

China's zero covid policy and its impact on shipping

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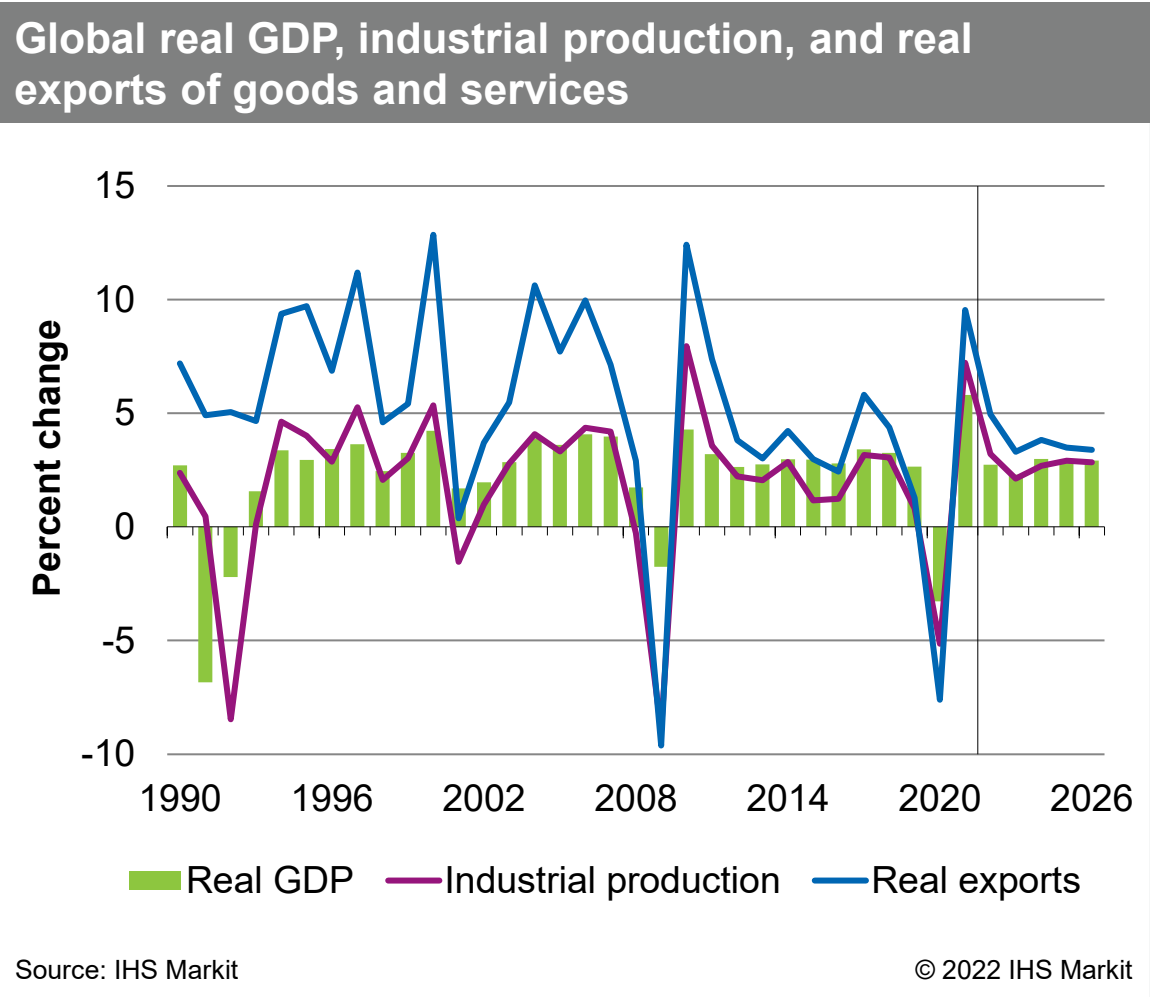
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Global economic growth is slowing as fighting inflation gains urgency, outlook downgraded 1.4% and 1.1% lower than pre-invasion outlook in 2022 and 2023 respectively



Real GDP				
Percent change	2020	2021	2022	2023
World	-3.3	5.8	2.7	2.3
United States	-3.4	5.7	1.5	1.0
Canada	-5.2	4.5	3.1	1.2
Eurozone	-6.2	5.2	2.9	0.8
United Kingdom	-9.3	7.4	3.4	-0.1
Mainland China	2.2	8.1	3.8	4.9
Japan	-4.6	1.7	1.5	1.6
India*	-6.6	8.7	6.9	5.8
Brazil	-4.2	4.9	1.5	1.4
Russia	-2.7	4.7	-8.3	-2.0
Ukraine	-3.8	3.4	-41.7	21.2

