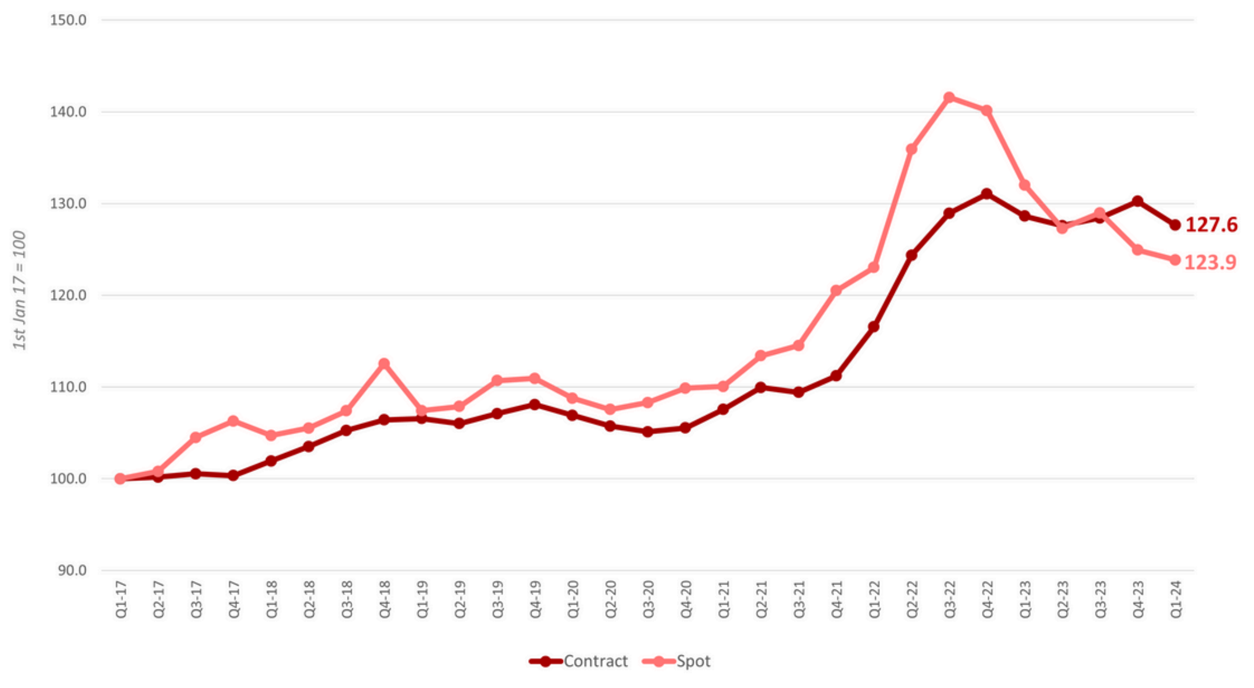
Press Release

European Road Freight Rate Benchmark Q2 2024: Contracts rates index falls while the spot index increases

Bath, 31st of July 2024 - The Upply x Ti x IRU European road freight rates index for Europe shows Q2 rates fell in the contract index by 1.3 points q-o-q. In contrast the spot rate index rose by 3.5 points q-o-q. Year-on-year, the spot index is now up slightly by 0.8 points whilst the contract index is down 0.7 points.

- The Q2 2024 European Road Freight Spot Rate Benchmark Index rose to 127.7 points, 3.5 points higher than in Q1 2024 and 0.8 points up Y-o-Y.
- The Q2 2024 European Road Freight Contract Rate Benchmark Index fell to 127.1, 1.3 points lower than in Q1 2024 and 0.7 points less than in Q2 2023.
- According to IRU driver shortage 2024 preliminary results, 48% of European companies expect to face more difficulties to fill truck driver positions next year.
- EU commission issues formal notice to 16 more member states to move towards the implementation of the Eurovignette directive.
- Diesel prices fell through the quarter until early June when they began to increase again but by the end of June prices were still 5% lower than their level at the beginning of April.
- The outlook for spot rates across Europe suggests moderate increases as we enter a more stable demand environment in 2024.
- The outlook for contract rates remains subdued, as industrial output remains low and restrains contract rate growth.

European road freight rate indices for Q2 2024



Source : Upply

Low levels of consumer demand have pushed spot rates down since Q2-23, however due to the less negative demand environment, spot rates have begun to normalise. Adjusted retail sales excluding motor vehicles in the Euro area only marginally improved quarter on quarter, by 0.3%. Year-on-year this was a similar increase of 0.4%.

In the EU, industrial production in May 2024 saw a 1% decrease for intermediate goods and a 2.1% decline for durable consumer goods compared to April 2024. Non-durable consumer goods rose by 0.8%. The lack of industrial demand contributed to the contract index dropping by 1.3 points quarter-on-quarter.

Operating costs have increased quarter-on-quarter, especially for labour, maintenance and insurance. Average costs have increased across the board, with the average increase being 1.2% for the EU. Most notably, labour costs increased 1.2% and vehicle insurance costs have increased 3% respectively. However, the increases are not as steep as they have been in the last quarter, where labour costs increased 1.8% and spares increased 1.1%, vs this quarter's 0.5%. Thus we can observe the effects in supply side pressures easing on both spot and contract rates.

Diesel prices have been falling since beginning of April and until beginning of June, driven by decreasing crude oil prices. The EU weighted average diesel price reached €1.07/L on 10 June, down from €1.20/L on 8 April (-11%), and the lowest level seen since summer 2023. Diesel prices have increased afterwards, pushed up by rising crude oil prices, with the EU weighted average diesel price reaching €1.14/L on 8 July (+6.4% versus 10 June).

