

# AmCham China Flash Survey on COVID-19 Business Impact

*June 2022*

# Survey Methodology

- AmCham China conducted a Flash Survey of members on the impact of COVID-19 regulations on the American business community. The survey is a follow up assessment, based on the Flash Surveys released in April and May.
- The survey was conducted from Wednesday, June 22 to Friday, June 24.
- The survey measured the impact on supply chains, investment, profits, talent retention, and the Chinese government's recent efforts to stabilize supply chains, unify and ease transportation requirements, and reopen and restart business operations. We have also added questions regarding recent policies aiming to support business recovery following the intensification of lockdowns since March, to better understand the effectiveness and challenges to the implementation of these policies.
- Some 102 companies with operations throughout China responded to the survey.

# Survey Methodology

- Survey respondents were segmented into four main categories

<b>Consumer</b> <i>(n=19)</i>	<b>Resources &amp; Industrial</b> <i>(n=31)</i>	<b>Services</b> <i>(n=25)</i>	<b>Technology and Other R&amp;D-intensive Industries</b> <i>(n=24)</i>	<b>Other</b> <i>(n=3)</i>
<ul style="list-style-type: none"> <li>• Consumer Products</li> <li>• Retail and Distribution</li> <li>• Healthcare Services</li> <li>• Education</li> <li>• Media and Entertainment</li> <li>• Hospitality and Travel &amp; Leisure</li> </ul>	<ul style="list-style-type: none"> <li>• Agribusiness</li> <li>• Automotive &amp; Transportation Vehicles</li> <li>• Machinery, Equipment, Systems &amp; Controls</li> <li>• Oil &amp; Gas/Energy</li> <li>• Other Industrial (e.g., Chemicals, Mining, Paper &amp; Packaging)</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Services (e.g., Banking, Insurance)</li> <li>• Real Estate and Development</li> <li>• Transportation and Logistics</li> <li>• Investing (e.g., Private Equity, Venture Capital)</li> <li>• Other Services (e.g., Law, Human Resources, Accounting, Marketing, Advertising and PR, Research, Consulting)</li> </ul>	<ul style="list-style-type: none"> <li>• Aerospace</li> <li>• Healthcare Products (e.g. Pharmaceuticals, Medical Technology)</li> <li>• Technology/ Telecommunications-Hardware</li> <li>• Technology/ Telecommunications-Services</li> </ul>	<ul style="list-style-type: none"> <li>• Social &amp; Public Sector/nonprofit (including industry associations)</li> <li>• Other (e.g., environmental services, think tank)</li> </ul>

*\*Note: chart totals are rounded to the nearest percent*

# Survey Highlights

- **Overall impact:** 98% of respondents report an ongoing negative impact from COVID-19 on their business, compared with 100% who said the same in our May survey, citing a range of factors.
- **Investment:** 44% of respondents have either decreased or delayed investment as a result of the recent COVID-19 outbreak, down 8pp from the May Survey (52%).
- **Production:** Across all regions, 46% of respondents report slowed or reduced production capabilities due to a lack of employees, inability to get supplies, or government-ordered lockdowns, down 13pp from the May Survey (59%). Three percent of respondents say their operations remain completely closed at this stage.
- **Revenues:** Revenues continue to be negatively impacted, with 69% of respondents reporting their 2022 revenue projections have decreased, an 11pp increase from the May Survey results (58%).
- **Foreign staff:** 14% of respondents say foreign talent is refusing to relocate to China and/or making and acting on plans to permanently exit China, up from 12% in the May Survey. 77% of the respondents say the primary reasons for foreign employees choosing to exit or refusing to relocate to China is due to uncertainty around the length of quarantine/lockdowns.
- **China's COVID-19 management:** 39% of respondents are satisfied with China's contact tracing efforts. However, respondents are increasingly dissatisfied with restrictions on travel to China (79%), and confusing and conflicting regulations during lockdowns and testing (73%), compared with the May Survey results (77% and 65%, respectively).

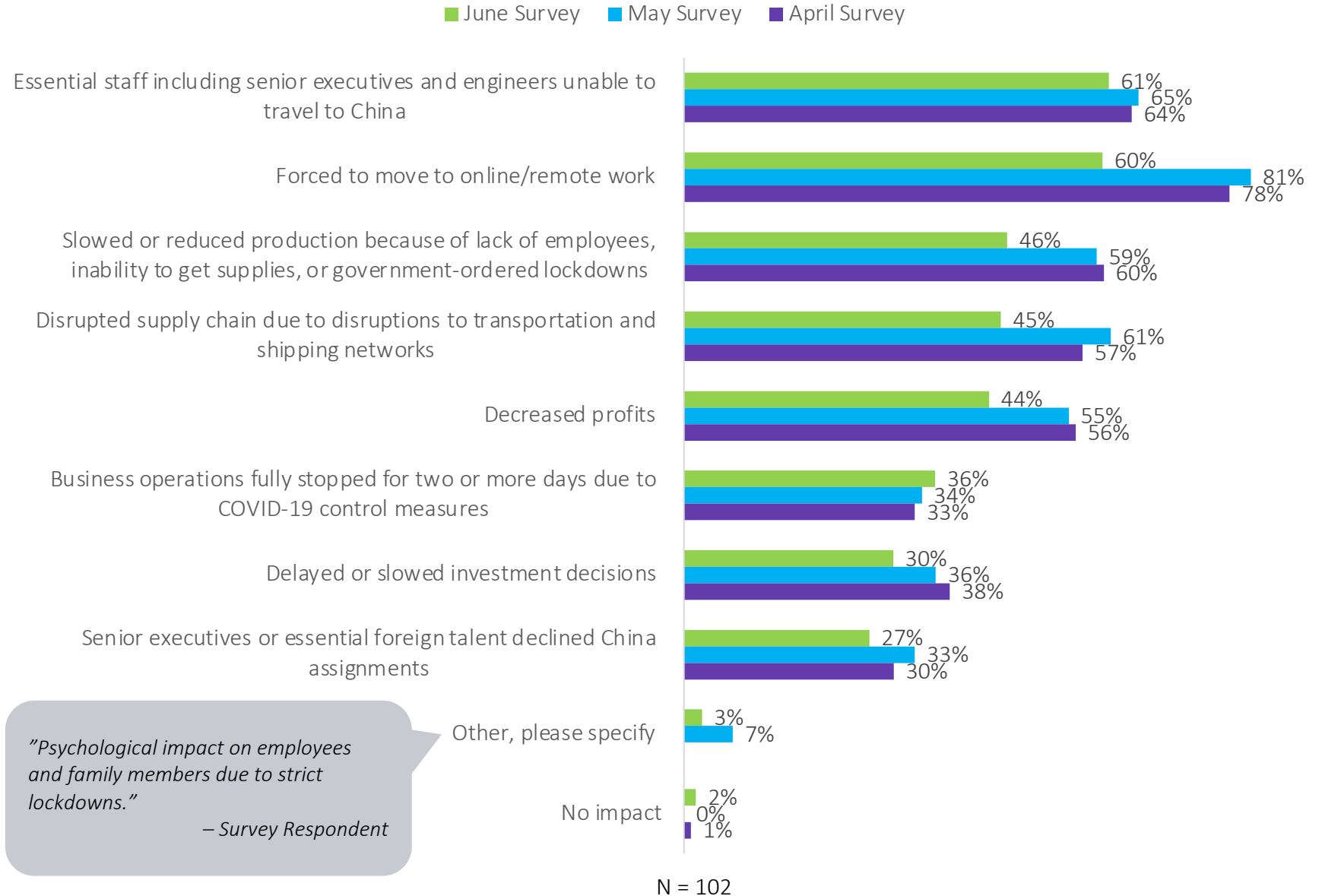
# Survey Highlights

- **Supply chains receive some relief, though challenges remain**
  - ✓ 45% of respondents report that the recent COVID-19 outbreak is challenging supply chains, primarily due to disruptions to transportation and shipping networks, a 16pp decrease compared with May Survey results (61%). Logistical challenges remain a top concern for those who still report supply chain disruptions, as cited by 31% of respondents.
  - ✓ 21% of respondents report positive improvements to supply chain challenges, up 19pp from the May Survey (2%).
  - ✓ For those with Shanghai operations, 22% report little-to-no progress in their business recovery as a result of policy measures, down 38pp from the May Survey results (60%). 23% say their supply chain challenges have improved significantly, up from just 2% in the previous survey.
- **Business recovery support policies are well-communicated, though over half find them to be insufficient**
  - ✓ Among all respondents, only 9% were not aware of the policies released by both the central and local governments to support business recovery.
  - ✓ However, 56% of the respondents say both the policies and their implementation are insufficient.

International travel challenges edge past HR-related issues to become the priority challenge, with 61% reporting essential staff unable to travel to China

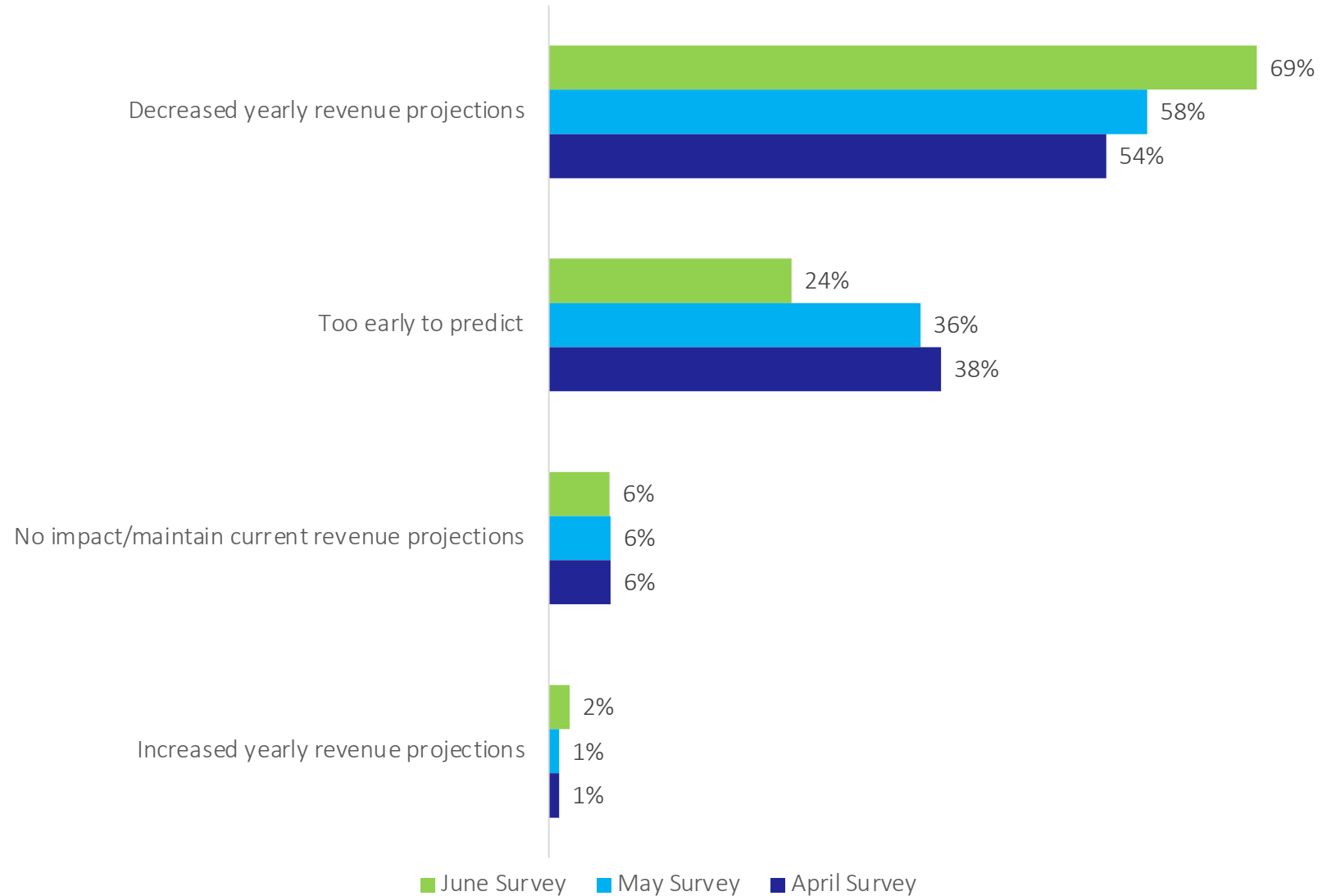
The proportion of respondents citing supply chain disruptions decreased 16pp from the May survey, down from 61% to 45% in June

