

# AUSTRIA IN CHINA

BUSINESS CONFIDENCE SURVEY 2022

# COM MIT TED EXP ERTS

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Three years Covid-19 pandemic have taken their toll on foreign as well as Austrian businesses and added further complexity to the Chinese market. The general mood is damp and the outlook over the next few months remains pessimistic to uncertain. China's ongoing self-imposed isolation from the rest of the world - with no end in sight - is starting to negatively affect businesses.

More than two thirds of the respondents complained about a decrease in turnover, demand, and supply chain bottlenecks. Almost 90% were affected one way or the other by COVID restrictions. Despite these major difficulties and negative developments more than 40% of Austrian companies in China are planning new investments and most of them do not foresee a reduction in their workforce. The trade conflict with the US – though still a huge challenge - is hurting Austrian companies to a lesser extent than in previous years.

Generally, there remains much room for improvement. Calls for predictable economic policies, a stable political environment and legal certainty are as strong as ever. Simultaneously, the availability of raw materials, energy and labor are becoming increasingly pressing issues.

These are just a few findings of the Austrian Business Confidence Survey, which we conducted among subsidiaries of Austrian companies in China in October 2022. These results coincide largely with the findings of recent surveys of the EUCCC (European Chamber of Commerce in China) or national European Chambers. They feed into our assessment of confidence of Austrian businesses in the market and our understanding of their views, perceptions, and motives. This in turn will help us tailoring our services to their needs. On the following pages, I would like to share more details with you.

A handwritten signature in black ink, reading 'Michael Berger'.

Dr. Michael Berger  
Head of ADVANTAGE AUSTRIA Beijing  
Beijing, December 2022

# 1. Austrian business in China

## 1.1. General business outlook

With a trade volume of 16.5 bn EUR in the first three quarters of 2022 (2021 Q1-3: 13 bn EUR), China remains Austria's most important trading partner in Asia and its ninth most important in the world. Behind Germany, China is Austria's second biggest source of imports. There are more than 900 subsidiaries of 650 Austrian companies in China.

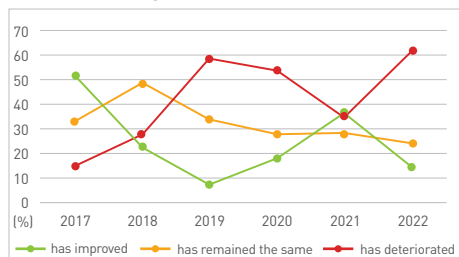
### The business outlook is gloomy

Nearly three years into the Covid-pandemic, uncertainty among Austrian companies in China has further increased. The majority of 62% of respondents have indicated that the business climate in China has deteriorated over the past 12 months. 24% stated that they saw no changes and only a minority of 14% claimed that the business climate improved. This is a reversal of sentiment compared with the last four years, when most assessed the economic situation more positively. Compared to last year we can see a significant divergence in the dots. Most respondents experienced a more challenging economic situation over the past 12 months than 2021 and the positive responses dropped. This just shows that the economic situation became more challenging and uncertain over the past 12 months with an increased number of unexpected lockdowns, power shortages and supply chain problems.

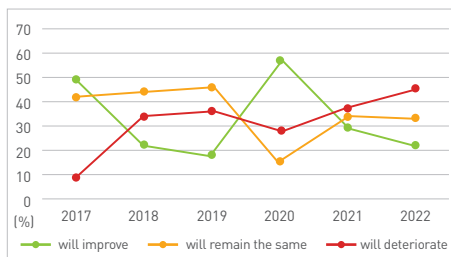
The Austrian business community seems divided regarding the future, whereas the majority sees a gloomy future. 45% of our respondents expect the general economic situation to further deteriorate, while 33% expect things to remain the same. Only 22% anticipate the general situation to improve over the next 12 months. The fact that the outlook is as negative as never been before is further emphasizing the general uncertainty among Austrian companies in China. Simultaneously, this is also a reversal of the more positive perspective that respondents gave us during the last two years, when the majority was awaiting that the Chinese economy would have overcome the most drastic effects of Covid by late 2022. With the pledge to stick to the dynamic 0 Covid policy for the near future during this year's party congress, the economic outlook for China for the next year seems just as uncertain.

