



Autumn 2022 survey of French enterprises in China

*From September 2nd to September 14th
303 respondents*

**The zero-Covid policy impacts the
business operations of French
companies in China.**





Covid-19 containment measures are taking a severe toll on the activity of French companies in China and could durably deteriorate the country's attractiveness

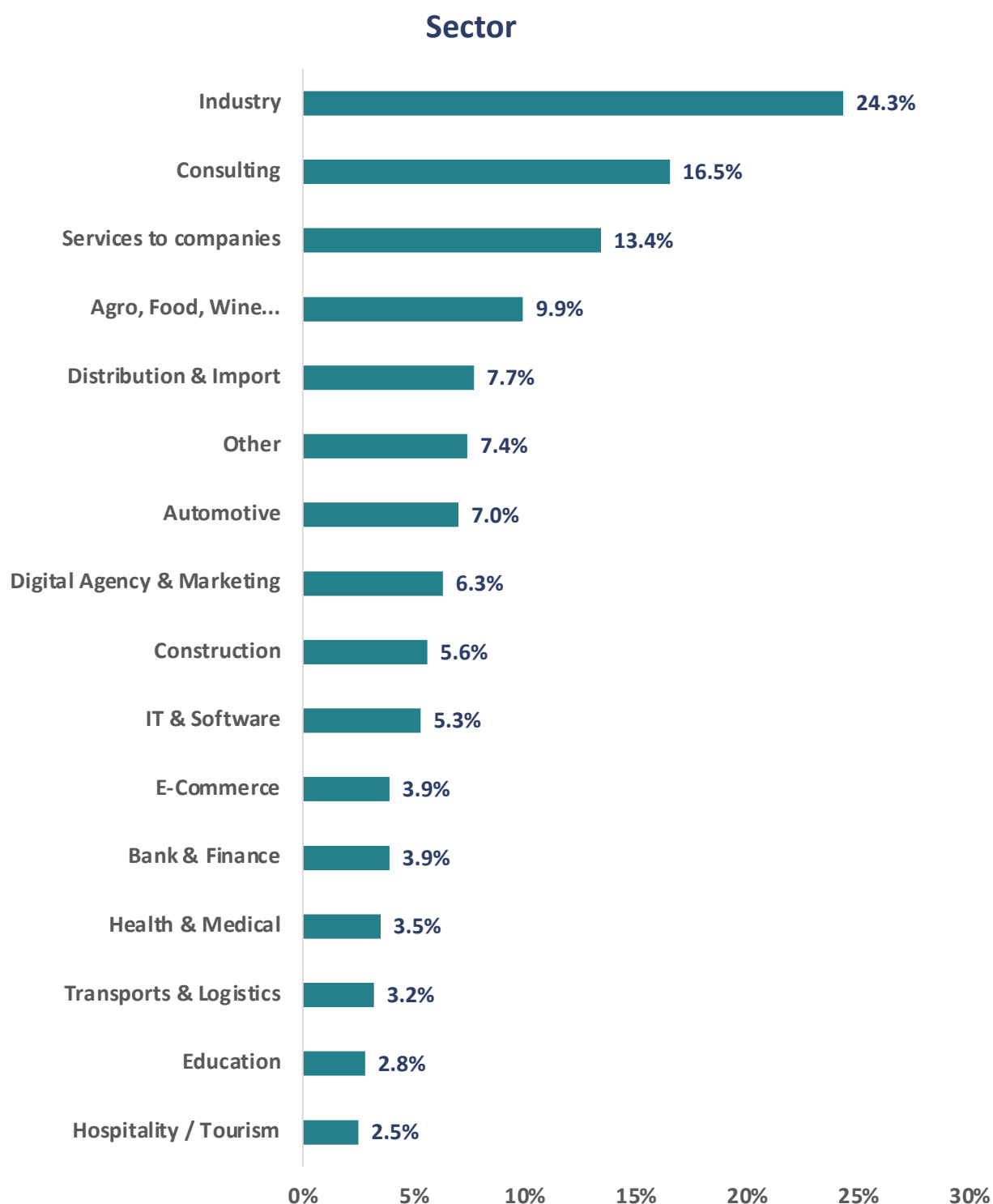
With more than 2,100 subsidiary companies employing close to 445,000 people, France is the first European investor in China by the number of companies. With its 1,600 members, the French Chamber of Commerce and Industry in China (CCI FRANCE CHINE) represents the interests of French companies since 1992.

Following up on the [survey](#) published in May on the economic activity of French companies, the French Chamber of Commerce and Industry in China (CCI FRANCE CHINE) renewed this experience by interrogating its members between September 2nd and 14th. 303 companies responded to the survey.

- **The Covid-19 containment measures, and most notably the introduction since the beginning of the year of full or partial lockdowns across numerous cities, contributed to the deterioration of the country's image** (according to 79% of respondents) and has repercussions on the investment strategy of most subsidiaries of French companies in China (58%); 16% (as much as in May) even consider reducing their presence in the country. Furthermore, 43% of companies do not plan to increase their presence in China in the next three years (27% in May). The Covid-19 containment measures of the Chinese authorities are thus more than ever before the first variable determining the investment strategy of French companies (89%, against 80% in May), far ahead of international compliance challenges (16%).
- **A large share of companies see their profits affected (62%).**
- **Member companies are furthermore affected by the slowdown of the Chinese economy**, which increasingly weighs in on their decision on whether to invest in the country (54%, against 49% in May).
- **While 70% of the companies stress their need for expatriate workers to ensure the proper conduct of their operations, more than half of the respondents report a fall in their share of expatriate staff**; only 1% has recorded an increase.
- **The replacement of expatriate staff now primarily stems from the difficulty to attract foreign talents into China** (66%), followed by sanitary restrictions upon entering the country (58%, against 65% in spring) and the cost of these human resources (26%).
- **French companies call for measures to alleviate the constraints upon arrival in China.** These are compatible with the pursuit of the zero-Covid strategy:
 - Reduction of the length of quarantine (82 %) and improvement of its conditions (64 %);
 - Putting an end to the systematic and compulsory hospitalization of patients tested positive and allow home quarantine (80 %);
 - Increase the frequency of flights (87 %); end the "circuit breaker" mechanism leading to unpredictable cancellations (76 %).

