

Road freight transport prices

June 2023



upply

MONTHLY BAROMETER FRANCE

French road transport rates fell in June

Road transport rates fell in June, as did costs, in a morose economic climate. Market consolidation picked up speed.

The French economy saw inflation fall markedly in June. Consumer prices increased 4.5% year on year after having risen by 5.1% in May and 5.9% in April. June was the third consecutive month to see a reduction in inflation, **which dropped to less than 5% for the first time since April 2022**. On a month by month basis, prices increased by 0.2% in June after having fall by 0.1% in May, according to figures from French national statistics institute INSEE. On the other hand, food prices, fresh products excluded, fell for the third consecutive month.

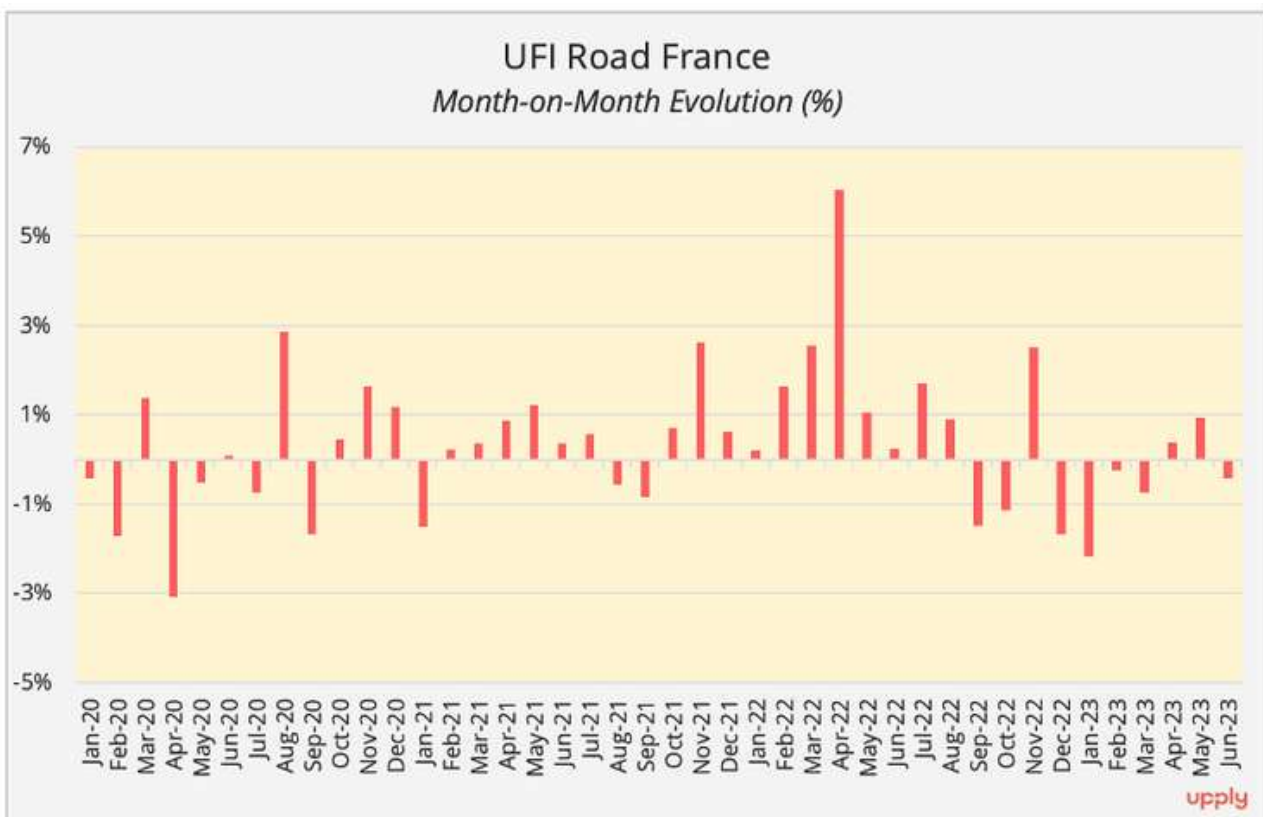
The fall in consumer prices is good news for households but signifies that **the economy is slowing after having overheated during the immediate post-Covid period**. "The headline HCOB Flash France Composite PMI Output Index fell from 51.2 in May to 47.3 in June, below the critical 50.0 threshold that separates growth from contraction for the first time since January and thereby ending a fourth-month sequence of expansion in France's private sector economy," said S&P Global in a news release on 23 June. [In the Economic Outlook it published in June](#), **INSEE estimated that French growth would slow from 2.5% in 2022 to 0.6% in 2023**. Household consumption is falling and investment by companies and public bodies is down.