### How would you assess the general economic situation/ climate from a business perspective over the...

#### past 12 months?



#### next 12 months?



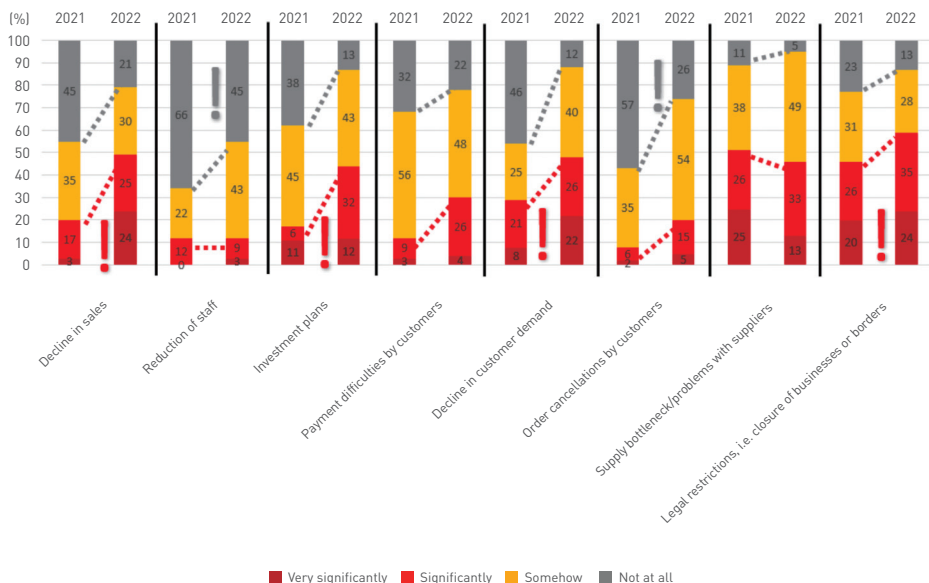
Covid continues to pose a huge challenge for Austrian companies in China. In 2022 even more than in 2021. Over the last year sudden unexpected business closures or lockdowns have increased so that travel and transport within China became more and more complex. While in the beginning of the pandemic the 0-Covid strategy was very effective, the easily-spreading Omicron variant is bringing the containment measures to their limits.

**Unexpected regional lockdowns and business closures remain the toughest challenge**

All this had severe impacts on Austrian businesses in 2022. 49% of the respondents stated that they are affected through a decline in sales (24% very significantly and 25% significantly). 48% also experienced a considerable decrease in customer demand (22% very significantly and 26% significantly) and order cancellations are on the rise too (in 2021 57% not affected; in 2022 only 26%). In addition many respondents indicated that they are increasingly facing payment difficulties by customers (30% very significantly and significantly in 2022 compared to 12% in 2021).

While a reduction of staff was not relevant for 66% last year, this year only 45% stated that this is no topic. The harsh business sentiment has forced many companies to overthink their investment plans (12% very significantly, 32% significantly and 43% somehow).

### How has the Covid-19 pandemic affected which part of your business? (in percent) 2021 vs. 2022



Legal restrictions like border closures and business shutdowns posed a substantial threat to Austrian businesses already in 2021, but have further deteriorated in 2022. Almost 60% of the respondents claimed that they were very significantly (24%) or significantly (35%) affected by legal restrictions – a sharp increase from last year.

A direct result of China's border and provincial closures are supply shortages, which still remain a high risk, but are mainly at the same level as already in 2021. Nearly half of our respondents stated that they are either very significantly (13%) or significantly (33%) affected by supply bottlenecks, due to closed ports, a shortage of truck drivers or regional Covid lockdowns.

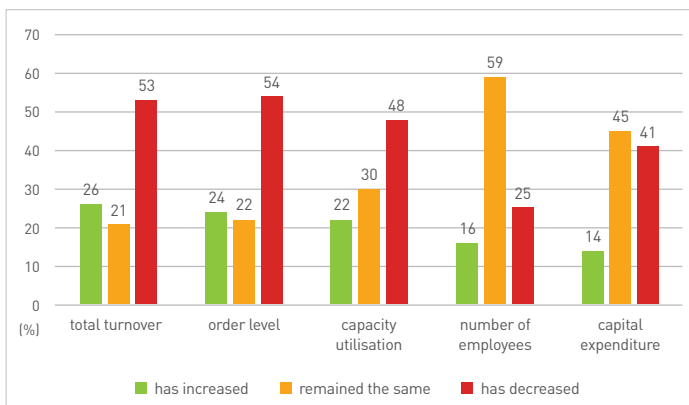
Overall one can observe a rather pessimistic trend to all answering possibilities thus evidencing that the Covid pandemic had severe effects on Austrian businesses in 2022.