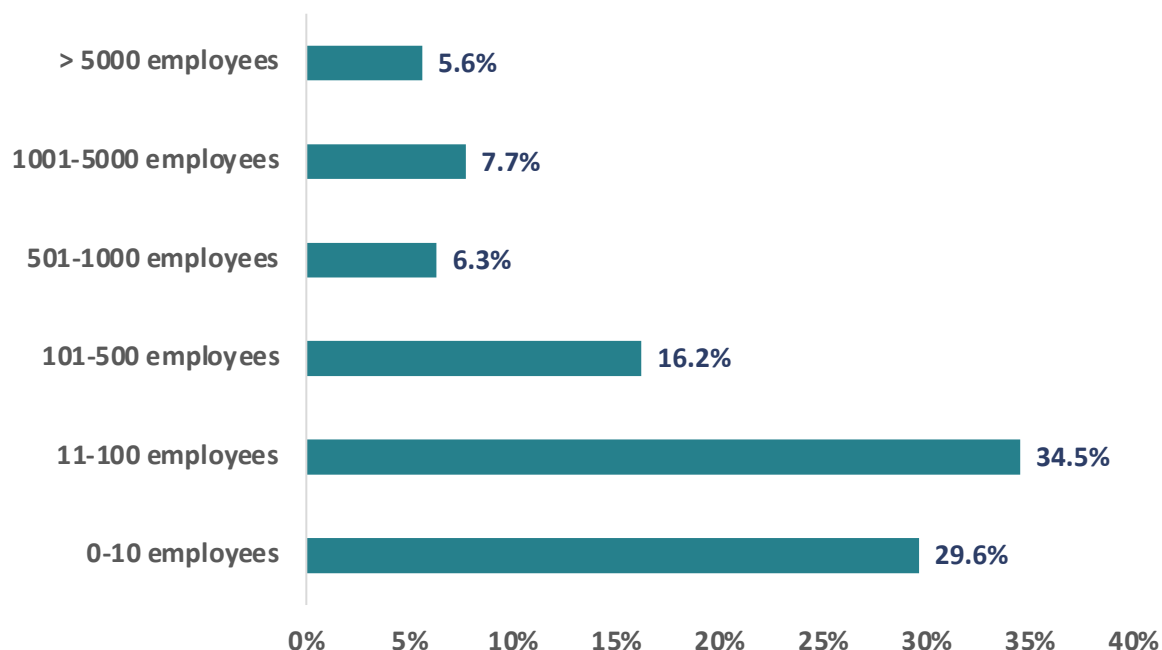
This new survey confirms that the extraordinary difficulties met by French companies in China persist. As a consequence, an increasing number of respondents considers to renounce to new investments in a country whose attractiveness is undergoing a significant deterioration. Despite the easing of certain restrictions upon entering China this summer, French companies struggle to attract foreign talents. The uncertainty caused by the hardening of containment measures at the cost of economic activity could challenge China's position at the center of global supply chains. The CCI FRANCE CHINE calls for urgent measures to facilitate the arrival of expatriate staff on Chinese soil and reiterates the wish of French companies to see the establishment of an exit plan out of the zero-Covid policy. For our commercial exchanges and bilateral investment flows to continue thriving, a transparent, predictable and fair business environment are necessary.

