

## Logistics and Supply Chain Update

July 10, 2020

### Supply Chain

Overall manufacturing activity picked up significantly in June as the world economies have eased the lockdown measures.

**China:** China's PMI continues to show above 50 which suggests an expansion in manufacturing activity.

**Thailand:** Contraction rate in manufacturing continues to slow in June. Inflow of new orders continued to drop at a record pace. Delivery lead times are starting to show improvements from our supplier in this region.

**India:** Output and new orders in June suggest a slowing in manufacturing contraction rate. Capacity is normalizing to pre-COVID levels as the concerns now shift to demand.

**Japan:** No major update. Impact to delivery or lead time has been minimal.

**Philippines:** Manufacturing activity has increased significantly as the lockdown measures have eased. PMI for June posted 49.7, the highest since pre-COVID.

**Malaysia:** IHS - Market Malaysia Manufacturing Purchasing Managers' Index (PMI) rose sharply to 51.0 in June 2020 from 45.6 in May 2020, its highest since September 2018.

**Europe:** While the Eurozone continues to exhibit a downturn in the manufacturing sector, the contraction rate has slowed significantly rising from 31.9 in May to 47.5 in June exhibiting the largest ever month over month increase.

**Americas:** US manufacturing PMI posted a 49.8 in June essentially increasing by 10 month over month, entering a critical phase in the second half of the year.

**Mexico:** The lingering impact from COVID is still relatively new as the recovery has not been as positive in Mexico compared to other regions as manufacturing activity has now shrunk for 4 consecutive months.

### Logistics Update

With reductions in PPE volume and operations in more countries opening we are seeing improvements in air transit times – especially small parcel. EMEA is seeing improvements across all modes with ASIA in small parcel only.

Ocean volume continues to be low and blank sailings continue. Asia to NA transit time is constant but delays of 1-3 weeks to pick up and load goods are common. Planning transit time including pickup clearance and delivery of 45-60 days is still common.

## Logistics and Supply Chain Update

US and North America transportation continues. The flow of goods between US, Mexico and Canada continues to not be impacted with occasional minimal delays.

Peak Season Surcharges (PSS) continue. Depending on shipping lanes expect up to a 200% surcharges for heavy air shipments in Asia. These charges will likely continue until volumes reduce and / or additional plane capacity develops such as returning passenger flights. With blank sailings, ocean pricing has remained constant

### International Air Transit times

Air Freight Forwarders (Heavy air > 70 kg palletized)

- Asia to NA no change: up to 2 business week delays continue
- EU to NA improving: 2-3 business day delays

Integrators FDX/DHL/UPS (small parcel)

- Asia to NA close to normal transit time 1 day delay .
- EU to NA back to "normal" transit time

### Current International Air Transit Table:

Lane	Forwarders		Small Parcel - FDX / DHL	
	Pre Covid TT	COVID TT	Pre Covid TT	COVID TT
<b>Asia to NA</b>	<b>7-9</b>	<b>9-19</b>	<b>2-4</b>	<b>3-5</b>
Asia to EU	7-9	9-19	2-4	3-5
EU to Asia	5-8	9-19	2-3	3-5
NA to Asia	5-8	7-9	2-3	3-5
<b>NA/EU (both ways)</b>	<b>5-8</b>	<b>7-9</b>	<b>2-3</b>	<b>2-3</b>