

Road Freight Transport Prices in France

August 2023



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MONTHLY BAROMETER FRANCE

Transport prices stagnate in August on the French market

In August, French transport players were caught between the rise of diesel prices and the decline in volumes. This situation put a freeze on prices, in a summer when the burning issue of the “TICPE” (domestic consumption tax on energy products) was seriously heating up.

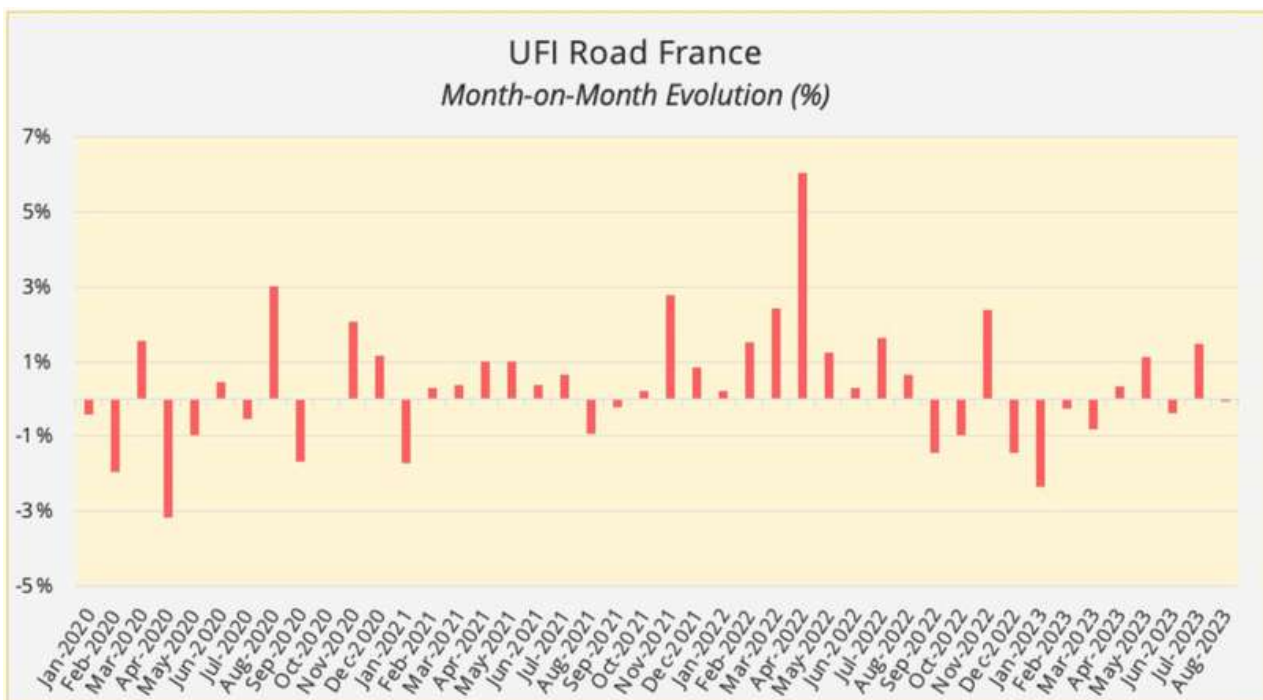
Unlike the weather, the morale of business leaders is increasingly showing signs of cooling off. On a downward trend since April, **the business climate in France fell in August just below its long-term average**, according to data published by the INSEE. The deterioration has particularly affected the manufacturing and services sectors. This is the lowest level since April 2021, reminiscent of the low observed at the height of the Covid-19 pandemic.

At an operational level, activity was marked at the end of the month by disruptions caused by a landslide that occurred in the Maurienne Valley in the Alps. This event led to the closure for 15 days of the Fréjus tunnel, a major corridor for road and rail traffic between France and Italy.



