

# „China with the Eye of Foreign Investor“

Joerg Wuttke  
President  
EU Chamber

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European Business In China

## Business Confidence Survey

In partnership with

**Roland Berger**  
Strategy Consultants

2015

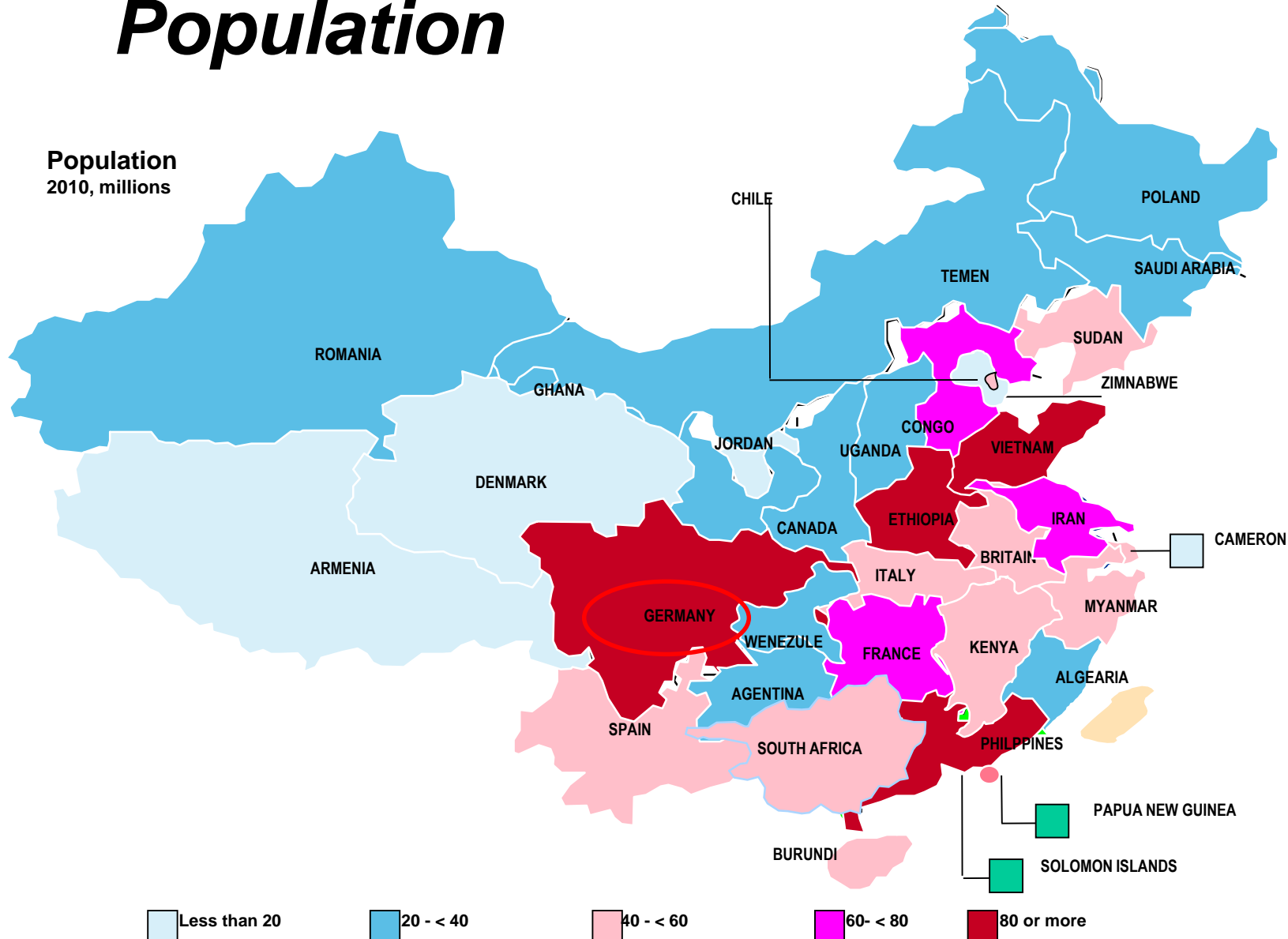
# ***China is bigger than the EU***

## ***China = Continent***



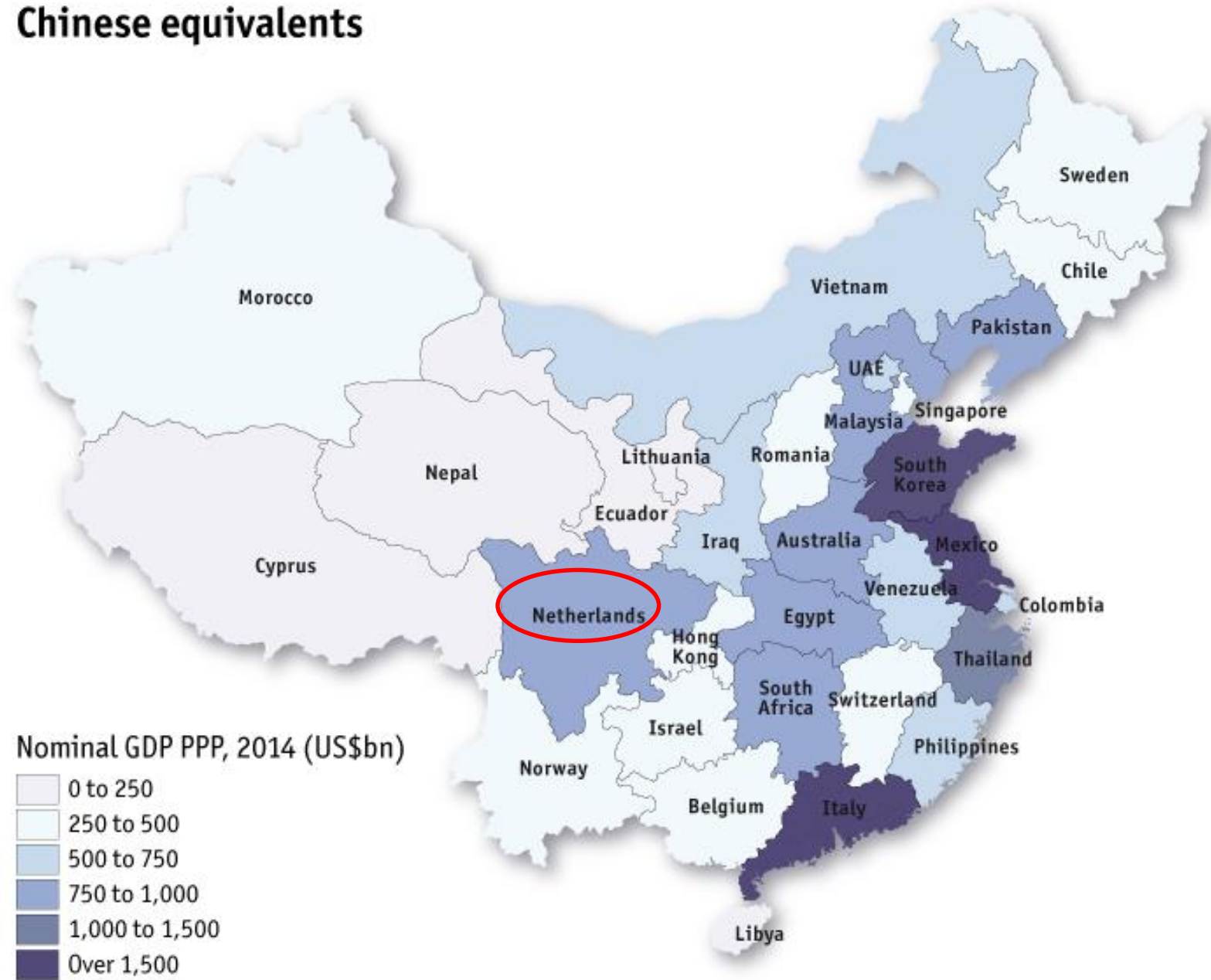
