

Global Express & Small Parcels Market Sizing 2020



COVID-19 Impact Analysis

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Express and parcels companies have played a vital role in keeping the global economy moving over the course of the COVID-19 pandemic. Providers have been crucial in clearing bottlenecks in industry following national and regional lockdowns. Clinical trials capabilities have been highly sought after in a bid to find vaccines and treatments for the coronavirus, whilst other areas of healthcare and pharmaceutical provision have been key in helping the medical frontline fight the disease. With consumer movements restricted, parcel provision has granted the retail sector a much-needed lifeline.

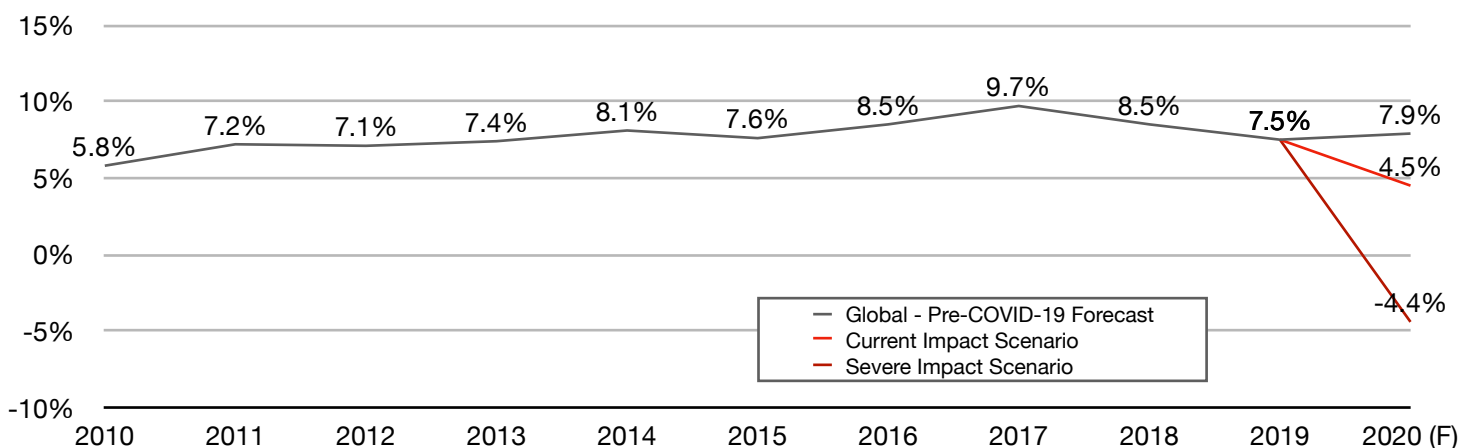
Despite its heightened importance in global supply chains, express will not necessarily be a growth market during the coronavirus pandemic. The collective hit to the global economy is projected to far outweigh even the global financial crisis of 2009 and draws stark comparisons with the great depression of 1930s. Ultimately, the economic reality will be inescapable for the express sector, but the circumstances of this crisis mean the picture is highly nuanced.

The industrial and automotive sectors have been hit hard by factory shutdowns. Whilst this has led to pent up demand for express services later on, the overall effect on output in these sectors has been dire, and this will more than offset the initial demand gains. In e-commerce, there have certainly been large increases in sectors such as consumer electronics and beauty, but clothing sales have dropped off considerably. As consumers return to stores post lockdown, the initial boost to e-commerce will moderate. Furthermore, rising unemployment and weaker disposable incomes will cause damage to the retail sector, with the effects felt both on and offline.

Global Express & Small Parcels market growth

In Ti's 'current impact' scenario for growth, the global express and parcels market could expand by an upper limit of 4.5% in 2020. Although positive, this represents a downgrade compared to projections made prior to the coronavirus pandemic. The market had been expected to increase by 7.9%, meaning the scenario represents the weakest growth rate this decade. However, in a 'severe impact' scenario which presents little prospect for a meaningful recovery of demand in key industry sectors or amongst online consumers, market growth could fall as low as -4.4%.

Global Express & Small Parcels Market Growth - 2010-2020



The B2C segment of the parcels market provides a lifeline in this difficult period. Those countries where B2C volumes account for a larger share of the market are more shielded than those exposed more to the B2B segment. This is because lockdowns could have an accelerating impact on the growth of e-commerce and related parcel services, which would continue to power the market throughout the rest of the year.

