THE EUROPEAN **ROAD FREIGHT RATE** DEVELOPMENT **BENCHMARK**

Q2 2024

IRU upply Ti

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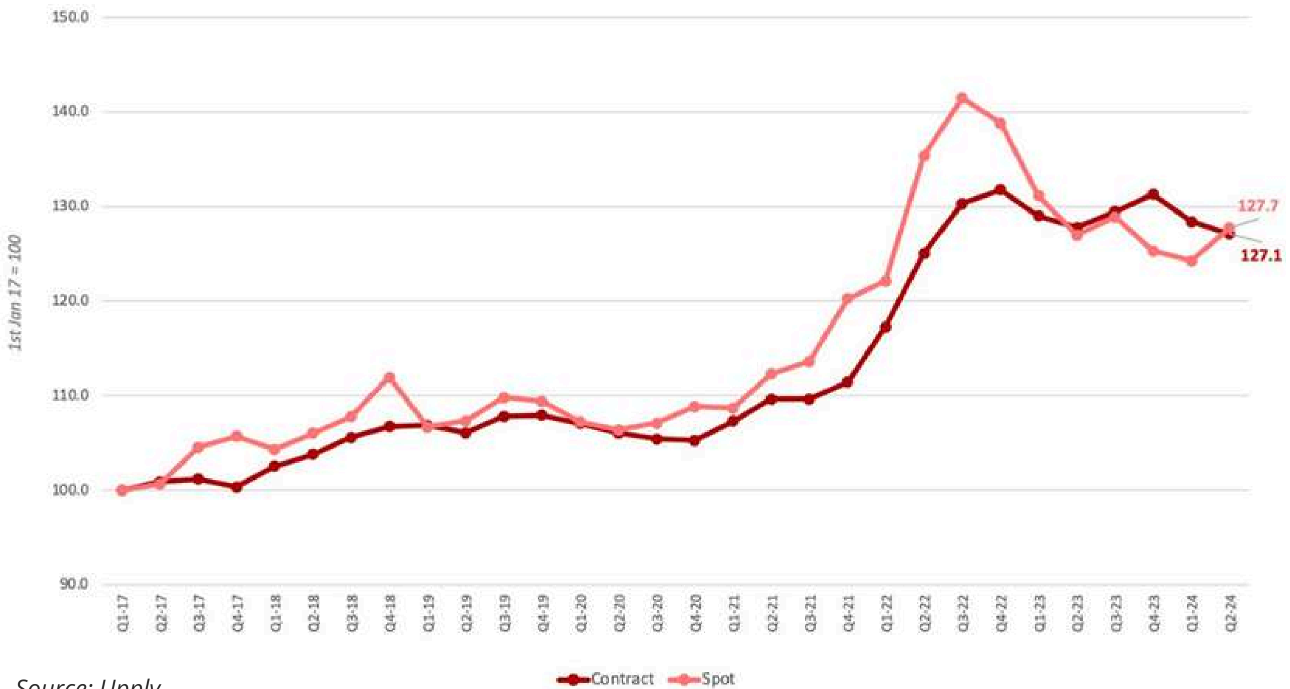
European Road Freight Market Benchmark

Ti x Upply x IRU European road freight benchmark
European road freight rates index, Q2-2024



Source: Upply

Rate development

The contract index slightly fell to 127.1 index points in Q2 24, dropping 1.3 points quarter-on-quarter. In contrast, the spot index increased to 127.7 points after a 3.5-point increase 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.

Market Pressures

- ***Demand-side influences on rates***

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%.

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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.

- ***Supply-side influences on rates***

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.

Ti x Upply x IRU European Road Freight Benchmark Map – Q2 2024 Contract Rates

Source: Upply

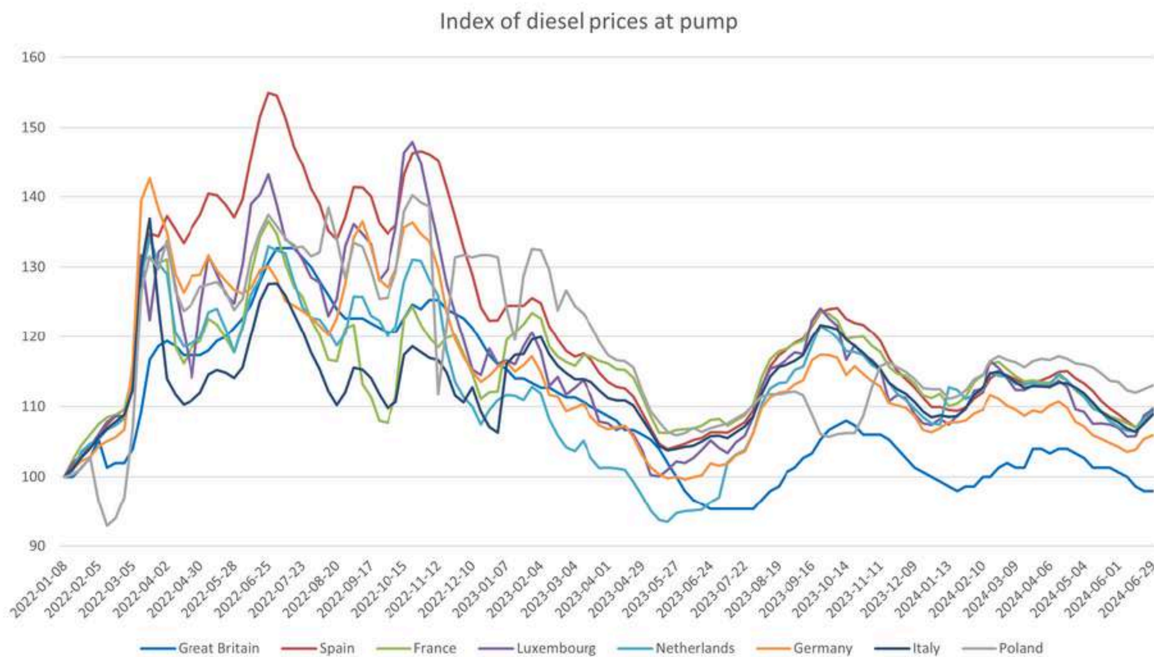
Ti x Upply x IRU European Road Freight Benchmark Map – Q2 2024 Spot Rates

Source: Upply

Operator costs

Fuel costs

Diesel prices at pump (€/L)



Source: Xavvy, index of average weekly [1] diesel price at pump (including taxes) by country (in local currency), base 100 = first week of 2022.

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).

The Brent crude oil spot price averaged $82 per barrel (b) in June, down from $90/b in April and unchanged from May. After the rises seen in Q1-2024, crude oil prices have been falling since April, due to concerns about global economic and oil demand growth. Poor industrial activity and another mild winter have sapped gasoil consumption this year, particularly in Europe where a declining share of diesel cars in the fleet were already undercutting consumption.

[1] Weeks considered from Sunday to Saturday. Dates displayed correspond to week end date.

Following a 210 thousand barrels per day (b/d) annual contraction in 2023, European gasoil demand declined by another 140 thousand b/d y-o-y in 1Q24[2]. Combined with weak diesel deliveries in the United States at the start of the year, this was enough to cause OECD oil demand to contract again in the first quarter of the year. Additionally, reports of progress towards a truce in Gaza could have also weighed on oil prices, although geopolitical tensions remained high.

Crude oil prices have been increasing since early June (reaching $88/b as of July 3), due to the extension of voluntary cuts announced by OPEC+ on 2 June, which include:

- The extension of the 2.2 million b/d
- Voluntary cuts (announced in November 2023 by 8 members of OPEC+), that were set to expire at the end of June 2024, until the end of September 2024. From October 2024, the group plans to gradually phase them out on a monthly basis until the end of September 2025. However, the phase out remains subject to market conditions.
- The extension of the round of production cuts that OPEC+ participants announced in April 2023, that were set to expire at the end of 2024, through the end of 2025.

