

Transport Market Monitor

Transport rates weaken towards the end of the year

Edition: 14 (February 2013)



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Summary

This is the fourteenth edition of the Transport Market Monitor. It outlines developments in European road transport rates and includes the figures of the fourth quarter of 2012.

- The price index (see figure 1) decreased by 1.8% in Q4 2012 (index 98.2), compared to the price index in Q3 2012 (index 100.0).
- When comparing the index level of the previous year, Q4 2011 (index 100.6), the price index is 2.4% lower in Q4 2012.
- In Q4 2012 the diesel index decreased to index 109.2 (-1.0%).
- Another factor with a high impact on transport prices is the capacity index, which increased by 8.9% in Q4 2012 (index 95.0), compared to Q3 2012 (index 87.2).
- After two quarters of price increases, transport rates decreased now due to increased capacity and lower fuel prices.
- In Q1 we expect a further price decrease, based on the seasonal pattern observed in previous years.
- Both market dynamics and lasting economic uncertainties 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 fourteenth 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 analyzed 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.

1.8% price decrease in Q4 2012

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 fourth quarter of 2012.

The price index (see figure 1) decreased by 1.8% in Q4 2012 (index 98.2), compared to the price index in Q3 2012 (index 100.0). When comparing to the index level of the previous year, Q4 2011 (index 100.6), the price index decreased by 2.4%. The prior two quarters showed a slowly increasing trend after the price decreases in 2011 and early 2012.

In previous years, transport prices have been relatively stable between Q3 and Q4. Only in 2008 a strong decrease has been observed, which was a result of the large capacity increase in the market due to the financial crisis. The current price decline is accompanied by an increase in capacity.

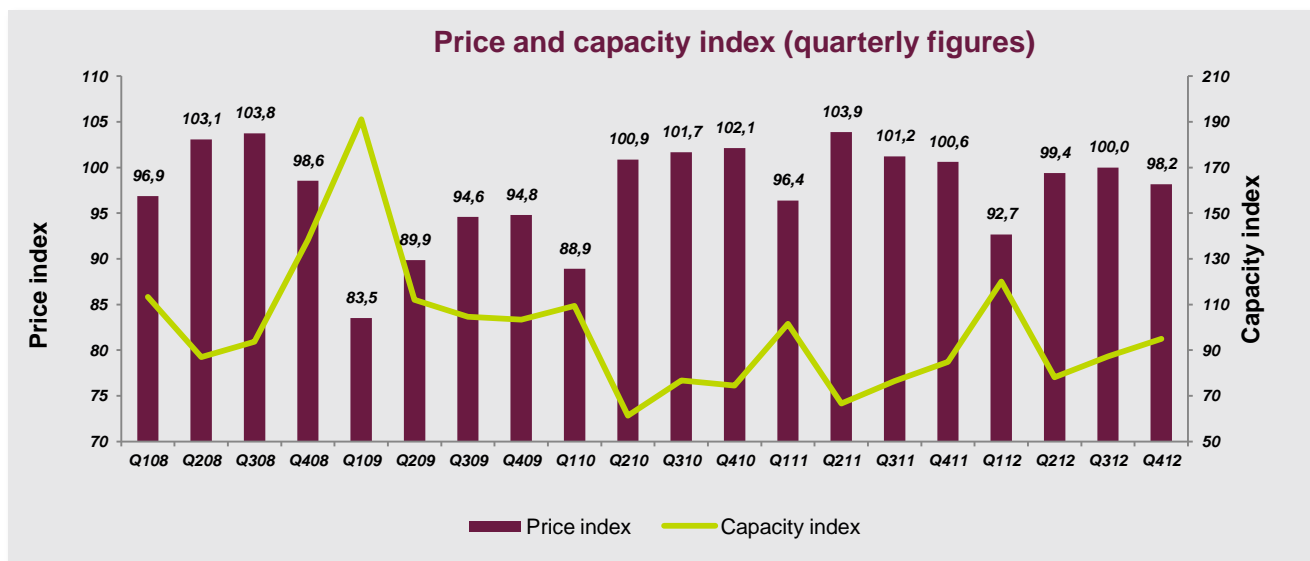
Another important driver for transport rates is the price of fuel. After the all-time high level in Q3 2012, the diesel index decreased in the last quarter of 2012. Both the increasing capacity in the market and the decreasing diesel price are influenced highly by the economic recovery that has slowed down.