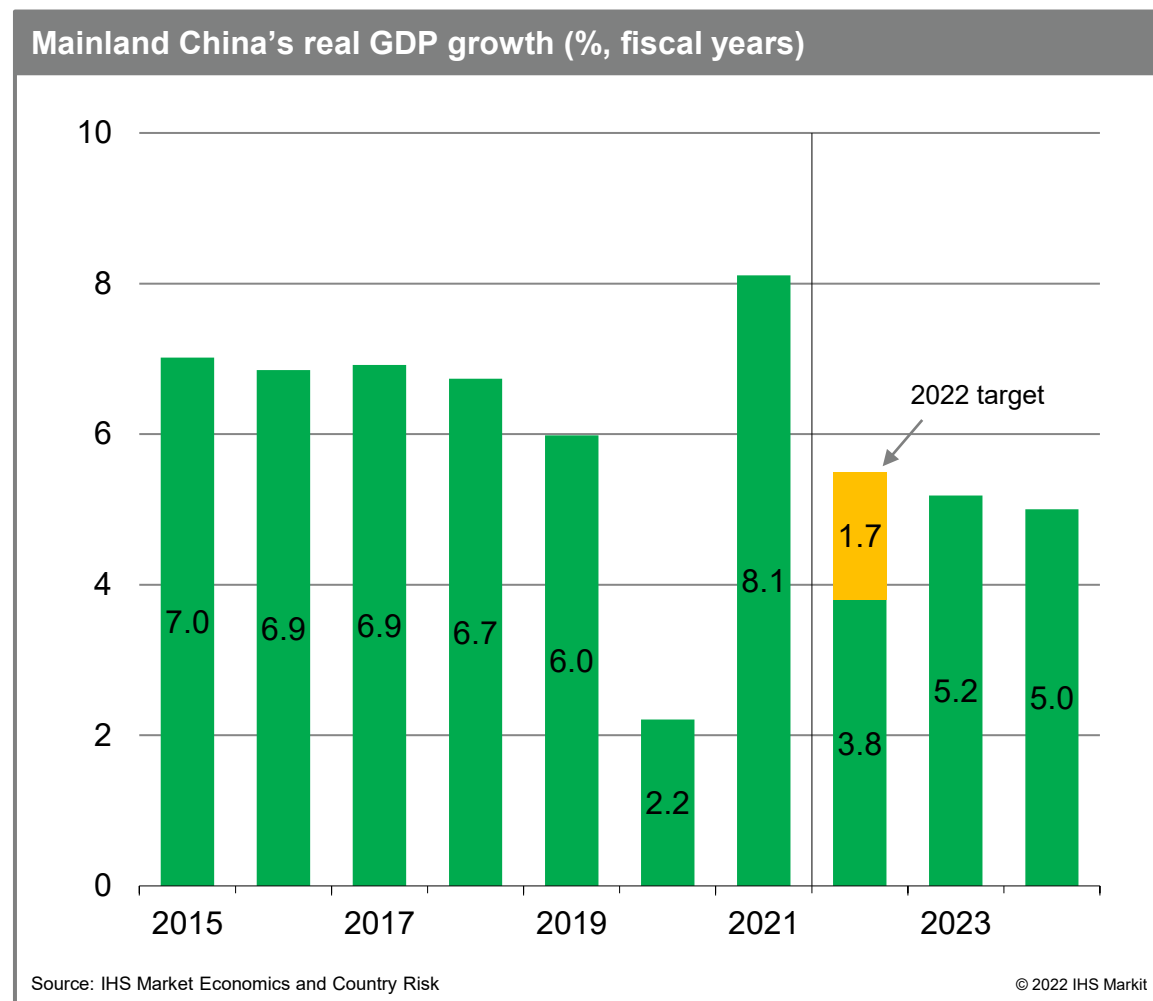
Note: * Fiscal years starting 1 April
Source: IHS Markit

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Mainland China's economy faces multiple headwinds in the short term

- Real GDP growth slowed from 4.8% y/y in 1Q to just 0.4% y/y in 2Q, restrained by lockdowns to contain COVID-19. A small recovery is under way, but growth remained sluggish.
- COVID-19 disruptions and the property crisis will remain two major risks during the remainder of the year.
- The housing sector remains in deep recession, with sales, starts, and completions plummeting through August. Declining land sales are hurting local government finances.
- To support growth, the government is cautiously easing monetary policy, accelerating infrastructure investment, and providing tax rebates to small enterprises.
- The government's dynamic zero-COVID policy will remain in place through at least March 2023, when the political transition process is completed, preventing an early return to normalcy.
- Mainland China's export growth sinks in August as demand weakens, imports to further soften.
- Real GDP is projected to grow 3.8% in 2022 before picking up to 4.9% in 2023.
- ***Mainland China's economy is resuming a long-term deceleration.***