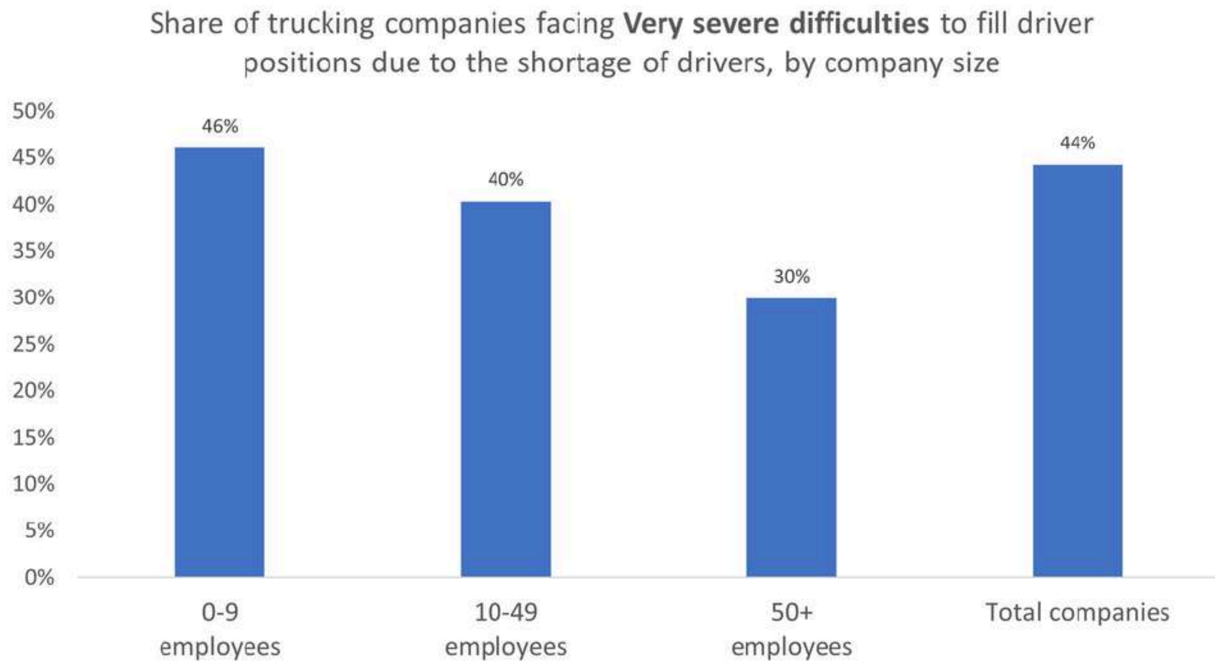
[2] International Energy Agency (EIA), Oil Market Report - May 2024

Tolling costs

German authorities announced in July 2023 the introduction of the CO2 component to toll fees for trucks with Gross Combination Weight (GCW) greater than 7.5 tonnes, starting in December 2023. Germany added in July 2024 toll fees for Medium Duty Vehicles (MDV) between 3.5 and 7.5 tonnes, exempted before. When looking at the number of bankruptcies for German transport and storage companies[3], data show three abnormal spikes of bankruptcies, one at the end of summer 2023 when the new toll fees were announced, one in November 2023 (when the German government confirmed the implementation of the new toll fees) and the last one in March 2024. In the three cases, bankruptcies were 20% higher than usual. Data also shows that new company registrations fall behind as well, leading to a shrinking of transportation and storage company numbers3. Domestic mileage felt by 5% in March 2024 y-o-y, as well as domestic toll revenue. Foreign mileage felt by 2% and toll revenue by 4%[4]. Adding to the stress, the German authorities have decided to cut federal budget allocated to road maintenance by 20% for 2025.

[3] German Federal Logistics and Mobility Office (BALM)
[4] Volume in tonne-kilometres. For more insights on EU's truck fleet, check IRU Intelligence briefing Versatility on the road: unpacking the EU's truck fleet.

Truck driver Shortage



Source: IRU driver shortage study 2024[5]

233’000 truck driver jobs were unfilled in Europe in 2023[6]. According to the preliminary results of the IRU driver shortage study, truck driver shortage remains a significant challenge in 2024, with 44% of European companies facing very severe difficulties to fill truck driver positions. Small companies are the most impacted, with close to half of companies facing very severe difficulties, while bigger companies are the least impacted. Given the low profit margins of the road freight operators, big trucking companies have more means to attract and retain drivers, such as creating programs to cover driver license and qualification costs, offering drivers flexible career paths according to their needs and aspirations, or providing comfortable cabins and equipment as well as resting facilities at depots.

[5] Answers to the question “How much difficulty are you having to fill driver positions due to the shortage of drivers?” (rate from “1-No difficulty” to “5- Very severy difficulties”)
[6]IRU freight driver shortage report 2023

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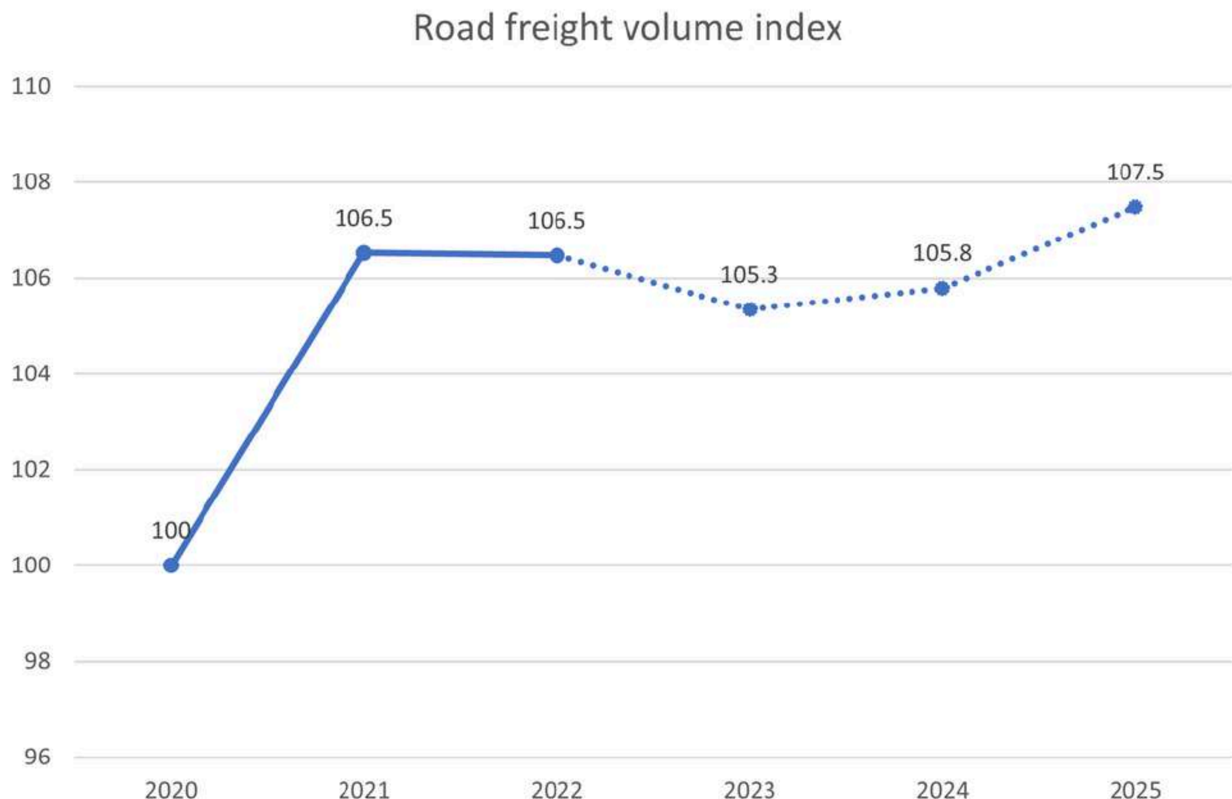
Outlook

Demand-side and rates

Spot rates increases will continue to be incremental as consumers are still cautious and households remain in saving mode. Unless there will be a significant wage increase in which case this will be reflected in consumer demand on the longer term.

