

Transport Market Monitor

Capacity and price indices remain at extreme levels

Edition: 33 (November 2017)



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Summary

This is the 33. edition of the Transport Market Monitor. It outlines developments in European road transport rates and includes the figures of the third quarter of 2017.

- The capacity index increased by 2.6% to an index level of 67.4 in Q3 2017. Compared to Q3 2016, the capacity index is 20.5% lower.
- The price index increased by 0.6% in Q3 2017 (index 101.8). When comparing to the index level of the previous year, Q3 2016, we see that the price index increased by 7.0%.
- The diesel index declined to an index of 75.3. This index is 3.0% lower than Q2 2017.
- The European Trade Flow Index is expected to drop by 5.7% in Q3 2017.

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 thirty-third 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), covering all European countries. Information is anonymously exported from the platform and aggregatedly 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 six months period January 2008 till June 2008 (H1 2008) have been set as the basis for comparison (Index 100).

Capacity and price indices remain on the same levels

This section of the Transport Market Monitor outlines the quarterly developments of the price and capacity index, since the beginning of the measurements in 2008 until the third quarter of 2017.

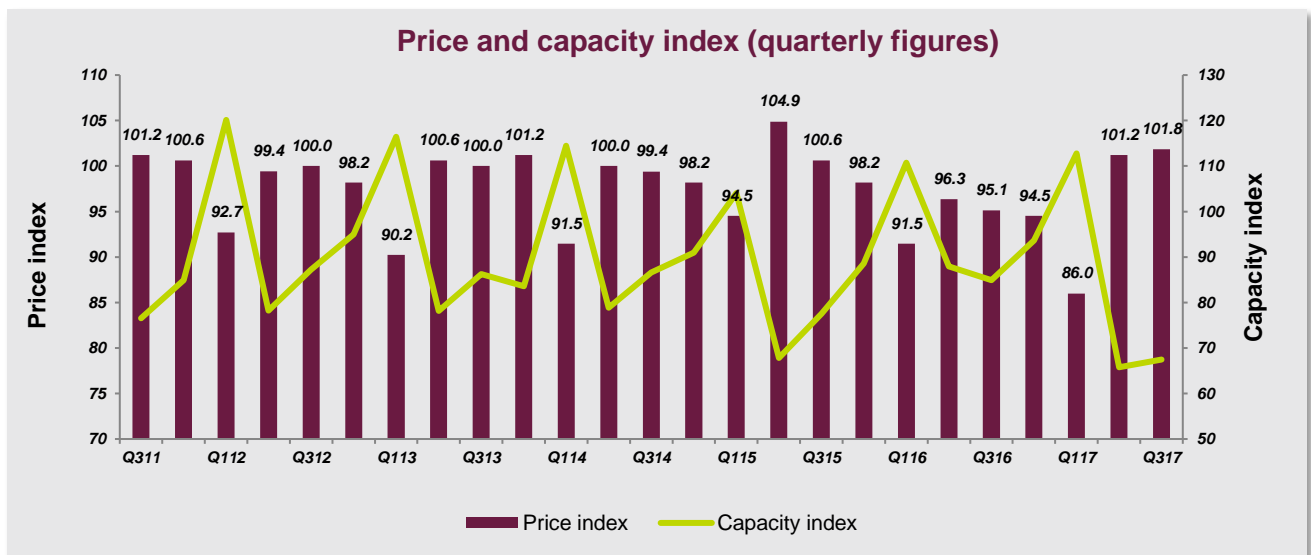
The price index (see Figure 1) increased in Q3 2017 to an index of 101.8, an increase of 0.6% compared to Q2 2017 (index 101.2). Compared to the price index of Q3 2016, the price index increased by 7.0%.

In Q3 2017, the capacity index increased by 2.6% to 67.4 compared to the previous quarter (index 65.8). In Q3 2016 the capacity index was 84.9, which means the index value for Q3 2017 is 20.6% lower than last year's. This is the first time in five years that we observe an increasing price and capacity in Q3 in comparison to Q2.

