

# How Coronavirus Could Impact Global Supply Chain

We gathered some ideas from leading multinational corporation executives, supply chain experts, economists on trends and impacts from the virus outbreak.

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## Unexpected Disruptions

- 1 Shortages of components and raw materials worse than expected  
94% of the Fortune 1000 are seeing coronavirus supply chain disruptions.

Source: Fortune

- 2 China's manufacturing shut down, global supply chain in peril  
Smartphone makers in China are expected to ship 64m fewer devices in H1 2020.

Source: IDC

- 3 Industries outside China still tangled in its supply chains  
From garment makers in Bangladesh to electronic assemblers in Vietnam, industries still rely on importing semi-finished products from China.

Source: WTO, AmCham Vietnam

### Significant challenges of US companies in China



Source: AmCham China

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## Lessons Learned

- 1 Some vital products heavily dependent on single country  
The top 3 countries for hard-to-replace products are China (8%), the U.S. (13%) and Germany (13%), according to a research in 2014.

Source: IMF

- 2 Too many eggs in one basket  
163 of the Fortune 1000 have tier 1 suppliers in China's coronavirus-infected area, while 938 have tier 2 suppliers, which feed the first tier.

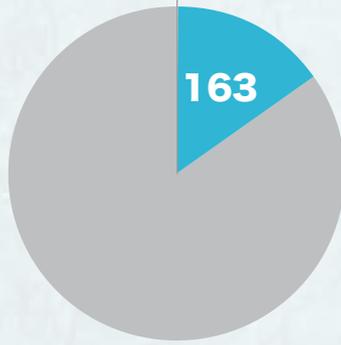
Source: Dun & Bradstreet

- 3 Global manufacturing has been running too lean, in disregard of risks like earthquakes, epidemics and other disasters  
In the 1980s, \$440 million worth of auto parts serve as backup in Chrysler's warehouse; and now the figure is less than \$50 million.

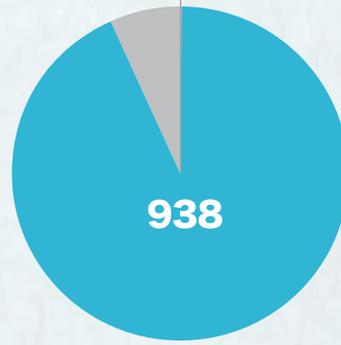
Source: Chrysler Corp

Creating inventories is expensive, but natural disasters are relatively rare. Besides, CEOs are judged on quarterly results.

### Fortune 1000's Supplier Exposure to the Covid-19



have tier 1 suppliers impacted



have tier 2 suppliers impacted

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### Possible Trends

**1** Diversification inevitable, in case of contingent crises  
“The globalization of putting everything where production is the most efficient, that is over.” said Joerg Wuttke, the president of the EU Chamber of Commerce in China.

Source: European Union Chamber of Commerce in China

**2** Supply chains related to public health or national security tend to be localized. China dominates sector of the active pharmaceutical ingredient at a percentage of more than **80%**. For some antibiotics and antipyretics, the figure is **100%**.

Source: EIU

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### Will China be replaced?

**1** Struggling effort to find a comparable amount of robust infrastructure and adaptable labor force  
China still manufactures the overwhelming majority of the world's smartphones for Apple and others, even as Vietnam and India gain ground.

Source: IDC

**2** China not only “makes”, but also “consumes”  
To avoid the uncertainty of tariffs, American companies (**35.3%**) are increasingly adopting a “in China, for China” strategy and expand production in China.

Source: AmCham China

#### Global Smartphone Manufacturing by Country

