



# CCI FRANCE CHINE

## Q3 Survey

*from October 11 to October 27, 2023*

# Business Climate Survey

## French companies operating in China





# Cautious optimism is back for French companies in China

With almost 2100 subsidiaries employing some 307400 people, France is the leading European investor in China by the number of companies. With its 1600 members, the French Chamber of Commerce and Industry in China (CCI FRANCE CHINE) has been defending the interests of French companies since 1992.

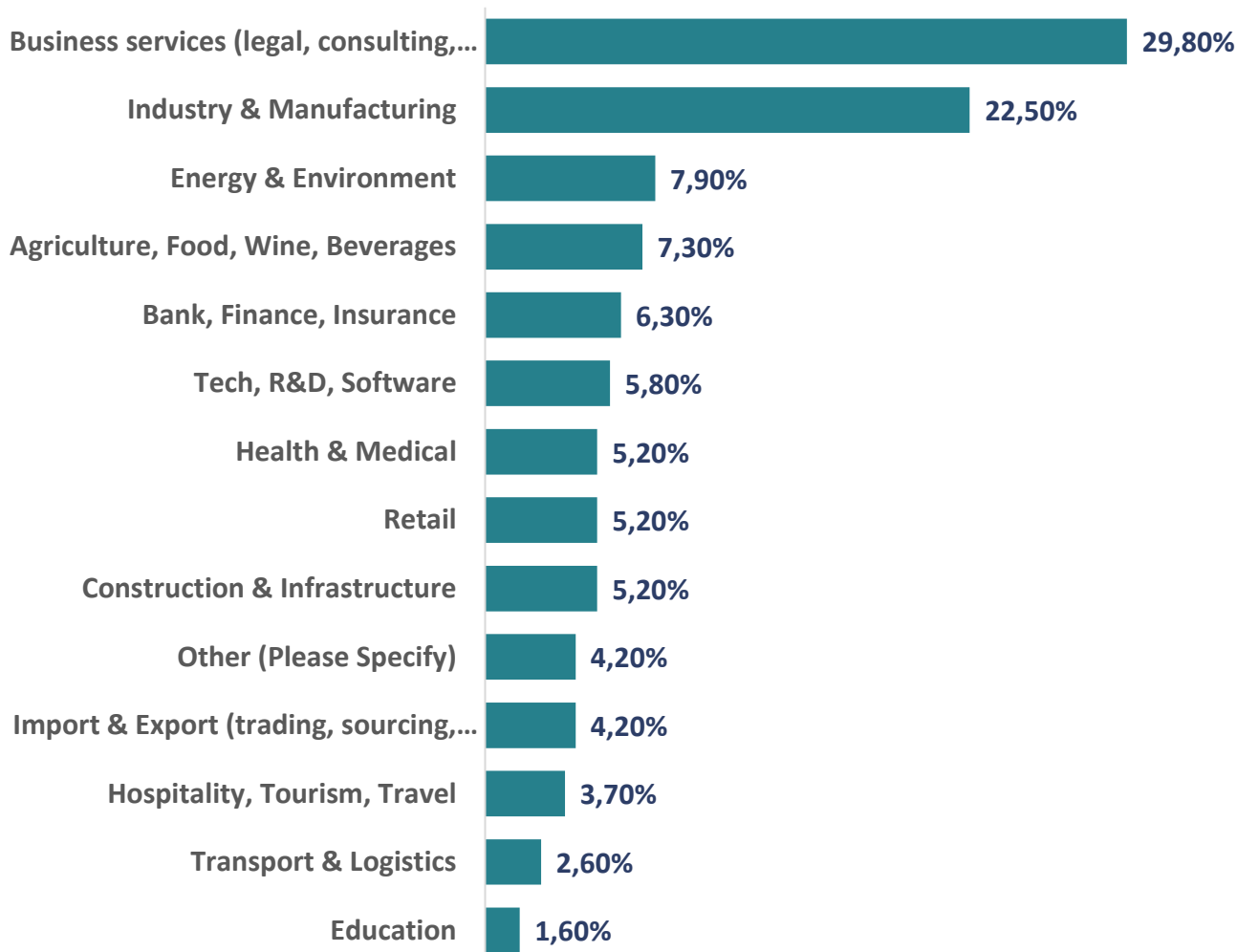
Following up on the series of surveys launched from April 2022, CCI FRANCE CHINE questioned its members between October 11 and October 27 2023 on their activity in the context of the country's reopening. 304 companies responded to the survey.