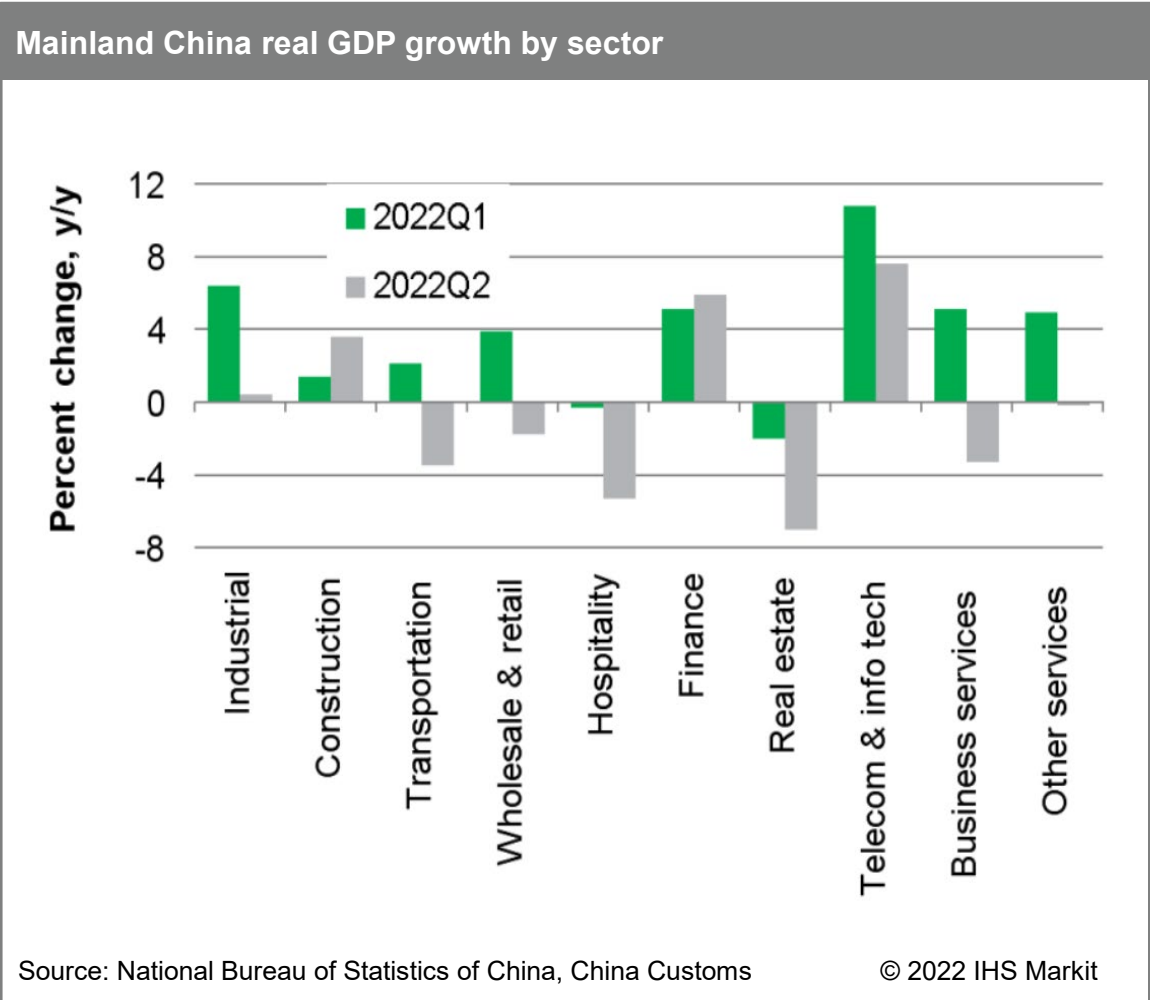
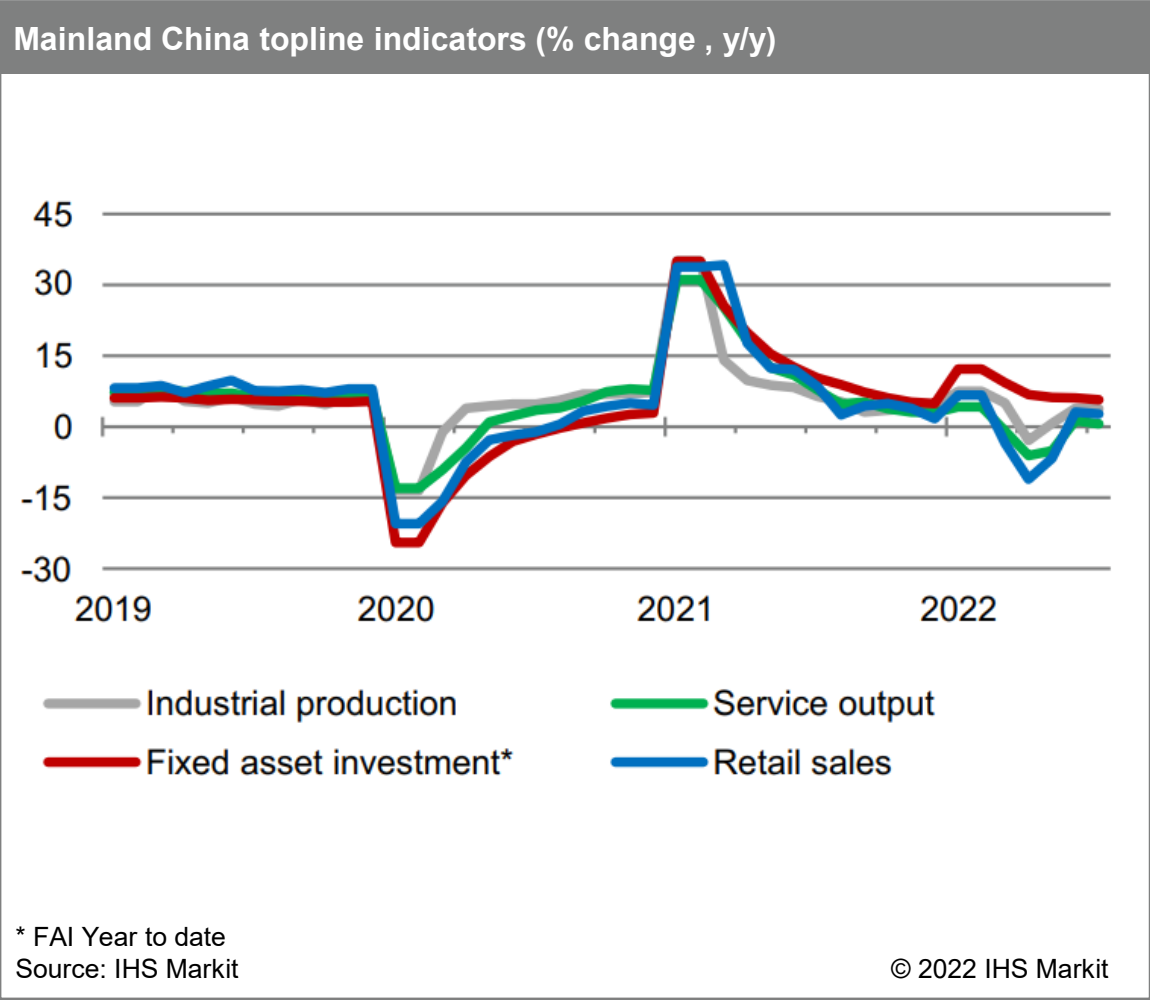
Mainland China's economy slowed further and missed market's expectation