Under the 'current impact' scenario, the economy will begin to recover in the second half of the year, increasing volumes, with sharp upturns in some of the worst-affected sectors. Additionally, global trade will also begin to recover after a downturn in H1. This would still not be enough to offset the decline in economic

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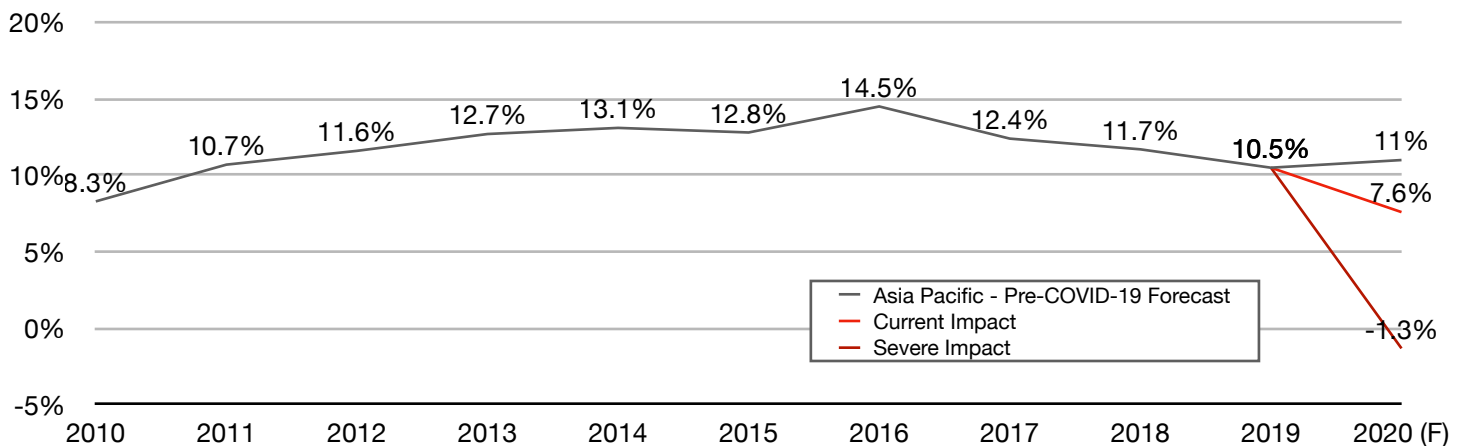
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activity seen throughout the first half of 2020. However, a fast-expanding e-commerce market will ensure the global market maintains robust growth.

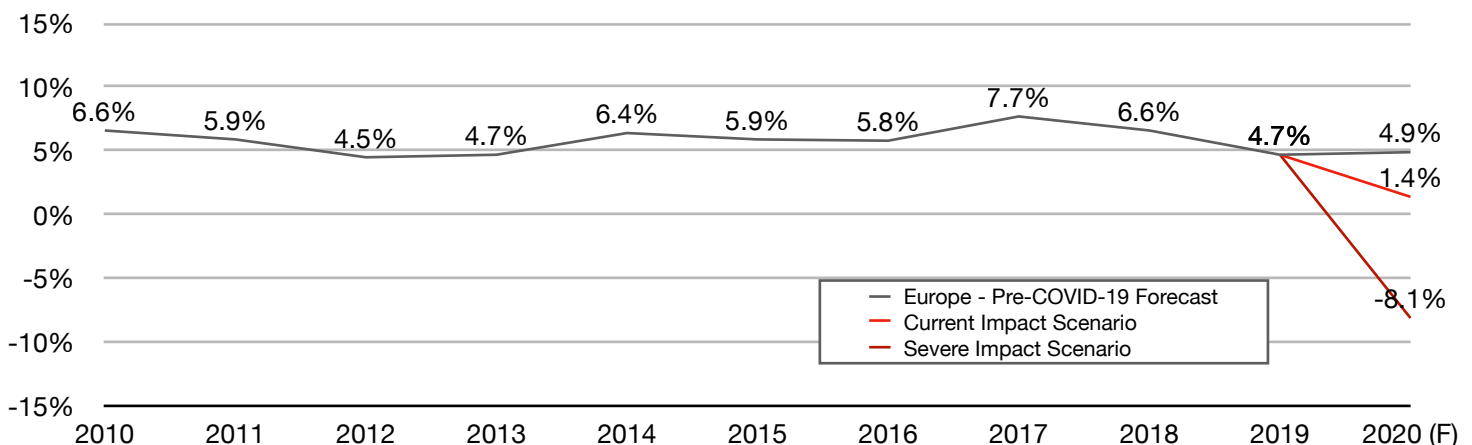
However, if the coronavirus pandemic causes sharp pain to the global economy, with the pandemic largely continuing throughout the rest of the year, the market could contract. In Ti's 'severe impact' scenario, market growth could fall to -4.4%. Demand across various sectors would remain weak throughout the course of the year. The retail sector will suffer badly, with e-commerce performing better, but showing modest growth overall. In this scenario, the fallout from job losses and wage cuts will remove the impetus for market growth in aggregate across the course of the year. e-substitution will be necessary due to prolonged shutdowns, but purchases will be limited overall and consumers which previously commonly shopped in-store before the pandemic will continue to do so where possible.

Asia Pacific Express & Small Parcels Market Growth - 2010-2020



For the Asia Pacific region, the 'current impact' scenario shows the market will grow by at most 7.6%. This strong growth rate largely reflects the influence of the Chinese market, where past e-commerce growth has been rapid, allowing for a booming B2C parcels sector. In the 'current impact' scenario, growth in e-commerce will increase, but the slowdown in the B2B segment will temper the market's expansion. In a 'severe impact' scenario, the market could contract by 1.3%, with a weak international market offsetting growth in the domestic market.

