August 7, 2020

Customer Advisory:
Novel Coronavirus – Update #19

Dear Valued Customer,

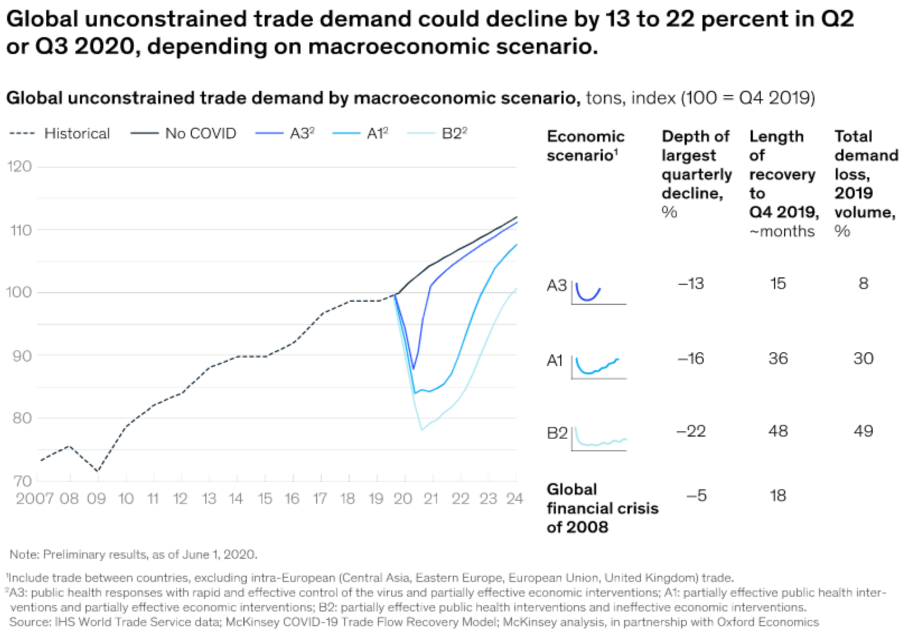
The overall COVID-19 conclusion within the transportation and logistics sector remains so far so good, and it is becoming more business as usual, rather than business as unusual. By now suppliers, customers, forwarders, port operators, trucking and warehouse providers have gained significant experience in how to mitigate COVID-19 impacts and we overall do not foresee major logistical issues in terms of cargo movements in the months to come.

The big question remains how volumes will develop on the back of the global economic development and ultimately how will this affect the supply and demand situation.

So what does the economic crystal ball tell us?

Full consequences for the pandemic remains unknown

McKinsey has drafted below three macro-economic scenarios ranging from a 13 % to 22 % decline in global trade in 2020. There is a general consensus that we are experiencing a delayed effect within the transportation and logistics sector, hence that eventually the effects of the decline in the global economy and trade will result in a significant drop in volumes across all transport modes.



Graph from https://www.mckinsey.com/industries/travel-logistics-and-transport-infrastructure/our-insights/global-freight-flows-after-covid-19-whats-next#

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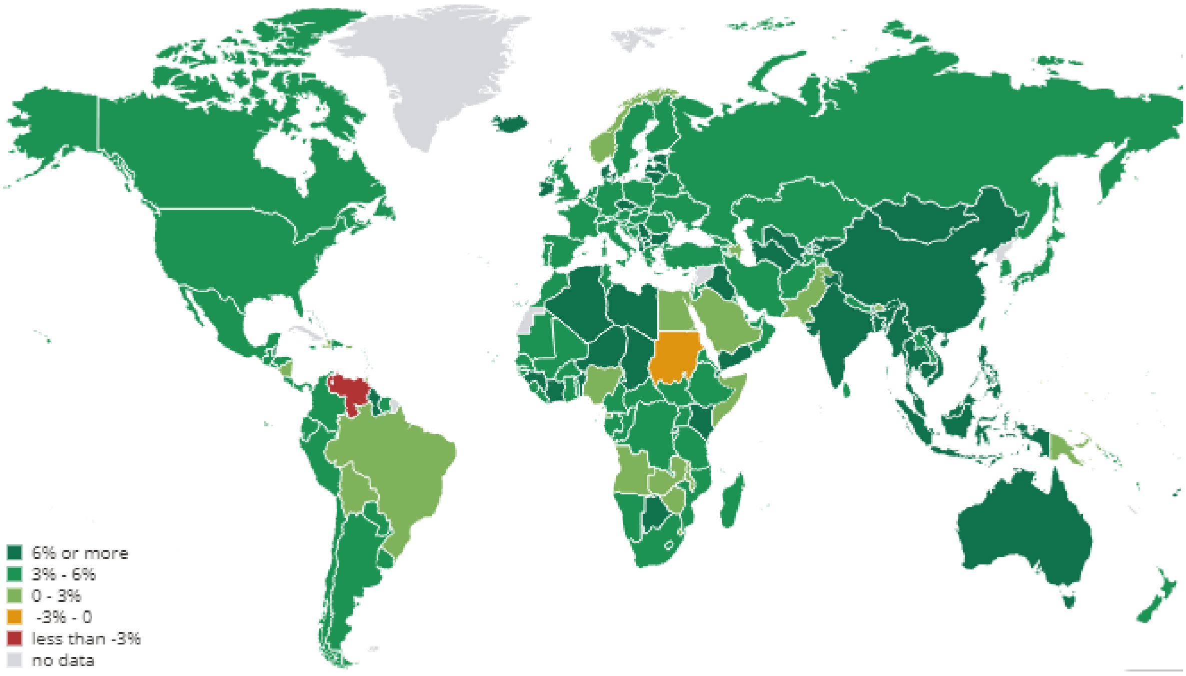
There is though also a consensus that the global economy will rebound fully in 2021. Below overview from IMF (International Monetary Fund) shows projected GDP growth in 2021 with the global average GDP growth projected to be around 5,8 % in 2021 vs. – 3 % in 2020.