The business climate in France remained stable but this stability was the result of trends which were, to say the least, contrasting. The situation is improving in industry (1 point) and rose two points, compared to May, in retail trading, but heads of companies were questioned [before the rioting which took place in France at the end of June](#). Moreover, the morale of construction industry leaders continued to decline, losing one point, when morale in the service sector was stable.

It is a good bet, therefore, that road freight volumes will not increase in the second half.

Moderate freight rate reduction

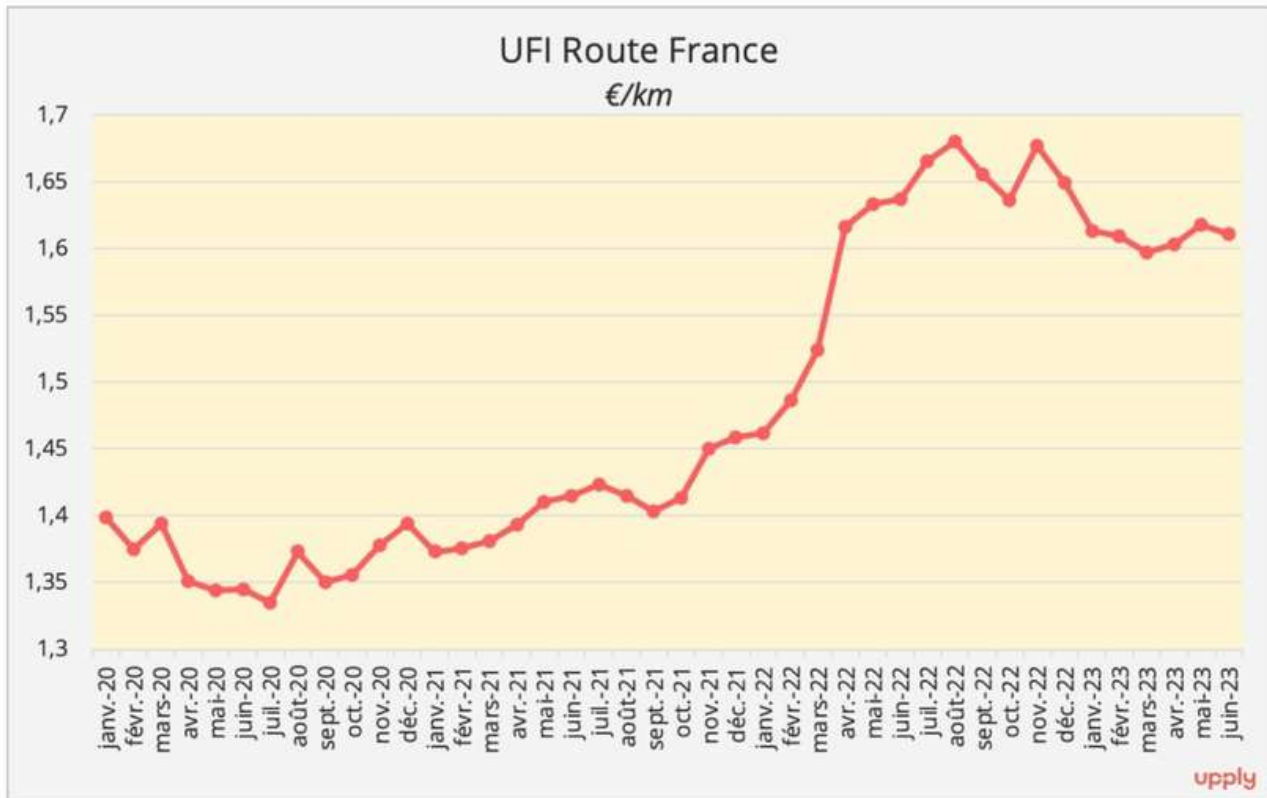
In this situation, **French road freight rates dipped 0.4% compared to the previous month**. For some months now, prices have varied between -1% and +1%. We are a long way from the variations of more than 2% we saw in 2022, as diesel fuel prices fluctuated. This indicates that prices are likely to stabilise in future.



