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PRESS RELEASE

Swiss Business in China Survey: High confidence despite lower sales and profit expectations

- *In the latest "Swiss Business in China" survey, **the confidence level for the business operations in the next year reached 7 out of 10** – a little lower than the 7.2 during the hopeful re-opening after Covid in 2023, but **higher than any other year since 2015**.*

- *Yet, **Swiss businesses have lower expectations than in the past in terms of their sales and profit growth**. 46% of respondents expect higher sales and 43% expect higher profits in 2024 year-on-year. In 2023, post-reopening, these values were at 51% and 62%, respectively.*

- *Nearly half of respondents consider China a top 3 investment destination. 35% plan to increase their investments, while 6% plan to decrease them. It is the lowest investment intention recorded by the survey, still **China remains a priority investment destination, while investments are more cautious, also in consideration that profit margins might be harder to achieve.***

- *Differences in perception between HQs and local subsidiaries: **Managers based in China are far more confident about their company's Chinese operations than their counterparts in Switzerland.***

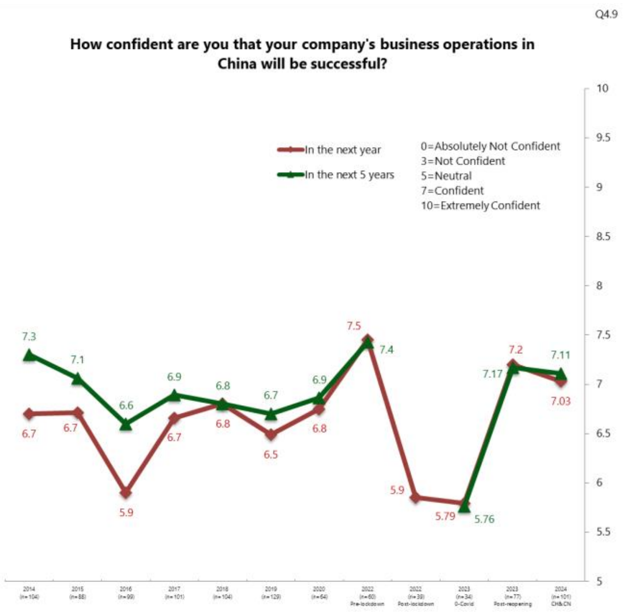
- *The survey was carried out and published in collaboration with the University of St-Gallen and its China Competence Center (CCC-FIM) and includes expert articles on the status of China's economy as well as what to expect for international businesses. Download the full survey here.*

Shanghai, Geneva (October 18, 2024) – In the recent "Swiss Business in China" survey, decision makers of 101 Swiss companies largely indicated that they remain confident about their China operations. The survey features a metric to compare the confidence level of Swiss enterprises over the years. In the recent survey, **the confidence level of respondents reaches 7 on a scale from 0 (absolutely not confident) to 10 (extremely confident)** when asked about the next year. The confidence about the next five years is equally high (7.1). "This is a little less than during the re-opening in 2023, when the confidence reached 7.2. But it is higher than in every other year since 2015", reports Nicolas Musy, Delegate of the Board of the Swiss Centers Group, a non-profit organization that lowers the Asian market entry hurdles for Swiss enterprises. Musy: "The survey results underline that **Swiss companies managed to weather the extraordinary challenges of the last four years pretty well**. And though profitability did not follow turnover, growth on average has been good for Swiss businesses in China."

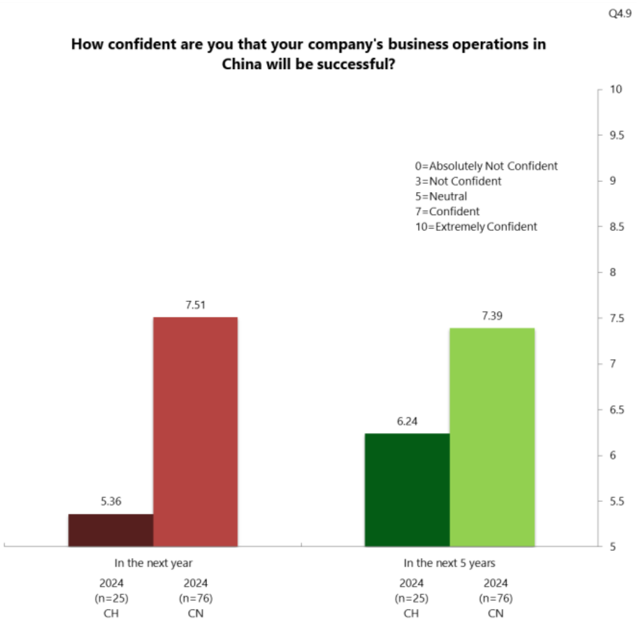
The Swiss Business in China survey is published by the **University of St. Gallen (FIM-HSG)**, the **Swiss Centers Group**, and **China Integrated** in partnership with the **Embassy of Switzerland in China**, **SwissCham China**, **Swissnex**, **Economiesuisse**, **Switzerland Global Enterprise** and the **Swiss Chinese Chamber of Commerce**. The comprehensive survey includes responses from 101 Swiss companies, both SMEs and large enterprises, and is believed to be representative of the roughly 600 Swiss companies in China.

