

GLOBAL BUSINESS BAROMETER



Survey
among Austrian Subsidiaries in China
October/November 2024

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Foreword and Summary

ADVANTAGE AUSTRIA, Austria's official business representation abroad, annually conducts "the Global Business Barometer" (GBB) survey world-wide. This confidential online study, carried out in collaboration with the Vienna University of Economics and Business, also gathered in October and November 2024 insights from 66 Austrian subsidiaries in China. The results are summarized and are also communicated to stakeholders in China, Austria and the EU to better get a better understanding of the situation of Austrian companies in China and in which areas improvements are necessary to improve investor confidence.

The GBB China survey showed for 2024 a rather negative sentiment among Austrian companies with subsidiaries in China. The majority of the surveyed companies thought that the general economic climate and economic situation in China deteriorated in 2024, with the economic climate receiving the worst ratings since the survey started in 2017. Only around 20% of respondents expect an improvement in 2025. When asked about the condition of their own company in China, most reported unchanged or decreased values in 2024 in terms of total sales, order book status, capacity utilization, number of employees, and investments. Expectations for 2025 are however more optimistic, especially regarding expected total sales and new orders.

Regarding individual location factors, the subsidiaries positively noted that China scores particularly well in infrastructure, digitalization, and the availability and quality of local suppliers. Artificial intelligence applications are on the rise in China and will also be more widely used within the companies. On the negative side, it was mostly mentioned that the payment morale has worsened, public subsidies and bureaucracy are a drawback, labor costs are rising, and tariffs and taxes are seen as problematic. Looking forward, protectionism, economic sanctions, and systemic rivalry and geopolitics could weaken the attractiveness of China as a business location for our Austrian companies in China.

Austrian subsidiaries consider active communication with Chinese political and regulatory institutions and consultations with the ADVANTAGE AUSTRIA network in China as instrumental to further pursue their interest in China.

We would like to invite you to have a closer look at the details of the "Global Business Barometer 2024"

Franz Roessler, Head of ADVANTAGE AUSTRIA Beijing

1. Austrian business in Mainland China

1.1. General business outlook

With a trade volume of 15 bn EUR in the first three quarters of 2024, China remains Austria's most important trading partner in Asia and its fourth most important in the world. Following Germany, China is Austria's second biggest source of imports. There are more than 900 subsidiaries of 650 Austrian companies in China.

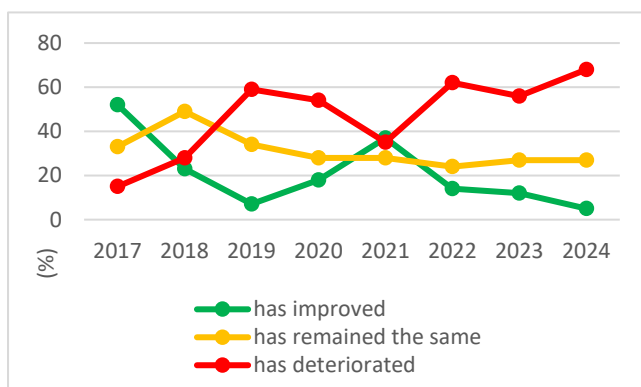
The mood among the participants in 2024 was at a new all-time low. However, the outlook is more optimistic

The awaited recovery of the Chinese economy after the covid period did not occur in 2024. The general economic climate was the worst in the year 2024 according to the survey participants. The majority (68 %) of respondents have indicated that the general economic situation has deteriorated over the past 12 months. For 27 % the situation has remained the same and only a small minority of 5 % stated that the business climate improved. The sentiment decreased to an all-time low since the survey started in 2017.

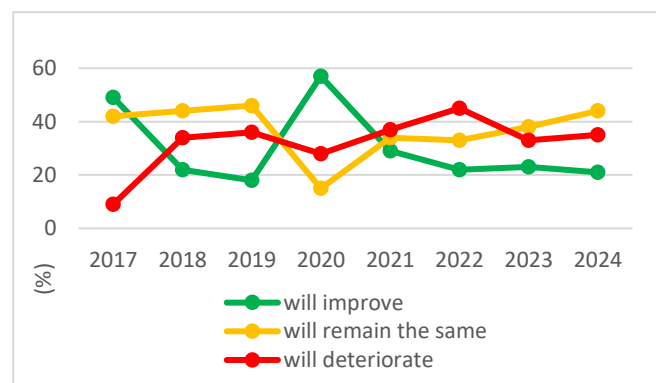
However, the participants look more confidently into the next 12 months. Only 35 % think the general economic situation will deteriorate further. 44 % anticipate that it will remain on the same level and 21 % expect an improvement, which shows a slightly optimistic attitude among Austrian subsidiaries in China.

