

ROAD FREIGHT TRANSPORT PRICES - FRANCE

IN DECEMBER 2022

MONTHLY BAROMETER

upply

France: transport prices waning in December

Road transport prices in France started to fall again in December according to the Upply Freight Index, following the drop in the price of diesel but also, and especially, that of volumes.

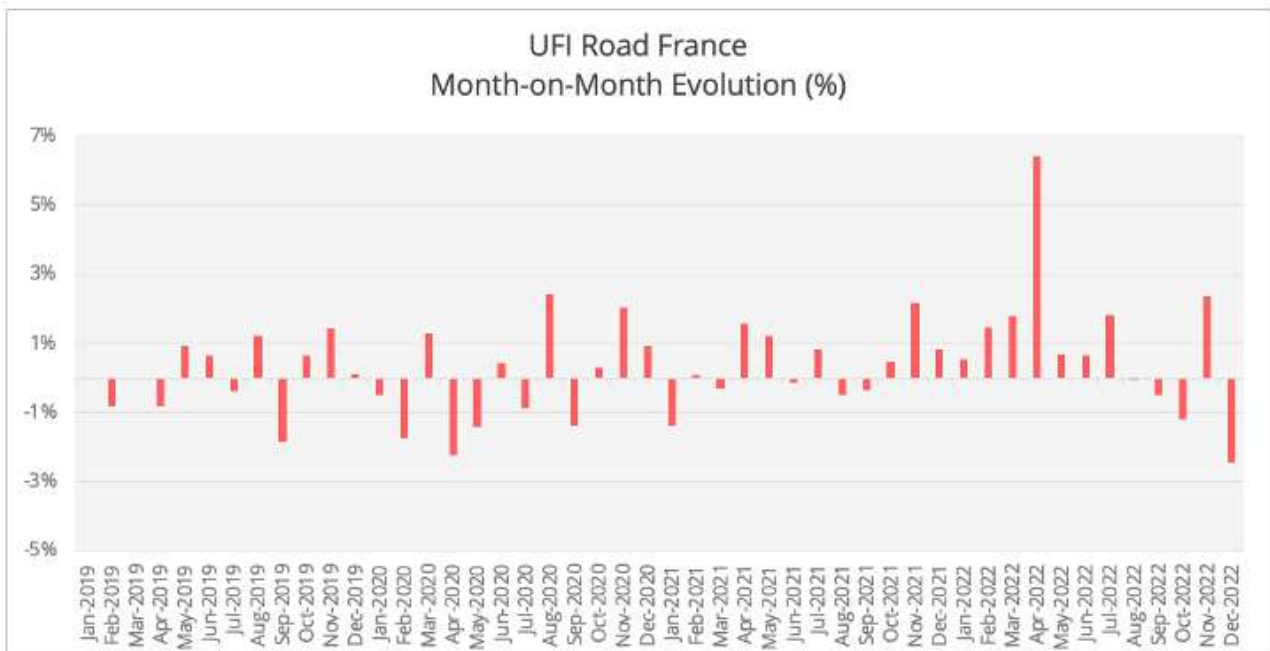
Something of the Christmas spirit was finally back in France, in this month of December 2022. No more restrictions imposed by the pandemic crisis management! Even the cold weather has returned, bringing a smile to the faces of vendors of crepes, roasted chestnuts and traders of all kinds in the Christmas markets such as Lille or Strasbourg. The French football team delighted us, and almost gave us a glimpse of a 3rd Star in the East. And the icing on the cake came in the form of sobriety from the French population which allowed us to avoid power cuts.

However, this festive atmosphere has **not been enough to mask the accumulation of difficulties**. Inflation has decreased a little, but it continues to fuel the social protest which has reappeared at the SNCF and also in hospitals. The post-holiday period in January, promises to be perilous with the arrival of the pension reform.

For now, the French economy has been particularly protected: public spending, through various aid mechanisms, has supported investment and growth. But these grants of limited duration are expected to end, probably by the end of 2022 or the beginning of 2023. **December 2022 could well signal the end of the era of massive shields for the French economy**, even if the government is already being forced to give some slack to certain professions that are very exposed to the increase in energy prices, such as bakers, at the risk of arousing jealousy in other sectors.

