PRESS RELEASE

COVID-19’s Future Impact on Foreign Companies in China: German Businesses on Track to Recovery – Demand now Major Concern

Beijing/Guangzhou/Shanghai, April 2, 2020 – The German Chamber of Commerce in China today released details of a second survey on COVID-19’s future impact on German businesses and the shift in challenges for companies operating in China.

The results of the March poll show that German companies operating in China are still far from having returned to their pre-crisis level. A positive sign: staffing rates, production capabilities and internal logistics have returned to normalcy for most respondents. However, demand and sales remain major concerns for German companies on the way to resume business. While the economic impact is still severe, financial support and market stimulus are key to help German companies get back on track.

“German companies in China are technically able to produce almost at pre-crisis levels, yet the Chinese economy needs more stimulus measures to pick up faster, especially in light of the global economic situation”, said Maximilian Butek, Executive Director and Member of the Board of the German Chamber of Commerce in China South & Southwest China.

Key Findings

- German companies’ in China have yet to resume full business operations, but results indicate that companies are on track to recovery in terms of staffing rate, production capabilities and internal logistics.
- With COVID-19 spreading all over the globe, challenges for German companies operating in China shifted to travel restrictions (including quarantine measures), decreased demand for products/services, as well as disruptions to global supply chains.
- Demand and sales remain major concerns for German companies on the way to resuming business. Operations are expected to return to their pre-crisis levels at the beginning of the second half of the year.
- The economic impact on companies is still severe with more than two thirds of respondents forecasting a double-digit drop in revenue in the first half of the year (up 20pp compared to February poll).
- German companies indicate a variety of strategic answers to these challenges. Most corporates eye to postpone or cancel investments. On the other hand, a certain number of companies does not plan any changes to their existing China-strategy.
- In order to fully recover and return to normalcy, German companies favor financial support and market stimulus. Especially consumption or investment incentives could reflate the market and stabilize the demand side.

“Important economic areas such as India, the EU and now also China are currently effectively closed off due to travel restrictions. While understanding the need for further containment of a second wave of COVID-19’s spread in China, regulations that support exchange of local and foreign management
teams, experts and specialists would send a positive signal and benefit the performance of businesses in China”, said Butek.

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Between March 18 to 24, 2020, a total of 294 member companies of the German Chamber of Commerce in China participated in the second flash survey on the impact of the Coronavirus outbreak on German business in China.

About the German Chamber of Commerce in China
The German Chamber of Commerce in China has currently more than 2,300 members in mainland China and is the official member organization for German companies in China. By providing up to date market information and practical advice, the German Chamber helps its members to succeed in China. It offers a platform for the Sino-German business community and represents its members' interests towards stakeholders including government bodies and the public.

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