The capacity index increased by 8.9% in Q4 2012 (index 95.0), compared to Q3 2012 (index 87.2). In previous years, the capacity showed mixed developments at the end of the year. Currently the index is still 11.9% higher than in the same period last year (index 84.9).

The price index is calculated by comparing the average price per kilometer 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 2012)



Strong fluctuations in Q4

This section of the Transport Market Monitor depicts the monthly developments in the price and capacity index over the last 12 months. Analysing Q4 2012 (see figure 2), prices decreased significantly in October and November as a result of strong increases in capacity. In December however, transport rates showed a strong recovery towards the end of the quarter.

In October, prices decreased by 2.4% (index 99.4), in November rates continued the decreasing development to index 94.5 (-4.9%). After this 7.2% price fall between September and November, prices recovered to index 100.0 (+5.8%) in December.

The capacity index reached index level 83.2 (+13.2%) in October, then it increased by 39.9% to index 116.4. Following the reverse pattern of the price index, in December capacity decreased significantly to 86.6 index points (-25.6%).

The negative price development in October and November is not unusual in the history of the TMM, as well as the observed recovery in December due to end-of-year and Christmas business. The strong fluctuations in this quarter are however noteworthy.

Figure 2: Price and capacity index, monthly (Jan 2012 – Dec 2012)

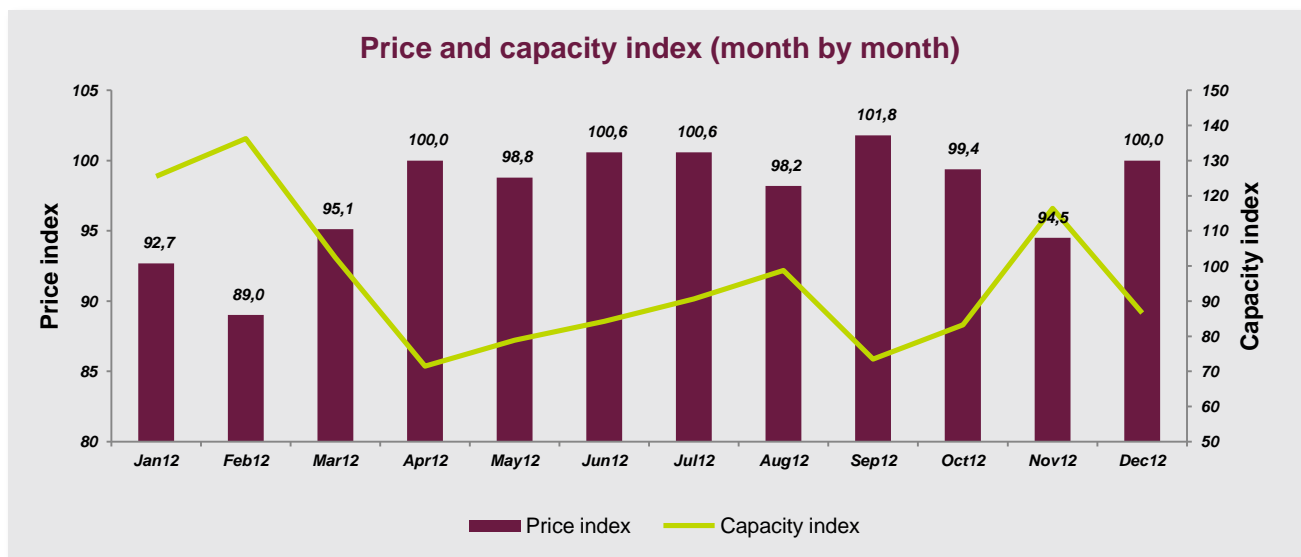


Figure 3 compares the monthly developments of the price index over the last 12 months, with the same period one year before. In 2012 prices have been lower than the preceding year. This gap has been large at the beginning of the year and was diminishing towards the end of the summer. In October and November nevertheless, the price level was significantly lower than 2011 again. In December 2012 however prices were higher than the same month in 2011.

