Impact of Corona Virus Outbreak on European Companies in China

Flash Survey Results | Beijing, 2/27/2020
ALL RESPONDENTS ARE IMPACTED, AND THE IMPACTS ARE COMPREHENSIVE AND SEVERE:  
CURRENT IMPACT

Is the novel coronavirus outbreak, and the resulting prevention-and control measures, having any current impact on your business? (n=576)

<table>
<thead>
<tr>
<th>Impact</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High impact</td>
<td>59%</td>
</tr>
<tr>
<td>Medium impact</td>
<td>30%</td>
</tr>
<tr>
<td>Low impact</td>
<td>7%</td>
</tr>
<tr>
<td>Too early to state</td>
<td>4%</td>
</tr>
<tr>
<td>No impact</td>
<td>0%</td>
</tr>
</tbody>
</table>
ALL RESPONDENTS ARE IMPACTED, AND THE IMPACTS ARE COMPREHENSIVE AND SEvere: MAIN EFFECTS

Please specify how your business in China has been affected by the novel coronavirus outbreak so far. (n=574, multiple answers possible)

- Decreased demand for products/services: 56%
- Inability to meet contractual delivery deadlines due to disruptions to logistics: 47%
- Staff shortages: 47%
- Manufacturing delays due to shortage of supplies: 45%
- Uncertainty and inability to make business and investment decisions: 44%
- Cash flow challenges: 36%
- Costs of HR compliance: 30%
- Increased demand for products/services: 7%
- Lay-offs: 4%
ALL RESPONDENTS ARE IMPACTED, AND THE IMPACTS ARE COMPREHENSIVE AND SEVERE:

MAIN EFFECTS

Please specify how your business in China has been affected by the novel coronavirus outbreak so far. (per sector and issue)

**Business Services**
- Decreased demand for products/services: 63%
- Manufacturing delays due to shortage of supplies: 28%
- Uncertainty and inability to make business and investment decisions: 60%
- Staff shortages: 17%
- Inability to meet contractual delivery deadlines due to disruptions to logistics: 49%
- Cash flow challenges: 31%

**Automotive**
- Decreased demand for products/services: 64%
- Manufacturing delays due to shortage of supplies: 60%
- Uncertainty and inability to make business and investment decisions: 39%
- Staff shortages: 46%
- Inability to meet contractual delivery deadlines due to disruptions to logistics: 58%
- Cash flow challenges: 36%
- Costs of HR compliance: 39%

**Machinery**
- Decreased demand for products/services: 42%
- Manufacturing delays due to shortage of supplies: 57%
- Uncertainty and inability to make business and investment decisions: 45%
- Staff shortages: 72%
- Inability to meet contractual delivery deadlines due to disruptions to logistics: 71%
- Cash flow challenges: 30%
- Costs of HR compliance: 35%
ALL RESPONDENTS ARE IMPACTED, AND THE IMPACTS ARE COMPREHENSIVE AND SEVERE: BUSINESS REVENUE AND OUTLOOK

To what extent will the novel coronavirus outbreak and the resulting prevention- and-control measures impact your company’s revenue in the first half of 2020? (n=566)

**Expected Impact on Revenue in H1 2020**

- No impact: 3%
- Decrease of less than 10%: 21%
- Decrease of up to & more than 20%: 48%
- Too early to state: 24%

Do you plan to adjust your company’s 2020 business performance target? (n=569)

**Business Outlook 2020**

- I don’t know: 3%
- Too early to say: 28%
- Raise the target (moderate/significantly): 22%
- Maintain the target: 46%
- Lower the target (moderately/significantly): 1%
COMPANIES FACE RESTRICTIVE AND LOCALLY DIFFERENT MEASURES THAT HINDER THE RESUMPTION OF BUSINESS:
UNPREDICTABILITY, QUARANTINES, SOME CONDITIONS CAN’T BE MET

Did your company face measures (e.g. additional permits) by local authorities that slow down or hinder a resumption of production? (n=567)

- Yes, 47%
- No, 42%
- I don't know, 11%

Regional Examples

1. (Shanghai) “Warehouse unable to operate normally due to restriction on cross provincial goods movement”; “Different regulations for employees and transportation in different provinces and cities delays smooth restart. Sometimes it’s still unclear.”

2. (Beijing) „14 days home-quarantine for Beijing returnees makes domestic duty travel within China a big burden”; “restrictions in getting employees who had left the city to resume work”

3. (Guangdong) „Complex approval process, changing guidelines, limited number of people authorized to resume to work”

4. (Jiangsu) „Main problem is the overall supply chain which is not recovered and this may take a few more weeks as many sub-suppliers have not gotten approval from the authorities to resume work, which leads our organization to 1/3 of capacities as of now.”

5. (Jiangsu) „No clear rules, directives and ad hoc communication, without clear scheduling or decision criteria”
A RETURN TO STABILITY IS URGENTLY DEMANDED, AND SUPPORT MEASURES SHOULD BE ROLLED OUT IMMEDIATELY
STABILITY AND SUPPORT NEEDED

Regarding the novel coronavirus outbreak, what kind of support measures would you like to see introduced by the Chinese Government for your specific business? (n=414, absolute number of entries)

<table>
<thead>
<tr>
<th>Support Measures</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial support to reduce operational costs (e.g. rent reduction, wage compensation, bank loan)</td>
<td>134</td>
</tr>
<tr>
<td>Release of transportation and commuting restrictions</td>
<td>89</td>
</tr>
<tr>
<td>Provision of health protection equipment (e.g. face masks)</td>
<td>36</td>
</tr>
<tr>
<td>Corporate tax reductions/deferral</td>
<td>97</td>
</tr>
<tr>
<td>Unified regulations to resume business (less bureaucracy)</td>
<td>70</td>
</tr>
<tr>
<td>Transparent communication from authorities</td>
<td>32</td>
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</tbody>
</table>
LONG-TERM SENTIMENT COULD NEVER BE THE SAME AGAIN

“Now more than ever, China must boost its investment allure
An opportunity to realise stated goals of full opening up and a level playing field

The US-China trade war was a wake-up call on over-reliance
The COVID-19 outbreak has reinforced the need to diversify supply chains
EUROPEAN COMPANIES ASSIST IN FIGHTING THE VIRUS
DONATIONS AND SUPPORT GIVEN

Is your organisation providing any of the following to support the Chinese Government’s efforts to contain the novel coronavirus outbreak?

- Medical equipment: 39%
- Financial donations: 33%
- Business advice: 18%
- Logistical support: 10%

Companies that donated & supported (n=308)

"We provided special UV lamps for the newly built hospitals in Wuhan."

"We donated safety wear and comfort items for frontline medical staff."