

French Road Transport Evolution in February 2022



MONTHLY INSIGHT

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Road transport: war in Ukraine fuels price rises

Road transport prices in France rose again in February as shown by our Upply barometer. All the ingredients are in place to keep inflation high and sustainable...

February was a month of stupefaction. It began with a dynamic feeling at the end of the fifth wave of Covid-19. The spike in infections was behind us, the economy could resume its forward progression, driven by demand.

And then on February 24, the news came: Russian President Vladimir Putin launched the invasion of Ukraine. Russian forces began bombing cities as well as civilian and military air bases.

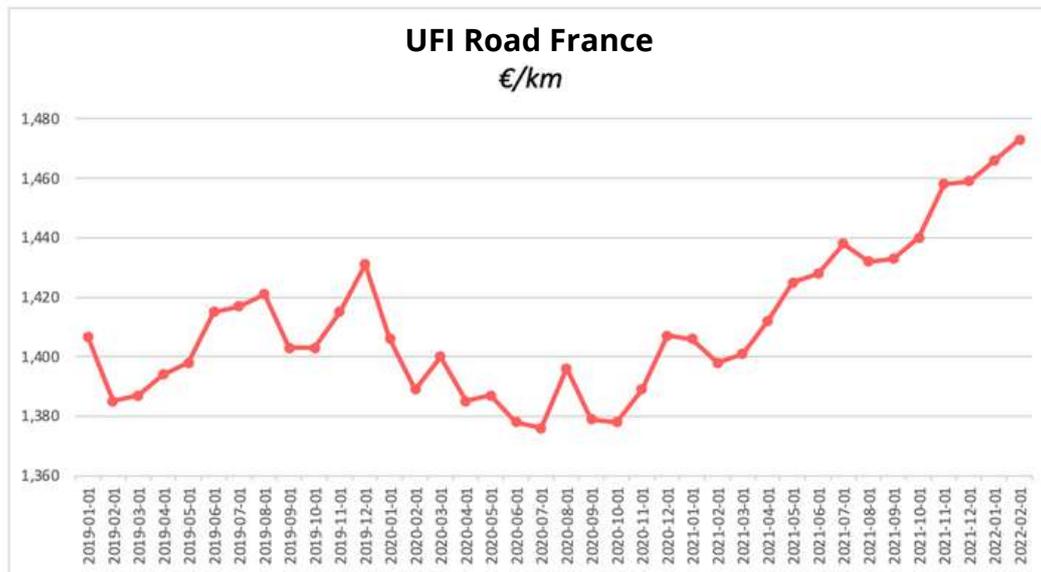
An inexorable inflation

The very short-term consequences of the war in Ukraine on the road transport economy in Europe and France will be **the interruption of services, the soaring prices of raw materials and transport capacity in general.**

Under these conditions, **road transport prices continued to rise**; they increased by 0.5% compared to the previous month according to the Upply Freight Index (UFI Road France). They have now reached an average of €1.473 per kilometre driven, setting a new record. Nothing now seems able to stop the rise in freight rates.

