**BusinessEurope updated assessment of COVID-19 impacts on European businesses**

1. **Main problems reported by companies that are common across different business sectors**

* No access to raw materials and/or finished products from China.
* Sharp decrease in consumption in China that affects a range of sectors but especially those producing consumer goods.
* Problems in transport and logistics affecting air transport but also maritime transport. This includes cancellations, delays, increased checks and lack of available containers. Price increases are also being reporting for some services.
* Breach in contracts- “force majeure” clause is being used mainly by companies in China but extending to other regions. Prices for some goods and services are increasing.
* Cancellation of trade fairs, meetings and events. This is also impacting different sectors of activity.

1. **Operations in China**

The main concern for companies is the well-being of their employees. In this sense a number of measures have been put in place:

1. employees working from home;
2. avoiding travelling and meetings with many attendees;
3. checking temperature every day;
4. procuring masks for employees
5. asking employees to stay home for 14 days if they have been travelling to problematic areas;
6. following the official advise of local Chinese authorities especially when it comes to resuming production/operations
7. some operations are being done by headquarters in Europe

Many companies are also contributing in kind to the local efforts to fight build medical infrastructure and prevent the disease spread.

Main challenges:

* Some companies in China remain closed but many have their sites open and working (in close cooperation with local authorities). However, many don’t **have sufficient staff** and some operations are being done by their headquarters or other facilities in Europe or elsewhere.
* **Conflicting information from authorities and different ways of implementing mitigation measures** are creating uncertainty for companies and increase problems to return to a normal activity
* **Logistics is a critical issue**. Air and maritime transport are heavily impacted. Some companies are looking for alternatives like rail and road transport, but this is not easy because you also lack staff in these areas and staff to handle containers. Lack of available containers is a general problem.
* **Site inspections** are not taking place. In some sectors this needs to be done before the goods are shipped.
* S**hortage of supply** of sufficient masks/other supplies to protect staff from coronavirus infection.
* **Sharp decrease in consumption** in China is affecting companies in China but also globally. This is critical in consumer goods sectors including food and beverage
* **Companies’ global operations are impacted by the shutdown in China**. Many displaced some production operations to other sites in the region but the disease spreading in Asia will create additional problems. The activity reduction in China might have an impact on the companies’ results for 2020 depending how long the situation lasts.
* **Breach of contracts**- the Chinese Authorities are giving “force majeure” certificates to companies. However, this cannot prevent litigation in some cases and many companies are now in the process of revising contracts to be better protected.
* **Growing insurance claims** especially related to transport/travel
* **Cash flow problems**
* It is key to have **clear information from the authorities in China** on what is happening and what companies need to do when resuming production as well as practical advice to workers. Consistency is critical to avoid uncertainty and increased problems for companies resuming their activity.
* China is also putting in **place financial and other measures to support companies and alleviate the impac**t. European companies are concerned this support measures will be mainly directed to SOEs creating further market problems for other economic operators. The measures are welcomed but they need to be equally spread among domestic and foreign operators with a special focus on SMEs.

1. **Operations in Europe and elsewhere**

* Main concern is **lack of supplies** for some raw materials and subsequent **price increases.** Companies have stocks or they are using other suppliers but these alternative solutions are not always viable and they usually come with a price increase.
* There is a clear likelihood that some manufacturers, **namely cars and textiles** will start running out of parts in next **2 to 3 weeks** (shipping time is 6 weeks from China so most supply chains are not yet disturbed).
* With the disease spreading to other regions in the world especially in Asia some of the alternative suppliers could also be impacted. Therefore, we should expect shortage and price increases for certain goods and services (e.g. home appliances, freight services).
* Sharp **decrease of consumption in China** is impacting different industries and services with or without a presence in China. Impacts are already seen in **aviation** (cancellation of flights to China), **tourism** (cancellation of trade fairs and international meetings), certain **agri-food** products (e.g. dairy products, spirits) or the **automotive** sector (car demand fell 90 % in the last weeks).
* **Breach of contracts** as is this a *force majeure* issue.
* **Increase in insurance claims**
* Main impacted global sectors identified so far:
  + **automotive** (important in Wuhan region)
  + **engineering** (reporting short of steel and aluminium supplies)
  + **textiles** and **clothing**
  + **Information Technologies**
  + **Food and drinks**
  + on services side **logistics** and **transportation** **and** **tourism** (especially if it becomes a pandemic).
* Most Governments in Europe and elsewhere have issued specific information to allow companies and citizens to know what to do prevent the spread of the virus and how to act in case of suspected contamination. More restrictive measures are being implemented in countries and regions that have more cases and this has a negative impact on business activity. In this case authorities are foreseeing some relieve measures that include tax breaks, specific support to the most affected sectors/regions, working time flexibility, etc.