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 (Q3 2011 – Q3 2017)



For the price and capacity indices, the average figures of the six months period January 2008 till June 2008 have been set as the basis for comparison (Index 100). Figure 1 shows the indices of the last 25 quarters.

Price and capacity indices diverge at quarter-end

This section of the Transport Market Monitor depicts the monthly developments in the price and capacity index over the last twelve months. In Q3 2017, the capacity continued the marginal growth as observed in Q2 2017. This came to a sudden halt in the last month of the quarter, ending up at the lowest value of the past years (index 56.7). This is 21.8% lower than the capacity index in September 2016. The price index followed a more fluctuating pattern, but ended up at a year-high index value of 107.3 which is 9.3% higher in comparison to September 2016.

Figure 2: Price and capacity index, monthly (Oct 2016 – Sept 2017)

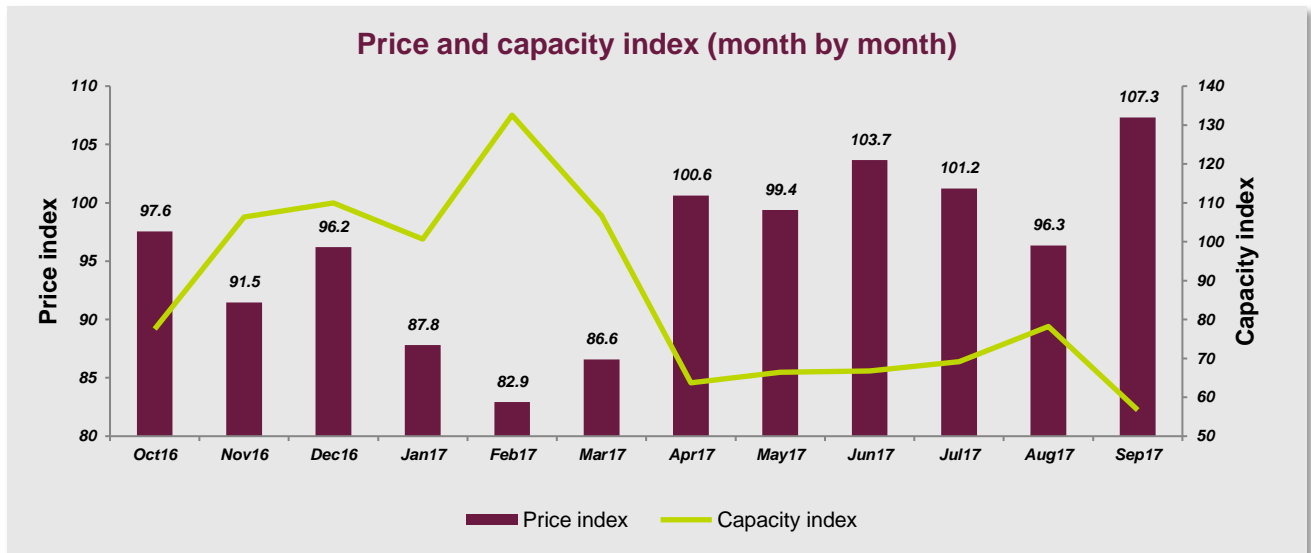


Figure 3 compares the monthly development of the price index over the last twelve months, to the same period one year before.

In Q3 2017, the price index followed the same trend as it did in Q3 2016. The index values for the last three months, however, are on average 7.1 points higher in comparison to last year. Since the start of the TMM measurement (January 2008), we have not observed a higher price index than we do now, in September 2017.