Graph from: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

Airfreight continues on the path of slow recovery

Global air traffic overall increased in July with more and more airlines resuming flights as the gradual reopening of societies continues. Whereas this is a clear trend, it is expected that it will continue to be a slow and gradual recovery for rest of 2020.

As for supply and demand, the worst pressure on space is over due to the natural decline in PPE volumes (Personal Protective Equipment), however in selected corridors space remains scarce.

Subsequently a moderate decline in rate levels is also apparent on majority of trades. With this said, levels remains significantly higher than 2019. Demand is expected to be moderate in Q3 with some level of impact expected when tech launch season resumes in Q3 or Q4 with the likes of Apple and other tech companies take up a lion share of the capacity.

As COVID-19 pandemic continues to accelerate in US and Latin America demand is still high fueled by PPE volumes, and as a result rate levels ex Asia to US/Latin America remain higher than normal.

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Ocean freight pressure moves on to Trans-Pacific trade

Within ocean freight the worst effects of blanked sailings are ceasing, however carriers continue to operate with a very high level of capacity discipline in order to sustain rate levels, and until now with success. This development is evidenced by a number of carriers posting financials results that include a significant improvement vs. same period in 2019.

The largest trade of them all Asia-Europe is experiencing a stable period both in terms of capacity and rate levels. From Europe to Asia a significant improvement in the capacity situation is apparent in comparison with the months of April, May and June and for the same reason rates continue a steady decline from the historic high level seen in Q2. Rates are still above 2019 levels and not expected to settle at 2019 levels before we enter into 2021.

With the acceleration in COVID-19 pandemic in US the trans-pacific trade remains very volatile and massive rate increases are now being implemented as a result of the pressured situation. Despite more capacity having been deployed significant space pressure has been the case over the last month. SCFI spot rates to US Westcoast increased 17 % last week bringing them above the USD 3000/FFE mark for the first time in the 11 year history of the SCFI index.

Rail freight stable with isolated congestion challenges

Overall rail freight is stable from a capacity perspective, however sporadic delays can occur due to congestion at one of the major European rail hubs in Malaszewicze, Poland.

From a volume perspective rail freight is continuing to see a steady increase. More and more customers now regard rail freight as a regular transport mode, and include rail in the overall supply chain planning as oppose to only using rail freight as an emergency product when ocean freight delays occur.

Road freight is back to normal

Road freight within Europe is returned back to normal without disruptions.

All information in this advisory is offered to the best of our knowledge and is prone to change. If you have any specific questions, please reach out to us.