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

The dip in June freight rates looks moderate in relation to the fall in diesel fuel prices in May (-6.6%). Given that the effect is generally felt a month later, freight rates were expected to decline by around 2% (the long-haul semi-trailer truck index produced by the France's National Road Transport Committee showed a 2.3% fall). **For some time, however, we have seen that road freight rates have become partly disconnected from diesel fuel prices.**

Average freight rates in France in June were 1.611 euros per kilometre travelled. The index was 0.007 euros per kilometre lower than in the previous month.

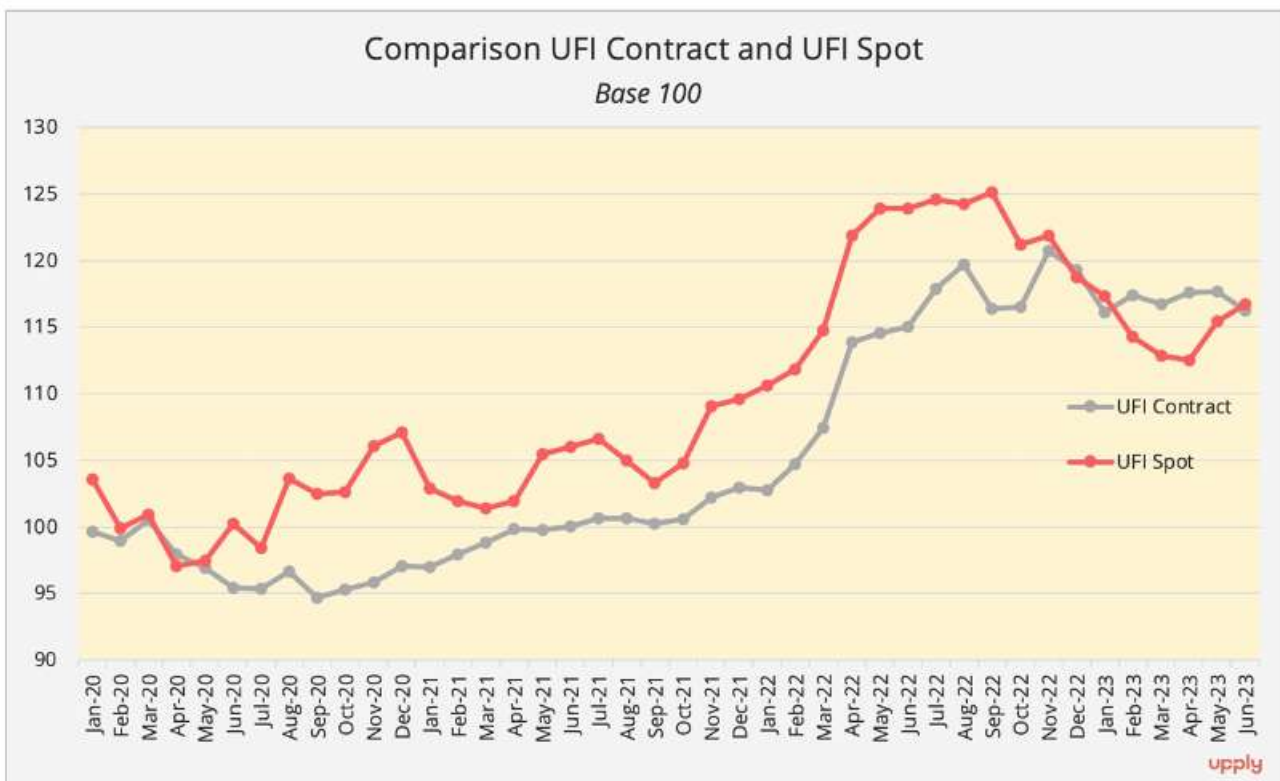


Source: [Uply Freight Index](#) – Road France

Looking at monthly rates over the last three years, we can see clearly that we are on a plateau. Since March 2022, the average rate per kilometre travelled has not fallen below €1.60. **This level represents a new marker.** When the rate falls below that level, it will mean that the transport market has gone into depression.

