

HERZLICH WILLKOMMEN ZUM CHINA TAG

**CHINA  
ALS BESCHAFFUNGSMARKT  
& ALTERNATIVEN**

28.01.2021



# PROGRAMM



## BESCHAFFUNGSMARKT CHINA: TRENDS UND HERAUSFORDERUNGEN

Christina Schösser, Wirtschaftsdelegierte Außenwirtschaftscenter Shanghai

1



## RISIKEN UND ABHÄNGIGKEITEN BEIM SOURCING AUS CHINA UND ASIEN BEWERTEN UND MINDERN

Christian Santner, Managing Director MANGGEI CONSULTING

Eric Savoye, Programmanager Industry/Machinery/Materials, Aussenwirtschaft Austria

2



## VIETNAM EINE ALTERNATIVE ZU CHINA?

Dietmar Schwank, Wirtschaftsdelegierter Außenwirtschaftscenter HoChiMinh City

3



## UPDATE TRANSPORT & LOGISTIK

Michael Hoffmann, Director Sea Logistics Austria, Kühne + Nagel Ges.m.b.H.

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AUSTRIA IST ÜBERALL.

## BESCHAFFUNSMARKT CHINA 2021 AND BEYOND

Exportweltmeister China Quo Vadis?  
COVID, Optimierung von Lieferketten,  
China +1...

**China-Tag**  
**28. Jänner 2020**

Christina Schösser  
Wirtschaftsdelegierte in Shanghai

# AGENDA

1

EXPORTWELTMEISTER  
CHINA

ÖSTERREICH & EU

2

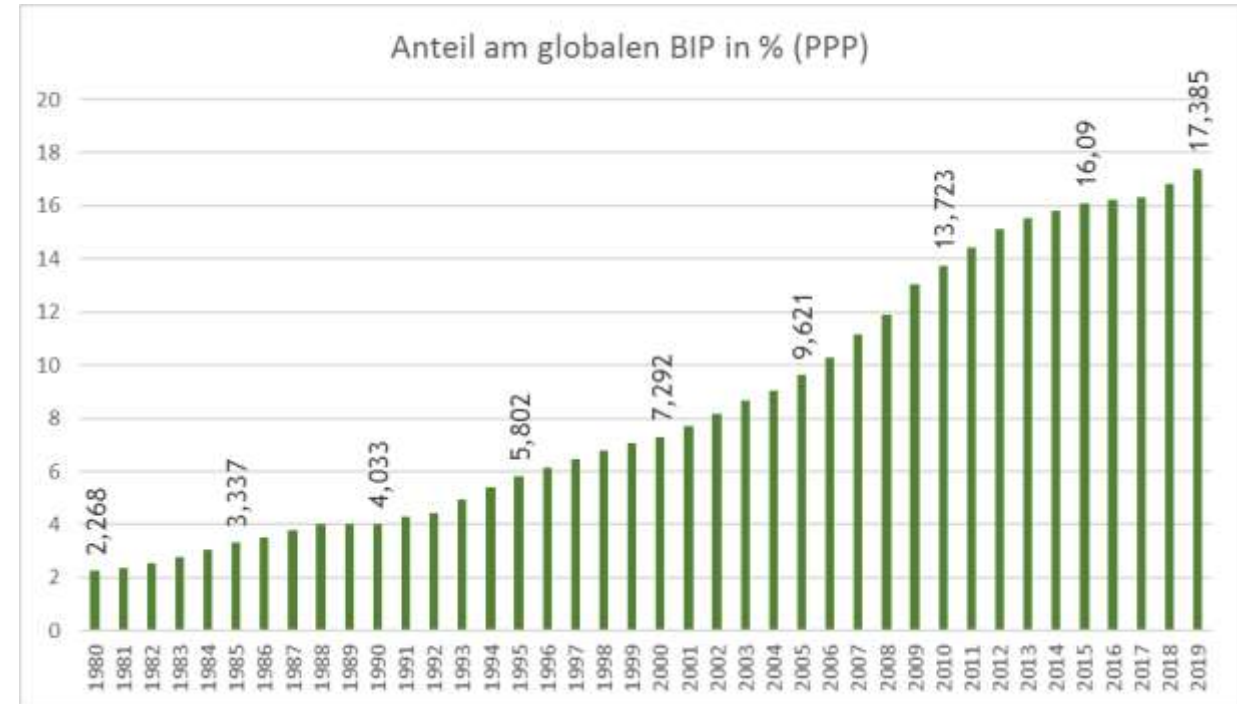
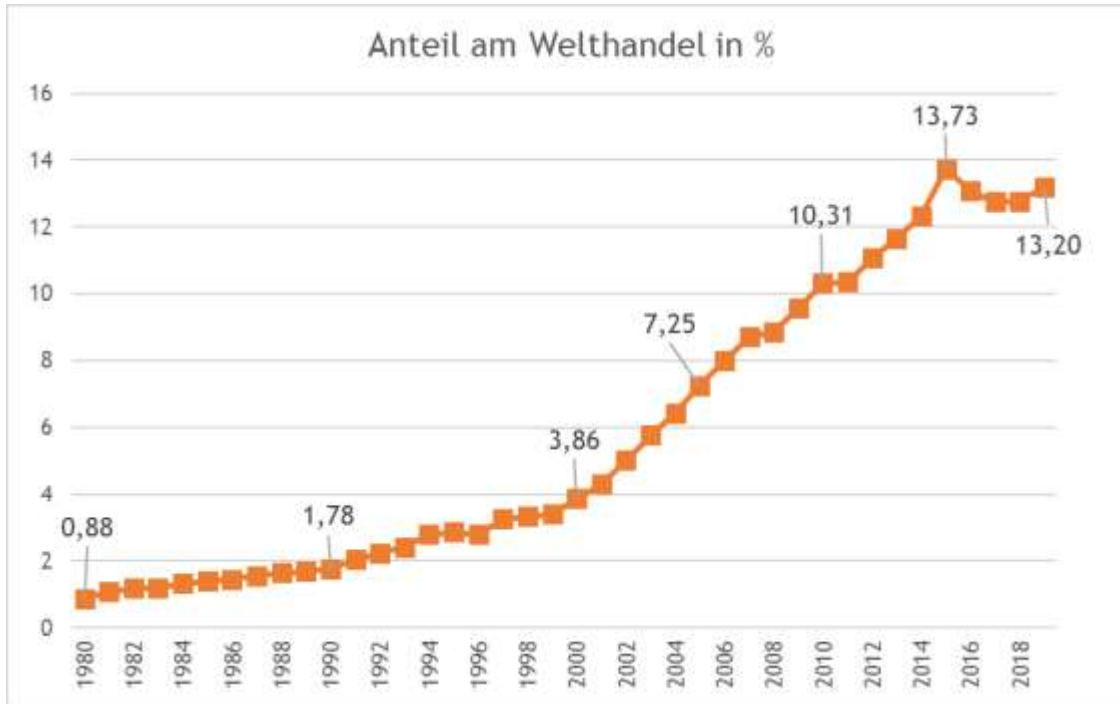
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AKTUELLE  
SOURCING TRENDS



# EXPORTWELTMEISTER CHINA

# CHINA - EIN GLOBAL PLAYER AUF VIELEN BÜHNEN



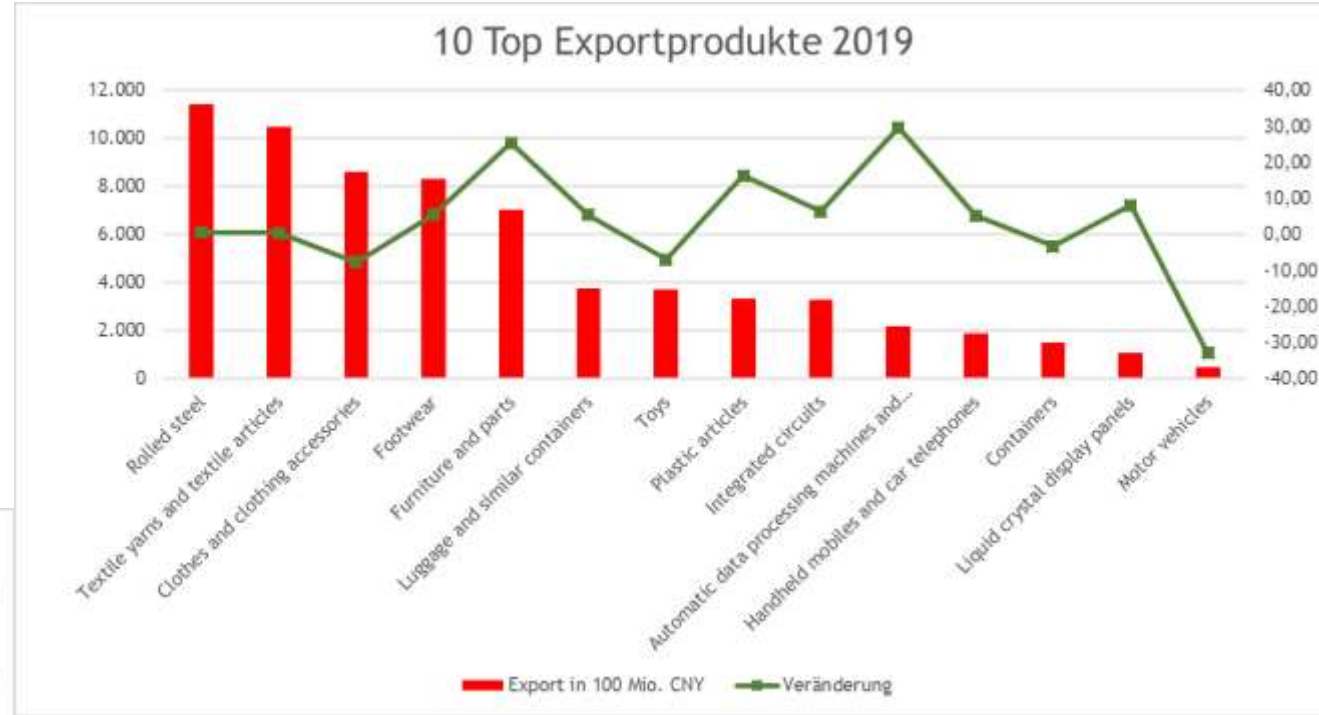
Quelle: Unctad <https://unctadstat.unctad.org/EN/Index.html>

Quelle: IMF <https://www.imf.org/en/Publications/WEO/weo-database/2020/October>

# EXPORTENTWICKLUNG



Quelle: WTO <https://data.wto.org>



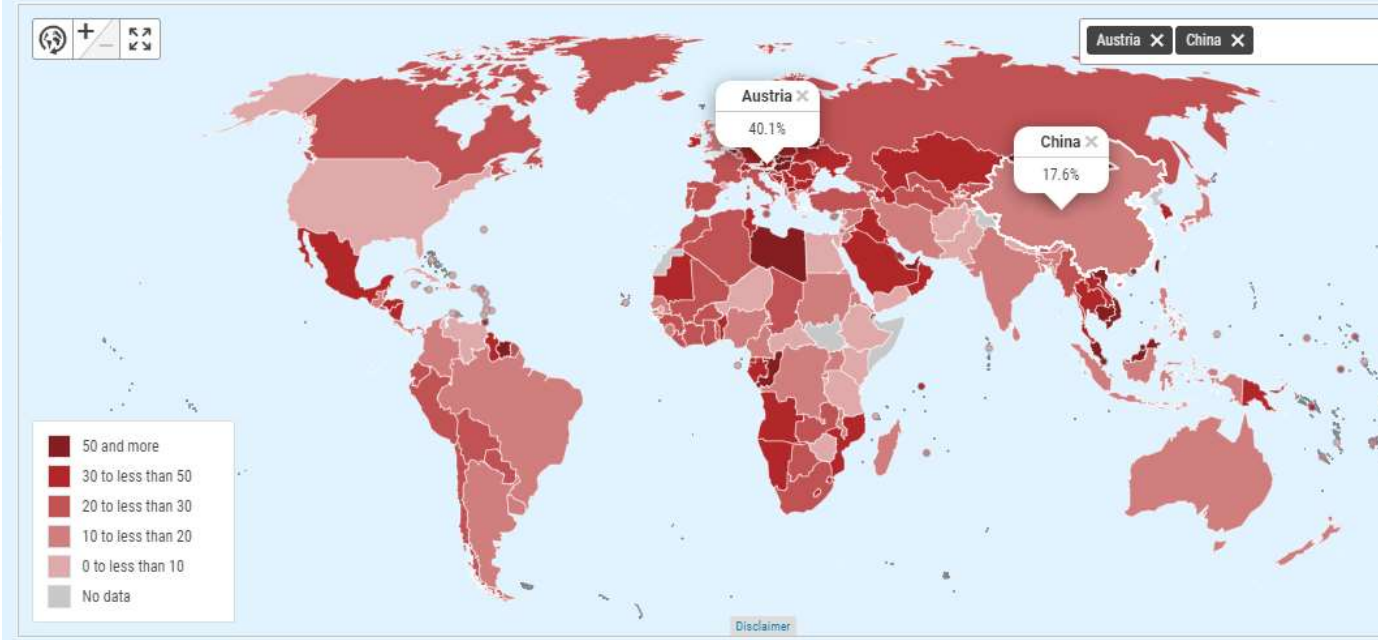
Quelle: Chin. Statistikamt [http://www.stats.gov.cn/english/PressRelease/202002/t20200228\\_1728917.html](http://www.stats.gov.cn/english/PressRelease/202002/t20200228_1728917.html)



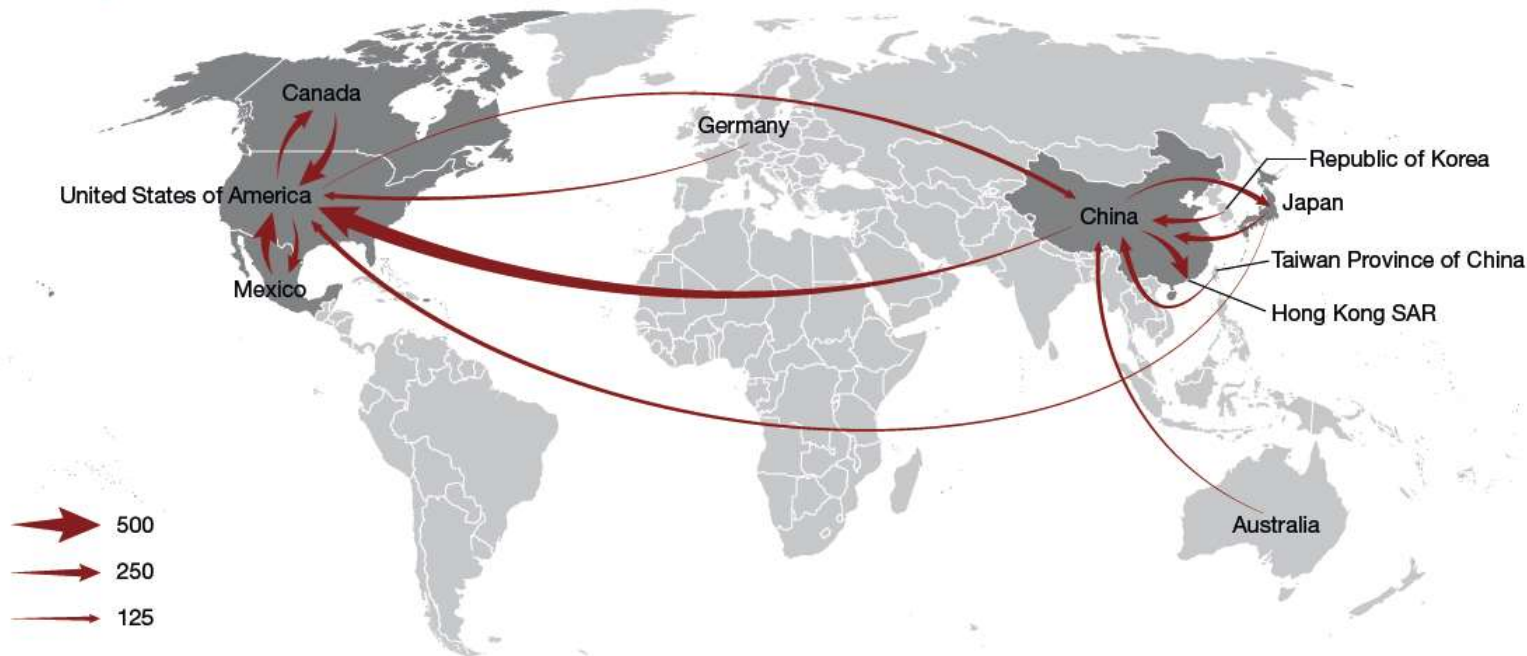
# SETTING THE SCENE...