Figure 3: Price index comparison, monthly (Oct 2015 – Sept 2017)

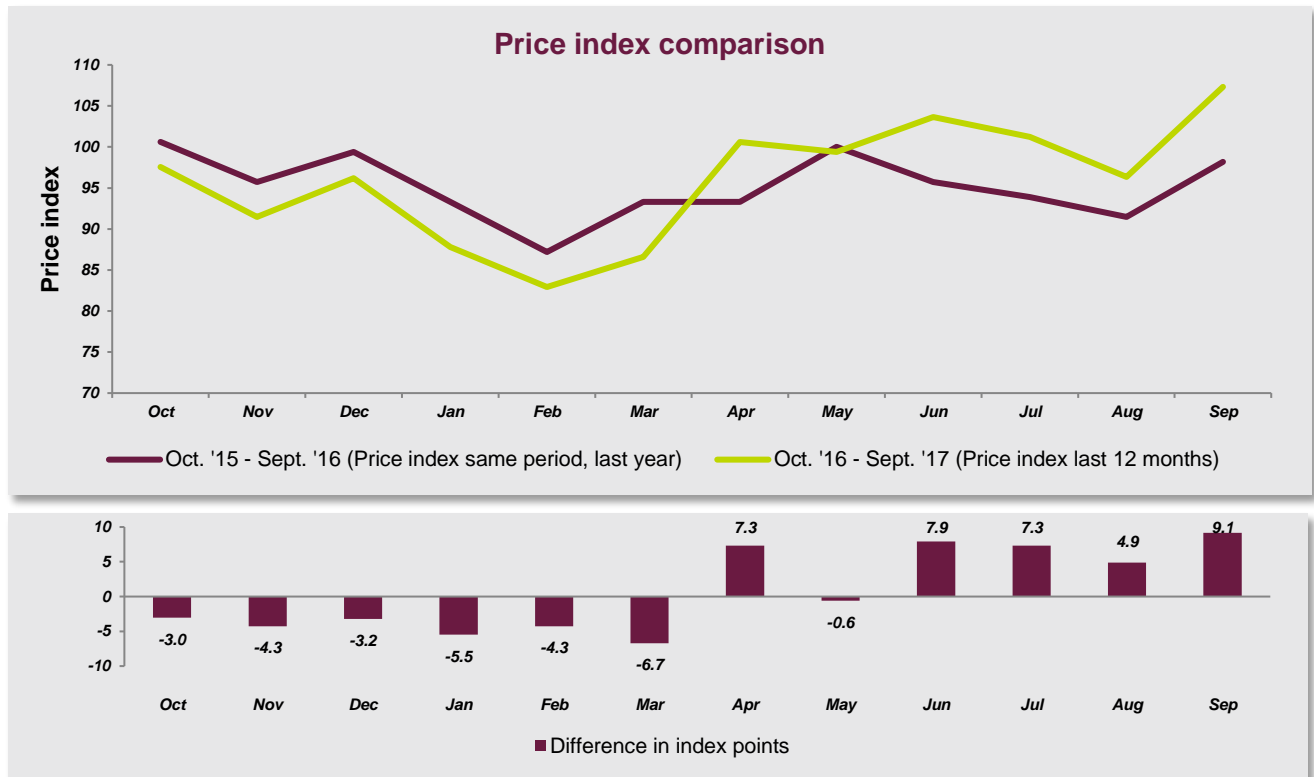
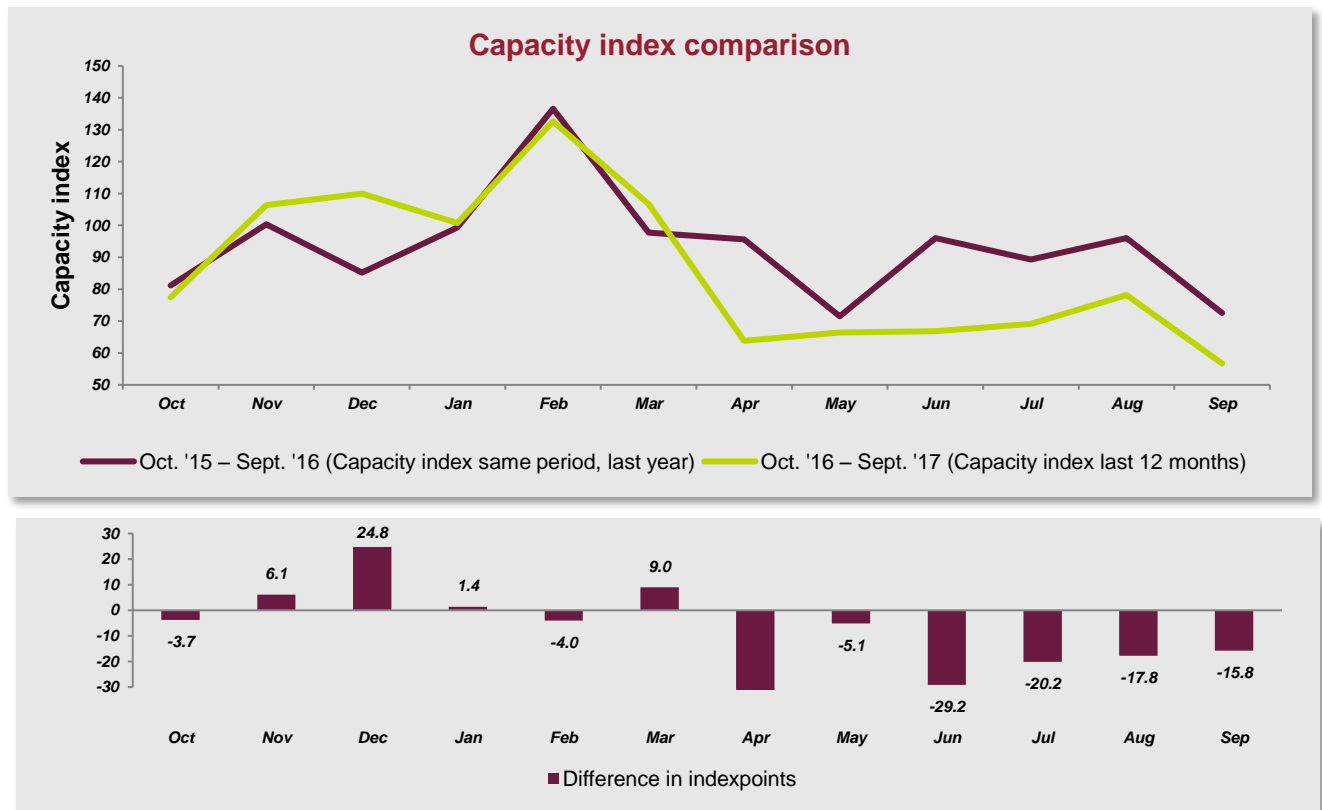


