

Transport Market Monitor

Transport market recovers: year on year comparison shows eight months of consistently higher prices

Edition: 19 (May 2014)



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Summary

This is the nineteenth edition of the Transport Market Monitor. It outlines developments in European road transport rates and includes the figures of the first quarter of 2014.

- The price index (see figure 1) decreased by 9.6% in Q1 2014 (index 91.5), compared to the price index in Q4 2013 (index 101.2).
- When comparing to the index level of the previous year, Q1 2013, we see that the price index is 1.4% higher.
- In Q1 2014, the diesel index decreased to an index 101.0 (-2.4%).
- The capacity index increased strongly to index 114.4 (+36.9%) in Q1.
- Although the price index decreased in Q1, it is still higher than last year. This indicates that the recovery endures.
- In Q2 a strong recovery of the price index can be expected.
- Over the last years transport prices have proven to become increasingly volatile, this reinforces the need to monitor them closely.

This report is the nineteenth 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.

Transport price index shows year-on-year growth

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 2014.

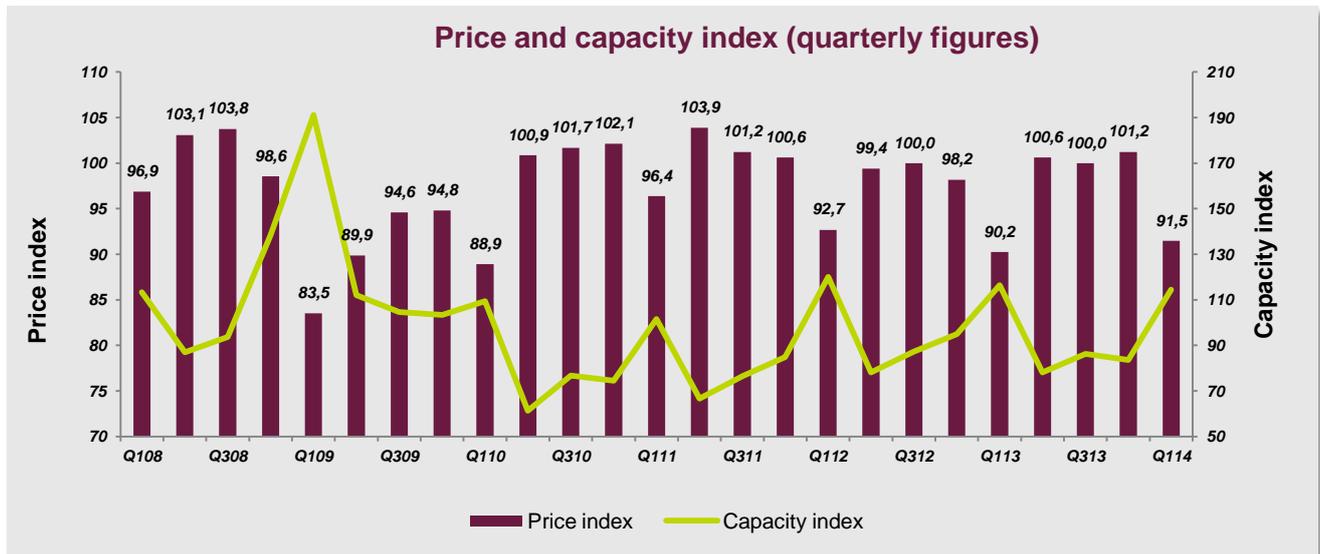
The price index (see figure 1) decreased by 9.6% in Q1 2014 (index 91.5), compared to the price index in Q4 2013 (index 101.2). When comparing to the index level of the previous year, Q1 2013, we see that the price index is 1.4% higher. Despite the traditional large decrease of the price index, it is still higher than last year, which indicates that the sector is still in recovery.

The capacity index increased strongly to index 114.4 (+36.9%) in Q1. Last year we observed a similar development in this period (+22.6%). Compared to the level of Q1 2013 (index 116.4) the capacity index is 1.7% lower. Again this is a sign of recovery in the transport market, compared to last year when prices were lower and capacity was higher in this period of the year.

