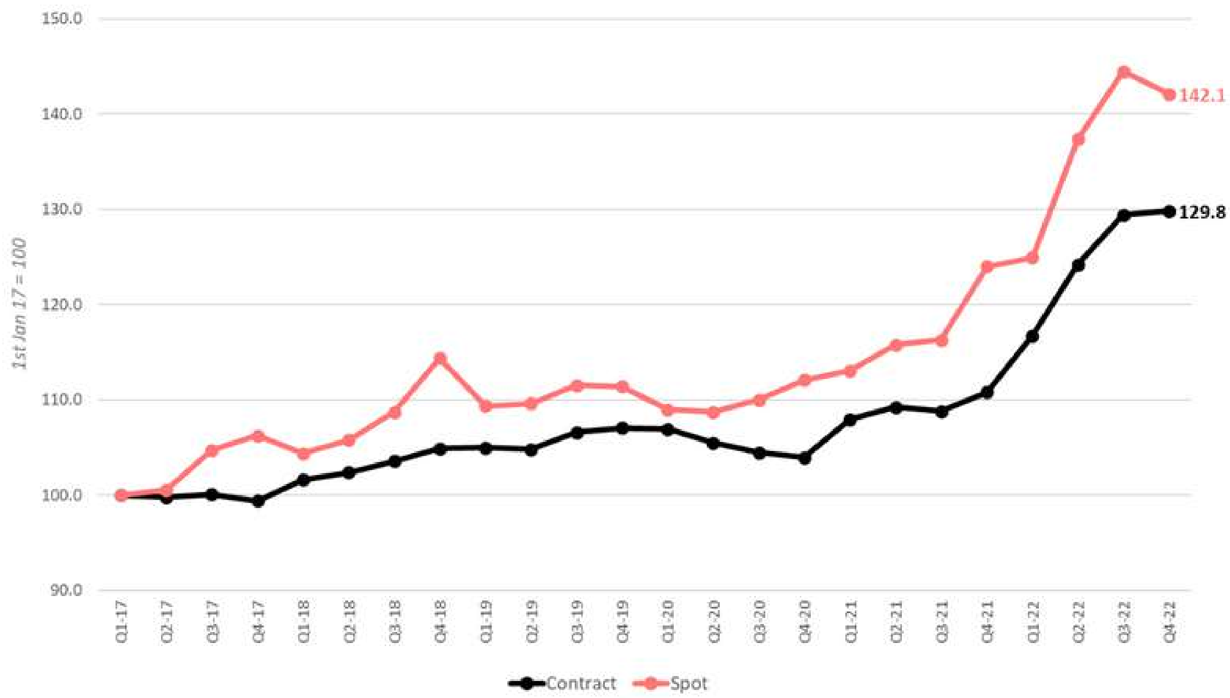
THE EUROPEAN **ROAD FREIGHT RATE** DEVELOPMENT **BENCHMARK**

Q4 2022

Contents

Ti x Upply x IRU European road freight benchmark
European road freight rates index, Q4-2022



Source: Upply

Falling demand for road freight during an unsurprisingly lackluster peak season allowed spot rates to fall in Q4 2022. Meanwhile contract rates remained elevated with high fuel prices and a continuing driver shortage in Europe.

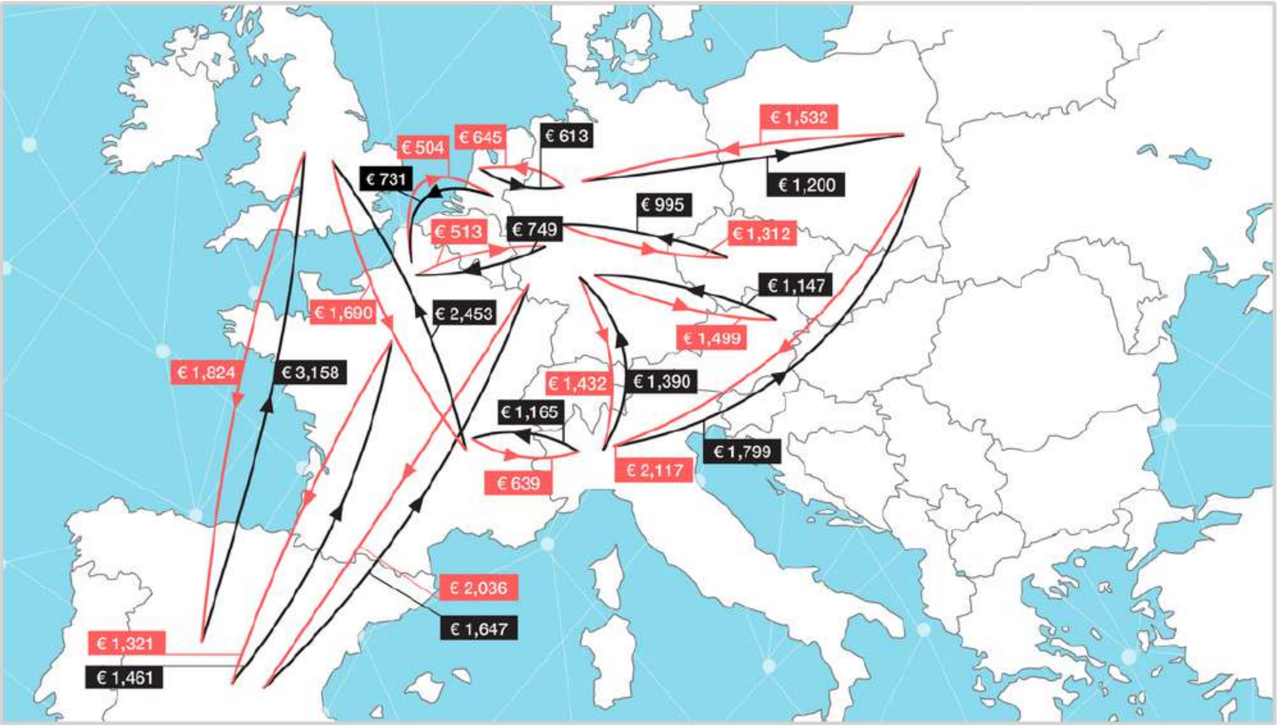
According to the European Road Freight Rates Benchmark Report, produced by Transport Intelligence, Upply and IRU, the spot index fell by 2.4 points quarter-on-quarter, down to 142.1 points, whilst the contract index rose 0.4 points quarter-on-quarter. This now puts spot rates up 18.1 points year-on-year and contract rates up 19.0 points year-on-year.

The drop in European spot rates results from low peak demand due to inflation pushing consumer confidence down to record low levels. Euro Area inflation peaked at 10.6% in October and Euro Area consumer confidence reached a historic low of 95.1 points in September with negligible improvement throughout Q4 2022.

High energy and food prices have altered consumer behaviour, reducing the demand goods and discouraging indulgence over Christmas. High energy prices have also made European producers less competitive on the global stage and record high order books from 2022 are falling as global demand falls. Production in France and Germany remains below 2019 levels. Europe does look set to have avoided a catastrophic energy crisis with energy consumption down and storage near capacity across the continent. The effect is very little price pressure from European demand but an absence of the feared demand destruction that would have significantly pulled down rates.

