



European Union  
Chamber of Commerce in China  
中 国 欧 盟 商 会

European Business in China

# BUSINESS CONFIDENCE SURVEY 2021

JUNE 2021 | Beijing, China





In 2021, the BCS achieved a 46.7% response rate, slightly lower than 2020, but still 2<sup>nd</sup> highest ever



## Survey design

66 questions on 3 core themes:

- Company profile & financial performance
- Outlook on Chinese business environment
- Outlook on company strategy

And 5 thematic issues:

- Supply Chains
- SOE reform
- Politicisation of business
- Digital and Data
- Environment

Also a chapter-specific section



## Survey execution

**4-week** answering period during **February 2021**

46.7% response rate among eligible entities

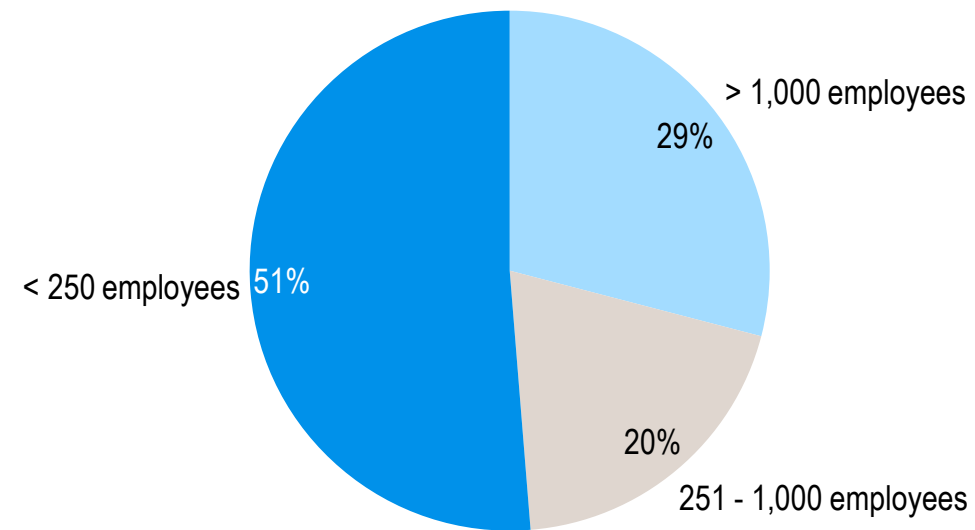
Almost equal representation of companies across sectors

- Professional services
- Industrial goods and services
- Consumer goods and services

## Breakdown of respondents by company size

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N=585



## Breakdown of respondents by industry

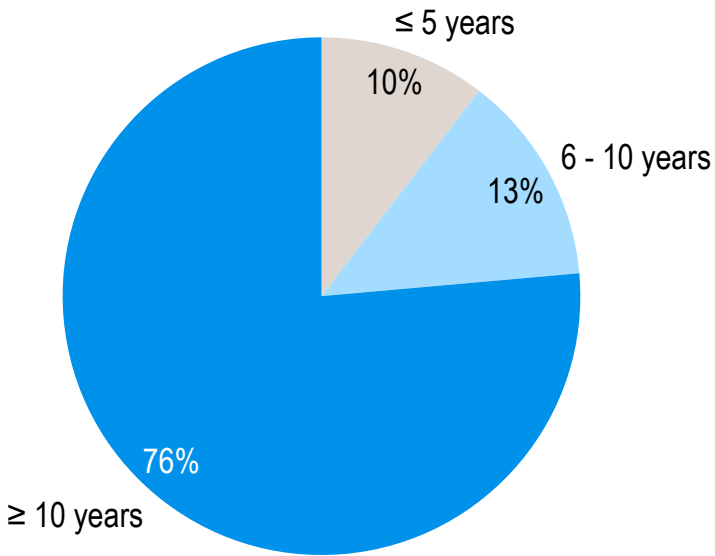
N=585





## Breakdown of respondents by time in Mainland China

N=585





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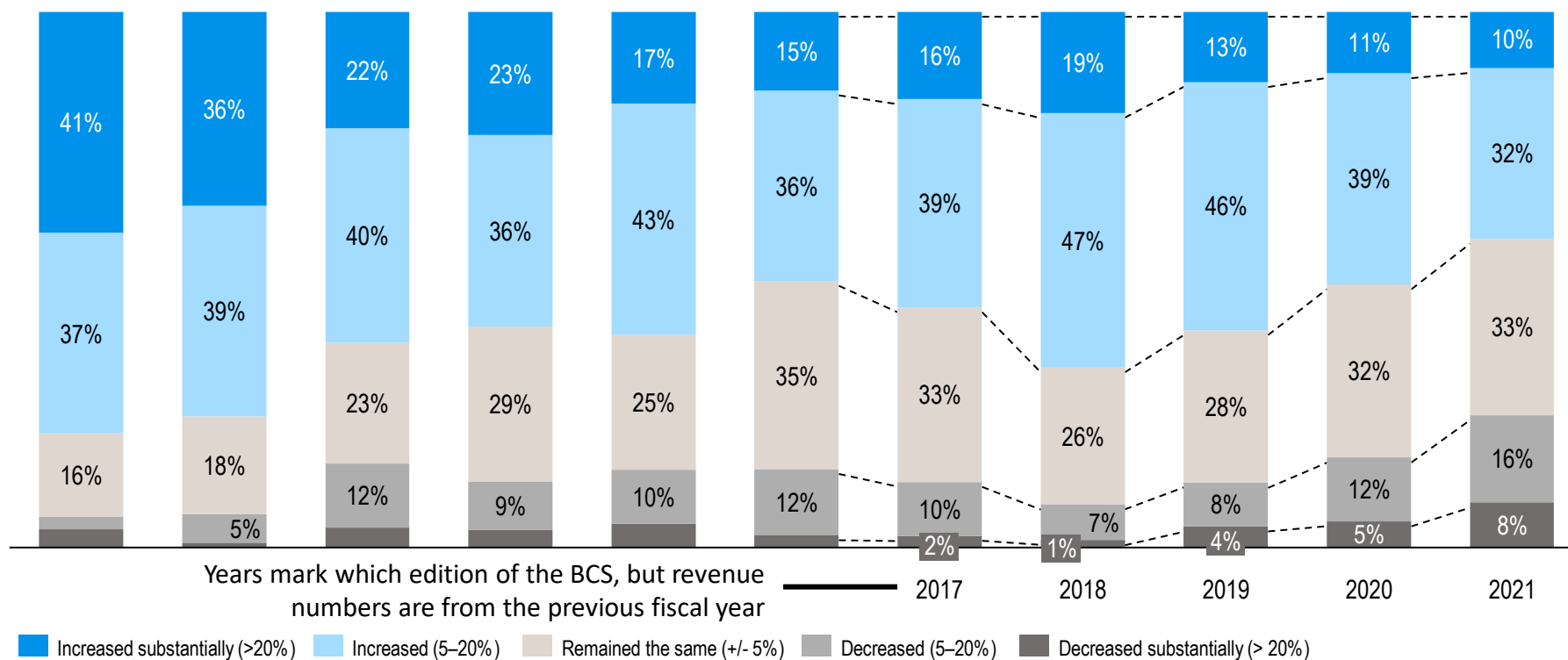
## Key Findings

- Navigating in the dark... and through an unprecedentedly challenging year
- Decoupling: not exactly what we saw a year ago
- Accelerating the reform agenda: a must in an increasingly difficult business environment



