

# AmCham China Flash Survey on COVID-19 Business Impact

*May 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 joint Flash Survey released on April 1 together with AmCham Shanghai (April survey).
- The survey was conducted from Friday April 29 to Thursday May 5.
- The survey measured the impact on supply chains, investments, profits, and talent retention. We have also added questions regarding the Chinese government's recent efforts to stabilize supply chains, unify and ease transportation requirements, and partially reopen the manufacturing sector following the intensification of lockdowns in March, to better understand the effectiveness and challenges of these policies.
- Some 121 companies with operations throughout China responded to the survey.

# Survey Methodology

- Survey respondents were segmented into four main categories

<b>Consumer</b> <i>(n=32)</i>	<b>Resources &amp; Industrial</b> <i>(n=28)</i>	<b>Services</b> <i>(n=22)</i>	<b>Technology and Other R&amp;D-intensive Industries</b> <i>(n=33)</i>	<b>Other</b> <i>(n=6)</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>

- Chart totals are rounded to the nearest percent

# Survey Highlights

- **Overall impact:** The foreign business community's confidence in doing business in China continues to decrease, with 100% of respondents reporting an impact from China's policies concerning the recent outbreak, citing a range of factors.
- **Investment:** Over half of respondents (52%) have already either delayed or decreased investments as a result of the recent COVID-19 outbreak.
- **Production:** Among those with Shanghai operations, 15% of respondents report their company's Shanghai operations have yet to reopen in the wake of the March COVID-19 outbreak. Across all the regions, 59% of respondents report slowed or reduced production capabilities due to a lack of employees, inability to get supplies, or government-ordered lockdowns.
- **Revenues:** Following the recent COVID-19 outbreak, 58% of respondents have decreased 2022 revenue projections, up slightly from 54% in the April flash survey results.
- **Foreign staff:** Half of respondents (49%) say that foreign talent is either significantly less likely or refusing to relocate to China as a result of the "Dynamic zero-COVID" policies, including recent lockdowns in Shanghai and other cities. Uncertainty around length of quarantine/lockdown was the primary reason reported behind this trend, as selected by 82% of respondents.
- **China's COVID-19 management:** 46% of respondents are satisfied with China's efforts at effective contact tracing. However, 82% of respondents are dissatisfied with the length of quarantines, and 77% are dissatisfied with restrictions on travel to China, which is consistent with the April flash survey results.

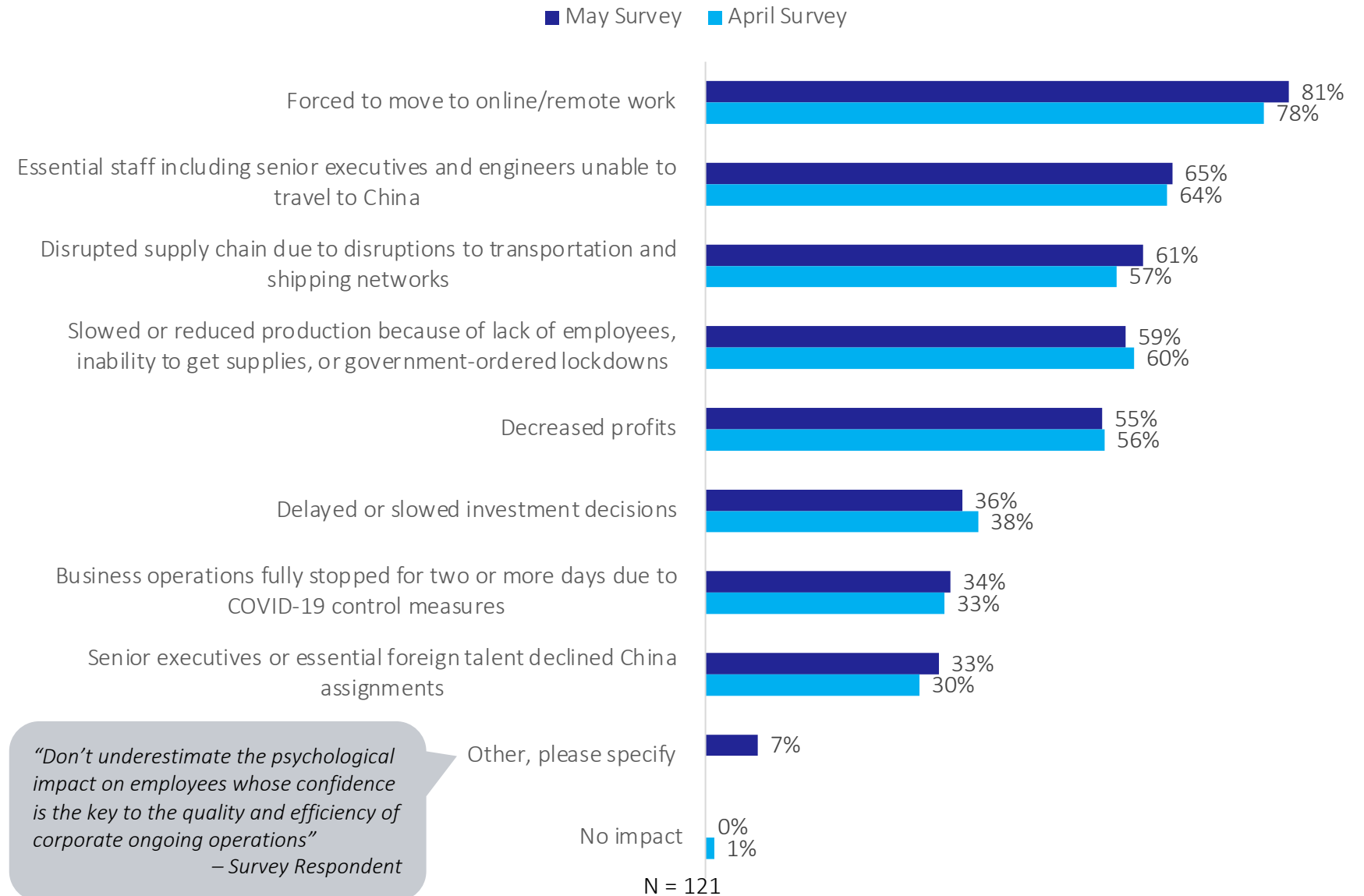
# Survey Highlights

- **Supply chains:**
  - ✓ 61% of respondents report that the recent COVID-19 outbreak is challenging supply chains primarily due to disruptions to transportation and shipping networks.
  - ✓ 12% of respondents say that the recently released policy measures designed to stabilize supply chains and unify and ease transportation requirements have had a positive impact on their ability to operate, while another 56% report ongoing negative business impacts from supply chain disruptions.
  - ✓ Among the 68% of respondents who have recently been able to partially restart operations, ongoing supply chain disruptions remain the top challenge to their operations (as reported by half of the 68% of respondents).

HR-related challenges remain as top concerns, with 81% reporting employees now forced to work online or remotely

Supply chain disruptions continue to impact business operations, up slightly (+4%) from the April survey

