Shanghai lockdowns threaten China's auto output while port congestion worsens

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Chinese electric car maker XPeng has warned it may have to halt production if Covid lockdowns continue.

Chinese automakers warned they may have to put the brakes on production if COVID-19 lockdowns in Shanghai persist, with a top

Huawei executive also sounding the alarm Friday about snarled supply chains.

The restrictions have kept Shanghai's 25 million residents mostly at home for weeks, forcing manufacturers to halt operations and making China's GDP growth target of around 5.5 percent look increasingly difficult to achieve.

Shipping giants also warned that Shanghai's lockdown was snarling up the world's busiest container port.

COVID outbreaks across the country and the associated reductions in economic activity have already hit the auto industry hard, with car sales dropping 10.5 percent in March.

"If supply chain companies in Shanghai and its surrounding areas cannot find a way to dynamically resume work and production, all original equipment manufacturers may have to stop production in May," XPeng chief He Xiaopeng said Thursday on social media.

XPeng has been touted as a Chinese challenger to US electric car giant Tesla, and its chief said that businesses were hoping for more support from the authorities to navigate the COVID closures.

A top executive at Chinese tech giant Huawei—which has started to work with domestic auto manufacturers in the intelligent vehicle sector—echoed the comments on Friday and warned the clock was ticking.

"If Shanghai continues being unable to resume work and production, from May, all tech and industrial players involving the Shanghai supply chain will completely shut down, especially the auto industry!" Richard Yu, head of Huawei's consumer and auto segment, said on the social media platform WeChat.

Huawei sold its first 3,000 electric vehicles with the company's HarmonyOS operating system in March.

The group has been working with automakers to provide intelligent auto components, but does not make cars on its own.

Global brands affected

The COVID curbs have affected global brands as well, with Volkswagen saying it has been "severely hit by COVID-19 outbreaks in Changchun and Shanghai", where the German titan's Chinese joint ventures are located.

The firm is "temporarily unable to meet high customer demand," said Volkswagen Group China CEO Stephan Wollenstein Thursday.

China's zero-COVID policy has been increasingly strained as the country battles its highest number of infections since the start of the pandemic.

Volkswagen said around 20 percent of its dealers were forced to temporarily close in March alone as a result of lockdowns.

And Tesla's multi-billion-dollar "gigafactory" in Shanghai—which the company calls its main export hub—has also been reportedly shut.

Chinese electric vehicle maker Nio said last weekend that it had suspended vehicle production, as business partners in virus-hit areas such as Jilin and Shanghai halted operations.

Containers have been piling up at the port of Shanghai as the city faces limited trucking capacity, and shipping giant Maersk said in a statement

Thursday it would stop taking new bookings for refrigerated containers and hazardous cargo into the city.

It cited "yard congestion in Shanghai terminals" for the move.

Another shipping company, Ocean Network Express, said that plug slots for keeping refrigerated containers cool were "highly stressed".