

## PRESS RELEASE

### Impact of coronavirus epidemic on Hungarian freight forwarding

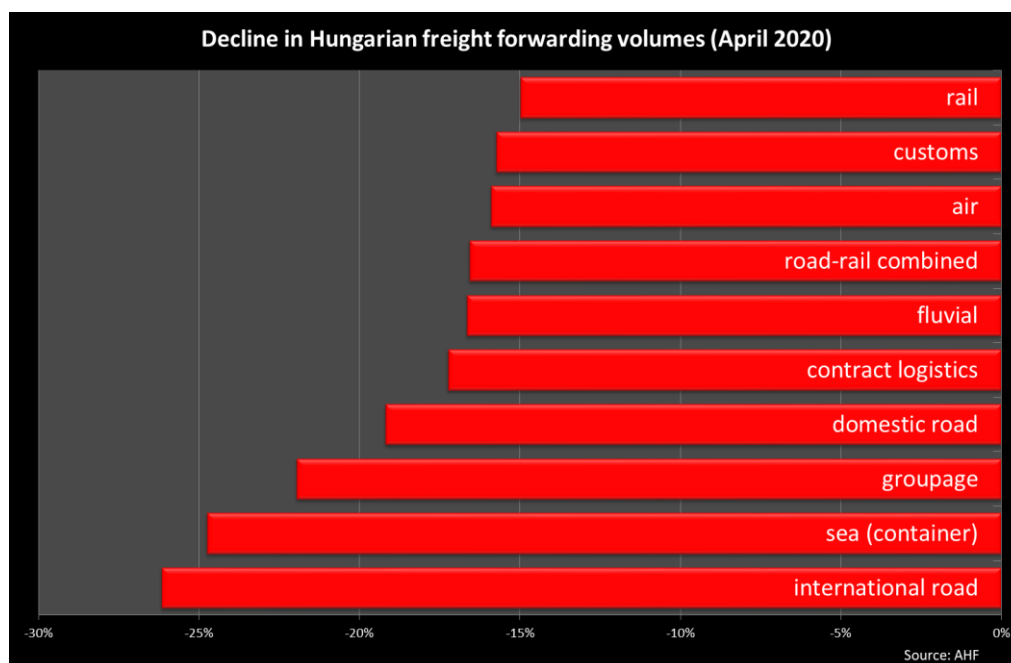
Budapest, 28th April, 2020 - *Industry players are experiencing a 10-30 percent decline in the shipping sector in April this year compared to last year. In a questionnaire survey the Association of Hungarian Forwarders asked its members what their experience is when it comes to the effects of the epidemic on the freight market. The questionnaire also covered the time they expect to recover.*

The companies operating in the Hungarian freight forwarding industry represent a principal economic sector of the Hungarian economy with an annual net turnover exceeding **HUF 1,000 billion** (EUR 3 billion).

The Association of Hungarian Forwarders (AHF) has been representing Hungarian forwarders since 1989, and it is a member of the international organization of freight forwarders, FIATA (Fédération Internationale des Associations de Transitaires et Assimilés). The member companies of AHF represent about two thirds of the total sales revenue of the Hungarian forwarding market.

#### How did the coronavirus epidemic affect the Hungarian shipping industry?

The questionnaire survey conducted by AHF reflects the opinion of the respondents and cannot be considered representative due to the low number of respondents. Based on this, **a decrease of 10-30% can be seen** in April compared to the same period last year, however, significant differences are visible among modes of transport.



In domestic road traffic, the turnover of food, medicine and consumer goods did not decrease significantly, however, due to the almost complete closure of automotive companies and the shutdown of most other industrial companies, the rate of decline was roughly 20%.

International road traffic had to face a more serious decline of 25-30%. Demand has fallen dramatically and day-to-day changing constraints, unpredictable border situations and protection measures have further hampered service. Prices moved hectically, available excess capacity for exports dropped and capacity shortages for imports often pushed prices up.

Rail transport has shown a mixed picture in recent times. Naturally, the amount of automotive and steel transportation decreased here too, but there were areas such as the market for the transport of agricultural products or imports from Italy to Hungary, where the railway could even increase its share. The overall rate of decline was 10-15%

The volume of goods transported in combined transport, interpreted in road vehicles carried partly by train, decreased by 15-20%, mainly on Western European routes. Traffic in the East, including Turkey, has been stable in recent weeks, but the accelerating spread of the coronavirus epidemic is unfortunately predicting a decline in this segment as well.

Oversea container shipping got off to a strong start this year, but Chinese restrictions were among the first to affect this traffic, with a 25% decline among the areas that suffered more losses. In March, there was still a lack of empty container capacity for loading of Hungarian exports, which disappeared by April, but this was unfortunately due to a radical decrease in the volume of goods.

From January this year, the IMO2020 regulation, a new system for regulating the sulfur content of marine fuels, was introduced, requiring all sea vessels to reduce emissions of sulfur-containing compounds by 85%. Market participants expected a significant price increase from the new regulation, but so far due to low oil prices this has not led to a change in tariffs, similarly the decrease in volume has not affected prices as shipping companies have reduced their capacity in proportion to declining traffic.