Obviously, these circumstances did also have a quite negative impact on the key business figures of Austrian companies in China, with most of our respondents reporting that their key business figures either decreased or remained the same over the past 12 months. Especially, turnover, order level and capacity utilization decreased significantly for the majority of our respondents over the past year. These figures are reflecting the struggle of businesses in China with the immediate effects of strict Covid restrictions for the third year in a row, while the rest of the world started to return to business as usual over the last year.

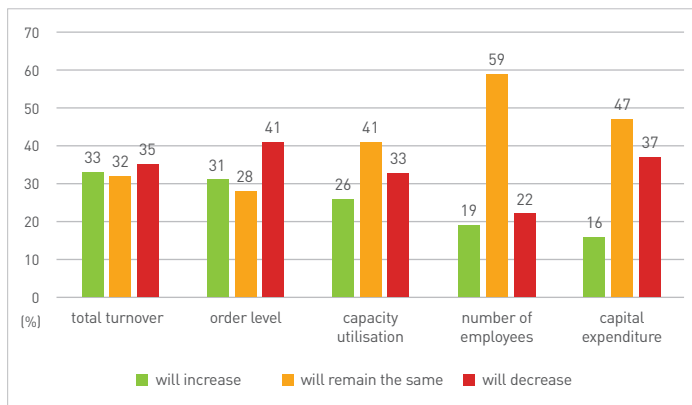
**Strong desire for economic and political stability**

## Performance of key business figures (in percent)

over the past 12 months



over the next 12 months



When asked about the outlook of their key business figures over the next 12 months, the Austrian business community again remains divided. While 33% are confident that their total turnover will improve, 35% are expecting a decrease. A slight negative trend can be observed regarding order levels, with 41% of our respondents anticipating a decline and 31% awaiting a rise in orders next year. The outlook for capacity utilization, number of employees and capital expenditure are also less optimistic. Most Austrian businesses in China believe that these business figures will remain the same or will decrease over the next 12 months.

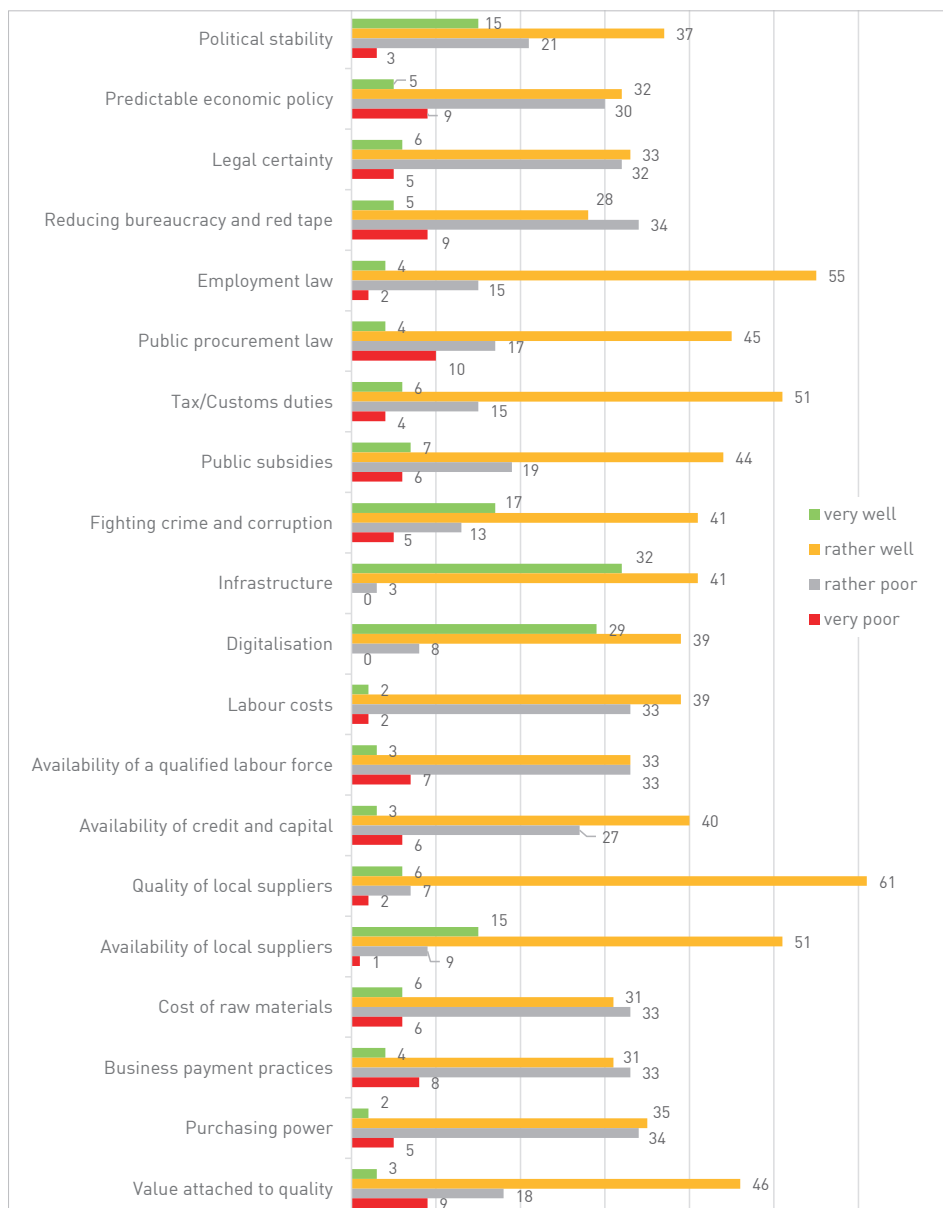
## 1.2. Market opportunities & challenges

