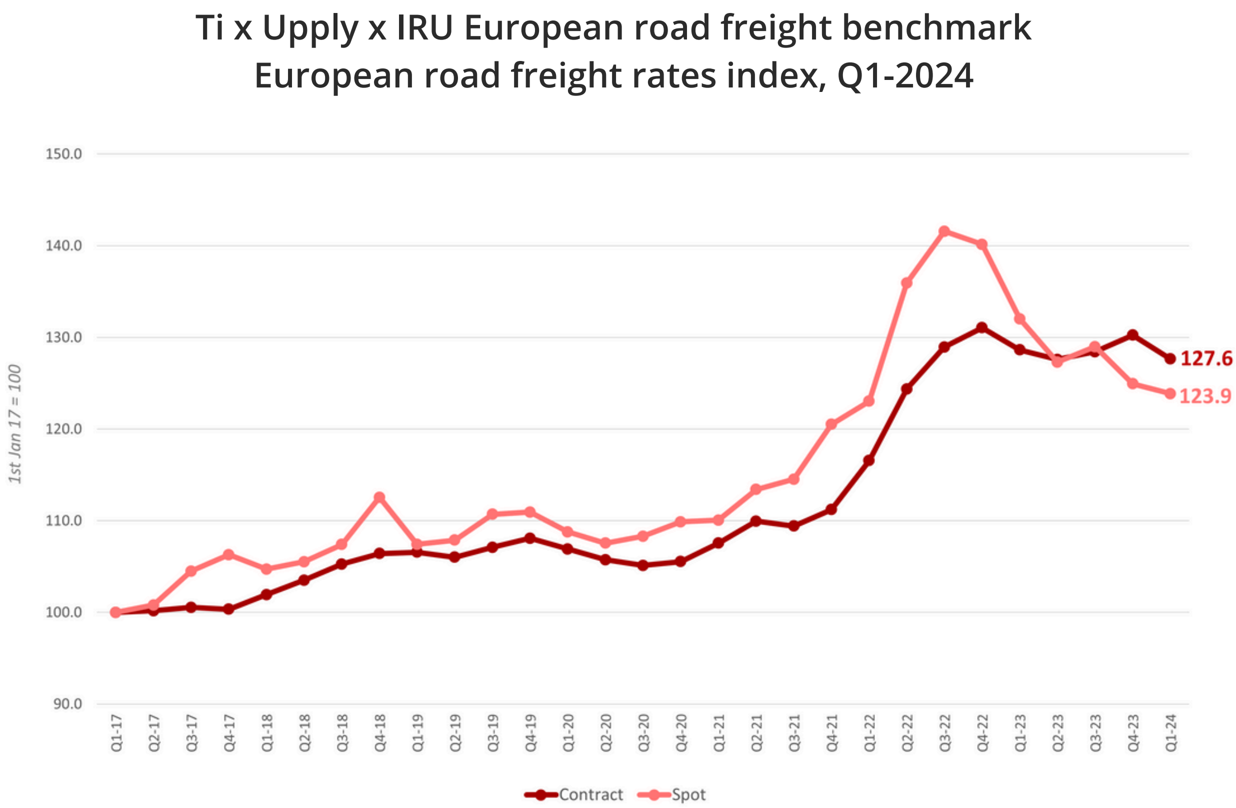
THE EUROPEAN **ROAD FREIGHT RATE** DEVELOPMENT **BENCHMARK**

Q1 2024

Contents

European Road Freight Market Benchmark



Source: Upply

Rate development

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.

Market Pressures

- ***Demand-side influences***

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. Nevertheless, demand pressure is expected to continue a slight upward trajectory.

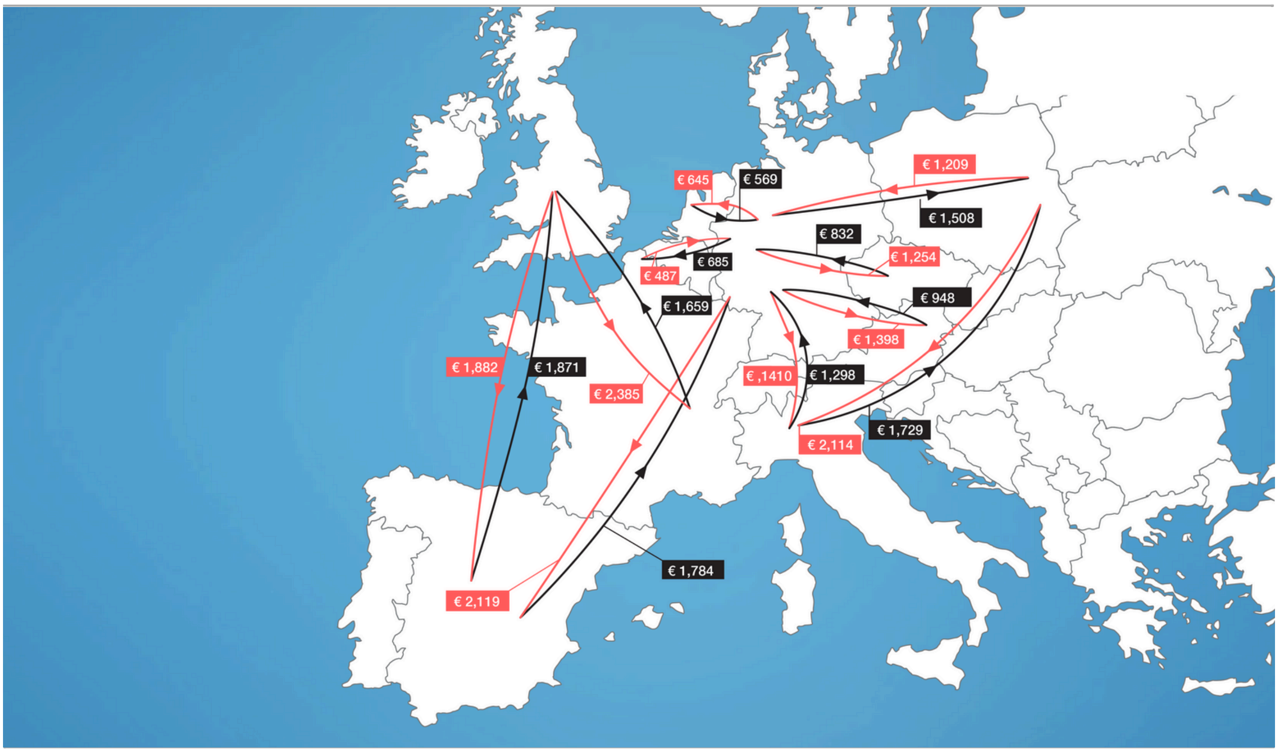
March's 2.4% European inflation rate was the lowest in 33 months and produced a 0.6-point growth in consumer confidence, according to McKinsey. The more stable demand picture reflected by these indicators has prevented extreme drops in spot rates.

According to Ti's Road Freight market sizing, the overall real terms growth in Europe in 2023 was -0.3%, as the market slightly contracted. However, the forecast for 2024 is a modest growth of 1.1% for the region.

