

MONTHLY BAROMETER

TRENDS IN ROAD FREIGHT PRICES IN FRANCE



September 2024 |

upply

FRANCE: road transport prices drop sharply

Transport prices fell sharply in September, in an uncertain political and economic landscape. The market is experiencing structural overcapacity. The new Minister of Transport has found himself sitting on a veritable powder keg.

In France, the long period of uncertainty that began on June 9, following the dissolution of the National Assembly by President Emmanuel Macron, has finally ended. On September 5, after almost two months of waiting, President Emmanuel Macron appointed his new Prime Minister, Michel Barnier. It took about two more weeks to discover the composition of the government, but this time it's done, France has found a new crew at the helm, even if it is certain that the absence of an absolute majority in Parliament will make its work particularly difficult.

The post of Minister Delegate for Transport goes to François Durovray, who succeeds Patrice Vergriete. An appointment that was rather well received in professional circles. Recognised for his knowledge of issues in the field of passenger transport, the minister will nevertheless have to prove his interest in the issues specific to freight transport. And the least we can say is that he will have his work cut out for him. His first decisions are eagerly awaited, particularly by road carriers who are experiencing a very difficult period.

The budgetary climate is looking tense: barely appointed, the Prime Minister had to urgently tackle the preparation of the 2025 Finance Bill, in a context of slippage in public accounts. France's deficit is expected to exceed 5% for 2024, far from the 3% demanded by Brussels. Michel Barnier promised blood and tears, or more precisely less expenditure and more taxes. It goes without saying that the room for manoeuvre of the various ministries is likely to be limited.

“ The budgetary climate is looking tense ”

An improvement in the business climate

Despite the long period of political uncertainty and more than worrying public accounts, the French economy is not doing too badly. The Banque de France has revised its growth forecasts upwards for the French economy for 2024. According to [its latest projections presented in mid-September](#), it is now counting on a GDP growth of 1.1% instead of 0.8% previously forecast. Similarly, the outlook for job creations seems to be a little more dynamic in 2024 (113,000 compared to 89,000 initially forecast), and the French economy would hardly destroy any more jobs next year. Finally, the unemployment rate in France should remain at 7.5%.

For the moment, we can see that the business climate in France has continued to recover in September 2024. [The INSEE figures](#) show a gain of 0.8 points, after an increase of almost three points in August thanks to the Olympic Games. The business climate index is thus approaching its level of last June (99) and its long-term average (100). This improvement is due to the recovery in the retail and wholesale sectors, while the business climate is stable in industry and services.

For the 3rd quarter as a whole, the Banque de France anticipates a significant increase in GDP. This increase “reflecting underlying growth of 0.2%, plus a positive impact of around 0.25 percentage point attributable to the Paris Olympic and Paralympic Games”. In October, according to businesses’ expectations, activity should continue to progress in industry, should remain slow in market services, and should be stable in construction, according to the monthly economic survey published at the beginning of October by the Banque de France.

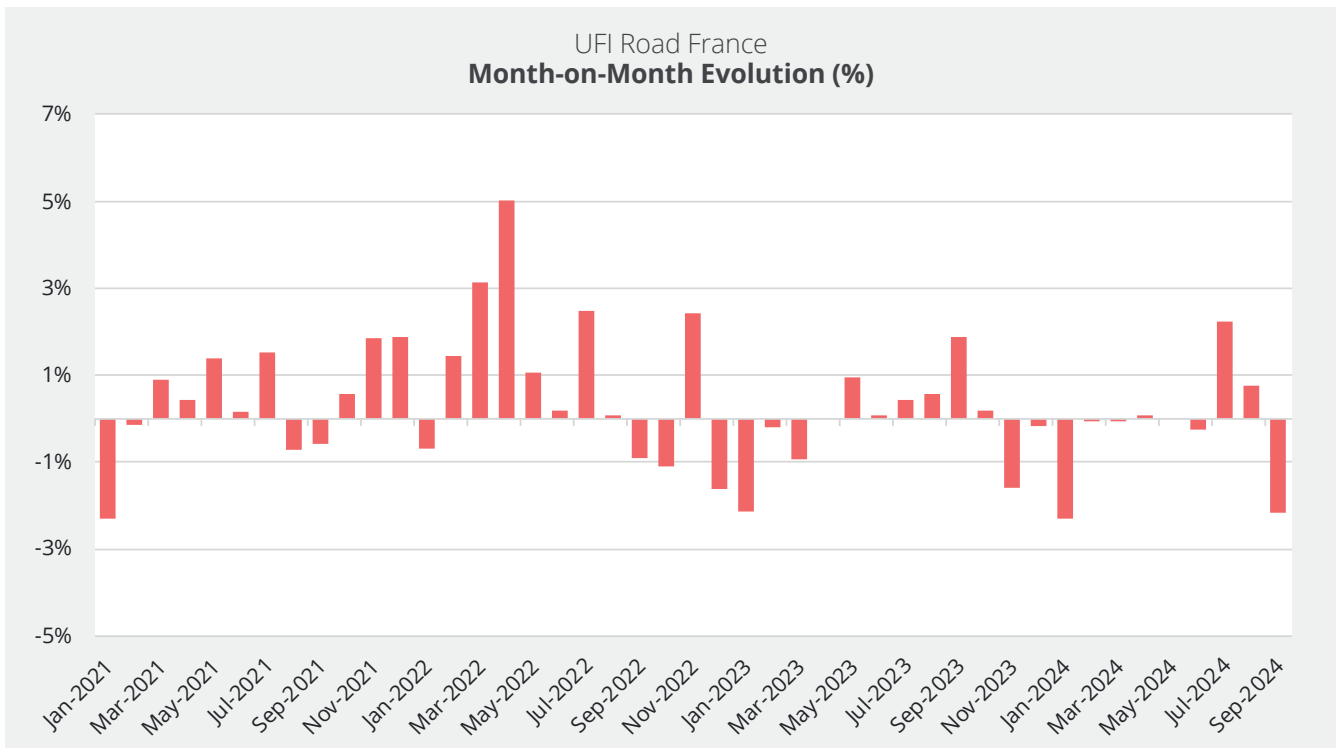
“ The Banque de France anticipates a significant increase in GDP ”

