



# **Barometer:** Trends in road freight prices in France

November 2023

upply



## France: road transport prices fell again in November

**BAROMETER.** In an extremely gloomy atmosphere, road freight transport prices continued to fall on the French market. Low demand, despite it being theoretically the high season, is worrying carriers.

In this month of November 2023, **a considerable amount of negative economic news has accumulated:** erosion of business orders, increase in payment deadlines, decline in cash flow, surge in insolvencies and rising unemployment...

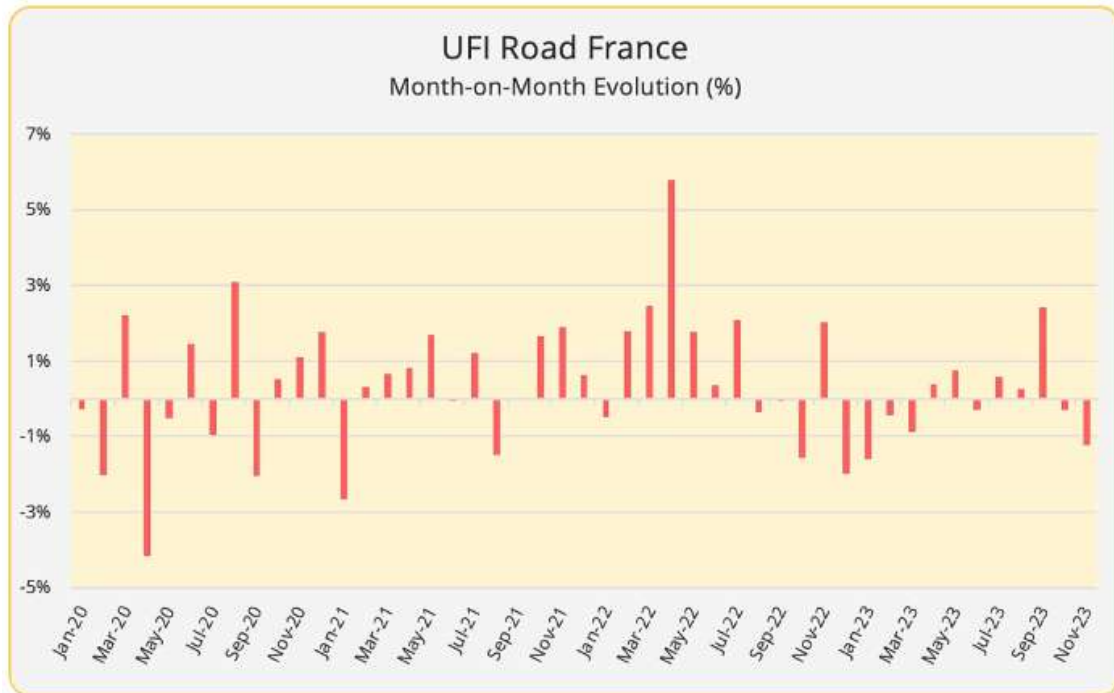
Figures from INSEE show that **the French economy fell into the red in the third quarter**, contracting by 0.1% in quarterly variation. The Purchasing Managers' Index, HCOB PMI™, for the French manufacturing industry, produced by S&P Global, stood at 42.9 in November, far from the 50 mark synonymous with growth. The HCOB composite PMI Flash index of overall activity in France also fell to 44.5 in November (44.6 in October). Under these conditions, it seems difficult to share the optimism of the Banque de France, which still expects a slight growth of 0.1% in the 4th quarter. **France should however see its GDP decline again during this period**, before officially entering into recession.

It is therefore not surprising **that the business climate deteriorated** for the second consecutive month by falling 1.3 points (see indicators p.XX). The construction, wholesale and retail sectors drove the index down, while the industrial and services sectors stagnated at best.

### **French road transport prices confirm their decline**

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Under these conditions, **road transport prices in France fell by 1.2% in November month-on-month.** As such they recorded a second consecutive month of decline, in a faltering economy that led to a decrease in the volumes to be transported.



