



Impact of the Coronavirus Outbreak on VDMA Member Companies in China

4th VDMA China Flash Survey
September 15, 2020

Content



About the survey	3
Survey summary	4
Survey results	5
Contact	26



About the survey



- » Duration of 4th Flash Survey: 07.09 – 11.09.2020
- » 112 participants completed the survey

(Sample size N=112)

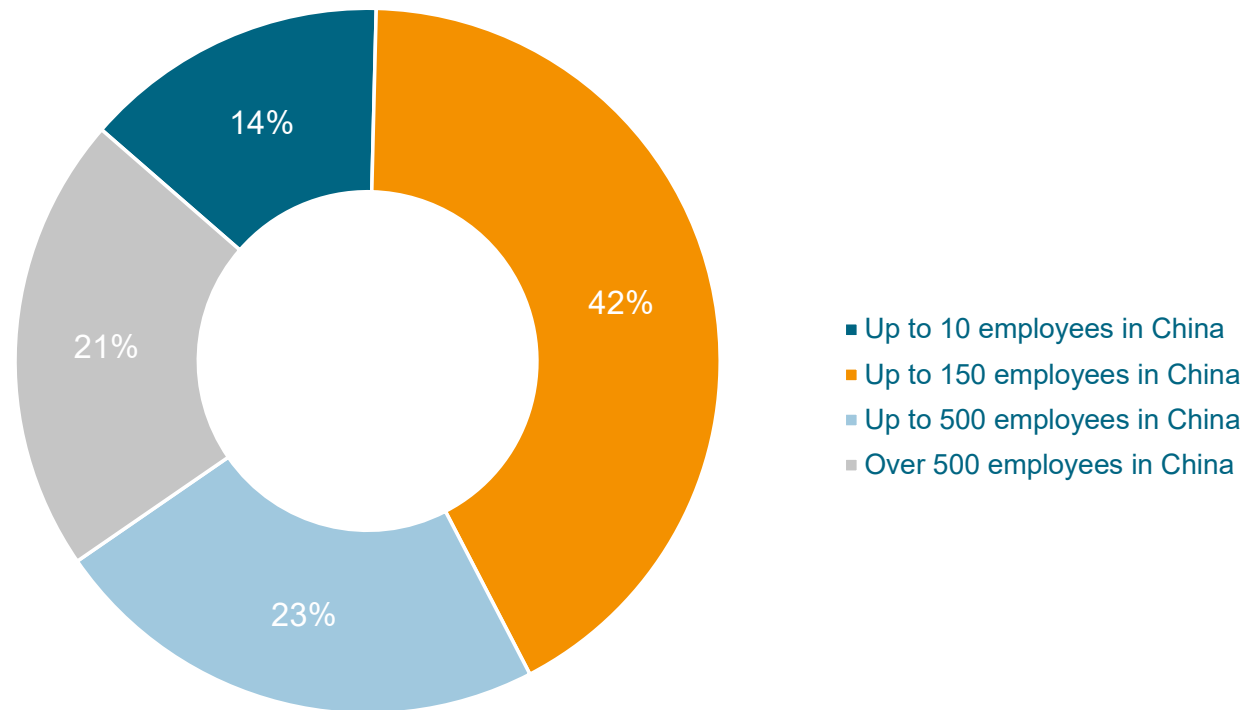
1 st Survey (26.02.-04.03.):	N=131
2 nd Survey (31.03.-03.04.):	N=118
3 rd Survey (01.06.-05.06.):	N=137
4 th Survey (07.09.-11.09):	N=112

Survey summary

The following data reflect the picture as evaluated between September 07 and September 11:

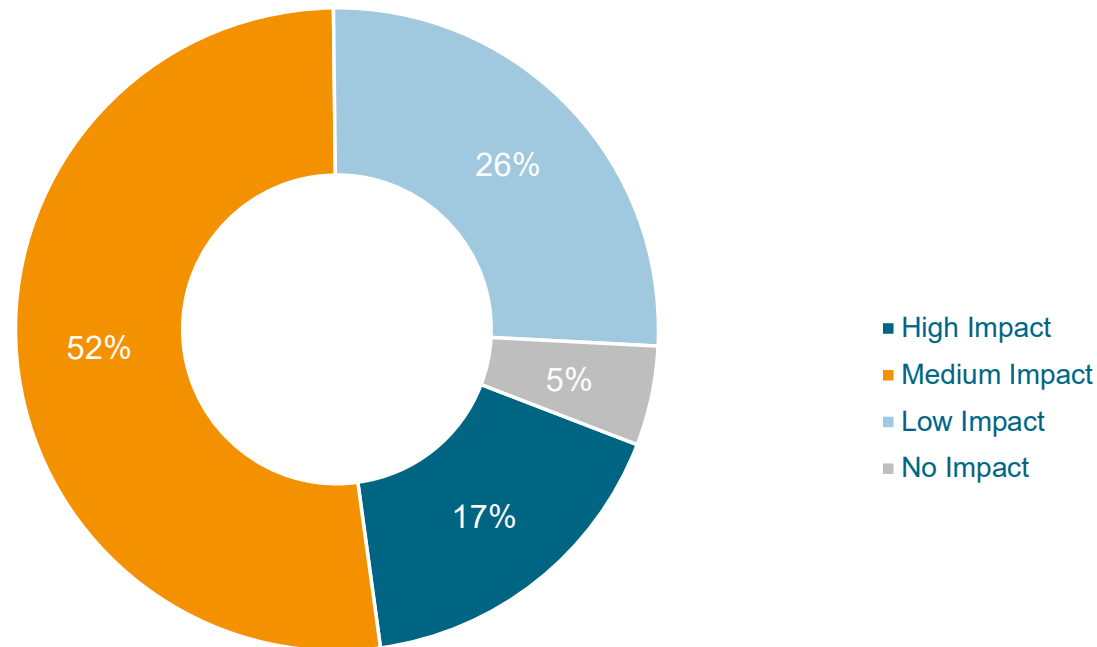
- » The overall business situation continued to improve, although not as significantly any more as seen during the past three question rounds (1st – 3rd survey). The “high impact” responses went down from 22% to 17%. Still 52% of the respondents evaluate the impact as “medium”, while in June it was 53%.
- » Travel ban for foreigners is by far still the main challenge, mainly because of the two weeks quarantine obligation after arrival in China. “That’s not up to date with actual knowledge from scientists.” one company stated.
- » 39% of the respondents expect to still reach the companies growth target, compared to 30% during the last survey in June.
- » The expectation for the 2nd half of 2020 is for 62% growth, 29% status quo and for 9% decline.
- » The expectations for 2021 are mixed:
 - 35% of the respondents expect 2021 to be better than 2020 and 2019.
 - 29% expect 2021 to be better than 2020 but worse than 2019.
 - 29% expect 2021 to become same as 2020.
- » The investment behaviour of customers is sending positive signals: more customers are planning new investments, up from 13% in June to 29% in September.
- » 39% of the respondents feel that the Corona pandemic is changing the competition situation for them in China, 25% see their position weakened, 14% strengthened.
- » Increasing competition on the Chinese market is by far seen as the biggest challenge currently, 33% evaluate it as serious and 45% as noticeable. But also the decoupling between China and the US is expected to have an effect, 19% evaluate it as serious, 32% as noticeable.