How is the recent COVID-19 outbreak in China impacting your business? (Select all that apply)



Respondents increasingly, and with greater certainty, say the recent COVID-19 outbreak will negatively impact 2022 revenues, with 69% projecting revenue decreases – up 11pp from last month’s survey

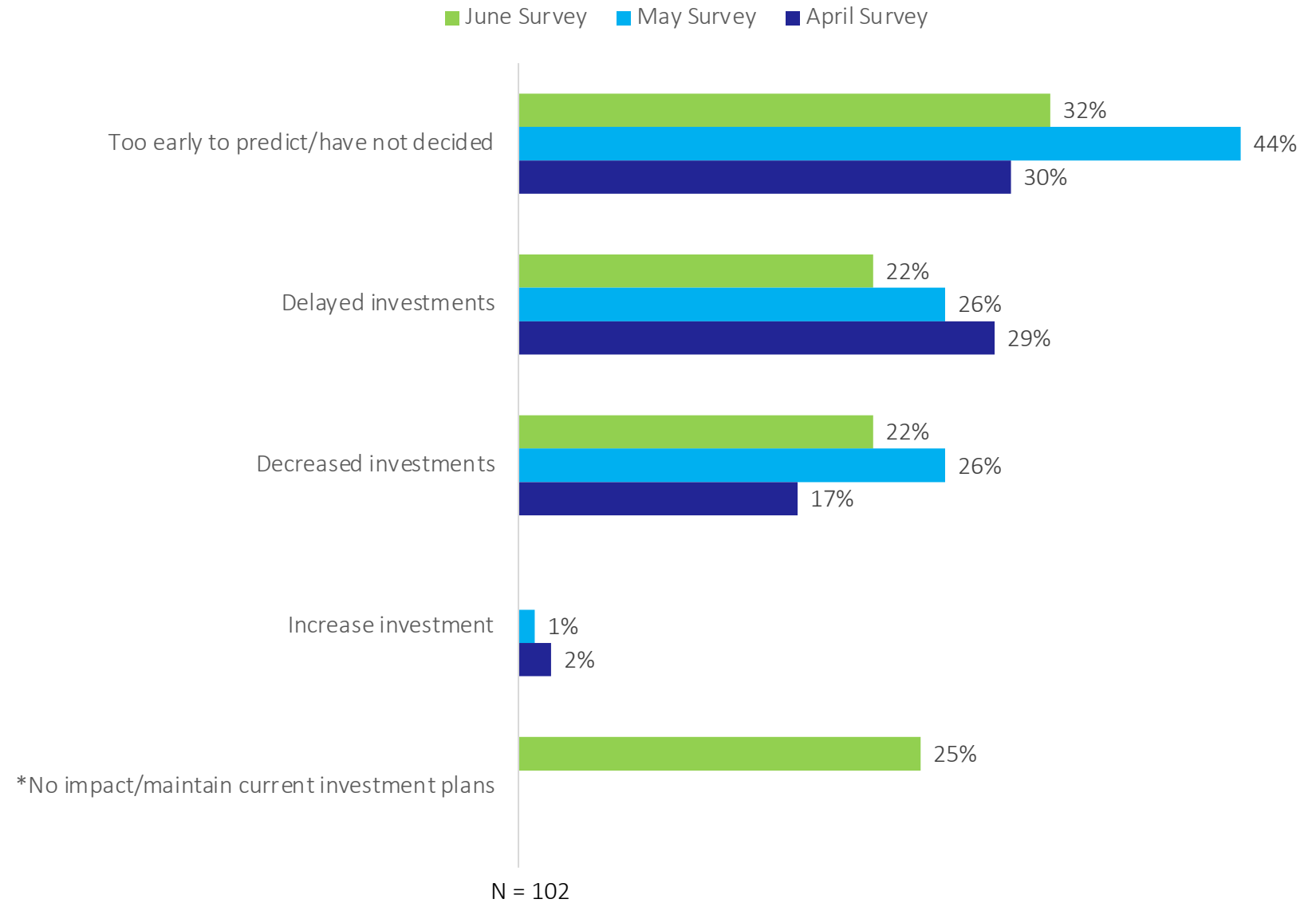
What is the impact of the recent COVID-19 outbreak in China on your company’s revenue projections for 2022? (Select one)



N = 102

44% of respondents are either decreasing or delaying investments, down 8pp from the May Survey

What impact has the recent COVID-19 outbreak in China had on your investment plans?  
 (Select one)



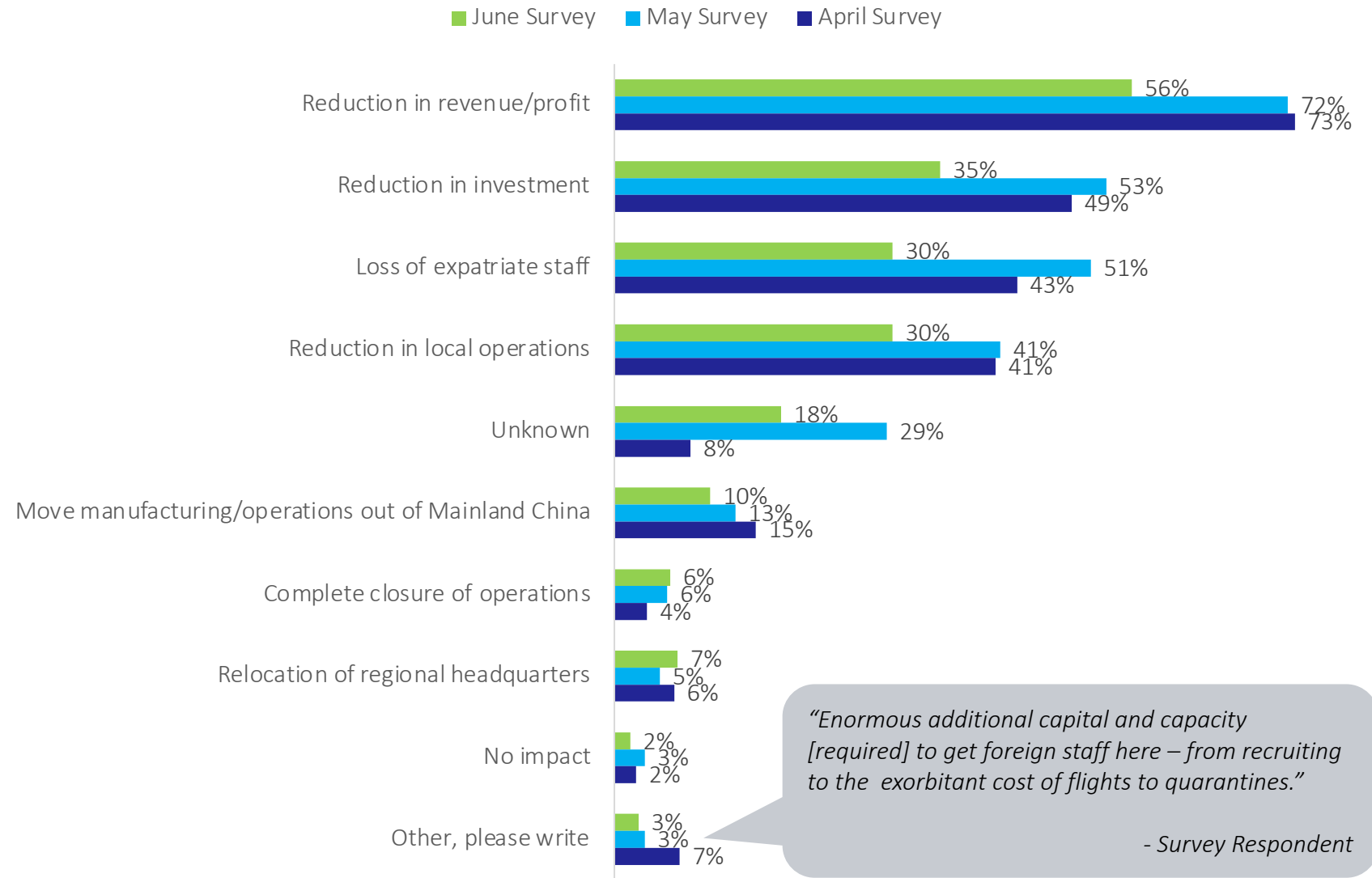
\* Newly added option



Companies continue to express concern that ongoing COVID-19 restrictions will negatively impact profits (56%) and lead to a decrease in investments (35%)

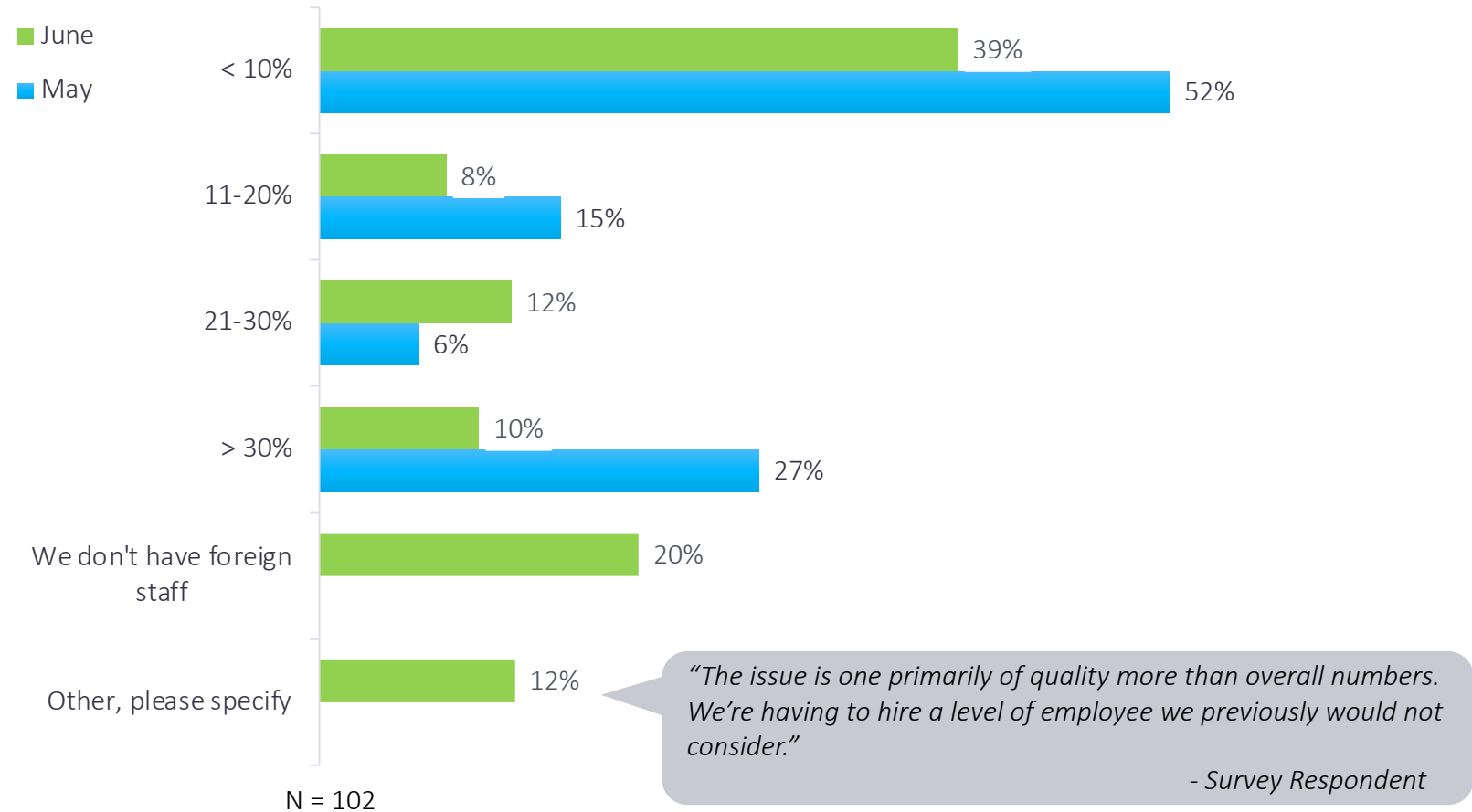
7% say they will relocate regional headquarters and 6% will completely close their operations if current restrictions remain in place for the next year

If the current COVID-19 restrictions remain in place for the next year, what impact would that have on your company? (Select all that apply)



Among the 80% of respondents who employ foreign staff, 10% said the current COVID-19 restrictions have resulted in a reduction of over 30% of their foreign staff, while another 39% report a reduction of less than 10%

