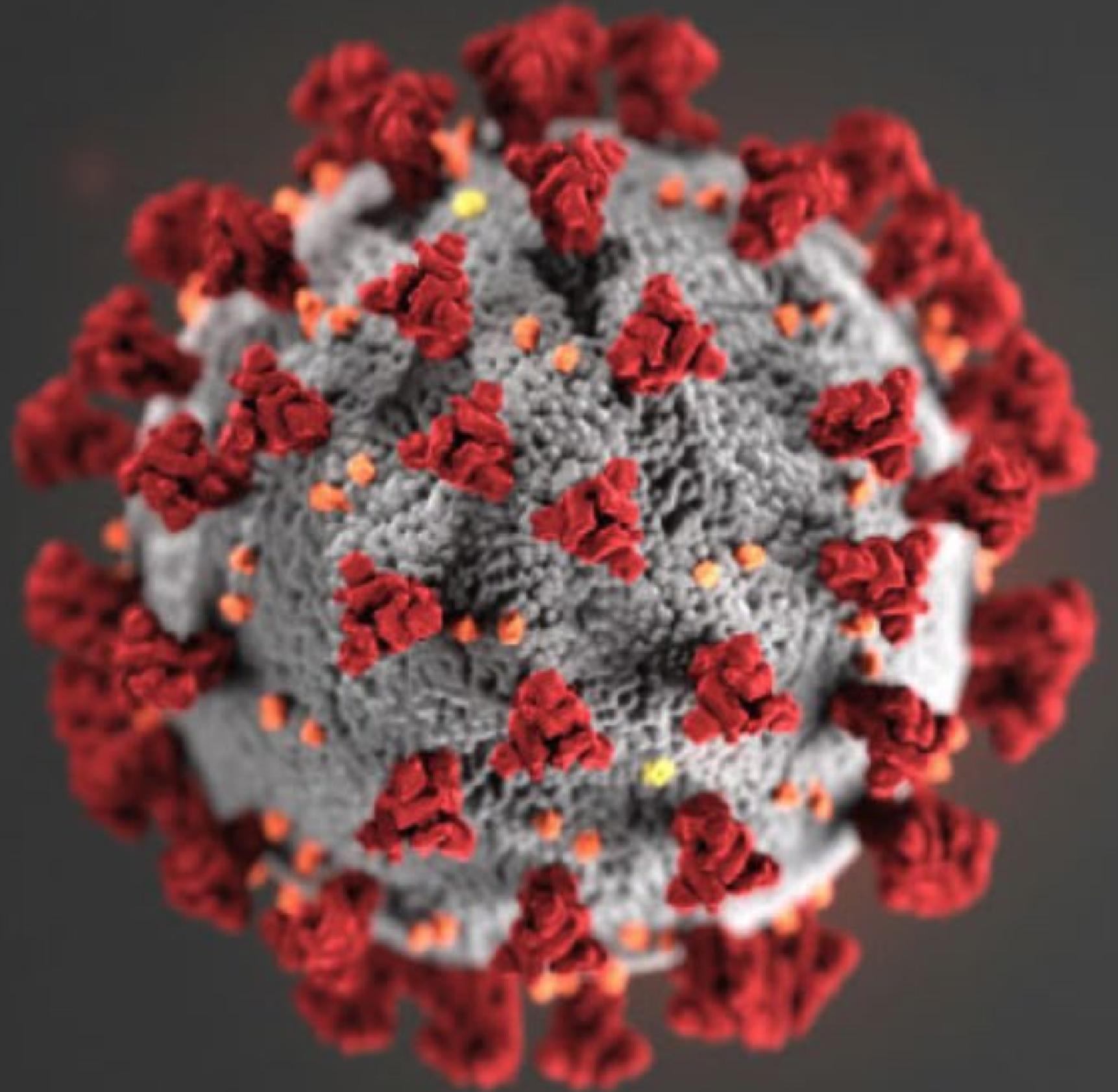




Corona virus Impact Assessment – Logistics

April 2020



Impact Assessment : Regional Analysis

Advisory Insights

Global Overview

- Global Air freight capacity is shrinking further as more airlines shut down operation. Global capacity has decreased by 22 percentage compare to last year, and additional declines are expected
- Owing to the travel restrictions there is shift from of belly capacity to freighter capacity, however the increase in freighter capacity is far less than what is required.
- Belly capacity declines last week were sharpest in Asia, Middle East. While Transatlantic and Intra-Asia lanes have seen the sharpest declines in overall capacity.

