

# COVID-19

# IMPACT FOR FRENCH COMPANIES IN CHINA

---

FEBRUARY 2020

# INTRODUCTION

Survey carried out in collaboration by the CCEF, the Economic Service of the French Embassy and French Consulates in China, the CCI FRANCE CHINE, Business France and La French Tech to measure the short-term impact of the Covid-19 crisis on French companies established in China.

This survey was conducted on 12th and 13th of February, 2020 via the various channels of communication of institutions partners: WeChat, LinkedIn, websites.

The data has been collected anonymously.

## CONDUCTED WITH:



BY : **NEXTSTEP STUDIO**



# 1. PROFILE

OF THE COMPANIES THAT RESPONDED TO THE SURVEY

**466 business executives answered the questionnaire.**

Among the companies represented, 38% are from the industrial sector and 62% are from the services sector.

## **The size of these companies in China:**

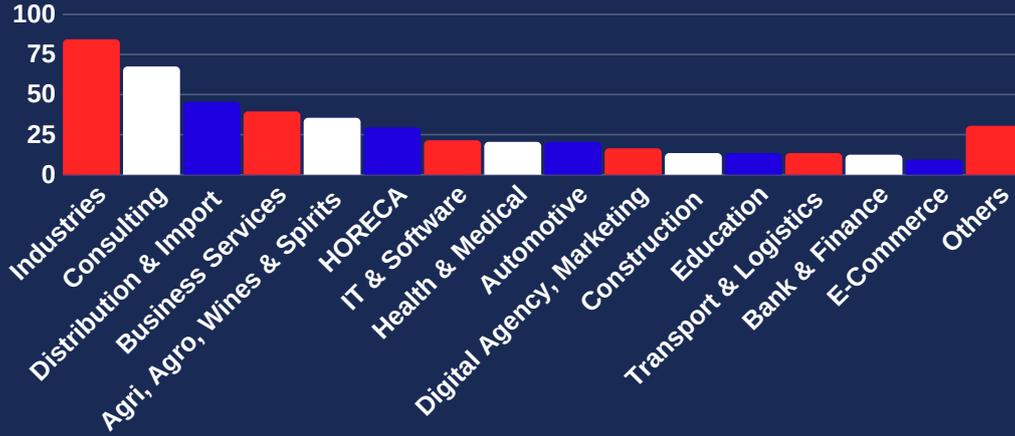
- 37% are VSEs (less than 10 employees in China)
- 46% are SMEs (between 11 and 500 employees)
- 10% are mid-sized companies (between 500 and 5000 employees)
- 7% are large Groups (more than 5,000 employees in China)

## **Their dependence to a Group:**

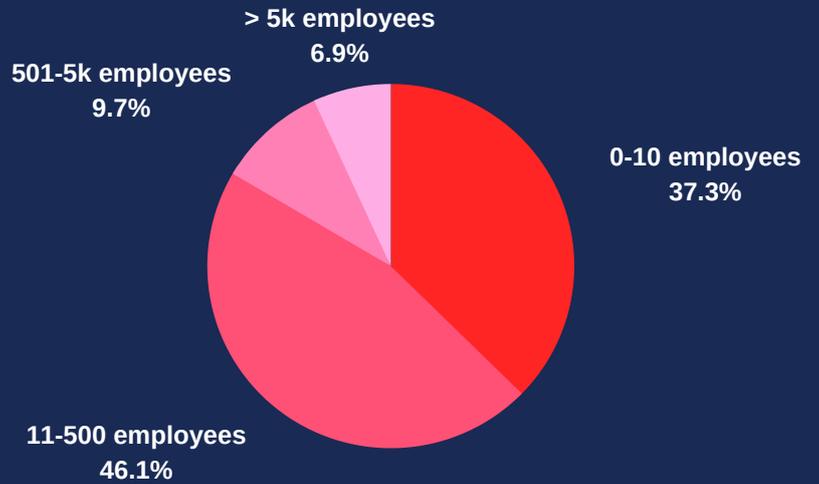
- Almost 2/3 are subsidiaries of Groups headquartered outside China
- Almost 1/3 are companies founded in China, not attached to a Group
- 8% are in Joint Venture, which is the case mainly for large Groups

About a third of them are located in one of the quarantined areas like Wuhan.