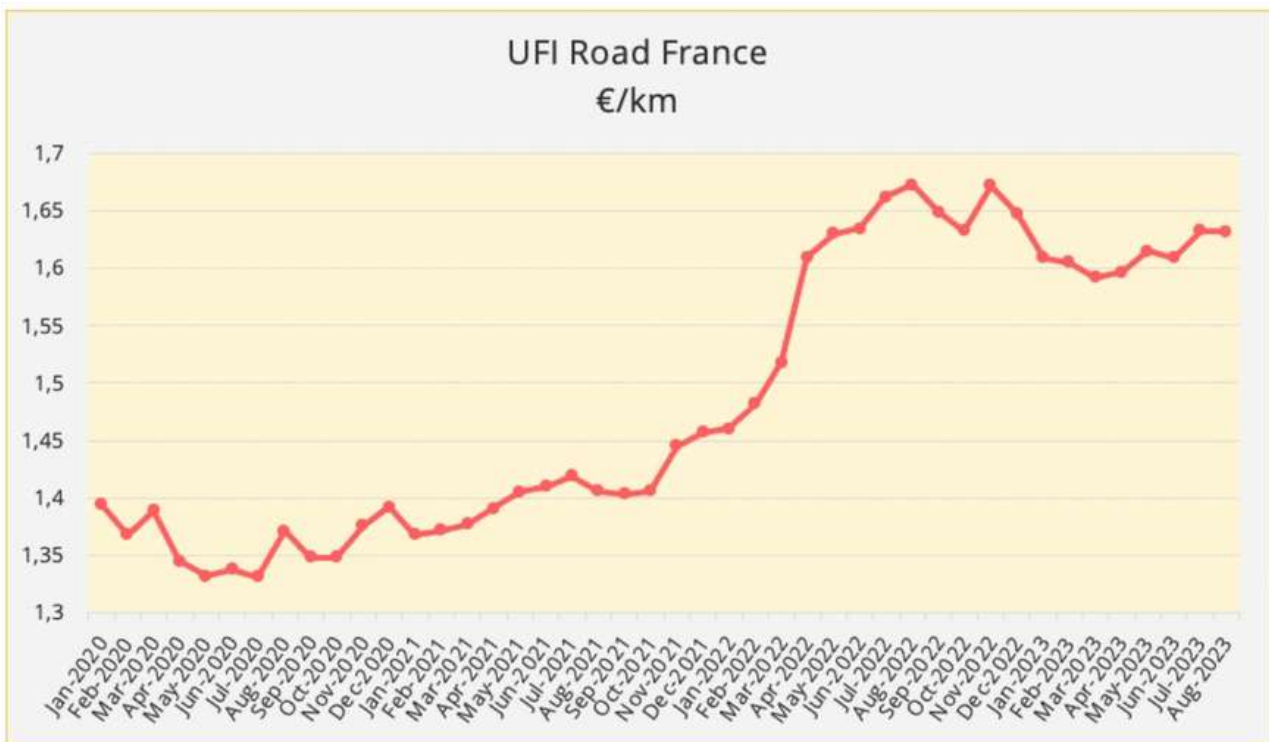
Flattened freight rates in a context of rising costs

Road transport prices in France stagnated in August, **with a variation of -0.06% compared to the previous month).**



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

At the same time, the average transport price in France was **€1.632 per kilometre driven**. The index therefore lost, month-on-month, around a tenth of a cent per kilometre.



