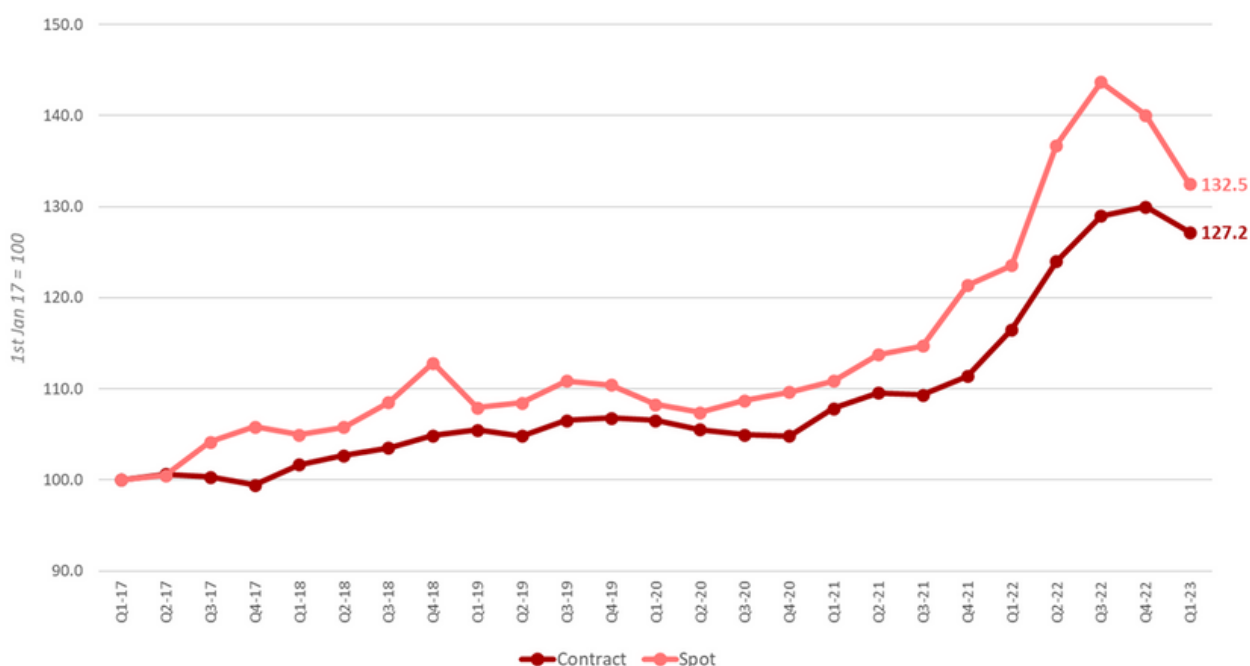


European Road Freight Rate Benchmark Q1 2023: contract rates start falling as spot rates continue to drop

Bath, UK, 3rd of May 2023 - The Upply x Ti x IRU European road freight rates index for Europe shows that both spot and contract rates are falling q-o-q, dropping by 7.5 and 2.8 points respectively.

Spot rates in the European road freight market have experienced their second consecutive quarter of decline, marking a significant shift since the onset of the Covid pandemic. The spot rates index fell by -7.5 points quarter-on-quarter (q-o-q) to 132.5 points. This is the first-time rates have fallen for two consecutive quarters since Q2 of 2020. Additionally, the spot market index has fallen below its Q2 2022 level, a time when costs rise following the invasion of Ukraine first became clear. Despite this, spot rates remain up by 8.9 points year-on-year (y-o-y). The contract rates index has also fallen by 2.8 points q-o-q, the first fall in six quarters, but it is still up 10.7 points y-o-y. With volumes slackening and available capacity improving, the downward trend in rates looks set to continue in 2023.

