

PCS Information Bulletin #47: COVID-19 Review

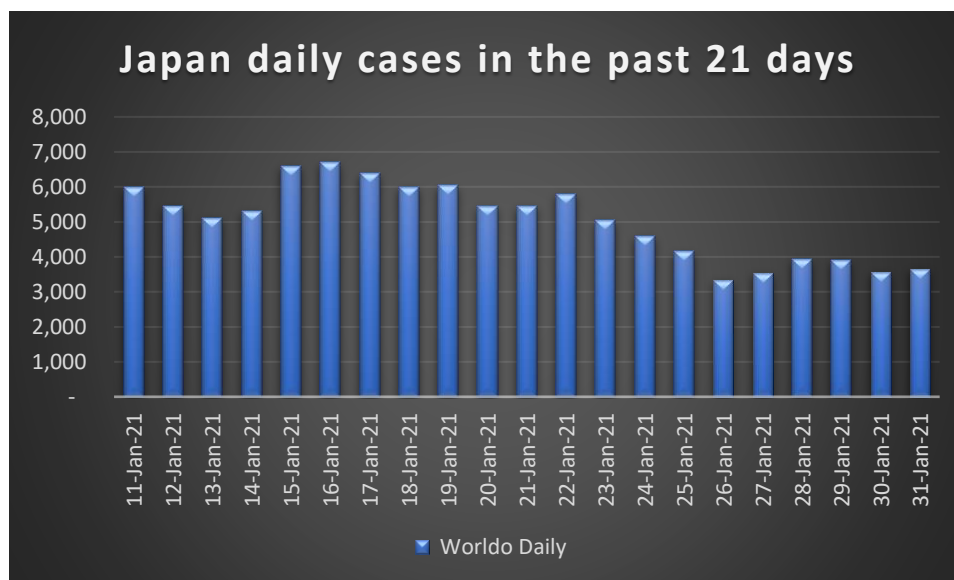
Wednesday, February 3, 2021

We are back with a new edition of our Informational Bulletins. As always, please remember that **this report is for informational purposes only** and does not constitute the designation of a PCS event. We have decided to provide this report simply to help the market understand the COVID-19 situation and to provide access to some of the resources our team uses daily for intelligence on this event.

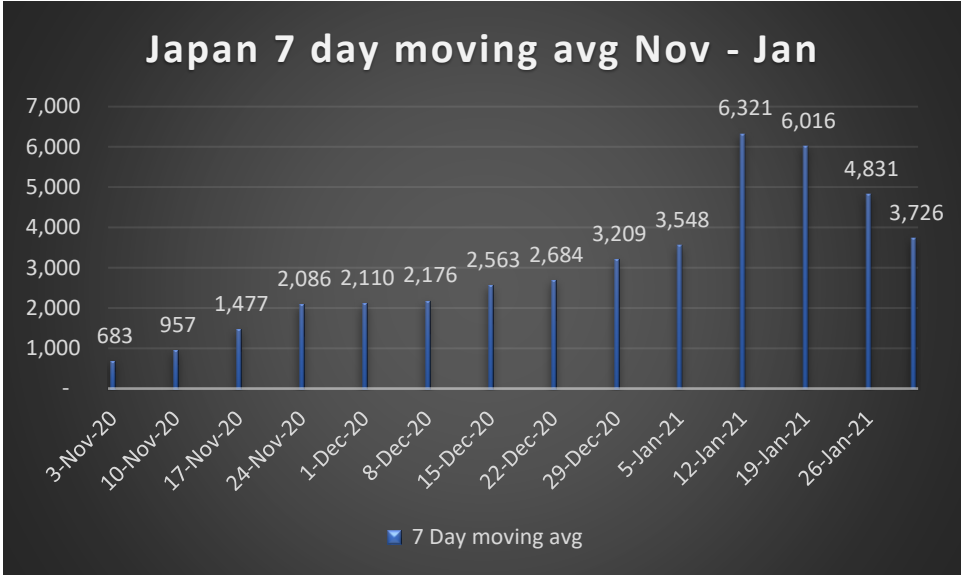
Japan Olympics and the COVID-19 situation in Japan

As we approach the 1-year mark of the beginning of the COVID-19 pandemic, everyone's mind is starting to turn towards the Japan Olympics Games which have been postponed to 2021. With just under six months to go until the official start of the games – July 23, 2020, the International Olympic Committee's president is fully committed in holding the event however due to the fluent case situation, everything is closely monitored. The Japanese government is saying that uncertainty is still looming around and it's first concern is the safety of the population and everyone involved. According to a recent survey conducted by the Kyodo News, 80 percent of the people in Japan think the games should be postponed or rescheduled.

Looking at the case situation in Japan for the last few months, the country experienced an increased COVID-19 spread throughout the end of the year period which has forced the government to impose emergency measures at the beginning of January. The state of emergency, which was first declared for Tokyo and three neighboring prefectures on Jan. 7, expanded to seven other areas six days later and was instituted for a month. Japan does not enforce the rules unlike other countries that have imposed serious penalties and thus some bars and restaurants, have ignored the request to avoid losing more customers. One month into the current situation, the number of cases has improved however reports are saying the situation will continue for another month. In the next few days, the government is also seeking to pass legislation that would aid in imposing stricter rules and even fines.