A sharp drop in prices

In this context of economic dynamism, although moderate but higher than anticipated, one could have expected at least relative price stability on the road transport market. But the landing is brutal after two summer months boosted by the Olympic Games.

Road transport prices in France fell by 2.2% in September compared to the previous month. This is the second most severe decline of the year after that recorded in January. The renewed optimism seen in the business world this month seems to have completely evaporated upon contact with the tarmac of France’s roads.

“ The renewed optimism seen in the business world this month seems to have completely evaporated ”

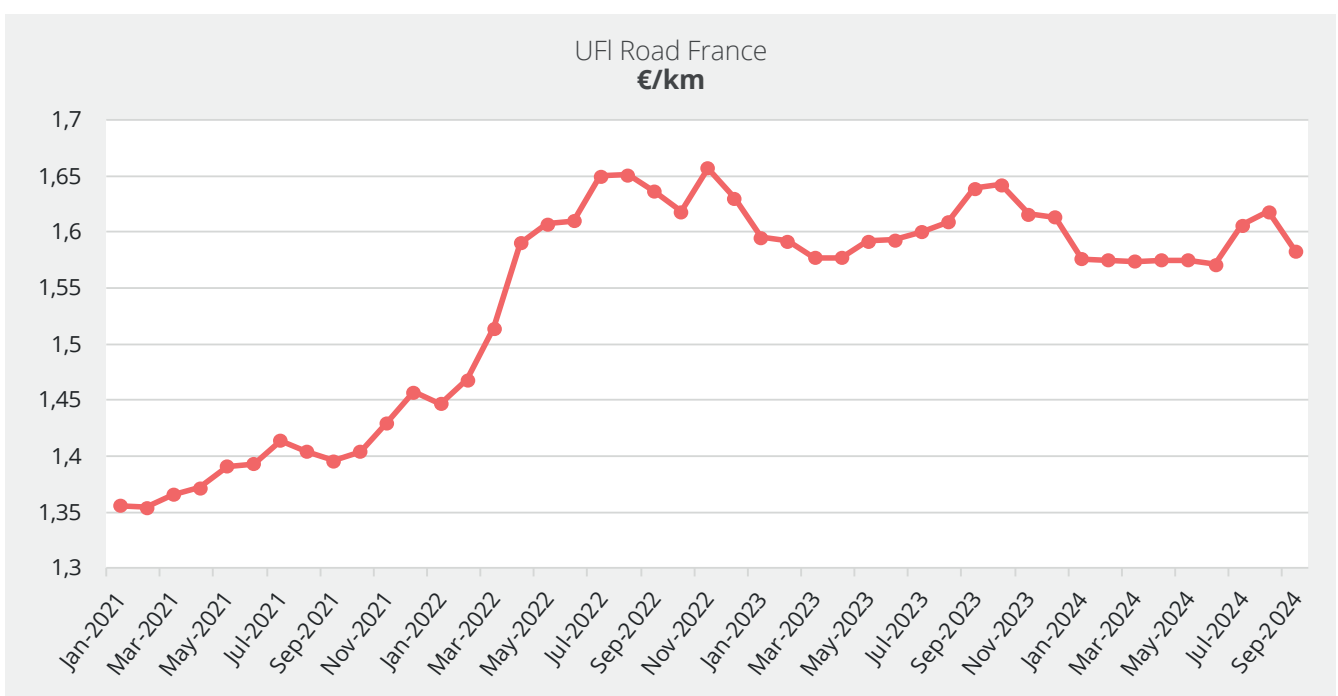


Source | [Uapply Freight Index](#) – Road France

The average transport price per kilometre of transport has dropped back in France to €1.583, falling below the €1.600 threshold.

Everything has increased in transport: energy primarily, but also equipment and personnel costs, even if wage pressure will have to be measured over the long term.