2022 and 2023 rates move closer together

Since April, rate progressions in 2022 and 2023 have been quite similar. The diesel fuel index has shown much more marked variations, however. It is clear, therefore, that rate stabilisation is acting as a buffer against the volatility of diesel fuel prices.

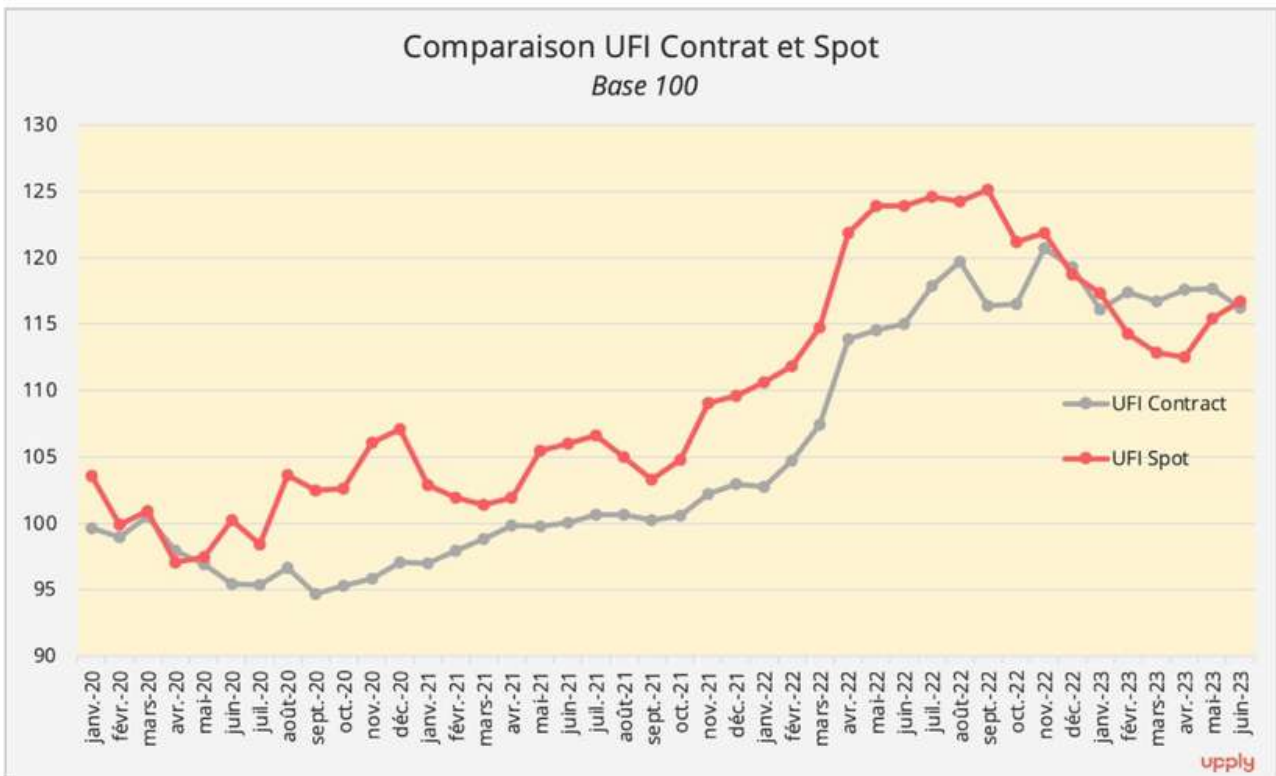


Contract and spot rates compared - Source: [Uapply Freight Index](#) - Road France

Year on year, road freight rates registered a fall of 1.6% in June, whereas the national road transport committee's long-haul semi-trailer truck index showed a 7.8% reduction. On average, therefore, hauliers saw their profit margins increase.

Substantial profit margins for the big haulage companies

The Contract index, which shows the contract rates negotiated by the big haulage groups and their shipper clients, declined by 1.3% in June by comparison with May. Contrary to what has happened in recent months, this reduction was close to the fall and in diesel fuel prices. **This suggests that we are coming to the end of a cycle which has been favourable to hauliers**, who have been able to apply rate increases.