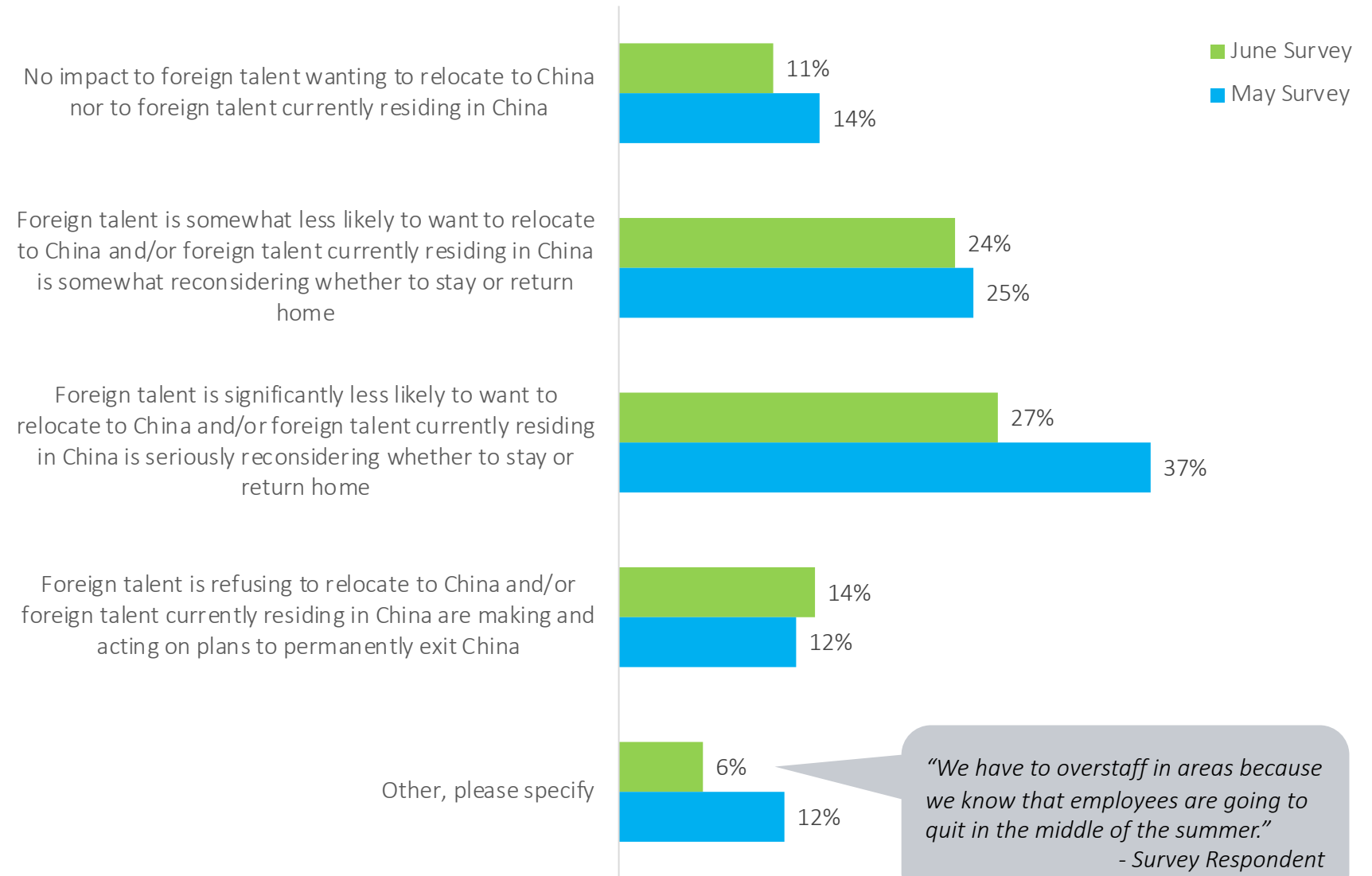
By what percentage has your foreign staff in China been reduced due to COVID-19 restrictions, quarantines, etc., since the start of the pandemic?



14% say foreign talent is refusing to relocate to China and/or making and acting on plans to permanently exit China, a slight increase from the May Survey

27% say foreign talent is significantly less likely to want to relocate to China and/or seriously reconsidering whether to stay or return home, down 10pp from the May Survey

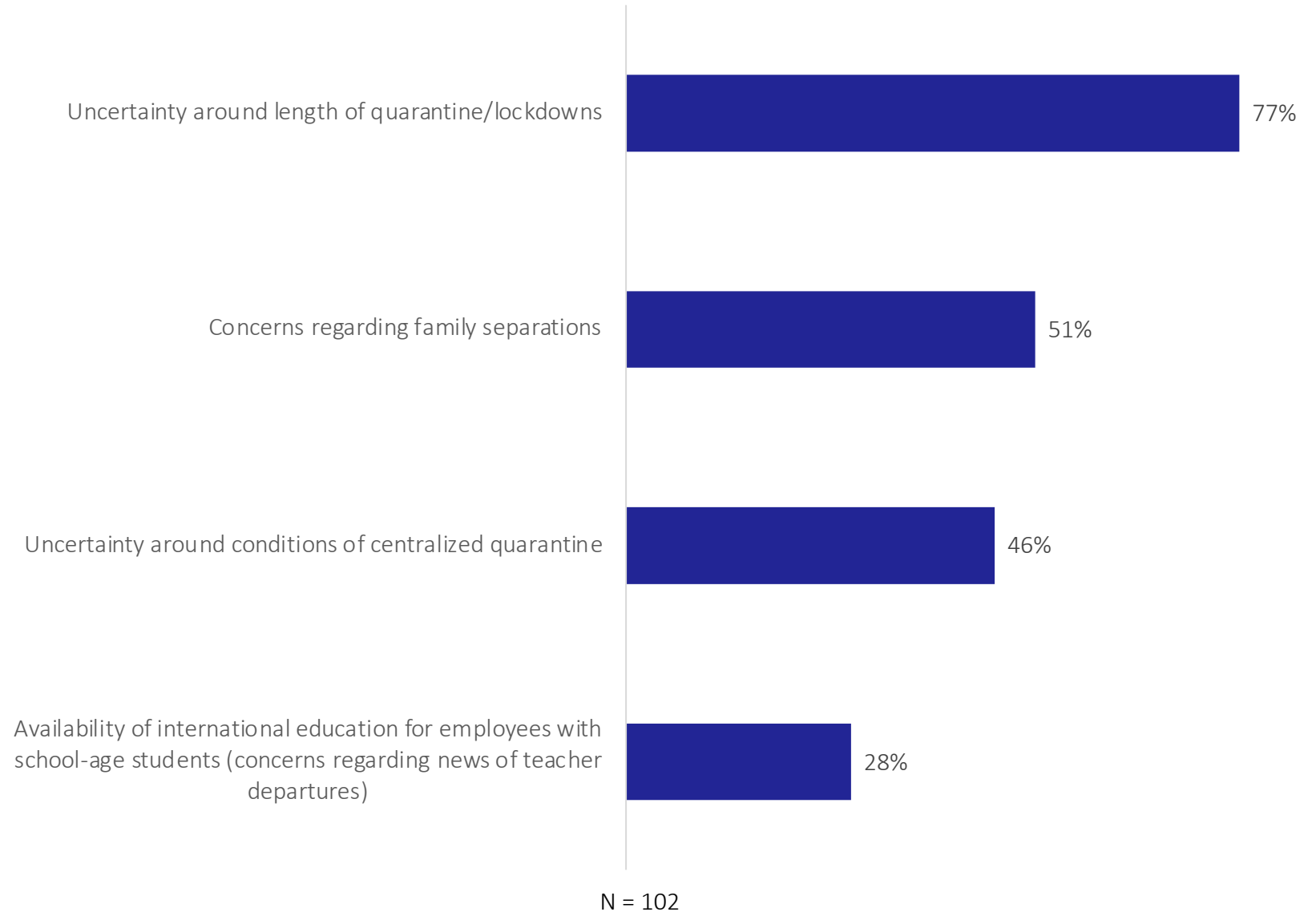
To what degree is the overall ‘Dynamic zero-COVID’ policy, in particularly the recent lockdowns in Shanghai and neighboring cities, impacting your foreign employee workforce? (Select one)



N = 102

77% of respondents say uncertainty around length of quarantine/lockdowns is the primary reason for foreign employees choosing to exit China or refusing China assignments

If foreign employees are choosing to exit China or refusing China assignments, the primary reasons given include (select all that apply):

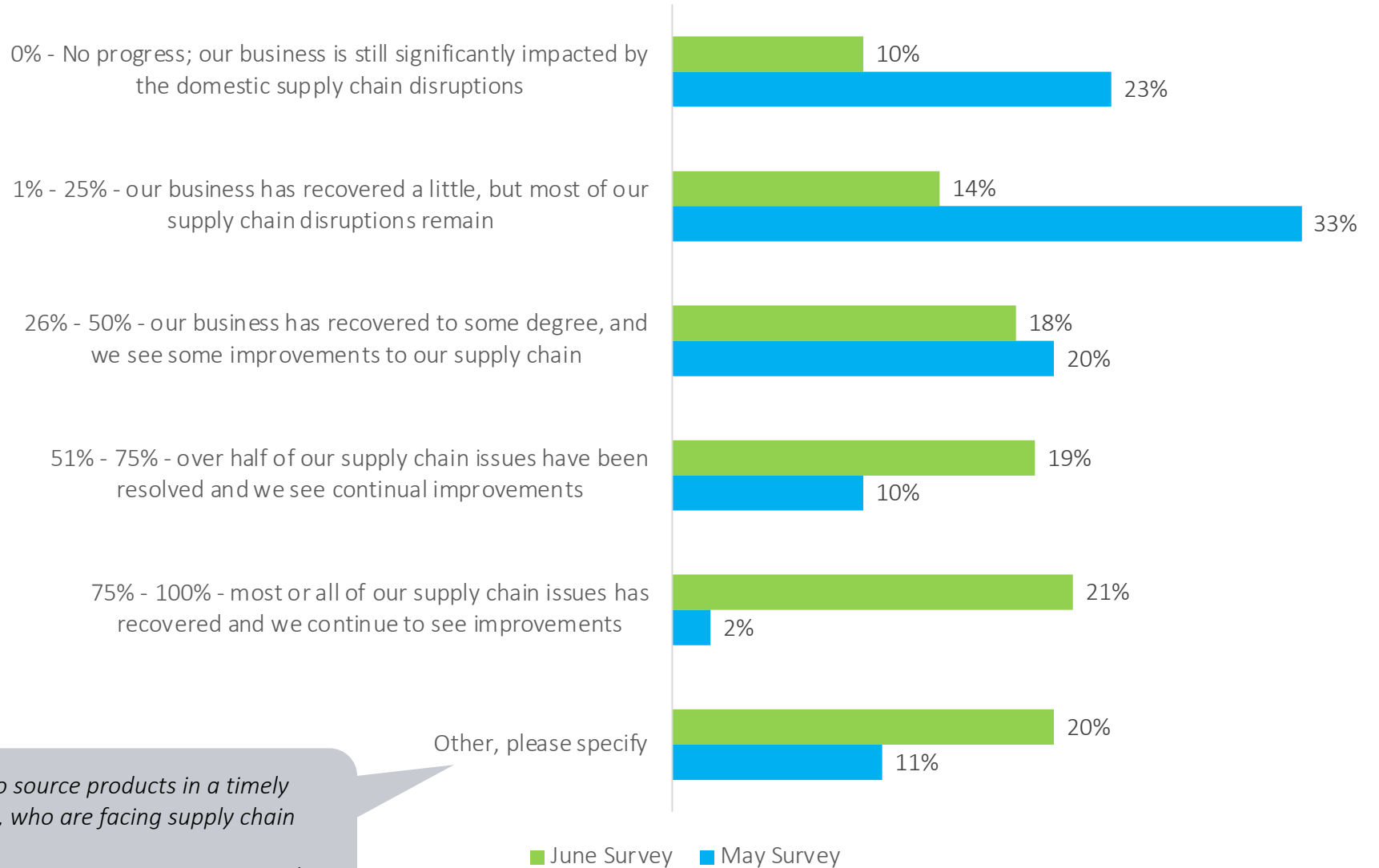


Respondents indicate overall improvements to supply chain challenges. While 24% report significant ongoing supply chain disruptions, this proportion has decreased 32pp from the May Survey (56%)

Moreover, 21% of respondents report continued improvements to their supply chain issues, up 19pp from the May Survey (only 2%)

*"We are finding it harder to source products in a timely manner from our suppliers, who are facing supply chain issues."*  
 - Survey Respondent