Merchandise exports as per cent of gross domestic product, 2019



Map 1 | Main world import flows, 2019  
(Billions of United States dollars)



Quelle: Beides Unctad Handbook of Statistics 2020  
<https://stats.unctad.org/handbook/MerchandiseTrade/Total.html>



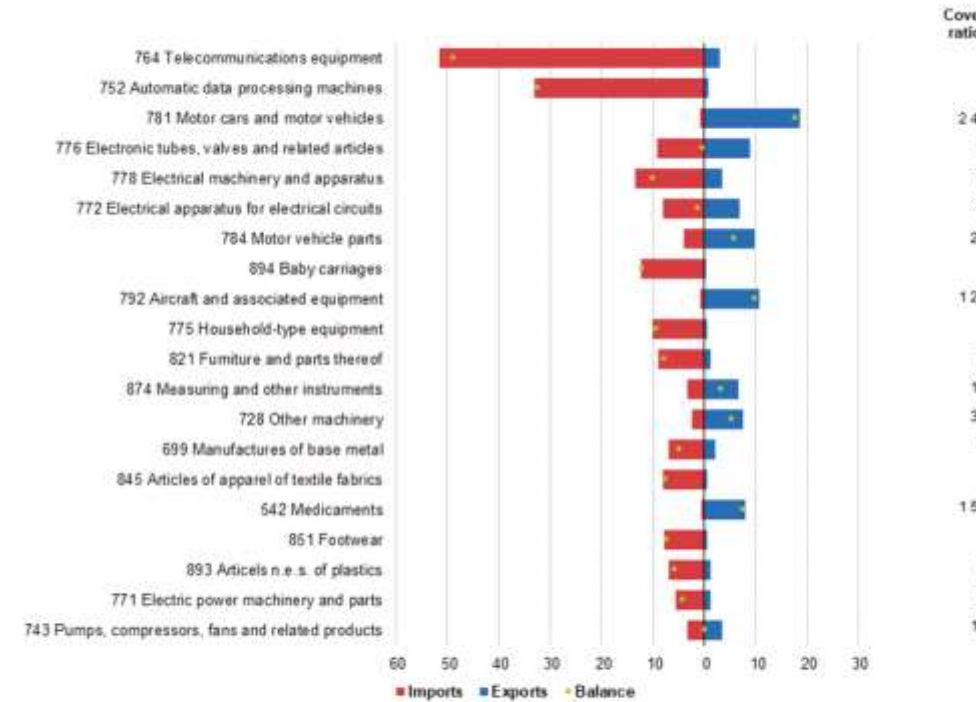
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# ÖSTERREICH & EU

# EU UND CHINA - TOP HANDELSPARTNER



**Most traded products between EU-27 and China, 2019**  
(EUR billion)

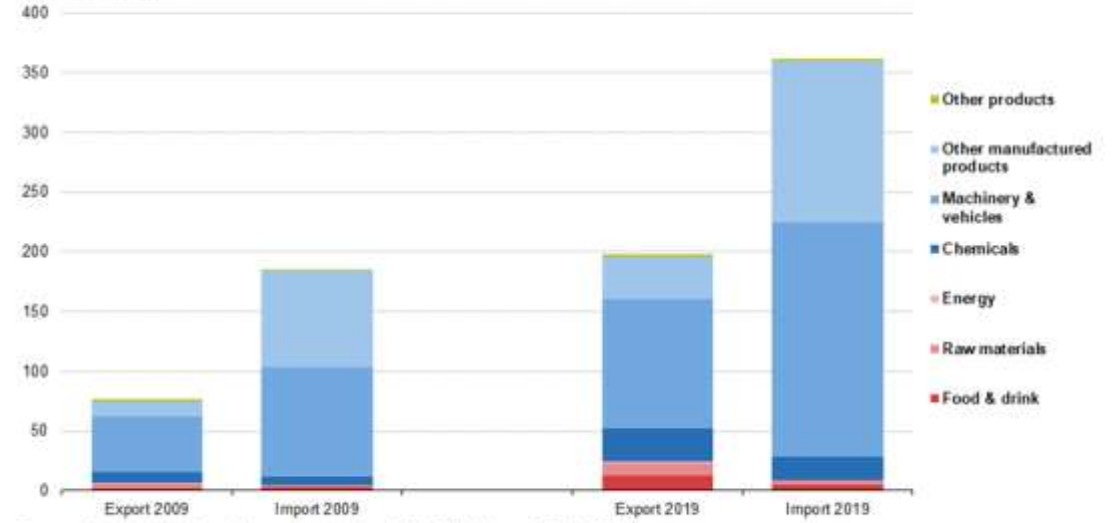


Note: While the trade balance provides information on the absolute value of trading positions, the cover ratio provides a relative measure that is based on the ratio (expressed in percentage terms) between the value of exports and the value of imports; if exports are higher than imports then the cover ratio will be above 100.

Source: Eurostat (online data code: DS-018995)

**EU-27 trade with China by product group, 2009 and 2019**

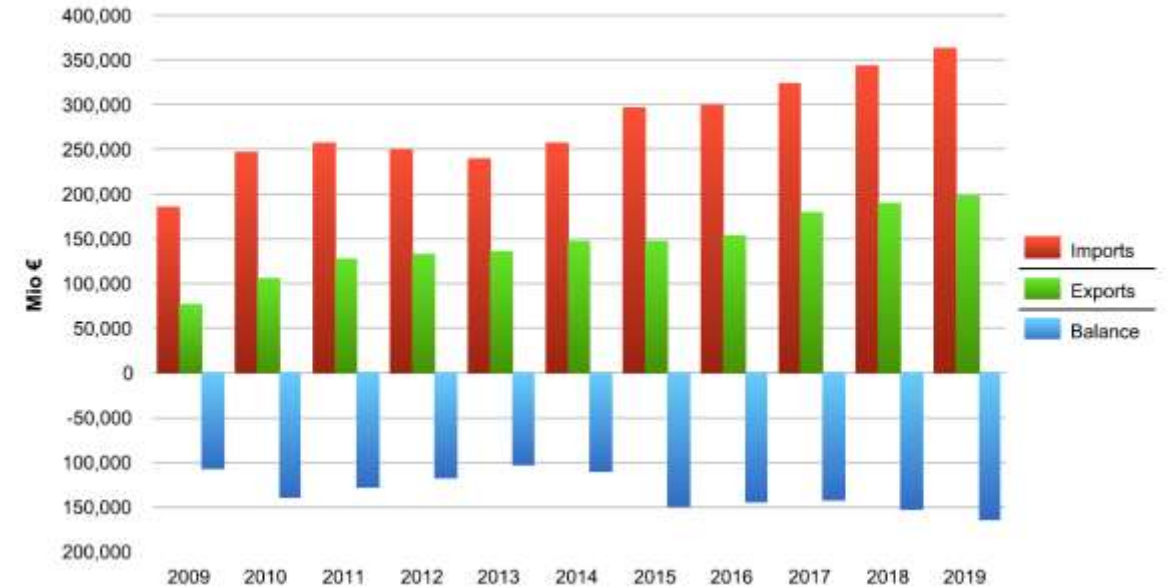
(EUR billion)



Source: Eurostat (online data code: ext\_st\_eu27\_2019silc and DS-018995)

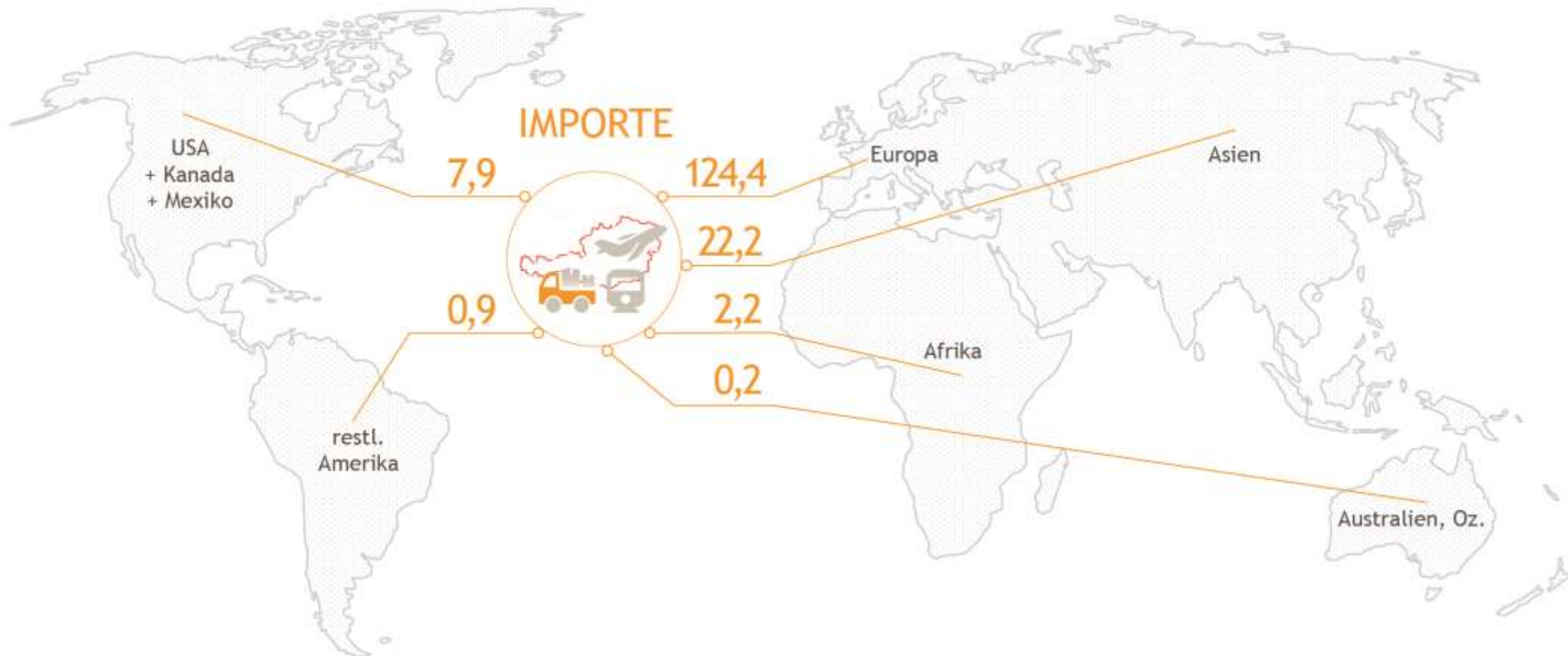
**Total goods: EU Trade flows and balance, annual data 2009 - 2019**

Source Eurostat Comext - Statistical regime 4

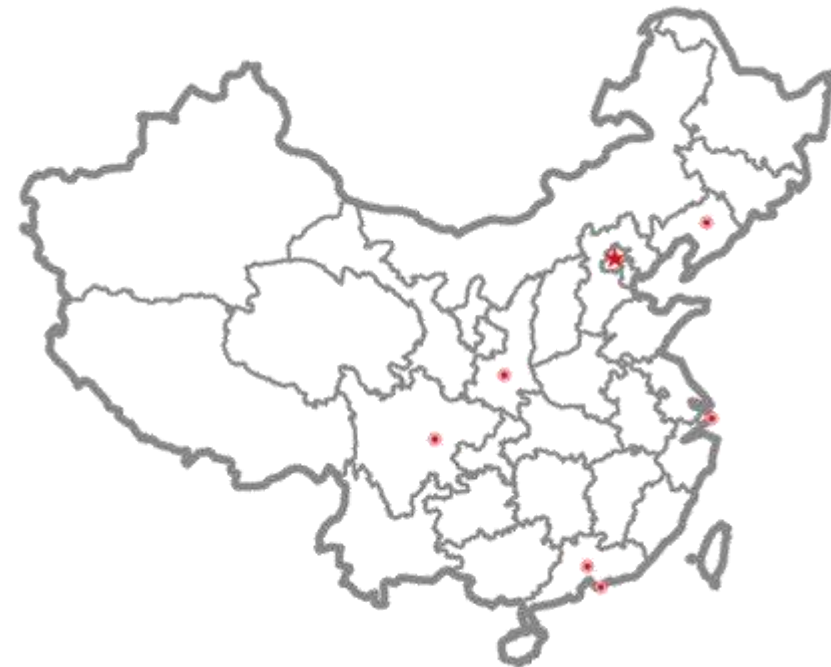


Quelle: EUROSTAT

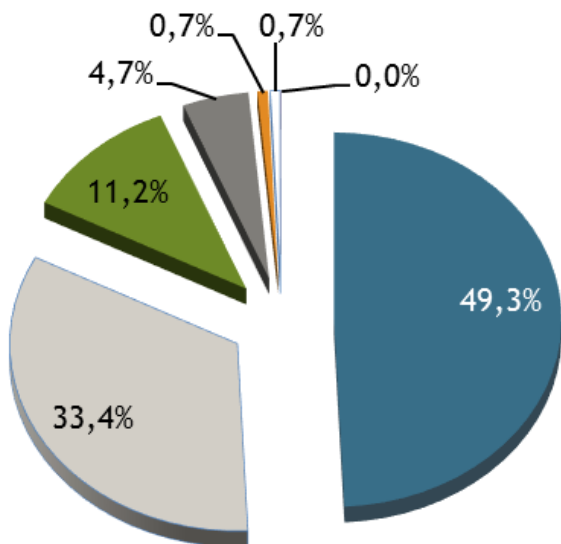
# ÖSTERREICHS IMPORTE IN MRD. EURO 2019



# ÖSTERREICH - CHINA

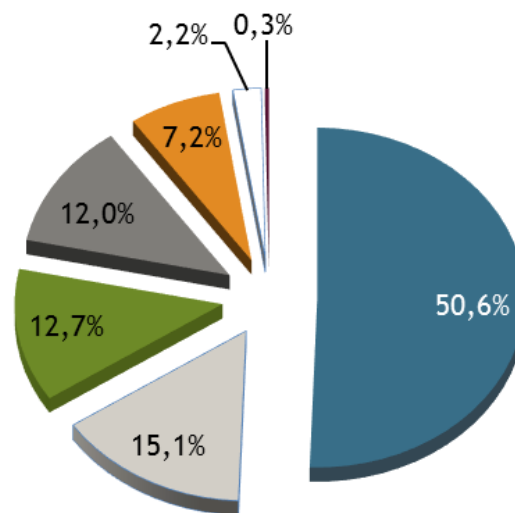


Österreichs Importe 2019



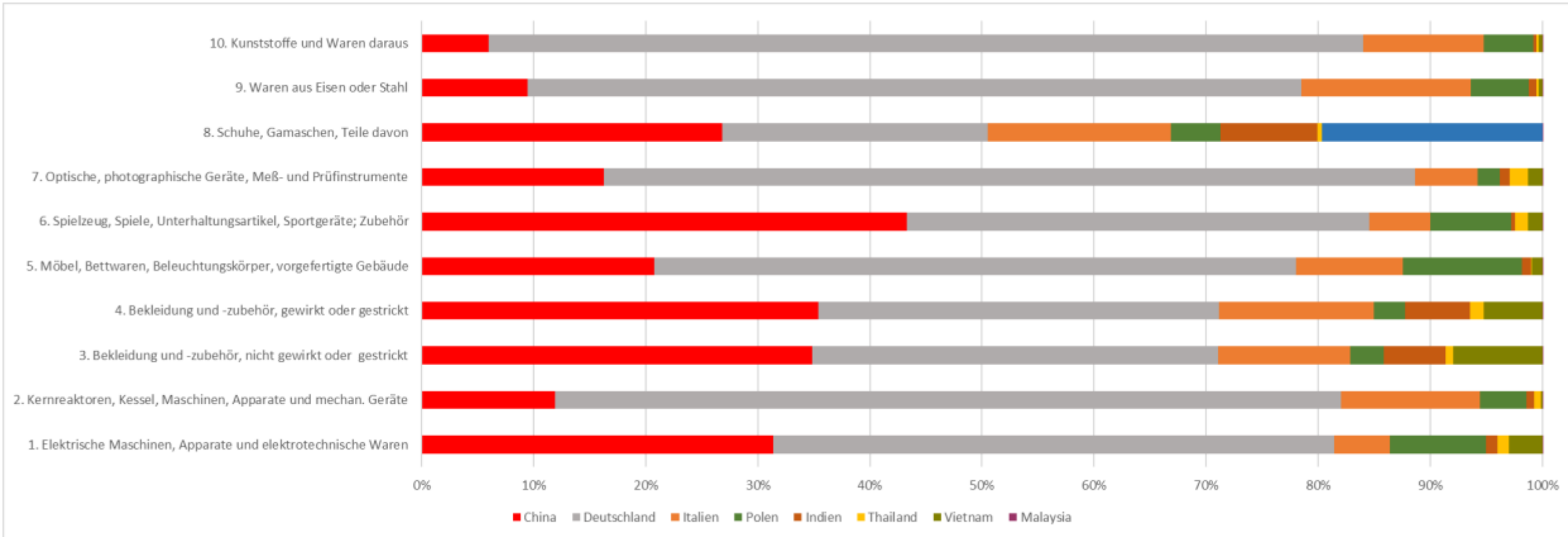
- Maschinenbauerzeugnisse und Fahrzeuge
- Sonstige Fertigwaren
- Bearbeitete Waren
- Chemische Erzeugnisse a n g
- Rohstoffe (ausg Nahrungsm u min Brennst)
- Nahrungsmittel und lebende Tiere
- restl. Produkte

Österreichs Exporte 2019



- Maschinenbauerzeugnisse und Fahrzeuge
- Bearbeitete Waren
- Sonstige Fertigwaren
- Chemische Erzeugnisse a n g
- Rohstoffe (ausg Nahrungsm u min Brennst)
- Nahrungsmittel und lebende Tiere
- restl. Produkte

# ÖSTERREICHISCHE IMPORTE aus China und ausgewählten Ländern 2019



# CLUSTER all over...

## Sourcing in China

Major production areas



Quelle: Sourcing Alliance, <https://www.sourcingallies.com/blog/guide-to-finding-a-manufacturer>

Quelle: Webseite The 19th China International Toy Fair, [https://www.china-toy-expo.com/en/html/2019/fairnews\\_0917/2866.html](https://www.china-toy-expo.com/en/html/2019/fairnews_0917/2866.html)



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# AKTUELLE SOURCING TRENDS



# Globale Trends

## Technologie

- Digitalisierung - predates COVID
- Einsatz KI
- Smart Manufacturing
- 3D Design / VR / Big Data /



## Hedging

- Versicherung
- Vorratswirtschaft
- Diversifikation
- Near- / Re-Shoring
- Risk assessment
- Verständnis der vollen Lieferketten / Monitoring
- Kosten / Margen / total cost



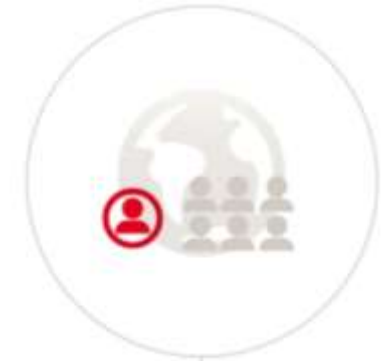
## Watch out for...