Contract rates will level out as long industry recovery 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 contract renewals approaching, companies will demand less volumes for road freight, thus freeing up capacity and reducing upwards pressure on contract rates.



Source: Eurostat (road freight volume 2020-2022) and IRU modelling (forecast road freight volume 2023-2025)

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According to IRU forecasts, EU road freight volume will mildly improve in 2024 y-o-y by 0.4%, reaching 1.91 trillion tonne-kilometers (Tkm), supported notably by a modest recovery of private consumption (1.3% expected growth in 2024 y-o-y, versus 0.4% y-o-y in 2023 according to the EU Commission). Continued growth of wages and employment will sustain growth in disposable income in 2024, but private consumption expansion will be limited due to a further pick-up in the saving rate.

Growth of road freight demand is expected to be stronger in 2025 (+1.6% y-o-y), thanks to a stronger growth of private consumption (1.7% versus 1.3% in 2024 according to the EU Commission). As a result, road freight volume will reach 1.94 trillion Tkm, exceeding 2022 level. Continuous decline of inflation (from 6.4% in 2023 and 2.7% in 2024, to 2.2% in 2025 according to EU Commission[7]) will support further growth of real disposable income, with average real wages expected to recover their 2021 levels. At the same time, the decline in interest rates will reduce incentives to save. Additionally, global merchandise trade is expected to improve, and should support EU's external demand for goods, in turn helping to lift the prospects of the weakened manufacturing sector. According to the EU Commission, EU exports are expected to grow by 3.1% y-o-y in 2025, up from 1.4% this year and -0.2% in 2023. Imports are also set to rebound to 3.3% y-o-y in 2025, up from 1.3% in 2024 and -1.4% in 2023.

However, big uncertainties remain. Any developments related to the two currently on-going wars and heightened geopolitical tensions will have an impact (positive or negative) on global trade and energy markets. EU Central Banks may also postpone interest rate cuts until the decline in services inflation. On the other hand, a decline in saving propensity could stimulate consumption growth.

[7] European Commission, Spring 2024 Economic Forecast (15 May 2024)

Supply side

Currently, the cost base remains elevated. Across the EU, maintenance costs are still up 15.5% vs 2021, and labour costs are up 7.3% vs last year. Costs have reached a new high across the board. While the increases we observed this quarter are incremental, costs are not expected to drop down to levels seen before, however it is evident that the magnitude of cost increases is smaller than before.

Fuel prices

According to EIA forecasts, crude oil prices will rise in the coming months, putting upward pressure on diesel prices. They expect oil prices to reach an average of $89 per barrel the second half of the year (H2-2024), up from $84/b in H1-2024, and $91/b in the first quarter of 2025. This increase will be the result of persistent withdrawals from global oil inventories which decreased by an estimated 0.6 million b/d in 2Q24 and are expected to decrease by 0.8 million b/d on average from 3Q24 through 1Q25), due to extended OPEC+ production cuts.

Global production of petroleum and other liquid fuels is expected to increase by 0.6 million b/d in 2024, as production growth from non-OPEC+ countries (+1.9 million b/d, led by the United States, Canada, Guyana and Brazil) compensates the production decrease of OPEC+ countries (-1.3 million b/d). However, the increase of liquid fuels global production will be insufficient to offset growth of global consumption, which is forecasted to increase by 1.1 million b/d in 2024. This will lead to inventory withdrawals, and thus higher crude oil prices. Market will return to moderate inventory builds and thus decreasing oil prices in H2-2025, as crude oil production growth from non OPEC+ countries begins to offset global oil demand growth, and OPEC+ voluntary production cuts expire.

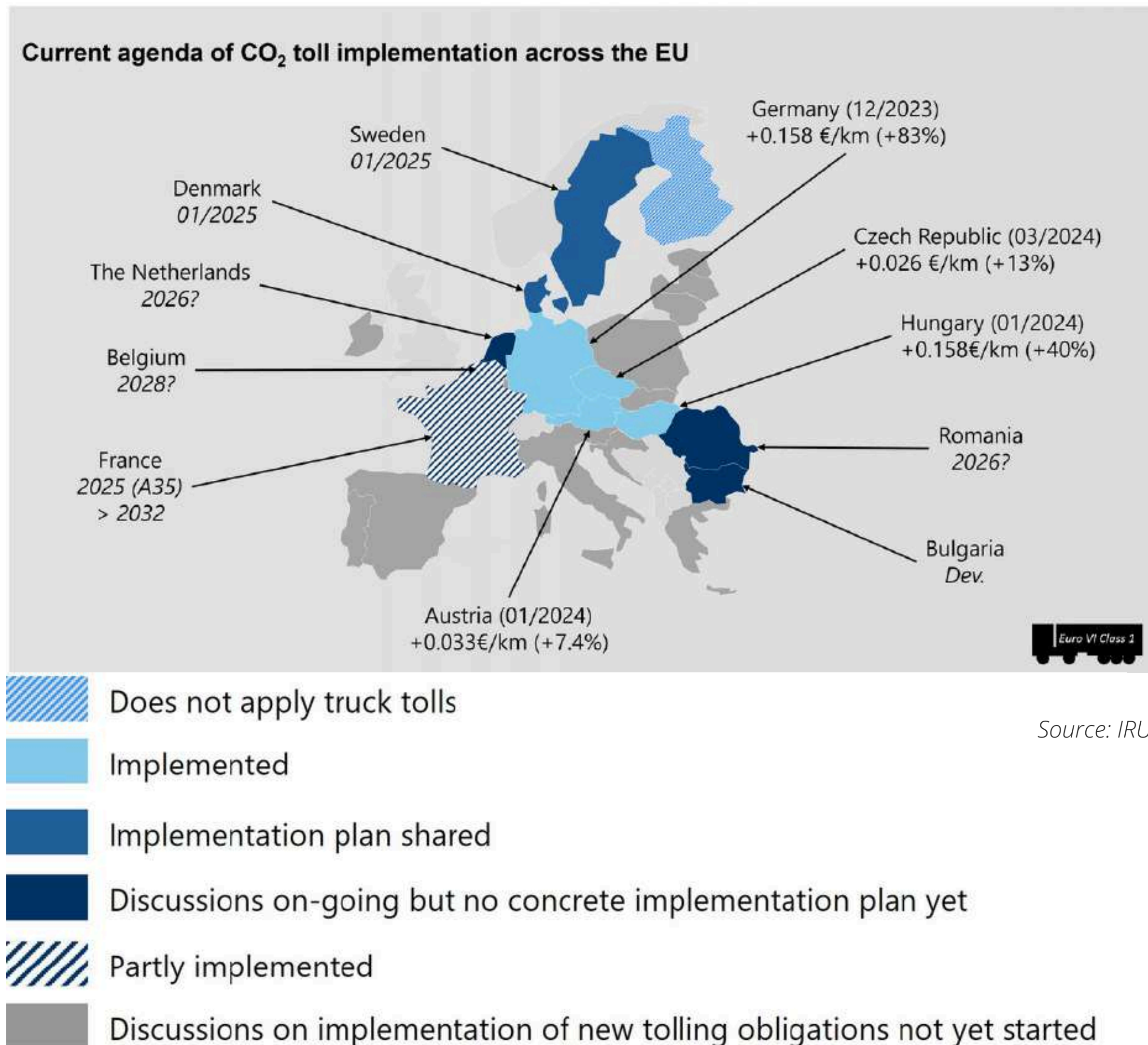
Uncertainty remains around heightened tensions in the Middle East, and an escalation in attacks targeting commercial ships transiting the Red Sea. Around 15% of global trade, including around eight million barrels of oil per day, previously passed through the Bab al-Mandab strait, where the Red Sea meets the Gulf of Aden. These attacks have largely suspended shipping operations through the channel, including many oil shipments, and trade disruptions are expected to continue for some time. As a result, both transit times and shipping costs for oil have increased, limiting the flexibility of the oil market to adjust to any future supply disruptions. Additionally, although the attacks have not yet directly affected oil supply, they have added a risk premium to prices due to the potential that oil production in the Middle East could be shut in.