- ***Supply-side influences***

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

Ti x Upply x IRU European Road Freight Benchmark Map – Q1 2024
Contract Rates



Source: Upply

Ti x Upply x IRU European Road Freight Benchmark Map – Q1 2024
Spot Rates

Source: Upply

Operator costs

Fuel costs

Diesel prices at pump (€/L)

Source: IRU. Fuel prices at pump include taxes.

Diesel prices have fallen across Europe from their highs last year, easing some supply-side pressure. At the end of Q12024, the average diesel price at pump in Europe was at €1.68/L, down 9% versus their peak last year at end of September (even if still 10% above its January 2022 level).

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 3% up at the end of Q12024 versus beginning of January 2024), pushed up by rising crude oil prices. The Brent crude oil spot price averaged $85 per barrel (b) in March, a $7/b increase compared with December and the third consecutive month of average Brent price increase.

Crude oil prices have been increasing in Q1-2024 due to:

- Heightened uncertainty and geopolitical risk related to the attacks targeting commercial ships transiting the Red Sea shipping channel and general elevated tensions around the region. The Red Sea is more critical to the flexibility of global oil trade than in years past following Russia's full-scale invasion of Ukraine. These attacks have increased both transit times and shipping costs for oil, limiting the flexibility of the oil market to adjust to any future supply disruptions. The attacks also add a risk premium to prices due to the potential that oil production in the Middle East could be shut in during the forecast period. However, the impact of the Red Sea attacks on oil prices has been limited because of prolonged global oil inventory accumulation during 2022 and 2023 and the lack of disruptions to oil production.

- Anticipated extension to voluntary OPEC+ production cuts, which were officially announced on March 4. The OPEC+ voluntary production cuts are an extension of the existing production cuts that were announced on November 30, 2023 [1] (2.2 million b/d for early 2024) and are now extended through the second quarter of 2024 (2Q24). The announcement also included an additional voluntary production cut from Russia of 471 thousand b/d for the same period (2Q2024), which comes on top of the voluntary cut of 500 thousand b/d, announced in April 2023 and which extends until the end of December 2024.

[1] Totalling 2.2 million b/d for early 2024, led by Saudi Arabia rolling over its existing voluntary cut of 1 million b/d).

Tolling costs

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 CNR, prior to the tolling rate increase, tolling costs represented around 14% of total operating costs in Germany and 18% in Austria [2].

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) [3].

There are two different approaches to determine the vehicle classification and the corresponding CO2 toll tax:

In Austria, Czech Republic and Germany, the concept of CO2 class is used, going from class 1 for the vehicles with highest CO2 emissions to class 5 for zero emission vehicles.

- For most trucks, there are only two levels: class 1 for diesel engine and class 5 for electric or hydrogen powertrain.
- For vehicles already passing through VECTO, a CO2 emission software used by the EU, more classes are possible. Today, only two and three axles trucks and tractor, with a gross vehicle weight greater than 16 tonnes, with one driving axle are concerned.
- For trucks older than July 2021, they fall into the class 1. For younger trucks, and according to their VECTO results when first purchased, they can be class 2 if they are better by 5% than a reference value, class 3 if better than 8%, and class 4 if better than 50%. Class 1 to 4 apply for both diesel and natural gas variants.

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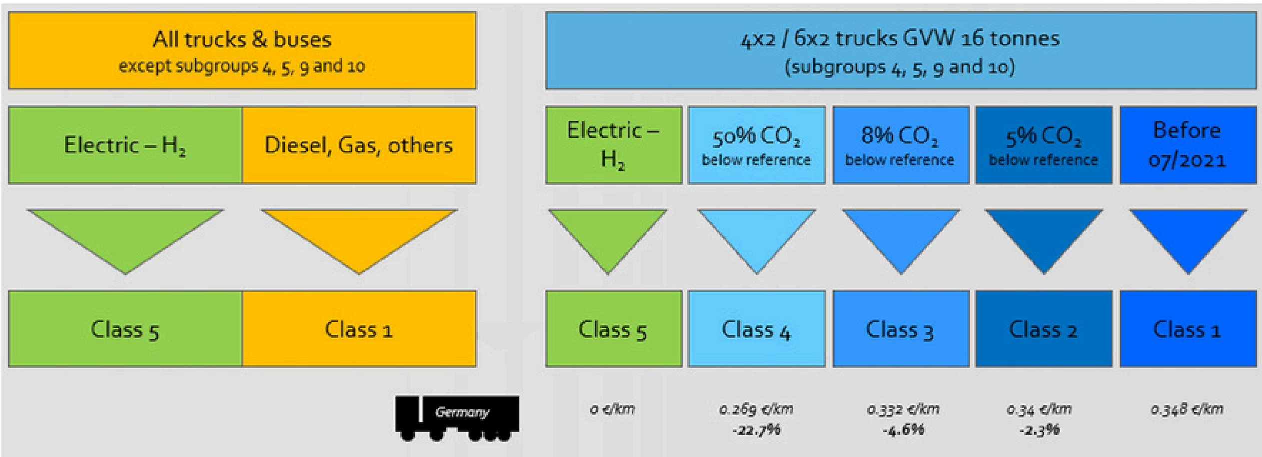
[2] Comité National Routier, share of operating costs excluding overheads for a 40-tonne Heavy Goods Vehicle operated on long distance international routes.
[3] Volume in tonne-kilometres. For more insights on EU's truck fleet, check IRU Intelligence briefing Versatility on the road: unpacking the EU's truck fleet.

CO2 toll will vary depending on the vehicle class. On the total toll, class 5 are exempting, until 2026 in Germany, but class 5 trucks will see a 75% toll reduction afterwards. In the case of Germany, it means that a class 2 vehicle offers a -2.3% toll reduction compared to a class 1, up to 22.7% for class 4.

Class of vehicles concerned and how CO2 toll tax is calculated

Austria, Germany and Czech Republic

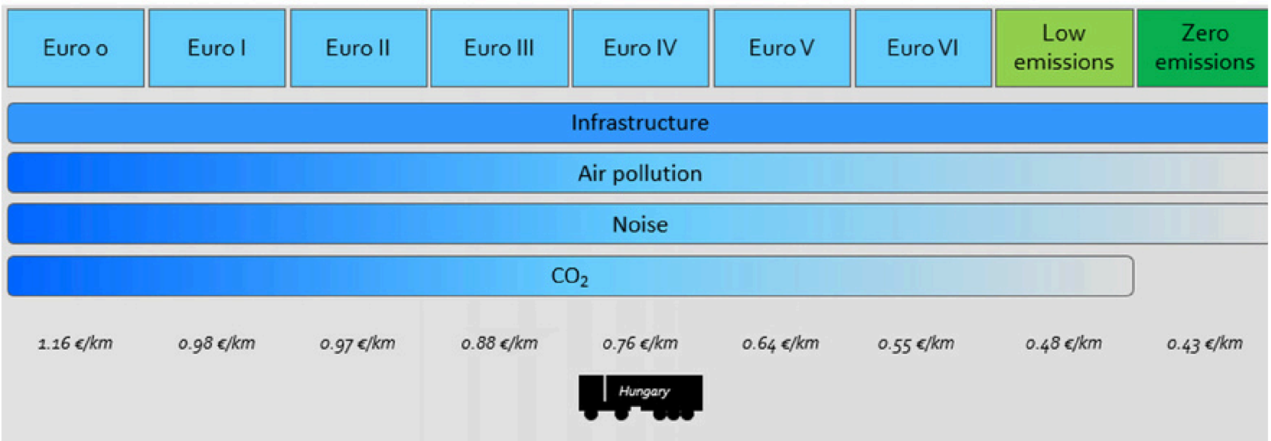


Source: IRU

Hungary has not yet adopted the same system as Austria, Germany, and the Czech Republic. All vehicles pay fully for the infrastructure part of the toll. There is a cost reduction for external charges, such as air pollution and noise, based on vehicle pollutant emissions. The same applies to the CO2 component of the toll, where only zero-emission trucks (electric and hydrogen) are fully exempted. The category for low-emission trucks is similar to the class 4 used by other Member States.