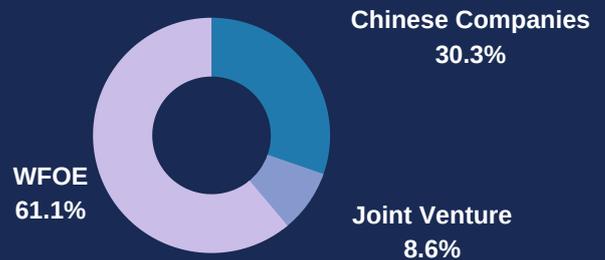
**466 BUSINESS EXECUTIVES PARTICIPATED,  
REPRESENTING 21 BUSINESS SECTORS**



**83.4% OF THE RESPONDING COMPANIES COUNT LESS THAN 500 EMPLOYEES**



**MOST OF THEM REPRESENT WHOLLY FOREIGN OWNED ENTERPRISES.**



**A MINORITY HAS, AT LEAST, ONE SITE IN ONE OF THE CURRENTLY QUARANTINED AREAS OF CHINA.**





## 2. RESUMPTION OF ACTIVITIES

PERCEPTION OF COMPANIES ON THE DATE OF THE SURVEY

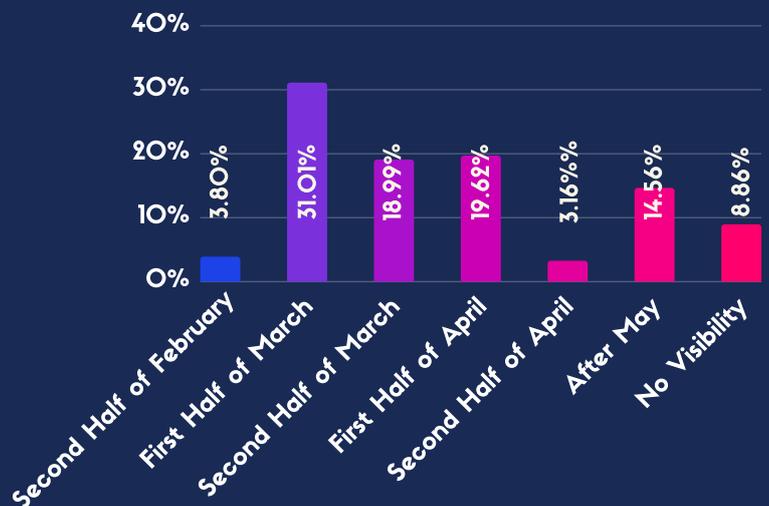
**The resumption of activities is understood as a capacity to recover 80% of historical orders in the same period.**

About half of the companies anticipate a resumption of activities by the end of March, 2/3 by mid-April, but many believe that they do not have visibility at the moment.

Industrial companies anticipate a recovery closer than service companies.

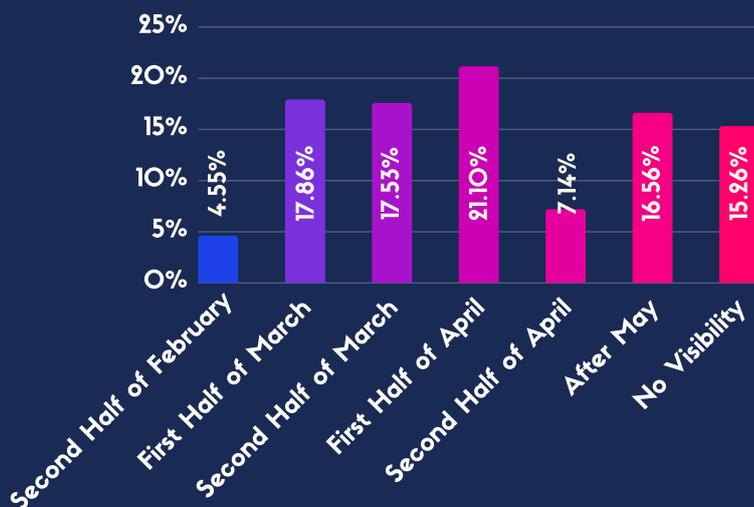
### WHEN CAN YOU EXPECT A "BACK TO NORMAL LEVEL" OF RECEIVING ORDERS IN YOUR COMPANY (AT LEAST 80% OF HISTORICAL ORDERS ON THE SAME PERIOD)

