



SWISS CENTERS

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PRESS RELEASE

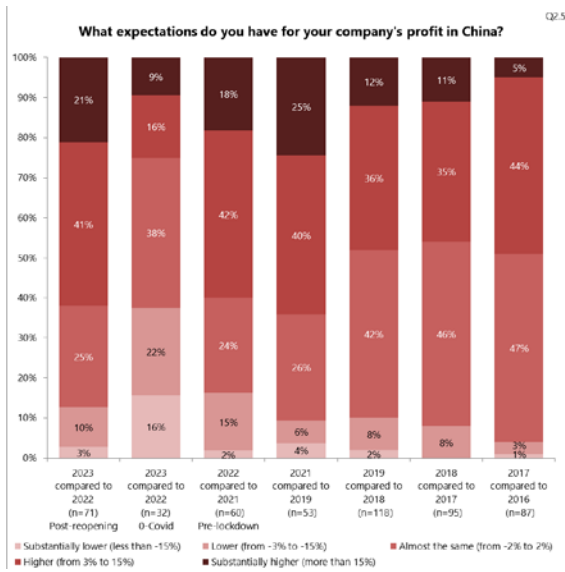
Swiss companies in China: post-Covid confidence boost

- ***The Swiss business community in China has regained its confidence: In the recent “Swiss Business in China” survey, 62% of respondents expect higher or substantially higher profits in 2023 compared to 2022.***
- ***The confidence level, at 7.2 out of 10, is not only significantly higher than in 2022, but also stands out historically.***
- ***The strict zero-Covid measures have hurt Swiss companies in China: One fourth of respondents stated that the measures have reduced their China sales by 30% or more.***
- ***Geopolitics have entered the business equation: Though Swiss companies see China as a priority investment market at levels similar to before the pandemic, 42% of respondents are postponing or canceling some investments in China due to international tensions.***

Shanghai (May 25, 2023) – Decision makers of Swiss enterprises in China have regained their confidence after the end of zero-Covid policies in the second largest economy of the world: In the recent “Swiss Business in China” survey, 62% of respondents expect higher or substantially higher profits in China in 2023 compared to the year before. “During the pre-pandemic years of 2019, 2018 and 2017, 48% of companies expected higher profits when compared to the previous year. However, the proportion of Swiss firms expecting lower profits increased to 13% in the 2023 survey while the three pre-pandemic years average was 7%,” states Nicolas Musy, Delegate of the Board of the Swiss Centers Group, a non-profit organization that lowers the Asian market entry hurdles for Swiss enterprises. “More importantly, the confidence now is higher than even in the recent pre-pandemic years. We have developed the confidence index first in 2014. And we have to go back to that year to reach a higher result than the post zero-COVID confidence level of 2023.”

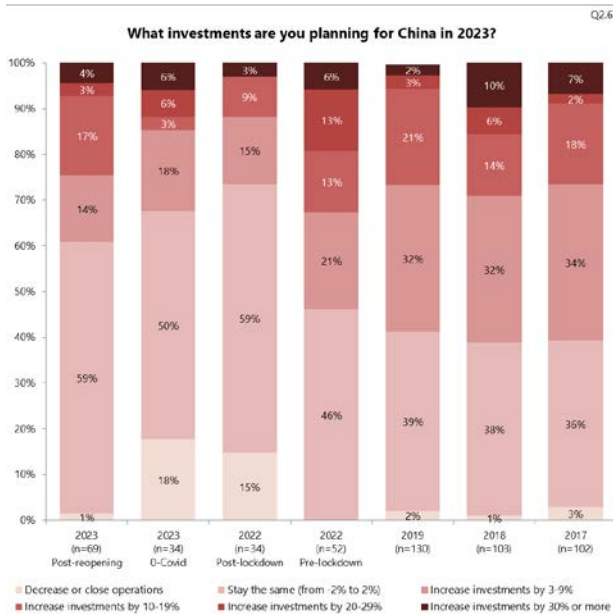
The Swiss Business in China survey is published by the University of St. Gallen (HSG), the Swiss Centers Group, and China Integrated in partnership with the Embassy of Switzerland in China, SwissCham China, Swissnex, Economiesuisse, Switzerland Global Enterprise and the Swiss Chinese Chamber of Commerce. The comprehensive survey includes responses from 111 Swiss companies, both SMEs and large enterprises, and is believed to be representative of the roughly 600 Swiss companies in China. (Download the full survey [here](#))

