

China exporters anticipate growth despite challenges

Suppliers in China are optimistic about export sales in coming months even as they contend with pricing pressures.

Growth projections start at moderate levels, but most respondents in [Global Sources](#)' survey expect aggressive marketing efforts to pay off in terms of a substantial increase in revenue.

Almost 40 percent of manufacturers said earnings from overseas shipments will jump by more than 20 percent through 2011 and early-2012. About a similar number placed the rate of increase between 10 and 20 percent. Only 2 percent of the makers contacted said exports will slow down in the months ahead.

The positive outlook is particularly apparent in several segments of the consumer electronics industry. Responding to strong demand for sophisticated devices, companies are directing product development efforts toward units with advanced features.

In [home entertainment](#), for example, suppliers are introducing models boasting high-definition, 3D, network connectivity and energy-saving capability.

As for [mobile phones](#), the trend for all-in-one functionality is spurring the flow of smartphones out of mainland China. Companies are nurturing secondary lines such as projector and QWERTY phones to boost business further.

Within the [access control](#) systems segment, data verification continues to be at the core of upgrades. Adoption of biometrics technology is growing, especially fingerprint recognition. Meanwhile, digitization is driving changes in video doorphones. Companies are exploring the advantages of TCP/IP networking and home automation to improve performance and break into the high end.

To keep their customer base and ensure growth targets are met, suppliers are tamping down price

increases despite rising material and labor outlay.

Quote adjustments in both mature and younger sectors will be mostly within the 5 to 10 percent range.

This is true even for product lines that faced significant setbacks in procurement. In fact, most computer terminal makers contacted said price increases will not exceed 5 percent. The cost of memory chips jumped following the March 2011 Japan earthquake.

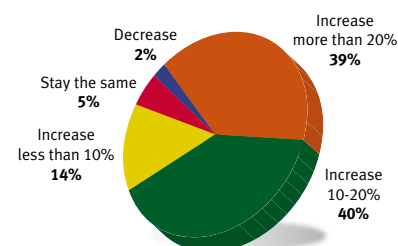
In contrast, [solar panel](#) quotes are on a downward trend, a consequence of falling polysilicon costs. Companies are also cutting prices to fend off competition posed by new players that have been attracted by rising demand for alternative energy technologies. Makers hope the last will offset price reductions and sustain the line's growth revenue-wise.

This survey was mostly conducted in the mainland's primary export centers of Guangdong, Zhejiang and Fujian provinces. Additional companies were from Jiangsu and Shandong provinces, and Shanghai. Suppliers in Taiwan and Hong Kong were likewise contacted.

A total of 900 suppliers from various industries were interviewed in the six months covering April and September 2011. [Gifts and premiums](#), [electronic components](#), [fashion accessories](#), [auto parts and accessories](#), [telecom products](#), [electronics](#), [baby and children's products](#), [security products](#), [garments and textiles](#) and [sports and leisure](#) are among the industries covered.

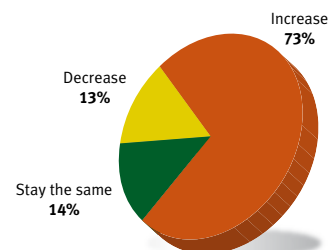
Forty-three percent of respondents have midsize operations, with annual exports ranging between \$1 million and \$5 million. A slightly similar number of companies make more than \$5 million every year from overseas shipments. The rest of the companies post export sales not exceeding \$1 million.

EXPORT SALES



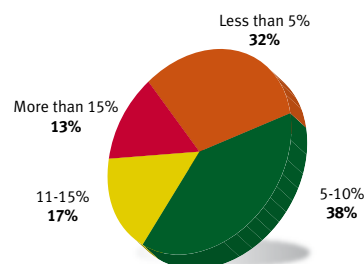
Forty percent of surveyed suppliers see exports rising by as much as 20 percent in the months leading to 2012. An additional 39 percent of respondents are even more optimistic, placing growth rates at over 20 percent.

EXPORT PRICES



Nearly three-quarters of companies said price increases are imminent. Makers have been spending more on materials and components in recent months, eroding margins. Higher labor outlay is compounding the situation.

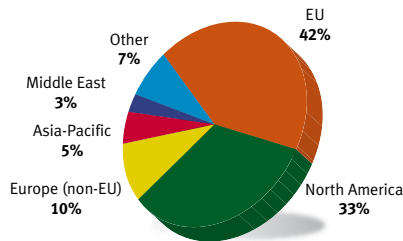
EXPORT PRICE INCREASE



The upswing in prices could be severe and exceed 15 percent, but the majority of interviewed companies said they will limit adjustments to manageable levels. For 38 percent, quotes will go up 10 percent at most.

