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Road freight transport sector: 61% of the companies in this sector exposed to a medium to high and high risk of insolvency

Strengths:

- **Consolidated sector revenues increased by 14%**
- **Over a third of the companies (40%) made investments in 2017**
- **Profitability ratios have remained at the same level as last year**

Vulnerabilities:

- **Over half of the companies in the sector are exposed to an insolvency risk above average**
- **The car fleet is obsolete, with 75% of the registered vehicles in use at the end of the year being older than 10 years, in line with the modest evolution of the infrastructure**
- **Over one third of the companies (43%) reported a decrease in revenues**

The road freight transport sector remains vulnerable, in close connection to the Romanian infrastructure. At the end of 2017, in Romania the number of new registrations for imported second hand trucks was nearly three times higher than the number of registrations for new trucks. For this reason and perhaps due to the reduced replacement rate of the obsolete fleet, at the end of 2017 three quarters of the freight vehicles still in use (75%) were older than 10 years.

When it comes to the type of cover, the structure of the public road network included 34,900 km (41%) of modernized roads, 21,074 km (24%) of roads lightly fitted for traffic and 30,125 km (35%) of paved roads and dirt roads. At the end of 2017, in Romania there were 763 km of motorway, about 1% of the total number of kilometers of roads. Compared to 2016, in 2017 an additional 16 kilometers of motorway were built.

The sector is subject to whims of external situation (especially that we expect a slowdown of major economies this year). According to Eurostat data, the international haulage takes nearly 73% of total haulage of Romanian road freight transport companies, much higher than the EU average of 36%. Also, in Poland, international transport accounts for 63% of total transport, 71% for Hungary, 84% for Slovakia, and the largest share of the EU is held by Lithuania, with almost 91%.

For the current analysis, the data of 34,619 companies that submitted their financial data for 2017 and generated a consolidated turnover of RON 41.65 B. The sector companies analyzed (4941 Freight transport by road) registered in 2017 a positive evolution of revenues, which increased by approximately 14% compared to 2016, as they managed to maintain their profitability at the same level as in 2016, but for over half of the companies, the net profit had dropped.

"The funding horizon remains mostly short-term, with 65% of the total debt being current, as over half of the companies in the market have a debt ratio that exceeds 80%.

As far as the payment behavior is concerned, there are signs of worsening in the road freight sector. The number of companies with a turnover of more than EUR 1 B with bank incidents increased between 2017 and 2019, and the year 2018 exceeded, in terms of the number of incidents, the year 2013, which held the record in this matter. It is concerning that although the number of companies with debts to the State Budget was relatively low in 2018 as well, despite a slight increase, the value of the debts remained high, although the evolution was negative. At the same time, there is an increase in lawsuits against companies in the sector, which, due to their fragile financial structure, may cause fluctuations in the number of players in the sector. The investments made by over a third of the companies in the sector are not in the car fleet - 75% of vehicles registered and used at the end of 2017 were over 10 years old, as companies prefer second-hand vehicles, a strategy that does not increase their competitiveness," stated Nicoleta Marandelu, Senior Financial Analyst, Coface Romania.

Out of 34,619 active companies in total in 2017, Coface analyzed 3,453 companies, or about 10% of the companies. However, these companies account for 51% of consolidated sectorial turnover. In this context, most companies, 61%, are considered by Coface exposed to a medium/ high and high insolvency risk. At the other end of the spectrum, there are 34% companies exposed to a low risk.

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