

Transport Market Monitor

Transport rates reach three year low

Edition: 15 (May 2013)



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Summary

This is the fifteenth edition of the Transport Market Monitor. It outlines developments in European road transport rates and includes the figures of the first quarter of 2013.

- The price index decreased by 8.1% in Q1 2013 (index 90.2), compared to the price index in Q4 2012 (index 98.2).
- When comparing to the index level of the previous year, Q1 2012 (index 92.7), the price index decreased by 2.7%.
- In Q1 2013 the diesel index decreased to index 105.6 (-3.3%).
- Another factor with a high impact on transport prices is the capacity index, which increased by 22.5% in Q1 2013 (index 116.4), compared to Q4 2012 (index 95.0).
- The large decrease of the price index can be explained by the yearly seasonal pattern.
- In Q2 we expect a significant price recovery, 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 fifteenth 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.

8.1% price decrease in Q1 2013

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 first quarter of 2013.

The price index (see figure 1) decreased by 8.1% in Q1 2013 (index 90.2), compared to the price index in Q4 2012 (index 98.2). When comparing to the index level of the previous year, Q1 2012 (index 92.7), the price index decreased by 2.7%. The transport price index is at its lowest level since 2010.

In previous years, transport prices have always showed a significant decrease between Q4 and Q1, accompanied by a strong increase in capacity. The increase in the capacity index in Q1 2013 is not as strong as in previous years when it was around 40% over this time span.

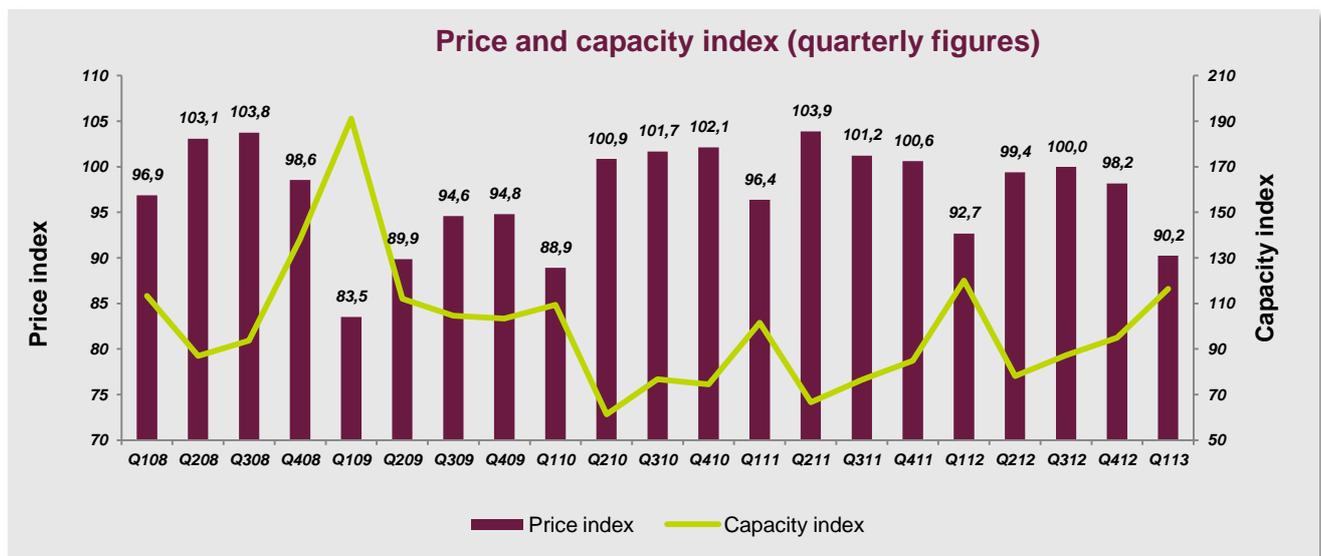
Another important driver for transport rates is the price of fuel. After the all-time high level in Q3 2012, the diesel index decreased in the last two quarters. This explains the strong price fall in combination with the moderate increase in the capacity index.

The capacity index increased by 22.5% in Q1 2013 (index 116.4), compared to Q4 2012 (index 95.0). In previous years there was always peak capacity in Q1. Currently the index is 3.1% lower than in Q1 2012 (index 120.1).

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 – Q1 2013)



Strong fluctuations 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 Q1 2013 (see figure 2), prices decreased significantly in both January and February as a result of strong increases in capacity. In March however, transport rates showed a strong recovery towards the end of the quarter, which may reflect the short week around early Easter season this year.