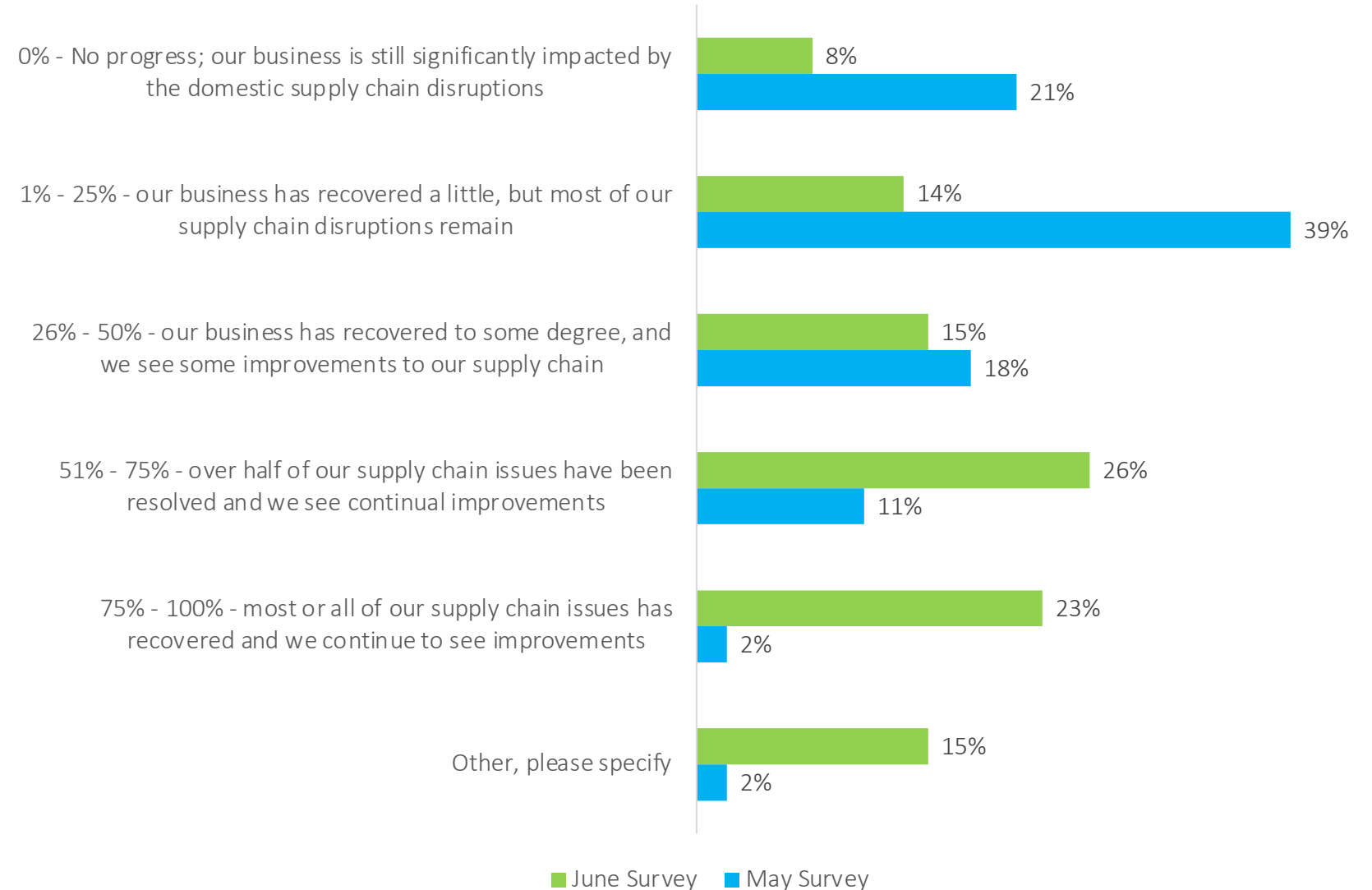
How effective have the recently released policy measures designed to stabilize supply chains and unify and ease transportation requirements been in supporting your business recovery? (Select one) - National



N = 102

For those who have operations in Shanghai, 22% report little-to-no progress in their business recovery as a result of policy measures, down 38pp from the May Survey results (60%). 23% say their supply chain challenges have improved significantly, up 21pp from the previous survey

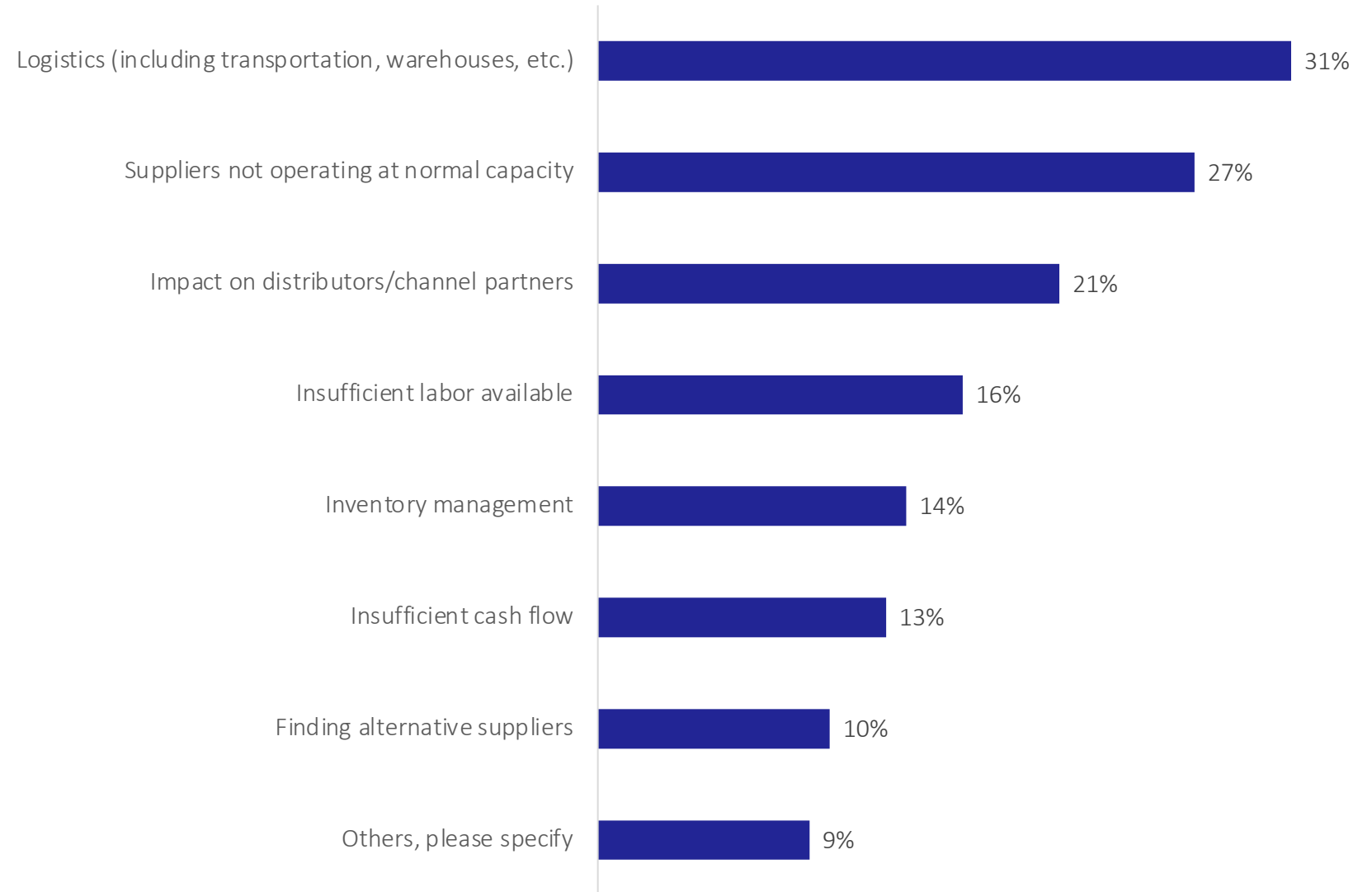
How effective have the recently released policy measures designed to stabilize supply chains and unify and ease transportation requirements been in supporting your business recovery? (Select one) - **Shanghai**



N = 102

31% of respondents say logistical challenges remain the primary reason for their disrupted supply chains

If your company's supply chain issues remain, what are your primary challenges?  
(Select all that apply) \*



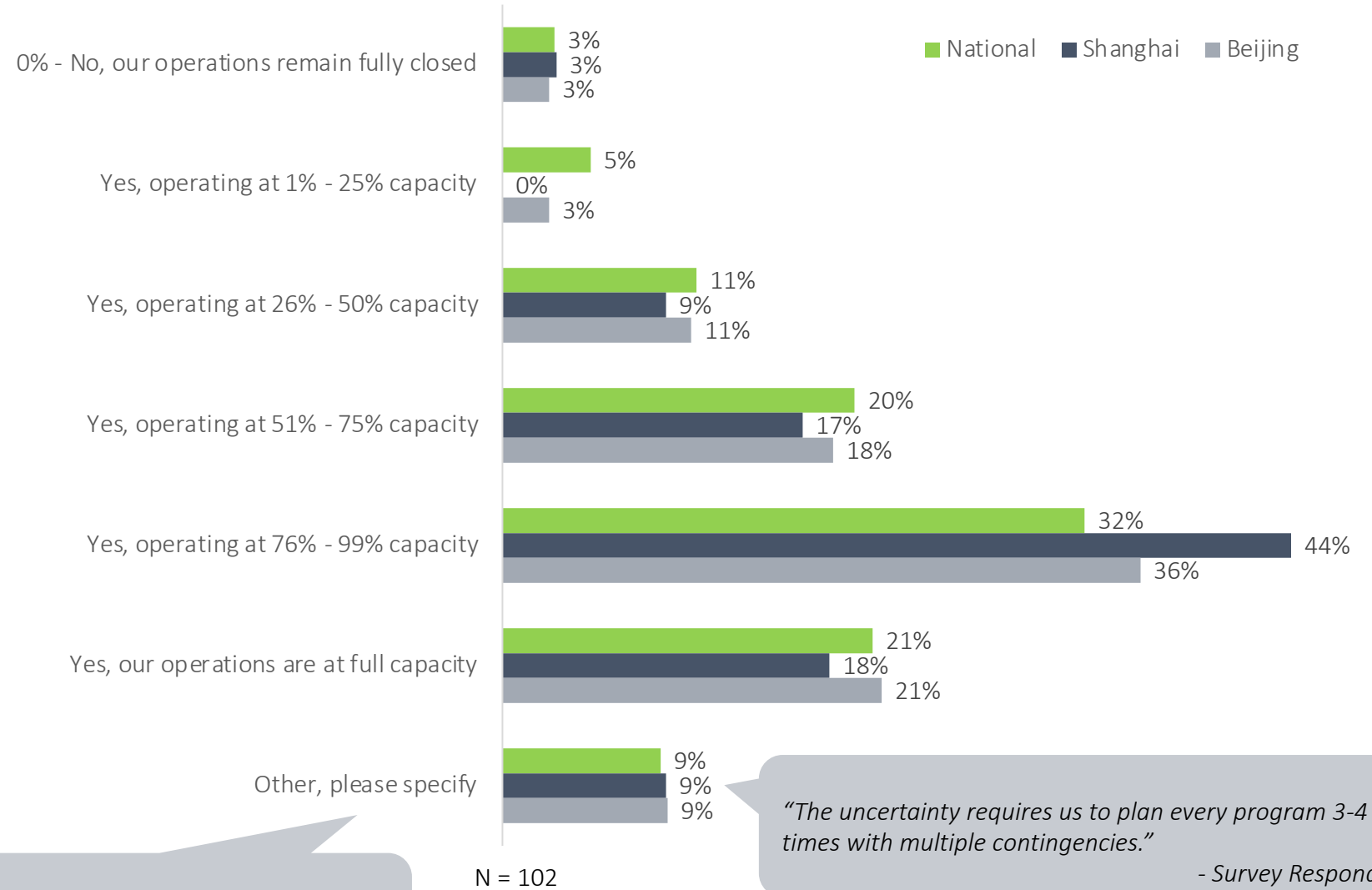
N = 102

\*Newly added question

3% of respondents nationwide (including those in Beijing and Shanghai) report their operations remain fully closed

Over half of respondents (53%) nationwide say they are operating at 76% capacity or greater. These proportions are slightly higher for those with operations in Beijing (57%) and Shanghai (62%)

Is your company currently able to operate at full capacity? (Select one) \*



*"Employees have been living in our factory since March. That was intended as a short-term solution."*  
 - Survey Respondents