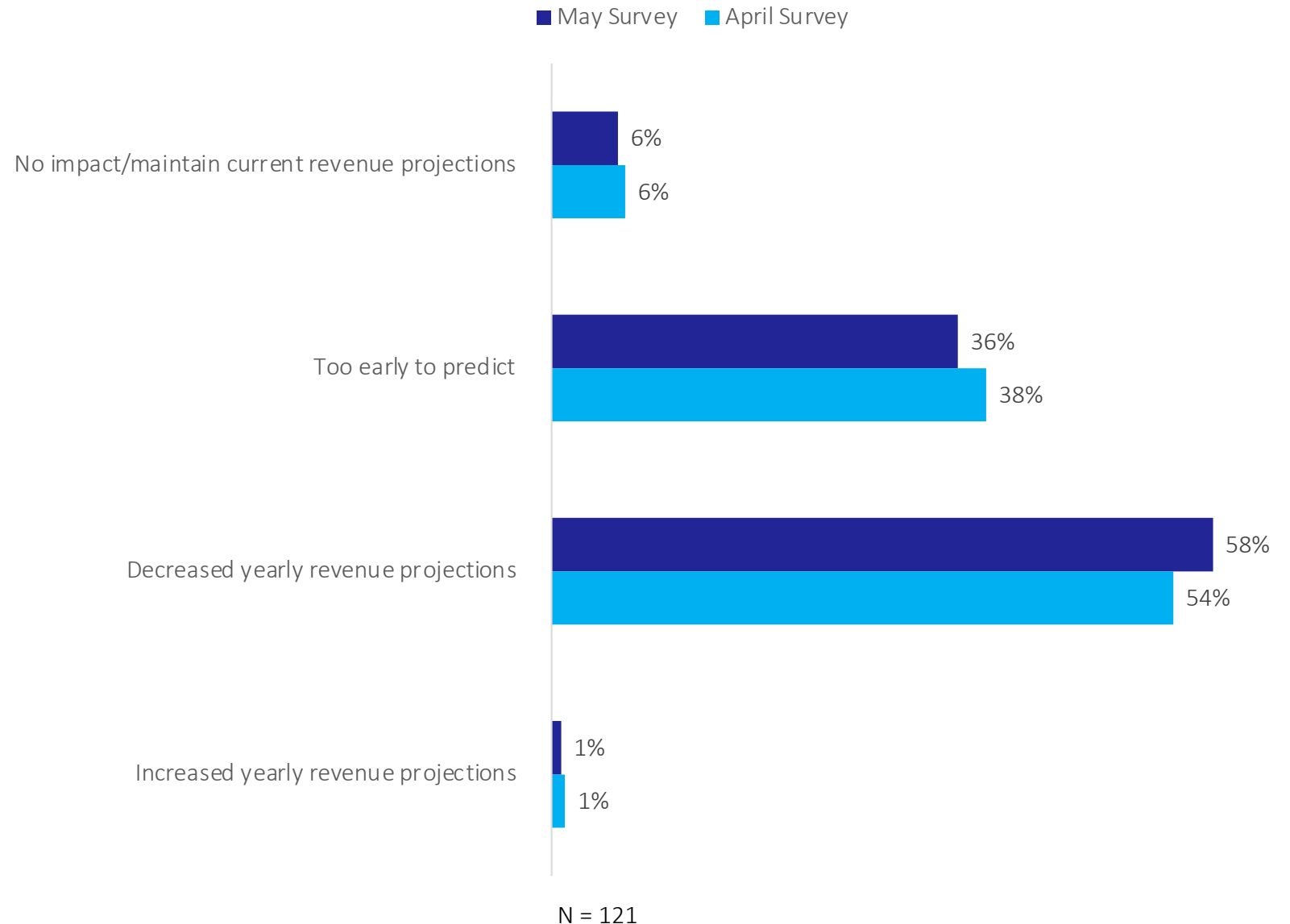
How has the recent COVID-19 outbreak in China impacted your business? (Select all that apply)



*“Don’t underestimate the psychological impact on employees whose confidence is the key to the quality and efficiency of corporate ongoing operations”*  
 – Survey Respondent

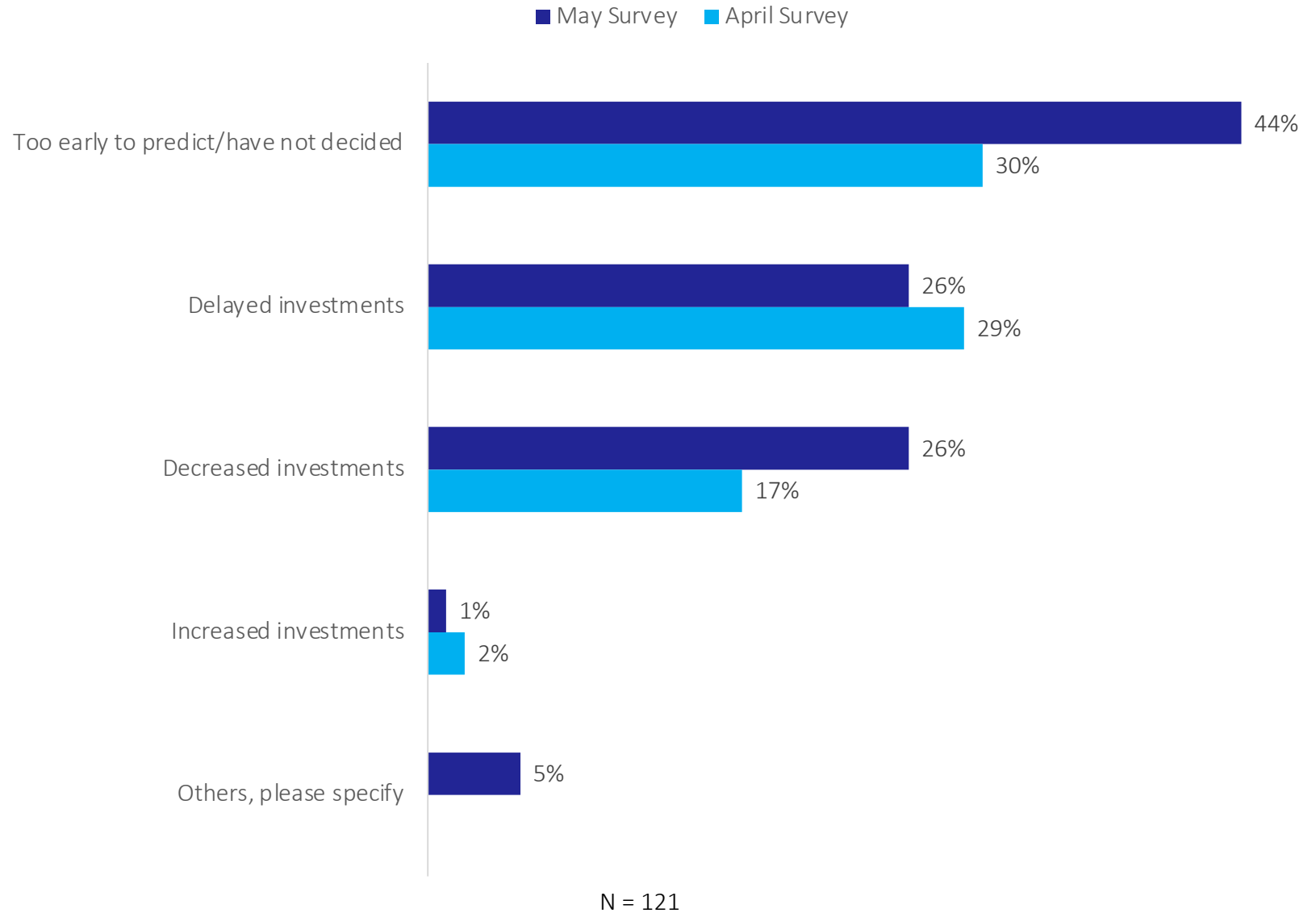
Respondents continue to say the current COVID-19 outbreak will negatively impact 2022 revenues, with 58% projecting revenue decreases – up 4% from last month’s survey

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



52% of respondents have either decreased or delayed investments, up 6% from the April survey

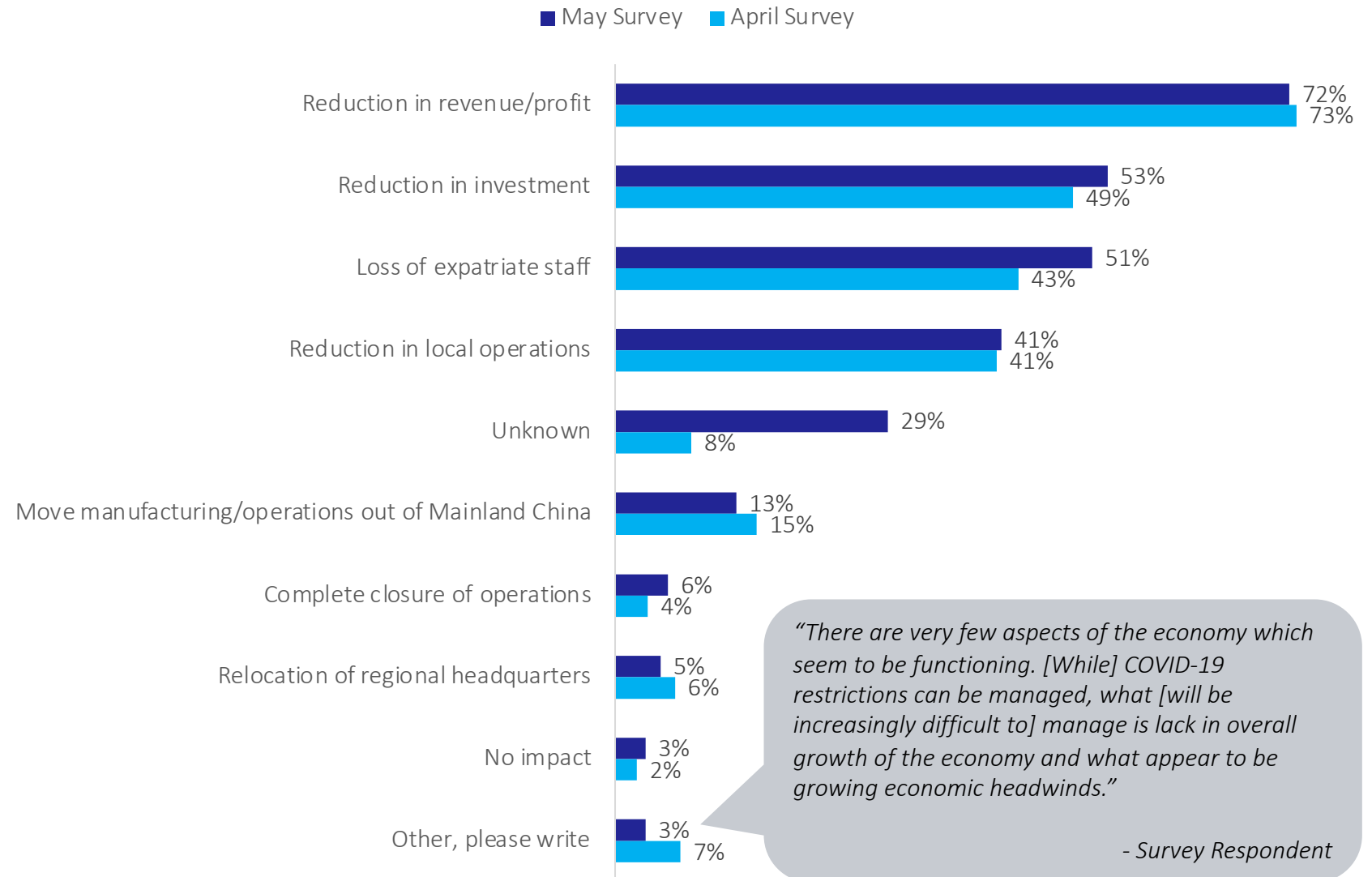
## What impact has the recent COVID-19 outbreak in China had on your investment plans? (Select one)