Europe Express & Small Parcels Market Growth - 2010-2020



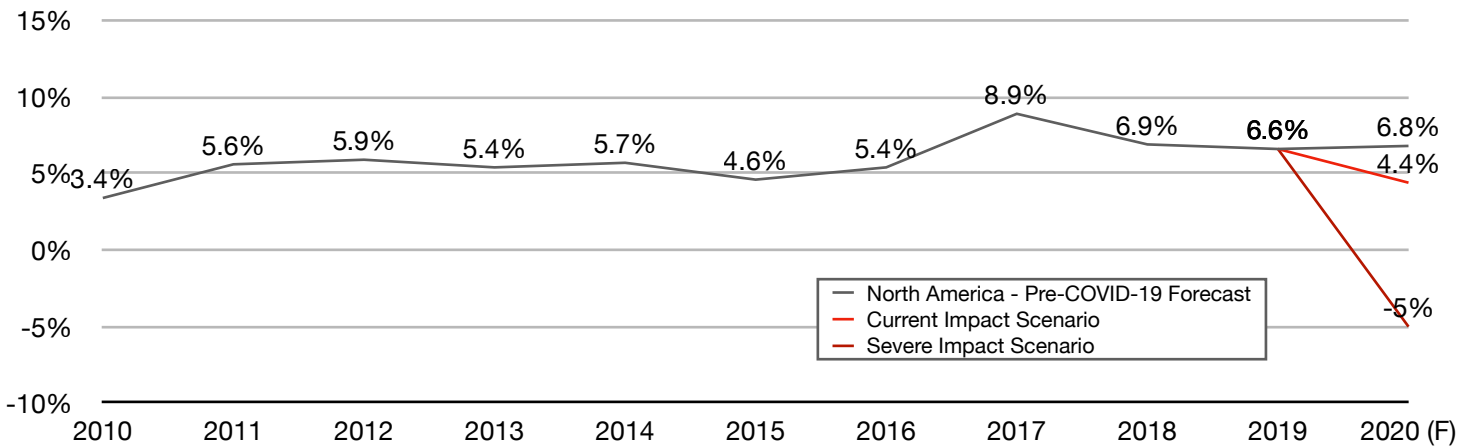
In Europe's 'current impact' scenario, growth will fall to at most 1.4%. This represents a downgrade in growth of 3.5 percentage points compared to pre-COVID forecasts. Domestic growth will be strong enough to offset falls in the international segment. However, in a 'severe impact' scenario, both domestic and international markets will contract, leading to a lower limit for growth of -8.1%.

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North America Express & Small Parcels Market Growth - 2010-2020

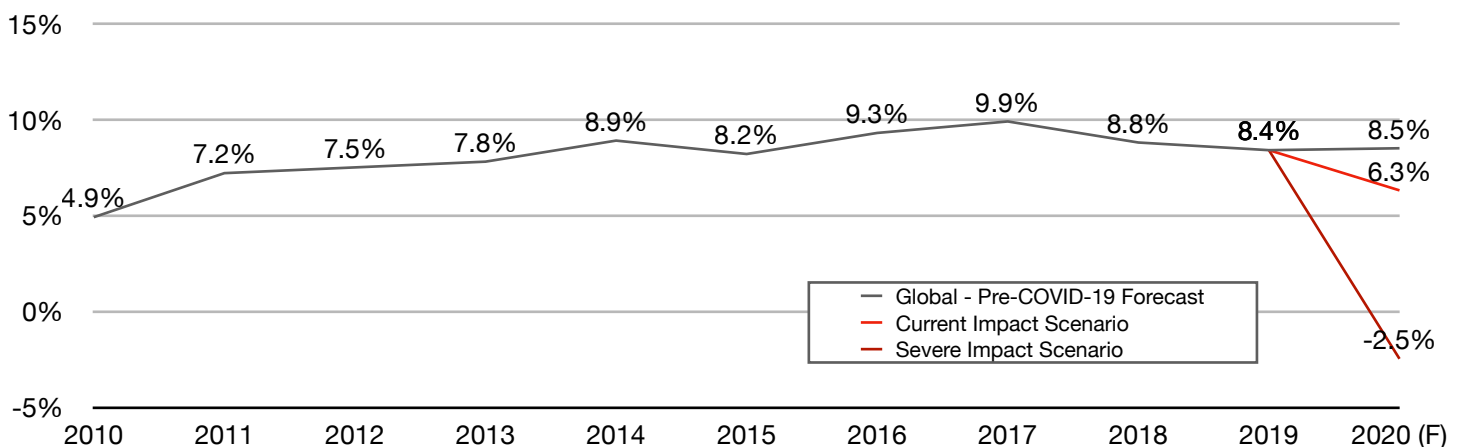


The North American market could show robust growth prospects if the 'current impact' scenario plays out, with the market expanding by up to 4.4%. Domestic revenues account for nearly 90% of the North American parcels market, meaning a robust domestic performance will offset a bigger percentage drop in the international market. However, in a 'severe impact' scenario, both the domestic and international markets are expected to contract, leading to a growth rate of as low as -5.0%.

