



Shanghai Lockdown – A Quick Flash Summary

GDP Growth: Good Start of Q1 but Big Concerns for Q2

China has just announced that the GDP growth for Q1 2022 is 4.8%. Although it was still below the annual target of 5.5%, the market comments that this is better than expected. However, this did not bring cheer to the nation because the pandemic outbreak in Shanghai has not come to an end yet.

Though China has been on lockdowns on and off since the first outbreak of COVID-19 in 2020, this round looks different because of the severity of Omicron propagation speed. In fact, there are also other cities encountering lockdowns at this moment, but Shanghai lockdowns are more critical. Shanghai lockdown draws concerns not only within China but also the whole world's attention because Shanghai is the most important manufacturing, supply, and logistic hub in the world. The Supply Chain impact might have a negative spill-over to the rest of the world.



CCA Newsletter May 4, 2022

The CCA Newsletter is summary of articles about the Asia Business environment. This issue is about “Shanghai Lockdown – A Quick Flash Summary”. Please follow-us on [Linkedin](#) for more.

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China Centric Associates always welcome your contribution of the [questions and feedback](#) to the subject of this newsletter. You are also welcomed to raise [specific topics](#) that you are interested. Our team members will make response to your request in quickest manner.



Quick Summary of Government Measures and Status

In parallel to residents' interruption by lockdowns due to the zero-COVID policy, manufacturers in all sectors and levels were suffering from the production stoppage. Workers were kept away from their workplace and as well as a steep decline in the parts/materials inventory level, which threatened the production progress in the upcoming months.

Automakers such as Tesla have stopped production in early April while other domestic car brand makers also worried that they would not be able to produce any car from their line if the situation persists. Other industries were in similar difficulties because of unexpected production stalls.

Logistic chaos was another pain for industrialists in the region because truck drivers faced repeated COVID tests as they drive along the highway and cross the boundaries of different municipal controls. Sometimes, they were kept waiting on the highway for days before they received results. In some worst-case scenarios, drivers who have been to Shanghai or other COVID lockdown cities were rejected to enter when they arrived back to their home city of origin. This reduced the availability (or willingness) of truck drivers for inter cities transportation.

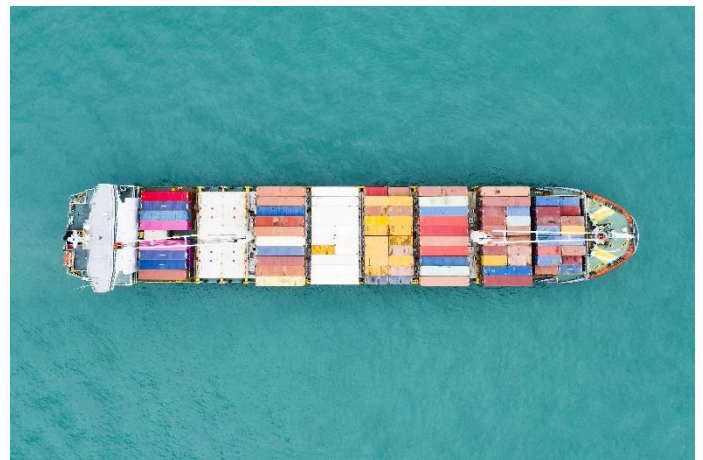


All of the above are only part of the iceberg, the consolidation of these issues create panic of stoppage of economic activities that hurt the nation's

economic outlook. CCA tries to pinpoint some Supply Chain related issues for the reader's reference:

Rise in Blank Sailings via Shanghai Port

Shanghai Port, being the world's busiest container port, remains operational during lockdown but severe shortage of trucking capacity has caused import cargo to become congested at the port because of slow clearance as well as affecting export volumes. Not loading as much cargo as planned has led to continued erosion of export freight rate. This has given carries little incentive to use Shanghai port.



Alternative Port Diversion – problem is still there

Although some liners offer shippers to change their port of destination/loading to other ports near Shanghai: such as Ningbo-Zhoushan or Taicang; the truck driver shortage is still the main challenge that stake holders are facing.

“White-List”- good to have but too short for reasonable recovery

On April 18, the Ministry of Industry and Information Technology (MITT) has announced the measure of launching the “White-List” to facilitate the proper production and logistic support of top players of key industries such as: Auto Makers, IC Producers, Consumer Electronics, Import Supplies for Agro-industry and Pharmaceutical. The members in the “White-List” would get enormous support from the government to make sure their supplies and logistics are not impacted by the COVID quarantine measures,

including “Close Loop Control”: i.e. workers are living where production activities take place.



Key Enterprises resume work and production in Shanghai - CGTN

These 666 manufacturers on the “White-List” resume their production, but this is still a far cry from working at full steam. In the Auto industry for example: there are 6,000 sizeable Auto parts makers clustered in Shanghai and the Yangtze River Delta nearby. If SME are also counted, the number will increase to 20,000.

Many smaller producers are not on the “White-List” but could have a big impact on the big picture. One Automaker comments: “Car assembling could not be completed as long as one small screw is shorted.” Other industries are facing similar difficulties in their Supply Chain.

Is there a Light at the End of the Tunnel?

As of the 22 of April, the daily COVID infection number in Shanghai is still around 20,000. There is still a long way to go before the government removes all the controls or lockdown measures. The situation seems stabilizing over the Labor Day holiday.

CCA believes that the situation is always changing, therefore CCA will be continuously monitoring the government lockdown measures and will be debriefing our readers when a prominent situation arises.