- ESG / Sustainability
- Interventionen
- Patriotismus
- Resilienz & Autarkie
- Ownership of supply chain / M&A / strategic supply chain acquisitions



## China

- Lieferanten / gesamte Produktionskette / Scale
- Produktionskosten
- Infrastruktur
- Pool an Arbeitskräften / technische Fähigkeiten
- Sustainability
- Near shoring Kapazität
- Abnehmermarkt
- China als Lieferant für emerging Markets
- leapfrogging in technology
- ADI



## Bedeutung CPO

- umfassende strategische Partnerschaften
- Einsatz von Technologie als enabler
- diverse & inclusive supply chains



# ALTERNATIVEN



## INDIEN

- + Produktionskosten
- + Sprache
- + Innovation
- + Start-Up Ökosystem
- + DBA, EU-Indien
- Schuhe
- Bekleidung
- Motorenteile
- Logistik
- fehlendes FTA EU
- kein RCEP Mitglied
- Rechtssicherheit
- Zollerhöhungen 2019
- elektrotechn. Waren
- Schaltungen
- IT Services



## THAILAND

- + Gute Infrastruktur
- + Zulieferindustrie hoch entwickelt
- + Attraktive Lohnkosten
- Bürokratie & Korruption
- Rechtsunsicherheit
- Englischkenntnisse schwach
- Kein FHA in Aussicht
- Schmuckwaren
- KFZ & KFZ-Teile
- Elektrische Geräte & Komponenten
- Maschinen, Motoren & Apparate
- Textilien & Bekleidung
- Kautschukprodukte

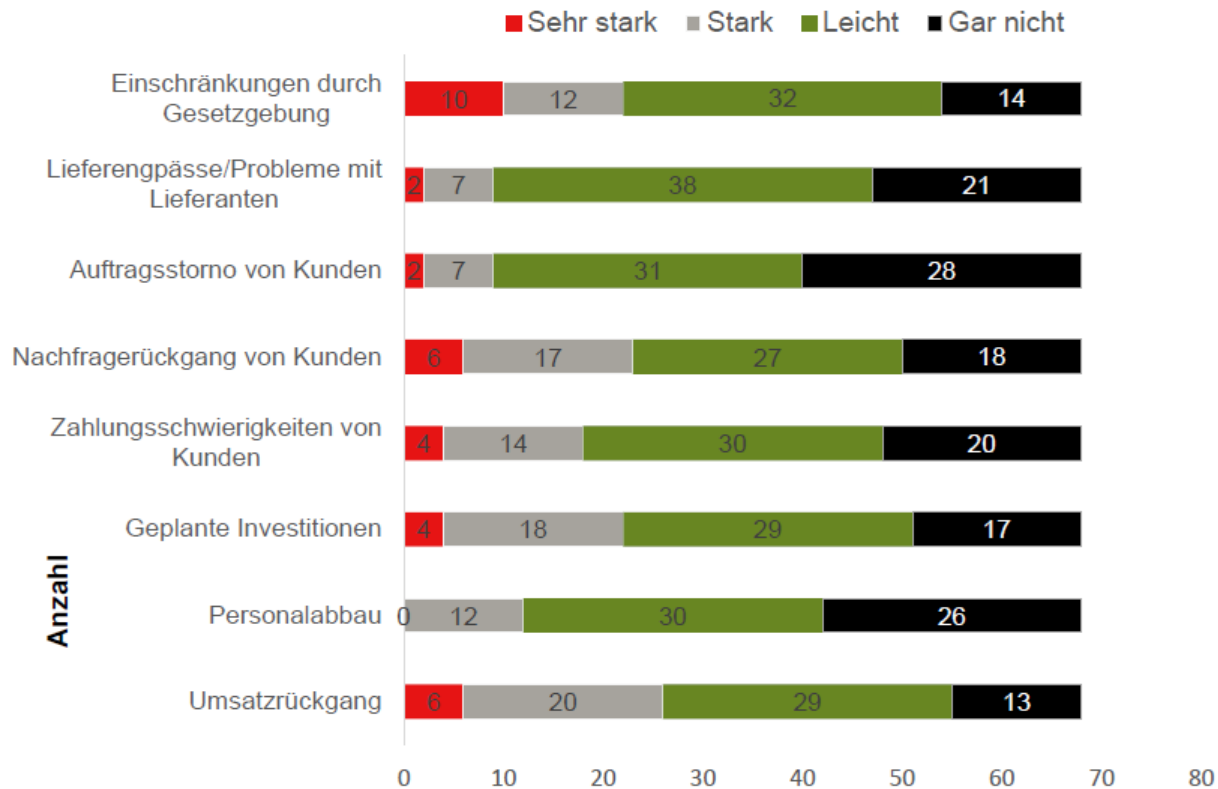


## MALAYSIEN

- + „Ease of Doing Business“
- + E&E, Medizin-, Nischenprodukte
- nicht so viele Lieferanten
- kleinere Betriebe
- ev. teurer
- Elektronikteile
- PPE, medizin. Waren
- Kunststoffwaren
- mineralische Rohstoffe
- IT-Services, Call Center
- Softwareentwicklung

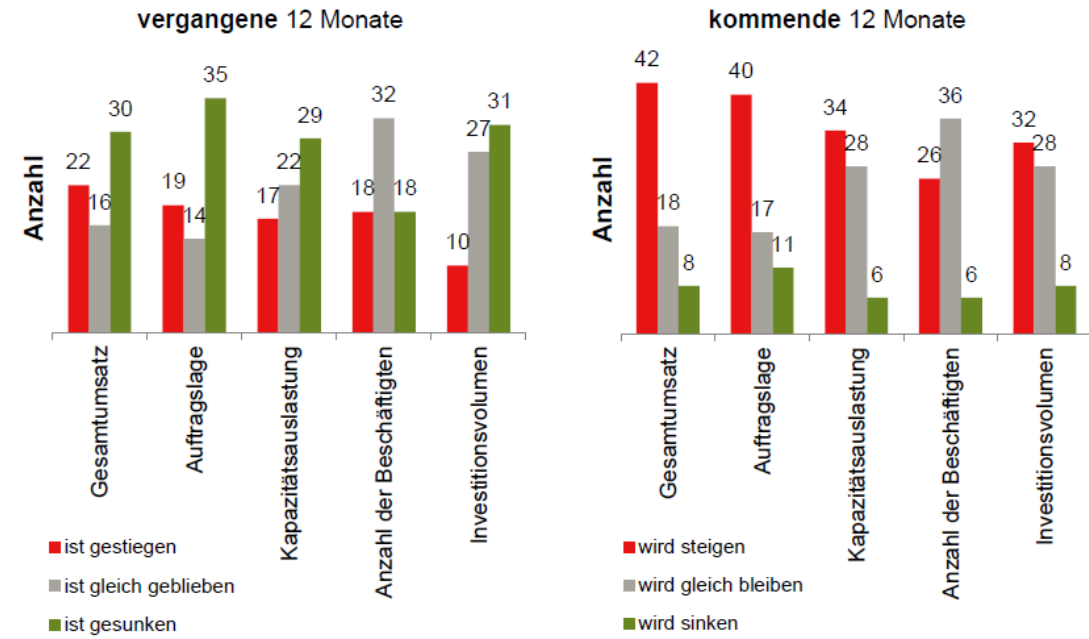
# ÖSTERREICH IN CHINA

8. Wie stark ist Ihr Unternehmen in den folgenden Bereichen von der Corona-Krise betroffen?

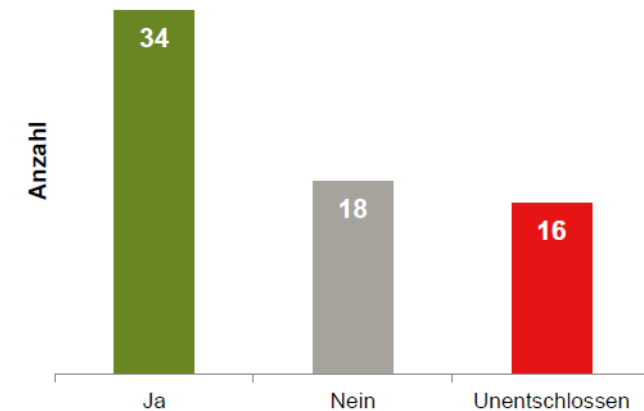


Quelle: ABC Indikator China, Oktober 2020

2. Wie schätzen Sie die Entwicklung der folgenden Kennzahlen Ihres Unternehmens in China ein?



10. Haben Sie für die nächsten 2 Jahre größere Investitionen für Ihre Geschäftstätigkeiten in China geplant?





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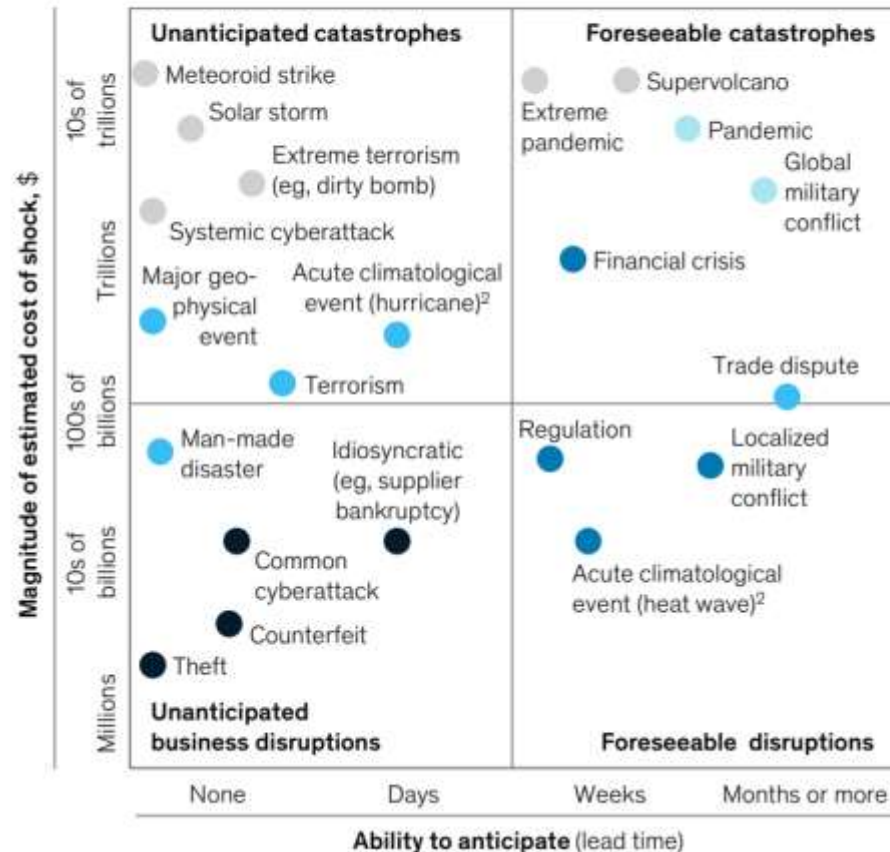
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# DISRUPTIONS OCCUR WITH REGULARITY

Magnitude and ability to anticipate

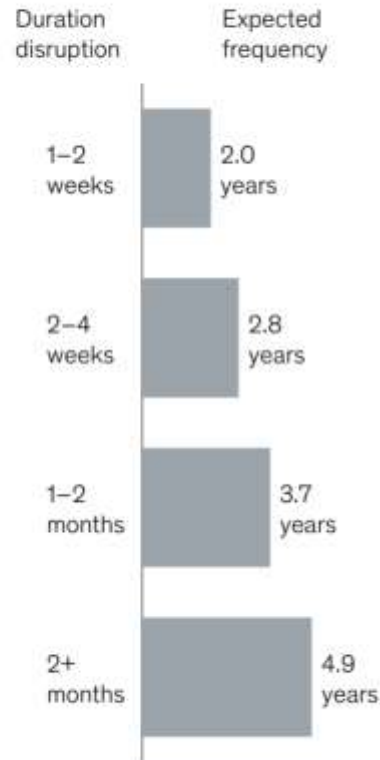
Historical frequency

More frequent ●●●● Less frequent ● Has not (yet) occurred at scale<sup>1</sup>



Expected frequency of a disruption, by duration, years

Based on expert interviews, n = 35



1. Shocks that have not occurred either at scale (eg, extreme terrorism, systemic cyberattack, solar storm) or in modern times (eg, meteoroid strike, supervolcano)
2. Based on experience to date; frequency and/or severity of events could increase over time

# EXPORT SUMMARY BY TOP HS CODES

HS Series	Category	Top Products	China Export Value (2019) in Euro Billion	CAGR (in %)	% of total export (2019)	Top Export Destinations	Import Duty into EU	Export Duty	No of Suppliers
85	Electric & Electronic Equipment	Electric app for line telephony, etc Television camera, transmission app for radio-telephony Diodes/transistors & semiconductor devices etc	599.4	2.6 %	25 %	USA, Japan, South Korea, Germany, Vietnam, Malaysia	0-3.6%	Nil	>200
84	Industrial Machinery	Automatic data processing machines, optical reader etc Parts of computers & office machines Printing machinery, etc	372.5	3.2 %	19 %	USA, Japan, Netherlands, Germany, Italy, Mexico, UK	0-6%	Nil	>200
72	Iron & Steel and Products	Flat Rolled Prod of Iron & Steel & Ferro Alloys Structures like Rods, Angles & Plates Nuts, Bolts & Screws, Tubes, Pipes, etc	35.2	-5.59 %	10.7 %	USA, Australia, Japan, South Korea, India	Nil	Nil	>200
90	Optical and Medical Devices	Liquid crystal devices; lasers; etc Electro-medical apparatus	65.2	-0.45 %	11.9 %	USA, Japan, South Korea, Mexico	0-4.7%	Nil	>200
82	Automotive (Cars, motorcycles, bicycles)	Automobiles & parts	14.8	3.1 %	25.2 %	USA, Japan, South Korea, Iran	0-4.5%	Nil	>200
39	Plastic Products	Plastic Products Plastic packing goods or closures stoppers, lids, caps, closures, plastic containers	75.3	6.15 %	13.5 %	USA, Japan, South Korea, Germany	0-6.5%	Nil	>200

# EXPORT SUMMARY BY TOP HS CODES

HS Series	Category	Top Products	China Export Value (2019) in Euro Billion	CAGR (in %)	% of total export (2019)	Top Export Destinations	Import Duty into EU	Export Duty	No of Suppliers
76	Aluminum Products	Aluminum plates, sheets and strip	23.3	2.04 %	14.9 %	USA, Japan, Australia, South Korea	0.075	Nil	>200
		Aluminum bars, rods and profiles							
29	Organic chemicals	Aluminum table, kitchen, household articles	50.7	7.19 %	13.8 %	USA, India, Japan, South Korea, Germany	0-6.5%	Nil	>200
		Heterocyclic compounds with nitrogen hetero-atom; nucleic acids & their salts							
		Antibiotics							
48	Packaging	Pro-vitamins & vitamins, natural/reproduced by synthesis	19.7	3.75 %	13 %	Germany, USA, Sweden, Finland, Canada	-	Nil	>200
		Paper and paperboard; articles of paper pulp, of paper or of paperboard							
1	Services	Manufacturing services on physical inputs owned by others	17.4	-1.39 %	16 %	France, Vietnam, Germany, Netherlands	-	Nil	>200

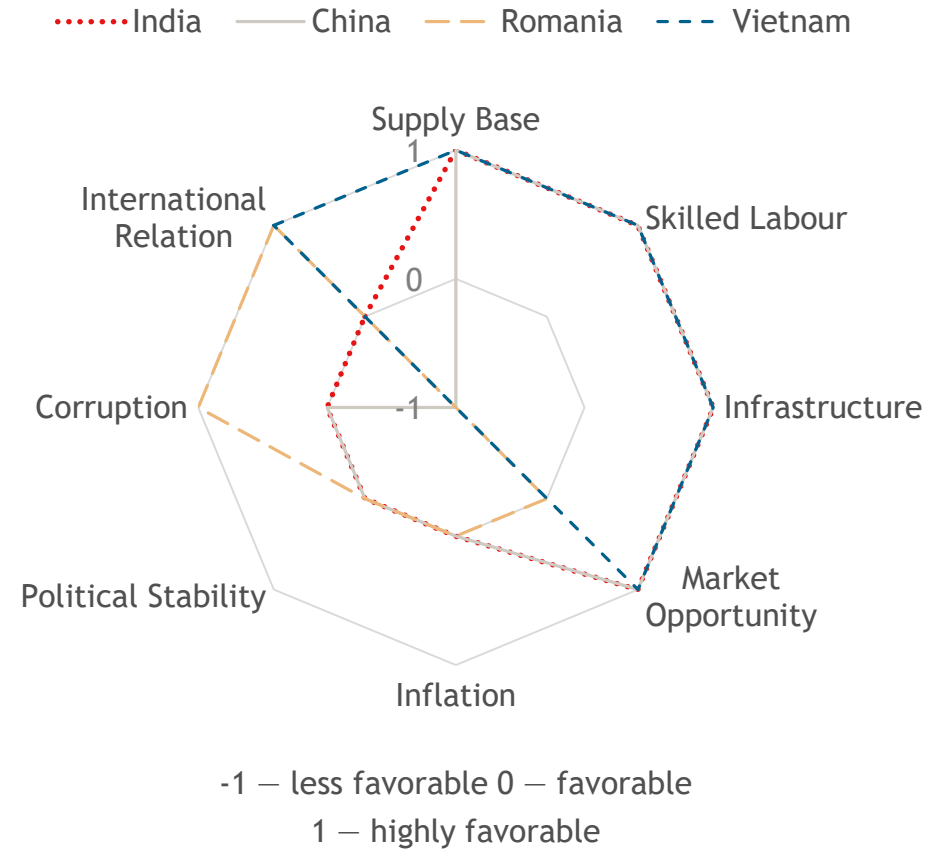
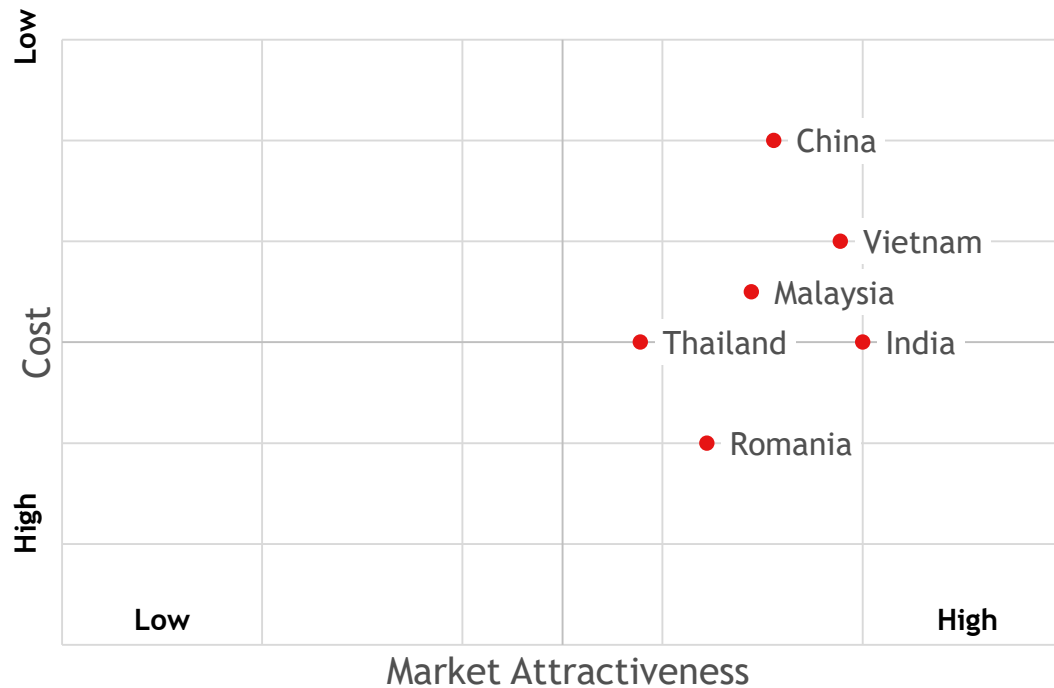


