



# COVID19 Supply “Pain” News

## A Condensed Update for American Shippers

These certainly are challenging times for all of us. During this unprecedented pandemic, we have compiled a condensed update of supply chain conditions. The below is the status of events as of **May 27, 2020**.

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### Quote of the Week:

*“If you want to lift yourself up, lift up someone else.”*

– Booker T. Washington

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### Financial Update: Signs of Life for World’s Two Largest Economies

**ShapLight, Fact of the Week:** US household savings rates have jumped to 13.1% since March; this marks the highest household savings rate on record since 1981

- US oil consumption was down only 19% in the first week of May, after a 48% decrease in the first week of April
- US mortgage applications are currently down 9% in May, after being down nearly 35% since March 1
- With the Paycheck Protection Program (PPP) set to compensate companies for 8 weeks of payroll, the first batch of recipients will come to the end of the 56-day period on May 29
- Verizon Business released findings from a recent survey of 500 small to medium US businesses:
  - 68% of small businesses believe they can recoup COVID-19 related losses
  - 46% of small businesses say they will be able to stay open for more than six months if the pandemic continues in the same way
  - 48% of small businesses say it is unlikely they will need to resume operations with a smaller staff
  - 78% of small businesses indicate declining sales, although only 24% say that they have missed or withheld any payments of bills (rent, utilities, etc.) as a result
- China, the world's second largest economy, is broadly expected to grow between 1.5% and 2.5% in 2020

## Congress Scrutinizes “Essential” Goods Supply Chains

**ShapLight, Fact of the Week:** Grocery store sales remain 14% higher YTD in 2020 compared to 2019

- Congress has begun debate on two bills to improve medical supply chain efficiencies:
  - **Pharmaceutical Accountability, Responsibility, and Transparency Act (PART):** would require disclosures to the FDA to help track medical supply levels for active ingredients and products made domestically and abroad
  - **Help Onshore Manufacturing Efficiencies for Drugs and Devices Act (HOME):** would strengthen domestic medical manufacturing and reduce US reliance on foreign sources for medical supplies
- As a result of increased demand for West Coast produce, outbound refrigerated spot rates for produce loads from California increased 9.3%
- Walmart Inc. reported a 10% increase in sales – to \$136 billion – in Q1; demand for “food, consumables, and health and wellness” helped drive the revenue surge
- Novant Health Inc., a non-profit organization headquartered in Charlotte, NC, announced the launch of America’s first emergency drone logistics operation, which will be integrated nationwide within the next two years
- The USDA is making \$16 billion available to producers of agricultural commodities “who have suffered a five-percent or greater price decline due to COVID-19”
- China’s huge increase in mask production has diverted resources away from wet wipe and sanitary towel producers, leading to shortages of those products
- The FDA will extend the application period for the Voluntary Qualified Importer Program (VQIP) for the 2021 fiscal year

## Government Corner: HHS Provides Crucial Relief

**ShapLight, Fact of the Week:** CBP will celebrate its 96<sup>th</sup> birthday on May 28; it originally opened operations back in 1924

- The Department of Health and Human Services (HHS) has announced a \$4.9 billion distribution to skilled nursing homes and facilities affected by COVID-19
- HHS has pledged \$500 million for nearly 250 American Indian tribal hospitals, clinics, and urban health centers
- CBP extended the temporary closure of Trusted Traveler Program Enrollment Centers until July 6
- National Customs filings are down a total of 29% in 2020 vs. 2019 YTD
- The Office of the U.S. Trade Representative (USTR) issued new exclusions for certain products subject to Section 301 List 3 tariffs from China; these exclusions are retroactive to September 24, 2018 and extend to August 7, 2020

- The International Trade Commission (ITC) is investigating the possibility of adding or removing products from the Generalized System of Preferences (GSP) benefits program:
  - Likely additions include:
    - 0603.11.00 (sweetheart, spray and other roses, fresh cut)
    - 0603.11.0010 (sweetheart roses, fresh, suitable for bouquets or for ornamental purposes)
    - 0603.11.0030 (spray roses, fresh, suitable for bouquets or for ornamental purposes)
    - 0603.11.0060 (roses, fresh, suitable for bouquets or for ornamental purposes, nesoi)
  - Likely removals include:
    - 1006.10.00 (rice in the husk, (paddy or rough))
    - 1006.20.20 (basmati rice, husked)
    - 1006.20.40 (husked (brown) rice, other than basmati)
    - 1006.30.10 (rice semi-milled or wholly milled, whether or not polished or glazed, parboiled)
    - 1006.30.90 (rice semi-milled or wholly milled, whether or not polished or glazed, other than parboiled)
    - 1006.40.00 (broken rice)

