

Transport Market Monitor

Transport prices increase despite the decline in diesel prices

Edition: 12 (August 2012)



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European transport market faces economic uncertainty

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

- The price index (see figure 1) increased by 7.2% in Q2 2012 (index 99.4), compared to the price index in Q1 2012 (index 92.7).
- When comparing the index level of the previous year, Q2 2011 (index 103.9), the price index is 4.3% lower in Q2 2012.
- In Q2 2012 the diesel index decreased to index 107.5 (- 1.5%).
- Another factor with a high impact on transport prices is the capacity index, which decreased by 34.9% in Q2 2012 (index 78.2), compared to Q1 2012 (index 120.1).
- The price increase in Q2 fits the pattern of the price index in previous years. In previous years, prices increased on average by 8.5% between Q1 and Q2, during the economic recovery in 2010 it even recorded a 13.5% growth.
- The development of the price and capacity indexes over the next two quarters is likely to be influenced by progress in the economic situation in both Europe and the USA. The current uncertainty causes hesitant and nervous behaviour throughout the industry. Also developments in the oil price are subject to uncertainty.
- Both market dynamics and current economic uncertainties emphasize the need to monitor transport price developments very closely, to mitigate 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 twelfth 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).

7.2% price increase in Q2 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 second quarter of 2012.

The price index (see figure 1) increased by 7.2% in Q2 2012 (index 99.4), compared to the price index in Q1 2012 (index 92.7). When comparing the index level of the previous year, Q2 2011 (index 103.9), the price index is 4.3% lower in Q2 2012. In July 2011 the first deviation from the trend of increasing prices year on year was witnessed and since then each monthly price index has been lower than one year earlier despite the effects of inflation.

A significant price increase between Q1 and Q2 is a recurring trend in the history of the Transport Market Monitor. In previous years prices increased on average by 8.5% between Q1 and Q2, during the economic recovery in 2010 it even recorded a 13.5% growth. This seasonal pattern is caused by increasing demand for transportation compared to the first quarter of the year. As a result, capacity drops and prices recover. Especially the timber industry, which shows significant price recovery after a low price index in Q1 2012.

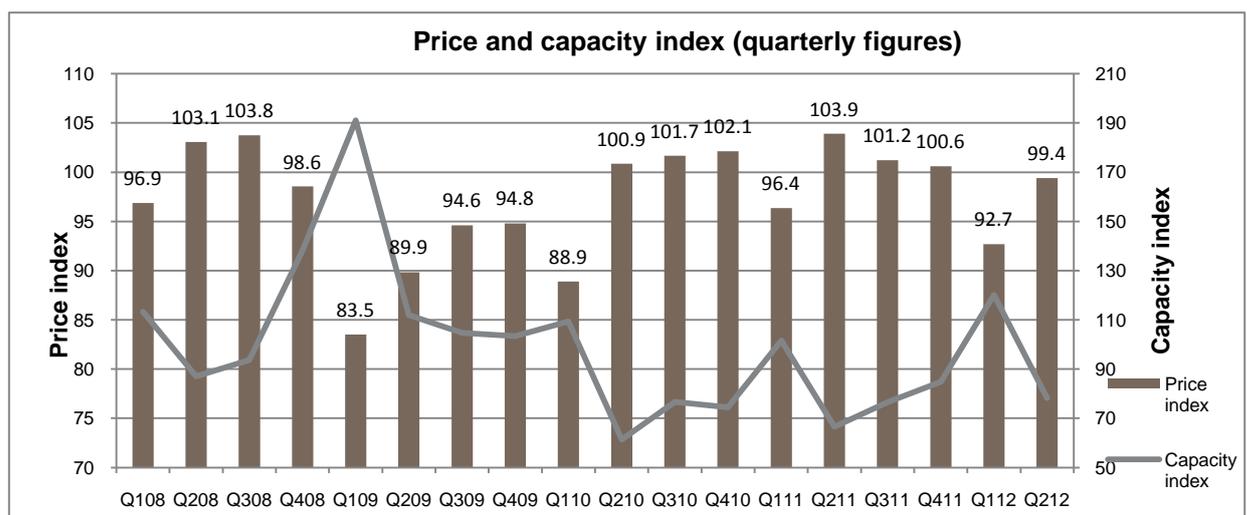
The continued economic instability puts pressure on the recovery during quarter Q2 2012. The diesel index reflects this with a slowdown in its growth rate. This follows the development of the oil price, which has been falling because of lagging economic activities.

