

TRANSPORT MARKET INSIGHTS Q1 2023

Brief summary of key market changes and related procurement actions

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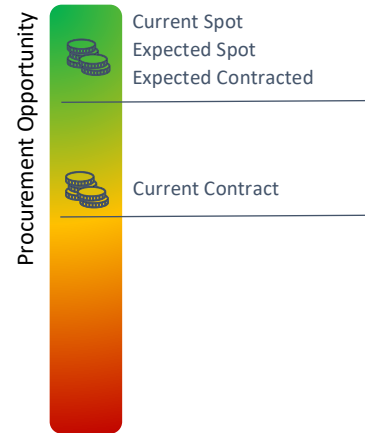
EUROPEAN LAND TRANSPORT

ROAD

At the moment we see a complex situation in the European road freight market. Demand for road transport is going down which means that more capacity will be available which leads to more competition. Further the fuel prices are going down and this leads to lower rates on the spot market and stable rates on the contracted market.

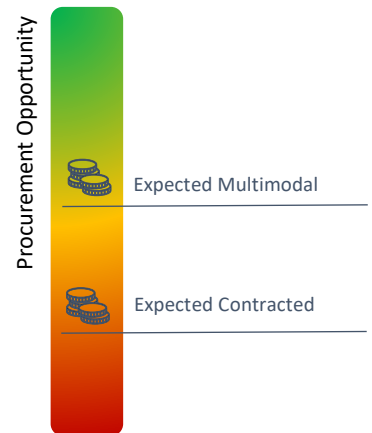
On the other hand, there is a driver shortage and high inflation rates which pushes the drivers' salaries up.

Nevertheless, forwarders in Europe launch general rate increases to raise the rate level substantially and at the same time the pressure on carriers from forwarders and shippers to reduce rates is increasing every week. The pressure on carriers will further increase as they must factor in the new CO2 taxes and further increases in salaries on all levels including administration. To avoid being crushed between forwarders and shippers, carriers could be interested now in more direct business to keep their order books full for 2023 by granting a (small) discount to keep existing business and gain new business. The competition amongst carriers, however, could become even more merciless. Choosing the right approach, procurement can help to reduce costs and maintaining the transport service on the expected quality level.

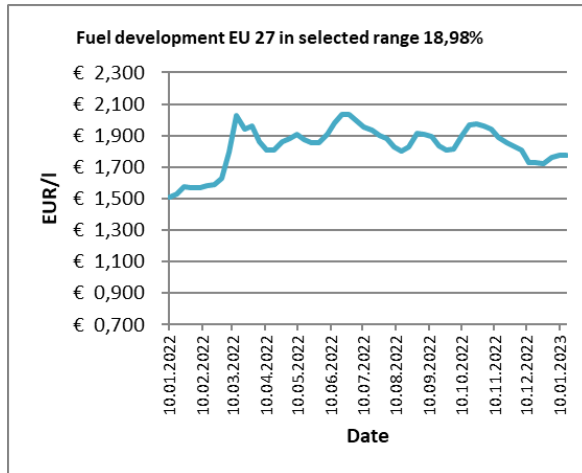


RAIL

Demand for rail freight is now decreasing also for multimodal solutions. The biggest downturn was seen in the chemical industry whereas the transport of automotive products is increasing heavily. Overall, the quantities are on high level and above pre-Covid level and this supports the activities of the main railway operators in Europe to increase the rates by 20 % and more. The reason given for the increase is the increase in energy costs. Therefore, we see an opportunity now for multimodal transports to secure capacities at attractive rates on one hand but limited possibilities to reduce rates for all other kind of rail transport.



ENERGY (OIL/FUEL)



Data Source: EU Oil Bulletin; prices incl taxes for EU countries

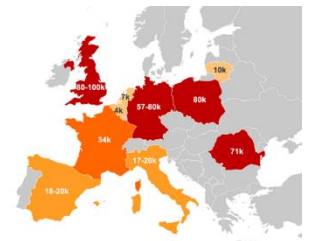
Fuel price continue to decline over the last few weeks in Europe although the prices are still around 20 % above the level twelve months ago. Looking on the stock exchange and the related oil futures we can expect a further small drop in fuel prices as average price for crude oil in 2023 is expected to be 10 % below 2022 prices. On the other hand the increased demand for oil in China will put a lot of pressure

on oil prices and there is a certain risk of increasing oil prices in the near future. Therefore, shippers and forwarders should not rely on falling fuel rates!

