#1

Market Insights

Data from the world of transport

- Carriers raise rates
- The end of the contract era
- Forecasts for 2022

CARGO ON

BY TRANS.EU

Challenges for the industry

How has the transport market changed in recent years? How has the pandemic and the war in Ukraine affected the supply chains and freight prices? Will the Mobility Package, the driver deficit and rising fuel prices cause rapid changes in freight rates in the near future? Finally, is the transport sector aware of the emerging “climate revolution”, or swift implementation of the Fit for 55 package in EU Member States? According to the European Commission’s plan adopted by the Parliament in Strasbourg, in just 8 years, that is, in 2030, there will be a partial reduction in the combustion of carbon dioxide in internal combustion engines. And moments afterwards, a total ban on the sale of vehicles with old drive system is planned to be introduced. But does Europe really know about this?

In this inaugural issue of Market Insights ON, we also look into how inflation affects the economy and, as a result, into the status of the transport sector. Furthermore, we analyse the truck sales market because, as we know, it has recently seen factors that impede its growth (new truck delivery time is up to 1 year). Above all, we seek to draw conclusions from the “then” and the “now”, as we are tempted to make predictions for the coming quarters for the transport sector and its customers – shippers.

Read our Market Insights ON, in which we strive to answer many of the questions asked above.

The CargoON Team

In this issue

01

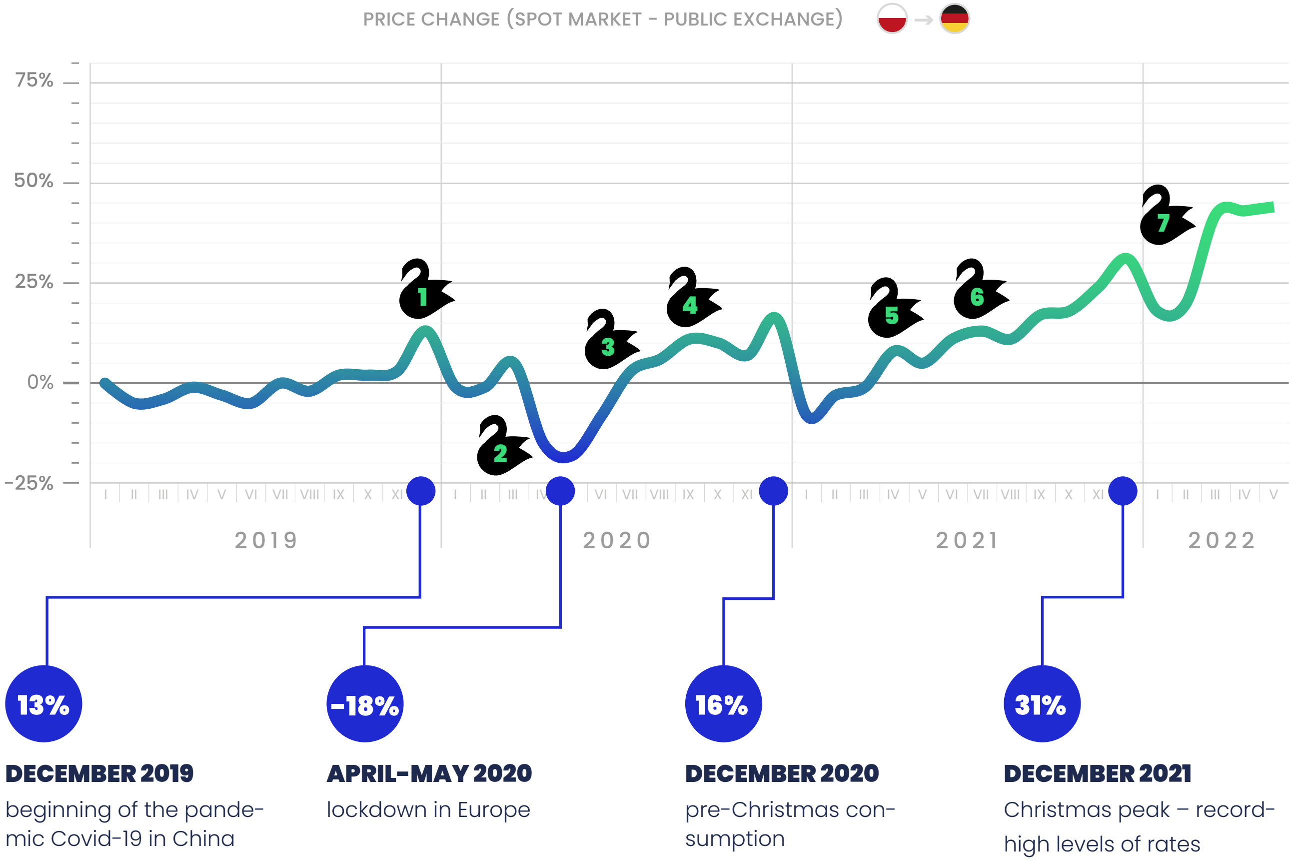
The Black Swans of Transport

The last 2 years in the transport and logistics market have been dominated by "black swans" – unforeseen events that have significant consequences for reality.

What impact did this have on truck freight rates?

How have transport rates changed from 2019-2022
(route from Poland to Germany)

The last 2 years in the transport and logistics market have been dominated by "black swans" – unforeseen events that have significant consequences for reality. The concept, created years ago by Nassim Taleb, an American economist, fits perfectly with the turbulence seen in the transport market across Europe and all over the world. On the diagram, we show how the transport rates for the Poland-Germany route changed as a result of the occurrence of "black swan" events. The black swans presented in the chart symbolise key turning points related to the decrease or (most often) increase in freight prices.



Source: own elaboration

1 The first case of Covid-19 in Europe.

2 European states put restrictions in place to limit movement both internally and at borders. Manufacturing and trading companies slowed down for a while and adapted to work in new conditions out of fear for the safety of their employees. The response of European economies to the development of the pandemic resulted in a lockdown. The consequences proved easy to predict: a decrease in supply, a severe decrease in demand for transport services and transport in general and, therefore, sharply reduced transport rates. But this would only last a moment: in April and May 2020, the rates fell sharply, only to rise again just a moment later.

3

The second wave of Covid-19 was not as shocking to European economies as the first one. The previously broken supply chains were unfrozen and societies learnt to live in a new reality. There was a noticeable increase in consumption, caused, among other things, by consumers stocking up and wanting to recover from lockdown. As a result of the increased demand, transport rates increased steadily.

4

The third wave of Covid-19 did not hinder growing consumption and rising demand for efficient supply chains. Stocking up also continued, not only among consumers, but also among cautious shippers: manufacturing and trading companies. Shortages in available transport capacity became increasingly burdensome. On the one hand, carriers were discouraged by cross-border restrictions, and on the other hand, they were under pressure from their drivers who were concerned about travelling in pandemic-stricken Europe. Therefore, it should not have come as a surprise that transport rates rose rapidly in the face of the growing demand and the deepening carrier deficit. For a while, there was a short drop in freight prices at the turn of November and December 2020, and then in mid-December, around the pre-Christmas consumption peak, it soared to an unprecedented level of 16 percent (compared to the rates as at the beginning of 2019).

