

ROAD FREIGHT TRANSPORT PRICES IN MARCH 2023



MONTHLY BAROMETER FRANCE

upply

Road transport prices in France were "marking time" in March

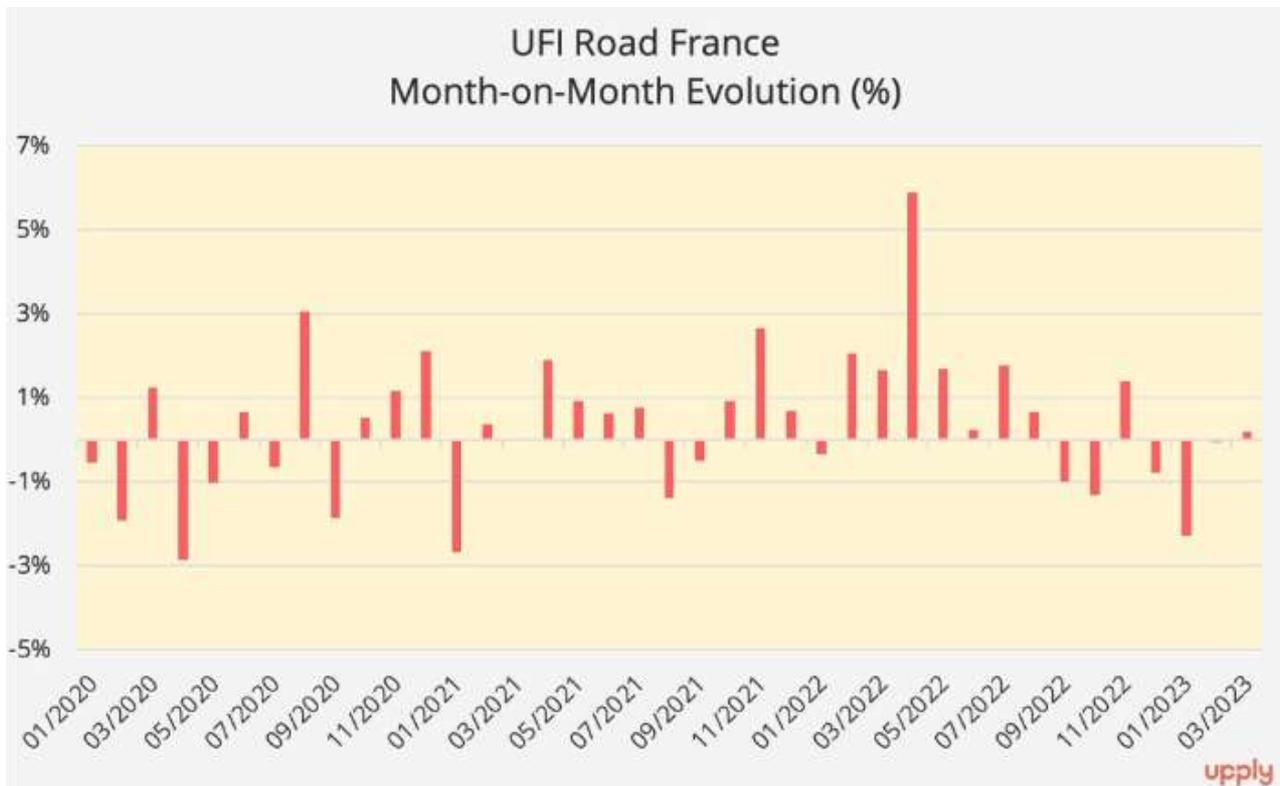
Road transport prices rose only slightly in March on the French market. However, everything points to a new cycle of rising transport prices.

March is following the same pattern as February. **Firstly, inflation continued to rise.** Certain basic necessities, in particular, registered very significant increases: +31% for frozen meat, +27% for sugar, +26% for milk... **Secondly, we have still not finished with the [pension reform crisis](#)** and its daily repercussions from strikes (garbage collectors, transport, refineries...). The social discontent has continued in France, and since the use of the article 49.3 by the government and the rejection of the votes of no confidence, the anger of the French has not waned.

