

Transport Market Monitor

Challenging time for the transport market as prices continue to decrease

Edition: 10 (February 2012)



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Transport rates decrease in Q4, in contrast to the seasonal pattern

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

- The price index decreased by 0.6% in Q4 2011 (index 100.6), compared to the price index in Q3 2011 (index 101.2).
- Compared to the index level of the previous year, Q4 2010 (index 102.1), the price index decreased by 1.5%. This confirms the development we observed in the previous quarter, when transport prices were lower than a year earlier.
- In previous years we saw a pattern of increasing prices after a decrease in Q1. This year, prices decreased in Q2, Q3 and Q4, which is remarkable.
- The diesel index increased by 2.0% in Q4 2011, compared to Q3 2011. This is noteworthy since the transport price index decreased.
- The capacity index increased by 11.0% in Q4 2011 (index 84.9), compared to Q3 2011 (index 76.5).
- The last months of 2011, in particular, show a significant cool down in the transport market, with lower prices and a higher capacity index. The trend of higher prices and a lower capacity index year-on-year has not been observed since May 2011. The large increase in capacity and the decrease in rates between consecutive months shows the uncertainty that market players face. The transport market is not as tight as before, which has had consequences on rates.
- Both market dynamics and the expected cost increase of transportation emphasize the need to monitor transport price developments very closely, to lower the risk of any unexpected negative impact on company results.

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

This report is the tenth 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).

Prices decrease as market remains nervous

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 2011.

The price index (see figure 1) decreased by 0.6% in Q4 2011 (index 100.6), compared to the price index in Q3 2011 (index 101.2). When comparing the index level of the previous year, Q4 2010 (index 102.1), the price index decreased by 1.5%. This confirms the development we observed in the previous quarter, when transport prices were lower than a year earlier. In Q1 and Q2 we saw substantially higher price levels compared to 2010, over the year this trend reversed. Especially in the last months of 2011 prices were lower than a year before.

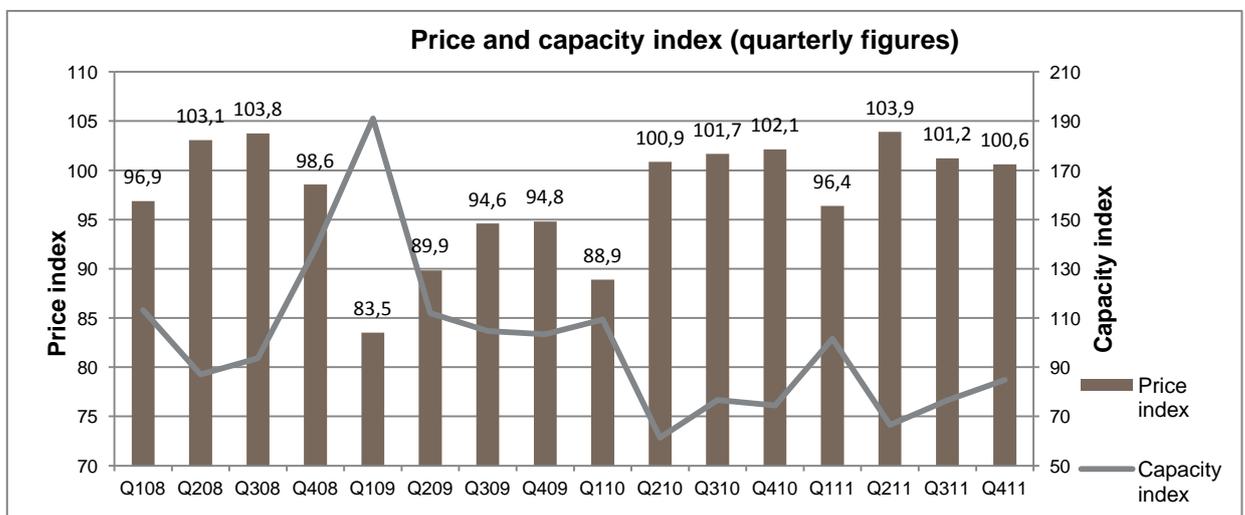
In 2008, it was the last time Transport Market Monitor reported a decrease in transport rates between Q3 and Q4. Variations in both capacity and price levels are low, but the tendency is that idle capacity at hauliers increases and transport rates decrease further in 2012.