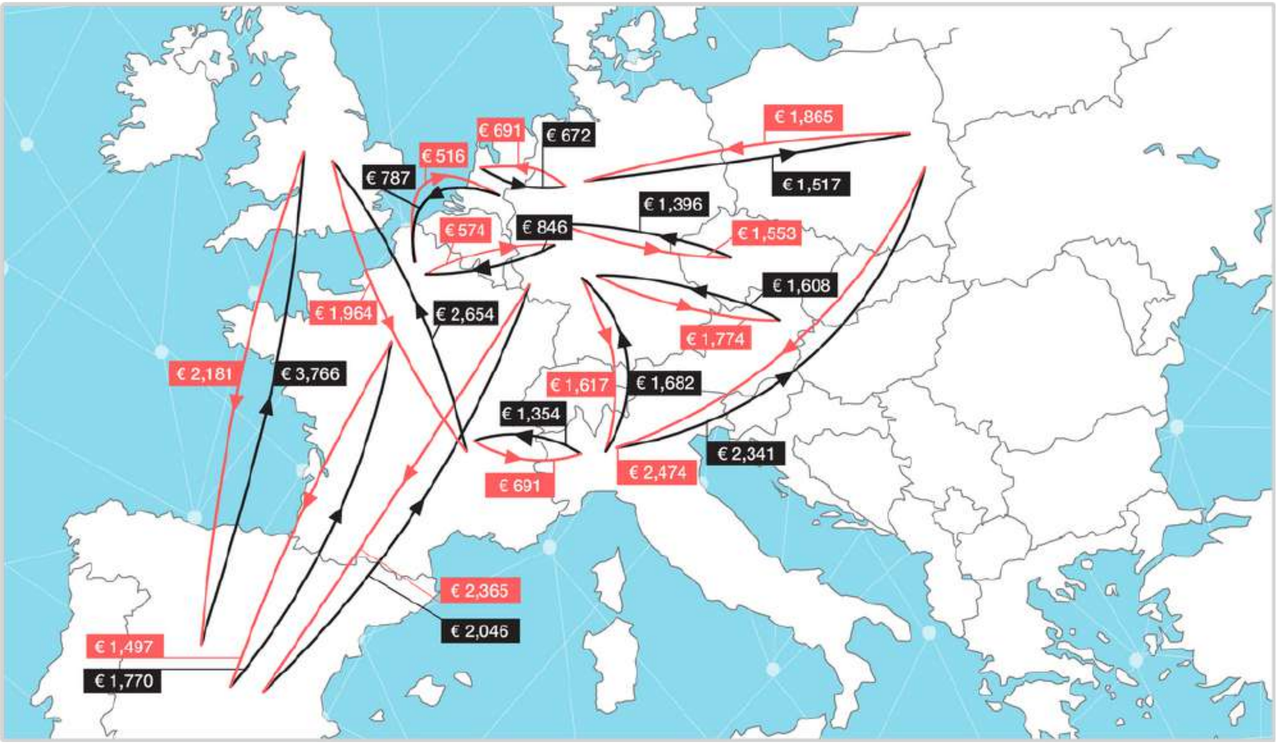
Both markets remain up at least 18.0 points year-on-year due to the high costs and low capacity of European road freight carriers in 2022. In addition, the road sector is under greater pressure to meet technological, environmental and safety standards from consumers and governments which has increased the cost base above historic levels.

Ti x Upply x IRU European Road Freight Benchmark Map – Q4 2022
Contract Rates



Source: Upply

Ti x Upply x IRU European Road Freight Benchmark Map – Q4 2022
Spot Rates



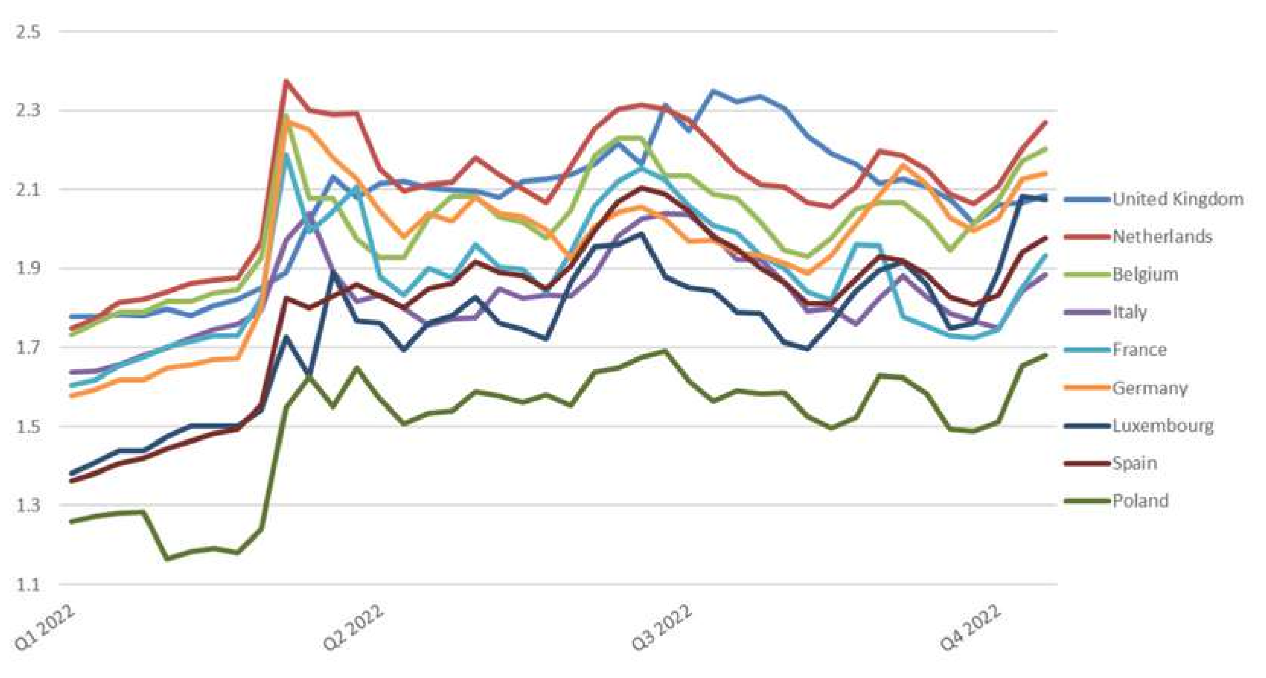
Source: Upply

Operator costs

- **Diesel Prices**

On average Q4 2022 diesel prices were 21.5% more expensive than January 2022 levels, this kept costs and in turn rates high in Q4 2022. Initial data from January 2023 shows this has fallen to around 14.5% suggesting early savings for shippers at the start Q1 2023.

Average diesel prices (€/L) at pump



Source: IRU

Since the Ukraine invasion on February 24, 2022, diesel prices have remained high all year.

In many European countries, governments have supported the road transport sector by implementing discounts on the diesel price. This was the case in France (€600 million for discount schemes, including a discount on diesel of €0.15/litre excluding VAT), Netherlands (excise tax rate on diesel of €0.111/litre) and Spain (€20 cent per litre discount), among others. However, in many cases these measures will end in 2023, increasing operators' costs.

According to the US Energy Information Administration (EIA), in 2023 global petroleum production is expected to increase by 1% (1.1 million b/d) compared to 2022. The increase would come mainly from the United States (5% growth, 1.0 million b/d) and OPEC production (0.5% growth, 160,000 b/d). The EIA's forecast shows that crude oil prices are expected to average $83 per barrel in 2023, down 18% from 2022 as global oil inventories build, putting downward pressure on crude oil prices. Over the longer-term fuel prices are expected to reduce as production outpaces consumption.

Climate change's effect on the European continent has also been extremely evident throughout 2022. Unusual weather patterns have caused early harvests and reduced crop yields in France, Italy and Spain reducing demand pressure on road freight rates in Q4 2022. However, the hot summer also made some major European waterways such as the Po in Italy and the Rhine in Germany almost unnavigable during the summer months of 2022, adding demand pressure to the road freight market. The EU is currently debating new legislation to reduce transport emissions. This has already and will continue to add cost to EU carriers who must update their fleets by 2030.

Finally, shipment tracking services rolled out by larger carriers have increased customers' shipment tracking expectations. The result is growing technology costs in the market as carriers across the continent aim to stay competitive.

