Press release

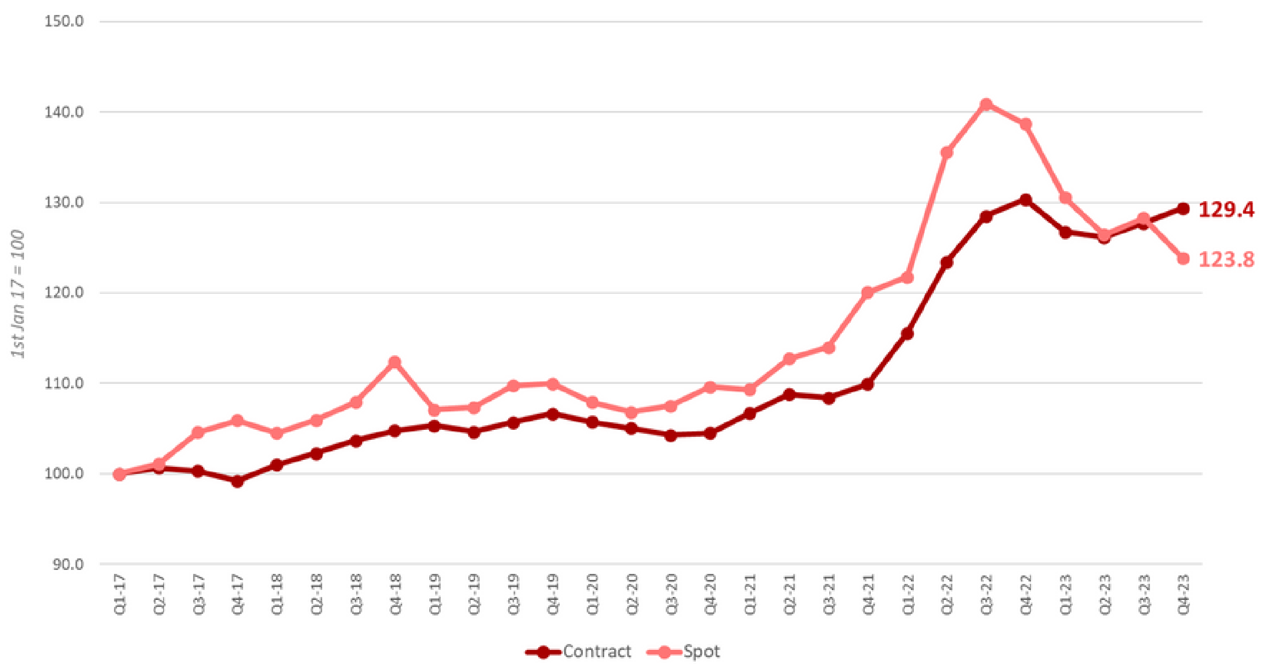
European Road Freight Rate Benchmark Q4 2023: Contract market holds up but spot market plummets

Bath, 5th of February 2024 **- The Upply x Ti x IRU European road freight rates index for Europe shows the Q4 spot rate index was now down 14.8 points year-on-year. However, the year-on-year fall in the contractual rates index was limited to 0.9 points, due to high costs, and in particular the toll increases in Q4 2023.**

The spot index fell 4.5 points Q-o-Q to 123.8 points; it is now down -14.8 points Y-o-Y.

The contract index rose for the second consecutive quarter, up 1.7 points Q-o-Q to 129.4, and the year-on-year fall was just 0.9 points.

European road freight rate indexes in Q4 2023



Source: Upply

- The Q4 2023 European Road Freight Spot Rate Benchmark Index stood at 123.8, 4.5 points lower than in Q3 2023 and 14.8 points down Y-o-Y.
- The Q4 2023 European Road Freight Contract Rate Benchmark Index stood at 129.4, 1.7 points higher than in Q3 2023 and 0.9 points less than in Q4 2022.
- Toll price increases in Germany in December helped drive an 8.3-point increase in the index of German domestic rates.

- IRU estimates that additional cost of German tolls will be €6,700 per truck per year, whereas in Austria the cost of the new tolls introduced will be just €730 per truck per year.

- Low demand is likely to keep freight rates subdued as we move into 2024. However, the new tolls being introduced on top of high-cost base will keep upward pressure on rates in the first half of the year. This is likely to sustain contract rates and limit further falls in spot rate growth.

