

Monday, July 6, 2020

## Coronavirus Information - 16

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, May 19 and June 08, 2020, you will find further information below:

### Status Quo at Leschaco:

In many countries of the world, COVID-19 measures are 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 EMEA, 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.

With the attachment you will receive our Leschaco Group Matrix, which provides a general global overview of the impact of the coronavirus on the respective logistic infrastructure in the countries of our subsidiaries. For more detailed country specific information about the developments and limitations of the logistic infrastructure in our worldwide subsidiaries, please consult your known contact person in the Leschaco Group.

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

### General developments:

At the end of June 2020, 188 countries worldwide were affected by COVID-19. Strict measures in many countries in Asia and Europe led to fewer new infections and an easing of the situation and relaxation of lockdowns in May and June. Currently Great Britain, Italy, Spain and Russia are the most affected countries on the European continent. In the USA, Brazil and India, the rate of infection is currently increasing rapidly, the epidemic no longer seems to be under control, and the health systems are at their regional limits. It is also of concern that in countries where the virus was considered under control, outbreaks have increased again since June. Of the 45 countries that have reported more than 25,000 coronavirus cases to date, 21 countries have currently introduced relaxation measures. Of these, 10 countries reported a serious increasing number of cases. Experts warn of the risk of a second wave of coronavirus. The World Health Organization (WHO) reported a record increase in the number of coronavirus cases worldwide last Sunday. However, as countries face the hard economic realities of lockdown, many are choosing to reopen their economies.

Monday, July 6, 2020

As was previously the case in Asia, the exponential development in Europe has now come to a halt in many regions. As daily infection rates are falling in many countries, restrictions are being gradually eased. Most borders in the EU are open again.

Due to the rapid increase of new infections in the USA, relaxations in the southern states such as Florida, Texas, California and Arizona were reversed on Monday (29 June).

Latin America has been defined "the new epicenter of the pandemic". The countries are affected to varying degrees. Brazil is the most affected and ranks second in the world behind the USA, followed by Peru, Chile, Mexico and Argentina. Epidemiological forecasts assume that these markets have not yet peaked, and it is likely that the Covid-19 outbreak in Latin America will continue to worsen. Assumptions are, that it will take until August and September for cases in Brazil, Peru and Chile to decline significantly. Mexico may be the country with an earlier recovery date in July. It is feared that the pandemic will have far-reaching consequences for the economic impact in these markets.

The Middle East is facing a critical threshold in the midst of a relaxation of coronavirus measures following an increase in cases in the region, the WHO warned on Wednesday (July 1). The number of cases reported in June alone is higher than the total number of cases reported during the four months following the first reported case in the Region on January, 29.

Africa's figures continue to be very low compared to other continents. As of July 1, the most affected countries are South Africa, Egypt, Nigeria, Ghana and Algeria. Concerns continue to be raised across the continent relative to testing strength of countries. Despite that, governments are easing lockdowns and reopening economies as populations are urged to embrace the new normal.

## Sea freight:

According to analyst Sea-Intelligence, the currently low level of demand in container shipping is expected to persist and lead to further capacity reductions. As the IMF recently updated its outlook for the global economy, correcting a recession from minus 3 % for 2020 to a lower minus of 4 %, demand for global container shipping is expected to experience a downturn. Regarding world trade, an earlier forecast of minus 11 % for 2020 is now revised to minus 11.9 %, with the recovery in 2021 revised downwards from 8.4 % to 8 %.

"The IMF forecast - if it proves to be correct - tells us that the current low level of demand will continue for some time. Consequently, the high capacity withdrawals are likely to continue. This is also supported by the actual capacity withdrawals in the third quarter," said Alan Murphy, CEO of Sea-Intelligence. Sea-Intelligence estimates that the blank sailings of the lines operating this year in the major East-West trades in the transpacific and Asia-Europe trades together account for just over 4 million TEU (1.52 million TEU or 15.6 % on the west coast of Asia-North America, 685,000 TEU or 12.8 % on the east coast of Asia-North America, 2.06 million TEU or 21.8 % in the Asia-North Europe trade and 992,000 TEU or 21.5 % in the Asia-Mediterranean trade).

Changes in the Asian-Northern European service networks resulting from the aggressive blanking programs of the carriers have seriously disrupted the container supply chain. As the major alliances have suspended their loops until October, routes are being merged or are adding extra calls on remaining loops to cover commitments. The resulting changes in container pickup and delivery points lead to unplanned disruptions and thus to additional costs and more uncertainty in the supply chain. Carriers themselves experience equipment shortages as containers are unloaded or loaded in different ports.

Although the world continues to be hit by the COVID-19 pandemic and freight volumes are still well below budgets, shipping companies have been able to successfully maintain and even increase freight rates through judicious capacity management. Asian-European ocean freight spot prices have risen again in recent weeks, bringing global average prices to a five-year high, according to an analysis by Drewry.

Monday, July 6, 2020

Currently, spot rates from Shanghai to Rotterdam are 26 % higher than a year ago, while spot rates from Shanghai to Genoa are up 25 % year-on-year. In transpacific trade, spot rates from Shanghai to Los Angeles are 68 % higher and from Shanghai to New York 30 % higher than a year ago.

## Air freight:

In its recently published financial outlook, the International Air Transport Association (IATA) reported that airlines are expected to lose 84.3 billion dollars in 2020. In contrary, the increased demand for airfreight, together with the reduced capacity due to lost belly hold, pushed up freight rates by a good 30 %. IATA reported that freight revenues could reach the record level of USD 110.8 billion in 2020, which would mean an increase of USD 102.4 billion from 2019. The airfreight industry has been flexible in its response to the crisis and continues to meet challenges, mainly related to structural changes, such as transporting cargo on passenger seats, cargo-only passenger flights and removing passenger seats from aircraft to create more space for cargo.

According to the latest publications by Clive Data Services, global air freight volumes in June gave the first indicators pointing to a structural recovery. The industry appears to be "slowly getting back on its feet" as volumes rose by 6 % in the first four weeks compared to the full four weeks of May. The analyses also showed that the volume in the last week of June was 12 % higher than in the last week of May and the global volume was minus 25 % compared to June 2019, versus the year-on-year difference of minus 31 % in May.

Clive's "dynamic loadfactor" of 71 % in June - based on both the volume and weight perspectives of cargo flown and capacity available - recorded its highest value since CLIVE began measuring the industry's weekly performance in 2018. Clive's Managing Director, Niall van de Wouw, says that time will tell whether the return of general air cargo volumes is a consequence of lower air freight rates or is related to the resumption of production. "In July, we would traditionally expect to see an influx of belly capacity for the summer holiday season, but that's not there at the moment. The next test will be how an influx of 'normal' passenger flights, which are not driven by cargo demand, will impact dynamic loadfactor", he added.

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](mailto: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

**Leschaco (Lexzau, Scharbau GmbH & Co. KG)**

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### Disclaimer

Please note that all information reported in the Customer Advisory is to the best of our knowledge at the time of writing, but we cannot guarantee its correctness or accuracy.