## Revenue takes a hit, but not as much as expected

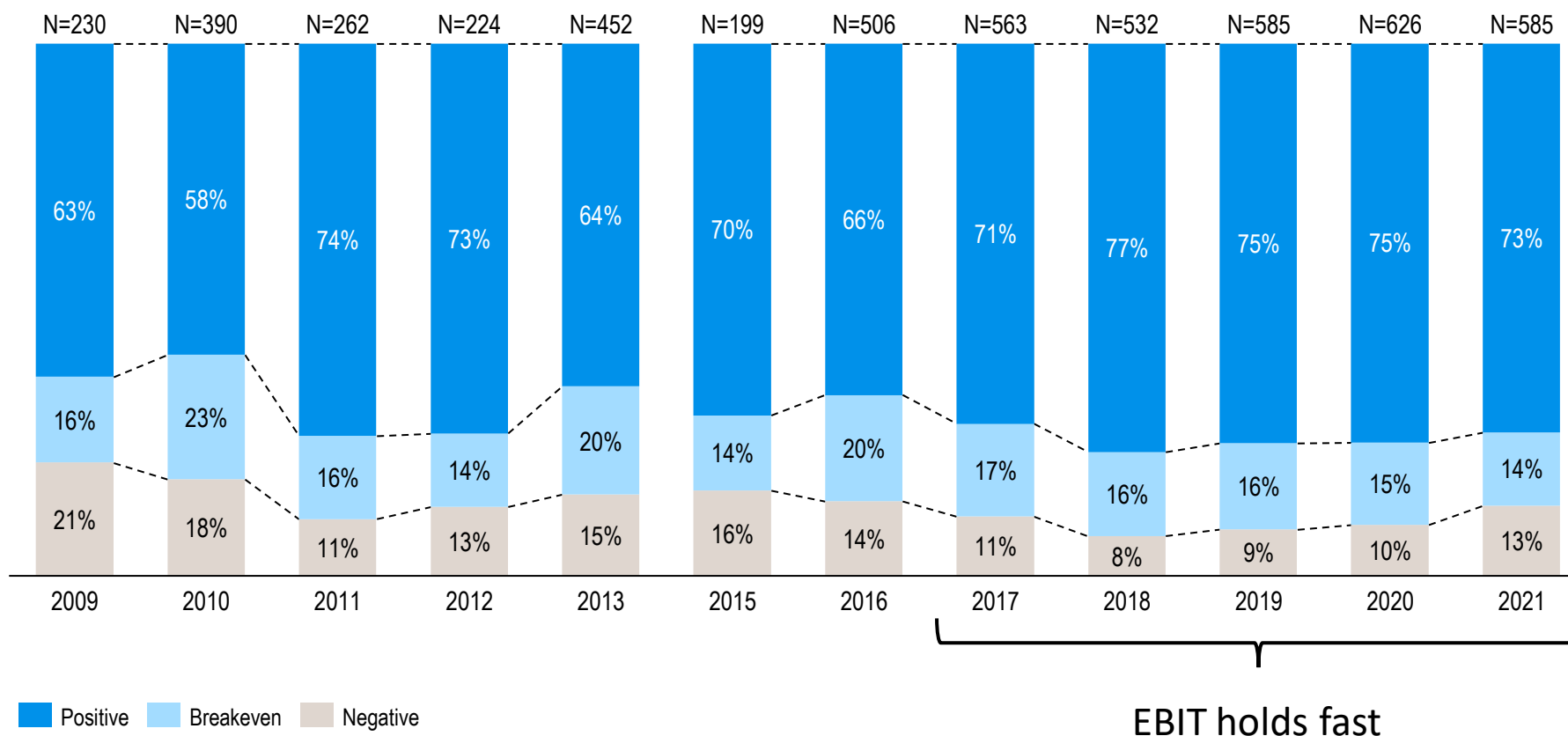
How did your company's total 2020 revenue in Mainland China evolve compared to 2019? <sup>1)</sup>



1) Excludes answer "Not Applicable"

## Steady EBIT as companies adapted to new realities

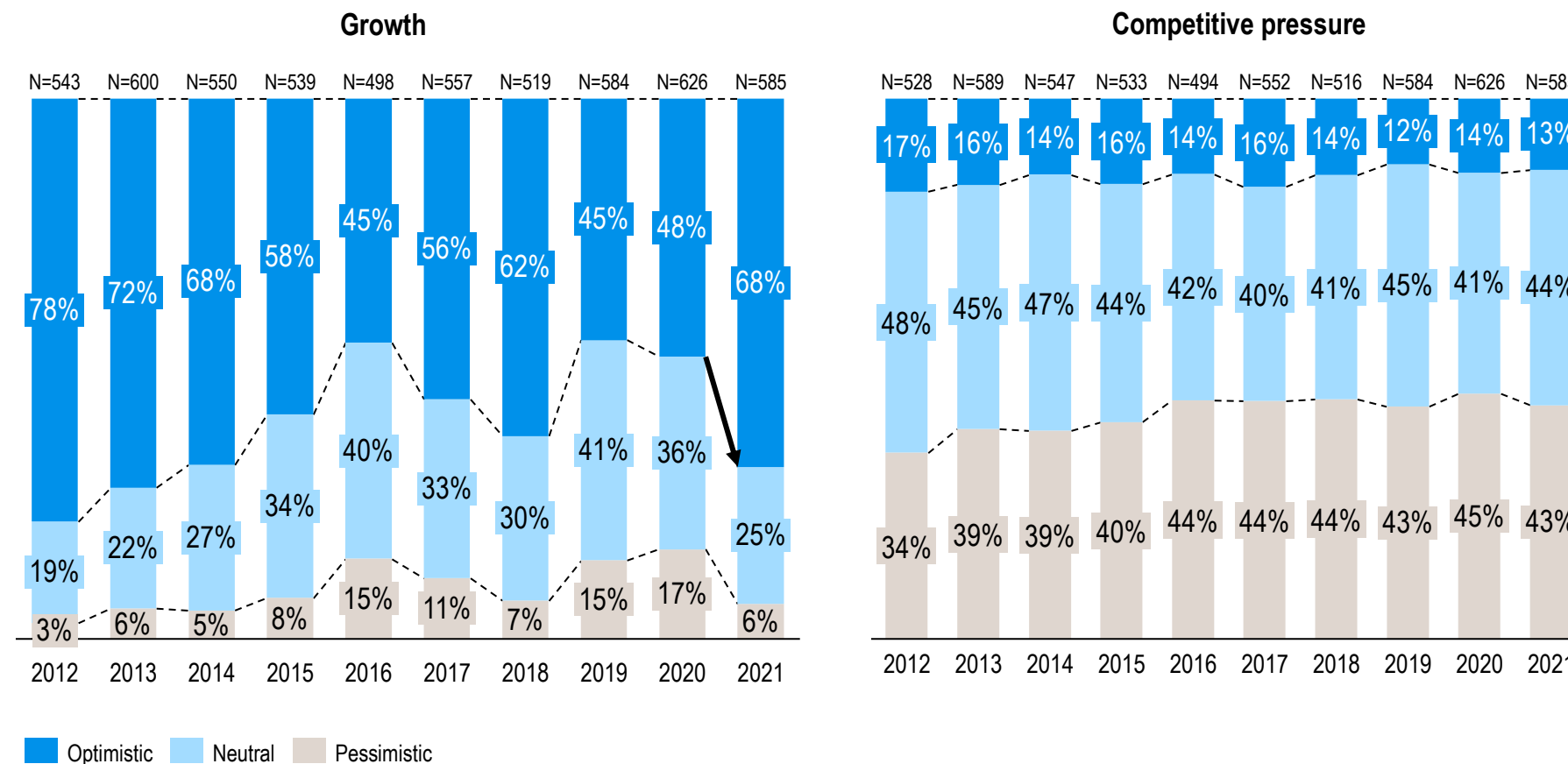
Please describe your company's earnings before interest and tax (EBIT) in Mainland China in 2020.





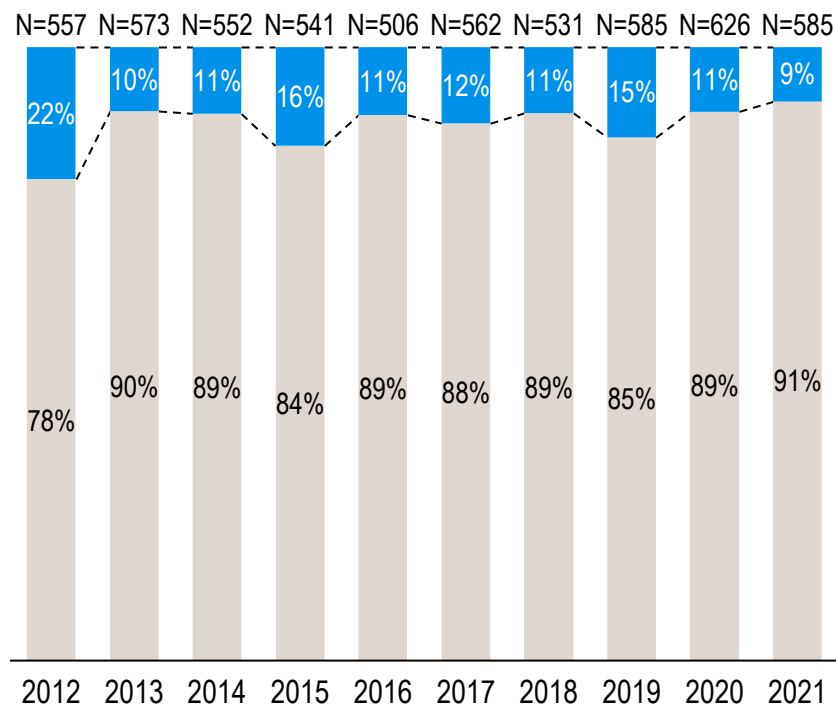
# Optimism on growth surges, other outlooks hold steady

How would you describe the business outlook for your sector in China over the next two years? (1/3)



## Lowest desire to leave the market on record

Is your company considering shifting current or planned investments in China to other markets?



