



“Bigger Mess Than Last Year” — Global Supply Chain Crisis Could Emerge By Summer

Description

The next round of supply chain bottlenecks could be even greater than last year's massive congestion at ports as China's “zero COVID” policy has shuttered factories and locked down major cities like Shenzhen and Shanghai. A backlog of orders is building, and commercial vessels off China's top ports are increasing. Once China reopens, a tsunami of container ships will flood global shipping lanes.

[Bloomberg](#) provides a good summary of how the global supply chain is going to get slammed (again):

“We expect a bigger mess than last year,” said Jacques Vandermeiren, the chief executive officer of the Port of Antwerp, Europe's second-busiest for container volume, in an interview. “It will have a negative impact, and a big negative impact, for the whole of 2022.”

Beijing's zero-tolerance policy will unleash what we've been warning for months ([read: here & here](#)): a logistical disaster as top ports in the Asian country have slowed to a trickle, leaving empty containers piling and massive amounts of commercial vessels sitting offshore.

Once China reopens, and those vessels begin shipping products worldwide, FreightWaves founder and CEO Craig Fuller warns this will “wreck your summer.”

The Chinese Communist Party is about to wreck your summer. <https://t.co/AaKfaS710J>

— Craig Fuller ???? (@FreightAlley) [April 23, 2022](#)

“Once product export activities resume and a large volume of vessels make their way to the U.S. West Coast ports, we expect waiting times to increase significantly,” said Julie Gerdeman, CEO of supply-chain risk analytics firm Everstream Analytics.

This may suggest that Goldman Sachs' high-frequency weekly supply chain congestion index could

reverse after falling for much of the year. If congestion worsens after China reopens, Goldman's analysts might have to reevaluate their "peak supply chain" call.

Exhibit 1 : Our weekly composite declined 2.8% in Week 24, indicating slight sequential bottleneck relief



Source: Goldman Sachs Global Investment Research

Exhibit 2 : Our average bottleneck score for April is 6 - a slight improvement from March, but still well above early 2020 levels
GS Weekly Congestion Scale, Scored by Month*

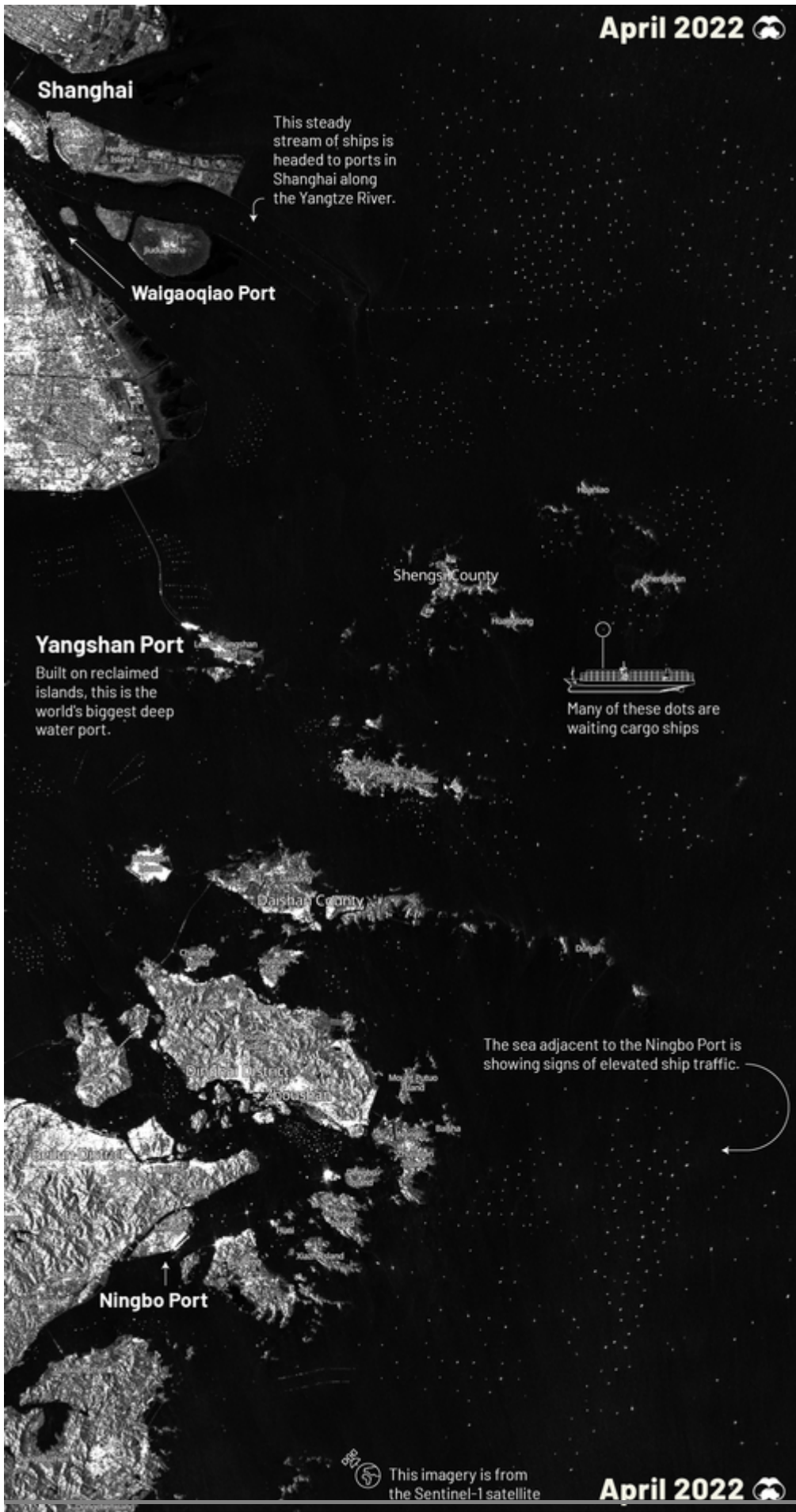


Numbers reflect the average weekly score seen in each respective month

Source: Goldman Sachs Global Investment Research

So how bad are the backups of container ships at the Shanghai port, a major hub for international trade, and one of the largest and busiest container ports in the world?

