„China with the Eye of Foreign Investor“
China is bigger than the EU
China = Continent
Chinese equivalents
Population

Population 2010, millions

Source: The Economist; Economist Intelligence Unit; CEIC; WTO
Chinese equivalents

Nominal GDP PPP, 2014 (US$bn)

- 0 to 250
- 250 to 500
- 500 to 750
- 750 to 1,000
- 1,000 to 1,500
- Over 1,500

Source: Access China, Economist Intelligence Unit
Key takeaways from the 2015 Business Confidence Survey

European companies are reconsidering their strategies in response to a protracted Chinese slowdown

1. The protracted **Chinese economic slowdown** has become the top future business challenge

2. Pessimism about growth and profitability leads them to **undertake cut-backs**

3. China remains a **key market**

4. The needed **regulatory framework** has yet to come into place

5. **Innovation** will be one of the most critical drivers needed to move the Chinese economy up the value chain

Source: BCS 2015, Roland Berger analysis
Financial performance presents a mixed picture with fewer companies reporting a year-on-year increase in revenues.

Evolution of company revenue in Mainland China year-on-year (2011-2015)

- Increased substantially (>20%)
  - 2011: 41%
  - 2012: 36%
  - 2013: 22%
  - 2014: 23%
  - 2015: 17%

- Increased (5 - 20%)
  - 2011: 37%
  - 2012: 39%
  - 2013: 40%
  - 2014: 36%
  - 2015: 43%

- Remained the same (+/- 5%)
  - 2011: 16%
  - 2012: 18%
  - 2013: 22%
  - 2014: 29%
  - 2015: 25%

- Decreased (5 - 20%)
  - 2011: 4%
  - 2012: 6%
  - 2013: 4%
  - 2014: 9%
  - 2015: 10%

- Decreased substantially (> 20%)
  - 2011: 2%
  - 2012: 1%
  - 2013: 4%
  - 2014: 3%
  - 2015: 5%

While the percentage of companies that reported an increase in revenues in FY 2014 remained almost stable at 60% over the past two years, this percentage has decreased by 18 points since FY 2010.

More European companies reported a decrease in revenue in FY 2014 (15%) compared to FY 2013 (12%).

Source: BCS 2015, Roland Berger analysis
European companies' optimism about business outlook on growth and profitability in China keeps declining

Business outlook on growth and profitability in China (2011-2015)

> The percentages of companies that reported optimism about growth and profitability stand at 58% and 28% respectively

> While still substantial in isolation, it represents an all-time low since 2011

Note: The percentage of respondents who selected the option ‘Not applicable’ is not shown

Source: BCS 2015, Roland Berger analysis
China is still a priority in terms of investments but it slides down in the ranking

China's rank as destination for present investment (2011-2015)

Note: The percentages of respondents who selected the options, ‘Top 5 destination’, ‘Top 10 destination’, ‘Lower than top 10 destination’ and ‘Not applicable’ are not shown

Source: BCS 2015, Roland Berger analysis
To adapt to the Chinese economic slowdown, almost one third of European business puts investment on hold.

Expansion plans of China operations (2013-2015)

> This year marks a further polarisation between companies that are bullish or bearish on their China operations with 31% of companies that do not plan to expand their current operations, a 6-point increase compared to 25% in 2014.

Source: BCS 2015, Roland Berger analysis
For the moment, European players withhold investments rather than shifting investments to other markets

Investment shift to other markets (2011-2015)

Source: BCS 2015, Roland Berger analysis

> The number of companies shifting investments from China to other markets has increased by 5 points from last year to 16% in 2015
European companies are eagerly awaiting improved market access to increase their investments

Impact of greater market access on foreign investment (2014-2015)

> 60% of European companies indicate that they would be more likely to increase investment in China if greater market access were granted to foreign companies in their industry

> This represents a 5-point increase from 2014

Source: BCS 2015, Roland Berger analysis
Rising power, anxious state
A 14-PAGE SPECIAL REPORT ON CHINA
A bubble in pessimism

Source: The Economist
Analysts in the west have been predicting the end of the Chinese boom almost since it began. In the mid-1990s
China’s rebalancing

Source: FT
How addiction to debt came to China

Source: FT
China’s economy is inefficient, but it is not unstable

Source: The Economist
Regional Economy Outlook

Real GDP growth, H1 2015 vs. H1 2014

% change in real

Source: Access China, Economist Intelligence Unit
What I wish for China….

Source: The Economist
European Business In China

Business Confidence Survey

2015

In partnership with
Roland Berger
Strategy Consultants