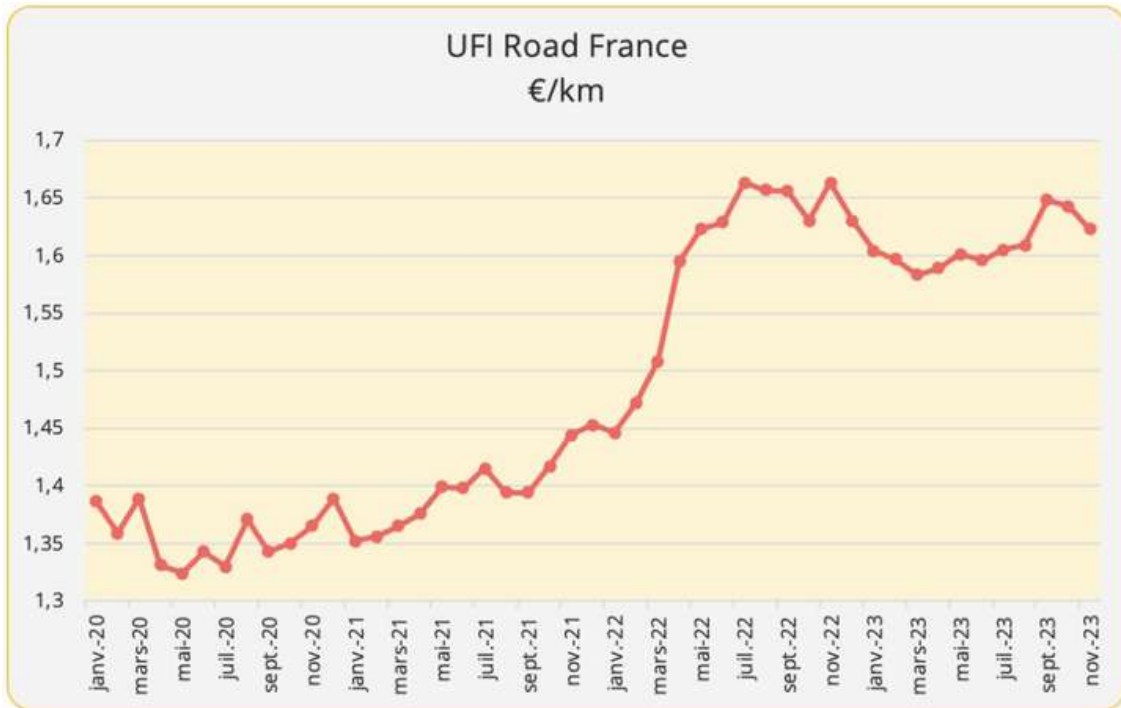
Source: [Uppy Freight Index](#) – Road France

The decline in road transport prices is primarily explained **by the fall in the price of diesel observed last month**. The price of Brent oil had lost more than \$8 in one month (and more than \$13 since October 2nd). Commercial diesel fuel decreased by 4.5% over 1 month and by 7% over 2 months.

**The mechanism for passing on the variation in the cost of diesel, with a month's delay, was effective.** We are expecting a decrease in prices of at least between 0.6 and 0.7% due to the fuel factor. However, it is still surprising that a variation of \$13 in Brent, i.e. a fall of more than 15% in the price, only causes a 7% decrease at the pump...

## Prices are plateauing

At €1.623 per kilometre driven, the average price of road freight transport in France fell again in November. The analysis of the variation in this average shows a very strong **correlation between the Brent price curves and that of transport prices**.



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

At the beginning of December, the price of Brent oil has just fallen below the \$75 mark. If we rely on the close correlation between the two curves, we can only imagine that transport **prices will fall below €1.60/km.**