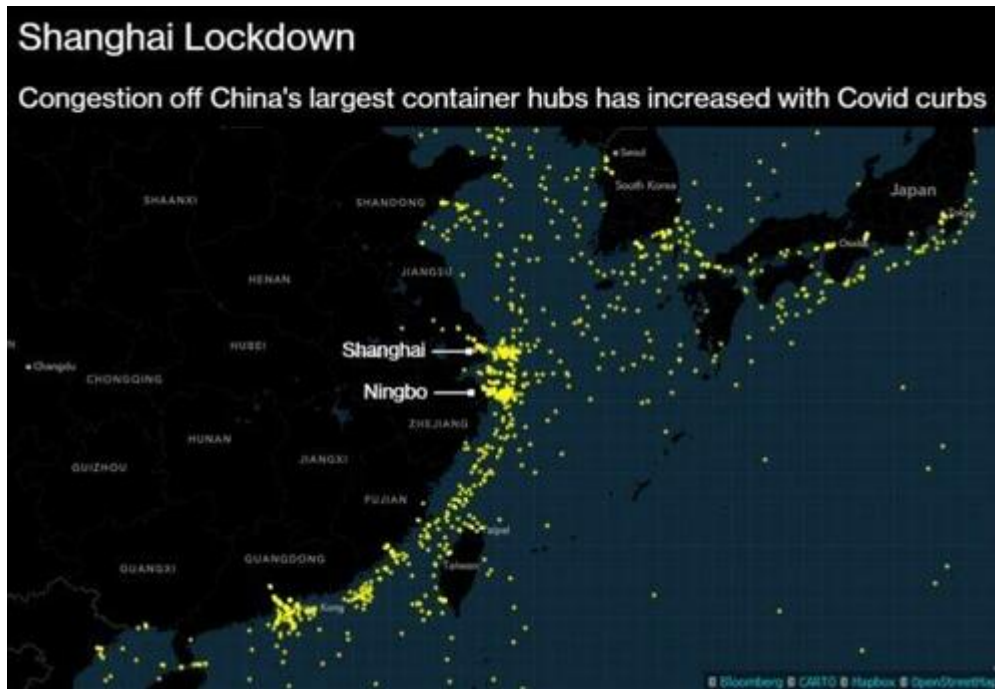
Well, satellite imagery from April 14, 2022, versus April 2019 shows the extent of the congestion.



Quite a difference from 3 years ago...



Vessel congestion has been increasing at the Shanghai terminal. As of April 19, 2022, over [470 ships](#) are still waiting to deliver goods to China. Here's a broader view of the massive congestion.

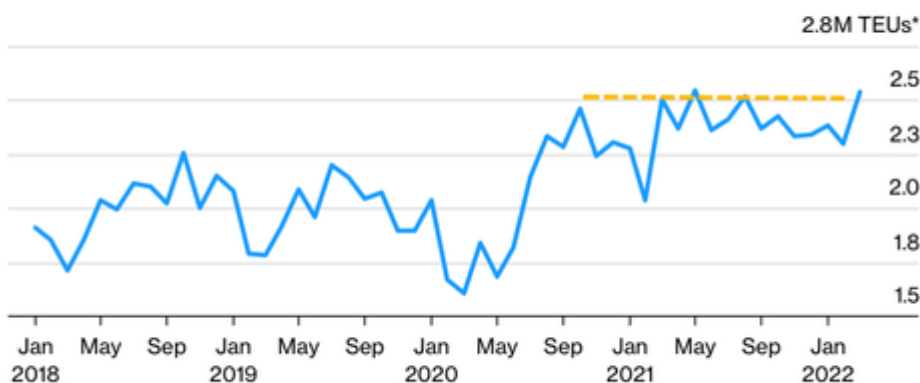


Goldman recently told clients supply-chain setbacks “have been somewhat worse than we anticipated, and we have adjusted our growth and inflation forecasts slightly in response in recent weeks.” When bottlenecks in China clear, vessels will flood major shipping lines as a seasonal import pickup gets underway.

At America’s dual hub of Los Angeles and Long Beach, 57 vessels were reported, the highest since late. U.S. container dwell times are also creeping higher again.

Wave of U.S. Imports

Inbound container volumes in major U.S. ports neared a record in March



Source: Port data compiled by Bloomberg
*TEU = 20-foot equivalent container units

Congestion in Europe is already severe, and top ports such as Rotterdam, Hamburg, and Antwerp are

working above capacity.

The global impacts of this current bottleneck are expected for summer and will greatly increase once China lockdowns are eased. According to [an article](#) in *Freight Waves*, this could turn into the most significant supply chain issue since the pandemic's start if China's shipping congestion isn't cleared up soon.

Source: [Zero Hedge](#)

by Tyler Durden

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