



EUROPEAN ROAD FREIGHT TRANSPORT MARKET FORECASTS FOR 2023, 2024 AND 2027

By Ti Insight



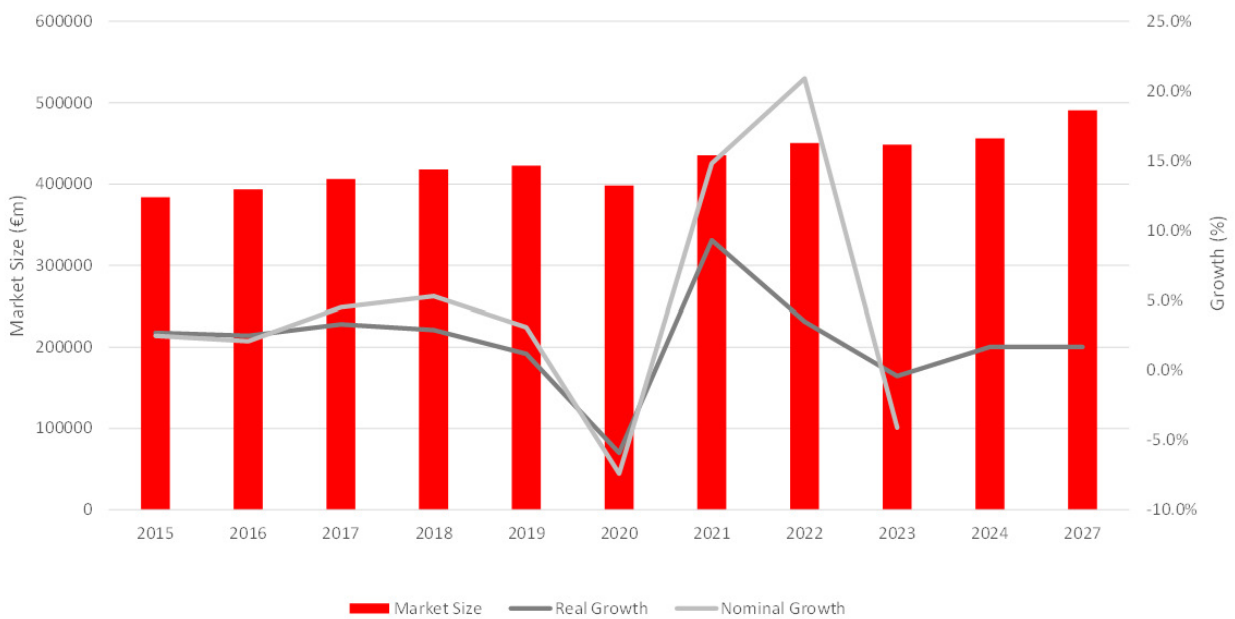
December 2023

EUROPEAN ROAD FREIGHT TRANSPORT FORECASTS FOR 2023, 2024 AND 2027

1. TOTAL EUROPEAN ROAD FREIGHT TRANSPORT MARKET SIZE - 2023 (F)

The European road freight market is projected to decline in the full year of **2023**, contracting by **-0.4%** in real terms (holding prices and exchange rates constant) to reach **€448,658m**. The nominal growth is expected to drop by **-4.1%** in the full year 2023.

Total European Road Freight Market Real Growth 2015-2027 (F)



