

BRITISH CHAMBERS OF COMMERCE IN CHINA

British Business in China

THE IMPACT OF THE NOVEL CORONAVIRUS PNEUMONIA





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EXECUTIVE SUMMARY

Last week the British chambers of commerce in China conducted a survey of our members on the impact of the novel coronavirus pneumonia on their operations in China. The survey was conducted between Wednesday 5th February and Friday 7th February, and received responses from 126 British companies. Responses reflect the full range of British businesses of all sizes operating across a broad range of sectors. Gathering responses from businesses operating in cities all over China, the survey is national in its spread. The survey finds that:

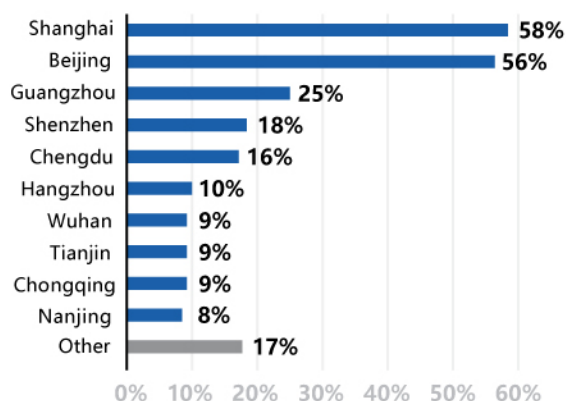
- 1. The coronavirus outbreak has caused severe disruptions to the operations of British business in China.** 97% of respondents report a negative impact on their operation from the virus, with the majority (54%) experiencing a significant negative impact.
- 2. These issues are being widely felt by companies in both goods and services industries and among businesses across the country.** Companies are also experiencing general financial challenges (36%), costs from HR compliance (29%) and a shortage of necessary medical supplies (28%).
- 3. Most companies expect business to return to normal by either the end of February (23%) or by the end of March (31%).** Despite this, there is a considerable amount of uncertainty (27% report don't know) and a large proportion of companies (37%) nonetheless expect to reopen their offices on 10th February.
- 4. Almost all businesses are implementing working from home and 37% are allowing for flexible working hours.** A further 22% are postponing investment decisions and another 17% are temporarily suspending operations in China altogether. Of the companies that employ British nationals, relatively few are actively relocating them back to the UK (9%), but most are supporting the voluntary decisions of employees to work remotely out of the country.
- 5. Two in five British businesses have already provided support to the government's efforts to contain the virus in Wuhan and Hubei.** This has been in the form of medical equipment (13%), financial donations (12%) and business advice (8%).

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CORPORATE PROFILE

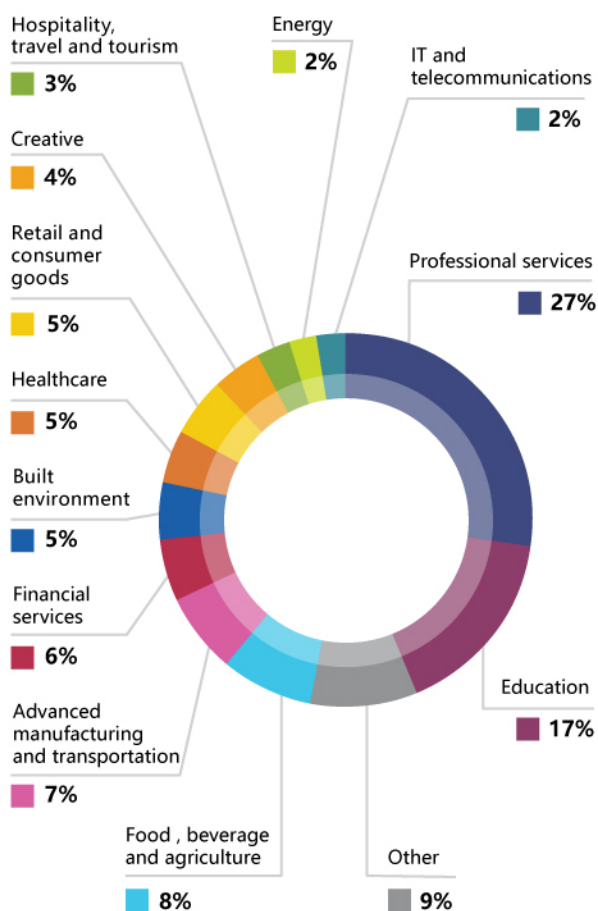


IN WHICH OF THE FOLLOWING CITIES DOES YOUR ORGANISATION HAVE A PHYSICAL PRESENCE?