Since 2022, the threshold set at €1.600 per kilometre seems to represent the limit around which the transport price curve is wrapped. Before Covid, the threshold stood more around €1.350. We can therefore fully appreciate the serious inflation that followed the pandemic.



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

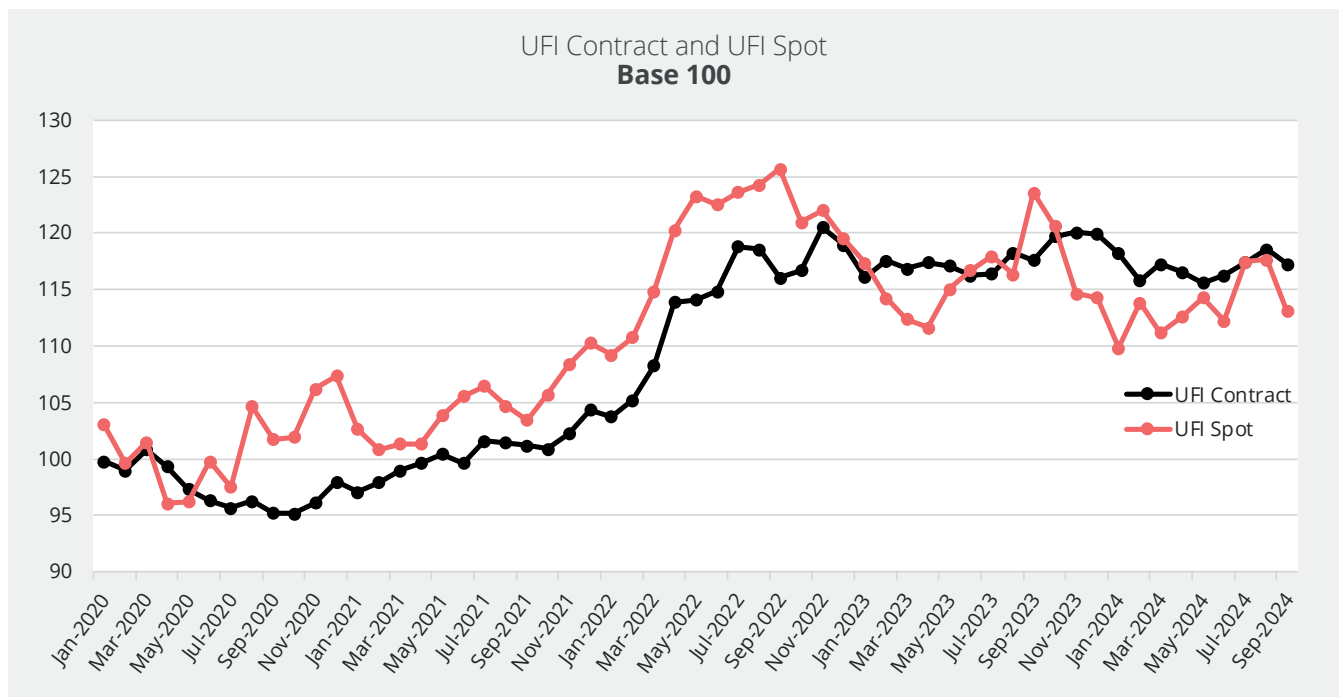
A drop in fuel prices that does not explain everything

Fuel prices in France have fallen sharply in recent months, largely due to the contraction in crude oil prices on world markets. Since the beginning of summer 2024, the price of a barrel of Brent has dropped, falling below the \$78 mark. Professional diesel is therefore still down 4% over one month in September, and almost 20% year-on-year ([see indicators p.7](#)).

This drop in diesel prices of course has an impact on road freight rates, but it only partially explains the decrease in transport prices. In fact, in France, the cost of diesel represents at most a quarter of the total cost of transport. [According to the CNR](#), it varies between 18.2% and 24.4% depending on the type of vehicle and flow.