# EXECUTIVE SUMMARY

HS Category	HS 85	HS 84	HS 72 & 73	HS 90	HS 82	HS 39	HS 76	HS 29	Packaging materials	Contract manufacturing
Dependency on China	high	medium	low	medium	high	medium	high	high	medium	low
Alternative Destinations	India Vietnam Malaysia	Taiwan India Thailand	Vietnam Taiwan Thailand	India Vietnam Malaysia	Vietnam Taiwan Thailand	Vietnam Taiwan Thailand	Thailand Taiwan Vietnam	India Vietnam Malaysia	Malaysia Taiwan Thailand	Vietnam Taiwan Thailand
Ease of Moving										
Major Challenges Expected										
Transition Period (years)	X	X	X	X	X	X	X	X	X	X

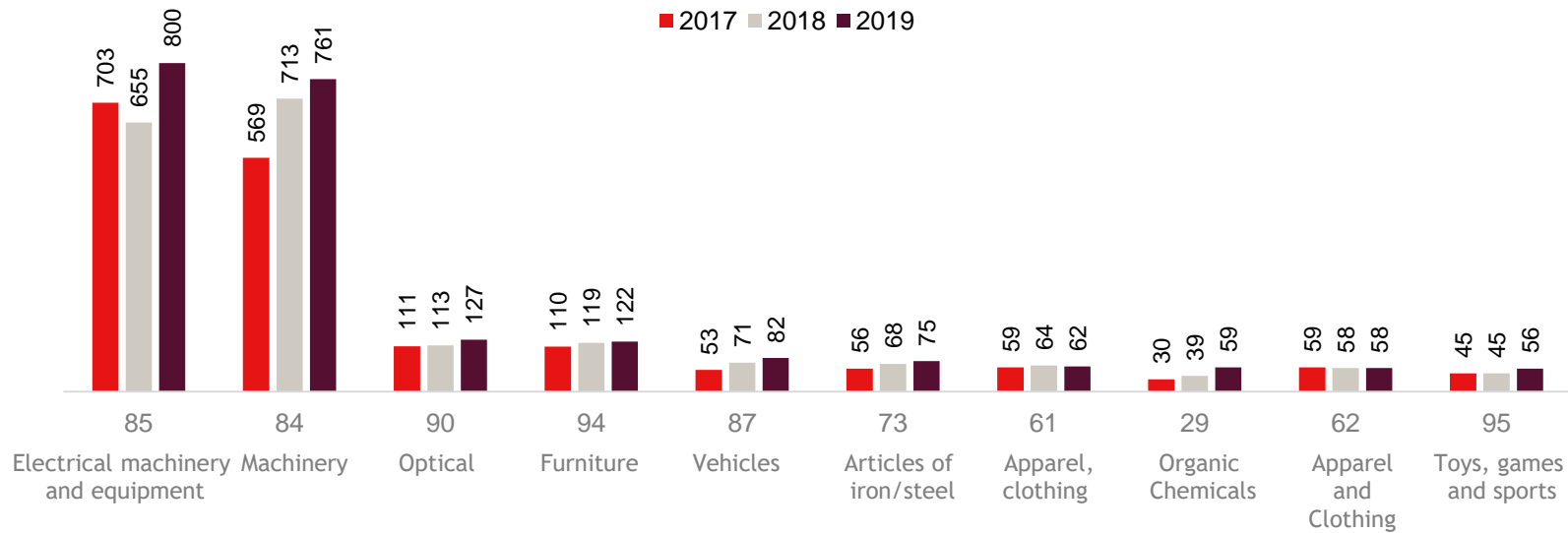
# EXECUTIVE SUMMARY

Best Sourcing Alternative Countries Matrix



# AUSTRIA IMPORTS FROM CHINA

China Exports to Austria 2017 to 2019 (Euro Million)



The impact of COVID 19 economic recession, trade wars between China and US has influenced the EU importing countries to look for alternative destinations to minimize any potential supply disruption risk in future by diversifying their supplier base (“China plus one” strategy).

However, with strong supplier networks, flexible & skilled workforce, efficient ports and transportation infrastructure it could be challenging for certain HS code categories to move away from China.

Meanwhile, “coordination issues“ remain one of the concerning area for EU countries with China. It is challenging to coordinate with different jurisdictions, levels of local government, from district to district in individual cities.

The presence of European organizations in China is to serve the Chinese market. For example: The European medical devices and pharmaceutical companies has witnessed an increase in opportunities in China due to increase in drug approvals to maintain better public health due to coronavirus crisis.

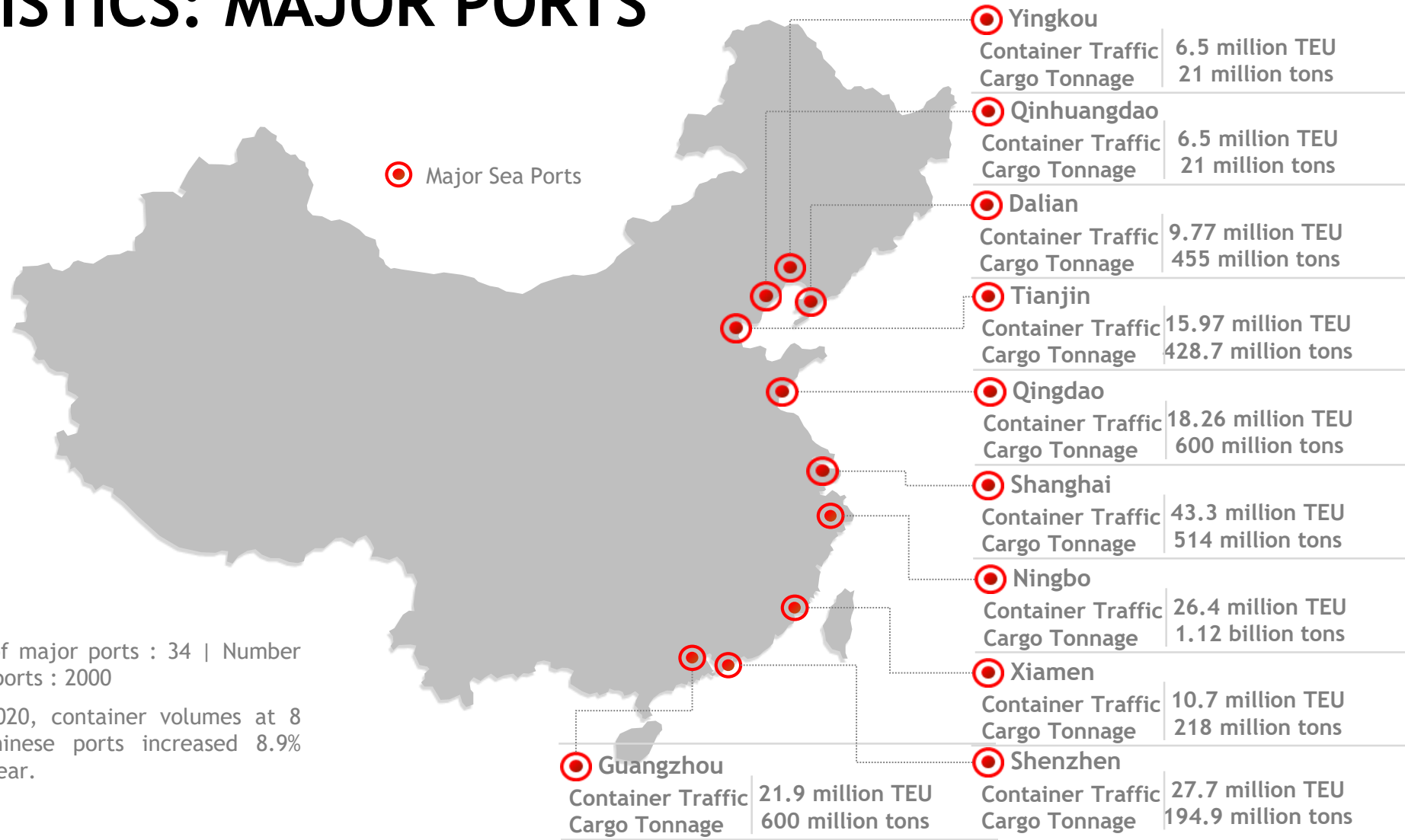
Although Western European producers looking CESEE as a potential supply base due to closer supply proximity and a short term recovery from COVID recession and unemployment, the recent data shows that the imports from EU15 countries declined by 35% from the CESEE region, while the imports from China has been back to 2019 level by April 2020.

# SOURCING CLUSTERS FOR OVERALL HS CATEGORIES



Province	HS Categories
Anhui	Automotive
Guangdong	Electric & Electronic, Automotive, Packaging
Jilin	Automotive
Fujian	Packaging
Guangxi	Aluminium
Guizhou	Aluminium
Hebei	Industrial Machinery, Iron & Steel, Automotive
Henan	Aluminium
Hubei	Optical Devices, Plastics & Rubber, Automotive
Hunan	Automotive
Inner Mongolia	Aluminium
Jiangsu	Industrial Machinery, Electric & Electronic, Packaging
Jiangxi	Industrial Machinery
Liaoning	Iron & Steel Industrial Machinery
Shandong	Electric & Electronic, Industrial Machinery, Organic Chemicals
Shanghai	Plastics & Rubber, Organic Chemicals, Packaging
Shanxi	Aluminium
Yunnan	Aluminium
Zhejiang	Automotive, Plastics & Rubber, Electric & Electronic, Packaging

# LOGISTICS: MAJOR PORTS



- Number of major ports : 34 | Number of minor ports : 2000
- In Nov 2020, container volumes at 8 major Chinese ports increased 8.9% year-on-year.

Source: Marine Insight

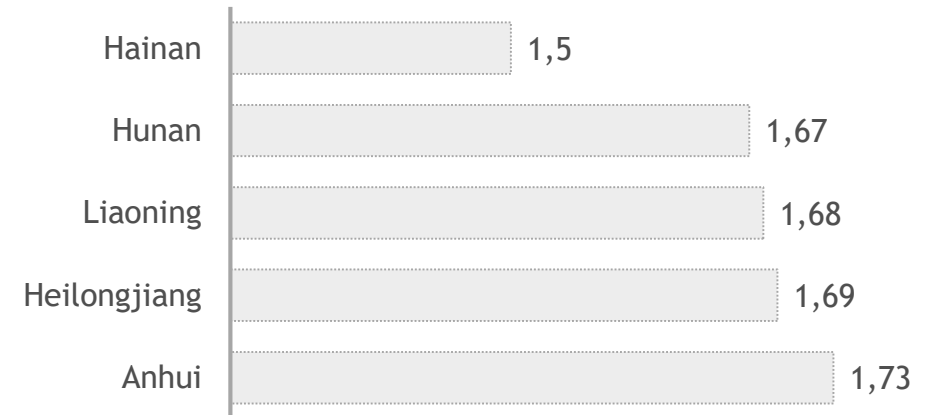
# WAGE ANALYSIS

Regions with the highest average hourly wage (EUR)



The minimum wages in China is expected to grow in future. However, the wage increase would be at minimum level to reduce the financial burden on companies and stabilizing the jobs.

Regions with the lowest average hourly wage (EUR)



In addition, due to US-China trade war, economic slowdown, coronavirus pandemic and to keep to remain competitive among regions will have significant pressure on wage increase.

# WAGE ANALYSIS

Regions	Increased minimum wage in 2019-20	Expected to increase minimum wage	Increased minimum wage in last 7 years
Fujian	✓□		✓□
Qinghai	✓□		✓□
Guangxi	✓□		
Hunan		✓□	
Gansu		✓□	
Guizhou		✓□	
Tianjin		✓□	
Zhejiang		✓□	
Chongqing			✓□
Shaanxi			✓□
Shanghai			✓□
Beijing			✓□
Hebei			✓□

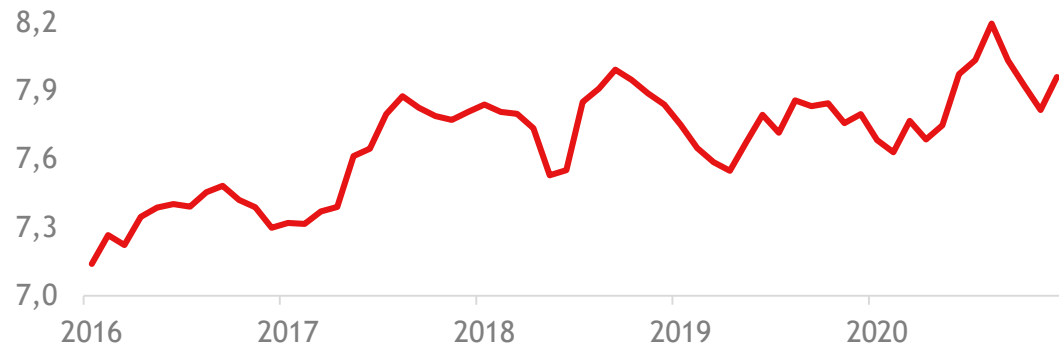
Guangxi - only province to increase the wage after the coronavirus outbreak. Hunan, Gansu, Guizhou, Tianjin and Zhejiang have not raised the wage for the last 2 years).

15 out of the 31 regions increased wage in 2018. 20 provinces increased wage in 2017.

In 2019 average hourly wages in large cities equaled EUR 2.5, in “A” class cities – EUR 2.2, in “B” class cities – EUR 2.0, in “C” and “D” class cities – EUR 1.8.

# MONETARY POLICY & INFLATION

Exchange rate of EUR to CNY



There is a moderate increase in prices of goods, but the increase is within the government target. China has set a CPI target of around 3.5% for 2020, compared with 3% last year.

In addition, there is an increase in food prices but at a slower rate than in previous months. The major reason is due to the price of pork which has gradually fallen due to African swine fever outbreak which has a significant impact on the pig population.

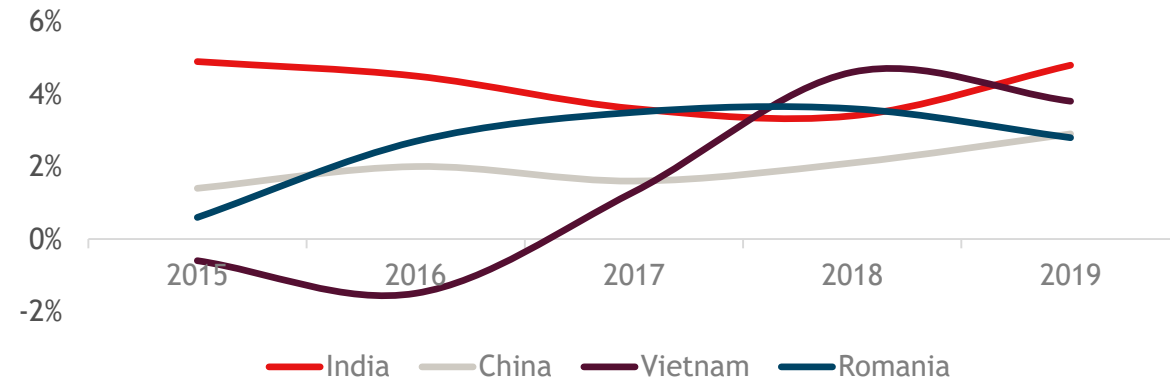
China's inflation rate was increased to above 5% during the pandemic and now the consumer inflation rate remains moderate.

Due to socialist, free-market economy and unique export dependent economic system, China has its own and unique money supply policies and vary from methods used by other nations.

Body that controls the money supply in China - The People's Bank of China (PBOC). The PBOC also control the money supply by changing the reserve ratio and the discount rate. China manages its money supply by controlling forex rates, printing currency, sterilization, the Reserve Ratio, the Discount Rate.

*From 2008 to 2020, the Chinese yuan exchange rate to the U.S. dollar has remained stable and in the range of 6.1 to 7.1.*

Inflation





# THE TRADE WAR HAS GREAT IMPACT ON CNY/USD

- There is a strong connection between trade war and CNY/USD.



Remark: The tariff rate computed from product-level tariff(6-digit hs code) and trade data in 2017

# CHINESE YUAN IS SOARING

Exchange rate in US dollar per Yuan  
Trade-weighted Yuan, index in points, 2019 = 100



China's currency has started the new year with records. For the first time in two and a half years, it is trading below the 6.50 yuan to the dollar mark.

The driver is China's economic upturn. In addition, the currency is benefiting from hopes of an easing of the trade conflict with the US under the new President Biden and a higher risk appetite on the markets. Economists see further upside potential for the yuan. One risk is the Chinese authorities, who are already opposing a rapid appreciation.

# CURRENT TRADE BARRIERS WITH EU

## 1 Service integration

The most desired by exporters especially smaller ones is a platform to provide integrated services including logistics/custom/certification etc. essentially a one stop shop. Historically it is very fragmented and frustrating. Alibaba International has been rolling out with some service packages but still far from ideal, An EU based service vendor would be preferred for its ability to provide more efficient and trustful local services.

## 2 Currency risk

Most small/medium sized exporters do not have means/ways sometimes even the basic understanding of how to hedge against currency risks, Euro/Yuan fluctuated quite a bit in 2020 with a trough to peak range of almost 8%, some of the exporters suffered significant losses.

