

Survey: China exporters focus on emerging markets amid EU debt crisis

China suppliers are boosting overseas shipments to developing countries amid softening exports to Europe as the region grapples with its debt crisis.

More than 40 percent of respondents in a survey conducted by [Global Sources](#) said they will increase deliveries to South and Latin America, the Middle East, Africa and Eastern Europe in the months ahead.

The Asia-Pacific is also an attractive alternative, particularly because of China's free trade agreement with many countries in the region.

Other than strengthening their foothold in nontraditional destinations abroad, suppliers are looking to the domestic market to sustain sales. Facilitating this approach are the China government's policies aimed at raising local consumption by improving income and social welfare.

To attract new overseas and domestic buyers, companies are planning to speed up the release of new products, and enhance their current selections by expanding R&D budgets.

About 10 percent of makers are trying to control production outlay, while a handful may even relocate their factories to low-cost areas. A very small number of suppliers said they have no choice but to close down factories.

The majority of survey respondents said the debt crisis in Europe has affected exports, with 35 percent reporting significant impact.

Shipments at 66 percent of companies have declined in the past couple of months. Nearly one-third of these makers said exports have dropped more than 25 percent.

Customs data confirms export growth has been sluggish recently. China's shipments to Europe grew by 11 percent YoY in September and only 7.5 percent in October. In comparison, the rate of growth in July and August stood at a robust 22 and 24 percent, respectively.

More than 45 percent of surveyed suppliers experienced lower order volumes from the region as buyers remain cautious of building up inventory. This is particularly evident in the computer, consumer electronics and communications industries with almost 60 percent of suppliers reporting smaller shipments.

Companies interviewed for the survey also feel pressure pricewise. A growing number of buyers in Europe are negotiating for lower quotes at a time when spending for materials, components and labor is climbing, thereby eroding margins. This trend is more apparent in low-value products such as garments and fashion accessories.

Suppliers are already taking measures to sustain their Europe business. Close to 60 percent of surveyed makers are planning to enhance models with value add-ons. Flexible pricing and smaller minimum order requirements are also expected to attract buyers from the region.

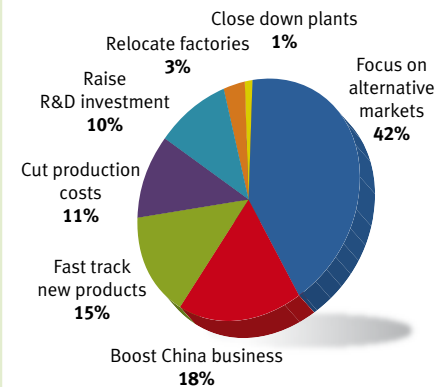
Amid fears of an economic contraction early next year, China suppliers are cautiously optimistic with their export projections. A modest 29 percent believe shipments to Europe will rise in 2012, while 34 percent expect revenue to remain unchanged.

Close to 40 percent, however, foresee exports to the region falling further. Most of these companies expect shipments to drop between 10 and 20 percent.

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

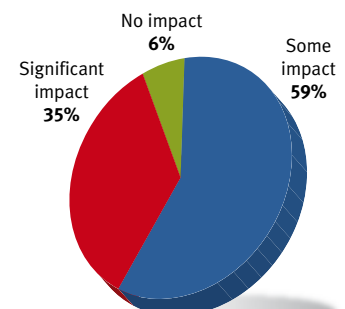
A total of 581 suppliers were interviewed from various industries, including [home products](#), [electronics](#), [hardware and DIY](#), [gifts and premiums](#), [garments and textiles](#), [solar and energy-saving products](#), and [electronic components](#).

COPING MEASURES



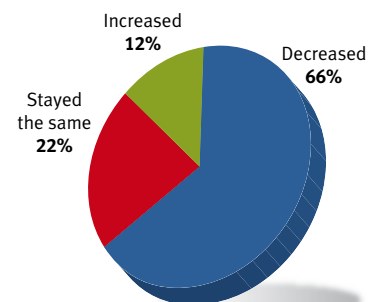
More than 40 percent of surveyed China suppliers are looking to destinations outside of their traditional markets, including South and Latin America, the Middle East, Africa and Eastern Europe.

IMPACT ON EXPORTS



Nearly all respondents feel the effects of the Europe debt crisis on exports. More than one-third said the impact has been significant while regional business for roughly 60 percent fared slightly better.

