

A silver semi-truck is driving on a road towards the viewer. The sun is low on the horizon to the left, creating a bright glow and long shadows. The sky is filled with dramatic, dark clouds. The truck is a modern model with a large cab and a long trailer. The road is paved and has a white line on the left side. The overall scene is a mix of warm and cool tones.

upply

Road freight transport prices in France

Monthly barometer • April 2023

French road transport prices rise in April

BAROMETER. Road transport prices rose slightly in April, in a difficult market. The situation of carriers is very variable, depending on their size and bargaining power.

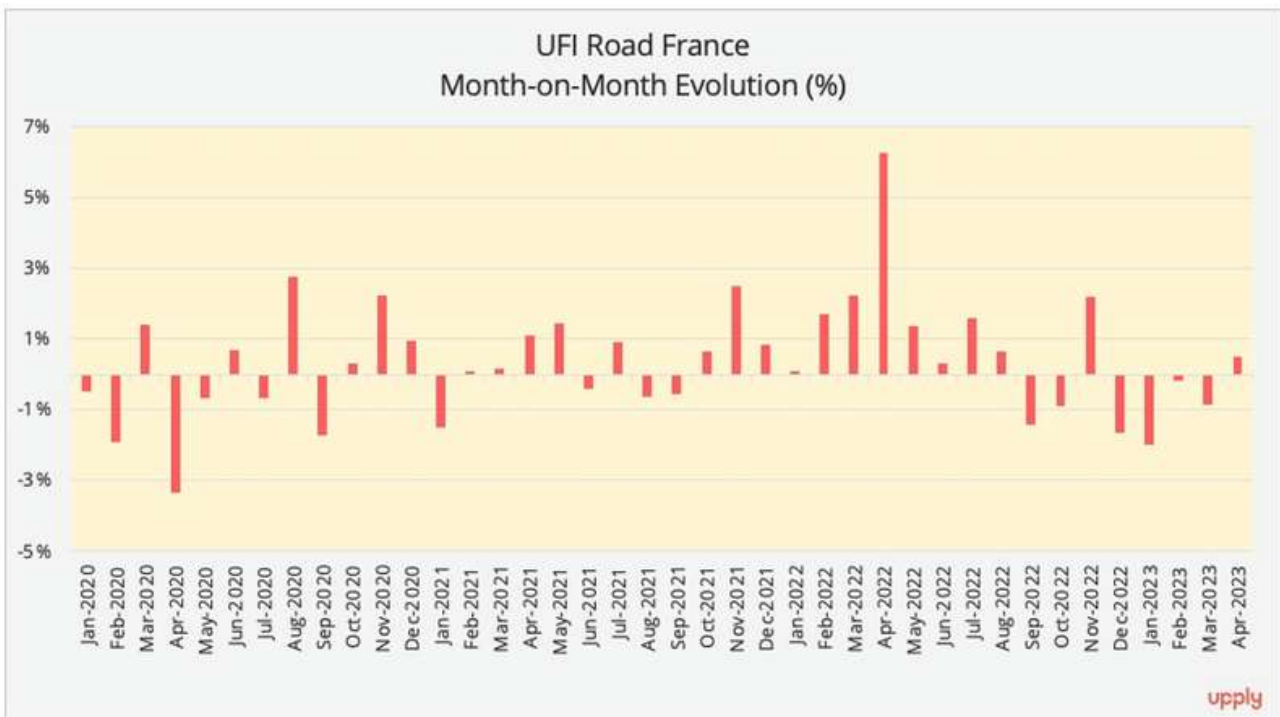
During the month of April, the social crisis continued to express itself in France in the form of strikes, demonstrations and other noisy pots and pans protests. After recording its strongest expansion in ten months in March, **French economic activity faltered in April.** [The S&P Global Agency Composite Flash Index](#), which measures private sector activity, was 52.4 in April, down from 53.8 in March.

The contraction is confirmed in the manufacturing sector. According to S&P Global, “the production volumes fell at the steepest rate since May 2020”, due to the sharp deterioration in demand. On the other hand, services drove the economy as their index progressed from 53.9 in March to 54.6 in April.