5

The fourth wave of Covid-19 that swept Europe in April 2021 was no longer as surprising as the previous ones: the economies began to operate normally and the market managed to adapt to the changing conditions. However, despite the restored stability of supply chains, there was growing pressure on the increase in transport rates due to the rising fuel prices at that time (as you will see in a separate diagram).

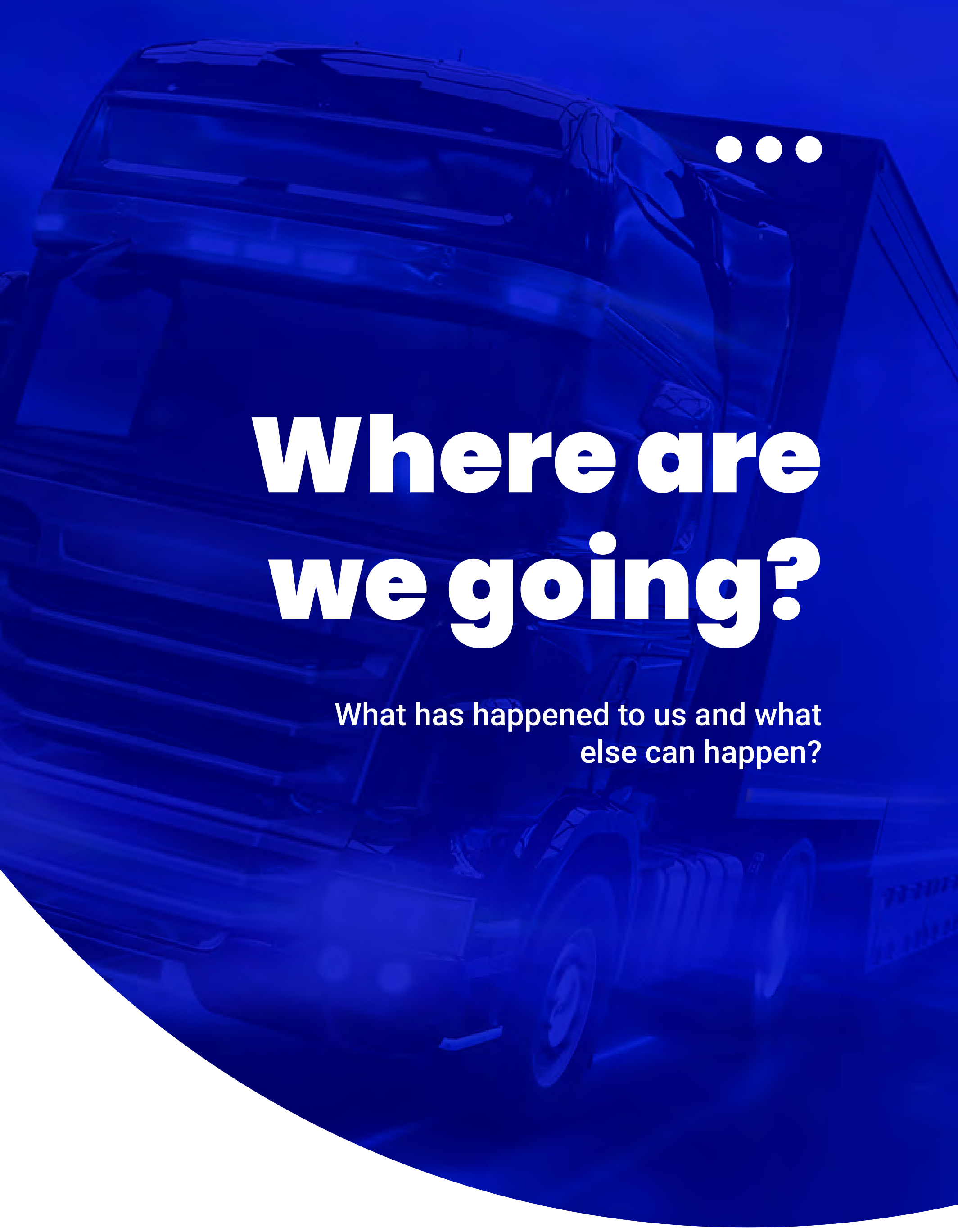
6

Another black swan (there were quite a number of them in such a short time), that is, the fifth wave of the pandemic, was marked by a gradual increase in rates. This, however, was not due to the widening gap in the available capacity, that is, the continued surplus of the demand for transport services over supply, but to an objective increase in the costs of transport companies' operations. This is because fuel prices were rising steadily while drivers negotiated higher remuneration rates with their employers. As a result, in December 2021, another record high was hit in transport rates: **31%** (vs January 2019).

As a result of the dramatic changes in Ukraine, the greatest increase in transport rates so far has been recorded. In just four months, the rates increased by 44% vs January 2019.

7

The final, seventh black swan on the list, namely, the outbreak of war in Ukraine, started the process of profound changes in the transport and logistics market. Russian aggression against Ukraine broke the supply chains stretching to the East (and back) and started a long-term energy crisis, which materialised from the very beginning by a surge in fuel prices. What is more, in just one month after the outbreak of the war, about **50,000** Ukrainian drivers quite literally disappeared from the transport market. They returned home to defend their country. As a result of the dramatic changes in Ukraine, the greatest increase in transport rates so far was recorded. In just four months, the rates increased by **44%** compared to January 2019.



Where are we going?

What has happened to us and what else can happen?

There is a permanent change in the operation of supply chains, including the transport market, happening right in front of our eyes. The changes initiated by the lockdown and the subsequent pandemic waves have transformed the transport market for good. Today, it is difficult to say what the final effects of these changes will be: permanent, exorbitantly high levels of transport rates? Faster consolidation in the sector of transport companies? The abandonment of long-term contracts? The collapse of many shippers? Faster transition to electric drives? Some other effects?

After the first wave of the pandemic, Europe quickly returned to the path of growth, but the first signs of economic downturn can already be seen, for example, in Germany. Perhaps, then, the madness associated with high freight rates will cool a bit as a result of the cooling of the economies, accompanied by a reduction in demand? There are many unknowns, but one thing is certain: we are never going to return to the normal we had before the pandemic and the war in Ukraine. We are heading in a new direction which will certainly be marked by the need to quickly respond to the cascade of changes.

2019

The last "normal" year for the operation of supply chains and for road transport.

2020

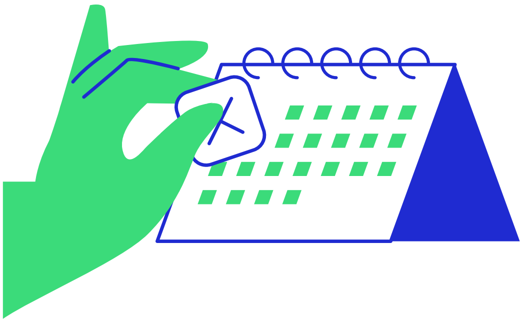
The shock caused by the Covid-19 pandemic and lockdowns caused an initial decrease in demand for transport services. Since the midyear, however, a steady increase in rates began. The provisions of the Mobility Package which have been gradually coming into force have also proved to be important (the increasing transport costs forcing an increase in driver remuneration).