How would you assess the development of the general economic climate from a business perspective over the...

past 12 months?



next 12 months?

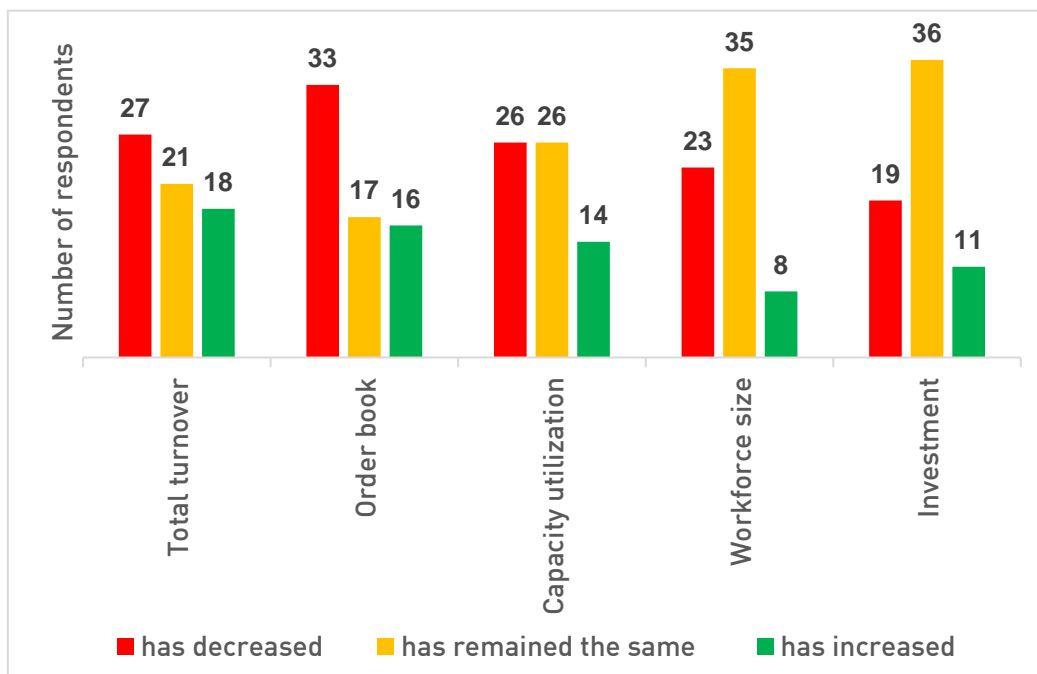


In regards to key business figures, the following has been reported by the participants of the survey about the last 12 months: More than 50 % of the respondents stated that their total turnover increased or remained the same. Yet, 41 % of participating Austrian subsidiaries report a decrease in the total turnover. The order book situation worsened for 50 % of the participants. Despite all these challenges, more than half of the participants maintained or even increased their workforce size and investments in 2024, which displays the overall confidence of Austrian subsidiaries regarding the current and future importance of the Chinese market for their business.

Despite an economically challenging year 2024, Austrian companies...