Q1: Please indicate the number of employees of your company:



N = 112
Answers weighted
Source: VDMA

Q2: How do you evaluate the impact of the coronavirus (COVID-19) outbreak, and the resulting prevention-and-control measures on your business situation in China in 2020?

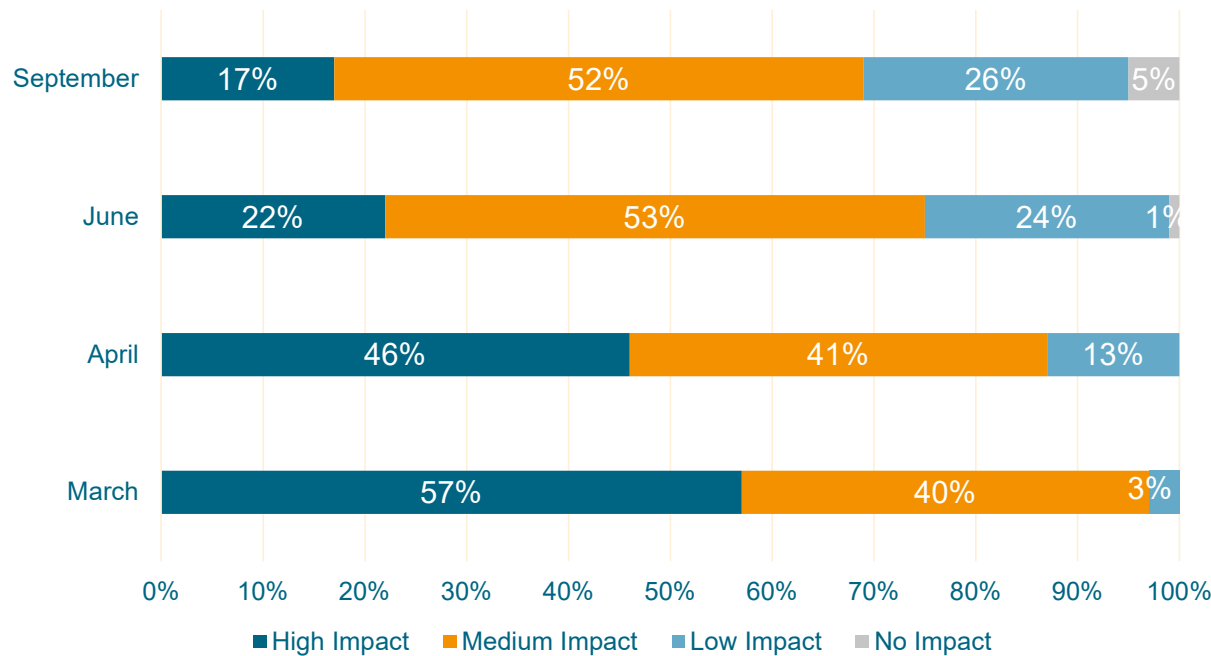


N = 112
Answers weighted
Source: VDMA



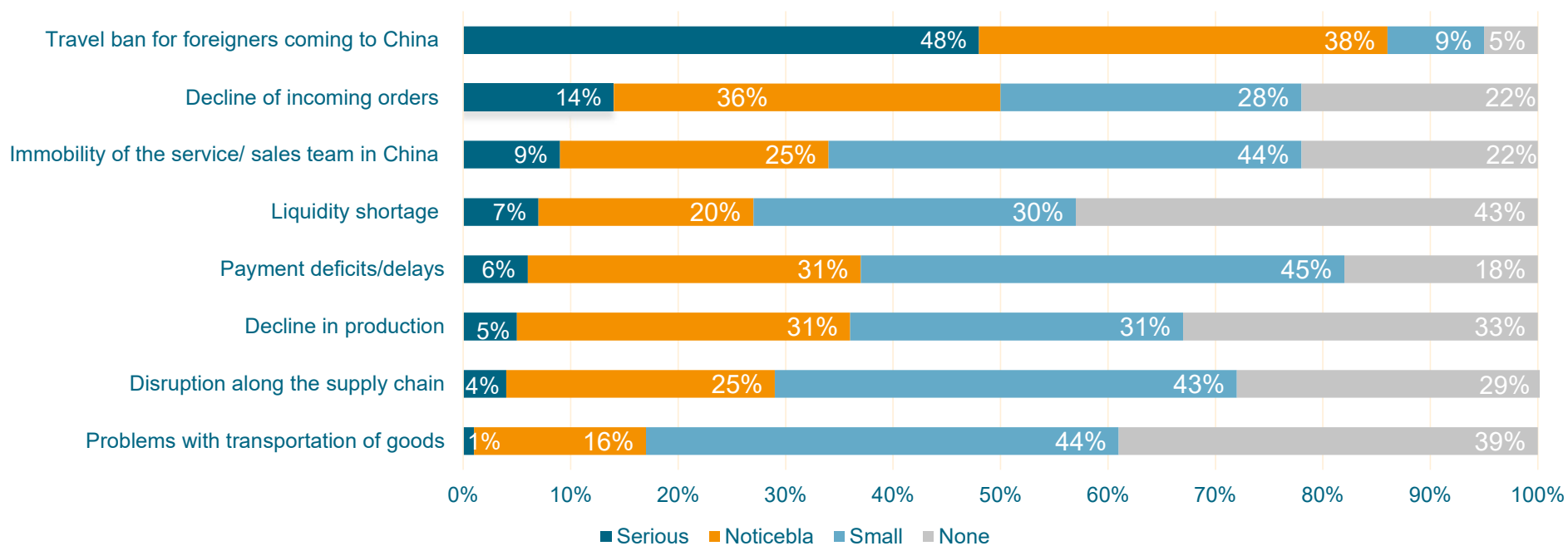
Q2: Result Comparison Flash Survey 1 to 4

How do you evaluate the impact of the coronavirus (COVID-19) outbreak on your business in China?



» The overall business situation continued to improve compared to the previous survey in June, although not as significant as during the past three question rounds.

