

Monday, October 5, 2020

## Coronavirus Information - 19

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, June 08 July 06, August 03 and 28, 2020, you will find further information below:

### Status Quo at Leschaco:

After COVID-19 measures were slowly reduced in many countries around the world, we began to allow our employees in APAC and EMEA1 to return to their offices cautiously and gradually and in strict compliance with the necessary safety measures. Increasing numbers of cases are currently making it necessary in some countries to reverse these measures to protect our employees and reintroduce working-from-home arrangements.

Our employees are still requested not to undertake any business trips to other countries and to limit business domestic trips to the absolute necessary. In addition, our employees are asked to avoid face-to-face meetings as far as possible and to use digital communication channels wherever possible.

It is our goal to protect our employees and to do everything possible to support the further containment of the virus. At the same time, it is our responsibility to ensure that we continue to provide the best possible service to our customers.

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:

The coronavirus continues to spread worldwide, with more than 33 million confirmed cases in 188 countries.

The Americas region continues to have the highest incidence of COVID-19 worldwide. The region accounts for 38% of all new cases. The United States of America, Brazil, Argentina and Colombia report the highest number of new infections in this region, followed by Peru, Mexico and Chile.

South-East Asia and South Asia are the second most affected region with 21% of cumulative cases. India, Indonesia and Bangladesh remain the most affected countries in this region.

In the Eastern Mediterranean region, the number of reported new infections has been steadily increasing, with a rise of 9% last month. The highest numbers of new cases have been reported from Iraq, Iran and Morocco. Where, on the other hand, Somalia, Jordan and the United Arab Emirates reported the largest relative increase in cases compared to the previous week.

The number of new cases reported in the European Region also continued to increase. France, the Russian Federation, Spain and the United Kingdom reported the highest numbers of new infections.

Overall, the West Pacific Region continues to have the lowest cumulative number of cases, with only 2% of cases worldwide. The Philippines and Japan report the highest number of new COVID-19 infections.

Monday, October 5, 2020

The African region continues its downward trend in the seventh week, reporting a 7% decrease in new cases - whereby South Africa continues to record the highest number of new infections.

## Sea freight:

Despite the traditional slack period associated with the Golden Weeks in China, demand for capacity for sailings from Asia to the US and Europe remains high, resulting in a lack of space, which is expected to continue into November. The transpacific carriers have responded to the robust demand outlook by adding additional loaders. Alphaliner's latest survey shows that the number of inactive container vessels decreased by 155,350 TEU to 163 units or 2.7% of the total container fleet in mid-September. This means that the number of inactive fleet has fallen to a level comparable to the same period last year. As Chinese exports peaked in the first week of October before the Golden Week holiday, carriers added ad hoc loaders to the Asia-North America trade at the end of September, bringing average weekly capacity to a new record of 530,000 TEU. In addition, blank sailings were restored for the next month.

The rapid recovery in demand in the markets worsened the already high shortage of available capacity and reflected significant rate increases. According to the Shanghai Containerized Freight Index (SCFI), the price of a 40-foot container shipped from China to the West Coast of the US is currently about 200% higher than a year ago, and about 70% higher on the Asia-North Europe route. In addition, carriers are charging for premium products to ensure availability of scarce equipment and priority loading. All major carriers are experiencing equipment shortages at Asian ports with popular 40' High Cubes in particular short supply at Chinese ports. And there is no relaxation in sight in India's ports either. Due to the lack of container vessels calling at Indian ports, many carriers and NVOCCs have cut their container leasing positions, which has led to shortages and caused additional costs and time for repositioning the boxes. It is expected that the acute shortage of equipment for all shipping lines will continue over the next two to three months.

Lack of space and rising rates have prompted regional regulators in Asia, Europe and the US to express their concern about soaring rate increases, with the US Federal Maritime Commission threatening a foul play lawsuit, while the Chinese Ministry of Transport and Communications has called on shipping lines to refrain from further increases and restore capacity. Recent announcements indicate that container lines are beginning to show signs of yielding to government pressure and slowing down the increase in spot rates for shipments in ports on the west and east coasts of the US - but continue to give shippers to South America a hard time. The Shanghai Shipping Exchange has the price of a 40ft box from Shanghai to Santos up 691% since July. It is to be expected that the Asia-ECSA trade is set to establish itself as the world's hottest trade route in October.

## Air freight:

According to IATA's monthly air freight analysis, air freight volumes remained weak. Worldwide international freight tonne-kilometres (CTKs) fell by 14.0% year-on-year in August, which means that volumes have still fallen by 15.2% since the beginning of the year compared to the same period in 2019.

The latest data showed strong regional differences. There were "significant differences between trade lanes", with capacity from Europe to North America down 56% year-on-year in August, it added. Asia was also affected by a lack of capacity, which fell by 35%, while weight-based load factors rose by 14.8 percentage points. International freight demand fell by 18.3% and had remained stable since July. Middle East airlines recorded a drop in demand of only 6.8% in August, "a significant improvement compared to the July drop (-15.1%)". Demand from African airlines increased by 1%, while North American airlines recorded a 4% year-on-year decline compared to July - and showed a strong domestic performance. Meanwhile, European airlines recorded a 19.3% year-on-year volume decline in August, a "slow but regular" series of improvements since April, when volumes were 33% below 2019. Latin American airlines have now faced three consecutive months of lower demand, although air traffic between Latin America and North America is stronger.

Monday, October 5, 2020

Commenting on the global picture, Alexandre de Juniac, Director General and CEO of IATA, said: "The improvement is being held back by capacity constraints as large parts of the passenger fleet, which normally carries 50% of all cargo, remain on the ground. The peak season for air freight will begin in the coming weeks, but if capacity constraints become severe, shippers may look to alternatives such as sea and rail transport to keep the global economy moving.

Global capacity, measured in Available Cargo Tonne Kilometres (ACTK), contracted by 29.4% in August.

### Contract logistics:

In an article published by the German DVZ it is predicted that the global contract logistics market could shrink by ten percent this year. However, the effects of the corona crisis would vary greatly from sector to sector. The corona virus has placed the global contract logistics market in a state of uncertainty.

In line with the findings of Transport Intelligence we see three major trends in the market:

1. Higher Inventories: The more uncertain the market, the greater the need for safety stock. An economic downturn will also mean fewer volumes overall in the short term, but the metric of inventory to economic activity will rise.
2. Increased demand for highly flexible 3PL: manufacturers and retailers will be more likely to regard large numbers of warehousing staff on their payroll as a risk as much as an asset, especially with the ever-present possibility that Coronavirus may return at some point. Hence, there is an increasing demand for on-demand ad-hoc warehouse operations with short set up times, and shorter-term contract lengths.
3. From global to local: politicians call for the re-shoring of the production of essential goods (such as PPE and medicines). This argument has also been extended to the introduction of much broader industrial strategies. Hand-in-glove with this policy is protectionism. Relations between the world's largest trading partners are as bad as they have been for many decades. Accordingly, there will be a migration of warehousing away from major shipping gateways to locations which are geographically more central and nationally based.

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)**

Kap-Horn-Str. 18 | 28237 Bremen, Germany

#### **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.