

## Logistics and Supply Chain Update

May 14, 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 time has now shifted to transit lead times in logistics. Supply lines are now re-established to pre-pandemic levels.

**European Union:** Discussions are under way to reopen border closures to as early as mid-June. Suppliers continue to improve delivery dates as recovery is taking a positive path.

**Philippines / Malaysia:** Lockdown has been extended to the end of May in Manila, while restrictions have been eased in other regions of the Philippines. Most sectors in Malaysia have been allowed to reopen since May 4, in a bid to revive the economy. This was revised from an original date of May 12. As a result, we are seeing revised improvements to delivery dates from some of our suppliers.

**India:** Lockdown 4.0 is set to be announced on May 18, suggesting an accelerated exit from the current lockdown, as containment strategies are starting to take form. No impact to Q2.

**Japan:** State of emergency has been lifted in most regions. Strict lockdowns were never imposed, as the voluntary stay at home policy has not produced any increase in the infection rate. No major changes reported from our suppliers in this region. We do not expect any issues in Q2.

**US:** Restrictions are easing for 47 out of 50 states, generally for the retail and outdoor recreation sectors. Stay at home orders have either ended or end dates declared for many states. Continued positive signs communicated from our suppliers.

### Logistics Update

With restrictions easing, we are seeing greater backlogs and extensions of lead times, predominantly with Air. Surcharges for both international small parcel air and heavy weight air continue. We have been forewarned of challenges in North America with driver capacity but have not experienced challenges.

**China - Air** market demand remains strong as PPE cargo occupies a large portion of capacity. Wuhan airport is open for international flights (passenger/freighter), however only for charter services and very limited carriers are allowed to land (landing right purpose). Wuhan sea port and terminal are open, feeder services are still under recovery. PVG airport (Shanghai) is facing large backlogs, terminal is at full capacity and 72-96 hours should be added to the table below. Seeing backlogs in Hong Kong as well as

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Mainland China for pickup of heavy air. Rail terminals are open and almost back to normal but space is challenging due to high demand.

**Malaysia** - The Malaysian government has extended the Restricted Movement Order from May 12 to Jun 9.

The cargo movement remains operative with the companies under MITI approval.

**South Korea** - Carriers are gradually resuming flight operations as of May 8, but remain limited by flight restrictions.

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

**India** The lockdown across India has been extended for the 3rd time and will now continue until May 17. The Prime Minister announced on May 12 that the lockdown will be further extended, more details will come on May 18.

**Vietnam** - High export demand and limited air capacity out of Vietnam after eased restriction, which has resulted in a higher backlog of shipments in SGN and HAN

**EU** - Italy, France, Spain and Germany, the restrictions are relaxing step by step and cargo movement is operative. Seeing backlogs increase for shipments out of country to US.

**US** - MX Border crossing – no major impacts. LTL & FTL - local pick-up and delivery have slight delays/disruptions, and capacity status is constrained. Small parcel has minimal disruptions.

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

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.