In January, prices decreased by 7.3% (index 92.7), in February rates decreased even stronger to index 85.4 (-7.9%). In March the price index recovered significantly to the January index level of 92.7, which is a 8.5% increase.

The capacity index reached index level 110.4 (+27.5%) in January, then it increased further by 29.5% to a capacity index of 143.0. Following the reverse pattern of the price index, in March capacity decreased significantly to 102.0 index points (-28.7%).

In previous years, a similar pattern with price pressure in the first two months of the year and starting recovery in March has been observed.

Figure 2: Price and capacity index, monthly (Apr 2012 – Mar 2013)

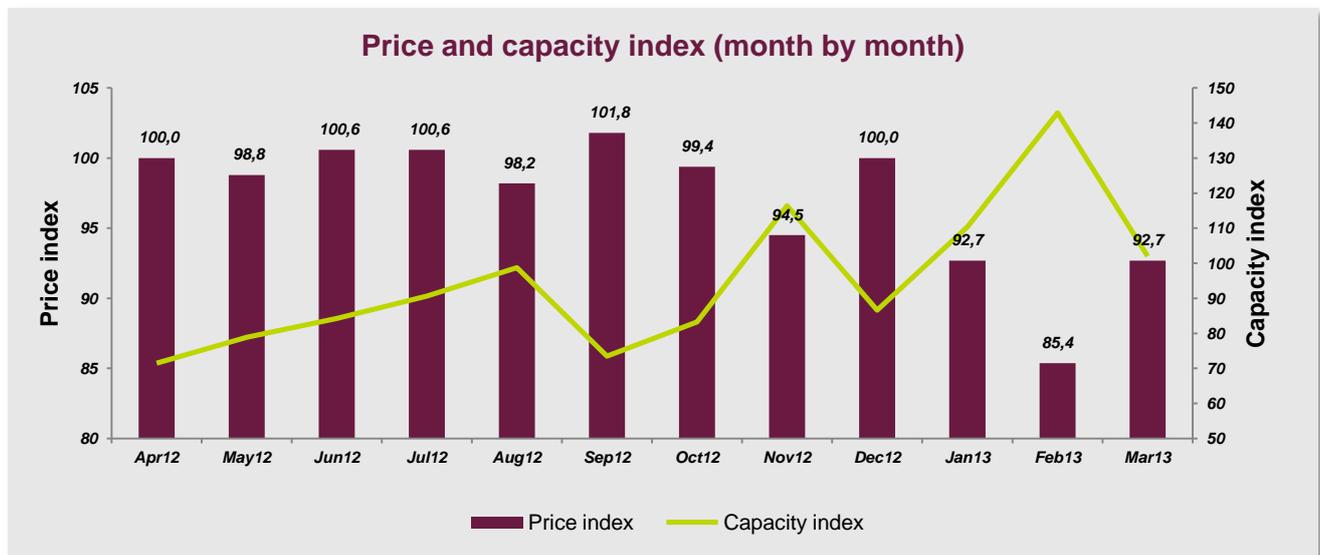


Figure 3 compares the monthly developments of the price index over the last 12 months, with the same period one year before. In 2012 prices have been lower than the preceding year. This gap has been large at the beginning of the year and was diminishing towards the end of the summer. By the end of the year the price index surpassed 2011 levels, but in February and March price levels were lower than last year again.

Figure 3: Price index comparison, monthly (Apr 2011 – Mar 2013)

