

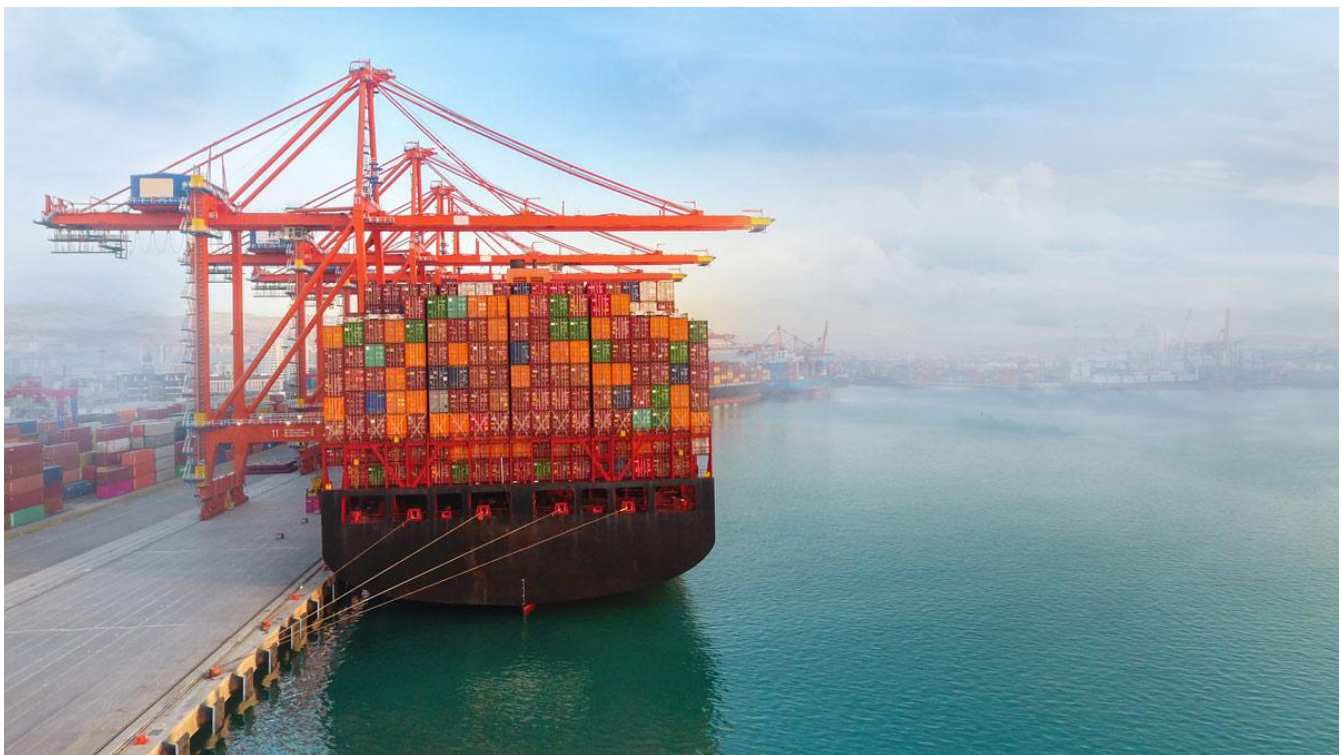
Global Economic Research

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Supply Chains Can't Catch a Break

Renewed lockdowns in China will complicate the supply chain recovery.

By Vaibhav Tandon



The pandemic has persistently disrupted global supply chains. Then the Ukraine-Russia conflict arose, producing shortages of supplies from the affected countries. The ripple effects of the war are weighing on production and prices across a range of industries and companies.

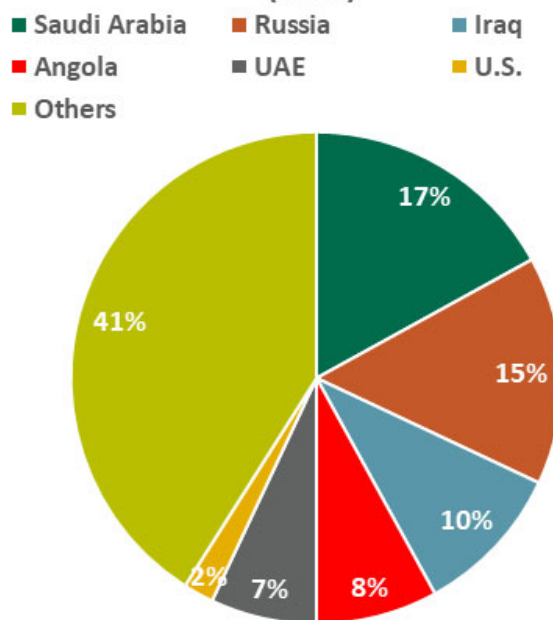
Coincidentally, COVID-19 returned with a vengeance in the world's factory — China. Lockdowns in the nation's major industrial and tech cities, including Shenzhen, are taking a toll on China's factories and transport networks.

Fresh curbs are keeping factory workers and truck drivers at home, which has disrupted manufacturing of goods ranging from electronic components to mobile phones to cars. As an example, the **supplier** of a major American technology company shut two of its plants and relocated production elsewhere. Amid this disruption, container rates are rising, congestion is building at Chinese ports and goods are piling up in warehouses.

The worst is not over for global supply chains.



China Crude Oil Imports by Origin (2021)



Sources: Freightos, Reuters

Domestic headwinds stemming from China's zero-COVID approach, the property downturn and the Russia-Ukraine war will weigh on the Chinese economy. China is the world's top importer of crude oil and the third largest importer of natural gas; Russia accounts for 15% and 10% of China's oil and gas supplies, respectively. China had already been grappling with high producer and import prices. As a result, China will likely struggle to meet its growth target of 5.5% this year.

While external factors like the war are beyond Beijing's control, and managing spillovers from the property downturn will be a long-term process, Chinese policymakers can alleviate economic pain in the short term by learning to live with the virus.

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Vaibhav Tandon

Vice President, Economist

Vaibhav Tandon is an Economist within the Global Risk Management division of Northern Trust. In this role, Vaibhav briefs clients and colleagues on the economy and business conditions, supports internal stress testing and capital allocation processes, and publishes the bank's formal economic viewpoint. He publishes weekly economic commentaries and monthly global outlooks.