## 3 Extensive Anti-dumping list

The ever evolving and very extensive anti-dumping list has been frustrating for many exporters, Some tried to reroute their products to other countries to avoid the potential hefty tax. However, that would add additional cost and other associated risks.

## 4 Currency risk

Comparing to North America, the European inspection and certification processes and standards are more complicated. Therefore, it may discourage some exporters and make them favor North American customers.

## 5 High shipping cost logistics

The unusually high outbound shipping cost has been devastating for many exporters this year.

## 6 Cancellation of export trade shows/expos

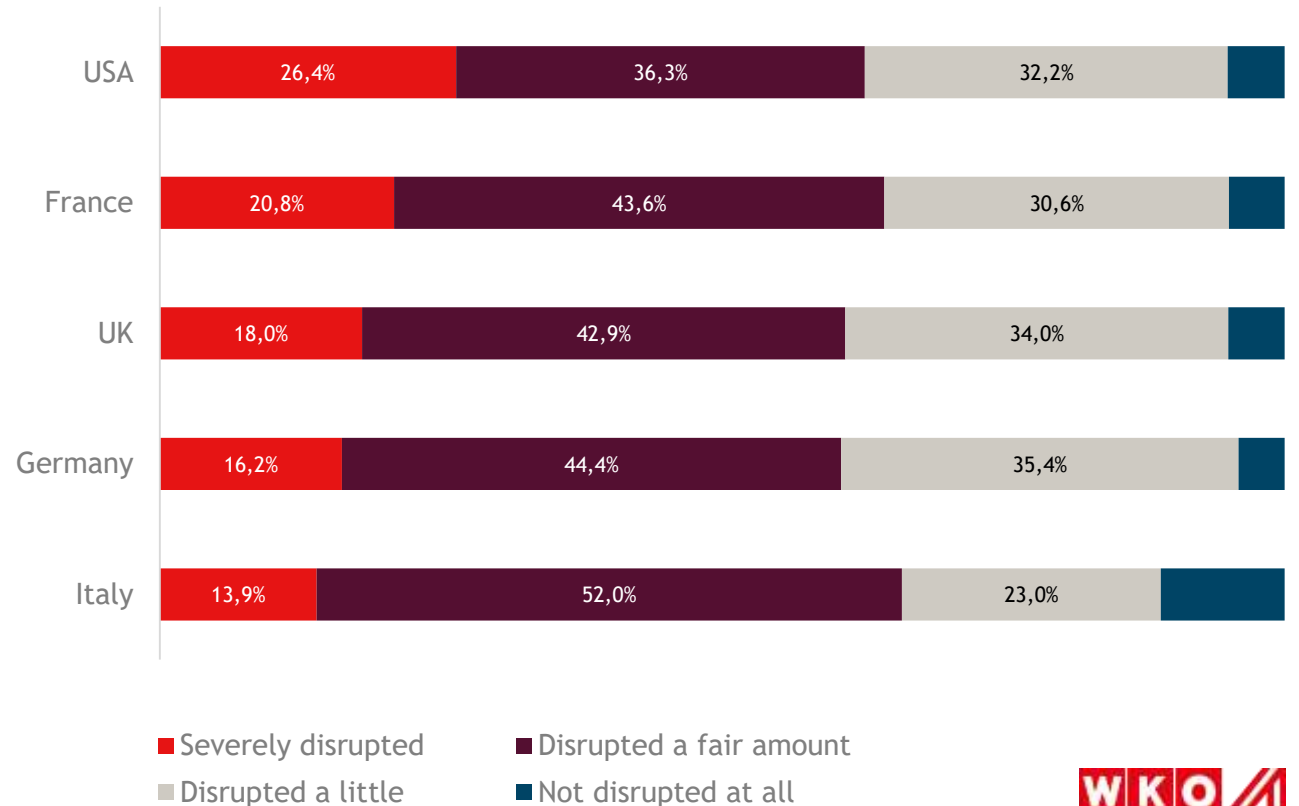
Traditionally exporters especially small and medium ones rely on trade shows/expos for business acquisitions. Pretty much everything has been cancelled for the year, Now they try to accomplish the task through online method, however, it is more difficult. Again, an EU based service provider with the ability to organize such virtual expos will be met with utter enthusiasm.

# SUPPLY-CHAIN DISRUPTIONS AFTER COVID-19

94% of companies surveyed in the US, the UK, France, Germany and Italy reported a Covid-19 induced disruption to their supply chains, with one out of five reporting a “severe disruption”, including highly digitized ones.

US companies stand out as 26% reported a “severe disruption” (vs. 17% on average for other companies); this is in line with the higher share of IT and tech and telecom companies in the U.S., which are highly integrated in global supply chains.

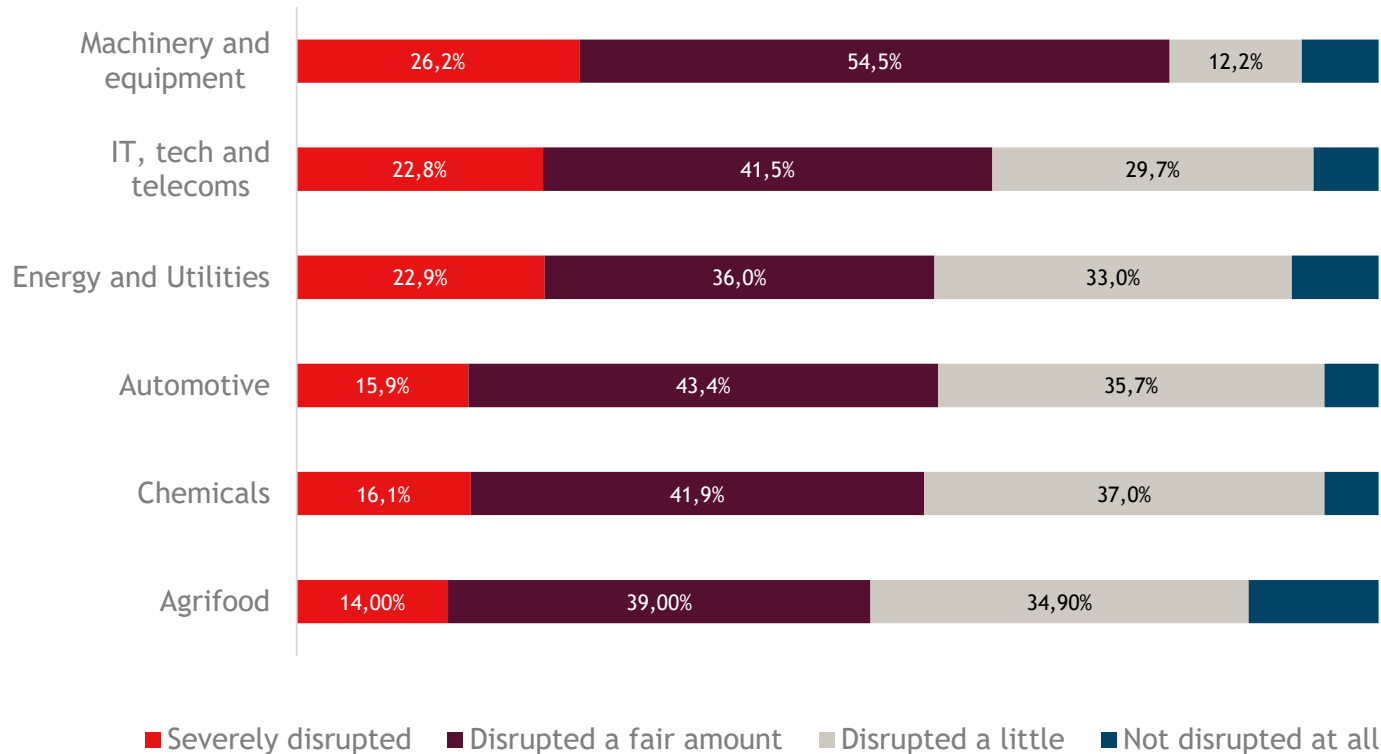
Share of respondents having experienced a supply-chain disruption, by country of main location



Source: Euler Hermes Global Supply Chain Survey

# SUPPLY-CHAIN DISRUPTIONS AFTER COVID-19

Share of respondents having experienced a supply-chain disruption, by sector



When it comes to sectors, 25% of companies in machinery and equipment, IT, tech and telecoms and energy and utilities faced disruption (vs. 16% of companies in the chemicals and automotive sectors). Agrifood’s regional value chains and its relative resilience during the lockdowns (as one of the only sectors not shut down) explain why it was less disrupted.

# RECOVERY INDICATORS

Selected economic indicators (monthly year-on-year development)

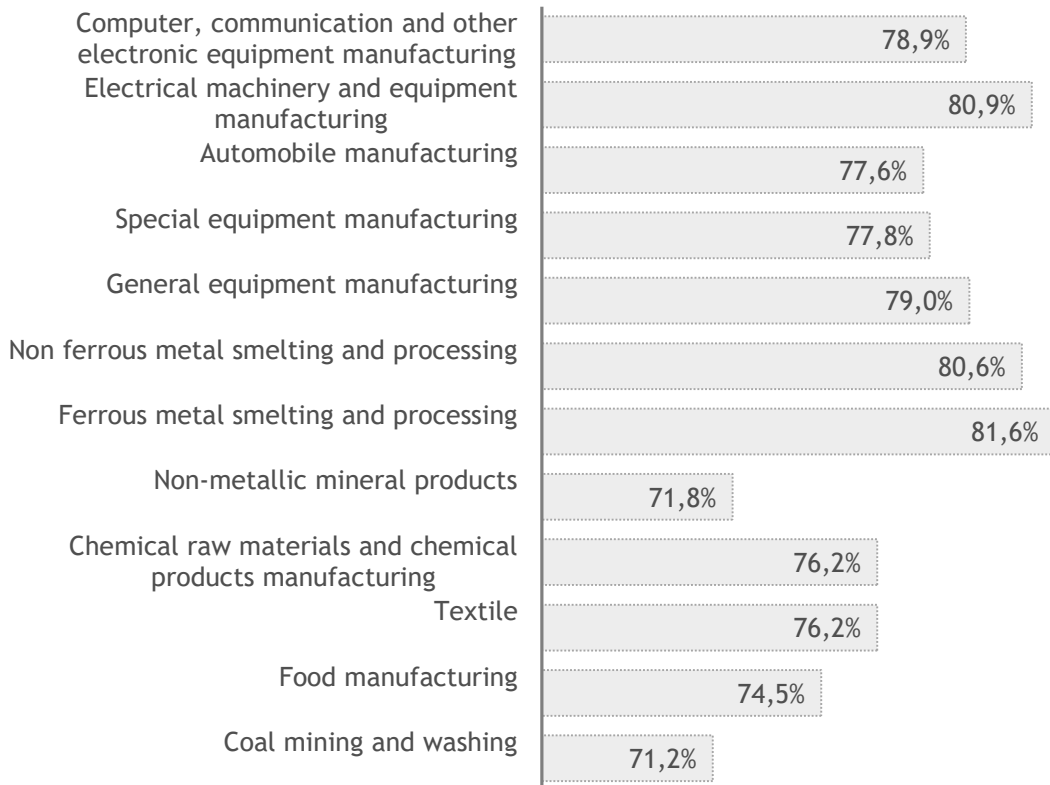


“First in, first out” - After being hit hard by the COVID-19 crisis in Q1 2020, China recovered quickly in almost all areas: by mid-2020, economic indicators such as Industrial Output had turned back to growth

Most official indicators have returned back to pre-crisis growth levels, but recovery has been imbalanced with supply side rebounding much faster than the demand side

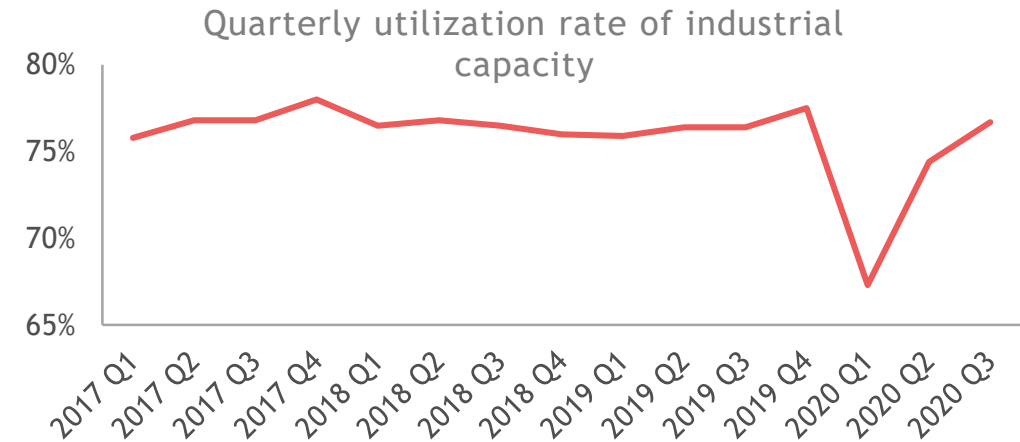
# INDUSTRY UTILIZATION RATE

China - Utilization Rate of National Industrial Capacity (Q3 2020)



China is the 2<sup>nd</sup> largest economy in the world to recover from the COVID-19 pandemic crisis. (i.e. The industrial capacity utilization rate reached 76.7% (Q3 2020) from 76.4% (Q3 2019).

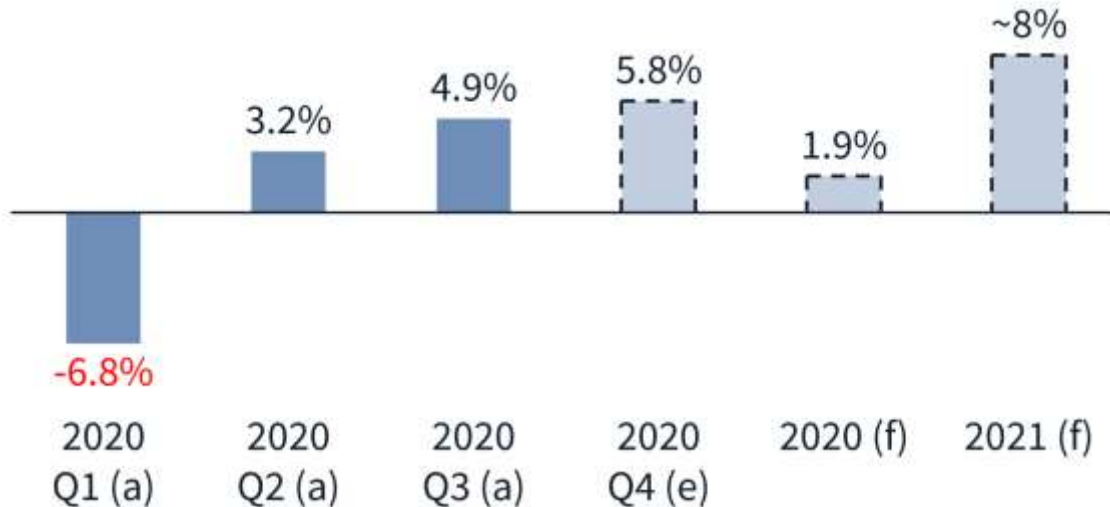
For example: The utilization rate for manufacturing increased from 77.2% compared to 76.9% in Q3 2019. Meanwhile, the utilization rate for the mining sector fell to 73.9% compared to 74.7 % in Q3 2019.



# MACRO-ECONOMY

In Q1 2020 the Chinese economy was hit hard by COVID-19, but with recovery from Q2 on, expected overall GDP growth for 2020 around 2% - Daily life and economy have almost recovered back to normal.

Quarterly GDP growth



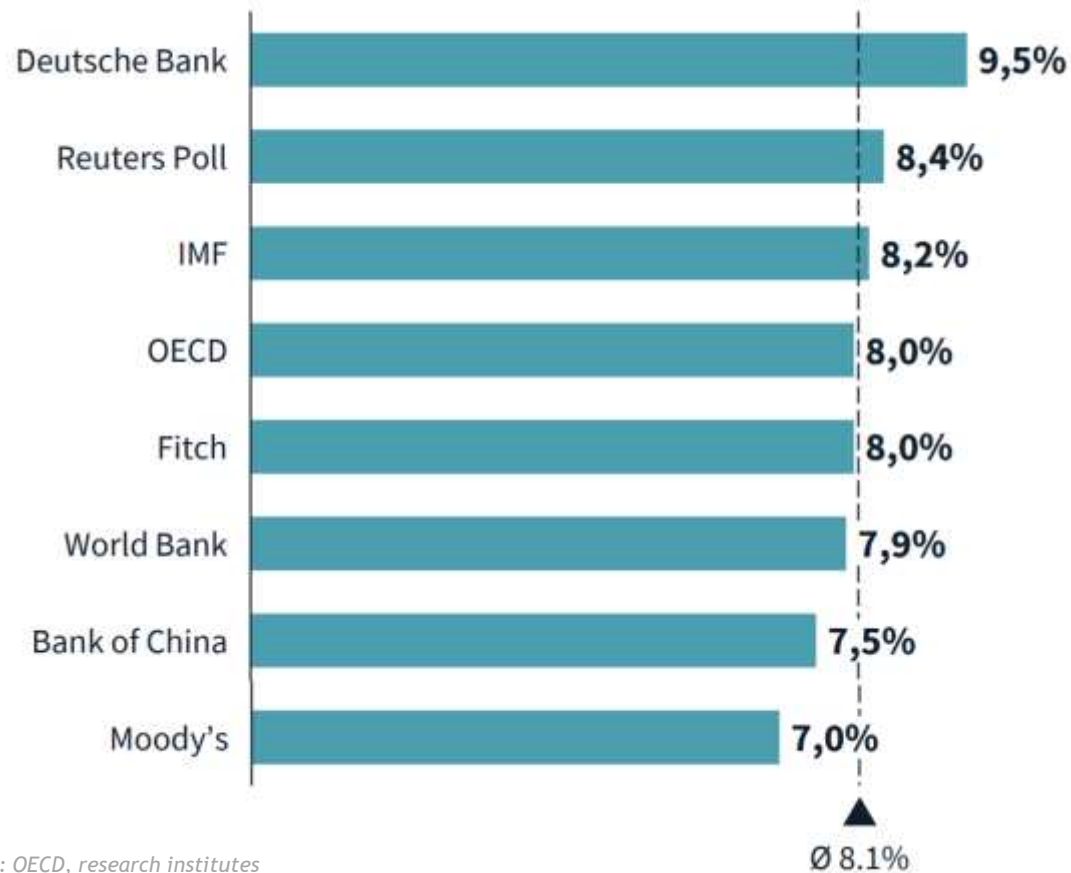
## Key considerations:

- China likely only major global economy to still post a positive overall GDP growth year in 2020 (~2%) - Strong growth of ~8% for 2021 expected
- Major economic indicators like retail sales, industrial output and travel activity have already almost fully recovered
- Western brands, especially in consumer goods, report backto-normal or even growing revenues



# OUTLOOK: ECONOMIC DEVELOPMENT 2021

2021 china GDP growth forecasts (% YOY)



Source: OECD, research institutes

China to drive global recovery: According to the OECD, with a forecasted GDP growth rate of ~8% China is expected to account for >1/3 of world economic growth in 2021

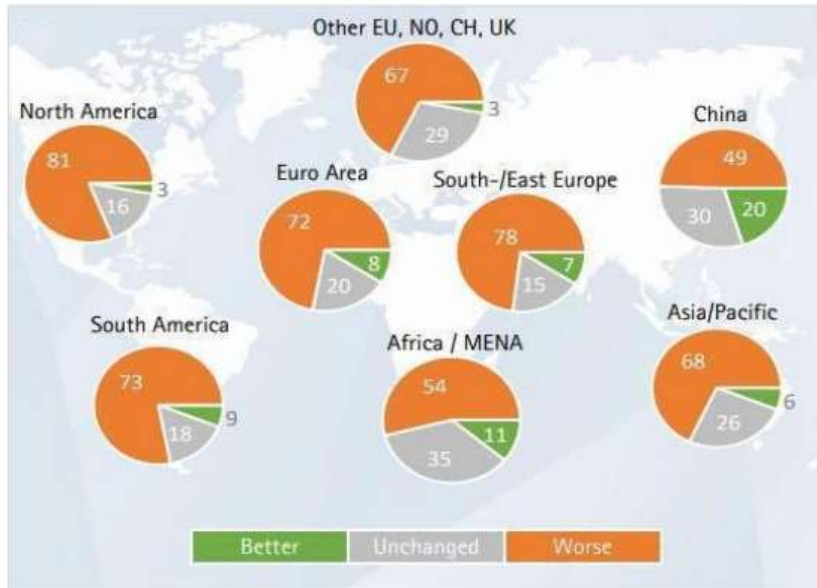
2021 GDP Growth Forecast for Major Economies (OECD)

China	8.0%
India	7.0%
France	6.0%
United Kingdom	4.2%
United States	3.2%
Germany	2.8%
Russia	2.8%
Japan	2.3%
World	4.2%
OECD Countries	3.3%
Euro Area	3.6%

# BUSINESS OUTLOOK - DIHK: CONFIDENCE IN CHINA

## SPRING 2020 EDITION

While in Europe and North America German companies were assuming a dramatically worsened economic development, the sentiment in China was slightly better – 50% of companies operating in the Chinese market had a stable or better economic outlook. [\(Full Report\)](#)



## FALL 2020 EDITION

More than 50% of surveyed companies in China expect a better economic development in the next 12 months and 2/3 calculate with a return to normality in either already 2020 or 2021 – more than in any other global region. [\(Full Report\)](#)



The DIHK World Business Outlook reported a substantial crisis of German businesses abroad in 2020 - However, sentiment in China quickly turned into greater confidence than in any other region

# BUSINESS OUTLOOK - VDMA: BACK TO NORMAL

MAY 2020



**China on the Way to Normality**  
3<sup>rd</sup> VDMA flash survey in China with positive results:

- 30% of companies still want to achieve sales target for 2020
- Significant easing of tension along the supply chain
- Customers stick to investments

NOVEMBER 2020



**China Back to Normal**  
Bi-annual VDMA survey results:

- Expected mid-single-digit revenue increase in 2020
- 1/3 of survey participants rate current business situation as "good"
- Fluid power, drive technology and electrical automation industries are outperformers

- ▶ One in four of the surveyed companies saw the **impact of the corona pandemic** as minor; only 22% still rated the effect as "large", compared to 57% in March
- ▶ 36% of companies reported **disruptions in their supply chains**, down from 66% in April
- ▶ According to the surveyed companies, 31% of their customers were sticking to **original investment plans**, and 13% were even planning new investment projects

- ▶ Weighted by company size, 1/3 of local subsidiaries surveyed assess the current **business situation** as "good", while 51% rate it as "satisfactory"
- ▶ On an industry average, local companies expect a mid-single-digit **increase in sales** for the current year
- ▶ However, there are still major differences depending on the sub-sector: **fluid power, drive technology and electrical automation** are outperformers, while the **machine tool industry** is lacking behind

According to surveys among VDMA member companies, German firms in China showed confidence on the situation in China early on and were on average already experiencing a return to normal by end of 2020

# RECOVERY INDICATORS

Purchasing manager index (PMI)



“First in, first out” - After being hit hard by the COVID-19 crisis in Q1 2020, China recovered quickly in almost all areas: the confidence of Purchasing Managers rebounded quickly and reached new heights in late 2020

Values >50 indicate a positive outlook, <50 a negative outlook

# SUPPLY-CHAIN ACTIONS AS RESPONSE TO COVID-19

## Create transparency on multitier supply chain

- Determine critical components and determine origin of supply
- Assess interruption risk and identify likely tier-2 and onward risk
- Look to alternative sources if suppliers are in severely affected regions

## Optimize production and distribution capacity

- Assess impact on operations and available resource capacity (mainly workforce)
- Ensure employee safety and clearly communicate with employees
- Conduct scenario planning and assess impact on operations, based on available capacity
- Optimize limited production, according to human-health impact, margin, and opportunity cost/penalty

## Assess realistic final-customer demand

- Work with sales and operations planning to get demand signal to determine required supply
- Leverage direct-to-consumer channels of communication
- Use market insights/external databases to estimate for customer's customers

Businesses must respond on multiple fronts at once: at the same time that they work to protect their workers' safety, they must also safeguard their operational viability, now increasingly under strain from a historic supply-chain shock.



## Estimate available inventory

- Estimate inventory along the value chain, including spare parts/remanufactured stock
- Use after-sales stock as bridge to keep production running

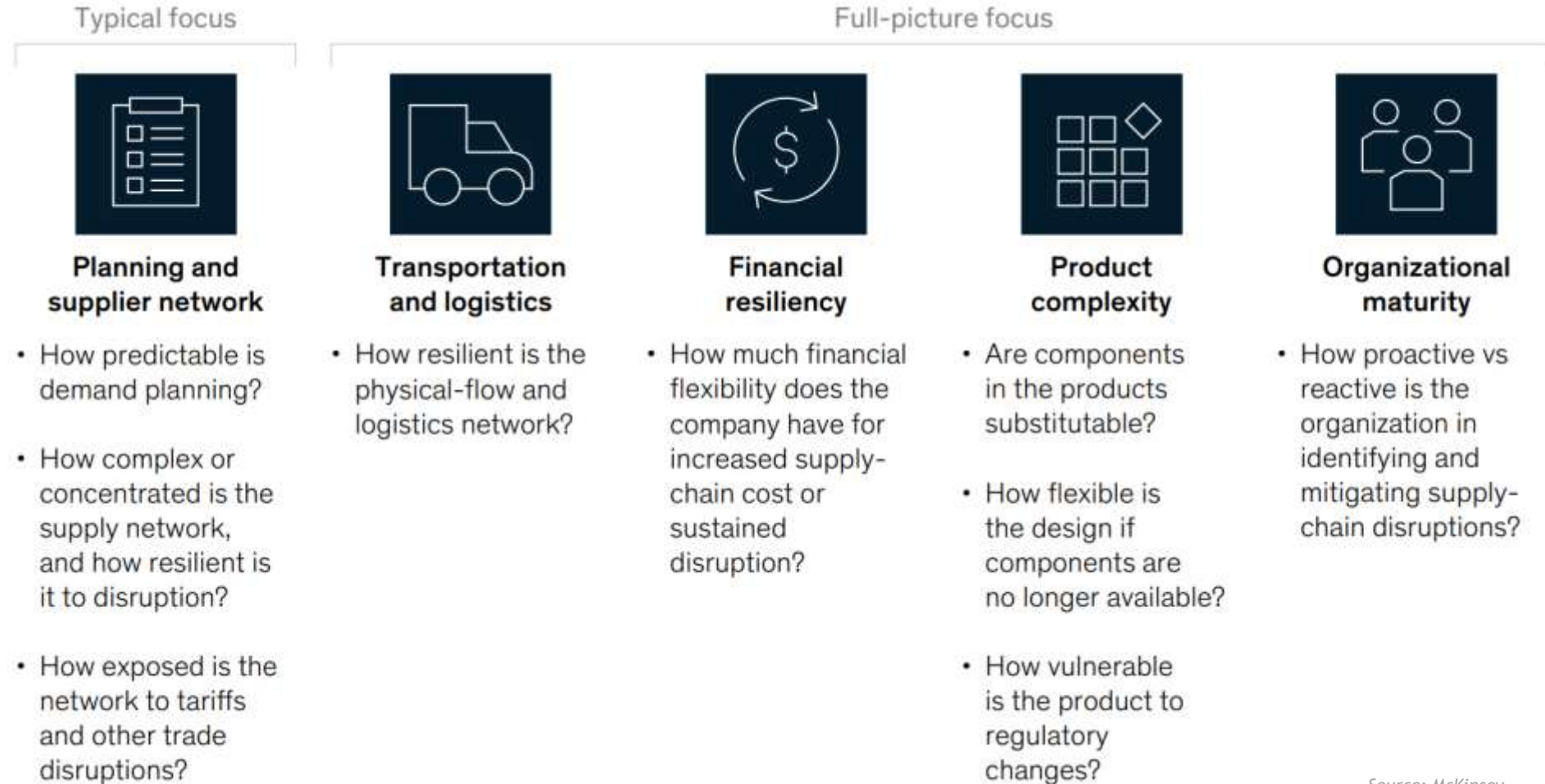
## Identify and secure logistics capacity

- Estimate available logistics capacity
- Accelerate customs clearance
- Change mode of transport and prebook air/rail capacity, given current exposure
- Collaborate with all parties to leverage freight capacity jointly

## Manage cash and net working capital

- Run supply-chain stress tests vs major suppliers' balance sheets to understand when supply issues will start to stress financial or liquidity issues

# DRIVERS OF POTENTIAL VULNERABILITY

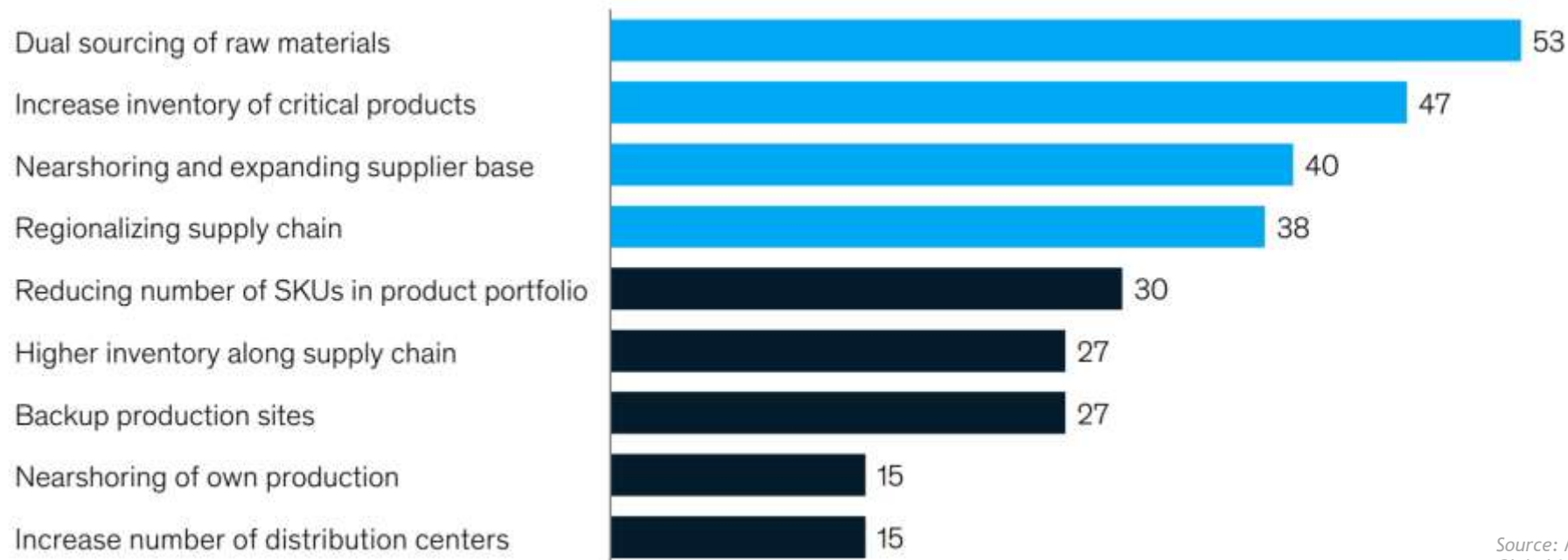


# INCREASING RESILIENCE IN SUPPLY CHAINS AND PRODUCTION THROUGH MULTIPLE STRATEGIES

**93%** of global supply chain leaders are planning to increase resilience

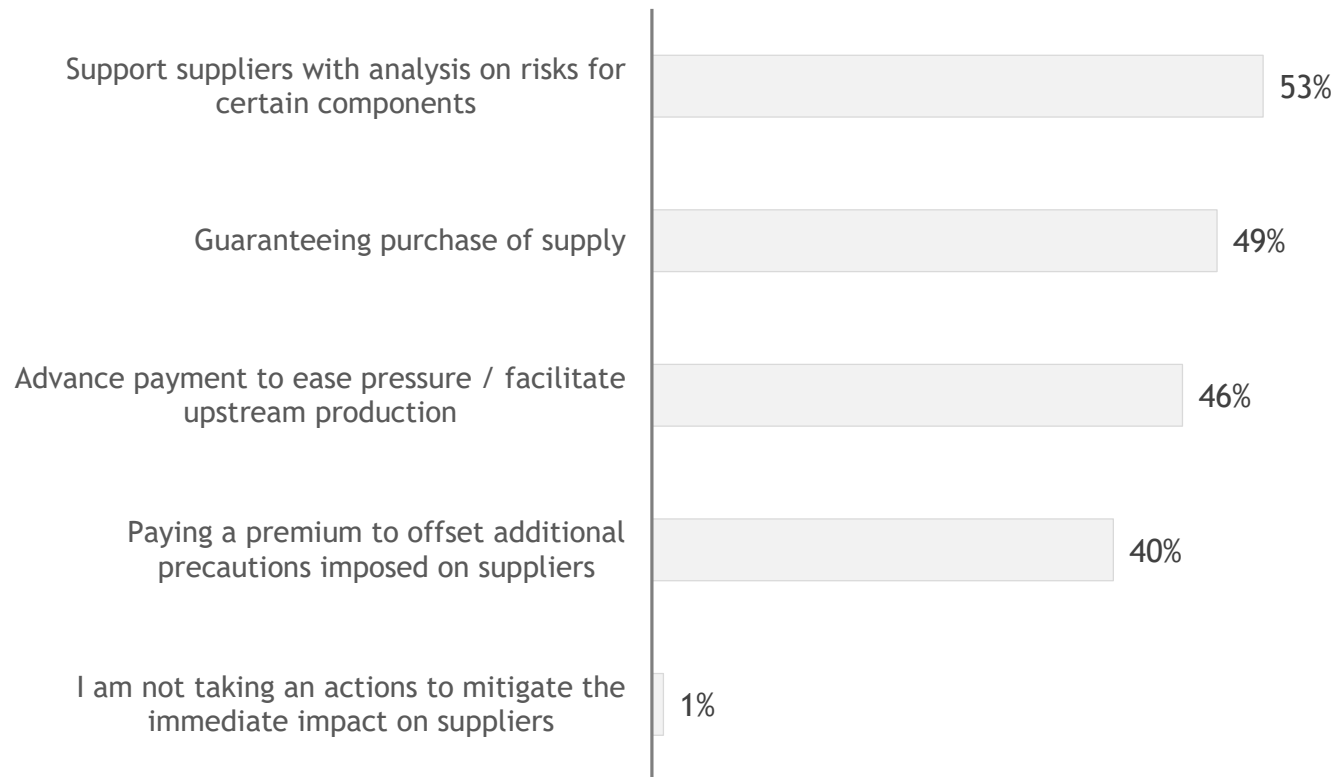
**44%** would increase resilience even at expense of short-term savings

Planned actions to build resilience, % of respondents



SECTION...

# ACTIONS TO MITIGATE SHORT-TERM IMPACT ON YOUR SUPPLIERS



## Repurposing of manufacturing

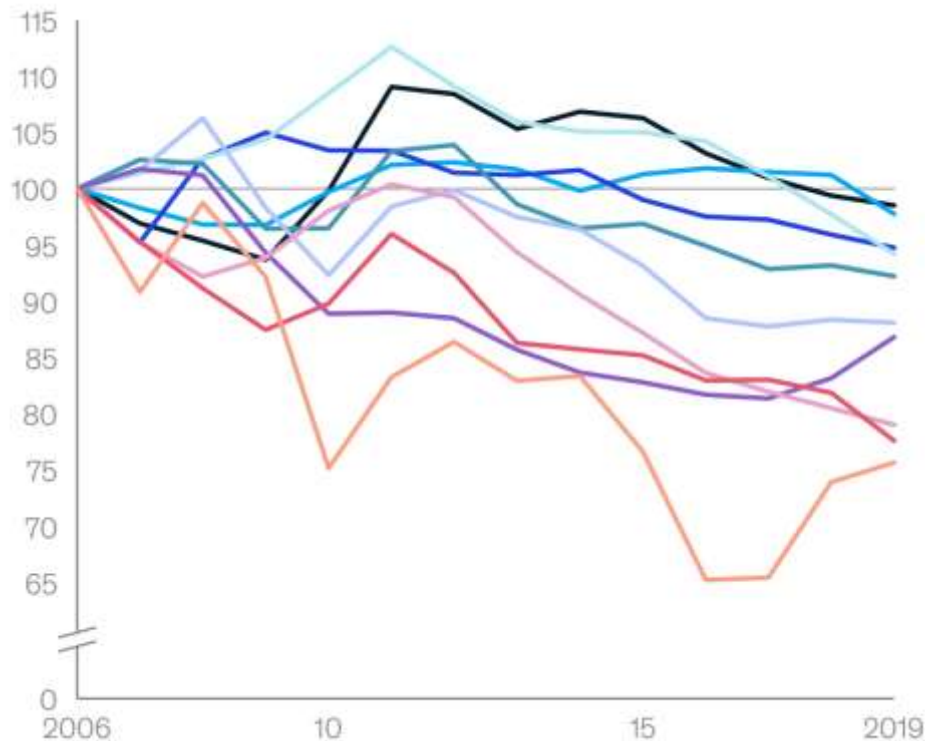
- Companies are repurposing their production lines to join the fight against COVID-19
- Examples include LVMH switching from producing perfume to making hand sanitizer, industrial companies Foxconn or ZF Friedrichshafen making face masks, and luxury hotels becoming quarantine centres
- Companies must overcome different levels of complexity involved as they make these shifts



SECTION...