Figure 3: Price index comparison, monthly (Jan 2011 – Dec 2012)

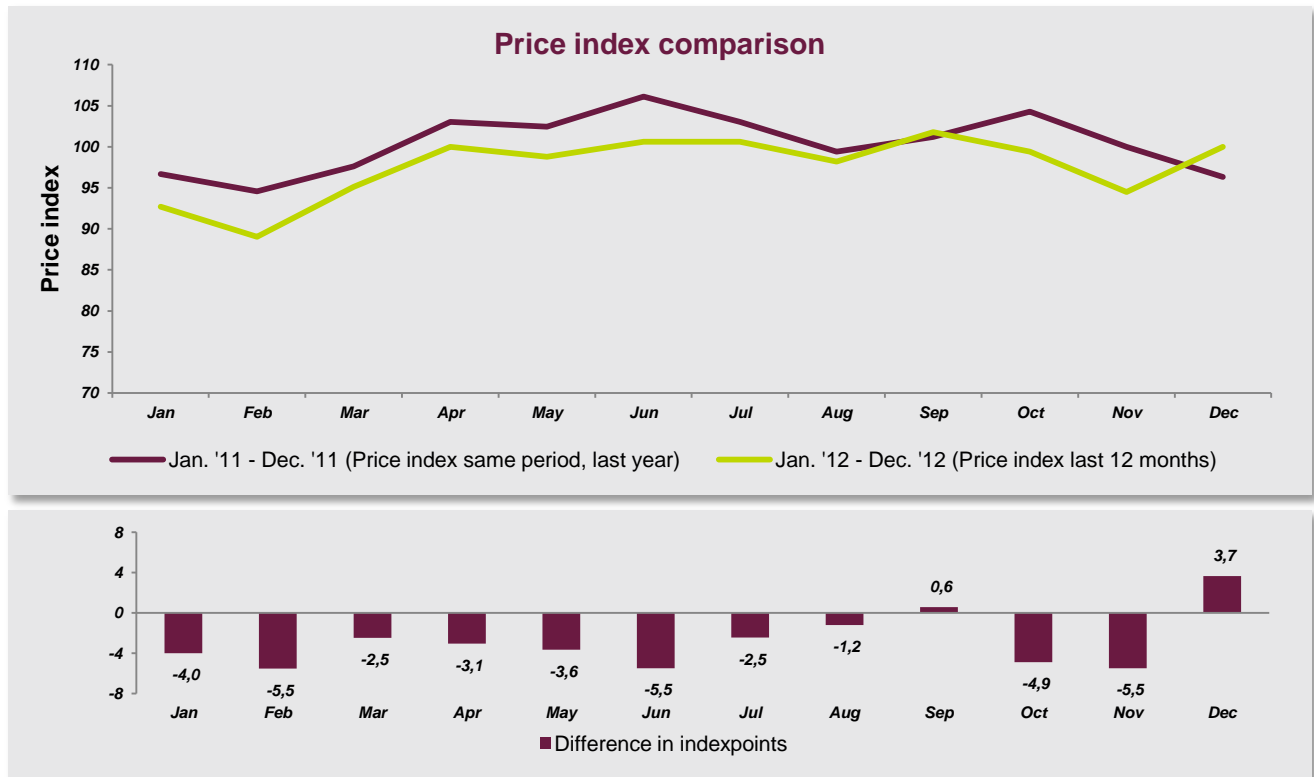
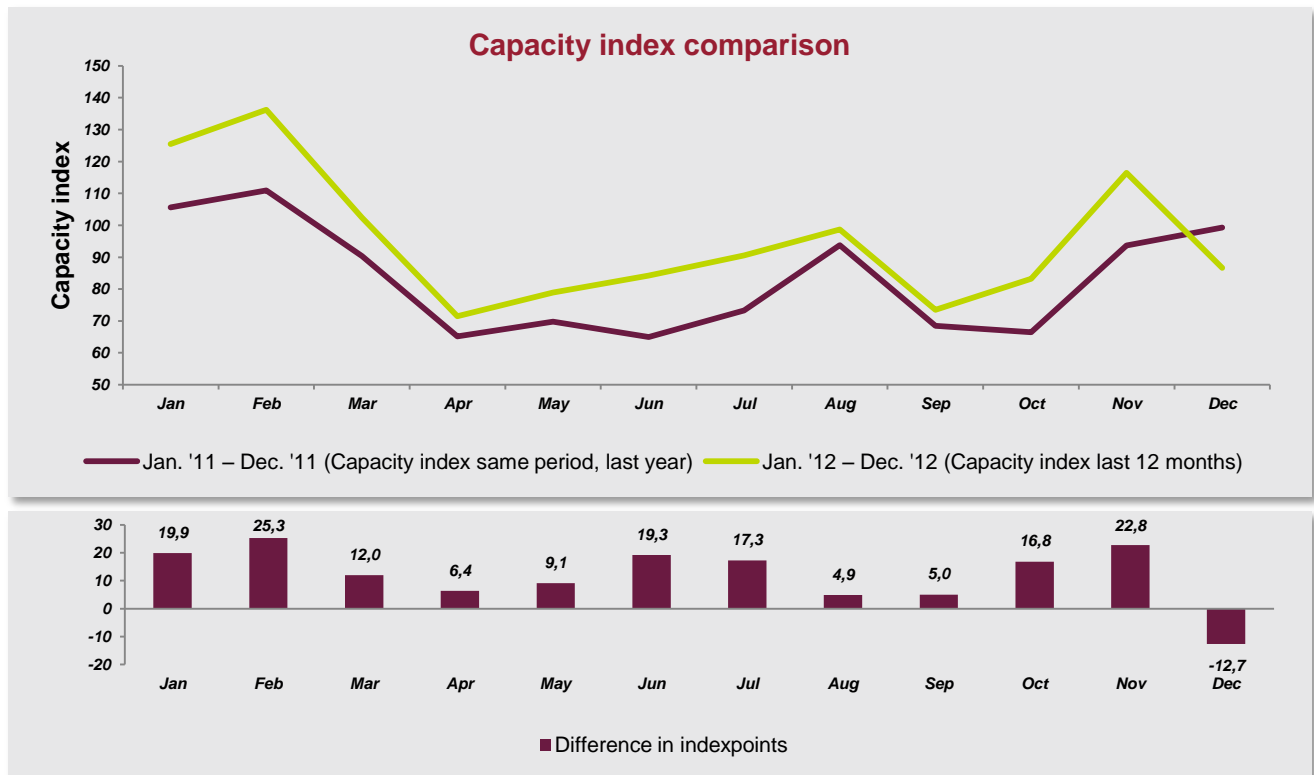