Q3: What impact do you currently feel to what extent?

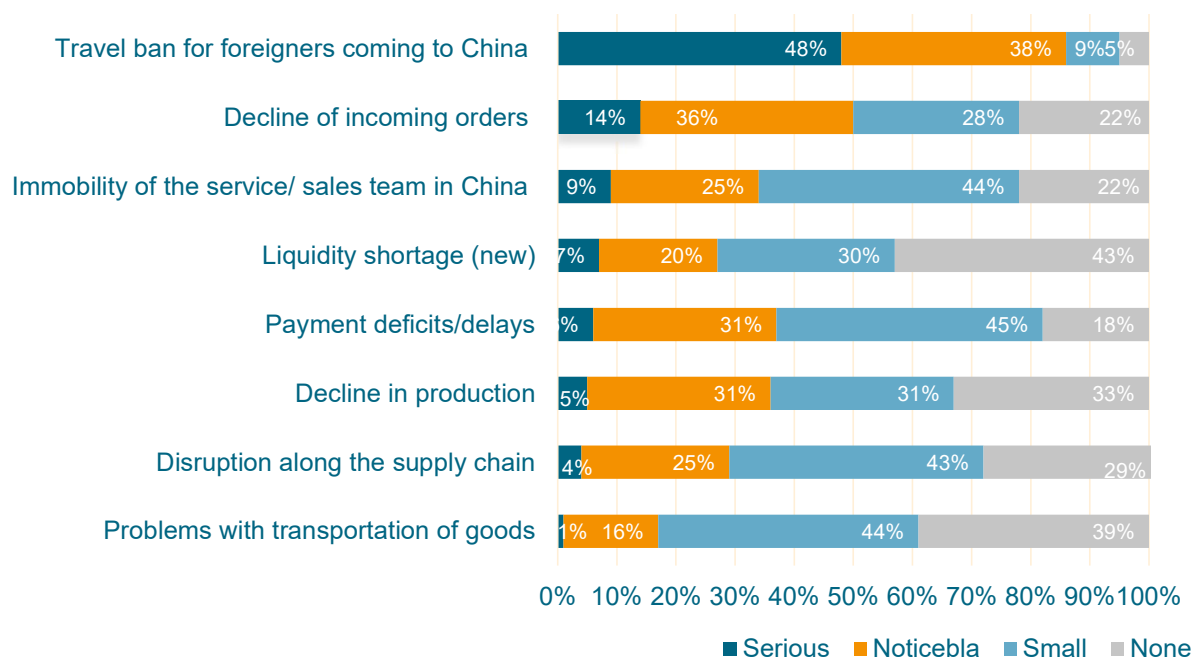


N = 112
 Answers weighted
 Source: VDMA

Q3: Result Comparison Flash Survey 3 and 4

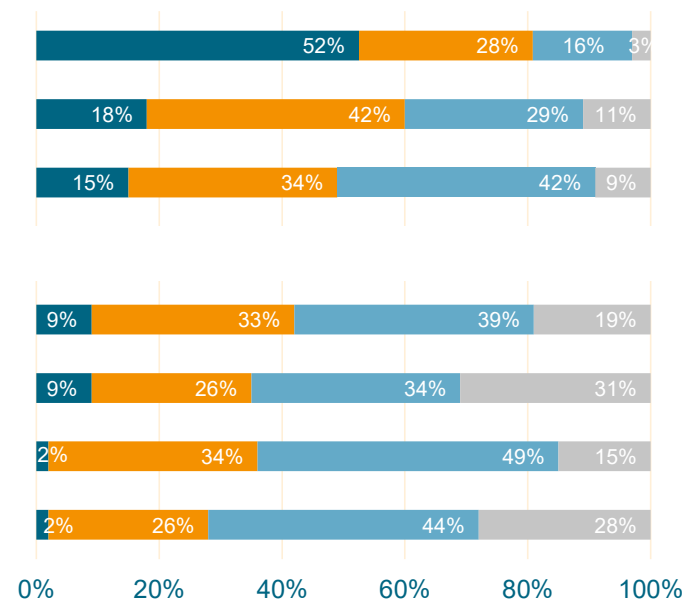
What impact do you currently feel to what extent?

