

# INTERVIEWS WITH THIRD-PARTY LOGISTICS



## Market Sentiment Report - April 2020

As of March 11th, due to the nationwide declaration of emergency in Hungary and the closing of country borders from passenger traffic taken five days later, many businesses were limited in "just in time" and key production industries such as Automotive and related component supplier manufacturing have ground to a virtual standstill around the end of March. Cushman & Wakefield carried out a sentiment survey whereby we conducted Skype interviews with top professionals of the 3PL industry to understand their latest experiences. Cushman & Wakefield approached over 20 companies active in Hungary.

### HOW OPERATIONS HAVE CHANGED?

Due to the dominance of automotive industry in third party logistics in Hungary, experience shows that storage inventories have accumulated after the shutdown of such producers and manufacturers. 3PLs needed to adapt to the circumstances which resulted in reduced and certainly more difficult international transportation.

On the 14th of April, Audi has reopened their factory to start a limited operation and other manufacturers' (Suzuki, Daimler) restart is also expected. The experienced challenges were considered as temporary issues and no significant changes were reported in operations so far.

A general, if temporary slowdown was experienced in the Hungarian logistics market with an increased supply chain lead time. In case of international transfer there were a few days delay experienced in the lead time.

### WHAT HEALTH & SAFETY MEASURES WERE INTRODUCED?

Several health and safety measures were taken by the asked companies. Adaptation to home office is generally difficult, especially where administration and manual labour (logistics or manufacturing/production) are strongly connected to the site.

Nevertheless, administrative work has shifted to home office as much as it was possible and these companies have shifted to "contactless" operations in warehousing and forwarding.

Companies are all using healthcare equipment such as masks, gloves (must be worn at all times), hand sanitizers and thermometers. It is also defined how many workers can be in the same room and meetings with external parties are reduced to a minimum.

In addition, regular cleaning and disinfecting are carried out multiple times during the day.

### WILL EXTRA CAPACITY BE RELEASED?

Answers varied on this topic. Certain companies have experienced an imminent need for extra capacity from their customers - mostly driven by FMCG sector and in certain cases the accumulated stockpiles of automotive parts and products.

**Extra demand for space is considered periodical in areas where buffers accumulate**, whilst warehouse capacities are generally used to maximum.

### SHORT TO LONG TERM BUSINESS EXPECTATIONS

The complete restoration of the Automotive industry is expected at the end of the year. The other industries hopefully regenerate by May/June.

In medium term companies are expecting a decline but not drastically. Low oil price on the other hand will have a favorable impact on transportation costs, while exporters can enjoy a record low EUR/HUF exchange rate.

Considerable changes are to be expected in supply chains on the long term. This might affect many logistics tenders and projects while the evaluation of ongoing trends are taking more time.

### EXPECTATION ON CHANGE IN PRICING

Most respondents stated that it is too early to declare what will happen to prices in the mid to long term, but the general sentiment was that an increase in cost is to be expected.

**All 3PL's stated that no significant price change has occurred so far but a certain level of decrease in warehouse rents are expected as a result of weakening HUF and the postponement of large logistics tenders.**



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