Figure 4 compares the monthly developments of the capacity index during the previous 12 months, with the same period one year before. For most of 2012, the capacity index was higher than in 2011. The gap was the largest in February and November. In December capacity declined strongly, even below the level of last year.

The yearly pattern is very similar in the last two years, with high capacity in the winter and another peak during the summer and towards the end of the year. The decline in December is an exception to that pattern.

Figure 4: Capacity index comparison, monthly (Jan 2011 – Dec 2012)



Industry focus

General economic conditions apply to most 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.

In the last quarter a different development across industries has been observed for the first time. In Q4 2012 again two industries (construction materials and timber) showed decreasing prices, while transport prices in the paperboard and print industry remained stable.

The price index for construction materials industry decreased to 94.1 (-3.9%). In the market for timber prices decreased by 2.3% to index 104.9. Finally, in the paperboard and print industry prices remained stable at index level 102.1.

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)

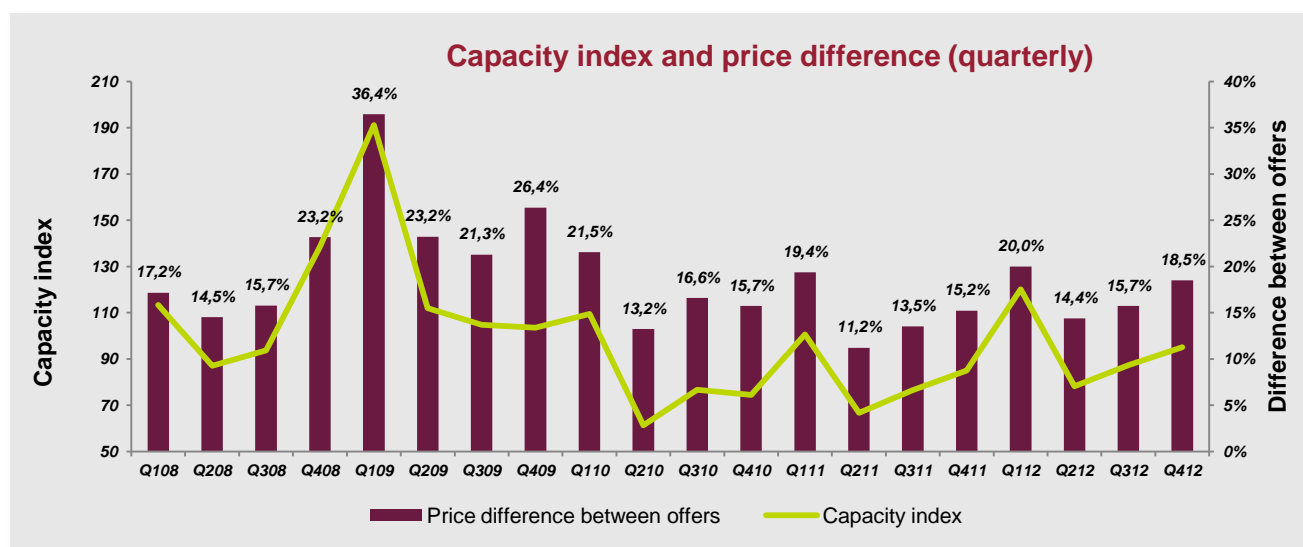
Figure 5: Price index for different industries (Q1 2008 – Q4 2012)



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 order. Figure 6 illustrates the price difference between offers, and the development of the capacity index. Q4 figures fit the correlating trend between capacity and the difference between offers. The increasing capacity and difference between offers underpin the effect that more capacity allows higher optimization potential of empty kilometers combined with more price competition between hauliers.

Figure 6: Capacity index and price difference (Q1 2008 – Q4 2012)



The price differences between lowest and highest offer increased from 15.7% to 18.5% in Q4 2012. This is in line with the seasonal pattern witnessed in earlier years. The price difference is an average figure. In general, price differences increase with the distance to be travelled (see TMM, edition 1).

Diesel index decreases after all time high of Q3 2012

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.