Figure 4 compares the monthly development of the capacity index during the previous twelve months to the same period one year before. As also seen with the price index, the capacity index follows a similar pattern in comparison to last year's third quarter. A month-on-month comparison shows that the index value is lower for each month in Q3 2017, with an average of 17.9 points per month. The capacity index value in September (56.7) is the lowest we have observed since the beginning of TMM measurements (January 2008).

Figure 4: Capacity index comparison, monthly (Oct 2015 – Sept 2017)



Industry focus

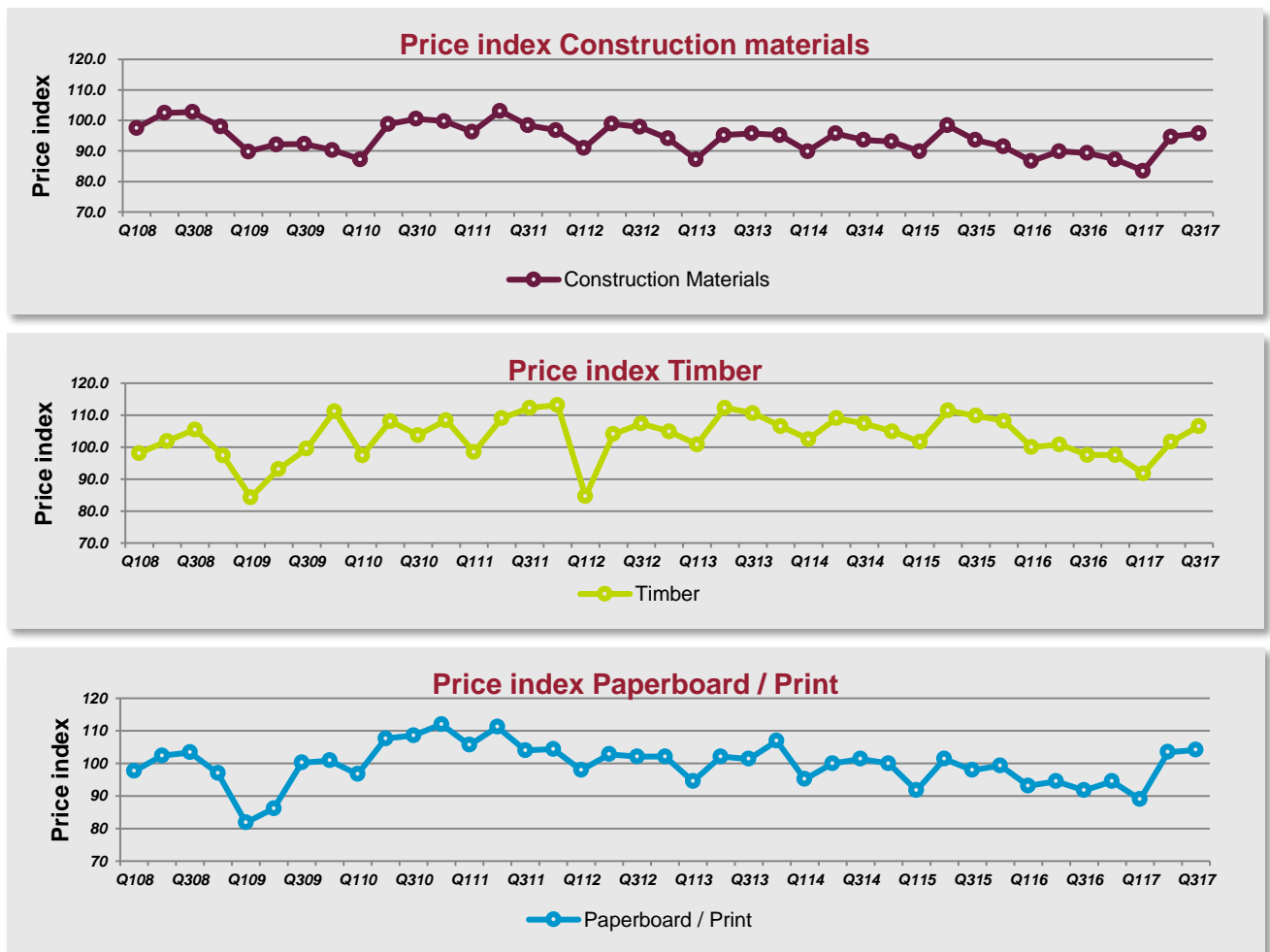
General economic conditions apply to most industries, but trends may be stronger or weaker in individual industries. Analysis of the price index by the type of industry identifies these differences, visualized in Figure 5.

The growth observed in Q2 2017 continues in the third quarter for all industries. Over the last years, the indices would show little or negative growth when comparing the second to the third quarter. This year's indices break with the trend, showing more significant growth. The construction materials industry price index increased by 1.1% to 95.7 points. In the timber industry the price index increased by 4.8% to an index of 106.6, whereas the paperboard/print index increased by 0.7% to an index of 104.1.

The TRANSPOREON platform handles transport for almost all industries. For the Transport Market Monitor, three 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).

