


MONTHLY BAROMETER

TRENDS IN ROAD FREIGHT PRICES IN FRANCE



July 2024 | 

upply

FRANCE: a clear increase in road transport prices in July

Road transport prices on the French market increased by more than 2% in July month-on-month. This is probably a very seasonal increase, as the transport sector remains both in difficulty and is shifting.

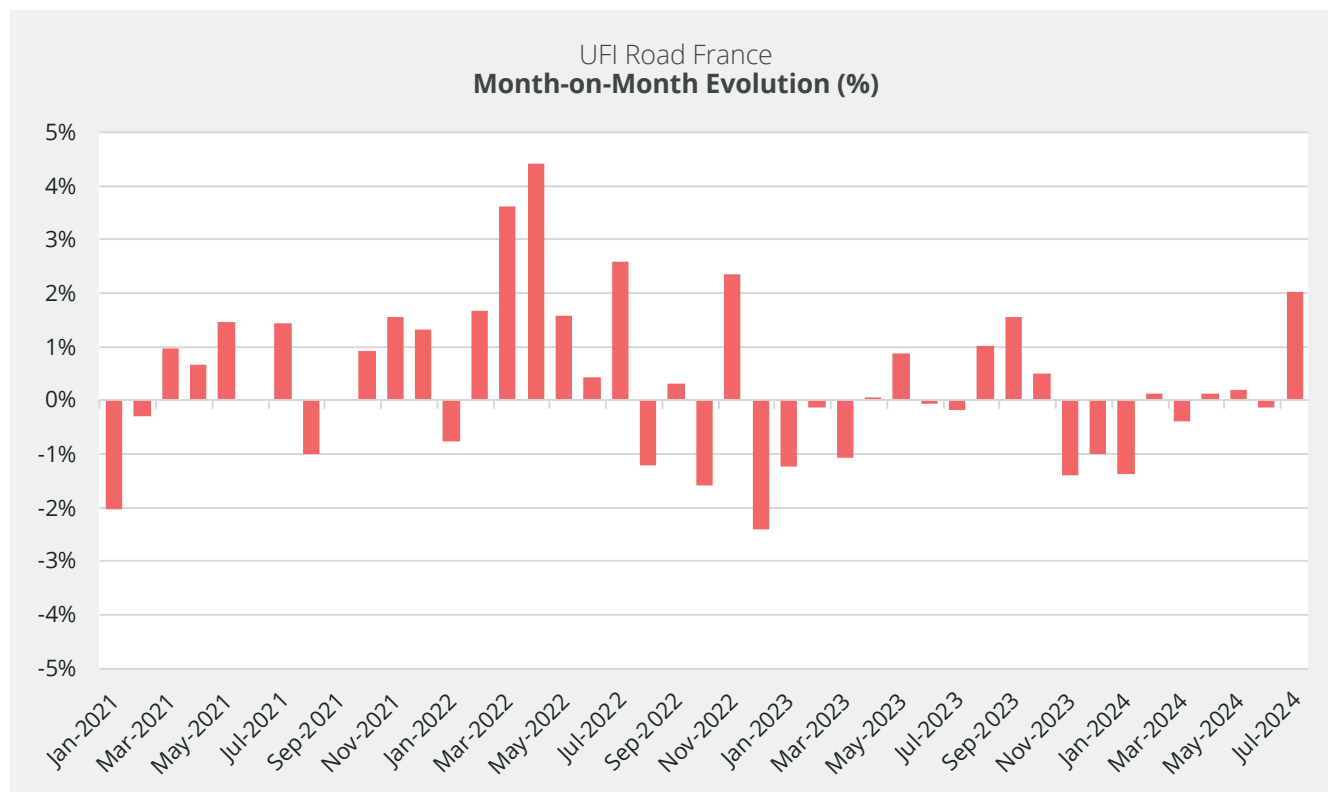
July 2024 will remain memorable for the whole French population. The first week was marked by the second round of the legislative elections, which did not bring the clarification hoped for by the President of the Republic Emmanuel Macron. This was followed by a period of uncertainty and negotiations for the formation of a new government, which continues to this day. But in the meantime, the enchanted interlude of the Paris 2024 Olympic Games took place. In addition to the medal tally, the quality of the organisation, the exceptional setting and the atmosphere that was both festive and good-natured were widely praised.