French Road Freight Transport up slightly

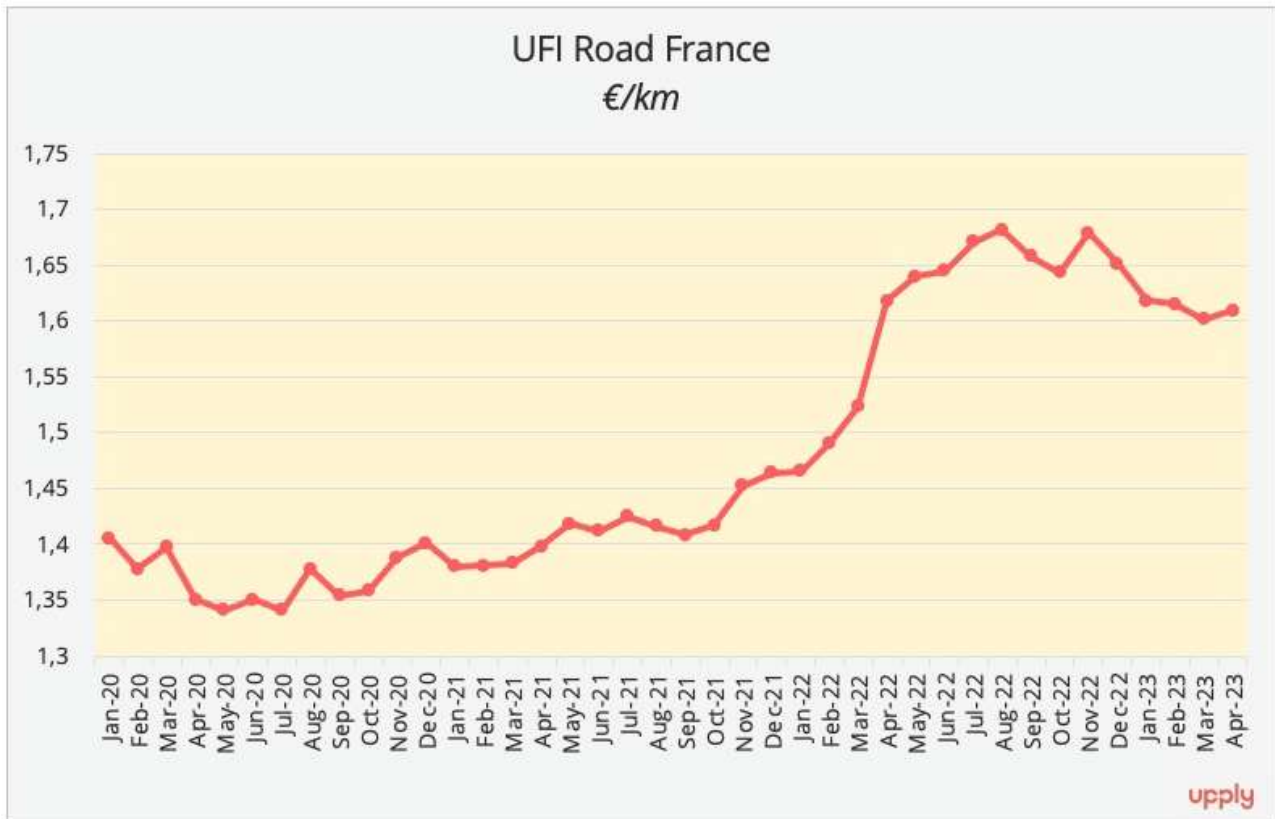
During this period, according to preliminary data from Upply [1], **road transport prices increased by 0.4%**, which is a modest but significant increase in a depressed French market: according to the latest quarterly survey on road freight transport conditions published by the FNTR, **51% of business leaders were dissatisfied with the situation of their company in the first quarter of 2023**, against 42% in the previous quarter.



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

[1] Index calculated from April's data recorded in our database as of May 5, 2023. Our price estimates are based on actual transactions. The monthly index may be subject to future revisions as new data for the relevant period become available. It is therefore to be interpreted with caution.

In April, the average transport price in France was €1.609 per kilometre driven. As such the index gains 0.008 euros per kilometre compared to the previous month.