# Chinese equivalents

## Population



# Continent China

## Chinese equivalents



# 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

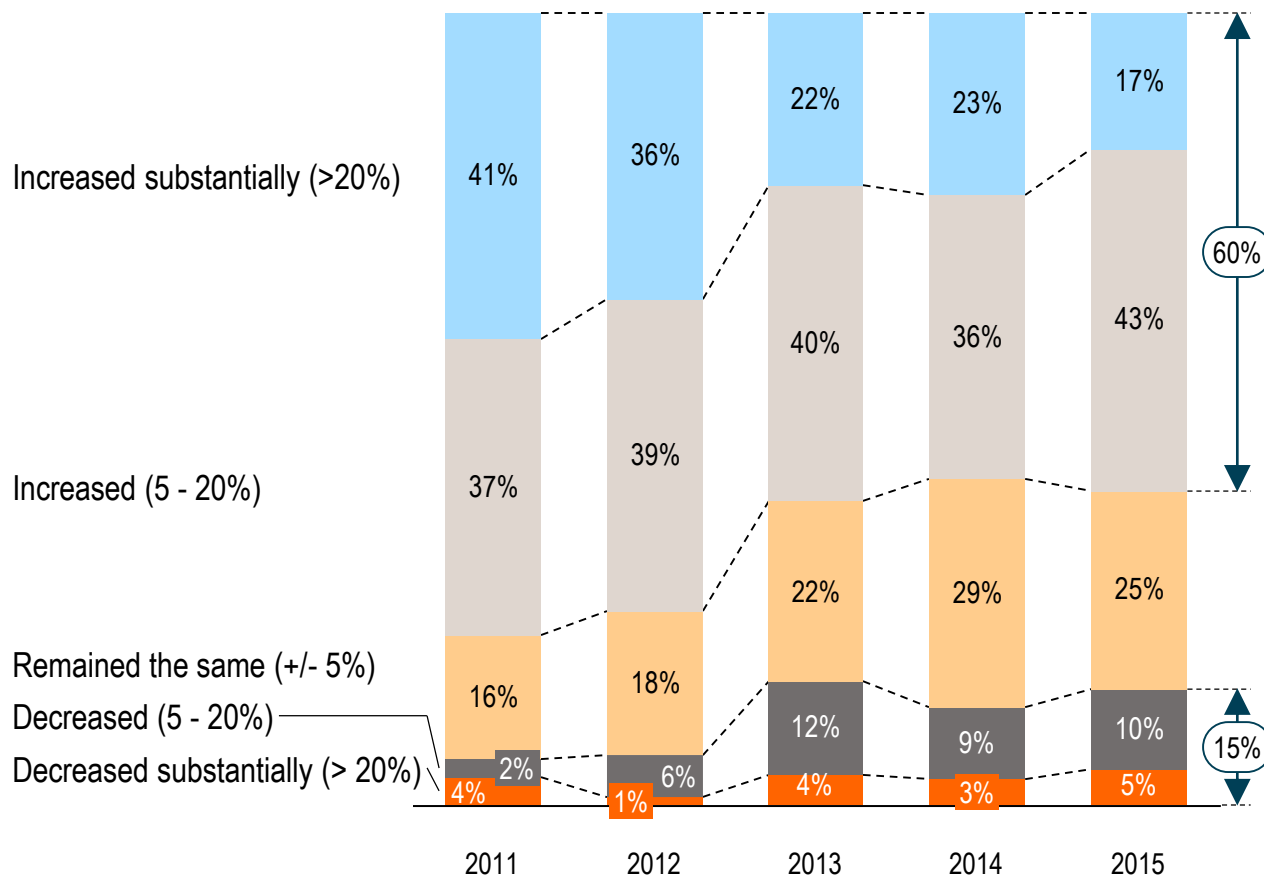
> The needed **regulatory framework** has yet to come into place