The survey represents the views of British businesses from a range of sectors all across China. The highest representation of companies is in professional services (27%) and education (17%), with most businesses located in Shanghai (58%) and Beijing (56%), as well as other more developed coastal cities. 9% of companies have operations in Wuhan, the origin of the outbreak and the city where most fatalities have been recorded.

WHICH SECTOR(S) IS YOUR ORGANISATION INVOLVED IN?

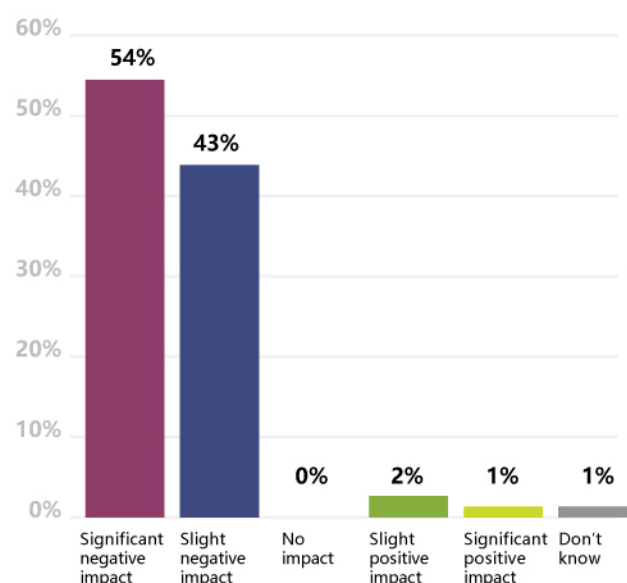


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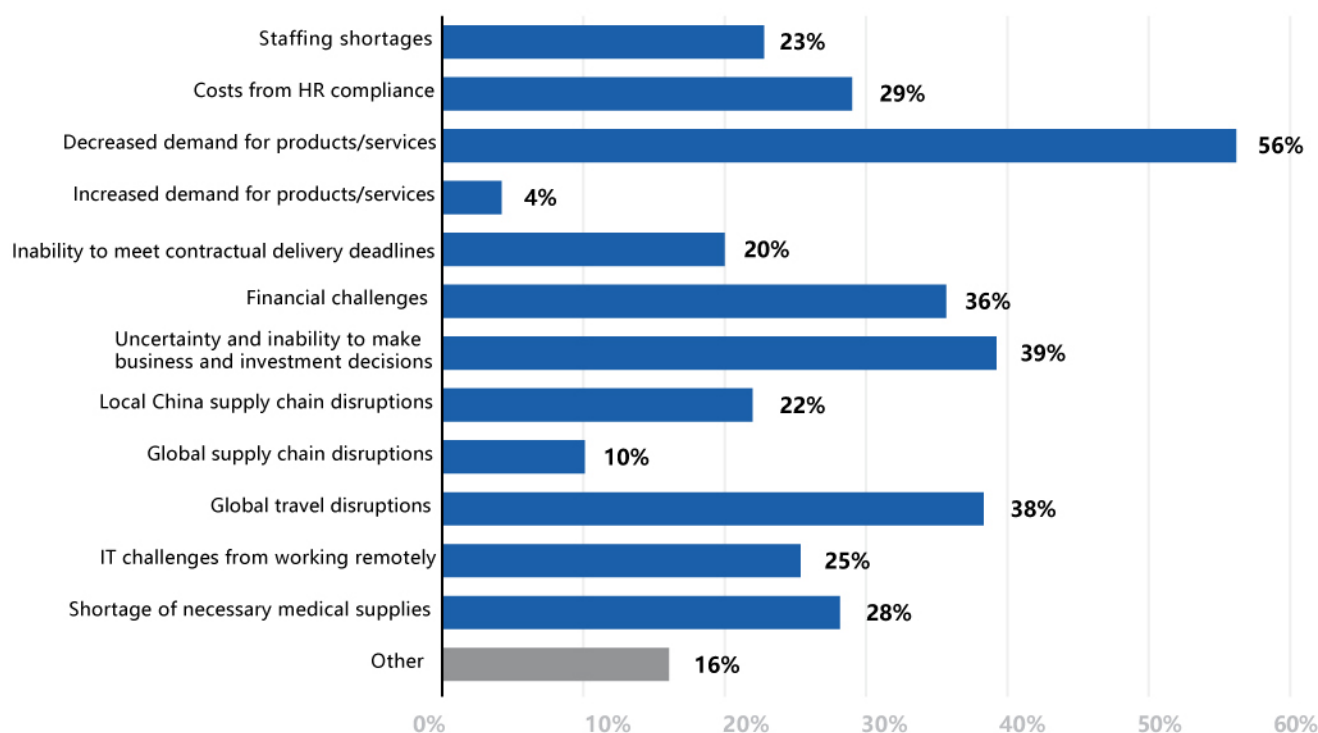
FINDINGS