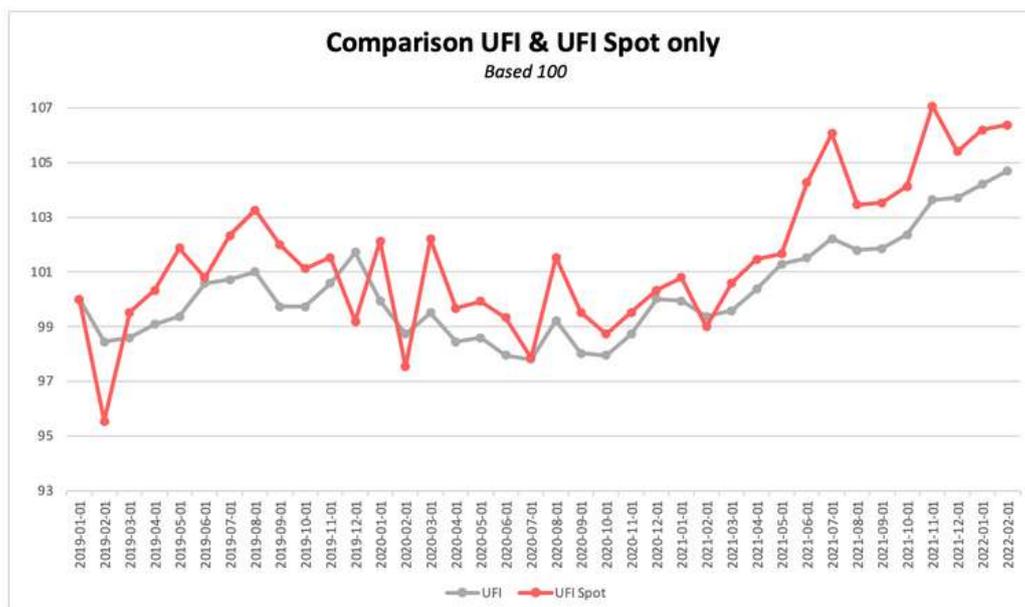
This increase was of course expected; as we wrote in the [January barometer](#), energy prices are the main driver of transport cost inflation and they are passed on with a one-month lag. Given the surge in diesel prices in January, this logic prevailed.

It is reinforced by **the pressure on wages**, in a context of inflation and a shortage of drivers. The agreement reached between the employers' organisations and the trade unions during the 2022 mandatory annual negotiations stipulated a 5% increase in the conventional salary scales on the 1st of February and a 1% increase on the 1st of May.



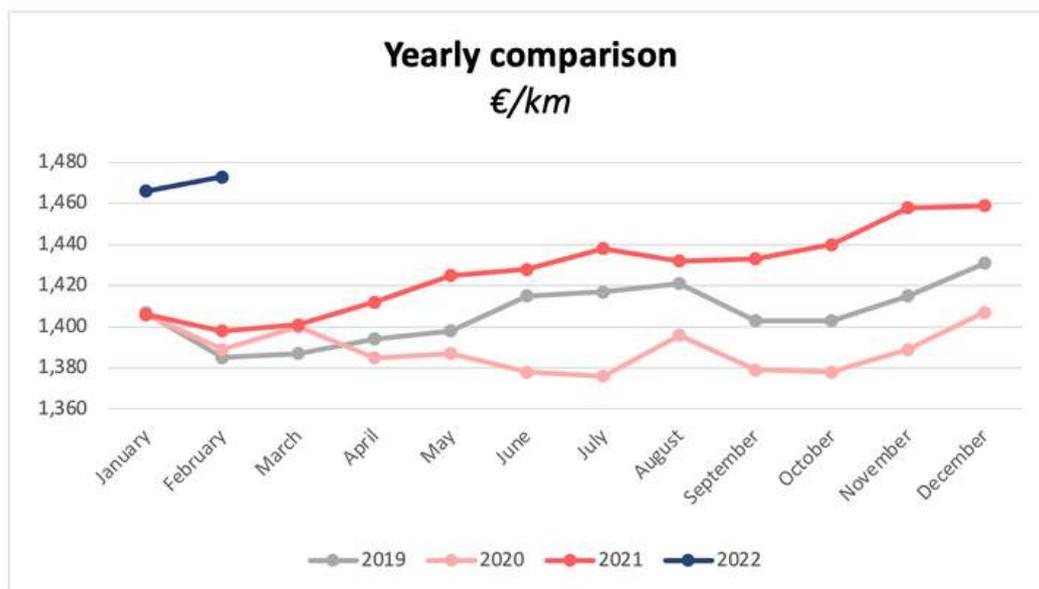
Source: [Uapply Freight Index, Road France](#)

But as in January, **the monthly increase in spot prices (+0.17%) is lower than the increase in the average prices**. It still testifies that we are in the low season and that demand for transport is lower than the supply.