Chronicle of an announced decrease in transport prices

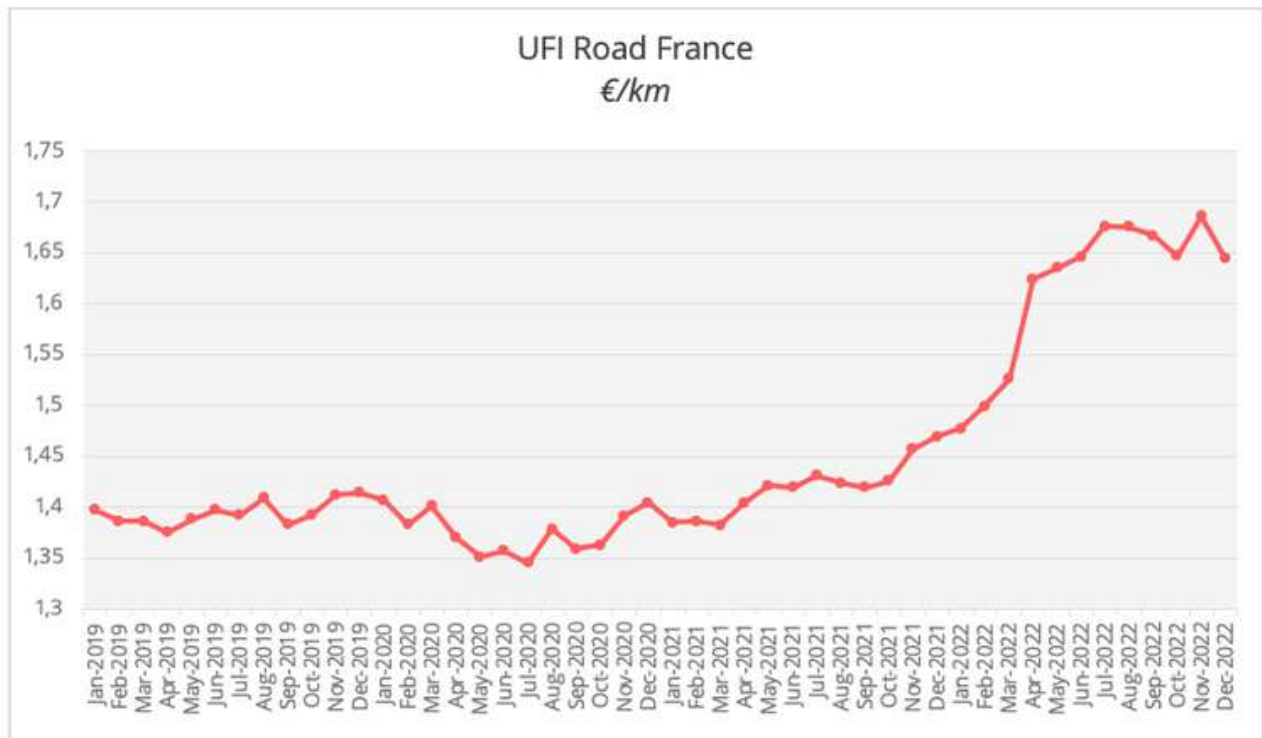
It is in this context that French month-on-month road freight transport prices fell by 2.4% in December. They resume the downward trajectory that we have observed since the end of the summer, [after a misleading hiatus in November](#).



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

Transport prices had increased then only because **they followed the trajectory of diesel prices, due to a legal pass-through mechanism**. The same mechanics are at work once again in December. Changes in diesel prices are generally passed on to transport prices with a one-month lag.

In November 2022, commercial diesel prices fell by 12.6%. It is therefore mathematically logical that transport prices fell in December.