While you can download the full survey on the academic SSRN website here, the most salient aspects are commented next:

Main results



It is worth noting that the opinions of managers based in China are surprisingly different from those based in Switzerland, particularly with respect to 2024. Asked about the next five years, the opinions still diverge with China-based managers more positive than the Swiss-based ones, though to a lesser extent.



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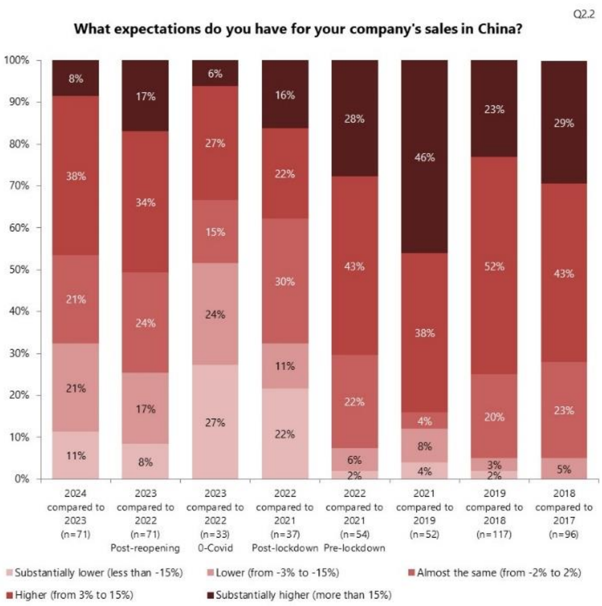
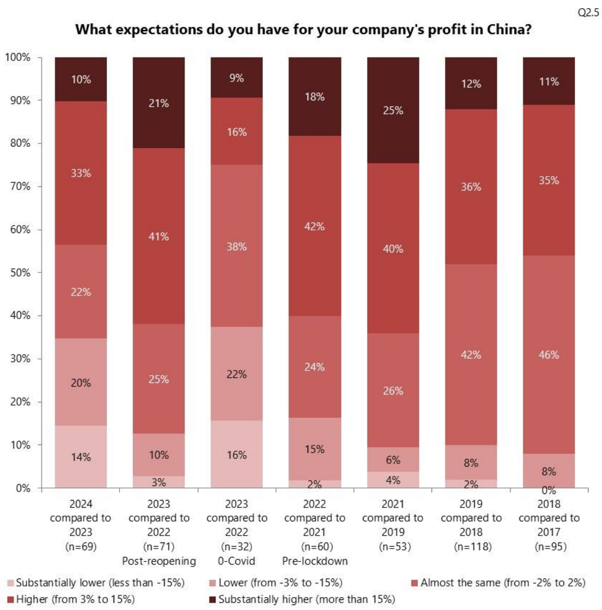
The impact of the pandemic years

This year's survey took the opportunity to compare 2019 with 2023, to understand the impact of the four pandemic years. While many more companies have expanded their sales in China than have lost turnover, 61% against 18% for a net 43% of companies expanding, only a net 11% (42% against 31%) managed to increase their profitability. "This is certainly a consequence of a slowing growth and ever fiercer competition from local competitors growing in terms of technology and overall ability", explains Mr. Musy. At the same time management in China of Swiss companies has been significantly localized. 30% decreased the numbers of expats in their management, while only 13% increased.

Sales and profit expectations are down

While sales, profits and investment growth expectations declined, China still remains a top priority investment market for Swiss businesses. 46% of survey respondents expect higher sales in 2024 compared to the 51% that did so in 2023. Both of these numbers of growing companies are much lower compared to the pre-covid years of 2019 and 2018, which saw 75% and 72% of respondents announcing increased sales.





The number of businesses expecting higher profits in 2024 (43%) is as low as it has never been, when one excludes the 2022 zero-Covid period, which included Shanghai's lockdown. And though for 2024 more businesses expect increasing profits compared to those who don't, the number of businesses expecting decreasing profits (34%) is considerably higher than previously, for example in the pre-Covid years of 2019 (10%) and 2018 (8%).

Investment plans

For 2024, the proportion of Swiss firms planning to increase investments (35%) continues to decline compared to intentions announced post-reopening (38% of the 2023 survey) and even more so compared to the pre-covid years (59% in 2019 and 61% in 2018). However, while the report in 2023 concluded that the uncertain global geopolitical situation was the primary cause for the lack of investment intentions, such concerns have partially abated in the meantime.