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: Transport price and capacity index, quarterly (Q1 2008 – Q1 2014)



High February peak in transport capacity

This section of the Transport Market Monitor depicts the monthly developments in the price and capacity index over the last 12 months. Analysing Q1 2014 (see figure 2), the price index has been increasingly volatile. In the period December 2013 – February 2014 it has decreased with 13.3% but in March it increased again by 6.3%. In the same period, the capacity index shows an increasing trend towards a relatively high level above 100 index points.

In January, prices decreased by 7.8% (index 93.3), in February rates decreased to a price index of 87.7 (-5.9%).

Figure 2: Transport price and capacity index, monthly (Apr 2013 – Mar 2014)

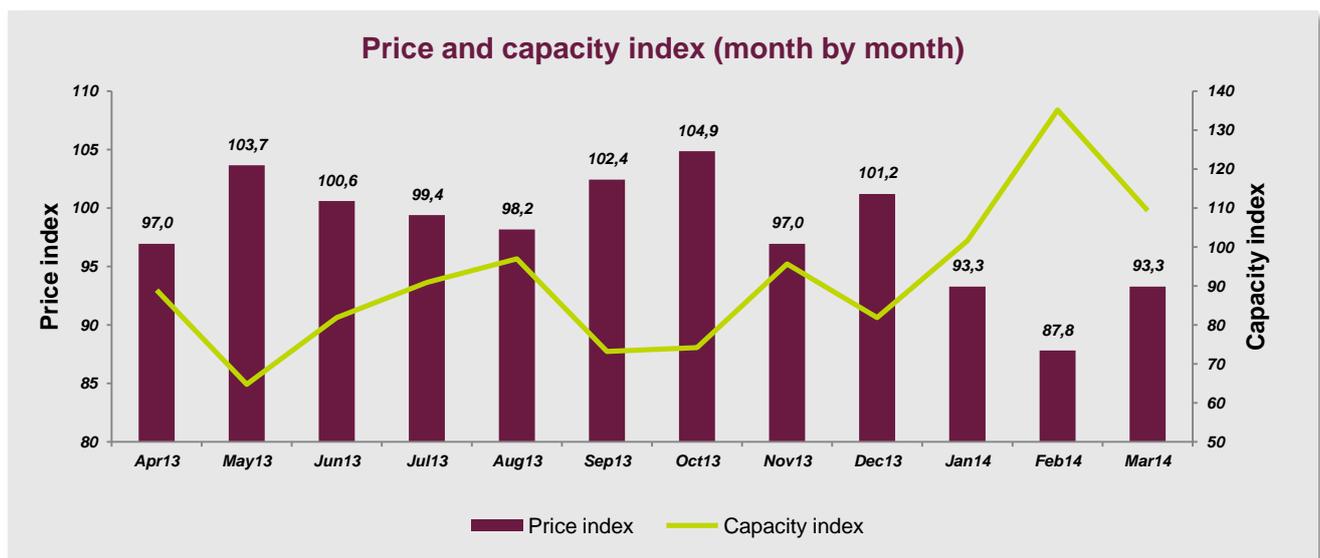


Figure 3 compares the monthly developments of the price index over the last 12 months, with the same period one year before. The overall development of the price index was similar in the last two years. Interestingly, the prices reached the highest point of the year in October 2013, while the peak of 2012 was in September.

Figure 3: Transport price index comparison, monthly (Apr 2012 – Mar 2014)