Performance of key business figures

over the past 12 months

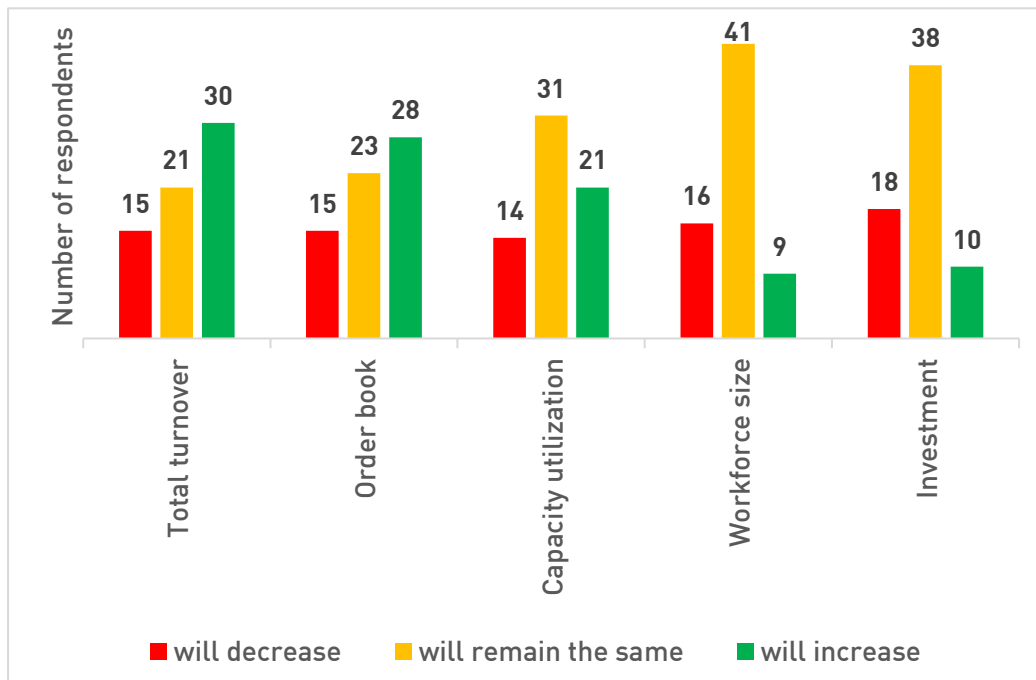


A neutral or positive outlook for the future is displayed by 77 % of respondents: 30 participants expect an increase and 21 participants expect stability of their total turnover in the next 12 months. Only a minority of 15 participants expect a decreasing turnover. In addition, the majority stated that they expect their workforce size and the investments in China to remain at the same level or even increase in the next year. The results indicate that Austrian companies plan to keep their presence on the Chinese market and try to hold or improve their market position (which is a slight improvement compared to the 2023 GBB survey results).

