

PRESS RELEASE

Swiss companies in China: struggling with consequences of Coronavirus but seeing a ray of light at the end of the tunnel

- *Personnel shortages, production downtimes, travel restrictions, interrupted supply chains and reduced demand: Swiss companies in China struggle with the effect of the epidemic but see light at the end of the tunnel.*
- *The total number of people still sick from the Coronavirus starts to decrease, with the recovery of over 16'000 patients.*
- *A broad government strategy aims to restart economic production and ease the burden on companies, for example with special loans or the delay of tax and social welfare payments. Swiss Centers China experts expect the stimulus program to offset damages to the economy from the Coronavirus.*

Shanghai (February 20, 2020) – The Coronavirus epidemic is not only a humanitarian disaster; the unprecedented measures taken to contain it are hitting the Chinese economy hard. Municipal quarantines have blocked many migrant workers from returning to their workplaces after the extended Chinese New Year holiday. Most international flights have been cancelled, some inter-province roads and railway lines are blocked, many shops and restaurants are closed, Chinese tourism is at a standstill both domestically and internationally.

“Most office employees of the Swiss Centers China member companies are currently working from their homes without much disruption, but production companies face big challenges to bring back their migrant workers and get components from their local suppliers,” explains Nicolas Musy, Delegate of the Board of Swiss Centers China (SCC), a non-profit organization that lowers the market entry barriers into Asia for Swiss companies. In a recent survey by *SwissCham China* in cooperation with the *Swiss Embassy*, 71% of the Swiss companies responded that the Coronavirus affects their business negatively. 21% are considering a budget reduction of more than 15%.

“The Coronavirus epidemic will heavily influence our operations in February. Our sales activities have stopped and our customers are also suffering under the current situation,” explains Joe Liu, Managing Director China at the cutting tool specialist Fraisa. “There is still a lot of uncertainty, but we hope the situation will be under control soon.”

Simon Law, President China at the Bossard Group, a market leader in the fastening technology, sees similar problems: “We foresee a sales drop of 10-15% this year due to the slowing down of customer’s productions and logistics restrictions.” Bossard China has taken the necessary actions in accordance to the directives from the government and resumed work with a part of the workforce working at home. Mr. Law: “Despite this disruption, we will ensure our best service

level to our customers. Because of the Bossard Smart Factory logistics system and other solutions implemented at the factories of most of our major customers, we are confident to reduce the impact of the crisis for our customers. We anticipate a rebound of business once the situation has normalized and wish China all the success in containing this epidemic.”

“The Coronavirus epidemic had a significant impact on our operations”, says the Vice General Manager of another Shanghai-based Swiss company that is a global leader in their niche market. “Half of our frontline workers are from outside of Shanghai, some of them are stranded in the most affected regions. For those who manage to make their way back to Shanghai, we have adopted a 14-day self-isolation practice as the government advised. All of this, together with the shut-down of business travels, the suspension of marketing events and problems with the supply chains, severely disrupts the normal operations of the company.”

In this time of uncertainty, many of the Swiss companies focus on internal online trainings, try to keep the economic damage at a minimum, and get ready to start quickly once the epidemic is over. The companies in the Swiss Centers network, among them Roche and Novartis, react to the situation quite similarly: They fully comply with measures to ensure the safety and health of their employees, closely monitor the impact of the outbreak and continue to have confidence in the prospects of the Chinese market.

Swiss donations

Many of the Swiss companies already took action and donated to help China to overcome this crisis. While for example Novartis has pledged 2 million RMB in cash to the Red Cross Society of China and supports with facial masks, medical alcohol, protection suits and goggles, Roche is closely working with the Chinese health authorities and has donated diagnostic tests, medical supplies and financial support to the affected region. Many other Swiss companies donated as well.

