ALLIANZ RESEARCH

GLOBAL SUPPLY CHAIN SURVEY

IN SEARCH OF POST-COVID-19 RESILIENCE

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EULER HERMES

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EXECUTIVE SUMMARY

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After the Covid-19 lockdowns disrupted global supply chains and put the concepts of supply-chain resilience and reshoring on every policy-maker's lips, we decided to check the pulse of companies in the U.S., the UK, France, Germany and Italy. We surveyed a sample of high-level executives in 1,181 companies in these countries across six sectors (IT, tech and telecoms, machinery and equipment, chemicals, energy and utilities, automotive and agrifood) about their experiences with disruption and their plans to make their supply chains more resilient. The survey was conducted online from mid-October to early November.

While almost all (94%) companies surveyed reported a Covid-19 induced disruption to their supply chains, U.S. companies stand out, with 26% reporting a "severe disruption" (vs. 17% on average for other countries), as well as companies in machinery and equipment, IT, tech and telecoms and energy and utilities (25% vs. 16% of companies in the chemicals and automotive sectors).

To cope with the crisis, most companies (52%) resorted to hedging through insurance, stockpiling and the search for alternative supply solutions to activate when needed. Companies also engaged actively in a better monitoring and understanding of supply chains. Supply-chain reorganization follows, with four out 10 companies indicating they were already changing some overseas suppliers and moving parts of their production. An average of 32% of respondents indicated they are increasing ESG due diligence on suppliers to mitigate the disruption in supply chains. In addition, 57% of highly digitized companies (reporting six to eight different digital activities) searched for potential hedges compared to just 43% of the less digitized ones (reporting zero to two digital activities), suggesting their higher agility and proactivity when the crisis hit.

While 55% of companies surveyed are considering looking for new suppliers in the next six to 12 months, and 62% are considering it in the long-term, in a third of the cases they are looking at countries already in their top three existing supplier locations. In fact, 20% of companies surveyed consider finding new suppliers at home, which is more than any other country. The Covid-19 crisis does not mean the end of the Chinese supplier, which remains the most popular outside local suppliers, likely due to the search for cost-effectiveness in times of great uncertainty and after an unprecedented shock. "Improving margins" is cited as the most popular reason to look for a new supplier.

Will Covid-19 mark the beginning of the end of globalization? Not so fast: Less than 15% of companies consider reshoring. But when aggregating responses, we find around 30% of companies favor nearshoring i.e. bringing production to a nearby country (particularly if it's part of the same customs union or Free Trade Agreement). Companies are divided on the reasons for this choice, from finding better quality suppliers, increasing turnover and margins to reducing delays and better managing inventories. One third of French companies mention a desire to create jobs at home.

What does this mean for global trade? Resilience strategies will be multifaceted as competing dynamics shape international production and the demand for protection increases. What will drive supply-chain decisions? Traditional issues such as production costs, quality and transportation issues and investment costs. For instance, if reshoring, 40% of companies surveyed would pass costs along to customers. Multi-shoring or diversification is also on the agenda, but companies are also worrying about environmental risk, potentially announcing more scrutiny and streamlining of supply chains on the basis of ESG criteria.

What does this mean for policymakers? Governments have a role to play in boosting domestic supply-chain resilience. But there is no miracle drug and companies' responses are split across different policy measures, which underlines the multifaceted future of international production. In the UK, supply-chain worries related to Brexit are self-evident, with companies concerned about cost-competitiveness: 51% mention Free Trade Agreements in their top three measures to boost resilience. In France, the focus is on labor market flexibility and R&D investment to assert the country's place in global value chains, while in Italy companies are concerned about domestic tax incentives to enhance attractiveness.

Less than 15%

of companies consider reshoring production

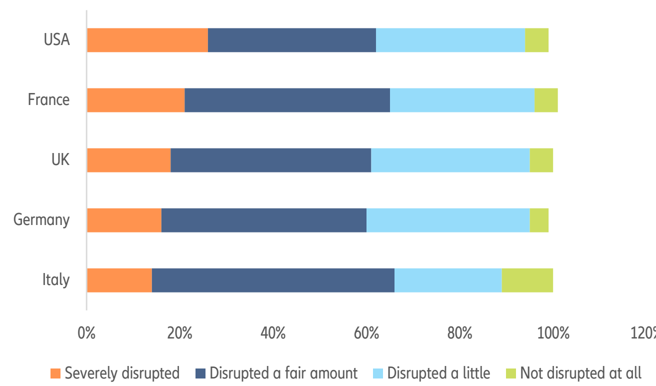
HOW ARE COMPANIES COPING WITH SUPPLY-CHAIN DISRUPTIONS AFTER COVID-19?

One out of two companies reported coping through hedging strategies (insurance, stock-piling, alternative supply solutions).

94% of companies we surveyed in the U.S., the UK, France, Germany and Italy reported a Covid-19 induced disruption to their supply chains, with one out of five reporting a "severe disruption", including highly digitized ones. U.S. companies stand out as 26% reported a "severe disruption" (vs. 17% on average for other companies); this is in line with the higher share of IT and tech and telecom companies in the U.S., which are highly integrated in global supply chains. When it comes to sectors, 25% of companies in machinery and equipment, IT, tech and telecoms and energy and utilities faced disruption (vs. 16% of companies in the chemicals and automotive sectors). Agrifood's regional value chains and its relative resilience during the lockdowns (as one of the only sectors not shut down) explain why it was less disrupted.

