# Coronavirus/COVID-19: Consumer Sentiment Poses Bigger Threat To Electronics Than Manufacturing Delays – Part 3

Tirias Research

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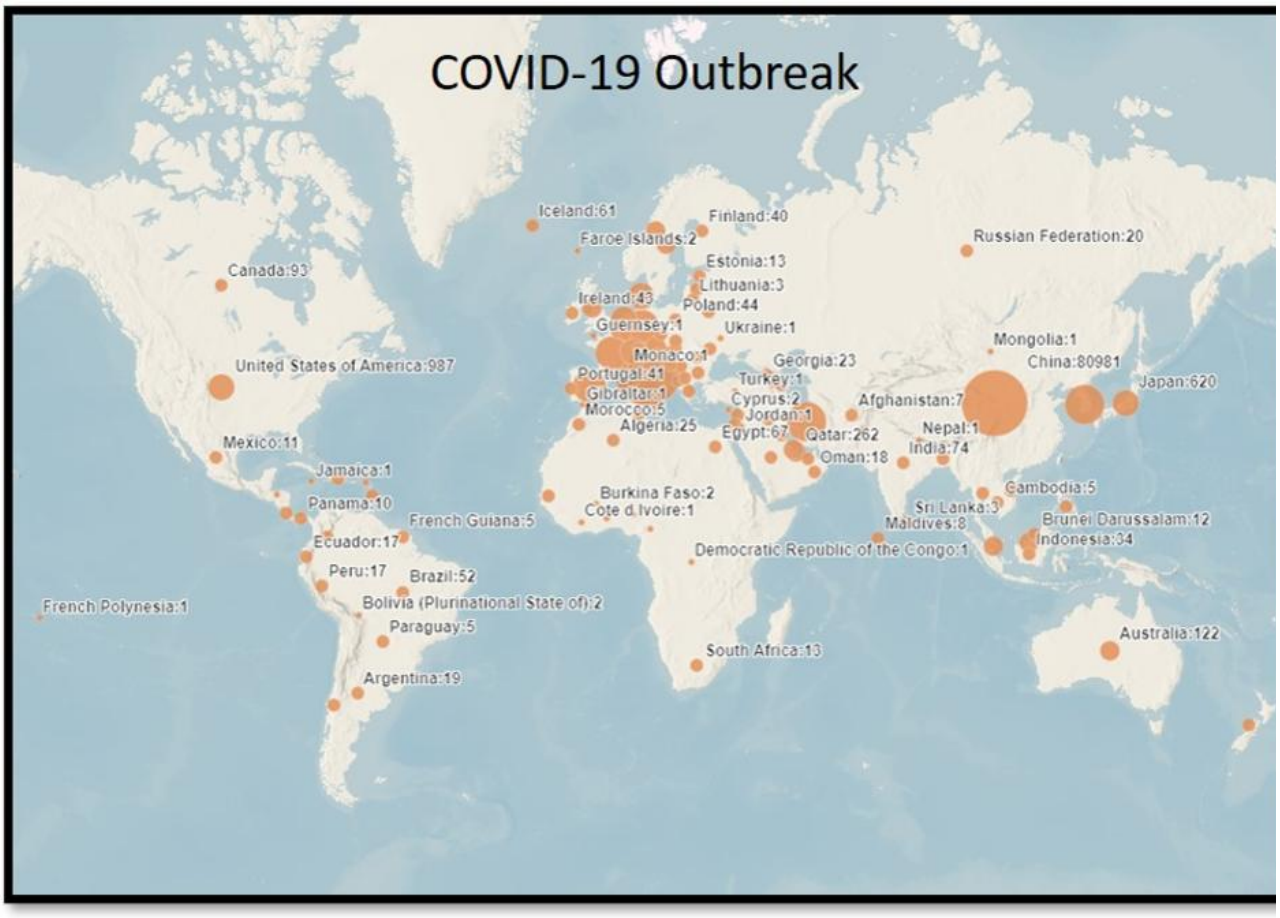



Map of the COVID-19 Outbreak as of March 12, 2020, according to the World Health Organization (WHO) WORLD HEALT ORGANIZATION

As cases of the COVID-19 outbreak appear to be moderating in China, the country is working rapidly to get industry up and running again. Many of the checkpoints have been eliminated and workers and companies are restarting factories as workers are abl to return to work. In many cases, workers that are returning from holiday are being asked to self-quarantine at home before returning to work. This, combined with the

industry has been spared any significant impact because of the run up of inventories prior to the Chinese New Year holiday and the diversification of resources and manufacturing over the past year due to the China-US trade war. However, even as China's manufacturing engine ramps, it may be a few months before things normalize and that may have significant ramifications for the tech industry.