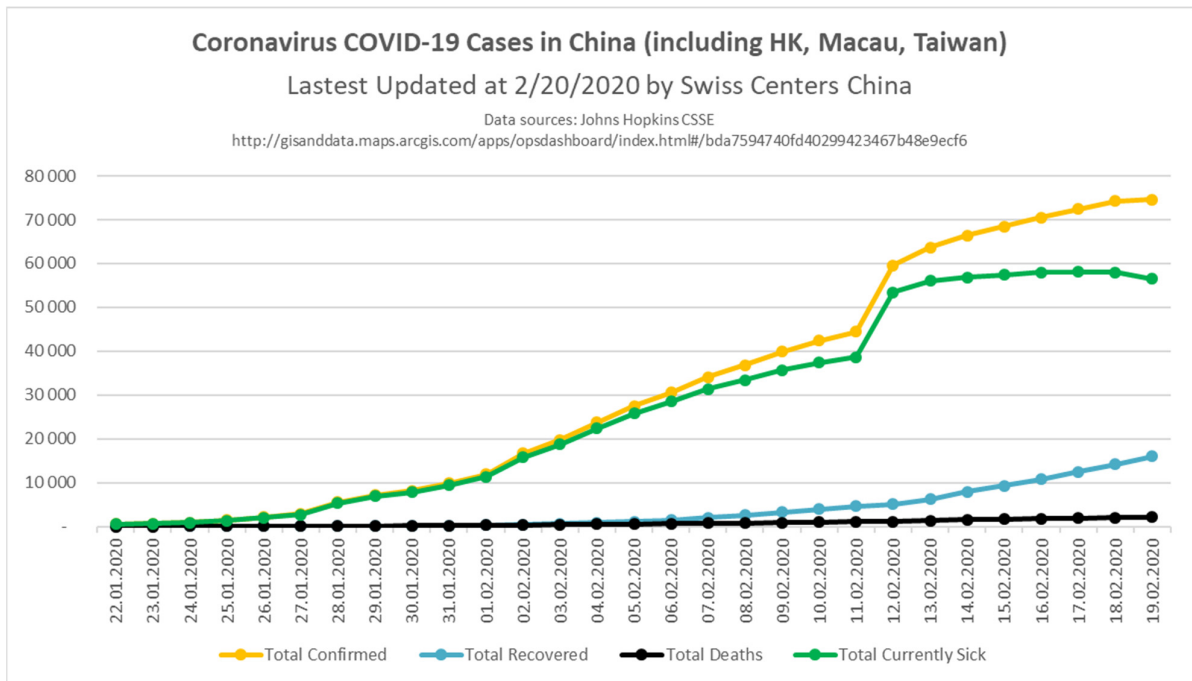
Zhen Xiao, CEO of the Swiss Centers China, explains: “There will certainly be a negative impact on the GDP growth. The service sector, which accounts for more than 50% of China's GDP, has been hit hard. In industrial sectors, some companies may look at alternative suppliers outside of China. On the positive side, we believe that China will come out of this epidemic with some rebound of consumption and the government is already implementing support policies to ease the burden on companies and stimulate the economy.”