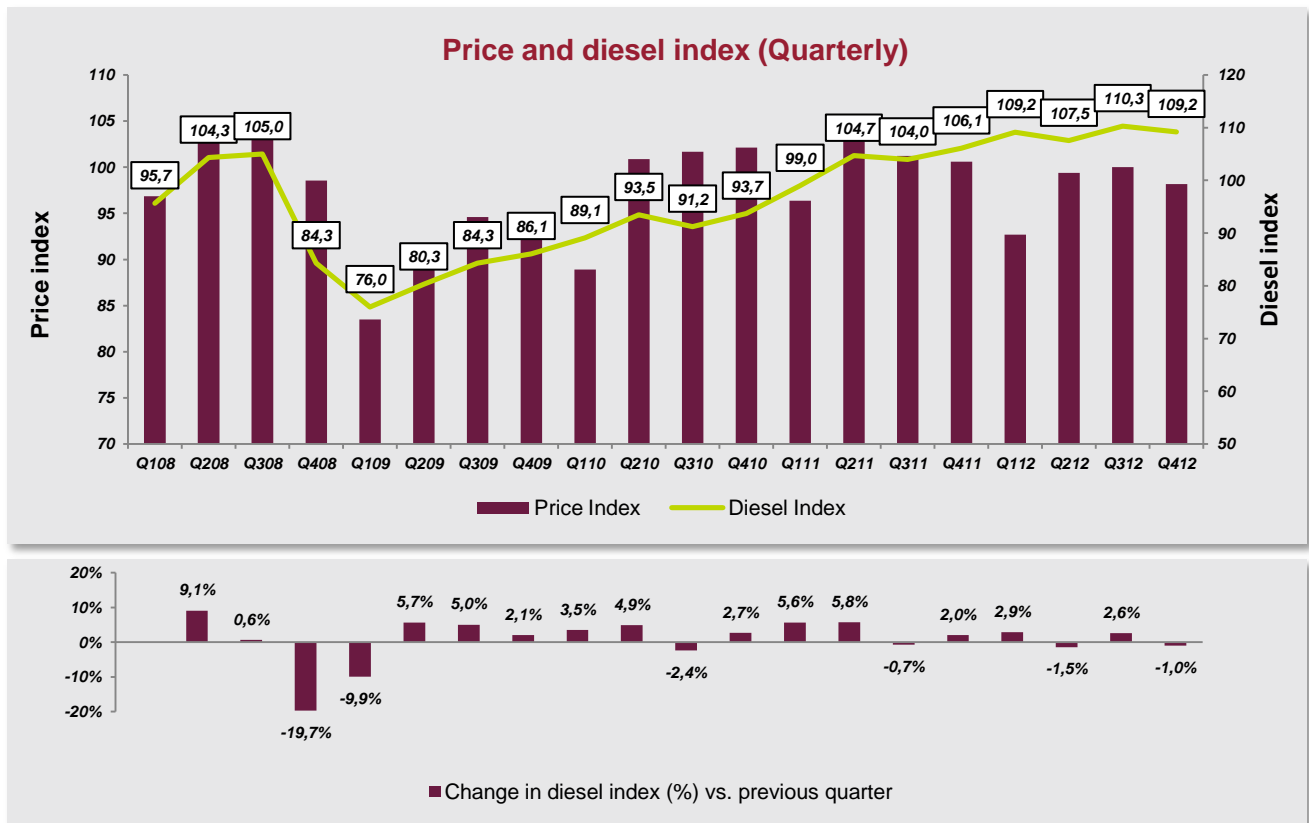
In Q4 2012, the diesel index decreased to index 109.2 (-1.0%). Combined with the increased capacity index, this explains the decline of the price index.

Overall, the diesel price remained stable in 2012 at index level 109.2.

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.

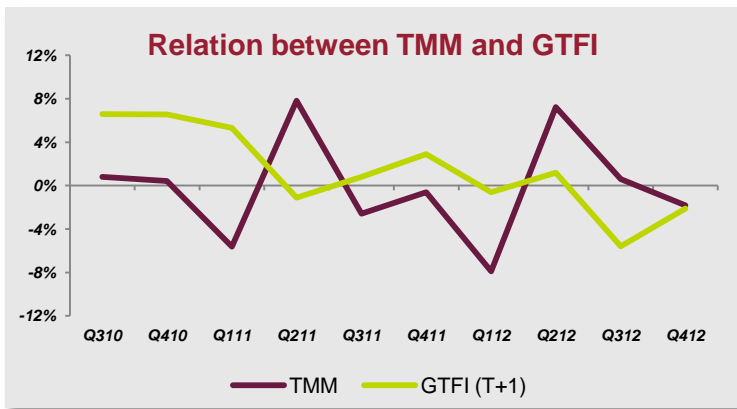
Figure 7: Price index and diesel index (Q1 2008 – Q4 2012)



Global Trade Flow Index

This section features the Capgemini Consulting Global Trade Flow Index (GTFI) a measure of worldwide trade, tailored to the European market in this report. The volume of trade is a strong driver for transport demand and corresponding prices. This is proven by the observed relation between the TMM and GTFI of the next quarter (T+1).