Class of vehicles concerned and how CO2 toll tax is calculated

Hungary



Source: IRU

Outlook

Demand-side and rates

The outlook for spot rates across Europe suggests reduced rate declines as we enter a more stable demand environment in 2024, thanks to lower inflation levels. This stability will lead to fewer volume drops, which drastically pulled down rates in 2023. Contract rates may experience some minor rate declines due to anticipated reduced activity levels in 2024, reducing the need to secure high volumes. Nonetheless, elevated costs will likely limit the extent of rate declines, and contract rates are expected to remain above their 2021 levels.

As indicated by Ti, 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.

According to the European Commission, in 2024 GDP growth will improve to 0.9% in 2024, up from 0.5% in 2023. However, geopolitical tensions and the broadening of the Middle East conflict to the Red Sea tilt the balance of risks towards more adverse outcomes. Additional trade disruptions could bring renewed stress to supply chains, hampering production and adding price pressures. Domestically, a faster recovery of consumption, higher-than-expected wage growth and a lower-than-anticipated fall in profit margins could hold back the disinflation process. On the downside, a more persistent transmission of the still tight monetary conditions could further delay the rebound in economic activity, pushing inflation lower.

Supply side

- ***Fuel prices***

The International Energy Agency (IEA) forecast Brent crude oil spot price to increase to an average of $90/b in 2Q2024 due to tighter oil markets, as the recent extension of OPEC+ voluntary production cuts add upward price pressure right at a time of the year when oil demand typically increases because of the spring and summer driving seasons in the Northern Hemisphere. Oil prices are expected to remain relatively flat for the rest of the year, averaging $90/b in Q42024, before increasing inventories (when OPEC+ supply cuts are set to expire) start putting slight downward pressure on the price in 2025.

However, several key uncertainties could affect future prices.

- Although no oil production has been lost because of the attacks on commercial shipping traveling through the Red Sea, production could still be disrupted or some oil production in the Middle East could be shut in, which would likely cause oil prices to increase.
- It also remains to be seen how strictly the latest round of voluntary OPEC+ production cuts are adhered to, which has the potential to add additional oil supplies back on the market and lessen the expected tightness in near-term oil balances and the corresponding upward pressure on oil prices.
- In addition, global oil demand to grow by 1.4 million b/d in both 2024 and 2025. Higher or lower demand growth would affect global inventory levels and oil prices.

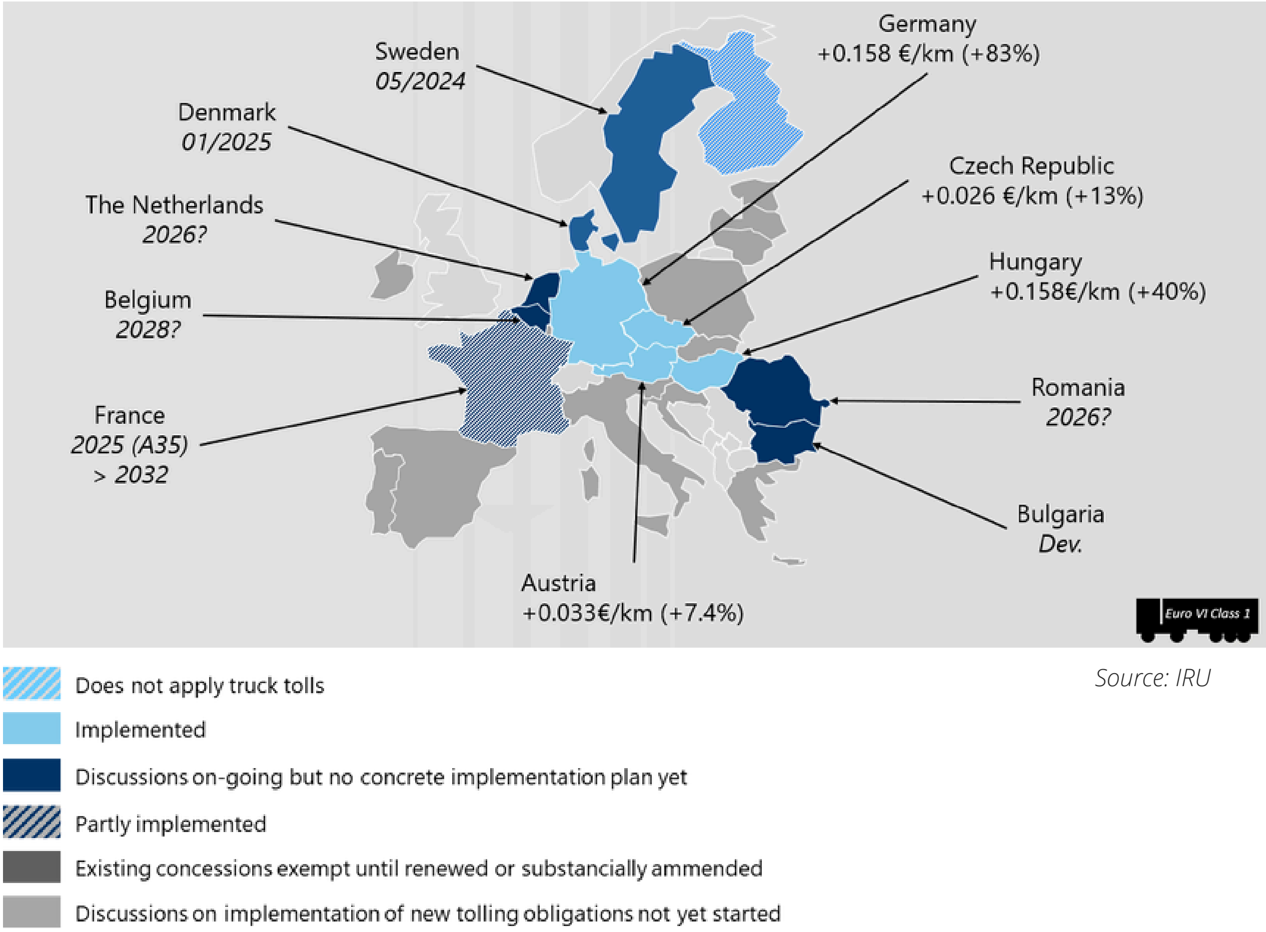
- ***Tolling***

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, distance-based tolling concessions are in place (long-term concession contracts granted to private operators). T, the new framework of Directive (EU) 2022/362 will only apply to new and renewed concessions after 24 March 20242022, 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.

What is the agenda of CO2 toll implementation across Europe?