Some economists, however, take a positive view of the evolution of the French situation. "March marks the end of a relatively positive first quarter for the French economy," said Joe Hayes, senior economist at S&P Global Market Intelligence, analysing the purchasing managers index (PMI composite), even if its recovery is lower than expected. The latest Forbes ranking, which reveals that [the richest man and woman in the world](#) are both French and whose fortunes come from the luxury industry, is on the other hand open to various interpretations. According to some observers, it is a mark of our dynamic economy but for others it overshadows an absence of the great technological successes that are synonymous with future growth.

Road transport prices more resilient than expected

As during last month, **road transport prices remained almost stable in March, rising by only 0.2%**, according to our Uply Freight Index. In this first quarter, the price change will therefore remain below 20 basis points month-on-month.

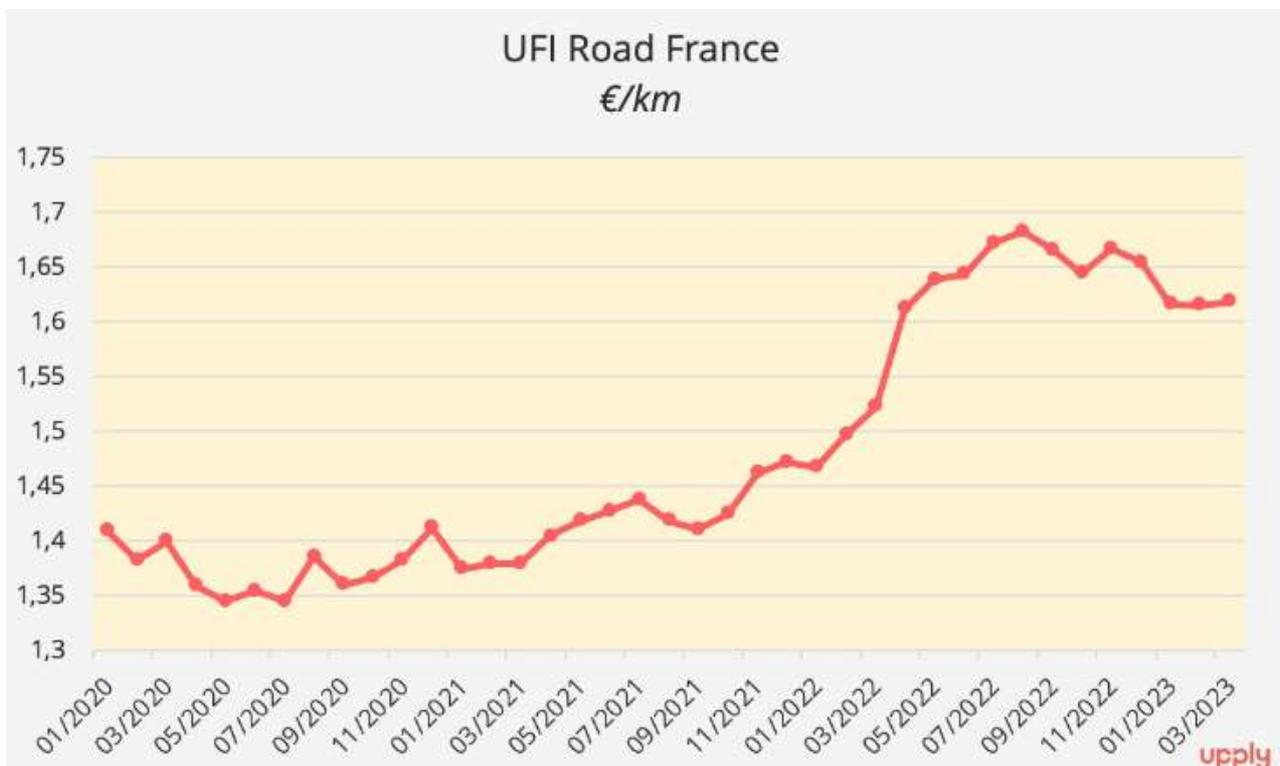


Source : *Uply Freight Index* – Road France

The average transport price in France in March was **€1.618 per kilometre driven**, compared to €1.615 in February. Once again, this is only a very minor increase.

There is, however, **a surprise hidden behind these figures**. Last month, we estimated that a decrease in transport prices was looming. Our prognosis at the time was based on the monthly lag of the diesel indexation, which is traditionally reflected on the following month's invoices. The 4.2% drop in commercial diesel prices in February compared to January suggested there would be a 1% drop in transport prices, taking into account a 25% weighting of diesel in costs.

With a decline limited to 0.2%, the road freight transport market is therefore much more resilient than expected.