The capacity index increased significantly by 11.0% in Q4 2011 (index 84.9), compared to Q3 2011 (index 76.5). The index is 14.0% above the index of Q4 2010 (index 74.5).

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

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.

Figure 1: Price and capacity index, quarterly (Q1 2008 – Q4 2011)



In 2009 and 2010 we monitored the trend that the price index is fairly stable over Q3 and Q4. However, we have seen in Q4 2011 that both the transport price decreased whereas the diesel index increased. This trend can be recognized even more in the analysis of Q4 on a monthly basis (see Figure 2, 3 and 4). 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.

After a turbulent year, the price index ends at same level as at the beginning of the year

This section of the Transport Market Monitor depicts the monthly developments in the price and capacity index over the last 12 months. Analysing 2011 (see figure 2), we saw a strong recovery of transport rates by 4.9% between August and October. However, in November prices started falling to even below the level of August 2011. The capacity index followed a reverse pattern - when the price index increased, the capacity index decreased and vice versa. The development in November is remarkable, as both the price and capacity index show very strong fluctuations. This clearly demonstrates the economic headwind blowing within the market.

Regardless of the high fluctuations over the year in 2011, the price index started in January at a price index of 96.7 and ended in December at a price index of 96.3. There was, however, a lot of variation - we saw an all-time high level for the Transport Market Monitor in June (index 106.1), a decline to 99.4 in August followed by a recovery to 104.3 and then again a strong decline at the end of the year.

The capacity index increased considerably between October and December 2011. The capacity index increased by 40.9% in November 2011 (index 93.6), compared to October 2011 (index 66.4). From November 2011 to December 2011 the capacity index increased further by 6.1% (index 99.3).

We have seen a certain decrease of the price index between October and November in the TMM before, but in other years there usually was a slight recovery in December.

Figure 2: Price and capacity index, monthly (Jan 2011 – Dec 2011)

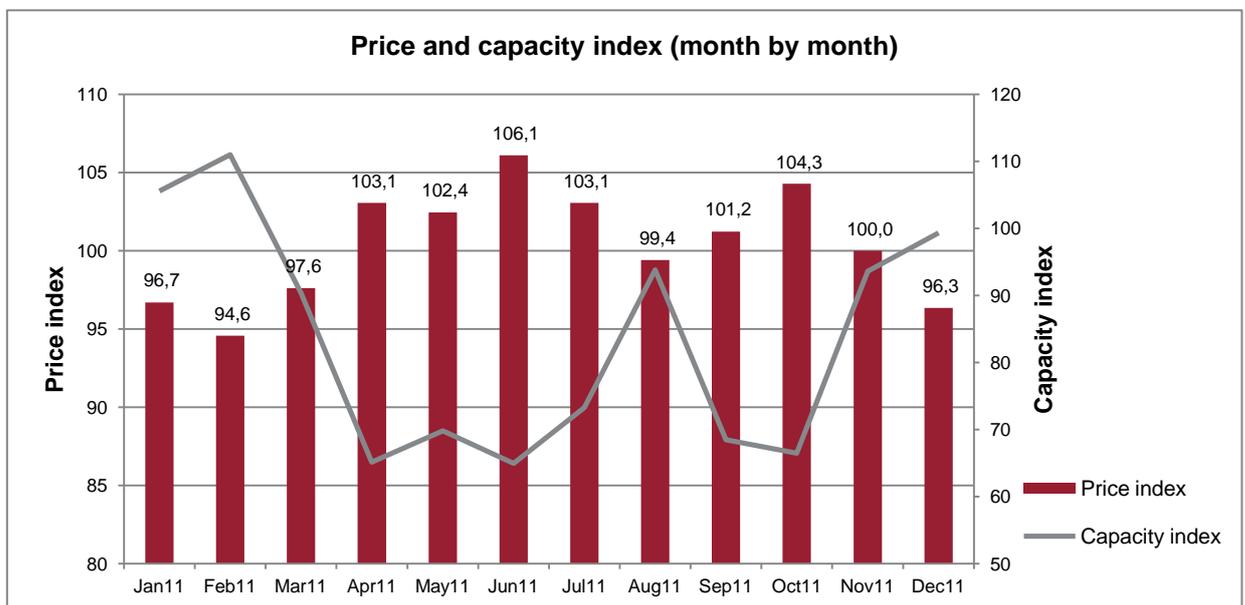


Figure 3 compares the monthly developments of the price index over the last 12 months, with the same period one year before. From January until June 2011 the price index has constantly been above the levels of the previous year. The price index shows differences of up to 9 index points compared to the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