Michael Clover, Ti's Head of Commercial Development, says: "*Though the pace of road freight cost increases has slowed, notably falling in terms of fuel, we still expect to see costs rising for the year ahead. With volumes returning and capacity tightening again, we expect to see carriers be more successful in passing on cost increases to their customers. In that sense we are expecting market conditions to return to their long term trend of gradual increases in line with costs for the remainder of 2024."*

Thomas Larrieu,CEO of Upply : *"The road transport sector continues to evolve in a complex economic landscape. Our data for the second quarter of 2024 shows a slight increase in spot rates, contrasting with a modest fall in contract rates. Despite persistently high operating costs, the first signs of stabilisation in consumer demand are beginning to appear. Lower fuel prices and improving consumer confidence offer a positive outlook. Market conditions should gradually improve as the year progresses."*

Ti expects that spot rates increases will continue to be incremental as consumers are still cautious and households remain in saving mode. Unless there is a significant wage increase, in which case this will be reflected in consumer demand on the longer term. Ti's outlook for contract rates suggests that these will remain relatively low as long as the recovery in industrial output remains sluggish. The contract rates index might continue to drop slightly until there is a resurgence in new order demand, fuelled by inventory replenishment. With upcoming contract renewals, companies will demand less volumes for road freight, freeing up capacity and reducing upwards pressure on contract rates.

According to IRU driver shortage 2024 preliminary results, 48% of European companies expect to face more difficulties to fill truck driver positions next year. Indeed, over one third of truck drivers are 55 years old or older and will retire in the next 10 years, while only 5% of truck drivers are below 25 years old. Additionally, road freight demand is expected to improve in 2025. Thus, if no action is taken to improve the attractiveness of the profession and/or to increase driver productivity (i.e by allowing the use of longer and heavier trucks), the truck driver gap will increase in the coming years and potentially put upward pressure on driver costs.

In a further development to tolling across the European market, Sweden shared its plan for the introduction of the CO2 component in its tolling scheme. A new CO2 component will be added starting in January 2025 for vehicles with GCW greater than 12 tonnes, extended to all vehicles (of any GCW) end of March 2027. The toll increase is said to be first limited but there are no clear figures yet. Denmark will follow as well in 2025 and the Netherlands in 2026. In May 2024, sixteen Member States (Belgium, Bulgaria, Croatia, Cyprus, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovenia, Slovakia and Spain) received at the end of May a formal notice from the EU Commission to move on the implementation of the Eurovignette directive in their countries. Changes might then come soon for these countries.

Additionally, three countries have announced changes of toll fees which are not related to the implementation of the Eurovignette directive. Toll fees will increase in Slovenia starting mid-July by 6.8% for Heavy Duty Vehicles (HDVs). Fees has also increased in Belgium since July, with the implementation of an inflation correction (electric and hydrogen trucks are exempted in Flanders and Brussels, not Wallonia), while Hungary will implement the same type of correction in January 2025.

IRU Senior Director for Strategy and Development Vincent Erard adds: "*Road transport companies, key drivers of economic growth, are facing the dual pressing challenge of meeting demand for transport services amid soaring costs – fuel prices are projected to increase, labour costs are on the rise, and now we also have the new CO2 tolls – while also decarbonising. This is likely to increase freight rates, as growing demand for transport services is putting pressure on the available capacity. With much of the sector consisting of small and medium-sized enterprises, operators have razor thin margins. Policymakers must support operators and the sector to meet demand, including by quickly investing in both efficiency measures – for vehicles, drivers and the wider logistics system – and alternative fuels implementation. This would serve our planet and economy."*

About the European Road Freight Rate Benchmark Report :

The European Road Freight Rate Benchmark report is designed to provide greater visibility of road freight rate development across Europe.

If you wish to distribute the full PDF report, please share this link: https://go.upply.com/en-gb/ti-upply-iru-european-road-freight-rates-benchmark-reports

À propos de Ti

Ti is the world's leading source of market intelligence for the logistics and road freight industry, providing data and analysis through its European Road Freight Transport report series, Global Supply Chain intelligence (GSCi) database and expert consultancy services.
ti-insight.com

Contact presse Ti

Michael CLOVER
Responsable du développement commercial
+44 (0)1666 519907
mclover@ti-insight.com

À propos de l'IRU

IRU is the world road transport organisation, promoting economic growth, prosperity and safety through the sustainable mobility of people and goods. As the voice of more than 3.5 million companies operating mobility and logistics services in all global regions, IRU leads solutions to help the world move better.
iru.org

Contact presse IRU

John KIDD
Directeur associé, Communications et événements
+41 79 386 9544
john.kidd@iru.org

À propos d'Upply

Upply, tech platform serving freight transport professionals, designs and develops solutions to help shippers, carriers and freight forwarders exploit the full potential of digitalization to serve their business. Combining transport expertise and Data Science, since 2018 Upply has been developing its Smart solution dedicated to benchmarking, monitoring and analysing freight rates. As the leader in benchmarking for European road freight, Smart helps supply chain players make decisions with full knowledge of the market and optimise their transport investments. The company is based in Paris and currently has over 60 employees dedicated to developing its unique technological solutions.
upply.com

Contact presse Upply

Audrey GOLDKRANZ
Chief Marketing Officer
+33 (0)6 65 34 47 40
audrey.goldkranz@upply.com