... plan to keep or even increase their presence on the Chinese market

Performance of key business figures

for the next 12 months



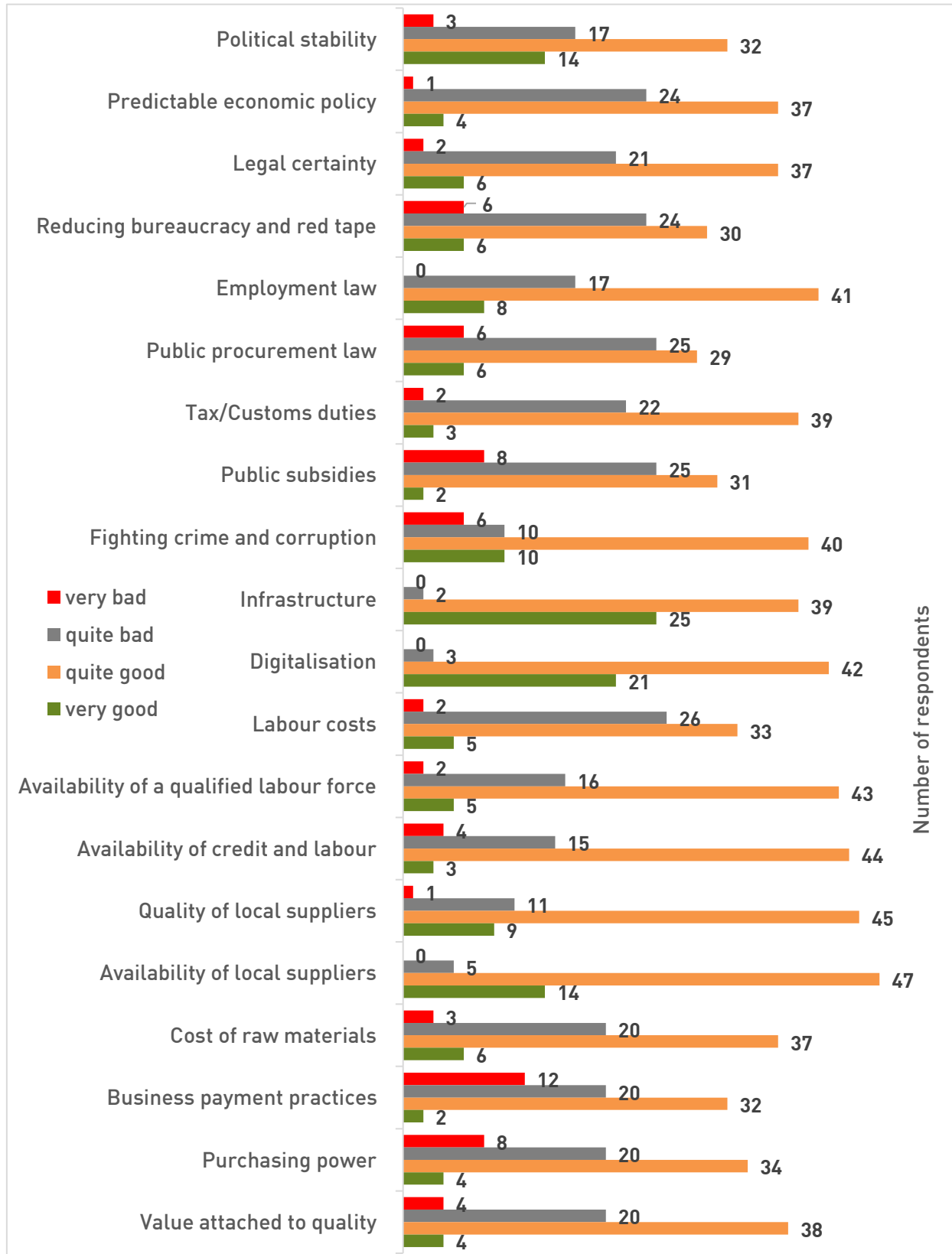
1.2. Location Factors /China as a Business Location

Overall, an optimistic sentiment prevails. Despite the challenges Austrian businesses encounter in the Chinese market, the majority remain focused on opportunities rather than obstacles.

Looking at China's individual location factors, nearly everyone rates the general state of infrastructure and digitalization in China as "quite good" or "very good". Also, the availability and quality of local supplier get high ratings. Most Austrian subsidiaries acknowledge the initiatives to fight crime and corruption.

Two thirds of all participants report concerns regarding current business payment practises in China. Further issues mentioned by the subsidiaries are bureaucracy and public subsidies are also topics most companies struggle with. Tax, customs and labour cost affect the business activities of most subsidiaries.

How do you assess the following regulatory and market-related topics in your subsidiary's country?



