

Supply Chain in the Covid world

Kim E. Buøy
SVP, Logistics Services
Wallenius Wilhelmsen

Mob: +61 (0) 427 085 791
E-mail: Kim.Buoy@walwil.com
Web: www.walleniuswilhelmsen.com

July 20th 2022





AGENDA

Half Full or Half Empty ?

1. Why current supply-chain disruptions
2. Impact on shipping
 - Container Shipping
 - RoRo Shipping
3. Current status
4. What to expect going forward



Why supply-chain disruptions ?

CONCENTRATION RISK TO HIGH

- Centered around Made in China/ Assembled in China
- Covid outbreak – one big bang, but felt differently
- Overall market concern – pulled the emergency button too quickly
- Supplier concentration – too heavy reliant on few key suppliers
- Manufacturing concentration – too reliant on Ocean transport

The war in Ukraine is not helping

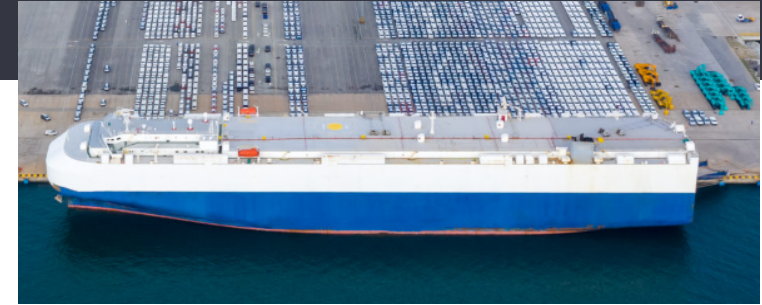




Impact on shipping & shipping rates



- Started pre-covid with US-China trade-war in 2019
- Issue amplified with Covid
- Vessels/ sailings adjusted/ reallocated to protect rates – incl. capacity
- Consumer demand in North America stronger than expected
- Too many boxes in, too few boxes out overwhelmed the system
- Waiting time in critical ports significant
- Cost of fuel and crew issues increasing

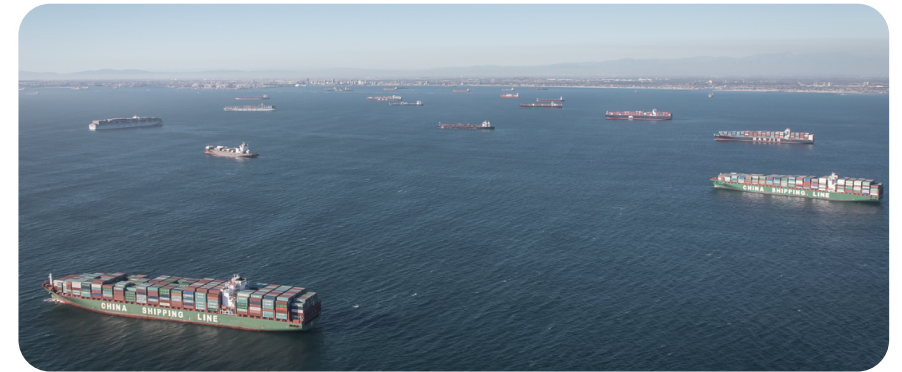


- Tight tonnage with high fleet utilization continues
- Uncertainty, due to Covid, cost of Fuel, cost of Steel etc. impact the orders/ commitments for new ships
- Recovery in North Asia faster than expected, and consumer demand in developed market did not bust as expected – cargo volumes exceeded all expectations
- Cargo leakage from container-carriers put pressure on current capacity
- Ports, Customs and Quarantine etc. overwhelmed



Current Status

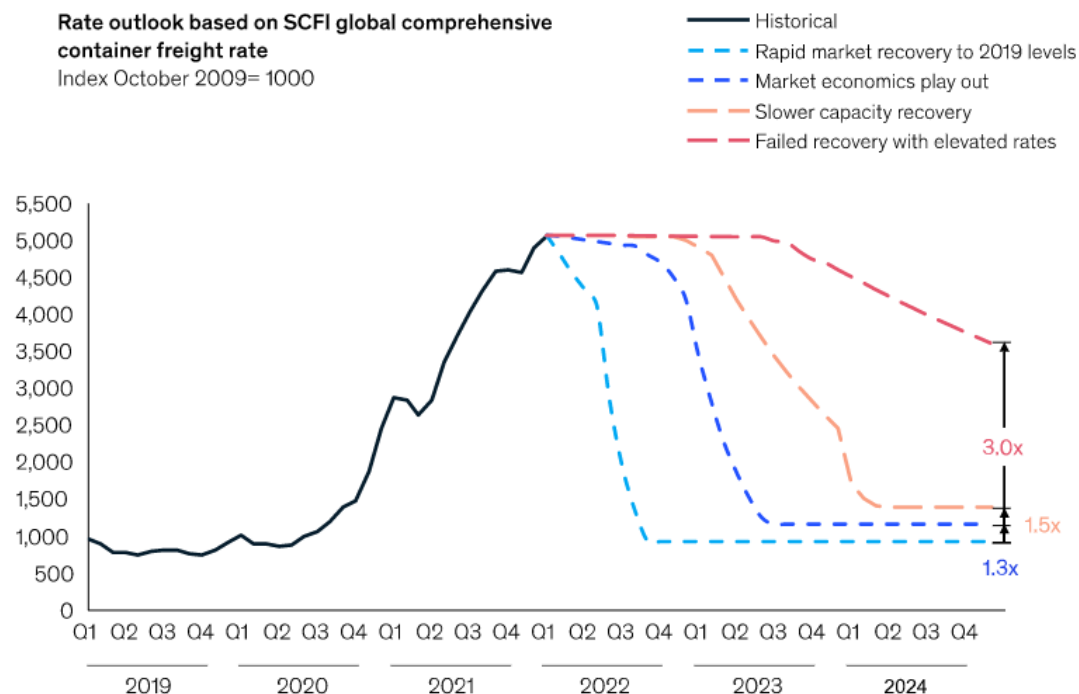
- Demand for ocean shipping still high
- Capacity challenges remain
 - People & infrastructure
 - Factory/ production
 - Time to build shipping capacity/ new builds
 - Time to build containers for market
- Russia is not helping





Moody's Analytics has warned that supply-chain problems in the short term “will likely get worse before they get better. As the global economic recovery continues to gather steam, what is increasingly apparent is how it will be stymied by supply-chain disruptions that are now showing up at every corner.”

Rates are expected to remain elevated throughout the 2022 contracting period and for most of the year.



Source: SIN Clarksons; McKinsey

- Most analytics believe transportation delays and supply shortages, should return to more normal levels by the end of 2022 – however the elevated shipping rates will continue well into 2023
- China's strict zero-Covid policy will continue to negatively impact with ongoing lock-downs
- Raw materials will continue to be in high demand (but perhaps not all for the right reasons)
- Russia's attack on Ukraine has created additional issues, with sever impact for the global energy market