Comparaison de l'évolution des prix contractuels et des prix spot -

Source: [Upplly Freight Index](#) - Road France

The Spot index, which is the reference index for spot transport rates in France, fell 5.8% year on year. It was up nevertheless on the previous month, despite the fall in the price of diesel fuel in May. **This confirms that there has been a break in the stagnation of demand and road freight volumes in France.** The Spot index also fell below the Contract index. As summer gets under way, there can be seen a little bit of tension on transport capacity, which has resulted in higher rates.

In short, the balance of power in the first half was favourable to the big hauliers, who have been able improved their financial positions and, by the same token, their investment capacity. **The second half, however, could see the advantage going to shippers.**

Buying spree

In the meantime, **the French road haulage market is continuing to consolidate at a rapid rate.** A big operation took place in June. Jean-Pierre Caillot announced that [he was selling his transport company to Groupe Charles André](#). Transport Caillot, which is based in the Marne department, east of Paris, has 800 employees and 980 vehicle registration documents. It generated revenues totalling €80m in 2022 in both road transport and logistics.

A number of other smaller operations were also carried out. Transports Bonnard in the Lyons area was taken over by the Cogepart group, with revenues of €200m. Transport Berges was acquired by the Jimenez group, with revenues of €65m, and Burlot Transports in Brittany was taken over by the Eonnet group. These are just a few examples.

There promises to be just as much merger activity in July. Alsace-based company Portmann, which has 400 trucks and 790 employees and is well known for using only SCANIA trucks, is to be taken over by Poste Suisse in an operation which should be finalised in the autumn. The Coquelle group in northern France made two acquisitions in early July. It bought Dordogne-based Transports Guillou and the Synapse group, with its five haulage companies - Transports de Savoie, TS Nord, Thiebaud Transports, Thiebaud Logistique and Lignatrans.

This year has confirmed the major trend we have seen on the small and medium-sized company market. The road haulage sector is steadily consolidating. Sales and acquisitions increased 15% in 2022 but it is probable that the 2023 total will be higher still.

Factors favouring consolidation

Two factors are encouraging market consolidation - the economic crisis and the arrival of new investment partners in the capital of the road freight companies.

The economic crisis has led to a fall in freight volumes, while the shortage of labour has driven costs upwards. The profit margins of the smaller companies have come under heavy pressure, which has weakened their financial situations. **On the other hand, the bigger companies are in a better position to negotiate prices with their clients and achieve economies of scale.** The smaller companies, therefore, become interesting targets.

The arrival of investment funds has resulted in an influx of capital which has facilitated external growth. The funds are looking to create market leaders. The haulage companies, Jacky Perrenot, which has increased its revenues by 25% in two years, and Transports Coquelle, both count investment company SIPAREX and public sector bank BPI France among their shareholders.

More concentration to come?

In the months to come, it is very likely that the big shippers, who are big buyers of road freight services, will call a halt to a period which has seen road freight rates soar. **The fall in freight volume, which is already palpable, is likely to be followed by new tender calls, followed by lower rates.** This new cycle could slow down the takeover spree in the short term, leaving companies to digest their recent acquisitions.

The energy transition is unavoidable, however, for the haulage companies and will be very costly. **Capacity to invest in new vehicles will be decisive to meet clients' demands and tighter regulatory constraints.** Market consolidation is also a response to this major challenge.

THE MAIN INDICATORS

INDICATORS	June 2023	May 2023	Evolution M / M-1	June 2022	Evolution over 12 months
Business climate (base 100)	100.0	100.0	0.0 %	103.9	- 3.8 %
CNR Commercial Diesel Index	192.89	191.12	+ 0.9 %	270.23	- 28.6 %
CNR's Long Haul semi trailer truck index	156.82	156.41	+ 0.3 %	170.03	- 7.8 %

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 electronic storage, without prior written permission from Upply. This report is based on factual information obtained from several public sources. While every effort is made to ensure the accuracy of the information, Upply disclaims any liability for any loss or damage caused by reliance on the information contained in this report. The opinions expressed here are those of the author as of the date of publication and are subject to change without notice.

Photo credit: Getty Images, Canva