

PCS Information Bulletin #46: COVID-19 Review

Wednesday, December 9, 2020

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.

Surges of Covid-19 cases in the US

When we're talking about surges, in the U.S, there are three waves that we can say have affected the country: the spring surge was centered on New Orleans and urban areas in the Northeast. The summer surge primarily rocked states such as Texas, Arizona and Florida. Now, nearly every corner of America is getting hit with extraordinary case counts – the country reported more than 230,000 Covid-19 cases on Friday December 4, 2020, the largest number than any other point in the pandemic. Forty-five states reported more cases during last week in November than in any other week since the start of the pandemic, about one in 76 Americans tested positive for coronavirus.

The difference is that now, the virus reached into small counties as well like Crowley County, Colorado or Grand Forks County, South Dakota. Texas, which got hit hard in the summer surge, is again experiencing staggering growth. El Paso County reported in November 37,287 new cases and 445 deaths. By the end of November, coronavirus was spreading at extraordinary rates almost everywhere. Only a few isolated pockets of people avoided some of the worst, including northern New England, counties around San Francisco and parts of rural Georgia. But even those areas are starting to show signs of change.

The Northeast is now leading the alarming increase in Covid-19 hospitalizations across the U.S., with large jumps in New York and Pennsylvania. Some states that are now experiencing rapid growth of confirmed COVID-19 cases were not among those that experienced large outbreaks earlier in the year:

#	State	Total Cases	New Cases in the last 7 days	Change from previous week
1	Vermont	5,080	908	+98%
2	Massachusetts	259,325	33,193	+90%
3	Connecticut	135,844	18,549	+76%
4	Louisiana	252,136	19,722	+75%
5	South Carolina	234,652	17,165	+73%
6	Georgia	506,690	35,127	+71%
7	Maine	13,775	2,018	+66%

8	New Hampshire	25,816	4,786	+62%
9	Arizona	365,843	39,026	+59%
10	California	1,390,828	160,564	+57%

Source: John Hopkins University, data as of 12/07/12

In Vermont, the most affected counties are Chittenden with over 1,700 cases and Washington with nearly 800 cases. The rest of the state stays around the 300 mark for cases. In Massachusetts the most affected is Middlesex county with almost 53,000 cases followed by Suffolk and Essex with 41,000 cases each. These three counties represent half the cases reported in the state alone. In Connecticut the most affected counties are Fairfield with almost 44,000 cases followed by New Haven with 35,000 and Hartford with 33,000 cases. The three counties alone account for 80 percent of the cases from the state, while the rest of the counties have cases in the single thousands. In Louisiana the most affected county is Jefferson with around 25,000 cases followed by East Baton Rouge with just over 21,000 and Orleans with 17,000 cases. These three counties account for 25 percent of the cases reported, while rest of the state has even distribution for cases. In South Carolina, the most affected counties are Greenville with just over 26,000 cases, Richland with almost 22,000 cases and Charleston with almost 21,000 cases. The top three counties account for 30 percent of the cases in the state while the rest of the counties show an even distribution.

Pretty much every state in the country has declared by now the coronavirus outbreak a public health emergency, and have implemented restrictions on travel, business and public gatherings. The number of new cases reached new heights in recent weeks and continues to accelerate with some people calling the festive period a “surge upon a surge” and fear the months of January and February will be very rough.

Port congestion as a result of Covid-19

With our PCS Global Marine and Energy index, our PCS team closely monitors events and issues that affect the marine and shipping industry. Covid-19 has upended global supply chains and caused widespread disruption to businesses and factory activity across the globe. Since October, surging container volumes hitting U.S. Ports coupled with container supply concerns and transport chassis shortages have concerned trade groups within the industry about port congestion. Currently, several of the greatest points of concern are at the major ports of Los Angeles & Long Beach, along with Port of New York/New Jersey. Supply chain stakeholders have been voicing concerns about port congestion since early October, as importers have gone through a period of restocking.

Port congestion is the result of high import volumes. Increased levels are expected to continue. Global lockdowns to slow the spread of Covid-19, coupled with an unexpectedly strong recovery through the third quarter, has disrupted the entire global supply chain. Surging freight volumes are attributed to several effects of the Covid-19 pandemic, including retailers replenishing depleted stocks, a transition to the work from home economy, and inventory management strategies that incorporate more “just-in-case” stock levels. The disruptions are not just caused by ports trying to funnel large numbers of containers through their gateways, but also by equipment bottlenecks. Shippers need containers to move imports and exports, and container availability in many areas continues to be at a record low.

For example, all Port of Los Angeles terminals are open and operating. In fact, the Port of Los Angeles had record cargo volumes in August and September 2020. Throughout the Covid-19 pandemic, all cargo terminals at the Port of Los Angeles have remained open and operational. As part of America’s supply chain, port operations and distribution are deemed essential and continue without interruption. Import levels at the Port of Los Angeles are expected to be more than 29% higher this week compared to the same week last year. And the week before Christmas, volume at the port is expected to be up more than 47% year over year. While retailers have been busy stocking up for peak holiday season, manufacturers will tend to stock up again around the March to April timeframe, which means there might not be much relief for the port congestion heading into the New Year. Similarly, The Port of New York and New Jersey handled record-breaking container volume in August and September.

Carriers have reported the high level of supply chain disruption can be linked to a range of additional factors. No seasonality of demand in the second half has left carriers with no downtime to recover operations, while berth occupancy and terminal utilization in Asia and North America have been at all-time highs with extra loaders exacerbating the congestion. Added to this are weather delays, crew change issues related to the pandemic, positive Covid-19 tests that delayed ships in ports, rising dwell times, and delays in returning containers leading to equipment imbalances, with limited scope to increase the box fleet at short notice.

The result is chronic gridlock at many ports. Ships are stranded offshore for days, even weeks, waiting to unload. Containers are buried in enormous stacks in clogged terminal yards. Trucks wait in line for hours to pick up a single container and customers throughout the country experience shipment delays lasting weeks. The congestion and bottlenecks reverberate throughout the supply chain, becoming a significant trade barrier for both exports and imports with an expected negative impact on the economy.