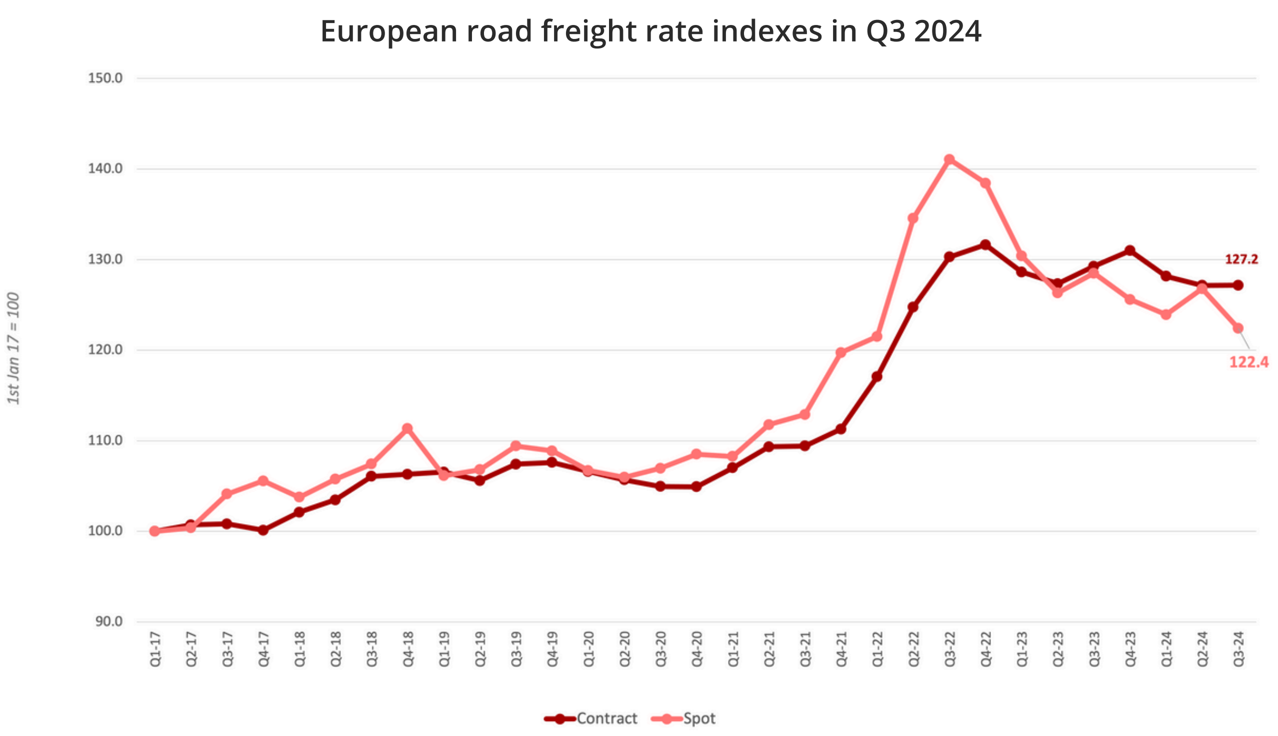
Press release

European Road Freight Rate Benchmark Q3 2024: Contracts rates index flat while the spot index falls

Bath, 6th of November 2024 **- The Upply x Ti x IRU European road freight rates index for Europe shows Q3 rates remained flat in the contract index q-o-q. In contrast the spot rate index fell by 4.4 points q-o-q. Overall both the spot and contracts rates indexes have fallen year on year.**

- The Q3 2024 European Road Freight Spot Rate Benchmark Index fell to 122.4 points, 4.4 points lower than in Q2 2024 and is 6.1 points down Y-o-Y.
- The Q3 2024 European Road Freight Contract Rate Benchmark Index fell remained flat vs Q2 at 127.2 index points, however it is down by 2.2 points year-on-year.
- Fuel costs: Diesel prices fell through the quarter and were 8% lower than their level at the beginning of July by the 30th of September. However, fuel prices began to increase again in October.
- Tolling costs: The implementation of Directive (EU) 2022/362 amending the Eurovignette Directive is still underway. Sweden, Denmark and the Netherlands have recently shared their implementation plan.
- Retrofit: According to IRU's survey of transport operators only 6.4% of EU vehicles eligible for retrofitting G2V2 tachographs, to comply with mobility package 1, had actually fitted the new devices in June 2024. 33% had fitted G2V1 tachographs, while 60% were still using analogue tachographs.
- The outlook for freight rates remains subdued, as industrial output remains low and consumer demand remains relatively weak. Even in spite of high operating costs.



