

Monday, March 1, 2021

Coronavirus Information - 23

Dear Customer,

Below you will find information on the latest developments and impacts of the coronavirus pandemic:

Status Quo at Leschaco:

As a result of the COVID-19 pandemic, measures to protect the health of our employees are taking effect in the respective branches, and we are continuously adapting them in line with the development of the infection. This includes, that our employees are working from home wherever possible and necessary.

Furthermore, our employees are still requested not to undertake any business trips to other countries and to limit business domestic trips to the absolute necessary. In addition, our employees are asked to avoid face-to-face meetings and to use digital communication channels wherever possible.

It is our goal to protect our employees and to do everything possible to support the further containment of the virus. At the same time, it is our responsibility to ensure that we continue to provide the best possible service to our customers.

With the attachment you will receive our Leschaco Group Matrix, which provides a general global overview of the impact of the coronavirus on the respective logistic infrastructure in the countries of our subsidiaries. For more detailed country specific information about the developments and limitations of the logistic infrastructure in our worldwide subsidiaries, please consult your known contact person in the Leschaco Group.

Please note that our information about the country specific impact of COVID-19 on the supply chains is based on the subjective perception of our Leschaco employees in the respective countries. This perception may change at any time under the given circumstances and does not claim to be complete or accurate.

General developments:

According to the latest WHO COVID-19 Weekly Update The number of new cases reported worldwide continued to decline for the sixth consecutive week. In mid-February, 2.4 million new cases were reported, a decrease of 11% from the previous week. Overall, the WHO regions Americas, Europe, African and Western Pacific reported declines in new cases, with only South-East Asia and Eastern Mediterranean reporting slight increases of 2% and 7% respectively. The Americas saw the largest decrease in absolute case numbers.

The countries currently most affected by COVID-19 infections are the United States of America, India, Brazil, Russia, the United Kingdom, France, Spain, Italy, Turkey and Germany.

While many countries around the world have seen a decrease in COVID-19 infections overall, the number of reports of mutations increased, which is a cause for concern.

Sea freight:

The outlook for the container market remains strong after the first two month of 2021 have passed. Chinese New Year was almost "invisible" and was replaced by an extreme high demand in both directions, North America and Europe. Far East to North America is still the strongest trade and, still ships are piling up at Los Angeles anchorage. The final release to call alternative ports can have a positive effect to overcome the port congestion.

Extended gate hours and flexible return depots will help to overcome the difficult situation. The sudden winter weather disrupted Western rail service and impacted railroad operations and slows down effective container movements to serve the demand.

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The space situation also remains tight in all trades also in 2nd Quarter 2021, but the number of blank sailings is lesser compared to previous year. Looking towards the 2nd Quarter 2021, at this time very few lines have announced plans to blank sailings. Carriers snapping up almost all available charter tonnage, even Bulk and Multi-Purpose vessels are put in container traffic already. There is no idle capacity left, carriers are delaying scrapping, and the first new tonnage orders have even been placed.

However, the “stop-and-go” demand is not yet finished and the repositioning of empty equipment still a strong challenge for container carrier. Also, the turn time of empty containers has significantly increased as shortage of truck drivers, destuffing process under COVID-19 conditions as well as the return of empty container is much more complex and time consuming.

Container movements suffer under border closure in Europe, non-unique testing procedures and increased quarantine time which makes intermodal operations even more complicated for logistics teams.

And, with the second wave of the virus still rampant in Europe and elsewhere, with high levels of unemployment and reduced demand for goods and energy products a likely result, there is no guarantee that a vaccine will be the panacea to the economic woes. Even in the best-case scenario on the global economy, there will only be a return to growth in the second half of 2021, while many developing nations are expected to recover much more slowly. With this in mind, despite the positives from 2020, shipping must continue to proceed with extreme caution.

Air freight:

The global demand for air freight continues to be on a stable and high level. International Air Transport Association (IATA) reports for the month of December 2020 actual cargo-tonne-kilometres (CTK) of -0.5% year on year. Data provider WorldACD reports for January 2021 a flat demand year on year, stating the product categories High-Tech and Express as main drivers. Both sources indicate that demand is expected to continue on similar levels.

Airfreight capacity on the other hand is tight. The industry-wide available cargo-tonne-kilometres (ACTK) fell by more than 23% in 2020 as reported by IATA. Prior to the crisis belly cargo provided 60% of the total market capacity. This factor is down to 32% through 2020 and into January 2021. As a logical consequence, dedicated freighters increase to meet the capacity demand. Through 2020 the industry experienced an increase by almost 21%. However, this increase does not compensate the lack of belly capacity. Also, it may soon find it's natural peak as most commercial airlines already operate their freighter fleet on a maximum level and charter resources are limited. Temporary passenger-to-freighter aircraft conversions are not expected to add significant ease to the situation as higher ground handling times and suboptimal load factors are obstacles for most airlines.

Ongoing travel restrictions in many countries and the fear for further COVID-19 outbreaks (“third wave of infection” due to new virus mutations) do not show easing of the capacity situation. This has also been indicated to Leschaco during negotiations with major airlines who are currently finalizing their flight schedules for the upcoming summer period.

Hence it is expected that the tense capacity and rate situation remain unchanged. Access to space could be a challenge in some countries due to less operating flights and/or airlines per route.

Leschaco has access to capacity on all key routes. However, we highly recommend communicating your airfreight demand as early as possible with your local Leschaco Team to ensure smooth cargo flows and timely uplifts.

Contract logistics:

While the organizers of the LogiMAT, Germany's international trade fair for intralogistics in Stuttgart, decided to postpone this year's event to March 2022 due to the uncertain outlook related to the COVID-19 pandemic, there are still other important events that may have an impact on contract logistics in 2021.

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Brexit: Logistics and warehousing companies in the Netherlands are floated with requests from British businesses looking to rent warehouse space, as the country experiences a Brexit boom in investment and jobs. Leschaco can offer respective solutions and looks forward to supporting its customers.

Supply Chain Act: Germany's government has reached agreement on legislation that obliges German companies to carry out due diligence regarding human rights and environmental issues in supply chains globally. A similar legislation draft is reviewed by the EU Commission and it needs to be seen whether this will result in further re-shoring of supply chain activities.

Further developments and effects remain to be seen. We will monitor the situation closely and keep you informed.

We hope that our Customer Advisory provides you with a useful insight into the latest developments. If you have any feedback, or if you miss any topics, please let us know:

corporate.communications@leschaco.com

If you have any questions regarding your shipments, please get in touch with your known contact person in the Leschaco Group.

Kind regards

Leschaco (Lexzau, Scharbau GmbH & Co. KG)

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Disclaimer

Please note that all information reported in the Customer Advisory is to the best of our knowledge at the time of writing, but we cannot guarantee its correctness or accuracy.