

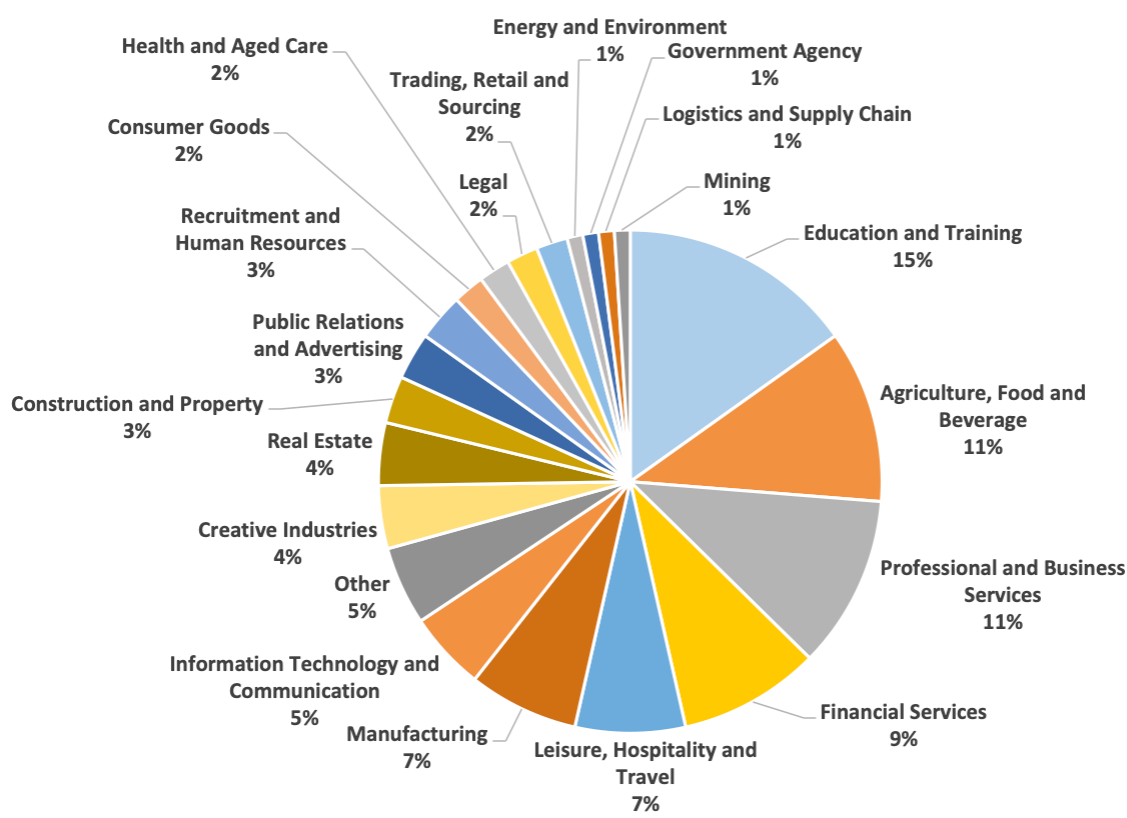
BUSINESS IMPACT OF CORONAVIRUS OUTBREAK

FEBRUARY 2020

EXECUTIVE SUMMARY

It is clear the impact of the novel coronavirus outbreak in China is having a profound impact to business, including the Australian business community. AustCham Shanghai is dedicated to providing members access to timely and accurate information and conducted a spot poll to learn more about the commercial impacts of the coronavirus outbreak. We surveyed 100 organisations across 20+ sectors although the Australian corporate footprint in east China is most dominant across education & training, food & beverage and manufacturing.

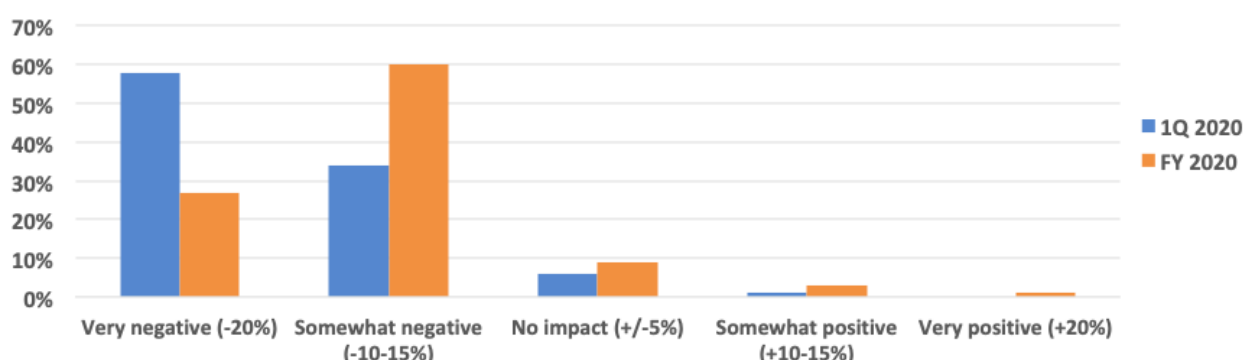
WHAT IS YOUR ORGANISATION'S PRIMARY INDUSTRY?