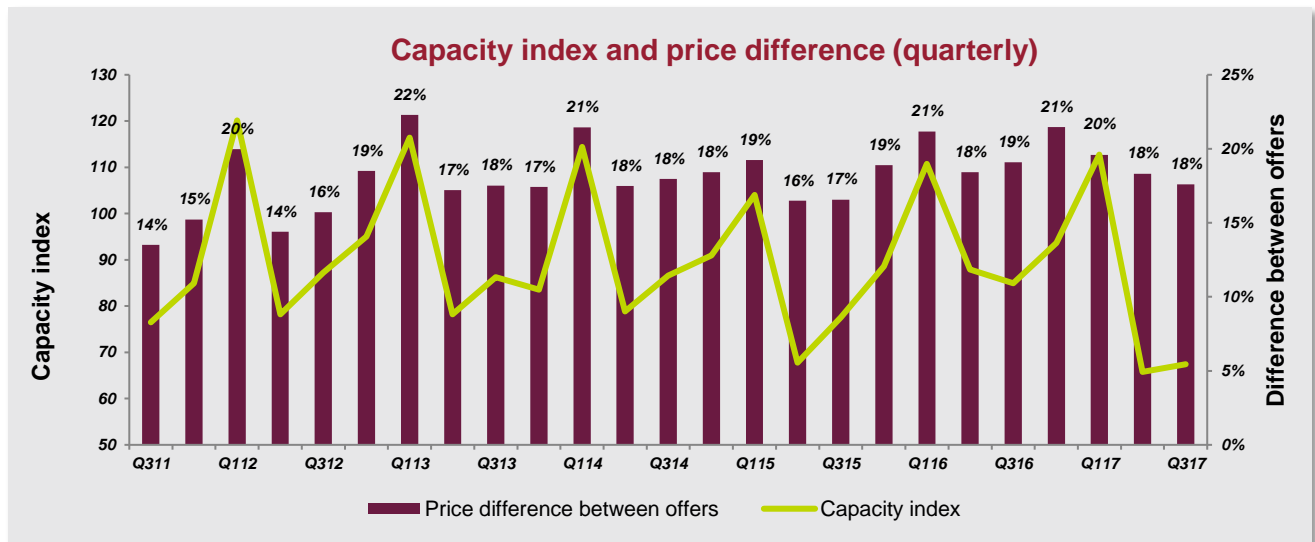
Figure 5: Price index for different industries (Q1 2008 – Q3 2017)



Price difference decreases further

This section outlines transport dynamics, by analyzing 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. In the third quarter of 2017, the price difference level decreased to 17.6%. This is different to the trend observed in previous years, where the Q3 price index would increase in comparison to Q2.

Figure 6: Capacity index and price difference (Q3 2011 – Q3 2017)



The price difference is an average figure. In general, price differences increase with the distance to be travelled (see TMM, edition 1). Figure 6 shows the differences of the last 25 quarters.

