

Logistics and Supply Chain Update

June 22, 2020

Supply Chain

No major updates from last week.

China: China's manufacturing activity is gradually normalizing three months after COVID-19 outbreak peaked in early February, large industrial firms recovered 95% of normal capacity.

Thailand: Curfew hours have been shortened and restrictions eased. Manufacturers continue to gradually work towards increasing capacity.

India: Ease of lockdown measures continue despite soaring infections.

Japan: Continues to have infection rates under control despite not imposing a nation-wide lockdown.

Philippines: Lockdown restrictions have finally eased in Manila. Reports of improvement to delivery lead times are being reported from most suppliers. Expect some delays continued through Jul/Aug to catch up on backlog.

Malaysia: Suppliers continue to improve lead times extended by COVID. Operations for non-essential business continue to recover dramatically. Expect some delays continued through Jul/Aug to catch up on backlog.

Europe: Supply chain capacity continues to rise working towards pre-COVID benchmark. Backlog created during height of outbreak in April expected to be caught up June/July.

Americas: Many states and counties continue to move toward phase 2 of reopening from the lockdown. Small custom product suppliers are finally showing distinct improvements to delivery dates.

Mexico: Border cities continue to struggle with reports of outbreaks disrupting operations. But capacity remains in place to support industries. Some operations exploring options to temporarily move production to different regions.

Logistics Update

Global air cargo capacity continues to be constrained with a 27% decline this past month compared to last year. We are seeing some improvements in passenger air freighters as PPE demand slows down and in EU continued easing of all restrictions. This has resulted in a start of some improvements in international air lead times. For small parcel, we are seeing delays to regular transit time reduced in EU to 2 - 4 business days and now 4 - 6 days delays from Asia (e.g. CN/HK). As for heavyweight air, we continue to see delays (table below) with 100% - 200% surcharges that we are pushing to reduce but need to passing directly through to customers to ensure space.



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Lane	Agreed TT	COVID-19 TT
Asia to NA	7-9	10-13
Asia to EU	7-9	10-13
EU to Asia	5-8	10-14
NA to Asia	5-8	7-9
NA/EU (both ways)	5-8	9-12

Global freighter capacity remained mostly stable week over week but the carriers are continuing their blank sailing strategy in order to cope with much reduced volumes in the market compared to last year. This will continue to create shortages of available space and will keep rates up; having said that, until now, we have been able to deflect off any PSS on ocean shipments. Disruption in sailing schedules and resulting delays continue to happen. As a result, we are making bookings 2 - 3 weeks in advance.

China Hundreds of passenger flights have been cancelled in Beijing airports due to a fresh Coronavirus outbreak. Inter-cities trucking is limited, might impact the delivery time to port and airport. Airport and seaport remain operative, and will get more clarity on the situation in coming days.

Singapore The country goes into phase 2 for safe reopening of business starting today Jun 19. Retails outlets and dine-in options with safe distancing will resume. Cargo movement is ongoing, expect more activities with higher demand for transportation.

US and Mexico/Canada Cross Borders We are closely monitoring increased COVID outbreaks. US has extended cross boarded travel restrictions with Canada & US into late July. These restrictions and US outbreaks are presently not impacting transportation.

EU No major update

The situation continues to be fluid and we will keep monitoring and providing updates with changes.