



## NEWS



### World economy faces supply hit as China battles Covid

The global economy -- already struggling with war in Ukraine and the stagflation risks it's fanning -- is bracing for greater disruption as China scrambles to contain its worst outbreak of Covid-19 since the pandemic began.

If China fails to contain omicron's spread, further movement restrictions would derail the economy's promising start to the year, weakening a key pillar of global growth. As manufacturer to the world, any disruptions to exports resulting in shortages could also drive up inflation internationally. A China slowdown would exacerbate the risk of stagflation and global supply chain problems.

Globally, the economic impact of Covid is declining as governments ease restrictions and many move towards a 'living with Covid' approach. However, for China, omicron is a key risk for domestic demand, output and, possibly, supply chains.

China's latest attempt to suppress an outbreak of Covid-19 with lockdowns in several cities has disrupted global supply chains, which is likely to lead to lower growth and profitability across the technology industry.

Several companies in China's manufacturing centres in both the south and northeast have halted operations amid the most sweeping COVID-19 lockdowns in the country since the start of the pandemic in Wuhan.

If lockdown restrictions spread, affecting access to the ports as well as workers, as happened in 2020 when COVID-19 measures led to record queues for container ships, analysts fear freight may see a disruption, leading to both bottlenecks and rising freight costs as was seen then.

The current surge has certainly posed the biggest test yet to China's elimination strategy, although the official media has made clear that the "dynamic zero COVID" strategy is here to stay and China is not likely to open up anytime soon.

#### Reference:

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