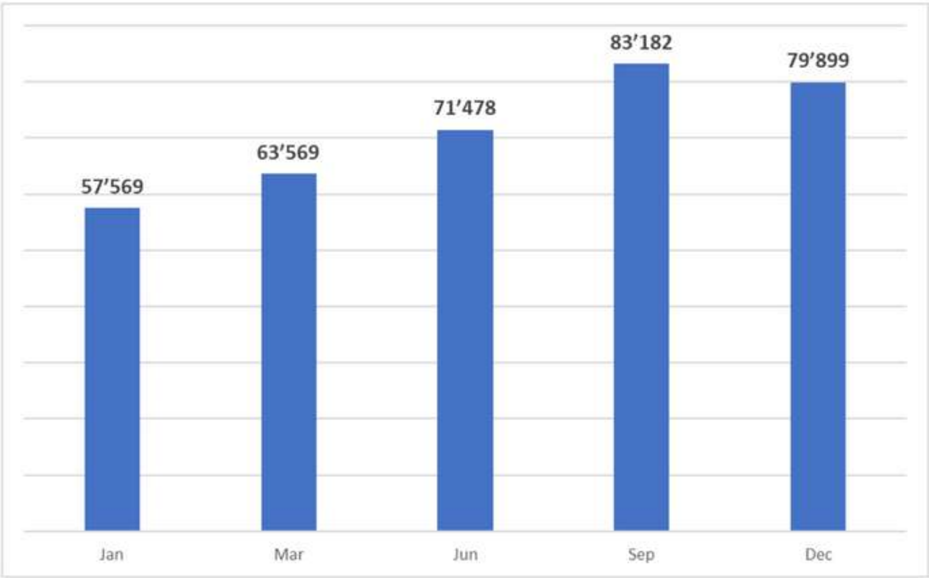
- **Outlook**

The outlook for 2023 is falling demand pressure for road freight from both consumers and producers. However, we expect to see stagnation instead of the demand crash feared in 2022. Easing inflation and an avoided extreme energy crisis scenario are expected to prevent a contraction in demand. Ti's Preliminary 2023 forecast predicts 1.1% growth in the demand for road freight, down from 3.4% in 2022. The effect is reduced demand pressure while costs keep rates elevated in H1 2023. Diesel prices will also be an important parameter to monitor. Should they fall, this will allow space for further rate contractions in the road freight market, alongside less demand pressure.

- **Driver shortage update**

The shortage of truck drivers in Europe was estimated at 10% of driver positions at the end of 2021, reaching between 380 and 425 thousand unfilled jobs[1]. Demand for truck drivers has been continuously growing throughout the year, with the number of truck driver open positions[2] for key European transport countries in December 39% higher versus January 2022. However, driver demand has slightly eased in the last quarter, with open positions falling by 4% versus Q3, probably reflecting the fall in road transport demand observed during the quarter.

- **Truck driver open positions 2022**



Source: Recruitment agencies and transport operators; consolidated view of France, Spain, Germany, Romania, Poland and Denmark

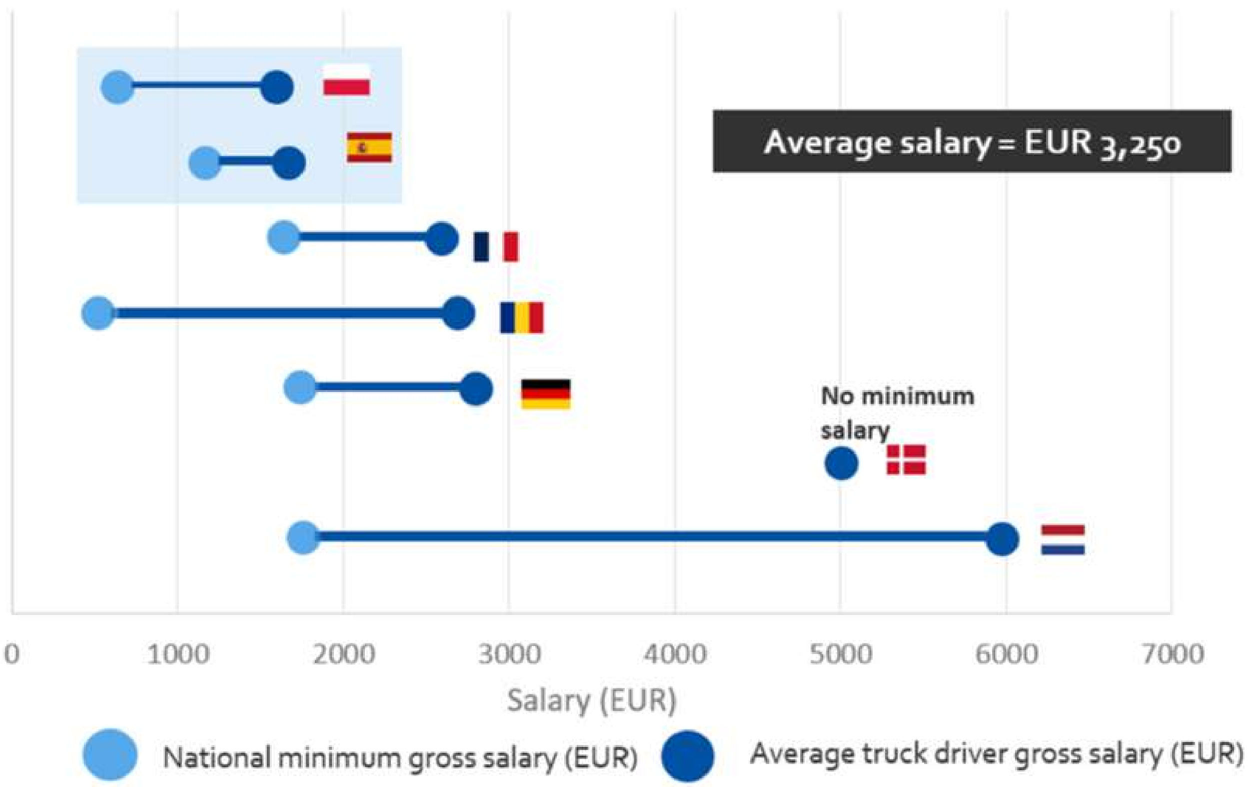
Large scale driver shortages and rising driver wages continue to put pressure on operator costs and margins, as they represent an important share of operator total costs (around one third).

[1] New update on driver shortage to be published in June 2023

[2] Not to be confused with unfilled positions

Truck drivers' average national gross salaries throughout European countries are higher than national minimum wage. In Romania, the country with the highest shortage, the average truck driver's gross salary is considerably higher than the minimum salary. This suggests that increasing salaries is not the only solution to attract new drivers, other working conditions also need to improve if the industry wants to attract more drivers.

- **National minimum and legal gross salary versus average truck driver gross salary**



Note: Spain's data is limited to Catalonia, specifically, the Tarragona collective agreement.

Sources: Eurostat 2022 (National minimum and legal gross salary), IRU national road transport associations and CNR 2019-2020 (truck driver gross salary; the impact of the mobility package is not yet fully reflected in these numbers); average truck driver salary includes only the scope of the countries displayed on the graph.

Around one third of the truck driver population will retire by 2026, and the rate of young replacements is 4-7 times less, so attracting more young talents is key to fill in the gap. The revision of the EU driving license directive, scheduled to begin in March 2023, represents an opportunity to reduce driver shortages. Currently, the minimum driving age represents a real obstacle, as it creates a gap between the moment young people finish school and when they can enter the profession, which in some countries and sub-sectors can reach 5-7 years. If young people are unable to start driving when they finish school and start their professional life, they will, in most cases, seek opportunities in other sectors.

Additionally, given the expected time needed for the implementation of the revised Driving Licence Directive, as well as the huge current and forecasted shortage of professional drivers in Europe, the pool of local drivers across the EU may not be enough to fill in the gap, the industry is also asking to create an EU framework for the recognition and exchange of third-country drivers' professional driving licences (when employed by road transport companies established in the EU). This would help bringing additional qualified drivers to the market from third countries and alleviate the lack of drivers. The EU Commission is developing a concrete tool to attract third-country talents to the EU market, which started with the Pact on Migration and continues with specific projects involving pools of non-EU workers. Drivers, now considered as part of a highly skilled workforce, will be included in one of these talent pool projects.