Domestic Express Markets

Ti's COVID-19 Impact Analysis shows that the domestic market will grow by as much as 6.3% under the 'current impact' scenario. However, should the epidemic fail to be properly suppressed, with an ensuing financial crisis leading to a significant drop in demand and weak access to supply, the market could contract by at worst 2.5%.

Global Domestic Express & Small Parcels Market Growth - 2010-2020



The 'current impact' scenario foresees the world economy contracting by around 3% (as per the latest IMF World Economic Outlook). Contractions in key sectors such as automotive and industrial will lead to weaker parcel growth. Demand may spike as sectors begin their recovery and there will be good growth throughout the year in areas such as pharma, but this will not offset the damage to the global economy.

However, domestic e-commerce volumes could help to produce growth. Already over the start of 2020, e-commerce has accelerated in a number of countries. This is because lockdowns have forced consumers to shop online instead of in-store. There have been significant boosts in a number of product categories, such as computer monitors and consumer electronics, partially offset by others, such as fashion. Lockdowns have not only increased purchases, but the number of consumers buying online has increased too. Often for older generations, the first purchase is the most difficult to make, but the overwhelming body of evidence around

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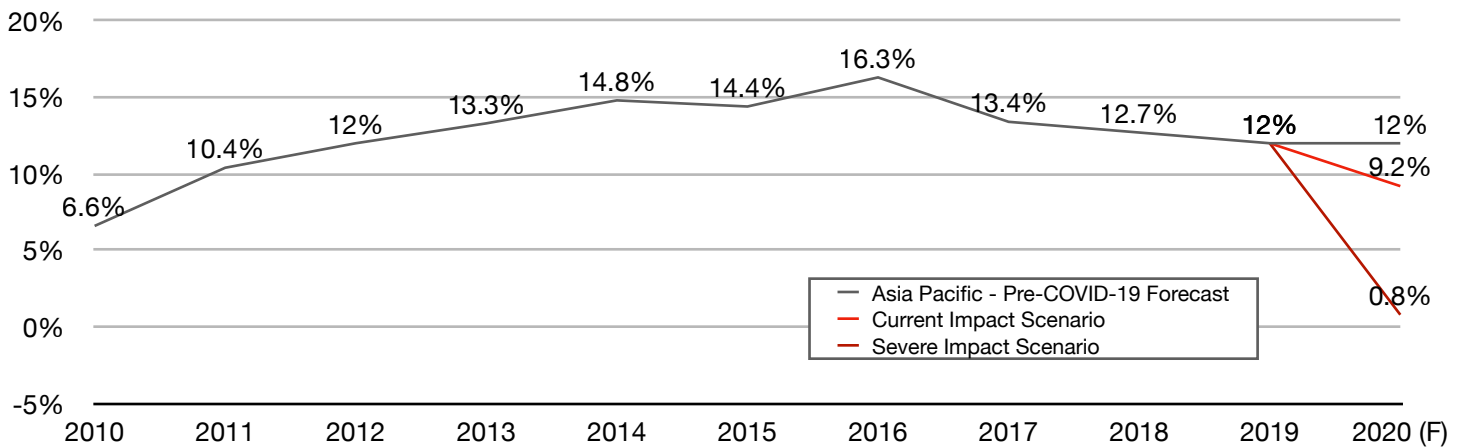


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e-commerce suggests that when a consumer shops online for the first time, they continue to shop online in future. This has the effect of leading to permanent e-substitution in some cases and this trend is expected to continue through the rest of 2020 in the 'current impact' scenario.

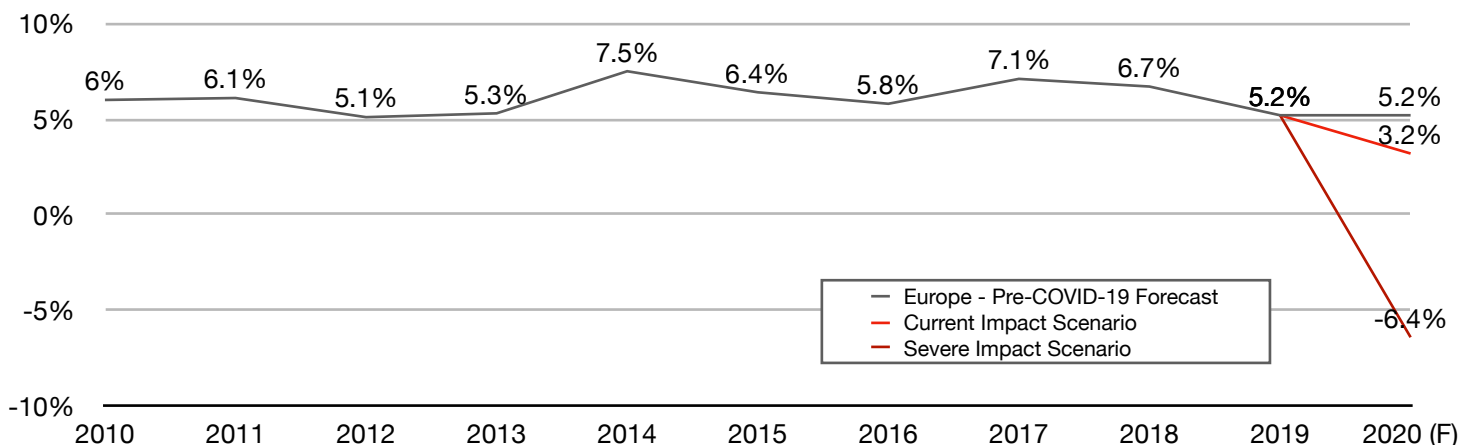
Conversely, the 'severe impact' scenario foresees much weaker economic growth over the course of 2020. This will lead to a harsh slump in demand for B2B parcel services from a variety of sectors and the damage to the pockets of consumers is likely to be particularly bleak. This will have the effect of depressing e-commerce growth rates considerably. There are also considerable potential risks to supply. In the UK, Next was forced to shut down its online operation in March due to staff fears over coronavirus. In France, employees at Amazon warehouses went on strike due to similar issues. A failure to control the epidemic could lead to further online store shutdowns in the months ahead. It is still projected that e-commerce will gain as a share of the overall retail sector, but the sector itself will be considerably smaller anyway.