Yours sincerely,

Scan Global Logistics

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SCAN GLOBAL LOGISTICS

General overview Asia, Pacific and Sub-continent

	CURRENT STATUS AT SGL OFFICES AND SUPPLY CHAIN ACTIVITIES IN RESPECTIVE CITIES/COUNTRIES	Dalian	Tianjin	Beijing	Qingdao	Wuxi	Shanghai	Ningbo	Xiamen	Guangzhou	Shenzhen	Hong Kong	Taiwan
Customer disruptions to activities e.g. manufacturing and supply chain operations	Green - minimal impact Yellow - manageable Red - severely impacted	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Customs authorities	Green - 100% work as normal Yellow - process delay occasionally Red - serious delays	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Trucking, operations, drivers and equipment	Green - normal Yellow - restricted due to roadblocks, permits and shortage of drivers etc. Red - service severely impacted	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Air-, Ocean and Rail carrier offices, open for business, response time etc.	Green - business as usual Yellow - certain limitations Red - major challenges	🟢	🟡	🟡	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Airfreight capacities on major tradelanes	Green - plus 70% supply Yellow - around 50% supply Red - less than 30% supply	🟡	🟡	🟡	🟡	🟢	🟢	🟢	🟢	🟡	🟡	🟡	🟡
Airfreight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Ocean freight capacities on major tradelanes	Green - no space issue & blank sailings Yellow - space issue & blank sailings occasionally	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡
Ocean freight feeder capacities and operations	Green - operating as normal Yellow - medium disruptions Red - serious disruptions	🟢	🟢	n/a	🟢	n/a	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Ocean freight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	🟢	🟢	n/a	🟢	n/a	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Ocean freight equipment availabilities	Green - no problem Yellow - medium problem Red - major problem	🟢	🟢	n/a	🟢	n/a	🟢	🟢	🟢	🟢	🟢	🟢	🟢
CFS and warehouse	Green - normal operations Yellow - addtional time required for cargo gate in and gate out due resources Red - service not available	🟢	🟢	n/a	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Rail service	Green - schedules as normal Yellow - partial schedules cancelled Red - service not available	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	n/a	n/a

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General overview Asia, Pacific and Sub-continent

	CURRENT STATUS AT SGL OFFICES AND SUPPLY CHAIN ACTIVITIES IN RESPECTIVE CITIES/COUNTRIES	Hanoi	Ho Chi Minh City	Manila	Phnom Penh	Bangkok	Yangon	Penang	Kuala Lumpur	Singapore	Jakarta	Surabaya	Dhaka	Chittagong	New Delhi	Mumbai	Tokyo	Osaka	Sydney	Melbourne	Perth	Auckland
Customer disruptions to activities e.g. manufacturing and supply chain operations	Green - minimal impact Yellow - manageable Red - severely impacted	Green	Green	Yellow	Green	Yellow	Yellow	Green	Green	Yellow	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Customs authorities	Green - 100% work as normal Yellow - process delay occasionally Red - serious delays	Green	Green	Red	Green	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green
Trucking, operations, drivers and equipment	Green - normal Yellow - restricted due to roadblocks, permits and shortage of drivers etc. Red - service severely impacted	Green	Green	Green	Green	Yellow	Green	Green	Green	Yellow	Green	Yellow	Green	Green	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green
Air-, Ocean and Rail carrier offices, open for business, response time etc.	Green - business as usual Yellow - certain limitations Red - major challenges	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Yellow
Airfreight capacities on major tradelanes	Green - plus 70% supply Yellow - around 50% supply Red - less than 30% supply	Yellow	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Yellow	Red	Red	Red	Yellow	n/a	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Airfreight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Green	n/a	Yellow	Yellow	Green	Green	Green	Green	Green	Green
Ocean freight capacities on major tradelanes	Green - no space issue & blank sailings Yellow - space issue & blank sailings occasionally	Yellow	Yellow	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green
Ocean freight feeder capacities and operations	Green - operating as normal Yellow - medium disruptions Red - serious disruptions	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green
Ocean freight terminals	Green - running as normal schedule Yellow - process delays occasionally Red - serious delays	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green
Ocean freight equipment availabilities	Green - no problem Yellow - medium problem Red - major problem	Green	Green	Green	Green	Green	Yellow	Green	Green	Yellow	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green
CFS and warehouse	Green - normal operations Yellow - addtional time required for cargo gate in and gate out due resources Red - service not available	Green	Green	Yellow	Green	Yellow	Green	Yellow	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green
Rail service	Green - schedules as normal Yellow - partial schedules cancelled Red - service not available	Red	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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SCAN GLOBAL LOGISTICS