5

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

# 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)

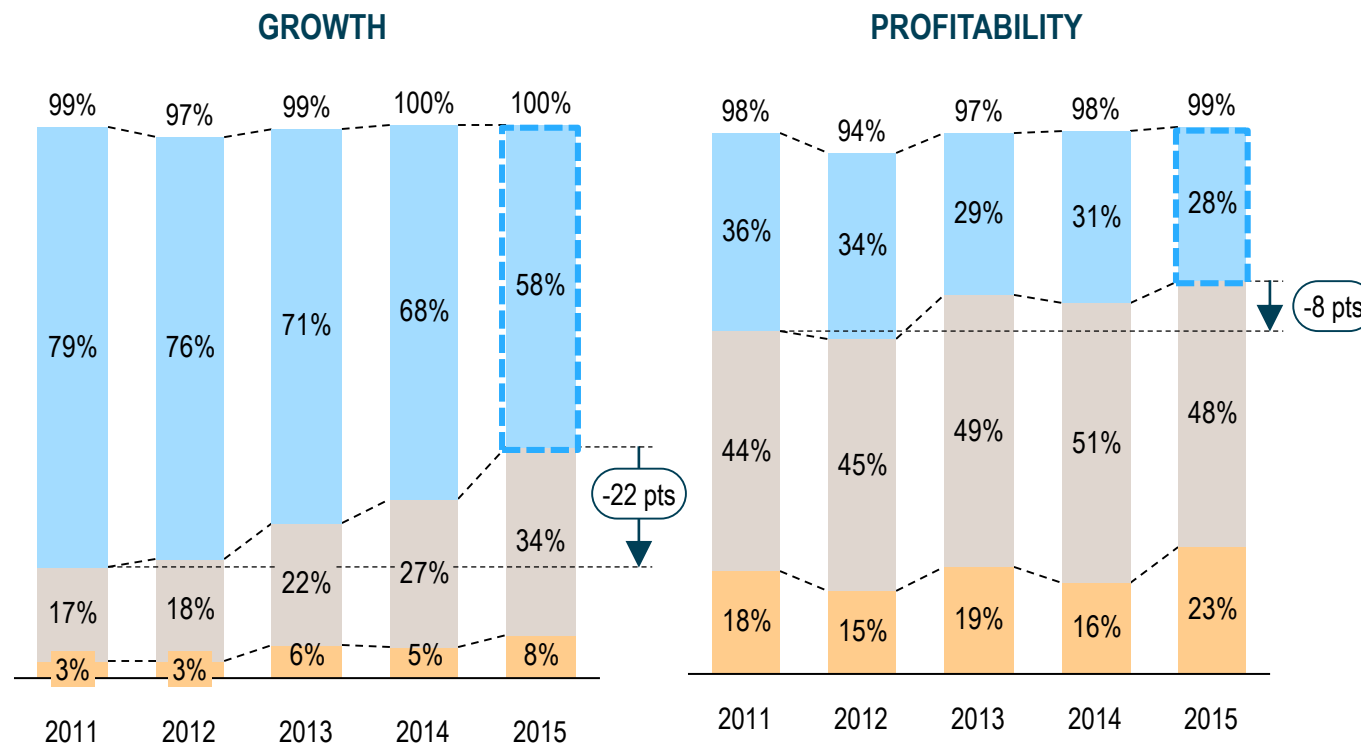


> While the percentage of companies that reported an **increase in revenues in FY 2014** remained almost stable at **60%** over the past two years, this percentage has **decreased by 18 points since FY 2010**.

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

# 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**

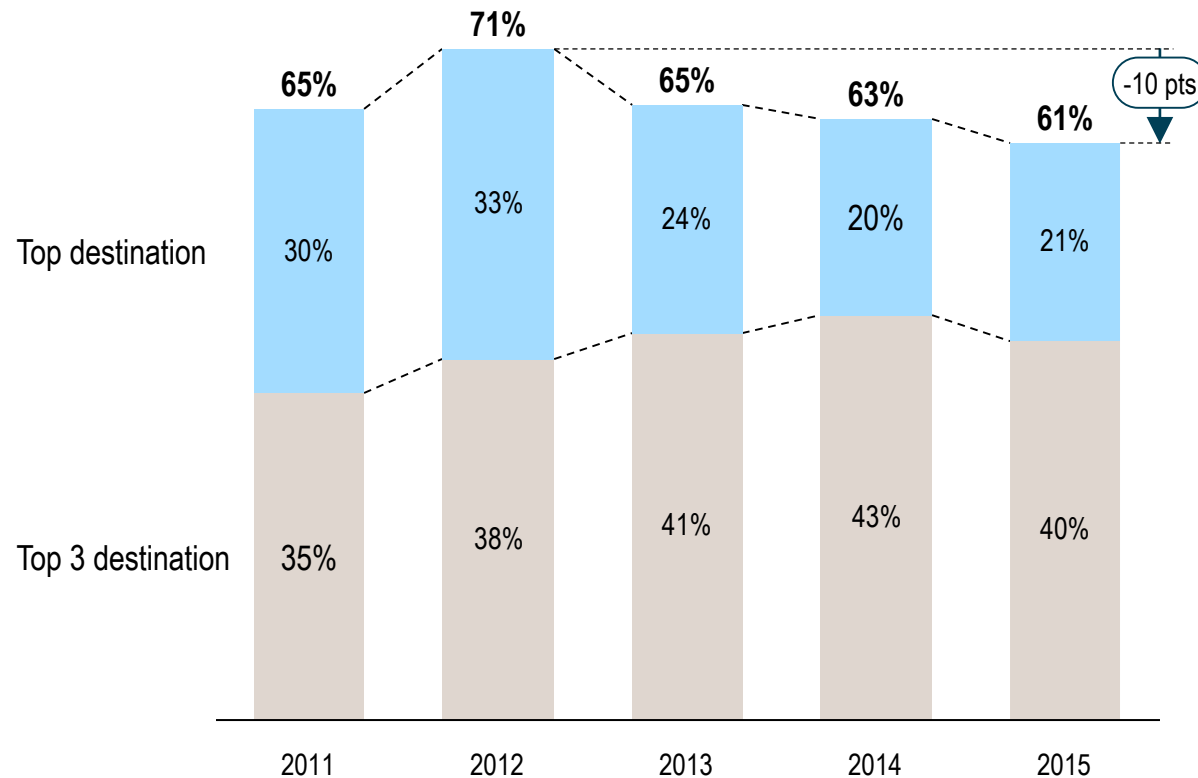
> While still substantial in isolation, it represents **an all-time low since 2011**

Optimistic Neutral Pessimistic

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

# 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)



> **61%** rank China as a **top or a top three destination** for present investments