2021

A new permanent factor affecting freight prices emerged: the rise in fuel prices, as well as pressure on driver remuneration. Both these factors caused transport rates to rise (and each of them accounts for about one-third of the total transport costs). The pandemic also initiated a crisis in the automotive sector, which had direct impact on deliveries of new trucks.

Although the demand in the European Union decreased significantly in 2020, in the following year, there was a **56.8%** increase in registered vehicles. Due to the semiconductor chip shortage, the crisis associated with the production of new tractors has further deepened. Today, the average new truck delivery time is **8 to 10 months**.

We are heading in a new direction which will certainly be marked by the need to quickly respond to the cascade of changes.



2022

At the beginning of the year, transport rates were subject to downward adjustment – despite rising inflation, the costs of the Mobility Package, the driver shortage, and rising fuel prices. And when it seemed that there was a time of moderate rate increases ahead, because the industry had already recovered from the market turmoil and adjusted prices, at the end of February, the war in Ukraine broke out. Russia's aggression caused a reset in the operation of the existing supply chains and started an energy crisis (moving away from Russian fuel). The nearest but also prospective effects of the war in Ukraine are difficult to assess. Europe must look for new sources of energy and find new sources of many raw materials (e.g., cereals, meat, vegetable oil). There is a deepening of the current shortages – the shortage of drivers, the shortage of new trucks, and the shortage of fuel supply that is driving higher prices.

The pandemic has initiated a crisis in the automotive sector, which has a direct impact on deliveries of new trucks.

Manufacturers fear recession

For now, it is difficult to talk about the crisis in the truck market. In the first six months of this year, we have recorded drops in sales, but they are not dramatic.

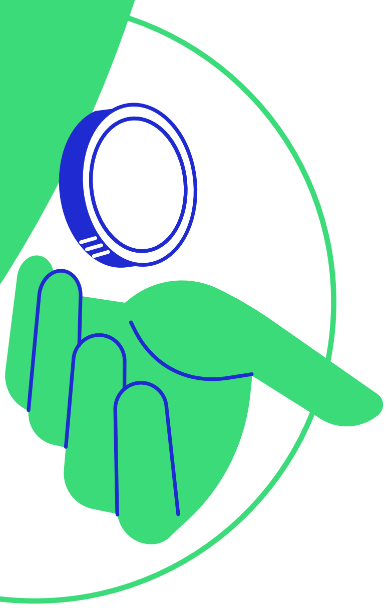
However, the market will face a number of challenges in the near future which may bring a longer halt to the upward trend. The factor that could limit the demand for vehicles is the expected economic downturn or, worse, recession. I hope we will have to face only the former. However, it is not likely that we will be dominated by the second-hand vehicle market since no serious carrier can ever risk a breakdown on international routes.

Jakub Faryś
CEO PZPM

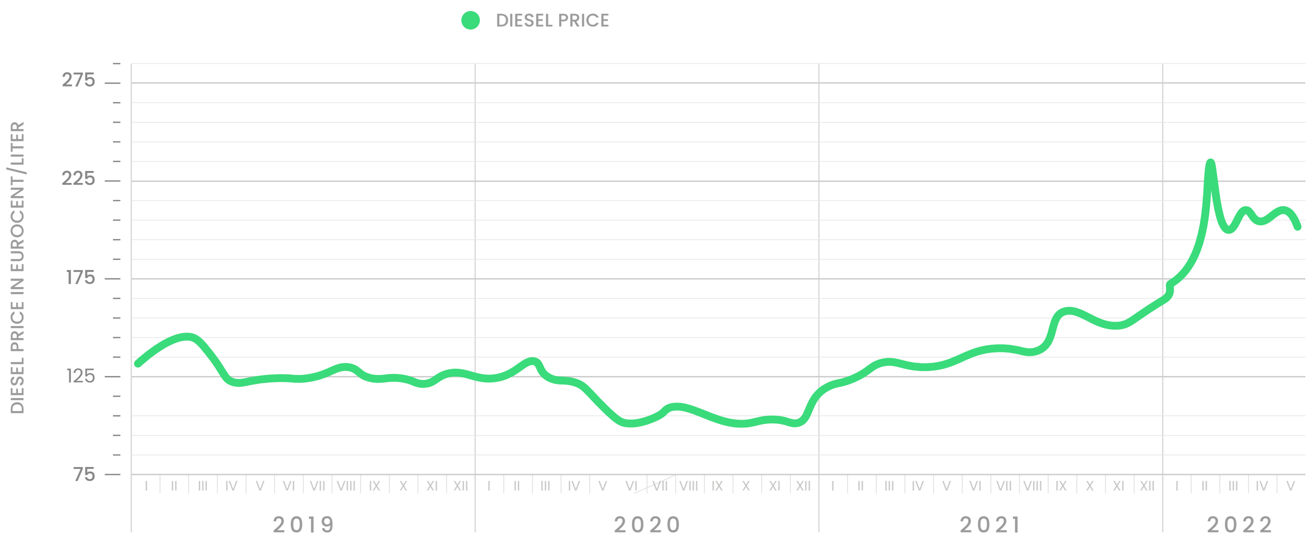
02

Diesel prices soar

From January 2019 to the end of May 2022, wholesale diesel fuel prices increased by 60%. And this is not the end of price rises. Especially because by 5 December this year, the EU Member States will have completely resigned from Russian oil supplies.



CHANGES IN THE PRICE OF DIESEL FUEL IN GERMANY 2019-2022



Source: Statista

From the beginning of the reference period (January 2019 to the end of May 2022), wholesale diesel fuel prices increased by 60% (in Germany). Unfortunately, fuel market experts from the e-petrol platform do not have good news for us at the moment, at least not until the end of summer, which is the time of a seasonal increase in fuel demand.

...by 5 December this year, the EU Member States will have completely resigned from Russian oil supplies

There are still a lot of surprises awaiting us in the fuel market. Even if the Americans release their reserves of raw materials and the OPEC countries increase their supplies, the situation in Russia, or, more specifically, the fact that Europe is gradually moving away from Russian oil, is of key importance. This is because the EU's sixth package of sanctions includes an assumption that by 5 December this year, EU Member States will have completely resigned from Russian oil supplies. The effects in the coming quarters, but also in the longer term, are difficult to predict. The final resulting levels of fuel prices are unknown. Temporary shortages of this raw material may also be observed because of the limited capabilities of European refineries, particularly their limited ability to quickly switch to the production of diesel fuel, as it is exactly diesel fuel from which they were slowly moving away. It seems that it is the price of diesel fuel that may have the greatest impact on the level of freight rates in the coming months.