The capacity index decreased by 34.9% in Q2 2012 (index 78.2), compared to Q1 2012 (index 120.1). Since the beginning of the Transport Market Monitor we observed a considerable reduction in the capacity index when comparing Q1 to Q2. Nevertheless, the capacity index in Q2 2012 is 17.4% higher than in the same period last year (index 66.6).

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 – Q2 2012)



Slow but stable growth of transport prices during Q2 2012

This section of the Transport Market Monitor depicts the monthly developments in the price and capacity index over the last 12 months. Analysing Q2 2012 (see figure 2), April showed a prolongation of the recovery in the transport price index that set in as of March. In May and June prices remained stable around this index level of 100. The capacity index followed the reverse pattern, by decreasing significantly in April and remaining stable for the rest of the quarter as well.

In April 2012 the price index increased by 5.1% (index 100.0), in May it was 1.2% lower (index 98.8). In June the transport prices increased again by 1.8% month-on-month to index 100.6.

The capacity index dropped by 30.1% month-on-month in April 2012 (index 71.5). The capacity index has been increasing at a stable pace between April and June. In May it increased by 10.3% (index 78.9) and in June with 6.7% to index 84.2, compared to the previous months.

Figure 2: Price and capacity index, monthly (Jul 2011 – Jun 2012)

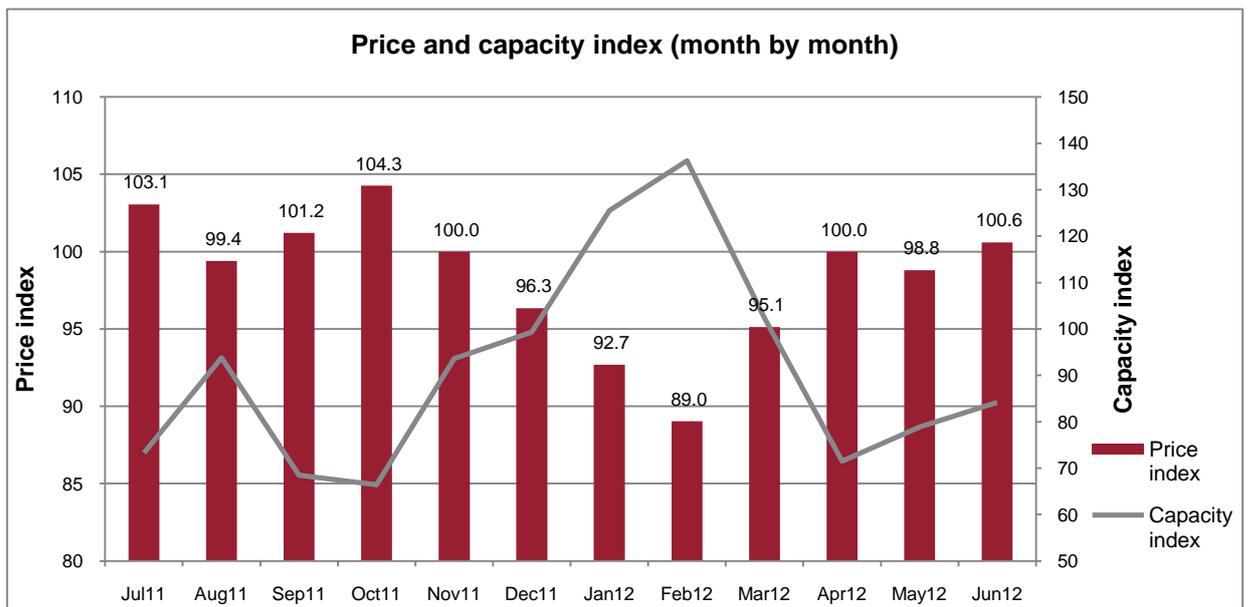


Figure 3 compares the monthly developments of the price index over the last 12 months, with the same period one year before. As of July last year, prices have been lower than the levels of the preceding year. Especially in the period December until February transport prices were significantly lower than over the same period in 2010-2011. However in the last months of Q2 2012, the recovery has slowed down in contrast to last year, so the transport price index is still not likely to recover soon.