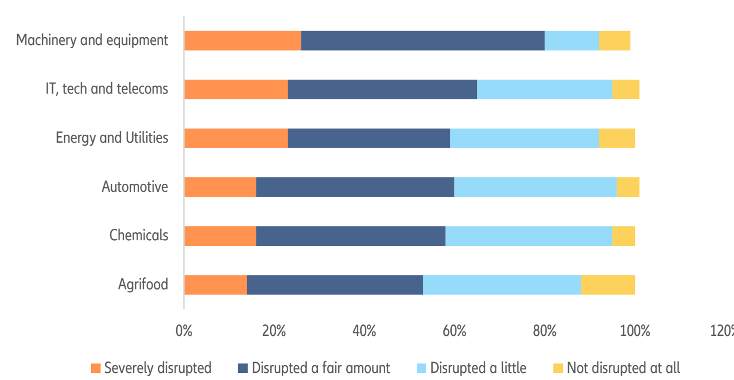
How did companies react to this disruption? Hedge and monitor first, then reorganize and "green" the supply chain. Most companies (52%) resorted to hedging through insurance, stock-piling and the search for alternative supply solutions to activate when needed. Companies also engaged actively in a better monitoring and understanding of supply chains. Supply chain reorganization follows as the next priority, with four out 10 companies indicating they were already changing some overseas suppliers and moving parts of their production. An average of 32% of respondents indicated they are increasing ESG due diligence on suppliers to mitigate the disruption. U.S. companies embraced ESG due diligence significantly more than all other companies in our samples (see Figure 3).

Figure 1: Share of respondents having experienced a supply-chain disruption, by country of main location



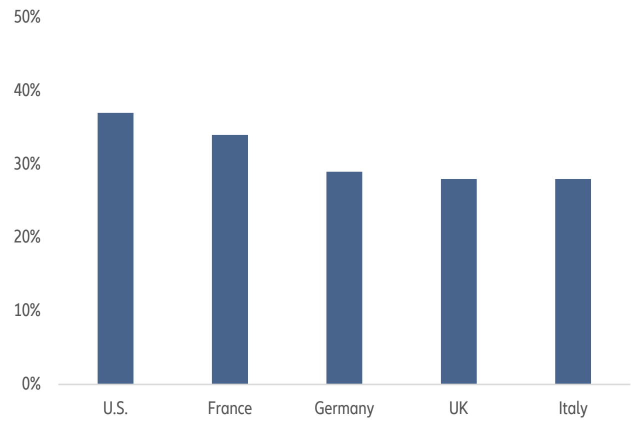
Source: Euler Hermes Global Supply Chain Survey

Figure 2: Share of respondents having experienced a supply-chain disruption, by sector



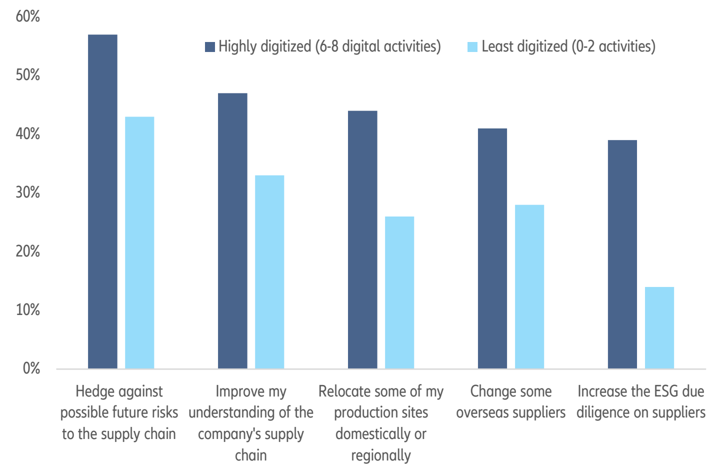
Source: Euler Hermes Global Supply Chain Survey

Figure 3: Share of respondents increasing their ESG due diligence on suppliers to mitigate supply-chain disruptions



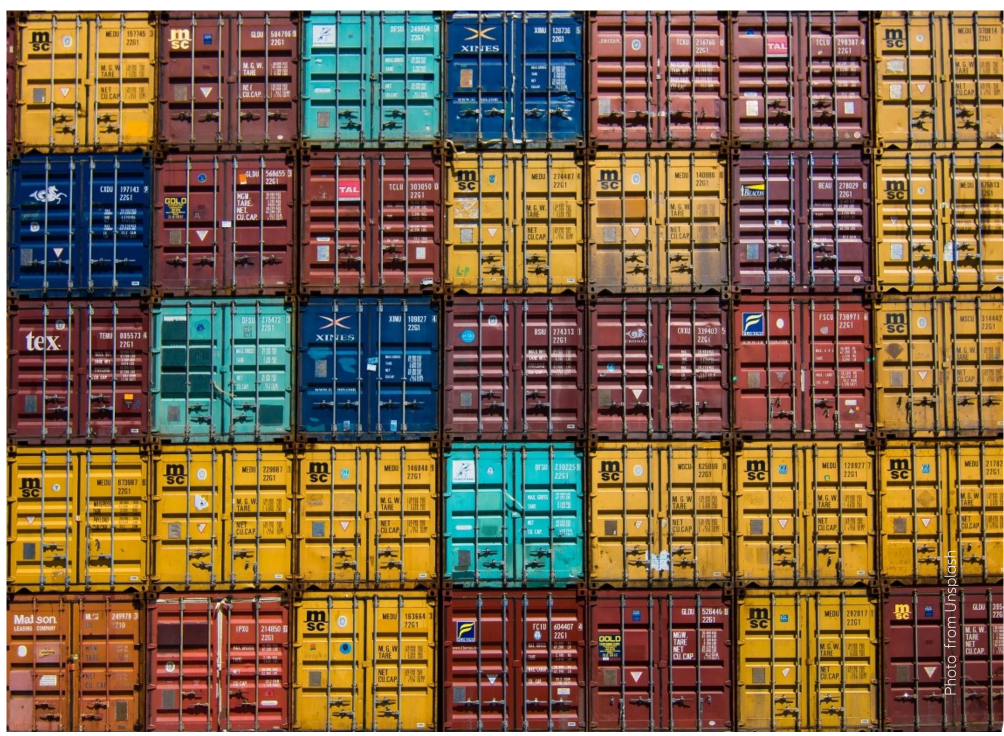
Source: Euler Hermes Global Supply Chain Survey