**INDUSTRIAL  
COMPANIES**

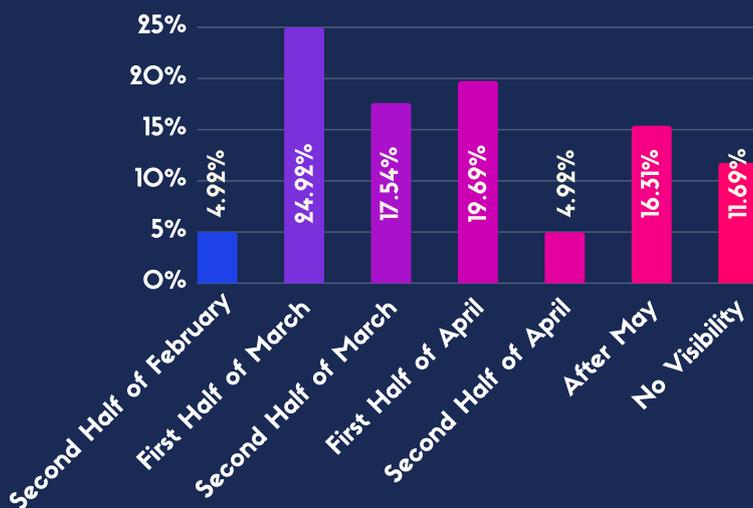


WHEN CAN YOU EXPECT A "BACK TO NORMAL LEVEL" OF RECEIVING ORDERS  
IN YOUR COMPANY (AT LEAST 80% OF HISTORICAL ORDERS  
ON THE SAME PERIOD)

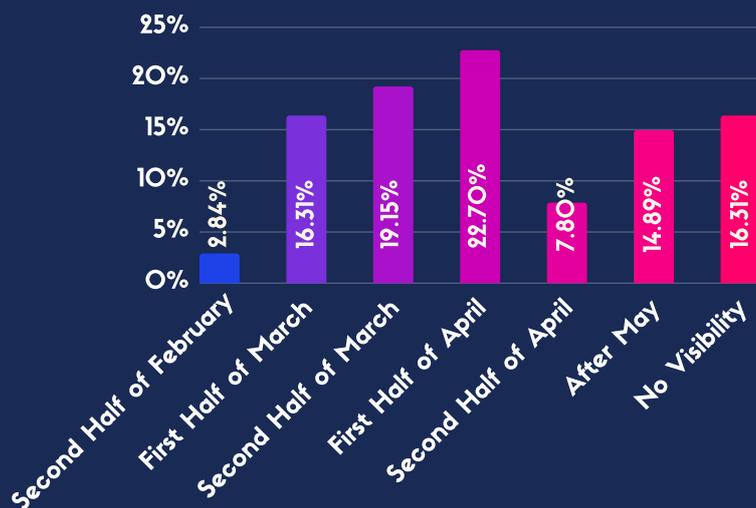
SERVICE  
COMPANIES



JOINT VENTURE  
/ WFOE



CHINESE  
COMPANIES





## 3. IMPACT ON TURNOVER

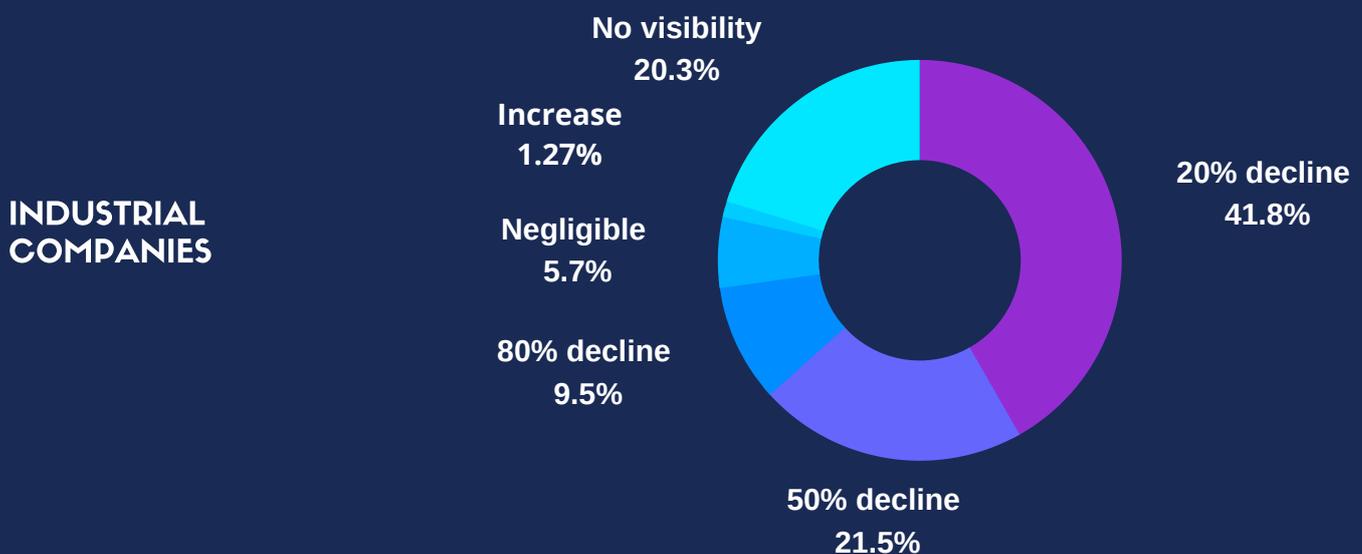
PERCEPTION OF COMPANIES ON THE DATE OF THE SURVEY