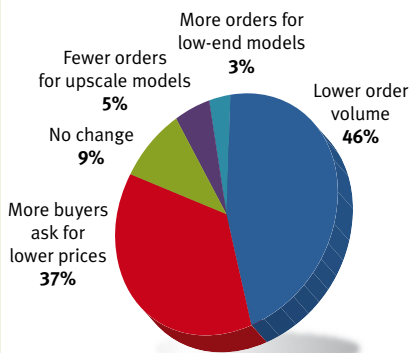
EUROPE EXPORTS



Two-thirds of suppliers said exports to Europe contracted in the past couple of months. Among them, many saw shipments plummet by more than 25 percent. On the other hand, 12 percent of respondents registered growth.

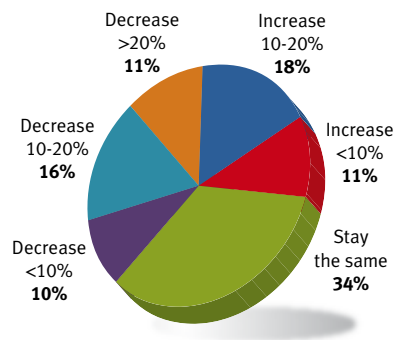
Please contact the [editor](#) if you have any questions about the survey or would like additional information.

CHANGES IN EUROPE BUSINESS



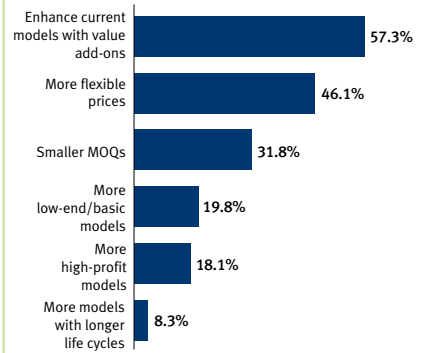
Foremost among changes in Europe's bulk-ordering behavior is a general reduction in transactions volumewise. More buyers are negotiating for lower prices for the orders they do place. Suppliers have also taken note of rising demand for basic or low-end designs as upscale versions take a backseat.

EXPORT OUTLOOK



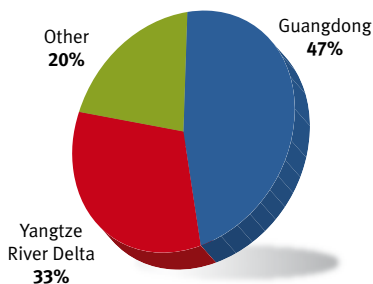
Although efforts are underway to strengthen export presence elsewhere and domestically, Europe will remain a primary overseas destination. Projections, however, are mixed. More than 35 percent see further reductions in business in 2012, whereas nearly 30 percent expect the opposite.

SUSTAINING EXPORTS



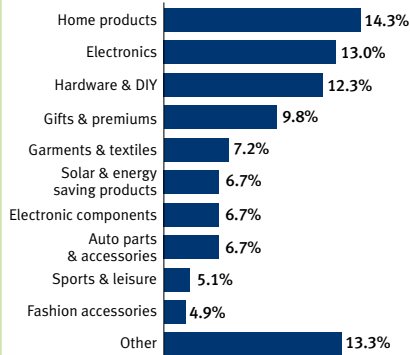
Many China suppliers will enhance their current selections with value add-ons. They will also respond to pricing concerns and offer flexible rates. Most small and midsize operations will emphasize low-end or basic designs. Large enterprises will develop models generating higher margins.

SUPPLIERS BY LOCATION



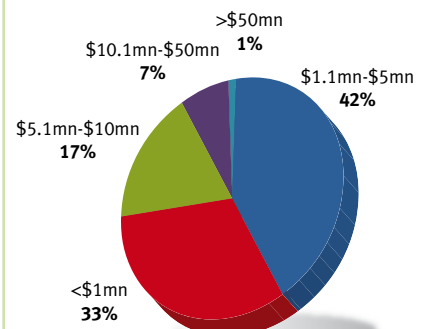
The majority of surveyed suppliers are based in the key exporting provinces of Guangdong, Zhejiang and Jiangsu, and Shanghai. Conditions across the hubs are comparable. Most respondents feel the impact of the Europe debt crisis on their shipments.

EXPORT INDUSTRIES



This survey covered several of China's established export industries. Effects of the Europe debt crisis were most evident in the computer, consumer electronics, communications and garments sectors.

EXPORT SALES



In terms of export sales, 33 percent of respondents are small, posting no more than \$1 million from outbound deliveries every year. Midsize companies with up to \$5 million in export sales accounted for a little over 40 percent of interviewees.

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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 1 week ending November 11, 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.

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