Figure 4: Coping mechanisms, by level of digitization



Source: Euler Hermes Global Supply Chain Survey

The digital edge: highly digitized companies (reporting six to eight different digital activities[1]) took significantly more actions to mitigate supply-chain disruptions than less digitized ones (reporting zero to two digital activities), likely because of their higher agility and proactivity when the crisis hit. For instance, 57% of highly digitized companies searched for potential hedges (insurance, stockpiling etc.) vs. 43% of the least digitized ones. In addition, 47% mentioned they were improving their understanding of their supply chains and 39% reported increasing due diligence on suppliers (vs. 33% and 14% of the least digitized ones, respectively).



[1] Digitization: we asked companies to select all their digital activities from a list of eight to assess their level of digitization. The more activities they selected, the more digitized we estimate they are. The activities are: use of software to monitor production or other activities, use of software to facilitate collaborative work, use of cloud computing, use of artificial intelligence, use of big data, use of social media to recruit employees, E-commerce, electronic invoicing.

WILL COVID-19 MARK THE BEGINNING OF THE END OF GLOBALIZATION?

No massive support for reshoring, but many companies looking to find new suppliers at home and to nearshore their production

Throughout the survey we asked companies about (i) their suppliers and (ii) their production sites. The chart below defines the terms we use to describe companies' decisions.

In the next six to 12 months, 55% of companies surveyed are considering looking for new suppliers, and 62% consider it in the long-term. But in one third of the cases, they consider moving suppliers to countries that are already in their top three existing supplier locations. This explains why Australia, Canada, Austria, Belgium, Brazil, Spain, Denmark and India are among the most attractive countries.

Companies would prefer looking for new suppliers at home: on average 20% in our sample consider doing so, and the U.S. is the most economically "patriotic." Yet we find it is not the end of the Chinese supplier, which remains the most popular outside local ones. This could be due to the search for cost-effectiveness in times of great uncertainty and after an unprecedented shock: "improving margins" is cited as the most popular reason to look for a new supplier. Only one out of five companies mention the desire to create jobs at home.

Around half of companies surveyed consider moving their current production sites in the medium to long term. The picture is more nuanced for this decision, which implies higher costs and is more strategic than the decision to look for new suppliers. 52% of companies surveyed are considering moving their production in the medium-term or in the long-term (54%). Yet the dispersion is greater across countries and sectors. Less than four out of 10 UK companies consider moving their production in the long-term vs. close to seven out of 10 U.S. companies. As for sectors, machinery and equipment companies most likely to consider moving their production, while energy and utility and agrifood companies the least likely.

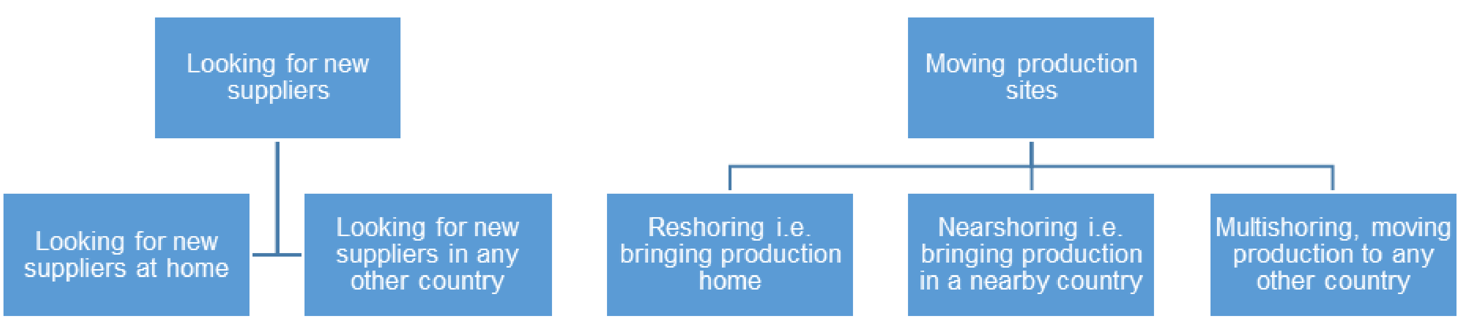
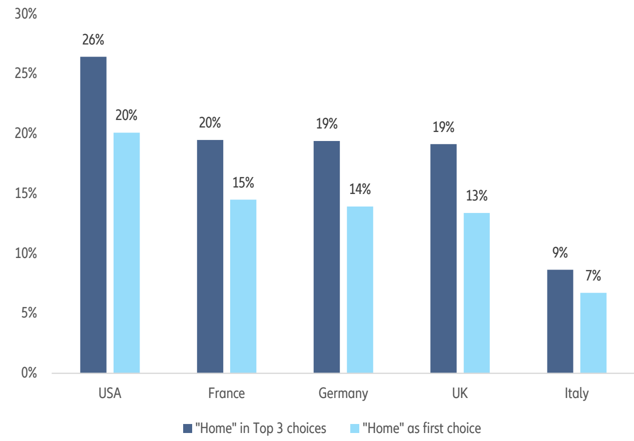