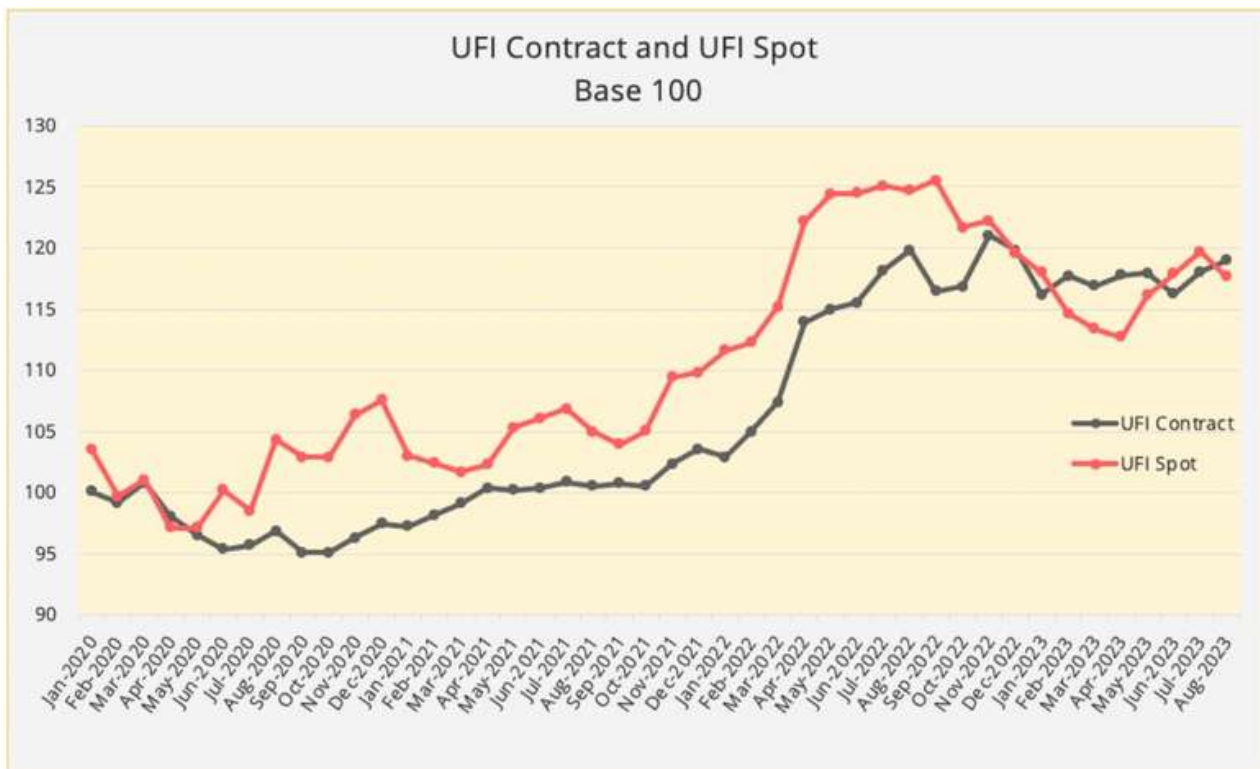
Source: [Uply Freight Index](#) – Road France

It is usual for spot prices to fall in August because France traditionally enters into a "torpor" during this holiday period: the service sector takes a break, many factories close, for example in the automotive sector. However, this year, the phenomenon seems to have been accentuated. As such, **spot prices fell by 1.7%, while at the same time, costs increased sharply.**

The monthly indicators of the CNR (National Road Committee) show a 9% increase in professional diesel fuel (see indicators p.10). Highly affected by this parameter, the Long-Distance Articulated Set index showed an increase of 3%, which normally announces a resumption of transport price inflation for the following months due to the impact of the increases.

Transport demand is contracting

However, with the last quarter just around the corner, **the economic climate seems to be disrupting the pass-through mechanism for costs.** The comparison of the SPOT and CONTRACT indices showed a crossing over of their curves in August: the SPOT index, which represents the price reference index in France for non-regular transport, fell below the CONTRACT index (contractual price reference index). This is a fairly rare phenomenon, which has occurred only 3 times in 3 years, and is generally interpreted **as a sign of market contraction:** transport supply is much greater than demand, which leads to a fall in spot prices.



Comparison of changes in contract prices and spot prices - Source: [Uppy Freight Index](#) – Road France

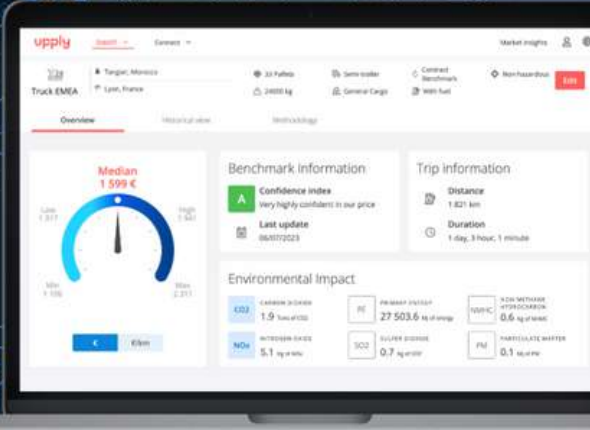
Economic activity contracted in August for the third consecutive month according to [the PMI index published by the S&P Global agency](#). The Flash Composite Index, which measures private sector activity, stood at 46.6 in August, the same level as in July. **The INSEE's business climate also shows a deterioration.** "At the sector level, in services, the INSEE business climate falls (-2pt to 100), as does the PMI in services, which is dropping and is below its expansion threshold for the 3rd consecutive month (-0.4pt to 46.7). In industry, the PMI index is growing but remains at a low level (+1.3pt to 46.4), while INSEE's business climate in industry is also below its long-term average after a decline in August (-5pt to 96)," specifies an economic note from the General Directorate of the Treasury. In line with the decline in the morale of French bosses, it is logical that transport demand is decreasing.

