



Logistics and Supply Chain Update

May 7, 2020

Supply Chain

Confirmed dates for lifting of full or partial lockdowns for non-essential businesses continues to become available through official statements, providing better visibility to plan for a reopening of supply lines.

As SMTC is a provider for many COVID-19 related essential products, we have communicated to our suppliers this special status, which provides priority for our orders.

China: Production lead times were extended during the peak of the crisis, to allow for expected shortfalls in available workforce. The additional production lead times has now shifted to transit lead times in logistics. Supply lines are now re-established to pre-pandemic levels.

European Union: Our direct suppliers continue on a path toward recovery. Information from our suppliers indicates full resumption of work by the end of May.

Philippines / Malaysia: As manufacturers for non-essential business have started to resume their operations, suppliers work towards producing to a backlog built up during the shutdown. Priority is still given to essential business, as factories continue to bring staffing back towards pre-lock down levels.

India: Lockdown has been extended till May 17 but shows promise of stabilization, as death rates have not increased significantly. While the next review date for lifting the national lockdown has not yet been established, several state governments have published preliminary dates to target for a reopening.

Japan: No major changes reported from our suppliers in this region. We do not expect any issues in Q2.

US: Suppliers are impacted by shortage of workers and their sub tier suppliers continue to communicate delivery status. Improvements are expected from manufacturers in regions projected to lift the shutdown.

Logistics Update

Our biggest impact continues from Asia and Heavy weight air, as costs for both international heavy air and small parcel continue to increase. PSS rates are increasing on heavy air again and FedEx and UPS announced they have a second round of PSS charge increase with international small parcel. Some new challenges are developing in North America, with driver capacity and return shipments, as demand has fallen.

China - Air market demand remains strong as PPE cargo occupies a large portion of capacity. PVG terminal in China is very congested due to strong demand, labor shortage, and high customs inspection ratio with long queuing time. We are seeing backlogs in Hong Kong, as well as Mainland China, for pickup of heavy air.



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Malaysia - The government implemented a Conditional Movement Control Order (CMCO) beginning May 4, to ease the partial lockdown and to allow almost all businesses to operate, provided that they observe strict hygiene requirements. Foresee the cargo movement to be more active and will closely monitor for issues.

Thailand, Singapore, Philippines, Japan, S. Korea - No major update

EU - Spain announced that the relaxation of restrictions will begin on May 4 and will follow a phased approach and cargo is operational. No major changes elsewhere.

US - MX Border crossing – no major impacts. All SMTc cross docks are fully operational.

LTL & FTL - local pick-up and delivery have slight delays/disruptions, and capacity status is constrained. Airlines are beginning to introduce more capacity to the market from North America to Europe and North Asia. This may ease some heavy weight air issues longer terms.

Heavy Weight Air has the biggest impact on shipments. All shipments now over 75kg can no longer go small parcel. Please refer to the below table for guidance on estimated COVID-19 TT (transit times) for Heavyweight Air shipments compared to normal TT

Lane	Forwarders		
	Agreed TT	COVID-19 TT	COVID-19 TT to Border
Asia to NA	7-9	10-13	12-15
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	

The situation continues to remain fluid. For the time being, we have adjusted lead times and will provide pricing updates to our PM teams for review with customers. Please work closely with your suppliers/customers and let us know if there are any urgent shipments, by emailing your Program Manager.

Thank You