



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 **June 3, 2020**.

Quote of the Week:

“You have power over your mind, not outside events. Realize this, and you will find strength.”

– Marcus Aurelius

Financial Update: US Momentum in Housing and Retail

ShapLight, Fact of the Week: Mortgage purchase applications are down just 1.6% from May 2019 after being down 35% in April

- After a rush to replenish the Paycheck Protection Program (PPP) with \$310 billion, more than \$120 billion remains unallocated and available for small businesses
- American companies have eliminated an additional 9 million positions in May, after shedding 20 million jobs in April
- A study from the United Nations Conference on Trade and Development (UNCTAD) found that total global commodity exports to China will likely fall dramatically as a result of the economic slowdown related to COVID-19
- The \$600 billion natural gas market is so over-supplied that trading experts fear futures will begin trading at “below zero” levels, which we briefly saw in the oil business
- Weekly US retail visits trailed 2019 by just 36% by the end of May after being down close to 90% for March and April
- TSA passenger throughput continues to shock airline industry observers as levels rise to only 11% of 2019 levels in May
- 55% of the US passenger aircraft fleet is currently in service

FEMA Looks to Hurricane Season, While CDC Opens Up on Reopening

ShapLight, Fact of the Week: US Customs collected \$71.9 billion in import duties in 2019, a significant jump from 2018's record \$50 billion

- FEMA released guidance for the 2020 hurricane season in the context of COVID-19; highlights include:
 - Anticipated challenges to disaster operations posed by COVID-19
 - Task lists and checklists for crisis managers based on combination challenges
 - FEMA's plans to adapt their responses to hurricanes to include COVID
- The US Trade Representative (USTR) will begin Section 301 investigations into digital service taxes that were either adopted or under consideration by multiple governments; these taxes are considered harmful for US tech companies' competitiveness
- As of May 19th, an estimated \$57.4 million worth of duties have had payments extended with 2,605 importers requesting these delays
- The CDC has offered guidance to companies on how to reopen with tips on the prevention of another spike in cases:
 - Modify seating and workstations to ensure employees are at least 6 feet apart
 - Invest in thermal temperature tools to check each employee as they arrive
 - Encourage employees to wear cloth face masks to cover their nose and mouth in all areas of the office
 - Remove high-touch items in the kitchen area and reusable kitchenware
 - Inspect mold-growth and other hazards that may have developed after weeks of absence
- The Consumer Products Safety Commission has completed testing with CBP to participate in the "One USG" messaging system in ACE; the "One USG" indicates that the merchandise has arrived, that all data required for entry has been submitted, that all PGAs have issued a may proceed, and that CBP has conditionally released the merchandise
- 417 CBP employees have tested positive for the coronavirus; the death toll remains at 5

US Trucking: A Barometer of Economic Recovery?

ShapLight, Fact of the Week: Current outbound trucking volumes are up 10% year-over-year and show their highest rate of growth since early March

- The American Trucking Association has noted an increase in driver pay as a direct result of increasing demand for freight transportation services
- The US load-to-truck ratio, which broadly measures shipper demand vs. truck supply, has increased 18% in the last week and 65% in the last month
- Truck driver detention times that soared in March have dropped in most states by as much as 20% in April and May

- The US DOT has announced that they will distribute 15.5 million cloth facial coverings secured through FEMA to supply chain workers in all modes of transportation
- FTL truckload spot rates increased by 5% again over the last two weeks, equaling a similar gain for first two weeks of May
- Many trucking and delivery services are recalling drivers and canceling routes as protests grow in major cities and law enforcement is forced to close roads

Food Goes Up, While Healthcare Shipping is Not on the Up and Up

ShapLight, Fact of the Week: US online grocery sales grew 24% from April to May, reaching an all-time high of \$6.6 billion

- The US Department of Labor reported a 2.6% jump in April food pricing representing the largest monthly increase in 46 years
- The FDA has issued another guidance document to provide temporary flexibility for food labeling requirements to manufacturers and vending machine operators
- Domestic and foreign agencies are responding to a steady increase in fraudulent activity surrounding COVID “healthcare” products; the three largest trends:
 - Fraudulent cures, tests, vaccines
 - Non-delivery scams
 - Price gouging and hoarding of medical-related items, such as face masks and hand sanitizer
- With 44 of 50 states responding to their survey, the AP has reported a minimum of \$6 billion in state spending on protective equipment and ventilators; the AP believes that this number is vastly under-reported at this time