Mobility package update

Since February 2022, the large majority of Mobility Package 1 provisions are applicable, and the industry is already coping with the new rules. Driving and rest time rules became applicable in August 2020, new rules on the posting of drivers became applicable on 2 February 2022, and the new rules on the access to the profession (including the return of the vehicle to the Member State of establishment within an 8-week period) and to the road freight market (including the new cabotage rules and 4-day cooling-off period), on 21 February 2022. Regarding the provisions on Smart Tachograph version 2, they will become mandatory for new vehicles in August this year, retrofitting of international fleets is expected to be implemented between 2023 and August 2025, and Smart Tachographs will become mandatory for LCVs (Light Commercial Vehicles) on 1 July 2026.

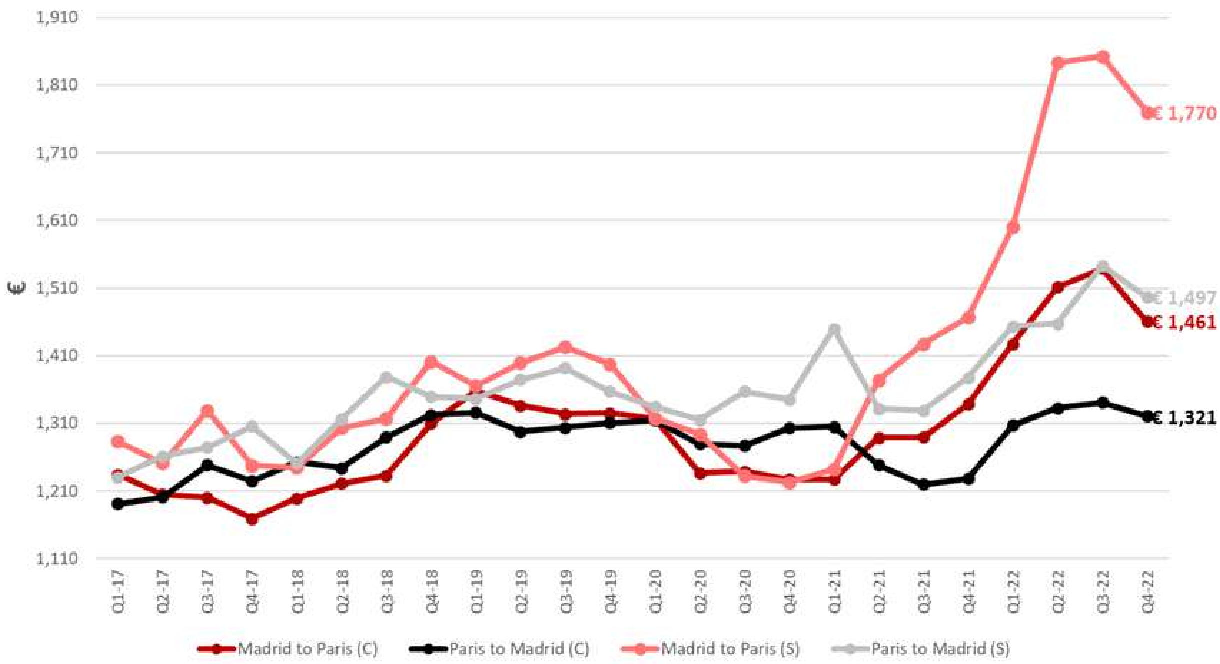
However, some EU Members States are still lagging behind their obligation to transpose and publish the information on the conditions applicable to posting in their countries (7 members states as of end of November[3]), including critical information on drivers' remuneration in the host country. Additionally, even though the European Commission has already published several sets of clarifications regarding posting scenarios, there are still additional scenarios that need to be further clarified (combined transport, change of driver, change of trailers; additional passenger transport scenarios). The most critical aspect remains the missing information from EU Member States regarding the national provisions on the new posting of drivers' rules, with calculating the remuneration of posted drivers still remaining a challenge for many[4]. Common understanding and harmonised implementation and enforcement of the MP1 rules is crucial for both companies and enforcers, and to ensure fair and efficient market functioning.

[3] Source: discussions at the Road Transport Sector Social Dialogue Committee meeting, November 2022

[4] For example, in case of a driver loading and unloading cargo in multiple countries, it is not always 100% clear for companies when does the posting in one country start and end, and when does it start in the following country (i.e at the border, at the place of loading, or other).

France – Spain

Paris – Madrid Road Freight Rates



Source: Upply

The Paris – Madrid lane experienced rate falls across the board in Q4 2022. On the headhaul, contract rates fell 5.1% quarter-on-quarter down to €1,461 (€1.15/km) per journey, up 9.1% year-on-year. The spot market fell 4.4% quarter-on-quarter to €1,770 (€1.40/km) per journey, up 20.7% year-on-year. On the backhaul, the contract rate fell a modest 1.5% quarter-on-quarter to €1,321 (€1.04/km) per journey, up 7.5% year-on-year. Price on the spot market dropped 3.0% quarter-on-quarter to €1,497 (€1.18/km), up 8.6% year-on-year.

A combination of demand and supply factors caused rates on the headhaul to fall. Evidence suggests that French consumers altered their usual spending habits during peak season and didn't spend as heavily as in prior years. According to the Banque de France Monthly Survey for December 2022, in the 4th quarter as a whole, retail sales were down overall by 1.0%, in particular food sales which fell by 2.7%, while those of manufactured goods only dropped by 0.6%.

Spot rates on the headhaul are now 21.2% above contract rates on this lane, up from 9.6% in Q4 2021. This is evidence of the inflationary effect of strong French demand during 2022. French consumers are expected to show a delayed response to inflation in comparison to the rest of Europe. French inflation reached a high of 6.2% in November, whilst Germany and the UK grappled with 7.9% and 8.6% inflation back in June. This later response to rising inflation in Q4 is expected to reduce demand pressure on road freight rates towards France in 2023.

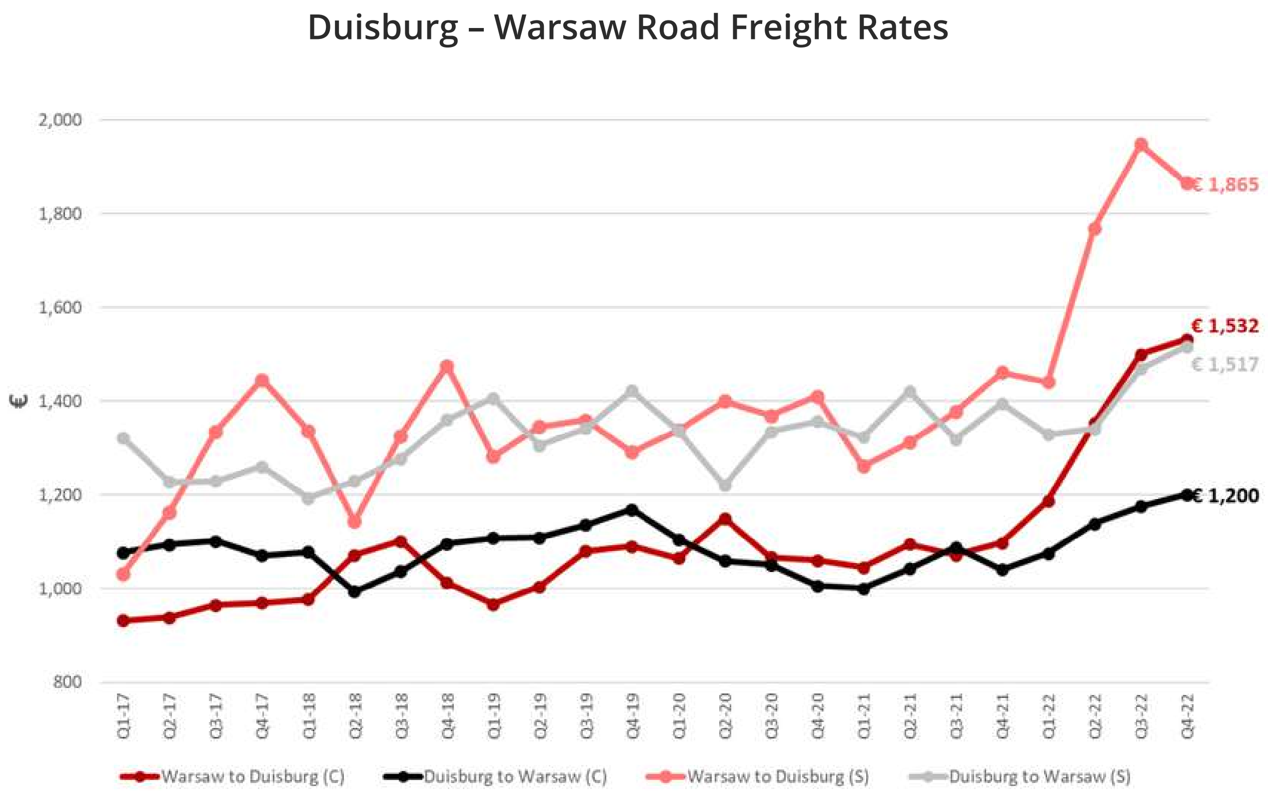
Rates on the headhaul were pushed up by large carrier cost rises in H1. At their peak in July 2022, diesel prices sat 38.0% above their January 2022 level. January 2023 diesel prices show a 18.5% fall from the peak. This facilitated contract rate falls into Paris in Q4. However, diesel prices are still up 21.1% year-on-year, leaving headroom for price falls in both the contract and spot markets as the cost base falls. Spanish hauliers will continue to receive a government discount of 20 cents per litre until 31 March and then 10 cents from 1 April to 30 June. The removal of this aid could eventually have an impact on road transport prices, as the extra costs will be passed on to customers.