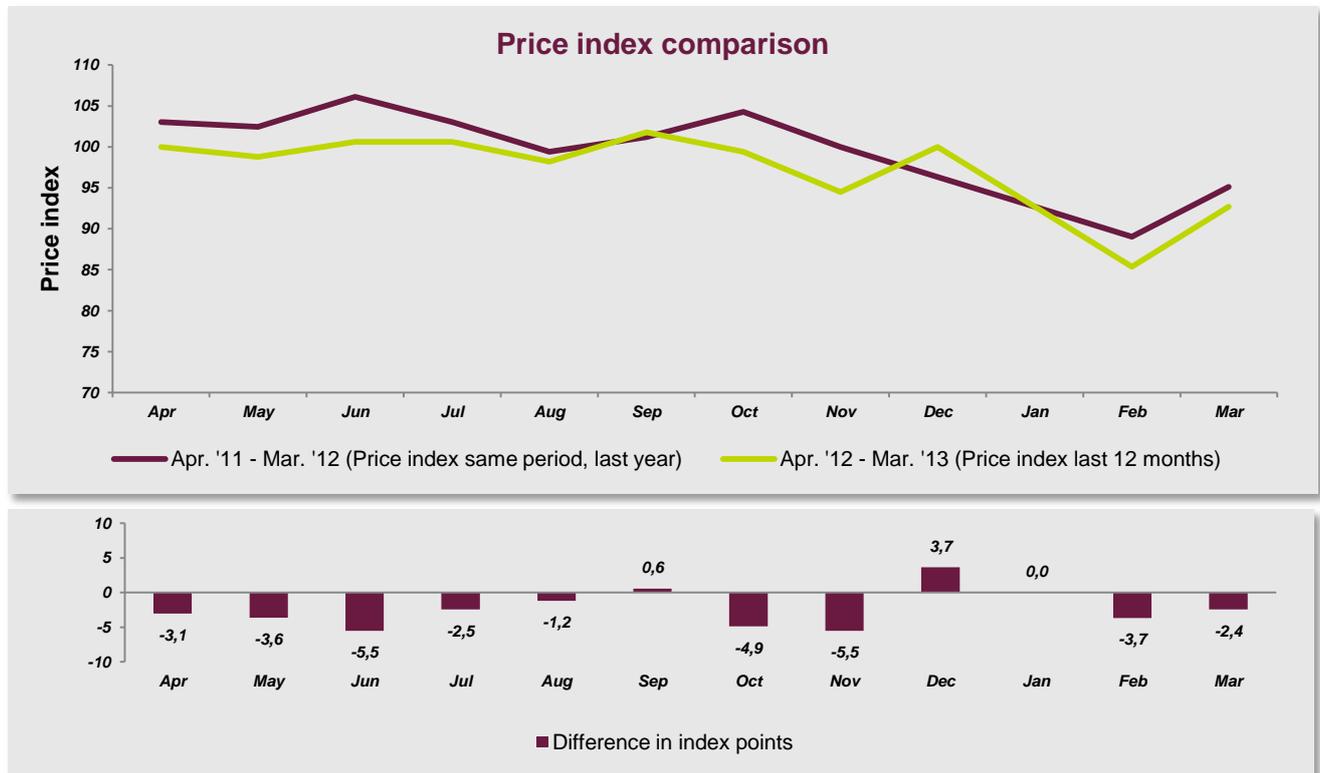
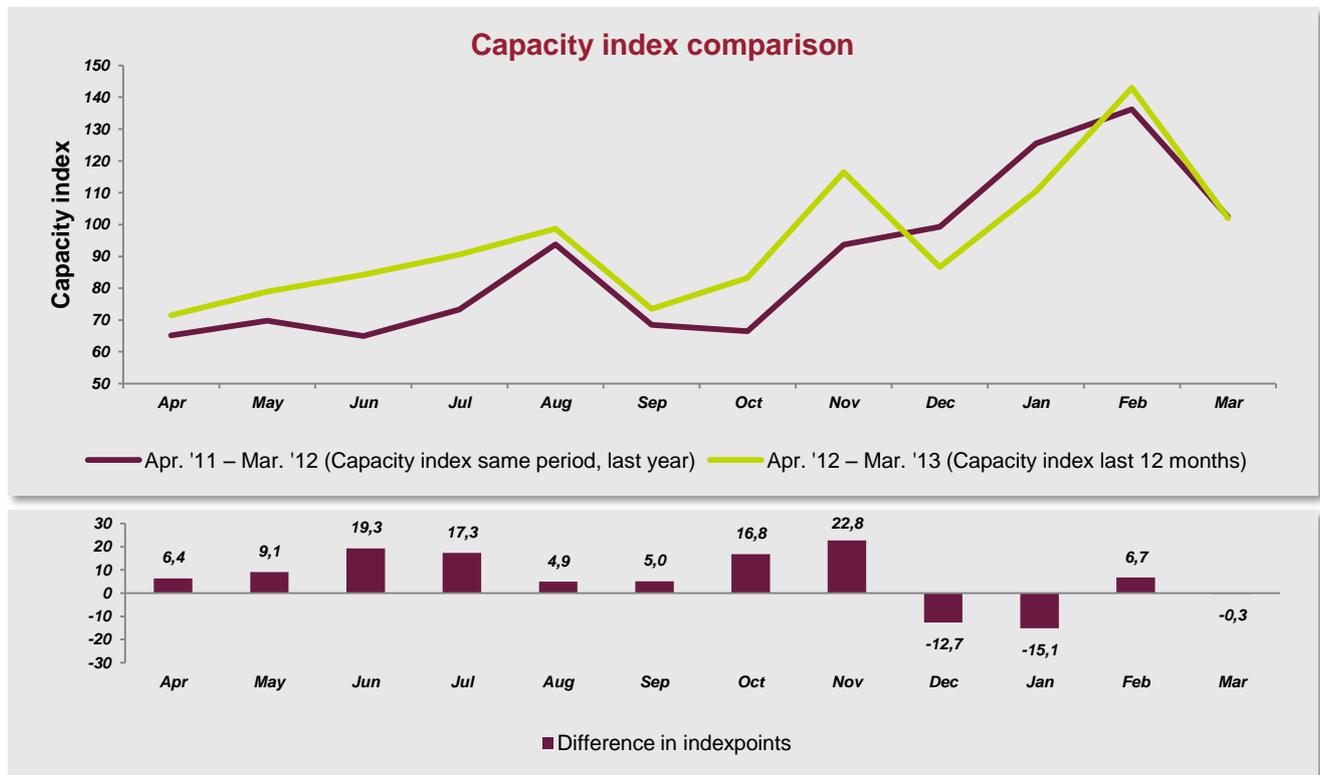


