

THE BUSINESS TIMES

VIRUS OUTBREAK

Singapore firms see mixed recovery as China lockdown thaws

By Lynette Tan
tanlyn@sph.com.sg
@LynetteTanBT

Singapore

SINGAPORE companies in China, where the novel coronavirus first broke out, are experiencing mixed levels of recovery as the country unravels some of its strict social distancing measures and lockdowns.

Those in consumer-facing sectors appear more affected, especially with reports of new coronavirus cases – including in the initial outbreak epicentre Wuhan – stoking concerns of a second wave of infections. Also, some regulations on social distancing remain.

Restaurant operator Paradise Group reopened its outlets – most of which are in Shanghai – in April, but takings are still only a third of pre-pandemic sales. To conserve cash, the group also closed about 10 outlets for good.

“People are still protective of themselves, especially those with children and the elderly at home, which I can also understand,” said group chief executive Eldwin Chua.

To cope, the group, which has been in China for about six years, continues to make various efforts, from appealing to landlords for more

rental rebates to introducing “economical” bento sets for delivery.

However, those are only stop-gap measures, Mr Chua said. He foresees the situation may only truly recover around Chinese New Year next year.

Baby bottle manufacturer Hegen, for whom the Chinese market accounts for more than half of global revenue, also said sales at its physical stores have yet to return to pre-outbreak levels.

However, online sales have made up for this, thanks to the company’s earlier efforts to establish itself on e-commerce platforms. E-commerce sales for January to April were more than double that of the same period last year.

“There is a fear of whether Covid-19 will be completely gone, but I think as we go along, people will be more prepared to handle the situation. From a business continuity standpoint, we have learnt a lot and this experience will prepare us if there’s a next wave,” said Hegen’s chief operating officer Leon Bock.

Property group CapitalLand, which operates shopping malls in China, also said in a business update last week that footfall and sales at its malls, while increasing, have yet to return to pre-outbreak levels as shoppers stay cautious.

Businesses in other sectors are seeing a stronger pickup in activity, but continue to take precautions at their workplaces in China.

Micro-Mechanics said manufacturing activity in China’s semiconductor industry has been gradually picking up, although the outlook “remains uncertain due to the evolving Covid-19 situation”. Among other precautions, the high precision parts manufacturer still ensures safe distancing, and allows non-production employees to work from home.

Roland Ng, managing director and chief executive at crane supplier Tat Hong Holdings, said the group has resumed work on all its projects, but continues to implement safety measures for staff, such as social distancing, hand sanitisation and the wearing of masks.

Ademco Security Group, which is present in Shanghai, Beijing, Chengdu and Shenzhen, has also resumed all projects as well as face-to-face meetings with clients, albeit with safe distancing and masks in place.

For accounting firm RSM Singapore, China’s lockdown has even created somewhat of a silver lining. For instance, China office head Tan Lee shared that the travel restrictions



Businesses in China’s consumer-facing sectors appear more affected, especially with reports of new coronavirus cases stoking concerns of a second wave of infections; economists have also cautioned against hopes for a quick economic rebound.

PHOTO: BLOOMBERG

into and out of China created more opportunities for RSM to provide advisory work.

She said: “Where once businesses can send their staff into China to resolve issues, today we are engaged to help plug the gap with our local workforce, from assisting in sourcing for buyers for their property disposals to negotiations with local governments on corporate matters.”

For now, economists have also cautioned against hopes for a quick economic rebound.

“Although there is resumption of work, that doesn’t mean that the eco-

nomy is going back to the pre-Covid-19 levels, it is way, way behind that,” Iris Pang, Greater China economist at ING in Hong Kong, told Reuters late April.

“As long as strict social distancing measures are in place, we think China will struggle to recover quickly. I also worry there will be a second round of infection from the western part of the world because they are now relaxing the lockdown before their cases subside. That’s why I forecast a recession.”

Oxford Economics also said in a research note last week that although

lockdowns in many economies are being lifted and people are beginning to travel more and return to their workplaces, the loosening of restrictions has so far been gradual.

In addition, although individuals seem prepared, or obliged, to return to work, they’re more reluctant to use public transport or undertake non-essential visits to retail and recreation areas.

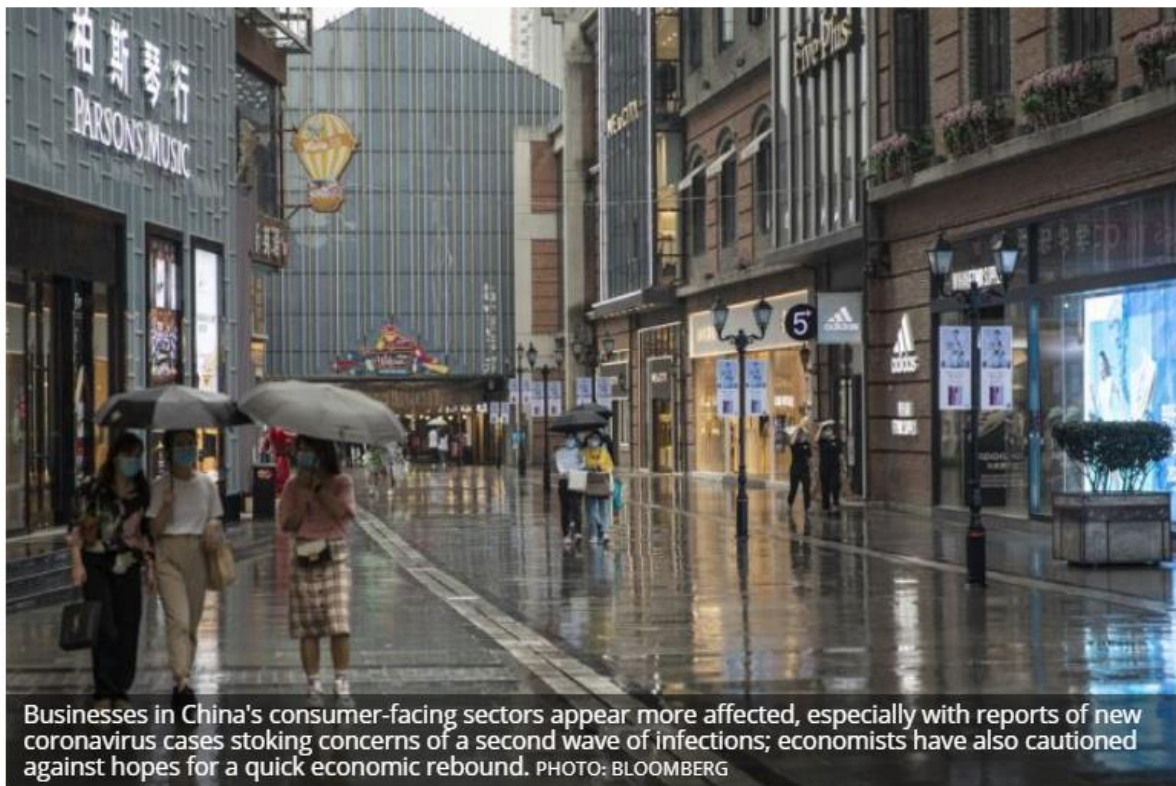
Hence, while there may be a gradual revival in economic activity from the possible April trough, “the clear risk is that the pickup may underwhelm”, Oxford Economics said.

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LYNETTE TAN ✉ tanlyn@sph.com.sg 🐦 @LynetteTanBT



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