In the yearly comparison this trend can be observed: the gap between 2011 and 2012 prices has been diminishing between February and May, but increased again significantly in June. As a result the transport rates are still more than 5 index points lower than in the same month last year.

Figure 3: Price index comparison, monthly (Jul 2010 – Jun 2012)

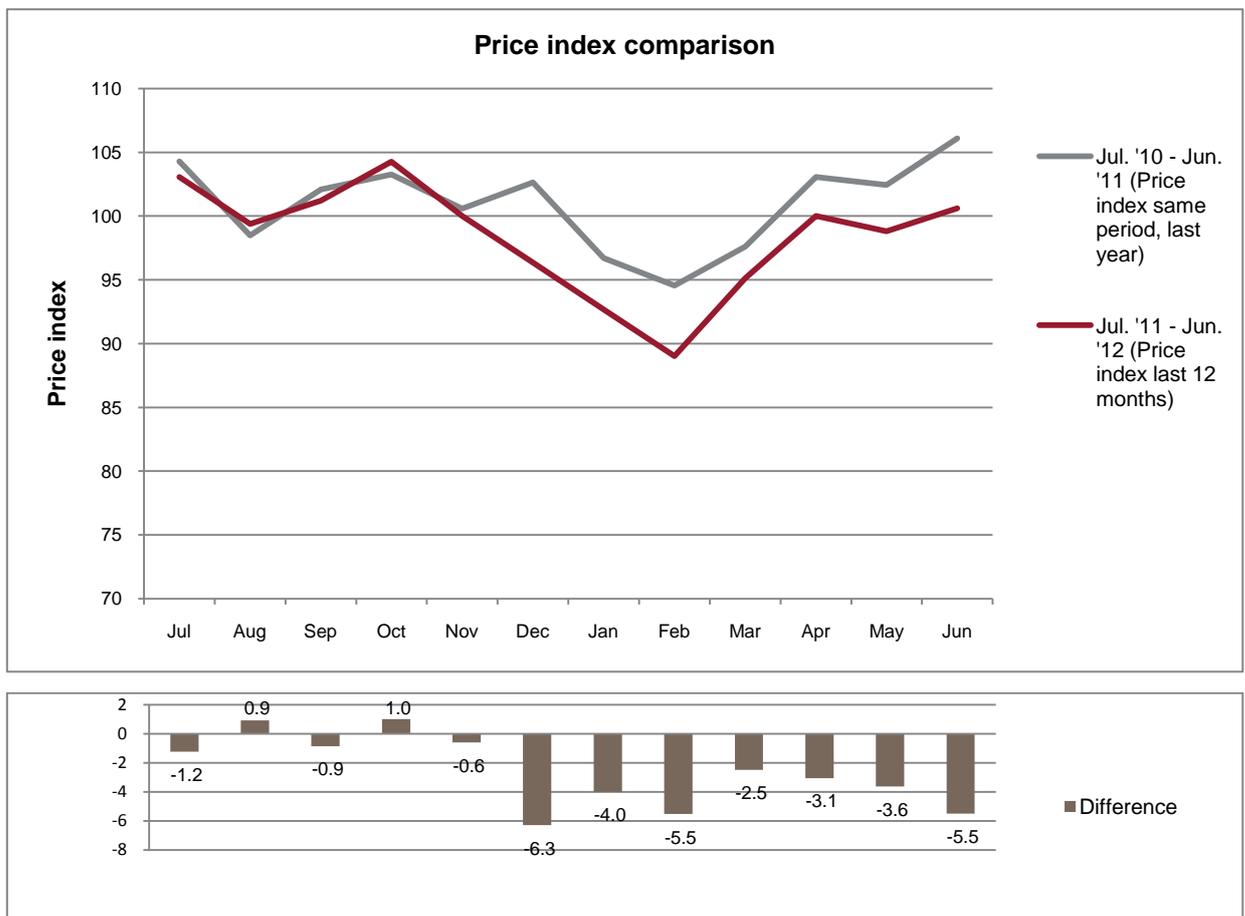
