

WEEKLY MARKET *UPDATE*

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LATEST News

Covid crisis spreads along China's coastline. Covid-19 cases continue to rise in Shanghai, while down south a giant convention centre has been converted to a quarantine hospital as Guangzhou follows a familiar Chinese path towards lockdown. Setting alarm bells ringing further for people working in global logistics, Covid-19 cases are being detected in greater numbers at Shanghai's giant port neighbour, Ningbo. Beijing has faced severe criticism for its zero-Covid policy, which has seen trucking capacity cut dramatically in and out of Shanghai during its 16-day lockdown, as well as warehouses and factories shuttering their doors. Authorities in China's largest city have tried to ease the situation – bringing in a new three-tier lifting of lockdown over the weekend – yet fewer than 7m of Shanghai's 26m citizens have been released from their home confinement thus far this week. Moreover, as cases continue to rise in the financial hub there is little chance of daily life returning to normal this month. Commenting via LinkedIn on the latest Covid numbers coming out of Shanghai, Lars Jensen, CEO of liner consultancy Vespucci Maritime, stated: "Yet again record levels of Covid in Shanghai meaning no immediate end in sight to production and logistics disruptions. With the outbreak in Guangzhou also leading to shutdowns there, the impact on export volumes out of China will grow larger." Jensen warned shippers ought to expect drops in export demand, port omissions and more blank sailings in the near term future as well as Shanghai-bound cargo increasingly being discharged elsewhere.

AIR Freight

Shanghai airfreight remains under pressure from city lockdown. Operations at Shanghai Pudong International Airport (PVG) remain constrained as it largely handles pre-lockdown air cargo and supply chain operations are still limited. This is according to the latest advisory from UK-based logistics, freight forwarding & supply chain specialist Woodland Group. Commenting on how Shanghai is coping with its extended Covid lockdown, Woodland said PVG is "open and operational" but added "freight being handled is mainly clearing of cargo that was delivered pre-lockdown". The airport continues to see the impact of the city-wide lockdown in Shanghai, with Woodland noting there is a "shortage of trucks available to deliver cargo to the airport". Efforts to keep the workforce active at the airport include some terminals provided sleeping facilities, however with a number of workers locked down at home there is still an operational impact, added Woodland. Meanwhile Shanghai-headquartered electric vehicle company Nio said it was suspending production and delaying delivery of its cars after suppliers in Shanghai, Jiangsu and Jilin stopped production due to the pandemic. Guangzhou has also enforced new Covid restrictions after cases rose in the city. This is expected to hit the automotive, petrochemical, and, electronics industries based in Guangzhou, further adding to supply chain delays and bottlenecks. The airfreight industry is continuing to monitor capacity and rates, prompting UK-based Westbound Logistics Services to assesses whether the industry should prepare for high rates to be the new normal.

SEA *Freight*

With Shanghai at a standstill, supply chain problems are compounding. Concerns are rising that Shanghai's lockdown is only the beginning of months-long challenges. After just over two years of a largely successful "zero-COVID" policy, China is facing its biggest test to date in the metropolis of Shanghai and the supply chain headaches that come with a massive lockdown. On Monday morning, the city reported a record number of more than 25,000 new cases, according to state media. Officials have begun easing the lockdown for some areas despite the high case numbers, but the majority of the city remains immobilized. Meanwhile, supply chain problems are compounding. Costs are rising and inputs can't be transported to factories. Trucking has slowed to a near standstill. As cases continue to climb and disruptions extend, executives and analysts are getting increasingly anxious about the scale of the lockdown's impact on global supply chains. Supply chain problems compound. Truck drivers entering sites including Shanghai's port, airport and factories must show negative COVID-19 test results from as recently as the last 24 hours, said Cameron Johnson, head of APAC Strategy at FAO Global. As the country struggles to simultaneously process millions of tests, the requirements have caused a logistical nightmare to get goods moved. "Trucking is the lifeblood of the first and last mile," said Derek Bushaw, head of network operations, Asia, at Flexport. "The first mile for the factories is that inbound delivery of components, and whether those are imported or domestically sourced, that's still a challenge because it depends on trucking." Damage to supply chain efficiency is already evident. Some shipping companies earlier this month noted a 30% drop in efficiency due to a lack of trucking transport at the port, Everstream Analytics said in an email. In response, many companies are diverting cargo away from Shanghai. That includes Flexport, according to Bushaw, who said none of the company's deliveries in the city can be completed as of Monday morning.

Covid testing in south China could bring more limitations on exports. The Shanghai lockdown is delaying shipping schedules in South China and bringing down spot rates. And now Guangzhou has become the latest port city to undergo mass Covid-testing, a frequent precursor to tough restrictions under China's zero-Covid policy. City-wide testing began on Saturday evening, along with travel restrictions on who can leave and enter the city. A contact at the port of Nansha said its container terminals were operating normally, but truck drivers in the area had to show a 48-hour negative PCR test, which had caused "some issues in the Pearl River Delta". Moreover, according to Fibs Logistics, mother-vessel schedules are often delayed five-to-seven days at Guangzhou port, "due to irregular feeder vessel and barge services". And, the forwarder said, the lockdown in Shanghai was having an impact on South China shipping schedules by delaying vessel arrivals at Hong Kong and Yantian, for example. Shenzhen and Hong Kong have been battling their own on-and-off Covid testing and restrictions for months, disrupting normal manufacturing and trade levels. Fredrik Nyberg, Fibs' director of network development and Hong Kong general manager, said the main challenge was cross-border trucking between the two cities.

MARKET *Sources*

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