



MEDIA RELEASE

28 February 2020

Coronavirus global supply chain disruption to adversely affect transport operators

Coronavirus (COVID-19) has captured much of the world's attention since the disease began spreading from Wuhan city in China in early January 2020. Rightly so, the initial focus from health experts, government bureaucrats and other stakeholders have been on efforts to contain the spread from China, which resulted in a lockdown of borders and travel bans for people coming from China.

Scant attention was initially paid to the economic consequences of the disease and its impact on global supply chains. With talk now turning to a potential global pandemic, and importers starting to feel the effects of supply chain disruptions brought about by forced factory closures in China, the world is very much tuned in to the impact of the disease on global markets.

The first signs of ongoing concerns hit markets in late February, with the Australian Stock Exchange suffering massive losses, as did markets right around the world. This was largely brought on by a prevailing view that a pandemic is inevitable, and associated investor reticence and fear about the ongoing economic consequences.

While historically pandemics have not materially impacted the global economy or equity markets, this is a bit different. China is a much more important link in the global economy. Restrictions on travel initially impacted tourism and education however now supply chains of goods are being impacted.

Imports are in decline due to a lack of supply from China and this is starting to be felt by consumers; goods they have grown accustomed to purchasing are not readily available and backlogs are starting to appear on goods – a car that would typically take six weeks to receive is now estimated for extended delay. There is also a ripple effect to note on manufactured consumer goods. Even though a product might not be manufactured or assembled in China, delays are being caused by components made in China not being as readily available.

We should all get used to waiting longer for manufactured goods or seek alternatives in the short term.

Conversely, exports from Australia are also being impacted because Chinese factories and industry not operating at full capacity have limited need for raw materials from Australia they may have once needed. This is creating insecurity among Australian exporters who can no longer be certain about their trade volumes with China.

Naturally there are consequences for transport operators at every mode and level of the supply chain because the overall import/export freight task will decline until Chinese factories and industry resume operating at normal capacity.

The pressures on local businesses will increase as volumes diminish. Your local Association can assist in guiding you through some of these issues including any industrial relations problems. We will continue to monitor activity and reaction as this issue progresses.

Peter Anderson
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