

MONTHLY BAROMETER

# TRENDS IN ROAD FREIGHT PRICES IN FRANCE



February 2024 | 

**upply**

# FRANCE:

## STAGNATION OF ROAD TRANSPORT PRICES IN FEBRUARY

**Road freight transport prices in France stopped falling in February, but the sector remains in turmoil. Declining demand is weighing on freight rates.**

The deteriorating economic situation is beginning to be felt on the ground. According to data published by INSEE, the business climate in France lost one point month-on-month in February and 5 points year-on-year. At 98, it remains below its long-term average. French business leaders are thus in agreement with the Ministry of the Economy, [which has lowered its growth forecast for 2024 to 1%](#).

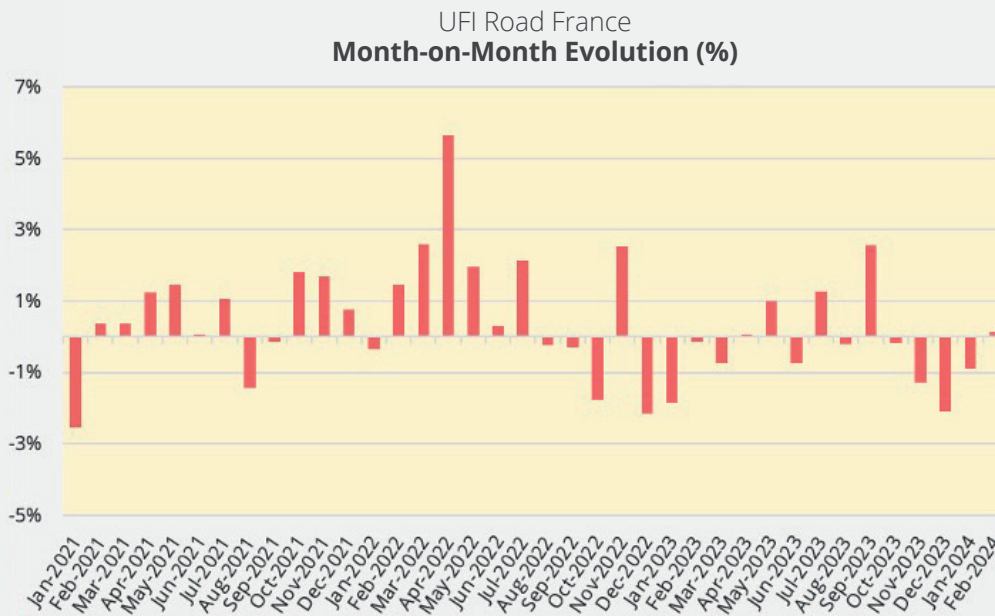
If all the sectors surveyed by the INSEE evolve around their historical average of 100, the picture is more contrasted than it seems. The relative resurgence of optimism in the industrial sector contrasts with the gloomy mood of business leaders in other activities. In retail trade, the indicator fell by 5 points in February, "penalised in particular by the balances of opinion on the general business outlook, past sales and provisional orders", specifies the INSEE.

In addition, in its February 2024 monthly business survey, the Banque de France points to a rise in the monthly uncertainty indicator, constructed from a textual analysis of the comments of the companies surveyed. This is increasing especially in industry and construction. According to the Banque de France, the lack of visibility is worsened by the situation in the Red Sea, which increases supply difficulties for products transiting through the Suez Canal (e.g. electrical equipment). In addition, companies in the transport sector pointed to the blockages relating to the farmers' protest movement, which was still very active when they were surveyed.

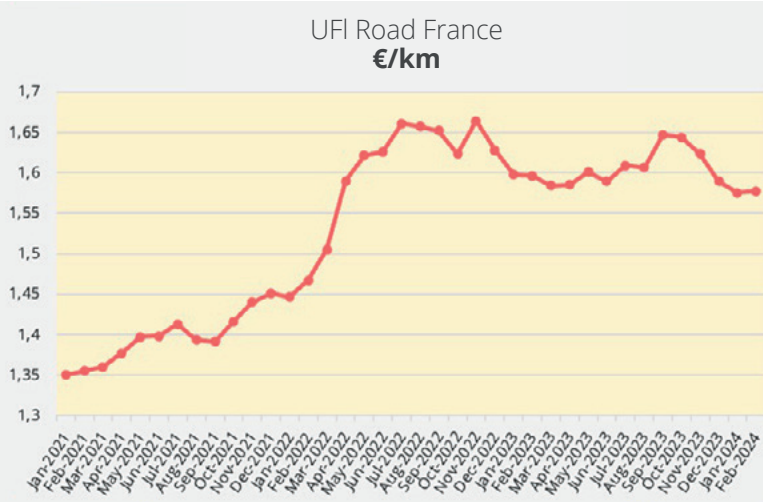
# Almost total stagnation of prices

According to data reported in the Upply database on March 8, road transport prices stagnated in France for February according to the Upply Freight Index (0.1%), after four months of successive monthly declines. However, these numbers should

be considered with caution. This is a very small progression, and more data will be needed over this period to see if the end of the downturn is confirmed.