SMART by upply

Benchmark your freight rates

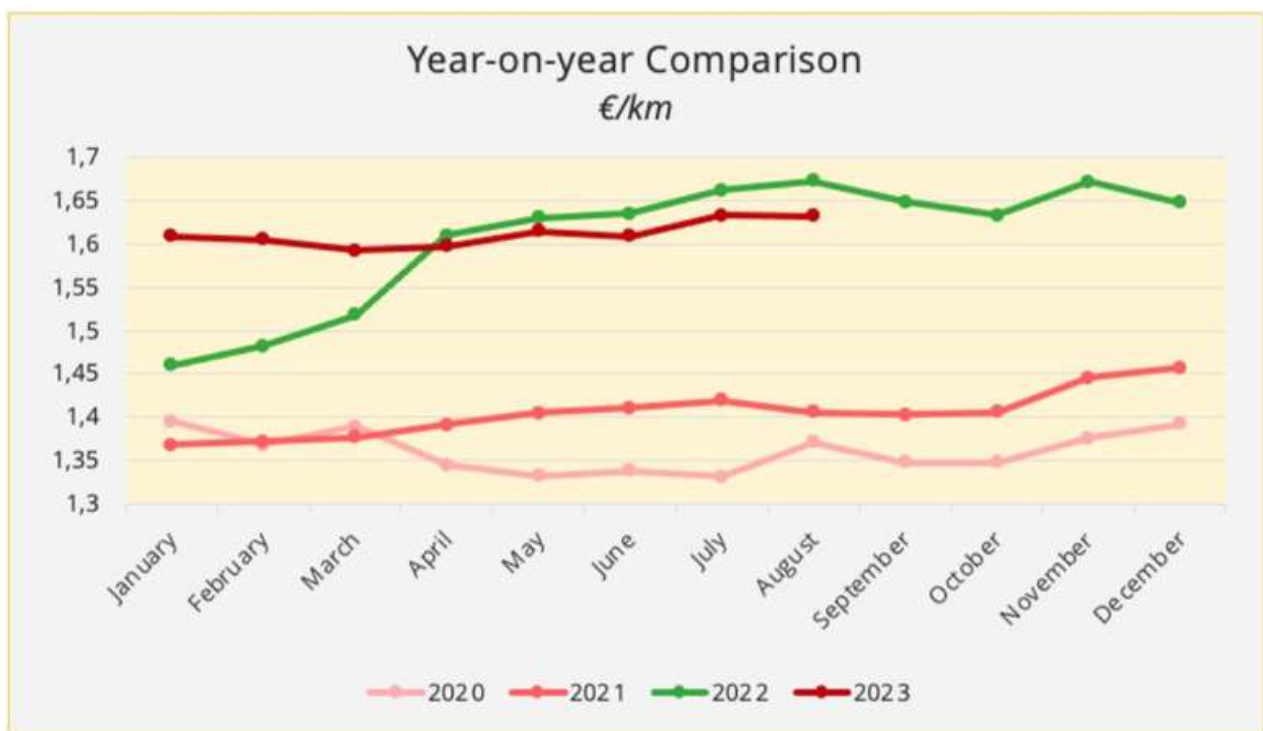
& follow their evolution
by road, sea & air freight
worldwide

Benchmark freight rates



A before and an after 2022

The monthly price evolution curves, which were very similar up to now between 2022 and 2023, are starting to diverge. In Q3, the 2023 profile has similarities to the 2021 flat growth curve.