- **Economic Dynamics:** A significant 63.7% express concerns about China's economic instability, emphasizing the prevailing unease in the business community. Only a mere 1% find the economic environment very stable.
- **Regulatory and Geopolitical Impact:** A significant portion, 54.1%, of respondents find Chinese regulations to be either opaque or very opaque, while a mere 3.3% perceive them as transparent. Additionally, a staggering 78% acknowledge negative repercussions on their businesses stemming from geopolitical tensions. These findings underscore the challenges posed by regulatory complexity and geopolitical uncertainties in the Chinese business landscape.
- **Competitive Landscape:** With 69% of respondents noting an increase in competition, primarily from local Chinese private companies (51%) and state-owned enterprises (29%), the business environment is undergoing a notable shift.
- **Profit Trends:** As Q3 concludes, a quarter of respondents report a slight decrease (25.7%) in profits compared to 2022, while another 25.7% maintain stability, and 22.5% observe a slight increase. Encouragingly, over half of the surveyed companies anticipate a future increase in profits, with 45.5% expecting a slight uptick and 9.4% envisioning a substantial increase. This cautiously optimistic outlook indicates a potential rebound in profitability for the coming year.
- **Strategic Investments:** An impressive 44% plan to increase investments in China, with only 10% considering relocation. Strategic focus leans heavily towards offensive measures (69%) for capacity expansion, signaling a proactive stance among businesses.
- **Activity Outlook:** While over a third of companies anticipate increased activities in 2023, almost half expect better results in 2024. The sentiment aligns with the confidence of 56.8% of respondents who remain optimistic about the growth prospects of the Chinese market in their respective sectors over the next three years.

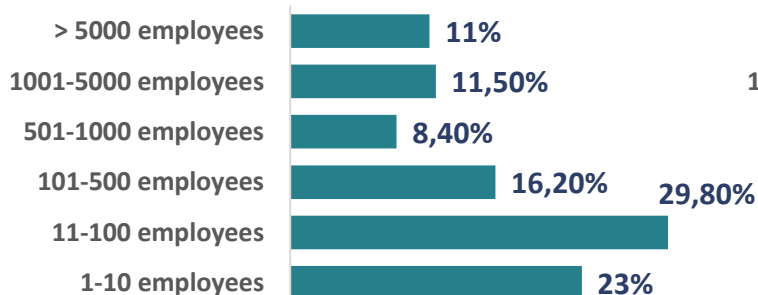
The survey highlights that French companies continue to face a considerable number of challenges in China but there's a discernible optimism, with companies adapting strategies to navigate the dynamic landscape and capitalize on growth opportunities. In light of this situation, CCI FRANCE CHINE and its members call for foreign companies to be given equal access to financial support programs, and for the establishment of a fair business environment.

