



SUPPLY CHAIN & LOGISTICS UPDATE

March 10, 2020

Supply Chain:

We see little to no impact to our customers in Q1 as production from all of our supplier partners in China continue to improve along with the continued support from our strategic distribution partners. As we continue to monitor and manage our Q2 requirements we are identifying potential risks through lead-time management and working closely with our customers on any build to print delays. We do not expect delays to impact our Q2.

Logistics:

Logistic levels from most of China to American and European markets are returning to normal levels. With production ramps and initial delays, space is tight. Lead times and bookings of heavy weight air are on time to 5-7 days longer. With constraints, there is an increased premium and cost on air shipments with possible increases coming with Ocean.

- China's ocean operation is back to normal.
- Trucking shortages are still an issue in China especially outside city limits.
- Space remains tight as additional void sailings are announced by ocean carriers.
- Rate increases are expected for Trans Pacific East Bound on March 15th and April 01st.
- There is still no logistic operations activity in Wuhan with expected return date unknown at this time.
- With fewer vessel to / from China, equipment and space availability continue to be a concern across the globe.
- Advanced booking is strongly recommended for all trade lanes. SMTC will continue this practice into Q2.
- GRI (additional rate fees) from US is expected to go into effect on April 01st.
- Free time requests are starting to become restricted globally. Existing free times are being honored so far.
- Additional fees are expected to apply by ocean carriers into and out of China.

Other recent, notable updates

- Italy has a strict restriction on free movement and the country is under quarantine. As a result delays to, from and within Italy can be expected.
- Korea operations resuming or minimal impact now.
- No / minimal impact continues from Japan.

With production volumes resuming and constraint equipment across the globe, I expect increased pressure on rates to continue in the market into Q2. We will continue to watch and monitor lead times closely with pre-booking space to help ensure availability of products.

Below are links you may find helpful to stay abreast of airlines changes and other developments:

<https://www.routesonline.com/news/tagged/8446/covid19-1h20-flight-changes/>

<https://thepointsguy.com/news/coronavirus-flight-waivers-changes-us-airlines/>

