

Transport Market Monitor

European transport market faces economic uncertainty

Edition: 9 (November 2011)



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European transport market faces economic uncertainty

This is the ninth edition of the Transport Market Monitor. It outlines developments in European road transport rates and includes the figures the third quarter of 2011.

- The price index decreased by 2.6% in Q3 2011 (index 101.2), compared to the price index in Q2 2011 (index 103.9).
- Compared to the index level of the previous year, Q3 2010 (index 101.7), the price index decreased by 0.4%. This is remarkable, as the price index of the previous three quarters has always been higher than the indices of their prior year. The diesel index decreased by 0.7% in Q3 2011, compared to Q2 2011. This decrease is lower than that of the overall transport price.
- Another factor with a high impact on transport prices is the capacity index, which increased by 14.9% in Q3 2011 (index 76.5), compared to Q2 2011 (index 66.6).
- The price decrease in Q3 is remarkable when compared to developments in previous years. It is caused by decreasing fuel costs and economic uncertainty in Europe because of the ongoing debt crisis.
- The development of the price and capacity index over the next two quarters is likely to be influenced by how the current debt crisis in Europe develops and the economic situation in the USA. By having a retrospective view to May 2008, the start of the previous financial crisis, the TMM monitored a decrease in the price index and an increase in the capacity index in Q4 2008. It's difficult to predict what the outcome of this will be therefore we will closely monitor the developments within the financial market over the next few months.
- Both market dynamics and the expected cost increase of transportation emphasize the need to monitor transport price developments very closely, to mitigate the risk of any unexpected negative impact on company results.

This report is the ninth edition of the Transport Market Monitor. Each quarter, a new edition will outline the developments during the past three months and reviews additional themes in transportation.

All indices in this report are based on the logistics platform TRANSPOREON, which handles a yearly transport volume (different truck types, mainly FTL and LTL) of more than €2 billion, covering all European countries. Information is anonymously exported from the platform and aggregated analysed by Capgemini Consulting.

The figures in the Transport Market Monitor date back to January 2008: the earliest point of measurement of the index figures. For all indices, the average figures of the 6 months period January 2008 till June 2008 have been set as the basis for comparison (Index 100).

These are the conclusions of the Transport Market Monitor by TRANSPOREON and Capgemini Consulting, a quarterly publication, which aims to track transport market dynamics.

Prices decreased despite normal seasonal upward effect

This section of the Transport Market Monitor outlines the quarterly developments of the price and capacity index, based on a time span from 2008 until the third quarter of 2011.

The price index is calculated by comparing the average price per kilometre over time.

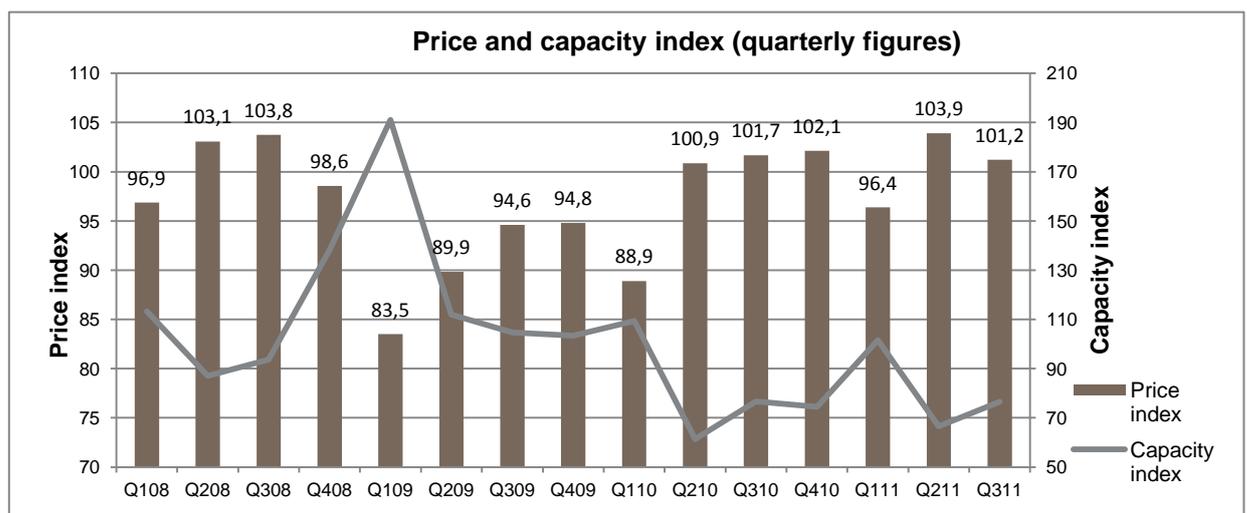
The price index (see figure 1) decreased by 2.6% in Q3 2011 (index 101.2), compared to the price index in Q2 2011 (index 103.9). When comparing the index level of the previous year, Q3 2010 (index 101.7), the price index decreased by 0.4%. This is remarkable, as the price index from the previous three quarters have always been above the indices of their prior year. In February of this year, the difference was as high as 9 index points above the level of February 2010.