Tolling increases by country for a Euro VI Class 1 truck



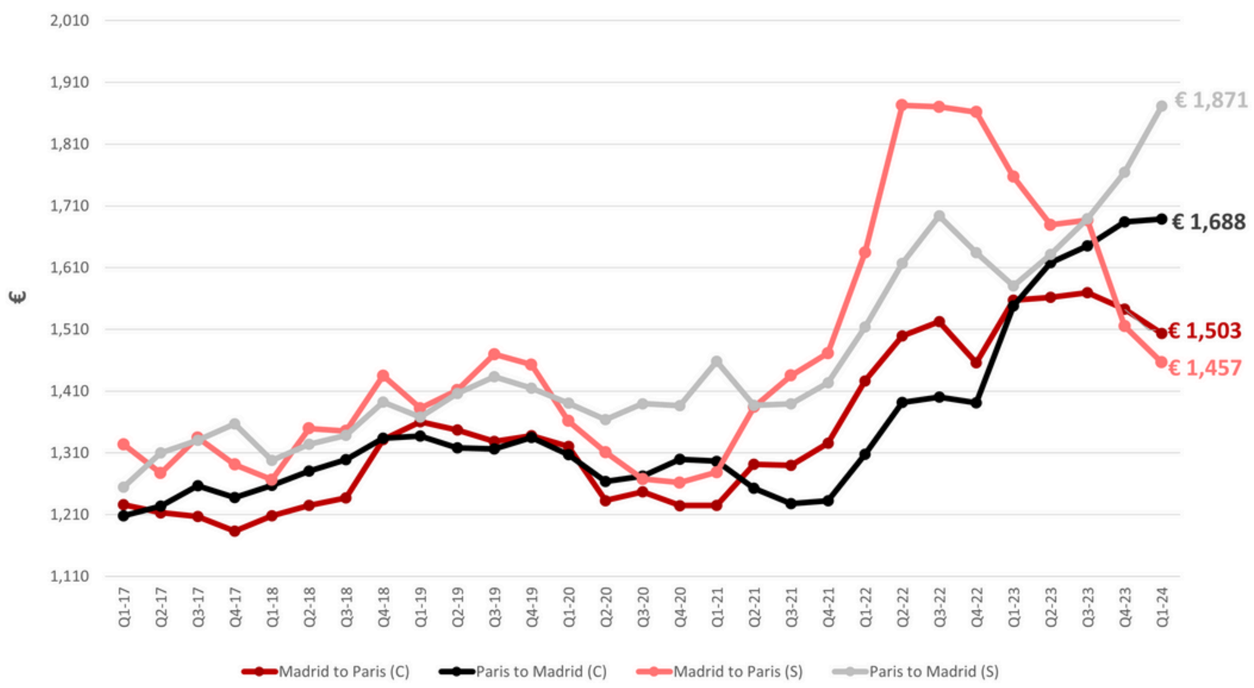
Source: IRU

- ***Other developments impacting costs***

The revision of EU Weight & Dimension directive is currently on-going. The European Parliament has already adopted its negotiating position, while the Council has not yet done so. Additionally, the Parliament will be entering into recess at the end of April, so the final text will be negotiated under the next Parliament and is not expected before the end of the year. 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.

France – Spain

Paris - Madrid Road Freight Rates



Source: Upply

Rate development

On the headhaul from Paris to Madrid, contract rates rose 0.3% quarter-on-quarter to €1,688 (€1.33/km), up 9.1% year-on-year. The spot rate rose to €1,871 (€1.47/km), up 6.0% quarter-on-quarter and now up 18.4% year-on-year.

On the backhaul to Paris, contract rates fell 2.5% quarter-on-quarter to €1,503 (€1.19/km), leaving them down 3.5% year-on-year. Spot rates fell 3.9% quarter-on-quarter to €1,457 (€1.15/km), down 17.1% year-on-year.

The gap between spot and contract rates has widened on both legs. Toward Paris, the spot is now 3.2% cheaper than contract, up from 1.8% in the previous quarter. To Madrid, the spot price is now 10.8% more expensive than contract, up from 4.8% in the previous quarter, due to high spot rate growth.

Market Pressures

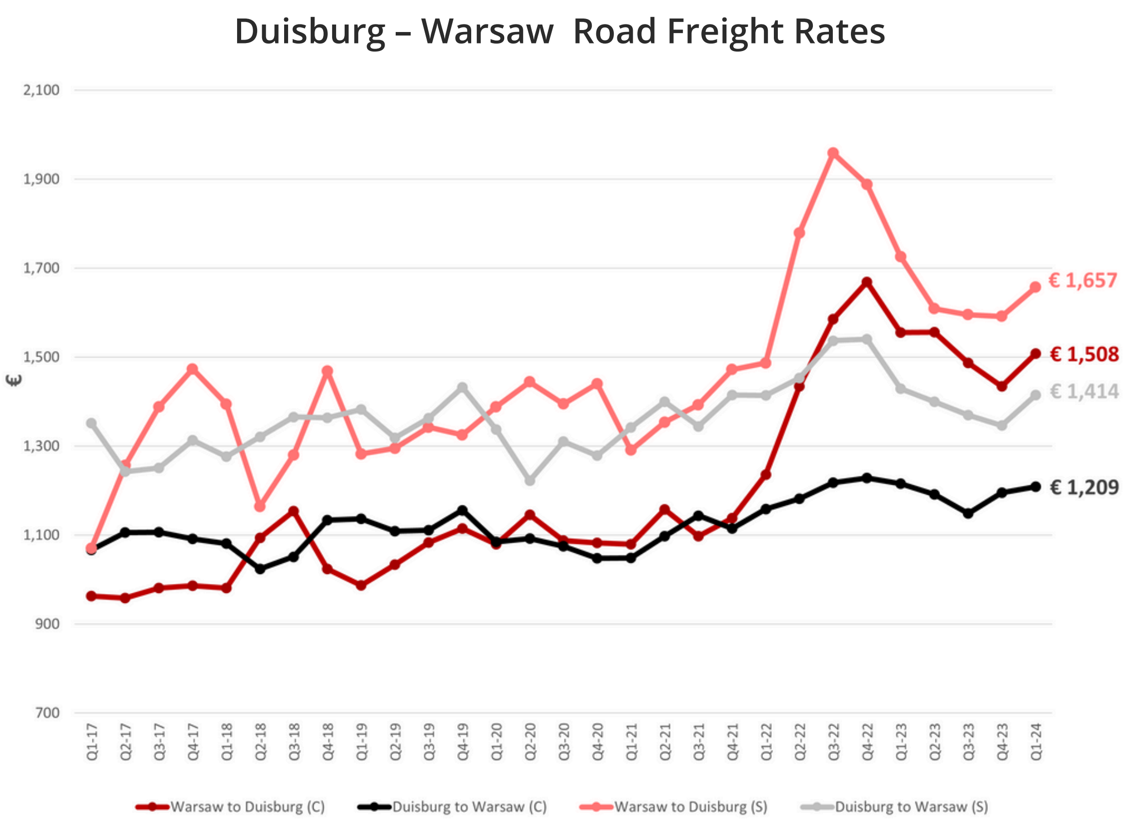
After a complete switch in Q3-23, prices on the two legs continue to diverge as a result of contrasting demand environments in France and Spain.
Spanish demand for goods continues to strengthen, with OECD data from February 2024 showing the country's economy grew faster than all but two of the 38 OECD countries in 2023. Spanish consumption remains stable, with seasonally adjusted retail volumes showing 0.5% growth in Q1 2024. Recovery in the Spanish tourism industry has been a key driver of demand, growing 6.9% in 2023 and expected to reach levels 2.5% above its 2019 level in 2024. This will likely further drive activity and demand for goods in Spain as tourists spend lavishly on holidays. Industrial production is also adding more demand-side pressure to rates, with seasonally adjusted manufacturing output growing 0.7% quarter-on-quarter, car production up 2.0% quarter-on-quarter, and 6.0% year-on-year.

