Foreign firms in China forecast revenue drop due to virus

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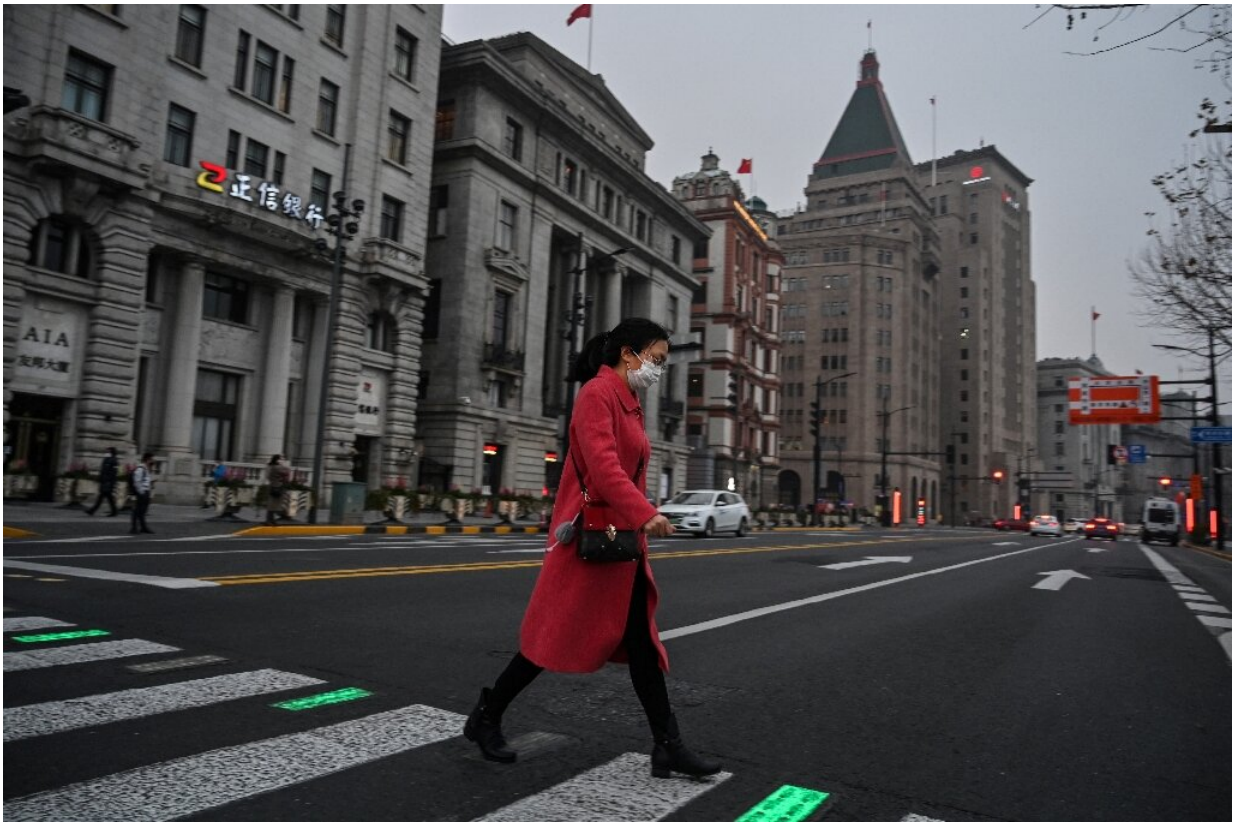

Foreign firms in China have seen a drop in demand due to the virus as well as logistics disruptions with millions of people under quarantine or urged to stay indoors

Foreign firms in virus-hit China are expecting large drops in revenue, especially for the first half of the year, with some planning to lower their

business targets, said trade associations on Thursday.

Close to half of almost 580 firms surveyed by the German and European Union chambers of commerce this month expect a double-digit fall in revenue for the first six months of 2020.

Among top reasons for the hit to business were a drop in demand for products and services, staff shortages, as well as an inability to meet delivery deadlines due to logistics disruptions.

Half of those surveyed planned to lower their annual business targets as well.

A survey by the American Chamber of Commerce in China, also released on Thursday, said close to half of its 169 respondents expect revenues in China to drop this year if business cannot return to normal before end-April.

About 10 percent said they lose at least half a million yuan ($71,000) a day.

China has seen a slow resumption of business after an extended Lunar New Year holiday in late January, with firms suspending operations to prevent a further spread of the deadly coronavirus.

The virus has killed more than 2,700 and infected some 78,000 in mainland China alone, with tens of millions of people placed under quarantine and people across the country urged to stay indoors for weeks.

But even as Beijing encourages enterprises in less affected areas to resume work, the EU and German chambers said foreign firms face problems like "highly restrictive quarantine demands", and "extensive

pre-conditions" for restarting operations.

"This crisis is going to challenge the way we do business in the future," Joerg Wuttke, president of the EU Chamber in China, told reporters on Thursday.

The epidemic will lead firms to consider diversifying both within China and the region, he said, although "leaving China is not an option" given its contribution to global growth.

Firms in central Hubei province, which has been locked down since late January, face a particularly grim situation, with no hope to return to normal in the next four weeks, said Wuttke.

Even larger European firms are "struggling to cope with the restrictions they have given that Hubei is still really a war zone on the virus", he said.

The British chambers of commerce in China released this week said SMEs were thrice as likely to postpone investment decisions due to the outbreak.

More than 50 percent of British businesses' offices remain closed.

Chinese authorities said Thursday that they had issued 953 billion yuan ($135.8 billion) in loans to firms working to contain the virus outbreak.