At the end of December, Japan was experiencing a record number of cases with over 6,100 cases the day prior to the state of emergency being imposed and the highest recorded number registered a few days later on January 9th – almost 7,900 cases. Tokyo saw nearly 40,000 new coronavirus cases in January, more than double the previous monthly record for infections in December. The 7-day moving average cases has peaked on January 21, 2020 and has been steadily declining ever since.



The COVID-19 vaccine deployment has been a sore subject in Japan. While some 540 million doses of COVID-19 vaccines have been secured, distribution is not expected until May, as they are depending on imports from the United States. AstraZeneca has declared on January 27th that they will produce 90 million COVID-19 vaccine shots in Japan to help jumpstart the inoculation, however there are still concerns surrounding the numbers of necessary medical personnel to deliver the vaccines. Even with jumpstarting the vaccine process, specialists believe this will not be soon enough to achieve herd immunity in time for the Olympic Games.

According to Katsuhiro Miyamoto, an honorary professor at Kansai University, holding the Tokyo Olympics and Paralympics without spectators due to the coronavirus pandemic would result in an economic loss of up to ¥2.4 trillion (approx. USD \$23 billion) for the country, while cancelling them would double that amount.

The impact to the insurance and reinsurance market worldwide has been touched upon in the spring of 2020 and it is believed to be between \$2-3 billion in case of cancellation as the policies predate the pandemic, making it a covered risk. Lloyds of London, among those most active in the event cancellation market, is said to hold the highest cumulated exposure related to the games, while some of the biggest names in the industry have reported their exposure in the several hundreds of millions of dollars. The market has already registered claims related to the postponement of the event for issues such as hiring venues or reprinting marketing brochures, but these could pale in comparison to the cancellation of the whole event.

Given all these moving elements, the Olympics' fate is likely to be decided around March, which is when the event was initially postponed last year. The Olympics torch relay across Japan, which would officially kick off the festivities, is scheduled for March 25.

COVID effects on activity at U.S. ports

Global logistics in 2020 was marked indelibly by the Covid-19 pandemic, resulting in considerable fluctuations in demand for industrial products and transport. COVID-19-related challenges have delayed shipments of products and raw materials across many industries the past couple of months, pushing up wholesale costs and raising the likelihood of higher retail prices by midyear.

The causes of some of the issues are some factories in the U.S. and abroad are shuttered while many others are running at partial capacity because of employee COVID-19 cases or social distancing requirements. Ports, warehouses and trucking companies are similarly grappling with worker absences. And containers for overseas shipments are in short supply. Even the rollout of COVID-19 vaccines is playing a role, taking up shipping capacity and slowing other deliveries.

To compound the challenges, COVID-19 infections among dockworkers and a pandemic-fueled torrent of imports have created a perfect storm at California's two busiest ports. The Los Angeles Times reported that nearly 700 dockworkers at the ports of Los Angeles and Long Beach have contracted COVID-19, and hundreds more have had to take virus-related leave, creating the potential for a debilitating slowdown. As of Jan. 20, a total of 45 ships were waiting to unload at the port, the largest bottleneck in six years. According to the International Longshore and Warehouse Union, positivity rate at the Port of Los Angeles is currently 65%, and 71% at the port of Long Beach.

Such bottlenecks were prevalent when the pandemic began in early spring as factories shut down across the globe. Since then, the crunch had gradually eased. But recent COVID-19 spikes, combined with a resurgence in customer demand, have sparked the direst shortages and delays yet.

On a bright note, The Port of Virginia set a record for December volume, processing more than 260,000 twenty-foot equivalent units (TEUs), up nearly 16% compared to 2019. That followed record-setting levels in October and November, officials said. The port processed an all-time monthly high of 280,000 TEUs in November. However, despite the end-of-year gains, the port saw overall 2020 volume decline 4%, which officials attribute to the trade war with China and supply chain slowdowns related to the coronavirus pandemic.

At the largest port on the U.S. East Coast, officials at the Port of New York and New Jersey reported increasing volumes through the end of the year as well. Officials have recently stated that cargo volume through the port rose for the fourth straight month in November, the latest month for which figures are available. The port handled 738,885 TEUs in November, up 23% compared to a year ago. Imports rose nearly 28% during the month, exports were up nearly 19%, and rail volume was up 17%.

The South Carolina Ports Authority also marked its strongest December on record in 2020, handling 209,606 TEUs at its Wando Welch and North Charleston container terminals, a nearly 12% increase year-over-year. Loaded imports were up more than 14% and loaded exports were up nearly 9%.

In the US Southeast, 2021 is expected to be a busy year for port authorities as volumes are expected to quickly rebound from the lows seen during the COVID-19 pandemic.