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

The comparison of the annual curves of variations in road transport prices in France is very telling: we have the impression of having made a sort of quantum leap, this curve now sits at **a drastically higher energy level, fed by diesel prices**. It is also a marker of a notable change, and perhaps the end of an era: transportation will become expensive.



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

Business climate: the rebound before the shock

On the demand side, the signals during February were positive. The business climate in France recovered significantly in February, after two months of deterioration. The indicator gained five points. **At 112, it is well above its long-term average (100)**. It is true that up until February 24, everyone imagined a bright future despite the inflation that remained the main point of concern in February.

The improvement in the business climate in February was **mainly due to the rebound in forward-looking balances of opinion in services**. Business leaders were optimistic about the general outlook for the sector and the expected boom over the next three months...

According to the INSEE, **the business climate has also improved in the retail trade and, to a lesser extent, in the construction sector.** The latter sector has finally seen its supply difficulties decrease. In industry, on the other hand, the business climate, while remaining at a high level, declined slightly, in line with the fall in foreign orders.

The overall repercussions of the conflict in Ukraine

Transport to and from Ukraine is now suspended, with the exception of vital goods or humanitarian supplies. According to the Polish site Logistics Observer, 1,100 American companies and 1,300 European companies have at least one trading partner in Russia. The breakdown of economic relations will therefore cut off several thousand Western companies from Russian supply, which could affect production and, consequently, increase prices.

However, the supply chains of the main Ukrainian and Russian suppliers account for only 0.75% of Western companies' ties. **The impact is therefore expected to be minor in general, but this will lead to difficulties in targeted sectors such as energy, food, textiles and IT.**

We will have **to remain vigilant on the development of the situation for our Polish suppliers**, who are more exposed and are beginning to experience supply disruptions from Ukraine, Russia, and Belarus. "In Poland, more than 100,000 Ukrainians work in logistics. A large part of them has just received a mobilisation order. For Poland, it will be a Herculean task to maintain the stability of the supply chains," said German Transport Minister Volker Wissing in an interview with the newspaper Bild am Sonntag.

On the other hand, the conflict will also have **more global repercussions.** " For the time being, the Eurozone seems able to weather the economic shock of the war given its pre-existing economic momentum (as illustrated, for instance, by an unemployment rate at an all-time low of 6.8% in January and by the positive February figures for business confidence surveys) and the very probable implementation of new fiscal support measures to buffer the shock.

The size of the shock is very uncertain and hard to evaluate. It will undoubtedly be negative, and one of its first repercussions is already **to exacerbate the pressures on transport supply, supply chain and prices**. We cannot rule out the possibility that Eurozone GDP will contract for one or two quarters” BNP Paribas estimates in its Economic Pulse of 7 March 2022.

Soaring raw material prices

The conflict is blowing the coals of the fire triggered by the Covid-19 pandemic. **Professional diesel fuel increased by 5.6% in February over one month and by 32.4% over one year**. It now exceeds 200 points, which means that it has doubled since December 2000.

The war will lead to an increase in this trend. In a December report, analysts at JP Morgan estimated that the price of a barrel of oil could rise to USD 150 in 2023. Now, the same firm anticipates a threshold of 185 USD because of the difficulties in transporting Russian oil. Can we imagine professional diesel costing more than €2.5/l?

The professional road haulage organisations has appealed to the government, which met with them on 4 March. The Minister of Transport, Jean-Baptiste Djebbari, has confirmed to them that **the sector will be integrated into the resilience plan for the French economy** being prepared to cope with this new shock. In the meantime, the organisations are asking in particular for a control of **the correct application of the indexation clauses** provided for in the Transport Code to the invoicing of road freight transport services, **but also for measures to support companies' cash flow**.

