

EUROPEAN ROAD FREIGHT RATE DEVELOPMENT BENCHMARK



Q4 2019

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The European Road Freight Rate Benchmark – Q4 2019

Ti & Upply European Road Freight Benchmark rate - Average European Road Freight Rates, Q4 2019 - €



The Ti & Upply European Road Freight Benchmark rate remained steady in Q4 2019 at €1,102. This represents growth of just 0.1% from Q3, despite the peak season. On a year-over-year basis, freight rates are down 0.6%.

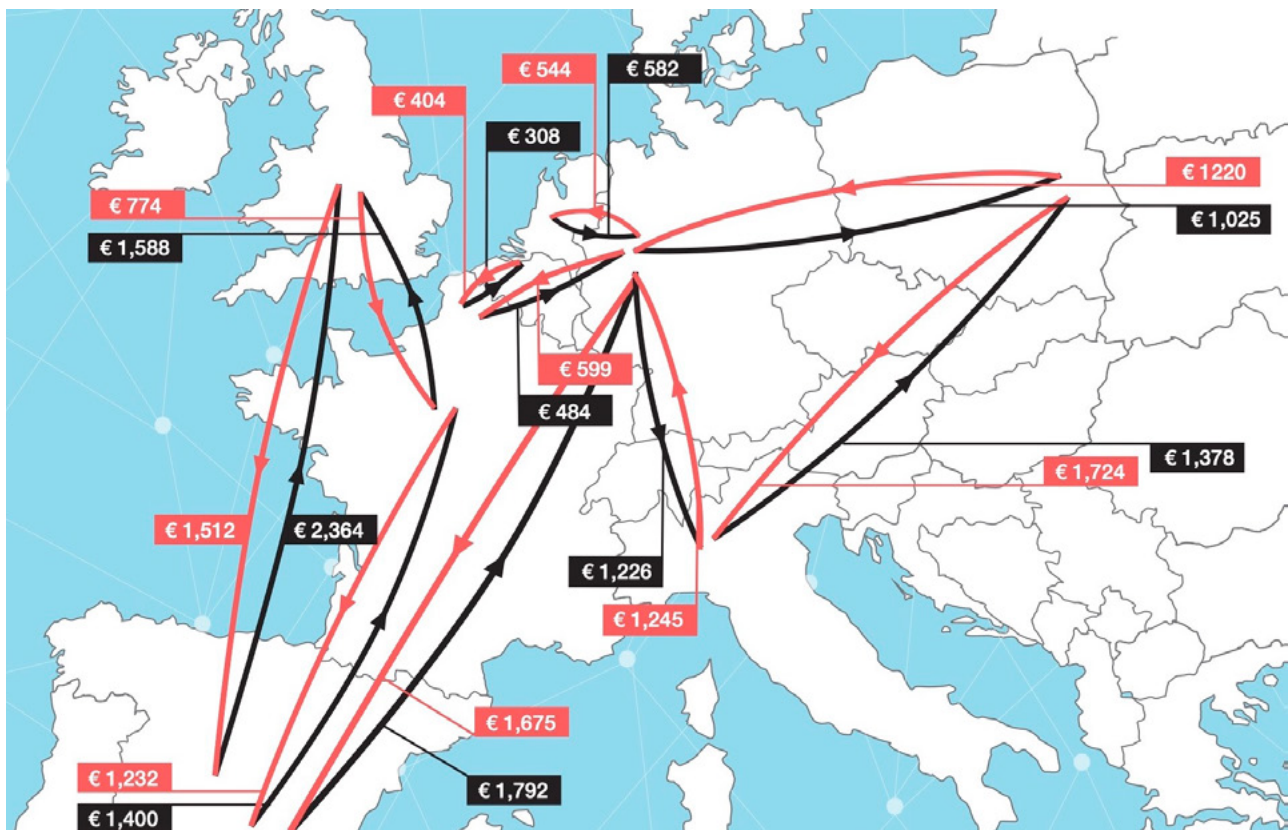
Of the 36 lanes covered in this benchmark, 14 saw rates increase quarter-on-quarter. The largest increase in growth was noted on the Milan-Warsaw lane, where rates increased 8.8%. Lille-Rotterdam and Lille-Antwerp both saw the greatest falls in rates, dropping 4.0%.

