Press release

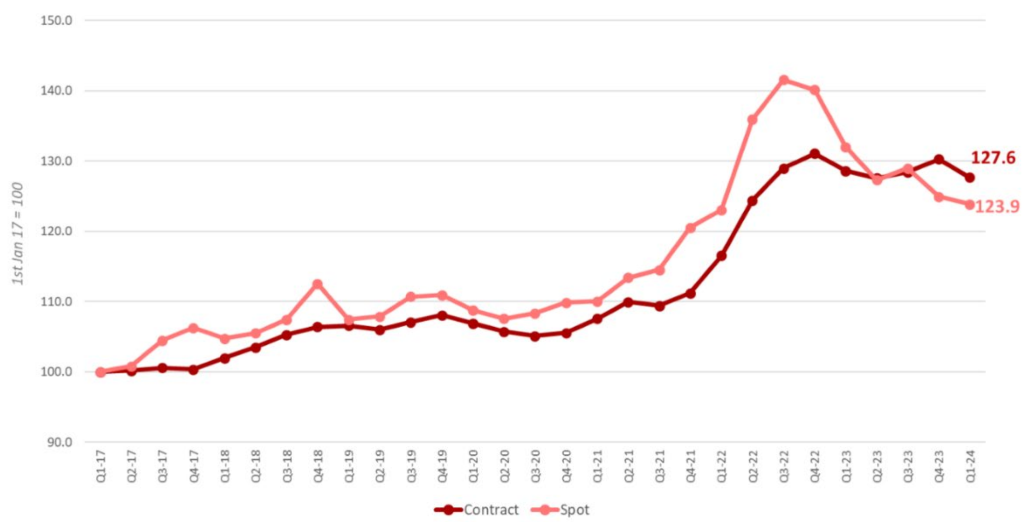
European Road Freight Rate Benchmark Q1 2024: Both Spot and Contracts rates indexes fall

Bath, 14th of May 2024 **- The Upply x Ti x IRU European road freight rates index for Europe shows Q1 rates fell in both the spot and contract markets, with the spot rate index down 8.2 points year on year. Meanwhile, falls in the contract rates index have slowed, down 1.0 point year on year.**

The contract index fell to 127.6 index points in Q1 2024, dropping 2.6 points quarter-on-quarter. The spot index fell to 123.9 points after a more modest 1.1-point fall Q-o-Q. Year-on-year, the spot index is now down 8.2 points, while the contract index is down 1.0 point Y-o-Y.

- The Q1 2024 European Road Freight Spot Rate Benchmark Index fell to 123.9 points, 1.1 points lower than in Q4 2023 and 8.2 points down Y-o-Y.
- The Q1 2024 European Road Freight Contract Rate Benchmark Index fell to 127.6 points, 2.6 points lower than in Q4 2023 and 1.0 point less than in Q1 2023.
- Following changes in Germany, CO2 based tolling came into effect in Austria and Hungary in January and the Czech Republic in March, pushing up rates in those markets.
- These changes have resulted in a toll increase of 7.4% (+EUR 0.033/km) for Austria, 40% (+EUR 0.158/km) for Hungary and 13% (+EUR 0.026/km) for Czech Republic, according to the companies in charge of toll management in these various countries.
- After the continuous falls seen in Q4-2023, diesel prices have been modestly rising since the beginning of the year.
- The outlook for spot rates across Europe suggests reduced rate declines as we enter a more stable demand environment in 2024.

European road freight rate indexes in Q1 2024



Source : Upply

Low demand continues to push spot rates down; however, the magnitude of spot rate declines is decreasing. This may indicate a less negative demand environment that could lead to rate normalization. Demand pressure is expected to continue a slight upward trajectory. March's 2.4% European inflation rate was the lowest in 33 months and produced a 0.6-point growth in consumer confidence, according to McKinsey. The more stable demand picture reflected by these indicators has prevented extreme drops in spot rates.

Operating costs, such as vehicle maintenance, insurance, and tire costs, remain elevated compared to previous years, keeping cost and contract prices high.

Diesel prices have fallen across Europe from their highs last year, easing some supply-side pressure. However, after the continuous falls seen in Q4-2023, diesel prices have been modestly rising since the beginning of the year: average diesel price at pump in Europe are up 3% at the end of Q1-2024 versus beginning of January 2024.

> **Michael Clover, Ti's Head of Commercial Development, says :**
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> *"Though road freight rates fell again in Q1 2024, the expectation is that rates will pick up again through 2024. Costs are stubbornly high and we may well be moving into another challenging supply chain period, with indicators suggesting import volumes are recovering and supply chain bottlenecks, which have recently been masked by low volumes, becoming more acute again. That represents a bad combination for capacity which will filter into the road freight market over Q2 and Q3 and is likely to apply upward pressure to rates."*

> **Thomas Larrieu, Chief Executive Officer at Upply, comments :**
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> *"The road transport sector is facing a difficult economic environment. Weak demand is causing spot and contract rates to fall in the first quarter of 2024, while costs for operators remain high. However, signs of economic recovery are beginning to emerge, with prices already rising on some routes in April 2024. We expect the situation to improve gradually throughout the year".*

Based on Ti data, the forecast for 2024 is a modest growth of 1.1% for the region in terms of Road Freight revenues market sizing. According to IRU latest forecasts, EU road transportation volume growth in 2024 is expected to improve to 0.4% y-o-y (up from -1.1% in 2023) thanks to real wage growth (as inflation decelerates) and a strong labour market that will support a rebound in consumption.

The implementation of Directive (EU) 2022/362 amending the Eurovignette Directive among Member States is still underway and is adding upward pressure on rates (notably in Germany). Following Germany, the CO2-based tolling came into force in Austria and Hungary on 1st January 2024, and in Czech Republic in March. According to the companies in charge of toll management in these various countries, it means a toll increase of 7.4% (+EUR 0.033/km) for Austria, 40% (+EUR 0.158/km) for Hungary and 13% (+EUR 0.026/km) for Czech Republic for the classic Euro VI tractor and semi-trailer used in Europe (which transports 63% of total European road freight volume).

Adjustments to toll-rates in the context of the Eurovignette Directive revision are expected in many European countries, starting with Sweden in May 2024 and Denmark next year. Netherlands and Romania are expected to follow in 2026, and part of Belgium in 2028. In France, where distance-based tolls are in place under long-term concession contracts granted to private operators, the Directive (EU) 2022/362 will only apply to new and renewed concessions after 24 March 2022, which will take place from 2032. However, a possibility has been foreseen to introduce a rate variation based on the CO2 performance of vehicles on certain parts of the tolled network (notably highway A35 close to the German border) from 2025.

> **IRU Senior Director for Strategy and Development Vincent Erard adds:**
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> *"Low demand continues to push down road freight spot rates. Contract rates are also decreasing but only marginally due to higher operating costs. New CO2 tolls are notably adding to costs, rising recently, for example, by 40% in Hungary and 83% in Germany. Increasing CO2 tolls on existing fleets without having alternative zero-emission vehicles, infrastructure and incentives available for operators is counterproductive. We also need to promote proven efficiency measures for operators, especially SMEs, to accelerate progress."*

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

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, 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.
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