Spot rates on the backhaul have been pulled down by continued weak demand, while reduced cost pressure and weaker long-term output expectations from French industry are pulling down contract rates. French retail numbers show the expected post-peak drop in demand, with an unadjusted drop of 15.2% in Q1 2024 versus Q4 2023. However, once seasonally adjusted, retail volumes fell by 0.4%, indicating that underlying consumption activity is still declining in France. Research by ONEY suggests retail pressure will remain low in 2024, as 70% of French consumers intend to continue cutting back on spending. However, this is a slight improvement over 2023, suggesting the downward pressure may ease and lead to smaller spot rate falls.

Outlook

The outlook for rates between Spain and France continues to reveal two contrasting stories. On the headhaul, the Spanish economy outshines the rest of Europe, with continued growth in consumption, tourism, and production keeping demand-side pressure on rates high, leading to elevated road freight rates. On the backhaul, more rate falls are likely, but the size of spot rate falls seems set to decrease as consumption settles. However, further contract rate falls are likely as cost pressure eases and the long-term outlook for industrial output falls.

Germany – Poland



Source: Upply

Rate development

Quarter-on-quarter, all rates have risen on this lane, for both headhaul and backhaul. On the Warsaw to Duisburg leg, contract rates were €1,508 (€1.40/km), up by 5.1% quarter-on-quarter. Spot rates were €1,657 (€1.53/km) in Q1 2024, up 4.1% quarter-on-quarter. Year-on-year headhaul rates are now down -3.0% in the contract market and -4.0% in the spot market.

Conversely, on the backhaul, Duisburg to Warsaw leg, contract rates stood at €1,209 (€1.12/km), up by 1.1% quarter-on-quarter, with spot rates at €1,414 (€1.30/km), up by 5.1% quarter-on-quarter. Year-on-year backhaul rates are now down -0.5% in the contract market and -1.0% in the spot market.

Spot rates are consistently higher than contract rates for both legs. In the Warsaw to Duisburg leg, spot rates currently exceed contract rates by 9.9%, showing a slight decrease from the previous quarter's 11.0%. Similarly, on the Duisburg to Warsaw leg, spot rates are 17.0% higher than contract rates, increasing from the previous quarter's 12.6%.

Market Pressures

Polish diesel prices in Q1 2024 were lower than their Q4 2023 average price, resulting in lower operating costs and contributing to the drop in headhaul spot and contract road freight rates.

According to a McKinsey survey, in February 2024, European consumers expressed slightly more optimism compared to the previous quarter. The rise in consumer confidence likely stemmed from factors such as stabilized inflation and an improved job market. Consumers remain cautious but are seeing slight improvements in savings. The goods most people intend to spend on include home improvement, gardening supplies, travel, and sports/outdoor equipment, typical for the beginning of the year. This is demonstrated by a year-on-year demand rise for household goods in Germany by 8.0%. As a result, the demand for German-made consumer goods and the German capital and intermediate goods that facilitate the creation of these goods across Europe is stabilizing. The effect on road freight rates is fewer severe drops in rates like those seen during 2022 and 2023 when demand was plummeting in the face of rising consumer prices.

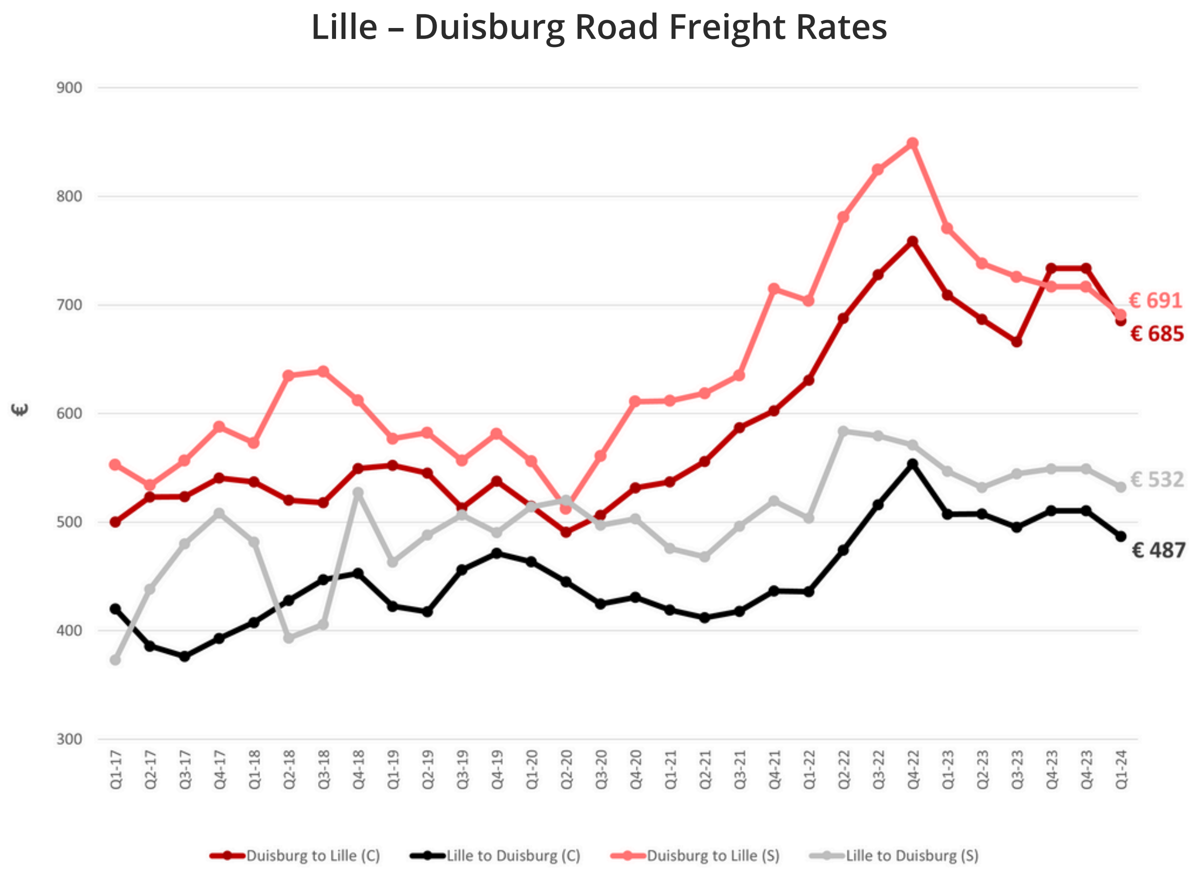
Eurostat's retail release reveals that overall demand for goods fell quarter-on-quarter in Germany, by 9.7%. However, year-on-year, Germany has witnessed a slight improvement in demand, as it increased by 3.4%.