Source: Ti

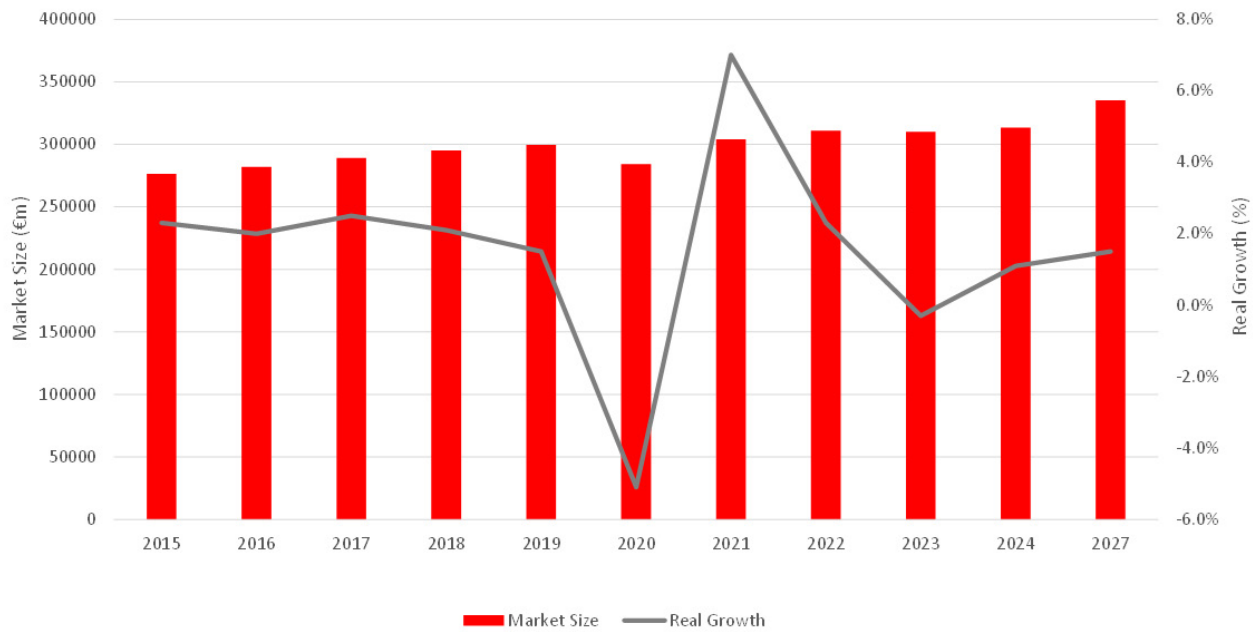
Note: Nominal Growth is not forecasted to 2024 and 2027

1.1 Summary of Market Conditions - 2023

Decreasing real income, tight financial conditions, and soft external demand weigh heavily on the European Road Freight market in 2023. According to World Economic Forum and IMF, the European GDP has shown growth of only 0.7% this year.

The domestic European road freight market is forecasted to reach a market size of €310,099m, showing a slowdown of 0.3% in real terms. In nominal terms, the market will decline by -4.0% in the full year 2023.

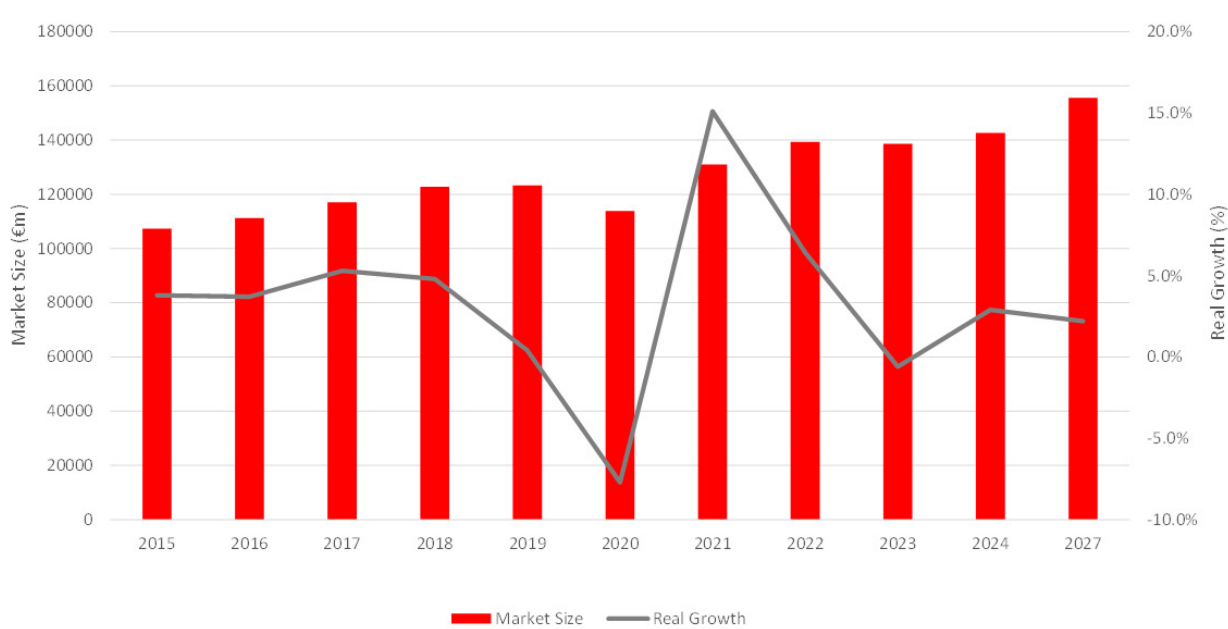
Domestic European Road Freight Market Real Growth 2015-2027 (F)



Source: Ti

The international road freight market is also showing signs of contraction of **-0.6%** and its market size is expected to reach €138,559m. The nominal growth is expected to be **-4.4%** by the end of this year.

