Customer Advisory

LESCHACO

Forwarding is our passion. Since 1879.

Monday, June 8, 2020

Coronavirus Information - 15

Dear Customer,

In addition to our customer advisories dated January 29, 31, February 03, 10, 14, 20, 27, March 05, 13, 18, 23, April 06, 27 and May 19, 2020, you will find further information below:

In many countries of the world, COVID-19 measures are currently being slowly reduced. Therefore, we have begun to let our employees in all our APAC offices, as well as at headquarters in Bremen and other offices in EMEAI, return to their offices carefully and step-by-step and in strict compliance with the required security precautions.

As already mentioned, we had introduced working-from-home arrangements for our employees worldwide to varying degrees (100% if necessary) due to the spread of the coronavirus. We also strictly comply with the regulations of the respective national governments when relaxing the measurements, we have introduced.

Besides that, our employees are requested not to make business trips to other countries and domestic business trips should be limited to what is absolutely necessary. Furthermore, our employees are requested to avoid face-to-face meetings as far as possible, and whenever possible, digital communication channels should be used.

It is our goal to protect our employees and do our utmost to contain the further spread of the virus. At the same time, it is also our responsibility to ensure that we continue to serve our customers in the best way we can.

<u>Current developments</u>:

The pandemic has hit the global economy hard, and as businesses and citizens become increasingly weary of restrictions, there is pressure on governments to push for reopening, especially in countries where outbreaks appear to be slowing down.

Countries across Europe and Asia have taken steps to relax curfews on corona viruses and are beginning to step back from months of lockdowns to gently return to a new post-pandemic version of normal. India announced on Saturday a major relaxation of the world's biggest coronavirus lockdown, except for so-called "containment zones" with high numbers of infections.

In Latin America the picture remained grim - especially in Bolivia, Brazil, Chile, Mexico and Peru - the outbreak is worsening, and infections have exceeded the one million mark. On the other side of the Atlantic, the pressure to ease the virus measures is great on political leaders in the United States, where the economy has come under pressure with millions of unemployed and anti-blockade protests breaking out in many areas. More and more US states are moving to open their economies, but health experts have warned not to move too quickly.

In the Middle East, most countries, with the exception of Iran, were affected by the pandemic rather moderately. Thanks to the measurements that have been put in place, the infection rates here have also fallen in some countries.

Sub-Saharan Africa has made progress in tackling the virus. Thirteen countries in sub-Saharan Africa implemented lockdowns along with other public health and social measures nation-wide.

However, there are concerns that if measures are relaxed too quickly, COVID-19 cases could start increasing rapidly.

Sea freight:

According to eeSea data, ocean carriers have blanked 37, or 28%, of the scheduled 130 head haul Asia-Europe sailings in May, but so far only 17%, or 21, of the advertised 122 June voyages have been cancelled. There are further cancellations in transatlantic traffic to South America and also to Australia. These blanking's has led to significant changes in the network and is having a negative impact on freight capacities.

The interruptions also led to disruptions in the transport of empty containers. Ports and locations that normally have sufficient equipment have been experiencing shortages for some time. On the other hand, sites that were traditionally demand areas are experiencing significant surpluses. Carriers are now faced with the task of restructuring the flow of equipment and ensuring that the right equipment is available at the right place at the right time.

The inactive container shipping fleet has reached an all-time high of 11.6% (2.72m TEU) of the fleet in capacity terms at the end of May, according to analyst Alphaliner. Container lines have started to 'un-blank' a small number that had been cancelled in Q2 according to analysts Sea-Intelligence. The analyst's data showed that the number of blank sailings announced by carriers had remained relatively constant over the last five weeks and that last week a small number of services were actually re-instated or un-blanked by the lines. However, this development does not indicate that the market is recovering, although many countries are beginning to emerge from the COVID-19 curfews. According to Alan Murphy, CEO of Sea-Intelligence, this can neither be interpreted as a recovery in demand nor as "strong" demand. He added "It can only be seen as another indication that the carriers' approach is to blank sailings aggressively to ensure decent utilization on the vessels that do indeed sail, and in the process avoid rate declines."In its latest Sunday Spotlight briefing, Sea-Intelligence noted, that shipping lines in two of the three main alliances have now started announcing blank sailings for Q3, whereby 10-15% of capacity on the transpacific to both the west and east coasts of North America having already been reduced. Blanked sailing numbers for May and June on these two main trade lanes stood approximately 20%, keeping freight rates high. "That we are now seeing full ships on some trades, and even cargo rolling in ports in Asia, is clearly an indication that too much capacity had been removed, but not an indication of a reversal to norm. If we were to see demand get back to normal – let alone be called strong – we should see blank sailings be reduced to zero, which is obviously not the case", Sea-Intelligence summarizes the development in its report.

As already mentioned, it is still difficult to forecast how this situation will develop in the coming weeks and months. It can be seen that carriers start to charge fees for the repositioning of equipment and surcharges for the high season. Available space on vessels becomes increasingly limited due to the on-going blanking programmes. Most of the vessels are full and overbooked and carriers start implementing rate increases.

Air freight:

Out of China air freight rates have continued to fall, even if not at the same pace they have been increasing. Seabury data from the end of May showed eastbound transpacific capacity grew 4% compared with last year, while Asia-Europe was down only 10%. Asia to Latin America was down 13% year on year. But, the analyst added, "transatlantic air cargo capacity shows no signs of recovery yet". It said there was limited growth of passenger freighters on the transatlantic, with most added-on routes to and from Asia, and intra-Middle East and south Asia. Passenger freighters had added close to 75,000 tons of air cargo capacity a week since the peak decline, but, as Seabury notes, most of it is directed towards the urgent demand for personal protective equipment (PPE). Overall, global air cargo capacity is 26% lower than the same time last year.

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IATA Director General and CEO Alexandre de Juniac said last week in a statement that aviation may have reached the bottom of the crisis. He added that the number of flights is increasing, countries are beginning to lift restrictions on mobility and business confidence is improving in key markets such as China, Germany and the US. “These are positive signs as we start to rebuild the industry from a stand-still. But the initial green shoots will take time – possibly years – to mature,” he said.

Clive Data Service Managing Director Niall van de Wouw also viewed a rapid recovery in demand sceptically: “Looking at the last 12 weeks, it is clear to see that market volumes remain erratic and that this will continue for the foreseeable future. This is one of the few certainties we have at the moment.”

Valued Customer,

Since the beginning of February 2020, we have been maintaining the Leschaco Group Matrix, which provides a general global overview of the effects of the coronavirus on the respective logistical infrastructure in the countries of our subsidiaries. You receive this overview together with our Customer Advisory.

Due to current developments and rapidly changing conditions, we have decided to record detailed country-specific information on developments and limitations in the logistics infrastructure for our global branches. For more information about these overviews, please approach your known contact person in the Leschaco Group.

Please note that the information provided on country-specific Covid-19 impacts on the supply chains are based on the subjective perception of our Leschaco employees in the respective countries. This may change at any time under the given circumstances and does not claim to be complete or accurate.

Further developments and effects remain to be seen. We will monitor the situation closely and keep you informed.

We hope that our Customer Advisory provides you with a useful insight into the latest developments. If you have any feedback, or if you miss any topics, please let us know: corporate.communications@leschaco.com

If you have any questions regarding your shipments, please get in touch with your known contact person in the Leschaco Group.

Kind regards

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