

Barometer:

Trends in road freight prices in France



December 2023

upply

France: road transport prices still falling in December

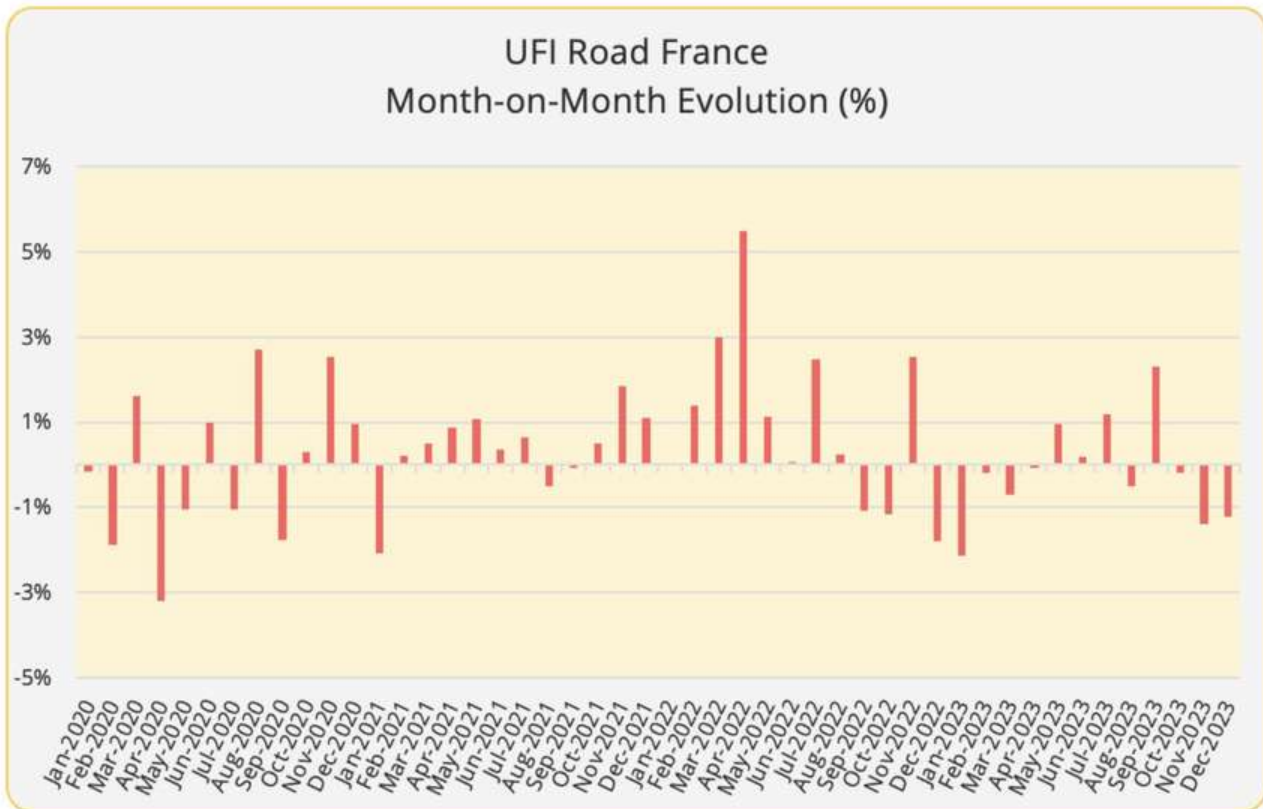
Unsurprisingly, road transport prices continued to fall in December on the French market, for the third consecutive month.

On the economic front, France ended the year with slightly more positive news than expected, despite the slight rebound in inflation (+3.7% in December against +3.5% in November): according to the latest monthly business survey from the Banque de France, the country may have recorded a GDP increase of close to 0.2% in the fourth quarter of 2023, thus avoiding stagnation or even recession. The survey conducted by the Banque de France among 8,500 business leaders reveals that **activity increased in December in industry, market services and construction**. In industry, the increase was "particularly marked in chemicals, pharmaceuticals, motor vehicles and metallurgy. In the rubber-plastic and textile-clothing-footwear sectors, activity is falling, but at a slower pace than expected by business leaders last month," says the Bank of France.

It is therefore not surprising that the business climate improved by 0.6 points, driven by industry and services (+1 point each), but also retail trade (+4 points). **At 98, "it remains below its long-term average", [specifies INSEE](#).**

A Third Consecutive Month of Price Decline

Under these conditions, road transport prices in France declined for the third consecutive month, showing **a drop of 1.2% in December month-on-month**. In other words, freight rates declined each month in the 4th quarter, with the cumulative decline reaching almost 3%.