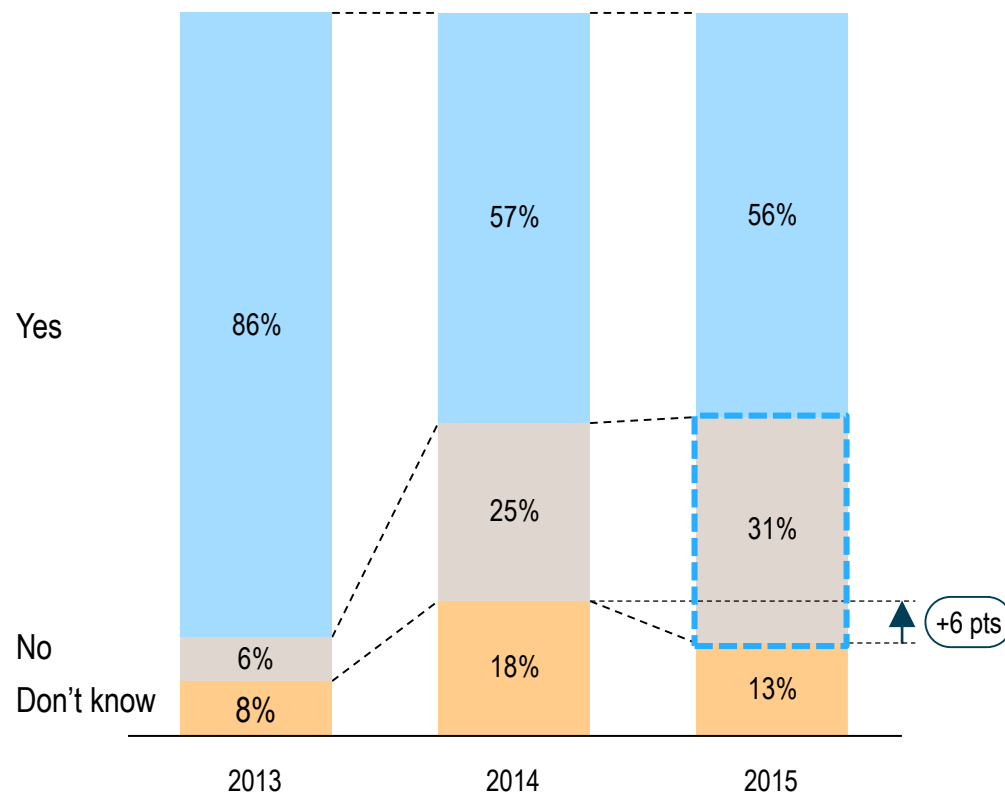
> It represents a **10-point drop** from the **2012 figure of 71%**

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



# To adapt to the Chinese economic slowdown, almost one third of European business puts investment on hold

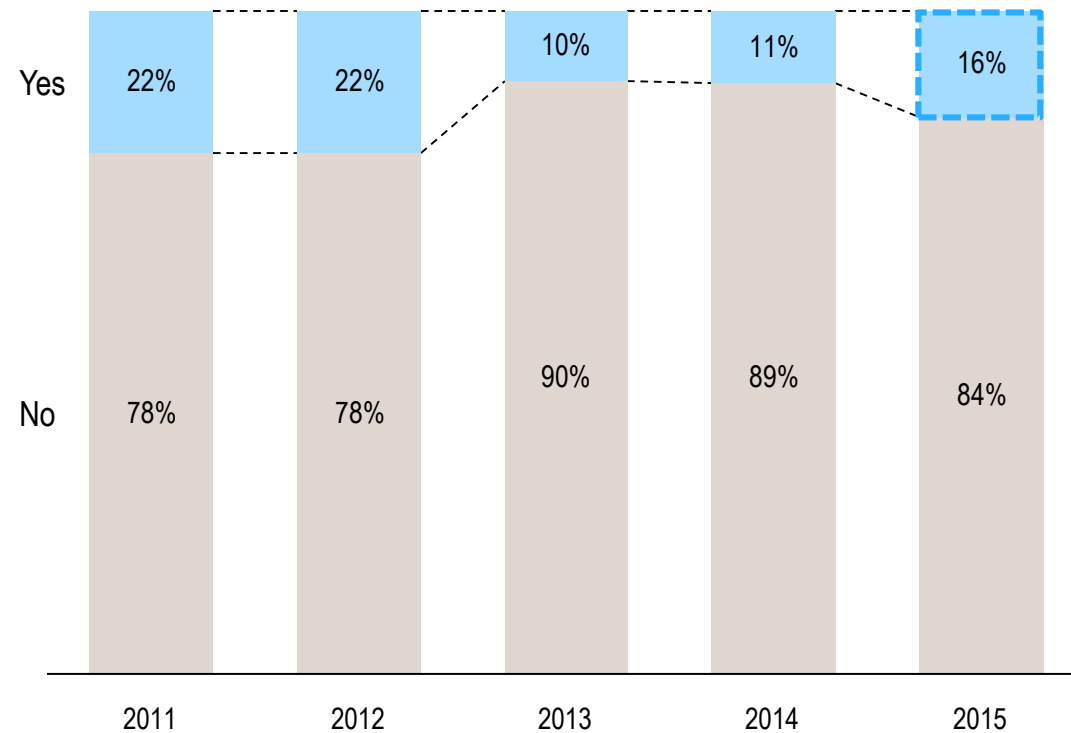
## Expansion plans of China operations (2013-2015)