Figure 4 compares the monthly developments of the capacity index during the previous 12 months, with the same period one year before. For most of 2012, the capacity index was higher than in 2011. The gap was the largest in November. In December and January the capacity was lower than last year, which indicates a price recovery. However following the reverse pattern of the price index, capacity was higher again and around early 2012 levels in February and March.

The decrease of the capacity index in December is a remarkable development compared to other years.

Figure 4: Capacity index comparison, monthly (Apr 2011 – Mar 2013)



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 previous edition of the TMM a stable price was observed for the paperboard and print industry, as opposed to the other two industries that showed decreasing prices. In Q1 2013 prices decreased in all three industries and showed a similar trend again. In fact, the paperboard and print industry showed the largest decrease. Decreasing prices in Q1 are normal according to the seasonal pattern. The general trend of prices approaching Q1 2010 levels applies to all industries, only the timber industry is still slightly above the Q1 2010 level.

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)

The price index for the construction materials industry decreased from 94.1 index points in Q4 2012 to 87.2 (-7.3%) in Q1 2013. In the market for timber, prices decreased by 3.9% from 104.9 index points in Q4 2012 to index 100.8 in Q1 2013. Finally, the paperboard and print industry showed the largest decrease with 7.4% from 102.1 index points in Q4 2012 to index 94.5 in Q1 2013.

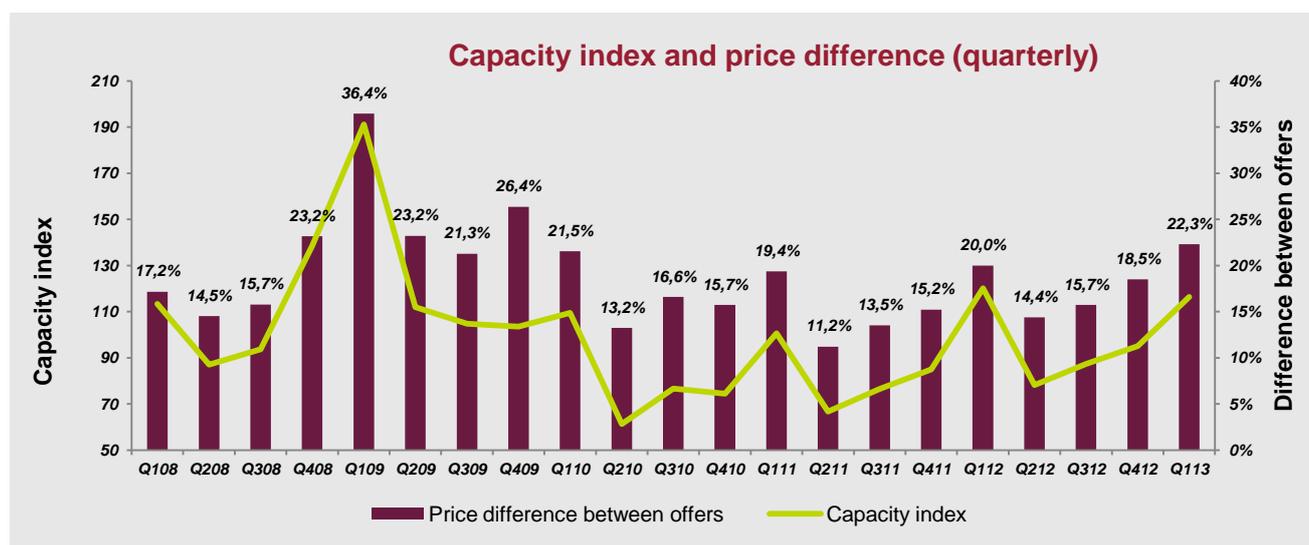
Figure 5: Price index for different industries (Q1 2008 – Q1 2013)