On the backhaul, both spot and contract rates fell due to reduced pressure from both demand and supply side factors. The gap between spot and contract rates fell to 13.3%, below the European average of 14.7%.

Official deflated Spanish Q4 retail sales from INE (Spanish National Statistics Office) show a modest 0.33% year-on-year rise whilst still 2.1% below 2019 levels. Spanish inflation peaked at 10.8% in July a time when it stood at 6.1% in France and 7.5% in Germany. Inflation had altered Spanish consumer behaviour with a November 2022, ING survey showing 55% of Spanish consumers were aiming to spend less on clothing. The survey also showed that 43% of consumers were aiming to reduce spending on daily goods such as food and groceries. The effect has reduced demand-side pressure on rates from Spanish consumption.

Furthermore, Spanish production levels fell in Q4, down 1.8 points vs Q3. INE (Spanish national statistics) paints a more positive picture for Spanish car production, which was up 3.5 points quarter-on-quarter in Q4, and up 7.3 points vs the start of the year. This increase in production has been facilitated as the global chip shortage unwinds, allowing Europe's car industry to recover in 2023. Whilst Climate change has reduced harvest volumes and thus demand from the agricultural sector other industries will maintain lower levels of road freight demand to Spain creating an outlook of falling but not collapsing demand pressure on rates.

Germany – Poland



Source: Upply

Headhaul: Road freight rates between Poland and Germany have hit new all-time highs on 3 of the 4 services. On the headhaul from Warsaw to Duisburg, spot rates fell by 4.2% quarter-on-quarter to €1,865 (€1.73/km) per journey, up 27.6% year-on-year. Contract rates into Duisburg pushed on to new highs, increasing 2.1% quarter-on-quarter to €1,532 (€1.42/km), now up 39.6% year-on-year.

On the backhaul into Warsaw, both markets reached record highs. Spot rates increased 3.2% up to €1,517 (€1.40/km), representing a year-on-year rise of 8.8%. The contract market from Duisburg to Warsaw reached €1,200 (€1.11/km), up 2.1% quarter-on-quarter and 15.4% year-on-year.

Sustained high costs have kept rates high in the contract market, whilst falling demand from a slowing German economy reduces pressure on spot rates into the Rhineland. Headhaul spot rates are now 21.8% more expensive than contract rates, down from 29.9% in Q3. Falling demand side pressure has reduced upwards pressure on spot rates, whilst continued driver shortages and high fuel rates keep contract rates elevated.

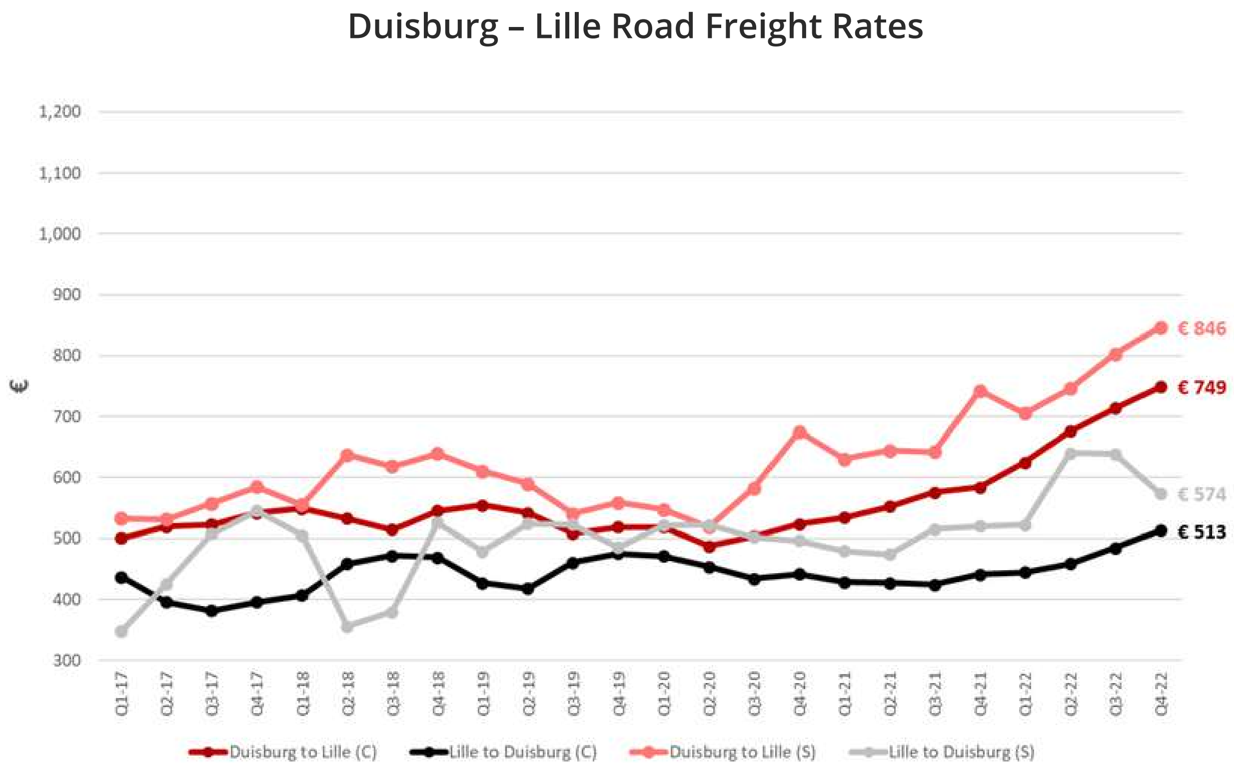
German manufacturing has struggled to recover since the pandemic and this struggle looks set to continue. Available Destatis data from Q4 2022 shows German manufacturing output is 3.2 points below its 2019 level. At the start of 2022, German factories had their highest order backlogs on record (Since 1970) [IFO]. German order book volumes fell by 5.5% in November, this was a significantly larger fall than the 0.5% predicted by analysts. According to Destatis, orders are falling due to lacklustre domestic and international demand. During 2022, German order books were supported by high backlogs but now these have been worked through, volumes are expected to fall. Germany is set to avoid the extreme energy crisis that many feared following the Ukrainian conflict with a change in consumer and producer behaviour alongside a mild winter, meanings gas supplies remain strong and reduced energy consumption rates will prevent the country from falling into an energy crisis which would halt industrial production.

