

MINUS-10

COVID-19 Logistics Radar

Latest Developments in Supply Chain & Logistics

Seventh Edition, May 25th 2020



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We continue to follow the COVID-19 situation closely and provide you with insights on the **most important developments in global logistics**. This week highlights how the pandemic has impacted logistics across different industries and identify no regret moves based on our key learnings.

Management Summary

- Disease epicentre shifted to South America
- Situation remains strained, particularly for global modes with ocean freight moves affected by blank sailings as a response to lower volumes and restrictions on airfreight capacities
- Europe overland transports largely stable, without major disruptions – despite continued border checks

Key Changes since last Update

- Key European countries relaxing lock-down measures, with most intra-Schengen borders planned to be reopened by mid June
- Significant overcapacities in European Overland with positive impacts on prices
- Ocean carriers only accept bookings for next six weeks, allowing them to adapt to changing market environments
- Air freight rates ex-US largely stabilized, achieving pre-COVID-19 level

Overall Situation

Global COVID-19 Impact

North America

Cases 1.833k
GDP expect.'20 (US) -5,9%

Stock market (DJIA):

vs. Jan'20	vs. Mar'20	YoY
-15%	-8%	-3%

South America

Cases 635k
GDP expect.'20 (BR) -5,3%

Stock market (BVSP)

vs. Jan'20	vs. Mar'20	YoY
-31%	-23%	-13%

Europe

Cases 1.865k
GDP exp.'20 (Euro area) -7,5%

Stock market (DAX)

vs. Jan'20	vs. Mar'20	YoY
-17%	-7%	-8%

Greater China

Cases 85k
GDP expect.'20 +1,2%

Stock market (SSEC)

vs. Jan'20	vs. Mar'20	YoY
-9%	-5%	-3%

APAC (excl. China)

Cases 879k
GDP exp.'20 (ASEAN) -0,6%

Stock market (NKY)

vs. Jan'20	vs. Mar'20	YoY
-12%	-4%	-4%

Overall development (# cases, logistics market, etc.); GDP growth expectation for 2020 by WTO; Stock index changes since beginning of respective month; Africa not included because of limited applicability

The Grand Re-Opening of Europe

Latest Measures by Major European Country

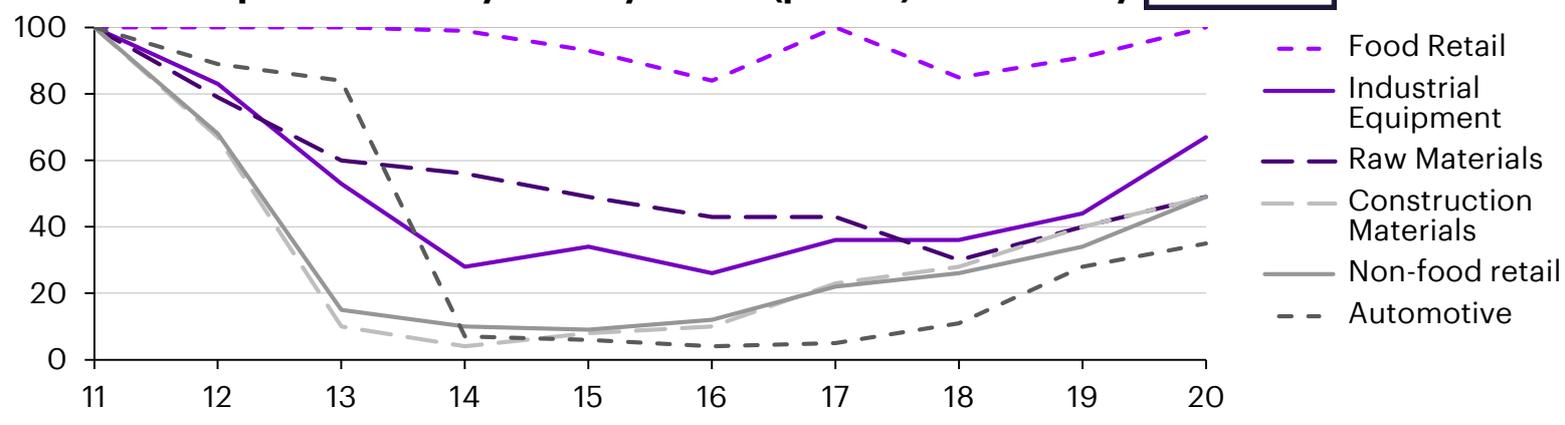
Germany	<ul style="list-style-type: none"> • Intra-Schengen border reopening planned for mid June • Borders to Luxembourg reopened, easing of border controls • Quarantine for incoming travelers partly lifted and expected to be lifted
France	<ul style="list-style-type: none"> • Intra-Schengen border reopening planned for mid June • Stay-at-home orders lifted, movement within 100 km of residence permitted • Restaurants, parks and cinemas remain closed
Great-Britain	<ul style="list-style-type: none"> • Borders not generally closed, but extended health checks • From 8th June, 14-day quarantine for international travellers, exemptions for Ireland, medical personnel and freight drivers
Spain	<ul style="list-style-type: none"> • Intra-Schengen border reopening planned for early July • Stay-at-home orders and 14-day quarantine for international travellers active
Italy	<ul style="list-style-type: none"> • Reopening of intra-Schengen borders and all airports in early June • Restaurants, hairdressers and museums reopened