Asia Pacific Domestic Express & Small Parcels Market Growth - 2010-2020



The 'current impact' scenario for Asia Pacific shows growth of up to 9.2%, which is 2.8 percentage points lower than Ti's previous forecasts. In a 'severe impact' scenario, B2C e-commerce growth is still expected to be fast enough to offset the decline in the B2B parcels market, with the domestic market expanding by at least 0.8%. During Q1, there appear to have been clear winners and losers from the coronavirus pandemic. For example, B2C provider ZTO, which saw volumes expand by 36.1% in 2019, only achieved volume growth of 4.9% in Q1. At Alibaba, Tmall online physical goods GMV growth fell to 10%, with commission revenue down 2%. However, at JD.com, sales soared by 38.2%.

Europe Domestic Express & Small Parcels Market Growth - 2010-2020



In Europe, the 'current impact' forecast suggests the parcels market will grow by a figure at best 2 percentage points slower than Ti's previous forecast. Major markets, including the UK in particular, already have a very high volume of B2C parcels in the market, which means the effect of the slowdown in the

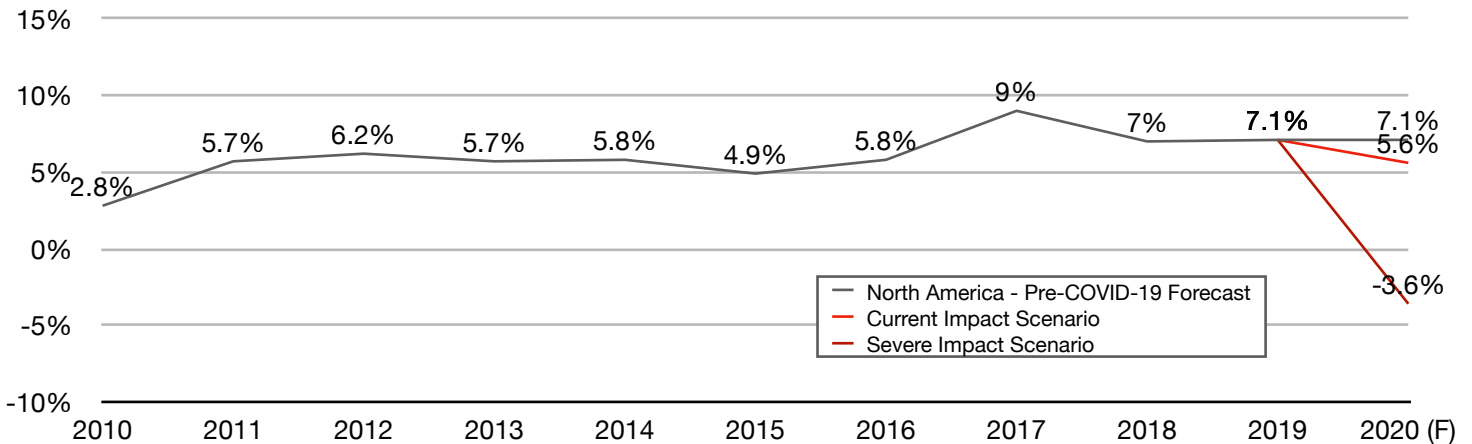
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economy is less acute compared to less developed e-commerce markets that are more exposed to B2B. In the 'severe impact' scenario, Europe's market could contract by 6.4%. The region became the epicentre of the pandemic in March and an economic slowdown could stifle the expansion of e-commerce, which in recent years has grown slower than in many developing markets.