# Profile of respondents

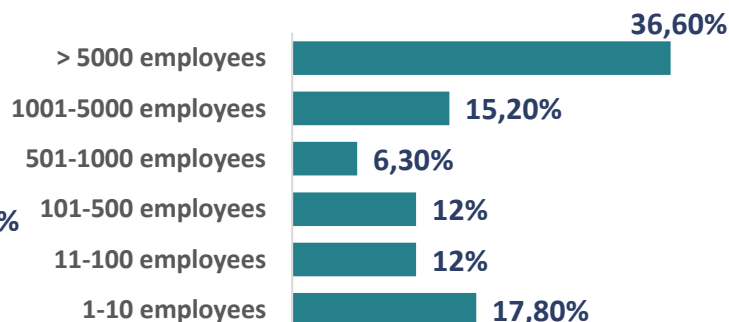
## Your Sector



## Number of employees in China

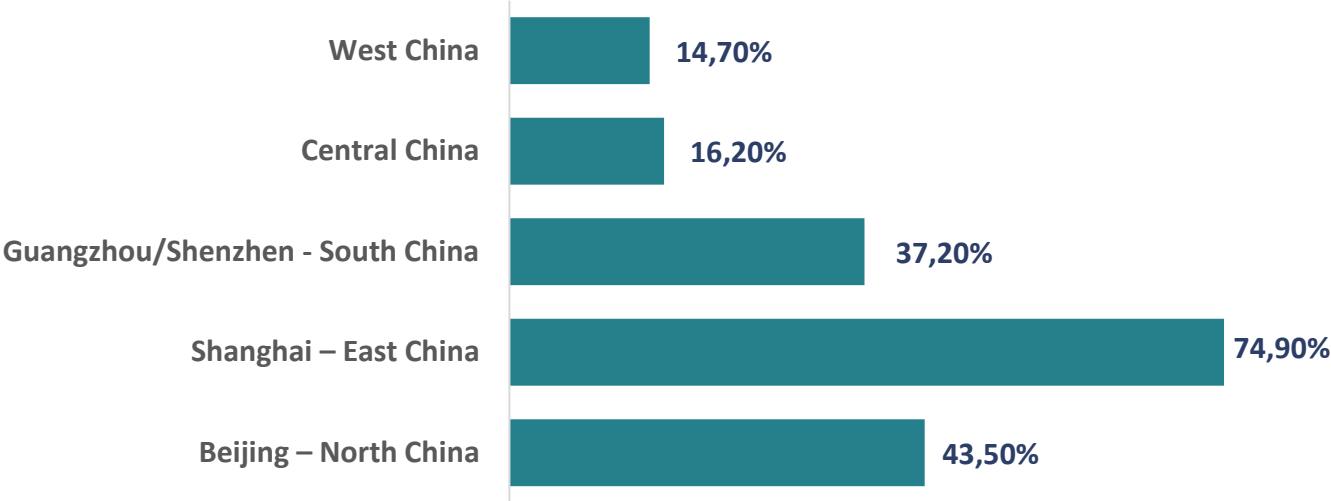


## Number of employees worldwide



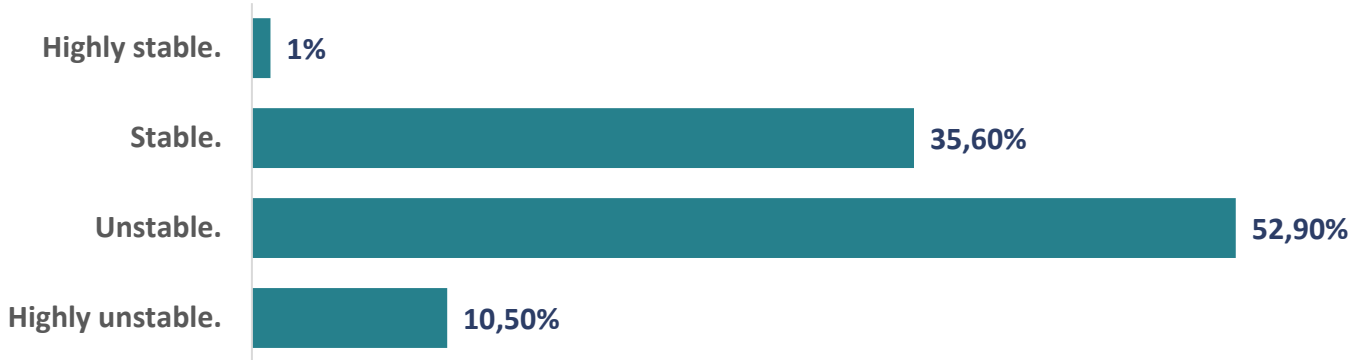
# Profile of respondents

## Your company's location(s)



# Business climate

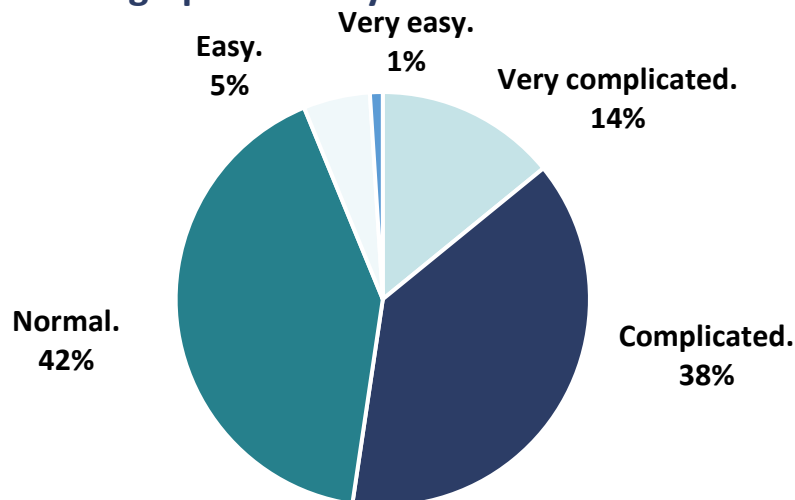
How would you rate the overall economic stability in China to conduct your business?



How confident are you about the growth potential of your sector in the Chinese market over the next 3 years?

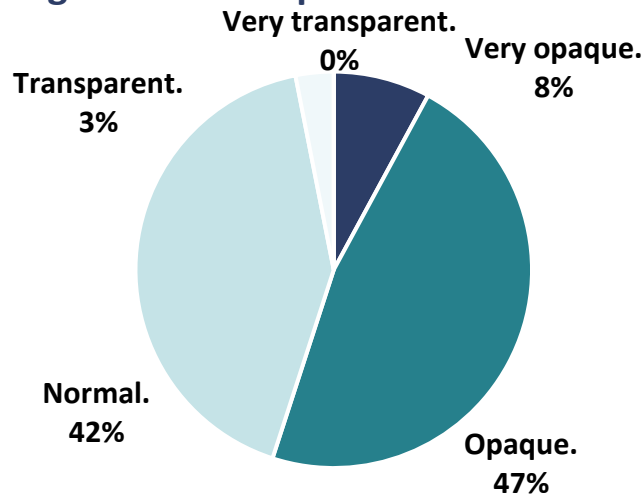


How would you rate the ease of accessing capital and financing options for your business in China?

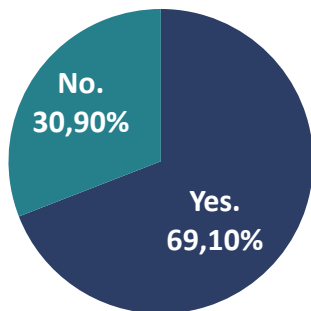


# Business climate

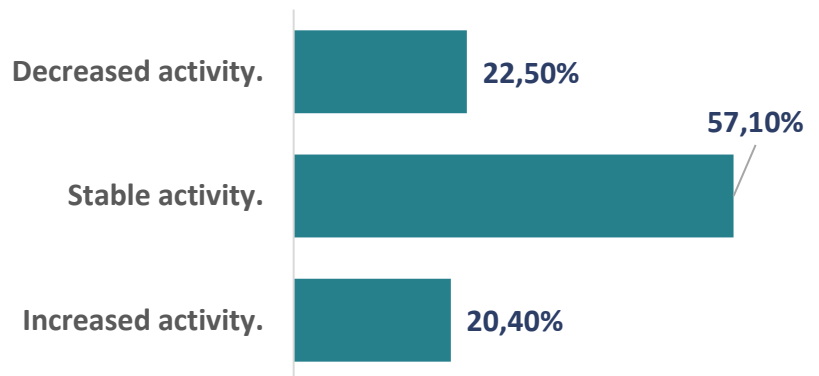
How would you rate the transparency and clarity of business regulations and policies in China?