September Results



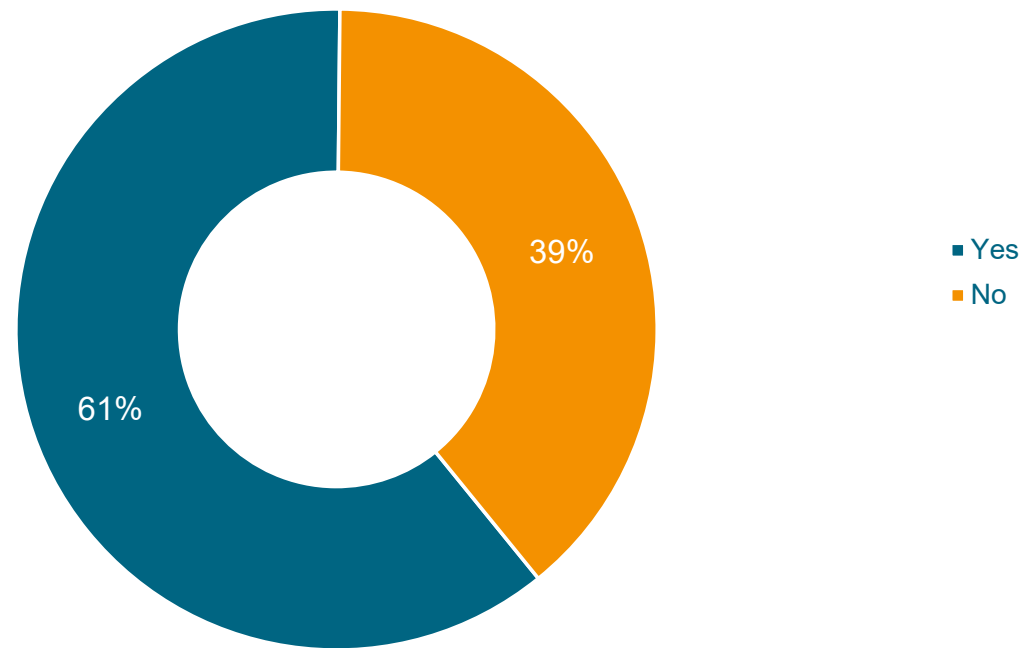
N = 112
Answers weighted
Source: VDMA

June Results



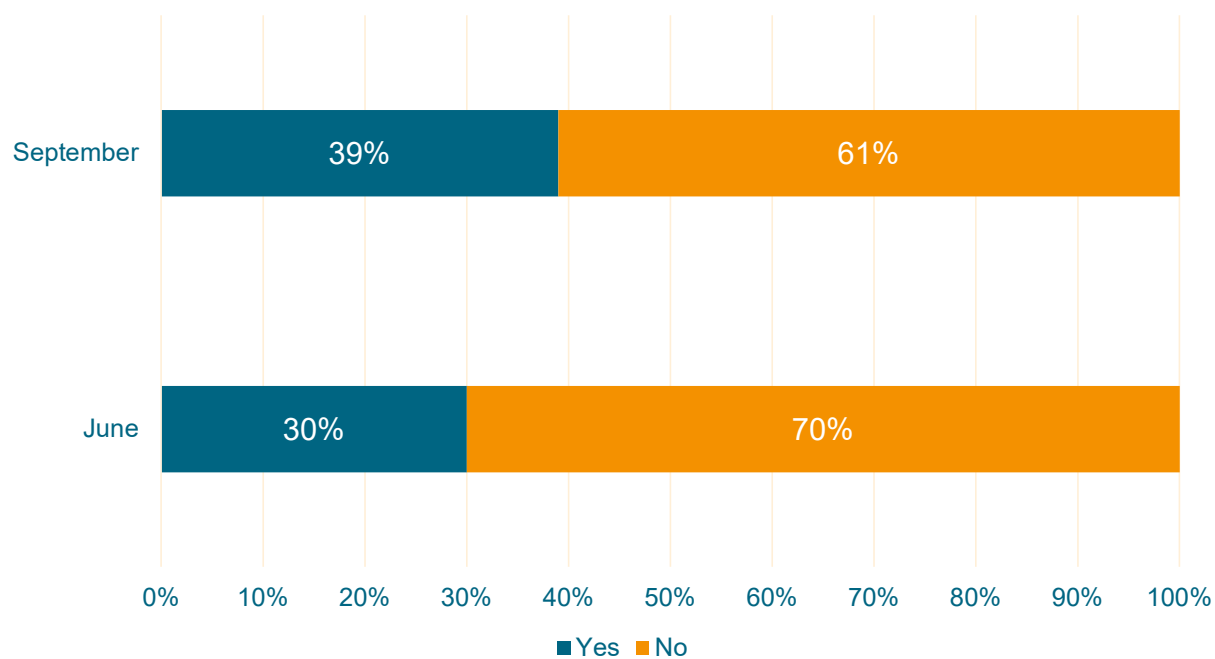
N = 137
Answers weighted
Source: VDMA

Q4 (new): Has your sales in China returned to normal (level before the Corona pandemic or higher)?



N = 112
Answers weighted
Source: VDMA

Q5: Do you expect to still reach your growth target for 2020?



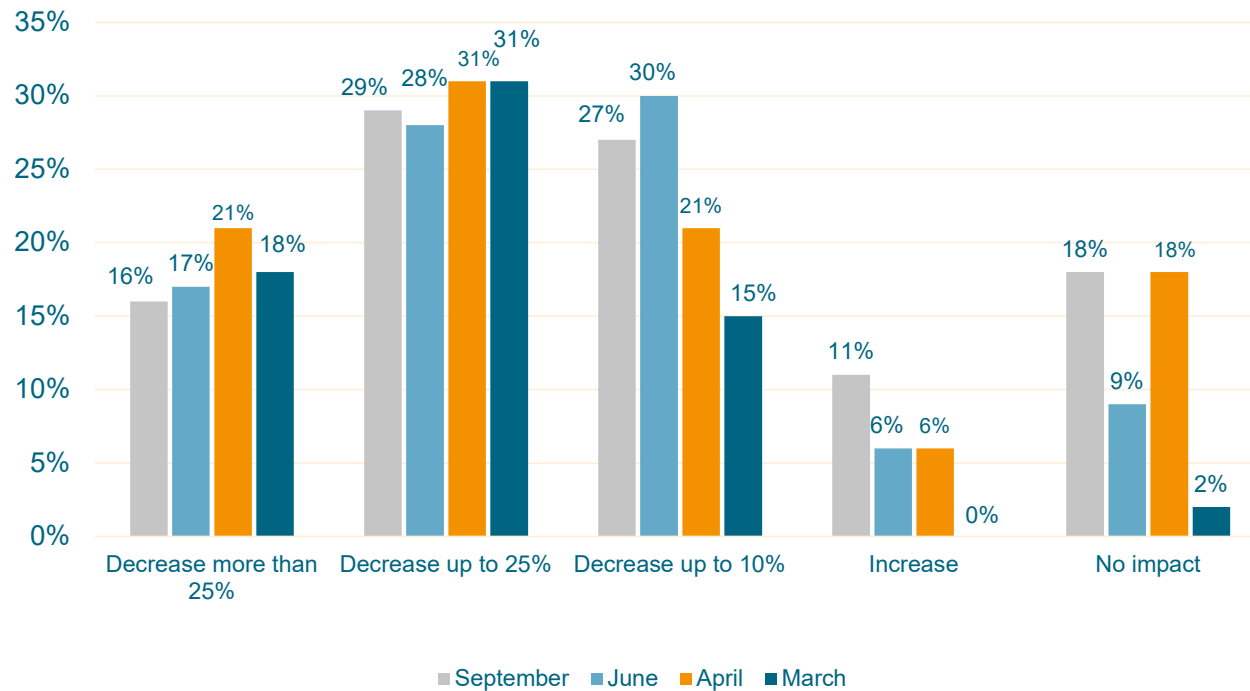
» Companies are getting more confident that they can still reach this year's growth target.

N = 112
 Answers weighted
 Source: VDMA

Q5: If yes, what makes you confident about the Chinese market?