As of Q2 2011 we see this difference diminishing, to the point where the index is back to 2010 levels. It is interesting to note that although capacity was short in September, the prices went up only marginally and remained at the 2010 level. In December, in contrast to one year ago, prices fell; this is a clear break from the pattern of higher prices year on year each month. Also the trend of a price increase over the year was invalid, as the current transport price level is back at where it started 2011.

Figure 3: Price index comparison, monthly (Jan 2010 – Dec 2011)

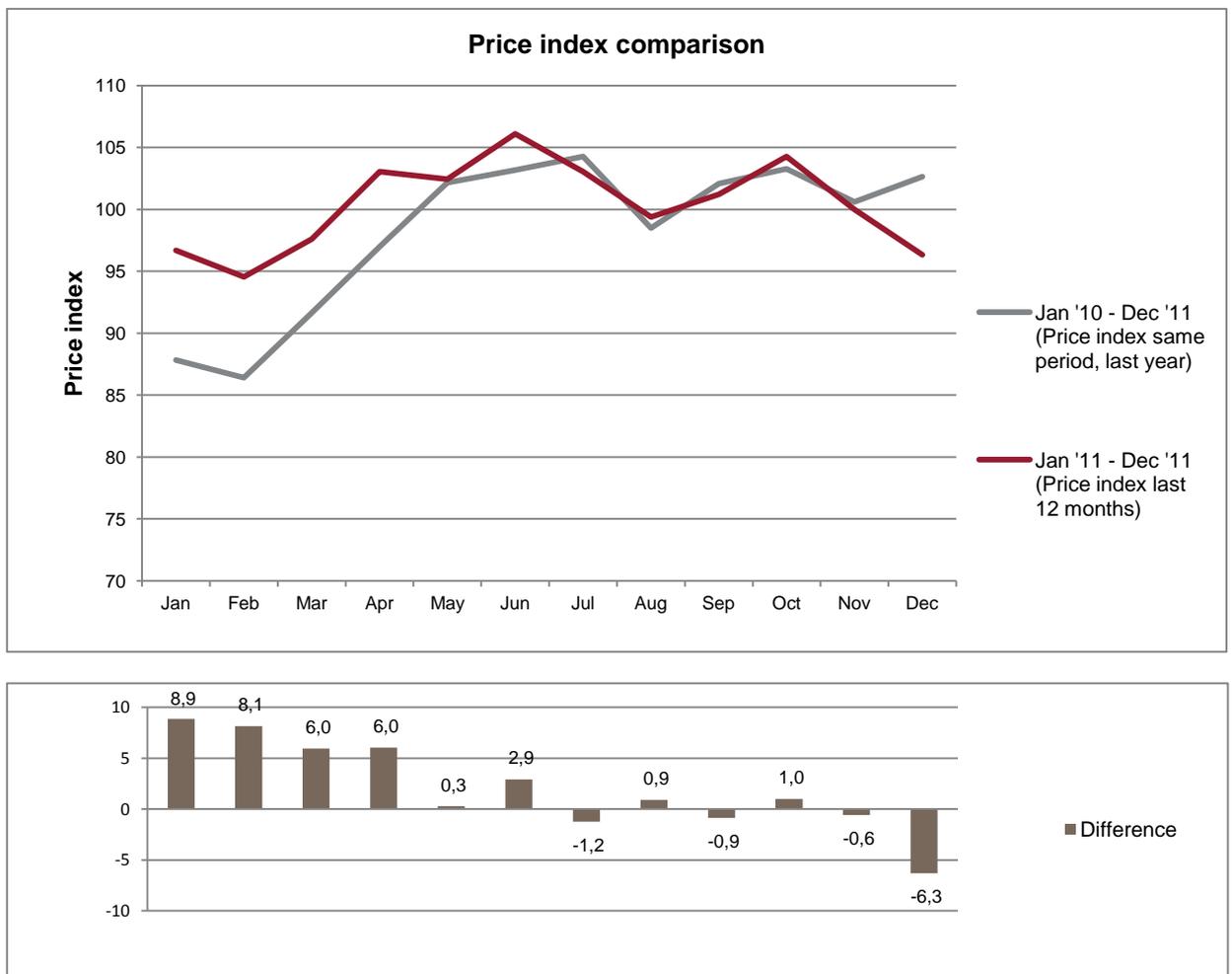


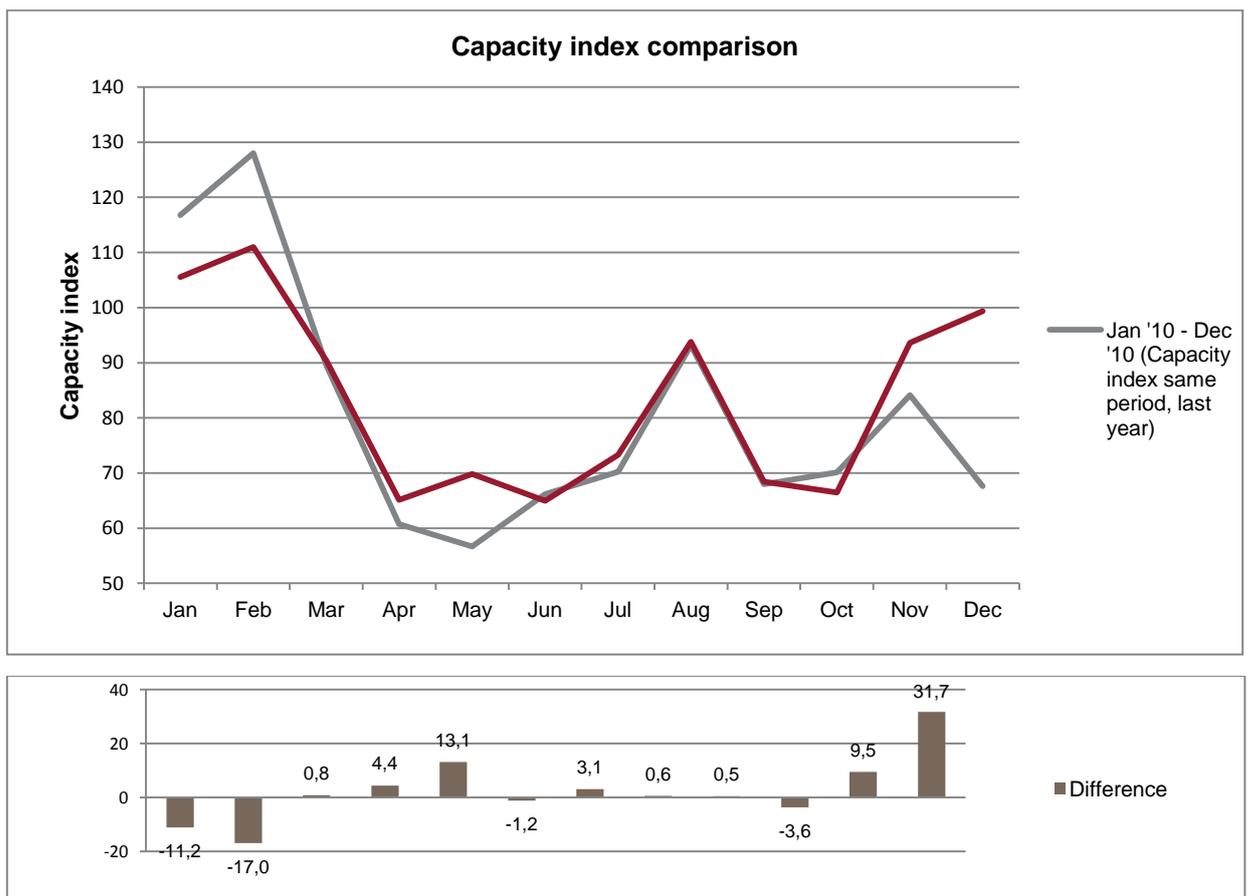
Figure 4 compares the monthly developments of the capacity index during the previous 12 months, compared to the same period one year before. In the beginning of the year the capacity index was lower than 2010, with a difference of 17 index points in February. After this, the difference diminished and the index followed the 2010 pattern closely. In November and December capacity was higher than a year before, and this gap increased from 9 index points to 32 at the end of the year.