Companies continue to express concern that ongoing COVID-19 restrictions will negatively impact profits (72%) and lead to a decrease in investments (53%)

Just over half (51%) also expect a loss of expatriate staff

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)



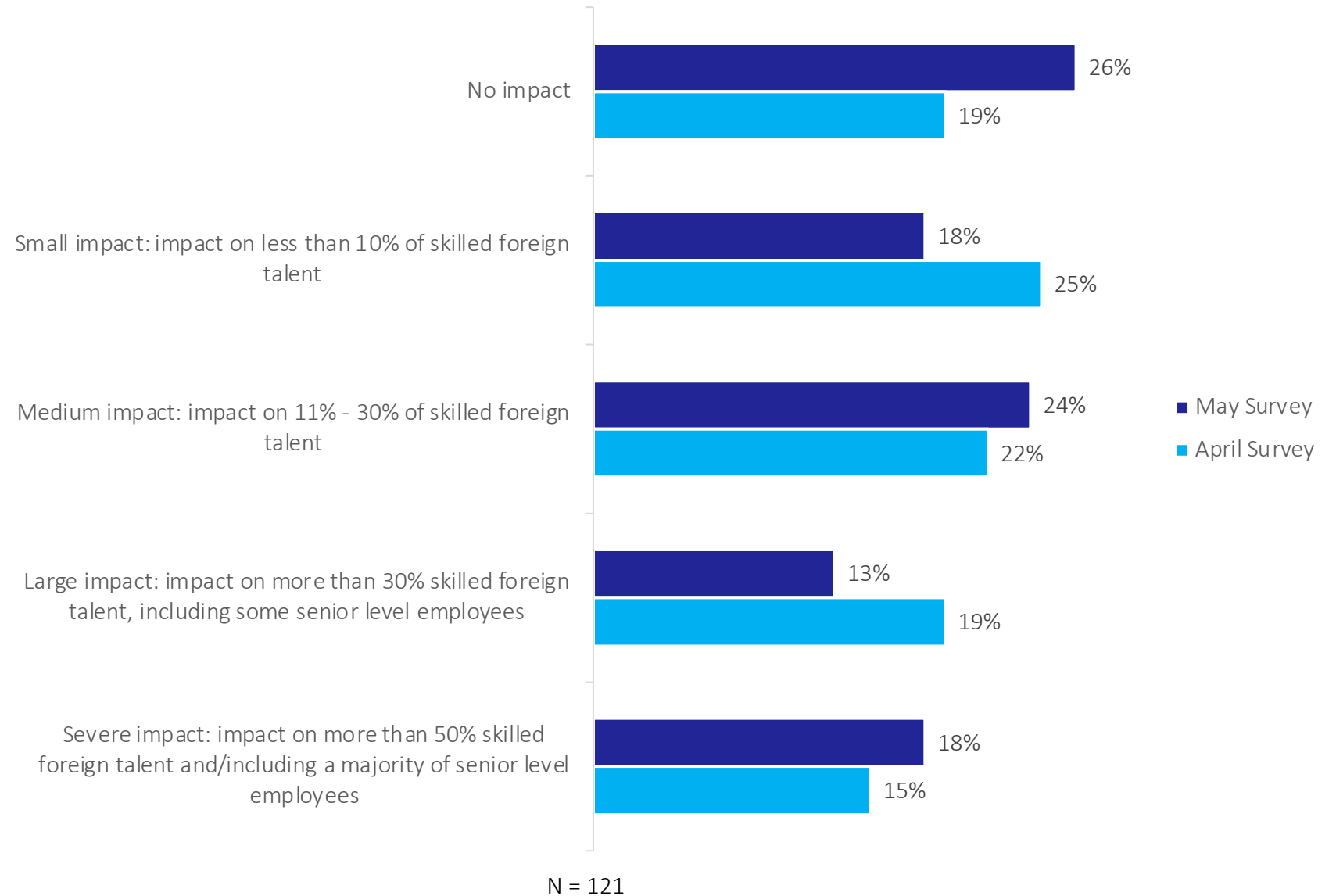
*“There are very few aspects of the economy which seem to be functioning. [While] COVID-19 restrictions can be managed, what [will be increasingly difficult to] manage is lack in overall growth of the economy and what appear to be growing economic headwinds.”*

- Survey Respondent

N = 121

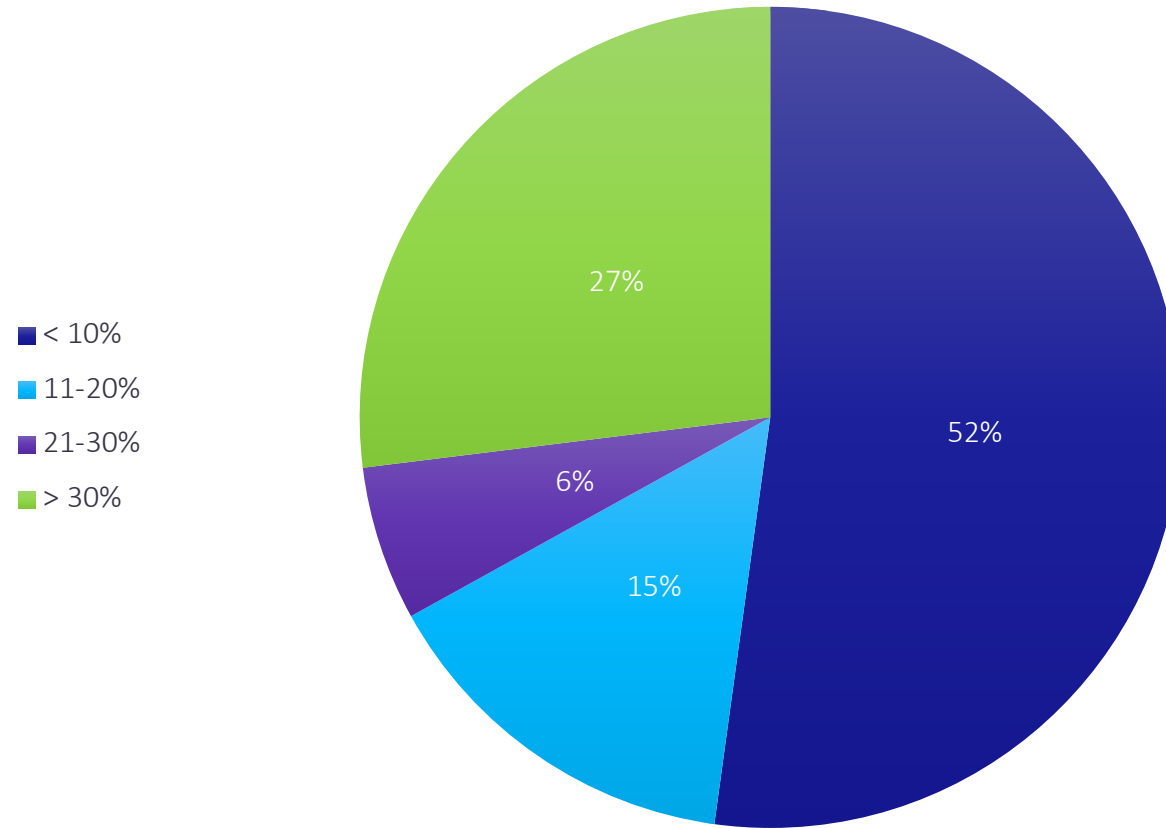
Over half of respondents (55%) say that China's COVID-19 management has had a medium-to-severe impact on their ability to attract or retain skilled foreign staff

What impact has China's COVID-19 management had on your ability to attract or retain skilled foreign staff? (Select one)



Over one-fourth of respondents say the current COVID-19 restrictions have resulted in a reduction of over 30% of their foreign staff; 52% 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?