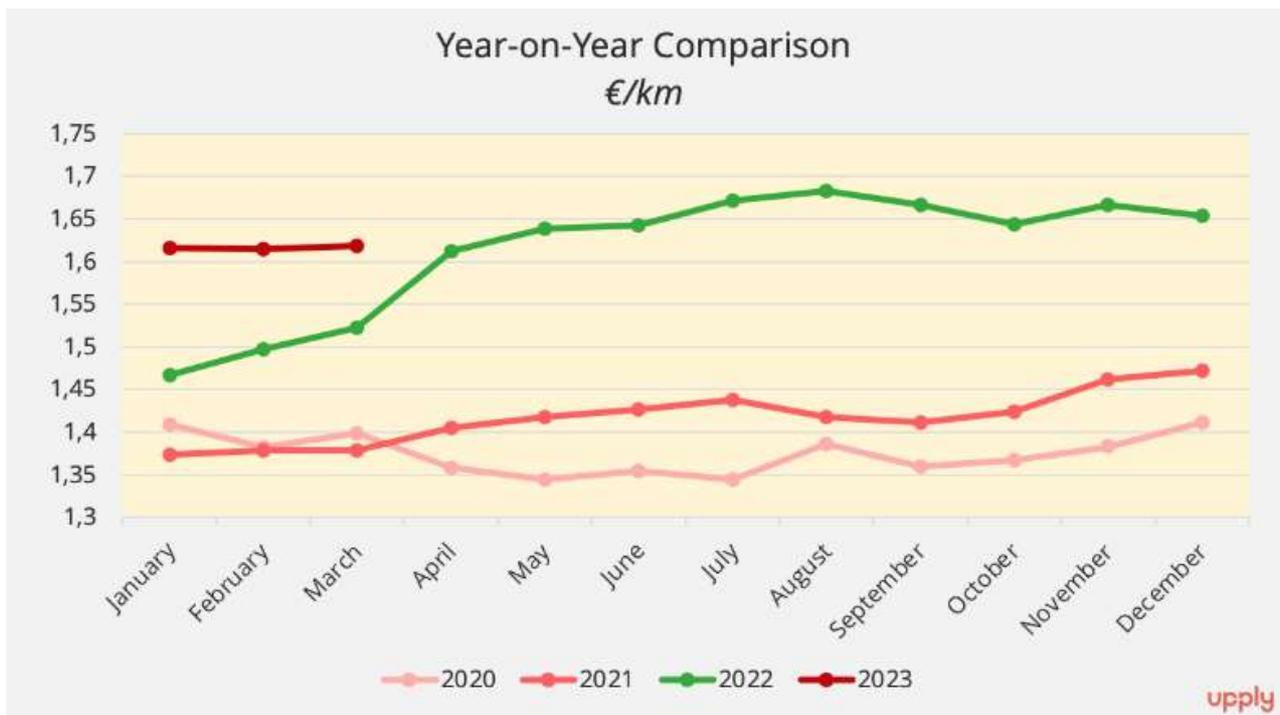


Source: *Upply Freight Index* – Road France

Pressure on demand similar to 2021

While 2022 was marked by strong price growth, boosted by a spike in fuel costs that intensified after the outbreak of the war in Ukraine, in 2023 we can observe a trend similar to that of 2021. There has been a kind of "hollow" since January on the chart above and a plateau on the chart below.

There is therefore a fairly strong correlation between the profiles of the curves of 2021 and 2023, with obviously a very clear difference of 24 cents between the two, which corresponds to inflation (energy, wages, equipment).



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

The months of February and March 2021 were marked by the implementation of the curfew throughout the territory, as well as a 3rd lock-down in 16 French departments, those most affected by the epidemic (including all the departments of Ile-de-France and Hauts-de-France). This strategy of "to confine without enclosing" then concerned about a third of the French population and its main economic heartland.