The European economy remains relatively static, with only limp growth for the region as a whole. Manufacturing production was weak – IHS Markit's PMI index for the Eurozone was 46.3 in December and has remained below 50 for 11 consecutive months. Private consumption levels appear to be propping up Europe's economic growth, although in Q4, the retail sector does not appear to have done much to increase freight rates. Consequently, there is little evidence to show that the peak season provided a boost to road freight rates.

Amongst key cost drivers, driver shortages remain an issue in several countries. However, given the relatively steady increase in freight rates seen through 2019, the impact appears limited and potentially already priced in by hauliers. Data from Eurostat shows a slight increase in average diesel prices to €1.38 per litre (€1.36 in Q3).

TI-UPPLY EUROPEAN ROAD FREIGHT RATE BENCHMARK MAP Q4 2019

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€/km

Shippers paid an average rate of €1.64/km for road freight services in Q4 2019. The variation in this cost between different lanes is largely dependent on the length of the lane. Longer routes create cost efficiencies, diminishing the significance of fixed and variable costs associated with road transport operations and lowering €/km prices.

In Q4 the most expensive lane in relative terms was Antwerp to Lille, at €3.22/km, which is nearly twice as costly as the European average. This is also the joint shortest journey covered, at 125.4km. A number of other lanes follow a similar trend, including Rotterdam-Duisburg, which has a journey distance of 206.9km and an average Q4 freight rate per km of €2.82, making it the second most expensive lane in relative terms and the joint third shortest lane.

Ti - Upply Road Freight Rates per km - Examples of Short Distance/High Rate Lanes		
Lane	€/km	km
Antwerp - Lille	3.22	125.4
Rotterdam-Duisburg	2.82	206.9
Rotterdam-Lille	2.69	226.5
Duisburg-Rotterdam	2.63	207.3
Antwerp-Duisburg	2.57	117.5

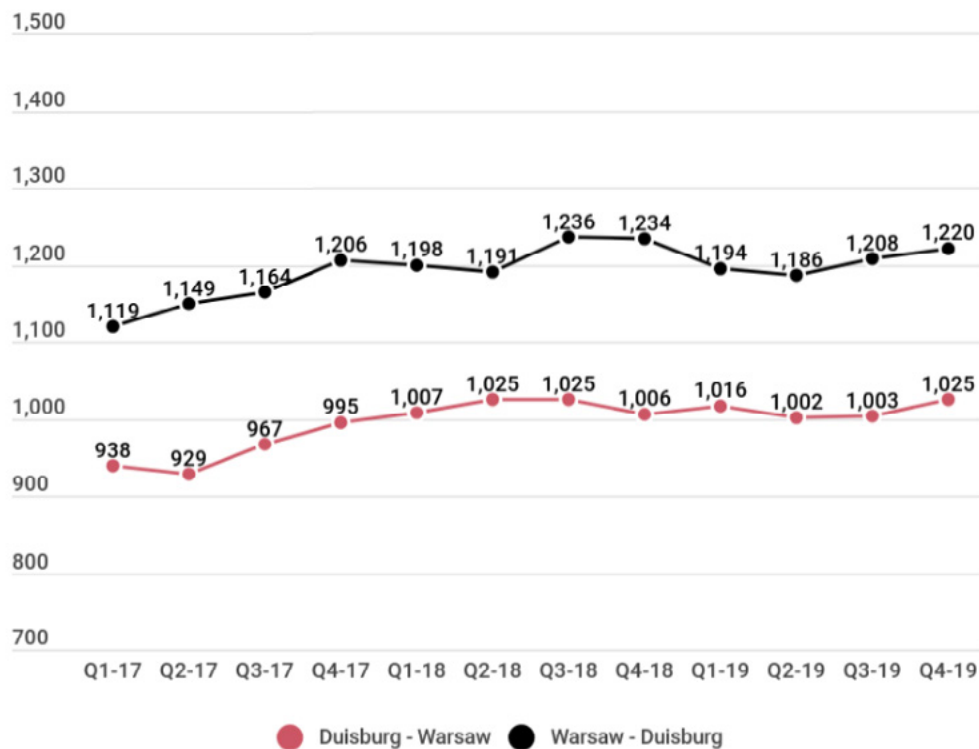
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- Weekly freight rate data and trend analysis for 20 international European road freight lanes
- Road Freight market sizing, share and forecast data
- Ti survey and interview findings on road freight trends like digitalization and driver shortages
- Market maps for the new digital landscape, with strategic profiling of start-ups and market incumbents
- Detailed coverage of the wider logistics market