Broad stimulus program

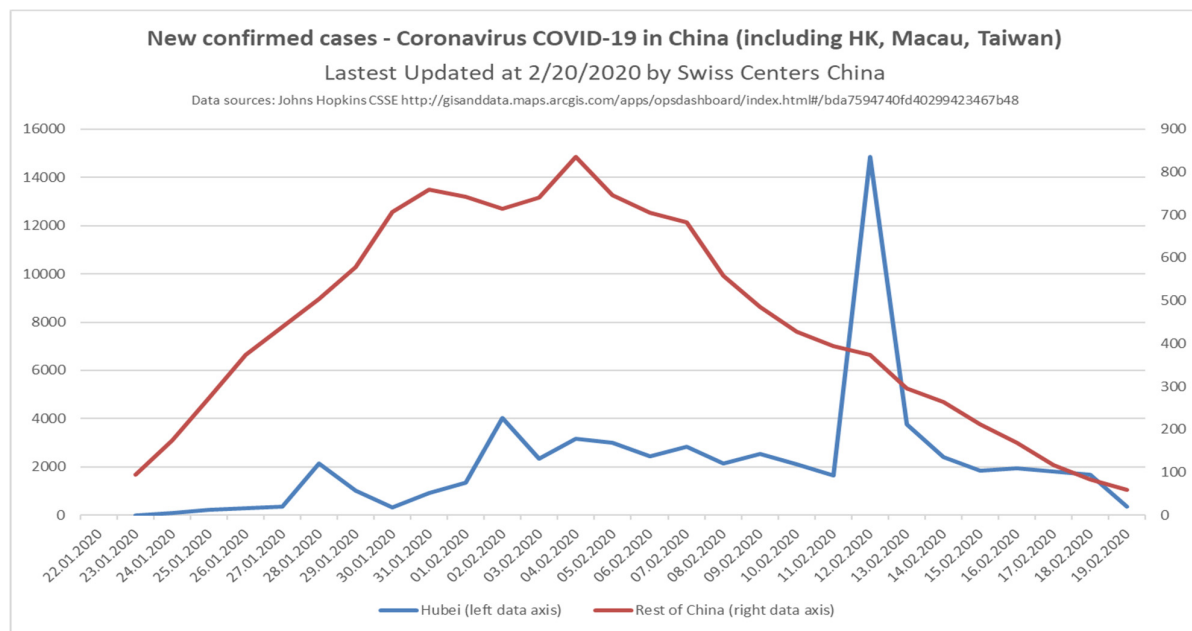
For example, the Shanghai government released comprehensive guidelines on February 8, including 28 policies to ease the burden on businesses through special loans, delay of payment of tax and social welfare, and the waiving of two-month rental fees to SMEs by state-owned properties. Similar initiatives will be implemented nationwide. President Xi Jinping ordered tax cuts to be drafted and put into effect. The start of major construction projects across the country as quickly as feasible was decided. Banks were told to lower interest rates.

“We expect that this broad stimulus program will offset the damage to the economy from the epidemic,” says Mr. Xiao. Nicolas Musy concludes: “This crisis comes after most companies had a bad 2019 due to the trade war and the slowdown in GDP growth. Many SMEs can stand one bad year, but would not survive another one, consecutively. Now it depends on the containment of the epidemic and how well the authorities can boost the economy to catch up with the losses generated in the first quarter. Given that the credibility of the central government is so much at stake, we are optimistic that the economic and anti-epidemic measures will be effective.”

Light at the end of the tunnel?



The drastic measures to combat the epidemic are having an effect: For the first time since the start of the outbreak, the number of patients being discharged from hospitals was greater than the number of new cases reported. Altogether, more than 16'000 patients have recovered, resulting in a decrease of the total number of people who remain sick from the Coronavirus.



Outside of Hubei province, the epicenter of the outbreak, the number of new infections fell for the 16th consecutive day. Mr. Musy: "The steady decrease of new cases outside of Hubei Province since the 4th of February is a first bit of light at the end of the tunnel. Work should be able to restart more or less normally in a matter of weeks in the coastal areas of China, where the vast majority of Swiss investments are located. That is if migrant workers are allowed to go back to their place of work. Besides, in Hubei, with the number of sick people now steady, the health services should be able to hospitalize all the new cases and therefore also slow the rate of new infections."

About Swiss Centers China (SCC): Founded in 2000 as a non-profit, Sino-Swiss, public-private partnership, Swiss Centers China is by far the largest cluster of Swiss enterprises in Asia. With five locations strategically located on the dynamic East coast of China (Shanghai and Tianjin), SCC does not only offer virtual and instant office space as well as ready-to-use workshops and showrooms, but also supports member companies with government relations, technology transfer and a broad network of experts. SCC served more than 300 companies in China – both SMEs and large enterprises. Among others, the Swiss Centers experts have established 30 production companies and more than 50 commercial offices for Swiss companies. SCC also conducts surveys and expert analyses of China's business opportunities and challenges, and at the same time promotes the *Swiss Made* brand and Switzerland as a country for innovation and an industrial leader. For more information, kindly visit: www.swisscenters.org.

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