The Capacity Index is an indicator for "available capacity", the ratio between absolute demand and capacity. The capacity index is calculated by comparing the average number of bids in response to a transport request over time.

A price decrease between Q2 and Q3 is exceptional within the history of the Transport Market Monitor. In the previous years the price always increased between Q2 and Q3. However, due to the seasonal effect of the summer holidays the overall shipment volumes in Q3 are less and therefore there is less demand for transportation. This increases the level of available capacity, which has a downward effect on the prices for transport. It's therefore logical that the transport price index decreases in Q3. Furthermore, the uncertainty regarding economic developments within Europe and the U.S., have led to uncertainty in the transport market and had a downward effect on the transport price development, exacerbated by decreasing fuel prices over the last quarter.

The capacity index increased by 14.9% in Q3 2011 (index 76.5), compared to Q2 2011 (index 66.6). The index is just 0.2% under the index of Q3 2010, when compared to the capacity index of the previous year, Q3 2010 (index 76.7),

Figure 1: Price and capacity index, quarterly (Q1 2008 – Q3 2011)



In 2009 and 2010 we monitored the trend that the price index is fairly stable over Q3 and Q4. However, we've seen in Q3 2011 that both the transport price and diesel index decreased. These developments, as well as the uncertain situation in the European and US economies, will be monitored closely during the next few months by the Transport Market Monitor.

Volatile transport capacity development

This section of the Transport Market Monitor depicts the monthly developments in the price and capacity index over the last 12 months. Analysing Q3 2011 (see figure 2), July and August showed a price decrease, while September indicates a potential recovery. Following the reverse pattern, the capacity index was at the lowest level in September 2011 (index 68.9).

Prices increased to the highest level since the start of the Transport Market Monitor during the previous quarter, in June 2011 (index 106.1). In the subsequent month the price index decreased by 6.3% in August 2011 (index 99.4), compared to June 2011. In September 2011 the price index increased slightly again by 1.8% compared to August 2011.

The development of the capacity index has been much more volatile between June and September 2011. The capacity index increased by 44.4% in August 2011 (index 93.8), compared to June 2011 (index 64.9). From August 2011 to September 2011 the capacity index decreased again by 27%.

An increase in the price index in September also occurred in the preceding years of the TMM.

Figure 2: Price and capacity index, monthly (Oct 2010 – Sep 2011)