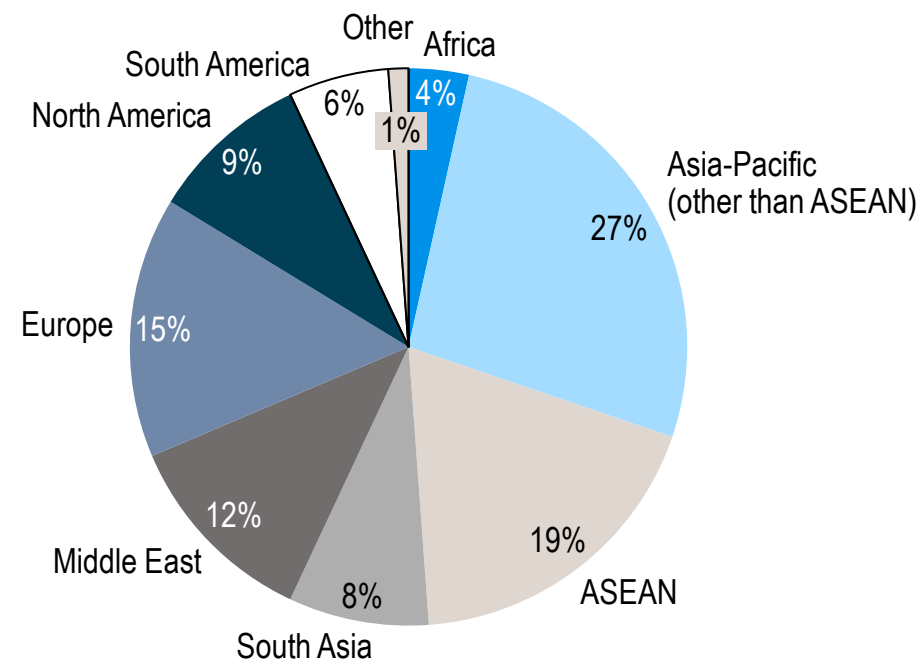
Yes No

1) Asked only if answer to "Is your company considering shifting current or planned investments in China to other markets?" is "Yes"

2) Multiple answers possible, percentage divided by number of respondents

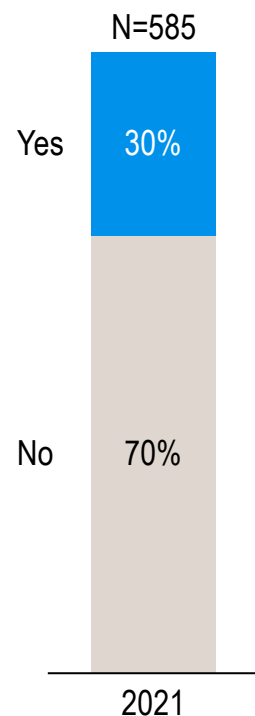
Where to? <sup>1)</sup> <sup>2)</sup>

N=86



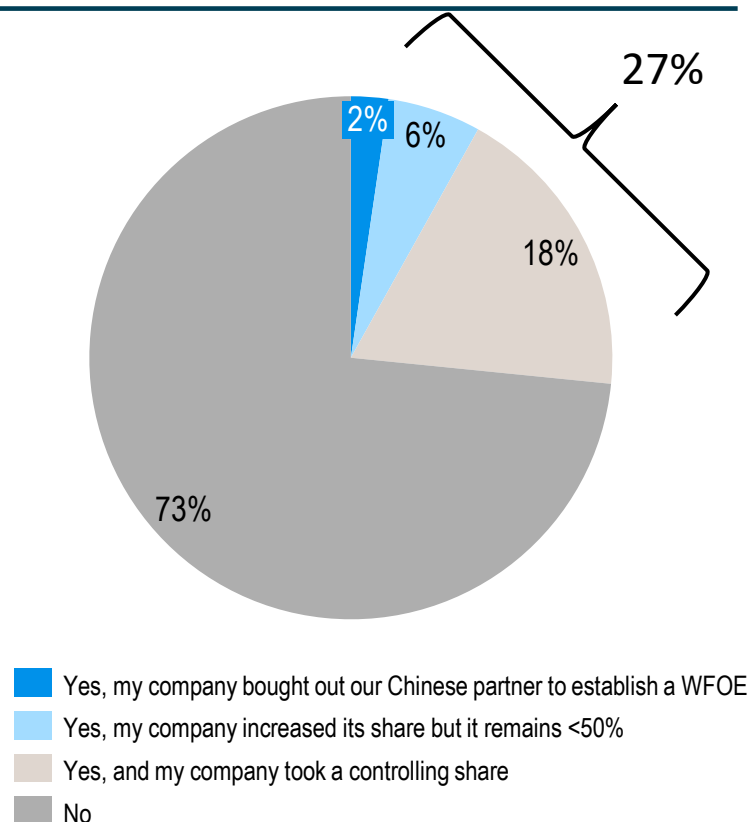
## JV positions strengthened as European players batten down the hatches

Does your company have a joint venture (JV) with a Chinese company (including SOEs and POEs)?



In light of market opening announcements and lifting of equity caps in 2020, has your company increased its share in a JV? <sup>1)</sup>

N=173

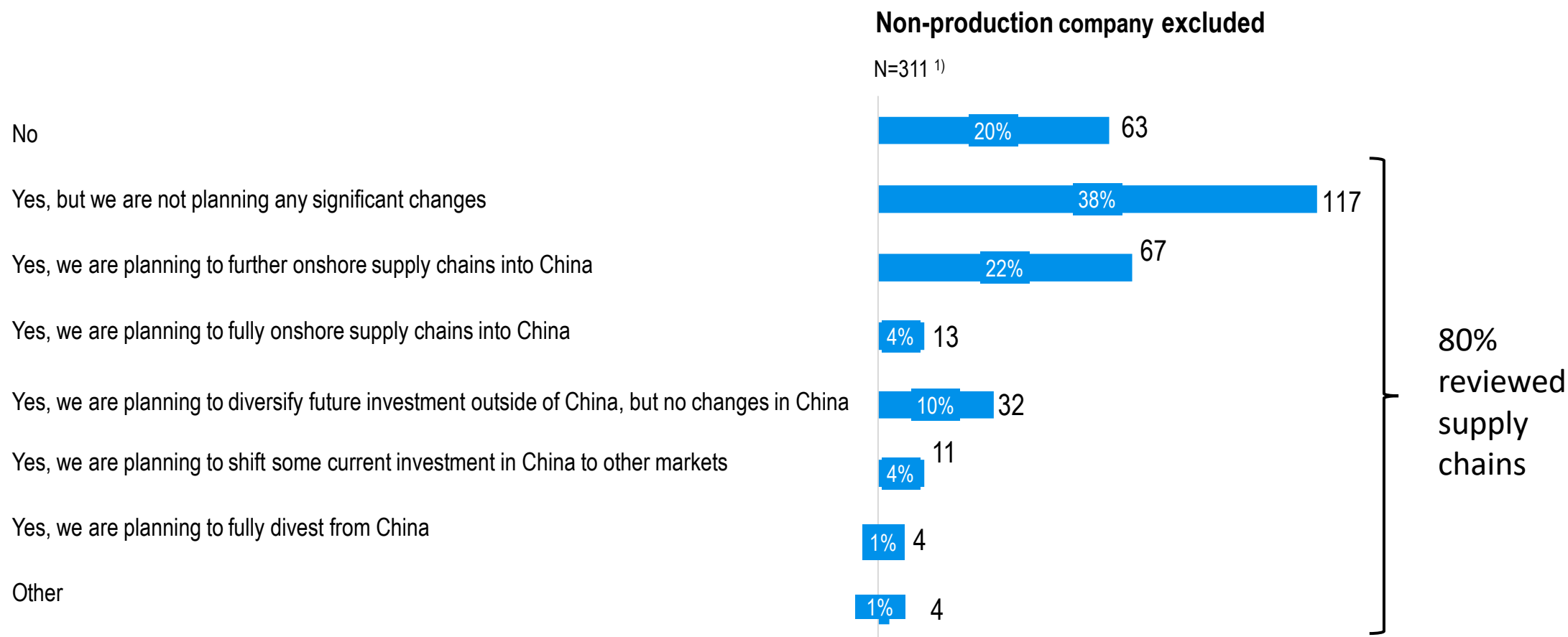


1) Asked only when the answer "Does your company have a joint venture (JV) with a Chinese company (including SOEs and POEs)? is "Yes"



# Five times as many onshoring as offshoring

Has your company reviewed its supply chain strategies in the last two years?

