

ROAD FREIGHT TRANSPORT PRICES IN FEBRUARY 2023



MONTHLY BAROMETER FRANCE

upply

Transport prices in France see a timid rise in February

Road transport prices in France stagnated in February. The impact of the rise in diesel prices and decrease in transported volumes explain this observation, in a socially tense context.

The socio-economic situation in February was mixed. In shipping, energy, automotive or luxury industries, **the French champions, such as CMA CGM, announced record profits**. More very good news: **the PMI index**, which measures private sector activity, recovered to 51.6 in February, marking **the highest rate of expansion of the French economy since July 2022**. The Banque de France and INSEE have ruled out the risk of a recession.

Yet, on the other hand, anxiety-provoking news is rife. There is talk of an ongoing **chapter of disasters in the clothing sector** where liquidations are accumulating. **Inflation is continuing** and it is hitting the wallets of the French hard. According to INSEE, it amounted globally to 6.2% in February year-on-year, but to **more than 14.5% in food prices**. In these conditions, it is understandable to see that [the morale of households](#) is at a low. At 82, the index is 18 points below its long-term average. At the same time, the savings rate is rising.

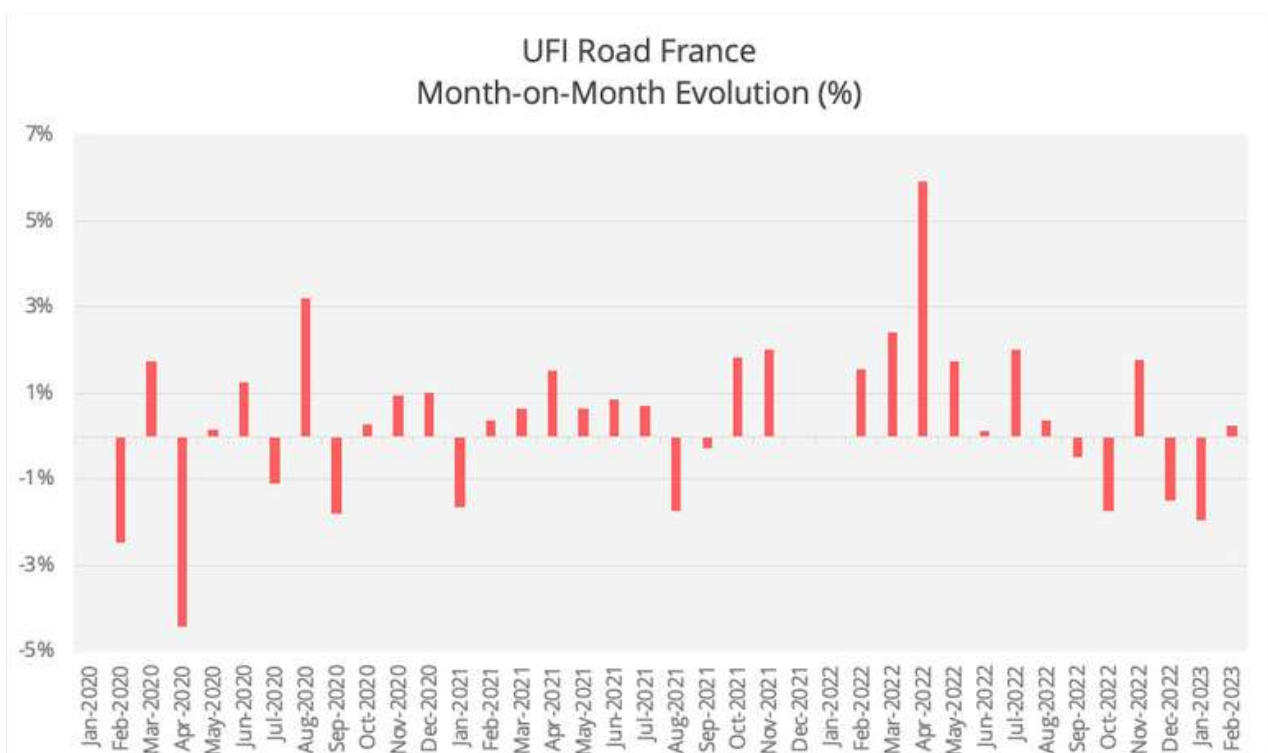
The pension reform project further crystallizes tensions. The trade unions are in the streets protesting this reform, but with the problems of purchasing power and social justice also now in the background.