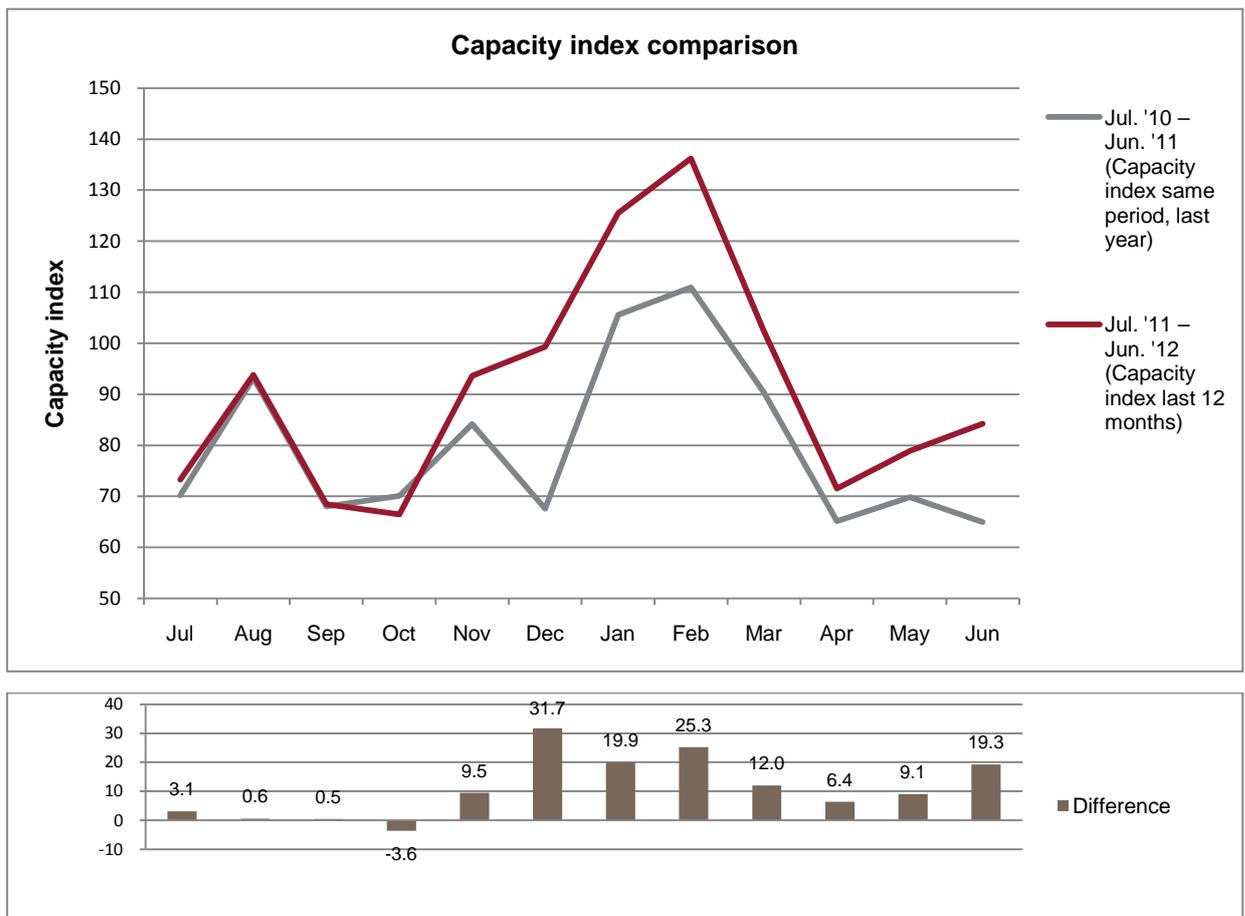


Figure 4 compares the monthly developments of the capacity index over the previous 12 months, compared with the same period one year before. From November 2011 on, for eight consecutive months, the capacity has been higher than a year ago. The difference in the capacity index was small in April 2012 but this difference increased again over May and June 2012.