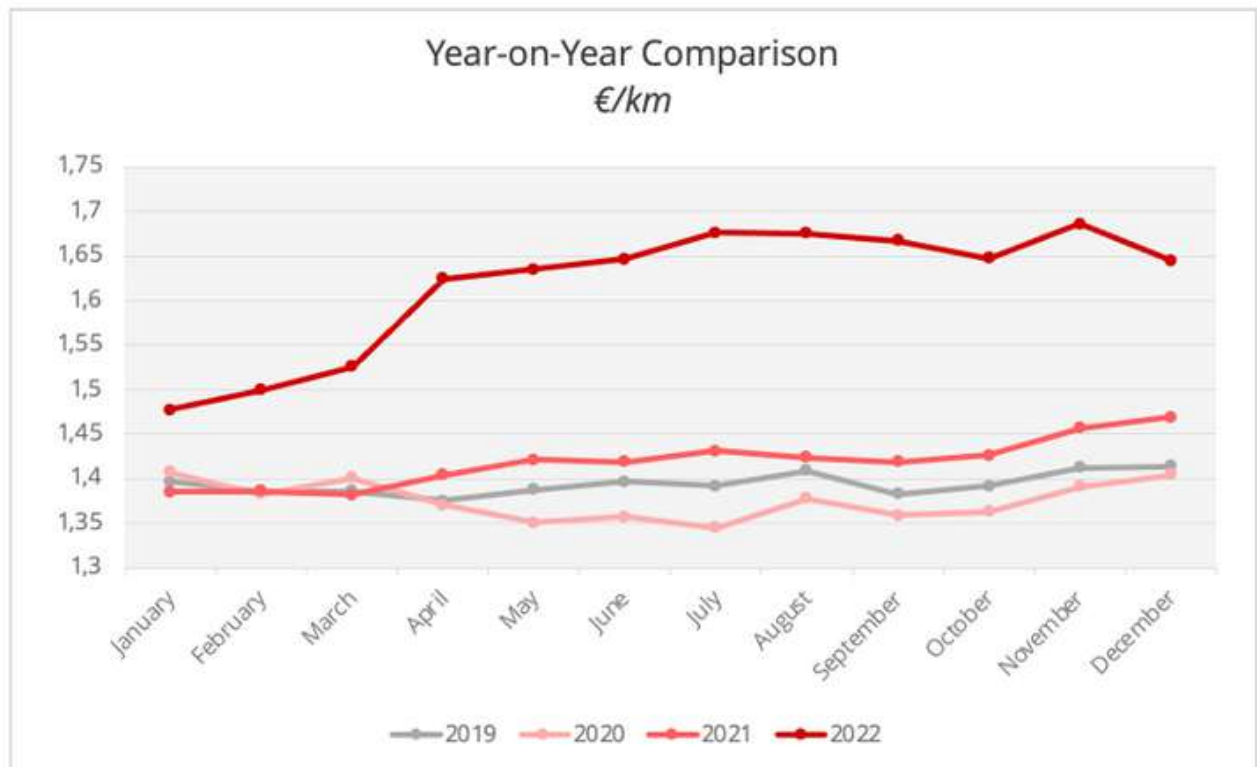


Source: [Uply Freight Index](#) – Road France

The average transport price in France in December was €1.645 per kilometre driven. The index dropped by 4 cents per kilometre compared to the previous month. The evolution of diesel prices in December shows that, according to the same logic, road transport prices will be on a downward trend in January. According to the CNR index (see key indicators p. 8), the price of commercial diesel decreased by 10.5% compared to November, which should **lead to a further loss of 3 to 4 cents for the average transport price per kilometre in January.**

Very strong contraction of the transport market in December

The fall in prices observed in December is atypical. In general, transport prices tend to approach or reach their annual high during the pre-Christmas peak season, as shown by our 2019-2021 price trend curves. Even if volumes drop after December 24th, as drivers are on leave, there is no overcapacity shock; finding carriers remains difficult and prices soar... In 2022, none of this was observed. December is gloomy, period!