The political context, however, had more influence on the morale of business leaders than the Olympic Truce did. [According to data from INSEE](#), the business climate in France literally collapsed in July, losing 5.2 percentage points compared to the previous month. Unheard of since the Covid-19 crisis. As such it is clearly below its long-term average. All sectors contributed to the deterioration, but we can observe that the decline is not so much fuelled by a fall in balances of opinion on past sales as by fears about the evolution of order books. The employment climate fell significantly by 4 points. Finally, inflation rose to 2.3%, due to the increase in energy prices, and in particular gas prices.

“ The business climate in France
literally collapsed in July ”

French road transport price hikes

In this turbulent and contrasting economic context, road transport prices in France rose remarkably by 2.0% in July compared to June, putting a stop to the sluggishness observed for several months now.



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

This significant increase appears unexpected given the economic context. The monthly business survey of the Banque de France published on 10 July showed that a decline in activity was envisaged in July in sectors considered as leading business indicators, such as road freight transport.

However, the evolution was probably a little less unfavourable than expected, and not only in road transport. Thus, the economic survey published on 9 August indicates that in July, activity is spread out in industry, the growth of the agri-food industry and other industrial branches being offset by the decline in transport equipment. "More specifically, strong growth was posted in aeronautics, pharmaceuticals, chemicals, and computer, electronic and optical products. However, activity in metal and metal products manufacturing, and to a lesser extent wearing apparel, textiles and footwear, was once again in decline," says the Banque de France.

In merchant services, activity continued to grow. Summer sales were perceived differently. In clothing, for example, they were overall positive throughout France. On the other hand, the activity of specialised trade decreased by 2.5% in July 2024, compared to July 2023.

“ This significant increase appears unexpected given the economic context ”

In summary, economic activity has been less catastrophic than envisaged, but this is not enough to explain the magnitude of the increase in road transport prices. The evolution of fuel prices is also not a sufficient explanation. The indicators we

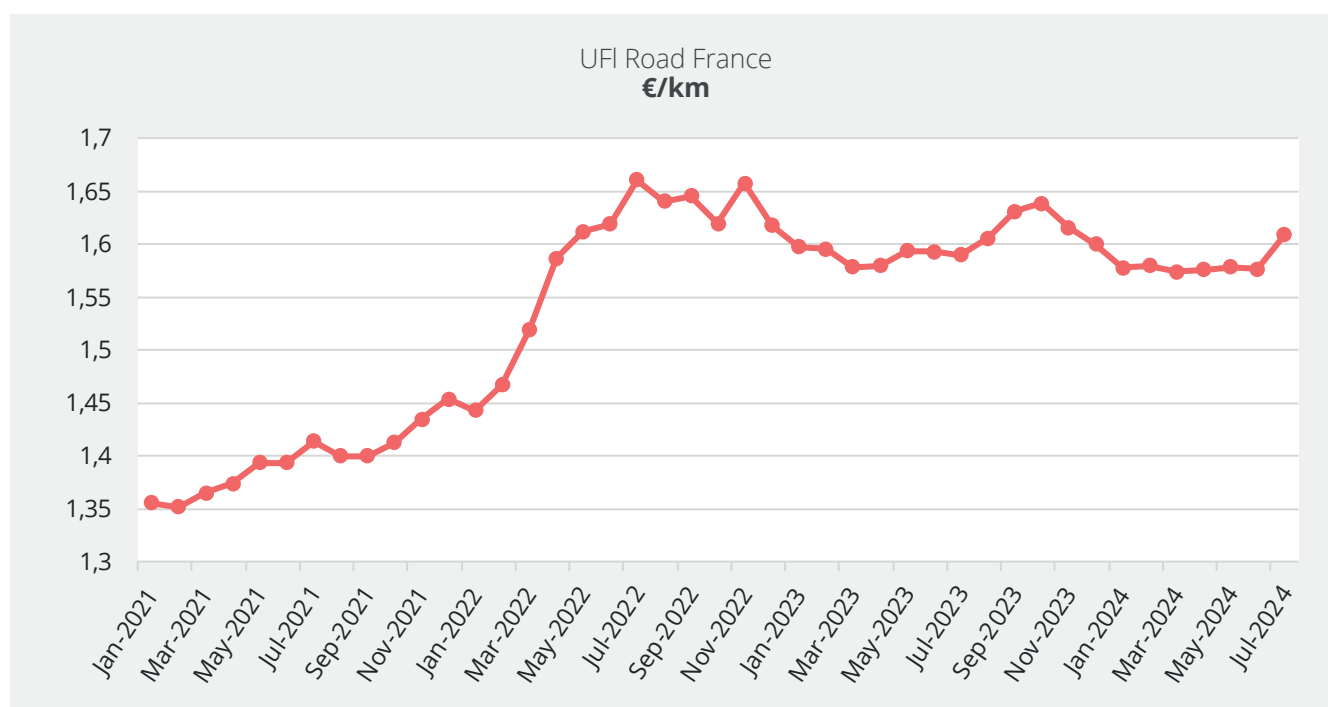
follow every month (see p.7) show that professional diesel fuel has only increased by 0.3% and the Long Distance Articulated Set index by 0.2%.