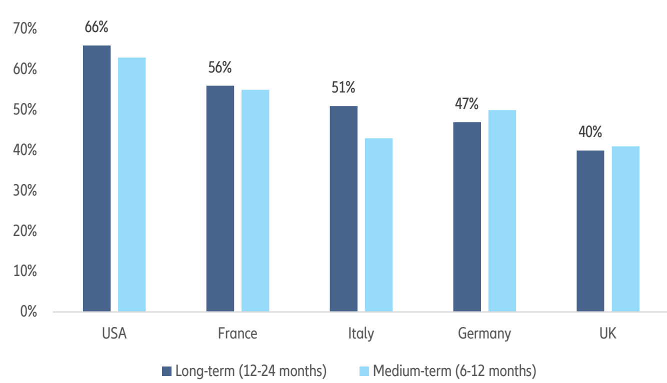
Figure 5: Share of companies aiming to find suppliers at home, % of total companies per main country location



Source: Euler Hermes Global Supply Chain Survey

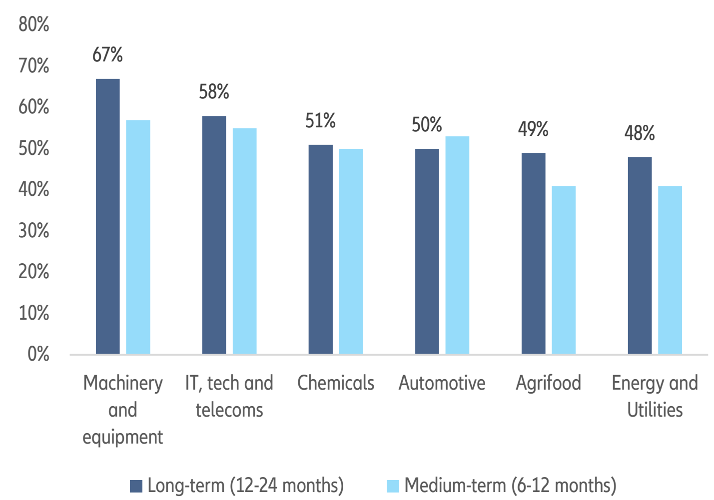
Yet less than 15% of companies consider reshoring (bringing production back home). When aggregating responses, we find around 30% consider nearshoring, i.e. bringing production to a nearby country (particularly if it's part of the same customs union or Free Trade Agreement). Excluding each country's main location, the most attractive markets overall were China, followed by Australia, Canada, France, Belgium and the UK. These destinations are not surprising as they coincide with existing locations of current production sites for companies in our sample. Companies are divided on the reasons for this choice, from finding better quality suppliers, increasing turnover and margins to reducing delays and better managing inventories. One third of French companies mention their desire to create jobs at home.

Figure 6: Share of respondents considering moving their production, by country (no destination specified)



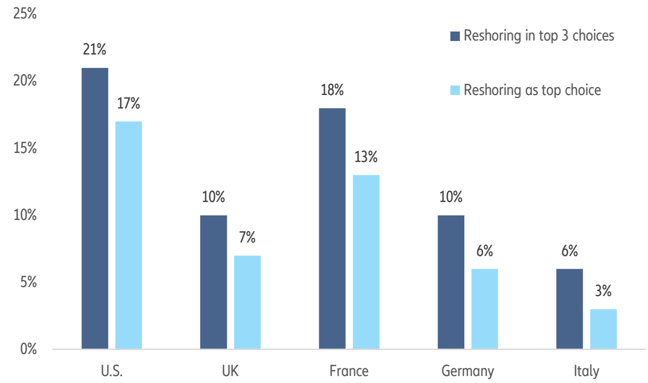
Source: Euler Hermes Global Supply Chain Survey

Figure 7: Share of respondents considering moving their production, by sectors (no destination specified)



Source: Euler Hermes Global Supply Chain Survey

Figure 8: Share of companies considering reshoring, by current main country location



Source: Euler Hermes Global Supply Chain survey

Table 1: Share of companies with more than 25% / 50% of their production outside their main location

Share of companies with more than 25% of their production outside their main location				
US	UK	France	Germany	Italy
77.1%	77.0%	80.5%	70.1%	71.2%
Share of companies with more than 50% of their production outside their main location				
US	UK	France	Germany	Italy
35.3%	27.8%	33.5%	19.4%	35.6%

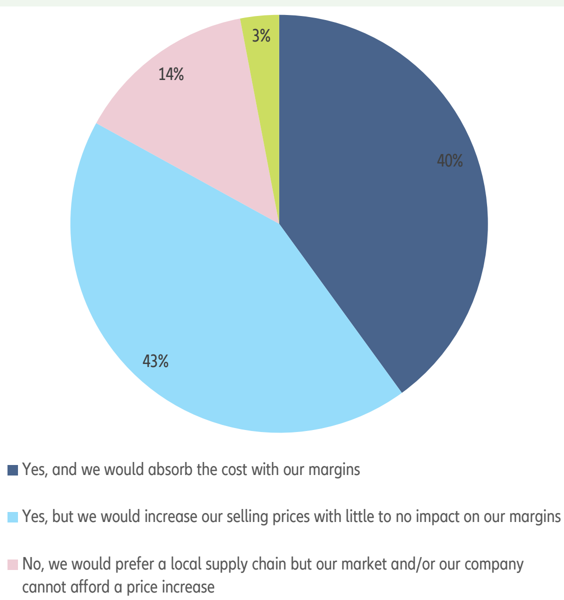
Source: Euler Hermes Global Supply Chain survey

The distribution across companies also depends on the sample. There are significantly fewer German companies with a high share of production outside Germany, which could also explain why a lower share of German companies are considering reshoring.