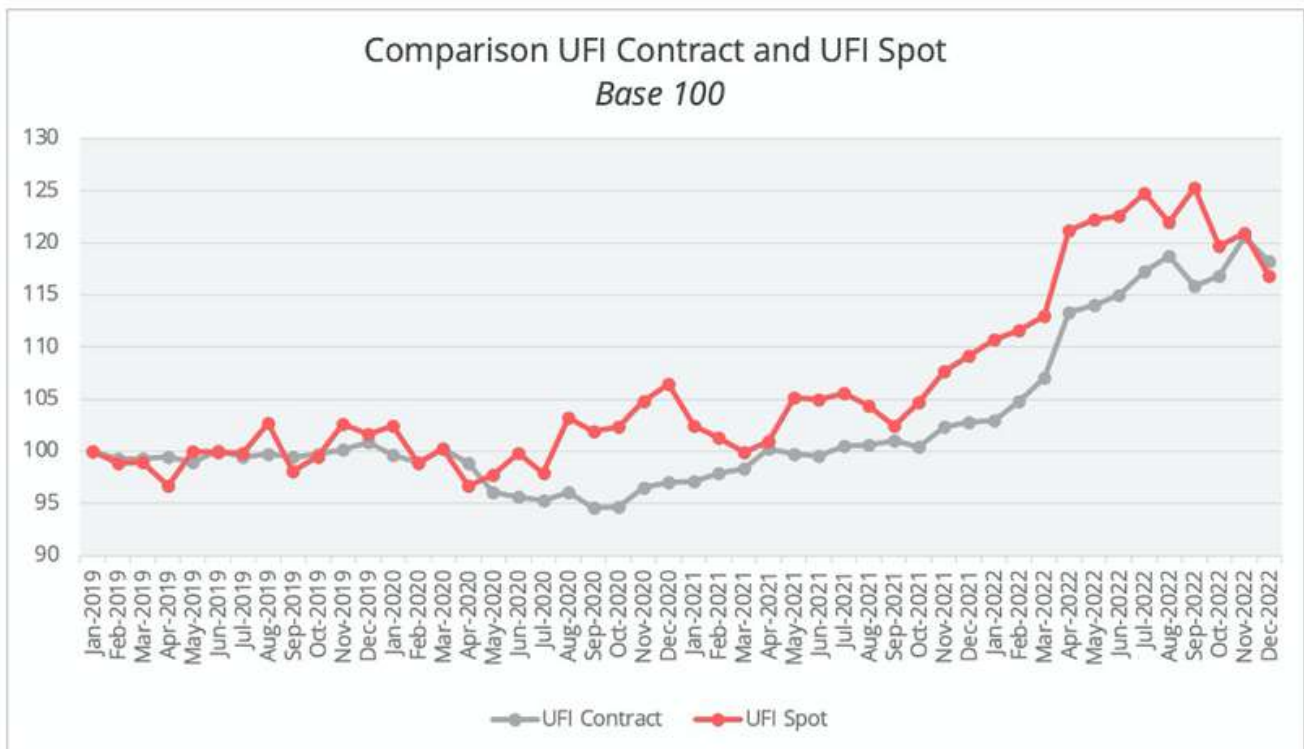


Source: [Uply Freight Index](#) – Road France

Certainly, as we have explained, the evolution of the price of diesel has played a role in this atypical development. **But it is now very clear that another major reason is coming into play: the decrease in the flows to be transported.** The carriers have noted a clear slowdown at the end of the year.

We have been observing for months a continuous decline in the Spot Price Index, which already reflected a lack of dynamism in the non-recurring transport market linked to low demand. In December, the curves of the Spot and Contract indices intersected. **Spot transport prices were below contract rates, meaning transport demand was lower than supply in December.**

It is notable that this is the first time that this situation has arisen since April/May 2020, a period in which the volumes transported collapsed due to government-imposed lockdowns. This stalling in the transport market is very much an early indicator of a looming recession in the French economy.



Comparison of changes in contract prices and spot prices -

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

The business climate remains stable

In December 2022, the business climate in France remained stable, slightly above its long-term average, [indicates the INSEE](#).

- **In industry**, the business climate indicator is torn between the positive opinion of business leaders on their recent activity, but a negative one on their foreign order books.
- **In construction**, the business climate remains well above its long-term average.
- **In services**, the business climate indicator is also stable compared to November, as the rebound in the balance of opinions on past workforce levels offsets overall the slight decline in the general outlook for activity in the sector.
- Finally, **in retail trade** (including automotive trade and repair), the business climate is improving, driven mainly by customer order intentions.

Strong drop in diesel prices over the last two months

The decrease in diesel prices over the past two months is spectacular: -12.6% in November and -10.5% in December. Prices have returned to relatively low levels compared to previous months, but **year-on-year, the increase still stands at +23.5% in December**.

It must be taken into account that crude oil prices follow the price of a barrel of North Sea Brent which stands at around \$80 as of late, after having flirted with \$120 a few months ago. This is the primary cause of the decline. **The prospect of a sluggish global economy obviously leads to lower demand for oil, which drives prices down.**

It remains to be seen whether the drop in prices at the pump will last. The aim of the United States has been unequivocal: by freeing up strategic stocks, it has succeeded in influencing the market. But by reducing the pace of sales of these reserves in the coming weeks, they should mitigate its deflationary effect. In addition, the ban on imports of Russian diesel from February also raises fears of higher prices in the first quarter of 2023.

The nervousness of the market therefore leaves a lot of uncertainty about the future evolution of transport prices in 2023.

KEY INDICATORS

	December 2022	November 2022	Evolution M / M-1	December 2021	Evolution over 12 months
Business climate (base 100)	102.5	102.2	+ 0.29 %	109.0	- 5.96 %
CNR Commercial Diesel Index	217.77	243.19	- 10.45 %	176.33	+ 23.50 %
CNR's Long Haul semi trailer truck index	162.54	164.17	- 0.99%	142.27	+ 14.25 %

Sources: Insee, CNR

AUTHOR



William Béguerie

Road Transport Expert for Upply



upply

© All rights reserved. No part of this publication may be reproduced in any material form including photocopying or storing it by electronic means without the permission of the copyright owners, Upply. This report is based upon factual information obtained from a number of public sources. Whilst every effort is made to ensure that the information is accurate, Upply accepts no responsibility for any loss or damage caused by reliance upon the information in this report. This is not a complete analysis of every material fact regarding this company. The opinions expressed here reflect the judgment of our analysts at this date and are subject to change.

Photo credit: Getty Images, Canva