The analysis of the present-day changes in the fuel market might give us an insight into the likely scenarios in the coming quarters. Fuel prices have been on a steady rise for nearly a year.

For diesel fuel, the downward price adjustment only took place in the first few months of 2020. This occurred at the beginning of the first wave of the pandemic, and the lowest price level was reached in April 2020. This was the time of lockdown across the whole of Europe, temporary disruption of supply chains and lower fuel demand. However, already in late spring, economies started to awaken out of the pandemic lethargy and the price of oil began to climb, which happened slowly at first but ultimately reached the level of **26%** in November (vs January 2019).

> Fuel adjustments, agreed on a monthly or even weekly basis, have become the norm for most shippers.

Shorter and shorter validity period of fuel adjustments

As a result of the rising diesel fuel prices, weekly or monthly fuel adjustments are becoming the norm. Unfortunately, another norm that we will have to bear for a long time is severe fluctuations in transport rates, because many carriers face the accumulation of many price-relevant factors. In addition, the expected economic downturn in Poland, Germany, and other states, may contribute to a lower demand for transport. I think that the European market will see carriers that it used to rarely see. As a result of the numerous changes in the transport market, consolidation seems inevitable, and once it does its job, only the strongest players will remain on roads.

At the end of February 2022, when it seemed that there would be no more price jumps, the Russian aggression against Ukraine started, which popped the bubble of optimism surrounding the first signs of stability for transport services. How did the transport and forwarding market react to the new war-stricken reality? Fuel adjustments, agreed on a monthly or even weekly basis, became the norm for most shippers. In everyday practice, despite the agreed contractual terms, the carrier often contacts the customer to inform them that the freight rate will be higher. "If you don't like it, I have someone else to take your route". There is also a novel trend of signing contracts with a monthly notice period, which are, in fact, tantamount to monthly contracts.

Dr. Jacek Karcz
Road and Courier Transport Expert, Adviser at Gruber Logistics

The rates won’t go down

We have conducted a market analysis for our own use, where we observe seasonal price fluctuations. It turns out that the next quarter will be marked by seasonality and lower demand for cargo space. However, this will not mean a decrease in transport rates because there is still an imbalance between demand and supply on the market. The outbreak of the conflict on Poland’s eastern border has also changed the approach to negotiations and concluded transport contracts. Fuel adjustments are determined for shorter periods: they are used as prices of the day during periods of rapid changes or as adjustments valid for two weeks or one month. Fuel clauses valid for three months are almost not used at all.

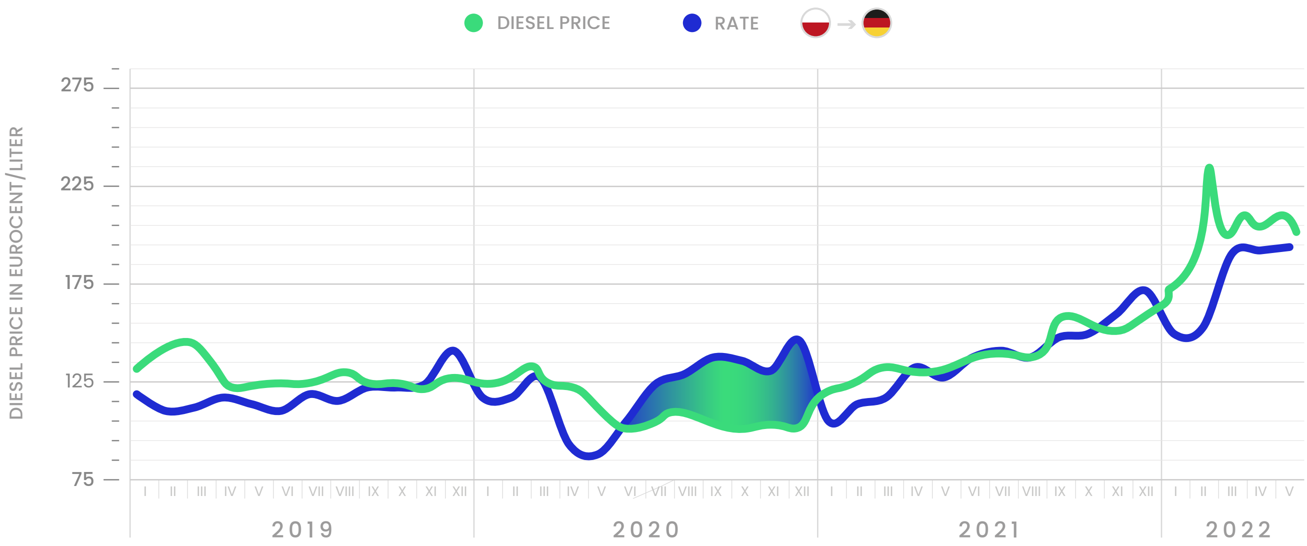
Monika Gajda
Senior Manager in Charge of International Forwarding at VAN cargo

03

High margins

After the first lockdown, shippers wanted to quickly recreate supply chains. Carriers used this to increase their margins.

FREIGHT RATES AND FUEL PRICES 2019-2022



Source: own elaboration

The highlighted area (from July to December 2020) represents a period of high margins on the part of carriers and forwarders. The economy was catching up after the first wave of Covid-19, whereas shippers were recreating supply chains after lockdown. Manufacturing and trading companies were ready to pay more just to secure the continuity of supply for themselves and process outstanding orders for customers. In order to ensure the loyalty of the carriers, some shippers paid them for a "round-trip" – travelling to the destination and back again. Carriers reaped benefits from the market situation by steadily increasing transport rates, although the price level remained stable (for a while). In this way, they secured high margins for themselves. However, the transport sector quickly found itself under pressure from the shortage of drivers (and, thus, an increase in remuneration) and rising fuel prices (since autumn 2020).

