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THE SWISS CHINA GATEWAY SINCE 2000

PRESS RELEASE

ANNUAL SWISS BUSINESS IN CHINA SURVEY

Despite slower growth, China is a more and more attractive location for Swiss businesses - an auspicious Year of the Sheep is coming up for the Swiss in China

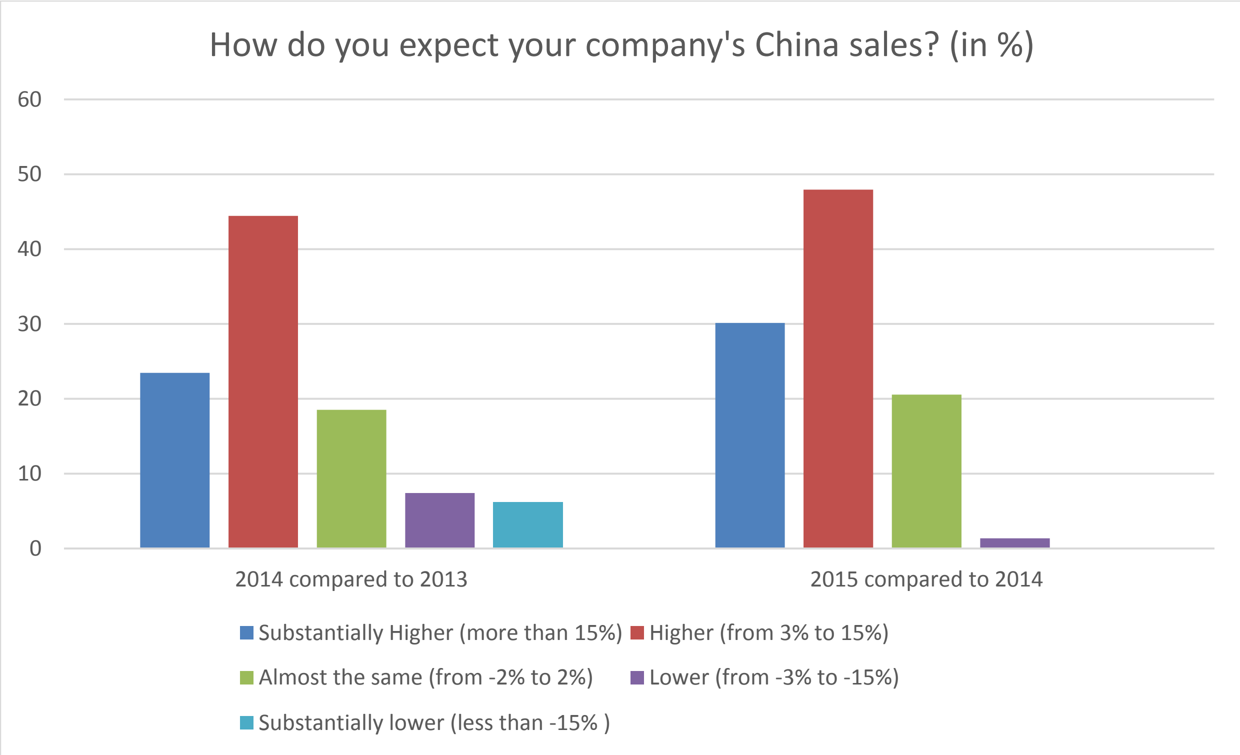
- *More than 78% of Swiss companies expect "higher" or "substantially higher" sales in China this year, while only less than 2% expect lower sales, according to the 2015 Swiss Business in China survey. The 2014 survey identified 13% of firms expecting lower sales*
- *For a third year in a row Swiss **businesses expect to grow faster in China**, despite slowing economic growth.*
- *At the same time, the production costs have continued to decline. The Producer Price Index (PPI) decreased by 3.3% at the end of 2014, **bringing China's costs down to their level of 7 years ago**.China's exports are forecast to grow 7.5% in 2015.*
- *The decreasing costs, a weakening Yuan and the progressive elimination of Swiss import tariffs on Chinese products bring **new opportunities to offset the strong Swiss Franc.***