Overall, the capacity index followed its yearly seasonal pattern. During the summer peak levels were almost identical. At the end of the year the capacity index was high, ending a period of historically low capacity levels.

Interesting to note is that we saw the capacity index of 2011 and 2010 intersect in March, whereas the price index did not reach the level of last year until May. In other words, it took some time for transport rates to reflect the increasing capacity.

In summary, both the price index and capacity index in Q4 2011 are back to the levels of the beginning of 2011.

Figure 4: Capacity index comparison, monthly (Jan 2010 – Dec 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.

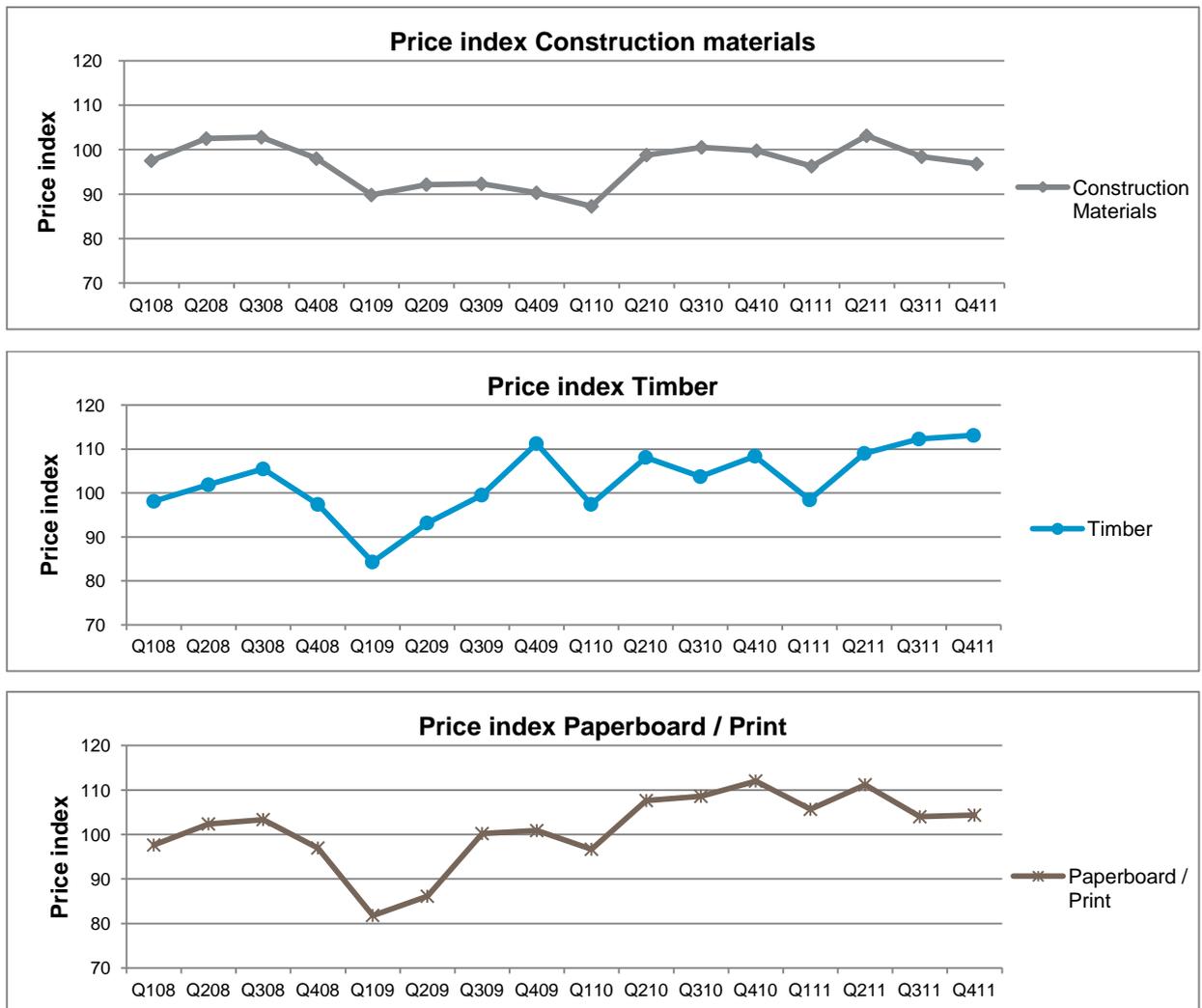
The development of the price index for construction materials is in line with the development of the overall price index during Q4 2011, but the price decreases were stronger. Where the overall price index decreased by 0.6% between Q3 and Q4, the index for construction materials decreased by 1.6% (index 96.8 in Q4).