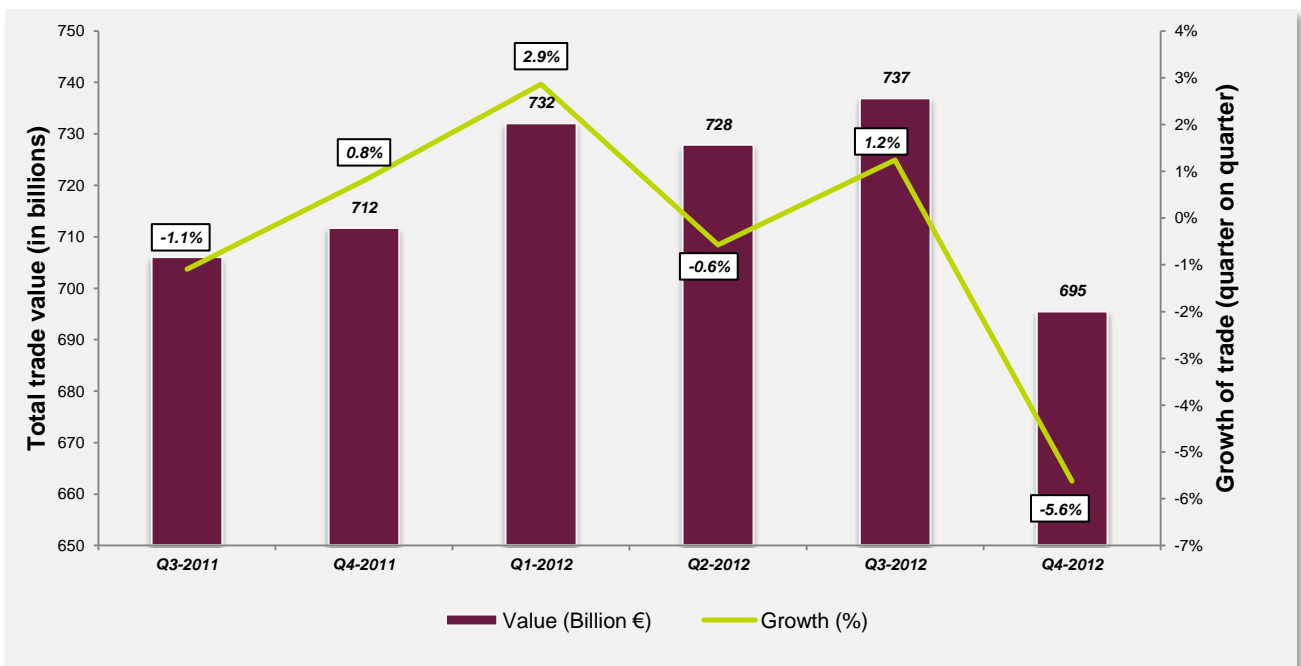
Capgemini Consulting's Global Trade Flow Index tracks the trade of goods and services by quarter based on an analysis of a number of trade and market-related parameters from the latest available official data (related to the import and export of goods and services) from national agencies. It is tailored to the European market for this report.



In Q4 2012 trade volumes decreased with 5.6% to € 695 bln. Compared to the same period in 2011 (712 bln.), this is a decline of 2.4%.

For the upcoming quarters, a further decrease is expected based on the forecasting model.

Figure 8: Trade Flow Index for Europe (Q3-2011 – Q4-2012)



Note: estimates are based on Logest forecast methodology; Exchange rates assumed as constant

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- Provides **key insights** in the European transport market with the quarterly overview of the most important trends
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Transport Market Monitor on LinkedIn

Updates on the transport market are not only shared via the quarterly publication of the Transport Market Monitor. Lively discussions on the Transport Market Monitor group take place on LinkedIn. Therefore join the group and participate in the discussion about the next statement:

“In the previous years, transport prices decreased significantly in Q1. What do you see happening in the market?”

Discuss this statement at LinkedIn by clicking on the button below:



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 2012 compared to Q3 2012 and the same period one year before.

The next edition, number 15, will include the figures for Q1 2013 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 2013.

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 <http://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 the 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 600 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 19 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 organized via the solutions of the TRANSPOREON Group. The company is on site in 24 locations throughout Europe, the U.S.A., Russia and Asia.

Learn more about us at: www.transporeon.com

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