Source | Upply Freight Index – Road France



Source | Upply Freight Index – Road France

The average price per kilometre, based on transactions recorded in the Upply database, is €1.577 per kilometre driven, a negligible increase of €0.002. However, it is still too early to say if the market has now reached a level below which prices will no longer fall.

Commercial diesel rates recorded a slight decrease in January (-0.5%). Given the delay of about a month induced by the mandatory system of passing on changes in diesel prices to transport prices, it would have been logical to see

freight rates decline by -0.1%. These are therefore variations that seem quite chaotic, even if the orders of magnitude are infinitesimal: in this case, the theoretical difference is only 0.004€/km.

In the absence of a new upward trend, this probably presages an entry into a period of unstable price variations.

“ An entry into a period of unstable price variations ”

# Chaotic variations

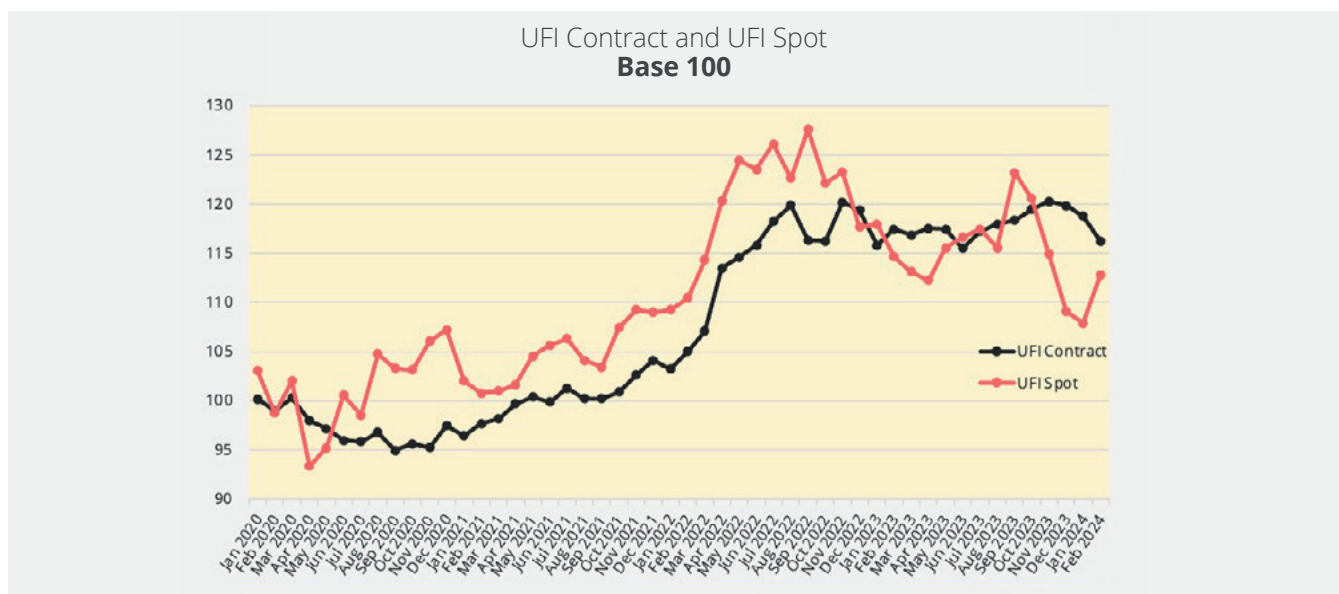
The comparative evolution of the contractual freight rate index and the spot rate index illustrates these shocks. In February, the UFI contract index fell by 2.2%, its largest decline since November 2023. The price curve in this market is clearly out of sync with the diesel index.

In fact, prices are beginning to reflect the negotiations of tenders carried out at the end of 2023 and the beginning of 2024 by the major transmission purchasing centres. Given the contraction in volumes to be transported that began to manifest in the second half of 2023, they managed to pass on price reductions. This contrasts with the increases recorded last year, when large shippers were still seeking to secure access to transport capacity made uncertain by the shortage of drivers.