Profile of respondents

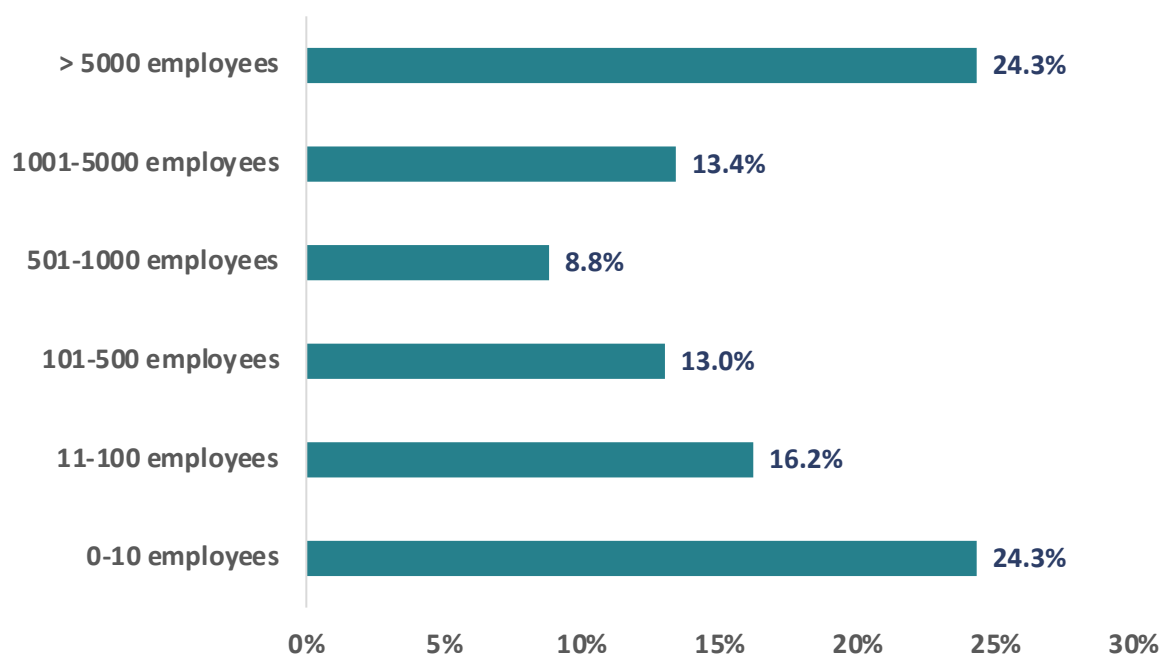


Profile of respondents

Number of employees in China

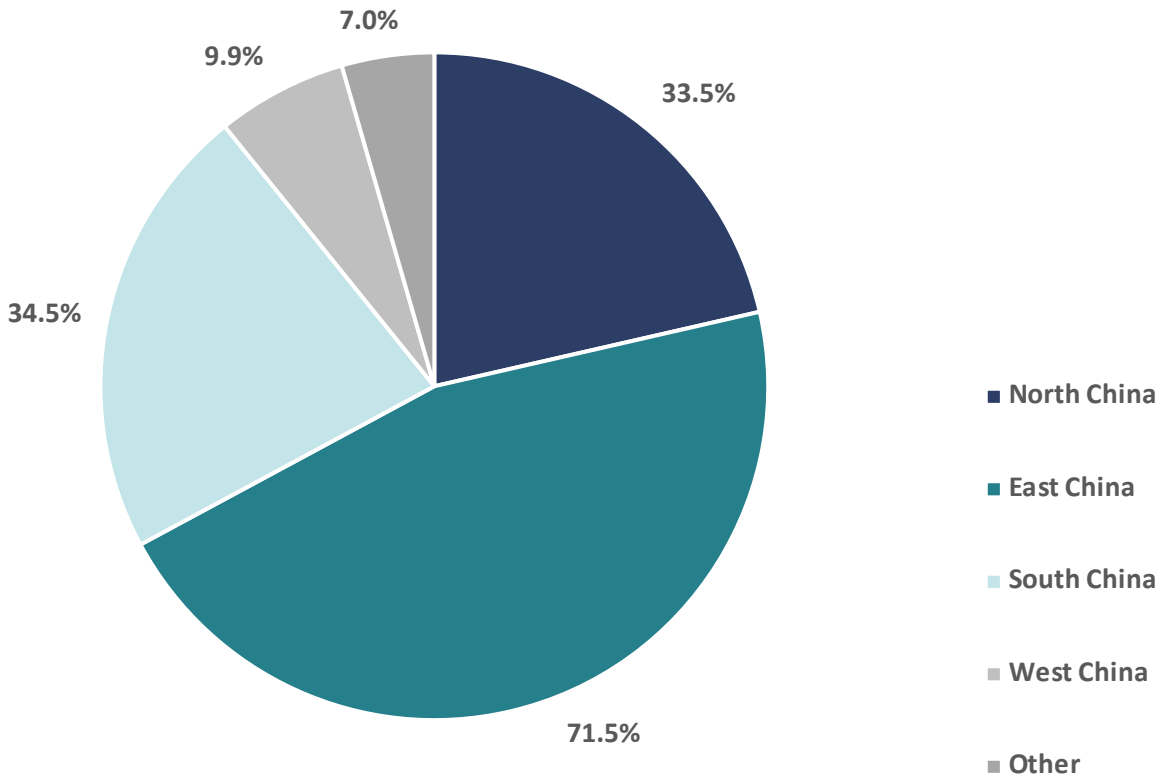


Number of employees worldwide



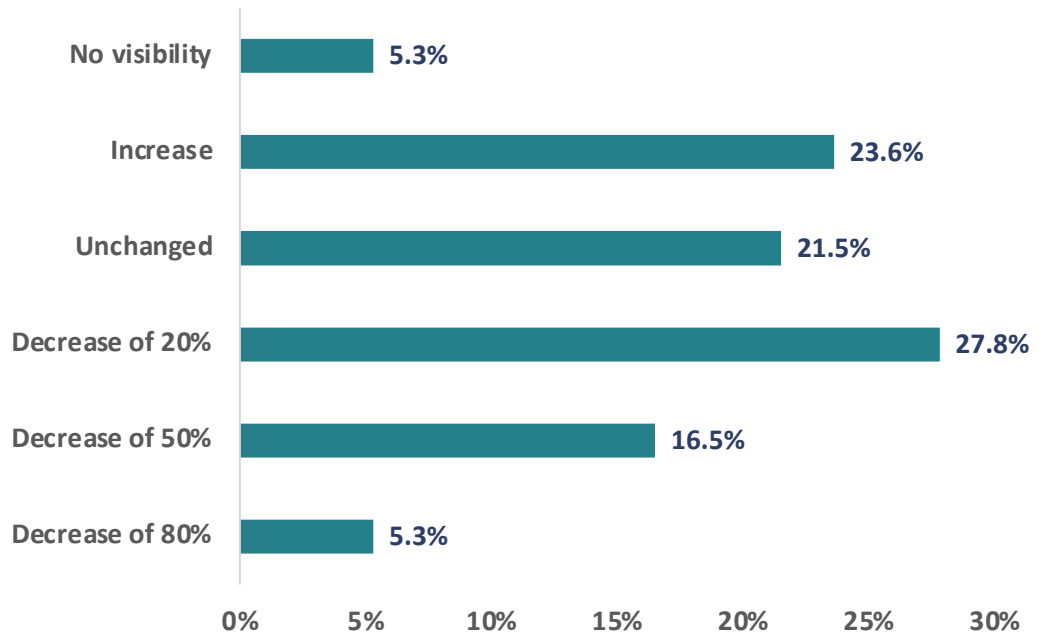
Profile of respondents

Company location

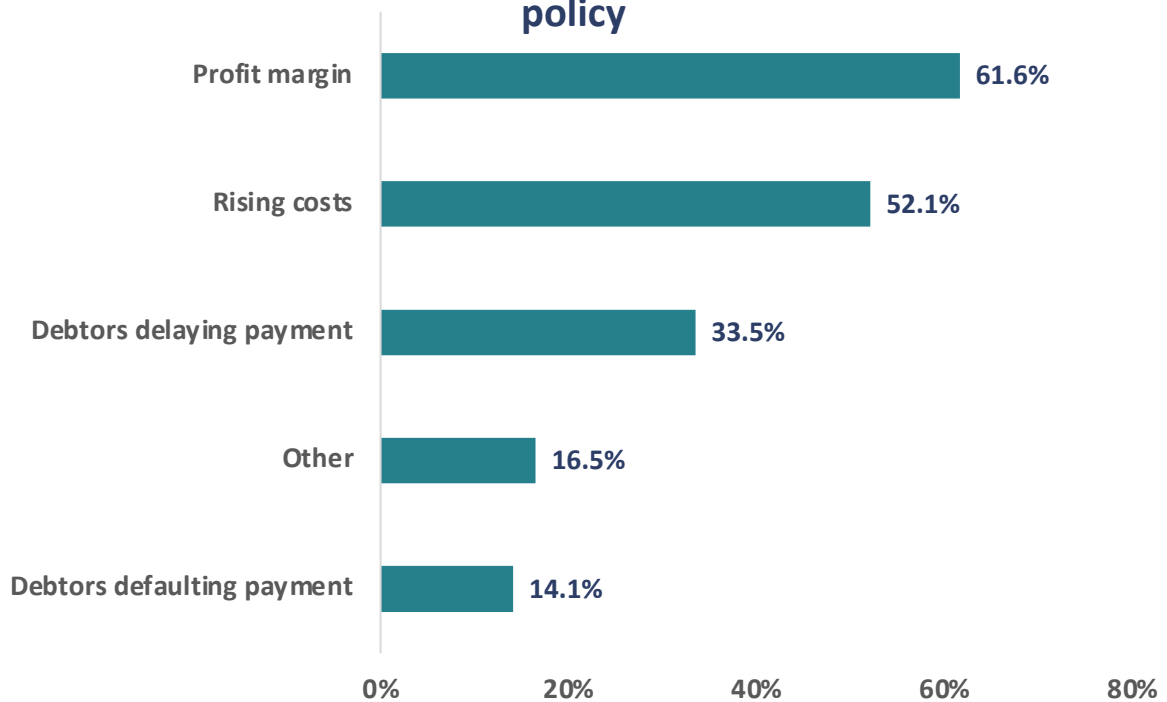