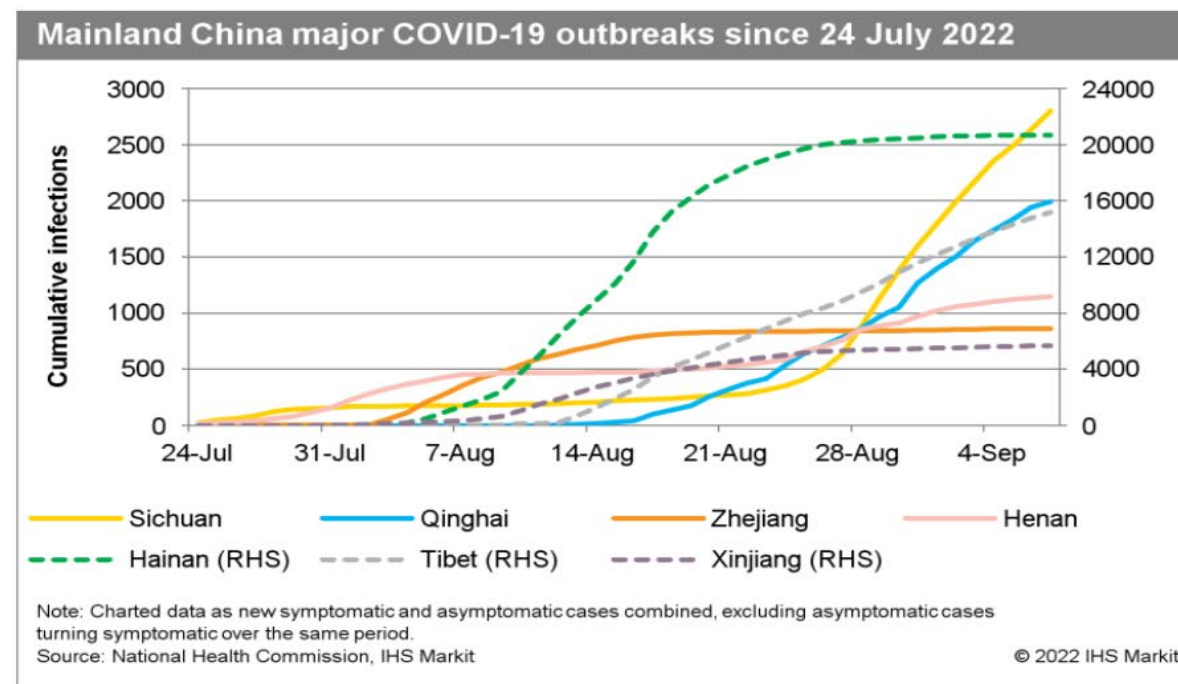
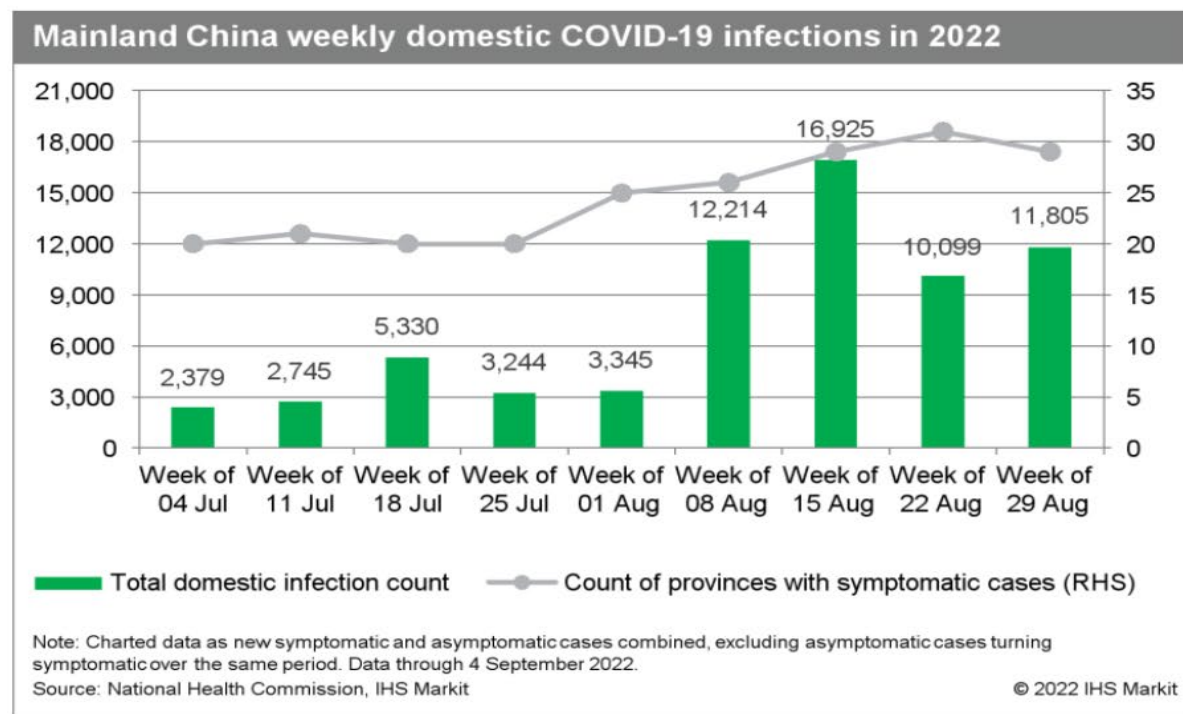
- After declining 2.6% q/q in the second quarter, real GDP is expected to recover in the third quarter, although recent data indicate subpar growth in services and manufacturing.
- The government's dynamic zero-COVID policy will remain in place through at least March 2023, preventing a return to normalcy and limiting the effectiveness of the government's new stimulus programs.
- The housing market remains in a deep recession, and declining land sales are hurting local government finances.
- Real GDP growth is projected to slow from 8.1% in 2021 to 3.8% in 2022 before picking up to 4.9% in 2023.
- Industrial production remains relatively weak, recovery in consumer demand has also weakened.
- Year-to-date fixed asset investment growth continues to slow owing to weaker growth in private investment.
- The youth unemployment rate has hit a record 20%.