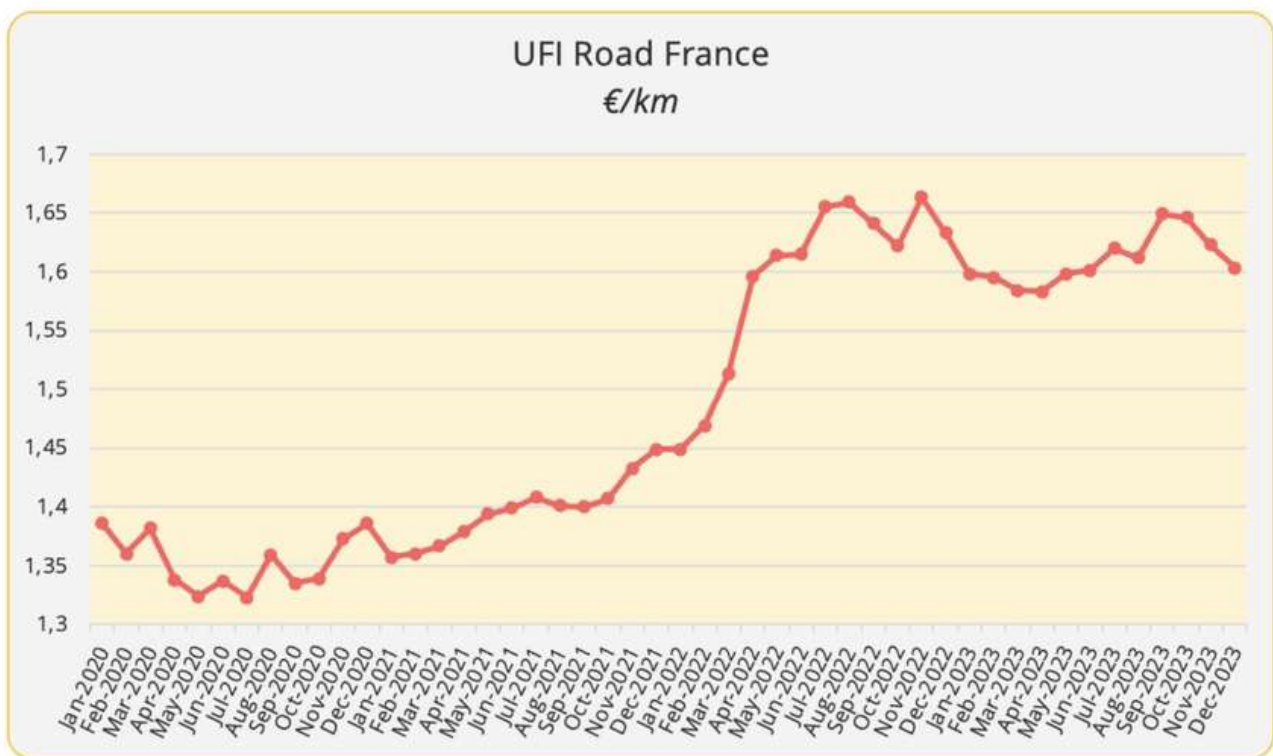
Source: [Uply Freight Index](#) – Road France

The decline in road transport prices in France observed in December was expected. In November, diesel prices fell by 4.3%. **The pass-through mechanism, which results in an impact on transport prices with about a month of delay, therefore worked well.** Because with a share of between 20% and 26.5% of the total price of transport, the variation of diesel was in negative territory standing at -1.1% which is very close to the -1.2% of the Uply index.

At the end of the year, we note that the annual average price of commercial diesel fuel fell by 12.9% compared to 2022, while the CNR's Long Distance Articulated Set (LD EA) index remained almost stable (-0.7%) over the same period. The weighting of diesel used for 2024 will therefore be revised downwards by the CNR and should lose 3 points according to our estimates, returning to a level comparable to that of 2019.

The rate will soon pass under the €1.60/km mark

The Uply index shows **an average of road transport prices in France of €1,602 per kilometre driven in December 2023**. The €1.60/km mark was breached in early 2022 when Russia invaded Ukraine, leading to a spike in energy prices. In the first half of 2023, the transport price curve then flirted with the €1.60/km threshold for a long time, which was seen as a plateau, before rising again in the autumn due to fuel prices hotting up again.



