



Supply Chains & Factory Openings: An AmCham Shanghai Mini-Survey

The American Chamber of Commerce in Shanghai | February 17th, 2020

Survey Summary

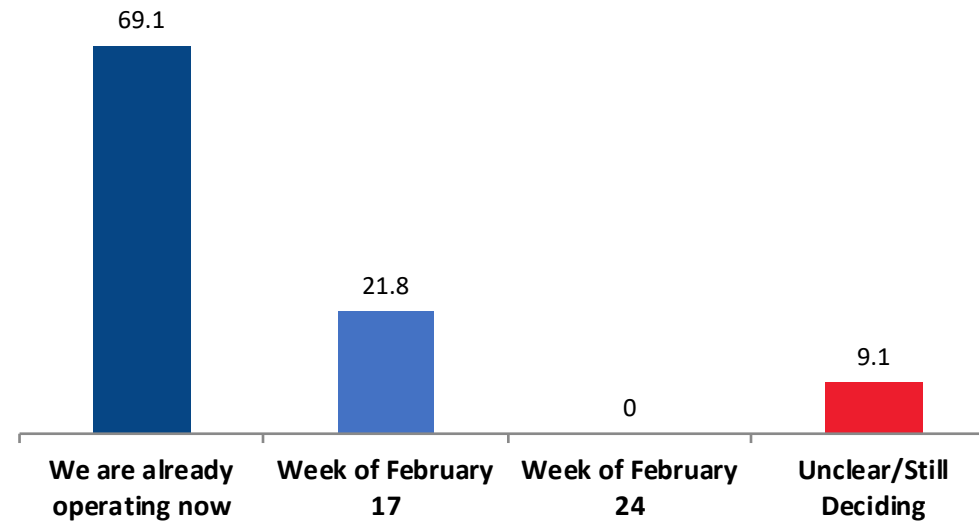


- The American Chamber of Commerce in Shanghai conducted a survey of member companies with manufacturing operations in Shanghai, Suzhou, Nanjing and the wider Yangtze River Delta. The survey was conducted from February 11-14 with 109 members responding.
- The purpose of the survey is to provide a clear picture of the operating environment as companies begin to re-open. In addition, AmCham seeks to provide helpful feedback to the local and provincial government on the re-opening process.

Survey Highlights

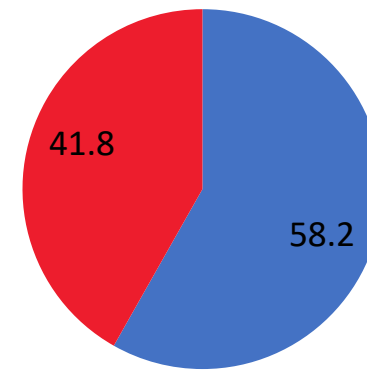
- 48% of companies report their global operations are already impacted by the shutdown
- 78% of companies do not have sufficient staff to run a full production line
- 41% of companies say a lack of staff is their biggest challenge in the next 2-4 weeks; 30% of companies say logistics issues will be their biggest concern
- Over the next few months, 58% of companies expect demand for their output to be lower than normal
- 38% of companies do not have sufficient masks/other supplies to protect their staff from coronavirus infection
- 35% of companies ranked a clearer explanation of requirements as the most important thing government officials could do to speed up factory opening approvals

Q1: When does your company plan to restart operations?



Two-thirds (69%) of manufacturing operations were open and running by February 14, with another 22% expecting to be operational by the week of February 17. However, of those that have received approval to open only 58% were permitted to run all production lines.