*"The uncertainty requires us to plan every program 3-4 times with multiple contingencies."*  
 - Survey Respondents

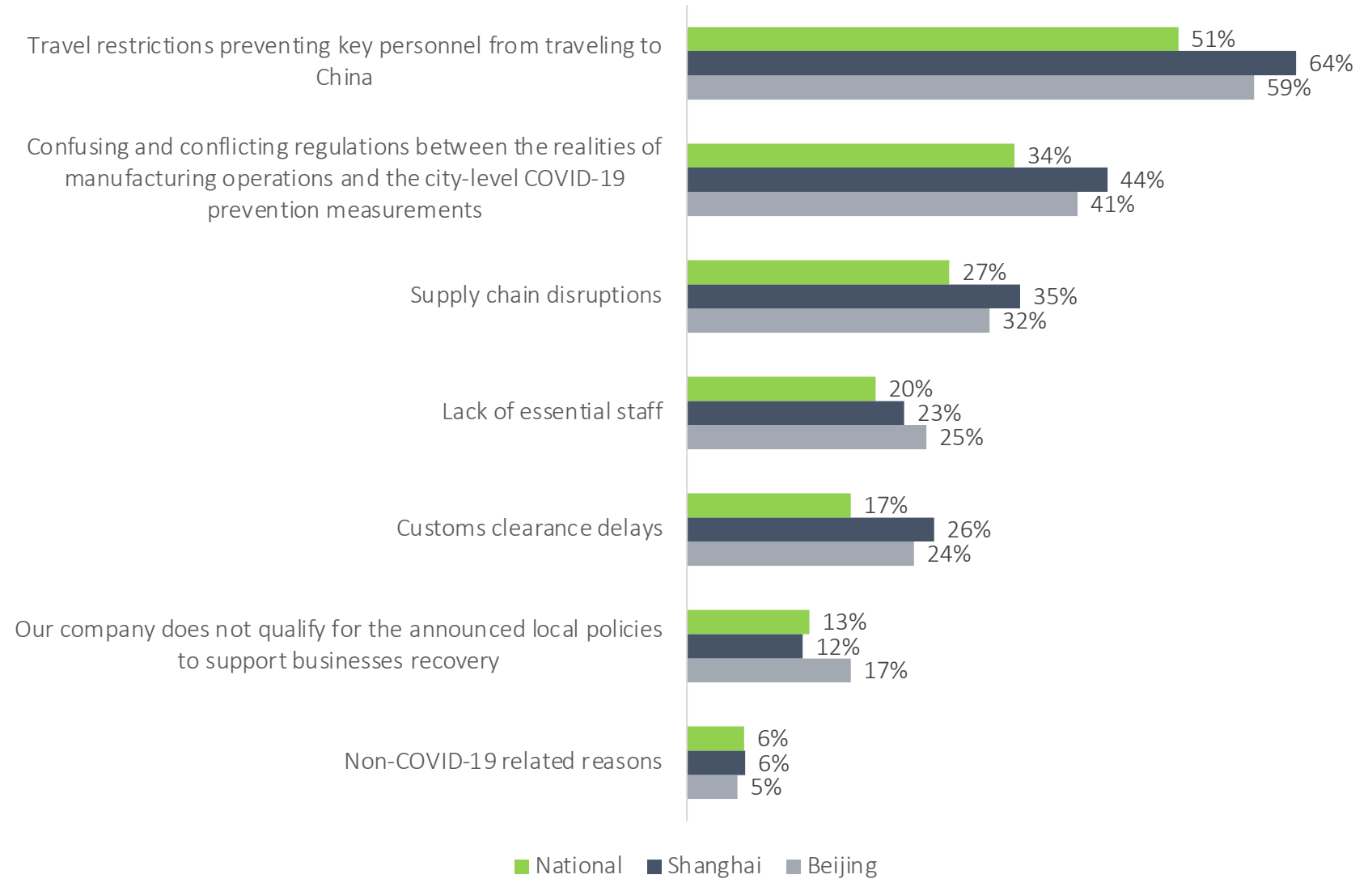
\*Newly added question



Travel restrictions a top challenge for those who have recently reopened operations (51%)

Confusing and conflicting regulations between the city-level COVID-19 prevention measurements and the realities of manufacturing operations are also a top concern for 34%, with higher proportions of those with operations in Shanghai (44%) and Beijing (41%) citing this challenge

If your company has recently partially or fully reopened operations, what are your biggest challenges at this stage? (Select all that apply) \*



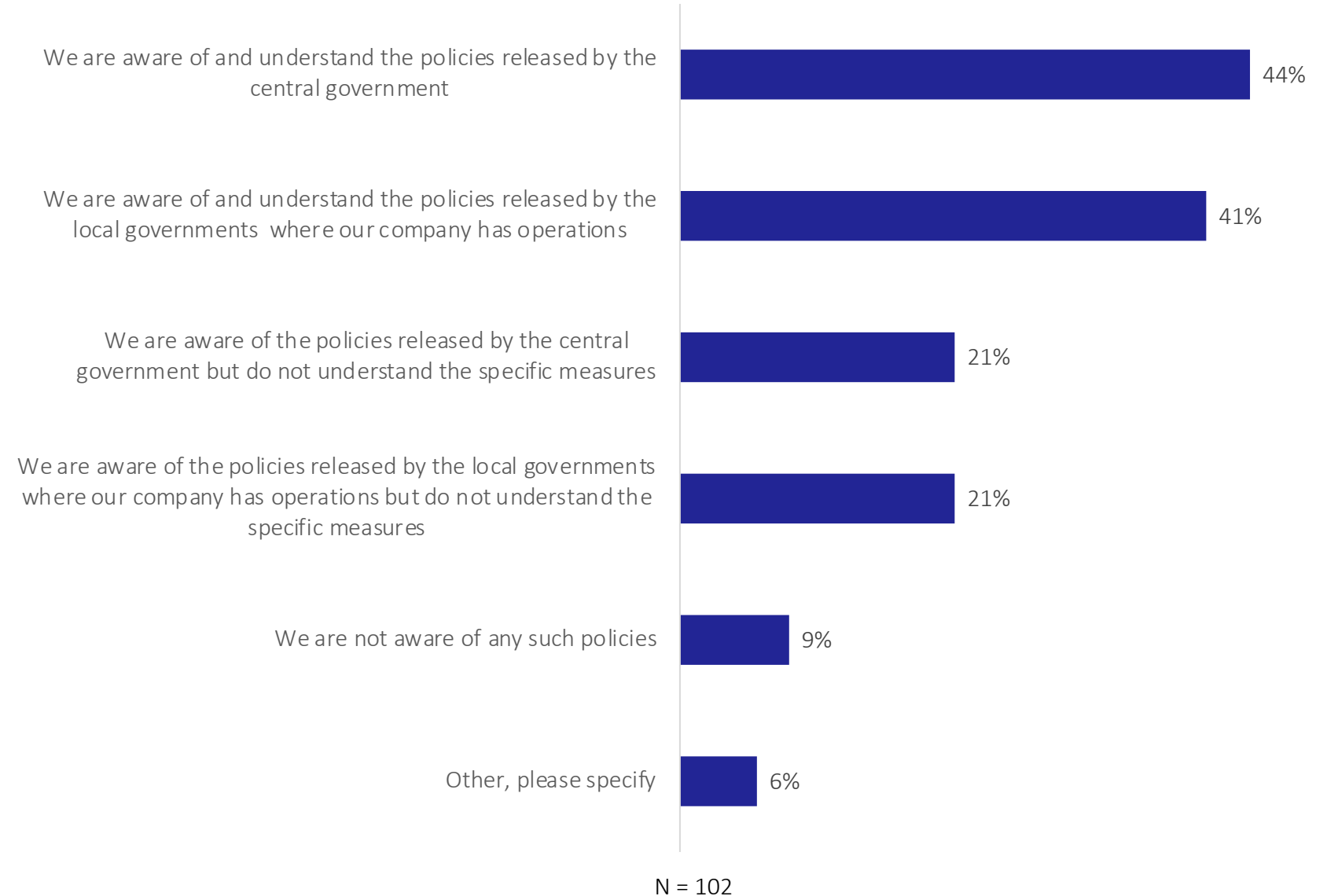
N = 102

\*Newly added question

Over 40% of respondents are both aware of and understand the business recovery policies issued at the central level and in the localities where they have operations

Only 9% of respondents are unaware of such policies

Is your company aware of policies released by both the central and local governments to support business recovery? (Select all that apply) \*



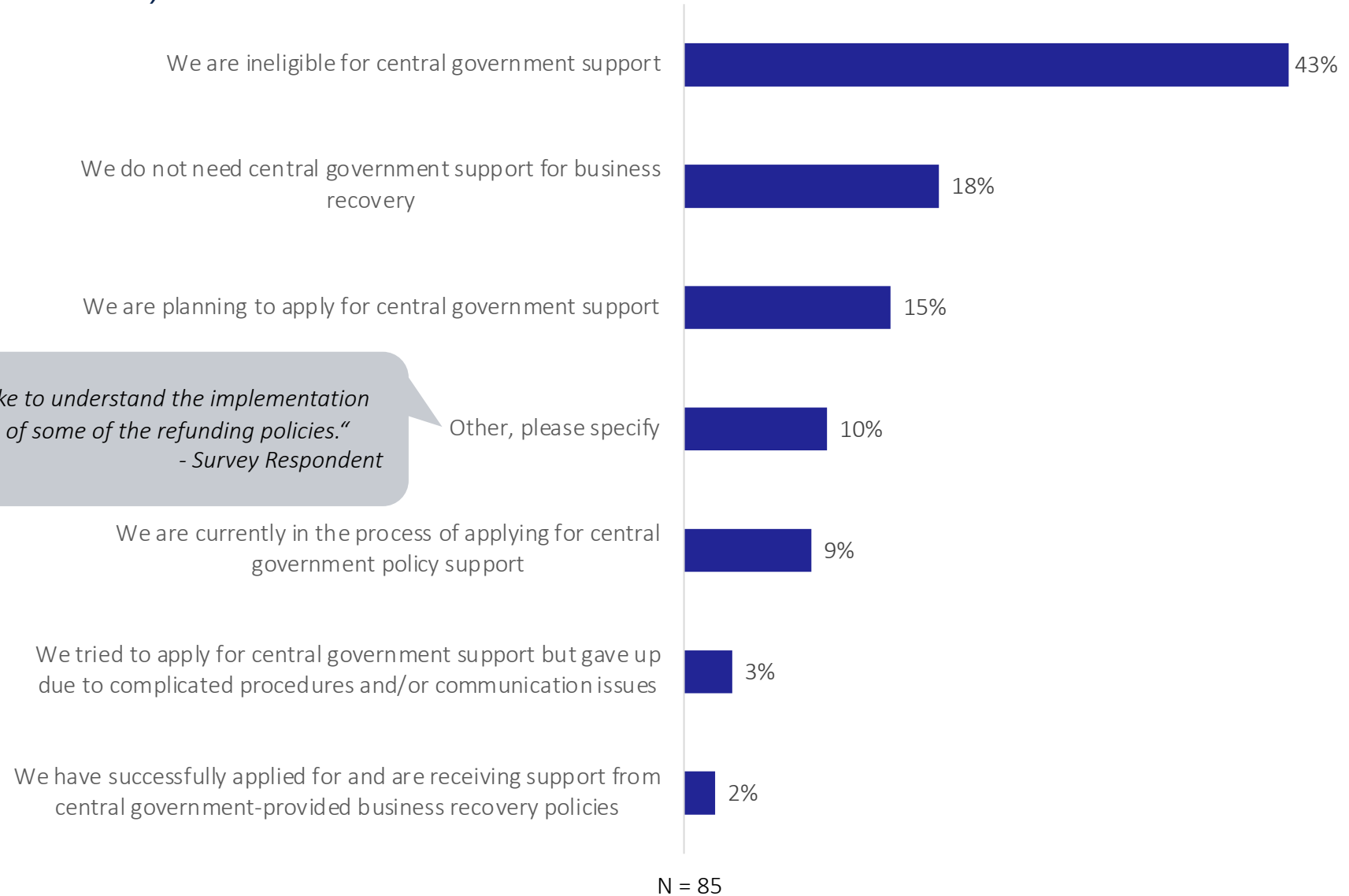
\*Newly added question

However, among those who are familiar with the central-level policies, only 2% have successfully applied for and are receiving such support

43% say they are ineligible for central-level support

Has your company applied for business recovery support from the central government?  
 (Select one) \*