Rate Development on Europe's Largest Trade Lanes by Volume

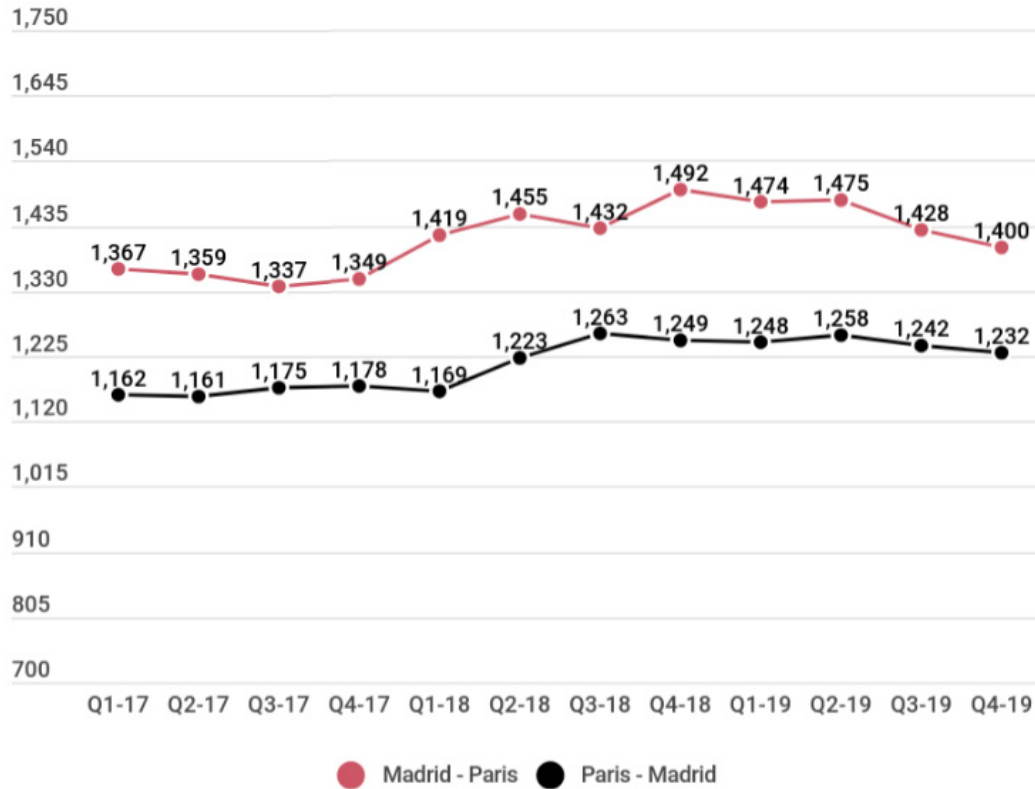
Duisburg - Warsaw Road Freight Rates - €