Virtually every British business in China (97%) reports seeing the coronavirus having a negative impact on their operations, and with more than half stating it has had a significant impact. A small proportion of companies however, particularly those providing online and study abroad education services, are experiencing a positive impact from the virus.

TO WHAT EXTENT HAS THE OUTBREAK OF THE CORONAVIRUS IMPACTED YOUR OPERATIONS IN THE CHINESE MAINLAND SO FAR?



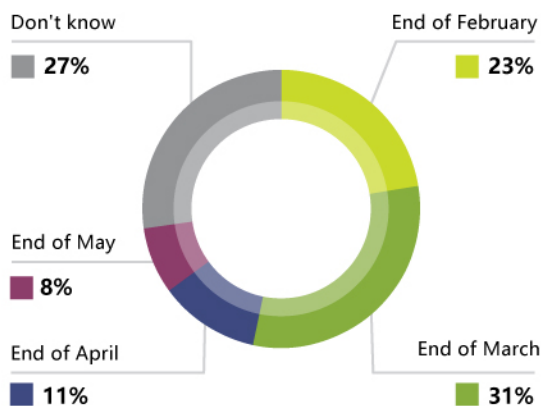
HOW HAS THE OUTBREAK OF THE CORONAVIRUS IMPACTED YOUR OPERATIONS IN THE CHINESE MAINLAND SO FAR?



Across both goods and services industries, the most significant challenge companies are facing is decreased demand for their products and services. Since the Chinese New Year holiday period, many offices, retail stores, restaurants and hotels have been closed or working on reduced hours. Consumption has been negatively impacted as people stay at home. Uncertainty is also having a profound effect on companies as it hampers

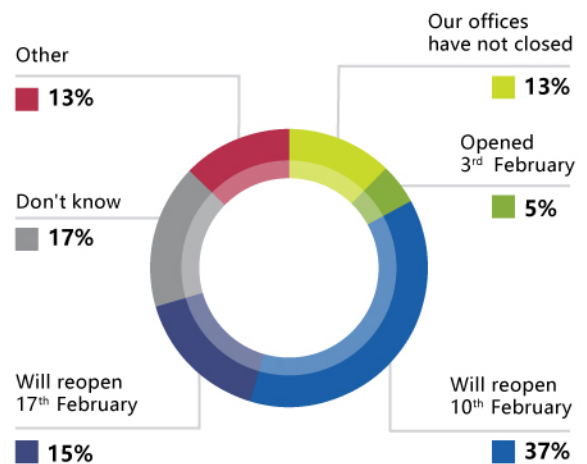
investment and business decisions. A similar proportion of businesses have been impacted by global travel disruptions (38%) and the associated financial challenges brought about from the virus (36%). Among advanced manufacturing and transportations companies, 56% have been impacted by disruptions to local China supply chains and 44% report global supply chain disruptions.

WHEN DOES YOUR ORGANISATION ANTICIPATE THE SITUATION AND YOUR OPERATIONS WILL RETURN TO NORMAL?