Economic situation

Expected turnover in 2022

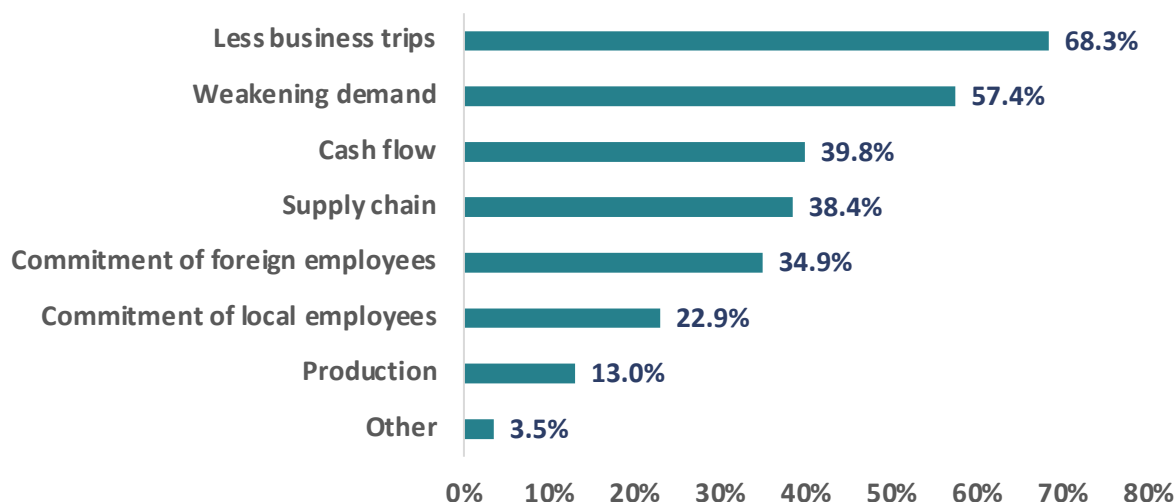


Other financial indicators impacted by the zero-Covid policy

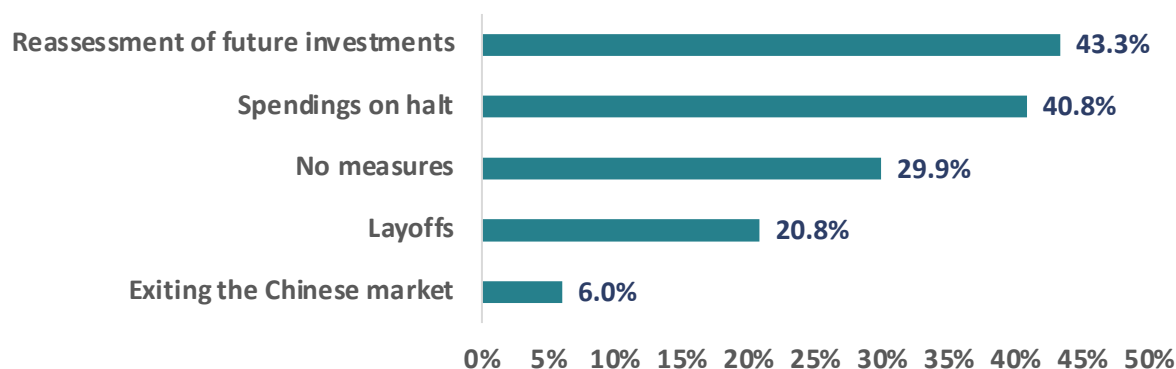


Challenges and responses

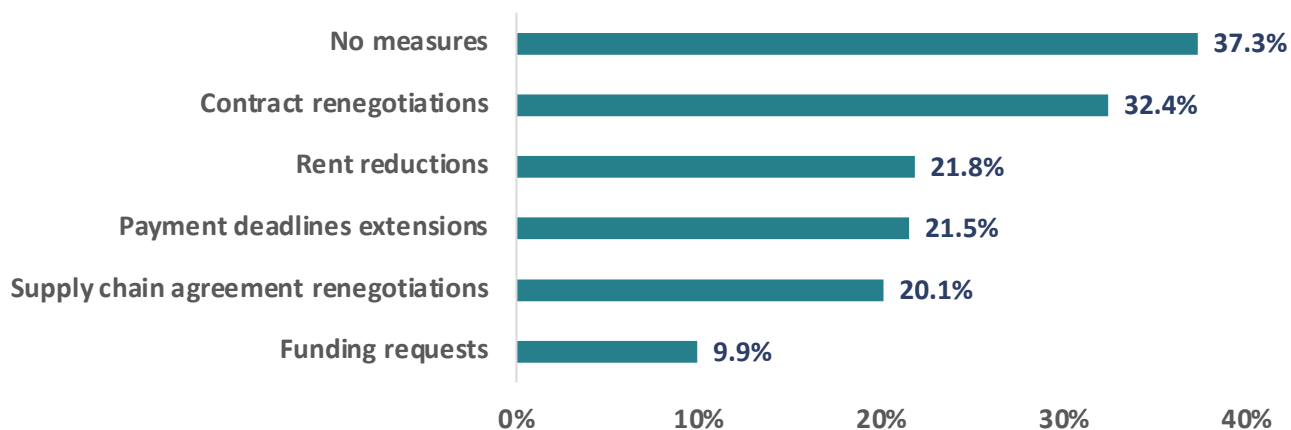
Hurdles preventing the return to business as usual



