

How
does COVID impact our
Supply Chains
2020 and 2023

Impact Areas in the Supply Chain

Supply Chain

- Factory Production
- Warehousing
- Local Transport
- Ports Operations
- Container Supply
- Customs Formalities
- No end to end System in place
- Delivery to DC or End Users

Possible Covid impact

- Delay raw materials & production
- closed or restricted operation
- No or restricted operation
- knock on effect port schedules
- in wrong place & out of balance
- Not 7/24 and/or fully automated
- No courier/Air Asia type of system
- Infrastructure Challenges Impact

A major cause
why container
freight exploded ?

China represents
65/70% of all
exports from Asia

Add China Raw
Material Exports
into Asean &
South Asia

- ZERO covid policy result in:
- Port call disruptions
- Closure of land borders with several Asean countries
- Container supply unbalanced
- Knock on effect ripples vessel arrivals & departures all over Asia and the world.

KNOCK ON effect is worldwide - impact a major supply of empty containers from USA to Asia

- USA
 - Infrastructure can not cope.
 - Port Unions stifle any technology
 - Ports choking as a result.
 - Haulage involves 3 parties
 - Rail & rail depots very congested
 - Customs do not work 7/24
 - Many ships idling on the WC
 - USA main driver empty equipment into Asia & China

Indicative Spot Rates 40ft pre & post covid

Pre Covid 2010 -2019

- Europe 1000 – 2000
- USA WC 1200 – 1700
- USA EC 2200 – 2700

• Shipment Delays after booking

Post Covid 2020 – 2022

- 14000
- 15000
- 19000

- Europe 1 to 2 weeks
- USA 3 to 4 weeks

New container vessel capacity 2022 & 2023 versus estimated Global Market Growth.

- World Trade growth forecast
- World Trade 80% is by sea
- Container vessels in 2021
- Container vessel capacity 2022
- Container vessel capacity 2023
- Forecast Freight rates 2022
- Forecast Freight rates 2023
- 2022 5.4% 2023 4.0%
- Containers 48% of world trade.
- 5396 container vessels
- 5435 & balanced market growth
- +75 vessels /1.33mill teus or 7%
- No major change expected.
- Possibly a downward trend 2nd half 2023. reason lower market growth vs increase capacity.

Important events in 2022 & 2023

- USA WC contract negotiations
- IMO will introduce CO2 reduction program starting from 2023 until 2026 y reducing 2% CO2 per each year.
- Rising sentiment about impact 3 carrier groups control 85%+ of the w container market.
- Since all trades are interlinked in case the talks with the terminals and carriers fail – there may be further upward rate pressure.
- Again this may impact the vessel operating costs and ultimately be passed on by the carriers.
- US government and EU shipper councils are reviewing the supply chain disruptions. Korea fined most container carriers for rate collusion

Some ideas how to manage /improve the supply chain during this Covid crises

- Upgrade factory technology
- Added warehousing
- Upgraded factories elsewhere
- Increased lead times to offset container shipment delays.
- Secure Raw Material supply.
- Diversify number for suppliers.
- Our company quickened transformation into a fully automated production process.
- Allowed more backup production.
- Created additional export capacity
- ship 2 to 4 weeks earlier
- Order earlier than usual.
- Risk management