- Most intra-Schengen borders planned to be reopened by mid June, all re-openings are conditional to favorable health conditions
- Quarantine regulations to be largely lifted for Schengen travelers
- External Schengen borders planned to remain closed at least until September
- Stay-at-home orders end and life approaches new normal with restaurants and hotels reopening, but social distancing measures in place
- New normal promises an approximation to pre-crisis flow of logistics operations without border controls but with extended health regulations
- New normal may impact demand patterns and thus prices and capacities for overall transport industry and lead to increased importance of spot market

Despite transport volumes picking up, European Overland still show overcapacities – business outlook for many LSPs negative; air freight market in contrast to ramp-up in June

Europe Overland Transports

Indexed Transport Volumes by Industry Cluster (per CW) – Powered by SHIPPEO



- Most industries (except Food Retail) with substantial plunge of transport volumes since pandemic outbreak (e.g. -96% in Automotive industry within just five weeks); all industries with upward trend lately
- Reduction in Construction & Building Materials industry because most (governmental) construction projects on hold

May vs. April 2020 Trends

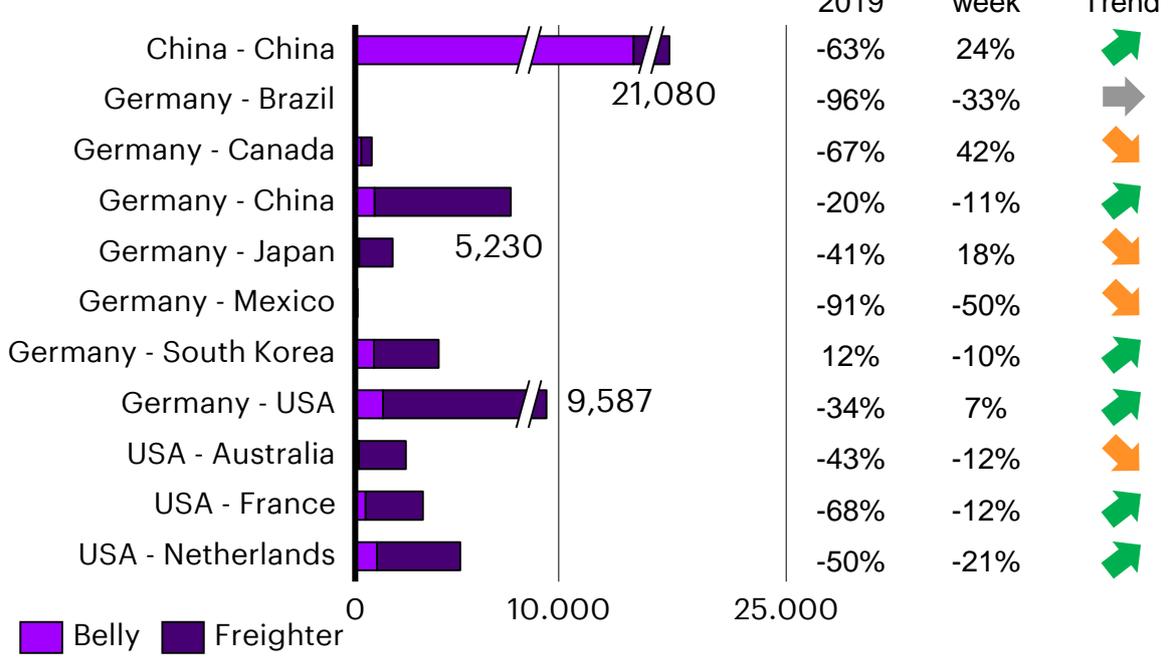
<p>Germany</p> <p>Capacities → ~+0%</p> <p>Lead times →</p> <p>Prices ↘ ~-4%</p>	<ul style="list-style-type: none"> • Overcapacities compared to '19 YoY (+75%) across Europe • Capacities ex-Germany stable at high levels, transport rates decreasing up to 10% (compared to April 2020) in response to free capacities • Prices show continuously downward trend since March m (-4% from April to May across Europe); prices overall down -15% compared to May 2019 • Still sporadic delays possible because of border controls, yet at reduced extent (mostly CH or Eastern Europe) • Carriers facing intense pressure of competition and expect no notable relief within next weeks
<p>France</p> <p>Capacities ↗ ~+23%</p> <p>Lead times ↗</p> <p>Prices ↘ ~-5%</p>	
<p>Italy</p> <p>Capacities ↗ ~+8%</p> <p>Lead times ↗</p> <p>Prices → ~+0%</p>	

DE LSP Survey (CW20)	
Poor order situation	69%
Poor earnings situation	56%
Poor liquidity situation	10%

