

Survey: China suppliers cautiously optimistic about export growth

Suppliers in China are cautiously optimistic about July to December 2012 export revenue in view of the economic uncertainties in traditional export destinations and rising production costs. The former is pushing an increasing number of makers to pursue growth opportunities in emerging markets.

Nearly 60 percent of the 506 respondents to a survey conducted by [Global Sources](#) said export earnings in the second half of 2012 will be better compared with the same period in the previous year. Fifteen percent of makers are more conservative as they expect level overseas sales.

Survey results reveal slow orders from the US and Europe is the biggest challenge facing China suppliers, followed by rising production costs and price competition.

Although economic indicators such as the Purchasing Manager's Index point to a slowdown in exports, the optimism in this survey suggests that some companies expect to benefit, perhaps anticipating consolidation in the export industry.

Overall, business strategies in the year ahead will be two-pronged, with initiatives focused on market expansion and client retention.

Fifty-five percent of suppliers will seek new customers in countries outside of the US and the EU, China's traditional export destinations.

South America stands out among these emerging markets. Apart from a general rise in business because of expanding economies on the continent, many China suppliers are anticipating an increase in orders from Brazil as it prepares to host two major sporting events in coming years. Shipments there are expected to jump in the two or three months leading to the 2014 FIFA World Cup and again in 2016 for the Summer Olympics. This mirrors exports to the UK, which

rose significantly prior to the [2012 Olympics](#) even as orders from the rest of the EU dropped.

Many respondents will be more flexible with prices to keep their current customer base intact and prop up lagging exports to the EU and the US. Companies will boost production efficiency to keep manufacturing costs in check, consequently minimizing, if not eliminating, price increases. Better control over expenditure will also allow makers to protect margins, which have narrowed over the past several months.

Despite softening orders, the EU and the US will continue to be key destinations. Surveyed suppliers indicated that sales channels and customer groups in these mature locations are inherently more stable than in emerging markets.

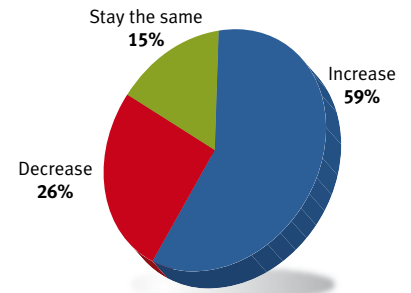
Between the two, more suppliers have their sights on the US. Makers continuing to focus on the EU, however, have brighter growth projections. Nearly 18 percent of such suppliers expect revenue to rise by 21 to 30 percent in the next six months. Further, 7 percent predict the increase will exceed 50 percent. In contrast, only 3 percent of companies focusing on the US said export growth will reach this rate.

This survey was mostly conducted in China's primary export centers of Guangdong, Zhejiang, Jiangsu and Fujian provinces.

The 506 suppliers interviewed came from various industries, including [home products](#), [electronics](#), [hardware and DIY](#), [gifts and premiums](#), [garments and textiles](#), and [electronic components](#).

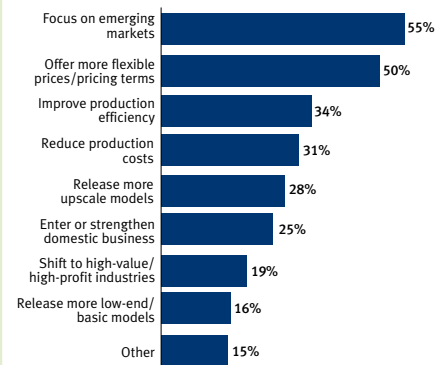
More than 50 percent of respondents have midsize operations. Among these companies, the majority export between \$1 million and \$5 million annually. More than one-third of interviewees are small, posting export sales not exceeding \$1 million. A few tier 1 enterprises were also surveyed.

EXPORT REVENUE FORECAST



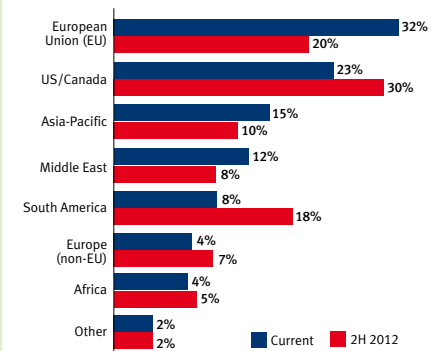
Nearly 60 percent of surveyed suppliers are confident export revenue in the second half of 2012 will improve from a year ago. For many of these makers, the growth will be moderate, ranging between 10 and 20 percent.

SUPPORTING BUSINESS



To achieve growth targets, China suppliers will venture into new markets while strengthening business in the EU and the US.