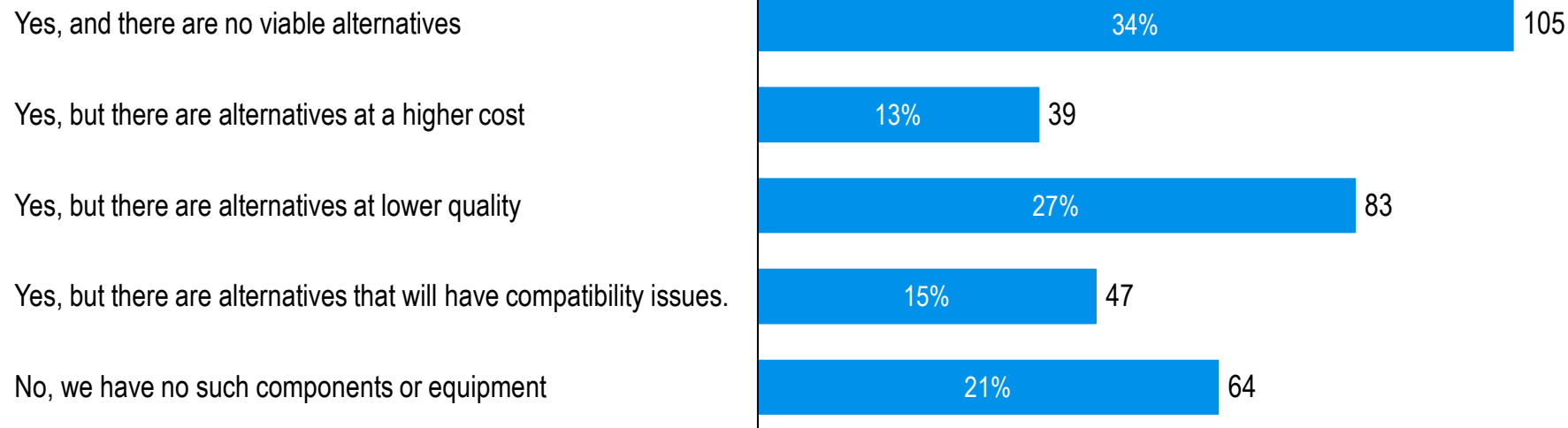


1) Excluded respondents who chose "Non-production company" in Q52s

## A third of manufacturers exposed to critical input disruptions

**Does your company import any equipment or components from abroad for which it cannot find comparable replacements, or for which finding alternatives would mean accepting lower quality, higher costs or compatibility issues? <sup>1)</sup>**

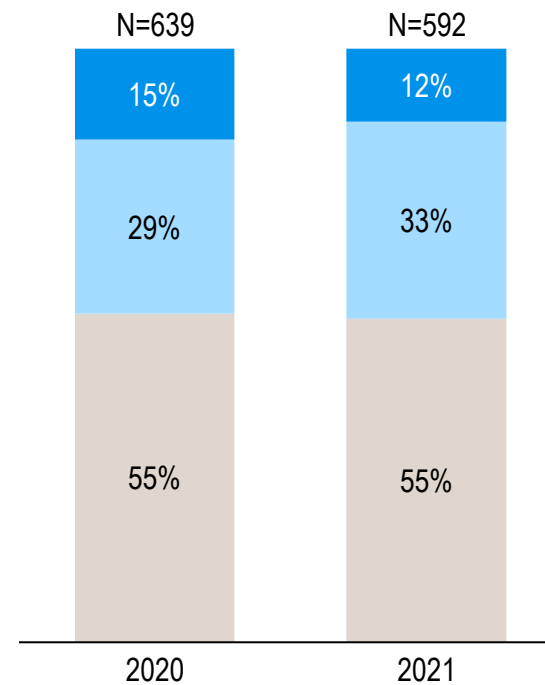
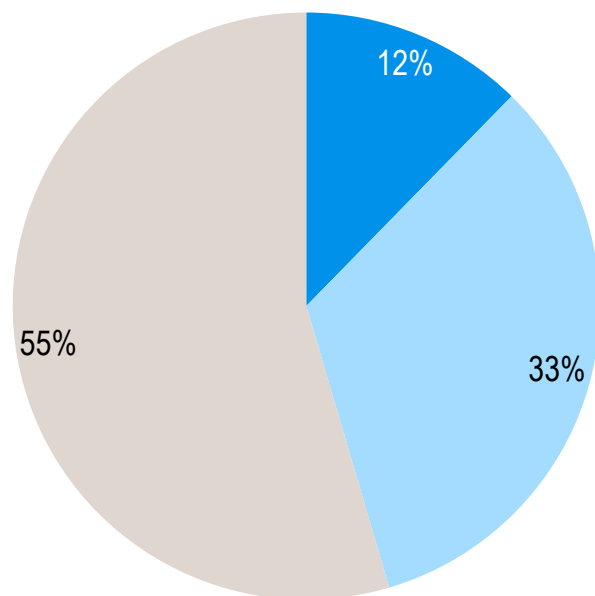
N=311 <sup>2)</sup>



# Indirect market access barriers three times as common as direct ones

Does your company face market access restrictions in China? <sup>1)</sup>

N=592 <sup>1)</sup>



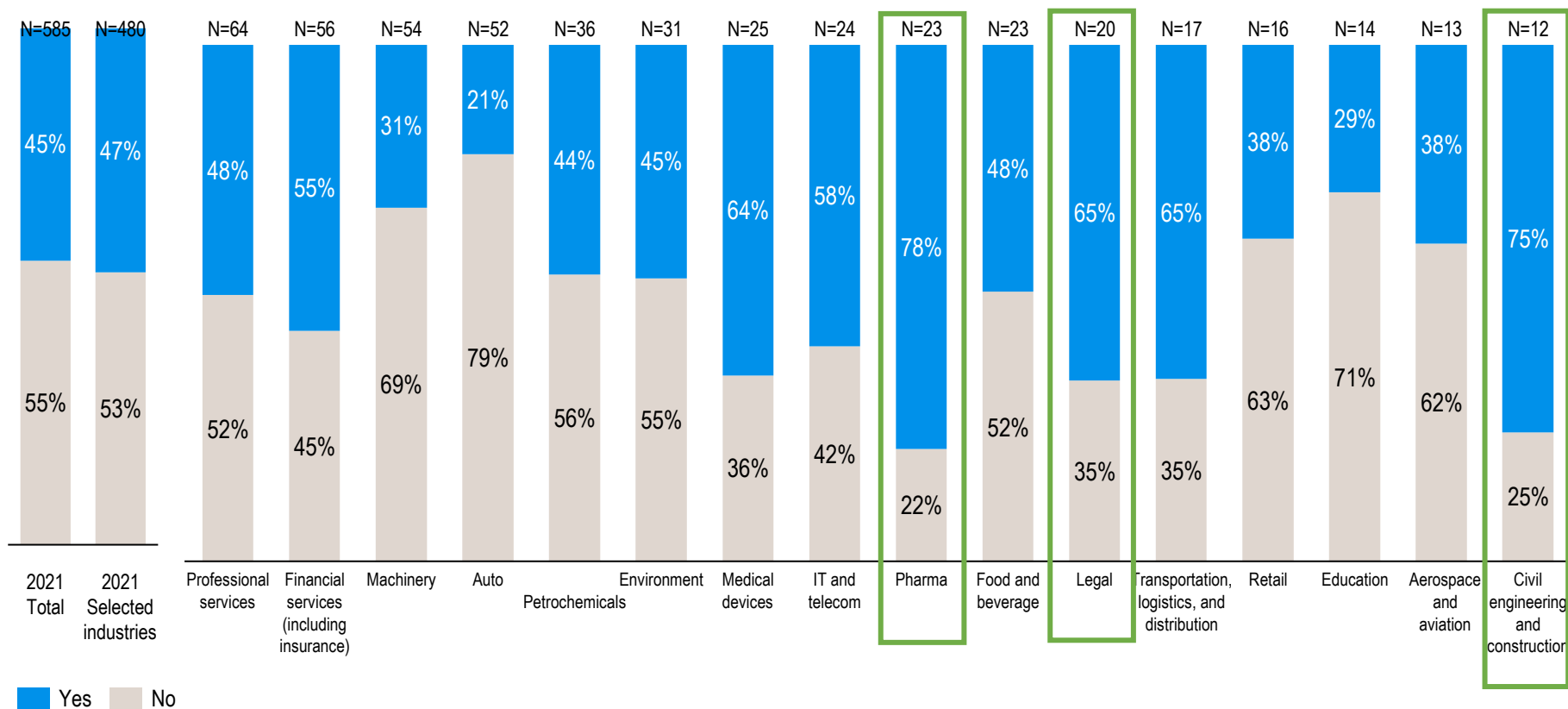
- Yes, and they are direct market access restrictions (e.g.. Your sector is restricted or prohibited on the national negative list, or other direct restrictions exist)
- Yes, but they are indirect market access barriers (e.g.. Your company has encountered difficulties obtaining licences or certification, due to policy issues, or other indirect barriers)
- No