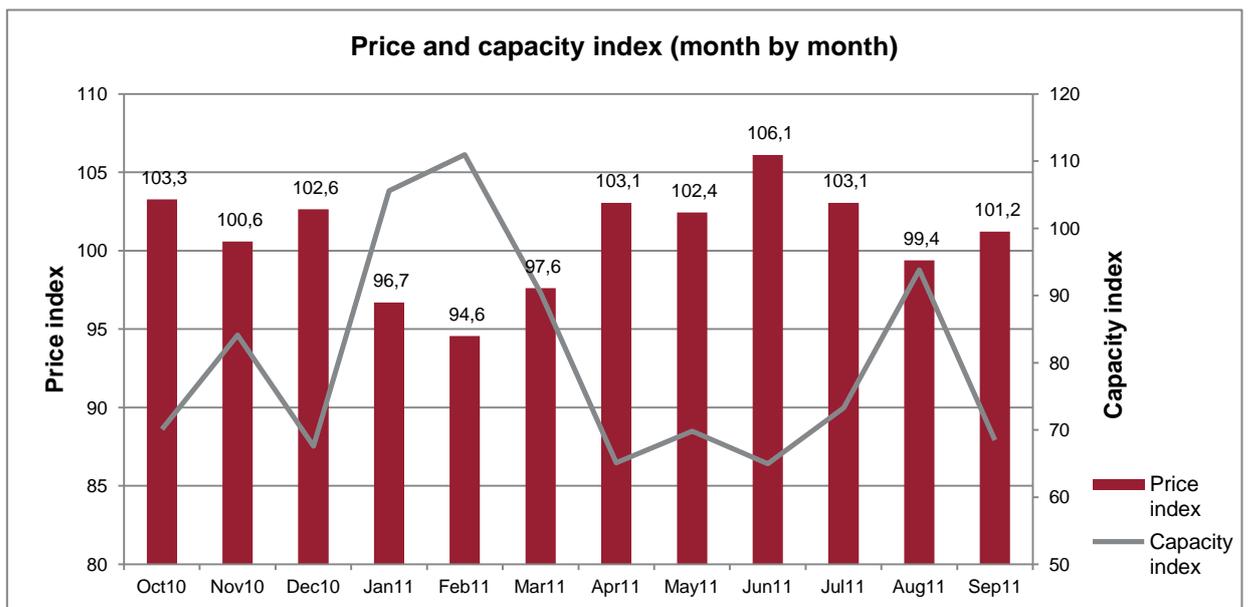


Figure 3 compares the monthly developments of the price index, over the last 12 months, with the same period one year before. From October 2010 until June 2011 the price index has constantly been above the levels of the previous year. The price index showed differences of up to 9 index points compared to the same period last year.

This difference slowly diminished and, although just slightly, in July 2011 the price index dropped below the level of the previous year, with a difference of 1.2 index points. For the successive months, August and September, the differences remained small between the price index of this year and the same months of last year, with differences of respectively plus and minus 0.9 index points. Overall we can conclude that lower levels of transport prices seems to be the trend since May of this year, when transport volumes started decreasing. In June of this year we reported the highest transport price index since 3 years, and now the price index is below the level of Q3 2010.

Figure 3: Price index comparison, monthly (Oct 2009 – Sep 2011)

