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PRESS RELEASE

Swiss Business in China Survey 2022: Business confidence falls due to multiple crises

- *The results of the recent Swiss Business in China Survey 2022 reflect the tumultuous events of this year. Early in the year, Swiss business leaders' plans to invest in China were at their highest ever level on the back of high profit and revenue growth expectations for 2022.*
- *For the first time, a follow-up mid-year flash survey was conducted to re-evaluate the level of business sentiment recorded at the start of the year. War in the Ukraine, growing geopolitical tensions in Asia, and the ongoing Omicron lockdowns in China lead to an unprecedented collapse in business confidence.*
- *Swiss companies face ever-fiercer competition with 60% identifying it as the main external challenge, while the top internal challenges remain finding and retaining talents for 88% of the respondents.*
- *China's rising demand for advanced technologies and the growing domestic consumption remain the drivers of future business growth and long-term optimism for Swiss companies.*

Shanghai (September 16, 2022) – In 2022, for the first time ever, the Swiss Business in China Survey was conducted twice within the same year: early in 2022 and then later with a mid-year flash follow-up to re-evaluate the initial findings. The goal was to understand how the war in the Ukraine, geopolitical tensions in Asia and the ongoing Omicron lockdowns in China impacted the expectations of Swiss companies in 2022 and beyond.

The results of the survey, published by the University of St. Gallen (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, reflect the tumultuous events of this year.

"This year's survey is unprecedented since we started making such studies in 2006", comments Nicolas Musy, Delegate of the Board of the Swiss Centers Group, a platform that lowers the market entry barriers into Asia for Swiss companies. "The initial survey at the beginning of the year recorded the highest-ever level of business confidence. In the middle of the year, the follow-up survey was very different, showing a dramatic collapse in business confidence to the lowest level on record. The Omicron outbreak and lockdowns in China, as well as the growing geopolitical tensions have strongly impacted the expectations of Swiss businesses for 2022 and beyond."

By early 2022, all of the growth lost due to the pandemic had been fully recovered, and Swiss managers viewed 2022 with unfettered optimism. Over 70% of respondents had expectations of higher sales, almost two thirds expected higher profits, and no respondents expected a decrease or termination of investments in China. The second survey showed that only 38% of surveyed businesses now expected higher sales and 15% foresaw a decrease or termination of investments in China. Many respondents cited geopolitical tensions as a cause.



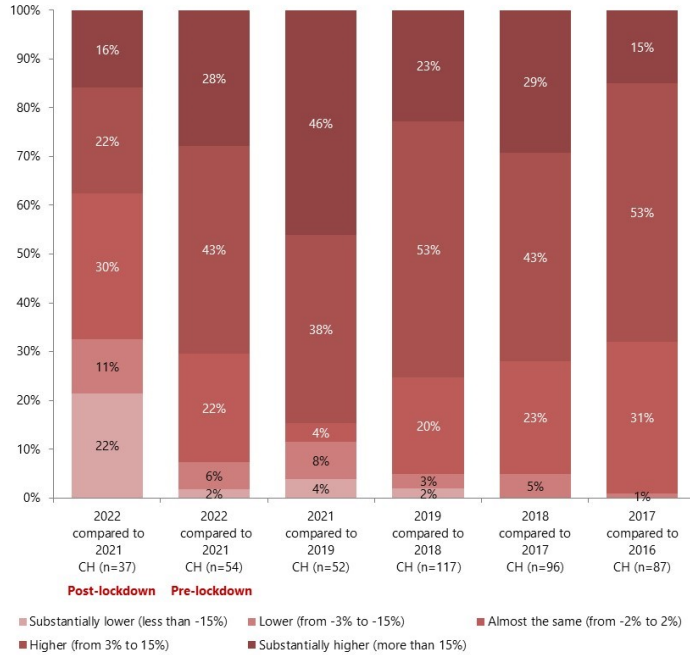


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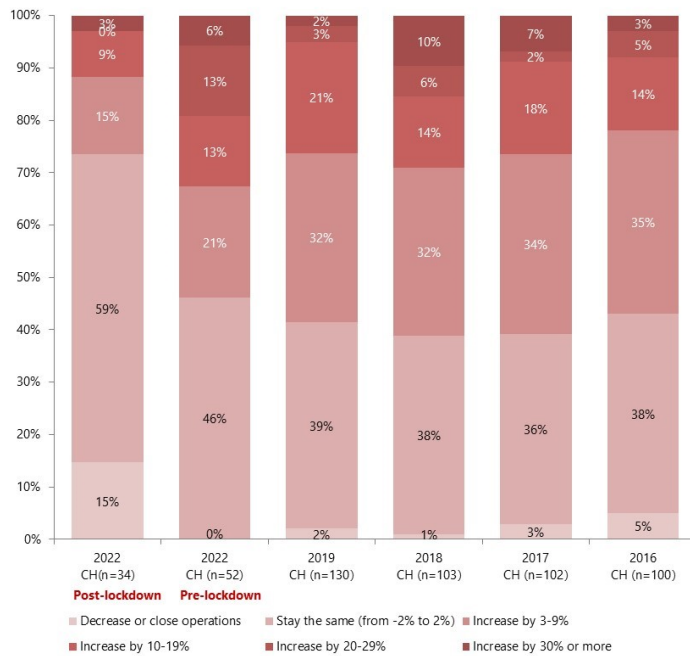
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What expectations do you have for your company's sales in China?



