



Q4 2018



Transport Market Monitor

Continued Capacity Growth in Q4 2018 Causes Spot Market Transport Prices to Fall

Edition 38 (January 2019)



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Transport Market Monitor Q4 2018

Information on road transportation developments in Europe

The 38th edition of the Transport Market Monitor (TMM) gives insight into how transport market capacities and prices developed in the 4th quarter of 2018. Transport price, diesel price and capacity developments are analysed in various scenarios. We present the results to you in the following chapters.

"The available transport capacity increased further in Q4 2018. Due to the continued increase in capacity since the middle of the year, transport prices in the spot market have fallen step-by-step. Since Q4, we have observed prices below the level of 2017 here for the first time, when capacity bottlenecks characterised the market. In view of capacity developments, the price decline appears in contrast with the diesel price, which rose again in Q4, only at first sight. But in practice, many industrial and commercial shippers hardly noticed the easing of prices, as they assign transports almost exclusively based on long-term contracts. Current trends have not affected these yet. This shows, once again, that it is better to follow a mixed transport assignment strategy to flexibly take advantage of the lower prices in the spot market to achieve cost reductions. We expect even more free capacity in the transport market in Q1 2019. That will put additional pressure on prices. Assigning transports on the spot market should therefore become more attractive."

Oliver Kahrs, Managing Director, TIM CONSULT



Transport Market Monitor

- Quarterly publication
- Monthly development of the transport price, diesel price and capacity index
- Data source: Spot market data of the TRANSPOREON logistics platform based on the "Best Carrier" transport assignment solution. Start of data collection: January 2008
- Basis of comparison: January to June 2008 (index 100)

Management Summary



Capacity index

In the 4th quarter of 2018, the capacity index rose by 18.6% over the previous quarter to 96.3 index points (Q3 2018: index 81.2).

Compared to Q4 2017 (index 71.8), the capacity index was 34.1% higher in Q4 2018.



Transport price index

The transport price index fell in Q4 2018 to 101.8, which equals a drop of 3% compared to the 3rd quarter (index 104.9).

The price index was thus 5.7% lower than in Q4 2017.



Diesel price index

The diesel price index rose by 4.9% over the 3rd quarter of 2018.



Quarterly development of the price and capacity index

Time period Q4 2012 to Q4 2018

The section shows the quarterly developments of the transport price and capacity index based on the average values of the time period January to June 2008 (index 100). The basis for the observations is the time period since the start of the survey in 2008 until the 4th quarter of 2018.

Transport price index

The price index is calculated by comparing average transport costs per kilometre over time.

"The available transport capacity rose again in Q4 2018 after a rise in Q3. In 2017, too, there was more capacity in the market toward the end of the year. A comparison of capacity growth in both years shows an increase in Q4 2018 of 34.1% compared to the previous year. The reason for the strong rise was that unusually little free freight capacity was available in 2017 due to continuing capacity bottlenecks."

Oliver Kahrs, Managing Director, TIM CONSULT

Capacity index

The capacity index is an indicator for the "available capacity", and so reflects the relationship between absolute demand and capacity. To calculate the index, the average number of offers per transport inquiry is compared over time.

Capacity index

In the 4th quarter of 2018, the capacity index rose against the previous quarter (index 81.2) by 18.6% to 96.3. Compared to Q4 2017 (index 71.8), the capacity index was 34.1% higher in Q4 2018.

The transport price index fell in Q4 2018 to 101.8 points, which equals a drop of 3% compared to the 3rd quarter (index 104.9). The transport price index was thus 5.7% lower than in Q4 2017.