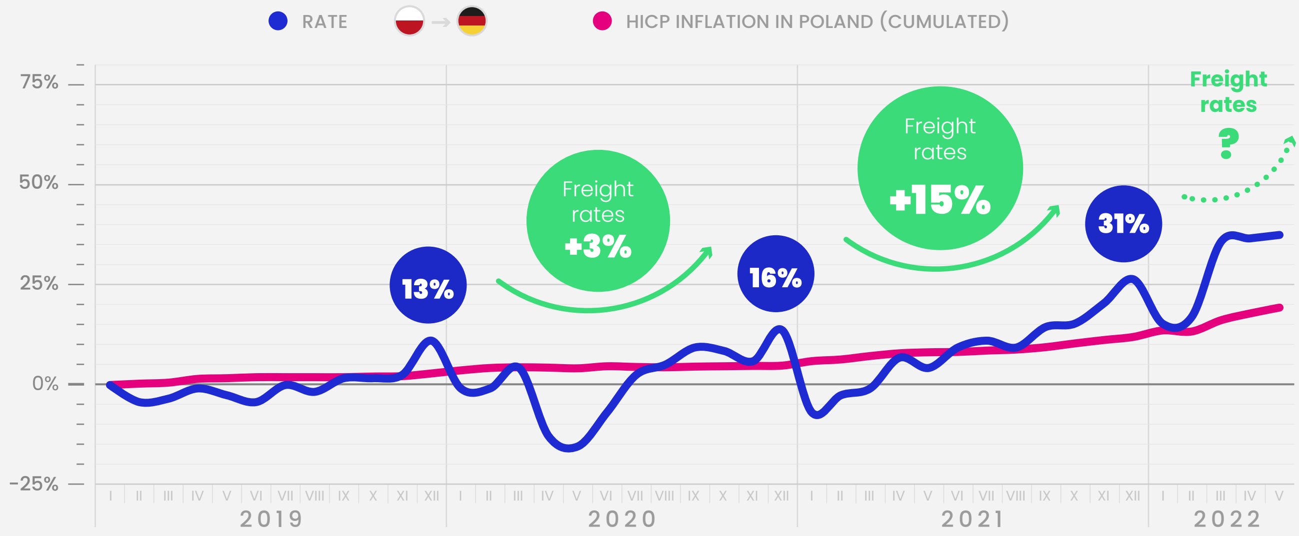
04

Soaring rates

Despite the pandemic, the rising inflation and other cost-forming factors, the cycle of seasonal rises in freight prices during the holiday season was preserved.

The question remains, how much will transport rates increase in the next approaching peak, that is, in December 2022?

Seasonal increases in the rates for the Poland-Germany and Germany-Poland routes (2019-22)

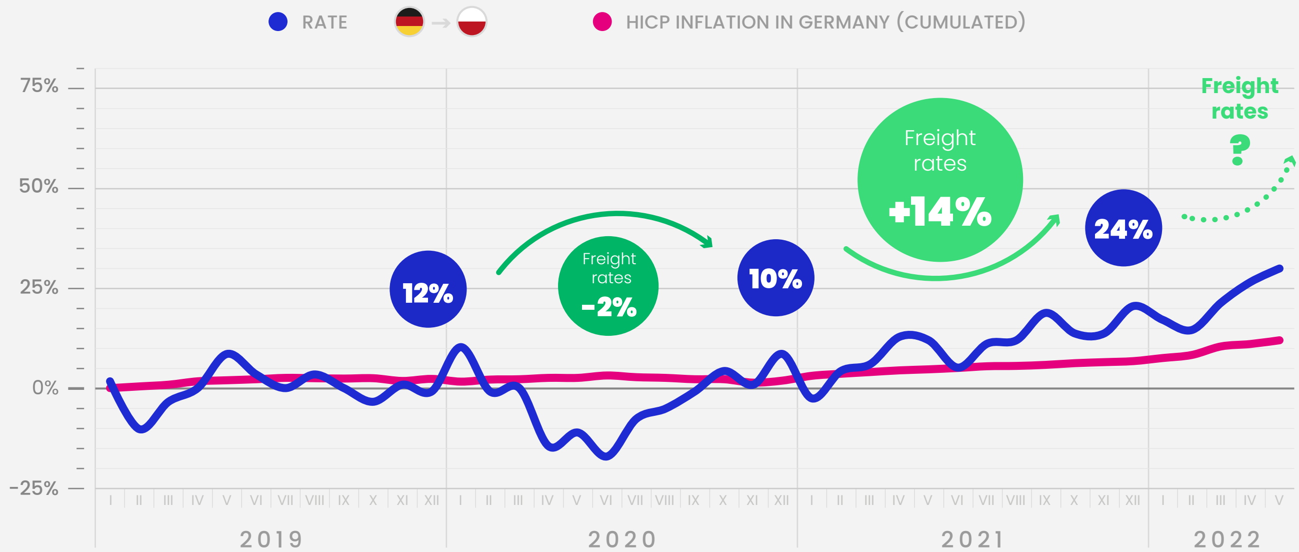


Source: own elaboratione

Despite the disruption of supply chains as a result of the pandemic, rising inflation and other cost-forming factors, the cycle of seasonal rises in freight prices during the holiday season was preserved (December). This is associated with an increased period of consumption and "buying frenzy" observed during this time. The increase in freight prices takes place both in Poland and Germany, and the levels of growth are also similar.

The highest price growth rate was seen in the period of December 2019 to December 2020 (Poland-Germany route) – during this time, the increase in rates was **3%**. However, if we compare this to the following period, that is, December 2020 to December 2021, we can note a clear increase in rates by as much as **15%** (**14%** for the Germany-Poland route). The increase in transport rates at such a high a level was caused by rising diesel fuel prices, an increase in drivers' remuneration and inflation (associated with an increase in the costs of truck leasing/loans). The question remains, how much will transport rates increase in the next approaching peak, that is, in December 2022?

Two factors seem to be dominant here: the level of inflation in both countries and the level of fuel prices.



Source: own elaboration

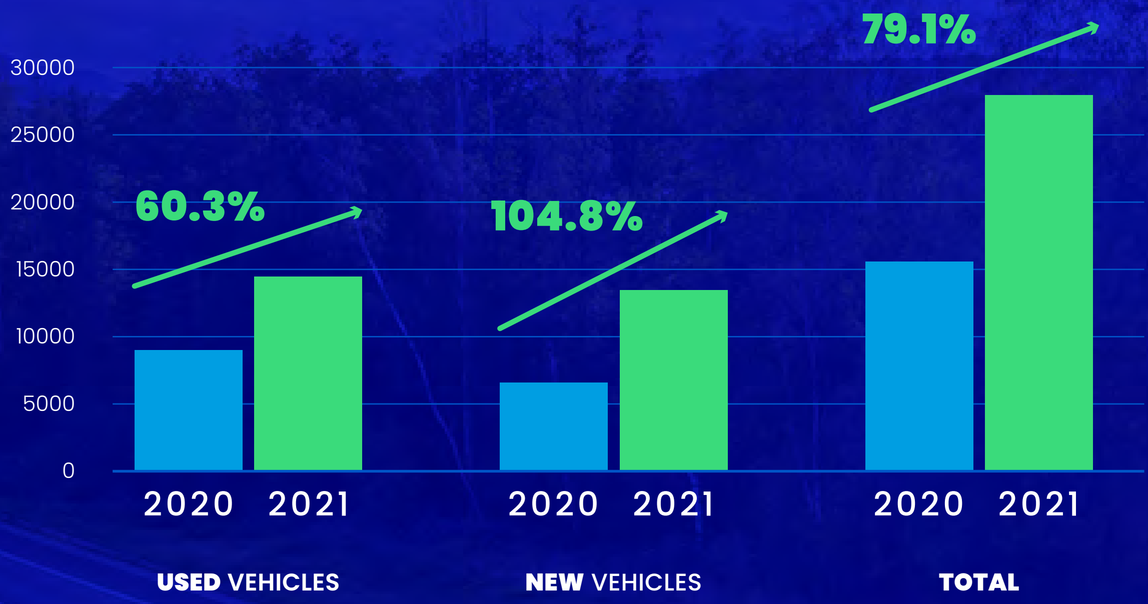
05

Post-lockdown boom

Although last year the truck market saw a real boom, this year, it has been experiencing declines. Is this a lasting trend?