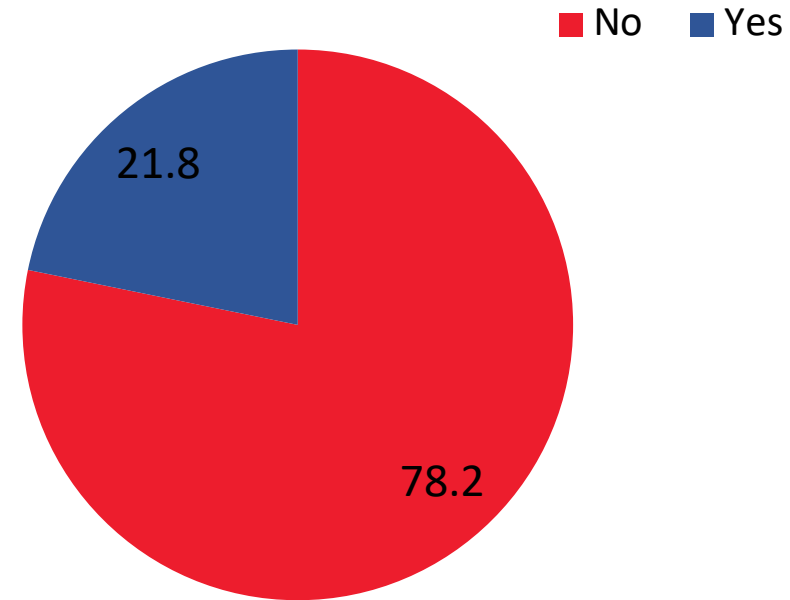
Q2: If your factory has already received approval to open, are you permitted to run:



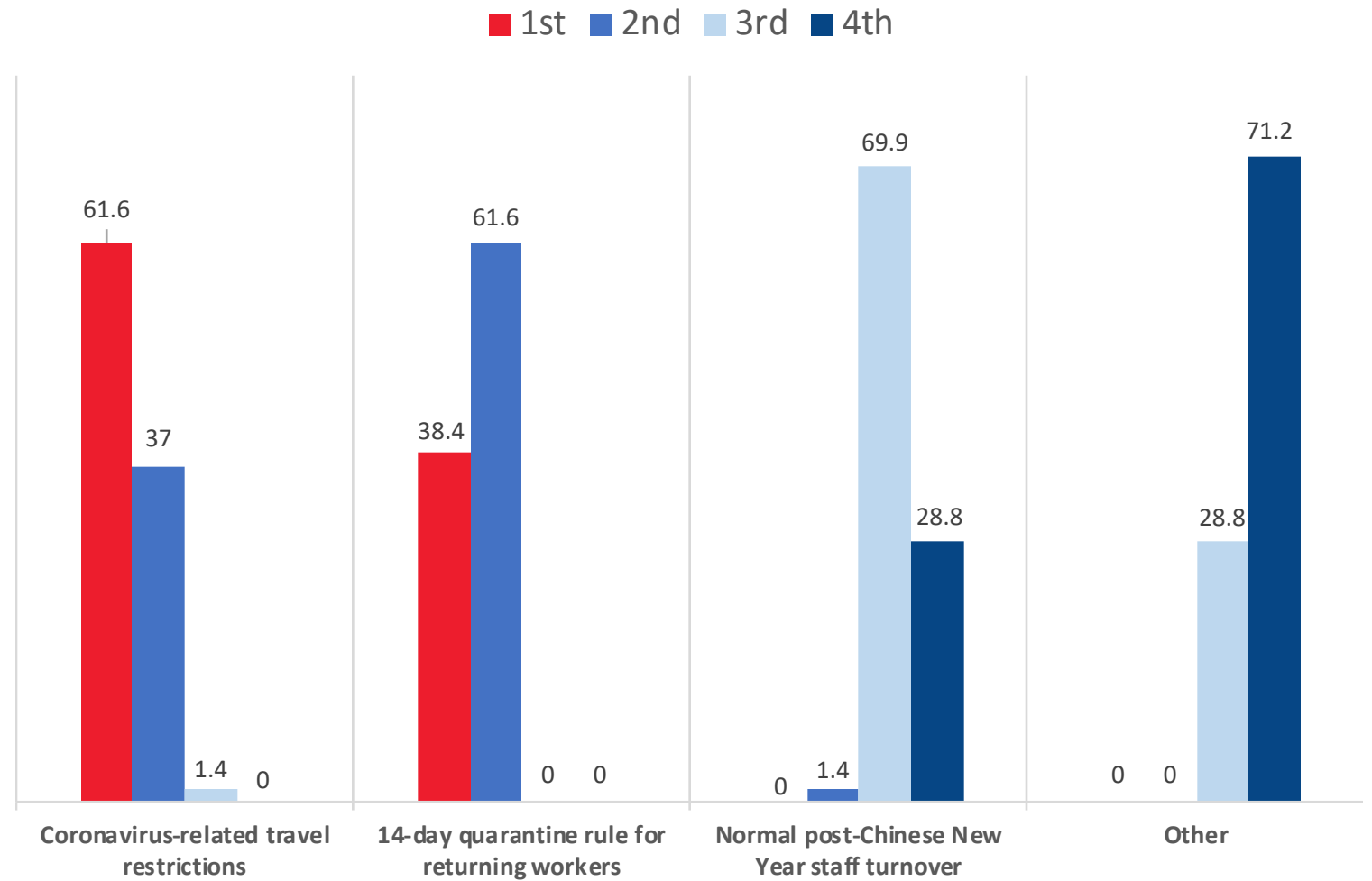
■ All production lines ■ A limited number of production lines