International European Road Freight Market Real Growth 2015-2027 (F)



Source: Ti

The road freight market is impacted by the GDP growth of European countries which is generally slowing compared to last year.

According to Eurostat, EU imports of goods fell by 4.6 % in the third quarter of 2023 compared with the second quarter of 2023 while exports of goods fell by 1.2 % during this period. The falling of export and import of goods clearly signifies that a smaller number of goods need to be transported, thereby negatively affecting the road freight market volumes.

The European road freight market has experienced a fall in demand in 2023. Consumers who are now poorer in real terms are consuming fewer goods, while businesses reduce their output in the face of declining demand. According to OECD, the production and sales of total manufactured goods including energy, crude petroleum and steel, intermediate goods among others for 27 countries of European Union has been falling gradually since January 2023, from 110 points in Q1 2023 to 108.7 points in Q2 2023, and further reducing to 107.6 points in Q3 2023. Slowdown in manufacturing acts as an important factor for reduced volumes and high freight costs in the road freight market. Likewise, retail is in a downward trend and showing contraction since Q3 2022 and until Q2 2023.

The downturn in the European road freight market is also evident in the financial performance of the major road freight players. DSV, one of the major European road freight providers, reported that there has been a steady decline in its road freight revenue over the last nine months of 2023. Lower freight rates and volumes contributed to a fairly steady 1.1% drop in revenues. Similarly, DB Schenker also reported that the company has seen a slowdown of 2.7% in road freight shipments in H1 2023 compared to the same

period last year.

Apart from this, the pressure of inflation remains across most road freight operating costs, pushing up the cost base further and sustaining the high floor for rates. The labour cost for all 27 countries of European Union has increased by 8.3% in Q2 2023 compared to Q2 2022. According to CNR, there has been a 4.5% increase in maintenance costs, 4.0% increase in tolls and axle taxes, 4.3% increase in finance and insurance cost, and 6.9% increase in overheads cost in the nine months of 2023 compared to the same period last year.

Also, from December 2023, a new CO2 toll in Germany will add to the operating costs. When the CO2 truck toll comes into force, logistics companies will have to pay a surcharge of around €200 per ton of CO2. Trucks with a gross vehicle weight of more than 7.5 tons are affected. Offsetting the rising operating costs are fuel prices which are giving a little relief. The average price of fuel for nine months of 2023 have declined by 18.2% compared to the same period last year (this data is available on [GSCi Dashboard - EU Average Diesel prices without tax](#)).

Available capacity in the European market has been on an upward path since May 2022. The data from Transporeon also indicate that the available capacity increased for 15th consecutive months. The increase in available capacity makes European road transport cheaper as it leads to increased competition between road freight operators.

Additionally, there has been growth EU registrations of new heavy trucks. The registrations have increased by 18.5% for all European countries in Q2 2023, implying more freight carriers on the road. Driver shortages continue to affect the road freight market as well. According to latest IRU driver shortage data, the shortage of truck drivers estimated in 2023 is lower than 2021, with 7% of truck driver positions expected to remain unfilled. Driver shortage is estimated to decrease in all countries studied except the Netherlands, where it should remain stable. The primary reason of this decrease is the decline in transport demand due to falls in consumption, driven by inflation together with limited wage growth.

Many factors such as inflation, increased available capacity, falling demand, increasing operating cost and driver shortages lead to a slowdown for road freight in the near future. Although the current scenario suggests stagnant growth in the European road freight market industries such as e-commerce could be one of the reasons for positive growth in future. The long-term outlook for e-commerce industry remains optimistic and despite short-term fluctuations, the general trend is upward.

2. TOTAL EUROPEAN ROAD FREIGHT TRANSPORT MARKET SIZE - 2024 (F)

The European road freight market is projected to show growth in 2024, expanding by **1.7%** in real terms (holding prices and exchange rates constant) to reach **€456,085m**. The coming year is expected to overcome current industrial barriers and show growth in domestic as well as international markets.