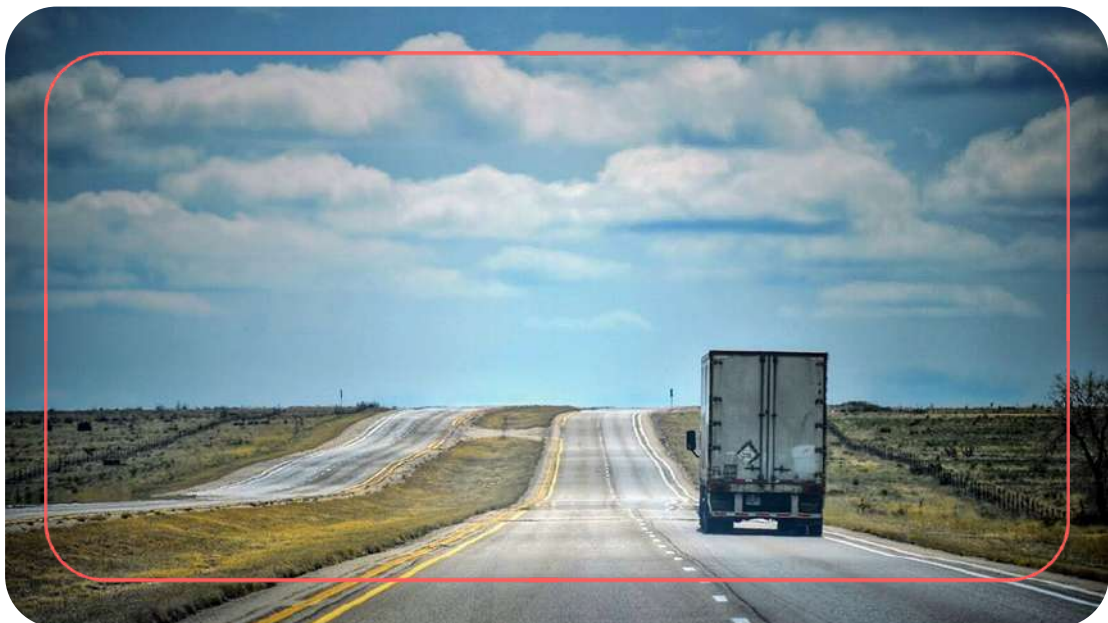


Source: [Uapply Freight Index](#) – Road France

The increase is still minor, but it is surprising because **no inflation factor was present in the market.**

- First, **diesel prices remained stable in March.** Considering that the movements of the diesel index generally have an effect with a one-month lag, no upward impact was expected on the fuel side in April.
- Secondly, the CNR LD EA (Long Distance Articulated Set) index, which allows tracking of the overall evolution of road transport costs, is trending downwards (see indicators p. 10).

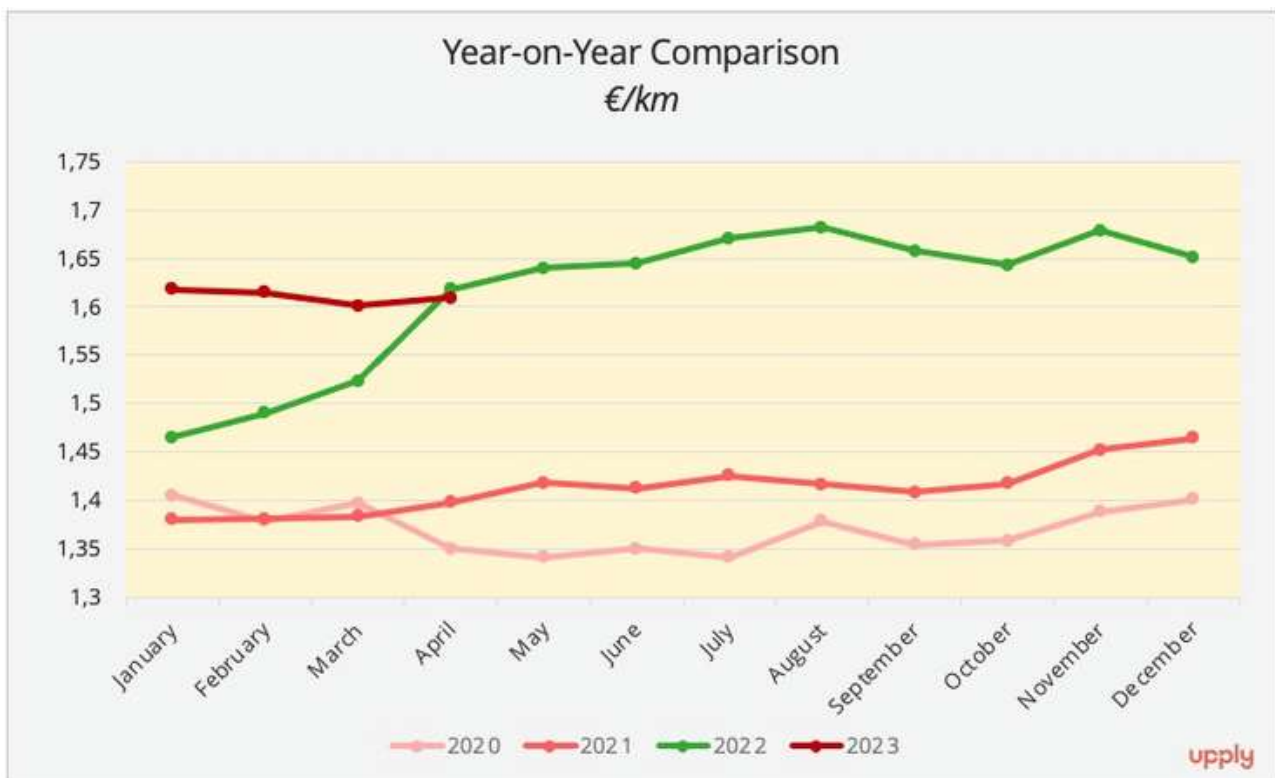
- Finally, **economic conditions are not particularly favourable**. In April 2023, the business climate in France posted a score of 101.9, down 1.2% month-on-month. This decline is mainly due to **the deterioration of the economic situation in France, particularly in industry**, a sector that has lower production projections for the coming months. Business morale in services is declining, with the threat of a likely decline in activity and demand in the coming months. Under these conditions, the employment climate indicator is following the same trajectory and lost 2 points while remaining at 108, well above its long-term average (100).



