



Logistics Update – March 3, 2020:

Overall – starting to see some critical shipment issues and increase cost with air in China. Increased delays and risk coming from Korea with internal trucking and air. Italy is operating but there are air outbound and pickup with air in Northern Italy regions. Freighter shipments to and from Asia are down with sailings being reduced.

China: with exception of Wuhan China (and Hubei province), all major suppliers are now open. China Production ramp is estimated to be in the range of 60-75% of max, with some of the major manufacturing areas in Jiangsu and Zhejiang still below average. Full production is expected not earlier than Mid-March

- **AIR:** Due to increased demand with production picking up and massive number of passengers' flight being cancelled until end of Apr, cargo space has become critical Intra-Asia and export China & Hong Kong to different regions. Carriers upward adjust the selling rates on a weekly basis. Market rate adjusted / increased by +40% for Transpacific, +44% for Europe and +200% on Intra Asia.
- **OCEAN:** All ports are operating and no major delays. Freighter capacity has been reduced but continued demand with production increasing in both Transpacific and European movements suggests tendering / scheduling shipments early to avoid possible delays in the future.
- **INTERNAL / TRUCKING:** The trucking situation is gradually normalizing as more drivers resume duty, highways are reopened and restrictions eased (exception Hubei). While the production is getting resumed, cross border traffic between China and Vietnam is being affected by a new backlog situation and will need to be watched in March.

Korea: Majority of factories are not much affected. The exception is the Daegu area which is basically in lockdown; factories in that area are closed and domestic trucking is not available. The ports are open as well as airports but there have been a series of passenger flight schedule cancelled. We anticipate tight and some increasing air issues could be experienced and increased demand for ocean.

Italy: seeing pickup and delivery delays with air shipments in 11 north Italy markets. With additional flight cancellations to and from Italy, market demands to Asia, North America and the Middle East are becoming constrained. KE has cancelled a number of flights from Italy to Seoul, Korea. EK, KU, ME, RJ and TK have stopped or significantly reduced flights from Italy to the Middle East. The demand to North America remains strong but expect to become constraint as AA and DL have announced further flight cancellations. The ground-handling agents and carriers are functional well in Milan airport.

Japan: Travel advisories are already in place and currently there are no freight restrictions or airport closures.

I expect the China / HKG logistic situation will turn worse this month when production fully resumes and into Q2 as each brand finds folded export volume and works to restore the first quarter production. Close look / spot shortages of commodities could occur in China as shipping via vessels will be abandoned or converted to air due to tight deadlines

Chuck Fries
VP, Global Logistics & Planning

SMTc Corporation

431 Kato Terrace, Fremont, California, 94539, USA
Tel: 510 737.0700 • **Fax:** 510 498.8525 • **Email:** Contact.Us@smtc.com • **Website:** www.smtc.com

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