Worsening shortage of drivers

As of 31 December 2021, TLP, the Polish Transport and Logistics Employers' Union, reports that 103,766 valid driver's certificates had been issued to Ukrainian citizens and 24,640 to Belarusian citizens. **Ukrainians represent 37% of the population of drivers in Polish fleets**, according to the Polish website, Transport Manager. With the war, many Ukrainians announced that they wanted to return home to protect their families or even fight. Still according to TLP, 25-30% of Ukrainian drivers have already returned to the country, totalling about 30,000 drivers.

Beyond the tragedy that is being played out on a part of our continent, we can already confirm that **the war will have a very significant impact on international transport supply in Europe**. Many Ukrainian and Belarusian drivers will be missed on our European and, of course, French roads. **This worsening shortage of drivers will accelerate the rise in prices.**

To sum up, this war very seriously complicates the tension in transport supply and provides an unwelcome increase in costs. It is not unlikely that it will create the conditions for hyperinflation of road transport prices, as we have seen in containerized maritime transport since the Covid-19 pandemic.

KEY INDICATORS

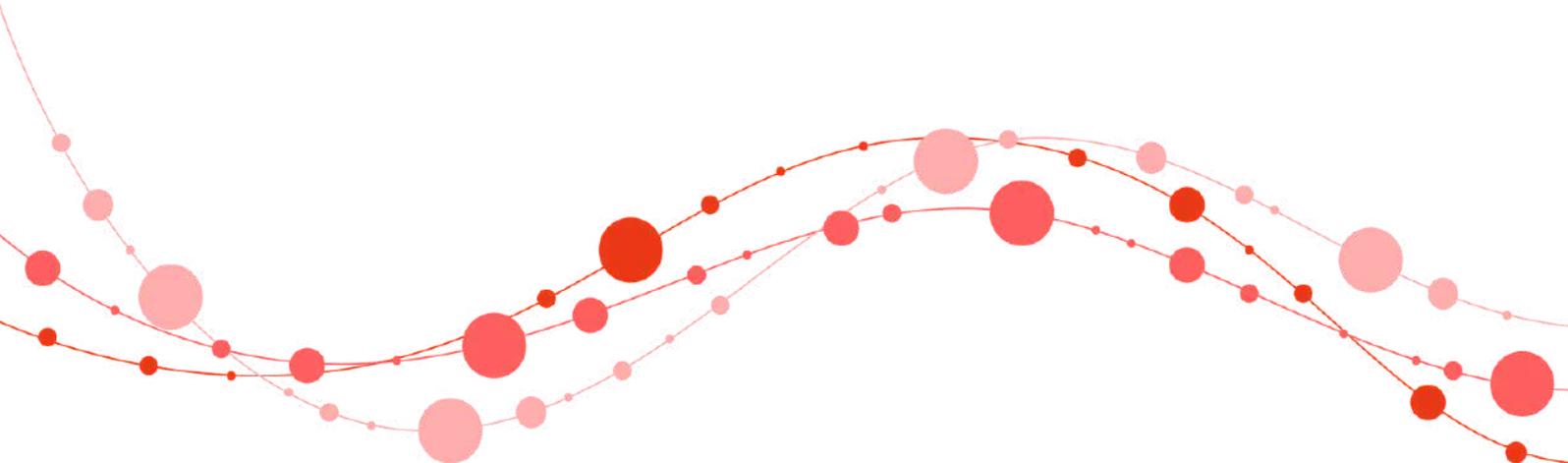
	February 2022	January 2022	Evolution M / M-1	February 2021	Evolution over 12 months
Business climate (base 100)	112.3	107.2	+ 4.8 %	90.8	+ 23.7 %
CNR Commercial Diesel Index	200.66	190.06	+ 5.6 %	151.58	+ 32.4 %
CNR's Long Haul semi trailer truck index	151.87	145.87	+ 4.1 %	136.60	+ 11.2 %

Sources: [Insee](#), [CNR](#)

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