The Poland-Germany lane accounts for around 7% of international freight tonne-km in Europe, making it the continent's biggest road freight trade lane. This connectivity supports a significant portion of manufacturing in the region, with each country being the other's largest supplier of semi-finished goods. Both countries have had contrasting fortunes in Q4 in terms of their industrial production. For October and November, Poland's rate of production grew 4.6%, whilst Germany's sector contracted 5.0% year-on-year. The weakness of the German manufacturing industry had an impact on imports from Poland, especially in the automotive sector. However, the dynamism of the Polish domestic market had a positive influence on the transport sector.

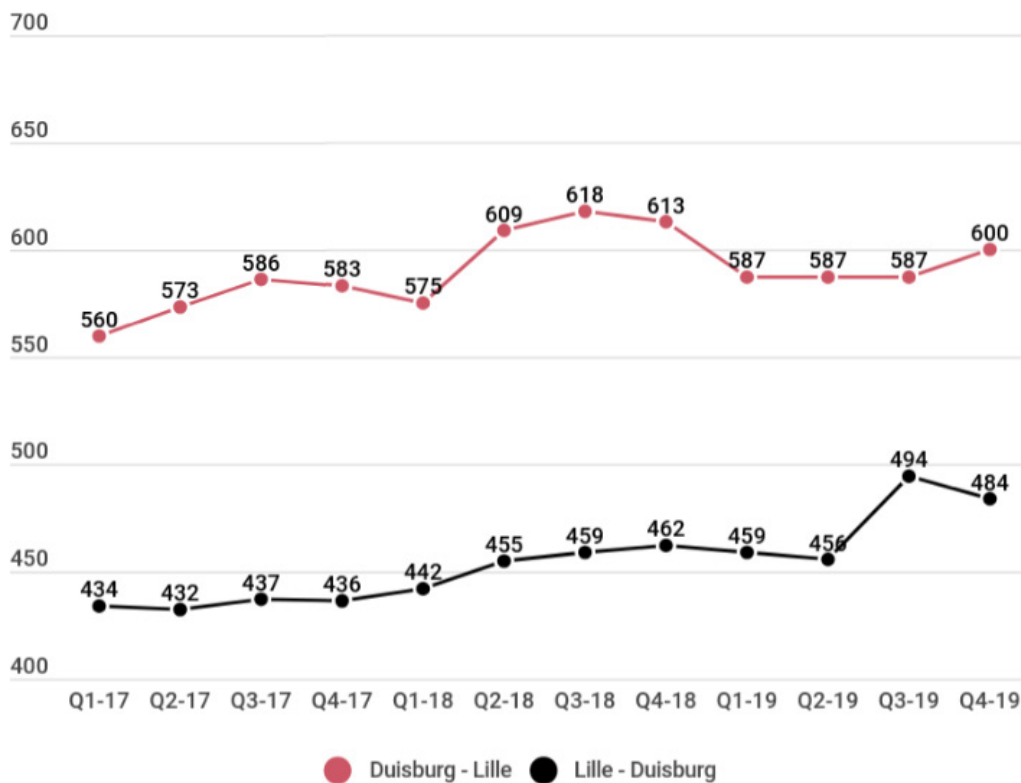
On the Duisburg-Warsaw lane, prices jumped 2.2% on headhaul and 1.0% on backhaul loads on a quarter-over-quarter basis. Against Q4 2018, Duisburg-Warsaw rates were up 1.9%, but backhaul lane rates were down 1.2%.

Madrid - Paris Road Freight Rates - €



On the Paris to Madrid lane, rates fell 0.8% against Q3 2019, and 1.3% year-over-year. However, the fall was more apparent on the backhaul lane to Paris, where rates fell 1.9% quarter-over-quarter, and 6.2% when compared to Q4 2018. The Spanish economy, which has fared better than other major Western European economies over the past year, appears to have slowed in the final quarter. Demand for Spanish-made products has fallen according to the IHS Markit PMI measure, which stated in December, "Export trade was reported to be down for the seventh survey period running, with demand from key European markets lower. The automotive sector remained a key source of weakness."