Price and capacity index (quarterly numbers)

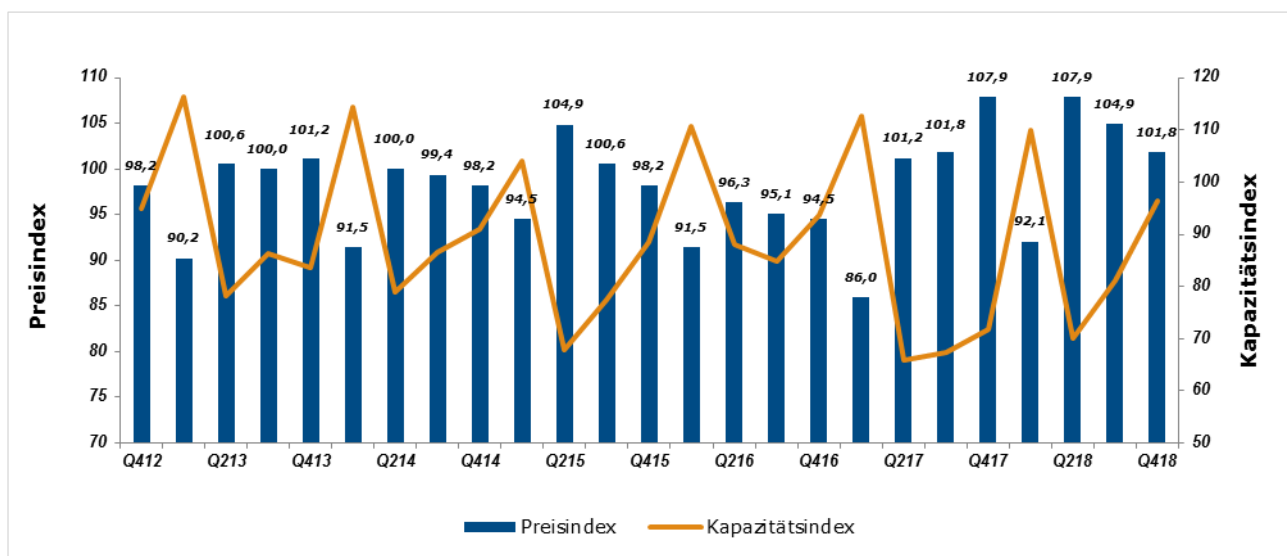


Figure 1: Price and capacity index, numbers of the last 25 quarters (Q4 2012 - Q4 2018)

Monthly development of the price and capacity index

Time period January to December 2018

This section of the Transport Market Monitor illuminates developments of the transport price and capacity index within the last twelve months.

"The continuing easing of the available transport capacity has had noticeably effect on transport prices on the since October. Whereas transport capacities in 2018 have already been higher than those in 2017, since May, transport prices have now fallen below the previous year's level for the first time. Overall, the prices in Q4 2018 were almost 6% below the transport prices in the 4th quarter of 2017."

Jan Rzehak, Director Business Consulting TRANSPOREON

Capacity index

While 2018 began with the highest capacity index of the previous months, capacity dropped in the middle of the year, as expected, to a level comparable to the end of 2017. After the capacity index in May reached the lowest value of the year at 65.4, it rose again until year end. The second highest value of the year was observed in November (index 114,8).

Transport price index

The price index reached its highest values of the past year in May (index 111.0) and September (index 108.5). Comparison of the average prices of Q4 2018 with the same quarter of previous years shows that the average prices in Q4 2017 were higher compared to Q4 2016, but in contrast they dropped again in Q4 2018.

After the decline of the price index beginning in September 2018, it rose again in December 2018. In comparison, the price index in 2017 reached its highest value in October and then fell slightly until the end of the year. In general, the price index in Q4 2018 was slightly below that of Q4 2017.