As the year progresses, global economic and geopolitical uncertainties may continue to influence consumer behaviour, requiring consumer goods and retail businesses to adapt to changing market dynamics.

Outlook

Q1 2024 is the first full quarter effected by Germany's new emission based tolling systems and this resulted a significant rate increase which will form part of the cost base going forward. It's possible that rates will rise further with the slight improvement observed in consumption; however, it is not likely that rates will rise significantly as demand is yet to be fully rejuvenated. The magnitude of spot rate rises will diminish as consumption normalizes. Nonetheless, incremental decreases in contract rates in the upcoming quarters seem possible as pricing pressure alleviates and the long-term forecast for production output weakens.

France – Germany



Source: Upply

Rate development

On the Duisburg to Lille leg, contract prices averaged €685 (€2.27/km), with spot rates closely aligned at €691 (€2.29/km), a slight 0.8% difference. Conversely, on the Lille to Duisburg leg, spot rates were 9.3% higher than contract rates, with contract rates averaging €487 (€1.61/km) and spot rates at €532 (€1.76/km).

Quarter-on-quarter, contract rates for both legs have decreased, with Duisburg to Lille dropping by 6.6% and Lille to Duisburg by 4.7%. Year-on-year, contract rates have seen decreases of 3.3% and 4.1% for the Duisburg to Lille and Lille to Duisburg legs, respectively. However, spot rates have experienced a more substantial drop from Duisburg to Lille (-10.3%). Between Lille and Duisburg, the drop in spot rates is limited to 2.7%.

As a result of the price changes, the gap between spot and contract rates has narrowed on the headhaul but widened on the backhaul, where spot rates continue to sit above contract rates by 9.3%.

Contract rates have dropped in relation to falling fuel prices, as diesel prices in Germany have decreased from their highs last year. Diesel prices have dropped 2.8% compared to the same quarter last year; April prices stood at €1.74/l, which is 5.7% lower than January 2023 (€1.84/l). As such, falling fuel prices have facilitated the fall in contract prices, in addition to a fall in long-term demand.

Market Pressures

Motor vehicles and parts exports accounted for 17.0% of Germany's total exports and were Germany's main export in 2023, according to figures from Destatis. The German Association of the Automotive Industry states that December's automotive exports were 1% lower compared to the same month in 2022. In 2023, 3.1 million cars were delivered from German plants to customers around the world, 17% more than in 2022. Car exports remain 11% below 2019 levels when 3.5 million new cars were exported from Germany. The structurally lower demand these statistics reflect has resulted in lower volumes on this lane, which is applying downward pressure on road freight rates. Evidently, long-term demand on the headhaul is recovering, albeit slowly, and with tolls already in place this quarter, we can expect that contract rates are normalizing. Spot rates are following a very similar trend due to cautious consumer attitudes.

French retail giant Carrefour reports that in Q4 2023, sales in France increased by +1.0%, with growth of +1.9 % in food sales and a decline of -5.8% in non-food sales. E-commerce gross merchandise value (GMV) saw a significant rise of +16% during the quarter, in alignment with previous periods. Throughout 2023, Carrefour experienced like-for-like growth of +4.7%, primarily driven by a robust +6.0% increase in food sales, while non-food sales saw a decline of -4.9%. E-commerce GMV continued its upward trajectory, growing by +16%. This reflects less long-term demand for non-food items, which is reflected in the significantly slowed increase in contract rates and a decline in short-term consumption of non-food items among French consumers.

According to Eurostat, France's overall unadjusted demand for goods decreased more sharply quarter-on-quarter by 15.2% as peak demand dropped and pulled down rates. Year-on-year demand is down by 0.3%, suggesting demand is weakening gradually. Additionally, car sales increased 6.4% in Germany and 4.8% in France on a year-on-year basis, respectively.

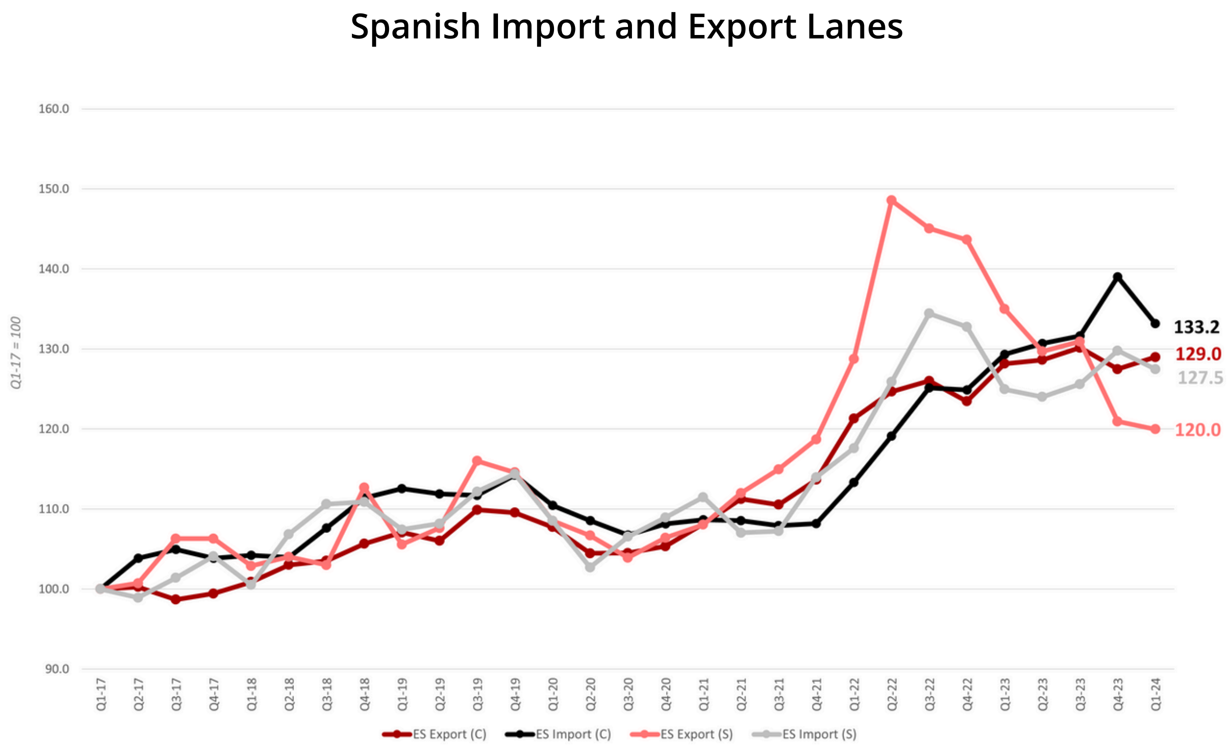
The French manufacturing PMI fell to 45.6 points from 47.3 in March 2024. Readings below 50.0 point to a contraction in activity. The decline in production is largely attributed to weakened demand from European customers and the ongoing protests against raising the state pension age. This points toward a decline in demand for intermediate goods from Germany required for French production, evident in the fall of rates on the Duisburg to Lille leg.