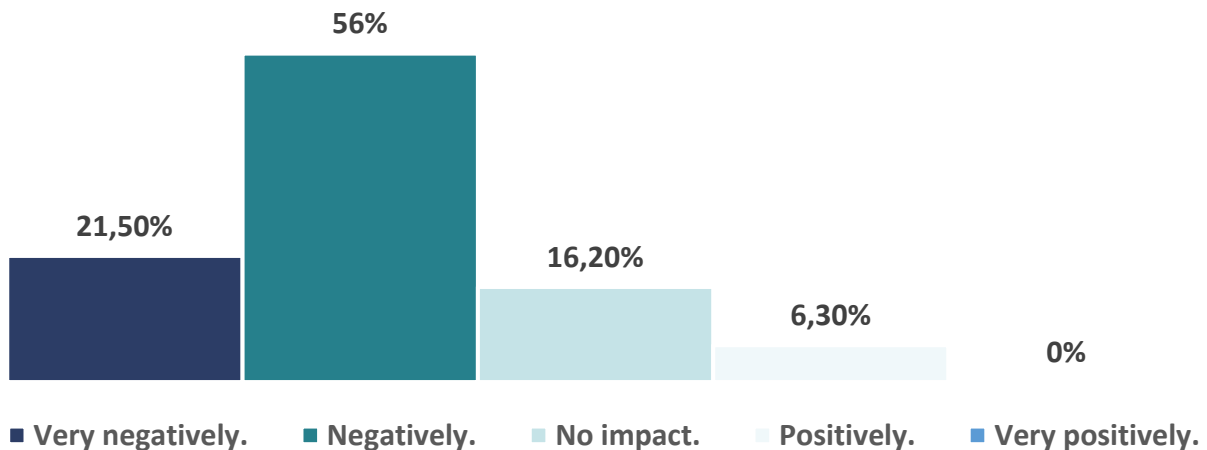
Have you observed any significant changes in the Chinese economy that have directly impacted your sector this year?



How would you assess the evolution of SOEs' activities in your sector?

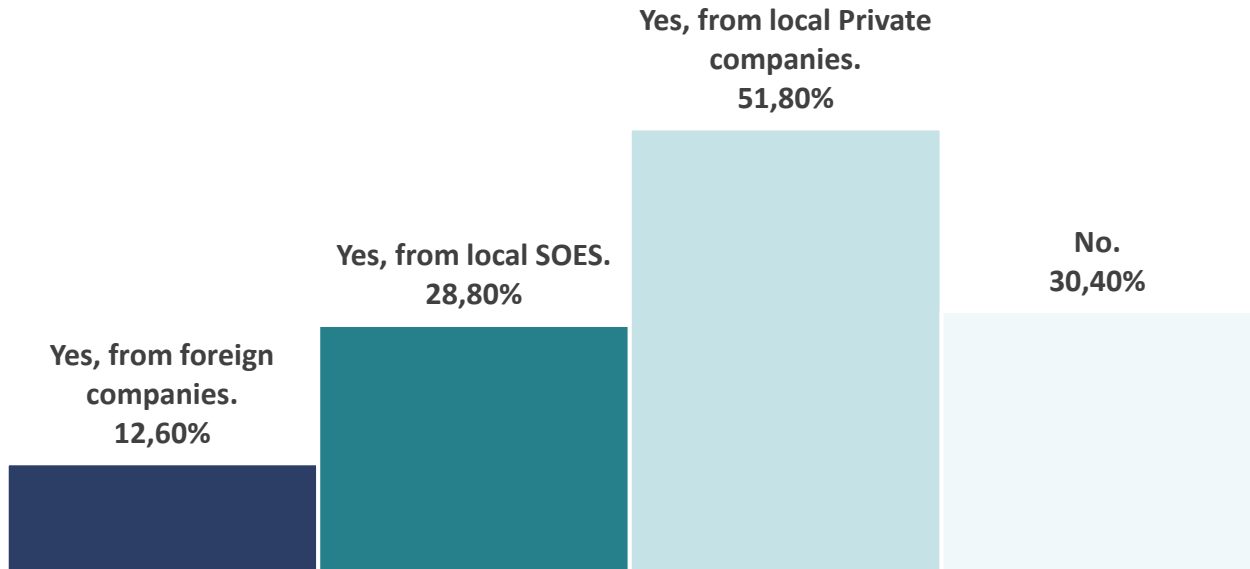


To what extent do you think geopolitical factors and international relations have influenced your sector in China?

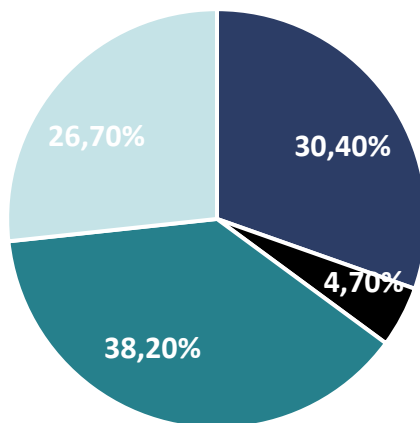


# Business climate

Do you observe over the past year an increase in competition in your sector?