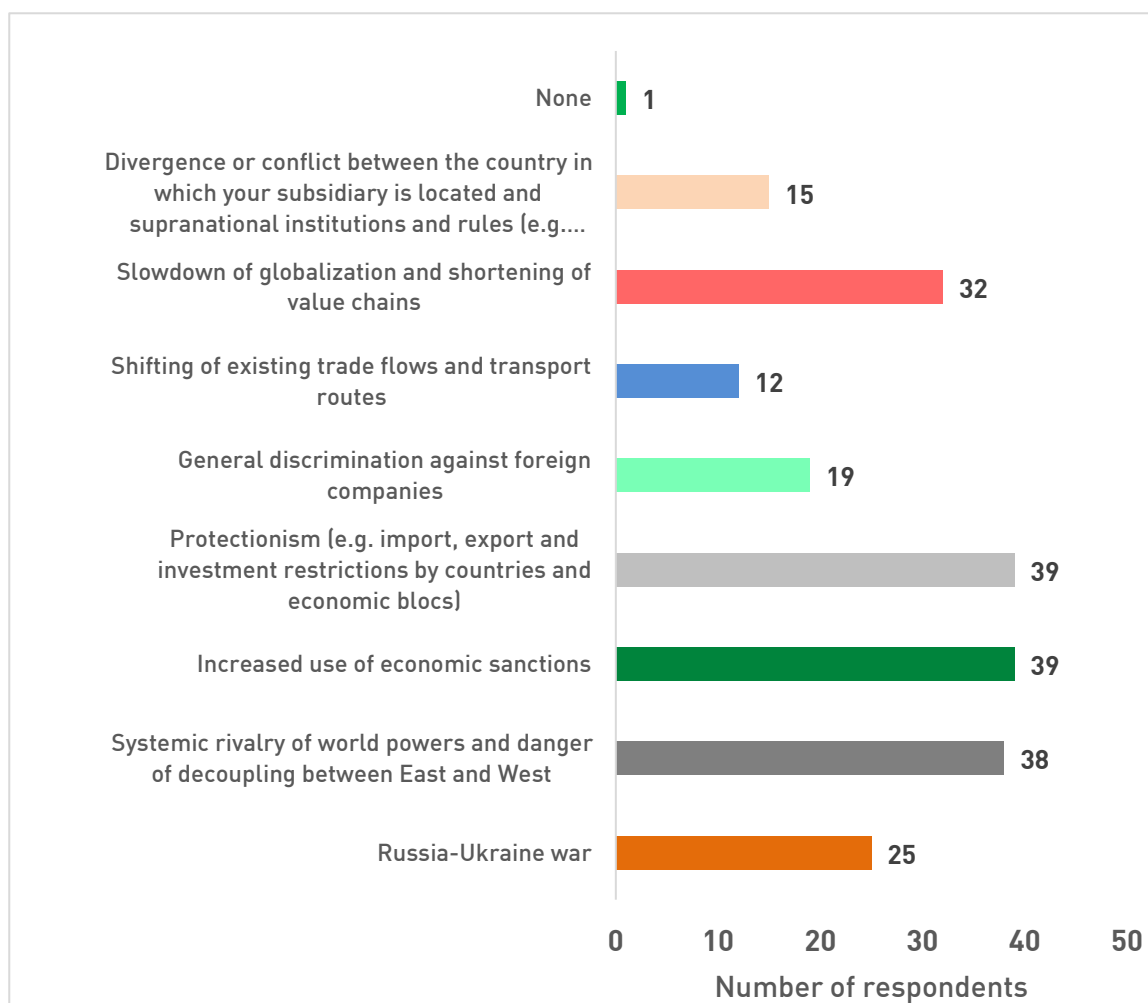
1.2.1. Geopolitical developments

When asked which geopolitical phenomena currently pose the greatest risk to business activities in China, most Austrian companies cited the systemic competition between world powers, sanctions, and the danger of decoupling between East and West as threats to their business in China, followed by a slowdown of globalization. Sanctions in the field of technology and semiconductors are also seen as a threat.

Decoupling, sanctions and protectionism are viewed as the greatest risks

According to the 2024 GBB survey, only less than a third feels that discrimination against foreign companies in China occurs, an improvement when compared to previous surveys.

Which current geopolitical phenomena pose the greatest risk potential for the economic activity of your company in the subsidiary's country?