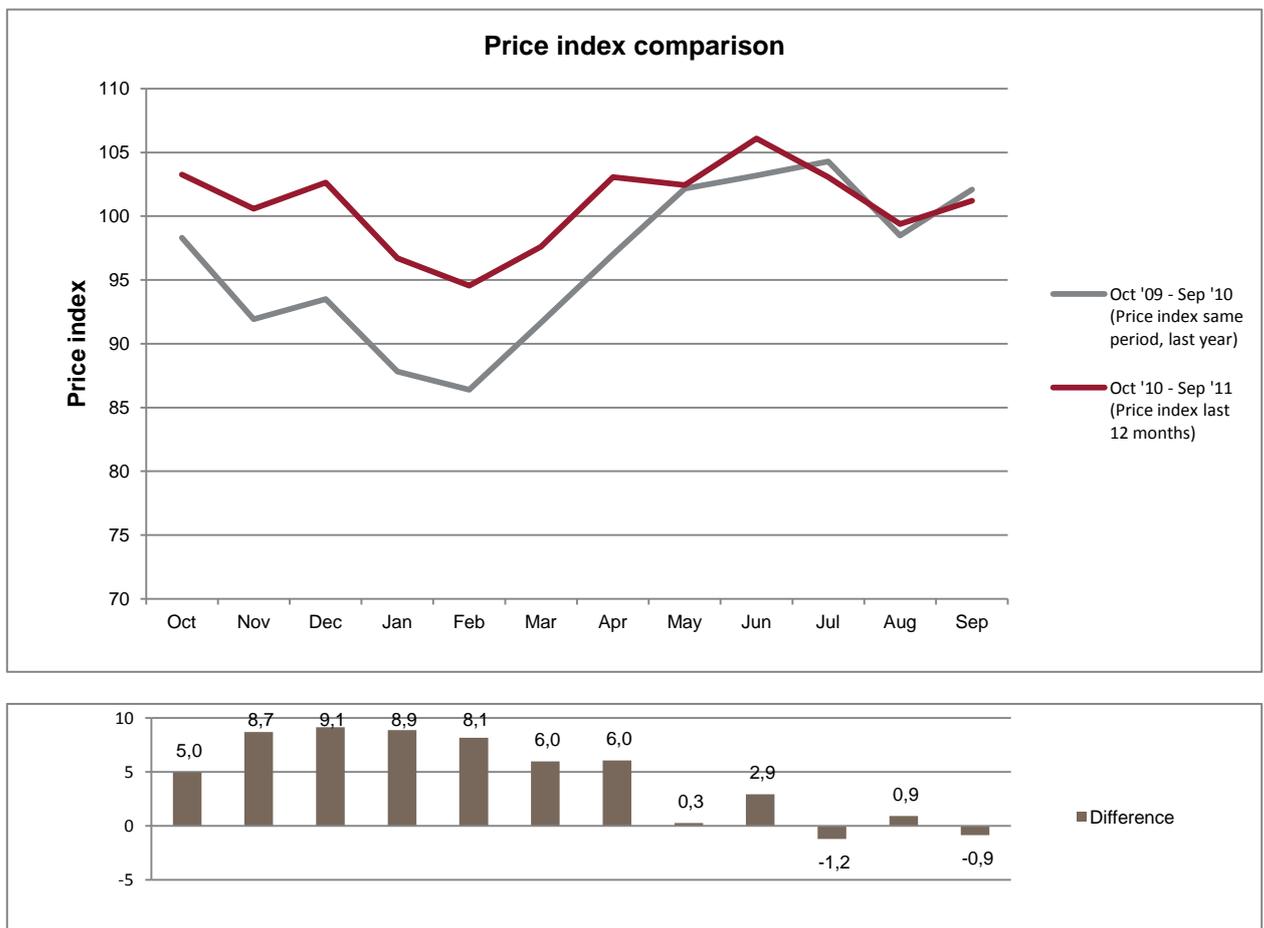
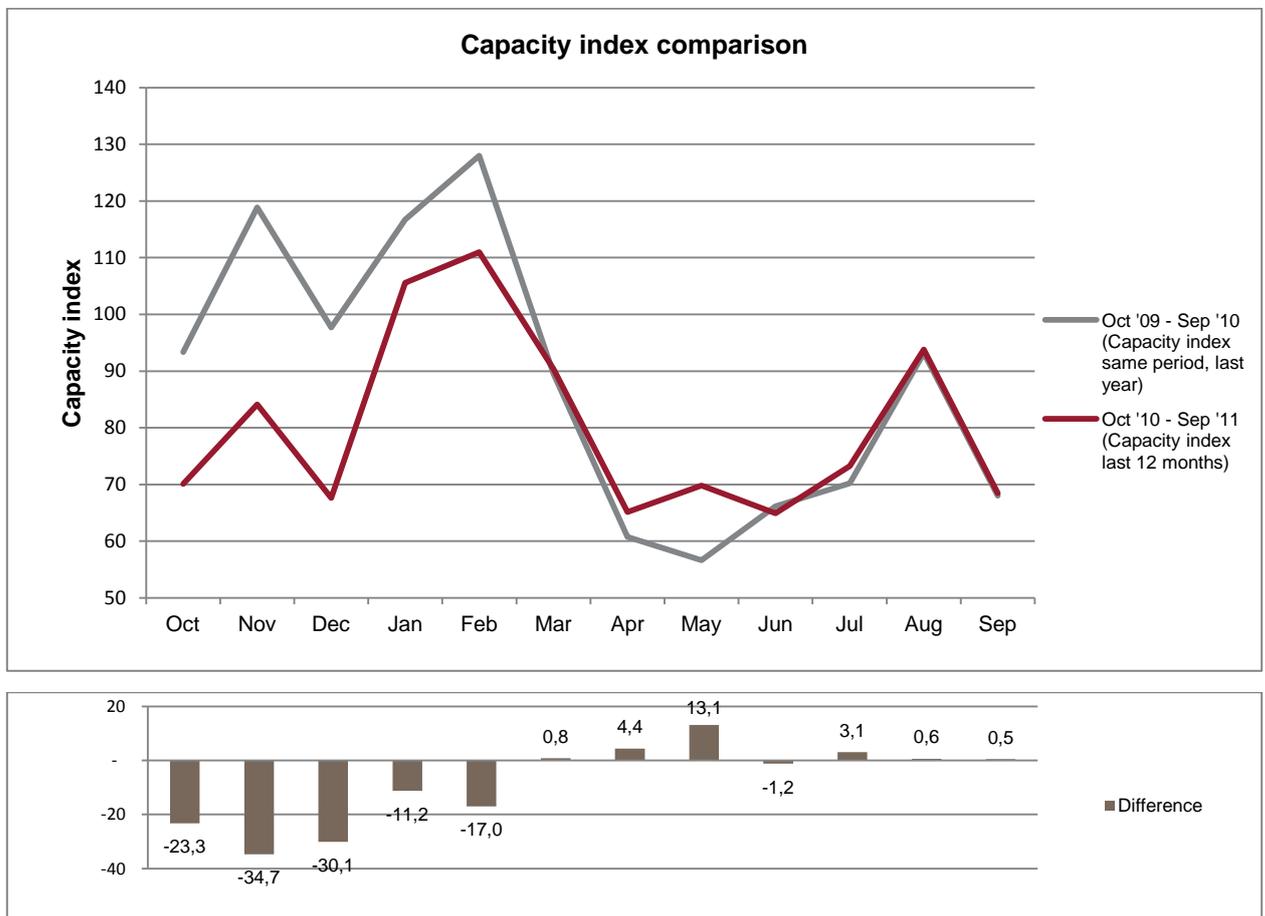