Tolling

Sweden shared its plan for the introduction of the CO2 component in its tolling scheme. A new CO2 component will be added starting 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 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.

What is the updated of CO2 toll implementation across Europe?

Tolling increases by country for a Euro VI Class 1 truck



Source: IRU

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.

Truck driver shortage

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.

The revision of **EU Weight & Dimension directive** is currently on-going and there is no final text yet. This directive will bring many changes, such as facilitating border crossings of heavier combination if allowed on the two sides of the border, weight compensation of alternative powertrains, and longer vehicle dimensions for both alternative powertrains and aerodynamic devices. Questions remain on axle maximal permissible load, which could penalize payloads for zero-emission vehicles. Once finalised, this revision should have a positive impact on vehicle's capacity, facilitating decarbonisation efforts by reducing the Total Cost of Ownership (TCO) increase, and helping to reduce the pressure on driver demand.

The **EU regulation 2024/1610** more commonly known as CO2 standards for MDV and HDV manufacturers was published last June. This regulation sets targets for Original Equipment Manufacturers (OEMs) to reduce the CO2 emissions of their sales mix, starting in 2025[8], with gradually stricter reduction targets until 2040. As a consequence, diesel vehicles will be more expensive in the future, either because OEMs would pass the penalties linked to current Diesel powertrain into vehicle prices, or because of the use of more expensive technologies needed to reach the targets. The regulation also sets CO2 emissions reduction targets for trailers and semi-trailers starting in 2030, thus we can also expect an increase of their price from that date.

[8] In 2025, only trucks over 16T and two to three axles with one drive axle are concerned; for all other, regulation will apply from 2030

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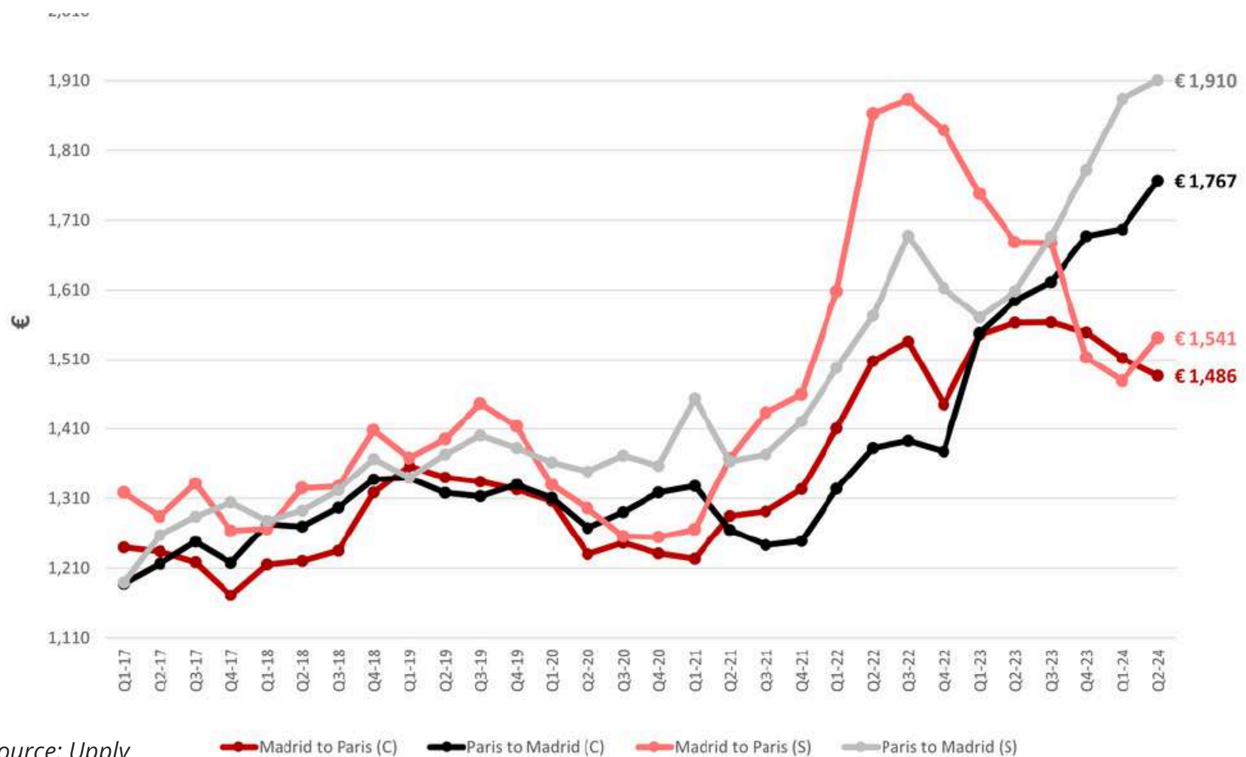
Spain - France



Source: Upply

Rates

On the headhaul from Madrid to Paris contract rates fell 1.7% compared to last quarter, to € 1,486 (€1.17/km), down 4.9% y-o-y. The spot rate rose to € 1,541 (€ 1.22/km), rising 4.2% q-o-q however falling 8.2% Year-on-year.

On the backhaul from Paris to Madrid contract rates rose 4.1% q-o-q, to € 1,767 (€ 1.39/km), rising significantly y-o-y, by 10.8%. The spot rate rose 1.4% to € 1,910 (€ 1.50/km) q-o-q, and significantly rose 18.8% y-o-y.

Spot rates are 3.7% higher than contract rates on the headhaul this quarter, as opposed to last quarter where spot was 2.2% lower than contract. On the backhaul, this gap stands at 8.1%, narrowing after being 11.0% in Q1 2024.

Market story

Consumer demand in France is increasing slightly. Quarter on quarter, unadjusted retail trade increased 2.4%. Although, inflationary pressures are easing due to lethargic consumer demand within the past year. The post-COVID period was marked by high inflation, which dampened consumer spending. As demand is slowly recovering, consumers may have finally adjusted to higher-than-usual inflation, which suggests their shopping behaviors may have stabilised. This shift in demand has put a slightly upwards pressure on spot rates on this route, as spot rates rose modestly q-o-q despite the y-o-y fall.

On the backhaul in Spain, consumer demand is having a resurgence, increasing 3.7%. Following a period of instability in the FMCG market, Spanish consumer spending has increased by 4.8% compared to the previous year, largely due to the stabilisation of food prices. Spending on consumer goods, durable goods and home technology in Spain amounted to € 35 bn during Q1, according to the new NIQ Retail Spend Barometer. This figure represents an increase of 4.6% compared to consumer spending in the same period of 2023.