So, let's try to explore other hypotheses.

Towards a return to stagflation?

The French transport price index gained just over 3 euro cents per kilometre in one month. The average transport price in France was €1.609 per kilometre driven in July. We have come out of the plateau that we have been observing since the end of 2023.

This rise in prices, while activity stagnates or even declines in some sectors, could indicate the beginnings of stagflation, that is to say a period marked by price inflation while the volumes to be transported stagnate. We had experienced such a period in 2023, which was explained in particular by soaring costs.



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

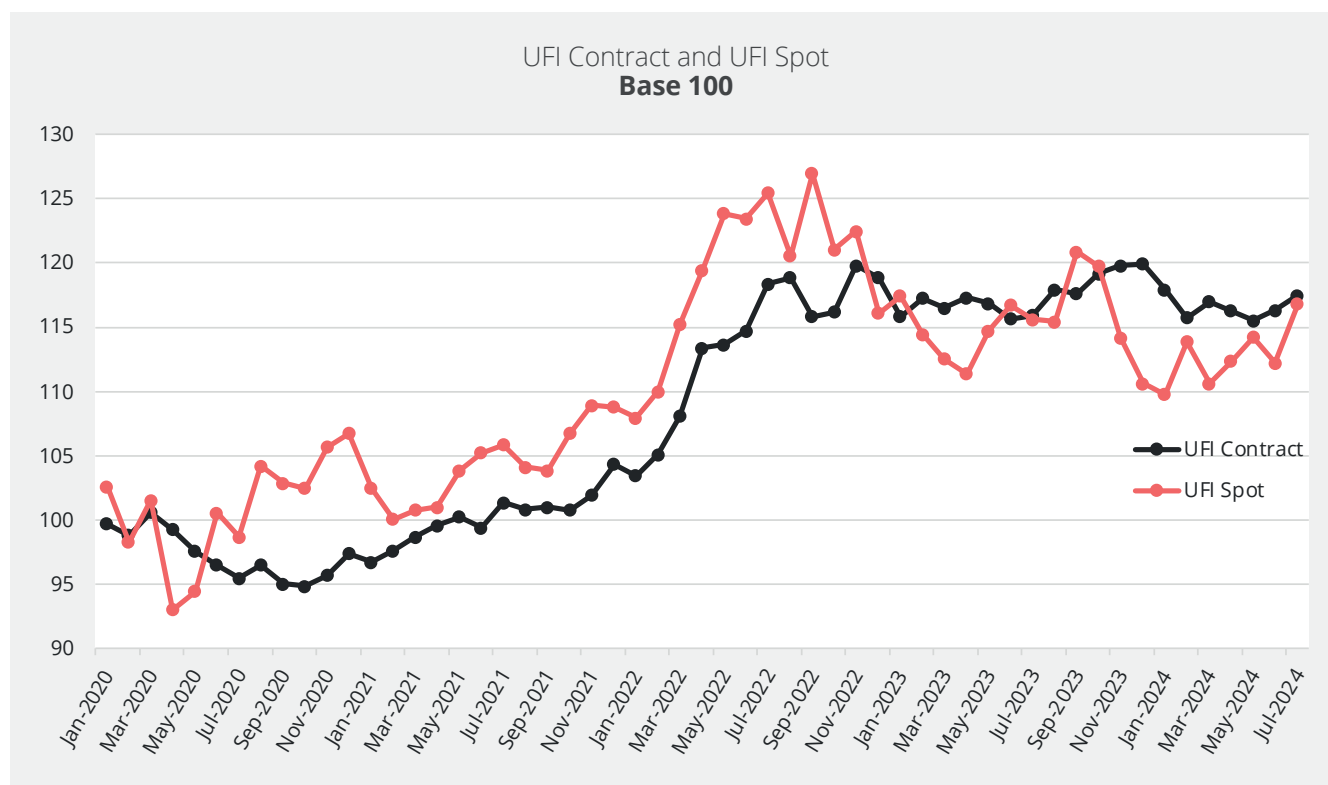
“ We had experienced such a period in 2023, which was explained in particular by soaring costs ”