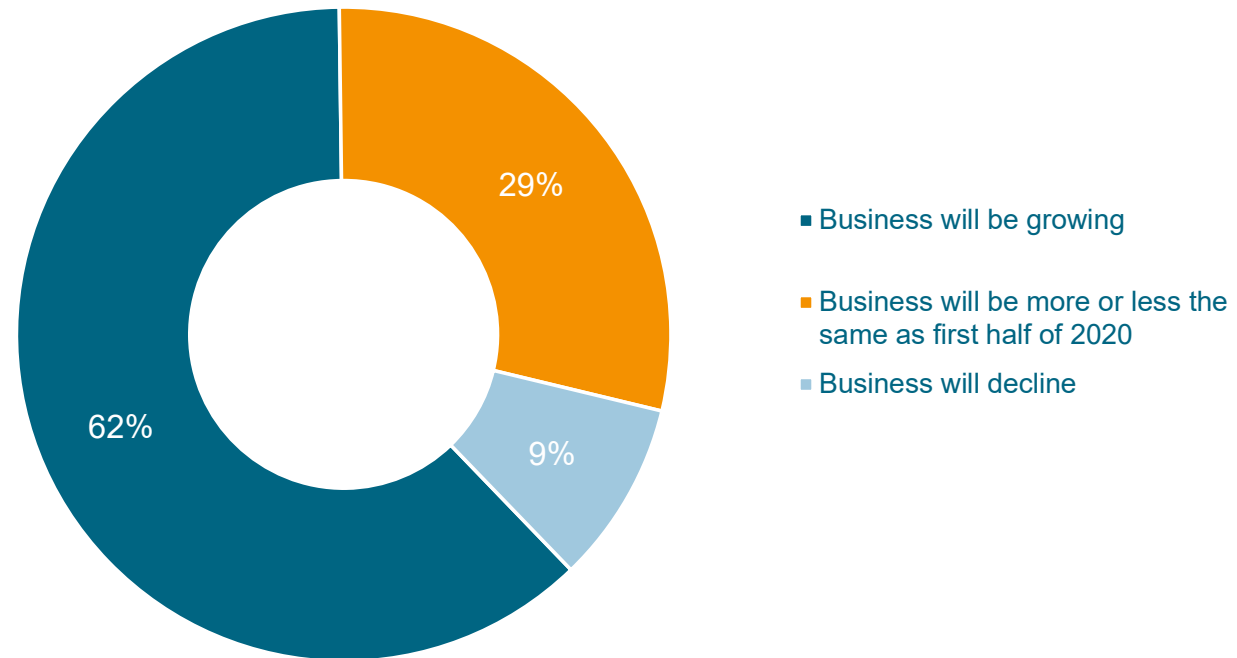
- » Quick pick up after the lockdown period; market situation already back to normal.
- » Increased in demand in Q2 and Q3, strong domestic demand.
- » Demand triggered by private consumption is growing.
- » Growth rate even higher than during the “normal” years.
- » Increased number of projects, even in automotive; more projects than ever.
- » Postponed projects will still be realized in 2020.
- » Investments going up, domestic investment level is back to normal.
- » More orders from other markets (non-Chinese).
- » Intralogistics market is booming and a major driver. More people order online which requires new warehouses and related infrastructure.
- » Other growing industries: railway, wind, infrastructure, construction; also agriculture increasing in 2nd half of 2020.
- » Passenger car market is recovering, commercial vehicle market not significantly effected anyway.

Q6: To what extent did the coronavirus outbreak and the resulting prevention-and-control measures impact your company's revenue in the first half of 2020?



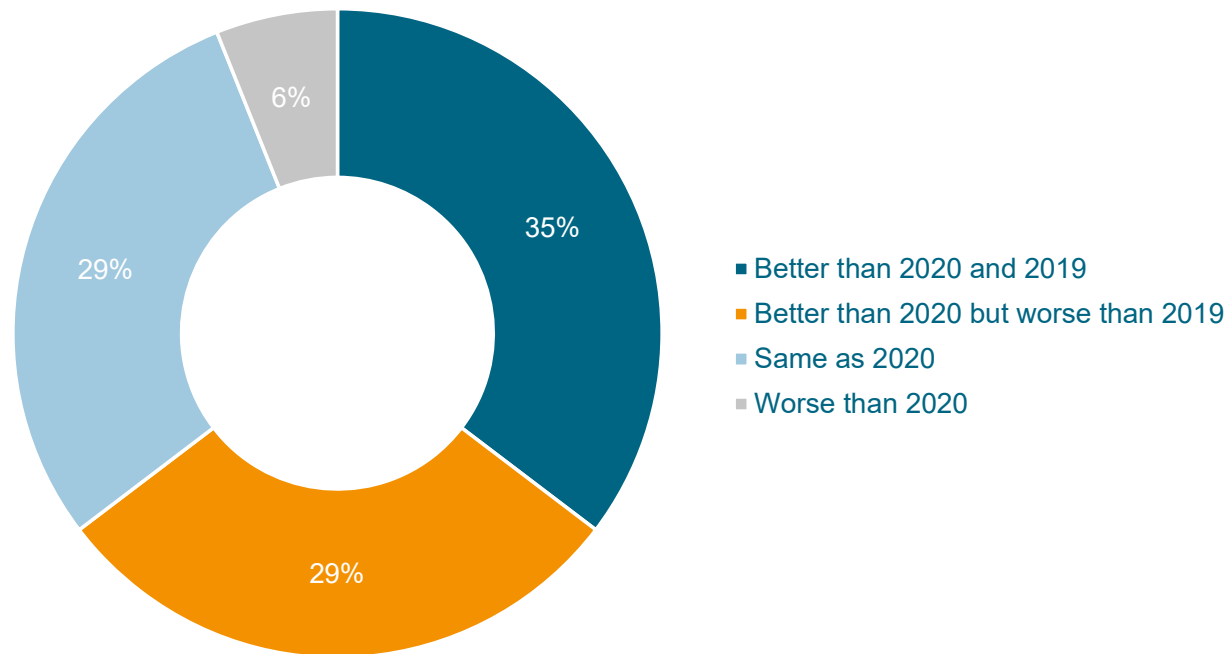
N = 112
 Answers weighted
 Source: VDMA

Q7 (new): How is your expectation for the second half or 2020?