Price and capacity index (monthly numbers)

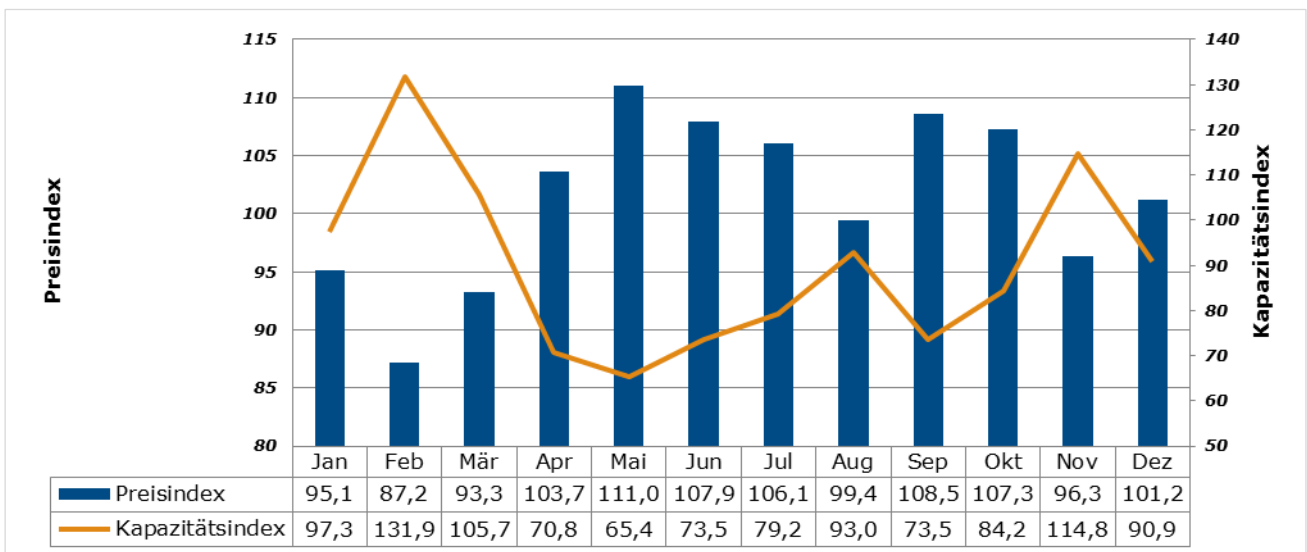


Figure 2: Price and capacity index, monthly numbers (Jan 2018 - Dec 2018)



Figure 3 shows the development of the transport price index in the past twelve months in comparison to the corresponding previous year's period. Toward the end of the 4th quarter of 2018, the price index rose again, as it did in Q4 2017. For the first time since May 2018, however, the price index fell in October 2018 below the price index of the corresponding month of the previous year (October 2017). Since October 2018, the price index has been lower than in 2017.