Measures taken internally to face these challenges

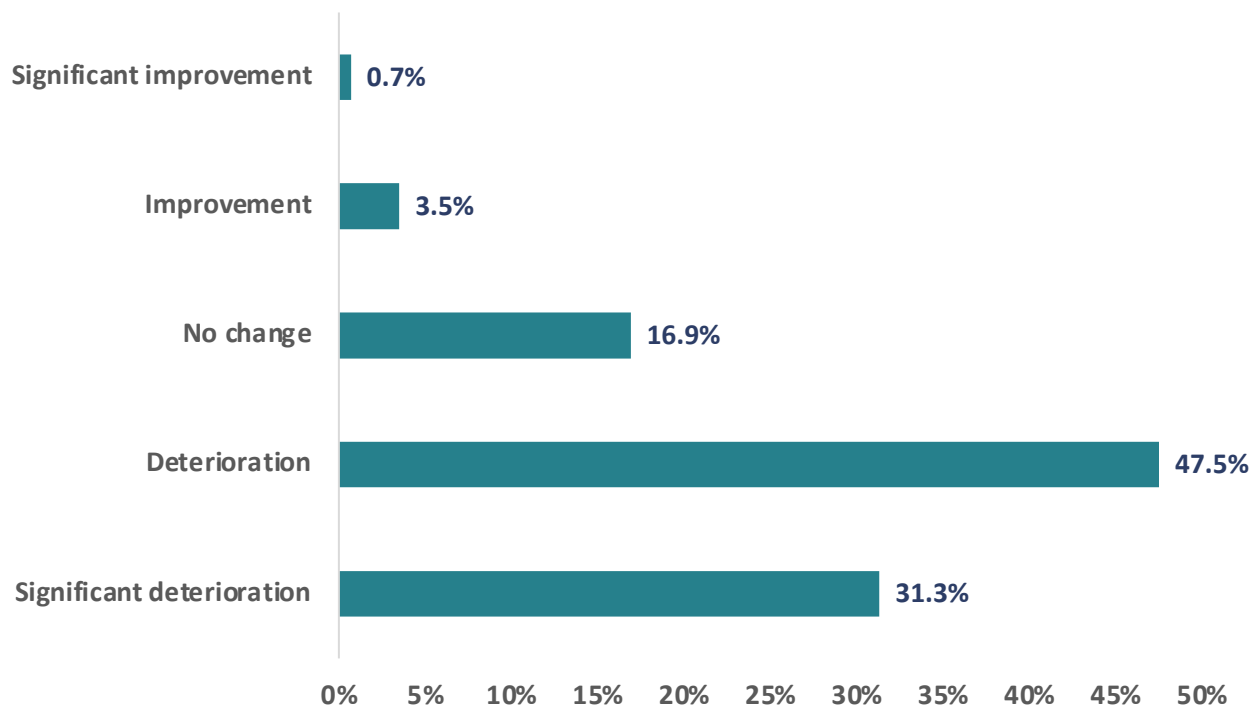


Measures taken with commercial partners to face the challenges

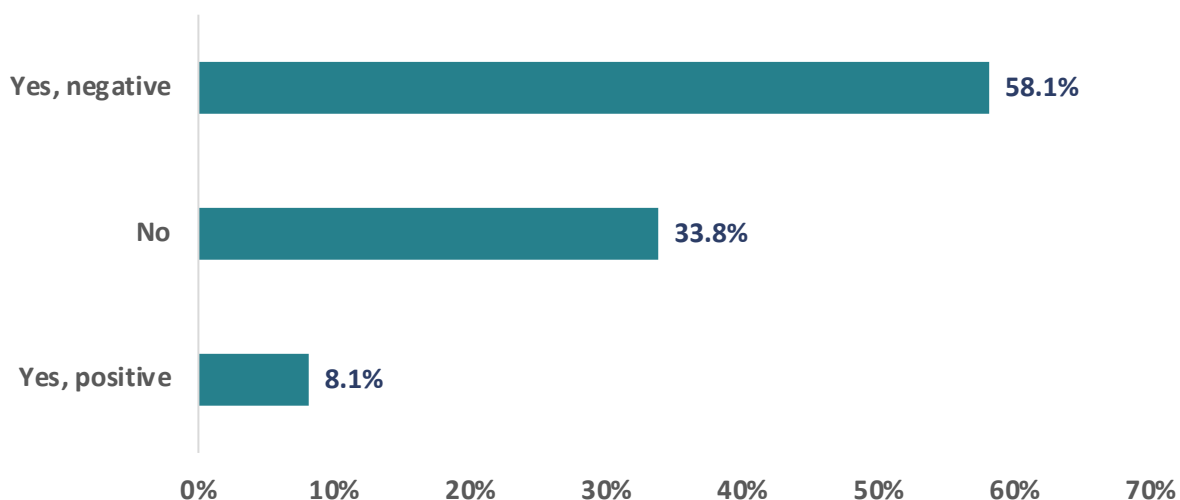


Perception of China and impact on investments

Evolution of the company's perception of China – Autumn 2022

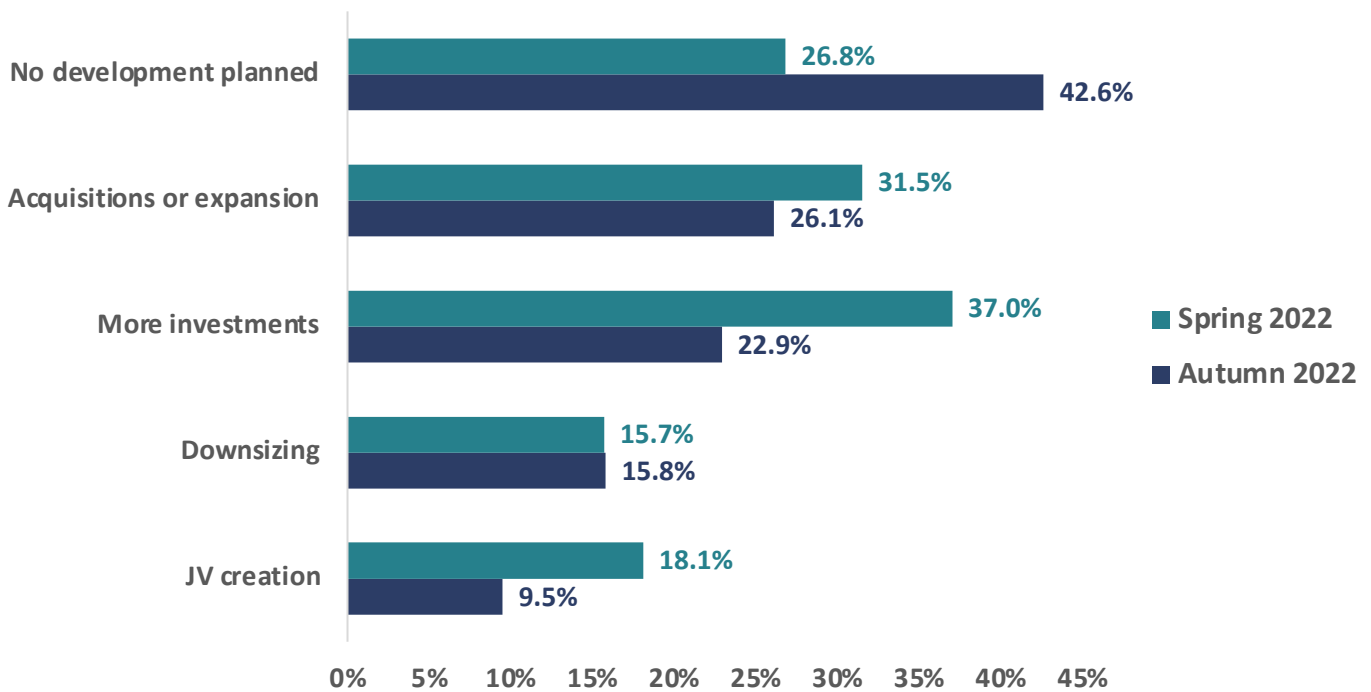


Does this change affect your investment decisions?