General update US

	Condition as of today	Los Angeles	Seattle	Oakland	Chicago	Cleveland	Atlanta	New York	Charleston	Houston
Customs	**Green** - work as normal **Yellow** - process delay occasionally **Red** - serious delay	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Ocean Freight Terminals	**Green** - running as normal schedule **Yellow** - terminal congestion **Red** - high to full yard density for empties & terminal congestion	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Ocean Carrier situation, Inbound	**Green** - no space issue & blank sailings **Yellow** - space issue, equipment imbalance & blank sailings occasionally **Red** - space issue, equipment imbalance & blank sailings seriously	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡
Ocean Carrier situation, Outbound	**Green** - no space issue & blank sailings **Yellow** - space issue, equipment imbalance & blank sailings occasionally **Red** - space issue, equipment imbalance & blank sailings seriously	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡
CFS and Warehouse	**Green** - running as normal schedule **Yellow** - congestion and dealys **Red** - service not available	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Trucking/Rail – pickup and delivery for ocean cargo	**Green** - work as normal **Yellow** - delays **Red** - service not available	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Airlines - Capacity, Inbound	**Green** - 70% ~ 100% of normal capacity **Yellow** - 30% ~ 69% of normal capacity **Red** - less than 30% of normal capacity	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡
Airlines - Capacity, Outbound	**Green** - 70% ~ 100% Supply **Yellow** - 30% ~ 69% Supply **Red** - less than 30% supply	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡
Airline Terminal	**Green** - running as normal schedule **Yellow** - process delay occasionally **Red** - process delay seriously	🟡	🟢	🟢	🟢	🟢	🟢	🟡	🟢	🟢
Airfreight Warehouses	**Green** - operation hours as normal **Yellow** - additional time required for cargo gate in and gate out due to full scale of operation not being in place **Red** - service not available	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Truck – pickup and delivery for Airfreight cargo	**Green** - work as normal **Yellow** - delays **Red** - service not available	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Rail Service	**Green** - schedule as normal **Yellow** - partial schedule cancelled **Red** - service not available	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢

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General overview Airfreight Europe

	Condition as of today	DK	SE	NO	FI	DE	NL	BE	ES	FR	IT	PL	CZ
Factories	**Green** - 100% resumption of work **Yellow** - 30% ~ 80% resumption of work **Red** - Less than 30% resumption of work	🟡	🟡	🟡	🟡	🟡	🟢	🟢	🟡	🟢	🟡	🟡	🟢
Customs	**Green** - 100% work as normal **Yellow** - process delay occasionally **Red** - serious delay	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢	🟢	🟡	🟡	🟢
Airlines - Capacity Eastbound	**Green** - 70% ~ 100% of normal capacity **Yellow** - 30% ~ 69% of normal capacity **Red** - less than 30% of normal capacity	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟢
Airlines - Capacity Westbound	**Green** - 70% ~ 100% Supply **Yellow** - 30% ~ 69% Supply **Red** - less than 30% supply	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡
Air Freight Terminal	**Green** - running as normal schedule **Yellow** - process delay occasionally **Red** - process delay seriously	🟡	🟡	🟡	🟡	🟢	🟢	🟢	🟡	🟢	🟢	🟡	🟢
airfreight Warehouses	**Green** - operation hours as normal **Yellow** - additional time required for cargo gate in and gate out due to full scale of operation not being in place **Red** - service not available	🟡	🟡	🟡	🟢	🟢	🟢	🟢	🟡	🟢	🟡	🟡	🟢
Trucking	**Green** - Normal **Yellow** - apply permit & road block inspection **Red** - service not available	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢

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General overview Ocean freight Europe

	Condition as of today	DENMARK	FINLAND	NORWAY	SWEDEN	BELGIUM	GERMANY	THE NETHERLANDS	SPAIN
Customs	**Green** - work as normal **Yellow** - process delay occasionally **Red** - serious delay	🟢	🟢	🟢	🟢	🟢	🟡	🟢	🟢
Ocean Freight Terminals	**Green** - running as normal schedule **Yellow** - terminal congestion **Red** - high to full yard density for empties & terminal congestion	🟢	🟢	🟢	🟢	🟢	🟡	🟢	🟢
Ocean Carrier situation, Inbound	**Green** - no space issue & blank sailings **Yellow** - space issue, equipment imbalance & blank sailings occasionally **Red** - severe space issue, equipment imbalance & blank sailings seriously	🟡	🟢	🟡	🔴	🟡	🟡	🟡	🟡
Ocean Carrier situation, Outbound	**Green** - work as normal **Yellow** - space issue, equipment imbalance & blank sailings occasionally **Red** - severe space issue, equipment imbalance & blank sailings seriously	🟡	🟢	🟡	🟡	🟡	🟡	🟡	🟡
CFS and Warehouse	**Green** - operation hours as normal **Yellow** - CFS/Warehouse delays **Red** - service not available	🟢	🟢	🟢	🟢	🟢	🟡	🟢	🟢
Trucking/Rail – pickup and delivery for ocean cargo	**Green** - Normal **Yellow** - delays **Red** - service not available	🟢	🟢	🟢	🟡	🟢	🟡	🟢	🟢

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