Comparison of the price indices

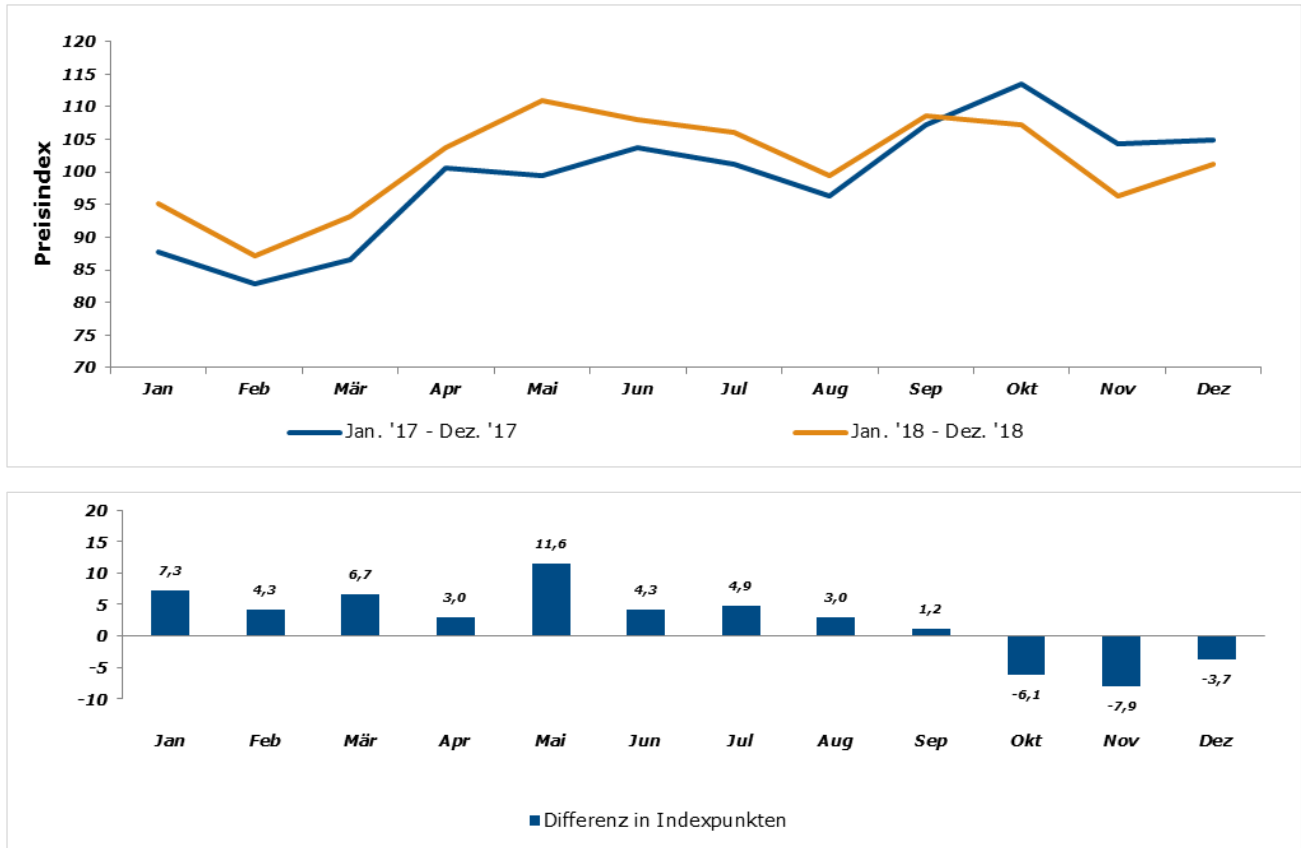


Figure 3: Transport price index comparison, monthly numbers (Jan 18 - Dec 18)



Figure 4 shows the development of the capacity index in the last twelve months in comparison to the corresponding period of the previous year. The following figure shows that available transport capacity developed similarly to 2017. While the price index has only been below the previous year's level since October 2018, the capacity index has been higher since May 2018 than in the comparable month of 2017.