With the ongoing trade war and Covid-related countermeasures still having a firm grip on China's economy, the desire for more predictable economic policies, political stability as well as the clarification of procurement laws and the reduction of red tape and bureaucracy remains strong among Austrian businesses.

Austrian companies have also identified several other business areas, which in their view leave room for improvement. As in previous years, HR related issues are of primary concern. Requests for a highly trained workforce or the availability of labour have been quite pressing issues during the pandemic. Furthermore, increasingly more firms lament the rising cost of raw materials and payment practices.

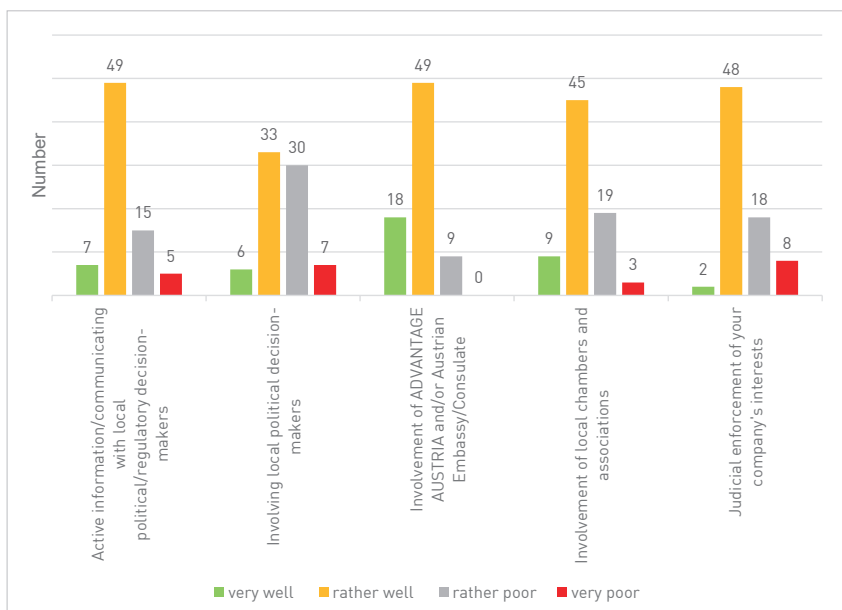
On the other hand, Austrian companies value the good infrastructure network and high degree of digitalization in the Chinese market. The availability and quality of local suppliers is also highly appreciated.

## Looking at China, how would you assess the factors listed below?





### How do you assess the effectiveness of the following measures for enforcing your company's interests in China?



In regard to the efficiency of representing the interests of the companies, the majority showed a high degree of satisfaction with the work of Advantage Austria, achieving the highest ranking among all actors.

Equally the involvement of local chambers and business associations, as well as the active communication with local decision makers are perceived as very useful for enforcing one's interests in the Chinese market.

