

Friday, May 13, 2022

Update 4 - Current COVID-19 developments in Mainland China

Dear Valued Customer,

In Shanghai and Beijing, the authorities have once again tightened the Corona measures. On May 12 it was announced that the so-called '3-days-silence-mode' has now also been decided for Beijing. This means, as in Shanghai, that residents are not allowed to leave their homes. In Shanghai, this strict curfew was extended again until May 14/15. China's zero COVID policy severely restricts the free movement of millions of people in dozens of cities, resulting not only in economic damage but also in significant disruptions to international trade and supply chains. The full impact of these measures will become apparent in the coming weeks.

Sea freight:

On the freight side, compared to regular production at this time, outbound sea freight volume from China has decreased by about 50% and inbound by about 30%. Some cargo segments are temporarily banned (dangerous goods / reefer transports). China's inland infrastructure, especially truck services, is severely disrupted and in some cases even at a standstill. Ports and terminals are operating, but with 40-60% reduced productivity. Schedule integrity, already at an all-time low, deteriorated further. During April, vessel dwell times off Shanghai's ports continued to increase and since the beginning of May, carrier alliances have reported significant blank sailings, further port omissions and schedule slide programs. Their aim is to stabilise the balance of supply and demand - also to counteract further rate erosion. All this means that extended cargo transit times are to be expected for the time being, which must be considered when calculating lead times. We are closely monitoring the developments in the port and transit situation and are taking care of procurement of extra capacities for the potentially higher demand of our customers.

Air freight:

The situation in and around Shanghai remains very restrictive in terms of lockdowns and freight movement. Certain airlines have started to resume freighter operations into Shanghai, imposing restrictions such as acceptance of only general cargo (no dangerous goods). These kinds of restrictions are triggered because of very limited truck operations feeding / de-feeding Shanghai airport, leading to almost no available warehouse capacity for DGR storage. Shipper and consignor need to be aware that all the aforementioned may lead to additional storage charges. Looking at overall traffic going into Mainland China, capacity is being diverted to alternative airports such as Zhengzhou (CGO), Wuhan (WUH) or Guangzhou (CAN). However, hinterland traffic continues to be under pressure. Trucking, pickup, and delivery services become feasible again, but still very limited due to special permit requirements (e.g., for entering/leaving Shanghai region). Leschaco has access to regular contracted capacity. Please contact us for individual solution design / offering.

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

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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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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.