Comparison of the capacity indices

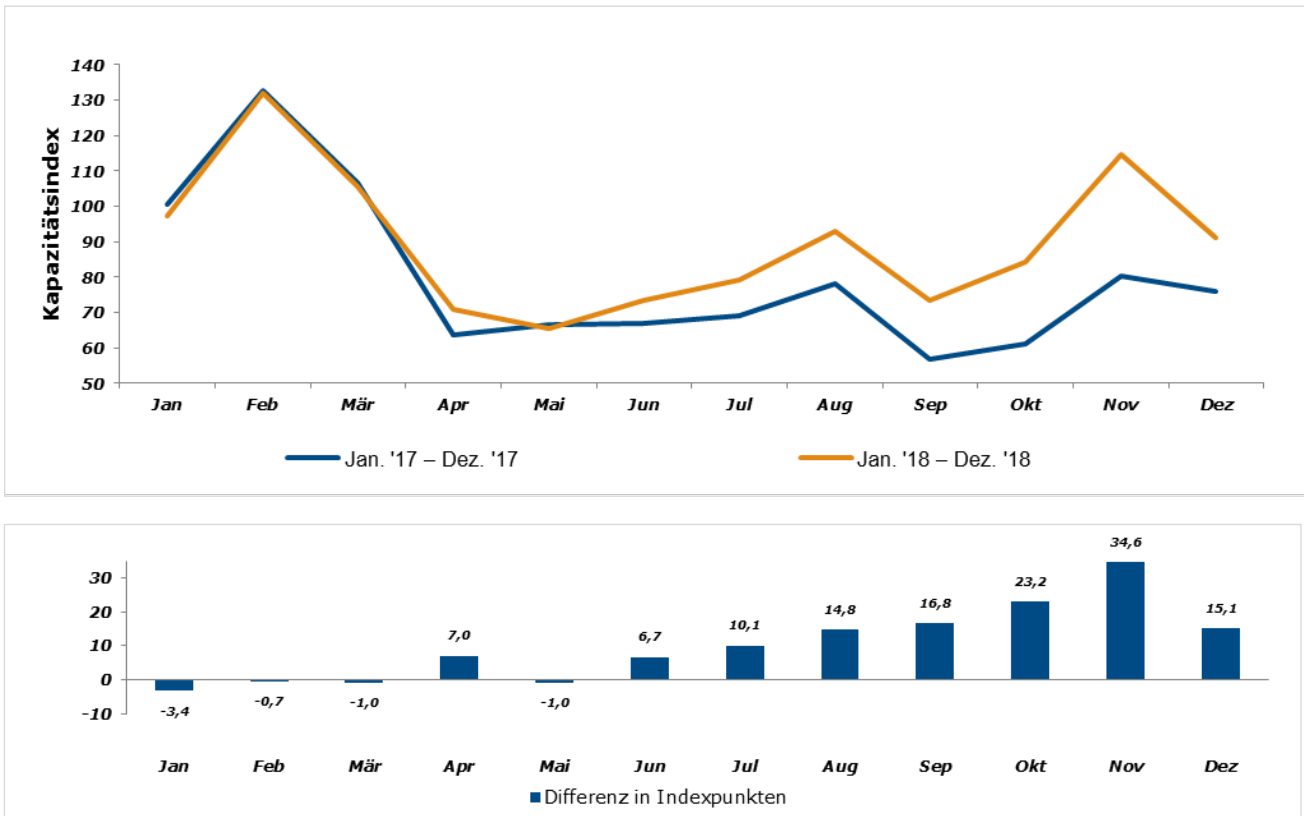


Figure 4: Development of the capacity index in the past twelve months in comparison to the corresponding previous year's time period.



Industry focus

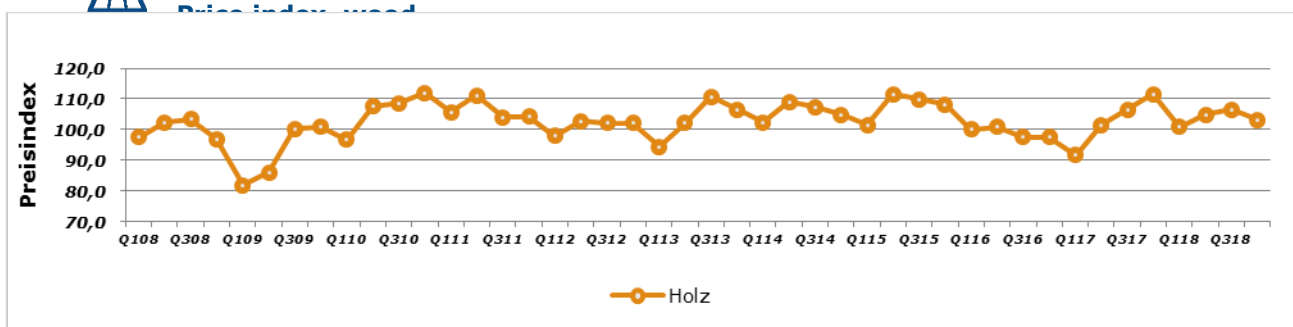
Time period Q1 2008 to Q4 2018

The TRANSPOREON platform processes data on transports for nearly all industries. For the Transport Market Monitor, three industries are analysed individually. While the general economic conditions are the same for most industries, they can be stronger or weaker in individual sectors. Analysis of the price index development by industry shows these differences. In the building materials industry, the index fell from 100.0 in Q3 to 95.2 in Q4 (-4.8%). In the wood industry, the index dropped from 106.6 in Q3 to 103.3 in Q4 (-3.1%). Only the paper index recorded a slight rise (+1.3%), with an index of 109.7 in Q4 compared to Q3 (index 108.3). In annual comparison, the building materials industry reached the highest index in Q2 (index 101,6), the wood industry in Q3 (index 106.6) and the paper industry in Q4 (index 109.7).