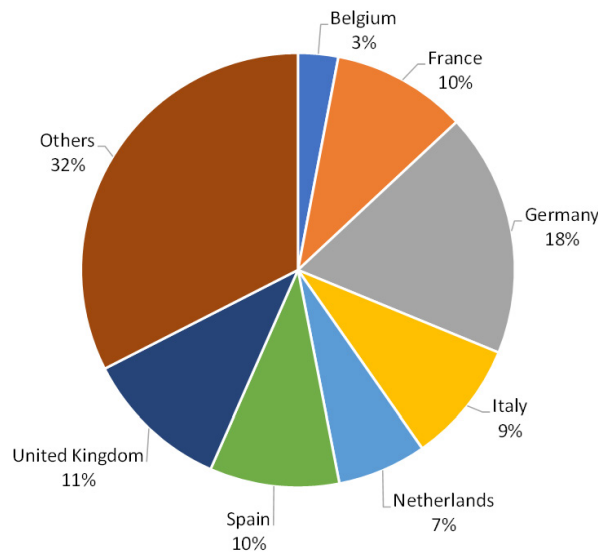
The domestic European road freight market is forecasted to reach a market size of **€313,474m** and increase by **1.1%** in real terms. The international road freight market is also showing signs of improvement with **2.9%** growth and is expected to reach the market value of **€142,611m**.

2.1 Summary of Market Conditions - 2024

According to the European Commission, the GDP growth of EU countries is forecasted to grow at 1.3% in 2024, still below potential and a downward revision of 0.1 purchasing power standards from summer. In the Euro area, the GDP growth is forecast to be slightly lower, at 1.2% in 2024 and 1.6% in 2025. The GDP for all European countries is estimated to show growth in 2024, but with a slow rate.

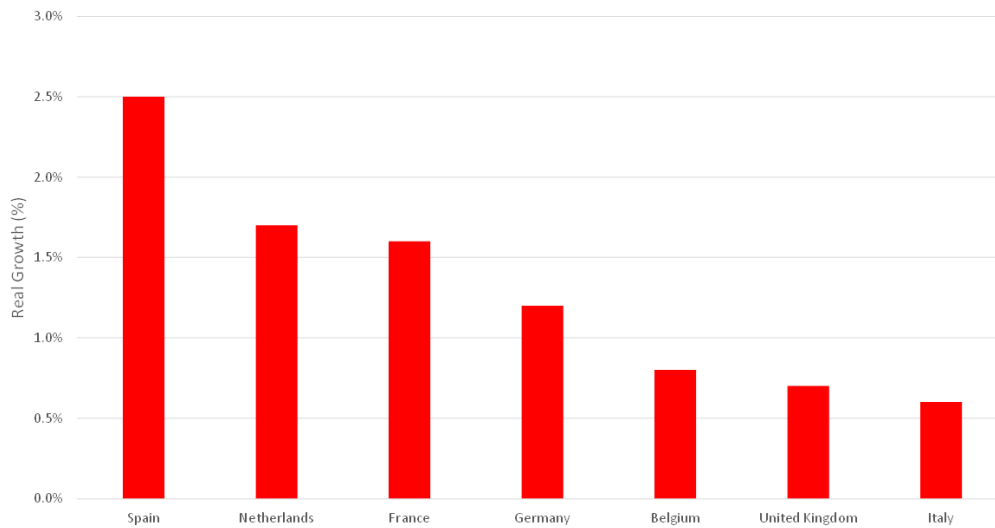
The exports and imports for almost all regional countries are also expected to grow in 2024. Germany's exports are expected to grow at 3.5% and import at 3.4%. According to the European Commission, the German economy is set to grow at 0.9% in 2024. The factors to support the growth are eased off inflation, increased real household income and resumed growth to pre-pandemic level of private consumption. In 2024, the effect of Ukraine war is expected to subside.

Total European Road Freight Transport Market Shares by Country - 2024 (F)



Source: Ti

Real Growth Rates: Major markets 2024 (F)



Source: Ti

According to the IMF, in 2024, the outlook for Europe is up for a gradual recovery in all industries. The purchasing power of European consumers will increase as prices will decline and wages will rise. The strength of this rebound will differ across countries. Specifically, manufacturing and energy intensive countries will be slower to recover than others. In advanced European economies, some countries are forecasted to show growth by up to 1.2% next year. In emerging market European economies (excluding Russia, Ukraine, Turkey, and Belarus), IMF expects the overall European economy to grow by 2.9% in 2024. Inflation is also projected to decline; this will help to lower energy prices and to ease supply chain bottlenecks.

The economic situation in Europe will remain tense for some time. Leading research institutes expect only weak economic growth in 2024. In some countries, such as Germany, the economy is even expected to shrink, at least this year. At the same time, central banks are trying to push back on inflation with rising interest rates, which is having an impact on investment confidence. The persistently weakened market situation is reflected in the European road freight market. The available capacities have been increasing continuously and are significantly more than in the pandemic years. The freight rates have remained at a high level from long time and the situation is expected not to change for the time being given increased toll rates, and necessary investments in sustainable technologies.

