

February 26, 2020

Impacts of Coronavirus (COVID-19) on Supply Chain

From the customer advisory email on February 26, 2020

In the week of February 24, continued decline in the number of new cases of coronavirus infections in China is encouraging, while WHO warned that infections outside the country could still spread. Despite most of the companies in China having resumed work either online or physically, businesses in Hubei province were still asked not to resume work before Mar 11.

Based on the information we have as of today, February 26, 2020, the situation is as follows:

Potential Impact on Global Trade & Supply Chain

- Li Xingqian, head of the commerce ministry's foreign trade department of China, said the growth rate for China's imports and exports would decline sharply in the January-February period. He argued the impact would be temporary and said the ministry remained confident of an optimistic outlook for foreign trade over the whole year.
- According to a survey, 94% of the Fortune 1000 are seeing coronavirus supply chain disruptions. The automobile and electronics industries face the largest first quarter effects on earnings. Then come retail and financial services, followed by total services, with a heavy emphasis on disrupted tourism.

Flexport Employees and Operations

- Flexport has reopened our Hong Kong office this Monday and employees based in Hong Kong can choose to either work in the office or continue to work from home if they have any concern of possible risks during the commute. Flexport's offices in Shenzhen and Shanghai are also planned to be reopened next Monday, March 2. Extra precautionary measures have been taken to keep our offices as clean and as safe as possible.
- We will continue to follow the updated instructions and timetables issued by government authorities and keep everyone apprised of any changes.

Air

- Air freight volumes are expected to increase this week while international flight schedules will be slow to return. Expect a significant rate per-kilo market increase from the middle or end of the week as well as an increase of backlogs.
- Rates will be very unstable and might change from one day to another based on demand and supply. Loyal and long term shippers and clients to airlines and master loaders and BSA holders will have the uplift priority.
- Many international flights remain cancelled (US, EU, AU in particular), however, local Chinese carriers have not cancelled all flights in these areas, and indirect flights continue. Overall, customs, terminals, handling etc at airports are available and air freight is being processed and moving in all sectors, yet with less time definition than usual. Domestic flights within China remain operating on limited schedules.

Ocean / Shipping Lines & Ports

- On Transpacific Eastbound trade there are more than 20 additional blank sailings due to the Coronavirus impact. Carriers have been operating with about 42%, 70%, 63% and 73% of normal capacity in weeks 6, 7, 8 and 9, respectively. There are fewer blank sailings in the next two weeks with around 88-89% of usual capacity back again in weeks 10 and 11.
- For Asia to North Europe trade carriers have implemented an additional 17 blank sailings which have led to an incremental drop of 18-20% in weeks 6-10 on top of already significantly reduced capacity in those weeks. Overall, carriers have only been running at approximately 45%, 55%, 49%, 73% and 66% of the normal total capacity on the trade in weeks 6, 7, 8, 9 and 10, respectively. Week 11 will be back at around 84% of usual capacity and indicates that the number of blank sailings are going down.
- There will still be some blank sailings until mid-March as volumes still have to improve gradually. However, there should hopefully be a more complete recovery from mid-March onwards. For detailed information on specific schedule changes, please do not hesitate to contact your dedicated Flexport Squad.
- More blank sailings are expected until mid-March as volume recovery is still gradual. For detailed information on specific schedule changes, don't hesitate to contact your dedicated Flexport Squad.

Terminals & Inland Operations

- The overall trucking market capacity in mainland China already recovers 60%+ as the average indicator. The traffic of majority cities are back to normal except specific locations (e.g. Wenzhou). Most short-haul, same-day return, domestic trucking within China is unimpacted by quarantine protocol, while limitations on long distance trucking remains. Impact for now is small, but may change once volumes increase. In general, we are foreseeing the whole market capacity to recover over 80% in the next 2 weeks.

Flexport.org

- Flexport continues to work to provide aid to those in need. 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