The survey features a metric to compare the confidence level of Swiss enterprises over the years. In the recent survey, the confidence level of respondents reaches 7.2 on a scale from 0 (absolutely not confident) to 10 (extremely confident) when asked about the next year. The confidence about the next five years is equally high (7.17). “After China’s reopening, the Swiss business confidence has rebounded. Swiss companies see very positive opportunities for their businesses in China. This confidence level was recorded in the first quarter of 2023 looking only at the business environment, though. This outlook is still less positive than in 2022 pre-lockdown when it reached its highest recorded level,” underlines Musy.



Of course, the zero-Covid measures in China, with strict lockdowns, closed borders, and omnipresent testing, had negative effects on Swiss businesses in the Middle Kingdom. One fourth of survey respondents stated that the measures decreased their China sales by 30% or more. Another 21% reported sales decreases between 10-30%.

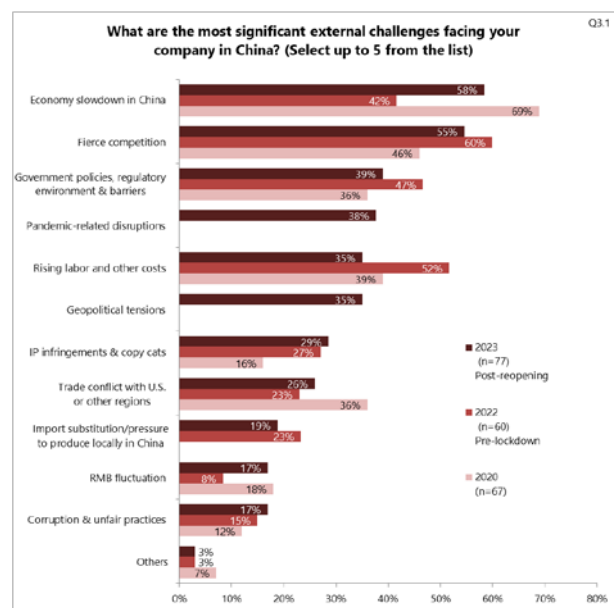
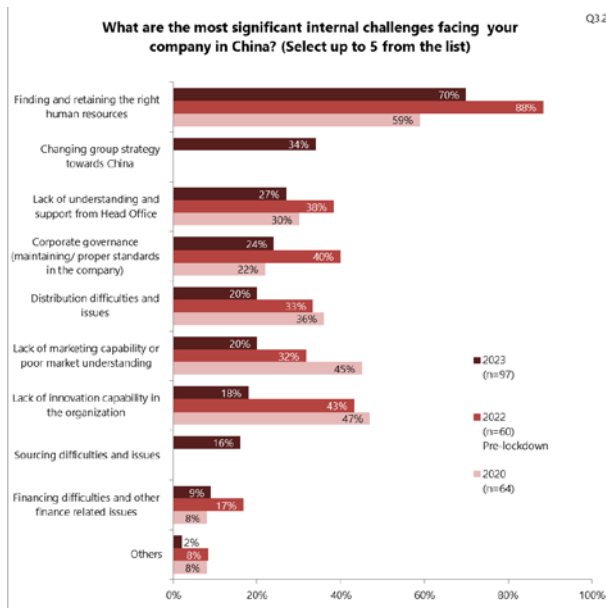
The investment plans, however, go hand in hand with the new-found confidence. Zhen Xiao, CEO of the Swiss Centers Group, explains: “38% of the survey respondents stated that they want to increase their investments in China, while only 1% plans to decrease. In zero-Covid times, 18% of Swiss companies planned to decrease investments in China.” However, compared to pre-pandemic years, when more than half of the respondents planned to increase investments, the investment mood seems still restrained. “After an economically tumultuous time, many decision makers seem to sit back and evaluate the development before making big investment decisions,” analyzes Mr. Xiao.