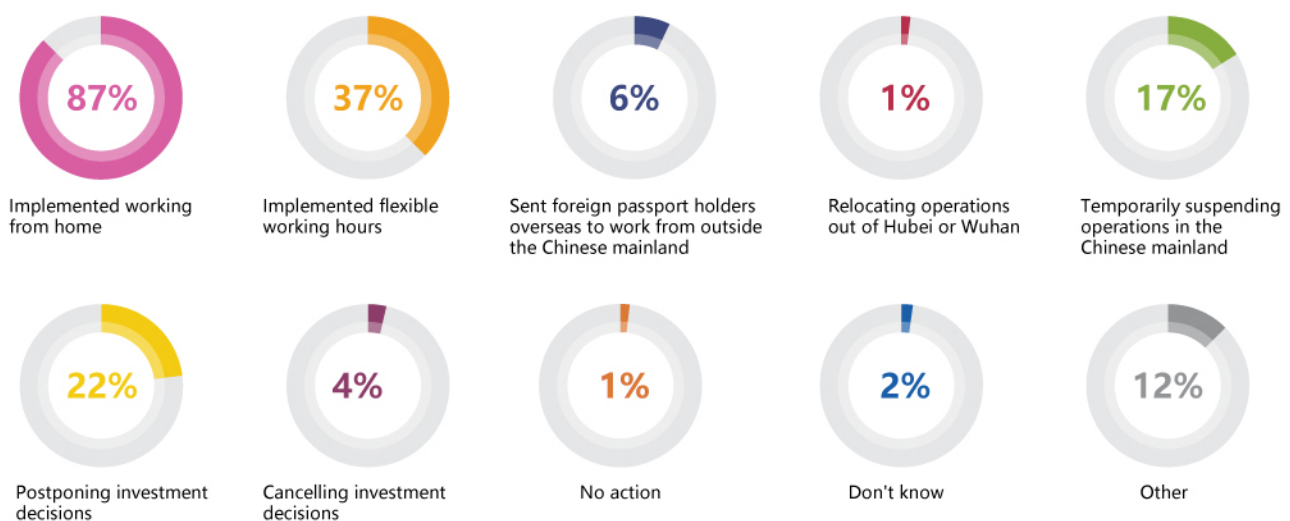
The majority of respondents (31%) believe that normal operations will resume by the end of March. More than one quarter of companies however do not know when it will be business as usual again, highlighting the significant degree of near-term uncertainty for businesses at this point in time.

IF YOUR ORGANISATION'S OFFICES HAVE CLOSED AS A RESULT OF THE OUTBREAK, WHEN DO YOU CURRENTLY EXPECT TO REOPEN THEM?



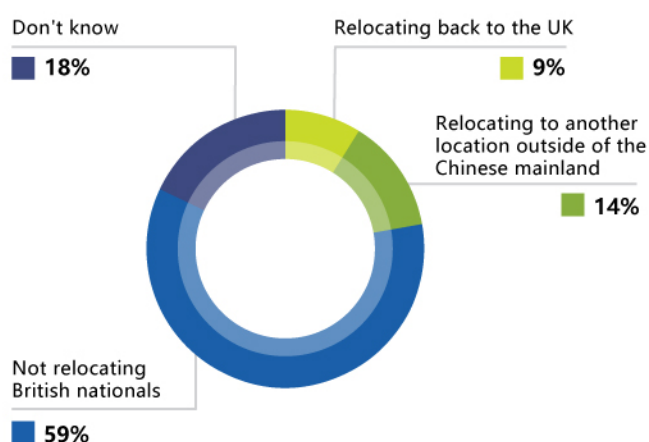
Despite the uncertainty, the largest proportion of companies (37%) expect to reopen offices on 10th February. A significant number of businesses (17%) still do not know when their offices are likely to reopen, and many others are simply waiting to see when the virus will be contained.

WHAT ACTIONS HAS YOUR ORGANISATION TAKEN OR IS CONSIDERING TAKING IN RESPONSE TO THE CORONAVIRUS OUTBREAK?



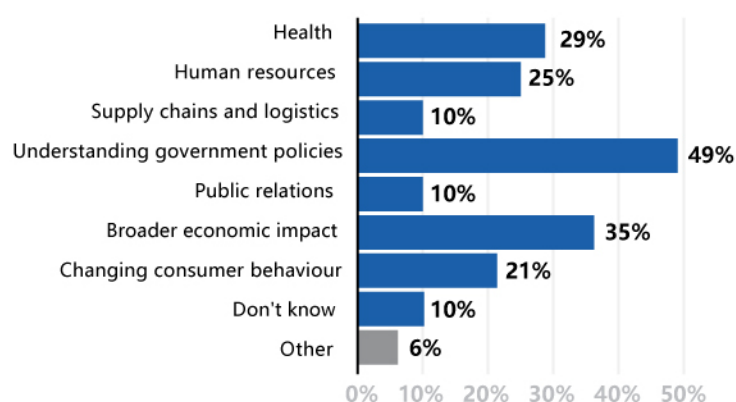
Businesses across the board are taking action in response to the coronavirus outbreak. 87% of companies have allowed employees to work from home and 37% have implemented flexible working hours. The uncertain business climate has led one in five companies to postpone their investment decisions, and a similar number have decided to temporarily suspend their operations in China. Of the companies with operations in Wuhan, only one is considering relocating operations out of that region.

WILL YOUR ORGANISATION BE RELOCATING BRITISH NATIONALS WORKING IN THE CHINESE MAINLAND BACK TO THE UK OR ANOTHER LOCATION OUTSIDE THE CHINESE MAINLAND?