North America Domestic Express & Small Parcels Market Growth - 2010-2020

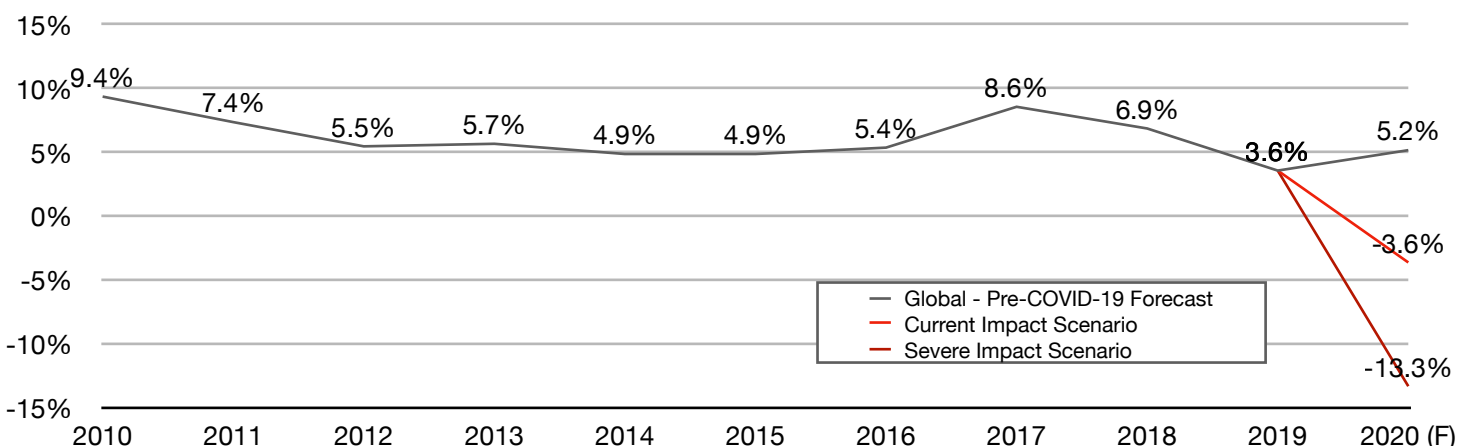


In a 'current impact' scenario, the upper limit for North American growth is projected at 5.6%. e-commerce parcels make up a significant portion of the North American market, insulating it somewhat from the shocks to the wider economy. At UPS, B2C grew to nearly 70% of its total US volumes as it achieved domestic growth of 8.5% across all products in the first quarter. However, in a 'severe impact' scenario, its market could contract by as much as 3.6%. At the time of writing, 38.6m Americans have filed unemployment claims since mid-March. The associated fall in consumer income has the potential to inhibit potential e-commerce growth over the course of 2020.

International Express Markets

The international express market is set for a more challenging year in 2020. Under the 'current impact' scenario, the market is expected to contract by 3.6% at best. Under the 'severe impact' scenario, the market could contract by 13.3%.

Global International Express & Small Parcels Market Growth - 2010-2020



The market will be influenced by the strength of global trading conditions. As in the last global recession, trade is expected to perform much worse than economic activity. Recent forecasts from the WTO suggest that global trade could fall by between 13% and 32%. However, the express market is likely to be shielded from this to an extent.

Express has already proved crucial this year in alleviating the supply chain bottlenecks that have built up

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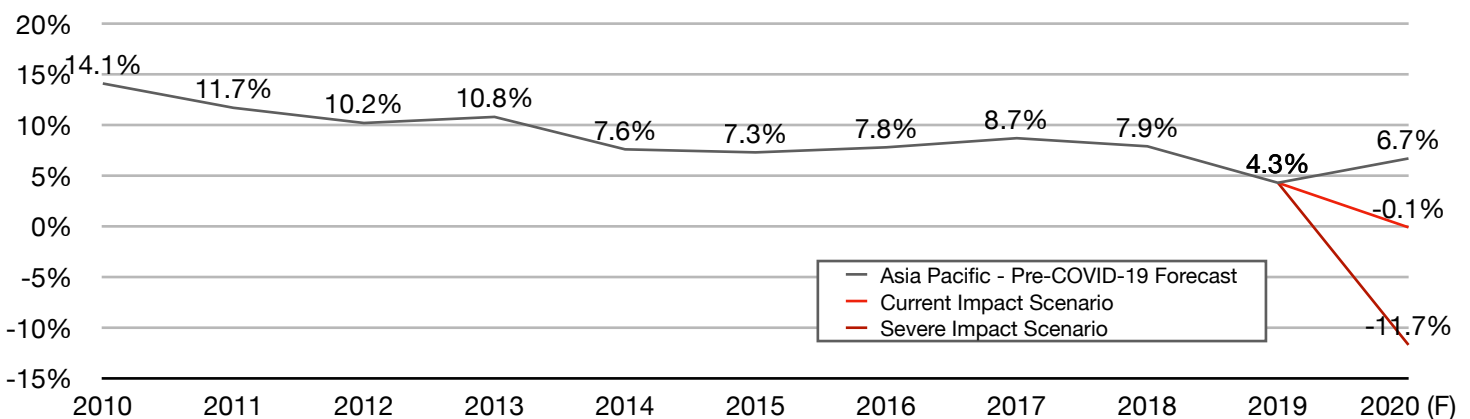


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during lockdowns. Recent financial data from DHL shows that its TDI volumes recovered well after the slowdown around Chinese New Year. The company at one point deliberately slowed down the rate of new volumes gained in order to work through its backlog. This critical role express plays is one of the key reasons why the market will outperform global trade.