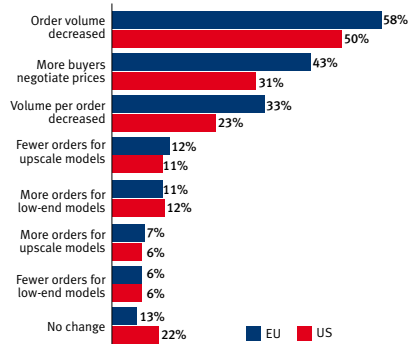
MAIN MARKET



More China suppliers will explore growth opportunities in markets outside of the US and the EU. South America will be foremost in the list of new destinations.

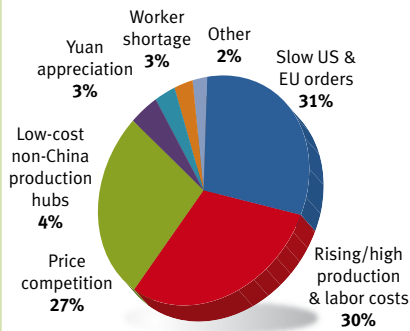
Please contact the [editor](#) if you have any questions about the survey or would like additional information.

CHANGING BUSINESS



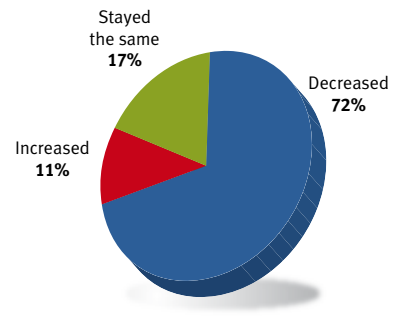
In the first half of 2012, China suppliers saw bulk orders from the US and the EU fall, as did the size of individual transactions. Buyers there remained price conscious and continued to negotiate for reductions for the orders they did place.

BIGGEST CHALLENGE



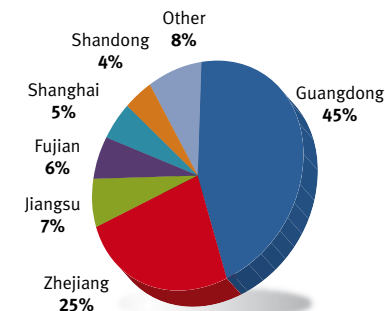
Slow US and EU business, high costs and price competition are eating into profits. Buyers' preference for less-expensive models is hindering efforts to move upmarket and into segments with higher margins.

PROFIT MARGINS



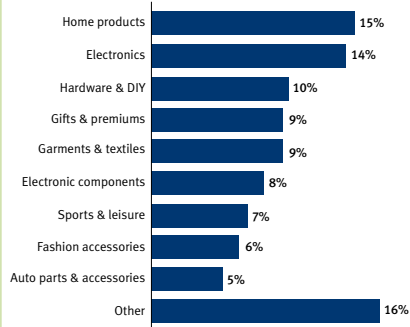
Rising production and labor costs continue to threaten China makers' profitability. Three-quarters of respondents said margins have shrunk in the past year. Seventeen percent scraped by, managing to keep margins at current levels.

SUPPLIERS BY LOCATION



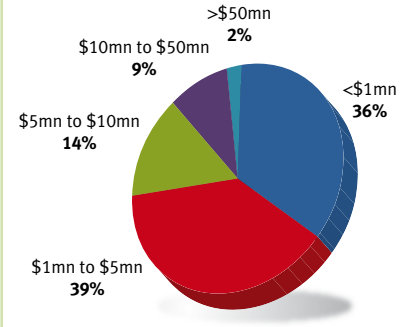
Guangdong province, one of China's primary production and exporting centers, hosts 45 percent of survey respondents. Zhejiang province has the second-biggest share with 25 percent. Companies based in the other provinces in the Yangtze River Delta were likewise interviewed.

EXPORT INDUSTRIES



Survey respondents came from several of China's established and nascent export industries. Those in the consumer electronics, computer, security and telecom products, and electronic components segments are more optimistic with export projections.

EXPORT REVENUE



In terms of export revenue, 36 percent of surveyed suppliers are small, earning less than \$1 million every year. Midsize companies, several of which make up to \$10 million, represent the biggest group. A few have substantial operations. Annual exports at these enterprises can exceed \$50 million.

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Notes
This Global Sources China Supplier Survey was conducted by e-mail with a wide range of exporters in mainland China, chosen to select a representative cross-section of various industries in terms of company size and product specialization. The period of the survey was approximately 2 weeks ending August 14, 2012.
Pie charts represent single choice questions, while bar charts represent multiple choice questions. Results were calculated based on the actual number of valid responses to each question.

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