The disruption in the supply chain has hit the electronics industry hard and caused an acute shortage of products and parts. *(Bloomberg)*

**Covid-19 outbreak: Electronics import resumes, but the crisis is far from over**

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Factories in China are ramping up production but hurdles in logistics present new challenges

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NEW DELHI: Electronic companies in India, which are dependent on imports, are hoping that the effect of the Covid-19 outbreak would ease in the coming months with several factories in China ramping up production after reopening.

However, hurdles in logistics, reduced footfalls in stores and a drop in demand with the rapid spread of the virus to other countries, including India, have emerged as new challenges.

Factories supplying components for Xiaomi phones made in India are operational now, according to a Xiaomi spokesperson. Daiwa, an Indian TV brand, has also resumed imports from China, said Arjun Bajaj, director, Daiwa. “Except in Wuhan, most factories are open now and shipping of electronics is also resuming. However, manpower is still short and, as such, most of the factories are working at 60 to 70% capacity,” said Vinod Sharma, chairman, Confederation of Indian Industry’s national committee on information communication technology and electronics (ICTE) manufacturing. According to reports, Foxconn is running at about half its normal low-season capacity, which is about 25% of full capacity.
The disruption in the supply chain has hit India’s electronics and manufacturing industry hard and caused an acute shortage of products and parts. “Factories may have resumed significant production, but it might not be enough as supply chain routes and logistics need to be completely up and running like before for transporting the components, which will take time,” said Navkendar Singh, research director, IDC India.

Many retailers are running out of stock, particularly of high-end smartphones that were being imported directly from China. Apple iPhones have been facing a severe supply crunch, as per various reports. Recent models like the iPhone 11 Max and 11 Pro (which are largely manufactured in China) have been running low in stock globally as well.

According to a report by Keybanc Capital Markets, Apple’s iPhone sales have been impacted due to supply chain issues following the outbreak, as well as lower footfalls in stores in outbreak areas.

As Covid-19 spreads to other markets, electronic companies have started facing other concerns. According to a March report by Counterpoint Research, though supply restrictions are easing, there is a growing concern about the probable impact on demand due to moderate economic activity by consumers in the face of growing infection rates in many countries. “Our current scenario models a relatively modest decline in demand for smartphones outside China,” the reports said.

Though no major decline in demand has been reported in India’s phone market, consumer electronics vendors are worried. Aman Gupta, co-founder, boAt Lifestyle, said
This is anyway not a very busy month, said Daiwa’s Bajaj. Many distributors and dealers take limited orders during this time. “The scare of the virus is real though. So far, we have not felt a major hit from it. However, our sales guys have told us that footfall has reduced in the market.”

The overall situation in the smartphone market is expected to stabilize from the third quarter of the year, according to a recent IDC report. Faisal Kawoosa, founder and analyst, TechArc, said by mid-March, mobile phone retailers will start planning for the next quarter’s demand, which has been put on hold for now. “Further, with many businesses across the global economy impacted due the coronavirus-related shutdown would also impact demand in the next quarter, particularly, the expected June-July sale of smartphones to college students is likely to be hit,” he added.