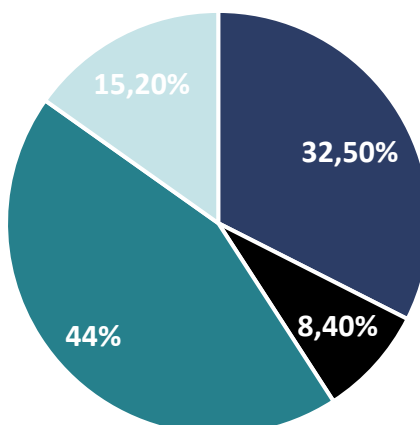


How has the composition of suppliers evolved over the past year?



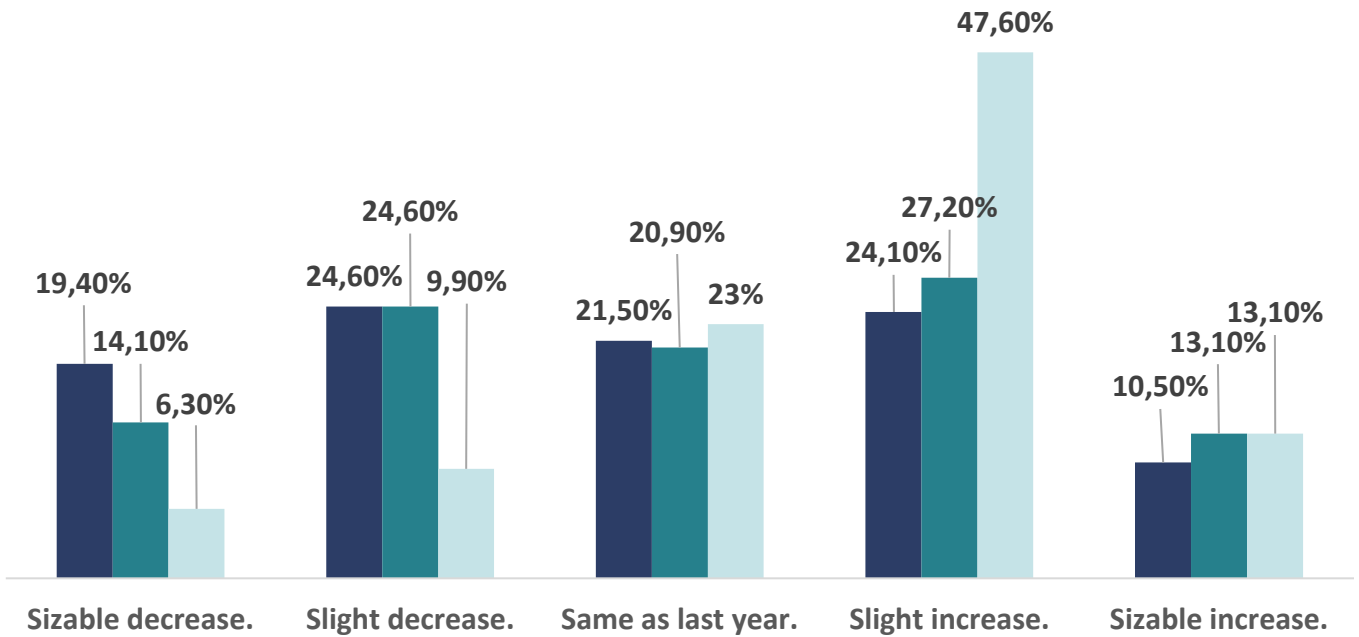
- Increasing share of local companies compared to foreign companies.
- Decreasing share of local companies compared to foreign companies.
- No change observed.
- Not Applicable.

How has the composition of your clients' base evolved over the past year?