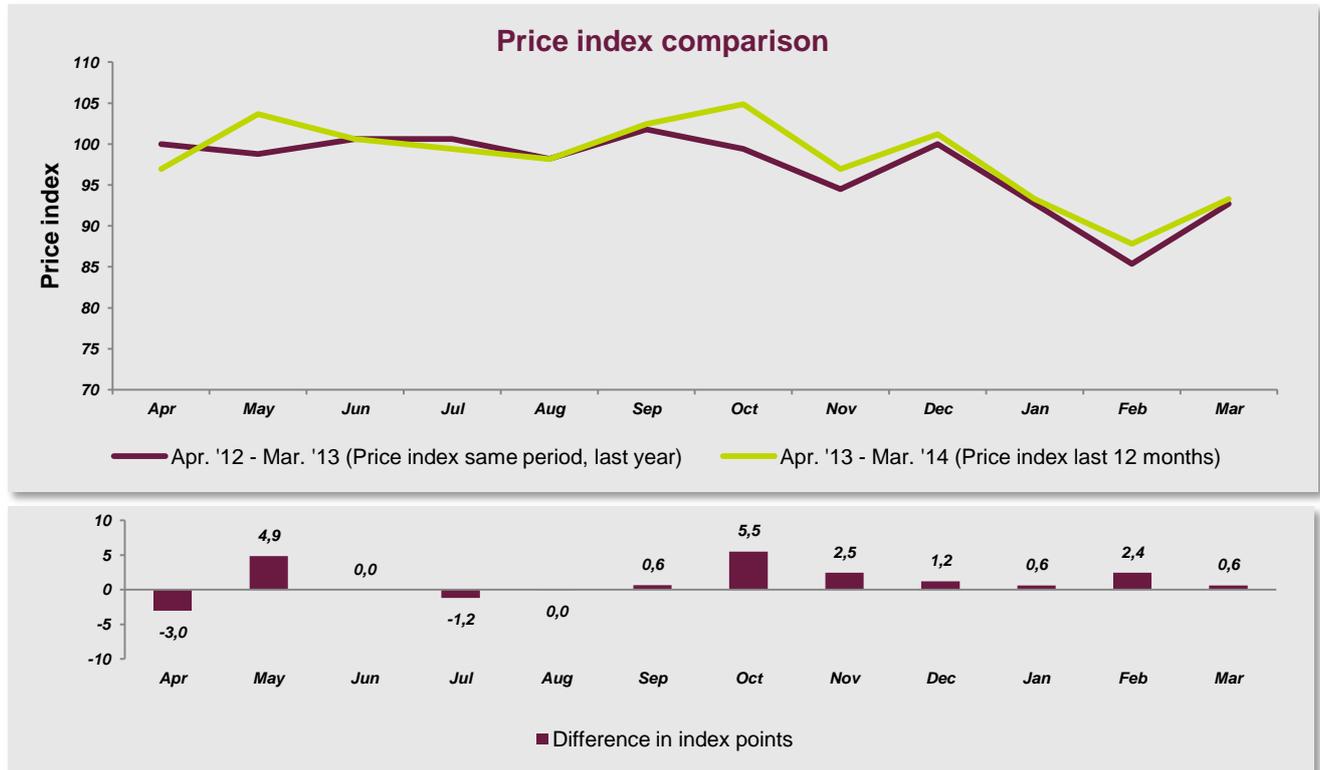
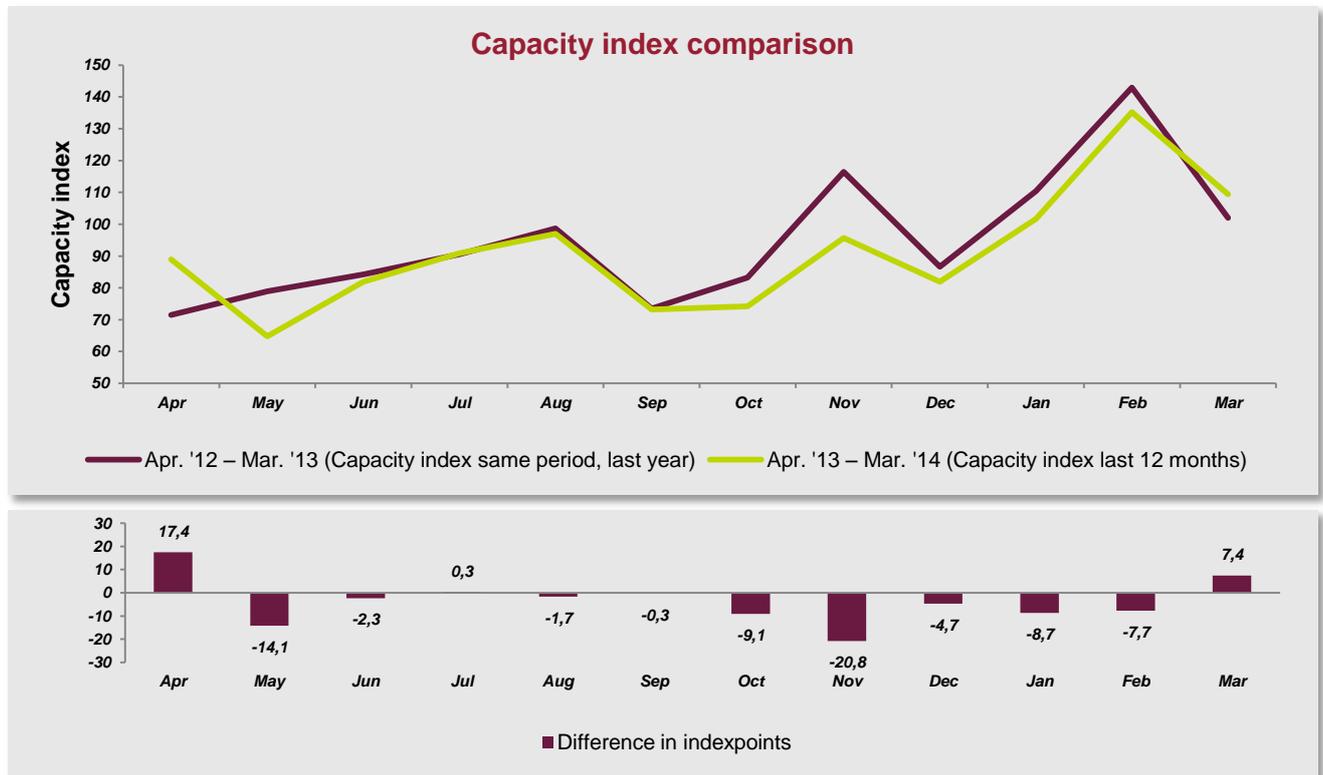