**The turnover for China for the first half of 2020 is, unsurprisingly, revised downwards, even if it is still too early for some to say.**

- 61% anticipate a drop in turnover of up to 50%
- 21% have no visibility

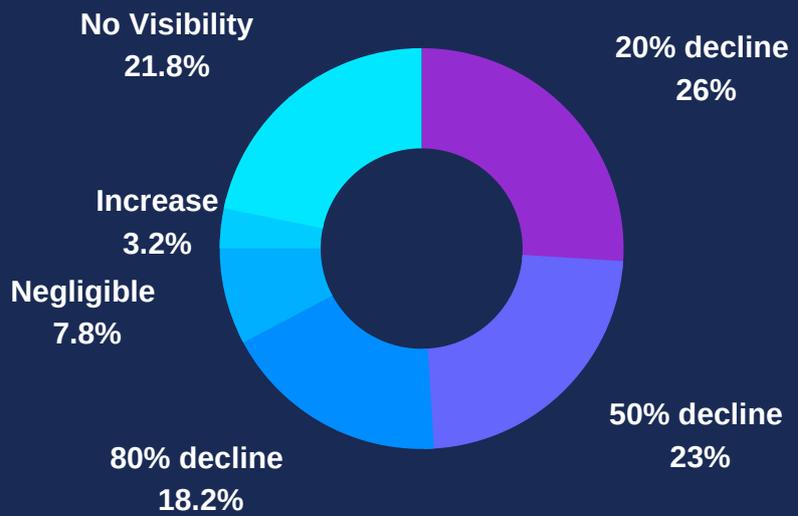
Service companies are more likely than industrial companies to anticipate larger declines, up to 80% or even 100%.

### WHAT ARE YOUR EXPECTATION, COMPARED TO YOUR FORECAST, IN TERMS OF TURNOVER FOR THE FIRST SEMESTER?

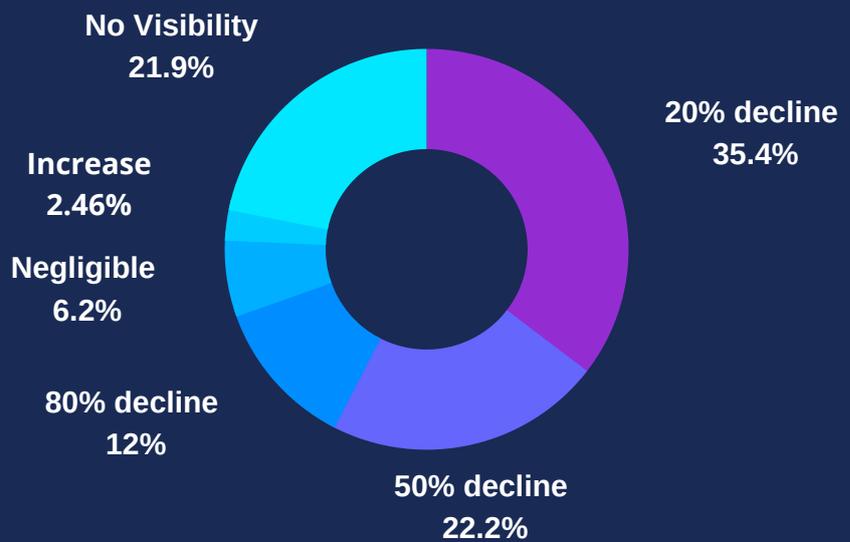


WHAT ARE YOUR EXPECTATION, COMPARED TO YOUR FORECAST, IN TERMS OF TURNOVER FOR THE FIRST SEMESTER?