Shanghai (16 February 2015) – Swiss companies in China are expecting more and more positive sales and profits, according to a recent survey by the **China Europe International Business School (CEIBS, the premier business school in Asia), the Swiss Center Shanghai (SCS),the Swiss Embassy in China, Swissnex, SwissCham**and **China Integrated**. More than 78% of Swiss companies expect "higher" or "substantially higher" sales in China in 2015. A year ago, this number was at 68%. "Especially remarkable is that only 1.4% of the respondents expect lower sales in 2015. Last year, this figure was at 13.6%", explains Nicolas Musy, Managing Director of the Swiss Center Shanghai, a non-profit organization facilitating the market entry of Swiss companies in the Far East.

Profit expectations are optimistic as well: 54% of Swiss enterprises expect higher or substantially higher profits in 2015, compared to 44% in the year before.

The survey, conducted in partnership with the Swiss Embassy and all Swiss institutions in China, comprises responses from 88 Swiss enterprises, from small and middle-sized companies to big players. This survey is believed to be representative of the approximately 600 Swiss companies that have established operations in China.

Answers to the same survey by another 284 EU and US companies in China paint a similar picture, attesting to the representativeness of the Swiss results.



2015 sales expectations of Swiss companies in China. (2015 Swiss Business in China survey)

2015 profit expectations of Swiss companies in China. (2015 Swiss Business in China survey)

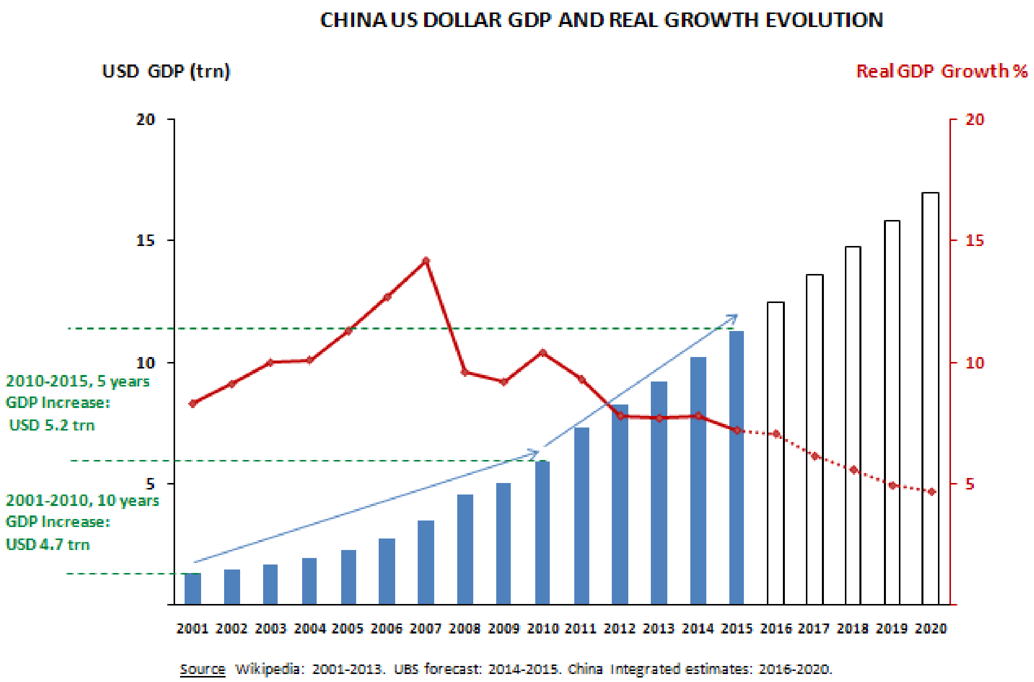
Growth here to stay

The positive outlook of Swiss managers on the ground may be surprising at a first glance, since GDP statistics indicate a slower speed of economic growth in China. “But only at first sight. This is because the GDP growth rate of economists does not link directly to the increase of sales opportunities for businesses and businessmen. It is in fact straightforward to understand: business growth depends on GDP growth in

Yuan, Swiss Francs or USD terms, not in percentage. When looking at the economy in such terms, the past years have shown faster and faster business growth", explains Nicolas Musy.

