

February 19, 2020

Impacts of Coronavirus (COVID-19) on Supply Chain

From the customer advisory email on February 19, 2020

In the week of February 17, enterprises in China began to take more proactive actions to resume business. Local provincial government and authorities, especially major manufacturing hubs like Zhejiang province and Guangdong province have come out with encouraging policies and measurements to help manufacturers resume their production and to encourage workers to return to production lines from their hometowns.

Based on the information we have as of today, February 19, 2020, the situation is as follows:

Business Reopening & Potential Impact on Global Trade

- Businesses are expected to return to work this week, but while factories are coming back online, labor is slower, and most total capacity estimates remain well under 50% with some reporting higher numbers.
- [SCMP reported](#) this Tuesday that China will allow importers to apply for exemptions to additional trade war tariffs on nearly 700 types of goods from the United States, including farm and energy products, as the country battles the coronavirus outbreak. Importers can apply for tariff exemptions starting from March 2 and the exemptions would only be effective for one year, subject to approval.

Flexport Employees and Operations

- Flexport has been closely monitoring the situation and undertaking proactive and preventative measures to safeguard our employees. Given the latest updates as well as taking prudent precautionary measures in interests of the health of our employees, our physical offices in Hong Kong will remain closed the week of Feb 17, and our physical offices in Shenzhen and Shanghai will remain closed until the end of February.
- With our secure cloud-based platform and technology-driven operations model, Flexport teams in Hong Kong, Shenzhen and Shanghai will continue work from home and stay connected with our global supply & demand teams as well as our shippers, partners and customers in Asia and globally.

Air

- As things progress, demand for air cargo is slightly increasing but overall remains low in activity. Flight cancellations continue which result in ongoing capacity limitations.
- The vast majority of passenger flights remain suspended, removing close to 40% of total cargo capacity out of the market on the EU/China and US/China tradelanes. Freighters can adjust their schedules and are carefully watching cargo demand. Charters will be available at the end of February and in March at elevated rates.

Ocean / Shipping Lines & Ports

- PIL announced last week its withdrawal from the Transpacific (TPEB). Last sailing will be offered in March. PIL had 1.8% of the Transpacific (TPEB) marketshare. This is likely due to very low demand caused by Coronavirus.
- Carriers are adding blank sailings every week. Some services are canceled for a 5th week in a row (some blank sailings are also for March departures).
- Carriers are implementing congestion surcharges for refrigerated cargoes arriving into Shanghai and Xingang of up to USD 1,000 per container to cover additional costs related to the unexpected but necessary arrangement of shipments and associated plug-in charges, monitoring fees etc.
- New bookings to/from all ports in Hubei province including Wuhan are temporarily suspended, all other ports are open.

Terminals & Inland Operations

- Local trucking in China has resumed 30% of its operation but remains a challenge due to city lockdowns and quarantine time for truckers crossing provinces

Flexport.org

- Flexport continues to work to provide aid to those in need. We are now helping Project CURE to move a cargo of 3,100kg medical equipment to Amity Foundation in Nanjing, China this week. If your organization has freight quantity of unused medical masks, N95 masks, sanitizer, medical caps, protective clothing, goggles, eye guards, or any other supplies you would like to donate to the relief efforts, please contact org.ops@flexport.com