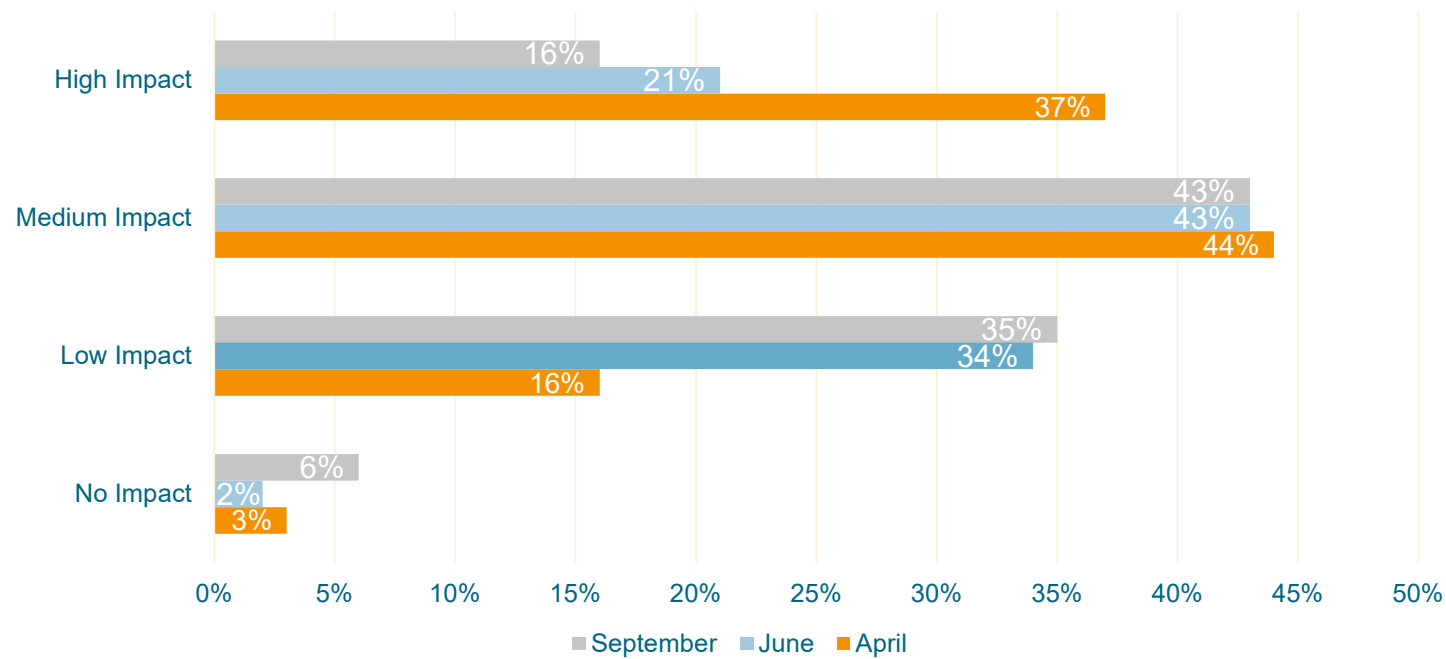
N = 112
Answers weighted
Source: VDMA

Q8 (new): Outlook 2021: What is your companies' expectation for 2021 in terms of growth?



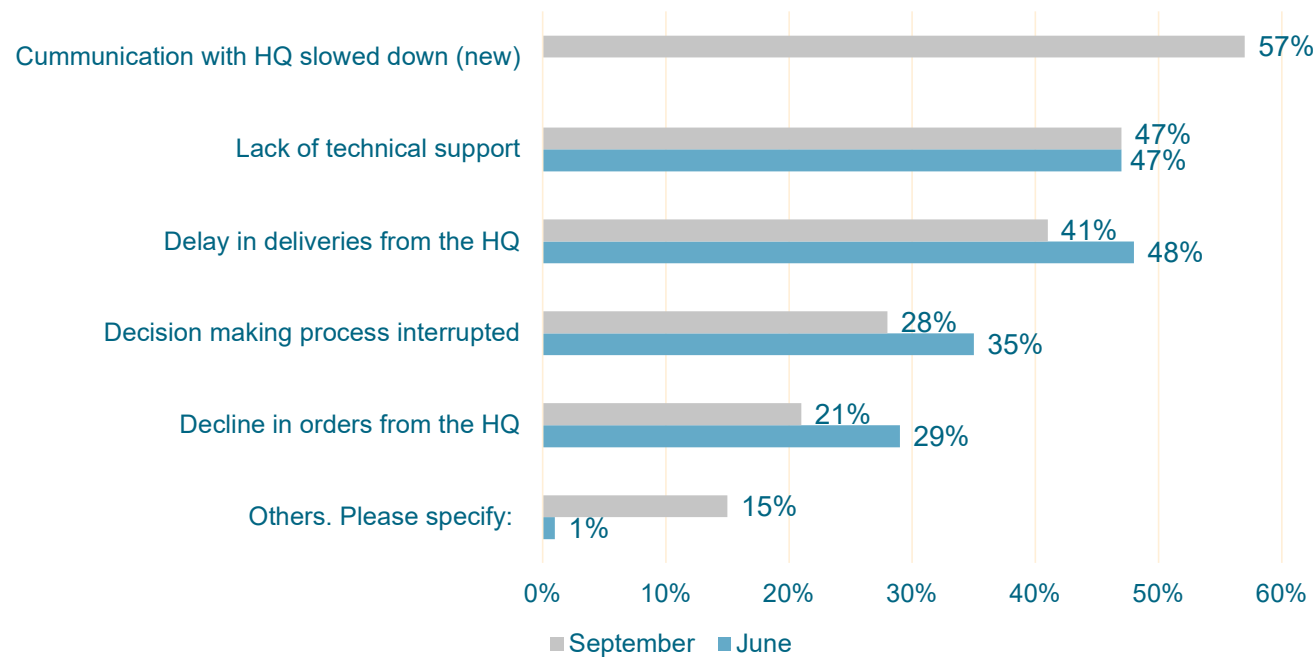
N = 112
Answers weighted
Source: VDMA

Q9: Please evaluate the impact of the outbreak situation in Europe on your business in China.



N = 112
 Answers weighted
 Source: VDMA

Q10: What Impact do you currently feel most in the working relationship with the headquarters?

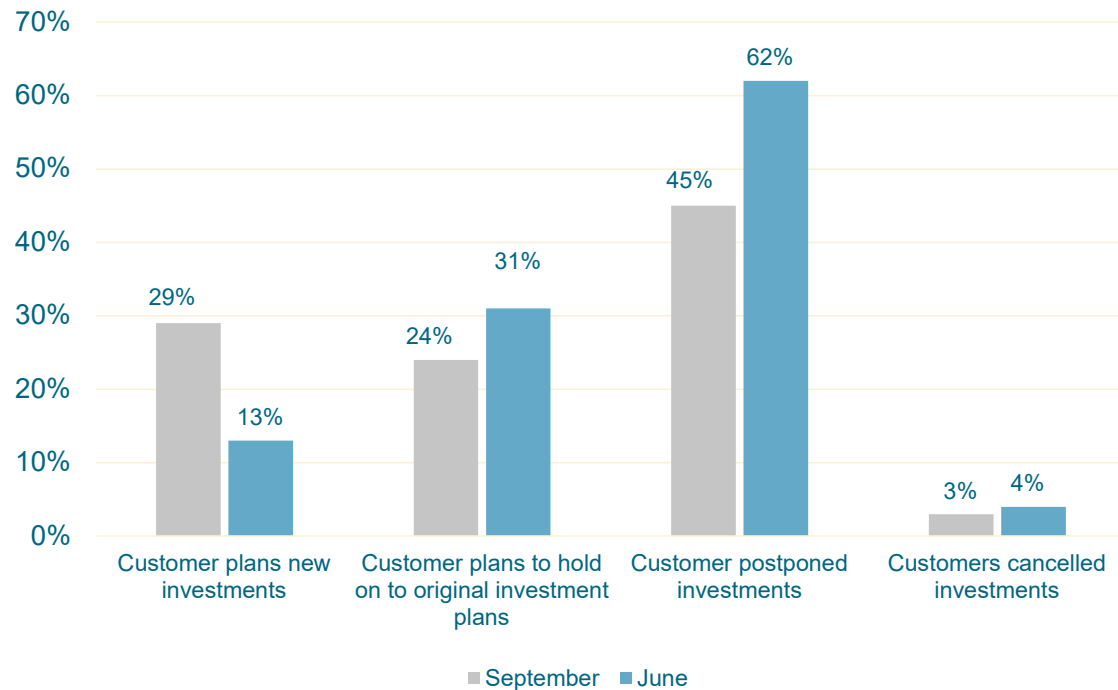


» Others/Comments:

- » No impact, all as usual (8)
- » “Kurzarbeit” (short time work) makes communication very slow, is bothering the business
- » Investment slowed down
- » Pandemic has prevented unnecessary travels from HQ which increased efficiency
- » Not enough site specialists for the Chinese market

N = 112
 Answers weighted
 Source: VDMA

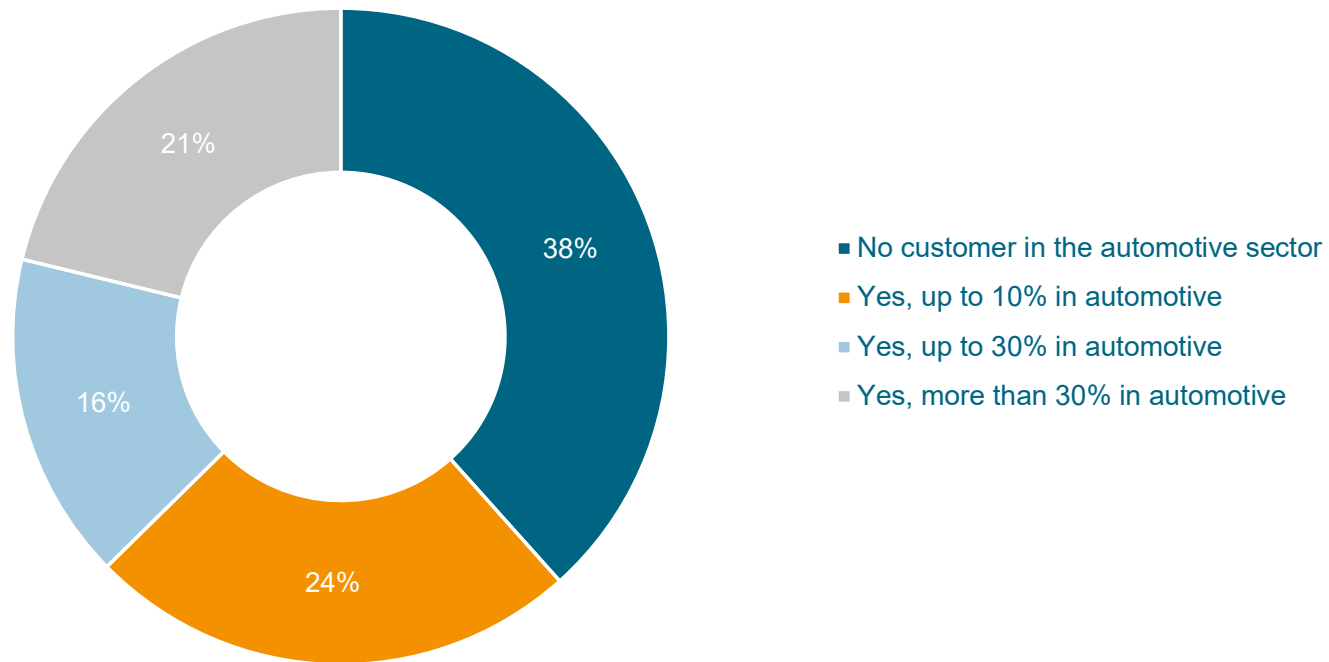
Q11.1: How do you evaluate your customers current investment behavior?



- » Investments seem to get on.
- » More customers are planning new investments, up from 13% in the June survey to 29% in the September survey.
- » While postponed investments shrank from 62% in June to 45% in September.

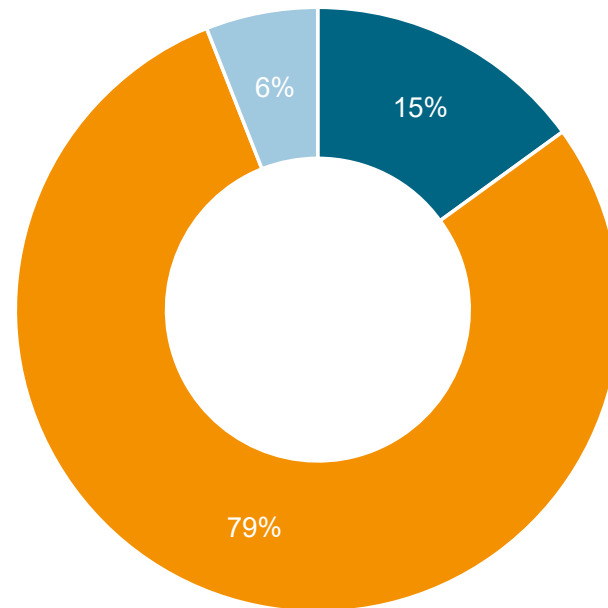
N = 112
 Answers weighted
 Source: VDMA

Q11.2: Do you have customers in the automotive sector ?



N = 112
Answers weighted
Source: VDMA

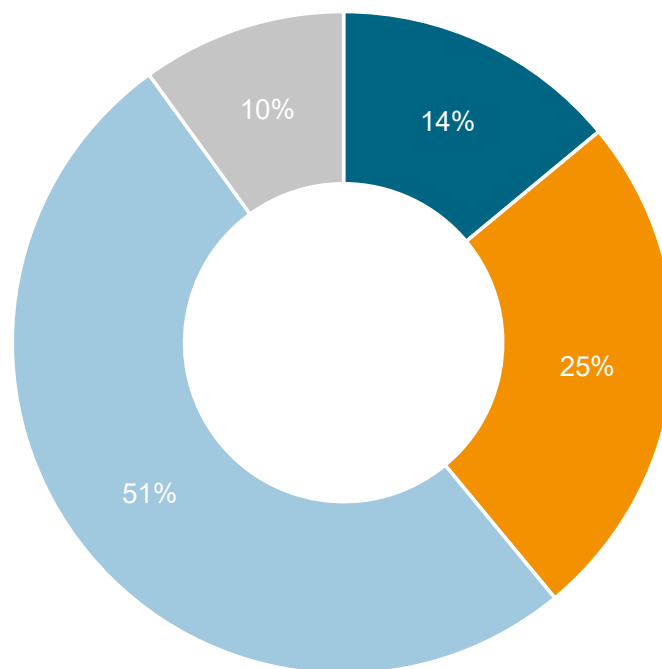
Q11.3: Do you have State Owned Enterprises as customer?