Figure 4 compares the monthly developments of the capacity index, during the previous 12 months, compared with the same period one year before. During the last four months, the capacity index closely tracked the capacity index of one year before, with a maximum difference of 3 index points in July 2011. The difference in the capacity index completely diminished in September 2011. This in contrast to the differences we saw between July 2009 and 2010, with a difference of 47 points.

Overall, the capacity index developments over two consecutive years have been similar, showing a seasonal pattern. However, up until March the capacity index was structurally lower than the same period of last year. The last six months have been closer to the levels of the same period last year, mostly slightly higher.

In summary, both the price index and capacity index in Q3 2011 is back on the level of last year.

Figure 4: Capacity index comparison, monthly (Oct 2009 – Sep 2011)



Industry focus

General economic conditions apply to all industries, but trends may be stronger or weaker in individual industries. Analysis of the price index by the type of industry identifies these differences, shown graphically in figure 5.

The development of the price index for construction materials and paperboard / print is in line with the development of the overall price index during Q3 2011, but the price decreases were stronger. Where the overall price index decreased by 2.6% between Q2 and Q3, the index for construction materials decreased by 4.6% (index 98.4 in Q3). Paperboard/Print decreased by 6.5% over the same period, to a price index of 104.0.

Timber is the only industry that showed an increase of 3.0% in Q3 2011 (price index 112.3) compared to Q2.

The TRANSPOREON platform handles transport for almost all industries. For this edition of the Transport Market Monitor, different industry types have been analysed individually.

Each chart in figure 5 depicts the price development for that particular industry, indexed against the industry baseline (H1 2008)

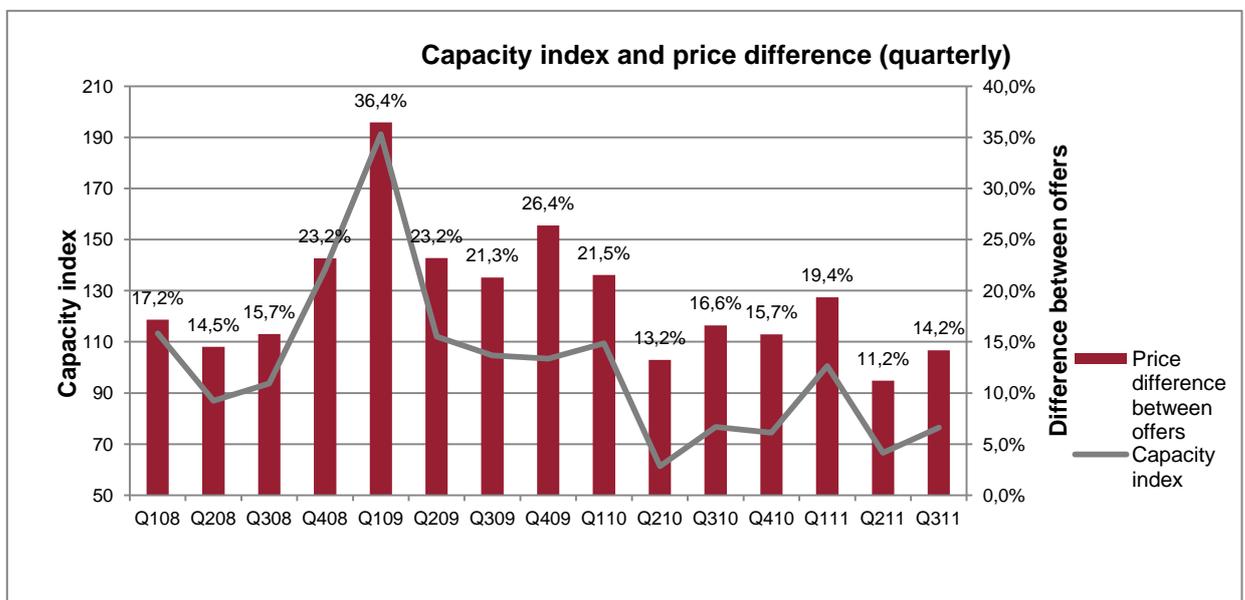
Figure 5: Price index for different industries (Q1 2008 – Q3 2011)