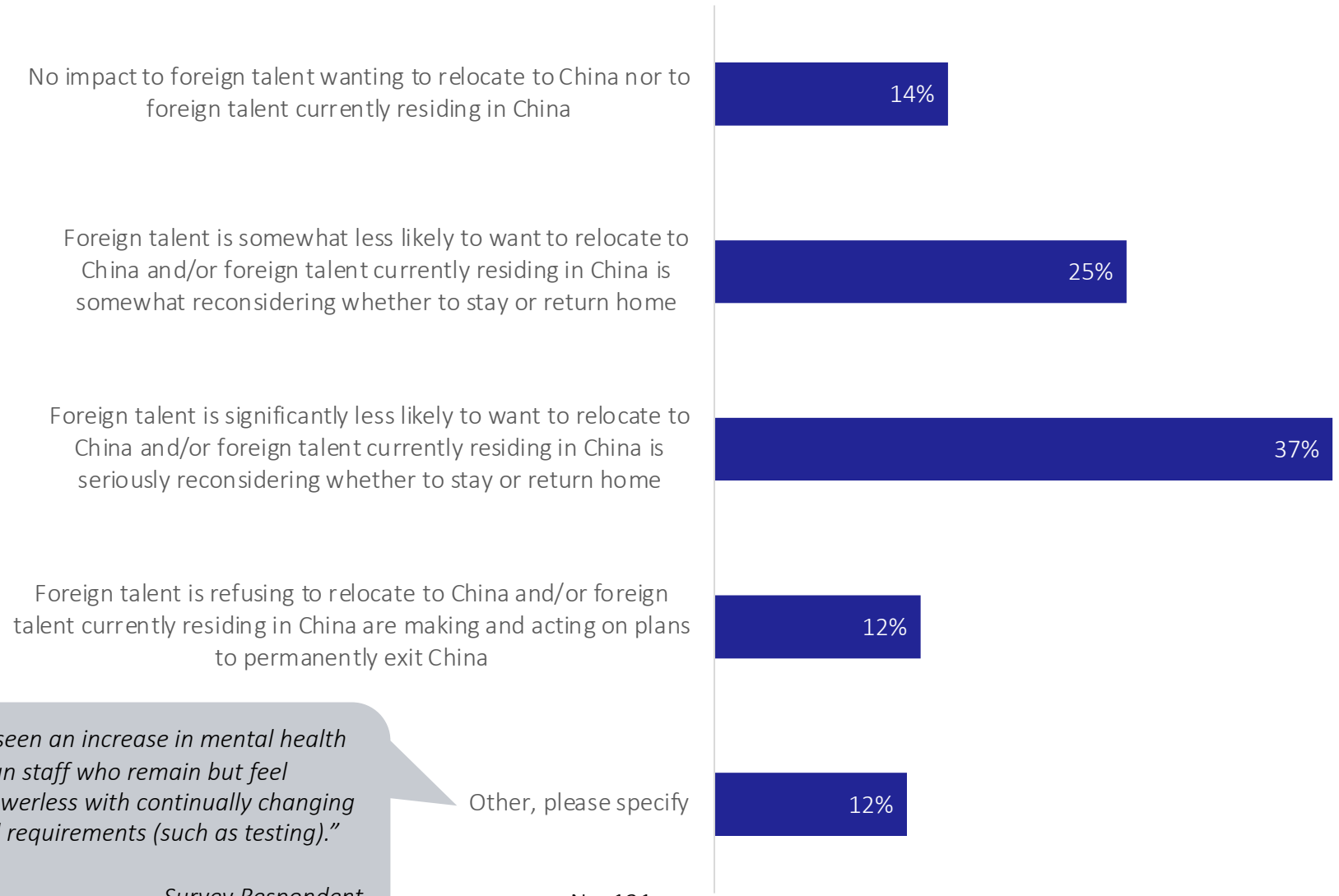
N = 121

*note: some respondents report that they do not have expatriate employees*

37% say foreign talent is significantly less likely to want to relocate to China and/or seriously reconsidering whether to stay or return home

12% say foreign talent is refusing to relocate to China and/or making and acting on plans to permanently exit China

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) \*



*“We have also seen an increase in mental health issues for foreign staff who remain but feel trapped and powerless with continually changing restrictions and requirements (such as testing).”*

- Survey Respondent

N = 121

\* Newly added question

56% report ongoing significant supply chain disruptions, despite recent policy measures

These disruptions are even more pronounced for those with Shanghai operations, of which 60% say the recent policy measures have had no-to-little impact on their business recovery

*"Our goods must be land transported from Shanghai to [other cities]. Although the central government ordered that truck drivers with 48-hour negative test results should be allowed on the roads, we find that drivers are still not being allowed [into certain destination cities]."*

- 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) \*

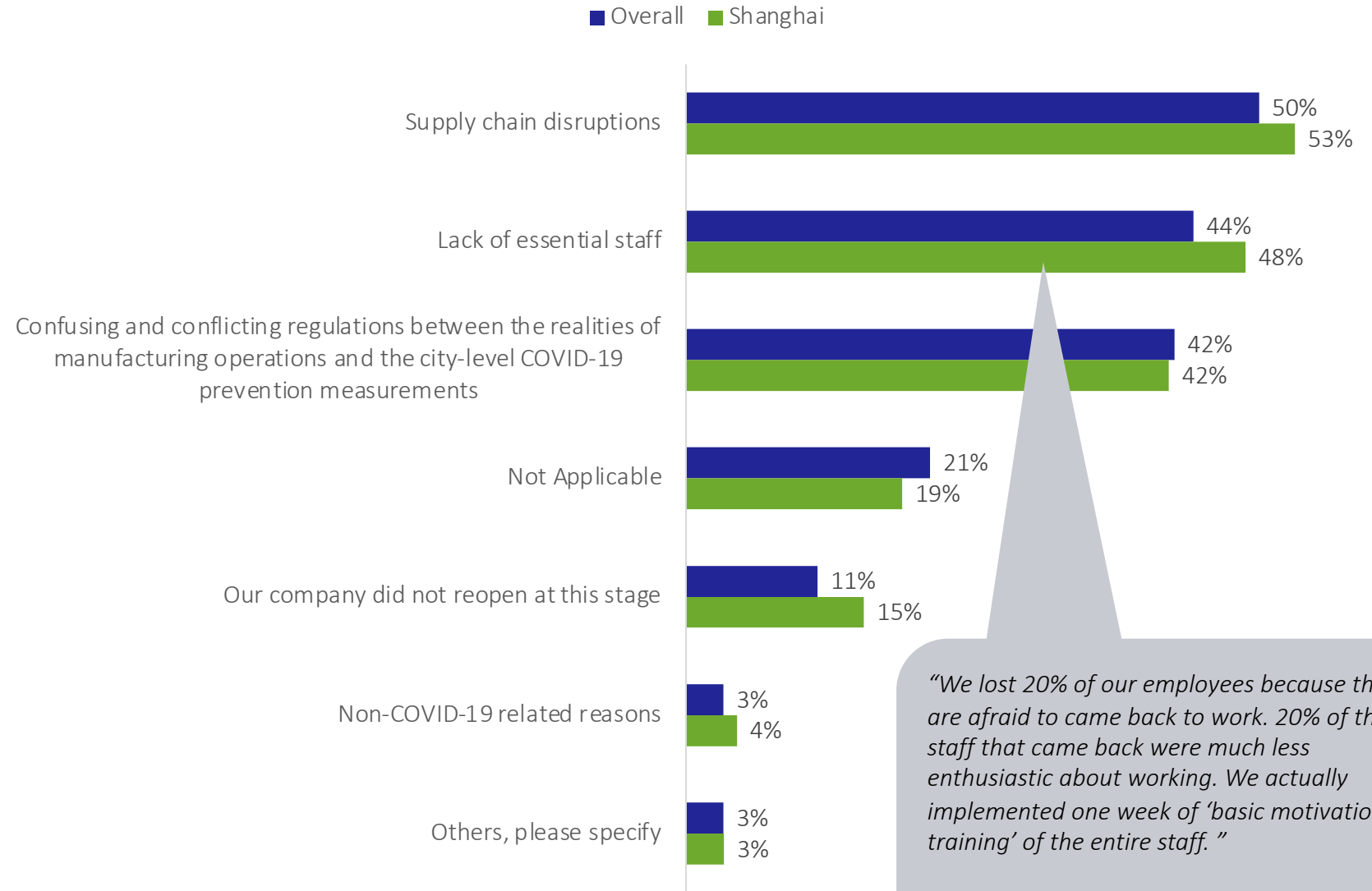


\* Newly added question

Supply chain disruptions remain the top challenge for those who have recently partially reopened operations