Figure 4 compares the monthly developments of the capacity index during the previous 12 months with the same period one year before. Just like the price index, this year's capacity index follows a relatively similar trend as the year before. Interestingly, the capacity index has crossed last year's one in March 2014 for the first time since April 2013, indicating that capacity is now higher than one year ago.

Figure 4: Transport capacity index comparison, monthly (Apr 2012 – Mar 2014)



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 edition of the TMM we described a divergence between the different industries. But in Q1 2014, all followed the same trend again. While the paperboard and print industry showed an upward trend, despite the decrease in the other two sectors, recently it has decreased much stronger.

The price index for the construction materials industry decreased with (-5.6%) in Q1 2014, its index of 89.9 is still higher than last year (index 87.2). In the market for timber, prices decreased by 3.8% from 106.6 index points to index 102.5. Finally, the paperboard and print industry showed a significant decrease of 11.0% from 106.9 index points in Q4 2013 to index 95.2 in Q1 2014.

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)

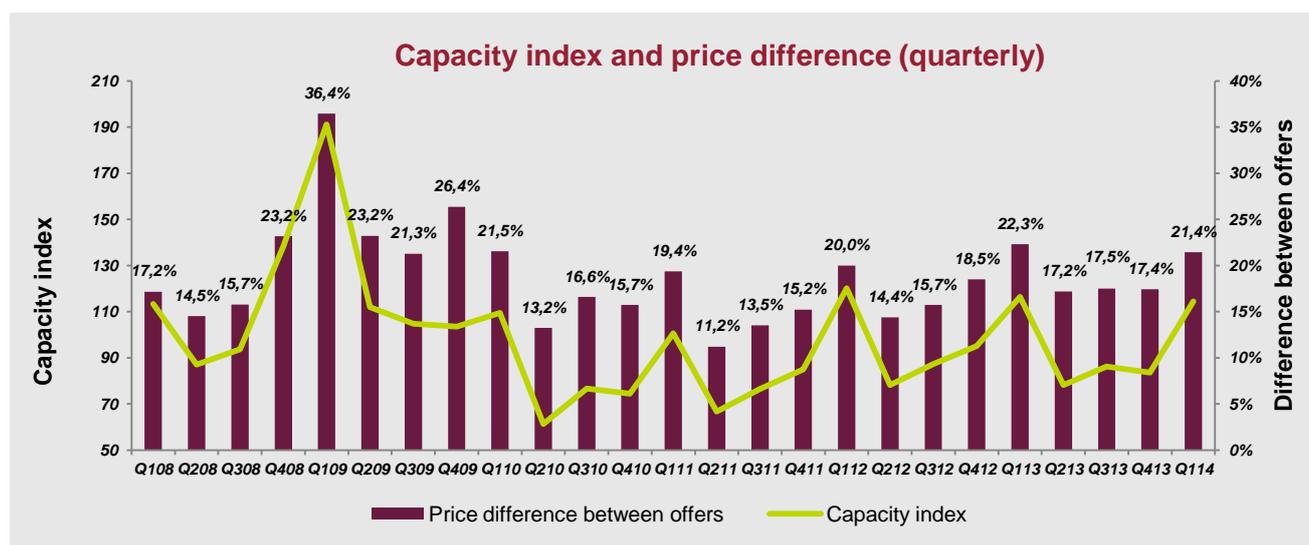
Figure 5: Transport price index for different industries (Q1 2008 – Q1 2014)