Q3: Does your company have sufficient staff to run a full production line?

Despite many factories having already opened, extensive travel restrictions and 14-day quarantine periods remain in place to curtail the spread of the coronavirus. As a result, only a quarter of companies (21.8%) have sufficient staff to run a full production line.

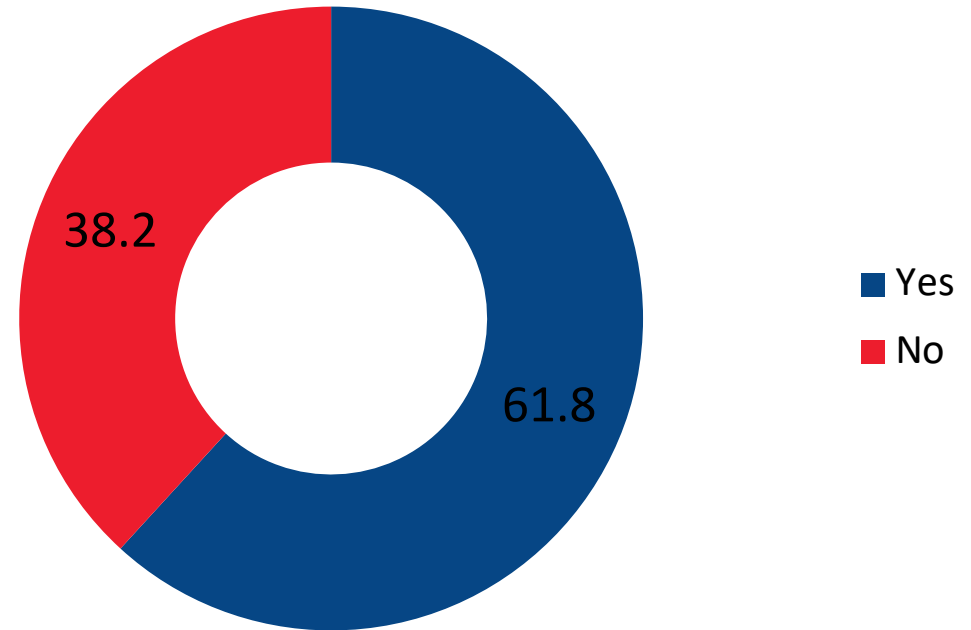


Q4: If you answered “no” to question 3, what are the reasons for your staff shortage? Please rank 1-4, with 1 being the biggest reason.

