



Time to stand together

COVID-19 impact on transport and logistics.

Steffen Wagner | Global Leadership

The ongoing spread of the new corona virus and its related disease COVID-19 is a major challenge to our globalized transport economy. In the upcoming months, the transport and logistics sector is likely to face considerable disruptions and restrictions to business across all modalities. However, it seems the global logistics industry is well prepared to face the challenges ahead.

Ripples through global Supply Chains

The disruptions to major production facilities in China and the greater APAC region will continue to have rippling effects throughout global supply chains. While reports from China indicate that the situation is normalizing and that production is ramping up again, the effects of production stops will most likely be felt until at least Q3 2020. Since many dependent industries have optimized their inventories for continuous supply chains or Just-in-Time (JIT) operations, stocks are running low. While drops in production capacity in China have led to a decrease in capacity demand, ramp ups and stockouts will likely lead to a surge in demand once production in Asia resumes fully.

Shifting modes

Increased demand to compensate for stockouts in dependent industries will also have an impact on modals split. Specifically, the aviation sector will experience demand surges,

which are at the same time met with capacity shortages due to restrictions and cancellations in general air traffic amidst the ongoing crisis. Airfreight will likely be in higher demand due to shorter lead-times for resupply. Additionally, continental truck transport is likely to be affected by border closings and traffic restrictions. In order to cope with volatile modal shifts, transport and logistics companies should leverage their global multi-modal networks to alleviate demand pressure on specific modalities and hedge respective risks concerning asset utilization.

Industry focus

While a modal shift in demand, respective demand surges and capacity shortages can be expected, shifts regarding customer and industry prioritization are also likely or might become necessary. Depending on the further development of the crisis, prioritized allocation of capacity towards pharma, hygiene products and medical supplies might become a relevant consideration for the global transport ecosystem.

Protection of supply-critical assets and processes

Uncertainty and risk are inherent properties of global health emergencies. The transport and logistics industry plays a crucial role in enabling basic supply of necessary goods and is the economic backbone of dependent

industries and economies. A key success factor is reducing disruptions to the operation of supply critical assets, personal and processes by activating respective pandemic action plans, double staffing critical shifts and openly communicating with both business partners and employees to ensure that critical processes remain operational.

What's important right now

Despite the expected volatility in the transport and logistics industry, the major implications of COVID-19 are humanitarian. The upcoming threats and challenges know no borders, balance sheets or industries. While ensuring continuous operations, specifically in critical supply chains and in strongly affected geographies, the major concern of the sector should be the people powering it. Working closely with governments, adhering to hygiene

and safety regulations and ensuring protection for employees is the top business priority.

A look ahead

Today, the transport and logistics industry is among the most fast-paced and interconnected industries in the world. Digitalization has enabled an ever-increasing integration of processes and means of exchanging information. In crises like these, the industry can leverage these connections and make use of the close networks that have been built over the years. The duration and further development of the pandemic cannot be fully foreseen and will likely continue to severely impact global supply chains. However, the logistics industry has always been about making connections and about mitigating demand volatility and is thereby well equipped to face the challenges ahead if the industry stands together.

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