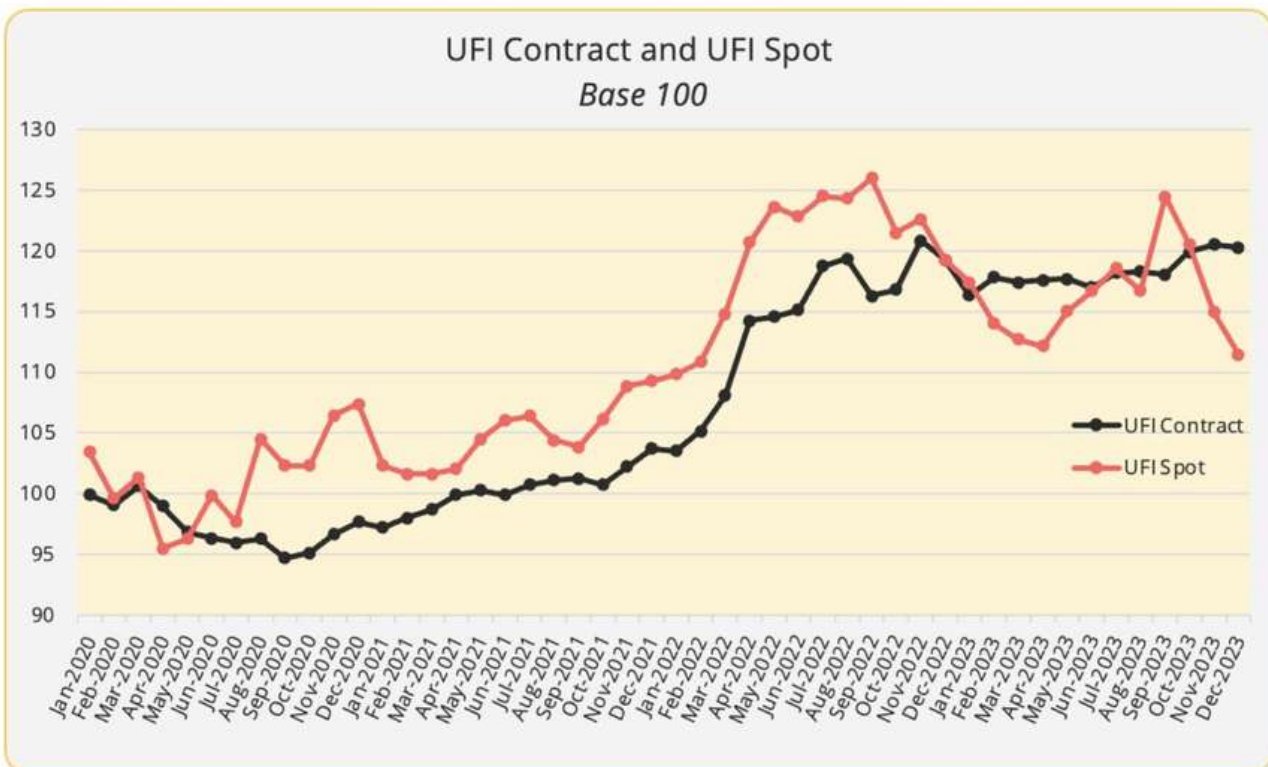
Source: [Uply Freight Index](#) – Road France

In December, the symbolic mark of €1.60 per kilometre driven was once again reached. **This average freight rate shows a decline of 1.8% year-on-year**, while the LD EA index rose by 0.9% during the same period (see indicators p.10). There is therefore **an overall deterioration in carriers' margins**, which must be nuanced on the one hand by looking at the size of the transport companies and on the other hand looking at the dominant structure of commercial relations, taking into account the divergence between the development of the spot market and the contract market.

A Collapse in Spot Transport Prices

In December 2023, **spot prices continued to fall as they did in September, October and November.** They lost another 3% in December and almost 5% the month before. The "high season" that usually precedes the holiday season did not manifest itself as in previous years: there was no shortage of capacity, and spot prices, far from soaring, collapsed. **Year-on-year, the spot price index showed a 6.5% drop in December 2023.**

There are multiple reasons for this. Inflation has eroded the purchasing power of the French, who have consumed less. Wholesalers ordered less because stocks were already full. All of this has contributed to reducing transport demand and eroding spot prices.