Price differences increase after stable period

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. Also in Q1 2014, the strong correlation between available transport capacity and the price difference between offers holds. The difference increased strongly from 17.4% to 21.4%. This indicates that there is a great opportunity for optimization.

Figure 6: Transport capacity index and price difference (Q1 2008 – Q1 2014)



The price difference is an average figure. In general, price differences increase with the distance to be travelled (see TMM, edition 1).

Diesel index continues declining trend

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.

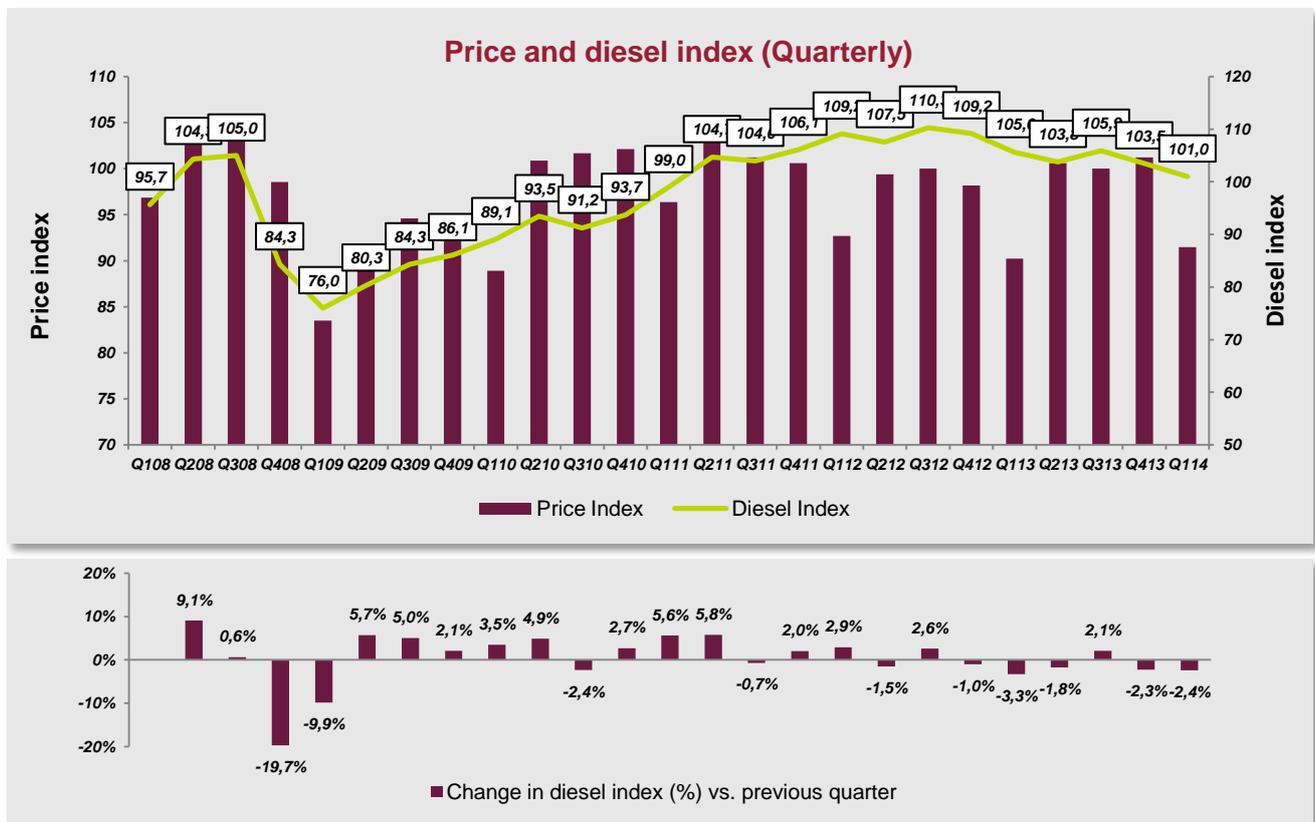
In Q1 2014, the diesel index decreased to an index 101.0 (-2.4%). In combination with the higher capacity index, this puts pressure on transport prices.