The operations of 11% of respondents nationwide remain fully closed; That proportion increases to 15% for those with operations in Shanghai

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



*"We lost 20% of our employees because they are afraid to come back to work. 20% of the staff that came back were much less enthusiastic about working. We actually implemented one week of 'basic motivation training' of the entire staff."*

-Survey Respondent

N = 121

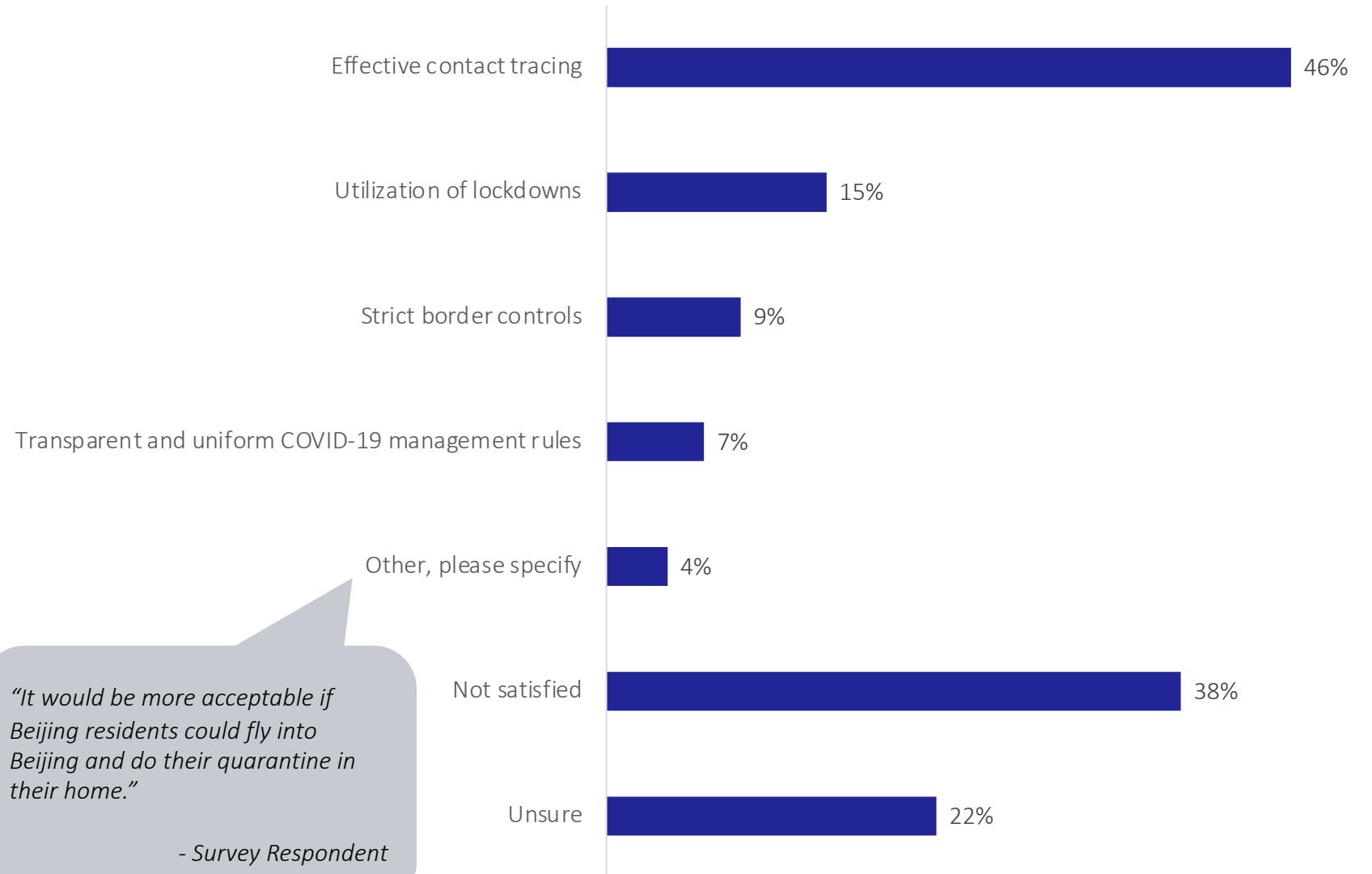
\* Newly added question

While 46% of the respondents say they are satisfied with China's efforts at contact tracing...

*"It would be more acceptable if Beijing residents could fly into Beijing and do their quarantine in their home."*

- Survey Respondent

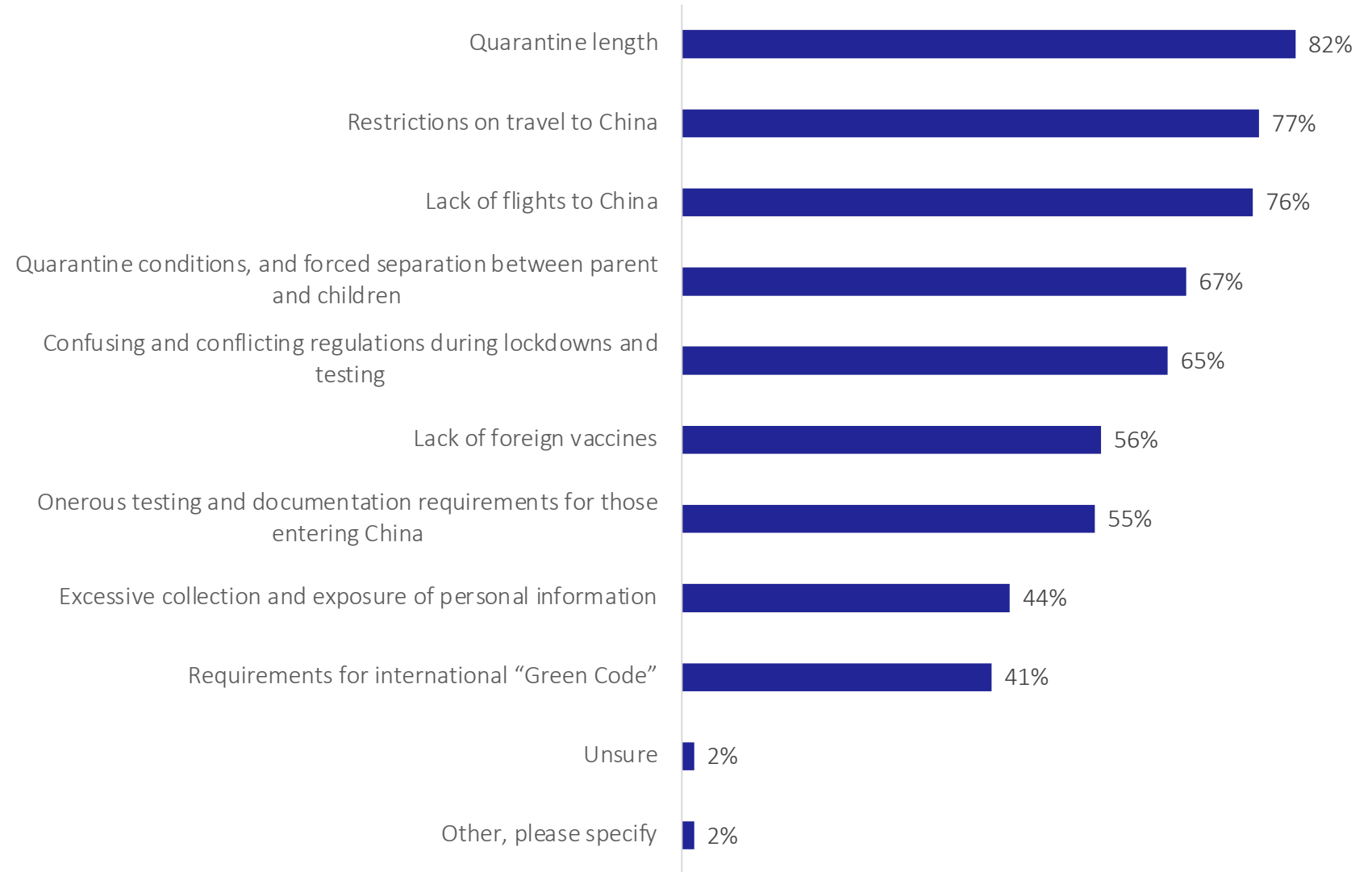
## What aspects of China's management of COVID-19 are you satisfied with? (Select all that apply)