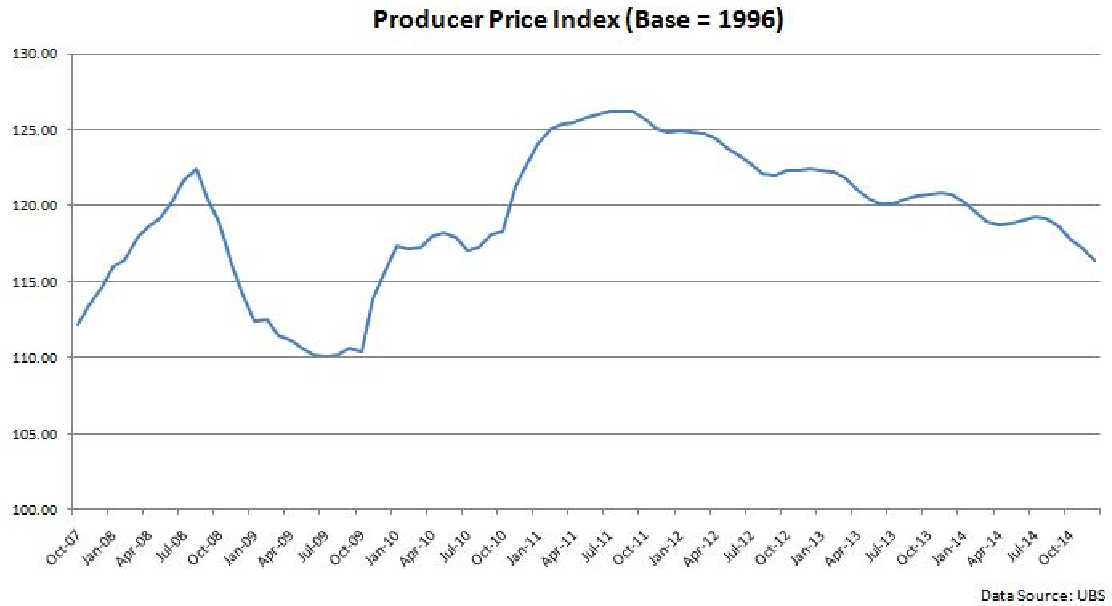
What matters to companies doing business in China, says Musy, is the absolute increase in GDP. “That is the amount of GDP the economy is generating and will be adding in the coming years in terms of Euros, US Dollars or Swiss Francs.” In the five years between 2011 and 2015, China has and is projected to add about USD 5 trillion to its GDP, compared with USD 4.7 trillion for the whole decade from 2001 to 2010. “In terms of business opportunities and in USD terms, this shows that China is not slowing. On the contrary, business people experience the Chinese economy growing on average twice as fast today as it did in the previous decade. This is what allows sales and profits of firms doing business in China to grow faster every year than the year before”, says Musy.

In absolute terms, even with only 5% economic growth in 2020, China will offer as much growth potential for businesses as today.