French RFT is almost in line with the evolution of diesel prices

Against this chaotic backdrop, road transport prices have remained almost stable. **The Uply Freight Index shows a timid rise of +0.2%**, as if the market was holding steady, but the analysis of the diesel component reveals another reality.

The impact of changes in fuel costs generally occurs with a lag of one month. In January, the increase in the price of diesel was 2.4%. The weighting of fuel in the total cost of transport varies, [according to the CNR](#), from 20% to 26.5% depending on the type of transport. We could therefore mechanically expect a minimum increase of between 0.5% and 0.65%, knowing that the CNR LD EA (Long Distance Articulated Unit) index was up 0.8% in January.

It can therefore be estimated that **the increase in transport prices observed in February is mainly due to the increase in diesel fuel at the pump in January**, even if arithmetically, the increase only compensates for about a third of the additional costs incurred by carriers.

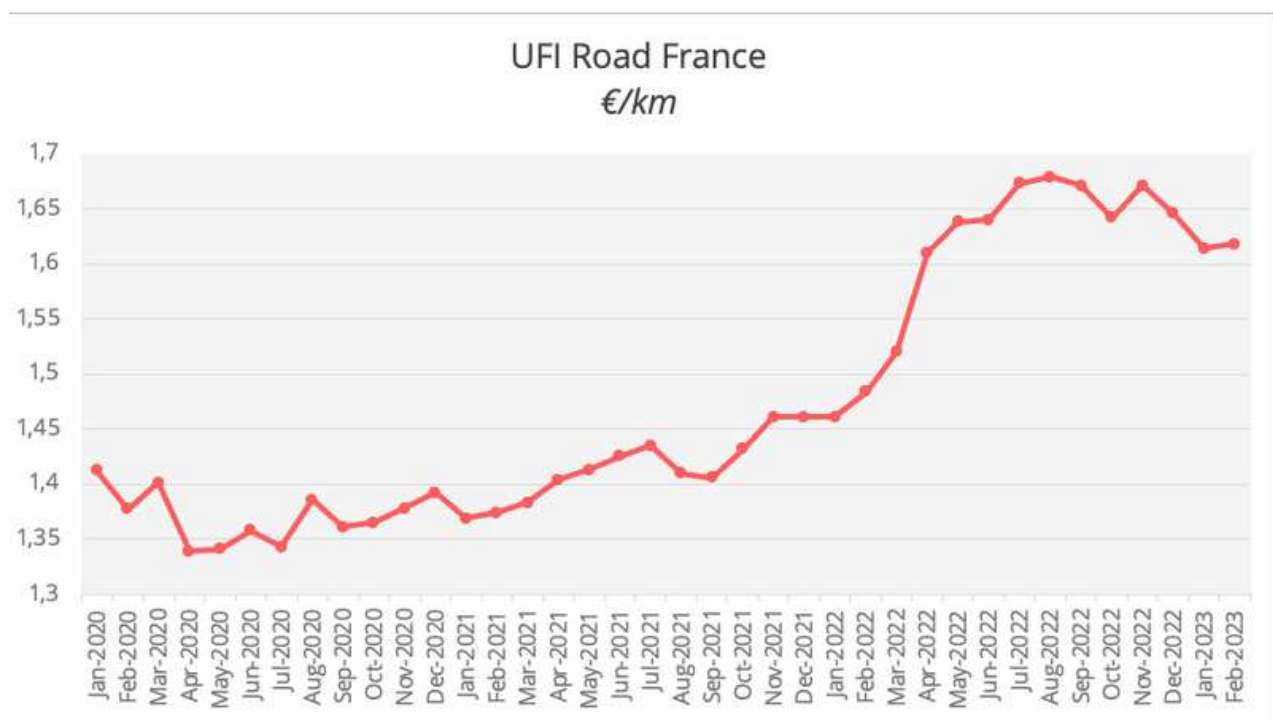


Source : Uply Freight Index – Road France

The average transport price in France was €1.618 per kilometre driven in February compared to €1.614 in January, an extremely small increase.