- Yes, majority of our customer is SOE
- Yes, but only minority of our customer is SOE
- None of our customer is SOE

N = 112
Answers weighted
Source: VDMA

Q12 (new): Did the Corona pandemic change the competition situation for your company in China?



- Yes, we are now in a better position.
- Yes, we are now in a weaker position.
- No change
- Don't know

N = 112
Answers weighted
Source: VDMA

Q12 (new): Did the Corona pandemic change the competition situation for your company in China?

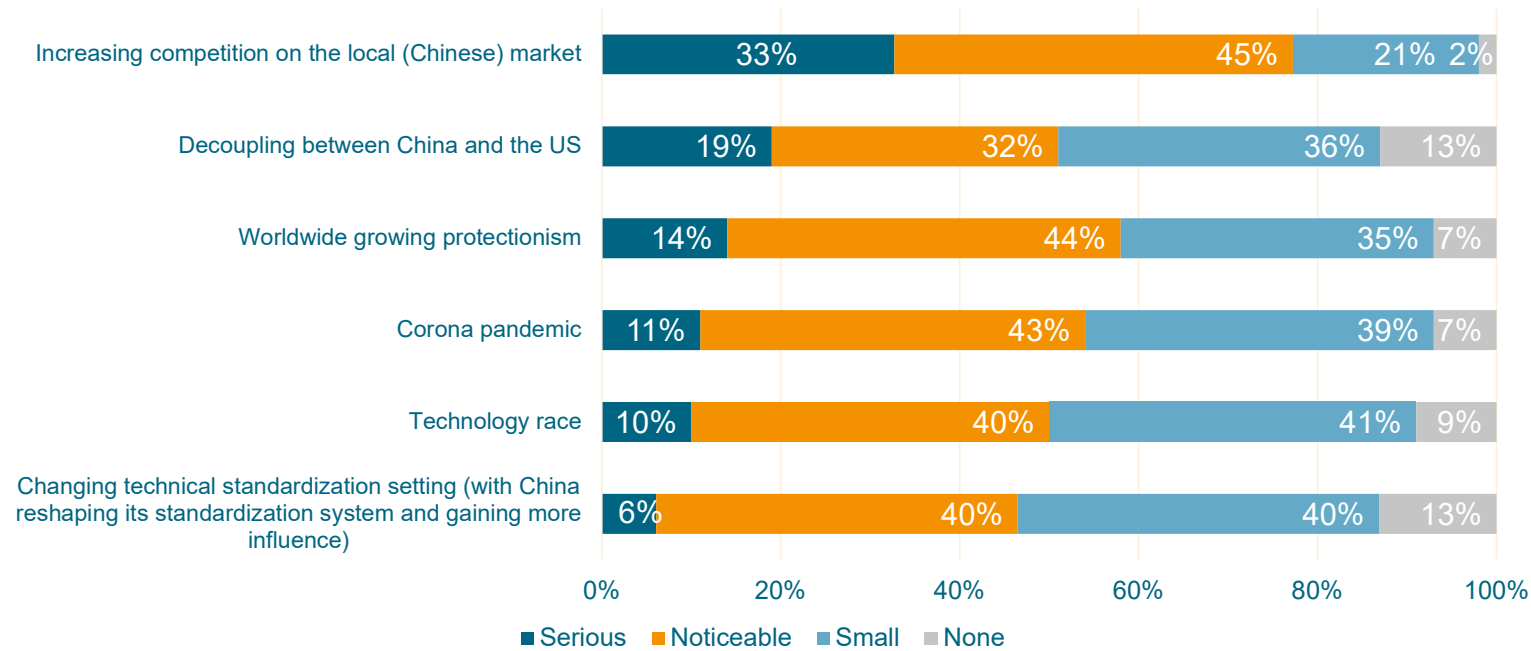
- » More companies think that the corona pandemic brought them in a weaker position (25%) than in a better position (14%).
- » **Weaker Position:**
 - » Low price competition: local competitors are very aggressive to get orders, prices dropped, price crash done by local competitors, low cost options available, price driven decisions.
 - » Long payment terms: strong push from local competitors with very attractive payment conditions to Chinese customers.
 - » Competitors seem to have unlimited liquidity, unreasonable financing schemes in the market.
 - » Slow reaction and decision making from the HQ.
 - » Saturated market, “survival of the fittest”.
 - » Most electronic products are imported from the HQ and delivery time is highly impacted.
 - » Customers getting more hesitant to invest in premium equipment.
 - » More orders to state owned competitors, support for SOE’s, local suppliers preferred, competition from local brands, Made in China 2025 will be accelerated.

Q12 (new): Did the Corona pandemic change the competition situation for your company in China?

» Better Position:

- » Our company is independent from the HQ, our competitors are not.
- » We react faster than our competitors.
- » Profitability increased amid the pandemic due to cost savings (travel restrictions, cancellation of exhibitions, more online activities) .
- » Automation is getting more attention from the customers than before the pandemic.
- » We are active in the medical industry.
- » High grade of localization compared to our competitors.
- » Strong local sales and service organization compared to our competitors.
- » We benefit from rising standards.

Q13 (new): How do you evaluate the following challenges for your company's business in China?



N = 112
 Answers weighted
 Source: VDMA

Q13 (new): Do you see any other challenges?

- » Travel restrictions: uncertainties (visa, quarantine regulation) for foreigners becoming unacceptable, esp. for top management travelling within SE Asia and to Europe.
- » Unforeseeable global political environment is making global business cooperation's unsure.
- » Competition with Chinese companies:
 - » Domestic competitors supported by government,
 - » Restrictions for foreign companies in tender and government projects,
 - » Competition from SOE's.
- » China's localization policy.
- » The much too negative sentiment against China in the foreign press, ignoring the achievements and opening-up, this is becoming a challenge for WFOE's in China.
- » The approach of the Chinese government to achieve a bigger share of value-added processes, government forces the Chinese industry to become technology leaders and ask domestic investors to give preference to domestic companies.



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