1) Multiple answers possible, percentage calculated by number of respondents



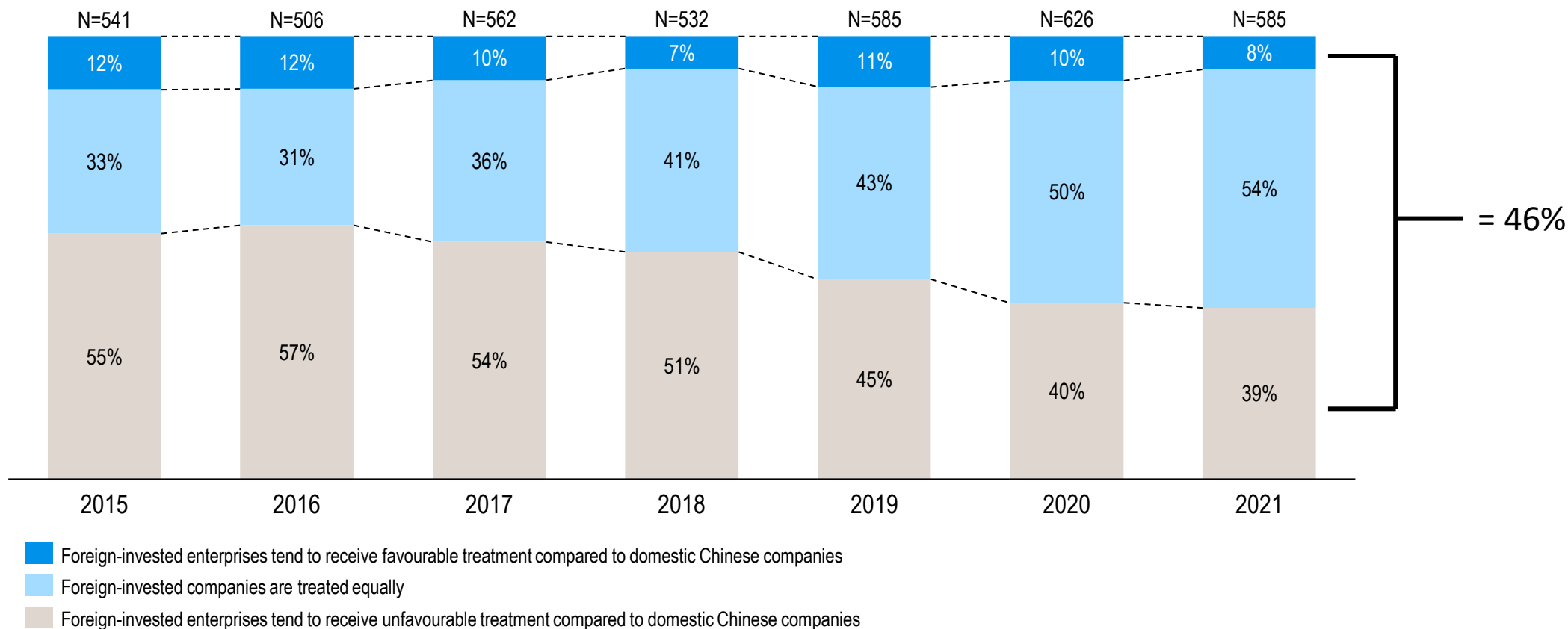
## Pharma, construction and legal missed out the most due to market access restrictions and regulatory barriers

Has your company missed out on business opportunities in China as a result of market access restrictions or regulatory barriers?



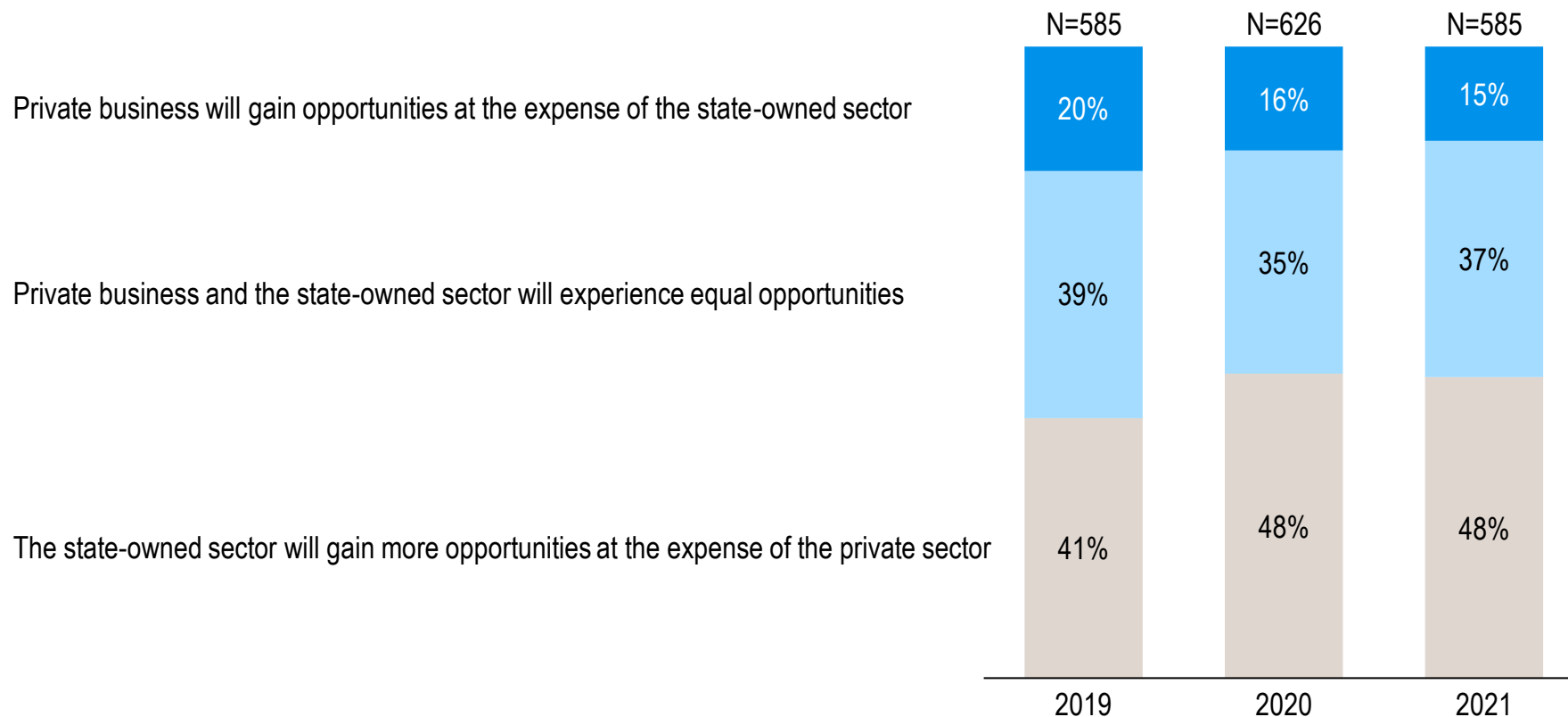
## Equal treatment progresses, but 46% still see unlevel playing field

How does your company perceive foreign-invested companies' treatment by the Chinese Government in your industry compared to that of domestic Chinese companies?



## The state advances (again), the private sector retreats (again)

What best describes your outlook on the relationship between private business and the state-owned sector in China over the next two years?



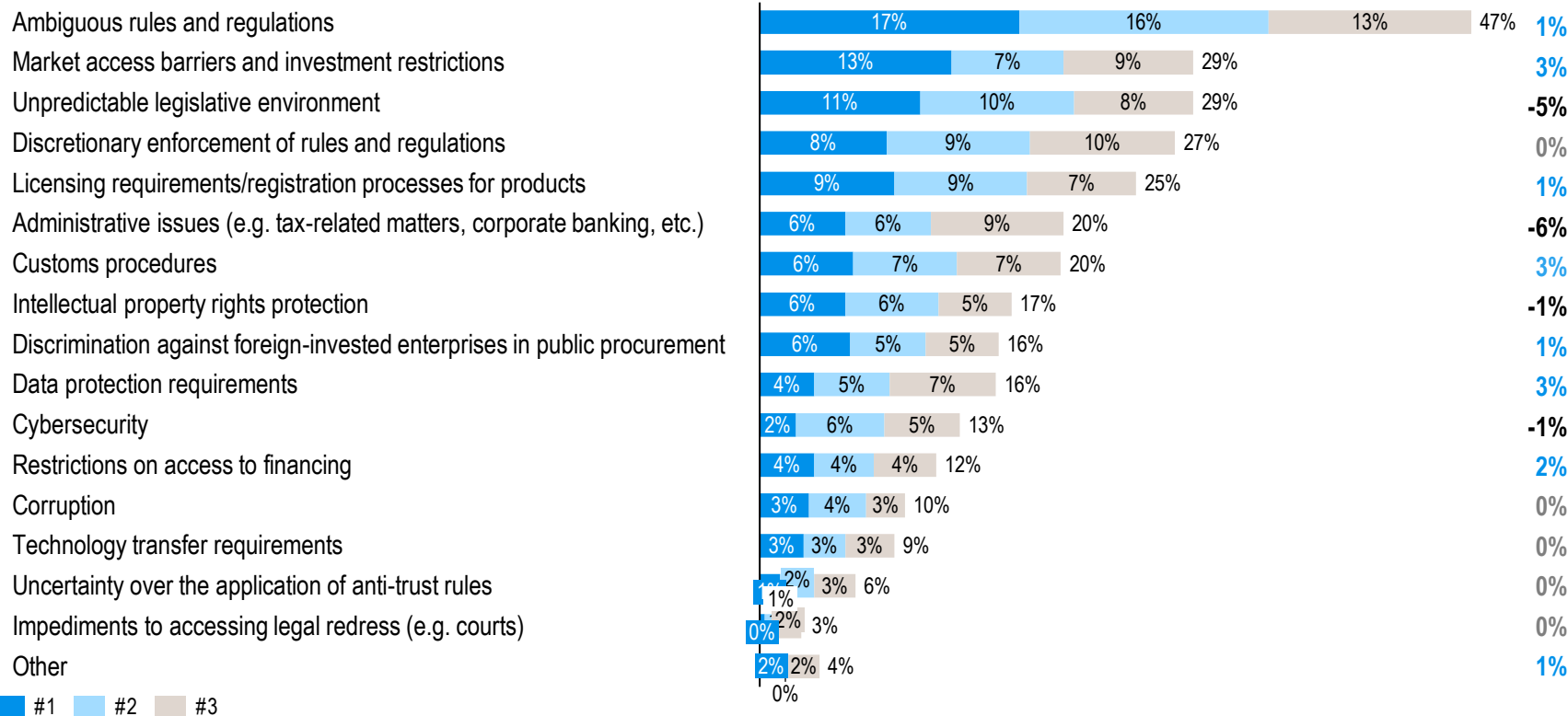


# Regulatory obstacles change little Y-o-Y

Which are the top three most significant regulatory obstacles for your company when doing business in Mainland China? <sup>1) 2)</sup>