The Timber industry showed a small increase of 0.7% to a price index of 113.1. Paperboard/Print on the other hand showed only a little variation (index 104.3 in Q4), that is an increase of 0.3% compared to Q3 2011.

The TRANSPOREON platform handles transport for almost all industries. For this edition of the Transport Market Monitor, different industry types have been analyzed 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 – Q4 2011)



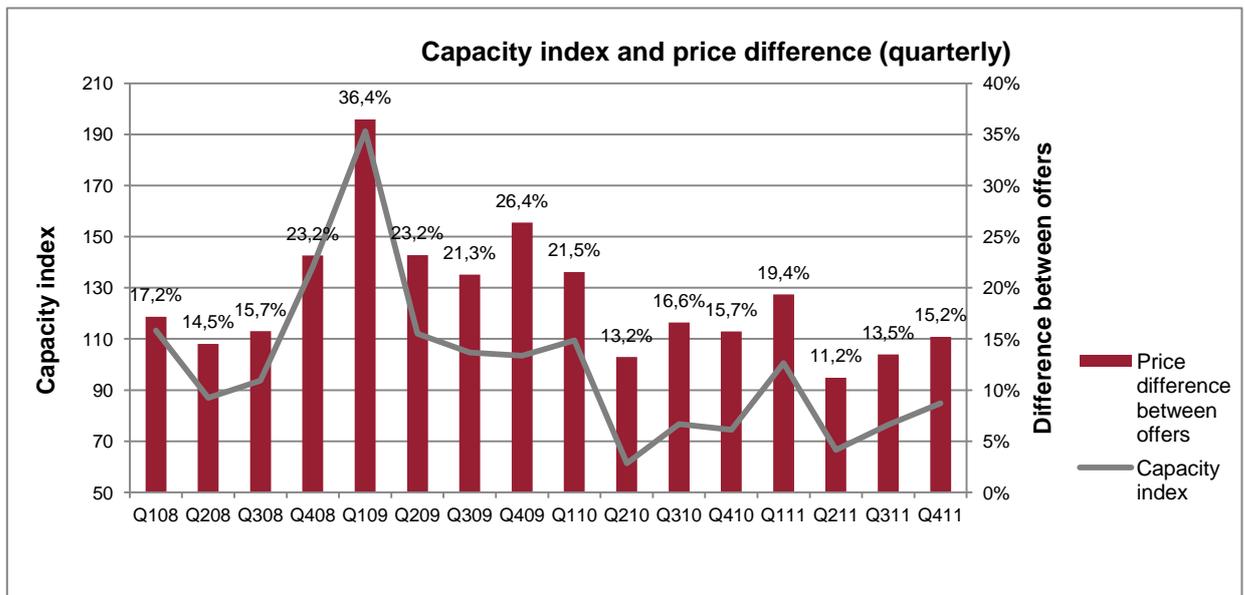
Price differences between offers increased

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.

In line with the clear increase in available capacity, price differences between the highest and the lowest offered price increased from 13.5% in Q3 2011 to 15.2% in Q4. The price difference is an average figure. In general, price differences increase with the greater distance travelled (see TMM, edition 1).

Q4 figures show a trend for higher capacity and higher price difference. This emerging trend creates a good environment for dynamic dispatching close to the market. This leads 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 – Q4 2011)



Diesel index increased

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. This was, however, not the case in the last quarter of 2011. The diesel price increased by 2.0%, while the transport price decreased by 0.6% in Q4 2011, compared to Q3. Still, the impact of increased capacity creates significant leverage on transport prices.