French carriers are suffering

The CONTRACT index, which represents contract prices between shippers and carriers on the French market, increased by 1.0% month-on-month. Here too, we are observing a surprising phenomenon because nothing objectively explains the progression. Currently, carriers are suffering. As indicated in our barometer for the month of June, we noted [a sharp increase in defaulting transport companies](#). Overall, road freight transport recorded 462 defaults, 70% of which were liquidations, an increase of 40.9%. Interurban and local freight companies are particularly affected.

In an environment of declining volumes transported, it is possible that the 1% increase is influenced by a weighting effect between the different types of transport, with some over-representation of short journeys.

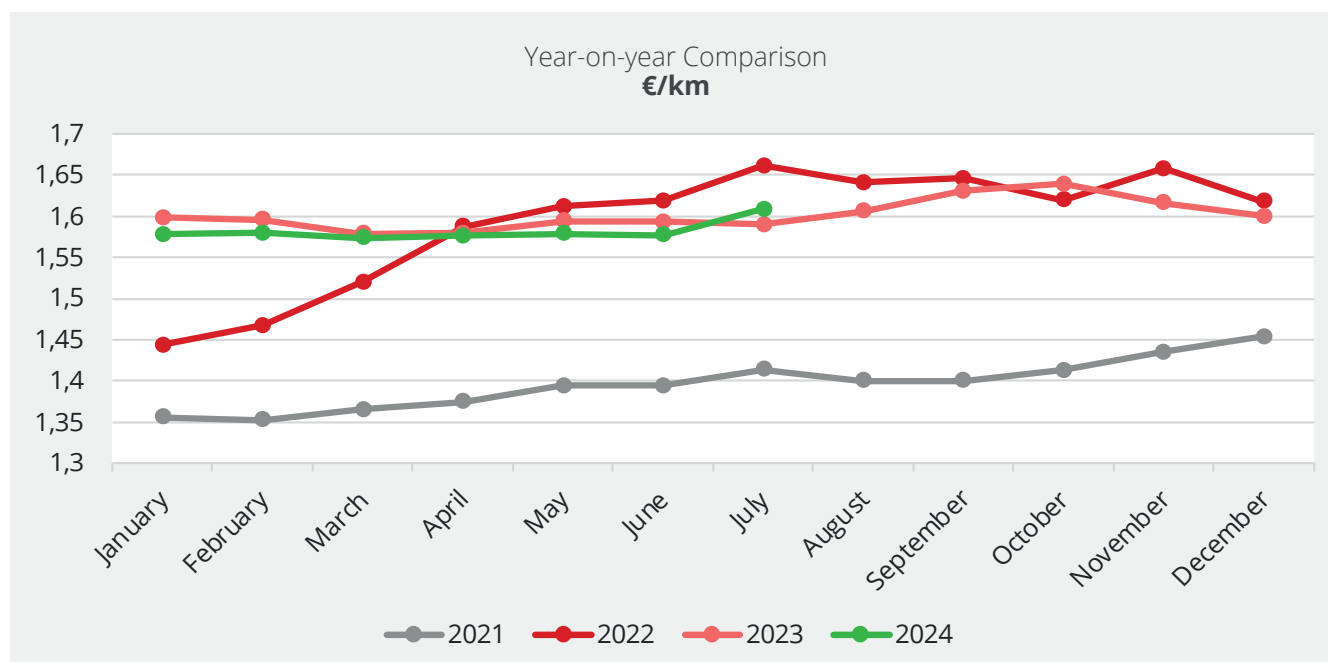
The SPOT index, which represents the benchmark index of non-regular prices in France, gained 4.1% over one month. This increase, on the other hand, is not a surprise: summer corresponds to a period of leave for truck drivers, which can introduce a certain strain on capacity and raise prices. Some sectors also traditionally benefit from a peak in summer demand. Finally, perhaps there was an "Olympics effect", either by anticipating the realisation of certain transport journeys to avoid operational complications in the cities concerned by the Olympic events, or in connection with an increase in activity related to the event itself for other types of flows.