> 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

# For the moment, European players withhold investments rather than shifting investments to other markets

## Investment shift to other markets (2011-2015)

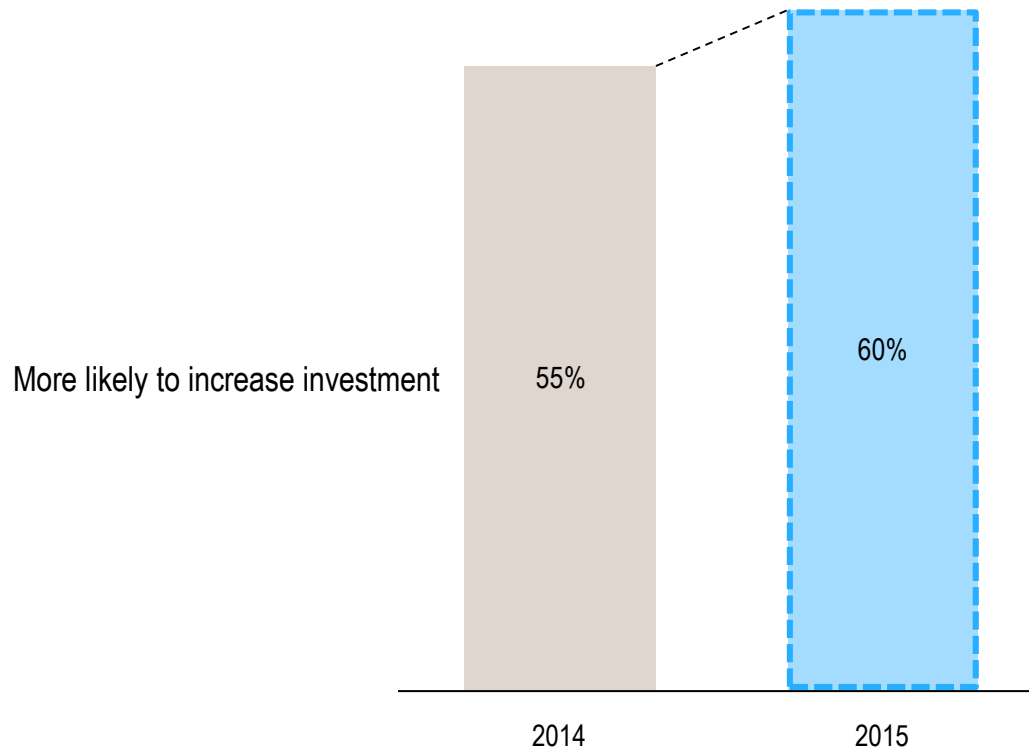


> The number of **companies shifting investments from China to other markets** has **increased by 5 points** from last year to **16% in 2015**