Intersection of 2022 and 2023 curves in April

In 2022, all fuel prices skyrocketed in March due to Russia's invasion of Ukraine, with an impact in April on road freight transport prices. Thus, in April 2022, on average in France road transport prices reached €1,618/km, and it was the first time that prices crossed the threshold of €1,600/km. A year later, prices remain above this threshold. **But for the first time in 2023, they are lower than in 2022, with €0.009 less per kilometre driven in April.**

On an accounting level, we can see that the CNR LD EA index was 1.3% higher last year. It can therefore be inferred that transport price inflation is on average higher than the carrier operating cost inflation recorded by the CNR.

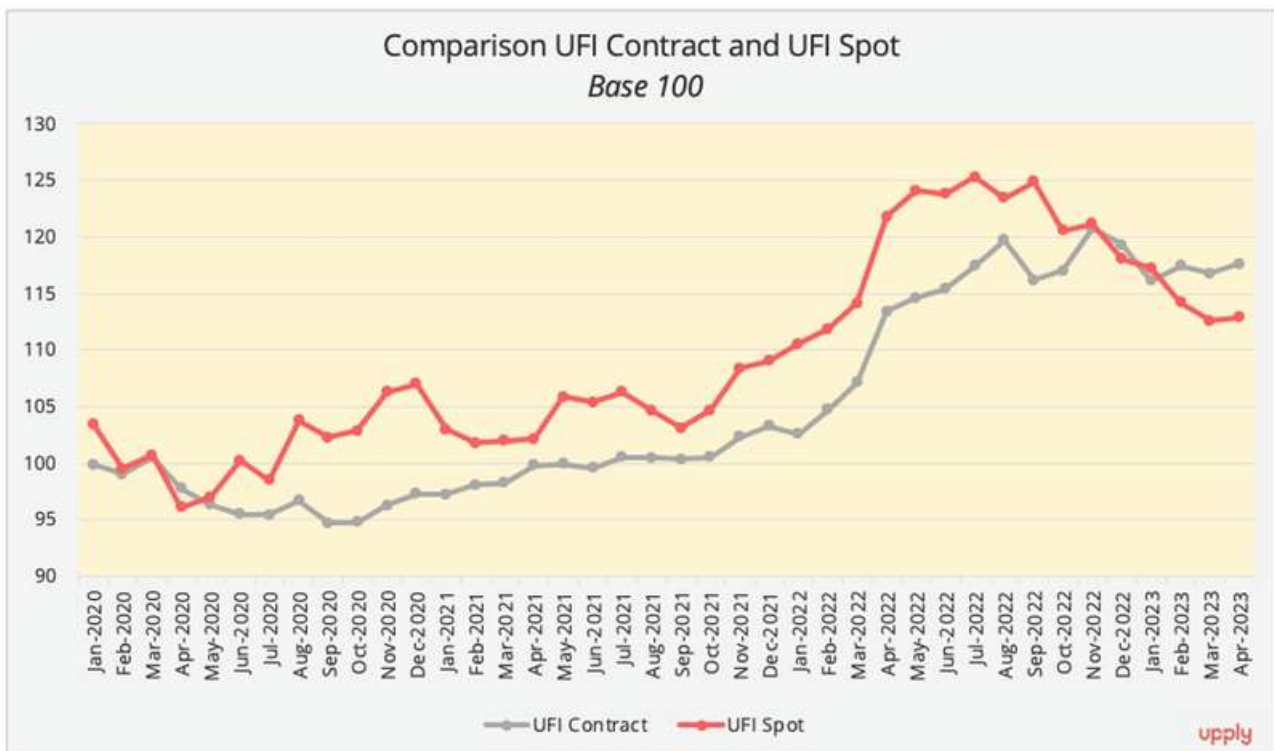


Source: [Uply Freight Index](#) – Road France

The UFI Contract index in great shape

The UFI Spot index, which represents the Upply index that tracks the change in spot prices in France, remains stable month-on-month. **The depressing transport situation in France that we have been reporting for months does not seem to be improving.**

On the other hand, the UFI Contract index gained 0.7% over one month. This index reflects the contractual prices between shippers and carriers on the French market. These are generally the prices agreed between the largest carriers and their customers, on an annual (long-term) basis. It can therefore be seen that **in shippers' calls for tender, large carriers generally manage to negotiate increases above the actual cost increase**, driving the overall market upwards.



Comparison of changes in contract prices and spot prices -

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

2022 proved complicated

Road freight companies need to restore their profit margins. The CNR has just published its survey on long-distance road freight transport for the year 2022. Unsurprisingly, it highlights “unprecedented cost inflation”: absolutely all components of the cost of operating a long-distance articulated vehicle recorded significant increases in 2022.

The social component continues to be the main cost factor for long-distance transport in France, representing on average 34.2% of production costs: + 9.7% for the average remuneration of drivers (including salary and bonuses) and + 7.9% for their annual travel allowances. Next comes the Fuel item, which recorded a 21.5% increase passed on to the cost per kilometre, while the price of Adblue doubled due to the inflation of its main component, urea. Finally, the veritable bound in the equipment item including maintenance, repairs (+15%) but also tractor purchases (+15%) and trailer purchases (+25%).

