

China's car part makers face collapsing orders, as factories around the world kill their engines

Friday 3 April 2020, by [ZHOU Cissy](#) (Date first published: 3 April 2020).

Contents

- [China](#)
- [Unprecedented world synchronis](#)
- [About the situation in China](#)

As companies from Ford to Toyota to Volkswagen shut their global plants amid coronavirus outbreak, the impact resonates in China.

In 2019, China exported US\$53 billion worth of auto parts, but now firms are having orders cancelled in the US and Europe.

China

After a nationwide shutdown in February, car parts exporter Rita Xiao was thrilled to join the bandwagon of factories resuming work across China in March, as the country's coronavirus crisis began to cool.

But she is now wrought with anxiety, with the virus ravaging her clients in the United States and Europe.

Xiao, along with many other Chinese exporters, is feeling the force of the dreaded second shock wave from the pandemic which has closed car factories across the world, in the sort of synchronised shutdown never before seen.

<https://www.scmp.com/economy/china-economy/article/3077696/coronavirus-pandemic-expected-slash-chinas-2020-growth-23>

<https://www.scmp.com/economy/china-economy/article/3077760/coronavirus-chinas-march-pmi-steadies-economy-not-out-woods>

Orders in March fell by about 70 per cent, the Xiao said, adding that buyers were also requesting a suspension of shipments on the orders they'd already made. Her company, Chongqing Bona Auto Parts, exports a range of car parts to countries including the United States, which accounts for 20 per cent of overseas sales.

<https://www.scmp.com/economy/china-economy/article/3078084/coronavirus-chinas-manufacturing-hub-dongguan-faces-grim-test>

"They did not say they were cancelling the orders, but instead asked us not to ship the goods. But they did not proceed with the payment either. We now have goods sitting in the warehouse and may have to wait for a few months to know what's next," she said.

About 1,300 kilometres away in Guangzhou, Lindsay, a sales representative at Guangzhou Fengming

Auto Parts Company who declined to give her surname, is suffering from the same problem. Twenty-five per cent of the company's revenue comes from US and European markets, but orders dropped by 70 to 80 per cent in March due to massive car factories closures across many countries, she said.

"It is a fact that we are severely affected, but at least our company is still running," she said.

Amid mounting uncertainty, the coronavirus pandemic – which has claimed the lives of more than 52,000 people and infected more than 1 million worldwide – is creating new nightmares for many Chinese auto parts suppliers, who were already reeling from the US-China trade war.

China's exports of auto parts in January and February fell 13.3 per cent from a year earlier, largely due to the fact that most of its own industry was shut down.

<https://www.scmp.com/economy/china-economy/article/3077669/coronavirus-china-manufacturing-economy-bounces-back-strongly>

Exports in March could be hit harder, said Fred Zhang, a Shanghai-based industry expert at a logistic company specialising in the trade of auto parts. In March many ports around the world – not just the US and Europe – had been sealed off, while cargoes that were caught at sea had to be shipped back to China, Zhang said.

Even the ports that were still open were plagued by a lack of manpower to take goods off ships and clear customs due to directives for people to stay at home, cases reminiscent of what happened at Chinese docks through February.

Indeed, in February China's lockdown sent ripples through the global supply chain, causing the world's biggest car plant – a Hyundai facility in Ulsan, South Korea, to temporarily close because it could not source a vital component from Chinese suppliers.

<https://www.scmp.com/business/companies/article/3049577/global-consumers-reel-chinas-coronaviruses-containment-stop-work>

_ Unprecedented world synchronised shutdown

But the synchronised shutdown of car factories across much of the world happening now is unprecedented. While many auto plants were repurposed to make armaments during the Second World War, the world has never seen such a coordinated closure of automotive plants.

Despite the fact that most of its Chinese plants were back up and running, **Volkswagen**, the world's biggest car maker, extended the production suspension at its German plants to April 9, an additional four days than originally planned, due to a *"fall in demand in the automobile market and the challenges faced by the supply chain"*.

In the US, **Ford** is delaying initial plans to restart vehicle production on April 6 and 14 at several of its plants, without giving a specific date for restart.

Toyota has suspended its plants in Canada, Mexico, and the US until 18 April, due to fears over the pandemic as well as a decline in vehicle demand. The Japanese auto giant said it would *"take appropriate action in a timely manner"* once situations change.

"Our clients are frustrated, they were unable to resume production in February, before the contagion wrecked havoc in the US and Europe. Now they are ready to manufacture and ship, but the virus is raging across the whole world," said Zhang, who did not wish to give his company name.

About the situation in China

While China has not managed to penetrate Western consumer markets with its finished vehicles, it has become a key player in the global automotive supply chain. China was the world's fourth largest car part exporter in 2018, after Germany, the US, and Japan.

<https://www.scmp.com/economy/global-economy/article/3006432/chinese-and-us-companies-fear-donald-trumps-trade-war-car>

In 2019, China exported US\$53 billion worth of auto parts, a 3.6 per cent drop from a year earlier. Among the buyers, the US took the top spot, followed by Japan, Mexico, and Germany, according to Chinese customs data.

At a press conference in Beijing on Thursday, Liu Changyu, deputy director of foreign trade at the Ministry of Commerce, acknowledged that the automotive supply chain was vulnerable and pledged support in areas like logistics, production and finding alternative customers.

Weifang Shengao Machinery Co, which exports auto parts from China's easterly Shandong province, lost about 50 per cent of its orders last month, according to sales representative Peter Yang. The company is now trying to shift to the domestic market and laying off some employees, Yang said. About 50 per cent of auto parts suppliers in China are privately owned, and more than 70 per cent of the suppliers are small enterprises like Yang's company.

But the prospects are not much rosier at home. Car sales in China plunged 81.7 per cent in February from a year earlier, and while many parts of the economy have since reopened, analysts are predicting a consumption slump in China this year. This will ripple through the supply chain.

<https://www.scmp.com/economy/china-economy/article/3077983/china-preps-new-coronavirus-stimulus-measures-some-ask-are>

<https://www.scmp.com/economy/china-economy/article/3077901/coronavirus-china-us-consumer-behaviour-radically-altered>

Nor is it easy to make the switch.

"Every car part has an original equipment code and it could be different from home and abroad, even for the same vehicle model. For example, if the screw holes are different, then the screws for export will not fit the domestic market model. It cannot be shifted overnight," said industry expert Zhang.

"The distribution channels are different, too," he added. *"Shifting to the domestic market requires a lot of money and manpower, which a lot of the small exporters cannot afford."*

<https://www.scmp.com/economy/china-economy/article/3077868/coronavirus-chinas-small-factories-stabilised-march-after>

P.S.

<https://www.scmp.com/economy/china-economy/article/3078213/coronavirus-chinas-car-part-makers-face-collapsing-orders>