# A TREND TOWARD HOLDING MORE INVENTORY IS ALREADY UNDER WAY

Inventory turnover  
Index: 100 = 2005



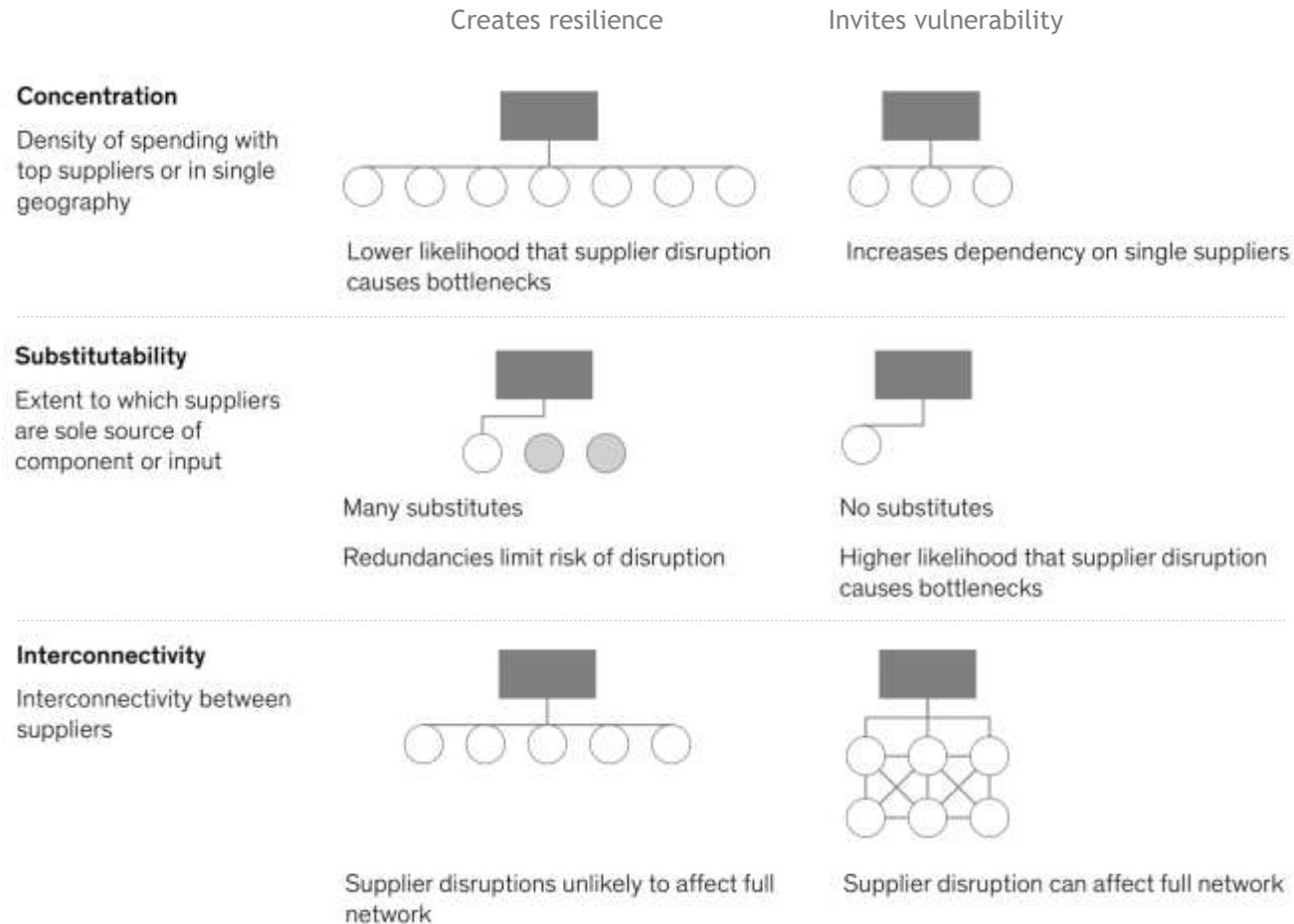
## Sector and number of companies

— Automobiles and components	88
— Household and personal products	39
— Food, beverage, and tobacco	151
— Technology hardware and equipment	131
— Pharmaceuticals, biotechnology, and life sciences	151
— Materials	287
— Capital goods	292
— Consumer durables and apparel	87
— Semiconductors and semiconductor equipment	57
— Energy	136

Source: McKinsey Global Institute

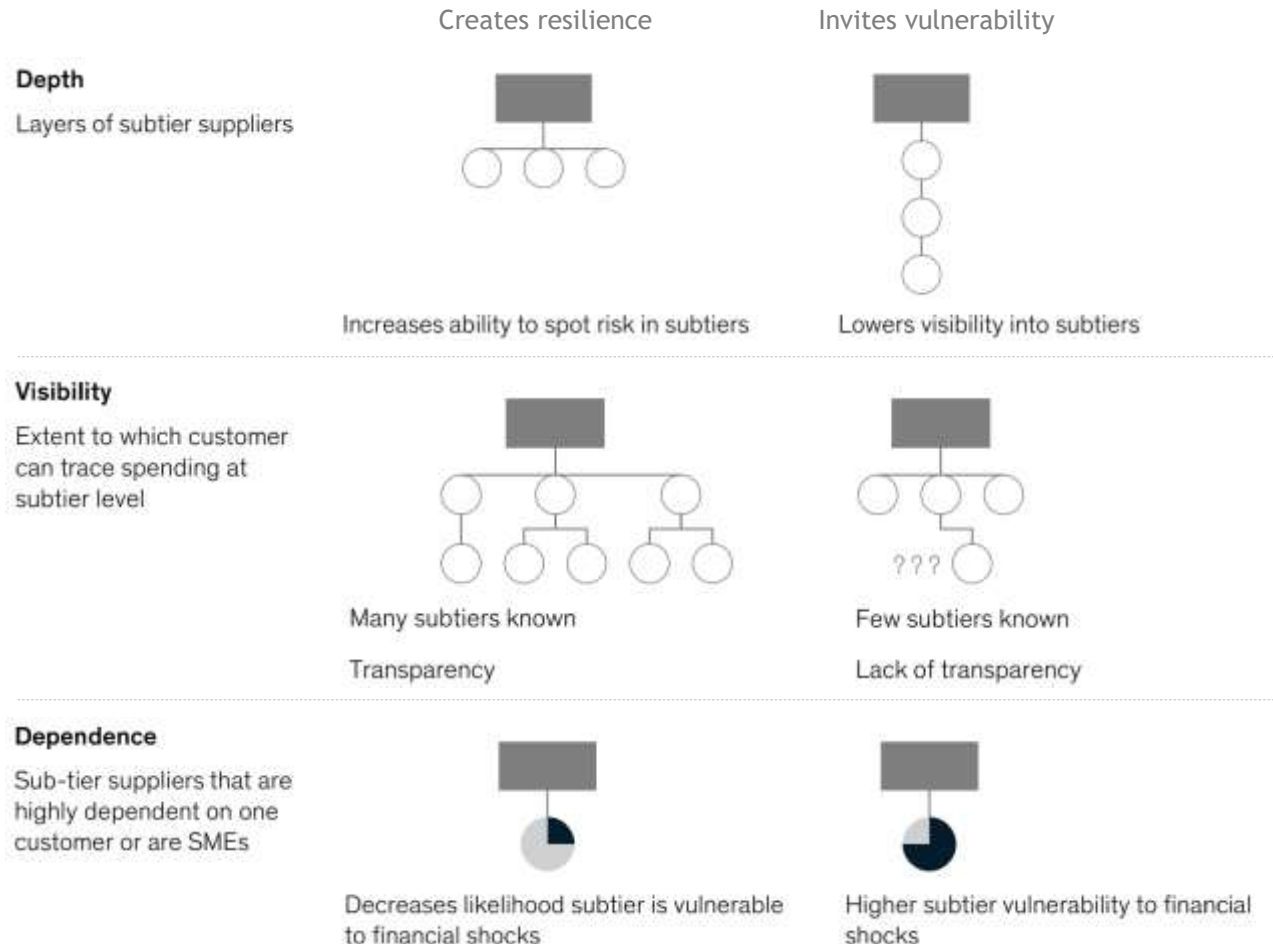
SECTION...

# THE STRUCTURE OF SUPPLY CHAIN NETWORKS CAN CREATE OR REDUCE VULNERABILITY



SECTION...

# THE STRUCTURE OF SUPPLY CHAIN NETWORKS CAN CREATE OR REDUCE VULNERABILITY (continued)



Source: McKinsey Global Institute

# Bsp: Lieferantenqualifikation Zweit und Drittlieferant

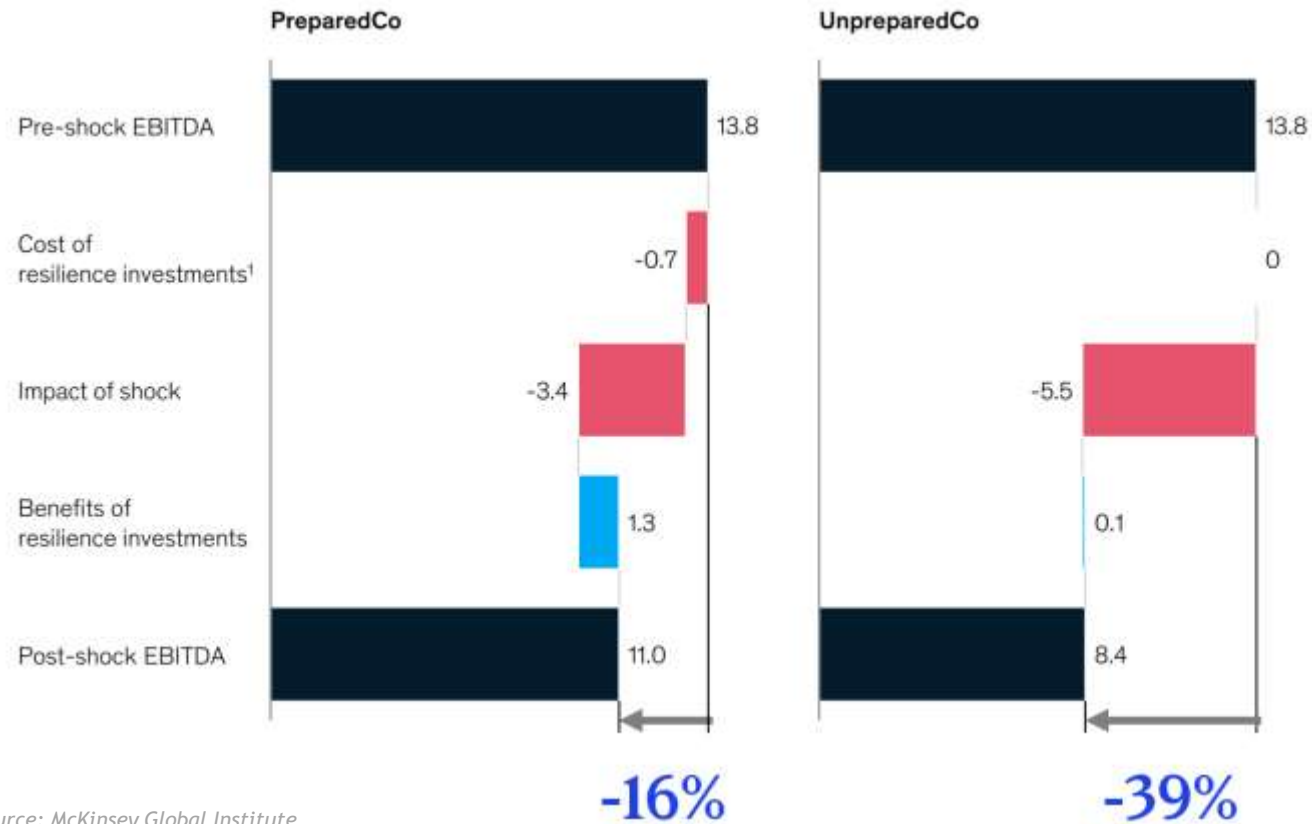
Bemusterungsprozesskosten sind gut investiert

# Bsp: Spend Analyse - Kategorie Risikobewertung - Alternativmärkte - Nearshoring

Prozesserklärung

# IMPACT OF A 50-DAY SUPPLY SHOCK WITH A DEMAND HIT

Analysis assumes differences in footprint, inventory patterns, and insurance  
Index: Normalized to revenue = 100



A company with a resilient supply chain can reduce the EBITDA impact of a disruption by 23 percentage points

# OUTLOOK: IMPORTANT DATES TO KEEP IN MIND



Key events to watch in 2021 will be the release of China's 14th Five-Year Plan in Spring, the 100<sup>th</sup> Anniversary of the Chinese Communist Party in July, as well as several political happenings in autumn





# PROGRAMM



## BESCHAFFUNGSMARKT CHINA: TRENDS UND HERAUSFORDERUNGEN

Christina Schösser, Wirtschaftsdelegierte Außenwirtschaftscenter Shanghai

1



## RISIKEN UND ABHÄNGIGKEITEN BEIM SOURCING AUS CHINA UND ASIEN BEWERTEN UND MINDERN

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Eric Savoye, Programmanager Industry/Machinery/Materials, Aussenwirtschaft Austria

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## VIETNAM EINE ALTERNATIVE ZU CHINA?

Dietmar Schwank, Wirtschaftsdelegierter Außenwirtschaftscenter HoChiMinh City

3



## UPDATE TRANSPORT & LOGISTIK

Michael Hoffmann, Director Sea Logistics Austria, Kühne + Nagel Ges.m.b.H.

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AUSTRIA IST ÜBERALL.

## VIETNAM - EINE ALTERNATIVE ZU CHINA?

Sourcing-Trends und Chancen am größten Beschaffungsmarkt Südostasiens

**China-Tag**  
**28. Jänner 2020**

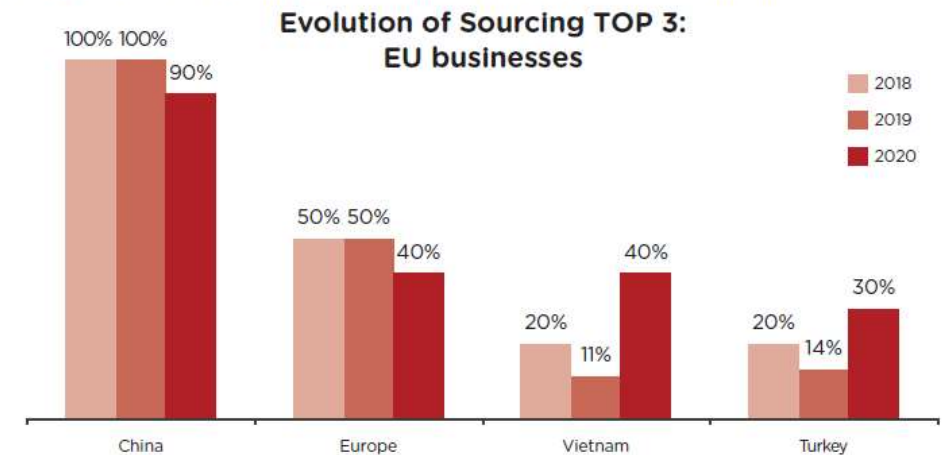
MMag. Dietmar Schwank,  
Wirtschaftsdelegierter in Ho Chi Minh City

# Vietnam als (alternativer) Beschaffungsmarkt

- ...zur Diversifizierung innerhalb Asiens (außerhalb Chinas)
  - Streigende Bedeutung von dual/multiple sourcing (China+1) und „local for local“ Sourcing (Hub-Funktion)
  - Rezente Investoren-Beispiele
- ...zur Nutzung von Kostenvorteilen und Arbeitsressourcen
  - Produktionskosten
  - Handelsabkommen
- ...bei Fokus auf mittlere Qualität und kleine/mittlere Mengen
  - Qualitätsorientierung
  - In einigen Bereichen Mangel an Kapazitäten und Supply Chain
- ...bei gewissen Produkten
  - Textilien, Schuhe, Elektronik, Möbel, Haushaltswaren,...
  - Zunehmend auch Lebensmittel, Metall- und Kunststoffwaren,...

 "Please name the top three countries/regions where you currently source your products."