# 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

# The Economist

JUNE 15th-JULY 1st 2011

Economist.com

Greece on the edge

Thailand's crucial election

Egypt's economy and the Arab spring

The danger of exchange-traded funds

The marvel of medieval relics

## Rising power, anxious state

A 14-PAGE SPECIAL REPORT ON CHINA



# A bubble in pessimism



**Analysts in the west have been predicting the end of the Chinese boom almost since it began. In the mid-1990s**





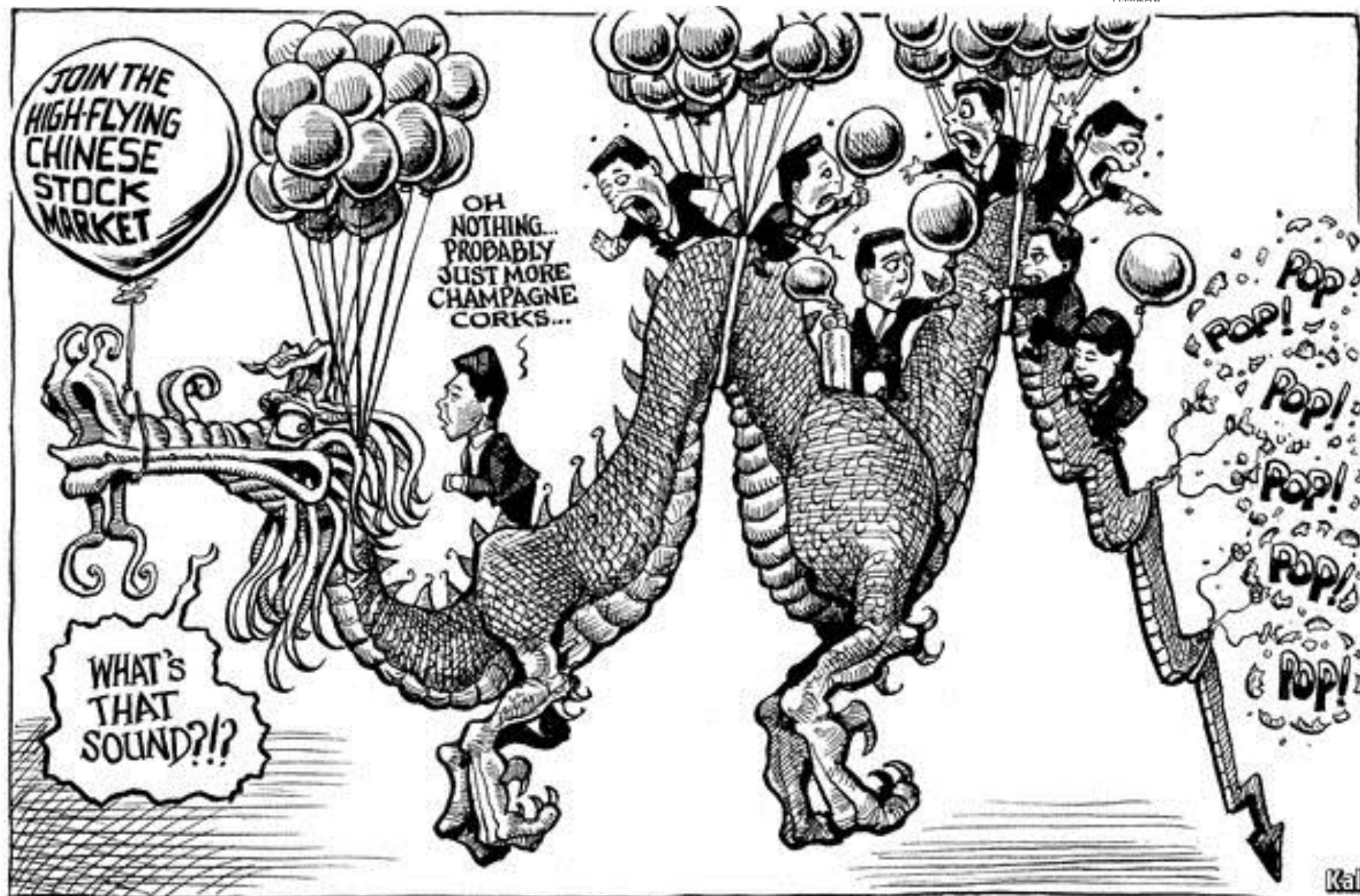