At the same time, the indicators for production and overall activity were not good in 2022 (- 4.2% and - 3.9% compared to 2021), which further darkens the picture. The post-covid rebound observed in 2021 did not continue in 2022. For example, the average annual mileage travelled by a vehicle decreased from 112,300 km in 2021 to 108,440 km in 2022.

In these circumstances, it is easy to imagine that the profit margin of transport companies deteriorated in 2022, although no figures are given in the survey.

Small carriers hit hardest

The segmentation of results by company size highlights significant disparities. Smaller firms (< 20 employees) seem more vulnerable to the economic downturn of 2022. These companies outsource the maintenance function more frequently than the others and do not benefit from a sufficient balance of power in their purchases. They are therefore more exposed to inflation.

The survey highlights that the average net profitability of companies with less than 20 employees was 1% in 2021 compared to 4.2% for companies with more than 300 employees. Mathematically, given the decline observed in 2022, it therefore seems possible that the average net profitability has gone into negative territory for some companies, especially among the smallest. **Altare's quarterly business failure study shows a 40.2% increase in insolvencies in the road freight transport sector in the first quarter of 2023**, compared to Q1 2022. A total of 363 proceedings were identified, including 274 compulsory liquidations, compared to 259 proceedings and 193 compulsory liquidations in Q1 2022.



Gloomy outlook for 2023

In its economic survey 2022/2023, the firm BP2R notes that **there is more transport capacity available on the national and international market**, which is simply correlated with the decline in demand.

The FNTR (National Federation of Road Transport) notes for its part a deterioration in the road freight transport activity in the first quarter of 2023, seeing **a return to 2Q 2019 levels of the balance of opinions on the evolution of the activity**. The second quarter of 2023 should confirm this downward trend.

In the first quarter of 2023, again according to the FNTR survey, investments remained at the same level as in the previous quarter, thus being “well below” the average level.

The indicator, which measures the evolution of the workforce over the last three months, also continues to deteriorate, as **recruitment difficulties remain high**. According to INSEE, in April 2023, 65% of carriers are having difficulty hiring.

It's hard to be optimistic under these circumstances.

KEY INDICATORS

INDICATORS	April 2023	March 2023	Evolution M / M-1	April 2022	Evolution over 12 months
Business climate (base 100)	101.9	103.1	- 1.2 %	105.4	- 3.4 %
CNR Commercial Diesel Index	204.60	213.75	- 4.3 %	239.87	- 14.7 %
CNR's Long Haul semi trailer truck index	160.09	162.28	- 1.4 %	162.13	-1.3 %

Sources : Insee, CNR

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