The balance of power was reversed in the negotiations between the major clients and their carriers concerning the transport operations carried out within the framework of medium- and long-term agreements. Weak demand is driving down contract transport prices.

If we consider seasonality, February is a month where flows are traditionally low. The construction sector has not kicked off, car sales are at a standstill: we are in the depths of the low season. Under these conditions, there is generally overcapacity in the transport supply which mechanically reduces the prices of spot transport.

Yet this year, nothing went as planned. The spot index bounded by 4.5% in February. There must therefore have been a need for transport that the economic situation can not explain.



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

“The balance of power was reversed in the negotiations between the major clients and their carriers”

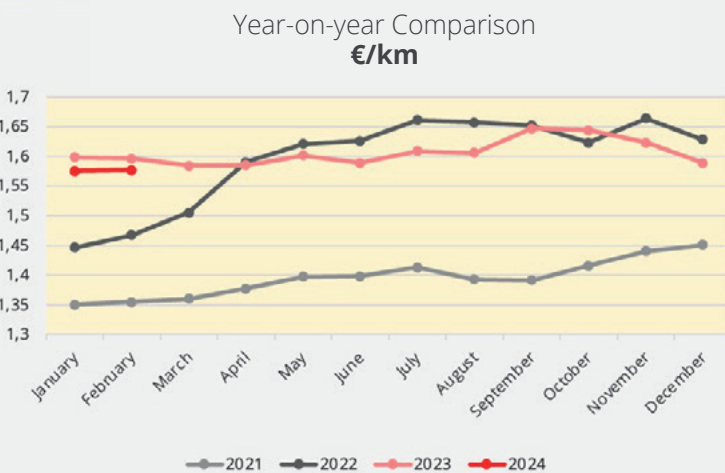
The most likely hypothesis is that the farmers' protest movements had [a significant impact on the organisation of the transport system](#). These disruptions put some pressure on access to capacity, which mechanically had an impact on the price of transport on the spot market. It has regained strength, while it was at its lowest level since September 2023 with a fall of more than 13%. However, the rise in rates seems far from offsetting the additional costs incurred by carriers during this period. The IRU requested [compensation for road carriers](#).

# A high-risk period

Year-on-year, road transport prices at the beginning of 2024 are below those of 2023 (between -1.2% and -1.4% during the first two months of the year), but they remain at a higher level compared to previous years. Given the cost increases that have occurred since the post-Covid recovery, road transport prices will remain at levels above 2021's. But it is likely that 2024's curve is entering a zone of turbulence, troubled by contradictory currents.

First, we have seen that contractual prices are trending downwards over the duration of tenders, therefore over the medium term. Then, the French social climate appears to be deteriorating, as shown by the farmers' movement, which could give ideas to others with the run-up to the Paris Olympic Games. However, the French transport industry is perfectly capable of adapting to all traffic restrictions. On the other hand, the global geopolitical situation is uncertain and there are risks of sharp changes in the price of fuel. Finally, the shortage of drivers implies an inflation of labour costs and, by extension, transport costs.

"Freight transport and logistics companies are facing recruitment difficulties exacerbated by an inflationary economic environment. Indeed, to mitigate the effects of inflation on their purchasing power, candidates with experience have salary expectations that are not in line with the proposed remuneration, which contributes to recruitment difficulties," says the 2023 edition of the report by the Prospective Observatory of professions and qualifications in Transport and Logistics (OPTL).



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

**“Freight transport and logistics companies are facing recruitment difficulties”**

All these pressures acting in one direction or the other are leading French road transport into making disorderly and uncontrolled movements. The period is likely to be difficult for transport companies, which are suffering from a deterioration in their financial health, but also for shippers, who will see the service deteriorate and spot prices potentially vary significantly.

## KEY INDICATORS

Sources | Insee, CNR

INDICATORS	February 2024	January 2023	Evolution M / M-1	February 2023	Evolution over 12 months
Business climate (base 100)	97.8	98.6	- 0.8%	102.9	- 5.0%
CNR Commercial Diesel Index	210.21	201.70	+ 4.2%	213.45	- 15%
CNR's Long Haul semi trailer truck index	166.82	164.28	+ 1.6%	162.09	+ 2.9%



**William Béguerie**

Road Transport Expert for Upply



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## THE TECHNOLOGICAL SOLUTIONS PLATFORM THAT BOOSTS SUPPLY CHAIN ACTORS' EFFICIENCY

**Upply**, the Tech Platform serving freight transport professionals, **designs and develops digital solutions** to assist supply chain professionals in leveraging the full potential of digitalization for their business.

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