Customer Advisory

LESCHACO

Forwarding is our passion. Since 1879.

Friday, April 30, 2021

Coronavirus Information - 24

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.

General developments:

According to the latest WHO COVID-19 Weekly Update globally, new COVID-19 cases rose for the eighth week in a row. More than 5.2 million new cases were reported in the second week of April - surpassing the previous high set in early January 2021.

While all regions except the European Region reported an increase in the number of cases in the first half of April, the largest increase continues to be reported by the South-East Asia Region, mainly by India, followed by the Western Pacific Region.

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

Sea freight:

The pace of global economic expansion remained close to decade highs in March, as manufacturing growth stayed solid and consequently ocean transportation remains on a very high level.

The biggest driver of shipping remains the high demand of the USA. Congestion and delays in European ports became a harsh reality and will probably accompany us until June after Suez Canal blockage by the "Ever Given" vessel.

The dispute overcompensation between vessel owner and canal authority is also testing the patience of cargo recipients.

Restricted equipment availability, long traffic jams on the roads to the ports and the constant delays of the ships do not indicate an easing of the situation in the shipping industry.

At the moment, the effects of the 3rd wave are hardly noticeable in the port and inland areas; here, the effects of intermodal congestion are far more serious.

In shipping, more than 200,000 seafarers are still forced to remain on ships, as crew changes could only be carried out to a limited extent due to closed borders and suspended flights.

Air freight:

Demand for air cargo is strong during the first two month in 2021. Analysts compare current figures with results of 2019 as it is referred to as the “pre-crisis”-year. While January 2021 already rose 4,2% in cargo-ton-kilometers (CTK) above same month of 2019, February rises 9,6%. Forecasts indicate a continuous increase in demand as eCommerce is further growing and modal shifts take place on some routes (ocean to air).

Capacity situation on the other hand does overall not improve. Available CTK fall in February 14,9% below same month of 2019. Aircraft groundings due to renewed lockdowns and upcoming capacity optimizations for the summer period led to continuous constrains on the available belly cargo capacity. Dedicated freighter capacity improves due to higher operating frequencies and new deliveries of aircrafts (PAX conversions). The tense capacity situation, combined with the very strong demand for airfreight lead to a cargo load factor of 57,5% in February. As per IATA, this is a record result for any February in the history of their data series. The cargo load factor measures the capacity utilization (transported kilograms divided by available capacity in kilograms). As air cargo is rather volumetric than dense, an aircraft usually “cubes out” before it reaches its limit of loadable kilograms. Hence load factors above 50% are considered as high.

Airfreight rates are expected to remain at elevated levels. Analysts such as IATA Economics or Transport Intelligence (Ti) state that airlines are under financial pressure and it is unclear by when they will be able to recommission their fleet to pre-crisis levels. It is predicted that passenger airlines will miss major tourist seasons in 2021. Hence recovery of their fleet and its belly capacity could be on the long haul.

Contract logistics:

Warehouse demand surpassing expectations due to an acceleration in e-commerce, reassessment of inventory levels, and the requirement for speed to market. As the result, historic vacancies remained low in many markets.

European warehouse demand surges as e-commerce giants like Amazon and Alibaba snap up space driving vacancy rates in Europe to a record low of around 5% — and the rate is still falling. The picture in the US is similar where big-box logistics warehouse tenants may be facing their most challenging year ever as a mix of strong e-commerce demand, tight supply and rising construction costs could drive up rents by as much as 10%. The Asia Pacific logistics market will continue to thrive in 2021 on the back of rising domestic consumption and a recovery in global trade. CBRE retains an optimistic view towards long term regional warehouse demand from the trading sector. Regional trade activity is poised to accelerate following the recent signing of the Regional Comprehensive Economic Partnership (RCEP). Asia Pacific logistics rents are expected to rise across all markets in 2021. Tier I cities in Mainland China will edge out Greater Tokyo and Singapore as the drivers of regional logistics rental growth.

Overall, the global rent growth in 2020 was 2.9% and further increases are expected in 2021. Willingness to spend on expanding logistics networks has increased as users view e-commerce distribution and speed to market as competitive advantages for revenue generation. At the same time, the incremental cost of logistics real estate remains a small portion of total supply chain costs, with rents representing approximately 5%.

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

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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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