Structural overcapacity in road transport

Analysis of price developments on the spot market and on the contract market makes it possible to identify the underlying mechanisms that are at work.



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

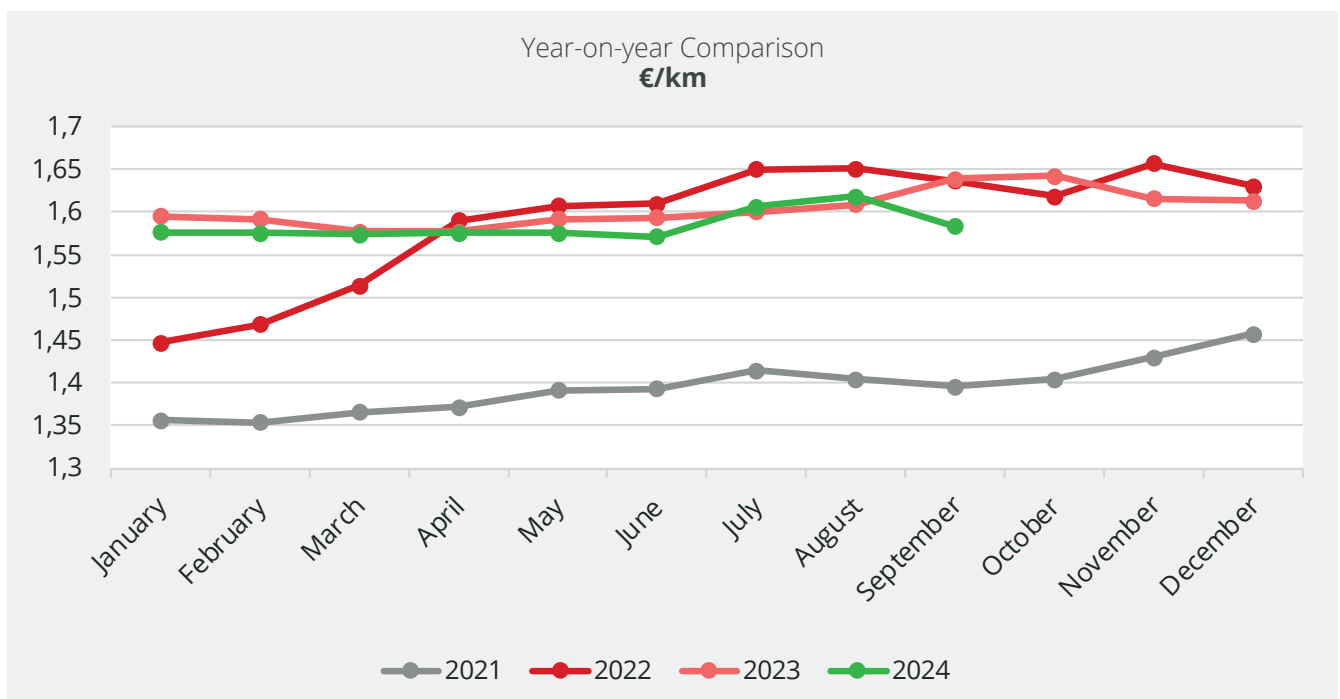
- In September, we see that the CONTRACT index, which represents contractual prices between shippers and carriers on the French market, fell by 1.1% month-on-month. The bidding season has just started and its application will only be implemented in the coming months. It is therefore normal that there is a reasonable correlation between variations in the price of diesel and the index.
- The SPOT index, which represents the reference index for prices in France for non-regular transport, on the other hand fell by 3.9% over one month, recording the biggest drop of the year.

The drop in spot prices is generally a sign of transport supply exceeding demand. If we look at the long-term evolution of the SPOT index, we see that the curve has been below that of the CONTRACT index for almost a year now. There is therefore structural overcapacity of transport on the French market.

An explosive cocktail

The September drop is particularly noticeable on the 2024 curve compared to other years. There are many reasons for this, but one can mention in particular the reduction in volumes to be transported and the increase in international competition. The [German recession](#), by ricochet, pushes many carriers from central Europe to collect freight on French territory, and this competition weighs on transport prices.