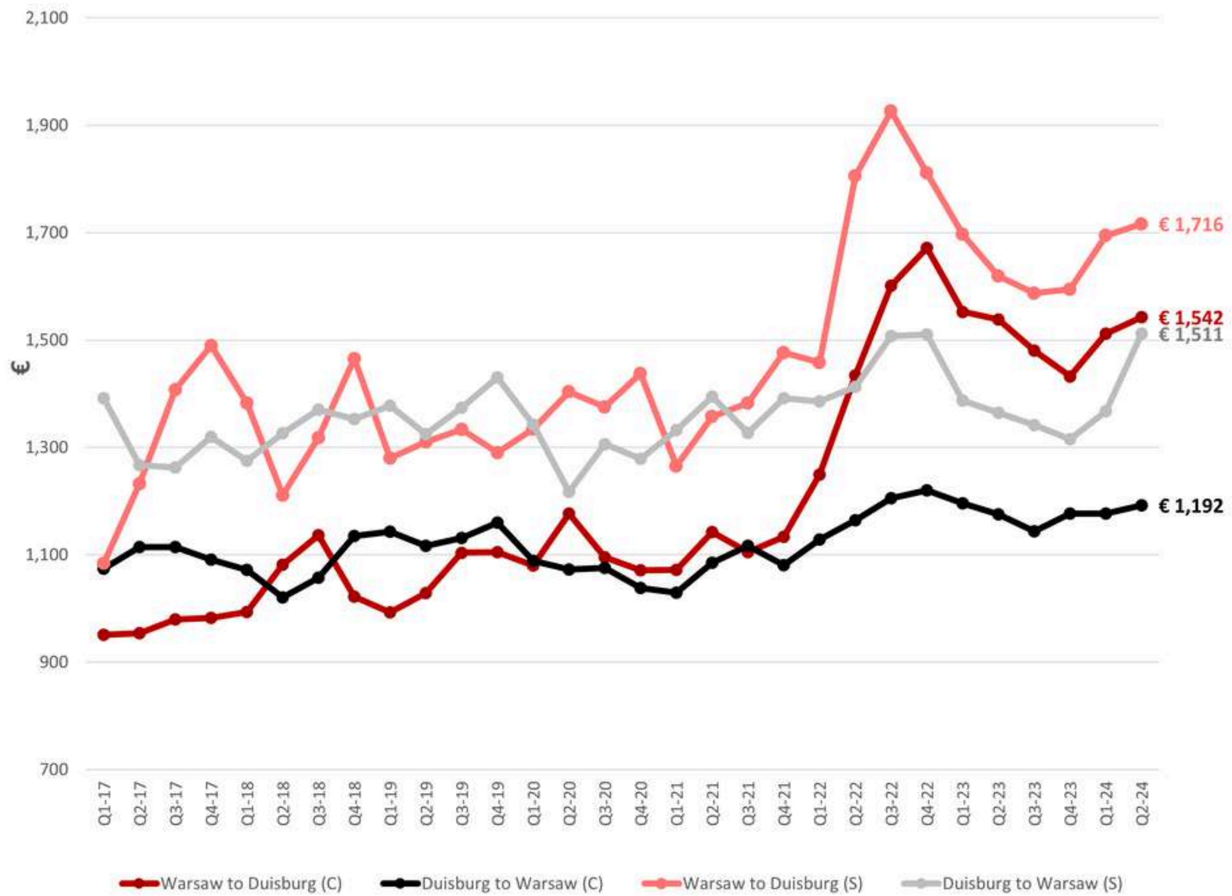
According to The National Statistics Institute (INE) of Spain, production rose 0.4% Year-On-Year in May Against 0.2% Previously. However, the sector with the biggest fall was in Capital Goods, falling by 1.1%. The lack of industrial demand is a contributor to contract rates falling q-o-q and 8.2% y-o-y on the headhaul on this route.

In addition, industrial production in France in May 2024 fell by 2.1% compared to the previous month after an increase of 0.6% month on month in April, 0.4% lower than the same period last year. This could be attributed to costs rising more in France than they have in Spain. Costs have remained at the same level in Spain, but have slightly increased in France, by 1.5% q-o-q. On average, the cost base remains elevated on both the headhaul and the backhaul.

Outlook

Following a period of consistent price increases across sectors, we are now observing a slowdown in CPI growth. Since inflation is moderating in both France and Spain, consumers who have been in 'saving' mode for a long time are back on the market, so we expect to see an uptick in demand for retail brand products, which continue to gain market share. As a result, consumers are encouraged to buy more. Currently, that is reflected in spot prices overtaking contract prices this quarter, on the medium to long term, we can expect contract prices to start rising moderately to reflect this resurgence in demand.

Poland - Germany



Source: Upply

Rate

On the headhaul from Warsaw to Duisburg contract rates increased 2% compared to last quarter, to € 1,542 (€ 1.43/km), up by a negligible margin of 0.3% y-o-y. The spot rate rose to € 1,716 (€ 1.59/km), rising slightly by 1.3% q-o-q, and 6% Year-on-year.

On the backhaul from Duisburg to Warsaw, contract rates rose marginally 1.3% to € 1,192 (€ 1.10/km), rising similarly by 1.4% y-o-y. The spot rate rose sharply by 10.6% to € 1,511 (€ 1.39/km) q-o-q, increasing by €144 vs last quarter.

Currently the gap between spot and contract stands at 11.3% for the headhaul. Notably, on the Duisburg to Warsaw leg, the backhaul, the gap between spot and contract has widened from 16.2% in quarter 1 to 26.8%. Spot rates on both legs have been growing similarly since quarter 4 of 2023.

Market Story

There has been a recovery in the Polish production sector, although mild. The Central Statistical Office data, adjusted for the influence of seasonal factors, indicates a decline in industrial production of 1.7% year-on-year in May 2024, after increasing 7.8% y-o-y last month.

Polish Retail sales increased in May by 5.0% year-on-year, maintaining the trend from the first quarter of this year, where sales rose by 5.4% y-o-y. Car sales continue to grow at strong levels and there has been a significant increase in new registrations, growing 12.9% compared with the first three months of last year, according to the Polish Association of Automotive Industry (PZPM). This recovery can exert an upwards pressure on both spot and contract rates, although the effect on contract rates will be lagged as industrial demand picks up. The weak recovery aligns with the slight uptick in spot and contract rates quarter on quarter, as rates have not increased in line with revitalised industrial demand, rather, rates on this route appear to be stabilising in line with a “new normal”.