Weak and falling demand for road freight across Europe has pulled down spot rates, while contract rates remained elevated due to cost pressure. The spot index now sits 5.5 points below the contract index, meaning that spot rates are now closer to their base level than contract rates. A combination of spot falls driven by declining industrial demand, in addition to contract rises caused by new emission tolls and general cost growth, resulted in contract prices climbing above spot rates from Germany to Paris, Birmingham, Milan, Lille, Madrid, Rotterdam, and Antwerp.

Since rates spiked in H1 2022, plummeting consumption triggered by soaring prices has been the primary catalyst for consistent spot rate falls. However, in a new climate of diminished inflation, consumption has now settled at lower levels, resulting in lower road freight volumes.

> Thomas Larrieu, Chief Executive Officer at Upply, comments:
> *"At the start of 2024, shippers now have access to spot rates that are lower than contractual rates. This year, road transport operators will have to cope with a fall in European demand, which has already been underway for several months, and with the unpredictability of their costs. Now is the time to accelerate the adoption of digital tools, which provide visibility and enable revenue optimisation."*

Costs have increased across the board over the previous 3 years. Labour (+28.2%), Maintenance + Repair (+20.4%), Tyres (+21.6%), Spares (+13.5%), and Insurance (+8.7%) have all increased considerably and contributed to a particularly bloated cost base. This is the result of inflation passing through the system and has added upward pressure to rates and prevented rate falls.

Germany’s new emission-based tolls came into effect on December 1st, 2023, effectively increasing tolls for HGVs on German roads by around 80%. According to GVN, the Lower Saxony Carrier Association, this increase will result in an extra €300,000 monthly expenses for some of its members. This is measurable in the domestic road freight rate index for Germany, which showed rates were up by 8.3 points in December.

Assuming 60% of national road freight transport kilometres performed by German trucks are done on a tolled road network, knowing that 55% of freight volumes are transported by 5+ axles articulated vehicles compliant with EURO VI standard, and that these vehicles represent 30% of the German rolling fleet, IRU estimates that the tolling annual additional cost could amount around €6,700 per truck. Whereas the new tolls in Austria, introduced on January 1st, are set to only increase costs by €730 per truck per year.

> IRU Senior Director for Strategy and Development Vincent Erard adds:
> “*The European road transport sector is facing falling industrial demand, which is pulling down spot rates. But contract rates remain high due to cost pressure driven by new CO2 toll taxes and general cost increases. Transport companies are adapting to operational, financial and environmental challenges to meet future transport demand. Their efforts need to be backed by financial support for the green transition, the deployment of charging and refuelling infrastructure, more safe and secure parking areas, improved working conditions for drivers, and a comprehensive digitalisation of transport documents. We can also expect growing demand for drivers in the coming years, with an estimated 745,000 unfilled truck driver positions by 2028, and thus potentially higher driver costs. The indispensable contribution of the road transport industry to the entire economy and society should not be underestimated.”*

Michael Clover, Ti's Head of Commercial Development, says:
"Road freight cost pressure just keeps coming as fuel and labour cost increases are now added to with new tolls coming in to force across Europe. As the data for Germany shows, we can expect these new tolls to lead to real increases in transactional road freight rates as they are implemented in different countries over the course of 2024, setting a new price baseline."

Industrial output contraction and falling new orders look set to take over the deflationary mantle from a now-settled consumer demand. This is likely to produce further rate falls, especially in the spot market. However, the extension of the new emissions-based toll system to other European countries is set to further inflate an already elevated road freight cost base. This could put upward pressure on contract rates while limiting price falls and squeezing margins in the spot market.

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-reports

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

Upply, tech platform serving freight transport professionals, designs and develops solutions to help shippers, carriers and freight forwarders exploit the full potential of digitalization to serve their business.
Combining transport expertise and Data Science, since 2018 Upply has been developing its Smart solution dedicated to benchmarking, monitoring and analysing freight rates. As the leader in benchmarking for European road freight, Smart helps supply chain players make decisions with full knowledge of the market and optimise their transport investments.
The company is based in Paris and currently has over 60 employees dedicated to developing its unique technological solutions.
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