Year-on-year, the increase was 13.4 cents (€0.134). **For the past six months, we have witnessed a continuous compression of price growth.** In August 2022, the 12-month increase was €0.269 per kilometre driven. In 6 months, the price increase over 1 year has therefore been divided by 2.

It is also noteworthy that this decline over 6 months (-3.7%) corresponds to that of diesel prices. Commercial diesel fell by 14.7% over the same period, an impact of -3.7% on total costs when considering its 25% weighting.

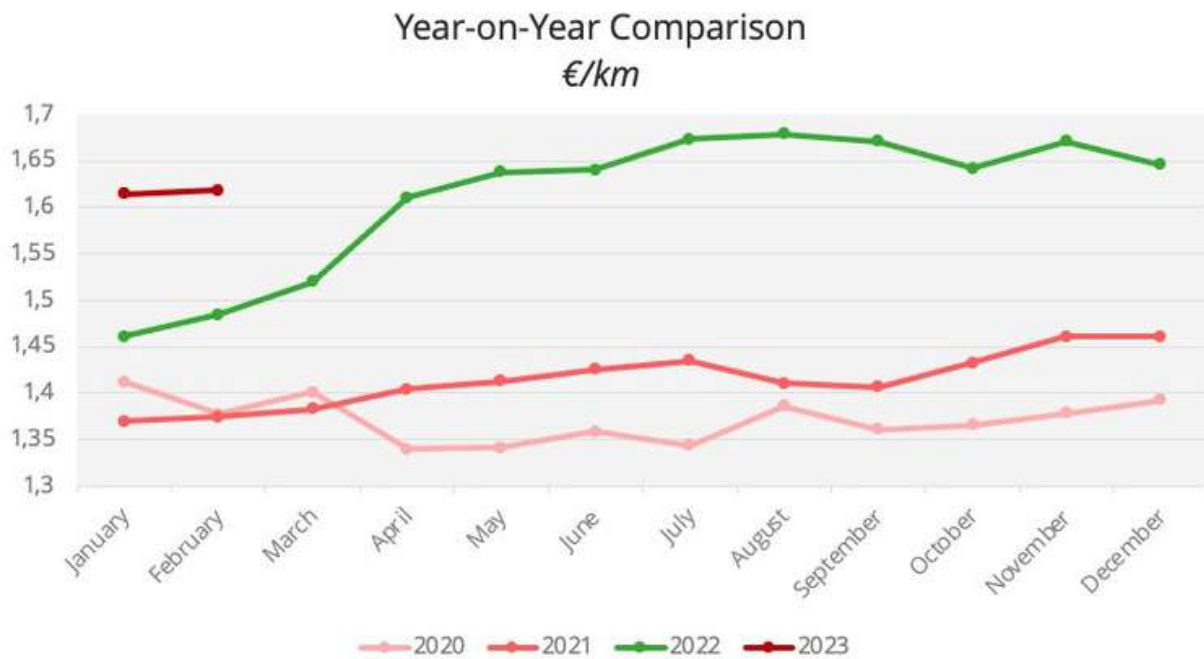


Source: *Uply Freight Index* – Road France

Towards a reduction in transport prices

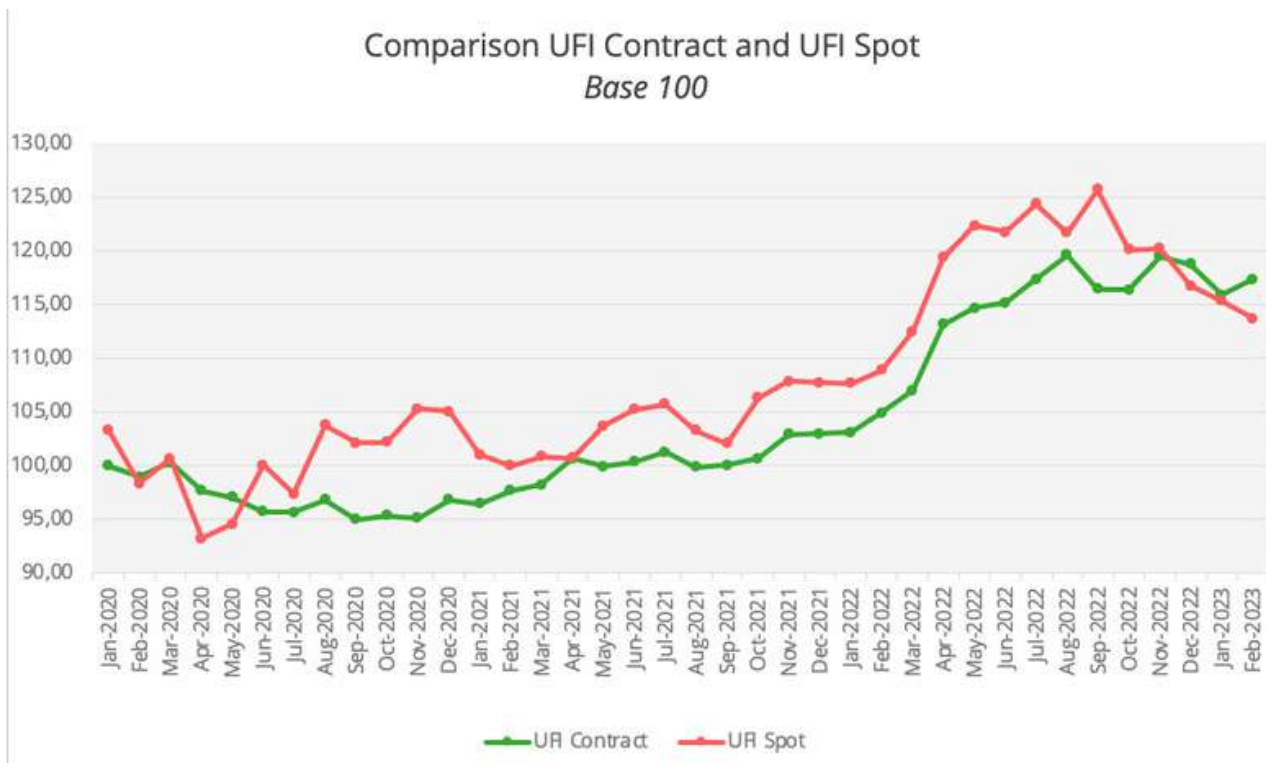
At the beginning of the year, **road transport prices seem to be marking time in France**. We can see a plateau between January and February on the graph below.

Given the correlation we have identified with fuel price developments, **transport prices are expected to fall in March** as diesel prices slumped 4.2% in February.



Source: *Uply Freight Index* – Road France

Another element reinforces the hypothesis of a decrease in transport prices in March: this is **the continuous fall in spot prices in France since September 2022**. The UFI Spot Index shows a further decline of 1.4% compared to January. And since September 2022, it has fallen 9.6%.



Comparison of changes in contract prices and spot prices -
Source: [Uapply Freight Index](#) – Road France

This decline cannot be explained solely by the erosion of diesel prices, which, according to our estimates, weigh around 3.7%. The sluggish economic situation is leading to **weak demand, which is causing transport needs in France to contract** and driving the UFI Spot down. We are indeed in a strong downward movement, even if it remains much less pronounced than in the United States, where the sluggishness of demand has led to [an overcapacity of the means of transport](#) estimated at 25%.