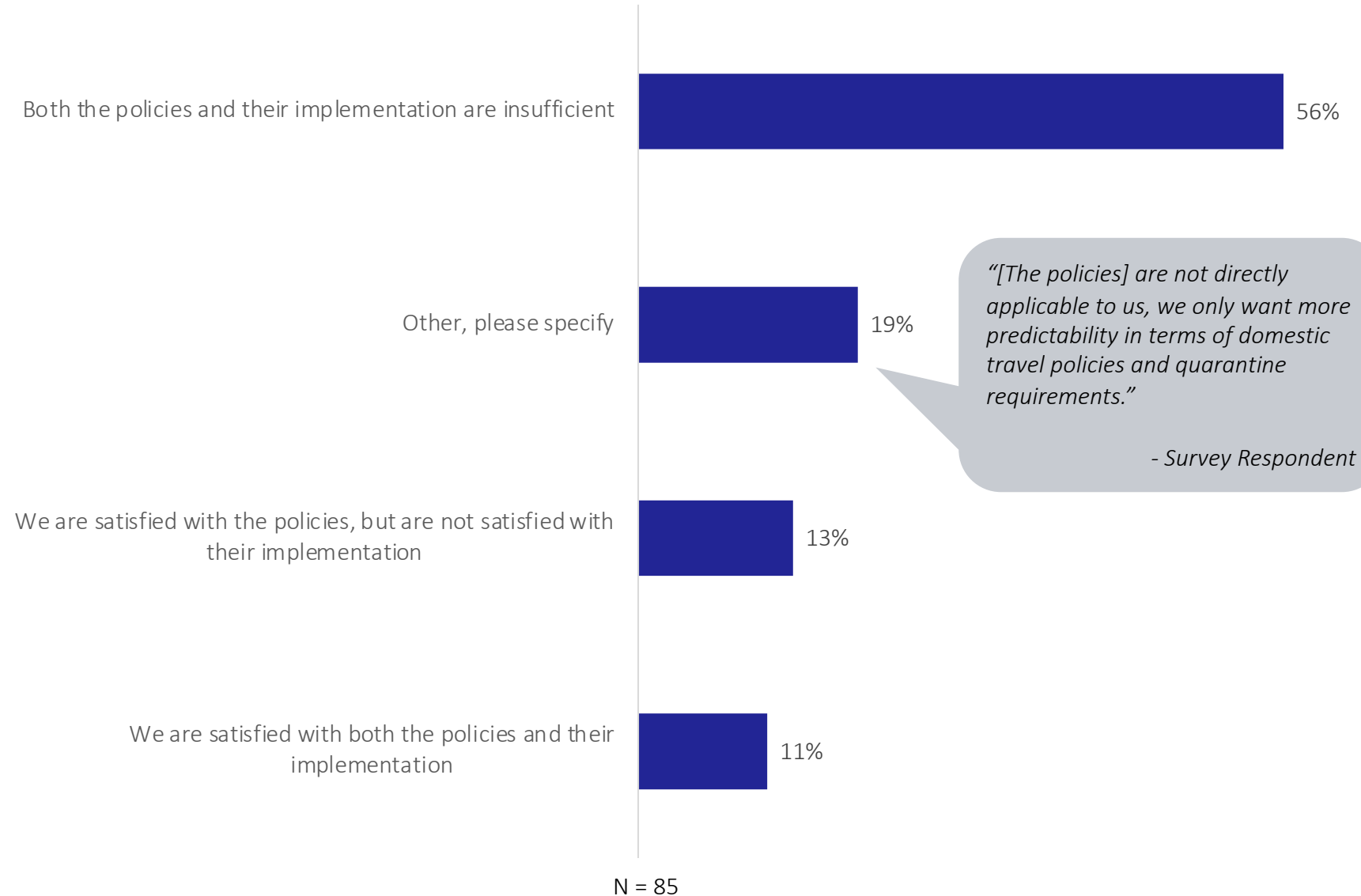
*"We'd like to understand the implementation timeline of some of the refunding policies."  
 - Survey Respondent*



\*Newly added question

Among those aware of the business support policies, 56% say both the policies themselves and their implementation are insufficient

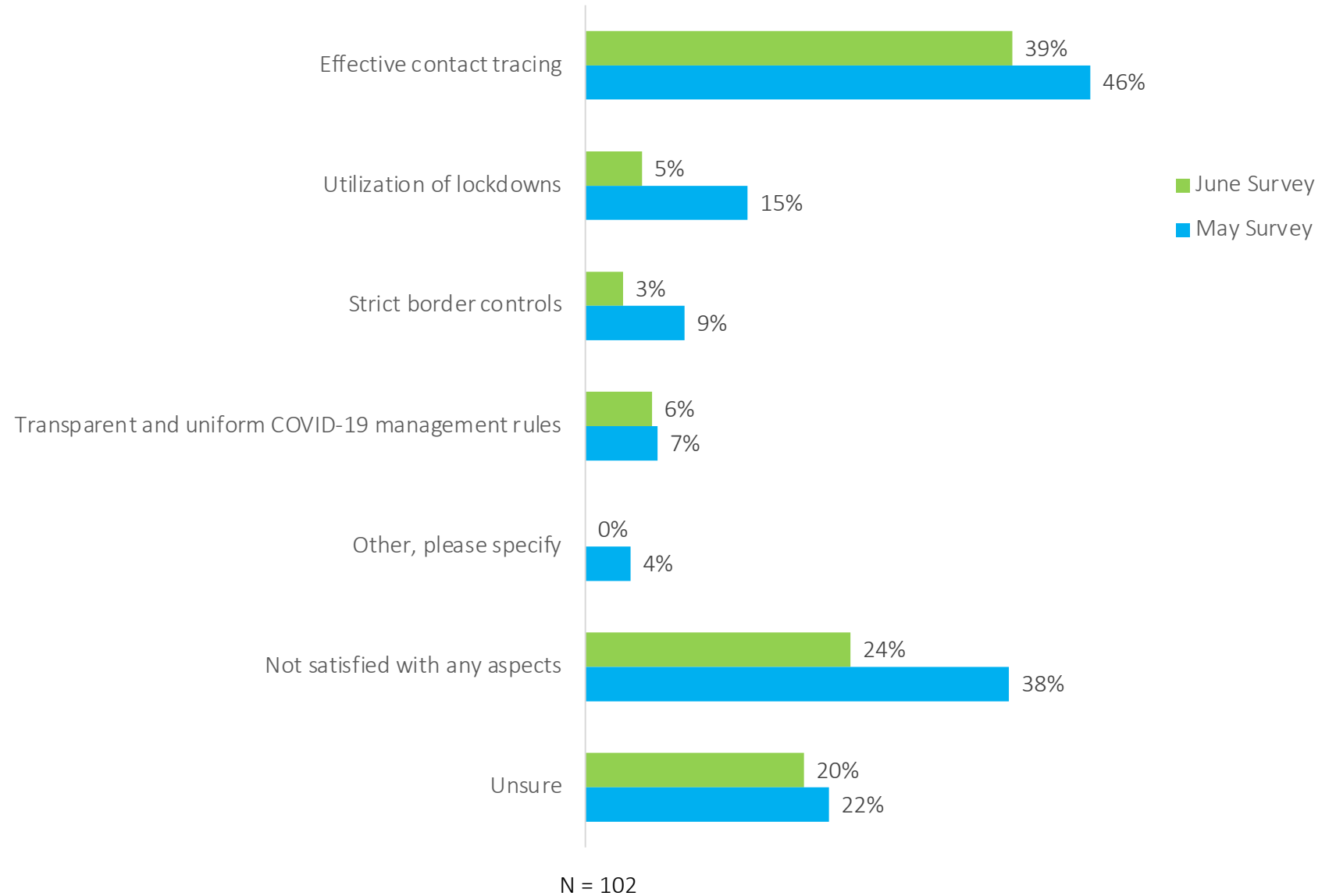
Is your company satisfied with the overall business recovery supporting policies and their execution? (Select one) \*



\*Newly added question

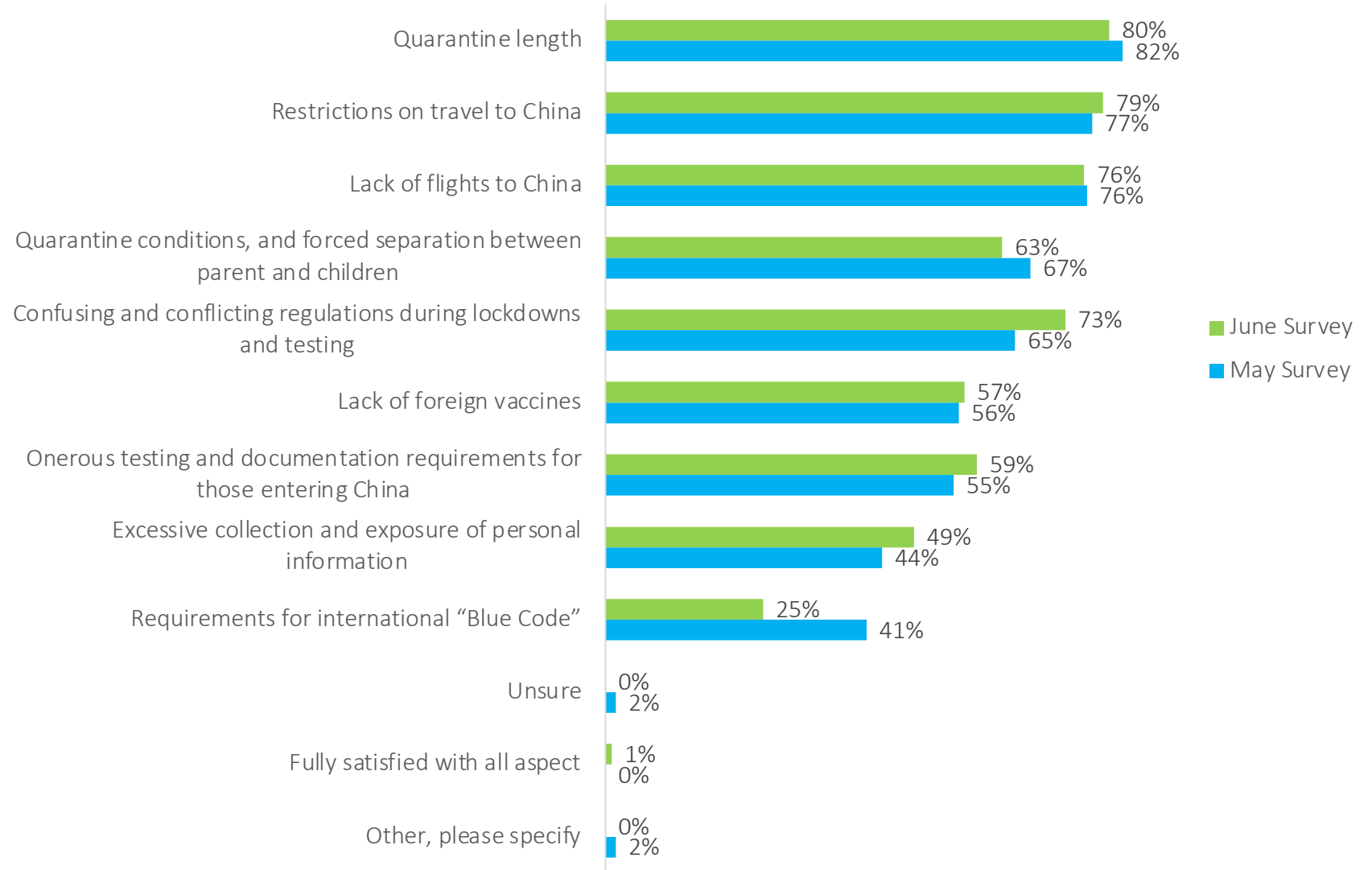
39% of respondents are satisfied with China's contact tracing efforts

What aspects of China's management of COVID-19 are you satisfied with?  
 (Select all that apply)



Dissatisfaction with restrictions on travel to China (79%), confusing and conflicting regulations during lockdowns and testing (73%), lack of foreign vaccines (57%), complicated requirements for entering China (59%) and exposure of personal information (49%) continue to grow