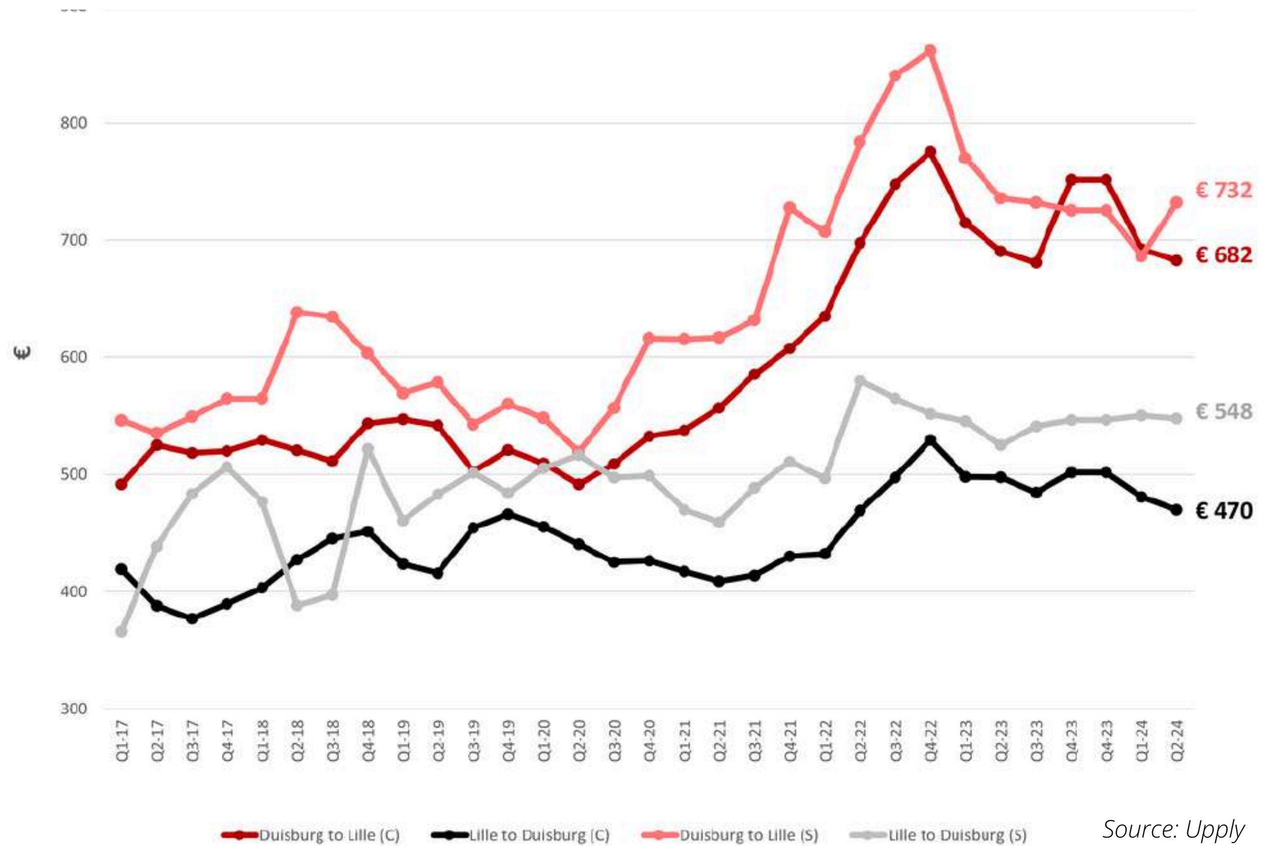
German industrial production fell in May, signaling that the manufacturing sector in Europe’s powerhouse is not recovering in the short-term. Industrial production fell in May by 2.5% compared to the previous month, according to Destatis. n addition, German industrial orders dropped for the fifth consecutive month, 1.6% in May vs April. This could have further downwards pressure on contract rates on this route.

Operating costs are still rising in Poland, most significantly for labour and insurance costs, q-o-q., with an average increase of 4.7%. Since the cost pressures are still prevalent on the headhaul of this route, we expect them to have an upwards pressure on both spot and contract rates in the coming months.

Outlook

Strong wage growth in Germany might nudge a recovery in household consumption within this year. However, the economy’s lackluster performance, notably in the industrial sector, suggests that we are unlikely to observe significant rate hikes this year along this route, especially when taking into account Polish recovery being slow and steady.

France – Germany



Source: Upply

Rates

On the headhaul to Lille contract prices reached €682 (2.26/km) a q-o-q decrease of 1.4% and y-o-y decrease of 1.2%. In the spot market average journey prices increase 6.7% q-o-q to €732 (2.42/km) now down -0.5% y-o-y. The spot rate is now 7.3% more expensive than contract, a big change from last quarter where spot rates were 0.9% cheaper than contract rates.

On the backhaul from Lille to Duisburg contract prices reached €470 (1.56/km) following a 2.3% q-o-q fall which leaves rates down 5.6% y-o-y. Spot prices fell 0.5% q-o-q to €548 per journey (1.81/km) and they remain up 4.3% y-o-y. On the backhaul spot rates are now 16.6% more expensive than contract compared to just 5.5% a year ago. This is the result of falling contract rates over the previous 6 months.

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Market Story

On the headhaul spot rates have grown strongly in recent months whilst contract rates are steadily falling. Spot rates have been buoyed by steadily increasing retail driven volumes into France. Total French retail between January were up 1.6% and that growth accelerated into Q2 2024 where volumes were up 2.2% q-o-q.

French production growth remains weak with machinery and equipment growing just 0.6% q-o-q but is down 3.5% y-o-y whilst transport equipment production fell 3.5% q-o-q and is down 6.0% y-o-y. The result is lower volumes being demanded on contracts coming up for renewal, thus reducing demand side pressure in the contract market and allowing rates to fall.

Looking at the backhaul, spot rates to Duisburg remain stable as a result of steady short-term growth in industrial and consumer demand for goods. In Q2 2024 total seasonally adjusted German retail volumes grew at a modest 1.2%, whilst total manufacturing grew 1.7%. Low short-term growth combined with continued excess supply means the upward pressure on spot rates remains minor. At the same time demand is still falling in some areas with food sales down 0.7% q-o-q.

Contract rates have now fallen 6.4% over the previous 6 months and are now 11.3% below their peak in Q4 2022. Similarly to the headhaul, this is due to reduced industrial activity. Total German manufacturing is down 11.7% vs 2019 levels whilst retail trade is up 2.9% in the same period. German industry struggling with weak international demand and even weaker competitiveness is demanded fewer volumes on new contract coming to tender.

Cost increases have left the cost bases for hauliers in both countries significantly elevated vs 2021. Maintenance and tyres costs are up over 20% vs 2021 in both countries whilst the cost of spares is up over 10%. The amount of upwards pressure on rates stemming from cost has fallen, however. The speed at which vehicle maintenance costs have risen in France is just a third of the speed from a year ago whilst it is down to two thirds in Germany.

Outlook

The days of plummeting demand from consumers and industry are behind us and as a result there are fewer spot rates falls. Instead, steady consumer growth and the odd industry segment growth has the ability to cause some spot rates increases. Contract rates are however, on a downwards trajectory and new tenders in both country and in most industry segment demand fewer volumes thus reducing the pressure on rates. We can as a result expect the gap between spot and contract to increase on both legs in coming quarters.

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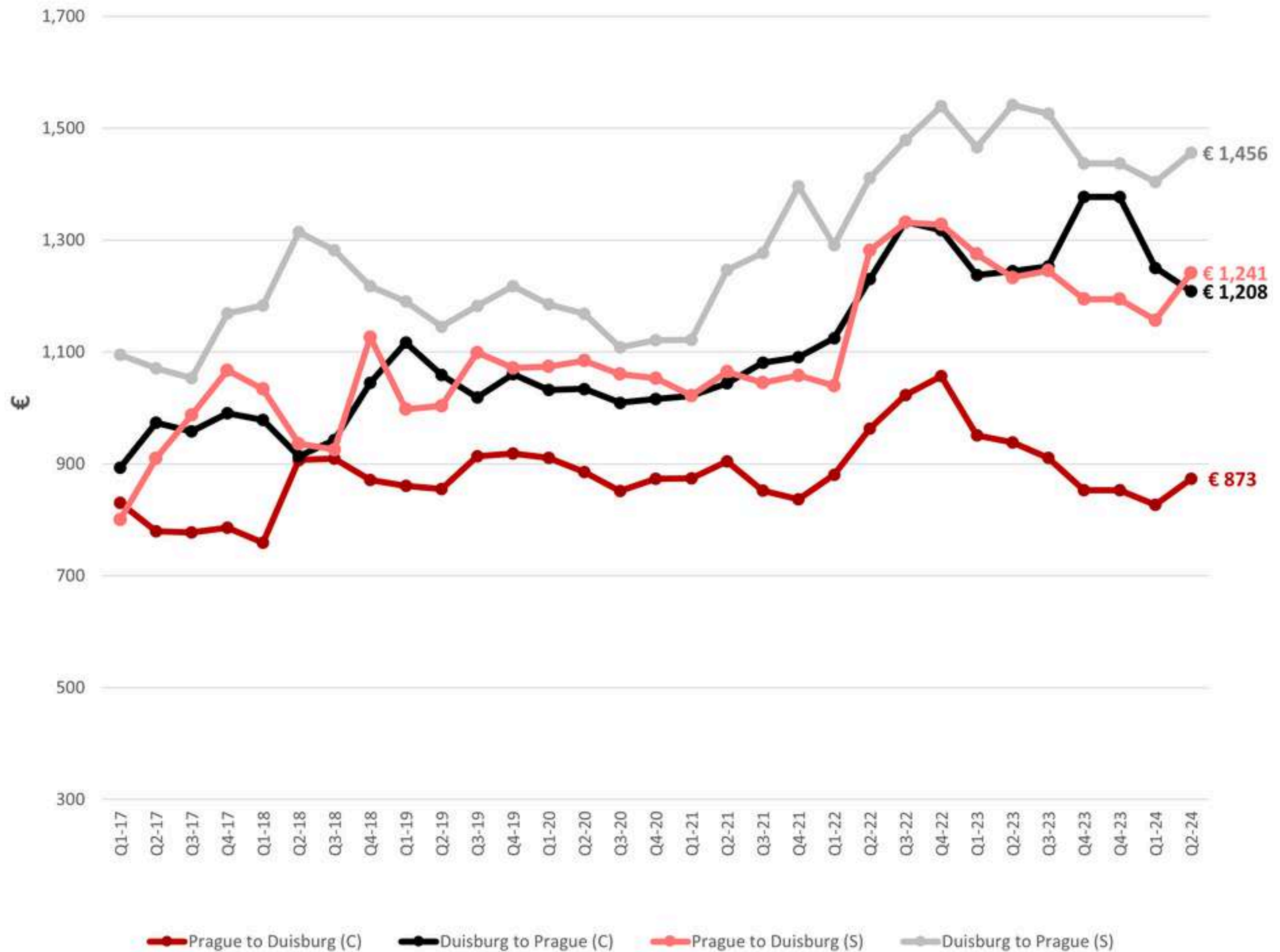
Czech Republic - Germany