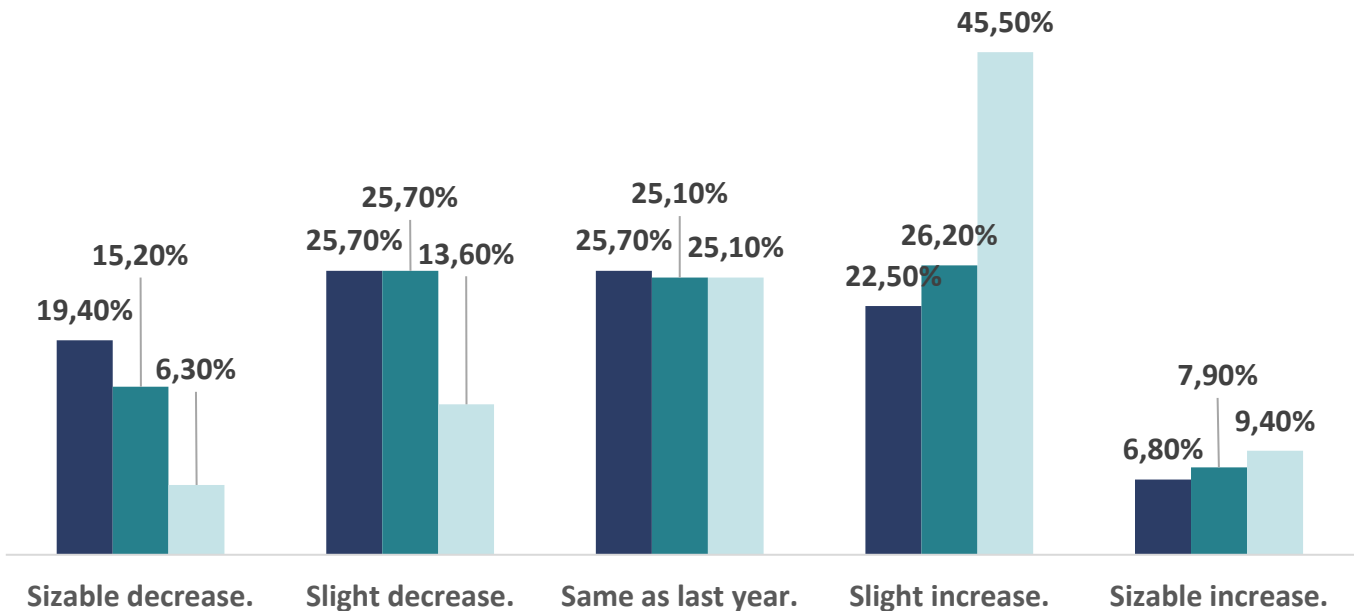
- Increasing share of local companies compared to foreign companies.
- Decreasing share of local companies compared to foreign companies.
- No change observed.
- Not Applicable.

# Turnover



- While Q3 is coming to an end, how does your turnover compare with 2022?
- Which level of turnover are you expecting to achieve in 2023, compared to 2022?
- Looking ahead, which level of turnover are you forecasting in 2024, compared to 2023?

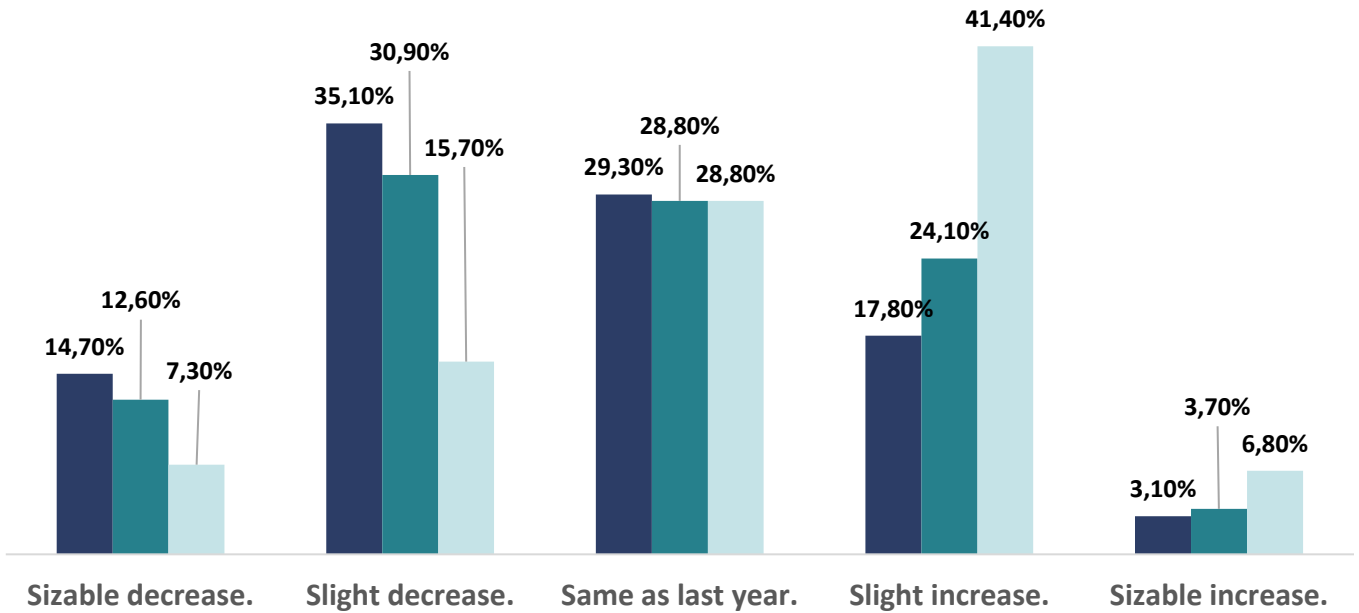
# Profits



- While Q3 is coming to an end, how does your profits compare with 2022?
- Which level of profits are you expecting to achieve in 2023, compared to 2022?
- Looking ahead, which level of profits are you forecasting in 2024, compared to 2023?