Price differences between offers increased

This section outlines transport dynamics, by analysing the price difference between the highest and the lowest price offered per transport request. Figure 6 illustrates the price difference between offers, and the development of the capacity index. If the capacity index decreases, the match between loads and capacity is better which leads to less empty kilometres and therefore lower costs. Q3 figures show the trend for higher capacity and higher price difference. This emerging trend creates a good environment for dynamic dispatching leading to lower freight costs for shippers and higher margins for the carriers due to the reduction of empty kilometres.

Figure 6: Capacity index and price difference (Q1 2008 – Q3 2011)



In line with the clear increase in available capacity, price differences between the highest and the lowest offered price increased from 11.2% in Q2 2011 to 14.2% in Q3. The price difference is an average figure. In general, price differences increase with the greater the distance to be travelled (see TMM, edition 1).

Diesel index decreased

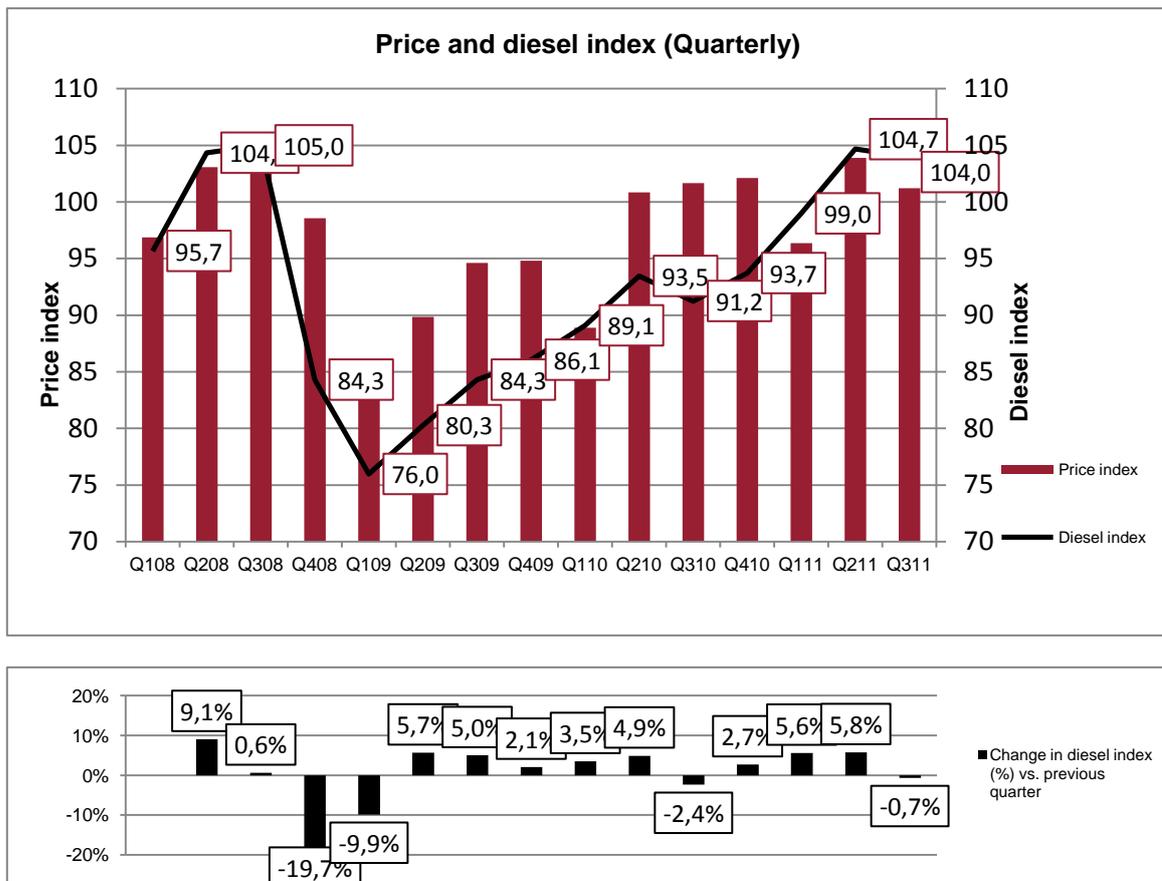
This section compares the price index with the diesel index (see figure 7). In general there is a positive correlation between the diesel index and the price index, clearly indicating the impact of diesel prices on transportation costs and consequently prices. Also during the third quarter of 2011 this was the case. The diesel price decreased by 0.7% and the transport price decreased by 2.6% in Q3 2011, compared to Q2. Still, the impact of increased capacity brings significant leverage on the transport prices.