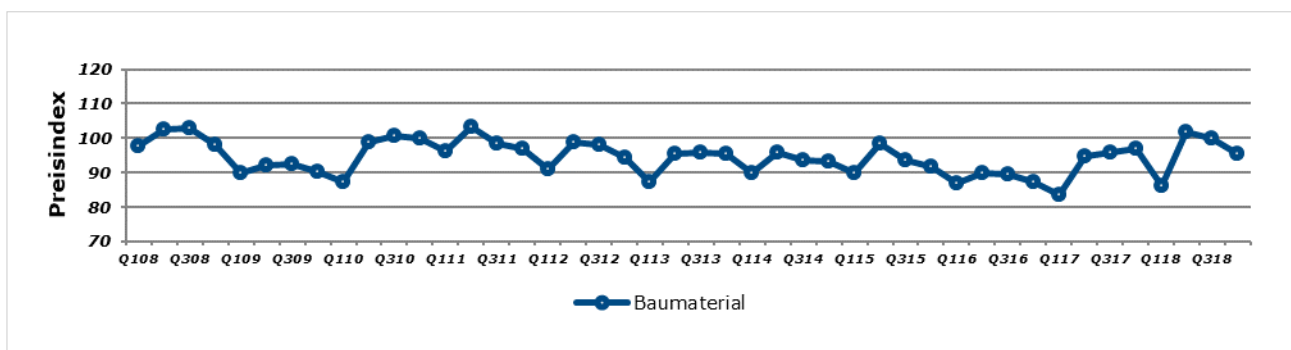
Analysed industries:

- Wood
- Building materials
- Paper industry

Price index, wood



Price index, building materials



Price index, paper industry

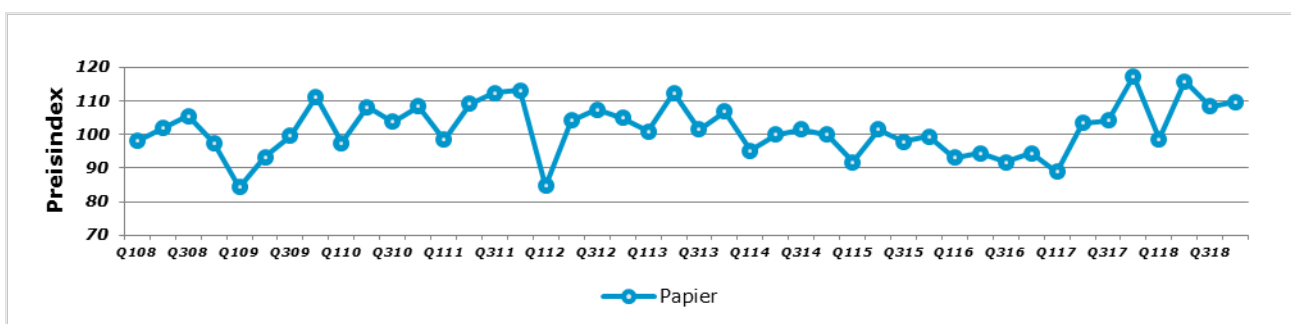


Figure 5: Price developments over the industry-related baseline (Q1 2008)



Development of the price difference

Time period Q4 2012 to Q4 2018

For analysis of the transport market dynamics, the difference between the highest and lowest offer per transport order was investigated in the spot market over time. The price difference is an average value. In general, the price difference rises with increasing transport distance.

In the 4th quarter, the price differences between the offers increased as expected, from 21% in Q3 to 23% in Q4. This means that the price difference between the offers is roughly the same as the difference in previous years.

