 2023 year-on-year. According to Insee data on trends in manufacturing output, the automotive sector recorded the highest year-on-year growth rate over the period March-May 2023. The result is greater demand side pressure on both the spot market, as auto makers aim to secure immediate demand, and the contract market, as the outlook for the automotive market improves irrespective of the headwinds of 2023.

What's the outlook for rates on French Domestic Market?

The outlook on French domestic routes remains uncertain, with food inflation set to reduce the demand side pressure for road freight for regular perishable goods. French headline inflation remains lower than the rest of Europe which could prevent extreme falls in consumer led demand side pressure. The business environment remains resilient for now, however high interest rates are set deter any investment. Road freight rates may fall but remain elevated vs historic levels.

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Methodology

The rates are the result of Upply's own econometric and statistical modelling, which is based on the analysis of more than 750 million prices. Upply provides Truck Load (LTL & FTL) weekly rates estimations based on observed transactions for each major European trade lanes, associated with a confidence index. These rates are computed from Upply's key partners and users data. To complete the analysis presented here, Ti selected a representative sample of the largest European road freight corridors by volume. Ti then used the median rates provided by Upply on each corridor, averaging weekly rates over each quarter. Ti's team of senior analysts provide additional insight into the drivers and trends behind price movements with support from Upply. Note that data is subject to re-statements and that new lane samples can be chosen from one quarter to the next.

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Upply is the digital platform for freight transport professionals. Upply designs and develops cutting-edge and innovative solutions to help shippers, carriers and forwarders exploit the full potential of digitisation for their business.

Combining transport expertise and Data Science, since 2018 Upply has developed its leading solution, Smart, for benchmarking, tracking and analysing global freight rates. With Smart, supply chain players can make fully enlightened decisions and optimise their transport investments.

Through its Connect digital platform, Upply directly connects shippers with road hauliers and freight forwarders. As an operational tool, Connect simplifies transport operations by automating their processes.

To develop these unique technological solutions, Upply employs data scientists, logistics professionals and digital experts. The company is based in Paris and counts 60 employees.

For further information, please contact service.client@upply.com.

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IRU, the world road transport organisation, has 75 years of on-the-ground experience with a network of 175 members from around the world. We represent the entire industry – bus, coach, truck and taxi, and strive for the sustainable mobility of people and goods across the planet.

As the voice of more than 3.5 million companies operating mobility and logistics services in over 100 countries, IRU fosters impactful solutions to help the world move better.
We bring a unique perspective, bridging the public and private sectors to support trade, economic growth, jobs, safety, the environment and communities.
IRU provides concrete services to transport and logistics companies, ranging from representation at the European and international level, trade and transit tools, driver skills assessments (including eco-driving), comprehensive research and insights with thematic workshops and roundtables on decarbonisation, driver shortages and digitalisation.

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