In the opposite direction, ongoing supply-side factors keep the carrier costs elevated whilst a resilient Polish economy has maintained healthy road freight demand in spite of severe inflation. Poland has faced some of Europe's most severe inflation during 2022. Inflation peaked at the beginning of Q4 2022 reaching 17.9% in October, significantly above the Euro area of 10.6% at this time. Polish production has been stubborn in the face of rising prices with Polish manufacturers absorbing rising costs to keep output strong. Q4 2022 Data from Statistics Poland puts Polish manufacturing up 9.7 points vs Q3 2022. Industrial order levels paint a positive picture for Polish industry heading into 2023, with available Q4 2022 data for new orders up 37.7 points year-on-year following consistent growth in 2022.

There is, however, a shadow in the picture: the furniture industry. Poland is the world's 3rd largest exporter of furniture; the industry employs over 200,000 people. The sector has suffered from rising wood costs and higher energy prices as a result of the Ukrainian conflict. The country risks losing its customer base in a world where consumer confidence is at all-time lows for many countries.

The outlook for this lane is falling German demand reducing pressure on rates in Duisburg whilst a resilient Polish economy maintains healthy demand levels. Fuel is set to be a major factor in 2023, further falls in the price of diesel will allow for rate falls whilst driver shortages keep rates higher than historic levels.

Germany – France



Source: Upply

On the headhaul, both markets saw rate rises. The contract market increases 4.9% quarter-on-quarter to a journey price of €749 (€2.48/km), up 28.3% year-on-year. Spot markets rose 1.2% quarter-on-quarter to €846 (€2.80/km) per journey a 15.4% increase year-on-year. On the backhaul into Duisburg, contract rates rose to €513 (€1.70/km) up 6.0% quarter-on-quarter and 16.3% year-on-year. In the spot market, rates fell 10.2% quarter on quarter (the second largest rate fall in Europe second to only Duisburg to Paris) but are still up 10.2% year-on-year.

Weak but stable French demand alongside on-going limited supply and high costs have kept headhaul rates high. Available INSEE data for Q4 shows production up vs 2021. French machinery production is up 4.5 points year-on-year, transport equipment up 4.9 points and overall production is up 2.1 points. Total output is still 3.3 points below 2019 levels.

The effect is no evidence of demand destruction from production on this lane which has prevented large rate falls. However, with output still below pre-pandemic levels, growth is muted and not creating large upward pressure on rates evident from low spot market growth. A similar story can be seen in German figures where production of German-made capital goods demanded by French industry is up 4.1 points vs Q3 and up 4.4 points year-on-year.

Lille is a major manufacturing hub in France and the region is benefitting from a resilient French economy. France's northern Region of Nord-Pas-de-Calais produces around 10 million cars per year, improved semi-conductor supplies are set to facilitate a small recovery in the market during 2023 and keep demand on these lanes steady sustaining some levels of demand-side pressure on rates throughout 2023.

In Q4 French consumption, when adjusted for inflation, dropped by 1.2% vs Q3. Available data from Q4 suggest the peak season provided a slight uplift for the demand of engineered goods which increased 1.5% quarter-on-quarter, but spending is still down 1.2% vs 2021 and 2.0% vs 2019. ING Predicts that France's lagged inflationary path will produce a latent consumer response in the French economy in 2023. Nominal wages have risen by around 6%. However, real purchasing power of French consumers is set to be lower in 2023. The effect is stagnating consumption and production, weighed down by rising food and energy prices. As a result, upward demand pressure from the French economy is set to be minimal. However, the likelihood of large falls in the demand for goods on this lane is low, meaning demand is unlikely to push down rates considerably in the coming quarter.

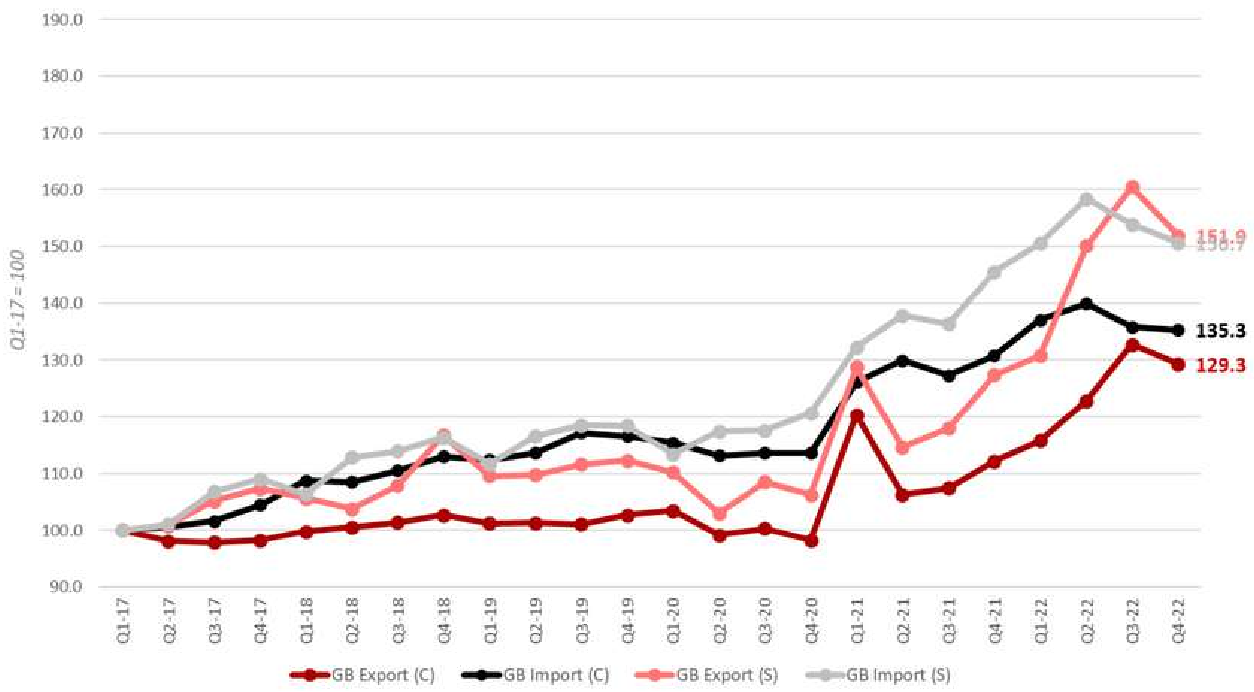
Carriers on the headhaul faced large fuel price increases. German diesel prices rose to €2.13/L in March 2022 a 28.8% jump vs January 2022. Average Q4 fuel prices in Germany were 23.0% above their January 2022 level the effect is a high cost base that kept carrier operating costs high on this lane in Q4. Fuel prices in December and January show positive signs with the lowest prices since February 2022. Fuel price falls have the potential to reduce rates on this lane but are set to keep rates elevated in H1 2023.

On the backhaul, a large 10.25 fall in the spot market into Germany reduced the gap between the spot and contract markets to 11.8% down from 31.9% in Q3. This is evidence of normalization in the spot markets toward Duisburg. Weak German demand has allowed spot rates to fall. Q4 data from Destatis (Germany's National Statistics Office) shows clear signs of falling German consumption. Seasonally adjusted retail trade is down year-on-year across the board. Retail turnover for food and beverages is down 10.0 points year-on-year with household equipment down 9.6 points year-on-year. Both categories also fell quarter-on-quarter. These numbers are reflected in major producers in Northern France reporting poor H2 2022 financials. Danone, a major employer in the North of France, reported a 6% increase in turnover by its dairy and plant-based business but once price increases are considered, this represents a fall in volume produced. The effect is falling road freight demanded from major producers as consumers demand a waning volume of goods and reduce the competition for Road freight.

