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Press release

European Road Freight Rate Benchmark Q1 2022: European road freight rates index up 4.3 points in Q1, hitting a new record high

Bath, 28th of April 2022 - The Upply x Ti x IRU European road freight rates index for Europe hit an all-time high in Q1 2022 as rising cost pressures, supply and capacity disruptions, regulatory change and war in Ukraine created a potent mix of rate drivers. The Benchmark index rate rose by 4.3 points over the previous quarter, while it increased 7.5 points over the first quarter of 2021.

- The **Q1 2022 European Road Freight Rate benchmark index stood at 110.9**, 4.3 points higher than in Q4 2021 and 7.5 points higher than in Q1 2021
- **Q1 2021 is the 7th consecutive quarter of rate increases** across Europe
- **Rising fuel costs, up around 52.7% y-o-y on average across European markets**, and the ongoing driver shortage have helped push up road freight costs and rates across Europe
- **New data from IRU shows driver shortages across Europe in 2021** reaching up to **425,000 unfilled positions**; made worse by the Ukraine conflict
- **Freight rates are expected to remain elevated** through 2022 as volatility from inflation and the fallout from the Ukraine conflict continue to increase costs, though as inflation takes hold overall demand may decrease, relieving upward pressure on rates

The result of the forces currently exerting themselves on the European road freight market is **an uncertain, challenging and complex market environment**. After buoyant consumer spending in 2021, rising inflation in the first three months of 2022 and the expectation of higher interest rates to come have seen confidence amongst consumers erode in much of Europe, including in Germany, the UK, Spain, Italy and even in the more dynamic French economy.

The **effects of inflation** on the supply side of the European road freight market, especially on diesel prices, have led to **substantial increases in rates in Q1 2022**. The **Russian invasion of Ukraine** and the subsequent restriction of oil supplies from Russia into Europe has led to further **upward pressure on prices**. The EU-wide weighted average of a litre of diesel has risen sharply since Q3 2021. Compared with the pandemic-induced low of €1.10 during Q2 2020, the weighted average cost of diesel was 52.7% higher in the first quarter of 2022.

Thomas Larrieu, Chief Executive Officer at Upply, comments:

"The European road freight market has been marked since 2021 by an inflationary dynamic: freight rates are gradually increasing, and this trend shows no signs of abating. In addition to the factors that have been known for several months (dynamic demand with the reopening of the post-Covid economies, rising fuel prices, pressure on capacities and driver shortages), there is now a parameter that is exogenous to the usual problems of the sector: the war in Ukraine. This conflict is disrupting European supply chains, affecting driver availability, and causing an unprecedented spike in fuel costs. In the coming months, we can expect further increases in transport costs, which could fuel a subsequent rate increase. However, the price surge could be contained by a lull in European demand in response to widespread inflation in goods and services."

The worst effects of this fuel price increase may be yet to be registered in the quarterly index, as the price spike did not occur until after the invasion of Ukraine on the 24th of February, and carriers were able to make use of fuel purchased in advance at lower prices through the end of February and early March. With lower-cost fuel reserves now depleted the impact on rates is likely to increase in the near term.

While the most apparent effect of the **war in Ukraine** has been to **increase fuel prices**, the conflict has also worsened the **European driver shortage**, driving up labour costs and applying more upward **pressure on rates**. New data from IRU shows driver shortages across Europe increasing to **up to 425,000 unfilled positions in 2021**. These shortages have been worsened by the Ukraine conflict, with over 228,000 non-EU truck drivers operating in Europe in 2021, many from Ukraine and Belarus.

In addition to fuel price increases and driver shortages in the context of the war in Ukraine, another significant change this first quarter is the entry into force of **new EU Mobility Package rules in February**. Impacts on costs and rates are still limited as 22 of 27 EU countries are late in implementing the new rules on the posting of foreign drivers, including collecting driver remuneration, and new market and profession access rules. **The impact of these new rules on European rates will become clearer in subsequent quarters.**

IRU Director of Corporate Services, Vincent Erard, comments:

"The unprecedented increase of transportation costs in Europe, notably due to rising diesel costs, supply and capacity disruptions is currently putting logistics operators and the whole supply chain under high pressure. Regulatory changes and the war in Ukraine exacerbate uncertainty and complexity for the European road transport sector."

The **outlook for 2022 is for inflation to persist in most economies and fuel price to remain high**, so it is highly likely that **freight rates will remain elevated** and may even continue to rise over the coming quarters across Europe, at least until the end of 2022.

However, as the wider effects of higher inflation begin to **reduce consumer demand, and central banks are likely to increase interest rates to contain inflation**, we should expect to see a **substantial decrease** in aggregate demand over the course of 2022. That is likely to translate to a slowing in road freight volume growth over the course of the year, which may help to ease the upwards pressure on rates as available capacity competes for fewer loads.

Nick Bailey, IRU's Head of Research, says:

"Road freight rates across Europe have risen sharply at the start of 2022, even from the elevated levels that resulted from strong demand in the second half of last year. Conditions in the market only look like becoming more challenging in the near-term with costs rising, driver and other labour shortages increasing and bottlenecks continuing to squeeze supply across the economy. While macro indicators are starting to hint at demand unwinding, the rates picture is likely to get worse before it gets better."

About the European Road Freight Rate Benchmark Report

The European Road Freight Rate Benchmark report is designed to provide greater visibility of road freight rate development across Europe.

If you wish to distribute the full PDF report, please share this link:

<https://go.upply.com/en-gb/ti-upply-iru-european-road-freight-rates-benchmark-report-q1-2022>



About Ti

Ti is the world's leading source of market intelligence for the logistics and road freight industry, providing data and analysis through its European Road Freight Transport report series, Global Supply Chain intelligence (GSCi) database and expert consultancy services.

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About IRU

IRU is the world road transport organisation, promoting economic growth, prosperity and safety through the sustainable mobility of people and goods. As the voice of more than 3.5 million companies operating mobility and logistics services in all global regions, IRU leads solutions to help the world move better.

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About Upply

Start-up launched in 2018, Upply combines business expertise and data science to bring transport and supply chain professionals a digital solution to benchmark, monitor and anticipate freight transport prices, including past data and forecasts. Upply also publishes market insights and deciphers the sector's challenges in a neutral manner.

Through its Marketplace, Upply directly connects road carriers, freight forwarders and trusted shippers across France and simplifies transport operations. To implement these unique solutions, Upply employs data scientists, logistics and IT professionals, and digital experts. The company is based in Levallois-Perret, near Paris.

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