The effect of less goods being demanded by the French consumer is evident from the quarter-on-quarter drop in spot rates on both legs: down 3.6% on the headhaul and 3.1% on the backhaul, respectively.

Outlook

Looking forward, demand pressure on both legs can still decrease, and contract rates are in a position to fall further as a result. Spot rates on both legs look to be normalizing as a result of the combination of cost savings and the slowdown in manufacturing, which reflects low demand.
Germany's new emission-based toll system led to rate growth on the headhaul as higher tolls were incorporated into contract prices, resulting in a 10.2% quarter-on-quarter rise in quarter 4 of last year. It's important to note that this increase isn't a temporary surge and has added to the already high cost base on this lane.

Spanish International Lanes



Source: Upply

Rate development

On export lanes, contract prices rose by 1.5 points quarter-on-quarter to 129.0 points, putting them up 0.8 points year-on-year. The spot market fell by 1.0 point quarter-on-quarter and now sits at 120.0, 15.0 points below its level one year ago.

On import lanes, contract rates fell by 5.8 points quarter-on-quarter to 133.2 points; however, they remain up 3.9 points year-on-year. Spot rates on routes into Spain fell by 2.3 points quarter-on-quarter but remain up 2.5 points year-on-year.

After significant rate declines over the previous 1.5 years, spot rates on export lanes appear to be normalizing, while contract rates continue to edge upward. Meanwhile, rates on import lanes fell back down after a seasonal spike, but both continue to show signs of long-term growth and sit above their Q3 2023 level.

Market Pressures

Spain's economic growth was outperformed by only two of the OECD's 38 countries in 2023, according to OECD data from February 2024. In addition, in Q1 2024, Spain had the strongest economic growth and new employment growth of all Europe's major economies. This, in turn, is providing positive momentum to domestic demand for goods and keeping upward pressure on import road freight rates.

Recent drops on import lanes were driven by a 12.8% quarter-on-quarter drop in non-adjusted retail volumes due to the expected post-peak drop in demand for consumer goods. However, once adjusted for seasonality, retail activity in Spain grew by 0.5% quarter-on-quarter, indicating underlying growth in the Spanish retail market. Of Europe's five largest economies, only Spain has seen growth in consumption over the previous 24 months.

Spanish production is also putting upward pressure on road freight rates; total seasonally adjusted manufacturing output grew by 0.6% quarter-on-quarter based on available Q1 2024 Eurostat data. Total manufacturing output is up 2.3% year-on-year, which contrasts sharply with the European Union's overall decrease of 6.0%. Production of cars and capital goods shows particular strength, up 6.5% and 4.5%, respectively. Electric car production looks set to demand larger volumes of road freight in 2024, with Volkswagen, Renault, and Chinese manufacturer Chery all opening or expanding electric vehicle production in the country.

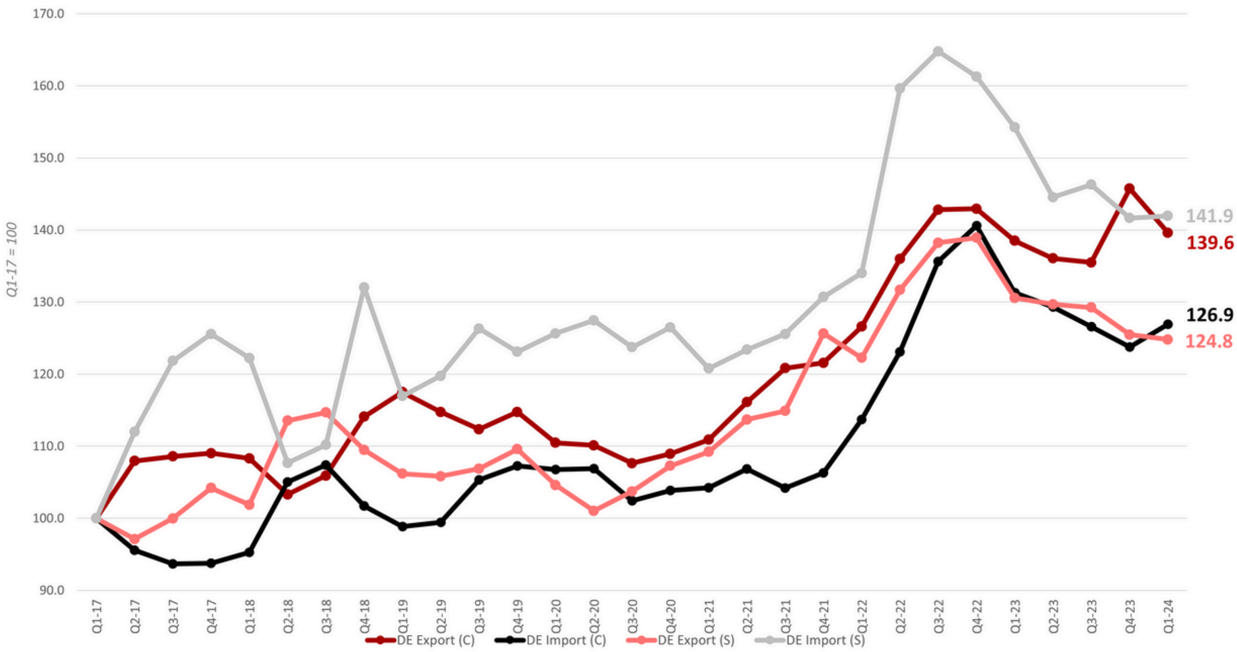
Spot rates on export routes have been pulled down by weak demand for finished and intermediate goods from the rest of the continent due to weakened consumption and falling production. Seasonally adjusted retail sales in Europe's major economies are down 5.1% year-on-year, based on available data from Q1 2024, and the demand for Spanish consumer goods is down considerably as a result. However, thanks to lower inflation, European consumer confidence appears to be recovering, growing by 0.6 points in Q1 2024. As a result, the downward pressure on export spot rates is easing, leading to smaller rate decreases and possibly the beginning of normalization of export spot rates, albeit at a level above 2021.

Outlook

The outlook for Spanish international rates suggests a slowing in the size of rate decreases on import lanes as the demand environment in the rest of the continent stabilizes but remains weak. Additionally, costs remain elevated, meaning that rates will normalize at levels above 2021 prices. Import lanes, however, are still experiencing upward demand pressure from growing domestic activity and investment.