N = 121

...respondents also report high levels of dissatisfaction on a variety of measures, including quarantine lengths and conditions, in addition to travel challenges and restrictions

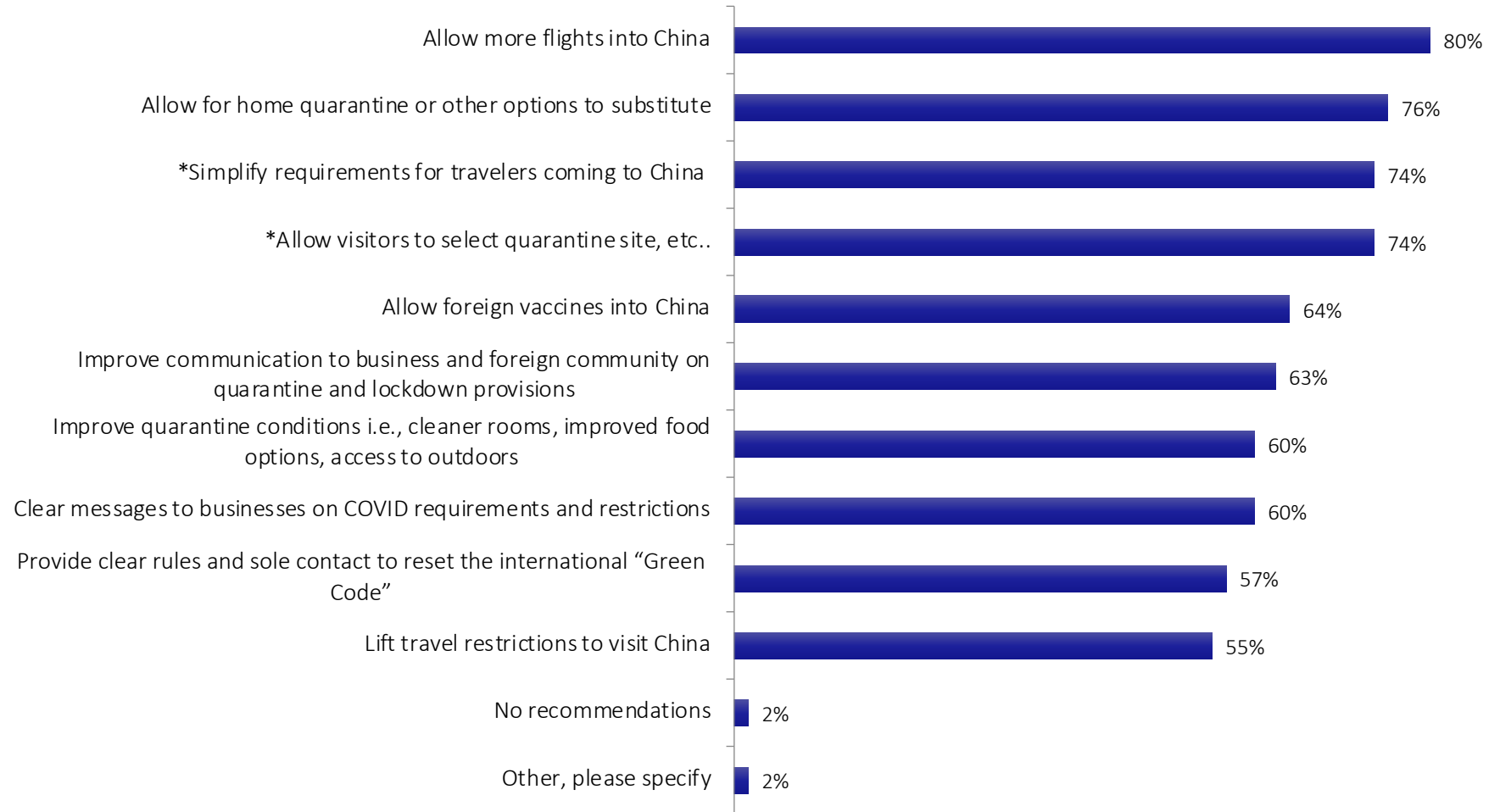
What aspects of China’s management of COVID-19 are you not satisfied with?  
 (Select all that apply)



N = 121

Resolution of travel-related challenges among the top recommendations for China to improve its COVID-19 management

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



N = 121

\*Simplify requirements for travelers coming to China i.e. decrease required tests, resume normal visa applications and approvals, reduce length of quarantine or have no quarantine for those vaccinated with WHO-approved vaccines.

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

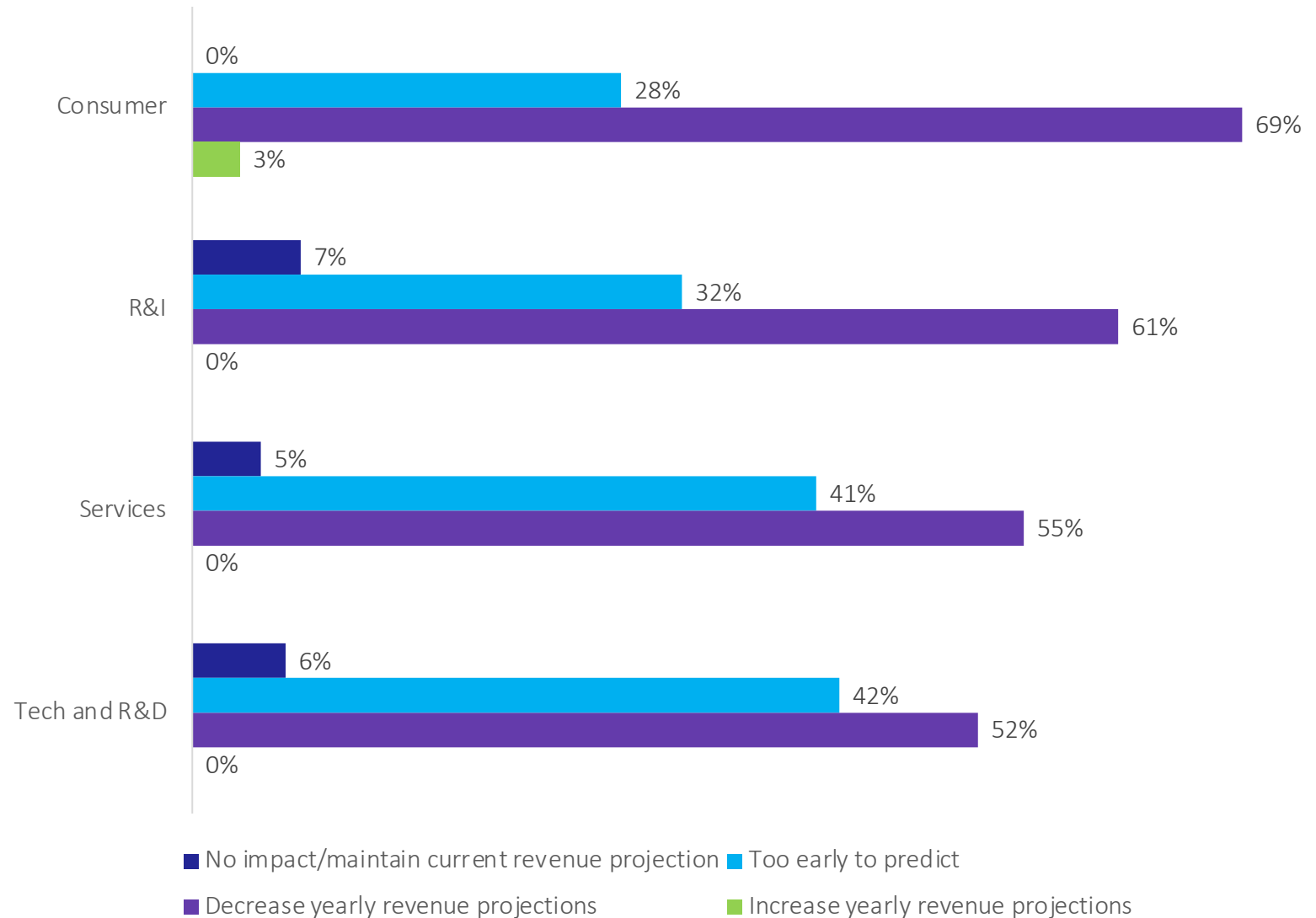
Across all sectors,  
 HR challenges and  
 supply chain instabilities  
 are the top concern

How has the recent COVID-19 outbreak in China impacted your business? (Top three, by sector)