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

However, there is a before and an after 2022. **Prices have increased by nearly 20 cents per kilometre, and there is no indication that they should go down significantly.** Because in the meantime, inflation has arrived, with an explosion in energy bills, an increase in the salaries of truck drivers and an increase in the costs of rolling stock. Added to this is the issue of fuel taxes, a very sensitive and even a hot topic this summer in the world of transport.

Transport decarbonisation and tax loopholes

The 55% reduction in GHG emissions by 2030 at the European level, and carbon neutrality by 2050 are the major objectives that France and the European Union have set themselves to combat climate change. To achieve this, the decarbonisation of the transport sector, and more particularly in road transport, has become an imperative.

Indeed, the transport sector is responsible for a significant share of GHG emissions, in particular road transport which is the leading emitter in France with 138 million tonnes of CO2 equivalent in 2021. Decarbonisation of the transport sector would also reduce dependence on imported fossil fuels and promote the emergence of a competitive French industrial sector in the field of electric vehicles.

At the meeting on public finances held in Bercy on 19 June, the government announced its desire **to phase out tax benefits on fuel by 2030, including the tax exemption on non-road diesel, which allows certain professions to benefit from a reduction in taxes**. The government justifies its approach by the desire to move from a "brown" taxation, that is to say encouraging the use of fossil fuels to a taxation favouring "green" investments. It seems obvious that budgetary concerns also largely explain this approach. In 2023, these fuel-related tax exemptions represent about 75% of "brown" tax expenditure in France. The discount granted to road hauliers represents **a cost of 1.25 billion euros for public finances**. For the agricultural sector and for the construction sector, which also benefit from it, the cost is estimated at 1.35 and 1.1 billion respectively.

The sights are firmly set on the TICPE refunds

Road haulage companies benefit from a partial refund of the domestic consumption tax on energy products ("TICPE"), provided that a vehicle has a weight (GVWR) over 7.5 tons, circulates on the road, in a strictly professional use, and that it is registered in a country belonging to the European Union. The amount of the reimbursement is calculated by applying a regional or flat rate to the volume of diesel fuel actually consumed by each vehicle during the reimbursement period concerned. The rates are for example different in Île-de-France, Corsica or Auvergne-Rhône-Alpes. They can be adjusted during the year upwards or downwards, depending on changes in the price of oil.

As part of the 2024 Finance Bill, the government plans to begin to phase out the reduced rate of TICPE. An initiative that provoked a strong reaction from the 3 major road transport organisations, the FNTR, the OTRE and the Union TLF.

In a letter addressed to the Prime Minister, Elisabeth Borne, the employers' organisations recalled that **the French tax on professional diesel is already one of the highest in Europe**, and that the abolition of TICPE's reduced tariff would lead to an increase in excise duty on professional fuel of 33%. "France would thus become the country with the highest tax burden in Europe, with a rate 60% higher than the Community average and 84% higher than that of Spain," the signatories underlined.

These three organisations are also concerned about **the impact on the competitiveness of French carriers**, to the benefit of foreign-flagged companies which already provide more than 40% of the road transport of goods carried out on French highways. The capacity of fuel tanks allows foreign trucks to cross France without having to refuel. An increase in the operating costs of French carriers could therefore favour foreign carriers and greatly increase the number of kilometres travelled by long-distance trucks, in total opposition to the objective of reducing GHGs.

The carriers' voices were heard. The Minister of the Economy, Bruno Lemaire, announced on 7 September on France Info that road hauliers would finally not be affected by the elimination of the tax exemption on non-road diesel in 2024. "I'm not going to weaken them to keep us competitive," the minister said.

KEY INDICATORS

INDICATORS	August 2023	July 2023	Evolution M / M-1	August 2022	Evolution over 12 months
Business climate (base 100)	99.2	100.0	- 0.8 %	104.0	- 4.6 %
CNR Commercial Diesel Index	215.12	197.36	+ 9.0 %	244.74	- 12.1 %
CNR's Long Haul semi trailer truck index	162.83	158.14	+ 3.0 %	164.06	- 0.8 %

Sources : Insee, CNR

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