In June there was a difference of 19.3 index points compared to the index of June 2011. This difference was also observed during the beginning of this year.

Figure 4: Capacity index comparison, monthly (Jul 2010 – Jun 2012)



The increasing volatility that was observed in the beginning of 2012 has normalized recently. The strong recovery in Q2 seems to slow down at the end of the quarter.

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.

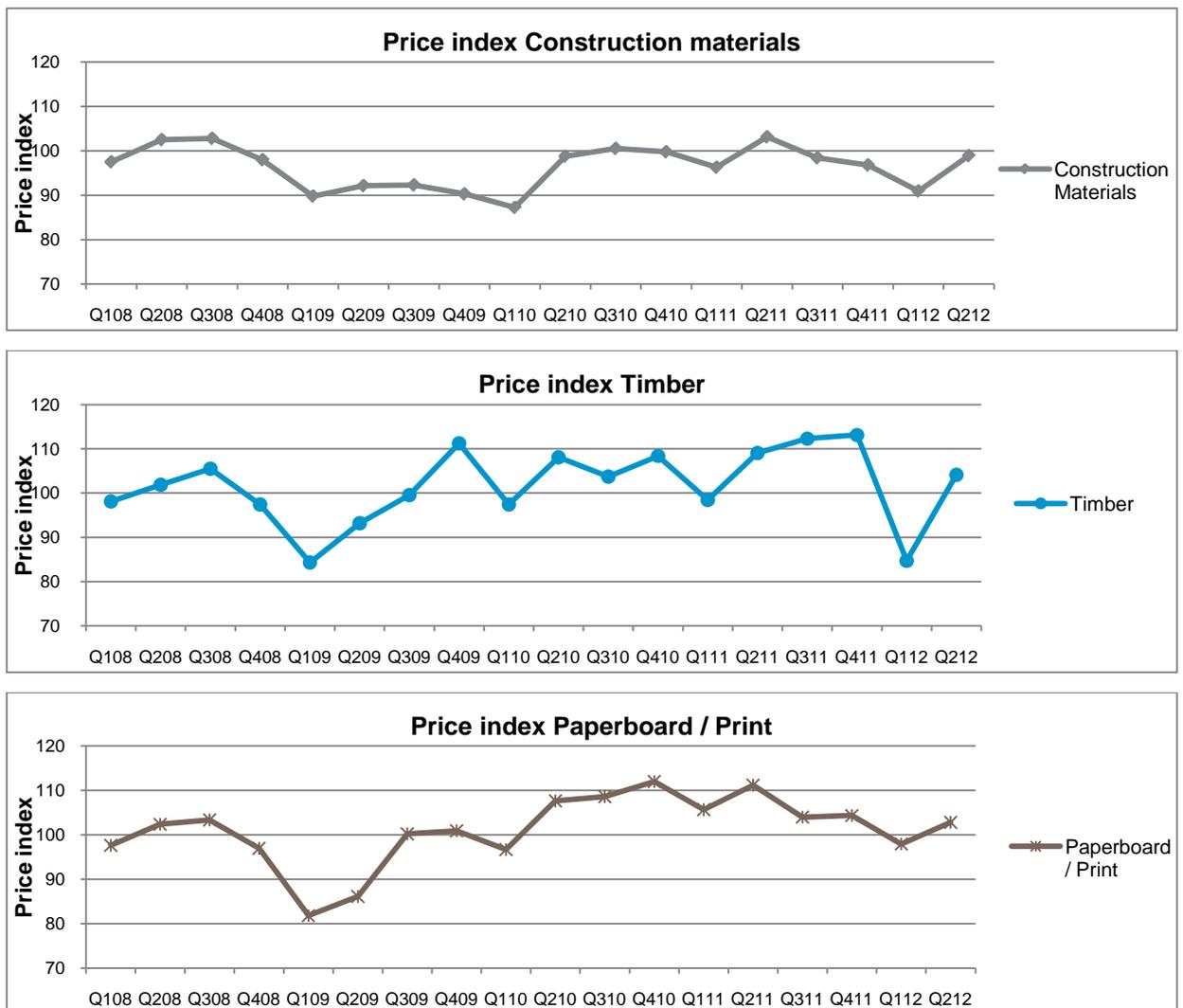
In line with the overall price index (7.2% increase), the index for construction materials increased by 8.7% (index 98.9) in Q2 compared to Q1 2012 (index 91.0). Paperboard and print shows a 5.0% price increase to index 102.8 compared to Q1 (index 97.9).