N=585

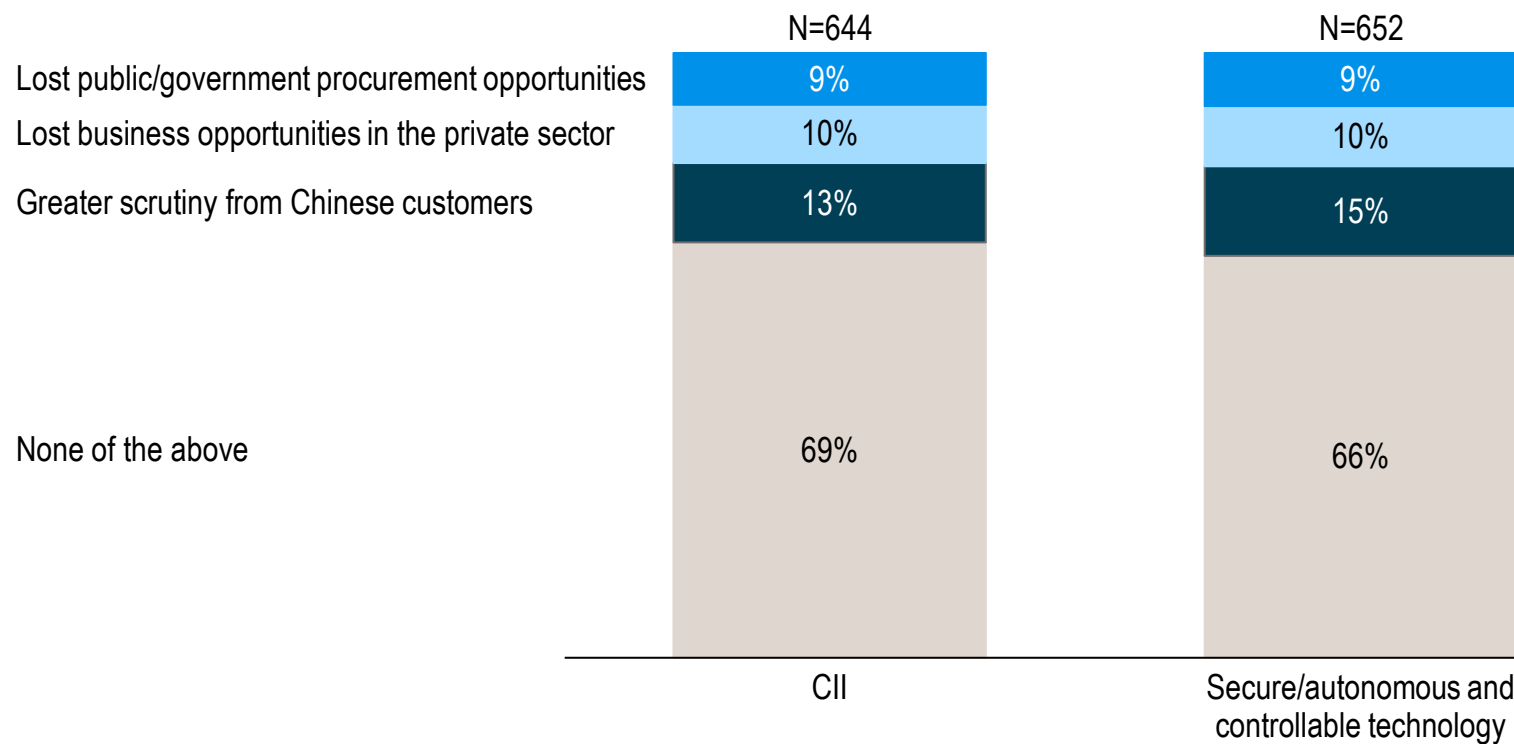
Δ 2020 - 21 [p.p.]



1) Figures represent the proportion of respondents who rated each issue their #1–3 most significant regulatory obstacles; 2) percentages divided by number of respondents

## Growing concern mounts over tech localization push

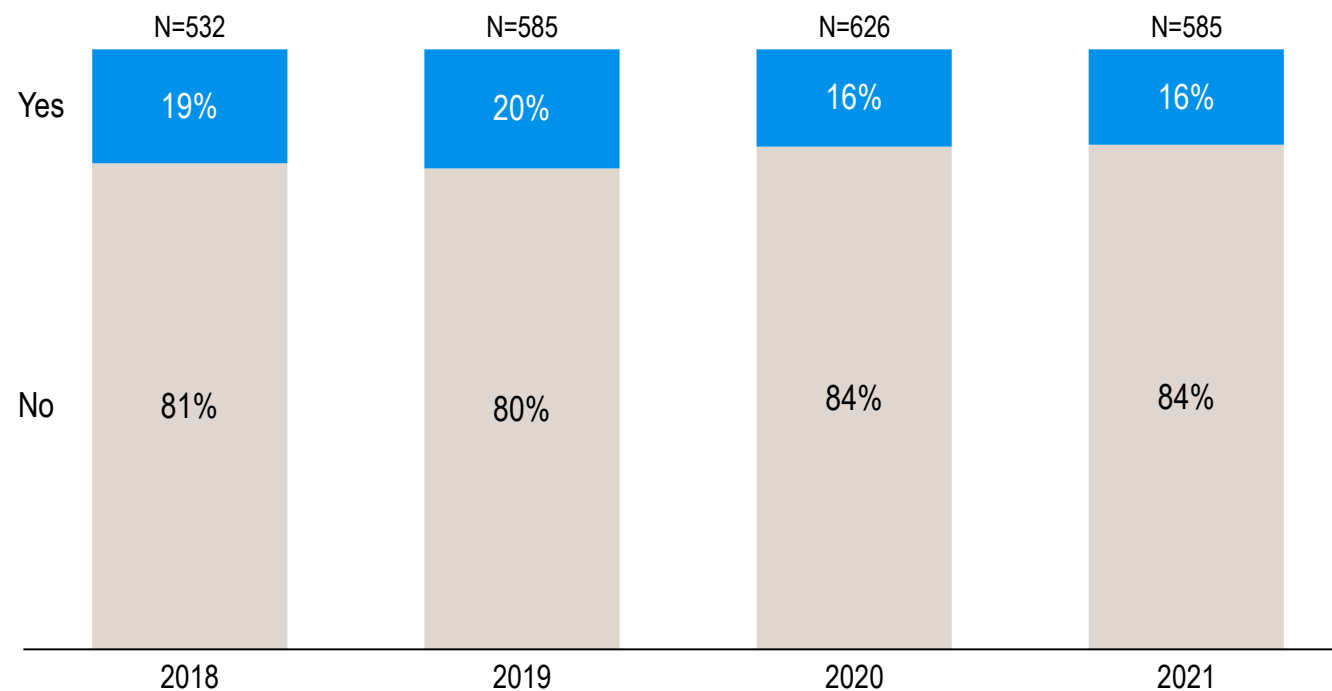
Which of the following challenges do you expect your company will face due to China's requirements/guidelines for CII and 'secure/autonomous and controllable' technologies? <sup>1)</sup>



<sup>1)</sup> Multiple answers possible

## Foreign Investment Law fails to stop compelled tech transfers

Has your company felt compelled to transfer technology in order to maintain market access?