# China's rebalancing



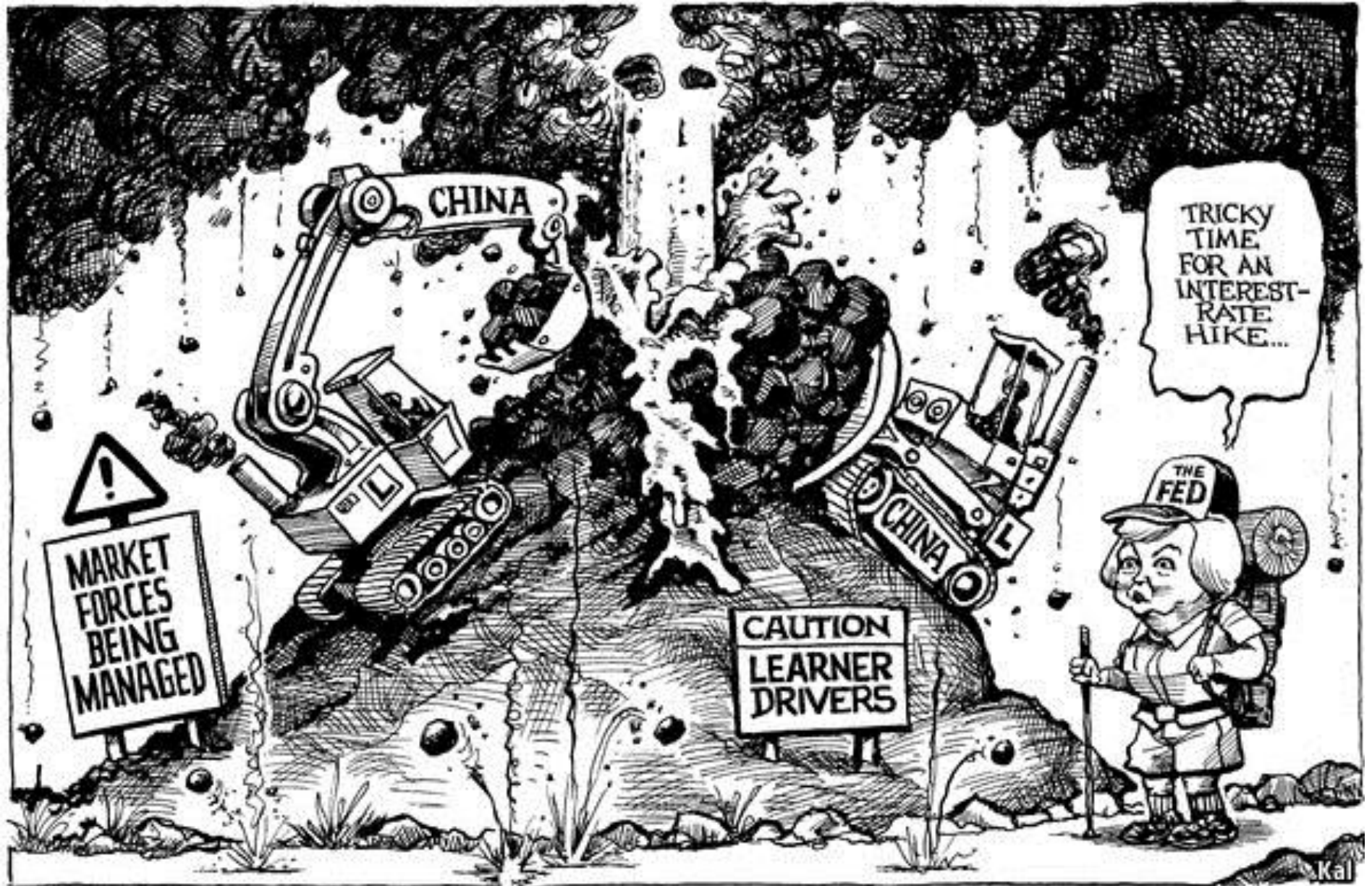




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# How addiction to debt came to China





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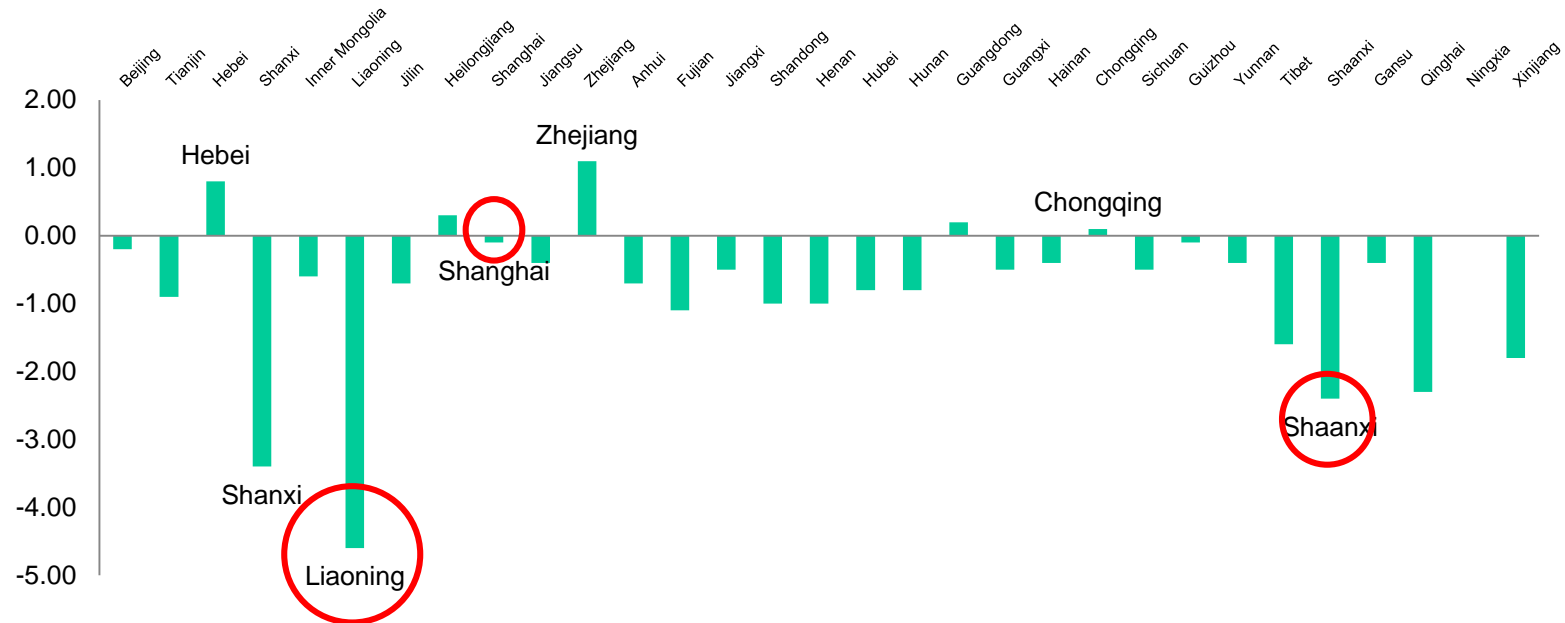
# China's economy is inefficient, but it is not unstable



# Regional Economy Outlook

## Real GDP growth, H1 2015 vs. H1 2014

% change in real



Source: Access China, Economist Intelligence Unit







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