"The more transport capacity is available, the lower the price difference is in the spot market. Traditionally, there has been more available freight capacity the 1st quarter of each year. And so we expect the price difference to increase further in Q1 2019, which makes transport assignments in the spot market even more attractive."

Jan Rzehak, *Director Business Consulting* TRANSPOREON

Capacity index and price difference (quarterly numbers)

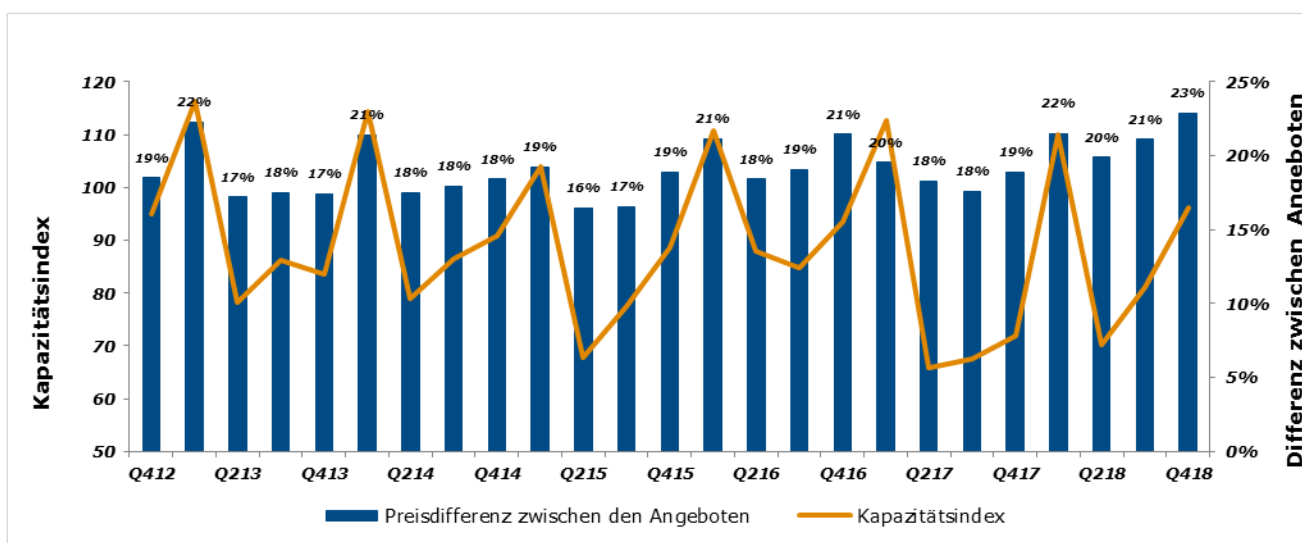


Figure 6: Depiction of the price differences in the offers and development of the capacity index in the last 25 months (Q4 2012 - Q4 2018)



Comparison of transport and diesel price index

Time period Q4 2012 to Q4 2018

As a rule, we observe a positive connection between diesel prices and the transport price index, which shows the influence of diesel prices on transport costs and thus on prices. The transport price index was based on the average values of a six-month period (January to June 2008: index 100).



The transport price index fell in Q4 2018 compared to the 3rd quarter (-3%), while the diesel price index was almost 5% over that of Q3. It is continuing its step-by-step rise. Although diesel prices have risen consistently, this has had hardly any impact on transport price developments in the spot market due to high volatility in the transport market.