Price differences between offers increase again

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. Q1 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 kilometres combined with more price competition between hauliers.

Figure 6: Capacity index and price difference (Q1 2008 – Q1 2013)



The price differences between lowest and highest offer increased from 18.5% to 22.3% in Q1 2013. 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 substantially

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.

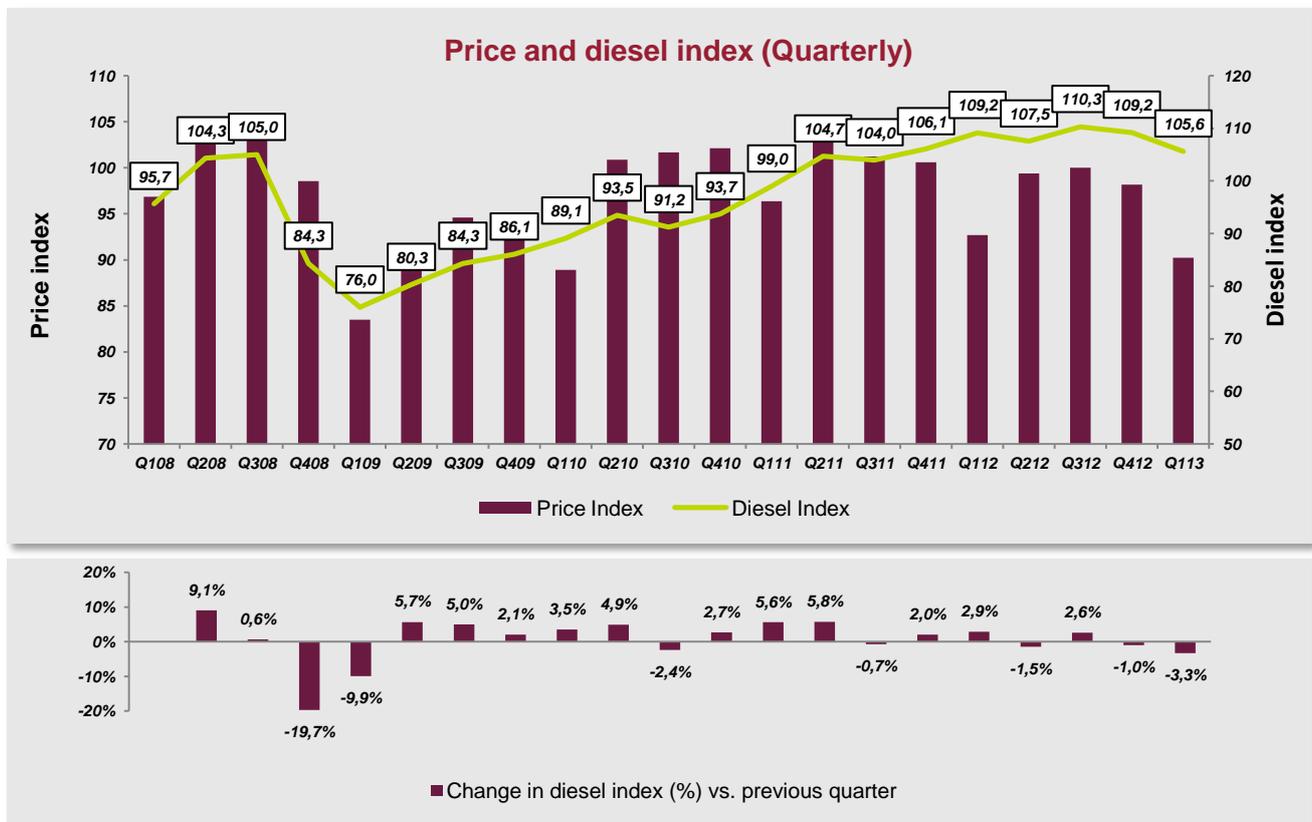
In Q1 2013, the diesel index decreased to an index 105.6 (-3.3%). Combined with the increased capacity index, this explains the declining price index.