What investments are you planning for China?



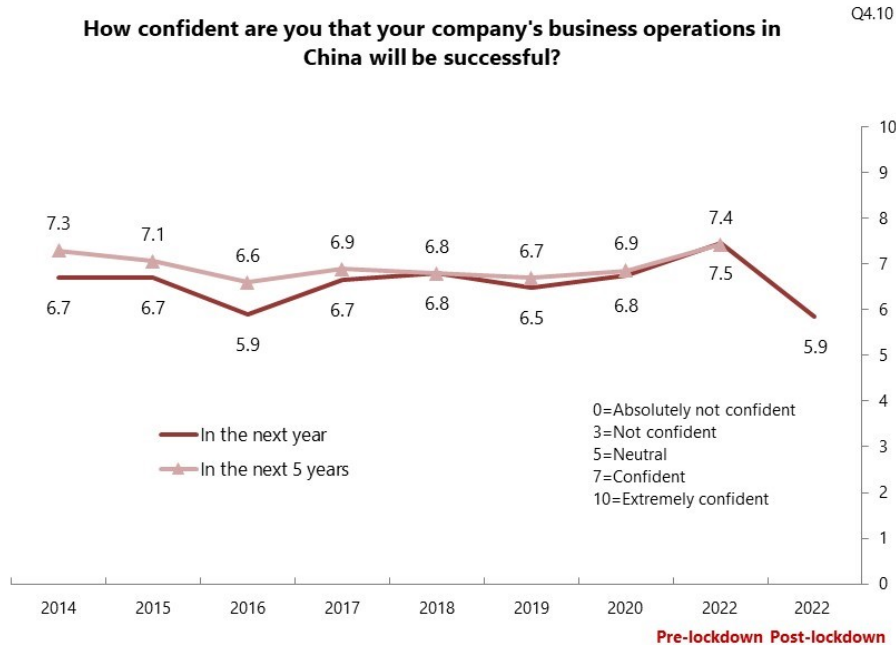


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The confidence index – with 10 being most confident and 0 being not confident at all – dropped from the record high of 7.5 early in the year to 5.9. This is as low as in the 2016 survey when there was great concern about the business outlook, but it is still in positive territory.



Jürg Burri, Swiss Ambassador newly posted to China: “The survey, a result of coordinated efforts of many Swiss institutions, China experts and academics working in unison, offers key insights on the challenges and opportunities faced by our entrepreneurs and executives here on the ground. It highlights the differing perceptions of the Swiss business community on China pre and post Shanghai lockdown. And while business confidence has dropped significantly, it remains positive. The transformations underway in the Chinese economy, particularly its growing need for advanced technologies, are likely to offer new opportunities for our most innovative companies.”

Fierce competition key challenge

Like in previous years, the 2022 survey asked questions about the specifics of doing business in China. One key finding is that Swiss companies face ever-fiercer competition, with 60% identifying it as the main external challenge. 88% of the respondents listed ‘finding and retaining talents’ as the biggest internal challenge. Many of the findings have strong practical bearing. For instance, difficulties in managing relationships with the headquarters, one of the key internal challenges identified in the survey, appears to be mostly linked to the slow speed of communication and the overly centralized management of R&D by the headquarters.