In November 2023, the Eurozone Manufacturing PMI was marked at 44.1 points, highest since May 2023, but lower than 50 points, which indicates contraction in the manufacturing sector (larger than 50 manufacturing PMI points indicate expansion in the sector). Manufacturing sector plays an important role for the overall economy of the region, and if that is showing contraction it means that the region will take some year to come back to pre-pandemic level and no sign of relief is expected in the manufacturing sector soon.

The European Central Bank recently raised the interest rate at 4.5% for the tenth consecutive time, in its attempt to combat the pressure of inflation. Further increase in rate is also possible soon. High interest

rates will lead people to spend less in daily consumption products and hence this will in turn impact the European road freight market negatively.

However, factors like increasing real income and purchasing power of people could act as positive driver for growth in private consumption and so helping in increased road freight activities in 2024. As an outlook for 2024, the European Road Freight is set to grow next year, but with a slow rate due to many factors including slow GDP growth in region and meagre trade growth.

New forecasts from IRU shows driver shortages across Europe are expected to worsen again, with 11% of job opening expected to remain unfilled in 2024. The forecast is driven by transport demand growth expectations as well as an ageing population of drivers.

Toll price increases are expected to start in Germany in December before sweeping across much of central and Eastern Europe in 2024. The increases are of a magnitude sufficient to make current operating models unsustainable for many operators, so the expectation is that they will try to pass on the cost to shippers, raising rates for freight within and transiting through affected countries.

According to Organisation for Economic Co-operation and Development (OECD), Germany is expected to experience the heaviest blow from a slowdown in the world economy driven by higher interest rates and weaker global trade. In downbeat forecasts for the world economy, the Paris-based organisation said Europe's largest economy was likely to be the only G20 country apart from Argentina to shrink this year during a wider international slowdown. After a stronger-than-expected start to 2023, helped by lower energy prices and China's easing of Covid restrictions, the OECD said activity across leading countries was slowing towards the end of the year before a weaker 2024.

Also, as toll increases kick in, further cost pressure is also expected from rising wages driven by the driver shortage. The forecasted driver shortage will strongly depend on the economic activity with a mild rebound in growth that is still projected next year, as inflation keeps easing, the labour market remains robust and real incomes gradually recovery.

In the coming years, the outlook for European rates is reduced volatility as European demand stagnates at lower levels than in previous years. In the short term, cost increases and especially the toll price increases in Central Europe are likely to push rates up, before demand begins to recover in the second half of 2024.

3. TOTAL EUROPEAN ROAD FREIGHT TRANSPORT MARKET SIZE - 2027 (F)

According to Ti forecasts, the region's total road freight market will grow by **1.7%** on average during the next 5 years to reach **€490,853m** by 2027.

On the back of solid trade forecasts, the international road freight market is expected to grow faster than domestic during the 5-year period, although it will remain the smaller of the two markets, reaching **€155,528m** by 2027 and growing at **2.2%**. Domestic growth is forecasted to be somewhat slower, growing at **1.5%** on average during the next 5 years to reach **€335,325m** by 2027.

3.1 Summary of Market Conditions - 2027

The forecasts for European road freight are becoming increasingly uncertain and will depend on the outcome of various unpredictable factors. The length and the outcome of the war in Ukraine, the response to increasing inflation, and the rising cost base for road freight services will heavily impact growth in the market. A long conflict in Ukraine and extended periods of high inflation will weaken demand in the market and cause rising fuel costs and wages.

All major countries in the region are forecasted to show growth in GDP and trade in 2027. Germany's GDP is expected to grow at 1.3%. The country's trade is also expected to grow with 3.1% exports and 3.4% imports. Similarly, United Kingdom's GDP is also expected to grow at 1.8% by 2027, and its country's exports are forecasted to grow at 1.6% and 1.4% imports.

The regional growth landscape in 2027 will be like the one in 2023, with Central and Eastern Europe expected to expand the fastest. Meanwhile western advanced economies will see meagre growth. Central European countries are expected to overperform due to the newfound competitive advantage granted to the region from the Mobility Package, converted into larger international market share, at the expense of Eastern European markets.

The European road freight market does not expect much positive change in short to medium term due to current economic situation and ongoing geopolitical tensions. Economic development has been at a low level, and the impact on European road freight market has been consistent. Downside risks to growth over the forecast period include supply-side constraints such as driver shortages. The weakening of demand is expected to alleviate the intensity of such challenges. However, in this time frame the market can surely pick up the pace and certain industries like e-commerce or automotive can help the road freight market to boom in the coming years.

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