Fig. 3. TOP 3 sourcing geographies (+ home region) for EU-based companies

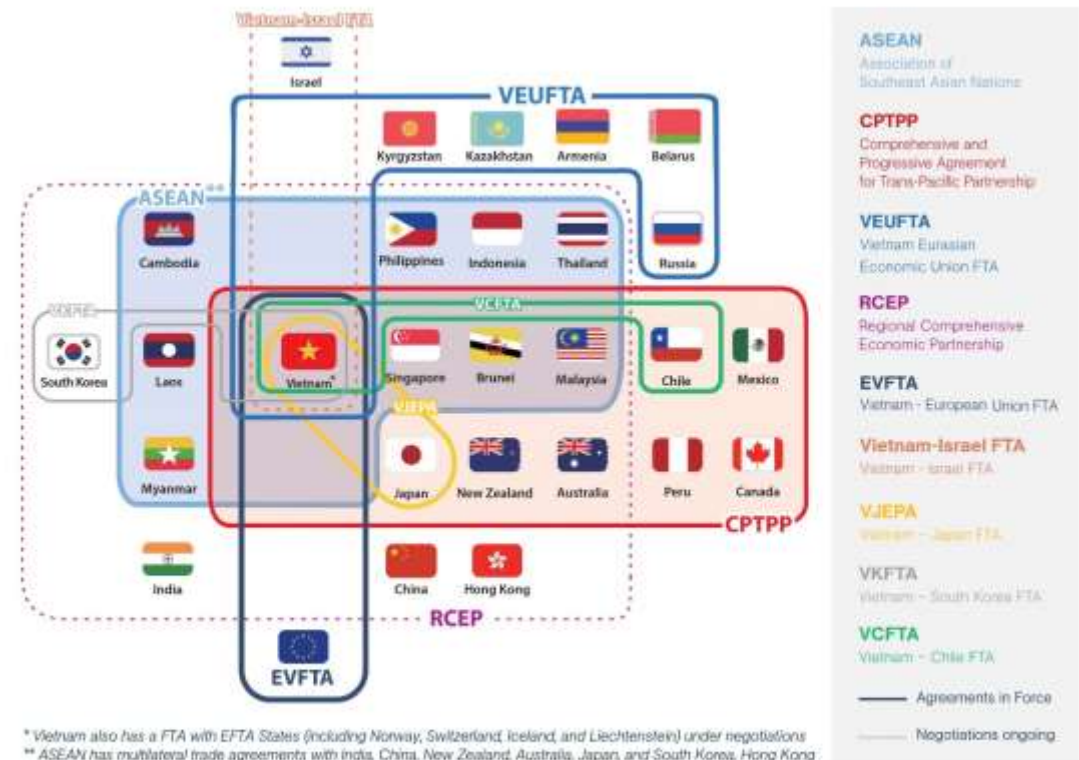


Quelle: QIMA Umfrage, Juli 2020

# Vietnams omnidirektionale Handelspolitik

- EVFTA (in Kraft seit 1.8.2020)
  - Ambitioniertes, vielschichtiges Abkommen
  - Zollabbau auf 99 % der Produktlinien (2021: 2. Zollsenkung)
  - Kumulierung
- RCEP (unterzeichnet am 15.11.2020)
  - Zollabbau für Agrar- und viele hergestellte Güter
  - Abbau von bürokratischen Handelshemmnissen (z.B. beschleunigte Zollverfahren, einheitliche Ursprungsregeln)
  - Konsequenzen aus Sourcing-Sicht
    - Weiterverarbeitung außerhalb von EPZ teilweise möglich
    - Zugang zu Absatzmärkten in der Region
    - Partizipation an globalen Lieferketten durch FDI
    - Verwässerung von „Made in China“ durch Auslagerung von Produktionsschritten
    - Kombinierte Nutzung von FTA

Vietnam's Free Trade Agreements



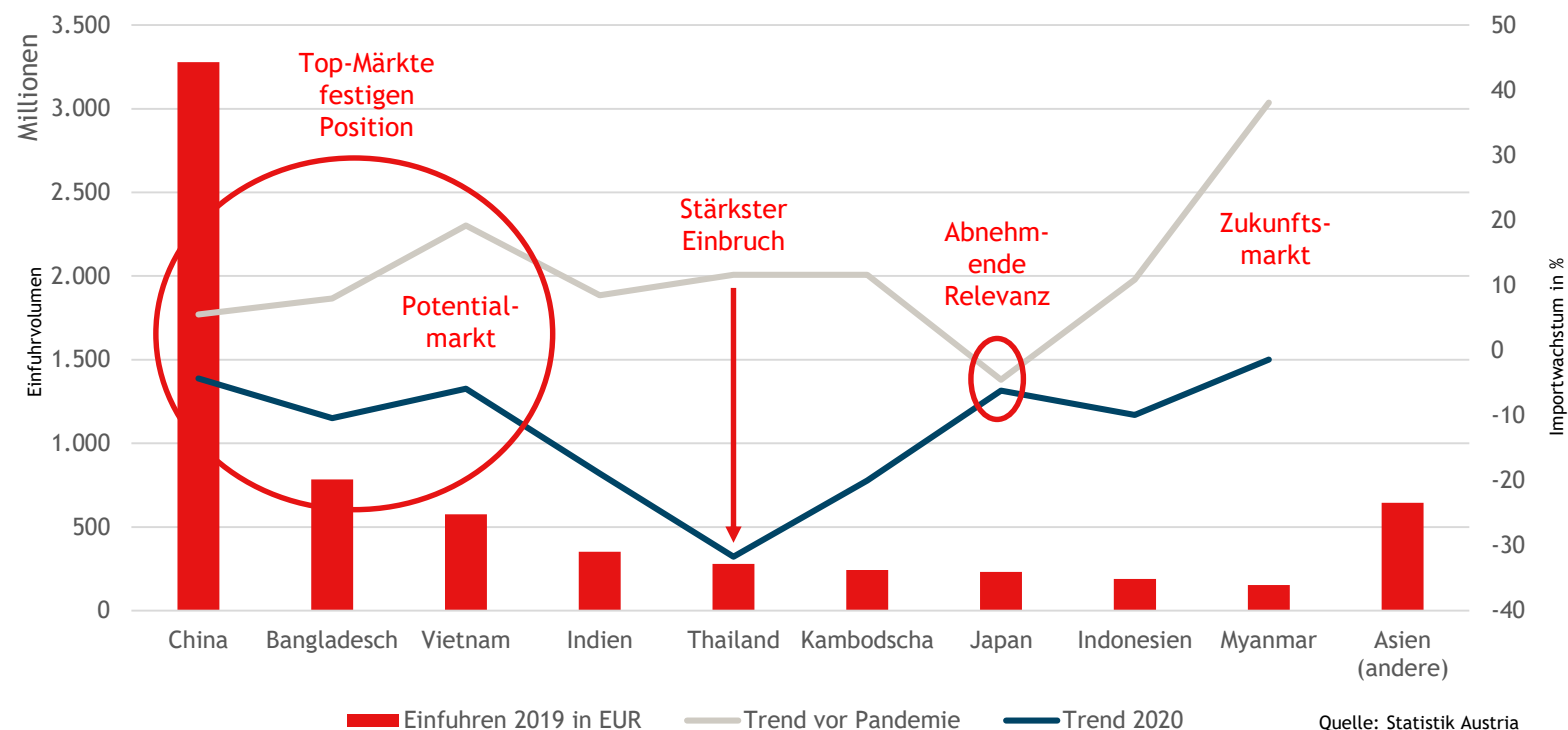
Source: WTO Center, VCCI

Graphic © Asia Briefing Ltd.

# Beschaffungstrends Vietnam: Sonstige Fertigwaren

- Vietnam bereits #3 Beschaffungsmarkt in Asien
- Dominanz Chinas schrumpft in Low-Cost Sektoren
- Ausgewogene Produktpalette
- Bekleidung, Schuhe werden traditionell aus Vietnam beschafft
- Boom: Holz- und Möbelsektor / Konsumgüter

Sonstige Fertigwaren - Importe 2019 aus Asien nach AT  
Gesamt: 6,7 Mrd. Euro (28 % Weltanteil)

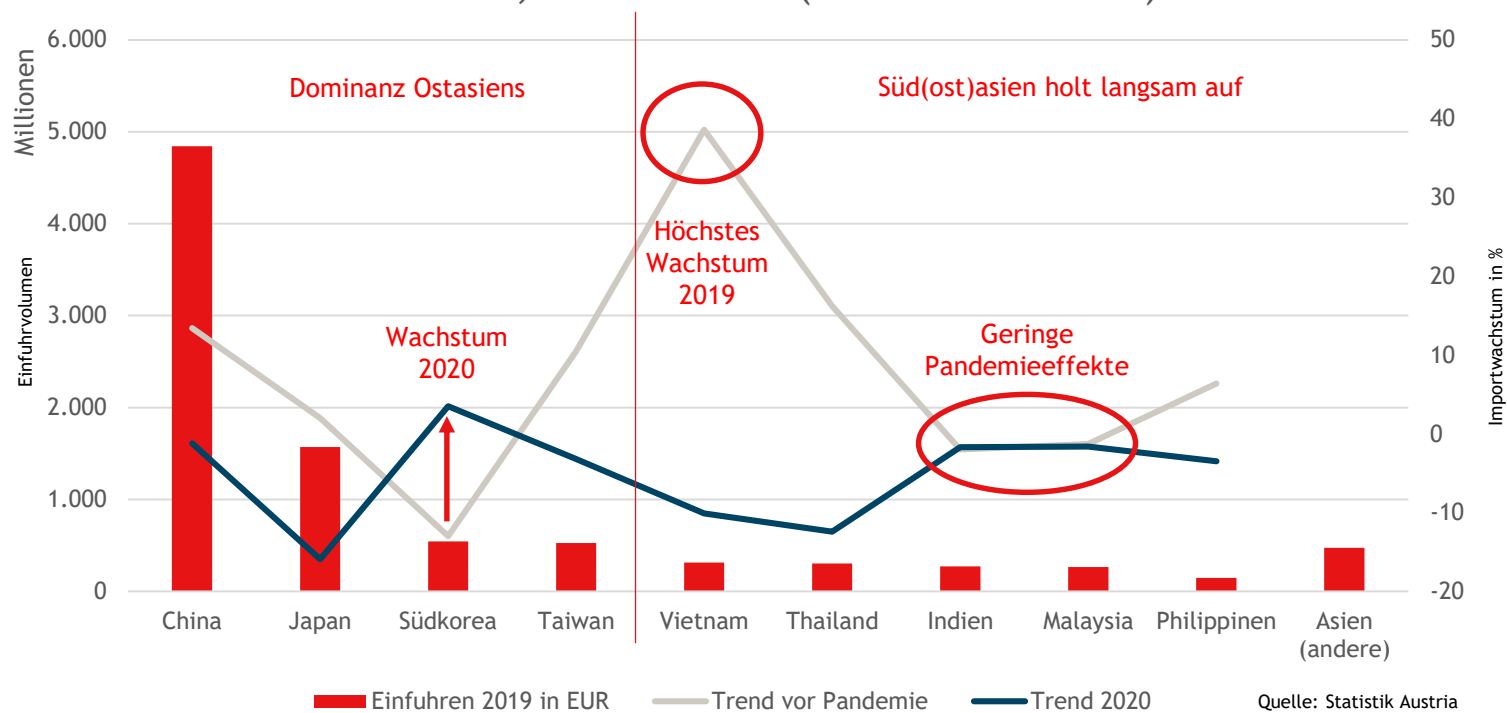


Betrifft: Bekleidung, Schuhe, Möbel, Home Accessories, Kunststoffwaren, Instrumente, Schmuck, etc.

# Beschaffungstrends Vietnam: Maschinenbauerzeugnisse

- Hohe Abhängigkeit Vietnams von FDI und China Supply Chain
- Fokus auf Assemblierung und Vertragsfertigung (dank steigender Fertigungskapazitäten)
- Vietnam sehr stark positioniert im (low-cost) Elektroniksektor
- Maschinenbau: Technologieupgrades nötig

Maschinenbauwaren - Importe 2019 aus Asien nach AT  
Gesamt: 9,3 Mrd. Euro (16 % Weltanteil)

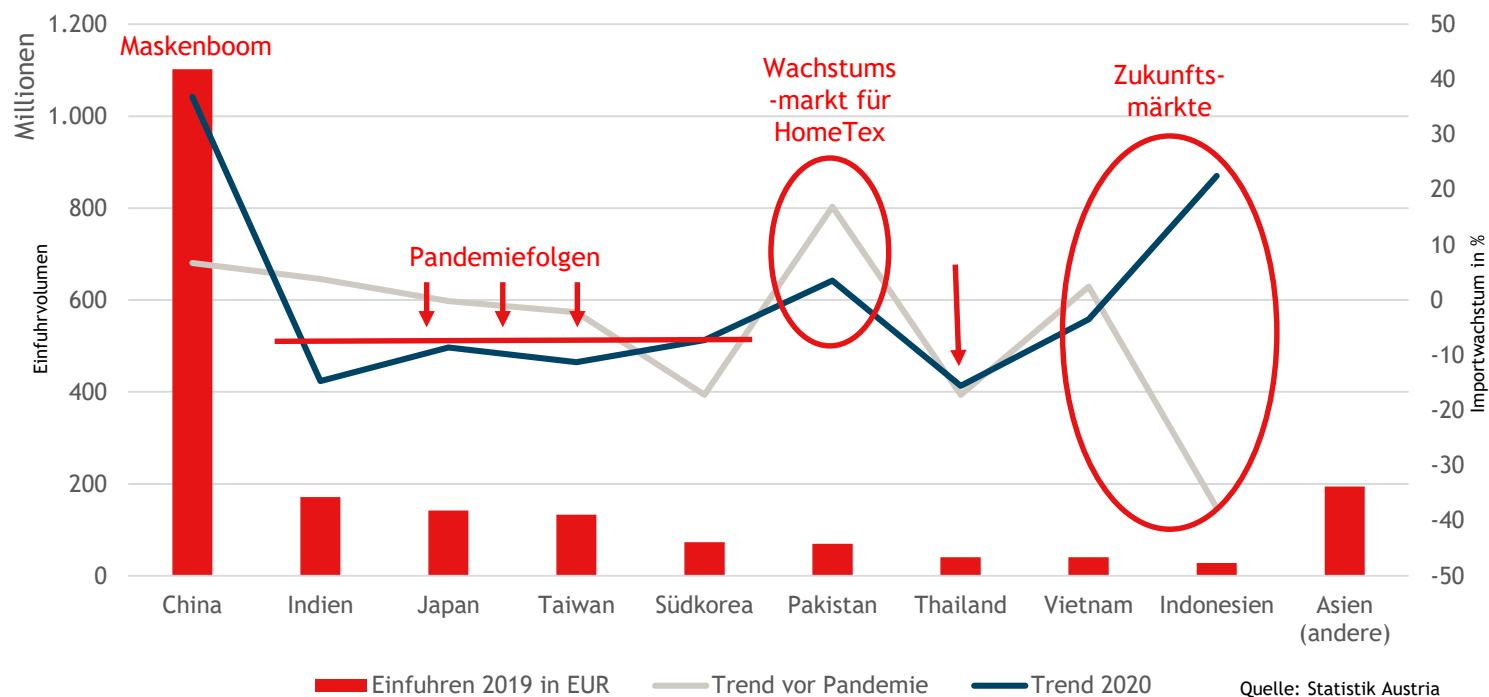


Betrifft: Maschinen aller Art, Elektronik, Elektrische Geräte, Fahrzeuge

# Beschaffungstrends Vietnam: Bearbeitete Waren

- Dominanz Ost- und Südasiens ggü. ASEAN
- China festigt Position auf Kosten anderer Länder Asiens
- Vietnam als Zukunftsmarkt für Beschaffung von Metallwaren, Textilien
- RCEP könnte Position Asiens als Quellmarkt stärken

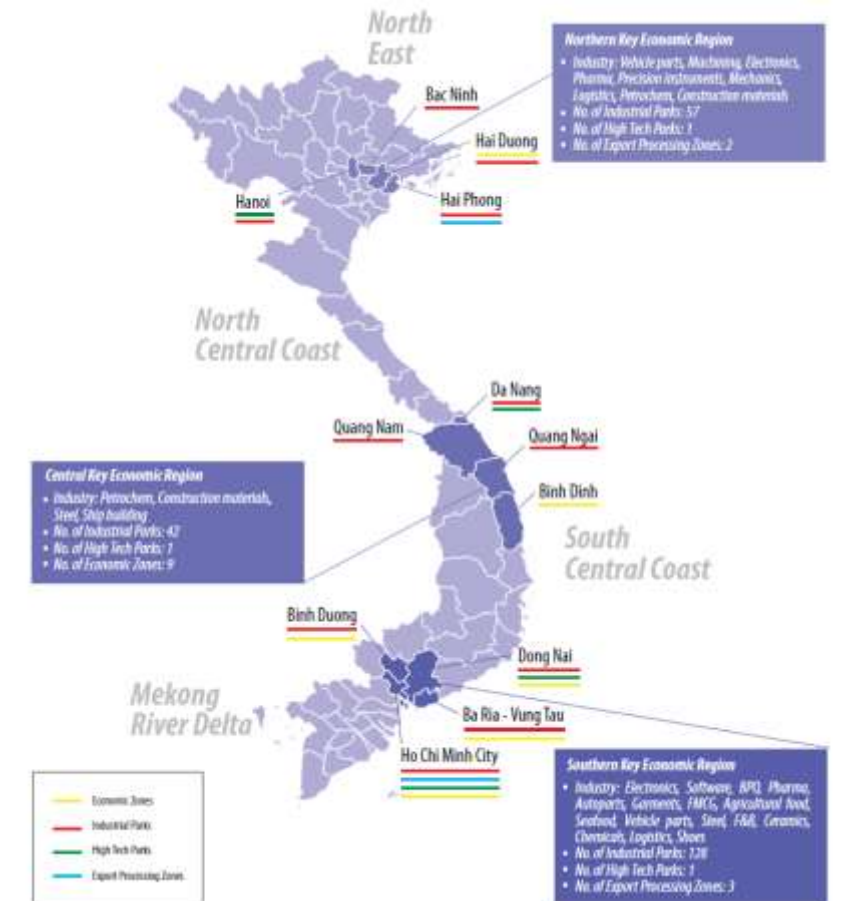
Bearbeitete Waren - Importe 2019 aus Asien nach AT  
Gesamt: 2,0 Mrd. Euro (8 % Weltanteil)



Betrifft: Metalle, Metallwaren, Textilien ohne Bekleidung, Papier, Kautschukwaren

# Kulturbesonderheiten Vietnams in der Beschaffung

- Vietnamesen suchen häufiger eine Win-Win-Situation in der Geschäftsbeziehung
- Persönliche Beziehungen (Einführung) noch wichtiger als anderswo in Asien
- Höheres Qualitätsbewusstsein (vs. Fokus auf Quantität)
- Dennoch: Achtung auf Lieferqualität (Hands-off Approach funktioniert nicht, Position auf Lernkurve)
- Vorwiegend konservative Preiskalkulation der Lieferanten
- Prüfung der Exporterfahrung wichtig
- Erhebliche Kulturunterschiede zwischen Nord und Süd



Quelle: DSA, Vietnam Briefing





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# CHINA TAG 2021