



WEDNESDAY 4 MARCH 2020

Some interesting insights from China

Our sources from China have provided us with some information on what is actually happening on the ground

- Most of the eastern provinces such as Zhejiang, JiangSu, Fujian, Guangdong, Shanghai, Shandong are back to work. However due to travel restrictions, most of the manufacturers are still not operating normally at this stage due to staff shortages. Some of the provinces have started using charter flights to get workers back to work. Henan province has announced 16 March as the return to work date.
- Most nationally owned manufacturers are at 80% productivity and logistics companies back to running around 95% (not full productivity at this stage).
- Zhejiang 99% of companies and manufacturers are back to work. However, the productivity is around 50%, will expect 80% by mid / late March
- Guangdong 99% companies and manufacturers are back to work. Productivity for many companies is around 50%, will expect 80% by late March. However the top 300 companies are running at 91% productivity. The province is using high speed trains and charter flights to get workers back from inner Chinese provinces

- Furniture industry in Guangdong province is now back to 80% productivity and the car parts industry in Shandong province has been fully operational since 15/02/2020 under Government guide.
- The textile industry in Zhejiang province is now back to 80% productivity since 29/02/2020.
- In Jiangsu province 78.7% companies and factories are back to work, worker numbers are at approx. 6.25 million which is 76% of the normal requirement.
- Measures are also being taken to ensure that any factory / business that is re opening has met all requirements for cleaning of their facility and equipment.
- Chinese government encouraging use of trains to carry containers rather than rely on trucks between cities and provinces
- Most provinces have reduced their control restriction from level one to level two, this means other provinces' workers if healthy are able to travel into most of the provinces.
- It is also understood that there are reasonable stocks of export goods in storage that should be able to enter the supply chain immediately those places open back up.

No doubt the Chinese government will provide assistance to ensure a full return to economic stability is achieved as quickly as possible. This may include financial support / and promotion of internal markets. That said there is still real concern for the short term and maybe some companies will not survive.

Economic Update



US equity markets rebounded aggressively to open the new week, after suffering the worst losses for a week since the GFC, despite the continued spread of the coronavirus. The spread continues in China, but at a slower rate, while global rates continue to increase. The perception may be that authorities appear to be in containment mode and gaining some kind of control. The impact of the crises is starting to manifest in economic data, with Chinese PMI

data contracting, at the worst rate in history. This was expected and global economic data will also be impacted in the first quarter.

The virus remains the focus of markets.

See the weekly update [HERE](#)

Blank Sailings and Peak Season Surcharges

The Australian Peak Shippers Association (APSA), as the designated peak shipper, has noted a significant number of blank sailings impacting liner services agreements registered under Part X of the *Competition and Consumer Act 2010*. Given the unpredictability of this event and fluid nature of both the coronavirus development and the associated response, APSA has accepted a waiver of the statutory provision for 30 days' notice to be provided to shippers informing them of associated blank sailings, as required by section 10.41(2) of the Act.

Members are also reporting blank sailings for direct voyages creating a peak demand for continuing services, this being an outcome that was not anticipated for this time of year and before the coronavirus outbreak.

As a result of the change in supply and demand of shipping services, it is noted that some shipping lines have this month introduced a Peak Season Surcharge of up to USD \$100 per container to all cargo moving from Australia (generally to all regions except USA and Europe).

Please note the below links for updated information

- [Latest Shipping notifications](#)
- [Loadstar web site](#) – broad coverage of a range of related issues globally
- [ABF update on advice to commercial vessels](#) - February 29
- [ABF update update on advice to cruise industry](#) - February 29

FURTHER INFORMATION

FTA suggest members / industry maintain close relations with their forwarders, agents, shipping lines, clients and suppliers / agents in China to ensure they have the latest information available. ***This is a time for review and planning not for panic.***

FTA will continue to monitor issues surrounding the coronavirus and keep members updated as necessary.

John Park - Head of Business Operations, FTA / APSA