What would producing domestically mean? 83% of companies surveyed are willing to incur higher costs to produce domestically, but half of those (i.e. four out of 10 surveyed) would absorb the cost with their margins, while the other half would pass the cost along to customers, hence raising their prices.

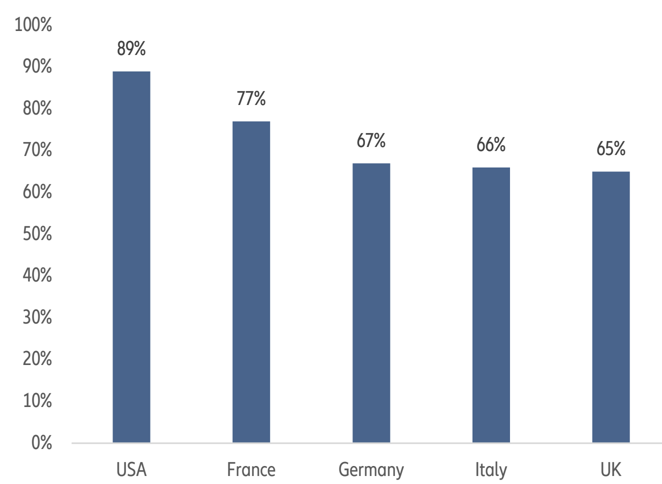
In general, companies believe three quarters of their customers are ready to pay more for domestically produced goods, mostly in the U.S. (89%) and in the IT, tech and telecoms sectors (87%). This belief is shared the least in the UK (65%) and chemicals sector (60%).

Figure 9: Share of companies willing to incur higher costs in order to produce goods domestically



Source: Euler Hermes Global Supply Chain Survey

Figure 10: Share of companies that believe the customer will pay more for goods produced domestically



Source: Euler Hermes Global Supply Chain Survey

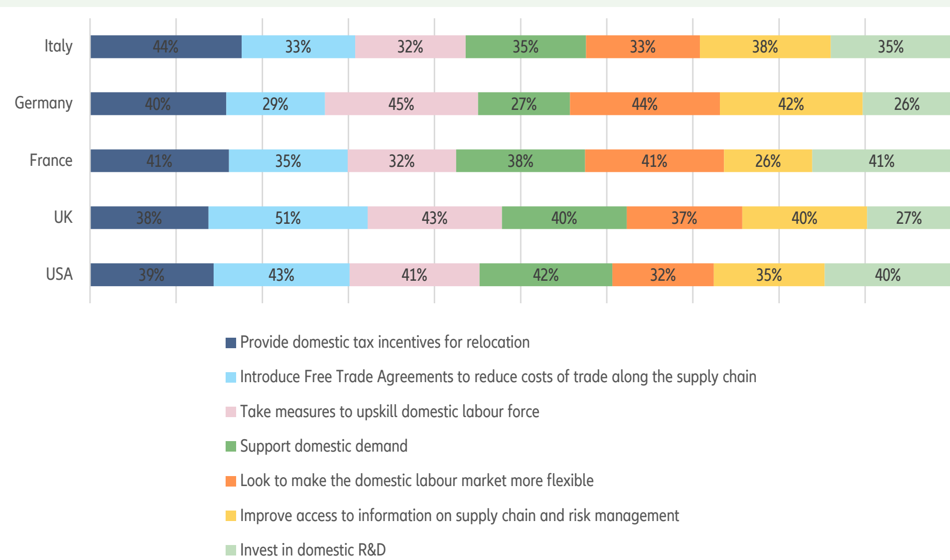
WHAT DOES THIS MEAN FOR GLOBAL TRADE AND POLICYMAKERS?

An increasing demand for protection and a multifaceted resilience strategy are the post-Covid-19 game-changers, and governments have a role to play in boosting domestic supply-chain resilience.

Traditional issues such as production costs, quality and transportation issues and investment costs will continue to drive supply-chain decisions. Other operating costs and labor availability and skills also come back quite often in responses. However, when looking at country results, we do note differences across the board. In the U.S., companies are relatively more concerned than in other countries about the quality of domestic suppliers should they switch to a U.S.-based supplier or reshore their production (due to the sample bias towards highly competitive industries from a quality and innovation perspective), as well as cost issues. In the UK and Italy, in contrast, initial investment costs seem to be the main challenge while in France labor availability and skills are a bigger worry. German companies seem to be more concerned with labor costs. This has potential public policy implications. Should governments choose to incentivize reshoring, their policy focuses ought to be different.

In fact, governments have a role to play in boosting domestic supply-chain resilience. But there is no miracle drug, and companies' responses are split across different policy measures, which underlines the multifaceted future of international production. 17% of companies that are not planning structural shifts in their supply chains mention that the most effective measure to improve resilience would be tax incentives to help companies bring some production back home and attract new companies. 15% mention measures to upskill the domestic labor force and access to information on supply chain and risk management. A look at country-level responses is more helpful here. In the UK, supply-chain worries related to Brexit are self-evident as 51% of companies mention Free Trade Agreements in their top three measures to boost supply-chain resilience, the highest share across the board. For companies in France, the focus seems to be on labor market flexibility and R&D investment to assert the country's place in global value chains. And in Italy the focus is on domestic tax incentives to enhance attractiveness.

Figure 11: Which of the following would be most effective at improving the resilience of supply chains in your country?



Source: Euler Hermes Global Supply Chain Survey

COUNTRY FOCUS:
U.S., UK, GERMANY, FRANCE, ITALY, CHINA

In the U.S. supply chains are caught up in the political debate

U.S. companies were particularly disrupted by the Covid-19 crisis: With on average around 44% of production and suppliers located outside the country[2], one company out of four reported a severe disruption (26%) in the U.S., compared to one out of five in the global sample. This could be explained by the high representation in our sample of U.S. IT and telecom companies as well as the auto industry, which are highly integrated in global supply chains and interconnected with China, Mexico, Canada and Europe, making them more sensitive to any potential disruption.