Hot topics – European Transport Market

Driver shortage and the impact on the transport market is for sure one of the most discussed topics at the moment. According to some studies of IRU there are around 400.000 open positions for drivers. Ageing truck driver workforce is the main driver of the deterioration of the driver shortage situation with an average age of Europe's truck driver population of 47 years old. There is a large proportion of drivers close to retirement (34% are above 55 years old). Whereas the share of young drivers is too low to replace the significant number of truck drivers that will retire in the next 10 years.

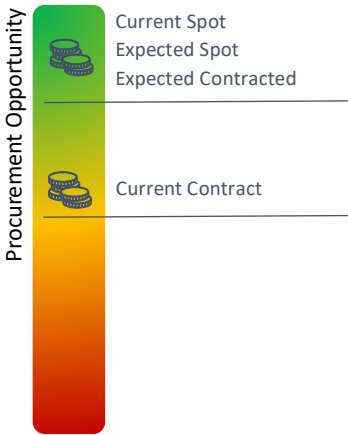
This driver shortage leads to increasing salaries for drivers and therefore to higher transport rates. The impact for shippers are higher transport costs. To make the job as a truck driver more attractive for young people is the second big challenge for the transport industry. This means that also shippers have to treat drivers in an appropriate way to keep a good relationship with the driver and the carrier base.



US LAND TRANSPORT

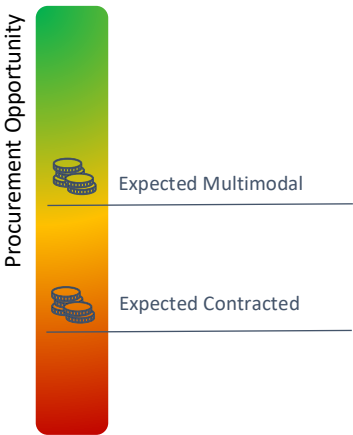
ROAD

For US-Truckload freight the picture was mixed for the last week of 2022 heading into the new year. Dry-van spot rates increased from \$ 2.41 to \$ 2.54 between December and the beginning of January, while contract rates decreased from \$ 2.97 to \$2.93 per mile, according to DAT data. At the same time capacity has decreased, showing a load-to-truck ratio of 3.45 in December, compared to 2.68 in November. Overall, there is significantly more capacity available, compared to January 2022, when the ratio was 9.34, with supply chains still significantly disrupted. Retailers in the consumer centric US economy, are still working off excess inventories that have been built as buffer ahead of holiday and shopping season. Heading into Q1 2023, shippers should be able to work with much more favourable spot rates, compared to a year ago. Avid procurement managers certainly envision opportunities to re-calibrate their contract rates during the upcoming RFP season and into Q1 2023. The question remains if shippers and carriers find a common basis to work out sustainable annual contracts that both parties are honouring when spot rates / demand is picking up again.



RAIL

Amid the important US holiday shopping season, a rail strike was averted with the intervention of the US administration. Considering that more than a quarter of goods are moving via rail in the US, the impact of a potential rail strike would most certainly increase trucking spot rates to substitute short term needs and would cause major inventory and supply issues across the US.



ENERGY (OIL/FUEL)

Data Source: US Energy Information Administration

Diesel prices slightly increased again into the new year and are still significantly higher compared to the level twelve months ago. Looking on the stock exchange and the related oil futures we can expect smaller declines in fuel prices as average price for crude oil in 2023 is expected to be 10 % below 2022 prices.

U.S. On-Highway Diesel Fuel Prices*(dollars per gallon)

[full history](#) [XLS](#)

	12/19/22	12/26/22	01/02/23	Change from	
				week ago	year ago
U.S.	4.596	4.537	4.583	▲ 0.046	▲ 0.970
East Coast (PADD1)	4.847	4.808	4.852	▲ 0.044	▲ 1.248
New England (PADD1A)	5.257	5.146	5.118	▼ -0.028	▲ 1.496
Central Atlantic (PADD1B)	5.316	5.286	5.235	▼ -0.051	▲ 1.454
Lower Atlantic (PADD1C)	4.637	4.604	4.689	▲ 0.085	▲ 1.199
Midwest (PADD2)	4.477	4.402	4.423	▲ 0.021	▲ 0.946
Gulf Coast (PADD3)	4.205	4.164	4.267	▲ 0.103	▲ 0.939
Rocky Mountain (PADD4)	4.860	4.745	4.730	▼ -0.015	▲ 1.043
West Coast (PADD5)	5.138	5.068	5.091	▲ 0.023	▲ 0.722
West Coast less California	4.877	4.766	4.765	▼ -0.001	▲ 0.838
California	5.437	5.415	5.466	▲ 0.051	▲ 0.708