Duisburg - Lille Road Freight Rates - €

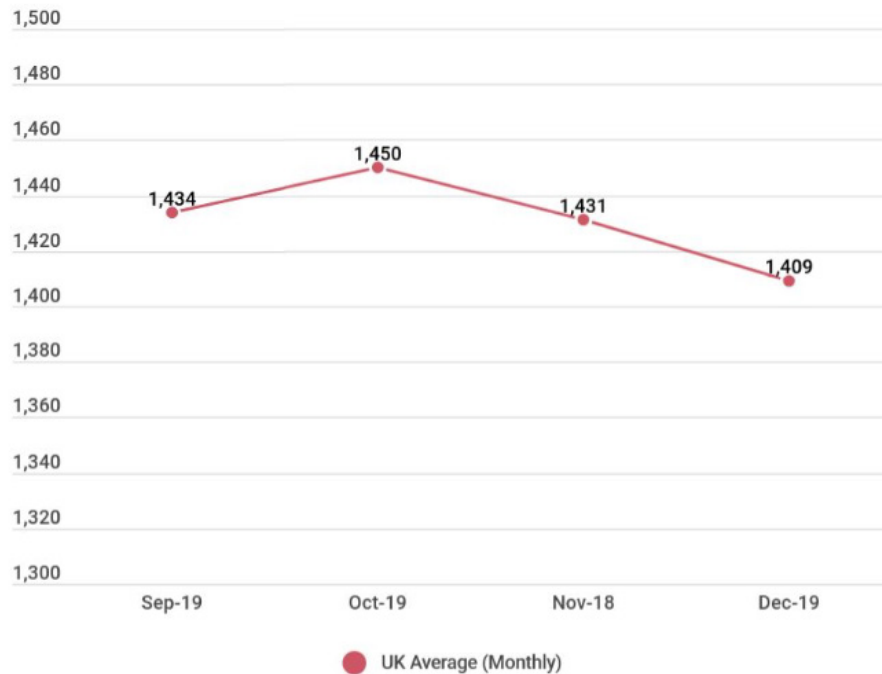


The disparity between rates on Lille-Duisburg lanes increased in Q4 2019. Duisburg appears to have a trade surplus with Lille and its outbound rates were 23.9% higher on average in during the quarter than inbound rates.

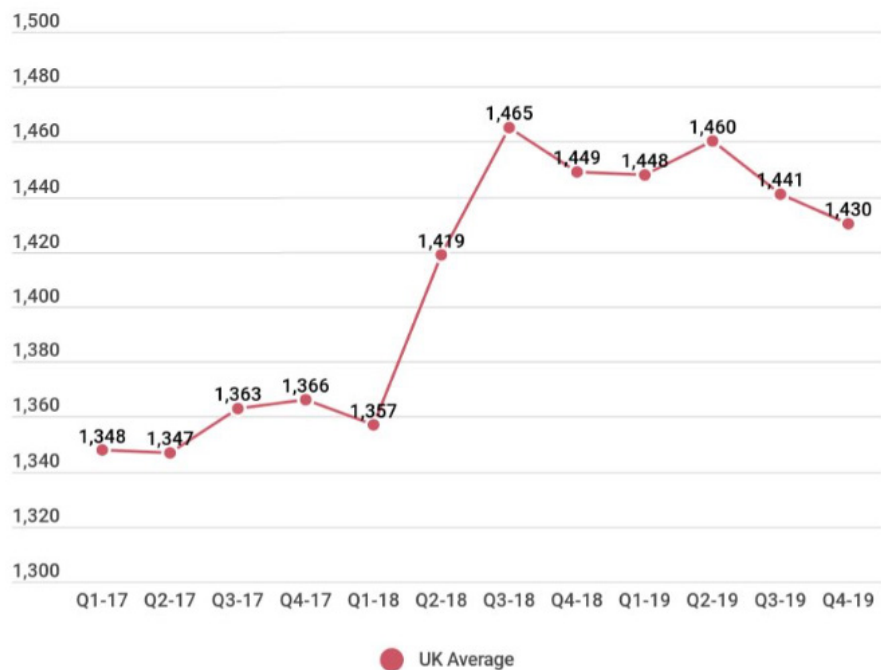
On the lane to Germany, rates have remained at a comfortably higher level than the year previous at €484 (+4.7%). This followed a particularly strong quarter for rates in Q3 2019 (+7.8% year-on-year) but Q4 levels did not quite reach such highs. Conversely, rates to France are lower than last year at €600, down 2.1% year-over-year in Q4. This is perhaps reflective of how weak Germany's manufacturing exports have been over the past year or so. As 2019 has progressed, internal demand in Germany has also been slack, leading to an increase in the available transport capacity.