Diesel index declines for second quarter in a row

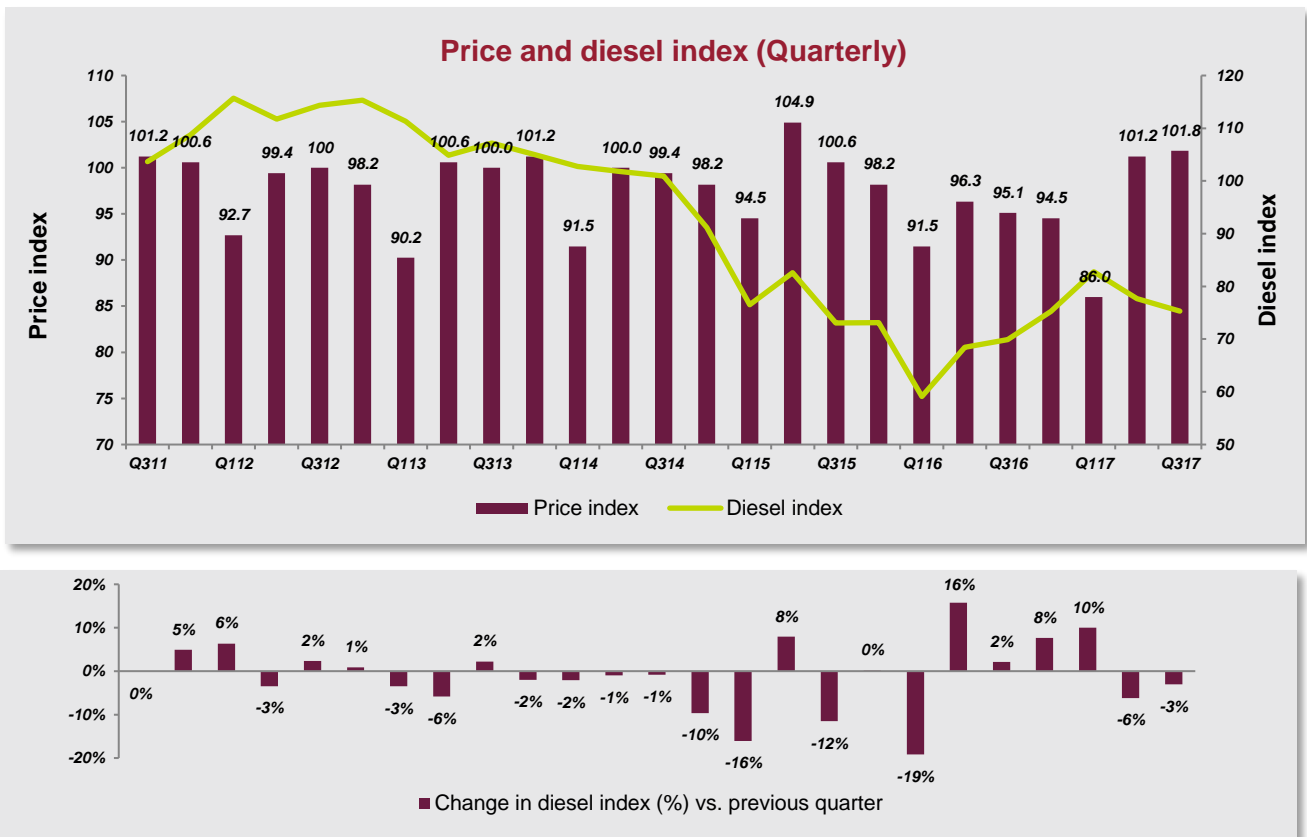
This section compares the price index with the diesel index (see Figure 7). In general there is a positive correlation between the diesel index and the price index, clearly indicating the impact of diesel prices on transportation costs and consequently prices.

In Q2 2017 the diesel index decreased by 3.0% to an index value of 75.3. As also observed in the previous quarter, the declining diesel index is paired with an increase in the price index. Compared to Q3 2016, this year's diesel index is 7.7% higher.

For the diesel index, the average figures of the six 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 across the European Union, obtained from the European Commission via <http://ec.europa.eu/>.

Figure 7: Price index and diesel index (Q3 2011 – Q3 2017)



For the price and capacity indices, the average figures of the six months period January 2008 till June 2008 have been set as the basis for comparison (Index 100). Figure 7 shows the indices of the last 25 quarters.