Prague – Duisburg Road Freight Rates



Source: Upply

Rates

On the headhaul from Prague to Duisburg, contract rates rose 5.6% to € 873 (€ 1.21/km), however, down 6.9% y-o-y. The spot rate rose to € 1,241 (€ 1.72/km), up 7.3% q-o-q. and now up slightly by 0.7% y-o-y.

On the backhaul from Duisburg contract rates fell by 3.4% to € 1,208 (€ 1.68/km), down 2.9% y-o-y. The spot rate rose to € 1,456 (€ 2.02/km), rising by 3.7% q-o-q. and now down 5.5% Year-on-year.

On the Prague to Duisburg leg, spot rates are 42.1% higher than contract rates, a gap which has been widening since last year. This gap is halved on the Duisburg to Prague leg, standing at 20.5%.

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Market story

Retail sales increased 4.4% in real terms from a year ago in May, while shedding 0.1% compared to the previous month. Sales of non-food goods added 5.1% annually, food sales increased 4.2%, and fuel sales gained 2.2% from a year earlier.

The strong Czech Koruna exchange rate and lower crude prices in May have helped to keep consumer inflation in check, pushing demand up. In addition, the average monthly nominal wage increased by a solid 4.8% year on year in real terms. Spot rates been pushed upwards quarter on quarter as a result of refreshed demand.

The production side of the export-driven economy is somewhat limited by a stagnation of new orders from abroad. However, Czech car production is expected to exceed its pre-pandemic output peak this year, according to the Automotive Industry Association, approaching 1.5 million passenger and light utility vehicles, up from 1.4 million last year. This pickup in Czech industry is already excreting upwards pressure on contract rates from Prague to Duisburg, as rates rose 5.6%. This is in juxtaposition to Germany's sluggish industrial recovery, translated into demand adjusting rates down 3.4%.

The easing pressures in terms of household budgets will add to a pickup in consumer demand, excreting further upwards pressure on spot rates in the medium term, in addition to stronger corporate investments putting upward pressure on contract rates, the effect of which will be felt on the longer term.

Average operating costs of both legs on this route have increased by 1.2%, with the most significant increase being in vehicle insurance. While costs remain elevated on this route, the increases are smaller each quarter thus the supply side costs are easing their upwards pressure on rates.

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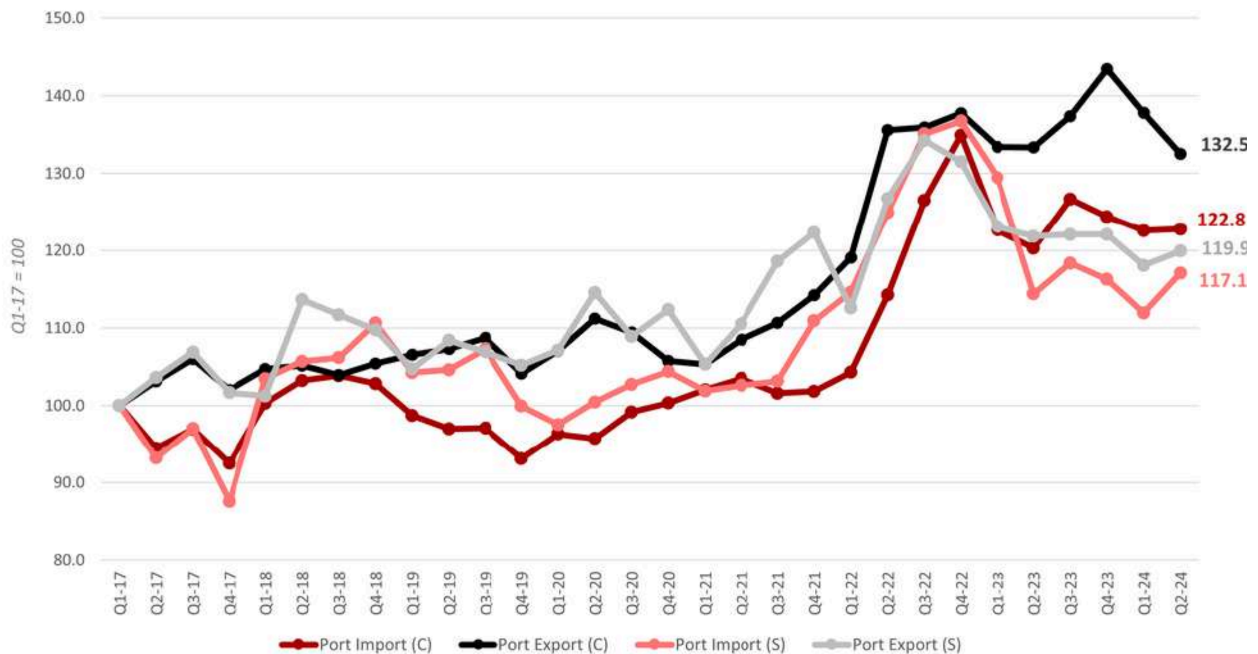
Outlook

Škoda announced that it will be launching three more battery electric vehicles (BEVs) by 2026, with more to follow. Škoda aims to establish Czechia as an e-mobility hub, in collaboration with onsemi, one of the leading players in the Czechian semiconductor industry. Škoda will be investing €5.6 billion in electrification by 2027, in addition to working toward boosting the BEV share of deliveries in Europe to more than 70% by 2030.

In the long term, Czechia is strengthening its position as a semiconductor centre and along with the German state of Saxony, is already a semiconductor industry leader in the EU. Thus, with the planned increases in production we can expect road freight contract rates to grow steadily on this route.

Port import and Export rates



Source: Upply

Rates

On export lanes (from European cities towards Rotterdam and Antwerp): Spot rates rose 1.9 index points q-o-q to 119.9 and are now down 0.9 points y-o-y. Contract rates on exports lanes dropped 5.3 points q-o-q to 132.5 leaving them down 0.9 points y-o-y.

On import lanes spot prices rose 5.2 points q-o-q and are up 2.7 points y-o-y. In the contract market rates are up 0.2 points q-o-q and 2.5 points y-o-y.