European road freight rate indexes in Q1 2023



Source: Upply

- The Q1 2023 European Road Freight Spot Rate Benchmark Index stood at 132.5, 7.5 points lower than in Q4 2022 but 8.9 points higher than in Q1 2022.
- Q1 2023 is the second consecutive quarter we have seen a fall in the spot rate index.
- The Q1 2023 European Road Freight Contract Rate Benchmark Index stood at 127.2, 2.8 points lower than in Q4 2022 but still 10.7 points higher than in Q1 2022.

- Fuel prices were 9% lower in Q1 2023 than in Q4 2022.
- Driver shortage projected to see 9% of positions unfilled in 2023, slightly lower than the 10% in 2022.
- Freight rates are expected to continue to soften in Q2 2023 but will remain elevated in comparison to historic norms as supply side pressure keeps costs high. Toward the end of the year volumes are expected to start recovering, applying upward pressure on rates.

Spot rates have declined 1.5 times faster than contract rates on average in Q1 2023. This comes as a result of falling demand from European economies, reducing the immediate demand-side pressure on spot market rates. Despite some easing of inflation and q-o-q growth in seasonally adjusted monthly consumption figures in Spain (+1.0%), France (+0.4%), and the UK (+0.5%), year-on-year figures reflect the ongoing impact of persistent inflation over the past 12 months. Average seasonally adjusted monthly consumption is down year-on-year by 6% in Germany, 3.9% in France, 2.8% in Italy, and 4.3% in the UK. As wage growth lags behind inflation, the cost-of-living crisis worsens, reducing the appetite and ability to consume goods. This will further reduce demand-side pressure on road freight rates, allowing for further rate falls in both markets.

Thomas Larrieu, Chief Executive Officer at Upply, comments:

"While it's typical for road freight rates to dip during Q1 after the holiday peak season, this year's drop is hitting harder than usual. The market appears to be recalibrating after experiencing a hefty double-digit surge in 2022, but how far will it go? It's doubtful that we'll return to pre-pandemic conditions, especially with capacity shortages remaining a major concern."

Although fears of an energy crisis have subsided and energy prices have fallen, last year's high prices continue to act as a drag on Europe's industrial growth. Available Q1 2023 data from official sources reveal a decline in production in the UK (-0.5%), Spain (0.3%), and Poland (-0.1%), while production in France (+0.9%) and Germany (+0.5%) has grown. Inflation is eroding the demand for consumer goods, while demand for capital and intermediate goods remains steady. High interest rates will likely deter major expansions in production in 2023, limiting the pressure on rates and allowing for further rate falls.

IRU Senior Director of Strategy and Development Vincent Erard adds:

"The stagnation in freight demand from Q4 2022 has continued into 2023, flattening the driver shortage curve – for now. But nothing has changed in the long-term outlook of the profession. The share of young drivers remains extremely low. Any jump in demand from European economies will further exacerbate the shortage of drivers, which in turn will limit economic growth. We can't take our eyes off the ball. We need to continue pushing for both immediate and structural solutions to driver shortages."

Despite the easing of demand-side pressure, the supply pressures remain. A worsening driver shortage is eroding capacity, while fuel costs have fallen from their 2022 high, they remain elevated compared to 2021. The cost-of-living crisis across the continent is also increasing wage demands in 2023 resulting in labour costs increase. The likely result is further freight rate falls from falling demand, however, the size and scope of these falls will be limited by supply-side pressure that has created a higher cost base which will prevent freight rates from reaching historic lows.

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

"In Q1 we saw contract rates start to follow spot rates in their drop off as predicted and we expect to see this trend continue to trend downwards in Q2. As volumes dropped off in Q1 we saw a continuous increase in available capacity easing pressure on rates, but capacity remains constrained by driver shortages. The outlook is for rates to continue to fall in Q2, although seasonal demand will support higher rates in Q2 and we expect rates to remain at a higher level than their pre-pandemic base."

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-q1-2023>



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 Uply

Uply is a technology platform that provides benchmarking tools for road, sea and air freight rates (including past data and forecasts). Uply 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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