

Manufacturing in China falls to a 5-month low due to pandemic lockdowns

Article

The news: China's manufacturing activity dipped to a five-month low after Shanghai and other key industrial centers shut down in an effort to contain coronavirus outbreaks, [per](#) the Associated Press.

Why it's worth watching: News of China's manufacturing slowdown is causing ripple effects in various businesses. Global stocks [slipped](#) yesterday as a result of the news.

- China **locked down** its financial and manufacturing capital **Shanghai** earlier this week, the biggest pandemic-related closure since the lockdown in **Wuhan** at the start of the outbreak.
- Beijing is scrambling to enforce its **COVID-Zero** strategy, which combines staggered lockdowns while mandating vaccines and boosters.
- Access to manufacturing hubs **Changchun** and **Jilin** in the northeast has similarly been suspended, resulting in the closure of factory campuses and car factories, **per** MarketWatch.
- Shanghai recorded **5,298 cases** of COVID-19 on Wednesday, **per** Yahoo News, up from a previous-record **3,450 asymptomatic cases** Sunday.
- “COVID-19 infections are growing day by day at a rapid pace, ratcheting up pressure on the city’s public health system,” **said** **Wu Qianyu**, a senior official with **Shanghai Health Commission**, in an interview with the South China Morning Post.

The problem: With various supply chains already **stretched thin** by the war in Ukraine, pandemic-related shutdowns in China could lead to more serious shortages of raw materials, chips, smartphones, PCs, EV components, and more.

- The repercussions of factory shutdowns will be global in scale and possibly compounded by the uncertainty of the latest omicron-variant outbreaks in China.
- If Beijing is unable to contain the spread, we can expect wider lockdowns for longer periods of time.
- “It’s going to be really bad,” **said** **Daniel Stanton**, a professor of marketing at **Bradley University** in an interview with Fortune. “When we’re talking about goods coming out of China, it’s not just the finished products we buy directly, but it’s also a lot of parts that are crucial to manufacturing other things that we buy, too.”

What’s next? Businesses relying heavily on Chinese manufacturing will have to adjust their expectations or try to find alternative solutions.

- **Tesla** **extended** the suspension of its Shanghai gigafactory as it considers a closed-loop system in which its workers are kept in a bubble and tested frequently.
- **Foxconn**, the biggest assembler of **Apple iPhones**, told the Wall Street Journal that it was **shifting production** from Shenzhen to factories elsewhere in China that haven’t been locked down just to keep up with demand.