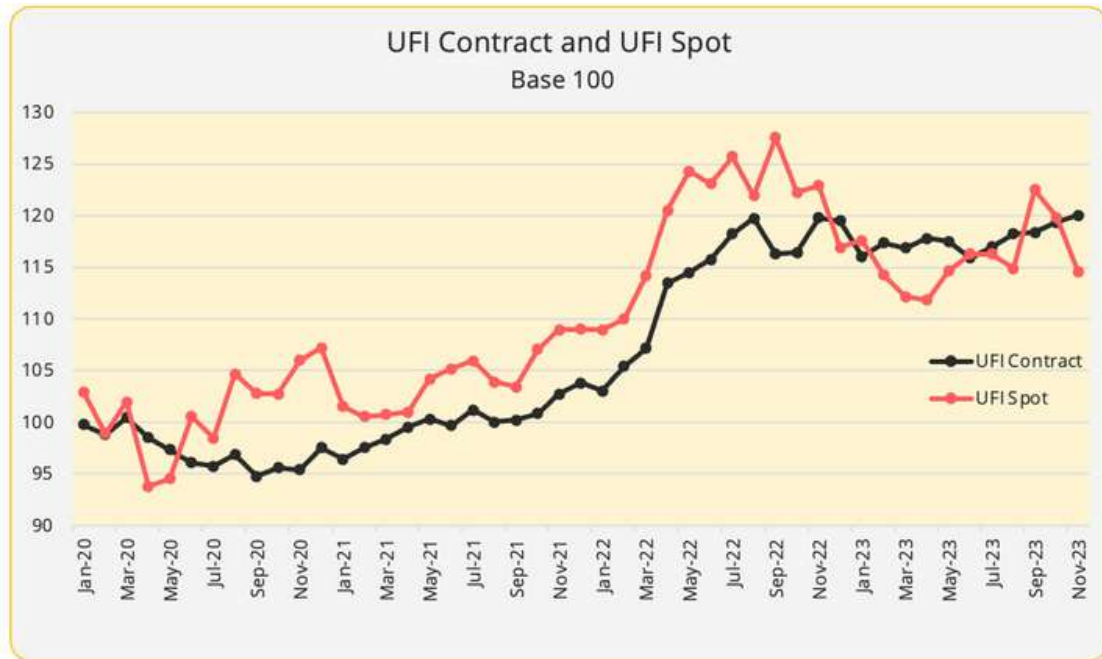
## The unease in spot transport

Usually, at this time of year, road transport prices are on an upward trend. November is the start of the peak season before Christmas. Traders, and more particularly e-commerce sites, normally face a **very significant increase**

**in sales**, also driven by commercial events such as Black Friday. For carriers, the fourth quarter corresponds in theory to the busiest period of the year. Under these conditions, capacity is lacking and spot prices are skyrocketing.

But this year, nothing is going as expected. **The ambient gloom has led to a drop in the volumes to be transported and, in turn, a drop in spot transport prices.**

In November, they contracted by 4.4% month-on-month, after having already declined by 2.2% the previous month. December is also expected to see a fall.

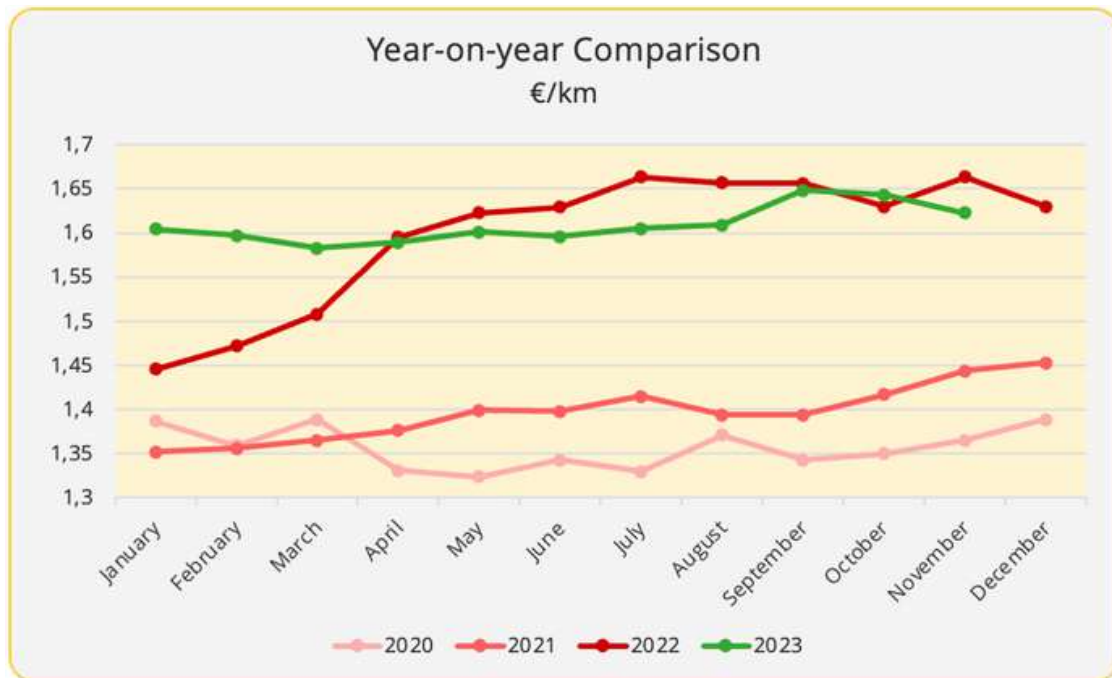


Source: [Uply Freight Index](#) – Road France

This drop in the spot market is the second reason for the sharp price shift this month, on top of the drop in the price of fuel. For many carriers who bet on marginal flows to ensure their profitability, **a negative "peak season" means a one-way trip towards financial difficulties**. The business failure curve in transport, which rose sharply in 2023, could have been spared this situation for the last quarter.