In France, on the contrary, it seems that **the transport market is adopting a fairly protectionist attitude in terms of tariff policy**: the UFI Contract index, a marker of contractual or long-term prices, has risen by 1.3%, an increase greater than that of diesel prices. We will see next month if this progress is confirmed or not, thus shedding more light on the state of the relationship between large shippers and carriers.

Slight improvement in the business climate

The evolution will also depend on the progress in economic activity which, as we have seen so far, shows contrasting trends. **In February 2023, the business climate in France gained one point compared to January** and posted a score of 103, says INSEE.

This slight improvement is mainly the result of a certain optimism concerning the outlook for activity in services (106). **In industry**, the business climate also improved slightly, for the third consecutive month (104). **Surprisingly, the retail trade also gained 1 point (102)**, mainly due to the increase in the general business outlook of the sector.

Finally, on the other hand, **in construction, the business climate deteriorated again and fell by 2 points in February.**



A shortage of drivers now palpable

For several years, carriers have been warning about their **recruitment difficulties**, especially for truck driver positions. The IRU revealed in [its latest report](#) on this subject that some 600,000 drivers were missing in Europe in 2022.

The problem is now becoming tangible, as evidenced by the case of the transport of automobiles. The [recent setbacks of the Stellantis group](#) concerning its transport of automobiles have made the headlines. The [solutions proposed](#) have also challenged the world of the Supply Chain. Stellantis has approached its employees via email and posters in some of its factories, offering them the possibility to become truck drivers. About 140 volunteers, mainly in France, Spain and Italy, have already come forward. The Renault group has also encountered difficulties in transporting its vehicles and seems to have taken the same type of initiative.

Working conditions (short cabins, loading and unloading vehicles from a height of 2m) have accelerated the vocational crisis. The world of motor transport may be carrying out **a full-scale trial, albeit unwillingly, of the difficulties that await shippers** if nothing is done to remedy the shortage of road drivers in Europe.



What solutions to the driver shortage?

The carriers seem to be moving towards two types of solutions, though without seeing the light at the end of the tunnel for the moment.

The first step is to improve the working conditions of truck drivers. This was precisely one of the objectives of the Mobility Package presented in 2017 by the European Commission, which aimed at a harmonisation; at the time, this text had provoked a virulent divide between Eastern and Western Europe. Yet today, some of the “social” measures of the Mobility Package are quite simply becoming indispensable standards in the hope of recruiting and maintaining operational efficiency. Some major players in the East have fully understood this. The Lithuanian transporter Girteka is deploying [a whole program to improve the comfort and safety of drivers](#). New tractors, well-equipped living bases and training programs are highlighted to attract future recruits.

The second option is to look for workers abroad, sometimes quite far away. The Spanish are turning to Morocco and the Eastern countries are looking to Asia. The Spanish government's program aims at recruiting drivers in Morocco, training them in their home country and offering them contracts of at least 12 months in Spain. Other carriers have begun recruiting in countries such as Kazakhstan, Uzbekistan, India and the Philippines. Manvesta, one of the biggest players in the Lithuanian transport market specialising in car transport, wants to hire 250 drivers in Sri Lanka by announcing a monthly salary of up to 2,550 euros. However, the specialist newspaper Trans.info points out [the ambiguities of this announcement](#).

In theory, all the signs are in place for the market to come to recognise that the era of low-cost transport is over. In the immediate future, **labour shortages are putting pressure on wages**. And efforts to improve working conditions and attract new recruits are also leading to an increase in operating costs. **These factors are therefore likely to counteract the fall in road transport prices in France and Europe**, even in a context of a lull in demand. However, the issue of social dumping and controls will remain an important part of the debate.

KEY INDICATORS

	February 2023	January 2023	Evolution M / M-1	February 2022	Evolution over 12 months
Business climate (base 100)	103.3	102.1	+ 1.2 %	112.6	- 8.3 %
CNR Commercial Diesel Index	213.45	222.98	- 4.3 %	200.66	+ 6.4 %
CNR's Long Haul semi trailer truck index	162.09	163.85	- 1.07 %	151.87	+ 6.7 %

Sources : Insee, CNR

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