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Indicators signal weakness in mainland China's economy during COVID-19 lockdowns; The real estate sector contracted most severely in the second quarter, by 7.0% y/y

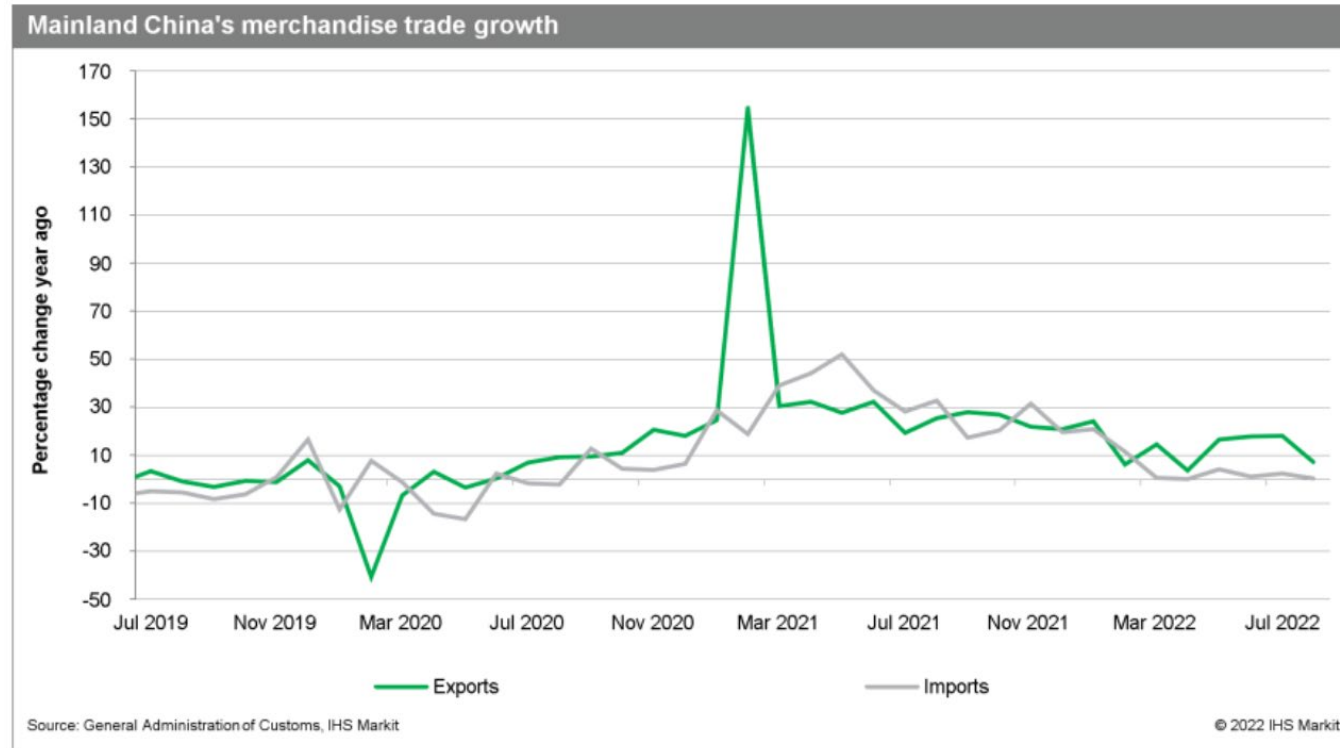


Mainland Chinese government remains firmly committed to the dynamic zero-COVID policy, likely to extend nationally into 2023 despite slower growth