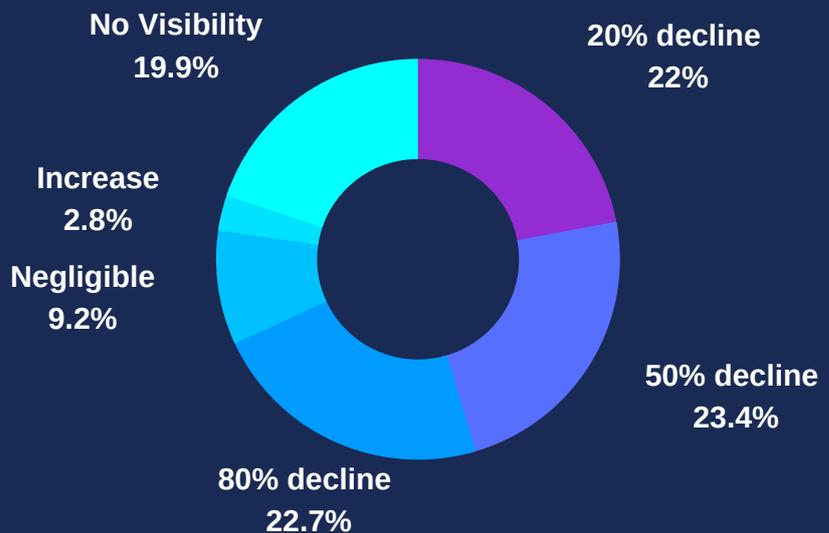
SERVICE COMPANIES



JOINT VENTURE / WFOE

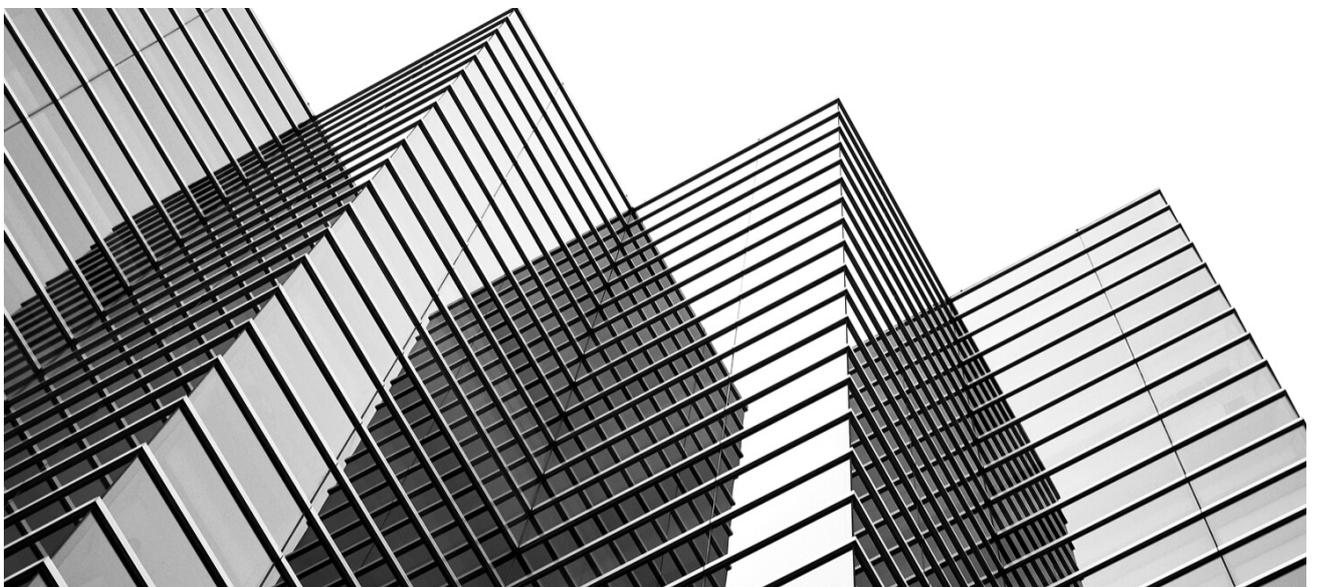
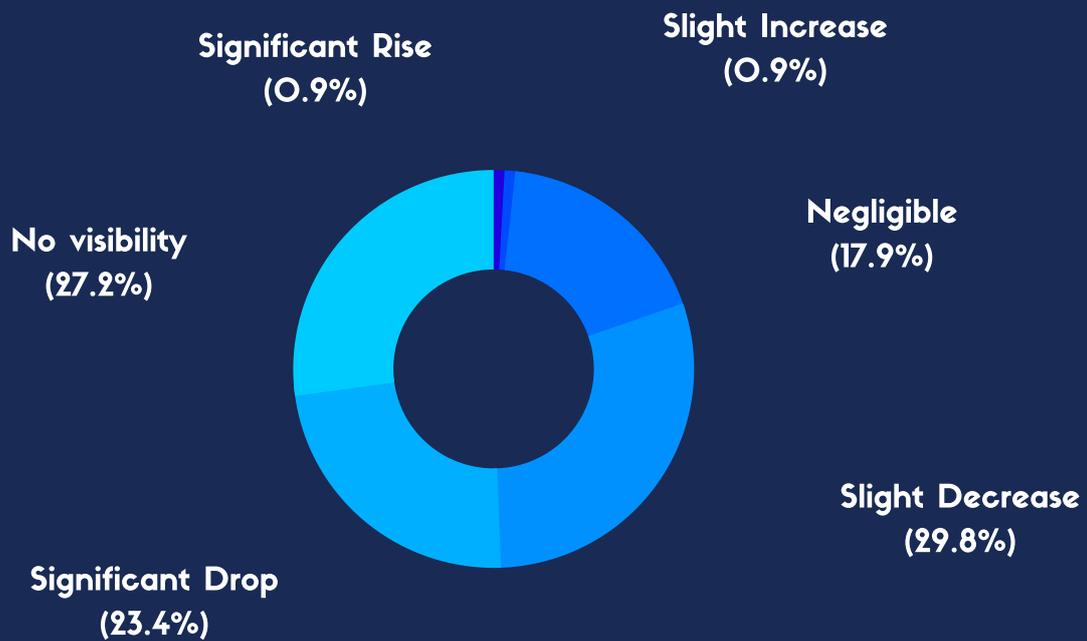


CHINESE COMPANIES



For companies belonging to a Group, the impact on overall