### 1.3. Investment outlook

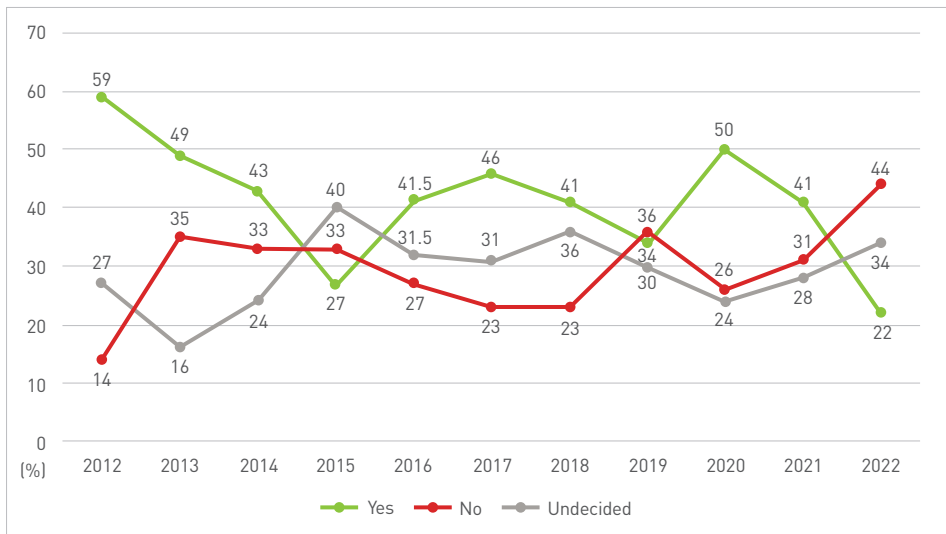
The majority (44%) of Austrian companies in China reported that they were not planning any bigger investments in the upcoming 2 years. This is the highest percentage over the last 10 years. 22% of our respondents stated that they are still committed to investing in China in the near future (lowest percentage in the last 10 years), while 34% remain uncertain in regard to their investment plans.

**Optimism of Austrian businesses at all-time low**

Thus, Austrian companies in general are less optimistic about the Chinese market than ever before. Nevertheless, every fifth respondent is positive regarding his company's future commitment to China.

Most of the Austrian companies follow an "in China for China" strategy. Maintaining competitiveness in the Chinese market demands increased investment even as the risks are mounting, as local competition is gaining ground.

### Are you planning any major investment in your China operations within in the next two years? (in percent)



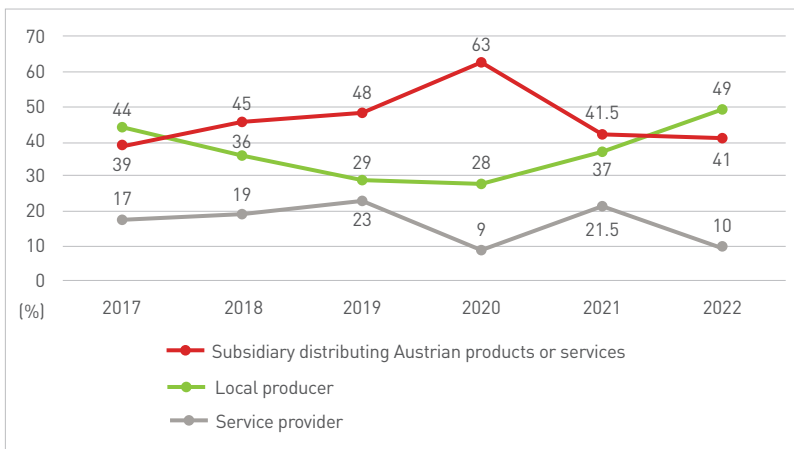
## 2. Method

The Austrian Business Confidence Survey was conducted in October 2022 in the form of a quantitative online survey comprising ten questions in total. Managers of Austrian subsidiaries or representative offices in China across a wide range of industries were invited to participate.

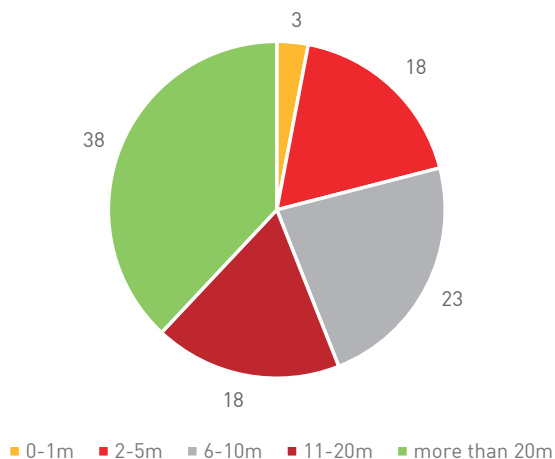
### 3. Profile of participants

76 respondents took part in the survey. For the first time since 2017 a majority of 49% identified themselves as manufacturers. 41% indicated that their company's main activity in China was to act as a subsidiary of an Austrian company distributing Austrian products, while 21.5% claimed to be a service provider. More than half of our participants achieved a turnover of more than 10 million Euro.

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



**Participants by turnover in million EUR**



## NOTES

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## NOTES

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