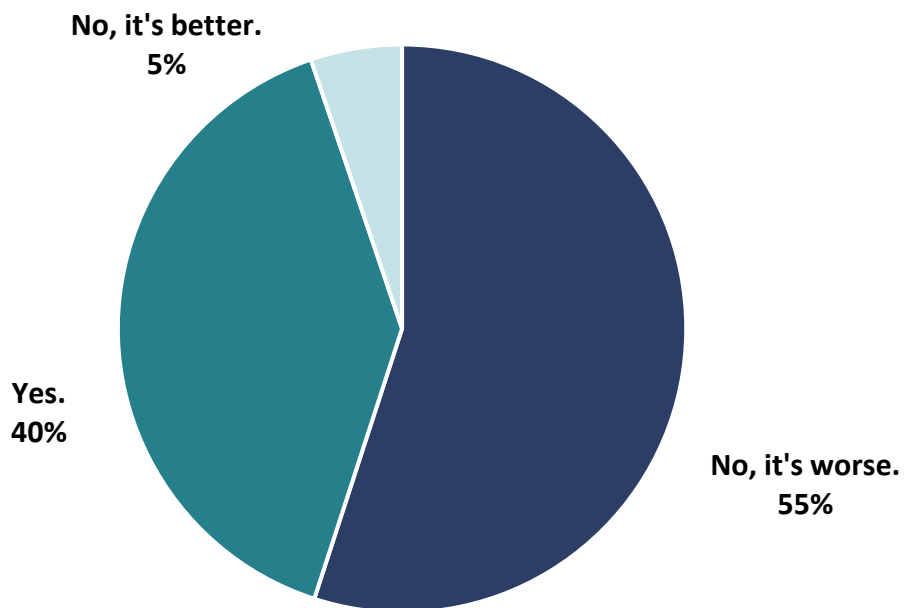
# Margins



- While Q3 is coming to an end, how does your margin compare with 2022?
- Which level of margin are you expecting to achieve in 2023, compared to 2022?
- Looking ahead, which level of margin are you forecasting in 2024, compared to 2023?

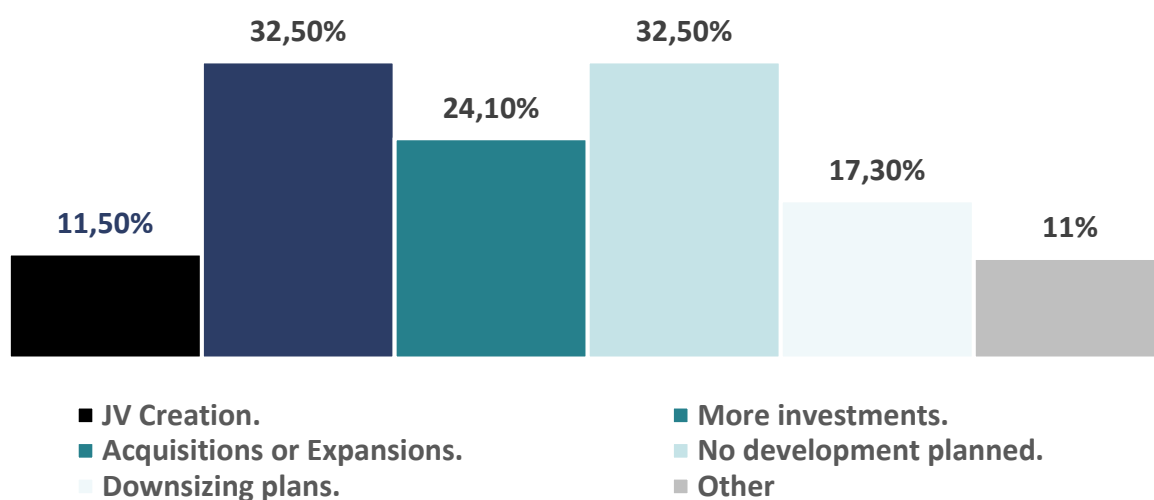
# Projections

Are these results in line with your projections?