The outlook on this lane is stagnating supply providing less upward pressure on rates. However, there's no evidence of demand collapse causing extreme rate falls. Fuel is set to be an important factor as costs keep rates well above their H1 2022 levels.

UK International Lanes

Great Britain – Europe Road Freight Rates



Source: Upply

The index for all international road freight services in the UK fell during Q4 with both import markets falling for the second consecutive quarter. In the contract market import lanes dropped 0.5 points quarter-on-quarter to 135.5 up 5.4 points year-on-year. Spot rates on import lanes fell 3.2 points quarter-on-quarter to 150.7 points, down 3.2 points quarter-on-quarter and up 5.1 points year on year. On UK export lanes the contract market dropped 3.4 points quarter-on-quarter to 129.3 points, up 17.1 points year-on-year. Spot rates on export lanes fell to 151.9 points, down 8.6 points quarter-on-quarter and up 24.5 points year-on-year.

UK manufacturing is demanding less road freight, both in terms of output on export lanes and the importation of intermediate goods on import lanes. In December, the UK's manufacturing index dropped to its lowest levels since May 2009 (excluding the two months at the start of the pandemic). Industries are suffering from falling domestic and international demand for goods, with low consumer confidence at home and abroad. The UK's car production in 2022 dropped to its lowest levels since 1992 with output levels now 200,000 units below the 2019 level. Car registration levels in the UK are now at their lowest for 3 decades, suggesting domestic demand will not spur a recovery in the industry in 2023 H1. The outlook for the UK in 2023 suggests a continued decline with a UK trade association, Made UK, predicting a further 3.2% fall in output. Shipping delays and higher costs have hurt the UK's reputation, with many European customers choosing to source products elsewhere the volumes on the UK's export lanes are expected to remain suppressed.

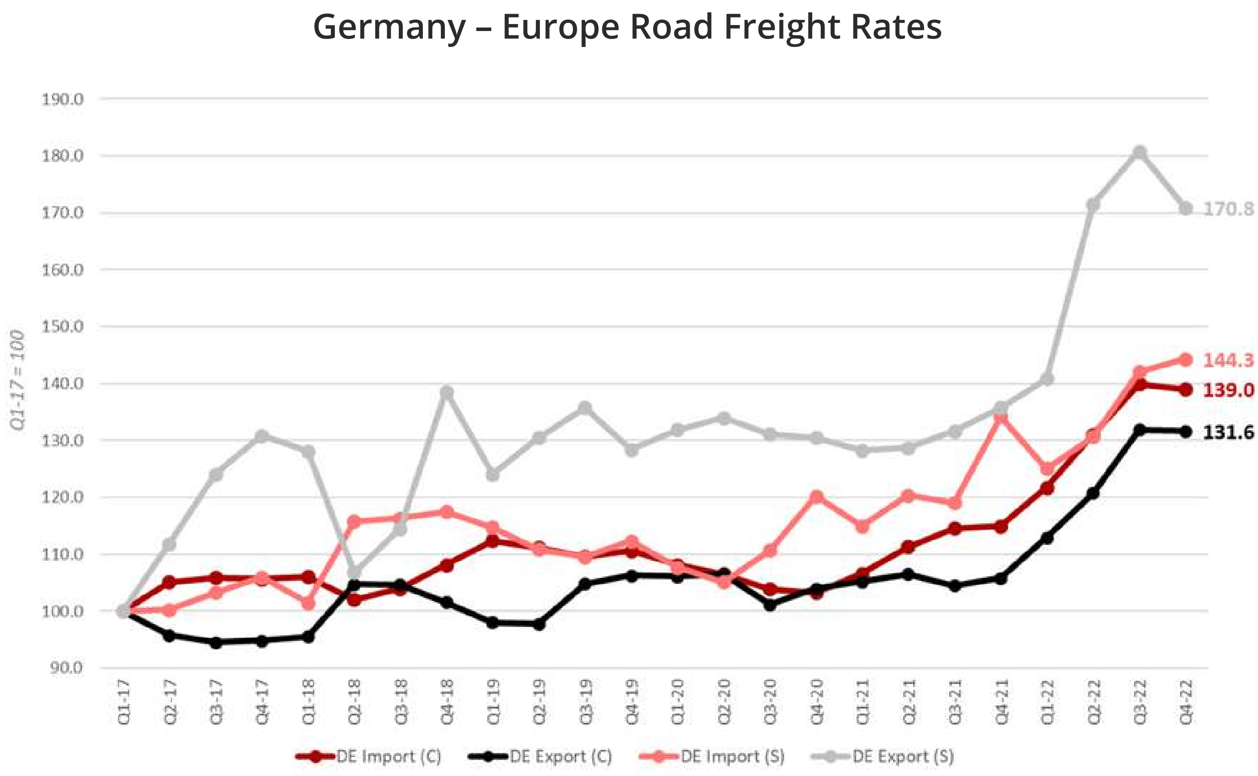
UK diesel prices averaged €2.12/L in Q4, 17.4% above their January 2022 level, this has kept costs high for carriers on export lanes. The country also continues to struggle with a worsening driver shortage, a 2022 ONS survey shows a loss of 30,300 HGV drivers in Q1 2022 alone. Brexit has made the UK driver market less responsive to demand, with delays and congestion at UK ports deterring foreign drivers.

2022 started with long queues and extreme disruption on the UK to EU cross-channel trade lanes caused by new post-Brexit era regulations. The routes are now free of miles-long queues, albeit with increased complexity and costs that have increased the carrier cost base to and from the UK. Regulation is set to once again play a major role in 2023.

The UK's Department of Transport confirmed that from January 2023, it will be removing the right of EU member country operators from 1 – Conducting cabotage movements when entering the UK unladen. 2 – Conducting combined transport (Intermodal transport using two or more modes of transport). 3- Picking up goods in the UK and travelling to a non-EU country to drop off given goods (triangular traffic). Triangular traffic will still be possible with a permit issued by The European Conference of Ministers on Transport; however, this will make supply on UK-EU road freight lanes less flexible and reduce competition on UK export lanes. It will also reduce the opportunities for EU carriers to profit on their backhaul route.

The outlook for UK international lanes is falling demand from both weakening production and consumption in the UK. This challenging situation is compounded by ongoing regulatory disruption in the wake of Brexit which will continue to increase delays, disruption, and costs. Ti predicts the UK's road freight market will narrowly avoid a contraction in 2023 growing by 0.30% year-on-year excluding 2020. This is the lowest growth since 2012.

German International Lanes



Source: Upply

3 out of the 4 German indexes fell in Q4. On export lanes, the contract market fell 0.9 points quarter-on-quarter to 139.0, now up 24.1 points year-on-year. Spot market rates on export lanes increased by 2.2 points to 144.3 points, an increase of 10.2 points year-on-year. On import lanes, the contract market rate fell by 0.2 points quarter-on-quarter to 131.6 points but was up 25.8 points year-on-year. Spot market rates dropped to 170.8 points following a 9.9 points drop quarter-on-quarter, putting them up 35.1 points year-on-year.

