

China locks down Shanghai due to record coronavirus surge

Article

The news: 25 million residents of China's financial and manufacturing capital will be in lockdown due to a surge in coronavirus cases, [per](#) CBS News.

Why it's worth watching: Shanghai and surrounding areas will see a two-phase shutdown—the biggest pandemic-related closure since [Wuhan](#), where the coronavirus was said to have originated, was locked down.

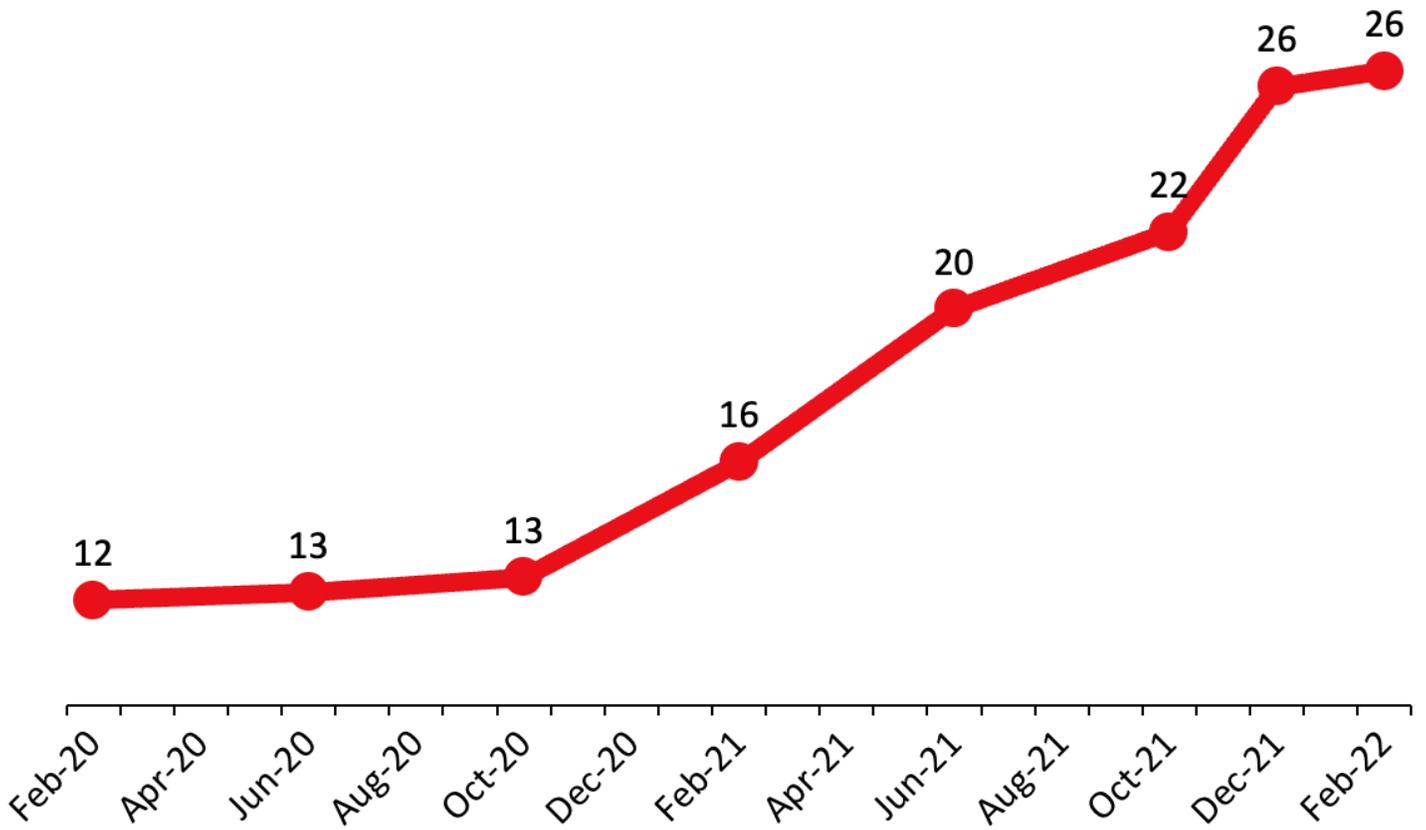
- Shanghai had a record **3,450 asymptomatic COVID-19 cases** on Sunday, accounting for nearly **70%** of the nationwide total, along with 50 symptomatic cases, [per](#) Reuters.
- All residents are being told to stay home, and public transport and airports are shutting down. This has resulted in panic buying from residents stocking up on food and supplies.
- The two-phase [shutdown](#) will begin in the eastern part of the city, in the **Pudong financial district**, which will be locked down Monday to Friday. The second phase will shut down the western part of the city starting Friday.
- **Pegatron**, which produces **iPhones** for **Apple**, shut down for the week. **Semiconductor Manufacturing International Corporation (SMIC)**, [China's leading chipmaker](#), is allowing workers to come to work, provided they have negative test results.
- **Tesla's** gigafactory, which produced [half its vehicles last year](#), suspended production for two days in early March due to a rise in cases and is now “actively cooperating with the government’s order for tests and prevention measures,” [per](#) Bloomberg.
- Factories that can manage a “closed-loop” system will be allowed to continue in a limited capacity. Closed-loop means employees are allowed to work provided they’re confined to the factory campus and don’t leave, [per](#) Bloomberg.

What's next? The Chinese government’s lockdown restrictions in one of the country’s most populous cities is an effort to drive down potential coronavirus outbreaks. But optimizing factory operations will be a huge challenge and could lead to shortages as well as substantial production delays across various industries.

- “The lockdown and mandatory testing district by district in China’s largest city, key transportation hub, and financial center are highly likely to disrupt the city’s commercial activity,” [said Bruce Pang](#), head of macro and strategy research at **China Renaissance**.
- Lockdown measures in Shanghai will further delay chip delivery times, which increased to **26.2 weeks** in February, per the [Susquehanna Financial Group](#).
- For automotive and technology companies like Apple and Tesla, which manufacture the bulk of their products in China, this could lead to critical shortages and price increases due to scarcity.

What if it doesn't work? An unsuccessful lockdown could result in a surge of coronavirus infections that could spread to other provinces and extend production and recovery timelines.

Gap Between Ordering a Chip and Delivery (In weeks)



Source: Susquehanna Financial Group, 2022

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