Asia Pacific

- Airports in Northern China are operating normally, however, through-put volumes are restricted due to the lack of passenger flight belly-freight for international traffic.
- China faces a shift in demand from ocean-to-air increasing the pressure Outbound capacity. However, more freighters are entering the market. Additional freighter capacity is being deployed out of China.
- On intra-Asia lanes, there is a large capacity reduction resulting from passenger flight and freighter cancellations. Air freight rates on Intra-Asia lanes are extremely high, volatile and have been increasing rapidly

Europe

- Air transport has reduced to a minimal level of belly-freight and increased share of charter flights.
- The bans imposed by many of the European countries on the entry of non-citizens has brought the air transport network to a near-halt resulting in a shift in demand away from belly-freight to freighters.
- Belly cargo Capacity on the transatlantic it is estimated to have decreased by 90 percentage.

Americas

- Rates in the trans-Atlantic trade lane have increase due to the heavy freighter traffic available.
- US Domestic air freight is less affected although flights are still down 30-50 percentage and falling. State quarantine measures are affecting the operations of some airport. Canada and Mexico routes are badly affected although freighter traffic is increasing
- Latin American countries such as Argentina, Chile, Peru, Brazil etc have also closed borders resulting in reduction of the available capacity

Middle East & Africa

- Passenger flights have been halted however there are no restrictions on cargo movement, and freighters continue to fly across the Arabian Gulf.
- Carriers are operating scheduled freighters, but cargo is also moving on an adhoc / unscheduled freighter or charter basis

Financial Health of Service Providers:

- Air Freight Service providers

Service Provider	Z-Score – February 2020
DHL	1.86
Kuehne + Nagel	2.93
UPS	2.20
Expeditors	5.18
DB Schenker	0.95



Impact Assessment :Ocean Freight Transport (1/3)

Advisory Insights

The impact of COVID-19 (Coronavirus) has spread rapidly beyond China during the last few weeks and the biggest current challenge is on space, congestion, manpower and container availability throughout the major ports in the world

The numerous vessel cancellations to/from China due to very limited available export volumes and have resulted in considerably less space and fewer containers available in all countries trading with China

APAC : Asia , Indian subcontinent, Australia and Oceania

Capacity Impact:

- After the large capacity reduction due to the Covid impact and the extended shutdown of some ports in china , currently the situation is improving with some of the factories moving back into production.
- The number of announced blank sailings has dropped for March and April, but with the recent developments in worldwide indicating falling demand, we can expect more blank sailings to be announced again.
- Production in China has re-started and volumes are increasing, however, we see a slow recovery due to recent developments in other countries.

Impact on major Trade lanes:

- Asia to North Europe and Mediterranean: The utilization level between trade lane is around 85 percent and blank sailings have been announced to continue in March and April.
- Transpacific: Vessel utilization is now reaching 95 percentage to the USWC and around 85-90 percent to the USEC.
- Middle East, Indian Subcontinent, Intra-Asia: Volumes to Middle East, Pakistan and South East Asia are ramping up quickly with utilizations in the mid- and high 90 percentage range and have seen space shortages on some sailings.

Port and Terminal operations:

- Major ports in china are back to operations and volumes are recovering to normal levels in some of the ports
- Surplus of reefer containers has fallen substantially, which is leading to cancellation of the reefer equipment surplus charge by most carrier immediately



Impact Assessment : APAC & Americas Road Freight Transport (1/2)

Advisory Insights

APAC: China:

- Export shipment are experiencing serious delays in the gateway (4-5 days impact on the clearance), Import is about 1 to 2day delays
- Overall trucking service in China continue to recover. Pressure on China's domestic trucking network is easing as the truck drivers are resuming their duties and road restrictions & closures have been partially lifted
- There are currently no restrictions on in-country road freight shipments, however Hubei drivers are required to stay in quarantine for 14 days before heading to the border gateway
- Vietnam border: Significant driver and equipment shortages and reduction of customs officers are causing inbound/outbound customs formality process delays. Drivers and vehicles are also required 14 days quarantines
- Laos border: No significant impact
- Thailand border: Padang Besar Border is currently closed, while the Sadao Border is the only border that is open and has an exemption for transportation, where in 1 truck is only allowed with a single driver and the driver must go through health screening before entering into Thailand
- Malaysia border: Movement Control Order- MITI approval required for all cross border shipment to be delivered to consignee's premise. Singapore drivers are required to go into quarantine for 14 days after any travel in or out of Singapore
- Singapore border: Non-restriction on commercial cargo for Cross border shipment

North America:

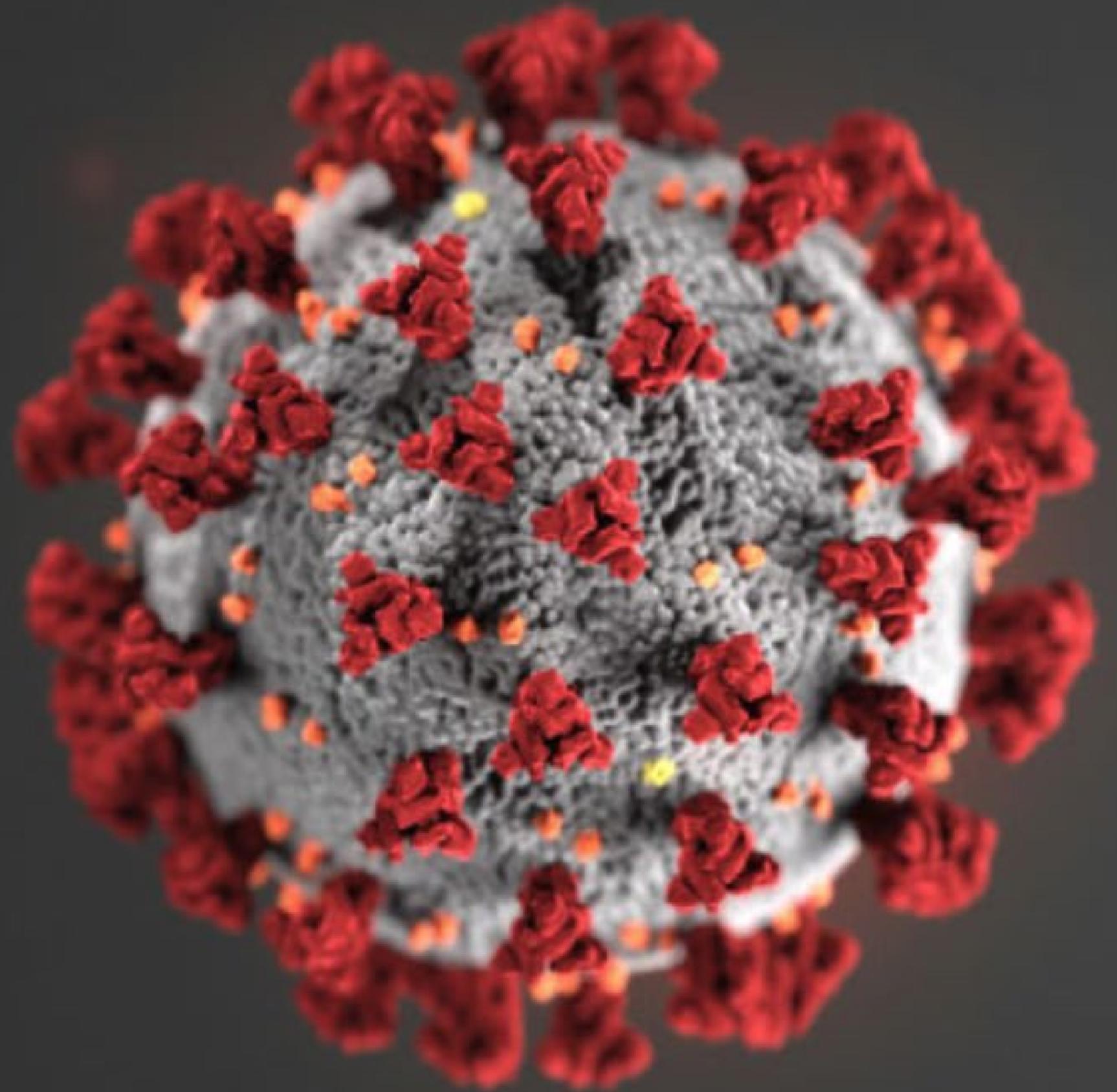
- No current indications of substantial road freight capacity issues. Though many governments have enforced a lock down rule, logistics operations fall within the essential goods transport business
- Road freight operations seem only to be hampered by availability of import volumes and export containers
- Spot truck rates in the US are expected to be highly volatile in this spring as COVID-19 will add volatility to the freight flow due to the surge in demand for consumer goods and with potential constraints on imports, exports, and industrial production
- US regulators are offering unprecedented relief to the truck drivers from hours of service (HOS) regulations for the trucks hauling emergency supplies
- Mexican Government has declined to close the countries borders or ban travel from particularly afflicted countries and the Road traffic is still open and in operation
- Canada and USA are temporarily closing the cross border for all non-essential traffic

Financial Health of Service Providers:

- The decrease in demand for the road freight services and countries restrictions on freight transport are impacting the road freight service providers financial condition by impacting on their revenues
- So, the country's governments are planning to provide the financial aid to the companies for preventing bankruptcy of the companies and to overcome COVID-19 impacts on businesses



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