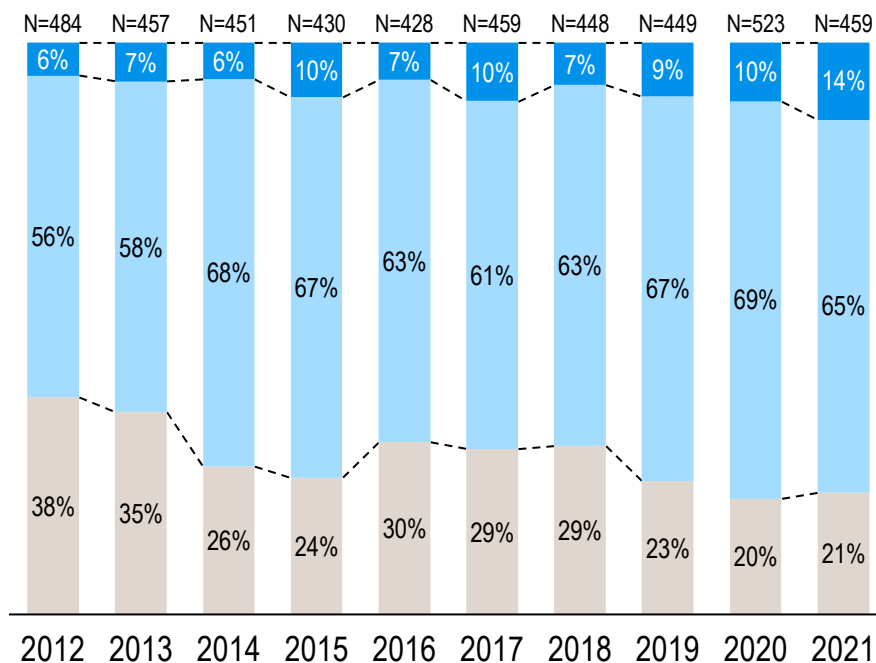




# For first time, half of respondents find IPR enforcement to be excellent or adequate

How does your company rate the effectiveness of China's written intellectual property (IP) protection laws and regulations? <sup>1)</sup>

## Written laws and regulations

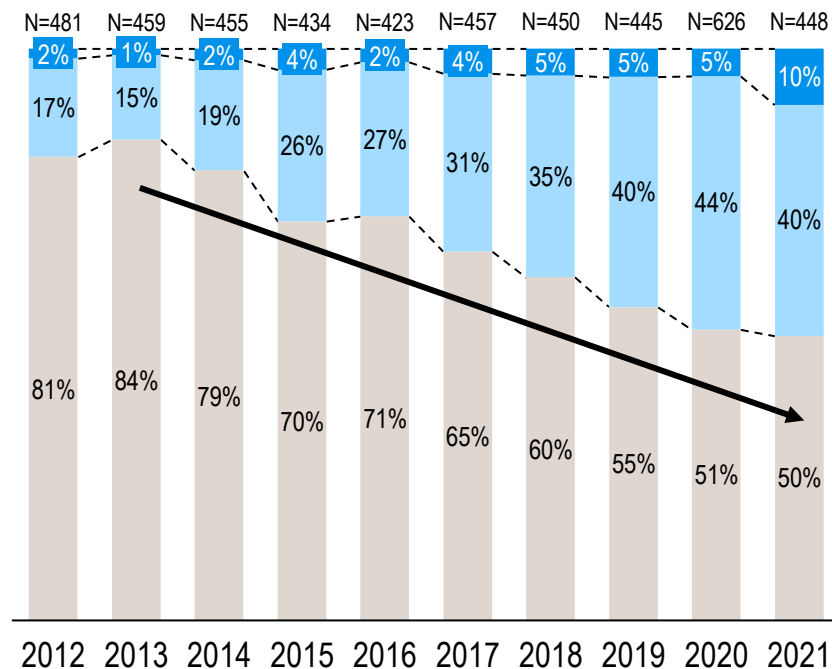


Excellent Adequate Inadequate

<sup>1)</sup> "Not applicable" excluded

How do you rate the enforcement of China's IPR laws and regulations? <sup>1)</sup>

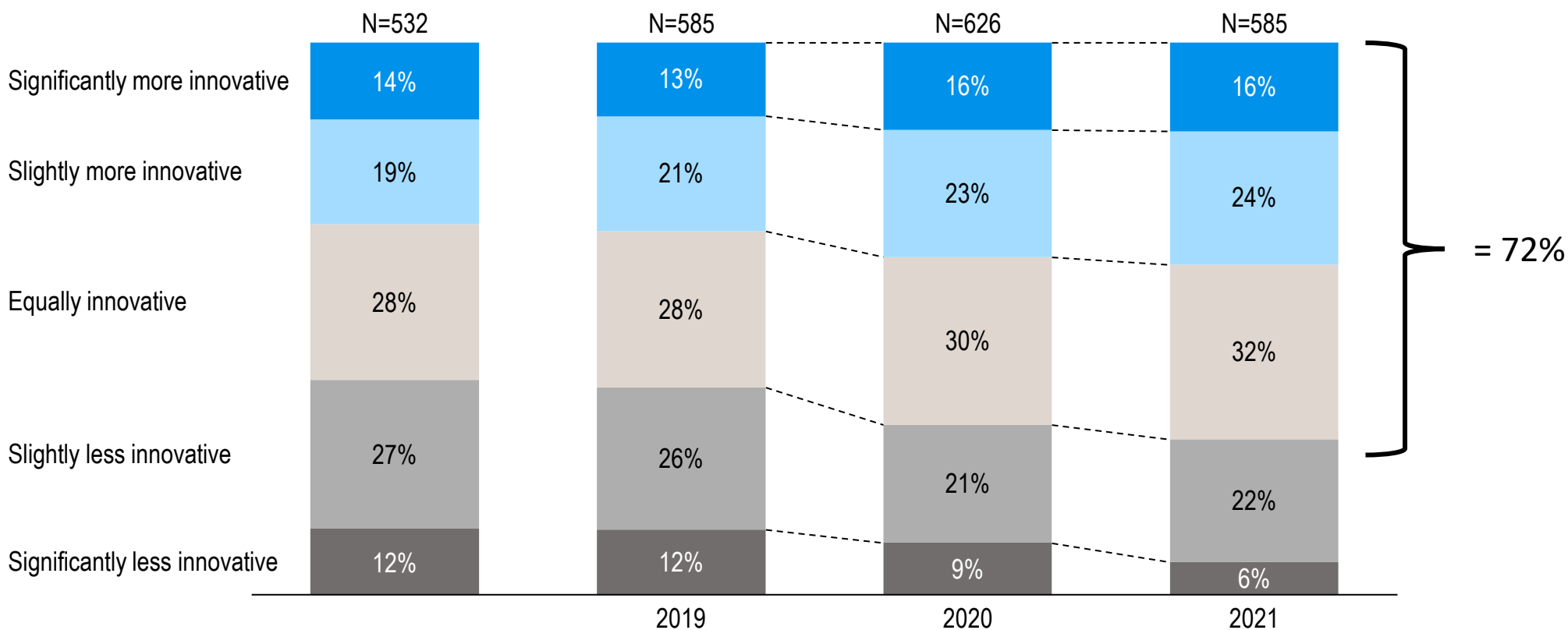
## Enforcement of laws and regulations



Excellent Adequate Inadequate

## 72% see Chinese firms as equally or more innovative than European ones

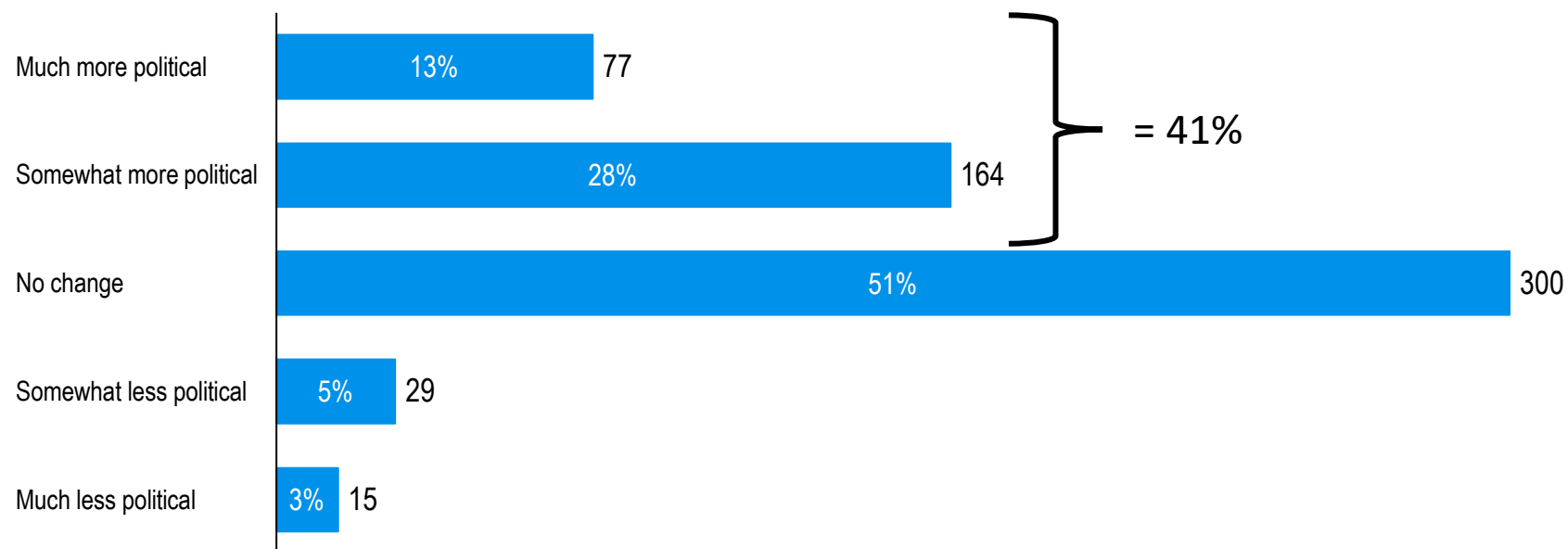
Within your industry, how innovative do you feel Chinese firms are compared to European firms?