Source: [Uply Freight Index](#) – Road France

Contract transport prices also fell in December, but by only 0.18%. It is obvious that they do not follow the curve of variations in diesel because if they had, the drop would have been greater. The large carriers therefore seem to have been able to get their customers to accept price increases (excluding diesel). **Year-on-year, contract prices rose by 0.9% in December**, in line with the evolution of the CNR LD EA index. As a result, the profit margin remained broadly stable.

Revaluation of salary scales as of 1st December 2023

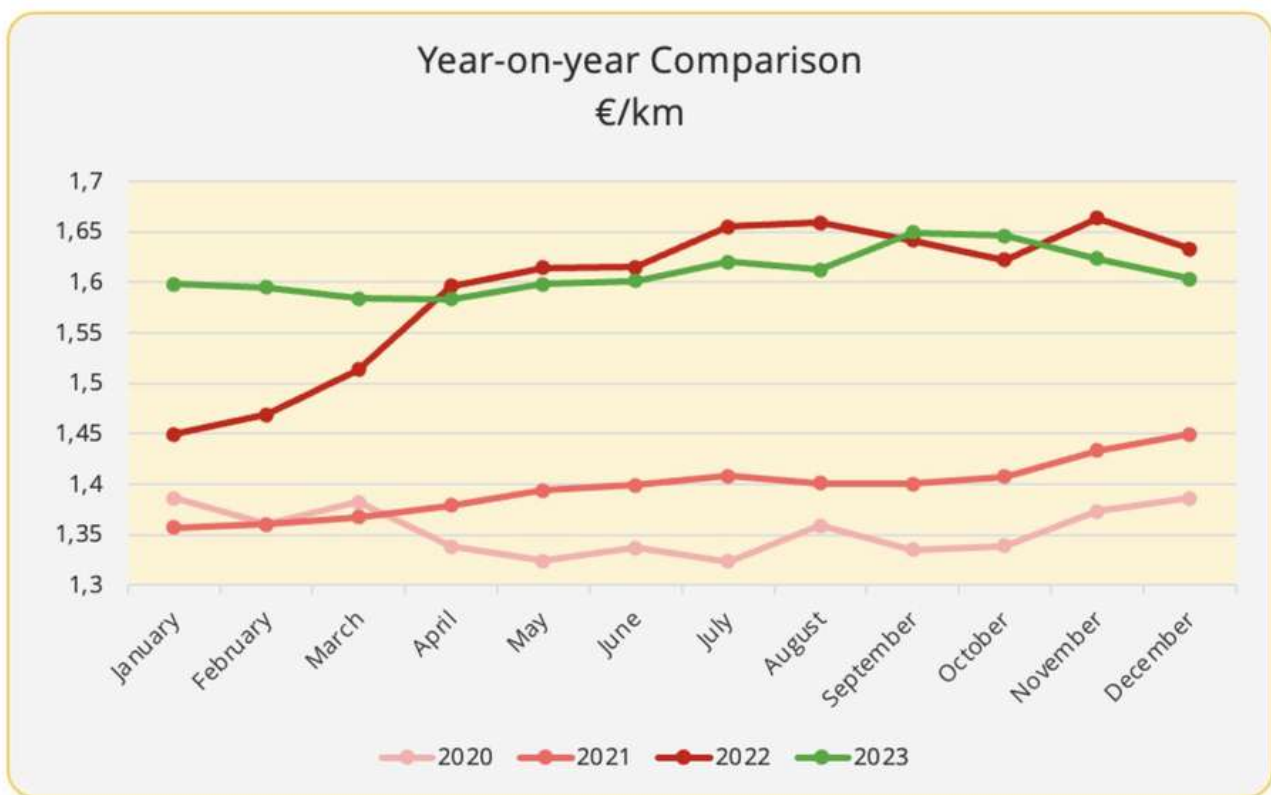
It is true that the pressure on costs remains quite strong, especially on labour. In a context of driver shortages and persistently high inflation, wage demands must necessarily be taken into account by carriers. The negotiations conducted in October 2023 resulted in **an increase in conventional remuneration of 5.4%, which applies since 1 December 2023**. Travel costs are also increasing. All this contributed to a rise in the CNR LD EA index, which rose by 1.5% in December compared to November (see indicators p.10), while diesel fell by 3.5% in the same period.

It can be deduced that even though contractual prices excluding diesel have increased, they have not compensated for the increase in costs. Profit margins have decreased for large carriers too, and this is a new development that suggests that 2024 will be a complicated year.