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

In any case, there is a known seasonal effect that repeats itself from year to year. The increase observed in July is common during this period, as shown by the annual comparison curve. It would

therefore be the combination of two factors: an arithmetic effect related to the over representation of short journeys and a summer cyclical increase.



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

The end of a growth cycle for registrations

Regardless of the gloomy economic outlook revealed by business surveys and business defaults in road transport, other signals warn of the sector's difficulties. According to forecasts by the Industrial Vehicle Observatory (OVI), a decline in heavy vehicle registrations is looming: "the second half of 2024 could mark the tipping point with an expected drop in registrations of carriers from -12% to -30%, and tractors from -2% to -20.7%. Order backlogs remain strongly down in the first half of the year, by around 21%, due to the very strong slowdown in the construction market, says Arnaud Villéger, director of the OVI.

Admittedly, at the end of June 2024, industrial vehicle registrations were up 5.4% compared to last year. But this results less from an economic rebound than from the desire of carriers to acquire the vehicles they will need before the introduction of new regulations that generate additional costs reflected in the purchase prices. In particular, the European General Safety Regulation (GSR) II,

which came into force on 7 July 2024, requires new vehicles to have several safety devices, such as over-speed warning, lane keeping and automatic emergency braking.

Statistics have therefore been inflated from time to time, but since 2022, the underlying trend has been downward. Now registrations reflect the sharp decline in order backlog over the last 18 months. The OVI expects the decline in order backlog to increase in the second half of the year, which suggests a year 2025 in contraction, especially as the construction sector remains sluggish and the French road transport ecosystem does not perceive positive signs of activity.

The State puts its hand in its pocket for the electrification of road transport

On the electric front, things are moving. It must be said that technology advances quickly: in Germany, [the very first megawatt charger](#) was developed for electric trucks. The NEFTON consortium has developed a 1,000 kW charger that can charge a truck in 45 minutes for a journey of 4.5 hours. This seems totally adapted to the mandatory rest periods of drivers who respect the driving times imposed by European legislation.

ADEME (French Environment and Energy Management Agency) offers grants (up to €90,000 per tractor) to support the electrification of heavy vehicles through the E-Trans program. This is to financially support the purchase, long-term rental or retrofit of electric heavy goods vehicles, buses, coaches and urban shuttles with batteries. The objective is to deploy 2,100 heavy electric vehicles by the end of 2028, of which at least 85% are heavy goods vehicles.

Finally, the French State aims to multiply by 6 the number of electric light commercial vehicles (eLCVs) by 2027. The LCV market is growing, with an 8.84% increase in sales and a 20% increase in electric LCVs in the first quarter. The State has concluded a strategic agreement with the automotive sector, with Renault and the Stellantis group at the forefront.

“ ADEME offers grants to support the electrification of heavy vehicles ”

KEY INDICATORS

Sources | Insee, CNR

INDICATORS	July 2024	June 2024	Evolution M / M-1	July 2023	Evolution over 12 months
Business climate (base 100)	93.9	99.1	- 5.2 %	100.2	- 6.3 %
CNR Commercial Diesel Index	196.19	195.53	+ 0.3 %	197.36	- 0.6 %
CNR's Long Haul semi trailer truck index	163.91	163.63	+ 0.2 %	158.14	+ 3.6 %



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