Source: Upply

European production challenges have a direct impact on the road freight market. As manufacturing output declines, so does the demand for freight services, which has driven spot rates down since Q2 2023 (with a brief inflection point in Q2 2024). However, despite falling demand in the short term, freight rates remain well above 2021 levels, primarily due to structural increases in operational costs.

Labour costs, the biggest cost item along with fuel in road haulage, have risen sharply due to inflation over the last two years. Moreover, substantial increases in costs related to motor vehicle insurance, maintenance, and tyres are contributing to higher operational expenses for freight operators.

Diesel prices increased between mid-June and early July, driven by rising crude oil prices (due to the extension of voluntary cuts announced by OPEC+ in June). They were on a downward trajectory until the end of the quarter. The EU weighted average diesel price reached €1.64/L on 8 July, up from €1.59/L on 10 June (+3%), before falling to €1.50/L on 30 September (-8% fall since its peak in July, and the lowest value seem since January 2023). However, in October, fuel prices started to rise again due to the escalation of conflict in the Middle East, raising the possibility of oil supply disruptions and further crude oil price increases.

These elevated costs continue to keep freight rates highpush freight rates higher, despite the downward pressure from lower demand. They prevent rates from dropping to 2021 levels, as carriers must cover their rising expenses even with softer demand conditions. Thus, while spot rates have softened, they remain significantly elevated compared to pre-pandemic times, as the underlying cost structure has shifted upward. Due to these elevated costs, Ti expects continual upwards pressure on rates in the future, even in spite of softer demand even with softer demand conditions.

> **Michael Clover, Ti's Head of Commercial Development, says:**
> *"Overall European road freight rates were relatively stable through Q3, largely due to stubbornly low demand across Europe. The outlook for contract rates is still very much dependent on the timing of Europe's economic recovery, but rates aren't expected to fall with ongoing cost pressure. The fall in spot rates in Q3 is indicative of the weak demand situation, but we expect spot rates to be a leading indicator of demand recovery and upcoming rate growth as and when the market changes."*

> **Thomas Larrieu, Chief Executive Officer at Upply, comments:**
> *"The road freight transport sector is navigating a turbulent period, characterized by a significant number of business failures. Although held back by high and still rising operating costs, the downward pressure on freight rates is likely to persist in the coming months, as we await a potential recovery in the European economy. To prevent the sector from weakening further—which could disrupt supply chains, especially when economic activity picks up again—digitalization offers productivity opportunities that deserve to be explored."*

As part of Mobility Package 1, transport operators have the obligation to retrofit all vehicles registered in the EU and intended for cross-border operations with the Smart Tachograph Version 2 (G2V2). The obligation is to replace all analogue tachographs by the 31st of December 2024 and upgrade all smart tachographs by the 19th of August 2025.

However, there have been material delays impeding the retrofitting process. Based on IRU's survey of transport operators, in March 2024, out of the 3-3.5 million vehicles to be retrofitted (including trucks and buses; we estimate around 90% are trucks), only 0.4% EU vehicles were already retrofitted with a G2V2 tachograph, while around two thirds still had a G1 tachograph (due to be retrofitted by end of the year), and one third a G2V1 (to be retrofitted by August 2025). Three months later (in June), the share of vehicles retrofitted had increased to 6.4%, while there were still around 60% G1 vehicles and 33% G2V1 vehicles to be retrofitted.

> **IRU Senior Director for Strategy and Development Vincent Erard adds:**
> *"With escalating operating costs from maintenance, insurance and new regulations (CO2 standards, Euro VII, etc.) and volatile fuel prices expected to increase with the implementation of ETS2, road transport SMEs are under significant pressure. Policymakers must provide targeted incentives that encourage operators to decarbonise, focusing, in particular, on efficiency measures. Such support would ease financial burdens and contribute to environmental sustainability."*

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.
ti-insight.com

Media Contact Ti

Michael CLOVER
Head of Commercial Development
+44 (0)1666 519907
mclover@ti-insight.com

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.
iru.org

Media Contact IRU

John KIDD
Associate Director, Communications and Events
+41 79 386 9544
john.kidd@iru.org

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.
upply.com

Media Contact Upply

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