Already in 2023, **a sharp rise in company failures was noted in the road haulage sector in France**. A total of 1,507 insolvencies were recorded in France, an increase of +39.7%. "The situation worsened sharply at the end of the year, with an increase of 63%

The discrepancies in French transport

Observation of the curves over the last four years highlights the inflationary phenomenon that began at the end of 2021, **with road freight transport prices that have settled for two years at significantly higher levels than before the surge in costs.** In 2022 and 2023, the variation curves crossed over several times. However, the downward trend dominates.



Source: [Upply Freight Index](#) – Road France

On a year-to-date basis, in 2023 prices increased overall by 0.9%. The Upply Index shows a 3.5% increase in the average contract rate index, which stands at 118.3 for 2023. At the same time, the spot rate index lost 3.2%, from 120.1 in 2022 to 116.2 in 2023.

In 2024, it is likely that transport prices will continue to fall, even in a context of rising costs. **Other factors such as the decrease in volumes to be transported come into play** and put downward pressure on freight rates. Prices are expected to fall under the €1.60 threshold in January 2024.

The proposals of the IRU and ITF to fight driver shortages

In 2023, with the reduction in volumes to be transported, **the shortage of drivers became a little less critical**, reveals [the latest IRU study](#). However, nearly a third of current drivers are expected to retire in the next three years, this figure alone is enough to bring home that it will become a structural problem for the years to come. **If no action is taken, the number of unfilled driver positions could more than double by 2026.** In its annual report for 2023, the Prospective Observatory of professions and qualifications in Transport and Logistics (OPTL) indicates that **in France in 2022, 43% of road drivers were over 50 years old.**

The IRU, a global organisation representing more than 3.5 million road transport operators, and the ITF, the International Transport Workers' Federation which represents 18.5 million road transport workers, are calling on governments to put in place concrete measures to address the shortage of truck drivers. In particular, they suggest putting in place measures to improve working conditions, but also training. The IRU also advocates for facilitating the use of drivers from third countries.



The delicate subject of immigration

This last point, however, remains a delicate subject. **The European Commission is lending a rather favourable ear to this. On 20 December, the Council and Parliament achieved significant progress on reform of the EU asylum and migration system.** But in member countries, the issue of immigration remains extremely sensitive. The debates sparked by the Immigration law in France in December provided a new illustration of this. The government wanted to significantly facilitate the employment of immigrant workers in sectors facing recruitment difficulties. However, the text finally voted on December 19 in the National Assembly considerably restricted the measures included in the initial draft.

The multiannual policy guidelines for immigration and integration will have to be the subject of an annual debate in Parliament, which will vote on a three-year quota of the number of foreigners, category by category, admitted to settle in France (excluding asylum seekers).

Foreigners applying for a first multi-year residence permit must have a basic knowledge of the French language (A2 or pre-intermediate level). Currently, these residence permits, generally valid for four years, are issued on the sole condition that the applicants have followed French language courses without any obligation of result. The minimum level of French required for the granting of a permanent resident card and for access to French nationality is also increased (levels B1 or intermediate and B2 or upper-intermediate). Employers' obligations in terms of training in French as a foreign language (FFL) for their foreign employees are also strengthened.

The automatic issue of a "work in sectors facing recruitment difficulties" residence card has been rejected: undocumented workers working in sectors facing recruitment difficulties may exceptionally be issued a "temporary worker" or "employee" residence card. However, they will no longer have to go through their employer to apply for this card. They must have worked for 12 months over the last 24 months and have resided in France for 3 years. Prefects will have discretionary powers to grant the title. This measure will be tested up until the end of 2026.

The freight transport sector is potentially one of the sectors concerned.

Indeed, according to the public employment service, Pôle Emploi, now renamed France Travail, the logistics and transport professions had 22,000 jobs to be filled by the end of 2022. It was then one of the most recruitment-tense sectors in France, alongside the hotel and restaurant and health sectors. Difficulties in recruiting and training new drivers mean that immigration would be a solution to cover the shortages. Some European flag states, such as Poland and Lithuania, are already recruiting significantly abroad.

Key indicators

INDICATEURS	Décembre 2023	Novembre 2023	Evolution M / M-1	Décembre 2022	Evolution sur 12 mois
Climat des affaires (base 100)	97,7	97,1	+ 0,6 %	102,2	- 4,4 %
Indice CNR gazole professionnel	202,73	209,36	- 3,2 %	217,77	- 6,9 %
Indice CNR LD EA	163,98	161,57	+ 1,5 %	162,54	+ 0,9 %

Sources: Insee, CNR

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