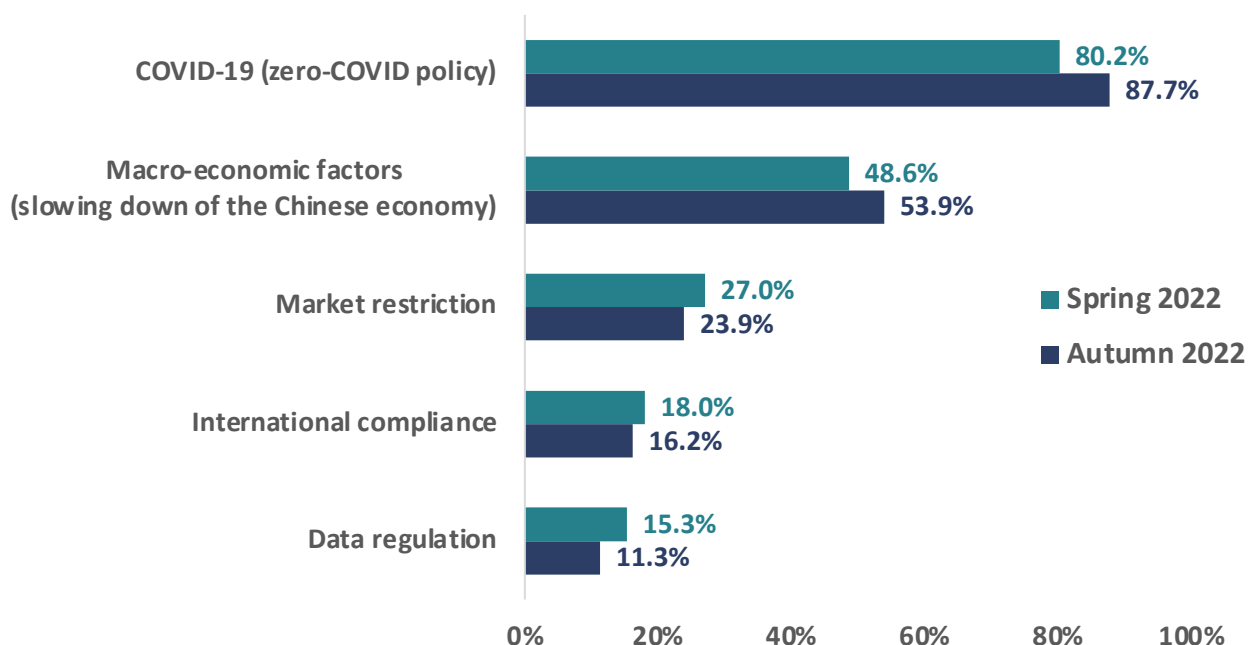
Outlook

Presence in China for the next three years



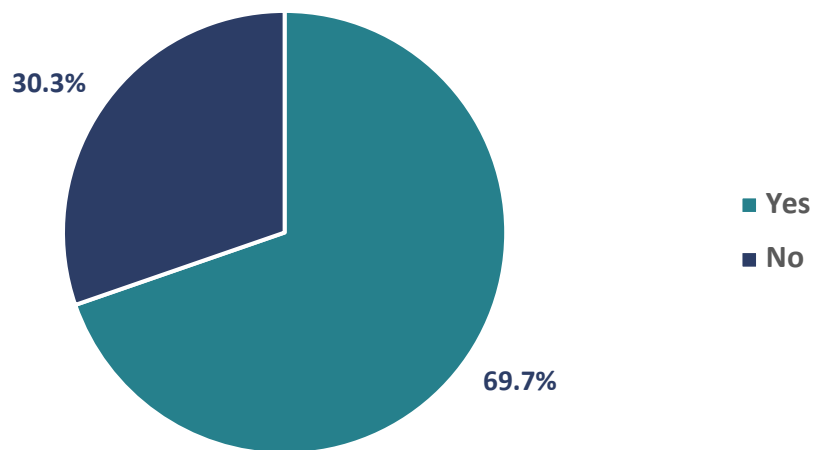
Investment strategy

Main factors impacting the investment strategy

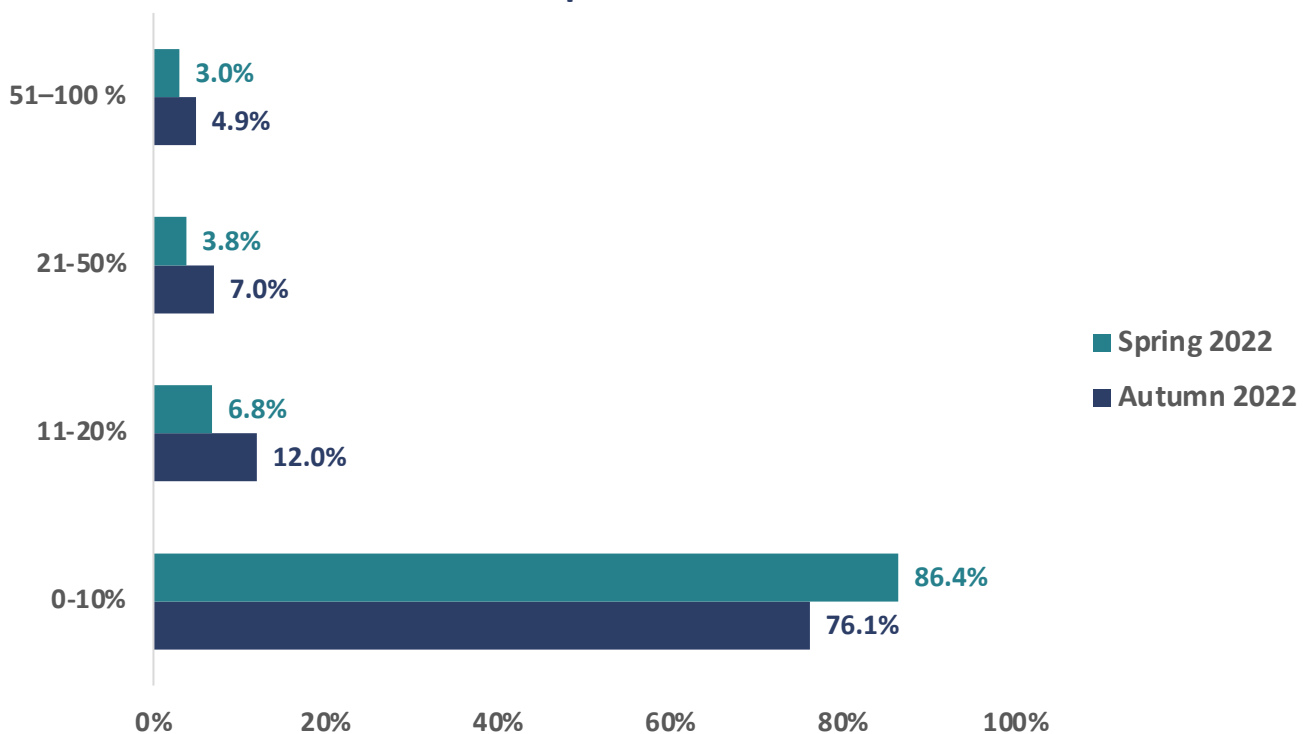


Human resources

Do you require expatriate employees to run your business efficiently ?