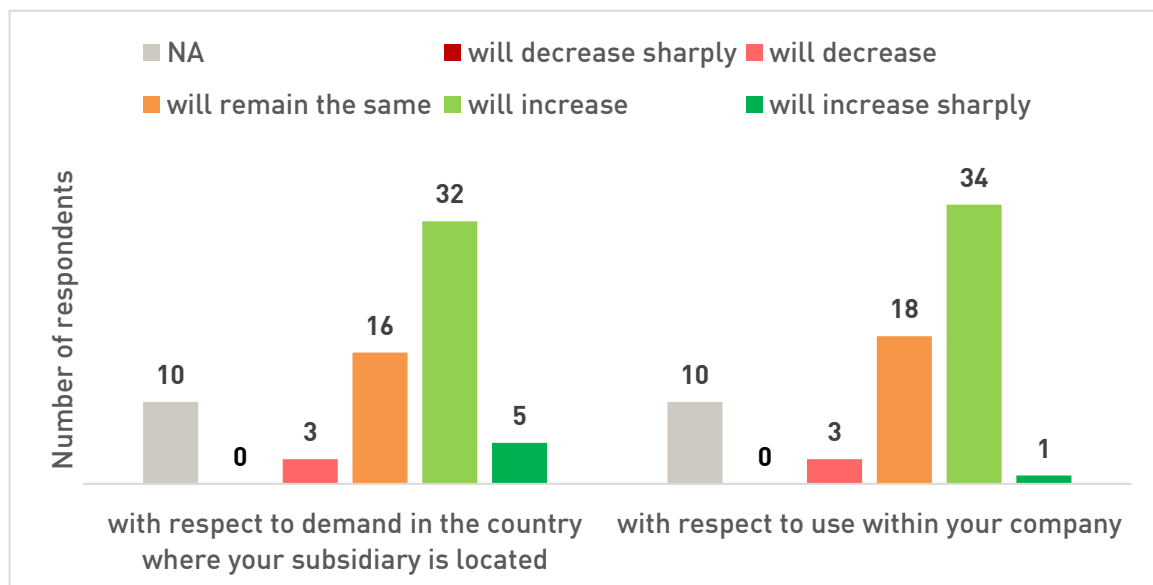


1.2.2. The Use of Artificial Intelligence

Artificial intelligence (AI) is rapidly evolving and driving transformational changes across industries. The majority of survey participants believes that the use of AI for products and services will also increase in China in the next 12 months. Considering the use of AI within their company or subsidiary, there seems to be a broad consensus: 53 % of the respondents expect it to rise, while 27 % assume it will remain the same. Nevertheless, 15 % of Austrian companies did not provide information regarding this question.

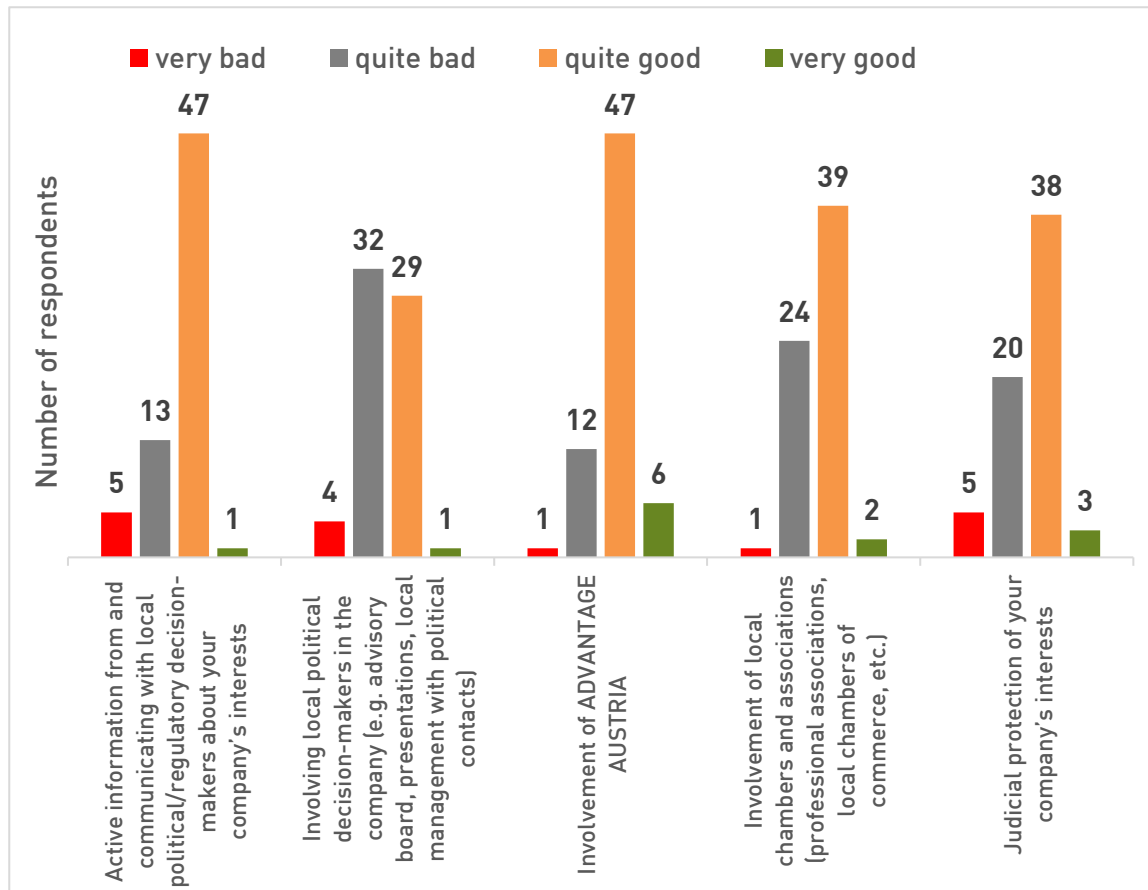
AI is an important topic, but difficult to grasp

From your company's perspective, how do you assess the development of products and services based on artificial intelligence in the NEXT 12 months?