The decrease in diesel index is the first decrease for one year. With the exception of Q3 2010, diesel prices have been increasing since Q1 2009. The minor differences in the diesel index between Q2 and Q3 seems to be a pattern that has repeated since 2008. This could be explained by fairly stable demand over the summer months for oil, whereas differences in winter temperatures could cause fluctuating demand.

For the diesel index, the average figures of the 6 month period January 2008 till June 2008 have been set as the basis for comparison (index 100), similar to the other indices used in this report.

The calculation of the diesel index is based on diesel price figures in Germany, obtained from www.aral.de. We assume that the index pattern, based on the above figures, is representative for Europe for the purpose of this report.

Figure 7: Price index and diesel index (Q1 2008 – Q3 2011)



Next edition

This edition looked at the price and capacity developments since the beginning of the Transport Market Monitor in 2008. It outlined the price decrease in Q3 2011 compared to Q2 2011 and the same period one year before. The next edition, number 10, will include the figures for Q4 2011 and will closely monitor the possible impact of the uncertain situation in the European and US economies on the transport business. It will be published in February 2012.

About the Transport Market Monitor

The aim of the Transport Market Monitor is to provide insights into the development of transport prices, and other transport market dynamics to logistics executives and other interest groups. It is a joint initiative of TRANSPOREON and Capgemini Consulting.

The indices in the Monitor are based on the logistics platform TRANSPOREON, on which shippers tender and process their transport needs to their preferred transport partners on a daily basis. The platform handles a yearly transport volume of over €2 billion in all European countries. Anonymously, information is unlocked from the platform and analysed by Capgemini Consulting. This results in monthly indices which are published on a quarterly basis. In addition to each publication of the Monitor, one or more market themes are discussed, supported by detailed analysis.

TRANSPOREON and Capgemini Consulting can help you to find the right strategy between static and dynamic prices. Additional information about both companies and their service offerings is available upon request.

This report is available at www.transportmarketmonitor.com. More information about the products and services of both TRANSPOREON and Capgemini Consulting can be obtained via the contact information provided at the back of this report.

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About Capgemini

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About TRANSPOREON

The logistics platform TRANSPOREON connects shippers from industry & trading companies with carriers, drivers & consignees – and optimizes and accelerates logistics processes. Users of our platform receive web-based SaaS (Software-as-a-Service) solutions as electronic transport assignment, time slot management and transport visibility. TRANSPOREON allows to reduce dispatch and freight costs, while minimizing waiting times during loading and unloading.

Currently more than 650 industry shippers industry and trading companies, more than 28,000 carriers and more than 60,000 users from 70 countries are connected via the TRANSPOREON platform. The platforms as well as the customer service are available in 18 languages.

Operating company of the logistics platform TRANSPOREON is the international TRANSPOREON Group. Other solutions the group is offering are the tender platform TICONTRACT and the retail logistics platform MERCAREON. Presently freight orders with a volume of 8.5 billion EUR are organised via the solutions of the TRANSPOREON Group. The company is on site in 22 locations throughout Europe and the U.S.A.

Learn more about us at: www.transporeon.com



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