So far, companies have reported a drop in air freight of less than 20%. China's export-import trade, the backbone of trade, has fallen sharply, but there are already encouraging signs that export capacity has improved significantly from previous weeks. Turnover in the rest of Asia and Australia remains low. Trans-Atlantic lines are critical, and available capacity often proves to be scarce, even to serve heavily reduced volumes.

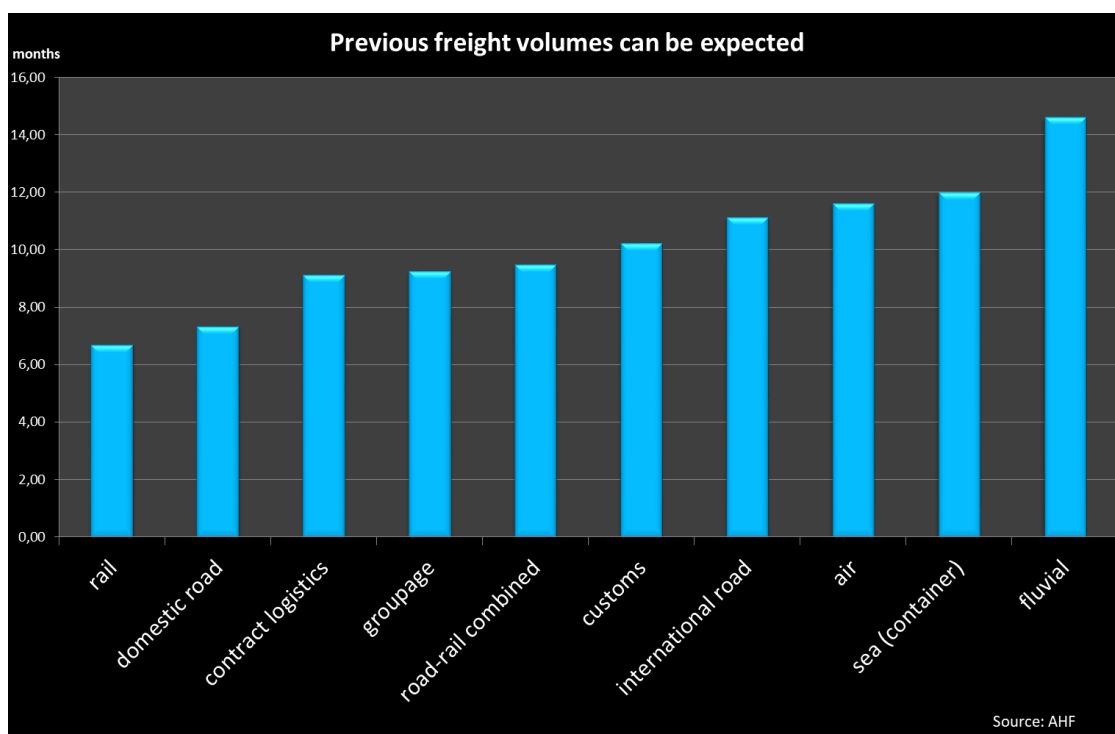
Fluvial transport has been facing serious problems for a decade, mainly due to the low and unpredictable water level of the Danube. Due to low water levels, ships are not able to transport the full amount of goods, thus losing their competitiveness, so often, rail and sometimes even road transport are more advantageous solutions for customers. In addition to the 30-50% decline of the past decade, the coronavirus has hit the sector by another 10%.

Contract logistics activities show a diverse picture. Several companies involved in the storage of food and consumer goods reported an increase in turnover, however, companies engaged in automotive supply and production logistics were in many cases forced to suffer a decrease of more than 50%.

The turnover of companies engaged in customs clearance decreased by about 15% in parallel with the decrease in the volume of goods, however, several companies reported that the Hungarian customs authorities responded very well to the difficult situation. Communication has improved, the customer-centric approach has been strengthened, the administration has become more flexible, and certain documents are now accepted not only in the original but also electronically by the authorities.

### When can previous volumes recover and what can freight forwarding companies do to mitigate the negative effects?

The members of the AHF estimate that the previous freight volumes can be expected within 6 to 14 months.



Our association has always cooperated, but since the beginning of the crisis it has established even stronger ties with the Hungarian Chamber of Commerce and Industry (HCCI) and the professionally related logistics and transportation interest groups. In our joint proposal with HCCI's College of Transport and Logistics, submitted to the Hungarian government, the representatives of the transport industry demand that **rescuing existing businesses should be given high priority instead of very long-term profitable infrastructure investments** during the pandemic emergency.

To achieve this goal AHF has made a number of constructive proposals, but among the suggestions, our members consider it extremely important to extend and simplify job protection wage subsidies (Kurzarbeit), reduce the tax and contribution burden on wages, and governmental support to digital acceptance of invoices and waybills.