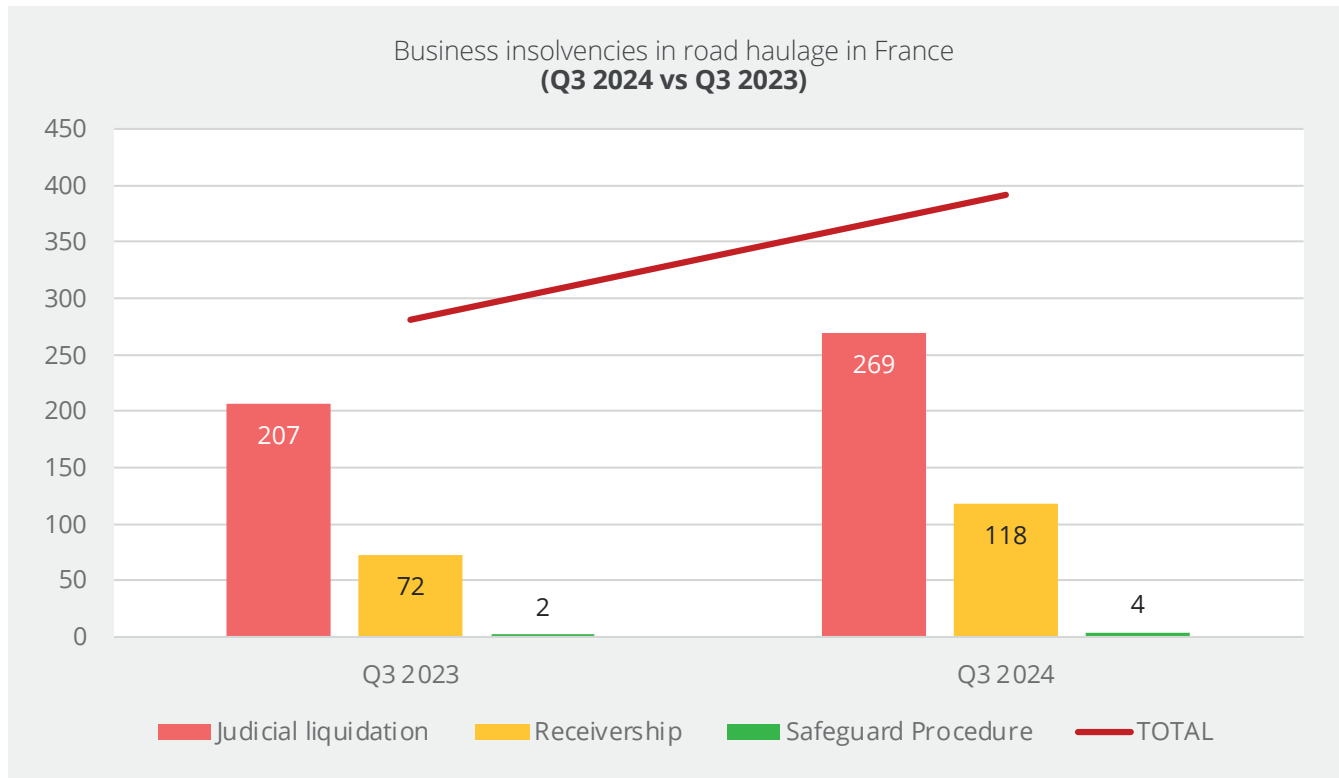
The impact is already very visible on the spot market. But the overcapacity situation could also have consequences on the prices of regular flows during the new bidding season. Under these conditions, we can estimate that in the near future, transport prices will continue to fall, while costs have increased sustainably (apart from diesel). There is a very explosive cocktail there.



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

Outcry against the ecotax project

The effects have already begun to be felt, with a sharp rise in the number of road transport companies that are defaulting. It is up 39.1% in the 3rd quarter of 2024 year-on-year, after having already grown by 37.2% in the first half of the year.



Content source | Altares

In this context, the comments of the new Minister Delegate for Transport, who said he was open to the possibility of an ecotax, are going down very badly, at a time when the regional ecotax project in Alsace is already provoking an outcry among carriers. It is a safe bet that François Durovray's strong beliefs will quickly come up against the entrepreneurial reality of French transport bosses. The new minister has undoubtedly understood from his first (false) step that he is sitting on a veritable powder keg.

KEY INDICATORS

Sources | Insee, CNR

INDICATORS	September 2024	August 2024	Evolution M / M-1	September 2023	Evolution over 12 months
Business climate (base 100)	97.5	96.7	+ 0.8%	100.3	- 2.8%
CNR Commercial Diesel Index	180.81	188.39	- 4.0%	224.45	- 19.4%
CNR's Long Haul semi trailer truck index	160.31	162.06	- 1.1%	165.29	- 3.0%



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THE TECHNOLOGICAL SOLUTIONS PLATFORM THAT BOOSTS SUPPLY CHAIN ACTORS' EFFICIENCY

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