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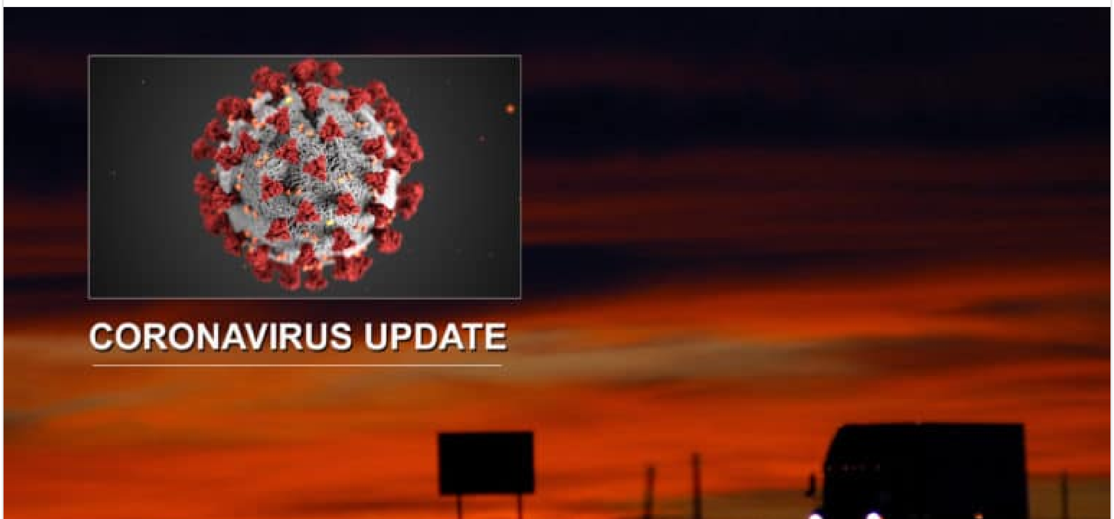
Crisis or hype? Industry insiders have differing views on coronavirus

Transportation Insight expert believes consumers could see 15% increase in prices and survey finds medium to high impact over the next three months, but some are not convinced

Brian Straight • Friday, March 13, 2020 1 1,307 3 minutes read



As experts predict price increases and late deliveries from coronavirus, some industry insiders say the threat is overblown. (Photo: Jim Allen/FreightWaves)

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Rick Brumett, Transportation Insight vice president of client solutions, said the 2003 global outbreak of severe acute respiratory syndrome (SARS) caused a 2.3% reduction in global economic expansion. The current coronavirus (COVID-19) pandemic could triple that, he said.

"When the coronavirus started to hit epidemic proportions, the Chinese New Year was in full swing. Logistics companies always factor in this anticipated shutdown, which lasts until Feb. 14. Everything was close to normal," Brumett said in a statement issued by Transportation Insight. "Now, international supply and demand is at work."

Brumett noted that the global economy is different today than it was in 2003, with just-in-time inventory systems and e-commerce firmly rooted in manufacturers' operations.

"Because there is less supply, costs go up," Brumett said. "Now, the just-in-time mindset of LEAN manufacturers is seriously challenged by the fact that Asian factories are at 40% to 70% of capacity and oceangoing vessels and ports have been closed. Prices could increase 15% or more."

Vivek Vaid, chief technology officer for FourKites, wrote that container traffic from China is even steeper than anticipated.

"The impact of COVID-19 is hitting Shanghai particularly hard. Shanghai is one of the world's busiest ports," he wrote. "It is also close to the Wuhan region, the epicenter of the coronavirus outbreak. In February, load volume leaving Shanghai had plummeted nearly 78% compared to previous months."

The Port of Long Beach reported a 17.9% year-over-year drop in imports in February.

As imports drop and experts begin to discuss the economic impact, a Morgan Stanley survey has found that half of all respondents still believe the impact is "low." The survey of 350 freight transportation participants found that 80% of stakeholders were seeing an impact to their business from coronavirus, up from 60% just two weeks ago. About half expect a medium to high impact in the next three months, but respondents did not agree on what that impact will look like, and their interpretation depended heavily on their operations.

"Very little coronavirus issues in the flatbed world except in the areas of imported steel etc., but even that hasn't changed much," one operator commented in the survey. "However, slow import activity is freeing up vans which are butchering flatbed rates if they can haul anything."

Other carriers called the current situation "fear mongering" or "overblown," and said that "if the media would quit over-hyping it there wouldn't be a problem."

Some, though, are seeing real impact.

"The coronavirus impact is high on lack of freight coming out of the ports. The impact we anticipate in three months is also high when things start coming into the ports and there's an over-abundance in freight and not enough capacity. Carriers are avoiding the West Coast now and may be changing their network to avoid it," one said.

Another reported consumer buying habits are causing a lift in the market.

"Stores [are] starting to restock their shelves from consumers buying 2-4 weeks of supply is causing a lift but not a peak," they wrote.

Several shippers downplayed the impact, suggesting that the news is fueling much of the impact.

"The primary impact on our volume is related to sales spikes from consumers hoarding products from our retail partners' shelves," one said, with another saying they "think hysterical reports [are] fueling a lot of noise versus objective reporting. Serious, absolutely. Impact found is minor."

One shipper said they anticipate rates dropping because of a drop in port volumes that will free up capacity, and still another said there was no impact on their domestic shipments at this time.

A broker suggested that, at this point, the impact is due more to companies preparing for the virus than the virus itself.

"Retailers and grocers are struggling to keep product on the shelves due to surges in demand. This will eventually flow through to supply chains and there will be large and volatile surges to replenish depleted store shelves," said another broker.

Brumett advised companies to develop backup plans for source material, if they have not done so.

"Buying American or buying locally has a nice ring and offers short-term solutions," he said. "Consumers will be suspect of goods produced in Asia and Europe for now. We cannot blame them.

"As we consider who wins and who loses in a coronavirus world, it is easy to say the strategic advantage goes to the competitor who has been planning, testing scenarios, establishing a crisis team and implementing the plan. At any time, a country could close its doors. Those companies without a backup plan will feel the effects of the Coronavirus for the rest of the shipping season," Brumett added.

Tags Coronavirus COVID-19 Freight Morgan Stanley Ports Shipping Transportation Insight

One Comment

Dave

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So, what this says is NOBODY KNOWS lol.

Reply