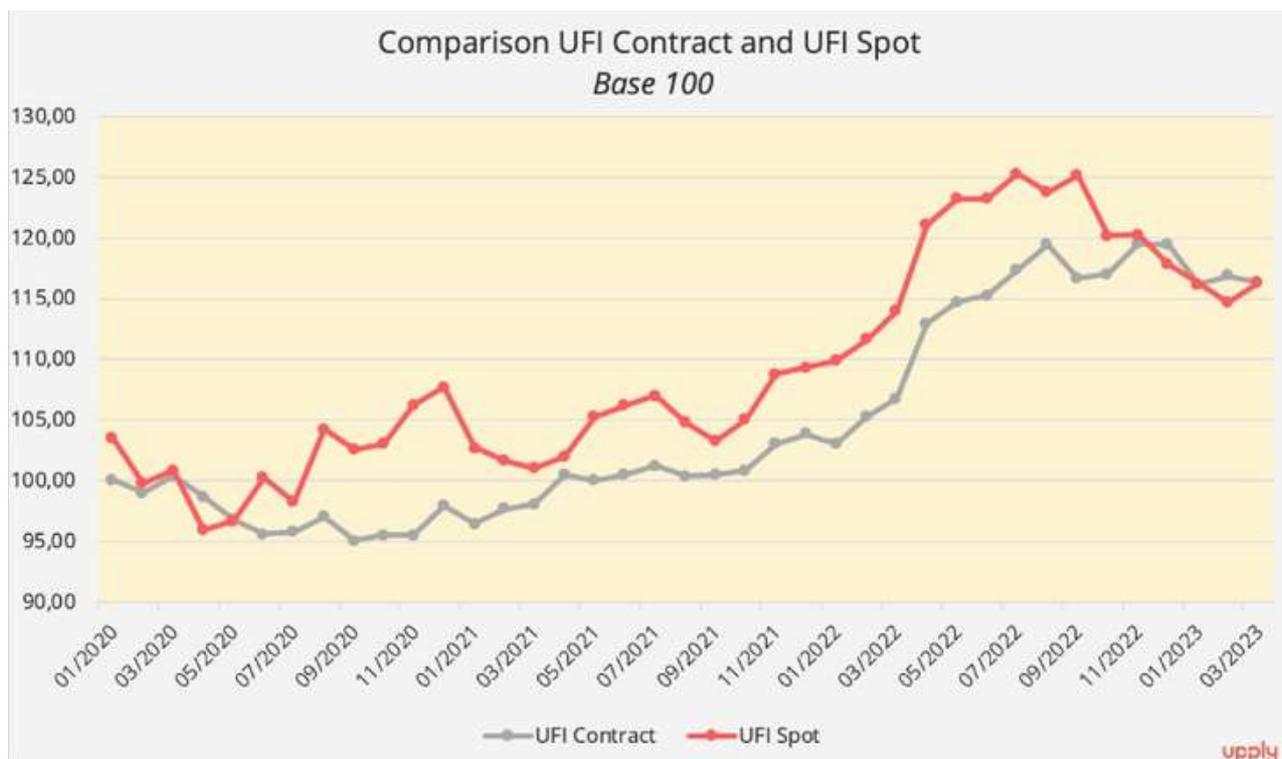
In 2023, the causes are not the same. **The pressure on demand originates rather from inflation, but it is also weighing on the volumes transported.** Despite this complicated context, road transport prices are showing a certain resistance, we can therefore anticipate an increase in the event of a recovery in demand, as seen in 2021.



The UFI Spot and Contract indices, heralding a recovery

Are we seeing any signs today that would suggest a recovery? The UFI Spot index, which represents Upply's index for change in spot road transport prices in France, rose **1.4% over 1 month**. This is a significant increase, especially as it is the first in 4 months. Its arrival puts an end to the phase of continuous fall in spot prices which was an indicator of a declining situation in French transport.

In March, the UFI Spot curve almost crossed that of the UFI Contract rates. **This upward crossover reflects a recovery in freight rates, fuelled by a reduction in transport overcapacity.**



Comparison of changes in contract prices and spot prices -

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

At the same time, **the UFI Contract index (contractual or long-term price marker) fell by 0.4%**, a sharper fall than the decline of diesel fuel. It therefore seems that the balance of power between large shippers and carriers is more favourable to the latter. Carriers are able to pass on price increases (excluding diesel) in tenders launched by shippers or to reevaluate the rates of their services to them.

The increase in contractual prices and the end of overcapacity in road transport are **two important factors that point to an overall increase in freight rates in France in the coming months.**

The price resistance is all the more remarkable because **it occurs in an unfavourable economic context**, as shown by the business climate index published by INSEE. At 103, the indicator loses one point compared to February, while remaining above its long-term average (100). The climate is deteriorating slightly in most sectors, except in wholesale trade, driven by shipments received and sales abroad. In retail trade (including trade and repair of automobiles), the indicator loses 3 points due to lower intentions to order. In the services, industry, and construction sectors, the business climate loses 1 point due to uncertain business prospects.



