



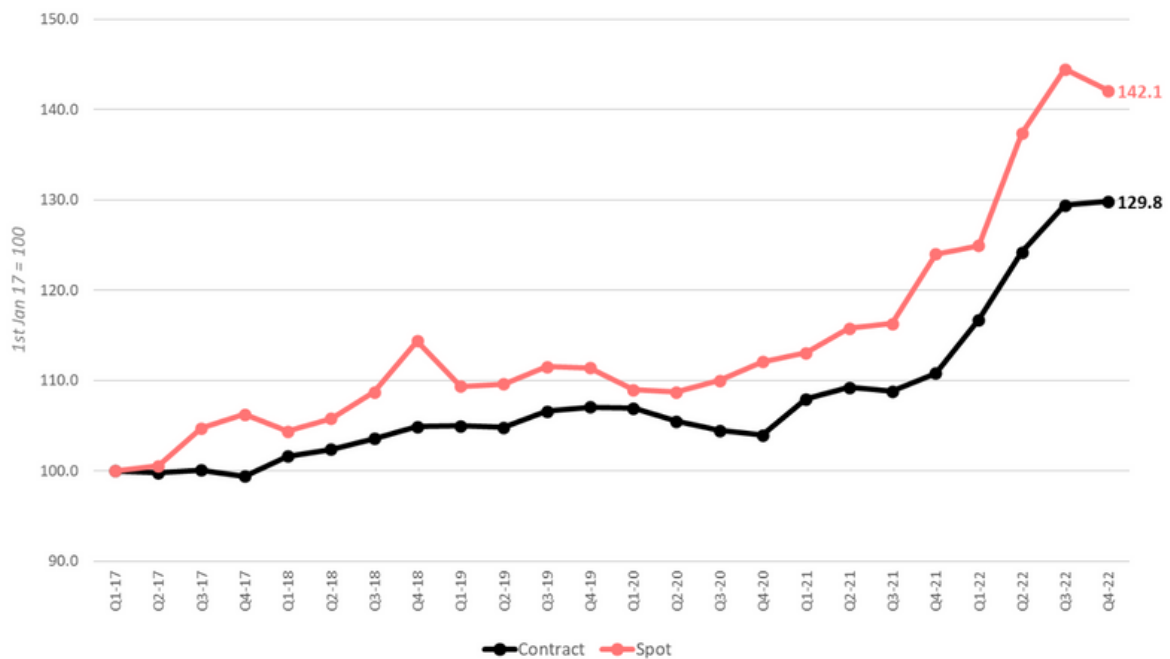
Press release

European Road Freight Rate Benchmark Q4 2022: Spot index down 2.4 points in Q4, first fall since Q1 2020

Bath, 8th of February 2023 - The Upply x Ti x IRU European road freight rates index for Europe shows that spot rates fell by 2.4 index points in Q4 2022 vs Q3. This represents the first fall in the spot index since Q1 2020, but spot rates still remain up 18.1 points on Q4 2021. Meanwhile, the contract rates index rose 0.4 points quarter-on-quarter in Q4 and contract rates are now up 19.0 points year-on-year.

The drop in European spot rates results from low peak season demand due to inflation, pushing consumer confidence down to record low levels while European inventory levels remain high. Euro Area inflation peaked at 10.6% in October and Euro Area consumer confidence reached a historic low of 95.1 points in September with negligible improvement throughout Q4 2022. Spot rates often lead development in contract rates, so the fall in the index, along with clear indicators of lower demand for road freight services in the short term, suggest that contract prices will eventually begin to fall too. However, any fall in freight rates over the next few months is likely to be moderated by supply side pressure causing road freight operating costs to remain high, even as this supply side pressure begins to unwind.

European road freight rate indexes in Q4 2022



Source: Upply

- The Q4 2022 European Road Freight Spot Rate Benchmark Index stood at 142.1, 2.4 points lower than in Q3 2022 but 18.1 points higher than in Q4 2021.
- Q4 2022 is the first fall in the spot rate index since Q1 2020.
- The Q4 2022 European Road Freight Contract Rate Benchmark Index stood at 129.8, 0.4 points higher than in Q3 2022 and 19.0 points higher than in Q4 2021.
- New data from IRU shows driver shortages across Europe actually eased marginally in December 2022, although the number of unfilled positions remained high at between 380,000-425,000, that's about 10% of all driver positions.
- Freight rates are expected to continue to soften in 2023 but will remain elevated in comparison to historic norms as supply side pressure keeps costs high.

As always costs are important factor in determining freight rates. On average Q4 2022, diesel prices were 21.5% more expensive than January 2022 levels, this kept costs and in turn rates high in Q4 2022. Initial data from January 2023 shows this has fallen to around 14.5%, suggesting early savings for shippers at the start Q1 2023.

Thomas Larrieu, Chief Executive Officer at Upply, comments:

"We clearly see that spot freight rates are falling, and contract rates will tend to follow beginning of 2023. But to what extent? Road freight operator costs are still at their highest and driver shortage won't be solved in a year. My view for 2023: contract rates will decrease by 3-5% while spot rates will become more and more volatile due to consumer demand uncertainty."

Upward pressure on drivers' wages, in a context of shortage, also contributes to the rise in freight rates. New data from IRU shows that demand for truck drivers grew throughout 2022 up to November, with the number of open truck driver positions for key European transport countries in December 39% higher versus January 2022. However, driver demand has slightly eased in the last quarter, with open positions falling by 4% versus Q3, probably reflecting the fall in road transport demand observed during the quarter.

IRU Senior Director of Strategy and Development Vincent Erard adds:

"The slight easing of freight rates in Q4, due to lower consumer demand resulting from inflation, has softened pressure on drivers and logistics operators. However, the dip in driver shortage rates is only temporary and the medium-term outlook is grim with one third of Europe's truck drivers set to retire by 2026. Without urgent regulatory action, for example with the EU's current revision of driver license rules, freight rates will again climb over the coming quarters to potentially unsustainable levels, in turn feeding inflation."

The outlook for 2023 is for road freight rates to soften, led by falling road freight volumes easing upward pressure on rates. However, demand is expected to weaken rather than crash in 2023, so while rates should soften, they are not expected to collapse. On the supply side, cost pressure will remain high and keep prices elevated relative to pre-pandemic levels, though cost pressure is also easing slightly compared to the extreme conditions in 2022.

Michael Clover, Ti's Head of Commercial Development, says:

"The European road freight market is moving in to a new phase as demand softens and prices begin to fall. We are particularly expecting to see freight rates continue to fall in Q1, with weak consumer demand, European inventories already high and low import volumes from Q4. However, volumes are likely to stabilize in the second half of the year as inventory levels are worked through and the worst effects of inflation unwind. Early signs from longer run predictive indicators, such as record level orders for equipment to manufacture semiconductors, suggest that output will recover to cater to higher anticipated demand later in 2023. This demand recovery, combined with high supply side costs, will likely sustain a high floor for freight rates in 2023."

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-report-q4-2022>



About 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.

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About 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.

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About Upply

Upply is a technology platform that provides benchmarking tools for road, sea and air freight rates (including past data and forecasts). Upply collects several million invoices every week from the world's leading shippers, forwarders and carriers. This data is aggregated, anonymised and made available to our users to assist them in their decision making. Launched in 2018, the company is based in Paris and currently has over 50 employees.

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