In Q1 2012 the timber industry index decreased by 25.2%. During Q2 prices recovered to normal levels again (index 104.1), this is an increase of 22.9%.

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)

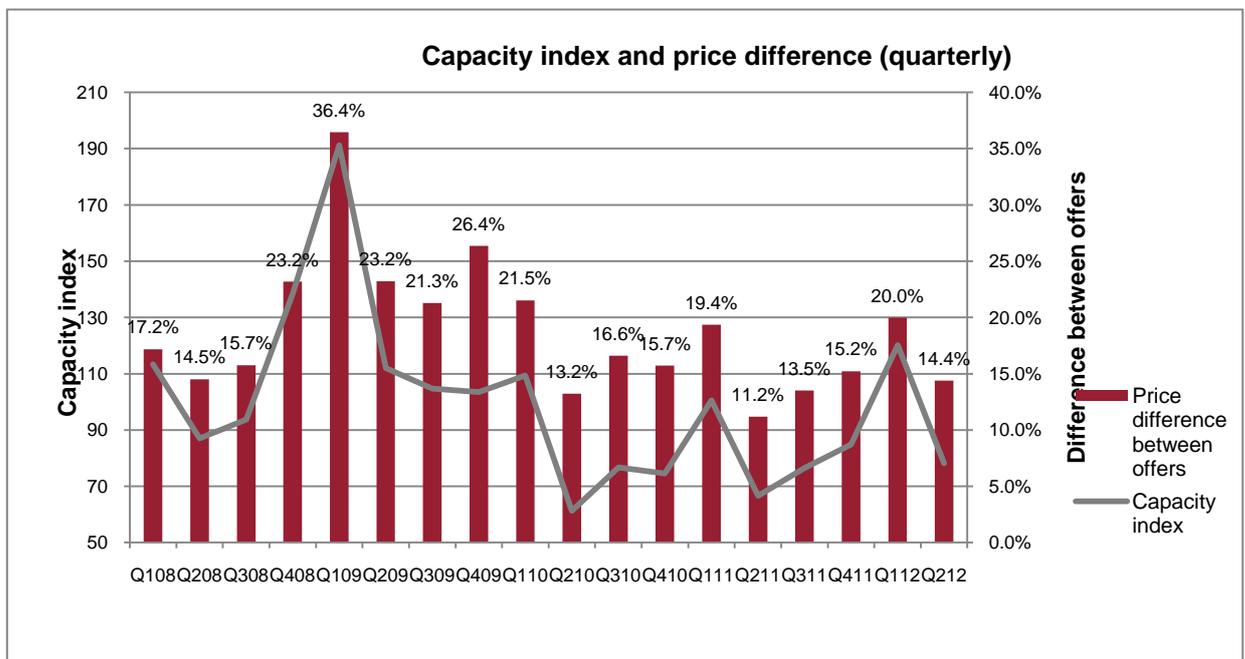
Figure 5: Price index for different industries (Q1 2008 – Q2 2012)



Price differences between offers decreased

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. Q2 figures show the relationship between developments in the capacity index and the price difference between offers. A decreasing capacity index and smaller differences between offers underpin the effect that a low capacity index results in less price competition between hauliers.

Figure 6: Capacity index and price difference (Q1 2008 – Q2 2012)



The price differences between the lowest and highest offer decreased from 20.0% to 14.4% in Q2 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 decreased slightly

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.