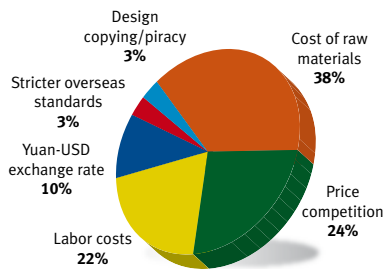
Please contact the [editor](#) if you have any questions about the survey or would like additional information.

TARGET MARKETS



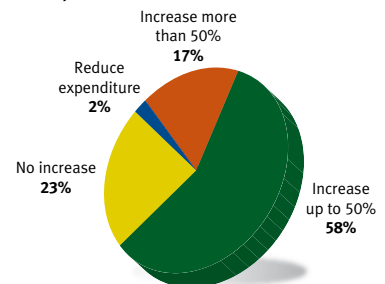
Suppliers will continue to focus on their traditional export markets of North America and the EU. Economic uncertainties there, however, are spurring makers to explore alternative destinations such as non-EU countries and the Asia-Pacific region.

CHALLENGES



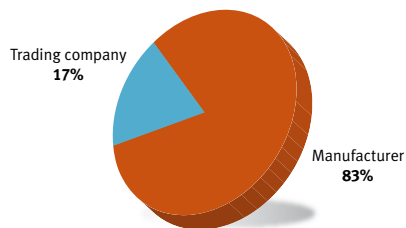
Companies will still pay more for materials and components in coming months. The cost of traditional varieties of plastic, metal and cotton fabric has been on an upturn due partly to undersupply. In an effort to attract and retain skilled personnel, makers have been compelled to offer more attractive compensation packages.

CAPITAL EXPENDITURE



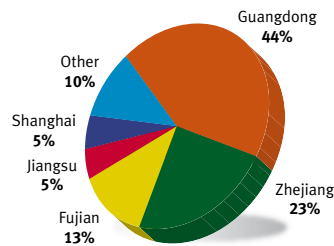
With product development efforts in overdrive, makers are preparing for an increase in orders by boosting capital expenditure. Additional funds will be allocated for new technologies and machinery that will raise efficiency.

BUSINESS TYPE



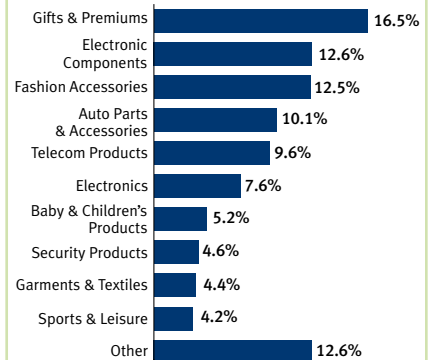
More than 80 percent of survey respondents are manufacturers, and the rest, trading companies. Operations at 43 percent are substantial, generating \$1 million to \$5 million in exports alone. An additional 41 percent earn even more.

SUPPLIERS BY LOCATION



The traditional manufacturing and exporting hubs of Guangdong, Zhejiang and Fujian provinces host the majority of interviewed suppliers. Others came from Jiangsu and Shandong provinces, and Hong Kong and Taiwan.

INDUSTRY BREAKDOWN



The survey covered established export industries such as electronics, garments, housewares, giftware and premiums. Likewise surveyed were makers belonging to several nascent industries, including solar energy and optoelectronics.

Copyright 2011 Trade Media Limited. All rights reserved. Reproduction in whole or in part in any form or medium without express written permission of Trade Media Holdings Limited and Trade Media Limited is prohibited.

Notes
This Global Sources China Supplier Survey was conducted by phone interviews 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 8 weeks ending June 2011.
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.

Disclaimer: Any recommendation contained in this report may not be suitable for all investors or businesses. Moreover, although the information contained in this report is obtained from sources believed to be reasonably reliable, the accuracy or completeness of such information cannot be guaranteed. The author and the publisher of this report (and the publisher's affiliates, agents, sales representatives and service contractors) do not make any representation or warranty whatsoever (whether express or implied) in relation to any of the contents of this report (including any information, opinion, recommendation or conclusion contained in this report) (collectively, "Contents"), whether as to the accuracy, completeness, quality, fitness, suitability or reliability of such Contents (or any portion thereof) or otherwise, and shall not be liable under any circumstances whatsoever for any error, omission, defect or deficiency in, or for any use of or reliance on, such Contents (or any portion thereof).