Environmental risk matters more to U.S. -based companies: While production costs and production quality problems are among the main risks perceived by U.S. companies, environmental risk/ natural disaster appears more often in the U.S. based companies' top three risks than in the other countries surveyed (28% vs around 20% on average for non-U.S. companies). Awareness of environmental issues has significantly increased over the last year in the U.S. and it was a key differentiator between the two candidates in the Presidential elections. The number of times that the keywords "U.S. climate" appeared in the media has more than doubled under Donald Trump's presidency compared to Barack Obama's. At the same time, adverse climate events have significantly increased in the U.S., with for instance a record high 3.2 million acres burned in 2020 because of wildfires. In this context, it seems logical to observe a higher sensitivity to environmental risk.

Reshoring is most popular for U.S.-based companies: First, the share of U.S. companies considering finding new suppliers and moving production sites in the medium and in the long-term is consistently and significantly higher than in all other countries in the survey. When looking at companies considering moving their production sites (54% of the sample), reshoring gathers a maximum of 32% support in the U.S. (vs 22% in average for other countries). This means between 17% and 21% of companies in our sample of 363 U.S. companies consider reshoring. This higher determination in reshoring could be linked to U.S. trade policy as protectionist initiatives aiming at reducing dependence on other countries, in particular China, were a pivotal element of U.S. economic policy over the last four years. Given the fact that it is a bi-partisan priority to re-shore industrial activities, it is no surprise to see the reshoring trend more pronounced among U.S. business leaders. Reshoring was already an objective of Barack Obama's administration.

Quality concerns prevalent for U.S. companies: 28% of U.S. companies that would consider moving their production sites rank finding better quality suppliers in their top three reasons for doing so. This makes the U.S. the most "quality concerned" (7pp above the other countries' average). Highly competitive products make the largest share of U.S. respondents (IT, tech and telecoms), which explains a big concern for quality (i.e. non-price competitiveness), just like in Germany. We have to put this in perspective with the so-called rule of origin, which was attached to the signature of the USMCA in 2018 and required North American content to represent 75% of the value-added contained in each vehicle produced by American companies. Political debates in the U.S. both under Barack Obama's Buy American provision of the American Recovery and Reinvestment Act (2009) and the "Made in the USA" strategy of Donald Trump were constantly dominated by considerations related to the high quality of U.S. products and the unfair practices of international partners, again with a focus on China. At the same time, the U.S.'s positions at the front of the world's technological frontier and at the top in terms of GDP per capita, implies a natural preference for higher quality when dealing with external partners

[2] 9% of U.S. companies surveyed report having more than three quarters of their production outside their home country, the highest in our sample.

Photo from Unsplash

UK: Responses highlight "Global Britain", but Brexit-related risks and policy preferences stand out

A Global Britain? No clear-cut preference for UK-based production: Companies considering moving their production in the medium to long-term appear to have no clear-cut preference for reshoring. 7-10% of all UK companies surveyed might consider reshoring in the medium or long-term, which is lower than the U.S. and France but higher than Italy. UK companies are relatively indifferent between moving production to China, France, Germany or the UK. However, UK companies would significantly prefer moving production to France than their U.S. or German counterparts, signaling the will to maintain business ties with their French continental neighbor. In a context of the exit from the EU Customs Union and Single Market, UK companies look for strengthening their local presence within the EU, having easier access to the EU market and avoiding transportation costs and tariffs. Being closer to the EU main ports would also reduce their logistical hurdles for exports outside the EU.

Brexit everywhere? From the love of the Chinese supplier to fear of delays and better inventory management to a broad support of FTAs.

- UK companies are most likely to consider Chinese suppliers: 30% of UK companies would consider switching to Chinese suppliers in the medium to long-term, vs. 21% considering French suppliers and 24% considering German suppliers. In comparison, only 12% of U.S. companies would consider Chinese suppliers, 18% of Italian companies and 14% of French companies. This is in line with the post-exit strategy of the UK of lowering its global import tariff by -2.2pp to 2.8%, the second lowest tariff among G-20 countries after Australia. These new tariffs will apply to imported goods from countries with which the UK will not have a Free Trade Agreement (FTA) on 01 January 2021
- The fear of delays: When asked about the reasons for considering changing the location of their suppliers, 35% of UK companies mention reducing delays and better managing inventories among the top three risks, vs. 21% on average in other countries. Delays in terms of transportation time are expected post Brexit and estimates from Imperial College London point to the fact that two extra minutes of additional controls at the border (in addition to the current two minutes) would translate into 32km of queues, or more than triple the existing ones, leaving drivers waiting almost five hours on the route. Hence, delays in transportation and additional costs would imply that UK companies would need to manage even better their stocks to avoid future production interruptions.
- A message to policymakers: When asked what measures could improve the resilience of UK supply chains, more than one out of two UK companies mention the introduction of Free Trade Agreements to reduce costs of trade along the supply chain, vs. 35% of respondents from other countries. This shows that companies are eager to return to international trade conditions as favorable as when the UK was in the EU.

Germany: Concentration risk is a higher concern for German companies

28% of German companies put concentration risk among their top three risks to production sites, a significantly higher share than French, U.S., UK and Italian companies. This can be explained by the current organization of German companies' supply chains: in our sample, 76% of German companies report having less than half of their suppliers located outside the country vs. 65% on average for other countries.