Brexit – Impacts on Cross-Channel Road Freight Rates

UK Average Road Freight Rates (Monthly) - €



UK Average Road Freight Rates (Quarterly) - €



Note: Average monthly and quarterly UK road freight rates are derived from Birmingham – Duisburg, Birmingham – Madrid, and Birmingham – Paris roads average rates

The average freight rate on UK trade lanes was €1,430 in Q4 2019. This is a 0.8% decline from Q3 levels, and a 1.2% fall year-on-year.

Rates appeared to increase slightly in anticipation of the previous October 31 Brexit deadline, as Prime Minister Boris Johnson flirted with the possibility of a No-Deal exit from the EU. October 2019 rates were up both on a month-on-month (+1.1%) and year-on-year (+1.7%) basis. During the month, companies rushed to stock warehouses with the Confederation of British Industry confirming inventory volume to expected sales ratios were at the highest level since 1983.

Rates fell in the subsequent months as Brexit uncertainty continued, economic activity slowed and the retail sector slumped in a particularly weak peak season. According to the British Retail Consortium, sales fell 0.9% in the final two months of 2019, which led to an annual contraction in the UK retail sector for the first time in 24 years. UK freight rates appear to have mirrored the weak demand – average rates were down 2.0% year-on-year in November and 4.1% in December.

With the general election now appearing to provide a degree of certainty as to the UK's future relationship with the EU, the next few months will be watched with a great deal of interest.



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Slowdown in Germany – Europe’s Manufacturing Heartlands

Germany Average Road Freight Rates - €



Note: Average German road freight rates are derived from inbound and outbound lanes between Duisburg and Warsaw, Rotterdam, Lille, Madrid, Milan, Birmingham, Antwerp, Vienna and Prague.