	Consumer	R&I	Services	Tech and R&D
<b>1</b>	Decreased profits & Forced to move to online/remote work (72% for each)	Forced to move to online/remote work & Disrupted supply chain due to disruptions to transportation and shipping networks (86%)	Forced to move to online/remote work (100%)	Disrupted supply chain due to disruptions to transportation and shipping networks (82%)
<b>2</b>	Essential staff including senior executives and engineers unable to travel to China (59%)	Slowed or reduced production because of lack of employees, inability to get supplies, or government-ordered lockdowns (79%)	Essential staff including senior executives and engineers unable to travel to China (68%)	Forced to move to online/remote work (79%)
<b>3</b>	Slowed or reduced production because of lack of employees, inability to get supplies, or government-ordered lockdowns (53%)	Essential staff including senior executives and engineers unable to travel to China (71%)	Decreased profits (50%)	Essential staff including senior executives and engineers unable to travel to China (70%)

While the Consumer sector reported the highest proportion of respondents expecting decreased 2022 revenues (69%), it is also the only sector where some respondents (3%) also expect increased 2022 revenues

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

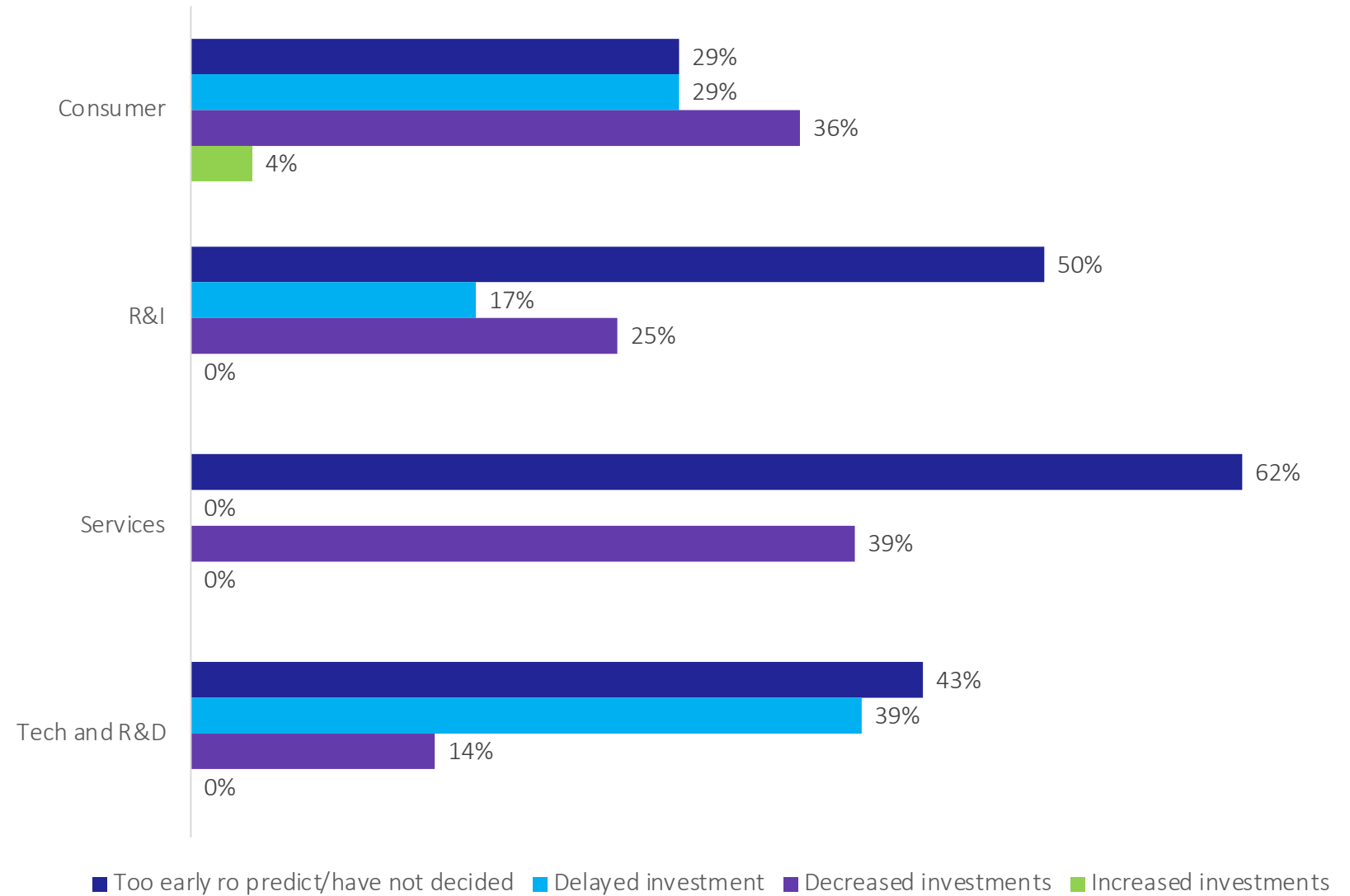


The Tech and R&D sector reports the highest expected impact on investments, with 82% expecting either delayed or decreased investments due to the recent COVID-19 outbreak

62% of the Service sector says it is too early to predict the impact on investment plans; half of R&I sector respondents say the same

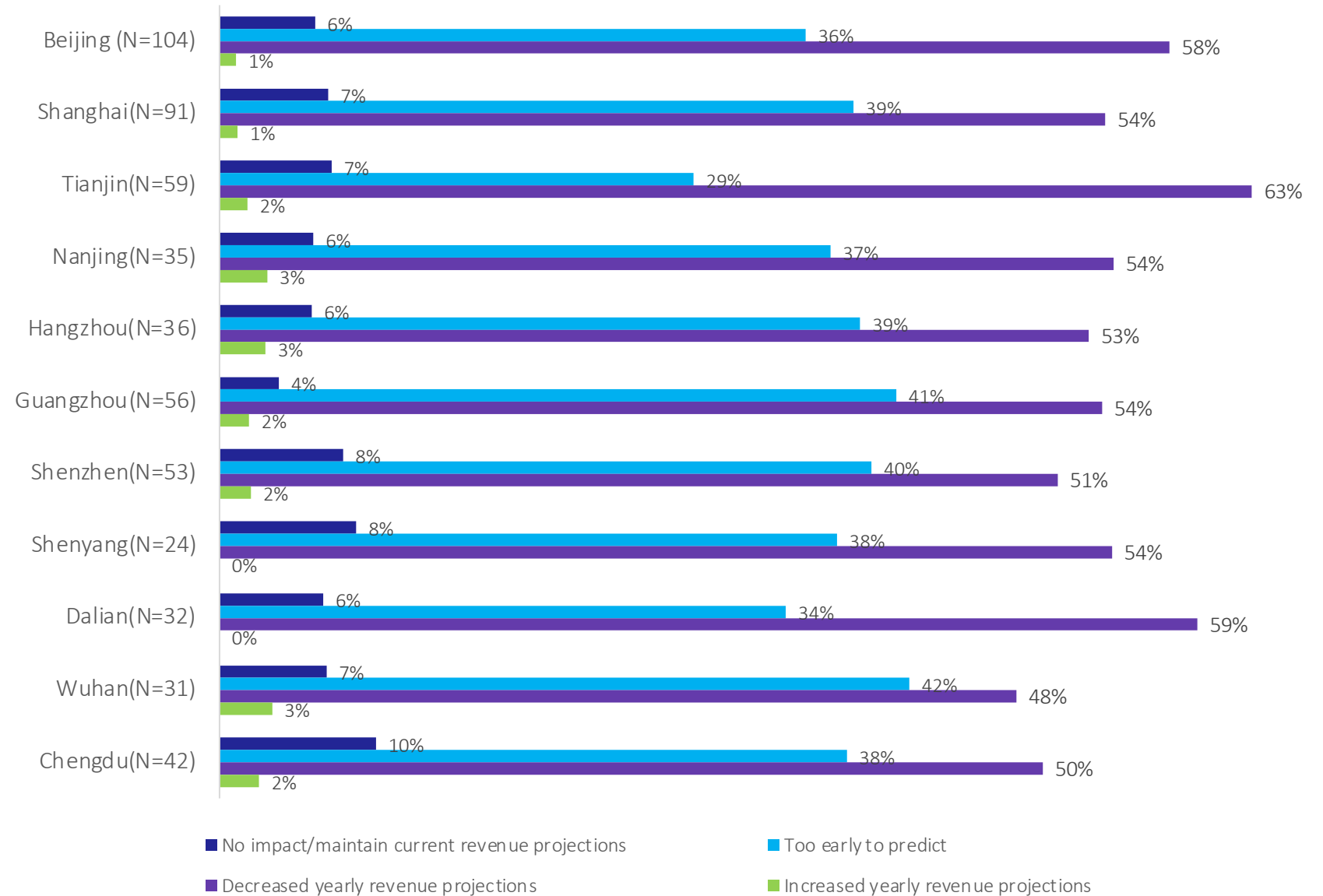
4% of Consumer sector respondents report plans to increase investments considering the recent COVID-19 outbreaks