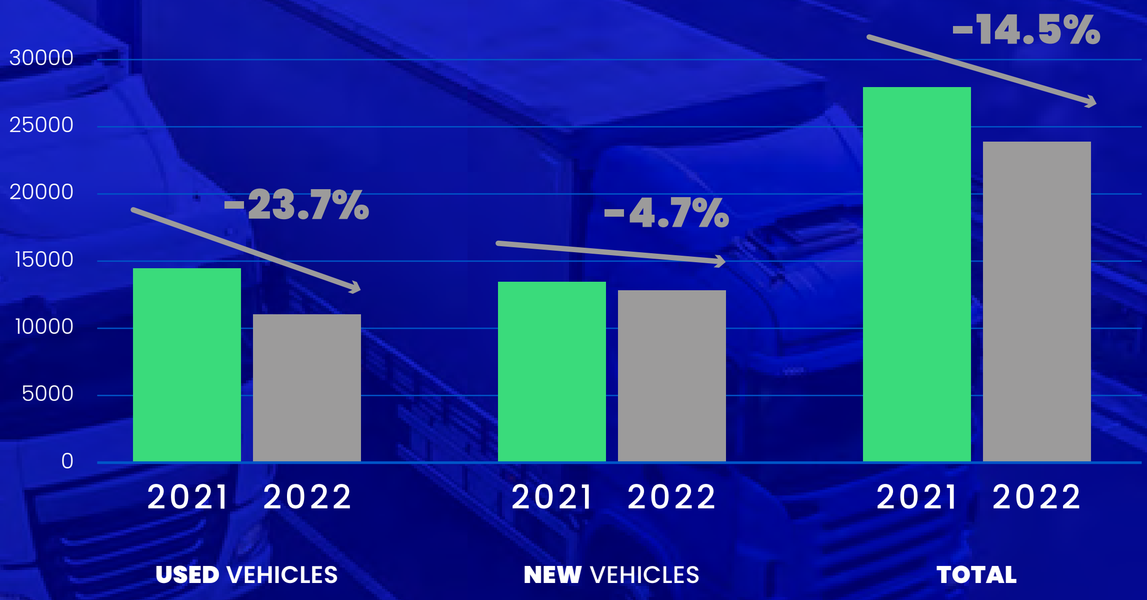
BOOM AFTER LOCKDOWN

Sales of trucks over 3.5 tons in 2020-2021



SUSPENDED PURCHASES

Sales of trucks over 3.5 tons in 2020-2021
(comparative period January-May)



Source: PZPM*

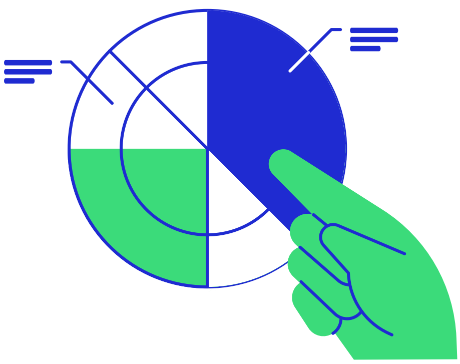
* Figures refer to truck sales in Poland, the leading transport nation in international road transport

Last year, the truck market experienced a real boom, with new car sales growing by almost **105%** (vs 2020, when supply chains remained broken for several months as a result of pan-European lockdown). The situation was similar across the entire European Union: in 2021, the number of newly registered trucks increased by **16.8%**, which meant that there were nearly **290 thousand** new vehicles on European roads. Due to the shortage of new trucks on the market (both tractors and all the other types), the interest in cars from the secondary market also increased with sales growing by more than **60%**. Experts add, however, that leased cars that have been originally purchased from a dealer definitely account for the largest share of the total number of vehicles on international routes.

Although the data available for the current year does not generate much optimism (a decrease in sales of new and used cars by **14.5%**, including the January-May period), a more accurate analysis of the data published by the Polish Automotive Industry Association is not so dramatic. The overall decrease in sales was mainly influenced by the segment of used cars (a decrease of **23.7%**), while in the segment of new vehicles, the decreases were not so dramatic. As far as tractors are concerned, the decrease was **7.1%**, but in the category of trucks (chassis), the sales actually increased by **2.7%**.

The sales of both tractors and other types of trucks are expected to increase by the end of the year. Lower sales in the first half of the year were caused by many factors: rising inflation and the resulting higher charges on lease repayment, limited deliveries of semiconductors and other components for the production of vehicles, which has significantly extended the waiting time, and many other reasons. The situation on the truck market is specific: manufacturers are snowed under with orders, some of them have already closed their production lists for the current year, and yet statistics suggest that the interest in buying a new car is lower. Although the difficulties mentioned above will not disappear quickly – and the costs of the carriers' business are on the rise – the high demand for cargo space will not cause a dramatic decrease in the production of new vehicles in the near future.

Last year, the truck market experienced a real boom, with new car sales growing by nearly 105%.



Fuel and remuneration soar

In the coming quarters, we can expect continued pressure on road transport rates, which will be attributed mainly to rising prices of fuel. With the war in Ukraine, we should not expect a halt in the growing prices of diesel fuel. Even if the conflict ends – which is hard to imagine at the moment – we should not expect a return to the prices from the beginning of the year. Transport rates will also be affected by the deepening problem of driver shortage. Carriers will compete for employees to an increasing extent, which means higher remuneration. Consistently, carriers will increase their rates in order to keep their existing margins.

Michał Pakulniewicz
Transport market analyst at Trans.info

06

The end of the contract era

Today, the reigning feature of the transport market is flexibility. Technological tools enable shippers to access the contract market, organise fast tenders and observe prices on a transport exchange.

Where are you, carrier?

To say that the road transport in Europe is in chaos is an understatement. The shortage of carriers is best reflected in the crazily high freight rates.

> As recently calculated by analysts from Transport Intelligence, the average rate index in the European road transport has increased by 7 percent year on year.

This is, of course, a statistical average as Polish manufacturers and trading companies often had to pay rates higher than that by up to **20-30%**. The shortage of carriers has also stimulated further increases. Is there any sign of stability? It seems that we will not see the deficit in the transport market significantly reduced, at least not until the end of the year. The pandemic, rising fuel prices, the objectives of the Mobility Package, the shortage of drivers, and finally, the war in Ukraine, have upturned the transport market and shaken supply chains. According to the aforementioned TI report, the rate at which freight rates were increasing among Polish carriers was the fastest in Europe (prices jumped particularly high after the outbreak of the war in Ukraine). And so, for a full-truck load from Poland to the European Union, one needs to pay approximately **EUR 1,400**, a price not differing much from the Warsaw-Duisburg route, which is crucial for European transport.

Contracts – a service on the verge of demise?