Source: BAG market survey on German LSPs

Air Freight

Actually Flown Capacities (Tons) – CW 20, 2020

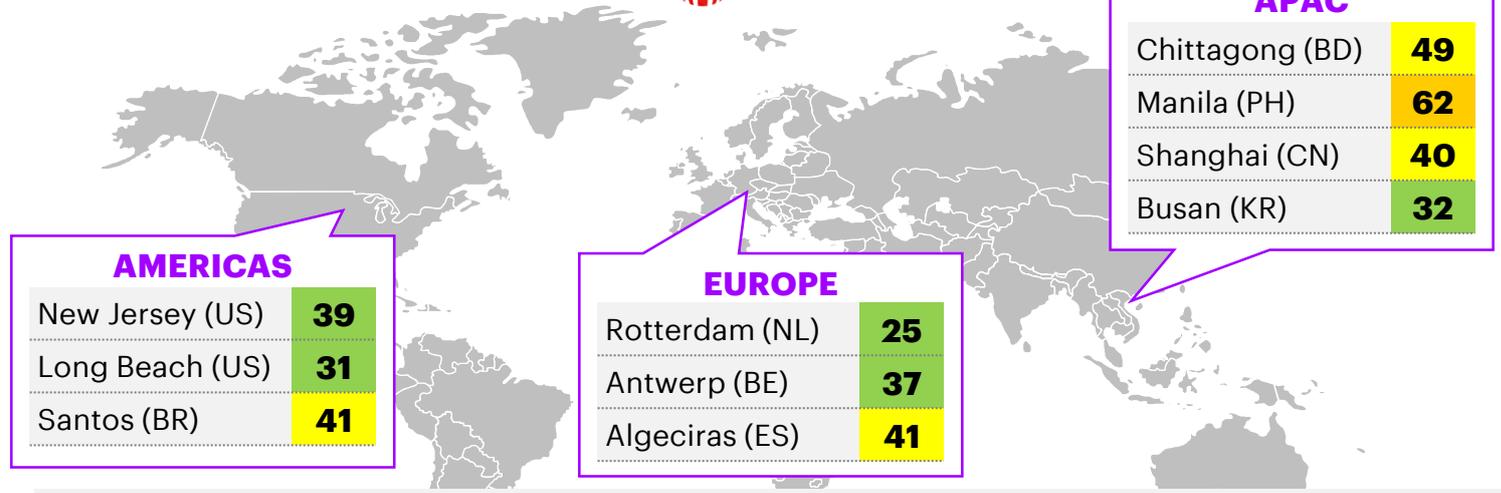


- Global air freight capacities still down by ~30% compared to 2019
- Careful lifting of air transport restrictions in most countries globally; many carriers announce ramp-up for June 2020
- Demand for volumes ex-China remains high, backlog at all Chinese airports (PVG airport most critical)
- Air freight rates ex-US above COVID-19 level

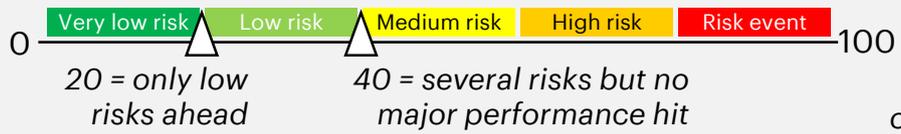
Record-breaking low oil prices end of April and low utilization put Ocean freight carriers under pressure; global imbalances in rates, capacities and equipment

Ocean Freight

Global Cargo Port Analysis – Powered by  riskmethods



Risk Profile Score – Meaning*



*Score interpretation subject to individual company preferences

- Carriers only accept bookings for next six weeks, allowing them to adapt to changing market environments
- 18% blank sailings globally announced for May (compared to 16% in April)
- Continuous changes / ramp-up and down of capacities and demand keeps challenging markets
- Shortage in sailings to and from Indian-subcontinent further strain equipment and capacity within Asia; ports in India, Bangladesh and Indonesia remain congested; regular operations in South Korea and China

Outlook for Major Shipping Lanes

Lane	Outlook	Indicator
Europe – NA	Overall low utilization, carriers react with blank sailings	●
NA – Europe	Equipment shortages in North America; ports operational	●
