

# 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.

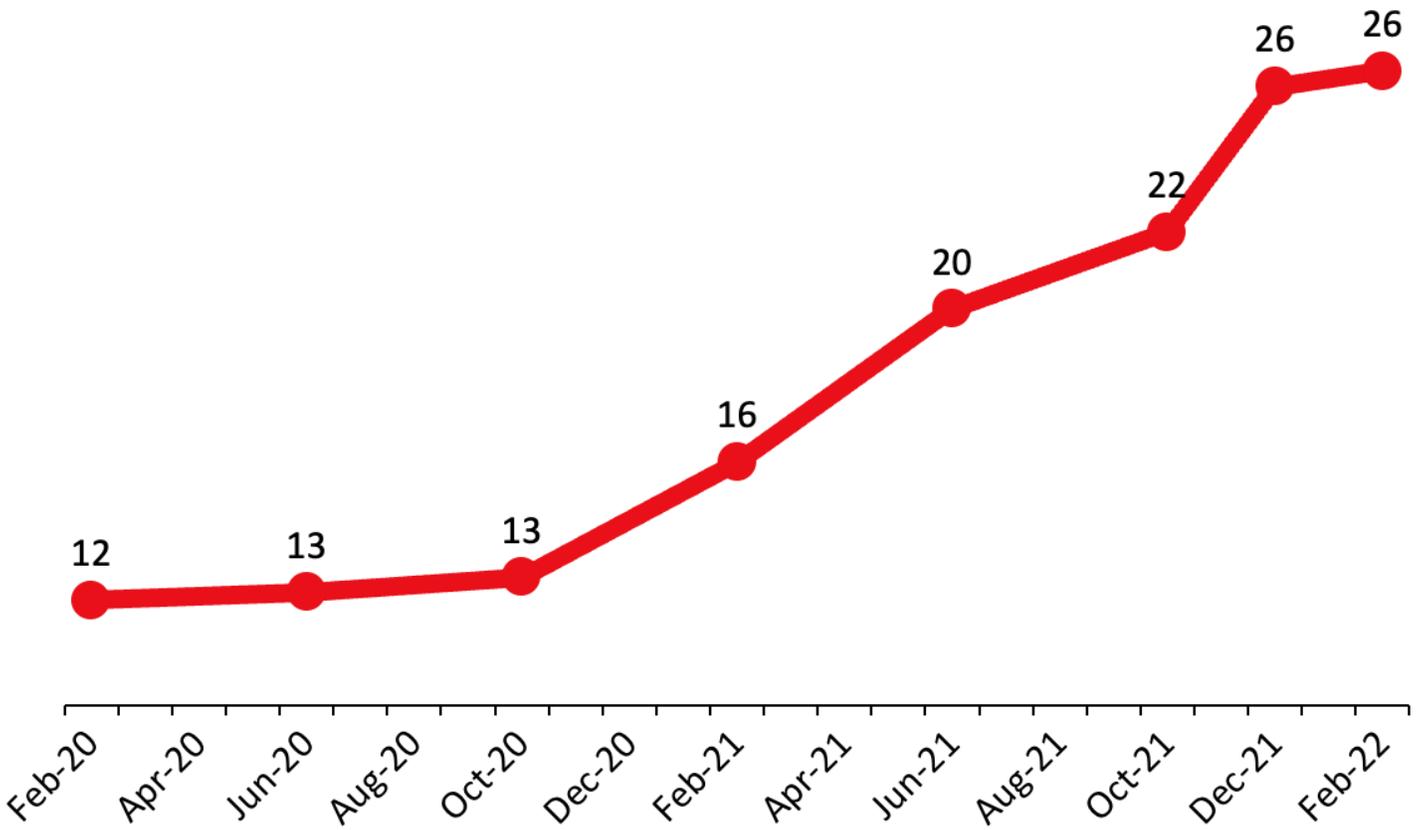
- Shanghai had a record **3,450 asymptomatic COVID-19 cases** on Sunday, accounting for nearly **70%** of the nationwide total, along with 50 symptomatic cases, [per](#) Reuters.
- All residents are being told to stay home, and public transport and airports are shutting down. This has resulted in panic 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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