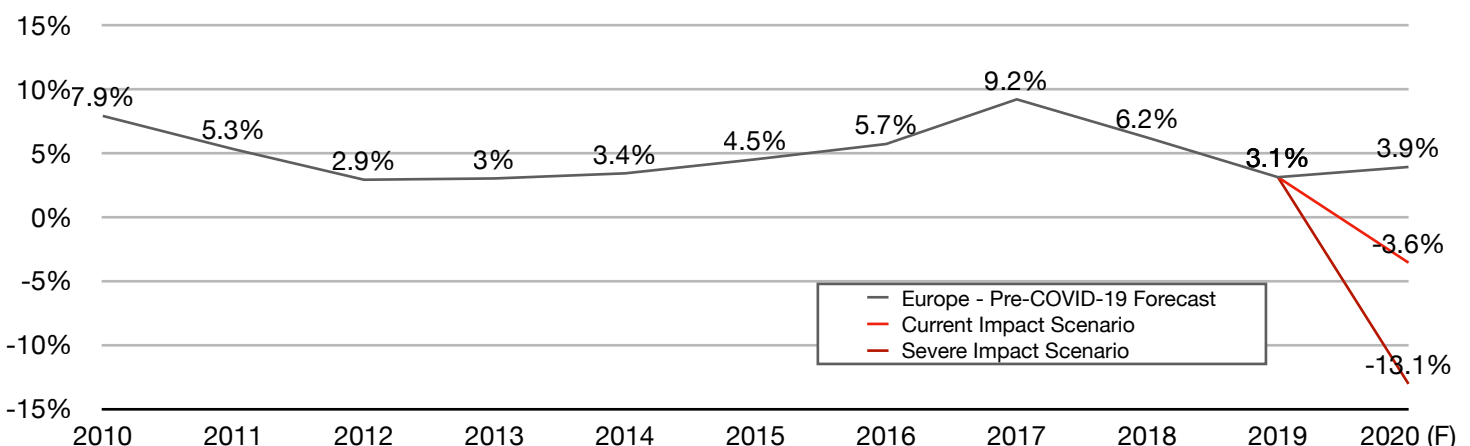
Looking back at 2009, financial data from the Big 4 is indicative of how the market may perform in 2020. A weighted average of the express volume growth of DHL, FedEx, UPS and TNT shows a contraction of between -4% and -6%. At the same time, global trade fell by around 12%. The situation is different in 2020, partly due to the nature of the economic crisis. Whilst in 2009, parcel demand fell alongside economic output, the crisis this time is also very much a supply-side crisis, meaning a drop in volumes associated with lockdowns can be quickly reversed as production starts back up again. It is also partly due to the make up of the current express market. Cross-border e-commerce is now a much more significant part of the market compared to 2009. It accounts for approximately 30% of DHL's TDI volumes, for example, as well as accounting for a substantial number of low-value shipments that largely move through postal networks. The latter have been adversely affected by the lack of capacity on some trade lanes, but overall cross-border e-commerce is a growing area of the market and is largely independent of trade growth. It will therefore partially offset the fall in demand in other areas of the market. This is expected to be the case both of the aforementioned scenarios.

Asia Pacific International Express & Small Parcels Market Growth - 2010-2020



In the 'current impact' scenario, the Asia Pacific market could contract by 0.1% as an upper limit. For the largest market, China, growth will be harmed both due to its initial shutdown in February and because of global shutdowns that occurred as the virus became a worldwide pandemic. As well as seeing a slump in volumes in Q1, the market will not recover in Q2 since demand, particularly from Europe and North America, will see a substantial fall. Under the 'current impact' scenario, demand will increase again in the second half of the year. However, if demand conditions remain weak as in the severe scenario, the market could contract by 11.7%.

Europe International Express & Small Parcels Market Growth - 2010-2020



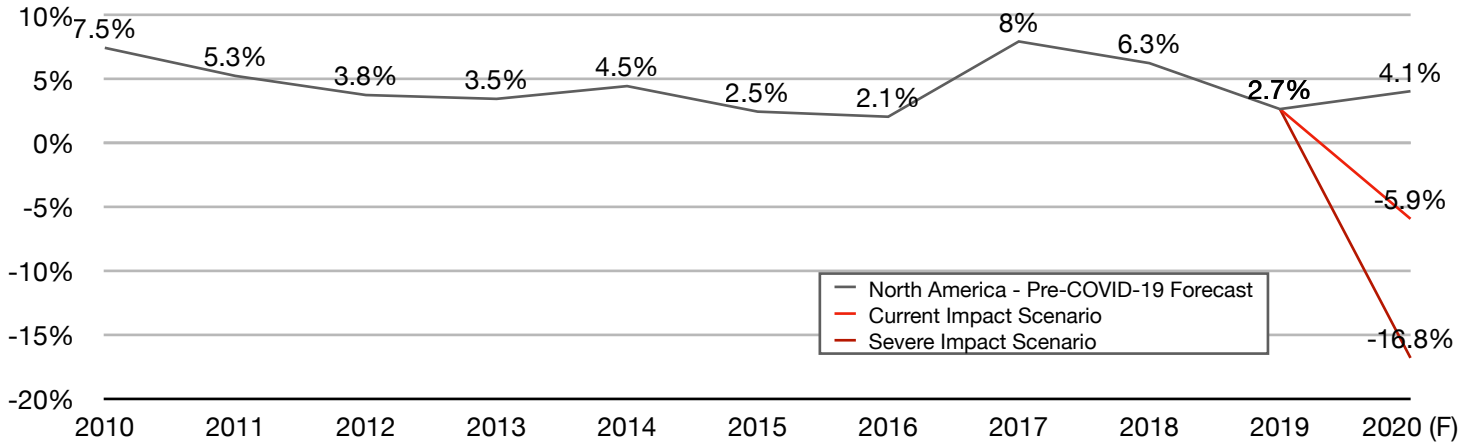
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In Europe, the 'current impact' scenario shows the market contracting by 3.6% at best in 2020. As more countries ease restrictions on everyday life, they will look to minimise the possibility of a second wave of infections re-occurring, which could lead to restrictions being re-imposed later in the year. Under such dire circumstances, Ti projects the market could contract by as much as 13.1%.