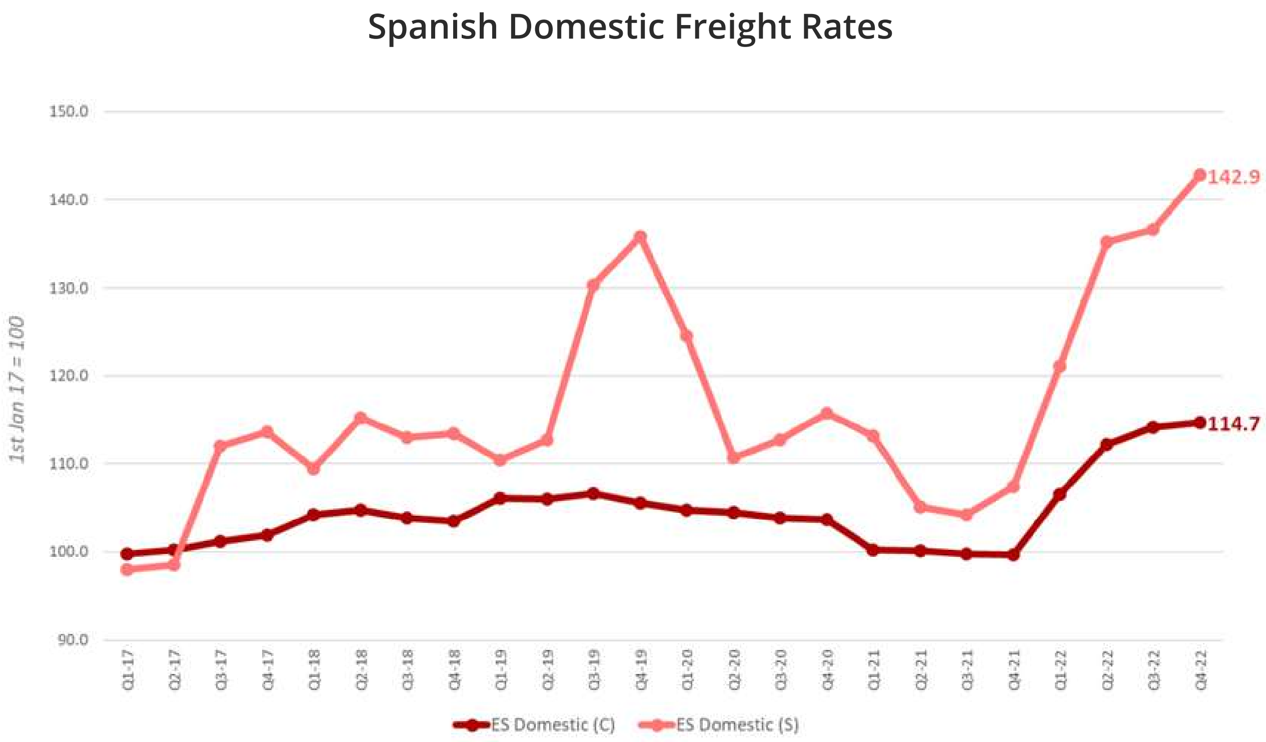
Germany's average Q4 manufacturing PMI figure sat 2.6 points below its Q3 levels and has now been below 50 for 6 consecutive months, suggesting industrial decline throughout H2 2022. Available data from Q4 2022 shows German manufacturing was down 0.02% year-on-year and is now below 2019 levels. Notably, the production of consumer goods is down 3.1% year-on-year and 3.2% vs 2019. This a sector that had recovered back up to near pre-pandemic levels in 2021 but is struggling once again.

German industry no longer faces the extreme scenarios touted in the summer. In January 2023, the Bundesnetzagentur (Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway) reported gas storage levels of 88.70% with gas consumption levels in the second week of January 34.2% below their average between 2018 and 2021. The ability of Germany's consumers and producers to reduce their usage and improve their efficiency means Germany is set to avoid the gas deficit situation feared in the summer and has eased producer energy costs. German industrial producer prices in December were up 21.6%. While down from the extremes of 45.8% in August, these prices are still at 60-year highs when excluding the summer crisis. However, a combination of high producer prices and falling international demand will continue to suppress German exports as German manufacturers struggle to stay price competitive in an international market struggling with confidence. The European Union's consumer confidence reached its lowest-ever level of 95.1 in September 2022. Cooling inflation has allowed a shallow recovery to 96.5 in December; however, the effect is still weak consumption from Germany's European trading partners which will keep demand for German manufactured goods low during 2023. Therefore, road freight volumes on German export lanes are expected to remain constrained, reducing upward pressure on road freight rates on these lanes.

The picture for business confidence is less extreme but the European figure sits below 2019 levels. With further interest rate rises on the horizon coupled with weak consumer spending, the appetite for investments and expansions that would fuel demand for German goods remain low.

Low Rhine levels in the summer of 2022 pushed waterway freight on to road, increasing competition for a limited road freight capacity and pushing up prices. Q4 saw a return to navigable water levels, however the effects of climate change during the winter threaten to repeat this problem in the summer of 2023. Avg temperature in Germany during November and December 2022 were 29% (2.3 degrees) above normal. The result is a lack of snowfall which feeds Rhine levels in spring and summer. German freight might once again face a rise in demand in Q2 and Q3 2023.

Spanish Domestic Prices



Source: Upply

Spanish domestic rates increased in both markets, with a 0.5 point quarter-on-quarter increase in the contract market and a 6.3 points quarter-on-quarter in the spot market. High fuel prices and harvest season demand keeps spot prices up 14.9 points year-on-year and contract prices up 35.5 points.

Spanish diesel prices peaked in July 2022 at an average price of €2.03/L, 38.0 % higher than their January 2022 level. Price rises were limited by government subsidies which provided a 20 cent per litre discount for Spanish road hauliers. The larger cost base still pushed Spanish rates up to new all-time highs in Q3. Diesel prices trended downwards in Q3, however rises in the first two months of Q4 2022 replaced the lost pressure to further push up rates in Q4. Diesel prices have fallen once more in January 2023, but fuel still remains up 21.2% year-on-year. As a result, rates on both lanes remain elevated and cost pressure will prevent an extreme drop in Q1 rates.

The government's fuel discount has now ended for private individuals in Spain, while truck drivers are still eligible with a discount, of 20 cents per litre of fuel consumed between 1 January and 31 March and 10 cents per litre between 1 April and 30 June. The removal of this discount will limit the scope for falls in H1 2022, as fuel prices will be passed on to customers in with surcharges.

November through March is the olive harvest season in Spain. The Mediterranean country produces 75% of the world's olives and the sector demands transportation for over 10 million tonnes of olives during harvest season. This adds expected seasonal demand to the Spanish road freight spot market which has limited available capacity. Climate change has forced early harvest which pushed Q1 2023 demand in Q4 2022. Evidence of this can be seen in a 6.3 points increase in the spot market during Q4. Q1 demand pressure on rates looks set to be lighter with the International Olive Council predicting a 47% year-on-year fall for the production of Spanish Olives due to 2022's extreme weather.

Even with its high inflation and climate woes during 2022, the Spanish economy doesn't look set for a disastrous 2023. Ti's preliminary forecast predict that Spain's road freight market to grow by 2.6% in 2023, faster than Germany, France and the UK. High underlying inflationary pressure will remain and limit private consumption. However, headline inflation has been falling since August, meaning inflation isn't set to decimate Spanish demand for goods in 2023. Rates will be heavily dependent on fuel prices in the country and the government's willingness to support the transport sector with continued subsidies.

Methodology

The rates are the result of Upply's own econometric and statistical modelling, which is based on the analysis of more than 500 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.

For further information or to request a demo of GSCi - please contact Michael Clover: +44 (0)1666 519907 or email mclover@ti-insight.com.

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Start-up launched in 2018, Upply combines business expertise and data science to bring transport and supply chain professionals a digital solution to benchmark, monitor and anticipate freight transport prices, including past data and forecasts. Upply also publishes market insights and deciphers the sector's challenges in a neutral manner.

Through its digital platform, Upply directly connects road carriers, freight forwarders and trusted shippers across France and simplifies transport operations. To implement these unique solutions, Upply employs data scientists, logistics and IT professionals, and digital experts. The company is based in Levallois-Perret, near Paris.

For further information, please contact Upply's Customer Care at service.client@upply.com.
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As the voice of more than 3.5 million companies operating mobility and logistics services in over 100 countries, we lead solutions to help the world move better. IRU's work supports trade, economic growth, jobs, safety, the environment and communities.

At the heart of IRU are millions of journeys across the planet every day: people and goods moving to where they need to be, in buses, coaches, taxis or trucks, for all, or even just a small part, of their journey.

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