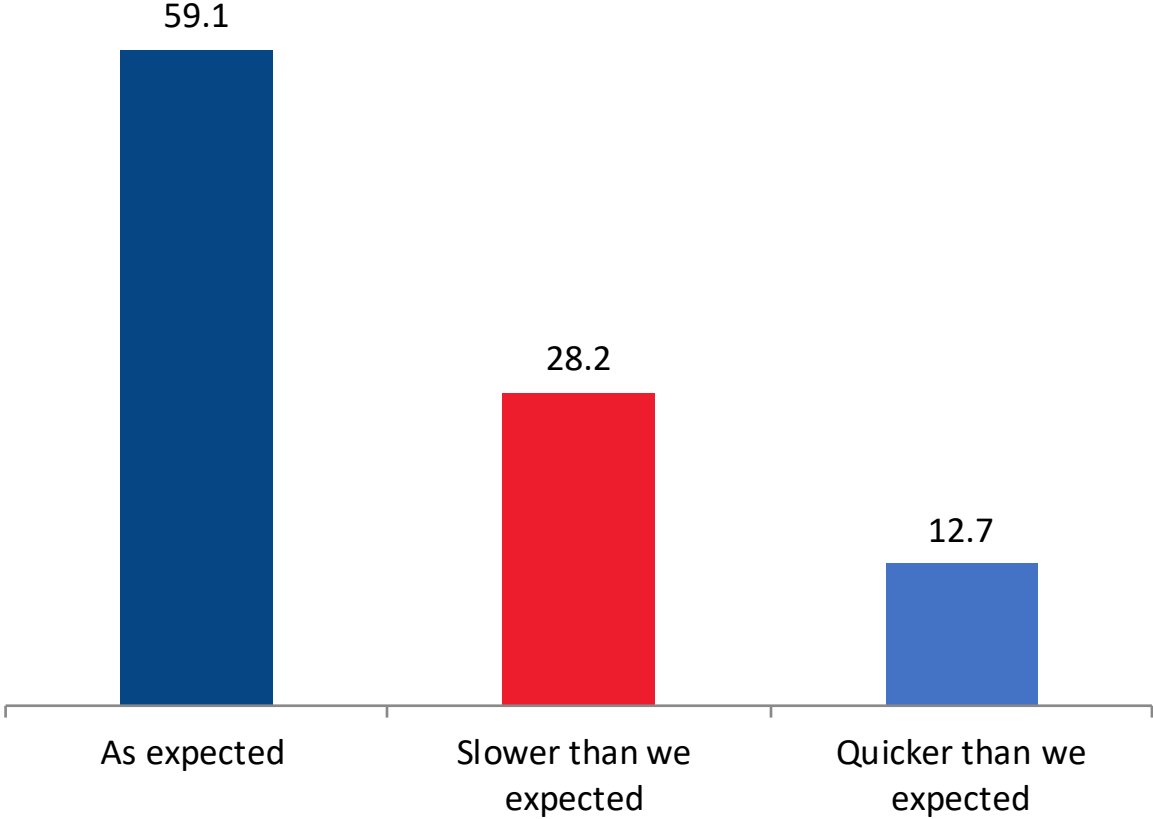


New government regulations require that factories provide masks and other supplies to protect workers. However, 38% percent report that they do not have enough of these materials.

Q5: Do you have enough masks/other supplies to help protect your employees from coronavirus infection?



Q6: How would you describe your local government's processing of factory opening approvals?

