

Tuesday, November 17, 2020

Coronavirus Information - 20

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, 28 and October 06, 2020, you will find further information below:

Status Quo at Leschaco:

As a result of the increasing number of COVID-19 cases and the resulting measures introduced by governments, we too have adjusted the measures for the protection of our employees in our offices in the affected countries accordingly. This includes that our employees work remotely from home wherever possible.

Furthermore, 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:

According to the latest WHO COVID-19 Weekly Update in the first week of November the total number of cases of COVID-19 increased by 8% worldwide compared to the previous week, representing an increase of more than 3.6 million new cases. This brings the total number of reported cases worldwide since the beginning of the pandemic to over 49.7 million. The largest proportion of new cases was reported in the European Region (54%).

Although the Western Pacific Region still accounts for only 2% of the global total, it recorded the largest relative proportional increase in new cases over the survey period (19%) compared to the previous week. This region is followed by the Eastern Mediterranean (18%) and the European Region (11%). The countries reporting the highest number of cases are the US, India, Brazil, France Russia, Spain and the United Kingdom.

Sea freight:

Predicting the massive volatility of demand during the COVID-19 pandemic was and is almost impossible. This led to increasing difficulties for maritime supply chains and there is little clarity as to when the situation will improve. "In the space of a couple of months we went from a complete collapse in demand, and requests from customers to delay cargo in transit because the shops were closed, to a situation where there are almost no ships idle," said Drewry senior consultant Stijn Rubens.

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This had led to a serious disruption of the "conveyor belt" of ships and containers and the return flow of empties. "What we are seeing today is the emergence of congestion spikes and equipment shortages," Mr Rubens said in a webinar.

Drewry calculated that the direct costs of the currently unreliable networks, which consist of higher freight rates, detention and demurrage fees, higher booking costs and longer periods, have increased by almost one fifth compared to last year. "A reliable, predictable and resilient supply chain with fast lead times adds value. But due to the current crisis the maritime supply chain has become extremely unreliable," he added.

The container lines are trying to solve the problem. In response to the fall in demand, they have arranged empty runs and changed the deployment patterns of the vessels. As demand picked up from the summer of this year, the vessels were quickly put back into service. One problem that cannot be solved so quickly and easily is the need to move containers to the right place as a result of massive fluctuations in demand. According to information from liner shipping companies, it takes about two months to get an empty container to the right location. It can therefore be assumed that the lack of available empty equipment at the export locations is likely to lead to further schedule and sailing disruption.

In Asia-Europe traffic, demand for transport services continued to rise. All voyages are shipped with full loads and space is very limited. Even carriers had to roll off some containers to next trips. Freight rates continued to climb. According to liner database eeSea, five of the 82 scheduled sailings between Asia and North Europe will be blanked this month, while two of the 79 planned for December have so far been declared as blanked. In terms of slot capacity, this will lead to a 3% reduction next month. "The environment is very volatile, and shippers are facing a period of uncertainty on both cost and predictability in the supply chain," he said. "We think this market will remain strong until post-Chinese New Year. The big issue is currently equipment, shortages are extreme across most carriers, especially in South China," he said.

The supply-demand relationship in the North American market is currently in sound level, and the tight space situation eased slightly. Only some carriers adjusted their freight rates slightly, and overall supply and demand was balanced.

Air freight:

The International Air Transport Association (IATA) reported that airlines continued to restructure their cargo business in September, but that the recovery of air travel from the coronavirus pandemic has stalled. The decline in passenger growth due to the disease's resurgence will reduce aircraft capacity for companies with goods to be shipped.

The air freight sector retained 92% of its business, while almost 90% of passenger demand fell. A number of airlines have recently announced capacity cuts for the end of the year. International flights are particularly important for air freight customers, as airlines typically use large wide-body planes that can carry large quantities of passengers, baggage and containers on long haul routes.

Global air freight demand was 8% below the level of September 2019, but according to IATA this was an improvement on the annual 12% decline in August. Volumes have been improving steadily each month since April when they shrank by 28% year-on-year following factory closures in China and other countries. Cargo ton-kilometres - the benchmark that combines distance transported and weight - rose by 3.7% month-on-month, the fastest increase since May.

Freight capacity was a quarter lower than a year ago, despite a 20% increase in freighter volume, leaving a gap in available space on board aircraft which is three times the amount of goods transported by air. However, the situation is better than the 42% shortage of cargo space at the height of the crisis.

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The capacity situation is likely to worsen in the coming weeks as airlines decommission more aircraft to minimize the cost of low capacity flights as nations raise travel restrictions again to contain new waves of COVID-19.

Some all-cargo carriers have reintroduced planes that were in stock, but most of the new capacity came from passenger airlines designating aircraft for dedicated cargo operations. IATA estimates that there are 2,500 passenger aircraft adapted to carry in-cabin cargo. The number of cargo-only aircraft in service could be even higher, as some airlines are unwilling to cope with the additional time and staffing requirements associated with in-cabin transfers.

Contract logistics:

The global contract logistics market was down the first half of 2020 by -5.5%. The forecasted total year will be at -4.5 %. While the regions of the world are impacted differently, South America and Europe seems to be strongest affected with a forecasted total decrease of -7.7% and -6.2%.

The COVID-19 pandemic along with lots of uncertainty has put a bigger spotlight on the use of e-commerce and automation in warehouses worldwide. Whether adapting to new social distancing rules, under pressure to distribute a higher volume of essential goods, struggling to meet same day delivery or trying to add more remote work capabilities. Accordingly, Leschaco is receiving an increasing amount of such inquiries from its customers.

Surprisingly however, in Germany's logistics real estate sector, after a weak second quarter marked by the lockdown, the markets picked up again from July to September. If only the third quarter is considered, the best result of the last ten years was registered with just under 2.29 million m².

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

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.