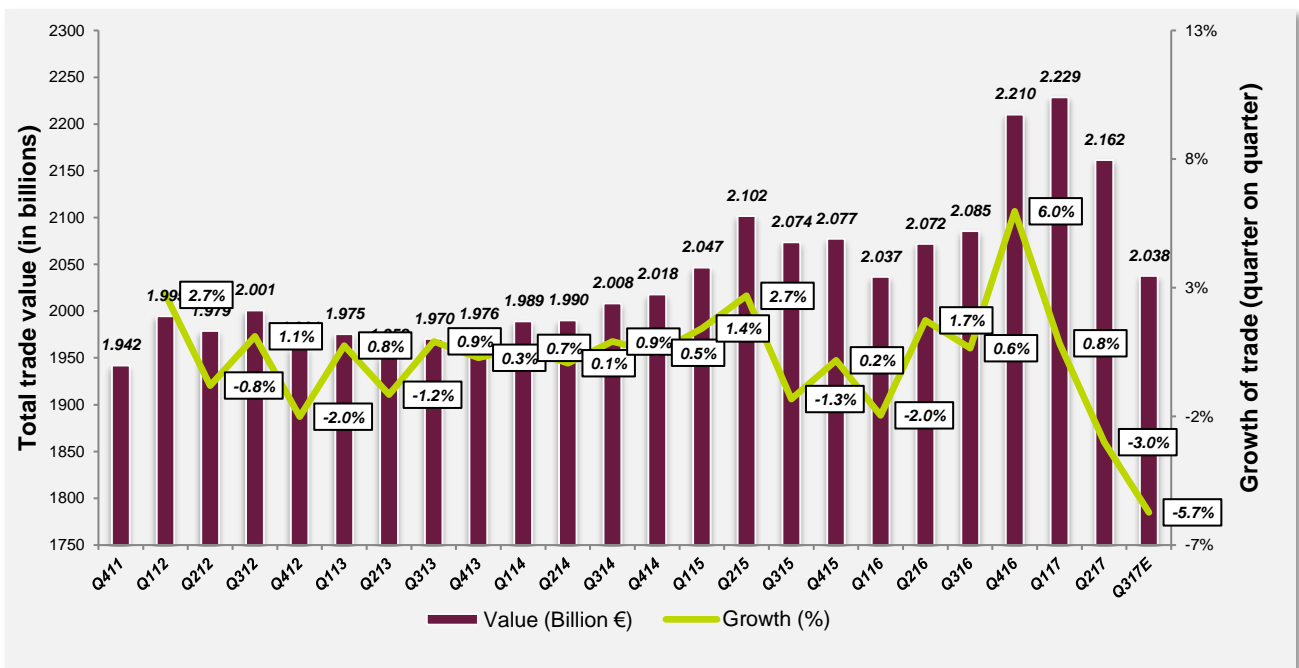
European Trade Flow Index expected to drop in Q3

This section features the European Trade Flow Index (ETFI). The ETFI is derived from the Capgemini Consulting's Global Trade Flow Index, a measure of worldwide trade. The volume of trade is a strong driver for transport demand and corresponding prices.

In Q3 2017 trade volumes in Europe are expected to decrease by 5.7% to €2038 bln compared to Q2 2017 (€2162 bln). This could be the third quarter in a row with declining or negative growth, as well as the largest decrease since the start of the ETFI in Q4 2011. The trade volume in Q2 2017 has decreased by 3.0%, compared to Q1 2017. In comparison with the same period a year ago, in Q3 2016, the Q3 2017 volume is expected to decrease by 2.3%.

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, providing the European Trade Flow Index.

Figure 8: European Trade Flow Index (Q4 2011 – Q3 2017E)



Additional services related to the TMM

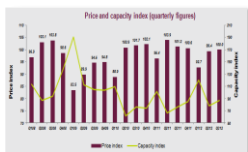
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Next edition

This edition looked at the price and capacity developments since the beginning of the Transport Market Monitor in 2008. It outlined the historical low capacity index and historical high price index in September 2017, in comparison with the beginning of TMM measurements (H1 2008).

The next edition, number 34, will include the figures for Q4 2017. It will be published in February 2018.

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 reducing dispatch and freight costs, while minimizing waiting times during loading and unloading.

Currently more than 1.000 industry and trading companies, more than 65,000 carriers and more than 100,000 users from 100 countries are connected via the TRANSPOREON platforms. The platforms as well as the customer service are available in 24 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 510 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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