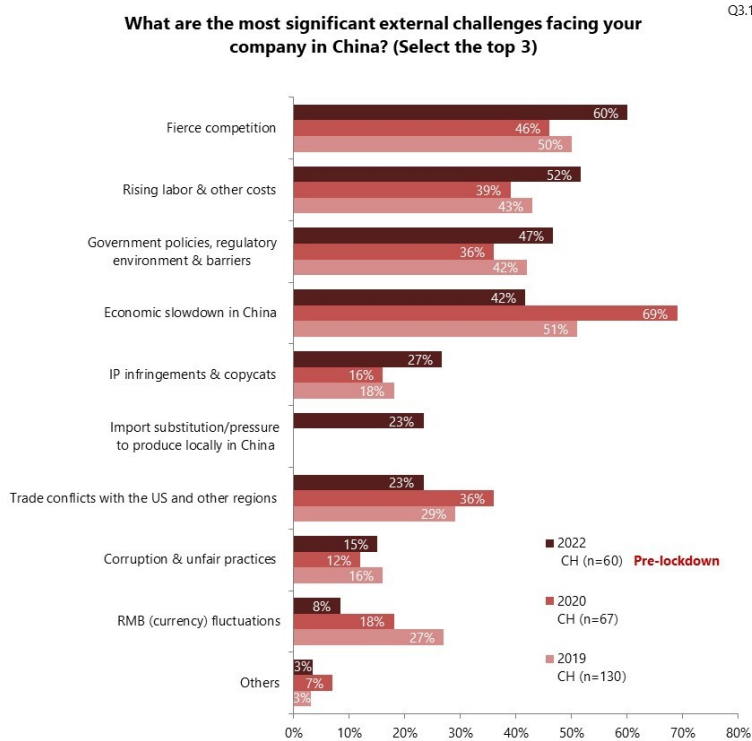




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“The respondents highlighted a few factors that will have a positive impact on their businesses, including ‘national and industrial policies’ and ‘prospects of China’s domestic consumption’, which presents business opportunities for Swiss companies offering high-tech products and services as well as premium consumer products”, reports Mr. Zhen Xiao, CEO of the Swiss Centers Group and a co-editor of the report. “Other highly ranked factors such as ‘China’s relations with westerner countries esp. US’ and ‘prospect of China’s further opening-up’ are also on the watchlist of business owners and executives. It will be highly interesting to see the responses in the upcoming survey to be launched end of this year.”

Dr. Patrick Ziltener, one of the lead authors of the study and member of the University of St. Gallen (HSG) Board of Governors, makes the case that Western firms operate under two diverging sets of conditions when doing business in China, with “some firms in areas where they can expect a red-carpet welcome and others that face increased regulations.”





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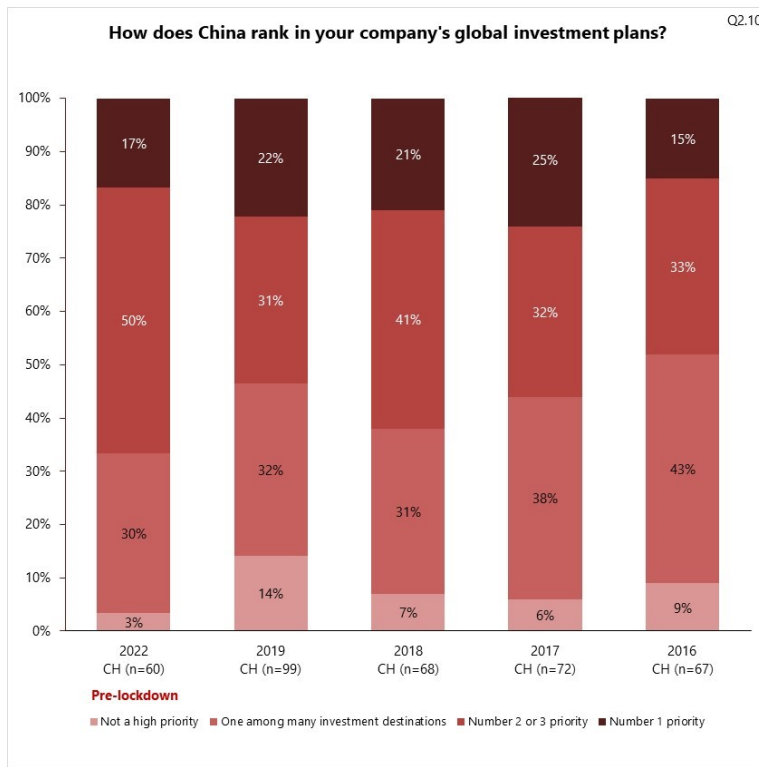
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Dr. Tomas Casas, director of the China Competence Center (Research Institute for International Management, University of St. Gallen, FIM-HSG) stresses that China is one of the top three foreign market priorities for 67% of respondents. While “this year has been a tumultuous one, we all look forward to 2023 and hope that a strong rebound could be in the works similar to what happened in 2021.” Indeed, China’s demand for advanced technology and the growing domestic consumption remain the drivers of business growth for Swiss companies – and a reason for long-term optimism.



THE SWISS CHINA GATEWAY
SINCE 2000





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Picture legend: Jürg Burri, Ambassador of Switzerland to P. R. China

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About the Swiss Centers:

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)
- **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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