



Europe Plus one

The outbreak of the COVID-19 Pandemic has changed the world order for good. Lockdowns were imposed, and businesses all over the world suffered. Traditional Supply chains were broken, and mistrust among long-term partnerships was created.



India's Best Performing and Most Customer Centric PMS

The Advent of China Plus One

In the last two decades, China has developed to become the most prominent manufacturing hub in the world. Factors such as lower cost of production and labour, ancillary industry clusters etc., made Chinese products competitive, both in terms of quality and affordability. Because of this, entire product lines and supply chains of companies worldwide depended mainly on China. The disruption of supply chains, coupled with China's Zero Covid Policy, led companies to think of alternate manufacturing partners and destinations. This mistrust in China was also fueled by data privacy laws introduced by the Chinese Government and, in turn, the downsizing of operations by foreign technology companies in mainland China.

This strategy in which companies restricted themselves from investing only in China and decided to diversify their business to other destinations is popularly known as China Plus One.

Because of its immense opportunity and size, the China Plus One model benefits the EU, Mexico, Taiwan, Vietnam, India and many other developing countries as companies started looking for destinations that provided avenues for low-cost production and a favourable business environment. A democratic majority Indian Government pushing for excellence in manufacturing under the “Make In India” campaign provided the perfect recipe for such companies to invest and partner in.

What Changed in Europe?

In response to the Russian attack on Ukraine, a fanatical crusade of imposing sanctions and capping gas prices was started against Moscow by many members of the European Union, who are being directed by Washington. This has led Russia, the major energy partner of the EU, to close down on the Nord Stream 1 gas pipeline creating an **Energy Crisis in Europe**. Adding to the woes, the OPEC has also decided to cut its production, leading to skyrocketing energy prices. The average annual heating and electricity bill exceeds the monthly wages of workers in most EU countries. This shortage of energy commodities is likely to make life difficult during winters and to prevent this, governments all over Europe are diverting power supply from industries to households. Limits have been imposed on maximum consumption, and penalties have been announced in case of violations. Industries in Europe, especially energy-dependent industries, are facing problems. In this extreme situation, European industries are actively exploring options for relocating their production elsewhere, thus, providing an opportunity for other countries known as **Europe Plus One**.

Outlook

India's low energy & labour costs and enhanced ease of doing business make it a suitable alternative location for some European companies to relocate production. Further Indian players are also well equipped with the required technical know-how, infrastructure, and talented workforce and are now willing to invest more to tap growth opportunities.

Sectors and companies to Benefit

Industries like forging, casting, and chemicals consume high power. Europe has a power shortage due to scarce natural gas for coming times, so those industries which require high power may have to close down in Europe and will have to go to a power-efficient and labour-cost-efficient country like India. In Europe, nearly 22% power supply has been reduced to industries.

Chemical Sector: Companies like BASF, Fine Organics, SRF, Navin Flourine, PI Industries, and Bodal Chemicals.

Casting & Forging: Bharat Forge, M&M forging, RK forging, and Nelcast

Bearing Sector: Schaeffler India, SKF, Timken India

Special Steel Sector: Maharashtra Seamless

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