1.2.3. Measures to enforce interests in China

How do you assess the effectiveness of the following measures to advance your company's interests in the subsidiary's country?



In regard to the efficiency of representing the interests of the Austrian companies, the vast majority showed a high degree of confidence in using the ADVANTAGE AUSTRIA network in China.

The involvement of local associations and chambers, as well as the active communication with local policy makers are further regarded as effective measures to enforce the interests of a company.

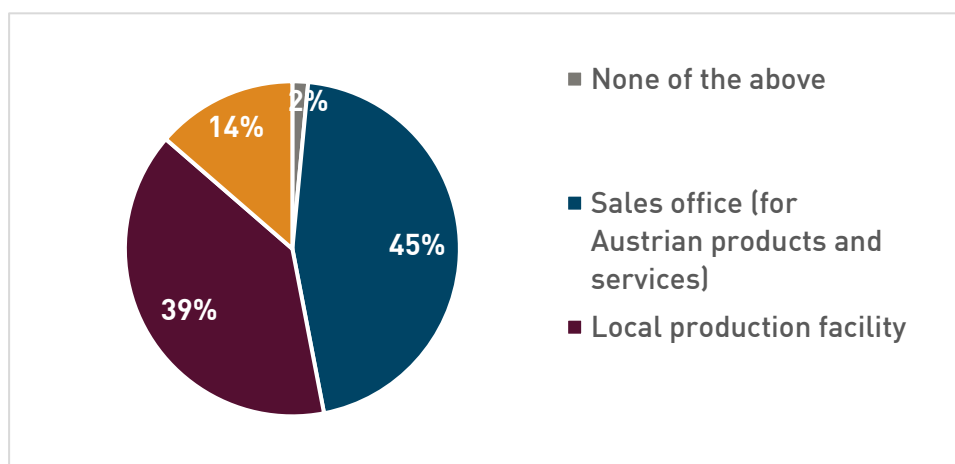
2. Survey Methodology

The “Global Business Barometer” (GBB) China survey was conducted in October and November 2024 in the form of a quantitative online survey comprising of twelve questions in total. Managers of Austrian subsidiaries or representative offices in China across a wide range of industries were invited to participate in the survey.

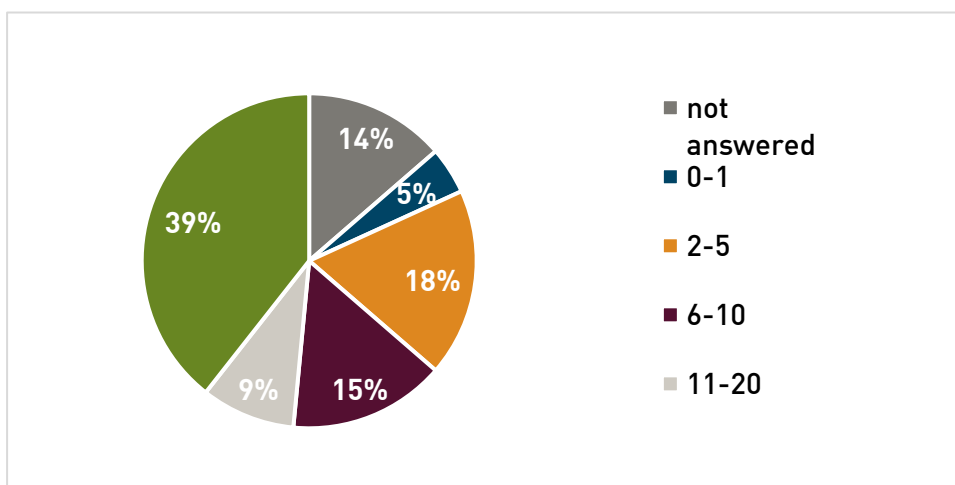
3. Profile of participants

66 respondents took part in the survey. 45% identified themselves as distributors of Austrian products or services. 39% indicated that their company’s main activity in China was manufacturing, while 14% identified themselves as service providers. 48% of participants achieved a turnover of more than 10 million EUR in the previous year.