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



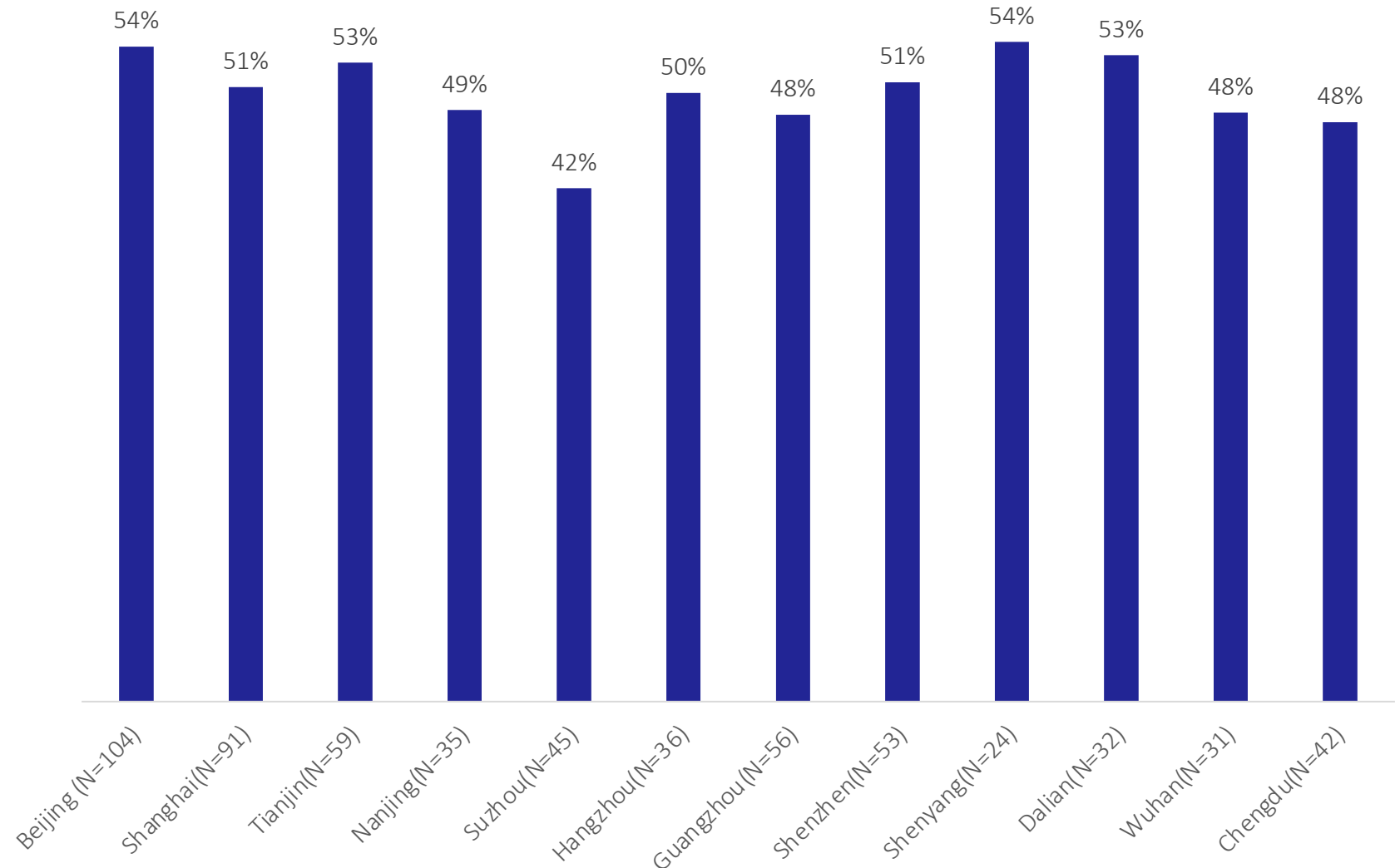
Across almost all major regions, 2022 revenues are expected to decrease due to the recent COVID-19 outbreak

## Impacts of the recent COVID-19 outbreak in China on your company's revenue projections for 2022



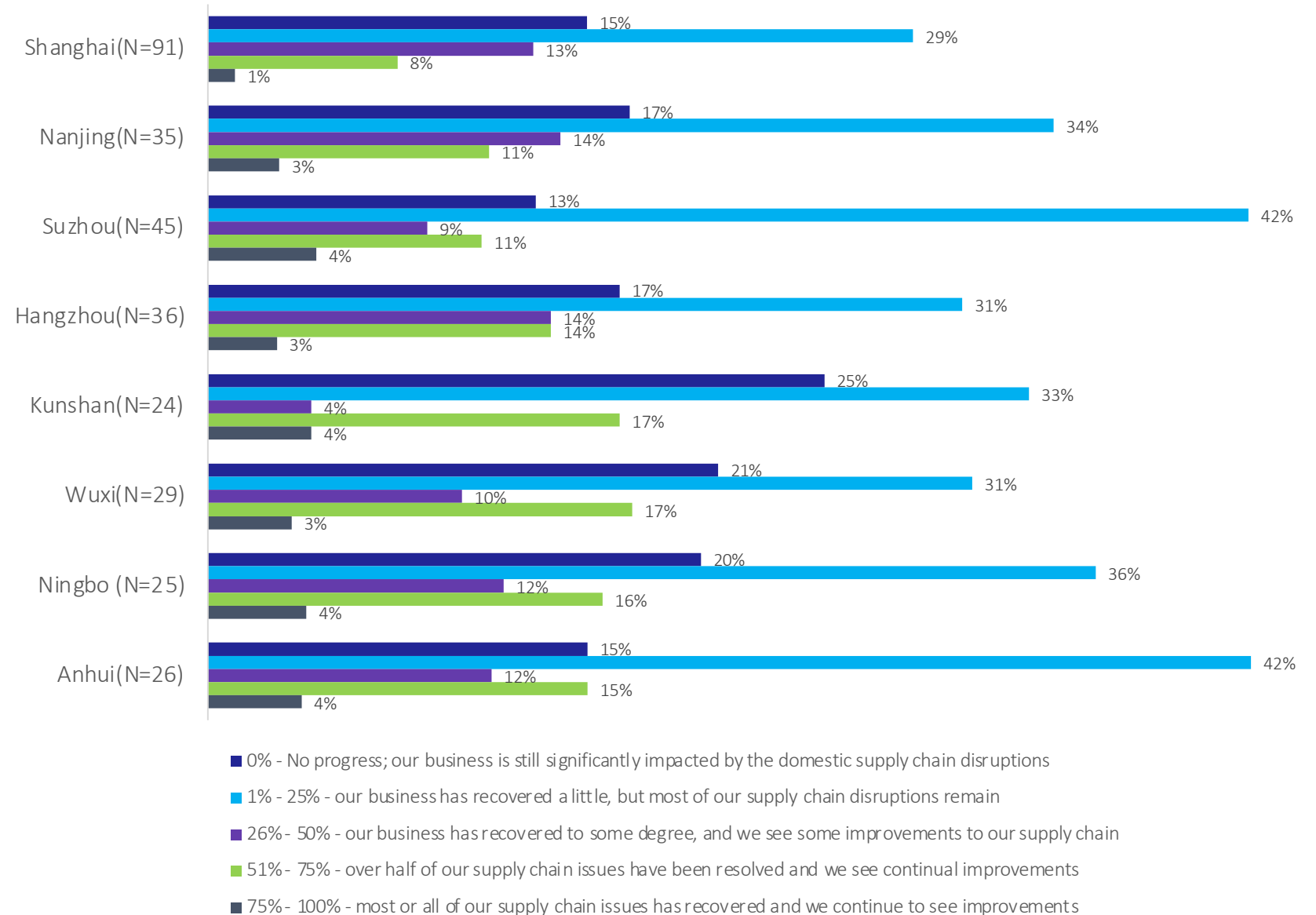
Nearly half of respondents with operations in many major cities across China expect to decrease investments if the current COVID-19 measures remain in place for another year

### Percentage of companies who will reduce investment, if China remains the current COVID-19 measurement for another year



A majority of respondents with operations across the Yangtze River Delta Region continue to face supply chain disruptions despite recent policies aimed at relieving such challenges

Effectiveness of the recently released policy measurements designed to stabilize supply chains and unify and ease transportation requirements (Respondents with operations in the Yangtze River Delta Region)



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