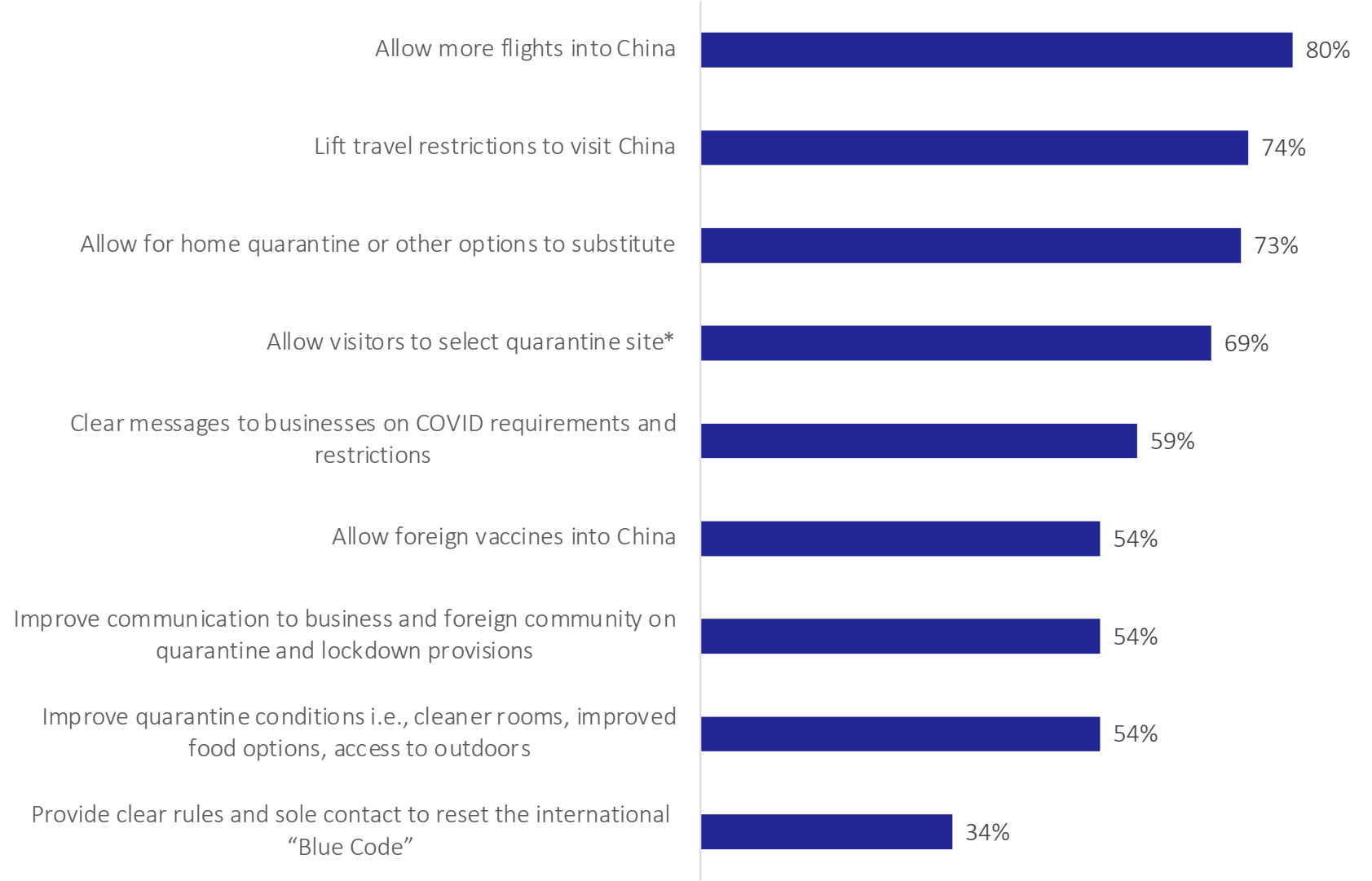
What aspects of China’s management of COVID-19 are you not satisfied with?  
 (Select all that apply)



N = 102

Among travel-related challenges, 80% would like to see more flights allowed into China, 74% suggest a further lifting of travel restrictions, and 73% would prefer the flexibility to quarantine at home or other substitute location

What recommendations do you have for China to improve its COVID-19 management?  
 (Select all that apply) – International Travel

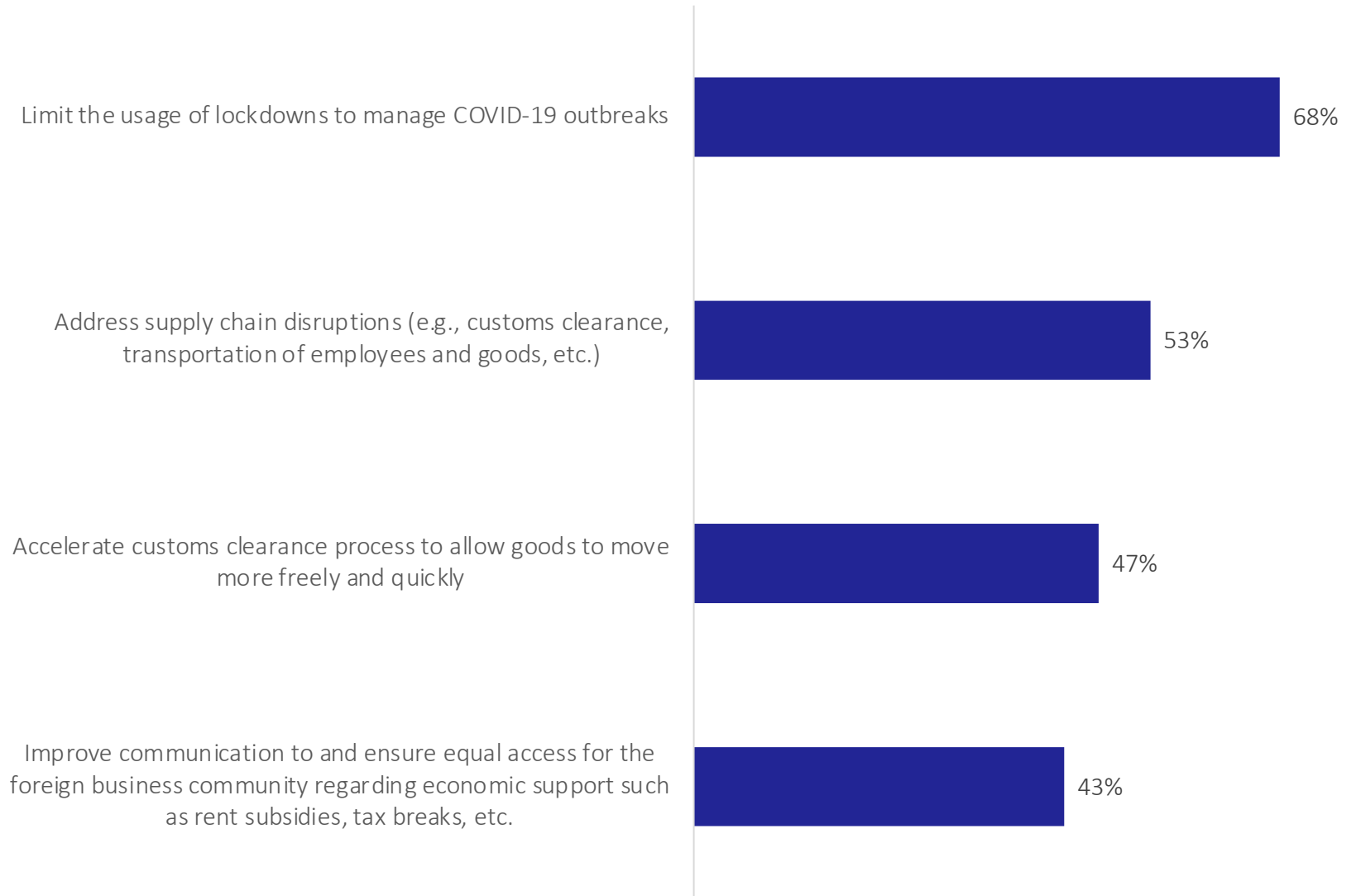


N = 102

\*\*Allow visitors to select quarantine site, allow family members to select to stay together for quarantine, guarantee children won't be separated from parents

In order to ensure business operations, 68% suggest China to limit the usage of lockdowns to manage COVID-19 outbreaks; 53% hopes to see continued actions to address supply chain disruptions

What recommendations do you have for China to improve its COVID-19 management?  
(Select all that apply) – **Business recovery** \*



N = 102

\*Newly added question



Across all sectors, travel restrictions are the top concern

## How is the recent COVID-19 outbreak in China impacting your business? (Top three, by sector)

### Consumer

- 56%: Essential staff including senior executives and engineers unable to travel to China
- 50%: Decreased profits
- 44%: Forced to move to online/remote work & Business operations fully stopped for two or more days due to COVID-19 control measures

### Resources and Industrial (R&I)

- 82%: Essential staff including senior executives and engineers unable to travel to China
- 79%: Disrupted supply chain due to disruptions to transportation and shipping networks
- 71%: Forced to move to online/remote work

### Services

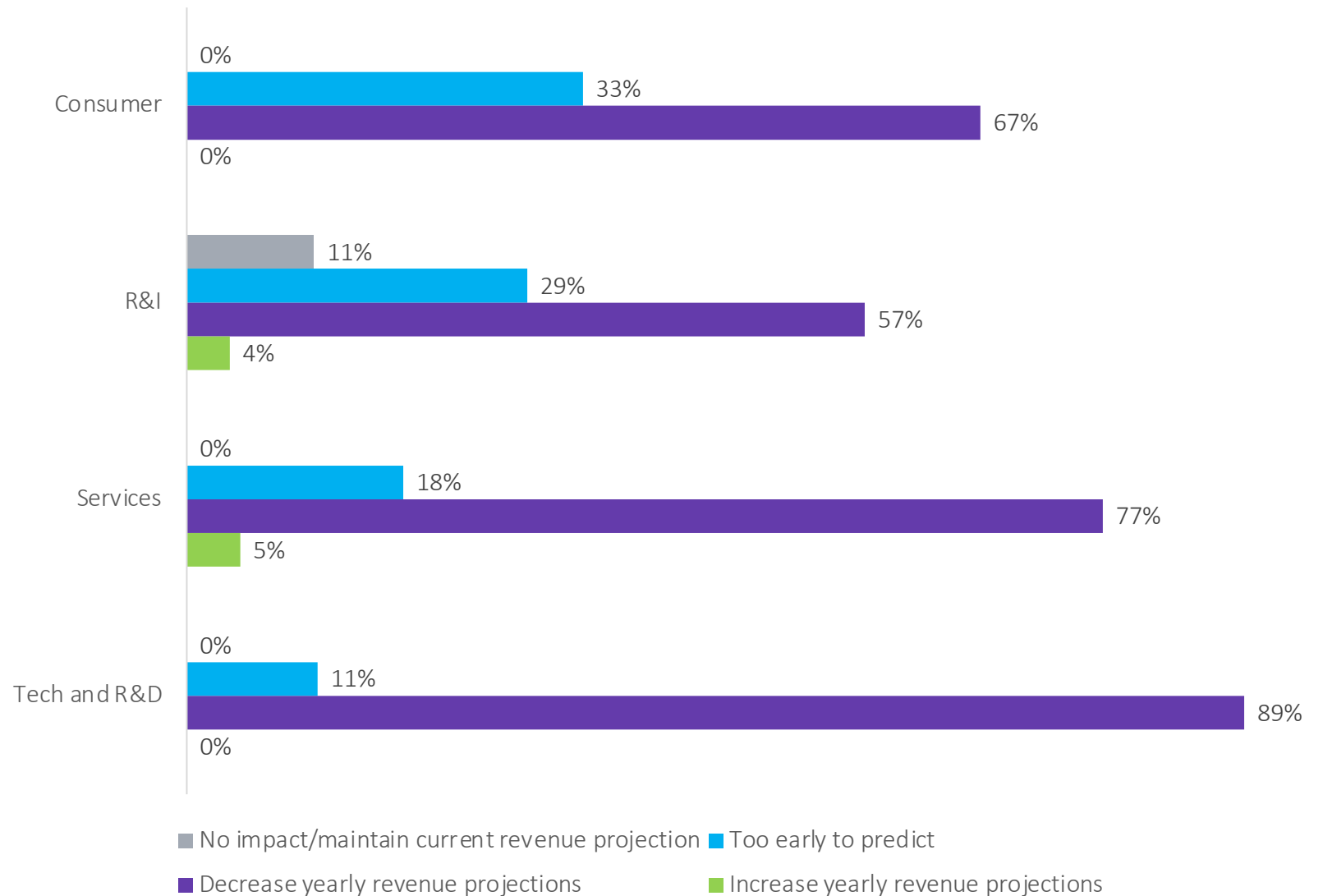
- 91%: Forced to move to online/remote work
- 64%: Essential staff including senior executives and engineers unable to travel to China
- 50%: Decreased profits