## Spotlight: American Trains, Trucks and Ports

**ShapLight, Fact of the Week:** Since the end of April, US trucking activity is up 10% as Spring produce helps to drive extra demand

- The USPS saw a 20% increase in the number of packages moved as a result of stay at home orders in the US
- As Amazon faces criticism over warehouse worker safety, the company has announced plans to invest nearly \$4 billion in COVID related initiatives that will help keep employees safe while also ensuring packages continue to move for customers
- Since March 2020, the rail industry has reportedly cut 13% of jobs
- Spot load shipper postings for FTL truck moves are up 45% in May, resulting in a 10% rebound in truckload spot rates
- According to the Association of American Railroads, April carloads fell significantly for the following commodities:
  - **Motor vehicles and parts:** 86.3%
  - **Coal** 38.0%
  - **Chemicals:** 11.9%
- U.S. Ports will begin feeling the short-term pain of the 20% capacity blanked by ocean carriers in May and June due to decreased demand and forced store closures

## Airlines: A Slow Climb for Passenger Traffic as Cargo Plateaus

**ShapLight, Fact of the Week:** Airfreight rates from China to the US are down 50-60% in late May, after spiking almost \$20/kg in April

- American Airlines added 140 weekly cargo flights to 15 worldwide destinations in May
- Delta Airlines is scheduled to re-instate 100 passenger routes in June
- SW Airlines has seen positive net bookings for the first time since March; this occurs when bookings outpace cancellations
- United expects capacity cuts to lower to 75% for July, after falling more than 90% since March
- LATAM Airlines has filed for Chapter 11 bankruptcy protection
- The German government and Deutsche Lufthansa have announced a \$9.8 billion bailout deal to keep Lufthansa operational
- TSA passenger throughput remains down 91% through mid-May
- As of late May, governments around the world have provided \$123 billion to airlines in a variety of financial aid forms

## Global Update: Notes on Steamships, Europe and Asia

**ShapLight, Fact of the Week:** More than 300 people were arrested in Hong Kong last night during national security protests; reports indicate police resorted to the use of pepper spray

- The U.S. Chamber of Commerce has expressed extreme concern that China's proposed national security legislation in Hong Kong could destabilize its autonomy under the "one country, two systems" framework, and has urged Beijing to de-escalate
- Britain's trade minister expressed optimism for a US-UK trade deal saying, "both sides are hopeful that negotiations for a comprehensive trade agreement can proceed at an accelerated pace"
- US ocean imports from Europe are down 55% for May arrivals at US ports
- Ocean carriers, including Maersk, are increasingly moving critical medical equipment to Europe from China by rail in an effort to achieve reliable transits at reasonable costs
- Singapore's Pacific International Lines is negotiating with Temasek Holdings to secure investments aimed at keeping the container ship operator from ceasing operations
- Known as "The Frugal Four", Austria, the Netherlands, Sweden and Denmark have insisted that member states most affected by the pandemic should be offered loans and not grants by the EU, thereby rejecting the deal presented by Germany and France
- The International Association of Ports and Harbors reported that nearly 65% of the largest European ports saw up to 25% fewer ships coming in during the first week of May compared with previous historical averages; the reduced port calls are the result of carriers sharply scaling back sailings out of Asia

## In a World of Bad News, a Few Silver Linings

**ShapLight, Fact of the Week:** Global TV news ratings are up an astounding 66% in 2020

- Amazon has turned part of an office building – approximately 8 floors and 63,000 square feet – into a permanent shelter in Seattle that is projected to house up to 1,000 families per year
- Google has reported a 10% increase in new car searches in May over April
- Dental visits are 50% of normal levels in May after reaching a low of 4% in late March; it seems that people are preparing to re-open, but may have forgotten that smiles are hard to see behind masks
- Despite their financial turbulence, Lufthansa and Eurowings are resuming more than 20 intercontinental air connections
- Rise Up NY, a virtual telethon run by the Robin Hood Foundation, recently raised \$115 million in donations for coronavirus relief; Tina Fey, known for provoking laughter, was moved to tears on-air
- Father Tim Pelc of Detroit delighted the children in his congregation by blessing their Easter baskets in a socially responsible fashion; yes, the good priest loaded a squirt gun with holy water and was able to bless dozens of baskets from a safe distance!

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### Shap Fact of the Week:

***Approximately 350,000 travelers went through US airports on Memorial Day weekend, marking the highest number of fliers per day since March.***

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The leadership and staff of Shapiro understand the personal and business anxiety each of you is experiencing. We want nothing but safety today and a return to normalcy tomorrow for you and your families. Please reach out to us if you have any questions—or if we can assist you in any way.

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