The current level of the diesel index is as low as in the beginning of 2011.

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: Transport price index and diesel index (Q1 2008 – Q1 2014)



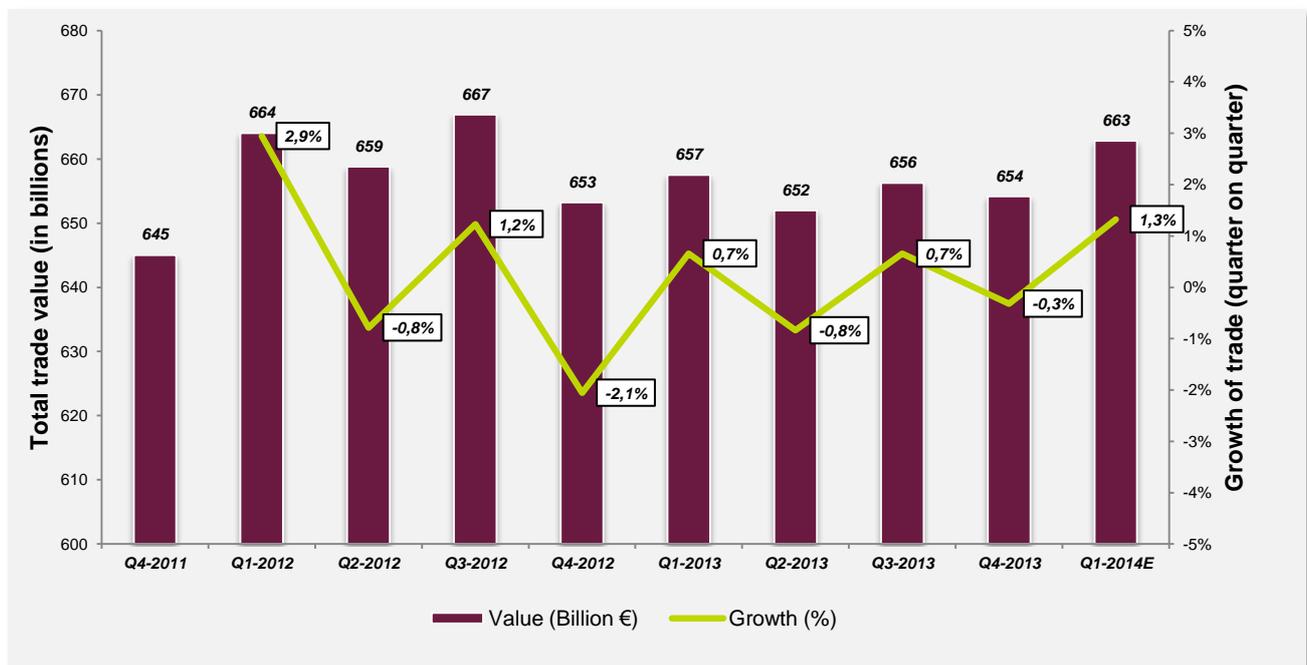
Global Trade Flow Index

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 2014 trade volumes increased with 1.3% to €663 bln. in Europe compared to Q4 2013 (€654 bln.). Compared to the same period in 2013 (€657 bln.), there is an increase of 0.8%.

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 (Q4 2011 – Q1 2014E)

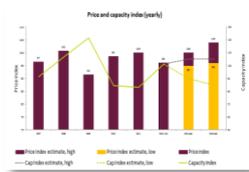


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- Provides **key insights** in the European transport market with the quarterly overview of the most important trends
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Next edition

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 2014 compared to Q4 2013.

The next edition, number 20, will include the figures for Q1 2014 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 2014.

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 850 industry and trading companies, more than 40,000 carriers and more than 100,000 users from 80 countries are connected via the TRANSPOREON platforms. The platforms as well as the customer service are available in 21 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. More than 350 employees are on site throughout Europe, the U.S.A., Russia and Asia.

Learn more about us at: www.transporeon.com

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