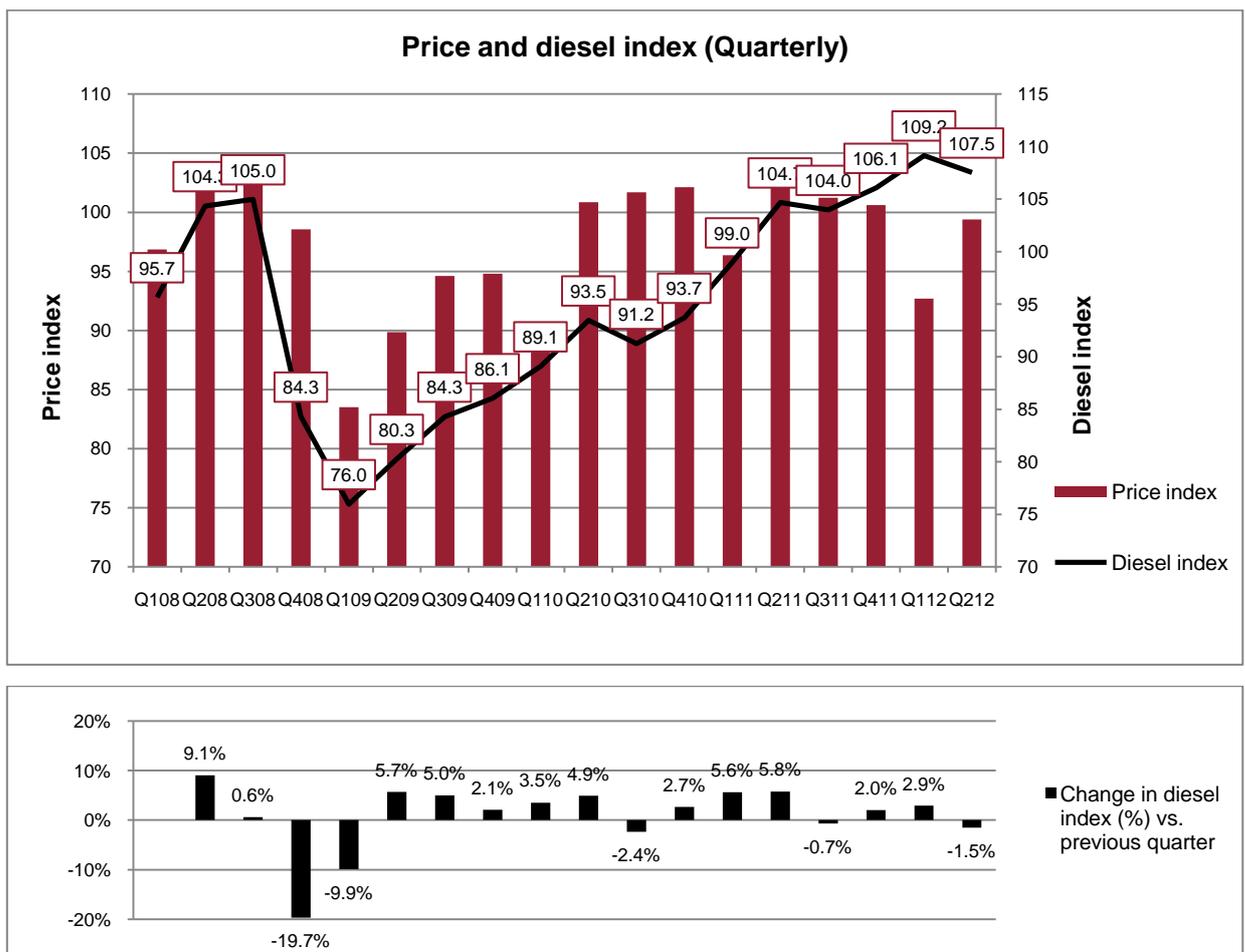
In Q2 2012 the diesel index decreased to index 107.5 (- 1.5%). Furthermore, the impact of decreased capacity brings significant leverage on the transport prices, which increased with 7.2%.

After substantial increases in diesel prices in the last months, the growth rate has slowed down recently as a result of the slowing world economy.

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 – Q2 2012)



Transport Market Monitor on LinkedIn

Not only updates on the transport market are given 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 slowed recovery in transport prices creates opportunities for our business”

React on 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 increase in Q2 2012 compared to Q1 2012 and the same period one year before.

The next edition, number 13, will include the figures for Q3 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 November 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 <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 650 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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