Where do German companies want to find new suppliers/move production sites? When asked about reshoring, only 6-10% of German companies are considering such a move in the medium to long term. It's interesting to note that Germany is similarly attractive to UK and Italian companies as it is to German companies. When asked about countries German companies would prefer moving their production to/or finding new suppliers in, Austria gathers more support than it does from U.S., UK, French and Italian companies. This is likely because German companies already have a third of their non-German suppliers in Austria.

Innovation matters more for German companies when choosing suppliers: 30% of German companies mentioned "the country has a reputation for being innovative and having an environment fostering innovation" in their top three reasons behind choosing supplier locations. The share is 20% on average for all other countries. This is in line with Germany's historical competitiveness strategy, which focuses on quality and not cost.

Reshoring would mean a price increase for one out of two German companies: 1 out of 2 German firms has stated that selling prices would increase if domestic production meant a higher cost (like in France but vs. 37% in the U.S.)

France: Supplier bankruptcy risk is a higher concern and companies reporting higher likelihood of considering reshoring

When asked about the main risks to their supply chains, 30% of French companies put supplier bankruptcy risk among their top three, vs. an average of 20% in other countries. French companies have historically had lower profit margins and higher debt ratios compared to companies in the other large Eurozone countries and the outbreak of the Covid-19 crisis has made things worse: profit margins of French companies took the largest hit, declining from a gross operating surplus of 33.3% Q4 2019 to 27.8% in in Q2 2020. At the same time, because of their tight cash positions, French companies have made extensive use of state-guaranteed loans (around EUR120bn take up). Consequently, the debt to GDP ratio of non-financial corporations has soared dramatically from 73.4% in Q4 2019 to 84.7% in Q2 2020. In comparison, debt to GDP ratios of NFCs rose to 44.1% in Germany, 68.2% in Italy and 69.1% in Spain in the same period. Such specificities could help explain why French companies worry more about supplier bankruptcy risk.

After U.S. companies, French companies report the highest likelihood of considering reshoring: Between 13% and 18% of French companies consider reshoring in the medium to long-term, vs. between 3-6% in Italy and 6-10% in Germany. Out of those considering moving production, 28% mention creating jobs at home, the highest share among all countries (17% in the U.S., 15% in the UK, 10% in Germany and 16% in Italy). French companies, along with Italian companies, also appear to care more about government incentives for moving for specific sectors than U.S., UK and German companies.

When asked what policy measure would help boost the domestic resilience of supply chains, French companies that are not considering moving their production fail to converge towards a single solution: interestingly, tax incentives, investment in R&D and greater labor market flexibility appear for 41% of respondents. The French stimulus plan should help address some of these concerns as it allocates EUR35bn to the development of innovative industries and the enhancement of international competitiveness. The reduction in production taxes of EUR10 billion in 2021 and 2022 is also an important step towards improving the attractiveness of France. The stimulus package also earmarks EUR150mn to industrial projects led by municipalities, EUR40mn for strengthening the resilience of the value chains in 'strategic' sectors and EUR40mn to support innovative industries and modernize its value chains. However, in view of the elevated unit labor costs in France, these amounts should not trigger a dramatic U-turn in companies' production and massive reshoring.

The other attractive countries according to French companies are Belgium, China, the UK, Australia and the U.S. (to find suppliers), and Belgium, China and Germany (to move production sites). Algeria is also mentioned by 8% of French respondents, much higher than by any other countries.

Who will pay? 77% of French companies believe customers are willing to pay more for domestically produced goods, a significantly higher share than for the UK, Germany and Italy (around 2/3) but lower than in the U.S.) This result is reaffirmed by a 2018 IFOP survey, which showed that three quarters of French consumers would be willing to pay more for a "Made in France" product.

Italy: Rising production costs matter more, and attractiveness is the biggest concern

Although the increase in production costs appears to be the main risk to the supply chain for most companies in our sample (33% of companies put it among their top three risks), Italian companies seem to be the most concerned about this issue, with 40% of the respondents ranking it in their top three. As Italian companies in our sample reported 57% of their production sites located domestically, this result might be related to the perception of a long-term trend of wages growing faster than productivity.

Attractiveness is the biggest Italian concern: 43% of Italian companies would consider moving their production sites in the medium term as a result of Covid -19, which is almost 10pp below the 52% on average of the other countries surveyed. In fact, over the total sample, only 3-6% of companies are considering reshoring, which is significantly lower than the 10-15% average across the sample. China seems to be a more attractive country for moving Italian production sites, followed by France. This could be related to the perception of structural weaknesses in the areas of infrastructure and education in Italy. Here, however, considerable regional differences are likely to exist. But there might also exist concerns regarding the efficiency of public administration and the political system. The fragile banking sector can also be a reason, especially for smaller companies in particular, to avoid expanding actively in Italy. Finally, a relatively elevated corporate tax rate (standard rate of 24%, incl. trade and subnational taxes 27.9%) could also be part of the explanation. When surveyed about policy measures to make the domestic supply chain more resilient, 44% of Italian companies that are not willing to move production sites overwhelmingly support domestic tax incentives to make local production more attractive.

China: It's not the end of the Chinese supplier

China appears in the top three for 18% of the surveyed companies considering changing suppliers. First, this suggests a preference towards a "continuation" of current supply chain dynamics: many companies already have suppliers in China and so it remains an attractive choice. One other explanation is that companies are continuing to search for cost-effectiveness in times of great uncertainty and after an unprecedented shock; "improving margins" is cited as the most popular reason to look for a new supplier. But this also means that such companies would be vulnerable to a reflation shock from China: indeed, 33% of total companies state that the risk posing the greatest threat to supply chains is increased costs, tied with issues with quality of production. While China's trend of rising labor costs is likely to continue in the long-term, authorities aim to improve the productivity and quality of local manufacturing bases. As part of China's dual circulation strategy, maintaining export market shares remains one of the country's long-term goals.

Which countries find China attractive when looking for new suppliers? Companies based in Germany, Italy and the UK mention China as their first choice significantly more than companies based in France. But the UK stands out: 30% of UK companies that are considering changing suppliers mention China in their top three, which is significantly higher than in the U.S. (12%), France (14%) and Italy (18%). When we exclude companies who selected their main country location, UK companies' appeal for China is even more apparent.

Which sectors find China attractive when looking for new suppliers? Companies in the automotive sector mention China significantly more than companies in chemicals, IT, tech and telecoms.

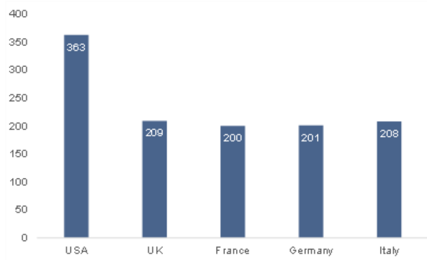
Companies that are highly digitized are significantly more likely to look for suppliers in China (as a top choice) than companies that are relatively not digitized. This could be put in the context of the fast digitalization drive that China has been experiencing in the past few years. Our proprietary Enabling Digitalization Index ranked China at the 9th position out of 115 countries in 2019, and the 3rd in the Asia-Pacific region (after Singapore and Japan).

China as a relocation destination, provided supply chains are stable: companies who saw little disruption to their supply chains or "a fair amount" of disruption are more than three times more likely to consider China as a relocation destination than those who experienced a severe of significant disruption. China remains an important offshore base for manufacturing: 21% of companies in our survey have listed China in their top three countries where production sites are based (excluding their main country of location). Global companies could continue to consider establishing production sites in China to provide for the country's large and growing domestic demand, and as authorities continue to loosen regulatory restrictions in order to attract foreign direct investment.

Photo from Unsplash

<u>APPENDIX</u>: DESCRIPTION OF THE SAMPLE

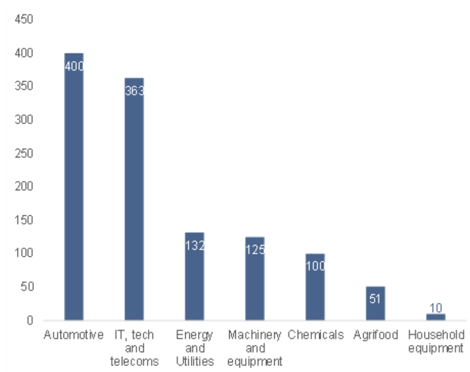
Distribution of companies by country of main location (total = 1181 respondents)



Source: Euler Hermes Global Supply Chain survey

The survey was conducted among 1,181 companies in five countries: Italy, France, Germany, the UK and the U.S.

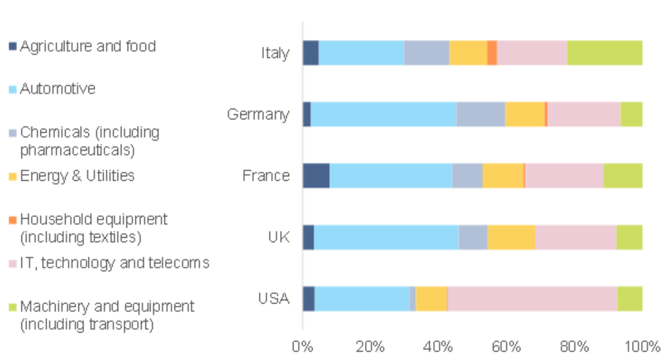
Distribution of companies by sector



Source: Euler Hermes Global Supply Chain survey

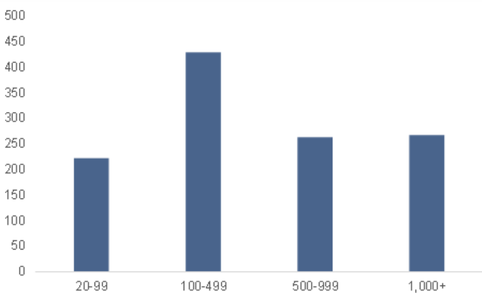
We have refrained from interpreting data on household equipment due to the small representation in the sample.

Share of companies by sector, for each country of main location



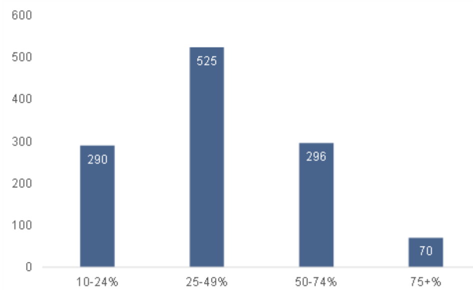
Source: Euler Hermes Global Supply Chain survey

Distribution of companies by size



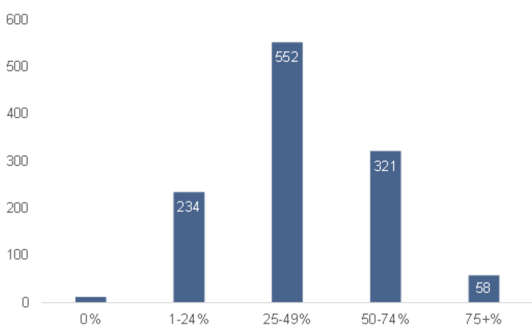
Source: Euler Hermes Global Supply Chain survey

Distribution of companies by share of international turnover



Source: Euler Hermes Global Supply Chain survey

Distribution of companies by share of international suppliers



Source: Euler Hermes Global Supply Chain survey

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