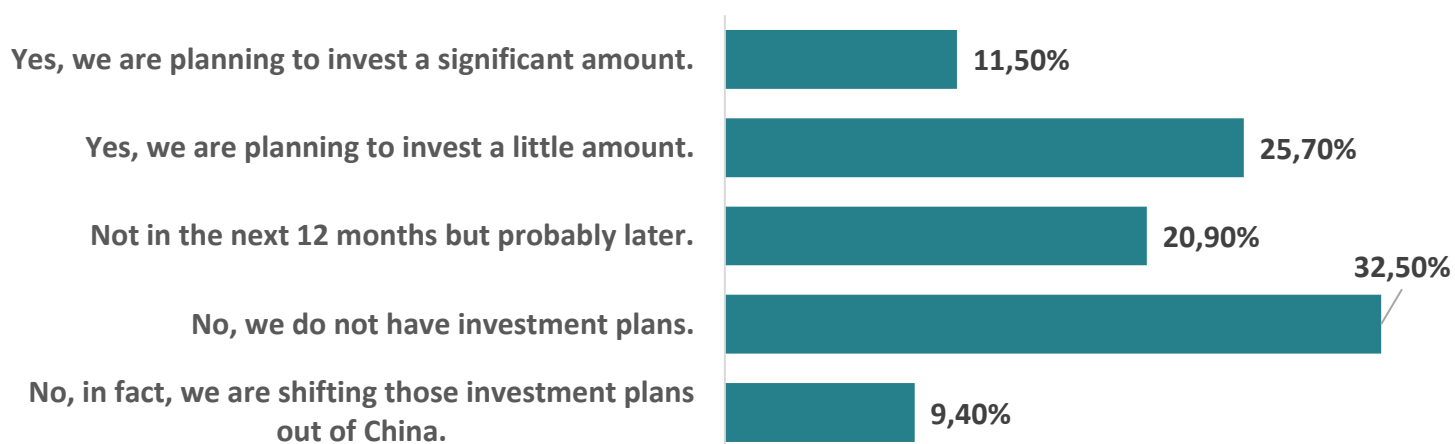


# Plans & Investments

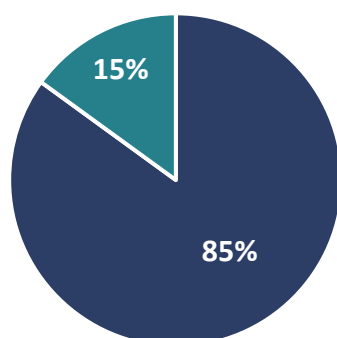
In the next 3 years how do you plan to develop your activity?



Is your company planning to further invest capital in China?



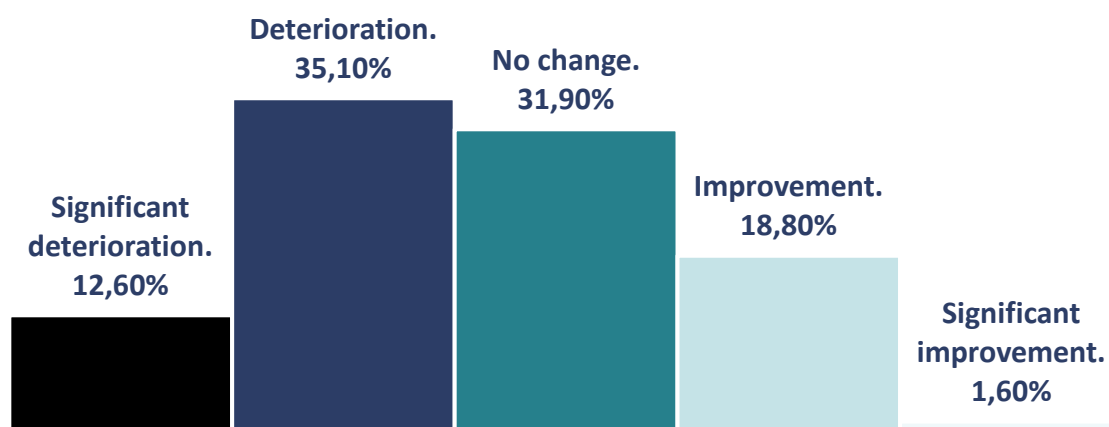
If you answered yes to the previous question, what is the main driver behind your decision to invest more in China?



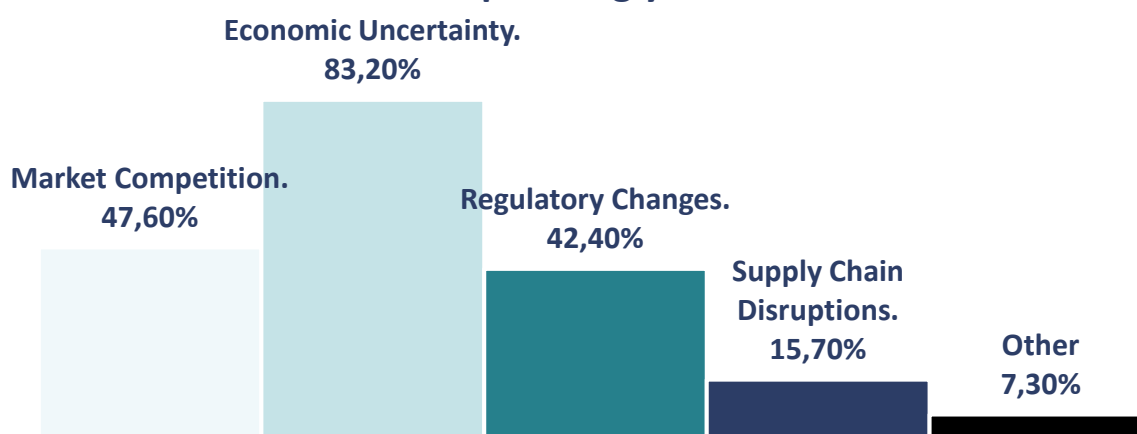
- “Offensive measure” i.e. : capacity to increase business, market share, revenues, etc.
- “Defensive measures” i.e. : investment necessary to maintain business revenues/profit, complying with Chinese regulations, etc.

# Long-term forecast

How has your company's perception toward China evolved since the lifting of the restrictions?



What potential challenges or risks do you foresee for the company in the upcoming years?



**OPEN QUESTION: Are there any specific regulatory reforms or improvements you believe would enhance the business environment in China?**

- Facilitate access to capital and simplify visa processes
- Actively work on enhancing China's global image to attract more foreign investments
- Change business license policies to provide greater opportunities for foreign architectural firms
- Relax restrictions on the import of medical devices
- Simplifying data transfer processes and ensuring equal treatment for foreign law firms.

---

## October 2023 - Business Confidence Survey

Thank you