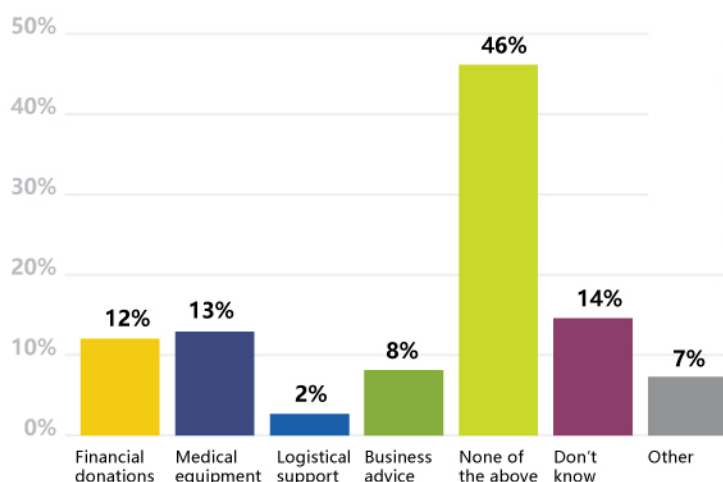
On Tuesday 4th February the UK's Foreign and Commonwealth Office released a statement advising all British nationals in China to return to the UK if they could. Based on the survey, only 9% of companies that employ British nationals will be relocating them back to the UK with 14% intending to relocate them to a location outside of the Chinese mainland.¹ Many companies however support the personal decisions of British and other foreign citizens to work remotely from their home country or another location. For companies relocating British nationals outside of China, countries in Southeast Asia such as Thailand and Vietnam are the most common destinations.

IN WHICH TOPICS DOES YOUR ORGANISATION MOST NEED ADVICE ON HOW TO ADJUST DURING THIS PERIOD?



Roughly half of companies reported needing more clarity from the Chinese government in terms of their policies towards containing the virus and stimulus measures to boost the economy. As well as looking to understand the wider economic and changing consumer behaviour, British businesses also need more practical guidance around health and human resources.

IS YOUR ORGANISATION PROVIDING ANY OF THE FOLLOWING TO SUPPORT THE CHINESE GOVERNMENT'S EFFORTS TO CONTAIN THE CORONAVIRUS OUTBREAK IN HUBEI?



40% of British businesses are already providing some kind of assistance to the Chinese government in response to the coronavirus. This is mainly in the form of medical equipment (13%), financial donations (12%), and business advice (8%), in addition to other forms of assistance such as legal advice and medical research on the virus.

¹ For this question, the response 'Not applicable' was removed to account for only the businesses that employ a British national.

ABOUT THE BRITISH CHAMBERS OF COMMERCE IN CHINA

The British chambers of commerce in China are a collective of membership organisations in the Chinese mainland focused on providing advocacy, business support and networking opportunities for British business in China. We operate as independent, not-for-profit organisations with a strong and diverse membership.

The British Chamber of Commerce in China was established in Beijing in 1981 shortly after reform and opening-up was launched, and the British Chamber of Commerce Shanghai extends back to 1915. For more than 100 years, the British chambers of commerce in China have brought the British business community together to help them thrive in one of the world's fastest growing markets.

Our chapters across Beijing, Shanghai, Guangdong and Southwest China build a sense of community for member companies through social and informative events held across the country. Through our British Business Awards and China Social Impact Awards, we recognise individuals and companies who represent excellence in innovation, enterprise and endeavour in the British and Chinese business communities. A variety of events service the needs of British business, providing insights on government policy and business trends and fostering a vibrant community with shared interests.

Our advocacy work seeks to promote a strong, inclusive, and prosperous operating environment for businesses of all backgrounds to succeed in China. Two important annual advocacy initiatives include the publication of the Business Sentiment Survey and the Position Paper. The former takes the pulse of British businesses in China on a series of issues, including their reflections on the past year's business environment, their most pressing market access issues and their views on current events that affect their business. Our Position Paper lays out the key recommendations of British business operating on the ground in China and aims to improve the business environment for British companies in China.

The British Chamber of Commerce in China would like to thank all the UK companies who filled out the survey, our Executive Committee for their guidance and the Chambers policy team; Will Miller, Christopher Sargent and Anika Patel for analysing and compiling the report. Our appreciation also goes to Venture Education for designing the report.



SCAN TO FOLLOW

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