turnover will also be revised downwards for the first half of 2020.

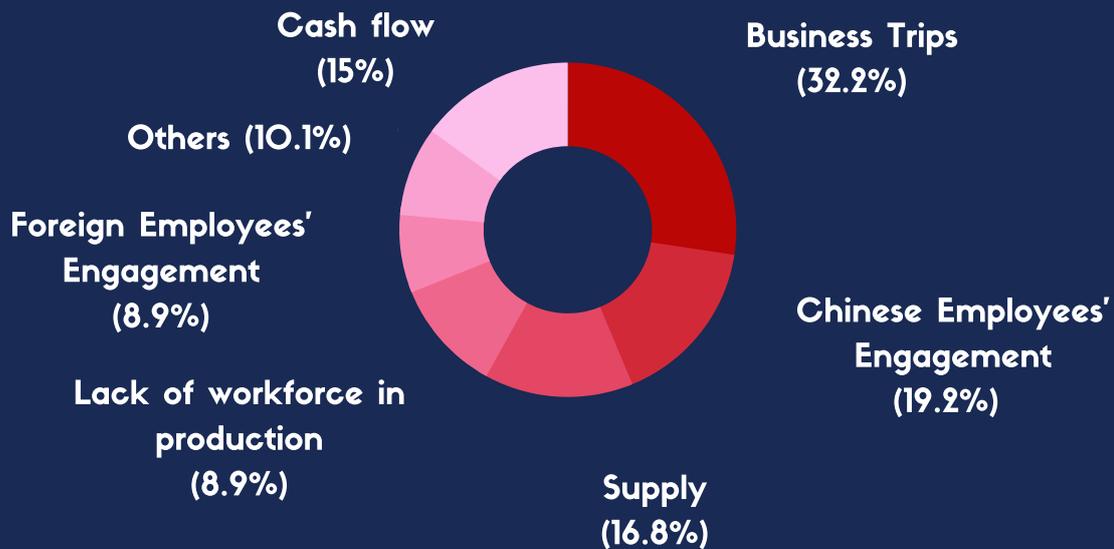
**IF YOU ARE PART OF A GROUP, WHAT ARE THE GROUP EXPECTATION, COMPARED TO FORECAST, IN TERMS OF TURNOVER FOR THE FIRST SEMESTER?**