According to Michał Pakulniewicz, transport market analyst at Trans.info, the chaos around prices on the market will continue at least until the end of this year.

- Only then will high inflation begin to affect the consumption level, which will lead to a clear reduction in demand for transport services. In addition, the European market will be affected by the consequences of the economic downturn in Germany, the locomotive of the continental economy - he comments. This opinion is shared by Rafał Jabłoński, CEO at System Transport, a company performing the tasks of a logistics operator.

- The normal will return in a while, but with different prices at a higher level. Contract-based transport in the current sense is a service on the verge of demise - Jabłoński assumes. Shippers and logistics operators have to take account of a high rejection rate for contract-based transport projects. If it is "just" 10-15 %, then you are lucky - I've heard a good in-joke the other day that forwarders have told among themselves. Which is better: a contract carrier or Christmas? Of course, a contract carrier, but Christmas is more often - Rafał Jabłoński laughs. He is the CEO at System Transport and has been dealing with supply chains for 25 years. His fleet supports all possible directions but he has never seen such a great excess of demand over supply.

> Today, we should seek a reduction in freight costs only by optimising our solutions, for example, by more efficient use of cargo space or an extended delivery cycle. Not all cargo must be delivered to the supplier 6 hours after ordering. Both manufacturers and carriers are looking for different solutions to increase flexibility. The former do so in order to save money and, as a result, not to lose sales margin because of the high costs of transport. The latter try to make better use of the fleet, to compensate for the growing costs and to earn more money.

Rafał Jabłoński

CEO at System Transport Sp. z o.o

A rescue in optimisation

Therefore, the representatives of the Transport, Forwarding and Logistics market agree that we are never going to return to the normal we had before the pandemic. And it is not only about rates as the relationship between the shipper and the carrier have also changed permanently. Longer contracts, concluded for at least 1 year, are slowly becoming obsolete. Today, the reigning feature of the market is flexibility.

The best barometer for the relationship between the two groups is the aforementioned rejection rate. Fearing loss to their image, shippers do not always share detailed information about them. The most complete picture of the transport market is, however, available to forwarders.

Flexible shipper

Due to high freight rejection rates, shippers are forced to look for carriers in the public market. We live in a period of constant change and manufacturers are changing their operating model. Since they cannot afford to abruptly move away from contract orders, they are trying to find missing capacity in the spot market. If they choose their technology tools well, they can efficiently access both markets in an instant. Importantly, without sacrificing freight quality.

Piotr Roczniak

Head of Business Consulting, Trans.eu

- We execute longer contracts primarily in connection with the operation of line connections between our branches. We rely almost 90 percent on "telephone contracts", that is, short-term ad-hoc contracts concluded with tried-and-tested carriers. We also use a transport exchange to fill the gaps resulting from missing drivers - explains an anonymous forwarder at a large production company.

The interweaving of markets

The rising flexibility of the approach to transport orders means, among other things, more extensive use of technological tools. The trend towards digitisation in the transport and logistics sector is confirmed by recent market research. For example, according to the latest report of the SpotData analytical centre, **42%** of carriers plan to invest in the digitisation of their processes. As for shippers, this process is highly advanced.

- The contract-based market and the spot or public market are destined to cooperate and interweave in a friendly manner. Carriers are being forced to raise their freight rates on account of not only the increasing fuel prices, but also the costs of drivers and financing the fleet. On the other hand, shippers are trying to reduce the rejection rate of contract-based transport projects, which is up to **20-25%** now - says Piotr Roczniak, Head of Business Consulting at Trans.eu, a company supporting technological processes for the transport and forwarding sector.

The market forces shippers to change the way they operate, whether they want it or not. This is because it is the shipper, and not the carrier, who is under pressure to ensure the continuity of supplies. However, manufacturers or trading companies cannot afford to dramatically deviate from contract-based orders and, for this reason, they are starting to look for balance between the two markets. Piotr Roczniak calls this illustratively "the different shades of a rainbow", which means searching for solutions appropriate to the situation.
- The times when shippers could negotiate a long-term contract are already gone. Today, they must look for the best solution in a given moment. They

should monitor prices on the spot market to adjust the contract prices and ensure a low rejection rate. With the appropriate technological tools, they can have access to contract carriers, a group of subcontractors and the public market alike - Piotr Roczniak adds.

The times of black swans

Unstable freight prices, weekly contractual fuel adjustments, pressure on higher rates for drivers – these are the challenges that the Transport, Forwarding and Logistics market players will face in the coming months. The ability to flexibly respond to the market situation, obtaining capacity from various sources – as quickly as possible, without paying too much – is the one and only solution, not just for the coming months.

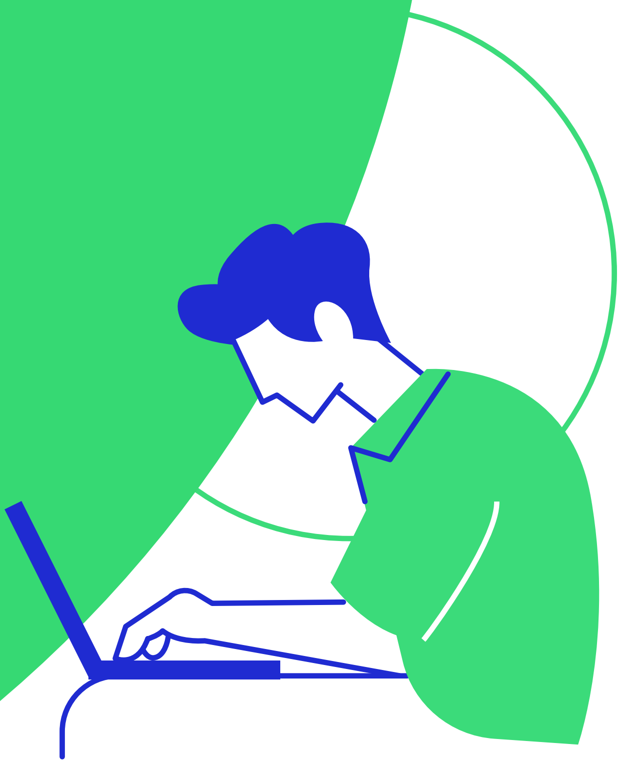
- The only constant element on the transport market today is constant change. Chaos is deepening - says Michał Pakulniewicz, transport market analyst at Trans.info. When referring to the present day situation, Piotr Roczniak uses the metaphor of a black swan, supporting the thesis put forward by the previous expert. The concept was introduced a dozen years ago by Nassim Nicholas Taleb, an outstanding statistician and economist.

- The point is that forecasts often do not work because some phenomena are unexpected. The transport market and the entire economy are hit by black swan events time after time - he adds.