REVENUE IMPACT

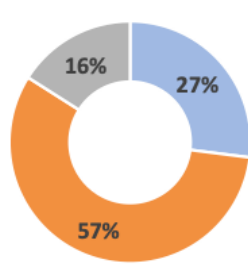
92% of organisations reported that the coronavirus outbreak would have an overall negative impact on their revenue forecasts for the first quarter of this year (57% reported a very negative impact to first quarter revenues of a decrease equal to or greater than 20%). Similarly, 87% of organisations reported that the coronavirus outbreak would have a negative impact on their revenue forecasts for the calendar year 2020. Small to medium sized enterprises in the services sectors are taking the hardest hit in revenue impact. There were less than a handful of businesses bucking this trend, organisations in the grocery retail and crisis management sectors.

CORONAVIRUS REVENUE IMPACT FORECAST



HOW LONG WILL YOUR ORGANISATION FEEL THE EFFECTS OF THE CORONAVIRUS OUTBREAK?

■ Less than 3 months ■ Between 3-6 months ■ More than 6 months



The majority of Australia organisations are reporting varying levels of disruption to normal trading activities and expect the impacts of the outbreak to continue for 3-6 months (57%).

ORGANISATIONAL CONCERNS

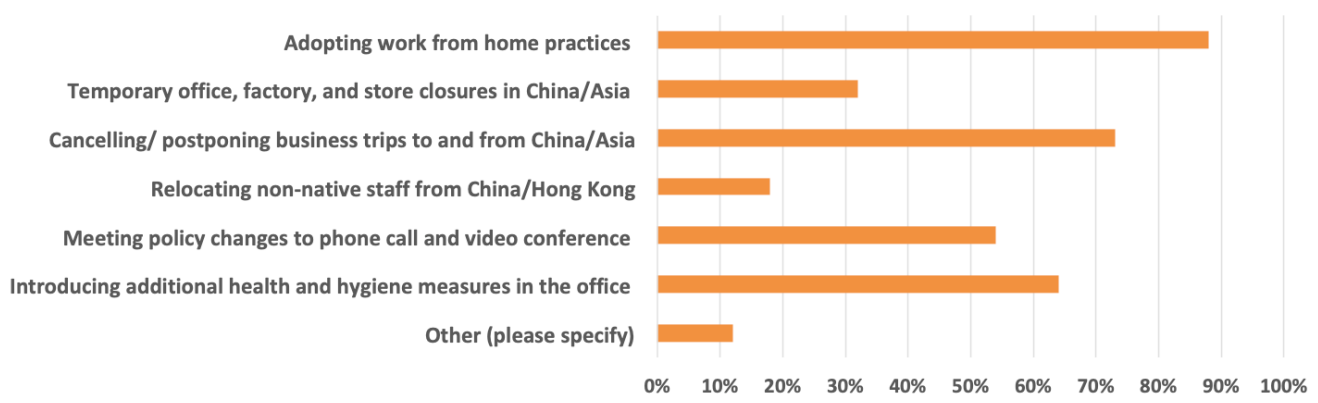
Reassuringly, the largest organisational concern is the safety and health of employees. This was closely followed by operational concerns such as lower sales, higher fixed costs and impacted profitability, cash flow management, supplier dealings and hiring difficulties. Reputational damage for the region was cited (4%) although this may have larger flow on impacts than originally anticipated.

RISK MITIGATION

An overwhelming majority of those who filled out the spot poll did so from their homes (88%), due to the rapid adoption of work from home practices. For those braving the office, 64% of organisations polled have introduced additional health and hygiene measures in the office including daily temperature checks, mandatory mask wearing and hand washing. It is evident from the high rate of work travel postponed/cancelled in the region (73%) and temporary office, factory and store closures (32%), that this part of the world is currently on 'pause' until government authorities can regain control of rising contamination rates.

From a financial risk mitigation perspective, several respondents have requested their staff to take leave without pay or accept half pay for the first quarter of this year.

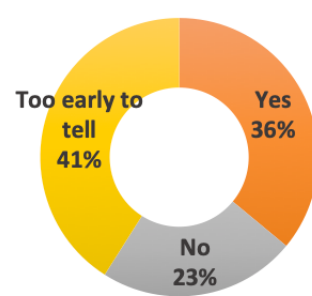
RISK MITIGATION MEASURES



CHINA STRATEGY

36% of respondents claimed to be reviewing their China strategy as a direct result of the coronavirus outbreak. This was largely made up of organisations in tourism, hotel chains and service providers based in mainland China. 41% deemed it too early to tell if strategy review was necessary however if strategy review results in innovation, this is encouraging. Many service based organisations polled are becoming fast adopters of online solutions in the form of webinars, podcasts and new procedures such as online training and courses, to remain connected with their employees and stakeholders.

IS YOUR ORGANISATION REVIEWING ITS CHINA STRATEGY, AS A DIRECT RESULT OF THE CORONAVIRUS OUTBREAK?



GOVERNMENT SUPPORT

32% of businesses polled said they were seeking government support during this difficult time however AustCham Shanghai expects this number to increase once organisations have a better understanding of government support available. At this early stage, government support is in the form of fiscal stimulus, financial, rental and credit support, more direct financing channels, insurance coverage and preferential tax arrangements.

ARE YOU SEEKING ANY SUPPORT FROM THE GOVERNMENT AUTHORITIES DURING THE CORONAVIRUS OUTBREAK?