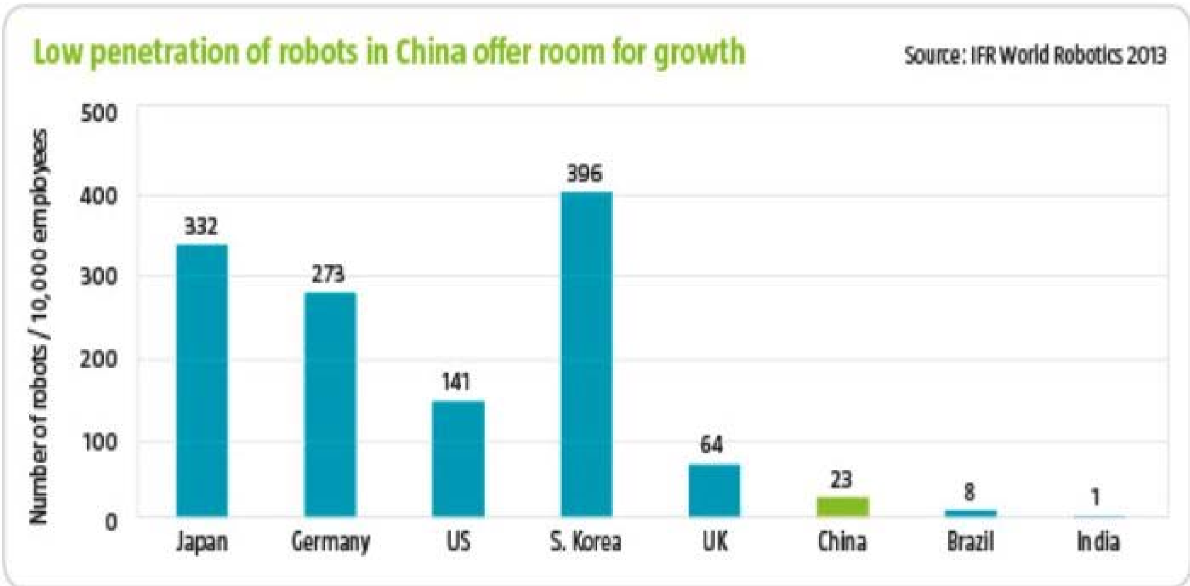
Lower Production and Purchasing Costs

On the production cost side, China is also paradoxical: though labor costs are still increasing fast (5-10% per year), the PPI (cost of goods coming out of factories) has been going down steadily, year after year, since mid-2011. The PPI registered -3.3% at the end of 2014 when compared to a year earlier. This stronger than usual decline is certainly linked to the lower cost of oil and mineral resources, but it does not explain the steady decline of previous years.



"China is the biggest world market for robotics since 2013. The development of automation and the increasing use of robots in manufacturing allow more efficiency and producing more with less workers, explaining the steady decline of production costs", says Zhen Xiao, General Manager of the Swiss Center. "And this trend can last for a long time: China has 20 times less robots per worker than Korea."
In fact, UBS forecasts another 2.6 to 3% PPI decline for 2015.

As a result of China's production competitiveness, among others, UBS forecasts 7.5% growth in Chinese exports for 2015. The January 2015 trade results is distorted by various factors, including by Chinese Lunar New Year which is happening at different times in different years. This means that the combined results for the two months of January and February 2015 should be compared with last year to have a representative picture.



Thanks to the progressive elimination of Swiss tariffs on Chinese goods by the Free Trade Agreement and a weakening currency (after a 2.6% decline against the USD in 2014, UBS expects the Yuan to depreciate up to another 3% in 2015), Chinese goods are becoming significantly cheaper for Swiss companies, before taking into account the rising Swiss Franc.

Mr. Xiao: "Even if business growth cannot accelerate indefinitely, and despite the often negative perception of China in Europe, the market trends both for sales and procurement are fundamentally positive for the Swiss in China, for the Year of the Sheep and for the long term."

Picture legend: Supporting Swiss companies in the Far East: Swiss Center Shanghai recently opened the Machinery, Trade and Business Center in the China Pilot Free Trade Zone.

Picture source: swisscenters.org

About Swiss Center Shanghai (SCS): Founded in 2000, SCS is a platform supporting operations of Swiss companies in China and Asia. It is by far the largest cluster of Swiss businesses in Asia with a unique experience in business set-up, expansion and operations management. SCS not only offers instant workshop, office and desk space, but also supports its members with government relations and a comprehensive network of experts. SCS served more than 200 companies in China – both SMEs and large enterprises. Among other, the SCS experts have established 20 production companies and more than 30 commercial offices for Swiss companies. For more information, kindly visit: www.swisscenters.org.

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