### Technology and Other R&D-intensive Industries

- 89%: Slowed or reduced production because of lack of employees, inability to get supplies, or government-ordered lockdowns
- 83%: Essential staff including senior executives and engineers unable to travel to China
- 83%: Disrupted supply chain due to disruptions to transportation and shipping networks

Across all sectors, a majority of respondents project decreased 2022 revenues

What is the impact of the recent COVID-19 outbreak in China on your company's revenue projections for 2022? (by sectors)

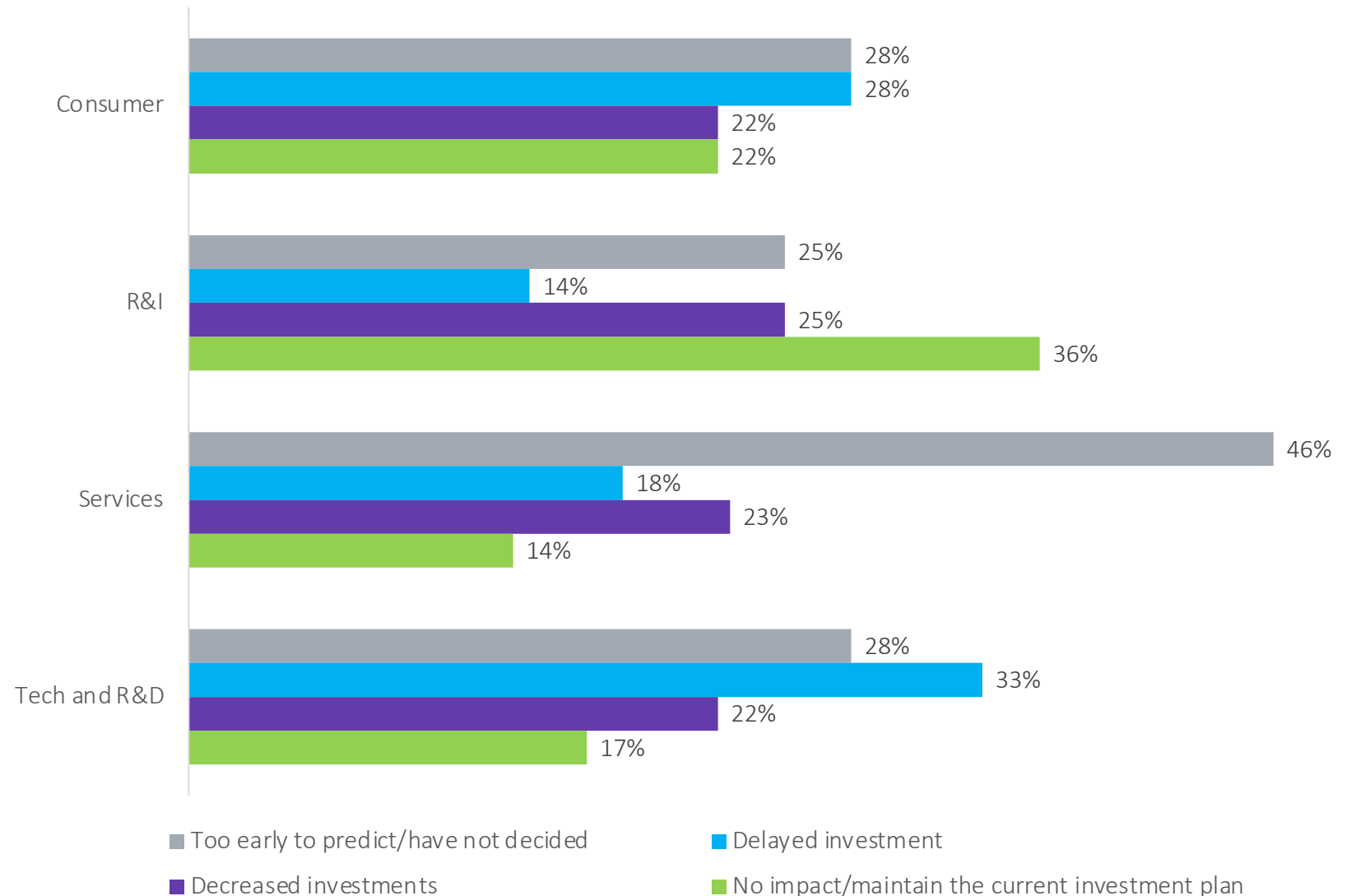


The Tech and R&D sector reports the highest impact of the recent COVID-19 outbreak, with 55% delaying or decreasing investment

46% of Services sector respondents say it is too early to predict the impact on their investment plans

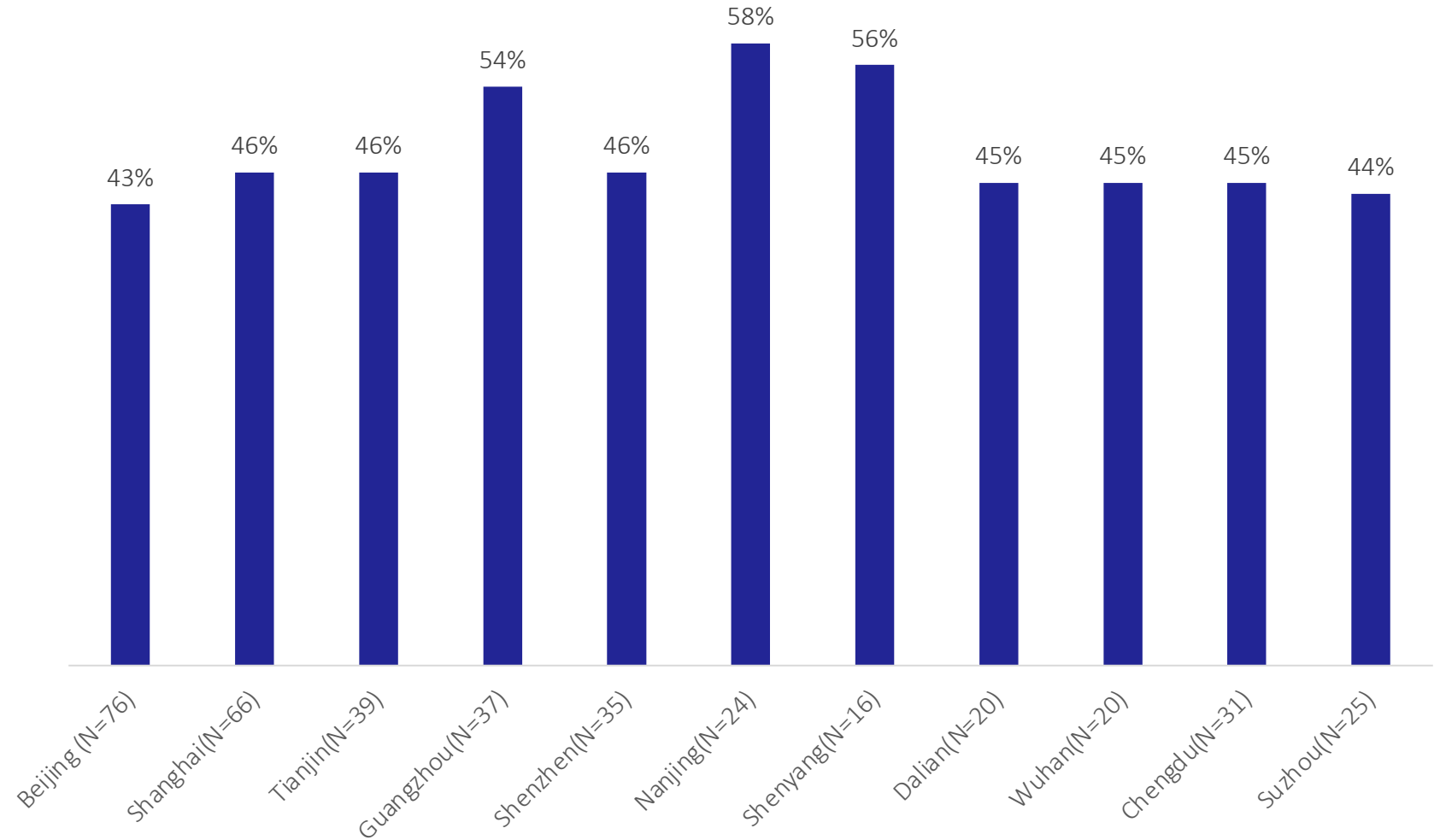
36% of R&I sector respondents say the recent COVID-19 outbreak has had no impact on their investment plans

What impact has the recent COVID-19 outbreak in China had on your investment plans? (by sector)



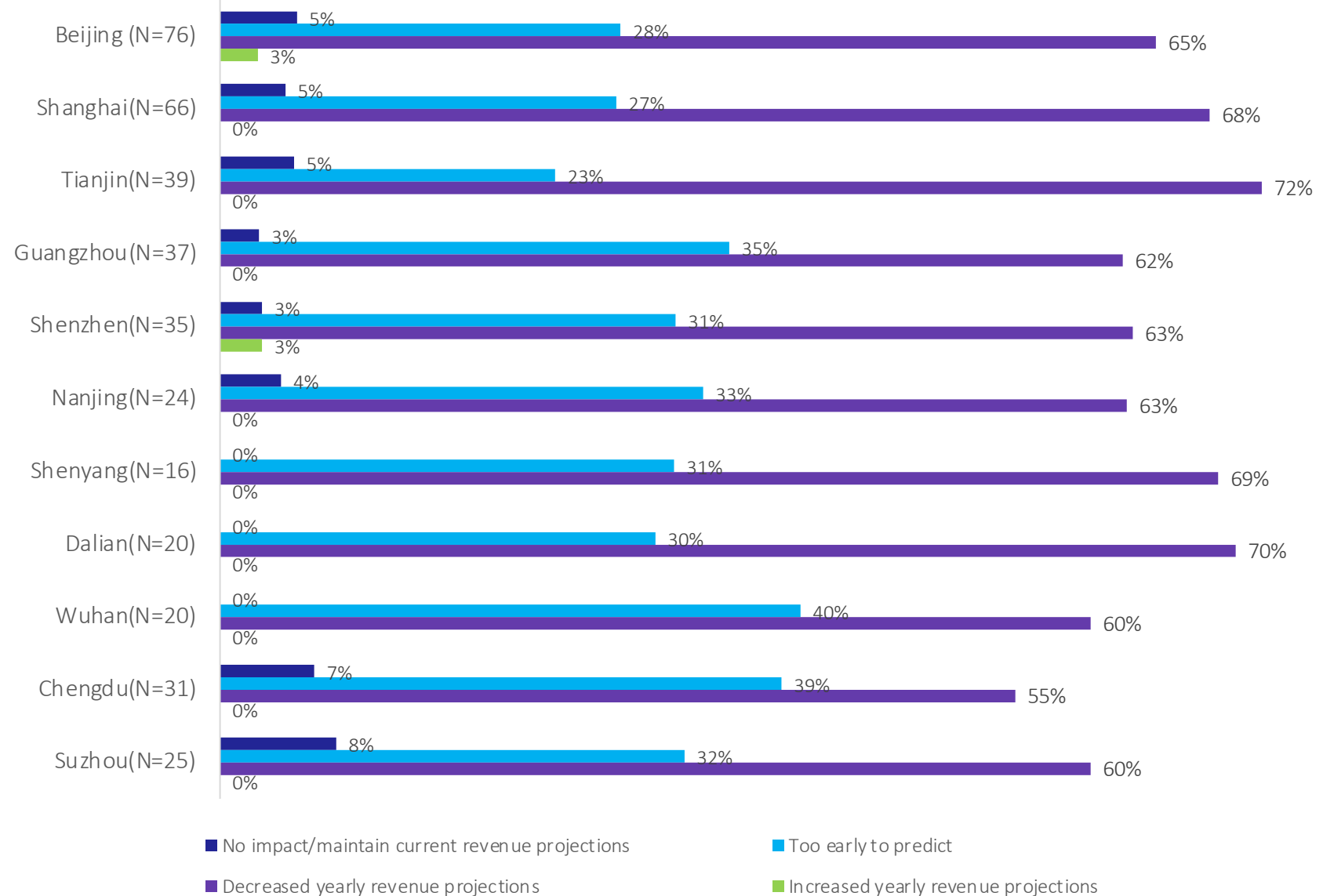
Nearly half of respondents with operations in many major cities across China plan to decrease investments if the current COVID-19 measures remain in place for another year

Percentage of respondents who will reduce investment if China maintains its current COVID-19 measures for another year: (select cities in which respondents have operations)



Respondents with operations in many major cities have lowered their forecast for 2022 revenues

Impacts of the recent COVID-19 outbreak in China on your company's revenue projections for 2022 (select cities in which respondents have operations)



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