Compared to the all time high in Q3 of last year, the prices in 2013 are substantially lower (4.3% decrease), returning to prices just under the level of end 2011. Furthermore, we observe a declining diesel index for two subsequent quarters. This is a very rare occasion that was only observed earlier during the economic crisis in 2008.

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 – Q1 2013)



Global Trade Flow Index

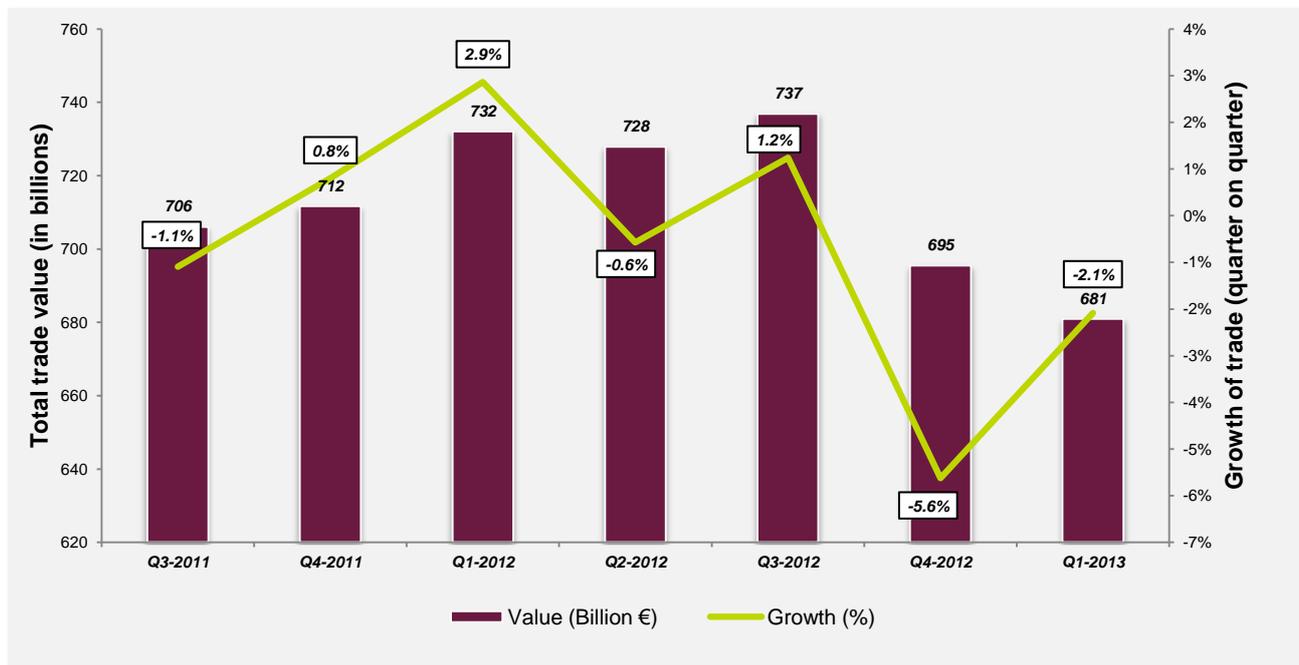
This section features the Capgemini Consulting Global Trade Flow Index (GTFI) a measure of worldwide trade, tailored to the European market in this report. The volume of trade is a strong driver for transport demand and corresponding prices.

In Q1 2013 trade volumes decreased with 2.1% to € 681 bln in Europe. Compared to the same period in 2012 (732 bln.), this is a decline of 7.0%.

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

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.

Figure 8: Trade Flow Index for Europe (Q3 2011 – Q1 2013)

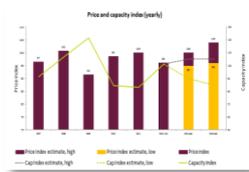


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Transport Market Monitor on LinkedIn

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:

“The price levels are back on a significantly low level similar to 2010. What’s going on here?”

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 Q1 2013 compared to Q4 2012 and the same period one year before.

The next edition, number 16, will include the figures for Q2 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 August 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. 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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