

Logistics and Supply Chain Update

May 19, 2020

Supply Chain

China: Jilin City, Jilin province, is stepping up efforts to identify the source of a new cluster of COVID-19 infections, an emergency notice for the district is issued for limitation of people movement. Other provinces are resuming back to normal operation, airports, port terminals and road freights are recovering but still have limited restrictions on long haul drivers or cross provinces pick-up which are subject to local border arrangements (i.e. temperature check).

Thailand: CAAT has just announced to extend the temporary ban on all international passenger flights to/from TH until Jun 30.

India: The lockdown across India has been extended for the 4th time and will now continue until May 31. All passenger flights remain suspended until May 31. Cargo flights are operating with limited operations to/from India. Domestic transportation continues to be permitted across the country, driver shortages are still prevailing.

Japan: Lifted the state of emergency in most prefectures on May 14, while restrictions remain in effect for Tokyo and Osaka through at least May 31. Logistics operations are ongoing.

Philippines: Authorities will maintain community quarantine restrictions in several parts of the country through at least May 31. However, measures are lifted in low-risk areas. High-risk areas, including Metro Manila, Cebu City, and Laguna Province, will implement modified, enhanced community quarantine measures May 16-31. Most on-site work remains suspended, except for essential services. Transport services can operate.

Australia: No change. Terminals are operating as normal for cargo but with reduced manpower impacting efficiency. No incoming/outgoing passenger flights allowed, while freighters flying as normal but capacity is constrained.

Spain: Authorities continue to ease restrictions, tighter restrictions remain in effect in some areas, including Barcelona, Valencia and Madrid. The nationwide state of emergency is in effect until at least May 24, cargo is operative.

France, Italy: Business continues to resume but at the moment there are still delays for shipments to/from France and Italy due to mentioned protests against lockdown.

Americas: No major update

Mexico: Government mentioned the basic steps for the return of some essential and non-essential activities starting this week, foreseeing more cargo movements.

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Logistics Update

Air and Ocean modes of transportation continue to have longer lead-times. Cost of air shipments remain as high as 4x. We expect this trend to continue with Air until capacity in the air space is eased but this is not foreseen until Q3 or Q4. Pickup and delays are likely to continue with Ocean shipments of up to 3 weeks until Maritime providers reduce blank sailings and more containers are available in Asia and Europe.

Asia Air: Overall, global air cargo capacity is now 25% lower than a year ago and freighters are key to keeping global supply chains running. Freighter capacity has increased in almost all airports in Asia and the Middle East whereas the picture in Europe, the Americas and Africa is mixed. With capacity severely impacted pricing continues to run as high as 4x prior to COVID. Lead-times remain extended as noted below.

Japan Air: Current air capacity status to SG/TH/AU/SA/TR/BR are constrained. With 70%-80% cargo capacity flight reduction for Passenger flights while for Freighter 50%-80% capacity reduction.

EU: It remains operational for most areas although in Italy, Spain, Portugal and France with interruptions, imposed restrictions at borders cause delays. Note in **Italy**, the courier situation is starting to look much better, the activity is no longer impacted as much by the protests and service should be encountered with minimal delays.

Americas: No major issues

Air Lead Times (business days)

- Integrators – small parcel < 75 kgs
- Forwarder – palletized heavy air > 75 kgs

	Integrators		Forwarder		Exception
	Agreed TT	COVID TT	Agreed TT	COVID TT	LRD
Asia to NA	2 - 4	5'-8	7-9	10-13	12'-15
Asia to EU	2 - 4	5'-8	7-9	10-13	
EU to Asia	2-3	4'-6	5-8	10-14	
NA to Asia	2-3	3'-4	5-8	7-9	
NA/EU (both ways)	2-3	4'-6	5-8	9-12	

OCEAN - Globally, most seaports are fully operational, however, the biggest impacts continue to be blank sailings and container availability throughout the world. These factors have resulted in situations of 2-3 weeks increased lead time resulting from a length delay in pickup ready at the factory to time it departs on the water. It is very difficult to predict how these patterns will develop over the next few weeks and months, as a number of countries have stopped all commercial containers coming in and out of the



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country during these extended lockdown periods. However my belief is to prevent pricing to fall, blank sailings are likely to continue into Q3 and through April has resulted in some US port closures and in some large volume trades reductions in capacity by 50%.

MX / Border Crossing – no major changes or impacts

