



Supply Chain Reactions

A Condensed Newsletter 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 and freight rate trends. The below is the status of events as of **July 14, 2020**.

Quote of the Week:

“A winner is a dreamer who never gives up.”

– Nelson Mandela

Government Corner: WHO Cares?

ShapLight, Fact of the Week: The U.S. Trade Representative has (USTR) announced [additional 25% duties on \\$1.3B in French luxury goods](#) (including make-up and handbags) to take effect in January 2021 should France and the US not agree on French digital services taxes on US goods

- President Trump gave formal notice of US withdrawal from the World Health Organization (WHO); Lamar Alexander, chairman of the Health, Education, Labor, and Pensions Committee, said that the withdrawal could “interfere with clinical trials that are essential to the development of vaccines” and “could make it harder to work with other countries to stop viruses before they get to the United States”
- As part of the \$4 billion Operation Warp Speed project, the US government will pay \$1.6 billion to a Maryland-based vaccine company, named Novavax, to produce a COVID-19 vaccine by January 2021
- 1058 federal Customs employees have tested positive for COVID-19
- Since March, the FDA has authorized 166 virus tests under emergency use authorizations
- The FDA and EPA have mandated that 193 unapproved products claiming to diagnose, treat, prevent, or cure COVID-19 be removed from online marketplaces
- APHIS implementation in ACE (originally scheduled for August 3, 2020) has been delayed and will now be implemented in January 2021

Economics 101: Welcome to the Roller Coaster

ShapLight, Fact of the Week: It is believed that at least 3 million of the 14 million US jobs lost during COVID are permanently lost

- The US Labor Department announced an encouraging gain of 4.8 million jobs for June, although new unemployment claims also surged by month's end
- US automobile sales spiked by 8% in June vs. May while still being 24% behind 2019
- New mortgage applications are up 15% in the US while 10% of existing mortgage holders failed to make their last payment
- 110 companies, including Hertz and JC Penney, have declared bankruptcy, naming COVID as the primary cause
- Same-store US retail sales have been steadily improving since March, but may have leveled off at about 7% behind last year

Global Round-Up: China and Vietnam Swimming Upstream

ShapLight, Fact of the Week: China's Q2 GDP is expected to rise by 3% after their historic 7% plunge in Q1 2020

- Job losses in the EU have been 10 times worse than the first three months of the 2008 global financial crisis, making full economic recovery unlikely until 2022 at soonest
- Brazil's broad-based economic activity index has fallen by 10% since March, with Peru and Colombia experiencing nearly 40% declines over the same period
- While US stocks have gained in recent months, the MSCI's world index of stocks is still down 6% since the Wuhan lockdown in January
- Despite COVID, Vietnam is expected to grow by 4-5% in 2020 and 7-8% in 2021
- Goldman Sachs estimates a 45% overall economic decline in India for April to June

US Transportation Infrastructure Update

ShapLight, Fact of the Week: More than half a million truckers are being supported in some fashion by PPP loans; this number represents over 30% of the trucking work force