Market Story

he general story here is one of a much more stable import and short-term demand environment whilst exports and the contract market adjust to lower levels of European production likely set to continue into H2 2024.

Data from the Netherland's Bureau of Economic Policy analysis shows signs of a much improved import demand environment in Europe and signs of growth. Total imports in the first 4 months of 2024 in the euro area remained 5.1% their 2023 level, however this is to expected considering the effect of inflation and monetary policy on the pockets of European consumers.

However, focus in on more recent import volume growth and the picture begins to look slightly brighter. Average month on month import volume growth at the start of 2024 averaged +0.4% in the euro area, this contrasts with -0.2% during the same period in 2023 and 0.0% in 2022. As a result, it's clear that total demand for international goods into Europe remains weak and well below historic levels but when we focus in on recent trends, there is some levels of positive growth. The effect is far fewer rate falls on import lanes and even some upward pressure contributing to rate rises on import spot lanes.

Congestion at both Antwerp and Rotterdam have added significant upward pressure to rates. At Rotterdam Vessel wait times were 44.6% longer in June 2024 than they were in January 2024. The result is lost road freight capacity as vehicles are tied up waiting for shipment thus reducing supply and added upward pressure to rates.

Contract rates are still under very little pressure and contract export rates have fallen considerably. This is due to 2 factors: 1 - Lower medium-term demand for volumes in contracts coming up for renewal and 2 - Reduced cost pressures.

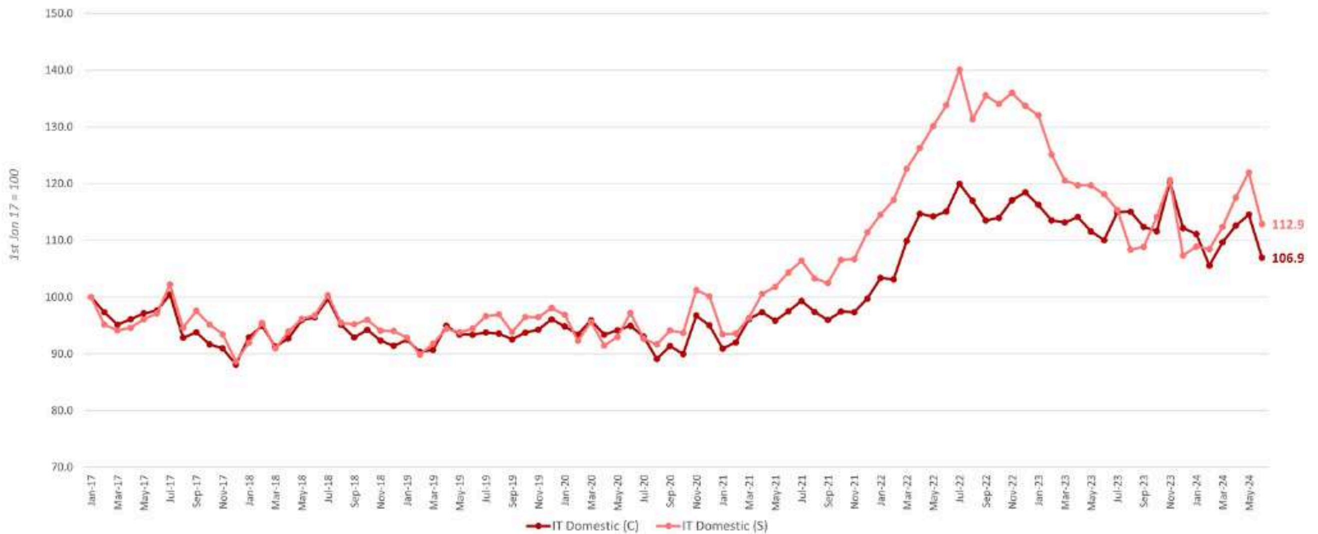
Considering demand, European consumption is stable at a level 0.4% higher than last year and 4.5% higher than 2019 levels.

Contract rates in both directions remained elevated due to costs. Vehicle maintenance costs in Europe are good example of short and long terms cost changes. In the short-term maintenance costs increased just 1.0% q-o-q, that's nearly half rate of increase vs a year ago meaning the cost pressure is falling. In the long term However maintenance costs are up 20.3% vs 2021. Meaning costs are keeping rates elevated above 2021 levels but are no longer causing large rate rises.

Outlook

As a result of the above, the spot rates on this lane are likely to be subject to some steady rate rises as for consumer demand goods begins to rise especially on import lanes. The contract market no longer faces significant costs pressure and couples with a reduced industrial output in Europe pressure is easing in the contract market and is likely to result in further rate falls.

Italy Domestic Rates



Source: Upply

Rates

Domestic contract rates in Italy stood at 111.3 index points in Q2 24, up 2.6 points from the first quarter's 108.8 index points. Year on year, this is a drop of 0.6 points.

Spot rates have risen more sharply in contrast, up 7.6 points from 109.9 points in the first quarter to 117.5 points. However, this was a drop of 1.7 points year-on-year.

According to the latest data, the gap between spot and contract rates stands at 6.1 index points in Q2 24, whereas in quarter 1 of this year, spot rates surpassed contract rates only by 1.1 index points.

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Market Story

According to data from the Italian statistics institute, ISTAT, the Italian seasonally adjusted industrial production index is rebounding slightly by 0.5% in May 2024 compared with the previous month. The increase was mainly driven by gains in consumer goods, intermediate goods, and energy sectors, helped by lower energy costs benefiting energy-intensive industries like chemicals.

However, Italian business confidence is not improving. The latest ISTAT data indicates a seven-month low in business confidence as of June 2024. The Manufacturing Confidence Index dropped to 86.8 from May's 88.2. Both production and order book indicators declined further in June. Contract freight rates have not been rising sharply and they remain 1.5 index points below last year's levels for this period. This decline is reflective of cautious sentiment among businesses, further evidenced by the growing gap between spot and contract rates, which has been growing since March of this year, as long-term demand remains sluggish and falling behind short-term consumer demand.

In that regard, consumer confidence in Italy is on the rise, reaching 98.3 in June 2024, the highest level since February 2022, in contrast to the declining business confidence.

This surge in consumer optimism is likely fuelled by a 0.3% GDP growth in Q1 2024. The contrast suggests that consumer spending has an upwards pressure on spot rates, as increased short-term demand overlaps with the sharp increase in spot rates.

Outlook

While the slight decrease in inventory levels suggests potential for future production increases through restocking, this is expected to materialize beyond the next two quarters. The notable reduction in order levels, which fell to -23.3 in June from -19.7 in May, indicates a current downturn in demand that is likely to persist in the short term. This is likely to stop the increase in freight rates seen in recent months.

Long term demand pressures in Italy might increase, especially for contracts, due to the Italian government's efforts to revitalize the Automotive sector. It has been recently announced that the government is planning to take control of defunct auto brands Innocenti and Autobianchi from Stellantis to attract Chinese manufacturers to set up operations locally. Prime Minister Giorgia Meloni aims to increase Italy's vehicle production to one million units annually by reviving these dormant brands and enticing Chinese automakers. This initiative could provide Chinese firms with valuable European market access, while positioning Italy as a primary manufacturer.

Methodology

The rates are the result of Upply's own econometric and statistical modelling, which is based on the analysis of more than 750 million prices. Upply provides Truck Load (LTL & FTL) weekly rates estimations based on observed transactions for each major European trade lanes, associated with a confidence index. These rates are computed from Upply's key partners and users data. To complete the analysis presented here, Ti selected a representative sample of the largest European road freight corridors by volume. Ti then used the median rates provided by Upply on each corridor, averaging weekly rates over each quarter. Ti's team of senior analysts provide additional insight into the drivers and trends behind price movements with support from Upply. Note that data is subject to re-statements and that new lane samples can be chosen from one quarter to the next.

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