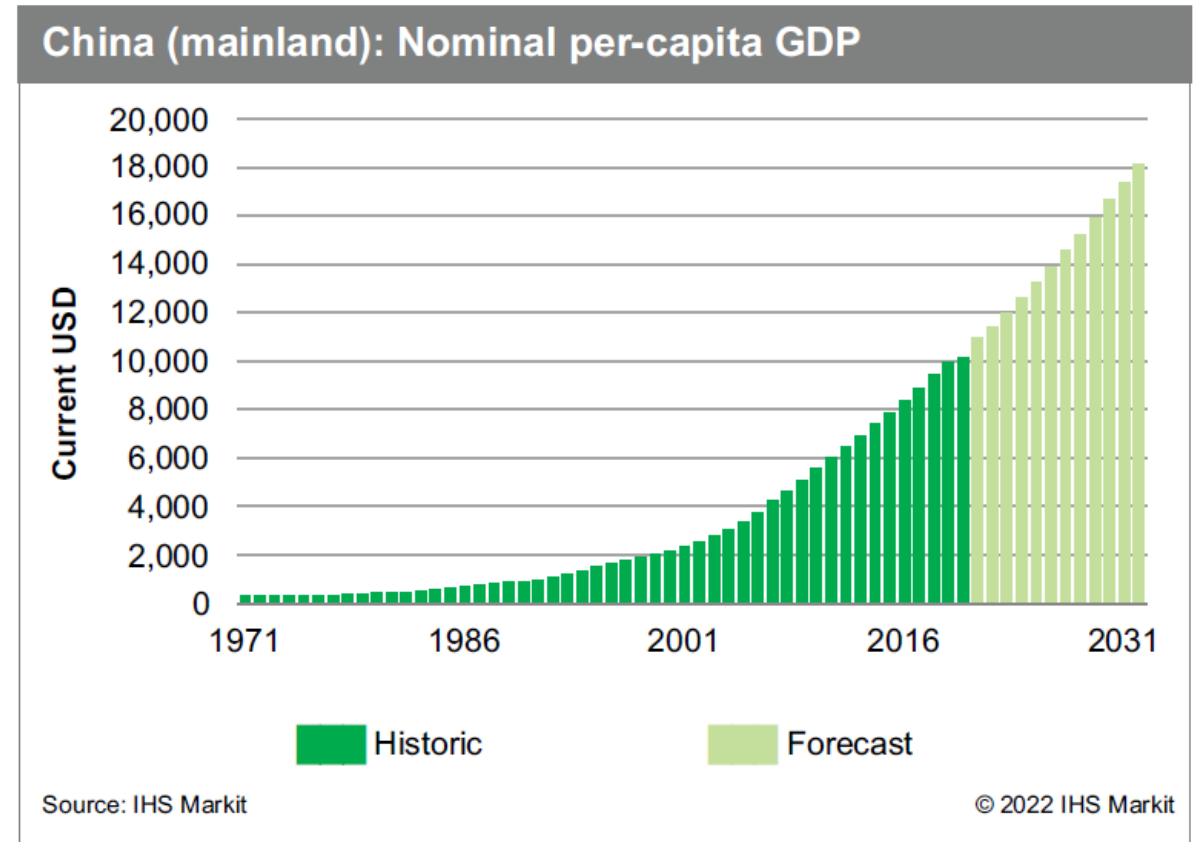
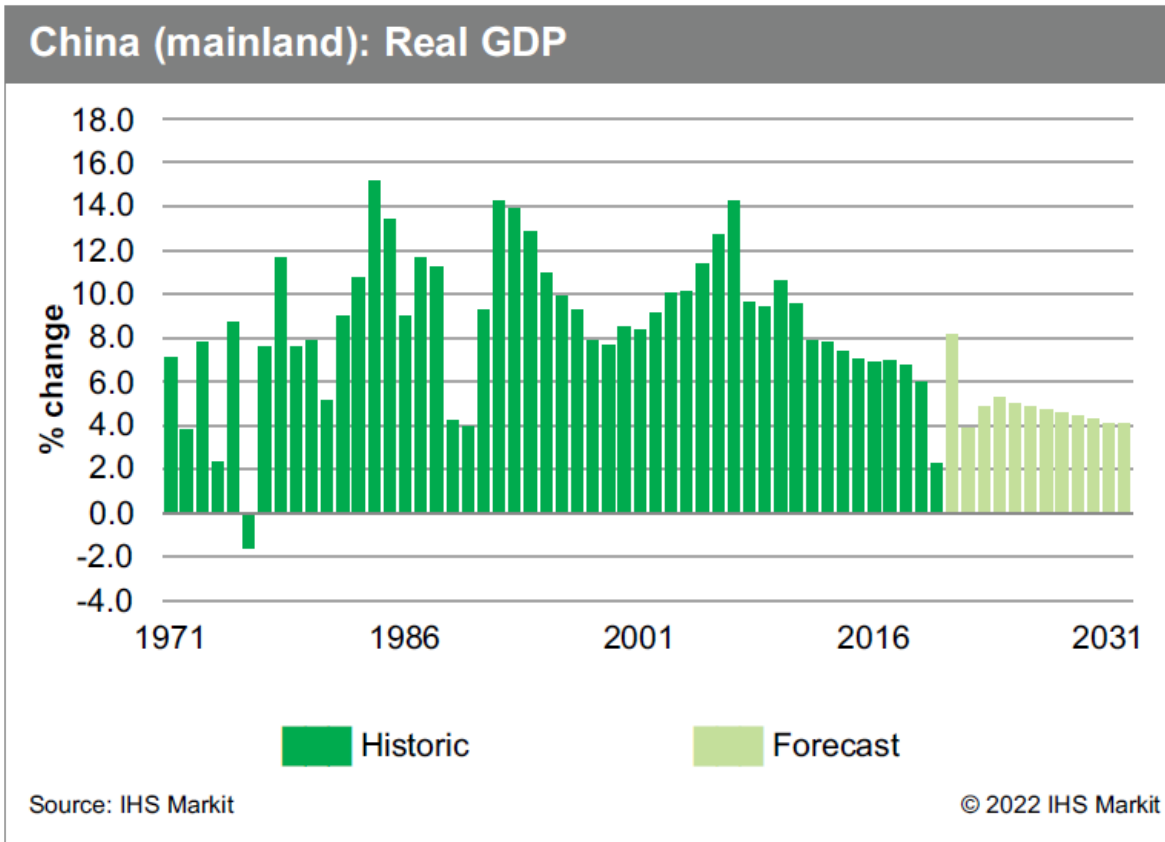
- Mainland China's pandemic situation continued to worsen in August as more transmissible Omicron subvariants raged across all 31 domestic provincial-level regions.
- As local authorities hold fast to the COVID-19 eradication target, regional lockdowns have become more frequent, particularly since mid-August, with a tendency to escalate disruptions given that more economically important cities are being affected entering September.
- The approach of the mid-October 20th National Congress will further prompt local officials, particularly those in regions surrounding capital city Beijing, to stay alert and intervene decisively should there be a resurgence in infections.