15-20%
Average transport project rejection rate (January-May 2022)

07

How to predict the unpredictable – **forecasts for 2022**



RATES, INFLATION, FUEL PRICES IN 2022

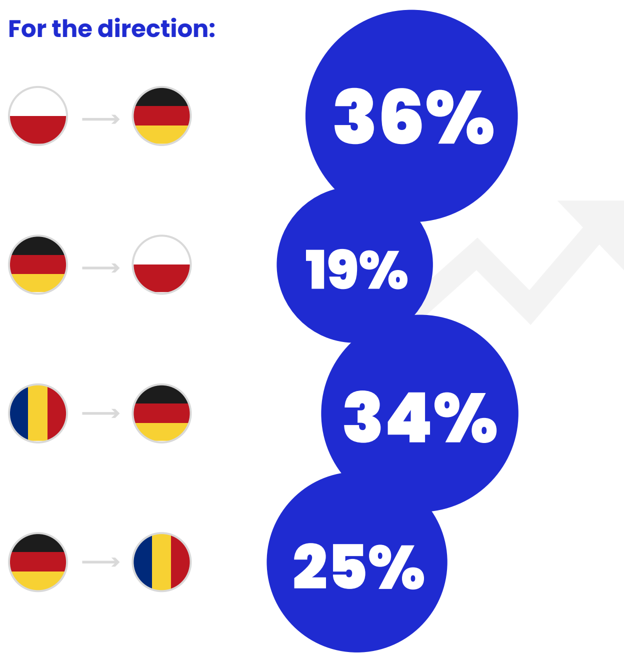
FORECASTS OF PIOTR ROCZNIAK
Head of Business
Consulting at Trans.eu

Rates going up and down?

Benjamin Franklin, a philosopher and one of the founding fathers of the United States, said there were only two things certain in life: death and taxes. "And rising transport rates", Transport, Forwarding and Logistics experts add with a smile. The fact is that freight prices have been galloping upwards for a year and a half. Will the next six months be marked by the famous "black swan events" – unexpected events that will result in a dramatic increase in prices in supply chains? Some signs tell us that this will not happen.

- If we are to refer to the swan metaphor, I would say we can rather expect grey swans. That is because the transport market will soon be affected by many different events, but not necessarily violent and unexpected ones - says Jacek Karcz, PhD, road and courier transport expert, an adviser at Gruber Logistics. When we ask them for opinion, many logistics managers, forwarders and carriers say similar things. But at the same time, everyone agrees that we should expect anything but peace of mind, that is, stable freight prices. That is because there are too many events mentioned by Jacek Karcz, PhD, that will affect the transport and logistics market.

The average rates in **2022** will be higher vs **2021** by:



Fuel prices will remain high for the next **2 years**

Inflation may exceed **7.7%** throughout 2022 (global scale)

Rates are determined by fuel and drivers

It seems that the most important factor which will affect the level of transport rates in the coming months will be the rising price of diesel fuel. Although a surge in the price of diesel fuel (and other types of fuel) could already be observed when the war in Ukraine started, more adjustments, but not so rapid, are also expected by the entire transport industry (as well as its customers, that is, manufacturing and trading companies).

> The upcoming economic downturn or crisis will reduce demand for cargo space to some extent.

Monika Gajda, Senior Manager in Charge of International Forwarding at VAN cargo, believes that the driver deficit is an equally important factor. The shortage of drivers has resulted in decommissioning part of the car fleet and, at the same time, a reduction in the cargo space on the market. This trend will continue and only those companies who have a well-established employment policy and available fleet will be competitive on the market - she believes.

The competitiveness of transport companies and, consequently, the inevitable consolidation of the transport market, is indicated by many experts. - If a company has a fleet of a hundred cars and 10 percent of the fleet stays in the parking lot, the company will survive. In a small business which has, for example, three trucks, it will be difficult if just one driver is available. Apart from Poland, the challenge associated with consolidation of the market is also true, to a certain extent, for Bulgaria and Romania; the Baltic countries have taken this step earlier - explains Jacek Karcz, PhD.

Is there a crisis coming?

What else, apart from high fuel prices and the shortage of drivers, could destabilise the transport market in the coming months? Definitely, the costs of implementing the Mobility Package, which might lead to smaller carriers abandoning cabotage and cross-trade operations, which will consistently cause even deeper shortages of cargo space. However, there are signals coming from the economy and financial markets telling us that we can expect an economic downturn or even a crisis that will cool the inflated consumption down.

Either way, the situation in the economy will translate into a smaller number of transported goods, and carriers may come to the conclusion that it is necessary to slow down the development of their fleet and give up planned purchases. The shortage of new trucks available on the market is yet another challenge for the transport sector. According to automotive market experts, there is no chance for shorter new truck delivery times until the semiconductor availability problems are over. However, no comforting news is popping up here, either: the restoration of normal supplies from the Asian market is expected to happen by the end of next year.

CHALLENGES FOR THE MARKET IN 2022-2023

Uncertainty in the fuel market
(by December this year, the EU Member States will have moved away from 100% of Russian oil supplies)

Unstable freight rates

Shortage of semiconductors
which limits the production of new trucks

Likely economic downturn at the end of this year
(possible beginning of economic crisis in 2023)

Weekly and monthly fuel adjustments

Implementation of the next steps of the Mobility Package
(raising driver rates, possible withdrawal of some carriers from cabotage and cross-trade operations)

Shortage of drivers
(more than 400,000 across the whole of Europe)

Authors

Piotr Roczniak

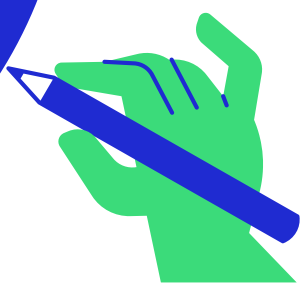
Head of Business Consulting at Trans.eu

An expert and manager with several years of experience in logistics and transport. Currently, he is the Head of Business Consulting at Trans.eu – the largest logistics platform in Central and Eastern Europe. He advises clients primarily in the field of innovative digital transformation and optimisation of the supply chain and increasing the efficiency of their businesses. He has a holistic approach to cooperation with clients as he tries to both understand their needs and recommend solutions that will be a real support for their companies.

Marek Szymański

Journalist and Content Manager at Trans.eu

He has been associated with the transport and logistics industry for many years. In 2000-2007, he was the editor-in-chief of the Eurologistics magazine. He wrote about the Transport, Forwarding and Logistics market for magazines/newspapers such as Puls Biznesu, Parkiet or Transport Manager. He is looking with interest at the constant transformation of supply chains. He was one of the first people in Poland to predict the development of RFID technology in logistics. He conducted numerous conferences devoted to the transport and logistics market and he prepared the Logistics Gala with the team.



CARGO ON

BY TRANS.EU

CargoON is an automated and flexible system for managing road transport.

The founder of the brand is Trans.eu Group S.A. - a provider of innovative solutions for the transport and logistics industry; since 2004, a successful developer of one of the key Logistics Platforms in Europe.

Author of the text:
Marek Szymański

Preparation of data:
Piotr Roczniak

Graphic design:
Anna Sikora
Magda Modzelewska

Project support:
Monika Kulej
Anna Palluch

Any questions?

Please get in touch:

info.en@cargoon.eu

www.cargoon.eu