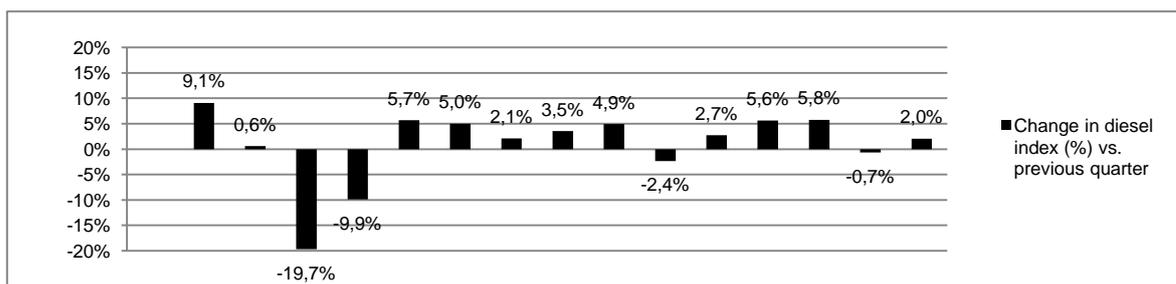
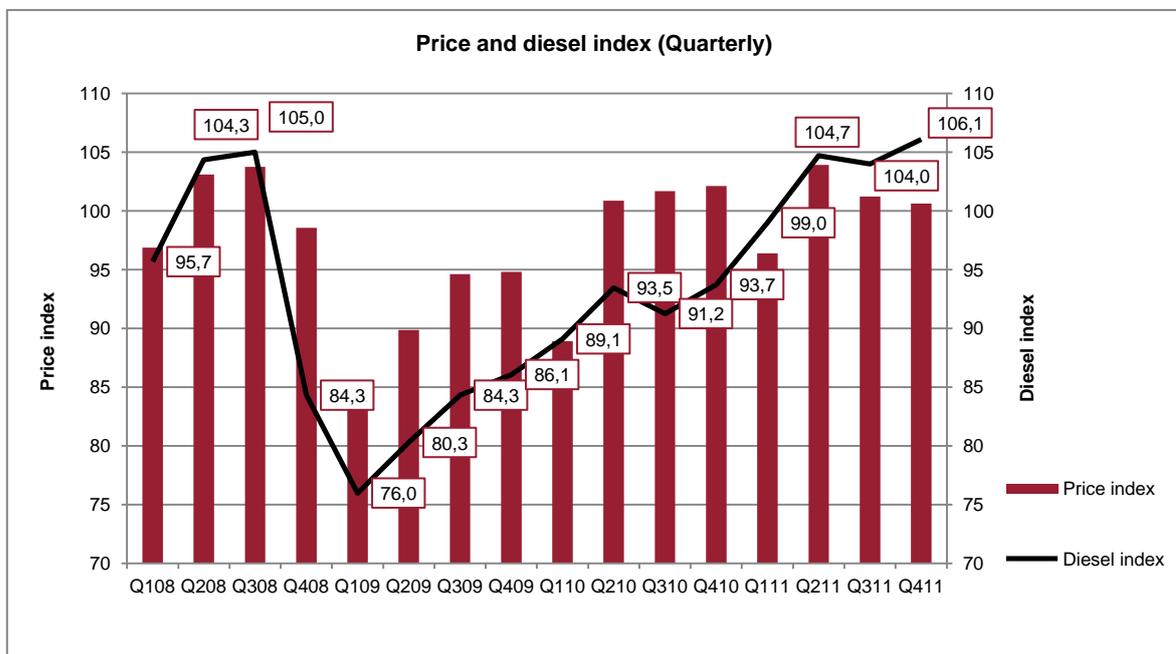
The increase in diesel index is part of the increasing trend we observed since the beginning of 2009 when diesel prices have increased by 39.6%. The relatively large difference in the diesel index between Q3 and Q4 is in line with the pattern we saw in previous years.

The difference in transport and diesel prices, contradicts with the idea of diesel floaters which make transport rates increase when fuel becomes more costly.

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 – Q4 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 Q4 2011 compared to Q3 2011 and the same period one year before.

“Looking into the market data on our platform online, we realize an ongoing transport price decrease in the first weeks of January. Therefore in my opinion, Q1/2012 will become a challenging time for the transport market as well as the general economy.” (Peter Förster, managing partner of TRANSPOREON)

The next edition, number 11, will include the figures for Q1 2012 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 May 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 analyzed 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 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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