

Coronavirus to hit world trade

Attempts to contain the coronavirus are about to hit world trade



Measures to control the spread of the coronavirus are hitting world trade. China's factories remain closed and airlines are cancelling passenger flights to and from China.

Although most cargo flights are continuing operations for now, more than half of air freight is shipped via passenger aircraft and therefore dependent on these flights departing.

Worldwide air freight has a value of \$6 trillion, accounting for a third of world trade. At Schiphol Airport, one of the major European freight hubs, 17% of incoming freight originates from China.

While cancelled flights are a logistical constraint on world trade, production is also affected by the coronavirus. Chinese factories remain closed to prevent the virus from spreading. Many provinces, regions and municipalities, including Shanghai, have extended the Chinese New Year holidays until 10 February. This means production will be delayed. If this continues, there will be more container shipping services cancelled on top of the annual New Year dip.

The interruption of supply chains could have a snowball effect if stocks of essential electronic components from China are depleted.

And this isn't necessarily a temporary slowdown. The coronavirus could potentially impact the annual level of world trade in 2020, as it's not certain that factories and logistics will be able to

catch up and fully compensate for earlier delays, given the limited capacity. If they cannot fully recuperate, global trade growth in 2020 will suffer.

When the situation normalises, goods that would ordinarily be shipped by sea are likely to be transported via an air carrier in order to quickly restore supply chain deliveries and limit possible damage further down the line. However, the costs of air freight are normally five times higher than transport costs over sea, which may affect prices and profit margins.

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