North America International Express & Small Parcels Market Growth - 2010-2020



North America was set for a recovery in international growth in 2020 before coronavirus hit. The easing of trading conditions signified by the Phase One Trade Deal was positive news that indicated a thaw in relations between the US and China. The geopolitical fallout from the coronavirus however leaves this hanging in the balance. Under a 'current impact' scenario, growth is projected to fall to at best -5.9%, whilst in a 'severe impact' scenario, the market could contract by as much as 16.8%.

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Global Freight Forwarding Market Sizing 2020

COVID-19 Impact Analysis



Note on Methodology

In order to assess the potential impacts of COVID-19 on the global freight forwarding market, Ti has made use of several data sets. To undertake the analysis, Ti's 2020 global freight forwarding market sizing forecasts is used as a base alongside macroeconomic and market volume data, with the outcomes mapped against a series of assumptions around how COVID-19 could play out.

Sources

For each country, Ti has found a number of GDP, macroeconomic and freight forwarding market data and forecasts which, where available, cover each quarter of 2020 and the full year. The sources used include the IMF (April 2020 database), the European Commission, IATA, the OECD, the World Bank and various ports and national statistics agencies.

In order to assess the impact COVID-19 may have, Ti has analysed the historical link between GDP growth, market volume growth, trade growth, retail sales and manufacturing production growth, including how the links and relationships vary by location. The relationships are complex, and each form only one part of a much wider picture of market growth. The inputs and relationships are, however, highly significant in providing indications of the key drivers which underpin growth.

Assumptions informing the length and intensity of the COVID-19 pandemic are informed by Oliver Wyman's COVID-19 Primer:

- 'Current impact' scenario
 - Outbreak suppression within 4-6 months. Infections spike early in outbreaks but are under control in around 8 weeks, with manageable ongoing case levels.
 - Supply and production shocks impact some sectors but are manageable in aggregate
 - Restrictions on daily life – both personal and economic – are temporary, as are restrictions on movement and international travel. Business and wider economic impact is ongoing, but concentrated on H1- 2020
- 'Severe impact' scenario
 - A prolonged epidemic which lasts throughout 2020 and likely beyond. Healthcare systems worldwide are overwhelmed with infection spikes uncontrolled
 - Severe financial crisis takes hold in H2 2020 resulting from a significant drop in demand and access to supply. Recovery unlikely in 2020. Businesses in vulnerable sectors require large scale support and possibility of contagion in related industries. Central bank intervention and government stimulus on an unprecedented scale.

About Ti



About Ti

Ti is a leading UK-headquartered logistics and supply chain market research and analysis company providing:

- Supply Chain and Logistics Market Research Reports
- Global Supply Chain Intelligence (GSCi) online knowledge platform
- Consulting and Market Research projects
- Training, Conferences and Webinars.

Ti has acted as advisors to the World Economic Forum, World Bank, UN and European Commission as well as providing expert analysis to the world's leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

Expertise includes:

- Analysis of the corporate strategies of leading express, freight forwarding and logistics companies.
- Global usage and perception studies of shipper and logistics provider behaviour.
- Micro-economic analysis of key logistics segments: express, freight forwarding, road freight, contract logistics, warehousing, air cargo, shipping and e-commerce logistics.
- Analysis of supply chain strategies employed in industry vertical sectors: pharmaceutical, fashion, high tech, oil and gas, chemical, cold chain, automotive and retail.
- Market sizing and forecasts of key logistics segments.
- Intelligence on emerging markets logistics sectors in Asia, Africa, Latin America, Eastern Europe and Middle East.

What Sets Ti apart?

- Led by leading industry experienced experts
- Globally recognised and trusted brand
- Global Associate Network provides a multi-country, multi-disciplinary and multi-lingual extension to Ti's in-house capabilities
- More than fifteen years of knowledge delivery to global manufacturers, retailers, banks, consultancies, shipping lines and logistics providers
- Unique web-based intelligence portals
- On-going and comprehensive programmes of primary and secondary research

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