## Profit margin degradation

The price evolution curves of 2022 and 2023 have crossed three times this year. This cross-over shows **the emergence of a new reference threshold for transport prices around €1.60/km, far from the €1.40/km that prevailed until 2021**.



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

However, the decline recorded in November 2023 reverses the general improvement in carrier margins observed during the post-Covid recovery. Over one year, prices fell by €0.04, or about 2%. At the same time, costs decreased by only 1.6% (see CNR LD EA index p.XX), **resulting in a general trend of declining profitability**, even if the impact is different depending on the size of the transport companies.

## Significant cost inflation in 2023

"In 2023 alone, **non-fuel inflation in road freight transport reached an annual average of +6.3%**, with a social component up by 8%," says the latest CNR (National Road Haulage Committee) survey on the costs of road freight transport, presented on 22nd November in Lyon at the Solutrans trade show.

Vehicle prices recorded significant inflation in 2023 increasing by 13%. In CNR calculations, this inflation is applied to the portion of the fleet renewed in 2023, i.e. 16% of tractors and 9% of tractor-trailers.

The index also takes into account the retention cycle of the equipment (6.3 years for a tractor and 11.3 years for a tractor-trailer). Added to this are rising interest rates and an insurance component that also increased by 3.2% in 2023. **In total, equipment ownership costs increased by 4% for articulated long-distance transport and by 3.7% for regional carriers**, says the CNR.

"Overall, road haulage companies have been facing record cost inflation for the past two years. All cost items of a truck are affected. In first place, **the driving staff costs, the main component, increased on average by 16.4% between 2021 and 2023**, due to the successive revaluations of the conventional minimums (salaries and travel allowances)," stresses the CNR. Other increases over the past two years include mainly structural costs (+15.3%), vehicle maintenance and repair costs (+13.4%) and toll rates (+6.8%).

## The omnipresence of the topic of decarbonisation

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The Solutrans trade fair also provided further proof that the subject of decarbonisation is now a focal point in road freight transport.

Clément Beaune, Minister Delegate in charge of Transport, took advantage of his visit to the show on November 21st, to salute the efforts made. "There is a lot of investment, innovation and solutions from large manufacturers here, fundamental solutions for decarbonisation. I am convinced that the challenge of decarbonisation is reliant on the transport sector ". The Minister also announced **that aid for this decarbonisation would be increased and clarified in 2024.**

For the heavy-duty transport industry, the targets are very high, since the European Union forecasts a 65% reduction in CO2 emissions from the sector by 2035 for buses and trucks. **The shift towards electrification seems inevitable**, but for now, the share of electric heavy-duty vehicles remains very low. According to the Panorama Mobilians-FFC Constructors, the existing fleet remains mostly diesel, and as do new registrations: in 2022, 93.7% of Industrial Vehicle registrations concerned vehicles running on diesel, against 3.9% for CNG.

A sign of the times: at the Solutrans show, it was the [Volvo FH Electric](#) that was elected International Truck Of the Year 2024 (IToy). For the first time in its history, the transport sector has therefore given the Truck of the Year award to an electric vehicle. However, all the manufacturers present at Solutrans agreed that **the shift to electric will require a global plan to facilitate the transition to electro-mobility**. In the immediate future, the share of electricity in registrations could rise to 1% in 2023. A figure that reveals the extent of the path that remains to be travelled...

## KEY INDICATORS

INDICATORS	November 2023	October 2023	Evolution M / M-1	November 2022	Evolution over 12 months
Business climate (base 100)	97,2	98,5	- 1,3 %	102,0	- 4,7 %
CNR Commercial Diesel Index	209,36	218,80	- 4,3 %	243,19	- 13,9 %
CNR's Long Haul semi trailer truck index	161,57	164,05	- 1,5 %	164,17	- 1,6%

Source: Insee, CNR



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