Basis of comparison

- Average values of the six-month time period from January to June 2008 (index 100), similar to the other indices in this report
- Calculation of the diesel price index is based on the diesel prices in the European Union (Source: European Commission via <http://ec.europa.eu/>)

Price and capacity index (quarterly numbers)

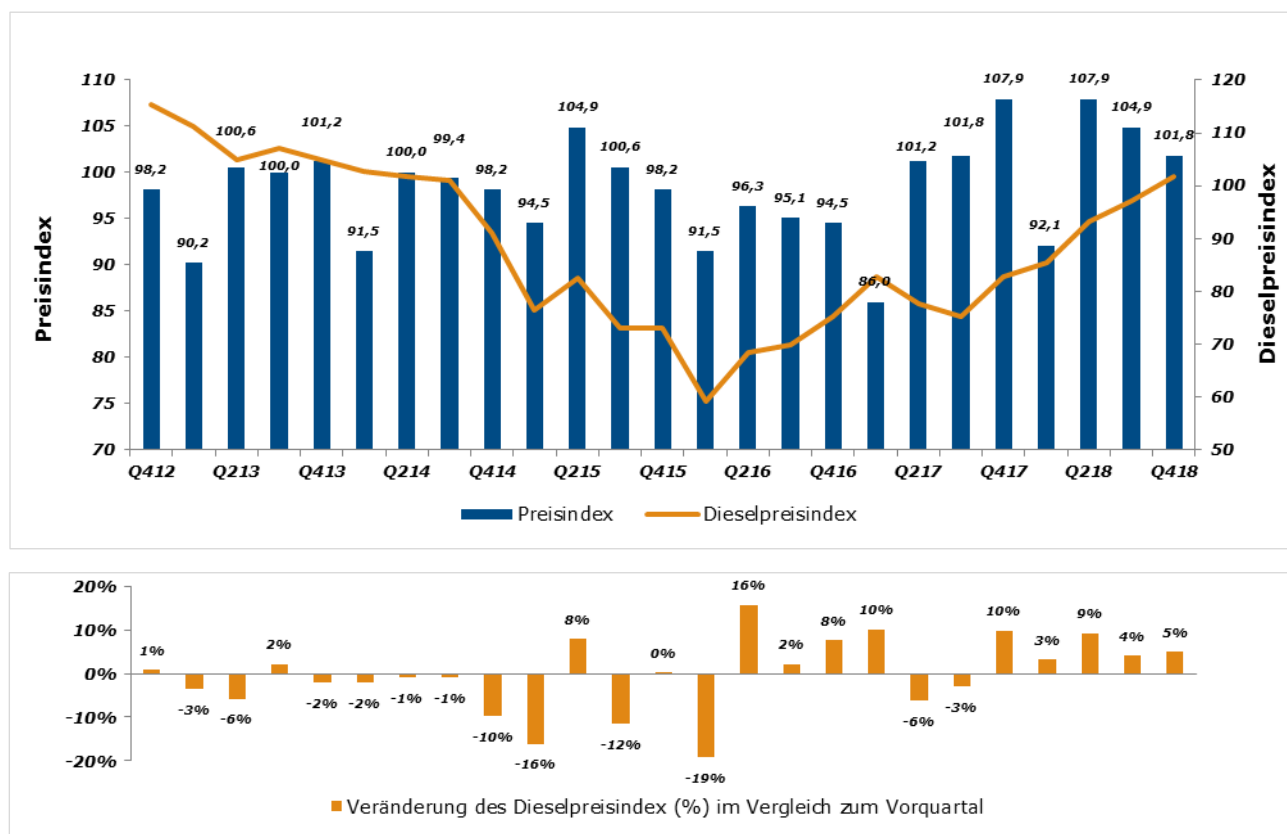


Figure 7: Price and diesel price index of the last 25 quarters (Q4 2012 - Q4 2018)



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About the Transport Market Monitor



Insight into the dynamics of the European road transport market

The purpose of the Transport Market Monitor is to provide insights into the development of transport prices and the transport market in general to logistics executives and other interest groups. It is a joint initiative by TRANSPOREON and TIM CONSULT.

The indices in this Monitor are based on spot market data from the logistics platform TRANSPOREON, on which shippers tender their transport needs and assign them to their preferred transport partners on a daily basis. The information is made anonymous, collected from the platform and analysed by TIM CONSULT. This results in monthly indices, which are published quarterly.

TRANSPOREON and TIM CONSULT help companies find the right strategy between selection of fixed and dynamic prices. Additional market information about the companies and their services is available on request.

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