

March 12, 2020

Impacts of Coronavirus (COVID-19) on Supply Chain

From the customer advisory email on March 12, 2020

This week, the number of new COVID-19 cases reported outside China continues to grow. The UN's trade and development agency, UNCTAD, said in a statement this Monday, March 9, that apart from the tragic human consequences of the coronavirus epidemic, the [economic uncertainty](#) it has sparked will likely cost the global economy \$1 trillion in 2020.

Based on the information we have as of today, March 12, 2020, the situation is as follows:

Potential Impact on Global Trade & Supply Chain

- As the situation in China becomes stabilized, the Chinese government is now looking to get the country's economy back on track. At a recent China State Council meeting chaired by Premier Li Keqiang, decisions were made on coordination mechanisms for stable performance in six key areas: employment, finance, foreign trade, foreign investment, domestic investment, and market expectations.
- [According to the Ministry of Transport and the National Development and Reform Commission](#), China will lower the service charges of ports to improve business environments and facilitate the resumption of supply chains. Until June 30, 2020, all port construction fees applying to imports and exports will be waived, while port security charges, cargo dues and some of the other port charges will be reduced by up to 20%.
- [The United States has implemented a 30 day ban on European air travel](#). This will not impact cargo flights, however, the expected cancellations of passenger flights will limit cargo availability. Carriers have already announced cuts to flying capacity all over the world due to flagging demand.
- On Wednesday night, Italian Prime Minister Giuseppe Conte announced [the closing of all stores, except for pharmacies and food shops](#). Essential public services and farms will continue to operate.

Flexport Employees and Operations

- In an abundance of caution, Flexport has mandated all employees that are able to, need to work from home to minimize health risk. Flexport has put the necessary technology and contingency plans in place to ensure service and business continuity.
- We are constantly monitoring how the situation develops, and anticipate that our Asia offices will return to regular office operations within a week.

Air

- As COVID-19 continues to spread across Europe, and with the recent U.S. Presidential announcement to suspend EU-travel (excl. UK & IE for now), there is an immediate impact on air freight capacity.
- The EU<>US passenger travel restrictions will result in a reduction of cargo capacity and a potential increase in cargo prices. The impact on freighter-flight operations is not yet clear and is currently being assessed, but if EU-freighters do continue to fly, we anticipate that only major gateways will be served (JFK, ORD, LAX, DFW, IAH, ATL).
- Asia to North America (TPEB), FEWB and Intra-Asia: We expect further reduction of PAX-capacities, which will cause prices in the market to double, even triple from price levels 2 weeks before.
- Asia to Europe (FEWB): With China's production ramping up, we see increasing volumes, however capacity remains low (limited PAX-capacities), which will lead to further inflation of rates.
- Europe to Asia (FEEB): The missing PAX-capacities are having the same effect as on the FEWB.

Ocean / Shipping Lines & Ports

- Transpacific trade supply has resumed significantly in week 11 and onwards, around 90% on average of pre-outbreak period. There are no large scheduled additional blank sailings planned in the coming weeks (single digits). Carriers are pushing for rate increases on March 15 and April 1. The March 15 GRI (general rate increase) is likely going to be at least partially mitigated. Demand looks strong for April.
- Asia to North Europe (FEWB) trade has been running at only around 45-65% of normal capacity in weeks 6-10. Now for weeks 11-12 it has returned to approximately 85-90% deployed capacity as blank sailings have reduced. There are no additional blank sailings planned in the coming weeks. Carriers had announced rate increases for mid-March but most rates are being extended until end March. Next planned rate increase is on April 1.
- North Europe to Asia trade is experiencing a downstream impact from the high amount of blank sailings out of Asia. It has resulted in equipment shortage in main ports and inland depots.
- Transatlantic Westbound (Europe to North America): Container availability is heavily restricted due to the slow down of Asia imports, resulting in tight to no equipment at certain ports and inland locations.
- North America Exports: Container availability is heavily restricted due to the slow down of Asia imports, resulting in tight to no equipment at inland locations and limited equipment at tier 2 port locations. In addition, export volumes have been strong and with the equipment shortages and blank sailings, carriers are booked 4-8 weeks in advance on services to Asia.
- For detailed information on specific schedule changes, please do not hesitate to contact your dedicated Flexport Squad.

Terminals & Inland Operations

- As of this week, due to blank sailings, and substantially lower volumes there is no current shortage nor is one predicted for the coming weeks.
- Currently the trucking and inland operations in China are all recovered.

Flexport.org

1. Flexport continues to provide aid to those in need which is becoming increasingly complex as the virus continues to spread globally.
2. We delivered 143,000 face masks and medical coveralls to Amity Foundation in Nanjing, China for our client Project CURE. Another 3,010kg of relief cargo will fly to China this weekend in conjunction with our nonprofit partner Airlink and Americares.
3. We also have six shipments in the air from private donors to nonprofits and medical centers in Hubei and other affected provinces, totalling 209,000 face masks, exam gloves, medical gloves and goggles.
4. Our team is also managing the movement of medical devices that will be sent to Rwanda and Kenya to help those countries prepare for any outbreak, those flights will depart this weekend.
5. If your organization would like to support relief efforts, please contribute to the Flexport.org Fund at <https://flexport.org/fund-ngo/>