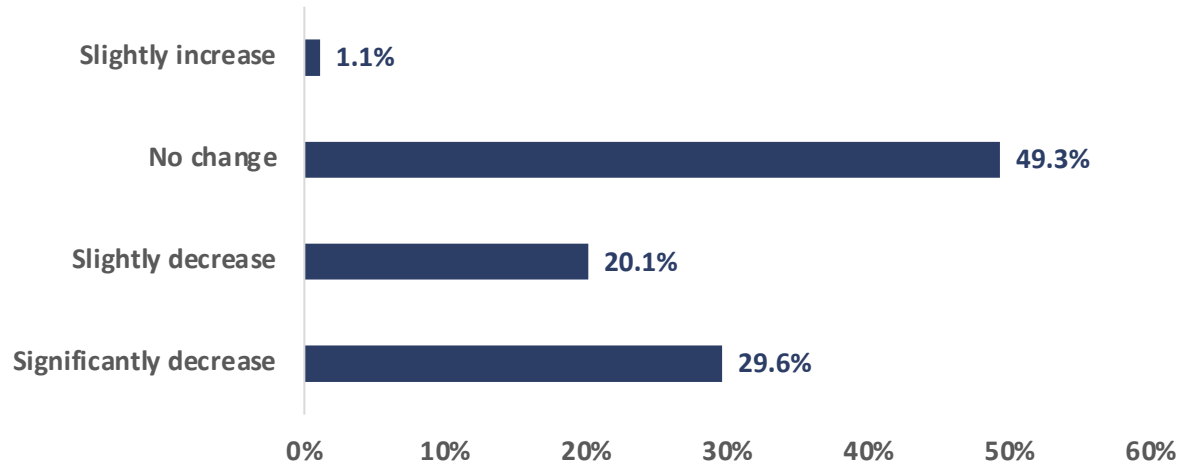


Share of expatriate staff in China

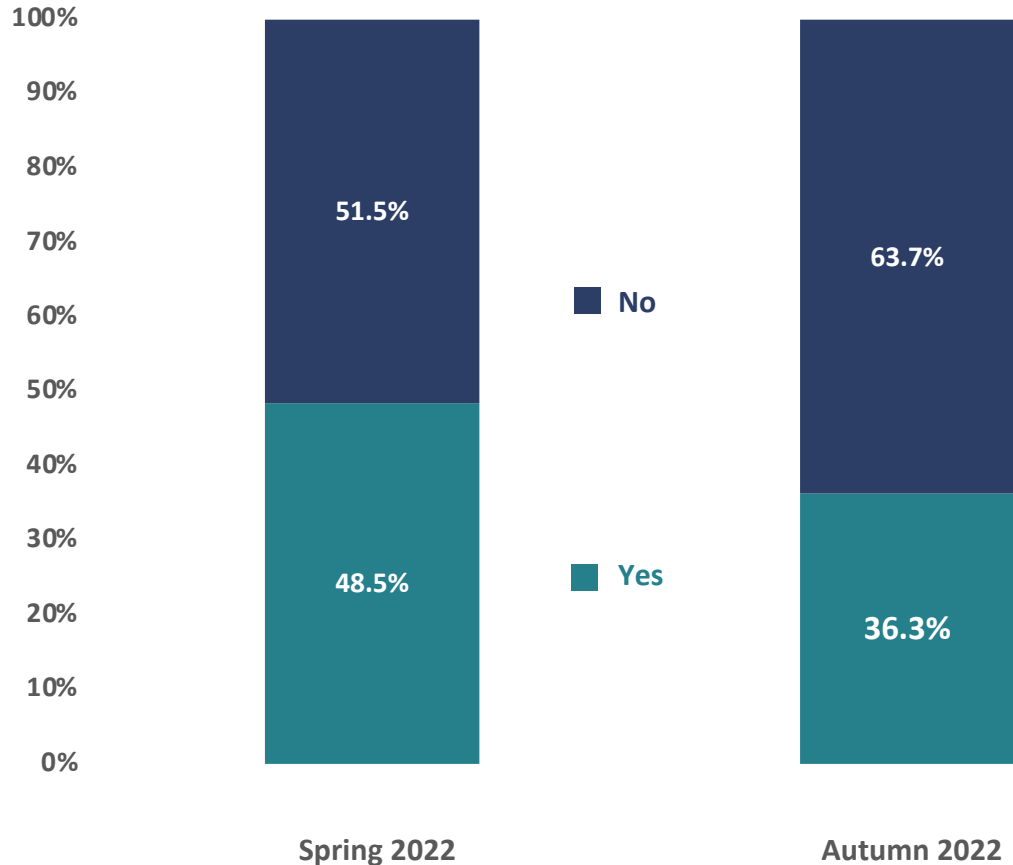


Human resources

Change in expatriate staff since the Covid-19 pandemic

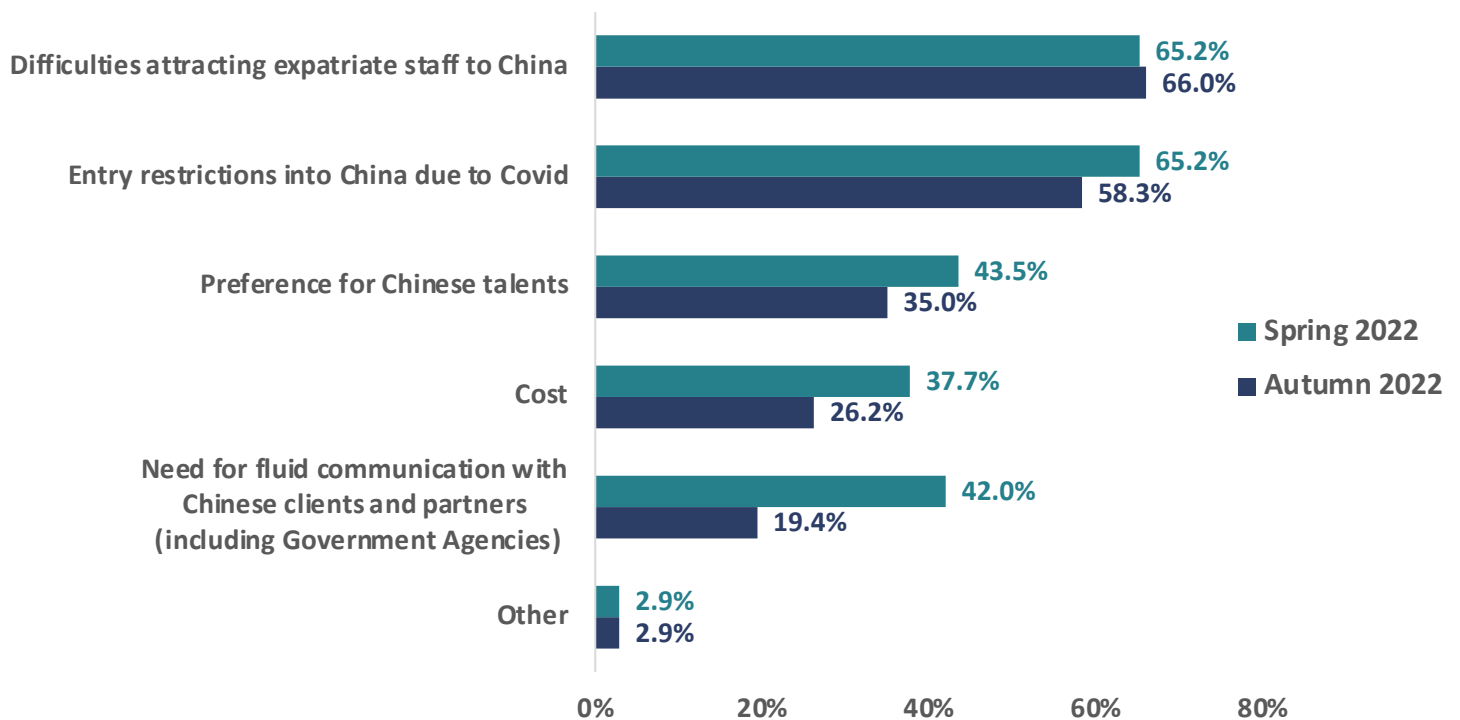