US Rail Infrastructure Investments and New Legislation

ShapLight, Fact of the Week: The US rail network is made up of 140,000 miles of track and some 100,000 bridges

- Freight volume on America’s rails has increased by 250% since 1980 and is projected to grow by an additional 40% by 2040
- The Federal Railroad Administration announced on May 27th that nine states have been awarded \$302 million in grants for upgrading tracks and railroad crossings; the following states each will receive over \$15 million for these projects:
 - **New Jersey:** \$91.5M
 - **North Carolina:** \$80M
 - **New York:** \$47.5M
 - **Connecticut:** \$29.9M
 - **California:** \$18.4M

- Senators Thune and Hassan have introduced the Railroad Rehabilitation and Financing Innovation Act with 3 key objectives in mind:
 - To improve the existing Railroad Rehabilitation and Improvement Financing (RRIF) loan program by providing dedicated funding for short line railroads and passenger rail projects
 - To streamline the current application, review, and notification process for funding
 - To improve the RRIF's flexibility through longer loan terms and modifying how the Department of Transportation (DOT) evaluates applicants' creditworthiness
- Georgia Port Authority opened the first 9 of 18 new rail tracks being added to Savannah's Mason Mega Rail project; this increases the port's rail capacity to 2 million 20-foot equivalent containers per year

Spotlight: Far East

ShapLight, Fact of the Week: Vietnam's international trade has declined some 2.6% in 2020, the first such decline in more than 20 years

Greater Asia and India-Pakistan

- South Korea's exports declined 24% in May vs. 2019 with the automotive sector among the worst segments hit
- Thailand is re-establishing itself as a food producer with overseas demand for rice, seafood, fruit and other edibles vaulting export gains in April to 19.7%
- About 1 million people may lose their jobs in Myanmar's fisheries industry, with almost all exports ceasing since February
- Indonesia will focus on infrastructure projects and social programs worth \$97 billion over the next five years
- More than two months after India enforced a strict nationwide lockdown to control the spread of coronavirus, the country has started allowing most businesses and services to resume and lifted most restrictions on the movement of people and goods
- Mumbai escaped the brunt of a cyclone on Wednesday after winds changed direction and the storm made landfall further south on India's western coast than expected
- Pakistan's Prime Minister Imran Khan on Monday cited economic losses to substantiate his government's decision to lift a coronavirus lockdown despite rising infections and deaths, imploring people to "live with the virus"

China

- Ocean rates from China to the US West Coast reached \$2100 per 40, the highest rate since 2018's tariff rush
- Chinese government officials told major state-run agricultural companies to pause purchases of some American farm goods, including soybeans, as Beijing evaluates the ongoing escalation of tensions with the US over Hong Kong
- The US trade war with China has cut \$1.7 trillion from the value of listed American firms

In a World of Bad News, a Few Silver Linings

ShapLight, Fact of the Week: In a sign of the times, May video chat application downloads are up 1070% year-over-year

- Like all of us, Atlanta residents are limited in their ability to comfort the sick during the pandemic; so they're doing the next best thing and feeding the caregivers; across the city thousands of front-line workers are being fueled for the fight against Covid-19 with free meals provided by organizations such as Feed the Frontline
- After local grocery stores closed due to riots and protests, parents from Sanford Middle School in Minneapolis reached out to their principal suggesting ways of getting food to local kids in the district; while they aimed to feed about 100 families, they got enough support, from sources beyond Minnesota, to feed well over 1000
- Startup investment company OurCrowd announced a \$100 million Pandemic Innovation Fund which will be focused on companies creating vaccines and testing solutions as well as digital health and virtual care platforms
- Five charts that are used to track US economic health are showing a positive uptick as states reopen: driving directions on Google, restaurant bookings, hotel occupancy rates, air travel, and home purchases are all trending positively

Shap Fact of the Week:

May's Purchasing Manager's Index (PMI) rose by 1.6% after April's contraction ended a 131-month streak of growth in the US; the PMI is used by many economists to predict future economic expansion.

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.