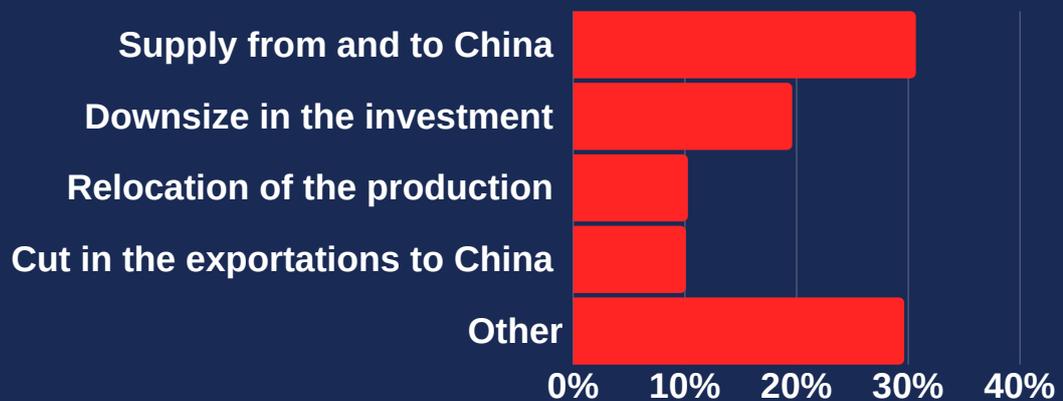
# 4.IMPACT ON THE ACTIVITIES

PROBLEMS EXPECTED BY THE COMPANIES ON THE DATE OF THE SURVEY

THE EXPECTED PROBLEMS ARE THE FOLLOWING:



WITH A **REAL IMPACT OUTSIDE CHINA** ON THE FOLLOWING ITEMS:



---

# 5. CASH FLOW NEED

## PERCEPTION OF COMPANIES ON THE DATE OF THE SURVEY

Three-fourths of the companies do not know how to estimate their future cash requirements to offset the impact of the crisis yet. This shows that we are still in the early stages of recovery and that it is difficult for most companies to measure their cash flow requirements.

### For the 25% of companies that have visibility on the need for additional cash:

- 30% are VSEs (0 to 10 employees in China)
- 60% are SMEs (11 to 500 employees in China)
- 5% are mid-sized companies (501 to 5,000 employees in China)
- 5% are large Groups (more than 5,000 employees in China)

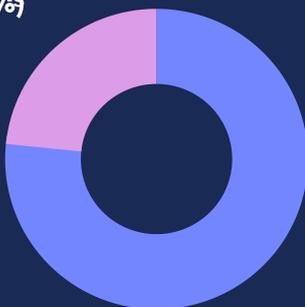
On VSEs and SMEs (a total of 104 companies have an idea of their cash flow needs), they reported a total cash flow requirement of 75 millions of euros. The average is different depending on the size:

- For VSEs, an average of € 200k per company
- (38 companies for a total of € 7.7m)
- For SMEs, an average of € 1m per company
- (66 companies for a total of € 67.3m)

This should make it possible to extrapolate for business support studies.

## MOST STILL STRUGGLE TO ESTIMATE THEIR CASH FLOW NEEDS TO ENSURE THEIR OPERATIONS IN CHINA.

Needs already estimated  
(23.4%)



No visibility  
(76.6%)

NEVERTHELESS, THE TOTAL NEEDS ALREADY ESTIMATED ADDS UP TO MORE THAN **610 MILLIONS OF RMB.**

---

SURVEY - FEBRUARY 2020

IMPACT OF COVID-19 FOR FRENCH COMPANIES IN CHINA

Survey carried out in collaboration with the CCEF, the Economic Service of the French Embassy and French Consulates in China, the CCI FRANCE CHINE, Business France and La French Tech:



BY:

