

Media Release

Coronavirus Impact on Corporate Supply Chains Not Subsiding

(20 January 2021 – Asia) The coronavirus crisis is expected to have a longer and deeper impact on businesses' physical and financial supply chain in Asia, new voice of the customer research by East & Partners confirms.

In recent direct interviews with the Top 1,000 large corporates in ten countries across Asia, most corporate treasurers and CFOs see eye to eye, expecting the pandemic's significant impact on their supply chains to last beyond six months. In several markets key decision makers in fact predict conditions will deteriorate further. On average, these firms estimate the impact rating to worsen from 3.63 currently to 3.57 in six months' time (on a 1-5 scale, where 1 = high impact and 5 = low impact).

Large enterprises in the region appear to have underestimated the fallout from the pandemic. Relative to East & Partners' COVID pulse in May 2020, just 60.5 percent of these same corporates reported supply chain disruptions as a direct result of the pandemic and were actively planning to diversify their supply chains.

China, an economy deeply integrated into global logistics, is the most pessimistic, despite having its domestic pandemic broadly controlled. This is followed by Hong Kong and South Korea, with the latter expecting its impact to increase further to 3.36, a sharp 25-point rise relative to the current rating.

These results in part reflect the highly time-sensitive nature of pandemic-related data. The fieldwork of this research was conducted between November and December last year when the number of new COVID-19 cases was on the rise rapidly in South Korea and Hong Kong.

"It is all down to the micro timing. We are seeing corporates adopting a wait and see approach for now as they try to understand how new developments like the imminent roll out of vaccines and how the rapid spread of new variants of coronavirus are going to affect their business," commented East & Partners Asia Business Head Sangiita Yoong.

Southeast Asia markets, by contrast, are more confident that supply chains will recover faster from disruptions. Among the bulls, Malaysia, Indonesia, Thailand and Philippines expect the coronavirus impact to lessen in H1 2021.

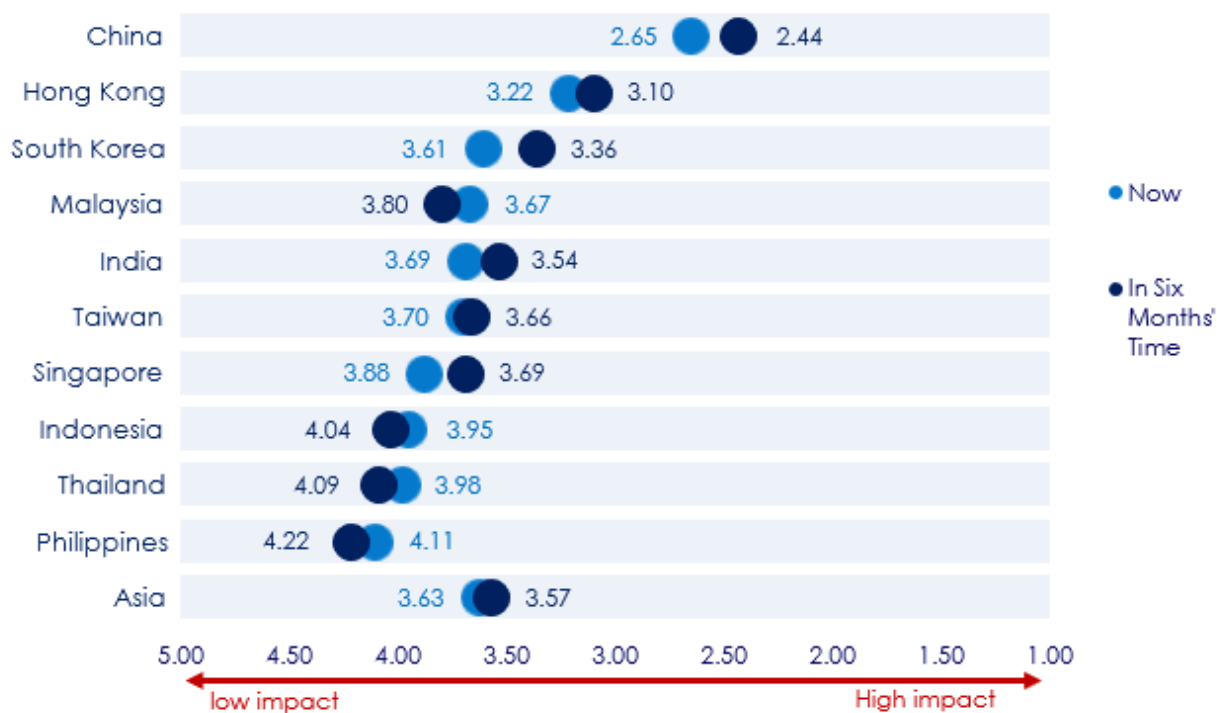
It is worth noting, however, that immediately after this fieldwork the new wave of infections hit Thailand, which will doubtless now be factored into the outlook for large Thai corporates. The relative optimism seen amongst large corporates in Malaysia, Indonesia and Philippines may also be dampened by the continued spread of the virus domestically.

With other factors such as heightened geopolitical tensions, concerns over US-China trade friction and supply chain concentration risks also at play, the path forward will no doubt be challenging in both the short to medium term.

How will the sentiments and responses of these businesses change in regard to their supply chain decisions as they continue to build resilience? And importantly, how can banks best help and guide corporates as they look to realign their supply chains and funding?

COVID-19 Impact on Businesses' Physical and Financial Supply Chain

Rating on a 1-5 scale where 1= high impact and 5= low impact



Source: East and Partners' Asian Trade Finance Markets Program – H1 2021 (N = 940)

About the research

East & Partners Asian Institutional Trade Finance Markets Program monitors demand for Trade Finance, Engagement, Products and Relationships, in the Top 1000 Corporates in 10 countries across Asia, covering the markets of China, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Philippines, Indonesia, India and South Korea. The top 100 revenue ranked corporates in each of the ten Asian markets were targeted for interview.

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