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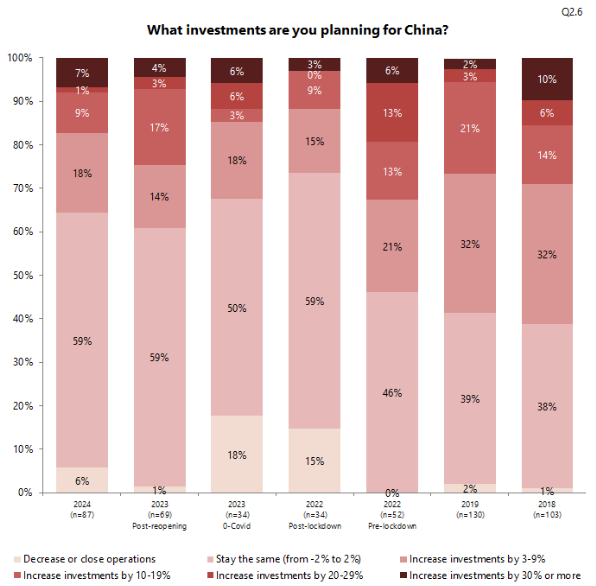
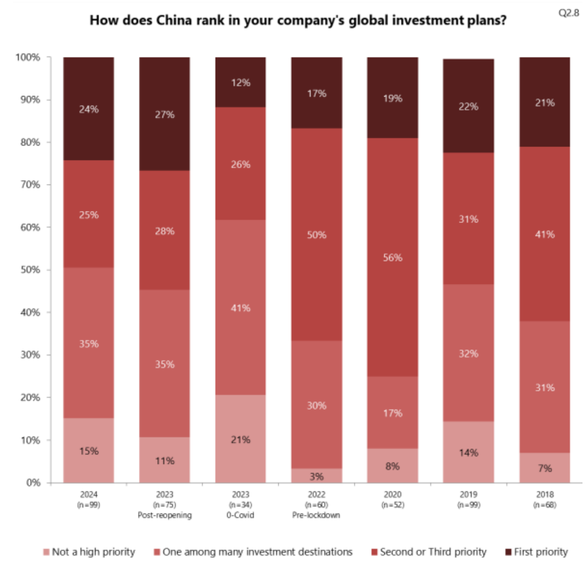
XIAO Zhen, CEO of the Swiss Centers Group ststes: “As a result, we feel it reasonable to conclude that investments will be lower in 2024 compared to 2023 due mostly to the lackluster economic environment.”

While **a large proportion (49%) of Swiss companies active in China still see the market as a top one, two or three destination for their investments**, this proportion is again lower than in the previous survey (55%). It is also the first time that a majority of survey respondents do not see China as a top investment priority. “Responses on investments and confidence point to continued positive views of China’s potential but a much more cautious approach, also in consideration of harder to achieve margins”, concludes Mr. Xiao.





Picture legend: Nicolas Musy, Delegate of the Board of the Swiss Centers Group

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Picture legend: XIAO Zhen, CEO of the Swiss Centers Group

Picture legend: Swiss Centers China

<u>About the Swiss Centers:</u>

Founded in 2000 as a non-profit Sino-Swiss public-private partnership, the Swiss Centers are by far the **largest cluster of Swiss companies in Asia**.

Swiss Centers' **practical solutions supported the businesses of over 400 companies** in China – both SMEs and large enterprises. Among them, the Swiss Centers have established more than 100 companies in China, both B2B and B2C, production companies and offices, active in various fields. In cooperation with the diplomatic representations in China, the Swiss Centers also conducts surveys that provide the most detailed expertise available on the situation of Swiss companies in China, and at the same time **promotes the Swiss Made brand** and Switzerland as a country for **quality, innovation** and **industrial leadership**.

With locations strategically situated on China's dynamic East Coast (Shanghai and Tianjin), the Swiss Centers are **constantly adapting to the needs of the Swiss economy**:

- Instant physical **office space** as well as **ready-to-use workshops, showrooms,** and **warehouses**
- **Relations with local Chinese authorities** and connections **to Swiss government and institutions** in China
- Support for secure technology transfer and **intellectual property protection**
- Access to **professional services** tailored to SMEs in all aspects of setting up and developing business in China (legal, tax, accounting, recruitment, HR management, IT, marketing)

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- **Unique solutions** such as **hosting employees locally** or **storing and delivering goods** on behalf of clients in the Shanghai **free trade zone** to facilitate business development in China and the rest of Asia

For more information and some **reference cases**, kindly visit our website www.swisscenters.org and our LinkedIn page http://www.linkedin.com/company/swiss-center-shanghai

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