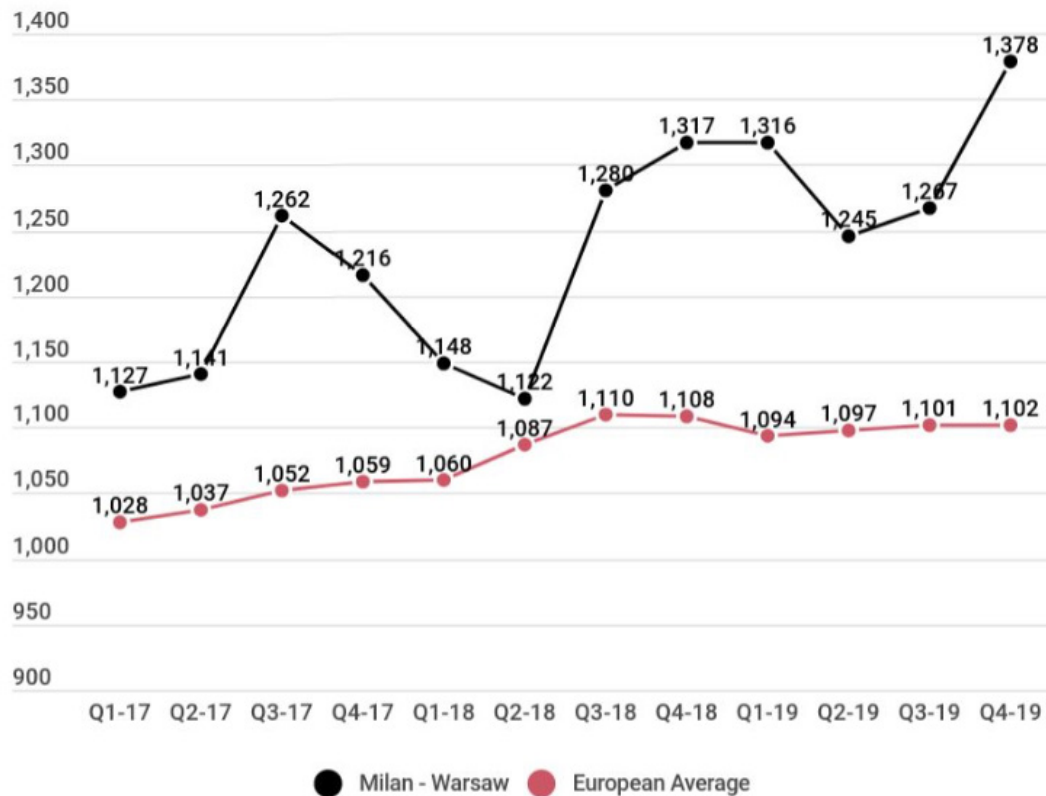
The German economy produced its weakest growth rate for ten years in 2019, expanding by just 0.6% in real terms. Its all-important manufacturing sector contracted by 3.6%.

With this sharp slowdown in demand, it might be expected that there would be a glut in road freight supply and that freight rates would fall accordingly. However, rates have been remarkably steady throughout the year. Average German road freight rates increased by 0.5% over the course of 2019, slightly below the European average. During Q4 2019, rates increased marginally when compared to Q3, from €1,019 to €1,021, but were down 0.3% year-on-year.

On a lane-by-lane basis, the average German rate is propped up by two lanes in Q4 2019 – Duisburg-Antwerp and Duisburg-Rotterdam. Rates on lanes both grew 10.2% year-on-year. Although the economy appears to be struggling, this suggests Germany is finding some respite in sales to export partners outside of Europe.

Lane to Watch: Milan-Warsaw

Milan - Warsaw against European Average Road Freight Rates - €



The fastest growing lane in 2019 was Milan-Warsaw, where growth was 7.1%. Paris-Warsaw rates also grew quickly, at 6.2% for the year. However, there does not appear to be a trend across all inbound lanes for Warsaw. In fact, inbound road freight rates from Rotterdam and Duisburg fell 4.5% and 0.4% respectively.

In Q4 2019, Milan-Warsaw rates picked up momentum, growing 8.8% against Q3. Poland's GDP growth remained firm through 2019, growing by around 4%. Whereas this has previously been determined by its manufacturing, private consumption has been a key driver of its growth this year. According to ING, Poland's retail sales growth at constant prices accelerated in December to 5.7% year-over-year.

If Poland's consumption levels remain strong and Italian business confidence improves, strong demand and rate rises could continue on this lane into 2020.

Methodology

The rates are the result of Upply's own econometric and statistical modelling, which is based on the analysis of more than 150 million prices. Upply provides Full Truck Load (22 000 kg) weekly rates estimations for each major European trade lanes, associated with a confidence rate. 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.



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To develop this unique solution, Upply employs data scientists, logistics and IT professionals, and digital experts. Launched in November 2018, Upply is based in Paris, and will soon be opening an office in Chicago to anticipate its expansion into the United States.

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