German Market

German Import and Export Lanes



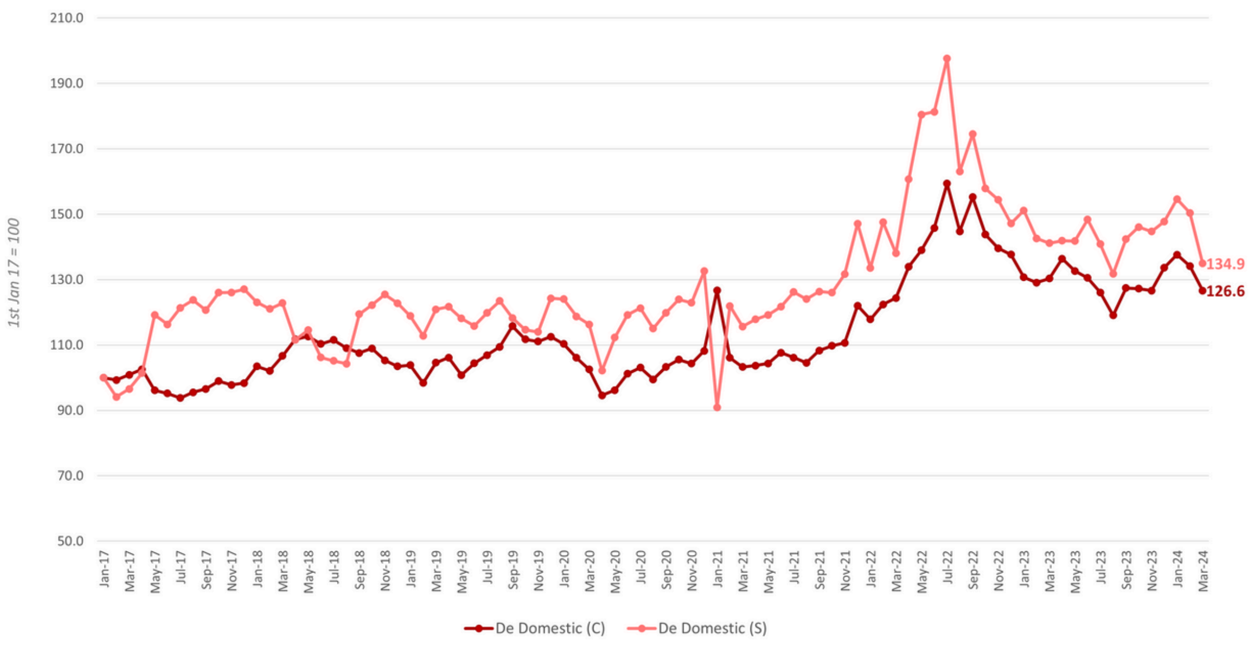
Source: Upply

Rate development

Contract rates for German export lanes have decreased by 6.1 points quarter-on-quarter from 145.7 to 139.6, whereas spot rates have seen a small decrease of 0.7 points, dropping from 125.5 to 124.8. Year-on-year, contract rates on export lanes have increased only slightly by 1.1 points, from 138.5 to 139.6, while spot rates have fallen by a more substantial 5.8 points, from 130.6 to 124.8 points.

On the import lanes, contract rates have decreased by 4.4 points year-on-year from 131.3 to 126.9, while spot rates decreased more substantially by 12.3 points from 154.2 to 141.9. In Q1 2024, spot rates on the export lanes are 10.6% lower than contract rates, while on the import lanes, spot rates are higher than contract rates by 11.9%.

German Domestic Road Freight Rates



Source: Upply

On German domestic routes, spot rates have increased 0.3% quarter on quarter and 1.2% year on year. Contract rates have followed a similar trend as they have increased 2.8% quarter on quarter and 2.1% year on year. However, on a month-on-month basis, domestic rates are falling on both spot and contract in Germany.

Market Pressures

German retail sales dropped for the fourth month in a row in February, falling by 1.9% month-on-month and -2.7% year-on-year. However, sluggish consumer confidence remains, it is continuing to make slow progress towards recovery, and as German consumption begins to settle, spot rate falls are slowing. Year-on-year, Germany has witnessed a slight improvement in demand, as it increased 3.4%, according to Eurostat.

German industry has rebounded at the start of this year after factory production grew at the fastest rate for a year in February, thanks to strong growth in construction and car making, and that is evident with Auto makers ramping up operations. The BMW Group is spending €200m to bolster the production of components. This brings the grand total of investments at Plant Landshut to €1 billion since 2020.

The 2.1% monthly increase in output for February was the second month of solid growth for German industry after growth was revised up to 1.3% in January, according to figures published by Destatis. However, industrial production is still down 4.9% from a year ago and down nearly 8% from a peak before the coronavirus pandemic. It is important to note that these figures are up from unusually low production numbers.

Due to weak new order growth, it is speculated that the rebound in manufacturing is not likely to continue throughout the year, thus we can expect there to be more downward demand side pressure looking forward. New orders at the country's manufacturers were down 10.6% in February from a year earlier, despite a slight increase from the previous month. There were few signs of a rebound in foreign demand for German goods after exports declined 2% from the previous month and 4.4% from a year earlier. The GfK consumer confidence indicator improved somewhat but remains low, and willingness to spend dropped for the third month in a row and the willingness to save remains close to levels seen during the financial crisis.

Vehicle repair costs decreased by -6.7% in Germany compared to the fourth quarter of 2023 but year on year there was an increase of 2.5%.
Another contributor to the recent price rises in Germany is the recent enforcement of new tolls. Germany's new emission-based tolls came into effect on December 1st, 2023, effectively increasing tolls for HGVs on German roads by around 80%. As previously stated, this increase will result in an extra 300,000 monthly expenses for some members of GVN (The Lower Saxony Carrier Association). These costs have been passed on to customers on contract, allowing it to push up rates, as January and February domestic rates rose, in addition to the rise in export contract rates. However, where this is not possible, it will have to be absorbed by carriers, raising costs and reducing already tight margins.

Outlook

German recovery remains sluggish for the moment, and with it rates rises will hover at low levels. And due to low short term and long-term demand, we can expect a slowdown in the rise of both contract and spot rates, affecting both international and domestic rates. Contract rates are not in a position to fall much further due to the new baseline set by the toll increases.

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.

Ti is one of the world's leading providers of expert research and analysis dedicated to the global logistics industry. Utilising the expertise of professionals with many years of experience in the mail, express and logistics industries, Transport Intelligence has developed a range of market leading web-based products, reports, profiles and services used by many of the world's leading logistics suppliers, consultancies, banks and users of logistics.

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Upply is the digital platform for freight transport professionals. Upply designs and develops cutting-edge and innovative solutions to help shippers, carriers and forwarders exploit the full potential of digitisation for their business.

Combining transport expertise and Data Science, since 2018 Upply has developed its leading solution, Smart, for benchmarking, tracking and analysing global freight rates. With Smart, supply chain players can make fully enlightened decisions and optimise their transport investments.

Through its Connect digital platform, Upply directly connects shippers with road hauliers and freight forwarders. As an operational tool, Connect simplifies transport operations by automating their processes.

To develop these unique technological solutions, Upply employs data scientists, logistics professionals and digital experts. The company is based in Paris and counts 60 employees.

For further information, please contact customer.service@upply.com.

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IRU, the world road transport organisation, has 75 years of on-the-ground experience with a network of 175 members from around the world. We represent the entire industry – bus, coach, truck and taxi, and strive for the sustainable mobility of people and goods across the planet.

As the voice of more than 3.5 million companies operating mobility and logistics services in over 100 countries, IRU fosters impactful solutions to help the world move better.
We bring a unique perspective, bridging the public and private sectors to support trade, economic growth, jobs, safety, the environment and communities.
IRU provides concrete services to transport and logistics companies, ranging from representation at the European and international level, trade and transit tools, driver skills assessments (including eco-driving), comprehensive research and insights with thematic workshops and roundtables on decarbonisation, driver shortages and digitalisation.

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