Replacement of foreigners with local employees

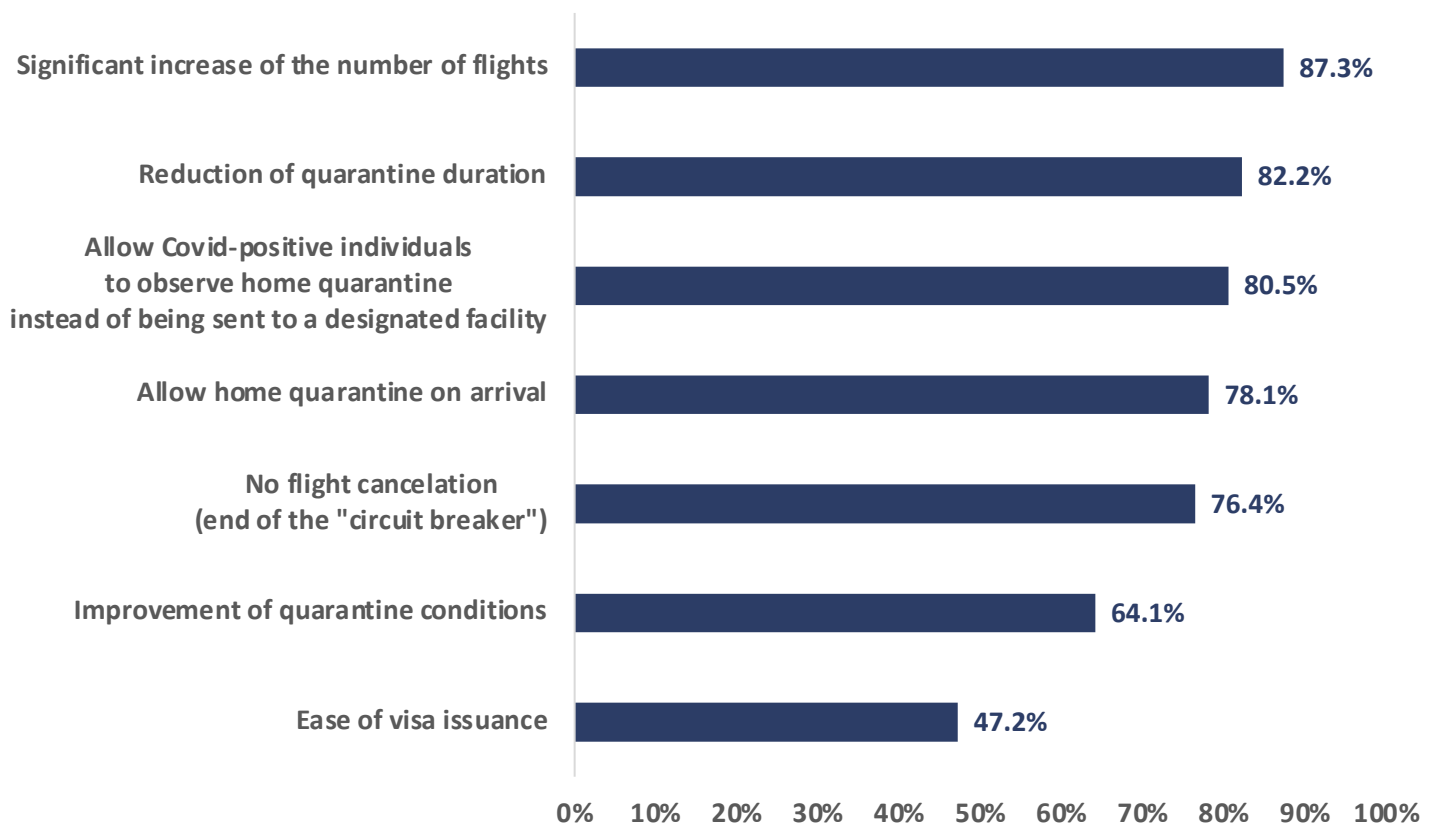


Human resources

Reasons behind the replacement of expatriate staff



Policy recommendations to restore connectivity between France and China



SURVEY - AUTUMN 2022

Thank You

