

# Chinese New Year 2020: Things to know when placing orders

## **Chinese New Year 2020: Things to know when placing orders with Suppliers.**

Every year, Chinese New Year holiday arrive in January or February, and could cause problems for Companies purchasing goods from China around this period.

In 2020, It will be the year of the Rat, with Chinese New Year falling on January 25th. Many Suppliers start to close around 1 week before this, with the factories totally closing for a couple of weeks. Once back at work it will take a number of weeks to ramp up their production to get back to full capacity. For companies placing orders after Christmas, in most cases, the supplier will only start the goods after Chinese New Year, and cannot expect to receive the goods until April or May.

As a customer you may wonder .....

### **How long do Factories Close for.**

During Chinese New Year, every factory in the country shuts down completely. Although New Year is an official public holiday which only lasts for seven days, due to the migration of workers from their working area back to their homeland area, the majority of factories close down fully for between two and four weeks. This holiday is also called the Spring Festival, and is the countries most important holiday. With the workers normally living great distances from their family home, in most case, it is the only time in a year they will see their family. The migration of workers from the main industrial areas of China is the worlds Largest migration.

### **What does it mean to customers over this period.**

#### **1 – It takes factories at least a Month to Ramp up their production.**

You have to assume that the same workers who left before the holiday will be returning to their factory after the holiday period, but this is not always the case, as it is an ideal time for the worker to change employment. Many workers will try and improve their working situation and move to another factory. Some may decide to stay in their hometowns and not travel back. This means that factories have to hire new workers, and therefore train the worker into their own methods. This normally starts price increases and delivery delays.

#### **2 – The Period before and after the holidays is a Prime time for mistakes.**

Before the holidays tend to work extra hours in a mad dash to clear their order book. Obviously, this may result in mistakes being made and the quality of work

reducing. On the return to work, new workers will have started and therefore may not be fully trained, and again, mistakes may occur. In addition, most factories will not order material prior to the shutdown, and therefore, costs of materials and delivery of materials increase, impacting extra costs and deliveries to customer.

### **3 – You should never pay a Deposit just before the Spring Festival.**

The Spring Festival is not only an ideal time for workers changing jobs but also Companies going out of business. In China, the most common time to close a factory is at Chinese New Year.

This means you should not be paying deposits immediately before Spring Festival, as your supplier may intend to close their factory permanently and choose not to inform you.

### **4 – Forecast in advance to adjust Production and shipping times.**

When looking to have manufacturing done in China, it is very important to forecast as far in front as possible, and if you need parts in March/April, discussions with suppliers should start around September/October, allowing sufficient lead times for any problems occurring. With the factories wishing to clear their decks prior to Spring Festival, Shipping costs will increase as everyone tries to get all their products away. This means that there are heavy volumes leaving for the ports just before the holidays with only limited ship available. This will result in shipping rates increasing considerably.