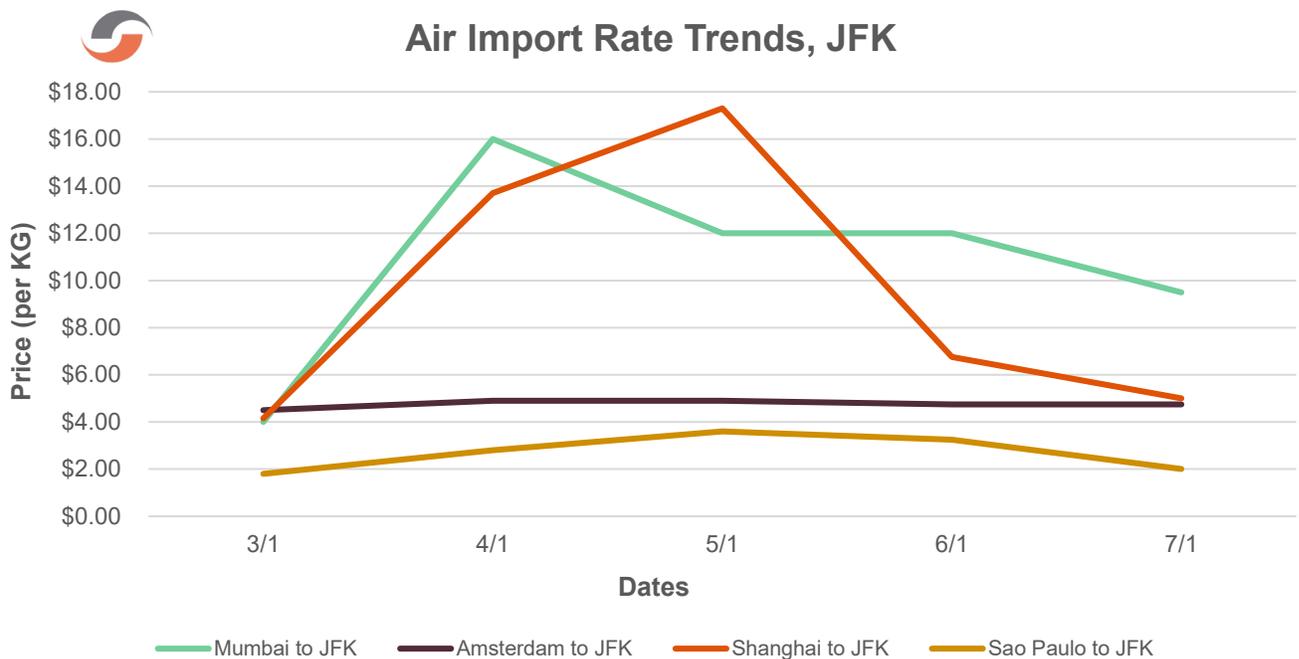
- Total ocean import volumes at US ports are forecast to decline 14.1% in July and 13.3% in August when compared to 2019's totals
- After declining 8.6% in Q1, North American rail volumes declined again in Q2, losing 12.6% YOY
- 2020 US construction equipment operating hours levels are now on par with 2019
- Truckload rates were up 12.3% from May to June, but they still trail 2019 by 5%

- TSA passenger throughput, while steadily rising, is still just 74% of last year's levels
- On average, trucking contracts are 20% shorter in duration, while offering 20% fewer covered lanes; this reflects the extreme uncertainty of forward demand for trucking
- Due to soft demand, United Airlines has reduced their planned August increase in flights and coverage to 35% of normal levels after announcing a target of 40% of 2019 capacity

Shapiro's Import Freight Report

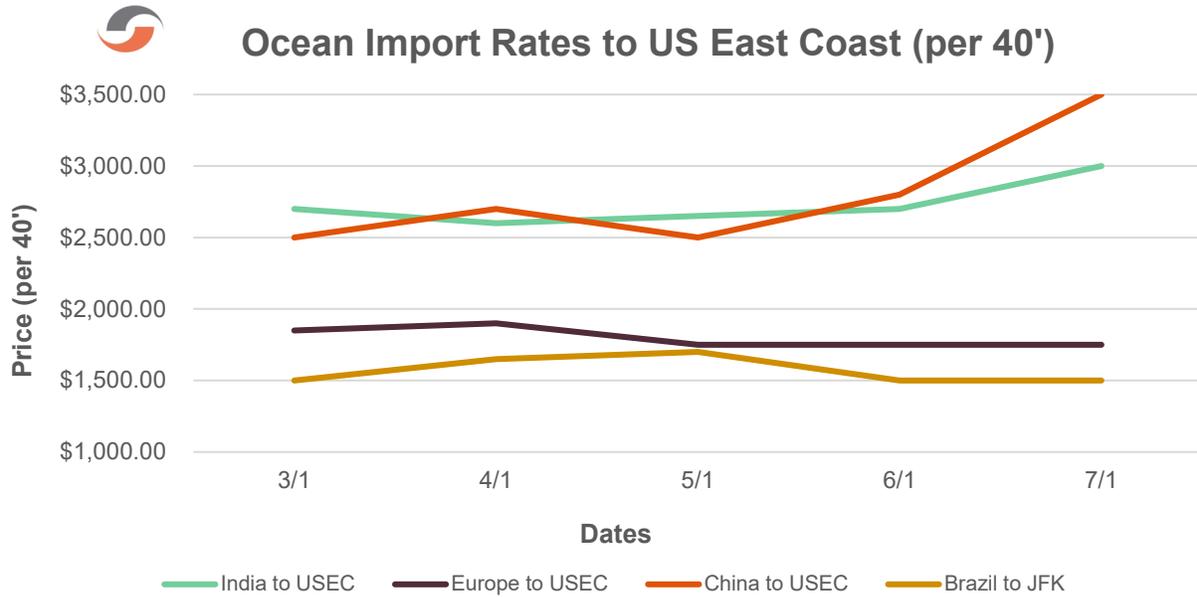
Airfreight:

ShapLight, Fact of the Week: Air rates from India to US are now regularly 100% higher than rates from China



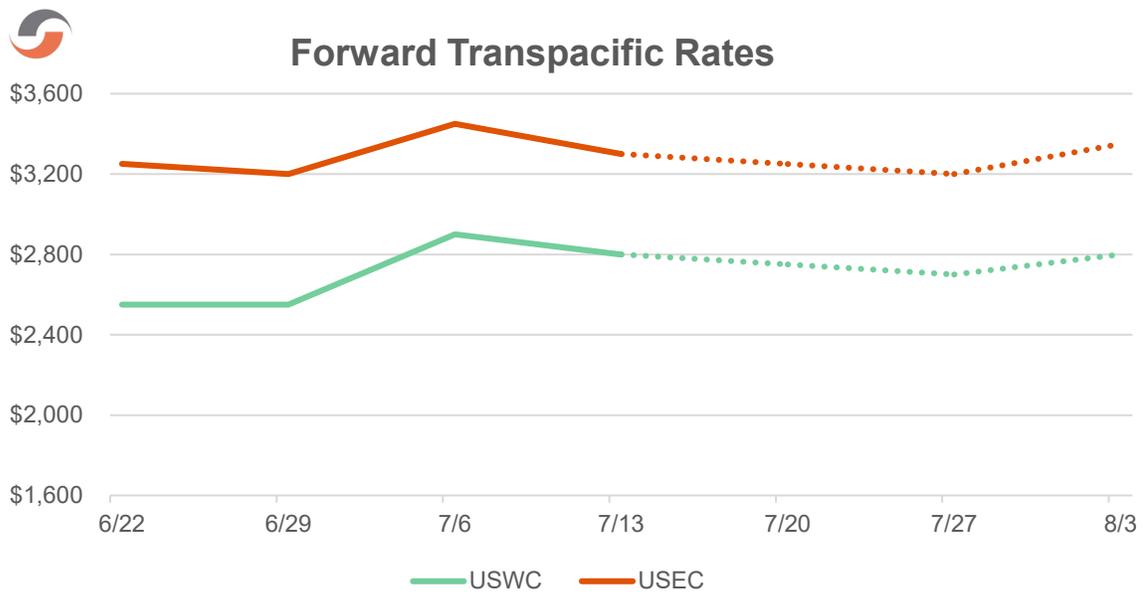
Ocean Freight:

ShapLight, Fact of the Week: All told, ocean import rates are up over 18% since March and 28% compared to 2019, despite the fact that total volumes have decreased by more than 15%



Transpacific Focus:

ShapLight, Fact of the Week: WC rates are almost 60% higher today than exactly a year ago, while EC rates are up a “mere” 20%



In a World of Bad News, a Few Silver Linings

ShapLight, Fact of the Week: On Monday, New York City announced zero COVID deaths in a 24-hour period for the first time since March

- 8th graders at Waldorf School in Santa Fe had saved all year for their dream rafting trip, which had to be cancelled amid COVID concerns; when they heard of the extremely high infection rates inside Navajo Nation, the students spent every penny of their fund on essential supplies and delivered them to the Navajo people
- Guess what? When a rafting company read the news about those students from Santa Fe, they pledged an all-expenses-paid rafting trip for the group after the pandemic!
- Olivia Dru Cares, a non-profit launched by a seven-year-old, has provided over 1000 masks to help protect Chicago's homeless during the crisis
- Alegba Jahyile, a Haitian raised in New York, began meeting bandmates at the boathouse in Brooklyn's Prospect Park just to get out of the house and play a little music; the jam sessions have turned into nightly (socially distanced) concerts for Brooklyn locals in need of a little hope, a little joy, and a little serenity

Shap Fact of the Week:

The National Oceanic and Atmospheric Administration has noted that multiple climate factors indicate "above normal" activity for the Atlantic hurricane season, which runs from June 1 through November 30.

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.