Demand for decarbonisation accelerates

The balance between supply and demand is obviously a decisive factor in the development of transport prices. However, the road freight transport sector faces **another challenge that calls for an increase in prices: the decarbonisation of the sector**. This topic was at the center of the debates during the last SITL (Transport & Logistics Innovation Week), which closed its doors on March 30, 2023, and this is no coincidence.

- *The state of play*

According to the Foresight Committee of the French Energy Regulatory Commission, transport accounts for 30% of total greenhouse gas (GHG) emissions in France. One third of these emissions come from inland freight transport. Road transport (heavy goods vehicles and light commercial vehicles) accounts for 98% (78% HGV and 20% LCV) of GHG emissions from inland freight transport in France, compared to 0.3% for rail and less than 2% for inland waterways. Road transport alone therefore generates between 9 and 10% of all GHGs emissions in France!

Obviously, these figures should be put into perspective in relation to the service rendered. In 2018, 88% of all goods, were carried by road (83% HGV, 5% VUL), rail 10% and waterways 2%. Between 1990 and 2018, road transport activity expressed in tonne-kilometres increased by 34%, international transit by 65%, while the market share of rail collapsed, dropping by 50%. More freight was transported by rail in 1990 than in 2018. At the same time, freight GHGs have only increased by 16%, indicating that considerable progress has been made in terms of energy efficiency.

- *A multiplication of initiatives*

The decarbonisation of freight is based mainly on two instruments utilised by national and European public policies: the development of low-carbon transport, such as rail or inland waterways, and the reduction of direct GHG emissions from the currently dominant road transport mode, **by a change in the mode of propulsion (electrification) or by the use of biofuels if the conventional internal combustion engine is maintained.**

In the world of road transport, **technological solutions are an essential element** for achieving carbon neutrality objectives. The manufacturers understood that they had to seize the subject.

But other instruments have their importance. The EVE programme (Voluntary Commitments for the Environment – Transport and Logistics), which supports companies in reducing their energy and environmental impact in transport and logistics activities, has gradually extended its scope to all stakeholders. In terms of demand, the “FRET 21 approach” aims to encourage shippers to better integrate the impact of transport into their sustainable development strategy. Each volunteer company signs an agreement with the ADEME, the project leader, in which it specifies a CO2 emissions reduction target and undertakes to put in place actions to achieve this. For carriers and freight forwarders, efforts are being made to achieve this through the CO2 Objective and EVcom programmes respectively.

The world of e-commerce is also starting to move on the issue. Last February, the FEVAD (e-Commerce and Non-Store Retailing Federation) published its Charter of Commitments for Reducing the Environmental Impact of E-commerce, signed by more than 30 major e-commerce players. It lays out in particular the obligation to inform the consumer of the carbon impact of the various delivery options offered to them.

- **The Government commitment**

The commitment of economic actors to decarbonisation is no longer a subject for debate. However, the process entails huge costs. During the SITL, the Minister of Transport, Clément Beaune, made an appearance to announce **new financial support for the deployment of low-carbon vehicles.**

The Government has announced the launch of **a call for projects to support the acquisition of electric vehicles and the installation of charging stations adapted to their use** (60 million euros, of which 55 million euros is for electric trucks and 5 million euros for electric coaches). This call for projects aims to facilitate the acquisition of more than 500 electric trucks. In February, the government launched another call for projects to support investment projects aimed at “producing in France the road vehicles of tomorrow and their components”. Aid for the production of electric heavy goods vehicles could reach or even exceed €40 million.

The sums are large but seem however to be somewhat small in terms of what is at stake. Road carriers will have to dig deep into their pockets, and given the profit margins of the sector, this will not be possible without the active support of their customers.

KEY INDICATORS

INDICATORS	March 2023	February 2023	Evolution M / M-1	March 2022	Evolution over 12 months
Business climate (base 100)	103.1	103.5	- 0.4 %	106.6	- 3.3 %
CNR Commercial Diesel Index	213.75	213.45	+ 0.1 %	252.55	- 15.4 %
CNR's Long Haul semi trailer truck index	162.28	162.09	+ 0.1 %	164.98	-1.6 %

Sources : Insee, CNR

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