Europe – LATAM	LATAM ports operational; on-carriage transport impacted	●
APAC – Europe / NA	Carriers announced General Rate Increase, yet low demand	●
Intra-Asia	High utilization to Oceania; high congestion in IN / BD	●

● Improving ● Stable ● Risks ahead ● Major risks

Learning From COVID-19 Disruption – What Next?

- Although an unprecedented situation, COVID-19 has had fundamental impact on how consumers behave and uncovered critical “white spots” in the supply chain operations of globally connected companies
- From a strategic perspective, the COVID-19 events will undoubtedly call for **more supply chain resilience** (ability to manage and deal with unexpected events), which need to be carefully assessed
- To achieve the right degree of resilience, you will need to implement a stringent **supply chain risk management** capability that combines required SC redundancy, flexibility and corporate culture.

Preview only – more in our next edition



Create **demand and supply transparency**, prioritizing most critical data (e.g. key products, lanes or LSPs) and improving data quality (e.g. LSPs governance)



Build **what-if simulation & optimization capabilities** to identify next best options, enabling pragmatic analyses and putting external events in context of internal data



Set up **execution capabilities** to implement the actions derived during optimization and create a **culture of risk awareness**

Interested in learning more on supply chain implications from COV-19? Do not hesitated to contact us: timo.wuerz@accenture.com