## Business becomes more political (again)

Has the business environment in China become more political in the last year?

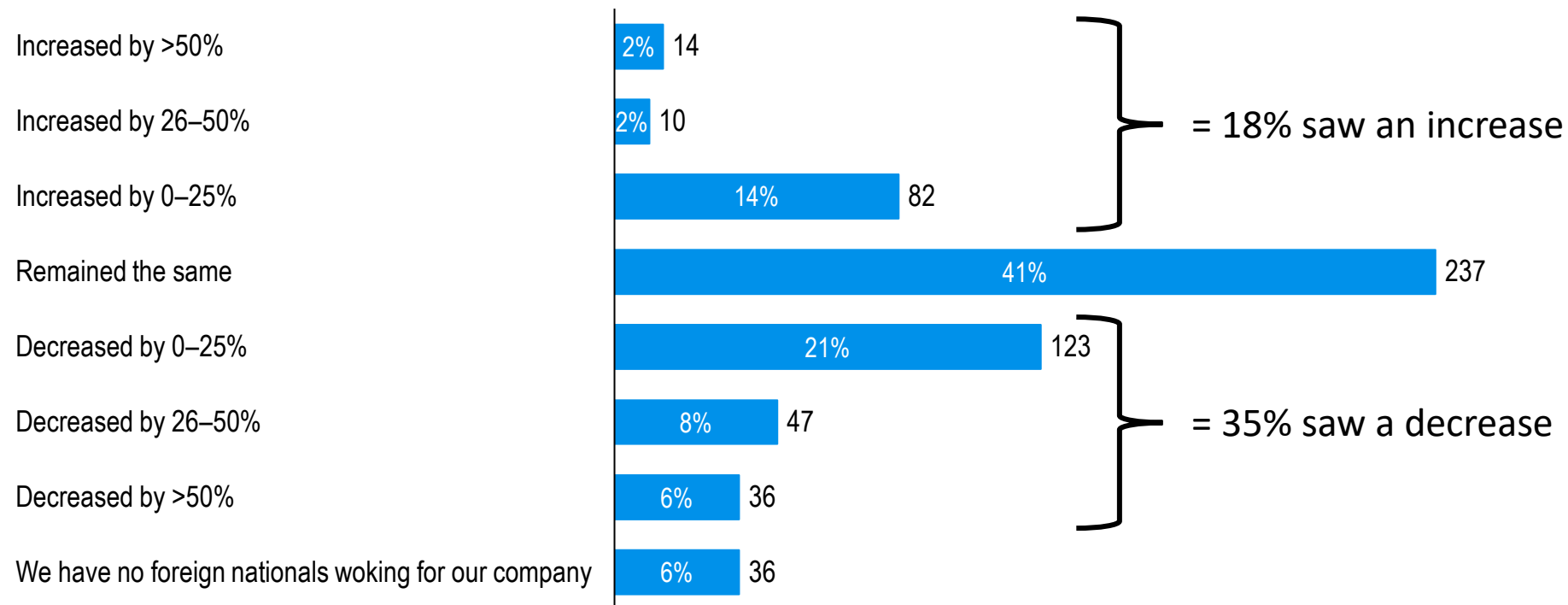
N=585



## Foreign worker numbers nosediving

Has your company increased or decreased the number of foreign employees in the past five years?

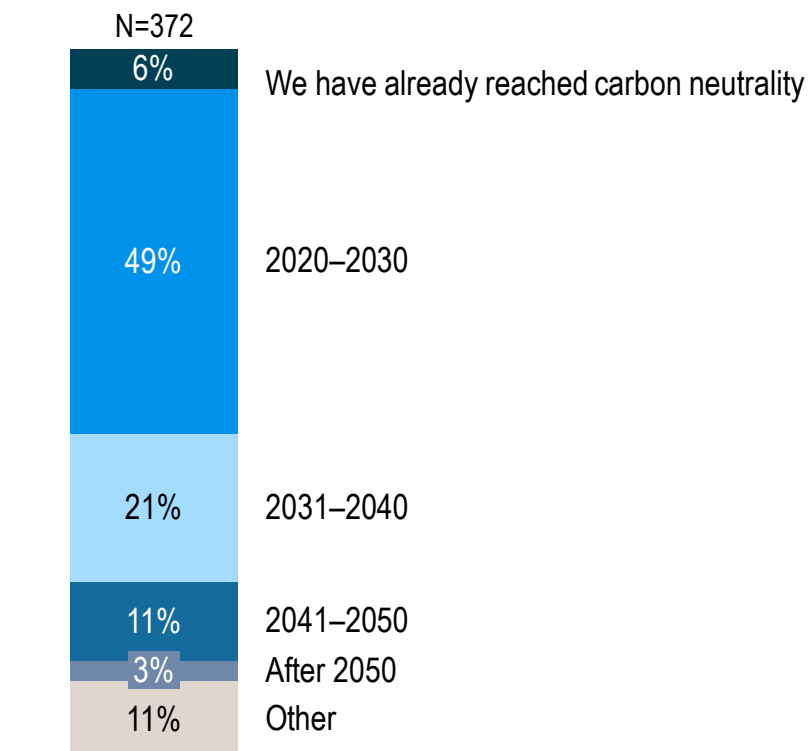
N=626





## European companies do the heavy lifting on decarbonisation

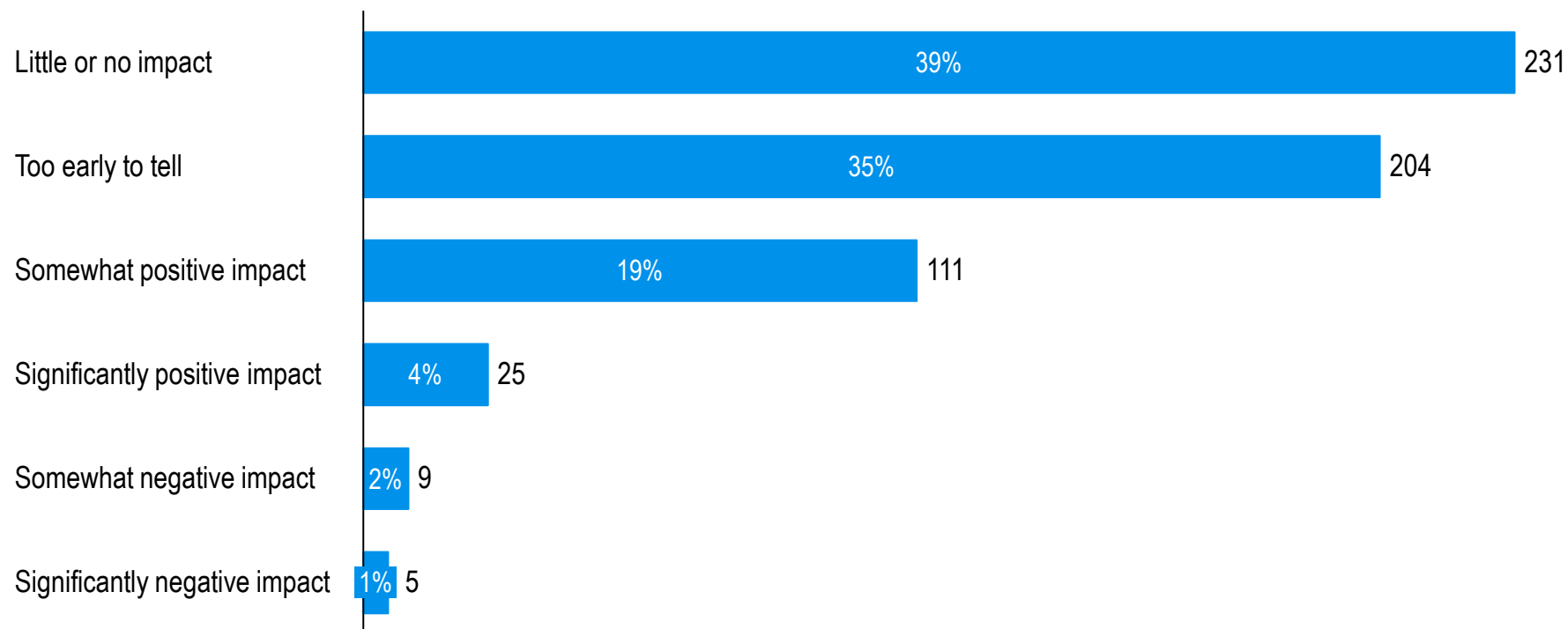
When does your company aim to reach carbon neutrality? <sup>1)</sup>



## RCEP moves China operations towards being part of regional strategy

What is the expected impact of the RCEP on your business?

N=585







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# Thank you

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