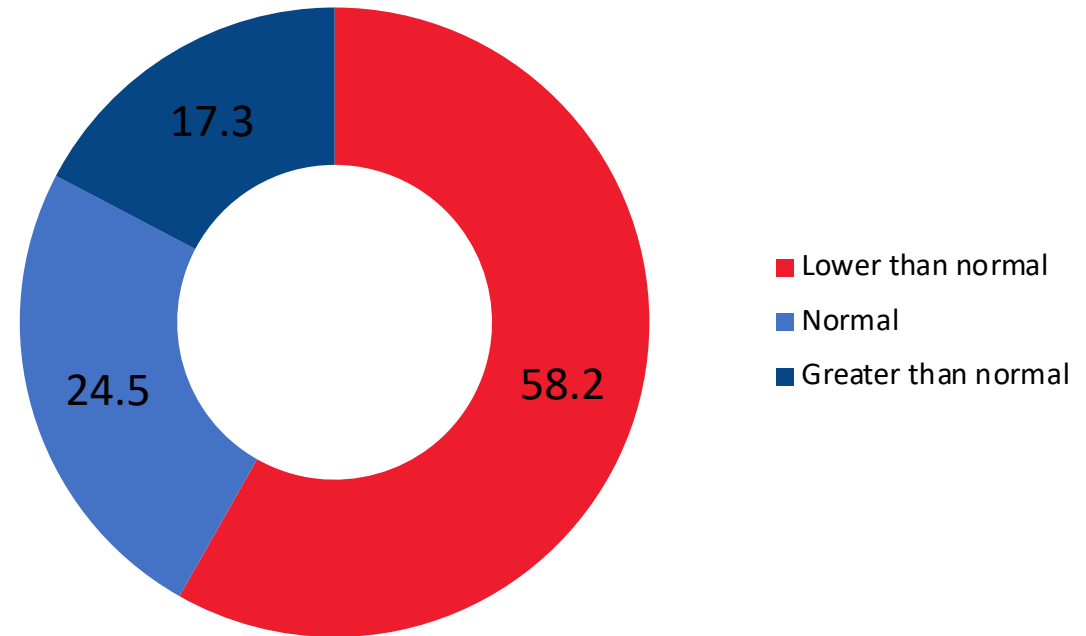


Q7: What can your local or provincial government do better to speed up factory opening approvals? Please rank 1-7, with 1 being the most important.

GOVERNMENT ACTIONS	1st	2nd	3rd	4th	5th	6th	7th
Clearer explanations of requirements	34.5%	10.9%	14.5%	13.6%	18.2%	7.3%	0.9%
Open traffic for supplies and workers	20%	20%	30%	16.4%	8.2%	5.5%	0%
Faster permit processing times	17.3%	20.9%	16.4%	15.5%	21.8%	6.4%	1.8%
Provide materials (masks, safety equipment)	16.4%	23.6%	13.6%	17.3%	17.3%	10%	1.8%
Lift quarantine restrictions on healthy workers	8.2%	20.9%	18.2%	18.2%	15.5%	12.7%	6.4%
Other	1.8%	0%	0.9%	0.9%	0.9%	9.1%	86.4%

Q8: Do you expect demand in the next few months for your products to be:

In a sign that the Chinese economy will see significant first quarter decline as a result of the coronavirus, 58% of respondents expect demand for their products to be lower over the next few months. Interestingly, 17% anticipate greater demand.



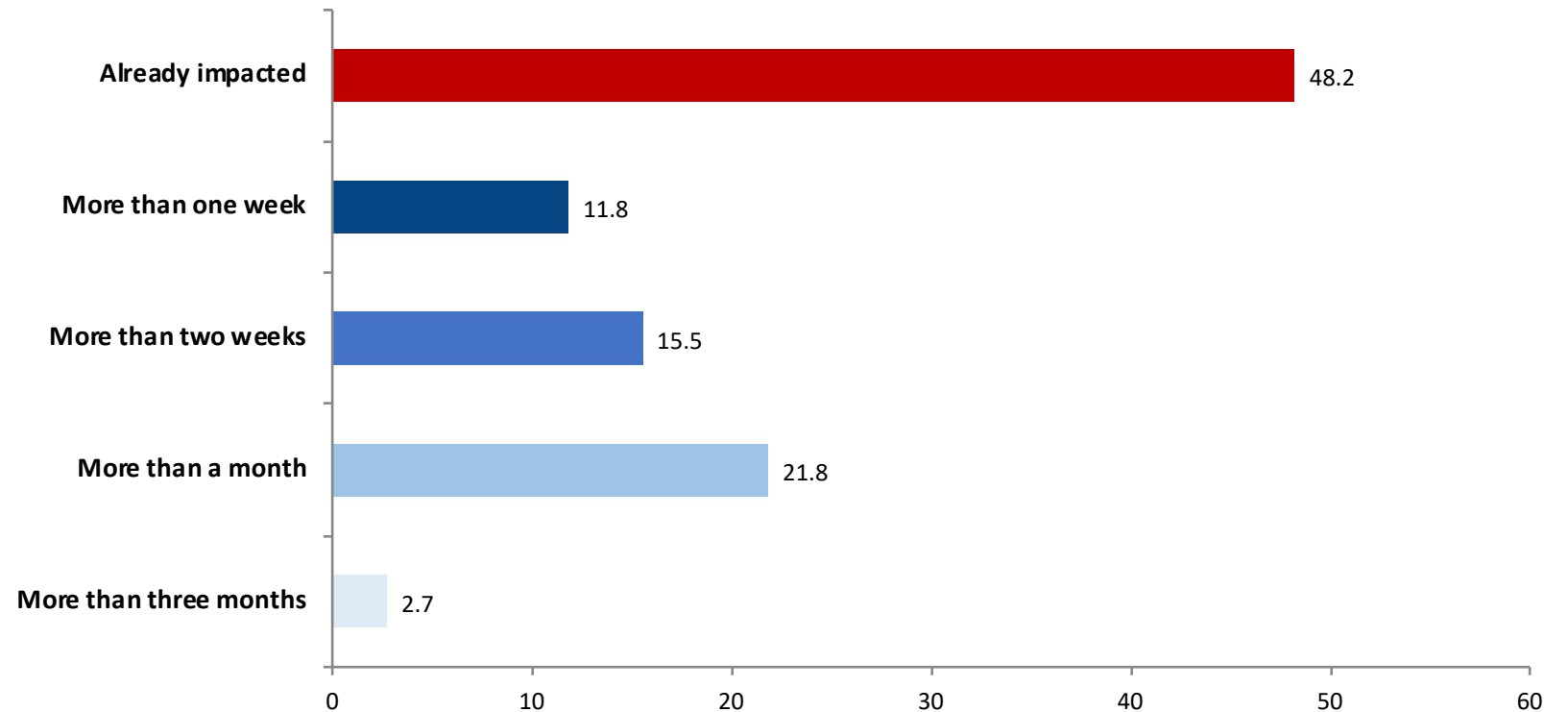
Q9: What will be your biggest challenges in the next 2-4 weeks? Please rank 1-5, with 1 being your biggest challenge.