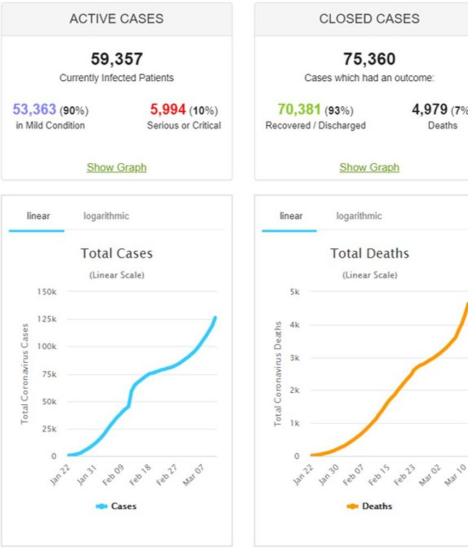
While manpower was the most pressing issue with ramping China manufacturing, shipping may prove to be an even greater issue. Shipping between facilities in China appears to be easing along with the movement of people, but international shipping remains bottled up with ports in China clogged while other ports around the world are underutilized. The extended shutdown of China meant that both inbound and outboun goods were stacking up at Chinese ports. Leaving ships and shipping containers stuck i the wrong location, much like airplanes during a major storm. But unlike planes that ca be shifted around within a few days, it may take months to shift around ships and shipping containers.

Despite the manufacturing and shipping challenges, the electronics industry has been mostly spared from widespread shortages. There have been a few spot shortages of components and modules, but nothing that has impacted the entire industry. And with manufacturing ramping, it looked like the electronics industry would be spared any significant impact from the COVID-19 outbreak with one caveat – consumer sentiment If consumer sentiment remained positive, so too would the global economy and electronics sales. With the outbreak now classified as a pandemic by the World Health Organization (WHO) as the virus rapidly spreads throughout Europe and the United States, the potential for maintaining a positive consumer sentiment seems nil.



Over just that past few days, the number of new COVID-19 cases has accelerated to ove 8,500 new cases in a single day despite the limited testing, especially in the U.S. As a result, companies are requesting that employees work from home and are banning botl international and domestic travel, a wide variety of public events from concerts to sporting events are being cancelled, schools and universities are closing or shifting to online instruction, and country travel bans are being extended to new countries and regions. This is setting off what can best be described as controlled panic. While the global economy keeps moving, most consumer purchases are shifting to stocking up on

economy is taking a double hit as stock valuations tank both from the virus and a mounting oil price war.




According to Worldometer, the spread of the COVID-19 is accelerating with over 8,500 nev confirmed ... [+] WORLDOMETER

The downside is that this will likely negatively impact consumer sentiment regarding the purchase of high-ticket items and durable goods. Everything from smartphones and TVs to appliances and cars are likely to take a hit through 2020, resulting in a softening of semiconductor and electronics sales. TIRIAS Research previously predicted a 1% to 2% decrease in global GDP growth as a result of the virus provided the spread was controlled. Now that the global spread of the virus seems inevitable, the potential for a global recession is becoming more likely. We do not expe every region to experience negative growth, but every region will experience slower growth.

But as I indicated in previous articles, there are always bright spots. The current situation bears similarities to both the N1H1 influenza outbreak and the 9/11 attacks – will have short-term impact on our daily lives and may have some long-term ramifications. This event could shift more work, education, and events to on-line or virtual environments. This would be beneficial to many in the electronic value chain from smartphone, PCs, virtual reality (VR) headsets, and Wi-Fi routers to those providing communications infrastructure, services, applications, and cloud services. Th video conferencing provider Zoom already appears to be benefiting as a preferred choic of video conferencing platform by many organizations, but there are other solutions including Google Hangouts, Microsoft Office Teams, Skype and Cisco Web-Ex to name few. This may also drive more rapid market inflections in other industries that are already set to benefit from long-term changes including: delivery services (especially drones or autonomous solutions), remote healthcare/telemedicine, autonomous vehicles, and automated manufacturing – all of which would be a boost for the electronics industry. This should also push vendors for global diversification of materia sourcing and manufacturing. One change that we have already seen is closer working relationships and greater visibility through the supply chain to minimize the manufacturing impact from materials and manufacturing disruptions.

expectations of a U.S. election year can overcome the economic ramifications of the outbreak and the unfortunate loss of lives. Thankfully, the percentage of fatality is still relatively low, especially if you consider that there are likely a high number of unconfirmed cases. This will have an impact on all industries, markets, and society. Even with an inevitable decrease in overall demand, there are still bright spots in the electronics industry both in the short and long-term.

Previous articles in the series on the coronavirus/COVID-19 include The Coronavirus Has Bigger Implications Than MWC and Coronavirus/COVID-19 Strikes The Tech Industry - Part 2.



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