Exports weakness to continue given the pandemic disruptions and slowing overseas demand; real estate downturn and the resurgence of COVID-19 cases will continue to constrain the recovery in imports



- Export growth beyond the near term will be much more subdued than during the COVID-19 recovery or the post–World Trade Organization entry-boom years.
- Household demand weakness is structural and will thus rise slowly, impacting imports.
- Government will find it difficult to sustain rapid state investment expansion or channel funds from state-owned banks to fund state-owned enterprise investment, given mainland China's already elevated macro leverage ratio

Mainland China's economy is resuming a long-term deceleration



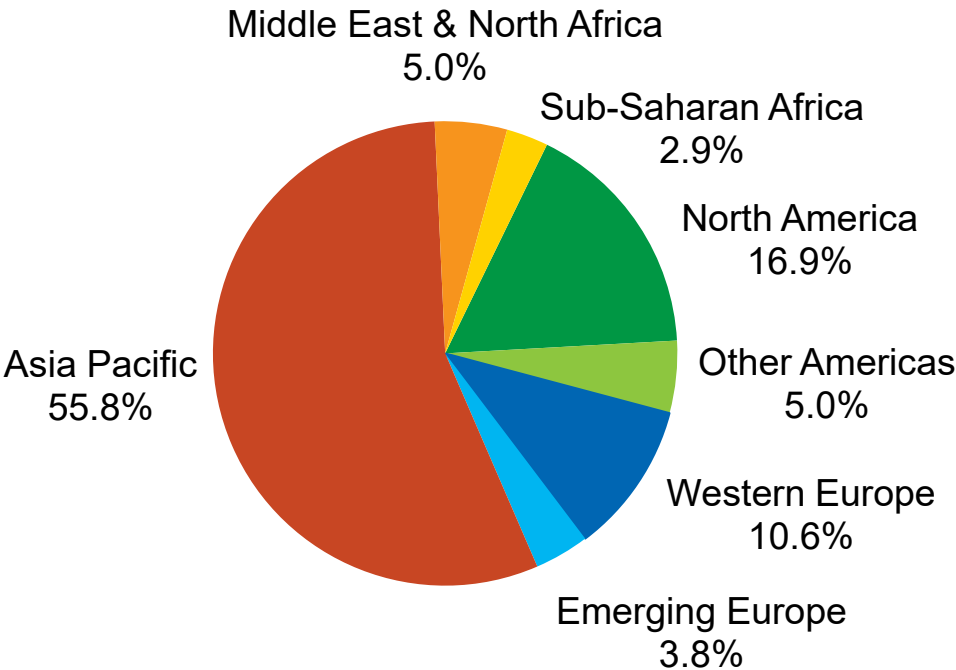
- Productivity growth has slowed in response to stalled economic reforms.
- Headwinds include high corporate debt, deflation of a real estate bubble, and a decreasing working-age population.
- Mainland China's economy is still not a fully market-based system, and further liberalization is needed.
- Tensions with the United States will lead to continued sourcing diversification away from mainland China.

Asia Pacific will account for over half of world real GDP growth from 2021 to 2031

Percent of world real GDP growth, 2021–31

Notable contributions:

Mainland China	33.3%
United States	14.5%
India	8.3%



Source: IHS Markit

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