BIGGEST CHALLENGES	No. 1	No. 2.	No. 3	No. 4	No. 5
Lack of staff	40.9%	19.1%	16.4%	15.5%	8.2%
Logistics	30%	34.5%	22.7%	6.4%	6.4%
Finding alternative materials/goods supplies	16.4%	30.9%	22.7%	24.5%	5.5%
Inventory management	7.3%	10.9%	24.5%	37.3%	20%
Cash flow management	5.5%	4.5%	13.6%	16.4%	60%

- Lack of staff (41%), logistics (30%), and the need to find alternative supplies (16%) were ranked as the top three challenges in the next 2-4 weeks by respondents.
- Logistics continues to be a major concern for companies as roadblocks and other COVID-19-related bottlenecks are making it challenging to move goods and supplies around China.

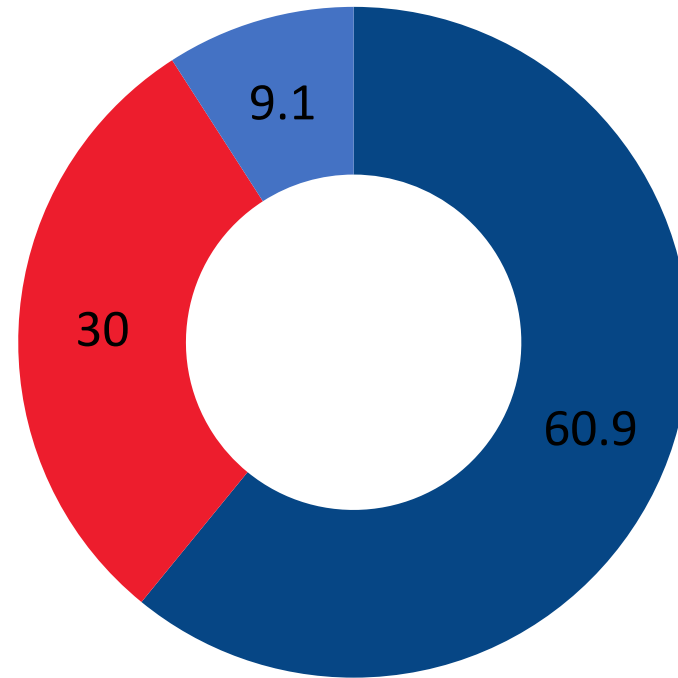
Q10: If the shutdown continues, how long before it seriously impacts your company's global operations?

Forty-eight percent of respondents say the shutdown has already impacted their global supply chain, while almost all others expect an impact within the next month.



Q11: Do you have any contingency plans for production and supplies in other regions of China or outside China, if you are unable to open your factory?

Thirty percent of companies say if their factories are unable to open, they will move operations out of the country, 61% say they will wait until their China factories open, and 9% percent will shift production to other provinces.



- No, will wait for factory to open
- Yes, move operations out of China
- Yes, continue to operate in China but in different provinces with less strict policies