*prices include all taxes

Hot topics – US Transport Market

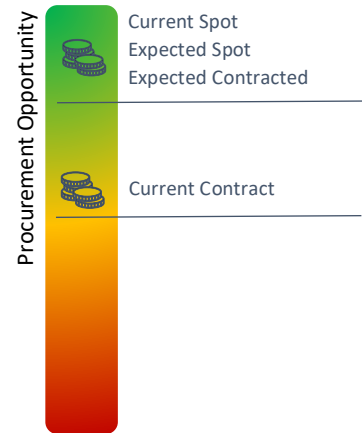
Many Fortune 1000 companies will report FY 22 and Q4 22 results in January. These results could be a clear indicator what direction the overall US economy is headed, with significant impacts on the transportation sector. Furthermore, market participants will be watching the next move of the Fed to further increase interest rates to slow down inflation and economic activity. Transportation buyers will continue to monitor the fluid COVID situation in China, the development of oil/fuel prices and the overall sentiment on the economy, to help formulating supply chain related adjustments and transportation strategies.

GLOBAL SEA AND AIR TRANSPORT

SEA

Ocean freight rates are currently dropping on the spot market which will be reflected also in contracted rates for the next period. Volumes are behind expectations and less demand drives the rates down. A lot of capacity is available and furthermore efficient and bigger vessels will be put into service over the next months. However not all trade lanes see the same downturn in demand and rates.

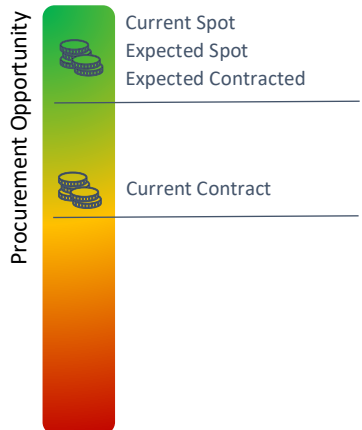
Therefore, shippers are advised to be well prepared for upcoming negotiations with forwarders and shipping lines to set the right targets for the negotiations. Make sure you know the market and the latest trends to avoid pitfalls eg when it comes to surcharges or container handling costs.



AIR

As sea and road freight, air freight is also under pressure currently. Rates are dropping as capacity is increasing and demand is further decreasing. Especially on the spot market we can see very aggressive rates and surcharges will be lower because of dropping fuel prices.

More available capacity is linked to the fact that passenger capacity (belly freight) is increasing and as stated before the reduction in demand.



PROCUREMENT ACTIONS

The bid of the hour is negotiating rates and agreements for the next period. For sea- and air freight lower transport rates can be expected. The road transport market is moving too and due to more available capacity/less demand and very limited expected growth of the economy carriers are eager to secure freight for the next months.

It is now time for the category management team to define the strategy for each mode of transport before running into a tender process. Relevant market information and benchmarks are key to success and setting the right targets for the tender period.

Make sure that also your carrier management program is up to date and reflects the current requirements and needs of your transport team and the carriers you are managing!

ABOUT US

Christian Müller



Christian has 30 years of practical experience in transport, logistics and procurement. Working in different roles from driving trucks to VP at forwarders, transport companies and shippers. He gained a lot of experience in optimising transport and logistics systems, setting up procurement organisations and managing forwarding companies.

christian.mueller@forwardingadvisory.eu

Florian Dussler



Florian has deep experience in supply chain and logistics from his work with shippers, 3PLs and technology providers in North America and Europe. He has worked in leadership roles for Transporeon, Xeneta and others, focusing on transportation sourcing, price benchmarking, automation, and efficiency gains through automation.

florian@tethysconsultants.com

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- We support **manufacturers** and **retailers** to establish empowered high performance transport logistics and procurement teams. Our approach enables the team to source and provide reliable transport services at the expected quality level for the best price.
- We enable **forwarders** to reach the next level and to be prepared for upcoming challenges. Defining strategies and targets followed by implementing the right measures are the foundation for the profitable path forward.

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