What is the main activity of your company in China? (in percent)

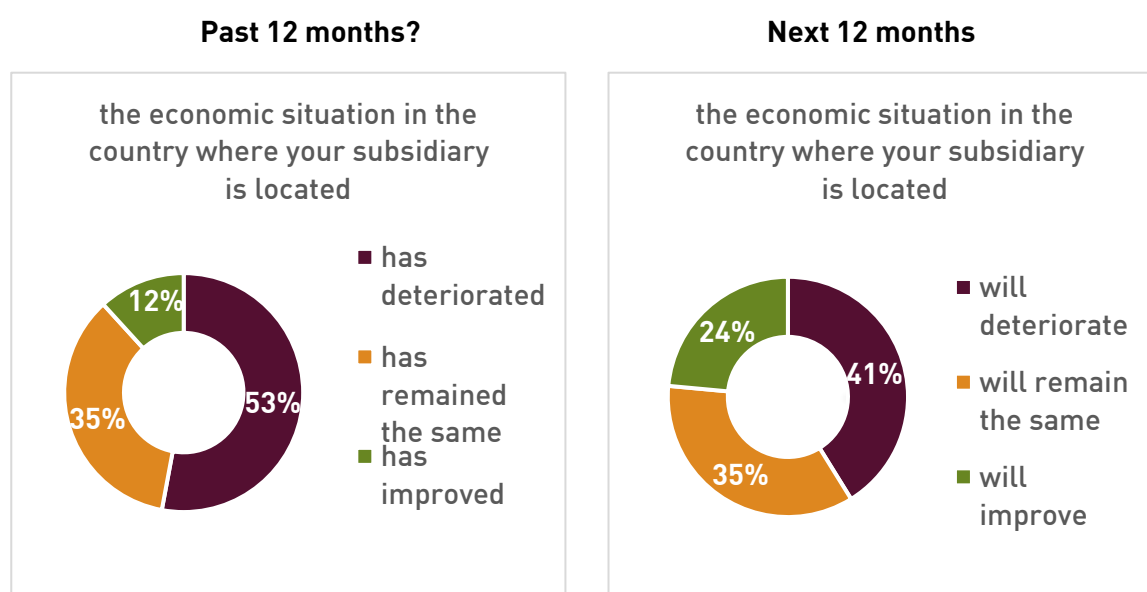


Participants by turnover in million EUR



4. Results of the Global Business Barometer Survey in Hong Kong

A majority of respondents, 59%, believe the global economic climate has worsened, while 53% feel the same about Hong Kong's economy. The outlook for the next 12 months remains uncertain, with 41% expecting conditions to deteriorate further, while 35% foresee stability. Compared to 2023 one can see that in 2023 47% believed that the situation will stay the same and only 29% thought that it will get worse.



Business performance among Austrian companies in Hong Kong shows mixed results. Out of 17 participants, 4 reported a decline in turnover, while 7 said it had remained the same. Most companies stated that order books, capacity utilization, workforce size, and investment levels have remained stable, and they expect little change in these areas over the next year.

Participants highlighted several challenges affecting their operations. The lack of a qualified labor force, rising raw material costs, and limited access to credit were identified as significant issues. On the positive side, digitalization, local supplier quality, and employment laws were rated favorably.

When it comes to artificial intelligence, nine respondents predicted that the use of AI-based products and services within their companies would increase over the next 12 months. However, systemic competition between global powers and the risk of decoupling between East and West, potentially leading to increased protectionism, were seen as the biggest threats to their business activities.

Despite these challenges, ADVANTAGE AUSTRIA's role in supporting Austrian companies in Hong Kong received even higher praise this year, with 14 participants rating their involvement as good or very good. This marks an improvement compared to 2023, when 13 participants rated their support as good and only one as very good. While investments have increased, capacity utilization remains low, and concerns about declining order volumes persist.

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Imprint

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