Top challenges: human resources and economic slowdown

The survey brought interesting insights into the challenges that Swiss companies are facing. When asked about the most significant internal challenges, the results show a reordering of priorities: Finding and retaining human resources still is the top challenge, though it is seen less important than a year earlier. Nicolas Musy: “Remarkably, we see two key differences when comparing 2023 to 2022, pre-lockdown: ‘Changing group strategy towards China’, previously not offered as an option, takes second position in the list of internal challenges. ‘Lack of innovation capability in the organization’, which occupied the second position in 2022, falls to seventh place. This indicates that Swiss companies newly see the issue of innovation as secondary on their priority list, at least in comparison to other internal challenges.”



The external challenges faced by Swiss companies have altered quite significantly, too. Post-reopening, ‘Economic slowdown’ has surged to become the top challenge, rising from fourth position a year ago. ‘Fierce competition’, last year’s top concern, fell back to the second position. ‘Rising labor and other costs’, the second most important challenge identified in the 2022 survey, lost two places and is ranked fourth this year. Nicolas Musy: “With less growth and possibly a number of actors exiting the market, the pandemic has reduced the intensity of competition in China. However, domestic Chinese competitors are now perceived as being more important as they become more capable and professional.”

The new elements that were added to be potentially selected from the list, ‘Geopolitical tensions’ and ‘Pandemic related disruptions’ were selected by 35% and 38% of the respondents post-reopening, respectively. “While pandemic issues would probably be at the bottom of the list now, the importance of geopolitical issues should not be underestimated,” explains Mr. Musy.

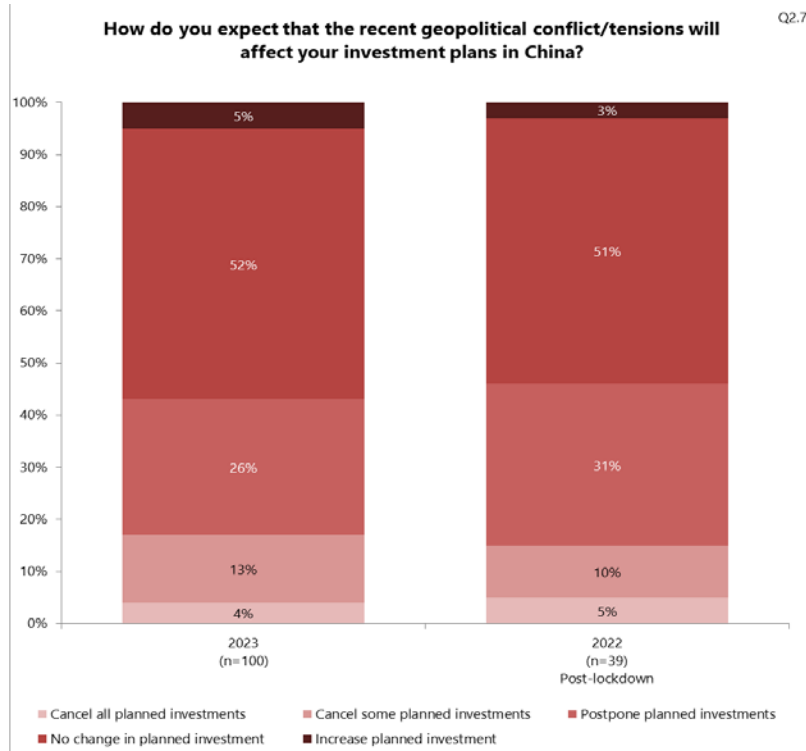
Geopolitics enter the business equation

The survey first asked how geopolitics affects the investment plans of Swiss firms in June 2022, post-lockdown. At that time 46% of respondents intended to postpone, reduce, or cancel investments. This has not changed significantly in the 2023 survey with 43% of respondents answering in that way.





“The possibility of more sanctions imposed on Chinese companies by the USA and newly the EU is adding a new level of complexity to doing business in China. This is an issue that Swiss and other international companies never had to deal with in the past 30 years of China’s economic development,” mentions Musy.



Picture legend: Nicolas Musy, Delegate of the Board of the Swiss Centers Group





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Picture legend: Zhen Xiao, CEO of the Swiss Centers Group



Picture legend: Swiss Centers 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)



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- **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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